



Colliers

Denver

Office

21Q2

While the Denver Metro office market is still feeling the impact of the pandemic, there was a noticeable increase in demand in Q2, with leasing activity returning to pre-pandemic levels. With this increased activity, widespread vaccine distribution underway, and a mass return to the office on the horizon, **Denver is on the road to recovery.**

Accelerating success.



Denver

Office

21Q2

Key Takeaways

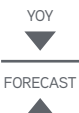
- Leasing activity rebounded to its highest level since Q1 2020 at 2.4 million SF
- Net absorption realized a significant improvement at -512,000 SF after averaging -1.5 million SF over the previous three quarters
- A mass return to the office is expected in Q3 2021
- Denver remains well-positioned for recovery due to its successful vaccination distribution, diverse tenant base, educated workforce, and company relocation/expansion announcements



Vacancy Rate
15.5%



Net Absorption
-512K SF



Under Construction
1.69M SF



Overall Class A Asking Lease Rates (FSG)
\$29.69/SF



Signs of Recovery

While the effects of the pandemic continue to impact the Denver market, demand for office space has begun to show signs of recovery as leasing activity returned to pre-pandemic levels, surpassing 2.3 million square feet for the first time since Q1 2020. Net absorption remained negative at -512,000 square feet, but was a significant improvement from the previous three quarters in which over -1 million square feet were realized. Company relocation and expansion announcements continue to propel the market, with over 20 major announcements bringing an estimated 8,000 jobs to the Denver Metro in the next year. With companies and households continuing to relocate to the Denver region in increasing numbers, the future of the Metro's office market is bright throughout 2021 and beyond.

Market Indicators



5.90%
Unemployment Rate



12.73%
GDP - Quarterly % change yr/yr

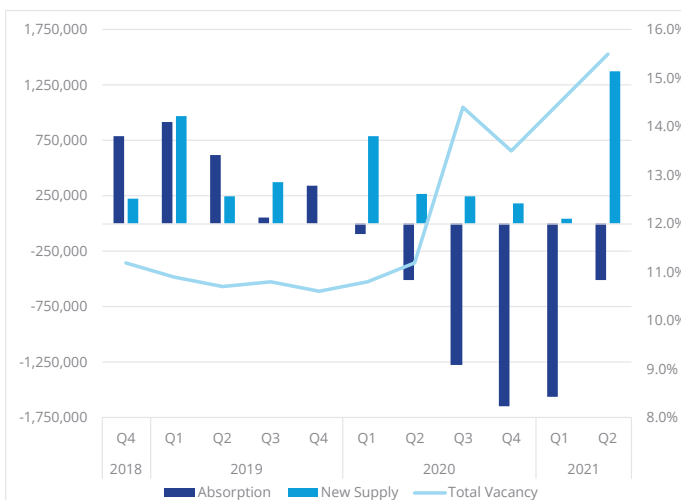


7.67%
Employment Growth % change yr/yr

Historic Comparison

	21Q2	21Q1	20Q2
Total Inventory (in Thousands of SF)	167,906	166,570	165,541
New Supply (in Thousands of SF)	1,419	47	1,058
Net Absorption (in Thousands of SF)	-512	-1,558	-511
Overall Vacancy	15.5%	14.5%	11.2%
Under Construction (in Thousands of SF)	1,693	2,629	3,461
Overall Asking Lease Rates (FSG)	\$29.69	\$29.75	\$28.84

Market Graph



Improving net absorption and significant deliveries headline Q2 2021 as the Denver Metro continues to stabilize after a steep drop in demand in 2020. Regional vacancy continues to increase, but is expected to plateau throughout the remainder of the year before decreasing in 2022.

Recent Transactions



Sale

Mountain View Corp.
Center I-IV
Broomfield | 461,438 SF



Sale

385 Interlocken Crescent
Broomfield | 297,262 SF



Sale

8055 E. Tufts Ave. &
6455 S. Yosemite St.
DTC | 476,232 SF



Sale

1615 Platte St.
Platte River | 112,979 SF



Sale

116 Inverness Dr. E.
Inverness | 217,000 SF

Employment

The Bureau of Labor Statistics (BLS) reports that the Denver Metro added 15,300 jobs to its nonfarm payroll from April to May 2021 and has added 145,000 jobs since peak unemployment in April 2020.

