Fundamentals turn a corner as demand strengthens across the metro

▼ 28.7%
Total Vacancy Rate

▲ 179K
SF Net Absorption

▶ $34.07
FSG/YR Direct Lease Rate

▲ 708K
SF Under Construction

▲ 5.6M
SF Leasing Activity (4-Qtr)

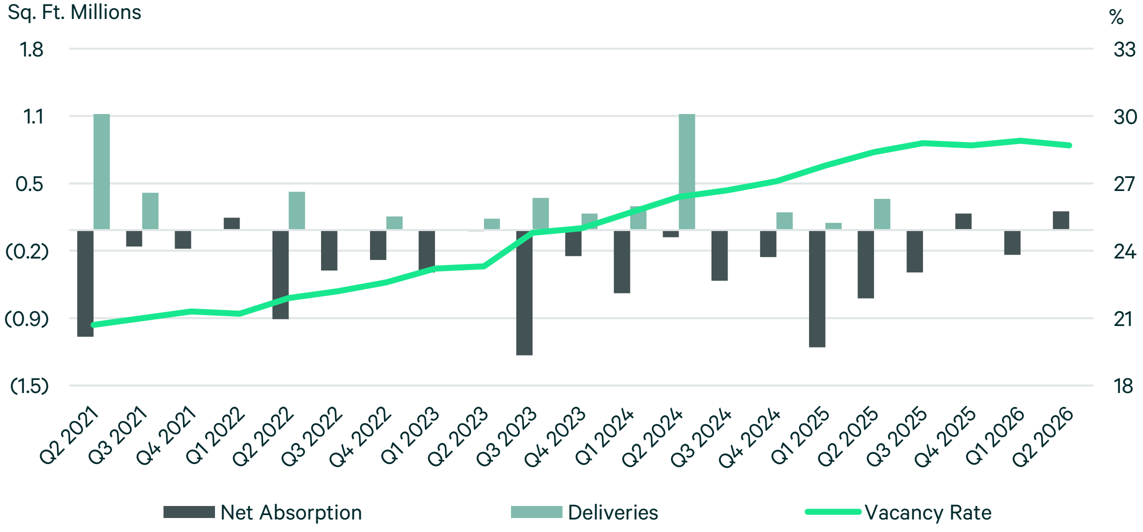
Note: Arrows indicate change from previous quarter.

Market Overview

The Denver office market posted its most encouraging quarter post-pandemic in Q2 2026, recording positive net absorption of 179,000 sq. ft. Two of the past three quarters have seen positive net absorption with a combined 77,000 sq. ft., a dramatic shift from the negative 2.2 million sq. ft. observed during the prior three-quarter period. Total vacancy edged down 20 basis points (bps) quarter-over-quarter to 28.7% and was just 20 bps above the level recorded a year ago. Sublease availability continued its steady unwind, falling 24.6% year-over-year to 3.9 million sq. ft. as corporate space shedding continues to fade. Leasing activity totaled 1.7 million sq. ft. for the quarter, the market's strongest quarterly total since Q1 2022, lifting rolling four-quarter volume to 5.6 million sq. ft. from the 5.2 million sq. ft. seen last quarter.

Investment activity firmed modestly with $222 million in volume across eight transactions, headlined by the record-setting sale of 255 Fillmore in Cherry Creek at $941 per sq. ft. The construction pipeline expanded 48.7% quarter-over-quarter to 708,000 sq. ft., as two more Cherry Creek projects broke ground, one of which is fully pre-committed. With demand strengthening and broadening across submarkets, near-term conversions poised to remove largely vacant inventory from the statistical base, and minimal new supply outside of Cherry Creek, the undersupply conversation for new prime Class A space is moving from theoretical to practical.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy Rate



