

Denver

Industrial

24Q1

Industrial metrics remain strong in Denver. A slower quarter for absorption and activity is expected to be short-term as tenants remain active and substantial absorption is already scheduled over the remainder of the year. Asking rates continue to set record highs across the metro area and investors have demonstrated a renewed appetite for Denver industrial product. **The table is set for a strong year in 2024.**

Key Takeaways

- The market recorded 454,700 SF of net absorption to start the year.
- Average asking rates continued their steady climb, closing at the highest on record for the fifth consecutive quarter.
- 1.7 MSF of industrial product delivered during the first quarter, with the 5.9 MSF still under construction at quarter's end among the lowest figures in years.
- Investment activity showed signs of acceleration to start the year, recording the strongest quarterly volume since 2022.



Vacancy Rate
8.1%



Net Absorption
454.7K SF



Under Construction
5.8M SF



Overall Industrial Asking Lease Rates (NNN)
\$12.30/SF



Industrial Set for a Strong 2024

Leasing activity slowed to start the year in Denver, but this is expected to be short term as tenants have remained active. Average asking rates across all industrial product reached record highs for the fifth consecutive quarter as rent growth continued across most submarkets in the metro. Vacancy rates remain elevated, due primarily to the delivery of several large buildings over the past few quarters that are awaiting lease up. Developers have responded to rising vacancy with construction starts grinding to a halt as the pipeline closed the quarter with the lowest volume of product under construction in years. Investment volume was reinvigorated to start the year as investors that were sidelined throughout much of last year have re-sharpened their pencils. Expect leasing activity and absorption to accelerate as vacancy contracts over the remainder of the year. Denver remains the premier location for doing business in the Rocky Mountain region.

Market Indicators



3.5%
Unemployment Rate



2.52%
GDP - % Change Yr./Yr.

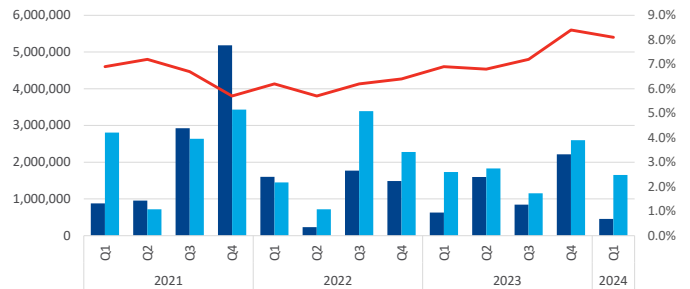


4.206%
U.S. 10 Year Treasury Note (as of EOQ)

Historic Comparison

	Q1 2023	Q4 2023	Q1 2024
Total Inventory (SF)	279,573,246	285,370,502	287,021,067
New Supply (SF)	1,731,002	2,597,701	1,650,565
Net Absorption (SF)	628,702	2,215,233	454,668
Overall Vacancy	6.9%	8.4%	8.1%
Under Construction (SF)	10,241,841	6,935,793	5,846,829
Overall Asking Rates (NNN)	\$11.46	\$12.16	\$12.30

Market Graph



Source: Colliers

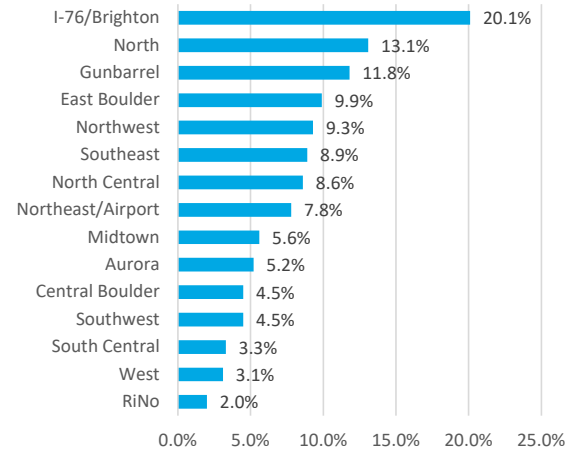
Absorption was slow to start the year, but this will accelerate substantially with nearly 4.0 MSF in deals that have already signed expected to occupy over the remainder of the year. Vacancy remained elevated during the first quarter, but is expected to contract over the course of 2024 as developers have responded by slowing construction starts as the recently delivered product leases up. With over 20% of the current product under construction attributed to a single BTS that is expected to deliver next quarter, the pipeline has slowed dramatically. As absorption grows over the remainder of the year and vacancy drops as a result, expect a reinvigorated pipeline by year's end.

