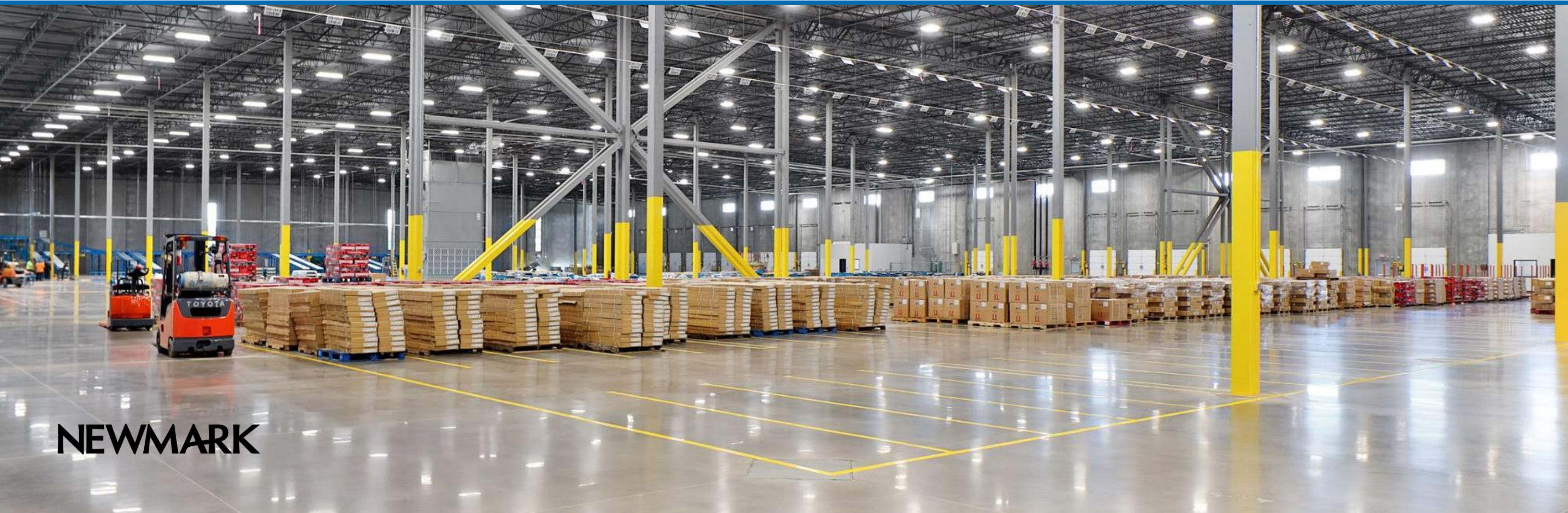


2Q24

Denver Industrial Market Overview



NEWMARK

Market Observations

Economy

- The region’s unemployment rose but is still below the national rate.
- Colorado economists continue to forecast positive but slowing job growth for the state economy in 2024, as the local inflation rate has dropped since mid-2022.
- Despite the market’s relative health, a few indicators are showing signs of softening, including the labor market and consumer spending.

Major Transactions

- Hawthorne vacated its 201,000 SF lease at HighPoint Building 1 in the East submarket.
- ID Logistics signed a lease for 224,000 SF lease at Stafford Logistics Center, its first in the Denver market.
- The largest sale of the quarter was investment manager Eaton Vance’s purchase of Central 76 Building 1 in the Northeast submarket for \$72.2M or \$258/SF.

Leasing Market Fundamentals

- Quarterly absorption recorded negative 550,843 SF, the first quarter to post a net loss in occupancy since the third quarter of 2020.
- Vacancy increased to 10.0% due to the negative absorption and the delivery of 1.5MSF of vacant spec space with no pre-leasing.
- Activity continued at its stable and moderate pace from the previous three quarters.

Outlook

- The uncharacteristic quarter was a unique instance rather than a wider reflection of the health of the market and strong absorption is expected to return for the last two quarters of the year.
- Several large new leases and projects were announced soon after the second quarter ended: BroadRange Logistics leased two buildings in the 76 Commerce Center for a total of nearly 1.1 MSF, Phillip Morris announced a 600,000 SF build-to-suit, QED leased 220,000 SF and a confidential company is expected to purchase a 625,000 SF warehouse as an owner/user next quarter.
- The University of Colorado Leeds School of Business recorded tempered but still positive confidence for the coming third quarter of 2024 among Colorado business leaders surveyed but concerns had grown about the high interest rates and political uncertainty. Confidence in the future could improve further if the Federal Treasury cuts interest rates, as it is expected to do in the next quarter.

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1. Economy
 2. Leasing Market Fundamentals
 3. Appendix / Tables

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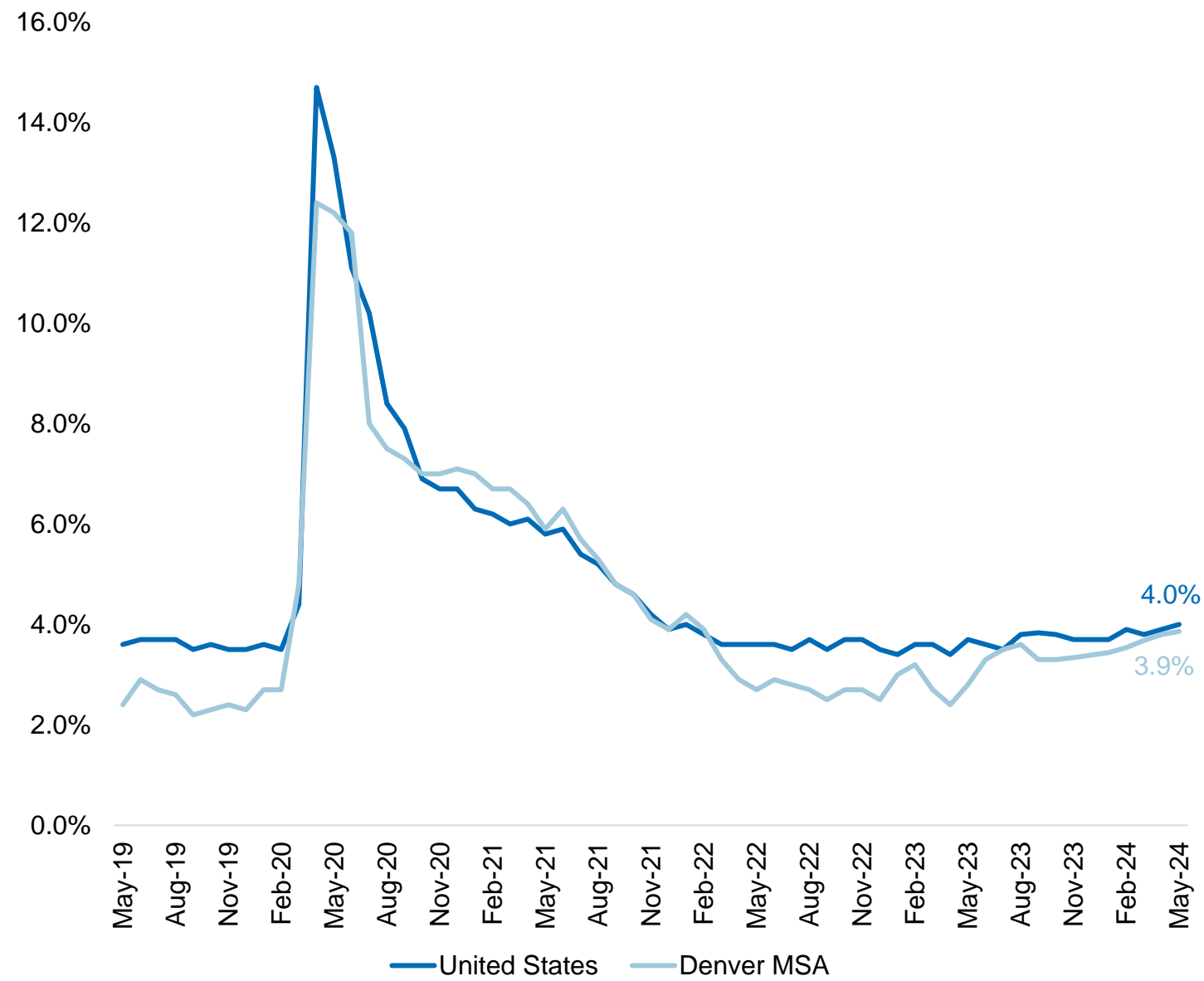
Economy



