

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

Colliers

Denver

Office

23Q4

Denver's office market finished 2023 with persisting high vacancy rates. High sublease levels continue to point to a future increase in vacancy levels. While vacancy rates are climbing, so are asking rates, mainly due to the strong demand for modern Class A spaces. We expect to continue to see companies face notable challenges before fully adopting a return to the office, as they grapple with the perceived drawbacks of hybrid work setups.

Accelerating success.



Denver

Office

23Q4

Key Takeaways

- Absorption remains negative
- Leasing activity records the highest level of 2023, realizing 1.99 MSF in Q4
- Major corporations are still grappling with the challenge of returning to traditional office setups. The prevalence of hybrid work arrangements is anticipated to continue throughout 2024
- The future of Denver's office market looks optimistic, thanks to its varied economy, well-educated workforce, and outstanding quality of living



Vacancy Rate
17.5%

YOY
▲
FORECAST
▲



Net Absorption
-76K SF

YOY
▼
FORECAST
—



Under Construction
3.7M SF

YOY
▼
FORECAST
▼



Overall Asking Lease Rates (FSG)
\$31.29/SF

YOY
▲
FORECAST
—

Hope for the Future

Despite the backdrop of major company layoffs, there is a growing realization that hybrid work may not be as economically viable as initially thought. As these workforce reductions unfold, companies are reassessing the effectiveness of hybrid work models. This shift in perspective, though challenging, holds the potential to generate a renewed demand for traditional office spaces. The current trend of layoffs, rather than solely indicating financial strain, is also becoming a catalyst for a reassessment of remote work strategies, potentially leading to an increased emphasis on the need for physical office spaces in the future. This evolving dynamic suggests that workforce restructuring may not only address immediate financial concerns but also reshape the landscape of work environments, creating opportunities for a resurgence in demand for office spaces.

Market Indicators



3.32%
Unemployment Rate



2.96%
YOY Real GDP Growth

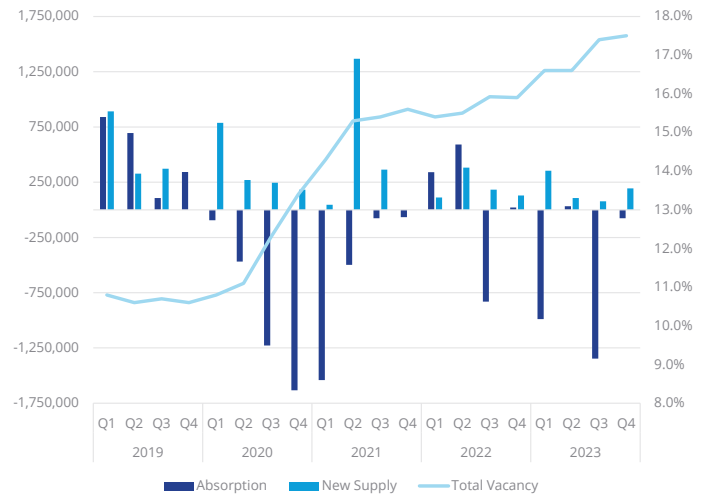


3.881%
U.S. 10 Year Treasury Note

Historic Comparison

	23Q4	23Q3	22Q4
Total Inventory (in Thousands of SF)	172,539	172,352	171,217
New Supply (in Thousands of SF)	194	77	76
Net Absorption (in Thousands of SF)	-76	-1,345	21
Overall Vacancy	17.5%	17.4%	15.9%
Under Construction (in Thousands of SF)	3,701	3,779	4,082
Direct Asking Lease Rates (FSG)	\$31.29	\$30.98	\$30.57

Market Graph



The Q4 metrics for Denver's office market present a challenging reality, featuring consecutive quarters of negative absorption, rising vacancy rates, and limited new supply. These indicators, coupled with escalating rental rates, underscore a pronounced shift in demand towards new construction and Class A space.

