



Denver Industrial Market

Industrial Maintains Productivity

The Denver Industrial Market posted 23,000 square feet of net absorption for the fourth quarter of 2020. The annual net absorption totaled 2.3 million square feet, the highest of any asset class in Denver. The pandemic has proved to be a beneficial time for the industrial sector, as more companies are expanding for last mile delivery. E-commerce is at an all-time high and is projected to continue to expand. Vacancy was 6.6% in quarter four, up from 6% a year ago. Development continues within the Denver industrial market and vacancies continue to rise, as there is more space than available tenants.

Northwest and Northeast were the top submarkets in net absorption for quarter four. East and Southeast posted the highest negative net absorption among all of the submarkets, both over negative 200,000 square feet. The industrial absorption slowed substantially in the fourth quarter with uncertain future circumstances with the pandemic.

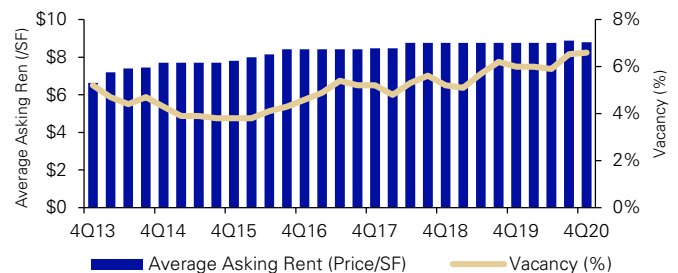
Rental rates stayed level throughout the quarter due to a lower demand of space with the excess of new construction. Southeast and West were the leading markets in rental rates over \$10 per square foot, with Northwest and Southwest close behind. The average market rent for Industrial and R&D Flex is \$8.79 per square foot, which is a 10-year high.

Current Conditions

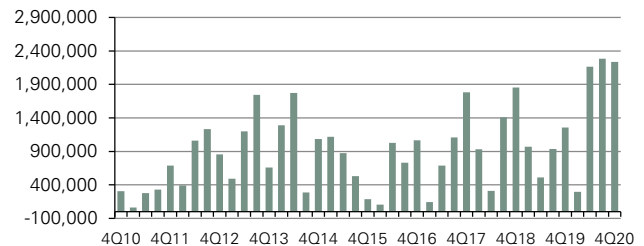
- Asking Rates remained flat throughout 2020, ending the year at \$8.79/SF
- 1.4 million SF in deliveries
- Lowest quarterly absorption of 2020
- Total Inventory of 208.4 MSF
- 7.1 MSF under construction
- Highest vacancy rate in over 10 years due to increased supply of product

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	208.4 MSF	207 MSF	201.7 MSF	↑
Vacancy Rate	6.6%	5.9%	6.0%	↓
Quarterly Net Absorption (SF)	22,000 SF	297,347 MSF	510,000 SF	↓
Median Asking Rent/SF	\$8.75	\$8.77	\$8.77	↓
Under Construction (SF)	7.1 MSF	7.0 MSF	3.8 MSF	↑
Deliveries	172,000	485,000	1.7 MSF	↑

Quarter Overview

After a successful year in Denver for Industrial real estate, the fourth quarter put a halt to the rapid absorption and leveled out to similar totals of recent years. Buildings continue to be delivered throughout each market and more space becomes available each quarter.

Market Statistics

The Northwest submarket posted the largest negative net absorption for the fourth quarter at 265,912 square feet. The vacancy rate increased to 9.9% in quarter four, up from 8.2% in quarter three. The East submarket posted large negative net absorption in quarter four at 149,000 square feet. The industrial/warehouse subtype of industrial lead the way in absorption for 2020, which is different from years past as R&D/Flex space has led the way for the past 10 years. Industrial/Warehouse space posted 114,000 of net absorption in quarter four, outpacing R&D flex posting negative net absorption of 195,000 square feet for the fourth quarter. This can be attributed to the increased e-commerce demand and less R&D/flex space being occupied.