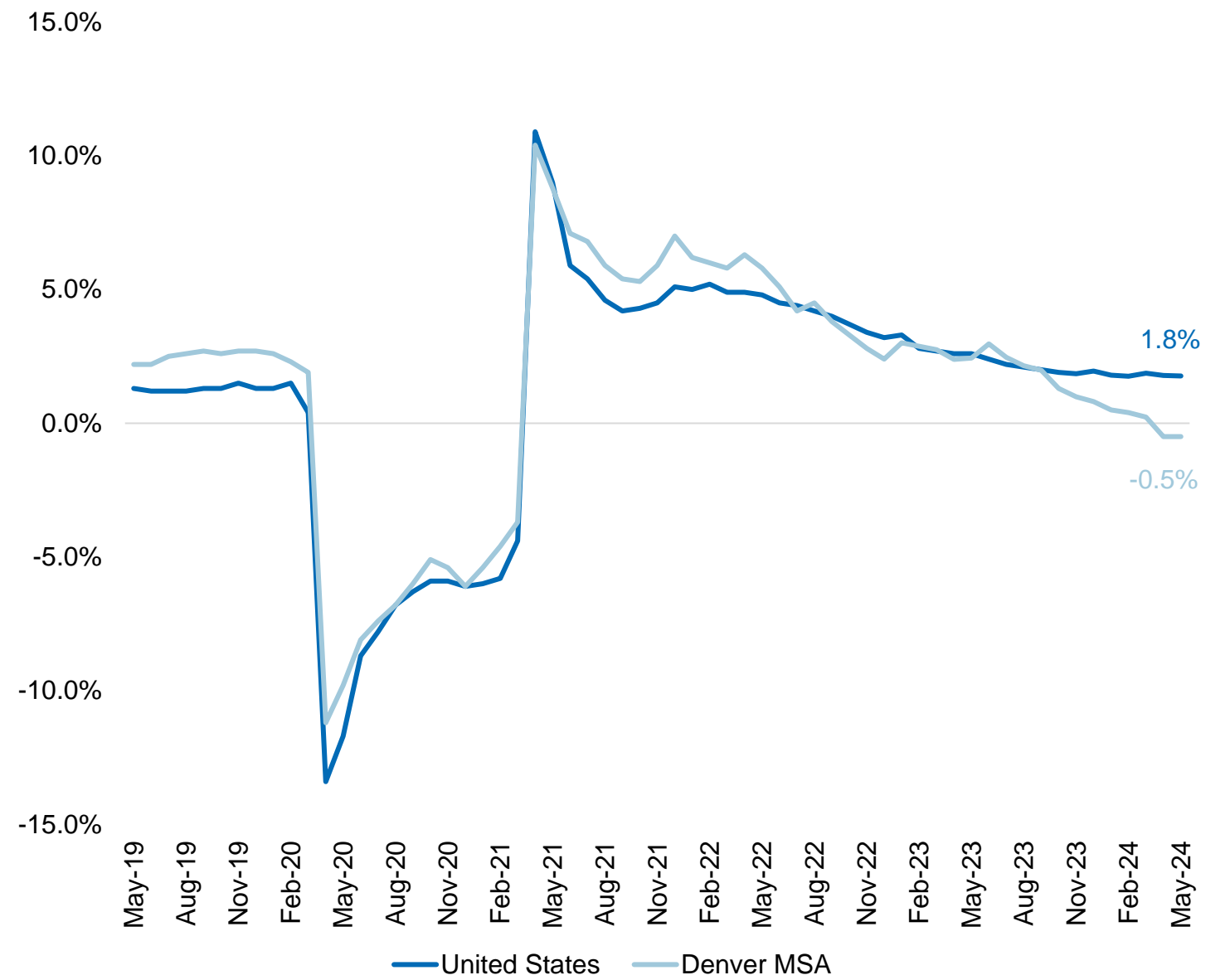
Unemployment Mirrored National Level but Job Growth Stagnated

Although Colorado state economists still anticipate the economy to grow through the second half of the year, the labor market is showing signs of softening. High interest rates continue to weigh heavily on businesses and consumers alike.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

