MARKET IN MINUTES
Savills Research

Q2 2022 - Office

Denver

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Leasing activity down in the Denver office market at mid-year 2022

The Denver office market reported a slowdown in leasing activity as occupancy requirements remained clouded amidst widespread adoption of the hybrid workplace model. While many companies have made the decision to expand or maintain current footprints, others have reduced their footprints as work from home and hybrid arrangements have become more entrenched. As a result, leasing activity of 1.4 million square feet (msf) in the second quarter 2022 was down 32% from 2.1 msf reported in the previous quarter. The largest deals executed this quarter included Sierra Space leasing 116,055 sf at 500 Eldorado Boulevard in Broomfield, Brownstein Hyatt Farber Schreck leasing 103,974 sf at 675 15th Street in the Denver CBD, and Gen II Fund Services leasing 72,914 sf at 6900 Layton Avenue in the Denver Tech Center.

"Flight to Quality" bolsters asking rental rates

Despite elevated energy prices, inflation and rising interest rates, developers are continuing to moving forward on new projects with 1.6 msf now underway across the Denver market. With tenants increasingly seeking out top-quality space, the development pipeline remains steady with projects such as Paradigm River North, 1900 Lawrence and The Ridgeway Science & Tech all seeing pre-lease interest from tenants as the overall trend of flight to quality continues. Despite a decrease in leasing activity from the previous quarter, the RiNo, CBD and Boulder submarkets, respectively, are still seeing occupier demand for trophy space. As a result, overall average asking rents remained relatively flat from last quarter at $32.50 per square foot (psf) but is now up 3.4% from $31.34 psf reported a year ago. Overall availability inched up 10 basis points (bps) from 24.2% reported last quarter to 24.3% but has declined 50 bps from 24.9% reported a year ago.

Tenant-favorable conditions should persist despite favorable long-term outlook

The growth of office-using employment across the Denver MSA has outperformed many other major markets in the U.S., and the region's unemployment rate is nearing pre-pandemic lows. While some market fundamentals remain weakened, including an elevated supply of sublease options hovering well above long term averages, the Denver market remains well positioned for long-term success. However, as current demand for space remains unsteady, landlords have continued to offer generous concessions for occupiers, including rent abatement, tenant improvement allowances, and greater flexibility. In the current environment of heightened economic uncertainty, the Denver market is expected to remain tenant-favorable for the foreseeable future.

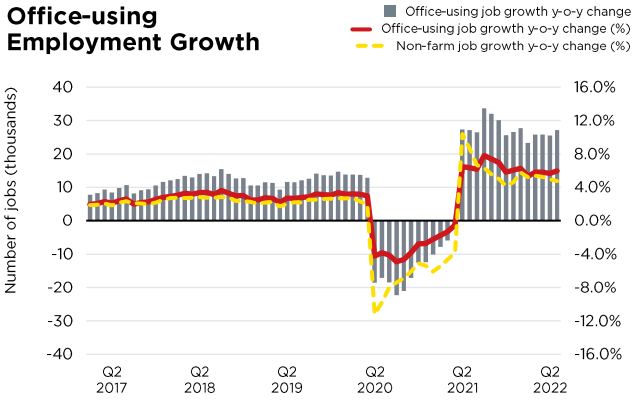
Outlook

- Sublease availability is expected to remain elevated in the near term as companies continue to shed space as they reevaluate their future occupancy requirements
- With companies emphasizing the need to retain and recruit their employees, the appeal for exceptional amenities continues to be a top priority for firms seeking an optimal workplace experience
- Leasing activity should remain stunted but steady as tenants decide their future space needs and, in some cases, decide to pursue short-term extensions again as economic uncertainty has returned

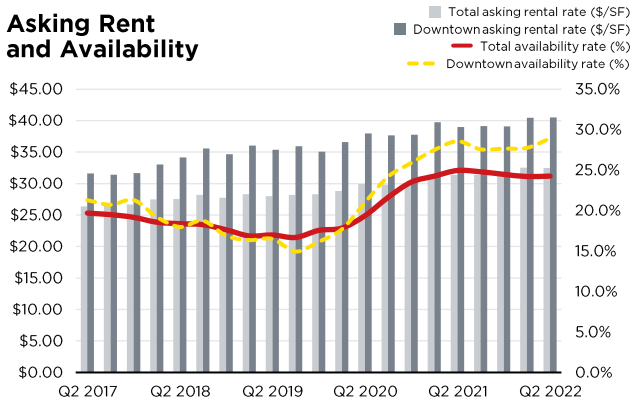
Key Statistics

	Q2 2021	Q2 2022	y-o-y Change
Inventory	113.6 MSF	114.0 MSF	▲
Availability Rate	24.9%	24.3%	▼
Overall Asking Rental Rate	$31.34	$32.50	▲
Downtown Asking Rental Rate	$38.96	$40.51	▲
Quarterly Leasing Activity	1.5 MSF	1.4 MSF	▼
Available Sublease Space	4.8 MSF	4.5 MSF	▼

