

Denver

Office

26Q3

Denver's office market held its ground in the third quarter of 2026. Net absorption remained positive for a second consecutive quarter at 474,000 square feet, and leasing activity climbed to 2.3 million square feet, the strongest quarterly total in more than a year. Vacancy ticked up to 19.7%, though the increase reflects a shrinking inventory base rather than tenants giving back space. New deliveries totaled 205,000 square feet with the opening of the Denver Broncos' new headquarters, and asking rents eased slightly to \$33.46 per square foot. With two straight quarters of positive absorption and rising leasing velocity, the recovery that emerged in the second quarter appears to be holding, even as it remains uneven.



Denver Office 26Q3

Key Takeaways

- Leasing activity rises to 2.3 MSF, up from 2.0 MSF last quarter and the strongest total in more than a year.
- Net absorption stays positive at 474K SF, the market's second consecutive quarter of occupancy gains.
- Asking rents ease to \$33.46/SF as vacancy holds near 19.7%. Concessions remain prevalent.



Vacancy Rate
19.7%



Net Absorption
474K SF



Under Construction
954K SF



Overall Asking Lease Rates (FSG)
\$33.46/SF



Holding the Line

Denver's office market built on its second-quarter momentum, posting 474,000 square feet of positive net absorption, its second straight quarter of occupancy gains, while leasing activity climbed to 2.3 million square feet, the strongest showing in more than a year. Despite these positive metrics, vacancy rose 10 basis points to 19.7%. That uptick, however, says more about the inventory than the market: a number of fully vacant buildings were reclassified and taken off the market during the quarter, shrinking the tracked base, while the amount of vacant space actually declined. Rising vacancy in this case is a byproduct of a contracting inventory, not a signal of weakening demand. With flight to quality still steering demand toward Class A assets, the market appears to have turned the corner; the question now is how quickly the recovery builds.

Market Indicators



4.60%
Unemployment Rate



2.45%
YoY Real GDP Growth

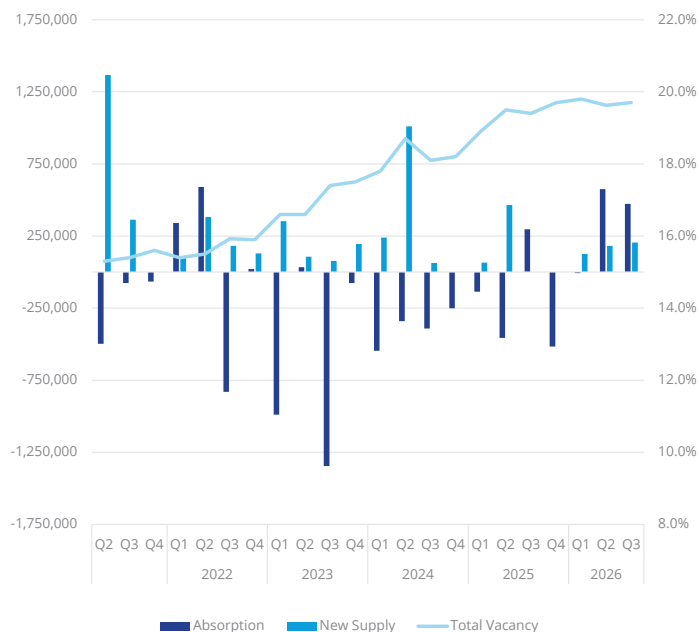


5.240%
U.S. 10 Year Treasury Note (as of EOQ)

Historic Comparison

	26Q3	26Q2	25Q3
Total Inventory (in Thousands of SF)	172,425	174,229	176,294
New Supply (in Thousands of SF)	205	182	0
Net Absorption (in Thousands of SF)	474	575	297
Overall Vacancy	19.7%	19.6%	19.4%
Under Construction (in Thousands of SF)	954	761	1,157
Direct Asking Lease Rates (FSG)	\$33.46	\$33.68	\$33.45

