



Colliers

Denver

Industrial

22Q4

The Denver industrial market closed the year strong. Direct vacancy stayed flat despite another big quarter for deliveries while average asking rates closed with the highest figures on record to close a year for both flex and warehouse product. The pipeline continued to grow as high demand continues and absorption recorded another strong figure despite substantial occupancies pushing into the new year. **The table is set for another strong year for Denver industrial in 2023.**

Accelerating success.



Denver Industrial 22Q4

Key Takeaways

- The market recorded 1.5 MSF of absorption during the fourth quarter, bringing 2022's total to 5.1 MSF.
- Asking rates remained flat quarter-over-quarter, but remained the highest to close a year in history for both flex and warehouse product.
- The pipeline continues to grow as 2.3 MSF delivered during the fourth quarter and 10.6 MSF remained underway.
- Investment activity slowed over the second half of the year, but volume still reached the second highest annual figure in Denver's history while average price per square foot continued to climb.



Demand Remains Strong as Investors Mull the Future

The Denver industrial market recorded another strong year in 2022. Rental rates continue to hover near record highs, with both flex and warehouse product closing the year with the strongest average asking rates to close any year in Denver's history. Tenant demand remains robust as leasing activity outpaced the average of the prior three years and absorption recorded another strong year despite a 1.3-MSF move-out and tenant build out delays that pushed more than a million square feet of planned absorption into the new year. The pipeline continues to churn as 10.6 MSF was under construction at year's end despite more than 7.8 MSF delivering over the course of the year. Investment volume slowed during the second half of the year, as was the case for most of the country, but annual volume still trailed only last year's record figure as the highest in Denver's history while the average price per square foot continued to grow. The market is positioned for continued growth throughout 2023 as Denver remains the premier option for doing business in the Rocky Mountain region.

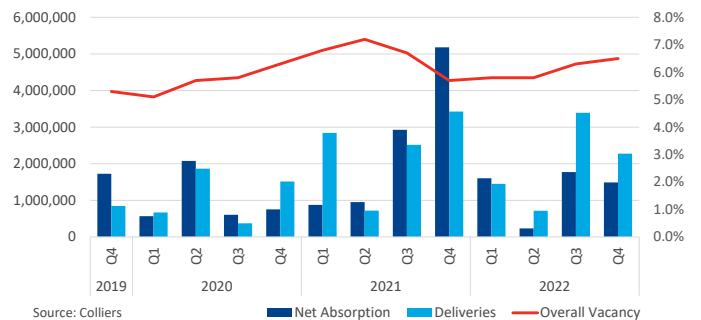
Market Indicators



Historic Comparison

	Q4 2021	Q3 2022	Q4 2022
Total Inventory (SF)	266,689,283	272,245,503	274,521,368
New Supply (SF)	3,432,362	3,390,997	2,275,865
Net Absorption (SF)	5,181,489	1,770,932	1,488,116
Overall Vacancy	5.7%	6.3%	6.5%
Under Construction (SF)	8,390,400	10,226,671	10,635,067
Overall Asking Rates (NNN)	\$10.30	\$11.13	\$11.12

Market Graph



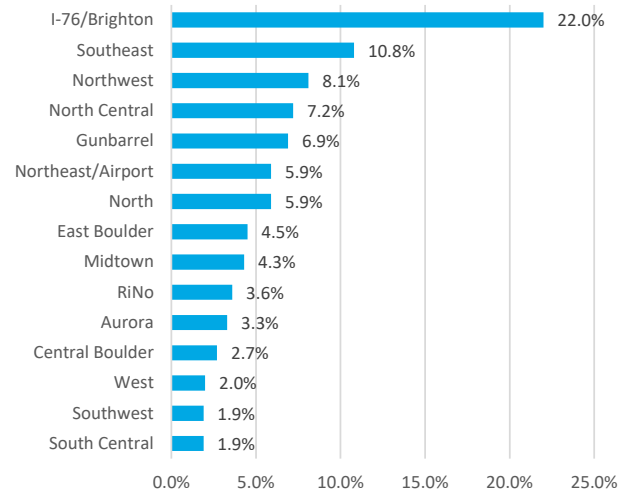
Net absorption and delivery volume were both strong during 2022. Although both metrics trailed 2021, it is important to remember that last year indicated records for each with nearly half of the volume due to massive BTS projects delivering and occupying over the second half of the year. Material and labor shortages hampered deliveries and occupancies throughout the year, with substantial projects and tenant move-ins pushed into the new year. While this impacted 2022's metrics, it also ensures strong absorption to start 2023 as these tenants take occupancy. Expect vacancy to remain mostly flat for the foreseeable future as strong tenant demand is matched by the continued delivery of new spec product.

