

1Q25

# Denver Office Market Overview





# Market Observations



- The region’s unemployment remained stable from the end of 2024, but grocery labor strikes during the month of February weighed down other employment metrics.
- Colorado’s GDP, personal income and per capita personal income remain at record levels despite other states logging higher growth rates, emphasizing that the local economy is operating at the highest level seen in many categories.
- Despite positive sentiment going into 2025, the University of Colorado Leeds School of Business recorded a dramatic decrease in confidence for the second quarter of 2025 among Colorado business leaders, citing concerns with the new presidential administration, tariffs and general economic uncertainty.



- Anthem Blue Cross Blue Shield vacated 7 floors for a total of nearly 280,000 SF at 700 Broadway in the Midtown submarket; it still occupies 4 full floors and 3 partial floors in the building.
- Comcast vacated the entire building of INOVA Dry Creek 1 in the Southeast Suburban submarket.
- Merrick vacated 104,000 SF in Greenwood Corporate Plaza 1 and occupied 72,000 SF at Greenwood Corporate Plaza 4, downsizing by 32,000 SF, both buildings in the Southeast Suburban submarket.



## Leasing Market Fundamentals

- Downsizes and consolidations offset the growth of other tenants as some move-ins were delayed from their expected occupancy date, but many submarkets also saw the total space on the market decrease.
- No new buildings completed in the first quarter as Steel House in the Downtown submarket was delayed until next quarter.
- Tenants continued to value higher quality space with better amenities over cheaper rates, and the Class A median rental rate grew faster from the prior quarter than any other product type, despite a larger increase in vacancy than Class C.



## Outlook

- The flight to quality is expected to once again be a driving force in the market, keeping rental rates from dropping even if vacancy increases.
- Fewer tenants will be comfortable making a bold choice on long-term office plans so long as uncertainty on tariffs and the future of the overall economy prevails and some may choose to put their search for new space or plans to expand on hold until clarity emerges.
- Only time will tell if the current pessimistic business outlook will linger and translate to a slowdown or a recession.

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1. Economy
  2. Leasing Market Fundamentals

