



Colliers

Denver

Industrial

23Q2

The Denver industrial market closed the second 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 recorded a strong rebound, while continued tenant buildout delays ensure strong figures through the end of the year as already-planned occupancies move in. **The table is set for a strong second half for Denver industrial product.**

Accelerating success.



Denver Industrial 23Q2

Key Takeaways

- The market recorded 1.6 MSF of absorption during the second quarter, bringing YTD to just over 2.2 MSF.
- Asking rates continued their steady climb, closing with new records for both warehouse and flex product, as well as the overall industrial market, for the second consecutive quarter.
- The pipeline continues to surge as 1.8 MSF delivered during the second quarter and 8.9 MSF remained underway.
- Investment activity remains muted as uncertainty in the debt market continues, however a rebound is anticipated as clarity improves over the second half of the year.



Rates Continue to Soar as Absorption Rebounds

The Denver industrial market reached the midpoint of 2023 with strong metrics across the board. Asking rates continued their steady rise, with flex, warehouse, and overall industrial rates all setting new record-highs for the metro area for the second consecutive quarter. Tenant demand continued to intensify with the strongest figure for leasing activity since the third quarter of last year. Vacancy tightened this quarter for the first time since 2021, driven by strong absorption figures. The pipeline remains robust after another big quarter for deliveries. Investment volume remained muted through the first half of the year, but with a mountain of dry powder sitting since late last year, a strong rebound is anticipated over the second half of the year, amplified as clarity on interest rates improves as the year moves along. The market is positioned for continued growth through the second half of 2023, as Denver remains the premier location for doing business in the Rocky Mountain region.

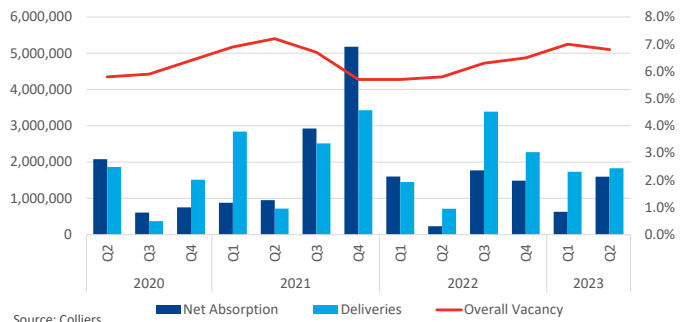
Market Indicators



Historic Comparison

	Q2 2022	Q1 2023	Q2 2023
Total Inventory (SF)	269,781,780	276,624,661	278,454,857
New Supply (SF)	715,871	1,731,002	1,830,196
Net Absorption (SF)	232,597	628,702	1,597,738
Overall Vacancy	5.8%	7.0%	6.8%
Under Construction (SF)	9,918,013	10,241,841	8,924,365
Overall Asking Rates (NNN)	\$10.70	\$11.44	\$11.74

Market Graph



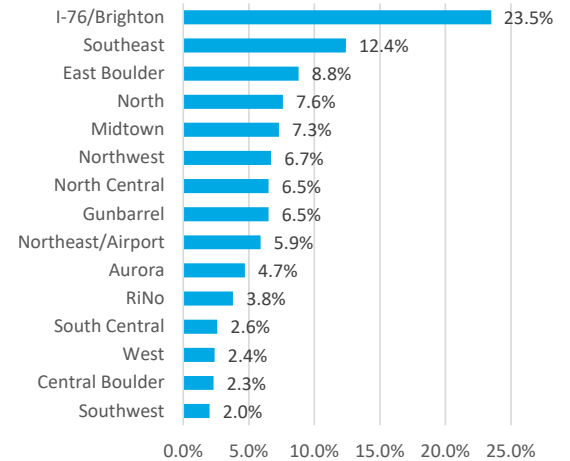
Net absorption recorded a strong figure during the second quarter, a welcome rebound after tenant buildout delays strongly impacted absorption earlier in the year. Overall vacancy dipped for the first time since 2021, buoyed by these strong absorption figures. More than 1.8 MSF delivered during the quarter, and the pipeline continued to hum with 8.9 MSF still under construction at quarter's close. Given the size of the construction pipeline, and the continued delays in tenant buildouts, expect vacancy to remain mostly flat, or even trickle up over the remainder of the year. However, rising construction prices, and potential overbuilding in the Northeast submarket, could lead to slowing development over the next couple years, which would cause vacancy to plummet as demand remains robust.

