

# Denver

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## Denver's rental rates climb despite downturn in office leasing activity

In Q1 2024, the Denver region has experienced a surge in rental rates, with an overall increase of 5.1% year over year, and an impressive 9.4% uplift in Downtown Denver, despite a concurrent decline in leasing activity—marking the most substantial drop since 2020—and record-high availability. This counterintuitive trend in rental pricing, typically expected to decrease under such conditions, may be attributed to two main factors. First, a sustained demand for Class A space is likely driving up average rates across all classes. Second, landlords might be maintaining higher rates to meet debt obligations, compensating tenants with extensive concession packages, including free rent and tenant improvement allowances.

### Denver's leasing activity experiences downturn in current quarter

This quarter, Denver's office leasing activity witnessed a significant downturn, with total leased space falling 0.5 million square feet (msf) short of the volume recorded in Q1 2023. This reduction represents a lower level of activity than any quarter of the previous year. Despite the overall muted leasing figures, there were instances of noteworthy transactions, such as OneFlight International securing a lease for 80,600 square feet (sf) in the Southeast submarket. This transaction, alongside others, showcases the continued interest from a diverse array of industries.

### Q1 2024 sees spike in Denver's office availability despite declining sublease space

Market availability surged by 250 basis points (bps) year-over-year to 28.8% in Q1 2024. The Central Business District (CBD) recorded a remarkable 42.9% availability, while Downtown's overall availability stood at 37.8%. Despite the overall increase in availability, the amount of available sublease space has decreased to 5.9 msf, marking a continuous decline since last year. However, the increase in overall availability suggests that sublease terms have been expiring and more space is now directly vacant.

## Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	114.9 msf	116.8 msf	+1.9 msf
Availability Rate	26.3%	28.8%	+250 bps
Asking Rental Rate	\$32.40	\$34.04	+5.1%
Downtown Denver* Asking Rental Rate	\$38.71	\$42.33	+9.4%
Quarterly Leasing Activity	1.8 msf	1.3 msf	-0.5 msf
Available Sublease Space	6.8 msf	5.9 msf	-0.9 msf

\*Downtown Denver is comprised of Central Business District and LoDo / Platte / RiNo

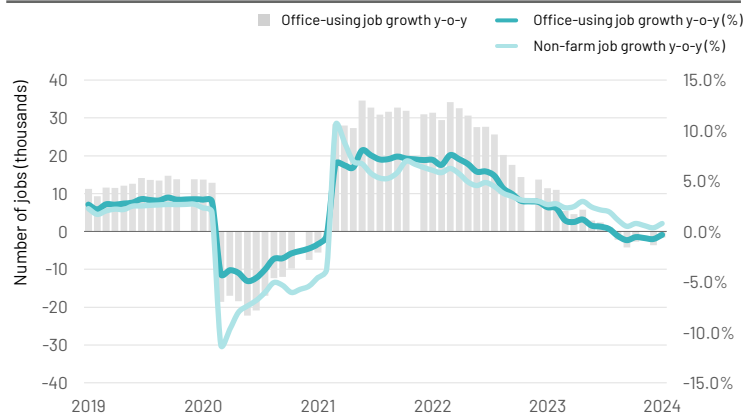
## Outlook

**01** Sublease space availability is expected to diminish further as prime leases naturally expire and tenants achieve optimal space utilization

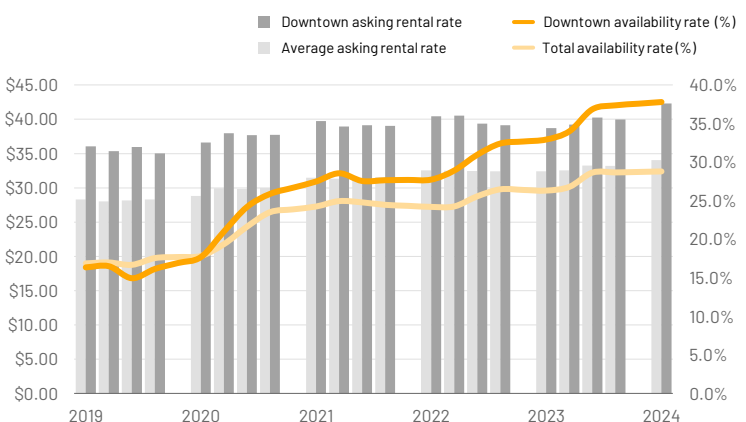
**02** Amid rising distressed and watchlisted loans, tenants should thoroughly research landlord's creditworthiness before transacting, noting landlords may face transaction challenges

**03** Businesses are shifting their focus towards compact, premium spaces within buildings rich in amenities as a strategy to encourage employees to return to the office

