

Denver, CO



Transaction Volume



Office

2Q20	3Q20	4Q20	1Q21
\$47.8M	\$156M	\$154M	\$306.4M



Industrial

2Q20	3Q20	4Q20	1Q21
\$397M	\$307M	\$290M	\$186M



Retail

2Q20	3Q20	4Q20	1Q21
\$47.2M	\$68M	\$66M	\$32.8M



Multi-family

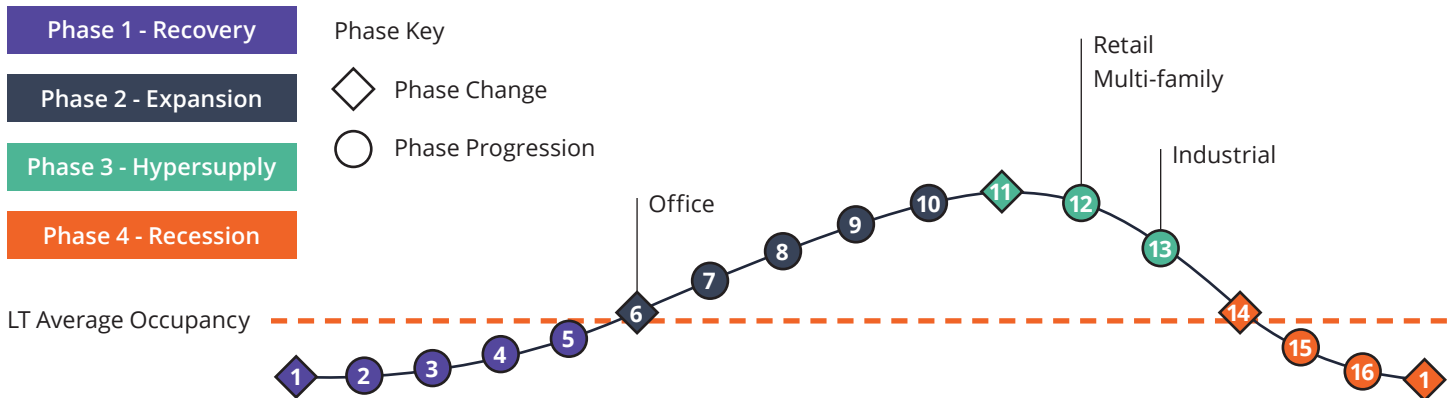
2Q20	3Q20	4Q20	1Q21
\$899M	\$567M	\$1.2B	\$547.9M

Investors continue to bet big on multi-family as the market grapples with pandemic-fueled uncertainty

Market highlights

- Even as WeWork seeks to regain its footing—shuttering five locations totaling roughly 292,000 square feet (sf) in Denver alone in 2021—Bow Capital agreed to take WeWork public through a special-purpose acquisition company (SPAC), or "blank check" merger, in February. The merger with Bow's SPAC afforded WeWork a \$1.3 billion cash infusion, but with SPAC investments considered "penny" stocks by the SEC, this venture could lead to future volatility if WeWork cannot find a path towards profitability.
- In March, Denver-based cloud storage company Stack issued \$400 million in securitized notes in order to fund over \$1 billion in data center developments and expansions nation-wide, the company's third such offering since 2019. The offering's A-rating from S&P Global and the associated portfolio's projected earnings all serve as evidence of the growing importance of data storage facilities within the industrial investment landscape, particularly in high-growth, tech-focused markets like Denver.
- Though multifamily investment was down 39% year-over-year through the first quarter of 2021 in Denver, multifamily remains the market's hottest sector, with absorption in the latter half of 2020 indicating that demand continues to outstrip new supply. From a financing perspective, the CMBS market hopes to increase their stake in market-rate multifamily loans now that Freddie Mac and Fannie Mae have both been ordered via federal mandate to focus more of their capital on affordable housing loans.
- It was announced in February that The Denver Merchandise Mart—a 29.4-acre multi-building trade show complex located on 58th Avenue off of I-25—would be sold to Denver-based developer Westfield Properties. The sale finalized in March, and Westfield has already filed plans with the city to demolish the existing retail property in favor of a four-building industrial park totaling approximately 900,000 sf. The proposed redevelopment follows a growing trend in Denver, where underutilized retail facilities are being targeted by industrial developers seeking in-fill locations to satisfy voracious last-mile and e-commerce demand.