Pipeline

Several large distribution centers are expected to deliver over the next year in the Denver industrial market. Roughly 4.0 million SF of industrial product is set to come on line during the first quarter of 2021 alone and over 7.0 million SF is slated to deliver in all of 2021. North Central Logistics Center is on pace to deliver 3 buildings in the 1st quarter of 2021 accumulating to over 650,000 SF. 2999 Picadilly is set to deliver in 2021 with a 900,000 SF

Shamrock Foods Build-to-suit property. Stafford Logistics Center (20500 East Colfax) also set to deliver in 2021 as a 526,499 SF industrial property owned by NorthPoint Development.

Looking Forward

Real Estate markets across the United States are in uncharted territory with the uncertainty of future conditions due to the pandemic. Industrial real estate has been able to mitigate the damage the best of any asset class, with increased volume of e-commerce sales. Additional warehouse space is in demand, as companies need more infrastructure to keep up with consumer needs.

The industrial market is evolving into more advanced space with new mezzanine level concepts and technology being put into effect. Amazon is the market leader in space absorption and isn't slowing down anytime soon. Traditional retail space is being replaced with e-commerce. Investors and developers are continuing their activity, as more certainty becomes available about the pandemic. Vacancy has risen market-wide to 6.6%, being 60 basis points higher than in December of 2019. Rental rates have stayed very stable throughout 2020 being just below \$9.00 per square foot.

Large corporations seem to be the common tenants within industrial/warehouse space leading to increased absorption. and the Smaller businesses are the common tenants within R&D/Flex space which has led to negative absorption and space being vacated with increased struggles due to the pandemic.

Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Ace Hardware	15965 E 32 nd Ave	Northeast	New	128,982 SF
Buiton Holdco 1 LLC	5503 Havana Street	East	Direct Lease	65,810 SF
TSC Apparel LLC	4700 Florence Street	Northeast	Lease Extension	63,024 SF
RX Green Technologies LLC	3950 Nome Street	East	Lease Extension	48,000 SF

Select Sales Transactions

Building Name	Submarket	Sale Price	Price/SF	Square Feet
Enterprise Business Park (3 Property Portfolio)	East	\$77,000,000	\$166.00 / SF	458,397 SF
12430 Emerson	Northeast	\$57,000,000	\$376.47 / SF	151,405 SF
Broomfield Industrial Portfolio	Northwest	\$48,000,000	\$94.00 / SF	509,164 SF
6050 E 56 th Avenue	Northeast	\$14,000,000	\$345.52 / SF	40,519 SF
Commerce Square	East	\$11,564,484	\$105.52 /SF	109,000 SF

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central	41,979,365	1,462,411	5.62%	4,604	85,738	\$7.00	\$8.50	\$7.75
East	78,685,955	3,095,816	8.48%	-319,070	1,424,750	\$5.50	\$9.00	\$7.25
Northeast	14,138,533	1,335,499	3.67%	156,124	183,390	\$7.00	\$10.50	\$8.75
Northwest	15,939,120	456,689	7.23%	435,500	123,377	\$7.50	\$11.50	\$9.50
Southeast	19,280,508	838,614	10.11%	-253,471	212,791	\$9.00	\$11.50	\$10.25
Southwest	15,454,529	0	4.39%	-81,070	55,416	\$8.25	\$9.75	\$9.00
West	22,882,592	35,426	1.77%	80,336	200,584	\$9.00	\$10.75	\$9.88
Total Market	208,360,602	7,224,455	6.59%	22,953	2,268,046	\$7.61	\$10.17	\$8.79

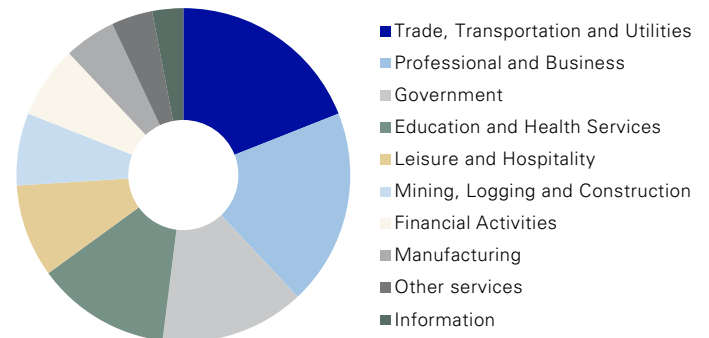
Economic Conditions

Employment growth in Denver averaged 2.4% per year from 2017-2019. Unfortunately, the employment declined by 3.8% in 2020 and was at a yearly low of negative 12.9% in April and has bounced back substantially.

