

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
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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.

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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.





Mechanical | Electrical | Plumbing | Life Safety | Smoke Control

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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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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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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

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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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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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