

The Future of Office Space in Downtown Denver

The University of Denver – Educated Opinions – September 2024

Micah DenBraber, BA '25, Josef Korbel School of International Studies

Colton Hiler, MBA, Daniels College of Business

Collin Mardis, MSRE '26, Burns School of Real Estate

Introduction

Nearly a year ago, three Real Estate students at the University of Denver joined a bold new program at the University of Denver intended to shed light on challenging thematic issues in the commercial real estate industry. Since its inception, the students sought to address the effects of declining vacancy rates in Denver's Central Business District, a deeply-networked hub for innovation, growth, and relatively stability throughout the 21st century. The causes of this crisis are multifaceted – the COVID-19 pandemic and rise of remote work in the early 2020's exacerbated perceptions of unsafety and threatened the city's ability to invest in essential public services through sales tax revenue. Now Into the latter half of 2024, stakeholders across all facets of the commercial real estate industry – brokerage, lending, property maintenance, utilities and public services, and tenants themselves, question how and when circumstances will change.

The Educated Opinions Program (EO), sponsored by the Burns School of Real Estate at the University of Denver, engaged a qualitative interview-based analysis of the major perspectives and solutions to the downtown office crisis. Since November 2024, the three Educated Opinions fellows interviewed stakeholders spanning elected officials, managers, lenders, urban planners, architects, civil servants, industry thought leaders, and most significantly, office tenants to ascertain common trends and perspectives on the future of Downtown Denver. Access to key stakeholders and information would have been impossible without the support of the Downtown Denver Partnership, the Denver Economic Development Corporation, the Denver Metro Chamber of Commerce, Denver Economic Development and Opportunity, the City and County of Denver, and Walker and Dunlop, among others, and the Educated Opinions Fellows express their sincere gratitude for their unflinching support.

This paper will largely avoid detailing a prescriptive “remedy” to the complex and largely contingent issues facing Downtown Denver. Rather, by detailing the anonymous, unfiltered perspectives of major stakeholders, we hope that professionals across the industry will be

able to identify common thought patterns as well as be exposed to new perspectives and opinions on how to solve this crisis.

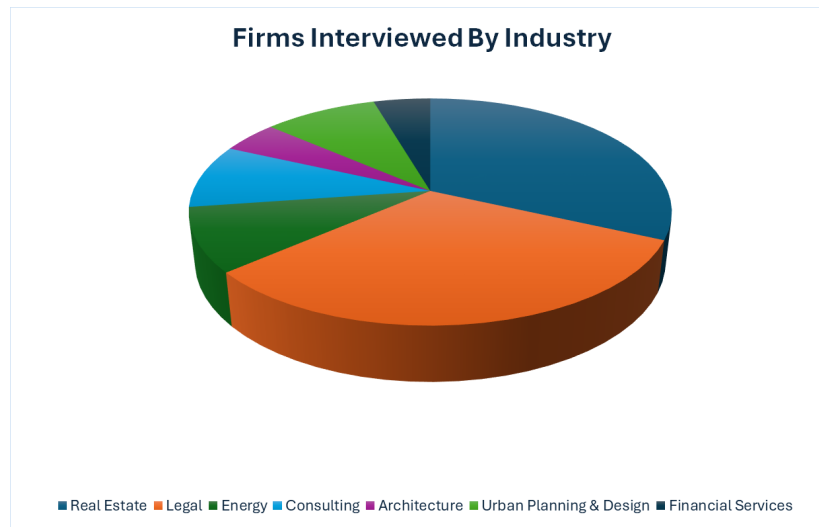


Fig. I.1 – Firms Interviewed By Industry

The Educated Opinions fellows interviewed firms across a variety of industries largely representative of Denver’s industrial makeup. Primarily covered were firms in the legal industry and real estate sectors, with additional representation from sectors spanning Energy, Legal, Urban Planning / Design, and Architecture. Stakeholders at firms included CEOs, Managing Directors, Managing Partners, Chief Real Estate Officers, Operations Managers, and Chief People Officers, among others.

Interviewees were asked a series of questions that delineated between the major subsections of this paper, with special emphasis on unearthing decision-making processes and highlighting opinions on causes and responses to the Downtown office vacancy crisis.

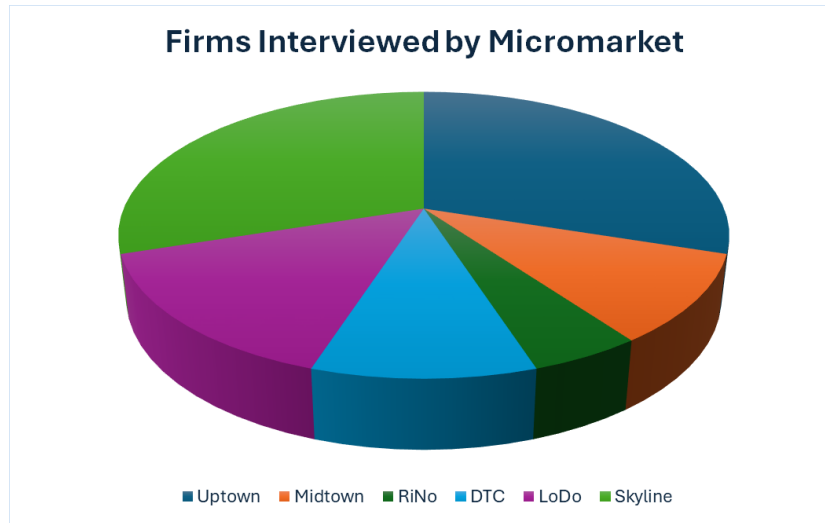


Fig. I.2 – Firms Interviewed by Micromarket

Firms were interviewed representatively across the various subsections of Downtown Denver, or sub/micromarkets. Most prominently featured were the LoDo, Skyline, and Uptown Submarkets. Several firms from the Denver Tech Center (DTC) and Cherry Creek were featured to highlight the juxtaposition in decision-making between those located Downtown and those in business centers in the surrounding metro area.

