

**A Note Regarding COVID-19**

As we publish this report, the global pandemic continues to impact day-to-day life, the economy, and commercial real estate. The extent, length, and severity of this pandemic is unknown and continues to evolve at a rapid pace. The scale of the impact and its timing varies between locations. To better understand trends and emerging adjustments, please subscribe to Colliers' [COVID-19 Knowledge Leader](#) page for resources and recent updates.

## Industrial Remains Strong

### Market Overview

E-commerce has remained the primary driving force for industrial's continued growth through the pandemic. Although US Census Bureau e-commerce data lags one-quarter, the Q2 results show that e-commerce sales grew by 31.8% from Q1 2020 and 44.5% from Q2 2019. Industrial space has been the primary benefactor of this staggering increase, driving third-party logistics companies and e-commerce distributors to gobble up additional space. The Denver Metro continues to benefit from robust demand in its regional market, which has been exacerbated by an inflow of West Coast capital stemming from the proposal of Proposition 15 in California, which seeks to tax commercial properties based on current market value instead of assessed value.

The third quarter continued to realize strong institutional investment with major purchases completed by Berkeley Partners, PGIM, and Invesco Advisors. Berkeley Partners completed the largest single property sale of the quarter, purchasing a 411,485 square foot industrial building in Louisville for \$49 million (\$119/SF). The PGIM transaction represented 15 properties throughout four states with three Colorado properties totaling 594,976 SF for \$93.5 million (\$157/SF). Invesco purchased Highfield Business Park Buildings 7, 8, and 9, totaling 464,137 square feet for \$64.5 million (\$139/SF).

Denver remains a prominent Live-Work-Play city and continues to benefit from strong market fundamentals, expansive outdoor space, and continued net in-migration. These factors along with the tailwinds produced by Proposition 15 and accelerated e-commerce adoption position the Denver industrial market for continued growth.

### Market Indicators

Relative to prior period	Q3 2020	Projected Q4 2020
Vacancy	↑	↑
Net Absorption	—	+
Deliveries	↓	↑
Rental Rate	↑	↔

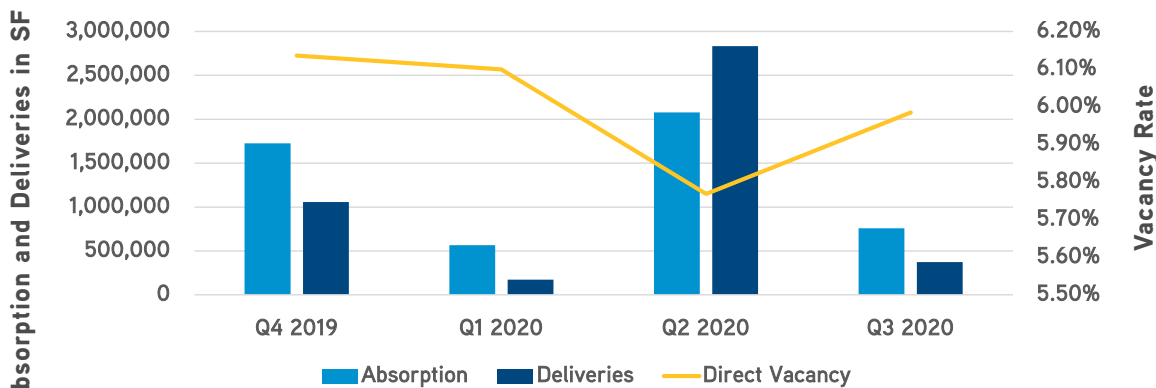
\*Arrows compare current quarter to the previous quarter's historically adjusted figures

### Denver Metro Summary Statistics

	Q3 2020	Full Year End 2019
Vacancy Rate	5.98%	5.21%
Absorption YTD	3,402,354	4,346,572
Deliveries YTD	3,379,249	6,500,312
Under Construction	7,433,062	5,842,424
Asking Rents/SF	\$11.09	\$10.43
Total SF	248,597,941	238,177,157

\*Source: CoStar, Catalyst

### Absorption, Deliveries & Vacancy



Source: Catalyst, Colliers Analytics

## Absorption

The Denver Metro realized 759,000 SF of absorption in Q3, led by Terumo moving into a 170,000 SF space in Parc Santa Fe. YTD Q3 absorption now stands at 3.40 million SF, driven by over 1.2 million SF of Amazon leasing in Q2. The rapid acceleration of e-commerce and Denver's strategic location as a distribution hub for the Mountain region continue to benefit the Metro's industrial leasing market.

