

# 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.

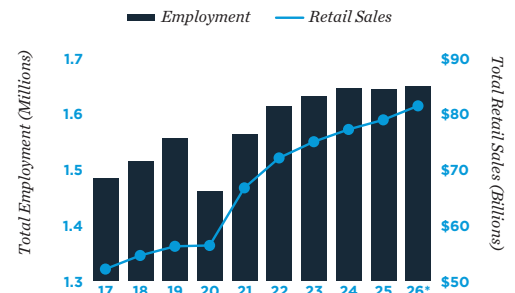
-3.2%



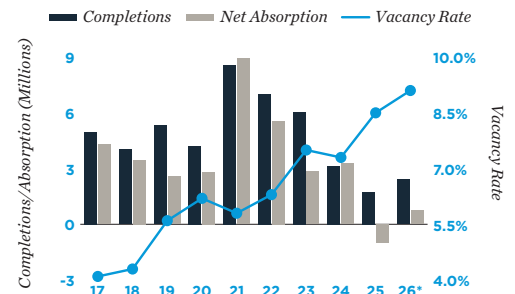
**Rent:** Increasing vacancy will apply pressure to asking rents, inching the average down to \$10.00 per square foot, marking one of the largest decreases among all major U.S. metros.

**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.

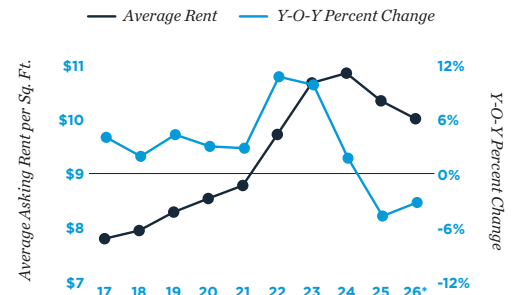
### Economic Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. 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 office 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.