

## Availability continues to tighten in Denver; asking rents maintain upward trend

Overall space availability in Denver continues to decline, ending the quarter at 16.9% - a 180-basis-point decrease year-over-year. This marks the eighth consecutive quarter that the market's overall availability rate has fallen. There is currently 3.5 million square feet (msf) under construction throughout Denver. With new product driving rental rate growth, asking rents increased 2.7% over the year, now at \$28.44 per square foot (psf) for all classes. Class A asking rents increased 3.7% over the same period, now at \$31.72 psf. Demand for new product is strong with tenants eager to upgrade amenities and increase space efficiency.

### Coworking growth contributes to solid Q1 leasing volume

The first quarter of 2019 witnessed comparatively strong leasing activity with nearly 2.1 msf leased. This marked the highest quarterly leasing total of the past four quarters. Nearly 900,000 square feet (sf) was leased in Denver's CBD. The coworking sector is rapidly expanding across the market and shows no sign of waning. WeWork committed to more than 90,000 sf in the CBD and Boulder this quarter. In total, WeWork controls more than 700,000 sf in the greater Denver area and is on track to surpass DaVita as the largest occupier of office space in the market.

### Amazon and Sunrun execute large deals; dwindling large block options in the CBD

Talent acquisition is of utmost priority for many Denver tenants, and employers increasingly realize the role that office space plays in this pursuit. Millennials in the workforce are attracted to the downtown live/work/play environment, and the array of amenities that new space provides. Large blocks are being leased quickly, leaving fewer options on the market. This quarter, Amazon leased 125,000 sf at 1513-1530 Wynkoop Street, while Sunrun Inc. committed to 118,000 sf at 717 17th Street. These deals leave the CBD submarket with only five existing buildings offering 100,000-sf options. The limited number of large blocks may prohibit some growing companies from exploring relocation and oblige them to maneuver within their current buildings.

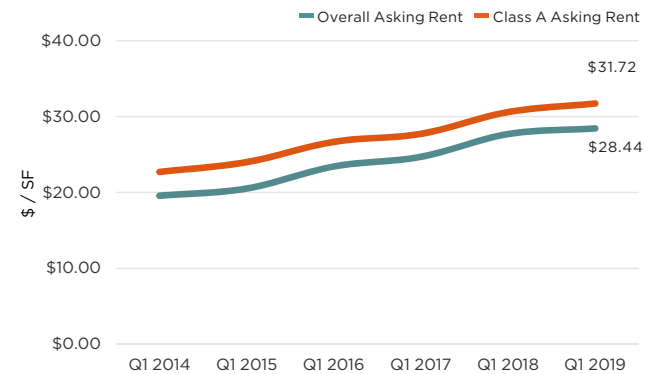
### Outlook

- Barring a shift in the economy, or a flurry of new development, downtown availability will remain tight with an upward pressure on asking rents
- Leasing activity is expected to be strong in 2019, with numerous tenants - both from inside and outside the market - actively seeking space
- Large block options dwindle with the TAMI and coworking sectors rapidly expanding; savvy tenants will need to look well in advance of lease expirations to generate proper leverage

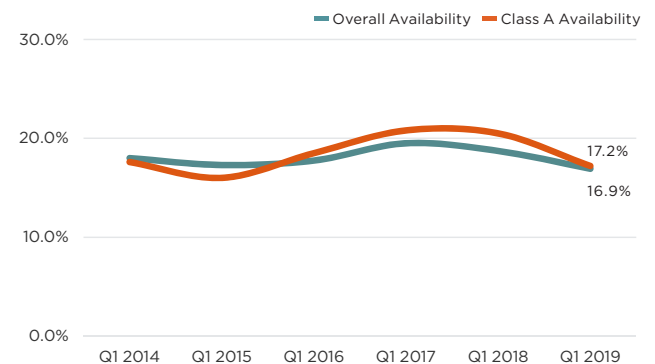
### KEY STATISTICS

	Q1 2018	Q1 2019	y-o-y Change
Inventory	109.3 MSF	<b>110.5 MSF</b>	▲
Availability Rate	18.7%	<b>16.9%</b>	▼
Asking Rental Rate	\$27.70	<b>\$28.44</b>	▲
Class A Asking Rental Rate	\$30.60	<b>\$31.72</b>	▲
Quarterly Leasing Activity	2.2 MSF	<b>2.1 MSF</b>	▼

