

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

24Q1

During Q1 of 2024, Denver's office market continued to record high vacancy rates. Sublease levels remained high, serving as an indicator that vacancy will continue to rise throughout 2024. Despite the rise in vacancy rates, asking rental rates held steady in Q1, primarily driven by strong demand for modern Class A spaces. We anticipate ongoing challenges for companies as they navigate towards a full return to the office, contending with the perceived drawbacks of hybrid work setups.

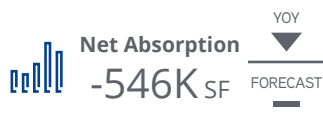
Accelerating success.



Office 24Q1

Key Takeaways

- Sales volume slows drastically
- Leasing activity realizes 1.8 MSF
- Net absorption realizes a negative figure for the third consecutive quarter (and 13 of the last 16 quarters) at -545,000 SF



Rethinking Office Space

Despite recent company layoffs, optimism is growing for the future of the office market. Organizations fighting through workforce reductions are reassessing the efficacy of remote work models. This shift, though challenging, holds promise for traditional office spaces. The ongoing wave of layoffs signals a need to reconsider remote work strategies. Additionally, the utilization of new Class A spaces as incentives to bring employees back to the office suggests a potential increase in demand for office space.

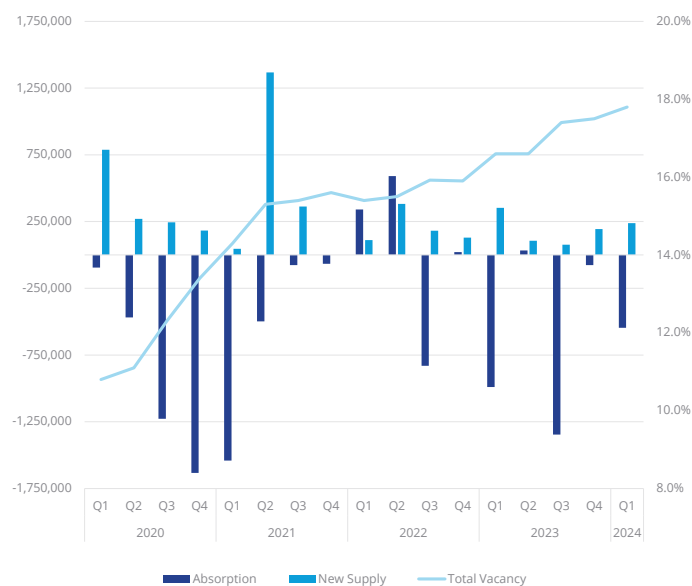
Market Indicators



Historic Comparison

	24Q1	23Q4	23Q1
Total Inventory (in Thousands of SF)	173,795	172,539	171,592
New Supply (in Thousands of SF)	239	194	353
Net Absorption (in Thousands of SF)	-546	-76	-989
Overall Vacancy	17.8%	17.5%	16.6%
Under Construction (in Thousands of SF)	3,545	3,701	2,947
Direct Asking Lease Rates (FSG)	\$31.26	\$31.29	\$30.58

Market Graph



The Q1 metrics for Denver's office market present a challenging reality, featuring consecutive quarters of negative absorption, rising vacancy rates, and limited new supply.

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)



