

Investment activity surges to end the year, leasing activity maintains pace with speculative deliveries in 2024



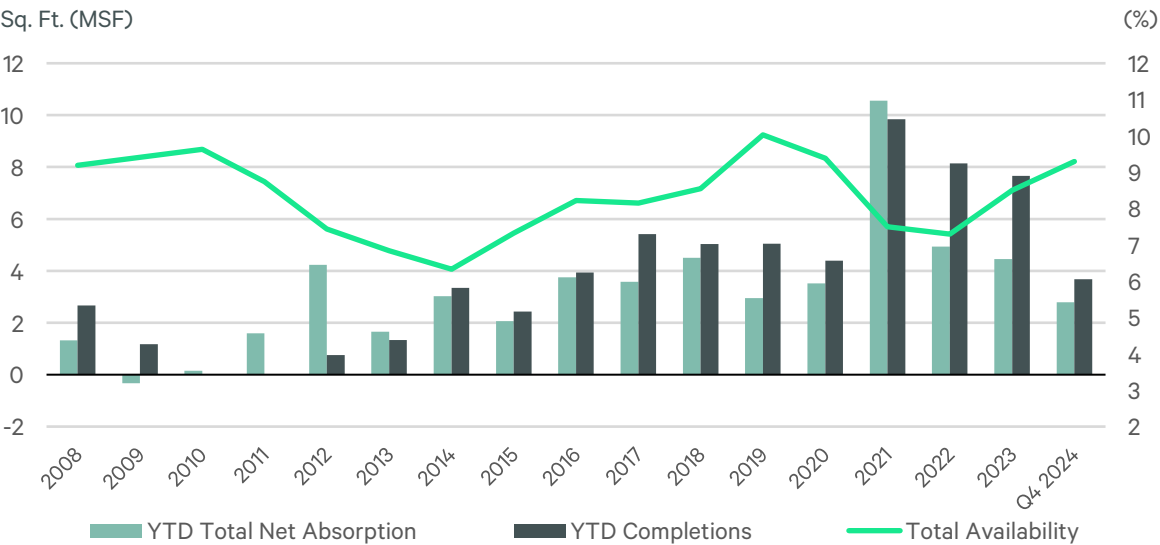
Note: Arrows indicate change from previous quarter.

MARKET SUMMARY

Total net absorption came in at positive 580,000 sq. ft. for Q4 2024, the second highest quarter of the year, but was not enough to propel the annual total to similar levels experienced during the pandemic boom. The good news is that new construction completions tapered at a similar pace, decreasing 52.2% compared to year-end 2023. The amount of sq. ft. under construction had been decreasing since the final quarter of 2023, but saw an increase in Q4 2024 with 1.7 million sq. ft. breaking ground. Of this total, 800,000 sq. ft. is a build-to-suit project. Despite consistent positive net absorption and declining construction, direct vacancy still increased 20 bps compared to the end of 2023. After peaking in Q2 2024, direct vacancy fell 10 bps in both Q3 and Q4 2024, ending the year at 7.6%. Asking rents remained stable in Q4, but rose 5.2% year-over-year.

Leasing activity did well to keep up with supply as 12.6 million sq. ft. of activity occurred in the year, with 65.8% of that total being new leases/expansions. This made 2024 the highest total for leasing activity since 2021, with the highlight of the year being BroadRange Logistics signing a new lease for 1.1 million sq. ft. in Q3. Q4 2024 had 2.8 million sq. ft. of total leasing activity. Investment sales also had a strong year in 2024, surpassing 2023's total volume by the third quarter. Q4 2024 was particularly active, with \$644 million in total transactions, well above any previous quarter in the year.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE Research Q4 2024

Net Absorption

Metro Denver recorded 580,000 sq. ft. of positive total net absorption in the final quarter of 2024. While this marked a sizeable decline from the positive 1.4 million sq. ft. that occurred in Q3 2024, it still surpassed both the totals of Q1 and Q2 2024. The year ended with 2.8 million sq. ft. of positive total net absorption, down from the positive 4.7 million sq. ft. that occurred in 2023. The Southeast submarket saw the greatest amount of move-ins this quarter, achieving 282,000 sq. ft. of positive total net absorption. This was the result of Amazon occupying 305,000 sq. ft. that they signed for at the end of 2023. Delayed absorption is expected to have a continued large impact on the market in 2025, as 2.7 million sq. ft. of leases that were previously signed have yet to move into their new space. Another large factor impacting absorption in 2025 will be several large build-to-suit projects delivering, including 525,000 sq. ft. for Target and 1.2 million sq. ft. for PepsiCo.