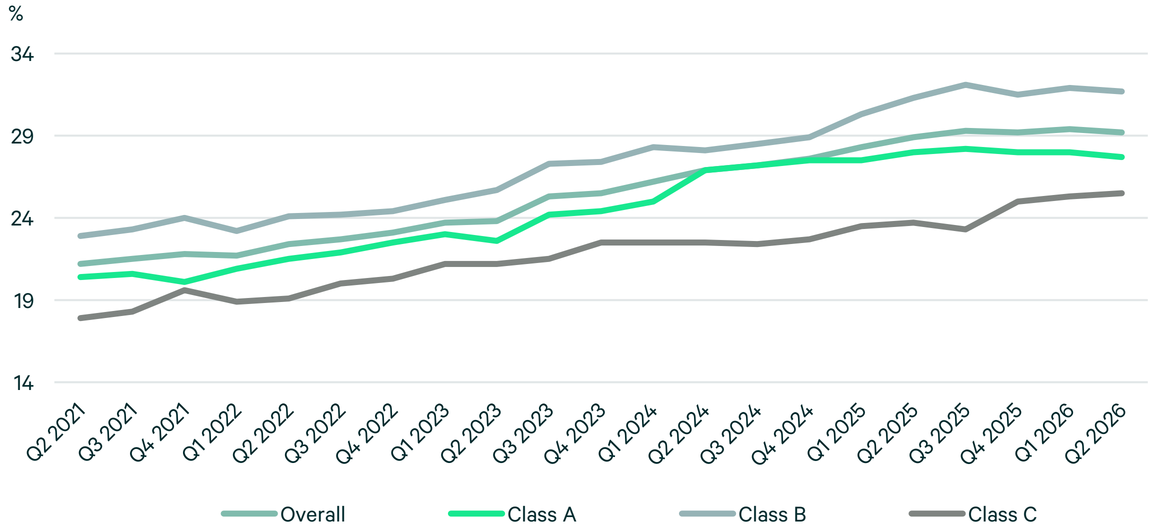
Source: CBRE Research, Q2 2026

Vacancy

Total vacancy in the Denver metro declined 20 bps quarter-over-quarter to 28.7% in Q2 2026 and was up just 20 bps on an annual basis. This was a substantial improvement from the 110-bps increase recorded in Q1 2026 and signals that vacancy may have found its ceiling. Direct vacancy also edged down 10 bps to 26.4%, notable given prior quarters pattern of sublease space reaching expiration and going direct, pulling up the direct vacancy rate. Class A total vacancy fell 20 bps quarter-over-quarter to 27.2% and was down 30 bps year-over-year, while Class B declined 20 bps to 31.3%, its first quarterly improvement in a year. The vacancy gap between Class A and B properties held at roughly 400 bps, versus 330 bps a year ago, as flight-to-quality dynamics continue to define tenant behavior even as Class B fundamentals found some footing this quarter.

Vacancy remains elevated and bifurcated by submarket. Downtown's total vacancy improved 20 bps to 38.6%, while the Southeast held steady at 26.4%. River North carried the metro's highest Class A rate at 42.3%, while Cherry Creek Class A remained the tightest at just 1.8%. At least two million sq. ft. of largely vacant Downtown inventory expected to exit the statistical base over the next 12-18 months through residential conversions and owner-user purchases remains on track, a structural shift that should improve reported vacancy independent of new leasing.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q2 2026

Asking Rent

The overall average direct asking rent in Q2 2026 was $34.07 per sq. ft. FSG, largely unchanged quarter-over-quarter and 0.8% below the average a year earlier. Headline stability continues to mask the real negotiation: active tenants retain considerable leverage, and landlords are competing primarily through elevated concession packages rather than adjusting face rates. Class A asking rents slipped 0.4% quarter-over-quarter to $39.52 per sq. ft. FSG and were down 0.7% year-over-year. Class B rates, by contrast, rose 0.8% quarter-over-quarter to $31.06 per sq. ft. FSG, reversing last quarter's decline, likely a function of the highest-quality Class B availabilities commanding the market's attention as Class A options in prime locations tighten.

Among the submarkets, River North posted the highest average direct asking rate at $48.22 per sq. ft. FSG, followed by the Downtown submarket at $41.19 per sq. ft. FSG. Cherry Creek averaged $39.30 per sq. ft. FSG on an overall basis, but that figure climbs to $68.32 per sq. ft. for Class A space alone, underscoring the premium occupiers continue to pay for best-in-class product in the metro's tightest submarket.

