

Quarterly Snapshot

↓	Average Rent \$12.24/SF
↑	Vacancy 7.9%
↑	Net Absorption 3.6M SF

Occupier's Perspective

Denver's industrial commercial real estate market remains favorable for tenants, with elevated vacancy rates providing more options and negotiating power. The vacancy rate sits at 7.9%, among the highest of any major U.S. market, largely due to a construction boom that has outpaced demand. As a result, tenants looking for industrial space, especially larger distribution centers, have more leverage to negotiate favorable lease terms, including rent concessions and tenant improvement allowances. The East I-70 corridor continues to be a prime location for companies needing access to highways, rail, and Denver International Airport, offering a mix of available spaces suited for logistics and distribution.

Rent growth is projected to decelerate to 2.1% in 2025, the slowest increase in over a decade, as landlords compete for tenants in an oversupplied market. This environment presents opportunities for businesses looking to expand or relocate, especially as developers pull back on new construction. However, tenants seeking small bay properties may still face competition, as limited new development in this segment has kept vacancy rates lower and lease-up times short.

Looking ahead, the current market conditions provide a window of opportunity for tenants to secure quality spaces at competitive rates before the market tightens again. With construction slowing and fewer completions expected in 2025, availability could begin to shrink, potentially driving rental rates higher in the next two years.

Denver's industrial market is showing early signs of stabilization as the construction boom that drove vacancies higher over the past two years begins to fade. However, the environment remains challenging, with a vacancy rate of 7.9%—one of the highest among major U.S. markets—expected to stay elevated through the end of 2024. Tenant demand has picked up, particularly in the East I-70 corridor, where access to major transportation routes and a skilled labor force has attracted recent leasing activity.

New supply is still outpacing demand, with 4.4 million square feet under construction, most of which is set to deliver this year. The bulk of these projects—80% of the pipeline—are large-scale properties over 100,000 square feet, which face the greatest supply pressure. However, rising interest rates and stricter lending requirements have significantly slowed new construction starts, with industrial development down 76% from peak levels in 2022. This sharp decline in new projects is expected to ease supply pressures in 2025 and help stabilize vacancy rates.

With vacancies remaining elevated, rent growth is projected to slow to 2.1% in 2025—the weakest since 2011. However, as space availability tightens in 2025-26, rental growth could rebound. Small bay properties are expected to perform best, as demand from small and midsize distribution tenants remains strong. Limited new supply in this segment has kept vacancies low, with listings typically leasing in under four months, positioning small bay properties for continued success in the coming years.

Source: CoStar Denver-CO USA-Industrial-Market-2024-10-23

Recent Industrial Transactions

Tenant	Size (SF)	Submarket	Type	Building
Broadrange Logistics	1,072,400 (2 properties)	DIA	New Lease	22250 E I-76 Frontage Road
ID Logistics	223,850	SW DIA/ Peña Blvd	New Lease	21001 E 13th Ave
QED	220,071	SW DIA / Peña Blvd	New Lease	21001 E 13th Ave
Airhead Sports Grp	181,860	I-70 / Montbello	Renewal	12000 E 45th Ave
ACE Thermal Sys	177,976	North Denver	New Lease	14903 Grant St

Industrial Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
12.7%	▲	\$16.50	Boulder
11.6%	▼	\$12.84	Northwest Denver
6.0%	▼	\$17.06	Aurora
11.6%	▲	\$9.38	SW DIA / Peña Blvd
13.2%	▼	\$11.68	DIA
5.4%	▲	\$10.49	East I-70 / 270
5.4%	▲	\$12.65	Commerce City
4.8%	▲	\$15.27	Southwest C-470