

Denver

Industrial

21Q3

The Denver Metro industrial market thrived during the pandemic as e-commerce surged and distribution needs continued to grow. A booming pipeline has led to a rise in vacancy but tenant activity and absorption figures remain strong. **Coupled with an increase in investor focus on the asset class, the future for Denver industrial has never been brighter.**



# Denver Industrial 21Q3

## Key Takeaways

- The market recorded strong net absorption of 2.9 MSF during the third quarter.
- Asking rates continue to demonstrate steady growth, closing the quarter at \$9.80/SF NNN; an increase of 4.0% year-over-year.
- Despite 2.5 MSF delivering this quarter, 10.8 MSF remained under construction at quarter's end.
- Investment sales volume continues to surge, with year-to-date volume surpassing \$1.4B.



## Denver Industrial Starting the Second Half Strong

The Denver industrial market remains red hot. Overall vacancy contracted to 6.8% on the back of a massive quarter for absorption while tenant demand continues to drive strong leasing activity. The development pipeline continues to grow as 10.8 MSF was under construction to close the quarter despite 2.5 MSF delivering during the quarter. Rental rates have increased steadily year-over-year driven by new product and tenant demand, closing the quarter at \$9.80/SF NNN across all industrial product types. As e-commerce accelerates its growth and Denver's population swells, increasing distribution needs will continue to amplify this demand. As cap rates continue to compress and price psf in investment product record new highs, investors have proven their aggressive interest as well. With the pandemic firmly in the rearview for industrial tenants and investors, the future is bright for Denver industrial.

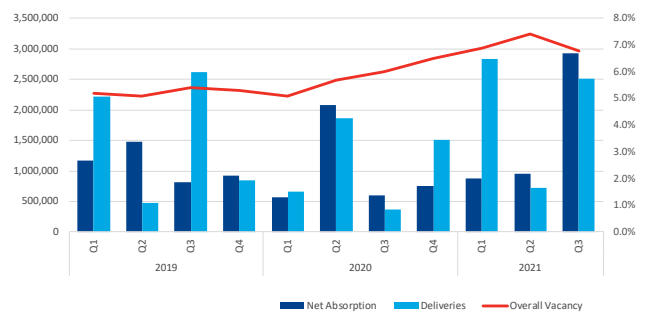
## Market Indicators



## Historic Comparison

	20Q3	21Q2	21Q3
Total Inventory (SF)	253,412,037	258,488,720	261,005,179
New Supply (SF)	144,000	717,166	2,516,459
Net Absorption (SF)	606,814	952,101	2,925,571
Overall Vacancy	6.0%	7.4%	6.8%
Under Construction (SF)	6,922,775	9,615,815	10,754,572
Overall Asking Rates (NNN)	\$9.59/SF	\$10.13/SF	\$9.80/SF

## Market Graph



Source: Colliers

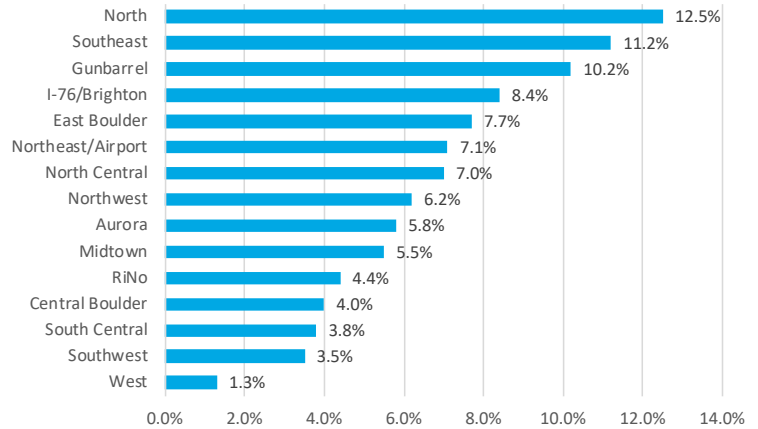
Net absorption has largely trailed construction activity during this cycle, which had led to steady vacancy growth, but the third quarter bucked that trend as the 2.9 MSF absorbed during the quarter surpassed the 2.5 MSF that delivered, largely aided by several BTS projects. With several more large BTS projects slated for the fourth quarter, expect vacancy to contract again to end the year. However, as the pipeline remains robust, expect vacancy to generally trend upwards over the next year or so as this space is delivered and awaits lease-up.

