

Transaction Volume



Office

1Q20	2Q20	3Q20
\$1.4B	\$47.8M	\$156M



Industrial

1Q20	2Q20	3Q20
\$516M	\$397M	\$307M



Retail

1Q20	2Q20	3Q20
\$162M	\$42.7M	\$68M



Multifamily

1Q20	2Q20	3Q20
\$751M	\$899M	\$567M

Multi-family continues to be the market's strongest performer, with office and retail bouncing back after a sluggish second quarter

Third Quarter 2020/ Capital Markets Research Report

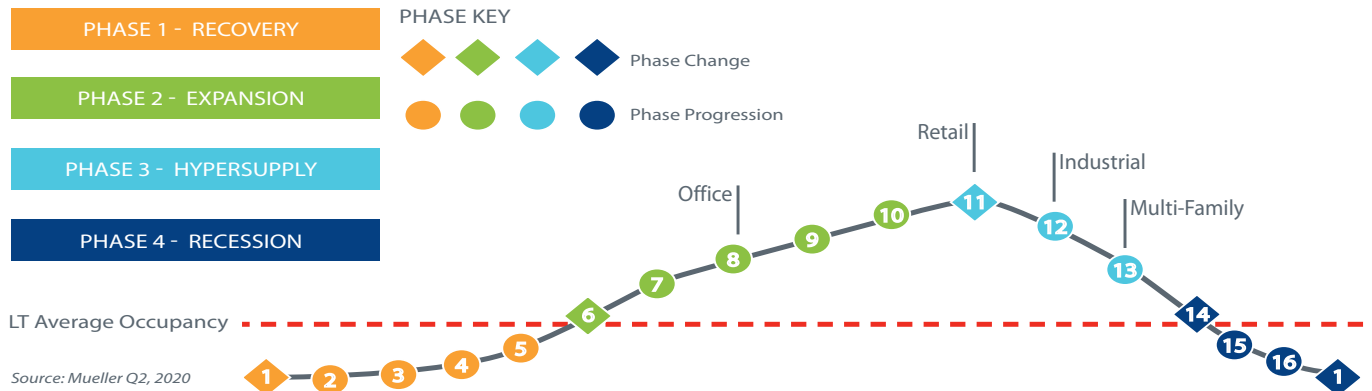
Denver Metro

Market Highlights

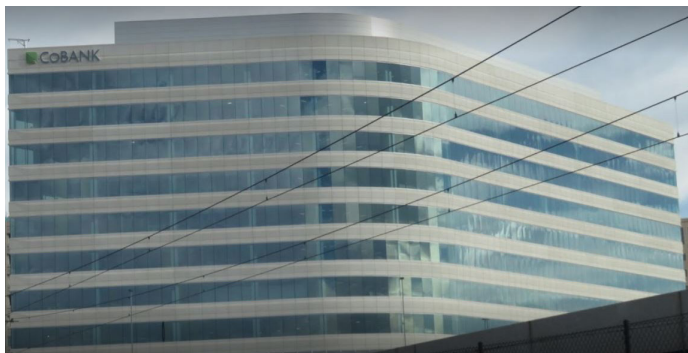
- Colorado has made a faster economic recovery than was originally anticipated, ending the most recent fiscal year in June with \$900 million more in tax revenue than was forecasted at the beginning of the pandemic. Though the city of Denver has grappled with decreased tourism and oil and gas industry fallout, the continued influx of tech companies promises to spur job growth and increase tax revenue in 2021.
- Despite negative employment growth and lingering uncertainty regarding COVID-19, the multifamily sector has managed to keep vacancy from rising by offering rental concessions, with 3Q2020 marking the second consecutive quarter of negative rent growth since the recovery cycle began in 2008. With lower net operating incomes and decreased rent growth expectations, multifamily investment market has cooled slightly, down 12% year-over-year.
- Though sales volume fell in 3Q2020, investors continue to bet big on the future of the Denver industrial market. In July, Everwest and Invesco teamed up to buy the newly-completed 25 North industrial park from Bow River Capital. The sale included two buildings, both completed in 2020, as well as a 52-acre tract for future development. In August, Prudential purchased three under-construction buildings as part of Crow Holdings disposition portfolio**. In both cases, the buyers cited Denver's enormous growth potential as a driving factor for investing in new development.
- As COVID-19 continues to hammer the retail and hospitality sectors, CMBS loan issuances have been focused on office and industrial properties. While increased e-commerce and distribution activity provide risk mitigation for industrial assets, the office investment focus has shifted to suburban assets, which face fewer COVID-19 challenges than those in the dense urban core. In Denver, though first quarter office sales were focused in the CBD, the second and third quarters were driven by sales in the suburban markets.

