



Colliers

Denver

Industrial

21Q4

2021 set a new standard for Denver metro industrial product. Unprecedented demand led to a record year for absorption and investment sales volume as asking rates reached new highs. **As tenant demand continues to surge, the pipeline remains robust and investor interest has never been higher; the Denver industrial market is set to thrive in 2022 and beyond.**

Accelerating success.



Denver Industrial 21Q4

Key Takeaways

- The market recorded record net absorption of 9.9 MSF during 2021.
- Asking rates continue to demonstrate steady growth, closing the year at \$10.40/SF NNN; an increase of 8.4% year-over-year.
- Despite 3.4 MSF delivering this quarter, 8.4 MSF remained under construction at year's end.
- Investment sales volume continues to surge, with a record \$2.4B during 2021.



Denver Industrial Setting Records

The Denver industrial market weathered the pandemic well throughout 2020, but 2021 marked an unprecedented year for the product type. The market recorded nearly 5.2 MSF of absorption during the fourth quarter, bringing total absorption for the year to a record 9.9 MSF. Vacancy had steadily risen over the past several quarters but plummeted 100 bps during the fourth quarter to 5.9%. Rental rates reached new highs, closing the year at \$10.40/SF NNN across all industrial product types. Developers continue to respond to this demand as nearly 9.6 MSF of industrial product delivered during 2021, while 8.4 MSF remained under construction at the end of the fourth quarter. Investment sales activity continues to intensify as the market set new volume and price psf records during the year as well. Closing the year with strong metrics across the board, the market is poised to carry this momentum into 2022.

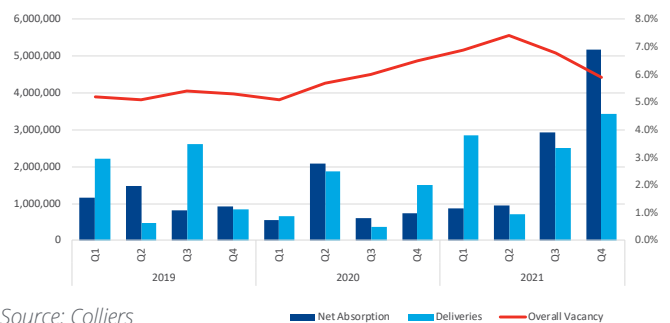
Market Indicators



Historic Comparison

	Q4 2020	Q3 2021	Q4 2021
Total Inventory (SF)	252,210,267	258,369,122	261,796,727
New Supply (SF)	1,555,287	2,637,459	3,427,605
Net Absorption (SF)	751,677	2,925,571	5,181,489
Overall Vacancy	6.4%	6.9%	5.9%
Under Construction (SF)	5,756,772	10,754,572	8,390,400
Overall Asking Rates (NNN)	\$9.59	\$9.80	\$10.40

Market Graph



Source: Colliers

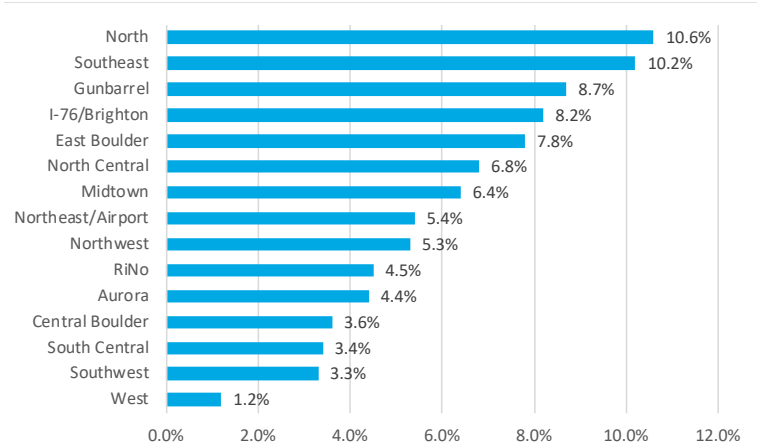
Net absorption was steady during 2020 and the first half of 2021, but the market was unable to keep pace with the sheer volume of deliveries, as vacancy rose 160 bps from the second quarter 2020 (5.8%) to the second quarter 2021 (7.3%). The second half of 2021 bucked this trend, as absorption surged causing vacancy to fall 140 bps over the second half of the year to 5.9%. A robust pipeline remains underway, so quarterly fluctuations in vacancy are likely, but expect overall vacancy to remain largely flat during 2022.

