

Denver

Industrial  
22Q3

The Denver industrial market continues to surge. The market set new asking rate records for both warehouse product and industrial product overall during the quarter. The pipeline continues to grow as the quarter closed with more product under construction than the previous quarter, despite a huge quarter for deliveries. Absorption rebounded substantially after a sluggish second quarter and industrial investment activity continues to amplify. **The Denver industrial market is full steam ahead.**



Denver

Industrial

22Q3

## Key Takeaways

- Net absorption rebounded substantially from the second quarter, recording nearly 1.8 MSF.
- Asking rates pushed new record highs this quarter, closing at \$11.13/SF for industrial overall and \$9.50/SF for warehouse product specifically.
- The pipeline continues to grow as 3.4 MSF delivered during the third quarter and 10.2 MSF remained underway.
- Investment activity remains high, nearing the \$2.0B mark through three quarters and trailing only last year as the largest figure in metro history.



Vacancy Rate

6.6%

YOY

FORECAST



Net Absorption

1.8M SF

YOY

FORECAST



Under Construction

10.2M SF

YOY

FORECAST



Overall Industrial Asking Lease Rates (NNN)

\$11.13/SF

YOY

FORECAST

## Denver Industrial: Full Steam Ahead

The Denver industrial market remained strong to close the third quarter. Rental rates continued to grow, recording new highs for the metro both for the industrial market overall and for warehouse and distribution product specifically. The pipeline continues to churn out new product, as nearly 3.4 MSF delivered to the market with 10.2 MSF still underway. Vacancy rose as a direct result of the amount of spec product that delivered this quarter, but deal velocity and active tenants in the market remain strong. Material and worker shortages continue to hamper development and tenant build-out timelines, but absorption rebounded immensely this quarter as tenants that pushed from the first half of the year finally took occupancy. Investment volume through three quarters has already reached the second largest annual volume figure in metro history (trailing only last year) as average price per square foot continues to grow. Tenants continue to target Denver as the ideal location for doing business in the Rocky Mountains, and as investors and developers continue to respond, the future is bright for Denver industrial product.

## Market Indicators



3.3%

Unemployment Rate



5.71%

GDP - % Change Yr./Yr.



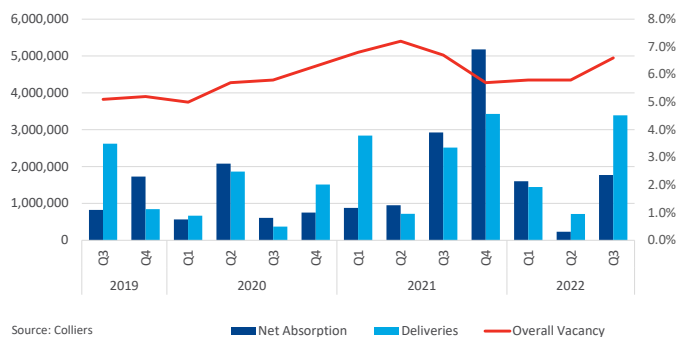
3.829%

U.S. 10 Year Treasury Note

## Historic Comparison

	Q3 2021	Q2 2022	Q3 2022
Total Inventory (SF)	264,305,838	269,903,405	273,294,402
New Supply (SF)	2,637,446	715,871	3,390,997
Net Absorption (SF)	2,925,571	232,597	1,770,932
Overall Vacancy	6.7%	5.8%	6.6%
Under Construction (SF)	10,754,572	9,918,013	10,226,671
Overall Asking Rates (NNN)	\$9.73	\$10.67	\$11.13