## Lease Rates

Lease rates in Metro Denver increased quarter-over-quarter to \$11.09/SF NNN or 3.26%. The Northeast/Airport submarket, Denver's largest, reported a slight increase from \$6.74/SF to \$6.81/SF. The highly sought after I-76/Brighton submarket also reported an increase in rates but by only one cent to \$11.27/SF. Since the beginning of the year, rates across Denver have increased 2.97%, showcasing the Metro's desirability and durability during economic instability. Lease rates are expected to increase, albeit at a modest pace, throughout the remainder of 2020.

## Vacancy

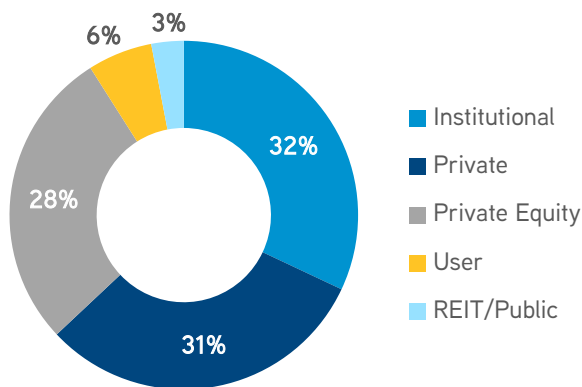
Denver Metro's vacancy rates increased by 22 basis points to 5.98%. Although there was positive absorption of 759,000 square feet in Q3, over 3.2 million square feet of new product was delivered between Q2 and Q3. Demand remains robust to fill this space, but will likely take multiple quarters to do so. Denver's largest industrial market, the Northeast/Airport, saw vacancy increase by 18 basis points to 5.30% as 511,000 square feet of new product was delivered versus 204,000 square feet absorbed. The second-largest market, the Northwest, saw vacancy fall by 63 basis points to 4.49%.

## Leasing Activity

The 3rd Quarter reported a respectable number of large leases that were signed for over 100,000 square feet. The most notable lease was Subaru of America's 550,000 square feet at the Majestic Commerce Center in Aurora. The company plans on constructing a build-to-suit adjacent to Amazon with an expected groundbreaking before year-end. Closer to downtown, Pepsi Beverages Co. signed at the now under construction Pecos Logistics Park for over 283,000 square feet with an immediate move-in once the property is completed. At the Colorado Tech Center in Boulder County, The Pro's Closet inked a 136,929 square foot lease with an expected move in early next year. Eleven total leases were signed in Q3 above 50,000 square feet, with the tenants including Outrider, Border States Electric, and American Lighting. Leasing activity is expected to remain robust throughout the fourth quarter and into the new year.

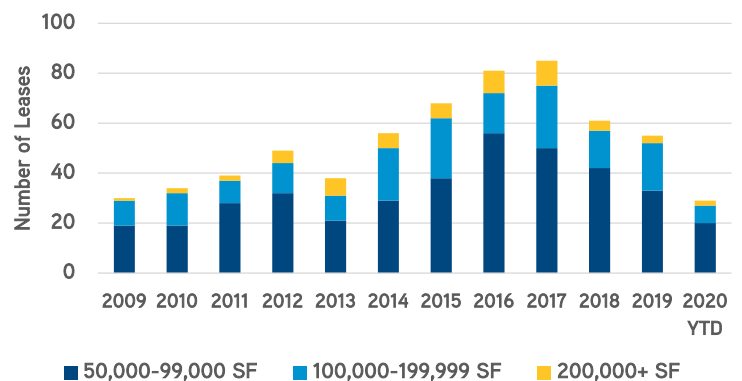
## Sales by Buyer Type

Trailing 12 Months



Source: CoStar, Colliers Analytics

## Annual Lease Deals by Size



Source: CoStar, Colliers Analytics

## NOTABLE TRANSACTIONS Q3 2020 DENVER INDUSTRIAL MARKET

### Portfolio Sales Activity

PROPERTY ADDRESS	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
17775 E. 84th Ave. 18146 E. 84th Ave.	East I-70/Montbello	\$93,513,133	594,976	\$157.17	PGIM	Crow Holdings
14250 Grasslands Drive 8452 Highfield Parkway	Southeast	\$64,457,644	464,137	\$138.88	Invesco	Confluent Development