** see page 2 for additional details on the sale

Market Cycle | Denver, CO



Notable Sales Transactions



CoBank Center

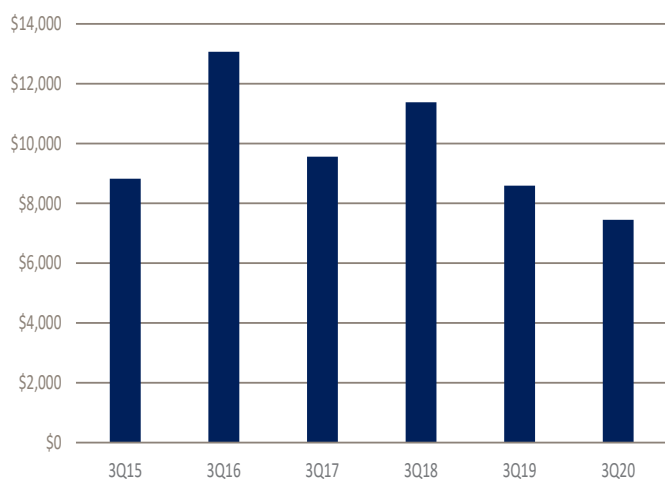
3Q office investment volume was driven by the \$120 million sale of Cobank's headquarters at 6340 S. Fiddlers Green Circle in the Southeast Suburban (SES) submarket. The 247,847-sf building was purchased by oil company Saudi Aramco for \$437 per square foot, well above the submarket average. The SES has been a popular investment target for foreign capital given the area's growing population and rising property values.



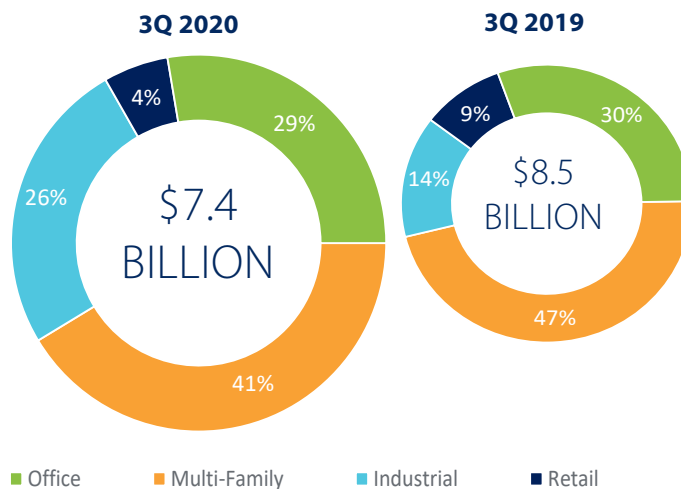
Ascent Commerce Center

Crow Holdings' national disposition portfolio sale in August included a 594,500-sf, three-building park under construction in the E. I-70/Montbello submarket. The buildings were collectively valued at \$85 million, making them the three highest-valued properties per square foot in the portfolio. The valuation was credited to Denver's continued economic growth as well as the park's access to critical infrastructure,

Transaction Volume (trailing 12 months - in millions)

