

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 blue background with a yellow and red horizontal stripe below it.

Colliers

Denver

Office

22Q1

Denver's office recovery continues as net absorption returned to positive territory for the first time since the onset of the pandemic and leasing activity posted its strongest figure since Q3 2019. With the worst of the pandemic appearing to be in the rearview mirror, a mass return to the office is expected for the majority of large companies by mid-2022, albeit in a hybrid work model. Employers are utilizing robust amenity packages and upgraded workspaces to attract and retain employees back in the office.

Accelerating success.

Key Takeaways

- Q1 2022 marked the first return to positive absorption since Q4 2019 at 341k SF.
- Leasing activity continues its trend toward pre-pandemic levels, realizing 2.9M SF in Q1 2022.
- 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 mid-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
15.4%

YOY ▲
FORECAST ▲



Net Absorption
341K SF

YOY ▲
FORECAST ▲



Under Construction
1,567k SF

YOY ▼
FORECAST ▼



Overall Class A Asking Lease Rates (FSG)
\$30.05/SF

YOY ▲
FORECAST —

A Return to the New Normal

As pandemic related headlines fade from the media and positivity rates 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 returned to positive territory for the first time since 2019 and leasing activity realized its highest figure since the onset of the pandemic at 2.9M 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 2022.

Market Indicators



4.11%
Unemployment Rate



5.22%
YOY Labor Force Growth

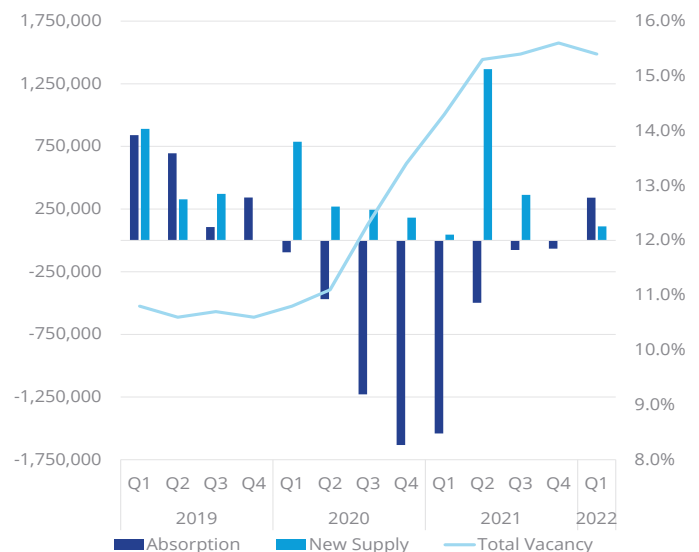


2.40%
U.S. 10 Year Treasury Note

Historic Comparison

	22Q1	21Q4	21Q1
Total Inventory (in Thousands of SF)	168,891	168,489	166,645
New Supply (in Thousands of SF)	111	0	47
Net Absorption (in Thousands of SF)	341	-66	-1,540
Overall Vacancy	15.4%	15.6%	14.3%
Under Construction (in Thousands of SF)	1,567	1,326	2,625
Direct Asking Lease Rates (FSG)	\$30.05	\$29.86	\$29.75

Market Graph



A return to positive absorption highlights Q1 2022 metrics. Furthermore, regional vacancy fell slightly suggesting the worst of the pandemic is behind us, with total vacancy decreasing by 10-basis points (bps) to 15.4%.

Recent Transactions



Sale

1800 Larimer St
1800 Larimer
LoDo | 546,427 SF



Sale

55 Madison St | 44 Cook St
Plaza at Cherry Creek
Cherry Creek | 264,274 SF



Sale

5251 DTC Pkwy | One DTC
Greenwood Village
240,931 SF



Sale

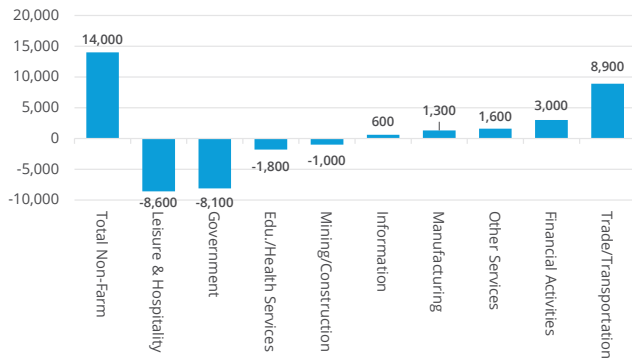
8110 E Union Ave
Lockton Center
DTC | 126,129 SF



Sale

1501-1527 Wazee St
Hardware Block
LoDo | 54,125 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 2,300 cumulative jobs (preliminary) to its nonfarm payroll in Q1 and has added 200,400 jobs since peak unemployment in April 2020.