Figure 3: Average Direct Asking Rate by Class

Source: CBRE Research, Q2 2026

Net Absorption

Total net absorption in Q2 2026 was positive 179,000 sq. ft., a swing of 437,000 sq. ft. from the negative 258,000 sq. ft. recorded in Q1 2026 and the market's strongest quarterly reading in post pandemic. Class A contributed 118,000 sq. ft. of positive absorption while Class B added 87,000 sq. ft. the second quarter in the past three in which both major classes posted gains. Year-to-date absorption stands at negative 79,000 sq. ft., compared with negative 1.8 million sq. ft. at the same point in 2025, a clarification of the market's stabilization and shift toward positive demand.

Notably, the quarter's gains were granular rather than concentrated: no single move-in exceeded 31,000 sq. ft., with occupancy growth instead built on a broad base of small and mid-size commitments. Downtown led all submarkets at positive 66,000 sq. ft., rebounding from last quarter's negative 56,000 sq. ft., a result achieved despite Schlumberger vacating 51,000 sq. ft. at Denver Energy Center, which was offset by move-ins including Industrious at The Lab,, Merrick and Co. at Lincoln Crossing Tower I and Intrepid Potash at Republic Plaza.

Occupancy losses were concentrated in Boulder at negative 48,000 sq. ft., driven almost entirely by Medtronic's 47,000 sq. ft. departure from Corporate Place 4 in Gunbarrel, followed by Capitol Hill at negative 22,000 sq. ft. with Alps giving back space at 1290 N Broadway.

Construction Activity

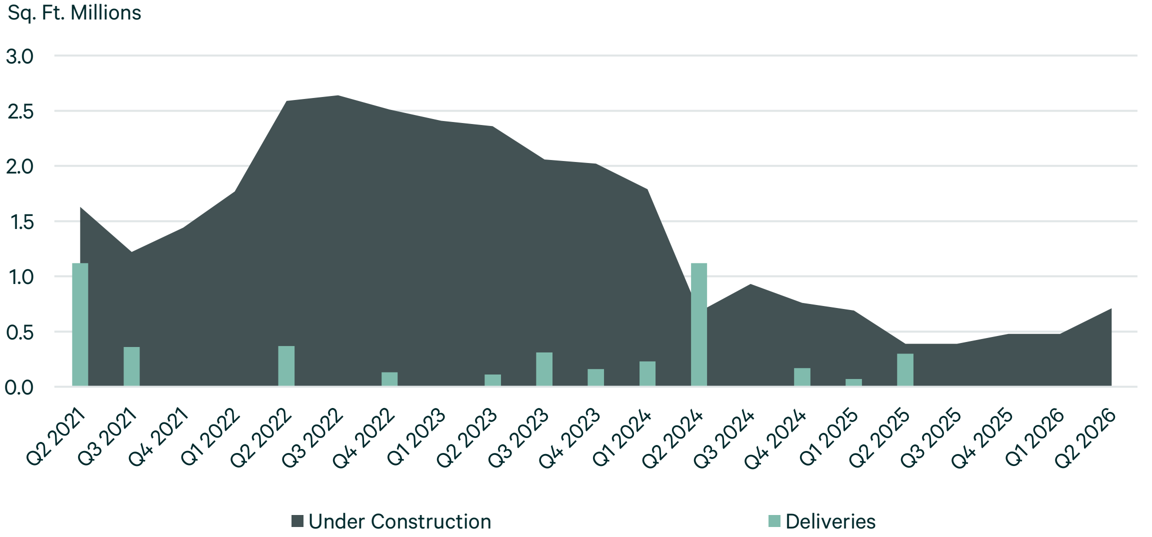
The construction pipeline expanded meaningfully in Q2 2026, rising 48.7% quarter-over-quarter to 708,000 sq. ft., the largest total in more than a year, though still well below the 2.6 million sq. ft. peak in Q3 2022. The quarter marked the fourth consecutive with zero new deliveries. Cherry Creek further cemented its position as metro Denver's dominant development corridor, with the pipeline's growth driven entirely by the submarkets two new groundbreakings: 250 Clayton, at 172,815 sq. ft. is now the largest project underway in the metro, and 101 Clayton Lane, a 59,000 sq. ft. a boutique project fully committed following UMB Bank's 59,000-sq.-ft. lease. Cherry Creek now accounts for 517,000 sq. ft., or roughly 73% of the metro's total pipeline.

