



Colliers

Denver

Industrial

23Q1

The Denver industrial market closed the first quarter with the highest average asking rental rates on record across all industrial product types. Tenant demand remains steady as the pipeline continues to churn out new product. Absorption was hampered once again by tenant buildout delays, but planned occupancies assure strong absorption over the next several quarters. **Denver remains the premier option for doing business in the Rocky Mountain Region.**

Accelerating success.



Denver Industrial 23Q1

Key Takeaways

- The market recorded 628,702 SF of absorption this quarter as tenant buildout delays continue, pushing 1.5 MSF into the second quarter and beyond.
- Asking rates continued their steady climb, closing with new records for both warehouse and flex product, as well as the overall industrial market.
- The pipeline continues to surge as 1.7 MSF delivered during the first quarter and 10.2 MSF remained underway.
- Investment activity remains muted as uncertainty in the debt market continues, however a rebound is anticipated as clarity improves over the remainder of the year.



Rates Continue to Soar as Investors Mull the Future

The Denver industrial market started 2023 with new records across the board in terms of asking rates as landlords continue to push rates while new product continues to deliver on increasingly expensive ground. Tenant demand dipped to start the year, but is anticipated to rebound over the coming months as demand remains steady and new product abounds. Vacancy trickled up during the quarter, largely due to the 1.6 MSF of spec product that delivered to the market. Absorption was muted as tenant buildout delays continue to define the market, pushing 1.5 MSF of planned occupancies into the second quarter and beyond. Investors largely remained on the sidelines during the quarter, but with a mountain of dry powder sitting since late last year, a strong rebound is anticipated over the remainder of the year, amplified as clarity on interest rates improves as the year moves along. The market is positioned for a strong 2023, despite a slower start to the year, as Denver remains the premier location for doing business in the Rocky Mountain region.

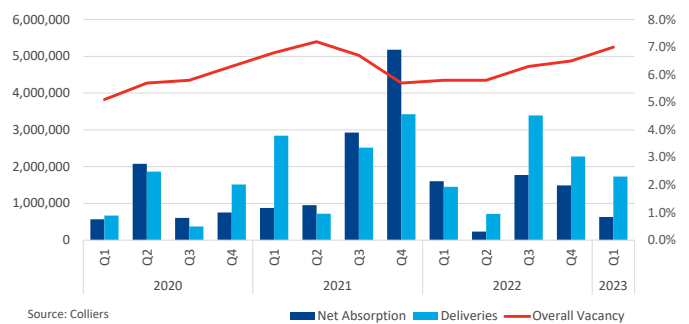
Market Indicators



Historic Comparison

	Q1 2022	Q4 2022	Q1 2023
Total Inventory (SF)	267,544,161	275,604,896	277,335,898
New Supply (SF)	1,449,352	2,275,865	1,731,002
Net Absorption (SF)	1,601,784	1,488,116	628,702
Overall Vacancy	5.8%	6.5%	7.0%
Under Construction (SF)	9,898,395	10,635,067	10,241,841
Overall Asking Rates (NNN)	\$10.82	\$11.05	\$11.44

Market Graph



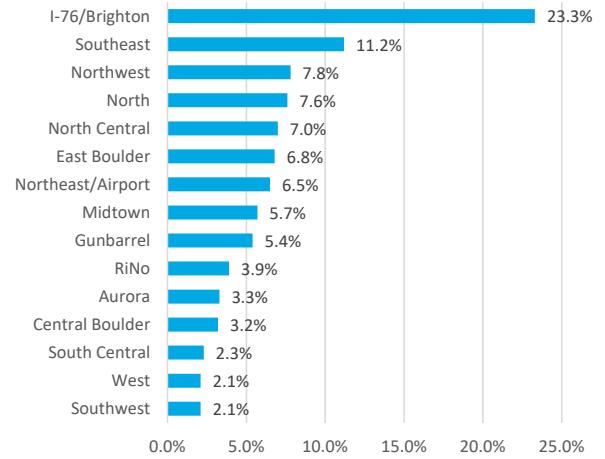
Net absorption was muted to start the year as tenant buildout delays continue to hamper the market, pushing 1.5 MSF of planned occupancies into the second quarter and beyond. Vacancy trickled up during the first quarter as a result of 1.6 MSF of spec product delivering largely vacant during the quarter. This has been typical of development in Denver, with lease-up typically taking 12-18 months, so expect this product to absorb well, but as more product delivers around the metro, vacancy should remain mostly flat over the course of the year. While this appears inflated against the rest of the West region, this is not unhealthy for a market experiencing the rapid growth of Denver.

