Signs of a turning point emerge as absorption swings positive and vacancy edges down

▼ 38.6%
Total Vacancy Rate

▼ 36.6%
Direct Vacancy Rate

▲ 66K
SF Net Absorption

▶ $41.19
FSG/YR Direct Lease Rate

▶ 1.8M
SF Leasing Activity (4-Qtr)

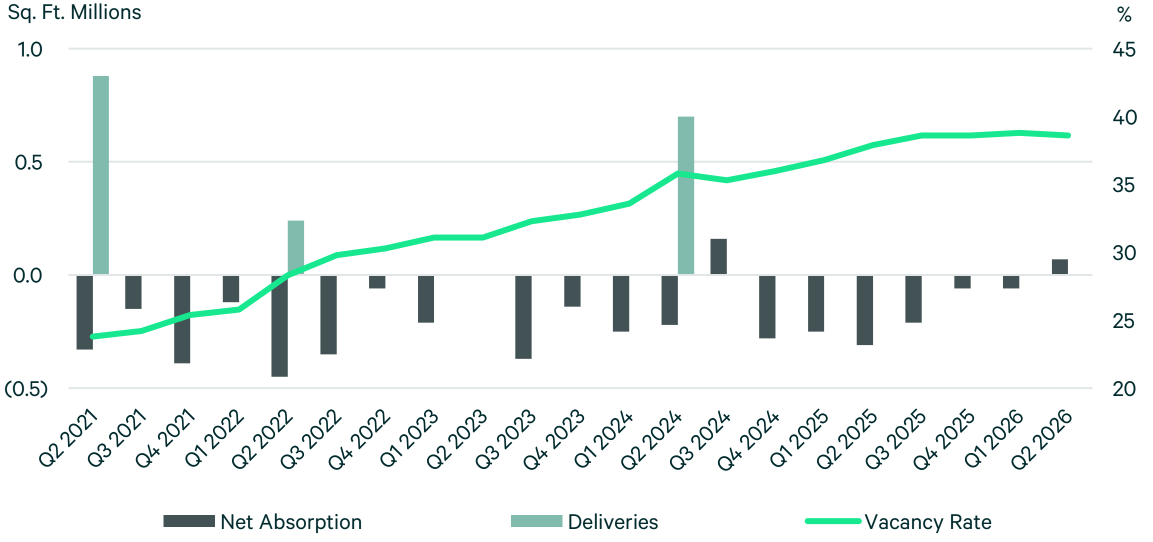
Note: Arrows indicate change from previous quarter.

Market Overview

Downtown Denver's office market posted its most encouraging quarter in nearly two years, as net absorption swung positive and total vacancy recorded its first decline since Q3 2024. Total vacancy fell 20 bps quarter-over-quarter to 38.6%, while direct vacancy edged down 10 bps to 36.6%, driven by Class A move-ins outpacing continued space returns. Net absorption totaled 66,000 sq. ft., the first positive quarterly total since Q3 2024, representing a 122,000 sq. ft. gain from the prior quarter. Sublease availability ticked up 5.1% quarter-over-quarter to 1.1 million sq. ft. as new listings entered the market, though the figure remains down 26.5% year-over-year.

Rolling four-quarter leasing activity totaled 1.8 million sq. ft., essentially flat quarter-over-quarter though down 14.6% year-over-year. Meanwhile, DDA-backed proposed multifamily conversions continue to advance, positioning obsolete space for removal from inventory and shrinking the submarket's effective supply. The average direct asking rent remained largely stable at $41.19 per sq. ft. FSG, a 2.0% decrease year-over-year. No notable investment sales closed during the quarter as the bid-ask standoff for Downtown product persists. With three of four micromarkets recording positive absorption and Class A vacancy falling to its lowest level in five quarters, the flight-to-quality dynamic continues to concentrate demand and the conversation around a forthcoming undersupply of new and prime Class A space continues to gain traction.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Vacancy

Total vacancy in the Downtown submarket declined for the first time in seven quarters, falling 20 basis points (bps) to 38.6%, though the figure remains up a slight 70 bps year-over-year. Direct vacancy edged down 10 bps quarter-over-quarter to 36.6% as Class A occupancy gains offset continued space rationalization among Class B and C tenants. Class A total vacancy fell 80 bps to 30.8%, its lowest level since Q1 2025, while Class B total vacancy rose 40 bps to 42.7%, extending the divergence between building quality tiers. The LoDo/CPV micromarket posted the submarket's lowest total vacancy at 19.5%, its best reading since Q3 2024.