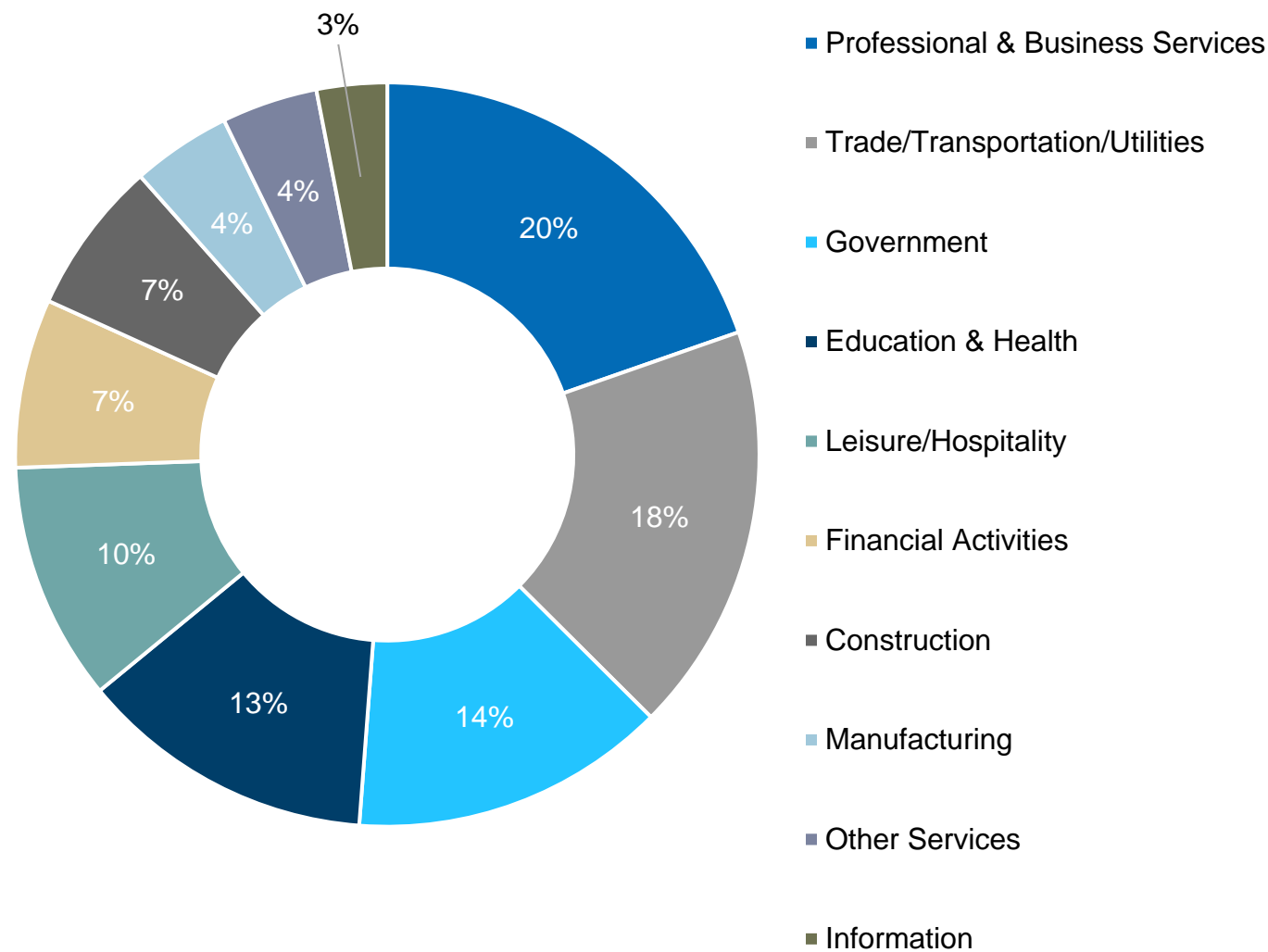


Source: U.S. Bureau of Labor Statistics, Denver MSA

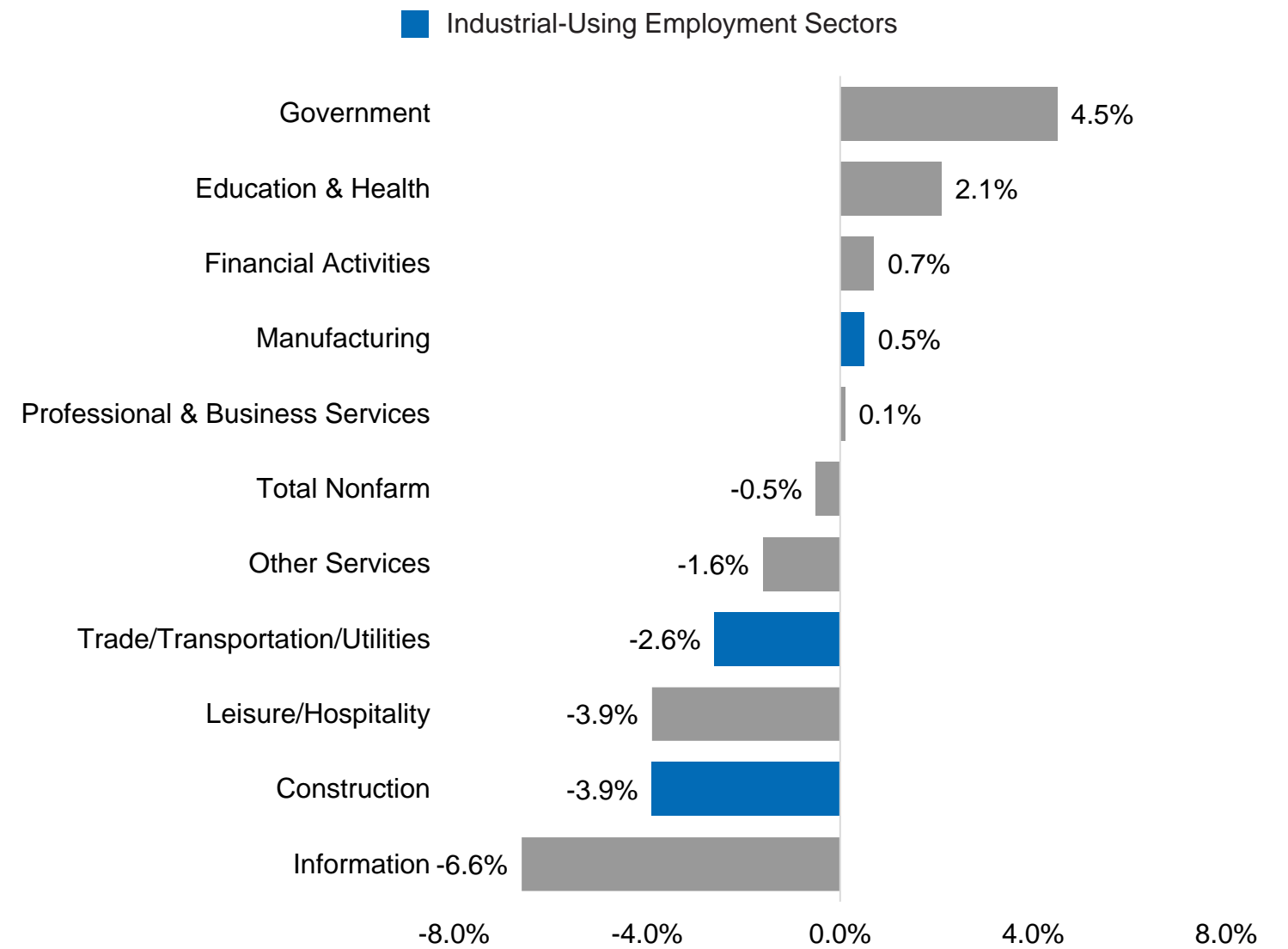
Many Sectors Continued to be Weighed Down Under High Interest Rates

Although half of the ten sectors posted some growth, total nonfarm employment and two of the three industrial-using sectors saw a drop in employment. The manufacturing sector continued to add jobs, but high interest rates have made business investment expensive and directly impacted on-residential construction jobs.

Employment by Industry, May 2024(p)



Employment Growth by Industry, 12-Month % Change, May 2024(p)

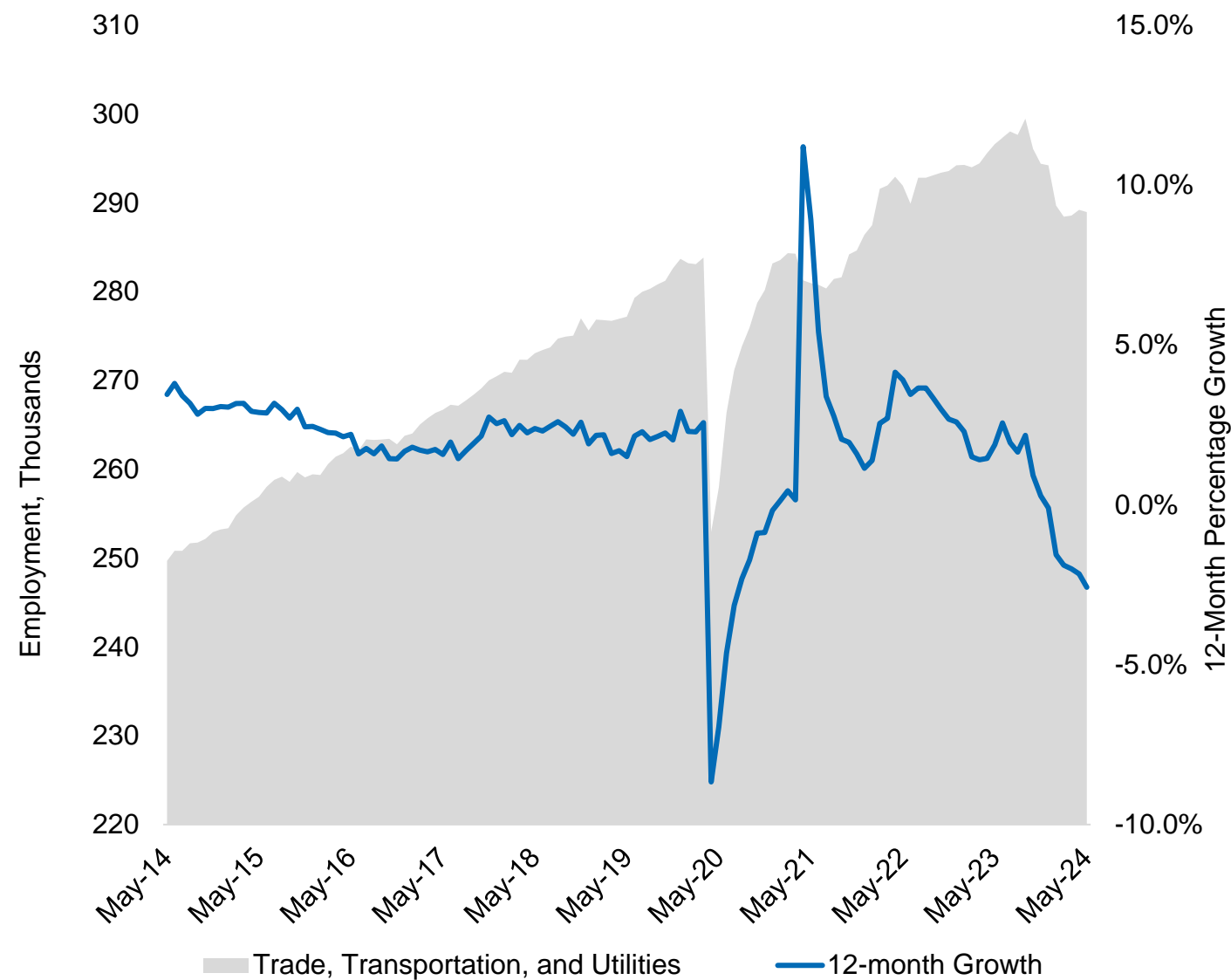


Source: U.S. Bureau of Labor Statistics, Name of Local MSA(s)

