

**CLASS A**

Inventory: 23.1 msf

Vacancy: 22.8%

Leasing Activity YTD: 491,000

Average Asking Rent: \$42.29 psf

**CLASS B**

Inventory: 7.0 msf

Vacancy: 32.6%

Leasing Activity YTD: 61,400 sf

Average Asking Rent: \$32.98 psf

**CLASS C**

Inventory: 2.0 msf

Vacancy: 22.0%

Leasing Activity YTD: 4,000 sf

Average Asking Rent: \$30.05 psf

**OVERALL**

Inventory: 32.0 msf

Vacancy: 24.9%

Leasing Activity YTD: 556,400

Average Asking Rent: \$38.59 psf

**MARKET FACT****+500,000 sf**

Q1 2022 is the 3rd consecutive quarter with 500,000 sf or more of new leasing activity

**CENTRAL BUSINESS DISTRICT****Vacancy**

After experiencing some stability in the second half of 2021, vacancy in the CBD increased 110 basis points (bps) quarter-over-quarter (QOQ) in the first quarter 2022, rising to 24.9% on an overall basis including sublease space. This represents an increase of 420 bps from a year earlier. Direct vacancy increased at a similar pace, rising 100 bps QOQ and 530 bps YOY to 21.3%. With no new projects delivering in the first quarter 2022, the increase in vacancy was linked to more direct space coming back to the market largely from tenants engaged in the energy sector. Class A space sustained the highest vacancy increase in the first quarter 2022, with rates rising 120 bps QOQ to 22.8%. Class B vacancy increased 40 bps QOQ to 32.6%. Class A and B vacancy is up 480 bps and 500 bps, respectively, on an annual basis. The rise in Class A vacancy is partially new construction driven, while the Class B increase is more correlated to a drop in demand.

**Rental Rate**

The CBD's average asking rent was largely stable in the first quarter 2022 at \$38.59 per square foot (psf) gross. On an annual basis, the submarket's average asking rent is up from \$37.52 psf, an increase of 2.9% YOY. On a direct basis, asking rents averaged \$39.46 psf in the first quarter 2022, up from \$38.02 psf a year earlier or an increase of 3.8%. By subtype, Class A asking rents averaged \$42.29 psf, an increase of 1.4% YOY, while Class B asking rents averaged \$32.98 psf, a decrease of 0.5% YOY. Class B rents were relatively stable over the past two years, with this being the first quarter since the fourth quarter 2019 that rents have averaged below \$33.00 psf. With nearly a third of Class B space sitting vacant, landlords could face more pressure to reduce asking rents in order to secure occupancy.

**Leasing**

Denver's CBD continued to witness a recovery in leasing activity in the first quarter of 2022, posting a third straight quarter of 500,000 sf or more of new leases signed. In 2021, leasing activity showed a 62.2% improvement year-over-year (YOY) after reaching 1.94 million square feet (msf). CBD tenants remained focused on Class A space, which captured 88.2% of first quarter 2022 leasing activity. The largest new lease in the first quarter 2022 was PDC Energy's 108,500 sf sublease of former Occidental Petroleum space at 1099 18th Street. Other notable leases included Dynatrace's 52,900 sf lease at 1900 16th Street for its first Denver office, while coworking operator Venture X leased 42,700 sf at The Dairy Block and Melio Payments subleased 36,400 sf at 1755 Blake Street.

**Absorption**

Following on the heels of near positive net absorption last quarter, the first quarter 2022 saw net absorption drop sharply to negative 371,750 sf. DCP Midstream's relocation out of the CBD, along with continued consolidation in the energy sector, were the primary culprits behind the quarter's lackluster performance. The recent recovery in leasing activity will continue to offset these losses, but it remains difficult to predict with certainty when the CBD will see sustained positive net absorption. Whereas Class B space overwhelmingly accounted for negative net absorption in 2021, it was Class A space that spawned most of the first quarter 2022's negative total.

**Construction**

No new projects were completed or broke ground in the first quarter 2022, however, the CBD construction pipeline remains active. 1701 Platte Street (One Platte) will deliver 239,000 sf to the market in the second quarter 2022. The project's anchor tenant, Robinhood, preleased two of the building's four office floors in the third quarter 2021. The remaining two floors are still available for lease. Over the next few months, 1900 Lawrence, a 30-story 700,000-square-foot office tower being developed by Riverside Investment and Development, is expected to break ground. Also entering the pipeline later in 2022 will be Crescent Real Estate's expansion of Riverpoint at 2366 15th Street. The redevelopment will span approximately 212,000 sf that will deliver by early 2025.

