

A Note Regarding COVID-19

As we publish this report, the U.S. and the world at large are facing a tremendous challenge, the scale of which is unprecedented in recent history. The spread of the novel coronavirus (COVID-19) is significantly altering day-to-day life, impacting society, the economy and, by extension, commercial real estate. The extent, length and severity of this pandemic is unknown and continues to evolve at a rapid pace. The scale of the impact and its timing varies between locations. To better understand trends and emerging adjustments, please subscribe to Colliers' [COVID-19 Knowledge Leader page](#) for resources and recent updates.

Denver Industrial Market Sidesteps Pandemic

Market Overview

While the industrial market can't fully escape the grasp of the disruptive and deadly pandemic, by and large, the industrial sector has outperformed the other commercial real estate asset classes both locally and nationally. In fact, certain subsectors of the industrial market like last mile distribution, data centers and cold storage have been thrust into the spotlight as the nation embraces e-commerce.

With local, state and federal stay-at-home orders trending towards summer, the industrial market has been able to accommodate social distancing standards and operate relatively unencumbered due to its low employee to square footage ratio. As a result, despite a palpable disruption of the global supply chain, with China in particular shutting down its ports last month, the supply chain has remained relatively solid. With the exception of the initial run on toilet paper, paper towels, water and hand sanitizer from panicked individuals, store shelves have remained stocked.

Regardless of the resiliency of the industrial market, there are no winners during a recession and any prolonged contraction will begin to weigh on the industry. While it's too early to identify the duration and severity that the pandemic will have socially and economically, it appears that the global impact will be severe. Nevertheless, the momentum generated over the last few years coupled with the rise of e-commerce should keep the metro area industrial market in a strong and healthy position.

Market Indicators

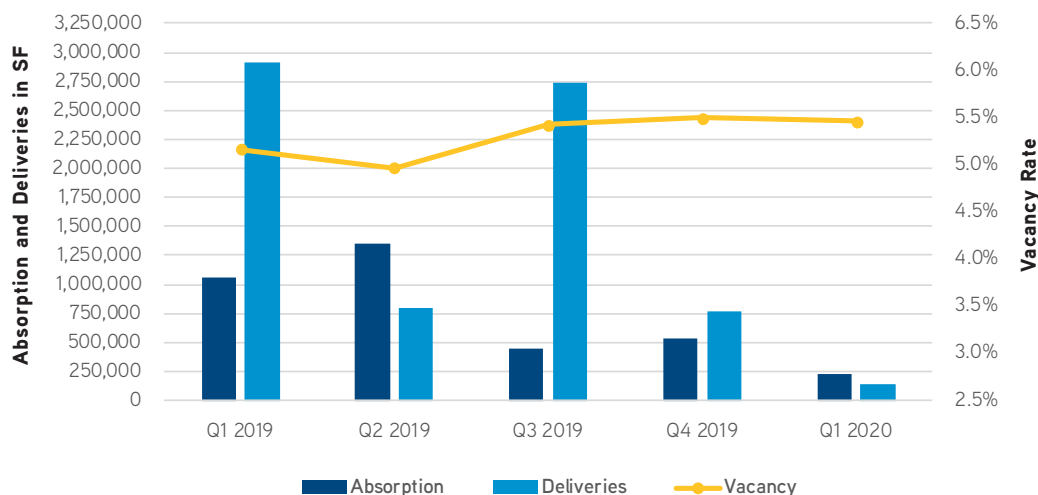
Relative to prior period	Q1 2020	Projected Q2 2020
Vacancy	↑	↑
Net Absorption	+	+
Deliveries	↓	↑
Rental Rate	↑	↑

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

Denver Metro Summary Statistics

	Q1 2019	Q1 2020
Vacancy Rate	5.2%	5.5%
Absorption YTD	1,065,163	224,721
Deliveries YTD	2,908,120	145,061
Under Construction	4,462,961	8,105,704
Asking Rents/SF	\$9.00	\$9.72
Total SF	273,970,298	277,499,996

*Source: CoStar



E-commerce related facilities will continue to be in high demand

Whether it's last mile distribution, bulk warehouses, cold storage or even cloud kitchen facilities, e-commerce continues to shape the industrial market. Denver's unique geographical positioning has forced companies to place a premium on quick and efficient supply chain movement and as a result, well located properties will continue to command a premium. No company exemplifies the e-commerce revolution like Amazon. Continuing to add to their local market footprint, Amazon leased the 701,900 SF "Big Bomber" building at Majestic Commercenter in the first quarter.

