

# Denver

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## Continued decrease in sublease availability could signal market stabilization

Sublease availability has declined for another consecutive quarter, with a reduction of 0.8 million square feet (msf) since this time last year to 5.5 msf. However, overall availability has continued to rise, with an additional 2.4 msf added to the market over the past year. This increase is likely due to the expiration of prime leases. On a positive note, the reduction in sublease space suggests that tenants are starting to rightsize, aligning their space needs more closely with their operational requirements. This trend could indicate a move towards stabilization in the office market, as companies adjust to new workplace norms and seek to optimize their real estate footprints.

### Rents rise further despite rise in availability rates

In Q2 2024, the Denver region experienced a surge in rental rates, with an overall increase of 6.2% year over year, and an impressive 9.8% uplift in Class A rents. The highest rents are in LoDo/Platte/RINo at \$51.94 per square foot, full-service gross, while the lowest rents are in Northeast Denver at \$19.95 per square foot. This increase has occurred despite record-high availability. The rising rents can be attributed to a continued preference for premium office spaces and landlords offsetting high availability with strategic pricing and attractive concession packages.

### Leasing appears to be stabilizing following a sharp drop in 2020

Leasing activity in the Denver office market is stabilizing after the significant drops in 2020 and 2021. Volumes have remained steady compared to this time last year and have improved over the previous quarter, with an additional 0.3 msf leased. Noteworthy transactions include Johns Manville's 121,000-square-foot renewal at 717 17th Street and the State of Colorado's 73,565-square-foot sublease at 1700 Lincoln Street. The majority of leasing occurred in Southeast Denver and the Central Business District. The Central Business District remains attractive for companies seeking downtown space at lower costs, with an average asking rate of \$39.31 psf compared to \$53.35 psf in LoDo/Platte/RINo.

## Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	114.6 msf	116.7 msf	+2.1 msf
Availability Rate	26.8%	29.0%	+220 bps
Asking Rental Rate	\$32.56	\$34.58	+6.2%
Downtown Denver* Asking Rental Rate	\$39.23	\$43.03	+9.7%
Quarterly Leasing Activity	1.7 msf	1.5 msf	-0.2 msf
Available Sublease Space	6.3 msf	5.5 msf	-0.8 msf

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

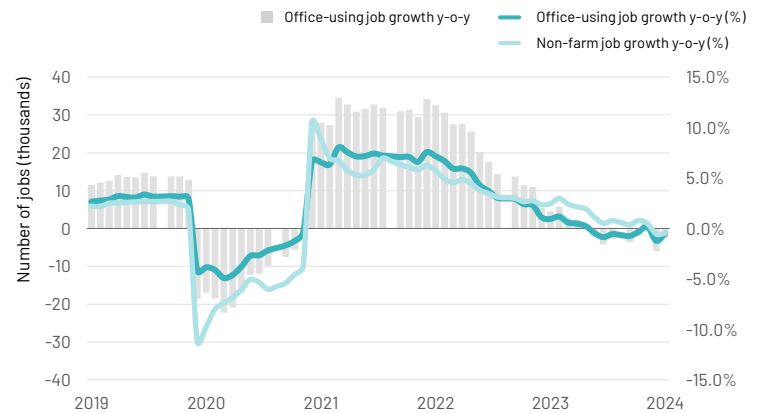
## Outlook

**01** Expect more tenants to continue to seek out smaller, high-quality spaces while rightsizing their office space footprints

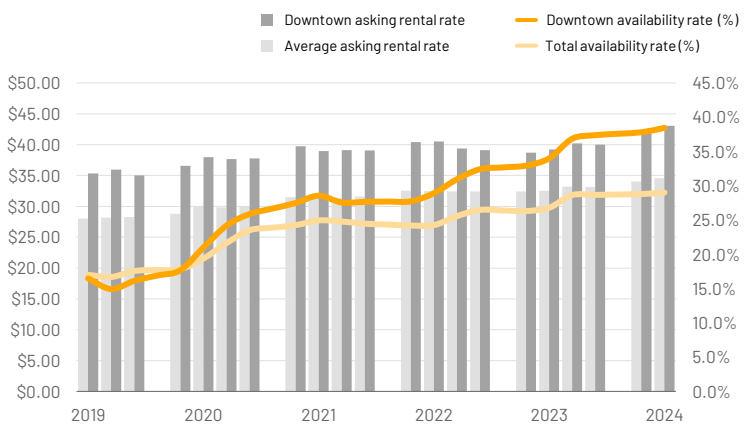
**02** With the increase in distressed office buildings, it is recommended that a higher level of due diligence is undertaken on landlords and their buildings

**03** Sublease space availability is expected to diminish further as prime leases naturally expire and tenants optimize their space utilization

