

2Q25

Denver Office Market Overview



Market Observations



- There have been conflicting signals as to the health of the current local economy. Unemployment remained stubbornly above the national average even as labor strikes that plagued the first quarter ended.
- Colorado posted strong per capita personal income and modest job growth, along with a 19% spike in new business filings.
- CompTIA projected that the Denver metro area would have the sixth-highest technology job growth in the nation based on US Bureau of Labor Statistics and local data and estimated that the tech industry accounts for 13% of the local economy.



- Xcel Energy vacated 314,000 SF from 1800 Larimer and occupied the entire T3 Offices, both buildings Downtown but a downsize of nearly 100,000 SF. The utilities company pre-leased the space while the building was under construction.
- The US Department of Veterans Affairs vacated the 2nd-5th floors at Ptarmigan Place in Midtown. It was not related to any DOGE activity.
- Evolve Vacation Network vacated 21st-23rd floors for a total of 75,000 SF from City Center and occupied 22,000 SF elsewhere in Downtown.



Leasing Market Fundamentals

- Absorption in the second quarter of 2025 was dominated by companies downsizing while moving to higher quality space or consolidating existing locations.
- The 297,000 SF Steel House in the LoDo/CPV micromarket Downtown delivered vacant.
- Median asking rental rates saw some decrease in submarkets that have had new mid- to low-quality become available at lower rates as well as top-quality space at the highest rates leased and taken off the market.



Outlook

- Fewer tenants will be comfortable making a bold choice on long-term office plans until there is more clarity about the future of the overall economy, therefore renewals and shorter lease terms will remain attractive.
- The flight to quality will continue to be the preference of tenants who do decide to move, especially for those looking to bring their employees back the office.
- Business confidence going into the third quarter improved among Colorado business leaders according to the University of Colorado Leeds School of Business but remained in negative territory due to uncertainty about the economy, tariffs and interest rates.

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1. Economy
 2. Leasing Market Fundamentals

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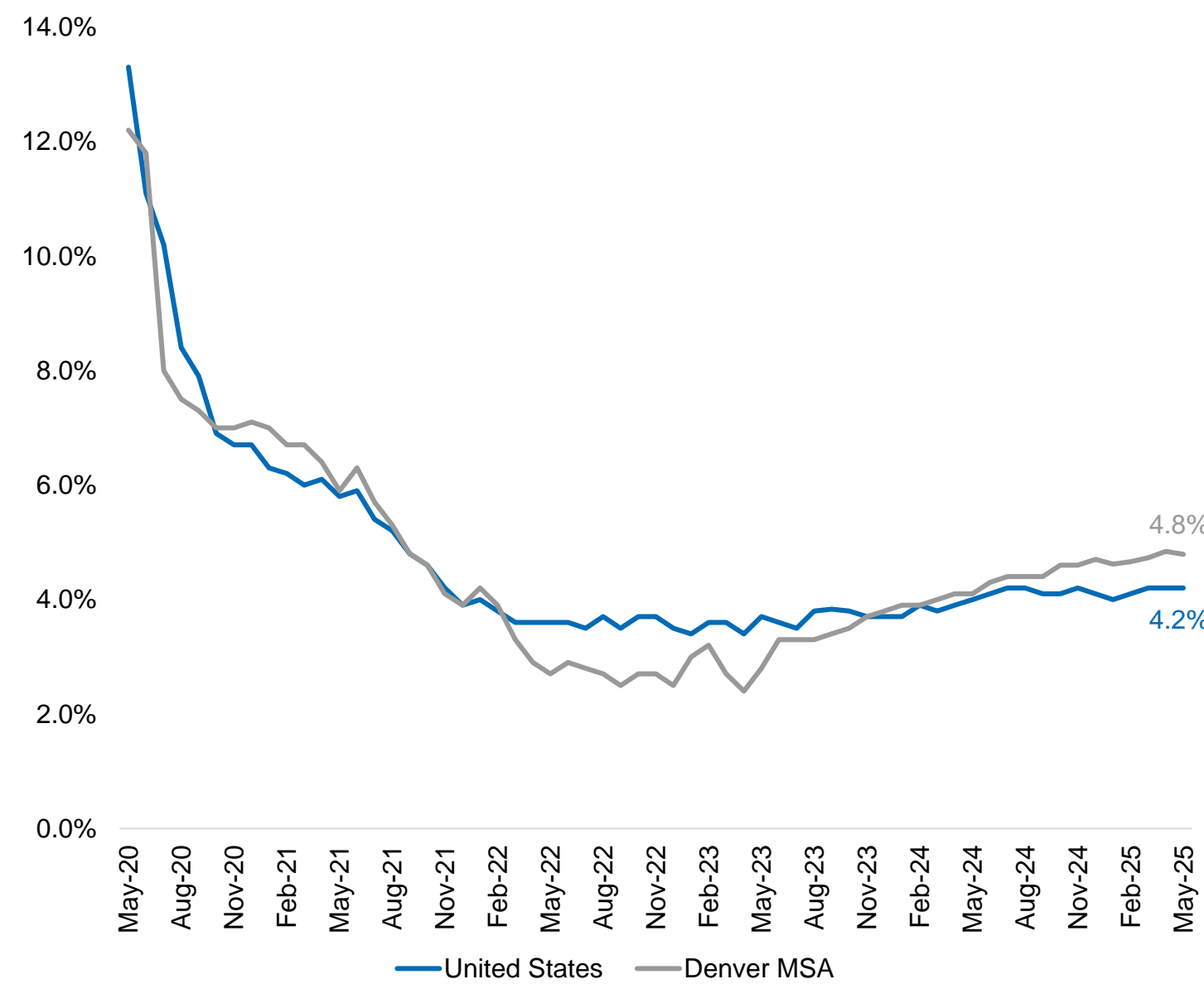
Economy