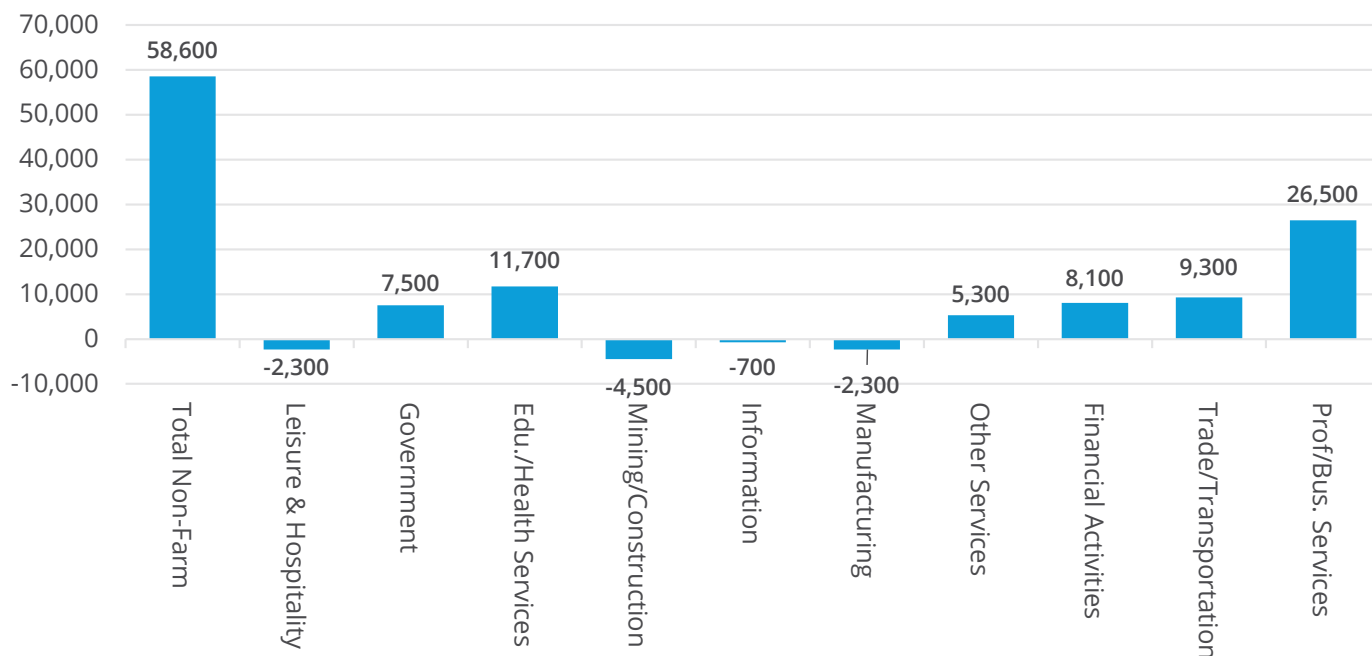
Sale
6782 S. Potomac St.
Southeast Denver
63,308 SF
\$9,800,000 (\$154.80/SF)



Sale
12596 W. Bayaud Ave.
West Denver
84,145 SF
\$8,675,000 (\$103.10/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 area saw a preliminary increase of 4,000 nonfarm payroll jobs in Q4. Since its peak unemployment in April 2020, Denver has added a total of 231,400 jobs.

In Q1, the unemployment rate in the Denver Metropolitan Statistical Area (MSA) rose to 3.50%. However, notable job gains were observed in the manufacturing and education sectors. Despite this uptick, the current unemployment rate stands at only a third of its peak, after reaching 12.4% in April 2020.

Denver's appeal to remote workers is anticipated to drive further job growth, leading to a decrease in unemployment rates.

Absorption & Leasing Activity

In Q1 2024, absorption experienced a negative figure, marking the third consecutive quarter of decline. The last three quarters now total -2.0 million square feet. Despite this trend, leasing activity remained constant, reaching a total of 1.88 million square feet. However, it's worth noting that this marks the fourth consecutive quarter with less than 2.0 million square feet of leasing activity.

Construction

To start 2024, the Denver Metro only saw one delivery. The T3 Offices (238K SF), located in the Downtown submarket, delivered in February.

The office construction pipeline remained relatively stable in Q1 2024, with a total of 3.5 million square feet under construction in the Denver Metro area. Downtown holds a significant share with 1.3 million square feet, featuring key projects such as 1900 Lawrence (704K 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). Expect to see delays in delivery timelines as high construction costs and low demand continue to impact the market.