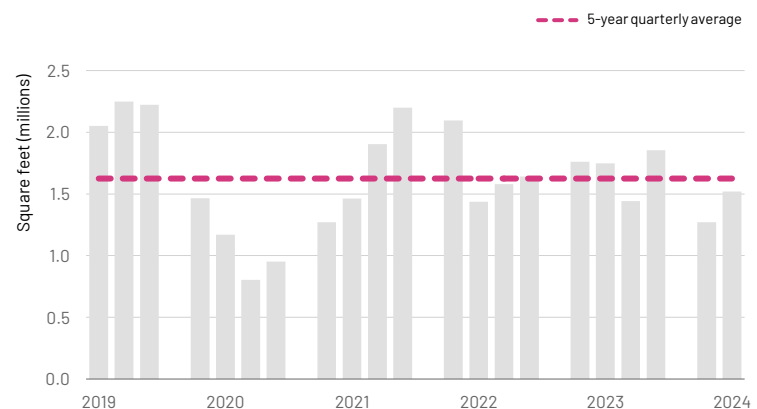
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

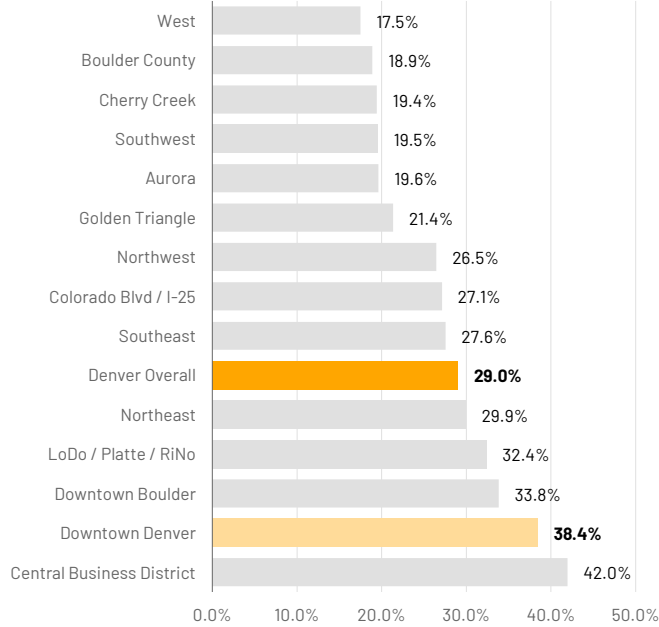
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Johns Manville	● Manufacturing	Central Business District	717 17 <sup>th</sup> Street	121,000	Renewal
State of Colorado	● Government	Central Business District	1700 Lincoln Street	73,565	New Location**
ConMed Corporation	● Healthcare	Southeast	6363 S Fiddler's Green Circle	50,405	Relocation
Coresite	● TAMI	Central Business District	1001 17 <sup>th</sup> Street	49,518	Renewal
Flexential	● TAMI	Southeast	7807 E Peakview Avenue	24,947	New Location
General Services Administration	● Government	Central Business District	518 17 <sup>th</sup> Street	23,973	New Location
Holland & Knight	● Legal Services	Central Business District	1801 California Street	22,000	Renewal
Garnett Powell Maximon Barlow & Farbes	● Legal Services	Central Business District	1125 17 <sup>th</sup> Street	21,040	Relocation
The Tomorrow Companies, Inc.	● TAMI	West	14123 Denver West Parkway	18,218	New Location
Denver Clubhouse Golf & Work	● Coworking and Executive Suite Operators	Southeast	5680 Greenwood Plaza Boulevard	17,007	New Location

## Availability Rate Comparison (%)

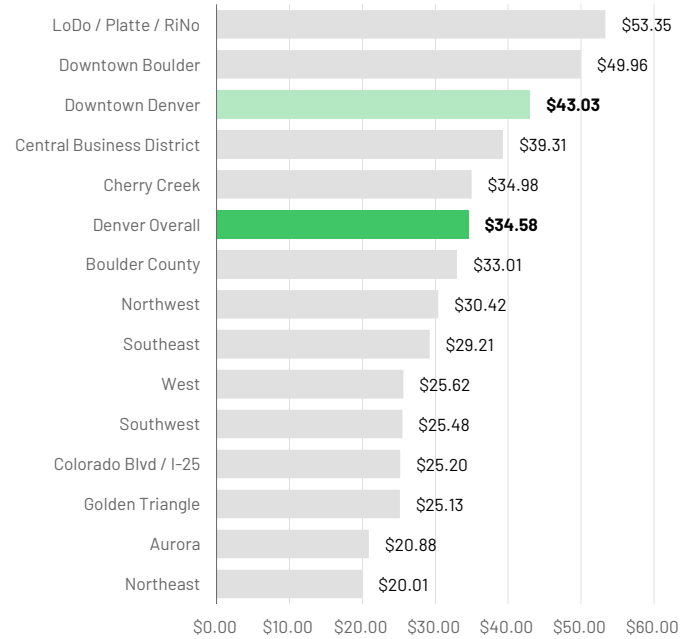
DENVER SUBMARKETS



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

## Rental Rate Comparison (\$/sf)

DENVER SUBMARKETS



## Denver Q2 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.

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