Intelligent Investment

2026 U.S. Real Estate Market Outlook Midyear Review

REPORT

DENVER

CBRE RESEARCH
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Office Market Outlook

01

Leasing momentum is accelerating and demand is concentrating in Prime and Class A assets

Denver office demand is showing meaningful improvement. Q2 2026 posted the highest quarterly leasing total since early 2022, and new leases and expansions are a growing share of overall volume. This signals that many tenants have overcome return-to-office uncertainty and are making longer-term commitments. As of midyear, there were 6.5 million sq. ft. of active tenant requirements, reflecting a 39% increase since the beginning of 2026. Flight to quality will continue to concentrate demand in Class A product in the best locations, with Cherry Creek and select downtown and suburban Class A buildings seeing the most pronounced interest.

02

Vacancy is stabilizing while supply is shrinking from a limited construction pipeline and inventory targeted for removal

Denver's office vacancy has stabilized. The current rate of 28.7% was unchanged in H1 2026 and is up just 20 bps year-over-year. Class A, including Prime, vacancy stood at 27.2%, down 30 bps year-over-year, while Class B vacancy increased 50 bps to 31.3%. Demand divergence by quality tier is increasingly evident with an 80-bps increase in the Class A and B vacancy spread year-over-year. CBRE EA expects a broader vacancy decline of 40 bps in H2 2026, favored by a higher decline among Class A assets.

Apart from a recovery of demand, the decline in supply is also reshaping vacancy dynamics. New development has been below 1.0 million sq. ft. or under 1.0% of inventory for more than two years; this trend is expected to continue into 2027. By year-end, all new projects underway will be in Cherry Creek, the market's most in-demand submarket where Class A vacancy is 1.8%. Meanwhile, the Downtown market is set to shed approximately 2.0 million SF of office space over the next 12 to 18 months through residential conversions and owner-user purchases. Nearly 900,000 sq. ft. of suburban space has been removed from the inventory since 2025. The decline in obsolete product, combined with recovering absorption, is expected to drive a gradual decrease in vacancy into 2027. As conversion activity clears more underperforming inventory, the remaining leasable stock will increasingly reflect assets with genuine, durable tenant demand.

Key Takeaways

For Owners

— Owners of Class A buildings in desirable locations remain best positioned as the vacancy spread between Class A and commodity product accelerates. A spillover effect is emerging in and around the most in-demand Downtown locations, where areas adjacent to LoDo are benefiting from its low Class A vacancy and budget-conscious tenants are supporting Class B activity. Class B and C owners unwilling to invest in capital improvements or offer competitive tenant improvement allowances will continue to face occupancy pressure regardless of rent flexibility. Distressed assets present reset-pricing acquisition opportunities, with buyers who move now capturing both a below-market basis and upside as the market inflects.

For Tenants

— The market remains largely tenant-favorable outside of Cherry Creek, but occupier negotiating will begin to soften for prime Downtown and Southeast Class A product as availability tightens. Tenants with near-term expirations in top-tier locations should be proactive as waiting for the vacancy rate to confirm the recovery means competing for space after the best options have moved. Attractive tenant improvement packages and rent abatement remain available now but will become harder to negotiate simultaneously with the lowest possible headline rent in top buildings. Tenants in distressed buildings retain negotiating leverage but should weigh the landlord's financial stability carefully against any rent savings.

Office Market Outlook (cont.)

03

Asking rents to remain largely stable, with Class A and Prime buildings poised for growth

Asking rents were stable in H1 2026, with the market average down 0.8% year-over-year. Much of this change was availability-driven. With the absorption of in-demand Class A and Prime space, Class B space and its lower rents now account for a higher proportion of the available supply. CBRE EA projects that asking rents will see an average increase of 0.5% in H2 2026, with Prime and Class A buildings accounting for higher growth. Landlords are offering attractive tenant improvement packages and rent abatement rather than meaningfully reduced starting rents.

04

Prime and Class A assets are outpacing market-wide recovery, making the quality-tier divergence the clearest near-term investment entry point

Denver's office investment market is also finding its footing; sellers are becoming more realistic about pricing, the bid-ask gap is narrowing, and a clearer transaction market is emerging. Well-located buildings where vacancy reflects the broader market cycle rather than structural obsolescence represent the most compelling entry point for capital today.

