

Denver

Industrial

21Q2

The Denver Metro industrial market thrived during the pandemic as e-commerce surged and distribution needs continued to grow. A booming pipeline has led to a rise in vacancy but tenant activity and absorption figures remain strong. **Coupled with an increase in investor focus on the asset class, the future for Denver industrial has never been brighter.**



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## Key Takeaways

- The market recorded strong net absorption of 952,100 SF
- Average asking rates continue to climb, closing at \$10.13/SF NNN across all industrial product types
- The pipeline is robust, with over 9.6 MSF under construction at quarter's end; roughly 35% BTS and 65% speculative
- Investment activity continues to surge as the market recorded the largest sale in terms of price in Colorado history and surpassed \$810 million YTD



## Denver Industrial Boom Continues

The Denver industrial market continued to thrive as leasing activity and absorption figures remained strong and the 9.6 MSF under construction at the end of the quarter marked the most robust pipeline on record. The consistent delivery of new product to the metro coupled with high demand has driven rental rates to new highs, closing at \$10.13/SF NNN, while vacancy has steadily risen as well, closing the quarter at 7.4% on an overall basis. As e-commerce accelerates its growth and Denver's population swells, distribution needs will continue to grow. The post-pandemic surge in consumer purchases and the related delays for products such as appliances and automobiles have demonstrated that just-in-time delivery is not always realistic. Companies will need to keep surge inventory on hand to keep up with demand and this will lead to increased warehousing needs.

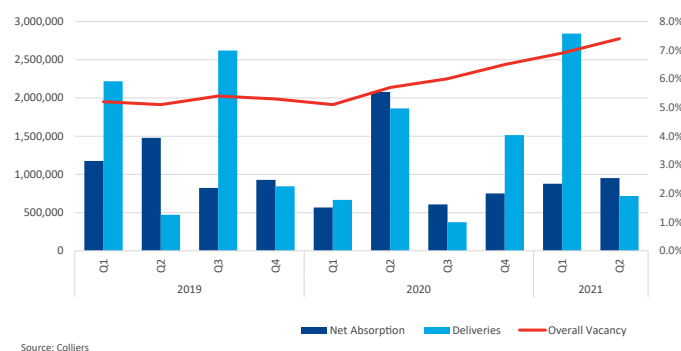
## Market Indicators



## Historic Comparison

	20Q2	21Q1	21Q2
Total Inventory (SF)	254,550,624	258,958,298	259,675,464
New Supply (SF)	1,863,200	2,842,162	717,166
Net Absorption (SF)	2,077,745	877,121	952,101
Overall Vacancy	5.7%	6.9%	7.4%
Under Construction (SF)	8,071,877	7,839,663	9,615,815
Overall Asking Lease Rates (NNN)	\$9.36	\$9.79	\$10.13

## Market Graph



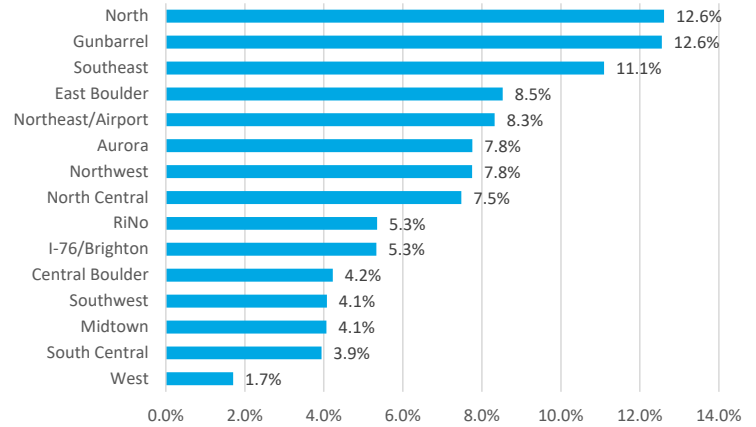
Net absorption has trailed construction activity during this cycle, which is a tribute to the sheer amount of construction that has delivered across the metro as tenant demand and activity have been strong. Newly delivered product has consistently leased up within 12-18 months of delivery, but with limited preleasing during this cycle, vacancy has steadily climbed as a direct function of this new product. Activity will remain strong in industrial product for the foreseeable future, but with a large pipeline remaining under construction, vacancy may continue to climb as well.