Labor Force

	CONSTRUCTION	MANUFACTURING	TRANSPORTATION, TRADE & UTILITIES
12-Mo. Employment Growth	1.6%	1.4%	-0.4%
12-Mo. Actual Employment Change	1,700	1,000	-1,300

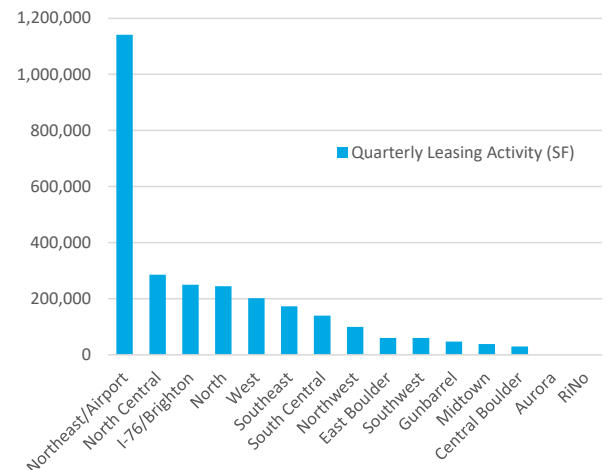
Vacancy

Vacancy closed the first quarter at 7.0% on an overall basis, representing a 50-bps increase over the end of the year. This quarterly increase was primarily due to the delivery of 1.6 MSF of spec product delivering largely vacant during the quarter. Direct vacancy largely mirrored this growth, as sublet space remains minimal around the metro area, increasing 40-bps during the first quarter. It is important to note the continued impact of 18875 E. Bromley Lane up in Brighton. The 1.3 MSF building recorded a full-building move-out during the second quarter of last year. Although 250,000 SF leased this quarter, the more than 1.0 MSF that remains vacant there is having an enormous impact on metro vacancy, as evidenced by the I-76/Brighton submarket recording the highest vacancy in the metro by a large margin. Expect vacancy to remain mostly flat for the foreseeable future as steady demand is balanced by continued spec deliveries.



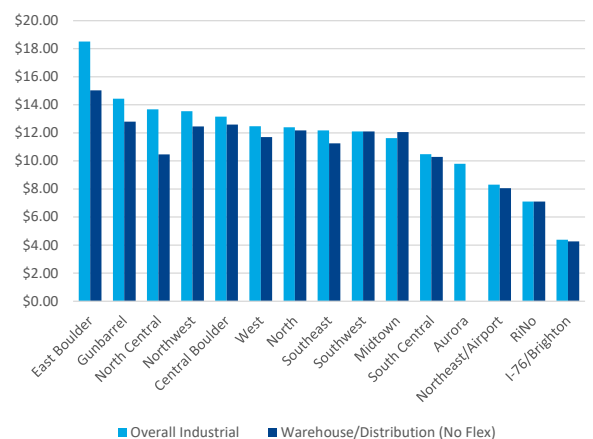
Absorption & Leasing Activity

Denver industrial product recorded 2.8 MSF of leasing activity during the first quarter 2023. While activity was below historical averages, it is important to note the recent shift in many large users' preference for owning their real estate. In the past 12 months, we have seen Whole Foods, Dollar General, Pepsi, Microsoft, and most recently Coca-Cola (albeit via way of a 75-year land lease) demonstrate their preference for owning their real estate. While this continues to show tenant confidence in the market, these projects do not hit leasing activity. Overall net absorption was similarly muted compared to recent quarterly averages at 628,700 SF. This figure continues to be defined by tenant buildout delays, with more than 1.5 MSF of planned occupancies pushed into the second quarter and beyond. Expect both figures to rebound over the course of the year as demand remains steady, new product abounds, and many planned move-ins finally occupy their space.