Beyond Cherry Creek, the pipeline remains lean. Clayworks in Golden, spanning 165,724 sq. ft., is nearing completion and is expected to be more than 62% occupied by owner CoorsTek upon delivery. Looking ahead, 225 Timber and One Cherry Creek West remain slated for a 2026 groundbreaking, which would add another 326,000 sq. ft. to Cherry Creek's tally. With tenant demand demonstrably concentrated where supply is most constrained, well-capitalized developers continue to find conviction in prime locations even as the broader metro pipeline sits near cyclical lows.

Figure 4: Net Absorption Trend

Source: CBRE Research, Q2 2026

Figure 5: Construction Activity



Source: CBRE Research, Q2 2026

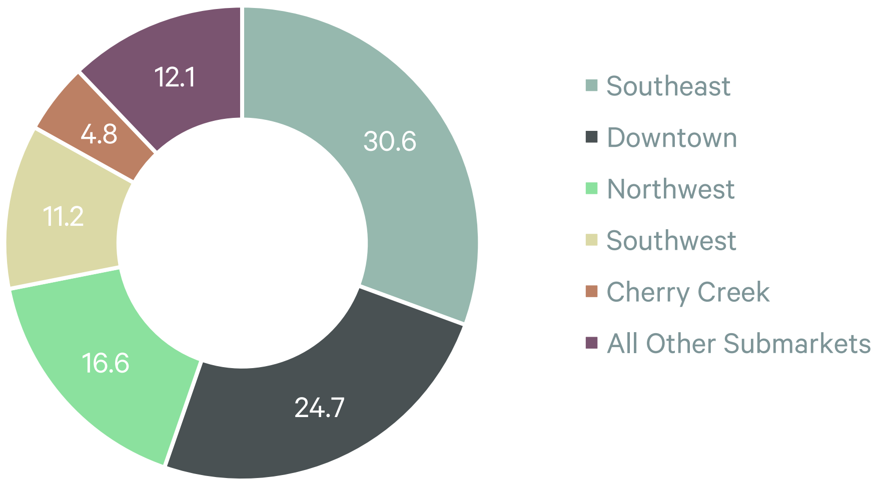
Leasing Activity

Total leasing activity in Q2 2026 reached 1.7 million sq. ft., the market's strongest quarterly total since Q1 2022, up from the 1.5 million sq. ft. last quarter and an increase of 394,000 sq. ft., or 30.2% from a year earlier. The gain lifted rolling four-quarter volume to 5.6 million sq. ft. from the 5.2 million sq. ft. in Q1 2026, leaving it essentially unchanged compared to the Q2 2025 total and signaling that tenant demand is genuinely expanding rather than merely stabilizing.

New leases and expansions accounted for 918,000 sq. ft. or 54.1% of Q2 2026 activity and 3.1 million sq. ft. or 54.4% of the rolling four-quarter volume, a heathy mix of continued occupier commitment and new demand growth. Class A properties captured 1.1 million sq. ft. or 65.8% of quarterly activity and 3.6 million sq. ft. or 63.6% of rolling four-quarter activity, further reinforcing the commanding flight-to-quality trend seen across the metro.