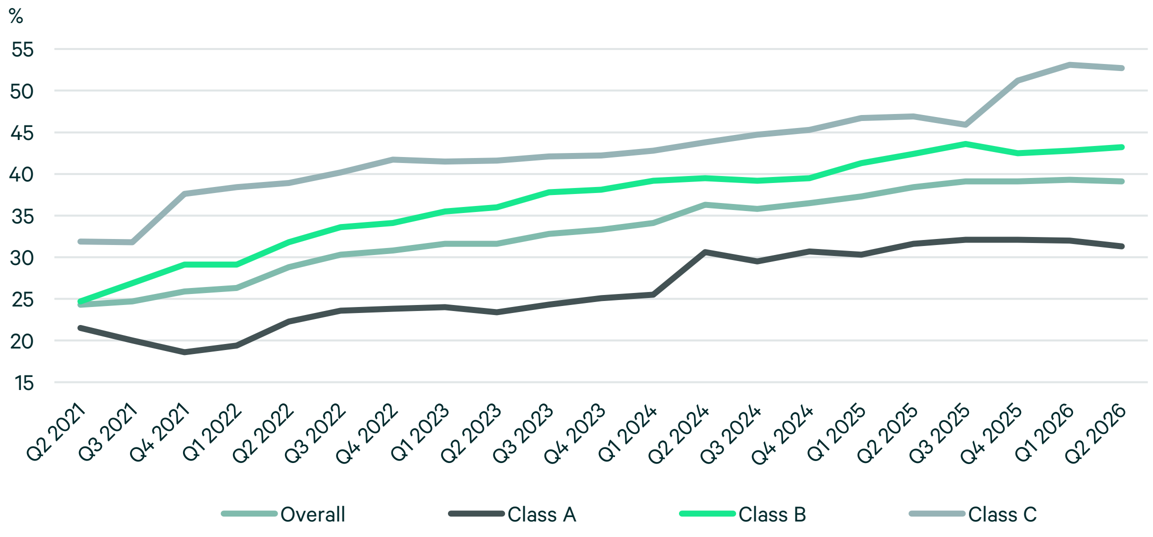
Sublease Availability

Downtown sublease availability rose 5.1% quarter-over-quarter to 1.1 million sq. ft., though the figure remains down 26.5% year-over-year. The uptick was concentrated in Class B product, up 11.7% quarter-over-quarter, while Class A was essentially flat at 581,000 sq. ft. The largest new listing was SM Energy's 98,000 sq. ft. at 555 17th St, marketing the former Civitas Resources space following its acquisition. The Mid-CBD micromarket continues to carry the highest concentration at 558,000 sq. ft., down 33.2% year-over-year.

Asking Rent

Downtown's average direct asking rent was nearly unchanged at $41.19 per sq. ft. FSG, posting a 2.0% decline year-over-year. Class A and Class B asking rents both declined modestly year-over-year, falling 1.1% and 1.2% to $51.25 and $37.98 per sq. ft. FSG, respectively. The S.U.R. micromarket maintained the highest asking rent at $55.20 per sq. ft FSG.

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 swung to positive 66,000 sq. ft., the submarket's first positive quarterly total since Q1 2025 and a 377,000 sq. ft. improvement year-over-year. Class A net absorption totaled positive 108,000 sq. ft., its strongest quarter since Q3 2024, while Class B/C posted negative 42,000 sq. ft.

No single move-in exceeded 30,000 sq. ft.; rather, broad-based occupancy gains among small and mid-size tenants signaled more durable demand. Three of four micromarkets recorded positive absorption, led by LoDo/CPV at 69,000 sq. ft., followed by S.U.R. at 31,000 sq. ft. and Uptown at 15,000 sq. ft. Mid-CBD was the lone exception at negative 50,000 sq. ft., driven by Schlumberger's 52,000 sq. ft. lease expiration and relocation.

Figure 4: Net Absorption Trend

Source: CBRE Research, Q2 2026

Construction Activity

The development pipeline remained at a standstill for an eighth consecutive quarter following the completion of 1900 Lawrence in Q2 2024. With no new supply on the horizon, the inventory story is instead being rewritten from within. Multifamily conversion projects backed by Downtown Development Authority (DDA) funding continue to advance toward removing obsolete space from the statistical base.