Labor Force

	CONSTRUCTION	MANUFACTURING	TRANSPORTATION, TRADE & UTILITIES
12-Mo. Employment Growth	-0.1%	1.3%	-1.8%
12-Mo. Actual Employment Change	-100	900	-5,100

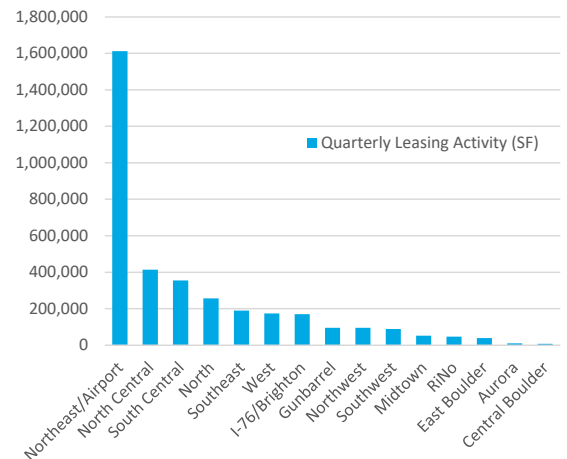
Vacancy

Vacancy closed the second quarter at 6.8% on an overall basis, representing a 20 bps decrease from the first quarter. Direct vacancy largely mirrored this decrease, as sublet space remains minimal around the metro area, decreasing 10 bps to close at 6.5%. This decrease was driven by strong figures for absorption this quarter, but was muted as new spec product continues to deliver to the market. While this vacancy may look high compared to other metros in the west region, it is important to keep in mind two major impactors. First, the 1.3 MSF 18875 E. Bromley Lane that recorded a full building move-out last year and is contributing nearly 40 bps to this vacancy stat, and secondly, the massive impact that Denver's development boom has had on vacancy. While this space has seen steady demand, preleasing has historically been slow in Denver, and this space takes time to lease up. When looking only at buildings that delivered before the end of 2020, Denver's vacancy is 230 bps lower at 4.5%. Expect vacancy to stay mostly flat over the next several quarters.



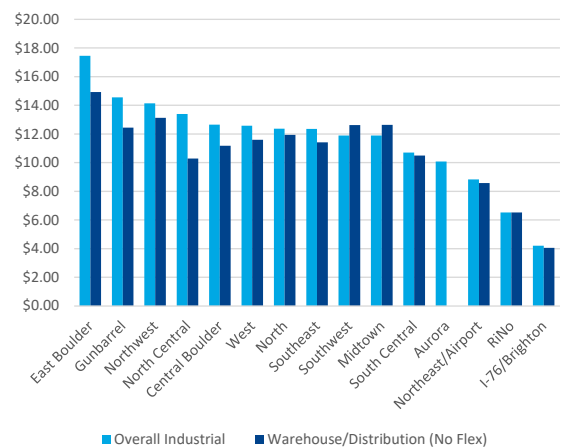
Absorption & Leasing Activity

Denver industrial product recorded 3.4 MSF of leasing activity during the second quarter 2023, marking the highest figure since the third quarter of last year. The largest lease of the quarter was Symbia's 330,500 SF lease at the Nexus at DIA project. Also noteworthy was RFMX Corp.'s 265,400 SF lease at 4221 Monaco Street, and another in new construction as Office Elements took 142,300 SF at Clarion Gateway's Building 26. Overall net absorption recorded a rebound this quarter, recording 1.6 MSF and bringing year-to-date absorption to 2.2 MSF, marking the strongest start to a year since 2020. Tenant buildout delays have improved, but continue to hamper tenant occupancies. Expect both figures to remain strong through the remainder of the year as demand remains steady, options in new product abound, and more already planned move-ins finally take occupancy of their space.



