



Denver industrial market report

Q1 2023

**AVISON
YOUNG**

Denver industrial market trends

-55.0%

Leasing volume decline compared to the Q1 2022

Leasing volume during the first quarter has considerably slowed, declining by 55.0% compared to Q1 2022. This decrease in transactions is primarily due to leases taking longer to negotiate.

The average lease size during the first quarter also slipped to 17,990 sf compared to the 2022 quarterly average of 21,225 sf. Most of the activity taking place in the consistently active East I-70 Corridor submarket.

2.8%

Direct NNN quarterly rent growth

With 1.9 million sf becoming available for lease during the first quarter, rent grew incrementally by 2.8% since the prior quarter. Overall industrial rents in the area have grown by 7.2% over the past 12 months, with most of that growth occurring in Q3 2022.

Looking closer at the different quality of product, Class A warehouse and distribution properties have experienced a 14% rent growth in the past 12 months compared to Class B rents which grew 6% in the same timeframe.

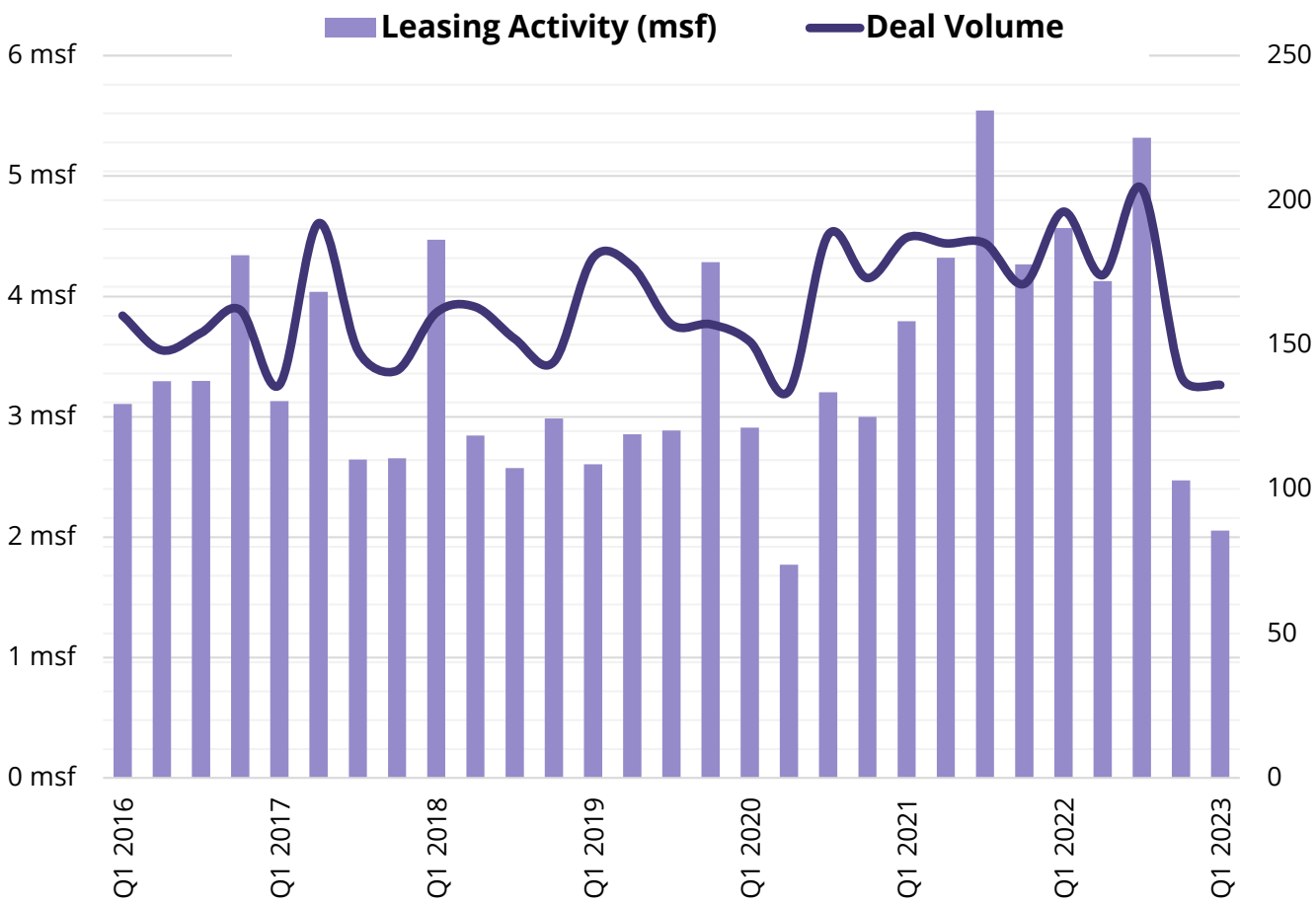
4.8%

Annual sales price per square foot increase

Asset pricing has managed to sustain through Q1 2023, however sales volume declined by 85% when compared to Q1 2022, largely due to the roiled capital markets and ever-increasing interest rates limiting pricing.

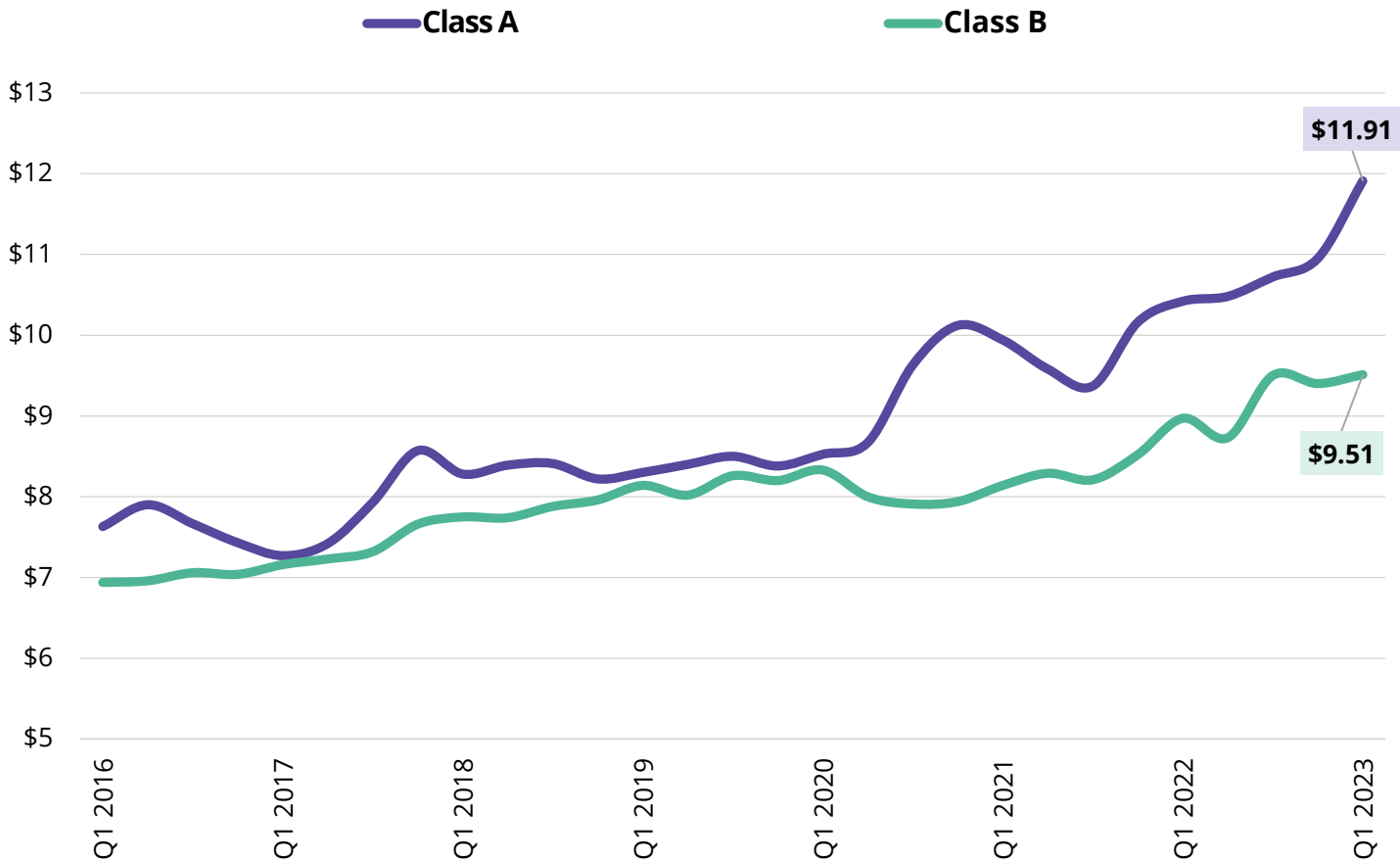
With a record amount of product expected to deliver in the year ahead accompanied by slower net absorption, industrial capital markets will continue to see selective sales but in general if an investor doesn't have to sell, why would it? Denver's industrial sector is expected to weather the storm due to its mid-continental location, its dense and growing population and its thriving logistics segment.