The unemployment rate has dropped 50 basis points since September of 2020 to 6.5% currently. Manufacturing, information and financial activities were the only sectors that experienced higher unemployment rates in November. Manufacturing (8%) and professional & business services (1.4%) were up in job growth from October to November. The other sectors were still negative over the last 12 months. Professional & business services and transportation are the largest employment sectors in Denver accounting for 38% of the Non-Farm employment.

Employment by Industry

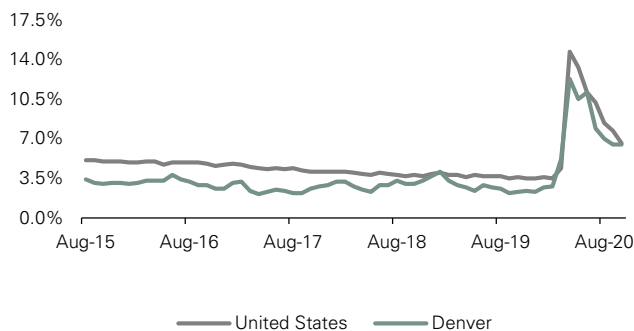
DENVER, NOV 2020



Source: US Bureau of Labor Statistics

Unemployment Rate

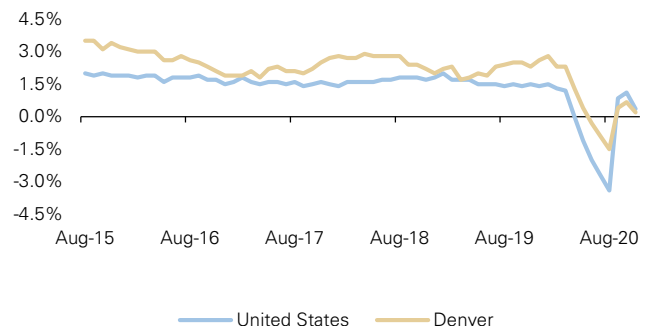
SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Payroll Employment

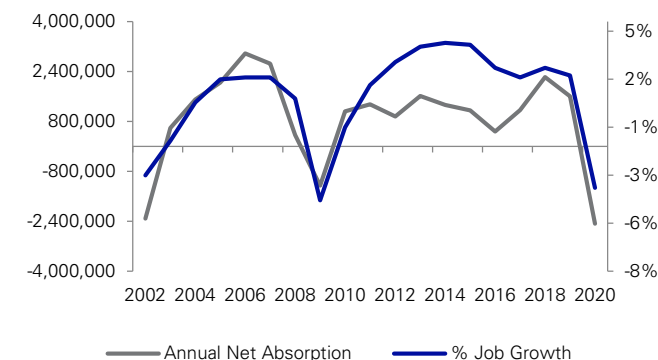
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Employment Growth and Absorption

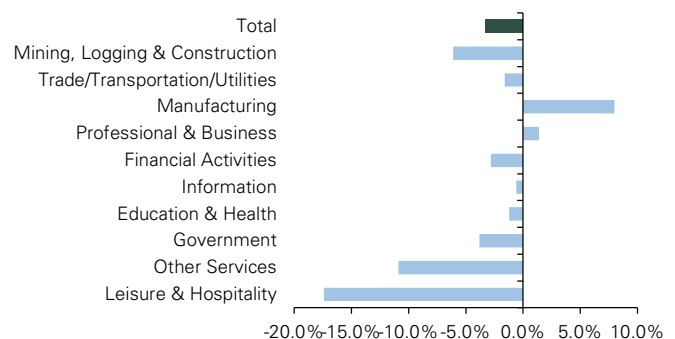
DENVER YOY EMPLOYMENT GROWTH AND OFFICE ANNUAL ABSORPTION