## Labor Force

	20Q2	21Q1	21Q2
	CONSTRUCTION	MANUFACTURING	TRANSPORTATION, TRADE & UTILITIES
12-Mo. Employment Growth	0.4%	3.6%	10.4%
12-Mo. Actual Employment Change	400	2,400	26,700

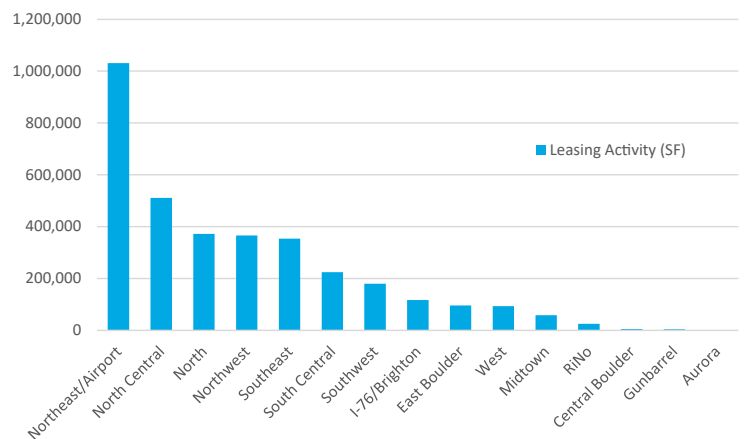
## Vacancy

Vacancy closed the second quarter 2021 at 7.4% on an overall basis. This figure represents 90 basis points (bps) increase since the end of 2020 and is the direct result of 2.6 MSF of largely vacant spec space delivering over that period. Direct vacancy largely mirrored this growth, increasing 90 bps to 6.8% since the beginning of the year, as sublet vacancy has remained largely flat. Demand for new product has been strong, and should amplify as e-commerce distribution needs continue to grow, but with a massive pipeline remaining under construction, expect overall vacancy to continue to trickle up over the remainder of 2021.



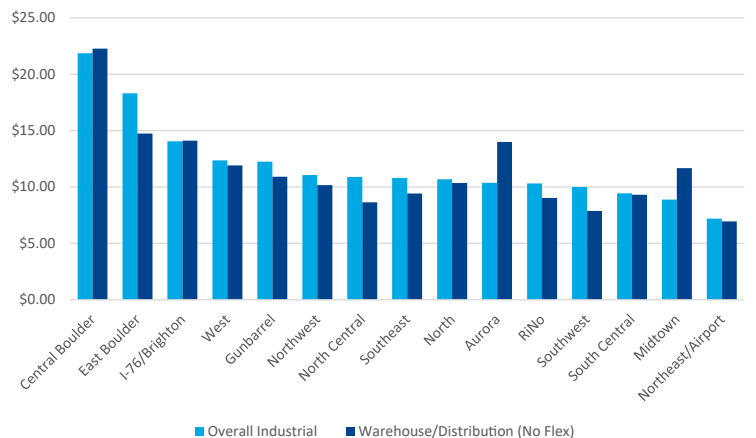
## Absorption & Leasing Activity

The Denver industrial market recorded over 3.4 MSF of leasing activity during the second quarter 2021. Excluding the second quarter of last year when the brunt of the lockdown hit, this marked the tenth consecutive quarter of leasing activity north of 3.1 MSF, demonstrating the strong demand in the market. Overall net absorption recorded 952,100 SF during the second quarter 2021, marking the strongest quarter for absorption since the second quarter of 2020 which was inflated due to a number of BTS deliveries. As e-commerce volume continues to surge, Denver industrial will benefit from Denver's location as an "island" of sorts in the middle of the country; companies that want to distribute heavily in Denver will need to have a presence in Denver. With a growing abundance of options in new construction and a number of BTS sites remaining around the metro area, expect activity to remain strong for the foreseeable future.