## Market Graph



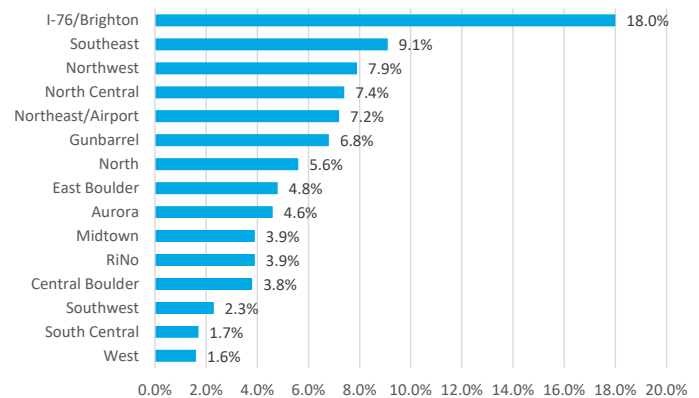
The second quarter was defined by construction-related challenges caused by material and labor shortages that delayed completions and tenant occupancies. While these issues remain, both deliveries and absorption rebounded substantially during the third quarter. The large concentration of spec product that delivered this quarter caused vacancy to rise, but new product has leased well during this cycle. Expect absorption and deliveries to remain elevated through the remainder of the year and for vacancy to contract slightly.

## Labor Force

	CONSTRUCTION	MANUFACTURING	TRANSPORTATION, TRADE & UTILITIES
12-Mo. Employment Growth	6.6%	5.0%	2.5%
12-Mo. Actual Employment Change	7,300	3,500	6,900

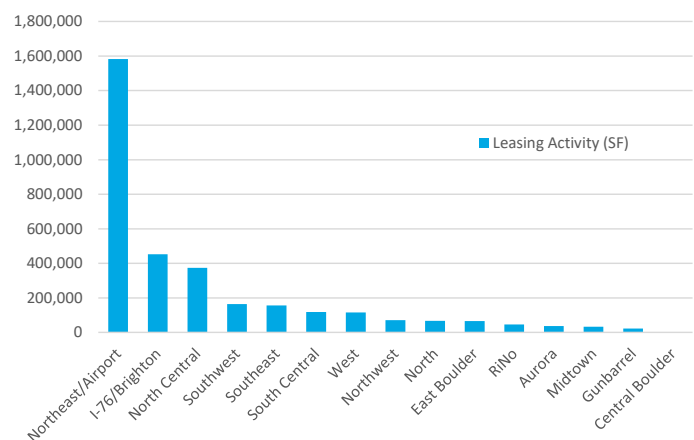
## Vacancy

Vacancy closed the third quarter 2022 at 6.6% on an overall basis, representing an 80-bps increase over the second quarter, but a 10-bps decrease year-over-year. Direct vacancy largely mirrored this as sublet space remains minimal around the metro, closing at 6.2% and indicating a 70-bps increase over the second quarter and no change from a year ago. This quarterly increase was the direct result of 3.3 MSF of spec product delivering this quarter that was collectively 82.4% vacant. The I-76/Brighton submarket recorded the highest vacancy in the metro by far at 18.0% as a result of the 1.3 MSF move-out that occurred last quarter while the West and South Central submarkets remain the tightest in the metro at sub-2.0%. Expect vacancy to contract slightly over the remainder of the year as newly delivered space leases up.



