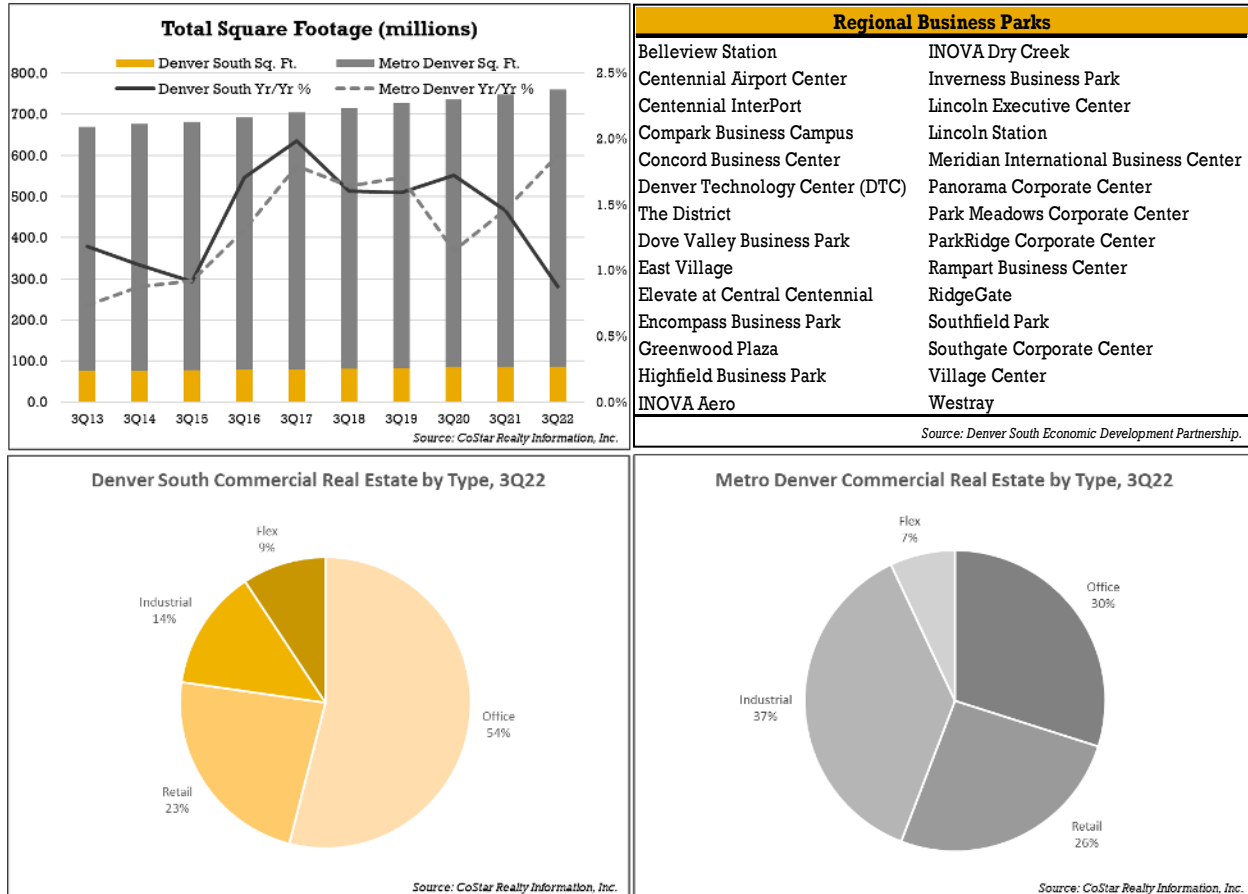


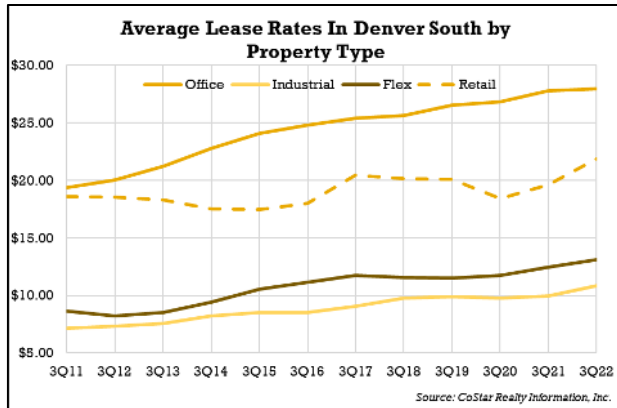
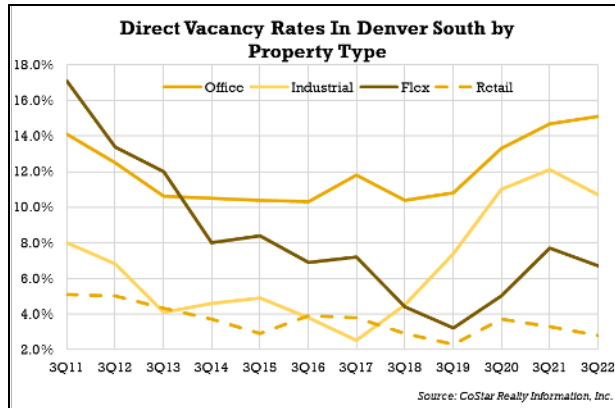
Commercial Real Estate

- The Denver South region has 86.4 million square feet of combined office, industrial, flex, and retail space in 2,230 buildings as of the third quarter of 2022.
 - Office (54 percent) accounted for the largest share of space among the four property types in Denver South, while industrial represented the largest share of Metro Denver's commercial real estate market (37 percent).
 - The Denver South region contains nearly 13 percent of the total space in Metro Denver.
 - Since 2011, the Denver South region added nearly 11.5 million square feet of total space.



Historical Trends

- The commercial real estate markets recorded low vacancy rates and record high average lease rates between 2011 and 2019. In 2020, the commercial real estate market worsened due to the pandemic for all four property types. With the exception of retail, which was surprisingly stable, lease rates generally increased from 2020 to 2022 even as vacancy rates rose.
- The vacancy rates in the Denver South region fell in three of the four property types between 2011 and 2019 but fluctuated over the period. Vacancy rates trended upward for office and flex properties from 2020 to 2022 but declined for retail and industrial properties.
- The average lease rates in Denver South generally climbed in all four property types between 2011 and 2022, driven by increased real estate investment and a growing economy that fueled demand for space.



Current Trends

