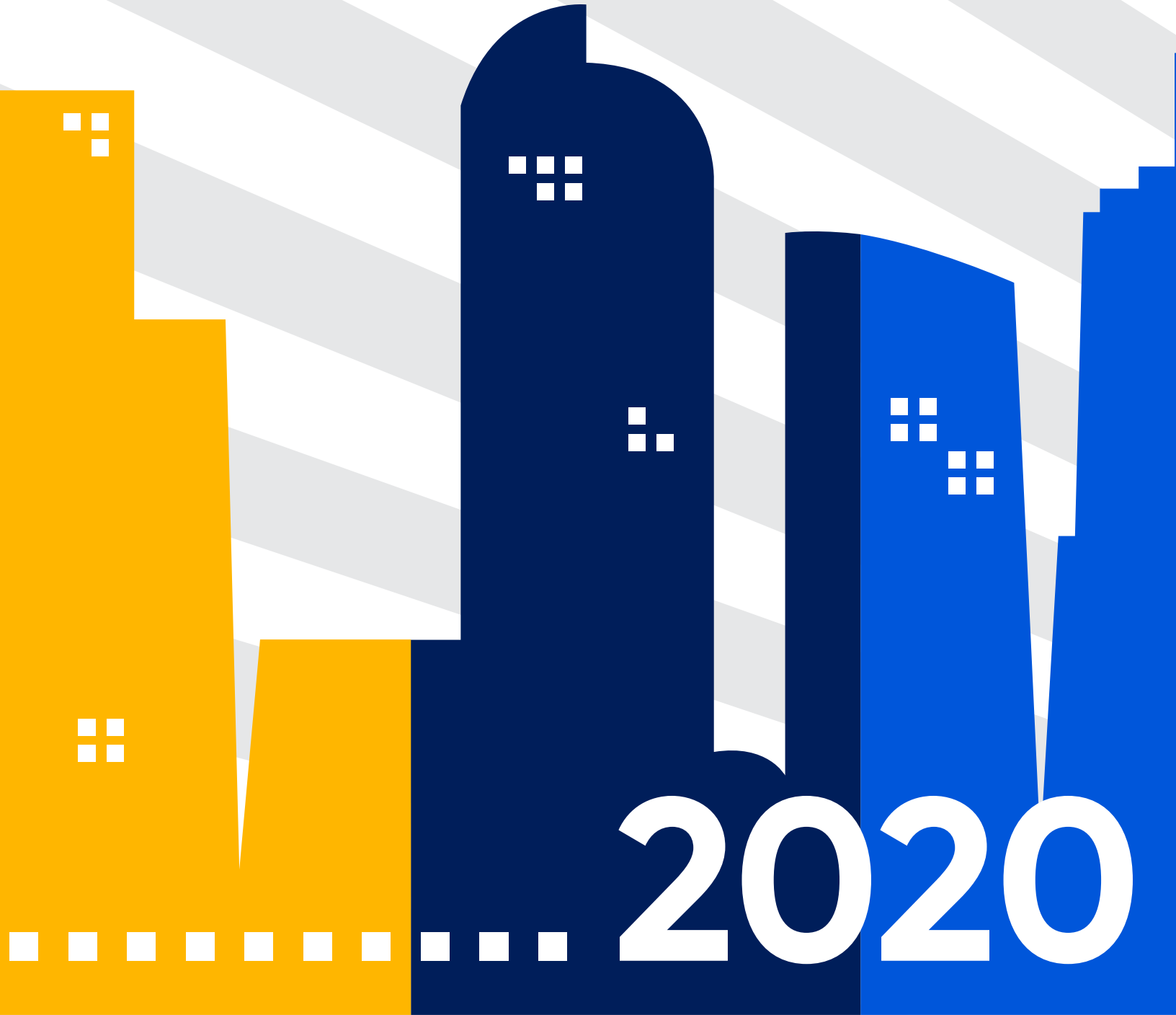


January, 2020

Market Insight Report

Exclusive insights for occupiers.



2019 Market Review → 2020 Forecast



Bruce Johnson
Managing Principal

Denver's office tenants leased an additional 2 million square feet in 2019, continuing an amazing 11 year run of positive absorption. This represents a 1.5 percent growth rate, as Denver companies expand in the face of higher rental rates and exploding construction costs. Average rents are up \$8 per square foot since 2010 and TI costs are up \$25 per square foot on full scale buildouts.

Tenant improvement costs now routinely hit \$75 per square foot and can be twice that number, depending on upgrades for tenants with higher private office/open plan ratios. In many cases, landlord allowances are just not sufficient and tenants face funding part of their own tenant improvement costs.

Full-service rates now range from \$20 per rentable square foot in older Class B suburban buildings and as high as \$60 per rentable square foot in new Class A downtown area developments. In response, our clients consider various strategies to control their rent costs—including higher space planning densities, moving from Class A to Class B buildings, and “desk sharing” in various forms. Longer term leases to realize additional tenant improvement allowances are also a fact.

