

An aerial photograph of the Denver skyline, showing a dense cluster of skyscrapers and modern office buildings. The Colliers logo is in the top right corner.The Colliers logo, featuring the word "Colliers" in white serif font on a dark blue rectangular background with a thin yellow and red horizontal stripe at the bottom.

Colliers

Denver

Office

22Q2

Denver's office recovery continues as net absorption nearly doubled its figure from the first quarter 2022. Leasing activity posted another strong quarter north of 2.0 MSF. With the worst of the pandemic appearing to be in the rearview, a mass return to the office over the second half of the year is expected for the majority of large companies, albeit in a hybrid work model. Current large employers have been delaying their returns to office as they are seeing push-back from employees who have adapted to the work from home model. Employers are utilizing robust amenity packages and upgraded workspaces to attract and retain employees back in the office.

Accelerating success.

Key Takeaways

- Absorption continues to trend in the right direction, recording the largest figure since 2019 during the second quarter.
- Leasing activity continues its trend toward pre-pandemic levels, realizing 2.1M SF during the second quarter.
- Ongoing fears surrounding the pandemic are fading and the majority of large companies are expected to be back in the office, albeit in an increasingly hybrid model, by late 2022.
- Denver remains well-positioned for recovery due to its successful vaccination distribution, diverse tenant base, educated workforce, and company relocation/expansion announcements.



Vacancy Rate
15.5%
YOY ▲
FORECAST ▲



Net Absorption
590K SF
YOY ▲
FORECAST ▲



Under Construction
1.7M SF
YOY ▲
FORECAST ▼



Overall Asking Lease Rates (FSG)
\$31.23/SF
YOY ▲
FORECAST —

Finding the New Normal

As pandemic related headlines fade from the media and positive cases fall, the Denver Metro office market appears to be ready for a return to the new normal in which employers continue to offer workspaces for employees, but allow an increasingly hybrid work model. Demand for office space continued its strong resurgence as net absorption almost doubled the previous quarter's numbers. Leasing activity has remained strong at 2.1M SF. Macroeconomic indicators continue to point to a strengthening market throughout 2022. A growing and well-educated labor force, diverse tenant mix, declining unemployment, and ongoing company relocations continue to showcase Denver's resiliency and position the metro for a robust recovery throughout the remainder of 2022.

Market Indicators



3.10%
Unemployment Rate



5.22%
YOY Labor Force Growth

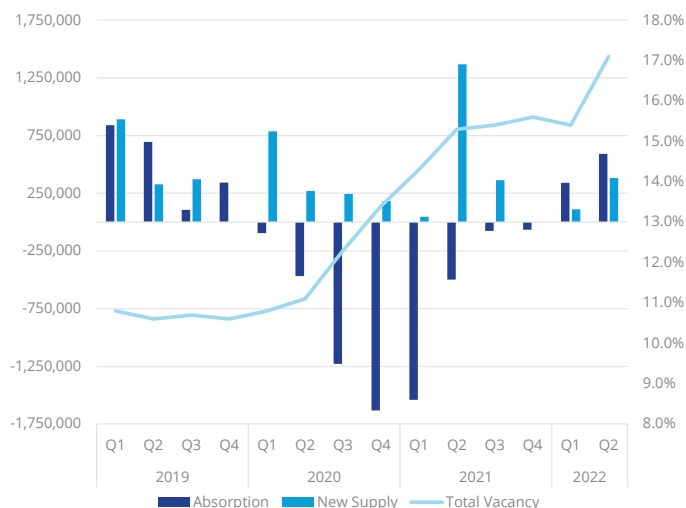


3.10%
U.S. 10 Year Treasury Note

Historic Comparison

	22Q2	22Q1	21Q2
Total Inventory (in Thousands of SF)	168,941	168,891	168,669
New Supply (in Thousands of SF)	382	111	1,367
Net Absorption (in Thousands of SF)	590	341	-506
Overall Vacancy	15.5%	15.4%	15.3%
Under Construction (in Thousands of SF)	1,682	1,567	1,326
Direct Asking Lease Rates (FSG)	\$31.23	\$30.05	\$29.66

Market Graph



Continued positive absorption highlighted second quarter 2022 metrics. Although vacancy has risen over the past quarter, a resurgence in activity as tenants move closer to a mass return to office gives hope for a strong second half of the year.