Labor Force

	CONSTRUCTION	MANUFACTURING	TRANSPORTATION, TRADE, & UTILITIES
12-Mo. Employment Growth	1.6%	0.3%	4.3%
12-Mo. Actual Employment Change	1,700	200	12,300

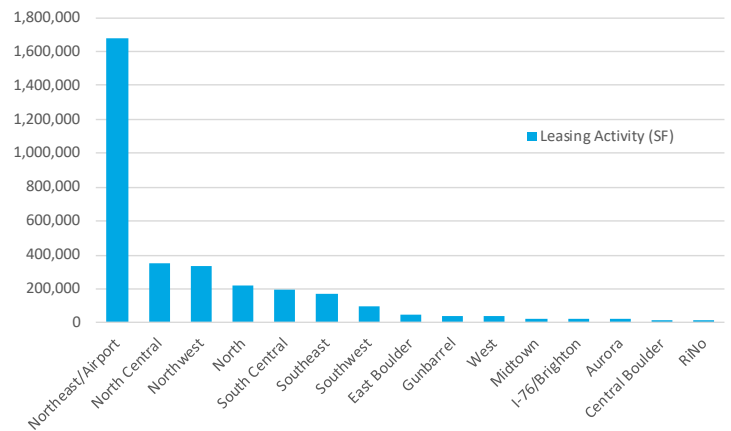
Vacancy

Vacancy closed the fourth quarter 2021 at 5.9% on an overall basis, representing a 100-bps decrease from the 6.9% recorded during the third quarter and a 140-bps decrease from the market-record 7.3% recorded during the second quarter. Direct vacancy closely mirrored this decrease, falling 90 bps during the fourth quarter to 5.5% to close the year. Sublease vacancy continues to be minimal, decreasing 10 bps to close at 0.4% for the metro. This declining vacancy over the second half of the year was driven by massive absorption figures which were largely driven by several notable BTS completions. The pipeline remains large, but as strong demand continues, expect largely flat vacancy over the next twelve months.



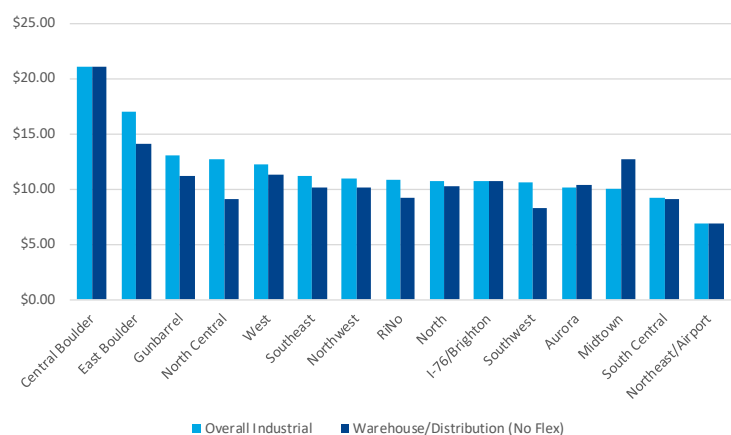
Absorption & Leasing Activity

Denver industrial product recorded 3.3 MSF of leasing activity during the fourth quarter 2021, bringing the total for the year to 16.4 MSF. The largest lease of the quarter was FedEx as they leased the entirety of Buildings B and C, totaling 473,800 SF, at North Central Logistics Center. Also noteworthy was HD Supply's 392,400-SF renewal and expansion at Stapleton Business Center North. The market recorded an unprecedented 5.2 MSF of net absorption during the fourth quarter, bringing the total for 2021 to a record 9.9 MSF. This figure was largely driven by BTS activity as Lowe's and Amazon each occupied buildings over 1.0 MSF during the quarter. Expect absorption to start 2022 strong with a number of large occupancies already slated for the first quarter.



