

Denver



Trends to Watch

COVID-19 continues to drive the majority of factors in the market



E-Commerce

COVID-19 has increased the already-rapid demand for e-commerce goods, causing the need for additional warehouse and distribution space



Unemployment

After falling to a mere 2.3% at the end of 2019, unemployment in Denver has shot up to 7.9%



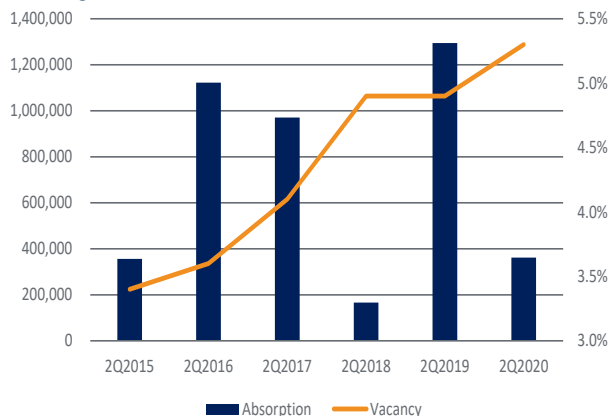
Cold Storage

Cold storage remains among the hottest asset classes, particularly as the pandemic increases demand for fresh groceries.

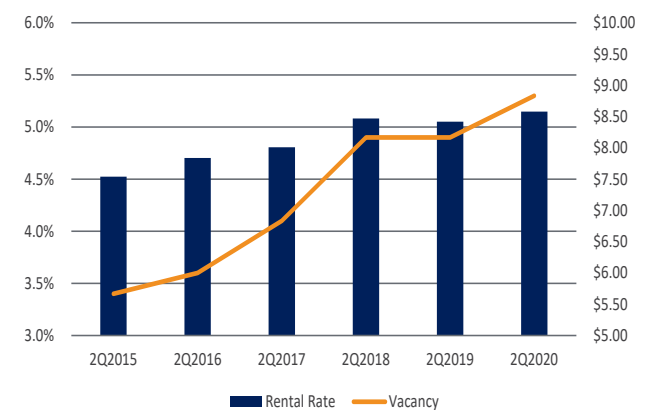
Market Highlights

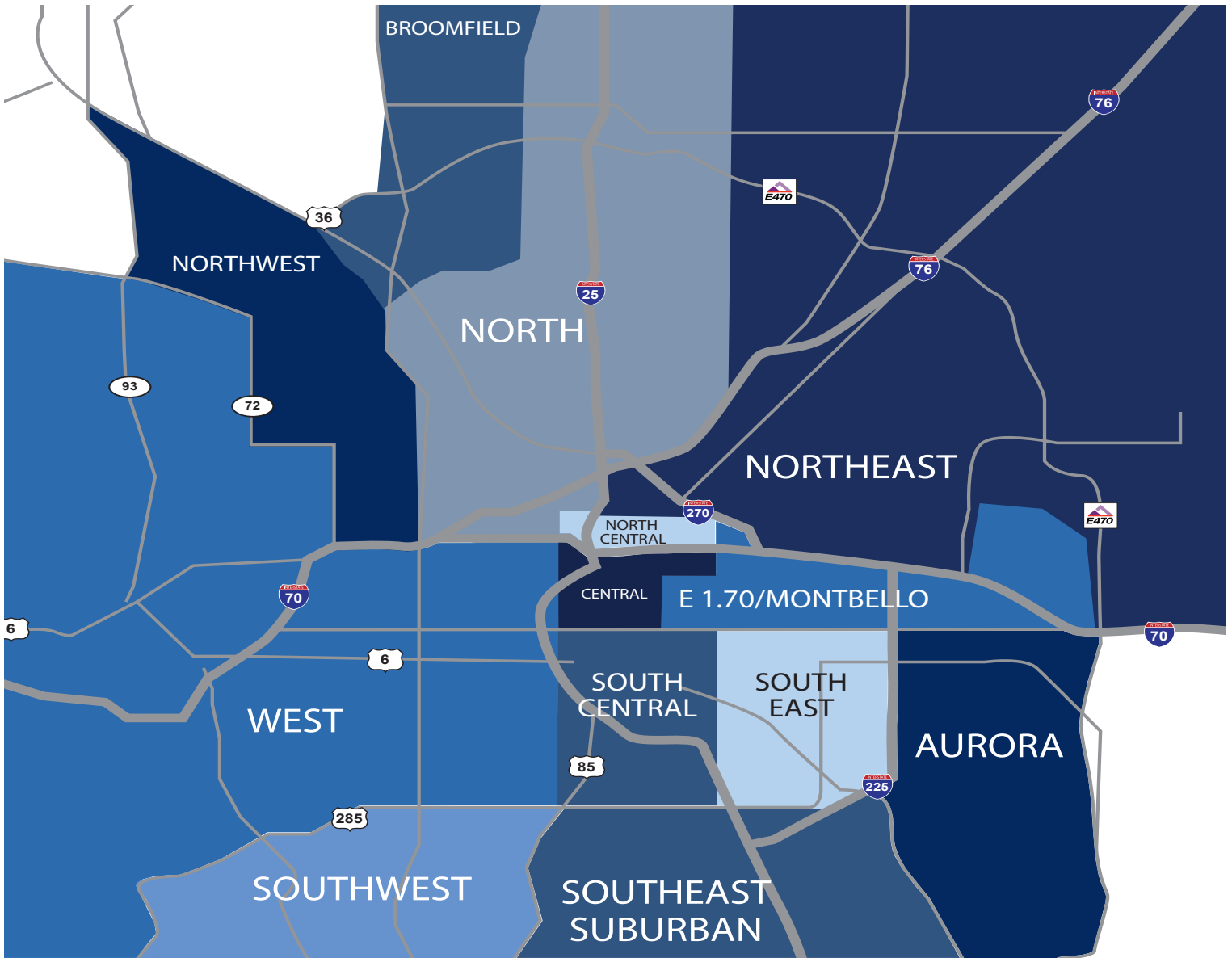
- Despite the uncertainty surrounding the COVID-19 pandemic, the industrial sector continues to fare better than other asset types. Increased e-commerce needs spur leasing and investment sales activity, buffering the sector against sustained negative absorption and softening rental rates. Both industrial and flex NNN rental rates were up quarter-over-quarter.
- Year-over-year industrial vacancy was up through the end of the second quarter, ending June with an overall vacancy rate of 5.5%. This includes flex vacancy, which rose 40 basis points quarter-over-quarter to end 2Q2020 at 8.2%. A further rise in vacancy may be possible as tenants adopt a wait-and-see approach, though the Denver market remains slightly below the national average for vacancy.
- Industrial building sales totaled \$358 million in 2Q2020, out-performing other asset classes by a significant margin. The largest transaction of the quarter was the \$85 million sale of a Class A distribution center in the E. I-70/Montbello submarket. The 647,483 square foot (sf) building, located at 9410 E. 40th Avenue, was full leased at the time of sale.