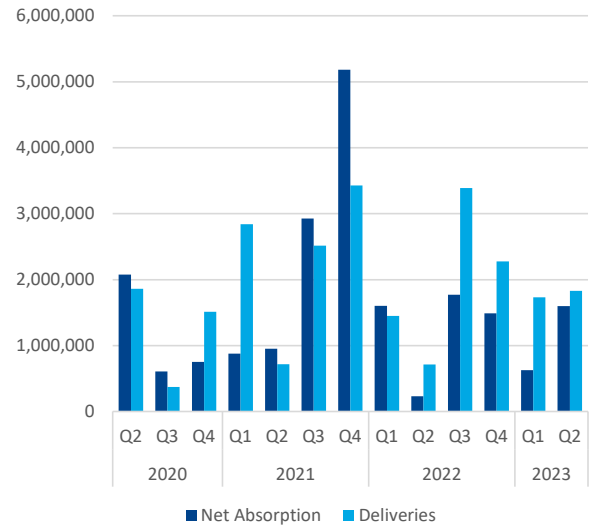
Rental Rates

Average asking rental rates continue to soar across all industrial product types, closing at \$11.74/SF on a triple net basis. This figure represents growth of 2.6% from the first quarter and 9.7% growth year-over-year. Asking rates for warehouse and distribution product (excluding flex) closed the quarter at \$10.36/SF NNN, demonstrating growth of 5.1% during the quarter and 13.1% year-over-year. Flex rates increased as well, closing the quarter at \$15.66/SF NNN after increasing 1.7% during the quarter and 6.3% from this time last year. For the second consecutive quarter, all of these average asking rates represent the highest on record for the Denver metro. 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.



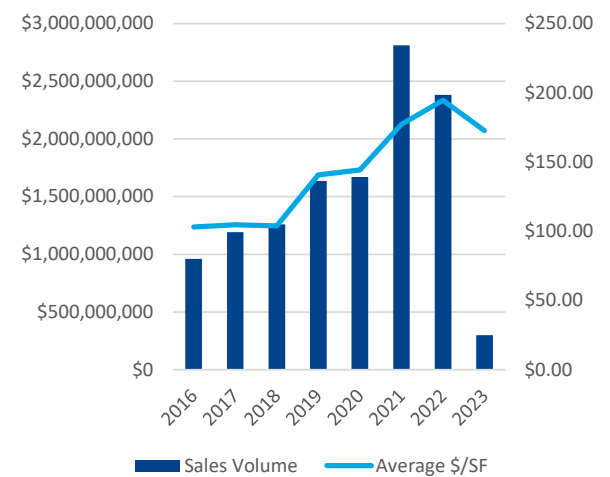
Construction

The Denver metro industrial pipeline continues to deliver new product around the metro area. More than 1.8 MSF delivered during the second quarter with 8.9 MSF still underway at quarter's end. Stafford Logistics Center led the way for deliveries with two buildings delivering a combined 695,000 SF. Also noteworthy were Buildings 3 and 4 at Baseline delivering 305,500 SF and the completion of the two-building Verve Commerce Center for 284,100 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. The Northeast/Airport submarket continues to define Denver's development boom, accounting for 45.8% of the quarter's deliveries and 63.3% of the projects currently underway. Expect development activity to continue to surge through the end of the year, but as vacancy has trickled up, there may be a slowing in development activity, especially in some submarkets, looking ahead 12-18 months.



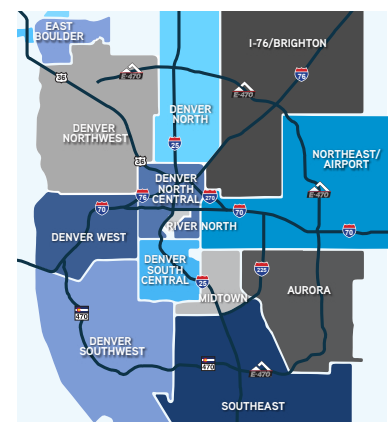
Investment Activity

Industrial investment sale volume remains muted across the country, and Denver has been no exception, reaching the mid-year point with just over \$300.6M in volume. 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 expected to improve drastically over the second half 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. With many investors waiting for data points, the first few major sales are likely to have a domino effect on the remainder of the year. Average price per square foot has dipped compared to the records seen last year, but remains elevated at \$172.55/SF. The largest sale of the quarter was Central Connection which EverWest purchased from Komunale/JP Morgan for \$39.6M (\$203.17/SF).