Meanwhile owners of competitive assets are reinvesting in building upgrades and amenity packages and are being rewarded with increased tour activity and leasing velocity. Together, these forces are tightening the effective supply of quality space and reinforcing the emerging undersupply narrative for new and prime Class A product.

Figure 5: Construction Activity

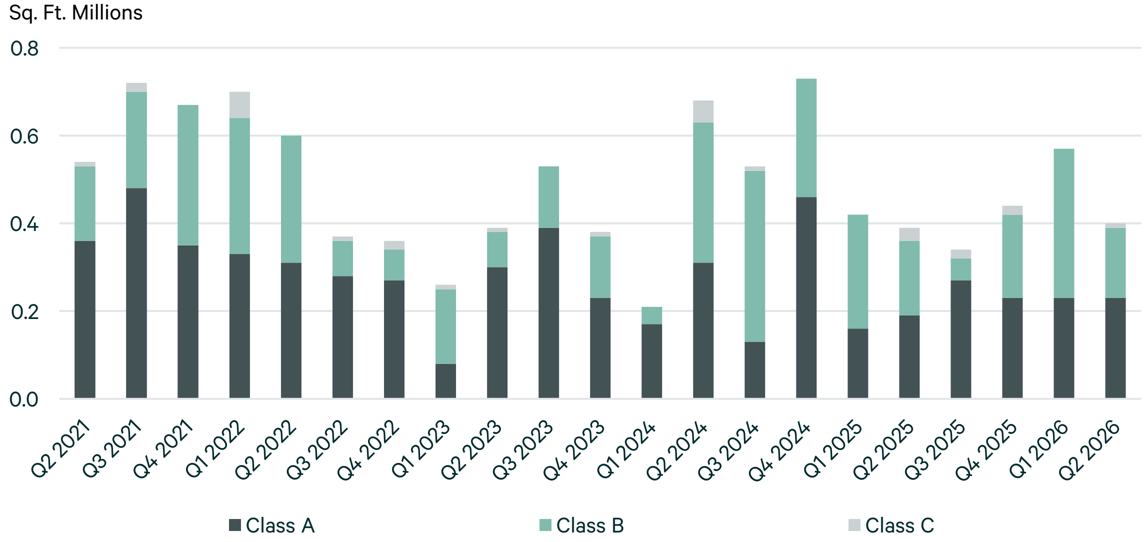
Source: CBRE Research, Q2 2026

Leasing Activity

Rolling four-quarter leasing activity totaled 1.8 million sq. ft., remaining flat quarter-over-quarter, though down 14.6% year-over-year. New leases and expansions accounted for 1.1 million sq. ft. or 59.3% of total activity, a slight increase from Q1. Class A buildings captured 56.9% of total demand, in alignment with tenants' continued flight-to-quality and experience.

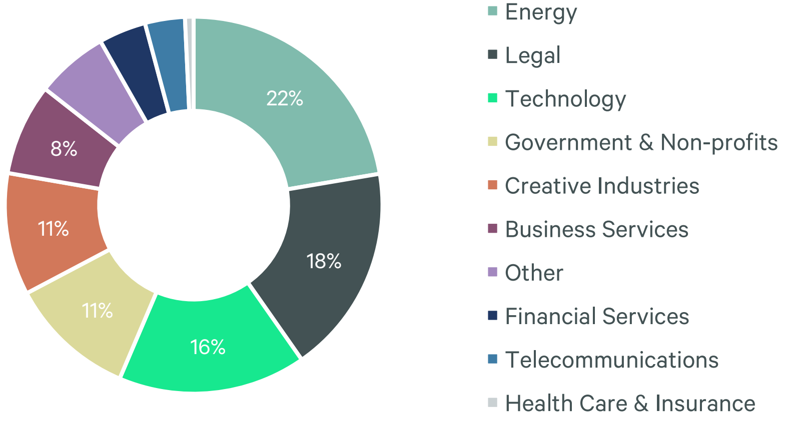
Leasing velocity among the newest and most amenitized buildings continued to accelerate, narrowing options for large Class A requirements and reinforcing the mounting undersupply dynamic at the top of the market. The energy sector led rolling four-quarter leasing demand for the fourth straight quarter at 402,000 sq. ft., followed by legal at 323,000 sq. ft.

