Office Fundamentals Stabilizing but Return to Growth Remains Tepid

▲28.7% Total Vacancy Rate

▼(159K) SF Net Absorption

▶$34.13 FSG/YR Direct Lease Rate

▶476K SF Under Construction

▶5.0M SF Leasing Activity (4-Qtr)

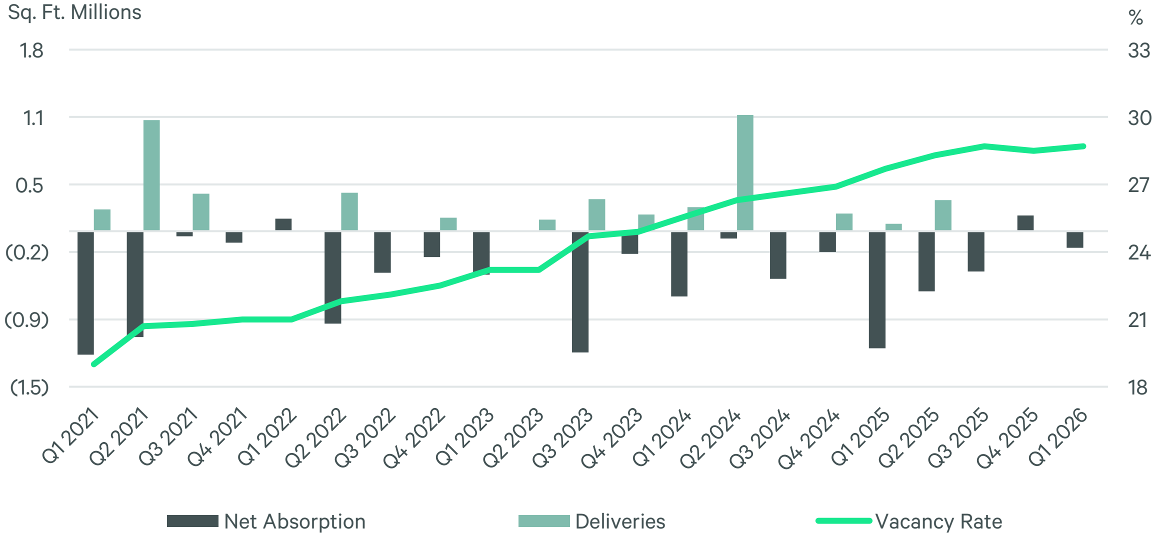
Note: Arrows indicate change from previous quarter.

Market Overview

The Denver office market continued its gradual path toward stabilization in Q1 2026, but posting a consecutive quarter of positive net absorption remained challenging. At a moderate negative 159,000 sq. ft., net absorption declined from the positive 155,000 sq. ft. seen in Q4 2025, as the market continues to work through its extended supply and demand imbalance. Total vacancy edged up 20 basis points (bps) to 28.7% quarter-over-quarter and was 100 bps higher than a year earlier, though the rate of increase has slowed materially compared to prior quarters. Sublease availability continued its decline, falling 20.0% year-over-year to 4.1 million sq. ft. as more available spaces go direct upon lease expiration. Rolling four-quarter leasing activity was flat quarter-over-quarter at 5.0 million sq. ft., while Q1 activity decreased slightly to 1.3 million sq. ft.

Investment activity moderated slightly in Q1 2026, with $202 million in volume across seven transactions compared to $370 million across 16 transactions in Q4 2025. The market will see further stabilization in 2026, with subsiding vacancy due to the gradual demand recovery and limited supply of new construction along with several buildings slated for conversion. Preleasing of new construction in Cherry Creek remains robust, but the accelerated lease up of new buildings in Downtown as of late is beginning to stir the conversation of undersupply for new and prime Class A space.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Vacancy