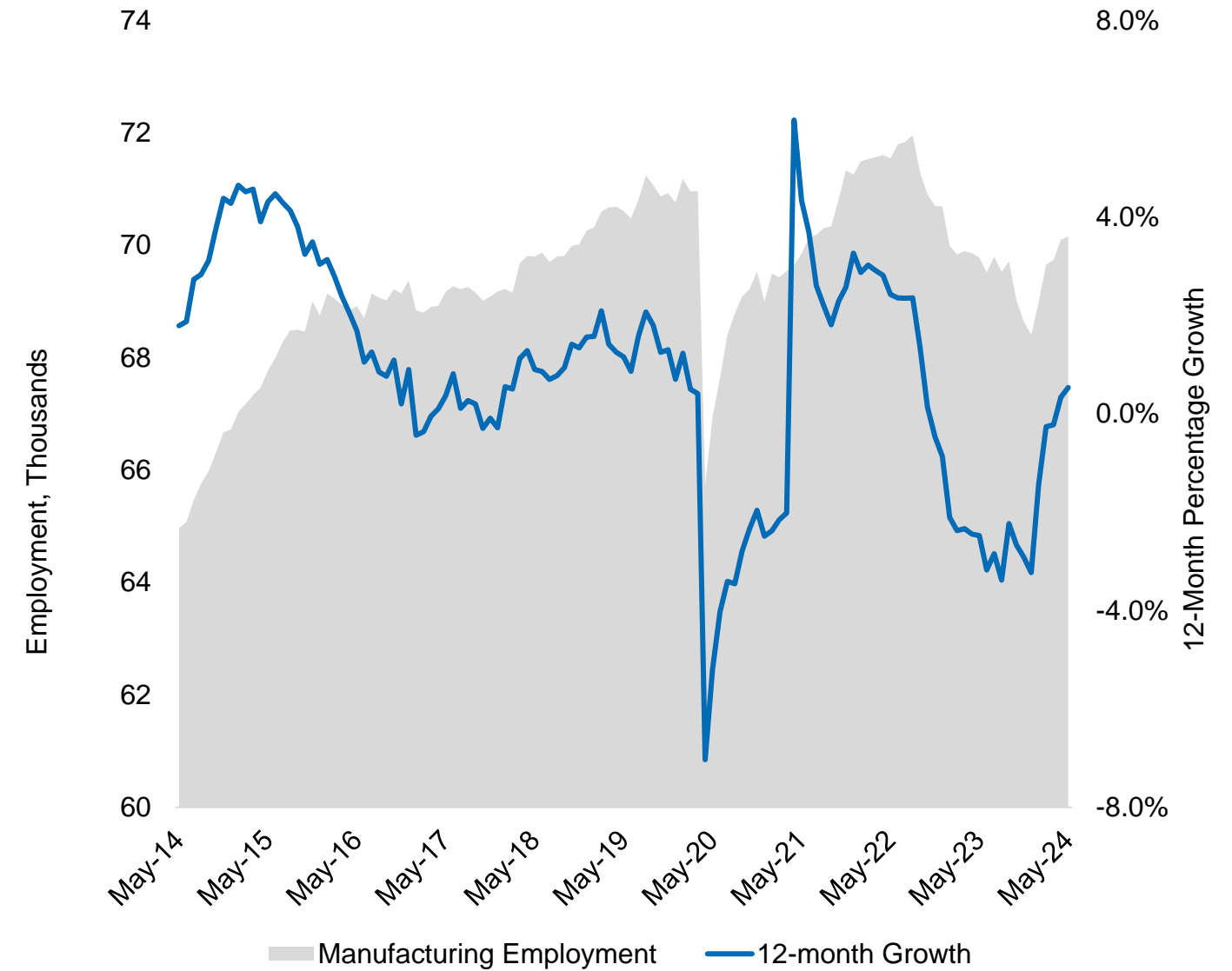
Overall Trends Continue But Rates of Change Slow

Manufacturing continued to add jobs and moved into positive 12-month growth in April and May, even if the rate of adding jobs slowed. In contrast, Trade/transportation/utilities employment has declined since September 2023 but the rate of job loss has slowed.

Total Employment and 12-Month Growth Rate, Trade, Transportation & Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Denver MSA

