

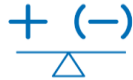
# DENVER

## OFFICE MARKET | Q1 2025



**133.6M**

Inventory SF



**(338.5K)**

Net Absorption SF



**19.3%**

Direct Vacant Available Rate



**27.6%**

Total Availability



**1.4M**

Under Construction SF



**\$31.64**

Asking Rent PSF

### Vacancy Climbs, Rents Soften, Pipeline Falls

#### Market Observations

- The office market continues to see elevated vacancy levels, with increases both quarter-over-quarter and year-over-year. Total space availability has similarly expanded, driven by ongoing tenant downsizing and relocations.
- Absorption remains negative, with the first quarter showing further tenant move-outs that outpaced any new leasing activity. The hardest-hit areas experienced significant losses, reflecting broader challenges for older office stock.
- Average rental rates declined across the metro, with most submarkets posting decreases over the previous quarter and year. Premium Class A properties experienced the smallest declines, maintaining a slight pricing advantage over older inventory.
- The construction pipeline has contracted, with new project starts lagging and completions seeing significantly reduced pre-leasing commitments. The recent deliveries this quarter reflect a subdued appetite for speculative office developments amidst high vacancy.
- Investment sales volume in the Denver office market slowed this quarter, as rising interest rates and tightened lending conditions impacted buying activity. Buyers focused on stabilized assets in prime locations, while properties in weaker-performing submarkets continued to face valuation pressure.



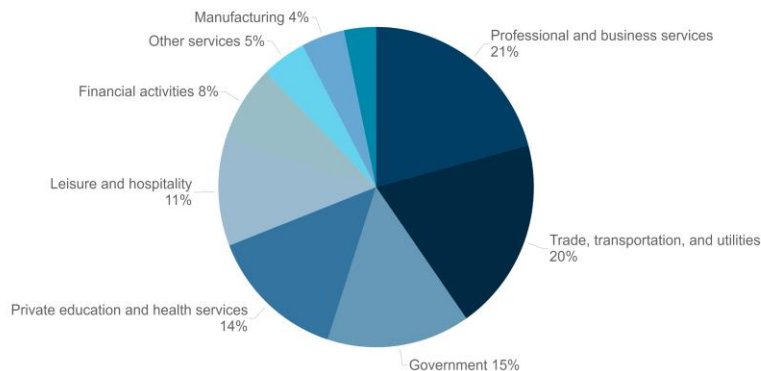
# DENVER OFFICE MARKET | Q1 2025

## ECONOMY

### Labor Market Begins to Crack

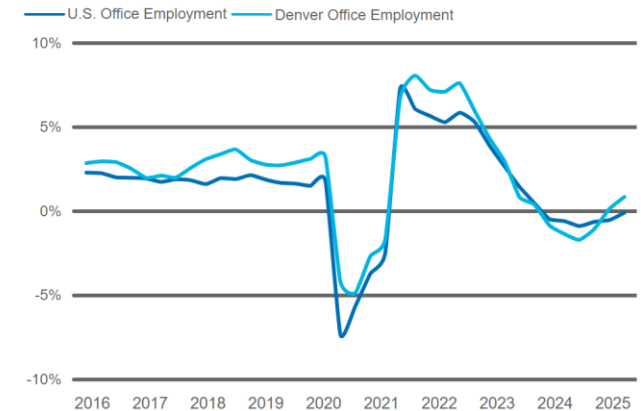
- Professional and business services remain a primary driver of the Denver metro market, employing 314,300 as of Q1 2025. Financial activities, another key office-using sector, recorded 116,000 employees, continuing to bolster demand for office space in the metro area.
- Manufacturing (67,100 jobs) and information (49,600 jobs) recorded the lowest sector employment among major tracked industries, reflecting the greatest stagnation and limited recovery in workforce levels. No major contraction was observed in top office-using sectors such as professional and business services, finance, or government over the past year.
- The unemployment rate stood at 5.2% at February 2025, marking an increase of one percentage point compared to the previous year and a 0.6% increase vs last quarter. Labor force participation remained high, with the total count at 1,768,145, up by 3,713 year-over-year but down by 21,264 quarter-over-quarter as of December 2024.