Figure 7: Leasing Activity Trend



Source: CBRE Research, Q2 2026

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



Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	District
Colorado Office of the State Public Defender	57,000	Renewal	410 17th St	Mid-CBD
SM Energy	50,000	Expansion	1700 Lincoln St	Uptown
Hall & Evans	44,000	New Lease	1801 California St	Mid-CBD
The Pinnacle Club by Grand Hyatt	41,000	Renewal	555 17th St	Mid-CBD
Gensler	30,000	Renewal/Expansion	1225 17th St	S.U.R.
Confidential Tenant	23,000	New Lease	1901 Arapahoe St	S.U.R.
Sagard Real Estate	22,000	Renewal	1099 18th St	Mid-CBD
Welborn Sullivan Meck & Tooley	22,000	New Lease	1401 Lawrence St	S.U.R.

Source: CBRE Research, Q2 2026

Investment Trends

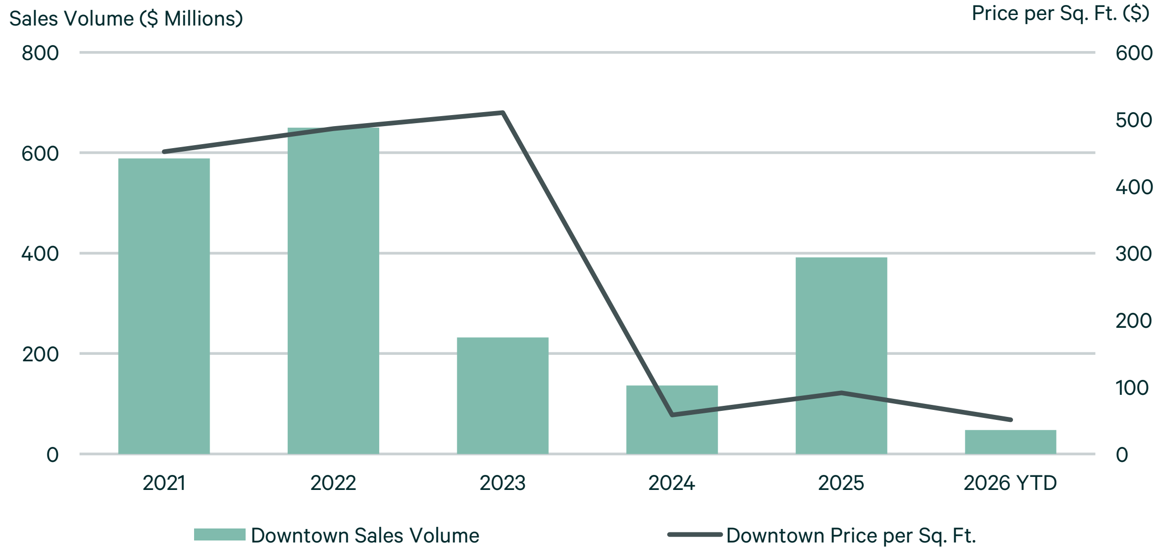
No notable investment sales closed in Q2 2026, leaving year-to-date volume at $47.5 million from Q1's sale of Denver Place at 999 18th St. The pause reflects continued thin, episodic transaction activity as the pricing reset for older Downtown assets works through the market. While discounted trades have defined recent quarters, improving fundamentals and tightening quality supply may begin to narrow the bid-ask gap for better-positioned assets.

Figure 9: Rolling-Four-Quarter Top Sale Transactions

Address	District	Buyer	Sale Price ($)	Price per SF ($)	Sale Date
1701 Platte St	LoDo	Bet365	135.0 M	543	Q3 2025
707 & 717 17th St	Mid-CBD	Justin Friedeck	57.4 M	41	Q4 2025
999 18th St	Mid-CBD	CP Group & Time Equities	47.5 M	51	Q1 2026
1490 Curtis St	Mid-CBD	Westside Investment	7.2 M	31	Q4 2025
1801 Broadway St	Mid-CBD	Trinity & Beyond	6.0 M	31	Q4 2025