# CBD DENVER

Office Q1 2022

## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)	OVERALL AVG ASKING RENT (CLASS A)
LoDo	7,929,009	849,385	201,308	13.3%	15,076	15,076	205,064	238,811	\$48.58	\$54.94
Midtown	14,787,893	3,721,578	727,172	30.1%	-165,013	-165,013	284,985	0	\$39.32	\$43.43
Uptown	9,325,436	2,258,855	217,866	26.6%	-221,809	-221,809	66,304	0	\$34.53	\$37.52
<b>CBD TOTALS</b>	<b>32,042,338</b>	<b>6,829,818</b>	<b>1,146,346</b>	<b>24.9%</b>	<b>-371,746</b>	<b>-371,746</b>	<b>556,353</b>	<b>238,811</b>	<b>\$38.59</b>	<b>\$42.29</b>

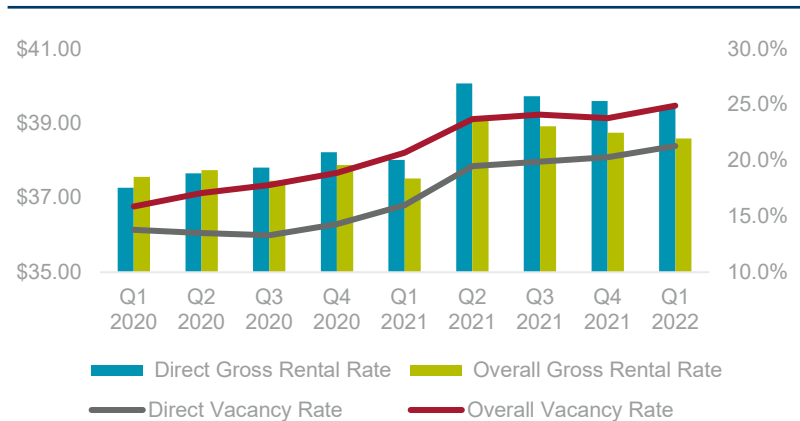
## TOP LEASES

ADDRESS	TENANT	SIZE (SF)	TYPE	SUBMARKET
1099 18th Street (Granite Tower)	PDC Energy	108,459	Sublease	Midtown
1900 16th Street	Dynatrace	52,886	New Lease	LoDo
717 17th Street (Johns Manville Plaza)	Medpace	47,546	New Lease	Midtown
1800 Wazee Street (Dairy Block)	Venture X	42,653	New Lease	LoDo
1755 Blake Street (Seventeen 55)	Melio Payments	36,391	Sublease	LoDo

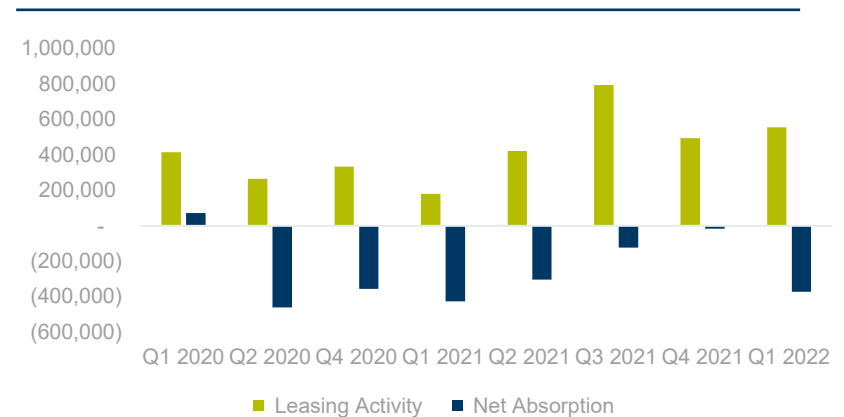
## TOP INVESTMENT SALES

ADDRESS	BUYER   SELLER	SIZE (SF)	SALE PRICE	\$ PSF
1800 Larimer Street	Beacon Capital Partners   Invesco	546,400	\$291.0M	\$533

## RENTAL RATE VS. VACANCY RATE



## LEASING ACTIVITY VS. ABSORPTION



# CBD DENVER

Office Q1 2022



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