

# Strong big-box activity leads to improved market fundamentals, boosting rents and tightening availability

▼ 9.1%

Total Availability Rate

▲ 1.5M

SF Total Net Absorption

▼ 1.1M

SF Completed

▼ 3.9M

SF Under Construction

▲ \$9.60

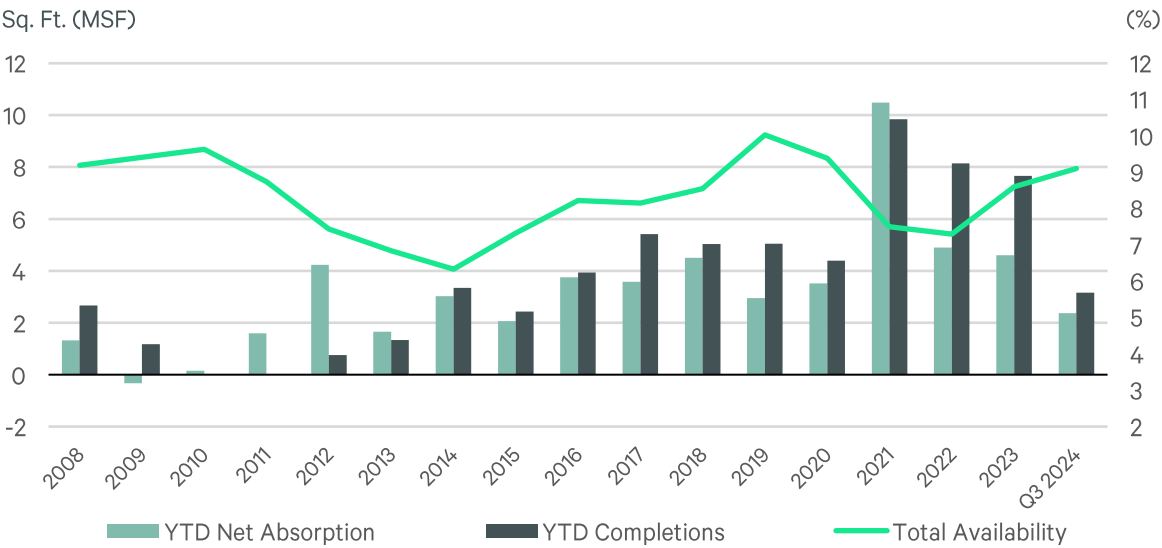
NNN / Asking Rent

Note: Arrows indicate change from previous quarter.

## MARKET SUMMARY

- Total leasing volume in Q3 2024 exceeded 3.6 million sq. ft., a 38.1% increase quarter-over-quarter. Leasing activity was up 59.9% compared to the level seen a year earlier in Q3 2023.
- Development activity saw a 13.9% decline quarter-over-quarter, ending Q3 2024 with 24 buildings under construction spanning 3.9 million sq. ft. Just over 1.1 million sq. ft. delivered this quarter.
- Metro Denver average asking rent reached \$9.60 per sq. ft. in Q3 2024, recording a 1.5% increase quarter-over-quarter and 6.8% year-over-year.
- The direct vacancy rate decreased 10 bps quarter-over-quarter to reach 7.7%, while total availability fell 20 bps to 9.1%. Year-over-year total availability is up 40 bps.
- Metro Denver posted an overall sales volume of \$343.9 million in Q3 2024, a 6.8% increase from the \$321.9 million seen in the previous quarter.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE Research Q3 2024

## Net Absorption

Metro Denver recorded nearly 1.5 million sq. ft. of positive total net absorption in the third quarter of 2024, easily surpassing the positive 414,000 sq. ft. that occurred in Q2 2024. The I-76 Corridor submarket saw the greatest amount of move-ins, achieving positive 920,000 sq. ft. of total net absorption. This was the result of 3PL provider BroadRange Logistics occupying 1.1 million sq. ft. across two buildings. The I-76 Corridor also saw the single largest negative absorption of the quarter as Eagle Rock Distributing vacated 121,000 sq. ft. The Airport submarket had the second highest amount of positive total net absorption, coming in at 623,000 sq. ft. due to Amazon occupying the 625,000 sq. ft. it purchased at 6300 N Powhatan Rd. The South Central submarket experienced the highest amount of negative total net absorption with 171,000 sq. ft., which was due to a lack of substantial move-ins and QED vacating 70,000 sq. ft.