Source: Catalyst

**NOTABLE TRANSACTIONS Q3 2020 continued**  
DENVER INDUSTRIAL MARKET

**Individual Sales Activity**

PROPERTY ADDRESS	PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
3900 Uvalda St.	Union Pacific	East I-70/ Montbello	\$10,600,000	147,000	\$72.11	Brennan/TriGate	Bluelinx
4541 Viking Way	Centerra	Fort Collins/ Loveland	\$32,630,000	122,807	\$265.70	Mark IV Capital	McWhinney
7079 S. Jordan Rd.		Southeast	\$1,975,000	11,700	\$168.80	Todd Falbo	Craig Manseth

Source: Catalyst

**Industrial – Denver - Leasing Activity**

PROPERTY ADDRESS	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
E. 32nd & Picadilly Rd.	Northeast/Airport	550,000	New Lease	Subaru of America
5676 Pecos St	Northwest	283,500	New Lease	PepsiCo Beverages North America
22600 E. I-76 Frontage Rd.	Northeast/Airport	152,682	New Lease	Outrider

Source: Catalyst

**Industrial Overview**

EXISTING PROPERTIES									
TYPE	# OF BUILDINGS	TOTAL SF	TOTAL AVAILABLE	TOTAL VACANT	VACANCY %	DIRECT AVAILABLE	SUBLEASE AVAILABLE	ABSORPTION	WEIGHTED AVERAGE RENT
<b>AURORA</b>									
Flex	35	1,338,651	83,360	71,077	5.31%	83,558	0		
<b>Total</b>	<b>35</b>	<b>1,338,651</b>	<b>83,360</b>	<b>71,077</b>	<b>5.31%</b>	<b>83,558</b>	<b>0</b>	<b>-1,190</b>	<b>\$9.48</b>
<b>CENTRAL BOULDER</b>									
Warehouse/Distribution	4	323,287	0	100,872	31.20%	-	84,022		\$11.75
Flex	23	977,424	18,097	30,512	3.12%	18,140	10,341		\$10.46
<b>Total</b>	<b>27</b>	<b>1,300,711</b>	<b>18,097</b>	<b>131,384</b>	<b>10.10%</b>	<b>18,140</b>	<b>94,363</b>	<b>-365</b>	<b>\$13.07</b>
<b>DENVER NORTH</b>									
Warehouse/Distribution	48	4,305,773	648,041	493,241	11.46%	649,581	0		\$11.25
Flex	33	1,380,680	113,227	166,727	12.08%	113,496	44,563		\$15.28
Warehouse/Office	94	2,708,254	199,384	44,559	1.65%	199,858	9,308		\$11.35
<b>Total</b>	<b>175</b>	<b>8,394,707</b>	<b>960,652</b>	<b>704,527</b>	<b>8.39%</b>	<b>962,935</b>	<b>53,871</b>	<b>115,038</b>	<b>\$12.63</b>
<b>DENVER NORTH CENTRAL</b>									
Manufacturing	16	749,267	57,522	30,522	4.07%	57,659	0		
Warehouse/Distribution	253	16,176,035	1,735,296	1,026,135	6.34%	1,384,725	294,743		\$10.07
Flex	17	949,800	75,975	36,945	3.89%	37,036	32,508		\$13.06
Warehouse/Office	455	8,537,143	260,029	223,248	2.62%	260,647	0		\$13.91
<b>Total</b>	<b>741</b>	<b>26,412,245</b>	<b>2,128,822</b>	<b>1,316,850</b>	<b>4.99%</b>	<b>1,740,067</b>	<b>327,251</b>	<b>230,805</b>	<b>\$12.35</b>
<b>DENVER NORTHWEST</b>									
Manufacturing	15	722,156	73,901	0	0.00%	15,036	49,062		\$9.95
Warehouse/Distribution	111	7,154,862	416,195	381,633	5.33%	394,202	19,097		\$9.82
Flex	170	7,219,494	555,800	375,434	5.20%	549,625	9,155		\$12.65
Warehouse/Office	488	11,424,590	610,201	433,186	3.79%	590,601	20,291		\$9.54
<b>Total</b>	<b>784</b>	<b>26,521,102</b>	<b>1,656,097</b>	<b>1,190,253</b>	<b>4.49%</b>	<b>1,549,464</b>	<b>97,605</b>	<b>147,219</b>	<b>\$10.49</b>
<b>DENVER SOUTH CENTRAL</b>									
Manufacturing	89	1,771,961	153,516	100,993	5.70%	153,881	0		\$7.50
Warehouse/Distribution	174	8,668,871	190,246	89,783	1.04%	190,698	0		\$7.55
Flex	24	699,771	44,532	44,532	6.36%	44,638	0		\$8.68
Warehouse/Office	801	11,567,951	504,382	384,092	3.32%	475,258	30,236		\$9.08
<b>Total</b>	<b>1,088</b>	<b>22,708,554</b>	<b>892,676</b>	<b>619,400</b>	<b>2.73%</b>	<b>864,475</b>	<b>30,236</b>	<b>-36,498</b>	<b>\$8.20</b>
<b>DENVER SOUTHEAST</b>									
Warehouse/Distribution	50	4,920,000	796,797	770,013	15.65%	778,512	32,139		\$9.98
Flex	250	11,336,484	724,669	534,446	4.71%	641,830	93,029		\$11.47
Warehouse/Office	234	6,496,686	191,661	127,448	1.96%	192,116	6,497		\$11.79
<b>Total</b>	<b>534</b>	<b>22,753,170</b>	<b>1,713,127</b>	<b>1,431,907</b>	<b>6.29%</b>	<b>1,612,458</b>	<b>131,665</b>	<b>-10,157</b>	<b>\$11.08</b>