Recent Transactions



Sale
1401 Lawrence St.
1401 Lawrence
CBD | 309,987 SF



Sale
9151 E Panorama Cir.
Arrow Building
Highland Park | 227,000 SF



Sale
5445 DTC Pky.
The Quadrant
DTC | 338,911 SF



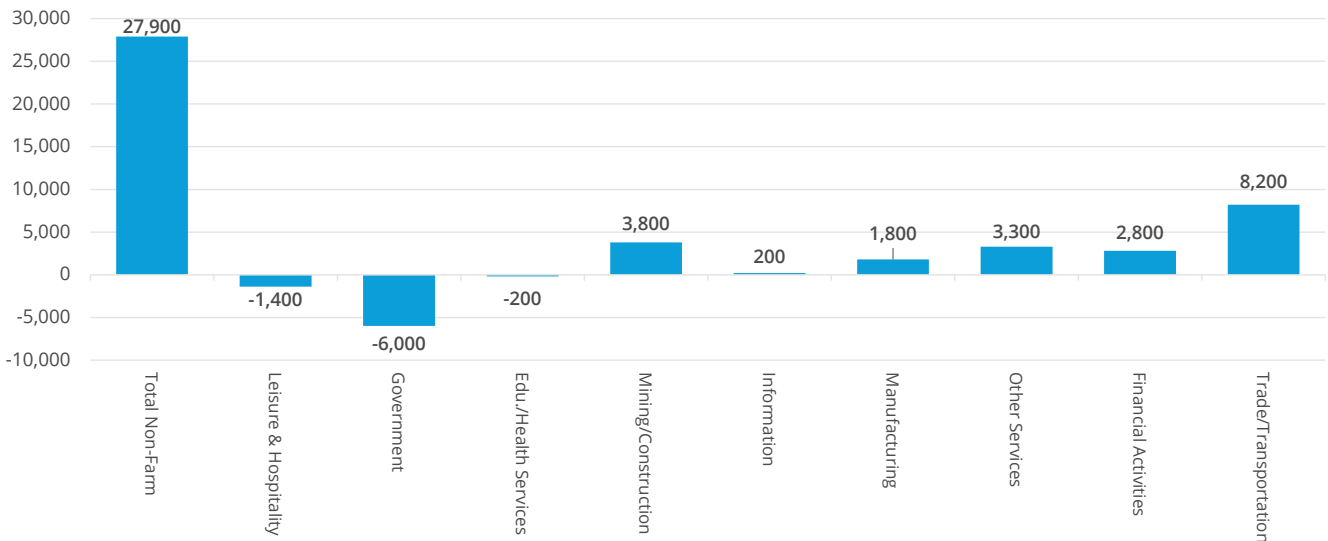
Sale
4949 Niagara St.
One DTC West
DTC | 72,000 SF



Sale
10170 Church Ranch Wy.
Church Ranch - Building 4
Northwest Denver | 124,644 SF

Denver Employment Change by Sector

Since February 2020



Source: Bureau of Labor Statistics

Employment

The Bureau of Labor Statistics (BLS) reports that the Denver Metro added 2,500 cumulative jobs to its nonfarm payroll during the second quarter and has added 202,900 jobs since peak unemployment in April 2020.

The unemployment rate in the Denver MSA decreased slightly to 3.1% in May, with the largest job gains in hospitality and professional services. The unemployment rate in the Metro is one-fourth of its peak of 12.4% from April 2020. Fading variant concerns, company relocations and expansions, and Denver's desirability for remote employees are expected to aid the Metro's continued job growth and lower unemployment throughout 2022.