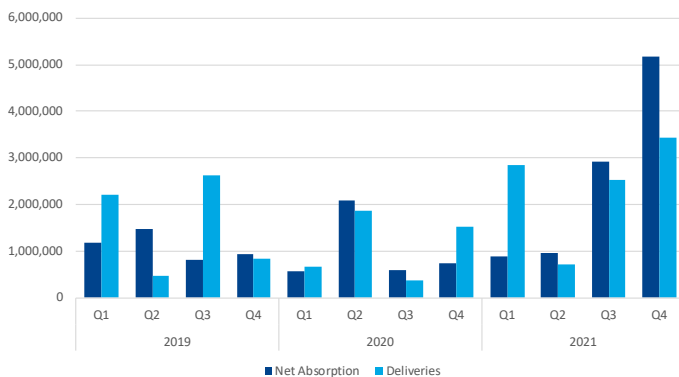
Rental Rates

Average asking rental rates across all industrial product types closed the year at \$10.40/SF NNN. This figure represented 8.4% growth over the course of the year and represented the highest on record for the metro. Asking rental rates for warehouse and distribution product (excluding flex) closely mirrored this growth, increasing 7.8% during 2021 to close at \$9.03/SF NNN; a figure that also indicates a record for the product type. Flex rental rates recorded strong growth as well, increasing 6.7% to close at \$14.50/SF NNN. As tenant demand remains strong and new product continues to deliver, expect rental rates to continue to grow during 2022.



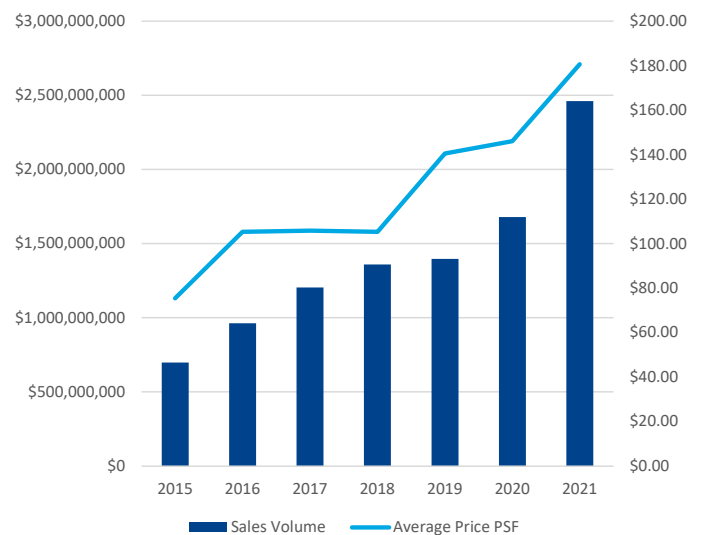
Construction

The industrial construction boom continues across Denver as 3.4 MSF delivered during the fourth quarter, bringing total deliveries for the year to 9.6 MSF. Despite another big quarter for deliveries, the pipeline remains robust with nearly 8.4 MSF under construction to close the year. The Northeast/Airport submarket headlined development once again in 2021, accounting for 59.2% of the year's deliveries and 58.7% of the product underway to close the year. Expect this to continue to be the case considering the amount of developable acreage surrounding the airport area. The aforementioned Amazon and Lowe's deals were the largest deliveries of the quarter and year. Expect the construction pipeline to remain large for the foreseeable future as developers continue to flock to Denver's amplifying industrial demand. One submarket to watch will be Denver's North submarket. Currently accounting for the largest portion of the pipeline outside of the Northeast/Airport submarket, the area is set to explode with several million square feet planned around the E-470 and I-25 interchange.



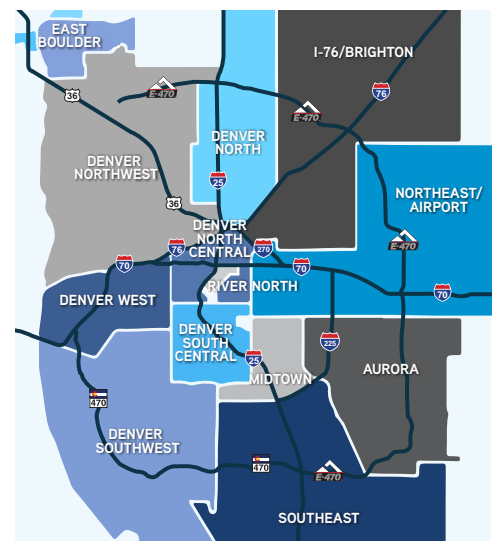
Investment Activity

Investment activity in industrial product continues to amplify. The market recorded over \$2.4B in sales volume over the course of 2021, marking the highest sales volume in history for the metro area. It is important to remember the market had never surpassed the \$1.0B mark before 2017 and sales volume has increased each of the past six years. Average price per square foot during 2021 was over \$180/SF; 23.7% above the \$146/SF recorded last year and 71.6% above five years ago. The largest sale of the fourth quarter was Pecos Logistics Park, which sold for \$318.0M to JP Morgan Investment Management. As investors continue to aggressively pursue Denver industrial product, expect strong volume to continue throughout 2022 as cap rates continue to compress.