Total vacancy in the Denver metro experienced a slight increase in Q1 2026, rising 20 basis points (bps) quarter-over-quarter to 28.7%. On an annual basis, the market recorded a 100-bps increase in total vacancy. As more sublease spaces reached lease expiration and converted to a direct basis, direct vacancy increased 20 bps quarter-over-quarter to 26.3%. In Q1 2026, total vacancy in Class A buildings edged down 10 bps quarter-over-quarter to 27.2%, while Class B vacancy rose 30 bps to 31.2%. The widening vacancy gap between Class A and B properties, is now 400 bps versus 280 bps a year ago, and reflects tenants' growing preference for upgraded, amenity-rich environments, and the increased inability of more Class B and C landlords to offer competitive tenant improvement packages or undertake meaningful capital improvements, accelerating the metro's flight-to-quality dynamics.

Vacancy rates remain largely elevated and bifurcated by submarket. Downtown's total vacancy reached 38.9% compared to the 26.3% seen in the Southeast submarket. Within Downtown, the LoDo/CPV micromarket continues to outperform with total vacancy at 20.7%, more than 21 percentage points lower than in other Downtown micromarkets. Cherry Creek stands apart entirely, with Class A total vacancy at just 1.6%, underscoring the sustained demand for premium product in prime locations. Notably, an estimated two to three million sq. ft. of largely vacant Downtown inventory is expected to be removed from the statistical base by year-end 2026 through residential conversions and owner-user purchases, indicating a structural shift that should improve reported vacancy independent of new leasing activity.

Figure 2: Vacancy Rates by Class

Source: CBRE Research, Q1 2026

Asking Rent

The overall average direct asking rent in Q1 2026 was $34.13 per sq. ft. FSG, largely unchanged from last quarter and just 0.6% below the average in Q1 2025. The relative stability in headline asking rates masks a more complex dynamic beneath the surface, with active tenants still possessing considerable leverage amid limited demand. Landlords are increasingly competing through elevated concessions rather than just adjusting headline rates. Class A asking rents increased from $39.36 per sq. ft. FSG to $39.70 per sq. ft. FSG quarter-over-quarter and were up 0.8% year-over-year compared with the overall market's negative 0.6% annual change. On the other hand, Class B asking rates fell 1.1% quarter-over-quarter to $30.83 per sq. ft. FSG and were down 1.7% year-over-year.

Among the submarkets, Cherry Creek had the highest average asking rent on an overall basis at $49.12 per sq. ft. FSG; that figure rises to $69.09 per sq. ft. for existing Class A space alone. The River North submarket posted the highest average asking rate this quarter at $50.22 per sq. ft. FSG, followed by the Downtown submarket at $41.33 per sq. ft. FSG.

Figure 3: Average Direct Asking Rent by Class

Source: CBRE Research, Q1 2026

Net Absorption

Total net absorption in Q1 2026 was negative 158,000 sq. ft., below the 155,000 sq. ft. of positive absorption recorded in Q4 2025 but a marked improvement from the negative 1.1 million sq. ft. posted in Q1 2025. Class A delivered 7,000 sq. ft. of positive net absorption for the quarter, while all other classes registered negative 165,000 sq. ft., both segments moderating materially from their Q1 2025 losses of negative 195,000 sq. ft. and negative 934,000 sq. ft., respectively.

This quarter's negative absorption was concentrated in several notable move-outs. Colorado Access vacated its entire 62,000 sq. ft. at Marketplace Tower III in Aurora and relocated to partially offset that loss by occupying 48,000, sq. ft. at Regency Plaza in the Southeast submarket. Sierra Space vacated 58,000 sq. ft. at Oracle Building 6 in Broomfield's Interlocken corridor, leaving the building fully vacant, while Conga shuttered its office entirely, vacating 46,000 sq. ft. at Atria, both contributing to the Northwest submarket's negative 95,000 sq. ft. of absorption for the quarter.

Positive net absorption for Q1 2026 was concentrated primarily in the Southeast with 175,000 sq. ft. for the quarter, while the Downtown submarket recorded a negative 56,000 sq. ft. The entire suburban submarkets combined for negative 102,00 sq. ft. of total net absorption for the quarter.