Historical industrial leasing volume



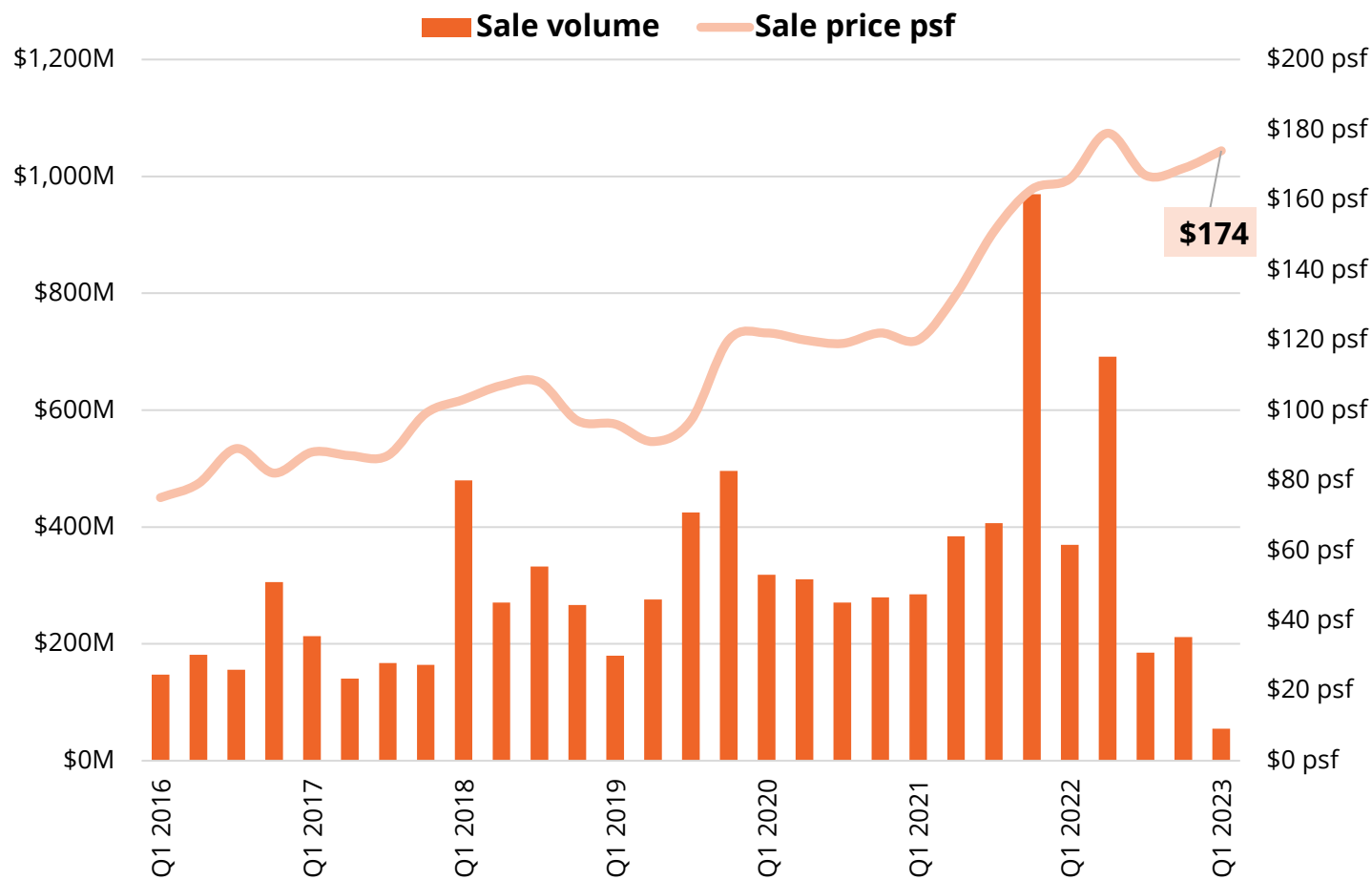
Leasing volume was constrained in Q1 2023 at just over 2 million sf leased in the area.