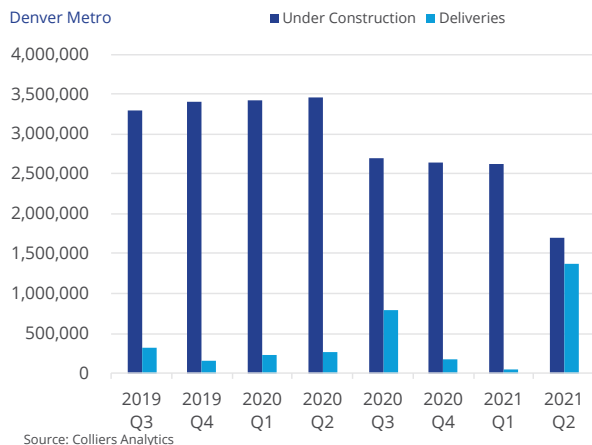
The unemployment rate in the Denver MSA fell by 50 basis points to 5.9% in May, with the largest job gains in leisure and hospitality. Over the past twelve months, the unemployment rate has more than halved since standing at 12.2% in May 2020. Continued company relocations and expansions are expected to aid the Metro's continued job growth and lower unemployment throughout 2021.

Construction

With nearly 1.4 million square feet of completions, the Denver Metro realized its highest level of deliveries since Q1 2018. Downtown gained 938,000 square feet comprised of Block 162 (608k SF), the McGregor Square office facility (203k SF), and Market Station (127k SF). Other large deliveries included the mixed-use Boulevard One (163k SF) in Glendale, and the Synergy Medical Center (104k SF) in the Southeast. This flurry of deliveries contributed to the Metro's overall vacancy, despite a quarter of strong office demand.

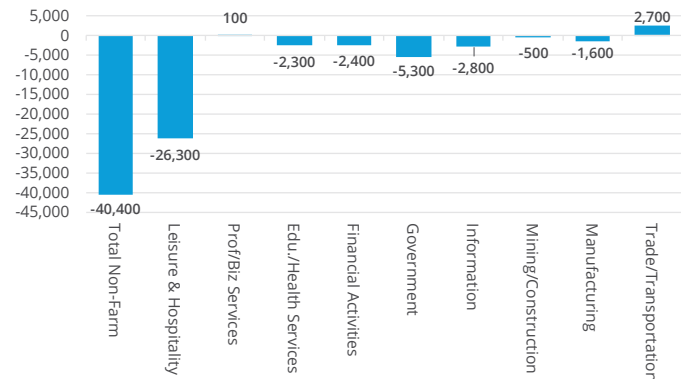
Over 500,000 square feet remain under construction in Downtown and in the Southeast. One Platte and The Current are driving the downtown figure, with each property being over 200,000 square feet. Large properties under construction in the Southeast include Vectra Bank's new HQ building (130k SF) and Kiewit's regional HQ building, which will total 392,000 square feet between two phases.

Under Construction & Deliveries



Denver Employment Change by Sector

Since February 2020



Source: Bureau of Labor Statistics

Absorption

Net absorption of office space made a significant recovery in Q2 at -512,000 square feet coming off three consecutive quarters of over -1 million square feet. This was driven by a rebound in leasing activity to pre-pandemic levels at 2.4 million square feet, the first time the market has topped 2 million square feet since Q1 2020. The Southeast returned to positive territory, realizing absorption of 108,000 square feet led by large move-ins by Zynex Medical (111k SF), Logisticare (73k SF), and Healthpeak Properties (31k SF).

Large moveouts include Lewan Technologies (55K SF), SelectQuote (45k SF), and ServiceLink (41k SF). With demand increasing throughout the metro, net absorption is expected to return to positive levels over the next twelve months.