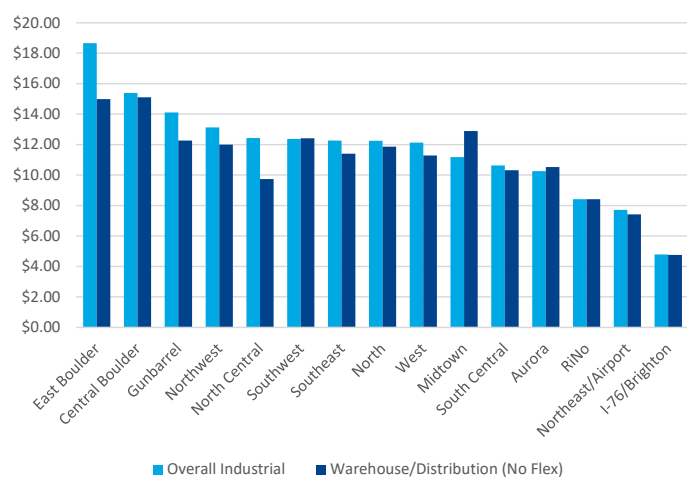
## Absorption & Leasing Activity

Denver industrial product recorded 3.3 MSF of leasing activity during the third quarter, marking the ninth consecutive quarter of activity in excess of 3.0 MSF. The top three deals of the quarter were renewals as Staples, SYGMA Network and Keller Warehousing all extended their existing leases. The largest new lease of the quarter was Acme as they leased 138,100 SF at Peoria Business Center. Absorption rebounded during the third quarter, nearing 1.8 MSF and bringing year-to-date absorption to 3.6 MSF. If not for the aforementioned 1.3 MSF move-out in Brighton during the second quarter and the build-out delays that continue to plague the market, Denver would be in the midst of another banner year for absorption. Expect absorption to remain strong through the end of the year as delayed tenant move-ins continue to occupy.



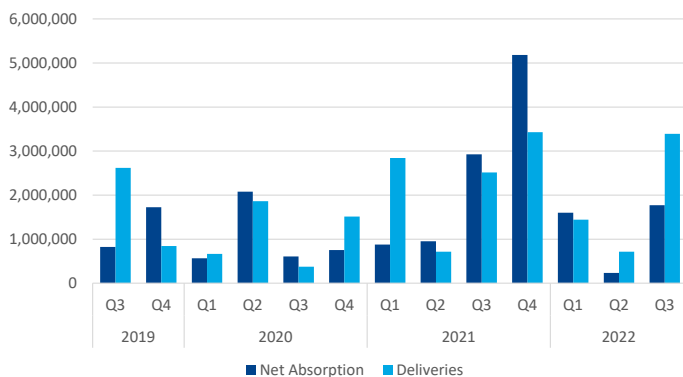
## Rental Rates

Average asking rental rates across all industrial product types closed the third quarter at \$11.13/SF on a triple net basis. This figure demonstrated quarterly growth of 4.3% and growth of 14.4% year-over-year, as well as representing the highest figure on record for the metro area. Asking rates for warehouse and distribution product (excluding flex) closed at \$9.50/SF NNN, indicating quarterly growth of 3.7%, year-over-year growth of 8.9%, and similarly representing the highest asking rates on record for the metro. Flex product set a new asking rate record as well, closing at \$15.29/SF NNN after increasing 3.7% over the second quarter and 16.6% year-over-year. As tenant demand remains strong and new product continues to deliver on increasingly expensive ground, expect this rate growth to continue for the foreseeable future.



## Construction

The Denver metro industrial pipeline continues to hum as 3.4 MSF delivered during the third quarter and 10.2 MSF remained under construction at quarter's end. The largest delivery of the quarter was First Aurora Commerce Center's 588,100-SF Building E, followed closely by the 541,800 SF Building 1 at HighPoint. Also noteworthy was Central Park Logistics Center as 695,900 SF delivered between two buildings. The most noteworthy projects to break ground this quarter were the BTS projects for Pepsi and Dollar General at 1.2 MSF and 919,000 SF, respectively. One noteworthy project slated to break ground next quarter is the 1.0-MSF Building 6 at Stafford Logistics Center, significant not only for its size but the fact that it will represent the first 1.0-MSF speculative building in Denver's history. The Northeast/Airport submarket continues to headline Denver's development boom, accounting for 63.5% of the quarter's deliveries and 54.4% of the projects currently underway. Expect development activity to remain elevated for the foreseeable future, with strong delivery volume over the remainder of the year while the number of proposed projects in the pipeline ensures continued development for the next several years, at a minimum.