Industrial direct NNN rents



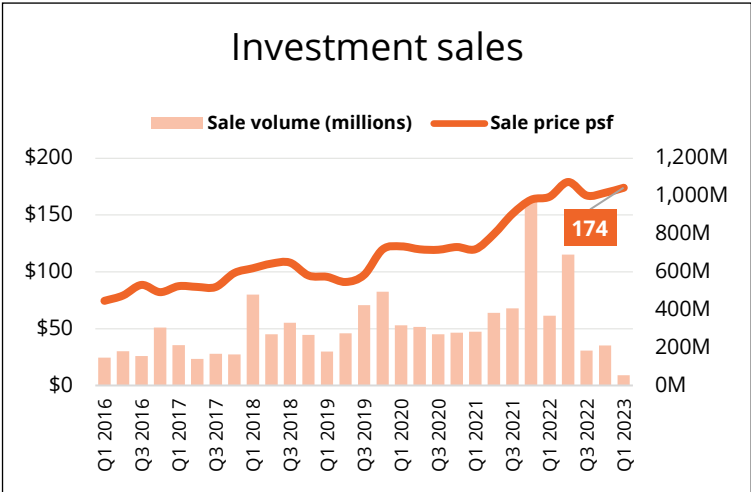
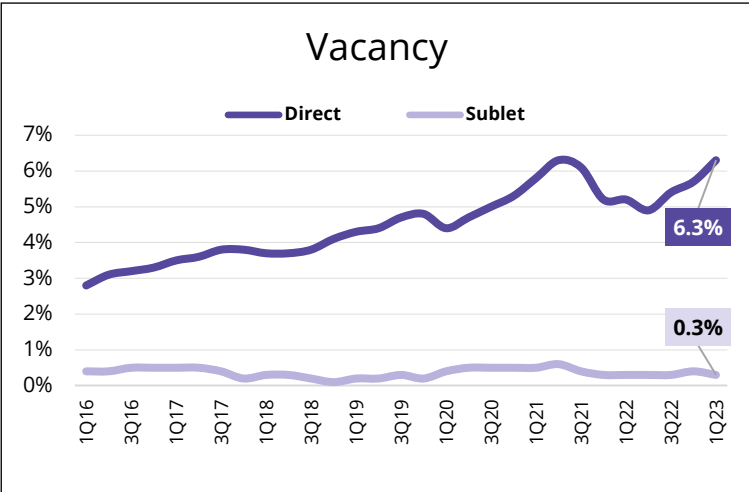
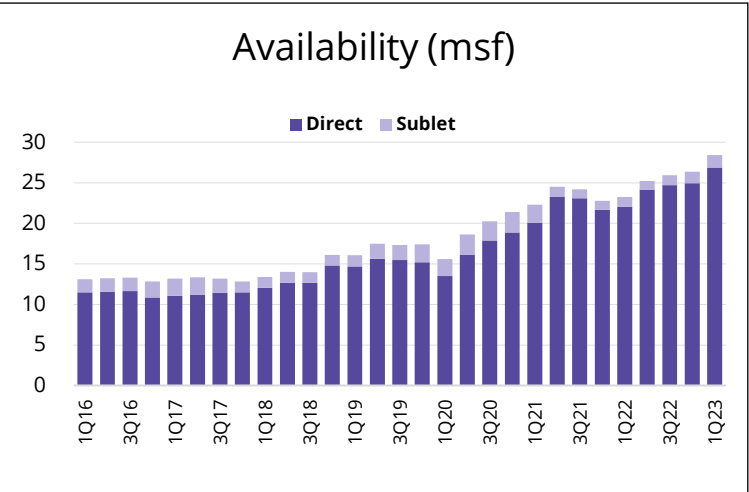
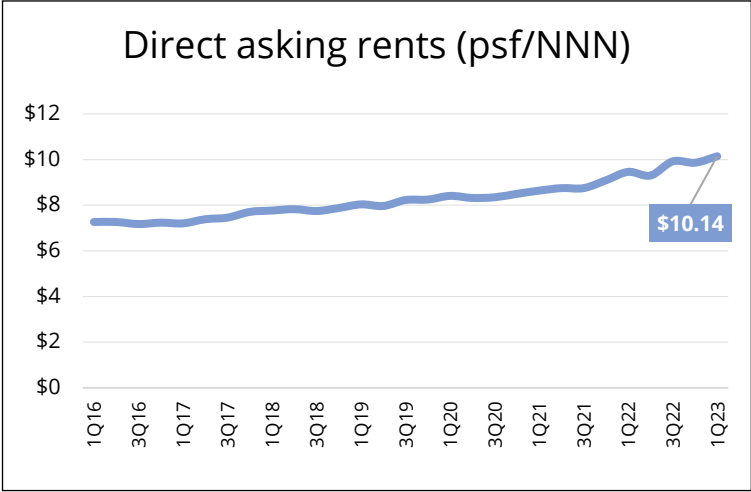
