

An aerial photograph of the Denver skyline, showing a dense cluster of skyscrapers and office buildings. The Colliers logo is positioned in the top right corner of the image.

Colliers

Denver

Office

24Q4

In Q4 2024, Denver's office market continued to face challenges. Sublease availability increased, indicating a potential rise in vacancy rates and stagnant demand for office space. As landlords work to attract tenants, rental rates are expected to decline. Both landlords and businesses are grappling with the difficulties of adjusting to the new normal.

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Denver Office 24Q4

Key Takeaways

- Leasing activity remains steady, recording 1.8 MSF
- Net absorption realizes a negative figure for the sixth consecutive quarter at -250,000 SF
- Rental rates are expected to fall moving forward.



An Uncertain Future

The ongoing struggles of the office market have deepened skepticism about the full recovery of traditional office spaces. Class A properties are increasingly being positioned as a primary tool to entice employees back, with a noticeable shift from hybrid schedules toward more in-office workdays. The hopes of a full return-to-office are dwindling with each passing week as many employees have now completely changed their lifestyles to accommodate working from home. Despite rising unemployment and declining productivity, the anticipated rebound in office demand has yet to materialize, casting uncertainty over the market's future outlook.

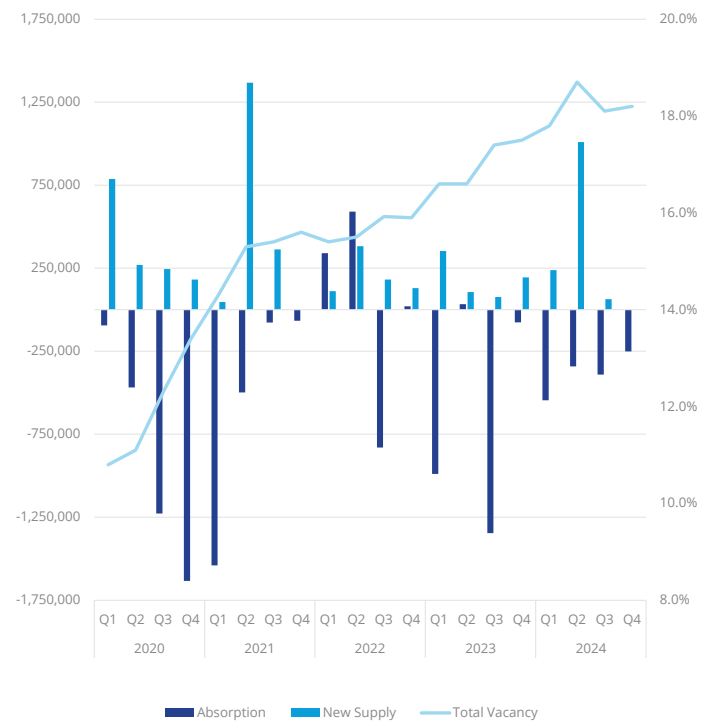
Market Indicators



Historic Comparison

	24Q4	24Q3	23Q4
Total Inventory (in Thousands of SF)	177,809	177,178	175,483
New Supply (in Thousands of SF)	0	63	25
Net Absorption (in Thousands of SF)	-250	-391	-263
Overall Vacancy	18.2%	18.1%	17.4%
Under Construction (in Thousands of SF)	2,879	2,879	3,701
Direct Asking Lease Rates (FSG)	\$31.04	\$30.96	\$31.32