The unemployment rate in the Denver MSA increased slightly to 4.1% in March, with the largest job gains in hospitality and professional services. The unemployment rate in the Metro is less than one-third of its peak of 12.4% in 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.

Construction

The Denver Metro did not record a significant office delivery in Q1 2022 but had three medical office buildings deliver for 111k SF, being Candela's MOB in West Denver, and Northfield Medical Pavilion and UC Health in Northeast Denver.

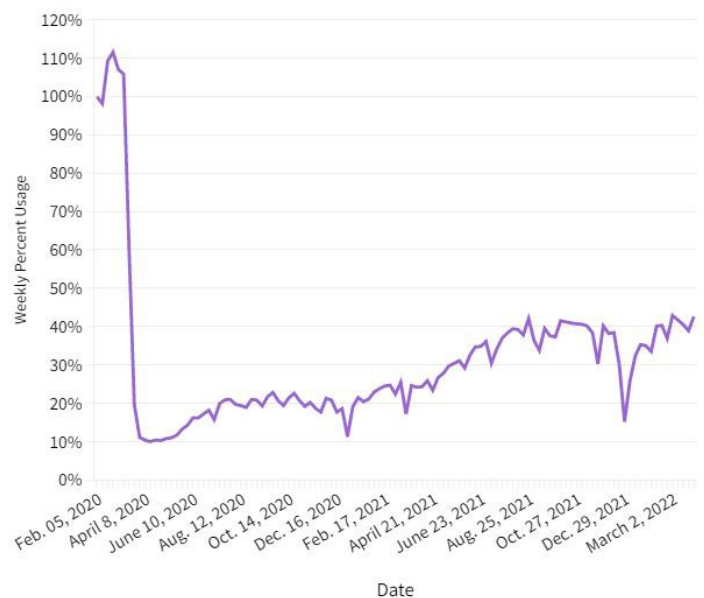
The office construction pipeline remains below average historical levels at 1.6 million SF. 843,000 SF of which is Downtown and headlined by One Platte (250k SF), T3 Offices (214k SF), and The Current River North (280k SF). 259,000 square feet remain under construction in the Southeast consisting of Vectra Bank's headquarters building (106k SF) and phase two of Kiewit's regional headquarters (132k SF). One Platte and Kiewit's Phase II are expected to complete in Q2 2022.

Absorption & Leasing Activity

The most notable statistic for Q1 2022 is that absorption returned to positive territory for the Denver Metro, recording 341,000 SF. This is the first time since Q4 2019 positive absorption was recorded and further makes the case of a rebounding office market. Strong leasing activity continues to trend to pre-pandemic levels recording 2.9 million square feet, marking the fourth consecutive quarter of absorption over 2.4 million. The largest Q1 absorption was driven by Boom Technologies moving into 267,000 SF at 6801 & 6803 S Tucson Way and DCP Midstream occupying 93,000 SF at 6900 Layton.

Notable leasing activity in Q1 includes PDC Energy inking a 108,000 SF sublease in Granite Tower, Starz Entertainment signing for 100,000 SF at Palazzo Verdi, and Sierra Space leasing 86,000 SF at the Lincoln Executive Center. With demand increasing throughout the Metro, net absorption is expected to maintain a positive trend and return to positive territory in late 2022.

Denver Metro Office Usage



Source: Kastle Systems, April 2022

Vacancy

Denver Metro's office vacancy stood at 15.4% as of Q1 2022, representing a 20-bps decrease over the prior quarter. The Downtown market maintained the Metro's highest vacancy at 21.2%. The suburban markets also realized a 30-bps vacancy rate decrease to 13.7%.

Space available for sublease continues to decline for the third consecutive quarter, realizing a 200,000 SF decrease to 2.9 million SF. The majority of sublease space, 1.2 million square feet, remains downtown, followed by 768,000 SF in the Southeast. Vacant sublease space decreased by 6.4% across the Metro quarter-over-quarter.