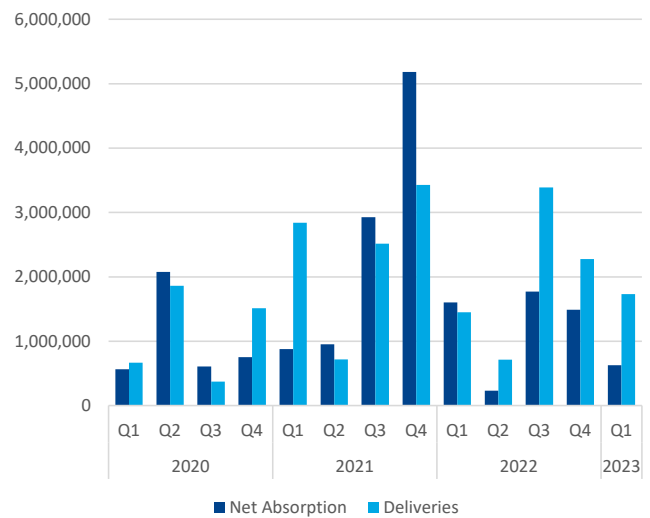
Rental Rates

Average asking rental rates continue to soar across all industrial product types, closing at \$11.44/SF on a triple net basis. This represented growth of 3.5% over the end of 2022 and 5.7% growth year-over-year. Asking rates for warehouse and distribution product (excluding flex) closed the quarter at \$9.91/SF NNN, demonstrating growth of 4.8% during the quarter and 6.6% year-over-year. Flex rates increased as well, closing at \$15.42/SF NNN after growing 1.3% from the end of 2022 and 4.5% since the first quarter of last year. All three of these figures represent the highest on record for the metro area. As new product continues to deliver on increasingly expensive ground and lease escalations north of 3.0% are fast becoming the norm for the metro, expect this growth to continue for the foreseeable future.



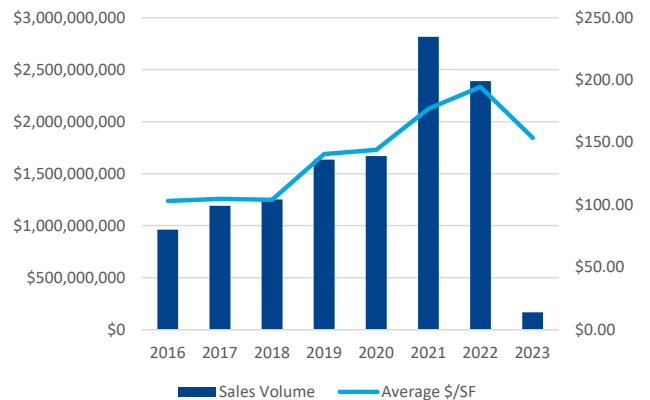
Construction

The Denver metro industrial pipeline remains robust around the metro area. More than 1.7 MSF delivered during the first quarter, while 10.2 MSF remained under construction at quarter's end. The largest delivery of the quarter was Building 1 at 76 Commerce Center at 546,000 SF. The two largest projects remaining under construction are the BTS deals for Pepsi and Dollar General at 1.2 MSF and 919,000 SF, respectively. One noteworthy project slated to break ground during the next few quarters 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. While it was a relatively slow quarter for deliveries in the Northeast/Airport submarket with 437,800 SF delivering, the submarket continues to lead the way for Denver's industrial boom, accounting for 58.3% of the metro's product under construction at quarter's end. 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.



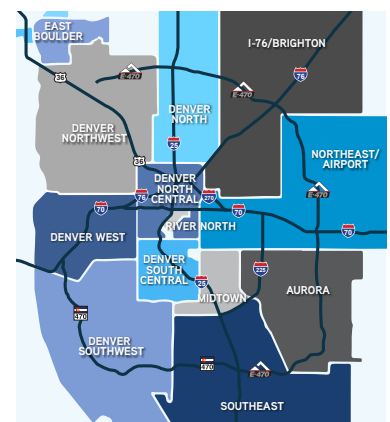
Investment Activity

Industrial investment sale volume was muted to start the year with \$167.6M transacting during the first quarter. This is a continuation of what we saw to end 2022 as interest rates have had a tremendous impact on investor underwriting. Clarity for the future of the debt market is improving, and is expected to improve drastically over the course of the year, so expect sales volume to rebound substantially over the course of the year with a mountain of investor dry powder sitting on the sidelines. Average price per square foot dipped as well, although it is important to remember the last two years recorded the highest average price per square foot in Denver's history. The largest sale of the quarter was FedEx's building at Porteos that Stonemont Financial acquired from Scannell for \$72.2M (\$150.78/SF).