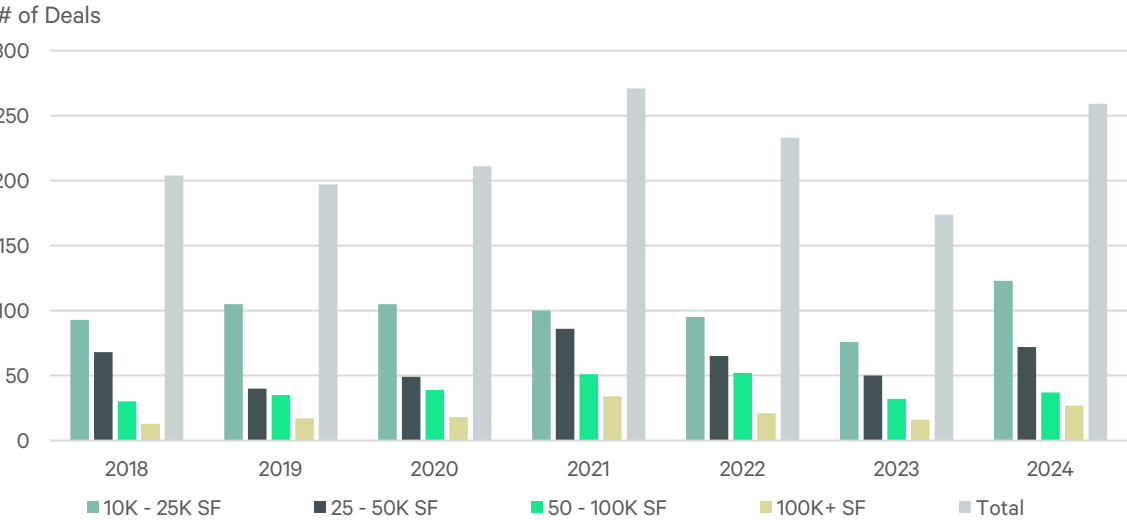
Vacancy and Availability

The direct vacancy rate in metro Denver experienced a slight decrease, falling 10 bps quarter-over-quarter to 7.6%. Total vacancy remained the same at 8.0%. Year-over-year, direct vacancy has increased 20 bps from 7.4%. As absorption has remained significantly positive, speculative deliveries caused the slight increase in direct vacancy in 2024. The West submarket ended 2024 with the lowest direct vacancy rate, which fell 60 bps year-over-year to 1.2%. The I-76 Corridor had the highest direct vacancy at 20.8%, but fell 700 bps year-over-year. Sublease availability in the metro increased 109,000 sq. ft. quarter-over-quarter but only 67,000 sq. ft. year-over-year, with the Airport submarket holding a significant portion of the total.