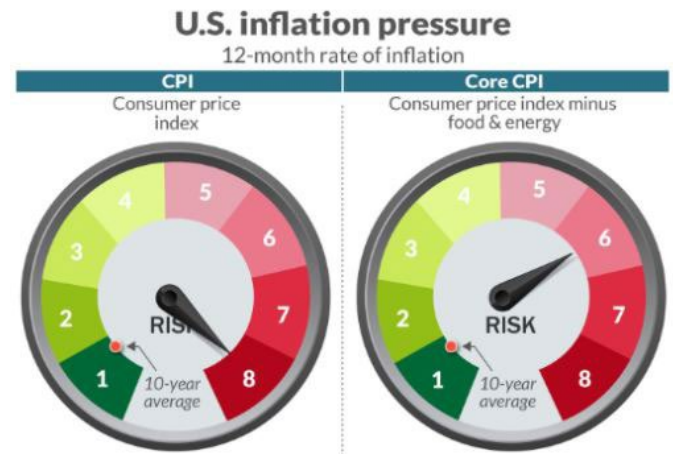
Rents

Moderately increasing average lease rates continue to highlight Denver's resiliency and office recovery from the pandemic. Direct average full-service lease rates in Denver increased slightly in Q1 to \$30.05/SF from \$29.86/SF. Class A rates in the Southeast realized a modest increase to \$31.46/SF while Downtown decreased from \$39.20/SF to \$39.07/SF as landlords offer aggressive rates to fill vacant space. 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 1800 Larimer trading to Beacon Capital Partners from Invesco for \$291M (\$533/SF). The 546,000 property was built in 2010 and 81% occupied at the time of sale, with Xcel Energy as its anchor tenant. First Avenue Plaza, a two-property portfolio in Cherry Creek, traded to Granite Properties from Black Creek for \$104.8M (\$397/SF). This 264,000 SF portfolio had blended occupancy of 91% at the time of sale and underwent recent renovations. A third notable transaction was One DTC trading to Hill Companies from Principal Global Investors for \$55.7M (\$231/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.