Figure 4: Net Absorption Trend

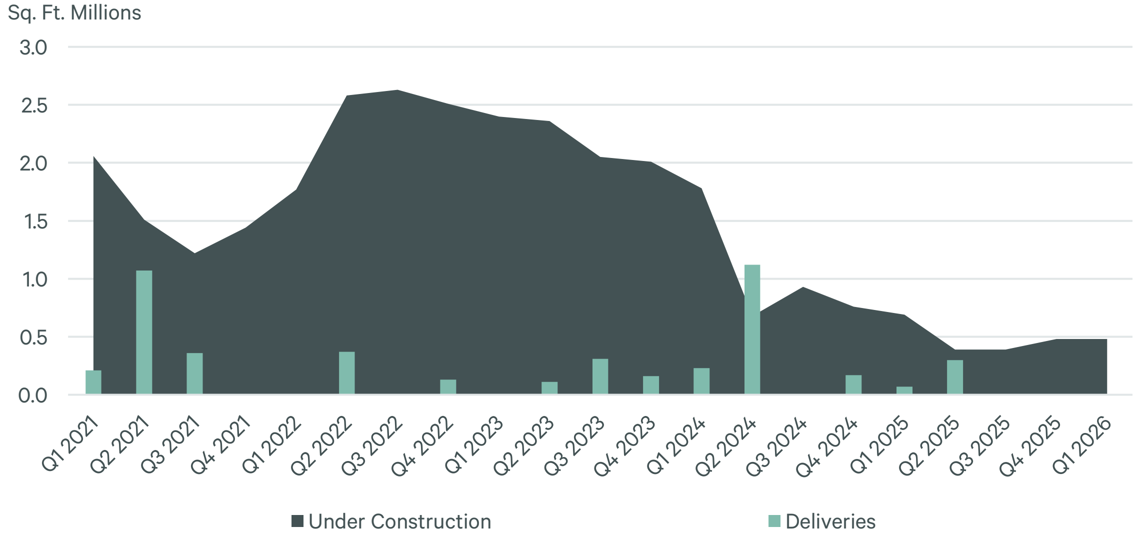
Source: CBRE Research, Q1 2026

Construction Activity

New construction remained subdued in Q1 2026 with 476,000 sq. ft. underway, flat quarter-over-quarter and well below the 2.6 million sq. ft. peak seen in Q3 2022. The quarter saw no new deliveries. Cherry Creek remains the most active development corridor in metro Denver, with three projects totaling 285,583 sq. ft. under construction with a collective preleasing rate of 89.9%, a testament to the sustained demand for new, amenity-rich office product in prime locations. 242 Milwaukee, developed by BMC Investments and Brue Baukol Capital Partners, is now fully committed following Monticello Associates 29,000 sq. ft. lease joining anchor tenant Crusoe Energy's 54,000 sq. ft commitment. 2nd & Adams is also now fully committed at 81,000 sq. ft. and is on track to deliver in mid-2026.

Beyond Cherry Creek, the pipeline remains lean. Clayworks in Golden spans 165,724 sq. ft. and is expected to more than 62% occupied by owner CoorsTek upon its Q2 2026 completion. Looking ahead, Cherry Creek's development continues to build momentum with 170,000 sq. ft. at 250 Clayton, 140,000 sq. ft. at 225 Timber and 59,000 sq. ft. at 101 Clayton Lane all expected to break ground in 2026. Despite the broader metro pipeline sitting at a cyclical-low of 476,000 sq. ft. and minimal new supply outside of Cherry Creek, well-capitalized developers are continuing to identify opportunities where tenant demand is strongest and available supply most constrained.