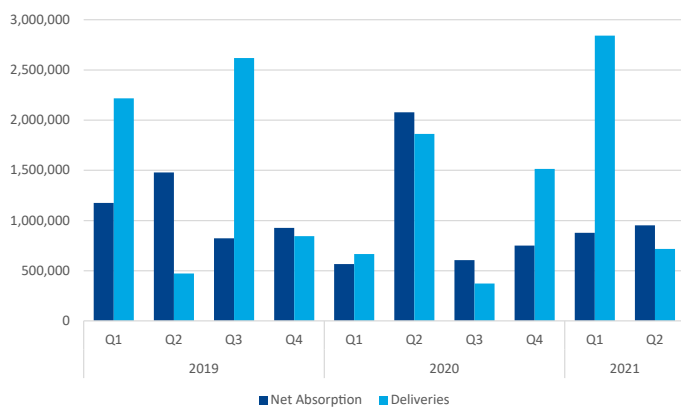
## Rental Rates

Average asking rental rates continued to steadily climb driven by new product and high tenant demand. Rates across all industrial product types closed the second quarter at \$10.13/SF NNN; growth of 3.5% over the first quarter. Asking rental rates for warehouse and distribution product (excluding flex) recorded similar growth of 3.4% over the first quarter to close the second quarter at \$8.84/SF NNN. Each of these figures indicate record highs for the metro area. As tenant demand grows and new product continues to deliver across the metro area, expect rental rates to steadily grow over the second half of the year.



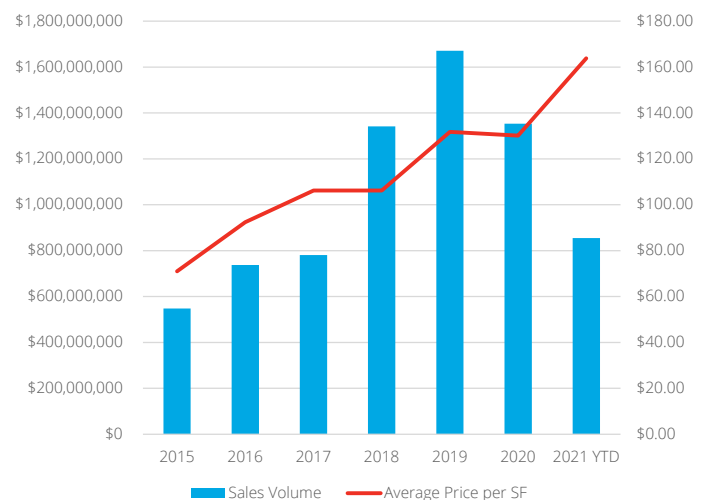
## Construction

Construction activity in industrial product remained at record levels around the metro area as 717,200 SF delivered during the second quarter. A massive 9.6 MSF was under construction to close the quarter, representing the largest total to close a quarter on record. The Northeast/Airport submarket headlines much of the development currently under way, with nearly 6.3 MSF under construction there. Expect this to continue to be the case, considering the vast amount of developable land surrounding the airport area. The North submarket led the way for deliveries during the second quarter with 473,200 SF delivering. This will be a submarket to watch moving forward as a number of BTS projects coupled with several proposed developments surrounding the E-470 and I-25 interchange could spur massive growth in the near future as the supply constraints of the Central submarket push tenant searches north along I-25.