Source: CBRE Research, Q2 2026

Figure 10: Historical Investment Activity



Source: CBRE Research, Q2 2026

Market Statistics by District

Figure 11: Downtown 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)
LoDo/CPV	6.56M	19.5	17.0	23.1	5.1	52.32	69,000	5,000	-	-
Mid-CBD	16.56M	44.0	41.4	45.4	3.4	36.99	(50,000)	(28,000)	-	-
S.U.R.	5.07M	41.9	41.5	42.4	3.2	55.20	31,000	48,000	-	-
Uptown	2.83M	45.9	45.2	49.3	0.7	33.84	15,000	(17,000)	-	-
Total	**31.02M**	**38.6**	**36.6**	**40.6**	**3.5**	**41.19**	**66,000**	**9,000**	-	**-**

Source: CBRE Research, Q2 2026

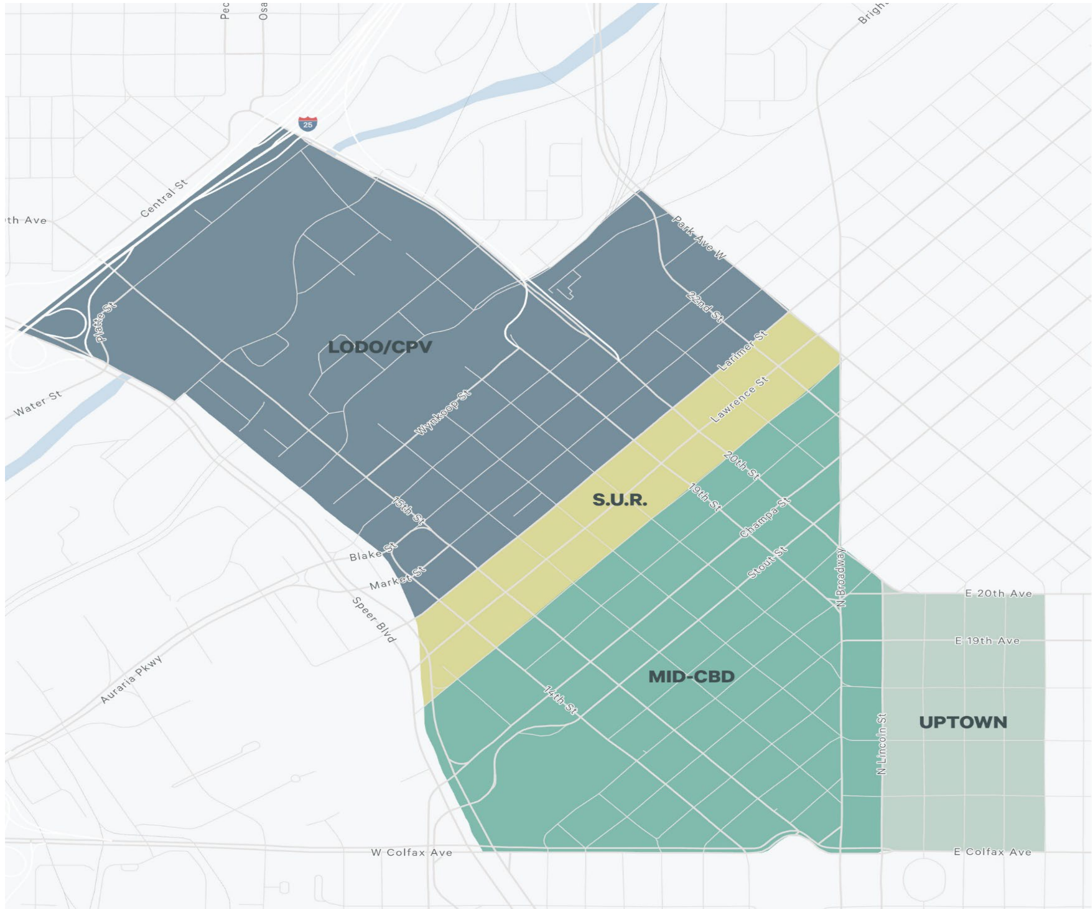
Market Statistics by Class

Figure 12: 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	13.50M	30.8	29.5	32.9	4.3	51.25	108,000	91,000	-	-
Class B	13.93M	42.7	39.6	47.1	3.4	37.98	(57,000)	(28,000)	-	-
Class C	3.60M	52.2	51.8	43.9	0.6	28.47	15,000	(54,000)	-	-
Total	**31.02M**	**38.6**	**36.6**	**40.6**	**3.5**	**41.19**	**66,000**	**9,000**	**-**	**-**

Source: CBRE Research, Q2 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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