

OFFICE & INDUSTRIAL *Quarterly*

Denver office: When headlines lag the data

Prior to the pandemic, office lease negotiations typically started with one assumption: The tenant will probably renew. Relocating was expensive. Construction costs, moving logistics and business disruption often outweighed any potential savings, making renewal the path of least resistance. Most companies only considered relocating if they had clearly outgrown their space or had a major operational reason to move. That assumption has changed, in part because the market around it has changed. According to CBRE's Q2 2026 Denver Office Figures, the



Andy Cullen
Partner and
managing broker,
TRE

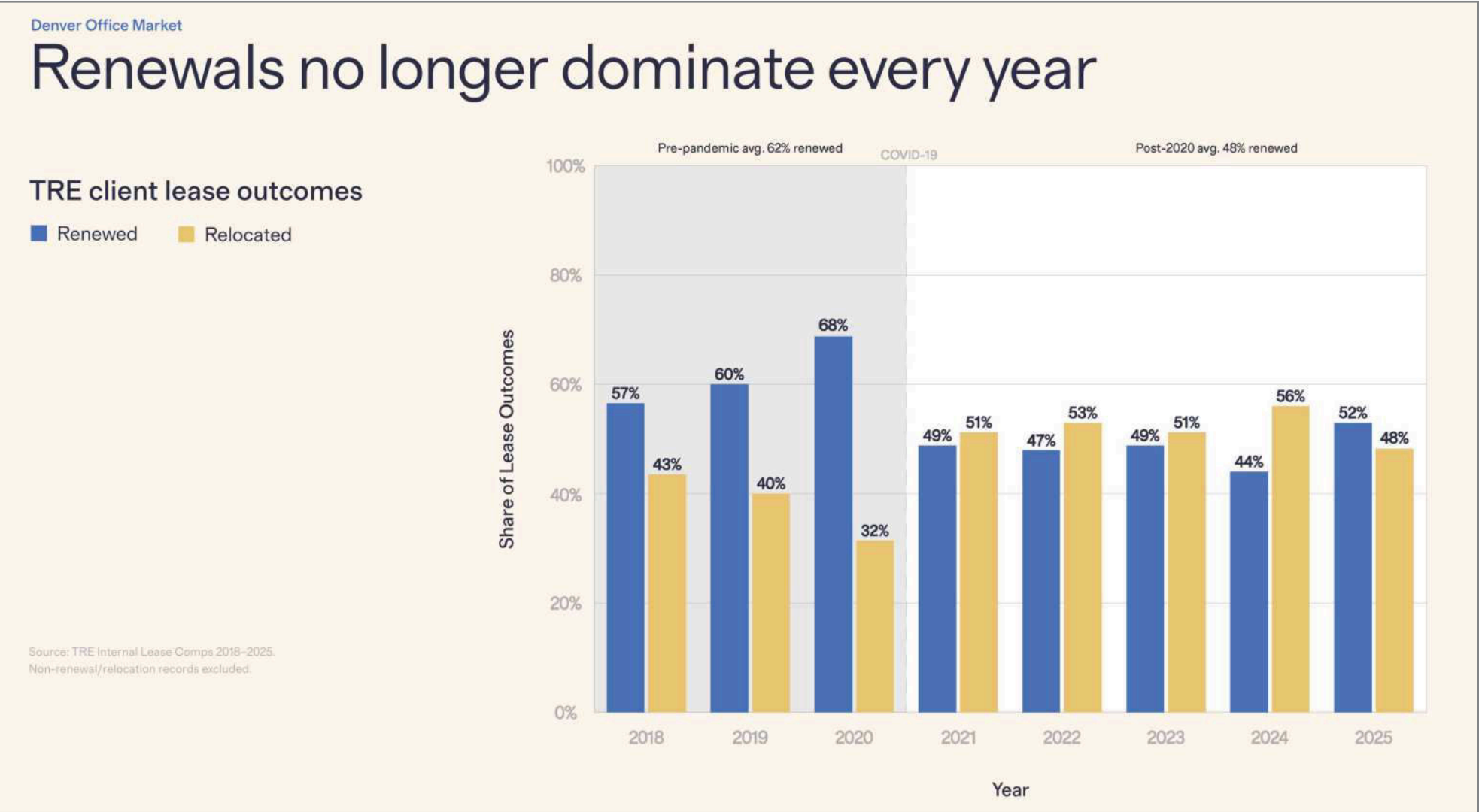
longer-term workplace decisions again, tenants have more reason to understand how their existing space

market recorded [1.7 million square feet of leasing activity](#), its strongest quarterly total since early 2022, while positive net absorption returned for the second time in three quarters. Also, sublease availability declined 24.6% year over year. As activity returns and companies make

compares with the alternatives. In this environment, testing the market has become one of the most valuable negotiating tools a tenant has. ■ **Renewal is no longer the default.** We typically begin working with tenants 12 to 24 months before a lease expires. That timing gives organizations the runway to evaluate alternatives, understand construction schedules and create meaningful competition before negotiations begin. It also gives leadership teams time to think beyond the immediate lease decision and consider how their space needs may have changed. Before the pandemic, roughly 80%

of our clients ultimately renewed their leases. Today, that pattern has shifted considerably, with more than half of our advised clients ultimately relocating after testing the market. What's notable is that many of those companies don't begin the process intending to leave. They enter expecting that staying put will be simpler and more economical, only to find that the alternatives are more competitive than anticipated. That shift is occurring as office leasing activity gains momentum nationally. JLL reports that U.S. office leasing activity [reached a new post-pandemic high in second-quarter](#)

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OFFICE

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.



Ryan Link
Executive vice president, CBRE | Advisory Services | Occupier

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



Cayden Dominguez
Research analyst, CBRE | Advisory Services | Occupier

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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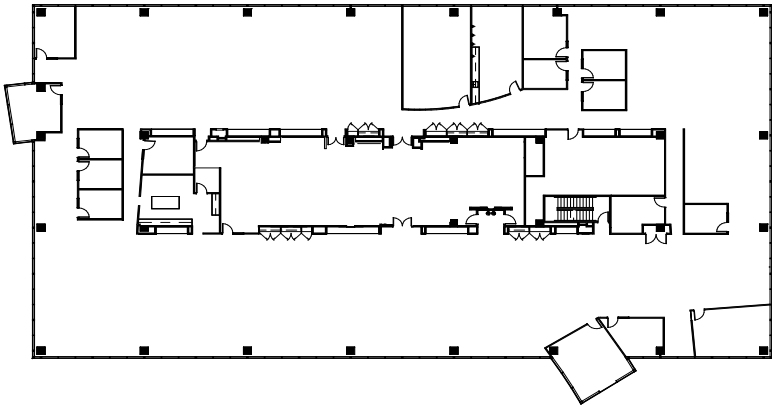


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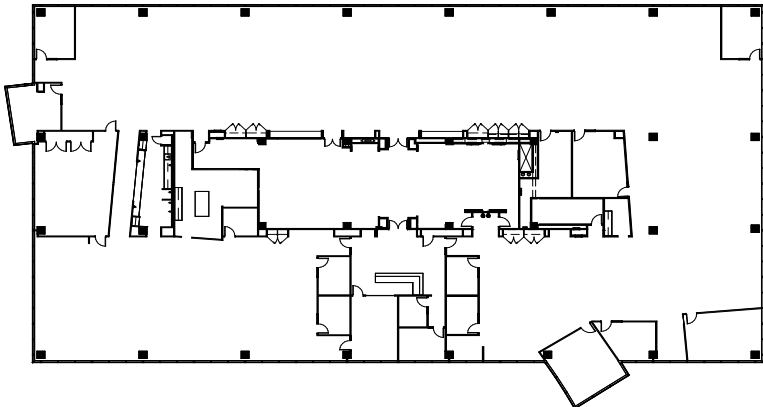


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OFFICE

Strategic opportunities emerge from the reset

Colorado's office market is demonstrating clear signs of stabilization after several turbulent years. More buyers are bidding on marketed buildings. Tenant activity is increasing across submarkets, driving positive net absorption. Lenders are returning to the acquisition financing table; JLL's national platform captured 118 unique lenders quoting on all office financing types in the second quarter, a 174% increase from the fourth-quarter 2023 trough. While challenges remain, the measured improvement across these fundamental indicators points to a market finding its footing and creating compelling opportunities for informed investors.

This year alone, over 6.4 million square feet across 35 office transactions have traded for nearly \$470 million. By comparison, at this point last year, there were only 21 office transactions for \$536 million, which included JLL's sale of One Platte for \$135 million. An additional 4.6 million sf are currently under contract. When you examine these transactions closely, several strategic themes emerge that warrant attention.

■ **Downtown Denver's steady recovery.** The Downtown Denver Partnership's July 2026 report validates what we observe daily: Downtown is regaining vitality. Average daily activity increased 2 percentage points over 2025. Thirty-six new ground-floor businesses have opened since January. Hotel occupancy and RevPAR remain stable. Nearly 1,000 additional residential



Larry Thiel
Managing director,
JLL Capital
Markets

units are now occupied. Return-to-office rates continue climbing incrementally. The Colorado Convention Center is at an all-time high in bookings.

As a team working downtown five days a week, we can confirm the difference is evident. More vehicles and pedestrians populate the streets. Restaurants are busier at lunch. Total visits to 16th Street are up 11% year to date, 162,000 more visits than in the same period last year.

This momentum is important because downtown Denver has experienced the market's most pronounced value resets, creating the greatest opportunities for value-add investment and repositioning plays. We are believers in the momentum as we are currently marketing over 3.2 million sf for sale in downtown Denver.

■ **Valuation strategy: Eyes on the exit.** Today's Colorado office transactions are largely driven by distressed situations, with current owners and lenders meeting the market. This presents exceptional opportunities for value-add and opportunistic investors to acquire assets at a basis that supports substantial capital infusions.

A healthy cohort of well-capitalized, bankable investors is competing for these opportunities. Their



Sean Whitney
Senior director, JLL
Capital Markets

biggest challenge? Accurately predicting exit values when they eventually sell, which will dictate their overall return on investment.

These investors aren't underwriting to current cash flow alone. They're analyzing stabilized yield on cost and total return on cost. They're budgeting significant capital to address deferred maintenance and investing in differentiating building amenities designed to attract quality tenants in an increasingly competitive leasing environment.

This investment thesis requires conviction about where the market will be in three to five years, not where it stands today. Investors who can conservatively forecast future stabilized values and have the capital and operational expertise to execute repositioning plans have the strongest path to capturing outsized returns.

■ **User purchases: A defining trend.** Corporate users acquiring their own facilities represent one of the market's most significant shifts. Ten of this year's transactions, totaling over 2 million sf, involved tenants purchasing strategically located buildings with strong access to talent pools.

Two recent transactions exemplify this trend. We represented the University of Colorado in its acquisition of Independence Plaza, a 567,000-sf



Hilary Barnett
Senior director, JLL
Capital Markets

downtown tower built in 1972. After outgrowing the Auraria campus, the university needed a downtown presence. We navigated our client through competitive bidding against formidable investors and successfully addressed issues related to

the building's vintage, ultimately securing an asset that will anchor CU's long-term downtown presence at a highly attractive cost basis at \$49 per sf. If it would've pursued new development, its costs would have exceeded \$800 per sf.