Market Description

The Denver metro industrial market is composed of 278.5 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 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
Central Connection	North Central	\$39,559,000	194,710	\$203.17	EverWest	Comunale/JP Morgan
1247 E. 68th Avenue	North Central	\$5,000,000	25,413	\$196.75	Alterra Property Group	Jeco
2700 S. Raritan Street	South Central	\$4,200,000	30,000	\$140.00	Amy MacLeod	Ipax Inc.
405 S. Pierce Avenue	Northwest	\$3,850,000	14,850	\$259.26	600 Diagonal LLC	Centum Health Properties
185 W. Mexico Avenue	South Central	\$3,500,000	14,310	\$244.58	Orval Oliver	Aviv Rubin

Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
Nexus at DIA	Northeast/Airport	330,500	New	Symbia
4221 Monaco Street	Northeast/Airport	265,400	New	RFMX Corp
Clarion Gateway - Bldg. 26	Northeast/Airport	142,300	New	Office Elements
12777 Claude Court	Northwest	138,200	Renewal	Allegro Coffee
104th Commerce Park - Bldg. 3	I-76/Brighton	126,300	New	Boise Cascade

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	Q1 2024
Lovett 76	I-76/Brighton	613,758	Lovett Industrial	Q4 2023

Denver | Q2 2023 | 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		-
FLEX	42	1,502,960			97,496	68,004	4.5%	97,496	0		\$10.08
TOTAL	66	2,092,125	0	0	127,035	97,543	4.7%	127,035	0	14,033	\$10.08
CENTRAL BOULDER											
WAREHOUSE/DISTRIBUTION	35	1,118,248			51,269	22,986	2.1%	51,269	0		\$11.18
FLEX	16	555,525			72,408	15,698	2.8%	72,408	0		\$15.09
TOTAL	51	1,673,773	0	0	123,677	38,684	2.3%	123,677	0	21,700	\$12.65
NORTH											
WAREHOUSE/DISTRIBUTION	135	8,434,689			1,491,185	654,087	7.8%	1,426,253	64,932		\$11.93
FLEX	40	1,207,502			109,902	81,130	6.7%	109,902	0		\$15.05
TOTAL	175	9,642,191	397,322	1,051,081	1,601,087	735,217	7.6%	1,536,155	64,932	223,126	\$12.37
NORTH CENTRAL											
WAREHOUSE/DISTRIBUTION	833	34,595,747			3,294,401	1,857,264	5.4%	3,022,312	272,089		\$10.29
FLEX	65	1,992,023			497,077	539,164	27.1%	487,714	9,363		\$23.14
TOTAL	898	36,587,770	0	963,797	3,791,478	2,396,428	6.5%	3,510,026	281,452	127,019	\$13.40
NORTHWEST											
WAREHOUSE/DISTRIBUTION	227	10,091,870			1,552,474	600,826	6.0%	1,455,169	97,305		\$13.12
FLEX	137	5,159,040			470,606	418,900	8.1%	370,549	100,057		\$16.98
TOTAL	364	15,250,910	434,845	156,900	2,023,080	1,019,726	6.7%	1,825,718	197,362	254,498	\$14.14
SOUTH CENTRAL											
WAREHOUSE/DISTRIBUTION	702	21,886,471			816,239	533,617	2.4%	753,176	73,663		\$10.50
FLEX	39	978,018			69,088	54,756	5.6%	59,254	9,834		\$13.45
TOTAL	741	22,864,489	0	0	885,327	588,373	2.6%	812,430	83,497	29,440	\$10.70
SOUTHEAST											
WAREHOUSE/DISTRIBUTION	270	13,299,522			2,308,853	2,025,380	15.2%	2,237,378	71,475		\$11.42
FLEX	232	7,950,568			973,982	608,797	7.7%	917,111	56,871		\$13.72
TOTAL	502	21,250,090	160,000	224,559	3,282,835	2,634,177	12.4%	3,154,489	128,346	254,887	\$12.35
SOUTHWEST											
WAREHOUSE/DISTRIBUTION	205	7,148,934			747,344	131,510	1.8%	747,344	0		\$12.62
FLEX	128	7,720,642			214,678	159,055	2.1%	166,249	48,429		\$11.22
TOTAL	333	14,869,576	0	0	962,022	290,565	2.0%	913,593	48,429	18,681	\$11.89
WEST											
WAREHOUSE/DISTRIBUTION	346	17,779,962			476,195	388,413	2.2%	395,272	80,923		\$11.59
FLEX	144	4,816,504			288,647	147,426	3.1%	238,086	50,561		\$13.96
TOTAL	490	22,596,466	0	0	764,842	535,839	2.4%	633,358	131,484	(54,851)	\$12.58

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	2,667,921			236,576	162,891	6.1%	223,654	15,948		\$14.93
FLEX	77	2,239,884			347,758	270,683	12.1%	225,376	122,382		\$21.02
TOTAL	165	4,907,805	0	0	584,334	433,574	8.8%	449,030	138,330	25,151	\$17.46
GUNBARREL											
WAREHOUSE/DISTRIBUTION	40	1,883,179			259,111	184,963	9.8%	220,090	40,077		\$12.45
FLEX	47	2,311,072			278,614	88,190	3.8%	278,274	340		\$16.95
TOTAL	87	4,194,251	0	0	537,725	273,153	6.5%	498,364	40,417	86,165	\$14.56
I-76/BRIGHTON											
WAREHOUSE/DISTRIBUTION	254	15,304,451			4,371,483	3,731,913	24.4%	4,257,483	114,000		\$4.06
FLEX	19	610,871			5,460	5,460	0.9%	5,460	0		\$15.22
TOTAL	273	15,915,322	0	878,758	4,376,943	3,737,373	23.5%	4,262,943	114,000	(216,401)	\$4.20
MIDTOWN											
WAREHOUSE/DISTRIBUTION	42	1,188,733			96,209	73,779	6.2%	96,209	0		\$12.63
FLEX	41	1,227,245			122,274	102,632	8.4%	122,274	0		\$11.40
TOTAL	83	2,415,978	0	0	218,483	176,411	7.3%	218,483	0	16,000	\$11.89
NORTHEAST/AIRPORT											
WAREHOUSE/DISTRIBUTION	1,157	97,140,333			10,215,009	5,671,046	5.8%	9,752,526	462,483		\$8.57
FLEX	74	3,130,446			265,450	220,368	7.0%	265,450	0		\$12.53
TOTAL	1,231	100,270,779	838,029	5,649,270	10,480,459	5,891,414	5.9%	10,017,976	462,483	765,840	\$8.83
RINO											
WAREHOUSE/DISTRIBUTION	73	3,601,805			163,449	121,383	3.4%	163,449	0		\$6.52
FLEX	7	321,527			27,116	27,116	8.4%	27,116	0		-
TOTAL	80	3,923,332	0	0	190,565	148,499	3.8%	190,565	0	32,450	\$6.52

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
Q2 2023	8,924,365	278,454,857	29,949,892	18,996,976	6.5%	28,273,842	1,690,732	1,597,738	\$10.36	\$11.74
Quarterly Comparison										
Q1 2023	10,241,841	277,566,774	29,699,825	19,387,088	6.6%	28,122,272	1,810,258	628,702	\$9.86	\$11.44
Q4 2022	10,635,067	275,555,367	27,331,168	17,835,986	6.0%	25,758,155	1,616,598	1,488,116	\$9.46	\$11.05
Q3 2022	10,226,671	273,993,749	27,516,288	17,205,378	6.0%	26,194,661	1,376,728	1,770,932	\$9.50	\$11.08
Q2 2022	9,918,013	269,781,780	25,685,786	15,585,888	5.5%	24,499,158	1,269,156	232,597	\$9.16	\$10.70

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\$3.3B
in revenue



2B
square feet under management



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