



TRANSWESTERN

REAL ESTATE  
SERVICES

# DENVER OFFICE MARKET

## Q4 2024



### TRENDLINES

	Q4 2023	Q4 2024	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
Unemployment Rate	3.2%	4.5%	↑	4.6%	↔
Net Absorption (MSF)	(0.159)	(0.237)	↓	(0.340)	↑
Overall Vacancy Rate	16.5%	18.6%	↑	15.3%	↔
Overall Vacant SF (MSF)	22.549	25.898	↑	19.976	↔
Under Construction (MSF)	2.329	1.514	↓	1.857	↔
Asking Rent (PSF)	\$32.71	\$32.44	↓	\$31.24	↔
Sales Volume (Millions)	\$198.433	\$335.22	↑	\$371.44	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

### OFFICE MARKET OVERVIEW

#### 2024 Closes on Upbeat Figures

To close out a rollercoaster of a year, the Denver market saw marked improvements across most commercial metrics. Vacancy and net absorption may have continued down it's negative trajectory, but their rate of decline was stunted by growing consumer confidence following the election close. While much of the nation is optimistic for a protectionist economic and foreign policies, there will likely be short to mid-term shocks to the economy as the market navigates the downstream effects of his plans for trade, immigration, and government spending policies.

Over the last quarter of 2024, employment throughout the nation has remained relatively steady. This in combination with relatively lower but persistent inflation had caused multiple rate cuts the Federal Funds Rate. As national consumption and therefore inflation has remained within reasonable levels, it appears that the US had avoided a recession for the time being.

Construction and rents have both remains stagnant as fears over rising input costs and unfavorable financing conditions. Going into 2025, the Denver metro appears well positioned to see recovery in leasing activity and absorption with return to office sentiment on the rise and favorable policy positioning for the overall commercial market.



### ECONOMY

#### High Hopes Outweigh an Uncertain Future

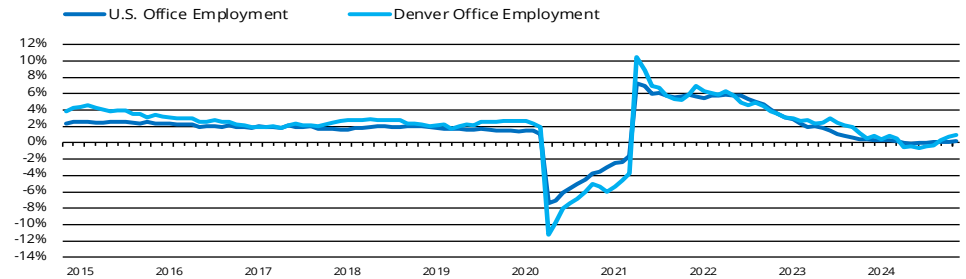
CPI measures proved to be stubborn through 2024's last quarter and by December the FOMC had opted for 3 consecutive rate cuts in the preceding months. While the lowered Fed rates typically signal lower mortgage rates, 10-year treasury rates, and easing financing conditions, the opposite has occurred. As such, money has not been flowing as freely into the economy.

Many are eyeing the Bureau of Labor Statistics with fears of rising unemployment. National unemployment has kept relatively steady staying just around 4.2% but Denver has not fared as well. From August through November, the Denver metro saw unemployment increase by 0.1% from 4.4% to 4.5%. Over the year, employment figures behaved in similar fashion to that of the SE leasing market with brief bouts of weakness in line with projections, but primarily characterized by stabilization.

From a year-over-year perspective, Education and Government lead job growth with increases in employment of 2.8% and 2.6% respectively. Quarterly, these verticals were also the biggest gainers with Government leading the charge at 3.8% and Education at 2.6%.

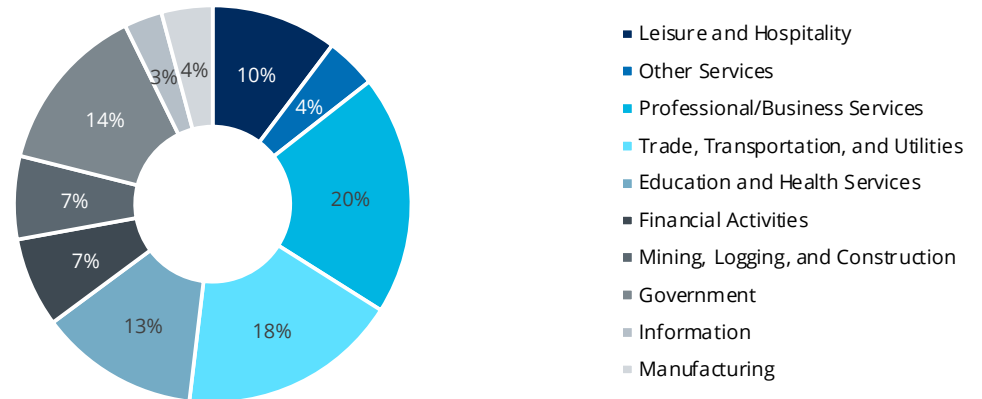
The biggest year-over-year drags on employment came from the Information and Trade, Transportation, & Utilities sectors. They each had contracted 2.3% and 1.2% over the year. Quarterly, the Leisure and Hospitality and Financial Activities verticals faced the greatest challenge, shrinking by 4.7% and 2%. Moving forward, the market will be taking close note of the effects financial policy on the job market, with many expecting the new president's policies to be softer on corporate taxes. There may be some relief in the coming year.

### Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY Denver



Source: Bureau of Labor Statistics, Transwestern



### NET ABSORPTION

#### Absorption Quietly Rebounds

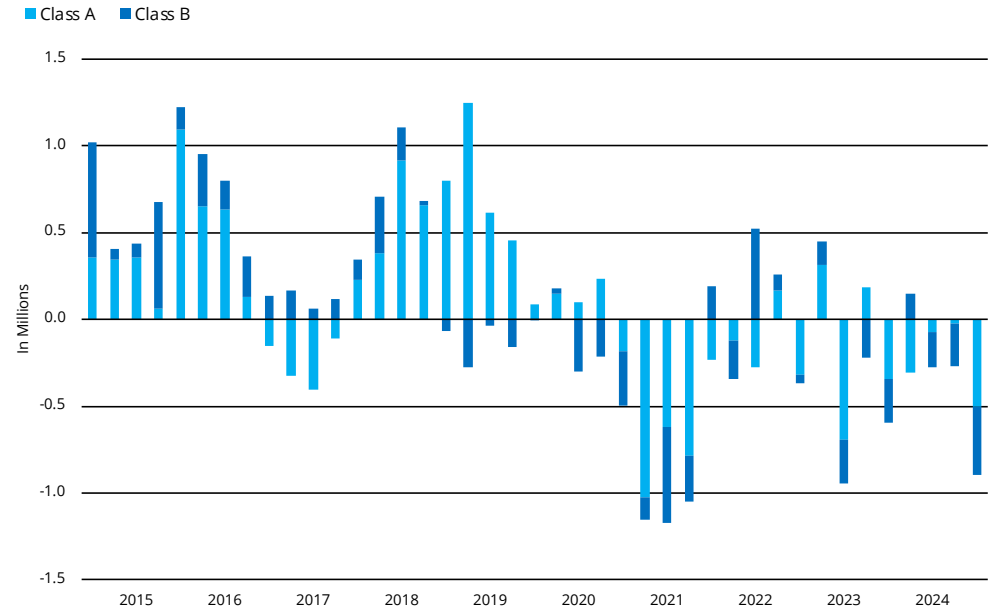
After some of the highest negative net absorption seen since the pandemic, Q4 reported noticeable stabilization in negative net absorption. Corrected net absorption came in at -236,836 SF between Class A and Class B properties with an especially strong showing from Class B leasing which had seen the first positive absorption since Q4 of last year. This represents a 48% quarter-over-quarter rebound and just over 1% year over year growth. Tenants have been optimistic with growing clarity in the political future of the nation and activity has begun to return to most markets with growing reduction in full remote work across many different industries.

Broken out by class, Class B saw 224,000 SF while Class A buildings saw - 461,000 SF of net absorption. To compare, last year Class B buildings net absorption totaled at 225,000 SF while Class A buildings gave back 448,000 SF to the market. It's reassuring to see that overall net absorption is inching up, especially on the back of weaker results from last quarter.

The absorption leader for the metro was the Southeast submarket which had logged just under 150,000 SF of positive absorption. This is a welcome bounce back considering the Southeast submarket lead the metro in last quarter's negative absorption.

On the other hand, the negative absorption leader for the metro was the Northwest & Broomfield cluster. Over Q4, this submarket returned 278,000 SF lead mostly by the vacating of 69,000 SF in the Oracle 1 building in October.

