

DENVER OFFICE MARKET

Yardi® Matrix

Market Analysis

Second Quarter 2019

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Vacancy Takes Center Stage



Denver's office market continued to pick up steam, as both people and companies flocked to the metro. In April, the unemployment rate fell to 2.7%, its lowest point since December 2017 and 90 basis points below the national rate. Although a few companies in the financial activities sector announced job cuts, office employment made strong gains overall, driven by an increase of more than 15,000 jobs in the professional and business services sector.

After a banner 2018, when office deliveries totaled 3.2 million square feet, vacancy remained tight at 13.2% as of April, boosting asking rates to \$27.18 per square foot. Space in the Central Business District was quickly absorbed as several firms—including Amazon and a number of other tech companies—announced significant expansion or relocation plans. Coworking providers continued to build their presence throughout downtown Denver, with WeWork, now the metro's largest office tenant, signing two deals encompassing nearly 150,000 square feet.

Transaction volume totaled nearly \$700 million in 2019 through April, with investors heavily focused on the CBD. More than half of the properties sold were Class A, though Class B assets became increasingly attractive to buyers, as evidenced by falling acquisition yields amid rising asking rates and declining vacancy.