

| | YoY Chg | 12-Mo. Forecast |
|---------------------------------------|---------|-----------------|
| 6.7% Vacancy Rate | ▲ | ▼ |
| 718.1k Net Absorption, SF | ▲ | ▲ |
| 8.6M Under Construction, SF | ▲ | ▬ |
| \$9.29 Overall Rate, SF | ▬ | ▲ |

ECONOMY: Volatility and Slow Path to Recovery Continues

Denver's Metro economy recorded an uptick in unemployment from the fourth quarter 2020 to the first quarter 2021, increasing 10 basis-points (bps) to 6.7%. Even as unemployment has crept up, Denver's economy has continued to progress towards a full re-opening. As Denver continues to work through herd immunity and more clarity arises on the future, Denver's economy is well-positioned to once again be at the forefront of growth as the national and global economy works its way through the current economic downturn.

SUPPLY: Uptick Occurs Due to Delivery of Speculative Construction

The Denver Metro industrial market recorded an uptick in direct vacancy from the fourth quarter 2020 to the first quarter 2021, increasing 40 bps to 6.1% to close out the first quarter. This increase was largely attributed to the approximately 1.8 million square feet (msf) of speculative development that delivered during the first quarter 2021, which collectively delivered with no preleasing activity. The Southeast industrial market recorded the largest increase of any market on a quarter-over-quarter (QOQ) basis, increasing 100 bps to 9.4% at the end of the first quarter 2021. The Southeast industrial market has continued to see new supply deliver, further widening the supply and demand imbalance that has hindered the Southeast industrial market over the past year. Overall vacancy mirrored the direct vacancy rate, increasing 40 bps QOQ to 6.7% at the end of the first quarter 2021.

ECONOMIC INDICATORS Q1 2021

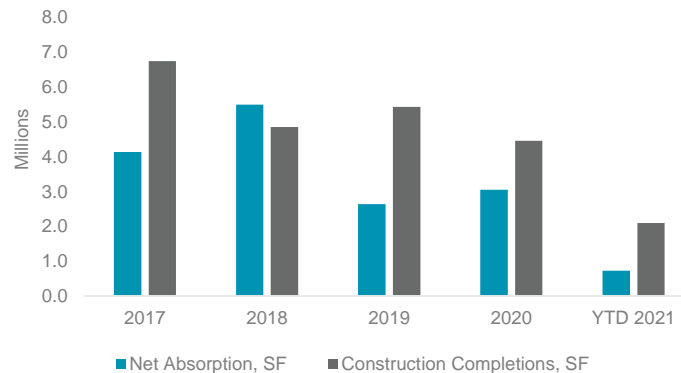
| | YoY Chg | 12-Mo. Forecast |
|---|---------|-----------------|
| 1.5M Denver Employment | ▼ | ▲ |
| 6.7% Denver Unemployment Rate | ▲ | ▼ |
| 6.0% U.S. Unemployment Rate | ▲ | ▼ |

Source: BLS

PRICING: Rate Growth Remains Flat Quarter-Over-Quarter

The Denver Metro industrial market has continued to exhibit flattening growth from the fourth quarter 2020 to the first quarter 2021. Direct triple net (NNN) rental rates recorded a marginal decrease of \$0.07 per square foot (psf) QOQ, closing out the first quarter at \$9.37 psf. On a year-over-year (YOY) basis NNN rental rate growth has remained relatively flat, increasing a mere \$0.06 psf as the market has continued to exhibit stabilizing rent growth over the past four quarters. Conversely to decreasing direct NNN rates, overall NNN rates recorded a slight uptick of \$0.05 psf from the fourth quarter 2020 to the first quarter 2021, increasing to \$9.29 psf. This increase in overall NNN rental rates is attributed to manufacturing and flex product recording increasing rates QOQ, up 1.0% and 4.0%, respectively. On a YOY basis, overall NNN rental rate growth has been more robust, increasing approximately 2.9% from when rates were \$9.03 psf, one year ago.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RATE



ACTIVITY: Activity Strengthens as Industrial Growth Remains Robust

Leasing activity recorded an approximate 33.4% increase QOQ, with over 3.7 msf leased during the first quarter 2021. Leasing activity has continued to be highly concentrated in the Northeast industrial market and represented 75.2% of first quarter 2021 leasing activity. The most notable lease executed during the first quarter 2021 was a 1.1-million square foot (msf) confidential tenant at Stafford Logistics Center. The second notable lease that occurred during the quarter was Aspen Distribution’s 280,000-sf sublease at Majestic Commercenter Building 20. Rounding out the top three was another executed lease by a confidential occupier for 278,500-sf at Nexus in the Northeast.