## SHARE OF EMPLOYEES BY INDUSTRY



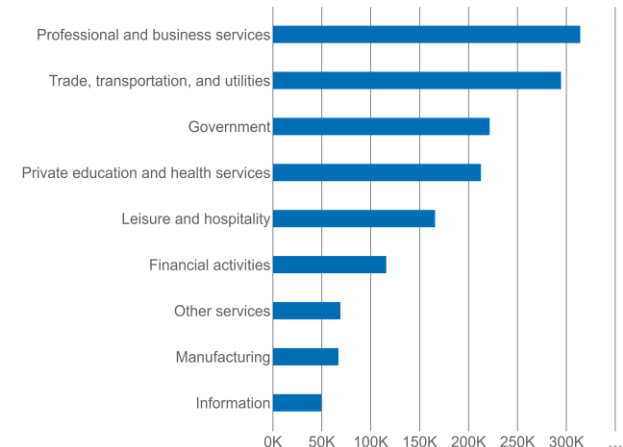
Source: Bureau of Labor Statistics, Transwestern

## Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

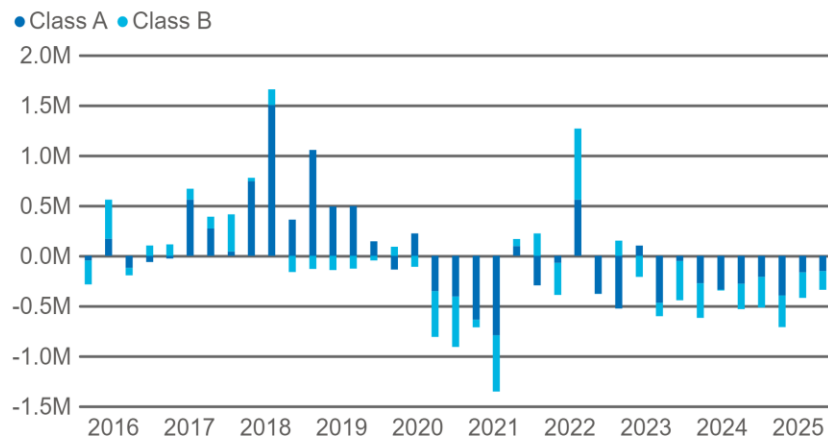
## Y-O-Y CHANGE IN JOBS BY INDUSTRY



Source: Bureau of Labor Statistics, Transwestern



## NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

## NET ABSORPTION

### Absorption Trends Show Divergence

- Denver's office market posted negative net absorption of -338.5K SF in Q1 2025, continuing the metro's streak to twelve consecutive quarters of contraction. Class A space recorded -152.7K SF and Class B -185.8K SF, both showing less negative absorption compared to Q1 2024, while the rolling four-quarter absorption totaled -1.98M SF across all property types.
- Most submarkets remained in contraction, with Northwest & Broomfield at -105.4K SF, Southeast Denver at -61.9K SF, and Southwest Denver at -61.9K SF among the hardest hit. Midtown stood out with +16.5K SF in positive absorption, and Downtown was nearly stable with just -110 SF for the quarter, marking a notable rebound from previous periods.
- Downtown saw a significant influx of Class A tenant activity, led by the Colorado Department of Labor & Employment's 131.4K SF new lease at City Center, the largest transaction of the quarter. Additional new leases at 1500 Grant St (41.1K SF), 1125 Seventeenth Street (33.5K SF), and 3083 Walnut St (33.1K SF) contributed to Downtown's resilience, with seven of the top ten positive absorption events occurring in Class A properties.
- Class A space dominated leasing activity, totaling 573.6K SF leased across 39 deals, representing about 83% of top lease volume. Market leaders by total leasing included Downtown (389.0K SF, 18 deals) and Southeast Denver (156.6K SF, 24 deals); in contrast, Southeast Denver also recorded the largest single-building negative absorption event at 6900 Layton Ave (-109.4K SF).



