

Denver

Industrial
22Q1

After 2021 set a new standard for Denver metro industrial product, momentum has carried into the new year. Vacancy stayed flat despite another busy quarter for deliveries and activity remained strong as rental rates continued to push new highs. **As tenant, investor, and developer interest continues to surge around the metro, the Denver industrial market is set for another strong year in 2022.**

Key Takeaways

- The market recorded net absorption of 1.6 MSF to start the year.
- Asking rates continue to demonstrate steady growth, closing the first quarter at \$10.92/SF NNN; an increase of 13.9% year-over-year.
- The pipeline continues to boom as 1.4 MSF delivered this quarter and 9.9 MSF remained under construction at quarter's end.
- Investors remain active as \$405.6M of industrial investment sales transacted during the first quarter.



Vacancy Rate
5.8%

YOY

FORECAST



Net Absorption
1.6M SF

YOY

FORECAST



Under Construction
9.9M SF

YOY

FORECAST



Overall Industrial Asking Lease Rates (NNN)
\$10.92/SF

YOY

FORECAST

Denver Industrial Starts the Year Strong

The Denver industrial market recorded its strongest year ever in 2021 with record absorption, plummeting vacancy rates, steadily rising rental rates, and unprecedented investor activity. The first quarter of 2022 continued this momentum, with vacancy staying flat as absorption again outpaced another strong quarter for deliveries. Rental rates continued to rise, closing at \$10.92/SF NNN and demonstrating nearly 13.9% growth year-over-year. Developers continue to flock to the market with over 1.4 MSF delivering during the quarter while 9.9 MSF remained under construction at quarter's end. Investors remained active, as \$405.6M of industrial product transacted during the quarter, putting the market well on pace to surpass the \$1.0B mark once again. Starting the year with strong metrics across the board, despite a number of deliveries and planned occupancies pushing to the second quarter, the Denver industrial market is set for another big year in 2022.

Market Indicators



4.1%
Unemployment Rate



5.22%
GDP - % Change Yr./Yr.

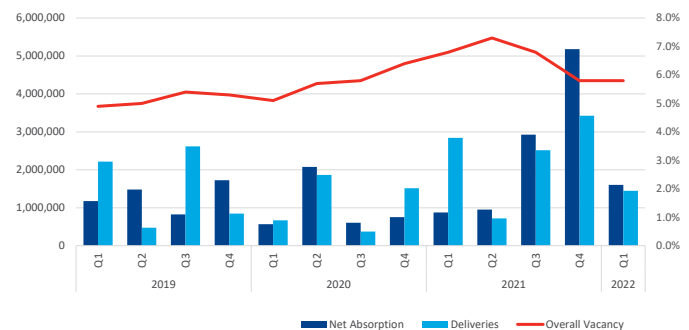


2.398%
U.S. 10 Year Treasury Note

Historic Comparison

	Q1 2021	Q4 2021	Q1 2022
Total Inventory (SF)	256,598,170	263,380,481	264,825,601
New Supply (SF)	2,804,149	3,427,605	1,445,120
Net Absorption (SF)	877,121	5,181,489	1,601,784
Overall Vacancy	6.8%	5.8%	5.8%
Under Construction (SF)	7,839,663	8,390,400	9,898,395
Overall Asking Rates (NNN)	\$9.59	\$10.40	\$10.92

Market Graph



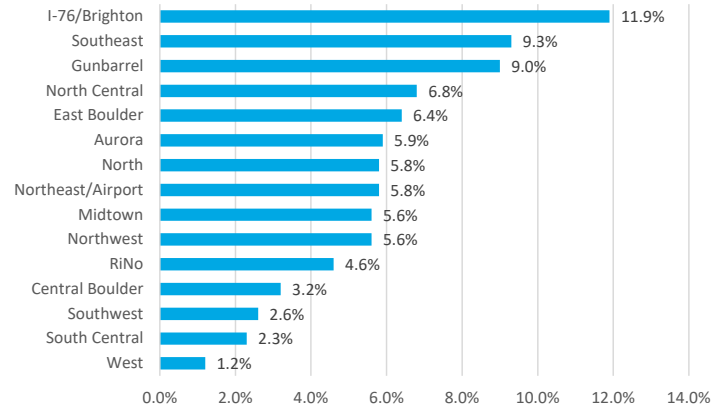
Overall vacancy peaked at 7.3% during the second quarter 2021, but since this peak, absorption figures have outpaced deliveries each quarter, leading to a 150-bps decline in vacancy. Vacancy remained flat during the first quarter 2022, aided by absorption surpassing deliveries once again. A robust construction pipeline remains underway, but as demand continues to surge, expect vacancy to remain largely flat over the first half of 2022.