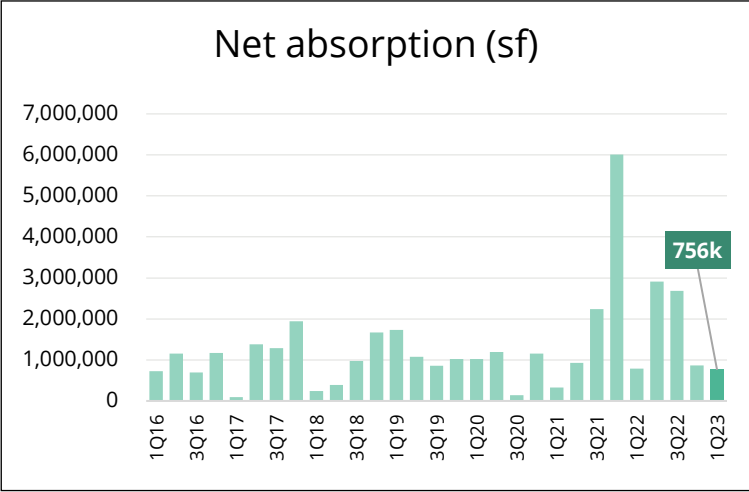
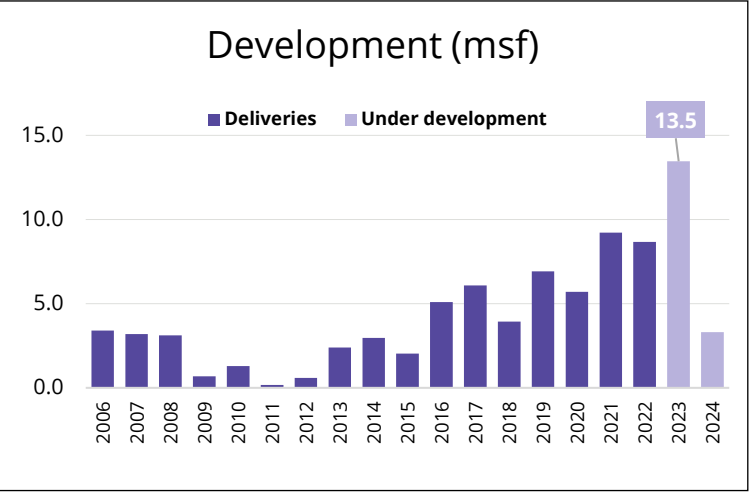
Class A rents have increased by 19.8% in the past 2 years, compared to Class B product rising 16.8% over same period.

