Recovery endures as absorption extends its positive streak and pricing firms

26.4%	23.4%	35K	$29.50	1.5M
Total Vacancy Rate	Direct Vacancy Rate	SF Net Absorption	FSG/YR Direct Lease Rate	SF Leasing Activity (4-Qtr)

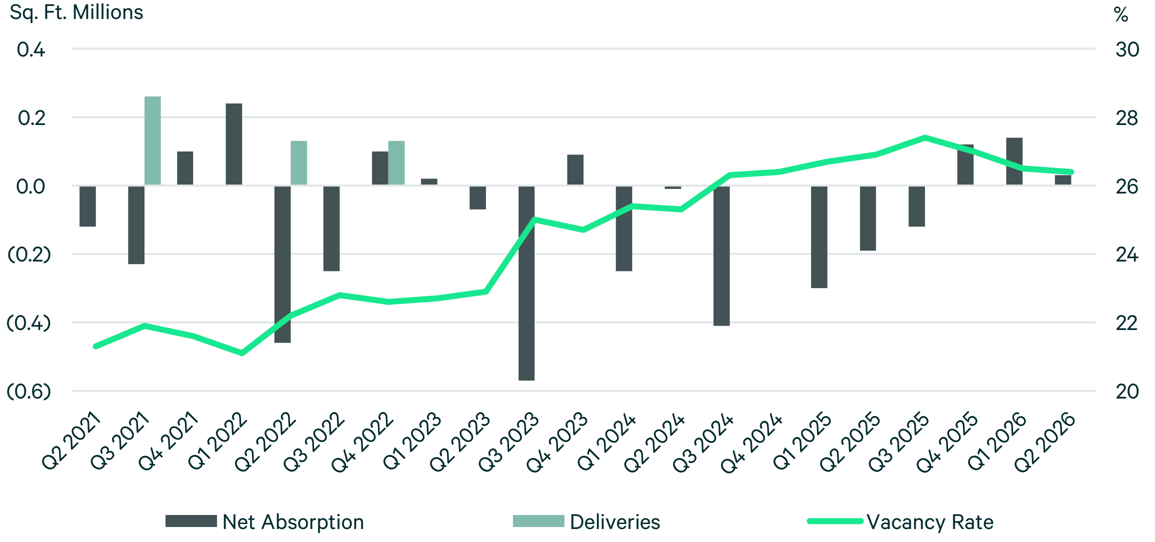
Note: Arrows indicate change from previous quarter.

Market Overview

Momentum in the Southeast submarket carried into Q2 2026, with net absorption totaling positive 35,000 sq. ft., marking a third straight quarter of occupancy gains and the submarket's longest run of demand growth since 2022. Total vacancy was essentially unchanged quarter-over-quarter at 26.4%, it's lowest reading since Q4 2024, and sits 60 basis points (bps) below where it ended in Q2 2025. Rolling four-quarter leasing activity reached 1.5 million sq. ft., ahead of the 1.4 million sq. ft. posted last quarter, as tenant demand continued to firm across the submarket. Sublease availability ticked up 76,000 sq. ft. from Q1 2026 to 1.5 million sq. ft., though it holds 14.4% below its year-ago level and remains near early-2021 lows.

Pricing also turned a corner. The average direct asking rent climbed to $29.50 per sq. ft. FSG, up 0.7% quarter-over-quarter and 0.3% year-over-year, the first annual increase in three quarters. Class A rents were effectively unchanged at $33.92 per sq. ft. FSG, still 2.0% ahead of a year ago, while Class B posted its strongest quarterly gain in over a year to $24.20 per sq. ft. FSG. On the supply side, the development pipeline logged a fourteenth consecutive quarter without any construction activity and none on the horizon given thin preleasing. While absorption moderated from the prior two quarters, gains across occupancy, pricing, and capital markets suggest the recovery looks increasingly durable heading into the second half of the year.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Vacancy

Total vacancy in the Southeast submarket held essentially flat quarter-over-quarter at 26.4%, its lowest level since Q4 2024 and 60 basis points (bps) below the year-ago rate confirming that the improvement logged over the past several quarters has stuck rather than reversed. Direct vacancy edge down 20 bps to 23.4%, though it remains 70 bps above Q2 2025's level. Class A direct vacancy tightened 120 bps year-over-year to 22.1%, while Class B moved 410 bps in the opposite direction as demand continues to consolidate in higher-quality buildings. Meridian/Ridgegate posted the submarket's largest year-over-year vacancy improvement for a sixth straight quarter, compressing 440 bps to 22.8%.