Vacancy

Denver Metro's office vacancy stood at 15.5% at the end of Q2 2021, representing a 100-bps increase over the prior quarter. The Downtown market maintained the Metro's highest vacancy at 20.3%, but was impacted by approximately 665,000 square feet of vacant deliveries and increasing sublet space. The suburban markets realized a 50-bps vacancy rate increase to 14.2%.

Further impacting vacancy was the highest level of deliveries since Q1 2018 and slow preleasing. Block 162 delivered 90%± vacant as Sherman & Howard was its sole completed lease at 59,000 square feet. McGregor Square delivered 39%± vacant, but is expected to be fully leased by the end of 2021.

Of the 25.9 million square feet of office space that was vacant, 3.4 million was sublease space, an 11.2% increase from the prior quarter. The majority of sublease space, 1.4 million square feet, remains Downtown, followed by 1.1 million square feet in the Southeast. Sublease vacancy increased by 20-bps quarter-over-quarter and stands at 2.0% as of the end of Q2.

Rents

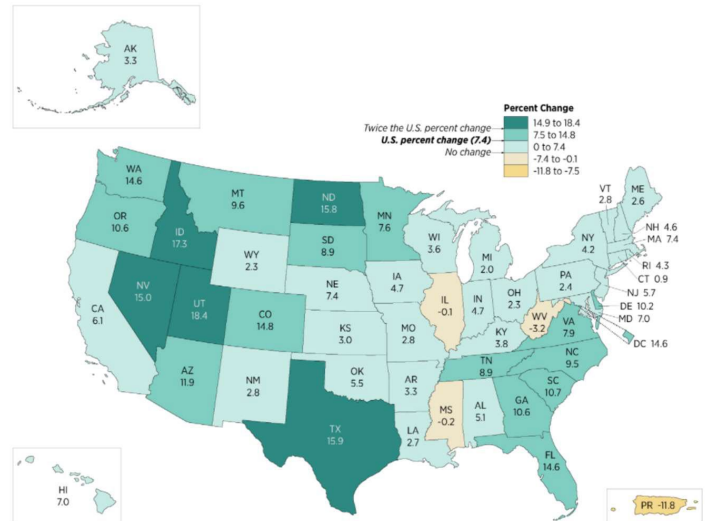
Consecutive quarters of negative absorption, increasing sublet space, and climbing vacancy led to a slight contraction in average direct full-service lease rate in the Denver Metro, decreasing from \$29.75/SF to \$29.69/SF. Class A rates in the suburban submarkets increased minimally to \$30.30/SF while Downtown saw a significant decrease from \$40.84/SF to \$39.45/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 remain relatively flat, effective lease rates will decrease throughout 2021 as landlords offer increased concessions to attract tenants back to the office.

Sales

The Denver Metro saw \$446 million of office buildings trade in Q2 2021, signaling the liquidity of the office market is on track to match or exceed last year's total of \$1.4 billion. There were four significant investment sales over \$50M, with two large single-asset sales in Ascentris' purchase of Central Park Tower (\$95 million) in Broomfield and Beacon Capital Partners purchase of The Circa Building (\$60 million) Downtown. Large portfolio sales included Balfour Pacific buying the four-property Mountain View Corporate Center (\$97.25 million) in Broomfield and Alturas purchasing Stanford Place I and the Yosemite Building (\$75.1 million) in the DTC.

Denver has realized a noticeable increase in investment interest since the lows of the pandemic and is expected to continue this trend throughout 2021 as investors utilize current tax law, which may be subject to change under the Biden Administration.