1Q25

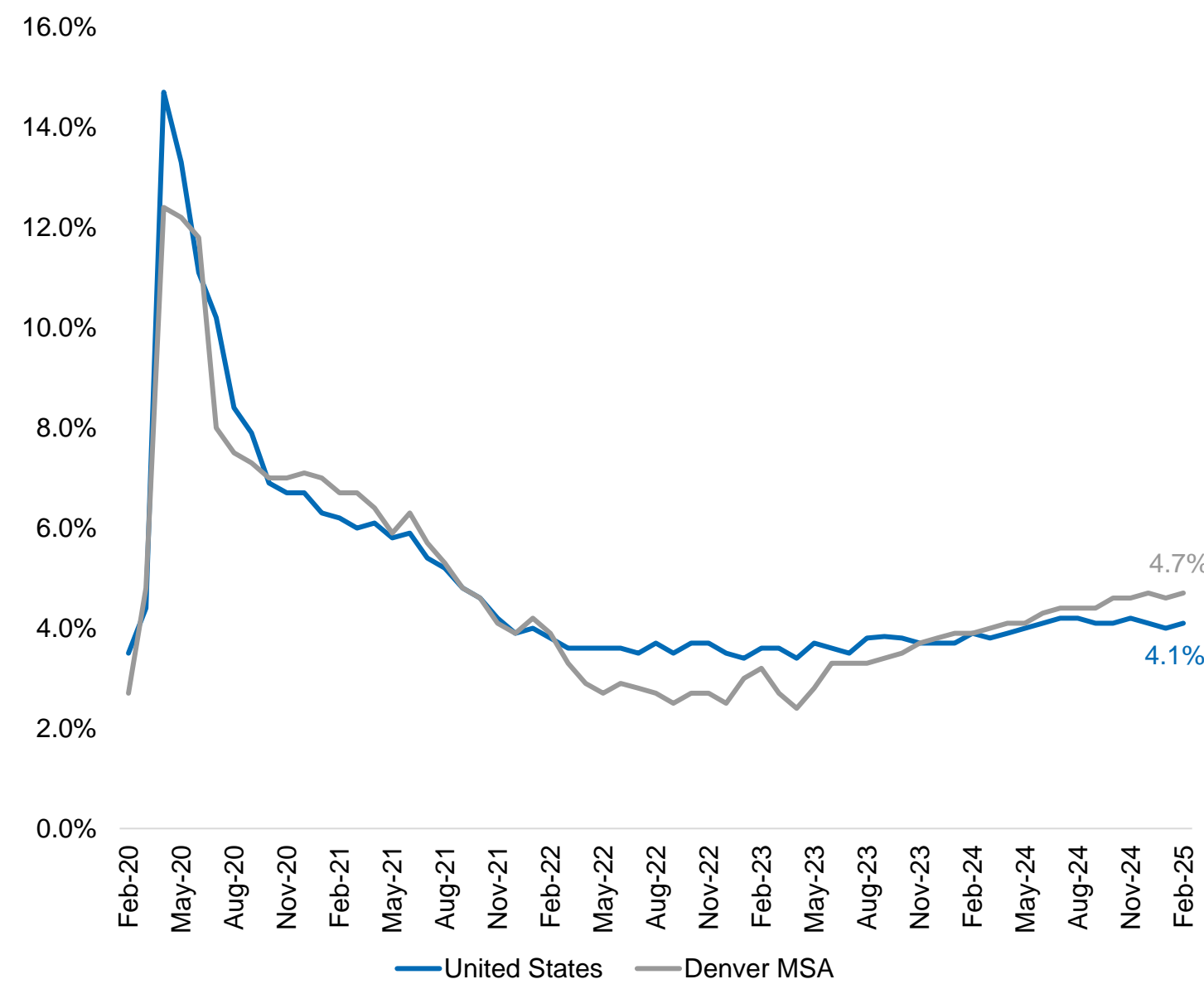
# Economy



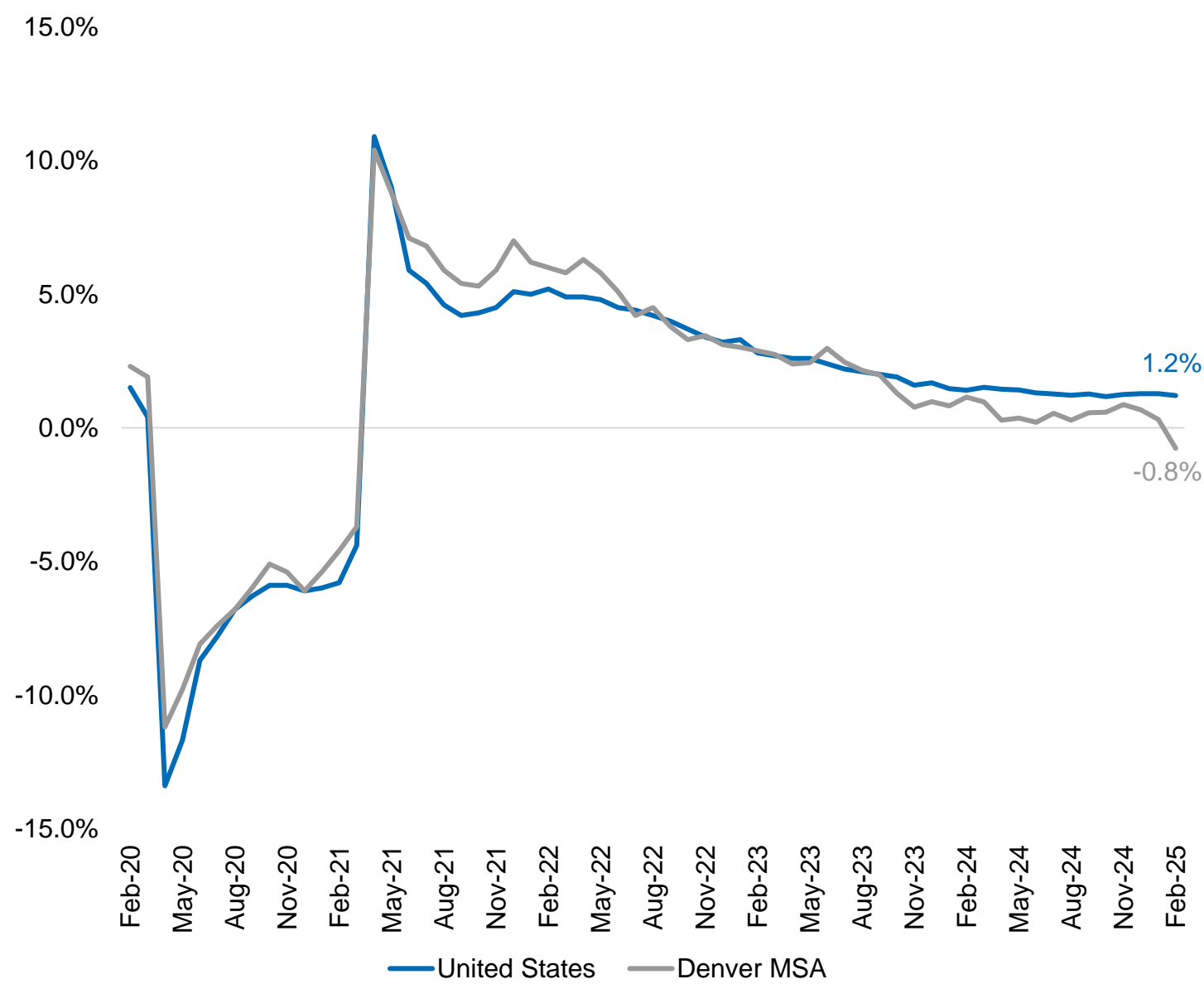
# Grocery Store Strikes Weigh Down February Job Numbers

Denver job growth plummeted to its lowest rate since April 2021, largely due to labor strikes at Kroger-owned grocery stores, although other sectors also showed weaknesses. The overall future of the job market largely hinges on the current presidential administration’s sweeping tariff actions.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