### NET ABSORPTION BY CLASS



Source: CoStar, Transwestern



### VACANCY & AVAILABILITY

#### Vacancies Continue to Outpace Leasing Activity

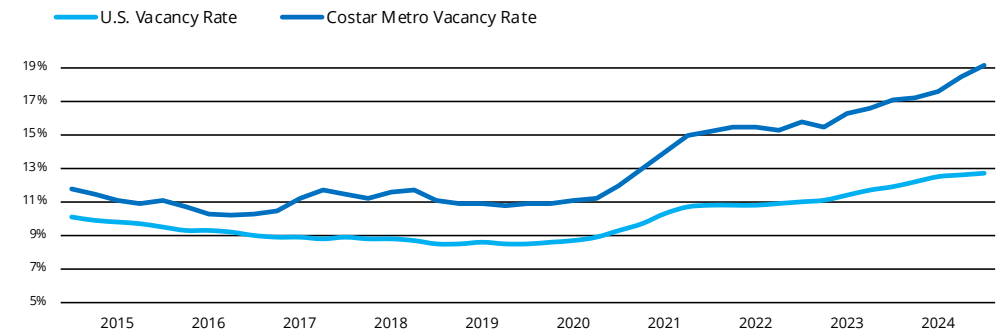
At 19.6%, vacancy has found a way to push higher still. Luckily, the rate of vacancy growth has returned to its lowest rate since the start of the year. With a quarter-over-quarter increase of 0.4% and a year-over-year increase of 2.4%, this marks nine consecutive quarters of vacancy growth. Denver continues to feel the aftereffects of its tech dominated leasing environment. While many other industries like Law, Energy, and Aerospace have kept the market afloat, Tech companies continue to shed space and look for areas of cost cutting amidst an ever more expensive cost environment. It is likely that this vacancy expansion, while potentially slower in rate, will not be stifled moving into the new year.

In line with absorption, the metro was primarily weighed down by Class A vacancy which grew from 22.2% to 22.8% over the quarter. On the year, Class A vacancy is up 2.9%. Class B vacancy however, kept stable growing on the quarter by 0.1% from Q3's 15.7% to 15.8%. The year over year delta amounted to 1.7%.

Quarterly vacancy growth was the highest in the Northwest & Broomfield market which is in line with that clusters absorption metrics. This submarket saw vacancy climb by 2.5%. Yearly vacancy continues to be led by the Downtown cluster which saw vacancy climb 3.2%.

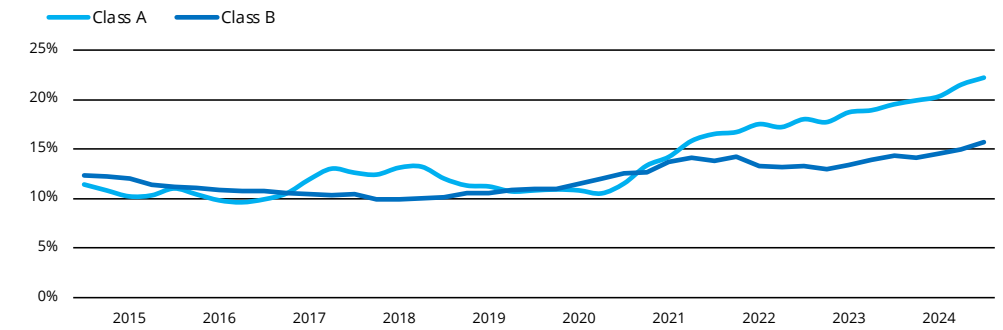
The North submarket cluster led the market on a quarterly and yearly basis. Quarter-over-quarter vacancy had shrunk by 2.5%, while year-over-year vacancy has contracted a total of 4.7%.

