

Denver, CO



Quick stats

5.7%

vacancy rate, down 20 basis points (bps) from 4Q2020 but up 100 bps year-over-year

\$8.61 NNN

average asking rate for direct industrial space, up 3.5% since 1Q2020

336,646 SF

quarter-end industrial net absorption for 1Q2021, up 22% quarter-over-quarter

4.7 MSF

industrial space currently under construction, 43.5% of which is pre-leased

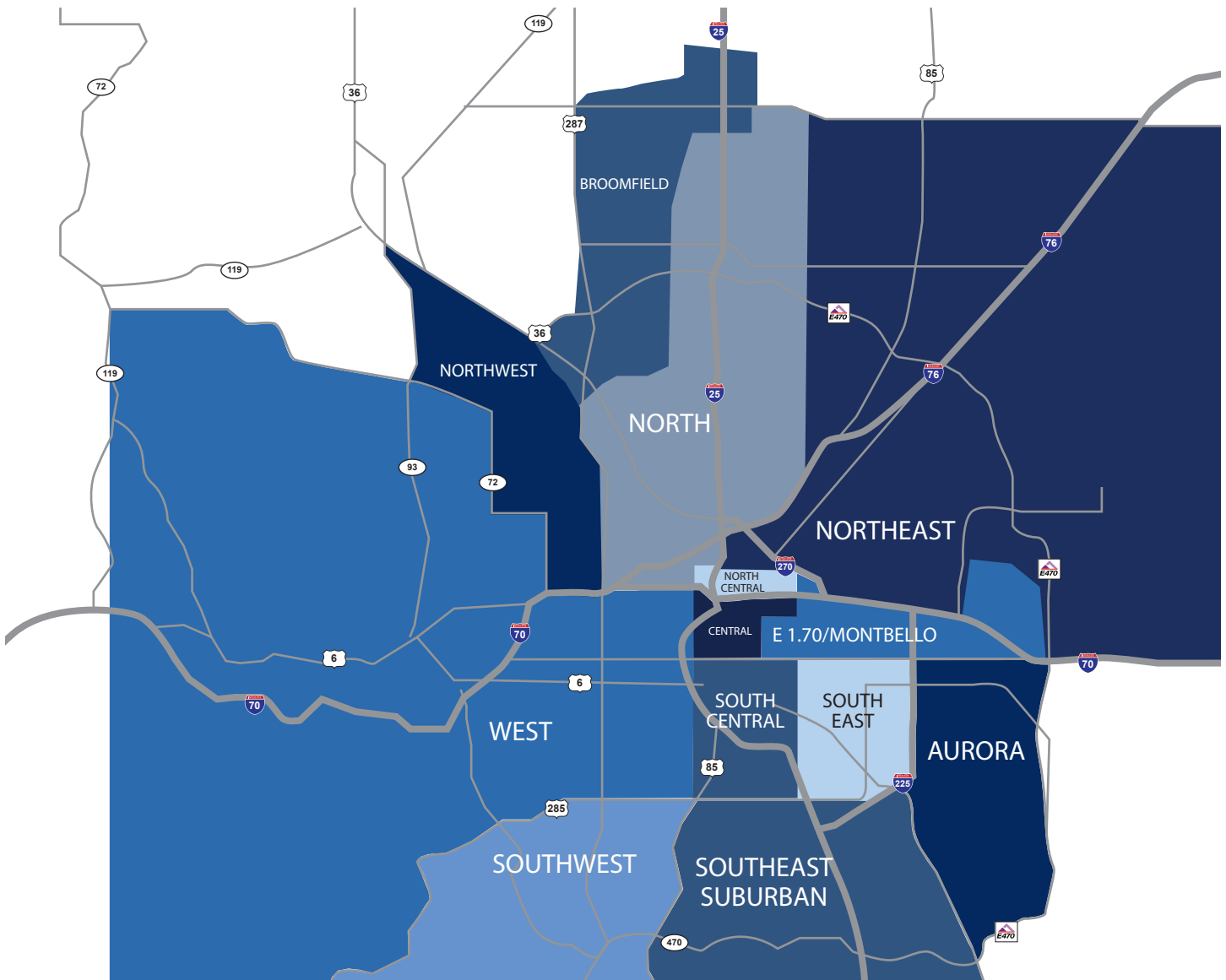
\$186.0 M*

total 1Q2021 industrial sales volume, down 25% from 4Q2020

*updated total as of 4-6-2021

Market highlights

- Driven by sustained demand, industrial triple net (NNN) asking rates grew 1.65% quarter-over-quarter (Q/Q), ending the first quarter of 2021 with a market average of \$8.61 NNN for direct space. The average manufacturing rate rose 0.5% Q/Q to end 1Q2021 at \$9.24 NNN. After contracting towards the end of 2020, warehouse asking rates grew slightly in the first quarter of 2021, ending at \$7.84 NNN. With vacancy rates continuing to fluctuate, asking rates may experience minor adjustments throughout 2021.
- Vacancy dropped 20 basis points Q/Q, ending March at 5.7%. However, this figure represented a 1% increase YOY. After falling as low as 2.3% during the previous expansion cycle, industrial vacancy had been on the rise even before the economic disruption of COVID-19, fueled by aggressive speculative development over the last five years. With leasing activity remaining steady—if somewhat subdued—throughout the pandemic and the development pipeline thinning out, industrial vacancy may continue to decline as 2021 progresses.
