

Denver leasing begins to recover, despite Delta's impact on return-to-office timelines

The Denver office market exhibited renewed signs of life as leasing activity accelerated in the third quarter. Companies have begun to re-engage the market as tenant-favorable conditions provide a unique opportunity for companies to capitalize on highly flexible terms. Despite the Delta variant causing some companies to pause office re-opening efforts, more companies are codifying their real estate strategies to bring employees back to the office. With 1.9 million square feet (msf) leased in the Denver Metro area, the third quarter saw the strongest demand since Q4 2019, and an increase of 30% in volume over the previous quarter. Leasing activity has flourished in the Central Business District and LoDo / RiNo / Platte submarkets where deal volume doubled to 0.6 msf. Among the largest deals of the quarter, ARES (formerly Black Creek Group) leased more than 67,000 sf in LoDo at Tabor Center. As the downtown market starts to return to its former vibrancy, office leasing in Denver is slowly creeping back to pre-pandemic numbers.

Denver's availability plateaus, sublease stock begins to decline

Denver witnessed the first decrease in availability since the dawn of the pandemic. With a current overall availability rate of 24.8%, availability dipped slightly from the previous quarter (25.0%). This decrease was partly a result of occupiers re-engaging the Downtown submarkets. However, suburban submarkets on the whole saw a drop in leasing activity this quarter, with availability rising across many suburban areas. Meanwhile, the overall supply of available sublease space has begun to diminish, with availabilities falling to their lowest levels since Q3 2020. At the close of the third quarter there was 4.5 msf of sublease space available in the Denver metro market, down 0.3 msf from the previous quarter.

Despite uptick in leasing, tenant favorability persists

Asking rents have remained largely flat in the third quarter as the market continues to be tenant favorable. Overall asking rents, now at \$31.41 per square foot (psf) saw little change from Q2. Class A rents saw a 1.1% decline over the quarter, now at \$35.05 psf. Tenants that are in a position to sign a lease now should expect generous concession packages and flexible terms as many landlords remain in a weakened position with availabilities still at elevated levels. With abundant tenant options on the market, it will take time and sustained leasing activity for a more pronounced rebalance in supply and demand.

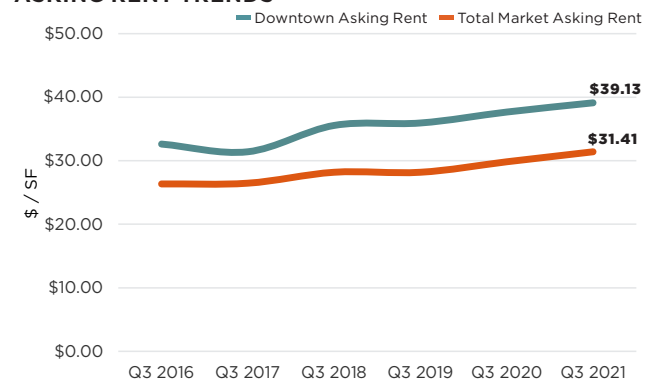
Outlook

- While economic conditions have improved across the Denver region, the long-term impact of work-from-home policies may stunt a rapid recovery in the Denver office market
- Elevated availability should persist in the near-to medium-term, particularly in suburban submarkets, until occupier demand returns to more normal levels
- Likewise, tenant favorable conditions will endure as landlords are forced to provide more generous terms and concessions as they seek to attract and retain tenants

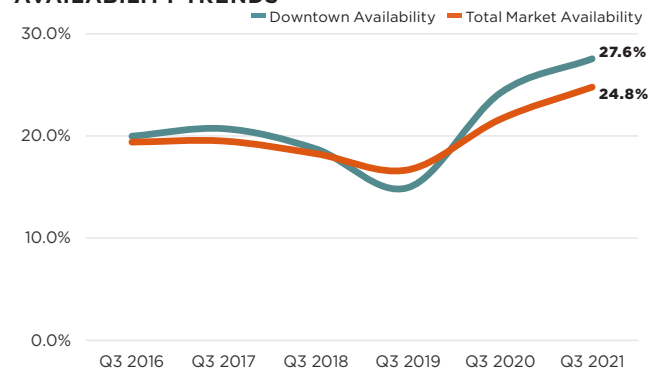
KEY STATISTICS

	Q3 2020	Q3 2021	y-o-y Change
Inventory	113.0 MSF	113.7 MSF	▲
Availability Rate	21.6%	24.8%	▲
Overall Asking Rental Rate	\$29.83	\$31.41	▲
Downtown Asking Rental Rate	\$37.67	\$39.13	▲
Quarterly Leasing Activity	0.8 MSF	1.9 MSF	▲