Vacancy

In Q1 2024, the office vacancy rate in the Denver Metro increased by 30 basis points, reaching 17.8%. The Downtown market saw the highest vacancy, rising by 100 basis points to 26.5%. However, available sublease space experienced a slight decrease, totaling 4.2 million square feet. The majority, 1.6 million square feet, is located downtown, followed by 1.4 million square feet in the Southeast. As sublease availabilities expire, anticipate further increases in direct vacancy rates metro-wide.

Rents

Denver's office market, grappling with persisting post-pandemic effects, continues to realize strong asking rental rates across most submarkets. This plateauing in asking rates has become somewhat misleading as, while direct asking rates are expected to remain relatively stable, landlords have demonstrated they will offer increased concessions to lure tenants back to physical office spaces. Additionally, as the demand shifts towards newer and more appealing spaces, the delta between Class A and the rest of the market is expected to grow.

In Q1 2024, the direct average full-service lease rates saw a slight decrease, dropping from \$31.29 to \$31.26. Downtown experienced a more significant fall from \$38.28/SF to \$38.09/SF, while the Southeast submarket saw almost no change from \$27.55/SF to \$27.56/SF, maintaining a roughly 30% premium between these two areas.

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

Sales

Q1 2024 sales volume highlights the challenges in the office market. Only one significant transaction occurred during this period: the sale of 12596 W. Bayaud Avenue, spanning 84,000 SF, for \$8.7 million. Situated in the West Denver submarket, the office building sold for slightly above \$100/SF. Sales activity has decelerated over the past year, with projections indicating that 2024 will witness a dip below even the already muted post-pandemic average transaction volume.

Forecast

Expect to see many of the recent trends continue to develop in 2024. New construction and Class A space is leading the way in Denver's office market. With the hybrid working model, employers are now needing to incentivize workers to return to the office, in hopes to boost productivity.

The current economic landscape presents challenges for investors, owners, and individuals alike. In this era of advancing technology, employees have more power and flexibility than ever before. However, with companies initiating large-scale layoffs and hiring freezes, the balance of power may be shifting back to employers. Rising unemployment levels are prompting companies to seek full-time office presence from their employees. Consequently, demand for newer and higher-quality office spaces remains strong.

