



Historic Decade of Growth, Propels Industrial Market Into 2020

Market Overview

What's beginning to sound like a broken record, the Denver industrial market just completed another banner year. Fueled by a strong local economy, a surging e-commerce market, and an unprecedented level of investment liquidity, tenants and investors alike determined that Denver is the place to be. Over the past decade, the overall vacancy rate in the metro area has decreased from 9.0% to 5.2% while at the same time, delivering 32 million square feet of new product. Lease rates surged 63% as demand outpaced supply and the average price-per-square foot sales price increased by 145%, and now exceeds \$123/SF.

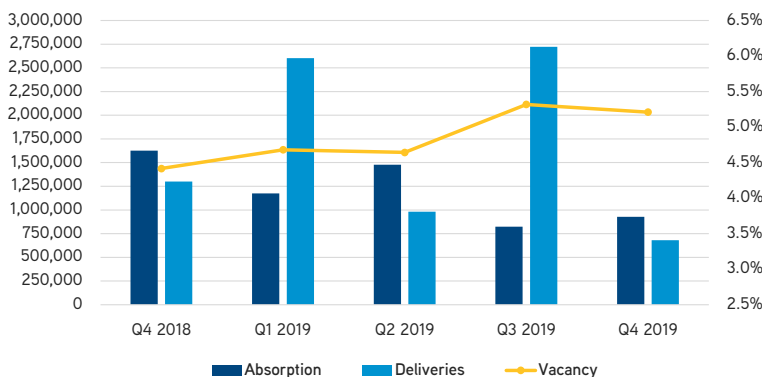
While nearly 7 million square feet of new product was delivered to the market, the overall vacancy rate decreased by 10 basis points during the quarter to 5.2%. Developers remain bullish on the Denver area as an additional 6.3 million square feet is currently under construction, with millions more on the drawing board. Despite all the new construction, the overall vacancy rate is expected to hover around the low fives throughout 2020.

For the year, the market absorbed just over 4.4 million square feet, significantly more than the 2.9 million square foot yearly average over the last decade. Not surprisingly, lease rates increased by 6.2% during the year, to an average rate of \$9.45 NNN.

Highlighted Trends

- > Amazon signed the largest new lease of the quarter, taking 555,840 square feet at First Industrial's First Aurora Commerce Center, this was Amazon's third lease of the year.
- > Cap rate compression continues with the overall rate dropping to 6.8% and approaching 4% for Class A product.
- > The Colorado Department of Labor is projecting that job growth within the Transportation and Warehousing industry will average 2.31%/year through 2028.

Denver Industrial Market Q3 2018–Q3 2019



Market Indicators

Relative to prior period	Q4 2019	Projected Q1 2020
Vacancy	↑	↓
Net Absorption	+	+
Deliveries	↑	↑
Rental Rate	↑	↑

*Arrows compare current quarter to the previous quarter's historically adjusted figures

Denver Metro Summary Statistics

	Q4 2018	Q4 2019
Vacancy Rate	4.4%	5.2%
Absorption YTD	3,601,475	4,401,689
Deliveries YTD	4,560,552	6,957,529
Under Construction	6,899,915	6,316,537
Asking Rents/SF	\$8.90	\$9.45
Total SF	269,664,555	276,559,783

*Source: CoStar

Over 6.3 million SF of new product is currently under construction.

Absorption

For the last fifteen consecutive quarters, the Denver industrial market has absorbed no less than 425,000 square feet in each quarter. During the fourth quarter of 2019, nearly 800,000 square feet was absorbed, bringing the year-to-date total to just over 4.4 million square feet. Moving the needle this quarter was Temper Sealy moving into 289,000 square feet at Tower Business Center in Aurora, JP Morgan Chase, who opened a 152,761 square foot operating center in Broomfield, the City of Denver occupying 110,000 square feet at 4650 Steele Street in Denver, and the completion of Building Five at 76 Commerce Center in Brighton, who welcomed Walmart (91,997 SF) and Sigma Corporation (58,845 SF) to the building.

