

SOUTHEAST DENVER

OFFICE MARKET | Q1 2025



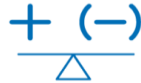
42.9M

Inventory SF



28.4%

Total Availability



(114.3K)

Net Absorption SF



656.8K

Under Construction SF



18.4%

Direct Vacant Available Rate



\$27.34

Asking Rent PSF

Office conditions continue negative trend through Q3

Market Observations

- The direct vacant available rate remained elevated across the metro in early 2025, with Downtown recording the highest vacancy among all submarkets and Cherry Creek maintaining one of the lowest. Midtown and Downtown continued to show the widest gaps between direct vacancy and total availability, highlighting persistent sublease and shadow space challenges in core areas.
- Net absorption was negative at the metro level, reflecting ongoing market headwinds. Downtown was a standout with positive movement, while Southeast Denver saw the most significant contraction, marking it as the weakest major submarket during the quarter.
- Average asking rents varied dramatically, with Downtown commanding top-tier pricing despite high vacancy, and Cherry Creek remaining a premium market pairing high rent with low vacancy for a uniquely strong landlord position.
- The construction pipeline remained concentrated in Southeast Denver and Downtown, with minimal activity in other areas and no major office deliveries reported. Most submarkets stayed largely idle regarding new supply.



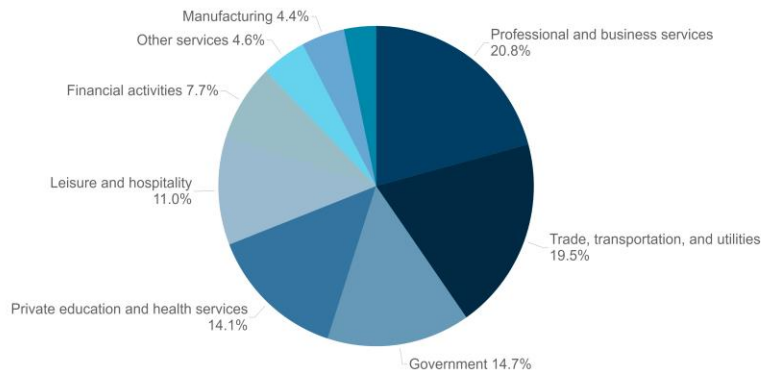


ECONOMY

Professional Services Boosts Labor Strength, Stabilizing Office-Tied Economy

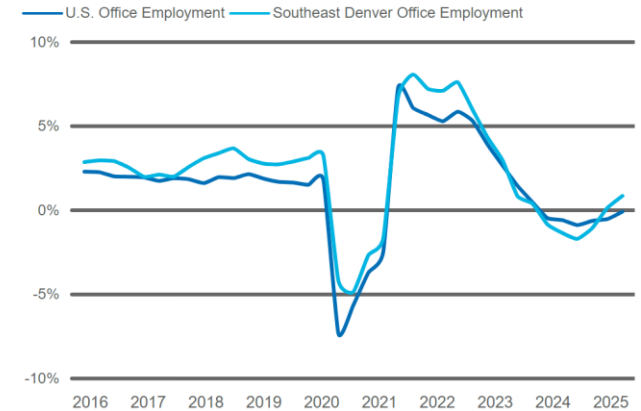
- Professional and business services remain a primary driver of the Denver metro market, employing 314,300 as of Q1 2025. Financial activities, another key office-using sector, recorded 116,000 employees, continuing to bolster demand for office space in the metro area.
- Denver metro office employment saw modest growth of 0.8% year-over-year in Q1 2025, reaching 479,900 workers. This contrasts with a national decline in office employment, which dropped by 0.1% over the same period, highlighting the region's relative resilience in the employment market.
- The unemployment rate in Denver metro was 4.6% as of Q4 2024, marking a slight increase of +0.07 quarter-over-quarter and +1.07 year-over-year. Despite this upward trend, the metro continues to attract a growing labor force, which totaled 1,751,255 with a 1.1% YoY increase.
- Labor force participation in office-using industries, particularly financial and professional services, remains strong. As regional employment stabilizes, Denver metro is well-positioned to sustain healthy office market fundamentals, especially in sectors deeply tied to office occupancy.

