



Colliers

Denver

Industrial

23Q3

The Denver industrial market continues to grow. Average industrial asking rates closed the quarter at the highest figure on record for the third consecutive quarter. Tenant demand remains steady as the pipeline continues to deliver new product at a rapid clip. **The Denver industrial market is set to finish the year strong.**

Accelerating success.

Key Takeaways

- The market recorded 843,100 SF of absorption during the third quarter, bringing YTD to 3.1 MSF.
- Asking rates continued their steady climb, closing with new records for both warehouse and industrial product overall for the third consecutive quarter.
- The pipeline continued to surge as 1.2 MSF delivered during the third quarter and 9.3 MSF remained underway.
- Investment activity remains muted as uncertainty in the debt market continues, however a rebound is anticipated once clarity for the future improves.



Denver Industrial 23Q3



Vacancy Rate **7.2%** YOY **▲** FORECAST **—**



Net Absorption **843.1K SF** YOY **▼** FORECAST **▲**



Under Construction **9.3M SF** YOY **▼** FORECAST **▼**



Overall Industrial Asking Lease Rates (NNN) **\$12.09/SF** YOY **▲** FORECAST **▲**

Rates Continue to Soar as Market Continues to Grow

The Denver industrial market continued its steady growth through the third quarter 2023. Asking rates for warehouse product and industrial product overall recorded the highest figures on record for the third consecutive quarter. Tenant demand remained robust, despite a slower quarter for leasing activity, with a strong close to the year expected over the next several months. Vacancy recorded a slight uptick this quarter, purely driven by the continued delivery of new spec product as newly delivered product continues to lease well. The pipeline grew once again, despite another strong quarter for deliveries. Investment volume remains muted, as it has across the country over the past four quarters, but Denver remains a strong target for investors once clarity on the future of the debt market improves. The market is poised for continued growth through the end of the year as Denver remains the premier location for doing business in the Rocky Mountain region.

Market Indicators



2.8% Unemployment Rate



2.36% GDP - % Change Yr./Yr.

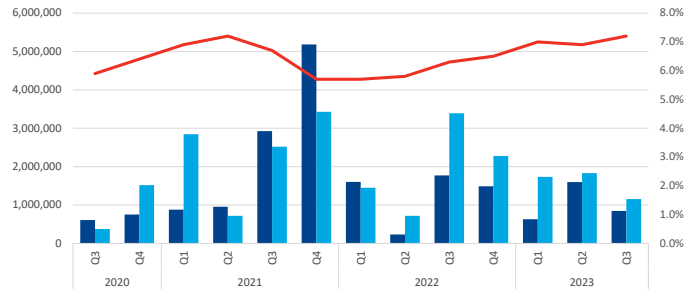


4.621% U.S. 10 Year Treasury Note (as of EOQ)

Historic Comparison

	Q3 2022	Q2 2023	Q3 2023
Total Inventory (SF)	274,677,528	280,086,360	281,240,532
New Supply (SF)	3,390,997	1,830,196	1,154,172
Net Absorption (SF)	1,770,932	1,597,738	843,088
Overall Vacancy	6.3%	6.9%	7.2%
Under Construction (SF)	10,226,671	8,924,365	9,347,677
Overall Asking Rates (NNN)	\$11.11	\$11.77	\$12.09

Market Graph



Source: Colliers

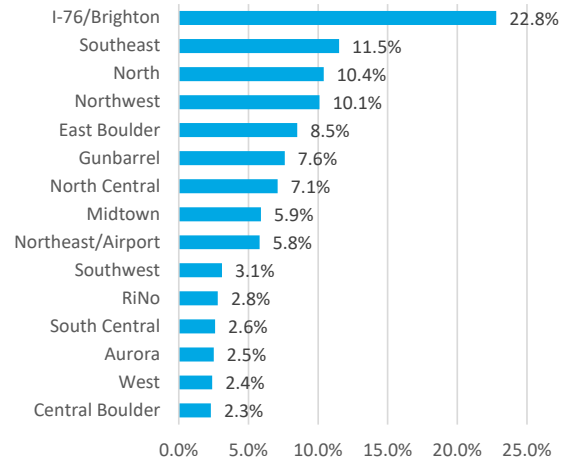
It was a relatively modest quarter for both deliveries and absorption compared to the meteoric pace of the past several quarters. Vacancy recorded a slight uptick this quarter as continued spec deliveries with minimal preleasing have caused vacancy to fluctuate nearly every quarter during this cycle. Denver has historically been a low-preleasing market, so while this is not cause for concern, expect this trend to continue for the next several quarters at a minimum as the pipeline remains robust. Absorption should record a strong number to end the year, with the chance for a massive figure if any of the large BTS projects around the metro deliver before year's end. With several large projects set to deliver over the next twelve months, there may be a dip in construction activity by the second half of next year as product awaits lease-up.

Labor Force

	CONSTRUCTION	MANUFACTURING	TRANSPORTATION, TRADE & UTILITIES
12-Mo. Employment Growth	0.8%	1.5%	-1.0%
12-Mo. Actual Employment Change	900	1,100	-3,000

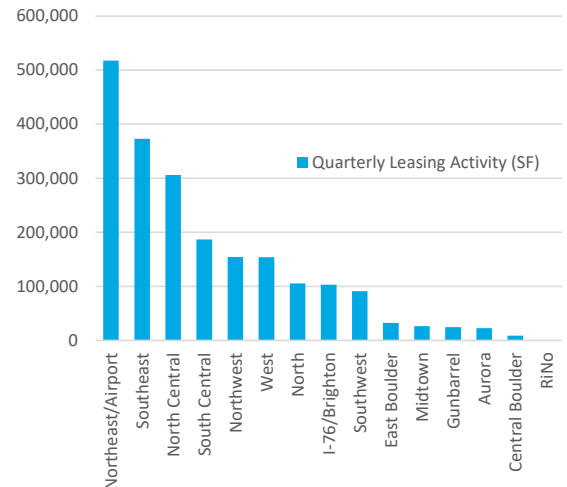
Vacancy

Vacancy closed the third quarter at 7.2% on an overall basis, representing a 30-bps increase from the second quarter. Direct vacancy largely mirrored this increase, as sublet space remains minimal around the metro area, increasing 20 bps to 6.7%. This quarterly increase was driven almost exclusively by the continued delivery of spec product around the metro area. 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 50 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, and excluding the Bromley Lane property, Denver's vacancy is 270 bps lower at 4.5%. Expect vacancy to remain mostly flat over the next several quarters.



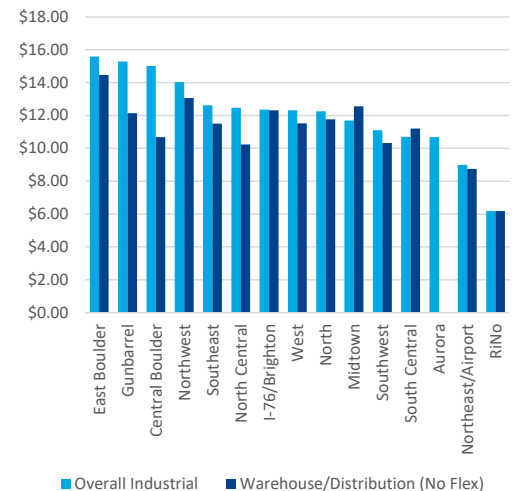
Absorption & Leasing Activity

Denver industrial product recorded just north of 2.1 MSF of activity during the third quarter 2023. The largest lease of the quarter was Rexel's expansion and renewal at 11175 East 55th Avenue for 187,200 SF. The most notable new leases of the quarter were Victrola's 103,000 SF at Colorado Logistic Park's Building D and Northrop Grumman's 99,800 SF at Highfield Business Park's Building 8. Overall net absorption recorded a solid figure of 843,100 SF this quarter, bringing year-to-date absorption to 3.1 MSF. Tenant buildout delays have improved, but continue to hamper tenant occupancies, as a number of deals expected to occupy this quarter pushed into the fourth. Expect a strong quarter for leasing activity to end the year and another solid quarter for absorption, with the chance at a huge figure if any of the large BTS projects around the metro deliver before year's end.



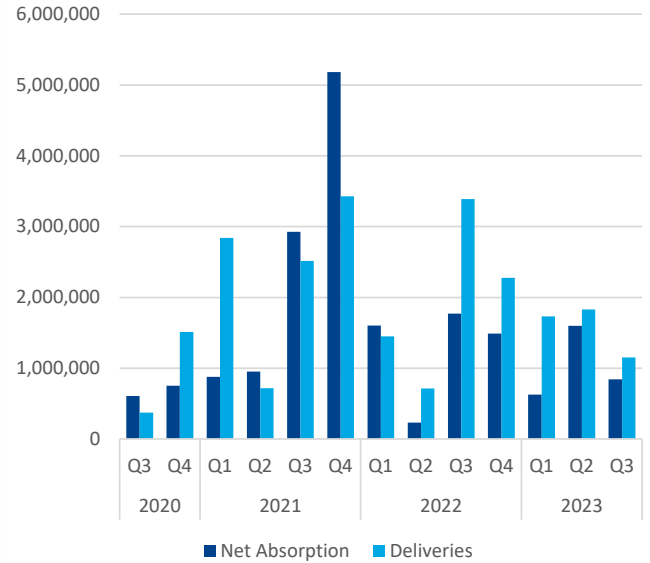
Rental Rates

Average asking rental rates continue to soar across all industrial product types, closing at \$12.09/SF on a triple net basis. This figure represents growth of 2.7% from the second quarter and 8.8% year-over-year. Asking rates for warehouse and distribution product (excluding flex) closed the quarter at \$10.84/SF NNN, demonstrating growth of 4.6% from the second quarter and 14.1% year-over-year. Both of these average asking rate figures represent the highest in Denver metro history for the third consecutive quarter. Flex rates have held mostly flat over the past four quarters, closing the third quarter at \$15.53/SF NNN. 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 pipeline remains robust as new product continues to deliver around the metro area. 1.2 MSF delivered during the third quarter while 9.3 MSF remained under construction at quarter's end. The largest delivery of the quarter was DIA Logistic Park's Building 1 at 625,000 SF. Also noteworthy was the delivery of the four-building Connect 25 Project, totaling 462,700 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 40.3% of the year-to-date deliveries and 53.7% of the projects currently underway. Expect development activity to continue to surge over the next 6-9 months, but as vacancy has trickled up, there may be a slowing in development activity, especially in some submarkets, looking ahead 12-18 months as developers await lease-up of existing projects.



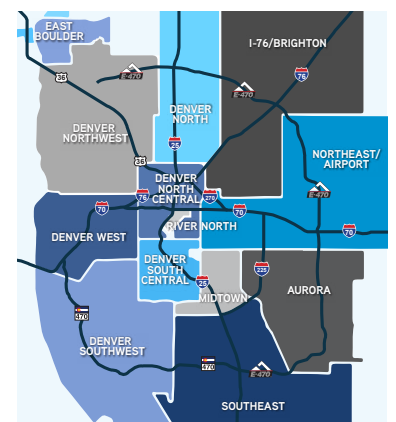
Investment Activity

Industrial investment sale volume remains muted across the country, and Denver has been no exception, closing the third quarter with year-to-date volume of \$624.3M. This is a continuation of what we have seen since the mid-point of last year, as quarterly volume has averaged \$289.9M over the past five quarters after a three-quarter stretch preceding it that averaged \$968.6M quarterly. A mountain of investor dry powder remains on the sidelines, awaiting deployment once clarity for the future of the debt market improves, but the market may have to wait until 2024 for a true rebound. The largest sale of the quarter was the 311,700 SF Denver Premier Industrial Portfolio that Areat acquired from TA Realty for \$43.5M. Also noteworthy was the sale of Dove Valley Business Center's Building 1 that Haleakalah Ranch Co. purchased from Westcore for \$29.8M.



Market Description

The Denver metro industrial market is composed of 281.2 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
Denver Premier Industrial Portfolio	Various	\$43,500,000	311,730	\$139.54	Areat	TA Realty
Dove Valley Business Center - Building 1	Southeast	\$29,750,000	149,776	\$198.63	Haleakalah Ranch Co.	Westcore
17195 E. 85th Avenue	Northeast/ Airport	\$26,500,000	170,500	\$155.43	Crescent Electric Supply	Scout Cold Logistics
1377-1401 S. Jason Street	South Central	\$12,500,000	95,603	\$130.75	Publication Printers Corp.	Gibraltar Property Management

Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
11175 E. 55th Avenue	Northeast/Airport	187,200	Expansion & Renewal	Rexel
Colorado Logistics Park - Building D	I-76/Brighton	103,000	New	Victrola
Highfield Business Park - Building 8	Southeast	99,800	New	Northrop Grumman
Verve Commerce Center - Building A	Northwest	75,300	New	TheFeed.com
Dove Valley Business Center - Building III	Southeast	59,200	New	York Space Systems

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
Sun Empire - Bldg. 1A	Northeast/Airport	622,500	Opus	Q1 2024
Lovett 76	I-76/Brighton	613,758	Lovett Industrial	Q4 2023
Target BTS	North	529,029	Hillwood	Q4 2024

Type	# of Bldgs	Total SF	Q2 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			0	0	0.0%	0	0		-
FLEX	42	1,502,960			96,779	52,761	3.5%	96,779	0		\$10.68
TOTAL	66	2,092,125	0	0	96,779	52,761	2.5%	96,779	0	44,782	\$10.68
CENTRAL BOULDER											
WAREHOUSE/DISTRIBUTION	34	1,092,008			46,159	17,068	1.6%	46,159	0		\$10.69
FLEX	16	555,091			74,053	20,498	3.7%	74,053	0		\$18.65
TOTAL	50	1,647,099	0	0	120,212	37,566	2.3%	120,212	0	(3,042)	\$15.01
NORTH											
WAREHOUSE/DISTRIBUTION	141	8,948,189			1,981,720	999,412	11.2%	1,937,086	44,634		\$11.76
FLEX	39	1,196,336			107,582	57,345	4.8%	107,582	0		\$14.99
TOTAL	180	10,144,525	529,172	1,504,488	2,089,302	1,056,757	10.4%	2,044,668	44,634	34,840	\$12.26
NORTH CENTRAL											
WAREHOUSE/DISTRIBUTION	832	34,799,387			4,105,221	2,081,299	6.0%	3,778,815	326,406		\$10.23
FLEX	66	2,019,978			516,610	536,821	26.6%	513,610	27,564		\$23.02
TOTAL	898	36,819,365	0	1,548,710	4,621,831	2,618,120	7.1%	4,292,425	353,970	102,504	\$12.47
NORTHWEST											
WAREHOUSE/DISTRIBUTION	233	10,506,957			1,798,720	1,293,537	12.3%	1,690,775	107,945		\$13.07
FLEX	136	5,624,657			669,408	343,197	6.1%	578,595	90,813		\$15.97
TOTAL	369	16,131,614	0	156,900	2,468,128	1,636,734	10.1%	2,269,370	198,758	969	\$14.03
SOUTH CENTRAL											
WAREHOUSE/DISTRIBUTION	703	21,930,234			809,301	598,558	2.7%	722,737	86,564		\$11.21
FLEX	38	965,186			55,592	52,592	5.4%	48,092	7,500		\$13.48
TOTAL	741	22,864,489	0	0	885,327	588,373	2.6%	812,430	83,497	(66,252)	\$10.70
SOUTHEAST											
WAREHOUSE/DISTRIBUTION	273	13,352,354			2,084,841	1,844,340	13.8%	1,966,799	118,042		\$11.50
FLEX	232	7,951,068			966,659	605,646	7.6%	899,127	68,789		\$14.15
TOTAL	505	21,303,422	0	224,559	3,051,500	2,449,986	11.5%	2,865,926	186,831	90,280	\$12.62
SOUTHWEST											
WAREHOUSE/DISTRIBUTION	205	7,056,250			1,081,551	301,002	4.3%	967,276	114,275		\$10.33
FLEX	130	7,746,216			228,407	163,159	2.1%	208,761	19,646		\$12.10
TOTAL	335	14,802,466	0	0	1,309,958	464,161	3.1%	1,176,037	133,921	80,856	\$11.10
WEST											
WAREHOUSE/DISTRIBUTION	350	17,846,875			461,034	377,966	2.1%	382,111	78,923		\$11.52
FLEX	141	4,778,833			282,542	165,943	3.5%	234,065	48,477		\$13.55
TOTAL	491	22,625,708	0	0	743,576	543,909	2.4%	616,176	127,400	12,837	\$12.31

Type	# of Bldgs	Total SF	Q2 Deliveries	Under Construction	Total Available SF	Total Vacant SF	Vacancy %	Direct Available	Sublease Available	Absorption	Weighted Average Rent (NNN)
EAST BOULDER											
WAREHOUSE/DISTRIBUTION	88	2,669,976			237,555	149,887	5.6%	212,226	25,329		\$14.47
FLEX	78	2,254,714			368,133	270,621	12.0%	254,390	113,743		\$18.51
TOTAL	166	4,924,690	0	0	605,688	420,508	8.5%	466,616	139,072	9,175	\$15.59
GUNBARREL											
WAREHOUSE/DISTRIBUTION	38	1,816,089			201,281	153,627	8.5%	175,824	25,457		\$12.14
FLEX	50	2,502,440			360,616	176,157	7.0%	356,516	4,100		\$17.47
TOTAL	88	4,318,529	0	0	561,897	329,784	7.6%	532,340	29,557	(18,838)	\$15.28
I-76/BRIGHTON											
WAREHOUSE/DISTRIBUTION	257	15,527,559			4,384,543	3,687,420	23.7%	4,261,543	123,000		\$12.31
FLEX	19	610,871			5,404	0	0.0%	5,404	0		\$13.39
TOTAL	276	16,138,430	0	888,750	4,389,947	3,687,420	22.8%	4,266,947	123,000	64,542	\$12.36
MIDTOWN											
WAREHOUSE/DISTRIBUTION	43	1,198,802			30,434	34,462	2.9%	30,434	0		\$12.56
FLEX	42	1,239,245			110,474	109,646	8.8%	110,474	0		\$11.04
TOTAL	85	2,438,047	0	0	140,908	144,108	5.9%	140,908	0	40,096	\$11.70
NORTHEAST/AIRPORT											
WAREHOUSE/DISTRIBUTION	1,158	97,858,776			12,256,259	5,656,744	5.8%	11,388,710	1,012,629		\$8.75
FLEX	75	3,149,841			277,214	249,949	7.9%	277,214	0		\$12.48
TOTAL	1,233	101,008,617	625,000	5,024,270	12,533,473	5,906,693	5.8%	11,665,924	1,012,629	437,632	\$9.00
RINO											
WAREHOUSE/DISTRIBUTION	73	3,652,864			157,080	108,676	3.0%	157,080	0		\$6.18
FLEX	6	297,611			3,200	3,200	1.1%	3,200	0		-
TOTAL	79	3,950,475	0	0	160,280	111,876	2.8%	160,280	0	12,707	\$6.18

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
Q3 2023	9,347,677	281,240,532	33,758,372	20,111,533	6.7%	31,485,437	2,443,836	843,088	\$10.84	\$12.09
Quarterly Comparison										
Q2 2023	8,924,365	279,952,140	30,435,821	19,321,123	6.5%	28,759,771	1,690,732	1,597,738	\$10.36	\$11.77
Q1 2023	10,241,841	278,780,173	30,209,276	19,434,743	6.6%	28,631,723	1,810,258	628,702	\$9.87	\$11.47
Q4 2022	10,635,067	276,364,607	27,815,581	17,844,764	6.0%	26,242,568	1,616,598	1,488,116	\$9.45	\$11.07
Q3 2022	10,226,671	274,677,528	26,874,480	17,200,325	5.9%	25,552,853	1,376,728	1,770,932	\$9.50	\$11.11

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\$3.3B

in revenue



2B

square feet under management



18,000 +

professionals and staff

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