Vacancy

The overall vacancy rate dipped 10 basis points during the quarter to 5.2% as supply remains constricted particularly in the red-hot Central Corridor along I-25, between I-70 and I-270. Land prices in this area have skyrocketed over the last five years, increasing from an average of \$4.44/SF in 2015 to \$19.83/SF in 2019.

Smaller buildings ranging in size between 25,000 to 50,000 square feet remain in high demand with an overall vacancy rate of 3.7%. Conversely, buildings between 150,000 to 200,000 square feet are posting an 8.8% vacancy rate.

Deliveries & Construction

Nearly 7 million square feet of new product was delivered to the market in 2019, the largest year since 2000. Not surprisingly, the bulk of the activity was in the East I-70/Montbello submarket (3 million SF) and the Northeast submarket (1.5 million SF), two popular distribution areas that feature larger building footprints, higher clear heights and plenty of developable land.

From a development standpoint, 2020 will be a continuation of 2019 as 6.3 million square feet is currently under construction.

Rental Rates

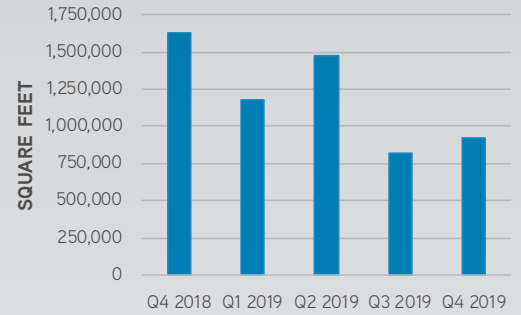
Overall NNN lease rates for flex properties finished the year at \$12.29/SF and traditional industrial properties finished at \$8.14/SF. Overall, lease rates increased by 6.2% to \$9.45/SF. Rate appreciation will continue in 2020, but at a slower pace. While supply is beginning to catch up with demand, the rapid rise in operating expenses, and in particular real estate taxes, will moderate rent growth more than anything else. Tenants should brace themselves for higher expenses in 2020 as many landlords received higher than anticipated tax valuation notices in 2019.

Sales Activity

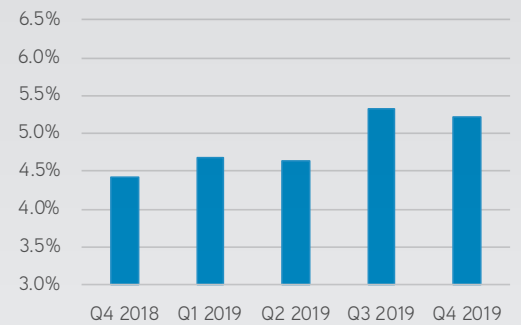
2019 was a record setting year, with sales volume exceeding \$1.6 billion, up 18%, over the second highest volume year which was recorded in 2018. The average price per square foot increased by 26.5% during the year to \$124.53.

Over the past decade, cap rates in the metro area have decreased from 9.6% to 6.8%. With an unprecedented level of liquidity in the marketplace, a vibrant economy and a unique geographical trade area, the demand for Denver industrial product is not expected to wane anytime soon.