Average Asking & Achieved Rents

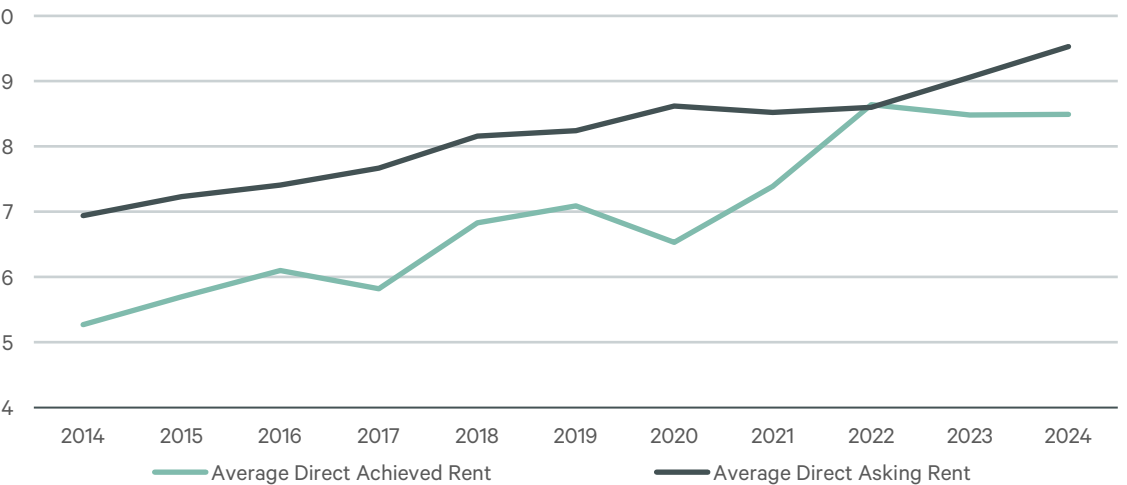
The overall average direct asking rent remained unchanged compared to Q3 2024 at \$9.53 per sq. ft. but experienced a 5.2% increase year-over-year. Asking rents in the Southwest submarket saw a 10.8% quarter-over-quarter increase to \$13.20 per sq. ft., the largest jump of any submarket. This was driven by extremely low availability in the submarket and only a handful of small spaces being listed at higher rents. Despite achieved rents remaining stable year-over-year, there was a 9.3% increase quarter-over-quarter to reach \$8.49 per sq. ft.

FIGURE 2: Number of Lease Deals Executed by Size Range



Source: CBRE Research Q4 2024

Figure 3: Rent (\$/SF NNN)



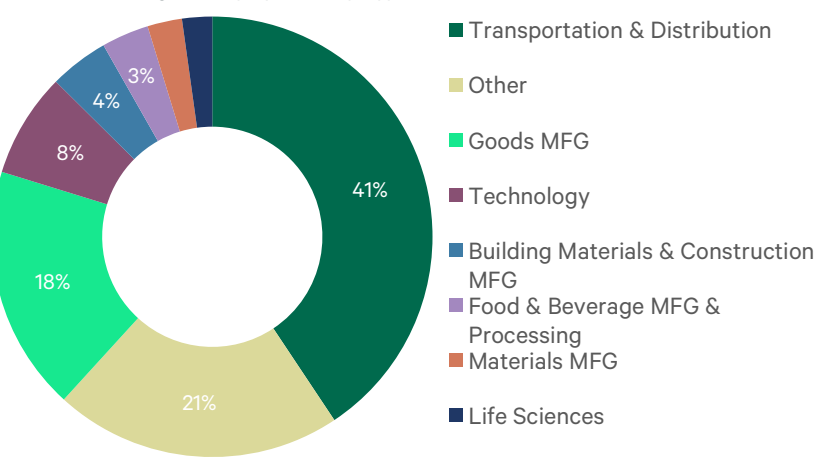
Source: CBRE Research Q4 2024

Leasing Activity

Total leasing volume in Q4 2024 came in at 2.8 million sq. ft., making it the 2nd highest quarter of the year. 12.6 million sq. ft. of leasing activity occurred in 2024, a 47.8% increase compared to 2023. This made it the highest annual total since 2021. New leases and expansions accounted for 65.8% of total activity in 2024, while renewals and extensions were 36.5%. This was a slight decline from 2023 when new leasing was 67.1% of total activity.

Transportation & Distribution maintained its spot as the top industry in Q4 2024, though it did decrease to 41% from 45% in the previous quarter. Even though Transportation & Distribution did not make up any of the top five deals in Q4 2024, its robust leasing in the third quarter allowed the industry to keep its spot as the top industry for the year. The Airport submarket had the most activity in 2024 with 6.3 million sq. ft. signed, followed by the I-76 Corridor submarket with 2.0 million sq. ft. The average lease size in the metro for Q4 2024 was 41,200 sq. ft.