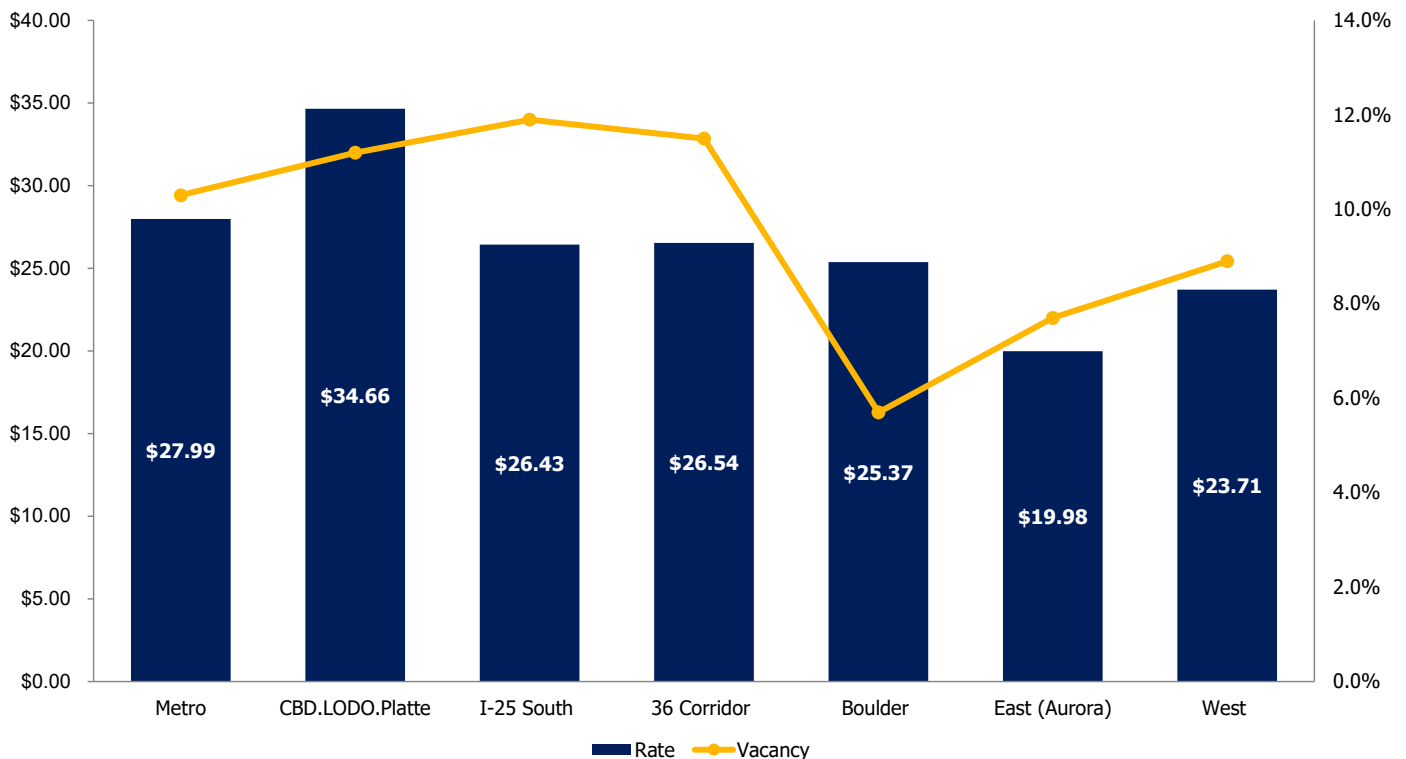
The new Class A buildings are doing well, as companies are now seeing their building and their space as a competitive advantage in recruiting employees in this period of historic low unemployment. Similarly, new buildings are integrating amenities such as first-class fitness centers and outdoor spaces.

Vacancy is down to 10.3 percent, which signals a “Landlord Market,” but there is another story brewing—excess space in the cowork and energy industries. There is widespread speculation about WeWork's new plans, after becoming downtown's largest tenant at 750,000 square feet. Look for aggressive pricing and possible disposition tactics—reportedly, WeWork is walking away from two recent letter-of-intent commitments. Furthermore, look for major sublease spaces to hit the downtown market as the oil and gas industry retrenches in Colorado. So far, mergers and acquisitions results include downsized staff and relocations to Houston.

The other factor driving demand has been companies relocating to Denver. If higher rents and higher labor costs slow that in-migration down, the impact will be significant.

There will also be another 3.5 million square feet added to the market as 31 new buildings are currently under construction, with deliveries scheduled in 2020 and 2021. These projects are spread throughout the metro area, including concentrations in the downtown area with five buildings, the River North (RiNo) district with 3 buildings, and Boulder with four new buildings.

Denver Metro Submarkets: Rent vs. Vacancy



PEPSICO SPOTLIGHT

PepsiCo is moving its Chicago office to the Old Post Office.

Managing Principals Adam Subber and Dan Sullivan in the Cresa Boston office and Allen Rogoway in the Cresa Chicago office represented PepsiCo in an office lease for 192,000 square feet in the recently redeveloped Old Post Office in Chicago. The New York-based food and beverage giant will move 1,300 workers from a 17-story building to one floor in the new ultrawide building.



DEVELOPMENT PIPELINE



Preleased



Available

*Each box equals 10,000 SF.



100 Cook St
Cherry Creek



RBA:
89,000 SF
Vacancy:
0%



1601 Market St
LoDo



RBA:
95,400 SF
Vacancy:
7.9%



2950 Pearl Street
Boulder



RBA:
120,000 SF
Vacancy:
0%



3650 Blake St
RiNo



RBA:
105,340 SF
Vacancy:
92.7%



6900 Layton Ave
I-25 South

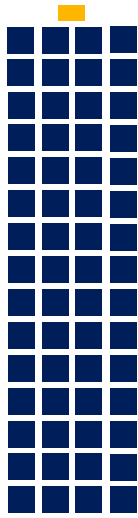


RBA:
385,094 SF
Vacancy:
51.3%

2020

	VACANCY	AVG RENT	2019 ABSORPTION	UNDER CONSTRUCTION	2019 DELIVERIES
36 Corridor	9.7%	\$26.54/SF	84K SF	7 Bldgs 381K SF	0 Bldgs
Boulder	5.7%	\$25.37/SF	77K SF	4 Bldgs 360K SF	0 Bldgs
CBD	9.7%	\$34.66/SF	685K SF	8 Bldgs 1.4M SF	1 Bldg 157K SF
East	7.7%	\$19.98/SF	98K SF	0 Bldgs	0 Bldgs
West	8.6%	\$23.71/SF	30K SF	0 Bldgs	0 Bldgs
I-25 South	11.9%	\$26.43/SF	504K SF	4 Bldgs 773K SF	1 Bldg 80K SF
Metro	10.3%	\$27.99/SF	2M SF	31 Bldgs 3.5M SF	2 Bldgs 237K SF
CO Springs	9.8%	\$18.08/SF	196K SF	0 Bldgs	0 Bldgs
Industrial	4.6%	\$9.72/SF	4K SF	66 Bldgs 4.9M SF	14 Bldgs 1.8M SF