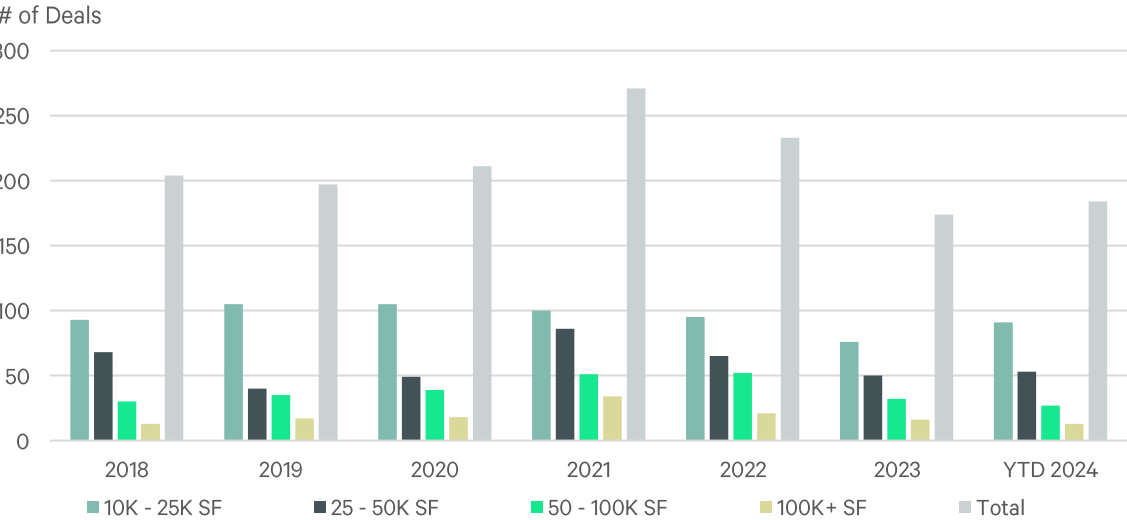
## Vacancy and Availability

The direct vacancy rate in metro Denver experienced a slight decrease, falling 10 bps quarter-over-quarter to 7.7%. Total vacancy fell 20 bps to reach 8.0%. While the typical driver of increased vacancy in the metro was still present, as speculative construction deliveries brought 983,000 sq. ft. of vacant space to the market, positive absorption in big-box properties was enough to give the metro its first quarter of decreasing direct vacancy since Q4 2022. With minimal speculative developments breaking ground and current projects reaching completion, new deliveries should have a lesser impact on vacancy going forward. Year-over-year the direct vacancy rate has risen 70 bps. The direct availability rate decreased 20 bps quarter-over-quarter to 8.3%. The sublease availability rate for the metro remained the same at 0.8% and has decreased 10 bps year-over-year.