Recent Transactions



Sale
1700 Platte St.
Downtown
202,536 SF
\$129,100,000 (\$637.42/SF)



Sale
10550 Chambers Rd.
Northeast Denver
20,000 SF
\$7,203,333 (\$360.17/SF)



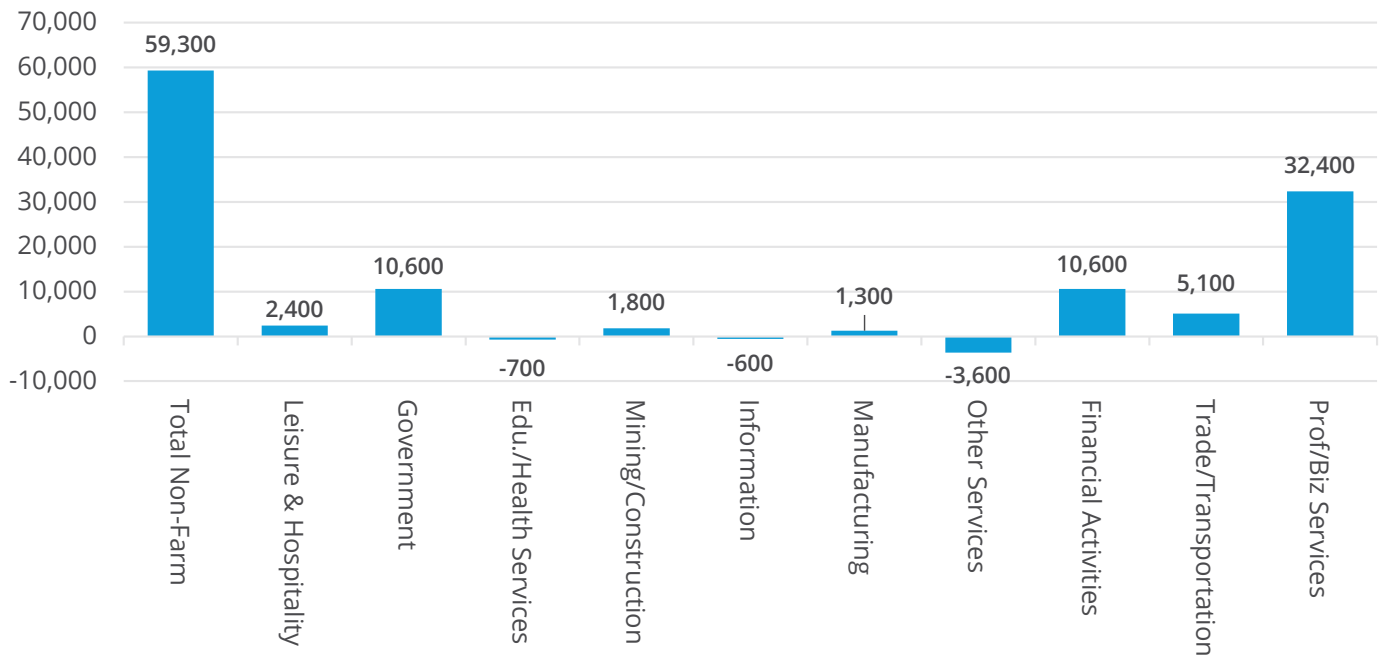
Sale
6782 S. Potomac St.
Southeast Denver
63,308 SF
\$9,800,000 (\$154.80/SF)



Sale
494 Sheridan Blvd.
West Denver
21,040 SF
\$2,126,000 (\$101.05/SF)

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 experienced a preliminary loss of 5,000 cumulative jobs from its nonfarm payroll in Q3. However, since reaching peak unemployment in April 2020, Denver has successfully added 178,800 jobs.

In Q4, the unemployment rate in the Denver Metropolitan Statistical Area (MSA) rose to 3.32%, with notable job gains observed in the transportation and education sectors. Despite this increase, the current unemployment rate is only a third of its peak at 12.4% in April 2020. Denver's appeal to remote workers is expected to be a driving force behind continued job growth, contributing to a further reduction in unemployment rates.