The distribution of firms interviewed across industry and micromarket reflect logistical access to key decision-makers within tenant stakeholders' offices. This sample does not imply representativeness of the entire decision-making process informing all stakeholders in Denver, but indeed provides insight into the key thought patterns behind major groups of the city's population. As mentioned, access to these stakeholders would have been impossible without the support of the Downtown Denver Partnership, Denver Economic Development Corporation, and countless private stakeholders who leveraged their networks and career capital to facilitate interviews.

1. Why Downtown Denver?

Downtown Denver, particularly the Central Business District (CBD), remains a pivotal hub for businesses and professionals alike. Despite the challenges posed by the significant shift in office utilization and the shift towards remote work, many stakeholders continue to believe that Downtown Denver, despite its problems, still offers the metro area's principal aggregation of talent, strategic location, and infrastructural assets.

One stakeholder emphasized, "The CBD is a confluence of talent." This sentiment is echoed by others who highlight Denver's intellectual capital and forward-thinking leadership. "I am bullish on Denver...we're not afraid to think big. We've put things on the ballot to spend more money, and we'll do it. We've got a nucleus of success – sports teams, highway systems, and transit. The sheer intellect in Downtown Denver – years of education per capita, is significant." This combination of factors continues to attract and hold businesses in the Downtown area, despite the current challenges.

For some businesses, proximity to key institutions remains essential. "I can't imagine being a big Denver law firm and not being Downtown. We need to be close to the courts," said one stakeholder, emphasizing the logistical advantages of a downtown location for certain industries.

Accessibility and infrastructure are also key factors in the appeal of Downtown Denver. With a well-developed transportation network, including heavy rail and the A Line from the airport, the area is highly accessible to employees and clients alike. "A majority of our employees are coming from the north. We also work a lot with utilities commission, which forces a lot of going back and forth. We have heavy rail to our office, and an A Line from the airport. More employees are also biking and walking to work," one tenant shared. These attributes continue to make Downtown Denver an attractive option for many businesses.

2. Submarket / Location

For the purposes of our study, we define Lower Downtown (“LoDo”) as the rectangular area that extends from Speer Boulevard via Wewatta street to Park Avenue NW and then down to Arapahoe Street. We consider Skyline/CPV (Central Platte Valley) to be the area South of LoDo that extends from Speer Boulevard via Arapahoe street to 19th Street and then down to Champa Street. We consider Midtown be to the area extending East of 19th street up to 25th Street. Lastly, we consider Uptown to be the area South of Skyline which extends from Speer Boulevard all the way to Park Avenue and uses Colfax Street as its Southern boundary.

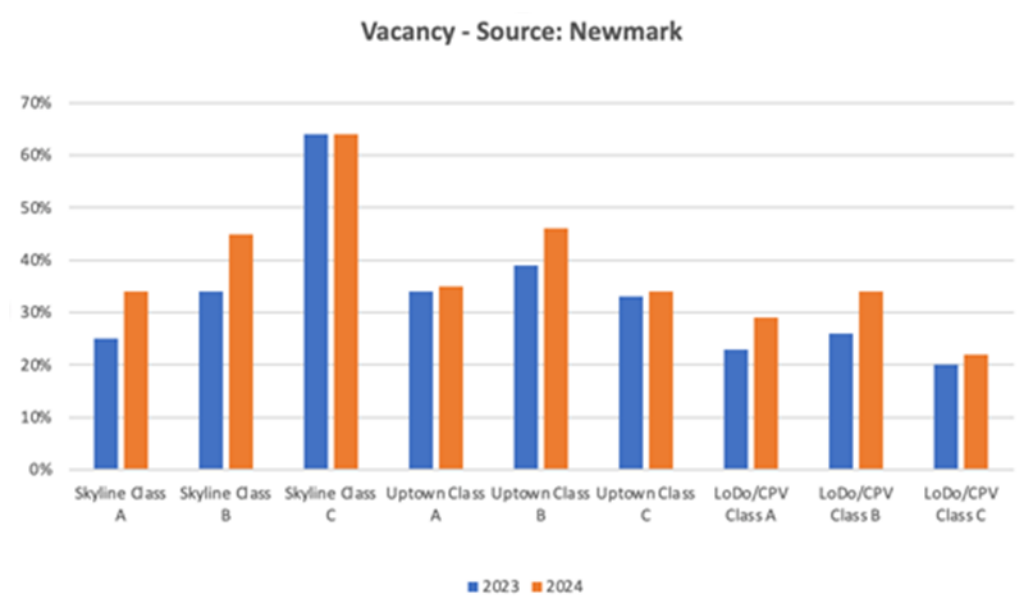


Figure 2.1 – The above graph shows the year-end 2023 and 6/30/2024 occupancy figures of office space across submarkets and classes in Downtown Denver, as sourced by Newmark. Newmark’s definition of “Skyline” includes the area contained in EO’s definition of “Midtown.”