## Labor Force

	CONSTRUCTION	MANUFACTURING	TRANSPORTATION, TRADE & UTILITIES
12-Mo. Employment Growth	3.0%	0.3%	4.9%
12-Mo. Actual Employment Change	3,200	200	13,300

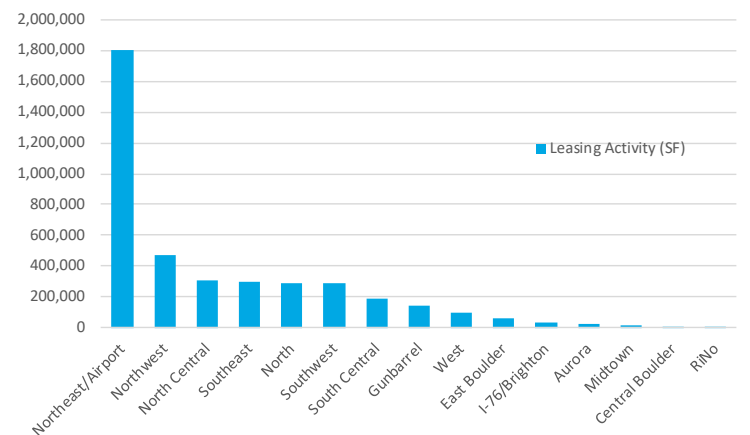
## Vacancy

Vacancy closed the third quarter 2021 at 6.8% on an overall basis, representing a 50-bps decrease from the 7.3% recorded to close the second quarter. This declining vacancy was driven by a massive quarter for absorption which was aided by several BTS projects delivering around the metro area. Direct vacancy recorded a similar quarterly decline, falling 30 bps to close the quarter at 6.3%. Sublet space continues to be minimal around the metro as sublet space fell 20 bps to close the quarter at 0.5% vacancy. Demand for industrial product continues to be extremely strong around the metro, but a large pipeline remains under construction as well. Quarterly fluctuation in vacancy is likely, but expect a generally upward trend over the next year.



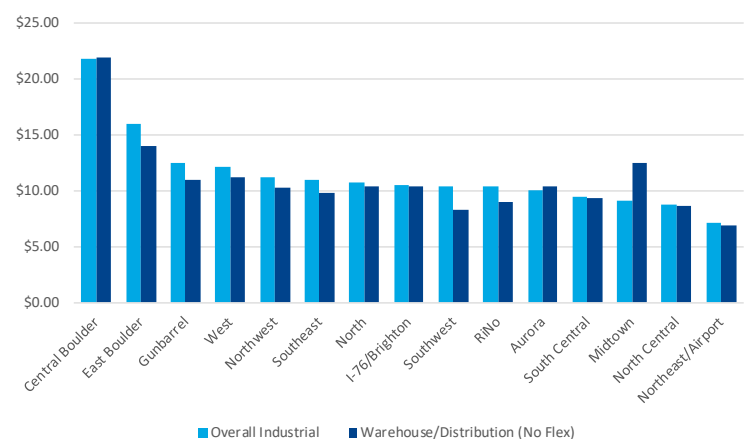
## Absorption & Leasing Activity

Denver industrial product recorded over 4.0 MSF of leasing activity during the third quarter 2021. This figure marked five straight quarters of activity north of 3.3 MSF since the full brunt of the pandemic hit during the second quarter of last year. The largest lease signed during the third quarter was Alan Ritchey as they took the full 594,100 SF Building 1 at Stafford Logistics Center. Overall net absorption recorded a huge 2.9 MSF during the quarter, bringing YTD absorption to nearly 4.8 MSF. This figure was largely driven by a number of BTS completions during the quarter; most notably 900,000 SF for Shamrock, 283,500 SF for Pepsi, and a combined 492,800 SF for Amazon. With several additional BTS projects nearing completion, expect absorption over the final quarter of this year to rival this robust figure.