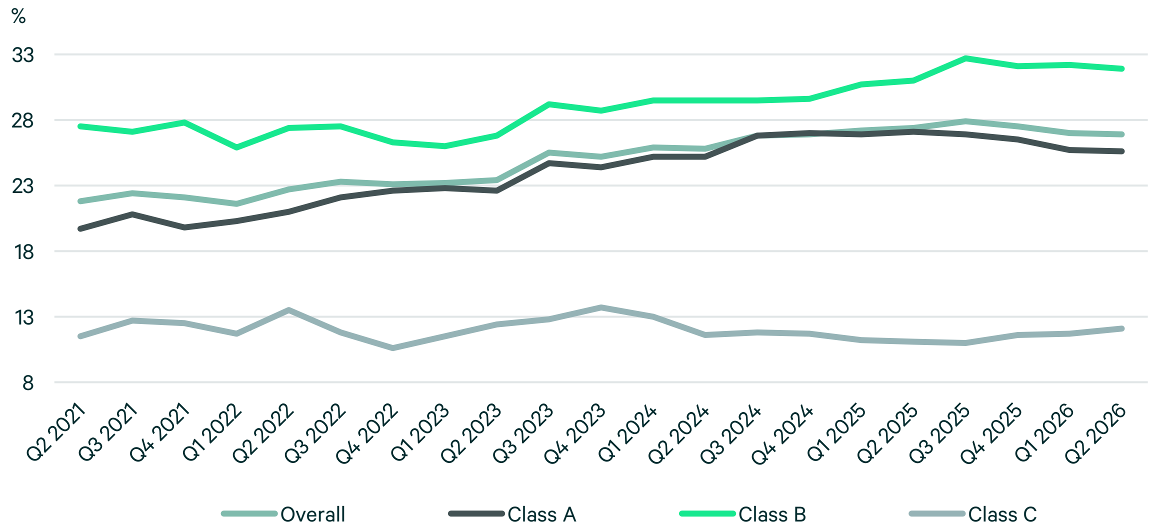
Sublease Availability

After reaching a four-year low in Q1, sublease availability rose modestly in Q2 2026, adding 76,000 sq. ft. to finish at 1.5 million sq. ft., though still 14.4% below the level a year earlier. The increase was entirely a Class A story, with availability in that segment climbing 9.8% quarter-over-quarter to 995,000 sq. ft. Class B space, by contrast, is down 42.3% year-over-year at 459,000 sq. ft. The quarter's largest new listing was Cognizant with 111,000 sq. ft. at 9655 Maroon Cir, while Computershare's 283,000 sq. ft block at 6200 S Quebec St remains the single largest availability in the submarket. Sublease space now represents 14.6% of all available inventory, an improvement from the 17.2% recorded in Q2 2025.

Asking Rent

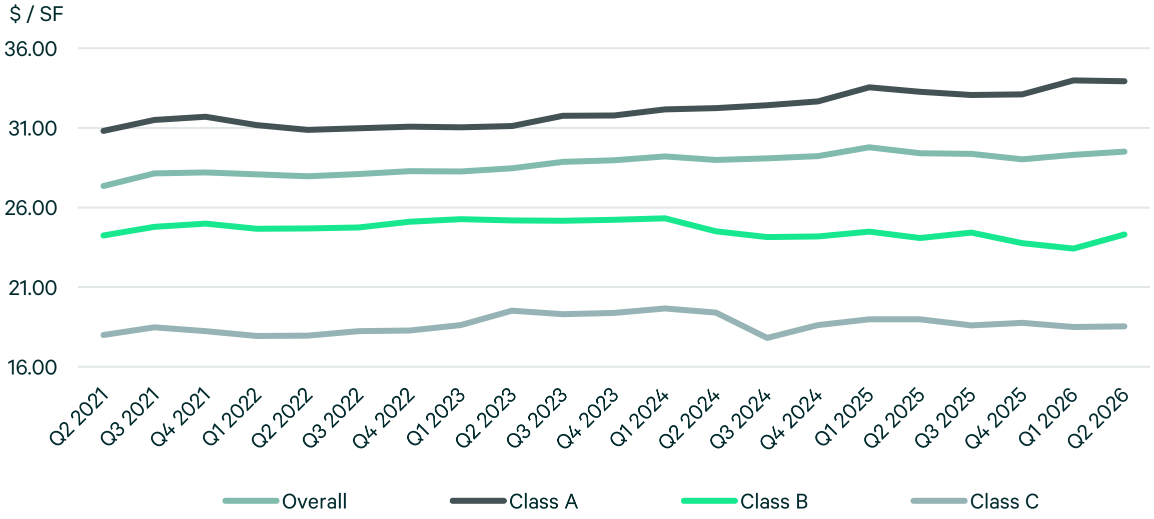
The submarket's average direct asking rent rose to $29.50 per sq. ft. FSG, a 0.7% quarterly gain that pushed pricing back above year-ago levels, up 0.3% from the $29.40 per sq. ft. FSG posted in Q2 2025. Class A rents held steady at $33.92 per sq. ft. FSG and were up 2.0% year-over-year, while Class B/C rents averaged $23.95 per sq. ft. FSG, a 1.0% increase year-over-year. The gap remains a clear marker of how sharply demand has bifurcated by quality.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q2 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q2 2026