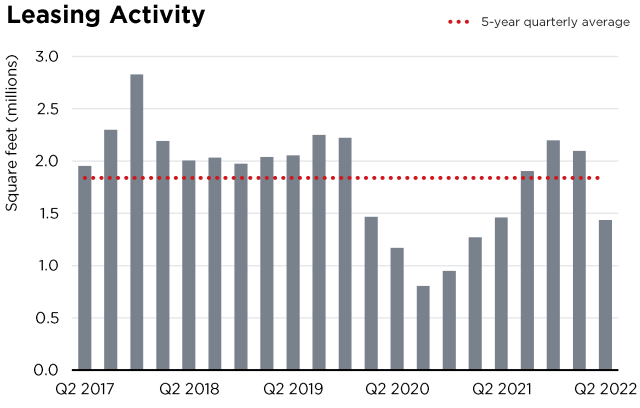
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.1%
Denver-Aurora-Broomfield, CO MSA Unemployment rate (as of May 2022)

6.0%
Office-using employment growth year-over-year (as of May 2022)

1.6 msf
Office space currently under construction

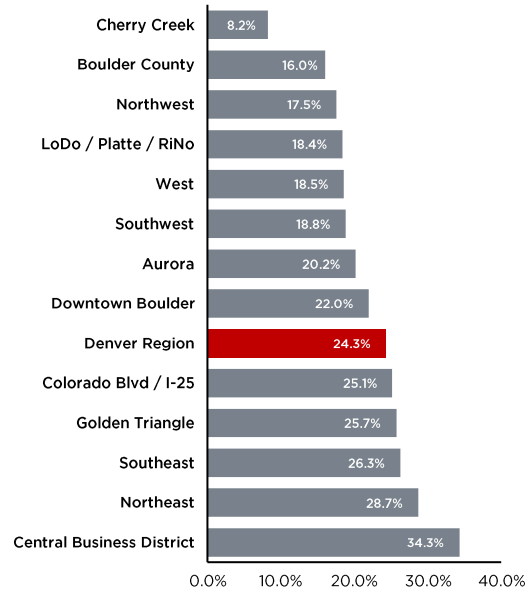
Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Sierra Space	116,055	500 Eldorado Boulevard	Relocation	Northwest	TAMI
Brownstein Hyatt Farber Schreck	103,974	675 15th Street	Relocation	CBD	Legal Services
Gen II Fund Services	72,914	6900 Layton Avenue	Relocation	Southeast	Financial Services
Kimley-Horn	62,122	6200 S Syracuse Street	Relocation	Southeast	Construction and Engineering
Bryan Cave Leighton Paisner	52,000	1700 Lincoln Street	Renewal	CBD	Legal Services
Primoris*	31,976	4400 Kittredge Street	Relocation	Northeast	Construction and Engineering
Funding Circle	25,636	707 17th Street	Renewal	CBD	Financial Services
Moss Adams	24,564	675 15th Street	Relocation	CBD	Business Services
Project Canary	22,461	1200 17th Street	Renewal	LoDo/Platte/RiNo	Business Services

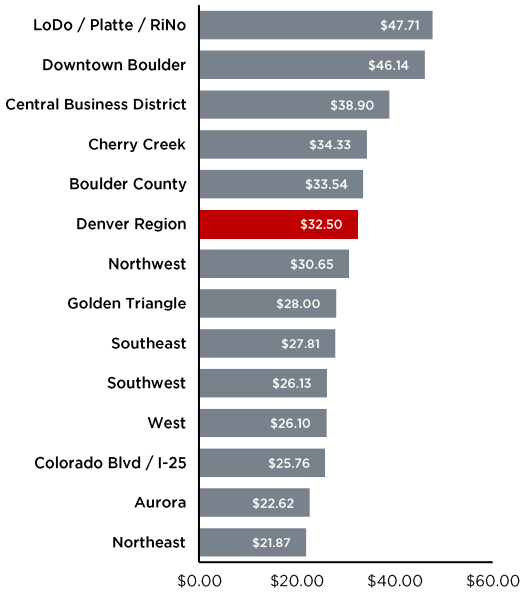
*Sublease

Source: Savills Research

Availability Rate Comparison (%)
Denver Submarkets



Rental Rate Comparison ($/SF)
Denver Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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