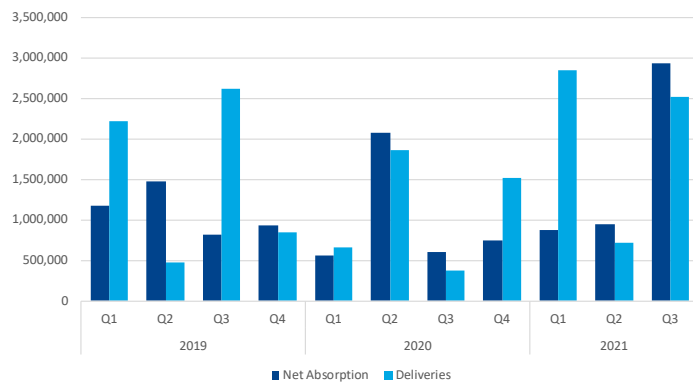
## Rental Rates

Average asking rental rate growth slowed during the third quarter, closing at \$9.80/SF NNN. This figure represented a 1.4% decrease from the second quarter 2021 but still indicated year-over-year growth of 4.0%. Asking rental rates for warehouse and distribution product (excluding flex) stayed mostly flat quarter-over-quarter, closing at \$8.80/SF NNN, a decrease of \$0.05 from the second quarter. Despite the quarterly decreases, each of these figures continue to hover around the highest they have ever been for the metro. As tenant demand remains robust and new product continues to deliver at a rapid clip, expect rental rates to steadily grow to close 2021.



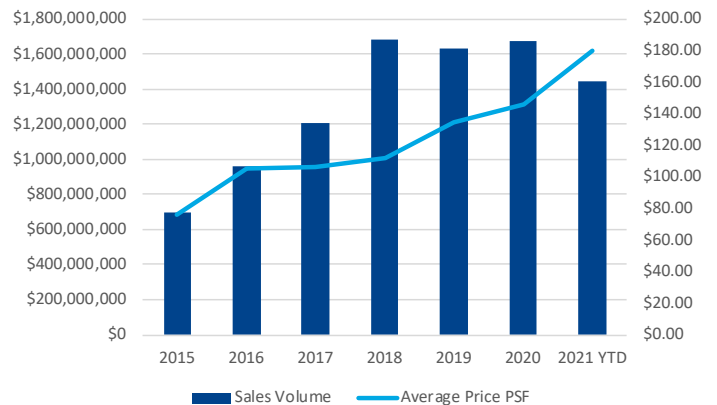
## Construction

The construction boom continues to amplify around the Denver metro as 2.5 MSF of industrial product delivered during the third quarter. Despite a big quarter for deliveries, 10.8 MSF of product remained under construction at quarter's end; roughly 3.5 MSF of which is BTS. The Northeast/Airport submarket continues to headline this development boom, delivering 36.8% of the quarter's completions and accounting for 70.0% of the product currently underway. Expect this to continue to be the case considering the vast amount of developable land surrounding the airport area. Two large BTS projects over 1.0 MSF lead the way in the development pipeline as Amazon at Stafford Logistics Center and Lowe's at Nexus is near completion. Although construction figures may decrease from this record-high figure, a massive amount of product remains in the proposed stage, suggesting the development pipeline will remain large well into next year.



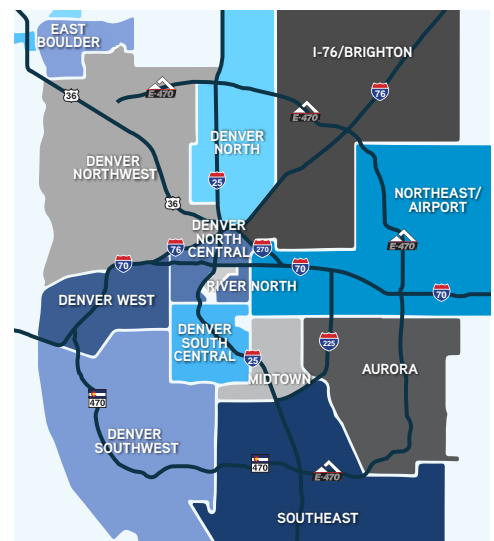
## Investment Activity

Investment activity in industrial product continues to benefit from uncertainty in retail and office product as investors have increased their focus on the asset type. Investment sales volume in the third quarter recorded \$385.7M, bringing YTD volume to over \$1.4B. This YTD figure marks the fifth consecutive year of volume north of \$1.0B, a figure the market had not surpassed before five years ago, and puts the market on pace for a record year in terms of sales volume. The average price per square foot YTD has been \$180/SF for industrial product, which is more than double the \$75/SF recorded in 2015. As investors continue to aggressively pursue Denver industrial product, expect strong volume to continue as cap rates continue to compress.



