

2Q24

Denver Office Market Overview



NEWMARK

Market Observations

Economy

- The region’s unemployment rose but is still below the national rate.
- Colorado economists continue to forecast positive but slowing job growth for the state economy in 2024, as the local inflation rate has dropped since mid-2022.
- Despite the market’s relative health, a few indicators are showing signs of softening, including the labor market and consumer spending.

Major Transactions

- Scripps occupied 86,000 SF at Junction 23 in the Downtown submarket.
- The Governor’s Office of the State of Colorado subleased and occupied three floors at the Wells Fargo Center in Downtown for 78,500 SF.
- VF Corporation downsized by two floors for a total of 74,000 SF at 1551 Wewatta Street in Downtown and made the floors available for sublease.

Leasing Market Fundamentals

- The rate of new vacancies slowed in the second quarter of 2024 and absorption was nearly flat with negative 50,138 SF.
- Three buildings completed in the second quarter, the 704,000 SF 1900 Lawrence building and the 189,000 SF Paradigm River North in the Downtown submarket along with 50,000 SF Fillmore @ Third in Cherry Creek.
- Class A space continued to see the strongest leasing activity and further pushed up record-breaking asking rates, moving the overall median asking rate along with them, despite vacancy and availability increasing.

Outlook

- The University of Colorado Leeds School of Business recorded tempered but still positive confidence for the coming third quarter of 2024 among Colorado business leaders surveyed but concerns had grown about the high interest rates and political uncertainty.
- The rate of new vacancies is expected to continue to slow as the market will enter a more stable stage but is not expected to see tenants returning to growth until later in the year.
- Spec suites and sublease space that tenants can occupy quickly and for shorter terms will continue to see the most interest.

-
1. Economy
 2. Leasing Market Fundamentals

2Q24

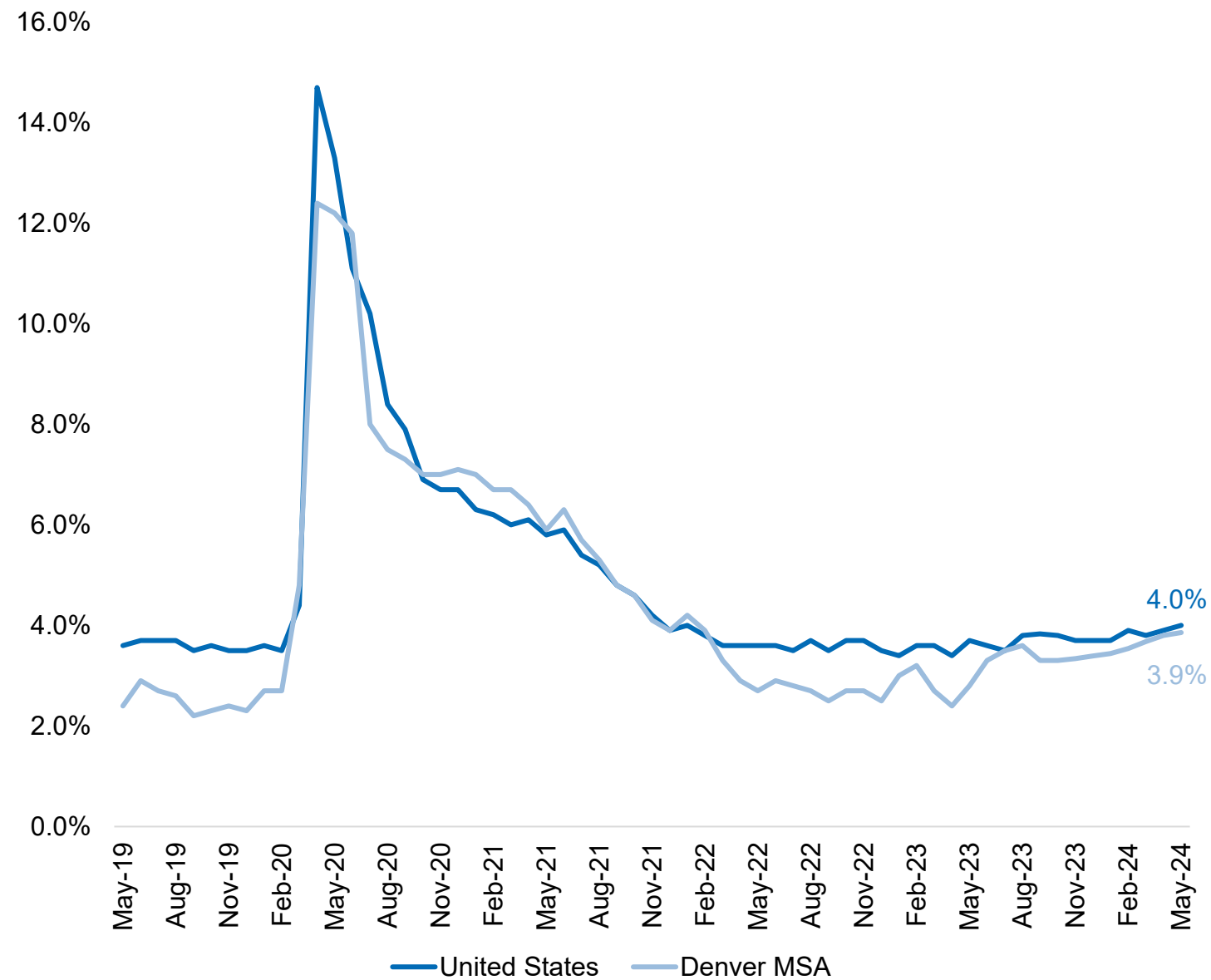
Economy



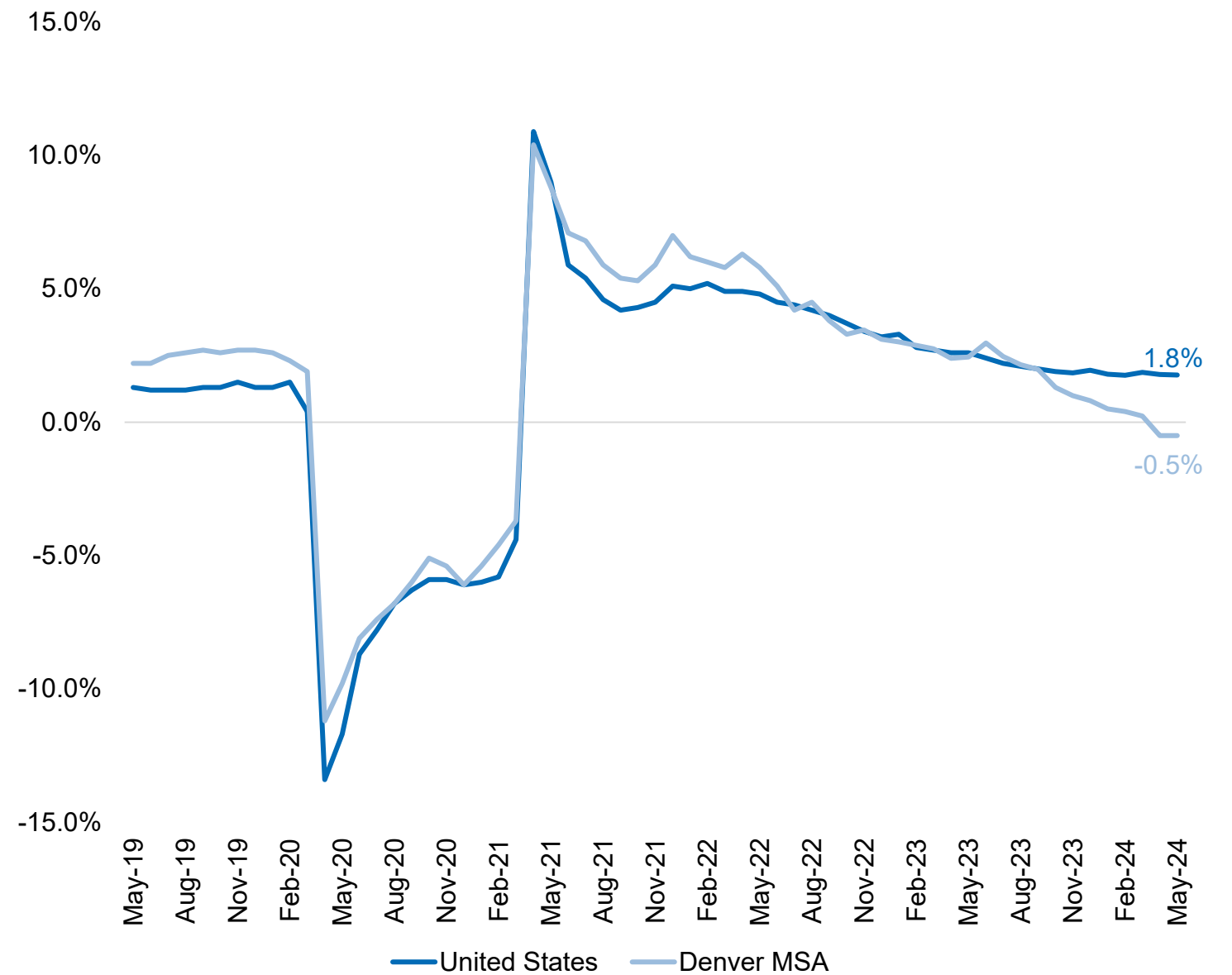
Unemployment Mirrored National Level but Job Growth Stagnated