## Industrial Overview — continued

### EXISTING PROPERTIES

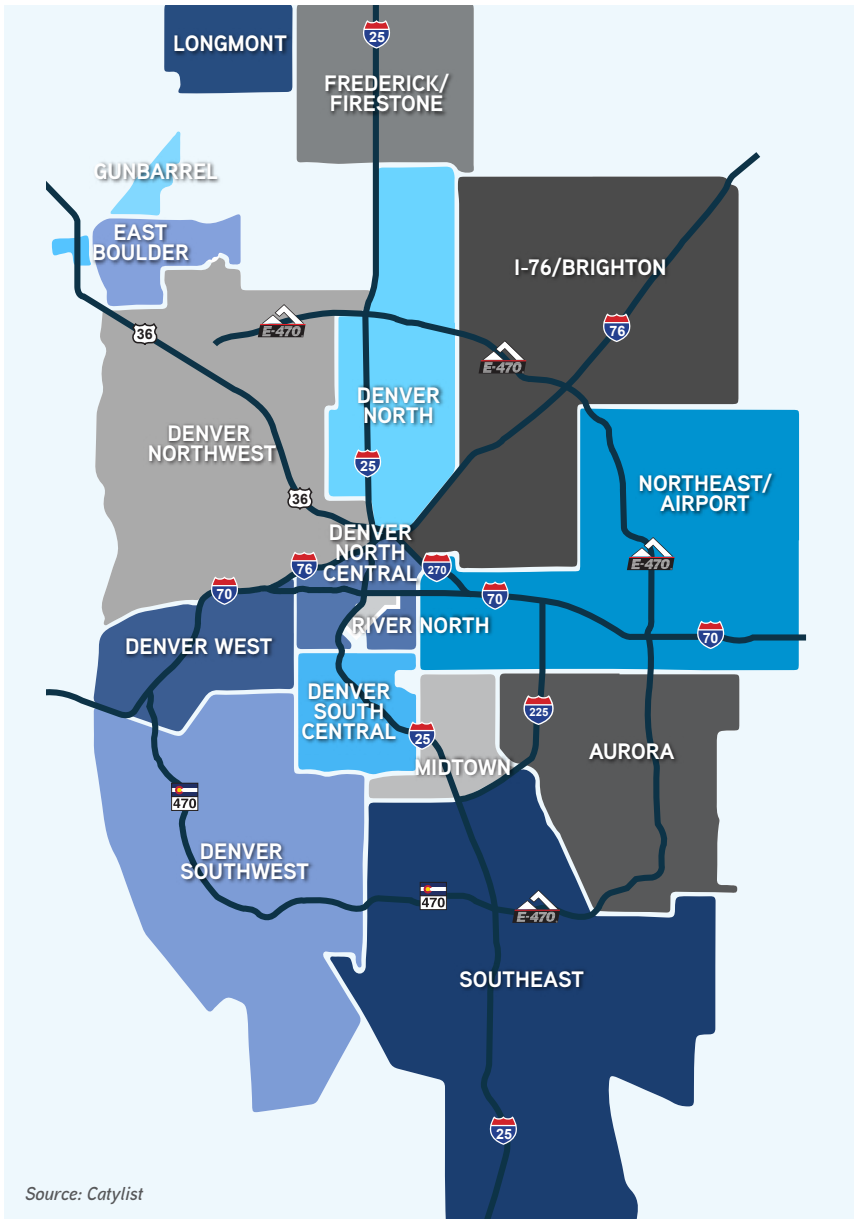
TYPE	# OF BUILDINGS	TOTAL SF	TOTAL AVAILABLE	TOTAL VACANT	VACANCY %	DIRECT AVAILABLE	SUBLEASE AVAILABLE	ABSORPTION	WEIGHTED AVERAGE RENT
<b>DENVER SOUTHWEST</b>									
Manufacturing	27	686,939	27,244	27,244	3.97%	27,309	0		
Warehouse/Distribution	32	2,058,298	218,417	16,191	0.79%	16,229	168,445		\$6.31
Flex	136	3,712,918	201,271	163,318	4.40%	187,604	11,755		\$10.58
Warehouse/Office	204	4,314,639	107,680	117,563	2.72%	107,936	15,670		\$9.74
<b>Total</b>	<b>399</b>	<b>10,772,794</b>	<b>554,612</b>	<b>324,316</b>	<b>3.01%</b>	<b>339,078</b>	<b>195,870</b>	<b>21,330</b>	<b>\$8.88</b>
<b>DENVER WEST</b>									
Warehouse/Distribution	35	1,926,250	80,974	71,510	3.71%	81,166	0		\$10.25
Flex	58	4,011,634	128,457	71,553	1.78%	124,753	3,332		\$11.59
Warehouse/Office	151	2,225,361	64,917	39,226	1.76%	44,984	16,692		\$10.07
<b>Total</b>	<b>244</b>	<b>8,163,245</b>	<b>274,348</b>	<b>182,289</b>	<b>2.23%</b>	<b>250,903</b>	<b>20,024</b>	<b>-95,539</b>	<b>\$10.64</b>
<b>EAST BOULDER</b>									
Warehouse/Distribution	1	20,289	6,810	6,810	33.56%	6,826	0		\$12.50
Flex	75	2,504,091	123,729	57,624	2.30%	94,679	24,384		\$16.43
Warehouse/Office	72	2,242,814	26,210	22,270	0.99%	24,328	1,616		\$13.27
<b>Total</b>	<b>148</b>	<b>4,767,194</b>	<b>156,749</b>	<b>86,704</b>	<b>1.82%</b>	<b>125,833</b>	<b>26,000</b>	<b>-16,060</b>	<b>\$14.07</b>
<b>GUNBARREL</b>									
Warehouse/Distribution	4	591,466	120,165	20,000	3.38%	120,450	0		\$6.96
Flex	53	2,199,576	331,846	349,537	15.89%	330,950	50,069		\$12.28
Warehouse/Office	24	1,257,544	57,440	33,696	2.68%	57,576	1,995		\$10.16
<b>Total</b>	<b>81</b>	<b>4,048,586</b>	<b>509,451</b>	<b>403,233</b>	<b>9.96%</b>	<b>508,976</b>	<b>52,064</b>	<b>34,396</b>	<b>\$9.80</b>
<b>I-76/BRIGHTON</b>									