Labor Force

	CONSTRUCTION	MANUFACTURING	TRANSPORTATION, TRADE & UTILITIES
12-Mo. Employment Growth	3.7%	1.7%	2.4%
12-Mo. Actual Employment Change	4,000	1,200	7,000

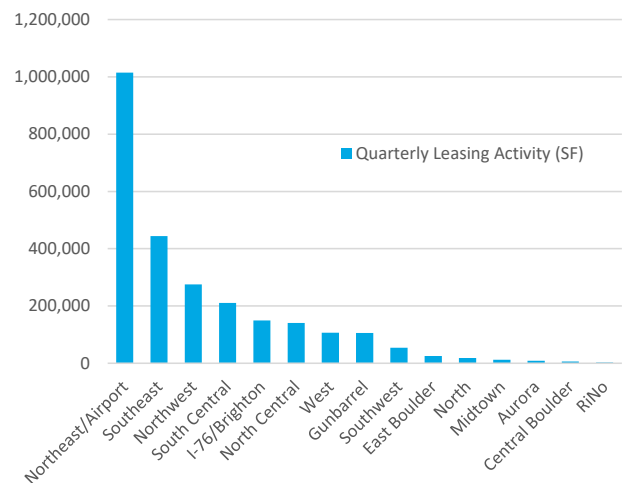
Vacancy

Vacancy closed the year at 6.5% on an overall basis, representing a 20-bps increase over the third quarter and an 80-bps increase over the course of the year. This quarterly increase was due to a marginal increase in sublet space as direct vacancy stayed flat quarter-over-quarter at 6.0% while sublet vacancy increased 20 bps to 0.5%. Climbing vacancy rates for the market over the course of the year were driven primarily by the delivery of new product, as tenant demand has remained robust while more than 6.4 MSF of spec product delivered to the metro over the course of 2022. A 1.3 MSF move out in Brighton during the second quarter also played a role, as evidenced by the I-76/Brighton submarket recording the highest vacancy in the metro to close the year, as this space remains vacant. Expect vacancy to remain mostly flat for the foreseeable future as strong demand is balanced by continued spec deliveries.



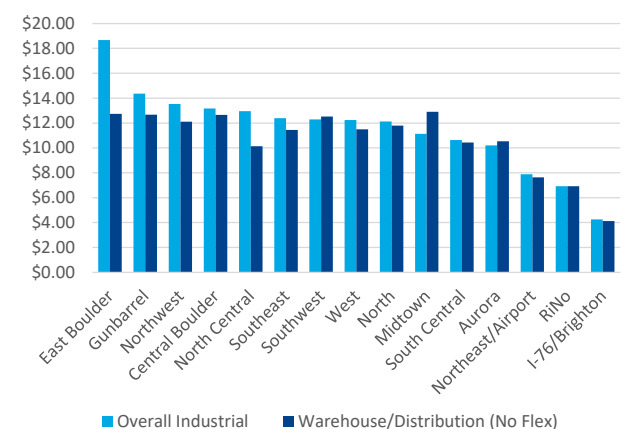
Absorption & Leasing Activity

Denver industrial product recorded over 17.3 MSF of leasing activity over the course of 2022. This figure fell below 2021's record figure of 20.6 MSF, but was above the 16.2 MSF average of the past three years. The largest lease of the quarter was Living Spaces' 141,200 SF at Clarion Gateway's Building 22. Also noteworthy were Eagle Rock's new 121,100 SF lease at Park 76 and Metrie's lease for 101,800 SF at Central Park Logistics Center. Absorption remained strong during the fourth quarter with 1.5 MSF, bringing the year's absorption to 5.1 MSF. While this was a good figure for absorption, the aforementioned move-out in Brighton and over a million square feet that pushed due to tenant buildout delays kept 2022 from being another banner year for the metro. Expect both figures to remain strong through the first half of 2023 due to continued demand and over 1.9 MSF of already signed leases slated for the first half.



