3 Month LIBOR

1.45% — Valid 3-31-20

0.46% — Change from 4Q19

10 Year Treasury Note

0.70% — Valid 3-31-20

1.18% — Change from 4Q19

NAREIT Index

$170.98 — Valid 3-31-20

$65.69 — Change from 4Q19

Transaction Volume

The Denver investment sales market remained active in the first quarter of 2020 with nearly $3 billion in sales. However, March did see activity begin to slow, a possible indication of what is to come as the COVID-19 pandemic develops.

	4Q 2019	1Q 2020
OFFICE	$404M	$1.4B
INDUSTRIAL	$917M	$490M
RETAIL	$227M	$163M
MULTI-FAMILY	$1.6B	$751M
TOTAL	$3.1B	$2.8B

US News & World Report ranked Denver the sixth most desirable city for millennials

First Quarter 2020/ Capital Markets Research Report

Denver Metro

Market Overview

Prior to the COVID-19 pandemic, the Denver commercial real estate investment market was poised for another banner year through the first quarter of 2020. Denver has benefited greatly over the course of the last cycle from its increasingly diverse economy, with established government, energy, and financial presences and a burgeoning tech scene. With the city's GDP growing for the tenth straight year in 2019, Denver's rising prominence has made it attractive to investors, particularly those seeking asylum from the comparatively higher pricing in gateway cities like San Francisco and New York.

There were $2.8 billion in investment sales in Denver in the first quarter of 2020, with all sectors showing sustained prosperity. With a robust millennial population and new tenants flocking to the market, both the multi-family and office sectors remained highly competitive. Denver's growing reputation as a logistics and distribution hub has also fueled investment activity in the industrial sector, particularly as the amount of available land dwindles.

However, the unprecedented nature of the COVID-19 pandemic and the resulting shelter-in-place initiatives have put much of the reasonable certainty over Denver's 2020 investment outlook in jeopardy. While investment sales grew year-over-year in the first quarter, deal volume had slowed considerably by mid-March as both buyers and sellers sought a wait-and-see approach in response to the pandemic's mounting effect on both the local and national economies. The low cost of debt and equity going into the pandemic may result in a percentage of over-leveraged borrowers, creating potential for REITs and private buyers with liquidity to make opportunistic investments in the market.

The first quarter of 2020 was robust in the office sector, with office sales accounting for half of the market's total investment volume for the quarter. Driven in large part

Ranked #4

Forbes Ranked Denver fourth in their 2019 ranking of best US cities for business and careers

by two deals in the CBD, the office sector showed few signs of slowing even as pre-pandemic concerns over the end of the growth cycle lingered. The CBD is the traditional epicenter of the Denver urban core, with well-established financial and energy tenants accounting for a large portion of the submarket's square footage. When the technology presence in Denver began to grow, tech tenants originally flocked to the trendy LoDo and Platte Valley submarkets surrounding the CBD. However, as rents and taxes in both areas continue to rise, an increasing number of tech tenants have elected to relocate to the CBD to better suit rapid expansion while still appeasing millennial talent with a central location.

Beacon Capital Partners' purchase of One Tabor Center at 1200 17th Street, one of the two $400 million portfolio deals in the CBD, included an adjacent land site. Though development plans for a second tower on the corner of 17th and Larimer have been discussed, Beacon has not filed plans with the city. With COVID-19 prompting some developers to temporarily halt projects—like Hines and Ivanhoe Cambridge's T3 development at 3500 Blake Street in RiNo—it's possible Beacon will seek to wait out the pandemic's upheaval before working to monetize the land parcel.

2019 was a blockbuster year for industrial investment sales, recording a cyclical high of nearly $2 billion in investment sales. Activity remained strong in the first quarter of 2020 with almost $500 million in sales volume. Throughout the current cycle, Denver has been one of the best rent growth markets in the industrial sector. Still, industrial rental rate growth has softened despite immense supply pressures, resulting in a slight contraction of the average NNN industrial rental rate in the first quarter of 2020.