## Market Description

The Denver industrial market is composed of 261.0 MSF of product in buildings over 10,000 SF. Denver is unique as despite a rapidly growing population and strong economy, it exists on an island in the middle of the country without a major city for over 400 miles in any direction. As a result, companies that want to distribute in Denver, need to have a presence in Denver. Industrial activity has steadily risen as e-commerce and other local distribution needs have increased. Tenant requirements are increasing in both volume and size as 21.8% of the buildings over 100,000 SF in the market have been built since 2015. Denver is in the midst of unprecedented growth and poised for it to continue for the indefinite future.



## Top Industrial Sales

Property	Submarket	Sale Price	SF	Price/SF	Buyer	Seller
875 W. 64th Avenue	Northwest	\$114,000,000	147,001	\$775.50	Intercontinental Real Estate Corp.	AEW Capital Management
Prologis Park 70 - Bldg. 4	Northeast/Airport	\$36,150,000	220,000	\$164.32	KKR	EverWest
BlueScope Logistics Center	Southeast	\$22,150,000	136,915	\$161.78	KKR	BlueScope
Chatfield Distribution Center	Southwest	\$19,385,000	88,152	\$219.90	Nicola Wealth	Myles Enterprises
6284 S. Nome Court	Southeast	\$18,000,000	112,612	\$159.84	Cabot Properties	Plastics Design & Mfg.

## Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
Stafford Logistics Center	Northeast/Airport	594,138	New	Alan Ritchey Inc
Denver Business Center	Northeast/Airport	167,995	Renewal	Larsen Warehousing
Majestic Commercenter - Bldg. 9	Northeast/Airport	150,000	New	HelloFresh
Majestic Commercenter - Bldg. 28	Northeast/Airport	131,331	Renewal	Niagara Bottling
Upland - Bldg. 5	Northeast/Airport	100,000	Renewal	Intertech Plastics
25 North - Bldg. 1	North	76,500	New	Meati Foods

## Under Construction

Property	Submarket	SF	Developer	Estimated Completion
Stafford Logistics Center	Northeast/Airport	1,200,000	NorthPoint	Q4 2021
Lowe's BTS	Northeast/Airport	1,000,600	Becknell	Q1 2022
First Aurora Commerce Center - Bldg. E	Northeast/Airport	588,100	First Industrial	Q1 2022
Subaru BTS	Northeast/Airport	550,000	Majestic	Q4 2021
HighPoint Logistics Park - Bldg. 1B	Northeast/Airport	541,840	Hyde	Q4 2022



