

# Net absorption turns positive and sales activity accelerates as new construction slows

▲ 23.9%

Total Vacancy Rate

▲ 261K

SF Total Net Absorption

▲ \$33.82

FSG / Lease Rate

▼ 627K

SF Under Construction

▲ 1.3M

SF Leasing Activity

Note: Arrows indicate change from previous quarter.

## MARKET SUMMARY

- Positive 261,000 sq. ft. of total net absorption was posted in Q2 2024, a considerable improvement from the negative 473,000 sq. ft. recorded in Q1 2024. This marks the first quarter with positive total net absorption since Q1 2022.
- Total vacancy increased 50 basis points (bps) quarter-over-quarter and 230 bps year-over-year to 23.9%. Direct vacancy also saw a 50 bps increase this quarter after rising to 20.9%.
- Sublease availability rose for the first time since Q3 2023, increasing by a slight 1.0% quarter-over-quarter to 5.8 million sq. ft.
- The development pipeline fell to 627,000 sq. ft. this quarter due to the delivery of seven buildings across multiple submarkets totaling 1.2 million sq. ft.
- Leasing activity totaled 1.3 million sq. ft. in Q2 2024, a 31.0% increase quarter-over-quarter and a 16.8% increase compared to the level of activity from a year ago.
- The overall average direct asking rent posted an increase of 1.9% quarter-over-quarter and 5.3% year-over-year to reach \$33.82 per sq. ft. FSG.
- Investment activity soared in Q2 2024, having totaled \$209.7 million (\$145 per sq. ft.).

FIGURE 1: Downtown vs Suburban Market Statistics

|             | NRA<br>(SF) | Total<br>Vacancy<br>(%) | Direct<br>Vacancy<br>(%) | Sublease<br>Availability<br>(SF) | Total Net<br>Absorption<br>(SF) | Direct<br>Asking Rent<br>(\$/SF/YR FSG) | Under<br>Construction<br>(SF) |
|-------------|-------------|-------------------------|--------------------------|----------------------------------|---------------------------------|-----------------------------------------|-------------------------------|
| DOWNTOWN    |             |                         |                          |                                  |                                 |                                         |                               |
| Class A     | 12,881,998  | 23.2                    | 23.9                     | 939,674                          | (89,195)                        | 51.98                                   | -                             |
| Class B     | 14,461,452  | 37.8                    | 32.9                     | 1,034,338                        | 21,559                          | 38.84                                   | -                             |
| Class C     | 3,977,682   | 38.5                    | 38.2                     | 51,175                           | (6,687)                         | 29.29                                   | -                             |
| Total       | 30,321,132  | 33.9                    | 29.9                     | 2,025,187                        | (74,323)                        | 41.94                                   | -                             |
| SUBURBAN    |             |                         |                          |                                  |                                 |                                         |                               |
| Class A     | 42,794,425  | 22.1                    | 18.9                     | 2,106,434                        | 162,286                         | 33.06                                   | 627,283                       |
| Class B     | 38,375,737  | 20.3                    | 17.8                     | 1,578,165                        | 133,761                         | 26.85                                   | -                             |
| Class C     | 10,143,008  | 14.0                    | 13.6                     | 53,024                           | 38,826                          | 22.60                                   | -                             |
| Total       | 91,313,170  | 20.5                    | 17.8                     | 3,737,623                        | 334,873                         | 29.37                                   | 627,283                       |
| METRO TOTAL | 122,634,302 | 23.9                    | 20.9                     | 5,762,810                        | 260,550                         | 33.82                                   | 627,283                       |

Source: CBRE Research Q2 2024

## Vacancy

Total vacancy saw a slight increase in the second quarter of 2024, rising 50 basis points (bps) quarter-over-quarter to reach 23.9%. Year-over-year, the market experienced a 230-bps increase in total vacancy, 40 bps higher than the year-over-year increase seen in Q1 2024. Several submarkets experienced positive momentum, with Capitol Hill's total vacancy decreasing a notable 250 bps quarter-over-quarter.

