Denver

Office

24Q3

During the third quarter of 2024, Denver's office market continued to face difficulties. Sublease availability showed little movement, hinting that vacancy rates may keep climbing. As landlords grow increasingly eager to fill empty spaces, rental prices continue to decline. Many companies are still grappling with the complexities of returning to the office.

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Key Takeaways

- Absorption remains negative
- Leasing activity bounces back, recording 1.8 MSF
- Net absorption realizes a negative figure for the fifth consecutive quarter at -391,000 SF
- Rental rates continue to fall

		YOY	Forecast
Vacancy Rate	18.1%	▲	▲
Net Absorption	-391K SF	▲	—
Under Construction	2.9M SF	▼	▼
Overall Asking Lease Rates (FSG)	$30.96/SF	▼	—

The Slow and Steady Return to Office

Another quarter of underwhelming performance has raised doubts about whether traditional office space will ever fully rebound. Class A office space is now being used as a key incentive to bring employees back, and the once-hybrid workweek is gradually shifting toward more in-office days. The hybrid model is currently being leveraged to draw workers in for the benefits of face-to-face collaboration while still offering some flexibility. Many companies are slowly increasing the required in-office days from two to three or four. As businesses continue to recognize the productivity advantages, we anticipate more frequent use of office spaces in the future.

Market Indicators

3.58% Unemployment Rate

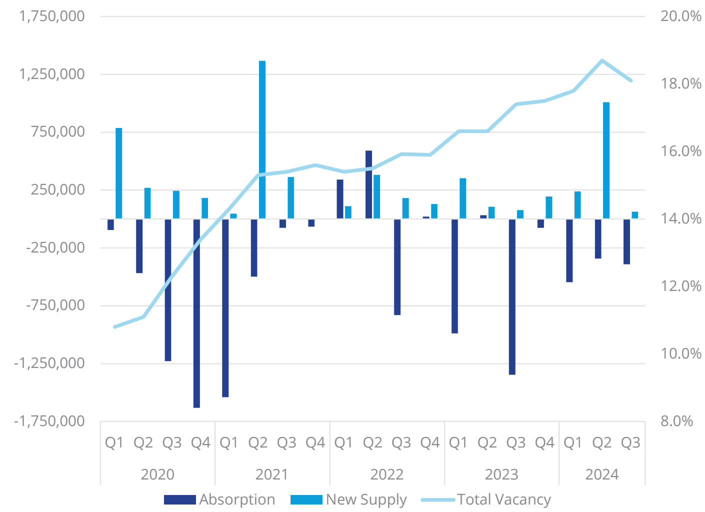
2.51% YOY Real GDP Growth

3.787% U.S. 10 Year Treasury Note

Historic Comparison

	24Q3	24Q2	23Q3
Total Inventory (in Thousands of SF)	173,088	174,406	172,352
New Supply (in Thousands of SF)	63	1,010	77
Net Absorption (in Thousands of SF)	-391	-341	-1,345
Overall Vacancy	18.1%	18.7%	17.4%
Under Construction (in Thousands of SF)	2,879	2,910	3,779
Direct Asking Lease Rates (FSG)	$30.96	$30.97	$30.98

Market Graph



The Q3 metrics for Denver's office market present a challenging reality, featuring five consecutive quarters of negative absorption. Expect to see new construction deliver throughout 2024, while under construction numbers will fall.

Recent Transactions

Sale
10375 Park Meadows Dr.
Southeast Denver
192,359 SF
$81,315,000 ($95.21/SF)

Sale
116 Inverness Dr. E.
Southeast Denver
216,945 SF
$14,950,000 ($68.91/SF)

Sale
8101 E. Prentice Ave.
Southeast Denver
161,313 SF
$14,350,000 ($88.96/SF)

Sale
5299 DTC Blvd.
Southeast Denver
218,000 SF
$14,000,000 ($64.22/SF)

Sale
1245 E. Colfax Ave.
Midtown
48,563 SF
$7,000,000 ($144.14/SF)