Although Colorado state economists still anticipate the economy to grow through the second half of the year, the labor market is showing signs of softening. High interest rates continue to weigh heavily on businesses and consumers alike.

Unemployment Rate, Seasonally Adjusted



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

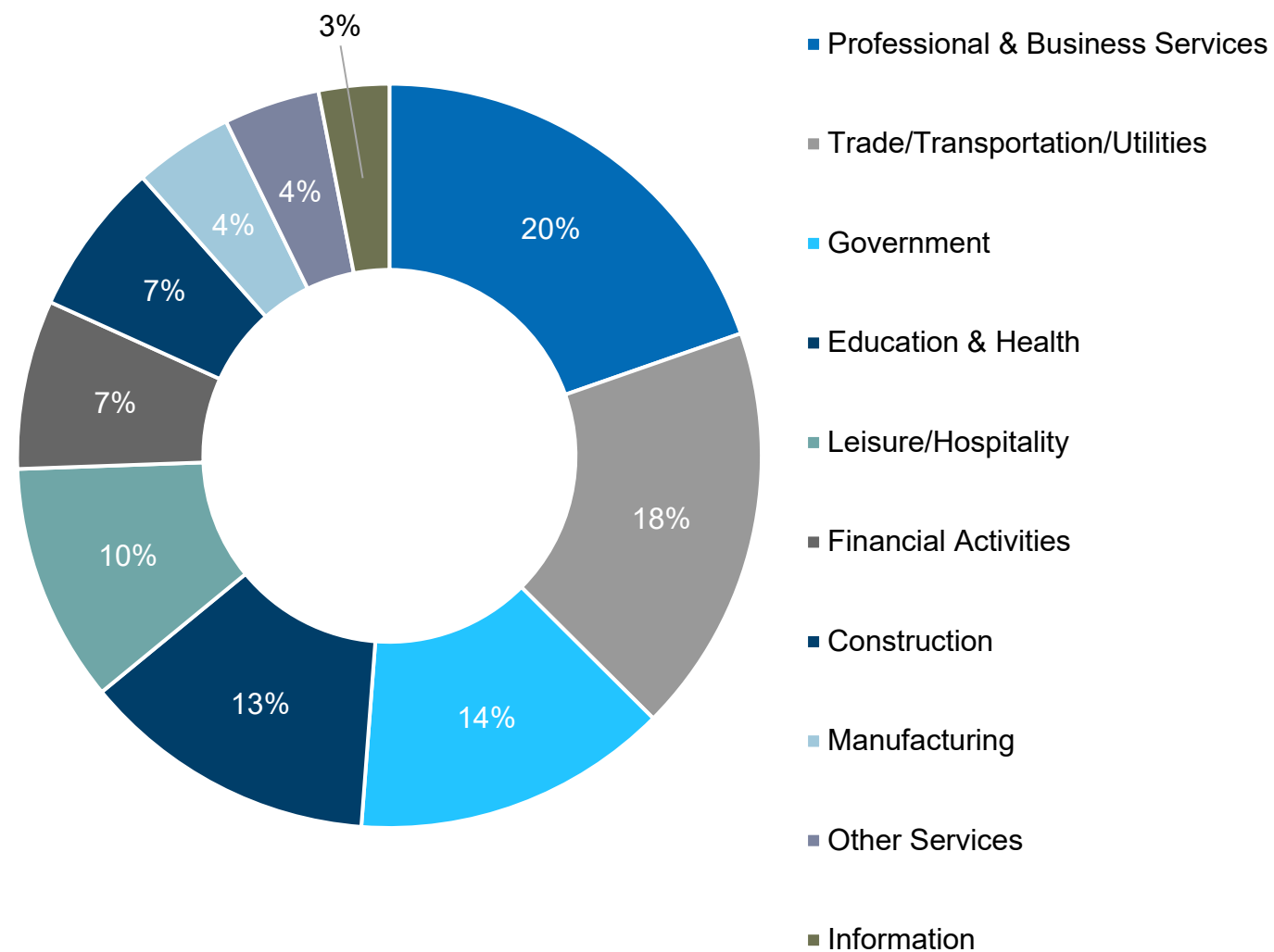


Source: U.S. Bureau of Labor Statistics, Denver MSA

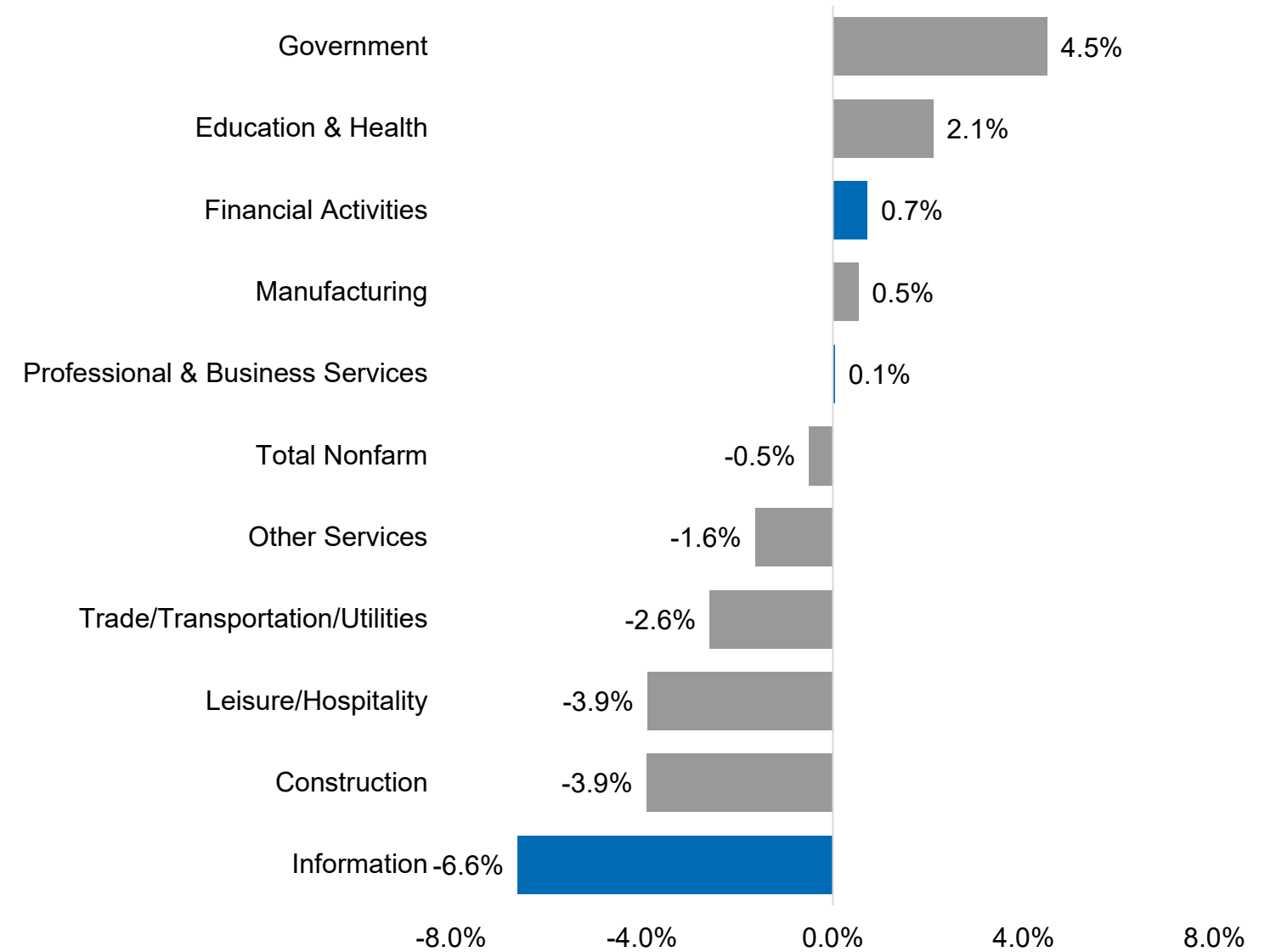
Many Sectors Continued to be Weighed Down Under High Interest Rates

Although total nonfarm employment dropped overall, half of the ten sectors posted some growth, including two of the three office-occupying sectors. The financial