FIGURE 4: Leasing Activity by Industry Type, Q1 2024 – Q4 2024



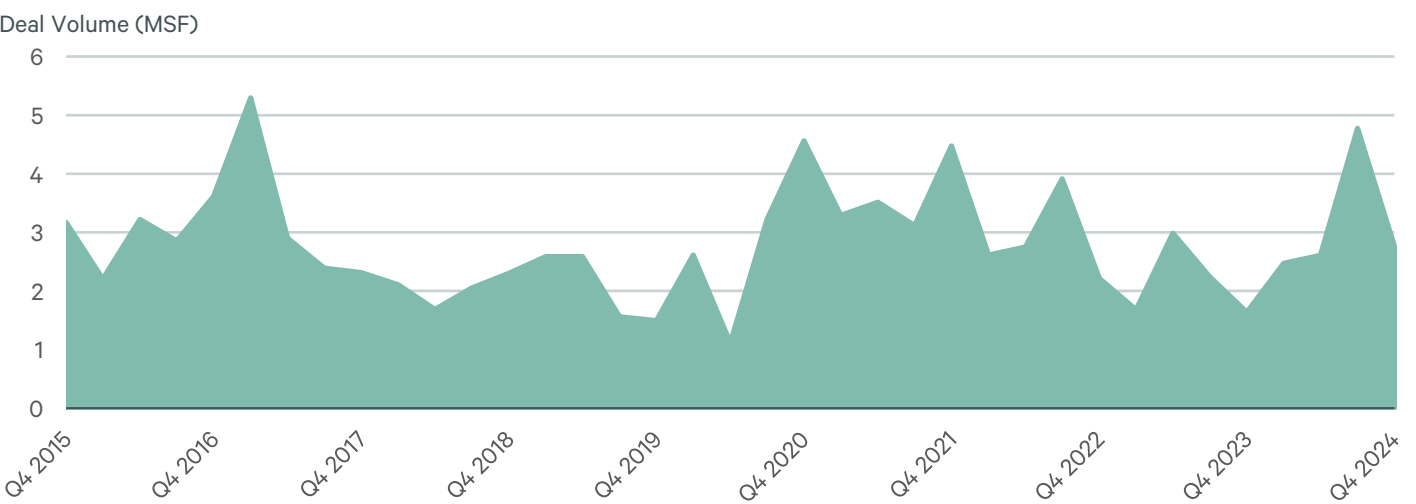
Note: Other includes Business Services, Energy, Telecommunications & more
Source: CBRE Research Q4 2024

FIGURE 5: Top Lease Transactions

Tenant	Size (SF)	Location	Submarket	Industry	Lease Type
Dish Network	154,000	12645-12695 E 39th Ave	Airport	Other	Renewal
Nexus Controls	152,000	1800 Nelson Rd	Longmont	Other	Renewal
Fenix Outdoor	141,000	3225 N Himalaya Rd	Airport	Goods MFG	Renewal
Confidential	134,000	Confidential	Northwest	Goods MFG	New Lease
Dish Network	133,000	12905 E 39th Ave	Airport	Telecommunications	Renewal

Source: CBRE Research Q4 2024

FIGURE 6: Historical Leasing Activity



Source: CBRE Research Q4 2024

Development Activity

After declining for four consecutive quarters, construction activity in the Denver metro increased at the end of 2024. This was due to Phillip Morris breaking ground on an estimated 800,000 sq. ft. build-to-suit factory located in the Airport submarket. Also located in the Airport submarket was United Properties Aero 70 project, with two speculative buildings breaking ground for a combined 817,000 sq. ft. The only other project to start was Central Development’s 53,000 sq. ft. Encompass 53 in the Southeast. Five buildings delivered in Q4 2024, the largest being Whole Food’s 137,000 sq. ft. build-to-suit, followed closely by Rockefeller’s 131,000 sq. ft. 25 Commerce Park Building 1. The other two buildings located within the 25 Commerce Park complex also completed their shell, but were fully preleased and will not be considered delivered until the tenants complete thier build-outs and begin to occupy. Remaining deliveries were located within the Northwest submarket, as 69,000 sq. ft. at Simms Technology Park Buildings 1 & 2, and 182,000 sq. ft. at Candelas Innovation Park Buildings 1 & 2 completed.