# Denver | Q3 2021 | Industrial | Market Statistics



Type	# of Bldgs	Total SF	Q3 Deliveries	Under Construction	Total Available SF	Total Vacant SF	Vacancy %	Direct Available	Sublease Available	Absorption	Weighted Average Rent (NNN)
<b>AURORA</b>											
WAREHOUSE/DISTRIBUTION	24	589,165			59,089	54,089	9.2%	59,089	0		\$10.39
FLEX	42	1,501,299			81,157	67,491	4.5%	81,157	0		\$9.89
<b>TOTAL</b>	<b>66</b>	<b>2,090,464</b>	<b>0</b>	<b>0</b>	<b>140,246</b>	<b>121,580</b>	<b>5.8%</b>	<b>140,246</b>	<b>0</b>	<b>40,670</b>	<b>\$10.06</b>
<b>CENTRAL BOULDER</b>											
WAREHOUSE/DISTRIBUTION	36	1,129,823			88,086	44,815	4.0%	83,286	16,270		\$21.91
FLEX	15	559,946			23,136	23,136	4.1%	23,136	0		\$17.50
<b>TOTAL</b>	<b>51</b>	<b>1,689,769</b>	<b>0</b>	<b>0</b>	<b>111,222</b>	<b>67,951</b>	<b>4.0%</b>	<b>106,422</b>	<b>16,270</b>	<b>2,990</b>	<b>\$21.78</b>
<b>NORTH</b>											
WAREHOUSE/DISTRIBUTION	174	9,926,768			1,645,955	1,212,593	12.2%	1,644,955	23,000		\$10.35
FLEX	39	1,647,231			251,825	229,553	13.9%	248,825	3,000		\$12.80
<b>TOTAL</b>	<b>213</b>	<b>11,573,999</b>	<b>167,794</b>	<b>403,108</b>	<b>1,897,780</b>	<b>1,442,146</b>	<b>12.5%</b>	<b>1,893,780</b>	<b>26,000</b>	<b>69,280</b>	<b>\$10.68</b>
<b>NORTH CENTRAL</b>											
WAREHOUSE/DISTRIBUTION	634	26,566,957			1,775,086	1,893,894	7.1%	1,658,151	116,935		\$8.63
FLEX	36	1,150,012			52,809	38,670	3.4%	52,809	0		\$14.76
<b>TOTAL</b>	<b>670</b>	<b>27,716,969</b>	<b>414,100</b>	<b>404,000</b>	<b>1,827,895</b>	<b>1,932,564</b>	<b>7.0%</b>	<b>1,710,960</b>	<b>116,935</b>	<b>569,217</b>	<b>\$8.80</b>
<b>NORTHWEST</b>											
WAREHOUSE/DISTRIBUTION	509	20,316,312			1,381,521	1,298,817	6.4%	1,352,735	28,786		\$10.24
FLEX	221	7,430,759			533,193	419,008	5.6%	531,019	2,174		\$13.23
<b>TOTAL</b>	<b>730</b>	<b>27,747,071</b>	<b>200,000</b>	<b>600,296</b>	<b>1,914,714</b>	<b>1,717,825</b>	<b>6.2%</b>	<b>1,883,754</b>	<b>30,960</b>	<b>503,150</b>	<b>\$11.15</b>
<b>SOUTH CENTRAL</b>											
WAREHOUSE/DISTRIBUTION	706	22,079,768			898,183	859,362	3.9%	836,091	62,092		\$9.34
FLEX	38	959,481			31,327	25,156	2.6%	29,219	2,108		\$11.97
<b>TOTAL</b>	<b>744</b>	<b>23,039,249</b>	<b>0</b>	<b>0</b>	<b>929,510</b>	<b>884,518</b>	<b>3.8%</b>	<b>865,310</b>	<b>64,200</b>	<b>11,040</b>	<b>\$9.51</b>
<b>SOUTHEAST</b>											
WAREHOUSE/DISTRIBUTION	257	11,635,293			1,900,117	1,343,123	11.5%	1,869,152	30,965		\$9.84
FLEX	224	7,797,518			988,501	823,314	10.6%	817,762	189,878		\$12.41
<b>TOTAL</b>	<b>481</b>	<b>19,432,811</b>	<b>281,915</b>	<b>677,599</b>	<b>2,888,618</b>	<b>2,166,437</b>	<b>11.1%</b>	<b>2,686,914</b>	<b>220,843</b>	<b>269,884</b>	<b>\$10.95</b>
<b>SOUTHWEST</b>											
WAREHOUSE/DISTRIBUTION	205	6,986,364			369,545	301,833	4.3%	271,439	98,106		\$8.34
FLEX	128	7,612,252			245,596	214,825	2.8%	229,173	16,423		\$12.00
<b>TOTAL</b>	<b>333</b>	<b>14,598,616</b>	<b>0</b>	<b>0</b>	<b>615,141</b>	<b>516,658</b>	<b>3.5%</b>	<b>500,612</b>	<b>114,529</b>	<b>7,681</b>	<b>\$10.43</b>
<b>WEST</b>											
WAREHOUSE/DISTRIBUTION	132	9,108,141			84,254	67,910	0.7%	80,734	3,520		\$11.23
FLEX	70	2,819,318			158,491	91,322	3.2%	147,301	11,190		\$12.63
<b>TOTAL</b>	<b>202</b>	<b>11,927,459</b>	<b>0</b>	<b>0</b>	<b>242,745</b>	<b>159,232</b>	<b>1.3%</b>	<b>228,035</b>	<b>14,710</b>	<b>(26,319)</b>	<b>\$12.12</b>