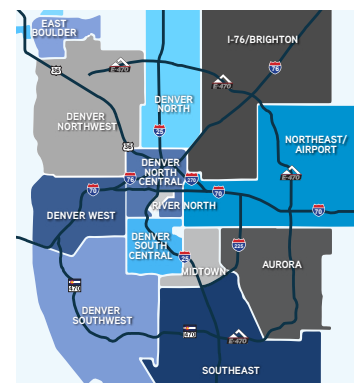
## Investment Activity

Industrial investment activity continues to amplify around the metro area. Total investment volume through three quarters neared \$2.0B, already trailing only last year's \$2.8B as the largest volume figure in Denver's history. Average price per square foot through three quarters reached \$201.56, an increase of 13.5% over last year and incredible growth of 92.1% over the past five years. The largest sale of the quarter was the two-building project at The Ridge which Opus sold to TA Realty for \$37.6M (\$173.07/SF). Another noteworthy sale this quarter was 13250 E. Smith Road which Dream REIT acquired from Artis REIT for \$30.4M (\$220.14/SF). A big fourth quarter could propel the market to a new annual sales volume record, as the volume recorded through three quarters is unprecedented for the Denver market. Expect investors to continue to aggressively pursue Denver industrial product. Although volatility in the debt market led to concerns over substantial upward adjustment in cap rates, the impact has been more muted than feared so far.



## Market Description

The Denver metro industrial market is composed of 273.3 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, food and beverage users, and other local distribution needs have increased. Tenant requirements are increasing in both volume and size as 24.0% 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.



## Notable Industrial Sales

Property	Submarket	Sale Price	SF	Price/SF	Buyer	Seller
The Ridge	Southeast	\$37,600,000	217,249	\$173.07	TA Realty	The Opus Group
13250 E. Smith Rd.	Northeast/Airport	\$30,350,000	137,868	\$220.14	Dream REIT	Artis REIT
Nexus at DIA - Bldg. D	Northeast/Airport	\$21,385,100	170,500	\$125.43	Scout Cold Logistics	Becknell
4221 Monaco St. (Auction Sale)	Northeast/Airport	\$18,315,000	261,255	\$70.10	Conscience Bay	4221 Monaco St., LLLP
5180 Fox St.	North Central	\$10,835,415	76,038	\$142.50	FlexHQ	Brennan

## Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
200 Bromley Business Pkwy.	I-76/Brighton	300,300	Renewal	Staples
Stapleton Business Center	Northeast/Airport	156,100	Renewal	SYGMA Network
Majestic Commercenter	Northeast/Airport	140,000	Renewal	Keller
Peoria Business Center - Bldg. 2	Northeast/Airport	138,100	New	Acme
76 Commerce Center - Bldg. 5	I-76/Brighton	125,600	Renewal	Walmart

## Under Construction

Property	Submarket	SF	Developer	Estimated Completion
Pepsi BTS	Northeast/Airport	1,200,000	Gray Construction	Q4 2023
Dollar General BTS	Northeast/Airport	919,000	Hyde	Q4 2023
DIA Logistics Park - Bldg. 1	Northeast/Airport	625,000	Ambrose	Q1 2023
Lovett 76	I-76/Brighton	613,758	Lovett Industrial	Q1 2023
76 Commerce Center - Bldg. 1	I-76/Brighton	546,000	Hyde	Q2 2023