Labor Force

	CONSTRUCTION	MANUFACTURING	TRANSPORTATION, TRADE & UTILITIES
12-Mo. Employment Growth	-2.8%	-0.3%	-1.6%
12-Mo. Actual Employment Change	-3,100	-200	-4,600

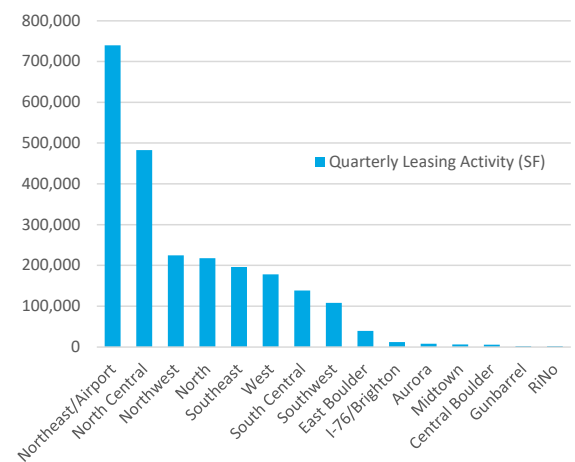
Vacancy

Vacancy closed the first quarter at 8.1% on an overall basis, representing an increase of 120 bps from the first quarter of last year. Direct vacancy largely mirrored this increase, rising 110 bps to 7.6% over the past year. Sublet space remained flat at 0.4%. 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. 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 basis points lower at 5.1%. Construction starts ground to a halt this quarter, as developers have taken note of rising vacancy and await lease up on large recently delivered projects. Expect vacancy to remain flat over the next two quarters as absorption balances the delivery of the remaining projects in the pipeline, and then begin to contract by year's end.



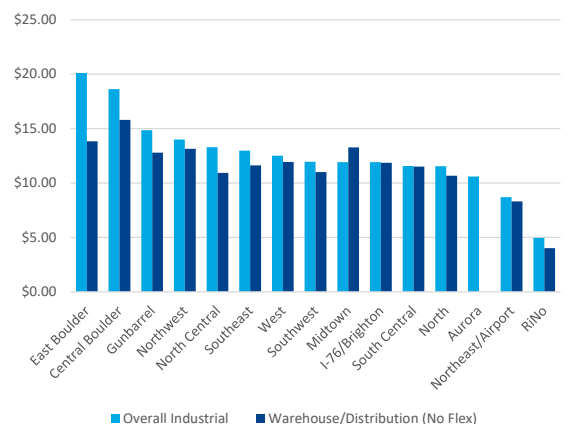
Absorption & Leasing Activity

Denver industrial product recorded 2.4 MSF of leasing activity during the first quarter 2024. While this figure trailed the quarterly activity we have seen over the past three years, it is important to keep in mind the past three years represent the strongest stretch for activity in Denver's history, and this figure is more in line with historical averages. The two largest new deals of the quarter were Kratos Industries' 112,000 SF lease at 14401 West 65th Way and Wilsonart's 74,500 SF at Pivot's Building 1. Overall net absorption closed the quarter at 454,700 SF. While this is a low figure, 2023 started with just 628,700 SF of absorption and ended the year with north of 5.3 MSF. Expect both leasing activity and absorption to accelerate as we move through 2024, with the latter aided by 4.0 MSF of leases that have already signed and are expected to occupy this year.