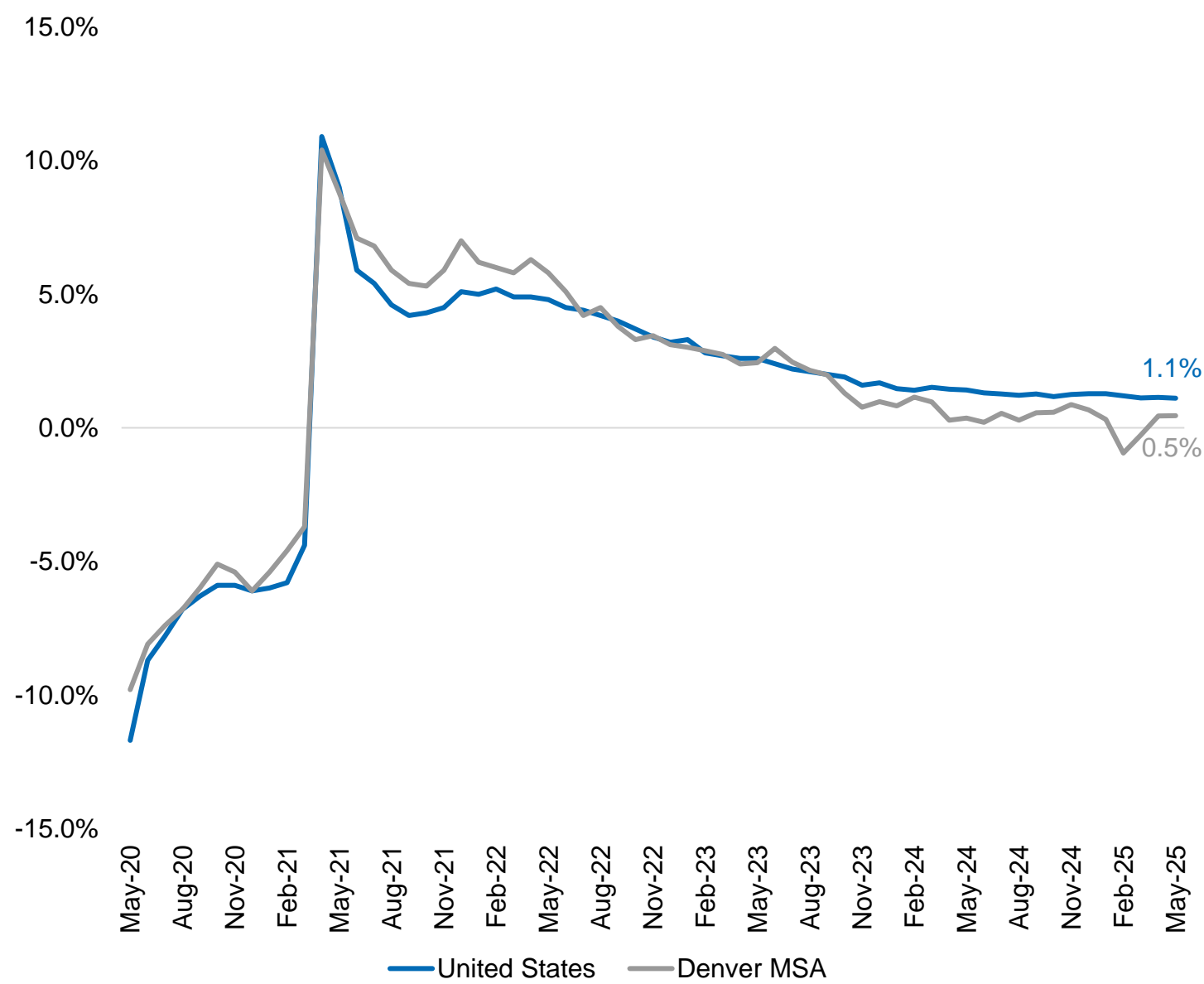
Job Growth Rebounded After Labor Strikes But Unemployment Remained Elevated

Denver employment returned to growth with the end of labor strikes at Kroger-owned grocery stores that plagued the first quarter of the year. However, unemployment clung stubbornly higher than the national rate.