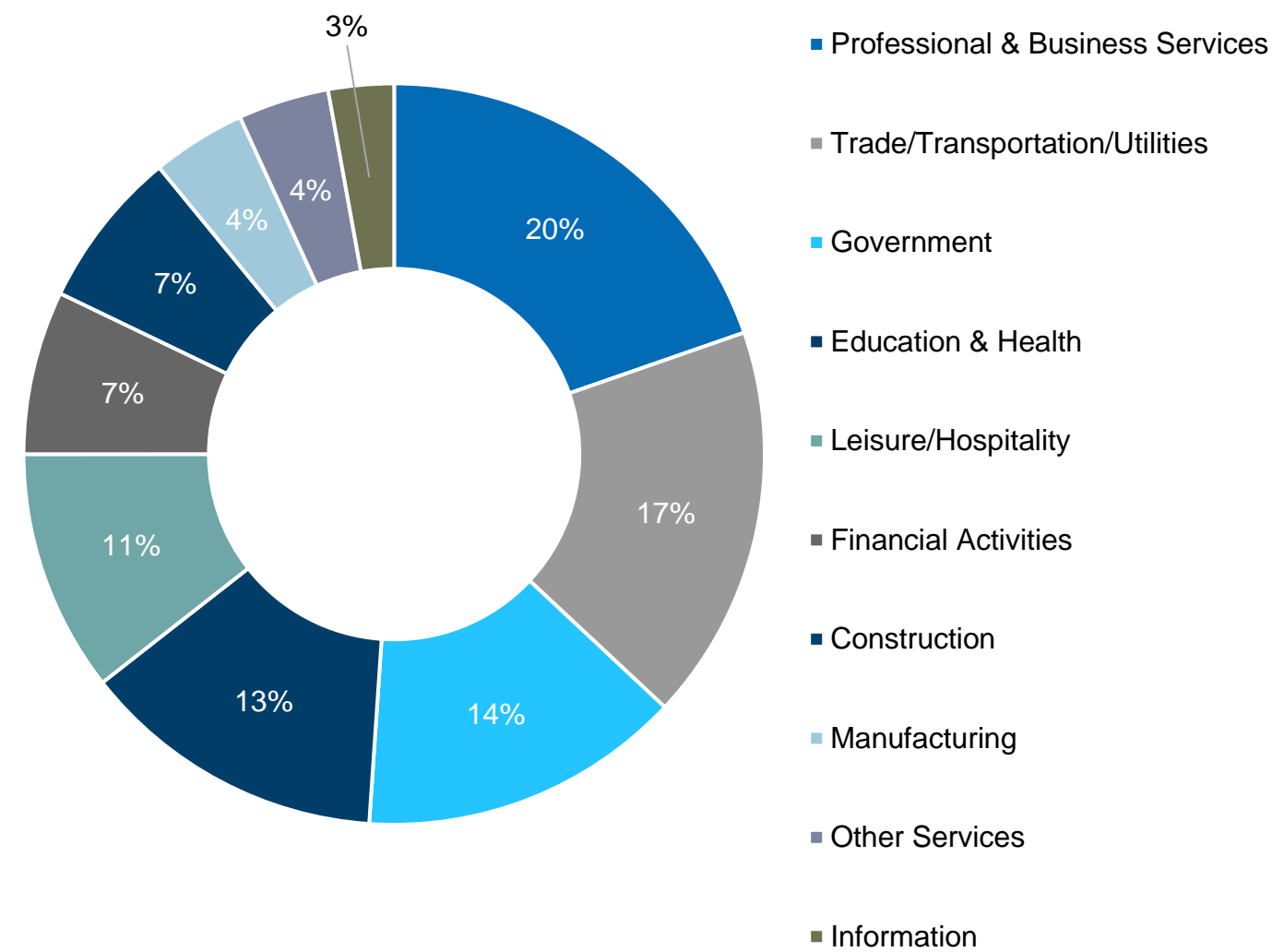


Source: U.S. Bureau of Labor Statistics, Denver MSA

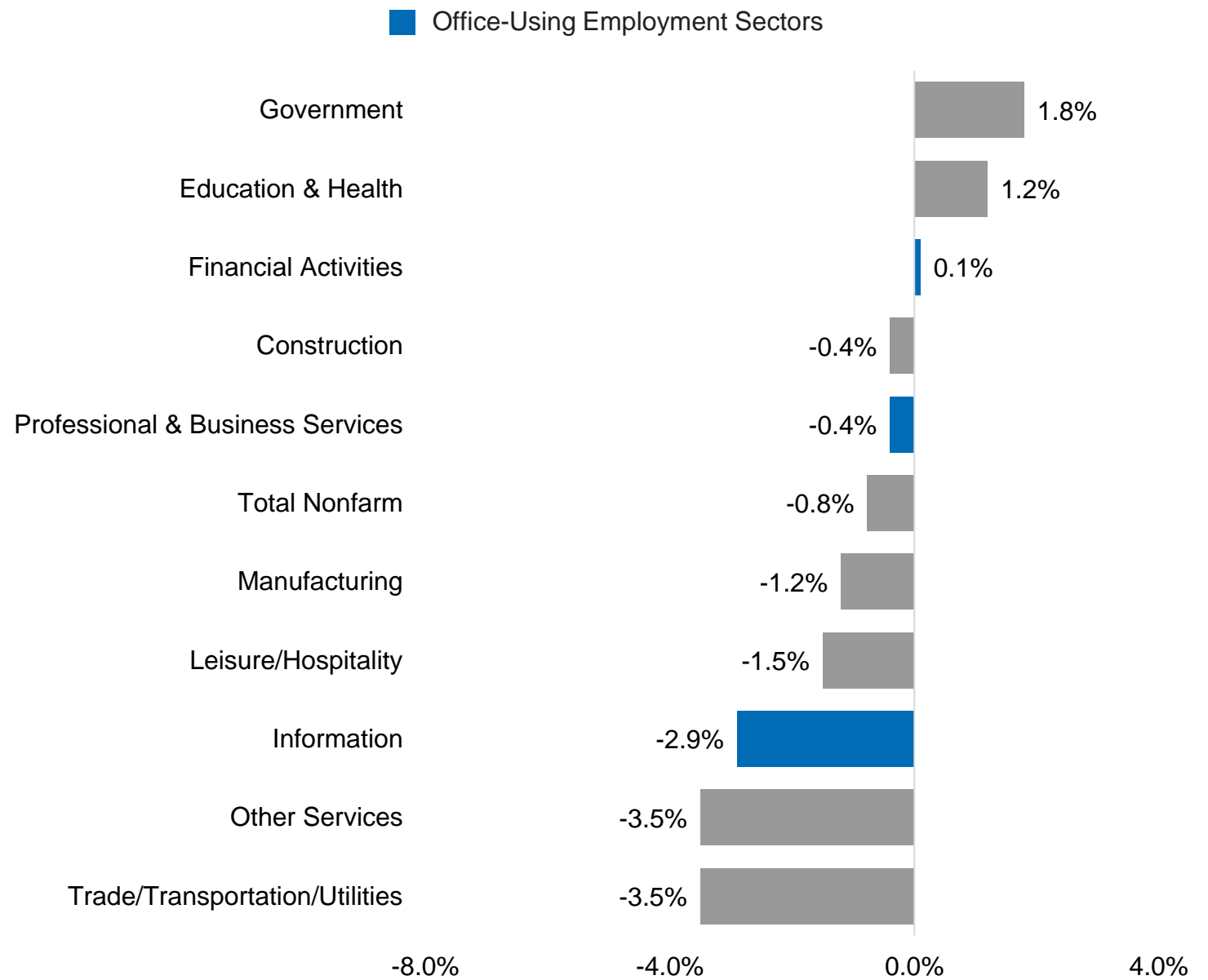
# Office-Occupying Sectors Struggle at the Start of the Year

Both the professional and business services as well as financial activities posted little change in employment year-over-year. Job loss in the information sector persisted in the new year; an expected trend predicted by the 2025 Colorado Business Economic Outlook released by the University of Colorado Leeds School of Business.

Employment by Industry, February 2025(p)



Employment Growth by Industry, 12-Month % Change, February 2025(p)



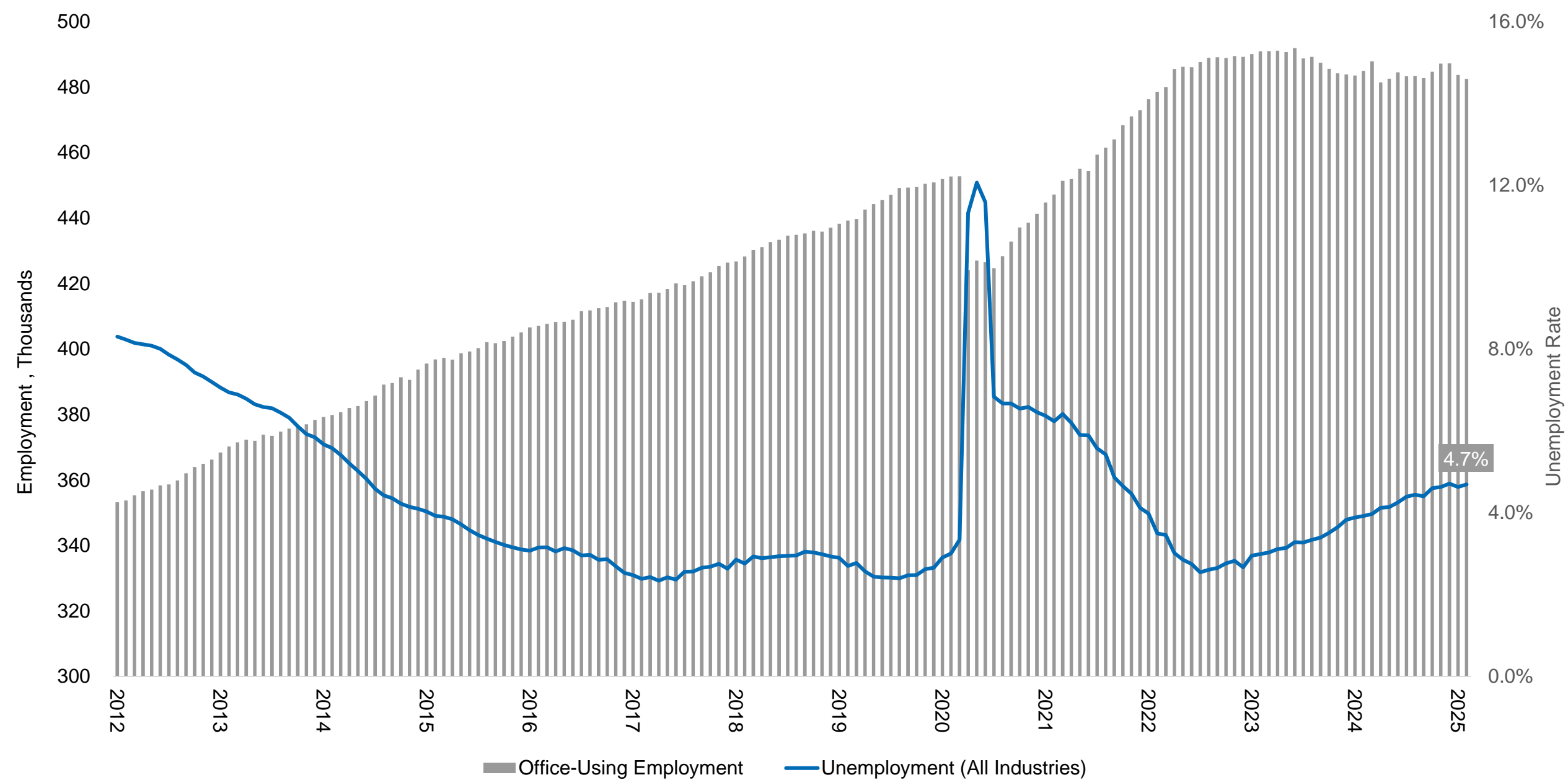
Source: U.S. Bureau of Labor Statistics, Denver MSA



# Office-Using Employment Dips in the First Two Months of 2025

Overall unemployment has inched up year-over-year, and office-using employment has shed over 2,000 net jobs over the same period.