Downtown Denver’s office market is made up of different classes of buildings (Class C generally older; class A newer) and building geographies are grouped (Newmark Denver) into three submarkets — Skyline (center); Uptown (Southeast); and Lower Downtown/Central Platte Valley (LoDo - Northeast). These submarkets, which were unequally impacted by the Covid-19 pandemic, have since recovered at different rates. Understanding the dynamics within these submarkets is crucial for predicting the future of the office market in the city. This section delves into the current state of key areas, drawing on insights from stakeholders to highlight the unique attributes and issues facing these locations.

“LoDo has become more of a 24-hour city, while Uptown became a ghost town,” observed one stakeholder, highlighting the contrasting fortunes of different areas within the City. This comment underscores the vibrancy and continuous development seen in LoDo) compared to the relative stagnation and vacancy increase in Uptown. Another stakeholder added, “With the exception of Block 162, nothing new has been built in uptown since the 80’s,” emphasizing the lack of investment and new development in the Uptown area.

Revitalizing Uptown remains a significant challenge. “How to save Uptown? Build an anchor that really activates Upper Downtown; generate a combination of people living, working, and playing in Downtown. Connect Uptown to a humanizing touch,” suggested one stakeholder. This vision emphasizes the need for a mixed-use development approach that integrates residential, commercial, and recreational spaces to breathe new life into Uptown.

Meanwhile, the perception of other submarkets, such as the adjacent River North Arts District (“RiNo”), presents its own set of challenges. “Perception of RiNo is that if you’re there after dark, it’s dangerous,” noted one stakeholder, pointing out the safety concerns that could hinder the area's growth. Such perceptions, whether grounded in reality or not, can have significant impacts on the desirability and development of these areas.

The quality and age of office buildings also play a significant role in shaping the desirability of different submarkets. Uptown, in particular, faces difficulties due to its generally older office stock. “Not many people want to work in Class C buildings. 52% of office space in Uptown was built between 1981-1986,” one stakeholder remarked. This statistic underscores the need for modernization or redevelopment efforts to make these spaces competitive in today’s market. It also underscores the need to demolish several Class C buildings. As one stakeholder noted, “if we get rid of more than one million square feet of office space, then all of a sudden occupancy will be less of an issue.” There’s no question that submarkets are differentially impacted. While most of the buildings which need to be demolished exist in Uptown, the need for demolition of obsolete buildings extends throughout all of Downtown.

3. Why Are You in Your Specific Building/Amenities?

The choice of a specific office building and its amenities has become increasingly strategic for businesses, reflecting broader shifts in workplace culture and priorities. As companies rethink their office needs in the wake of the pandemic and the rise of remote work, factors such as flexibility, collaboration, and employee well-being are now at the forefront of decision-making.

Many organizations today want open plan space to foster better worker communication and combination. One stakeholder noted, “Firms want more conference space, and collaboration and huddle rooms. If you don’t have the authority to fire someone, you don’t need an office.” This shift away from traditional office layouts reflects a broader trend towards creating more dynamic and interactive work environments. For many organizations, the primary motivation behind office design decisions is to enhance productivity and collaboration. “Productivity and collaboration were our central aim,” explained one interviewee, underscoring the belief that a well-designed office environment can significantly impact business outcomes.

Another factor considered to be important by many tenants was sunlight. Speaking broadly, older buildings provide inferior natural light, while tenants increasingly desire having strong natural light in their office suites.

Flexibility is another critical factor shaping modern office environments. Companies are increasingly opting for designs that allow spaces to be used flexibly — whether for assigned seating or hot-desking. This flexibility is often linked to broader goals around professional development. “Every office has flexibility, so it could be assigned or flex. Design is based around professional development. We have a professional development program; nothing replaces in-person mentorship,” shared one stakeholder. This highlights the enduring value of face-to-face interactions in fostering growth and learning within the workplace.

While open spaces are favored for their collaborative potential, there is still a need for private areas within the office. One stakeholder detailed their office layout: “We have a lot more open space in our new office, which is huge for collaboration. Upper management is in internal offices, and the window line will be cubes.” This balanced approach ensures that the office caters to different work styles and needs, from collaborative tasks to more focused, private work.

In addition to the layout and design of the office, the availability of on-site building amenities plays a significant role in building selection. Amenities such as gyms and coffee shops not only contribute to employee well-being but also enhance convenience and workplace satisfaction. “There’s a gym in the building as well as a coffee shop that caters to our office,” noted one stakeholder. These amenities are increasingly viewed as essential components of a modern office, offering employees added value and contributing to a positive work environment.

4. Office Utilization / Work from Home Trends

The rise of remote work has fundamentally altered office utilization patterns, with significant implications for the commercial office (and retail) real estate market in Downtown Denver. As businesses continue to adapt to the post-pandemic landscape, trends in leasing activity, workforce distribution, and office space demand are evolving rapidly.

One of the most immediate impacts of the work-from-home (WFH) trend has been a noticeable slowdown in leasing activity. According to one stakeholder, “There is a slowing in leasing activity – 50% year over year.” This significant reduction reflects the uncertainty many companies face as they navigate hybrid work models and reconsider their long-term office space needs. The decline in office leasing reveals the current state of demand for office space, and the vacancy rates are quantitative markers of the enormous challenges the commercial office market is grappling with, as businesses weigh the benefits of maintaining physical office spaces against the flexibility offered by remote work.