- The vacancy rate declined in three of the four property types in the Denver South region between the third quarters of 2021 and 2022, with the industrial market recording the largest decrease of 1.4 percentage points. The office market recorded the only increase in the vacancy rate, rising by 0.4 percentage points.
 - Metro Denver also recorded declines in the vacancy rate in three of the four property types. The vacancy rate in the office market rose over-the-year to 12.4 percent.
 - The flex (-0.9 percentage points) and retail (-0.4 percentage points) property types recorded the largest declines between the third quarters of 2021 and 2022.

Denver South Commercial Vacancy and Lease Rates by Property Type

		Total Existing Square Footage (millions)		Vacancy Rate		Avg Lease Rate (per sq. ft.)	
		3Q 2021	3Q 2022	3Q 2021	3Q 2022	3Q 2021	3Q 2022
Office	Denver South	46.4	46.6	14.7%	15.1%	\$27.79	\$27.92
	Metro Denver	200.8	201.6	12.2%	12.4%	\$29.37	\$30.97
Industrial	Denver South	11.1	11.6	12.1%	10.7%	\$9.92	\$10.89
	Metro Denver	239.7	250.6	5.8%	5.5%	\$8.88	\$9.69
Flex	Denver South	8.0	8.1	7.7%	6.7%	\$12.50	\$13.09
	Metro Denver	47.0	47.2	6.2%	5.3%	\$13.31	\$15.16
Retail	Denver South	20.0	20.1	3.3%	2.8%	\$19.62	\$21.89
	Metro Denver	174.1	174.6	4.8%	4.4%	\$18.84	\$19.94

Note: Vacancy rate and average lease rate are for direct space only (excludes sublet space). Industrial, flex, and retail lease rates are triple-net; office rates are

Source: CoStar Realty Information, Inc.

Over-the-year, the average lease rate increased in all four property types in the Denver South region. The retail market recorded the largest increase in the average lease rate over-the-year, rising 11.6 percent to \$21.89 per square foot.