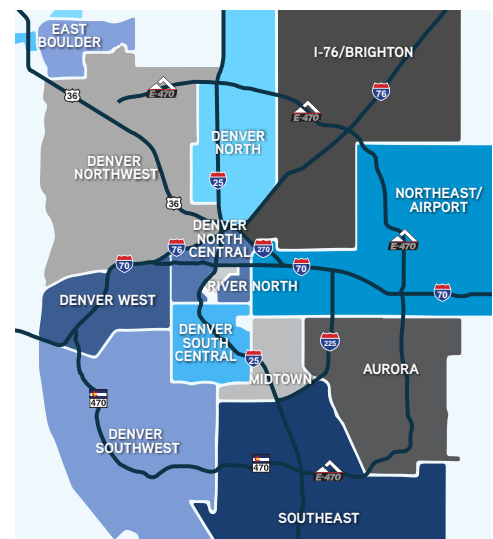
## Investment Activity

Investment activity in industrial product continues to benefit from uncertainty in retail and office product as investors increase their focus on the asset type. Investment sales volume in the second quarter recorded nearly \$491M, buoyed by the largest sale in terms of price in Colorado's history as Etkin Johnson sold off their remaining share of the Colorado Tech Center for \$393M. This brings year-to-date investment sales volume to nearly \$810M, positioning the metro to surpass the billion-dollar mark for the fourth consecutive year; a figure the market had never reached before four years ago. As investor appetite amplifies around the metro, investment activity will remain strong as cap rates continue to compress.



## Market Description

The Denver industrial market is composed of 259.7 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 20.8% 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.





## Top Industrial Sales

Property	Submarket	Sale Price	SF	Price/SF	Buyer	Seller
Colorado Tech Center Portfolio	Northwest	\$392,900,000	1,678,959	\$234.01	Starwood REIT	Etkin Johnson
Edge 470	Southeast	\$37,900,000	159,219 + 15.7 AC	*Sale included land	KKR	Etkin Johnson
Park 70	Northeast	\$25,000,000	163,790	\$152.63	KKR	AEW Capital Management
7910 Shaffer Pkwy.	Southwest	\$14,500,000	100,550	\$144.21	Codi Manufacturing	Kuehne & Nagel Inc.
13305 E. James Casey Ave.	Southeast	\$11,300,000	60,200	\$187.71	Black Creek Group	Event Rents Inc.

## Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
Axis 70 West	Northwest	142,200	New	International Paper
1485 E. 61st Ave.	North Central	133,200	Sublease	Planterra Foods
1100-1170 W. 120th Ave.	North	109,300	New	Ball Aerospace
4690 Florence St.	Northeast/Airport	100,000	Sublease	US Postal Service
Denver Business Center	Northeast/Airport	86,200	New	Feel the World Inc.
25 North - Bldg. 1	North	76,500	New	Meati Foods

## Under Construction

Property	Submarket	SF	Developer	Estimated Completion
Stafford Logistics Center	Northeast/Airport	1,200,000	NorthPoint	Q4 2021
Lowe's BTS	Northeast/Airport	1,000,600	Becknell	Q1 2022
Shamrock Foods BTS	Northeast/Airport	900,000	Majestic	Q3 2021
First Aurora Commerce Center - Bldg. E	Northeast/Airport	588,100	First Industrial	Q1 2022
Subaru BTS	Northeast/Airport	550,000	Majestic	Q4 2021