Accompanying the slowdown in leasing is a marked decrease in overall office utilization. Based on the interviews conducted, it was found that office usage in Downtown Denver has dropped by approximately 35%. This reduction aligns with national CBD trends, where companies across the country are downsizing their office footprints in response to the ongoing popularity of remote work. The decrease in office utilization is particularly pronounced in markets like Denver, where a significant portion of the workforce has embraced WFH arrangements.

The current trend in office utilization often follows a hybrid work model, with employees typically coming into the office three days a week — most commonly on Tuesdays, Wednesdays, and Thursdays. The presence of employees in the office during these peak days often hinges on the corporate culture and the expectations set by leadership. As one interviewee noted, “Working within an office is a function of corporate culture; what distinguishes Meta from Salesforce if you’re just in front of a computer at home?”

Corporate culture plays a critical role in determining how and when employees use office space. Some companies emphasize the importance of in-person interaction for tasks that benefit from direct communication and collaboration. For example, executive teams may be expected to be physically present during key meetings to foster better dynamics and decision-making processes. Additionally, the shift to remote work has highlighted the unique value of office environments in supporting professional development. One interviewee pointed out, “When Covid-19 struck, we noticed a big hit to mentorship. There’s so much value gained by just sitting in on phone calls and collaborating in the halls.”

The ongoing trends in office utilization and WFH present both challenges and opportunities for Denver’s commercial real estate market. As businesses continue to adapt, the demand for flexible office spaces that can accommodate hybrid work models is likely to grow.

Additionally, understanding how Denver’s experience compares to other cities can provide valuable insights for local stakeholders as they navigate this period of transition.

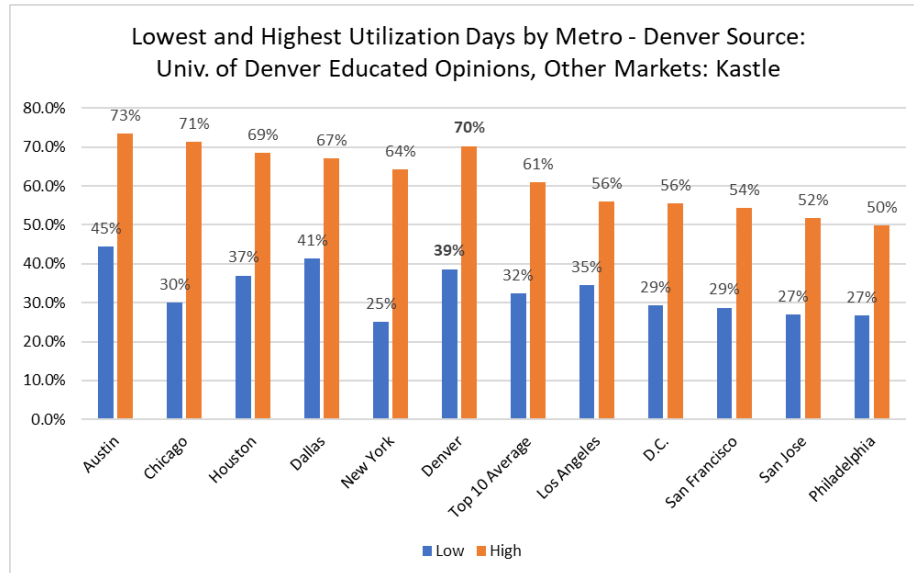


Fig. 4.1 – This graph shows EO’s estimate of office space utilization in Downtown Denver on its highest (Tuesday) and lowest (Friday) days of the work week. These estimates are based on an amalgamation of responses received during tenant interviews and falls roughly near the center of the 10 largest metros in the US.

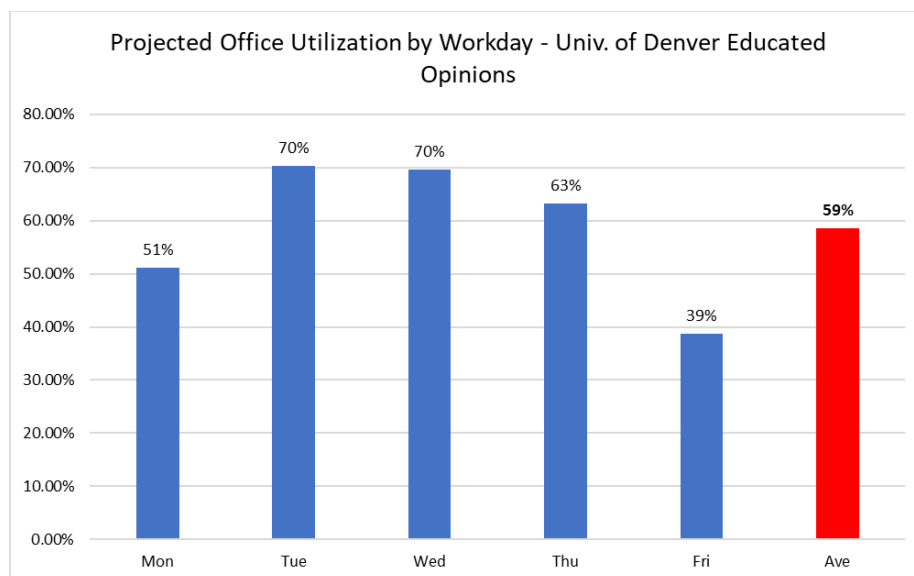


Fig. 4.2 – This graph presents EO’s estimate of average office space utilization Downtown by day of the week. These estimates are based on the tenant interviews conducted.