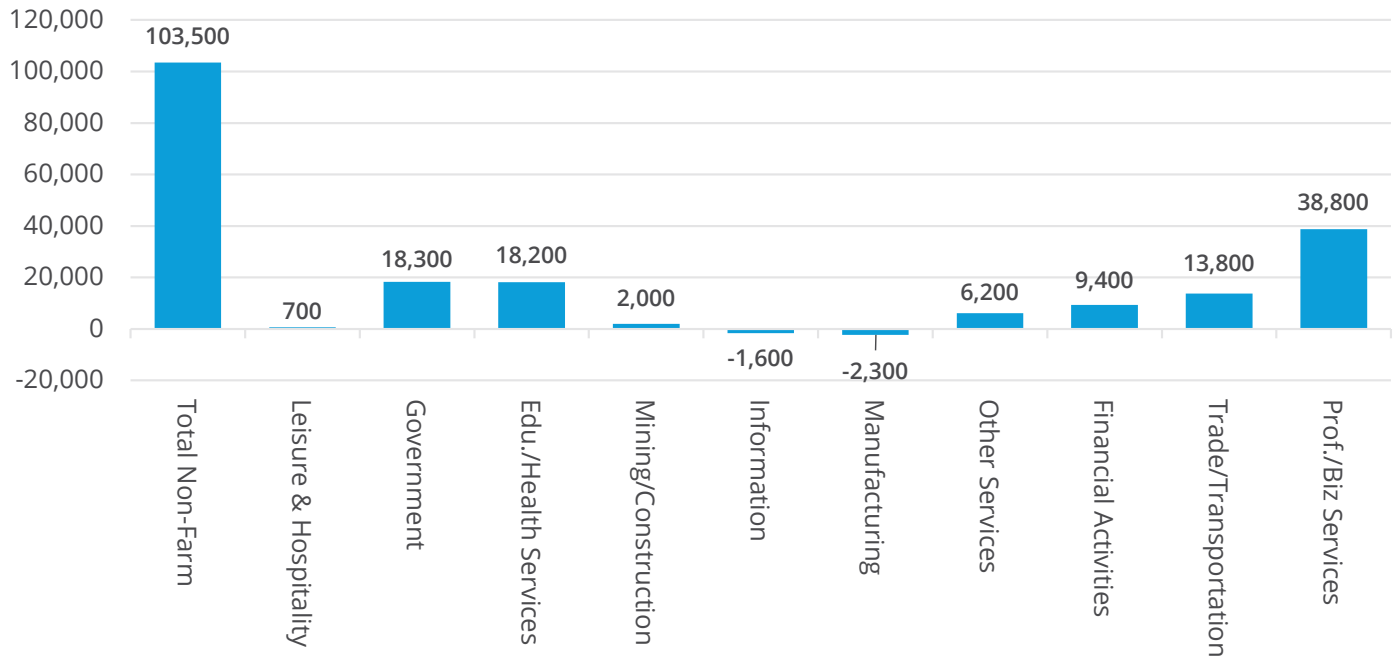
Market Graph



The Q4 metrics for Denver's office market present a challenging reality, featuring six consecutive quarters of negative absorption. Expect to see new construction deliver throughout 2024, while under construction numbers will fall.

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 218,200 jobs.

In Q4, the unemployment rate in the Denver Metropolitan Statistical Area (MSA) saw another increase to 4.16%. Notable job gains were observed in Government and Education and Health Services. The current unemployment rate stands at a third of its peak, after reaching 12.4% in April 2020.

Vacancy

In Q4 2024, office vacancy rates in the Denver Metro area rose by 10 basis points, reaching 18.2%. Downtown Denver, which continues to have the highest vacancy, saw a 30-basis-point increase to 28.6%. Sublease space also grew modestly, totaling 4.1 million square feet, with 1.3 million square feet concentrated between Downtown and the Southeast. As sublease agreements expire, vacancy rates are expected to climb further across the metro area.

Construction

In Q4, no new office buildings were completed in the Denver Metro area, keeping the construction pipeline steady at 2.9 million square feet under development. Downtown Denver continues to dominate with 1.3 million square feet of active projects, including major developments like The Current River North, which encompasses 280,000 square feet. As ongoing projects near completion and no additional developments commence, the construction pipeline is expected to shrink.

Absorption & Leasing Activity

In Q4 2024, the office market experienced its sixth consecutive quarter of negative absorption, totaling -3.0 million square feet during that period. Leasing activity reached 1.77 million square feet, marking the seventh straight quarter with less than 2.0 million square feet leased. With leasing activity remaining sluggish and net absorption still negative, vacancy rates are expected to rise while rental rates decline.