Vacancy rates will climb as new construction surges

The overall vacancy rate decreased 10 basis points and finished the quarter at 5.4%. However, with over eight million square feet of new product under construction and five million square feet projected to deliver this year, the overall vacancy rate is expected to increase 50-75 basis points by year-end. Central 64, a two-building 219,980 square foot infill project located at the northwest corner of West 64th Avenue & Pecos Street was the only project to break ground during the quarter.

Lease rate compression will bypass traditional industrial space

While other real estate sectors will likely face lease rate compression, the insatiable appetite for industrial space will remain. Lease rates increased 2.0% during the first quarter, rising to an overall average rate of \$9.72/SF NNN. Despite the global turmoil, rates are expected to continue rising, particularly for well-located facilities that allow for improved logistical efficiencies.

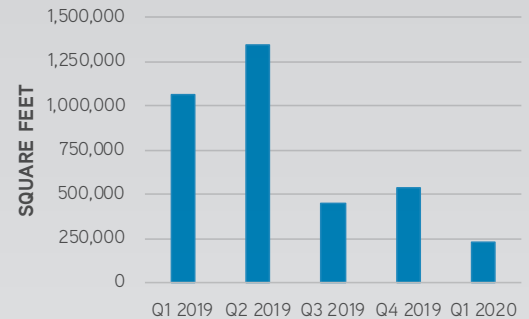
Bioscience, pharmaceutical and medical manufacturing space gains attention

Businesses supporting the health care industry stand to benefit the most from the pandemic crisis and many will be looking to increase their footprints to accommodate global demand. With the sudden surge in people staying at home, data centers stand to benefit as well. As online shopping, movie streaming and video conferencing rise in popularity, the need for additional bandwidth will continue to grow.

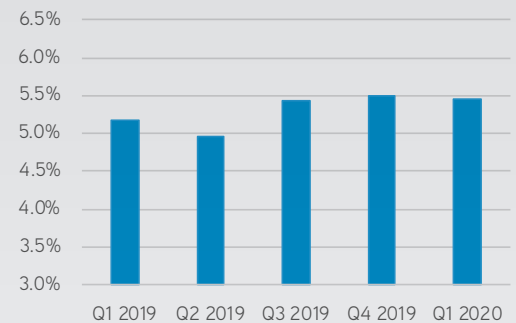
Business automation takes on greater importance

Over the last several years, a tight labor market has pushed the automation movement forward, but product infancy and high implementation costs provided significant headwinds. Yet the current COVID-19 crisis could be the Catalyst that pushes innovation and adoption on a larger scale. Companies that are able to replace employees by automating with machines and software will stand to reap not only financial benefits, but will further insulate themselves from future pandemics and labor shortages.

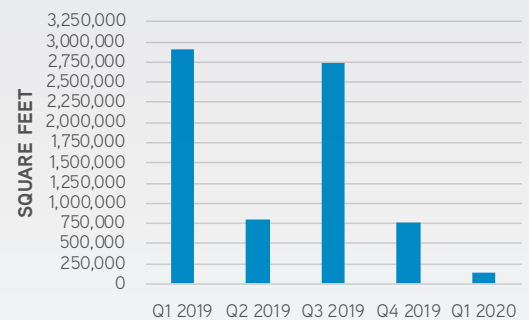
Absorption



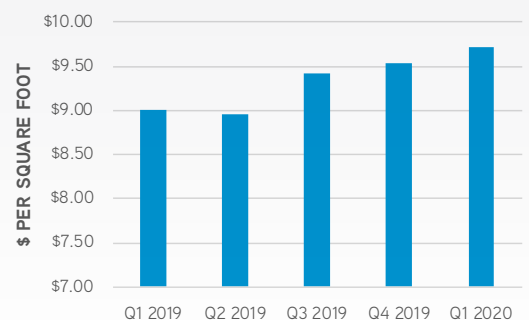
Vacancy



Deliveries



Rental Rates



Source: Colliers Analytics, CoStar

NOTABLE TRANSACTIONS Q1 2020

DENVER INDUSTRIAL MARKET

Portfolio Sales Activity							
PROPERTY	PROJECT NAME	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
14402-14492 E. 33rd Place 2450 Airport Boulevard 2470 Airport Boulevard 5501 Peoria Street	Black Creek Portfolio	East I-70/ Montbello	\$78,470,280	752,512	\$104	Prologis	Black Creek Group
8490 Upland Drive & 8560 Upland Drive 14800 Reed Way	Compark Portfolio	Southeast	\$41,000,000	263,734	\$155	Kenai Capital	Hendricks Commercial Properties

