

# Denver, CO



## Quick stats

### 14.4%

Denver office vacancy rate, up 1.2% from 3Q2020 and 3.1% year-over-year

### \$29.72 FSG

average asking rate for direct office space, up 0.20% year-over-year

### -2.0 MSF

year-end office net absorption, down over 200% year-over-year

### 2.1 MSF

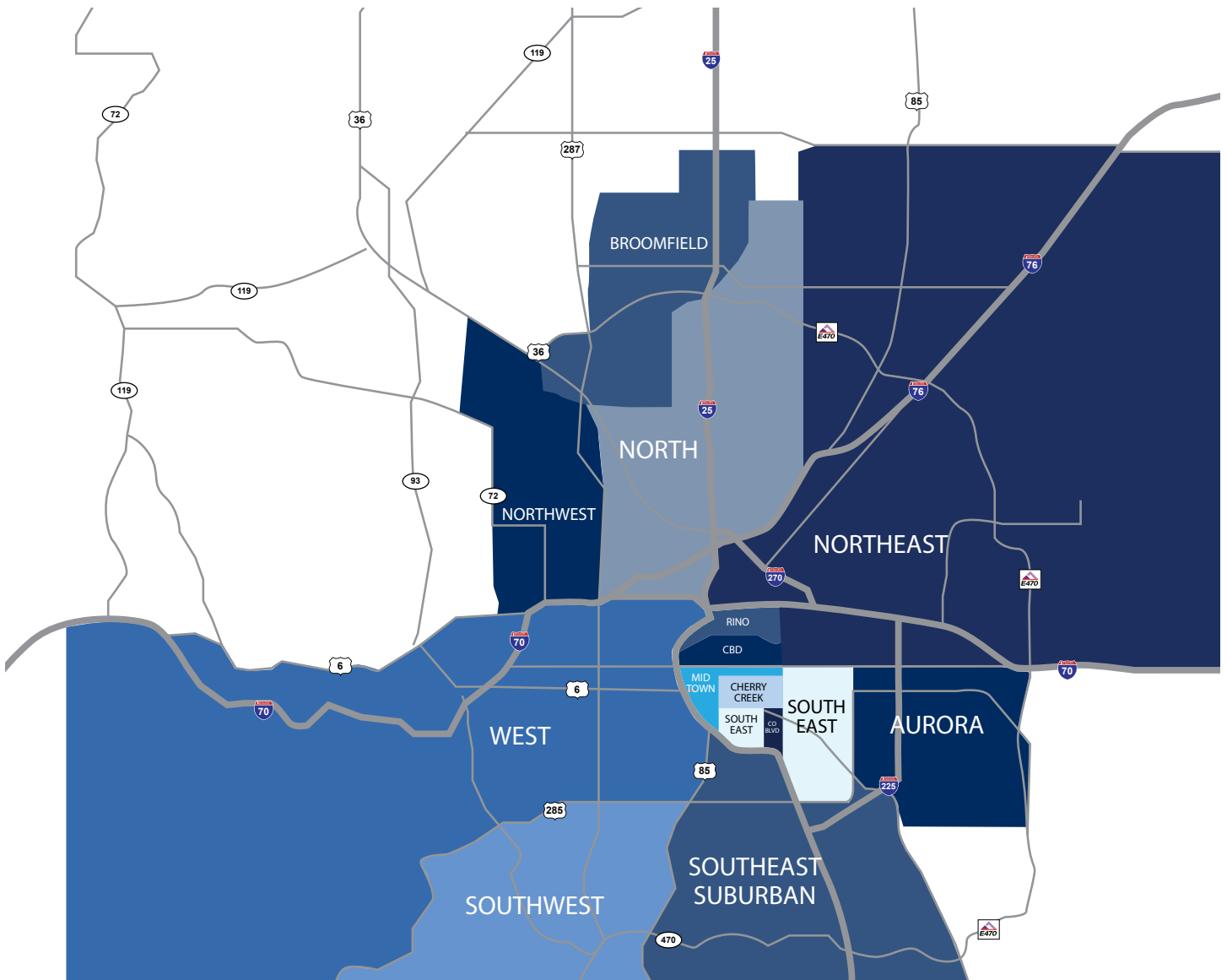
office space under construction, 39.7% of which is pre-leased

