

# Denver, CO



## Quick stats

**5.9%**

vacancy rate, down 30 basis points (bps) since 3Q2020 but up 60 bps year-over-year

**\$8.47 NNN**

average asking rate for direct industrial space, up 0.5% since 3Q2020

**1.5 MSF**

year-end industrial net absorption for 2020, down 87% year-over-year

**5.5 MSF**

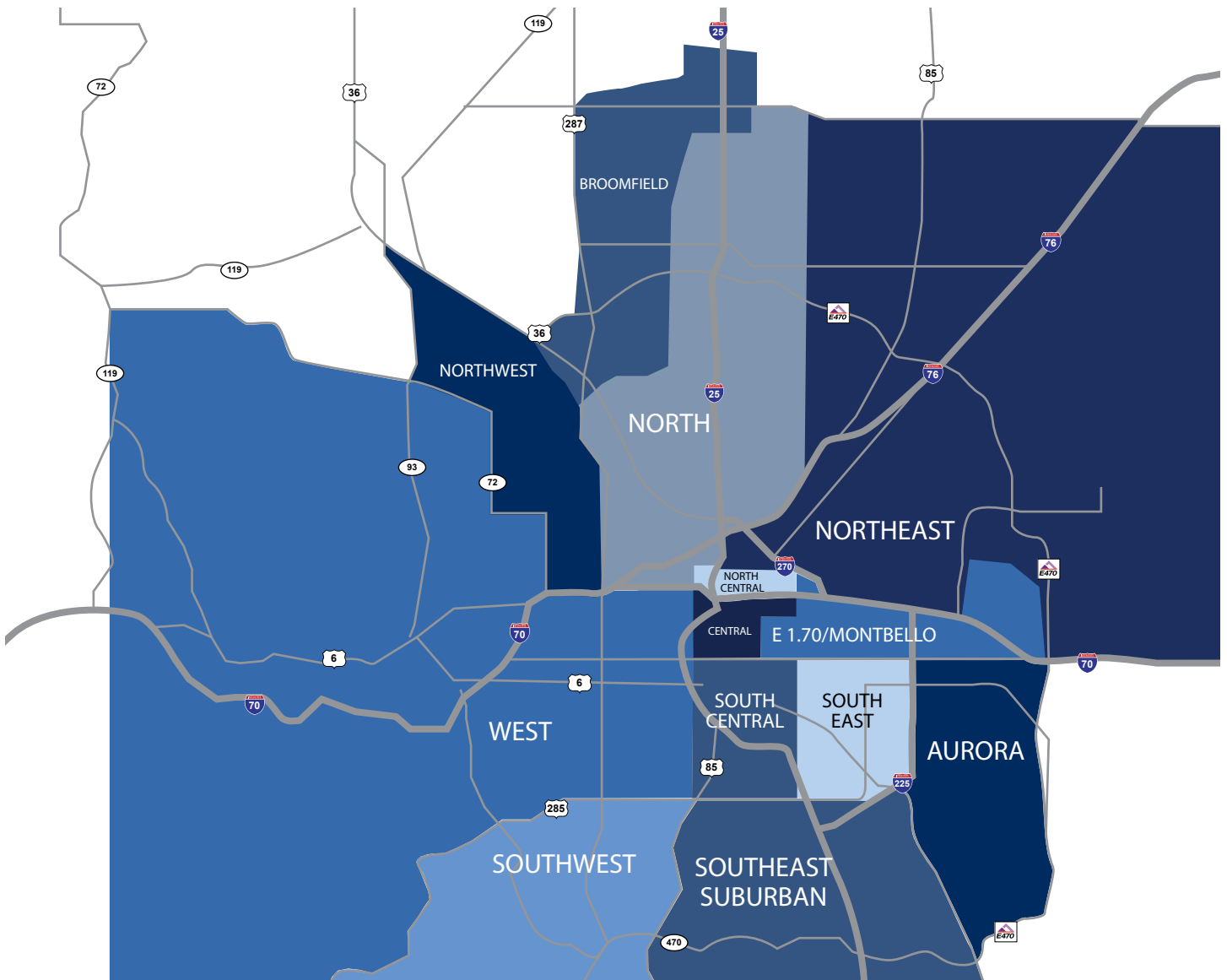
industrial space currently under construction, 31.2% of which is pre-leased