Source: Capital Analytics

Individual Sales Activity							
PROPERTY	PROJECT NAME	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
3821-3851 North Steele Street	Steele Property	Central	\$76,600,000	482,700	\$159	ScanlanKemperBard/ Habert Management Corp.	Downtown Property Services (Ari Stutz / Ken Wolf)
11325 Main Street 11380 Reed Way	Interpark	Northwest	\$47,826,000	239,816	\$199	Stockbridge	United Properties/Brue Baukol Capital Partners
5555 Joliet Street	Dove Valley Business Center	Southeast	\$23,000,000	150,000	\$153	Westcore Properties	Brennan Investment Group
1050 W. Hampden Avenue	1050 W. Hampden Avenue	South Central	\$16,150,000	92,080	\$175	Tracy Call	Ogilvie Properties, Inc.

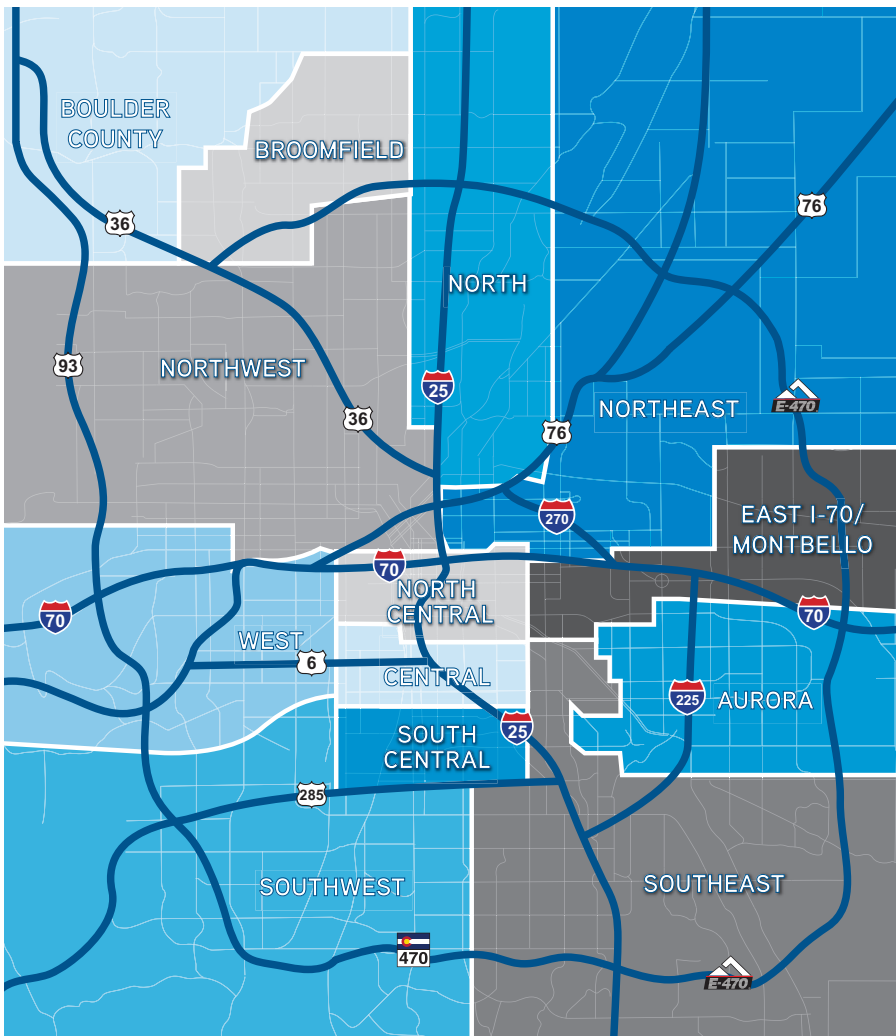
Industrial – Denver - Leasing Activity				
PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
2889 Himalaya Road	East I-70/Montbello	701,900	New	Amazon
22905 E. 19th Avenue	East I-70/Montbello	99,239	Expansion	Safilo
8251 Quintero Street	Northeast	94,621	New	TJX Companies
1900 Taylor Avenue	Boulder	71,853	New	Isolate Extraction Systems