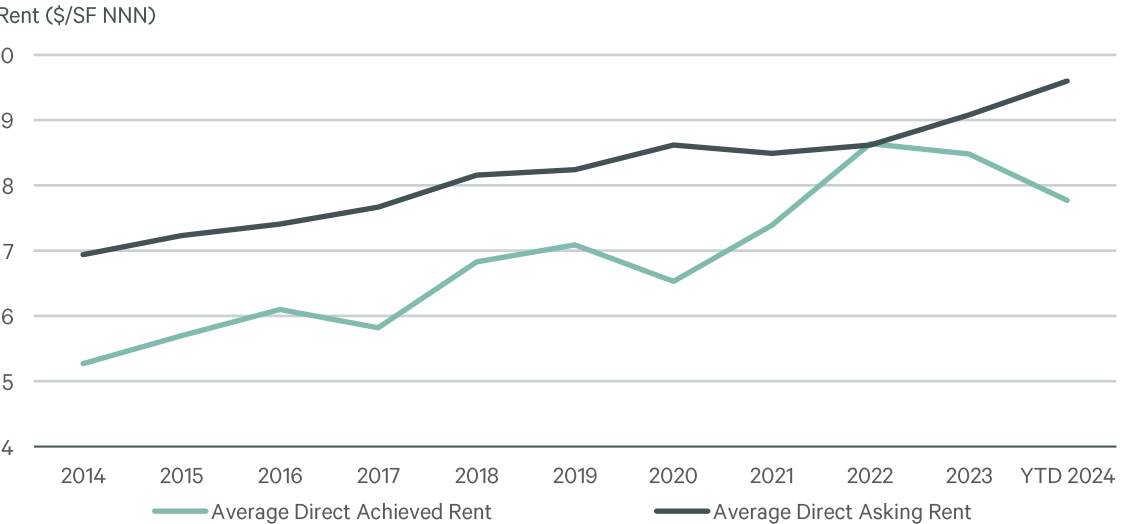
## Average Asking & Achieved Rents

The overall average direct asking rent reached \$9.60 per sq. ft. in Q3 2024, recording a 1.5% increase quarter-over-quarter and 6.8% year-over-year. Asking rent in the I-76 Corridor submarket saw a 4.5% quarter-over-quarter increase to \$7.23 per sq. ft., the largest jump of any submarket. This was driven by a large available space at below market-rents being leased, causing the average rent to rise in the submarket. This same space being leased was also large enough to decrease the year-to-date 2024 average direct achieved rent, bringing it to \$7.77 per sq. ft.

FIGURE 2: Number of Lease Deals Executed by Size Range



Source: CBRE Research Q3 2024



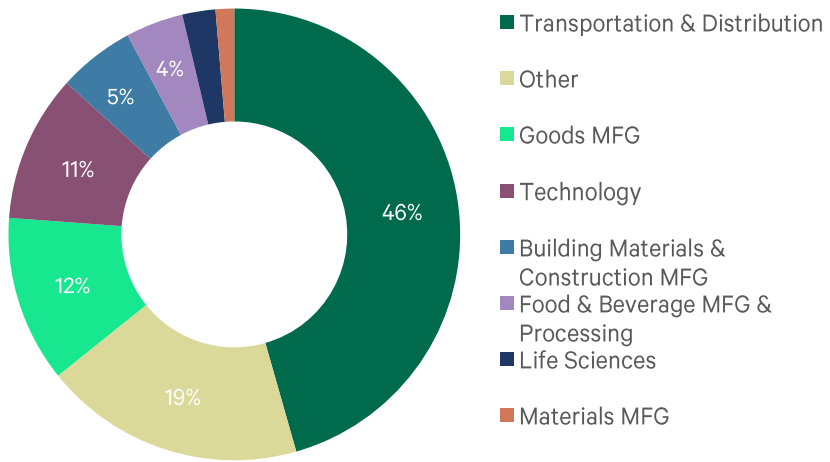
Source: CBRE Research Q3 2024

## Leasing Activity

Total leasing volume in Q3 2024 came in at 3.6 million sq. ft. marking a quarter-over-quarter increase of 38.1%. Leasing activity also increased 59.9% compared to Q3 2023, and the total amount of 8.7 million sq. ft already seen this year eclipsed the 8.5 million sq. ft. seen in all of 2023. This quarter featured seven transactions over the 100,000 sq. ft. threshold, an improvement over the four seen in Q2 2024.