activities sector continued to add jobs despite high interest rates, but information companies posted the highest job losses of any employment sector.

Employment by Industry, May 2024(p)



Employment Growth by Industry, 12-Month % Change, May 2024(p)

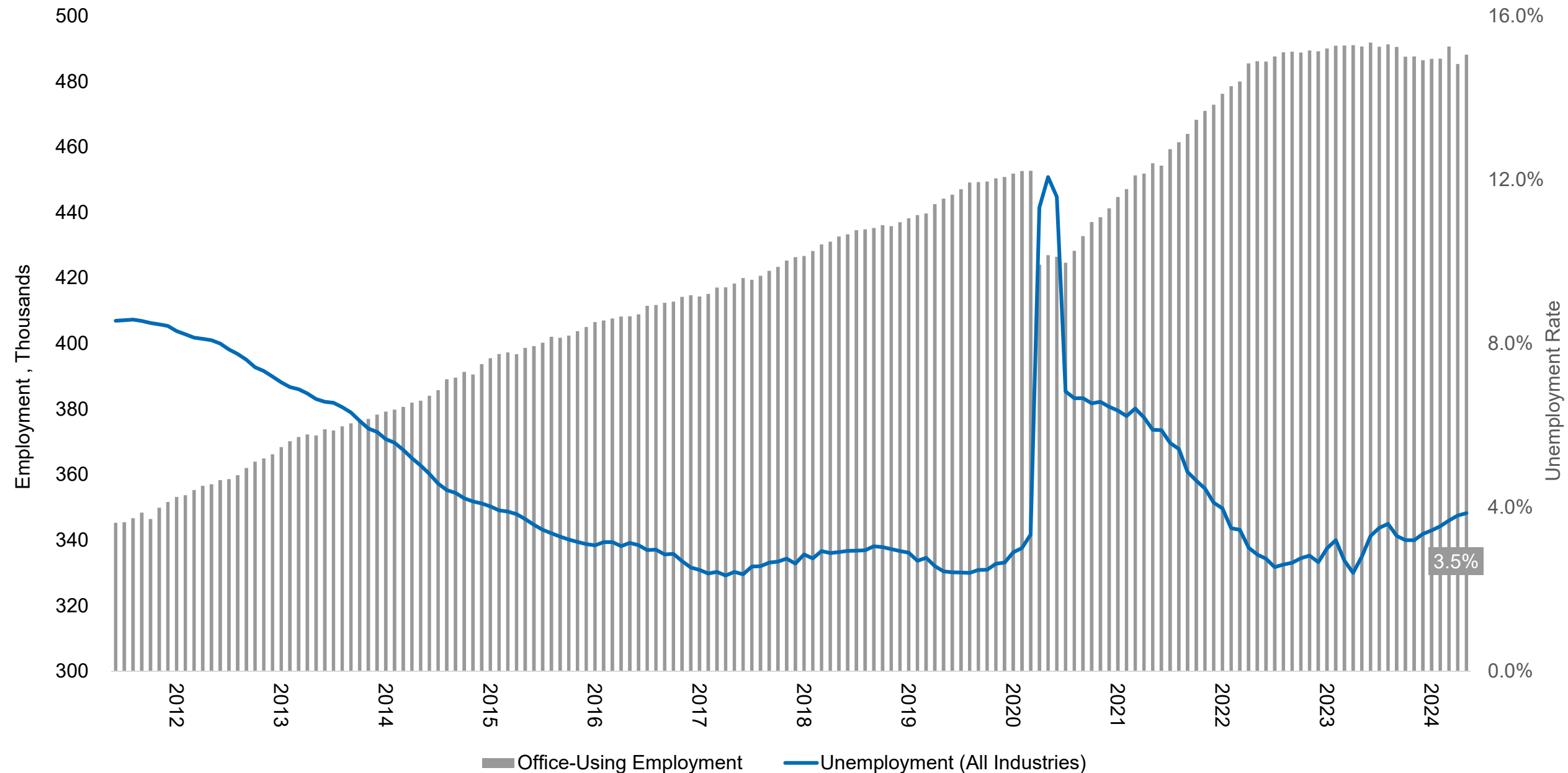


Source: U.S. Bureau of Labor Statistics, Denver MSA

Office-Using Employment Remained Stable Despite Economic Softening

Despite rising unemployment and slowing overall job growth, office-using employment has remained stable since October of 2023.

Office-Using Employment* and Unemployment Across All Industries



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

Note: May 2024 data is preliminary.