Absorption & Leasing Activity

In Q4 2023, negative absorption persisted for the second consecutive quarter, contributing to a total of three negative absorption quarters for the year, resulting in -2.38 million square feet. Despite this trend, leasing activity remained robust in Q4, reaching a total of 1.99 million square feet. However, it's noteworthy that this marks the seventh consecutive quarter with figures below the three-year average of 2.4 million square feet.

Construction

In 2023, the Denver Metro has seen limited office deliveries, with the most significant addition occurring in Q4. The delivery of 1900 29th St (160K SF) in December, situated in the Boulder submarket, marked the largest delivery of the year.

The office construction pipeline has remained relatively stable in the last quarter, boasting a total of 3.7 million square feet under construction in the Denver Metro. Downtown holds a significant share with over 1.5 MSF, featuring key projects like 1900 Lawrence (704K SF), T3 Offices (251K SF), and The Current River North (280K SF). Additionally, the Southeast region has 656,000 square feet under construction, including Westray Tower 1 (350K SF), and The District Buildings Three (164K SF) and Four (161K SF). Delivery timelines face delays due to high construction costs and limited demand.

Vacancy

In Q4 2023, the office vacancy rate in the Denver Metro increased by 10 basis points, reaching 17.5%. The Downtown market saw the highest vacancy, rising by 50 basis points to 25.6%. Despite this, available sublease space experienced a slight decrease, totaling 4.3 million square feet. The majority of this, 1.5 million square feet, is situated downtown, followed by 1.4 million square feet in the Southeast. Expect a decline in sublease availabilities and an increase in direct vacancy rates, particularly in less desirable areas such as downtown.

Rents

Denver's office market, grappling with persistent pandemic effects, continues to realize an increase in asking rates across submarkets. These rate hikes in major submarkets highlight challenges faced by others, suggesting that while direct asking rates are expected to remain relatively stable, landlords may choose to offer increased concessions to lure tenants back to physical office spaces. This shift could potentially lead to artificial inflation of direct asking rates. Additionally, as the demand shifts towards newer and more appealing spaces, an overall increase in rates is anticipated.

In Q4 2023, the direct average full-service lease rates saw a significant increase, rising from \$30.98/SF to \$31.29/SF. Downtown experienced an uptick from \$38.12/SF to \$38.28/SF, while the Southeast submarket saw a rise from \$27.52/SF to \$27.55/SF, maintaining a roughly 30% premium between these two areas.

Monitoring these developments is crucial as Denver's office market adjusts to evolving circumstances. This involves considering the dynamics between different submarkets and assessing the potential impact of tenant needs and landlord incentives.

Sales

The standout transaction in Q4 involved the sale of 1700 Platte St., transferring from 1710 Platte Associates, LLC to GPIF Riverview LLC for \$129 million (\$637/SF). This 202,000 SF property, constructed in 2018, was fully occupied at the time of the sale. Notably, sales volume has recorded a substantial increase in the past quarter, with a predominant presence of private investors and owner-users in transactions throughout the year. Anticipate this trend to persist into 2024, aided by improvements in the debt market to start the year.

Forecast

Denver's office market grappled with persistent challenges in 2023, primarily reflected in sustained high vacancy rates. The uncertainty surrounding employers' return-to-office plans has contributed to this trend, as many remain indecisive about the future of their work arrangements. The substantial volume of available sublease space further suggests an impending vacancy rate rise at the beginning of 2024.

A notable observation is the recent surge in company layoffs, indicating inefficiencies in company operations and an overall struggling economy. Companies are poised to reassess their operations, including the hybrid work model, as the job market tightens, and remote workers experience reduced flexibility. This shift anticipates a slight change in demand for office space.