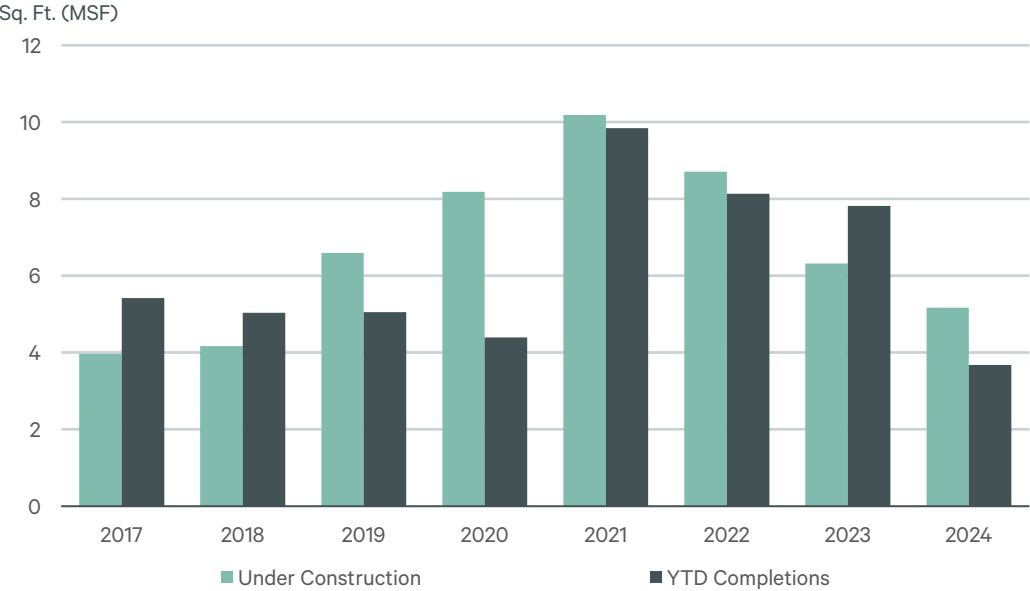
Year-over-year the construction pipeline has decreased 18.2%, with just under 3.8 million sq. ft. of total completions in 2024. Despite the increase in construction activity in Q4, 55.6% of the sq. ft. currently under construction have already been leased, an improvement compared to 47.8% in Q3 2024. This will lead the new project deliveries to have a more muted impact on market fundamentals in 2025.

FIGURE 8: Top Projects Under Construction

Property Name	Submarket	Address	City	Spec/BTS	Size (SF)	Est. Completion
Pepsi BTS	Airport	E 72 nd Ave & E Tower Rd	Denver	BTS	1,200,000	Q2 2025
Phillip Morris BTS	Airport	SEC of 56th Ave and Harvest Rd	Aurora	BTS	800,000	Q1 2026
Target BTS	North	E-470 & I-25	Thornton	BTS	525,000	Q1 2025
Aero 70 Building 1	Airport	I-70 and Aerotropolis Pkwy	Aurora	Spec	419,065	Q1 2026
Aero 70 Building 2	Airport	I-70 and Aerotropolis Pkwy	Aurora	Spec	398,405	Q1 2026

Source: CBRE Research Q4 2024

FIGURE 7: Annual Development Activity



Source: CBRE Research Q4 2024

Investment Trends

Industrial capital markets ended the year on a strong note, as sales volume rebounded from the low seen in 2023. Total sales volume for 2024 came in at \$1.6 billion, with \$644 million occurring in the fourth quarter alone. This marks a 125.2% increase compared to the \$697 million that transacted in 2023. Of that \$1.6 billion, owner-user sales accounted for \$345 million and had an average price of \$175 per sq. ft., while investment sales accounted for \$1.2 billion and had an average price of \$150 per sq. ft. The disparity in price between the two shows that owner-users are still willing to pay a premium to acquire the real estate they operate in, though slightly less so compared to 2023. Quarter-over-quarter total investment sales increased 87.4% in Q4 2024.