wework



3600 Brighton Blvd
RiNo



RBA:
171,000 SF
Vacancy:
93%

675 15th St
Upper Downtown



RBA:
607,987 SF
Vacancy:
94.7%



1901 Wazee St
LoDo



RBA:
210,900 SF
Vacancy:
0%



2100 30th St
Boulder



RBA:
118,000 SF
Vacancy:
100%

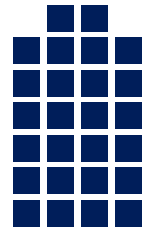


1701 Platte Street
Platte River



RBA:
252,000 SF
Vacancy:
100%

Kiewit



Trainstation Circle
Lone Tree



RBA:
260,121 SF
Vacancy:
0%

2021

LARGEST LEASES

36 Corridor	Boulder	CBD	East	West
 DANONE 137,040 SF	 Google 33,000 SF	 sunrun 118,000 SF	 DEFENSE HEALTH AGENCY 101,000 SF	 NATIONAL PARK SERVICE 167,000 SF
I-25 South	CO Springs	Metro Denver	Industrial	
 TIC 198,000 SF	 LOCKHEED MARTIN 104,000 SF	 TIC 198,000 SF	 Sealy 289,113 SF	



7 Reasons to Use a **TENANT-ONLY BROKER** to Find Your Next Office Space.

by Brielle Drelick

1

Ensure That Your Office Is the Right Fit

A lot of companies think they know exactly what their office needs are but end up regretting the decision before the lease is up. What I say is, “You don’t know what you don’t know.” By thoroughly assessing your needs, a tenant broker can help ensure that you have a clear picture of what will work best for your employees in terms of square footage, location, layout and more.

2

Save Time

The responsibility of searching for office space can fall on the desk of various departments within an organization when there is no head of real estate. This is a time-consuming project that no full-time employee has time for. It requires time dedicated to assessing your office needs, searching for office space (see reason #4), assembling tours, negotiating with brokers and communicating with furniture vendors, design teams and more. A tenant broker will take on these tasks for you, leaving you with more time to focus on the business.

3

Utilize Market Knowledge and Data

Tenant brokers bring knowledge of the industry and the market. They can help define unfamiliar terms, explain the differences between various lease types and explain complicated concepts. Their market insight will help you to fairly evaluate deals and create leverage in negotiations.

4

Gain Access to More Spaces

The real estate market is accessed through one software company called CoStar which is unavailable to non-industry professionals. Plus, some top-notch spaces may never become available to the public due to high demand. Through their connections, a tenant broker can get you into spaces that you would never have access to otherwise.

5

Introductions to the Experts You Need

Tenant brokers know other industry professionals and the good ones have built up a network of trusted referrals. Throughout the real estate process, you might need an architect, a space planner, an interior designer, or some other expert. A tenant broker can provide you with a short-list of referrals that you can trust.

6

Simplify Negotiations

When it comes time to negotiate a lease and solidify your deal, a tenant broker is by your side every step of the way to act as your advocate and advisor. This helps to streamline the negotiation process and ensures you feel confident that you’re receiving the best possible deal when it comes time to sign.

7

Save Money

A tenant broker can help save your company money in a lot of ways. They can help you avoid offices that are overpriced, recommend the right office size without having you pay for unused square footage, and devise a real estate strategy that aligns with your growth plan to avoid having to sublease in the future. Plus, their presence alone at the negotiating table can increase your chances of getting deals on rent, an ample tenant improvement allowance, several months of free rent and more.

You might wonder how tenant brokers get paid and the answer is simple: by your landlord. This means that we work on your behalf and it won’t cost you a thing!



BOULDER TECH PODCAST

EPISODE 57: BILL BALDWIN

November 7, 2019 | Joel Davis, Boulder Tech Podcast



Bill Baldwin
Managing Principal

The Boulder Tech Podcast features conversations with leaders, thinkers and influencers, sharing their views on what's happening in Boulder's rapidly-evolving tech and startup scene.

In episode 57 Cresa's Managing Principal Bill Baldwin sits down with the host Joel Davis to talk all things coworking including:

- A look at the WeWork "situation"
- The costs, benefits and risks of the co-working model
- Where the co-working industry is headed
- How your co-working space defaulting on its obligations could put your company out of business

Below is an excerpt of the podcast. To listen to the entire podcast, please click on the link below.

Bill: I've worked with a lot of high-tech companies throughout the years, I've seen a lot of big mistakes made: people who have a lack of experience around what their growth patterns might be, where funding is tied to, and how much real estate they should take down. And hopefully, our clients try to avoid that kind of stuff by crafting a solution.

Think about a startup company who has just received \$20 - \$30M, they need to hire a whole bunch of people. Well, what happens 18 month or 24 months down the road? Sometimes it's binary. There's no more, so why sign up for a five-year lease and spend 30 percent of your funding on real estate, when there's other solutions that could work for it.

Joel: And is that where coworking comes in?

Bill: Coworking's a great solution. The scale that it's currently at is only a recent phenomena. And by that, I mean, WeWork certainly did it. They've run through probably around \$10B to get it at the global scale. There were operators doing that well in advance.

One of my first projects that I worked on was for a company called SoftBank. At the time I worked with Brad Feld and Chris Wand at that project to help them build out their offices and they served that as an incubator to their funded companies and that was probably almost 20 years ago now.

So that was really a successful project from the aspect of them providing a creative space for their funded companies to grow and nurture and without having to take on large amounts of space and feel isolated.

The real growth of coworking and the real greatness of that business model is the flexibility that they offer, which is to basically lease you one space, one desk, one office, one room at a time for variable lengths. And it works very, very well for young companies, startup companies, or companies who are expanding into new markets and may not know how long they're going to be there, may not know how a market might respond to them and their offering, so it's a great way for companies to test the water as they grow into a market.

Joel: You talked about the benefits of the coworking space; what are some of the drawbacks to that?