5. What is the Perception of Downtown?

The perception of safety and vibrancy in Downtown Denver has been a critical concern for both businesses and residents, especially in the wake of the COVID-19 pandemic. As the image of Downtown struggles, understanding these perceptions is crucial for addressing the challenges and revitalizing the area.

One of the most significant issues affecting Downtown Denver is the concern over safety. The pandemic led to a notable reduction in foot traffic, which in turn amplified the sense of vulnerability in public spaces. As one stakeholder starkly described, “Concerns about safety in the CBD are the result of a dilution problem. An ounce of poison in a two-ounce glass will kill you. The emptying of Downtown during Covid increased the vulnerability of public spaces to feeling unsafe.” This analogy highlights how the decrease in people Downtown has exacerbated safety concerns, making these areas feel less secure.

In contrast, areas like Cherry Creek have managed to maintain a sense of safety, in part due to consistent security measures. “People don’t feel safe Downtown. People feel safe in Cherry Creek since there are two patrolmen who have access to all garages 24 hours per day,” another stakeholder noted. This comparison underscores the importance of visible security and the role it plays in shaping public perception.

Urban development projects, like the 16th Street Mall redevelopment, are seen as pivotal in transforming the perception of Downtown Denver. Unfortunately, the ongoing Mall reconstruction has exacerbated the “walkable” element that a central business district should be, delayed the sense of a clean and attractive environment, and disrupted a dense and inviting shopping, eating and drinking offering that is vital to an urban district. One interviewee emphasized, “Retail is a function of rooftops. The 16th street mall redevelopment speaks to the value of a place – nice granite that really speaks to what vibrancy in the city could look like. Once the 16th street mall is done, we will begin to breathe life into the city.” This quote reflects the belief that improving the physical environment of Downtown can directly impact how people perceive and engage with the area.

Looking ahead, stakeholders believe that with the right leadership and strategies, it is possible for Downtown Denver to regain its vibrancy. “It will take approximately three years to return to vibrancy from where we are at this point, but it is possible with the direction that the mayor is taking the City,” expressed one participant. This optimism is tied to the broader efforts to enhance safety, improve public spaces, and encourage economic activity within the CBD.

Finally, the idea that “perception is perception, but it’s your reality” resonates throughout the discussion of Downtown Denver’s current challenges. The perceptions of safety and vibrancy, whether entirely accurate or not, shape how people interact with the city. Therefore, addressing these perceptions is not just about changing minds but about creating a reality that supports a positive and thriving downtown environment.

6. Will Conversion Save Denver?

As Downtown Denver faces the challenges of high office vacancy rates and an ongoing housing crisis, the idea of converting office buildings to residential units has been proposed as a potential solution. However, this strategy is far from a panacea. It is at best an answer for a small fraction of Downtown office buildings, is fraught with complications, and experts are increasingly skeptical about whether it can realistically contribute to “revitalizing” Downtown or even put a dent in addressing any city’s affordable housing needs.

One of the primary obstacles to successful conversions is the prohibitive cost of construction. As one stakeholder pointed out, “Conversion to residential does not work – construction costs are way too high.” This concern is echoed by others who argue that even if conversions were financially viable, they would not significantly alleviate Denver’s housing shortage. “It’s extremely pricey and adds only a fraction of the housing we need,” noted another interviewee, highlighting the limited scope of potential conversions in addressing the broader demand for affordable housing.

The scale of the potential conversions also falls short of what is needed to make a meaningful impact. “Denver needs close to 30,000 more housing units to meet demand, but potentially convertible office buildings offer only 1.5 million square feet of space (or 1,500 apartments),” one stakeholder explained.

Beyond the cost and supply issues, the physical characteristics of many office buildings make them unsuitable for residential conversion. According to an assessment by Gensler, a prominent design and architecture firm, “Floor plates are too large for feasibility in most cases.” This means that many office buildings simply cannot be efficiently or economically converted into residential spaces, further limiting the potential impact of such projects.

Additionally, a study by UpForGrowth found that only 6% of the collective rentable office area in Denver is suitable for conversion, translating to just 5 out of 208 office buildings. “UpForGrowth Study: 6% of collective rentable area is suitable for conversion, so that is only 5 out of 208 offices in Denver,” noted an interviewee. This minimal percentage further diminishes the potential of conversions as a significant contributor to solving Denver’s housing crisis.

The financial market presents another significant barrier to conversions. With few comparable projects in Denver, developers and lenders are hesitant to underwrite the risk associated with such ventures. “There are too few market comps for developers and lenders to underwrite the risk,” observed one stakeholder. Furthermore, the current debt market conditions make financing these projects even more challenging, with few lenders willing to take on the associated risks. “Few are lending in today’s debt market anyway,” another participant added.

Looking at other cities for comparison, Calgary has attempted to address similar challenges by offering significant financial incentives for office-to-residential conversions, paying up to \$75 per square foot in taxpayer money to support these projects. While this approach demonstrates a potential pathway, it also underscores the substantial public investment required to make such conversions viable, raising questions about the feasibility of implementing similar measures in Denver. “Calgary is going to pay up to C\$75 PSF to convert office to residential (taxpayer money),” as noted in the interviews, illustrating the financial burden these projects can place on public resources.