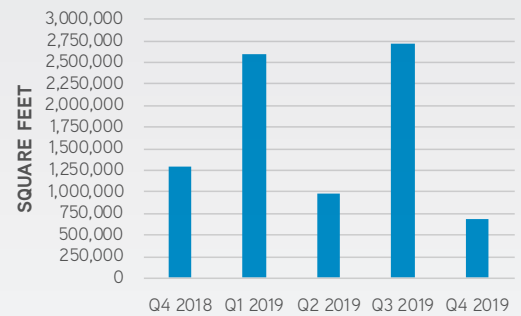
Absorption



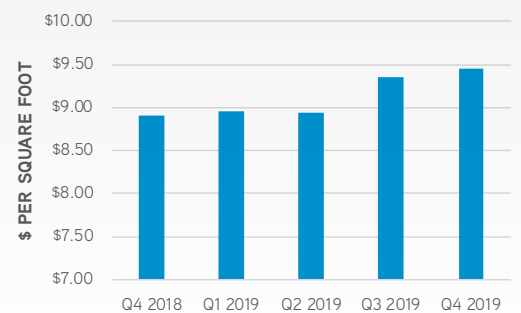
Vacancy



Deliveries



Rental Rates



Source: Colliers Analytics, CoStar

NOTABLE TRANSACTIONS Q4 2019

DENVER INDUSTRIAL MARKET

Portfolio Sales Activity

PROPERTY	PROJECT NAME	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
12250-12650 E. Arapahoe Road	Arapahoe Business Park I & II	Southeast	\$80,500,000	484,732	\$166	Kennedy Wilson	Griffin Capital/Investcorp
22100 E. 26th Avenue, 9410 Heinz Way & 18300 E. 28th Avenue	Denver Distribution Portfolio	East I-70/Montbello	\$72,500,000	633,193	\$114	ASB Real Estate Investments	Blackstone Group
3395-3535 Carder Ct.	Parc Santa Fe	Southwest	\$58,000,000	345,126	\$168	LaSalle	Jackson-Shaw Company
6490 E. Smith Road, 6489 E. 39th Avenue, 3925 & 3975 Monaco Parkway	Monaco I-70 Industrial Park	East I-70/Montbello	\$27,350,000	183,319	\$149	Stockbridge	Dan Conn

Source: Capital Analytics

Individual Sales Activity

PROPERTY	PROJECT NAME	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
9950 E. 40th Avenue	Enterprise Business Center - Building 2	East I-70/Montbello	\$21,788,599	107,333	\$203	Woodspear Properties	Bob Breckner
3700 Havana Street	Havana 37 Business Center	East I-70/Montbello	\$14,750,000	150,200	\$98	BKM Capital Partners	KEW Realty Corporation
5555 Joliet Street	5555 Joliet St.	East I-70/Montbello	\$10,600,000	96,836	\$109	LPC Realty Advisors	Bruce Sommerville

Source: Capital Analytics

Industrial – Denver - Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
22300 E. 26th Ave.	East I-70/Montbello	555,840	New	Amazon
10000 E. 56th Ave.	East I-70/Montbello	261,027	Renewal	HD Supply
3525 Carder Ct.	Southwest	169,590	New	Terumo
3225 N. Himalaya Rd.	East I-70/Montbello	140,653	New	Fenix Outdoor