Similar to Q1 2024, direct vacancy accounted for the entirety of the 50 bps rise in total vacancy, as sublease vacancy remained unchanged quarter-over-quarter. Year-over-year, direct vacancy increased 240 bps to reach 20.9%

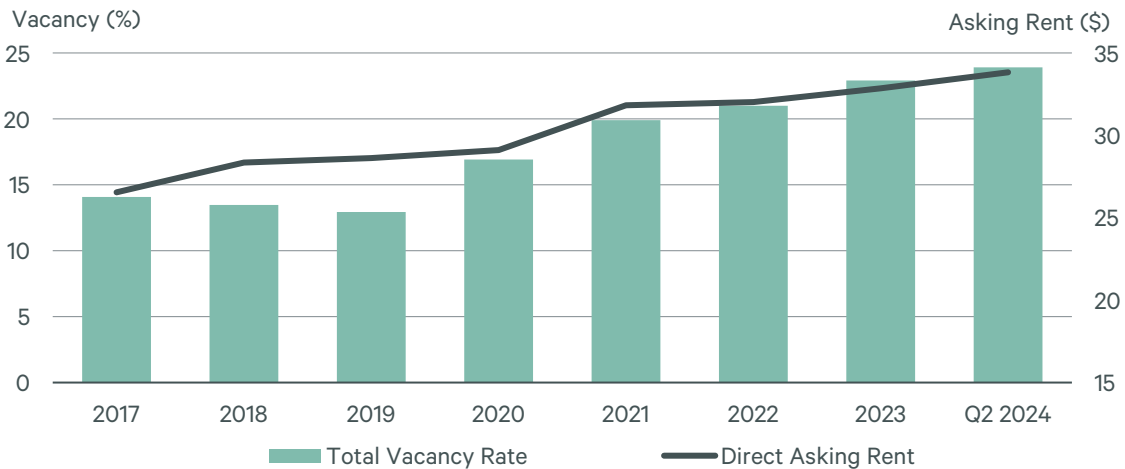
Total vacancy in Class A buildings increased 150 bps quarter-over-quarter to 23.5%, while total vacancy in Class B buildings decreased 40 bps quarter-over-quarter to 25.1%. This significant rise in Class A vacancy was primarily attributed to the recent completion of 1900 Lawrence, a 704,000 sq. ft. building in the Downtown submarket. This building delivered fully vacant with its only pre-committed tenant, Gibson Dunn & Crutcher, not occupying their single floor until early 2025.

## Sublease Availability

Sublease availability across the metro snapped its downward trend, after increasing 57,000 sq. ft. in Q2 2024. Year-over-year, sublease availability decreased 600,000 sq. ft. to 5.8 million sq. ft. This level represents a 12.3% decrease from the peak that was seen after a sizable spike in Q1 2023. The largest impacts this quarter included Antero Resources listing 92,000 sq. ft. of available space at 1601 Wynkoop St and VF Corp listing 60,000 sq. ft. at 1551 Wewatta. These increases were offset by The Trade Desk leasing 37,000 sq. ft. of DaVita's sublease space on the eighth floor of 2001 16th St.

Sublease availability in Class A buildings increased 2.7% quarter-over-quarter to 3.0 million sq. ft., while Class B buildings saw a 1.0% increase, reaching 2.6 million sq. ft. The Downtown submarket had the greatest amount of available sublease space with just over 2.0 million sq. ft., followed by the Southeast with 1.8 million sq. ft., and then the Northwest submarket with 557,000 sq. ft. Of these three submarkets, only Downtown saw a decline in sublease availability in Q2 2024.

FIGURE 2: Total Vacancy and Asking Rent



Source: CBRE Research Q2 2024

FIGURE 3: Sublease Availability



Source: CBRE Research Q2 2024

## Net Absorption

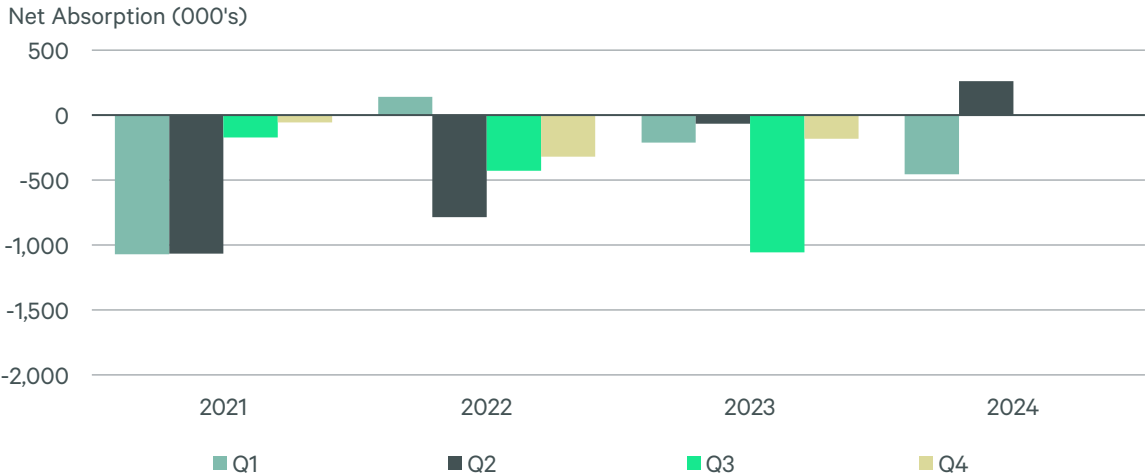
Metro Denver experienced a positive shift in Q2 2024, recording 261,000 sq. ft. of total net absorption—the first positive total since Q1 2022. The primary contribution to positive total net absorption this quarter was the successful delivery of multiple buildings with low vacancy across several submarkets. These newly completed properties accounted for a total of 178,000 sq. ft. of positive absorption. The largest new occupancy of the quarter occurred in River North, as E.W. Scripps Company occupied 86,000 sq. ft. across two floors of Junction 23. Unlike Q1 2024, negative absorption in Q2 2024 was influenced by a significant move out. SendGrid vacated 108,000 sq. ft. across three floors of 1801 California. VF Corp, a prominent retail brand conglomerate, has also downsized. They’ve listed 60,000 sq. ft. of vacant sublease space at 1551 Wewatta, making a substantial contribution to negative sublease absorption.