Warehouse/Distribution	62	5,879,810	248,958	248,958	4.23%	249,549	0		\$10.75
Warehouse/Office	228	3,988,694	62,530	56,531	1.42%	62,679	0		\$11.78
<b>Total</b>	<b>290</b>	<b>9,868,504</b>	<b>311,488</b>	<b>305,489</b>	<b>3.10%</b>	<b>312,228</b>	<b>0</b>	<b>107,400</b>	<b>\$11.27</b>
<b>LONGMONT</b>									
Manufacturing	8	460,720	11,595	11,595	2.52%	11,623	0		\$12.90
Flex	76	4,362,621	856,566	720,112	16.51%	721,823	113,660		\$11.64
Warehouse/Office	108	2,375,191	94,586	60,830	2.56%	86,195	7,159		\$13.68
<b>Total</b>	<b>192</b>	<b>7,198,532</b>	<b>962,747</b>	<b>792,537</b>	<b>11.01%</b>	<b>819,641</b>	<b>120,819</b>	<b>26,457</b>	<b>\$12.74</b>
<b>MIDTOWN</b>									
Warehouse/Distribution	8	278,138	2,618	2,618	0.94%	2,624	0		\$10.50
Flex	9	266,360	14,758	14,758	5.54%	14,793	0		\$9.32
Warehouse/Office	74	1,360,434	27,976	16,851	1.24%	28,042	0		\$11.33
<b>Total</b>	<b>91</b>	<b>1,904,932</b>	<b>45,352</b>	<b>34,227</b>	<b>1.80%</b>	<b>45,459</b>	<b>0</b>	<b>23,251</b>	<b>\$10.38</b>
<b>NORTHEAST/AIRPORT</b>									
Manufacturing	59	3,246,191	400,525	383,481	11.81%	384,392	14,197		\$4.11
Warehouse/Distribution	602	70,355,483	5,071,149	3,850,709	5.47%	4,295,093	730,894		\$6.06
Flex	53	3,164,316	74,142	32,893	1.04%	43,746	25,405		\$9.14
Warehouse/Office	501	12,315,069	651,217	451,557	3.67%	619,104	36,367		\$7.92
<b>Total</b>	<b>1,215</b>	<b>89,081,059</b>	<b>6,197,033</b>	<b>4,718,640</b>	<b>5.30%</b>	<b>5,342,335</b>	<b>806,863</b>	<b>203,823</b>	<b>\$6.81</b>
<b>RIVER NORTH</b>									
Manufacturing	20	1,012,977	44,710	32,450	3.20%	44,816	0		\$7.50
Warehouse/Distribution	23	1,628,277	157,749	125,159	7.69%	99,627	0		\$9.39
Warehouse/Office	60	722,701	99,391	49,774	6.89%	158,124	0		\$25.00
<b>Total</b>	<b>103</b>	<b>3,363,955</b>	<b>301,850</b>	<b>207,383</b>	<b>6.16%</b>	<b>302,567</b>	<b>0</b>	<b>8,904</b>	<b>\$13.96</b>