Net Absorption

Net absorption totaled positive 35,000 sq. ft. in Q2 2026, extending the submarket's positive streak to three quarters. The result stands in sharp contrast to the 188,000 sq. ft. of negative absorption recorded in Q2 2025, a 222,000 sq. ft. year-over-year swing.

Notably, the quarter's growth came from the middle of the market: Class B/C product accounted for 31,000 sq. ft. of the total, while Class A was roughly flat at 3,000 sq. ft. Greenwood Plaza topped all micromarkets for a second consecutive quarter with 32,000 sq. ft. of positive absorption.

Figure 4: Net Absorption Trend

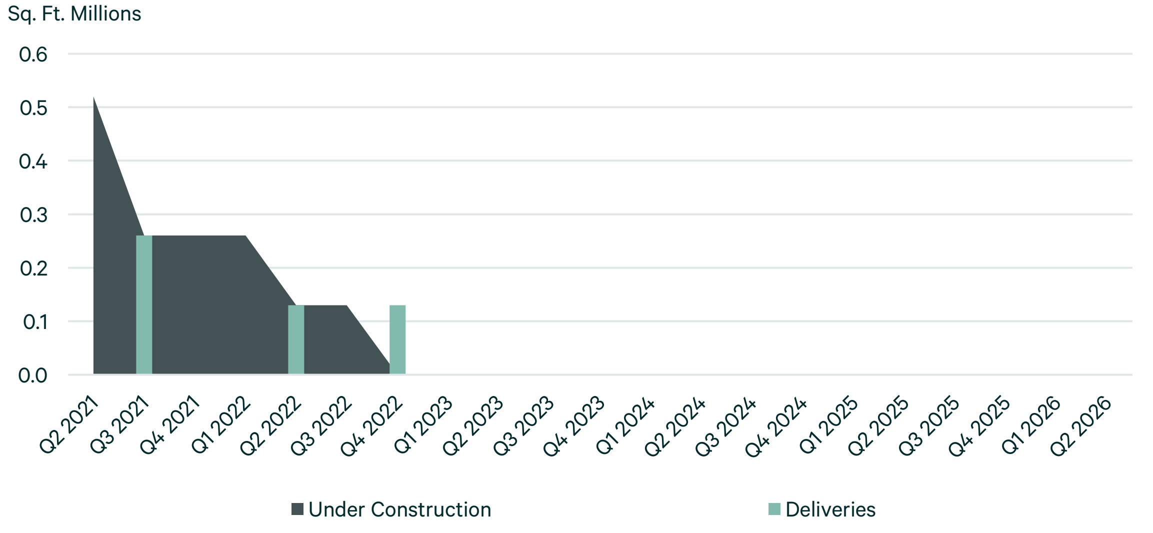
Source: CBRE Research, Q2 2026

Construction Activity

Q2 2026 marked the fourteenth consecutive quarter of an empty supply pipeline in the Southeast submarket. No office project has broken ground since Vectra Bank's headquarters commenced in Q4 2020.

Limited build-to-suit and large-block appetite amid an oversupply of existing large vacancies, elevated construction costs, and lingering market uncertainty have kept developers sidelined, and these conditions show no signs of lifting before year-end.