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

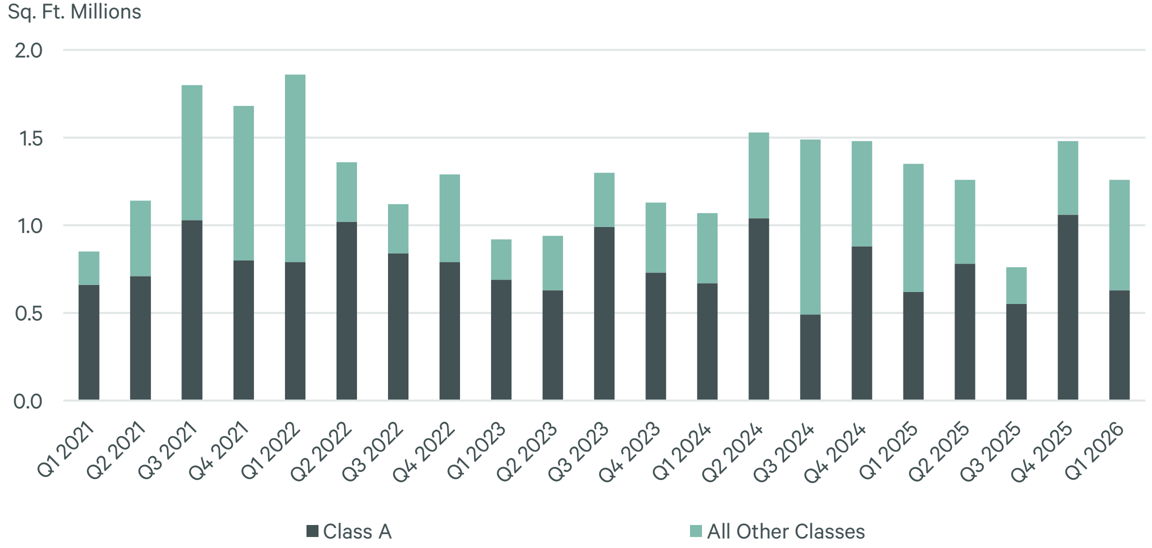
Leasing Activity

Leasing activity totaled 1.3 million sq. ft. in Q1 2026, a decline of 15.9% or 244,000 sq. ft. from last quarter but only a slight dip of 4.1% or 56,000 sq. ft. from a year earlier, reflecting still limited expansion demand including tepid tenant in-migration and some continued but moderating instances of right-sizing among tenants. Rolling four-quarter leasing volume amounted to 5.0 million sq. ft., nearly identical to last quarter's total but a decline of 15.3% year-over-year compared to Q1 2025..

New leases and expansions accounted for 54.3% of Q1 activity, a healthier mix that signals a genuine increase in demand rather than a more renewal-driven market seen over the past few years. Class A properties continued to outperform, capturing 64.9% of rolling four-quarter volume at 3.0 million sq. ft., as tenants across the metro maintain a strong preference for quality space in well-located buildings.

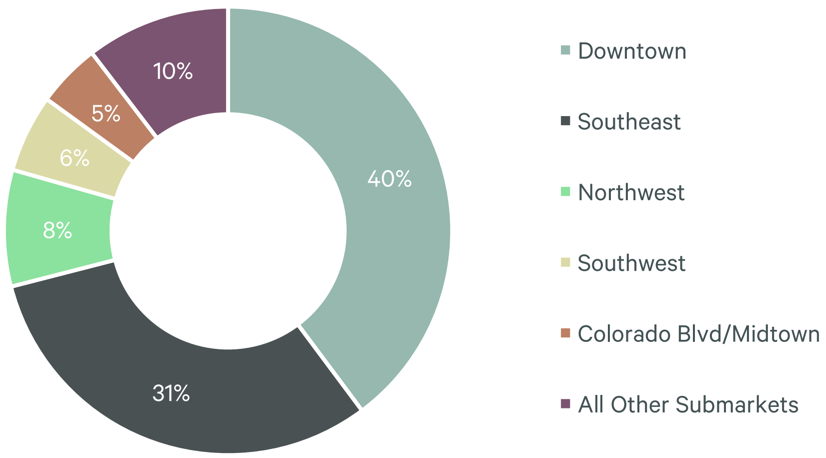
Downtown posted the highest leasing activity in Q1 2026 with 543,000 sq. ft., followed by the Southeast at 402,000 sq. ft. Technology led all industries across seven transactions and 268,000 sq. ft., headlined by Vertafore's renewal at 999 18th St in the Downtown submarket. Financial services ranked second with 257,000 sq. ft. across five transactions.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q1 2026