Labor Force

	CONSTRUCTION	MANUFACTURING	TRANSPORTATION, TRADE, & UTILITIES
12-Mo. Employment Growth	3.2%	3.6%	3.6%
12-Mo. Actual Employment Change	3,400	2,500	10,000

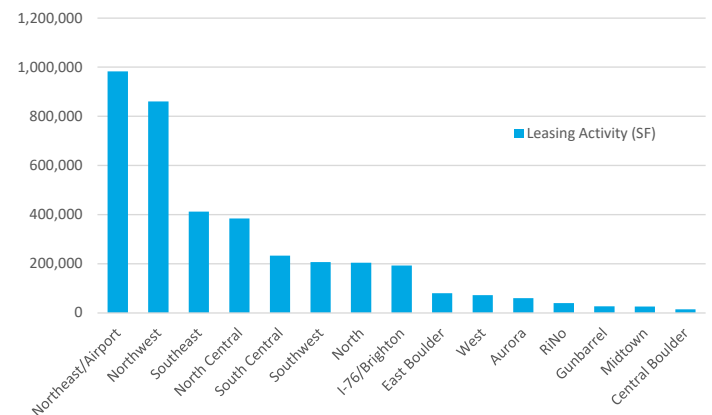
Vacancy

Vacancy closed the first quarter 2022 at 5.8% on an overall basis, representing no change from the fourth quarter 2021 and a 150-bps decrease from the peak of 7.3% recorded during the second quarter 2021. Direct vacancy remained largely flat, increasing 10 bps from the fourth quarter 2021 to close at 5.5%. Sublet space around the market remains minimal, increasing 10 bps to 0.4% to close the first quarter. New product, and the speed at which it has leased up, has been the primary driver of changes in vacancy during this industrial construction boom. The pipeline remains large but demand has kept pace. Although quarterly fluctuations in vacancy are likely as a result, expect vacancy to remain largely flat throughout 2022.



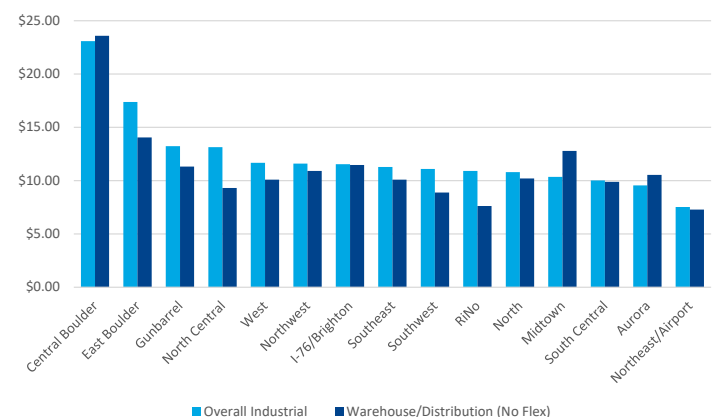
Absorption & Leasing Activity

Denver industrial product recorded 3.8 MSF of leasing activity during the first quarter 2022, a figure roughly on par with the 4.0 MSF quarterly average of the past three years. The largest lease of the quarter was SomaLogic as they preleased the entirety of the two-building, 198,700 SF Bolder Innovation Campus in Louisville. Also noteworthy was Bega Lighting's 152,800 SF lease at Baseline's Building 2 and RK Mission Critical's 142,400 SF lease at 17450 E. 32nd Place. The market recorded 1.6 MSF of absorption to start the year, a far cry from the metro record of 5.2 MSF recorded during the fourth quarter 2021, but marking the third highest figure of the past seven quarters. Considering the strong demand around the metro, expect activity to accelerate during the second quarter while absorption keeps steady.