Market Description

The Denver metro industrial market is composed of 277.3 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 26.5% of the buildings over 100,000 SF in the market have been built since the end of 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
FedEx Porteos	Northeast/Airport	\$72,219,900	478,960	\$150.78	Stonemont Financial	Scannell Properties
4990 Iris Street	West	\$9,000,000	68,094	\$132.17	Tempus Realty Partners	GPT
Denver Business Center - Building 10	Northeast/Airport	\$8,400,000	72,625	\$115.66	Tilray Inc.	Flora Properties LLC
5185 Miller Street	West	\$4,950,000	24,132	\$205.12	Three Diamond Capital	Henri Nelson
185 West Mexico Avenue	South Central	\$2,323,000	14,310	\$162.33	DoubleBay Partners	Vita Needle Company

Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
18875 East Bromley Lane	I-76/Brighton	250,000	New	Johnson Cherry Creek
HighPoint - Building 1	Northeast/Airport	170,300	New	PrimeSource
25 North - Building 6	North	135,000	New	Ferguson
Stafford Logistics Center - Building 2	Northeast/Airport	110,900	New	Lanter Global Systems
Baseline - Building 3	North	76,200	New	Eaton

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
Sun Empire - Bldg. 1A	Northeast/Airport	622,500	Opus	Q4 2023
Lovett 76	I-76/Brighton	613,758	Lovett Industrial	Q4 2023

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		-
FLEX	42	1,502,960			64,153	39,611	2.6%	64,153	0		\$9.80
TOTAL	66	2,092,125	0	0	93,692	69,150	3.3%	93,692	0	(9,584)	\$9.80
CENTRAL BOULDER											
WAREHOUSE/DISTRIBUTION	35	1,118,248			52,300	39,576	3.5%	52,300	0		\$12.59
FLEX	16	555,525			66,163	14,253	2.6%	66,163	0		\$16.00
TOTAL	51	1,673,773	0	0	118,463	53,829	3.2%	118,463	0	13,376	\$13.16
NORTH											
WAREHOUSE/DISTRIBUTION	135	8,362,198			1,662,817	638,380	7.6%	1,647,171	15,646		\$12.18
FLEX	39	1,126,502			112,072	81,438	7.2%	112,072	0		\$13.57
TOTAL	174	9,488,700	216,825	1,448,403	1,774,889	719,818	7.6%	1,759,243	15,646	107,947	\$12.40
NORTH CENTRAL											
WAREHOUSE/DISTRIBUTION	832	34,522,275			3,233,730	2,006,909	5.8%	2,988,249	434,601		\$10.46
FLEX	65	1,992,023			538,932	546,241	27.4%	529,569	9,363		\$22.76
TOTAL	897	36,514,298	0	963,797	3,772,662	2,553,150	7.0%	3,517,818	443,964	(76,883)	\$13.67
NORTHWEST											
WAREHOUSE/DISTRIBUTION	224	10,016,622			975,422	579,905	5.8%	918,057	57,365		\$12.46
FLEX	136	5,349,990			630,312	612,289	11.4%	553,878	76,434		\$15.64
TOTAL	360	15,366,612	0	591,745	1,605,734	1,192,194	7.8%	1,471,935	133,799	(192,660)	\$13.55
SOUTH CENTRAL											
WAREHOUSE/DISTRIBUTION	703	21,920,581			675,171	490,645	2.2%	615,392	59,779		\$10.28
FLEX	39	978,018			64,478	46,290	4.7%	46,148	18,330		\$13.22
TOTAL	742	22,898,599	0	0	739,649	536,935	2.3%	661,540	78,109	(109,700)	\$10.48
SOUTHEAST											
WAREHOUSE/DISTRIBUTION	268	12,890,502			2,172,815	1,712,321	13.3%	2,094,655	78,160		\$11.25
FLEX	231	7,923,930			1,001,352	615,571	7.8%	923,631	77,721		\$13.38
TOTAL	499	20,814,432	477,877	384,559	3,174,167	2,327,892	11.2%	3,018,286	155,881	141,158	\$12.17
SOUTHWEST											
WAREHOUSE/DISTRIBUTION	206	7,158,949			795,271	173,643	2.4%	795,271	0		\$12.10
FLEX	129	7,723,222			163,645	135,395	1.8%	142,308	21,337		\$12.10
TOTAL	335	14,882,171	0	0	958,916	309,038	2.1%	937,579	21,337	11,858	\$12.10
WEST											
WAREHOUSE/DISTRIBUTION	343	17,675,605			436,418	335,876	1.9%	351,937	84,481		\$11.70
FLEX	144	4,815,219			239,062	145,909	3.0%	216,373	22,689		\$13.53
TOTAL	487	22,490,824	0	0	675,480	481,785	2.1%	568,310	107,170	(19,994)	\$12.47

