

Office leasing continues to rise in Q4 as transactions in Denver reach pre-pandemic levels

Denver's office market is displaying indications of recovery as office leasing continues to rise to pre-pandemic levels. Q4 ended with 2.2 million square feet (msf) of office space leased, on par with leasing numbers of Q4 2019, just prior to the pandemic's start. Since then, the downtown markets of LoDo / Platte / RiNo and the Central Business District have been the most affected as they contained the largest exodus of occupier space needs. However, the last few quarters have shown leasing velocity has stabilized to pre-pandemic levels in these areas. While the effects of the Omicron variant are too recent to affect the Q4 leasing numbers, last year's growth provides evidence of Denver's ability to recover from the effects of COVID.

Availability rates remain high despite increased transaction volumes

While Q4 leasing activity has risen to pre-pandemic levels, overall availability stood at 24.5%, falling 30 basis points (bps) from the previous period. For the last four quarters, availability has plateaued, holding between 24.0% - 25.0%. Availability remains at an all-time high as many large blocks of space have lingered on the market. Comparatively, pre-pandemic availability rates in 2019 were around 750 bps lower than they are currently. Cherry Creek, LoDo / Platte / RiNo, and Boulder County are among Denver submarkets with the lowest availability. Conversely, the Northeast and Central Business District continue to have the highest availability rates at 31.9% and 33.3%, respectively.

Asking rates hold firm but tenants hold the upper hand in negotiations

Asking rates continue to plateau in the Denver Metro area, ending Q4 with an average asking rate of \$31.58 per square foot (psf). Rates have only varied by a negligible amount throughout the last year. Despite a decrease in asking rate, the market remains tenant favorable as landlords continue to provide generous concession packages to combat market uncertainty. While some companies continue to defer decision making regarding their real estate space, Denver remains a desirable location for companies. Throughout the last few years, there has been a sizeable millennial migration to Denver that has driven companies to gravitate to the area. Overall, the population growth in Colorado combined with a highly educated workforce has kept Denver's real estate fundamentals strong despite elevated availability and concerns surrounding COVID.

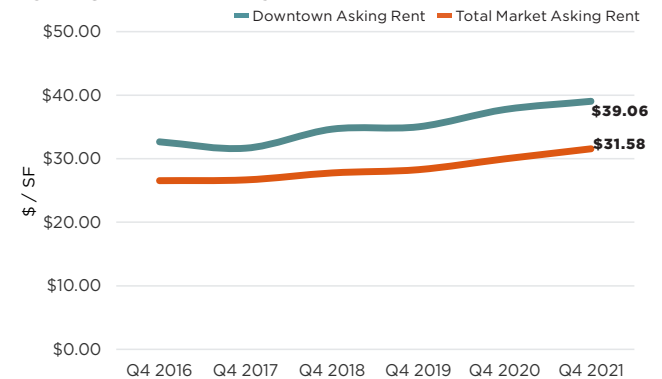
Outlook

- As opportunities abound and availability remains elevated, tenants will maintain leverage when engaging the market
- While face rents have yet to decrease, the reality of current market conditions requires many landlords to provide flexibility and generous concessions in order to maintain occupancy
- While it impacted companies' return-to-work plans, the Omicron variant is not significantly impacting leasing activity in Denver yet, as evidenced by the elevated transaction volumes

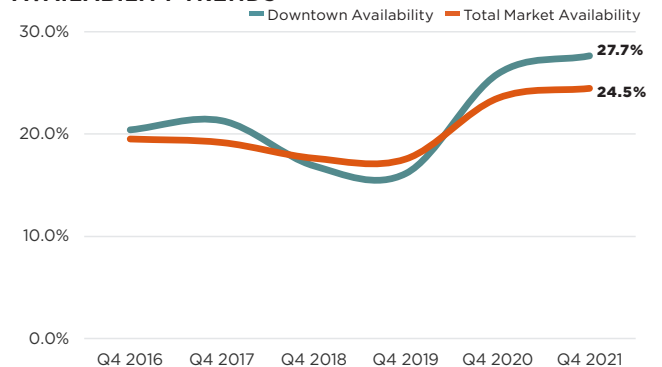
KEY STATISTICS

	Q4 2020	Q4 2021	y-o-y Change
Inventory	113.5 MSF	114.0 MSF	▲
Availability Rate	23.5%	24.5%	▲
Overall Asking Rental Rate	\$29.98	\$31.58	▲
Downtown Asking Rental Rate	\$37.75	\$39.06	▲
Quarterly Leasing Activity	1.0 MSF	2.2 MSF	▲