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%	0.0%	-	0	0	-	-	-	\$10.00
Flex	48	1,931,789	7.6%	0.0%	7.6%	9.1%	16,992	29,248	29,248	-	-	50,000	\$7.63
Total	76	2,573,207	5.7%	0.0%	5.7%	6.8%	16,992	29,248	29,248	-	-	50,000	\$7.65
BOULDER													
Industrial	284	10,328,621	3.5%	0.4%	3.8%	4.1%	127,689	22,330	22,330	-	-	609,384	\$11.63
Flex	227	9,959,893	3.4%	0.7%	4.1%	3.7%	161,963	(33,466)	(33,466)	-	-	63,231	\$15.86
Total	511	20,288,514	3.4%	0.5%	4.0%	3.9%	289,652	(11,136)	(11,136)	-	-	672,615	\$13.82
BROOMFIELD													
Industrial	80	3,657,339	9.8%	0.8%	10.5%	12.3%	52,898	62,698	62,698	-	-	34,233	\$9.58
Flex	31	1,238,526	6.0%	1.1%	7.0%	7.4%	-	4,351	4,351	-	-	32,014	\$13.02
Total	111	4,895,865	8.8%	0.8%	9.6%	11.0%	52,898	67,049	67,049	-	-	66,247	\$10.06
CENTRAL													
Industrial	304	10,873,655	3.9%	0.0%	3.9%	4.6%	25,909	79,233	79,233	-	-	-	\$10.42
Flex	10	293,655	4.0%	0.0%	4.0%	4.0%	-	0	0	-	-	-	\$16.50
Total	314	11,167,310	3.9%	0.0%	3.9%	4.6%	25,909	79,233	79,233	-	-	-	\$10.50
EAST I-70/MONTBELLO													
Industrial	1,101	82,673,051	6.9%	1.0%	7.9%	8.1%	1,409,426	189,708	189,708	25,812	25,812	3,184,520	\$6.29
Flex	65	2,216,423	8.7%	0.0%	8.7%	6.2%	41,526	(54,965)	(54,965)	-	-	-	\$10.36
Total	1,166	84,889,474	6.9%	1.0%	7.9%	8.0%	1,450,952	134,743	134,743	25,812	25,812	3,184,520	\$6.35

