

DENVER, COLORADO

Industrial Q4 2020

	YoY Chg	12-Mo. Forecast
6.3% Vacancy Rate	▲	▲
919.5K Net Absorption, SF	▼	▲
7.7M Under Construction, SF	▲	▼
\$9.24 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
1.5M Denver Employment	▼	▲
6.6% Denver Unemployment Rate	▲	▼
6.7% U.S. Unemployment Rate	▲	▼

Source: BLS

DENVER'S ECONOMY CONTINUES ITS PATH TO RECOVERY

Denver's economy continued to strengthen as the unemployment rate decreased for a second consecutive quarter following a brutal start to the year caused by the pandemic and its related shutdowns. Metro unemployment fell 90 basis points (bps) during the fourth quarter 2020, closing at 6.6% and representing a massive decrease from the 11.5% unemployment recorded during the second quarter 2020. As the fight against the pandemic continues and its effects begin to dissipate in 2021, expect the Denver economy to continue to strengthen throughout 2021.

VACANCY: Staying Mostly Flat, But Vacant Deliveries Continue

Overall vacancy in the Denver metro area closed the fourth quarter 2020 at 6.3% across all industrial product types. This figure represented a 10-bps increase over the third quarter 2020 and a 50-bps increase year-over-year from the 5.8% recorded to close 2019. This quarter marked the third consecutive quarter of overall vacancy in excess of 6.0%, a figure that the Denver metro industrial market had stayed below since 2012. The major catalyst for this rising vacancy has been speculative product continuing to deliver at a rapid pace with limited preleasing activity. This trend continued during the fourth quarter 2020 as more than 1.1 million square feet (msf) of speculative product delivered cumulatively 82.1% vacant. Expect this new product to lease up over 2021 as new product has tended to lease up quickly upon delivery; the more than 4.3 msf of speculative product that delivered during 2019 is now collectively 68.8% leased. However, as a robust pipeline remains under construction, expect overall vacancy to rise slightly during 2021 as more space delivers mostly vacant.

PRICING: Rental Rates Back On The Rise

Overall average asking rental rates rose during the fourth quarter 2020, closing at \$9.24 per square foot (psf) on a triple net (NNN) basis. This figure represented an increase of 2.6% over the third quarter 2020 and a larger increase of 5.5% year-over-year from the \$8.76 psf recorded to close 2019. Rents had grown 15.7% over the prior three years heading into 2020, but the pandemic muted rate growth for much of the year as rates remained mostly flat, falling a mere \$0.02 psf from the first to the third quarter 2020. With activity and development levels returning to pre-pandemic levels in industrial product, expect some rate growth as tenants become increasingly confident in the future.

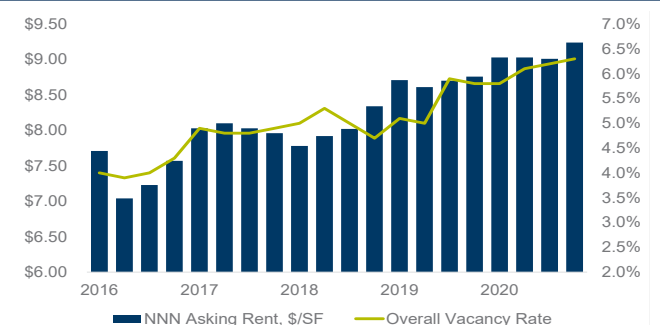
ACTIVITY: Leasing Activity Closes Out The Year Strong After Slow Start

Leasing activity recorded another strong quarter during the fourth quarter 2020 as 2.8 msf leased across the metro area. This brought total 2020 leasing activity to 9.3 msf, a figure that slightly trailed the 9.5-msf average of the prior five years. The pandemic devastated leasing activity during the second quarter 2020 as the 1.3 msf leased represented the lowest total for a quarter since 2015, but the 5.5 msf leased across the third and fourth quarters represented the strongest second half for a year since the Great Financial Crisis. The largest lease of the quarter was Lowe's 1.0 msf lease for a build-to-suit (BTS) at Nexus North. The second largest new lease of the quarter was Ace

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Hardware's 129,000-sf lease at Airport Distribution Center. Rounding out the top three new leases was Farmer's Business Networks' 128,800-sf lease at 76 Commerce Center. The Northeast submarket continued to dominate leasing activity, representing over 62.2% of metro-wide activity during 2020. Expect activity to remain strong into 2021 as the recovery from the pandemic continues and clarity for the future improves.