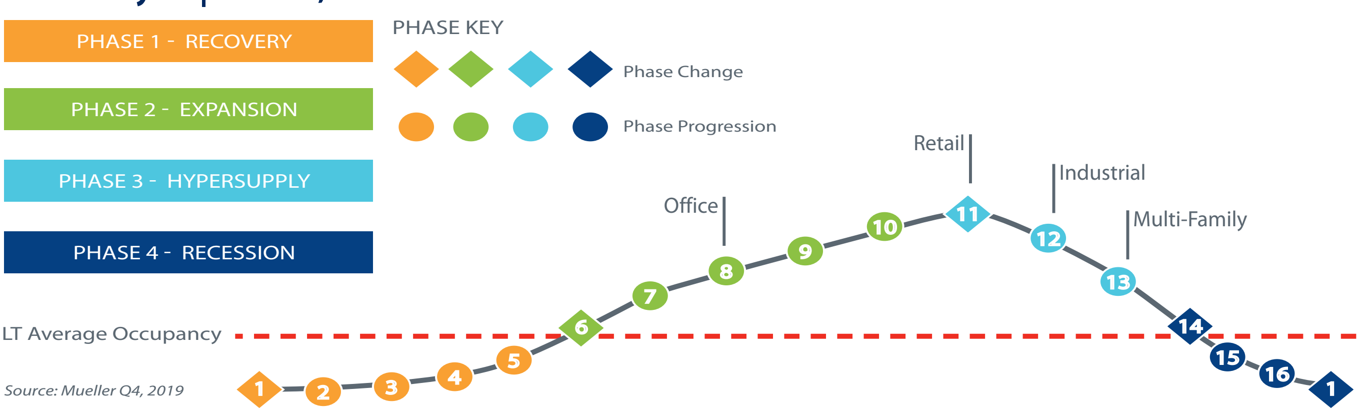
However, a still-growing population and a dwindling land supply has kept investor interest high in the industrial sector. Perhaps more than the other sectors, industrial real estate fundamentals may experience a degree of resilience to COVID-19's effect as the need for warehouse and distribution space grows.

While values for dense, in-fill locations continue to skyrocket, Denver's booming suburbs are growing in prominence as well. In the first quarter of 2020, Interpark Industrial Center sold for $194 per square foot (psf), well about the market-at-large warehouse average of $126 psf. Cold-storage, particularly as the demand for fresh groceries rises, remains an important staple of the industrial investment market in Denver, as does cannabis real estate.

Multi-family has been the darling of commercial real estate investment in Denver over the last decade, with a influx of young transplants driving occupancy, rental rates, and development. Multi-family potentially faces the biggest exposure as cash flows dry up in the wake of surging unemployment. However, the pandemic may offer opportunities for cash investors to score assets at a potentially below-market value. And depending on the duration of the COVD-19 pandemic, the multi-family sector may show some resiliency as furloughed hospitality and retail employees return to work.

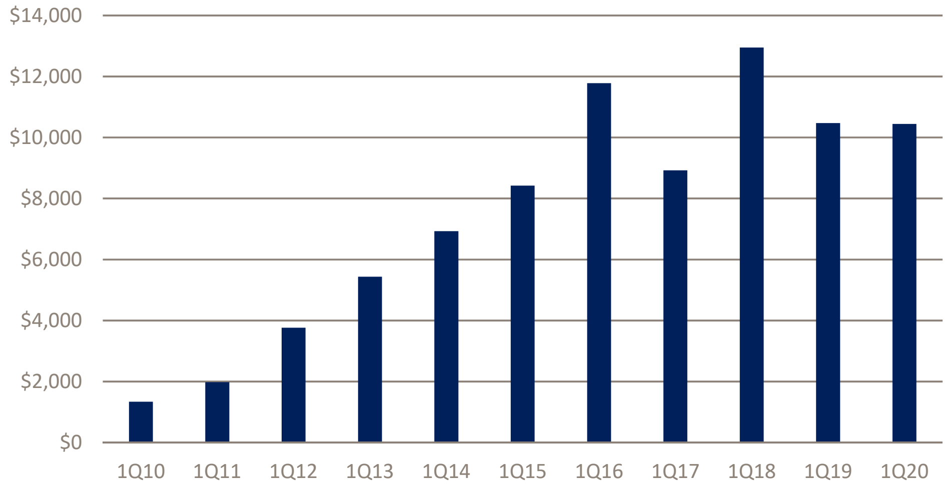
Retail investment volume remained modest in the first quarter of 2020, down both quarter-over-quarter and year-over-year. With the latest disruption of the COVID-19 pandemic, which has inarguably had the greatest effect on the retail and hospitality sectors, investment sales volume for retail is only likely to grow leaner as 2020 progresses. The one exception is grocery and perhaps grocery-anchored strip centers, which remain stable due to the steady consumer demand.