Office-Using Employment\* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Denver MSA  
Note: February 2025 data is preliminary.  
\*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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# Leasing Market Fundamentals

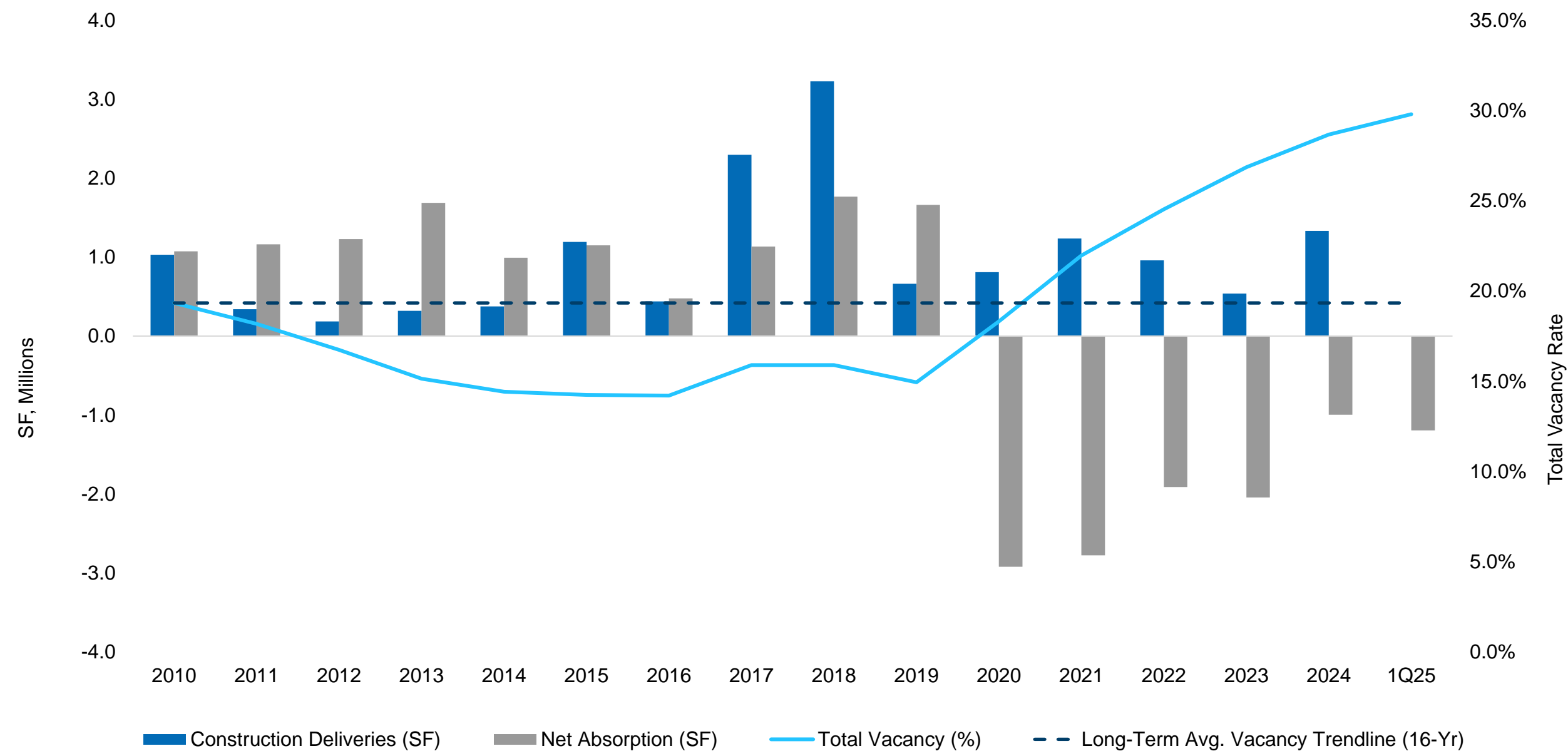




# Corporate Downsizes Continue to Drag Down the Market

The year opened with familiar tenant behavior of downsizing, a combination of consolidating into existing space or shrinking to offset a move to higher quality and more expensive space. With a limited number of existing tenants looking to expand their office footprint or new tenants looking to open their first office in the market, vacancy increased 113 basis points.

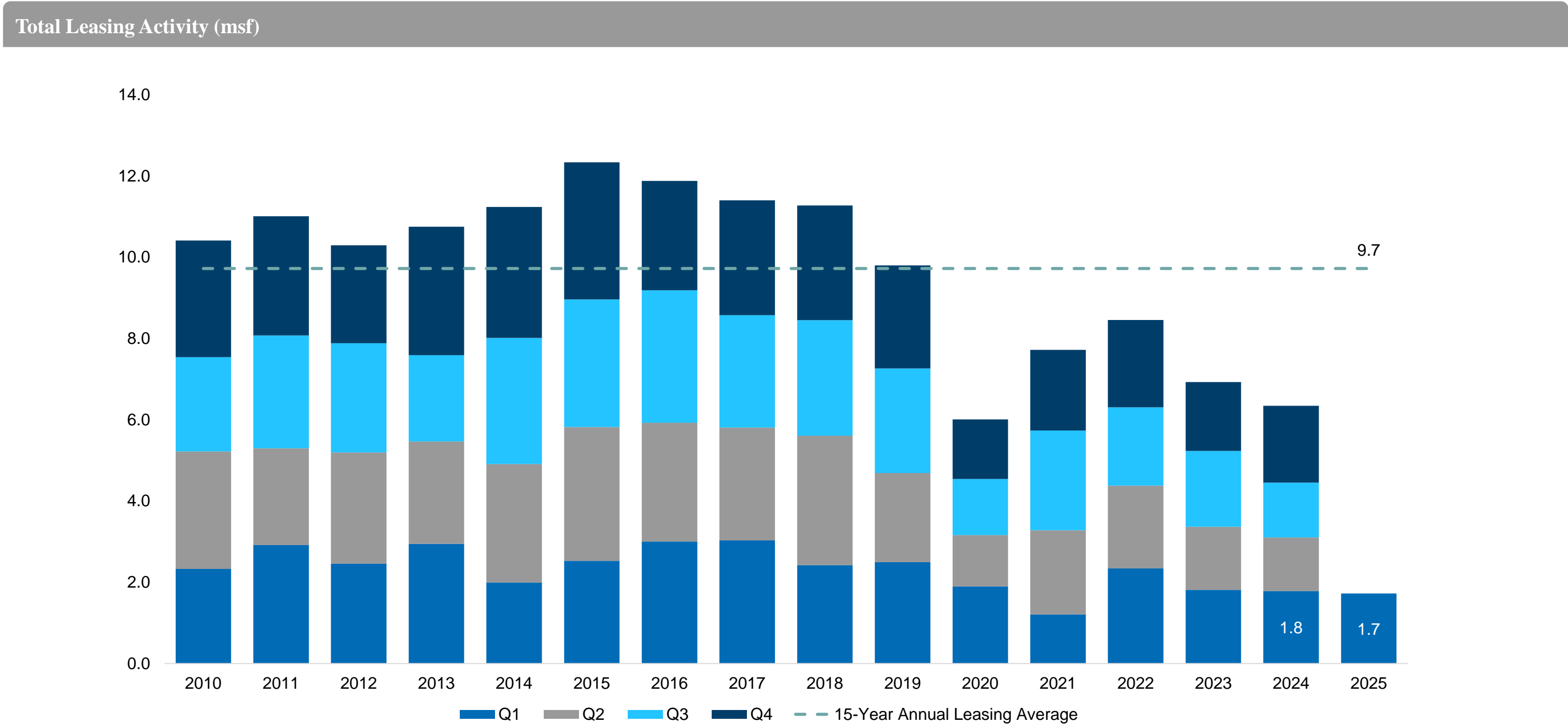
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

# Total Space Leased Decreases from Prior Quarter

The total amount of SF leased during the first three months of 2025 decreased slightly from the prior quarter but was more similar to the total booked in the first quarter of 2024.