Rents

Despite higher vacancy levels, rental rates are rising, reflecting growing demand for Class A space. In Q4 2024, direct average full-service lease rates remained largely unchanged, increasing slightly from \$30.96/SF to \$31.04/SF. Downtown saw a minor uptick from \$37.86/SF to \$38.03/SF, while the Southeast submarket experienced a slight decrease from \$27.20/SF to \$27.11/SF, maintaining a roughly 30% premium between the two areas. As the market seeks to stabilize, expect to see more concessions and potential reductions in rental prices. With Denver's office market adjusting to shifting demand, closely tracking new developments and submarket trends will be crucial in understanding how tenant requirements and landlord incentives will shape the landscape.

Forecast

New construction and Class A office space remain at the forefront of Denver's market. The hybrid work model has necessitated strong incentives to bring employees back into the office and boost productivity. Despite in-office requirements, the hybrid model appears to have become a permanent fixture in the American workforce lifestyle.

The current economic environment presents significant challenges for investors and property owners. As market conditions tighten, the balance of power is shifting from employees to employers. However, even with large-scale layoffs and hiring freezes, demand for office space has not increased. Many companies are reducing their workforce to match productivity levels rather than addressing decreased productivity directly.

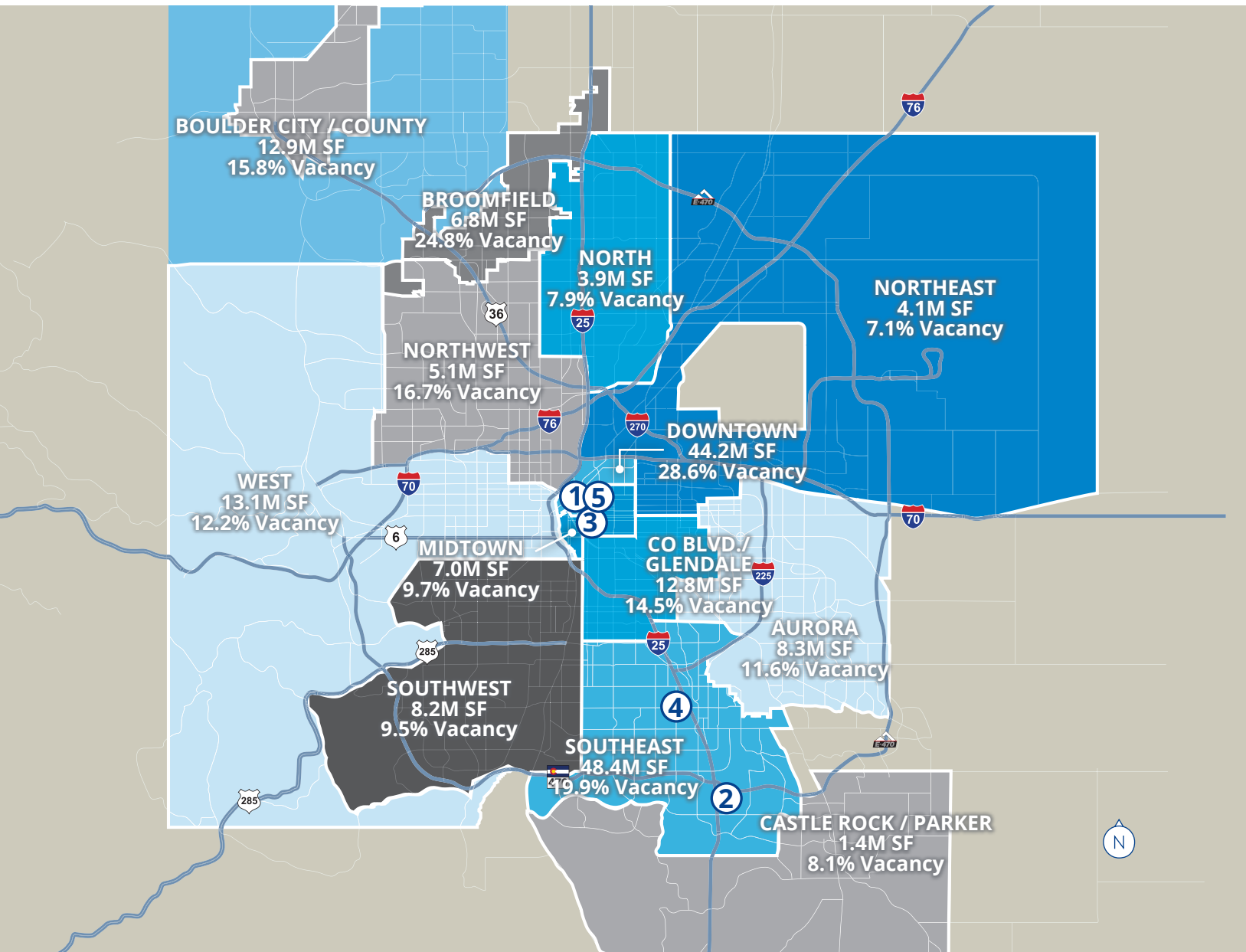
Q4 2024 data underscores the pandemic's ongoing impact on the office market, with metrics forecasting a challenging future. Denver's highly educated workforce and diverse economy are expected to sustain the office market. The city's long-standing attractive qualities are anticipated to support its growth and resilience in the coming years.