Type	# of Bldgs	Total SF	Q3 Deliveries	Under Construction	Total Available SF	Total Vacant SF	Vacancy %	Direct Available	Sublease Available	Absorption	Weighted Average Rent (NNN)
<b>EAST BOULDER</b>											
WAREHOUSE/DISTRIBUTION	93	2,811,476			117,353	96,724	3.4%	76,955	40,398		\$13.96
FLEX	82	2,280,751			295,895	297,321	13.0%	228,906	66,989		\$16.95
<b>TOTAL</b>	<b>175</b>	<b>5,092,227</b>	<b>0</b>	<b>0</b>	<b>413,248</b>	<b>394,045</b>	<b>7.7%</b>	<b>305,861</b>	<b>107,387</b>	<b>21,353</b>	<b>\$15.96</b>
<b>GUNBARREL</b>											
WAREHOUSE/DISTRIBUTION	42	1,992,836			193,315	103,339	5.2%	167,858	25,457		\$10.96
FLEX	44	2,137,610			321,998	318,286	14.9%	306,024	15,974		\$13.08
<b>TOTAL</b>	<b>86</b>	<b>4,130,446</b>	<b>0</b>	<b>0</b>	<b>515,313</b>	<b>421,625</b>	<b>10.2%</b>	<b>473,882</b>	<b>41,431</b>	<b>90,305</b>	<b>\$12.46</b>
<b>I-76/BRIGHTON</b>											
WAREHOUSE/DISTRIBUTION	284	14,034,774			3,773,755	1,238,841	8.8%	3,694,755	79,000		\$10.37
FLEX	20	644,531			-	-	#VALUE!	-	-		\$12.98
<b>TOTAL</b>	<b>304</b>	<b>14,679,305</b>	<b>526,400</b>	<b>1,189,468</b>	<b>3,773,755</b>	<b>1,238,841</b>	<b>8.4%</b>	<b>3,694,755</b>	<b>79,000</b>	<b>(8,100)</b>	<b>\$10.50</b>
<b>MIDTOWN</b>											
WAREHOUSE/DISTRIBUTION	40	1,167,813			36,551	10,979	0.9%	36,551	0		\$12.49
FLEX	41	1,227,014			91,624	119,842	9.8%	91,624	0		\$8.52
<b>TOTAL</b>	<b>81</b>	<b>2,394,827</b>	<b>0</b>	<b>0</b>	<b>128,175</b>	<b>130,821</b>	<b>5.5%</b>	<b>128,175</b>	<b>0</b>	<b>(36,030)</b>	<b>\$9.14</b>
<b>NORTHEAST/AIRPORT</b>											
WAREHOUSE/DISTRIBUTION	1,139	88,009,869			9,707,792	6,319,777	7.2%	9,197,438	596,305		\$6.88
FLEX	74	2,727,008			241,571	144,337	5.3%	197,986	43,585		\$19.33
<b>TOTAL</b>	<b>1,213</b>	<b>90,736,877</b>	<b>926,250</b>	<b>7,480,101</b>	<b>9,949,363</b>	<b>6,464,114</b>	<b>7.1%</b>	<b>9,395,424</b>	<b>639,890</b>	<b>1,398,051</b>	<b>\$7.12</b>
<b>RINO</b>											
WAREHOUSE/DISTRIBUTION	79	3,772,604			166,513	167,551	4.4%	166,413	19,940		\$9.04
FLEX	8	382,486			14,546	13,026	3.4%	14,546	0		\$35.00
<b>TOTAL</b>	<b>87</b>	<b>4,155,090</b>	<b>0</b>	<b>0</b>	<b>181,059</b>	<b>180,577</b>	<b>4.3%</b>	<b>180,959</b>	<b>19,940</b>	<b>12,399</b>	<b>\$10.36</b>

## Denver Metro Totals

Quarter	Under Construction	Total SF	Total Available	Total Vacant	Direct Vacancy %	Direct Available	Sublet Available	Absorption	Weighted Average Rent - WH/D	Weighted Average Rent - ALL
<b>Q3 2021</b>	<b>10,754,572</b>	<b>261,005,179</b>	<b>25,528,784</b>	<b>17,838,934</b>	<b>6.3%</b>	<b>24,195,089</b>	<b>1,492,095</b>	<b>2,925,571</b>	<b>\$8.80</b>	<b>\$9.80</b>
<b>Quarterly Comparison</b>										
Q2 2021	9,615,815	259,998,572	26,722,685	18,903,161	6.6%	25,267,178	1,612,925	952,101	\$8.85	\$9.94
Q1 2021	7,839,663	258,108,342	24,639,475	17,711,305	6.2%	22,188,382	2,581,474	877,121	\$8.55	\$9.59
Q4 2020	5,756,772	256,950,851	24,252,156	16,739,448	5.9%	21,353,299	2,807,736	751,677	\$8.38	\$9.59

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**\$3.3B**  
in revenue



**2B**  
square feet under management



**18,000 +**  
professionals and staff

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