ABSORPTION: Absorption Remains Positive, Continuing a Historic Run

Net absorption remained positive during the first quarter 2021, recording over 718,000 sf of positive absorption metro-wide. The catalyst to this positive absorption figure was warehouse/distribution product, which exhibited over 1.0 msf of positive absorption during the first quarter 2021. Negative absorption was exhibited in both flex and manufacturing product, which collectively recorded approximately -439,400 sf of net absorption. The Northeast market continued to see the bulk of net absorption with roughly 639,200 sf of net absorption during the first quarter 2021.

CONSTRUCTION: Pipeline Eclipses 8.6 MSF During Q1 2021

Ten new developments delivered to Denver’s industrial market during the first quarter 2021, delivering approximately 2.1 msf during the first quarter 2021. Speculative development accounted for roughly 1.8 msf of first quarter 2021 deliveries, which all delivered with no preleasing activity. Denver’s industrial market exhibited a large uptick in under construction product during the first quarter 2021, eclipsing 8.6 msf across 25 projects. It is important to note this uptick was largely attributed to build-to-suit (BTS) developments which increased from 3.5 msf under construction at the end of the fourth quarter 2020, to over 5.0 msf of BTS projects under construction at the end of the first quarter 2021. The most notable BTS under construction at the end of the first quarter was a 1.1 msf BTS for a confidential user at Stafford Logistics Center in the Northeast. The largest speculative development under construction at the end of the first quarter 2021 is the 588,100-sf Building E at First Aurora Commerce Center.

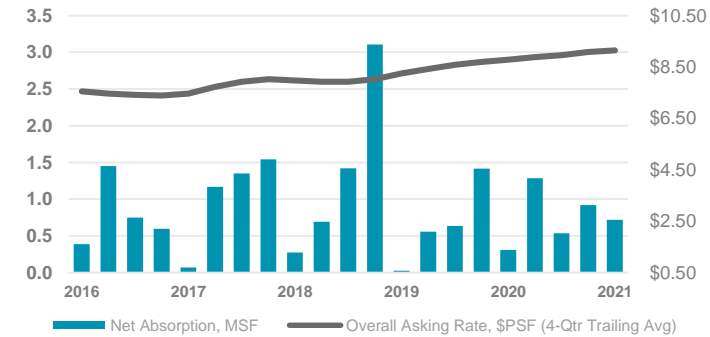
SALES: Industrial Investment Sales Stay Hot

Just south of \$347.1 million of industrial investment sales occurred during the first quarter 2021, which recorded 51 buildings trading hands. The most notable sale to occur during the first quarter 2021 was the 423,000-sf two-building portfolio sale at Tower Business Center (18701 and 18901 E. 38th Avenue), which sold to EverWest for approximately \$66.5 M. Another notable sale was the 3-building portfolio sale at Park 12 Hundred, which traded hands between McShane Development and Kohlberg, Kravis, Roberts and Company for \$50.3 M.

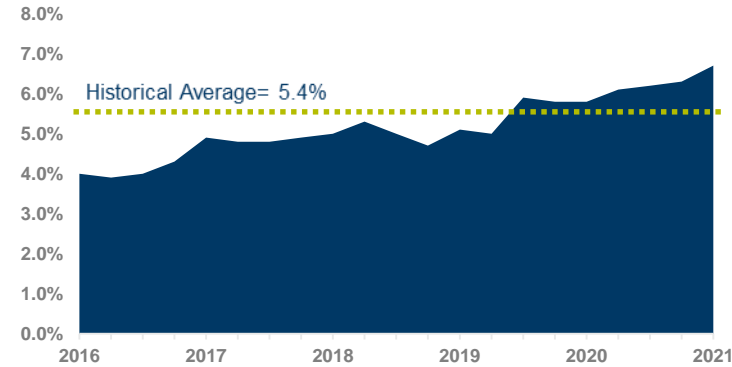
Outlook

- Construction pipeline will remain robust with a well diversified mix between build-to-suit and speculative development.
- User activity will remain elevated with larger occupier demand increasing through the remainder of 2021.
- E-commerce will continue to have a long runway into 2022 as consumers continue the shift and momentum to online shopping.
- Net absorption is expected to continue to trend positive over the next three quarters and should surpass 2020 totals.

