



Yet-To-Be-Constructed Denver Office Development Lands First Tenant

Agreement With Bow River Capital Shows Market's Demand for High-Quality Space



The speculative office development at 3250 E. Second St. in Denver's Cherry Creek neighborhood has already landed its first tenant. (Magnetic Capital)

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The groundbreaking date is still months away, but one of Denver's proposed office developments has already landed its first tenant in a sign that future deals will prioritize space in the newest top-tier properties.

Bow River Capital, a Denver-based investment management firm, has preleased nearly one-third of the 100,000-square-foot speculative project at [3250 E. Second Ave.](#), local developer Magnetic Capital confirmed to CoStar News. The deal, which will encompass

about 30,000 square feet, was signed long before the development's scheduled groundbreaking in April and further still from its anticipated completion in the latter half of 2025.

While it means waiting more than a year for its new space, Bow River's relocation within the city's high-demand Cherry Creek neighborhood is a testament to tenants' willingness to invest in high-quality, modern and amenitized properties, a trend known as flight to quality that is helping to upend demand across the national office market.

The firm was “drawn to the focus on hospitality and elevated common areas,” Jane Ingalls, Bow River's chief operating officer, said in a statement to CoStar News. Once complete, the development's 80,000 square feet of total office space will include access to 20,000 square feet of retail that is slated for multiple food and beverage tenants on both the street and rooftop levels.

The prelease agreement is expected to more than double Bow River's existing Denver footprint. The firm has occupied about 14,800 square feet in the [Financial House](#) office building a few blocks away for the past several years, according to CoStar data.

Flying High

Demand for office space across the country has dissolved in the years since the pandemic's 2020 outbreak. Tenants have collectively handed back nearly 175 million square feet since the beginning of 2020 — almost as much as Denver's entire office inventory — according to CoStar data, but top-tier properties have stood out for their ability to attract deals despite the widespread decline.

U.S. office buildings developed within the past three years have reported a quarterly average of 12.7 million square feet of positive absorption, or space occupied versus vacated, since the beginning of 2020, according to Phil Mobley, CoStar's national director of office analytics. That's a significant feat compared to the quarterly net absorption among office buildings older than three years, which have averaged 25 million square feet of negative absorption since the beginning of 2020.

By and large, "Office buildings beyond their initial lease-up phase have lost about 100 million square feet of occupancy per year in the post-pandemic era," Mobley said. "New buildings have historically performed better than older ones during previous times of challenging market conditions. What is different this time is the magnitude and longevity of the divergence."

To compare, the Financial House building at 2787 E. Second that currently houses Bow River's headquarters was built in 2019, according to CoStar data.

For the Record

CBRE's Blake Holcomb and Brian Hutt are working with developer Magnetic Capital to market the 3250 E. Second project.

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