Source: Capital Economics, MarketWatch

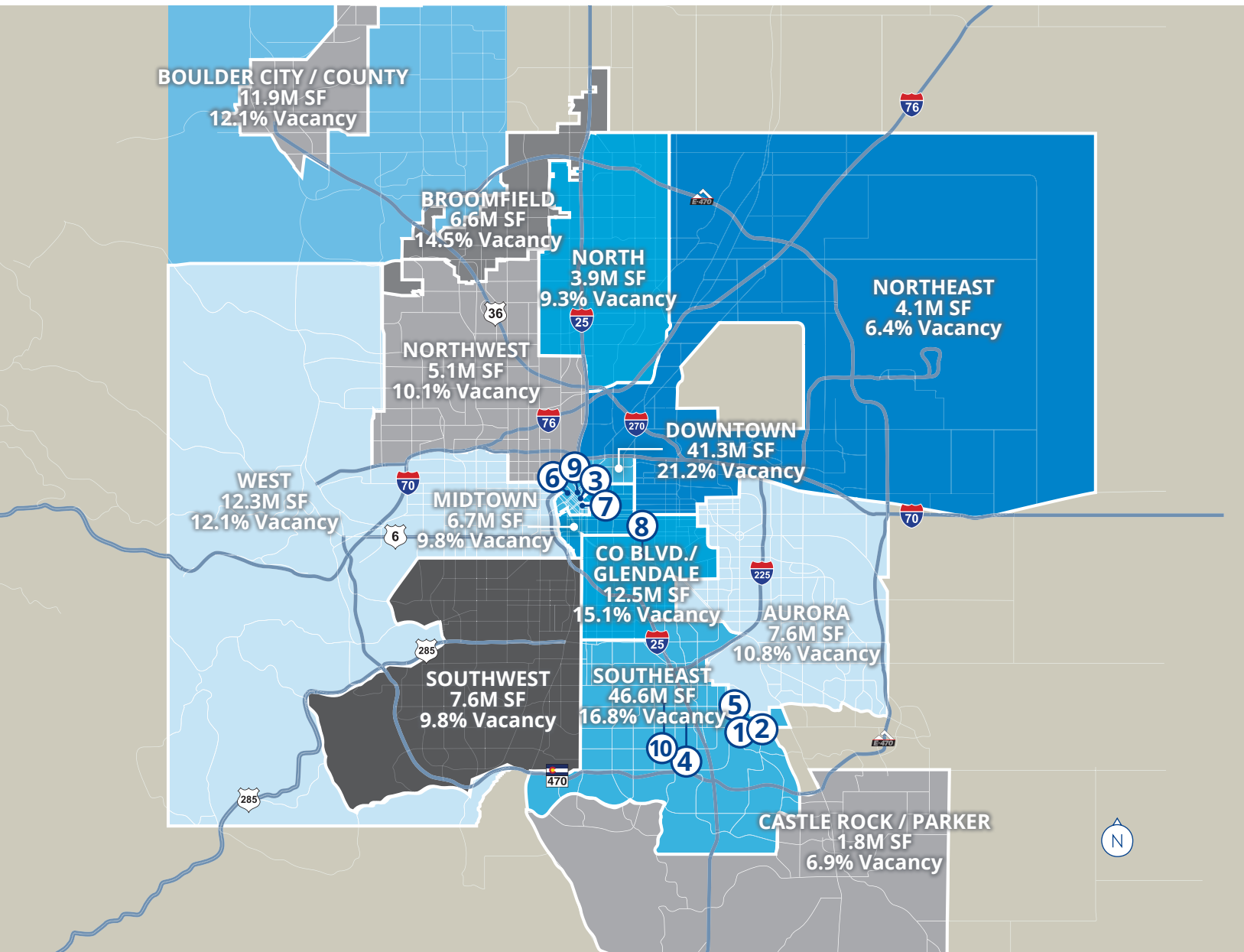
Forecast

Barring another COVID variant, the Denver Metro office market appears to be on track to for a return to normalcy throughout 2022. Indicators such as absorption, leasing activity, and vacancy all point an improving office market. While increasingly hybrid work models are here to stay, employees still want a dedicated workspace when at the office. Employers are offering this along with improved amenities to get their employees back into the office. Additionally, 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.

Q1 2022 metrics point to an improving market and quarter-over-quarter fundamentals illustrate that the Denver Metro is on the road to recovery. A return to positive absorption and leasing activity surpassing 2.4 million square feet for the fourth consecutive quarter 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. Strong leasing activity points to companies preparing to again utilize offices as their primary place of business and macroeconomic fundamentals should strengthen as a result. 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.

