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Forecast shows slower construction market

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Commercial construction activity around the metro Denver area will continue to feel confined this coming year, as a surplus from projects launched during the COVID pandemic soaks up more recent demand, according to a new report.

Year 2025

Arrivals of new industrial space in metro Denver totaled only 3.3 million square feet last year, down from around 10 million feet in late 2021 and the lowest expansion in nearly 10 years, according to a 2026 Real Estate Market Outlook released this week by commercial brokerage firm CBRE.

The report went on to speculate that deliveries will continue at a slower pace through the first half of this year, with fewer new starts, perhaps signaling a greater decline as the year plays out.

Analysts at CBRE see that tempered pace as part of a broader trend observed throughout the commercial markets, as businesses and tenants opt to improve their current spaces rather than take on expansions to new space.

The report was likewise downbeat about multifamily construction. Apartment renters, it said, will continue to benefit from a surfeit of new units and other multifamily product deliveries, launched back when the market was stronger.

However, CBRE and other analysts are noting that the situation could change later in the year, as new units are absorbed and projects in the pipeline fall off.

Deliveries will decelerate

Note

"While new deliveries are expected to remain elevated through 2026, new construction completions will quickly decelerate in 2027," the report warned. Population growth around Denver remains lackluster — however, the increases would still be enough to overtake the supply in the pipeline, and some observers are already warning of potential shortages of apartments next year.

That trend could be accelerated, CBRE's report suggested, as renters are forced away from the home-buying market by high home prices that have dropped only slightly from their post- COVID highs, and as apartment landlords make some rent concessions.

As of last September, the report said, permits for homebuilding in the metro area were down almost 45% compared to five years back. Analysts held out some hope that the purchase market for homes could pick up on the possibility that drops in the 10-year Treasury rate would create some lower mortgage rates for buyers.

Note

The report also speculated that despite an anticipated drop-off in new units arriving, affordable housing initiatives in Colorado communities would combine with rising labor and material costs to make investors even less likely to venture into new projects in the state.

"Developers will be disciplined in identifying sites to start new projects, given high construction costs and the likelihood of a supply overhang," the report continued.

Some sweet spots

Along with the favorable outlook for apartment renters, the report had some sweet spots for certain owners and investors.

The Denver area's retail outlook remained relatively strong in the new year, following a trend set in 2025. Despite the other trends, consumer demand remains vibrant, with retail space availability in suburban grocery-chain shopping centers near record lows, allowing owners to schedule rent increases.

Owners of existing big-box spaces could see some continued absorption of those in the best locations.

All of those trends would continue to play out well in some premium office-retail zones outside the core business district, the report continued. Along with a general "flight to quality" seen across the commercial markets, properties in Cherry Creek and similar zones that have highly accessible, walkable attractions will continue to stand out, CBRE noted.

The report also predicted better opportunities for inventors to purchase commercial properties, as vacant buildings go up for sale.