Unemployment Rate, Seasonally Adjusted



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

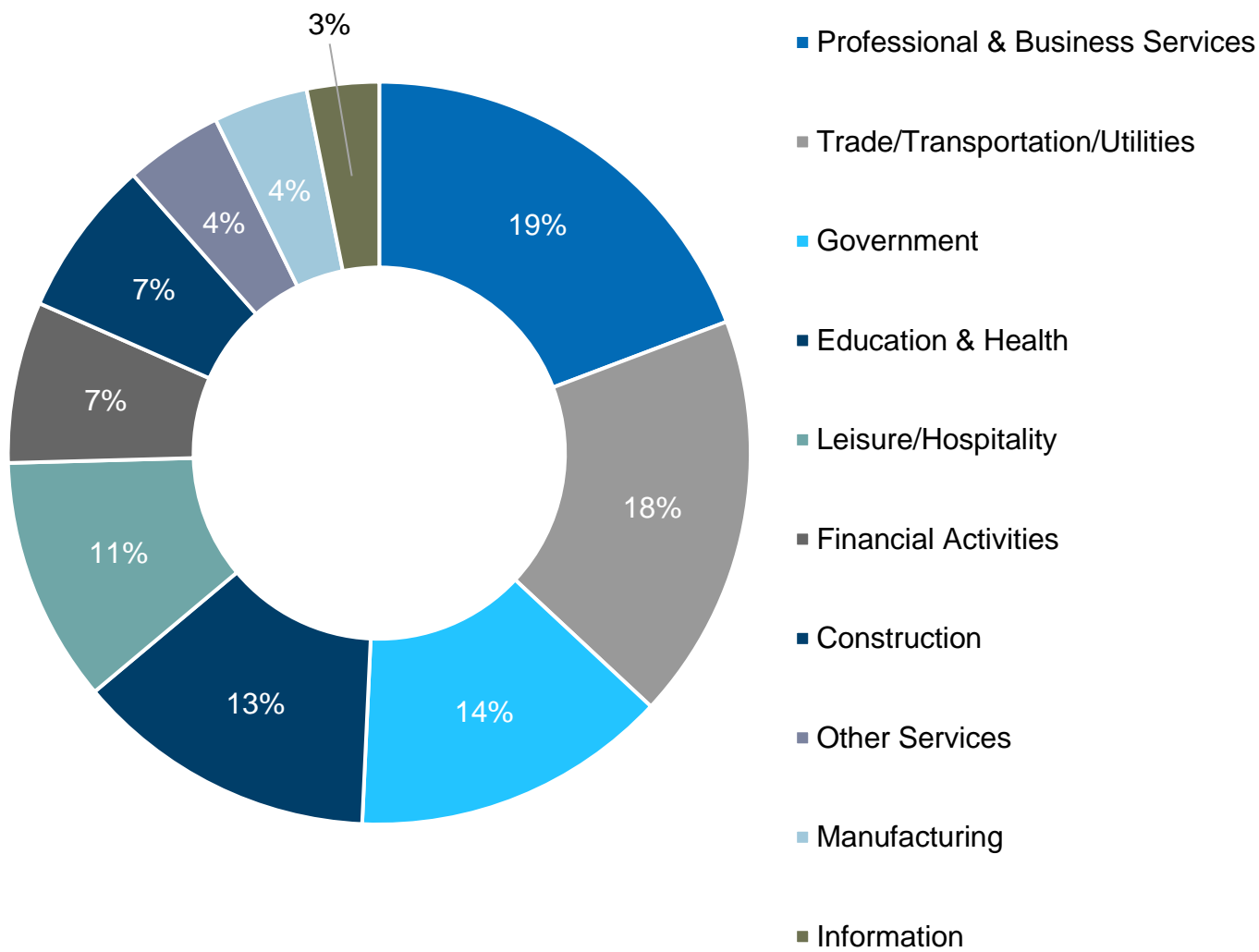


Source: U.S. Bureau of Labor Statistics, Denver MSA

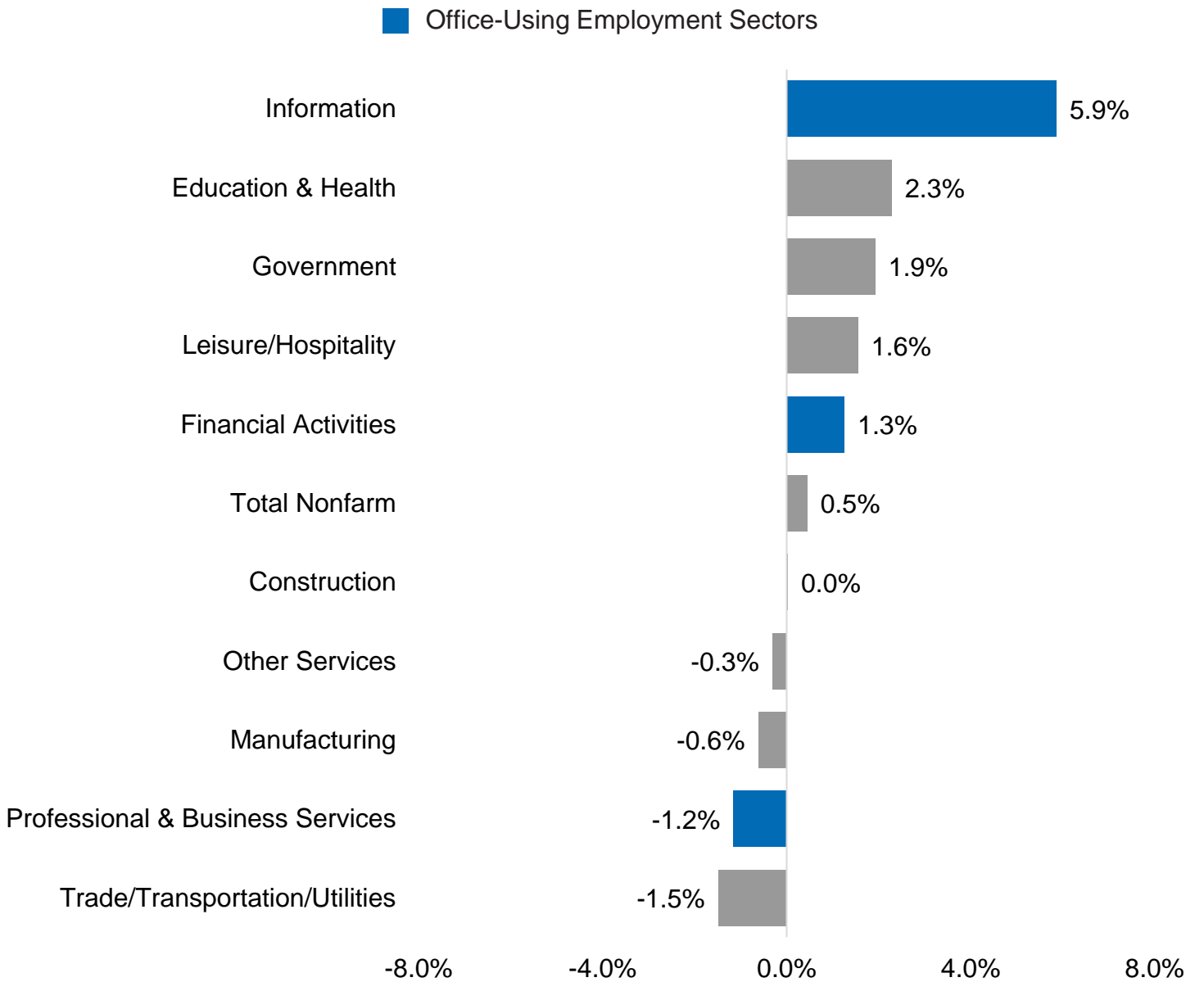
Majority of Office-Occupying Sectors Boasted Strong Growth

Both the information sector as well as financial activities posted job growth year-over-year. The professional and business services industry experienced a slight decrease but remained the top employment industry in the Denver market.

Employment by Industry, May 2025(p)