Bill: Well, you're witnessing one of the biggest ones right now. The debacle of WeWork is really challenging, and that's more of a business problem on WeWork's side than an indictment of the industry. WeWork was expanding so quickly and burning through so much money that they ran into a challenge of creating a lot of risk for their members. And I'll just give you the biggest risk that I see.

Imagine that you're in a situation where you go to work one day, and the door is locked. So, you go to the property manager and say, "I can't get into my space. The door is locked."

And the property manager says, "Well, your coworking space has not been paying the rent for 30 days—or 60 days or 90 days—they're in default of your lease."

"Well, what does that have to do with me? I'm a member of that, but that has nothing to do with me."

It has everything to do with you. You don't have any rights to your space. You don't have any rights directly with the landlord as a member of one of these coworking situations and it puts you at a great deal of risk.



**LISTEN TO THE ENTIRE PODCAST
ON APPLE PODCAST**

<http://bit.ly/Boulder57>

About Cresa

Occupiers Deserve Better.

A better space to work, create, build, grow. A better outcome for your people and organization. A better advocate who puts your needs first. In fact, your results depend on better.

At Cresa, we are proud to be by your side. We've purpose-built our company with occupiers at the forefront of everything we do, empowering you no matter where you are. Helping you navigate the landscape, uncovering hidden opportunities that work in your favor for that extra edge.

We have a proven record of securing the results you need to power your business forward. Because we're Cresa. We work together to put occupiers first—for better.

Contact

For more information about Cresa and the Denver market, please contact:

Cresa Denver
1001 17th Street, Suite 1225
Denver, CO 80202

303.228.0800
cresa.com/Denver

Learn More:

-  [/company/cresa-denver/](https://www.linkedin.com/company/cresa-denver/)
-  [@CresaDenver](https://twitter.com/CresaDenver)
-  [/CresaDenver](https://www.facebook.com/CresaDenver)
-  [@CresaDenver](https://www.instagram.com/CresaDenver)

cresa 



2019

SUPPLY (A&B) **153.8M SF**

VACANCY **10.3%**

AVG RENT **\$27.99/SF**

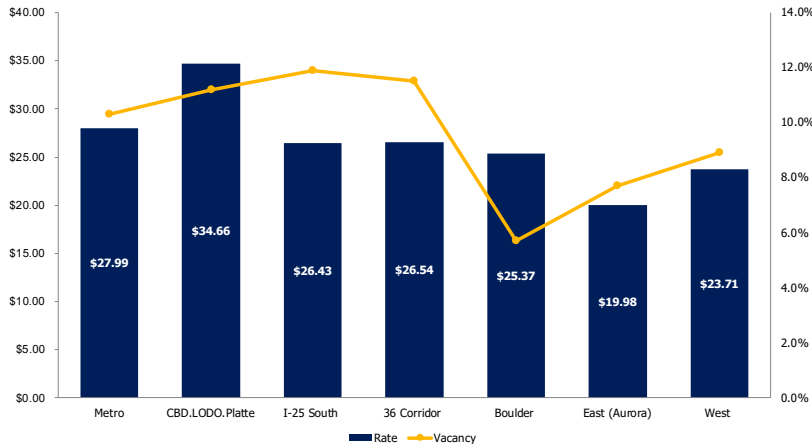
YTD ABSORPTION **2M SF**

BUILDINGS **1,682**

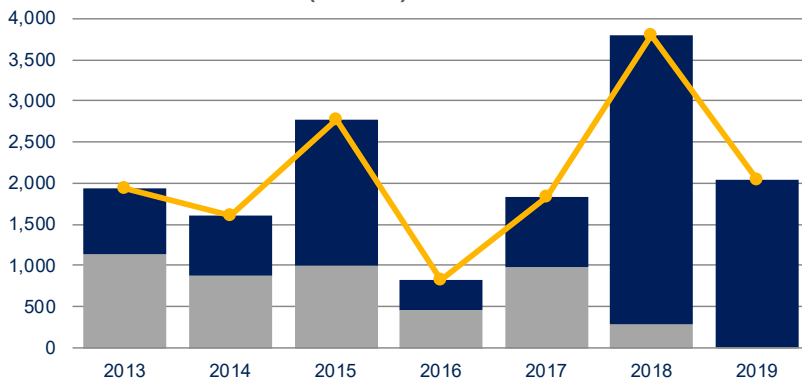
UNDER CONSTRUCTION **31 BLDGS | 3.5M SF**

Q4 DELIVERIES **2 BLDGS | 237K SF**

RATES vs. VACANCY



ABSORPTION (000s)



BOULDER TECH PODCAST: EPISODE 57 FEATURING BILL BALDWIN

The Boulder Tech Podcast features conversations with leaders, thinkers and influencers, sharing their views on what's happening in Boulder's rapidly evolving tech and startup scene. In episode 57, Cresa's Managing Principal Bill Baldwin sits down with the host Joel Davis to talk all things coworking including:

- A look at the WeWork "situation"
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LISTEN TO THE PODCAST

<http://bit.ly/Boulder57>

TOP LEASES

1 The Industrial Company



198K SF
12510 E Belford Avenue

2 National Park Service



167K SF
12795 W Alameda Pkwy

3 Cochlear Americas



161K SF
10350 Park Meadows Drive

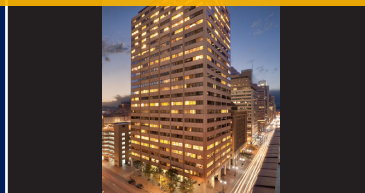
TOP SALES

1 1560 Broadway



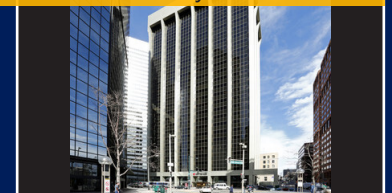
\$143M = \$239/SF
Rising Realty Partners