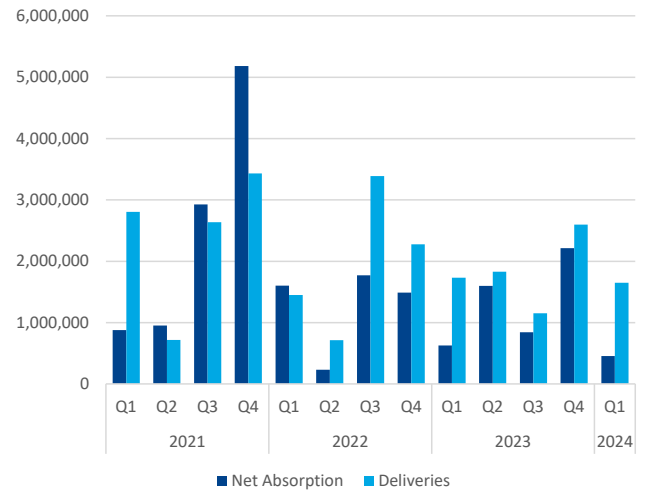
Rental Rates

Average asking rental rates continued their steady growth, closing the first quarter at \$12.30/SF on a triple net basis. This figure indicated year-over-year growth of 7.3% and marked the fifth consecutive quarter of the highest asking rates on record for the metro area. Asking rates for warehouse and distribution product (excluding flex) closed the quarter at \$10.80/SF NNN, demonstrating year-over-year growth of 9.6%. Flex rates closed the quarter at \$16.43/SF NNN which represented 6.8% growth from the first quarter of last year. As new product continues to deliver on increasingly expensive ground and lease escalations north of 3.0% have become the norm for the metro, expect this growth to continue over the remainder of the year, although it will be more substantial in some submarkets than others.



Construction

Delivery volume was strong again to start the year with 1.7 MSF delivering during the first quarter. The largest delivery of the quarter was Lovett 76's 613,800 SF project. Also noteworthy was the delivery of all four buildings at Pivot, totaling 472,800 SF. The largest project remaining under construction is the 1.2-MSF BTS for Pepsi near the airport which is expected to deliver during the second quarter of this year. There was notably only 5.8 MSF remaining under construction at quarter's end, which marks the lowest figure to end a quarter during this cycle for Denver. While the number of projects proposed around the metro remains high, groundbreakings have ground to a halt as developers await the lease up of the recently delivered projects that have caused vacancy to rise substantially around the metro area. Expect construction volume to remain muted over the next several quarters as developers await a decline in vacancy.



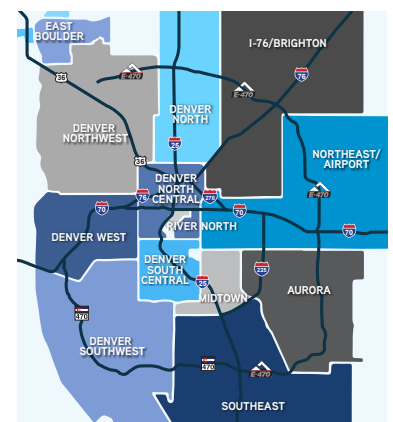
Investment Activity

Industrial investment activity showed signs of a rebound this quarter as the \$326.9M in sales volume marked the largest quarterly figure since 2022. Three large transactions drove this volume as the Montbello Portfolio, Peoria Business Center, and Centerpark all closed north of the \$70M mark. Volatility in the debt market has continued, as the ten-year fluctuates almost daily, but with renewed allocations from both the debt market and investors, and following a down year overall in 2023, investors have demonstrated reinvigorated demand to start the year. Expect investment volume to be much stronger over the course of 2024 than it was last year.



Market Description

The Denver metro industrial market is composed of 287.0 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
Montbello Portfolio	Northeast/ Airport	\$86,500,000	856,013	\$101.05	Brennan/Investcorp	Stockbridge
Peoria Business Center	Northeast/ Airport	\$73,500,000	592,573	\$124.04	Hyde/Mortenson	Invesco
Centerpark	Northeast/ Airport	\$73,000,000	431,157	\$169.31	Westfield	JP Morgan
4800 Dahlia Street	Northeast/ Airport	\$13,500,000	101,788	\$132.63	The Midtown National Group	Watchung Capital
6195 Clermont Street	North Central	\$12,200,000	80,345	\$151.85	Intermountain Electronics	Brennan

Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
3155-3199 South Platte River Drive	South Central	135,800	Renewal	Goodwill
14401 West 65th Way	Northwest	112,000	New	Kratos Industries
Pivot - Building 1	North Central	74,500	New	Wilsonart
10325 East 47th Avenue	Northeast/Airport	73,700	New	Xcimer
25 North - Building 9	North	64,600	New	Corden Pharma

Under Construction

Property	Submarket	SF	Developer	Estimated Completion
Pepsi BTS	Northeast/Airport	1,200,000	Gray Construction	Q2 2024
Sun Empire - Bldg. 1A	Northeast/Airport	622,500	Opus	Q2 2024
Target BTS	North	529,000	Hillwood	Q1 2025
Denali - Bldg. 1	Northeast/Airport	352,600	Hines	Q2 2024
Quantum 56 - Bldg. 1	North Central	352,000	Hines	Q2 2024