The Cherry Creek submarket had the greatest amount of positive total net absorption, with 162,000 sq. ft. Negative net absorption was highest in the Downtown and Southeast submarkets at 74,000 sq. ft and 48,000 sq. ft., respectively. Class A properties had 73,000 sq. ft. of positive total net absorption, while Class B properties had a more robust 155,000 sq. ft of positive total net absorption.

## Average Asking Rents

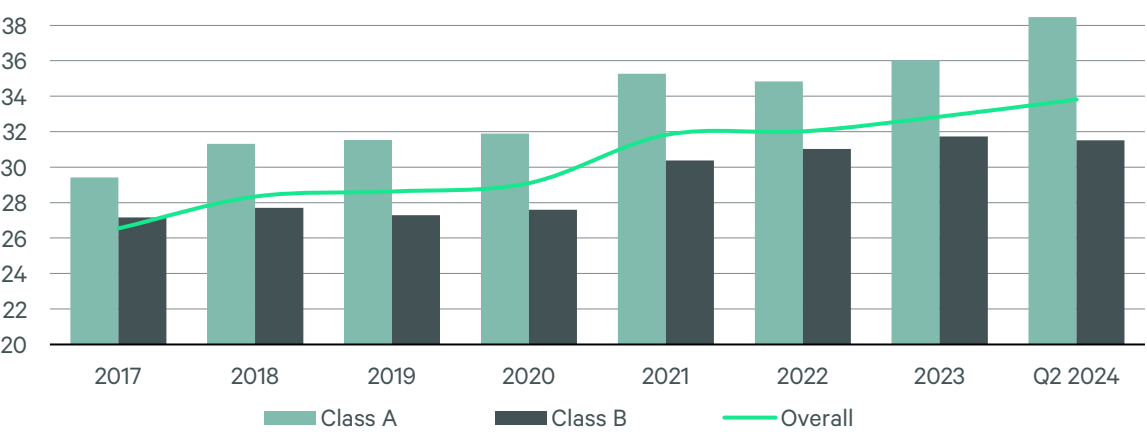
The overall average direct asking rent for the metro continued its slow but steady rise, increasing 1.9% quarter-over-quarter and 5.3% year-over-year to \$33.82 per sq. ft. FSG. The “flight-to-quality” has further driven demand for prime office buildings, allowing landlords to command higher rents. Class A rents for the metro experienced an annual increase of 10.0% and rose 4.5% quarter-over-quarter to reach \$38.47 per sq. ft. FSG. The quarter’s increase was primarily due to the delivery of 1900 Lawrence and Paradigm River North, Class A properties with a combined 790,000 sq. ft. of available space. Class B rents experienced a marginal quarterly decrease, but still increased 1.2% year-over-year to reach \$31.51 per sq. ft. FSG. The Cherry Creek submarket saw the greatest quarter-over-quarter increase at 3.4%. This was caused by 16,000 sq. ft. becoming available at 200 Columbine St, a Class A building with rising operating expenses and \$48.00 NNN average direct asking rents. Asking rents in the Downtown submarket increased 3.2% quarter-over-quarter to reach \$41.94 per sq. ft. FSG.