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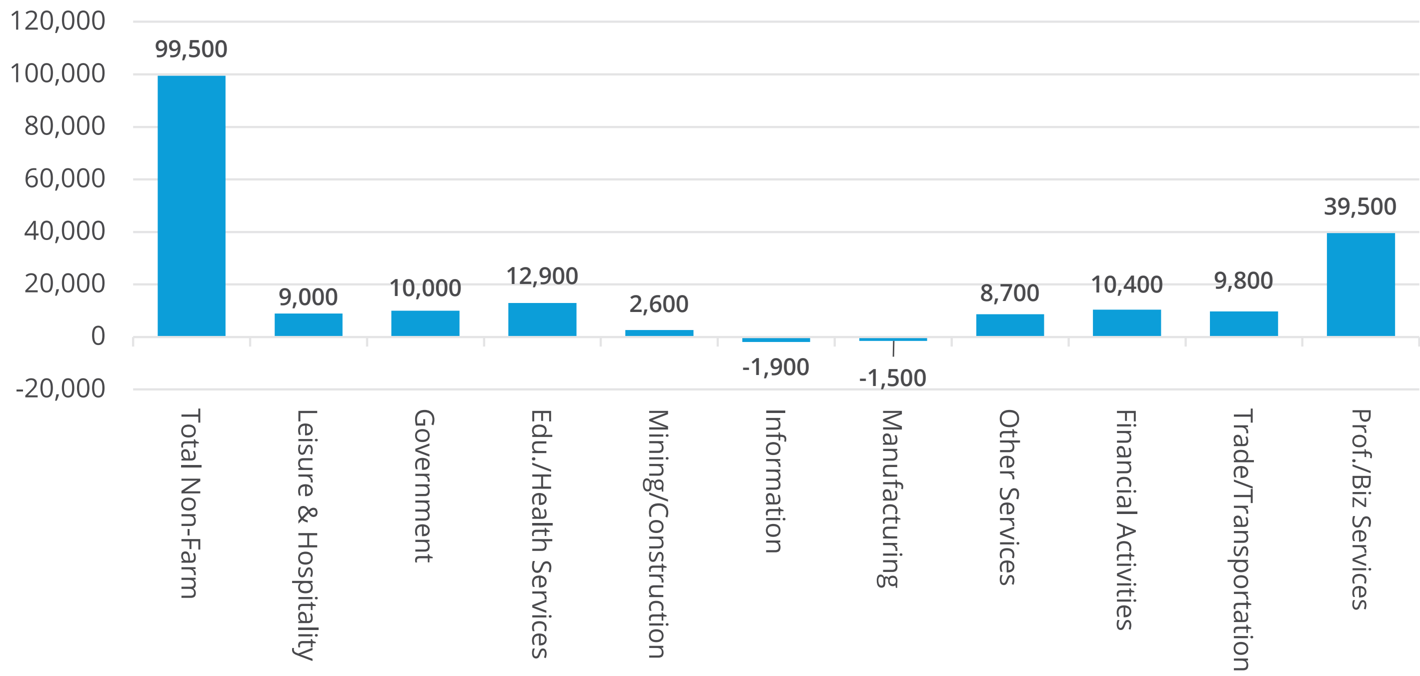
Denver Employment Change by Sector

Since February 2020



Source: Bureau of Labor Statistics

Employment

According to the Bureau of Labor Statistics (BLS), the Denver Metro area saw a preliminary increase of 2,000 nonfarm payroll jobs in Q3. Since its peak unemployment in April 2020, Denver has added a total of 216,200 jobs.

In Q3, the unemployment rate in the Denver Metropolitan Statistical Area (MSA) saw a slight increase to 3.58%. Notable job gains were observed in the Professional and Business Services sector. The current unemployment rate stands at only a third of its peak, reaching 12.4% in April 2020.

Vacancy

In the third quarter of 2024, office vacancy rates in the Denver Metro area dropped by 80 basis points, reaching 18.1%. The Downtown market, still holding the highest vacancy, saw a slight decline of 20 basis points to 28.0%. Sublease space also saw a modest reduction, now totaling 4.0 million square feet. Of this, 1.3 million square feet is concentrated downtown, with 1.2 million square feet in the South-east. As leases continue to expire, expect vacancy rates to rise further across the metro area.