# Denver | Q3 2022 | Industrial | Market Statistics



Type	# of Bldgs.	Total SF	Current Qtr. Deliveries	Under Construction	Total Available SF	Total Vacant SF	Vacancy %	Direct Available	Sublease Available	Absorption	Weighted Average Rent (NNN)
AURORA											
WAREHOUSE/DISTRIBUTION	24	589,165			29,539	29,539	5.0%	29,539	0		\$10.53
FLEX	42	1,502,960			71,922	66,655	4.4%	71,922	0		\$10.17
<b>TOTAL</b>	<b>66</b>	<b>2,092,125</b>	<b>0</b>	<b>0</b>	<b>101,461</b>	<b>96,194</b>	<b>4.6%</b>	<b>101,461</b>	<b>0</b>	<b>(29,542)</b>	<b>\$10.26</b>
CENTRAL BOULDER											
WAREHOUSE/DISTRIBUTION	35	1,158,728			74,644	33,674	2.9%	74,644	0		\$15.11
FLEX	16	593,050			66,163	32,405	5.5%	66,163	0		\$16.00
<b>TOTAL</b>	<b>51</b>	<b>1,751,778</b>	<b>0</b>	<b>0</b>	<b>140,807</b>	<b>66,079</b>	<b>3.8%</b>	<b>140,807</b>	<b>0</b>	<b>(13,572)</b>	<b>\$15.38</b>
NORTH											
WAREHOUSE/DISTRIBUTION	133	8,078,407			1,317,698	465,637	5.8%	1,314,798	2,900		\$11.87
FLEX	39	1,125,571			68,135	50,442	4.5%	65,135	3,000		\$13.71
<b>TOTAL</b>	<b>172</b>	<b>9,203,978</b>	<b>0</b>	<b>1,364,769</b>	<b>1,385,833</b>	<b>516,079</b>	<b>5.6%</b>	<b>1,379,933</b>	<b>5,900</b>	<b>193,122</b>	<b>\$12.25</b>
NORTH CENTRAL											
WAREHOUSE/DISTRIBUTION	833	34,420,054			2,843,183	2,198,000	6.4%	2,568,645	274,538		\$9.73
FLEX	64	1,976,723			537,077	483,293	24.4%	526,161	10,916		\$22.43
<b>TOTAL</b>	<b>897</b>	<b>36,396,777</b>	<b>612,524</b>	<b>134,368</b>	<b>3,380,260</b>	<b>2,681,293</b>	<b>7.4%</b>	<b>3,094,806</b>	<b>285,454</b>	<b>173,597</b>	<b>\$12.43</b>
NORTHWEST											
WAREHOUSE/DISTRIBUTION	219	9,818,291			830,597	602,924	6.1%	822,082	8,515		\$12.00
FLEX	131	4,908,541			761,063	556,357	11.3%	687,232	73,831		\$15.02
<b>TOTAL</b>	<b>350</b>	<b>14,726,832</b>	<b>241,912</b>	<b>482,845</b>	<b>1,591,660</b>	<b>1,159,281</b>	<b>7.9%</b>	<b>1,509,314</b>	<b>82,346</b>	<b>(52,735)</b>	<b>\$13.13</b>
SOUTH CENTRAL											
WAREHOUSE/DISTRIBUTION	705	21,943,430			711,018	360,755	1.6%	671,253	51,281		\$10.32
FLEX	40	996,050			45,720	28,362	2.8%	45,720	0		\$14.56
<b>TOTAL</b>	<b>745</b>	<b>22,939,480</b>	<b>0</b>	<b>0</b>	<b>756,738</b>	<b>389,117</b>	<b>1.7%</b>	<b>716,973</b>	<b>51,281</b>	<b>(99,421)</b>	<b>\$10.63</b>
SOUTHEAST											
WAREHOUSE/DISTRIBUTION	261	12,226,838			2,376,980	1,236,117	10.1%	2,271,005	105,975		\$11.40
FLEX	230	7,914,360			897,305	586,865	7.4%	825,277	72,028		\$13.18
<b>TOTAL</b>	<b>491</b>	<b>20,141,198</b>	<b>327,711</b>	<b>950,533</b>	<b>3,274,285</b>	<b>1,822,982</b>	<b>9.1%</b>	<b>3,096,282</b>	<b>178,003</b>	<b>307,036</b>	<b>\$12.26</b>
SOUTHWEST											
WAREHOUSE/DISTRIBUTION	209	7,196,753			785,423	213,139	3.0%	785,423	0		\$12.41
FLEX	128	7,671,471			156,402	125,628	1.6%	141,515	14,887		\$12.35
<b>TOTAL</b>	<b>337</b>	<b>14,868,224</b>	<b>0</b>	<b>0</b>	<b>941,825</b>	<b>338,767</b>	<b>2.3%</b>	<b>926,938</b>	<b>14,887</b>	<b>40,139</b>	<b>\$12.37</b>
WEST											
WAREHOUSE/DISTRIBUTION	344	17,657,215			562,742	251,444	1.4%	476,264	86,478		\$11.28
FLEX	142	4,790,395			138,826	111,136	2.3%	137,326	1,500		\$13.66
<b>TOTAL</b>	<b>486</b>	<b>22,447,610</b>	<b>0</b>	<b>0</b>	<b>701,568</b>	<b>362,580</b>	<b>1.6%</b>	<b>613,590</b>	<b>87,978</b>	<b>15,613</b>	<b>\$12.13</b>