In Colorado Springs' Briargate area, we represented a major financial institution disposing of half its campus. The 140,000-sf building is surrounded by significant retail amenities and is easily accessible to a highly educated workforce. We identified a growing cybersecurity company that had an immediate need for the space and circled north Colorado Springs as a highly strategic location for its growth. At \$71 per sf, the transaction was a major win for both organizations.

With office values reset significantly below replacement cost, we expect this user-buyer activity to accelerate. The reset in pricing offers users the ability to reduce their costs relative to a lease while controlling their own real estate

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OFFICE

Anatomy of a deal: Buy the vacancy on purpose

I have spent my 16-year career representing office landlords in metro Denver, which means I have also spent it watching institutional capital skip over the west side. So, when 2850 Youngfield St. faced loan trouble, my husband, Nate, and I bought it ourselves. Four stories, 65,000 square feet above grade, built in 1982, and always occupied by the Bureau of Land Management until 2023.

Vacant was not the risk we accepted. Vacant was the entire thesis.

Occupied (sometimes cash-flowing) buildings come with constraints: phasing, tenant relocations, and so many construction complaints. A fully vacant building is the scariest thing in office right now. However, with an ultra-low basis it is a blank slate, and it enables us to reposition the whole asset in one swift motion instead of five.

The bones were great. Brutalist concrete exterior with deep window reveals that shade themselves in July. Original glulam timber spans that tenants actively covet in 2026, although we call it cross-laminated timber now. Deceptively low ceilings hung 8 feet high, with 2 feet of headroom and a clean concrete slab above them (hello, opportunity). And in the lower level, a sunken basketball court; we found the amenity floor!

A protracted due diligence period and the market gave us an ultra-low basis. The metro Denver office vacancy rate sat at 31% in 2Q26,



Whitney Hake
Senior managing director, Newmark

though the quarter also produced the first positive net absorption since early 2022 (Newmark 2Q26 Denver office report). We bought at \$2.3 million, about \$35 per sf above grade. That number only works because it is the reason the outsized renovation budget is real rather than aspirational.

The submarket data is what most people miss, other than locals experiencing the daytime energy mounting in west Denver with every new development. In fact, the Life Time parking lot in Denver West is always overflowing! West Denver posted 11.5% overall vacancy in the second quarter (CoStar), which is proof that suburban fundamentals are healthier than downtown Denver's by a wide margin. Pricing simply has not caught up to that fact yet.

Three years of vacancy is not a nap, it's a coma, and we underwrote it that way. Surprisingly, there was very little vandalism, which is another testament to west Denver and its jurisdictions. It is unfair to give kudos to a single city because the building is in Lakewood, but 3000 Youngfield St. is in Wheat Ridge and 2801 Youngfield St. is in Golden. Regardless, it was nearly spotless and untouched.

Please see Hake, Page 15



Formerly occupied by the BLM, 2850 Youngfield St. faced loan trouble – and offered a blank slate.



The building features original glulam timber spans that tenants actively covet in 2026, although we call it cross-laminated timber now.



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OFFICE

Denver office enters new phase of recovery

Historically, Denver has been one of the last metro areas to be affected by a downturn and one of the first to recover. Then came the pandemic, which broke Denver's pattern of resilience. Understanding why the aftershocks continue to reverberate across the commercial real estate office market can help tenants, owners and investors navigate a recovery that looks markedly different from previous cycles.

■ Denver's track record of resilience. The attributes that have made Denver one of the top U.S. cities to live, work and play in over more than two decades, including a diversified economy, a low cost of living, and a high quality of life, cushioned the market against the dot-com crash and the Great Recession.

After the dot-com bubble burst, office vacancy roughly doubled in four years, from 6.8% in 1999 to 16.1% in 2003, then eased steadily back to 12% by 2007. The Great Recession barely registered by comparison, cresting near 15% in 2009 before grinding down to 10.8% by 2016.

By 2013, Colorado and Denver had, by all accounts, recovered from the Great Recession. Population and housing values surged as the state welcomed an average of 41,500 new residents per year from 2013-2020. Forbes ranked Colorado 5th on its list of "Best States for Business 2013," while Denver's office vacancy dipped to 11.4% and kept decreasing.

■ What made the pandemic downturn different. Every prior downturn was tied to a broader economic contraction in employment and wages, which reduced demand in the office



John Stratton
Senior research analyst,
Transwestern

market. As the economy recovered, office demand followed. The pandemic disrupted that relationship.

The pandemic shut down Denver's office market at its peak. A wave of new construction was delivered leading up to the pandemic, including more than 2 million square feet in 2018. The market recorded its lowest office vacancy rate in over a decade at 9.8% in 2019. As remote work took hold and office occupancy plummeted to new depths, Colorado's governor introduced a plan to restructure the government workforce and dramatically reduce its real estate footprint. Colorado quickly became the top state for remote work, and Denver now ranks last in the U.S. for return-to-office momentum. Factor in flat population and job growth, along with uncertainty caused by war, tariffs, and immigration policies, and the office supply-demand imbalance becomes even more pronounced.

The flight-to-quality trend has further affected Denver's recovery. As of the second quarter, over 21% of the city's office space is vacant, and that's the good news. Positive absorption and increased leasing contributed to the market's strongest quarterly performance in the post-pandemic era. However, the best leasing activity is tied to the highest-quality properties. In downtown Denver, Class A buildings captured approximately



78% of first-quarter 2026 absorption while representing less than half of the total inventory.

■ What recovery looks like this time. Denver's office market is unlikely to return to its pre-pandemic form in the near term, but its second-quarter performance suggests it is entering a more stable phase of recovery. Net absorption was positive for the first time since early 2022, and leasing activity reached 2.5 million sf, representing a year-over-year increase of over 50%.

Local commercial real estate investors are also demonstrating confidence in Denver's recovery, even as institutional capital remains on the sidelines. Westside Investment Partners has acquired discounted assets, including Campus at Waterview in Centennial for roughly \$27 million, down from a \$66 million valuation in 2014, and the largely vacant Lincoln Crossing portfolio for about \$10 million. Dunton Commercial, which has acquired more than \$130 million in Colorado commercial real estate since 2019, has continued to pursue

value-add deals that institutions have avoided.

The city of Denver has spent several years advancing a policy push focused on largely vacant downtown office buildings, accelerating momentum for office-to-residential conversions. The proof of concept is the recent \$57.2 million Lofts on Monaco, which reached 35% occupancy shortly after opening. More downtown revitalization projects are underway, including the Luzzatto Co.'s adaptive reuse of nearly 1 million sf of office space into a mixed-use development.

None of this points to a fast rebound, but Denver's market is showing clearer signs of stabilization. The recovery will remain uneven as tenants continue to favor high-quality, well-located properties and distressed inventory keeps vacancy elevated; however, the correction is far enough along that the city's usual resilience is finally reasserting itself.▲

John.Stratton@transwestern.com

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Financing Sources Matrix

TYPE OF CAPITAL	SOURCE OF CAPITAL	EXPLANATION	RATES / SPREADS	LTV / COVERAGE	TERM	AMORT.	FOCUS	TRENDS
LIFE INSURANCE COMPANY	- Insurance premiums - Annuity and GIC sales	- Non-Recourse - Longer-term fixed rate loan	180-300 bps spreads over corresponding UST	- Up to 60% LTV (most lenders top out at 50-55%) 1.50x Minimum DCR	5-30 Years	20-30 Years	- Opportunities at low leverage, attractive basis, good cash flow and core locations - Diversified rent rolls with evenly distributed rollover - Top tier tenants with good credit	- More Life Co's open to considering office deals in 2026 85%+ occupancy with no minimal large tenant exposure - Lenders focused on well capitalized borrowers that can see business plan through - Lenders focused on PSF basis compared to replacement cost - Minimum 12% debt yield. More interest at 15%+ debt yield.
CONDUIT (CMBS)	Sales of mortgage-backed securities	- Non-Recourse - Longer-term fixed rate loan	250-350 bps spread over corresponding UST	- Up to 65% LTV 11.0% Target Debt Yield	5-10 Years	Typically Interest Only	- High quality product in urban locations or popular suburban office parks - Single-tenant with structure - Secondary/Tertiary Markets	- Almost all office loans require upfront reserve for leasing capital - CMBS lenders sizing to 1.50x DSCR on I/O basis - Structure needed around large tenant rollover - More emphasis on getting commitment from B-piece buyer by the conduit before signing up a deal
BANK	- Corporate Debt - Deposits	- Recourse (non-recourse is very difficult) - Shorter-term fixed and floating rate loans	6.25%-7.50%	- Up to 65% LTC 1.25x Minimum DCR 9.5% Minimum Debt Yield	5-7 Years Fixed	25 Years	- All office assets - Value-add with guaranties - Secondary/Tertiary Markets	- Local and regional banks are the best path for value-add business plans - Understanding ongoing capital needs and ensuring those funds are available is key 2-3 years of I/O available on value-add business plans - More flexible (open) prepayment terms
DEBT FUND / BRIDGE LOAN	- Private Capital - Institutional Capital	- Non-Recourse - Shorter term bridge loans for acquisition and/or repositioning	SOFR + 300-550 bps	- Up to 70% LTC - Going-in 1.0x DCR	1-5 Years (3+1+1)	Interest Only	- Value-Add Transactions - Recapitalizations	- Increased activity for well-performing office, assuming no lingering issues in portfolio - Preference for acquisition deals with basis reset and fresh equity coming in - Prefers mid teens debt yield through term to consider
MEZZ / PREFERRED EQUITY	- Private Capital - Institutional Capital"	Junior financing secured by a pledge of, or participation in ownership interest	Mezzanine 15%-18%	- Up to 80% LTC 1.10x DCR	2-10 Years	Interest Only (in most cases)	- All office assets - Value-Add Transactions - Recapitalizations	- Preferred Equity / Mezz capital being very selective on office assets - Preferred equity offers higher funding than mezzanine, but at a higher cost - Minimum investment is typically \$5MM

DCR - Debt Coverage Ratio

LTV - Loan to Value Ratio
LTC - Loan to Cost Ratio

SOFR - Secured Overnight Financing Rate

This information is intended to illustrate some of the lending options currently available. Other options may exist. While Essex strives to present this information as accurately as possible, no guarantee is made as to the accuracy of the data presented, or the availability of the terms at time of application. Rates and terms are subject to change. Please contact one of our mortgage bankers for up to date rate and term information.

Recent Office Transactions



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LIFE COMPANY



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TERM LOAN
CREDIT UNION



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OFFICE

Investors: Take advantage of the great office reset

Real estate investors with an entrepreneurial, risk-tolerant attitude have long taken advantage of downturns in the commercial real estate market to stake their fortunes. Historically, they have purchased office buildings well below replacement cost, stabilized them and either held them for a healthy return on their investment, or sold them for a hefty profit. It's one of the oldest tales in real estate world.

However, savvy real estate investors are not the only ones taking advantage of historically low-priced office buildings in greater Denver. We are seeing a wide array of owner-occupiers jump into the fray to purchase office buildings at bargain-basement prices, with education, healthcare and aerospace leading the way.