Population Growth 2010 to 2020 CO Population Grows 2x National Average



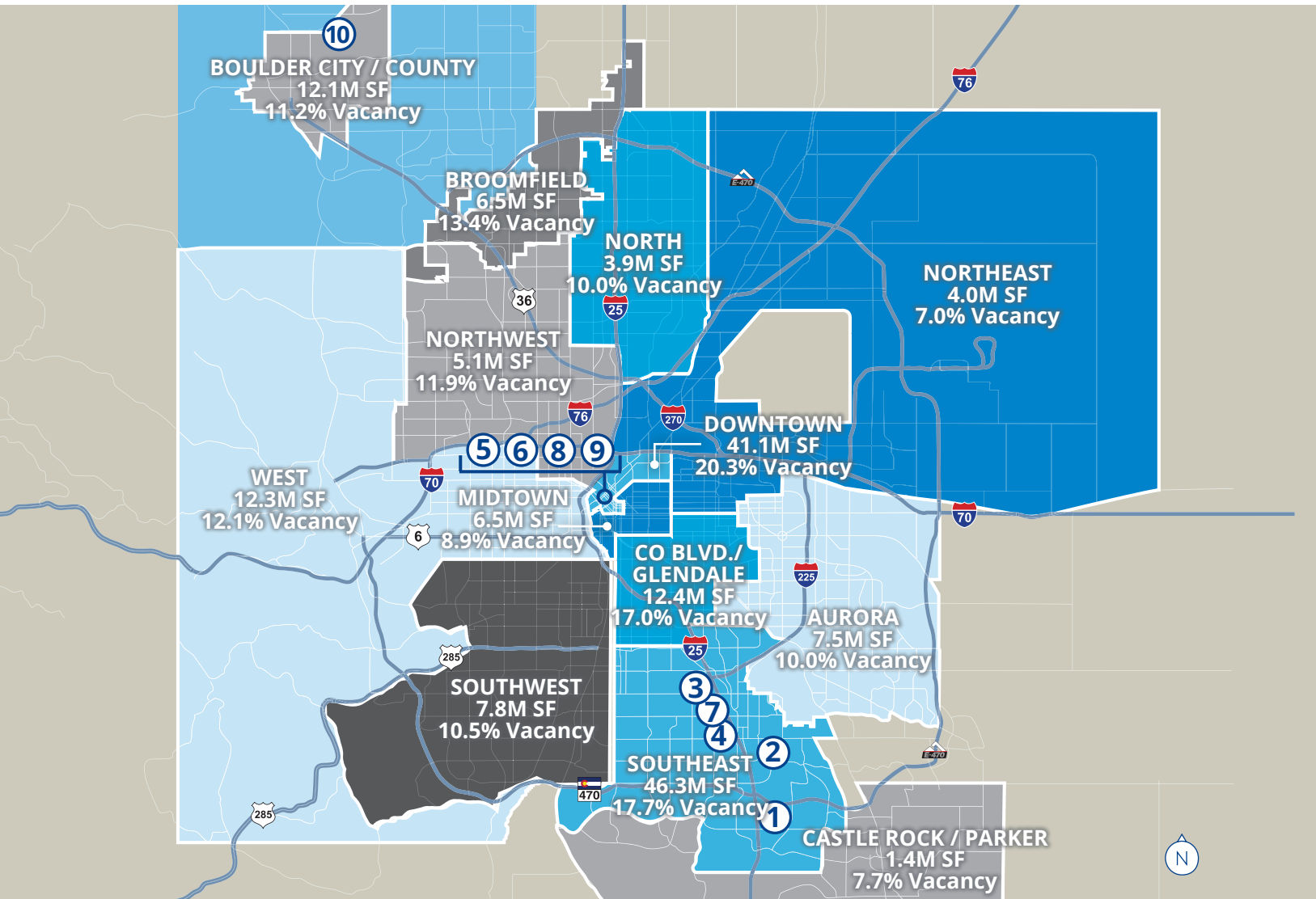
Forecast

Over one year into the pandemic and with a successful vaccine distribution underway, the Denver Metro realized positive indicators in Q2 with leasing activity returning to pre-pandemic levels and negative net absorption being one-third of the previous three-quarter average. While vacancy continued its upward trend, this was exacerbated by increasing vacant sublease space and a large number of vacant deliveries.

