

DENVER OFFICE MARKET

Yardi® Matrix

Market Analysis

Fourth Quarter 2019

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Tech Growth Drives Demand



The Denver office market is thriving, bolstered by tech firm expansions and relocations. All employment sectors grew during the 12 months ending in August, gaining some 37,000 jobs for a year-over-year increase of 3.9%. Job gains in office-using sectors are likely to continue in the near term as major employers grow their footprints in the market. While the metro's population growth began to decelerate from its peak four years ago, Denver continued to expand rapidly, at an estimated pace of 920 people per month. Unemployment was at a near-record low—2.6% in August—highlighting the need to attract even more skilled labor to the market.

Vacancy tightened across the market to 12.4% in September, due to a slower pace of deliveries this year. Demand will remain strong, as firms including Amazon, 2U and Checkr announced significant leases and expansion plans in sought-after assets in Five Points and other high-growth submarkets. Asking prices held steady at \$27.16 per square foot, though differences between Class A and B pricing are anticipated to increase as tenants flock to amenitized, modern workspaces.

The year's office investment volume was \$2.1 billion through September, far below the cycle high in 2018, though transaction volume began to increase in the third quarter. With acquisition yields for high-end properties ranging between 4.8% and 5.8%, the metro was comparable to gateway markets like Chicago and other expanding tech hubs like Portland.