Below are the stories of a handful of investors and users in Denver who have taken advantage of what has been called "The Great Reset."

CU Denver purchased Independence Plaza, a 567,000-square-foot, 25-story office tower at 1050 17th St., for \$27.95 million – an 80%-plus discount from the \$144.5 million CBRE Investment Management (on behalf of Alaska Permanent Fund Corp.) paid in 2007. The Class A high-rise, roughly 20% leased and located outside CU Denver's Auraria campus, will see the university initially occupy 200,000 sf for administrative use, bringing it to 55% leased.

UC Health bought the two-building, 197,000-sf Class A project at 6550-6560 Greenwood Plaza Blvd.

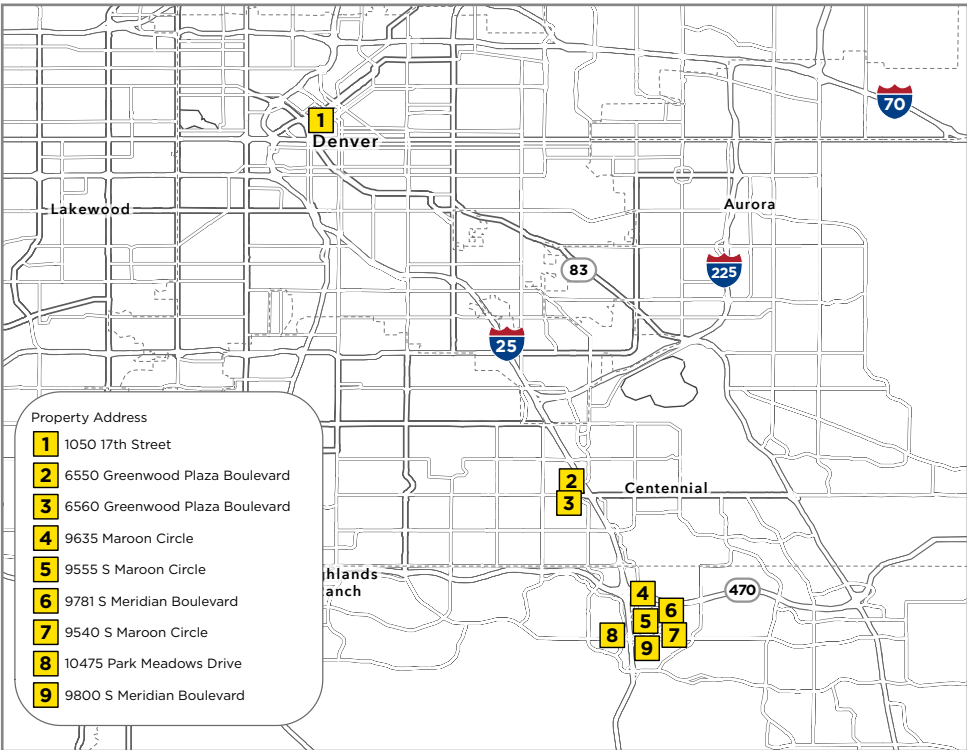


Scott Katcher
Corporate
managing director,
Savills

in Greenwood Village's Fiddler's Green for about \$19.36 million – a 56% discount from the \$44 million Franklin Street Properties paid in 2005. UC Health will consolidate administrative operations there. Defense contractor ICR, based in Aurora, acquired the vacant, 166,700-sf Park Ridge One located at 10475 Park Meadows Drive, for \$8.4 million, an 80% discount from Peakstone Realty Trust's \$43 million purchase in 2014. Last occupied by Lockheed Martin, the building is being renovated to serve as ICR's new headquarters.

Douglas County School District bought 9785 Maroon Circle (Meridian One), as part of its effort to consolidate the district's administrative functions, for \$6 million, which was over 50% less than what Felton Properties bought it for in 2014. Nearby, Intermountain Healthcare bought another Felton property, the 148,000-sf 9800 S. Meridian Blvd. – formerly occupied by Kaiser Permanente – for nearly \$11.36 million, or about 50% less than Felton's \$21.55 million purchase price in 2016.

Knightbridge Capital acquired a two-building, 175,000-sf portfolio at 9540 and 9635 S. Maroon Circle from Mark IV Capital for \$13.96 million, or roughly 55% below Mark IV's pre-COVID \$30 million purchase price; both buildings were over 80% leased



at closing.

Craig and Abby Clark purchased One Maroon Circle (9781 S. Meridian Blvd.) and Two Maroon Circle (9555 S. Maroon Circle) for a combined \$5.15 million – an 80% discount from the building's prior purchase prices of \$13.35 million and \$14.3 million. One Maroon Circle is about 70% leased; Two Maroon Circle is being marketed as fully available.

For those industries like healthcare and education, owning real estate provides a sense of permanence and stability. These occupiers can control their work environments from a security and design perspective as the sole occupants of

their buildings. These owner-occupiers are looking at the equivalent cost to occupy an existing building versus building a new facility, and coming to the conclusion that purchasing a highly discounted asset and investing capital to retrofit these buildings creates a situation where their cost to occupy can still be over 50% less than building a new building. In addition, these owner-users are purchasing assets in desirable locations that are already surrounded by retail amenities, provide great access for their employees and are located within

Please see Katcher, Page 15

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OFFICE

Denver office market: Short on viable options

Denver's office market is not short on vacant space. It's short on workplaces suitable for tenants' evolving business needs. The space carrying the headline numbers and the attributes of the space ideal for anchoring a business are largely different assets. The distress concentrates in buildings that are not competitive, for a wide range of reasons, while the tier tenants are searching for is much thinner than quarterly market reports suggest. There are several elements that go into workplace decisions, but elevated vacancy is supposed to mean more potential options that meet the user's objectives. However, once the odyssey behind every building and tenant expectation is explored, the perception of wide optionality becomes the actual reality of a very short list of preferred solutions.

■ The office inventory is misleading. While Denver metro overall vacancy is reported at 28.7% in the second quarter, a recent poll of several market leading tenant advisors suggests that of the space categorized as vacant, the realistically suitable and transactable share is roughly 25%-40% of what is out there. Meaning, while overall vacancy is elevated the effective availability is much more competitive. This is an extraordinary divergence between commodity gross square footage and a workplace environment that reflects a tenant's preferred choice set. While each submarket has a variance on the realistically suitable share due to its respective



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LLC

within 12 to 18 months through city-backed conversions and irreversible obsolescence. That means a sixth of downtown vacancy is not competing for a tenant today and won't exist as office tomorrow – but it's in the office inventory.

■ Capital capacity is scarce. Can the landlord commit to the tenant buildout costs and building upgrades before the space is move-in ready? The most-cited ownership-related issues that create transaction uncertainty are, unsurprisingly, financial situation and foreclosure risk. In an environment in which most spaces require significant tenant improvement work or landlord capital investment, the ability to fund these costs is a bigger piece of the puzzle. Landlords base lease decisions on a tenant's creditworthiness to pay rent. Today, tenants are similarly basing decisions on a landlord's ability to maintain capital reserves, make

class groups, the overwhelming feedback from tenant advisors is that transactability is much lower than what is sitting vacant.

Case in point, downtown Denver has roughly 12 million sf of vacant office space but more than 2 million is expected to retire from office use

timely decisions and support the build-out of their workplace.

Today's federal funds target and the ten-year benchmark for U.S. Treasury yields means borrowers face refinancing costs significantly higher than at origination against assets that have repriced 50%-90% lower (outside of the unicorns in Cherry Creek) which creates a major equity shortfall. Buildings with an upside-down capital stack, owned by a lender after foreclosure or deed in lieu, under special servicing control, or approaching a debt maturity will require careful due diligence. Complexities around note sales, CMBS situations, negotiated workouts, or partnership disputes take time. Until resolved, a building that can't fund upgrades or a tenant improvement package may not be a viable option.

■ Tenant expectations and effective availability are shifting. Four out of five tenant advisors polled shared the lowest-rent space in their submarkets came with an impactful quality tradeoff for condition, location or building class. Additionally, respondents indicated it is common that a tenants' initial expectations for finding high-end space and the actual availability for it at their assumed budget were not well matched. This means that tenants are learning distress in office real estate is divergent from the space they envision. The landscape for buildings with location advantages, durable physical product and modern amenities is more competitive. And the properties that are well

capitalized are far fewer than the tenant market perceives.

■ Headline vacancy describes a supply problem while obscuring the underlying demand story. Businesses are intentional about their people talent, their client relationships and their product or service. Their workplace environment is an extension of their identity. Tenants are prioritizing best in class access, amenities, food and beverage, parking, and experience; however, options that meet both the physical attributes and the financial requirements are a fraction of what vacancy numbers suggest. Therefore, the transactable supply of office that serves these needs is in far greater demand than tenants realize. To compound the issue, the U.S. office construction pipeline is down 87% from its 2020 peak, and in metro Denver no new offices are being built outside of Cherry Creek (where rents are the highest). The availability of space in demand will only continue to shrink, and tenants are facing even fewer options than in a healthy market with new supply. To find alignment, it is critical that tenants identify realistic priorities early in their search process and it is essential owners create the conditions that serve these needs. Capital is what makes it possible, and the gap between what is vacant and what is effectively available continues to widen. ▲

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OFFICE

The analog office: Designing with intention

For years, the workplace has been getting smarter. Screens have multiplied, meeting rooms have become increasingly technology-enabled, and nearly every surface seems to have the potential to connect, charge, display or track something. As artificial intelligence and digital tools become even more embedded in our workdays, another idea is beginning to emerge: **What if the future office needs a little less technology, not more?**

Enter the analog office – a workplace designed with intentional spaces that allow people to unplug, slow down, think, interact and simply be present.

The idea isn't about rejecting technology. Technology is essential to the way we work, and the most successful workplaces will continue to incorporate it. Instead, the analog office recognizes that technology should support the workplace experience rather than define it. In today's world, the physical office has to provide something different from the digital workspace. It needs to create opportunities for purposeful presence.

■ **Designing for what technology can't do.** The irony of our increasingly digital workplace is that the more efficiently technology connects us, the more valuable genuine human connection becomes.

AI can summarize a meeting, draft an email or analyze a spreadsheet. It cannot replace the spontaneous conversation that happens when two colleagues sit down over coffee. It can't replicate the energy of sketching an idea on a piece of paper with a group of people around a table. And it can't recreate the experience of bumping into a colleague in the hallway and



Kim Hoff
Principal, Kieding

discovering a solution to a problem you hadn't even discussed yet.

This creates an interesting opportunity for workplace design.

Instead of asking, "Where do we put the technology?" designers can also ask, "Where can we intentionally leave it out?"

An analog space might be a small library with comfortable seating and natural materials. It could be a conference room without a wall-mounted screen, designed specifically for conversation. It could be a communal café with large tables that encourage people to sit together rather than isolated touchdown stations. It might even be a quiet room where phones and laptops are intentionally discouraged.

These spaces don't have to be complicated. In fact, their simplicity is part of their appeal.

■ **The power of the tactile.** The analog movement also speaks to something increasingly missing from our digital lives: the physical and sensory experience of our surroundings.