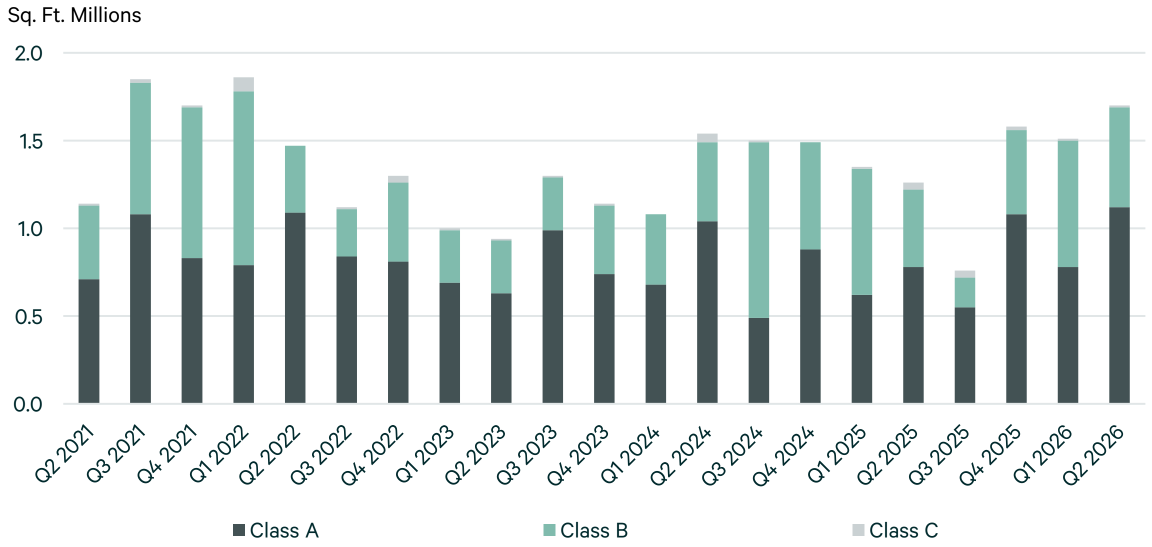
The Southeast posted the highest quarterly activity at 520,000 sq. ft., followed by Downtown at 419,000 sq. ft. and the Northwest at 283,000 sq. ft. On a rolling four-quarter basis, Downtown leads the metro at 1.8 million sq. ft. or 32.0% of total activity. Aerospace & Defense dominated the quarter with 508,000 sq. ft of total activity followed by Technology at 215,000 sq. ft., though the sector leads the rolling four-quarter total at 927,000 sq. ft. or 16.5% of total volume.

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



Source: CBRE Research, Q2 2026

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Lockheed Martin	191,000	New Lease	8742 Lucent Blvd	Southwest
United Launch Alliance	144,000	Renewal	9501 E Panorama Cir	Southeast
United Launch Alliance	106,000	Renewal	7630 S Chester St	Southeast
Infleqtion	88,000	Renewal	1315 W Century Dr	Northwest
Highridge Medical	74,000	Renewal	10225 Westmoor Dr	Northwest
UMB Bank	59,000	New Lease	101 Clayton Ln	Cherry Creek
Colorado Office of the State Public Defender	57,000	Renewal/Expansion	410 17th St	Downtown
SM Energy	50,000	New Lease	1700 Lincoln St	Downtown

Source: CBRE Research, Q2 2026

Investment Trends

Office investment activity in the Denver metro moderated in Q1 2026, but firmed in Q2 2026, with eight transactions contributing to a total quarterly sales volume of $222 million at an average price of $174 per sq. ft. A healthy uptick from $202 million across seven transactions at $101 per sq. ft. in Q1 2026, with the pricing jump reflecting a materially higher-quality mix of assets trading.