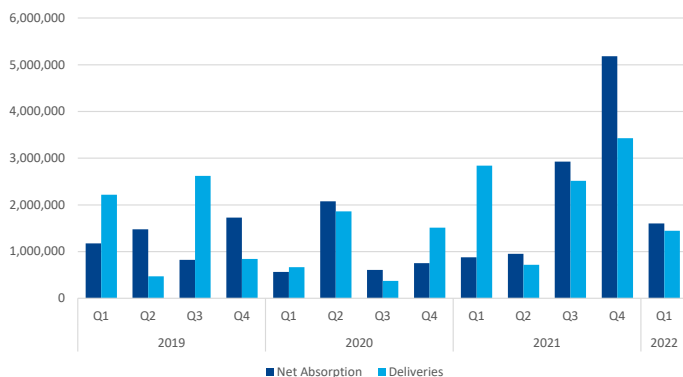
Rental Rates

Average asking rental rates across all industrial product types closed the year at \$10.92/SF NNN. This figure indicated growth of 5.0% over the fourth quarter 2021 and 13.9% growth year-over-year while marking another record for the metro area. Asking rates for warehouse and distribution product (excluding flex) recorded similar growth, increasing 4.0% from the fourth quarter 2021 and 9.7% year-over-year to close at \$9.39/SF NNN. Flex rates grew more marginally, increasing 2.6% over the fourth quarter 2021 to \$14.88/SF NNN, but still demonstrating year-over-year growth of 13.5%. As tenant demand remains strong and new product continues to deliver, expect steady rate growth to continue through the remainder of the year.



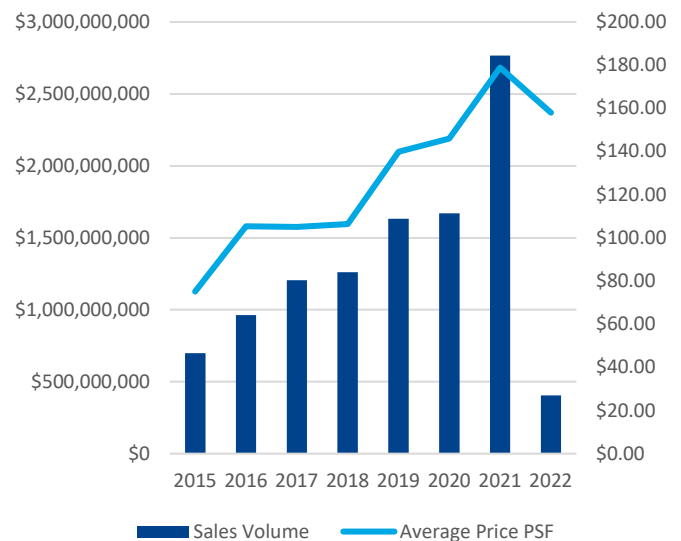
Construction

The Denver metro industrial pipeline continues to boom as more than 1.4 MSF delivered during the first quarter while 9.9 MSF remained underway at quarter's close. The most notable completion of the quarter was Subaru's 550,000 SF BTS at Majestic Commercenter. Also noteworthy were two more BTS completions as Kroger's 289,000 SF building at Porteos completed as well as FedEx's 489,200 SF BTS, although the latter will not occupy until later this year. There is a notable lack of BTS product currently underway after BTS projects accounted for more than half of 2021's deliveries, but with Microsoft's and Pepsi's recent acquisitions of large tracts of land near the airport along with thousands of developable acres available around the market, expect this to change over the course of the year. The Northeast/Airport submarket continues to account for the majority of new product in the metro, boasting 52.3% of the metro's active projects. Expect this to continue to be the case, although with several million square feet proposed near the I-25 & E-470 interchange, the North submarket is set to grow substantially over the coming years.



Investment Activity

Following a record — setting year for industrial investment, 2022 is off to a strong start. The metro area recorded \$405.6M in sales volume during the first quarter, marking the strongest start to a year on record. Average price per square foot for the first quarter was \$158/SF, 11.6% below 2021's record average. The largest investment sale of the quarter was Principal Real Estate Group's acquisition of Buildings 4 and 5 at 76 Commerce Center for \$85.3M. Also noteworthy was KKR's purchase of Park 76 for \$49.8M. Although investment volume may fall short of 2021's record figure, investor interest in the Denver metro remains aggressive. Expect the market to comfortably surpass the \$1.0B mark for the sixth consecutive year; a mark the metro had never reached before 2017.