Think about the difference between reading something on a screen and flipping through a printed book. Or between sending a message and having a conversation across a table. There is something inherently human about tactile experiences.

That same principle can translate into the workplace through design. Natural wood, textured fabrics, handmade materials, plants, artwork, books, writable surfaces and warm,

comfortable furniture can create an environment that feels distinctly different from the digital world employees spend much of their day navigating.

Recent workplace research points toward tactile materials, thoughtful acoustics and sensory experiences as important elements in spaces designed to support concentration, connection and cognitive performance. JLL has also identified technology-free and low-technology environments as an emerging workplace typology, particularly as people seek relief from constant digital exposure. (JLL)

The goal isn't nostalgia. It's balance.

■ **Creating spaces that encourage conversation.** Perhaps the most compelling application of the analog office is its potential to foster human-to-human connection.

For many organizations, bringing employees back to the office isn't simply about providing a place to sit and work. Employees can often accomplish focused, individual work from home. The office needs to offer something they can't get as easily elsewhere.

That means designing for interaction.

A central coffee bar can become a social hub that encourages informal collaboration. A lounge with comfortable seating can make it easier for colleagues to linger after a meeting. A small, technology-free meeting room can create an environment where people actually look at one another instead of looking at a screen.

Even circulation can become an opportunity. Instead of designing every path through the office for maximum efficiency, designers can

create moments that encourage people to pause, see one another and interact.

These seemingly small decisions can have a significant impact on workplace culture.

■ **The analog office isn't anti-tech.**

The analog office shouldn't be viewed as a retreat from innovation. In fact, it may be one of the most forward-thinking responses to the technological changes ahead.

As AI takes over more routine and information-heavy tasks, the uniquely human qualities of work become more important: judgment, creativity, empathy, collaboration, storytelling, relationship-building and problem-solving. Workplace design can reinforce those qualities by giving people environments where they can practice them.

The office of the future may therefore be highly technological in some places and intentionally technology-free in others.

A sophisticated video conferencing room might sit next to a quiet reading room. A digitally enabled collaboration space might open into a warm, technology-free café. Smart building systems can operate invisibly in the background while employees experience a space that feels comfortable, intuitive and human.

The technology doesn't disappear. **It simply gets out of the way.**

■ **Designing for the human experience.** The growing interest in analog spaces reflects a larger shift in how we think about the workplace. The question is no longer simply how many people an office can accommodate or how much technology can be

Please see Hoff, Page 15

Medical office: AI can fill vacant office spaces

Six years after the pandemic changed the way we work, the office market is still adapting to shifting demand and elevated vacancy. As demand for traditional office space has diminished,

owners are increasingly rethinking how they fill their buildings. [Downtown Denver's office vacancy rate reached a record high of 38.9%](#) in the second quarter of 2026, underscoring the continued challenge of filling traditional office space (Cushman & Wakefield, 2026). High vacancy does not necessarily mean the space lacks demand; it may mean owners need to look beyond traditional users. Instead of asking only, "Who needs office space?" the question is becoming, "What else could this space support?" For a growing number of owners, the answer is medical use because existing space can be reconfigured for healthcare tenants without a ground-up build. Medical users can also offer attractive long-term tenancy.

■ **Why medical tenants stick.** Medical practices tend to sign longer leases because relocating can disrupt established patient routines, giving them a greater incentive to remain in place. Clarion Partners describes this as "[tenant stickiness](#)," noting that the expense and disruption of relocation, specialized build-outs, hospital affiliations, and potential impacts on patient convenience and loyalty can contribute to longer lease terms (Clarion Partners, 2026). For building owners, that location dependence can translate into more stable tenancy.

Medical users may (usually/almost always) require specialized improvements to make an existing office space



Darren Nakos
Recentric Realty
Capital

functional for their practice. Those improvements can adapt to an otherwise traditional office suite to support a different use, while regular patient traffic can create additional activity around the property that benefits surrounding retail and services.

■ **Not every space fits every specialty.** A medical practice might have strong demand in a market, but that does not automatically mean it is the right tenant for a particular building. The right specialty depends on the market and the property – and that is where data comes in. Analysis can help identify underserved specialties and connect those opportunities with potential practices by examining demographics, population within the relevant drive-time zone, proximity to hospitals and referral networks, archetype specialties and reimbursement data. For example, industry analytics tools such as our proprietary software can identify an underserved specialty.

However, even if the data indicates a specialty is underserved, that does not automatically make it a good leasing opportunity. The physical requirements and cost of adapting the space matter, too. For example, a dental practice may appear to be a strong market opportunity based on demographics and supply, but its specialized plumbing and water requirements can make the cost of adapting an existing suite substan-

tial. The cost of build-out needs to be justified by the value of the resulting lease, and the strongest opportunities are where market demand, location, space, and economics intersect.

■ **Where AI fits in.** Finding that intersection requires multiple sources of information, which is where customized artificial intelligence becomes useful. As AI becomes more prevalent in commercial real estate, firms are increasingly developing tools around their own data and workflows. CBRE, for example, launched EllisAI to support real estate professionals with [AI-powered tools and applications](#). Recentric's [CRE Labs](#) platform takes a similar approach by developing proprietary technology centered around a property's drive-time zone. The platform layers different types of data onto that geographic area to inform acquisition and leasing decisions. The value of a customized AI platform is not simply having more data but organizing it around the specific decisions an owner or investor needs to make.

■ **From drive time to leasing strategy.** JLL research has found that [location and proximity are among the key factors patients consider](#) when choosing where to receive care, making travel time an important consideration when defining a medical practice's potential market (JLL, 2023). The appropriate drive-time zone from 15 to 30 minutes would capture a larger potential patient population. Understanding that difference helps determine the size of the market a practice can realistically serve and whether there may be enough demand to support another provider. The relevant drive-time zone can

vary depending on the specialty being evaluated. For example, expanding an endocrinology practice's drive-time zone from 15 to 30 minutes would capture a larger potential patient population. The appropriate radius depends on the specialty, and the distance patients are willing to travel for that type of care. Understanding that difference helps determine the size of the market a practice can realistically serve and whether there may be enough demand to support another provider.

Once an underserved opportunity is identified, the analysis can be translated into leasing and acquisition strategies. CRE Labs builds on this by identifying who is in the market, which practices may benefit from the location, and who should be contacted. Practice intelligence reports translate that analysis into a concise profile that can be shared with potential practices, highlighting why a particular location may benefit their business.

For office owners, finding new uses for existing space requires more than identifying where demand exists. The strongest opportunities come from understanding how market demand, location, and economics work together. As data and AI make that analysis more accessible, owners have more tools to evaluate alternative users and make more informed leasing decisions. The broader opportunity is to look at existing office space through a different lens – not by asking who has traditionally occupied it, but by understanding what the space can serve next. ▲

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Cullen

Continued from Page 1

2026 and is running 27% above the previous five-year average, reflecting a market where more companies are moving beyond contraction and once again making longer-term real estate decisions.

The difference isn't necessarily dissatisfaction with an existing building. The reality is, testing the market exposes tenants to options that weren't financially or operationally realistic several years ago. A company may find that it can rightsize its footprint, move into a higher-quality building or negotiate a package that makes the cost of relocating surprisingly competitive with staying put. At the same time, incumbent landlords are working harder to retain tenants, creating real competition on both sides of the decision.

■ **The best deal isn't always in the same building.** Many office tenants still focus on asking rental rates when comparing options, but in today's market, that's only one piece of the equation. The more meaningful comparison is the total occupancy cost once concessions, improvement allowances and other incentives are taken into account. Across the Denver market, landlords remain highly motivated to retain quality tenants, and that competition is creating concession packages that can materially change the economics of a deal.

We have seen tenant improvement allowances converted entirely into rent credits, effectively creating additional months of free rent, along with moving allowances, parking concessions, furniture and technology allowances, phased occupancy schedules and increasingly flexible lease structures. For companies weighing the cost and disruption of a move against the convenience of staying put, incentives of that magnitude can significantly narrow, and sometimes eliminate, the financial gap between renewing and relocating.

The opportunity also varies considerably by submarket. Downtown Denver, for example, [posted 66,000 sf of positive net absorption in the second quarter](#), its first positive quarter since third-quarter 2024, while Cherry Creek continues to experience limited new inventory and strong demand for premium office space. Those conditions create fundamentally different negotiations, reinforcing why tenants need to understand the dynamics of each submarket before evaluating a renewal.

This value isn't always visible in headline rents. Two spaces with similar asking rates can produce very different occupancy costs once free rent, tenant improvements and other concessions are factored in. That doesn't mean every company should move, but it does mean a renewal shouldn't be evaluated in isolation. Testing competing offers gives tenants a clearer pic-

ture of the true cost of staying versus relocating, and which option ultimately creates the most value.

■ **Flight to quality doesn't have to mean higher costs.** One of the biggest misconceptions in today's office market is that upgrading into Class A space automatically means paying more. Increasingly, that's not the case. As hybrid work has matured, many organizations have settled into smaller, more efficient office footprints. Rather than paying for excess space, companies are leasing fewer square feet while investing in higher-quality workplaces that better support collaboration, recruiting and employee experience.

Nationally, demand continues to concentrate in better buildings. JLL reports that office availability has now [declined for eight consecutive quarters](#), while newer, high-quality office buildings have become increasingly scarce, driving stronger leasing activity and rent growth in premium assets. That dynamic is creating an opportunity for some tenants to trade quantity for quality. By reducing square footage and taking advantage of today's concession environment, many organizations are able to relocate into newer, amenity-rich buildings without materially increasing their overall occupancy costs.

We have seen this firsthand. Nearly two-thirds of tenants relocating through the firm have moved into a higher building class, while only a

small percentage have moved down. The conversation has shifted from, "How much office do we need?" to, "What kind of workplace best supports our business?" That's a fundamentally different question, and one that reflects how office space is increasingly being evaluated not simply as a cost, but as a tool to support broader business priorities.

■ **The decision before the decision.** Perhaps the biggest lesson from today's office market is that negotiating leverage is created long before negotiations officially begin. Companies that start planning 18 to 24 months before lease expiration have the ability to evaluate alternatives, create competition among landlords, understand construction timelines and make decisions based on long-term business objectives rather than looming deadlines.

The companies achieving the strongest outcomes today aren't necessarily the ones that relocate. They're the ones that give themselves enough time to determine whether they should.

When tenants understand their alternatives, they will undoubtedly benefit. Landlords compete harder, negotiations become more strategic, and companies make better long-term real estate decisions. Sometimes the best lease is the one you renew, but you'll never know that unless you test the market first. ▲

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Thiel

Continued from Page 6

and image quality. These buyers aren't speculating, they're solving real business problems with buildings now priced at acquisition costs that would have been unthinkable

three years ago.

■ **The path forward.** Colorado's office market is evolving into something different than previous cycles, which is a more resilient market. The current environment rewards investors who understand that today's

distressed pricing creates value-creation opportunities for tomorrow. Whether you're a corporate user solving strategic real estate needs or an investor targeting assets with upside potential, the market is presenting opportunities that won't per-

sist indefinitely and investors that capitalize most effectively on this reset will benefit the greatest. ▲

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Hake

Continued from Page 8

What we could not know until we opened walls was whether the 1982 systems and parking structure were worth saving or worth removing. We priced the pessimistic version and bought accordingly. That is the discipline a distressed basis buys you: At \$35 per sf, being wrong about mechanical is a line item, not a thesis failure.