Market Cycle | Denver, CO

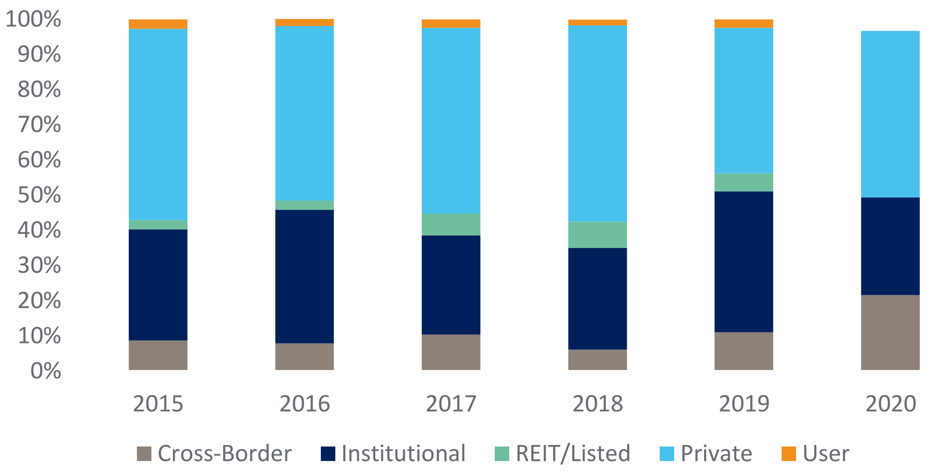


Source: Mueller Q4, 2019

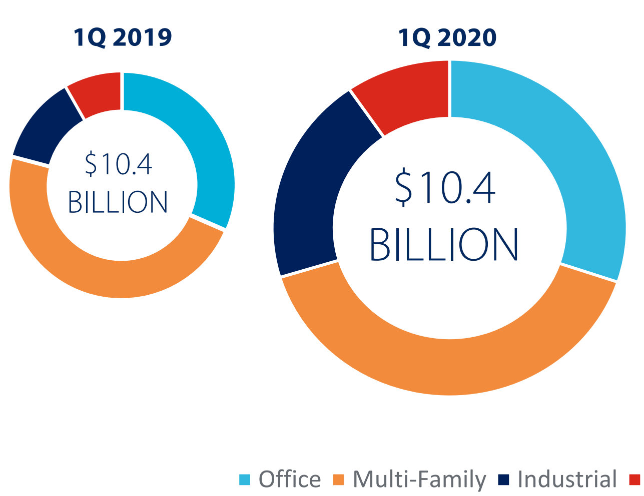
Transaction Volume (trailing 12 months - in millions)



Buyer Composition



Share of Volume by Product Type - Trailing 12 Months



1Q 2019	1Q 2020
32%	30%
48%	40%
13%	20%
8%	10%

Johns Manville Plaza

In February, Brookfield purchased two buildings from Shortenstein Properties, 717 17th and 707 17th Street, for a combined $400 million. 717 17th Street was valued at $205 million, or $290 psf, a competitive price for an older building in the submarket. The purchase marks an expansion of Brookfield's growing portfolio in Denver. They currently own and manage 1801 California and Republic Plaza to mention a few of their other CBD assets.