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

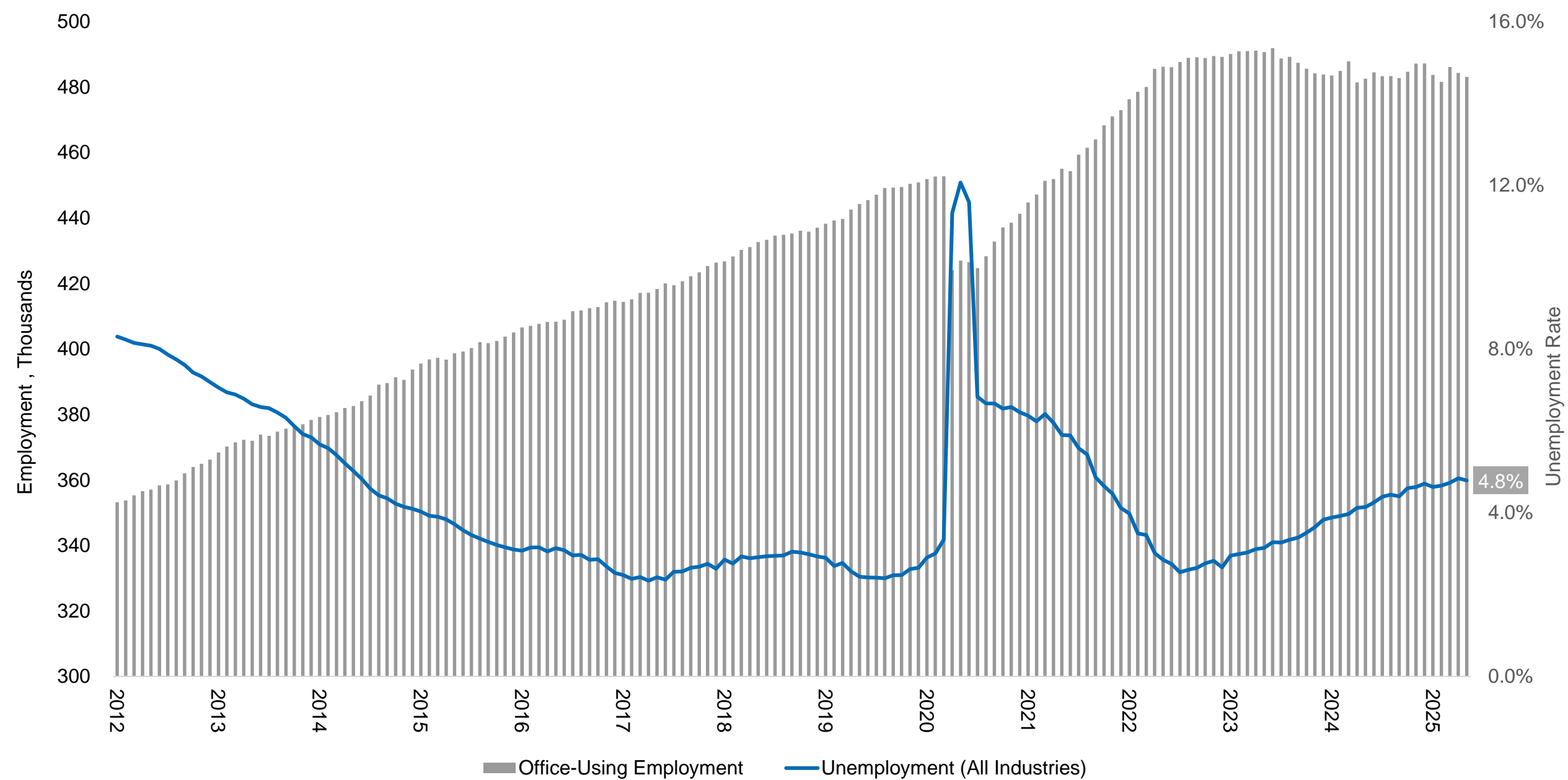


Source: U.S. Bureau of Labor Statistics, Denver MSA

Office-Using Employment Dips But Remained Up Year-Over-Year

Employment in office-using sectors jumped in March but then decreased slightly in both April and May. Despite the drop, 600 more people were employed in those sectors in May 2025 than in May 2024.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Denver MSA
Note: May 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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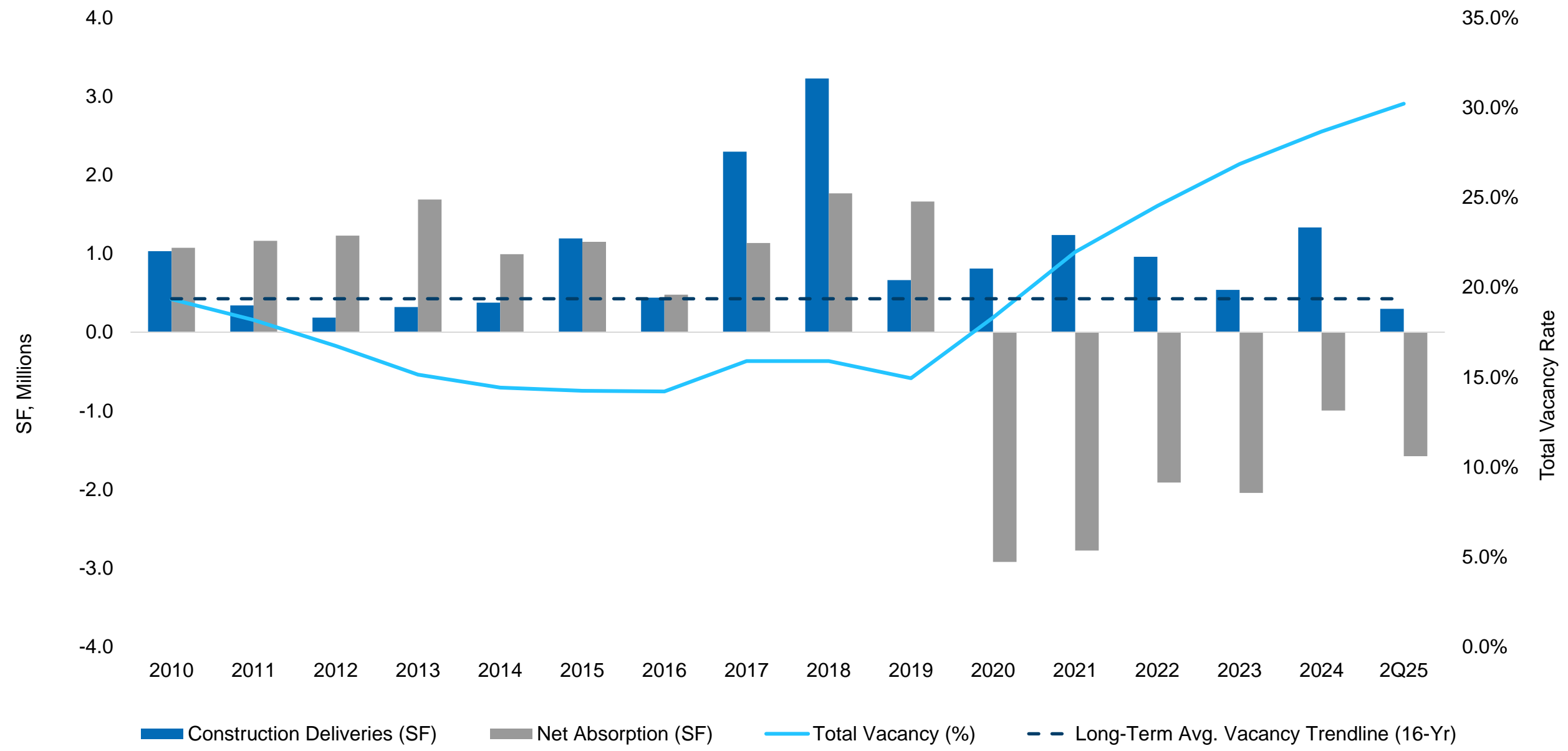
Leasing Market Fundamentals



Market Improved From the Prior Quarter But Not Yet Turned the Corner

Multiple economic uncertainties combined with the expected seasonal slowdown resulted in most tenants hesitant to invest in growth in the second quarter of 2025. Quarterly absorption improved from the previous quarter but could not quite turn the corner into positive territory and year-to-date absorption remained down year-over-year. Vacancy only increased 46 basis points from the first quarter of 2025 but was up 213 basis points year-over-year.

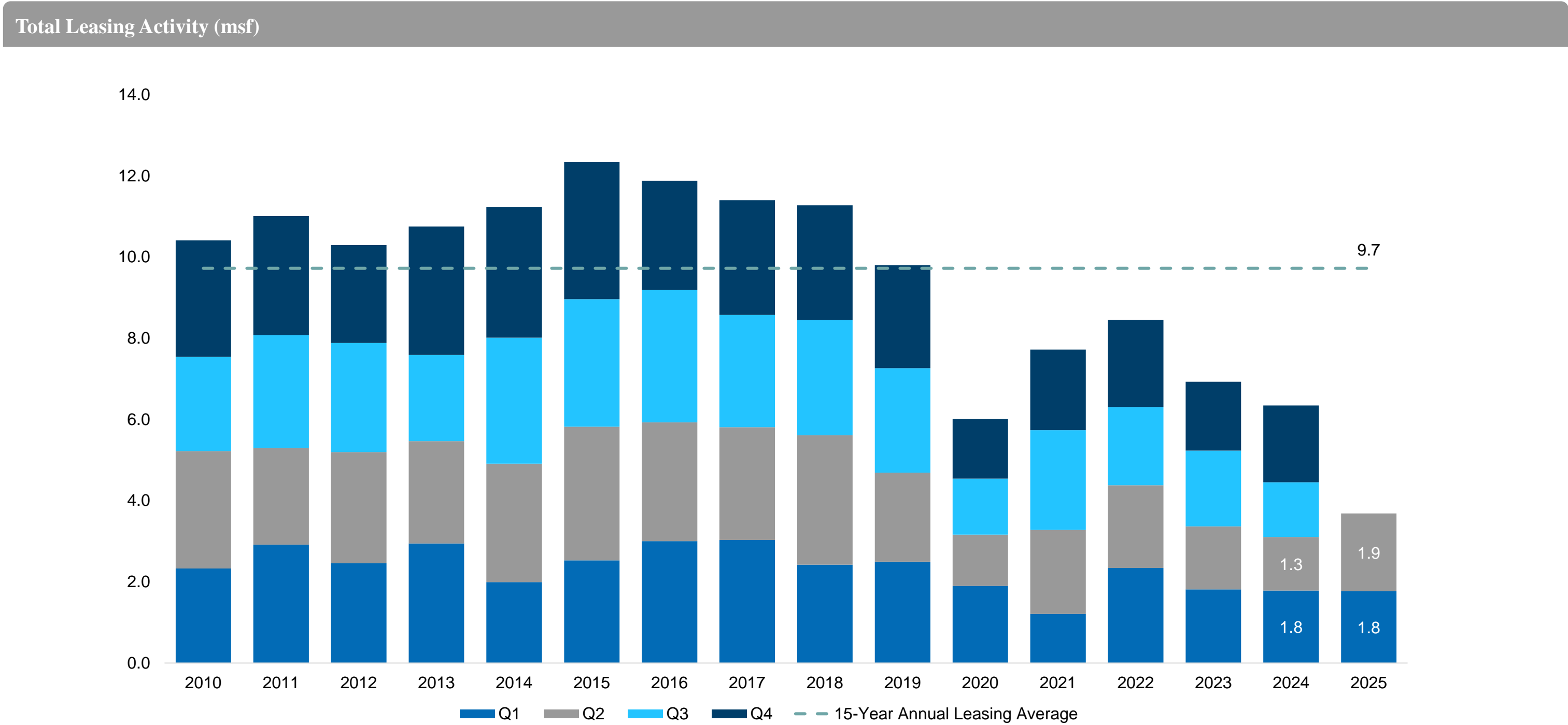
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Total Space Leased Increased Year-Over-Year

The total amount of SF leased during the second quarter of 2025 outpaced 2Q24 and boosted the total space leased in the first half of 2025 above the recorded total for the same period in 2024. However, as renewals and downsizes made up a sizeable amount of the activity, not all of them will result in positive absorption when those leases start.



