

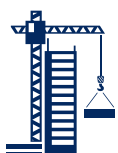


Transaction Volume



1Q2020	2Q2020
\$1.4B	\$47.8M

Office



1Q2020	2Q2020
\$516M	\$397M

Industrial



1Q2020	2Q2020
\$162M	\$42.7M

Retail



1Q2020	2Q2020
\$392M	\$899M

Multifamily

Multi-family continues to be the market's strongest performer, with office slowing in the face of Covid-19

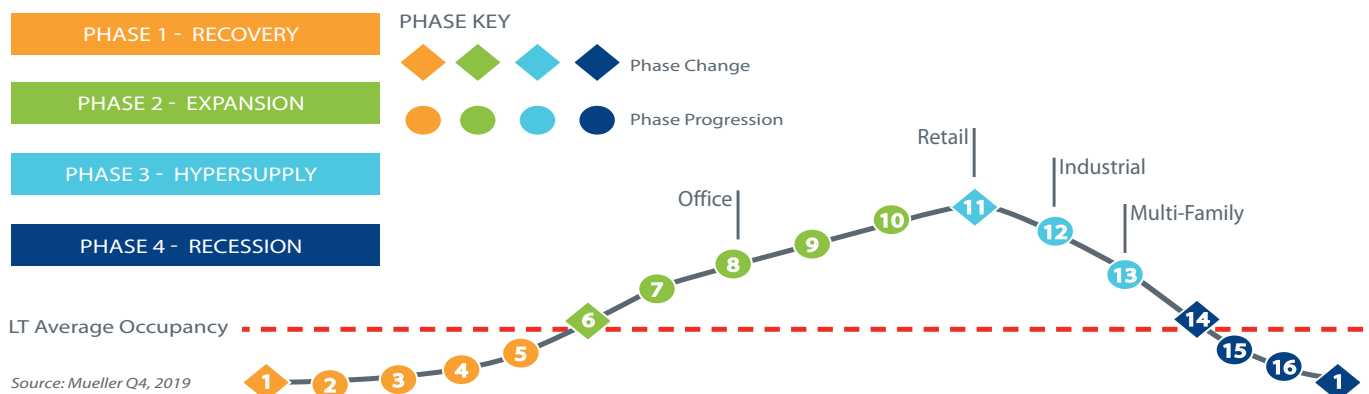
Second Quarter 2020/ Capital Markets Research Report

Denver Metro

Market Highlights

- Denver's strong economic fundamentals have kept investor interest steady despite the pandemic. A Moody's Investors Service report included Denver on a shortlist of US cities best positioned to rebound from the crisis, with Fitch Ratings recently affirming Denver's triple-A bond rating. The multifamily and industrial sectors in particular continue to speak to the city's evolved economic position as both a social and logistics hub.
- Office building sales totaled \$47.8 million in 2Q2020, representing a sharp drop-off from the \$1.4 billion in investment sales in 1Q2020. Along with retail, office is the product type most strongly effected by pandemic-related uncertainty. Sublease space is on the rise, particularly in the high-rent, high-density CBD buildings. Both tenants and investors seem to be favoring a wait-and-see approach in regard to deals.
- Despite the possibility of increased loan exposures as rent relief expires and evictions loom, the multifamily market remains active in Denver. However, as the COVID-19 pandemic continues to negatively affect job growth, financing for the large-scale deals the market has been experiencing the last four years may grow more difficult to obtain.
- Industrial investment trends have quickly followed consumer habits related to the pandemic, with warehouse and logistics space, along with cold storage, continuing to trade at above-average sales prices per square foot. Large deals with e-commerce and 3PL tenants have bolstered Denver's strong industrial position.
- Several development projects have ceased construction in the midst of the pandemic. In addition to new safety procedures, the Denver development pipeline continues to face pressure from high construction costs, 3.61% above the national average according to Rider Levett Bucknall. A rapidly-draining construction pipeline as a result of COVID-19 might be slower to refill as developers grapple with high land and labor costs