Q3 2024 saw Transportation & Distribution expand its share of overall leasing activity further, bolstered by companies like BroadRange Logistics and QED. Technology's portion fell compared to last quarter and was overtaken by the Other industries category and Goods manufacturing. New leases accounted for a large portion of the activity, making up 81.3% of the total. The Airport submarket had the most activity with 1.5 million sq. ft. signed, followed by the I-76 Corridor submarket with 1.2 million sq. ft. The average lease size in the metro was 59,800 sq. ft

FIGURE 4: Leasing Activity by Industry Type, Q4 2023 – Q3 2024



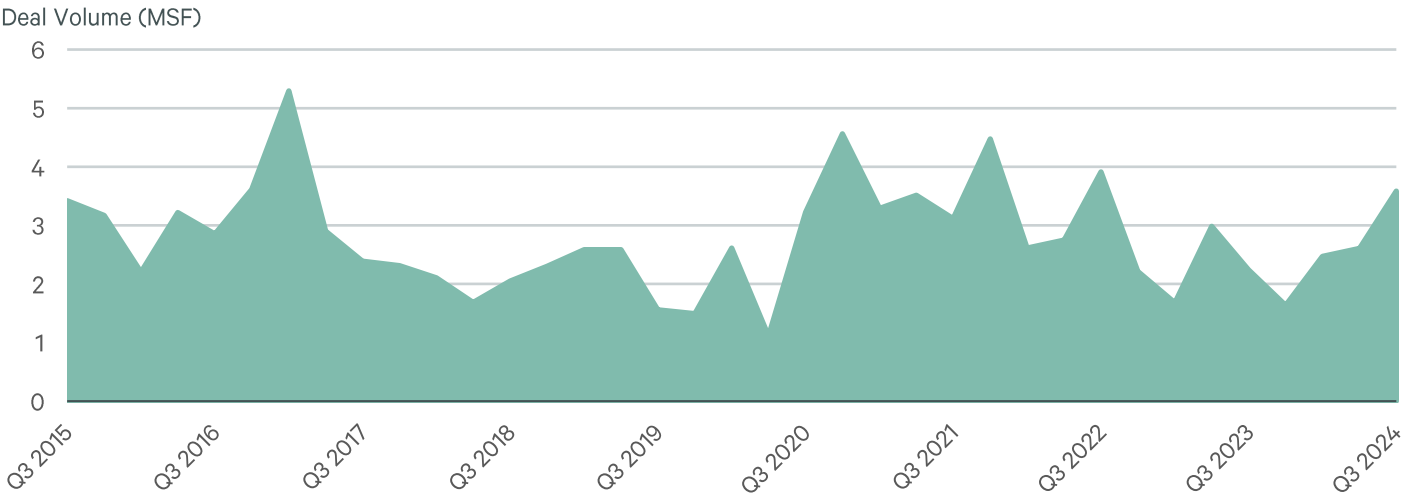
Note: Other includes Business Services, Energy, Telecommunications & more  
Source: CBRE Research Q3 2024

FIGURE 5: Top Lease Transactions

| Tenant               | Size (SF) | Location                 | Submarket     | Industry                         | Lease Type |
|----------------------|-----------|--------------------------|---------------|----------------------------------|------------|
| BroadRange Logistics | 546,000   | 22250 E I-76 Frontage Rd | I-76 Corridor | Transportation/Distribution      | New Lease  |
| BroadRange Logistics | 526,000   | 22500 E I-76 Frontage Rd | I-76 Corridor | Transportation/Distribution      | New Lease  |
| QED                  | 220,000   | 21001 E 13th Ave         | Airport       | Transportation/Distribution      | New Lease  |
| Confidential         | 176,000   | Confidential             | North         | Food & Beverage MFG & Processing | New Lease  |
| Dematic              | 156,000   | 6225 N Denali St         | Airport       | Other                            | New Lease  |