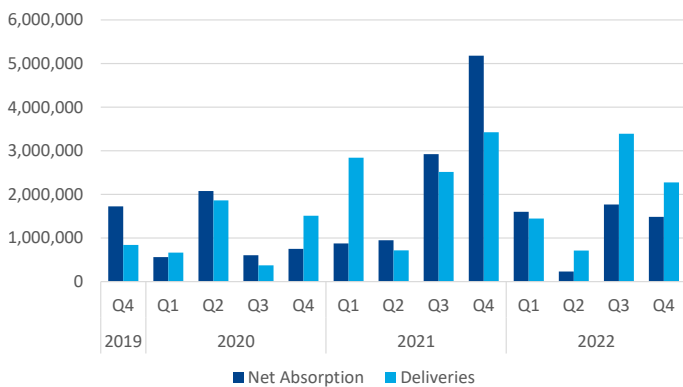
Rental Rates

Average asking rental rates across all industrial product types closed the fourth quarter at \$11.12/SF on a triple net basis. This figure represented no change from the third quarter, but indicated 8.0% growth over the course of the year. Asking rates for warehouse and distribution product (excluding flex) closed the year at \$9.47/SF NNN, similarly indicating no change from the third quarter but 5.9% growth over the end of 2021. Flex product asking rates increased marginally during the fourth quarter, but grew 6.5% during 2022 to close at \$15.33/SF NNN. All three of these metrics indicate the highest asking rates to close a year in Denver's history. 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.



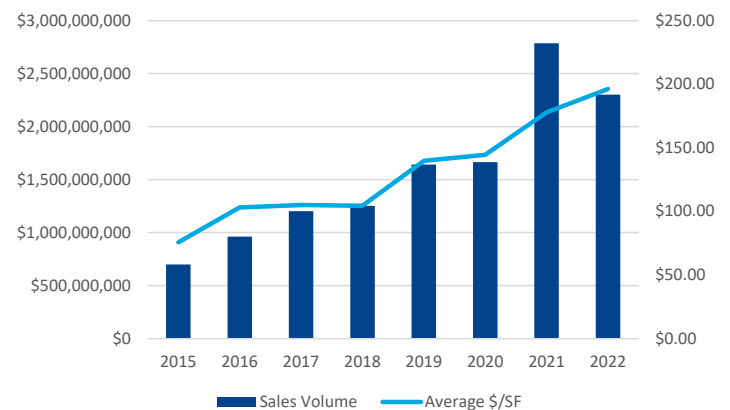
Construction

The Denver metro industrial pipeline continues to grow despite 2.3 MSF delivering during the fourth quarter, more than 10.6 MSF was under construction at year's end. 104th Commerce Park accounted for the largest chunk of this as Buildings 1 and 3 delivered a total of 571,200 SF. Also noteworthy was Clarion Gateway as Buildings 26 and 27 delivered 488,200 SF. The largest buildings currently under construction are two BTS projects for Pepsi and Dollar General at 1.2 MSF and 919,000 SF, respectively. One noteworthy project slated to break ground during the first half of 2023 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 57.8% of deliveries in 2022 and 51.3% of the projects currently underway. Expect development activity to remain elevated throughout 2023, while the number of proposed projects in the pipeline ensures continued development for the next several years, at a minimum.



Investment Activity

Industrial investment sale volume recorded just over \$2.3B during 2022, trailing only last year as the strongest figure in Denver's history. After recording the strongest first half to any year in Denver's history, activity slowed over the second half of 2022 as rising interest rates and upward adjustment in cap rates led to hesitancy among investors. Such was the case across most of the country, and the result is a number of investors with a mountain of dry powder to start 2023. Denver remains an attractive market due to the continued strong tenant demand and rent growth (30.7% over the past four years) that allows investors to push rates in newly acquired product. While sales volume slowed compared to 2021, average price per square foot continued to increase, closing the year over \$196/SF and demonstrating a 10.3% increase over 2021. The largest sale of the quarter was the 512,000 SF Broomfield Industrial Portfolio that Lightstone Group acquired from Westcore for \$72.0M (\$140.63/SF). This lower price per square foot compared to the year's average was driven by the lower clear, low office finish, and below market in-place rents in these metal buildings.