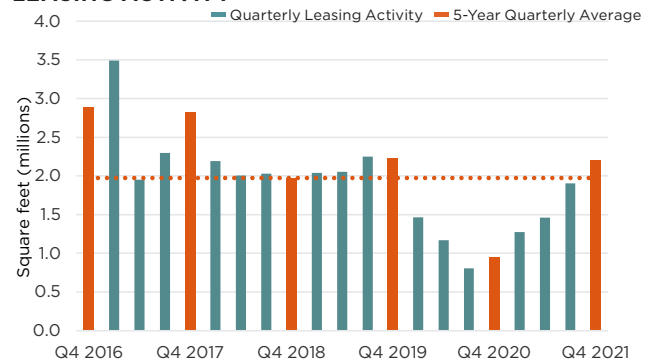
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

7 of 10

major transactions were new locations

32.7%

of large transactions occurred in the Southeast submarket by square footage

43.1%

Manufacturing sector tenants represented 43.1% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Crocs	173,160	500 Eldorado Boulevard	New Location	Northwest	Manufacturing
York Space Systems	130,998	6060 S Willow Drive	New Location	Southeast	Manufacturing
Robinhood	119,811	1701 Platte Street	New Location	LoDo / Platte / RiNo	Financial Services
AT&T/DirectTV	70,572	7670 S Chester Street	New Location	Southeast	TAMI
Medspace	47,546	717 17th Street	New Location	Central Business District	Pharmaceuticals
Contentful	44,650	1801 California Street	New Location	Central Business District	TAMI
GenapSys	40,682	10385 Westmoor Drive	New Location	Northwest	Healthcare
Stanley Consultants	29,414	8000 S Chester Street	Renewal	Southeast	Financial Services
Intrepid Potash	24,797	707 17th Street	Renewal	Central Business District	Mineral Mining
PNC Bank	24,640	1144 15th Street	Expansion	Central Business District	Financial Services

Source Savills Research

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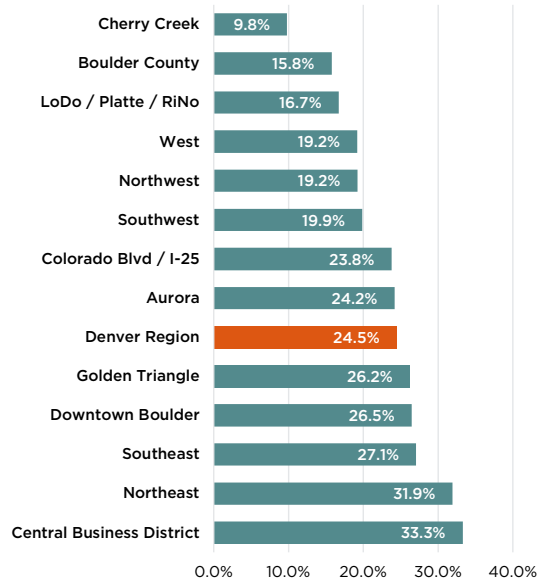
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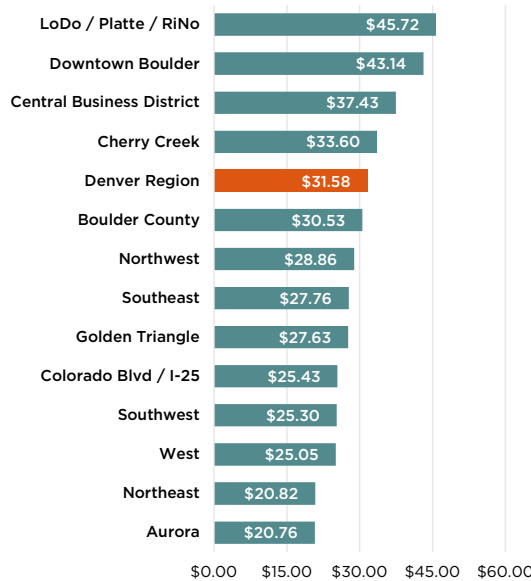
AVAILABILITY RATE COMPARISON

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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