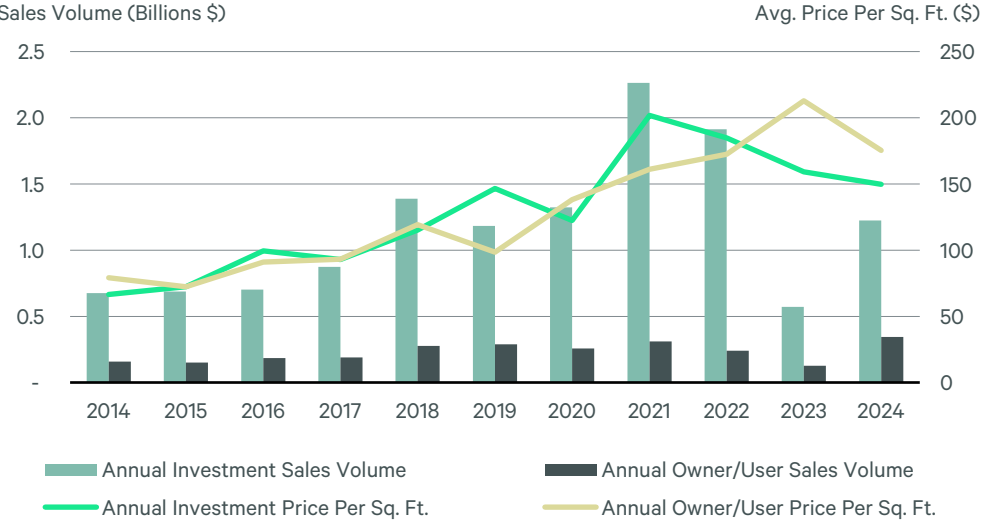
Q4 2024 saw multiple Class A institutional assets transact, including Central Park Logistics Center and 104th Commerce Park. Both were completed in 2022, are comprised of two separate buildings, and sold for \$100.1 million and \$57.0 million respectively. Other notable sales included Ascent Commerce Center, a three-building 595,000-sq-ft. portfolio located within the Airport submarket that was sold by PGIM to Ambrose Property Group for \$61.0 million, and the three-property 264,000-sq. ft. Compark Industrial Park located in the Southeast submarket that sold for \$47.3 million. This flurry of substantial transactions pushed 2024's total sales volume significantly above the five-year-average of \$1.2 billion for the pre-pandemic period of 2015-2019. The top 10 industrial property sales this quarter were buildings that delivered in 2020 or later, showcasing a strong demand from investors for newer vintage properties.

Economy & Employment

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

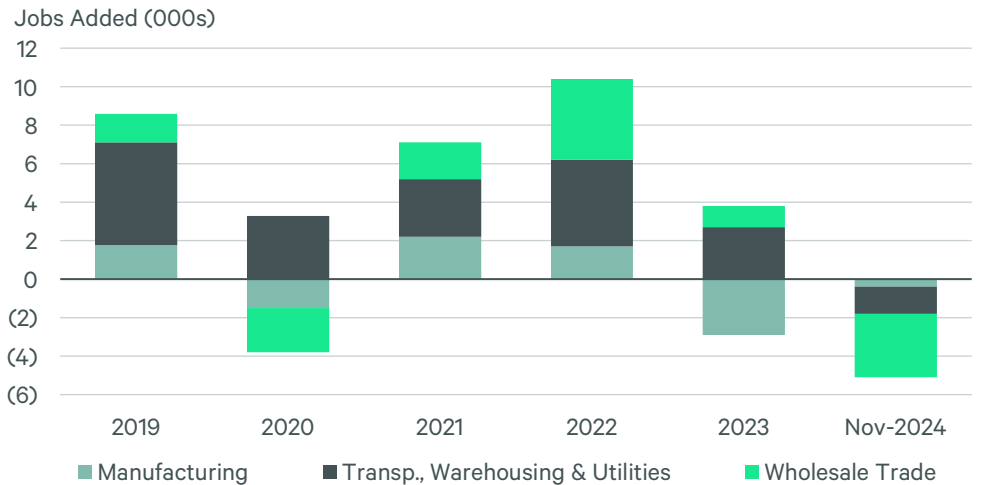
Total non-farm employment in metro Denver continued to grow at a healthy pace in 2024, having risen by 0.9% year-over-year as of November and adding roughly 17,300 jobs. Industrial-using employment—including manufacturing, transportation, warehousing and utilities, and wholesale trade—declined 2.0% over the same period after losing 5,100 jobs. Each of the sub-industries experienced negative year-over-year job growth, having been led by the wholesale trade sector which saw negative 3.8% growth followed by the transportation, warehousing and utilities sector with negative 1.7% growth and the manufacturing sector at 0.4% negative growth. At 4.5%, metro Denver's unemployment was nearly unchanged month-over-month and up 130 bps year-over-year as of November 2024.