Market Description

The Denver metro industrial market is composed of 274.5 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
Broomfield Industrial Portfolio	Northwest	\$72,000,000	512,000	\$140.63	Lightstone Group	Westcore
Central 64	North Central	\$47,700,000	220,619	\$216.21	Nuveen	Corum
Airport Central	Northeast/ Airport	\$33,000,000	340,960	\$96.79	TA Realty	JP Morgan
DPI Foods Portfolio (CO Portion)	I-76/Brighton	\$31,874,000	98,118	\$324.85	Bridge Investment Group	DPI Foods
Academy Downs	Southwest	\$22,450,000	120,464	\$186.36	Gen Property Group	Berkeley

Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
Clarion Gateway - Bldg. 22	Northeast/Airport	141,200	New	Living Spaces
Park 76 - Bldg. 2	I-76/Brighton	121,100	New	Eagle Rock
Central Park Logistics Center - Bldg. 1	Northeast/Airport	101,800	New	Metrie
Bolder Innovation Campus - Bldg. 2	Northwest	98,600	New	Honeywell
Ascent Commerce Center - Bldg. 1	Northeast/Airport	66,700	New	La-Z-Boy

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	Q3 2023
Lovett 76	I-76/Brighton	613,758	Lovett Industrial	Q2 2023
76 Commerce Center - Bldg. 1	I-76/Brighton	546,000	Hyde	Q2 2023

Denver | Q4 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			76,241	40,066	2.7%	76,241	0		\$10.06
TOTAL	66	2,092,125	0	0	105,780	69,605	3.3%	105,780	0	(5,120)	\$10.20
CENTRAL BOULDER											
WAREHOUSE/DISTRIBUTION	35	1,158,728			73,184	32,214	2.8%	73,184	0		\$12.65
FLEX	16	593,050			66,163	14,253	2.4%	66,163	0		\$16.00
TOTAL	51	1,751,778	0	0	139,347	46,467	2.7%	139,347	0	19,612	\$13.17
NORTH											
WAREHOUSE/DISTRIBUTION	133	8,078,894			1,340,086	490,404	6.1%	1,322,386	17,700		\$11.80
FLEX	39	1,125,571			90,809	48,458	4.3%	87,809	3,000		\$13.64
TOTAL	172	9,204,465	0	1,665,228	1,430,895	538,862	5.9%	1,410,195	20,700	56,013	\$12.12
NORTH CENTRAL											
WAREHOUSE/DISTRIBUTION	833	34,429,372			3,151,192	2,147,436	6.2%	2,786,866	364,326		\$10.13
FLEX	65	1,992,023			549,942	492,560	24.7%	544,208	5,734		\$22.24
TOTAL	898	36,421,395	0	963,797	3,701,134	2,639,996	7.2%	3,331,074	370,060	337,040	\$12.95
NORTHWEST											
WAREHOUSE/DISTRIBUTION	222	9,954,918			1,017,319	611,689	6.1%	959,054	58,265		\$12.11
FLEX	135	5,126,294			831,966	602,687	11.8%	727,318	104,648		\$15.33
TOTAL	357	15,081,212	198,720	457,345	1,849,285	1,214,376	8.1%	1,686,372	162,913	81,909	\$13.54
SOUTH CENTRAL											
WAREHOUSE/DISTRIBUTION	705	21,933,922			538,286	379,530	1.7%	481,034	57,252		\$10.43
FLEX	39	978,018			39,634	51,812	5.3%	32,134	7,500		\$13.99
TOTAL	744	22,911,940	0	0	577,920	431,342	1.9%	513,168	64,752	49,272	\$10.64
SOUTHEAST											
WAREHOUSE/DISTRIBUTION	265	12,594,458			1,995,585	1,623,214	12.9%	1,860,585	135,000		\$11.44
FLEX	232	7,994,154			929,760	606,408	7.6%	824,125	105,635		\$13.34
TOTAL	497	20,588,612	439,256	667,860	2,925,345	2,229,622	10.8%	2,684,710	240,635	64,485	\$12.39
SOUTHWEST											
WAREHOUSE/DISTRIBUTION	206	7,129,923			773,077	167,570	2.4%	773,077	0		\$12.52
FLEX	128	7,673,222			165,186	112,712	1.5%	150,299	14,887		\$12.13
TOTAL	334	14,803,145	0	0	938,263	280,282	1.9%	923,376	14,887	65,559	\$12.29
WEST											
WAREHOUSE/DISTRIBUTION	344	17,679,092			591,982	333,289	1.9%	505,504	86,478		\$11.50
FLEX	142	4,783,959			218,131	114,686	2.4%	198,917	19,214		\$13.32
TOTAL	486	22,463,051	0	0	810,113	447,975	2.0%	704,421	105,692	37,511	\$12.24