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Industrial Market Outlook

01

A broadening tenant base is reinforcing flight to quality demand

Denver's industrial market is experiencing a flight to quality driven by a diverse and growing set of users. Third-party logistics (3PLs) remain the largest driver, while aerospace and advanced manufacturing are emerging as increasingly active participants. While demand is broadening, it's also slightly moderating compared to year-ago levels. Active tenant requirements are down 15% on the year as of June 2026, reflective of users pausing expansions or relocations largely due to higher overhead and relocation costs and amid heightened economic uncertainties. While demand is slightly decelerating, it's becoming more concentrated in higher-quality product. The Class A market accounted for 401,000 sq. ft. of positive net absorption in H1 2026 against a negative 22,000 sq. ft. total for Class B & C properties, reflective of the trend seen last year and expected to continue into 2027.

02

The construction pipeline has contracted sharply from its peak, providing structural support for vacancy improvement in supply-constrained submarkets

Following several years of supply-driven increases, vacancy has stabilized after fluctuating by 10 bps or less over the past five quarters, ending Q2 2026 at 8.7%. Despite the 59% decline in construction from its cyclical high, the influx of several new speculative projects is expected to increase vacancy by 20-30 bps over the next 12 months, according to projections from CBRE EA.

As of midyear 2026, 4.2 million sq. ft. was under construction, down 12% from a year ago. Even with several multi-building projects expected to break ground in H2 2026, the under-construction pipeline will mirror recent levels and remain far below the 10 million sq. ft in late 2021. New construction is well-positioned–with strong Class A demand and product concentrated in the Airport submarket and increasingly so in the I-25 North corridor. At the submarket level, the urban core is already effectively a landlord market, with the Airport, North and South Central submarkets having a combined direct vacancy of 6.3%.

Key Takeaways

For Owners

— Landlords should prioritize retention over new-tenant pursuit in the current environment—keeping proven tenants in place, even at modest concessions, is more capital-efficient than leasing up vacancy while the market shifts toward equilibrium. In supply-constrained urban-core submarkets, the window to push rents is opening as effective rents rise ahead of face rents. Investment activity has picked up meaningfully, with capital returning at repriced levels and appetite for well-located Class A and Class B assets growing as cap rates reset. Investors entering now in supply-constrained submarkets are buying ahead of visible market improvement, with meaningful upside as the market continues to tighten.

For Tenants

— The window of tenant leverage is narrowing but has not closed. Tenants with expirations in the next 12 to 24 months should act decisively, particularly in the Central submarkets where vacancy is already tight in order to maintain space options. Occupiers in manufacturing and distribution requiring functional Class A product should begin space planning now, as the supply of large-format new buildings will be materially lower by 2027. Class B tenants seeking right-sizing should model the total cost of relocation carefully against the available concession package.

Industrial Market Outlook (cont.)

03

Effective rents are rising in supply-constrained submarkets as landlords begin to pull back on concessions; investors are returning as pricing resets ahead of visible recovery

Rental conditions in Denver industrial are diverging meaningfully by submarket. In the tightest urban-core and well-located suburban nodes, effective rents are rising as landlords begin to reduce concession packages and new-entrant demand from aerospace, advanced manufacturing, and technology tenants supports pricing. The continued contraction of Class B tenants is pushing vacancy higher, which will keep concession pressure elevated in those segments. Operating expense pressure—rising wages, escalating insurance and energy costs—is real and affecting tenant renewal economics across the market. For investors, pricing has reset meaningfully from prior-cycle highs, and buyers who move now in supply-constrained submarkets are positioned to benefit ahead of visible rent recovery rather than after it.

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Multifamily Market Outlook

01

Market begins recovery, with occupancy on the rise. Infill markets west of I-25 already leading the recovery

The Denver multifamily market has passed its cyclical trough. Demand firmed meaningfully in H1 2026, occupancy is rising, and completions are decelerating sharply. CBRE EA projects metro occupancy to continue improving through 2027 as the delivery wave exhausts itself and absorption remains positive. Recovery will not be uniform: infill and transit-proximate locations west of I-25 are tightening ahead of the metro, while submarkets that absorbed the heaviest new supply, particularly in the Urban, Northeast and Aurora corridors, will carry an overhang further into 2027. The monthly cost of renting remains substantially below the cost of home ownership in Denver, a gap not expected to close without a meaningful decline in mortgage rates or home price correction, supporting continued renter demand across the metro.