Given these numerous challenges — high costs, limited suitable space, and financial market hesitancy — it is clear that conversion to residential is not the panacea for Downtown Denver's vacancy issues or the city's broader housing crisis. As one interviewee succinctly put it, “Conversion is not a substitute to making downtowns more attractive as destinations.” The focus must instead shift toward comprehensive strategies that enhance the overall appeal of Downtown Denver, addressing both the economic and social factors that contribute to its vibrancy and sustainability.

7. Impacts to Value

The ongoing challenges in Downtown Denver's commercial office market are having profound impacts on property values. As vacancy rates remain elevated and the market adjusts to new realities, stakeholders are grappling with significant reductions in property valuations. This section explores the financial assumptions and market conditions that are influencing these trends and provides insights into the long-term outlook for property values in Denver's central business district.

To analyze the impacts of changes in demand for office space, we have adapted an office space valuation model developed by the National Bureau of Economic Research to the Downtown Denver market ("Work From Home and the Office Real Estate Apocalypse" – NBER, 2022). Using assumptions developed from our tenant interviews in addition to CoStar data for market rents, we have developed a model for value loss shown in Figure 7.1 on the next page.

One of the stark realities highlighted by stakeholders is the expectation that it will take a significant amount of time for the market to stabilize. As one interviewee noted, "It will take us at least 10 years to reach normal vacancy rates." This extended timeline for recovery suggests that property values in Downtown Denver will likely remain depressed for the foreseeable future, as landlords and investors navigate a challenging market.

Given the prolonged nature of the recovery, some stakeholders have suggested more drastic measures to stabilize the market. One proposal involves consolidating tenants into select buildings and then demolishing older, underperforming properties. "The ideal scenario would be to take all tenants and move them into specific buildings, then knock down the old buildings," suggested one participant. This approach could help reduce oversupply and concentrate demand, potentially aiding in the recovery of property values in the long term. This idea of course ignores the realities of individual ownership of office buildings and contractual leaseholds.

The commercial real estate market in Downtown Denver is facing a prolonged period of adjustment, with significant impacts on property values. The assumptions used in financial models highlight the challenges ahead, including high lease turnover, modest reabsorption of vacant space, and pressures on rental rates. Stakeholders recognize that it could take a decade or more to return to pre-pandemic vacancy levels, and in the meantime, property valuations are likely to remain under pressure. Innovative strategies, such as consolidating tenants and reducing oversupply, may be necessary to mitigate these impacts and support the long-term health of the market.

Anticipated Value Loss by Class and Submarket - Univ. of Denver Educated Opinions

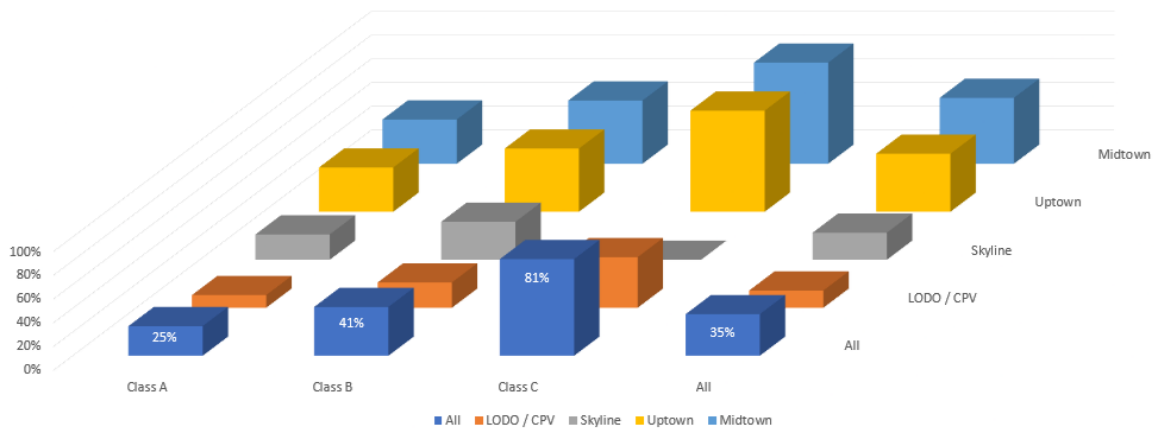


Fig. 7.1 – The chart above represents the outcome of EO's valuation model, an adaptation of the model developed in 2022 by the NBER. In the aggregate, we anticipate roughly 35% value loss across the whole of Downtown Denver's office stock, led primarily by an 81% drop in the value of Class C space. The model analyzed value from the perspective of discounted cash flows. It is important to note that EO does not predict the realization of this value loss for 3-5 years, as it will take some time for sales to occur and establish the long-run value of the office stock Downtown.

8. Derivative Impacts

The challenges facing Downtown Denver's commercial real estate market extend beyond just the property owners and tenants. The ripple effects of high vacancy rates, declining property values, and shifts in office utilization are having significant derivative impacts on the city's economy, budget, and overall vibrancy. This section explores these broader impacts, emphasizing the critical role the city government must play in addressing these challenges and ensuring a successful recovery.

The impact of these conditions is already being felt in property valuations. "Average Downtown valuation is way down. We're having to underwrite a reduction in tax for the first time ever," remarked another stakeholder. This decline in valuations reflects not only the immediate impact of higher vacancy rates but also the broader uncertainty surrounding the future of Downtown office spaces. As vacancy increases, value declines — and eventually so will municipal property tax receipts, leading to broader fiscal implications for any city.

