

Denver



Trends to Watch

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



Grocery Demand

From the popularity of home-delivery meal kits to increased grocery demand as a result of COVID-19, the food industry's need for industrial space is growing.



Employment Growth

Denver non-farm employment is down 5.6% year-over year from July 2019 to July 2020, with over 70,000 non-farm jobs lost since January of 2020



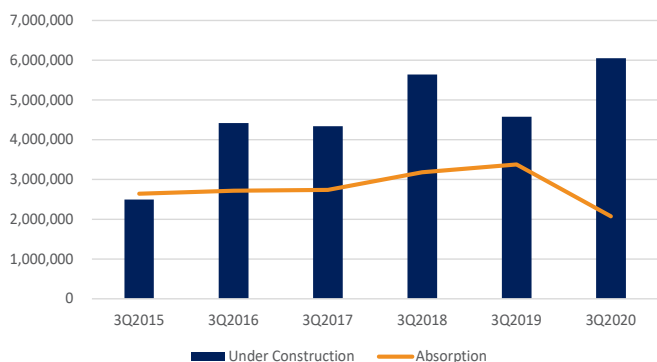
In-fill Redevelopment

With available land in tight supply, developers are increasingly exploring options for adaptive reuse of distressed retail properties in high-density areas.

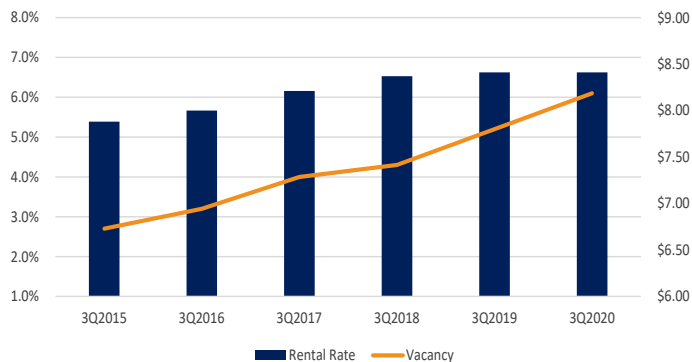
Market Highlights

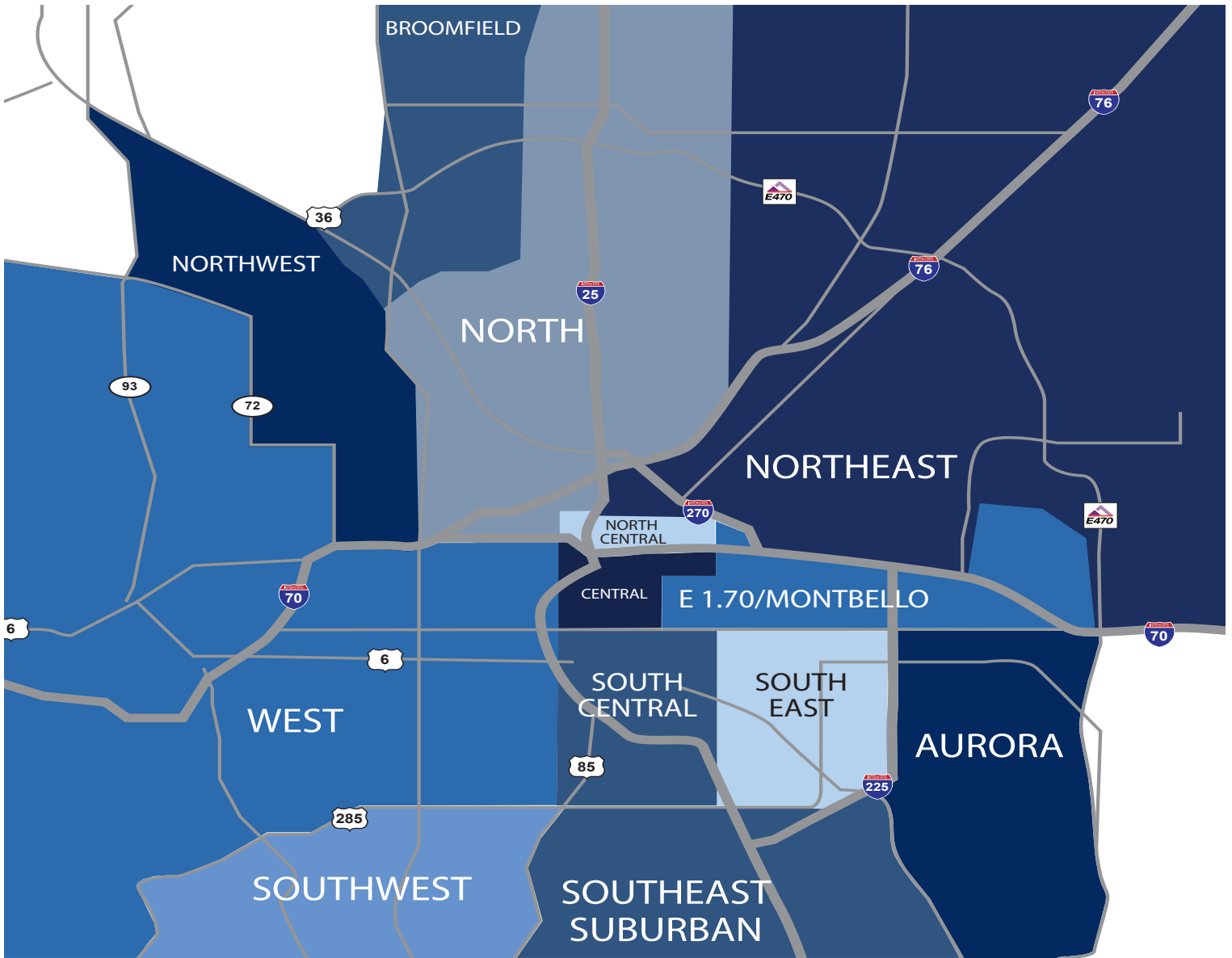
- Industrial NNN rental rates remained relatively flat in the third quarter of 2020, dropping less than 1% quarter-over-quarter (Q/Q) to end September at average rate of \$8.42 NNN. Manufacturing, the industry which accounts of the greatest percentage of employment state-wide, reported a slight uptick in rents in 3Q2020, ending the quarter at an average rate of \$9.09 NNN.
- Industrial vacancy rose for the second consecutive quarter, ending with an overall vacancy rate of 6.2%, a 70-basis point increase Q/Q. While both distribution and warehouse vacancy increased, manufacturing and food processing—two of the market's hottest product types—saw vacancy drop for the seventh consecutive quarter, ending 3Q2020 with a collective vacancy rate of 3.8%.
- Industrial sales totaled \$307 million in the third quarter, out-performing both the office and retail sectors despite a decline in Q/Q sales volume. The most notable transaction of 3Q2020 was the sale of Ascent Commerce Center, a three-building park under development in the E. I-70/ Montbello submarket. The buildings, which were collectively valued at \$85 million, were part of the Crow Holdings' national disposition portfolio, which PGIM bought in August.