Source: Newmark Research, CoStar

Average Lease Size Remained Down But Total Leases Rose

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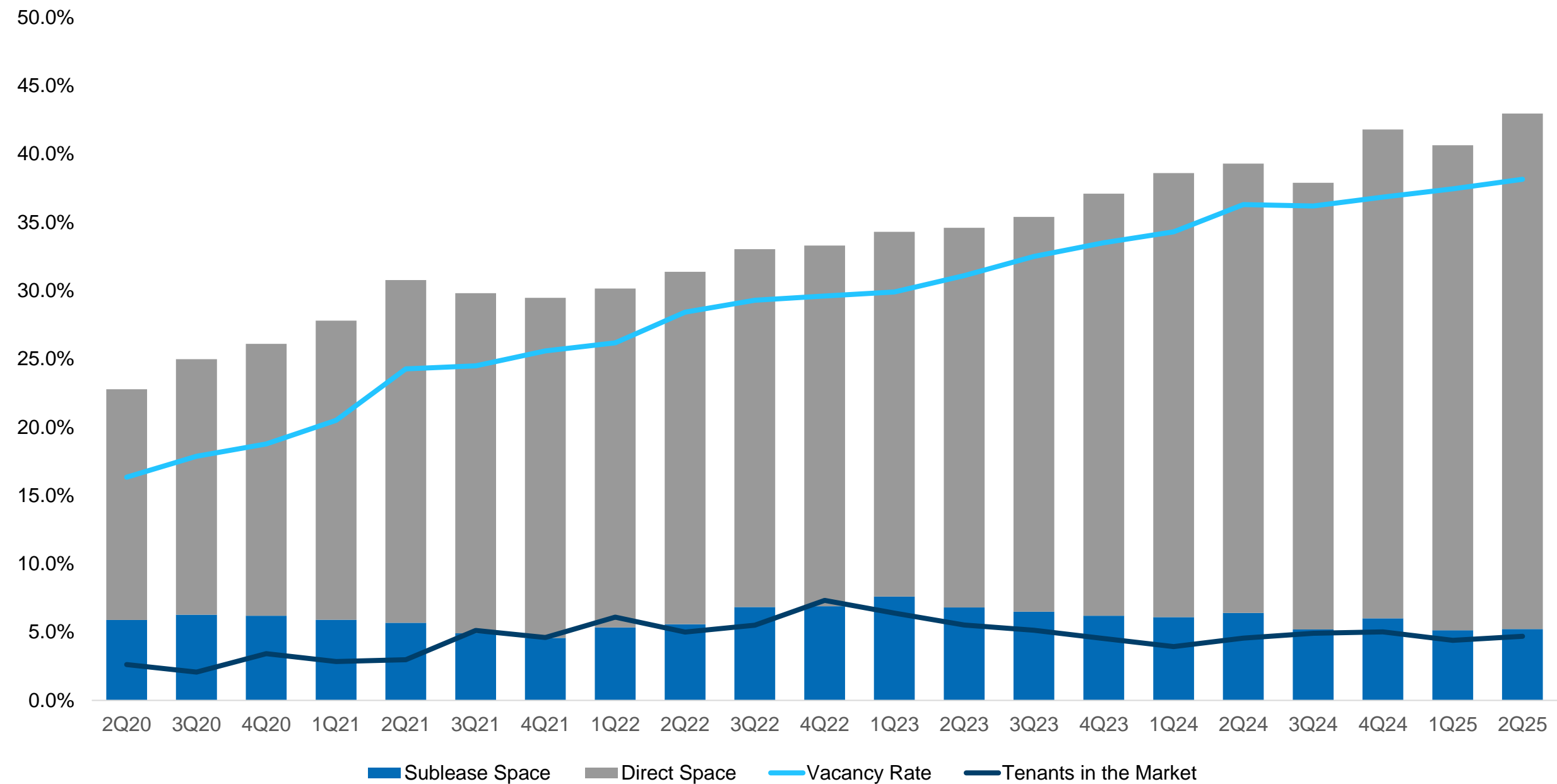
Leasing Velocity Was Inconsistent Across Submarkets

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Downtown Vacancy and Availability Rose From the Previous Quarter

Negative absorption and the delivery of vacant speculative space continued to propel vacancy and availability but sublease available space decreased from the prior quarter. Although the total square footage the current Tenants in the Market are looking for increased from the prior quarter and a higher percentage of those tenants are looking to expand.

Available Space and Tenant Demand as Percent of Downtown Market



Source: Newmark Research, CoStar

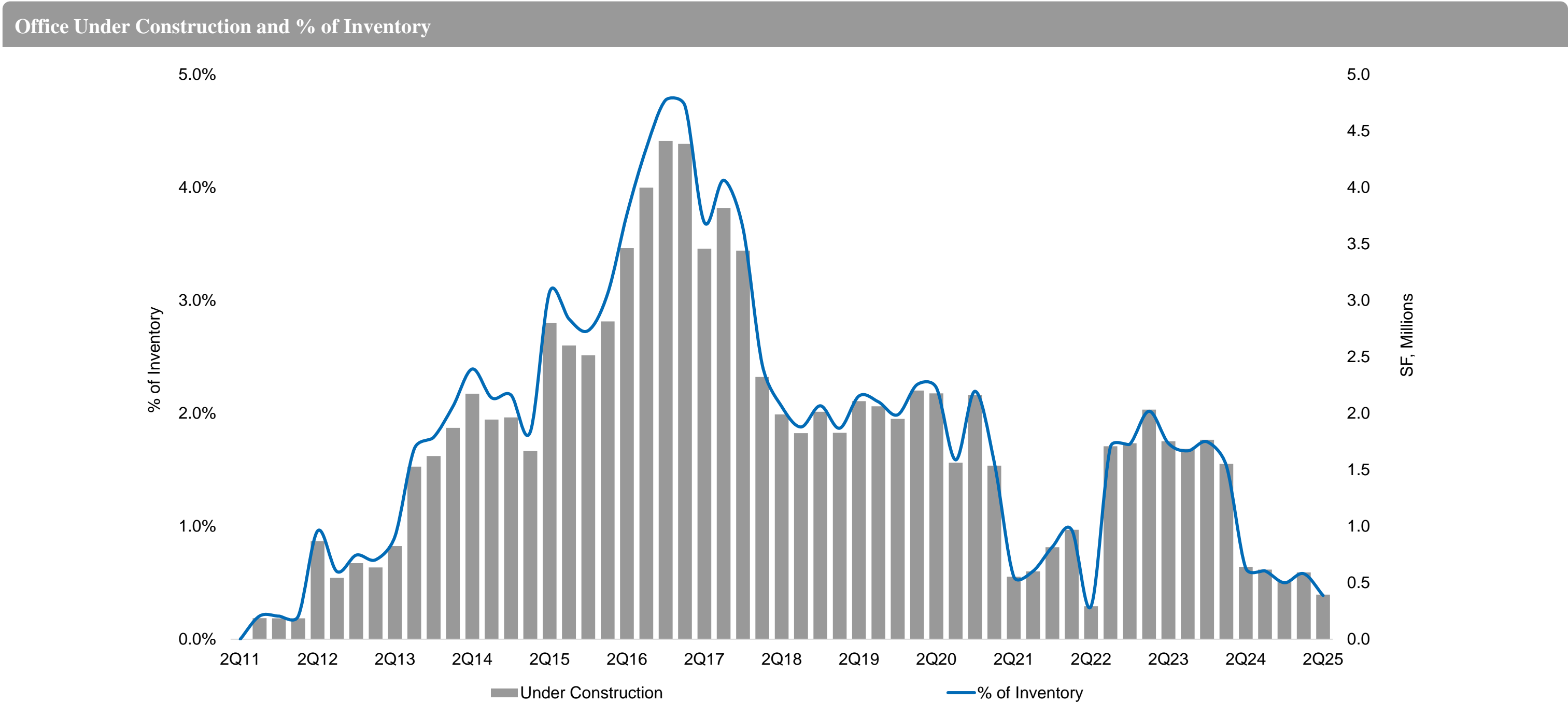
Vacancy Increased In All But Three Submarkets