FIGURE 9: Investment Trends



Source: CBRE Research Q4 2024

FIGURE 10: Industrial-Using Employment Growth



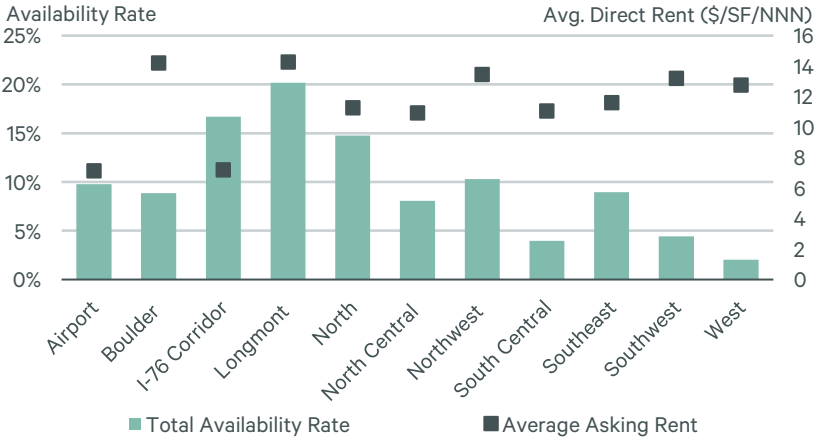
Source: U.S. Bureau of Labor Statistics, December 2024

Submarket Performance

Within the Airport East micromarket, direct vacancy decreased 20 bps quarter-over-quarter to 11.9% but rose 30 bps year-over-year. Airport Central saw direct vacancy decrease 10 bps in Q4 2024 but increase 110 bps year-over-year to 4.3%. The overall average direct asking rent in Airport Central dropped 5.2% quarter-over-quarter to \$7.86 per sq. ft. while rents remained stable in the Airport East at \$6.84 per sq. ft. Year-over-year, construction activity in the overall Airport submarket increased 11.9% to 2.8 million sq. ft., with 2.0 million sq. ft. being build-to-suits.

The I-76 submarket saw the greatest decrease in direct vacancy compared to last year, falling 700 bps to 20.8%, while the North Central Submarket saw the largest increase, rising 300 bps to 6.1%. The cause of increased vacancy in the North Central was several large new speculative projects delivering, as total net absorption in the submarket came in at positive 220,000 sq. ft for the year. The West ended 2024 with the lowest amount of direct vacancy at 1.2%, overtaking the Southwest which had the lowest vacancy at the end of last year with 1.3%.