2 410 17th Street



\$127.3M = \$292/SF
Rialto Holdings, LLC

3 1600 Broadway



\$110.9M = \$249/SF
Nuveen Real Estate

SUPPLY (A&B) **14.1M SF**

VACANCY **9.7%**

AVG RENT **\$26.54/SF**

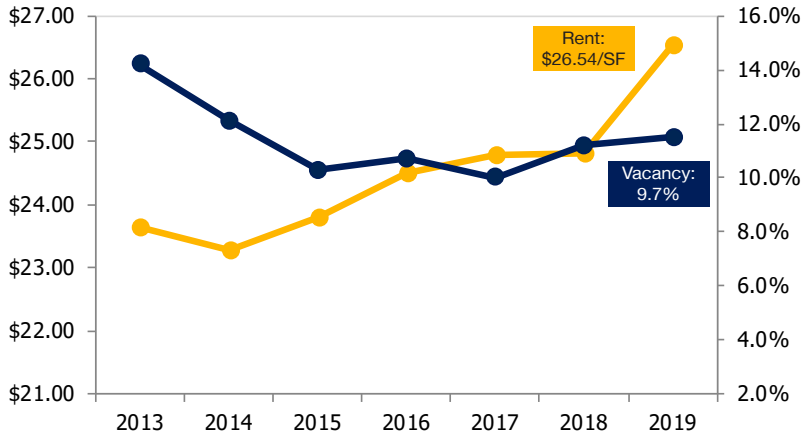
YTD ABSORPTION **84K SF**

BUILDINGS **185**

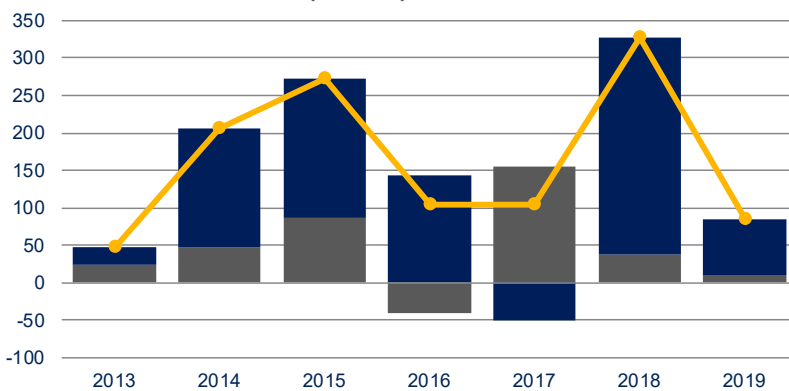
UNDER CONSTRUCTION **7 BLDGS | 381K SF**

Q4 DELIVERIES **0 BLDGS**

RATES vs. VACANCY



ABSORPTION (000s)



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LISTEN TO THE PODCAST

<http://bit.ly/Boulder57>

TOP LEASES

1 Danone



137,040 SF
12002 Airport Way

2 Crocs



88,293 SF
13601 Via Varra

3 Blue Canyon Technologies



80,132 SF
2550 Crescent Drive

TOP SALES

1 1315 W Century Drive



\$21.1M = \$197/SF
Tritower Financial Group LLC

2 10955 Westmoor Drive



\$18.8M = \$92/SF
CapRidge Partners

3 303 S Tech Ct Interlocken IA/IB



\$15M = \$202/SF
Metronest

SUPPLY (A&B) **8.65M SF**

VACANCY **5.7%**

AVG RENT **\$25.37/SF**

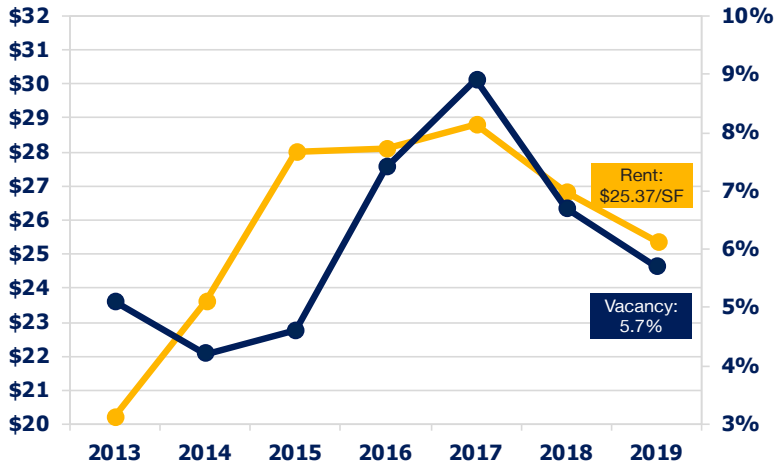
YTD ABSORPTION **77K SF**

BUILDINGS **155**

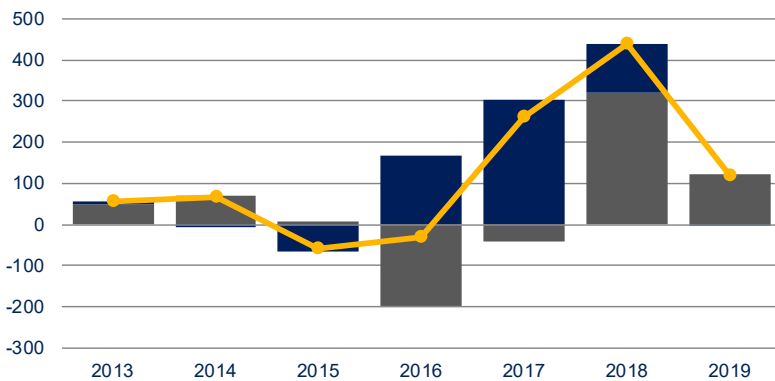
UNDER CONSTRUCTION **4 BLDGS | 360K SF**

Q4 DELIVERIES **0 BLDGS**

RATES vs. VACANCY



ABSORPTION (000s)