Source: Catalyst

## Industrial — Denver Metro Subtotal

QUARTER	UNDER CONSTRUCTION	# OF BUILDINGS	TOTAL SF	TOTAL AVAILABLE	TOTAL VACANT	DIRECT VACANCY %	DIRECT AVAILABLE	SUBLET AVAILABLE	ABSORPTION	WEIGHTED AVERAGE RENT
Q3 2020	7,433,062	6,147	248,597,941	16,766,461	12,520,216	5.98%	14,878,117	1,956,631	758,814	\$11.09
<b>QUARTERLY COMPARISON</b>										
Q2 2020	8,071,877	6,133	245,048,344	16,223,580	11,759,857	5.77%	14,135,184	2,088,397	2,077,745	\$10.74
Q1 2020	8,105,704	6,214	241,099,690	16,164,315	11,946,237	6.10%	14,705,824	1,458,491	565,795	\$10.77
Q4 2019	4,712,418	6,171	238,177,157	16,252,396	12,438,819	6.14%	14,615,047	1,637,349	1,726,882	\$10.43

Source: Catalyst



**400** offices in  
**68** countries on  
**6** continents

United States: **109**  
Canada: **43**  
Latin America: **18**  
Asia Pacific: **35**  
EMEA: **85**

**\$3.3**  
billion in  
annual revenue

**2.0**  
billion square feet  
under management

**17,300**  
professionals  
and staff

Source: Catylist

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In the midst of the COVID-19 outbreak, information and data is emerging at a quick and uneven rate. The information contained herein has been obtained from sources deemed reliable at the time the report was written. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

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