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			64,089	64,089	10.9%	64,089	0		\$14.00
FLEX	42	1,501,378			119,873	98,161	6.5%	119,873	0		\$9.63
<b>TOTAL</b>	<b>66</b>	<b>2,090,543</b>	<b>0</b>	<b>0</b>	<b>183,962</b>	<b>162,250</b>	<b>7.8%</b>	<b>183,962</b>	<b>0</b>	<b>(14,550)</b>	<b>\$10.36</b>
CENTRAL BOULDER											
WAREHOUSE/DISTRIBUTION	36	1,129,823			120,718	47,805	4.2%	115,918	4,800		\$22.26
FLEX	15	547,741			23,136	23,136	4.2%	23,136	0		\$16.63
<b>TOTAL</b>	<b>51</b>	<b>1,677,564</b>	<b>0</b>	<b>0</b>	<b>143,854</b>	<b>70,941</b>	<b>4.2%</b>	<b>139,054</b>	<b>4,800</b>	<b>(44,365)</b>	<b>\$21.86</b>
NORTH											
WAREHOUSE/DISTRIBUTION	173	9,912,834			1,542,555	1,224,425	12.4%	1,539,555	23,000		\$10.35
FLEX	39	1,647,231			250,296	233,736	14.2%	247,296	3,000		\$12.93
<b>TOTAL</b>	<b>212</b>	<b>11,560,065</b>	<b>473,206</b>	<b>288,794</b>	<b>1,792,851</b>	<b>1,458,161</b>	<b>12.6%</b>	<b>1,786,851</b>	<b>26,000</b>	<b>17,610</b>	<b>\$10.68</b>
NORTH CENTRAL											
WAREHOUSE/DISTRIBUTION	632	26,447,738			2,026,354	1,793,896	6.8%	1,819,746	206,608		\$8.64
FLEX	36	1,150,012			265,608	270,839	23.6%	265,608	0		\$19.73
<b>TOTAL</b>	<b>668</b>	<b>27,597,750</b>	<b>0</b>	<b>818,100</b>	<b>2,291,962</b>	<b>2,064,735</b>	<b>7.5%</b>	<b>2,085,354</b>	<b>206,608</b>	<b>49,386</b>	<b>\$10.88</b>
NORTHWEST											
WAREHOUSE/DISTRIBUTION	509	20,168,560			1,407,884	1,658,035	8.2%	1,396,350	11,534		\$10.17
FLEX	221	7,440,562			808,262	483,215	6.5%	793,696	14,566		\$13.02
<b>TOTAL</b>	<b>730</b>	<b>27,609,122</b>	<b>55,200</b>	<b>799,681</b>	<b>2,216,146</b>	<b>2,141,250</b>	<b>7.8%</b>	<b>2,190,046</b>	<b>26,100</b>	<b>25,533</b>	<b>\$11.05</b>
SOUTH CENTRAL											
WAREHOUSE/DISTRIBUTION	704	22,024,471			874,715	870,363	4.0%	801,490	73,225		\$9.30
FLEX	38	959,481			42,163	35,674	3.7%	42,163	0		\$10.97
<b>TOTAL</b>	<b>742</b>	<b>22,983,952</b>	<b>0</b>	<b>0</b>	<b>916,878</b>	<b>906,037</b>	<b>3.9%</b>	<b>843,653</b>	<b>73,225</b>	<b>(62,485)</b>	<b>\$9.43</b>
SOUTHEAST											
WAREHOUSE/DISTRIBUTION	256	11,523,243			1,639,385	1,355,717	11.8%	1,615,620	23,765		\$9.42
FLEX	225	7,826,349			1,142,020	790,382	10.1%	976,120	220,748		\$12.21
<b>TOTAL</b>	<b>481</b>	<b>19,349,592</b>	<b>0</b>	<b>351,956</b>	<b>2,781,405</b>	<b>2,146,099</b>	<b>11.1%</b>	<b>2,591,740</b>	<b>244,513</b>	<b>24,969</b>	<b>\$10.80</b>
SOUTHWEST											
WAREHOUSE/DISTRIBUTION	203	6,951,470			414,210	338,750	4.9%	316,104	98,106		\$7.88
FLEX	129	7,636,515			292,904	255,929	3.4%	292,904	0		\$11.48
<b>TOTAL</b>	<b>332</b>	<b>14,587,985</b>	<b>0</b>	<b>0</b>	<b>707,114</b>	<b>594,679</b>	<b>4.1%</b>	<b>609,008</b>	<b>98,106</b>	<b>(113,998)</b>	<b>\$9.99</b>
WEST											
WAREHOUSE/DISTRIBUTION	131	8,978,251			109,402	77,906	0.9%	109,402	0		\$11.91
FLEX	70	2,817,711			184,709	122,780	4.4%	173,519	11,190		\$12.61
<b>TOTAL</b>	<b>201</b>	<b>11,795,962</b>	<b>0</b>	<b>0</b>	<b>294,111</b>	<b>200,686</b>	<b>1.7%</b>	<b>282,921</b>	<b>11,190</b>	<b>(4,452)</b>	<b>\$12.35</b>