### OVERALL VACANCY RATE



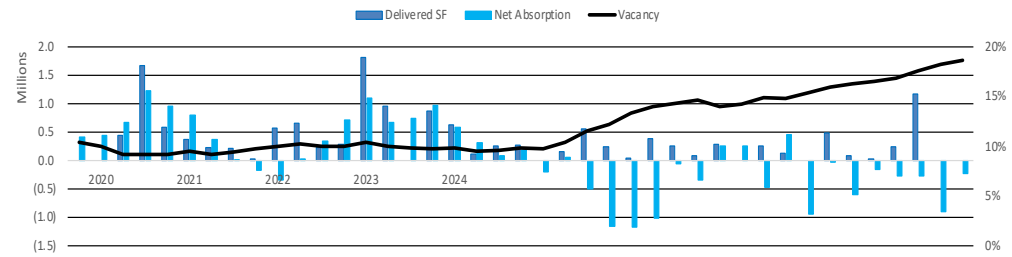
Source: CoStar, Transwestern

### OVERALL VACANCY RATE BY CLASS



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern



### UNDER CONSTRUCTION

#### Limited Appetite for New Product

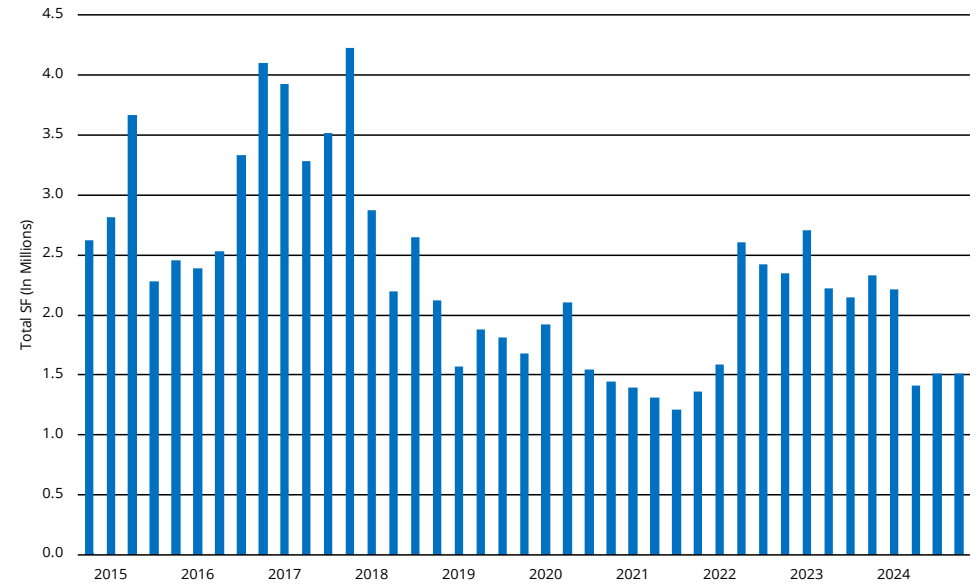
At 1.5 MSF the construction pipeline for the Denver metro remains one of the largest in the country. No new space was completed nor added to the market with all active projects are in progress. Of these active projects less than half of the projected spaces are currently pre-leased which represents a looming issue in terms of vacant space that is slated to enter the market.

Currently, 11 out of the 12 active construction projects are high-quality Class A developments. Despite a general softening in demand for office space across most major markets, newer mixed-use Class A properties have continued to show strong leasing and absorption performance. This trend reflects tenant preferences for modern, amenity-rich spaces that align with evolving workplace needs. Notably, eight of the ongoing projects are for buildings exceeding 100,000 square feet, with two surpassing 300,000 square feet—underscoring a continued appetite for large-scale, premium office environments. Looking forward, tariffs and the coming change in immigration policy that can result in labor supply shocks remain potential headwinds in addition to the overall demand for office space.

For construction projects in the Denver market slated for completion this year, check out the following developments:

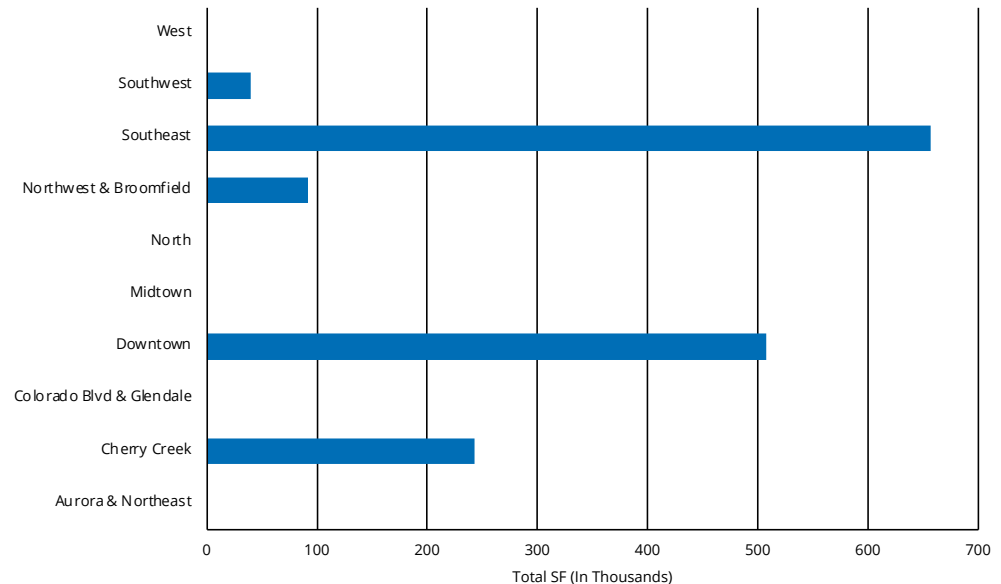
- Steel House (Downtown / Platte River)
- 2926 LoHi (Northwest Denver)
- 11705 Quantum Pky (Broomfield)
- 3083 Walnut St (Downtown / LoDo)
- 12120 Quantum Pky (Broomfield)