ABSORPTION: Strong Quarterly Total After A Slow Year

Overall absorption recorded nearly 919,500 sf during the fourth quarter 2020. This figure represented a large increase over the 532,900 sf absorbed during the third quarter 2020 and brought 2020 total net absorption to 3.0 msf. This annual absorption total trailed the 4.2-msf average of the prior five years and was a result of slow activity to start the year. With leasing activity recorded when a lease is signed and absorption recorded when a tenant physically occupies their space, expect overall absorption to rebound in 2021 as leasing activity has already strengthened to close 2020. Denver's Northeast submarket remains red hot, recording 89.6% of metro-wide net absorption over the course of 2020.

CONSTRUCTION: Pipeline Remains Robust

More than 1.1 msf of industrial product delivered across the metro area during the fourth quarter 2020, all of which was speculative product. Colorado Logistics Park was the largest contributor to quarterly deliveries as Buildings A, B and D delivered a total of 558,000 sf. Also noteworthy was Central 64 as Buildings 1 and 2 delivered a combined 220,000 sf. Rounding out the top three projects was Central Connection as Buildings 1 and 2 delivered 194,500 sf. The two largest projects remaining under construction at the end of the quarter were the 1.0-msf BTS for Lowe's at Nexus North and the 900,000-sf BTS for Shamrock at Majestic Commercenter. The largest speculative project remaining under construction is the 594,000-sf Building 1 at Stafford Logistics Center. All of these projects are located in the Northeast submarket, indicative of development there as it accounted for 53.1% of 2020 deliveries and is home to 72.0% of the product that remains under construction.

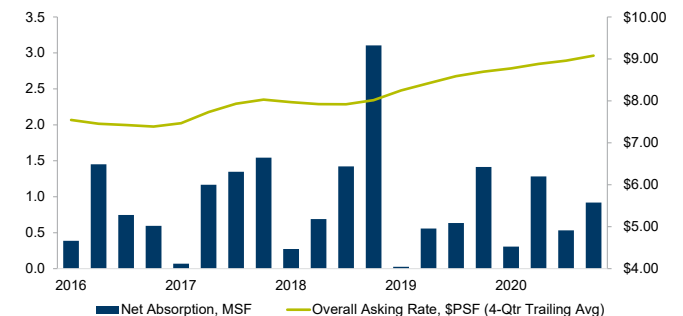
SALES: Investment Activity Strengthens Leading To Another Big Year

Industrial investment sales volume ended the year on a high note as the more than \$617.8M transacted during the fourth quarter 2020 represented the strongest figure for the year and brought total 2020 investment sales volume to nearly \$1.7B. The largest sale of the quarter in terms of sale price was the 149,600-sf Pfizer campus in Boulder as it changed hands between Tritower Financial and Invesco for \$99.0M. The next largest, and the largest in terms of square footage, was the 461,200-sf Enterprise Park as Nuveen Real Estate acquired it from Etkin Johnson for \$77.0M. Investment activity in industrial product remains robust in Denver despite a global pandemic, so expect another strong year for activity in 2021.