**\$238 M**

total 4Q2020 industrial sales volume, down 28.9% from 3Q2020

## Market highlights

- After dipping slightly in the third quarter of 2020, industrial NNN rental rates rebounded in the fourth quarter to end 2020 at average asking rate of \$8.47 NNN. The average manufacturing asking rate remained stable at \$9.19 NNN. Despite steady recovery following a dip in occupancy and leasing activity at the start of the pandemic, warehouse rents contracted in 4Q2020, ending the year at \$7.64 NNN.
- Vacancy dropped quarter-over-quarter, ending the year at 5.9%. While this represented a year-over-year increase, it remains an encouraging sign of the industrial sector's recovery from the social and economic disruption of the COVID-19 pandemic. While pre-leasing figures remain low for speculative development, overall leasing activity and increased e-commerce demand suggest that vacancy could fall below 5% in 2021.
- The fourth quarter of 2020 was rather modest in terms of investment activity, with \$238.3 million in industrial sales volume. The most notable transaction was the portfolio sale of three buildings totaling 461,224 square feet (sf) at the Enterprise Business Park in the E. I-70/Montbello submarket. The portfolio sold for \$77 million, or \$167 per square foot, and is fully-leased to strong-credit tenants like Floor & Decor and Pinnacle.
- Industrial net absorption rebounded in the fourth quarter after trending negative in 3Q2020, ending 4Q2020 with 275,048 sf of net absorption for a year-end net absorption total of 1,469,940 sf. The positive absorption was driven by large leases for both manufacturing and distribution space, a testament to how the pandemic has shaped consumer demand and the ensuing effect on the industrial real estate sector.
- There is currently 5,498,118-sf of industrial space under construction in the Denver market, approximately 31% of which is pre-leased. With build-to-suit projects accounting for 97.2% of the pre-leased square footage, spec pre-leasing remains low, a common theme in the Denver industrial sector the last several years amidst explosive growth. However, despite delivering vacant, leasing on newly-completed assets has remained relatively active, with buildings like 76 Commerce Center Building Four recording 281,513-sf in signed leases less than six months after completing in June of 2020.



## Submarket trends



**Lowest Vacancy Rate**  
 (Overall, all classes)  
 Southeast 1.2%  
**Overall Denver 5.9%**



**Highest Avg. Asking Rent**  
 (FSG Direct, all classes)  
 West \$11.50 NNN  
**Overall Denver \$8.47 NNN**



**Highest Sales Volume**  
 (All classes)  
 E. I-70/Montbello \$152.8 Million  
**Overall Denver \$238.3 Million**



**Highest 4Q Leasing Activity**  
 (Overall, all classes)  
 E. I-70/Montbello 813,175 SF  
**Overall Denver 1.7 MSF**



**Largest YOY Vacancy Decrease**  
 (Overall, all classes)  
 North 3.4%  
**Overall Denver (0.6)%**



**Highest 4Q Net Absorption**  
 (Overall, all classes)  
 E. I-70/Montbello 150,639 SF  
**Overall Denver 275,048 SF**

## Submarkets by the numbers

Submarket	Inventory	Vacant SF	Vacancy %	YTD Net Absorption	YTD Leasing Activity	Under Construction	Pre-Leased SF	Average Asking Rent (NNN)
Aurora	2,059,017	120,997	5.9%	15,950	73,271	0	0	\$8.41
Broomfield	4,619,880	398,340	8.6%	(9,247)	253,522	25,580	0	\$10.08
Central	8,935,485	214,662	2.4%	(22,367)	63,435	0	0	\$10.82
E I-70/Montbello	80,942,323	5,641,655	7.0%	1,102,972	3,500,649	2,475,080	1,679,817	\$6.49
North	8,150,394	448,764	5.5%	318,513	322,246	762,081	0	\$8.60
North Central	13,696,783	795,553	5.8%	(382,531)	237,222	0	0	\$10.12
Northeast	18,082,234	1,348,588	7.5%	179,141	640,549	1,121,646	0	\$7.88
Northwest	11,190,384	478,225	4.3%	(41,314)	598,678	694,016	11,778	\$9.82
South Central	8,087,920	208,346	2.6%	(91,924)	377,487	0	23,556	\$7.99
Southeast	1,855,185	21,963	1.2%	3,449	249,367	0	0	\$10.48
Southeast Suburban	15,550,918	1,564,467	10.1%	250,295	578,492	419,715	0	\$10.53
Southwest	8,053,090	320,214	4.0%	(85,023)	128,928	0	0	\$9.85
West	19,885,247	260,076	1.3%	232,026	224,146	0	0	\$11.50
<b>Total</b>	<b>201,108,860</b>	<b>11,821,850</b>	<b>5.9%</b>	<b>1,469,940</b>	<b>7,247,992</b>	<b>5,498,118</b>	<b>1,715,151</b>	<b>\$8.47</b>

## Select fourth quarter leases

Submarket	Tenant	Industry	Property	SF	Type
E. I-70/Montbello	Ace Hardware	Hardware Retailer	Airport Distribution Center - Bldg 3	128,982	New Lease
North	Thornton Locksmith	Locksmith	12299 Grant Street	66,600	New Lease
Northeast	Farmers Business Network	Agricultural Tech	76 Commerce Center - Bldg 4	128,831	New Lease
Northeast	USG	Drywall Manufacturer	11777 E. 55th Avenue - GE Bldg	86,200	New Lease
North Central	Marquardt Outdoors	Outdoor Gear Retailer	4220 Broadway	33,423	New Lease