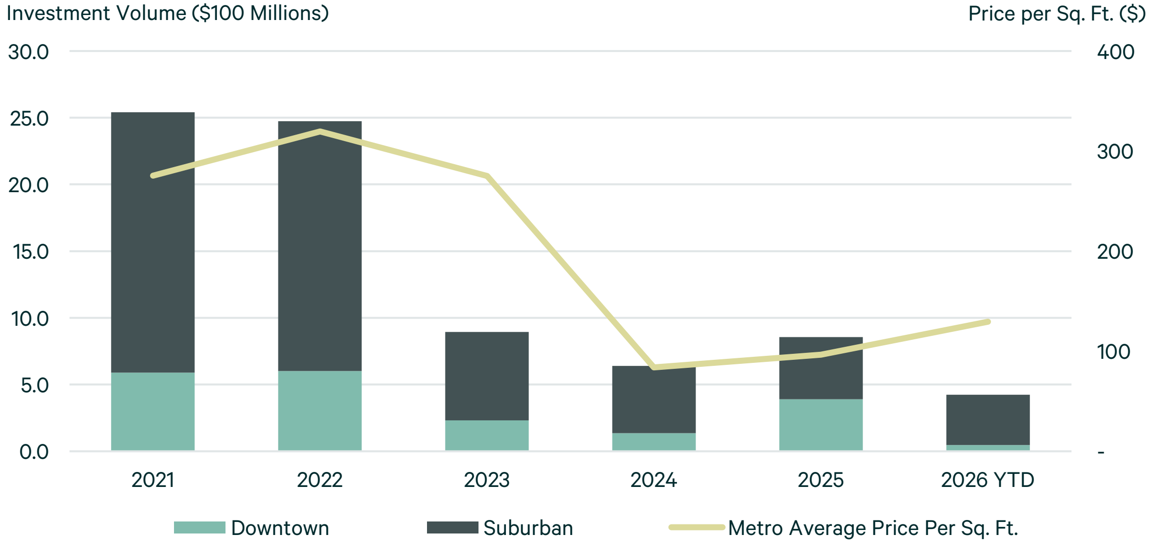
The standout transaction of the quarter was Tradition Senior Living's $92.5 million acquisition of 255 Fillmore St in Cherry Creek from BMC Investments at $941 per sq. ft., among the highest prices per sq. ft. ever recorded in the Denver metro. Combined with the $14.6 million sale of 155 S Madison at $333 per sq. ft., Cherry Creek accounted for nearly half of quarterly volume across just two transactions. At the other end of the spectrum, the Southeast recorded four transactions totaling roughly $86 million at a blended $95 per sq. ft., as value-add and basis-driven buyers continued to dominate suburban activity. Boulder Community Health's owner-user purchase of The Village at Burlington in Longmont, meanwhile, extended the trend of user acquisitions removing space from competitive inventory. With distressed and maturing-debt situations still working through the market, reset-basis suburban transactions are expected to continue driving deal count through the balance of 2026.

Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom remains a key driver of the expansion, and despite valid concerns about its sustainability, AI-related business investment is expected to continue. The more pressing concern has been the U.S./Iran conflict's impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the peace deal announced in June come to fruition, inflation would ease to the upper-3% range by year-end, though stickier inflation has already pushed Treasury yields well above 4%, complicating real estate markets. Normalized trade flows in the Persian Gulf could refresh the optimism the CRE market felt entering the year.

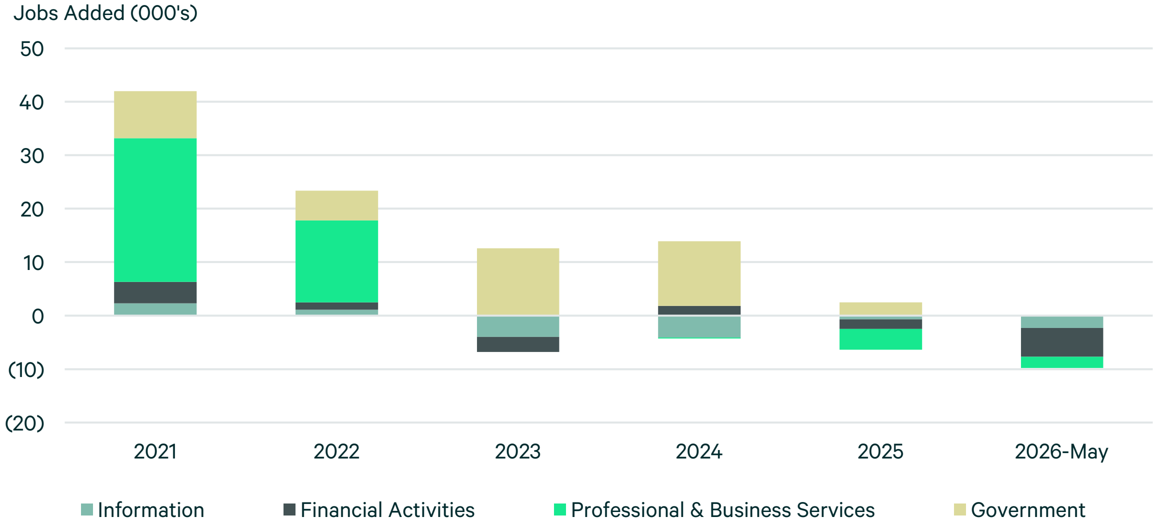
Total non-farm employment in metro Denver continued to contract modestly, declining by 10,600 jobs or 0.6% year-over-year as of May 2026. Office using employment—including jobs in the information, financial activities, professional and business services, and government sectors—fell 1.2% over the same period, a loss of 9,800 jobs. Financial activities posted the greatest decline, shedding 5,400 jobs, followed by information at 2,300 and professional and business services at 2,100 while government employment held flat. Metro Denver's unemployment rate stood at 3.6% in May 2026, down 30 bps year-over-year and below the national rate of 4.1%.