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LISTEN TO THE PODCAST

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TOP LEASES

1 Google



33K SF
4740 Walnut Street

2 Unsupervised.com



21K SF
4740 Pearl Street

3 Google



20K SF
4772 Walnut Street

TOP SALES

1 5495 N Arapahoe Avenue



\$21.2M = \$386/SF
Joan & Charles Shepherd et al

2 2300 55th Street



\$12.2M = \$200/SF
Trimble Inc

3 1113 Spruce Street



\$6.5M = \$342/SF
Tebo Development Co

SUPPLY (A&B) **37.8M SF**

VACANCY **9.7%**

AVG RENT **\$34.66/SF**

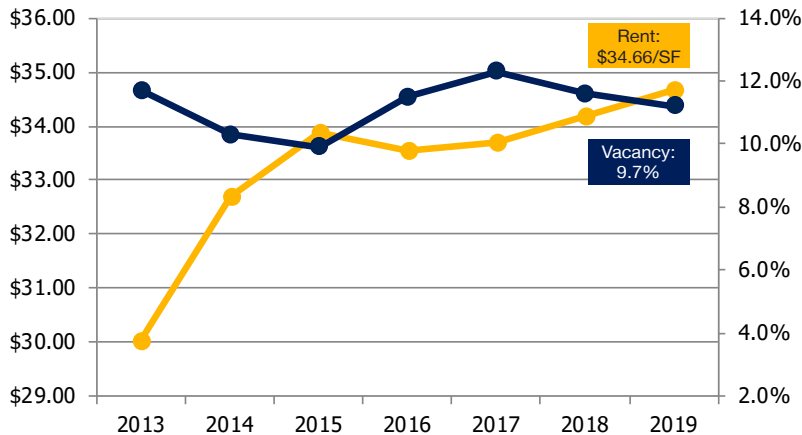
YTD ABSORPTION **685K SF**

BUILDINGS **214**

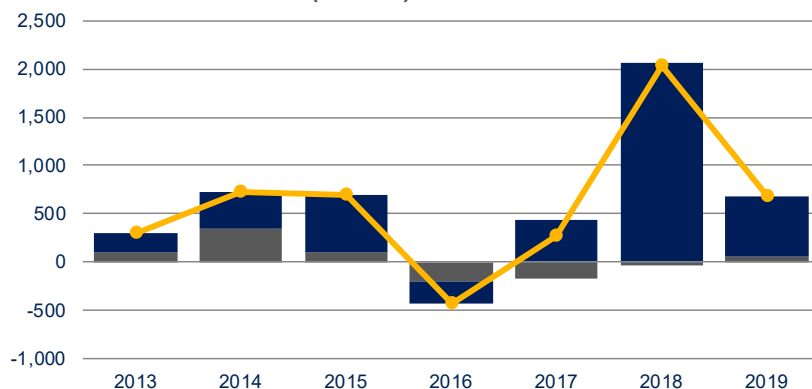
UNDER CONSTRUCTION **8 BLDGS | 1.4M SF**

Q4 DELIVERIES **1 BLDG | 157K SF**

RATES vs. VACANCY



ABSORPTION (000s)



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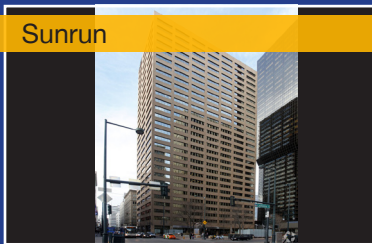


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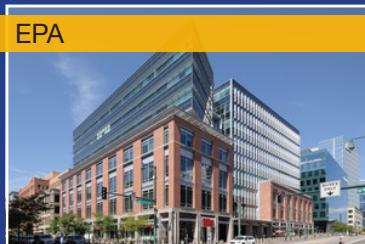
TOP LEASES

1 Sunrun



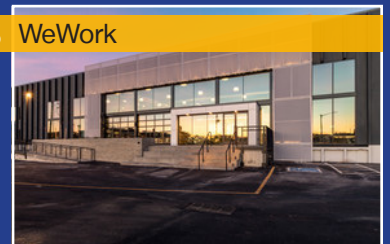
118K SF
717 17th Street

2 EPA



248K SF
1595 Wynkoop Street

3 WeWork



86K SF
2323 Delgany Street

TOP SALES

1 1601 Wewatta Street



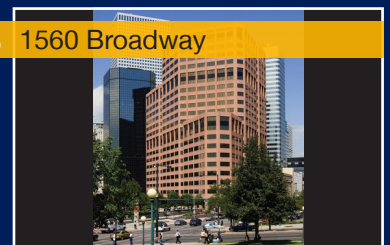
\$222M = \$742.16/SF
Morgan Stanley & Co. LLC