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Pipeline Thinned Further as Vacancy Grew and Demand Remained Limited

The delivery of Steel House has left only three active projects in the pipeline and limited realistic proposals on the horizon. Lenders and investors are only interested in projects that can secure preleases for more than half of the building prior to breaking ground. As a result, development activity is largely concentrated in neighborhoods with strong demand, while projects in less sought-after locations must seek additional funding sources or consider resizing their plans to achieve the required preleasing targets.



Source: Newmark Research, CoStar

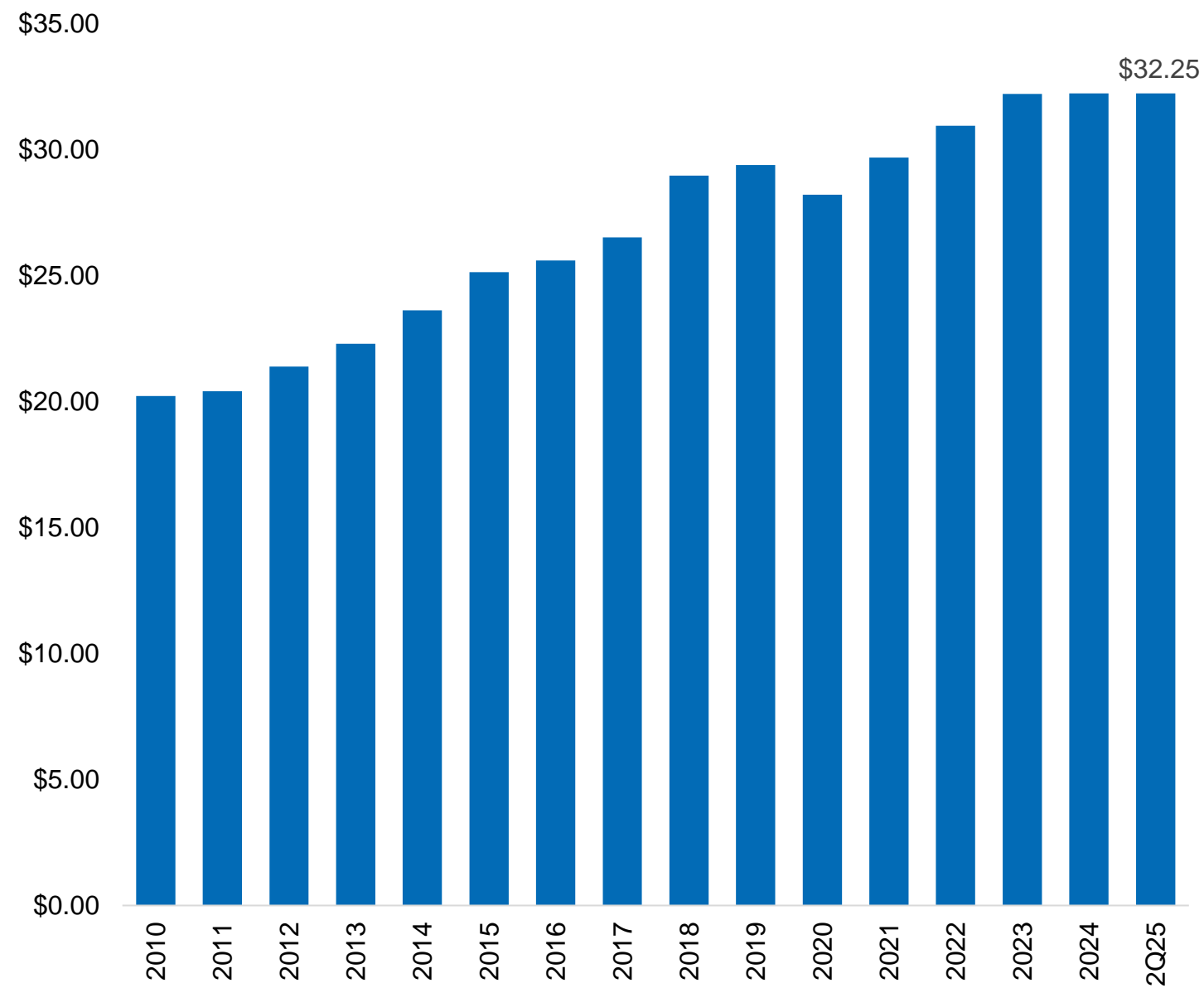
Midtown's Cherry Creek Monopolized the Development Pipeline

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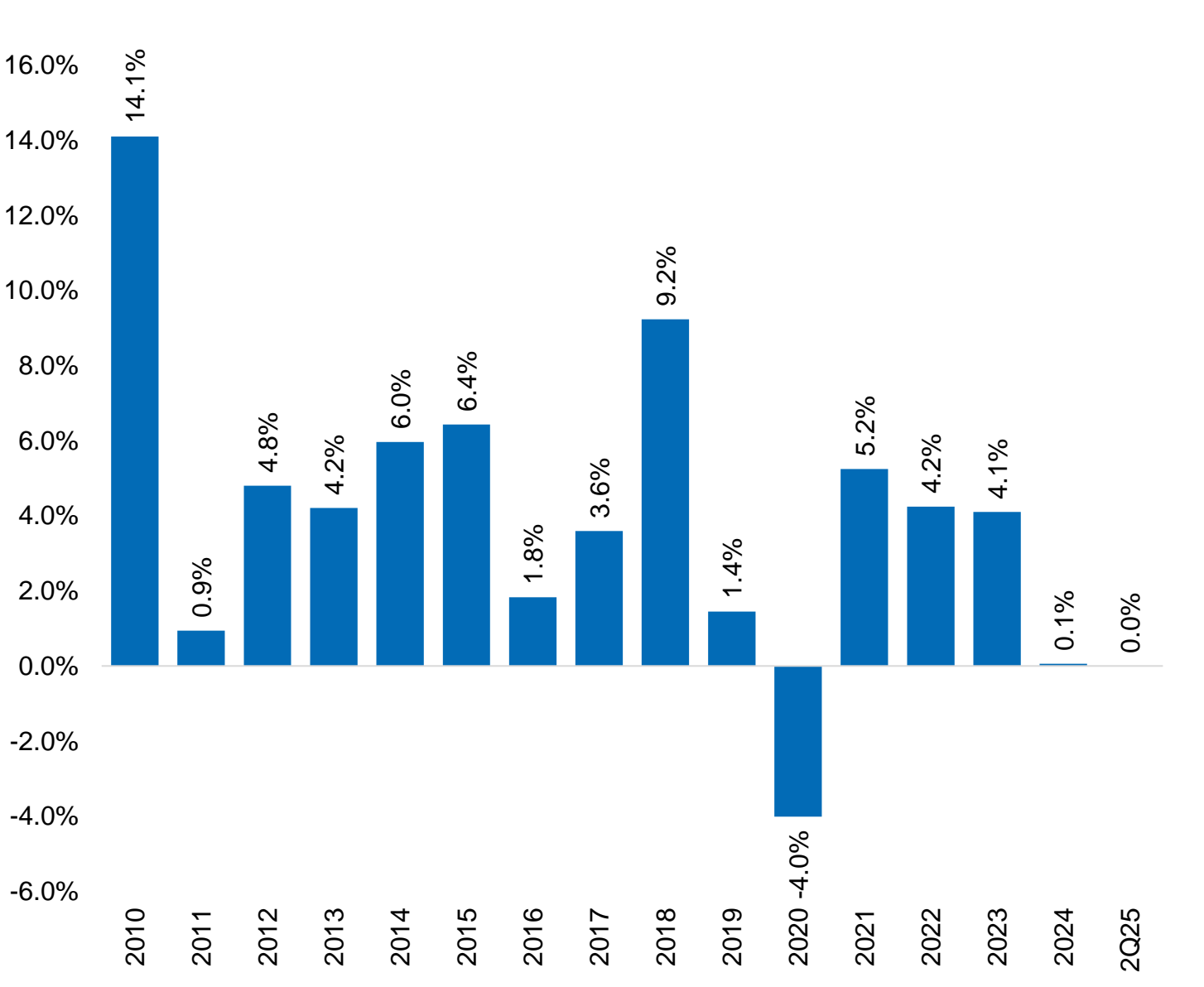
Median Rates Remained Stable Year-Over-Year