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	180,000	Renewal/Expansion	Confidential	Southeast
Vertafore	142,000	Renewal	999 18th St	Downtown
Cable Television Laboratories	77,000	Renewal	858 Coal Creek Cir	Northwest
Encore Electric	55,000	Renewal	7125 W Jefferson Ave	Southwest
Ping Identity	55,000	Renewal	1001 17th St	Downtown
Internal Revenue Service	44,000	Renewal	600 17th St	Downtown
Jonah Energy	43,000	New Lease	1099 18th St	Downtown
Confidential Tenant	38,000	New Lease	Confidential	Southeast

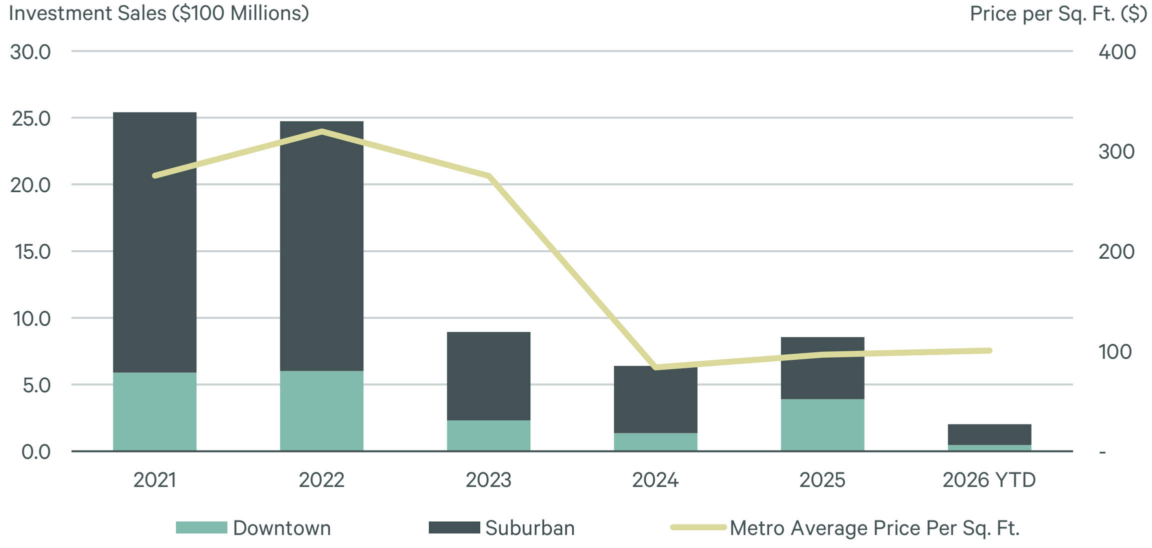
Source: CBRE Research, Q1 2026

Investment Trends

Office investment activity in the Denver metro moderated in Q1 2026, with seven transactions contributing to a total quarterly sales volume of $202 million at an average price of $101 per sq. ft. Quarter-over-quarter, investment volume declined from the $370 million across 16 transactions recorded in Q4 2025, which was supported by the Denver West Business Park portfolio sale and several lender-driven dispositions.