Market cycle | Denver, CO



Notable sales transactions



Staples Distribution Center

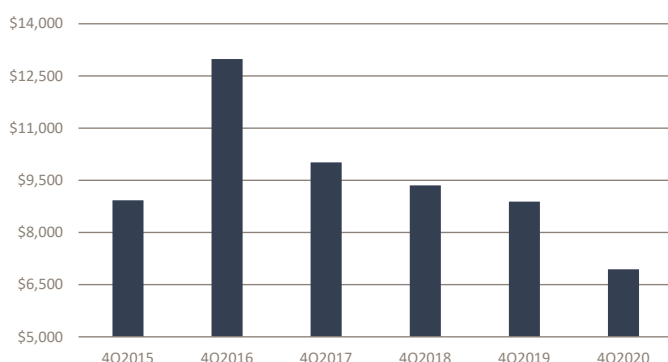
In January, investment titan Blackstone REIT partnered with LBA Realty on a \$1.6 billion recapitalization of two national industrial portfolios owned by LBA. The deal, which allowed LBA to retain minority interest in the assets, included a 157,751-sf warehouse at 13800 E. 39th Avenue in the E. I-70/Montbello submarket (pictured above). Valued at \$23.9 million, 13800 E. 39th Avenue is fully leased to Staples and aligned with Blackstone's strategy of targeting logistics space in last-mile locations.



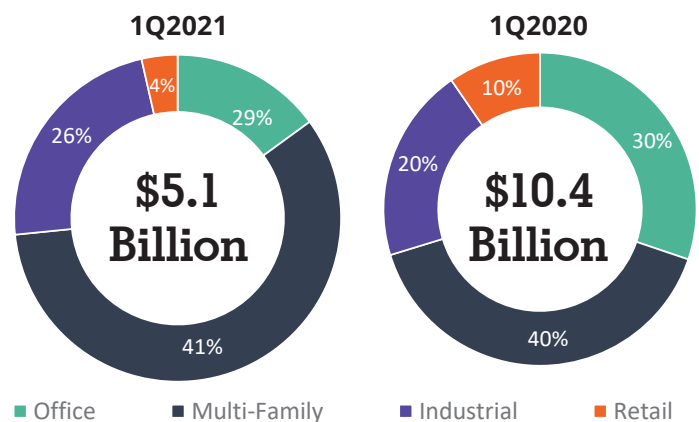
Campus at Cherry Creek

In February, Investment firm Boyd Watterson purchased a three-building, 355,687-sf office portfolio, which included 4300 Cherry Creek South Drive (pictured above) as well as 700 and 710 Ash Street, for \$95 million. At \$267 per square foot (psf), the portfolio sold well above the market average of \$168 psf. Boyd Watterson cited the strong credit tenancy by the State of Colorado, who occupies all three buildings, as its primary motivation for the acquisition.

Transaction Volume (12-month total, in millions)



Share of Volume by Product Type (12-month total)



Select first quarter sales

Property	Type	Size (sf/unit)	Price	Price per sf/unit/ac	Buyer
Broomfield Professional Campus - 3301 W. 144th Avenue	Office	59,604 sf	\$16,750,000	\$281/sf	BPC Investors
Campus at Cherry Creek - 4300 Cherry Creek Drive South & 700-710 Ash Street	Office	355,687 sf	\$95,000,000	\$267/sf	Boyd Watterson
Hines Tech Center - 4600 S. Syracuse Street	Office	314,000 sf	\$74,262,500	\$237/sf	Principal RE Investors, Miller Global Properties
Inova Dry Creek 2 - 10825 E. Geddes Avenue	Office	233,000 sf	\$63,200,000	\$271/sf	Libitzky Property Company
Signature Center - 14143 Denver W. Parkway	Office	185,920 sf	\$30,490,000	\$164/sf	Vista Investment Group
1400 Yosemite Street - 1400 Yosemite St	Industrial	95,260 sf	\$5,750,000	\$60/sf	Realterm Logistics
10825 East 47th Avenue - 10825 E 47th Ave	Industrial	11,1565 sf	\$9,900,000	\$89/sf	DSST Public Schools
Tower Business Center - 3800 Tower Road	Industrial	422,961 sf	\$66,450,000	\$157/sf	EverWest
Park 12 Hundred Tech Center - I-25 & W. 120th Avenue	Industrial	324,000 sf	\$50,250,000	\$155/sf	KKR
Dove Valley Business Center II - 14251 E. Otero Avenue	Industrial	150,600 sf	\$20,000,000	\$132/sf	Westcore Properties
Walgreens - 3555 N Colorado Blvd	Retail	13,422 sf	\$5,292,900	\$394/sf	Oak Street Real Estate Capital
6691 Tower Road	Retail	10,300 sf	\$5,577,000	\$541/sf	Vishan Patidar
Goodwill - 4775 W. 121st Avenue	Retail	19,832 sf	\$6,390,000	\$331/sf	Schrader Land Company
Gateway Arvada Ridge - 10285 Ridge Road	Multi-family	296 units	\$101,553,333	\$343,086/unit	Praedium Group
Regatta Apartment Homes - 10500 Irma Drive	Multi-family	352 units	\$100,500,000	\$285,511/unit	Gelt
Cortland at Green Valley - 5650 Argonne Street	Multi-family	324 units	\$100,440,000	\$310,000/unit	Cortland
City Gate - 2890 Brighton Boulevard	Multi-family	241 units	\$83,850,000	\$347,925/unit	Laramar Group
Boulder Crossroads - 7340-7500 Dakin Street	Multi-family	322 units	\$55,500,000	\$172,360/unit	JAASO