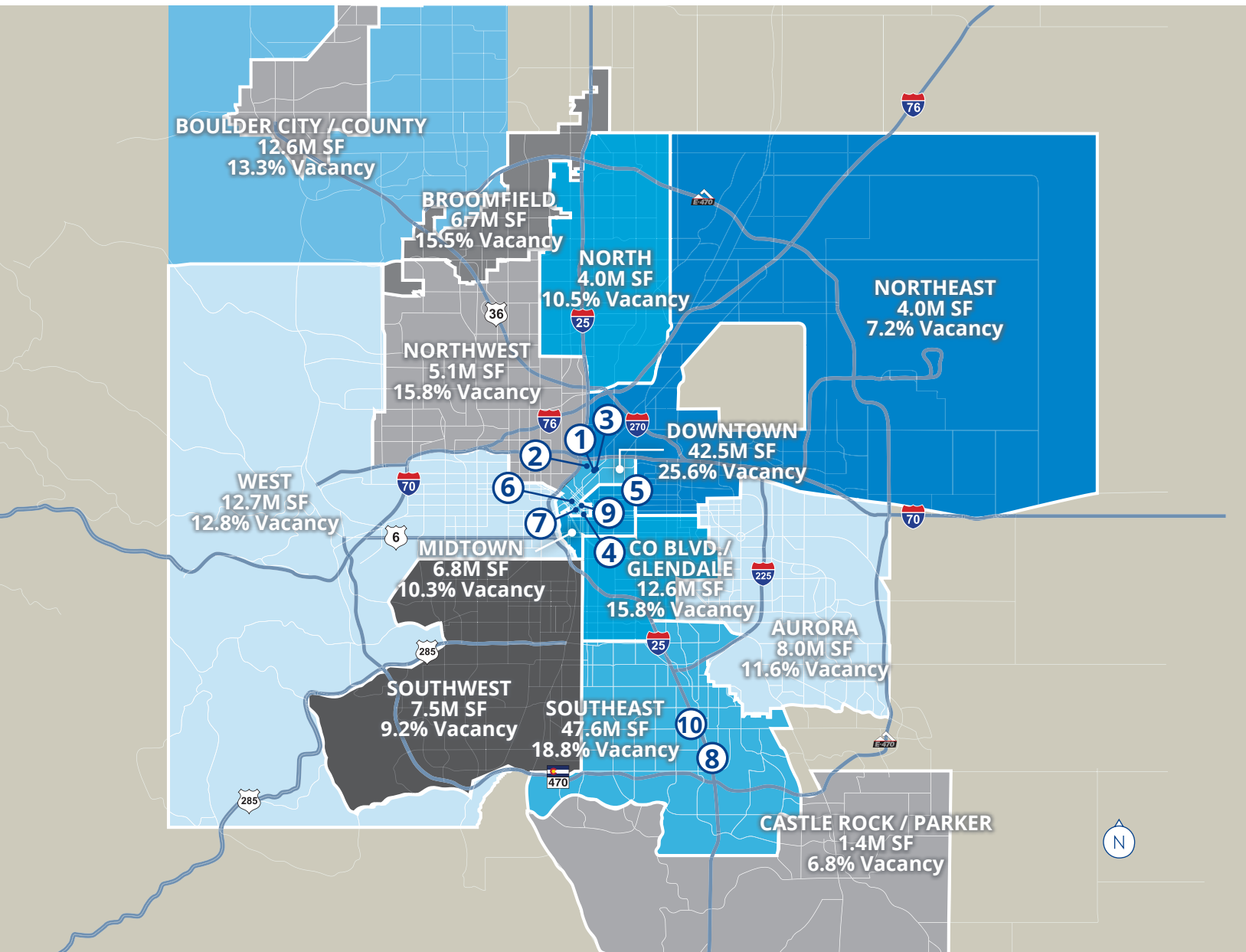
Q4 2023 metrics underscore the lasting effects of the pandemic on the market, revealing evident challenges. As companies navigate the complexities of determining optimal return-to-office strategies, a lingering sense of market uncertainty persists. Despite this, Denver stands out among major metropolitan areas, poised for a relatively swift recovery, thanks to its resilient workforce characterized by high education levels and the presence of diverse industries. Nevertheless, it is clear that the market will continue to be shaped by the ongoing impact of the pandemic for the foreseeable future.