Figure 5: Construction Activity



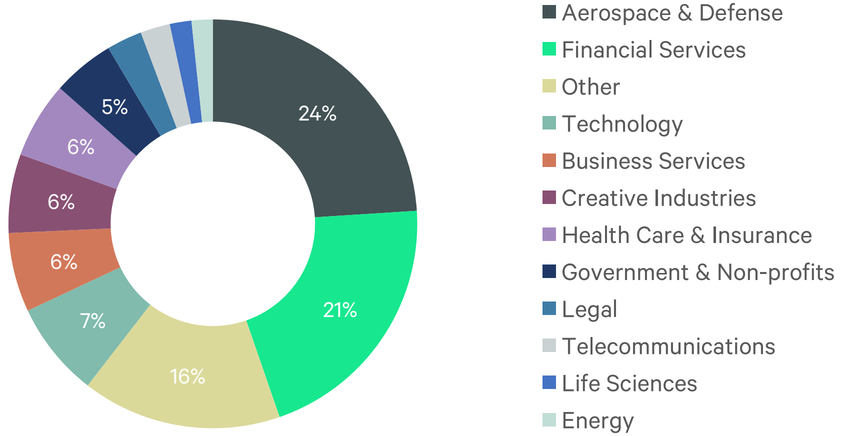
Source: CBRE Research, Q2 2026

Leasing Activity

Rolling four-quarter leasing activity totaled 1.5 million sq. ft. across 53 transactions in Q2 2026, up 44,000 sq. ft. or 3.1% from Q1. This marked the fourth straight quarterly increase but was slightly below the 1.6 million sq. ft. recorded in Q2 2025. Aerospace & defense emerged as the submarket's most active industry, capturing 351,000 sq. ft. or 24.0% of rolling four-quarter volume amid the sector's metro-wide expansion.

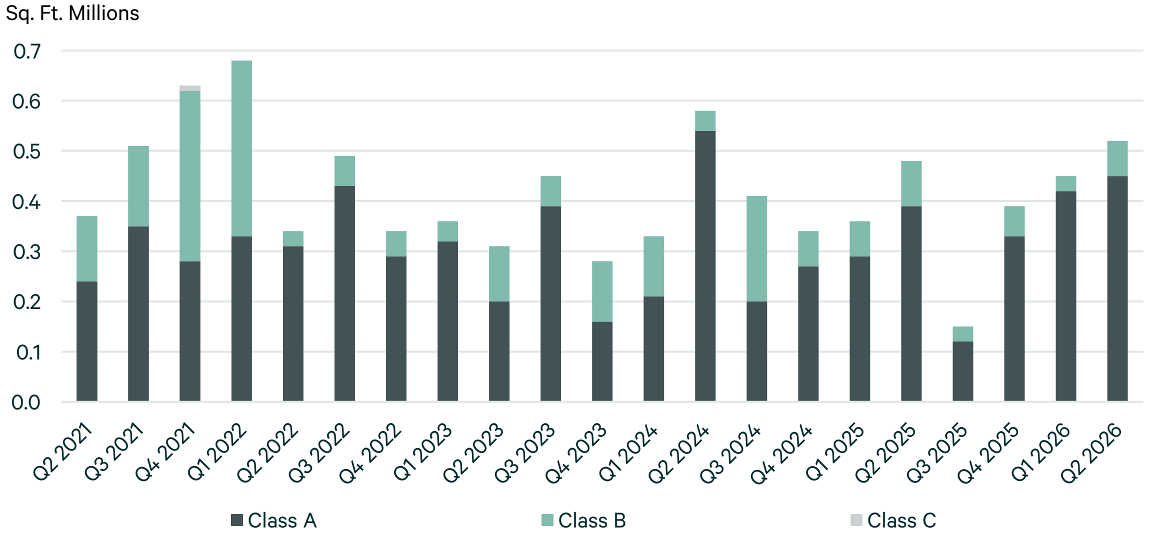
New leases and expansions made up 57.8% of the total, while Class A properties captured 1.2 million sq. ft. or 84.9% of volume, in line with the 82.2% recorded a year ago. The Southeast carried two of the quarter's largest transactions but fell just short of Downtown's 1.7 million sq. ft. of rolling four-quarter leasing volume.

Figure 6: Leasing Activity by Industry (Q3 2025 – Q2 2026)



Source: CBRE Research, Q2 2026

Figure 7: Leasing Activity Trend



Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	District
United Launch Alliance	144,000	Renewal	9501 E Panorama Cir	Panorama/Highland Park
United Launch Alliance	106,000	Renewal	7630 S Chester St	Panorama/Highland Park
E-470 Public Highway Authority	50,000	New Lease	8900 Liberty Cir	Centennial Airport
National Cattleman's Beef Association	43,000	New Lease	8900 Liberty Cir	Centennial Airport
General Atomics	33,000	Renewal	10700 E Geddes Ave	Inverness
Quindar	24,000	New Lease	4643 S Ulster St	DTC
Advance HOA Management	23,000	New Lease	5775 Dtc Blvd	DTC
Grease Monkey International	18,000	Renewal	5575 Dtc Pkwy	DTC