Market Description

The Denver metro industrial market is composed of 264.8 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 and other local distribution needs have increased. Tenant requirements are increasing in both volume and size as 23.3% of the buildings over 100,000 SF in the market have been built since 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
76 Commerce Center - Bldgs. 4 & 5	I-76/Brighton	\$85,250,000	618,480	\$137.84	Principal Real Estate Investors	Mortenson Properties
Park 76	I-76/Brighton	\$49,800,000	267,557	\$186.13	KKR	Huntington Industrial Partners
5120 & 5140 Race Court	North Central	\$39,250,000	199,167	\$197.07	Black Creek Group	Forum Real Estate Group
Eagle Rock Portfolio	*Various	\$33,800,000	269,974	\$125.20	Karis Cold Storage	Eagle Rock Distributing
Pacifica Hampden Center	South Central	\$25,000,000	126,956	\$196.92	RBL Real Estate	WLA Investments

Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
Bolder Innovation Campus	Northwest	198,720	New	SomaLogic
Baseline - Bldg. 2	Northwest	152,761	New	Bega Lighting
17450 E. 32nd Place	Northeast/Airport	142,413	New	RK Mission Critical
1455 E. 62nd Avenue	North Central	137,840	Renewal	Eagle Rock Distributing
6795 E. Sandown Road	Northeast/Airport	99,750	Renewal	Grand Logistics Corp.

Under Construction

Property	Submarket	SF	Developer	Estimated Completion
DIA Logistics Park at Porteos - Bldg. 1	Northeast/Airport	625,000	Ambrose	Q4 2022
Lovett 76	I-76/Brighton	614,320	Lovett Industrial	Q4 2022
First Aurora Commerce Center - Bldg. E	Northeast/Airport	588,085	First Industrial	Q2 2022
HighPoint Logistics Park - Bldg. 1B	Northeast/Airport	541,840	Hyde	Q4 2022
Central Park Logistics Center - Bldg. 2	Northeast/Airport	493,260	Brookfield	Q3 2022

Denver | Q1 2022 | 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			1,475	16,025	2.7%	1,475	0		\$10.53
FLEX	42	1,501,299			117,823	106,737	7.1%	117,823	0		\$9.30
TOTAL	66	2,090,464	0	0	119,298	122,762	5.9%	119,298	0	14,820	\$9.55
CENTRAL BOULDER											
WAREHOUSE/DISTRIBUTION	36	1,129,823			63,544	30,395	2.7%	63,544	0		\$23.58
FLEX	15	566,898			31,136	23,136	4.1%	31,136	0		\$18.00
TOTAL	51	1,696,721	0	0	94,680	53,531	3.2%	94,680	0	7,145	\$23.09
NORTH											
WAREHOUSE/DISTRIBUTION	174	10,027,443			906,024	440,171	4.4%	906,024	0		\$10.20
FLEX	39	1,646,492			269,298	242,340	14.7%	266,298	3,000		\$13.59
TOTAL	213	11,673,935	0	878,683	1,175,322	682,511	5.8%	1,172,322	3,000	75,022	\$10.80
NORTH CENTRAL											
WAREHOUSE/DISTRIBUTION	630	26,812,211			2,248,286	1,563,610	5.8%	2,014,128	234,158		\$9.31
FLEX	36	1,150,012			348,857	336,047	29.2%	348,857	0		\$25.03
TOTAL	666	27,962,223	0	614,000	2,597,143	1,899,657	6.8%	2,362,985	234,158	92,296	\$13.14
NORTHWEST											
WAREHOUSE/DISTRIBUTION	514	20,832,130			1,411,853	1,016,248	4.9%	1,365,491	46,362		\$10.91
FLEX	223	7,316,336			783,247	551,086	7.5%	741,715	41,532		\$12.99
TOTAL	737	28,148,466	66,833	582,832	2,195,100	1,567,334	5.6%	2,107,206	87,894	153,087	\$11.59
SOUTH CENTRAL											
WAREHOUSE/DISTRIBUTION	706	21,883,615			576,793	510,057	2.3%	521,849	54,944		\$9.88
FLEX	39	995,929			10,860	5,992	0.6%	10,860	0		\$12.81
TOTAL	745	22,879,544	0	0	587,653	516,049	2.3%	532,709	54,944	38,221	\$10.02
SOUTHEAST											
WAREHOUSE/DISTRIBUTION	257	11,831,939			2,666,020	1,298,496	11.0%	2,577,110	88,910		\$10.09
FLEX	224	7,801,466			829,150	528,761	6.8%	766,447	62,703		\$12.70
TOTAL	481	19,633,405	0	1,244,844	3,495,170	1,827,257	9.3%	3,343,557	151,613	185,554	\$11.27
SOUTHWEST											
WAREHOUSE/DISTRIBUTION	209	7,181,940			303,572	198,436	2.8%	193,424	110,148		\$8.88
FLEX	127	7,594,353			175,995	182,650	2.4%	164,658	11,337		\$12.16
TOTAL	336	14,776,293	50,000	0	479,567	381,086	2.6%	358,082	121,485	39,637	\$11.10
WEST											
WAREHOUSE/DISTRIBUTION	132	9,111,440			70,498	36,045	0.4%	70,498	0		\$10.08
FLEX	70	2,814,937			85,265	104,847	3.7%	85,265	0		\$12.80
TOTAL	202	11,926,377	0	0	155,763	140,892	1.2%	155,763	0	12,747	\$11.67