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	93	2,811,476			90,066	90,432	3.2%	62,130	27,936		\$14.74
FLEX	82	2,279,992			408,252	343,739	15.1%	310,646	97,606		\$19.35
<b>TOTAL</b>	<b>175</b>	<b>5,091,468</b>	<b>0</b>	<b>0</b>	<b>498,318</b>	<b>434,171</b>	<b>8.5%</b>	<b>372,776</b>	<b>125,542</b>	<b>(26,931)</b>	<b>\$18.31</b>
GUNBARREL											
WAREHOUSE/DISTRIBUTION	42	1,970,793			301,951	216,908	11.0%	276,494	25,457		\$10.90
FLEX	45	2,152,825			367,258	300,893	14.0%	333,886	33,372		\$12.87
<b>TOTAL</b>	<b>87</b>	<b>4,123,618</b>	<b>0</b>	<b>0</b>	<b>669,209</b>	<b>517,801</b>	<b>12.6%</b>	<b>610,380</b>	<b>58,829</b>	<b>(25,586)</b>	<b>\$12.24</b>
I-76/BRIGHTON											
WAREHOUSE/DISTRIBUTION	280	13,453,797			3,178,931	740,218	5.5%	3,099,931	79,000		\$14.11
FLEX	20	644,531			11,200	11,200	1.7%	11,200	0		\$12.98
<b>TOTAL</b>	<b>300</b>	<b>14,098,328</b>	<b>0</b>	<b>1,092,383</b>	<b>3,190,131</b>	<b>751,418</b>	<b>5.3%</b>	<b>3,111,131</b>	<b>79,000</b>	<b>151,999</b>	<b>\$14.05</b>
MIDTOWN											
WAREHOUSE/DISTRIBUTION	41	1,269,961			26,012	4,796	0.4%	26,012	0		\$11.67
FLEX	41	1,231,992			102,684	96,907	7.9%	102,684	0		\$8.62
<b>TOTAL</b>	<b>82</b>	<b>2,501,953</b>	<b>0</b>	<b>0</b>	<b>128,696</b>	<b>101,703</b>	<b>4.1%</b>	<b>128,696</b>	<b>0</b>	<b>0</b>	<b>\$8.89</b>
NORTHEAST/AIRPORT											
WAREHOUSE/DISTRIBUTION	1,132	87,436,867			10,261,708	7,360,386	8.4%	9,657,668	669,670		\$6.94
FLEX	76	3,015,605			222,096	169,642	5.6%	178,511	43,585		\$19.23
<b>TOTAL</b>	<b>1,208</b>	<b>90,452,472</b>	<b>188,760</b>	<b>6,264,901</b>	<b>10,483,804</b>	<b>7,530,028</b>	<b>8.3%</b>	<b>9,836,179</b>	<b>713,255</b>	<b>976,491</b>	<b>\$7.19</b>
RINO											
WAREHOUSE/DISTRIBUTION	79	3,772,604			171,393	209,103	5.5%	171,293	19,940		\$9.03
FLEX	8	382,486			14,546	13,026	3.4%	14,546	0		\$35.00
<b>TOTAL</b>	<b>87</b>	<b>4,155,090</b>	<b>0</b>	<b>0</b>	<b>185,939</b>	<b>222,129</b>	<b>5.3%</b>	<b>185,839</b>	<b>19,940</b>	<b>(1,520)</b>	<b>\$10.32</b>

## 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
<b>Q2 2021</b>	<b>9,615,815</b>	<b>259,675,464</b>	<b>26,484,380</b>	<b>19,302,088</b>	<b>6.8%</b>	<b>24,957,590</b>	<b>1,687,108</b>	<b>952,101</b>	<b>\$8.84</b>	<b>\$10.13</b>
Quarterly Comparison										
Q1 2021	7,839,663	257,789,612	25,249,665	17,903,150	6.3%	22,719,493	2,660,553	877,121	\$8.55	\$9.79
Q4 2020	5,756,772	256,652,545	24,675,225	16,560,872	5.9%	21,951,592	2,886,815	751,677	\$8.38	\$9.58
Q3 2020	6,922,775	254,927,426	23,176,357	2,694,474	5.4%	20,629,654	2,689,085	606,814	\$8.23	\$9.42

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**\$3.3B**  
in revenue



**2B**  
square feet under management



**18,000 +**  
professionals and staff

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