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern



### LEASING AND RENTAL RATES

#### Rates Steady

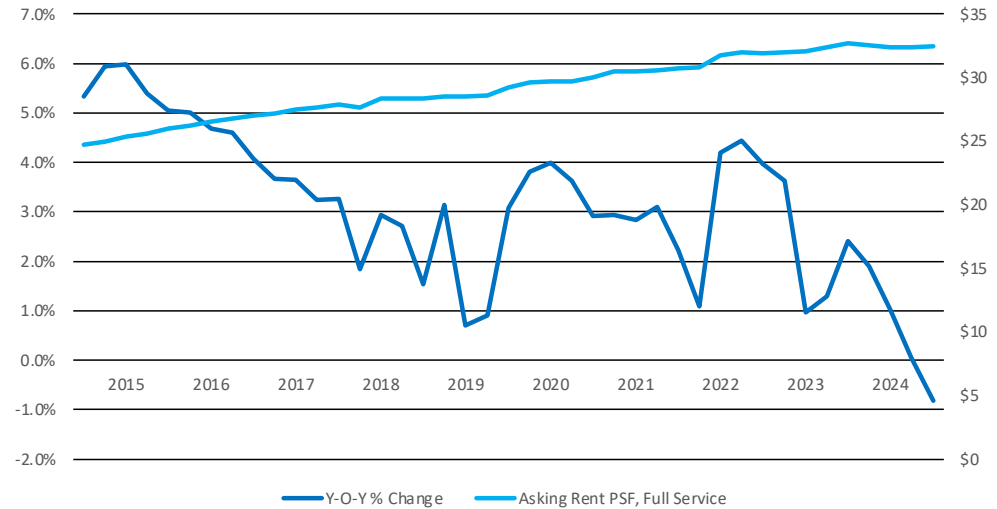
Base direct rates have kept put for another quarter. Weighted average rates by total inventory have decreased by \$0.01 over the quarter from \$24.82 to \$24.81. Year-over-year weighted rates have decreased by \$0.43 or about 1.7%. This is fairly in line with the overall reduction in demand that has taken place since the pandemic has shifted tenant preferences. In most cases, landlords have opted to keep base rates in place focusing on concessions and TI to draw in new tenants.

Class A rent growth outpaced Class B rent which in part could explain the absorption growth within Class B spaces for the quarter. Class B rents fell \$0.12 from \$23.12 or less than 1% while Class A rates grew a marked \$1.73 from \$25.74 or 6.7%. On the year, Class B rents have fallen \$0.24 from \$23.24 or just over 1% and Class A rents grew \$1.21 or 4.6%.

The submarket with the greatest year-over-year rate contraction was the Midtown cluster reporting a stark 23.5% drop or \$5.86. Fortunately, it appears that the efforts to lower base rates have resulted in positive four quarter absorption, a feat not every submarket has been able to claim. It is worth noting that although base rates have fallen this far, full-service year-over-year rates have climbed \$0.17, further pointing to the fact that landlords are opting for lower base rates in exchange for passing costs to the tenants in terms of OPEX.

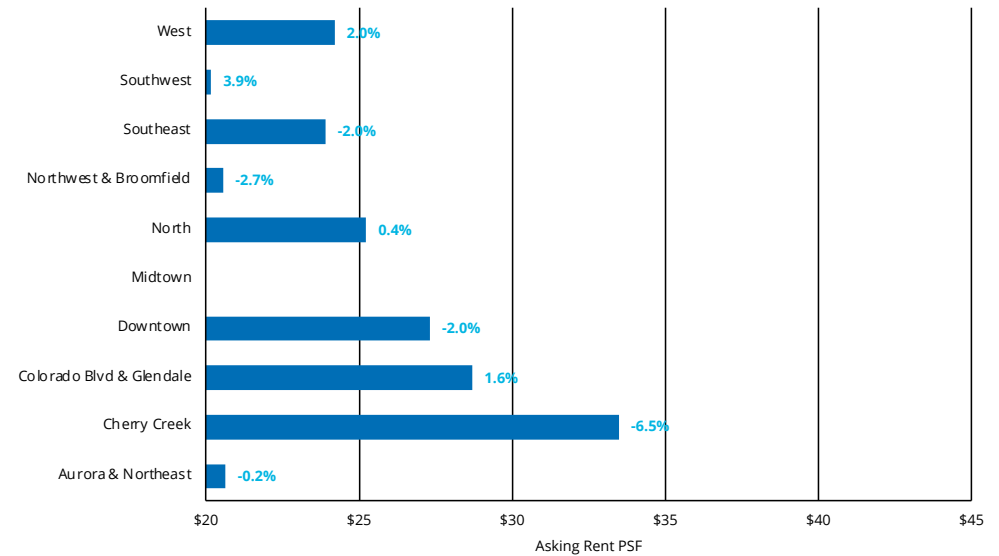
In terms of rate expansion, the Southwest submarket exhibited the most year-over-year growth rising \$0.76 from \$19.40 or 3.9%.