Type	# of Bldgs.	Total SF	Current Qtr. Deliveries	Under Construction	Total Available SF	Total Vacant SF	Vacancy %	Direct Available	Sublease Available	Absorption	Weighted Average Rent (NNN)
EAST BOULDER											
WAREHOUSE/DISTRIBUTION	88	2,644,585			79,927	84,147	3.2%	79,927	0		\$14.98
FLEX	77	2,239,920			269,669	149,631	6.7%	223,669	46,000		\$20.30
<b>TOTAL</b>	<b>165</b>	<b>4,884,505</b>	<b>0</b>	<b>0</b>	<b>349,596</b>	<b>233,778</b>	<b>4.8%</b>	<b>303,596</b>	<b>46,000</b>	<b>15,182</b>	<b>\$18.66</b>
GUNBARREL											
WAREHOUSE/DISTRIBUTION	41	1,967,227			211,027	143,900	7.3%	181,750	29,277		\$12.27
FLEX	46	2,204,988			234,267	137,758	6.2%	183,475	50,792		\$15.56
<b>TOTAL</b>	<b>87</b>	<b>4,172,215</b>	<b>0</b>	<b>0</b>	<b>445,294</b>	<b>281,658</b>	<b>6.8%</b>	<b>365,225</b>	<b>80,069</b>	<b>17,500</b>	<b>\$14.11</b>
I-76/BRIGHTON											
WAREHOUSE/DISTRIBUTION	250	13,967,101			4,102,190	2,623,156	18.8%	4,102,190	0		\$4.76
FLEX	19	610,871			-	-	#VALUE!	-	-		\$16.00
<b>TOTAL</b>	<b>269</b>	<b>14,577,972</b>	<b>52,500</b>	<b>1,730,984</b>	<b>4,102,190</b>	<b>2,623,156</b>	<b>18.0%</b>	<b>4,102,190</b>	<b>0</b>	<b>112,616</b>	<b>\$4.79</b>
MIDTOWN											
WAREHOUSE/DISTRIBUTION	41	1,187,013			44,538	56,538	4.8%	44,538	0		\$12.89
FLEX	41	1,227,245			59,064	37,770	3.1%	59,064	0		\$10.44
<b>TOTAL</b>	<b>82</b>	<b>2,414,258</b>	<b>0</b>	<b>0</b>	<b>103,602</b>	<b>94,308</b>	<b>3.9%</b>	<b>103,602</b>	<b>0</b>	<b>(6,256)</b>	<b>\$11.18</b>
NORTHEAST/AIRPORT											
WAREHOUSE/DISTRIBUTION	1,150	95,676,928			11,159,350	6,961,074	7.3%	10,681,436	477,914		\$7.42
FLEX	73	3,036,638			281,716	135,743	4.5%	243,282	82,019		\$12.96
<b>TOTAL</b>	<b>1,223</b>	<b>98,713,566</b>	<b>2,156,350</b>	<b>5,563,172</b>	<b>11,441,066</b>	<b>7,096,817</b>	<b>7.2%</b>	<b>10,924,718</b>	<b>559,933</b>	<b>1,108,101</b>	<b>\$7.72</b>
RINO											
WAREHOUSE/DISTRIBUTION	73	3,581,398			153,576	151,500	4.2%	153,576	0		\$8.42
FLEX	8	382,486			8,851	2,878	0.8%	8,851	0		-
<b>TOTAL</b>	<b>81</b>	<b>3,963,884</b>	<b>0</b>	<b>0</b>	<b>162,427</b>	<b>154,378</b>	<b>3.9%</b>	<b>162,427</b>	<b>0</b>	<b>(10,448)</b>	<b>\$8.42</b>

\*As the path of growth stretches north, Colliers research re-aligned our submarkets during Q2 2022. This change impacted the North, North Central, Northwest and West submarkets.