FIGURE 4: Total Net Absorption (SF)



Source: CBRE Research Q2 2024

FIGURE 5: Average Asking Rents  
Average Direct Asking Rents (\$)



Source: CBRE Research Q2 2024

## Development Activity

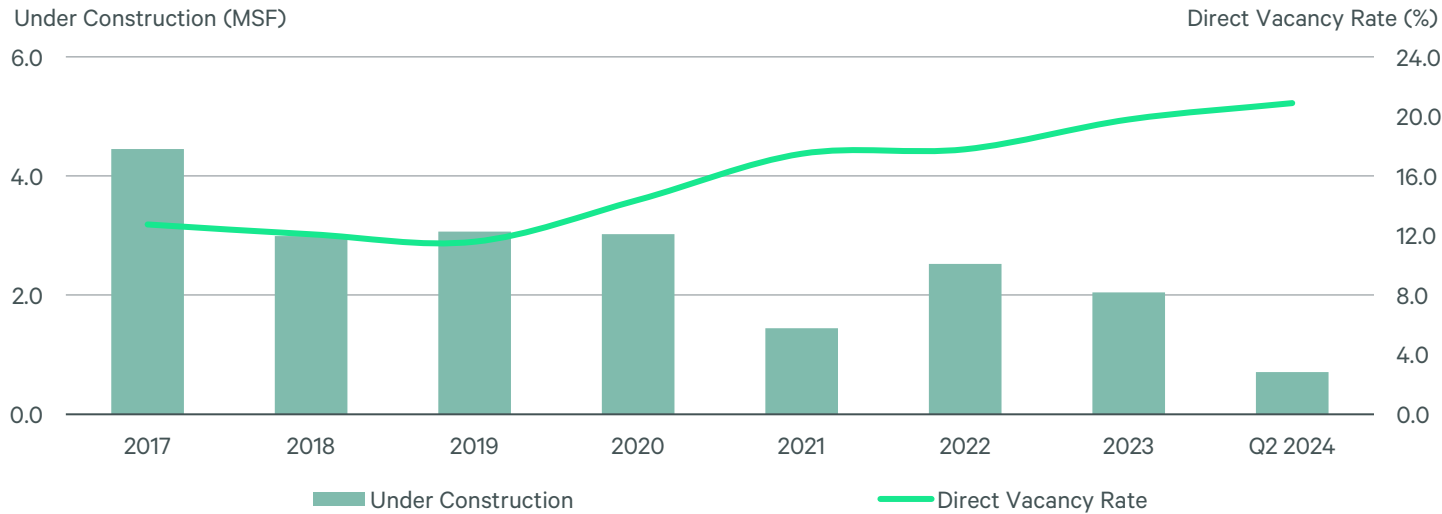
In Q2 2024, the metro Denver office market witnessed a significant decline in space under construction, which decreased by 61.0% quarter-over-quarter to 627,000 sq. ft. Seven buildings were delivered across various submarkets, totaling 1.2 million sq. ft. of new office space.

The Cherry Creek submarket led the way, delivering 210,000 sq. ft. across three notable properties: 255 Fillmore, 300 Fillmore, and 300 University. The highlight of Cherry Creek was BMC Investments’ delivery of 255 Fillmore, a seven-story mixed-use retail and office property spanning 100,000 sq. ft. Crusoe Energy occupied three floors, accounting for 38,000 sq. ft. of the total. Downtown Denver saw the largest single building delivery this quarter: 1900 Lawrence. Developed by Riverside Investment & Development, this high-rise building offers 704,000 sq. ft. of office space. Gibson Dunn & Crutcher LLP preleased the top floor of 1900 Lawrence for 31,000 sq. ft. and is expected to occupy in 2025. Another notable delivery this quarter was Paradigm River North, developed by Jordon Perlmutter & Co. The eight-story mixed-use building offers 194,000 sq. ft. of office space. Law firm Davis Graham & Stubbs preleased 77,000 sq. ft. across three floors back in mid-2022 and is expected to occupy their space in Q3 2024.

Additionally, the Boulder submarket has made significant progress on Apple’s build-to-suit Central Ave Project. 2300 Central Ave delivered this quarter for 34,000 sq. ft. and 2450 Central Ave is still underway with an expected delivery of Q3 2024. The final delivery of the quarter occurred in the Northwest submarket, as 2926 LoHi delivered 25,000 sq. ft. of office space.

Looking ahead to Q3 2024, Cherry Creek will see the groundbreaking of an additional 81,000 sq. ft. of office space at 3250 E 2nd Ave.