### ASKING RENT



Source: CoStar, Transwestern

### ASKING RATES BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern



### SALES

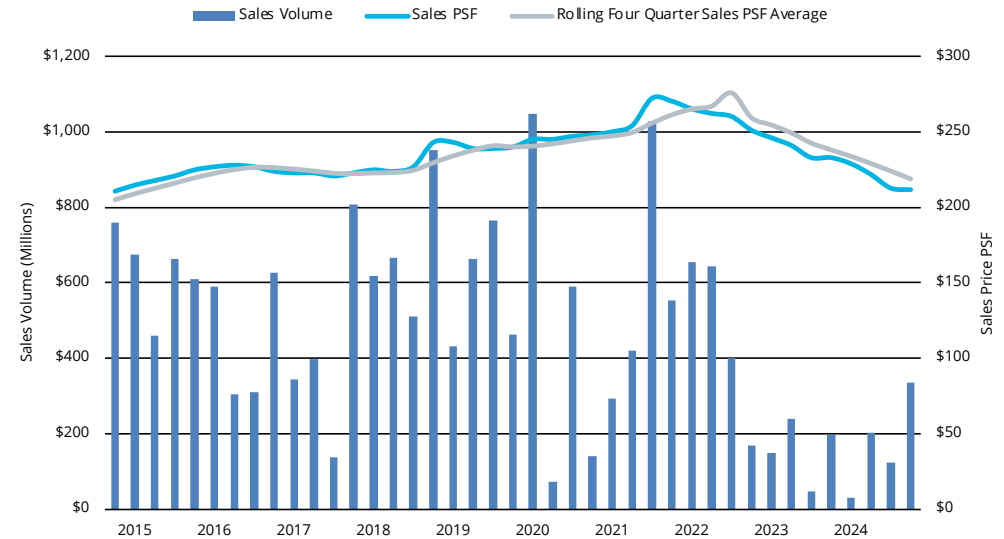
#### Investment Volume Comes to Life

Q4 brought forth a strong wave of investment sales. Over \$335 million in sales volume had closed this past quarter representing a 172.3% jump over Q3's \$123 million. Generally, there is a increase in sales that coincides with the end of the year, but even compared to last year's \$198 million these figures represent a 69% jump. Unfortunately, while investment volume has more than doubled, sales per square foot has come down by \$5 a square foot to \$219.

The buyer capital composition has continued to shift away from cross-border and institutional acquisitions. Most acquisitions continue to be closed by private owners at 41.3% of deals followed by institutional owners at 28.3%. The group with the most growth in proportion of total Denver metro acquisition as evidenced by the sale of highlight was the User/Other group which as seen a near 20% increase to 25.1%.

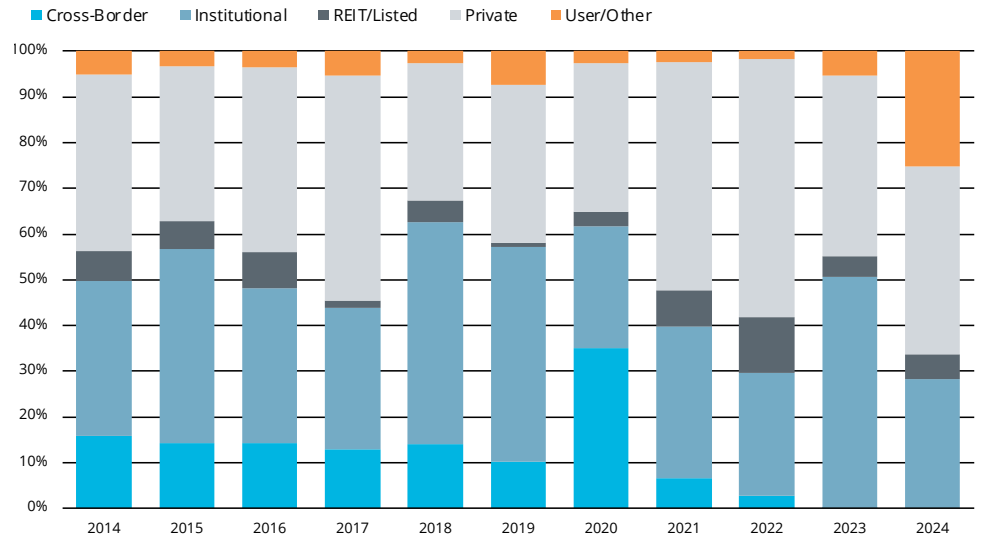
This quarters sale of highlight is the acquisition of the previous TTEC headquarters, 9197 S Peoria St. TTEC had operated in the building for over two decades but had relocated to 6312 S Fidler's Green Circle. The 1999 constructed 270,000 SF class A building was purchased by CommonSpirit Health and features a 750 auditorium, gym, and café and closed in November of 2024 for a price of \$45.5 million or about \$168 per SF.