Absorption & Leasing Activity

The most notable statistic for the second quarter was that absorption has remained in positive territory for the Denver Metro, recording 590,400 SF. The first quarter of this year was the first time the market had recorded positive absorption since the fourth quarter 2019. Two positive quarters in a row indicates a solid rebound in the office market. Leasing activity saw a minor decrease during the second quarter, recording 2.1M SF, indicating the lowest quarterly figure over the past year.

Construction

The Denver Metro has not recorded significant office deliveries so far in 2022. The second quarter was highlighted by One Platte, a 250,400 SF building. Phase two of Kiewit's regional headquarters also delivered (132K SF).

The office construction pipeline remains below average historical levels at 1.7M SF; 1.2M SF of which is Downtown and headlined by 1900 Lawrence (704K SF), T3 Offices (251K SF), and The Current River North (280K SF). 306,000 SF remain under construction in the Southeast, highlighted by Vectra Bank's headquarter building (130K SF).

Vacancy

Denver Metro's office vacancy stood at 15.5% at the end of the second quarter. The Downtown market maintained the Metro's highest vacancy at 21.6%.

Vacant sublet space rose for the first time in three quarters, realizing a 600,000 SF increase to 3.5M SF. The majority of sublease space, 1.3M square feet, remains Downtown, followed by 1.2M SF in the Southeast.

Rents

Moderate growth in asking rental rates demonstrates anticipated recovery over the second half of 2022. Direct average full-service lease rates in Denver increased slightly during the second quarter to \$31.23/SF from \$30.05/SF. Class A rates in the Southeast realized a slight decrease to \$31.22/SF while Downtown saw a modest increase from \$39.20/SF to \$40.83/SF. The premium between the two distinguished submarkets remains around 30%. It is expected that while direct asking rates will increase slightly, effective lease rates will plateau as landlords offer increased concessions to attract tenants back to the office.

Sales

The most notable sale of the quarter was 1401 Lawrence trading to PGIM Real Estate from Heitman for \$233M (\$751/SF). The 310,000 SF property was built in 2016 and was 99% occupied at the time of sale, with Polsinelli PC as its anchor tenant. The Arrow Building traded to Drawbridge Reality from BentallGreenOak for \$106M (\$467/SF). This 227,000 SF property was built in 2017 and 100% occupied at the time of sale. A third notable transaction was The Quadrant trading to Vanderbilt Office Properties from CalSTRS for \$62M (\$182.94/SF).

Denver has realized a noticeable increase in investment interest since the lows of the pandemic and this trend is expected to continue throughout 2022.

Forecast

The Denver office market is showing promising signs of recovery as the second quarter of 2022 wraps up as indicated by a steady increase in absorption and an increase in rental rates. Large employers are still struggling to get their “work from home” employees back to the office but are becoming more lenient with their plans. They are beginning to offer more amenities and require fewer work days in the office. The hybrid work model will continue to become a normal part of life and business looking forward, but big companies have realized that office space will always be a necessity. Denver continues to benefit from company relocations and expansions, as well as remote workers choosing to make Denver home due to its high quality of life.

Second quarter metrics point to an improving market and quarter-over-quarter fundamentals illustrate that the Denver Metro is on the road to recovery. Building off of the first quarter of 2022, positive absorption and rental rates increasing show a return to pre-pandemic levels and that the worst of the pandemic is now behind us.