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

2Q24

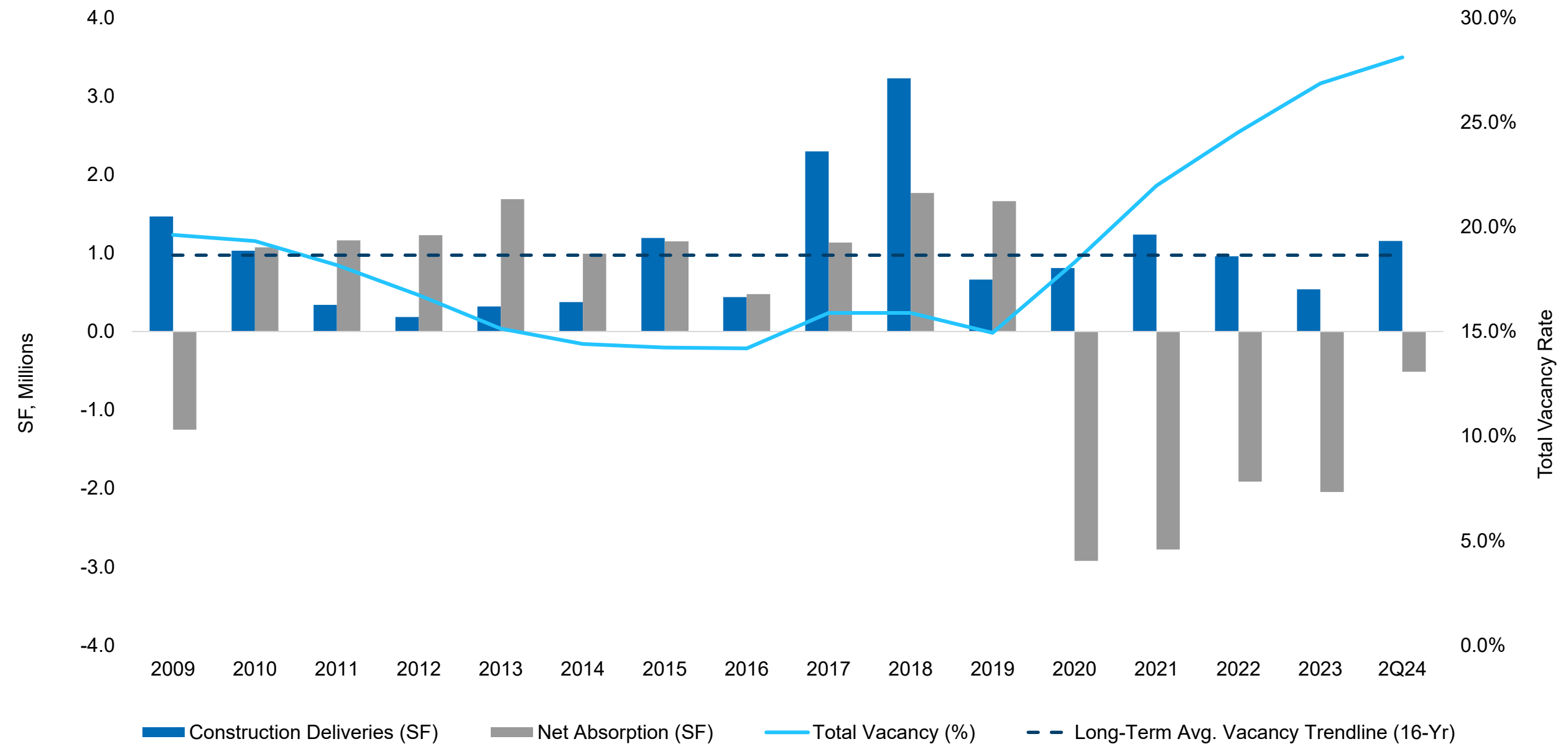
Leasing Market Fundamentals



The Light at the End of the Tunnel Might Finally Be in Sight

The second quarter was largely spared from large tenants downsizing while signed leases have begun to favor growth or at least maintain the same office footprint. Quarterly absorption, while still negative, improved compared to the previous quarter and year-over-year. Class A has recorded two quarters of positive absorption for a year-to-date absorption of nearly 400,000 SF. The rate of climb for vacancy has also begun to slow, rising to 28.1% in the second quarter of 2024.

Historical Construction Deliveries, Net Absorption, and Vacancy

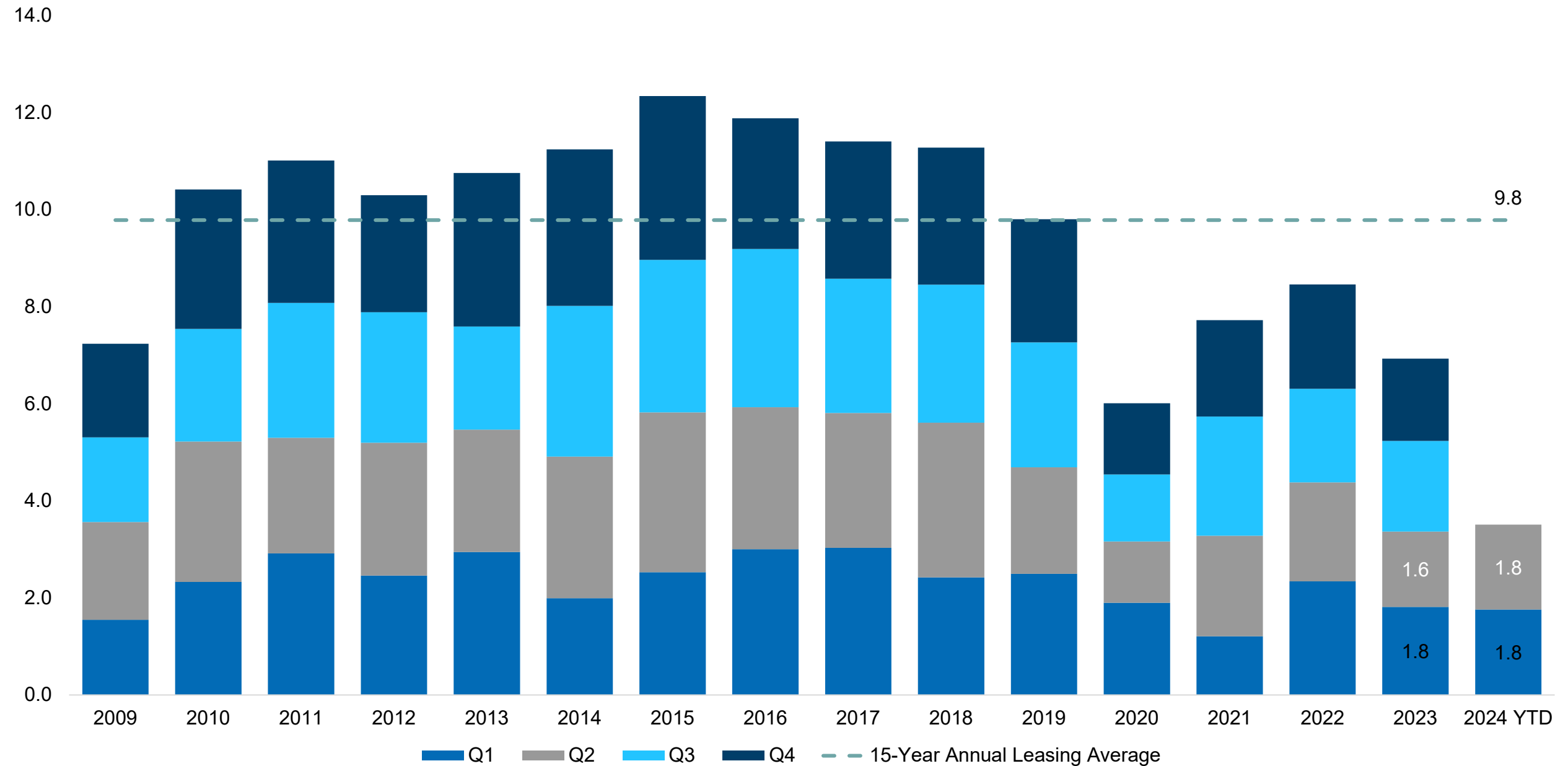


Source: Newmark Research

Leasing Activity Showed Slight Acceleration

The second quarter of 2024 posted 1.8 million SF of space leased, an increase of nearly 200,000 SF from the same quarter last year.

