INVESTMENT OUTLOOK

Industrial

Denver Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

MIDYEAR 2025

Focus on Prime Location Drives Uneven Performance Across Denver Submarkets

Large occupiers help cushion leasing headwinds. Industrial leasing activity has slowed in 2025 amid elevated economic uncertainty. Commitments were inked for a total of just under 4 million square feet through midyear — down roughly 30 percent from the prior six months — as demand for larger-format space softened. Many firms are scaling back expansion plans, including Amprius Technologies, which put a 774,000-square-foot facility in Brighton back on the market after signing a lease in 2024. While caution may weigh on absorption in the near term, completions are projected to fall to their lowest annual total in over a decade, easing supply-side pressures. Moreover, the metro's affluent consumer base and expanding tech ecosystem should continue to attract retail- and tech-related distributors, as evidenced by recent commitments from T.J. Maxx and Sonepar. Meanwhile, the opening of facilities for PepsiCo and Philip Morris may bolster fundamentals and draw additional suppliers.

Investor focus returns to the core. Denver's industrial market recorded a surge in deal flow during late 2024; however, trading slowed sharply in 2025, based on preliminary data through June. Activity has notably declined in the metro's south section, particularly near Centennial and along the Interstate 25 corridor, where a sharp drop in sub-100,000-square-foot leasing was recently noted. In contrast, the Interstate 70 corridor is gaining favor among tenants for its newer inventory and central location, drawing investor interest. Buyers are also expected to stay active in West Denver near Arvada, where vacancy has held around 3 percent, supported by steady demand and minimal new supply. Amid softer leasing activity, assets priced below replacement cost should remain attractive, as will newer facilities with long-term tenants in place.

2025 MARKET FORECAST

+0.4% **EMPLOYMENT:** Job growth will moderate this year, with the addition of 7,000 new roles. Manufacturing hiring has remained steady and should strengthen as new facilities come online later this year.

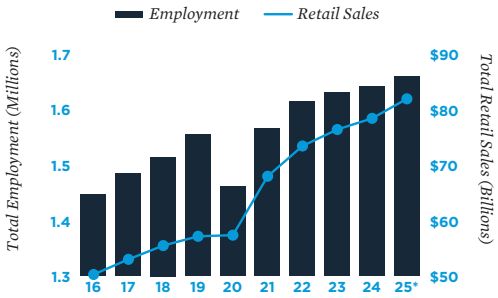
2.5 million *sq. ft.* **CONSTRUCTION:** Completions will fall to about half the metro's prior 10-year average. Several manufacturing buildings and speculative warehouses compose the 2025 pipeline.

-20 bps **VACANCY:** A slowdown in new supply should help vacancy ease to 7.1 percent this year, falling below the national average, though still 170 basis points above Denver's previous 10-year norm.

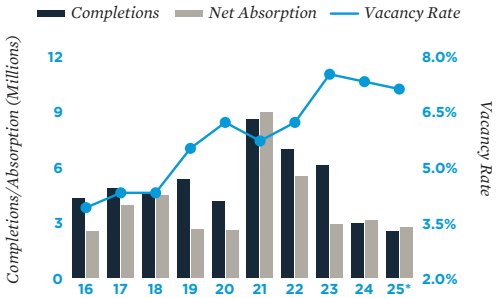
+3.2% **RENT:** With vacancy projected to hold in the 7 percent range for a third straight year, rent growth is expected to improve slightly, pushing the metro's average asking rate up to $11.23 per square foot.

INVESTMENT: *Home to a sizable roster of aerospace and advanced manufacturing firms, Broomfield and Westminster may draw increased buyer interest in the second half, especially if local vacancy continues to tighten.*

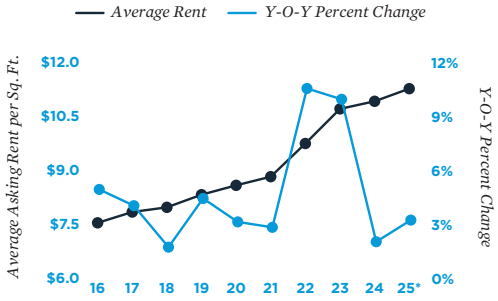
Economic Trends



Supply and Demand



Rent Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Al Pontius

Senior Vice President

National Director IPA Industrial

Tel: (415) 963-3000 | apontius@ipausa.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2023. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at $1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.