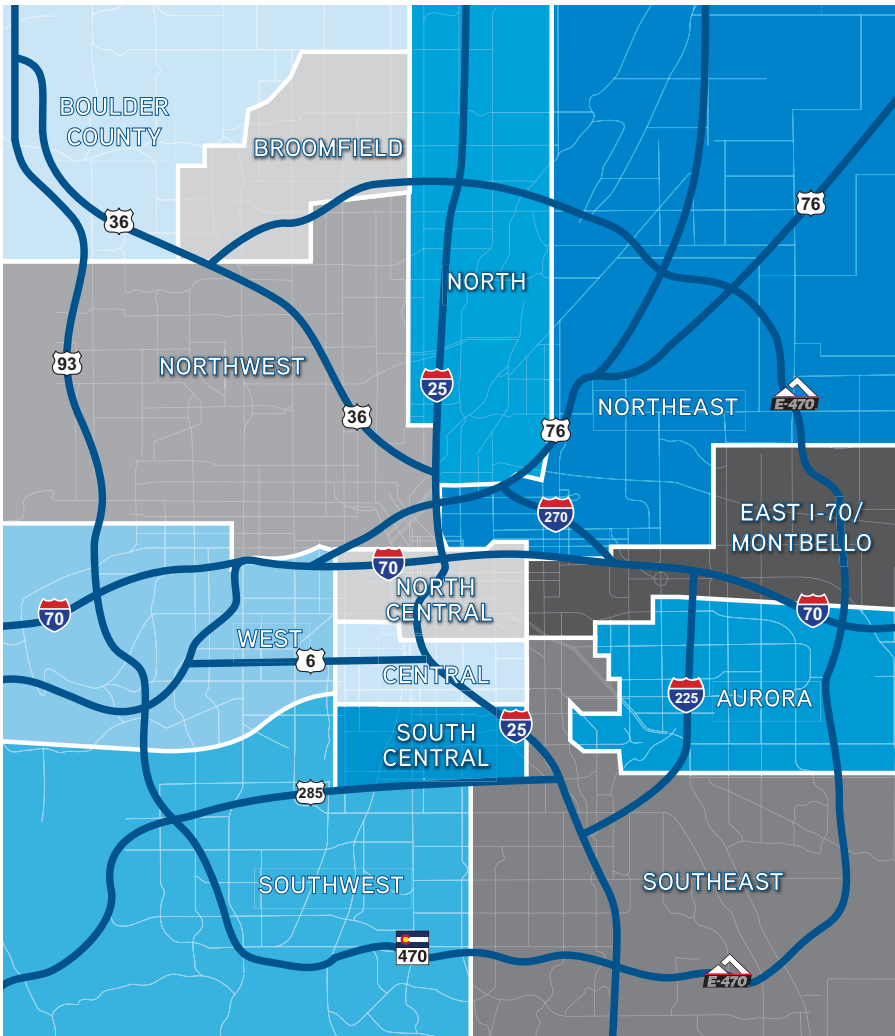
Source: Colliers Analytics

Industrial Overview

EXISTING PROPERTIES			VACANCY				ACTIVITY	ABSORPTION		CONSTRUCTION			RENTS
SUBMARKET/ CLASS	BLDGS	TOTAL INVENTORY SF	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR	LEASING ACTIVITY SF	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	DELIVERIES CURRENT QTR SF	DELIVERIES YTD SF	UNDER CONSTRUCTION SF	AVG RENTAL RATE (NNN)
AURORA													
Industrial	28	641,418	0.0%	0.0%	0.0%	0.2%	1,500	1,500	39,539	-	-	-	\$10.87
Flex	47	1,906,949	7.8%	0.1%	7.9%	7.5%	36,768	(8,886)	36,575	-	25,000	25,000	\$7.52
Total	75	2,548,367	5.8%	0.1%	5.9%	5.6%	38,268	(7,386)	76,114	-	25,000	25,000	\$7.72
BOULDER													
Industrial	284	10,328,621	3.9%	0.2%	4.1%	6.2%	53,996	215,781	405,505	-	-	463,061	\$11.25
Flex	227	9,959,080	3.0%	0.8%	3.8%	3.6%	67,874	(19,170)	18,196	-	-	37,231	\$15.39
Total	511	20,287,701	3.5%	0.5%	4.0%	4.9%	121,870	196,611	423,701	-	-	500,292	\$13.20
BROOMFIELD													
Industrial	79	3,637,339	12.3%	0.5%	12.8%	11.7%	43,449	(38,470)	(63,071)	-	247,331	35,000	\$9.53
Flex	31	1,239,287	6.3%	1.1%	7.4%	7.4%	17,354	141,449	135,135	152,761	152,761	-	\$12.81
Total	110	4,876,626	10.8%	0.6%	11.4%	10.7%	60,803	102,979	72,064	152,761	400,092	35,000	\$9.96
CENTRAL													
Industrial	304	10,891,528	4.4%	0.0%	4.4%	4.2%	85,755	(26,739)	(53,038)	-	30,000	-	\$10.05
Flex	10	288,621	4.1%	0.0%	4.1%	0.0%	-	(11,750)	(11,750)	-	-	-	\$8.50
Total	314	11,180,149	4.4%	0.0%	4.4%	4.1%	85,755	(38,489)	(64,788)	-	30,000	-	\$9.67
EAST I-70/MONTBELLO													
Industrial	1,094	82,456,423	6.5%	0.6%	7.1%	7.2%	1,131,203	405,101	1,794,393	302,426	3,090,048	2,734,520	\$6.19
Flex	65	2,216,423	6.3%	0.0%	6.3%	4.6%	55,237	(36,495)	(74,644)	-	-	-	\$10.23
Total	1,159	84,672,846	6.5%	0.6%	7.1%	7.2%	1,186,440	368,606	1,719,749	302,426	3,090,048	2,734,520	\$6.25