FIGURE 6: Construction & Direct Vacancy



Source: CBRE Research Q2 2024

FIGURE 7: Notable Projects Under Construction

|                  | Property Size (SF) | Submarket    | Preleased (%) | Spec/BTS   | Est. Completion |
|------------------|--------------------|--------------|---------------|------------|-----------------|
| PROPERTY NAME    |                    |              |               |            |                 |
| Steel House      | 297,000            | River North  | 0.0           | Spec       | Q1 2025         |
| 201 Fillmore     | 140,000            | Cherry Creek | 100.0         | BTS        | Q3 2025         |
| 2450 Central Ave | 125,000            | Boulder      | 100.0         | BTS        | Q3 2024         |
| Mortenson        | 65,000             | River North  | 56.9          | Owner-User | Q4 2024         |

Source: CBRE Research Q2 2024

## Leasing Activity

Leasing activity experienced robust growth in Q2 2024 with 1.3 million sq. ft. of leases transacted, an increase of 31.0% quarter-over-quarter. Compared to Q2 2023, leasing activity increased 16.8%. The rolling four-quarter total was 4.8 million sq. ft., rising 188,000 sq. ft. from the 4.6 million sq. ft. seen in Q1 2024. The rolling four-quarter total also increased by 512,000 sq. ft. or 12.1% compared to a year ago. Activity from new leases/expansions increased this quarter, making up 52.6% of the total, compared to 46.5% in Q1 2024. Sublease deals totaled 190,000 sq. ft. or 14.5% of activity during the quarter. Among the 43 recorded deals in Q2 2024, 20 deals exceeded 20,000 sq. ft.

New leases accounted for 643,000 sq. ft. of total transactions this quarter. Class A properties maintained their dominance in the market, with 818,000 sq. ft. of transactions or 62.4% of total activity. Leasing activity in Class A properties increased 12.5% year-over-year, while Class B properties saw a 9.8% increase year-over-year, totaling 424,000 sq. ft. Activity among Class B properties was greatest in the Downtown submarket with 306,000 sq. ft. of leases signed.

The Downtown submarket surpassed the Southeast for the greatest amount of activity this quarter with 621,000 sq. ft. and 472,000 sq. ft. of leases signed, respectively. The primary driver of activity Downtown was Johns Manville renewing the entirety of their 121,000 sq. ft. space at 717 17th St.

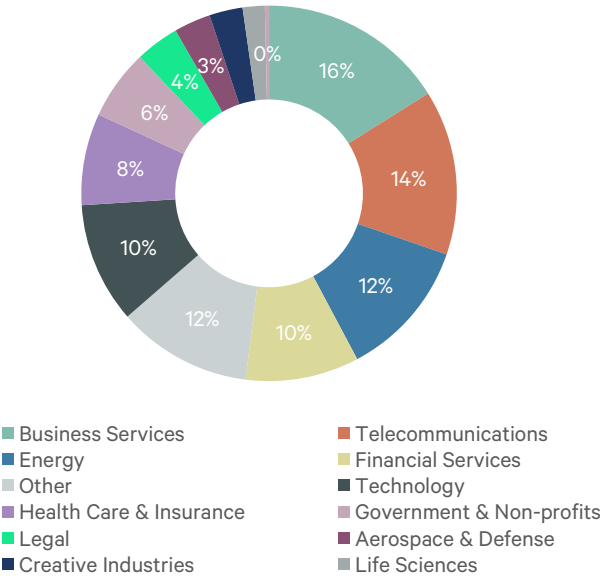
In Q2 2024, the “Other” industries category took the lead, accounting for 263,000 sq. ft. of leases executed between the Building Materials & Construction and Retail categories. The Telecommunications industry took second place, recording 257,000 sq. ft. of transactions, while the Technology industry ranked third with 206,000 sq. ft.

FIGURE 8: Notable Q2 2024 Lease Transactions

| Tenant                       | Industry                              | Location              | Submarket | Lease Type | SF      |
|------------------------------|---------------------------------------|-----------------------|-----------|------------|---------|
| Confidential Tenant          | Telecommunications                    | Confidential          | Southeast | Renewal    | 257,000 |
| Johns Mansville              | Building Materials & Construction MFG | 717 17th St           | Downtown  | Renewal    | 121,000 |
| State of CO Attorney General | Government                            | 1700 Lincoln St       | Downtown  | New Lease  | 74,000  |
| ConMed                       | Life Sciences                         | 6363 S Fiddlers Green | Southeast | New Lease  | 50,000  |
| CoreSite                     | Technology                            | 1001 17th St          | Downtown  | Renewal    | 50,000  |