### SALES VOLUME



Source: CoStar, Transwestern

### BUYER CAPITAL COMPOSITION



Source: CoStar, Transwestern



## NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
<a href="#">Ibotta</a>	16 Market Square	LoDo	New Lease	85,000
<a href="#">Stack Infrastructure</a>	Meridian Int'l Bus Ctr	Meridian	New Lease	81,063
<a href="#">STRIVE</a>	16 <sup>th</sup> Street	CBD	New Lease	62,095
<a href="#">Pax8</a>	Palazzo Verdi and Fiddlers Green II	Greenwood Village	New Lease	50,930

Source: CoStar, Transwestern

## NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
<a href="#">9197 S Peoria St</a>	Meridian	\$45,000,000	271,678	\$166	CommonSpirit Health	TTEC
<a href="#">3600 Brighton Blvd</a>	Platte River	\$33,635,700	170,000	\$198	Blackstone Inc.	Shorenstein Properties
<a href="#">17455 E Exposition Dr</a>	Aurora	\$27,300,000	104,136	\$262	Easterly Government Properties, Inc.	Tritower Financial Group
<a href="#">7887 E Belleview Ave</a>	Denver Tech Center	\$20,000,000	201,670	\$99	Real Capital Solutions, Inc.	Endeavor Real Estate Group

Source: CoStar, Transwestern



## MARKET INDICATORS

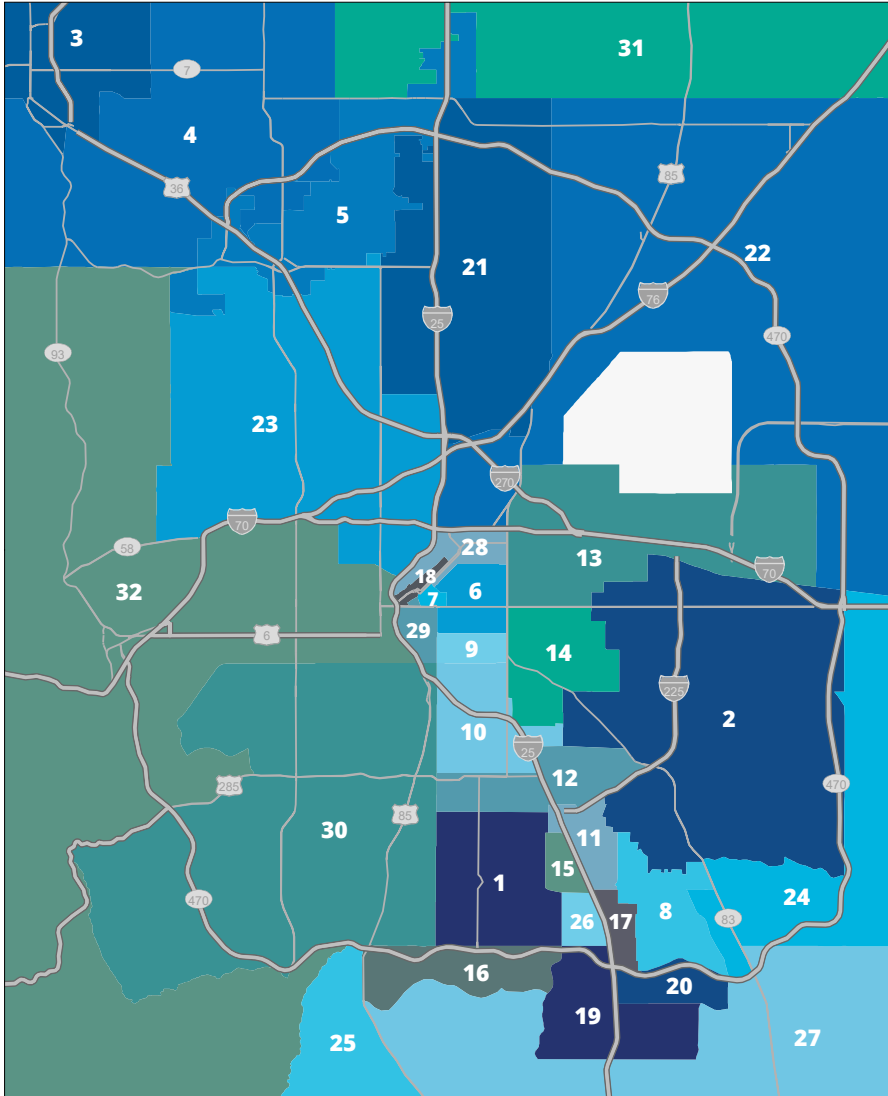
Class A &amp; B | Q4 2024 (Direct Leasing)