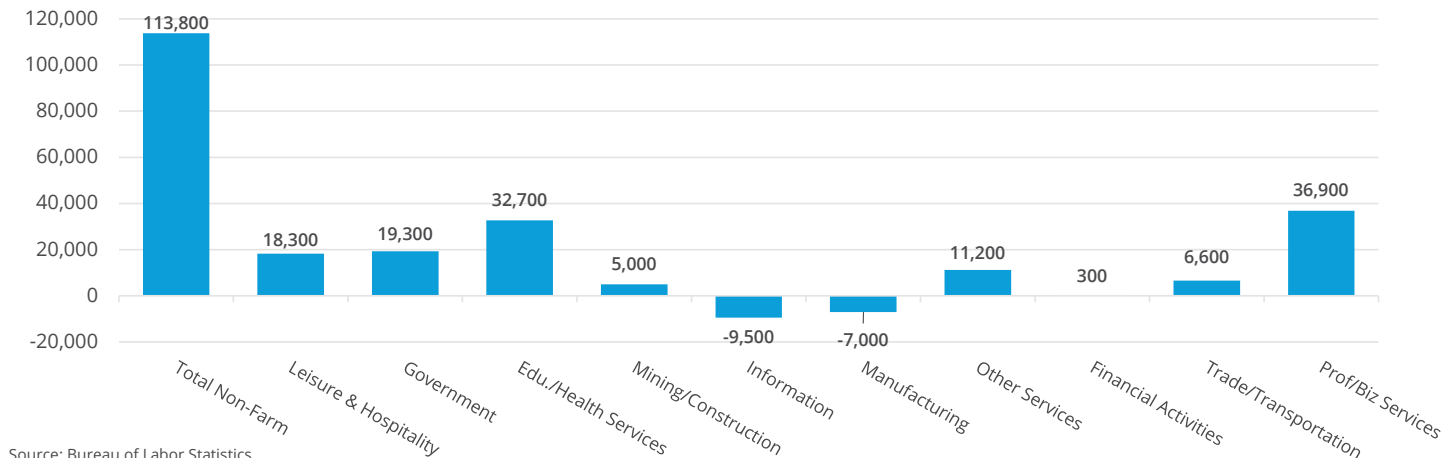
Market Graph



Third-quarter metrics extended the improvement seen in Q2, with net absorption positive for a second straight quarter at 474,000 square feet and leasing activity rising to 2.3 million square feet. New supply totaled 205,000 square feet delivered, while construction activity increased to roughly 954,000 square feet underway.

Denver Employment Change by Sector

Since February 2020



Source: Bureau of Labor Statistics

Employment

According to the Bureau of Labor Statistics (BLS), the Denver-Aurora-Centennial MSA recorded total nonfarm payroll employment of 1,653,500 in August 2026 (preliminary), representing a 0.1% year-over-year increase. The unemployment rate stood at 4.6% as of August 2026, up from 4.1% in July.

While the unemployment rate has drifted higher, it remains moderate by historical standards and well below its pandemic-era high of 12.4% recorded in April 2020. Since February 2020, the metro has added 113,800 jobs, with gains led by Professional & Business Services (+36,900 jobs), Education & Health Services (+32,700). More broadly, GDP growth of 2.45% and a 10-year Treasury yield of 5.24% frame a macroeconomic backdrop of steady growth but rising borrowing costs heading into the final quarter of 2026. The Federal Reserve raised its benchmark rate by 25 basis points in September to a range of 3.75% to 4.00%, its first increase since 2023, and signaled at least one more hike before year-end as inflation remains above target.

Construction

Construction activity picked up modestly in the third-quarter, with approximately 954,000 square feet currently underway, up from 761,000 square feet last quarter. The quarter saw 205,000 square feet of new deliveries, all of it attributable to the Denver Broncos' new \$175 million headquarters and training facility at Broncos Park Powered by CommonSpirit in Englewood. The three-story, mass-timber building, roughly 30% larger than the facility it replaced, opened in late July ahead of the 2026 season and houses both football and business operations under one roof. As an owner-occupied, build-to-suit project, it adds to inventory without adding competitive vacancy. Speculative development remains minimal, and the pipeline continues to be dominated by pre-committed and owner-user projects as developers await clearer demand signals.