The standout transaction of the quarter was the acquisition of Denver Place at 999 18th St, a 930,000 sq. ft. two-tower complex in Downtown that traded for $47.5 million or $51 per sq. ft. CP Group and Time Equities acquired the asset from LBA Realty at a significantly discounted basis, reflective of the continued reset in pricing for older Downtown product. The Southeast submarket accounted for three transactions totaling $27.4 million at an average price of $111 per sq. ft., reinforcing the suburban market's continued role as the primary venue for value-add and lender-driven disposition activity. Looking ahead, distressed assets with maturing debt are expected to continue driving transaction volume through the balance of 2026, creating opportunities for new ownership at reset pricing and in some cases, providing the capital basis necessary to facilitate asset repositioning or conversion.

Figure 8: Investment Sales



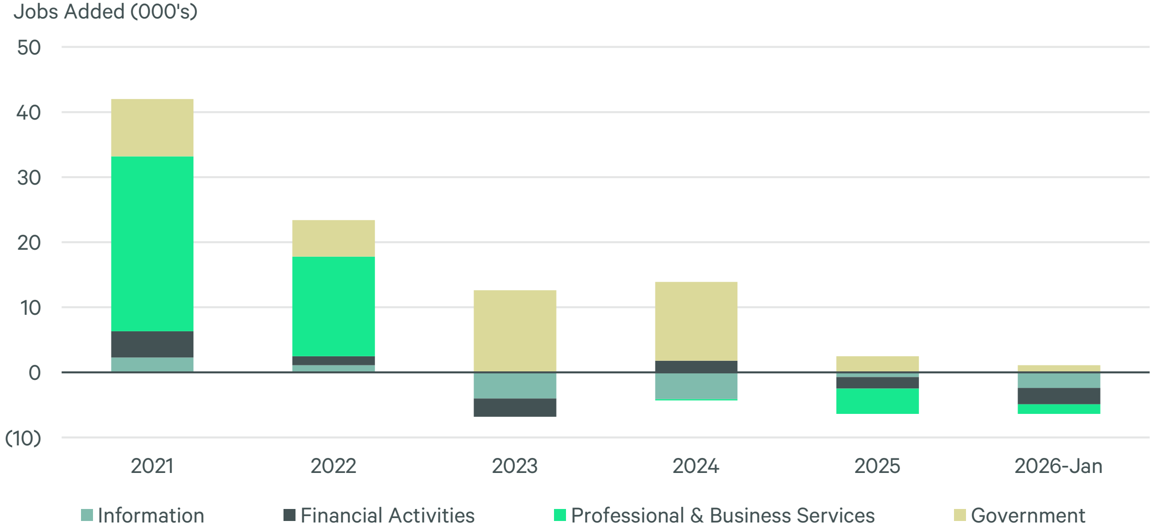
Source: CBRE Research, Q1 2026

Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America's aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the $80/bbl range, the impact on U.S. growth should be minimal. The impact on headline inflation, which is forecast to average 3.2% this year, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.

Total non-farm employment in metro Denver posted slight negative growth to start 2026, declining by 4,100 jobs or 0.2% year-over-year as of January. Office-using employment—including jobs in the information, financial activities, professional and business services, and government sectors—fell by 0.7% over the same period or a loss of 5,300 jobs. The information sector had the greatest decline at 4.3%. Financial activities and professional and business services employment dropped by 2.0% and 0.4%, respectively. Only the government sector saw positive growth, increasing by 0.4%. Metro Denver's unemployment rate rose to 4.2% in January due to seasonality factors but was down 20 bps on the year.

Figure 9: Office-Using Employment Growth



Source: CBRE Research, Q1 2026

Market Statistics

Figure 10: Downtown Market Statistics by Class

Property Class	NRA (MSF)	Total Vacancy (%)	Direct Vacancy (%)	Total Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	13.50	31.6	30.2	34.0	4.3	51.35	(17,000)	(17,000)	-	-
Prime	4.01	27.0	24.7	24.8	4.0	64.01	3,000	3,000	-	-
Class B	13.93	42.3	39.1	46.5	3.0	37.91	29,000	29,000	-	-
Class C	3.60	52.6	52.2	43.7	0.5	28.60	(68,000)	(68,000)	-	-
Total	**31.02**	**38.9**	**36.7**	**40.7**	**3.3**	**41.33**	**(56,000)**	**(56,000)**	**-**	**-**