One of the most immediate and significant impacts of the downturn in Downtown Denver's office market is on city revenue. "Sales and Use Tax comprises over 50% of the city's budget," one stakeholder pointed out, highlighting the heavy reliance on these revenues to fund essential services and infrastructure. As vacancy rates rise and commercial activity slows, the City could face substantial budget shortfalls, necessitating careful financial planning and potential cuts to public services.

Given the magnitude of the challenges, the City's leadership will be crucial in steering Denver through this period of uncertainty. Stakeholders have expressed optimism about the current administration's willingness to take bold action. "Our current Mayor is motivated to prove that Denver can be successful. He's not afraid to make big moves," remarked one participant, suggesting that strong, decisive leadership could be a key factor in revitalizing Downtown Denver.

However, this will require the City to adopt a more agile and responsive approach than is typical for municipal governments. "Cities aren't usually nimble, but Denver will need to be," warned one stakeholder, underscoring the need for flexibility and innovation in policymaking. This might include new incentives for businesses, streamlined regulatory processes, or public-private partnerships aimed at accelerating Downtown's recovery.

One recurring theme in stakeholder interviews is the need for the City to adopt a more business-friendly approach. "The City must adopt a hospitality mindset when engaging with businesses," one interviewee advised, pointing to the importance of creating an environment where businesses feel supported and valued. This mindset shift could involve improving communication between the City and business owners, offering targeted assistance, and creating a more welcoming atmosphere for both new and existing enterprises.

The current state of the debt markets adds another layer of complexity to the situation. With interest rates high and financing more difficult to secure, stakeholders are finding it challenging to underwrite and finance new projects. “What we’re underwriting on disposition is based on today’s debt markets,” noted one interviewee, reflecting the cautious approach that many investors are taking. This conservative stance could slow the pace of recovery, as fewer projects are greenlit and fewer buildings are renovated or repurposed.

Impacts to the Regional Transport District, or RTD, are equally as pronounced. Discussions with stakeholders yielded insights that light-rail ridership figures rest at nearly half of pre-pandemic numbers in 2023. Ridership faced a persistent downward trend throughout 2013 – 2018, with service and commuter lines impacted most. Key supply-side bottlenecks center on staffing operators to regain full schedule frequency. A significant ridership decline occurred from 2022 to 2023, showing an approximate 40% drop.

The derivative impacts of the challenges facing Downtown Denver are wide-ranging, affecting everything from City revenue to the overall attractiveness of the area as a place to live and work. Strong leadership, a flexible approach to policy, and a commitment to urban development will be crucial in navigating these challenges. The City’s ability to adapt and respond to the needs of businesses and residents alike will determine how quickly and effectively Downtown Denver can recover from this period of uncertainty.

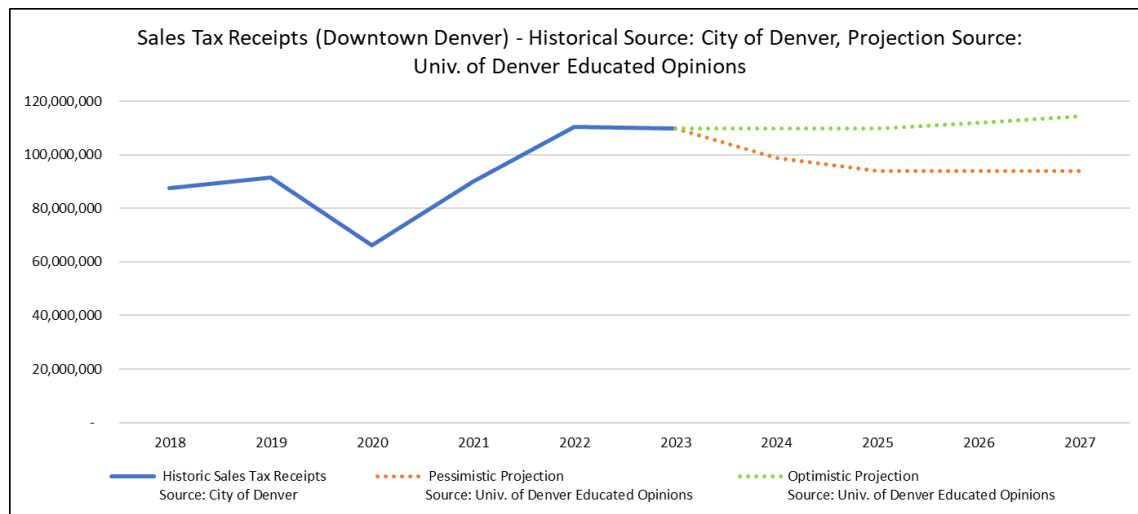


Fig. 8.1 – Tied tightly with office space utilization, sales tax receipts in Downtown Denver are also of interest in this paper. EO has performed a pessimistic and an optimistic projection based on projected office Vacancy over the next three years. While the most likely scenario lies between these two projections, we deem them to be of good utility as upper and lower bounds of the actual projected figure.

