cresa

Denver

Office | Q4 2024 Market Report

Quarterly Snapshot

↑ Average Rent
$31.22/SF

↑ Vacancy
18%

↓ Net Absorption
(1,201,608) SF

Occupier's Perspective

The Denver office market remained favorable for tenants in Q4 2024, influenced by high vacancy rates and a competitive leasing atmosphere. With a significant amount of available space across sublease and direct leasing options, tenants are in a strong position to negotiate favorable terms. Landlords are increasingly offering incentives to attract and retain tenants. These concessions are particularly beneficial for businesses seeking to optimize their office environments in alignment with hybrid work trends.

As companies recalibrate their space needs, many are shifting toward smaller, more efficient office layouts with upgraded amenities to appeal to a partially remote workforce. This has led to strong demand for high-quality Class A office spaces in prime locations, while older, less updated properties struggle to secure long-term leases. Tenants looking to relocate or expand are prioritizing buildings featuring contemporary elements, such as collaborative spaces, advanced technology, and sustainability certifications. These preferences reflect broader trends in workplace strategy, where experience and adaptability are key.

Looking ahead, occupiers in the Denver office market have an opportunity to take advantage of a tenant-friendly environment, but strategic decision-making remains critical. By leveraging market conditions and prioritizing spaces that align with long-term business goals, companies can position themselves for success in a dynamic and evolving market.

At 17.3% as of 24Q4, Denver has one of the highest vacancy rates among major U.S. markets. Low office utilization has plagued nearly every market across the nation, but Denver is more susceptible than most due to the market's high exposure to tech sector workers who have led the way in adopting flexible workplace arrangements.

Office availability is likely to remain elevated in Denver for some time, as current leasing trends suggest that companies are adjusting their footprints to lower space per worker requirements when their leases expire. Leases signed in the third quarter averaged about 3,200 SF, representing a 42% decrease in average lease size since its peak in 2015.

As companies move away from older office buildings and into higher quality space, buildings constructed after 2020 are benefitting from leasing demand. In comparison, Denver's high concentration of older buildings have borne the brunt of softening demand. This subset includes some of Denver's most iconic buildings in downtown that have struggled to maintain adequate cash flows as tenants vacate, leading to distressed or delinquent loans.

With the abundance of available space, the Denver office market remains tenant-favorable. While base asking rents have held relatively steady since the beginning of 2021, tenants have maintained leverage in lease negotiations by asking for steep concessions and higher tenant improvement allowances.

Source: CoStar Denver-CO USA-Office-Market-2024-1-9

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Spectrum	299,568	DTC	Renewal	Granite Place at Village Ctr
Ovintiv	262,375	CBD	Renewal	Republic Plaza
DISH Network	206,992	SW Denver	Sales Lease Back	Riverfront Festival Center
Janus Henderson Investors	162,540	Cherry Creek	Renewal	Clayton Lane Retail Center
AT&T	127,687	Greenwood Village	?	Greenwood Plaza

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent ($/SF)	Submarket
27%	◆	$38.19	CBD
7%	◆	$36.17	Cherry Creek
20%	◆	$28.32	I-25 South
16%	▲	$27.16	36 Corridor
16%	▼	$29.55	Boulder
12%	▲	$22.76	Denver East (Aurora)
11%	◆	$25.66	Denver West