SHARE OF EMPLOYEES BY INDUSTRY



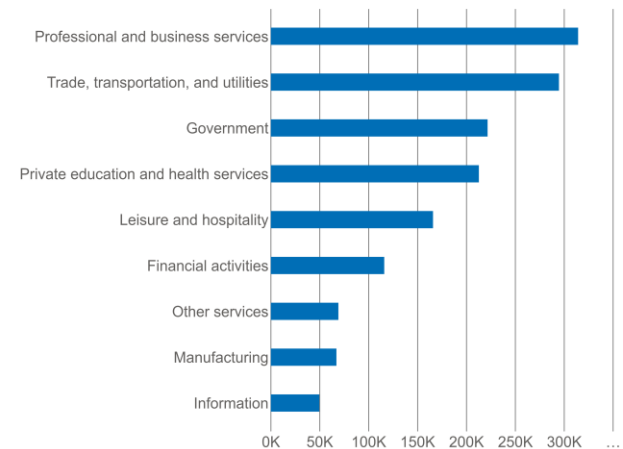
Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

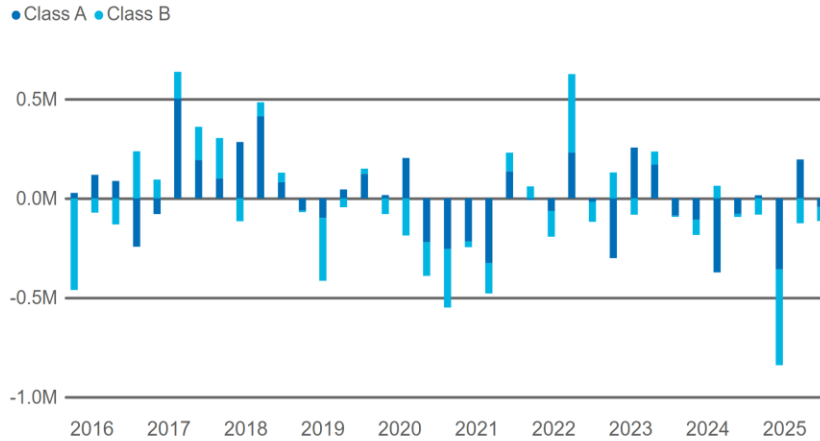


Source: Bureau of Labor Statistics, Transwestern



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NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

NET ABSORPTION

Mixed Trends Shape Leasing

- Southeast Denver recorded net absorption of -114.28K SF in Q1 2025, declining by -99.46K SF YoY from Q1 2024 (-14.82K SF). Persistent absorption challenges were concentrated in Class B properties, unsettling broader leasing activity.
- Class A assets posted net absorption of -43.51K SF, showcasing moderate YoY improvement (-78.78K SF in Q1 2024). Class B spaces experienced deeper losses at -70.76K SF, driven by reduced leasing velocity in older, less attractive inventories.
- Inverness led submarkets with positive absorption (+56.27K SF), followed by Highlands Ranch (+39.57K SF). Conversely, Denver Tech Center registered losses of -178.65K SF, underscoring tenant attrition concentrated in larger properties.
- Notable leases included National Corporate Housing renewing 23.76K SF at Crescent VI and Woods & Aitken signing a new 9.03K SF lease at Stanford Place III. These transactions reinforce selective tenant interest in prime Class A spaces despite metropolitan declines.



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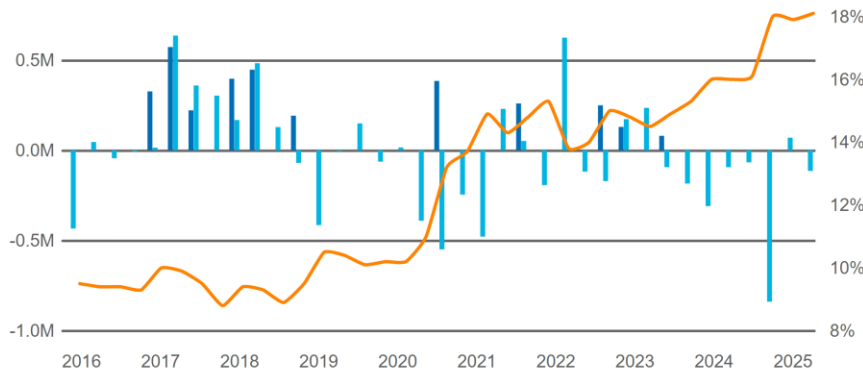
VACANCY