Figure 11: Suburban Market Statistics by Class

Property Class	NRA (MSF)	Total Vacancy (%)	Direct Vacancy (%)	Total Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	39.24	25.7	31.5	26.7	4.8	34.88	24,000	24,000	-	476,000
Prime	1.86	5.5	22.5	14.6	8.0	60.43	(18,000)	(18,000)	-	-
Class B	35.31	26.8	31.1	27.9	3.3	26.17	(165,000)	(165,000)	-	-
Class C	9.41	14.2	16.4	16.0	0.4	21.69	39,000	39,000	-	-
Total	**83.97**	**24.9**	**29.6**	**26.0**	**3.7**	**30.02**	**(102,000)**	**(102,000)**	**-**	**476,000**

Figure 12: Metro Market Statistics by Class

Property Class	NRA (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	52.74	27.2	32.1	27.4	4.7	39.70	7,000	7,000	-	476,000
Prime	5.87	20.2	24.1	18.9	5.2	63.31	(15,000)	(15,000)	-	-
Class B	49.24	31.2	35.5	32.3	3.2	30.83	(136,000)	(136,000)	-	-
Class C	13.01	24.8	24.0	23.5	0.4	25.27	(29,000)	(29,000)	-	-
Total	**114.99**	**28.7**	**32.6**	**29.1**	**3.6**	**34.13**	**(159,000)**	**(159,000)**	**-**	**476,000**

