

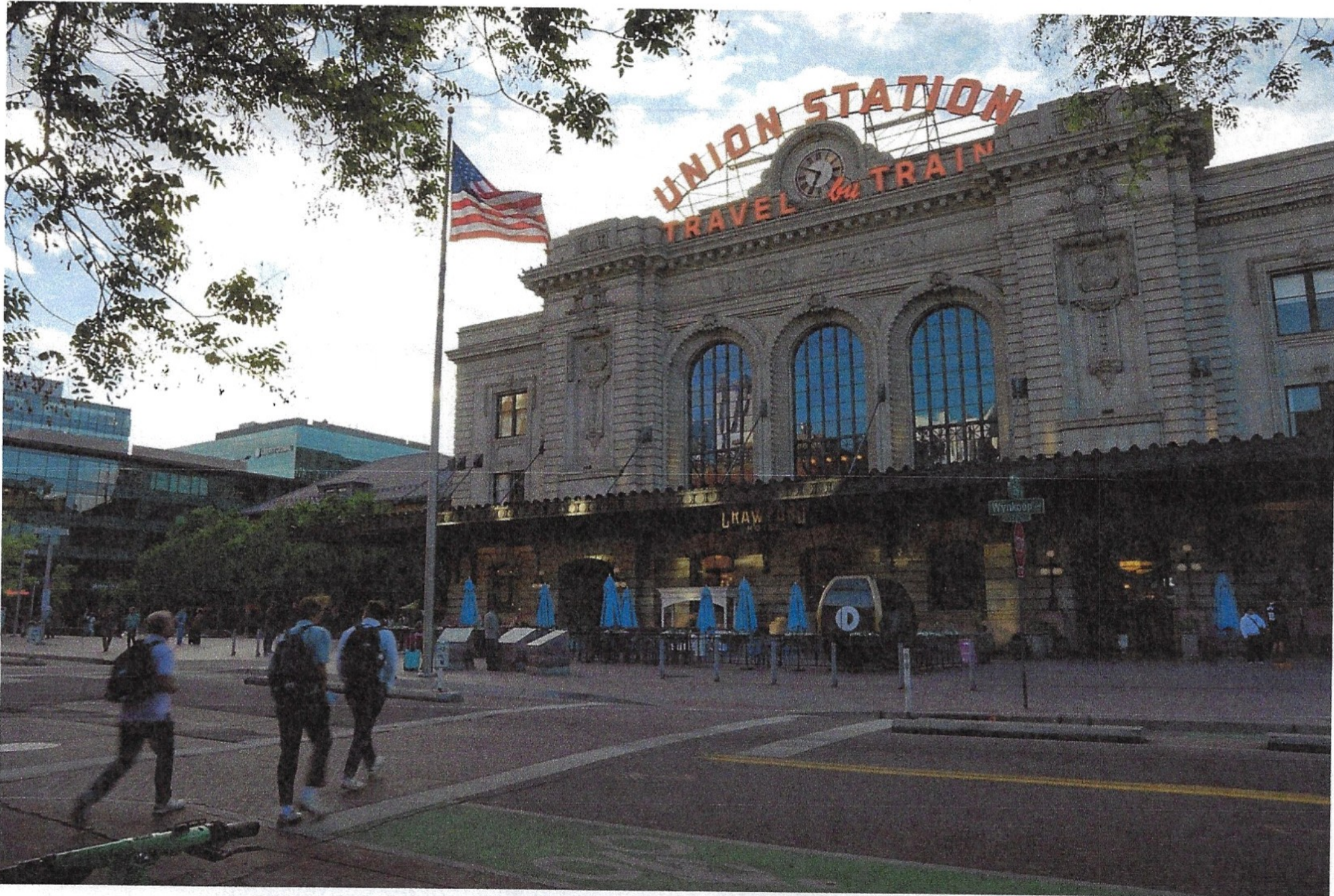
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Can LoDo show way to rest of the area?

Analysis shows much higher rents, lower vacancies in district



Pedestrians cross Wynkoop Street near Union Station in Lower Downtown on the evening of April 23.
HARMON DOBSON — THE DENVER POST

BY JUDITH KOHLER

JKOHLER@DENVERPOST.COM

An analysis shows that Lower Downtown is increasingly outperforming the rest of the central business district in attracting commerce, which a business organization says could provide a roadmap for rejuvenating Denver's core.

The new analysis by the Denver office of real estate firm JLL shows that rents in LoDo for buildings characterized as Class A or trophy were only about \$1 per square foot more than the rest of downtown in 2019. The current rents are more than \$12 per square foot higher than the rest of the central business district.

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Rents for the most sought-after buildings in LoDo have shot up 32% since 2019, compared with just 7% across the entire central business district.

“Everyone knows these buildings are performing better. What I found striking, putting the numbers to it, is just how wide that LoDo premium has become,” said T.J. Jaroszewski, senior director of research for the mountain region of JLL.

LoDo has consistently outperformed the rest of downtown since the COVID-19 pandemic, said Kourtny Garrett, president and CEO of the Downtown Denver Partnership, which promotes economic development. She said the area demonstrates the strength of a mixed-use neighborhood, dating back to the revitalization of Union Station, completed in 2014.

The business organization’s vision “is moving much more toward what you see in LoDo for the whole of downtown,” Garrett said.

Note
Downtown Denver has been looking to get its groove back since the pandemic hit. Businesses closed their doors to the public and many people started working from home. Although activity has picked up and more employees are working at least a few days a week in the office, several downtown buildings remain underused and the loans on some business towers have lapsed into delinquency.

Building vacancies soared to the highest levels in decades, surpassing rates during the Great Recession and not seen since the region’s oil and gas bust in the mid-1980s.

Note
One of the problems, real estate experts agree, is that the large stock of older buildings have suffered from what the industry calls a “flight to quality:” newer sites with up-to-date amenities in more diverse neighborhoods. Areas such as LoDo have fared better because of a mix of offices, restaurants, stores, entertainment spots and walkability, Jaroszewski said.

LoDo was attracting more interest than other parts of downtown even before COVID, he added. A real estate seminar focused on what people called the tale of two cities. “We were positing even back then that all the pulse, all the lifeblood, all the attention was going toward the LoDo/Union Station area,” Jaroszewski said.

But Jaroszewski was surprised when he separated the LoDo numbers from the rest of the central business district by how sharp the differences had become.

“It’s the scale of the separation that’s opened up inside downtown once you actually put hard numbers to it,” Jaroszewski said. “At this point, it increasingly feels like certain parts of downtown are still competing for demand, while other parts are competing much harder just to stay relevant in the conversation.”

The boundaries of the LoDo sub-market are generally Speer Boulevard to Coors Field and around Larimer Street to roughly a couple blocks west of Union Station. Jaroszewski’s analysis focused on the 68 Class A Buildings in the central business. Of those, 24 are in LoDo.

Vacancies in LoDo’s Class A buildings ticked up 2.5% since 2019, while those in the rest of the business district rose 22%.

LoDo’s vacancy rate for all types of building is about 20%, compared with 36.5% for the entire downtown.

Garrett believes the planned conversions of office buildings to residences and investments being made by Denver Downtown Development Authority in other parts of the central business district will be a catalyst for downtown. She sees the area shifting from a one-dimensional commercial office center into “something that is much more mixed-use and neighborhood driven.”

“The success that LoDo’s seeing is going to contribute to the success that the (central business district) will see. I think it’s a precursor to what they’re going to see,” said David Welsh, an executive vice president with the Downtown Denver Partnership.