Class A Vacancy Trends Diverge

- Overall vacancy rates in Southeast Denver increased to 18.4% in Q1 2025, up +0.5% quarter-over-quarter and +0.7% year-over-year. The increase was driven by mixed trends across key submarkets, including stabilization in Panorama.
- Class A vacancy reached 21.7%, rising by +0.3% QoQ and +0.8% YoY. Moderate tenant movement in submarkets like Greenwood Village contributed to this trend.
- Class B vacancy adjusted slightly, decreasing to 15.3% (-0.1% QoQ) while showing a +1.4% YoY increase. Leasing volume in Panorama provided stabilization for Class B spaces.
- Greenwood Village experienced the largest vacancy increase in Southeast Denver, climbing to 19.3% (+0.8% QoQ and +2.3% YoY). Panorama saw a significant vacancy decrease, registering 11.4% (-0.7% QoQ and -1.2% YoY).

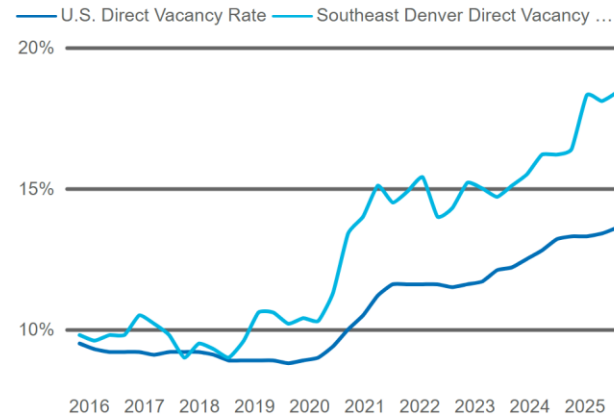
DELIVERY IMPACT ON KEY INDICATORS

Delivered SF Net Absorption SF Direct Vacancy Rate



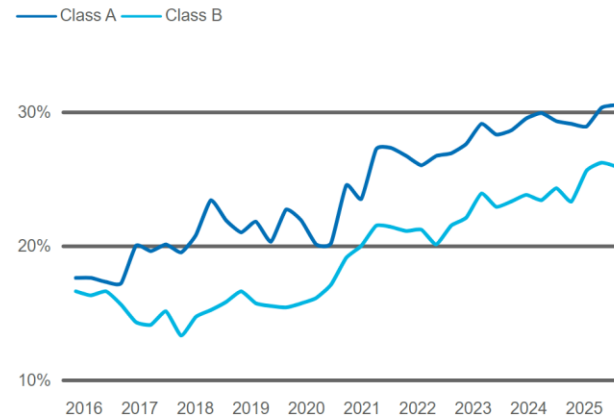
Source: CoStar, Transwestern

DIRECT VACANCY RATE



Source: CoStar, Transwestern

DIRECT VACANCY RATE BY CLASS



Source: CoStar, Transwestern



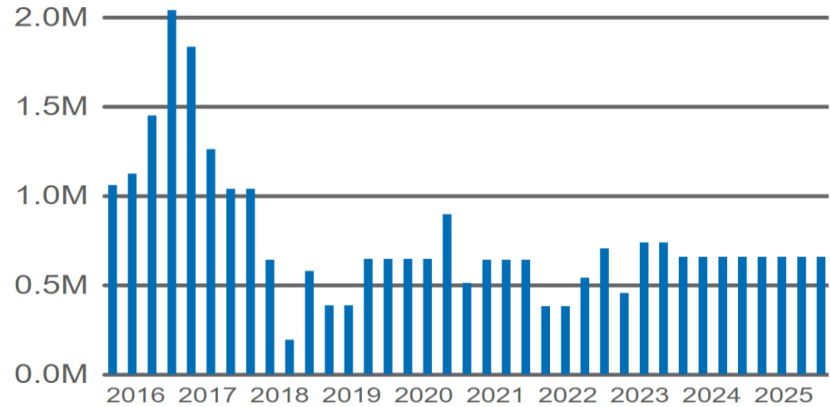
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UNDER CONSTRUCTION