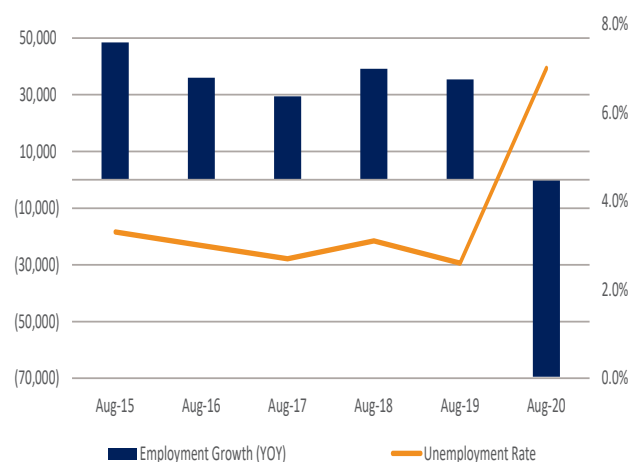


Share of Volume by Product Type Trailing 12 Months



Select Third Quarter Sales

Property	Type	Size	Price	Price per SF/UNIT/AC	Buyer
6340 S. Fiddlers Green Circle - Cobank Building	Office	274,287 SF	\$120,000,000	\$437/SF	Saudi Aramco
6161 S. Syracuse Way - Syracuse Hill III	Office	46,187 SF	\$6,800,000	\$147/SF	Pantheon Holdings
7901 Southpark Plaza - Viewpoint I	Office	93,039 SF	\$12,161,000	\$131/SF	Pantheon Holdings
1400 W. 122nd Avenue -Pavilion Court	Office	30,044 SF	\$5,375,000	\$179/SF	Advanced Space
1776, 17956 & 18146 E. 84th Avenue -Ascent Commerce Center	Industrial	594,500 SF	\$85,185,000	\$143/SF	PGIM
8450 & 8452 Highfield Parkway - Highland Buildings 8&9	Industrial	290,000 SF	\$33,248,000	\$115/SF	Invesco
14250 Grasslands Drive - HighField Business Park Building 7	Industrial	202,392 SF	\$31,210,000	\$154/SF	Invesco
14902 Grant & 14831 Washington Street - 25 North Business Park	Industrial	219,000 SF	\$23,710,000	\$108/SF	Invesco, EverWest
14903 & 14802 Grant Street - 25 North Business Park	Land	52 AC	\$19,690,000	\$375,270/AC	Invesco, EverWest
6543 Wadsworth Boulevard	Retail	24,537 SF	\$4,169,862	\$170/SF	A Squared Holdings
30403 Kings Valley Drive - Kings Valley Marketplace	Retail	58,807 SF	\$7,000,000	\$119/SF	Kenneth B Marsh
6384 Promenade Parkway - Block One Promenade at Castle Rock	Retail	154,896 SF	\$38,000,000	\$245/SF	The Kroenke Group
848 N. Ridge Road - Founders Marketplace	Retail	77,164 SF	\$18,700,000	\$242/SF	The Kroenke Group
14310 Grant Street - Parkhouse Apartments	Multifamily	481,236 SF	\$144,775,000	\$311,344/UNIT	Investors RE Trust
8505 E. Lowry Boulevard - Alas Over Lowry	Multifamily	244,350 SF	\$105,000,000	\$350,000/UNIT	The Connor Group
1150-1170 Galapago Street - Marquis at the Parkway I	Multifamily	165,343 SF	\$55,999,960	\$304,347/UNIT	Urban American Manage- ment
1200-1250 Galapago Street - Marquis at the Parkway II	Multifamily	252,253 SF	\$83,999,940	\$304,347/UNIT	Urban American Manage- ment
1300 S. Willow Street - Allure Aparments	Multifamily	24,530 SF	\$68,000,000	\$269,841/UNIT	SARES-REGIS Group



Denver Unemployment & Job Growth

August marks the fourth consecutive month of job growth in Denver following a rapid decline in employment in March as a result of the pandemic. However, non-farm employment remains down by nearly 70,000 jobs year-over-year (YOY), a sobering reminder that while Denver has weathered the pandemic better than some other major markets, its economic impact is far from concluded. Perhaps a more telling measurement of Denver's job market is the unemployment rate. The market ended August at a 7.0% unemployment rate, up 4.4% YOY. While every major industry has suffered some measure of job loss, the leisure and hospitality industries have been hit the hardest, with employment in the sector dropping 27.7% YOY through August of 2020.

Economic Conditions

3 Month LIBOR

0.23%
Valid 9-30-20

▼ 0.07%
Change from 2Q2020



Interest Rates

The Federal Reserve interest rate remains at a mere 0.25%, with discussions of lowering it to 0% as COVID-19 continues to hamper economic recovery. The 3-month LIBOR rate continues to drop as well, down 1.78% year-over-year.

10 Year Treasury Note

0.66%
Valid 9-30-20

▲ 0.01%
Change from 2Q2020



Cost of Capital

With low interest rates driving bond yields down, bond issuances are up as borrowers look to refinance existing debt. Third quarter equity issuance was robust even as measures of longer-term downside risks in equity markets increased

NAREIT Index Value

\$194.04
Valid 9-30-20

▲ \$1.09
Change from 2Q2020



Stock Market

The market continues to fluctuate in reaction to political and pandemic-related factors, including a potential second economic stimulus package, progress on a COVID-19 vaccine, and predictions on the outcome of the presidential election.



Loan Exposure and Delinquency Rates

Given continually strong performances from the office, multifamily, and industrial sectors, Denver remains a healthy market from a loan performance perspective, ranking in the bottom quartile of the top 25 metro markets in the United States for delinquency rates across all product types. However, as economic activity slows and underwriting for real estate investments grow more conservative, loan origination volume continues to drop. Even in the multifamily sector, which has been white-hot in Denver as a result of rapid population growth, loan origination volume is down 6% year-over-year

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