

Denver

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Record-high availability across Denver persists as market dynamics remain fundamentally altered

Metro Denver witnessed record high office availability in the third quarter, driven by anemic occupier demand in the the Downtown submarkets. Availability across the market jumped 120 basis points (bps) from a year ago to 29.9%, while Downtown availability stood just shy of 40.0%. The region has witnessed sublease options diminish in recent quarters as some occupiers opted to take sublease space at a significant discount, while an increasing number of sublease offerings saw their terms run out. Conversely, direct options mounted across the region as companies continued to surrender excess space. Meanwhile, several of Denver’s latest office developments struggled to find occupiers, notably the 720,000-square-foot tower at 1900 Lawrence that remained more than 90% available.

Asking rents track higher, landlords offer relief via concessions

While occupier demand remained uncertain, asking rates continued to tick upward, particularly among Downtown Class A buildings. Asking rents across the market increased 6.6% year over year to \$35.38 per square foot (psf). Downtown rents surged 10.6% to \$44.48 psf, driven by the glut of new and quality space on the market, as well as increases in tax and operating expenses. Despite higher face rents, tenant-favorable conditions reigned as negotiated rents trended lower across nearly all asset classes, while landlord concessions remained elevated across most properties.

Leasing volumes steady, but mired by tenants reducing footprints

Companies transacting space in the third quarter typically were attracted to the best quality buildings and spaces. Nine of the top ten transactions this quarter were in Class A buildings. While they were bolstered by Spectrum’s 257,000-square-foot lease renewal in Greenwood Village, third quarter transaction volumes were the market’s best in more than two years. However, transaction volumes remained well below typical pre-pandemic levels as many occupiers slashed their occupancy requirements.

Key Statistics

| | Q3 2023 | Q3 2024 | Y-0-Y |
|-------------------------------------|-----------|-----------|----------|
| Inventory | 116.2 msf | 116.4 msf | +0.2 msf |
| Availability Rate | 28.6% | 29.9% | +130 bps |
| Asking Rental Rate | \$33.23 | \$35.38 | +6.5% |
| Downtown Denver* Asking Rental Rate | \$40.23 | \$44.48 | +10.6% |
| Quarterly Leasing Activity | 1.4 msf | 1.9 msf | +0.5 msf |
| Available Sublease Space | 6.0 msf | 5.7 msf | -0.3 msf |

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

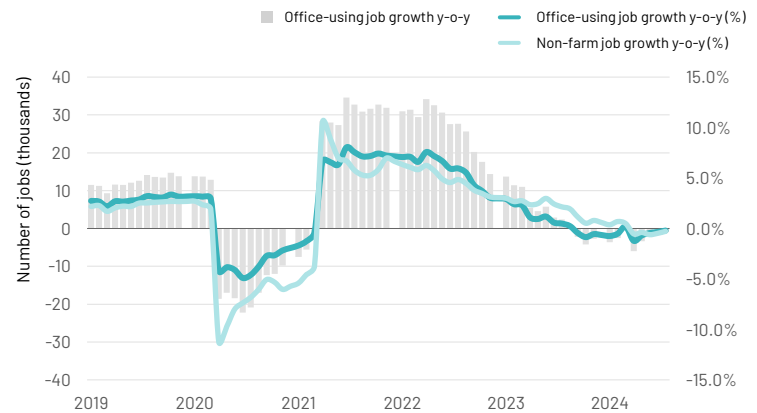
Outlook

01 Tenants in the market should closely examine the financial situation of property owners to be assured that they can fund operations and meet their financial obligations

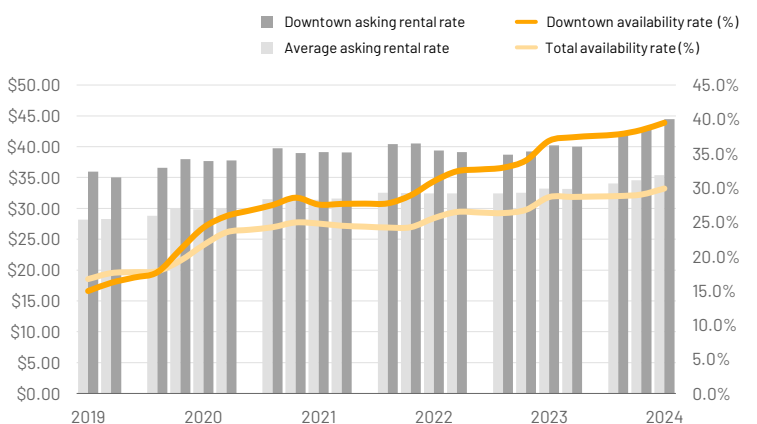
02 Commercial foreclosures are likely to increase in 2025 as high availability continues to plague many Metro Denver buildings, and lenders increasingly seek to dispose of bad loans

03 Denver office-using employment growth has trended negative in 2024, and may ultimately exacerbate the market’s lower leasing activity level