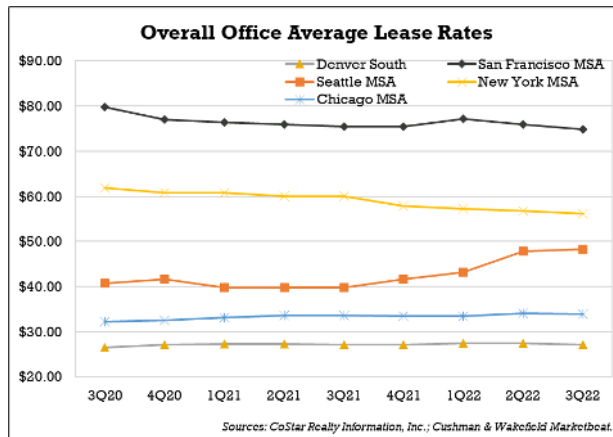
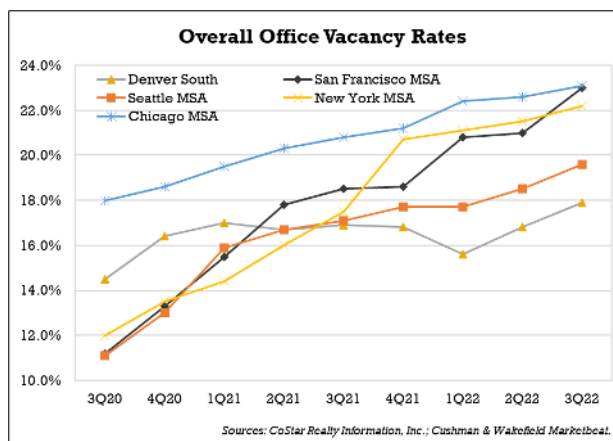
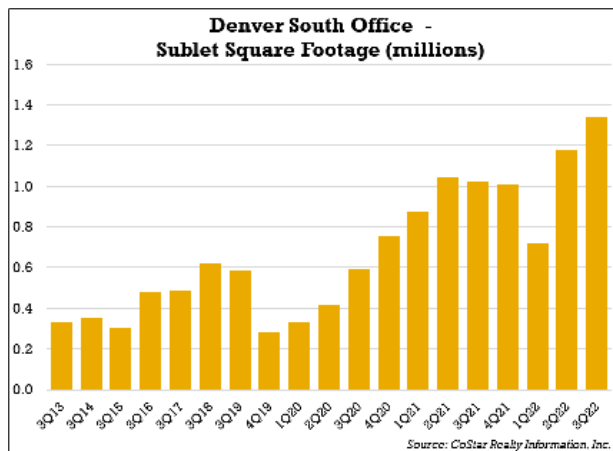
- The average lease rates increased in all four property types in Metro Denver over-the-year, with the flex market recording the largest increase of 13.9 percent.
- Office sublease space in the Denver South region rose by almost 14 percent between the second and third quarters of 2022, after nearly doubling between the first and second quarters, as companies continue navigating and making long-term office decisions for space that best suits their new work requirements.
- Office sublease space rose 31.4 percent over-the-year.
- The amount of space under construction in the Denver South region reached a combined 1.5 million square feet across all four property types in the third quarter of 2022, up almost 54

percent compared with the same time last year and representing 10 more buildings under construction during the period.

- The largest projects under construction in the Denver South region were BlueScope Logistics Center II that will add 304,620 square feet of industrial space and Building 173 at Blackhawk Street and Briarwood Avenue that will provide 173,257 square feet of industrial space.