- Third quarter net absorption trended negative for the first time since the first quarter of 2013, ending September with negative 664,941 square feet (sf) Year-to-date net absorption remains positive at 1,423,034 sf, and while there were several new leases signed, including a 283,500-sf lease by Pepsi Co., it remains unclear if leasing activity can sustain absorption given the influx of new supply.
- On the development side, leasing activity on speculative projects remains low. Of the 1.8 million square feet of speculative space delivered in the third quarter, only 9.8% is leased. While Denver's growing population has made it an expansion magnet for companies like Shamrock Foods and Costo, both of whom currently have a distribution centers under construction, the supply of new speculative product has seemingly outstripped demand.

Under Construction v. Absorption
(quarterly v. trailing 12 months)



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





Submarket Trends



Lowest Vacancy Rate
 (Overall, all classes)
West 1.4%
 Overall Denver 6.2%



Highest Avg. Asking Rent
 (NNN, all classes)
West \$11.50 NNN
 Overall Denver \$8.42 NNN



Highest Sales Volume
 (All classes)
E. I-70/Montbello \$101 Million
 Overall Denver \$307 Million



Highest 3Q Leasing Activity
 (Overall, all classes)
E. I-70/Montbello 697,071 SF
 Overall Denver 2.2 MSF



Largest Y-0-Y Vacancy Decrease
 (Overall, all classes)
Central 2.2%
 Overall Denver -1.2%



Highest Net Absorption
 (Overall, all classes)
Northeast 111,698 SF
 Overall Denver (664,941) SF

