

Denver office market approaches a sense of normalcy as deal volumes rebound to pre-pandemic levels

The Denver office market continued to exhibit signs of late-pandemic revitalization in the first quarter. Transaction activity in the first quarter closely mirrored that of the previous period, with 2.1 million square feet (msf) transacted. This volume marked the second highest leasing tally since the start of the pandemic. While the Omicron variant delayed some leasing decisions as well as office reopenings, Denver companies in general have exhibited a recommitment to the office workplace. Leasing in the Central Business District was at its highest level in nearly three years, with more than 500,000 sf transacted this quarter. Likewise, the Southeast submarket observed its best quarter in over four years.

Availability remains elevated despite the recent increase in leasing activity

While deal activity has been encouraging, office availability has remained elevated, ending Q1 2022 at 24.2%. Availability has remained high for the last few quarters due to the large blocks of available spaces and new building deliveries. For the past five quarters Denver's availability has hovered over 24.0%. Meanwhile, Class A properties stood at 25.7% this period, whereas Class B availability was slightly tighter at 22.7%. With continued high availability, the dynamics of Denver's market remain tenant favorable. Looking ahead in 2022 and beyond there are fewer deliveries in the pipeline, which could help to sort out the current supply-demand imbalance.

Asking rents march upward as landlords prefer concessions versus rent breaks

Despite lingering uncertainty, asking rents across the Denver market nevertheless have continued to rise. The overall asking rate in the first quarter stood at \$32.53 per square foot (psf), an all-time high. Landlords have generally held firm on pricing throughout the pandemic, while taxes and operating expense have lurched higher. Likewise, new construction in the LoDo / Platte / RiNo areas commands top dollar pricing, which has put upward pressure on overall rates. While face rents have not declined, landlords have instead opted to offer more generous concession packages in the form of rental abatement, tenant improvement allowances, beneficial occupancy, and other forms of flexibility for occupiers and this trend is expected to continue in 2022.

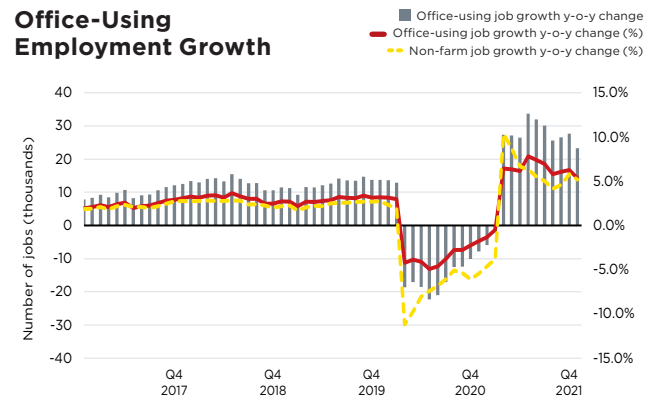
Outlook

- Concessions including rent abatement and tenant improvement allowances will remain generous across much of the market as landlords must compete for occupancy and to retain existing tenants
- As companies will reevaluate their occupancy needs in the quarters and years to come, a continued flight to quality is likely to endure as companies gravitate to efficient, amenitized office buildings while competing for top talent in a competitive labor market
- The supply of sublease space on the market remains bloated, but is expected to decline in the near term as many spaces approach the end of their term and become available on a direct basis

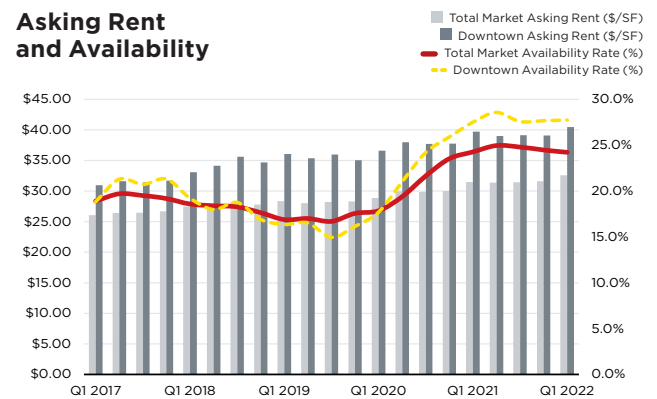
Key Statistics

	Q1 2021	Q1 2022	Y-o-Y Change
Inventory	113.4 MSF	114.2 MSF	▲
Availability Rate	24.3%	24.2%	▼
Overall Asking Rental Rate	\$31.47	\$32.53	▲
Downtown Asking Rental Rate	\$39.72	\$40.43	▲
Quarterly Leasing Activity	1.3 MSF	2.1 MSF	▲
Available Sublease Space	4.6 MSF	4.2 MSF	▼