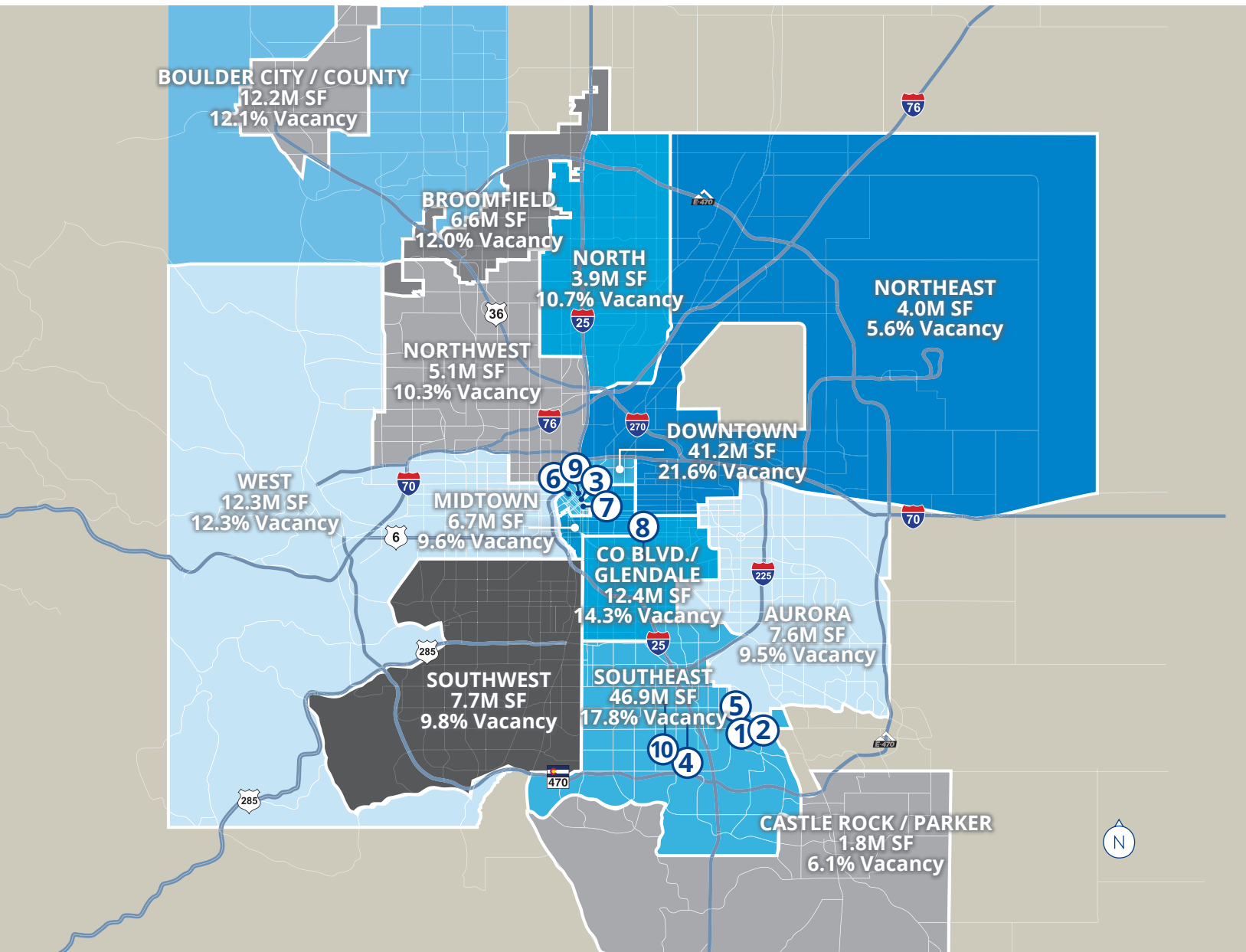
The Denver office market continues to show signs of recovery. Denver remains well-positioned and is expected to recover faster than the majority of other large metro areas benefitting from a large educated workforce and diverse industry mix.