Source: CBRE Research, Q2 2026

Investment Trends

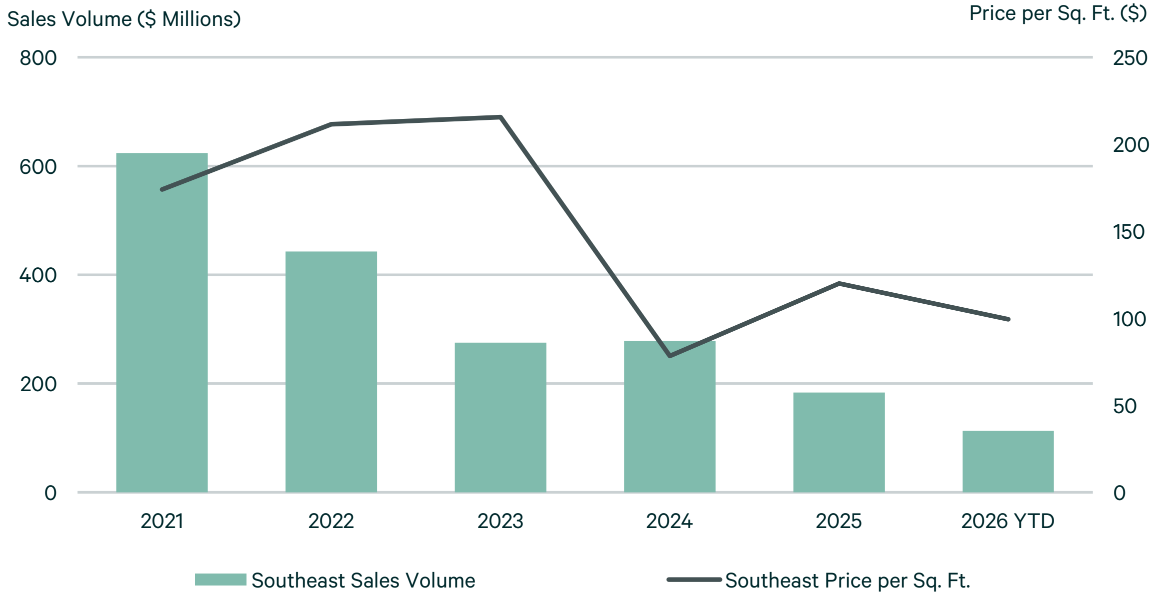
Capital markets activity accelerated meaningfully, with Q2 2026 sales volume reaching $86 million across four transactions and pushing the year-to-date total to $113 million at an average of $99 per sq. ft. Cress Capital's $36.2 million purchase of 7800 & 7900 E Union Ave in DTC headlined the quarter as submarket's largest trade in over a year. The jump from the $27.4 million seen in Q1 2026, paired with a steady pipeline of distressed assets reaching market, signals a deepening buyer pool as the recovery takes hold.

Figure 9: Rolling-Four-Quarter Top Sale Transactions

Address	District	Buyer	Sale Price ($)	Price per SF ($)	Sale Date
7800 & 7900 E Union Ave	DTC	Cress Capital	36.2 M	91	Q2 2026
6060 S Willow Dr	DTC	Easterly Government Properties	28.9 M	209	Q3 2025
169 Inverness Dr W	Inverness	KORE Investments	28.5 M	242	Q4 2025
10770 & 10771 E Easter Ave	Arapahoe South	Sentinel Net Lease	23.0 M	155	Q4 2025
7400 S Alton Ct	Panorama/ Highland Park	Cityview	20.0 M	152	Q2 2026

Source: CBRE Research, Q2 2026

Figure 10: Historical Investment Activity



Source: CBRE Research, Q2 2026

Market Statistics by District

Figure 11: Southeast Market Statistics by District

District	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)
Arapahoe South	1.46M	10.9	10.8	12.7	0.2	20.62	(3,000)	(9,000)		-
Centennial Airport	1.35M	45.9	44.6	42.8	1.9	20.55	(13,000)	5,000		-
DTC	10.06M	22.8	19.1	31.3	5.0	33.39	15,000	80,000		-
E Hampden Corridor	1.10M	18.6	18.6	23.1	-	18.95	(4,000)	9,000		-
Greenwood Plaza	8.27M	28.9	24.7	33.2	5.4	30.44	32,000	86,000		-
Inverness	3.63M	36.9	36.1	41.3	4.5	28.86	(2,000)	(59,000)		-
Meridian/Ridgegate	2.85M	22.8	22.5	27.5	4.3	27.10	7,000	35,000		-
Other Southeast	371,000	15.3	15.3	36.2	3.5	28.28	(3,000)	(8,000)		-
Panorama/Highland Park	2.18M	24.7	17.8	28.3	8.2	28.95	6,000	36,000		-
Total	**31.27M**	**26.4**	**23.4**	**31.8**	**4.7**	**29.50**	**35,000**	**175,000**		**-**