Source: CBRE Research Q3 2024

FIGURE 6: Historical Leasing Activity



Source: CBRE Research Q3 2024

## Development Activity

Construction activity in the Denver metro continued to decline after the boom it experienced post 2019. This resulted in the industrial development pipeline falling 13.9% quarter-over-quarter and 32.1% year-to-date, ending with 24 buildings under construction spanning just over 3.9 million sq. ft. Major completions included Sun Empire Buildings 1A and 1B which is comprised of 830,000 sq. ft. across two buildings located in the Airport submarket. In the North submarket, Point Central Business Park – Buildings 1 & 2 delivered 155,000 sq. ft. of new product. Also in the North submarket, 25 North at Bulls Crossing – Building 6 completed while being preleased to Ferguson, who took all 135,000 sq. ft. Notable projects breaking ground this quarter included Northwest Commerce Center Buildings 1 & 2 for 334,000 sq. ft in the Northwest submarket, and Creekside Centennial Tech Center for 63,300 sq. ft. in the Southeast submarket.

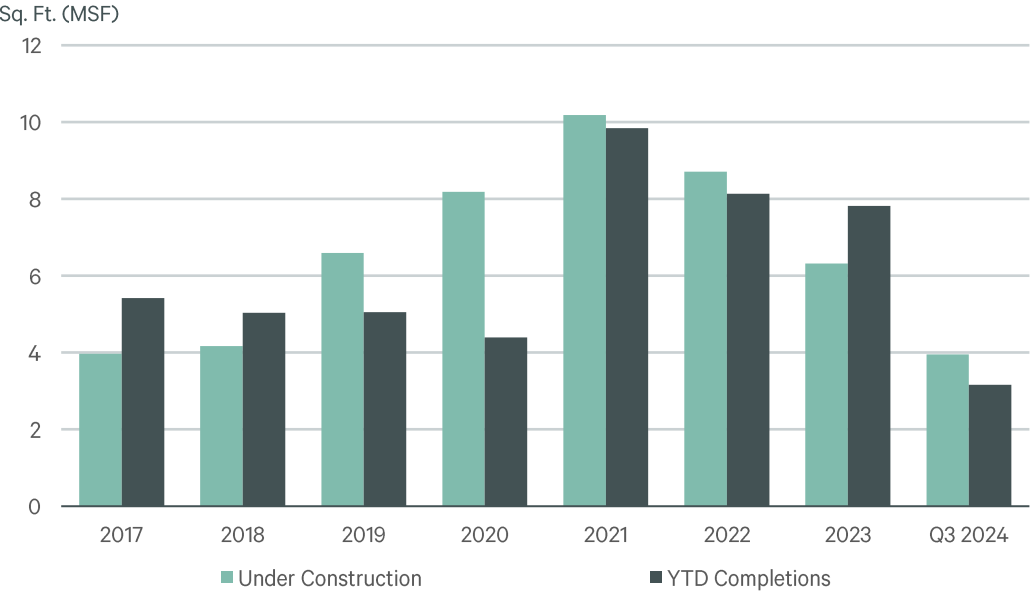
The amount of speculative development continued its downward trend, with 47.8% of the total sq. ft. currently under construction already being preleased. With the completion of Sun Empire Buildings 1A & 1B, the Airport submarket ended the quarter with no remaining speculative projects underway and its lowest amount under construction since Q1 2018. For the overall metro, the total sq. ft. under construction has not been this low since Q1 2019

FIGURE 8: Top Projects Under Construction

| Property Name                      | Submarket | Address                             | City       | Spec/BTS | Size (SF) | Est. Completion |
|------------------------------------|-----------|-------------------------------------|------------|----------|-----------|-----------------|
| Pepsi BTS                          | Airport   | E 72 <sup>nd</sup> Ave & E Tower Rd | Denver     | BTS      | 1,200,000 | Q1 2025         |
| Target BTS                         | North     | E-470 & I-25                        | Thornton   | BTS      | 525,000   | Q4 2024         |
| Northwest Commerce Center – Bldg 2 | Northwest | 11759 Simms St                      | Broomfield | Spec     | 211,000   | Q2 2025         |
| 25 Commerce Park – Bldg 3          | North     | 152nd Pkwy & I-25                   | Thornton   | Spec     | 176,000   | Q4 2024         |
| Arista 36 – Bldg 2                 | Northwest | 11230 Wadsworth Pkwy                | Broomfield | Spec     | 151,000   | Q2 2025         |