Stable Construction Activity with Limited Preleasing

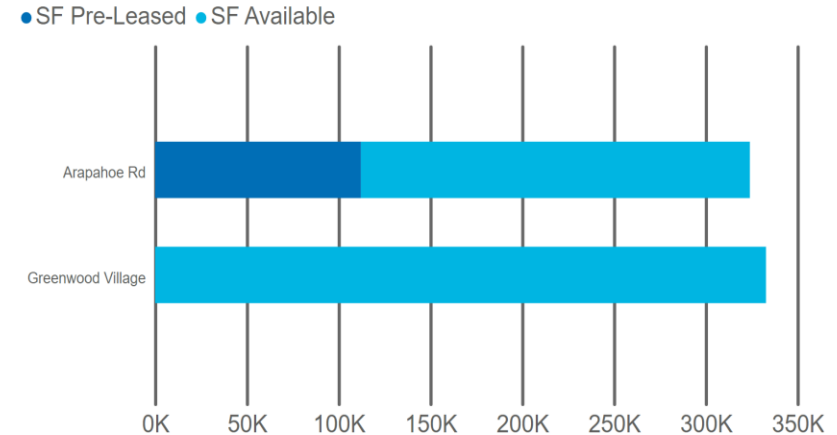
- For Q1 2025, Southeast Denver's office sector reported 656.76K SF of space under construction, unchanged year-over-year and consistent since Q2 2023. This prolonged stabilization reflects constrained demand and persistent cost pressures impacting new developments.
- The under-construction pipeline continues to face high availability rates, with 82.93% of space still uncommitted. Preleased space remains limited at 17.07%, underscoring subdued tenant activity amidst shifting market priorities.
- Compared to historical benchmarks, Q1 2025 construction volumes are below the five-year average of 712.50K SF and significantly lower than past peaks, including Q4 2016's record of 2.04M SF. Current activity mirrors the retrenchment phase seen across regional markets.
- No new deliveries were recorded in Q1 2025, consistent with the repeated quarterly lulls observed in the Southeast Denver market. This inactivity highlights ongoing caution among developers to align projects with evolving tenant demands.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

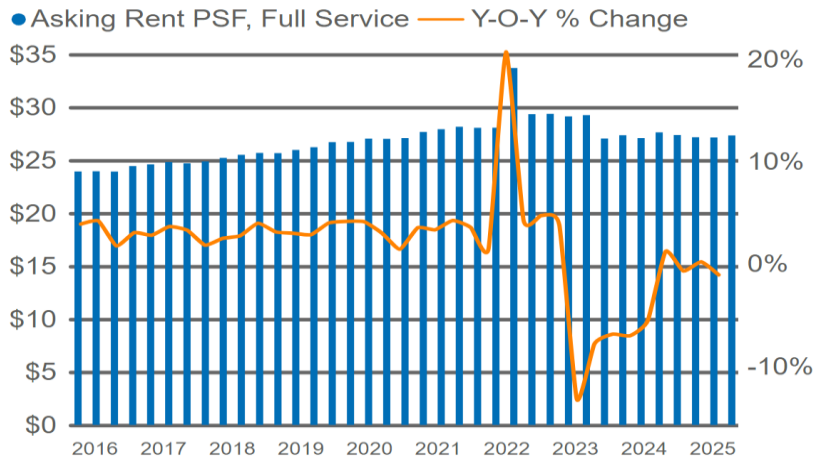
UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern



ASKING RENT



Source: CoStar, Transwestern

RENTAL RATES

Rental Rates Stabilize As Submarkets Show Divergent Performance

- Full-service asking rents averaged \$27.34 PSF for Southeast Denver's office market in Q1 2025. This reflects a modest quarterly increase of \$0.19 PSF (+0.7%) but a year-over-year decline of -\$0.29 PSF (-1.1%) compared to Q1 2024. Rent levels exhibited stability across building classes, maintaining patterns seen late last year.
- Class A space recorded a quarterly increase of \$0.30 PSF (+1.0%) to \$29.01 PSF but experienced a year-over-year decrease of -\$0.53 PSF (-1.8%). Class B rents, relatively flat over the quarter at \$24.67 PSF, posted a minor annual drop of -\$0.09 PSF (-0.4%). The larger rent spread of \$4.34 PSF between classes highlights the appeal of premium spaces.
- The Denver Tech Center submarket stood out with significant rent growth, where Class A asking rates grew by \$2.07 PSF (+7.7%) and Class B rents showed increment gains of \$0.99 PSF (+4.2%) QoQ. Conversely, Lone Tree saw steep declines, with full-service rents dropping -\$3.29 PSF (-9.3%) QoQ across all building classes.
- Centennial submarket experienced some of the strongest Class B growth, with rents increasing by \$2.05 PSF (+9.9%) QoQ, making it a bright spot in an otherwise stable market. Larger peripheral submarkets remain sensitive to ongoing adjustments in tenant demand and lease structuring trends.

