SVN DENVER COMMERCIAL 24Q3

Denver | Industrial

- **Strong Absorption Recovery** Led by Significant Deals
- **High Vacancy with Signs of Stabilization** Supported by Slower Construction Pipeline
- **Modest Rental Growth** Due to High Vacancy & Recent Construction Completion
- **Shift Towards Small-Bay Demand** Indicate Strong Localized Demand
- **Subdued New Construction Activity** Due to Interest Rates and Financing Constraints

Vacancy Rate
7.70%

Net Absorption SF
4,500,000

Overall Asking Lease Rates
$12.28

In Q3 2024, Denver's industrial market demonstrated resilience despite a high vacancy rate and moderated rent growth. Quarterly net absorption was positive at 2.1 million square feet, recovering from prior quarters' downturns, driven by significant new leases, including major tenants like Broadrange Logistics and ACE Thermal Systems, which together accounted for over 1 million square feet.

Vacancy rates across submarkets varied, with the overall market vacancy at 7.9%, a slight decrease from the previous quarter. New speculative construction slowed, reflecting rising financing constraints and a focus on stabilizing existing inventory. The slowdown in large-scale speculative projects and high demand for smaller spaces, particularly in submarkets like East I-70 and DIA, suggests a shift toward meeting local distribution needs, which may alleviate vacancy pressure in the coming quarters.

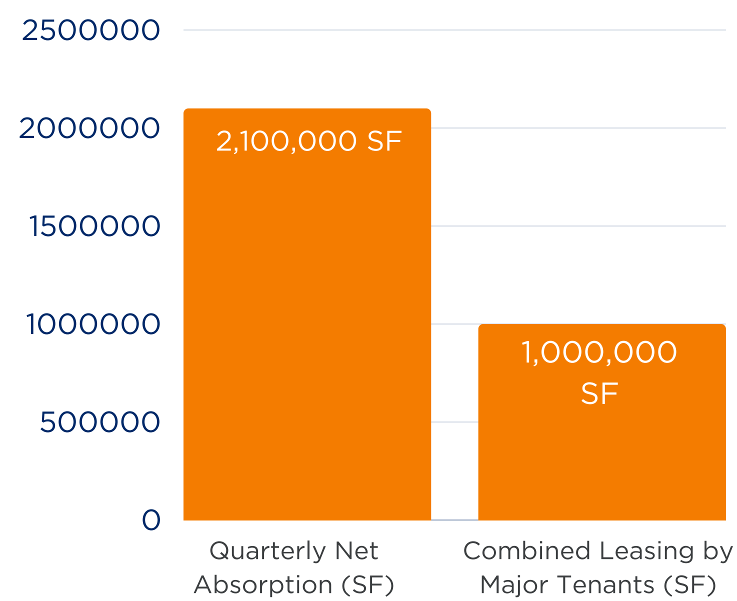
Rental growth remains modest, with an average asking rent of around $9.89 per square foot. Class A spaces are especially appealing, maintaining steady demand despite fewer new groundbreakings. Market fundamentals suggest that as the vacancy rate stabilizes, there may be potential for incremental rent increases, especially in submarkets with lower vacancy.

In summary, Denver's industrial market is adjusting to a moderated development pipeline, balancing robust leasing with an inventory realignment. The outlook indicates a likely plateau in vacancy and rental stabilization, as the market shifts from rapid expansion to sustaining demand with strategic infill developments and smaller distribution properties.

Fundamentals

Total Asset Base SF	287,000,000
Under Construction SF	4,700,000
Net Apsorption	4,5000,000
Vacancy	7.70%
Overall Asking Lease Rates	$12.28
Sale Price Average SF	$175
Cap Rate Average	7.30%

DENVER MARKET INDUSTRIAL STATISTICS - Q3 2024



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MARKET TRANSACTIONS

Sale
6300 N Powhaton Rd
Aurora
625,000 sf
$ 96,300,000

Lease
21001 E 13th Ave
Denver
220,071 sf

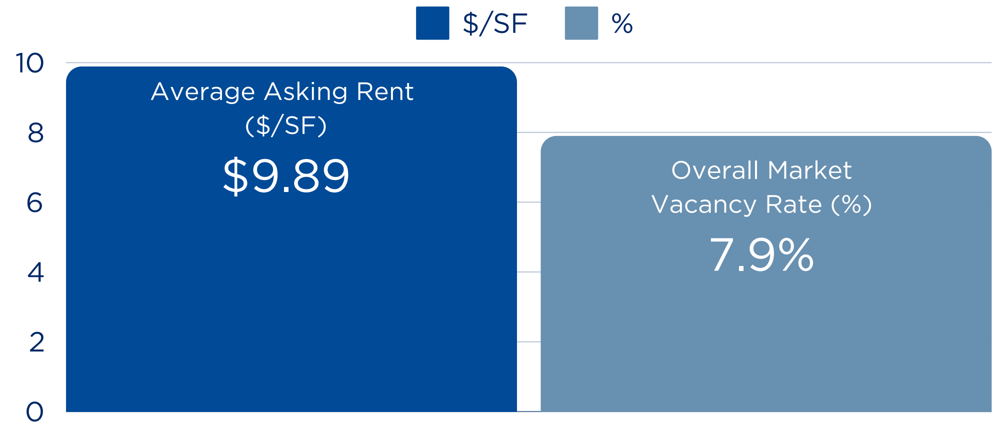
Sale
7800 S Fairplay St,
Englewood
304,620 sf
$ 41,100,000

Lease
22500 E I-76
Brighton
526,400 sf

Sale
12805 W 112th Ave,
Broomfield
131,170 sf
$ 18,300,000

Lease
5000 Lima St
Denver
151,929 sf

COMPARISON CHART RENTS TO VACANCY



OUTLOOK

- **Stabilizing Vacancy Rates**: With reduced speculative construction starts and steady demand for industrial spaces, vacancy rates are expected to stabilize by late 2024, particularly benefiting smaller and build-to-suit projects.
- **Moderate Rent Growth:** Rent growth is likely to remain modest through 2024 due to high supply, but tightening availability in 2025-2026 may lead to accelerated rent increases, especially in the high-demand small-bay segment.
- **Shift to Build-to-Suit and Small-Scale Developments**: Developers are focusing on tailored projects as financing challenges persist for speculative builds. This trend positions the market for balanced growth while addressing specific tenant needs.

SVN Benchmarks
USA | 2023

200+
Office Owners

2,200+
Advisors and Staff

$4.9B
Total value of Sales and Lease Transactions

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