- Several large move-outs had absorption trending negative in the second quarter, ending June with negative 37,414 sf for a year-to-date total of 364,557 sf of net absorption. Despite the negative net absorption on the quarter, Amazon continues to make a significant impact on the market with a 555,480 sf move-in at First Aurora Commerce Center in May.
- Denver's industrial development pipeline remains robust, though low pre-leasing figures have prompted an on-going discussion over whether the market is over-saturated with speculative development. From a build-to-suit perspective, Denver remains an attractive location of regional distribution hubs, and construction continues on several large-scale build-to-suits, including Shamrock Food's 900,000-sf facility in the E. I-70/Montbello submarket.

Absorption vs. Vacancy (trailing 12 months)



Vacancy vs. Average Asking Rental Rate (all classes - \$/sf/full service)





Submarket Trends



Lowest Vacancy Rate
 (Overall, all classes)
West 1.2%
 Overall Denver 5.5%



Highest Avg. Asking Rent
 (NNN, all classes)
Longmont \$11.95 NNN
 Overall Denver \$8.54 NNN



Highest Sales Volume
 (All classes)
E. I-70/Montbello \$211 Million
 Overall Denver \$358 Million



Highest 2Q Leasing Activity
 (Overall, all classes)
E. I-70/Montbello 542,500 SF
 Overall Denver 1.1 MSF



Largest Y-0-Y Vacancy Decrease
 (Overall, all classes)
Central 1.2%
 Overall Denver -1.2%



Highest Net Absorption
 (Overall, all classes)
North 307,904 SF
 Overall Denver (37,414) SF