- With \$186.0 million in transactions through the end of March, investment volume was down 63% YOY in the first quarter of 2021, an indication that investors remain conservative in the face of on-going economic uncertainty. Still, transactions like the two-building, \$66.5 million sale of Tower Business Center to Everwest in February underscore the Denver's market strong fundamentals, which will continue to attract investors during the pandemic and after.
- Industrial net absorption was up Q/Q, ending 1Q2021 with 336,646 sf in net absorption. Leasing activity was also strong in the first quarter with 1,919,736 sf in signed deals. Logistics and medical device tenants, along with those in e-commerce, continue to drive warehouse demand in the market, with the aerospace and engineering sectors driving manufacturing activity. With increasing leasing, expect to see greater net absorption through the remainder of 2021.
- There is currently 4,695,738 sf of industrial space under construction in the Denver market, approximately 43.5% of which is pre-leased. Build-to-suit projects currently account for 40% of the total square footage under development in the market, and in the light of rising construction costs and on-going speculation that the market has been oversupplied, this percentage will likely continue to grow in the coming quarters.



Submarket trends



Lowest Vacancy Rate
 (Overall, all classes)
 Southeast 1.1%
Overall Denver 5.7%



Highest Avg. Asking Rent
 (NNN Direct, all classes)
 West \$11.32 NNN
Overall Denver \$8.63 NNN



Highest Sales Volume
 (All classes)
 E. I-70/Montbello \$94.7 Million
Overall Denver \$186.0 Million*

*updated total as of 4-6-2021



Highest 1Q Leasing Activity
 (Overall, all classes)
 E. I-70/Montbello 1,201,035 SF
Overall Denver 1.9 MSF



Largest YOY Vacancy Decrease
 (Overall, all classes)
 South Central 0.8%
Overall Denver (0.9)%



Highest 1Q Net Absorption
 (Overall, all classes)
 E. I-70/Montbello 530,339 SF
Overall Denver 336,646 SF