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF DIRECT	ASKING RENT PSF SUBLEASE
Aurora & Northeast	7,521,672	917,811	12.2%	13.9%	0	(46,166)	(147,169)	\$20.63	\$18.81
Cherry Creek	3,086,113	175,287	5.7%	7.3%	243,169	6,648	198,880	\$33.48	\$75.34
Colorado Blvd & Glendale	7,300,452	1,260,509	17.3%	19.9%	0	41,318	41,318	\$28.69	\$15.23
Downtown	41,864,950	11,237,595	26.8%	29.7%	507,860	(152,811)	(737,293)	\$27.30	\$24.20
Midtown	2,873,851	372,667	13.0%	15.8%	0	(116)	5,487	\$19.08	\$15.87
North	2,343,888	194,798	8.3%	10.7%	0	30,939	82,543	\$25.22	\$21.02
Northwest & Broomfield	10,230,185	1,847,442	18.1%	21.0%	66,485	(277,579)	(408,624)	\$20.56	\$19.10
Southeast	41,534,931	8,038,886	19.4%	22.4%	656,759	149,590	(686,524)	\$23.90	\$17.60
Southwest	5,468,956	646,137	11.8%	12.1%	40,000	18,597	(105,337)	\$20.16	\$18.01
West	9,096,159	1,207,278	13.3%	14.7%	0	(7,256)	29,822	\$24.19	\$22.56
<b>TOTAL</b>	<b>131,321,157</b>	<b>25,898,410</b>	<b>19.7%</b>	<b>22.3%</b>	<b>1,514,273</b>	<b>(236,836)</b>	<b>(1,726,897)</b>	<b>\$24.81</b>	<b>\$21.50</b>

## MARKET INDICATORS

Class B | Q4 2024 (Direct Leasing)

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF DIRECT	ASKING RENT PSF SUBLEASE
Aurora & Northeast	5,974,479	485,398	8.1%	8.6%	0	(50,360)	(6,874)	\$18.66	\$17.40
Cherry Creek	1,541,440	144,761	9.4%	10.2%	0	(8,663)	32,171	\$31.30	\$28.00
Colorado Blvd & Glendale	3,907,679	598,987	15.3%	19.0%	0	24,276	(990)	\$27.01	\$13.39
Downtown	10,099,232	2,491,783	24.7%	25.4%	0	(50,274)	(250,592)	\$26.41	\$29.71
Midtown	1,628,811	273,925	16.8%	17.2%	0	(797)	3,779	\$20.72	\$12.64
North	1,631,157	167,736	10.3%	13.6%	0	26,649	65,531	\$24.46	-
Northwest & Broomfield	4,865,494	659,429	13.6%	15.4%	25,005	45,403	(16,103)	\$19.14	\$14.29
Southeast	18,842,409	3,157,403	16.8%	20.0%	0	212,249	(376,982)	\$22.63	\$17.17
Southwest	4,655,544	601,316	12.9%	13.2%	0	18,597	(89,753)	\$20.12	\$18.01
West	6,991,031	953,548	13.6%	15.3%	0	7,395	12,573	\$23.52	\$22.43
<b>TOTAL</b>	<b>60,137,276</b>	<b>9,534,286</b>	<b>15.9%</b>	<b>17.8%</b>	<b>25,005</b>	<b>224,475</b>	<b>(627,240)</b>	<b>\$23.00</b>	<b>\$19.19</b>



### Denver Office Submarkets

- 1 Arapahoe Rd
- 2 Aurora
- 3 Boulder
- 4 Boulder County
- 5 Broomfield County
- 6 Capitol Hill
- 7 CBD
- 8 Centennial
- 9 Cherry Creek
- 10 Colorado Blvd/I-25
- 11 Denver Tech Center
- 12 East Hampden
- 13 East I-70/Montbello
- 14 Glendale
- 15 Greenwood Village
- 16 Highlands Ranch
- 17 Inverness
- 18 LoDo
- 19 Lone Tree
- 20 Meridian
- 21 North Denver
- 22 Northeast Denver
- 23 Northwest Denver
- 24 Outlying Arapahoe County
- 25 Outlying Douglas County
- 26 Panorama/Highland Park
- 27 Parker/Castle Rock
- 28 Platte River
- 29 South Midtown
- 30 Southwest Denver
- 31 Weld County
- 32 West Denver

### RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in the Southeast Suburban Denver market. This report includes single-tenant, multi-tenant and owner-user properties and excludes properties owned and occupied by a government agency

This report includes Class A & B properties 25,000 square feet or larger and excludes all properties owned by medical or government entities.

### FOR MORE INFORMATION

[William Kim](#)

Researcher  
[william.kim@transwestern.com](mailto:william.kim@transwestern.com)  
 303.952.5594

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