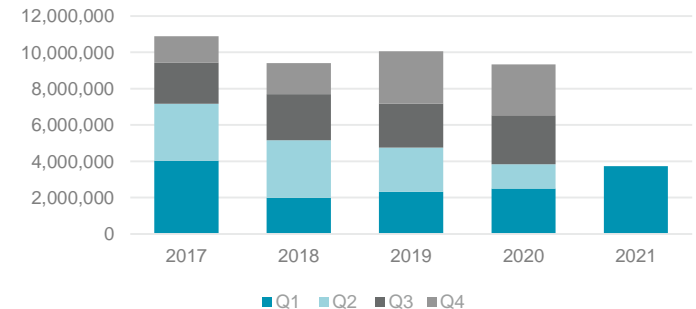
ABSORPTION VS. RENT



OVERALL VACANCY



LEASING ACTIVITY



Industrial Q1 2021

MARKET STATISTICS

| MARKET | INVENTORY (SF) | OVERALL VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | UNDER CONSTRUCTION (SF) | CONSTRUCTION COMPLETIONS (SF) | OVERALL WEIGHTED AVG NET RENT (MF) | OVERALL WEIGHTED AVG NET RENT (FLEX) | OVERALL WEIGHTED AVG NET RENT (W/D) | OVERALL WEIGHTED AVG NET RENT (HT) |
|--------------------|--------------------|---------------------|----------------------|---|---------------------------------|-------------------------|-------------------------------|------------------------------------|--------------------------------------|-------------------------------------|------------------------------------|
| Central | 42,568,110 | 2,430,461 | 5.70% | 248,438 | 248,438 | 1,280,121 | 182,967 | \$10.99 | \$13.64 | \$8.76 | N/A |
| Northeast | 107,882,660 | 7,667,949 | 7.10% | 639,231 | 639,231 | 6,197,957 | 1,505,806 | \$3.67 | \$13.24 | \$6.27 | N/A |
| Northwest | 47,058,392 | 3,121,871 | 6.60% | 91,837 | 91,837 | 551,025 | 146,323 | \$11.72 | \$13.36 | \$10.75 | \$12.33 |
| Southeast | 22,680,023 | 2,397,057 | 10.60% | -158,071 | -158,071 | 572,854 | 256,598 | \$8.00 | \$11.27 | \$9.19 | \$11.03 |
| Southwest | 26,395,027 | 923,283 | 3.50% | -103,296 | -103,296 | 0 | 0 | \$8.47 | \$11.77 | \$8.69 | \$11.19 |
| Grand Total | 246,584,212 | 16,540,621 | 6.70% | 718,139 | 718,139 | 8,601,957 | 2,091,694 | \$9.33 | \$12.49 | \$7.65 | \$11.60 |

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

KEY LEASE TRANSACTIONS Q1 2021

| PROPERTY | MARKET | TENANT | SF | TRANSACTION TYPE |
|------------------------------------|-----------|--------------------|-----------|------------------|
| Stafford Logistics Center - BTS | Northeast | Confidential | 1,079,741 | New Lease |
| Majestic Commercecenter – Bldg. 20 | Northeast | Aspen Distribution | 280,000 | Sublease |
| Nexus - BTS | Northeast | Confidential | 278,486 | New Lease |
| Majestic Commercecenter – Bldg. 26 | Northeast | Anheuser-Busch | 200,000 | Renewal |