2 950 17th Street



\$194M = \$365.36/SF
Samsung SRA Asset Mgmt

3 1560 Broadway



\$143M = \$239/SF
Rising Realty Partners

SUPPLY (A&B) **7.0M SF**

VACANCY **7.7%**

AVG RENT **\$19.98/SF**

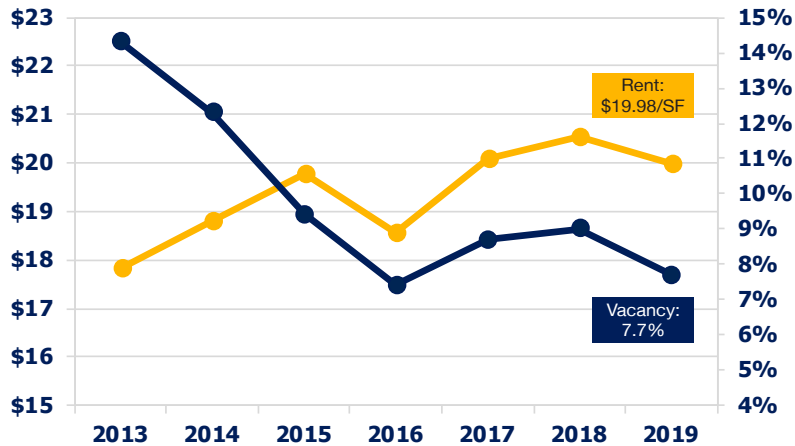
YTD ABSORPTION **95K SF**

BUILDINGS **91**

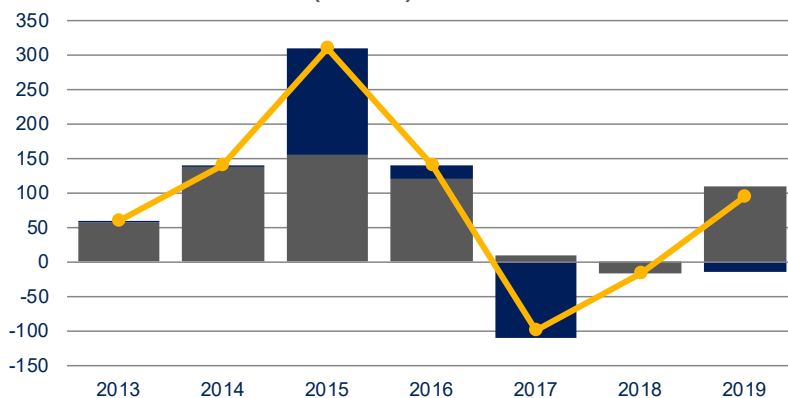
UNDER CONSTRUCTION **0 BLDGS**

Q4 DELIVERIES **0 BLDGS**

RATES vs. VACANCY



ABSORPTION (000s)



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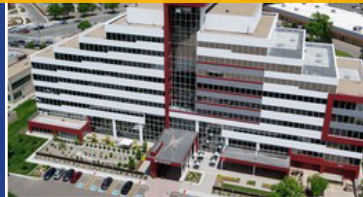
TOP LEASES

1 Defense Health Agency



101K SF
16401 E Centrectech Pky

2 American Sentinel



21K SF
10065 E Harvard Avenue

3 Major Medical



13K SF
3350 Peoria Avenue

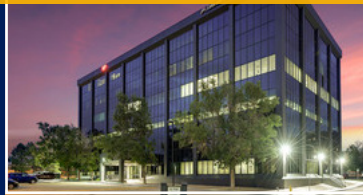
TOP SALES

1 16951 E Quincy Avenue



\$10M = \$1,296/SF
CLR Property Corp

2 3151 S Vaughn Way



\$6.6M = \$58.30/SF
Pennybacker Capital, LLC

3 5657 S Himalaya Street



\$5.4M = \$227/SF
Darren Nakos

SUPPLY (A&B) **11.5M SF**

VACANCY **8.6%**

AVG RENT **\$23.71/SF**

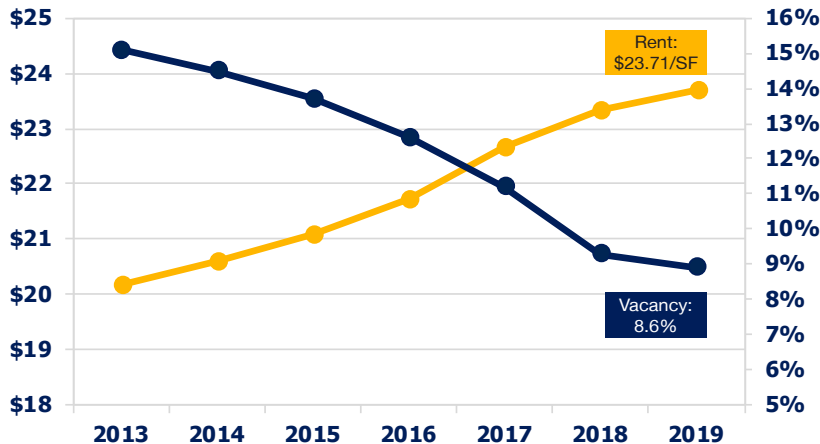
YTD ABSORPTION **30K SF**

BUILDINGS **157**

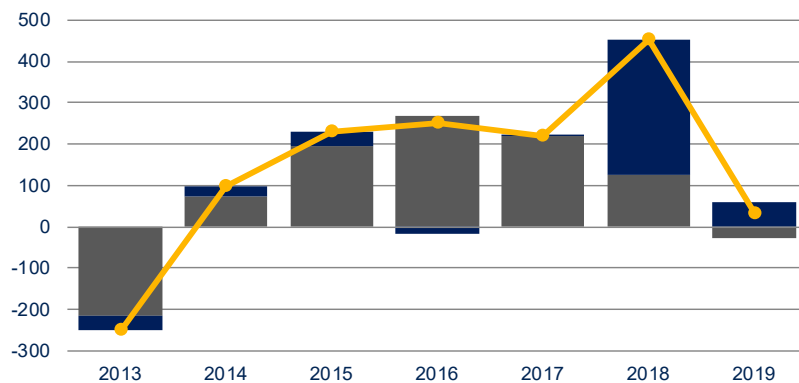
UNDER CONSTRUCTION **0 BLDGS**

Q4 DELIVERIES **0 BLDGS**

RATES vs. VACANCY



ABSORPTION (000s)