02

The development pipeline is contracting sharply with few new groundbreakings expected, accelerating the path to recovery through the end of 2026

The new development pipeline is contracting sharply, with few new groundbreakings anticipated in the near term. Average occupancy was 94.4% as of Q2, an increase of 150 bps through midyear with a further 20 bps increase in H2 2026 as forecasted by CBRE EA. Elevated construction costs, affordable-unit requirements, and development yields below replacement cost have suppressed new starts broadly across the metro. As the post-pandemic delivery wave comes to an end, demand will absorb against a meaningfully smaller supply base in 2027—the dynamic most likely to drive the next phase of occupancy and rent recovery. For developers with entitled sites, the window to begin construction ahead of the next demand cycle is opening, though underwriting should assume delivery into a recovering, not recovered, market.

Key Takeaways

For Owners

— Acquisitions currently pencil out ahead of new development across most of metro Denver. Well-located stabilized and near-stabilized assets, particularly newer-vintage infill product with demonstrated lease-up performance, are the most attractive entry point for capital. Owners in higher-vacancy submarkets should expect a longer concession environment and should prioritize retaining existing residents through modest renewal incentives rather than cutting concessions prematurely and risking occupancy erosion. The performance gap between newer and older properties is expected to widen as new supply slows, reinforcing the value of quality and location in any hold or disposition strategy.

Multifamily Market Outlook (cont.)

03

Rent declines are bottoming out, with concessions expected to compress as deliveries slow and infill markets lead the recovery

Broad rent declines are bottoming out across metro Denver, though average rents remain below year-ago levels. After declining by roughly 6% year-over-year through H1 2026, CBRE EA is projecting 0.3% asking rent growth through YE 2026. Areas with elevated deliveries and supply overhangs have sustained aggressive concession packages, particularly in the urban core, and will remain more tenant-favorable but the decline in effective rents is stabilizing more broadly. As deliveries decelerate and absorption firms, concessions will compress over the next 12 months, with peripheral oversupplied submarkets in the East and Northeast lagging infill recovery by several quarters. Investment activity remains constrained by a persistent bid-ask spread, but improving fundamentals and expected rate stabilization should support a more active transaction market by 2027—with newer-vintage assets in infill submarkets offering the clearest path to value creation.

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Retail Market Outlook

01

Grocery, service and discount retailers are driving suburban leasing while Downtown Denver's retail recovery gains measurable traction

Tenant demand across Denver's retail market remains broad-based and active. In suburban corridors, demand from grocery, service, and discount retailers continues to outpace available supply, and active backfilling of large, vacated spaces is a consistent theme in well-located trade areas. Grocery operators, off-price retailers, and fitness and experienced-related tenants are competing for big-box vacancies in suburban locations, giving landlords of better positioned assets meaningful leverage in replacement leasing. Downtown Denver's retail recovery is gaining real traction—new businesses are opening at an accelerating pace, foot traffic is running meaningfully ahead of last year, and visitor and resident activity are tracking near pre-pandemic levels. The completed 16th Street Mall renovation is acting as a sustained catalyst, drawing both resident and tourist traffic and creating new storefront demand.

02

New retail construction remains minimal, keeping availability near record lows

New retail construction in Denver is expected to remain minimal through year-end and into 2027, with activity largely limited to suburban grocery-anchored and neighborhood and strip centers in areas of active residential growth. This supply discipline is the primary driver of near-record-low availability of 5.1% and is expected to sustain tight conditions even as some discretionary retailers moderate their expansion plans. Stubborn, low return-to-office levels and elevated build-out costs remain headwinds for downtown, but new business openings and improving traffic trends are offsetting these pressures. Availability is projected to ease only gradually over the forecast horizon, but remaining well below long-run historical averages. New supply will remain limited and largely concentrated within Neighborhood, Community & Strip and Power Centers in growing suburban locations.

Key Takeaways

For Owners

— Well-located assets should benefit from firm rent growth as availability holds near record lows across metro Denver. Pricing power is concentrated in high-traffic suburban corridors and grocery-anchored formats, where occupancy is highest and new supply is most constrained. Backfill demand for larger vacated spaces remains active, and owners with big-box vacancies in strong trade areas are well-positioned to attract expansion-minded grocers, off-price retailers, and service tenants. Owners of older, commodity assets in less differentiated locations will need to rely more heavily on rent abatement and tenant improvement packages as retailers become increasingly selective about where they commit capital.