Inflation Rises to Annualized Rate of 8.6% in May



Source: BLS, June 2022

Significant Leasing Activity



Top Leases This Quarter

	Building Address	Building Name	Rentable Square Feet (RSF)	Tenant	Deal Type
1	1515 Arapahoe St.	Park Central	107,490	MPLX LP	Direct
2	675 15th St.	Block 162	103,000	Brownstein Hyatt Farber Schreck	Direct
3	3400 Walnut St.	Paradigm River North	77,000	Davis Graham & Stubbs	Direct
4	6200 S. Syracuse Way	Carrara Place	62,122	Kimley Horn	Direct
5	1700 Lincoln St.	Wells Fargo Center	52,000	Bryan Cave Leighton Paisner	Direct
6	4400 Kittredge St.	Four Gateway Centre	31,976	confirmed by Cushman	Direct
7	6900 Layton	6900 Layton	60,000	Stone Pine Accounting	Direct
8	999 18th St.	Denver Place	28,417	Undisclosed Government	Direct
9	707 17th St.	City Center	25,636	Funding Circle Renewal	Direct
10	675 15th St.	Block 162	24,564	Moss Adams	Direct

Existing Properties		Vacancy						Activity	Absorption	Construction		Rents
Submarket/ Class	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant SF	Sublease Vacancy Rate	Total Vacancy Rate	Vacancy Rate Prior Qtr.	Leasing Activity SF	Net Absorption Current Qtr. SF	Deliveries Current Qtr. SF	Under Construction SF	Avg. Rental Rate
DOWNTOWN												
A	28,416,579	5,286,836	18.6%	1,225,573	4.3%	22.9%	21.9%	486,877	-102,986	250,402	1,193,264	\$40.83
B	11,615,527	2,236,587	19.3%	66,061	0.6%	19.8%	19.4%	93,330	-50,480	0	0	\$34.64
C	1,148,771	54,956	4.8%	9,630	0.8%	5.6%	4.9%	5,234	-8,050	0	0	\$24.39
TOTAL	41,180,877	7,578,379	18.4%	1,301,264	3.2%	21.6%	20.7%	585,441	-161,516	250,402	1,193,264	\$37.94
Midtown												
A	1,639,756	183,514	11.2%	60,518	3.7%	14.9%	15.6%	6,671	11,674	0	0	\$30.26
B	3,351,181	345,964	10.3%	13,038	0.4%	10.7%	10.8%	6,822	2,773	0	0	\$27.61
C	1,680,679	4,961	0.3%	30,000	1.8%	2.1%	0.4%	4,543	2,178	0	0	\$20.18
TOTAL	6,671,616	534,439	8.0%	103,556	1.6%	9.6%	9.8%	18,036	16,625	0	0	\$28.51
Suburban												
Aurora												
A	1,938,360	308,393	15.9%	19,543	1.0%	16.9%	18.1%	0	23,071	0	0	\$24.17