Industrial capital markets environment



Trailing 12-month investment volume is over \$1.1 billion and primarily bolstered from Q2 2022's transactions.

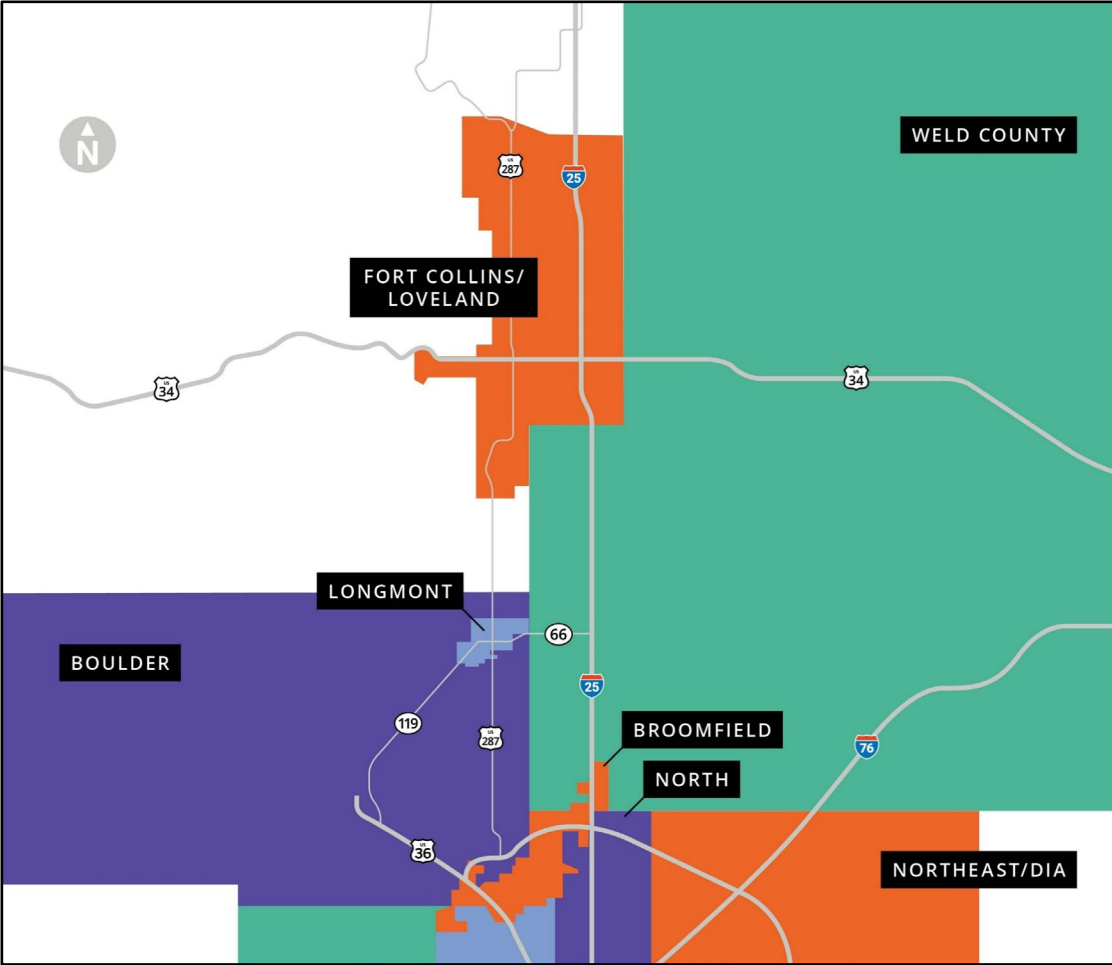
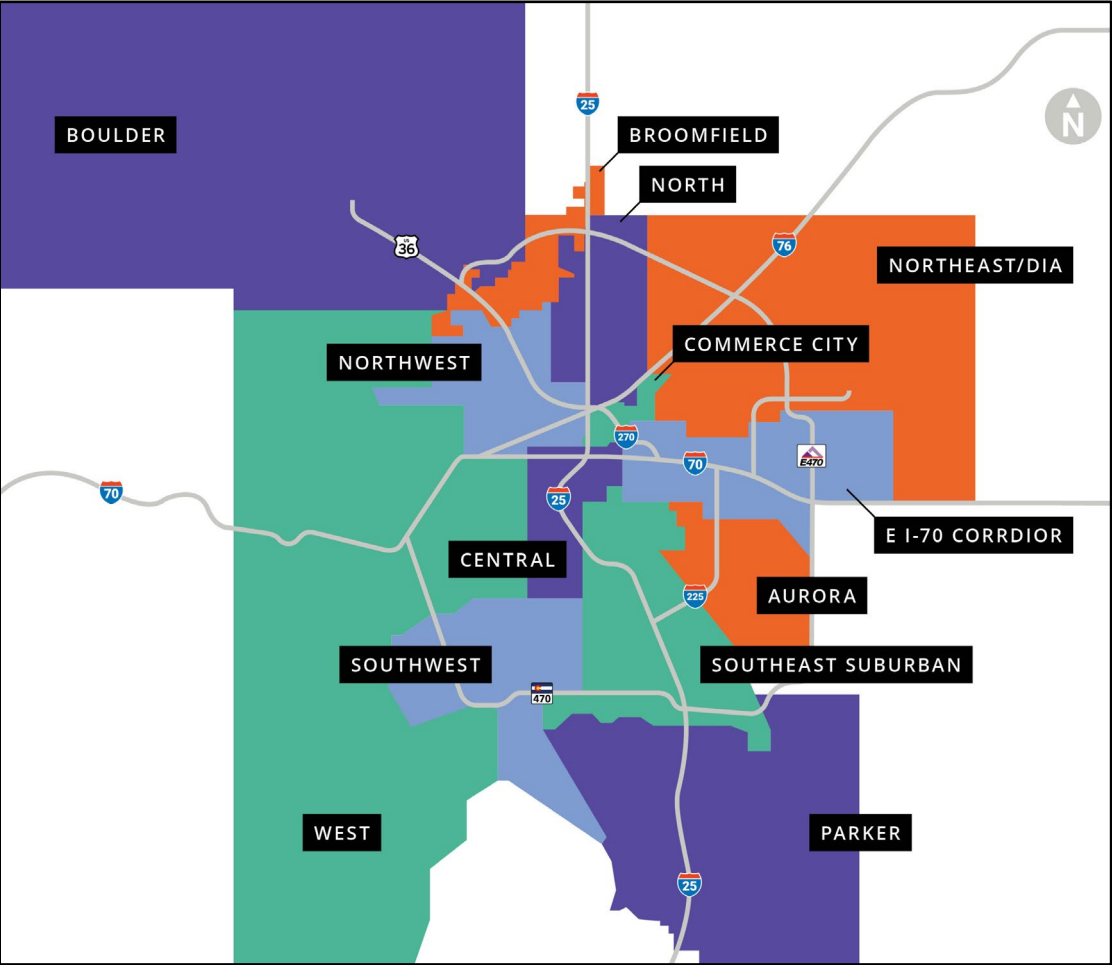
Denver industrial market indicators