Total Leasing Activity (msf)



Source: Newmark Research, CoStar



Please reach out to your
Newmark business contact for this information

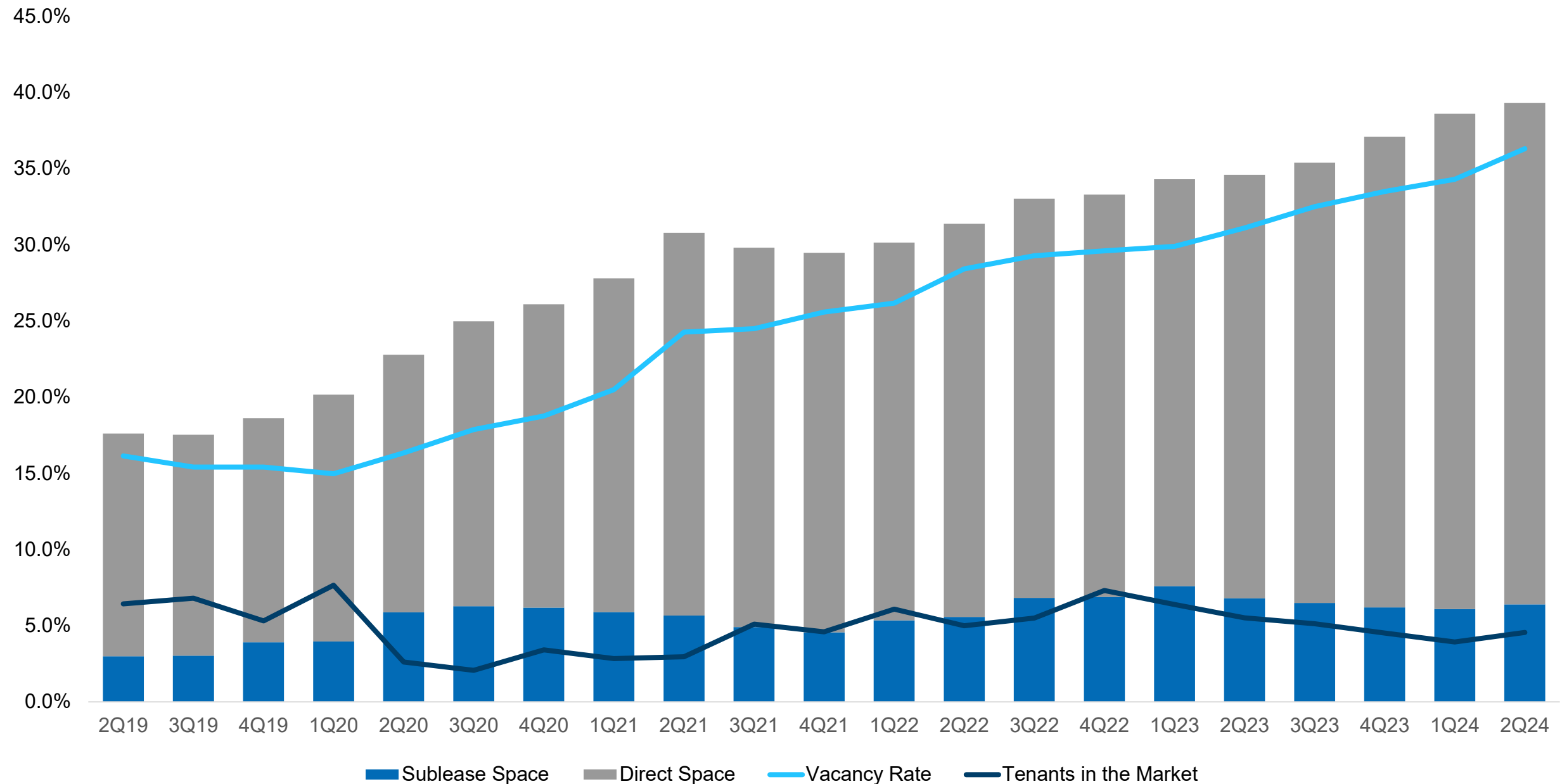


Please reach out to your
Newmark business contact for this information

Downtown Availability and Vacancy Rose but so Did Tenants Looking for Space

Not only are more tenants searching for space in the Downtown submarket than the previous quarter, but fewer are looking to downsize. Of those currently active, tenants new to the market or looking to expand could potentially lease more than 450,000 SF beyond their current footprint.