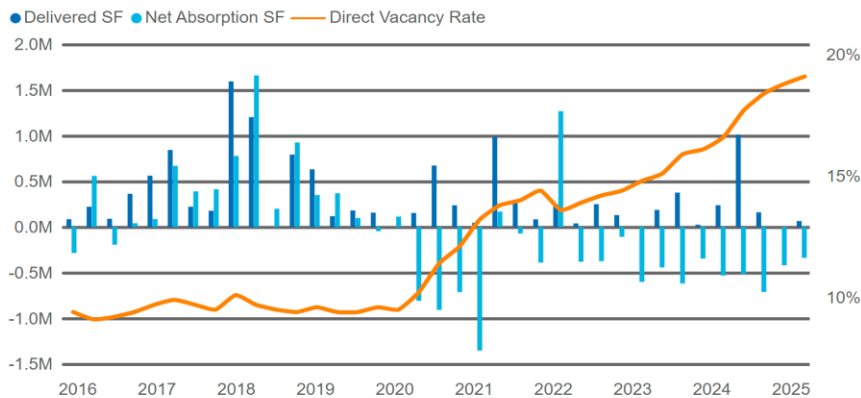
# DENVER OFFICE MARKET | Q1 2025

## VACANCY

### Vacancy and Availability Steady

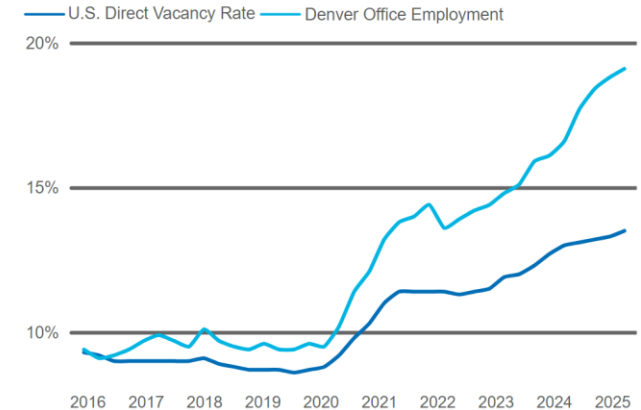
- The direct vacant available rate reached 19.3% in Q1 2025, up 0.3 percentage points from last quarter and rising 2.3 points year-over-year, while total availability remained unchanged at 27.6% for the metro. The gap between availability and direct vacancy persists at 8.4 percentage points.
- Class A vacancy hit 22.3% (+0.3% QoQ, +2.6% YoY) with total availability at 32.9% (+0.1% QoQ), while Class B vacancy increased to 15.7% (+0.3% QoQ, +1.8% YoY) and total availability held flat at 21.3%. Sublet availability dropped to 3.7%, down 0.5 points from Q4 2024, and declined across both Class A and B assets.
- Midtown posted the largest quarterly gain in total availability, jumping 9.1 points to 22.7% (notably driven by the Anthem building adding 279K SF), while Cherry Creek had the steepest decline, dropping 2.3 points to 9.7%. Downtown maintained the highest overall rates, with direct vacancy at 26.0% and total availability at 35.3%, but both measures saw minimal quarter-over-quarter movement.