Figure 9: Investment Sales



Source: CBRE Research, Q2 2026

Figure 10: Office-Using Employment Growth



Source: CBRE Research, Q2 2026

Market Statistics

Figure 11: 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	-	-
Prime	4.01M	26.9	24.5	24.4	4.7	63.89	7,000	10,000	-	-
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**	**-**	**-**

Figure 12: 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	39.27M	26.0	23.0	30.2	4.5	34.63	10,000	26,000	-	708,000
Prime	1.86M	5.9	3.6	22.9	8.0	60.43	(7,000)	(26,000)	-	-
Class B	35.22M	26.7	24.4	31.1	2.9	26.51	156,000	(113,000)	-	-
Class C	9.41M	14.6	14.3	16.2	0.4	21.76	(40,000)	(1,000)	-	-
Total	**83.91M**	**25.0**	**22.6**	**29.0**	**3.4**	**29.97**	**113,000**	**(88,000)**	**-**	**708,000**

Figure 13: 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	52.77M	27.2	24.6	30.9	4.5	39.52	118,000	117,000	-	708,000
Prime	5.87M	20.2	17.9	23.9	5.7	63.18	(1,000)	(16,000)	-	-
Class B	49.15M	31.3	28.7	35.7	3.0	31.06	87,000	(141,000)	-	-
Class C	13.01M	25.0	24.6	23.8	0.4	25.24	(26,000)	(55,000)	-	-
Total	**114.93M**	**28.7**	**26.4**	**32.1**	**3.4**	**34.07**	**179,000**	**(79,000)**	**-**	**708,000**