FIGURE 11: Submarket Availability and Asking Rent



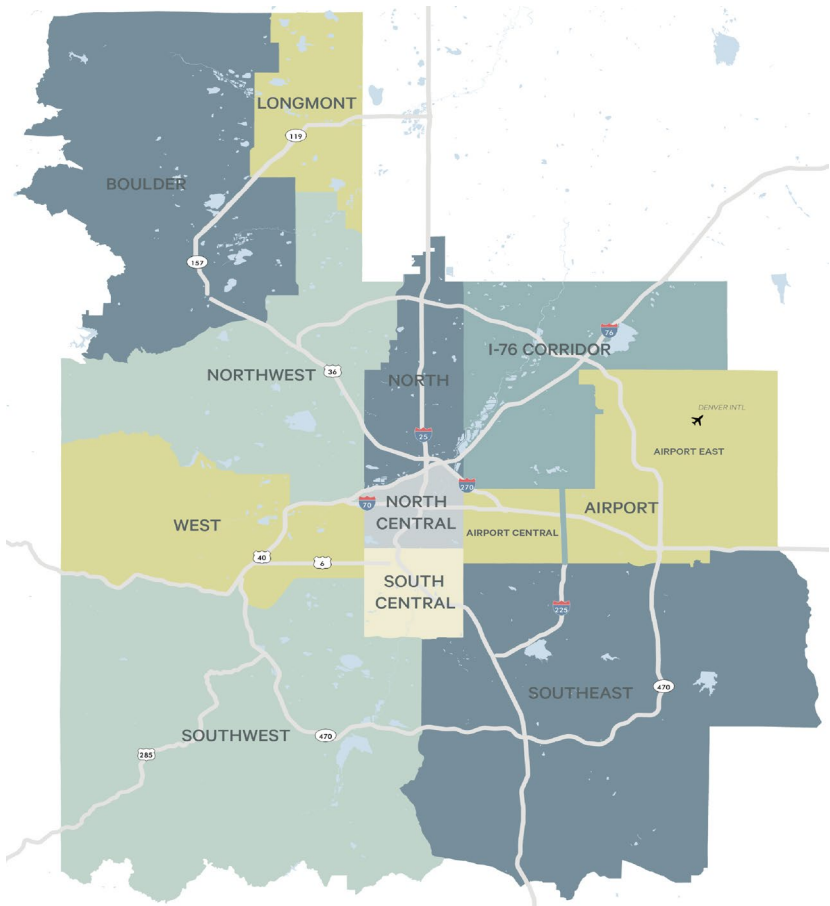
Source: CBRE Research Q4 2024

FIGURE 12: Market Statistics by Submarket

Submarket	Net Rentable Area (SF)	Q4 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Average Asking Rent (NNN / \$/SF/YR)	Total Availability Rate (%)	Direct Vacancy Rate (%)
Airport	101,925,533	258,525	410,240	2,817,470	\$7.14	9.8	7.7
Airport East	45,909,888	201,546	918,116	2,817,470	\$6.84	13.7	11.9
Airport Central	56,146,684	56,979	(507,876)	-	\$7.86	6.6	4.3
Boulder	10,827,229	(257,167)	(265,688)	-	\$14.21	8.8	7.0
I-76 Corridor	15,619,192	(35,986)	1,088,194	54,600	\$7.21	16.7	20.8
Longmont	5,824,557	(60,029)	(119,247)	-	\$14.27	20.2	17.6
North	14,051,839	107,095	626,066	1,146,759	\$11.27	14.8	12.0
North Central	35,603,840	172,187	220,480	97,336	\$10.94	8.1	6.1
Northwest	17,900,654	58,159	378,220	694,100	\$13.46	10.3	8.4
South Central	24,873,549	(32,572)	(267,130)	40,904	\$11.05	4.0	2.4
Southeast	23,968,509	282,166	656,043	142,471	\$11.62	9.0	6.2
Southwest	8,702,727	60,537	(61,040)	175,204	\$13.20	4.4	2.0
West	11,251,540	26,650	127,976	-	\$12.76	2.0	1.2
METRO TOTAL	270,549,169	579,565	2,794,114	5,168,844	\$9.53	9.3	7.6

Source: CBRE Research Q4 2024

Market Area Overview



CBRE Offices

Downtown Denver

1225 17th Street, Suite 3200
Denver, CO 80202

Denver Tech Center

5455 Landmark Place, Suite C102
Greenwood Village, CO 80111

Boulder

1050 Walnut Street, Suite 340
Boulder, CO 80302

Colorado Springs

102 South Tejon Street, Suite 1100
Colorado Springs, CO 80903

Fort Collins

3003 East Harmony Road, Suite 300
Fort Collins, CO 80528

Survey Criteria

Includes all industrial and flex buildings 10,000 sq. ft. and greater in size in Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson counties. Buildings which have begun construction as evidenced by site excavation or foundation work.

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