Next, speed is the name of the game, and we pride ourselves on being nimble decision-makers. Speed to deliver eight spec suites on floors 2 and 3. Speed to accommodate March 2027 commencement dates. Speed to design and build creative common areas that don't exist in west Denver (shout out to West Consulting, Waring Associates and Golden Contracting). New common areas include an atrium replanted with a living herb garden, beverage service, pickleball striping, a Mah Jong lounge and lots of local art.

We renamed the building as dapple*wood, for the Applewood

neighborhood and golden hour (also known as dappled light). Our redevelopment approach is to lean into the community by contracting locally for a large mural, roof repairs, window coverings, structural engineering, property management and perhaps youth basketball practice.

Here is the part I actually want on the record: dapple*wood is open for business immediately! A common misconception is that renovations follow tenant demand; we have flipped the script.

The story of Denver office in 2026 is not the vacancy number. It is that basis has reset far enough that owners can finally afford to make buildings good again, and the construction pipeline is effectively empty, which gives redeveloped product a clear runway.

I am a broker who bought the building I would have pitched to a client because I believe Denver office is mispriced. ▲

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Renamed dapple*wood, the reimagined building features creative common areas that don't exist in west Denver.

Katcher

Continued from Page 12

well-established office parks. For investors, the scarcity and cost of available land, coupled with high development costs, make building new office projects expensive and, in some instances, cost prohibitive. If there is an opportunity to purchase an existing, high-quality building well below replacement cost, lease-

up cost becomes much less, thereby providing investors with a much higher rate of return on cash outlay. However, these investors still inherit the risk of significant downtime to lease up their buildings, since the demand for leasing has declined by 30% post-COVID. Typically, they will underwrite a three- to five-year time frame to stabilize their new acquisition, which is reflected in the lower

purchase price compared to owner-occupiers, who solve their own vacancy issues.

The upside of a downturn in a real estate cycle is that they have historically provided great opportunities for owner-occupiers and investors willing to take a chance. We are seeing this historical trend resurface for opportunistic buyers, and this trend is likely to continue until there is a

meaningful recovery in the office market. Most office users are still opting to lease rather than own, but for certain industries, such as healthcare, aerospace and education, today's real estate market presents a unique opportunity for them to own and occupy quality real estate assets at a significantly reduced cost. ▲

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Hoff

Continued from Page 14

integrated into it. The better question is: **What experiences should happen here that can't happen anywhere else?**

The answer will be different for every

organization, but the principles are universal. Give people places to focus. Give them places to collaborate. Give them places to recharge. And, perhaps most importantly, give them places where they can put down the phone, close the

laptop and talk to another person. In an era when our workplaces are becoming increasingly intelligent, the most meaningful innovation may be creating spaces that help us be more human.

The analog office isn't about going backward. **It's about making room for what comes next.** ▲

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INDUSTRIAL PROPERTIES

The new industrial development equation

The industrial building may still look like a big box from the outside, but the equation behind completing it has become considerably more complex. Today, successful industrial development increasingly depends on balancing what tenants need, what makes financial sense for developers, and what can optimally be delivered.

End users are asking for more out of their facilities. Developers and construction teams are navigating complex sites and municipal requirements. The industry is challenged to think differently about what makes an industrial project successful. It is no longer enough to put up a building and assume the market will adapt to it.

That is the new industrial equation: aligning what users need with what developers can support, with what construction can efficiently deliver, and what the market will ultimately value.

One of the biggest changes influencing the equation is the type of end-user industrial spaces are being created for. Three to five years ago, much of the market was shaped by large national supply



Dan Feagans
Vice president,
Brinkmann
Constructors

chain and distribution users.

Today, we are seeing industrial products evolve toward local and regional end users, while also supporting sectors such as aerospace, food distribution, robotics, advanced manufacturing and data center-adjacent busi-

nesses.

These users may still want many of the fundamentals of the traditional industrial box, but their requirements are becoming much more specialized. For example, our Centennial Business Center project may look like a traditional industrial building, but it now accommodates multiple tenants, with the flexibility to incorporate tenant-specific improvements that allow each business to maximize the space for its operational needs.

For developers and their construction partners, the new demand creates an opportunity to be much more intentional about



Commerce Yards

where capital is invested and focuses the conversation around risk.

We are seeing more build-to-suit opportunities, partial preleasing and end users involved earlier in the development process. That certainty can reduce development risk. With an identified end user, decisions around power, mechanical systems, loading, outdoor storage, office space, amenities, and

other specialized features can be tied directly to how tenants operate. Developers gain greater confidence that the capital being invested supports a real need, while tenants receive a facility better aligned with their business from day one.

The focus becomes less about individual cost and more about the

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JLL Denver 2026 - Q3 Industrial Sales Activity



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INDUSTRIAL

Denver market: The proof keeps compounding

Six months ago in these pages, we argued that Denver’s industrial market had moved past optimism into proof. Now it is September 2026, and that proof is compounding. Leasing velocity has returned, the tenant pool has widened well beyond traditional distribution, capital is being deployed at a pace that should carry the year past the market’s long-term average, and the geography investors mean when they say “Denver” is quietly expanding to take in the entire Front Range, from Colorado Springs to Northern Colorado.

■ **Leasing velocity has returned.** Denver has recorded 9.8 million square feet of industrial leasing year to date, 84% of the entire 2025 total with four months remaining in the year. JLL Research shows second-quarter year-over-year leasing volume up 27.6%, with seven of 11 submarkets participating in the increase. This is not a single-deal story. The market’s backbone remains small and mid-sized users: 74% of leases signed this year are under 50,000 sf. What changed in 2026 is the return of the larger requirements. Twenty-two leases of 100,000 sf or more have been signed, totaling 3.97 million sf. Five of those cleared 200,000 sf and account for nearly 1.6 million sf on their own. Both cohorts are up sharply against the same point in 2025, the signature of genuine expansion decisions from occupiers, rather than a handful of outliers. East Interstate 70 remains the



Peter Merrion
Senior managing director, Denver office co-head, JLL Capital Markets

market’s center of gravity, capturing 4 million sf, or 41% of year-to-date volume, at a median achieved rent near \$7.50 triple net per sf. That corridor’s combination of scale, functional product and access to labor continue to make it the default answer for distribution requirements.

Tenants are also voting for quality. Nearly 60% of first-half leasing landed in Class A space, which tells you that occupiers are treating this market as a place to upgrade rather than simply renew. Headline fundamentals still show the market working through supply. Denver posted negative 550,315 sf of net absorption through midyear against 9.4% total vacancy. But the second quarter delivered no new completions at all, which was the first quarter of this decade without a single delivery. Developers are not overreaching, and LP equity for development remains challenged. Of the 1 million sf that broke ground across six buildings in the second quarter, 30.1% is preleased. JLL’s Tenants-in-the-Market report is tracking roughly 20% higher than this time last year, and occupancy should follow. ■ **A tenant pool that keeps widening.** National retail and e-commerce users continue to make significant commitments to our market. Tar-



Rob Key
Director, JLL Capital Markets

get’s new 529,000-sf freezer and cooler facility represents a \$367 million investment and roughly 400 jobs while servicing 130 stores and 13 states, or 30 million people. Aldi acquired a 70-acre parcel in Aurora to build a regional distribution facility serving the Rocky Mountain region. Amazon signed another 409,000 sf in Thornton in May.

Running alongside that demand is a broadening story of more advanced industries that barely registered five years ago: Aerospace and defense, AI-adjacent industries, advanced manufacturing together accounted for nearly 14% of year-to-date leased square footage. Crusoe Energy Systems took 352,240 sf at 76 Commerce Center in Brighton for an AI factory representing a roughly \$200 million investment; the Denver-based company recently raised \$3 billion at a valuation near \$30 billion. Crusoe also signed a multi-billion contract with another home-grown company, Boom Supersonic, which expanded by approximately 195,000 sf across two southeast Denver buildings on 10-year terms while announcing plans to double its headcount.

For investors these are capital-intensive, long-duration users that invest heavily in their space and do not move easily. They require

power, specialized infrastructure and a technical workforce. They are choosing Denver over other markets due to the quality of our labor pool, which is a durable signal for future demand.

■ **Capital markets: Volume with breadth.** Denver industrial sales volume broached \$1 billion through August. Trailing four-quarter volume of \$1.79 billion is up 2% year over year and already ahead of the market’s 10-year annual average of \$1.48 billion. Second-quarter volume of \$403 million was up 15.8% year over year, and 11.3 million sf traded over the trailing four quarters – an 11.3% increase.

Pricing has held its ground through a volatile rate environment. Average pricing across the trailing four quarters was \$156.14 per sf, essentially flat year over year, with second-quarter trades averaging \$189.64.

The composition of buyers is the more interesting development. Private buyers still lead at 72.9% of year-to-date acquisitions; however, institutional capital has climbed back to 24.2% of the buyer pool, the highest share since 2022. In JLL-marketed deals this year, we are consistently seeing a healthy mix of private and institutional bidders, and of new-to-market groups competing against established Denver owners. Depth in the bid pool demonstrates the investor appetite for our area and shows Denver’s resilience as an investable market.

Debt liquidity is not the constraint some expected. Despite genuine

Please see Merrion, Page 25



UNITED PROPERTIES
CREATING DEEP ROOTS

Phase I of the 43-acre INOVA development in Centennial, Colorado, is nearing completion.

Building 1 (113,770 SF) features 24-foot clear heights, four drive-in doors, and 32 dock-high loading positions. Building 3 (140,730 SF) offers 28-foot clear heights, six drive-in doors, and 38 dock-high loading positions.

Site work for Phase II has also been completed, creating three adjacent pad-ready sites available for build-to-suit

For information, please contact Tyler Smith, Aaron Valdez, or Alec Rhodes with Cushman Wakefield at 303-292-3700.