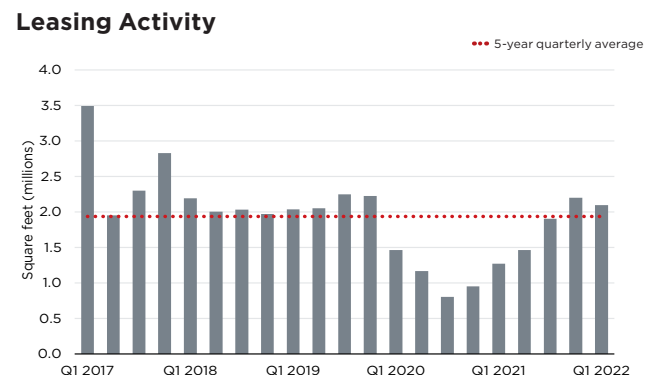
Office-Using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

4.0%

Denver-Aurora-Broomfield, CO MSA
Unemployment rate (as of Jan. 2022)

5.3%

Office-using employment growth
year-over-year (as of Jan. 2022)

1.6 msf

Office space currently
under construction

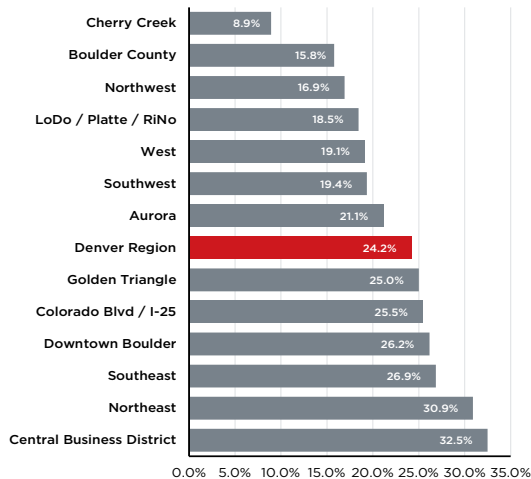
Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Boom Supersonic	287,407	6801-6803 S Tucson Way	New Location	Southeast	Energy & Utilities
PDC Energy	108,459	1099 18th Street	New Location	Central Business District	Energy & Utilities
Starz	100,119	6363 S Fiddler's Green Circle	New Location	Southeast	TAMI
Wheeler Trigg O'Donnell	75,633	370 17th Street	Renewal	Central Business District	Legal Services
Moye White	42,527	3615 Delgany Street	New Location	Central Business District	Legal Services
Melio	36,931	1755 Blake Street	New Location	LoDo / Platte / RiNo	Financial Services
Great Western Bank	35,088	1001 17th Street	New Location	Central Business District	Financial Services
Summit Materials	33,191	1801 California Street	New Location	Central Business District	Manufacturing
Investnet, Inc.	26,943	1801 California Street	Renewal	Central Business District	TAMI
Arizona College of Nursing	24,220	3131 S Vaughn Way	New Location	Aurora	Education

Source: Savills Research

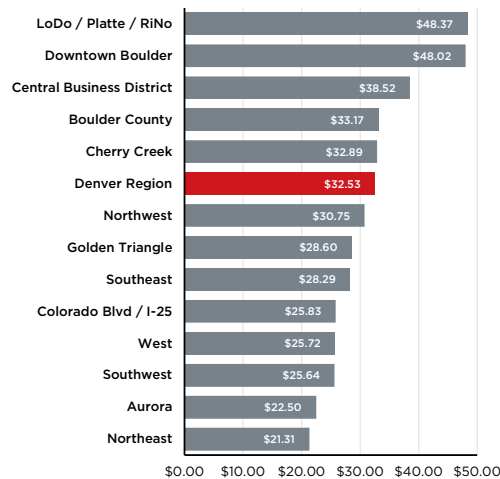
Availability Rate Comparison (%)

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. 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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