Submarkets by the numbers

Submarket	Inventory	Vacant SF	Vacancy %	YTD Net Absorption	YTD Leasing Activity	Under Construction	Pre-Leased SF	Average Asking Rent (NNN)
Aurora	1,994,778	153,928	5.9%	27,069	7,500	-	-	\$8.53
Broomfield	4,753,334	380,289	8.0%	15,910	111,246	152,761	130,511	\$10.25
Central	8,935,485	221,297	2.5%	(8,009)	41,616	-	-	\$8.67
E I-70/Montbello	81,570,749	5,055,150	6.2%	530,339	1,201,035	2,114,250	1,913,125	\$7.02
North	8,191,516	382,263	4.7%	(4,621)	2,976	641,081	-	\$9.30
North Central	13,737,273	917,687	6.7%	(53,253)	21,556	-	-	\$10.48
Northeast	18,368,276	1,117,095	6.1%	(38,605)	189,559	1,121,646	-	\$7.91
Northwest	11,442,894	771,618	6.7%	(14,736)	46,639	533,800	-	\$9.76
South Central	8,067,697	141,341	1.8%	21,505	81,870	-	-	\$7.94
Southeast	1,805,185	35,794	2.0%	(21,149)	17,971	-	-	\$10.53
Southeast Suburban	15,758,832	1,726,955	11.0%	(45,266)	55,943	132,200	-	\$10.69
Southwest	8,111,185	385,827	4.8%	(74,582)	51,954	-	-	\$9.24
West	19,843,969	213,560	1.1%	2,044	89,871	-	-	\$11.32
Total	202,581,173	11,502,804	5.7%	336,646	1,919,736	4,695,738	2,043,636	\$8.61

Select first quarter leases

Submarket	Tenant	Industry	Property	SF	Type
Broomfield	AGC Biologics	Biotechnology	Park 36, Building 3 - 800 Hoyt Street	69,674	New
E. I-70/Montbello	Aspen Distribution	Logistics	Majestic Commercenter, Building 20 - 19503 E. 34th Drive	280,000	New
E. I-70/Montbello	ReadySpaces	Industrial Coworking	Interstate Business Center, Building 1 - 4777 Leyden Street	104,912	New
E. I-70/Montbello	Crain Cartage	Freight	Clarion Gateway, Building 22 - 18100 E. 40th Avenue	67,743	New
E. I-70/Montbello	McKesson	Medical Device	Denver Business Center - 5301 Peoria Street	105,000	Renewal

Select first quarter sales

Submarket	Property	Buyer	SF	Sales Price	Price/SF
E. I-70/Montbello	Part of Centerpoint Portfolio - 7040 E. 56th Avenue	Realterm Logistics	95,260	\$5,750,000	\$258/SF
E. I-70/Montbello	10825 E. 47th Avenue	DSST Public Schools	111,565	\$9,900,000	\$88/SF
E. I-70/Montbello	Tower Business Center 1& 2 - 18701-18901 E. 38th Avenue	EverWest	422,961	\$66,450,000	\$157/SF
North	Park 12 Hundred Tech Center Portfolio (4 buildings)	KKR	324,000	\$50,250,000	\$155/SF
Southeast Suburban	Dove Valley Business Center II - 14251 E. Otero Avenue	Westcore Properties	150,600	\$20,000,000	\$132/SF

Under construction

Submarket	Property	Developer	SF	% Leased	Delivery
Broomfield	Baseline Building II - 1775 W. 160th Avenue	McWhinney	152,761	85%	Dec-21
E. I-70/Montbello	JAG Logistics Center at DIA Trade 2 - 26122 E. 68th Avenue	J.A. Green Development	188,760	0%	Apr-21
E. I-70/Montbello	Ferguson Enterprises - E. 19th Avenue	Whiting-Turner	450,000	100%	Apr-21
E. I-70/Montbello	Shamrock Foods - E. 32nd & Picadilly Road	Majestic Realty Company	900,000	100%	Sep-21
E. I-70/Montbello	Subaru - E. 32nd & Picadilly Road	Majestic Realty Company	550,000	100%	Jan-22
North	North Central Logistics Center A, B, & C - 7450 Clayton Street	SunCap Property Group	641,081	0%	Mar-21
Northeast	Ascent Commerce Center 1, 2 & 3 - 17956,17776 & 18149 E. 84th Avenue	Lincoln Property Company	595,246	0%	May-21
Northeast	76 Commerce Center Building 3 - 22500 E. I-76 Frontage Road	Hyde Development	526,400	0%	Oct-21
Northwest	Pecos Logistics Park Buildings 1, 2 & 3 - 5676 Pecos Street	Westfield Company	391,600	0%	Jul-21
Northwest	Axis 70 West - 4990 Parfet Street	Westfield Company	142,200	0%	Jan-22
Southeast Suburban	Elevate at Central Centennial Building 1 - 12358 E. Easter Avenue	Corum Real Estate Group	132,200	0%	May-21