Source: CBRE Research, Q2 2026

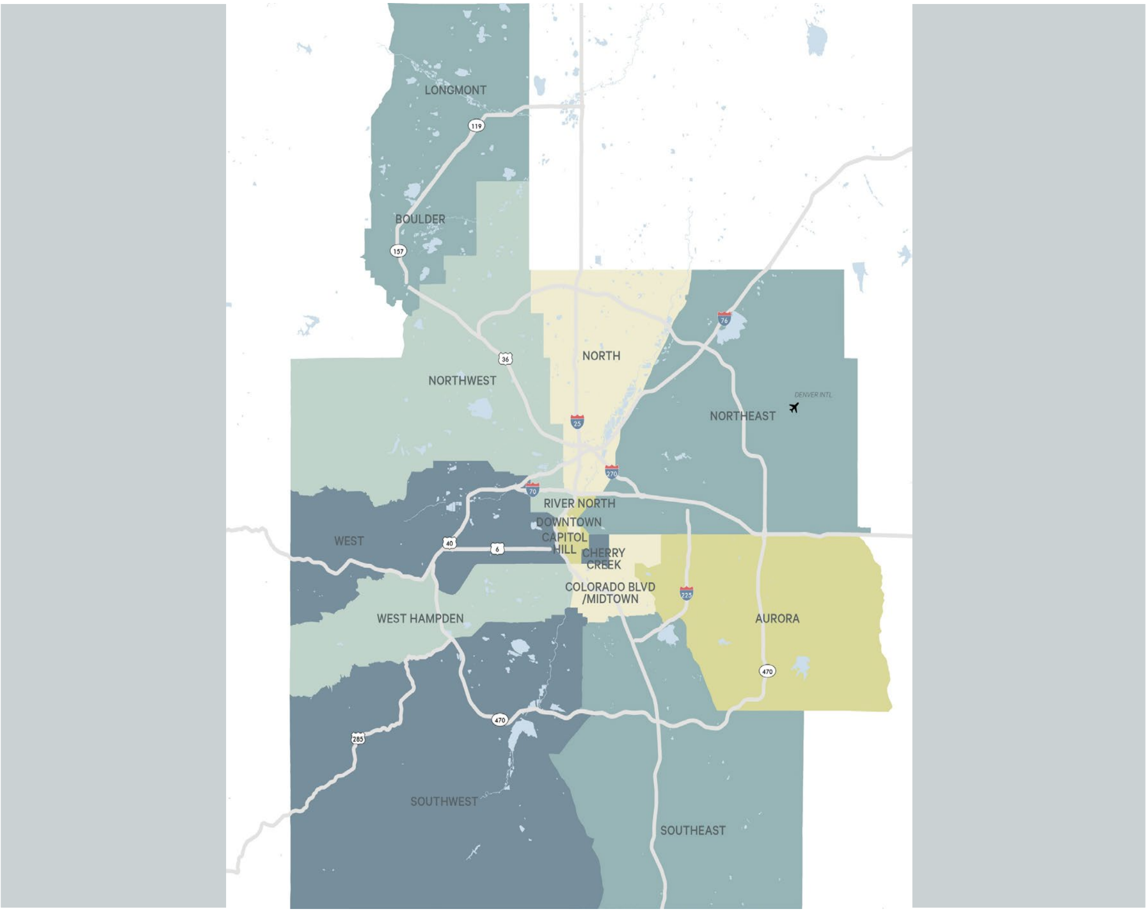
Market Statistics by Submarket

Figure 14: 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	5.67M	24.0	23.9	26.9	0.5	21.23	(2,000)	(54,000)	-	-
Boulder	6.47M	26.3	23.1	32.2	4.2	39.49	(48,000)	(182,000)	-	-
Capitol Hill	2.31M	30.5	28.0	32.2	2.8	28.11	(32,000)	(28,000)	-	-
Cherry Creek	2.99M	12.8	11.7	15.3	1.6	39.30	(6,000)	(6,000)	-	517,000
Colorado Blvd/Midtown	6.58M	21.7	20.0	22.6	1.8	27.36	49,000	54,000	-	-
Downtown	31.02M	38.6	36.6	40.6	3.5	41.19	66,000	9,000	-	-
Longmont	814,000	9.5	9.5	10.1	-	21.96	(5,000)	(8,000)	-	-
North	2.91M	17.7	17.7	21.9	0.4	24.02	15,000	28,000	-	-
Northeast	1.13M	21.3	21.3	27.8	-	27.35	(26,000)	(14,000)	-	-
Northwest	8.77M	30.5	25.6	33.9	5.1	30.29	32,000	(63,000)	-	25,000
River North	3.15M	42.3	38.0	46.4	8.1	48.22	33,000	44,000	-	-
Southeast	31.27M	26.4	23.4	31.8	4.7	29.50	35,000	175,000	-	-
Southwest	4.29M	17.6	17.5	15.9	0.2	23.09	28,000	38,000	-	-
West	6.47M	20.0	18.0	25.2	1.6	27.37	46,000	(54,000)	-	166,000
West Hampden	1.10M	26.8	25.8	29.2	1.0	19.85	(4,000)	(19,000)	-	-
Total	**114.93M**	**28.7**	**26.4**	**32.1**	**3.4**	**34.07**	**179,000**	**(79,000)**	**-**	**708,000**

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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