2Q24

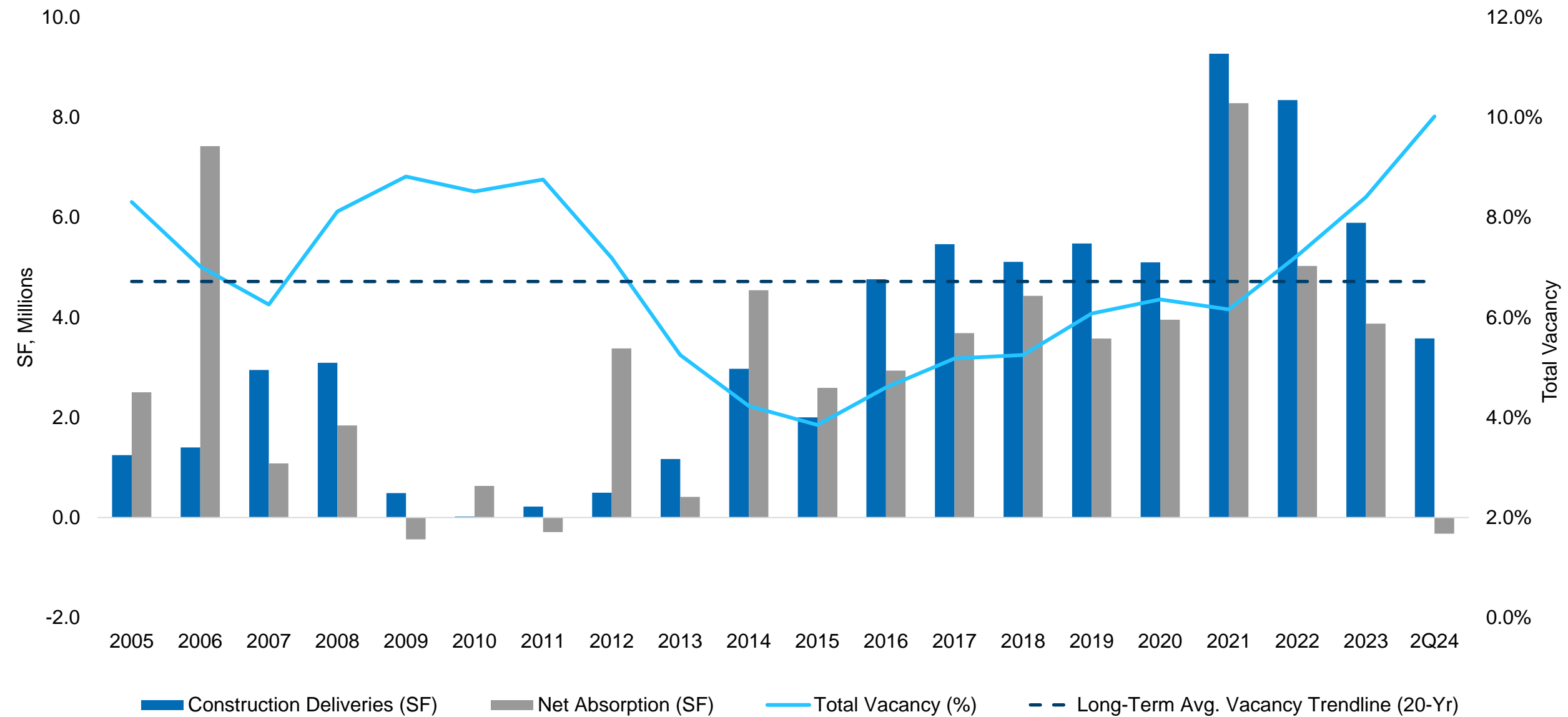
Leasing Market Fundamentals



Multiple Factors Contributed to Atypical Quarter

The delay of multiple new occupancies, including two fully pre-leased new buildings, combined with multiple downsizes and the delivery of 1.5 MSF of vacant, unleased space dragged down absorption while pushing vacancy ever higher. This trend is not expected to continue in the last half of the year, which is on course for strong, positive absorption.

Historical Construction Deliveries, Net Absorption, and Vacancy

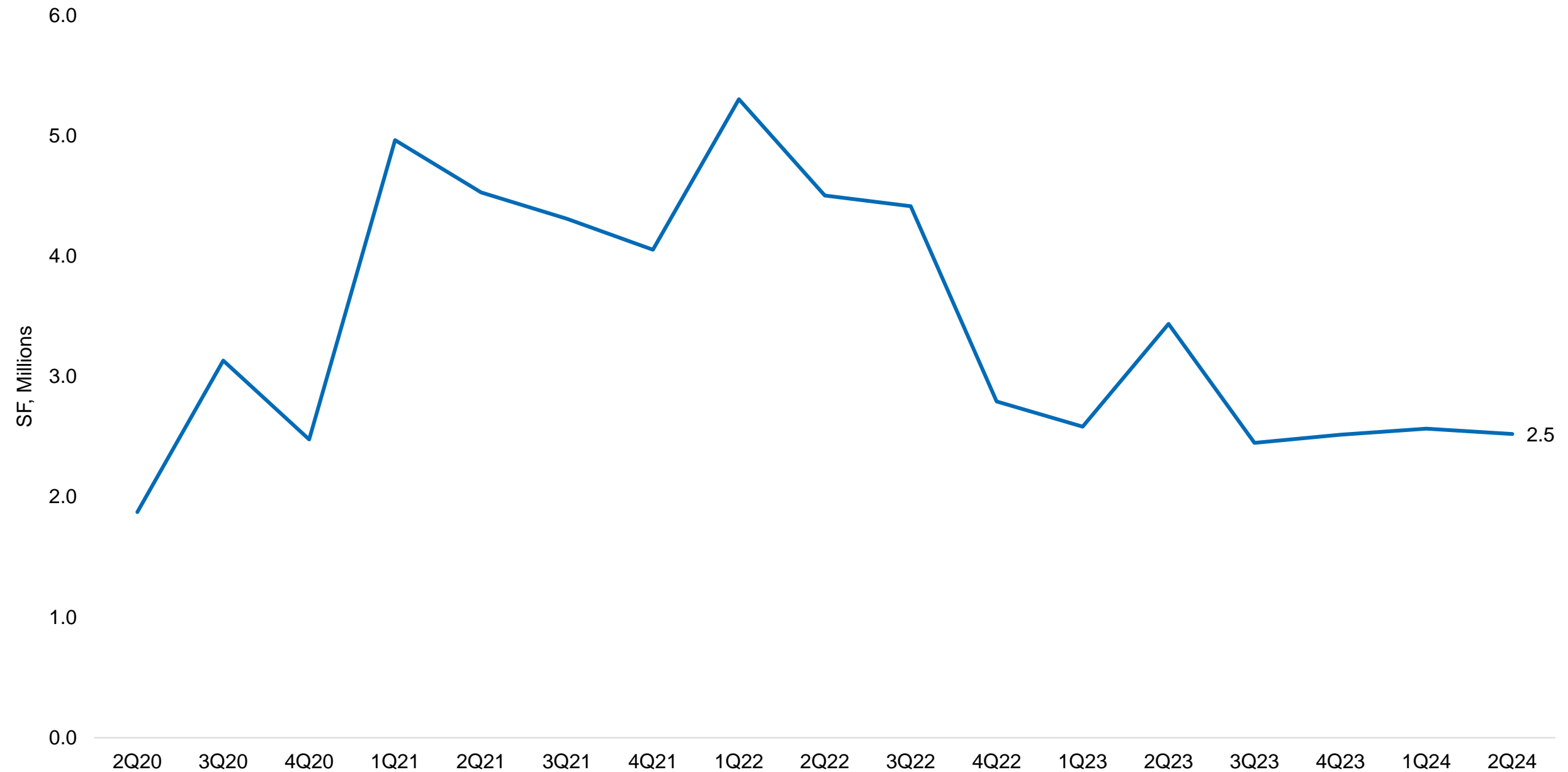


Source: Newmark Research

Leasing Activity Remained Reliable and Steady

Despite a spike in the second quarter of 2023, leasing activity has been consistent since the fourth quarter of 2022. In recent quarters, it has outpaced new deliveries and allowed existing new but vacant spec space to be leased.

Total Leasing Activity (SF)