Source: CBRE Research Q3 2024

FIGURE 7: Annual Development Activity



Source: CBRE Research Q3 2024

## Investment Trends

Industrial capital markets continued to improve in Q3 2024, with the year-to-date 2024 sales volume coming in at \$923.9 million. This marked a 32.6% increase from the \$696.5 million of total sales volume seen in all of 2023. Quarter-over-quarter, total sales volume was relatively stable increasing 6.8% to \$343.9 million. The average price per sq. ft. in Q3 2024 was \$139, a 35.1% decrease from the average seen last quarter. The largest sale was in the Airport submarket at 6300 N Powhatan Rd. The 625,000 sq. ft. building was sold to owner-user Amazon for \$91.1 million or \$146 per sq. ft. The spec project delivered at the end of 2023 and was fully vacant at the time of purchase. The quarter's next largest sale was also Amazon related, with LBA Realty purchasing 7800 S Fairplay St for \$41.1 million or \$135 per sq. ft. The 305,000 sq. ft. property falls in the Southeast submarket and was fully leased to Amazon at the end of 2023. The third largest was 12805 W 112th St, trading hands for \$18.3 million at \$139 per sq. ft. An LLC associated with construction company PCL purchased the property from previous owner-user Quality Bicycle Products.

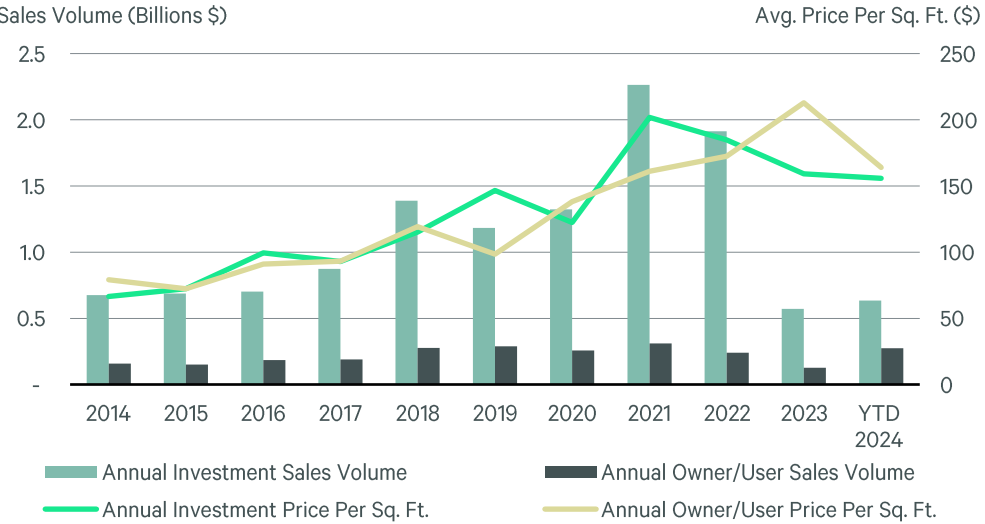
Owner-user purchases made up a larger portion of sales volume in Q3 2024, jumping to 30.2% of the year's total compared to 17.4% in Q2 2024. Investment sales saw its year-to-date average sales price decline 10.3% quarter-over-quarter to \$156 per sq. ft., while owner-user sales decreased 5.7% to \$164 per sq. ft. The decline in average investment sales price was largely due to the sale of one asset, 2555 W Midway Blvd. The 1970's vintage property was sold at auction by its previous owner-user to a joint venture of ScanlanKemperBard and Cerberus Capital Management for \$17.0 million or \$38 per sq. ft.