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	90	2,736,530			97,466	85,713	3.1%	65,006	32,460		\$14.04
FLEX	81	2,327,568			321,701	240,299	10.3%	273,190	74,442		\$18.62
TOTAL	171	5,064,098	0	0	419,167	326,012	6.4%	338,196	106,902	68,547	\$17.37
GUNBARREL											
WAREHOUSE/DISTRIBUTION	41	1,965,832			148,409	72,097	3.7%	122,952	25,457		\$11.32
FLEX	45	2,170,730			305,250	299,822	13.8%	284,127	21,123		\$14.83
TOTAL	86	4,136,562	0	0	453,659	371,919	9.0%	407,079	46,580	(20,000)	\$13.23
I-76/BRIGHTON											
WAREHOUSE/DISTRIBUTION	292	15,261,299			3,997,078	1,892,833	12.4%	3,973,278	23,800		\$11.47
FLEX	20	644,531			0	0	0.0%	0	0		\$12.95
TOTAL	312	15,905,830	0	1,400,268	3,997,078	1,892,833	11.9%	3,973,278	23,800	110,000	\$11.53
MIDTOWN											
WAREHOUSE/DISTRIBUTION	40	1,168,013			59,817	53,042	4.5%	59,817	0		\$12.78
FLEX	41	1,227,245			77,682	80,287	6.5%	77,682	0		\$9.33
TOTAL	81	2,395,258	0	0	137,499	133,329	5.6%	137,499	0	30,430	\$10.35
NORTHEAST/AIRPORT											
WAREHOUSE/DISTRIBUTION	1,141	89,866,295			9,840,903	5,271,010	5.9%	9,290,882	570,342		\$7.28
FLEX	74	2,722,134			266,542	120,965	4.4%	265,215	44,912		\$13.35
TOTAL	1,215	92,588,429	1,328,287	5,177,768	10,107,445	5,391,975	5.8%	9,556,097	615,254	793,135	\$7.52
RINO											
WAREHOUSE/DISTRIBUTION	72	3,565,510			194,173	179,013	5.0%	194,173	0		\$7.61
FLEX	8	382,486			2,500	2,500	0.7%	2,500	0		\$35.00
TOTAL	80	3,947,996	0	0	196,673	181,513	4.6%	196,673	0	1,143	\$10.91

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 2022	9,898,395	264,825,601	26,211,217	15,488,660	5.5%	24,855,424	1,445,630	1,601,784	\$9.39	\$10.92
Quarterly Comparison										
Q4 2021	8,390,400	263,380,481	26,496,676	15,281,163	5.4%	25,234,256	1,368,920	5,181,489	\$9.03	\$10.40
Q3 2021	10,754,572	261,499,391	26,412,521	17,677,292	6.3%	25,096,720	1,473,902	2,925,571	\$8.80	\$9.80
Q2 2021	9,615,815	260,534,711	27,190,332	18,940,395	6.6%	25,727,941	1,594,732	952,101	\$8.85	\$9.94
Q1 2021	7,839,663	256,598,170	25,091,850	17,677,912	6.2%	22,633,873	2,563,281	877,121	\$8.56	\$9.59

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\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

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