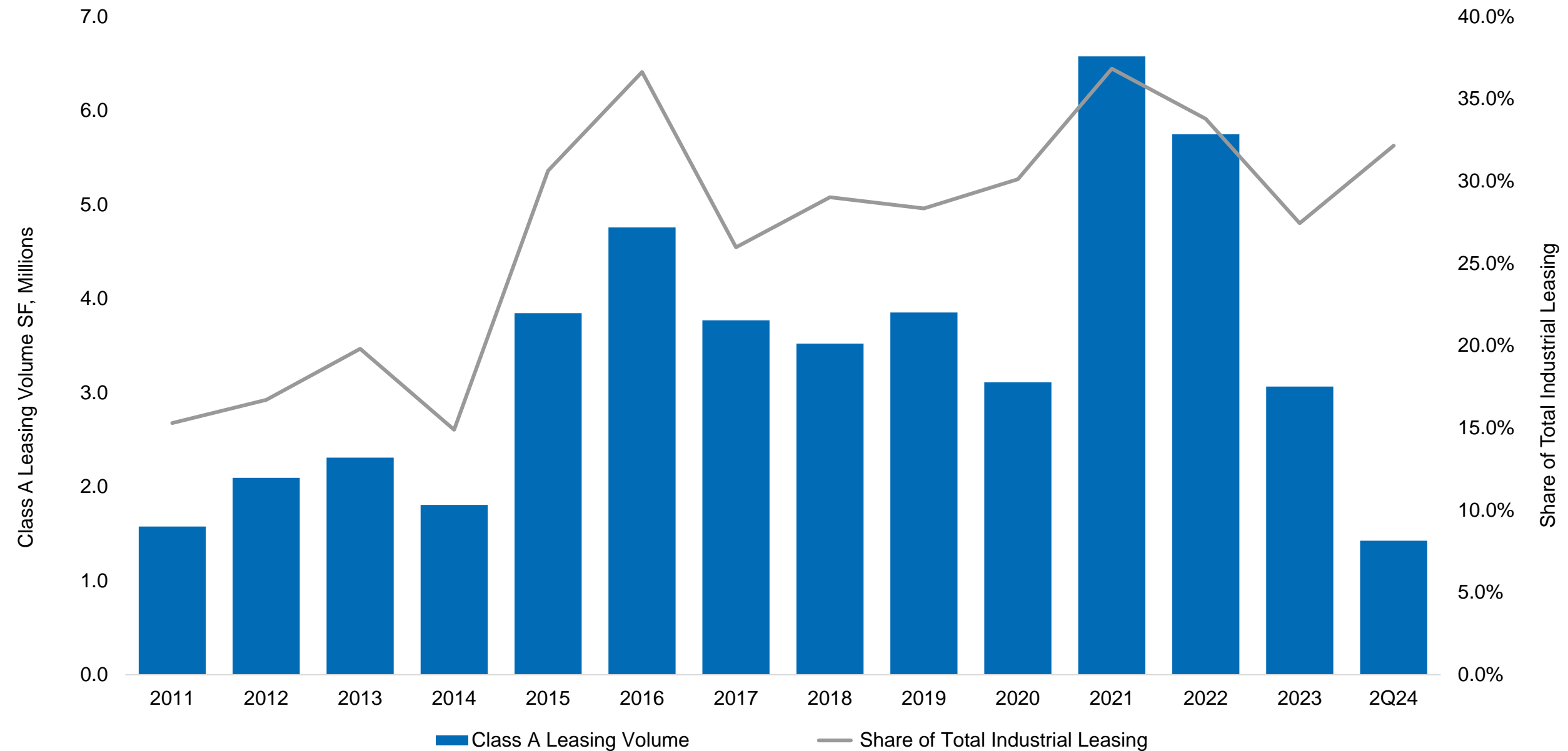


Source: Newmark Research, CoStar

Total Class A Warehouse Leasing Consistent YoY but a Higher Portion of Overall

Class A warehouse product leasing in the second quarter of 2024 accounted for 32.2% of total Industrial leasing, up from 27.4% of overall activity in 2023 and the average of 27.8% between 2017-2019, showing the continuing appeal of top-quality space and flight to quality trend is still a force in the market.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



Source: Newmark Research, CoStar

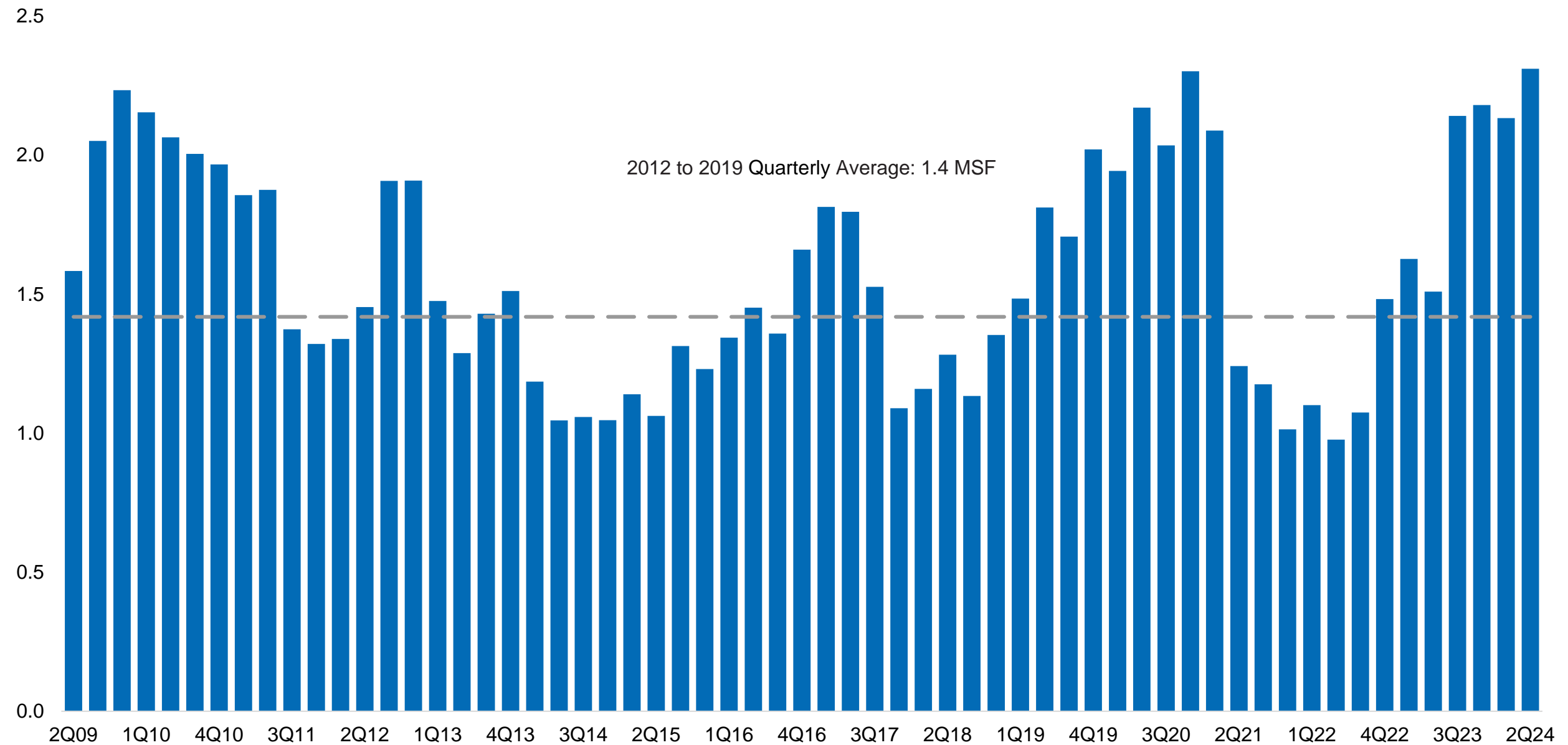
Northeast Maintains the Highest Vacancy Despite No New Deliveries

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Industrial Sublease Availability Grows to Match Pandemic High

With demand for industrial space proving to still be reliable, tenants who are contemplating downsizing continued to put their space on the market for sublease to see if they can entice a subtenant.

Available Industrial Sublease Volume (msf)