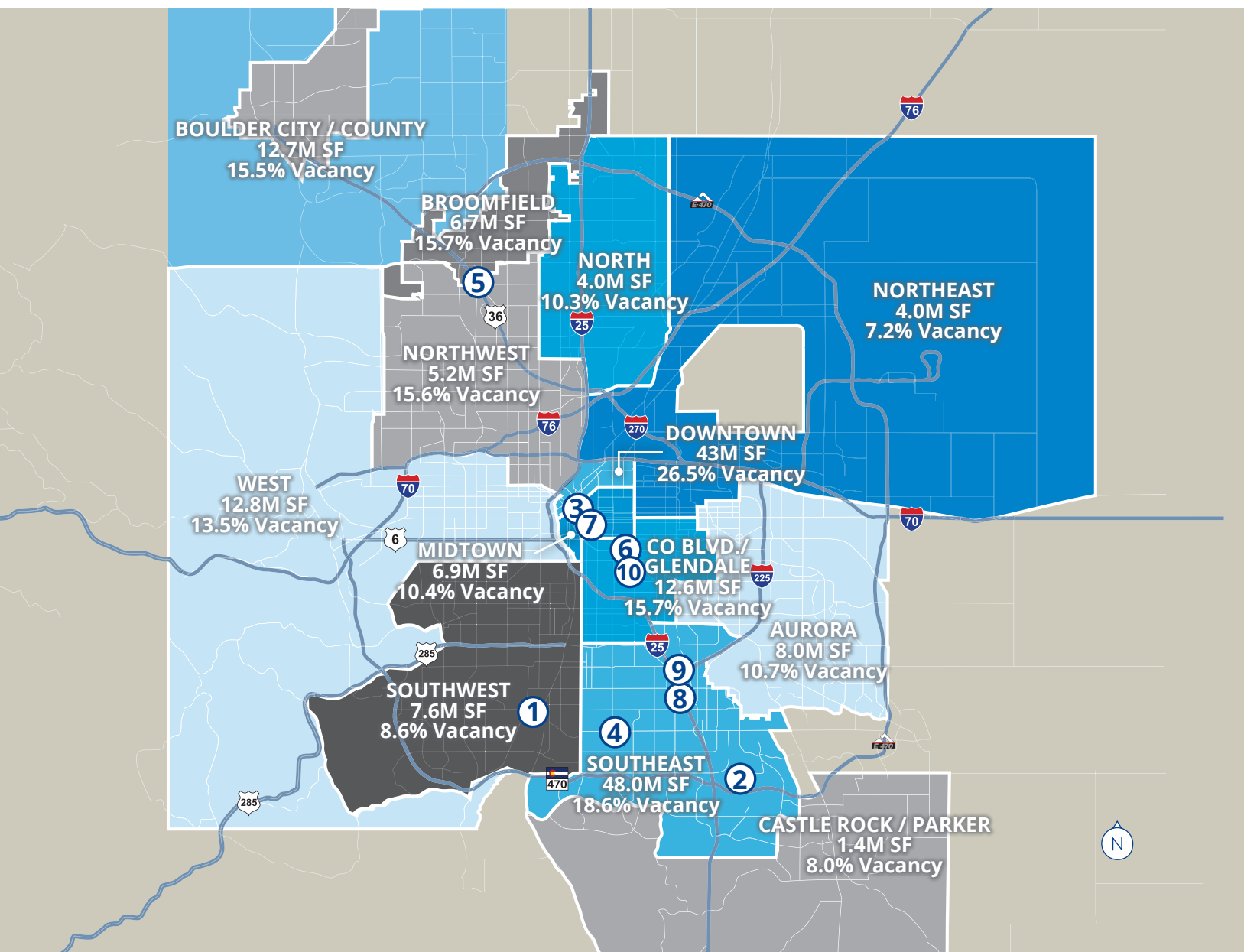
Q1 2024 metrics underscore the continued impact of the pandemic on the market. Market uncertainty persists as companies devise their return-to-office strategies. Despite this uncertainty, Denver stands out among major metropolitan areas due to its resilient economy, characterized by high education levels and diverse industries. Nevertheless, the ongoing impact of the pandemic will continue to shape the market for the foreseeable future.

Inflation Flattens with a Rate of 3.5% in March



Source: BLS

Submarkets by Vacancy



Top Leases This Quarter

Building Address		Building Name	Rentable Square Feet (RSF)	Tenant	Deal Type
1	5701 S. Santa Fe Dr.		206,992	Dish Network	Direct
2	8208 S. Interport Blvd.	H-10	80,598	OneFlight International	Direct
3	1001 17th St.	1001 17th Street	35,088	Discovery Natural Resources	Direct
4	2154 E. Commons Ave.	Offices at Southglenn	32,309	Chatham Financial	Direct
5	11030 Circle Point Rd.	Circle Point Corporate Center I	31,121	Bright Horizons	Sublease
6	3250 E. 2nd Ave.	Cherry Creek	30,000	Bow River Capital	Direct
7	518 17th St.	The DC Building	23,973	Government Services Administration	Direct
8	5680 Greenwood Plaza Blvd.	Triad Orchard Station South	23,459	Undisclosed	Direct
9	4582 S. Ulster St.	Stanford Place III	21,823	Kaseware	Sublease
10	3200 Cherry Creek South Dr.	The Citadel	20,704	Tract Management Company, LP	Direct