Market Cycle | Denver, CO



Notable Sales Transactions



The Citadel

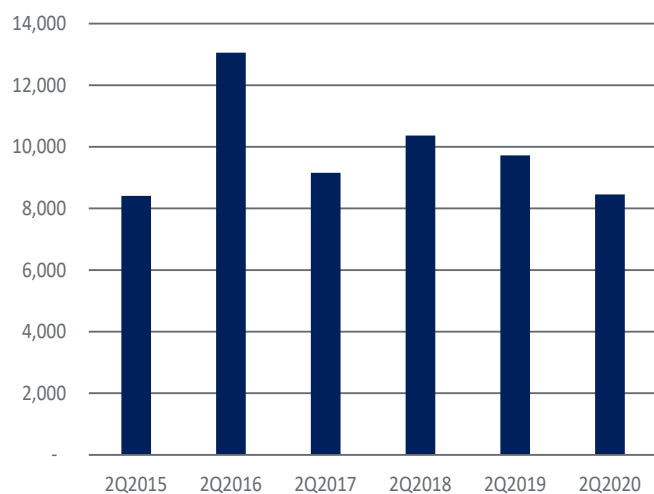
Despite the marked slowdown in office investment activity as a result of Covid-19, Cherry Creek continues to be one of the city's hottest submarkets. The Citadel, a 130,652 Class A building located at 3200 Cherry Creek South Drive, sold for \$33 million, making it the largest office transaction of the quarter. The building is 92.5% leased with asking rates of \$41.50 FSG, well above the market average.



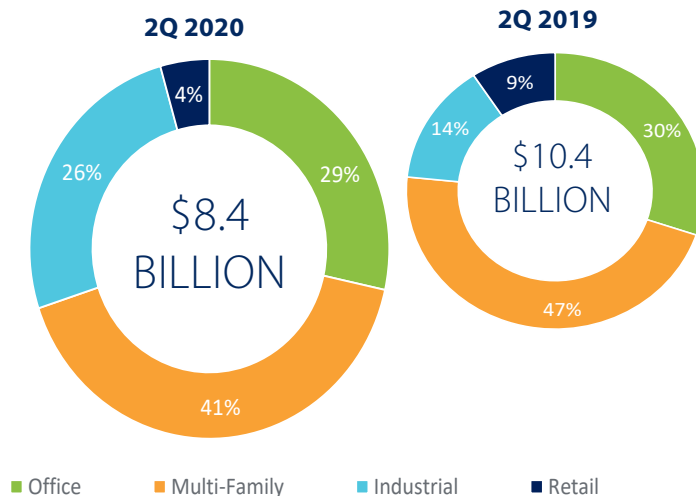
Enterprise Business Park, Building 6

Located at 9410 E. 40th Avenue in the highly sought after E. I-70/Montbello submarket, the 647,000 square foot (sf) Class A building sold for \$85.7 million, or \$132 per square foot (psf). The building has been fully-leased to beverage distributor Breakthru Beverage since 2015, a likely contributor to the building's above-average sale price psf. Industrial sales remain relatively steady throughout the pandemic.

Transaction Volume (trailing 12 months - in millions)