Source: Newmark Research, CoStar

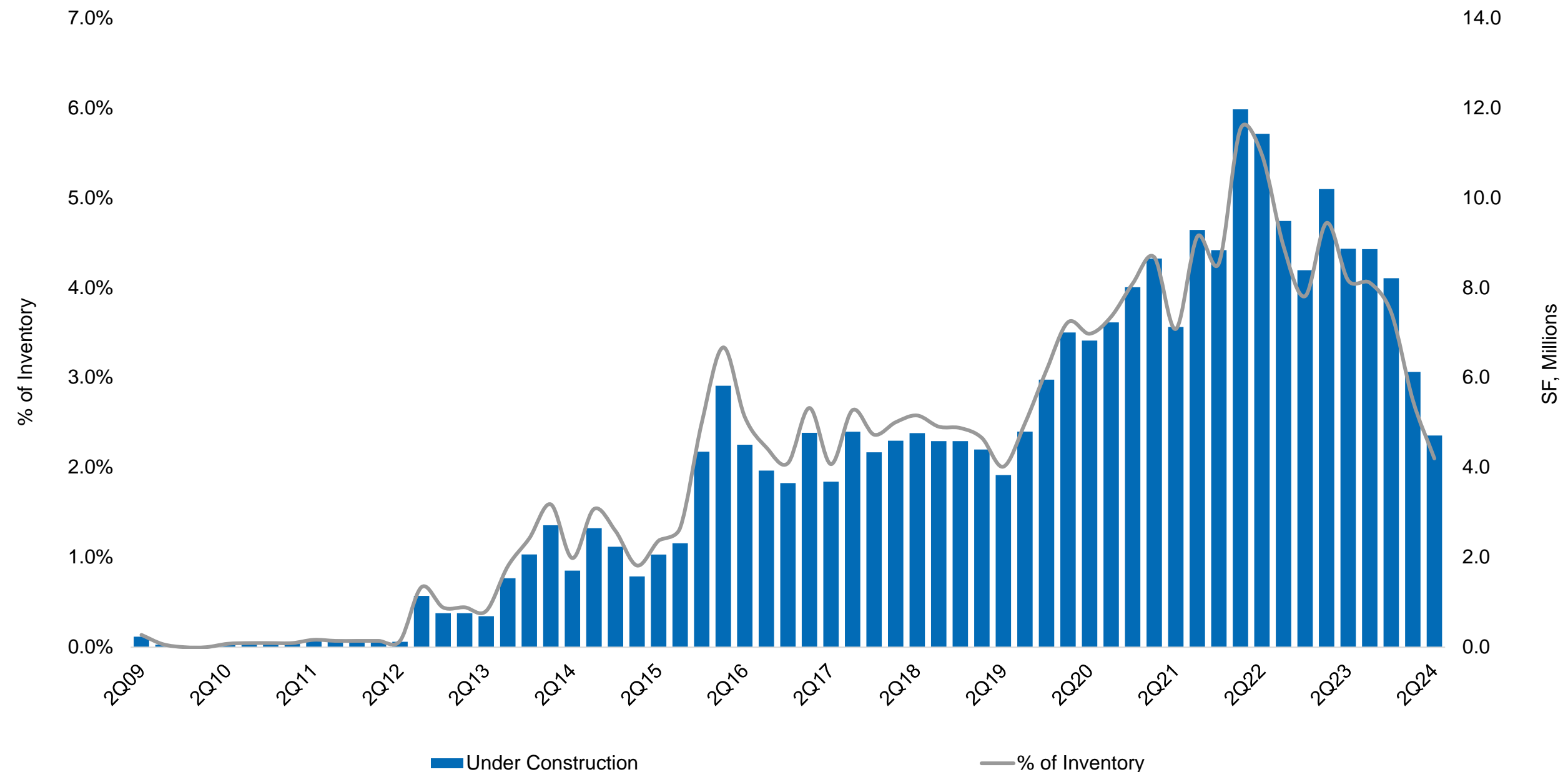
Sublet Availability Up YoY in the Majority of Submarkets

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Industrial Supply Pipeline Continued to Slow

Only two new projects broke ground for 158,000 SF, compared to the 10 delivered buildings for a total of 1.6 MSF. With plenty of first-generation spec space currently available and vacant, along with securing financing persistently difficult to obtain, the pipeline is expected to slow further in the later half of the year, especially for speculative projects.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

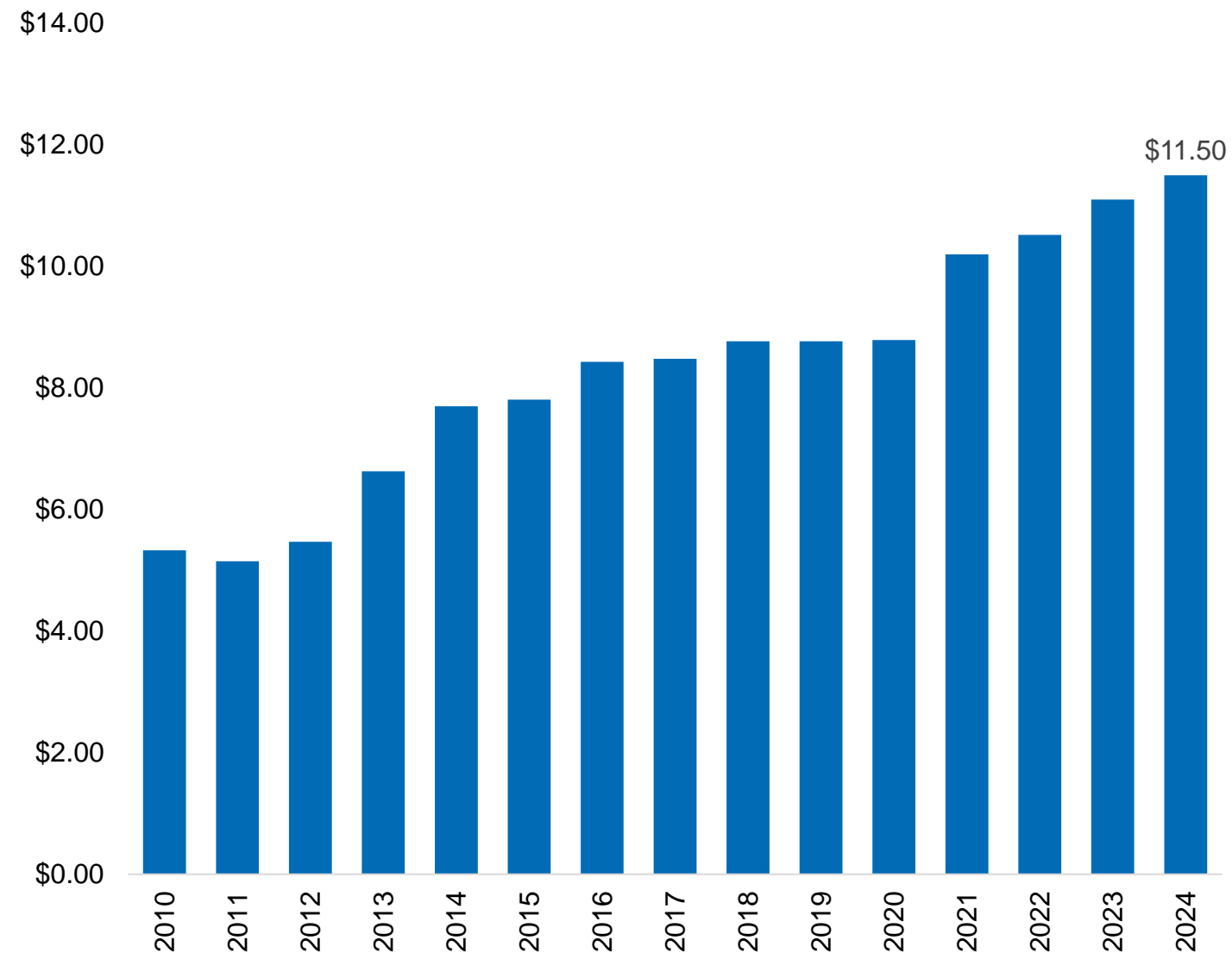
Majority of Projects Under Construction Under 150 KSF but Pre-leasing Favors Size