## Select fourth quarter sales

Submarket	Property	Buyer	SF	Sales Price	Price/SF
Broomfield	Broomfield Industrial Portfolio - 2105 Abbott Avenue	Westcore Properties	509,164	\$48,000,000	\$94/SF
E. I-70/Montbello	Enterprise Park Business Center - Buildings 1-3	Nuveen Real Estate	461,224	\$77,000,000	\$167/SF
E. I-70/Montbello	North Washington Commerce Center - 900 E. 128th Avenue	Inland RE Group	151,405	\$57,000,000	\$376/SF
E. I-70/Montbello	RAC Transport - 6050 E. 56th Avenue	Manitoulin Group	40,519	\$14,000,000	\$345/SF
Northeast	Commerce Square - 3250 Quentin Street	Graham Street Realty	144,464	\$16,000,000	\$111/SF

## Under construction

Submarket	Property	Developer	SF	% Leased	Delivery
E. I-70/Montbello	JAG Logistics Center at DIA Trade 2	J.A. Green Development	209,078	0%	Feb-21
E. I-70/Montbello	Shamrock Foods	Majestic Realty Company	900,000	100%	Feb-21
E. I-70/Montbello	Stafford Logistics Center Building 1	NorthPoint Development	594,138	0%	Mar-21
E. I-70/Montbello	Ferguson Enterprises	Whiting-Turner	450,000	100%	Apr-21
E. I-70/Montbello	Costco Depot	Costco Wholesale Corporation	316,692	100%	May-21
North	North Central Logistics Center A, B & C	SunCap Property Group	641,081	0%	Feb-21
Northeast	Ascent Commerce Center 1, 2 & 3	Lincoln Property Company	595,246	0%	Apr-21
Northwest	Central Sixty-Four 1 & 2	Corum Real Estate Group	219,280	0%	May-21
Northwest	Pecos Logistics Park Buildings 1, 2 & 3	Westfield Company	391,600	0%	Jul-21
Northwest	Mountain Gateway 2	Cale Enterprises	82,436	0%	Oct-21
Southeast Suburban	Elevate at Central Centennial Building 1	Corum Real Estate Group	132,200	0%	Mar-21
Southeast Suburban	Dove Valley Business Park II	Brennan Investment Group	150,600	0%	Mar-21

# Data and trend report

**6.5%**

Unemployment Rate in Denver as of November 2020

**-3.8%**

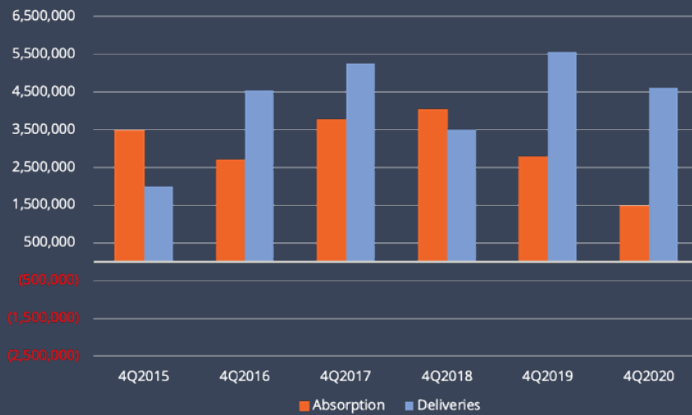
change in employment YOY from November 2019.

**+22.3%**

increase in the Bloomberg Colorado Index\* YOY from November 2019

\*a price-weighted index measuring the performance of the Colorado economy. All index members are headquartered in CO and have a minimum market capitalization of \$10 million.

## Deliveries vs. Absorption (12-month rolling total)



## Manufacturing

The manufacturing sector remained surprisingly resilient through the pandemic, ending November with 1.7% YOY employment growth. With demand for Colorado goods projected to remain strong in 2021, construction of manufacturing facilities is expected to increase over the next two years.



## E-Commerce Boom

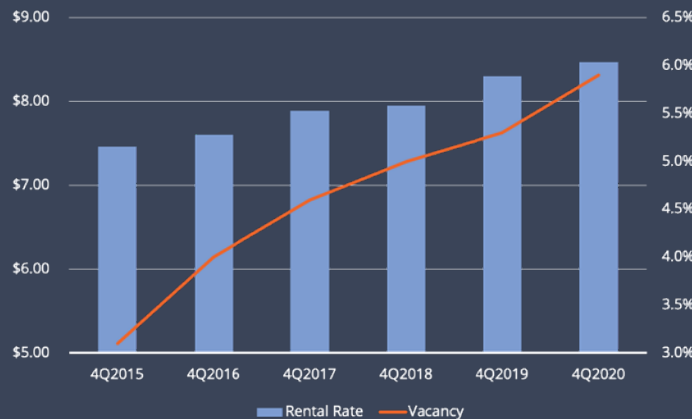
The pandemic has intensified the consumer shift towards shopping online. From durable goods to grocery delivery, the emphasis on e-commerce isn't going away, spelling sustained leasing and investment demand for industrial product in 2021.



## New Administration

While the efficacy of president-elect Biden's platform partially depends on which party obtains control of the U.S. senate, Biden's plan to increase infrastructure spending could benefit the industrial sector by improving access to fast-growing industrial pockets in the market.

## Average Asking Rate vs. Vacancy (all classes - \$/sf/full service)



**For more information**

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