Construction

In the third quarter, the Denver Metro area saw just one new office building completed—a 63,000 square foot property in the Boulder submarket. The office construction pipeline significantly slowed after a surge of completions in Q2, leaving 2.9 million square feet still under development. Downtown Denver remains a key player with 1.3 million square feet, including prominent projects like The Current River North, spanning 280,000 square feet. As current projects deliver and no new developments break ground, the construction pipeline is expected to shrink further.

Absorption & Leasing Activity

The third quarter of 2024 saw another negative absorption figure, marking the fifth consecutive quarter of decline with a total of -2.7 million square feet. Leasing activity has realized 1.76 million square feet. Notably, this is the sixth consecutive quarter with less than 2.0 million square feet of leasing activity.

Rents

Despite the demand for new office construction, rental rates are declining, reflecting growing pressure on landlords. Expect to see more concessions and further reductions in rental prices as the market seeks to stabilize. In Q3 2024, direct average full-service lease rates remained largely unchanged, dipping slightly from $30.97/SF to $30.96/SF per square foot. Downtown saw a minor decrease from $37.86/SF to $37.78/SF, while the Southeast submarket rose slightly from $26.91/SF to $27.20/SF, maintaining a roughly 30% premium between the two areas.

As Denver's office market adjusts to shifting demand, closely tracking new developments and submarket trends will be key in understanding how tenant requirements and landlord incentives will shape the landscape.

Sales

The standout transaction in Q3 involved the sale of 10375 Park Meadows Drive, transferring from Principle Real Estate Investors, to KORE Investments for $18,300,000 ($95/SF). This 200,000 SF property, constructed in 2001, was purchased by an investor. Sales volume has seen a substantial uptick since the start of 2024, with a predominant presence of private investors or owner-users.

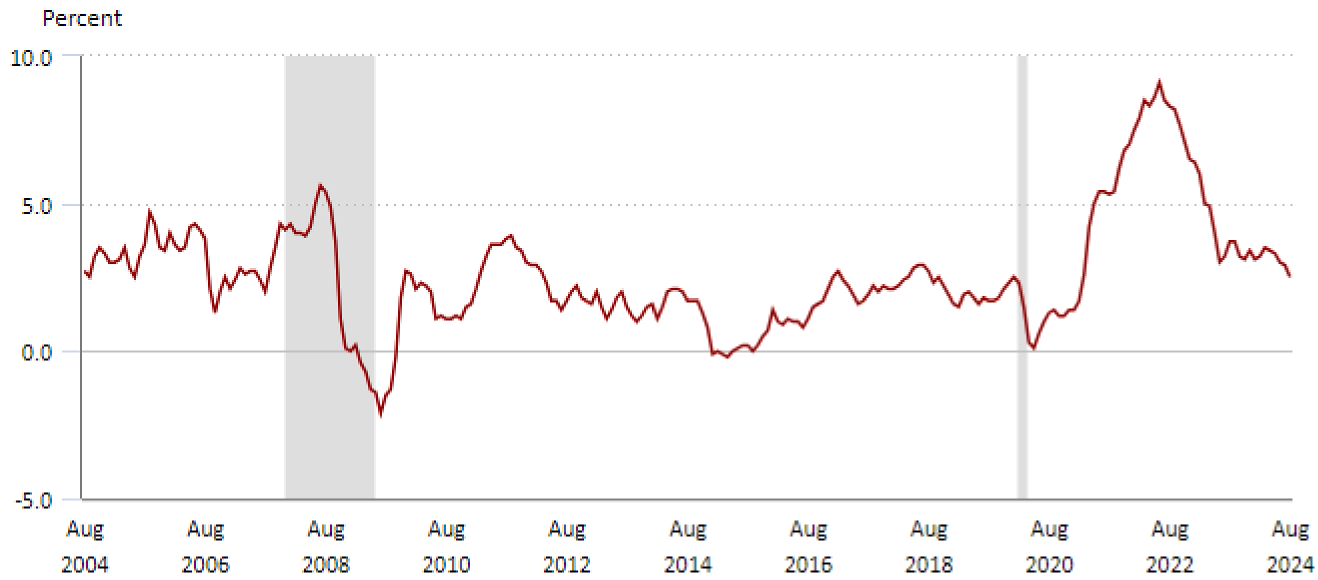
Forecast

New construction and Class A office space are set to remain at the forefront of Denver's market. With the hybrid work model in play, companies have needed strong incentives to bring employees back into the office and boost productivity. In-office requirements are now on the rise as businesses look to make better use of the spaces they are already paying for.