Market Description

The Denver industrial market is composed of 261.8 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 21.6% 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
Pecos Logistics Park	North Central	\$318,000,000	1,146,100	\$277.46	JP Morgan Investment Mgmt.	Westfield Company
400 W. 160th Ave.	North	\$94,800,000	200,864	\$471.96	Realterm US Inc.	McWhinney
Park 225	Northeast/Airport	\$33,000,000	175,500	\$188.03	Westcore Properties	AEW Capital Mgmt.
1450 Infinite Dr.	Northwest	\$30,300,000	160,000	\$189.38	SteelWave Inc.	Metronest
Union Pacific 1 & 2	Northeast/Airport	\$14,200,000	78,305	\$181.34	Follett USA	Claudio Chavez

Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
North Central Logistics Center - Bldgs. B & C	North	473,756	New	FedEx
Stapleton Business Center North	Northeast/Airport	392,425	Expansion & Renewal	HD Supply
21111 E. 36th Dr.	Northeast/Airport	140,000	New	Keller Warehousing
Ascent Commerce Center - Bldg. 2	Northeast/Airport	135,053	New	McKesson
Denver Commerce Center	North Central	84,340	New	Next Level Resource Partners

Under Construction

Property	Submarket	SF	Developer	Estimated Completion
First Aurora Commerce Center - Bldg. E	Northeast/Airport	588,085	First Industrial	Q 2022
Subaru BTS	Northeast/Airport	550,000	Majestic	Q1 2022
HighPoint Logistics Park - Bldg. 1B	Northeast/Airport	541,840	Hyde	Q4 2022
Central Park Logistics Center - Bldg. 2	Northeast/Airport	493,260	Brookfield	Q4 2022
FedEx at Porteos	Northeast/Airport	450,000	SunCap	Q2 2022

Denver | Q4 2021 | 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			29,550	29,550	5.0%	29,550	0		\$10.39
FLEX	42	1,501,299			65,978	62,036	4.1%	65,978	0		\$9.99
TOTAL	66	2,090,464	0	0	95,528	91,586	4.4%	95,528	0	29,994	\$10.12
CENTRAL BOULDER											
WAREHOUSE/DISTRIBUTION	36	1,131,193			68,159	35,010	3.1%	56,689	11,470		\$21.12
FLEX	15	566,898			25,536	25,536	4.5%	25,536	0		\$17.50
TOTAL	51	1,698,091	0	0	93,695	60,546	3.6%	82,225	11,470	7,405	\$21.02
NORTH											
WAREHOUSE/DISTRIBUTION	174	9,926,768			1,412,610	993,576	10.0%	1,412,610	23,000		\$10.21
FLEX	39	1,646,492			270,939	228,418	13.9%	267,939	3,000		\$13.42
TOTAL	213	11,573,260	0	878,683	1,683,549	1,221,994	10.6%	1,680,549	26,000	633,410	\$10.78
NORTH CENTRAL											
WAREHOUSE/DISTRIBUTION	632	26,868,149			2,168,845	1,596,834	5.9%	2,035,483	133,362		\$9.13
FLEX	36	1,150,012			339,982	318,677	27.7%	339,982	0		\$24.65
TOTAL	668	28,018,161	261,000	614,000	2,508,827	1,915,511	6.8%	2,375,465	133,362	168,620	\$12.65
NORTHWEST											
WAREHOUSE/DISTRIBUTION	513	20,690,365			1,314,886	1,009,718	4.9%	1,297,308	17,578		\$10.20
FLEX	222	7,497,488			751,389	474,338	6.3%	749,215	2,174		\$12.82
TOTAL	735	28,187,853	175,761	424,535	2,066,275	1,484,056	5.3%	2,046,523	19,752	46,089	\$10.92
SOUTH CENTRAL											
WAREHOUSE/DISTRIBUTION	706	22,096,879			730,177	757,861	3.4%	690,982	39,195		\$9.09
FLEX	39	994,467			15,745	15,745	1.6%	13,637	2,108		\$11.65
TOTAL	745	23,091,346	0	0	745,922	773,606	3.4%	704,619	41,303	108,224	\$9.21
SOUTHEAST											
WAREHOUSE/DISTRIBUTION	256	11,645,366			2,753,925	1,347,679	11.6%	2,726,560	27,365		\$10.18
FLEX	227	7,848,281			985,665	647,905	8.3%	889,624	96,041		\$12.33
TOTAL	483	19,493,647	0	764,599	3,739,590	1,995,584	10.2%	3,616,184	123,406	83,330	\$11.14
SOUTHWEST											
WAREHOUSE/DISTRIBUTION	206	7,084,091			366,406	278,006	3.9%	226,618	139,788		\$8.26
FLEX	128	7,622,235			169,328	203,860	2.7%	157,991	11,337		\$11.94
TOTAL	334	14,706,326	0	0	535,734	481,866	3.3%	384,609	151,125	34,792	\$10.58
WEST											
WAREHOUSE/DISTRIBUTION	132	9,111,440			39,492	37,360	0.4%	39,492	0		\$11.34
FLEX	70	2,807,489			138,903	99,773	3.6%	138,903	0		\$12.70
TOTAL	202	11,918,929	0	0	178,395	137,133	1.2%	178,395	0	22,099	\$12.20