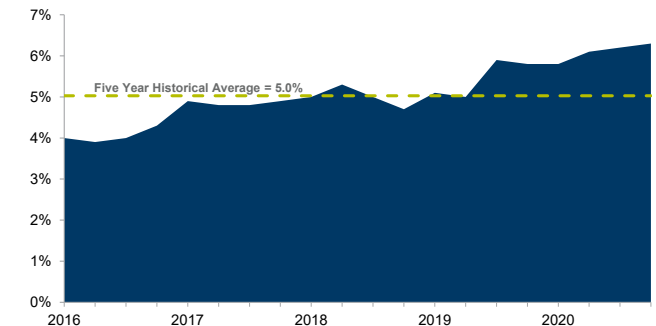
OUTLOOK

- Expect overall vacancy to gradually rise through 2021 despite recovering leasing activity as new construction continues to deliver largely vacant and at a rapid pace.
- Denver's Southeast submarket, already recording the highest overall vacancy in the metro at 9.4% on an overall basis, continues to deliver more vacant spec product. Expect vacancy to continue to rise there and for it to impact overall vacancy for the metro area.
- Despite the uncertainty surrounding the pandemic, investment activity in 2020 trailed only 2019 as the strongest year on record. As clarity for the future increases in terms of the pandemic, expect 2021 activity to record all-time highs.

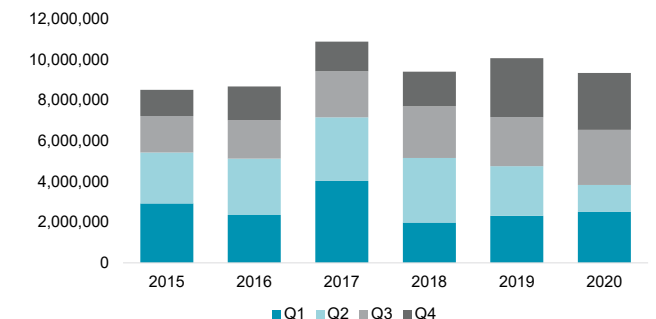
ABSORPTION VS. RENT



OVERALL VACANCY



LEASING ACTIVITY



Industrial Q4 2020

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE (SF)	QUARTERLY OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (FLEX)
Central	935	42,647,924	124,837	2,448,391	6.0%	76,436	1,316,087	\$8.21	\$15.06	\$13.24
Northeast	1,467	106,505,569	1,018,635	6,076,497	6.7%	863,607	5,513,597	\$6.47	\$3.67	\$11.93
Northwest	901	46,901,523	207,630	2,653,158	6.1%	-48,324	146,323	\$10.31	\$11.46	\$11.94
Southeast	481	22,415,155	212,805	1,893,643	9.4%	-10,040	684,035	\$8.96	\$8.00	\$11.64
Southwest	683	26,454,269	0	828,560	3.1%	37,807	0	\$10.14	\$10.05	\$11.96
DENVER TOTALS	4,467	244,924,440	1,563,907	13,900,249	6.3%	919,486	7,660,042	\$7.85	\$9.14	\$12.01

*Rental rates reflect weighted net asking \$psf/year

FLEX = Office Service/High Tech MF = Manufacturing W/D = Warehouse/Distribution

KEY COMPLETIONS Q4 2020

PROPERTY	SF	MAJOR TENANT	OWNER/DEVELOPER	SUBMARKET
Colorado Logistics Park - Bldgs A, B & D	Northeast	Border States, Encompass	558,000	Brennan Investment Group
Central 64 - Bldgs 1 & 2	Central	N/A	220,000	Corum Real Estate Group
Central Connection - Bldgs 1 & 2	Central	Peloton, Outpost, Epicurean Foods	194,500	Comunale Properties
EDGE 470 - Phase 1	Southeast	N/A	159,200	Etkin Johnson