Available Space and Tenant Demand as Percent of Downtown Market



Source: Newmark Research, CoStar

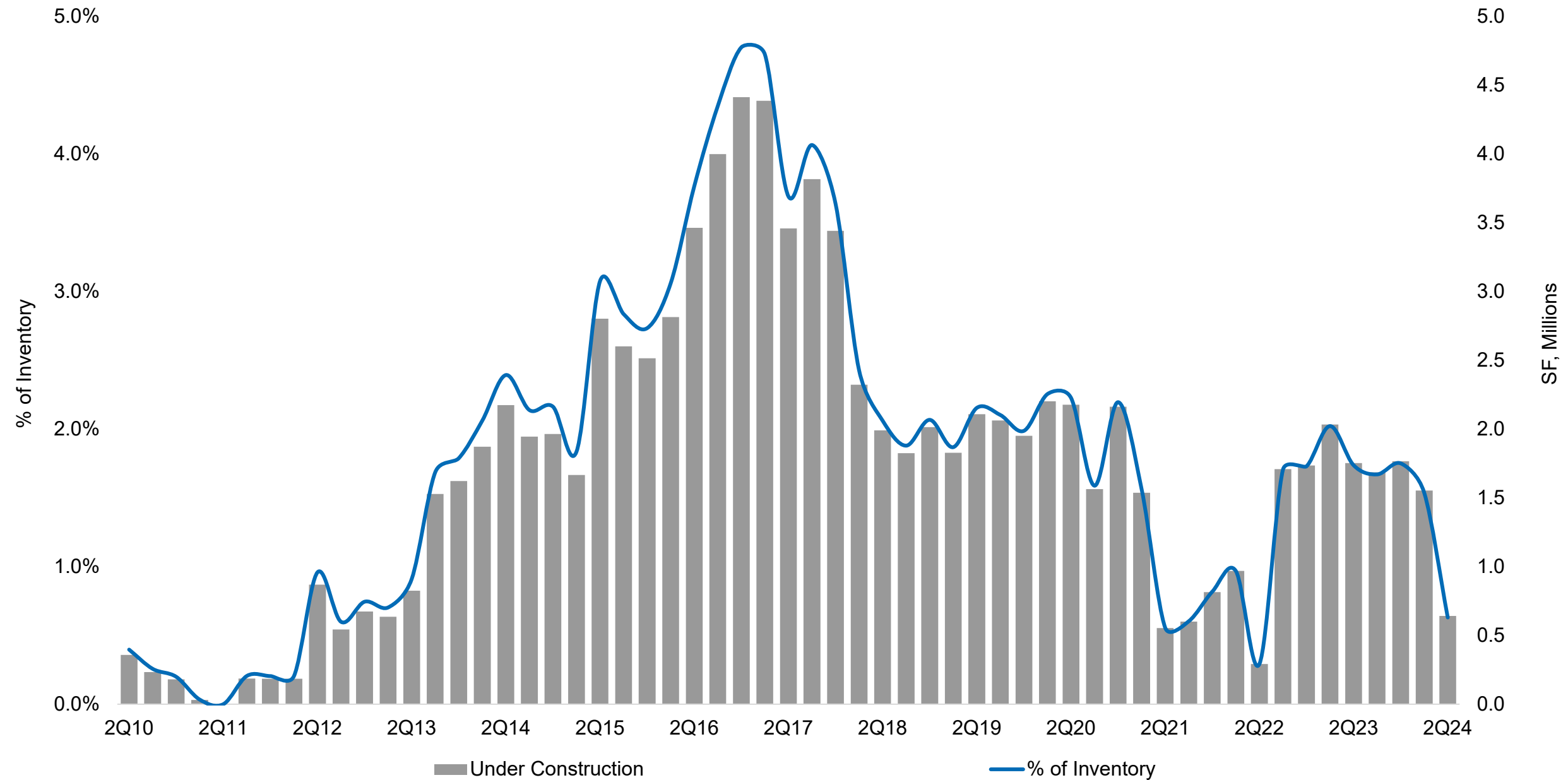


Please reach out to your
Newmark business contact for this information

Lack of Capital Kept Pipeline Anemic

The historically high availability and vacancy rates along with interest rates have made financing all but impossible without a tenant willing to commit to pre-leasing more than half of the project before construction begins. Even the Cherry Creek neighborhood, with low vacancy and the highest and most reliable demand in the market, has faced challenges.

Office Under Construction and % of Inventory



Source: Newmark Research, CoStar

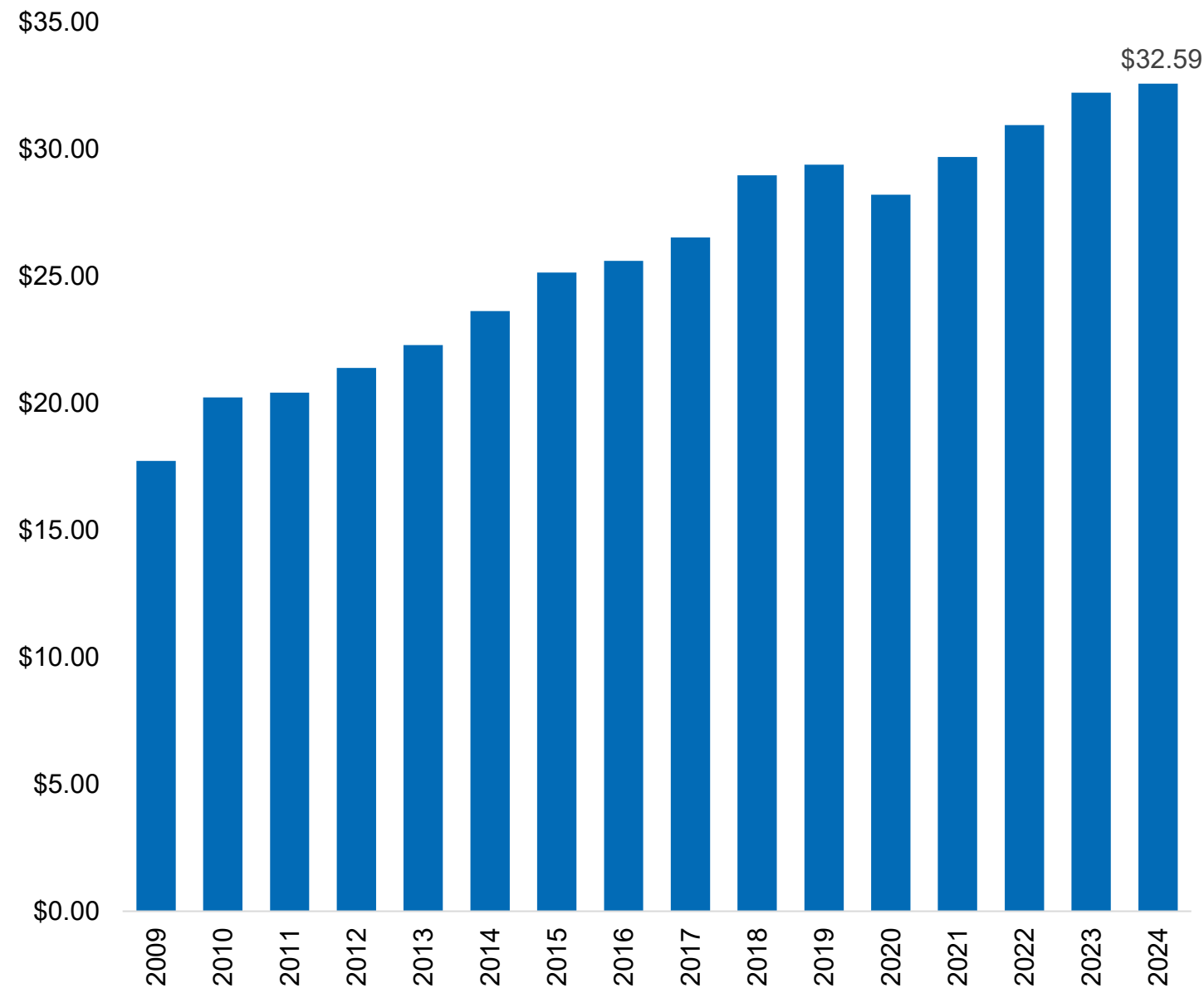


Please reach out to your
Newmark business contact for this information

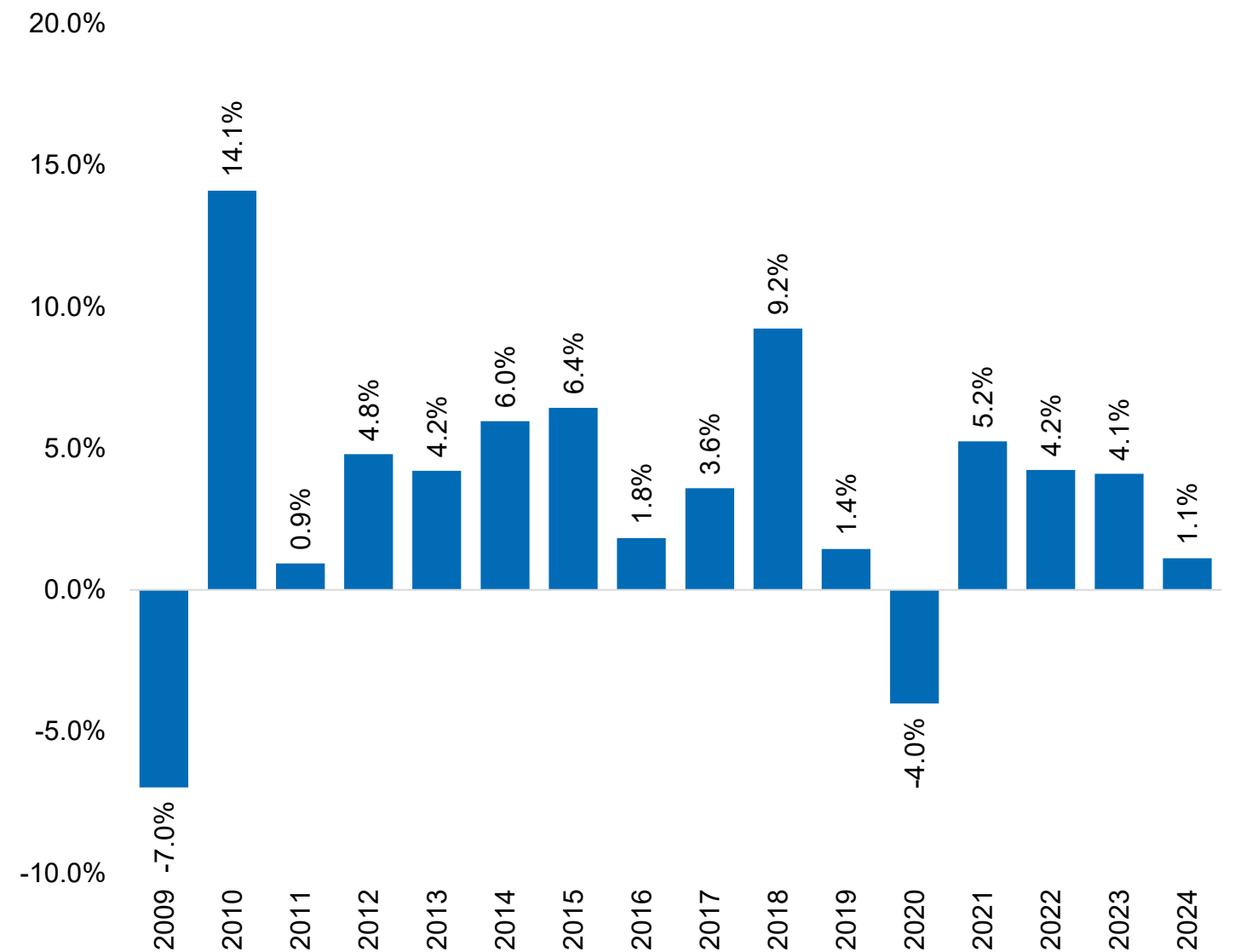
Highest Quality Product Keeps Raising Overall Asking Rents