## DELIVERY IMPACT ON KEY INDICATORS



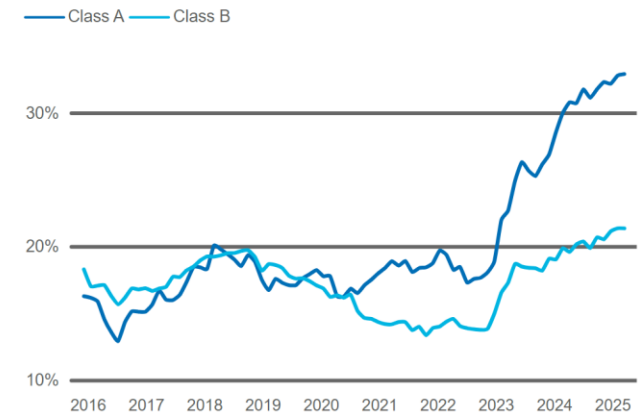
Source: CoStar, Transwestern

## DIRECT VACANCY RATE



Source: CoStar, Transwestern

## DIRECT VACANCY RATE BY CLASS



Source: CoStar, Transwestern

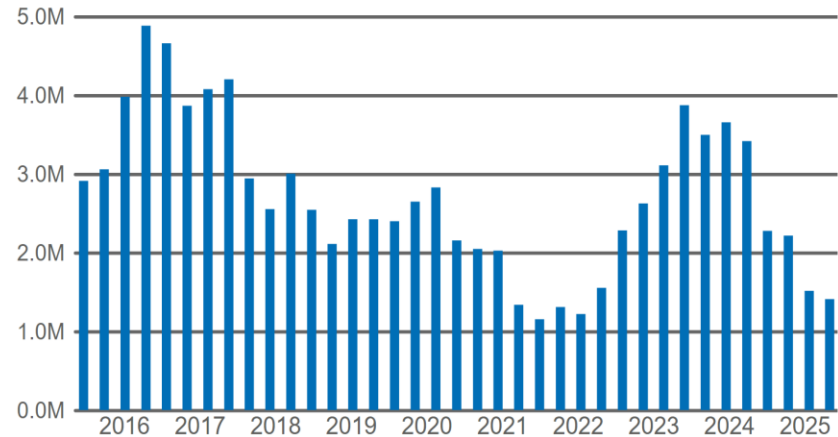


## UNDER CONSTRUCTION

### Under Construction Volume Shrinks by Over Half

- Denver's office construction pipeline underwent a significant contraction in Q1 2025, reducing by 58.7% from 3.42M SF in Q1 2024 to 1.41M SF. This marks one of the steepest annual declines in recent years.
- Among submarkets, Downtown Denver led recent delivery activity with over 300K SF in Q2 2024, reflecting its strong pipeline compared to other areas. Southeast Denver remained stable with no significant deliveries, maintaining 656K SF under construction.
- The metro-wide availability rate within under-construction projects climbed 8.1 percentage points year over year, reaching 67.6%, indicating slower preleasing activity compared to the previous year.
- Southeast Denver leads submarkets with 656K SF of active construction, followed by Downtown Denver with 443K SF, and Cherry Creek with 243K SF. These three zones collectively account for over 90% of the current pipeline.