KEY LEASE TRANSACTIONS Q4 2020

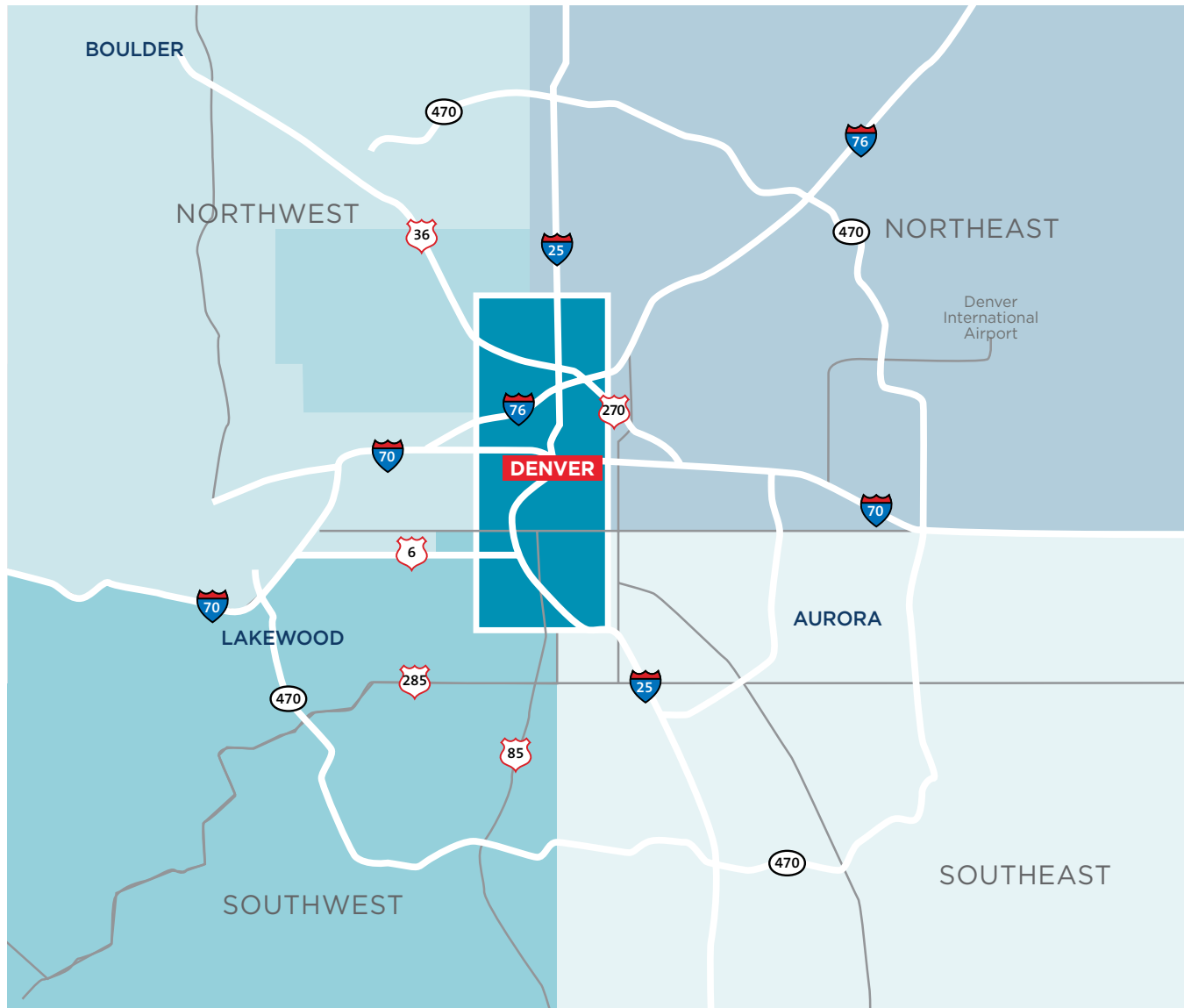
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Nexus North	1,000,600	Lowe's	Direct	Northeast
Majestic Commercenter	200,000	Victory Packaging	Renewal*	Northeast
Peoria Distribution Center	131,000	Propak	Renewal*	Northeast
Airport Distribution Center	129,000	Ace Hardware	Direct	Northeast
76 Commerce Center	128,800	Farmer's Business Networks	Direct	Northeast

KEY SALE TRANSACTIONS Q4 2020

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
3200 Walnut St	149,600	Tritower Financial Group/Invesco Real Estate	\$99,000,000	Northwest
Enterprise Park	461,200	Etkin Johnson/Nuveen Real Estate	\$77,000,000	Northeast
North Washington Commerce Center	151,700	The Opus Group/Inland Private Capital Corp	\$57,000,000	Northwest
8125 E 88th Ave	98,100	DPI Specialty Foods/Truist	\$31,000,000	Northeast

*Renewals not included in leasing statistics

**Rental rates reflect weighted net asking \$psf/year

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