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	89	2,687,041			186,963	98,819	3.7%	186,963	0		\$15.03
FLEX	77	2,239,884			358,453	235,032	10.5%	233,758	124,695		\$21.40
TOTAL	166	4,926,925	0	0	545,416	333,851	6.8%	420,721	124,695	(48,919)	\$18.51
GUNBARREL											
WAREHOUSE/DISTRIBUTION	40	1,883,579			261,496	114,635	6.1%	232,679	28,817		\$12.80
FLEX	47	2,310,572			246,865	112,156	4.9%	216,988	29,877		\$15.88
TOTAL	87	4,194,151	0	0	508,361	226,791	5.4%	449,667	58,694	(64,565)	\$14.44
I-76/BRIGHTON											
WAREHOUSE/DISTRIBUTION	254	15,302,923			4,583,180	3,701,117	24.2%	4,469,180	114,000		\$4.26
FLEX	19	610,871			10,808	10,808	1.8%	10,808	0		\$15.22
TOTAL	273	15,913,794	598,500	878,758	4,593,988	3,711,925	23.3%	4,479,988	114,000	247,979	\$4.39
MIDTOWN											
WAREHOUSE/DISTRIBUTION	42	1,188,733			68,353	64,041	5.4%	68,353	0		\$12.05
FLEX	41	1,227,245			129,928	72,689	5.9%	129,928	0		\$11.55
TOTAL	83	2,415,978	0	0	198,281	136,730	5.7%	198,281	0	(18,504)	\$11.62
NORTHEAST/AIRPORT											
WAREHOUSE/DISTRIBUTION	1,154	96,583,209			10,719,818	6,193,919	6.4%	10,212,498	507,320		\$8.05
FLEX	75	3,152,788			295,124	281,962	8.9%	289,066	49,643		\$12.78
TOTAL	1,229	99,735,997	437,800	5,974,579	11,014,942	6,475,881	6.5%	10,501,564	556,963	647,193	\$8.31
RINO											
WAREHOUSE/DISTRIBUTION	70	3,545,069			146,625	146,625	4.1%	146,625	0		\$7.10
FLEX	8	382,450			22,623	6,078	1.6%	22,623	0		-
TOTAL	78	3,927,519	0	0	169,248	152,703	3.9%	169,248	0	0	\$7.10

*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
Q1 2023	10,241,841	277,335,898	29,943,888	19,281,672	6.5%	28,366,335	1,810,258	628,702	\$9.91	\$11.44
Quarterly Comparison										
Q4 2022	10,635,067	275,324,491	27,656,823	17,979,322	6.1%	26,075,689	1,624,719	1,488,116	\$9.46	\$11.05
Q3 2022	10,226,671	273,630,379	27,950,619	17,341,157	6.0%	26,628,992	1,376,728	1,770,932	\$9.50	\$11.16
Q2 2022	9,918,013	269,468,111	26,928,436	15,723,688	5.5%	25,741,808	1,269,156	232,597	\$9.17	\$10.70
Q1 2022	9,898,395	267,544,161	24,741,967	15,470,082	5.4%	23,400,529	1,405,344	1,601,784	\$9.30	\$10.82

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\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

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