The Denver Office market continues to benefit from companies relocating and expanding in the metro area, with over 20 such announcements in 2021 bringing an estimated 8,000 jobs over the next twelve months. Furthermore, preliminary 2020 census figures show that Colorado's population grew at twice the national average. Denver's diverse industry mix, highly educated workforce, and desirability as a live-work-play city have continued to attract employers and employees alike throughout the past year, despite the ongoing pandemic.

Demand for office is showing signs of recovery. While net absorption is expected to remain negative and vacancy to slightly rise throughout 2021, the worst appears to be behind us. A mass return to the office in Q3 will once again showcase the collaboration achieved in an office environment, spurring many companies to reevaluate hybrid and remote work models, especially for young employees. It is expected that Denver office fundamentals will once again return to positive territory in mid-2022.

Significant Leasing Activity



	Tenant Name	Building Address	Building Name	Rentable Square Feet (RSF)	Deal Type
1	Zynex Medical	9655 South Maroon Circle	TriZetto Group/ Cognizant Solutions	110,754	Sublease
2	Quantum	10770 E Briarwood Avenue	Campus at Waterpark	74,736	Direct
3	DCP Midstream	6900 Layton Avenue	Bellevue Station-Block E	72,300	Sublease
4	Nextworld	8200 East Maplewood Avenue	Vista 25	53,456	Direct
5	Amazon (AWS)	1515-1530 Wynkoop Street	Hines Tower	49,066	Direct
6	Contentful Inc.	1801 California Street	1801 California Building	44,650	Sublease
7	Galloway & Company	5500 Greenwood Plaza Boulevard	5500 Greenwood	33,546	Direct
8	Datadog	370 17th Street	Republic Plaza	24,463	Direct
9	MotoRefi	717 17th Street	Johns Manville Plaza	23,773	Sublease
10	Undisclosed	6170 Longbow Drive	Corporate Place 2	23,651	Direct