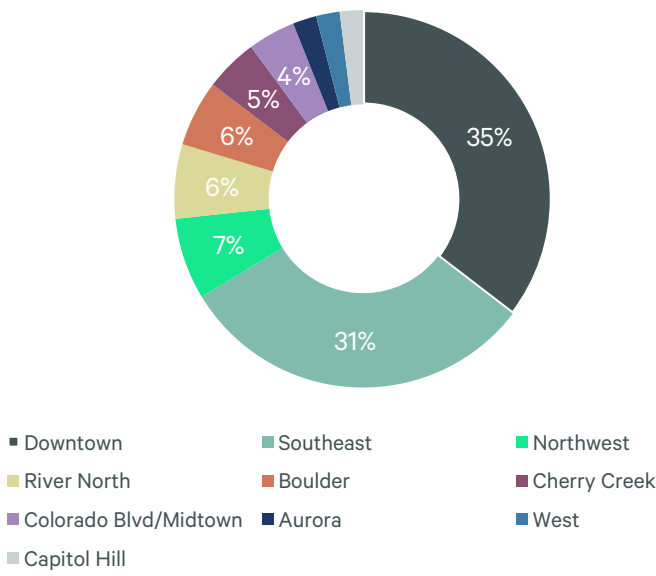
Source: CBRE Research Q2 2024

FIGURE 9: Leasing Activity by Industry Type (Q2 2023– Q2 2024)



Source: CBRE Research Q2 2024

FIGURE 10: Leasing Activity by Submarket (Q2 2023– Q2 2024)



Source: CBRE Research Q2 2024

## Investment Trends

Office investment activity in the Denver metro rebounded significantly compared to the sharp decline seen in Q1 2024. Notably, 11 transactions contributed to this quarter’s sales volume of \$209.7 million, with an average price per sq. ft. of \$145. While year-over-year investment volume decreased by 17.3% from the \$253.6 million seen in Q2 2023, it increased by \$201.0 million quarter-over-quarter. Suburban markets accounted for 55.3% of the total sales volume in Q2 2024.

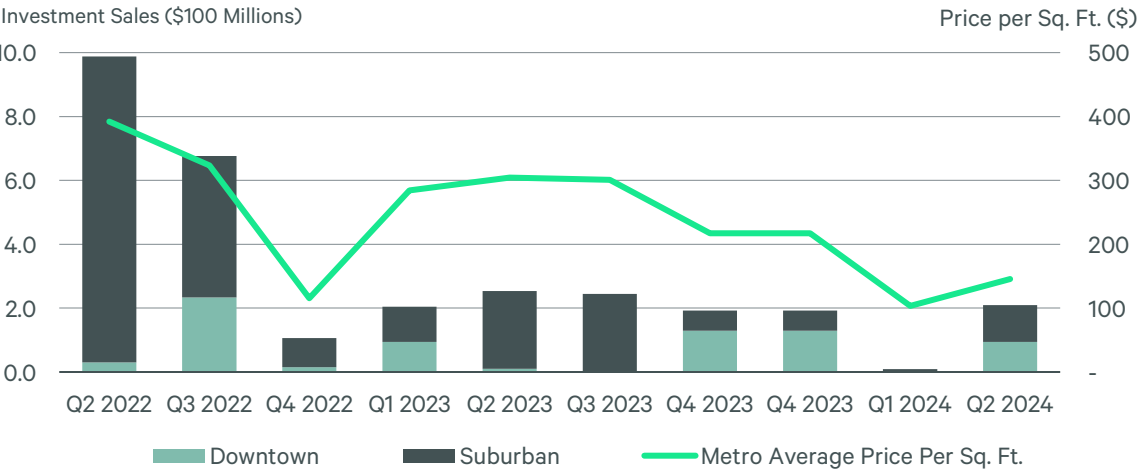
The standout transaction in Q2 2024 was the owner–user sale of 101 W Colfax in the Mid-CBD micromarket. The 320,000 sq. ft. property sold for \$88.5 million to the City of Denver, achieving an impressive \$277 per sq. ft. Suburban markets were especially active this quarter, led by the sale of DISH Network’s corporate offices at 5701 Santa Fe Dr, which was purchased by Conxcorp for \$26.8 million. The Southeast was the top performing submarket from a sales volume perspective with a dominant 36.3% share. CBRE facilitated the \$26.0 million sale of 5613 DTC Pkwy to K&C Management—the largest sale in the Southeast and third largest sale across the metro in Q2 2024.

## Economy & Employment

Following a year of expectation-busting growth, which has given us interest rates higher for much longer, it seems we will get a “soft landing” in 2024. Last year’s expansion was almost certainly driven by fiscal stimulus that far exceeded other western countries. Today, stimulus effects are fading, and higher interest rates continue to bite. There is evidence of this on the consumer front, wherein delinquency rates are trending upward, and credit growth is quickly slowing. The latter signals that consumption—a key driver of GDP growth in recent quarters—is poised to slow further. This partly explains why we believe growth will settle at the mid-1.0% range this year.