The current economic environment poses significant challenges for investors and property owners. As market conditions tighten, the balance of power is shifting from employees to employers. Many companies have implemented hiring freezes and large-scale layoffs, leaving workers with reduced job security and fewer options. With unemployment levels rising, employers are increasingly demanding a full-time office presence from staff, maintaining a steady need for newer, more secure, and high-quality office spaces.

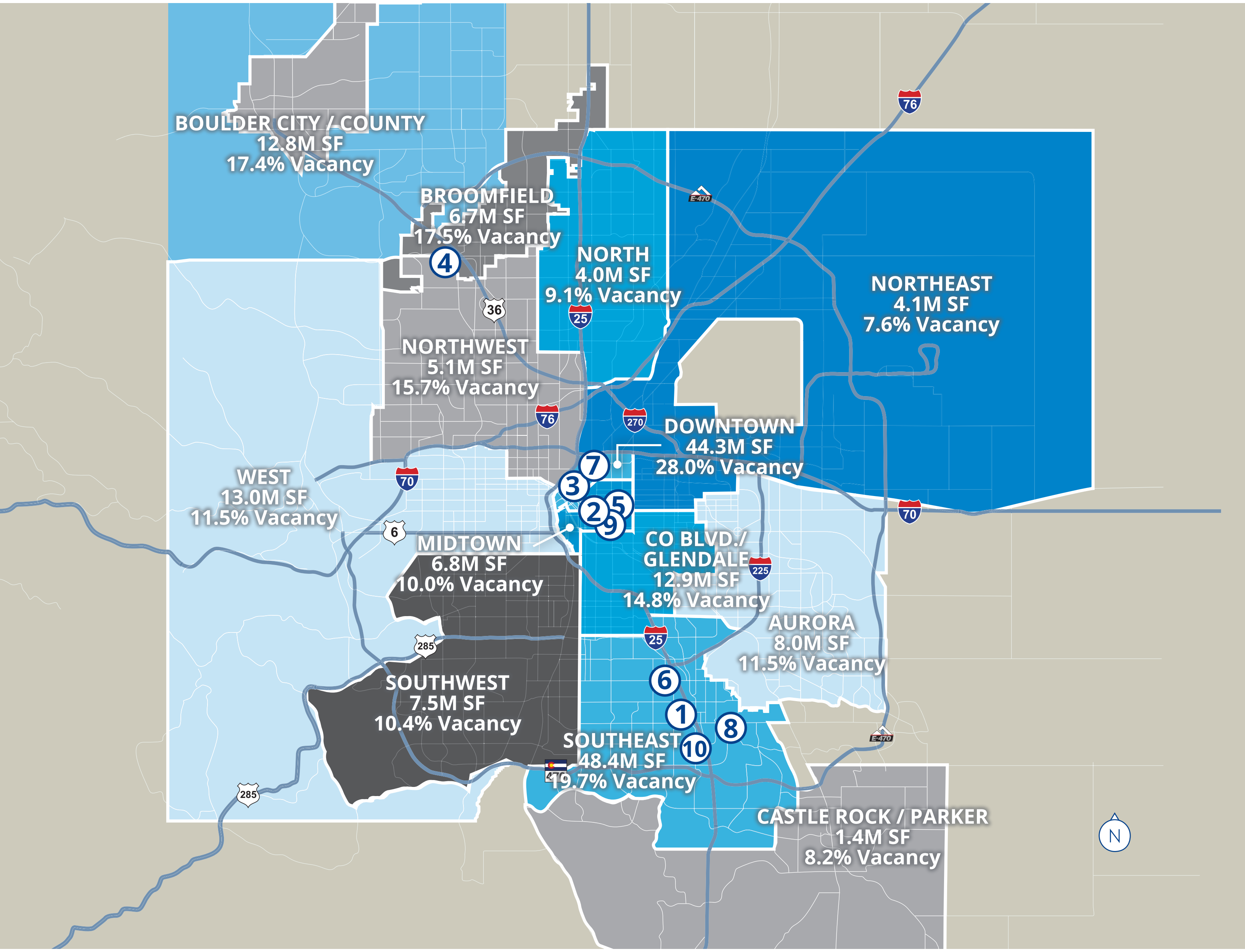
The Q3 2024 data highlights the continued impact of the pandemic on the office market. Although uncertainty persists as companies navigate their return-to-office plans, there has been an encouraging increase in sales activity, suggesting optimism for the future. Denver stands out among major U.S. cities due to its highly educated workforce and diverse economy. The qualities that have long made Denver attractive are expected to sustain its growth and resilience in the years ahead.