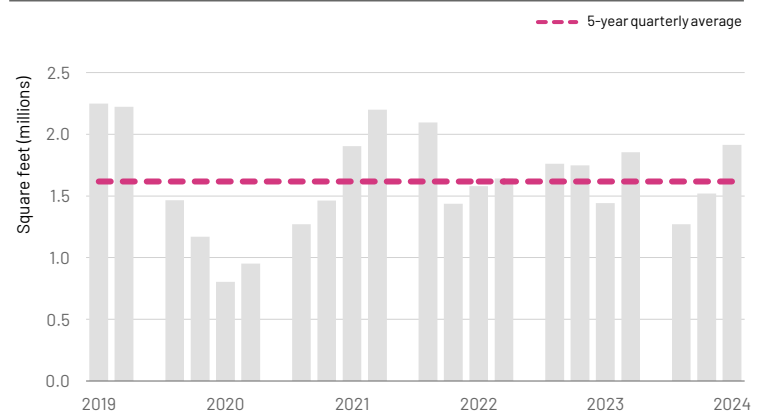
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

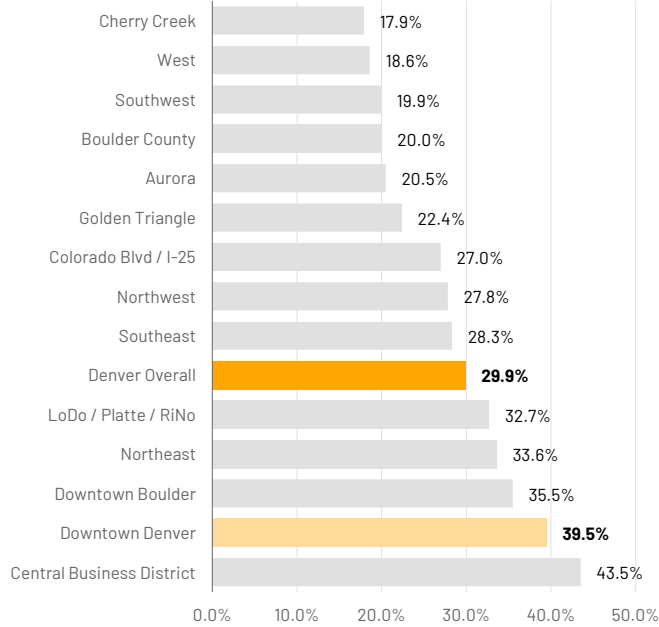
**Sublease

Source: Savills Research

| TENANT | INDUSTRY | SUBMARKET | ADDRESS | SIZE (SF) | TRANSACTION TYPE |
|----------------------|--|---------------------------|------------------------------|-----------|-------------------------|
| Spectrum | TAMI | Southeast | 6175 S Willow Drive | 257,000 | Renewal |
| Horizon Organic | Manufacturing | Northwest | 12303 Airport Way | 40,000 | New Location** |
| Stack Infrastructure | TAMI | Central Business District | 1700 Broadway | 40,000 | Expansion and Extension |
| Pulte Mortgage | Financial Services and Insurance | Southeast | 6900 Layton Avenue | 36,000 | Relocation |
| Fennemore | Legal Services | LoDo / Platte / RiNo | 3615 Delgany Street | 36,000 | New Location |
| Crowheart Energy | Energy and Utilities | Central Business District | 1001 17 th Street | 35,000 | New Location** |
| Danone North America | Manufacturing | Northwest | 12002 Airport Way | 35,000 | Renewal |
| Morgan Stanley | Financial Services and Insurance | LoDo / Platte / RiNo | 1550 Market Street | 33,000 | Renewal |
| Invenery | Energy and Utilities | Central Business District | 1001 17 th Street | 29,000 | Relocation |
| Tetra Tech | Architecture, Engineering and Construction | Central Business District | 1560 Broadway | 29,000 | Renewal |

Availability Rate Comparison (%)

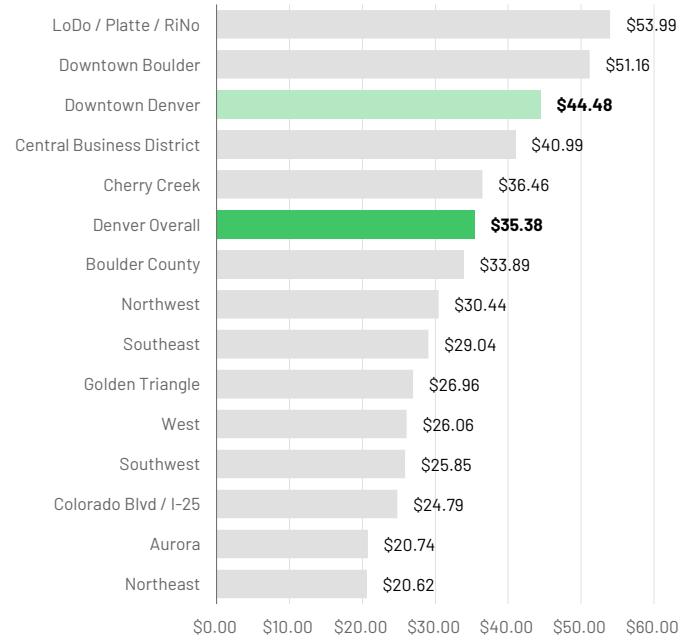
DENVER SUBMARKETS



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Rental Rate Comparison (\$/sf)

DENVER SUBMARKETS



Denver Q3 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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