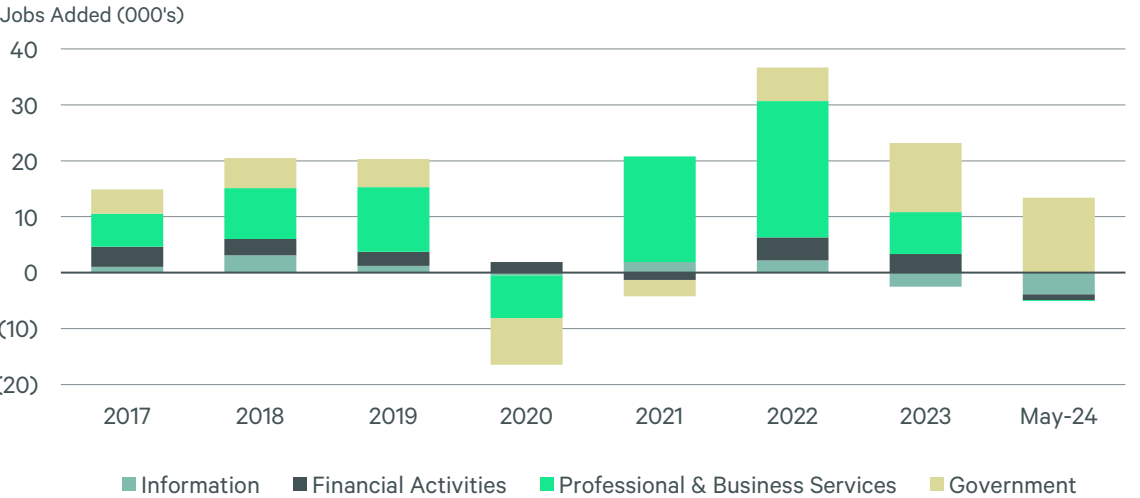
Total non-farm employment in metro Denver decreased by a slight 0.1% year-over-year as of May 2024, having lost 1,800 jobs. Office-using employment—including jobs in the information, financial activities, professional and business services, and government sectors—grew 1.3% over the same period after adding 10,200 jobs. Professional and business services, which represents 44.5% of office-using jobs, posted negative 0.1% growth. The financial activities sector posted 0.7% positive job growth, while the information sector posted negative 6.3% growth. The government sector was the driver behind office using-employment growth with a 5.2% increase. Metro Denver’s unemployment rate was up 50 bps month-over-month and 110 bps year-over-year at 3.9% in May.

FIGURE 11: Investment Sales



Source: CBRE Research Q2 2024

FIGURE 12: Office-Using Employment Growth



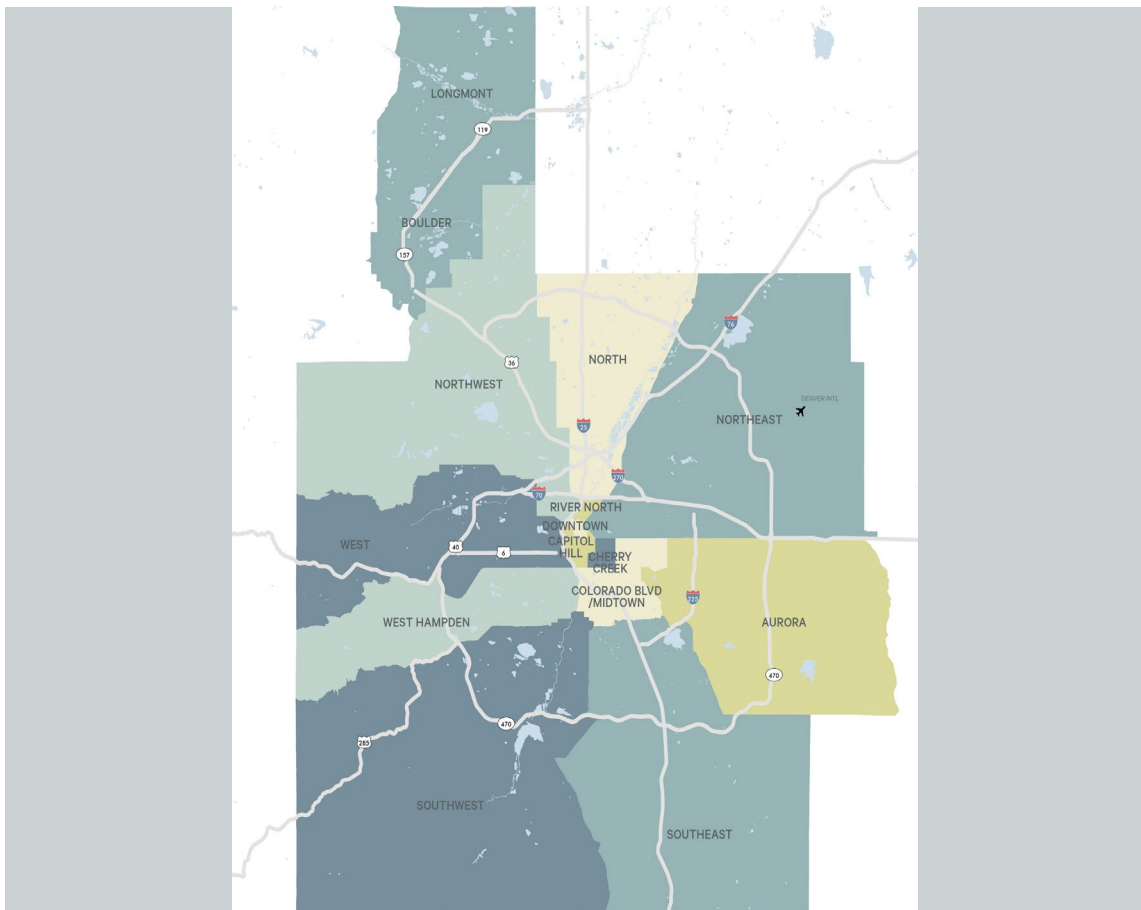
Source: U.S. Bureau of Labor Statistics, June 2024