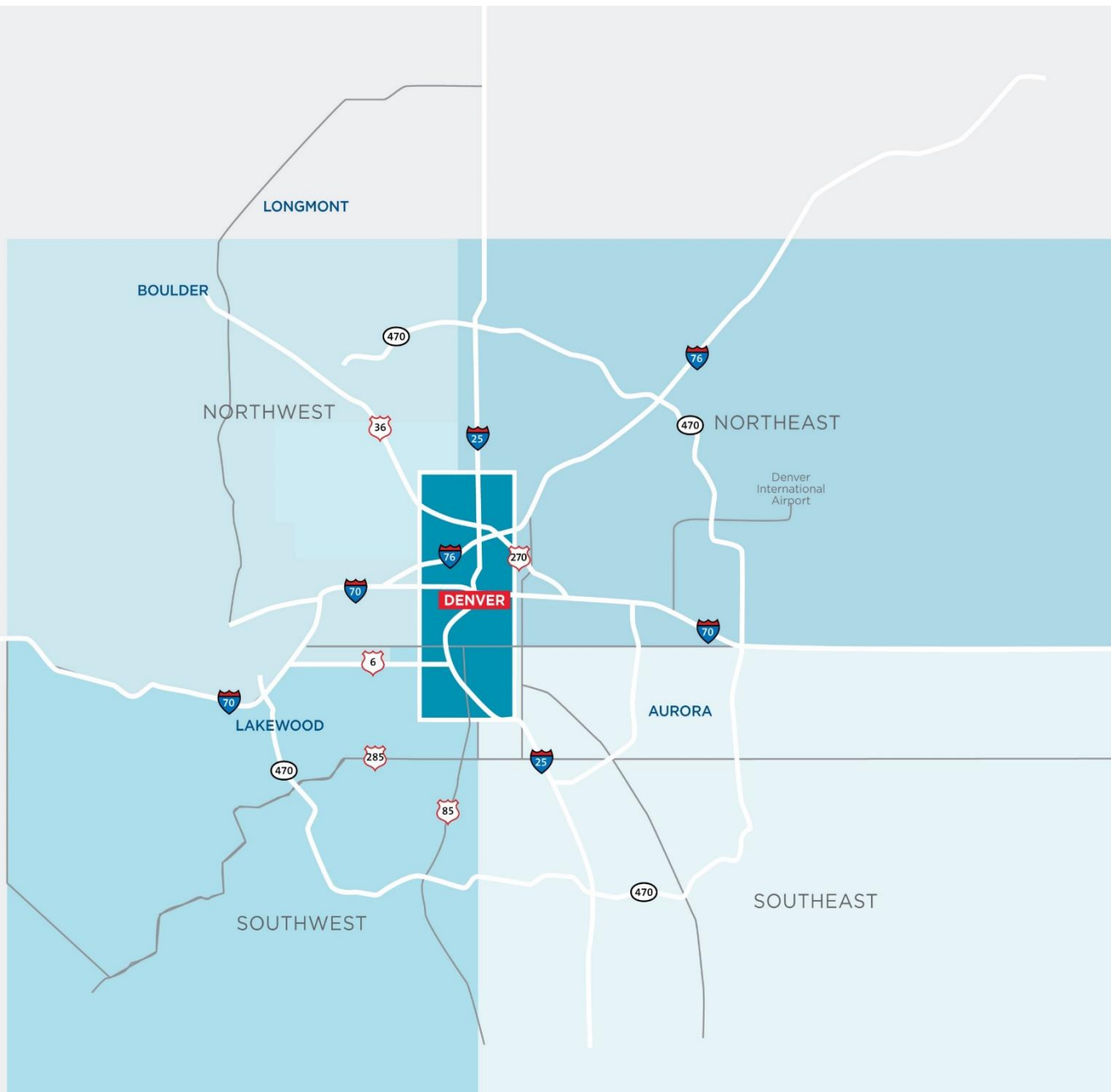
KEY SALE TRANSACTIONS Q1 2021

| PROPERTY | MARKET | SELLER/BUYER | SF | Price |
|--|-----------|---------------------------------------|---------|--------------|
| Tower Business Center Bldgs. 1 & 2 | Northeast | United Properties JV Artis / EverWest | 422,961 | \$66,450,000 |
| Park 12 Hundred (3 Bldg. Portfolio) | Northwest | McShane Development / KKR | 289,810 | \$50,250,000 |
| 14200 E. Moncrieff Pl. & 13050 E. Smith Rd.* | Northeast | LBA Realty / Blackstone | 300,357 | \$36,812,915 |
| Dove Valley Business Center II | Southeast | Brennan Investment Group / Westcore | 150,598 | \$20,000,000 |

*Recap of 60%. 71 building Portfolio sale. Allocated price

KEY CONSTRUCTION COMPLETIONS YTD 2021

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER/DEVELOPER |
|--|-----------|--------------|---------|--------------------------|
| Ascent Commerce Center – Bldg. 1-3 | Northeast | N/A | 595,223 | Lincoln Property Company |
| Stafford Logistics Center – Bldg. 1 | Northeast | N/A | 594,138 | NorthPoint Development |
| Costco BTS at Porteos | Northeast | Costco | 316,692 | Costco |
| North Central Logistics Center – Bldg. C | Central | N/A | 182,967 | SunCap Property Group |



MICHAEL COPPOLA

Associate Market Director

Tel: +1 303 312 4212

michael.coppola@cushwake.com

JONATHAN SULLIVAN

Research Manager

Tel: +1 303 312 1911

Jonathan.sullivan@cushwake.com

CARA STAMP

Senior Research Analyst

Tel: +1 303 218 3258

Cara.stamp@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.