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	29,606,033	6,852,625	23.1%	1,444,864	4.9%	8,297,489	28.0%	27.1%	359,347	-92,123	238,726	1,242,360	\$38.75
B	12,236,778	2,939,744	24.0%	121,042	1.0%	3,060,786	25.0%	23.6%	70,392	-175,213	-	65,000	\$36.17
C	1,167,001	32,807	2.8%	7,365	0.6%	40,172	3.4%	3.5%	-	460	-	-	\$33.40
TOTAL	43,009,812	9,825,176	22.8%	1,573,271	3.7%	11,398,447	26.5%	25.5%	429,739	-266,876	238,726	1,307,360	\$38.09
Midtown													
A	1,886,206	177,281	9.4%	82,976	4.4%	260,257	13.8%	13.8%	158	-	-	-	\$26.74
B	3,573,812	410,889	11.5%	6,795	0.2%	417,684	11.7%	11.4%	16,620	-12,053	-	-	\$24.26
C	1,419,904	5,799	0.4%	30,000	2.1%	35,799	2.5%	2.7%	992	2,138	-	-	\$28.92
TOTAL	6,879,922	593,969	8.6%	119,771	1.7%	713,740	10.4%	10.2%	17,770	-9,915	-	-	\$25.78
Suburban													
Aurora													
A	1,532,293	405,233	26.4%	7,177	0.5%	412,410	26.9%	27.8%	-	13,557	-	-	\$25.39
B	5,642,977	355,793	6.3%	32,696	0.6%	388,489	6.9%	7.8%	34,146	49,779	-	-	\$20.33
C	805,011	53,837	6.7%	1,350	0.2%	55,187	6.9%	7.4%	-	4,484	-	-	\$17.78
TOTAL	7,980,281	814,863	10.2%	41,223	0.5%	856,086	10.7%	11.6%	34,146	67,820	-	-	\$22.57
Boulder													
A	2,794,890	574,479	20.6%	7,077	0.3%	581,556	20.8%	18.1%	2,766	-75,249	-	-	\$31.67
B	9,252,588	1,150,225	12.4%	171,088	1.8%	1,321,313	14.3%	12.1%	70,430	-204,425	-	63,701	\$30.67
C	666,301	71,822	10.8%	-	0.0%	71,822	10.8%	8.0%	-	-18,190	-	-	\$22.45
TOTAL	12,713,779	1,796,526	14.1%	178,165	1.4%	1,974,691	15.5%	13.2%	73,196	-297,864	-	63,701	\$30.61
Broomfield													
A	4,043,771	772,879	19.1%	152,504	3.8%	925,383	22.9%	22.5%	21,504	-15,244	-	142,680	\$29.20
B	2,576,248	123,589	4.8%	4,410	0.2%	127,999	5.0%	4.8%	1,537	-4,172	-	-	\$29.25
C	70,412	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$0.00
TOTAL	6,690,431	896,468	13.4%	156,914	2.3%	1,053,382	15.7%	13.5%	23,041	-19,416	-	142,680	\$29.22
Colorado Blvd./Glendale													
A	5,217,404	783,583	15.0%	91,948	1.8%	875,531	16.8%	17.6%	167,853	44,885	-	300,768	\$33.78
B	6,346,744	872,251	13.7%	154,159	2.4%	1,026,410	16.2%	15.6%	43,594	-36,197	-	59,713	\$25.64
C	989,512	61,607	6.2%	1,562	0.2%	63,169	6.4%	7.9%	-	14,913	-	-	\$22.91
TOTAL	12,553,660	1,717,441	13.7%	247,669	2.0%	1,965,110	15.7%	15.8%	211,447	23,601	-	360,481	\$29.90
Longmont													
A	107,805	17,685	16.4%	-	0.0%	17,685	16.4%	17.1%	-	726	-	-	\$29.01
B	752,653	73,240	9.7%	6,911	0.9%	80,151	10.6%	11.2%	4,849	4,132	-	-	\$22.27
C	134,558	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$18.30
TOTAL	995,016	90,925	9.1%	6911	0.7%	97,836	9.8%	10.3%	4,849	4,858	-	-	\$24.77
North													
A	759,793	33,048	4.3%	11,781	1.6%	44,829	5.9%	5.2%	-	-5,460	-	-	\$25.21
B	3,061,692	292,031	9.5%	73,538	2.4%	365,569	11.9%	12.4%	12,631	12,631	-	-	\$25.45
C	169,535	2,659	1.6%	-	0.0%	2,659	1.6%	2.1%	878	878	-	-	\$15.98
TOTAL	3,991,020	327,738	8.2%	85,319	2.1%	413,057	10.3%	10.6%	13,509	8,049	-	-	\$25.42
Northeast													
A	690,099	29,066	4.2%	87,161	12.6%	116,227	16.8%	17.2%	6,213	2,286	-	-	\$21.08
B	2,445,388	142,117	5.8%	-	0.0%	142,117	5.8%	6.2%	19,910	8,410	-	-	\$24.86
C	899,156	30,431	3.4%	-	0.0%	30,431	3.4%	2.5%	-	-8,094	-	-	\$14.50
TOTAL	4,034,643	201,614	5.0%	87,161	2.2%	288,775	7.2%	7.2%	26,123	2,602	-	-	\$22.42