Vacancy

Total vacant space declined by about 228,000 square feet to 34.0 million square feet, while tracked inventory contracted by 1.8 million square feet as a number of fully vacant buildings were reclassified and taken off the market entirely. Downtown Denver remained the softest submarket, with vacancy essentially flat at 30.0% on 17,000 square feet of negative absorption. Sublease vacancy continued its steady decline, falling to approximately 2.24 million square feet from 2.65 million square feet last quarter as tenants absorbed space and remaining availabilities converted to direct. While vacancy remains elevated, the continued reduction in vacant space and the gradual removal of uncompetitive inventory are both constructive for the market's longer-term balance.

Absorption & Leasing Activity

Net absorption remained positive in Q3, registering 474,000 square feet, the market's second consecutive quarter of occupancy gains following 575,000 square feet in Q2, and a sharp contrast to the negative 516,000 square feet recorded in Q4 2025. Leasing activity totaled 2.3 million square feet, up 14% from 2.0 million square feet last quarter and nearly 40% above the year-over-year, marking the fourth straight quarterly increase. The quarter's largest transaction was Lockheed Martin's 190,504-square-foot new lease at Campus 470 (8742 Kendrick Castillo Way), followed by Watchmaker Genomics' 99,496 square feet at Flatiron Park (5775 Flatiron Parkway). Southeast Denver and Downtown Class A product accounted for the largest share of deal volume. Back-to-back quarters of positive absorption paired with steadily rising leasing velocity indicate the stabilization that began earlier in the year is taking hold.

Rents

Rental rates softened slightly across the Denver Metro area in Q3 after several quarters of gains. The average direct full-service asking rate slipped from \$33.68 to \$33.46 per square foot, essentially unchanged from \$33.45 one year ago. Downtown lease rates rose to \$40.91 per square foot, while Southeast Denver averaged \$29.54 per square foot. Asking rates in Class A assets are expected to remain firm as flight-to-quality demand persists, though concessions continue to play a significant role in deal-making. Older, less competitive buildings face ongoing pressure to adjust pricing, and the removal of some of that inventory from the market is beginning to reshape the rent mix.

Investment Sales

Investment activity in Denver's office market moderated in the third quarter following a strong Q2. Sales volume totaled approximately \$173 million across 22 transactions, down 17% from the prior quarter and 35% below the year-over-year period, though year-to-date volume of \$560 million is running 16% ahead of 2025. The quarter's headline transaction was the \$57.3 million (\$170 per square foot) sale of Regency Plaza, a 336,000-square-foot Southeast Denver asset, while Downtown saw the owner-user acquisition of the 567,000-square-foot Independence Plaza for \$28.0 million, or roughly \$49 per square foot, underscoring how far pricing has fallen for commodity CBD product. With weighted-average pricing of roughly \$77 per square foot for the quarter, Denver office continues to trade well below replacement cost, and owner-users and value-oriented private buyers remain the most active capital sources. The Federal Reserve's September rate hike, and the prospect of another before year-end, will keep debt costs elevated and likely delay a return of leveraged institutional capital. We expect cash and owner-user buyers to continue to set the market into 2027, with pricing on commodity assets remaining under pressure until the rate path turns.

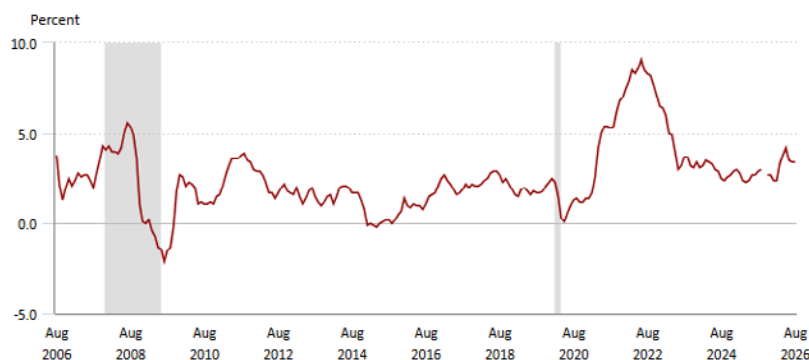
Forecast

The third-quarter confirmed that the stabilization signaled in the second quarter was not a one-off. Net absorption posted a second consecutive positive quarter at 474,000 square feet, and leasing activity reached 2.3 million square feet, its highest level in more than a year. Vacancy, while still elevated at 19.7%, moved higher only because of inventory removals; total vacant space continued to fall. Asking rents eased modestly but held firm in Class A buildings, reflecting ongoing demand for high-quality space, while commodity product continues to face pressure from excess supply.