Inflation Rate Falls to 2.5% in August



Source: BLS

Submarkets by Vacancy



Top Leases This Quarter

	Building Address	Building Name	Rentable Square Feet (RSF)	Tenant	Deal Type
1	6550 Greenwood Plaza Blvd.	Greenwood Plaza	127,687	AT&T	Direct
2	555 17th St.	555 17th	98,870	Civitas Resources	Direct
3	1601 19th St.	McGregor Square Office	44,297	Redaptive	Sublease
4	12303 Airport Way	Mountain View	40,377	Horizon Organics	Sublease
5	1700 Broadway	The Atrium	39,608	Stack Infrastructure	Direct
6	6900 Layton Ave.	6900 Layton	36,497	Pulte Mortgage Corporation	Direct
7	3615 Delgany St.	The Current, River North	35,607	Fennemore	Direct
8	12650 E. Arapahoe Rd.	Arapahoe Business Park	33,743	Community College of Aurora	Sublease
9	1560 Broadway	Civic Center Plaza	28,975	Tetra Tech	Direct
10	9100 E. Panorama Dr.	Panorama Corporate Center	25,651	JHL Constructors	Direct

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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 SF	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	33,107,307	9,093,145	27.5%	1,229,115	3.7%	10,322,260	31.2%	31.3%	477,733	42,857	-	1,242,360	$38.35
B	9,830,537	1,975,124	20.1%	59,904	0.6%	2,035,028	20.7%	21.2%	80,782	50,800	-	65,000	$34.99
C	1,320,898	41,107	3.1%	-	0.0%	41,107	3.1%	3.9%	6,730	10,103	-	-	$32.50
TOTAL	44,258,742	11,109,376	25.1%	1,289,019	2.9%	12,398,395	28.0%	28.2%	565,245	103,760	-	1,307,360	$37.86
Midtown													
A	1,886,206	137,002	7.3%	82,976	4.4%	219,978	11.7%	12.0%	8,086	6,774	-	-	$26.95
B	3,371,399	322,625	9.6%	6,795	0.2%	329,420	9.8%	9.7%	4,294	-1,078	-	-	$23.44
C	1,591,179	134,040	8.4%	-	0.0%	134,040	8.4%	8.4%	-	-1,024	-	-	$18.51
TOTAL	6,848,784	593,667	8.7%	89,771	1.3%	683,438	10.0%	10.0%	12,380	4,672	-	-	$25.70

