INVESTMENT FORECAST

Industrial
Denver

IPA | INSTITUTIONAL PROPERTY ADVISORS

2026

Larger-Format Leasing Centers on Northeast Denver as Private Capital Takes Larger Share of Deals

Demand poised to recover after a fragmented year. Denver posted negative net absorption over the past year as companies exited the region, including the Heibar manufacturing plant, contributing to overall softening in fundamentals. Despite metro-wide weakness, north and northeast Denver stood out, each recording year-over-year vacancy declines of more than 150 basis points in the first quarter of 2026. However, performance diverged as northeast Denver entered 2026 with net relinquishment in the first quarter, while north Denver vacancy continued to shrink. More recently, leasing activity has shown signs of improvement. First-quarter volume was roughly one-third higher than a year earlier, with the average commitment size near 15,000 square feet, alongside larger commitments from firms such as Crusoe's. That tenant will use its northeast Denver warehouse to produce transportable mini data centers. This leasing momentum should support a moderate rise in vacancy metrowide.

Private capital anchors market liquidity. Transaction activity rose roughly 27 percent year-over-year as of March 2026, driven primarily by increased private investor participation. Institutions remained net sellers and selective. Looking ahead, private capital is expected to lead investment volume, as the average cap rate has risen by about 150 basis points since 2022, making it the highest in the mountain region. Warehouses accounted for nearly 70 percent of trades, particularly along east Denver's Interstate-70 Corridor, where strong interstate access, proximity to Denver International Airport, and sub-9 percent vacancy should continue to support deal flow. Future transactions are likely to remain skewed toward smaller-format properties, with an average deal size near 50,000 square feet, aligning with private investor preferences.

2026 MARKET FORECAST

+0.4% — **Employment:** Despite year-over-year improvement, Denver's labor market will add only 7,000 jobs on net, roughly 30 percent of the previous 10-year average.

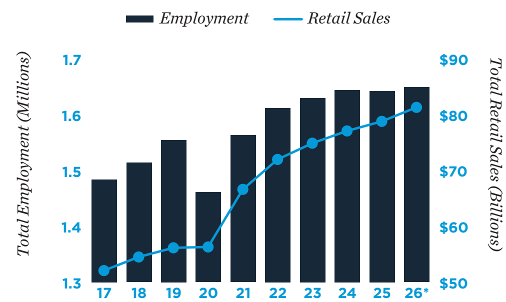
2.4 million *sq. ft.* — **Construction:** The new supply pipeline remains muted, with inventory growing by 1.0 percent, roughly half the average pace during 2015-2019.

+60 bps — **Vacancy:** As demand renews, vacancy increases are projected to minimize, with the rate edging up to 9.1 percent. However, this marks the highest vacancy in nearly two decades.

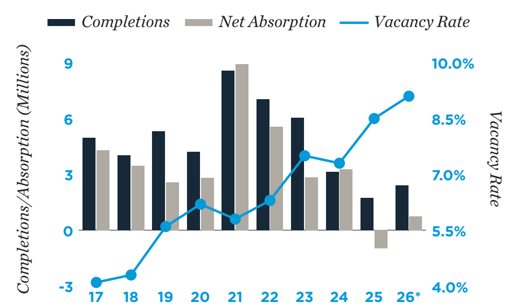
-3.2% — **Rent:** Increasing vacancy will apply pressure to asking rents, inching the average down to $10.00 per square foot, marking one of the largest decreases among all major U.S. metros.

INVESTMENT: *Pepsi's 1.2 million-square-foot factory, expected to come online in Northeast Denver this year, may support incremental spillover demand for nearby small- to mid-bay distribution and warehouse space.*

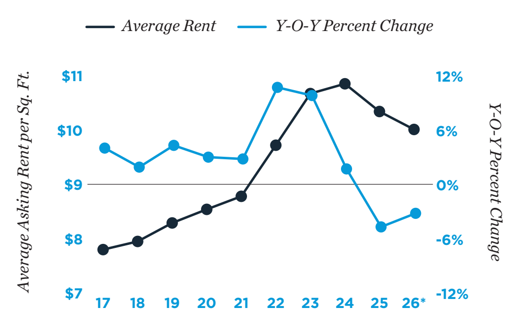
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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