B	4,941,657	376,108	7.6%	3,186	0.1%	7.7%	9.1%	30,369	70,920	0	0	\$20.75
C	696,679	12,895	1.9%	0	0.0%	1.9%	3.0%	5,475	7,870	0	0	\$14.08
TOTAL	7,576,696	697,396	9.2%	22,729	0.3%	9.5%	10.0%	35,844	101,861	0	0	\$22.19
Boulder												
A	2,567,352	152,034	5.9%	17,109	0.7%	6.6%	6.5%	16,702	-1,687	0	150,000	\$42.45
B	9,091,411	1,106,689	12.2%	150,248	1.7%	13.8%	15.5%	48,660	150,041	0	0	\$31.30
C	495,005	39,652	8.0%	0	0.0%	8.0%	6.9%	0	-5,422	0	0	\$23.11
TOTAL	12,153,768	1,298,375	10.7%	167,357	1.4%	12.1%	13.2%	65,362	142,932	0	150,000	\$31.93
Broomfield												
A	3,653,165	550,886	15.1%	16,967	0.5%	15.5%	17.2%	9,957	58,914	0	0	\$32.35
B	2,904,329	217,835	7.5%	10,667	0.4%	7.9%	11.5%	150,807	104,359	0	0	\$27.55
C	70,412	0	0.0%	0	0.0%	0.0%	0.0%	0	0	0	0	\$0.00
TOTAL	6,627,906	768,721	11.6%	27,634	0.4%	12.0%	14.5%	160,764	163,273	0	0	\$30.53
Colorado Blvd/Glendale												
A	5,153,558	787,143	15.3%	53,427	1.0%	16.3%	16.5%	85,848	11,630	0	0	\$32.07
B	6,340,267	686,873	10.8%	139,031	2.2%	13.0%	14.5%	107,881	94,276	0	0	\$27.43
C	947,857	105,631	11.1%	12,493	1.3%	12.5%	11.5%	0	-8,734	0	0	\$20.02
TOTAL	12,441,682	1,579,647	12.7%	204,951	1.6%	14.3%	15.5%	193,729	97,172	0	0	\$29.42
Longmont												
A	104,805	34,792	33.2%	0	0.0%	33.2%	46.9%	0	14,322	0	0	\$26.01
B	714,673	26,027	3.6%	2,537	0.4%	4.0%	4.1%	3,519	982	0	0	\$23.97
C	134,558	0	0.0%	0	0.0%	0.0%	0.0%	0	0	0	0	\$18.83
TOTAL	954,036	60,819	6.4%	2537	0.3%	6.6%	8.2%	3,519	15,304	0	0	\$25.18
North												
A	759,793	31,144	4.1%	0	0.0%	4.1%	4.3%	7,014	1,488	0	0	\$27.24
B	3,044,595	306,750	10.1%	82,144	2.7%	12.8%	10.8%	39,042	-59,829	0	0	\$25.51
C	128,181	1,576	1.2%	0	0.0%	1.2%	1.7%	3,220	660	0	0	\$15.98
TOTAL	3,932,569	339,470	8.6%	82,144	2.1%	10.7%	9.3%	49,276	-57,681	0	0	\$25.76
Northeast												
A	583,612	0	0.0%	0	0.0%	0.0%	0.0%	8,730	0	0	0	\$26.94
B	2,521,843	165,447	6.6%	37,476	1.5%	8.0%	9.7%	51,304	41,561	0	0	\$22.82
C	872,669	19,153	2.2%	0	0.0%	2.2%	1.1%	900	-9,850	0	0	\$16.00
TOTAL	3,978,124	184,600	4.6%	37,476	0.9%	5.6%	5.8%	60,934	31,711	0	0	\$22.67