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	28,197,563	4,757,551	16.9%	1,129,076	4.0%	20.9%	17.7%	351,277	-134,787	938,193	573,875	\$39.45
B	11,838,150	2,163,889	18.3%	233,320	2.0%	20.2%	19.3%	156,461	-110,389	-	0	\$31.76
C	1,013,077	55,906	5.5%	3,365	0.3%	5.9%	6.4%	-	5,079	-	0	\$25.08
TOTAL	41,048,790	6,977,346	17.0%	1,365,761	3.3%	20.3%	17.9%	507,738	-240,097	938,193	573,875	\$37.00
Midtown												
A	1,569,885	169,094	10.8%	52,405	3.3%	14.1%	10.7%	51,052	-54,223	-	39,400	\$32.41
B	3,260,249	320,366	9.8%	16,594	0.5%	10.3%	10.0%	13,602	-11,739	-	0	\$27.46
C	1,701,420	19,859	1.2%	-	0.0%	1.2%	1.3%	4,828	1,762	-	0	\$20.18
TOTAL	6,531,554	509,319	7.8%	68,999	1.1%	8.9%	7.9%	69,482	-64,200	-	39,400	\$29.98
Suburban												
Aurora												
A	1,419,370	154,691	10.9%	-	0.0%	10.9%	10.9%	-	0	-	0	\$26.35
B	5,431,683	562,017	10.3%	10,363	0.2%	10.5%	9.2%	59,007	-71,890	-	0	\$20.89
C	698,512	27,411	3.9%	-	0.0%	3.9%	3.5%	0	-3,286	-	0	\$11.92
TOTAL	7,549,565	744,119	9.9%	10,363	0.1%	10.0%	9.0%	59,007	-75,176	-	0	\$21.87
Boulder												
A	2,519,154	172,402	6.8%	15,543	0.6%	7.5%	5.9%	4,062	75,626	121,236	173,646	\$38.39
B	8,997,516	981,137	10.9%	128,438	1.4%	12.3%	12.3%	93,606	-1,549	-	0	\$25.61
C	570,866	44,839	7.9%	16,971	3.0%	10.8%	12.1%	0	7,530	-	0	\$21.63
TOTAL	12,087,536	1,198,378	9.9%	160,952	1.3%	11.2%	11.0%	97,668	81,607	121,236	173,646	\$26.85
Broomfield												
A	3,745,074	579,597	15.5%	15,195	0.4%	15.9%	14.6%	22,822	-47,951	-	90,000	\$28.41
B	2,717,128	252,673	9.3%	20,260	0.7%	10.0%	10.0%	10,037	-2,408	-	-	\$22.90
TOTAL	6,462,202	832,270	12.9%	35,455	0.5%	13.4%	12.6%	32,859	-50,359	-	90,000	\$26.82
Colorado Blvd/Glendale												
A	5,218,640	858,672	16.5%	127,122	2.4%	18.9%	17.3%	189,018	50,721	163,065	75,000	\$30.73
B	6,265,127	890,342	14.2%	65,939	1.1%	15.3%	14.1%	171,905	-70,166	-	0	\$27.58
C	947,857	112,950	11.9%	42,965	4.5%	16.4%	17.8%	7,772	12,847	-	0	\$21.59
TOTAL	12,431,624	1,861,964	15.0%	236,026	1.9%	16.9%	15.7%	368,695	-6,598	163,065	75,000	\$28.83
Longmont												
A	104,805	53,512	51.1%	-	0.0%	51.1%	51.1%	0	0	-	0	\$26.01
B	714,673	29,412	4.1%	-	0.0%	4.1%	4.8%	6,133	4,770	-	0	\$24.68
C	134,558	0	0.0%	-	0.0%	0.0%	0.0%	0	0	-	0	\$18.30
TOTAL	954,036	82,924	8.7%	0	0.0%	8.7%	9.2%	6,133	4,770	-	0	\$25.57
North												
A	759,793	18,757	2.5%	-	0.0%	2.5%	2.5%	7,484	0	-	0	\$25.69
B	3,040,467	291,925	9.6%	74,191	2.4%	12.0%	11.9%	4,078	-4,529	-	0	\$25.28
C	128,181	6,528	5.1%	-	0.0%	5.1%	2.9%	2,394	-2,822	-	0	\$15.34
TOTAL	3,928,441	317,210	8.1%	74,191	1.9%	10.0%	9.8%	13,956	-7,351	-	0	\$25.71
Northeast												
A	583,612	5,529	0.9%	-	0.0%	0.9%	2.0%	4,552	6,292	-	37,110	\$26.08
B	2,484,733	210,510	8.5%	40,643	1.6%	10.1%	9.5%	23,910	-14,769	-	0	\$23.11
C	896,719	19,808	2.2%	-	0.0%	2.2%	1.9%	793	-2,517	-	0	\$16.41
TOTAL	3,965,064	235,847	5.9%	40,643	1.0%	7.0%	6.7%	29,255	-10,994	-	37,110	\$22.77