Source: CBRE Research, Q1 2026

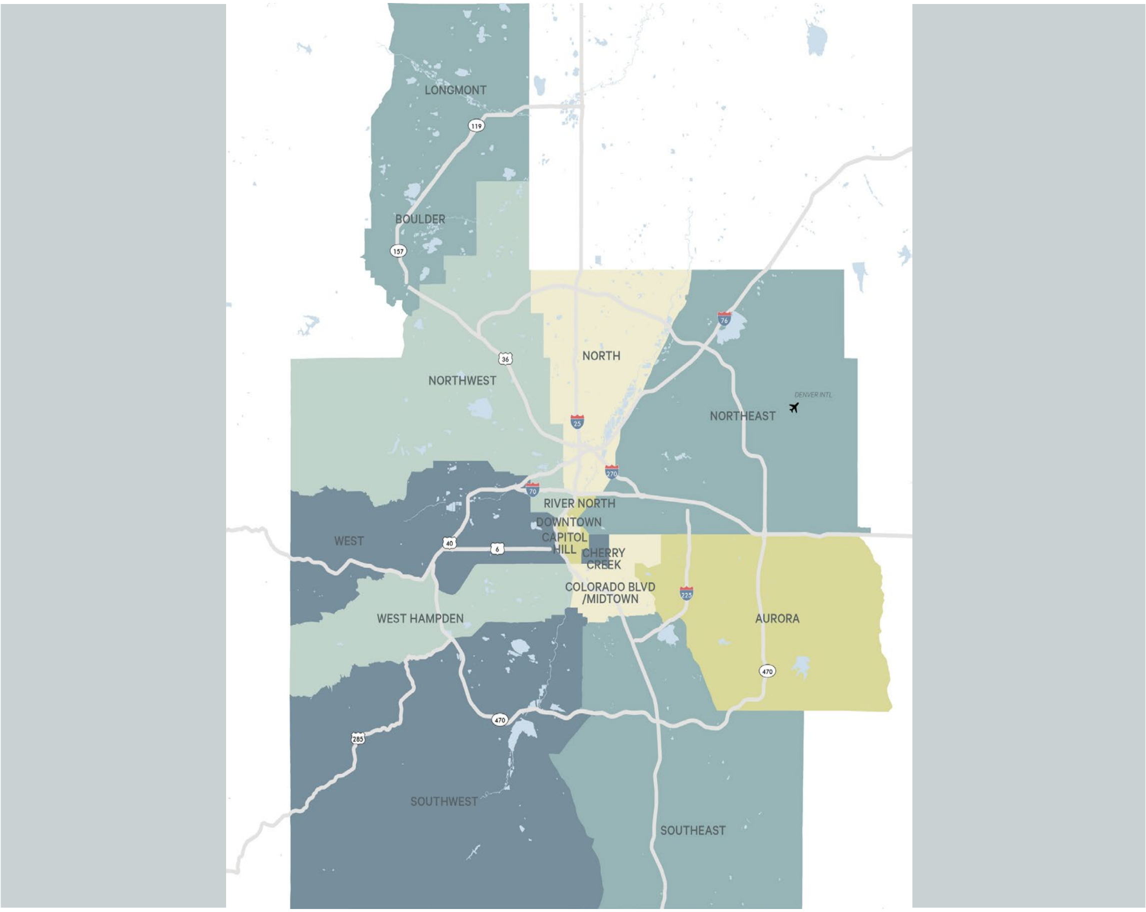
Market Statistics by Submarket

Figure 13: Market Statistics by Submarket

Submarket	NRA (MSF)	Total Vacancy (%)	Direct Vacancy (%)	Total Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Aurora	5.67	22.8	22.7	26.5	0.5	21.28	(52,000)	(52,000)	-	-
Boulder	6.56	24.8	21.7	30.8	4.4	39.98	(73,000)	(73,000)	-	-
Capitol Hill	2.27	29.1	26.6	31.7	2.8	28.08	5,000	5,000	-	-
Cherry Creek	2.99	12.6	11.6	14.8	1.5	39.03	(1,000)	(1,000)	-	286,000
Colorado Blvd/Midtown	6.58	22.4	20.6	24.2	2.0	27.34	5,000	5,000	-	-
Downtown	31.02	38.9	36.7	40.7	3.3	41.33	(56,000)	(56,000)	-	-
Longmont	0.81	8.9	8.9	10.4	-	21.95	(3,000)	(3,000)	-	-
North	2.91	18.2	18.2	21.3	0.4	24.00	13,000	13,000	-	-
Northeast	1.13	21.4	19.0	26.4	2.4	26.68	12,000	12,000	-	-
Northwest	8.77	30.3	25.7	36.9	8.1	29.97	(95,000)	(95,000)	-	25,000
River North	3.15	43.2	38.9	48.4	8.1	50.22	19,000	19,000	-	-
Southeast	31.24	26.3	23.4	32.1	4.4	29.34	175,000	175,000	-	-
Southwest	4.29	17.9	17.8	20.9	0.1	25.25	11,000	11,000	-	-
West	6.47	20.7	18.8	25.0	1.8	26.90	(100,000)	(100,000)	-	166,000
West Hampden	1.14	26.0	25.0	27.4	1.0	20.56	(18,000)	(18,000)	-	-
Total	**114.99**	**28.7**	**26.3**	**32.6**	**3.6**	**34.13**	**(159,000)**	**(159,000)**	**-**	**476,000**

Source: CBRE Research, Q1 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building being marketed for lease months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Net Rentable Area. Average Direct Asking Rent: A calculated average of grossed-up asking rents, which typically includes real property taxes, building insurance, and maintenance, weighted by their corresponding available square footage. Net Rentable Area: The total floor area sq. ft. of the building that can be occupied by tenants. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Occupied Sq. Ft.: Building area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total building Net Rentable Area. Vacant Sq. Ft.: Space that can be immediately occupied or built-out.

Survey Criteria

Includes all office buildings 10,000 sq. ft. and greater in size, excluding owner-user, in Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson counties. Leasing activity is based on transactions 10,000 sq. ft. and greater. Buildings are deemed under construction by site excavation or foundation work. Historical vacancy, absorption, construction and deliveries data are subject to change given ongoing improvements to tracked inventory.

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