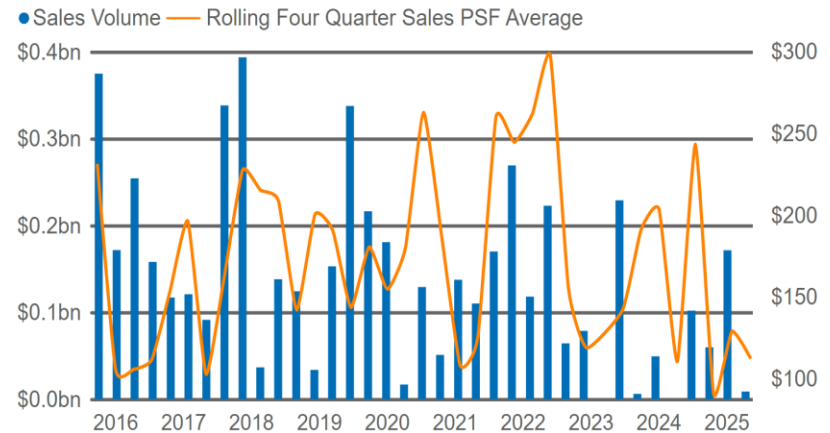


SALES

Single High-Value Sale Defines Q1 Office Metrics

- The average sale price per square foot (PSF) in southeast Denver rose to \$128.87 in Q1 2025, driven by the sale of WareSpace Denver – Centennial. This marks a significant increase from the rolling 12-month southeast Denver PSF average of \$85.31, up from \$70.79 in Q4 2024.
- Q1 2025's pricing significantly outperformed the rolling figures, with the transaction PSF exceeding the rolling yearly average by 51.15%. This highlights the notable impact of a single high-value sale on the submarket's rolling average.
- Inverness stood out as the only actively contributing submarket in southeast Denver for Q1 2025, achieving a \$128.87 PSF average. This performance underscores strong pricing metrics compared to comparable quarters without broader market activity in the region.
- The sale of WareSpace Denver – Centennial, a Class B property totaling 68,285 SF, is the key driver of southeast Denver's Q1 2025 average. The \$8.8M transaction solidified Inverness's pricing leadership within southeast Denver metrics for the quarter.

SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern



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OFFICE MARKET INDICATORS - ALL SPACE

SUBMARKET	INVENTORY	DIRECT VACANT AVAILABLE SF	DIRECT VACANT AVAILABLE RATE	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	QUARTERLY NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
Arapahoe Rd	916,242	72,415	7.9%	29.9%	323,984	(7,368)	(3,673)	\$42.90
Centennial	2,076,632	82,518	4.0%	12.8%	0	164	(3,374)	\$21.82
Denver Tech Center	12,389,320	1,952,235	15.8%	26.9%	0	(178,654)	(276,033)	\$27.67
East Hampden	2,479,758	480,389	19.4%	31.1%	0	(5,439)	(77,655)	\$21.19
Greenwood Village	8,517,396	1,829,952	21.5%	35.2%	332,775	(56,645)	(122,430)	\$25.56
Highlands Ranch	1,896,673	343,550	18.1%	21.5%	0	39,574	56,377	\$36.79
Inverness	5,953,698	1,193,274	20.0%	32.0%	0	56,270	(223,761)	\$24.80
Lone Tree	2,139,674	334,471	15.6%	16.6%	0	3,013	(146,962)	\$32.22
Meridian	3,148,769	996,573	31.6%	34.0%	0	18,259	(63,028)	\$26.18
Panorama/Highland Park	3,417,551	618,414	18.1%	23.5%	0	16,551	(90,180)	\$28.29
Southeast Denver Total	42,935,713	7,903,791	18.4%	28.4%	656,759	(114,275)	(950,719)	\$27.34



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OFFICE MARKET INDICATORS - CLASS A