Suburban

Submarket/ Class	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant SF	Sublease Vacancy Rate	Total Vacancy SF	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
Aurora													
A	1,362,421	486,556	35.7%	13,679	1.0%	500,235	36.7%	36.3%	-	-5,907	-	-	$24.31
B	5,753,525	303,454	5.3%	47,811	0.8%	351,265	6.1%	5.6%	20,504	-28,016	-	-	$19.66
C	843,833	59,784	7.1%	1,350	0.2%	61,134	7.2%	7.2%	6,038	-582	-	-	$17.33
TOTAL	7,959,779	849,794	10.7%	62,840	0.8%	912,634	11.5%	11.0%	26,542	-34,505	-	-	$22.47
Boulder													
A	2,797,444	569,371	20.4%	17,892	0.6%	587,263	21.0%	19.8%	13,180	-34,468	-	-	$30.99
B	9,303,388	1,408,482	15.1%	149,409	1.6%	1,557,891	16.7%	14.9%	81,656	-115,698	63,701	-	$29.23
C	660,760	71,822	10.9%	-	0.0%	71,822	10.9%	10.9%	8,371	-	-	-	$22.45
TOTAL	12,761,592	2,049,675	16.1%	167,301	1.3%	2,216,976	17.4%	15.8%	103,207	-150,166	63,701	-	$29.35
Broomfield													
A	4,299,981	803,232	18.7%	185,531	4.3%	988,763	23.0%	21.2%	67,805	-75,823	-	154,760	$31.19
B	2,324,336	168,122	7.2%	17,007	0.7%	185,129	8.0%	7.5%	23,619	-11,539	-	-	$23.80
C	70,412	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	$0.00
TOTAL	6,694,729	971,354	14.5%	202,538	3.0%	1,173,892	17.5%	13.5%	91,424	-87,362	-	154,760	$28.64
Colorado Blvd./Glendale													
A	5,590,545	835,164	14.9%	78,819	1.4%	913,983	16.3%	16.6%	47,970	15,101	-	302,223	$33.57
B	6,349,596	736,662	11.6%	144,274	2.3%	880,936	13.9%	14.2%	96,653	19,571	-	59,713	$25.59
C	964,606	117,651	12.2%	1,562	0.2%	119,213	12.4%	10.5%	-	-17,539	-	-	$22.20
TOTAL	12,904,747	1,689,477	13.1%	224,655	1.7%	1,914,132	14.8%	15.0%	144,623	17,133	-	361,936	$29.60
Longmont													
A	107,805	8,856	8.2%	-	0.0%	8,856	8.2%	18.3%	-	10,836	-	-	$29.01
B	794,611	22,356	2.8%	6,911	0.9%	29,267	3.7%	4.1%	-	3,246	-	-	$21.54
C	105,300	-	0.0%	10,000	9.5%	10,000	9.5%	9.5%	-	-	-	-	$17.45
TOTAL	1,007,716	31,212	3.1%	16911	1.7%	48,123	4.8%	6.2%	-	14,082	-	-	$23.09
North													
A	1,003,924	36,578	3.6%	11,139	1.1%	47,717	4.8%	4.7%	11,139	-919		-	$26.37
B	2,795,203	234,310	8.4%	79,046	2.8%	313,356	11.2%	12.0%	42,761	21,043	-	-	$24.86
C	169,535	1,809	1.1%	-	0.0%	1,809	1.1%	2.6%	4,468	2,659	-	-	$15.98
TOTAL	3,968,662	272,697	6.9%	90,185	2.3%	362,882	9.1%	9.7%	58,368	22,783	-	-	$25.20
Northeast													
A	701,373	23,943	3.4%	86,738	12.4%	110,681	15.8%	15.8%	-	-	-		$20.00
B	2,429,024	171,045	7.0%	-	0.0%	171,045	7.0%	5.9%	17,062	-27,908	-	-	$24.56
C	945,613	27,134	2.9%	-	0.0%	27,134	2.9%	3.2%	2,410	3,297	-	-	$14.50
TOTAL	4,076,010	222,122	5.4%	86,738	2.1%	308,860	7.6%	7.0%	19,472	-24,611	-	-	$24.16

