

INVESTMENT FORECAST

Industrial
Denver

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2022

Distributors Increasingly View Denver Footprints as Vital to Supporting Local and Regional Consumer Bases

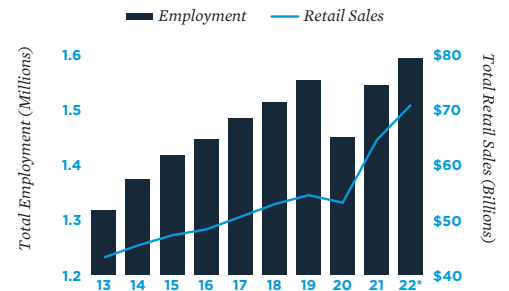
Demand for space outpacing record supply growth. Home to the nation's fifth highest median household income and above-average resident growth, Denver is a critical locale for retailers, logistics providers and suppliers. Many of these companies brought goods closer to local population centers in 2021 by committing to additional square footage, supporting a record year for absorption. Expansions by Amazon, Aspen Distribution, Planterra Foods and FedEx highlighted recent leasing activity, with these firms inking agreements for a combined 2.6 million square feet of space. Additional companies are entering the metro with the goal of better serving other Colorado markets and neighboring states. This combined demand has pushed development activity to a record level; most construction, however, is near Denver International Airport, minimizing the impact of supply additions on overall vacancy, which is projected to tighten this year.

Northern Denver records rising activity. The metro has remained a major target for investors, evidenced by sales prices more than doubling since 2014 on a per-square-foot basis. Buyers in North and Northwest Denver have been the most active of late, with Broomfield County also seeing heightened interest. Assets here are enticing investors, due to their above-average rents and ability to serve both the Denver and Boulder metros. Additionally, properties change hands frequently in the northeast, particularly in Commerce City and along Interstate 70 toward the airport. Interior sections of these submarkets, like Commerce City, Northfield and Montbello, have recorded a sharp acceleration in leasing and net absorption. Additionally, properties in this submarket that are closer to the CBD are less affected by new supply growth near Denver International Airport and Peña Boulevard, while still providing potential tenants ready access to the airport.

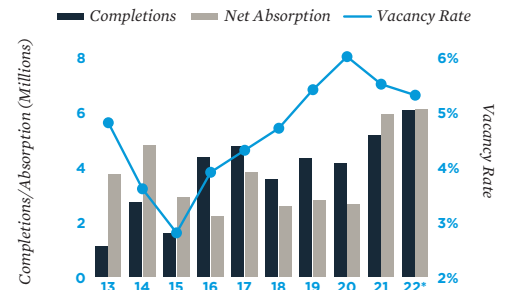
2022 Market Forecast

- Employment** ↗
 up 3.2%
 With the addition of 50,000 new roles in 2022, Denver will surpass the February 2020 job count by roughly 36,000 workers.
- Construction** ↗
 6.1 million sq. ft.
 The volume of space finalized during 2022 surpasses the prior five-year average by nearly 1.7 million square feet, increasing metro inventory by 2.9 percent.
- Vacancy** ↘
 down 20 bps
 Robust demand exceeds a heightened level of development, compressing metro vacancy to 5.3 percent. This rate represents the lowest year-end recording since 2018.
- Rent** ↗
 up 3.4%
 The pace of rent growth matches the prior five-year average, lifting the mean marketed rate to \$9.15 per square foot — the second highest mark among major Mountain metros.
- Investment** ↻
 Near historic-low vacancy rates and elevated asking rents for warehouses and distribution centers steer more investors to available listings in West and Southwest Denver this year.

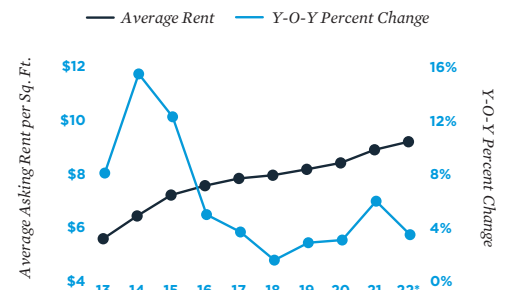
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.