Denver | Q1 2024 | 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	31,289	5.3%	34,789	0		-
FLEX	42	1,600,556			139,888	82,135	5.1%	139,888	0		\$10.59
TOTAL	66	2,189,721	0	0	174,677	113,424	5.2%	174,677	0	(9,432)	\$10.59
CENTRAL BOULDER											
WAREHOUSE/DISTRIBUTION	35	1,118,474			61,988	49,820	4.5%	57,188	4,800		\$15.80
FLEX	16	555,091			71,466	24,913	4.5%	71,466	0		\$19.52
TOTAL	51	1,673,565	0	0	133,454	74,733	4.5%	128,654	4,800	(16,076)	\$18.62
NORTH											
WAREHOUSE/DISTRIBUTION	146	9,375,682			2,049,141	1,286,548	13.7%	2,003,007	46,134		\$10.66
FLEX	39	1,196,336			119,444	96,432	8.1%	119,444	0		\$14.06
TOTAL	185	10,572,018	0	1,418,038	2,168,585	1,382,980	13.1%	2,122,451	46,134	221,538	\$11.53
NORTH CENTRAL											
WAREHOUSE/DISTRIBUTION	842	35,047,244			4,318,227	2,683,867	7.7%	4,036,611	296,616		\$10.93
FLEX	65	1,998,332			503,875	486,707	24.4%	500,855	37,447		\$22.72
TOTAL	907	37,045,576	472,800	941,542	4,822,102	3,170,574	8.6%	4,537,466	334,063	196,805	\$13.29
NORTHWEST											
WAREHOUSE/DISTRIBUTION	234	10,756,899			2,361,038	994,300	9.2%	2,200,905	160,133		\$13.13
FLEX	145	5,568,551			697,033	531,568	9.5%	608,130	95,159		\$15.59
TOTAL	379	16,325,450	102,427	642,185	3,058,071	1,525,868	9.3%	2,809,035	255,292	78,697	\$14.00
SOUTH CENTRAL											
WAREHOUSE/DISTRIBUTION	702	22,007,407			1,081,542	699,393	3.2%	1,035,598	67,014		\$11.51
FLEX	38	978,186			58,904	51,371	5.3%	53,935	4,969		\$12.04
TOTAL	740	22,985,593	0	31,022	1,140,446	750,764	3.3%	1,089,533	71,983	(70)	\$11.55
SOUTHEAST											
WAREHOUSE/DISTRIBUTION	276	13,386,688			1,719,860	1,397,692	10.4%	1,539,867	179,993		\$11.61
FLEX	239	8,299,212			1,078,850	529,588	6.4%	956,227	123,880		\$14.83
TOTAL	515	21,685,900	0	298,128	2,798,710	1,927,280	8.9%	2,496,094	303,873	46,688	\$12.97
SOUTHWEST											
WAREHOUSE/DISTRIBUTION	209	7,120,183			1,101,581	286,541	4.0%	987,306	114,275		\$11.00
FLEX	130	7,748,168			425,714	381,988	4.9%	368,367	57,347		\$13.11
TOTAL	339	14,868,351	0	0	1,527,295	668,529	4.5%	1,355,673	171,622	(50,000)	\$11.94
WEST											
WAREHOUSE/DISTRIBUTION	353	17,928,399			573,606	443,394	2.5%	557,839	50,403		\$11.93
FLEX	142	4,723,075			262,914	262,278	5.6%	224,302	38,612		\$13.39
TOTAL	495	22,651,474	0	0	836,520	705,672	3.1%	782,141	89,015	18,058	\$12.51

FOR MORE INFORMATION
 Tim Morris
 Director of Research & Analytics
 Denver, CO
 +1 720 833 4630
 tim.morris@colliers.com

Copyright © 2024 Colliers
 The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

