



### Denver's Industrial Snapshot

The Northeast market is Denver's leading warehouse/distribution area, due to its proximity to trucking routes, rail lines, and Denver International Airport. Current vacancy is 4.6%, down from 6.4% 1Q

The Northwest market houses the majority of Colorado's specialty manufacturing and flex space. Current vacancy is 7.5%, down from 8.7% 1Q

The Central market is comprised of older, second generation product that can be functionally obsolete by today's standards. The submarket's immediate access to regional arterials and the downtown core has kept vacancy constant at 3.0% year over year.

The Southwest market provides many smaller user buildings, but has experienced a lack of new construction, due to the cost of land redevelopment. This lack of new supply has resulted in relatively stable vacancy of 6.5%, from 6.4% one year ago.

The Southeast submarket features the highest concentration of second generation flex/office/service center product. Current vacancy is 9.7%, compared to 11.4% 1Q '11.

### CAUTIOUS OPTIMISM

The industrial recovery continued its measured pace through first quarter into second quarter 2012. Class A product continues to be in high demand, although inventories are dwindling. Several users have commenced work on build to suit facilities, due to a limited supply of for lease, large industrial spaces. Despite very modest gains in employment Q1, and a blip indicating minor job losses Q2 the industrial segment continues forward with an air of cautious optimism.

Indicator	2011 Prediction	Q2 2011	Q2 2012	Current Trend
Overall Vacancy:		7.80%	8.49%	
Overall Sublease Availability:		770,857 SF	424,452 SF	
Overall Construction:		92,394 SF (3 Buildings)	375,859 SF (8 Buildings)	
Overall Rental Rate:		\$5.91/SF	\$5.85/SF	
Overall Absorption:		956 SF	663,694 SF	
Overall Sales:		Q1 2011* 14 Transactions \$295,049,000 \$194.37/SF Average	Q1 2012* 30 Transactions \$82,213,510 \$35.98/SF Average	# ↓ \$/SF

\*Trailing indicators.

The table above shows a market that is recalibrating, as it continues along the path to recovery. Overall vacancy is relatively stable, sublease availabilities are down and new construction is increasing. Rental rates have decreased slightly, but absorption is strengthening. Overall sales have increased in number, but the value of the sales on a per square foot basis is significantly reduced. C3 feels this drop in value is attributable to two trends. The first is that several smaller buildings have sold in a state of distress, presenting with deferred maintenance, functional obsolescence and higher or total vacancies. The second is that many more users have entered the acquisition market, as alternative investment vehicles yield reduced returns. Real estate is being sold below replacement value and lenders have been working with the Small Business Administration (SBA) to offer competitive lending options to users looking to own their facilities. More users are becoming owners, but it continues to be a buyers market.

Looking forward to 2013, it is anticipated that new speculative construction will begin as rental rates increase. Assuming the trends continue upward, speculative deliveries are forecasted for 3/4Q 2013. Class A availabilities will continue to tighten and the Class B spaces will begin to benefit from users that must lease space, but cannot secure newer spaces. Build to Suits will continue.

#### ON THE FLIP SIDE:

- Industrial Statistics
- Top Industrial Leases and Sales

Colorado Commercial Companies  
1777 South Harrison Street  
Suite 780  
Denver, CO 80210  
t 303-327-5800 • f 303-327-5801  
www.colocomm.com