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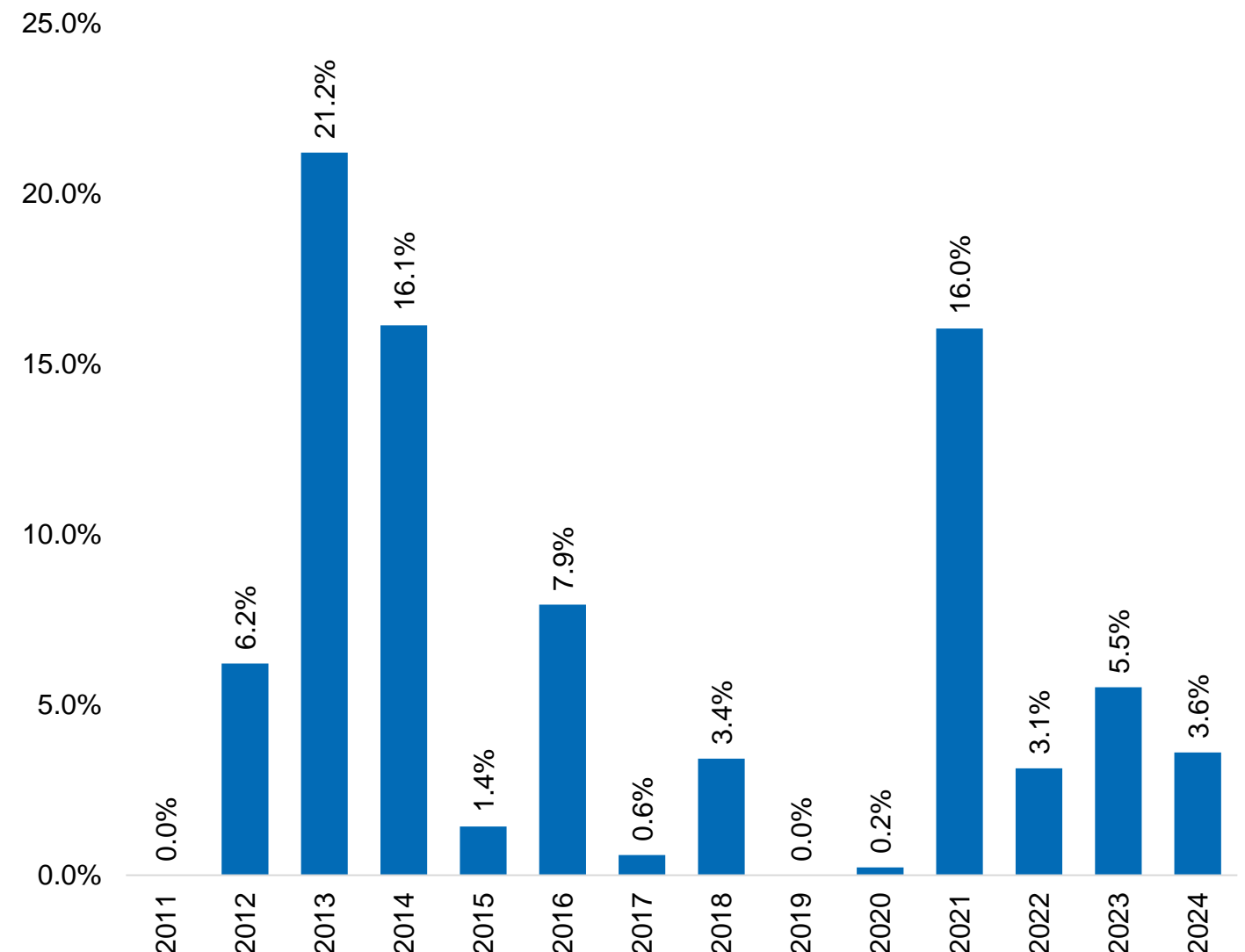
High Availability Limits Rental Rates Increases

Large blocks of available space have hovered at current rental rates despite the high cost of construction and tenant improvements, but they may soften through the year. However, rents for smaller suites, which are harder to find, continue to push rates up (or down), but the trend is limited enough to not affect median rates.

Industrial Median Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Class A Warehouse Rents Remain Flat from Prior Quarter but Up YoY

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Submarkets with Low Rates Posted Increases

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Notable 2Q24 Lease Transactions

As the supply line slows, it is giving time for tenants to lease up top quality new construction that delivered without any pre-leasing.

Select Lease Transactions

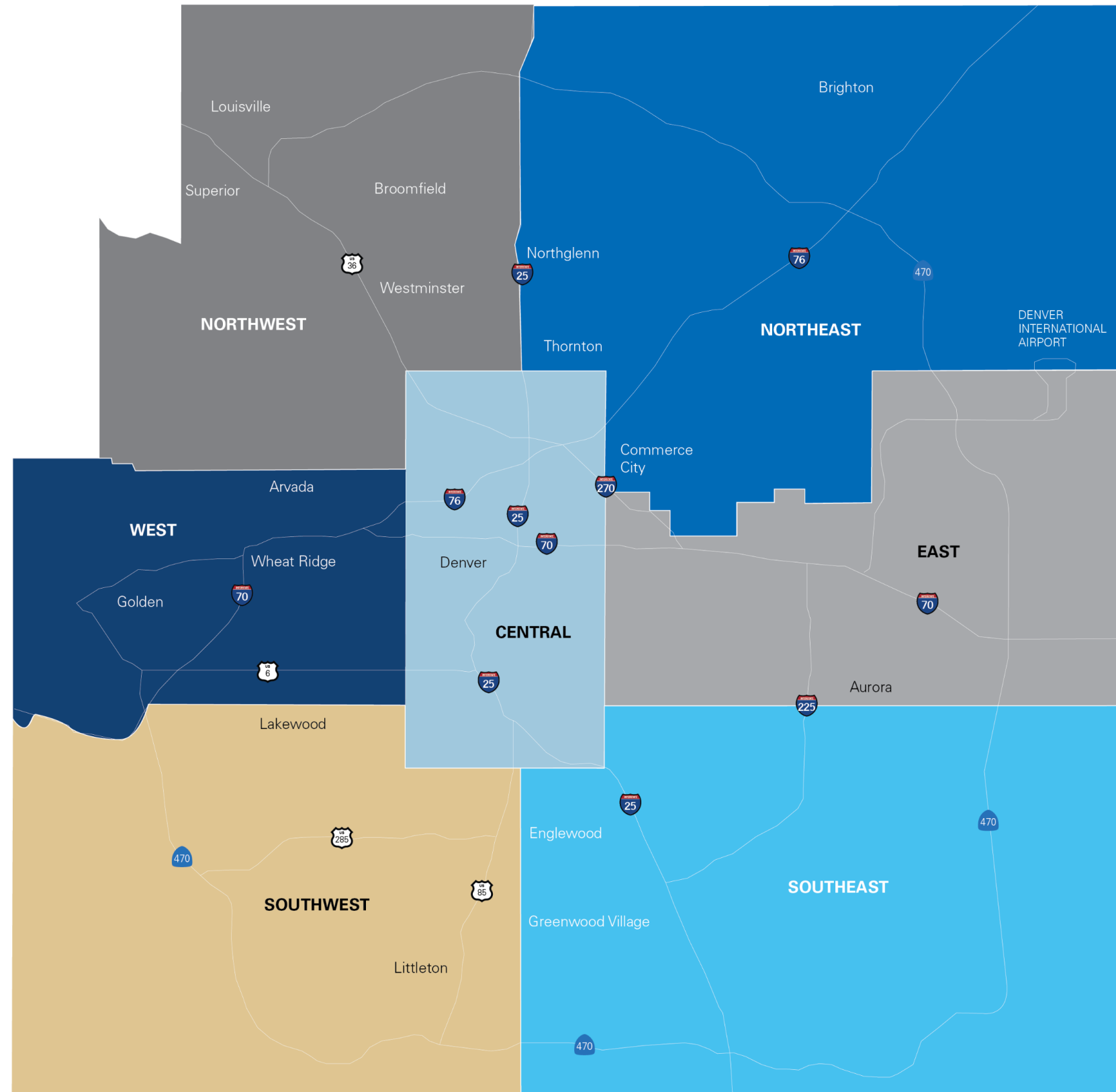
Tenant	Building	Submarket	Type	Square Feet
ID Logistics <i>ID Logistics is new to the Denver market.</i>	21001 East 13th Avenue	East	Direct New	223,850
Airhead Sports Group <i>Airhead Sports Group renewed and gave back 34,000 SF, as well as consolidated other leases else where for a total downsize of nearly 100,000 SF.</i>	12000 East 45th Avenue	East	Renewal/ Expansion	181,860
Lennox <i>The lease will be for the full Building 6 in the Pecos Logistics Park that has been vacant since it delivered in the third quarter of 2022.</i>	5725 Pecos Street	Central	Direct New	144,000
Alliance Door Products, LLC <i>First-generation space in Clarion Building 26 that delivered in the first quarter of 2023.</i>	19100 East 38th Avenue	East	Direct New	116,344
ABC Supply <i>This will be an expansion for ABC Supply in the Denver market.</i>	1351 West Stanford Avenue	Southwest	Direct New	68,466

2Q24

Appendix / Tables



Submarket Map



Source: Newmark Research



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Submarket Overview (page 2 of 2)

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Central Submarket Overview



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East Submarket Overview



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Northeast Submarket Overview

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Northwest Submarket Overview

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Southeast Submarket Overview

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