Significant Leasing Activity



	Building Address	Building Name	Rentable Square Feet (RSF)	Tenant	Deal Type
1	6801 S Tucson Way	Building 1	154,021	Boom Technologies	Direct
2	6803 S Tucson Way	Building 2	112,686	Boom Technologies	Direct
3	1099 18th St	Granite Tower	108,459	PDC Energy	Sublease
4	6363 S Fiddler's Green Cir	Palazzo Verdi	100,119	Starz Entertainment	Direct
5	11551-11601 E Arapahoe Rd	Lincoln Executive Center	85,935	Sierra Space	Direct
6	1900 16th St	1900 Sixteenth	52,886	Dynatrace	Direct
7	717 17th St	Johns Manville Plaza	47,546	Medpace	Sublease
8	235 Fillmore St	235 Fillmore	42,754	Crestone Capitol	Direct
9	1800-1890 Wazee St	Dairy Block	42,653	Undisclosed	Direct
10	6200 S Syracuse Way	Carrara Place	39,269	Zeta Associates	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	28,200,851	5,358,718	19.0%	1,059,149	3.8%	22.8%	21.6%	610,985	-324,009	-	803,336	\$39.07
B	11,927,118	2,187,445	18.3%	97,394	0.8%	19.2%	20.1%	90,640	109,784	-	0	\$32.66
C	1,148,830	56,536	4.9%	-	0.0%	4.9%	4.5%	0	-4,339	-	0	\$24.39
TOTAL	41,276,799	7,602,699	18.4%	1,156,543	2.8%	21.2%	20.7%	701,625	-218,564	-	803,336	\$37.12
Midtown												
A	1,639,756	195,188	11.9%	60,518	3.7%	15.6%	15.7%	30,837	1,219	-	39,400	\$31.05
B	3,351,181	350,191	10.4%	11,584	0.3%	10.8%	11.3%	19,054	16,332	-	0	\$28.28
C	1,680,679	6,188	0.4%	30,951	1.8%	2.2%	0.0%	2,830	1,245	-	0	\$20.18
TOTAL	6,671,616	551,567	8.3%	103,053	1.5%	9.8%	8.4%	52,721	18,796	-	39,400	\$29.30
Suburban												
Aurora												
A	1,938,360	331,464	17.1%	19,543	1.0%	18.1%	17.9%	27,042	-4,736	-	0	\$24.03
B	4,941,657	405,818	8.2%	44,396	0.9%	9.1%	9.6%	57,610	25,561	-	0	\$20.45
C	698,512	20,765	3.0%	-	0.0%	3.0%	2.5%	0	-4,800	-	0	\$12.74
TOTAL	7,578,529	758,047	10.0%	63,939	0.8%	10.8%	9.9%	84,652	16,025	-	0	\$21.78
Boulder												
A	2,567,352	151,392	5.9%	16,064	0.6%	6.5%	6.5%	7,882	-1,260	-	353,000	\$40.90
B	8,931,237	1,126,503	12.6%	120,007	1.3%	14.0%	13.3%	105,406	-61,051	-	0	\$26.14
C	437,570	28,200	6.4%	-	0.0%	6.4%	6.4%	0	0	-	0	\$22.48
TOTAL	11,936,159	1,306,095	10.9%	136,071	1.1%	12.1%	11.6%	113,288	-62,311	-	353,000	\$27.31
Broomfield												
A	3,653,165	580,224	15.9%	46,543	1.3%	17.2%	18.7%	29,818	57,116	-	0	\$28.85
B	2,904,329	322,194	11.1%	10,667	0.4%	11.5%	11.6%	5,556	2,767	-	0	\$23.96
C	70,412	-	0.0%	-	0.0%	0.0%	0.0%	0	0	-	0	\$0.00
TOTAL	6,627,906	902,418	13.6%	57,210	0.9%	14.5%	15.4%	35,374	59,883	-	0	\$27.43
Colorado Blvd/Glendale												
A	5,163,420	792,086	15.3%	60,114	1.2%	16.5%	17.9%	167,384	-26,179	-	111,605	\$31.28
B	6,338,736	761,424	12.0%	158,756	2.5%	14.5%	14.0%	77,080	-41,206	-	0	\$27.13
C	947,857	96,897	10.2%	12,493	1.3%	11.5%	13.0%	8,205	28,008	-	0	\$19.77
TOTAL	12,450,013	1,650,407	13.3%	231,363	1.9%	15.1%	15.5%	252,669	-39,377	-	111,605	\$28.89
Longmont												
A	104,805	49,114	46.9%	0	0.0%	46.9%	46.9%	14,322	0	-	0	\$26.01
B	714,673	29,546	4.1%	0	0.0%	4.1%	2.4%	2,812	-12,714	-	0	\$24.37
C	134,558	0	0.0%	0	0.0%	0.0%	0.0%	0	0	-	0	\$18.83
TOTAL	954,036	78,660	8.2%	0	0.0%	8.2%	6.9%	17,134	-12,714	-	0	\$25.55
North												
A	759,793	32,632	4.3%	0	0.0%	4.3%	6.0%	4,099	13,308	-	0	\$27.22
B	3,044,595	262,120	8.6%	66,945	2.2%	10.8%	11.4%	24,903	19,098	-	0	\$25.41
C	128,181	2,236	1.7%	0	0.0%	1.7%	4.1%	5,127	2,980	-	0	\$15.98
TOTAL	3,932,569	296,988	7.6%	66,945	1.7%	9.3%	10.2%	34,129	35,386	-	0	\$25.62
Northeast												
A	645,612	-	0.0%	0	0.0%	0.0%	-6.4%	0	32,000	69,110	0	\$26.08
B	2,521,843	204,925	8.1%	39,559	1.6%	9.7%	12.4%	43,140	67,076	-	0	\$22.92
C	872,669	14,417	1.7%	-	0.0%	1.7%	1.7%	0	0	-	0	\$16.00
TOTAL	4,040,124	219,342	5.4%	39,559	1.0%	6.4%	5.8%	43,140	99,076	69,110	0	\$22.76