### \$131 M

total 4Q2020 office sales volume, down 17% from 3Q2020

## Market highlights

- Office leasing activity was up 43% quarter-over-quarter (Q/Q) in 4Q2020, an encouraging sign for the office sector's recovery in 2021. There were two leases totaling 74,635 square feet (sf) signed at McGregor Square, the Rockies West Lot redevelopment which is slated for delivery in the first quarter of 2021. Healthcare facilities REIT Healthpeak Properties also signed full-floor lease at 5050 S. Syracuse Street in the Denver Tech Center. Healthpeak had previously announced its intentions to relocate their headquarters from California to Denver, citing the city's centralized location and top talent as driving factors.
- The average full-service gross (FSG) asking rate in Denver contracted in 4Q2020, ending the quarter with an average rental rate of \$29.72 FSG, down from \$29.85 FSG in the third quarter of 2020. Office rent growth was already flattening in Denver prior to the on-set of the pandemic, but the large-scale shift towards remote work has created downward pressure on asking rents, which have dropped in relation to rising vacancy in key submarkets like the Southeast Suburban (SES) and CBD Core.
- Office sales in Denver were modest through 4Q2020, recording \$131.3 million in investment volume—a 67% decline year-over-year (YOY). Investment activity remained steady in the SES submarket, though the most notable deal of the quarter was the \$92.5 million sale of historic Larimer Square in the LoDo micromarket. The multi-use portfolio included 223,325 sf of office space.
- Net absorption continued to trend negative as pandemic-related uncertainty drives both direct and sublet vacancy. The fourth quarter of 2020 recorded negative 1,171,771 sf in net absorption to combine for a cumulative total of negative 2,057,571 sf in net absorption for 2020. Total vacancy rose 1% Q/Q to end the year at 14.4%, a 3.1% YOY increase.
- The office construction pipeline continues to thin amidst changing demand and rising construction costs. The only project to break ground in 4Q2020 was Vectra Bank's new 127,000-sf headquarters, located near the Belleview RTD Station. While some developers have delayed construction plans while they monitor the office sector's recovery, pre-leasing activity at McGregor Square and Market Station suggests demand for premium space in the urban core may rebound in 2021.



## Submarket trends



**Lowest Vacancy Rate**  
 (Overall, all classes)  
 Northeast 6.0%  
**Overall Denver 14.4%**



**Highest Avg. Asking Rent**  
 (FSG Direct, all classes)  
 RiNo/Plate Valley \$45.57 FSG  
**Overall Denver \$29.72 FSG**



**Highest Sales Volume**  
 (All classes)  
 LoDo \$92.5 Million  
**Overall Denver \$131.0 Million**



**Highest 4Q Leasing Activity**  
 (Overall, all classes)  
 Southeast Suburban 430,775 SF  
**Overall Denver 1.1 MSF**



**Largest YOY Vacancy Decrease**  
 (Overall, all classes)  
 Northwest 8.0%  
**Overall Denver (4.2)%**



**Highest 4Q Net Absorption**  
 (Overall, all classes)  
 RiNo 54,930 SF  
**Overall Denver (1.7) MSF**

## Submarkets by the numbers

Submarket	Inventory	Vacant SF	Vacancy %	YTD Net Absorption	YTD Leasing Activity	Under Construction	Total Office Pre-Leased SF	Average Asking Rent (FSG)
Aurora	5,107,450	593,514	11.60%	-131,562	87,956	-	-	\$19.95
Broomfield	5,915,231	668,264	11.30%	-158,560	66,555	-	-	\$27.31
CBD	34,205,282	5,552,794	16.20%	-659,897	852,162	1,147,270	154,016	\$36.96
Cherry Creek	2,133,424	276,484	13.00%	-62,078	113,408	75,000	75,000	\$37.66
Colorado Blvd/SE	6,136,051	925,377	15.10%	-154,681	250,778	139,065	88,933	\$26.83
Midtown	3,697,805	327,246	8.80%	-36,172	74,053	-	-	\$29.88
North	2,309,468	204,262	8.80%	-4,207	108,433	-	-	\$22.63
Northeast	2,870,545	173,397	6.00%	-28,015	69,637	-	-	\$23.73
Northwest	3,967,540	438,504	11.10%	141,448	62,783	57,433	22,459	\$25.05
RiNo/Platte Valley	4,519,800	750,901	16.60%	278,017	103,238	250,402	-	\$45.57
Southeast Suburban	40,612,851	6,693,413	16.50%	-1,263,019	2,152,464	521,899	489,758	\$27.73
Southwest	6,426,919	469,459	7.30%	-7,284	156,205	-	-	\$18.36
West	8,239,665	1,036,075	12.60%	28,439	3,875,570	-	-	\$24.35
<b>Total</b>	<b>126,142,031</b>	<b>18,109,690</b>	<b>14.40%</b>	<b>-2,057,571</b>	<b>7,973,242</b>	<b>2,191,069</b>	<b>830,166</b>	<b>\$29.72</b>

## Select fourth quarter leases

Submarket	Tenant	Industry	Property	SF	Type
Colorado Boulevard	NGL Energy Partners	Oil & Gas	865 N. Albion Street	48,000	New Lease
LoDo	Red Canary	Cyber Security	1901 Wazee Street	43,233	New Lease
LoDo	Lewis Roca Rothgerber Christie	Law	1901 Wazee Street	31,402	New Lease
Southeast Suburban	Richiey May	Accounting	9780 S. Meridian Boulevard	34,942	New Lease
Southeast Suburban	Healthpeak Properties	Real Estate	5050 S. Syracuse Street	32,601	New Lease

