

Denver

Absorption finishes the year strong, as the market transitions back to pre-covid conditions

- Leasing volume remained strong during Q4, despite the limited number of 200,000+ s.f. deals.
- The market shows signs of returning to 2019 levels. Asking rent growth has stabilized, while absorption remained above Denver's historic average.
- Under construction product in the pipeline began to decline as new space continues to deliver vacant.

Leasing volume increased this quarter accounting for a total of 2.5 million s.f. of space leased – marking a 19.4% quarter-over-quarter increase. Excluding the 700,000-s.f. renewal signed by Amazon, the average lease size was 47,000 s.f., growing by 60.6% since the beginning of October. Tenants continued to sign leases in the 30,000 s.f. to 80,000 s.f. range and are beginning to see larger TI packages and longer terms.

During Q4, the market began to reflect that of 2019. Prior to the construction and leasing boom during the pandemic, average annual absorption was around 3 million s.f. During 2022, total annual absorption totaled 4.1 million s.f., a 55.7% decrease compared to 2021, but far above the pre-covid average. Asking rent growth has begun to stabilize after a rapid period of growth. Total rent growth quarter-over-quarter was less than 1%. Despite the drop in absorption and muted rent growth, the market remains healthy with numerous tenants still looking for space.

New ground breakings continued to decrease during Q4. Developers have shown some hesitancy on moving forward with new projects around Denver with interest rates on the rise and unknown exit cap rates. Projects already scheduled to break ground will most likely go on as scheduled, but some have been delayed into 2023 or put on hold. The majority of space delivered during Q4 was vacant upon delivery. This caused total vacancy to increase 20 basis points after a large increase during Q3, yet total availability has peaked and fallen 20 basis points during Q4.

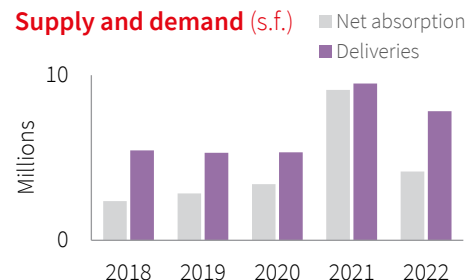
Outlook

Absorption and construction has begun to slow after the abrupt influx of demand during 2020 and 2021. It is apparent that the industrial market is starting to return to pre-covid conditions. Q4 showed signs of tenants focusing on finding slightly longer-term solutions to fulfill their needs. Total leasing volume remained strong, while tenants see favorable lease terms when it comes to rates and TI. Looking forward to 2023, we can expect Denver to remain a healthy competitive market for leasing and tenant demand. Large construction projects will continue, but at a reduced volume, allowing demand to catch up with supply. Expect landlords and tenants to consider more options as the Denver market goes through a period of transition.

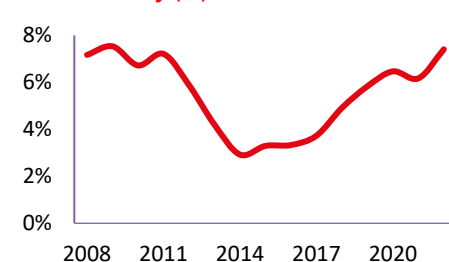
Fundamentals

	Forecast
YTD net absorption	4,172,050 s.f. ►
Under construction	8,905,851 s.f. ▼
Total vacancy	7.4% ▲
Sublease vacancy	769,815 s.f. ▲
Direct asking rent	\$8.66 p.s.f. ►
Sublease asking rent	\$8.14 p.s.f. ►
Concessions	Stable ►

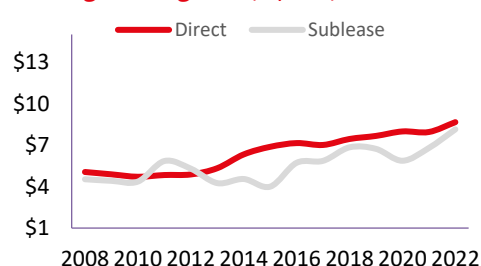
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent (\$ p.s.f.)



Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Denver total										
Warehouse & Distribution	188,876,724	1,335,853	3,849,060	2.0%	8.7%	11.3%	\$8.45	1,805,296	7,622,162	7,705,851
Manufacturing	46,292,930	-123,636	203,893	0.4%	2.9%	3.7%	\$10.77	0	197,000	1,200,000
Special Purpose	5,147,537	13,831	50,275	1.0%	1.4%	2.8%	\$11.35	0	0	0
Overall Total	240,317,191	1,226,048	4,103,228	1.7%	7.4%	9.7%	\$8.64	1,805,296	7,819,162	8,905,851
Airport										
Warehouse & Distribution	5,597,046	149,404	1,086,939	19.4%	33.0%	32.5%	\$6.53	286,000	2,100,559	1,384,620
Manufacturing	492,966	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	1,200,000
Overall Total	6,090,012	149,404	1,086,939	17.8%	30.3%	26.2%	\$6.53	286,000	2,100,559	2,584,620
Central										
Warehouse & Distribution	20,858,573	88,555	234,615	1.1%	3.0%	2.7%	\$10.97	0	0	0
Manufacturing	9,118,335	-68,211	-36,326	-0.4%	2.9%	3.3%	\$9.74	0	0	0
Special Purpose	654,558	0	10,046	1.5%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	30,631,466	20,344	208,335	0.7%	2.9%	2.8%	\$10.53	0	0	0
I-70 / East										
Warehouse & Distribution	77,713,108	410,758	1,535,336	2.0%	6.4%	8.5%	\$7.00	724,211	2,559,988	1,501,659
Manufacturing	8,844,592	-16,599	82,681	0.9%	4.8%	6.3%	\$8.40	0	0	0
Special Purpose	1,260,593	0	1,458	0.1%	0.0%	4.1%	\$8.25	0	0	0
Overall Total	87,818,293	394,159	1,619,475	1.8%	6.1%	8.2%	\$7.11	724,211	2,559,988	1,501,659
North Central										
Warehouse & Distribution	19,314,436	362,233	575,787	3.0%	8.0%	8.1%	\$11.01	0	612,524	289,700
Manufacturing	4,396,213	-4,726	11,179	0.3%	3.5%	3.5%	\$17.11	0	0	0
Special Purpose	595,836	0	18,471	3.1%	2.6%	6.5%	\$15.50	0	0	0
Overall Total	24,306,485	357,507	605,437	2.5%	7.1%	7.2%	\$11.65	0	612,524	289,700
Southeast										
Warehouse & Distribution	11,476,181	-23,137	484,254	4.2%	14.2%	14.0%	\$10.00	171,600	718,611	524,576
Manufacturing	1,576,756	-2,090	18,827	1.2%	6.2%	6.2%	\$10.51	0	0	0
Special Purpose	154,861	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	13,207,798	-25,227	503,081	3.8%	13.0%	12.9%	\$10.03	171,600	718,611	524,576
Southwest										
Warehouse & Distribution	5,650,436	60,126	149,280	2.6%	2.3%	12.1%	\$12.08	0	0	0
Manufacturing	1,498,050	64	-47,606	-3.2%	3.3%	3.7%	\$12.34	0	0	0
Special Purpose	10,817	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	7,159,303	60,190	101,674	1.4%	2.5%	10.3%	\$12.10	0	0	0
Weld County										
Warehouse & Distribution	4,555,226	20,346	161,397	3.5%	5.9%	4.1%	\$11.47	0	217,904	204,000
Manufacturing	1,684,259	14,321	197,077	11.7%	1.8%	1.8%	\$14.01	0	197,000	0
Special Purpose	29,777	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	6,269,262	34,667	358,474	5.7%	4.7%	3.4%	\$11.81	0	414,904	204,000
West										
Warehouse & Distribution	8,707,459	-29,822	136,854	1.6%	2.9%	4.3%	\$11.36	0	142,200	0
Manufacturing	8,537,201	-4,700	5,335	0.1%	0.7%	2.1%	\$11.62	0	0	0
Special Purpose	1,204,718	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	18,449,378	-34,522	142,189	0.8%	1.7%	3.0%	\$11.43	0	142,200	0
North I-25										
Warehouse & Distribution	7,866,734	263,564	593,001	7.5%	7.5%	25.0%	\$10.56	0	282,108	1,924,119
Manufacturing	1,610,198	4,000	-35,389	-2.2%	3.5%	3.5%	\$10.04	0	0	0
Special Purpose	39,120	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	9,516,052	267,564	557,612	5.9%	6.8%	21.9%	\$10.55	0	282,108	1,924,119
Northeast										
Warehouse & Distribution	13,044,873	20,703	-1,149,614	-8.8%	24.9%	30.3%	\$6.32	623,485	692,048	1,159,758
Manufacturing	1,912,308	0	-4,000	-0.2%	0.6%	0.0%	\$0.00	0	0	0
Special Purpose	936,363	13,831	20,300	2.2%	5.9%	5.9%	\$11.36	0	0	0
Overall Total	15,893,544	34,534	-1,133,314	-7.1%	20.8%	25.5%	\$6.38	623,485	692,048	1,159,758
Northwest										
Warehouse & Distribution	14,092,652	13,123	41,211	0.3%	9.3%	9.8%	\$12.49	0	296,220	717,419
Manufacturing	6,622,052	-45,695	12,115	0.2%	3.2%	5.3%	\$12.04	0	0	0
Special Purpose	260,894	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	20,975,598	-32,572	53,326	0.3%	7.2%	8.3%	\$12.40	0	296,220	717,419