Source: Newmark Research, CoStar



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## More Signed Leases but Lower Average Lease Size

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## Leasing Velocity Decreased for Most Submarkets



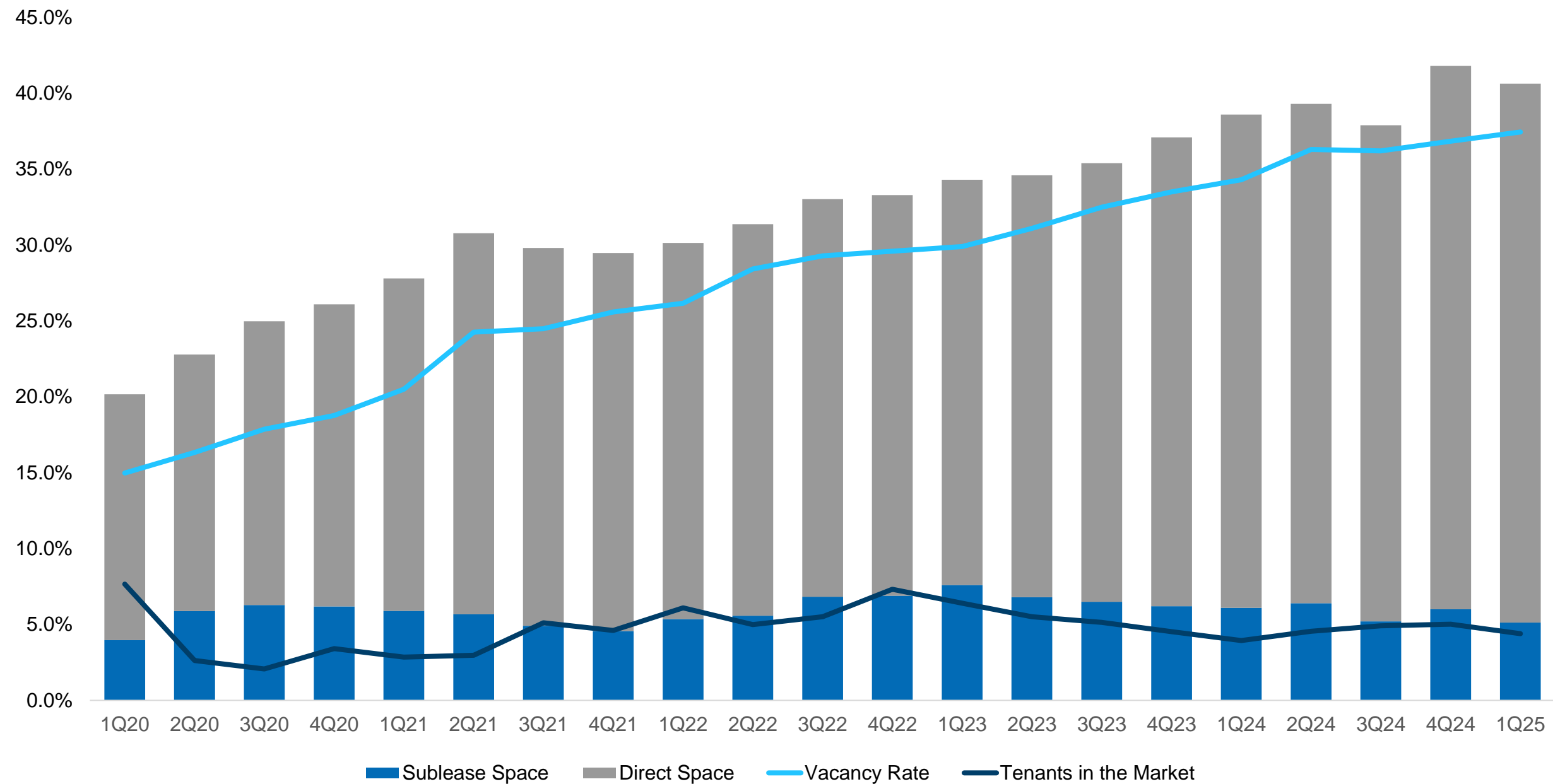
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# Downtown Vacancy Increases but Availability Dips

Negative absorption pushed up vacancy but both direct and sublease available space decreased from the prior quarter. Although the total square footage the current Tenants in the Market are looking for decreased from the prior quarter, a higher percentage of those tenants are looking to expand, increasing by 260 basis points.

Available Space and Tenant Demand as Percent of Downtown Market



Source: Newmark Research, CoStar

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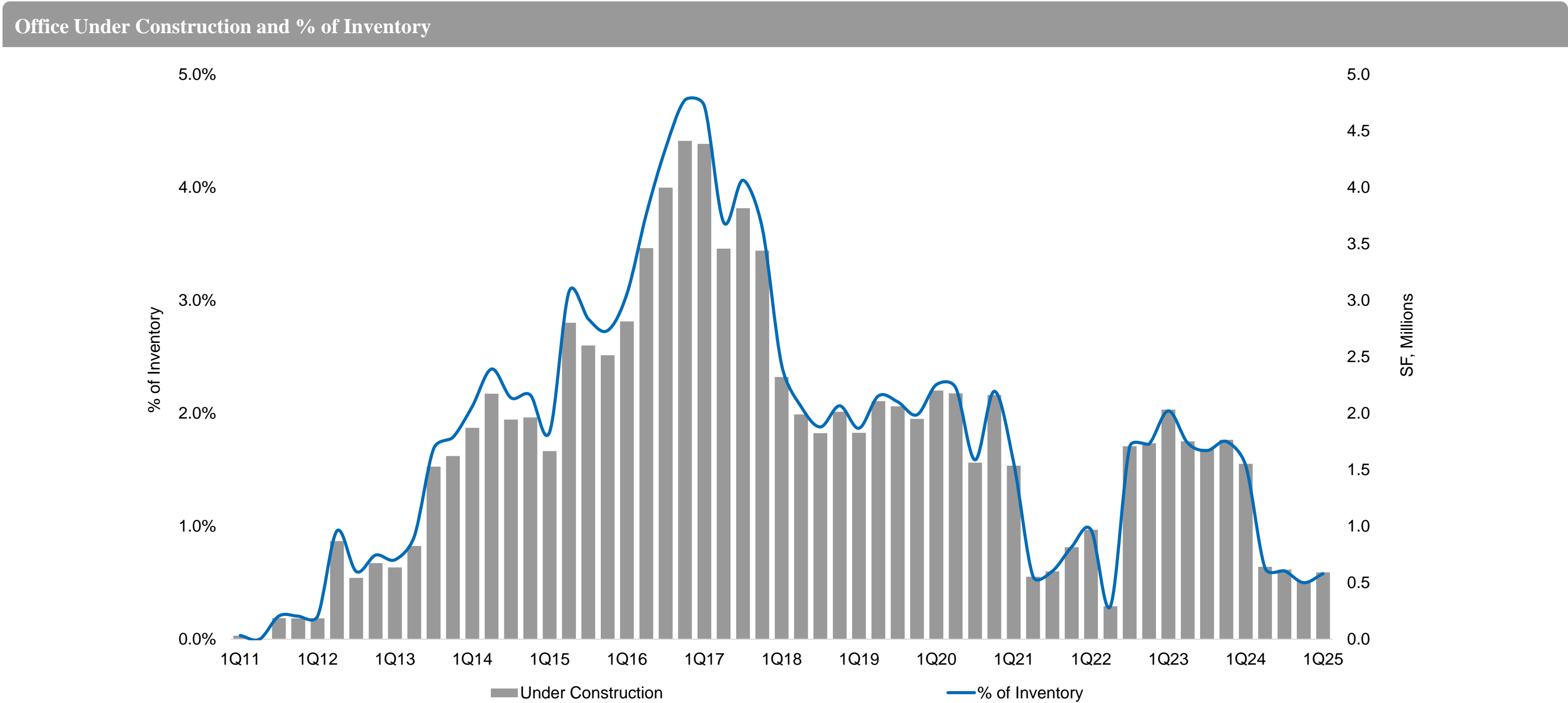
## All Submarkets Saw Vacancy Rise