Submarkets By The Numbers

Submarket	Inventory	Vacant SF	Vacancy %	YTD Net Absorption	YTD Leasing Activity	Under Construction	Total Pre-Leased SF	Average Asking Rent (Weighted)
Aurora	2,059,017	134,132	6.5%	5,543	50,003	25,000	25,000	\$8.56
Broomfield	4,620,148	594,662	12.9%	(60,407)	227,517	0	0	\$10.01
Central	8,849,196	174,746	2.0%	26,966	38,593	0	0	\$10.82
E I-70/Montbello	80,621,823	6,172,773	7.7%	952,333	2,687,474	1,880,942	1,679,817	\$6.49
North	8,029,731	614,104	7.6%	203,875	123,299	956,619	0	\$8.51
North Central	13,542,644	763,209	5.6%	(299,551)	173,171	0	0	\$10.21
Northeast	17,520,929	1,141,665	6.5%	40,195	466,224	1,153,246	115,656	\$7.25
Northwest	11,107,948	415,302	3.7%	(52,169)	525,930	302,416	0	\$9.80
South Central	8,113,289	218,935	2.7%	(87,574)	310,793	0	0	\$8.19
Southeast	1,855,185	11,608	0.6%	240,964	247,431	0	0	\$10.74
Southeast Suburban	15,443,238	1,535,113	9.9%	253,333	444,618	659,734	24,800	\$10.47
Southwest	8,051,563	284,878	3.5%	(58,636)	90,589	0	0	\$9.77
West	19,864,581	277,294	1.4%	258,162	146,250	0	0	\$11.50
Total	199,679,292	12,338,421	6.2%	1,423,034	5,531,892	4,977,957	1,845,273	\$8.42

Select Third Quarter Leases

Submarket	Tenant	Industry	Property	SF	Type
E. I-70/Montbello	Ceva Logistics	Transportation	JAG Logistics Center at DIA - Trade 1	100,000	New Lease
E. I-70/Montbello	American Lighting	Lighting Manufacturing	Mile High Business Center - Building A	60,659	Renewal
Northeast	Outrider	Manufacturing Tech	76 Commerce Center Building 4	152,682	New Lease
Northeast	Border States Electric	Electrical Goods	Colorado Logistics Center Building D	81,999	New Lease
Northwest	PepsiCo Beverage	Beverage Manufacturer	5676 Pecos Street	283,500	New Lease

Select Third Quarter Sales

Submarket	Property	Buyer	SF	Sales Price	Price/SF	Sales Date
E I-70/Montbello	Ascent Commerce Center Buildings 1-3	PGIM (part of Crow Portfolio)	594,500	\$85,185,000	\$143/SF	Aug-20
E I-70/Montbello	Blue Linx - 3900 Uvalda Street	Brennan Investment	113,040	\$11,000,000	\$97/SF	Aug-20
North	25 North Business Park	Invesco, EverWest	219,000	\$43,400,000	\$198/SF	Jul-20
Southeast Suburban	Highland Buildings 8&9	Invesco (part of portfolio)	290,000	\$33,248,000	\$115/SF	Jul-20
Southeast Suburban	14250 Grasslands Drive	Invesco (part of portfolio)	202392	\$31,210,000	\$154/SF	Jul-20

Under Construction

Submarket	Property	Developer	SF	% Leased	Delivery
E. I-70/Montbello	Shamrock Foods - E. 32nd & Picadilly Road	Majestic Realty	900,000	100%	Dec-20
E. I-70/Montbello	Costco Depot - E. 60th Street	Costco Wholesale Corporation	316,692	100%	May-21
E. I-70/Montbello	Ferguson Enterprises E. 19th Avenue	Whiting-Turner	450,000	100%	Apr-21
E. I-70/Montbello	JAG Logistics Center at DIA Trade 2	J.A. Green Development	209,078	0%	Feb-21
North	North Central Logistics Center A, B & C	SunCap Property Group	641,081	0%	Feb-21
North	Central Connection 1 & 2	Comunale Properties	194,538	0%	Oct-20
Northeast	Colorado Logistics Center A,B & D	SunCap Property Group	558,000	21%	Oct-20
Northeast	Ascent Commerce Center 1 & 3	Lincoln Property Company	282,413	0%	Apr-21
Northeast	Ascent Commerce Center 2	Lincoln Property Company	312,833	0%	Dec-20
Northwest	Central Sixty-Four 1 & 2	Corum Real Estate Group	219,280	0%	Nov-20
Northwest	Mountain Gateway 2	Cale Enterprises	82,436	0%	Oct-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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