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	2,658,129			275,911	173,560	6.5%	216,775	63,687		\$13.83
FLEX	80	2,298,298			428,778	317,348	13.8%	377,118	51,660		\$31.30
TOTAL	168	4,956,427	0	0	704,689	490,908	9.9%	593,893	115,347	(35,535)	\$20.11
GUNBARREL											
WAREHOUSE/DISTRIBUTION	38	1,826,810			463,005	235,574	12.9%	383,554	79,451		\$12.79
FLEX	49	2,559,717			386,140	280,541	11.0%	368,041	18,099		\$16.95
TOTAL	87	4,386,527	0	0	849,145	516,115	11.8%	751,595	97,550	(86,017)	\$14.84
I-76/BRIGHTON											
WAREHOUSE/DISTRIBUTION	262	16,766,223			3,748,795	3,495,672	20.8%	3,508,950	239,845		\$11.86
FLEX	19	597,959			5,404	0	-	5,404	0		\$14.00
TOTAL	281	17,364,182	613,758	0	3,754,199	3,495,672	20.1%	3,514,354	239,845	113,031	\$11.91
MIDTOWN											
WAREHOUSE/DISTRIBUTION	43	1,198,802			39,462	26,717	2.2%	33,794	5,668		\$13.26
FLEX	42	1,239,218			125,201	110,145	8.9%	125,201	0		\$11.21
TOTAL	85	2,438,020	0	0	164,663	136,862	5.6%	158,995	5,668	(13,215)	\$11.91
NORTHEAST/AIRPORT											
WAREHOUSE/DISTRIBUTION	1,165	100,627,457			10,948,947	7,805,374	7.8%	10,075,436	887,775		\$8.31
FLEX	76	3,321,435			505,767	334,356	10.1%	497,780	7,987		\$15.35
TOTAL	1,241	103,948,892	461,580	2,515,914	11,454,714	8,139,730	7.8%	10,573,216	895,762	(28,475)	\$8.70
RINO											
WAREHOUSE/DISTRIBUTION	72	3,631,831			117,625	74,226	2.0%	117,625	0		\$4.02
FLEX	6	297,540			5,550	5,550	1.9%	5,550	0		\$20.43
TOTAL	78	3,929,371	0	0	123,175	79,776	2.0%	123,175	0	18,671	\$4.96

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 2024	5,846,829	287,021,067	33,710,445	23,178,887	7.6%	31,210,952	2,630,954	454,668	\$10.80	\$12.30
Quarterly Comparison										
Q4 2023	6,935,793	284,970,601	33,315,157	24,055,290	8.0%	30,660,806	2,678,516	2,215,233	\$10.66	\$12.16
Q3 2023	9,347,677	281,863,865	32,682,638	20,375,326	6.8%	30,427,643	2,425,896	843,088	\$10.83	\$12.09
Q2 2023	8,924,365	280,745,146	29,380,420	19,168,502	6.5%	27,704,370	1,690,732	1,597,738	\$10.35	\$11.77
Q1 2023	10,241,841	279,573,246	29,090,598	19,267,074	6.5%	27,513,045	1,810,258	628,702	\$9.85	\$11.46

FOR MORE INFORMATION
 Tim Morris
 Director of Research & Analytics
 Denver, CO
 +1 720 833 4630
 tim.morris@colliers.com

Copyright © 2024 Colliers
 The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

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

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 67 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners and investors. For more than 25 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of \$3.0 billion (\$3.3 billion including affiliates) and \$40 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people. Learn more at corporate.colliers.com, Twitter @Colliers or LinkedIn.

Market Contacts:

Brad Calbert, ULI, NAIOP

President
+1 303 283 4566
brad.calbert@colliers.com

TJ Smith, SIOR

Principal
+1 303 283 4576
tj.smith@colliers.com

Tom Stahl, SIOR

Principal
+1 303 283 4572
tom.stahl@colliers.com

David Hazlett

Principal
+1 303 283 4573
david.hazlett@colliers.com

Steve Serenyi

Principal
+1 303 283 4578
steve.serenyi@colliers.com

Cody Sheesley

Principal
+1 303 309 3520
cody.sheesley@colliers.com

Tim Shay

Principal
+1 303 283 4594
tim.shay@colliers.com

Matt Keyerleber

Principal
+1 303 309 3522
matt.keyerleber@colliers.com

Tyler Ryon, SIOR

Principal
+1 720 833 4612
tyler.ryon@colliers.com

Barry Young

Vice President
+1 303 283 4580
barry.young@colliers.com

Nick Rice

Vice President
+1 720 833 4620
nick.rice@colliers.com

Nicholas Nasharr

Broker Associate
+1 303 283 4563
nicholas.nasharr@colliers.com

Riggs Winz

Broker Associate
+1 303 283 4571
riggs.winz@colliers.com

Colliers | Denver Tech Center
4643 S. Ulster Street, Suite 1000
Denver, CO 80237 | USA

REGIONAL AUTHORS:

Tim Morris

Director of Research
+1 720 833 4630
tim.morris@colliers.com