Suburban continued

Existing Properties		Vacancy						Activity	Absorption	Construction		Rents
Submarket/ Class	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant SF	Sublease Vacancy Rate	Total Vacancy Rate	Vacancy Rate Prior Qtr.	Leasing Activity SF	Net Absorption Current Qtr. SF	Deliveries Current Qtr. SF	Under Construction SF	Avg. Rental Rate
Northwest												
A	2,111,402	278,690	13.2%	22,126	1.0%	14.2%	15.5%	20,862	25,727	0	0	\$27.28
B	2,528,158	214,518	8.5%	3,935	0.2%	8.6%	7.5%	22,029	-28,804	0	32,734	\$22.71
C	483,400	10,179	2.1%	0	0.0%	2.1%	1.7%	663	-2,163	0	0	\$16.64
TOTAL	5,122,960	503,387	9.8%	26,061	0.5%	10.3%	10.2%	43,554	-5,240	0	32,734	\$24.85
Parker/Castle Rock												
A	686,385	11,872	1.7%	0	0.0%	1.7%	1.5%	5,597	-1,590	0	0	\$30.92
B	983,974	92,467	9.4%	2,039	0.2%	9.6%	11.3%	6,127	16,701	0	0	\$27.34
C	87,926	0	0.0%	0	0.0%	0.0%	0.0%	0	0	0	0	\$20.00
TOTAL	1,758,285	104,339	5.9%	2,039	0.1%	6.1%	6.9%	11,724	15,111	0	0	\$27.89
Southeast												
A	26,172,525	4,067,050	15.5%	808,962	3.1%	18.6%	19.9%	431,900	431,900	131,733	306,013	\$31.22
B	19,481,456	3,002,412	15.4%	410,880	2.1%	17.5%	16.1%	249,000	-283,637	0	0	\$24.14
C	1,200,722	48,275	4.0%	1,245	0.1%	4.1%	2.3%	2,765	-21,502	0	0	\$18.80
TOTAL	46,854,703	7,117,737	15.2%	1,221,087	2.6%	17.8%	17.8%	683,665	126,761	131,733	306,013	\$27.99
Southwest												
A	1,550,806	57,635	3.7%	12,177	0.8%	4.5%	6.5%	0	30,933	0	0	\$26.01
B	5,408,598	622,785	11.5%	15,250	0.3%	11.8%	11.1%	49,057	-36,204	0	0	\$21.17
C	719,263	43,895	6.1%	0	0.0%	6.1%	6.1%	1,293	206	0	0	\$14.10
TOTAL	7,678,667	724,315	9.4%	27,427	0.4%	9.8%	9.7%	50,350	-5,065	0	0	\$21.55
West												
A	2,676,828	178,740	6.7%	113,962	4.3%	10.9%	12.2%	19,561	35,148	0	0	\$29.06
B	8,815,048	1,017,074	11.5%	102,818	1.2%	12.7%	13.5%	106,272	69,385	0	0	\$24.93
C	817,518	44,360	5.4%	61,236	7.5%	12.9%	13.5%	5,089	4,609	0	0	\$20.27
TOTAL	12,309,394	1,240,174	10.1%	278,016	2.3%	12.3%	13.2%	130,922	109,142	0	0	\$25.27
SUBURBAN TOTAL												
A	47,958,591	6,458,379	13.5%	1,064,273	2.2%	15.7%	16.8%	606,171	629,856	131,733	456,013	\$30.44
B	66,776,009	7,834,985	11.7%	960,211	1.4%	13.2%	13.4%	864,067	139,751	0	32,734	\$23.76
C	6,654,190	325,616	4.9%	74,974	1.1%	6.0%	5.5%	19,405	-34,326	0	0	\$18.15
TOTAL	121,388,790	14,618,980	12.0%	2,099,458	1.7%	13.8%	14.3%	1,489,643	735,281	131,733	488,747	\$26.66
DENVER MARKET GRAND TOTAL												
A	78,014,926	11,928,729	15.3%	2,350,364	3.0%	18.3%	18.6%	1,099,719	538,544	382,135	1,649,277	\$34.03
B	81,742,717	10,417,536	12.7%	1,039,310	1.3%	14.0%	14.1%	964,219	92,044	0	32,734	\$25.82
C	9,483,640	385,533	4.1%	114,604	1.2%	5.3%	4.8%	29,182	-40,198	0	0	\$18.40
TOTAL	169,241,283	22,731,798	13.4%	3,504,278	2.1%	15.5%	15.6%	2,093,120	590,390	382,135	1,682,011	\$31.23
DENVER MARKET QUARTERLY COMPARISON AND TOTALS												
Q2 2022	169,241,283	22,731,798	13.4%	3,504,278	2.1%	15.5%	15.6%	2,093,120	590,390	382,135	1,682,011	\$31.23
Q1 2022	168,890,562	23,063,972	13.7%	2,882,477	1.7%	15.4%	15.6%	2,891,185	340,773	111,479	1,566,872	\$30.05
Q4 2021	168,489,281	23,126,894	13.5%	3,080,913	1.9%	15.6%	15.4%	2,663,013	-65,951	0	1,325,867	\$29.86
Q3 2021	168,235,781	22,664,931	13.5%	3,223,425	1.9%	15.4%	15.3%	2,785,042	-76,701	363,013	1,050,586	\$29.75

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Asia Pacific: 33
EMEA: 78



\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

About Colliers

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