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Financing Sources Matrix

TYPE OF CAPITAL	SOURCE OF CAPITAL	EXPLANATION	RATES / SPREADS	LTV / COVERAGE	TERM	AMORT.	FOCUS	TRENDS
LIFE INSURANCE COMPANY	- Insurance premiums - Annuity and GIC sales	- Non-Re-course - Longer-term fixed rate loan	120-200 bps over corresponding UST	- Up to 65% LTV (Up to 70% LTPP with sufficient coverage) 1.25x Minimum DCR 8.75% Minimum Debt Yield	3-30 Years	Interest Only or 30-year amortization depending on leverage	- Established industrial corridors or properties with superior access, last-mile product very popular - Single-tenant with long-term lease (credit preferred) or multi-tenant with staggered rollover - Older industrial product or flex product with good operating history and good occupancy	- There is significant liquidity available for industrial and industrial-adjacent properties - Biggest concern is supply in certain areas and ensuring there is enough of a demand pool to absorb all of the product available “Core floaters” have come back into favor, these feature aggressive pricing and offer max flexibility for perm refi or sale in <3 years
CONDUIT (CMBS)	Sales of mortgage-backed securities through public markets	- Non-Re-course - Longer-term fixed rate loan	180-300 bps spread over corresponding UST	- Up to 70% LTV 1.25x Minimum DCR 8.5% Minimum Debt Yield	5-10 Years	Interest Only	- Primarily resourceful in cash flow-focused scenarios and / or for properties in smaller markets - Large transactions or portfolios that are tough for other lenders to pursue alone - Staggered rollover or small individual tenant exposure that will reduce CMBS required reserves	- Conduits finding it hard to compete with balance sheet lenders for good industrial product; competitive advantages are higher leverage and full-term I/O - Leasing capital reserves or cash management incorporated for large rollover events - CMBS lenders can offer interest rate buy-downs
BANK	- Corporate Debt - Deposits	- Recourse (non-recourse available on case-by-case basis) - Shorter-term fixed and floating rate loans	6.25%-6.75%	- Up to 65% LTV 1.25x Minimum DCR	3-7 Years Fixed	30 years (1-2 years of I/O may be available)	- All industrial assets - Value-add with guaranties - Clients with relationship potential - Secondary/Tertiary Markets	- Floating rate also available - Primarily recourse loans, with non-recourse available to strong sponsors at lower leverage - More flexible (open) prepayment terms - On-going performance-based loan covenants
DEBT FUND	- Private Capital - Institutional Capital	- Non-Re-course - Shorter term bridge loans for acquisition and/or repositioning	SOFR + 225 - 400 bps	- Up to 80% LTC 8.5% untrended debt yield	1-5 Years (3+1+1)	Interest Only	- Value-Add Transactions - Transactions with major rollover within the next 3 years - Recapitalizations - New construction	- Lenders are requiring out-of-the-money interest rate caps to be purchased - Slightly more conservative on underwriting metrics for vacancy & rent growth - Can underwrite mark-to-market rents with strong comps - Best pricing available for deals with good cash flow in place, and a path to NOI growth
MEZZ / PREFERRED EQUITY	- Private Capital - Institutional Capital"	Junior financing secured by a pledge of, or participation in ownership interest	12%-14%	- Up to 85% LTC 1.10x DCR	2-10 Years	Interest Only (in most cases)	- All industrial assets - Value-Add Transactions - Recapitalizations	- Preferred equity offers higher funding than mezzanine, but at a higher cost - Minimum investment is typically \$5MM but can start as low as \$1MM on a deal-by-deal basis

DCR - Debt Coverage Ratio

LTV - Loan to Value Ratio
LTC - Loan to Cost Ratio

SOFR - Secured Overnight Financing Rate

This information is intended to illustrate some of the lending options currently available. Other options may exist. While Essex strives to present this information as accurately as possible, no guarantee is made as to the accuracy of the data presented, or the availability of the terms at time of application. Rates and terms are subject to change. Please contact one of our mortgage bankers for up to date rate and term information.

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TERM LOAN
LIFE COMPANY



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EQUITY
PRIVATE



DENVER CENTRAL BUSINESS PARK
\$6.0M
TERM LOAN
LIFE COMPANY

COOPER WILLIAMS
President / Principal
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cwilliams@essexreca.com

PAUL DONAHUE
Principal
(303) 843-4021
pdonahue@essexreca.com

BLAIRE BUTLER
Principal
(303) 843-4024
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INDUSTRIAL

Getting ahead of growth near DEN Aerotropolis

A significant new development corridor is taking shape around Denver International Airport. DEN Aerotropolis is bringing a coordinated vision to thousands of acres of development opportunities in and around DEN. New transportation infrastructure is underway. Philip Morris International is investing \$1.2 billion in a new manufacturing campus in Aurora. And over the coming years, portions of DEN's extensive land holdings are expected to open for commercial development. Together, those investments could substantially change the industrial landscape surrounding the airport. But some development is already there. Opus broke ground on Sun Empire in Aurora in 2022, two years before DEN Aerotropolis formally launched



Joe Swennson
Senior director
of real estate
development, Opus

and before PMI announced plans for its new manufacturing campus. At the time, the rationale was based less on knowing exactly what was coming and more on recognizing the fundamentals already pointing toward growth, including proximity to DEN, access to E-470 and Interstate 70, a growing workforce and demand from larger industrial users. What has happened since illustrates the value of establishing a position in an emerging growth corridor before the full picture comes into focus.



Randy Danielson
Senior director
of real estate
development, Opus

■ **Strong fundamentals.** DEN was an important part of the equation from the beginning. Sun Empire sits just 3 miles from the airport, with direct access to E-470 and I-70. When Opus acquired the property, it was seeing increasing demand in the airport sub-market, particularly from larger regional and national industrial users. The scale of the site provided another advantage. The original master plan considered 316 acres and as much as 3.9 million square feet of industrial development, with buildings ranging from approximately 200,000 sf to 625,000 sf and the ability to accommodate a facility as large as 1 million sf. Rather than prescribing exactly what every acre would become, we planned for flexibility. That proved important as the market evolved. ■ **A new catalyst for growth.** PMI subsequently acquired a portion of Sun Empire's land for its new manufacturing campus. PMI's decision reinforced something Opus had already concluded – for companies with significant manufacturing, distribution and supply-chain needs, proximity to DEN and the transportation network surrounding it can be a compelling advantage. PMI's presence may now create another ripple of opportunity. Large manufacturing operations rely on

networks of suppliers, vendors and service providers. As those companies evaluate whether proximity to PMI could benefit their businesses, Sun Empire is already positioned nearby with industrial space and future development capacity. At the same time, an even larger economic development vision has begun taking shape around DEN. ■ **Infrastructure changes the equation.** Colorado Aerotropolis officially launched in 2024 as a collaborative regional effort designed to leverage DEN and the surrounding land as an economic development engine. The concept recognizes that the influence of a major international airport doesn't stop at the airport boundary. Businesses that value access to transportation, supply chains, employees and one another can benefit from locating throughout the surrounding region. DEN owns approximately 32,000 acres, roughly half of which are intended for nonaviation uses. Over the coming years, portions of that land are expected to become available for development as DEN advances its broader airport-city vision. Alec Wynne and Chris Coble of Greenwood Commercial Real Estate Group, which is helping DEN market two of its development districts, see what is happening today as the beginning of a much longer evolution. "DEN is still relatively early in realizing the development potential of the land surrounding the airport," Wynne said. "As more property and infrastructure come on line, we're

Please see Swennson, Page 26



Opus broke ground on Sun Empire in Aurora in 2022.



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INDUSTRIAL

NoCo: Demand is outrunning an empty pipeline

The Northern Colorado industrial market just recorded the largest half year of net absorption in its history, and that headline number is almost beside the point.

According to CBRE Research, the region absorbed 4.1 million square feet in the first half of 2026. Nearly all of it came from a single source: the completion and occupancy of an e-commerce retailer's massive distribution facility in the Interstate 25 north submarket, a project three years in construction that added roughly 10% to the market's inventory in one stroke. Exclude that atypical, one-off building and net absorption was 189,000 sf for the half – 26.3% ahead of the second half of 2025 and 7.3% below the same period a year earlier.

The adjusted figure is the honest read on the market, and it is a healthy one. What makes it consequential is the supply side. The market delivered 3.9 million sf in the first half. It now has approximately 80,000 sf under construction across a 41.2 million-sf base. For practical purposes, the pipeline is empty.

■ **Tightening fundamentals.** Total vacancy fell 90 basis points from year-end 2025 to 3%, per CBRE research, with roughly two-thirds of that decline attributable to the e-commerce retailer's completion and occupancy. Sublease availability sits at 0.2%. When occupiers are under stress, sublease space is where it shows up first. There is none here.

The submarket detail is tighter still. Windsor stands at 1.1% total vacancy, Fort Collins at 2.3%, I-25



Ryan Schaefer
Senior vice president, CBRE

north at 2.5% (think I-25 and U.S. 34), Greeley/Evans at 3% and I-25 South at 3.1%. Loveland/Berthoud, at 6.6%, and Weld County south, at 7%, hold most of what optionality remains – much of it older, functionally limited product rather than the modern space most requirements call for.

Average direct asking rent finished the half at \$11.74 per sf triple net, essentially in line with the three-year historical average of \$11.81. Rates have fluctuated in recent quarters, but that says more about the thin sample of available space than about pricing direction. The submarket spread runs from \$9.13 in Loveland/Berthoud to \$19 in Weld County south, with I-25 north's \$16.58 average skewed upward by a small sample of small-bay product. Recent Class A big-box transactions have generally cleared in the high \$11s to mid-\$12s per sf triple net.

■ **Tenants are transacting.** The leasing activity behind these figures is real and diverse. Over roughly the past 18 months, Hines' Brands West project in Loveland has drawn a steady run of Class A users, including Opterus Research and Development, James Fisher Technologies, Muller Manufacturing, and Artisan Design Group. At Elevations 25 in Mead, Leanin' Tree committed to a full building. And McWhinney's Precision Industrial in Loveland, a

Our Northern Colorado-based brokers are currently tracking over 1 million sf of active requirements, diverse across industries.

164,000-sf Class A building that had been fully available, is now largely spoken for – a swing of more than 140,000 sf in a single asset. Ownership has since pulled it from the sale market and is evaluating entitlement of a similar building next door.

Behind the completed deals is a deeper bench. Our Northern Colorado-based brokers are currently tracking over 1 million sf of active requirements, diverse across industries. Several fall in the 60,000-sf to 100,000-sf range, with at least one substantially larger. These are not speculative inquiries; most carry defined timelines, and several are expansions from companies already operating here.

That level of demand, in combination with virtually no new construction and 3% vacancy, equates to opportunity for developers. A tenant seeking modern, dock-served space here today has few options other than waiting on a building that has not been started.

■ **A narrow window, not an open door.** The conditions that reward new development are in place: minimal competing supply, rents at or near historical highs, functionally obso-

lete alternatives and a demand pool that has not been served. Developers and capital that move now will deliver into a market with few competitors.

That said, the opportunity should be sized honestly. Excluding one-off deliveries, this market absorbs on the order of 200,000 sf to 400,000 sf per year. That depth supports a small handful of well-located, well-capitalized projects – not a wave of them. Two or three thoughtfully designed projects in the right locations, with realistic divisibility, should lease. A dozen would not, and the market would spend several years digesting the difference.

For occupiers, the message is simpler: plan further ahead than you think you need to. The days of touring three comparable buildings and negotiating among them are gone for now.

Northern Colorado has quietly become a market where demand is the reliable variable and supply is the constraint. As a developer or investor, this a good problem to have.▲

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INDUSTRIAL

Colorado still needs functional industrial land

Colorado's growth is easy to see. New housing rises, roads expand, neighborhoods fill in and commercial corridors evolve. Less visible is the network of businesses that makes that growth possible.

Contractors need places to store equipment and materials. Utility companies need yards for vehicles and infrastructure. Building suppliers need room for inventory. Fleet operators need secure parking. Service businesses need space for vans, tools and crews. Logistics users need locations that allow trucks to move efficiently.

Many of these businesses depend on functional industrial land, including industrial outdoor storage properties, where the



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Hotline

yard is not simply an accessory to the building. It is a core part of the operation.