## Economy & Employment

While many are focused on November's election the most consequential policy lever has already been pulled via the FOMC's 50 bps September rate cut and signaling another 50 bps by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

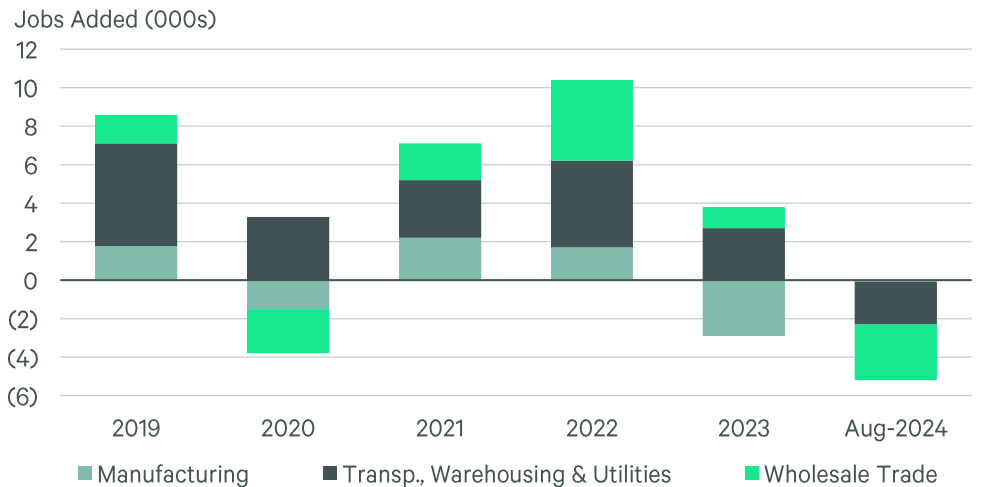
Total non-farm employment in metro Denver was nearly flat year-over-year as of August 2024, having decreased by less than 0.1% or roughly 500 jobs. Industrial-using employment—including manufacturing, transportation, warehousing and utilities, and wholesale trade—declined 1.7% over the same period after losing 4,500 jobs. Each of the sub-industries experienced negative year-over-year job growth, having been led by the wholesale trade sector which saw negative 2.7% growth followed by the transportation, warehousing and utilities sector with negative 2.0% growth and the manufacturing sector at 0.7% negative growth. At 4.4%, metro Denver's unemployment rate was up 10 bps month-over-month and 80 bps year-over-year as of August 2024.

FIGURE 9: Investment Trends



Source: CBRE Research Q3 2024

FIGURE 10: Industrial-Using Employment Growth



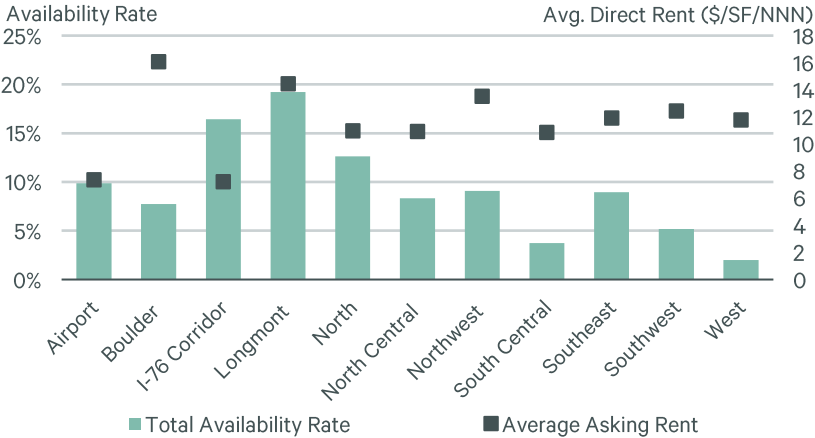
Source: U.S. Bureau of Labor Statistics, September 2024