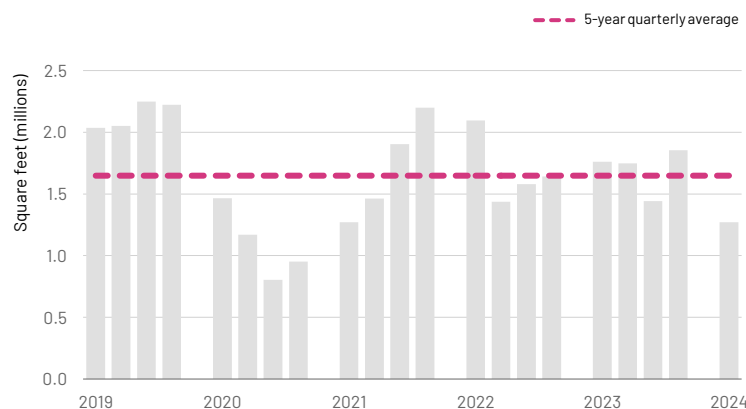
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

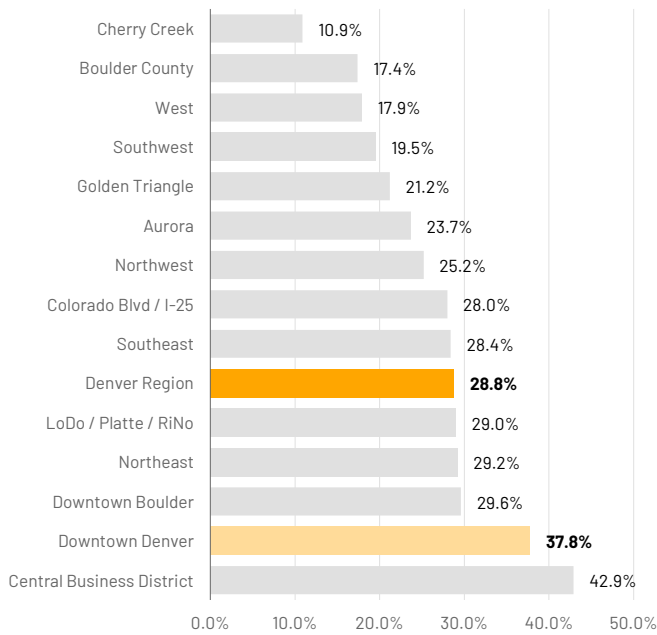
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
OneFlight International	● Transportation	Southeast	8208 S. InterPort Boulevard	80,598	New Location
WeWork	● Coworking and Executive Suites	LoDo / Platte / RiNo	1550 Wewatta Street	70,293	Renewal
ADP	● Business, Professional and Consulting Services	Southeast	7979 E Tufts Avenue	42,823	New Location
Invenery	● Energy & Utilities	Central Business District	1001 17th Street	35,088	New Location
Chatham Financial	● Financial Services and Insurance	Southeast	2154 E Commons Avenue	32,309	New Location
Bright Horizons	● Education	Northwest	11030 Circle Point Road	31,121	New Location**
Sovrn Holdings Inc	● Business, Professional and Consulting Services	Downtown Boulder	1600-1620 Pearl Street	20,781	Relocation
Tract.com	● Real Estate	Colorado Blvd / I-25	3200 Cherry Creek South Drive	20,704	New Location
Sea to Summit	● Retail	Northwest	12303 Airport Way	19,199	New Location**
Dewberry	● Business, Professional and Consulting Services	Colorado Blvd / I-25	990 S Broadway	16,799	Renewal

## Availability Rate Comparison (%)

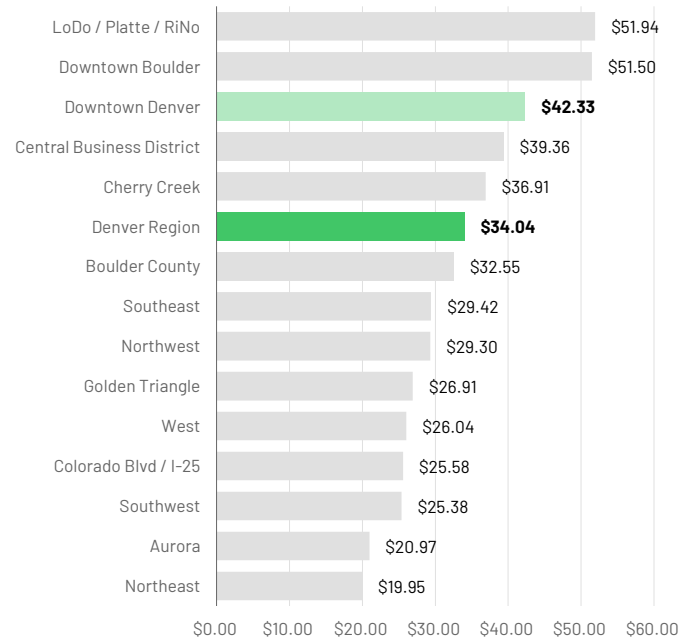
DENVER SUBMARKETS



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## Rental Rate Comparison (\$/sf)

DENVER SUBMARKETS



## Denver Q1 2024 - Office

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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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