Submarkets By The Numbers

Submarket	Inventory	Vacant SF	Vacancy %	YTD Net Absorption	YTD Leasing Activity	Under Construction	Total Office Pre-Leased	Average Asking Rent (Weighted)
Aurora	2,115,358	137,769	6.5%	25,440	26,912	50,000	50,000	\$8.71
Broomfield	4,249,850	409,877	9.6%	37,521	68,895	0	0	\$10.04
Central	8,847,541	198,798	2.2%	44,907	9,608	0	0	\$10.82
E I-70/Montbello	80,000,535	5,386,973	6.7%	(10,799)	1,990,403	2,311,108	1,216,692	\$6.51
Longmont	4,733,473	776,700	16.4%	(14,337)	11,250	78,000	38,000	\$11.95
North	7,775,585	352,931	4.5%	241,687	106,595	692,487	0	\$8.60
North Central	13,648,103	583,032	4.3%	(67,220)	95,176	0	0	\$10.01
Northeast	17,733,082	1,118,603	6.3%	(71,503)	204,469	1,182,976	33,657	\$7.52
Northwest	11,095,449	507,865	4.6%	(135,005)	184,069	362,160	0	\$9.90
South Central	8,021,799	252,772	3.2%	(45,613)	176,933	0	0	\$8.50
Southeast	1,753,037	24,652	1.4%	(3,280)	19,269	0	0	\$10.67
Southeast Suburban	15,071,249	1,279,936	8.5%	224,662	242,767	917,195	0	\$10.52
Southwest	19,123,192	569,828	3.0%	(116,731)	107,828	50,000	0	\$8.72
West	19,758,081	228,115	1.2%	254,828	93,931	-	-	\$11.73
Total	213,926,334	11,827,851	5.5%	364,557	3,338,105	5,643,926	1,338,349	\$8.53

Select Second Quarter Leases

Submarket	Tenant	Industry	Property	SF	Type
E. I-70/Montbello	Luxe Holdings Group	Manufacturing	Mountain West Business Park - Bldg 2	82,695	New Lease
E. I-70/Montbello	Zayo Group	Telecommunications	20901 E. 32nd Parkway	50,000	New Lease
E. I-70/Montbello	Benjamin Moore Distribution Center	Paint	Clarion Gateway - Bldg 15	36,620	New Lease
Northwest	Metech Recycling	Recycling	500 W. 53rd Place	48,361	Renewal
Northwest	Hajoca Corporation	Heating & Plumbing	500 W. 53rd Place	39,202	New Lease

Select Second Quarter Sales

Submarket	Property	Buyer	SF	Sales Price	Price/SF
E. I-70/Montbello	Enterprise Business Center Bldg 6	Zurich Asset Management	646,915	\$85,700,000	\$132/SF
E. I-70/Montbello	Acme Distribution Center	Blackstone	882,435	\$58,642,000	\$66/SF
E. I-70/Montbello	4735 Leyden Street	Blackstone	233,784	\$13,940,000	\$60/SF
Southwest	Rampart Center	Libitzky Property Companies	99,600	\$14,500,000	\$146/SF
Northeast	9801 Dallas Street	North American Terminals Management	64,501	\$14,220,000	\$220/SF

Under Construction

Submarket	Property	Developer	SF	% Leased	Delivery
E. I-70/Montbello	Shamrock Foods	Majestic Realty Co.	900,000	100%	Dec-20
E. I-70/Montbello	Colorado Logistics Park, Building D	Brennan Investment Group	330,250	0%	Sep-20
E. I-70/Montbello	20500 E. Colfax Avenue - Stafford Logistics Center, Building 1	NorthPoint	594,138	0%	Aug-20
E. I-70/Montbello	5303 Havana Street - Prologis Park Stapleton North	Prologis	209,078	15.8%	Nov-20
E. I-70/Montbello	17956 E. 84th Avenue- Ascent Commerce Center - Building 2	Lincoln Property Company	312,833	0%	Nov-20
North	7450 Clayton Street- North Central Logistics Center, Building B	SunCap Property Group	290,281	0%	Dec-20
North	7450 Clayton Street - North Central Logistics Center, Building C	SunCap Property Group	183,006	0%	Dec-20
Northwest	Mountain Gateway - Buildings 1 & 2	Cale Enterprises	142,180	0%	Sep-20
Northwest	2101 W. 64th Avenue	Corum Real Estate Group	157,100	0%	Nov-20
Southwest	11243 E. Caley Avenue - HUB Arapahoe - Building 4	Jordon Perlmutter & Co.	79,343	0%	Mar-21

Avison Young at a Glance

Founded: **1978**

Total Real Estate Professionals: **5,000**

Offices: **108**

Countries: **14**

Brokerage Professionals: **1,600**

Property Under Management: **367 million sf**

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