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# Capital for New Developments Remains Dependent on Prelease Agreements

Financing new developments is extremely challenging due to increasing vacancy rates and decreasing property values for office product. Capital is now largely dependent on a project’s ability to prelease more than half of the planned building before construction starts. This is currently limiting the pipeline to neighborhoods with the highest demand while other projects are forced to look for multiple sources of capital or reevaluate the size of the planned building to meet the preleasing threshold.



Source: Newmark Research, CoStar

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# Midtown's Cherry Creek Continues to Attract the Most Development Interest

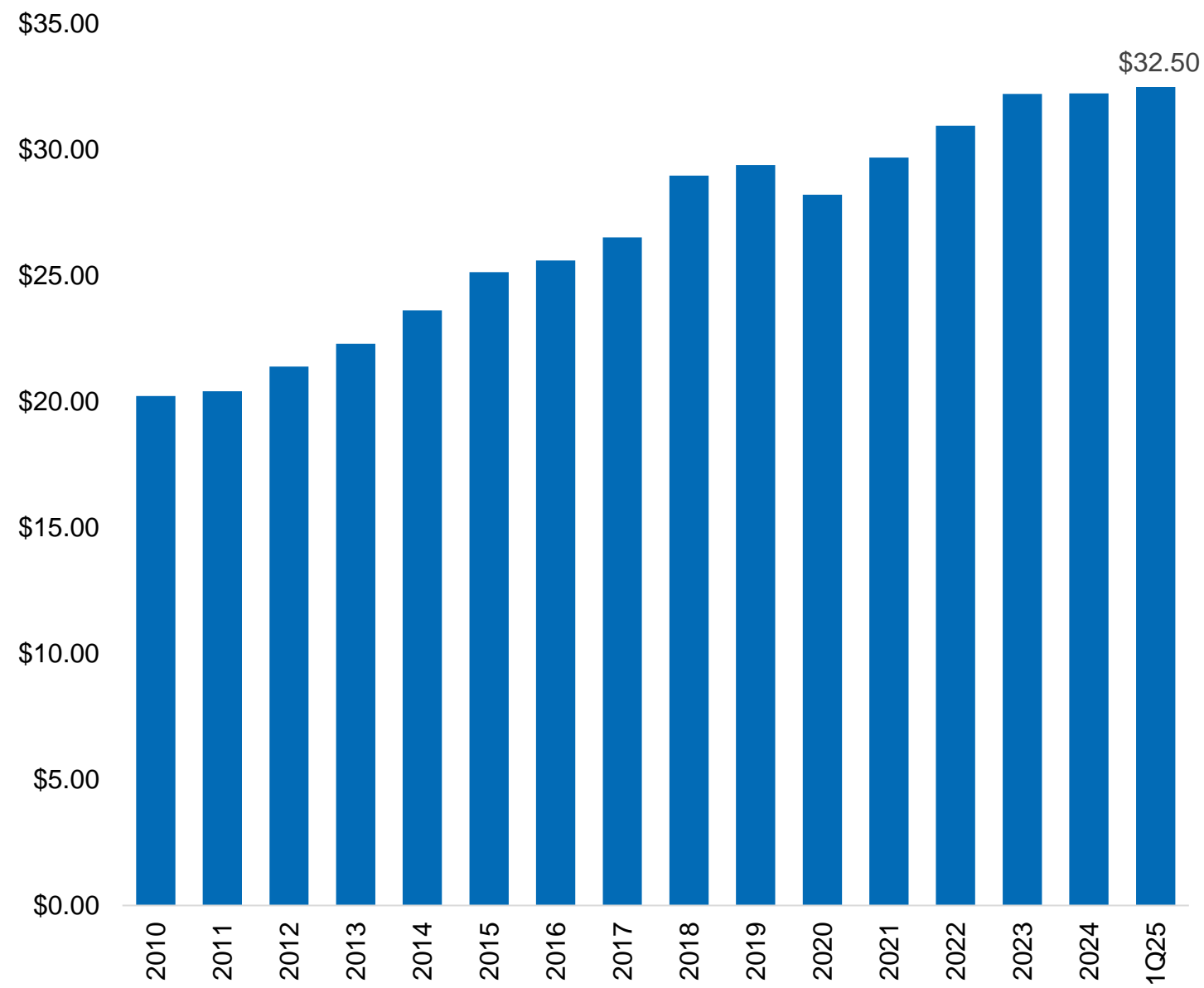


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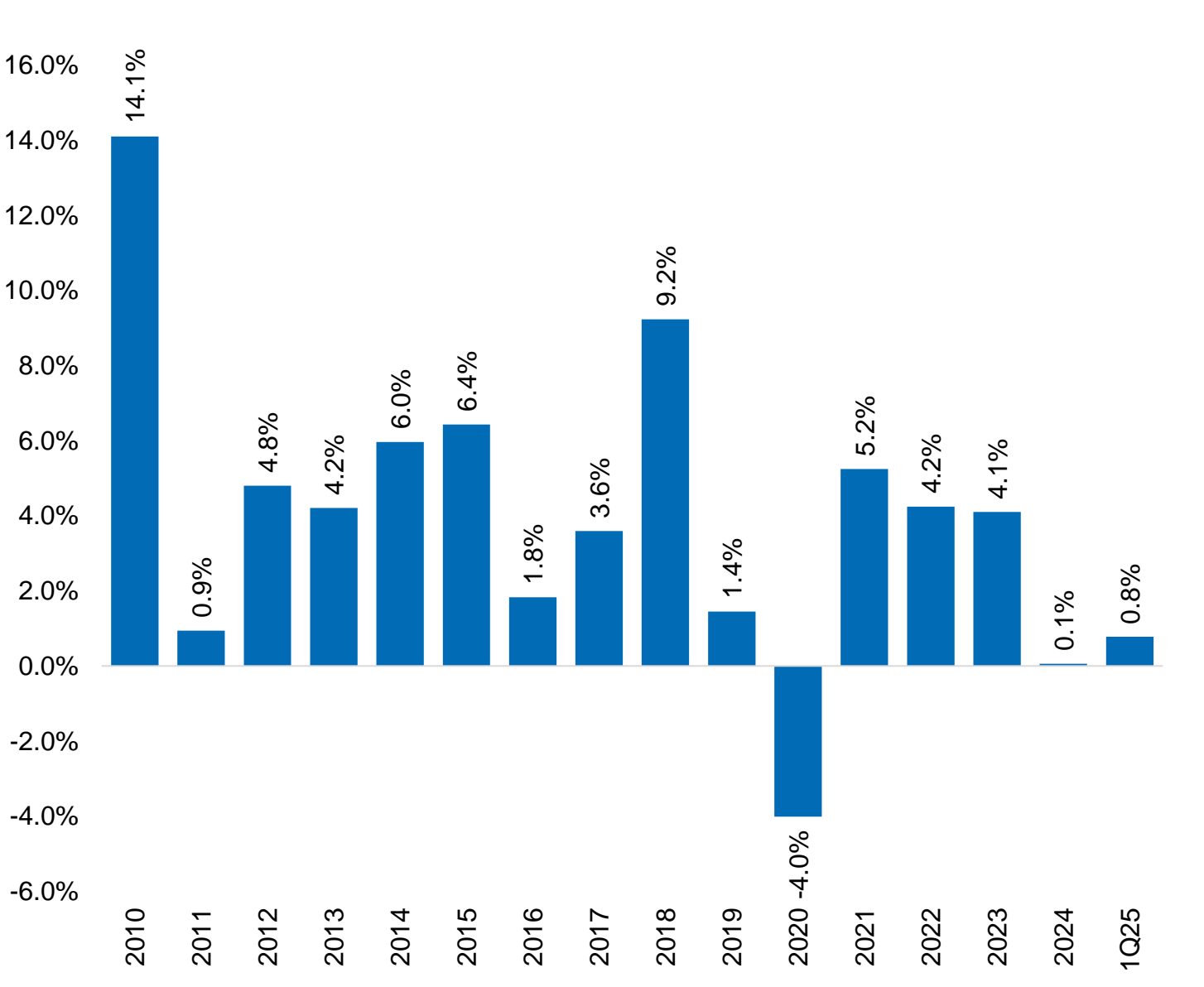
# Rates Continue to Rise Despite Increased Vacancy