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Suburban continued

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	2,101,169	282,001	13.4%	31,584	1.5%	14.9%	12.5%	6,209	-9,616	46,500	0	\$28.40
B	2,522,353	263,658	10.5%	5,660	0.2%	10.7%	10.3%	17,684	-9,194	-	0	\$21.42
C	515,579	27,746	5.4%	-	0.0%	5.4%	1.3%	6,785	-21,284	-	0	\$15.97
TOTAL	5,139,101	573,405	11.2%	37,244	0.7%	11.9%	10.3%	30,678	-40,094	46,500	0	\$25.11
Parker/Castle Rock												
A	318,714	16,445	5.2%	-	0.0%	5.2%	5.2%	3,127	0	-	110,000	\$29.73
B	983,950	87,237	8.9%	2,435	0.2%	9.1%	8.3%	2,437	-7,934	-	0	\$29.10
C	87,926	612	0.7%	-	0.0%	0.7%	0.7%	0	0	-	0	\$20.00
TOTAL	1,390,590	104,294	7.5%	2,435	0.2%	7.7%	7.1%	5,564	-7,934	-	110,000	\$29.29
Southeast												
A	25,921,651	3,984,678	15.4%	975,934	3.8%	19.1%	19.1%	385,635	71,761	104,000	551,899	\$30.92
B	19,220,915	3,003,019	15.6%	126,666	0.7%	16.3%	16.5%	506,690	41,826	-	0	\$23.60
C	1,130,020	79,307	7.0%	-	0.0%	7.0%	6.5%	2,652	-5,440	-	0	\$18.28
TOTAL	46,272,586	7,067,004	15.3%	1,102,600	2.4%	17.7%	17.7%	894,977	108,147	104,000	551,899	\$27.56
Southwest												
A	1,551,321	85,461	5.5%	48,150	3.1%	8.6%	6.9%	0	-27,077	-	0	\$24.55
B	5,403,168	664,516	12.3%	12,511	0.2%	12.5%	11.6%	52,110	-48,824	-	0	\$20.55
C	851,091	8,289	1.0%	-	0.0%	1.0%	1.0%	1,580	185	-	0	\$13.30
TOTAL	7,805,580	758,266	9.7%	60,661	0.8%	10.5%	9.5%	53,690	-75,716	-	0	\$20.94
West												
A	2,745,415	197,949	7.2%	57,299	2.1%	9.3%	8.3%	47,262	-28,408	-	0	\$27.92
B	8,855,464	1,057,032	11.9%	112,986	1.3%	13.2%	12.5%	141,519	-66,777	-	42,369	\$24.58
C	738,440	64,884	8.8%	-	0.0%	8.8%	4.3%	8,440	-33,076	-	0	\$14.92
TOTAL	12,339,319	1,319,865	10.7%	170,285	1.4%	12.1%	11.0%	197,221	-128,261	-	42,369	\$24.52
Suburban Total												
A	46,988,718	6,409,694	13.6%	1,270,827	2.7%	16.3%	15.8%	670,171	91,348	434,801	1,037,655	\$30.30
B	66,637,177	8,293,478	12.4%	600,092	0.9%	13.3%	13.0%	1,089,116	-251,444	-	42,369	\$23.60
C	6,699,749	392,374	5.9%	59,936	0.9%	6.8%	6.0%	30,416	-47,863	-	0	\$17.22
TOTAL	120,325,644	15,095,546	12.5%	1,930,855	1.6%	14.2%	13.7%	1,789,703	-207,959	434,801	1,080,024	\$26.31
Denver Market Grand Total												
A	76,756,166	11,336,339	14.8%	2,452,308	3.2%	18.0%	16.3%	1,072,500	-97,662	1,372,994	1,650,930	\$33.96
B	81,735,576	10,777,733	13.2%	850,006	1.0%	14.2%	13.8%	1,259,179	-373,572	-	42,369	\$25.54
C	9,414,246	468,139	5.0%	63,301	0.7%	5.6%	5.2%	35,244	-41,022	-	0	\$19.34
TOTAL	167,905,988	22,582,211	13.4%	3,365,615	2.0%	15.5%	14.5%	2,366,923	-512,256	1,372,994	1,693,299	\$29.69
Denver Market Quarterly Comparison and Totals												
Q2 2021	167,905,988	22,582,211	13.4%	3,365,615	2.0%	15.5%	14.5%	2,366,923	-512,256	1,372,994	1,693,299	\$29.69
Q1 2021	166,569,630	21,071,981	12.7%	3,027,231	1.8%	14.5%	13.5%	1,514,472	-1,557,555	46,500	2,629,183	\$29.75
Q4 2020	166,523,130	19,796,909	11.9%	2,698,248	1.6%	13.5%	12.4%	1,862,418	-1,645,574	182,151	2,650,537	\$29.28
Q3 2020	166,340,979	18,289,515	11.0%	2,377,917	1.4%	12.4%	11.2%	1,670,032	-1,280,115	244,675	2,702,643	\$28.93
Q2 2020	165,540,592	16,892,784	10.2%	1,694,146	1.0%	11.2%	10.6%	1,566,820	-510,816	269,894	3,460,661	\$28.84

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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

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