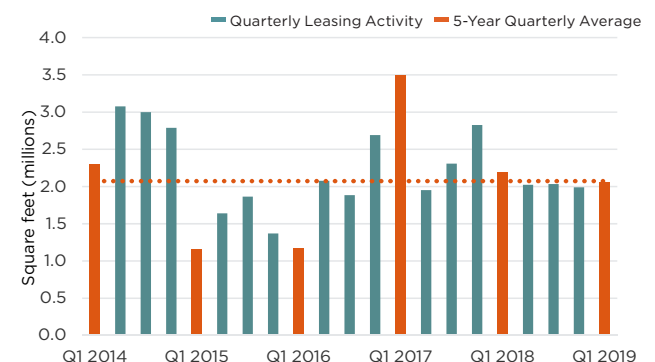
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

**ALL**

major transactions were **new market entrants or relocations**

**39.4%**

of large transactions occurred in the **CBD** submarket

**30.2%**

**TAMI** represented 30.2% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Amazon.com	125,000	1513-1530 Wynkoop Street	New Location	Lodo / Platte	TAMI
Sunrun Inc.	118,000	717 17th Street	Relocation	CBD	Energy & Utilities
Crocs Inc.	88,293	13601 Via Varra	Relocation	Northwest	Retail
WeWork	61,064	1560 Broadway	New Location	CBD	Coworking
Gusto	53,000	1515 Arapahoe Street	Expansion	CBD	TAMI
WeWork	31,381	2755 Canyon Boulevard	New Location	Boulder County	Coworking
Yes! Communities	29,387	5050 S Syracuse Street	Relocation	Southeast	Real Estate
Simpson Housing LLLP	28,809	7601 Technology Way	Relocation	Southeast	Real Estate
Fios Capital	27,517	5050 S Syracuse Street	Relocation	Southeast	Financial Services
Balanced Health Botanicals	26,346	1720 S Bellaire Street	New Location	Colorado Blvd / I-25	Healthcare

Source Savills Research

For more information, please contact us:

**Savills**

1125 17th Street,  
Suite 2300  
Denver, CO 80202  
+1 303 302 5100

**Rick Schuham**

Vice Chairman, Director  
rschuham@savills.us

**Todd Roebken**

Executive  
Managing Director  
troebken@savills.us

**Greg Bante**

Executive  
Managing Director  
gbante@savills.us

**Brendan Fisher**

Corporate  
Managing Director  
bfisher@savills.us

**Anders Klein**

Research Manager  
aklein@savills.us

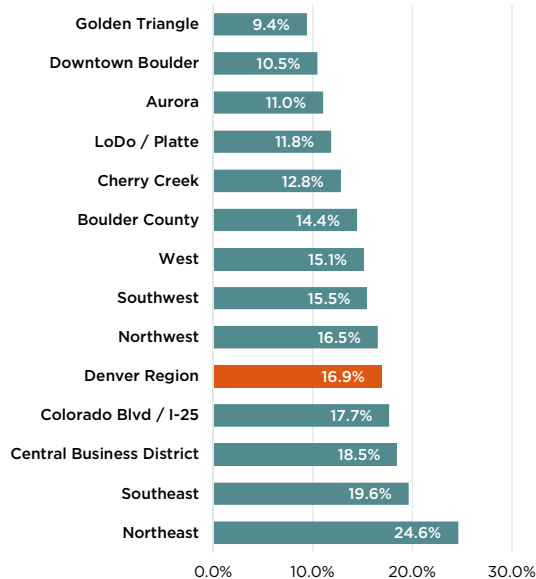
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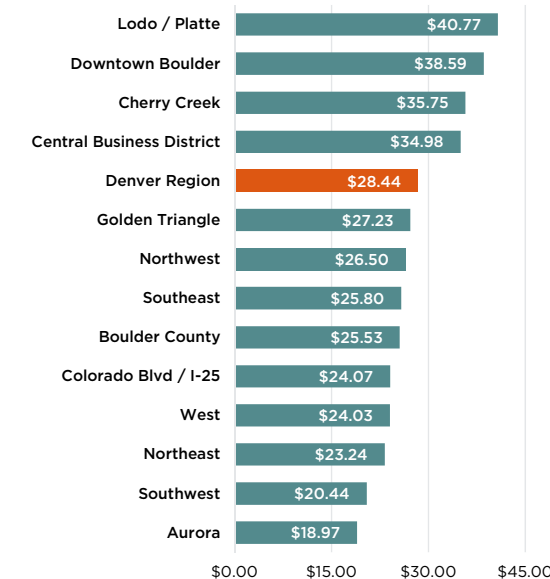
AVAILABILITY RATE COMPARISON

Denver Submarkets



RENTAL RATE COMPARISON (\$/SF)

Denver Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf. 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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