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Denver's large-block market is moving again

For more than two years, the story of large-block leasing in metro Denver was simple and not particularly encouraging: Companies were staying put. Renewals dominated. New commitments were scarce. Tenants with expiring leases were extending in place rather than testing the market, and landlords were competing hard just to keep what they had. While that pattern certainly isn't broken yet, there are positive signs pointing to large transactions coming back.

We are currently tracking more than 10 tenants requiring 100,000 square feet or larger that are actively in the market, spanning multiple industries: energy, insurance, banking, finance, aerospace and defense, and construction and homebuilding. That breadth, both in industry and geography, is the deepest pipeline of large-block demand Denver has seen in years. Our team is directly embedded in four of those requirements, and what we're seeing in those conversations tracks with what the broader market is showing: Companies are no longer content to defer decisions indefinitely. They're engaging, asking the right questions, and negotiating aggressively on terms.

The inflection point came in the second quarter of this year. Lockheed Martin signed a new 190,000-sf lease, the first true new-lease commitment at the 100,000-sf-plus tier in almost two years. The prior benchmark was Xcel Energy's move to RiNo in late 2023, which actually added to downtown's vacancy rather than reducing it, since Xcel vacated a substantial downtown block to make the move.

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Lockheed changed that. The United Launch Alliance renewal closed alongside it, so the tier remains renewal-heavy overall, but the two-year new-lease drought is over. That matters. Renewals reflect inertia. New leases reflect conviction.

Vertafore's 141,000-sf renewal earlier this year reinforced that downtown is getting a real share of this activity. The large-block story isn't playing out exclusively in the suburbs, even if the suburbs are capturing their portion. A healthy metro market can carry both, and right now, it is.

■ **What the data shows, and what it doesn't.** Downtown's headline vacancy sits at 38.6%. That number is real, and we won't pretend otherwise. But several indicators underneath it tell a more nuanced story. Sublease space, the clearest signal of active corporate retreat, has fallen 26.5% year over year and is now back to pre-pandemic levels. Net absorption improved 120.5% year over year in the second quarter of this year. Prime Class A product has posted consecutive positive occupancy gains since 2020.

The headline figure also counts buildings that are functionally out of the office market entirely, either vacant for conversion, obsolete, or no longer competing for tenants in any meaningful way. Those properties

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are not competing for the large tenants of the world. Stripping them out changes the picture meaningfully, and the picture that emerges is one of a market that has quietly been stabilizing while the narrative around it has stayed frozen in place.

Downtown is meaningfully better than it was two years ago. It isn't fully back, not by a long stretch, and anyone who tells you otherwise isn't being straight with you. That takes people in buildings, foot traffic on 16th Street, lunch spots that stay busy past noon, and the kind of daily activity that makes a district feel alive rather than recovering. But the gap is closing between where perception sits and where the fundamentals actually are. The national storyline about downtown Denver has been running well ahead of the data for some time. The data is starting to catch up.

■ **The market beneath the headlines.** The pipeline is real. The terms, however, still reflect a tenant-favorable market, and that distinction matters. Landlords are competing hard for large requirements. Concession packages, including free rent, tenant improvement allowances and lease flexibility, remain elevated across the market. Tenants with real leverage know they have it, and sophisticated occupiers are using this window deliberately.

Some requirements currently in the market will end up as renewals rather than relocations. That's always been true in a market like this one, and it doesn't diminish the signal. What matters is that large tenants are actively engaging, running processes, touring space, stress-testing their current situations against what the market can offer. Two years ago, most of them weren't. That behavioral shift is what precedes a genuine market turn, and it's what we're seeing now.

None of this means the recovery is finished or that every requirement becomes a signed new lease. Concessions are still doing real work to keep tenants in place, and the market has not yet rewarded landlords for optimism on rental rates. But the sheer number and diversity of large occupiers actively in the market right now is not something Denver has seen in several years.

■ **Prediction.** With more than 10 active requirements in the market, four of which our team is directly engaged in, and the two-year new-lease drought now broken, the conditions for meaningful transaction volume are in place. We predict more than five closed transactions of 100,000 sf or larger before year-end – roughly five times what the market produced over the prior two years. Denver isn't back yet, but the direction is less in question today than it has been in years. ▲

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