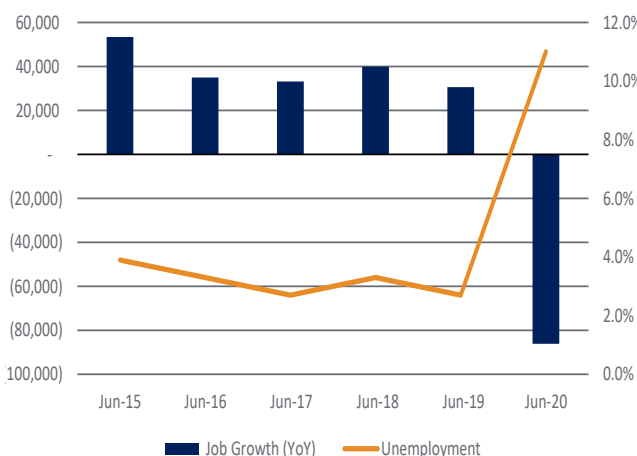


Share of Volume by Product Type Trailing 12 Months



Select Second Quarter Sales

Property	Type	Size	Price	Price per SF/Unit	Buyer
3200 Cherry Creek South Drive - The Citadel	Office	130,652	\$33,000,000	\$253/SF	Matador Equity Partners
7955 E Arapahoe Court - Arapahoe Plaza East II	Office	29,140	\$3,525,000	\$121/SF	The Welsh Family Trust
6901 S Pierce Street - Columbine Valley	Office	52,803	\$5,700,000	\$108/SF	Bridal Dale
32045 Castle Court	Office	32,256	\$5,600,000	\$174/SF	Big Stone Building
9410 E. 40th Avenue - Enterprise Business Center Bldg 6	Industrial	646,915	\$85,700,000	\$132/SF	Zurich Asset Management
18101 E. Colfax Avenue - Acme Distribution Center	Industrial	882,435	\$58,642,000	\$66/SF	Blackstone
4735 Leyden Street	Industrial	233,784	\$13,940,000	\$60/SF	Blackstone
7245 S. Havana Street - Rampart Center	Industrial	99,600	\$14,500,000	\$146/SF	Libitzky Property Companies
9801 Dallas Street	Industrial	64,501	\$14,218,365	\$220/SF	North American Terminals Management
8501 W. Bowles Avenue	Retail	133,557	\$6,300,000	\$47/SF	SRB Littleton
5220 Wadsworth Boulevard - Arvada Connection	Retail	47,483	\$10,600,000	\$223/SF	Imperial Court Investments
8799 Washington Street - Walgreens	Retail	14,406	\$6,130,000.00	\$803/SF	Pat Henry
1270 East 17th Avenue	Retail	13,000	\$4,376,900.00	\$336/SF	Chandler Holdings
2525 E. 104th Avenue - Avana Thornton Station	Multifamily	683,010	\$119,000,000	\$247,916/Unit	Greystar
355 Eldorado Boulevard - Fusion 355	Multifamily	316,500	\$90,814,500	\$317,533/Unit	Oakmont Properties
13870 Del Corso Way - Caliber at Flatirons	Multifamily	308,444	\$90,720,000	\$259,375/Unit	Oakmont Properties
11625 Community Center Drive - Heritage at Stone Mountain	Multifamily	332,005	\$83,000,000	\$315,000/Unit	Priderock Capital Partners



Denver Unemployment & Job Growth

The Covid-19 pandemic caused Denver unemployment to spike when shelter-in-place initiatives shut down the city mid-March 2020. While the job outlook improved in May and June, the job growth reported was comprised of employees regaining jobs they'd lost at the beginning of the pandemic. Year-over-year, job growth is down, representing the first twelve-month cycle of negative job growth since December of 2010. Denver's diverse economy has offered some buffer to volatility, and may spell a quicker recovery as the COVID-19's economic consequences continue to take shape.

Economic Conditions

3 Month LIBOR

0.30%
Valid 6-30-20

▼ 1.15%
Change from 1Q2020



Stock Market

The market continues to react to conditions related to Covid-19, including the jobless claim curve and number of new cases.

10 Year Treasury Note

0.65%
Valid 6-30-20

▼ 0.05%
Change from 1Q2020



Cost of Capital

Debt and equity remain cheap, though financing will likely grow more difficult as the economy reality of the pandemic manifests.

NAREIT Index Value

\$192.95
Valid 6-30-20

▲ \$65.69
Change from 1Q2020



Interest Rates

The Federal Reserve dropped interest rates to a mere 0.25% in March and have yet to raise rates as economic recovery stutters.



Loan Exposure and Delinquency Rates

Denver remains a healthy market from a loan performance perspective, ranking in the bottom quartile the top 25 metro markets in the United States for delinquency rates across all product types. Even the retail sector, which has been plagued by volatility before the Covid-19 pandemic, has a delinquency rate of 7.1% on CMBS loans. As activity slows, so has loan origination activity. Multifamily loan activity, the market's most robust investment sector, was down nearly 30% from the first quarter to the second in 2020.

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