Inflation Plateaus with a Rate of 3.4% in December



Source: BLS

Submarkets by Vacancy



Top Leases This Quarter

	Building Address	Building Name	Rentable Square Feet (RSF)	Tenant	Deal Type
1	3500 Blake St	T3 Offices	213,711	Xcel Energy	Direct
2	3575 Rinsby Ct	Flight	87,787	BOA Technology	Direct
3	3601 Walnut St	HUB South	50,801	Undisclosed	Direct
4	1560 Broadway	Civic Center Plaza	43,251	Undisclosed	Direct
5	3050 Richard Allen Ct		25,733	Providence Bible Church	Direct
6	1001 17th St	1001 17th Street	35,088	Discovery National Resources	Direct
7	675 15th St	Block 162	29,867	Snell & Wilmer	Direct
8	160 Inverness Dr W		27,176	Undisclosed	Sublease
9	1801 California St	1801 California	26,769	Undisclosed	Direct
10	6501 S Fiddlers Green Cir		21,393	American Medical Response	Sublease



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	29,371,844	6,523,532	22.2%	1,443,108	4.9%	7,966,640	27.1%	26.6%	668,119	-154,129	-	1,482,586	\$39.13
B	11,961,419	2,825,641	23.6%	59,932	0.5%	2,885,573	24.1%	22.8%	55,101	-158,638	-	65,000	\$35.81
C	1,167,001	33,267	2.9%	7,365	0.6%	40,632	3.5%	3.2%	5,853	-2,817	-	-	\$32.95
TOTAL	42,500,264	9,382,440	22.1%	1,510,405	3.6%	10,892,845	25.6%	24.9%	729,073	-315,584	-	1,547,586	\$38.28
Midtown													
A	1,907,809	177,281	9.3%	82,976	4.3%	260,257	13.6%	13.7%	54,432	342	-	-	\$26.24
B	3,478,672	398,836	11.5%	6,795	0.2%	405,631	11.7%	12.7%	1,713	37,060	-	-	\$24.71
C	1,419,790	6,831	0.5%	30,000	2.1%	36,831	2.6%	2.6%	-	-	-	-	\$22.00
TOTAL	6,806,271	582,948	8.6%	119,771	1.8%	702,719	10.3%	10.9%	56,145	37,402	-	-	\$25.51
Suburban													
Aurora													
A	1,756,508	295,372	16.8%	130,595	7.4%	425,967	24.3%	25.3%	-	18,254	-	-	\$25.15
B	5,491,651	458,533	8.3%	8,594	0.2%	467,127	8.5%	9.0%	24,998	27,645	-	-	\$20.13
C	737,675	30,812	4.2%	-	0.0%	30,812	4.2%	3.7%	3,200	-3,809	-	-	\$17.62
TOTAL	7,985,834	784,717	9.8%	139,189	1.7%	923,906	11.6%	12.1%	28,198	42,090	-	-	\$22.33
Boulder													
A	2,823,574	501,011	17.7%	5,296	0.2%	506,307	17.9%	10.5%	11,374	-59,263	169,373	-	\$31.32