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

DENVER, NOV 2020, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

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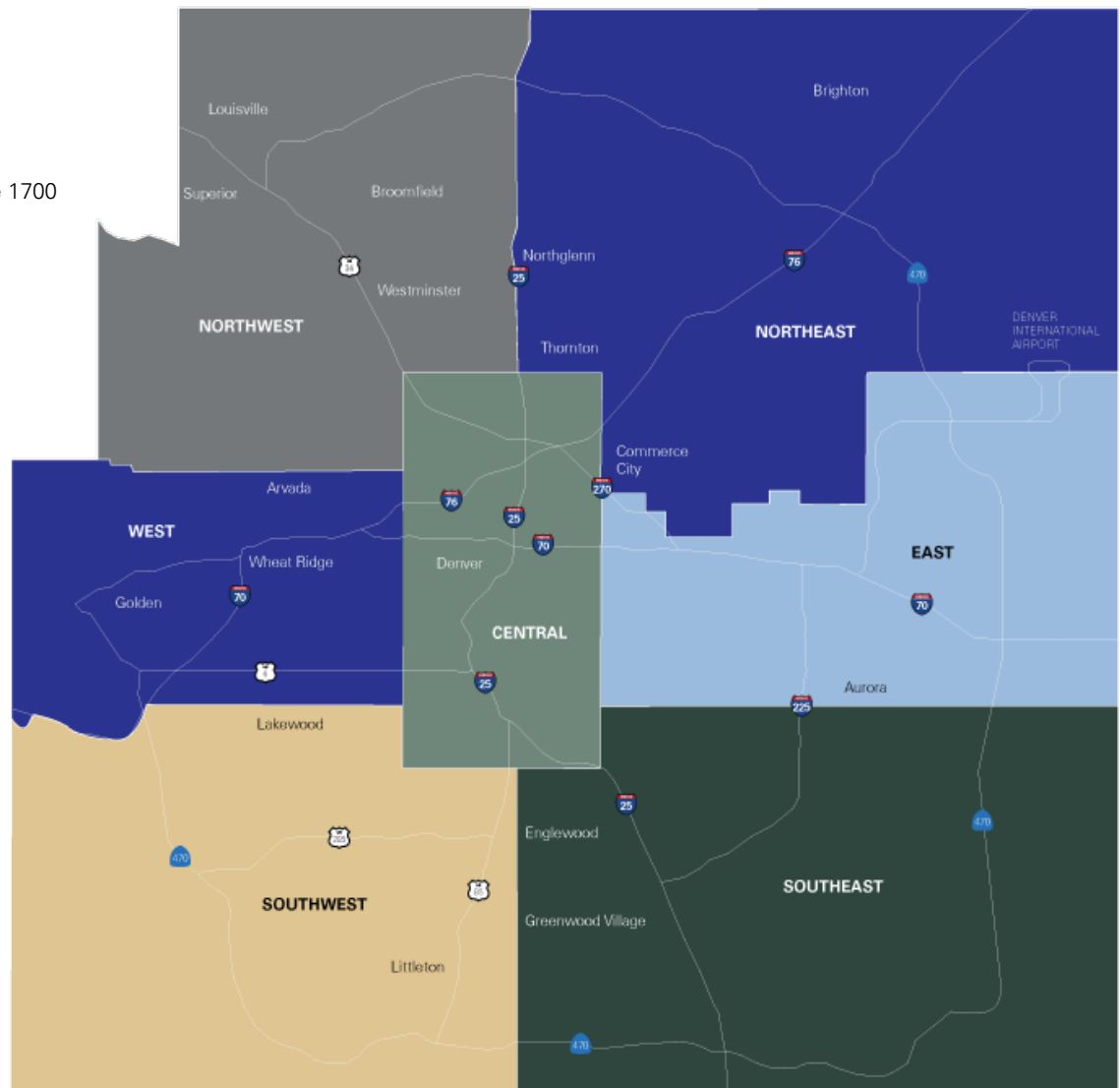
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