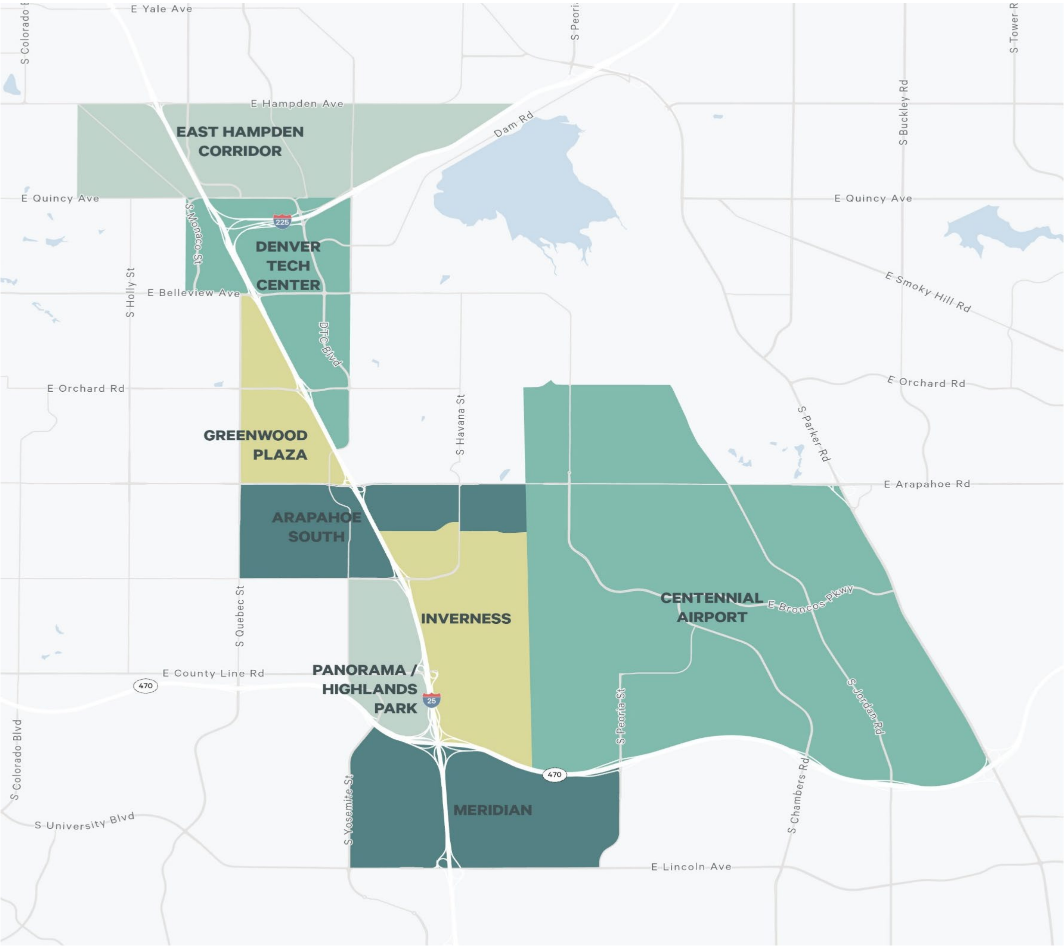
Market Statistics by Class

Figure 12: Southeast 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	18.64M	25.1	22.1	30.9	5.3	33.92	3,000	158,000	-	-
Class B	10.67M	31.4	28.0	37.1	4.3	24.30	39,000	22,000	-	-
Class C	1.96M	11.6	11.5	12.3	0.0	18.53	(8,000)	(5,000)	-	-
Total	**31.27M**	**26.4**	**23.4**	**31.8**	**4.7**	**29.50**	**35,000**	**175,000**	**-**	**-**

Source: CBRE Research, Q2 2026

Market Area Overview



Definitions

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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