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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 SF	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	1,128,239	176,512	15.6%	36,447	3.2%	212,959	18.9%	18.5%	1,866	-4,300	-	600,000	$27.09
B	3,275,686	438,794	13.4%	83,897	2.6%	522,691	16.0%	14.7%	20,420	-39,894	-	25,005	$23.73
C	658,592	46,932	7.1%	10,052	1.5%	56,984	8.7%	6.0%	2,653	-17,340	-	-	$23.06
TOTAL	5,062,517	662,238	13.1%	130,396	2.6%	792,634	15.7%	14.4%	24,939	-61,534	-	625,005	$25.02
Parker/Castle Rock													
A	310,521	13,338	4.3%	-	0.0%	13,338	4.3%	2.9%	-	-4,338	-	60,000	$35.70
B	1,081,224	90,115	8.3%	952	0.1%	91,067	8.4%	9.5%	17,892	12,152	-	-	$27.06
C	-	-	-	-	-	-	-	-	-	-	-	-	$0.00
TOTAL	1,391,745	103,453	7.4%	952	0.1%	104,405	7.5%	8.1%	17,892	7,814	-	60,000	$27.90
Southeast													
A	26,452,787	5,197,011	19.6%	691,276	2.6%	5,888,287	22.3%	21.0%	298,391	-323,912	-	-	$29.14
B	20,766,062	2,969,371	14.3%	572,624	2.8%	3,541,995	17.1%	16.0%	180,418	-226,657		-	$24.19
C	1,229,201	90,972	7.4%	-	0.0%	90,972	7.4%	10.3%	8,148	36,232	-	-	$21.61
TOTAL	48,448,050	8,257,354	17.0%	1,263,900	2.6%	9,521,254	19.7%	18.6%	486,957	-514,337	-	-	$27.20
Southwest													
A	1,044,090	50,338	4.8%	-	0.0%	50,338	4.8%	5.6%	16,004	7,613	-	290,000	$27.17
B	5,684,117	702,836	12.4%	17,141	0.3%	719,977	12.7%	11.5%	81,536	-67,620	-	-	$20.76
C	817,550	17,212	2.1%	-	0.0%	17,212	2.1%	2.1%	10,773	-57	-	-	$14.58
TOTAL	7,545,757	770,386	10.2%	17,141	0.2%	787,527	10.4%	9.6%	108,313	-60,064	-	290,000	$21.10
West													
A	2,933,419	346,177	11.8%	14,545	0.5%	360,722	12.3%	12.8%	16,837	13,342	-	-	$28.07
B	9,009,192	1,030,243	11.4%	47,246	0.5%	1,077,489	12.0%	15.3%	80,515	303,184	-	80,000	$25.00
C	1,009,916	45,902	4.5%	3,976	0.4%	49,878	4.9%	10.4%	-	54,707	-	-	$25.41
TOTAL	12,952,527	1,422,322	11.0%	65,767	0.5%	1,488,089	11.5%	14.4%	97,352	371,233	-	80,000	$25.86
SUBURBAN TOTAL													
A	47,732,549	8,547,076	17.9%	1,136,066	2.4%	9,683,142	20.3%	19.4%	473,192	-402,775	-	1,406,983	$29.23
B	69,565,964	8,275,790	11.9%	1,166,318	1.7%	9,442,108	13.6%	13.3%	663,036	-158,136	63,701	164,718	$25.53
C	7,475,318	479,218	6.4%	26,940	0.4%	506,158	6.8%	7.6%	42,861	61,377	-	-	$19.05
TOTAL	124,773,831	17,302,084	13.9%	2,329,324	1.9%	19,631,408	15.7%	15.3%	1,179,089	-499,534	63,701	1,571,701	$24.60
DENVER MARKET GRAND TOTAL													
A	79,933,513	16,025,220	20.0%	2,758,866	3.5%	18,784,086	24.6%	23.1%	959,011	-353,144	-	2,649,343	$33.65
B	82,767,900	10,573,539	12.8%	1,233,017	1.5%	11,806,556	14.3%	14.1%	748,112	-108,414	63,701	229,718	$24.89
C	10,387,395	654,365	6.3%	26,940	0.3%	681,305	6.6%	7.2%	49,591	70,456	-	-	$20.47
TOTAL	173,088,808	27,253,124	15.7%	4,018,823	2.3%	31,271,947	18.1%	17.5%	1,756,714	-391,102	63,701	2,879,061	$30.96
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q3 2024	173,088,808	27,253,124	15.7%	4,018,823	2.3%	31,271,947	18.1%	17.5%	1,756,714	-391,102	63,701	2,879,061	$30.96
Q2 2024	174,406,646	28,316,413	16.2%	4,264,829	2.4%	32,581,242	18.7%	17.5%	1,549,607	-340,932	1,010,054	2,910,262	$30.97
Q1 2024	173,795,143	26,732,111	15.4%	4,248,239	2.4%	30,980,350	17.8%	17.5%	1,875,148	-545,684	238,726	3,545,986	$31.26
Q4 2023	172,539,120	25,870,863	15.0%	4,302,900	2.5%	30,173,763	17.5%	17.4%	1,993,461	-76,575	194,373	3,701,207	$31.29

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351 offices in 67 countries on 6 continents

United States: 115
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$3.3B
in revenue

2B
square feet under management

18,000 +
professionals and staff

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