FIGURE 13: Market Statistics by Submarket

|                        | NRA<br>(SF) | Total Vacancy<br>(%) | Direct Vacancy<br>(%) | Sublease<br>Availability<br>(SF) | Under<br>Construction<br>(SF) | Average<br>Rent<br>(\$./SF/YR FSG) | Qtr. Total<br>Net Absorption<br>(SF) |
|------------------------|-------------|----------------------|-----------------------|----------------------------------|-------------------------------|------------------------------------|--------------------------------------|
| SUBMARKET              |             |                      |                       |                                  |                               |                                    |                                      |
| Aurora                 | 5,719,099   | 17.4                 | 16.3                  | 157,546                          | -                             | 20.68                              | (19,446)                             |
| Boulder                | 6,502,990   | 20.7                 | 18.1                  | 322,926                          | 125,000                       | 38.81                              | 4,428                                |
| Capitol Hill           | 2,342,356   | 16.4                 | 12.6                  | 99,525                           | -                             | 27.09                              | 29,276                               |
| Cherry Creek           | 3,014,213   | 10.2                 | 8.9                   | 51,868                           | 140,000                       | 37.22                              | 162,176                              |
| Colorado Blvd/ Midtown | 6,608,989   | 18.0                 | 16.7                  | 132,881                          | -                             | 27.84                              | 11,669                               |
| Downtown               | 31,321,132  | 33.9                 | 29.9                  | 2,025,187                        | -                             | 41.94                              | (74,323)                             |
| Longmont               | 850,557     | 7.2                  | 6.0                   | 10,061                           | -                             | 21.53                              | 16,920                               |
| North                  | 2,976,821   | 18.4                 | 17.4                  | 64,235                           | -                             | 23.60                              | 47,395                               |
| Northeast              | 1,305,269   | 23.6                 | 16.7                  | 90,181                           | -                             | 26.68                              | (6,003)                              |
| Northwest              | 8,987,445   | 23.8                 | 20.2                  | 556,836                          | -                             | 29.86                              | (47,909)                             |
| River North            | 2,724,676   | 49.2                 | 43.7                  | 293,454                          | 362,283                       | 49.14                              | 88,931                               |
| Southeast              | 37,171,253  | 21.2                 | 18.0                  | 1,774,538                        | -                             | 28.29                              | 38,003                               |
| Southwest              | 5,481,059   | 14.0                 | 13.4                  | 36,757                           | -                             | 25.83                              | 37,222                               |
| West                   | 6,598,346   | 19.0                 | 17.5                  | 141,083                          | -                             | 25.61                              | (24,974)                             |
| West Hampden/ Alameda  | 1,030,097   | 15.5                 | 14.9                  | 5,732                            | -                             | 18.78                              | (2,815)                              |
| METRO TOTAL            | 122,634,302 | 23.9                 | 20.9                  | 5,762,810                        | 627,283                       | 33.82                              | 260,550                              |

Source: CBRE Research Q2 2024

## Market Area Overview



## CBRE Offices

## Downtown Denver

1225 17th Street, Suite 3200  
Denver, CO 80202

## Denver Tech Center

5455 Landmark Place, Suite C102  
Greenwood Village, CO 80111

## Boulder

1050 Walnut Street, Suite 340  
Boulder, CO 80302

## Fort Collins

3003 E. Harmony Road, Suite 300  
Fort Collins, CO 80528

## Colorado Springs

102 South Tejon Street, Suite 1100,  
Colorado Springs, CO 80903

## 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. Buildings which have begun construction as evidenced by site excavation or foundation work.

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