Flight-to-quality remains the dominant theme, with tenant demand concentrated in well-located, amenity-rich assets. Class A properties continue to outperform, while older buildings face increasing pressure to reinvest, reposition, or adjust pricing to remain competitive. Landlords that can offer modern, flexible environments and competitive concession packages are best positioned to capture that demand.

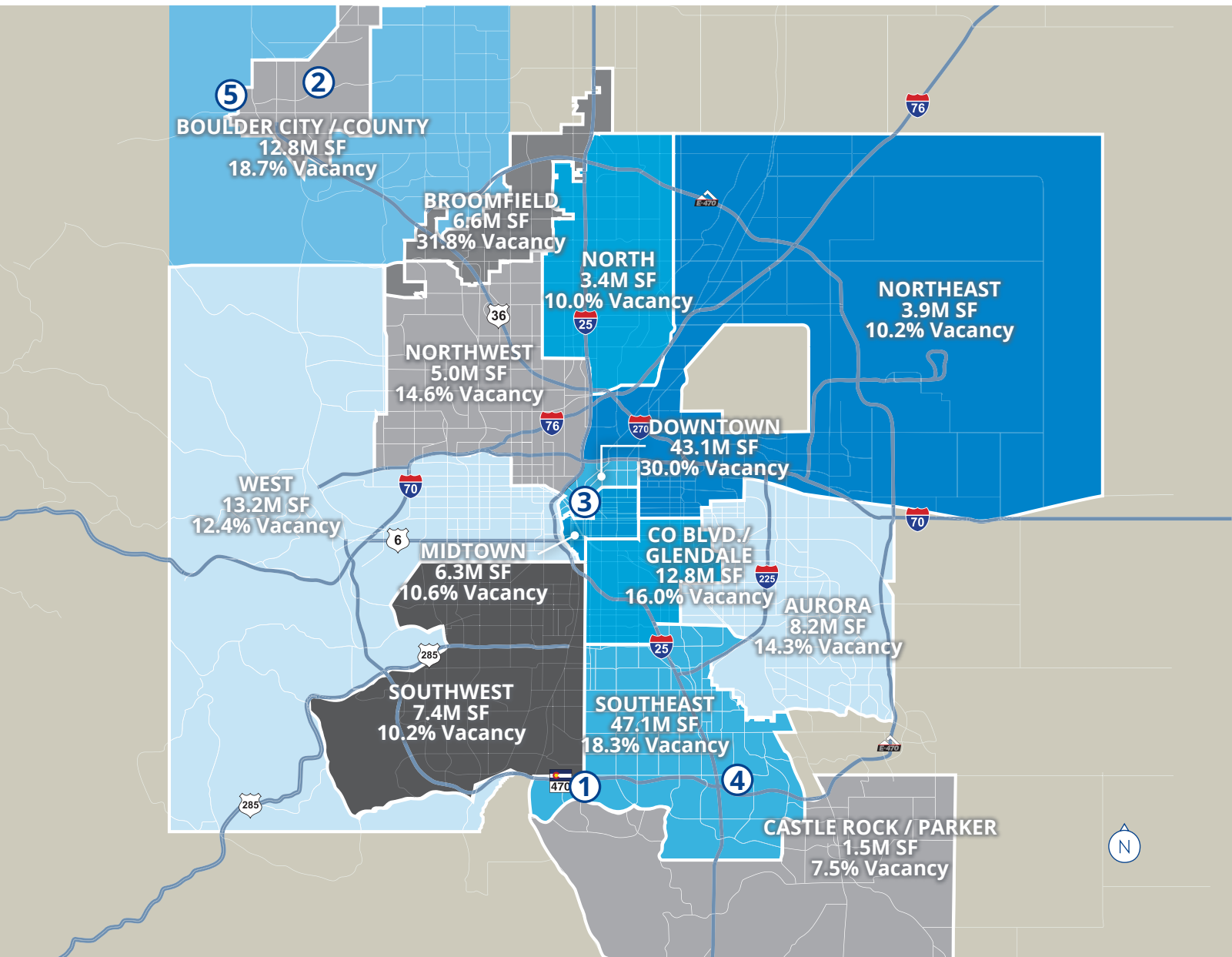
Q3 data suggests the Denver office market is in the early stages of recovery. Two consecutive quarters of positive absorption and four straight quarters of rising leasing velocity are encouraging, and we expect vacancy to begin declining in the coming quarters as absorption continues and obsolete inventory is removed, with rents holding roughly flat. Capital markets are the clearest headwind. Sales volume remains ahead of last year, but with the Federal Reserve now raising rates and the 10-year Treasury above 5%, borrowing costs are moving in the wrong direction for leveraged buyers, and we expect institutional capital to stay largely on the sidelines until the rate outlook stabilizes. Cash-driven and owner-user transactions should keep liquidity intact, but a broader pricing recovery is unlikely until late 2027 at the earliest. The construction pipeline, while larger this quarter, is dominated by owner-user and pre-committed projects and poses little speculative supply risk. A softening labor market, with metro unemployment rising to 4.6%, bears watching, but supported by the region's deep talent pool and diversified economic base, Denver appears positioned for a gradual but increasingly durable recovery through year-end 2026 and into 2027.