Inflation Rate Rises to 2.9% in November



Source: BLS

Submarkets by Vacancy



Top Leases This Quarter

	Building Address	Building Name	Rentable Square Feet (RSF)	Tenant	Deal Type
1	1400 16th St.	16 Market Square	85,000	Ibotta	Direct
2	11045 E. Lansing Cir.	Lansing Point	81,063	Douglas County	Direct
3	1630 Welton St.	16th Street	62,095	Strive	Direct
4	5670 Greenwood Plaza Blvd.	Triad Orchard Station West	40,459	Stryker	Direct
5	1001 17th St.	1001 17th	38,928	Permian Resources	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	31,567,995	8,745,812	27.7%	1,222,054	3.9%	9,967,866	31.3%	31.5%	477,733	-27,561	-	1,242,360	\$39.18
B	11,295,705	2,528,454	22.4%	76,281	0.7%	2,604,735	23.1%	22.3%	80,782	-81,992	-	65,000	\$32.94
C	1,320,898	58,049	4.4%	-	0.0%	58,049	4.4%	3.1%	6,730	-16,942	-	-	\$31.43
TOTAL	44,184,598	11,332,315	25.6%	1,298,335	2.9%	12,630,650	28.6%	28.3%	565,245	-126,495	-	1,307,360	\$37.86
Midtown													
A	1,863,186	117,108	6.3%	75,955	4.1%	193,063	10.4%	11.8%	8,086	26,915	-	-	\$27.09
B	3,563,449	334,977	9.4%	6,795	0.2%	341,772	9.6%	9.2%	4,294	-12,352	-	-	\$23.37
C	1,610,978	147,963	9.2%	-	0.0%	147,963	9.2%	9.1%	-	-1,024	-	-	\$18.51
TOTAL	7,037,613	600,048	8.5%	82,750	1.2%	682,798	9.7%	9.9%	12,380	13,539	-	-	\$25.70
Suburban													
Aurora													
A	1,446,120	496,862	34.4%	13,679	0.9%	510,541	35.3%	35.6%	-	4,194	-	-	\$24.33
B	6,025,648	387,078	6.4%	40,270	0.7%	427,348	7.1%	5.8%	34,173	-76,083	-	-	\$19.64
C	823,337	22,289	2.7%	1,350	0.2%	23,639	2.9%	7.2%	400	35,812	-	-	\$17.25
TOTAL	8,295,105	906,229	10.9%	55,299	0.7%	961,528	11.6%	11.2%	34,573	-36,077	-	-	\$22.66
Boulder													
A	2,797,344	592,939	21.2%	7,475	0.3%	600,414	21.5%	21.0%	13,180	-13,151	-	-	\$30.61
B	9,415,179	1,286,019	13.7%	87,763	0.9%	1,373,782	14.6%	16.5%	81,656	184,109	-	-	\$28.69