SUBMARKET	INVENTORY	DIRECT VACANT AVAILABLE SF	DIRECT VACANT AVAILABLE RATE	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	QUARTERLY NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
Arapahoe Rd	288,125	46,946	16.3%	55.0%	323,984	(7,675)	(15,811)	\$45.18
Centennial	327,308	17,029	5.2%	7.2%	0	(354)	(4,084)	\$16.91
Denver Tech Center	8,466,773	1,227,856	14.5%	27.7%	0	(108,720)	(36,720)	\$28.92
East Hampden	1,183,711	311,634	26.3%	34.7%	0	(8,153)	(62,187)	\$19.50
Greenwood Village	3,640,957	741,593	20.4%	36.7%	332,775	(6,775)	77,660	\$24.91
Highlands Ranch	1,154,474	289,255	25.1%	28.9%	0	35,960	53,307	\$37.63
Inverness	2,744,994	630,536	23.0%	33.8%	0	35,932	31,911	\$27.90
Lone Tree	1,741,841	264,037	15.2%	16.3%	0	3,013	(146,962)	\$33.45
Meridian	2,219,115	708,545	31.9%	33.8%	0	19,361	31,967	\$26.52
Panorama/Highland Park	1,702,658	398,510	23.4%	28.7%	0	(6,100)	(119,332)	\$29.80
SE Denver Class A Total	23,469,956	4,635,941	19.8%	30.5%	656,759	(43,511)	(190,251)	\$29.01



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OFFICE MARKET INDICATORS – CLASS B

SUBMARKET	INVENTORY	DIRECT VACANT AVAILABLE SF	DIRECT VACANT AVAILABLE RATE	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	QUARTERLY NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
Arapahoe Rd	628,117	25,469	4.1%	5.4%	0	307	12,138	\$21.23
Centennial	1,749,324	65,489	3.7%	13.9%	0	518	710	\$22.83
Denver Tech Center	3,922,547	724,379	18.5%	25.1%	0	(69,934)	(239,313)	\$24.35
East Hampden	1,296,047	168,755	13.0%	27.8%	0	2,714	(15,468)	\$23.33
Greenwood Village	4,876,439	1,088,359	22.3%	33.9%	0	(49,870)	(200,090)	\$26.06
Highlands Ranch	742,199	54,295	7.3%	10.0%	0	3,614	3,070	\$27.02
Inverness	3,208,704	562,738	17.5%	30.5%	0	20,338	(255,672)	\$21.28
Lone Tree	397,833	70,434	17.7%	17.7%	0	0	0	\$27.29
Meridian	929,654	288,028	31.0%	34.5%	0	(1,102)	(94,995)	\$25.46
Panorama/Highland Park	1,714,893	219,904	12.8%	18.3%	0	22,651	29,152	\$27.06
SE Denver Class B Total	19,465,757	3,267,850	16.8%	25.9%	0	(70,764)	(760,468)	\$24.67



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Research Methodology

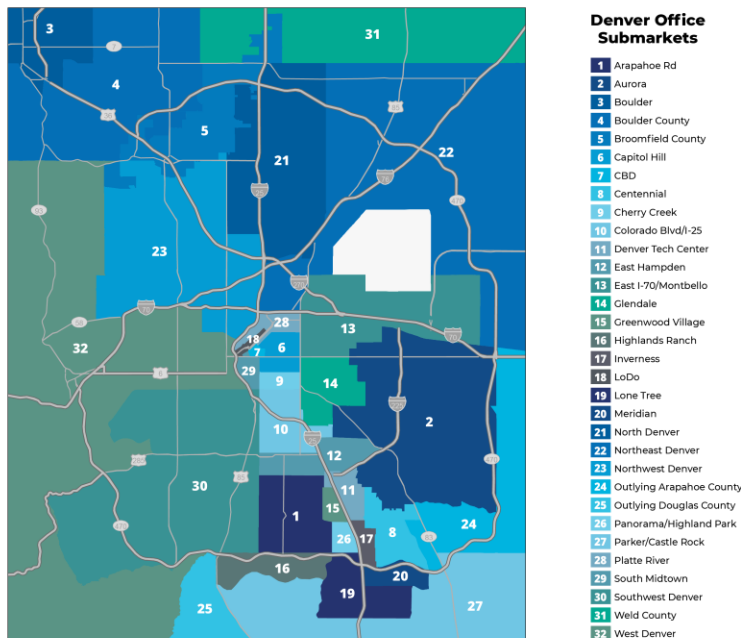
The information in this report is the result of a compilation of information on office properties located in the Southeast Suburban Denver market. This report includes single-tenant, multi-tenant and owner-user properties and excludes properties owned and occupied by a government agency. This report includes Class A & B properties 10,000 square feet or larger and excludes all properties owned by medical or government entities.

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