B	9,096,456	963,131	10.6%	148,413	1.6%	1,111,544	12.2%	13.6%	144,891	129,027	-	63,701	\$30.98
C	665,615	53,632	8.1%	-	0.0%	53,632	8.1%	10.8%	-	18,190	-	-	\$22.45
TOTAL	12,585,645	1,517,774	12.1%	153,709	1.2%	1,671,483	13.3%	12.8%	156,265	87,954	169,373	63,701	\$30.83
Broomfield													
A	4,029,610	773,404	19.2%	136,735	3.4%	910,139	22.6%	25.4%	44,567	114,300	-	142,680	\$29.78
B	2,576,248	119,417	4.6%	4,410	0.2%	123,827	4.8%	6.4%	-	40,508	-	-	\$31.57
C	70,412	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$0.00
TOTAL	6,676,270	892,821	13.4%	141,145	2.1%	1,033,966	15.5%	13.5%	44,567	154,808	-	142,680	\$30.31
Colorado Blvd./Glendale													
A	5,215,755	832,933	16.0%	87,483	1.7%	920,416	17.6%	18.2%	61,447	26,426	-	300,768	\$33.57
B	6,384,805	814,445	12.8%	175,768	2.8%	990,213	15.5%	16.0%	72,307	30,695	-	59,713	\$25.73
C	988,117	73,747	7.5%	4,335	0.4%	78,082	7.9%	6.9%	-	-9,630	-	-	\$22.91
TOTAL	12,588,677	1,721,125	13.7%	267,586	2.1%	1,988,711	15.8%	16.2%	133,754	47,491	-	360,481	\$29.66
Longmont													
A	107,805	17,685	16.4%	-	0.0%	17,685	16.4%	17.1%	-	726	-	-	\$29.01
B	746,597	47,372	6.3%	6,911	0.9%	54,283	7.3%	6.6%	574	-4,984	-	-	\$22.79
C	134,558	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$18.30
TOTAL	988,960	65,057	6.6%	6911	0.7%	71,968	7.3%	6.8%	574	-4,258	-	-	\$24.80
North													
A	759,793	27,588	3.6%	11,781	1.6%	39,369	5.2%	5.3%	3,639	1,155	-	-	\$25.07
B	3,095,963	304,662	9.8%	73,538	2.4%	378,200	12.2%	13.2%	16,710	29,777	-	-	\$25.74
C	169,535	3,537	2.1%	-	0.0%	3,537	2.1%	1.7%	2,567	-624	-	-	\$15.98
TOTAL	4,025,291	335,787	8.3%	85,319	2.1%	421,106	10.5%	11.2%	22,916	30,308	-	-	\$25.65
Northeast													
A	690,099	31,352	4.5%	87,161	12.6%	118,513	17.2%	16.9%	2,500	-2,105	-	-	\$22.64
B	2,473,558	150,527	6.1%	-	0.0%	150,527	6.1%	5.7%	6,177	-10,473	-	-	\$25.19
C	876,097	22,337	2.5%	-	0.0%	22,337	2.5%	3.3%	3,536	6,634	-	-	\$14.50
TOTAL	4,039,754	204,216	5.1%	87,161	2.2%	291,377	7.2%	7.1%	12,213	-5,944	-	-	\$23.50