C	660,760	63,451	9.6%	-	0.0%	63,451	9.6%	10.9%	8,371	8,371	-	-	\$22.45
TOTAL	12,873,283	1,942,409	15.1%	95,238	0.7%	2,037,647	15.8%	17.2%	103,207	179,329	-	-	\$29.35
Broomfield													
A	4,384,600	1,044,945	23.8%	167,242	3.8%	1,212,187	27.6%	22.6%	67,805	-223,424	-	154,760	\$30.21
B	2,324,746	467,408	20.1%	-	0.0%	467,408	20.1%	20.9%	23,619	17,721	-	-	\$23.13
C	70,412	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$0.00
TOTAL	6,779,758	1,512,353	22.3%	167,242	2.5%	1,679,595	24.8%	13.5%	91,424	-205,703	-	154,760	\$28.64
Colorado Blvd./Glendale													
A	5,007,119	692,048	13.8%	88,779	1.8%	780,827	15.6%	15.9%	47,970	14,319	-	302,223	\$33.61
B	6,839,135	806,765	11.8%	154,260	2.3%	961,025	14.1%	14.6%	96,653	38,748	-	59,713	\$26.43
C	978,961	116,004	11.8%	-	0.0%	116,004	11.8%	12.2%	-	3,209	-	-	\$23.41
TOTAL	12,825,215	1,614,817	12.6%	243,039	1.9%	1,857,856	14.5%	14.9%	144,623	56,276	-	361,936	\$29.60
Longmont													
A	106,336	8,856	8.3%	-	0.0%	8,856	8.3%	8.3%	-	-	-	-	\$29.01
B	836,611	24,457	2.9%	2,178	0.3%	26,635	3.2%	3.5%	-	2,632	-	-	\$21.39
C	105,300	-	0.0%	10,000	9.5%	10,000	9.5%	9.5%	-	-	-	-	\$17.45
TOTAL	1,048,247	33,313	3.2%	12,178	1.2%	45,491	4.3%	4.6%	-	2,632	-	-	\$23.09
North													
A	885,265	32,679	3.7%	1,731	0.2%	34,410	3.9%	5.3%	11,139	12,307	-	-	\$26.11
B	2,808,022	206,051	7.3%	61,019	2.2%	267,070	9.5%	11.2%	42,761	46,286	-	-	\$24.62
C	169,535	2,659	1.6%	-	0.0%	2,659	1.6%	1.1%	4,468	-850	-	-	\$15.98
TOTAL	3,862,822	241,389	6.2%	62,750	1.6%	304,139	7.9%	9.4%	58,368	57,743	-	-	\$25.20
Northeast													
A	719,347	23,943	3.3%	86,738	12.1%	110,681	15.4%	15.4%	-	-	-	-	\$20.00
B	2,429,024	151,522	6.2%	-	0.0%	151,522	6.2%	7.0%	17,062	19,523	-	-	\$24.66
C	945,613	28,009	3.0%	-	0.0%	28,009	3.0%	2.9%	2,410	-875	-	-	\$14.50
TOTAL	4,093,984	203,474	5.0%	86,738	2.1%	290,212	7.1%	7.5%	19,472	18,648	-	-	\$24.16