EXISTING PROPERTIES			VACANCY				ACTIVITY	ABSORPTION		CONSTRUCTION			RENTS
SUBMARKET/ CLASS	BLDGS	TOTAL INVENTORY SF	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR	LEASING ACTIVITY SF	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	DELIVERIES CURRENT QTR SF	DELIVERIES YTD SF	UNDER CONSTRUCTION SF	AVG RENTAL RATE (NNN)
LONGMONT													
Industrial	97	3,036,542	2.7%	0.0%	2.7%	3.5%	4,050	23,129	143,192	-	128,100	78,000	\$10.94
Flex	46	2,590,363	27.3%	1.2%	28.5%	28.7%	2,034	7,460	(50,312)	-	-	-	\$12.75
Total	143	5,626,905	14.0%	0.5%	14.6%	15.1%	6,084	30,589	92,880	-	128,100	78,000	\$12.02
NORTH CENTRAL													
Industrial	424	16,760,821	3.1%	0.0%	3.1%	4.1%	25,217	143,936	146,036	-	47,918	-	\$9.58
Flex	21	680,878	2.2%	0.0%	2.2%	2.2%	1,200	0	7,050	-	-	-	\$14.09
Total	445	17,441,699	3.1%	0.0%	3.1%	4.0%	26,417	143,936	153,086	-	47,918	-	\$9.69
NORTH													
Industrial	167	8,491,504	6.1%	0.1%	6.2%	4.8%	18,699	24,396	163,534	151,688	181,688	488,200	\$8.82
Flex	42	1,776,605	16.8%	0.7%	17.5%	17.3%	10,363	(4,690)	(9,898)	-	30,000	-	\$14.28
Total	209	10,268,109	8.0%	0.2%	8.2%	7.0%	29,062	19,706	153,636	151,688	211,688	488,200	\$9.38
NORTHEAST													
Industrial	435	19,899,500	4.8%	0.5%	5.2%	6.1%	208,048	169,894	632,136	-	1,455,820	922,165	\$10.55
Flex	35	1,012,260	0.5%	0.0%	0.5%	1.3%	7,840	8,393	26,738	-	-	-	\$14.83
Total	470	20,911,760	4.5%	0.4%	5.0%	5.8%	215,888	178,287	658,874	-	1,455,820	922,165	\$10.99
NORTHWEST													
Industrial	296	11,716,423	3.6%	0.3%	3.9%	3.6%	109,298	(32,279)	41,936	-	145,000	142,180	\$8.75
Flex	82	2,033,585	2.8%	0.1%	2.9%	4.7%	26,012	37,479	40,738	-	15,104	-	\$10.68
Total	378	13,750,008	3.5%	0.2%	3.7%	3.8%	135,310	5,200	82,674	-	160,104	142,180	\$9.14
SOUTH CENTRAL													
Industrial	405	10,732,064	2.3%	0.0%	2.4%	1.7%	43,878	(69,391)	(121,832)	-	-	-	\$8.48
Flex	28	625,112	5.9%	0.0%	5.9%	7.7%	16,666	11,686	460	-	-	-	\$11.57
Total	433	11,357,176	2.5%	0.0%	2.6%	2.1%	60,544	(57,705)	(121,372)	-	-	-	\$8.66
SOUTHEAST													
Industrial	250	10,636,594	8.1%	0.2%	8.3%	7.4%	296,987	(100,626)	162,146	-	557,054	584,921	\$10.20
Flex	256	8,801,543	3.7%	0.9%	4.6%	3.8%	57,209	(68,696)	42,163	-	25,200	-	\$11.54