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	2,131,690	309,637	14.5%	109,805	5.2%	419,442	19.7%	18.5%	20,603	-25,460	-	600,000	\$28.05
B	2,454,771	299,893	12.2%	63,057	2.6%	362,950	14.8%	13.6%	31,373	-28,014	-	-	\$24.69
C	516,638	25,380	4.9%	-	0.0%	25,380	4.9%	5.6%	2,474	3,404	-	-	\$20.39
TOTAL	5,103,099	634,910	12.4%	172,862	3.4%	807,772	15.8%	14.8%	54,450	-50,070	-	600,000	\$26.03
Parker/Castle Rock													
A	426,264	1,397	0.3%	2,486	0.6%	3,883	0.9%	0.3%	-	-2,486	-	-	\$32.70
B	928,618	86,506	9.3%	2,195	0.2%	88,701	9.6%	9.9%	988	3,112	-	-	\$28.08
C	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00
TOTAL	1,354,882	87,903	6.5%	4,681	0.3%	92,584	6.8%	6.9%	988	626	-	-	\$28.18
Southeast													
A	27,166,512	4,754,290	17.5%	543,980	2.0%	5,298,270	19.5%	18.4%	302,330	-310,115	-	332,775	\$29.86
B	19,452,952	2,792,953	14.4%	838,715	4.3%	3,631,668	18.7%	19.0%	280,003	67,182	-	323,984	\$24.31
C	1,028,466	21,962	2.1%	-	0.0%	21,962	2.1%	2.1%	5,214	9	-	-	\$17.84
TOTAL	47,647,930	7,569,205	15.9%	1,382,695	2.9%	8,951,900	18.8%	18.3%	587,547	-242,924	-	656,759	\$27.55
Southwest													
A	669,621	39,267	5.9%	-	0.0%	39,267	5.9%	5.0%	9,586	-5,984	-	250,000	\$26.04
B	6,134,412	608,983	9.9%	20,359	0.3%	629,342	10.3%	10.5%	38,005	38,208	25,000	-	\$19.98
C	719,263	25,611	3.6%	-	0.0%	25,611	3.6%	3.4%	-	-962	-	-	\$13.22
TOTAL	7,523,296	673,861	9.0%	20,359	0.3%	694,220	9.2%	9.3%	47,591	31,262	25,000	250,000	\$20.43
West													
A	2,901,619	350,080	12.1%	81,963	2.8%	432,043	14.9%	15.3%	29,039	11,820	-	-	\$27.02
B	8,848,126	1,009,511	11.4%	66,848	0.8%	1,076,359	12.2%	13.4%	89,352	105,879	-	80,000	\$24.90
C	963,202	58,508	6.1%	62,296	6.5%	120,804	12.5%	11.8%	789	-7,435	-	-	\$24.66
TOTAL	12,712,947	1,418,099	11.2%	211,107	1.7%	1,629,206	12.8%	13.7%	119,180	110,264	-	80,000	\$25.35
SUBURBAN TOTAL													
A	48,678,850	7,934,016	16.3%	1,197,285	2.5%	9,131,301	18.8%	18.0%	485,085	-232,732	169,373	1,626,223	\$30.44
B	67,684,157	7,655,933	11.3%	1,408,808	2.1%	9,064,741	13.4%	14.0%	705,378	428,562	25,000	527,398	\$23.76
C	6,869,578	315,526	4.6%	66,631	1.0%	382,157	5.6%	5.6%	17,780	5,777	-	-	\$18.15
TOTAL	123,232,585	15,905,475	12.9%	2,672,724	2.2%	18,578,199	15.1%	15.1%	1,208,243	201,607	194,373	2,153,621	\$26.28
DENVER MARKET GRAND TOTAL													
A	79,958,503	14,634,829	18.3%	2,723,369	3.4%	17,358,198	21.7%	21.1%	1,207,636	-386,519	169,373	3,108,809	\$28.97
B	83,124,248	10,880,410	13.1%	1,475,535	1.8%	12,355,945	14.9%	15.2%	762,192	306,984	25,000	592,398	\$26.04
C	9,456,369	355,624	3.8%	103,996	1.1%	459,620	4.9%	4.9%	23,633	2,960	-	-	\$20.24
TOTAL	172,539,120	25,870,863	15.0%	4,302,900	2.5%	30,173,763	17.5%	16.6%	1,993,461	-76,575	194,373	3,701,207	\$31.29
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q4 2023	172,539,120	25,870,863	15.0%	4,302,900	2.5%	30,173,763	17.5%	16.6%	1,993,461	-76,575	194,373	3,701,207	\$31.29
Q3 2023	172,352,959	25,601,001	14.9%	4,429,269	2.6%	30,030,270	17.4%	16.6%	1,970,909	-1,345,892	76,715	3,779,009	\$30.98
Q2 2023	171,996,475	24,354,843	14.2%	4,067,695	2.4%	28,601,939	16.6%	16.6%	1,854,027	33,189	106,527	3,580,979	\$30.59
Q1 2023	171,592,940	24,245,186	14.1%	4,284,397	2.5%	28,424,002	16.6%	15.9%	1,889,719	-989,404	353,000	2,947,497	\$30.58

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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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