## Second Quarter 2012 Industrial Statistics by Sector

WAREHOUSE											
Mkt.	Market	Inventory	Bldgs.	YTD Direct Absorption	Direct Availability	Direct Vacancy	Sublease Availability	Overall Availability	Overall Vacancy	Overall Net Rental Rate	
NW	Northwest	19,816,175	437	289,807	1,223,348	6.20%	39,069	1,262,417	6.40%	\$6.12	
NE	Northeast	85,444,243	1,297	231,317	5,555,097	6.50%	422,932	5,978,029	7.00%	\$3.68	
CEN	Central	16,335,227	460	35,262	435,926	2.70%	0	435,926	2.70%	\$3.83	
SE	Southeast	7,274,490	157	43,243	253,114	3.50%	0	253,114	3.50%	\$6.22	
SW	Southwest	12,624,480	422	14,019	671,579	5.30%	0	671,579	5.30%	\$5.31	
TOTAL		19,816,175	2,773	613,648	8,139,064	41.07%	462,001	8,601,065	6.40%	\$4.26	
MANUFACTURING											
Mkt.	Market	Inventory	Bldgs.	YTD Direct Absorption	Direct Availability	Direct Vacancy	Sublease Availability	Overall Availability	Overall Vacancy	Overall Net Rental Rate	
NW	Northwest	24,026,450	176	278,069	1,877,020	7.80%	403,871	2,280,891	9.50%	\$5.59	
NE	Northeast	10,701,227	176	108,550	467,714	4.40%	0	467,714	4.40%	\$3.77	
CEN	Central	4,120,669	93	12,200	331,476	8.00%	0	331,476	8.00%	\$2.84	
SE	Southeast	1,057,154	18	0	21,800	2.10%	0	21,800	2.10%	\$6.28	
SW	Southwest	4,959,274	175	24,018	96,588	1.90%	0	96,588	1.90%	\$4.22	
TOTAL		24,026,450	638	422,837	2,794,598	11.63%	403,871	3,198,469	9.50%	\$4.65	
OFFICE SERVICE CENTER / HIGH TECH											
Mkt.	Market	Inventory	Bldgs.	YTD Direct Absorption	Direct Availability	Direct Vacancy	Sublease Availability	Overall Availability	Overall Vacancy	Overall Net Rental Rate	
NW	Northwest	16,692,517	411	-19,266	1,581,110	7.70%	160,045	1,741,155	10.37%	\$9.14	\$11.44
NE	Northeast	5,854,051	169	4,988	867,806	14.90%	0	867,806	15.00%	\$6.19	\$0.00
CEN	Central	1,567,489	50	0	15,863	1.00%	0	15,863	1.00%	\$5.91	\$0.00
SE	Southeast	11,978,259	273	86,150	1,510,589	12.58%	50,199	1,560,788	13.02%	\$8.50	\$8.84
SW	Southwest	4,785,537	154	23,385	454,639	9.46%	6,336	460,975	9.65%	\$8.59	\$9.00
TOTAL		16,692,517	1,057	95,257	4,430,007	26.54%	216,580	4,646,587	10.46%	\$8.29	\$8.29
ALL BUILDING TYPES											
Mkt.	Market	Inventory	Bldgs.	YTD Direct Absorption	Direct Availability	Direct Vacancy	Sublease Availability	Overall Availability	Overall Vacancy	Overall Net Rental Rate	
NW	Northwest	60,535,142	1,024	548,610	4,681,478	7.70%	602,985	5,284,463	8.70%	\$7.42	
NE	Northeast	101,999,521	1,632	344,855	7,313,549	6.80%	0	7,313,549	7.20%	\$3.99	
CEN	Central	22,023,385	603	47,462	783,265	3.60%	0	783,265	3.60%	\$3.43	
SE	Southeast	20,309,903	437	129,393	1,785,503	8.80%	50,199	1,835,702	9.00%	\$8.30	
SW	Southwest	22,369,291	745	61,422	1,222,806	5.50%	6,336	1,229,142	5.50%	\$6.46	
TOTAL		227,237,242	4,468	1,131,742	15,786,601	6.95%	659,520	16,446,121	7.24%	\$5.62	

### TOP INDUSTRIAL LEASES Q1-Q2 2012

- ◆ 280,000 SF - General Electric at Majestic Commercenter, 19503 East 34th Drive, Aurora, CO
- ◆ 200,000 SF - FedEx at Majestic Commercenter, 20321-20431 East 35th Drive, Aurora, CO
- ◆ 151,929 SF - OnTrac at the Holden Building, 5000 Lima Street, Denver, CO
- ◆ 107,000 SF - Condit at 5152 North Bannock Street, Denver, CO
- ◆ 84,000 SF - Quantum Corporation at 8560 Upland Drive, Englewood, CO

### TOP INDUSTRIAL SALES Q1-Q2 2012

- ◆ 177,355 SF - 9351 Willow Court, Aurora, CO for \$36,600,000 (\$206.37/SF)
- ◆ 50,000 SF - 18400 East 22nd Avenue, Denver, CO for \$5,400,000 (\$107.24/SF)
- ◆ 65,000 SF - 16341 Table Mountain Parkway. Golden, CO for \$9,500,000 (\$145.38/SF)

### NEW INDUSTRIAL CONSTRUCTION Q1-Q2 2012

- ◆ 185,000 SF - National Renewal Energy Lab, Lakewood, CO
- ◆ 120,000 SF - Gordan Composites, Englewood, CO
- ◆ 90,000 SF - UE Compression, Westminster, CO