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	2,313,684	323,426	14.0%	80,031	3.5%	403,457	17.4%	18.1%	54,048	15,985	-	600,000	\$27.16
B	2,431,870	308,061	12.7%	81,113	3.3%	389,174	16.0%	14.9%	13,639	-27,373	-	25,005	\$24.67
C	461,086	21,758	4.7%	-	0.0%	21,758	4.7%	4.7%	945	-98	-	-	\$19.97
TOTAL	5,206,640	653,245	12.5%	161,144	3.1%	814,389	15.6%	15.4%	68,632	-11,486	-	625,005	\$25.67
Parker/Castle Rock													
A	406,264	6,397	1.6%	2,486	0.6%	8,883	2.2%	1.0%	2,931	-5,000	-	60,000	\$32.70
B	948,715	97,320	10.3%	2,195	0.2%	99,515	10.5%	9.3%	6,257	-10,814	-	-	\$27.78
C	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00
TOTAL	1,354,979	103,717	7.7%	4,681	0.3%	108,398	8.0%	6.8%	9,188	-15,814	-	60,000	\$27.89
Southeast													
A	27,234,479	4,613,439	16.9%	654,030	2.4%	5,267,469	19.3%	19.5%	280,845	30,171	-	332,775	\$29.49
B	19,732,977	2,876,933	14.6%	699,204	3.5%	3,576,137	18.1%	18.4%	349,672	55,531	-	323,984	\$24.98
C	1,054,408	76,242	7.2%	-	0.0%	76,242	7.2%	2.1%	2,372	-54,280	-	-	\$17.98
TOTAL	48,021,864	7,566,614	15.8%	1,353,234	2.8%	8,919,848	18.6%	18.6%	632,889	31,422	-	656,759	\$27.56
Southwest													
A	606,420	26,853	4.4%	-	0.0%	26,853	4.4%	4.8%	8,204	2,384	-	250,000	\$26.67
B	6,216,453	575,950	9.3%	38,931	0.6%	614,881	9.9%	10.3%	242,050	24,491	-	-	\$20.23
C	788,978	16,219	2.1%	-	0.0%	16,219	2.1%	3.2%	933	9,392	-	-	\$13.07
TOTAL	7,611,851	619,022	8.1%	38,931	0.5%	657,953	8.6%	9.1%	251,187	36,267	-	250,000	\$20.70
West													
A	2,966,460	340,371	11.5%	75,004	2.5%	415,375	14.0%	14.6%	23,258	16,668	-	-	\$27.64
B	8,846,473	1,129,336	12.8%	56,545	0.6%	1,185,881	13.4%	12.1%	54,297	-119,022	-	80,000	\$24.90
C	938,312	55,086	5.9%	62,296	6.6%	117,382	12.5%	12.9%	1,877	3,422	-	-	\$25.66
TOTAL	12,751,245	1,524,793	12.0%	193,845	1.5%	1,718,638	13.5%	12.7%	79,432	-98,932	-	80,000	\$25.59
SUBURBAN TOTAL													
A	48,673,362	7,926,459	16.3%	1,169,199	2.4%	9,095,658	18.7%	18.7%	567,622	25,709	-	1,686,223	\$30.44
B	68,254,778	7,996,846	11.7%	1,320,790	1.9%	9,317,636	13.7%	13.3%	853,012	-247,029	-	552,403	\$23.76
C	6,977,269	389,661	5.6%	65,208	0.9%	454,869	6.5%	5.8%	7,005	-47,573	-	-	\$18.15
TOTAL	123,905,409	16,312,966	13.2%	2,555,197	2.1%	18,868,163	15.2%	15.0%	1,427,639	-268,893	-	2,238,626	\$26.28
DENVER MARKET GRAND TOTAL													
A	80,165,601	14,956,365	18.7%	2,697,039	3.4%	17,653,404	22.0%	21.7%	927,127	-66,414	238,726	2,928,583	\$28.89
B	84,065,368	11,347,479	13.5%	1,448,627	1.7%	12,796,106	15.2%	14.7%	940,024	-434,295	-	617,403	\$25.82
C	9,564,174	428,267	4.5%	102,573	1.1%	530,840	5.6%	5.1%	7,997	-44,975	-	-	\$20.91
TOTAL	173,795,143	26,732,111	15.4%	4,248,239	2.4%	30,980,350	17.8%	17.4%	1,875,148	-545,684	238,726	3,545,986	\$31.26
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
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
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

