

DENVER OFFICE MARKET

Yardi® Matrix

Market Analysis

First Quarter 2019

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Sales Market Stays Frothy



During recent quarters, Denver's office market continued to strengthen, pushing rental rates to new highs and driving significant capital to the market's office stock. Total investment sales totaled just under \$3 billion in 2018, with almost 15.7 million square feet of office space changing hands. Value-add opportunities were the most popular, as acquisition yields for Class B properties were in the 7.5% range.

The metro's highly educated workforce remains one of the main drivers for companies—especially in the tech and professional services sectors—to relocate to or expand in Denver. Office-using sectors added 10,300 jobs as of October, bringing the office employment rate to 28.7% of the total employment pool. With deliveries hitting new cycle highs in 2018, the metro's average vacancy rate reached 14.5% as of December. Coworking company WeWork expanded twice during the past year, its Denver holdings now totaling more than 600,000 square feet. Despite very high rental rates, marketing company SimpleTexting ranked Denver fifth in the nation by number of coworking spaces it can offer professionals, at 100,000.

Deliveries reached a 10-year peak in 2018. Developers added 3.1 million square feet of office space in 2018, half of it concentrated in the CBD. Nevertheless, large speculative projects in Denver's core are limited, which coupled with rising office rents is expected to slow down corporate relocations.