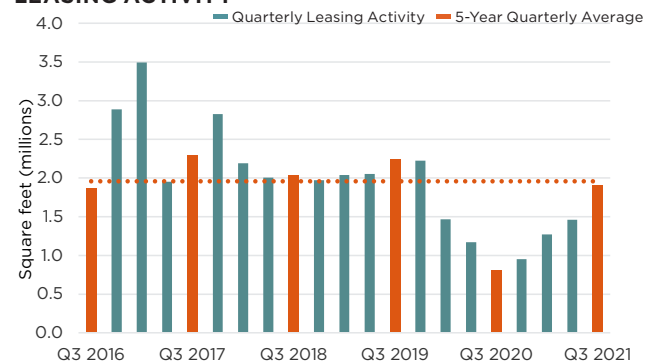
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

6 of 10

major transactions were new locations

24.1%

of large transactions occurred in the Central Business District submarket by square footage

47.8%

TAMI sector tenants represented 47.8% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
T-Mobile	78,336	990 S Broadway	Expansion	Colorado Blvd / I-25	TAMI
ARES (formerly Black Creek Group)	67,583	1200 17th Street	New Location	LoDo / Platte / RiNo	Financial Services
Honeywell	64,382	310 Interlocken Parkway	New Location	Northwest	TAMI
iCIMS	47,043	707 17th Street	New Location	Central Business District	TAMI
Cornerstone Home Lending Inc.	39,053	10800 E Geddes Avenue	New Location	Southeast	Financial Services
Cogent Biosciences, Inc	38,075	4840 Pearl East Circle	New Location	Boulder County	Healthcare
Fivetran	38,000	1401 Zuni Street	Expansion	West	TAMI
Chevron	36,491	2001 16th Street	New Location	LoDo / Platte / RiNo	Energy & Utilities
Caerus	33,928	1001 17th Street	Renewal	Central Business District	Energy & Utilities
Centennial Resource Development	33,928	1001 17th Street	Renewal	Central Business District	Energy & Utilities

Source Savills Research

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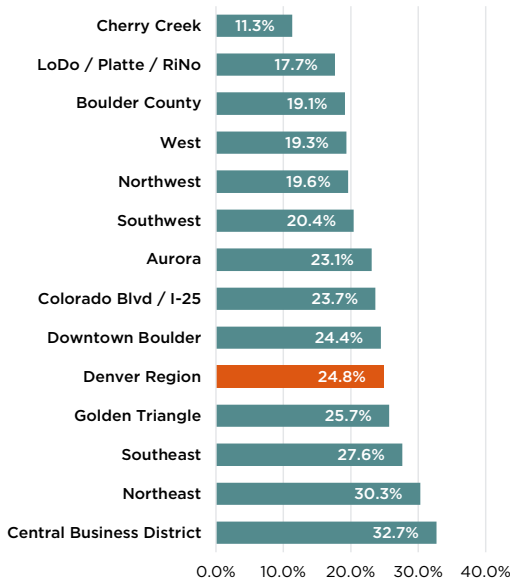
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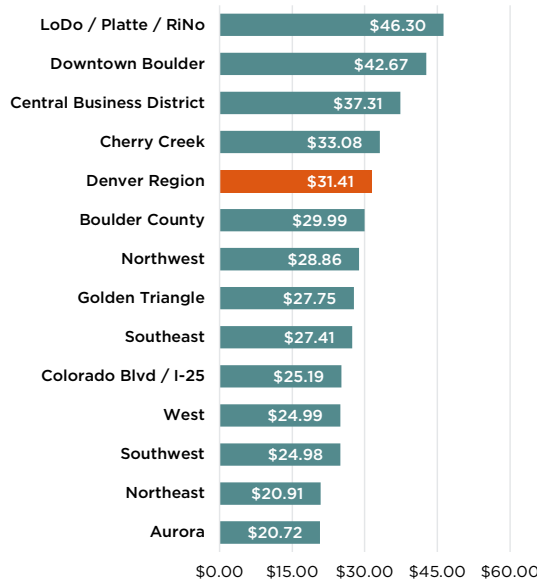
AVAILABILITY RATE COMPARISON

Denver Submarkets



RENTAL RATE COMPARISON (\$/SF)

Denver Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot (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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