For Tenants

— Tenants will continue to find opportunities to occupy larger vacated spaces as some established retailers selectively reduce store counts—but well-located big-box vacancies in strong suburban trade areas are attracting multiple competing users, and acting quickly is essential. Higher operating costs, including wage increases and elevated build-out expenses, remain a challenge across the market. Downtown Denver offers a growing number of locations where rent reductions and landlord incentives can meaningfully offset those costs for tenants willing to consider the urban core.

Retail Market Outlook (cont.)

03

Rent growth is on track to rank among the strongest nationally for H2 2026, as limited supply meets resilient demand

Denver's retail fundamentals are positioned for stable-to-improving conditions into 2027. CBRE EA forecasts Denver retail rent growth as one of the stronger performers among major metros, projected at 1.1% in H2 2026 and 2.2% over the next 12 months, driven by limited new supply meeting resilient demand. Soft H1 absorption reflects seasonal patterns, with the broader trajectory remaining constructive. Investment interest in Denver retail is growing from an increasingly diversified pool of investors, with pricing holding stable for well-located grocery-anchored and neighborhood centers. With limited new supply expected through 2027 and rent growth projected to outperform most major metros, the income growth outlook for well-positioned assets is among the stronger investment cases in the Denver market today.

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Life Sciences Market Outlook

01

Leasing is accelerating and VC funding has reached a post-pandemic high, pointing to a strengthening demand cycle as supply pipeline winds down

Demand indicators in Denver/Boulder life sciences are pointing in the same direction. Leasing activity has accelerated sharply over the past year, and venture capital funding is at its strongest sustained post-pandemic pace. Both are forward indicators of future demand. A stronger pipeline of active requirements will support absorption in the second half of 2026. Denver/Boulder's expansion of the qualified tenant pool into quantum computing and deep tech is a differentiated local dynamic, reducing the market's dependence on any single sector's funding cycle and creating a more durable long-term demand foundation. CBRE's U.S. outlook shows national life sciences availability declining from 22.9% to 22.5%—driven primarily by the largest clusters. Denver/Boulder's smaller, more disciplined pipeline positions the market to tighten faster than the national average.

02

The development pipeline is effectively exhausted with no new starts anticipated through early 2027, removing the primary vacancy headwind and positioning the market for declining vacancy in H2 2026

The Denver/Boulder development pipeline has quickly wound down, with the final project under construction expected to reach completion in the coming months. No new ground-up or conversion starts are anticipated through at least early 2027. This supply reset creates the conditions for vacancy to begin declining in H2 2026 as recently signed tenants complete their buildouts and new supply stops arriving. Denver/Boulder did not overbuild to the degree seen in larger life sciences clusters, and the current overhang is expected to clear more quickly as a result. The absence of new supply removes the primary headwind that has kept vacancy slightly elevated and concentrates near-term demand absorption into the existing inventory.

Key Takeaways

For Owners

— With the construction pipeline soon to be exhausted and no new starts anticipated, owners of existing purpose-built lab space are better positioned to capture demand into 2027 as supply is gradually absorbed and vacancy declines. Quantum computing and adjacent deep tech sectors continue to expand the pool of qualified occupiers—owners with the right infrastructure specifications should actively pursue these users alongside traditional life sciences tenants to maximize leasing velocity. Shorter-term lease structures and sublease offerings have proven effective in securing occupancy from growing companies, and landlords able to entertain more flexible structures are seeing more activity.

For Tenants

— The market remains tenant-favorable with stable rents and continued concession availability, but the current supply cycle is nearing its end, and conditions are unlikely to remain this accommodating in 2027. Tenants with near-term space needs should act now to capture available leverage. Several sublease options in Boulder and the Northwest submarket offer below-market rates and flexible terms—a practical path for growing companies not yet ready to commit to full-term direct leases.

Life Sciences Market Outlook (cont.)

03

The market will remain tenant-favorable through year-end with stable rents and active sublease options

Life sciences rents have remained stable and concessions continue to be available, particularly in newly converted space. Several sublease options in Boulder and the Northwest submarket offer below-market rates and flexible terms—a practical path for growing companies not yet ready to commit to longer-term direct leases. Owners with the right lab and R&D infrastructure specifications should actively pursue quantum computing and adjacent deep tech users alongside traditional life sciences tenants, as these users are now competing for the same space and expanding the qualified tenant pool meaningfully. Vacancy will begin declining in H2 2026 as tenants occupy recently leased space, and conditions are unlikely to remain this tenant-favorable beyond year-end—tenants with near-term requirements should exercise their leverage accordingly.

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