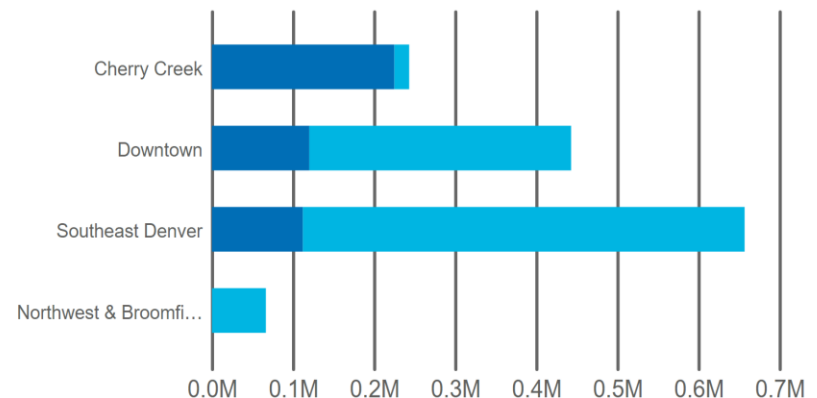
## UNDER CONSTRUCTION



Source: CoStar, Transwestern

## UNDER CONSTRUCTION BY SUBMARKET

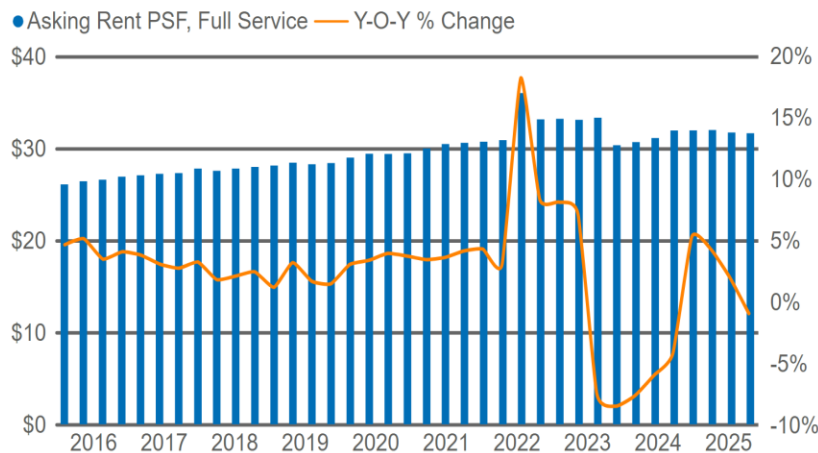
● SF Pre-Leased ● SF Available



Source: CoStar, Transwestern



## ASKING RENT



Source: CoStar, Transwestern

## RENTAL RATES

### Full-Service Rental Rates Show Mixed Performance Across Classes and Submarkets

- Average full-service office rent settled at \$31.64 PSF in Q1 2025, edging lower by \$0.09 (-0.3%) from the prior quarter and down \$0.30 (-0.9%) year-over-year. This continues a pattern of mild softening for base rents across the broader market.
- Class A rents dropped to \$34.62 PSF, off by \$0.12 (-0.3%) quarter-over-quarter and \$0.62 (-1.8%) compared to a year ago. Meanwhile, Class B rates edged up \$0.13 (+0.5%) to \$26.25 PSF sequentially but ended the quarter just \$0.11 (-0.4%) below last year. The rent gap between Class A and B stands at \$8.37 PSF.
- Submarket performance remained highly variable, with Downtown reporting the metro's highest average rent at \$38.20 PSF, up \$0.29 (+0.8%) over the quarter. In contrast, Midtown rents recorded the steepest declines, with average rates down 14.7% QoQ and 31.3% YoY, and Midtown Class A falling to \$17.53 PSF in Q1.
- Markets such as Northwest & Broomfield and Northeast & Aurora posted measurable annual gains, up 5.95% and 4.42% YoY, respectively. West Denver also saw continued stability with average rents at \$25.14 PSF, moving only -0.32% over the quarter and maintaining growth over the past four years.

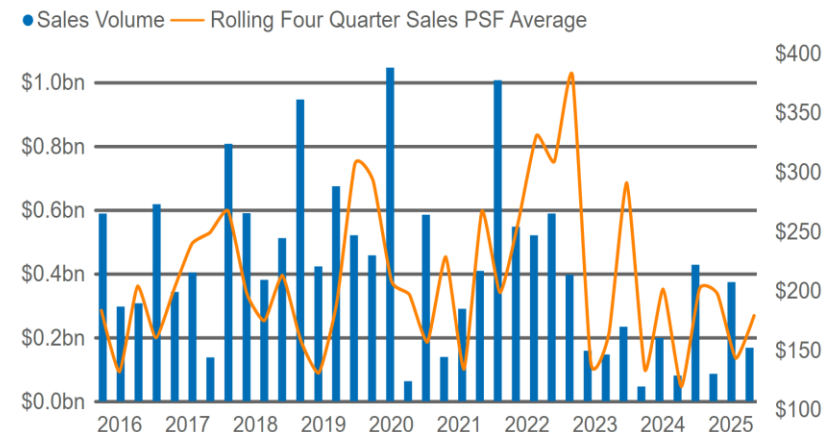


## SALES

### Downtown Dominates with 81% Sales Share in Q1

- Office sales volume in the metro reached \$167.5 million across 11 transactions and 1.24 million square feet in Q1 2025, a steep decline from the previous quarter's \$373.3 million over 47 transactions and 5.41 million square feet. The average sales price rebounded to \$140.82 per square foot, rising sharply quarter-over-quarter, while average deal size increased to \$15.23 million per transaction.
- Total square footage sold was 1.24M SF, with an average sales price of \$135 PSF. This reflects a 12.90% decline from \$155 PSF last quarter but marks increases of 21.62% year-over-year, 5.47% compared to the 3-year average (\$128 PSF), and 3.05% compared to the 5-year average (\$131 PSF).
- Seventeenth Street Plaza, a 709,400-square-foot Class A, 4 Star property built in 1982, represented the highest price per square foot at \$186.78 and accounted for the bulk of quarterly sales.
- Southeast Denver and Colorado Blvd/Glendale recorded smaller deals, with notable activity including WareSpace Denver – Centennial's \$8.80M sale and Rampart Campus-125's \$4.47M transaction reflecting focused private investor interest.

## SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern



## DENVER OFFICE MARKET | Q1 2025

### OFFICE MARKET INDICATORS - ALL SPACE

MARKET	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
Cherry Creek	3,086,113	158,098	5.1%	9.7%	243,169	(22,377)	212,248	\$34.31
Colorado Blvd/Glendale	7,097,786	1,284,812	18.1%	25.8%	0	(51,725)	48,300	\$28.99
Downtown	41,310,735	10,752,986	26.0%	35.3%	442,860	(110)	(605,394)	\$38.20
Midtown	3,110,150	280,314	9.0%	22.7%	0	16,459	26,042	\$21.33
North Denver	2,454,659	228,872	9.3%	16.2%	0	(29,977)	43,676	\$25.37
Southeast Denver	42,935,713	7,903,791	18.4%	28.4%	656,759	(61,920)	(950,719)	\$27.34
Southwest Denver	5,936,182	901,814	15.2%	20.2%	0	(61,962)	(184,338)	\$26.14
West Denver	9,059,335	1,128,101	12.5%	18.1%	0	(14,324)	86,276	\$25.14
Total	133,594,127	25,723,950	19.3%	27.6%	1,409,273	(338,504)	(1,984,029)	\$31.64





## DENVER OFFICE MARKET | Q1 2025

### OFFICE MARKET INDICATORS - CLASS A

MARKET	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
Cherry Creek	1,544,673	13,528	0.9%	8.2%	243,169	(6,110)	175,656	\$36.08
Colorado Blvd/Glendale	3,438,446	646,187	18.8%	29.6%	0	(8,252)	36,408	\$31.08
Downtown	31,216,982	8,296,673	26.6%	37.4%	442,860	(16,848)	(491,247)	\$39.96
Midtown	1,245,040	75,851	6.1%	37.8%	0	9,837	24,599	\$17.53
North Denver	757,969	36,785	4.9%	5.8%	0	(4,106)	(695)	\$26.91
Southeast Denver	23,469,956	4,635,941	19.8%	30.5%	656,759	(43,511)	(190,251)	\$29.01
Southwest Denver	1,238,126	267,726	21.6%	34.8%	0	4,299	(33,874)	\$37.10
West Denver	2,105,379	214,409	10.2%	16.1%	0	28,255	36,369	\$27.04
Total	71,928,922	15,883,414	22.1%	32.7%	1,384,268	(18,449)	(789,594)	\$34.62



## DENVER OFFICE MARKET | Q1 2025

### OFFICE MARKET INDICATORS - CLASS B

MARKET	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
Cherry Creek	1,541,440	144,570	9.4%	11.4%	0	(16,267)	36,592	\$34.00
Colorado Blvd/Glendale	3,659,340	638,625	17.5%	22.3%	0	(43,473)	11,892	\$26.33
Downtown	10,093,753	2,217,366	22.0%	26.5%	0	255,685	124,800	\$32.74
Midtown	1,865,110	204,463	11.0%	12.6%	0	6,622	1,443	\$31.16
North Denver	1,696,690	192,087	11.3%	20.9%	0	(25,871)	44,371	\$24.64
Southeast Denver	19,465,757	3,267,850	16.8%	25.9%	0	(18,409)	(760,468)	\$24.67
Southwest Denver	4,698,056	634,088	13.5%	16.3%	0	(66,261)	(150,464)	\$19.81
West Denver	6,953,956	913,692	13.1%	18.6%	0	(42,579)	49,907	\$24.58
Total	61,665,205	9,467,339	15.4%	21.0%	25,005	53,142	(821,238)	\$26.36



# DENVER OFFICE MARKET | Q1 2025

## 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.

## About Transwestern

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at [transwestern.com](https://transwestern.com) and @Transwestern.

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