The median asking rate saw a small increase in the second quarter of 2024 from the previous quarter, as select Class A buildings kept pushing rents. Despite being open to lower rates to get leases signed, landlords are preferring to make such concessions during lease negotiations rather than drop asking rates.

Office Median Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

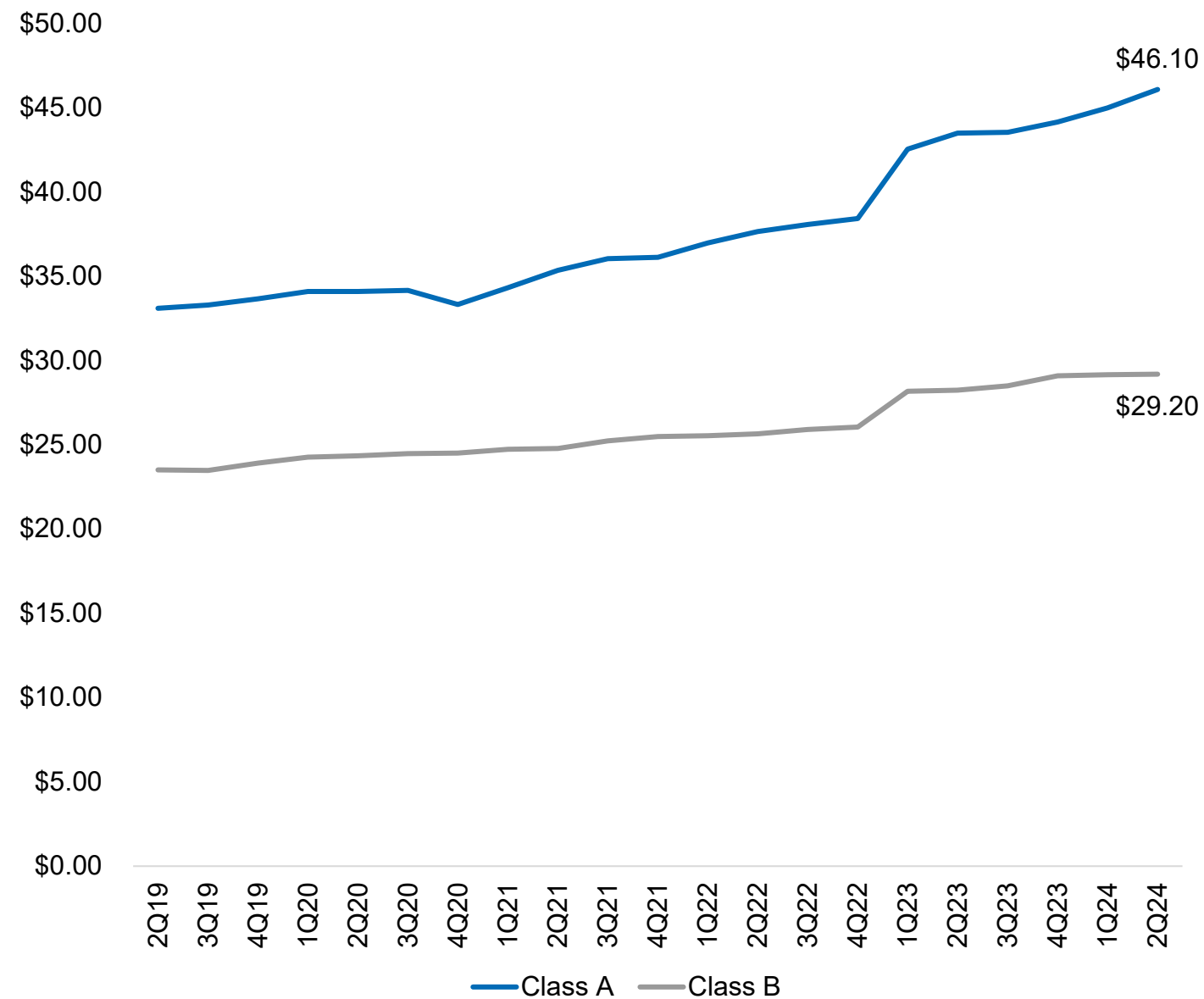


Source: Newmark Research

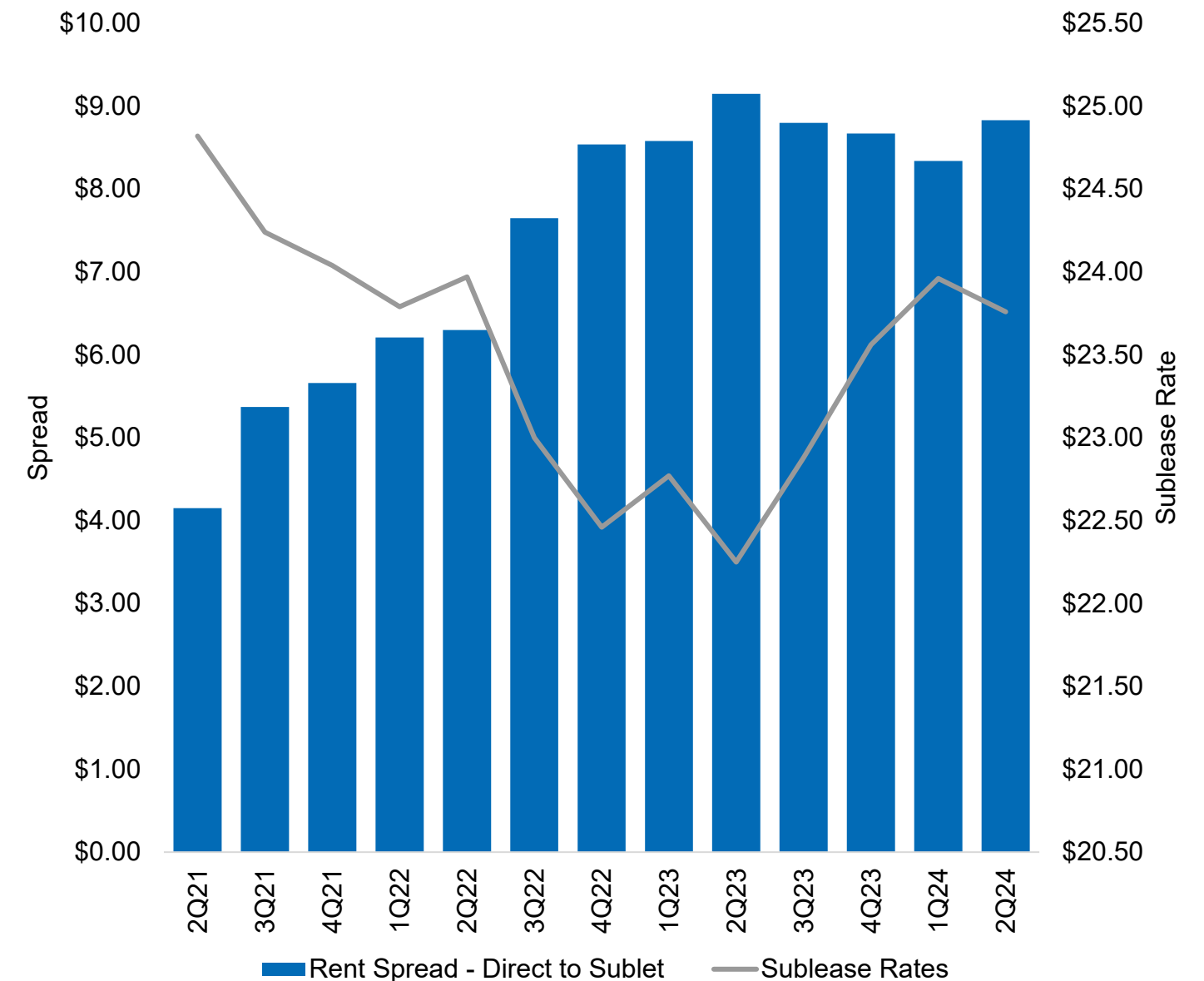
Only Class A Rates Climbed While Sublease Rates Dropped