Denver industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (Q1 2023)	Direct asking rent FS
Aurora	579,839			6.2%	0.0%	6.2%	-	\$8.59
Boulder	6,254,826		203,276	5.7%	0.0%	5.7%	44,402	\$13.46
Broomfield	4,682,171		920,955	6.4%	0.1%	6.5%	(96,442)	\$11.68
Central Denver	31,753,125		280,000	3.8%	0.1%	3.9%	(53,378)	\$9.55
Commerce City	10,251,053		330,368	0.3%	2.0%	2.3%	38,256	\$12.15
E I-70 Corridor	93,589,977	631,211	5,693,579	5.4%	0.4%	5.7%	132,128	\$7.87
Fort Collins/Loveland	16,689,448	107,200	4,149,940	5.5%	0.0%	5.5%	121,632	\$11.74
Longmont	3,255,243			8.7%	0.5%	9.3%	(95,445)	\$11.36
Northeast/DIA	16,211,698	745,500	2,264,558	24.8%	0.0%	24.8%	80,723	\$3.41
North Denver	10,172,072	216,825	400,050	6.9%	0.1%	7.1%	69,516	\$11.70
Northwest Denver	15,766,173		506,672	7.9%	0.9%	8.7%	105,851	\$9.97
Parker/Castle Rock	78,5062	80,000	100,500	8.2%	0.0%	8.2%	29,050	\$13.19
Southeast Suburban Denver	14,299,294	173,224	1,294,086	12.3%	0.6%	12.9%	203,118	\$10.98
Southwest C-470 Denver	5,498,974			2.1%	0.0%	2.1%	(13,348)	\$12.57
Weld County	18,046,093	268,000	640,000	3.1%	0.2%	3.3%	295,458	\$12.19
West Denver	13,936,257		190,852	0.6%	0.0%	0.6%	14,471	\$12.06
Market total	261,771,305	2,221,960	16,974,836	6.3%	0.3%	6.9%	755,750	\$10.14

Denver submarket map



Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
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