Data and trend report

7.0%

Unemployment Rate
in Denver as of
January 2021

-4.9%

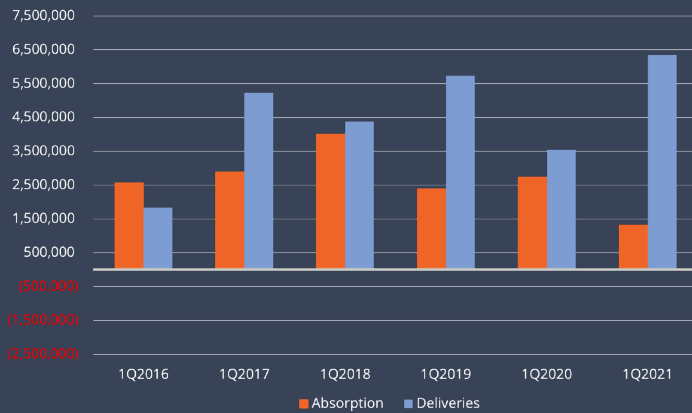
change in
employment YOY
from January 2020

+48.5%

increase in the
Bloomberg Colorado
Index* YOY from
February 2020

*a price-weighted index measuring the performance of the Colorado economy.
All index members are headquartered in CO and have a minimum market capitalization of \$10 million.

Deliveries vs. Absorption (12-month rolling total)



Rising Costs

In their most recent market conditions report for Denver, Turner Construction reported that steel prices were up 20-30% and are projected to remain high through 2022. With the large volume of speculative development already pushing industrial vacancy, the rising cost of materials will likely put downward pressure on the development pipeline.



Retrofitting Revolution

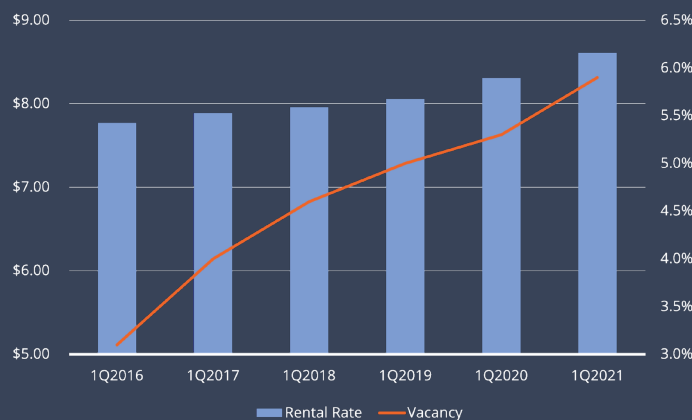
Thanks to the prevalence of cloud computing and grocery delivery, cold storage and data warehousing are two product subtypes where demand is quickly outstripping supply. Expect to see a continued trend of developers retrofitting existing warehouses to meet these needs.



Northern Expansion

As the Denver and Fort Collins metropolitan areas continue to expand towards one another, the land between the two has grown more attractive to developers. Expect to see more industrial activity along the I-25 corridor, particularly from e-commerce tenants looking to serve both markets.

Average Asking Rate vs. Vacancy (all classes - \$/sf/NNN)



**For more
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