Inflation Rate Falls to 3.4% in August



Source: BLS

Submarkets by Vacancy



Top Leases This Quarter

	Building Address	Building Name	Rentable Square Feet (RSF)	Tenant	Deal Type
1	8742 Kendrick Castillo Way	Campus 470	190,504	Lockheed Martin Corporation	New
2	5775 Flatiron Pky	Flatiron Park	99,496	Watchmaker Genomics	New
3	1900 Lawrence	1900 Lawrence	61,896	Undisclosed	New
4	349 Inverness Dr S	Inverness Business Park	57,675	Viasat	Renewal
5	1201 17th St	Tabor Center	52,360	Gusto	Renewal

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	30,833,412	9,803,966	31.8%	414,090	1.3%	10,218,056	33.1%	32.8%	432,979	-111,392	-	120,000	\$42.01
B	11,048,312	2,494,740	22.6%	140,071	1.3%	2,634,811	23.8%	24.7%	83,403	93,387	-	-	\$36.07
C	1,208,743	68,332	5.7%	-	0.0%	68,332	5.7%	5.7%	-	979	-	-	\$41.71
TOTAL	43,090,467	12,367,038	28.7%	554,161	1.3%	12,921,199	30.0%	29.9%	516,382	-17,026	-	120,000	\$40.91
Midtown													
A	1,608,964	474,796	29.5%	-	0.0%	474,796	29.5%	28.8%	-	-12,029	-	-	\$30.15
B	3,184,794	174,681	5.5%	-	0.0%	174,681	5.5%	5.9%	11,660	13,785	-	-	\$28.39
C	1,520,245	22,048	1.5%	-	0.0%	22,048	1.5%	1.6%	-	2,900	-	-	\$33.41
TOTAL	6,314,003	671,525	10.6%	-	0.0%	671,525	10.6%	10.7%	11,660	4,656	-	-	\$29.56