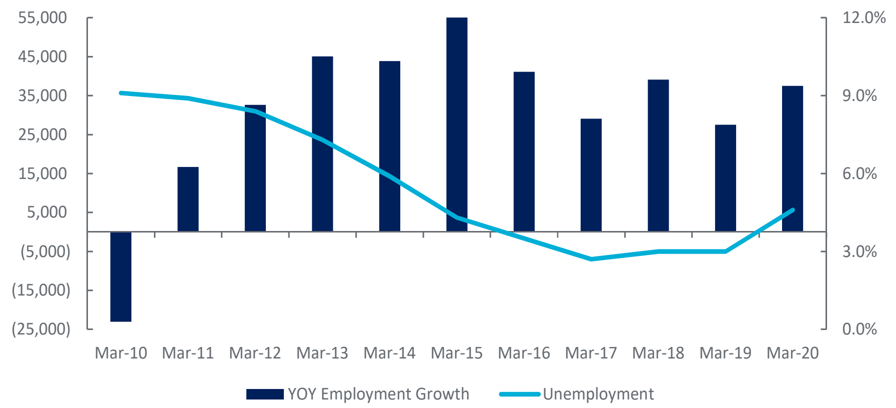
Interpark Industrial Center

San Francisco investor Stockbridge Real Estate bought a two-building portfolio in Broomfield in February for $46.5 million, or $194 psf. Together the buildings were 89.7% leased at the time of sale. This is considerably higher than average for the area, where the average price is $144 psf, a clear indication of the continued value of industrial buildings near growing urban hubs like Broomfield. Stockbridge previously purchased four buildings in Denver in October of 2019, seeking distribution hubs in strategic locations.

Local Economic Indicators

The Denver economy has experienced tremendous growth since the beginning of the cycle, with the Denver Metro GDP growing an average of 5% year-over-year between 2010-2019. Prior to the pandemic, unemployment in Denver had reached record lows, reporting just 2.7% unemployment in February of 2020. However, with businesses across all sectors shutting down amidst shelter-in-place initiatives, employment growth is likely to stagnate and unemployment rise as 2020 progresses.

Denver Employment Growth 2010-2020



Select First Quarter Sales

Property	Type	Size	Price	Price per SF/ Unit	Buyer
Airways Business Center - 2470 Airport Boulevard	Industrial	423,000 sf	$36,000,000	$85/sf	Prologis (part of IPT acquisition)
Interpark Industrial Center - 11363 Reed Way	Industrial	239,816 sf	$46,525,000	$194/sf	Stockbridge Capital
5501 Peoria Street	Industrial	228,376 sf	$19,500,000	$85/sf	Prologis (part of IPT acquisition)
3821-3897 Steele Street	Industrial	482,700 sf	$73,800,000	$153/sf	Harbert Management Corp
Dove Valley Business Center - 14101 E. Otero Avenue	Industrial	149,652 sf	$23,000,000	$154/sf	Westcore Properties
Tabor Center - 1200 17th Street	Office	696,027 sf	$396,700,000	$570/sf	Beacon Capital Partners
Johns Manville Plaza - 717 17th Street	Office	550,805 sf	$195,000,000	$205/sf	Brookfield
City Center - 707 17th Street	Office	675,400 sf	$205,000,000	$250/sf	Brookfield
5660-5680 Greenwood Plaza Boulevard	Office	411,000 sf	$54,000,000	$203/sf	Focus Property Group
12500 Belford Avenue	Office	391,240 sf	$40,000,000	$496/sf	Diloreto
Aurora City Place - 14221 E. Cedar Avenue	Retail	356,305 sf	$51,200,000	$144/sf	PREP Property Group
Safeway - 560 Corona Street	Retail	49,349 sf	$16,400,000	$322/sf	Cardinal Capital Partners
Village Square at Five Parks - 13735 W. 85th Drive	Retail	40,155 sf	$12,140,000	$302/sf	William A Sheridan Jr.
The Courtyards at Buckley - 2134 S. Richfield Way	Multi-family	688 units	$143,000,000	$207,849/unit	Oak Coast Properties
Kallisto at Bear Creek - 2605 S. Miller Drive	Multi-family	472 units	$145,500,000	$308,263/unit	Gelt Inc.
Santana Ridge - 1355 S. Galena Street	Multi-family	384 units	$77,400,000	$201,583/unit	Harbor Group International
Skyline - 8849 Pearl Street	Multi-family	464 units	$95,400,000	$205,656/unit	Harbor Group International
Cortland Flatirons - 13585 Via Varra Road	Multi-family	297 units	$89,100,000	$300,000/unit	Harbor Group International

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