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			140,232	138,392	5.1%	99,834	40,398		\$14.05
FLEX	80	2,301,739			360,146	256,167	11.1%	305,949	80,128		\$18.13
TOTAL	170	5,038,269	0	0	500,378	394,559	7.8%	405,783	120,526	(1,500)	\$16.95
GUNBARREL											
WAREHOUSE/DISTRIBUTION	41	1,965,089			116,306	77,819	4.0%	90,849	25,457		\$11.19
FLEX	45	2,170,674			303,850	280,644	12.9%	297,565	6,285		\$14.47
TOTAL	86	4,135,763	0	0	420,156	358,463	8.7%	388,414	31,742	63,162	\$13.06
I-76/BRIGHTON											
WAREHOUSE/DISTRIBUTION	288	14,324,623			3,717,967	1,229,793	8.6%	3,626,467	91,500		\$10.68
FLEX	20	644,531			0	0	0.0%	0	0		\$12.95
TOTAL	308	14,969,154	390,348	785,948	3,717,967	1,229,793	8.2%	3,626,467	91,500	243,854	\$10.77
MIDTOWN											
WAREHOUSE/DISTRIBUTION	40	1,167,813			59,616	36,506	3.1%	59,616	0		\$12.74
FLEX	41	1,226,435			87,616	115,725	9.4%	87,616	0		\$8.94
TOTAL	81	2,394,248	0	0	147,232	152,231	6.4%	147,232	0	(21,410)	\$9.98
NORTHEAST/AIRPORT											
WAREHOUSE/DISTRIBUTION	1,136	87,789,534			10,028,911	4,754,212	5.4%	9,493,537	573,402		\$6.89
FLEX	73	2,697,008			237,206	137,988	5.1%	193,621	43,585		\$10.65
TOTAL	1,209	90,486,542	2,600,496	4,922,635	10,266,117	4,892,200	5.4%	9,687,158	616,987	3,765,098	\$6.93
RINO											
WAREHOUSE/DISTRIBUTION	74	3,612,188			166,413	166,413	4.6%	166,214	19,740		\$9.25
FLEX	8	382,486			2,500	14,546	3.8%	2,500	0		\$35.00
TOTAL	82	3,994,674	0	0	168,913	180,959	4.5%	168,714	19,740	(1,678)	\$10.80

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 2021	8,390,400	261,796,727	26,868,278	15,370,087	5.5%	25,587,865	1,386,913	5,181,489	\$9.03	\$10.40
Quarterly Comparison										
Q3 2021	10,754,572	260,960,637	26,861,582	17,917,297	6.4%	25,527,788	1,491,895	2,925,571	\$8.80	\$9.80
Q2 2021	9,615,815	259,780,966	27,433,930	18,965,492	6.6%	25,978,336	1,612,725	952,101	\$8.85	\$9.94
Q1 2021	7,839,663	257,926,709	25,126,326	17,702,509	6.3%	22,675,146	2,581,274	877,121	\$8.55	\$9.59

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\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

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