FOR MORE INFORMATION
Jack Friedman
Research Analyst
Denver
+1 303 309 3528
jack.friedman@colliers.com

Tim Morris
Director of Research & Analytics
Denver
+1 720 833 4630
tim.morris@colliers.com

Copyright © 2024 Colliers
The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

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

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 67 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners and investors. For more than 25 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of \$3.0 billion (\$3.3 billion including affiliates) and \$40 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people. Learn more at corporate.colliers.com, Twitter @Colliers or LinkedIn.

Market Contacts:

Robert Whittelsey

Principal
+1 303 283 4581
robert.whittelsey@colliers.com

Chris Wiley

Principal
+1 303 283 4588
chris.wiley@colliers.com

Matthew Ball

Principal
+1 303 309 3526
matt.ball@colliers.com

Jeremy Reeves

Vice President
+1 303 283 1375
jeremy.reeves@colliers.com

Abby Pattillo

Principal
+1 303 283 4579
abby.pattillo@colliers.com

Zac Blaha

Vice President
+1 303 283 4597
zac.blaha@colliers.com

Hunter Courtney

Broker Associate
+1 303 339 2232
hunter.courtney@colliers.com

Catie O'Dwyer

Operations Manager
+1 303 283 4570
catie.odwyer@colliers.com

Amber Alvarado

Marketing Coordinator
+1 303 309 6835
amber.alvarado@colliers.com

Hayden Sass

Analytics and Outreach
+1 720 833 4638
hayden.sass@colliers.com

Lauren Hodapp

Marketing/Client Svcs Coord
+1 303 283 4592
lauren.hodapp@colliers.com

Phil Sweeney

Vice President
+1 303 565 3785
phil.sweeney@colliers.com

Ashley Harris

Marketing Coordinator
+1 303 283 4589
ashley.harris@colliers.com

Colliers | Denver Tech Center
4643 S. Ulster Street, Suite 1000
Denver, CO | USA

REGIONAL AUTHORS:

Jack Friedman

Research Analyst
+1 303 309 3528
jack.friedman@colliers.com

Tim Morris

Director of Research & Analytics
+1 720 833 4630
tim.morris@colliers.com