## 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 2022</b>	<b>10,226,671</b>	<b>273,294,402</b>	<b>28,878,612</b>	<b>17,916,467</b>	<b>6.2%</b>	<b>27,541,862</b>	<b>1,391,851</b>	<b>1,770,932</b>	<b>\$9.50</b>	<b>\$11.13</b>
Quarterly Comparison										
Q2 2022	9,918,013	269,869,123	27,568,299	15,647,654	5.5%	26,366,548	1,284,279	232,597	\$9.16	\$10.67
Q1 2022	9,898,395	266,917,173	25,331,703	15,368,379	5.4%	23,975,142	1,420,467	1,601,784	\$9.30	\$10.80
Q4 2021	8,390,400	266,119,776	24,983,677	15,284,470	5.4%	23,734,473	1,329,773	5,181,489	\$8.94	\$10.30
Q3 2021	10,754,572	262,390,943	25,837,203	17,637,531	6.2%	24,550,999	1,432,835	2,925,571	\$8.72	\$9.73

FOR MORE INFORMATION  
 Tim Morris  
 Director of Research & Analytics  
 Denver, CO  
 +1 720 833 4630  
 tim.morris@colliers.com

Copyright © 2022 Colliers  
 The information contained herein has been obtained from sources deemed reliable. 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.

# 351 offices in 67 countries on 6 continents

United States: 115

Canada: 41

Latin America: 12

Asia Pacific: 33

EMEA: 78



**\$3.3B**  
in revenue



**2B**  
square feet under management



**18,000 +**  
professionals and staff

## About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 67 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners and investors. For more than 25 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of \$3.0 billion (\$3.3 billion including affiliates) and \$40 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people. Learn more at [corporate.colliers.com](http://corporate.colliers.com), Twitter @Colliers or LinkedIn.

## Market Contacts:

### **Brad Calbert, ULI, NAIOP**

President  
+1 303 283 4566  
[brad.calbert@colliers.com](mailto:brad.calbert@colliers.com)

### **TJ Smith, SIOR**

Principal  
+1 303 283 4576  
[tj.smith@colliers.com](mailto:tj.smith@colliers.com)

### **Tom Stahl, SIOR**

Principal  
+1 303 283 4572  
[tom.stahl@colliers.com](mailto:tom.stahl@colliers.com)

### **David Hazlett**

Principal  
+1 303 283 4573  
[david.hazlett@colliers.com](mailto:david.hazlett@colliers.com)

### **Steve Serenyi**

Principal  
+1 303 283 4578  
[steve.serenyi@colliers.com](mailto:steve.serenyi@colliers.com)

### **Cody Sheesley**

Principal  
+1 303 309 3520  
[cody.sheesley@colliers.com](mailto:cody.sheesley@colliers.com)

### **Tim Shay**

Principal  
+1 303 283 4594  
[tim.shay@colliers.com](mailto:tim.shay@colliers.com)

### **Matt Keyerleber**

Principal  
+1 303 309 3522  
[matt.keyerleber@colliers.com](mailto:matt.keyerleber@colliers.com)

### **Tyler Ryon**

Vice President  
+1 720 833 4612  
[tyler.ryon@colliers.com](mailto:tyler.ryon@colliers.com)

### **Barry Young**

Vice President  
+1 303 283 4580  
[barry.young@colliers.com](mailto:barry.young@colliers.com)

### **Nick Rice**

Vice President  
+1 720 833 4620  
[nick.rice@colliers.com](mailto:nick.rice@colliers.com)

### **Riggs Winz**

Broker Associate  
+1 303 283 4571  
[riggs.winz@colliers.com](mailto:riggs.winz@colliers.com)

### **Nicholas Nasharr**

Associate  
+1 303 283 4563  
[nicholas.nasharr@colliers.com](mailto:nicholas.nasharr@colliers.com)

---

Colliers | Denver Tech Center  
4643 S. Ulster Street, Suite 1000  
Denver, CO 80237 | USA

---

## REGIONAL AUTHORS:

### **Tim Morris**

Director of Research  
+1 720 833 4630  
[tim.morris@colliers.com](mailto:tim.morris@colliers.com)

**Colliers**