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LISTEN TO THE PODCAST

<http://bit.ly/Boulder57>

TOP LEASES

1 National Park Service



167K SF
12795 W Alameda Pkwy

2 Yeti Cycles



28.6K SF
611 Corporate Circle

3 Kinder Morgan



18.5K SF
1667 Cole Blvd

TOP SALES

1 1687-1707 Cole Blvd



\$18.9M = \$122/SF
Bancroft Capital

2 600-650 12th Street



\$15.9M = \$199/SF
Colorado State Land Board

3 2922-2942 Evergreen Pkwy



\$3.2M = \$74/SF
Good Signature Mgmt LLC

SUPPLY (A&B) **44.3M SF**

VACANCY **11.9%**

AVG RENT **\$26.43/SF**

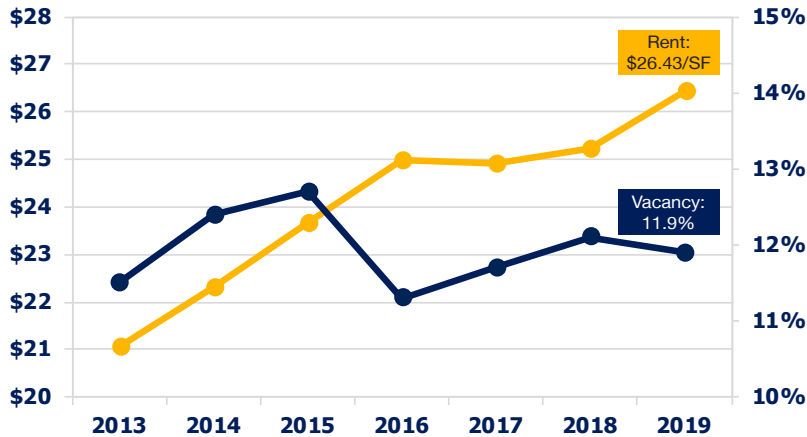
YTD ABSORPTION **504K SF**

BUILDINGS **466**

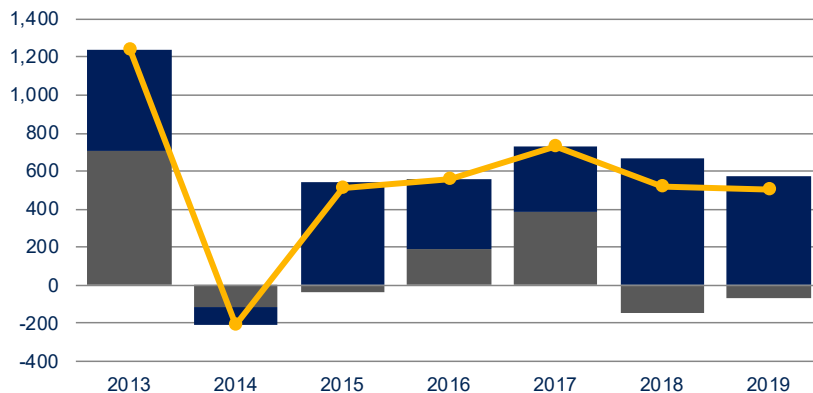
UNDER CONSTRUCTION **4 BLDGS | 773K SF**

Q4 DELIVERIES **1 BLDG | 80K SF**

RATES vs. VACANCY



ABSORPTION (000s)



BOULDER TECH PODCAST: EPISODE 57 FEATURING BILL BALDWIN

The Boulder Tech Podcast features conversations with leaders, thinkers and influencers, sharing their views on what's happening in Boulder's rapidly evolving tech and startup scene. In episode 57, Cresa's Managing Principal Bill Baldwin sits down with the host Joel Davis to talk all things coworking including:

- A look at the WeWork "situation"
- The costs, benefits and risks of the co-working model
- Where the co-working industry is headed
- How your co-working space defaulting on its obligations could put your company out of business



LISTEN TO THE PODCAST

<http://bit.ly/Boulder57>

TOP LEASES

1 The Industrial Company



198K SF
12510 E Belford Avenue

2 Cochlear Americas



161K SF
10350 Park Meadows Drive

3 Lockheed Martin



78K SF
9193 S Jamaica Street

TOP SALES

1 4643 S Ulster Street



\$71.2M = \$223/SF
Granite Properties, Inc

2 6312 S Fiddlers Green Circle



\$64.8M = \$251/SF
America's Capital Partners

3 7979 E Tufts Avenue



\$62.3M = \$170/SF
Lowe Enterprises Investment

SUPPLY (A&B) **19.5M SF**

VACANCY **9.8%**

AVG RENT **\$18.08/SF**

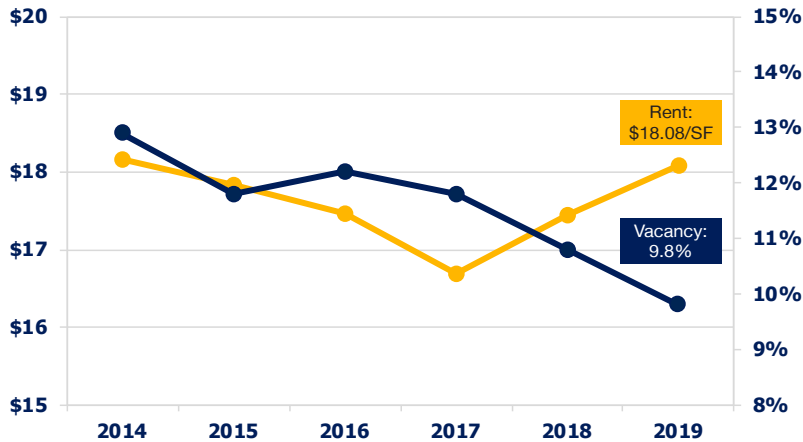
YTD ABSORPTION **196K SF**

BUILDINGS **307**

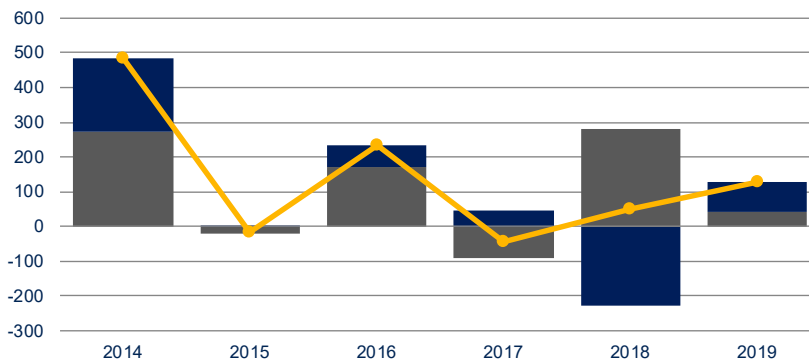
UNDER CONSTRUCTION **0 BLDGS**

Q4 DELIVERIES **0 Bldgs**

RATES vs. VACANCY



ABSORPTION (000s)



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TOP LEASES

1 Lockheed Martin



104K SF
655 Space Center Drive

2 Charter School Develop Corp



97K SF
755 Citadel Drive W

3 Kratos Defense & Security



61K SF
12515 Academy Ridge View

TOP SALES

1 3535 Northrop Grumman Pt



\$19.9M = \$159.69/SF
Flywheel Capital

2 1005 E Woodmen Road



\$16M = \$113.81/SF
TEK Experts

3 7150 Campus Drive



\$13.7M = \$126.87/SF
MJQ Woodmen LLC