That raises an important question for Colorado: As communities grow, are we also making enough room for the businesses that build, maintain, repair and support them?

The Denver region could reach 4.2 million people, 1.86 million households and 2.96 million jobs by 2050, according to a 2026

forecast from the Denver Regional Council of Governments. Growth at that scale will require more housing, transportation, utilities and infrastructure. It will also require the businesses that physically deliver and maintain those things.

The land those businesses need, however, is not interchangeable.

A vacant parcel is not automatically a functional industrial site. A property may need the right zoning, usable yard area, truck access, secure storage and infrastructure to support the operation. A site can look adequate on a map and still fail operationally because trucks cannot turn efficiently, outdoor storage is restricted or the property cannot accommodate the

way the business actually works.

That is why industrial land decisions deserve more attention than a simple comparison of land values or redevelopment potential.

Denver offers a useful example. In March, City Council adopted the Southwest Area Plan, a 20-year vision for Athmar Park, Mar Lee, Overland, Ruby Hill and Westwood. One of its guiding themes, "Integrated Industry," calls for southwest Denver to remain a key center for industrial production and manufacturing while strengthening connections with surrounding neighborhoods.

Separately, Denver's Far Southwest Area Plan, adopted in December 2025, includes implementation

efforts aimed at strengthening manufacturing preservation in College View, including consideration of moving some industrial flex areas to industrial zoning that would not allow residential uses.

These plans are not arguments against housing or redevelopment. They illustrate something more useful: Cities can plan for new housing and community investment while also identifying industrial areas that continue to serve an important economic purpose.

That balance matters.

When functional industrial land is converted to another use, the demand served by the businesses operating there does not simply disappear. Contractors still need to stage equipment. Utilities still need materials and vehicles. Fleets still need secure places to park. Those users may have to relocate farther from customers, employees and job sites, compete for fewer suitable properties or absorb higher operating costs.

This is where industrial outdoor storage becomes especially relevant.

A contractor may need a modest shop but several acres for equipment and materials. A utility service company may value fenced yard space and highway access more than high-end office finishes. A fleet operator may care less about clear height than about circulation, parking, power and security.

For these users, value is tied to what the site allows them to accomplish.

Preserving functional industrial capacity does not mean every industrial parcel should remain unchanged forever. Cities evolve, and some properties will be appropriate for redevelopment. But before changing a functional industrial site to another use, it is worth understanding what operational capability is being lost, whether that capability can be recreated elsewhere and how far the businesses that rely on it will have to move.

Industrial owners have a role in this conversation, too.

Good industrial properties should be good neighbors. Screening, fencing, lighting, drainage, property maintenance, safe truck circulation and thoughtful access can reduce conflicts with surrounding uses. Preserving industrial capacity and improving the quality of industrial environments do not have to be competing goals.

Owners should also understand the function their own properties serve.

The most important question is not simply, "How much land do I have?"



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INDUSTRIAL

Industrial: Roller coasters & warehouse demand

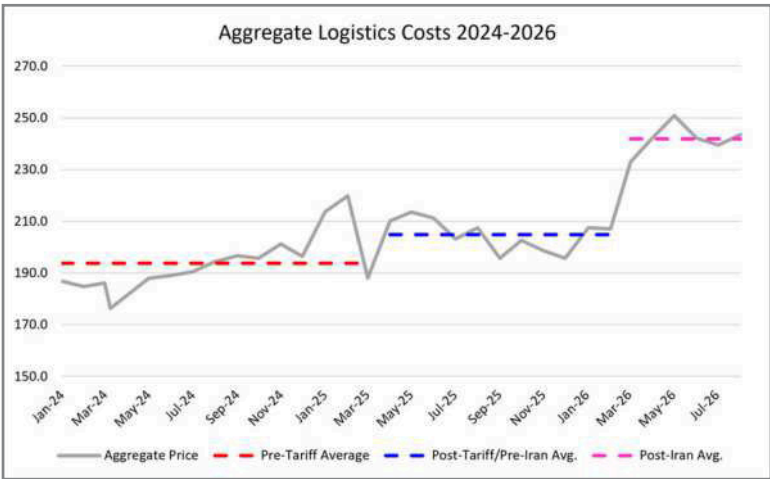
One of my wife's favorite and oft-repeated sayings throughout my career in commercial real estate investment has been, "When you're on a roller coaster, raise your hands and enjoy the ride!" Speaking for the industrial warehouse sector beginning with COVID, the roller coaster analogy has seldom been more apropos.

Of course, the steep climb that was the pandemic quickly turned into the big downhill explosion in demand for warehouses as e-commerce went from luxury to necessity, then later settled in as part of the new normal for shopping. Thus, warehouse demand soared and the construction boom commenced, further fueled



Paul J. Ruff
Managing partner,
Triumph Capital
Group

by interest rates so low as to effectively constitute "free money." The ride continued despite the American Rescue Plan Act of 2021, and although dumping \$2 trillion of government spending into an economy already well over-supplied by money brought the mountainous climb of inflation (and the always corresponding higher interest rates) into view ahead, at that point the coaster was giving us the corkscrews and loop-de-loops that made



everyone giddy with delight. Then, we all saw it. That hill on the ride arrived as interest rates spikes commenced in 2022. When the hilariously named Inflation Reduction Act passed in August of that year, an agenda-focused bill that would

have the opposite effect of its perfectly deceptive name, the warehouse demand side finally saw the writing on the wall. The bill unnecessarily dumped another \$2 trillion of government borrowings into the otherwise roaring economy, and the

inflation-interest rate hill we had just begun to climb began looking like it rose into the clouds, obscuring any view of a fun downhill on the other side. That shock lasted through 2023 when new supply finally started to slow from somewhere around breakneck speed to more like the speed of the coaster petering out just as the pull-chain grabs onto the train to climb.

Then 2024 brought an election anxiety halt to the warehouse demand side, followed by a small but thrilling downhill from November until "Liberation Day," April 2, 2025. From the standpoint of the logistics industry's ability to predict future consumer demand and resulting freight movement, perhaps that day should be more aptly named "Tariff D-Day." The warehouse supply side had finally ceased new construction starts, but was staring at a statistically significant oversupply, as vacancy rates had risen from the low single digits in 2023 up to 9%-10% in some U.S. markets. However, by late in the year and early in 2026, logistics users were finally figuring out tariffs, the coaster hit that crest, and everyone put their hands in the air for the fun ride down. And in fact, from fourth-quarter 2025 to April 2026, our own portfolio occupancy jumped from 70% to 97%, with leases ranging from 30,000 square feet to 400,000 sf and everything in between. Demand was back!

Of course, Feb. 28, 2026, brought the Iran war. At first, everyone assumed it would end quickly. Oil prices, having spiked, quickly settled down when the memorandum of understanding was signed, at which point they hadn't realistically stayed high enough to meaningfully impact manufacturing input and transportation costs over the long term. It looked like a small hill, indeed, but here we are, still climbing, and it is now having an impact on warehouse demand, analytics.

As we look at this big bend in the track, we wonder where the coaster goes from here. One of the leading indicators we follow in evaluating the future of warehouse demand is the [Logistics Manager's Index](#). Like most similar indices, a reading of 50 is neutral, while readings above or below 50 indicate logistics industry growth or retraction, respectively.

An interesting feature from the August LMI is the drop in the overall index to 66.6 from the recent four-year peak of 71.1 in June, suggesting some weakening of demand is in the offing.

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Please see Ruff, Page 25

INDUSTRIAL

Colorado's new energy codes & industrial RE

With the introduction of Colorado's Model Low Energy and Carbon Code, which incorporates the previous Colorado Model Electric Ready and Solar Ready Code, the baseline for industrial and cold-storage development is officially shifting. Stemming from state law HB 22-1362, any jurisdiction in the state updating its building codes after July 1, 2026, must adopt the MLECC or a more stringent equivalent.

Here is how the MLECC will directly impact your next industrial or cold-storage project. Please note that we try to simplify these requirements as they pertain to most industrial or cold-storage projects. There are numerous nuances, exceptions, and branches in this new code that must be considered on a project-by-project basis.

■ **Solar-ready roofs.** The MLECC is based on the 2024 IECC but is heavily modified. Where the 2024 IECC practically mandated a solar requirement for buildings over 5,000 square feet, the MLECC has removed this requirement. The state of Colorado is targeting decarbonizing the energy sector by 2030 with up to an 87% carbon reduction compared to a 2005 baseline. This is being done with solar, wind, battery storage, hydroelectric and geothermal sources. Due to the statewide goals, the requirement for on-site solar was deemed redundant, which may be advantageous for developers in Colorado versus jurisdictions



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that adopt the 2024 IECC as is. That said, roofs are still required to be solar-ready by leaving space for future solar panels and providing the proper structural capacity, as well as space and pathways in the building for future solar equipment.

One challenge is that this applies

not only to new construction but to all major renovations and additions. A major renovation is not defined in the MLECC, so it will require a conversation with the jurisdiction regarding where this threshold lies. Solar-ready zones must be a minimum of 40% of the roof area and shall be free from obstructions (pipes, vents, ducts, HVAC equipment, skylights and other roof-mounted equipment). There is, however, an exception for rooftops with extensive equipment, skylights, vegetative roofs, or other obstructions.

■ **Providing for the future.** The new code does not mandate all-electric buildings. However, the framework heavily credits the energy savings of high-efficiency electric equipment, and facilities must be designed "electric-ready."

This means allocating adequate electrical panel capacity, conduit pathways, and dedicated physical



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space to handle future electric loads, even if natural gas is utilized on day one. Electrical rooms will need larger footprints. Coordinating this early with architectural and MEP teams is critical to ensure that utility spaces don't unexpectedly eat into leasable square footage.

This applies not only to new buildings, major renovations, and additions, but also to the first tenants of a core-and-shell space.

■ **Electric vehicle infrastructure.** Applicable to new construction, major renovations and additions, 30% of new parking spaces must be equipped with varying levels of electric vehicle infrastructure. This breaks down to: 2% fully operational charging stations (240V 30 amps), 8% full branch circuits terminating in a junction box, 10% with conduit and physical space in the distribution panel, and 10% with capped conduit.

■ **Demand-response integration.** New construction will require electric heating, cooling, water heating, and lighting controls that can automatically respond to utility signals to reduce electricity consumption during peak grid demand. This includes adjusting HVAC setpoints between 1 and 4 degrees Fahrenheit, dimming

lighting to use 80% of max output, and adjusting water heating setpoints based on utility demand signals. Buildings with energy storage capacity for no less than a 25% load reduction at peak load for a period of at least three hours are exempt.

This provision requires specific consideration for cold-storage and energy-intensive tenants. Cold-storage developers should evaluate thermal energy storage systems – allowing them to over-cool inventory during off-peak hours and float through peak demand utility signals without violating the new code or risking product loss.