## Select fourth quarter sales

Submarket	Property	Buyer	SF	Sales Price	Price/SF
Colorado Boulevard	3955 E. Exposition Avenue	Campus Realty	43,578	\$7,000,000	\$147/SF
LoDo	1402-1498 Larimer Street - Larimer Square	Asana Partners	114,936	\$41,970,000	\$365/SF
LoDo	1401-1499 Larimer Street - Larimer Square	Asana Partners	108,389	\$41,308,000	\$381/SF
Southeast Suburban	Terrace Building - 5575 DTC Parkway	CapRidge Partners	114,910	\$15,400,000	\$176/SF
Southeast Suburban	4949 S. Syracuse Street	CapRidge Partners	62,633	\$13,300,000	\$437/SF

## Under construction

Submarket	Property	Developer	SF	% Leased	Delivery
CBD Core	675 15th Street - Block 162	Patrinely Group	595,000	0.00%	21-Feb
CBD Core	1490 Curtis Street - The Link	Steelwave	225,000	0.00%	21-Mar
Glendale	Boulevard 1 One - Quebec and Lowry Blvd	Confluent Development	139,065	64.00%	21-Mar
LoDo	1601 Market Street-Market Station	Continuum Partners	95,400	82.80%	21-Jan
LoDo	1901 Wazee Street-McGregor Square	Hensel Phelps	210,900	21.90%	21-Mar
Southeast Suburban	Kiewit Regional HQ Phase I & II	Kiewit	391,854	100%	21-Jan
RiNo/Platte Valley	1701 Platte Street - One Platte	The Nichols Partnership	250,402	0%	22-Feb

# Data and trend report

**6.5%**

Unemployment Rate in Denver as of November 2020

**-3.8%**

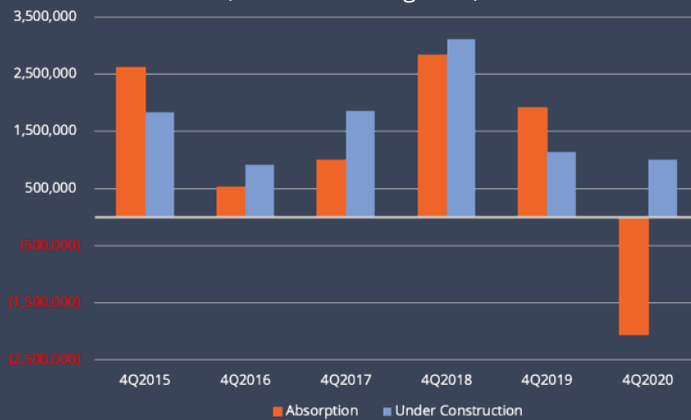
change in employment YOY from November 2019.

**+22.3%**

increase in the Bloomberg Colorado Index\* YOY from November 2019

\*a price-weighted index measuring the performance of the Colorado economy. All index members are headquartered in CO and have a minimum market capitalization of \$10 million.

## Deliveries vs. Absorption (12-month rolling total)



## Still Growing

Denver's population increased by 1.5% in 2020, and with the city continuing to rank among the top three US major metros in millennial net migration, expect to see more companies seeking young talent to establish or expand their presence in the Denver market.



## Paradigm Shift

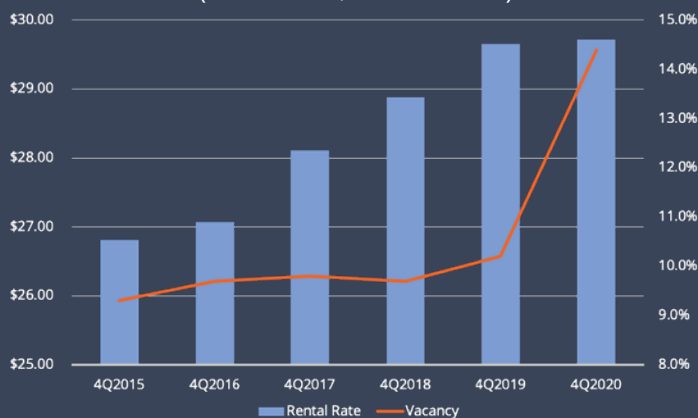
With the pandemic proving that remote work needn't be all-or-nothing, Denver is seeing companies re-evaluating their real estate footprint as they allow for a more flexible working model for their employees. It is possible 2021 will see a further shift towards smaller satellite locations versus a larger central office.



## COVID-19 Vaccine

While increased leasing activity suggests tenants are looking towards the post-pandemic future, the rate at which things return to normal partially depends on the efficacy of the COVID-19 vaccine. The current timeline aims to see all Coloradans vaccinated by summer, but is subject to change based on availability and data.

## Average Asking Rate vs. Vacancy (all classes - \$/sf/full service)



**For more information**

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