## Submarket Performance

Within the Airport East micromarket, direct vacancy increased 30 bps quarter-over-quarter to 12.1% but remained stagnant at 4.4% in the Airport West micromarket. The overall average direct asking rent in the Airport West rose 1.6% to \$8.39 per sq. ft. while rents saw no change in the Airport East and remained at \$6.92 per sq. ft. The overall Airport submarket saw total net absorption rebound in Q3 2024 reaching positive 152,000 sq. ft. for the year-to-date total, but was still well below the 1.6 million sq. ft. year-to-date total that occurred in Q3 2023.

The I-76 Corridor submarket saw the greatest decrease in direct vacancy compared to last quarter, falling 590 bps to 20.6%. This rate is expected to fall further as Amprius Batteries is still building out their new 800,000 sq. ft. factory and will occupy in the coming quarters. Despite the positive momentum, the I-76 Corridor still had the highest direct vacancy rate in the metro. The submarket with the lowest direct vacancy rate was the West, which fell 10 bps quarter-over-quarter to 1.6% or only 180,000 sq. ft. of vacant space. The combined North and South Central submarkets saw total year-to-date net absorption turn negative this quarter, particularly driven by a lack of substantial move-ins.

FIGURE 11: Submarket Availability and Asking Rent



Source: CBRE Research Q3 2024

FIGURE 12: Market Statistics by Submarket

| Submarket       | Net Rentable Area (SF) | Q3 Net Absorption (SF) | YTD Net Absorption (SF) | Under Construction (SF) | Average Asking Rent (NNN / \$/SF/YR) | Total Availability Rate (%) | Direct Vacancy Rate (%) |
|-----------------|------------------------|------------------------|-------------------------|-------------------------|--------------------------------------|-----------------------------|-------------------------|
| Airport         | 101,789,717            | 622,722                | 151,715                 | 1,337,000               | \$7.38                               | 9.9                         | 7.9                     |
| Airport East    | 45,651,825             | 604,074                | 716,570                 | 1,337,000               | \$6.92                               | 13.8                        | 12.1                    |
| Airport Central | 55,901,405             | 18,648                 | (596,755)               | -                       | \$8.37                               | 6.7                         | 4.4                     |
| Boulder         | 10,827,229             | (1,840)                | (8,521)                 | -                       | \$16.08                              | 7.8                         | 4.6                     |
| I-76 Corridor   | 15,619,192             | 919,904                | 1,124,180               | -                       | \$7.23                               | 16.4                        | 20.6                    |
| Longmont        | 5,824,557              | (17,479)               | (59,218)                | -                       | \$14.45                              | 19.2                        | 16.6                    |
| North           | 13,920,589             | 210,940                | 560,457                 | 1,278,009               | \$10.99                              | 12.6                        | 12.0                    |
| North Central   | 35,603,840             | (59,434)               | 48,293                  | 97,336                  | \$10.92                              | 8.3                         | 6.6                     |
| Northwest       | 17,443,244             | (56,015)               | 383,977                 | 876,100                 | \$13.52                              | 9.1                         | 7.1                     |
| South Central   | 24,873,549             | (171,020)              | (248,558)               | 40,904                  | \$10.86                              | 3.7                         | 2.3                     |
| Southeast       | 23,968,509             | 26,353                 | 442,214                 | 89,271                  | \$11.92                              | 9.0                         | 7.2                     |
| Southwest       | 8,702,727              | (15,106)               | (121,577)               | 175,204                 | \$12.45                              | 5.2                         | 2.8                     |
| West            | 11,251,540             | 17,932                 | 101,326                 | -                       | \$11.78                              | 2.0                         | 1.6                     |
| METRO TOTAL     | 269,824,693            | 1,476,957              | 2,374,288               | 3,948,424               | \$9.60                               | 9.1                         | 7.7                     |

Source: CBRE Research Q3 2024