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	2,102,107	319,973	15.2%	6,570	0.3%	15.5%	16.1%	6,925	12,373	-	0	\$28.26
B	2,528,158	189,649	7.5%	-	0.0%	7.5%	8.6%	25,893	26,720	-	0	\$22.55
C	494,753	8,016	1.6%	0	0.0%	1.6%	6.6%	3,872	24,600	-	0	\$16.50
TOTAL	5,125,018	517,638	10.1%	6,570	0.1%	10.2%	11.5%	36,690	63,693	-	0	\$25.57
Parker/Castle Rock												
A	686,385	10,282	1.5%	-	0.0%	1.5%	0.9%	928	-3,990	-	0	\$30.49
B	983,950	106,690	10.8%	4,517	0.5%	11.3%	11.5%	10,271	1,481	-	0	\$27.29
C	87,926	-	0.0%	-	0.0%	0.0%	0.0%	0	0	-	0	\$20.00
TOTAL	1,758,261	116,972	6.7%	4,517	0.3%	6.9%	6.8%	11,199	-2,509	-	0	\$27.72
Southeast												
A	25,988,906	4,042,260	15.6%	650,144	2.5%	18.1%	18.6%	563,712	142,415	-	259,531	\$31.46
B	19,464,676	3,007,322	15.5%	116,353	0.6%	16.0%	17.0%	769,531	179,473	-	0	\$23.59
C	1,183,864	34,082	2.9%	1,245	0.1%	3.0%	5.6%	27,013	30,639	-	0	\$18.61
TOTAL	46,637,446	7,083,664	15.2%	767,742	1.6%	16.8%	17.6%	1,360,256	352,527	-	259,531	\$27.93
Southwest												
A	1,551,321	88,568	5.7%	12,177	0.8%	6.5%	9.3%	0	43,923	-	0	\$25.92
B	5,343,010	585,650	11.0%	16,181	0.3%	11.3%	11.5%	35,271	11,991	-	0	\$20.82
C	717,323	44,101	6.1%	-	0.0%	6.1%	2.6%	1,732	-25,345	-	0	\$12.97
TOTAL	7,611,654	718,319	9.4%	28,358	0.4%	9.8%	10.2%	37,003	30,569	-	0	\$21.27
West												
A	2,777,336	170,933	6.2%	122,401	4.4%	10.6%	8.3%	21,208	-25,155	42,369	0	\$28.81
B	8,695,574	1,041,254	12.0%	98,206	1.1%	13.1%	14.2%	83,185	96,453	-	0	\$24.63
C	817,522	48,969	6.0%	-	0.0%	6.0%	-2.7%	6,912	-71,005	-	0	\$19.13
TOTAL	12,290,432	1,261,156	10.3%	220,607	1.8%	12.1%	11.8%	111,305	293	42,369	0	\$24.97
SUBURBAN TOTAL												
A	47,938,562	6,568,928	13.7%	933,556	1.9%	15.7%	16.0%	843,320	239,815	111,479	724,136	\$30.44
B	66,412,438	8,043,095	12.1%	675,587	1.0%	13.1%	13.6%	1,240,658	315,649	-	0	\$23.76
C	6,591,147	297,683	4.5%	13,738	0.2%	4.7%	4.5%	52,861	-14,923	-	0	\$18.15
TOTAL	120,942,147	14,909,706	12.3%	1,622,881	1.3%	13.7%	14.0%	2,136,839	540,541	111,479	724,136	\$26.66
DENVER MARKET GRAND TOTAL												
A	77,779,169	12,122,834	15.6%	2,053,223	2.6%	18.2%	18.0%	1,485,142	-82,975	111,479	1,566,872	\$34.03
B	81,690,737	10,580,731	13.0%	784,565	1.0%	13.9%	14.5%	1,350,352	441,765	-	0	\$25.82
C	9,420,656	360,407	3.8%	44,689	0.5%	4.3%	4.1%	55,691	-18,017	-	0	\$18.40
TOTAL	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
DENVER MARKET QUARTERLY COMPARISON AND TOTALS												
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
Q2 2021	167,975,660	22,451,786	13.4%	3,277,895	2.0%	15.3%	14.3%	2,439,254	-497,857	1,367,230	1,693,299	\$29.67
Q1 2021	166,645,066	20,991,589	12.6%	2,909,641	1.7%	14.3%	13.4%	1,586,920	-1,540,465	46,500	2,624,541	\$29.74

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351 offices in 67 countries on 6 continents

United States: 115
Canada: 41
Latin America: 12
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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