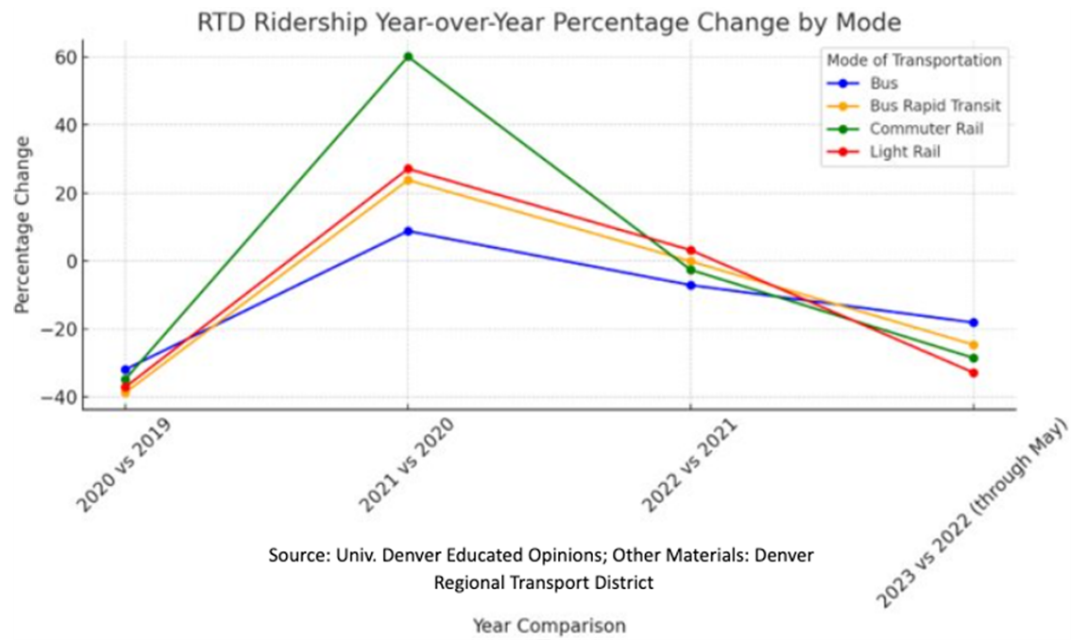


Figure 8.2 – RTD Ridership over the last few years as explained in section above.

9. Conclusions

The future of the commercial office market in Downtown Denver stands at a critical juncture, facing unprecedented challenges that stem from the profound shifts brought about by the COVID-19 pandemic, the rise of remote work, and broader economic uncertainties. As the city grapples with elevated vacancy rates and declining property values, the decisions made by stakeholders today will shape the trajectory of Denver's Central Business District (CBD) for years to come.

Throughout this paper, we have explored the complex dynamics influencing Downtown Denver's office market. The unique advantages of the CBD, including its strategic location, intellectual capital, and robust infrastructure, continue to attract businesses despite the challenges. Stakeholders remain optimistic about Denver's potential, underscoring the importance of its proximity to key institutions as well as its accessibility and vibrant submarkets like LoDo. However, the contrast between thriving areas like LoDo and struggling ones like Uptown highlights the need for targeted interventions to revitalize underperforming submarkets.

The shift toward remote work has had a profound impact on office utilization, with many businesses adopting hybrid models that balance the need for physical office space with the flexibility of remote work. This has led to a significant slowdown in leasing activity and a reduction in overall office utilization, presenting both challenges and opportunities for the commercial real estate market. The importance of corporate culture and the role of in-person collaboration in professional development remain central to the decision-making process for many tenants, driving demand for flexible office spaces that can accommodate evolving work patterns.

The perception of Downtown Denver plays a critical role in its recovery. Safety concerns, amplified by the reduction in foot traffic during the pandemic, have contributed to a sense of vulnerability in public spaces. However, with the right leadership and urban development initiatives, such as the 16th Street Mall redevelopment, there is potential to restore vibrancy and attract both businesses and residents back to the Downtown area. Addressing these perceptions is not merely about changing minds but about creating an environment that genuinely supports a thriving urban core.

One proposed solution to the high vacancy rates and housing shortage is the conversion of office buildings to residential units. However, this strategy faces significant challenges, including high construction costs, limited suitable space, and financial market hesitancy. The findings suggest that such conversions are unlikely to be the panacea for Denver's issues and that the focus should instead shift toward enhancing the overall appeal of the Downtown area as a destination for both business and living.

The impacts on property values are profound, with stakeholders predicting a long road to recovery. Financial models suggest that it may take 3-5 years to reach normal vacancy rates, with property values likely to remain under pressure in the meantime. Innovative strategies, such as consolidating tenants and redeveloping underperforming properties, could help stabilize the market and support long-term recovery. Additionally, the demolition of functionally obsolete office space will make way for the construction of more modernized office space and residential projects.

Finally, the derivative impacts of these challenges extend far beyond the real estate market. The City's economy, budget, and overall vibrancy are all at stake, with significant implications for public services and urban development. Strong, decisive leadership, coupled with a flexible approach to policy and a commitment to revitalizing Downtown, will be crucial in navigating these challenges. The city must adapt quickly to meet the needs of businesses and residents alike, ensuring that Denver emerges from this period of uncertainty as a vibrant and resilient urban center.

In conclusion, while the road ahead for Downtown Denver's office market is fraught with challenges, it also presents an opportunity for innovation and growth. By addressing the immediate concerns of safety, perception, and office utilization, and by embracing long-term strategies for urban development, Denver has the potential to not only recover but to thrive in a post-pandemic world. The collaboration of stakeholders across sectors, guided by visionary leadership, will be key to shaping a future where Downtown Denver remains a hub of economic and cultural activity.