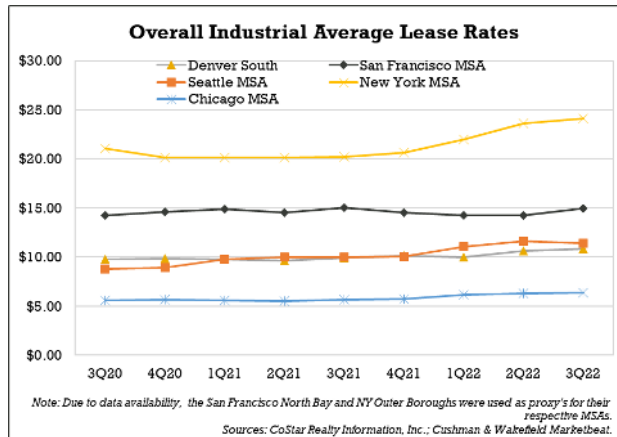
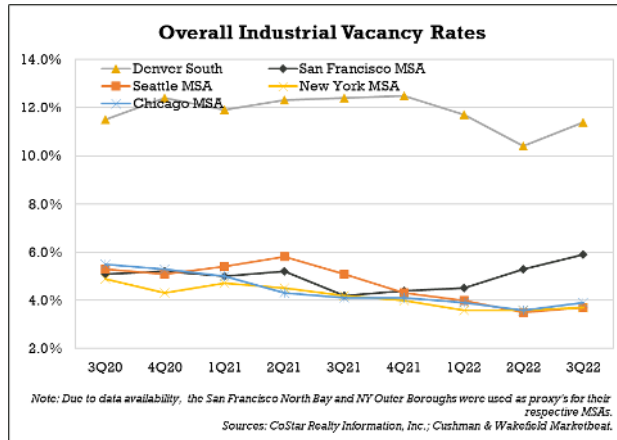
Office Vacancy & Average Lease Rates for Competitor MSAs

- The overall office vacancy rates increased in all competitor MSAs over-the-year.
 - The Denver South region's overall office vacancy rate was the lowest among the competitor MSAs in 3Q 2022.
 - The Chicago MSA had the highest overall office vacancy rate in the third quarter of 2022 at 23.1 percent. The New York MSA had the largest overall increase in the office vacancy rate, rising 4.7 percentage points over-the-year.
- The Denver South area had the lowest overall office average lease rate among the competitor MSAs. The average lease rate in the Denver South region fell 0.1 percent over-the-year.
 - Office average lease rates decreased in three of the five competitor MSAs. The New York MSA (-6.6 percent) had the largest over-the-year decrease in the office average lease rate. The Seattle MSA posted the largest lease rate increase, rising by 21.3 percent over-the-year.
 - The San Francisco MSA has historically had the highest average office lease rate among the competitor MSAs. The San Francisco MSA's overall average lease rate is nearly 3 times higher than the average lease rate in the Denver South region.



Industrial Vacancy & Average Lease Rates for Competitor MSAs

- The Denver South region's overall industrial vacancy rate was the highest among the competitor MSAs at 11.4 percent in 3Q 2022.
 - The overall industrial vacancy rate declined in four of the five competitor MSAs over-the-year. The Seattle MSA had the largest decline of 1.4 percentage points.
- Ongoing tight market conditions and elevated demand levels in the industrial market continue to exert substantial pressure on average lease rates.
 - The Denver South region's overall industrial average lease rate was the second lowest among the competitor MSAs.
 - The San Francisco MSA was the only competitor MSA to record a slight decline in the overall industrial average lease rate between 3Q 2021 and 3Q 2022.



Commercial Vacancy and Lease Rates by Property Type					
		Overall Vacancy Rate		Overall Avg Lease Rate (per sq. ft.)	
		3Q 2021	3Q 2022	3Q 2021	3Q 2022
Office	Denver South	16.9%	17.9%	\$27.15	\$27.11
	San Francisco MSA	18.5%	23.0%	\$75.53	\$74.80
	Seattle MSA	17.1%	19.6%	\$39.85	\$48.35
	New York MSA	17.5%	22.2%	\$60.04	\$56.09
	Chicago MSA	20.8%	23.1%	\$33.61	\$33.96
Industrial	Denver South	12.4%	11.4%	\$9.92	\$10.86
	San Francisco MSA	4.2%	5.9%	\$15.00	\$14.95
	Seattle MSA	5.1%	3.7%	\$9.98	\$11.40
	New York MSA	4.2%	3.7%	\$20.22	\$24.10
	Chicago MSA	4.1%	3.9%	\$5.69	\$6.34

Notes: Vacancy rates and average lease rates are for direct & sublet space. Due to data availability, the San Francisco North Bay and NY Outer Boroughs were used as proxy's for their respective MSAs.
Sources: CoStar Realty Information, Inc.; Cushman & Wakefield Marketbeat.