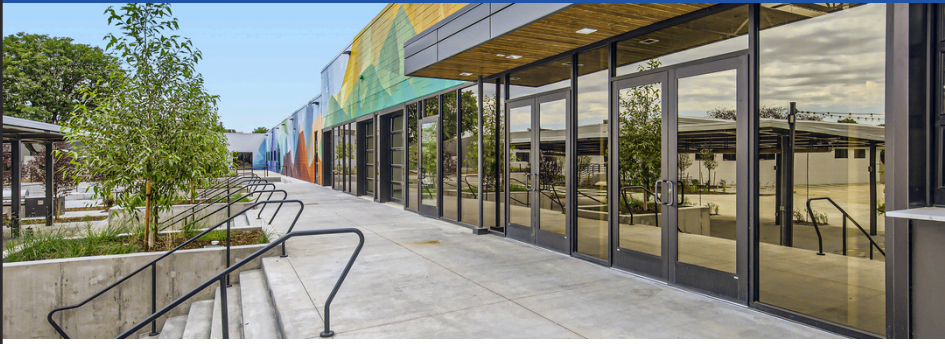
■ **Energy-efficiency credits.** Like the 2024 IECC, the Colorado state code requires a series of energy-efficiency credits to be implemented. The number of credits depends on the use and specific climate zone. Some of these credits include added insulation, specialized HVAC controls, increased heating efficiency, etc.

Unlike the 2024 IECC, the Colorado state code does <not> require renewable credits.

The state code does provide exceptions for both manufacturing and industrial uses when it comes to implementing certain energy efficiency credits. Specifically, this applies to renovations or additions.

■ **Navigating the "split incentive" in leases.** The MLECC will require owners to purchase more expensive equipment and electric-ready infrastructure up front. The long-

Please see Kane, Page 25



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Continued from Page 18

volatility – the five-year Treasury is up 90 basis points over six months and the 10-year is up 75 – the number of lenders quoting industrial transactions is up 53% from the fourth-quarter 2023 trough, making industrial the second-most quoted property sector. That competition is reaching borrowers directly: Fixed-rate terms are landing in the 5.55% to 6.55% range, with best-in-class balance sheet loans pricing around 120 basis points over the five-year Treasury.

■ The Front Range as one market.

Capital still wants to be in Denver. What is changing is where the

boundaries of “Denver” sit. Investor focus is expanding beyond the metro area to treat Colorado Springs and Northern Colorado as part of a single Front Range market – and the demographics support the logic.

Include El Paso County's 833,000 residents and Northern Colorado's 772,000, and the Front Range population approaches 5 million, putting it on par with the populations in the greater Phoenix and Boston markets. Its residents are two years younger than the national average at 37.7 years. Average household income of \$109,000 runs 22% above the national figure. Unemployment sits 60 basis points below the national rate, and bachelor's degree attainment is 37%

higher. Population growth across the Front Range is projected at 4.9% between 2026 and 2032, against 2% nationally.

That is the underwriting case in a sentence: a young, educated, growing consumer base attached to an industrial market with functional product, deepening capital, and a tenant roster that now spans e-commerce, cold storage, aerospace and AI infrastructure. The occupancy losses of the first half will work through. The demand drivers behind them are not going anywhere and are showing up in the leasing statistics.

Denver's industrial market spent 2023 proving it could withstand dislocation and 2024 and 2025 proving the

recovery was real. In 2026, it is proving something more valuable still: that the market has enough breadth, in both tenancy and capital, to keep performing across cycles. For investors deciding where the Mountain West fits in a national allocation, that breadth is the entire argument.

*Sources: JLL Research (Denver Industrial Q2 2026; U.S. Industrial Market Dynamics Q2 2026; JLL Denver lease transaction data through Aug. 26, 2026); MSCI Real Capital Analytics (Denver Metro industrial sales volume, pricing and capital composition, data as of Aug. 31, 2026). ▲

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Robert.Key@jll.com

Sonnenreich

Continued from Page 22

It is, “What can a business actually do here?”

A property with the right zoning, usable acreage, access and infrastructure may provide an economic

function that is difficult to recreate elsewhere. That does not automatically mean the property should never change. It means its existing function deserves to be understood before that decision is made.

Colorado's next phase of growth

will require choices about how land is used. Functional industrial properties should be part of that conversation not because industrial land must always win, but because the businesses occupying it are part of the infrastructure behind the

region's growth.

Before we decide what replaces that land, we should ask one important question: Where will the work go? ▲

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Ruff

Continued from Page 23

Breaking down the components of the index paints a clearer picture. The August report states that the drop is largely due to slower expansion in inventory buildup and points a finger at inventory costs as the

culprit. Of course, input costs such as higher oil costs are a key driver to inventory costs. The slowing of the “Warehouse Utilization” component follows the slowdown in inventory expansion. That the Iran conflagration looks to be dragging out for the foreseeable future suggests upward

pressure on inflation, and we know from Fed Chairman Kevin Warsh's recent Jackson Hole speech, the Fed is going to do what it has to do to fight inflation going forward, which may finally slow consumer spending. Also interesting is the report's observation that warehouse prices

(read: rental rates) are “increasing at a decreasing rate.” In other words, rent growth is slowing again, suggesting the recent surge in demand may be stabilizing. So, what’s next? Raise your hands and enjoy the ride.▲

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Kane

Continued from Page 25

term energy savings directly benefit the building occupants. To bridge this gap, developers could begin

considering “green leases.” These lease structures allow landlords to pass a portion of the code-mandated capital improvement costs through to the tenant's operating expenses, justified and offset by the tenant's

reduced utility bills.

The bottom line: The Colorado Energy Code is in effect and is increasingly being adopted as jurisdictions update their codes. Understanding the differences between it

and the latest versions of the IECC can make a big difference to compliance strategies and budgets. ▲

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Feagans

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broader risks that can affect whether the development ultimately is leased or purchased. For both sides, the value is greater certainty: The tenant gets the space it needs, and the developer reduces the exposure associated with building first and finding the user later.

This shift is also changing the role of the general contractor. What we're seeing is a greater need for general contractors to be involved from concept through completion, because many of the decisions that ultimately determine cost, schedule and constructability are decided upon long before construction

documents are complete. Rapid feasibility assessments can help identify infrastructure and procurement concerns, evaluate tenant specific needs, and uncover risks while there is still time to respond.

We're also seeing infrastructure and procurement carry more weight in those early decisions. Power is one of the clearest examples. Growth in data centers and advanced manufacturing continues to place pressure on the electrical grid. At the same time, electrical equipment remains a procurement concern, with generators and other major electrical components carrying significant lead times.

Fuel costs can also influence

industrial pricing through trucking surcharges and broader supply chain impacts. Understanding those conditions early in the project may allow the team to adapt and adjust to these market conditions to minimize the project's impact.

Municipal requirements are another important part of the equation. Entitlements, permitting, infrastructure and off-site obligations can vary significantly between jurisdictions, requiring development teams to understand local expectations and adjust their approach accordingly. A development strategy that works in Aurora may not translate directly to Commerce City, Thornton or Centennial. Under-

standing those differences can carry as much weight as understanding the building itself.

Finally, we're seeing the conversation around industrial development extend beyond the building itself. These facilities support businesses, create employment, and generate economic activity. As municipalities evaluate projects and the infrastructure required to support them, understanding the eventual user and the employment associated with that use is becoming a larger part of the discussion.

The industrial box may still be the product that is being built, but the new industrial equation begins way before construction starts. ▲

Swensson

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going to see new companies introduced to this market and new reasons for businesses to locate here."

Transportation investment is helping connect those opportunities. Construction began in 2025 on the new I-70 Aerotropolis Parkway Interchange, part of a broader planned transportation network intended to improve access between I-70, new development and DEN. The planned Aerotropolis Parkway will eventually extend along the Sun Empire property, further connecting the development to the airport and interstate system.

"Sun Empire is in an extremely strategic location," Coble said. "Aerotropolis Parkway will ultimately create another important connection between DEN and I-70, and that route comes right past Sun Empire. Being there as the infrastructure and development around the airport continue to grow puts the property in a very strong position."

■ **The value of speed to market.** The scale of Colorado Aerotropolis repre-



sents tremendous long-term opportunity, but transforming undeveloped land into sites capable of supporting sophisticated industrial users requires roads, utilities, entitlements and other infrastructure. That work takes time.

At Sun Empire, much of that work has already happened. We created a metropolitan district and undertook a significant infrastructure program that included public and private roads, sanitary sewer and water lines. Sun Empire completed and successfully leased more than 828,000 sf of Class A speculative industrial space in

the first phase of construction and is advancing plans for more than 800,000 additional sf.

For companies looking at the DEN corridor, that can translate into a meaningful advantage. Future development on and around airport property will create significant choices over time. Sun Empire offers the ability to act sooner, with existing infrastructure, available industrial space and additional development capacity already moving forward.

That could become particularly relevant as PMI's operations grow and

suppliers, vendors and other businesses consider whether proximity to the manufacturing campus would benefit their operations. For those companies, the question isn't simply where they want to be. It's how quickly they can get there.

The next several years should reveal much more about what Colorado Aerotropolis ultimately becomes. DEN will bring additional development opportunities to market, transportation connections will continue to improve, and major employers such as PMI could attract additional businesses to the corridor.

Those developments will create opportunities throughout the region. But they won't all be available at the same time. For industrial users making location decisions, that distinction matters. The full impact of DEN Aerotropolis will unfold over decades. Sun Empire is positioned to capture opportunities much sooner.▲

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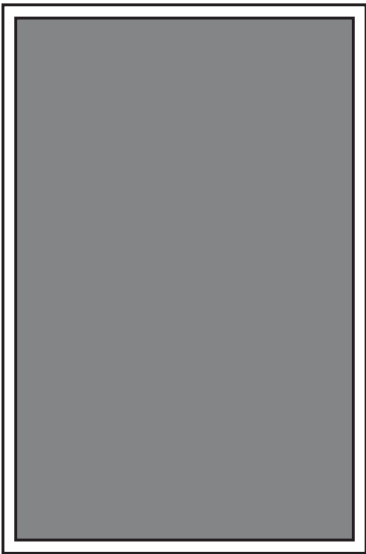
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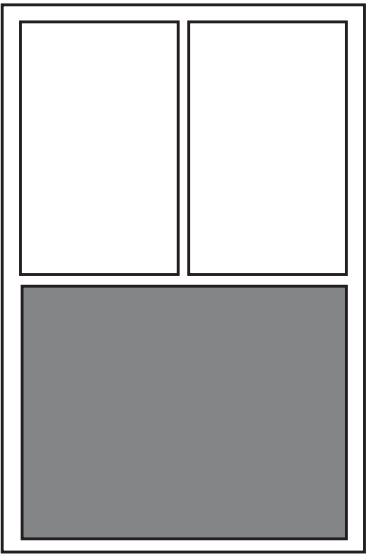
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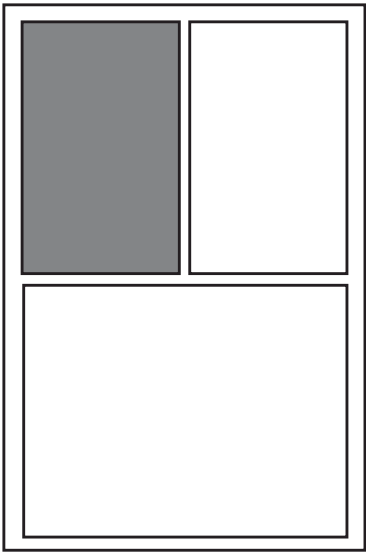
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