Total	506	19,438,137	6.1%	0.5%	6.6%	5.8%	354,196	(169,322)	204,309	-	582,254	584,921	\$10.77
SOUTHWEST													
Industrial	192	6,168,647	0.8%	0.9%	1.7%	2.0%	4,067	16,738	(12,912)	-	-	-	\$10.72
Flex	114	3,987,944	6.4%	0.0%	6.4%	4.4%	16,488	(32,306)	32,176	50,000	50,000	50,000	\$10.86
Total	306	10,156,591	3.0%	0.5%	3.5%	2.9%	20,555	(15,568)	19,264	50,000	50,000	50,000	\$10.83
WELD COUNTY													
Industrial	507	19,622,569	1.5%	0.1%	1.6%	1.8%	87,766	63,328	647,265	24,000	556,125	404,219	\$11.12
Flex	66	2,283,265	7.8%	0.0%	7.8%	8.2%	2,100	10,026	(28,390)	-	-	30,000	\$11.45
Total	573	21,905,834	2.2%	0.0%	2.2%	2.4%	89,866	73,354	618,875	24,000	556,125	434,219	\$11.19
WEST													
Industrial	248	14,723,711	1.0%	0.1%	1.1%	1.3%	17,880	27,819	136,319	-	116,000	322,040	\$10.45
Flex	115	7,414,164	1.2%	0.0%	1.2%	2.1%	55,997	68,676	176,304	-	104,380	-	\$12.11
Total	363	22,137,875	1.1%	0.1%	1.1%	1.6%	73,877	96,495	312,623	-	220,380	322,040	\$11.09
MARKET TOTAL													
Industrial	4,810	229,743,704	4.7%	0.3%	5.0%	5.2%	2,131,793	824,117	4,061,148	478,114	6,555,084	6,174,306	\$8.14
Flex	1,185	46,816,079	5.6%	0.5%	6.1%	5.9%	373,142	103,176	340,541	202,761	402,445	142,231	\$12.29
Total	5,995	276,559,783	4.9%	0.4%	5.2%	5.3%	2,504,935	927,293	4,401,689	680,875	6,957,529	6,316,537	\$9.45
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q4 2019	5,995	276,559,783	4.9%	0.4%	5.2%	5.3%	2,504,935	927,293	4,401,689	680,875	6,957,529	6,316,537	\$9.45
Q3 2019	5,987	275,896,171	5.0%	0.3%	5.3%	4.6%	2,450,861	823,424	3,476,600	2,722,380	6,307,654	4,712,418	\$9.36
Q2 2019	5,968	273,088,374	4.4%	0.2%	4.6%	4.7%	2,312,403	1,478,362	2,653,176	982,106	3,585,274	5,940,446	\$8.94
Q1 2019	5,953	271,642,330	4.5%	0.2%	4.7%	4.4%	2,637,415	1,174,814	1,174,814	2,603,168	2,603,168	6,161,854	\$8.95
Q4 2018	5,939	269,664,555	4.2%	0.2%	4.4%	4.5%	3,479,290	1,627,071	3,601,475	1,301,050	4,560,552	6,899,915	\$8.90

Source: CoStar | Properties: 20,000 SF +



400 offices in
68 countries on
6 continents

United States: **109**
Canada: **43**
Latin America: **18**
Asia Pacific: **35**
EMEA: **85**

\$3.3
billion in
annual revenue

2.0
billion square feet
under management

17,300
professionals
and staff

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