Suburban

Aurora													
A	1,243,322	548,271	44.1%	3,595	0.3%	551,866	44.4%	44.4%	-	-	-	-	\$23.92
B	6,020,755	600,265	10.0%	-	0.0%	600,265	10.0%	10.4%	42,341	28,014	-	-	\$21.24
C	979,272	12,919	1.3%	16,308	1.7%	29,227	3.0%	3.0%	25,185	113	-	-	\$25.94
TOTAL	8,243,349	1,161,455	14.1%	19,903	0.2%	1,181,358	14.3%	14.7%	67,526	28,127	-	-	\$22.91
Boulder													
A	2,513,040	539,473	21.5%	34,301	1.4%	573,774	22.8%	23.6%	24,103	18,135	-	-	\$48.97
B	9,673,131	1,522,977	15.7%	178,252	1.8%	1,701,229	17.6%	15.6%	156,789	-192,771	-	-	\$30.70
C	615,397	100,839	16.4%	24,260	3.9%	125,099	20.3%	18.9%	412	-8,799	-	-	\$28.23
TOTAL	12,801,568	2,163,289	16.9%	236,813	1.8%	2,400,102	18.7%	17.3%	181,304	-183,435	-	-	\$34.88
Broomfield													
A	4,111,412	1,585,327	38.6%	192,971	4.7%	1,778,298	43.3%	35.3%	25,499	-328,586	-	-	\$27.50
B	2,413,540	269,414	11.2%	48,974	2.0%	318,388	13.2%	11.7%	9,418	-35,219	-	-	\$23.69
C	70,412	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-
TOTAL	6,595,364	1,854,741	28.1%	241,945	3.7%	2,096,686	31.8%	26.3%	34,917	-363,805	-	-	\$26.77
Colorado Blvd./Glendale													
A	5,057,304	791,047	15.6%	98,272	1.9%	889,319	17.6%	19.4%	113,818	93,569	-	636,230	\$34.22
B	6,590,482	903,129	13.7%	58,788	0.9%	961,917	14.6%	15.2%	104,696	40,220	-	124,149	\$28.91
C	1,166,501	191,505	16.4%	5,289	0.5%	196,794	16.9%	8.4%	11,666	-99,210	-	-	\$22.75
TOTAL	12,814,287	1,885,681	14.7%	162,349	1.3%	2,048,030	16.0%	16.3%	230,180	34,579	-	760,379	\$31.11
Longmont													
A	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-
B	970,353	50,691	5.2%	1,980	0.2%	52,671	5.4%	5.3%	4,085	-1,312	-	-	\$24.75
C	84,300	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-
TOTAL	1,054,653	50,691	4.8%	1,980	0.2%	52,671	5.0%	4.9%	4,085	-1,312	-	-	\$24.75
North													
A	882,185	37,927	4.3%	-	0.0%	37,927	4.3%	5.1%	10,381	7,239	-	-	\$27.60
B	2,252,270	188,364	8.4%	104,531	4.6%	292,895	13.0%	12.6%	9,921	-9,892	-	-	\$27.04
C	274,045	8,372	3.1%	-	0.0%	8,372	3.1%	3.1%	1,492	-	-	-	-
TOTAL	3,408,500	234,663	6.9%	104,531	3.1%	339,194	10.0%	9.9%	21,794	-2,653	-	-	\$27.15
Northeast													
A	824,798	152,753	18.5%	-	0.0%	152,753	18.5%	18.5%	12,016	-	-	-	\$40.92
B	2,461,027	207,026	8.4%	-	0.0%	207,026	8.4%	9.6%	25,016	30,404	-	-	\$28.83
C	597,712	37,676	6.3%	-	0.0%	37,676	6.3%	6.8%	5,133	3,133	-	-	\$15.48
TOTAL	3,883,537	397,455	10.2%	-	0.0%	397,455	10.2%	11.1%	42,165	33,537	-	-	\$28.58