The top priority for many companies remains getting their employees to return to the office and are willing to pay a higher rental rate for improved quality space with better amenities to do so. This creates little incentive for landlords to drop rental rates and instead continue to offer concessions in tenant improvements and free rent to entice tenants.

Office Median Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate



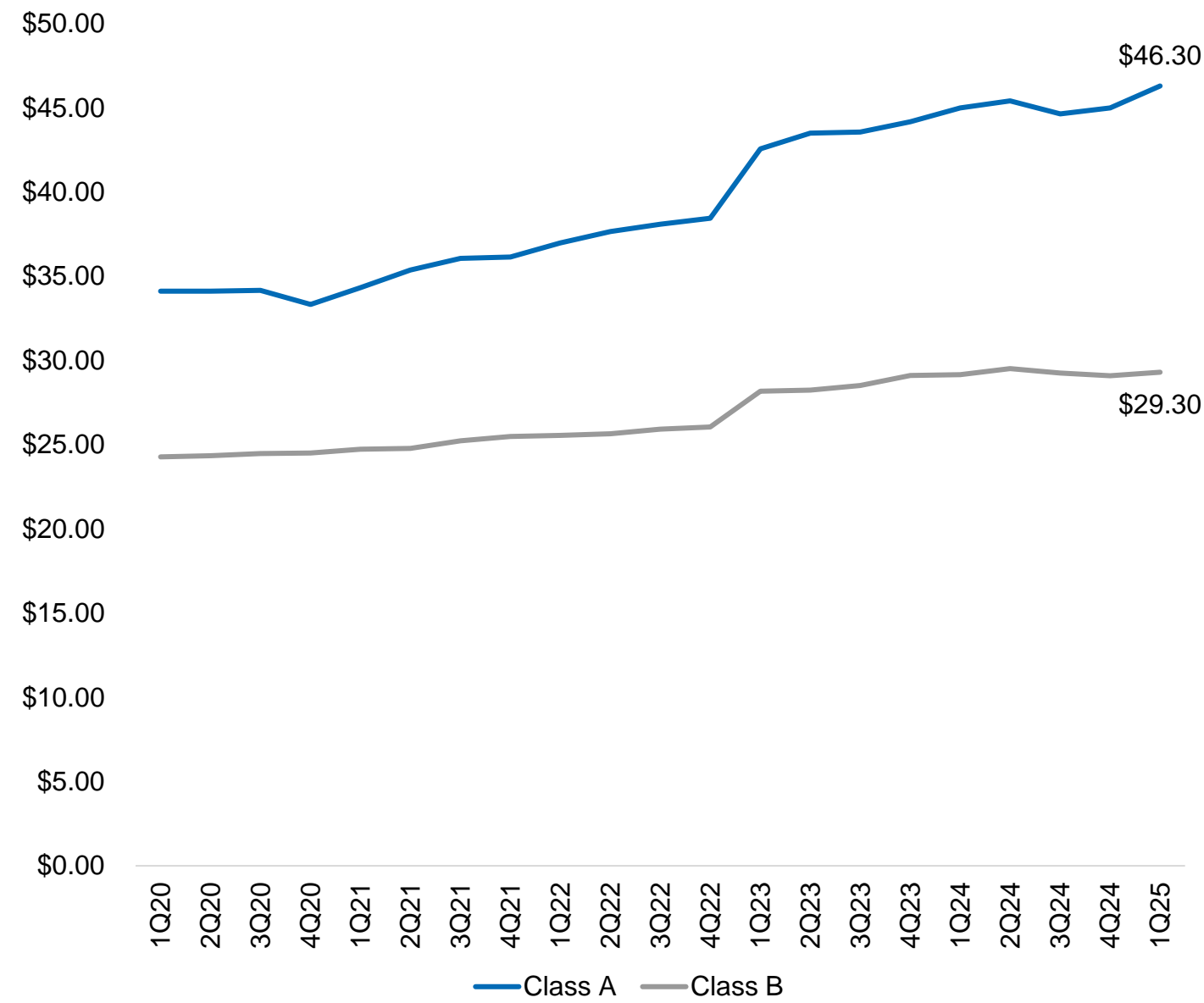
Source: Newmark Research



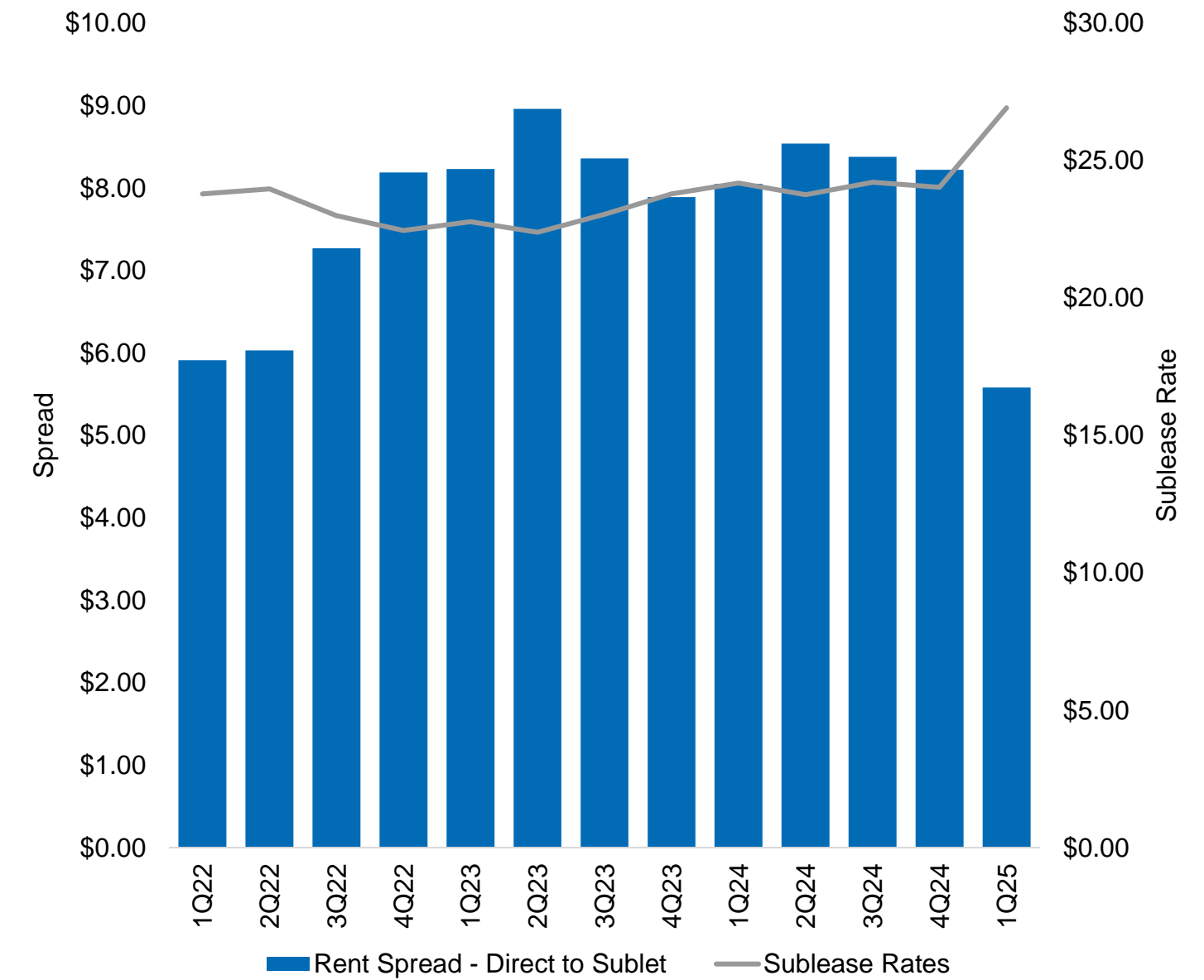
# Class A Rates Continue to Rise with the Flight to Quality Trend