Despite the increased vacancy, the restrained demand created little incentive for landlords to drop initial asking rates and instead continued to entice tenants with other concessions, such as free rent, low term and tenant improvement allowance.

Office Median Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

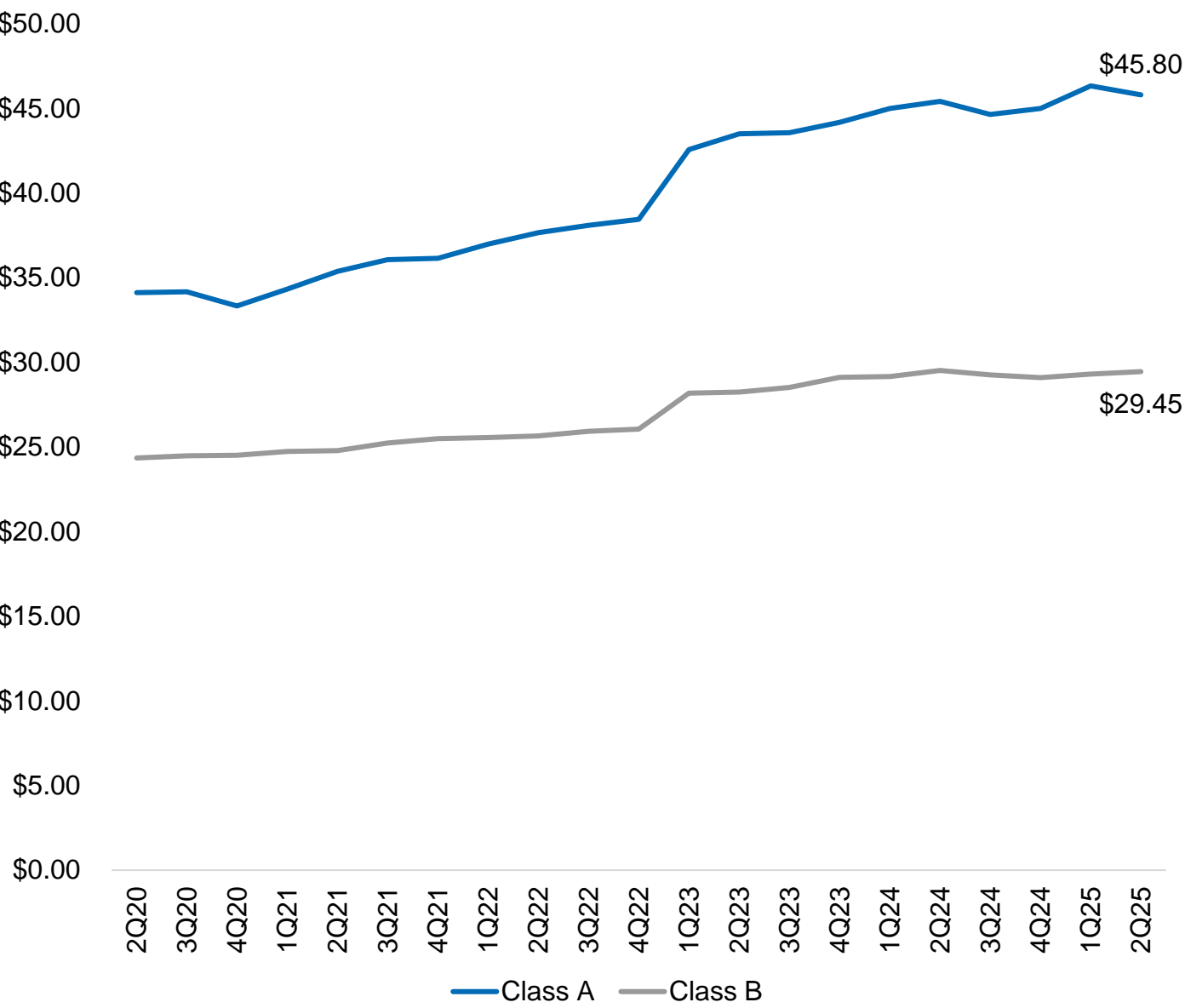


Source: Newmark Research

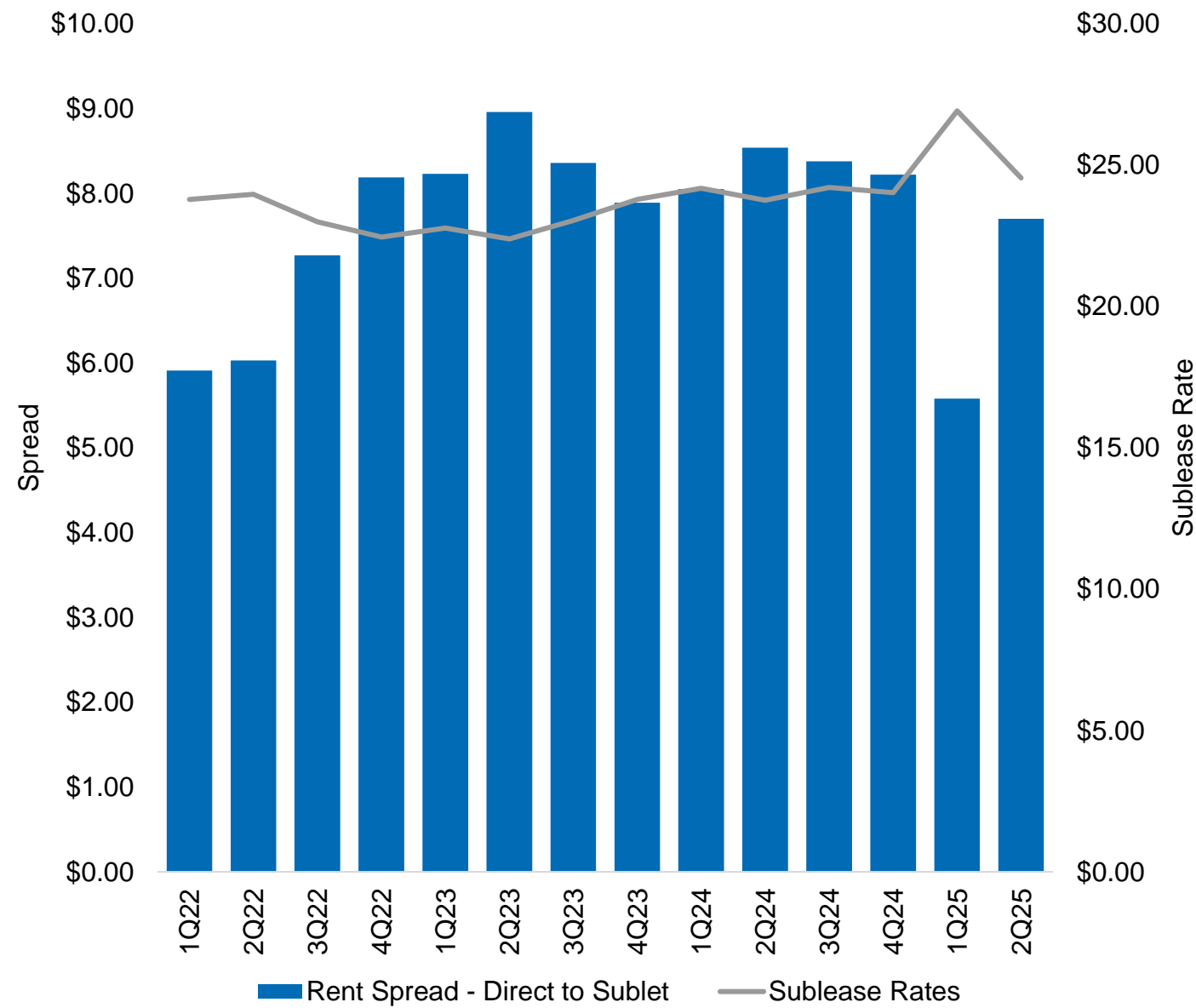
Class A Median Rate Dipped Due to Leasing Activity Rather than Rate Cuts

Top quality continued to be the most important aspect in most tenant searches, which resulted in much of the highest quality space being leased and taken off the market. Paired with some high-but-not-highest quality space becoming available, the median asking rate decreased slightly from the previous quarter. Few Class A buildings dropped the asking rate for space that was previously available.

Class A and Class B Median Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Cherry Creek Propelled the Midtown Submarket to the Highest Year-Over-Year Growth

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Notable 2Q25 Lease Transactions

When the financial outlook turned murky, tenants erred on the side of caution, with many choosing to simply renew at their current location and wait for better clarity of what the future might hold.