The enduring appeal of the most expensive Class A product has kept landlords confident enough to keep pushing rates to help offset the cost of high-quality finishes and amenities. In contrast, sublease rates saw a dip from the increase in lower quality space along with current tenants lowering the asking price in hopes to entice a subtenant to take it off their balance sheets.

Class A and Class B Median Asking Rents



Sublease Rates



Source: Newmark Research, CoStar



Please reach out to your
Newmark business contact for this information

Renewals Still Dominated but Fewer Downsizes

Landlords remained eager to keep current tenants in their space rather than face the limited pool of potential new tenants so many tenants were able to negotiate deals with concessions without downsizing.

Notable 2Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Johns Manville	717 17th Street	Downtown	Lease Renewal	121,110
<i>Johns Manville renewed its lease for the 8th-12th floors, maintaining its same footprint.</i>				
Governor's Office of the State of Colorado	1700 Lincoln Steet	Downtown	Sublease New	73,659
<i>Subleased 3 floors from oil and gas company Coterra.</i>				
ConMed	6363 South Fiddlers Green Circle	Southeast Suburban	Direct New	50,405
<i>ConMed upgraded from a Class B building to a Class AA and doubled in size.</i>				
Morgan Stanley	1550 Market Street	Downtown	Lease Renewal	32,829
<i>Renewed in place with no size change.</i>				
Flexential	7807 East Peakview Avenue	Southeast Suburban	Direct New	26,148
<i>Flexential will be leaving a building in the neighboring Aurora submarket and expanding by 10,000 SF.</i>				

2Q24

Appendix





Please reach out to your
Newmark business contact for this information

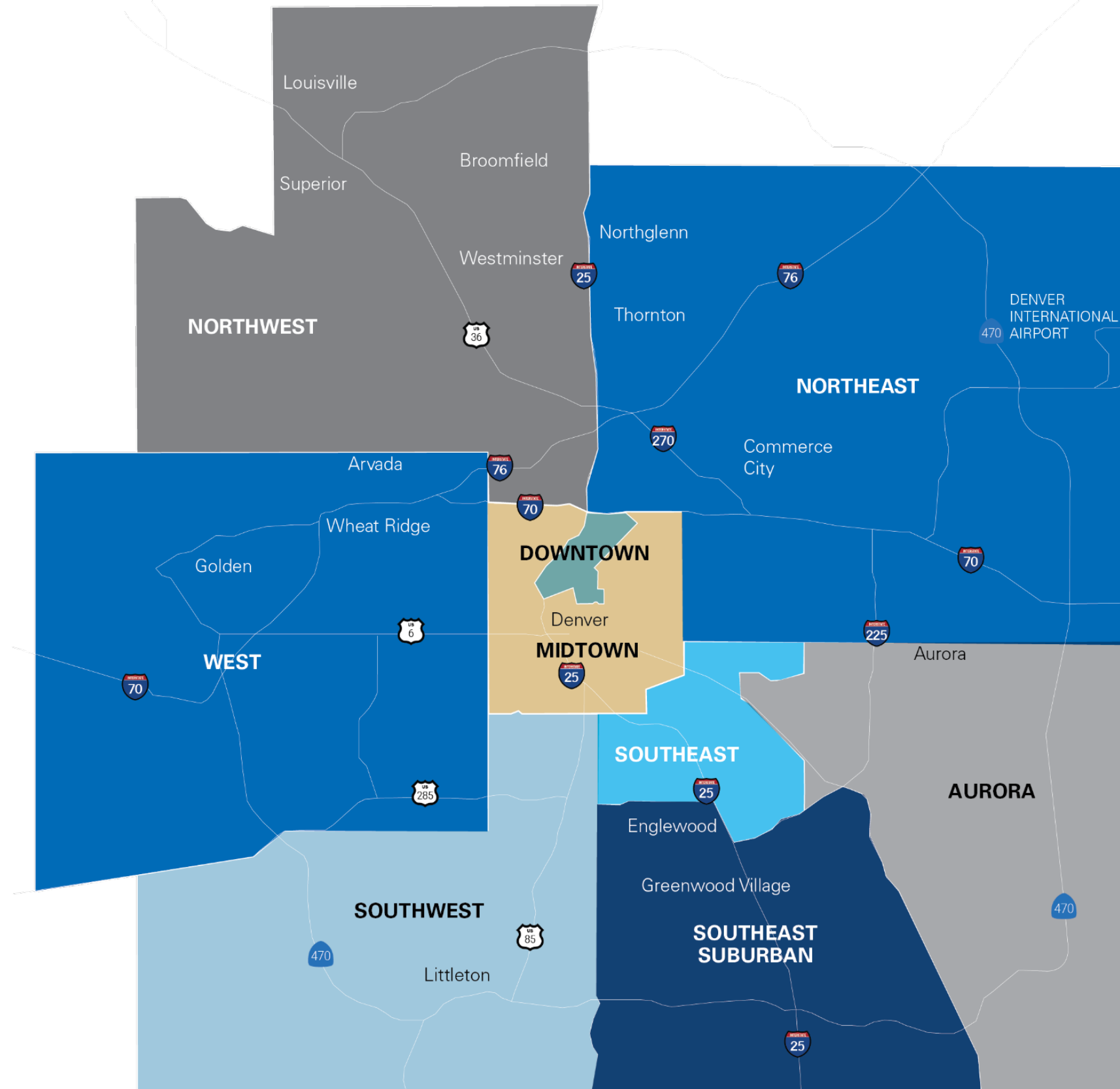


Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information

Denver - Submarket Map



For more information:

Mandi Johnson

Research Manager

Denver Research

Mandi.Johnson@nmrk.com

Denver

1800 Larimer Street, Suite 1700

Denver, CO 80202

t 303-892-1111

New York Headquarters

125 Park Ave.

New York, NY 10017

t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK