



Colliers

Denver

Industrial

23Q4

2023 marked another year of steady growth for the Denver industrial market. Average asking rates set new record highs for the fourth consecutive quarter and tenant activity remained strong. **The table is set for a strong start to the new year.**

Accelerating success.

Key Takeaways

- The market recorded over 2.2 MSF of absorption during the fourth quarter, bringing 2023's total to 5.3 MSF.
- Average asking rates continued their steady climb, closing at the highest on record for the fourth consecutive quarter.
- 2.6 MSF of industrial product delivered during the fourth quarter, bringing the year's total to 7.3 MSF with 6.9 MSF underway at year's end.
- Investment activity remained muted as uncertainty in the debt market continued, however a rebound is anticipated entering 2024.



Vacancy Rate
7.9%



Net Absorption
2.2M SF



Under Construction
6.9M SF



Overall Industrial Asking Lease Rates (NNN)
\$12.15/SF



Growth Continues Entering the New Year

The Denver metro industrial market recorded another year of steady growth during 2023. Average asking rates for industrial product closed the year with the highest figure on record for the fourth consecutive quarter. Leasing activity slowed coming off the two strongest years in metro history, but tenant demand remained robust with a strong start to 2024 expected. Vacancy increased during the second half of the year, purely driven by the continued delivery of new spec product as newly delivered product continues to record strong activity. Delivery volume remained robust, but closed the year with the smallest pipeline in several years as developers await lease up on recent deliveries. Investment volume dipped, as was the case across the country, but a strong rebound is anticipated to start 2024 as interest rates are expected to improve to start the year. The table is set for another strong year in 2024 as Denver remains the premier location for doing business in the Rocky Mountain region.

Market Indicators



3.2%
Unemployment Rate



2.96%
GDP - % Change Yr./Yr.

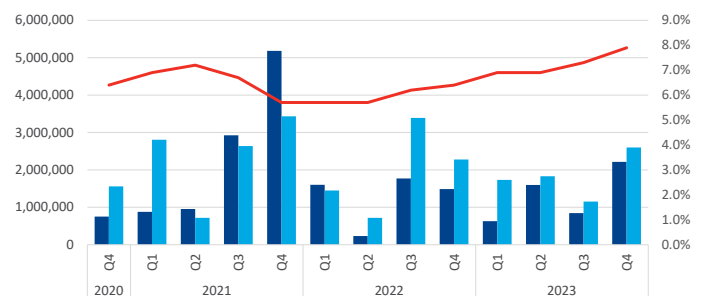


3.881%
U.S. 10 Year Treasury Note (as of EOQ)

Historic Comparison

	Q4 2022	Q3 2023	Q4 2023
Total Inventory (SF)	276,898,449	281,601,701	284,199,402
New Supply (SF)	2,275,865	1,154,172	2,597,701
Net Absorption (SF)	1,488,116	843,088	2,215,233
Overall Vacancy	6.4%	7.3%	7.9%
Under Construction (SF)	10,635,067	9,347,677	6,935,793
Overall Asking Rates (NNN)	\$11.06	\$12.09	\$12.15

Market Graph



Source: Colliers

■ Net Absorption ■ Deliveries — Overall Vacancy

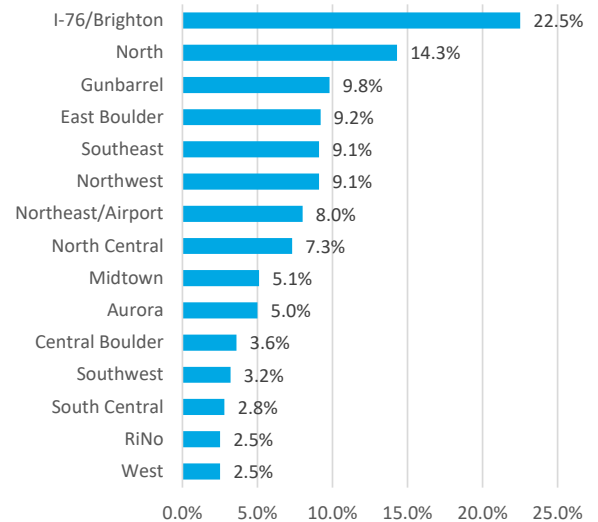
The year closed on a high note as the fourth quarter marked the strongest of the year for both absorption and deliveries. Vacancy increased over the second half of 2023 as consistent spec deliveries with low preleasing continue to cause quarterly fluctuations in vacancy. Historically, Denver has been a low-preleasing market, so this is not cause for concern, and will likely continue to be the case throughout 2024. Absorption should be strong to start the new year with over 2.8 MSF of already signed leases expected to occupy over the first half of 2024. With several large projects recently delivered and already under construction, there may be a dip in construction starts during 2024 as developers await lease-up on existing projects.

Labor Force

	CONSTRUCTION	MANUFACTURING	TRANSPORTATION, TRADE & UTILITIES
12-Mo. Employment Growth	-2.5%	0.7%	-1.8%
12-Mo. Actual Employment Change	-2,800	500	-5,400

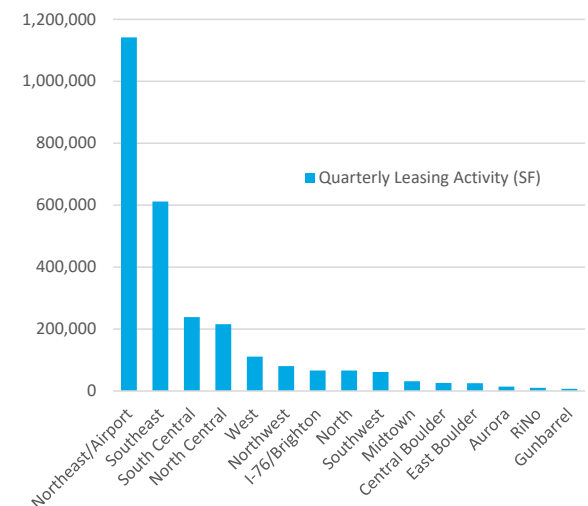
Vacancy

Vacancy closed the year at 7.9% on an overall basis, representing a 60-bps increase from the third quarter. Direct vacancy largely mirrored this increase, as sublet space remains minimal around the metro area, increasing 70-bps to 7.5%. While this vacancy may look high compared to other metros in the west region, it has been driven almost completely by the continued delivery of new spec product around the metro area. Historically, Denver has been a low-preleasing market, and this space takes time to lease up. When looking only at buildings that delivered before the end of 2021, essentially removing the past two years of deliveries from the inventory, Denver's vacancy is 300-bps lower at 4.9%. With a number of large projects recently delivered and already underway, expect construction starts to slow over the next several quarters as developers await lease up on existing product, although this may be more prevalent in some submarkets than others. Vacancy will likely remain mostly flat over the first half of 2024 as a result.



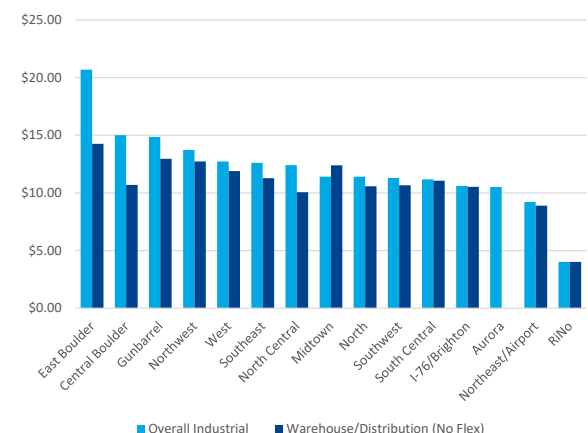
Absorption & Leasing Activity

Denver industrial product recorded just over 2.7 MSF of activity during the fourth quarter 2023, bringing the year's total to 12.1 MSF. While this figure trailed the 20.3 MSF average of the past two years, it is important to keep in mind that those were the two largest annual figures for activity in Denver's history, and 2023 was more in line with historical averages. Two large deals headlined activity during the fourth quarter with Discount Tire taking 338,500 SF at Central Park Logistic Center and Amazon leasing 304,600 SF at BlueScope Logistics Center II. Overall net absorption recorded just north of 2.2 MSF during the fourth quarter, bringing the year's total to 5.3 MSF. Expect a strong start to the year for both leasing activity and absorption, with the former aided by a number of large availabilities in new construction and the latter virtually ensured with 2.8 MSF of already-signed leases expected to occupy over the first half of the year.



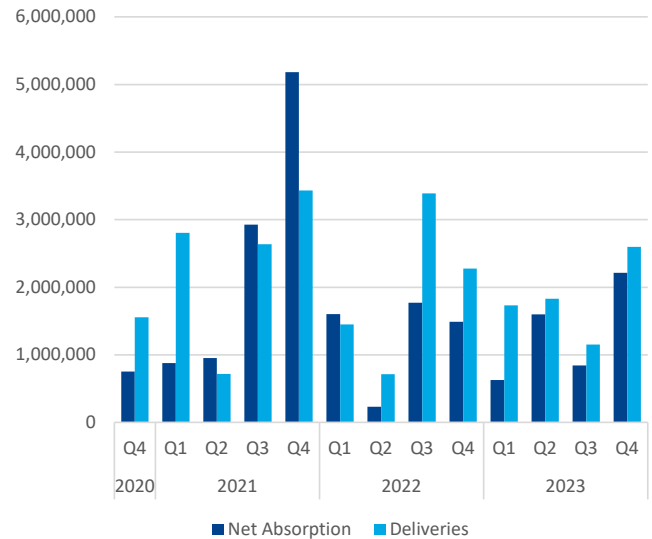
Rental Rates

Average asking rental rates continued their steady growth to close 2023, closing at \$12.15/SF on a triple net basis. This figure indicated year-over-year growth of 9.9% and marked the fourth consecutive quarter of the highest asking rates on record for the metro area. Asking rates for warehouse and distribution product (excluding flex) closed the year at \$10.65/SF NNN, a 1.5% dip from the third quarter, but growth of 13.3% from the end of 2022. Flex rates closed 2023 at \$16.48/SF NNN, demonstrating quarterly growth of 6.2% and an 8.2% increase from last year. 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 as we enter the new year.



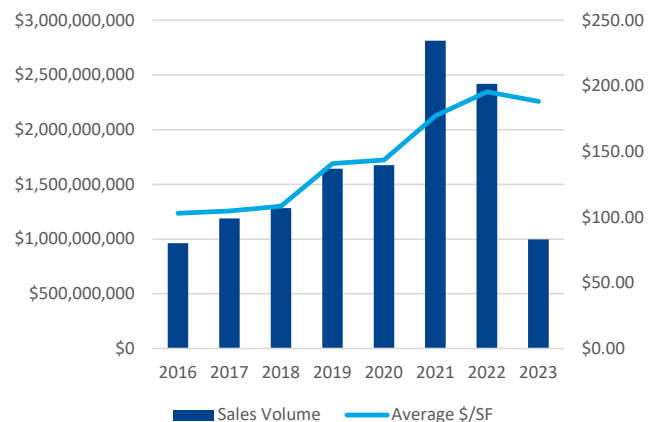
Construction

Delivery volume was strong again in 2023 with the 2.6 MSF delivered during the fourth quarter bringing the year's total to 7.3 MSF. The fourth quarter was headlined by two large BTS projects as Dollar General's 919,000 SF building and Home Depot's 512,700 SF project both delivered to the Northeast/Airport submarket. The largest project remaining in the pipeline is the 1.2 MSF BTS for Pepsi which is expected to deliver during the first half of 2024. The Northeast/Airport submarket continued to define Denver's development boom, accounting for 55.9% of 2023's total delivery volume and 42.9% of the 6.9 MSF under construction at year's end. As mentioned, vacancy rose over the second half of 2023, purely driven by this delivery volume, and the Northeast/Airport submarket rose 220 bps over this period. While activity remains focused there, we may see construction starts slow over the next few months as developers await lease-up on new construction.



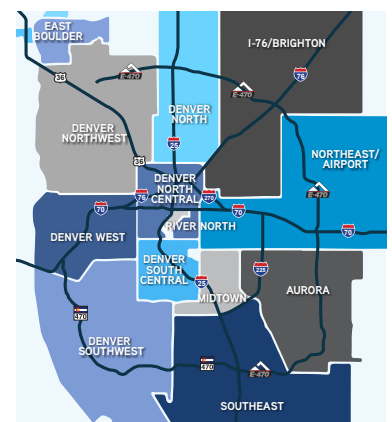
Investment Activity

Industrial investment sale volume dipped across the country in 2023, and Denver was no exception, failing to reach the \$1.0B mark for the first time since 2016. The volatility in the debt market and the impact on interest rates have severely impacted investor confidence. It is important to note that the sales that have occurred have not demonstrated any decline in value as average price per square foot closed 2023 at \$188/SF, matching the \$186/SF average of the prior two years, which were the strongest in Denver's history for industrial investment. A mountain of investor dry powder remains on the sidelines to start 2024, and with the debt market expected to improve to start the year, a rebound is anticipated over the first half of 2024.



Market Description

The Denver metro industrial market is composed of 284.2 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 28.4% 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
Commerce Square	Northeast/Airport	\$21,500,000	144,464	\$148.83	The Midtown National Group	Graham Street Realty
Hampden Business Center	Southwest	\$15,100,000	109,566	\$137.82	DoubleBay Partners	American National Insurance
Moncrieff Business Center	Northeast/Airport	\$10,900,000	101,406	\$107.49	Crosse Partners	Zurich Alt. Asset Management
Commerce Center I	Northeast/Airport	\$9,200,000	66,900	\$137.52	MCA Realty	Piedra Peak
9152 Yosemite Street	I-76/Brighton	\$8,300,000	60,209	\$137.85	ZS Capital Partners	BIRKO Corporation

Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
Central Park Logistics Center - Bldg. 2	Northeast/Airport	338,548	New	Discount Tire
BlueScope Logistics Center II	Southeast	304,620	New	Amazon
Central Park Logistics Center - Bldg. 2	Northeast/Airport	155,850	New	The Marcone Group
701 Osage Street	South Central	98,140	Renewal	United Construction Products
Peakview Business Center	Southeast	86,020	New	ReadySpaces

Under Construction

Property	Submarket	SF	Developer	Estimated Completion
Pepsi BTS	Northeast/Airport	1,200,000	Gray Construction	Q1/2 2024
Sun Empire - Bldg. 1A	Northeast/Airport	622,500	Opus	Q1 2024
Lovett 76	I-76/Brighton	613,758	Lovett Industrial	Q1 2024
Target BTS	North	529,029	Hillwood	Q4 2024
Majestic Commercenter - Bldg. 12	Northeast/Airport	461,580	Majestic	Q1 2024

Denver | Q4 2023 | Industrial | Market Statistics



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			34,789	29,539	5.0%	34,789	0		-
FLEX	42	1,502,960			90,832	74,453	5.0%	90,832	0		\$10.51
TOTAL	66	2,092,125	0	0	125,621	103,992	5.0%	125,621	0	(37,231)	\$10.51
CENTRAL BOULDER											
WAREHOUSE/DISTRIBUTION	34	1,092,008			46,159	46,159	4.2%	46,159	0		\$10.69
FLEX	16	555,091			48,335	12,498	2.3%	48,335	0		\$18.65
TOTAL	50	1,647,099	0	0	94,494	58,657	3.6%	94,494	0	(7,091)	\$15.01
NORTH											
WAREHOUSE/DISTRIBUTION	146	9,383,867			2,143,968	1,430,300	15.2%	2,097,834	46,134		\$10.57
FLEX	39	1,196,336			125,805	83,624	7.0%	125,805	0		\$14.39
TOTAL	185	10,580,203	86,450	1,418,038	2,269,773	1,513,924	14.3%	2,223,639	46,134	76,188	\$11.40
NORTH CENTRAL											
WAREHOUSE/DISTRIBUTION	833	34,653,068			4,389,573	2,177,904	6.3%	4,084,642	304,931		\$10.06
FLEX	66	2,019,948			516,212	507,823	25.1%	513,192	3,020		\$22.97
TOTAL	899	36,673,016	0	1,414,342	4,905,785	2,685,727	7.3%	4,597,834	307,951	(28,357)	\$12.40
NORTHWEST											
WAREHOUSE/DISTRIBUTION	233	10,643,084			2,446,659	1,032,964	9.7%	2,287,544	159,115		\$12.73
FLEX	138	5,508,231			593,246	443,959	8.1%	512,977	86,525		\$15.86
TOTAL	371	16,151,315	22,500	317,585	3,039,905	1,476,923	9.1%	2,800,521	245,640	3,596	\$13.73
SOUTH CENTRAL											
WAREHOUSE/DISTRIBUTION	703	21,903,813			794,955	590,584	2.7%	704,583	90,372		\$11.06
FLEX	38	977,294			47,582	48,082	4.9%	46,202	1,380		\$12.37
TOTAL	741	22,881,107	0	0	842,537	638,666	2.8%	750,785	91,752	35,395	\$11.18
SOUTHEAST											
WAREHOUSE/DISTRIBUTION	275	13,379,994			1,599,067	1,371,347	10.2%	1,442,146	156,921		\$11.27
FLEX	237	8,054,235			1,004,398	571,891	7.1%	871,916	133,739		\$14.39
TOTAL	512	21,434,229	29,983	194,576	2,603,465	1,943,238	9.1%	2,314,062	290,660	273,891	\$12.60
SOUTHWEST											
WAREHOUSE/DISTRIBUTION	206	7,061,844			1,108,426	316,135	4.5%	982,283	126,143		\$10.66
FLEX	130	7,749,689			209,107	163,937	2.1%	189,461	19,646		\$12.25
TOTAL	336	14,811,533	0	0	1,317,533	480,072	3.2%	1,171,744	145,789	6,852	\$11.29
WEST											
WAREHOUSE/DISTRIBUTION	353	17,906,405			486,127	350,418	2.0%	438,724	47,403		\$11.89
FLEX	142	4,790,628			309,162	208,809	4.4%	267,075	42,087		\$13.94
TOTAL	495	22,697,033	0	0	795,289	559,227	2.5%	705,799	89,490	(52,358)	\$12.72

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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	2,668,371			277,412	157,987	5.9%	212,080	69,883		\$14.26
FLEX	79	2,274,042			443,962	297,386	13.1%	326,684	117,278		\$30.31
TOTAL	167	4,942,413	0	0	721,374	455,373	9.2%	538,764	187,161	(20,865)	\$20.68
GUNBARREL											
WAREHOUSE/DISTRIBUTION	38	1,816,891			292,786	217,934	12.0%	218,335	74,451		\$12.96
FLEX	50	2,570,187			418,768	212,164	8.3%	400,669	18,099		\$16.89
TOTAL	88	4,387,078	0	0	711,554	430,098	9.8%	619,004	92,550	6,294	\$14.86
I-76/BRIGHTON											
WAREHOUSE/DISTRIBUTION	259	15,627,610			4,508,450	3,654,967	23.4%	4,268,605	239,845		\$10.52
FLEX	19	597,959			5,404	-	#VALUE!	5,404	0		\$14.00
TOTAL	278	16,225,569	274,992	613,758	4,513,854	3,654,967	22.5%	4,274,009	239,845	382,764	\$10.61
MIDTOWN											
WAREHOUSE/DISTRIBUTION	43	1,198,802			29,172	30,211	2.5%	29,172	0		\$12.39
FLEX	42	1,239,245			98,130	93,436	7.5%	98,130	0		\$10.91
TOTAL	85	2,438,047	0	0	127,302	123,647	5.1%	127,302	0	34,461	\$11.41
NORTHEAST/AIRPORT											
WAREHOUSE/DISTRIBUTION	1,168	100,137,161			10,790,147	7,987,429	8.0%	9,894,651	908,374		\$8.90
FLEX	75	3,145,782			300,629	297,052	9.4%	292,642	7,987		\$15.24
TOTAL	1,243	103,282,943	2,183,776	2,977,494	11,090,776	8,284,481	8.0%	10,187,293	916,361	1,514,265	\$9.21
RINO											
WAREHOUSE/DISTRIBUTION	74	3,664,082			130,843	95,247	2.6%	130,843	0		\$4.02
FLEX	6	297,611			3,200	3,200	1.1%	3,200	0		-
TOTAL	80	3,961,693	0	0	134,043	98,447	2.5%	134,043	0	27,429	\$4.02

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 2023	6,935,793	284,199,402	33,280,296	22,506,485	7.5%	30,651,485	2,652,976	2,215,233	\$10.65	\$12.15
Quarterly Comparison										
Q3 2023	9,347,677	281,724,641	32,639,745	20,460,294	6.8%	30,422,290	2,388,356	843,088	\$10.81	\$12.09
Q2 2023	8,924,365	280,485,982	29,331,487	19,247,587	6.5%	27,692,977	1,653,192	1,597,738	\$10.33	\$11.77
Q1 2023	10,241,841	279,314,015	29,116,598	19,360,621	6.5%	27,539,045	1,810,258	628,702	\$9.83	\$11.47
Q4 2022	10,635,067	276,898,449	26,733,503	17,783,632	6.0%	25,160,490	1,616,598	1,488,116	\$9.40	\$11.06

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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

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