Notable 2Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Caci	11300 Westmoor Circle	Northwest	Renewal	90,380
The renewal also included an expansion amendment.				
SM Energy	1700 Lincoln Street	Downtown	Renewal/ Expansion	73,877
The deal included a 14,514 SF expansion.				
PCL Construction Enterprises	2000 South Colorado Boulevard (Tower II)	Southeast	Renewal	64,779
Included space on the 2nd, 4th-6th and 8th floors.				
Cherry Creek School District	4610 South Ulster Street	Southeast Suburban	Direct New	56,441
Leased the partial 1st floor and the entire 2nd-3rd floors.				
Verizon	10000 Park Meadows Drive	Southeast Suburban	Renewal	50,000
5-year renewal for the entire 2nd-3rd floors.				

Source: Newmark Research

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Appendix



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 #1



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Downtown Submarket Overview Page #2



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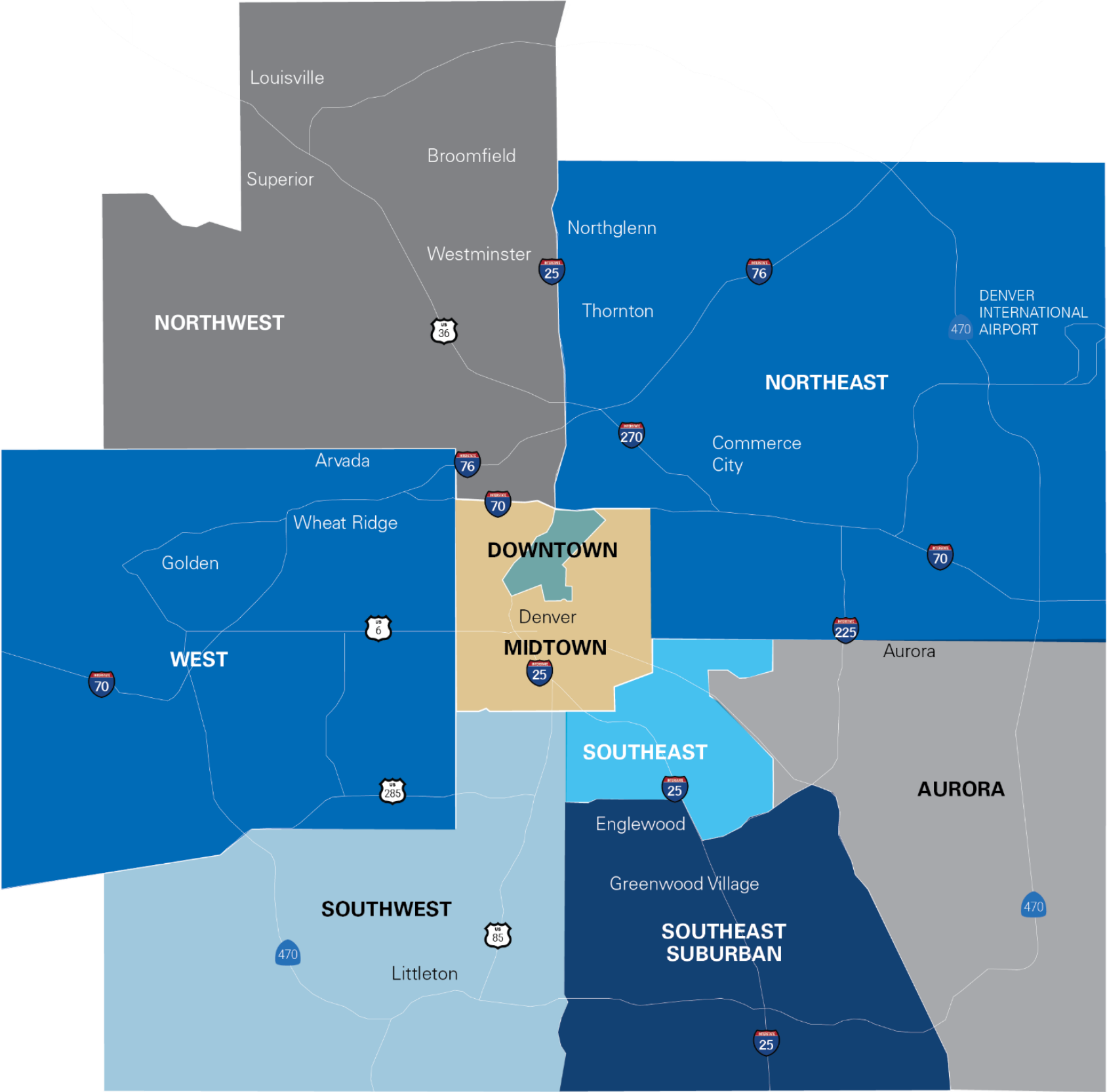


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Denver - Submarket Map



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