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	921,966	179,441	19.5%	3,926	0.4%	183,367	19.9%	17.4%	-	-22,818	-	-	\$33.71
B	3,409,289	505,021	14.8%	18,763	0.6%	523,784	15.4%	15.4%	35,061	2,581	-	25,005	\$24.60
C	698,048	29,050	4.2%	-	0.0%	29,050	4.2%	4.6%	3,407	2,712	-	-	\$24.00
TOTAL	5,029,303	713,512	14.2%	22,689	0.5%	736,201	14.6%	14.3%	38,468	-17,525	-	25,005	\$26.96
Parker/Castle Rock													
A	331,068	4,338	1.3%	-	0.0%	4,338	1.3%	1.7%	-	1,365	-	-	\$42.97
B	1,150,019	108,183	9.4%	1,124	0.1%	109,307	9.5%	9.4%	6,122	-1,767	-	49,000	\$34.56
C	27,481	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-
TOTAL	1,508,568	112,521	7.5%	1,124	0.1%	113,645	7.5%	7.5%	6,122	-402	-	49,000	\$35.07
Southeast													
A	22,882,858	3,570,657	15.6%	504,001	2.2%	4,074,658	17.8%	20.2%	595,836	550,209	-	-	\$33.95
B	23,000,382	4,138,934	18.0%	333,540	1.5%	4,472,474	19.4%	20.3%	360,831	356,032	205,000	-	\$24.75
C	1,194,517	67,131	5.6%	4,680	0.4%	71,811	6.0%	6.5%	10,663	5,732	-	-	\$19.53
TOTAL	47,077,757	7,776,722	16.5%	842,221	1.8%	8,618,943	18.3%	19.9%	967,330	911,973	205,000	-	\$29.54
Southwest													
A	934,046	54,749	5.9%	-	0.0%	54,749	5.9%	6.4%	9,439	4,903	-	-	\$29.73
B	5,662,777	669,814	11.8%	7,618	0.1%	677,432	12.0%	11.7%	37,903	-14,049	-	-	\$20.62
C	846,210	27,386	3.2%	1,348	0.2%	28,734	3.4%	6.3%	1,706	24,581	-	-	\$18.57
TOTAL	7,443,033	751,949	10.1%	8,966	0.1%	760,915	10.2%	10.4%	49,048	15,435	-	-	\$20.66
West													
A	2,641,268	372,065	14.1%	8,164	0.3%	380,229	14.4%	13.8%	68,670	-15,914	-	-	\$31.77
B	9,188,873	1,123,371	12.2%	23,356	0.3%	1,146,727	12.5%	12.8%	81,810	28,239	-	-	\$27.75
C	1,330,281	97,303	7.3%	7,160	0.5%	104,463	7.9%	9.3%	-	19,052	-	-	\$24.11
TOTAL	13,160,422	1,592,739	12.1%	38,680	0.3%	1,631,419	12.4%	12.6%	150,480	31,377	-	-	\$28.41
SUBURBAN TOTAL													
A	42,343,267	7,836,048	18.5%	845,230	2.0%	8,681,278	20.5%	21.2%	859,762	308,102	-	636,230	\$33.79
B	72,792,898	10,287,189	14.1%	776,926	1.1%	11,064,115	15.2%	15.3%	873,993	230,480	205,000	198,154	\$26.01
C	7,884,176	572,181	7.3%	59,045	0.7%	631,226	8.0%	7.3%	59,664	-52,686	-	-	\$22.41
TOTAL	123,020,341	18,695,418	15.2%	1,681,201	1.4%	20,376,619	16.6%	16.8%	1,793,419	485,896	205,000	834,384	\$28.48
DENVER MARKET GRAND TOTAL													
A	74,785,643	18,114,810	24.2%	1,259,320	1.7%	19,374,130	25.9%	26.2%	1,292,741	184,681	-	756,230	\$34.42
B	87,026,004	12,956,610	14.9%	916,997	1.1%	13,873,607	15.9%	16.1%	969,056	337,652	205,000	198,154	\$27.28
C	10,613,164	662,561	6.2%	59,045	0.6%	721,606	6.8%	6.3%	59,664	-48,807	-	-	\$25.37
TOTAL	172,424,811	31,733,981	18.4%	2,235,362	1.3%	33,969,343	19.7%	19.6%	2,321,461	473,526	205,000	954,384	\$33.46
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q3 2026	172,424,811	31,733,981	18.4%	2,235,362	1.3%	33,969,343	19.7%	19.6%	2,321,461	473,526	205,000	954,384	\$33.46
Q2 2026	174,228,563	31,543,957	18.1%	2,653,058	1.5%	34,197,015	19.6%	19.8%	2,030,085	575,167	182,000	761,235	\$33.68
Q1 2026	174,008,612	31,736,151	18.2%	2,719,110	1.6%	34,455,261	19.8%	19.7%	1,888,167	-7,586	125,280	1,283,920	\$33.51
Q4 2025	174,288,086	31,527,637	18.1%	2,861,503	1.6%	34,389,140	19.7%	19.4%	1,691,030	-516,098	-	1,157,272	\$33.45

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