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	0.9%	0.5%	1.4%	2.3%	10,640	25,971	25,971	-	-	78,000	\$10.91
Flex	46	2,590,363	26.8%	1.2%	27.9%	28.4%	-	12,517	12,517	-	-	-	\$12.83
Total	143	5,626,905	12.8%	0.8%	13.6%	14.3%	10,640	38,488	38,488	-	-	78,000	\$12.06
NORTH CENTRAL													
Industrial	423	16,631,479	4.4%	0.0%	4.4%	4.1%	75,342	(59,715)	(59,715)	-	-	-	\$9.78
Flex	21	680,878	6.7%	0.0%	6.7%	2.2%	-	(30,274)	(30,274)	-	-	-	\$11.48
Total	444	17,312,357	4.5%	0.0%	4.5%	4.0%	75,342	(89,989)	(89,989)	-	-	-	\$9.88
NORTH													
Industrial	168	8,607,035	4.5%	0.1%	4.6%	3.9%	5,122	(66,217)	(66,217)	-	-	488,200	\$9.05
Flex	42	1,776,605	16.8%	0.6%	17.4%	16.7%	67,610	(12,472)	(12,472)	-	-	-	\$14.48
Total	210	10,383,640	6.6%	0.2%	6.8%	6.1%	72,732	(78,689)	(78,689)	-	-	488,200	\$9.61
NORTHEAST													
Industrial	436	20,048,945	4.0%	0.4%	4.4%	5.1%	194,009	125,746	125,746	-	-	1,535,216	\$11.34
Flex	35	1,017,260	0.5%	0.0%	0.5%	0.5%	3,042	0	0	-	-	-	\$16.11
Total	471	21,066,205	3.8%	0.4%	4.2%	4.8%	197,051	125,746	125,746	-	-	1,535,216	\$11.72
NORTHWEST													
Industrial	296	11,702,204	4.2%	0.2%	4.3%	4.3%	36,768	(5,887)	(5,887)	-	-	362,160	\$9.04
Flex	81	2,020,743	4.5%	0.0%	4.5%	4.5%	4,912	(32,710)	(32,710)	-	-	-	\$11.13
Total	377	13,722,947	4.2%	0.1%	4.3%	4.2%	41,680	(38,597)	(38,597)	-	-	362,160	\$9.36
SOUTH CENTRAL													
Industrial	409	10,781,556	2.4%	0.0%	2.4%	2.3%	94,855	12,490	12,490	16,496	16,496	-	\$8.58
Flex	26	597,905	4.9%	0.0%	4.9%	6.1%	10,996	7,341	7,341	-	-	-	\$9.76
Total	435	11,379,461	2.5%	0.0%	2.5%	2.5%	105,851	19,831	19,831	16,496	16,496	-	\$8.69
SOUTHEAST													
Industrial	252	10,854,466	7.1%	0.8%	7.9%	8.5%	27,185	90,584	90,584	27,753	27,753	841,005	\$10.20
Flex	256	8,800,439	3.5%	1.2%	4.7%	4.6%	93,702	(7,359)	(7,359)	-	-	20,000	\$11.54
Total	508	19,654,905	5.5%	1.0%	6.4%	6.7%	120,887	83,225	83,225	27,753	27,753	861,005	\$10.77
SOUTHWEST													
Industrial	194	6,206,487	0.8%	0.4%	1.2%	1.2%	13,136	(2,630)	(2,630)	-	-	-	\$11.95
Flex	114	3,987,944	7.1%	0.0%	7.1%	6.4%	24,002	(25,665)	(25,665)	-	-	50,000	\$11.21
Total	308	10,194,431	3.3%	0.2%	3.5%	3.2%	37,138	(28,295)	(28,295)	-	-	50,000	\$11.36
WELD COUNTY													
Industrial	515	19,890,368	2.1%	0.1%	2.2%	1.7%	65,183	(86,239)	(86,239)	10,000	10,000	456,315	\$12.38
Flex	68	2,313,265	8.6%	0.0%	8.6%	7.8%	2,400	8,490	8,490	30,000	30,000	-	\$10.76
Total	583	22,203,633	2.8%	0.1%	2.9%	2.4%	67,583	(77,749)	(77,749)	40,000	40,000	456,315	\$12.09
WEST													
Industrial	246	14,698,533	1.3%	0.1%	1.4%	1.1%	48,692	(16,555)	(16,555)	35,000	35,000	301,426	\$11.03
Flex	117	7,442,609	1.4%	0.0%	1.4%	1.2%	16,108	(11,832)	(11,832)	-	-	-	\$12.25
Total	363	22,141,142	1.3%	0.1%	1.4%	1.1%	64,800	(28,387)	(28,387)	35,000	35,000	301,426	\$11.48
MARKET TOTAL													
Industrial	4,833	230,631,699	4.7%	0.5%	5.2%	5.4%	2,186,854	371,517	371,517	115,061	115,061	7,890,459	\$8.81
Flex	1,187	46,868,297	6.0%	0.5%	6.5%	6.2%	443,253	(146,796)	(146,796)	30,000	30,000	215,245	\$12.50
Total	6,020	277,499,996	5.0%	0.5%	5.5%	5.5%	2,630,107	224,721	224,721	145,061	145,061	8,105,704	\$9.72
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q1 2020	6,020	277,499,996	5.0%	0.5%	5.5%	5.5%	2,630,107	224,721	224,721	145,061	145,061	8,105,704	\$9.72
Q4 2019	6,013	277,354,935	5.1%	0.4%	5.5%	5.4%	4,681,256	532,051	3,386,245	767,067	7,207,058	4,712,418	\$9.53
Q3 2019	6,002	276,605,844	5.1%	0.3%	5.4%	5.0%	3,187,170	445,172	2,854,194	2,733,805	6,439,991	4,712,418	\$9.42
Q2 2019	5,926	274,798,138	4.7%	0.2%	5.0%	5.2%	3,434,861	1,343,859	2,409,022	798,066	3,706,186	5,940,446	\$8.95
Q1 2019	5,916	273,970,298	4.9%	0.2%	5.2%	4.8%	3,641,125	1,065,163	1,065,163	2,908,120	2,908,120	6,161,854	\$9.00

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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In the midst of the COVID-19 outbreak, information and data is emerging at a quick and uneven rate. The information contained herein has been obtained from sources deemed reliable at the time the report was written. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

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