Although all building classes saw an increase in median asking rates from the prior quarter, Class A recorded the largest of 2.9% as top-quality space continues to be the highest in demand. The appeal of plug and play space also remains as the median sublease rate increased and significantly closed the gap between direct and sublease.

Class A and Class B Median Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

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## Cherry Creek Boosts the Midtown Submarket to the Highest Y-o-Y Growth

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# Notable 1Q25 Lease Transactions

Despite national headlines, the government sector lead the quarter for largest leases signed, made up of both new space and renewals.

Notable 1Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Department of Public Health & Environment	4300 South Cherry Creek Drive	Southeast	Renewal	140,527
10-year renewal for the entire building.				
Colorado Department of Labor & Employment	707 17th Street	Downtown	Direct New	77,242
The second of two leases signed by Department of Labor & Employment at this property in January 2025; this lease for the 1st, 23rd and 26th-27th floors and will be occupied in the fourth quarter.				
Confidential	4300 Kittredge Street	Northeast	Direct New	56,829
Leased nearly 90% of the building.				
Colorado Department of Labor & Employment	707 17th Street	Downtown	Sublease	49,920
The first of two leases signed by Department of Labor & Employment at this property in January 2025; this sublease for the 24th-25th floors, will be occupied in the third quarter of the year.				
Colorado Access	4643 South Ulster Street	Southeast Suburban	Direct New	47,678
This will be a downsize of 12,000 SF.				

Source: Newmark Research



# Appendix





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## Submarket Overview

A low-angle, upward-looking photograph of a modern building's interior or exterior structure. The image features a complex network of intersecting steel beams and girders, creating a geometric pattern. Large glass panels are visible, reflecting light and showing the sky. The overall color palette is dominated by light blues and greys, giving it a clean, architectural feel.

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## Downtown Submarket Overview Page #2



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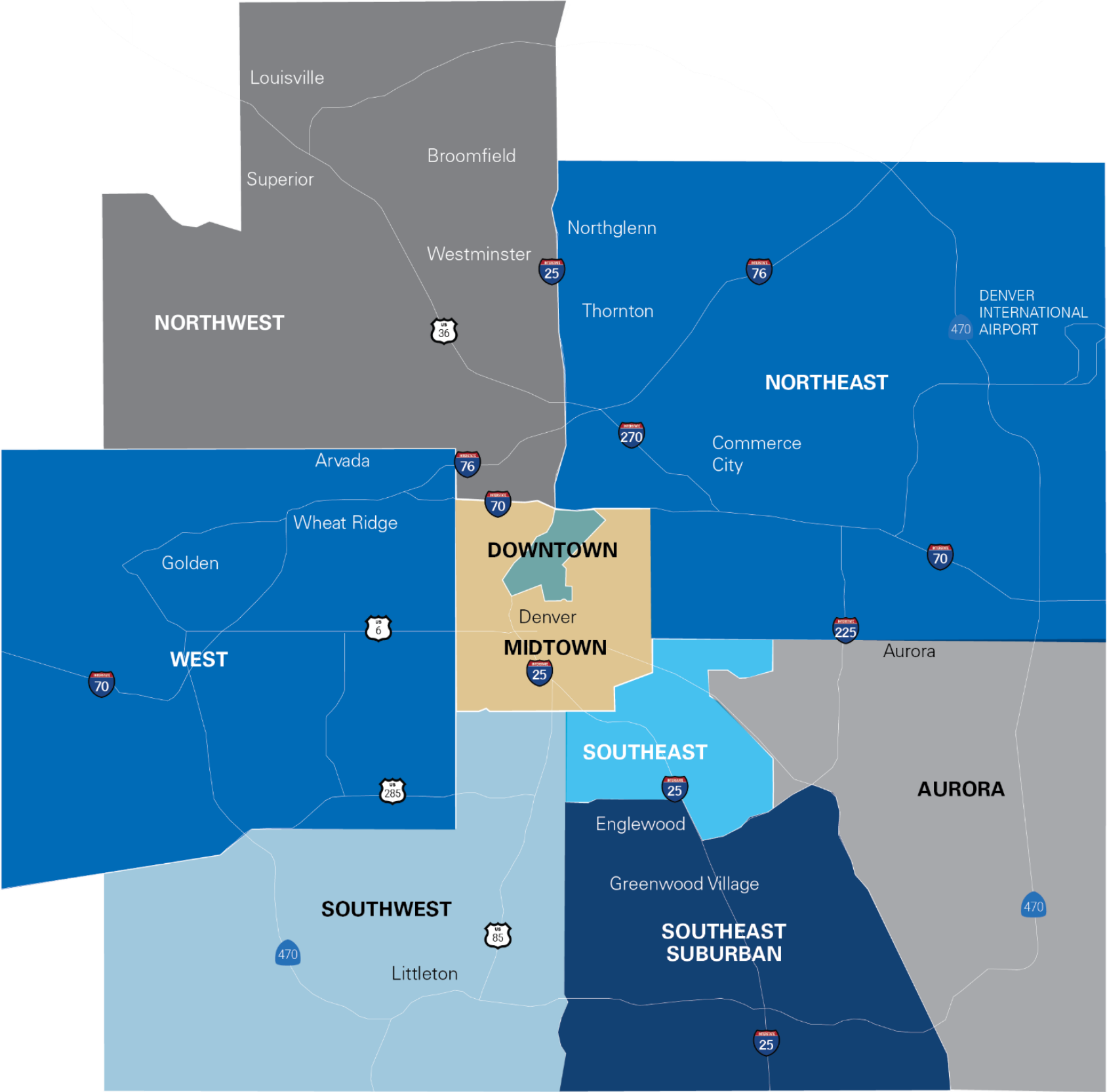
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# Denver - Submarket Map





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