49%

year-over-year
decline in investment
sales volume in
Denver from 2020
to 2021

2.8%

loan delinquency
rate averaged
across office, retail
industrial, and
multi-family

6.9%

unemployment rate in
Denver as of February
2021, up 4.1% year-
over-year

Economic conditions

3 Month LIBOR

0.20%

Valid 04/01/21



-0.04%

Change from 4Q2020

10 Yr Treasury Note

1.69%

Valid 04/01/2021



1.03%

Change from 4Q2020

NAREIT Index Value

\$203.03

Valid 04/01/2021



\$35.99

Change from 4Q2020



Interest Rates

On March 17th, The Federal Reserve voted to keep the policy interest rate at nearly-zero, where it has been since March of 2020. The Fed indicated they would like to see greater job market recovery and an inflation rate holding steady at 2% before lifting interest rates again.



Debt and Equity

CRE debt markets remain active as owners and investors take the opportunity to adjust their debt-to-equity ratio through recapitalization for improved liquidity. Debt funds have also been active in construction financing for new industrial and multi-family developments.

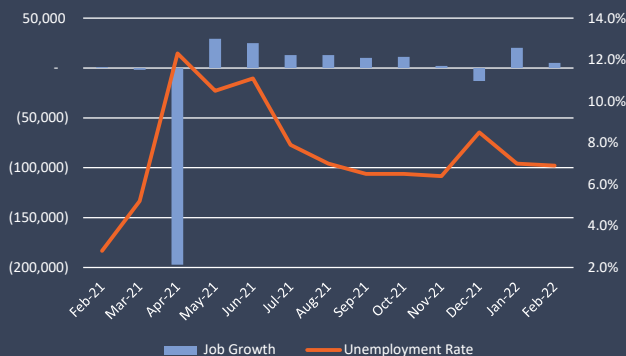


Stock Market

The unpredictable nature of the COVID-19 pandemic and its effects have made it difficult to determine where we stand in the market cycle, making the variance between growth and value stocks' performance an important pattern to watch in 2021.

Loan Exposure and Delinquency Rates

Given decreases in occupancy and depleted net operating income (NOI), the weighted average debt yield for Denver office properties dropped for the third consecutive quarter to end 1Q2021 at 9.12%, representing a general trend of increased exposure among office assets throughout the pandemic. In the multifamily sector, a decrease in loan origination volume and continually strong returns resulted in a 5% increase in the weighted average debt yield quarter-over-quarter. As one of the hardest-hit sectors by the pandemic, retail loan performance continued to flounder, with more than \$811 million worth of debt volume currently flagged by servicers as having "cause for concern" in the Denver market.



Denver Unemployment & Job Growth

Employment in Denver began trending upwards in January of 2021 after a third wave of COVID-19 forced an economic slowdown towards the end of 2020. However, employment is still down nearly 90,000 jobs year-over-year, a clear indication that Denver's job market recovery is far from complete. The rate of recovery will likely depend on the efficacy of COVID-19 vaccination efforts, and though it remains too difficult to predict what the summer will look like in terms of pandemic-related restrictions, the early vaccine data offers reason to be optimistic about employment growth throughout the remainder of 2021.

**For more
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