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	1,003,452	145,422	14.5%	47,888	4.8%	193,310	19.3%	16.6%	1,866	-26,520	-	600,000	\$26.89
B	3,406,872	505,984	14.9%	90,379	2.7%	596,363	17.5%	16.7%	20,420	-27,503	-	25,005	\$23.11
C	658,500	47,244	7.2%	10,052	1.5%	57,296	8.7%	8.7%	2,653	-312	-	-	\$23.06
TOTAL	5,068,824	698,650	13.8%	148,319	2.9%	846,969	16.7%	15.6%	24,939	-54,335	-	625,005	\$25.02
Parker/Castle Rock													
A	310,521	14,538	4.7%	-	0.0%	14,538	4.7%	4.3%	-	-1,200	-	60,000	\$35.70
B	1,043,186	95,297	9.1%	-	0.0%	95,297	9.1%	8.7%	17,892	-4,230	-	-	\$28.19
C	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00
TOTAL	1,353,707	109,835	8.1%	-	0.0%	109,835	8.1%	7.7%	17,892	-5,430	-	60,000	\$27.90
Southeast													
A	25,189,554	5,088,654	20.2%	681,067	2.7%	5,769,721	22.9%	22.5%	298,391	-93,754	-	-	\$29.26
B	21,979,835	3,147,788	14.3%	611,333	2.8%	3,759,121	17.1%	17.1%	180,418	-6,518	-	-	\$24.17
C	1,263,255	95,699	7.6%	-	0.0%	95,699	7.6%	7.4%	8,148	-2,465	-	-	\$16.88
TOTAL	48,432,644	8,332,141	17.2%	1,292,400	2.7%	9,624,541	19.9%	19.7%	486,957	-102,737	-	-	\$27.20
Southwest													
A	1,044,090	66,781	6.4%	-	0.0%	66,781	6.4%	4.8%	16,004	-16,443	-	290,000	\$27.25
B	5,733,298	690,949	12.1%	14,125	0.2%	705,074	12.3%	12.8%	81,536	30,517	-	-	\$20.96
C	1,446,421	5,859	0.4%	-	0.0%	5,859	0.4%	1.2%	10,773	11,353	-	-	\$14.30
TOTAL	8,223,809	763,589	9.3%	14,125	0.2%	777,714	9.5%	9.8%	108,313	25,427	-	290,000	\$21.10
West													
A	2,941,772	319,212	10.9%	13,515	0.5%	332,727	11.3%	12.6%	16,837	38,615	-	-	\$28.42
B	9,147,748	1,045,814	11.4%	112,836	1.2%	1,158,650	12.7%	12.0%	80,515	-57,670	-	80,000	\$24.96
C	973,883	57,962	6.0%	46,408	4.8%	104,370	10.7%	5.1%	-	-54,492	-	-	\$25.13
TOTAL	13,063,403	1,422,988	10.9%	172,759	1.3%	1,595,747	12.2%	11.7%	97,352	-73,547	-	80,000	\$25.86
SUBURBAN TOTAL													
A	45,835,520	8,526,879	18.6%	1,108,114	2.4%	9,634,993	21.0%	20.4%	473,192	-305,057	-	1,406,983	\$29.23
B	71,989,304	8,815,132	12.2%	1,174,163	1.6%	9,989,295	13.9%	14.1%	676,705	167,532	-	164,718	\$25.53
C	8,095,977	439,176	5.4%	67,810	0.8%	506,986	6.3%	6.3%	37,223	-249	-	-	\$19.05
TOTAL	125,920,801	17,781,187	14.1%	2,350,087	1.9%	20,131,274	16.0%	15.9%	1,187,120	-137,774	-	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	24.8%	23.1%	959,011	-305,703	-	2,649,343	\$34.48
B	86,848,458	11,678,563	13.4%	1,257,239	1.4%	12,935,802	14.9%	15.0%	761,781	73,188	-	229,718	\$24.73
C	11,027,853	645,188	5.9%	67,810	0.6%	712,998	6.5%	6.3%	43,953	-18,215	-	-	\$20.03
TOTAL	177,809,824	28,348,971	15.9%	4,083,915	2.3%	32,432,886	18.2%	17.5%	1,764,745	-250,730	-	2,879,061	\$31.04
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q4 2024	177,809,824	28,348,971	15.9%	4,083,915	2.3%	32,432,886	18.2%	17.5%	1,764,745	-250,730	-	2,879,061	\$31.04
Q3 2024	177,178,385	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	177,178,385	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	176,892,985	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

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\$3.3B
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