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	2,646,081			103,388	59,434	2.2%	103,388	0		\$12.74
FLEX	77	2,239,884			290,118	162,189	7.2%	229,830	60,288		\$21.16
TOTAL	165	4,885,965	0	0	393,506	221,623	4.5%	333,218	60,288	11,975	\$18.67
GUNBARREL											
WAREHOUSE/DISTRIBUTION	40	1,867,227			204,377	122,099	6.5%	175,100	29,277		\$12.68
FLEX	47	2,306,443			175,578	165,290	7.2%	116,233	59,345		\$15.58
TOTAL	87	4,173,670	0	0	379,955	287,389	6.9%	291,333	88,622	88,013	\$14.37
I-76/BRIGHTON											
WAREHOUSE/DISTRIBUTION	252	14,538,327			4,267,909	3,326,340	22.9%	4,267,909	0		\$4.12
FLEX	19	610,871			10,808	0	0.0%	10,808	0		\$15.22
TOTAL	271	15,149,198	770,726	1,424,758	4,278,717	3,326,340	22.0%	4,278,717	0	121,063	\$4.26
MIDTOWN											
WAREHOUSE/DISTRIBUTION	40	1,165,797			43,759	47,610	4.1%	43,759	0		\$12.90
FLEX	42	1,237,294			64,170	56,322	4.6%	64,170	0		\$10.61
TOTAL	82	2,403,091	0	0	107,929	103,932	4.3%	107,929	0	(18,534)	\$11.14
NORTHEAST/AIRPORT											
WAREHOUSE/DISTRIBUTION	1,153	95,518,276			9,371,701	5,574,217	5.8%	8,884,072	487,629		\$7.64
FLEX	75	3,152,788			304,895	263,599	8.4%	290,632	57,848		\$12.65
TOTAL	1,228	98,671,064	867,163	5,456,079	9,676,596	5,837,816	5.9%	9,174,704	545,477	567,921	\$7.89
RINO											
WAREHOUSE/DISTRIBUTION	70	3,538,171			146,625	134,025	3.8%	146,625	0		\$6.92
FLEX	8	382,486			6,078	8,956	2.3%	6,078	0		-
TOTAL	78	3,920,657	0	0	152,703	142,981	3.6%	152,703	0	11,397	\$6.92

*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
Q4 2022	10,635,067	274,521,368	27,467,488	17,818,608	6.0%	25,837,047	1,674,026	1,488,116	\$9.47	\$11.12
Quarterly Comparison										
Q3 2022	10,226,671	272,977,976	27,559,143	17,295,565	6.0%	26,222,393	1,391,851	1,770,932	\$9.50	\$11.13
Q2 2022	9,918,013	269,298,531	26,974,799	15,680,875	5.5%	25,773,048	1,284,279	232,597	\$9.16	\$10.67
Q1 2022	9,898,395	267,374,581	24,840,817	15,381,351	5.4%	23,484,256	1,420,467	1,601,784	\$9.30	\$10.80
Q4 2021	8,390,400	266,577,184	24,914,544	15,283,617	5.4%	23,665,340	1,329,773	5,181,489	\$8.94	\$10.30

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\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

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