

# MARKETBEAT

## Industrial Snapshot Q3 2015

Denver, Colorado



### DENVER INDUSTRIAL

#### Economic Indicators

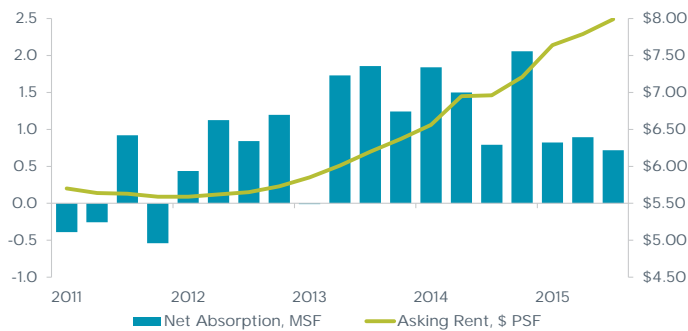
	Q3 14	Q3 15	12-Month Forecast
Denver Employment	1.44M	1.45M	▲
Denver Unemployment	4.0%	3.6%	▼
U.S. Unemployment	6.1%	5.1%	▼

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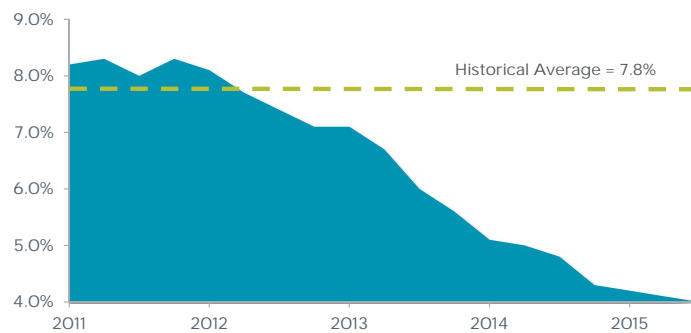
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	4.8%	4.0%	▼
Net Absorption	790,763	717,454	■
Under Construction	2,429,858	2,436,033	■
Average Asking Rent (Whse)	\$5.78	\$6.93	▲
Average Asking Rent (Flex)	\$9.73	\$10.39	▲

#### Net Absorption/Asking Rent

2Q TRAILING AVERAGE



#### Overall Vacancy



### Industrial Overview

The Denver industrial market continues to shatter records characterized by low vacancy rates, strong demand and increasing rental rates. With an industrial user base that has quickly become much more diversified during this expansion cycle, demand is strong for virtually all product types and in most submarkets. The overall vacancy rate stands at 4.0% down 0.8% from Q3 14 and the current average rental rate is \$6.93 per square foot (PSF) on an annual triple net basis for warehouse in the Denver market. This average rental rate is up an astounding \$1.15 PSF from this time a year ago. Yet with absorption outpacing new construction, there is still room for rents to climb.

In the third quarter of 2015, 717,000 square feet (SF) were absorbed, similar to a year ago but down 250,000 SF from Q2 15. There is currently 1.76 million SF of new speculative product under construction, with deliveries scheduled between the end of this year and July of next year. Approximately 735,000 SF of this space is centrally located at the Crossroads Commerce Park (CCP) while Majestic Realty Company continues the development of a 452,000 SF building east on I-70 near DIA.

Cushman & Wakefield is tracking 15.3 million square feet (MSF) of active requirements by tenants and buyers in the Denver Metro industrial market. The ongoing frustration related to the lack of quality options for relocation continues to drive companies to seek alternative solutions, such as build-to-suits, or consider casting a wider geographic net. Other companies that have decided to renew have had a hard time digesting the increases in rent. With a controlled output of new product, low vacancy rates are here to stay for the foreseeable future.

The Denver Metro industrial market logged 108 sales totaling \$226 million in Q3 2015. This is slightly up in volume from \$220 million in sales for Q2 but fewer number of transactions compared to the 125 that took place last quarter. The average price per square foot (PSF) for Q3 2015 was \$77.26 PSF which is down nearly six dollars from Q2 2015 rate of \$83.59 PSF. After 29 quarters of increases, average sales prices during the last two quarters have dipped potentially signaling that prices during this expansion phase of the cycle may have peaked.

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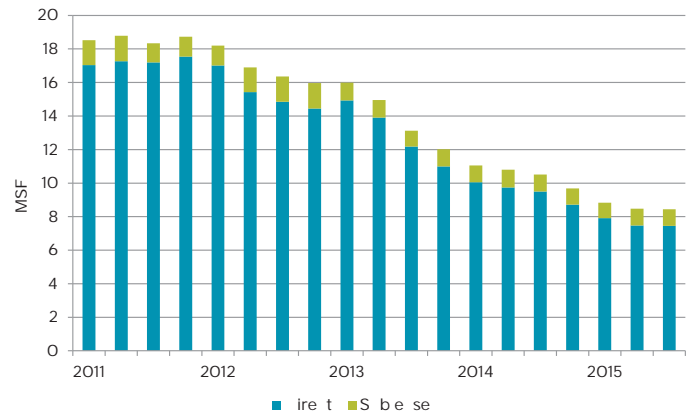
Industrial investment demand continues to outpace supply, with a flood of both in-state and out-of-state buyers ready to pounce on investment opportunities in Denver. The sale of

**THE DENVER INDUSTRIAL MARKET CONTINUES TO SHATTER RECORDS CHARACTERIZED BY LOW VACANCY RATES, STRONG DEMAND, AND INCREASING RENTAL RATES.**

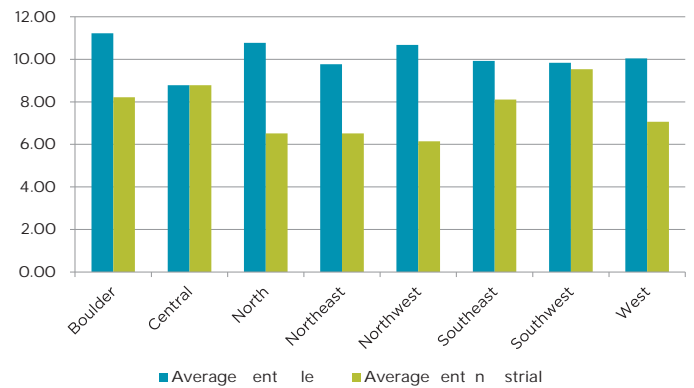
the Colorado Trade Center at 5151 North Bannock Street tops the investment sales transactions list for Q3 2015. This 705,000 SF building sold for \$60.77 PSF totaling \$42,895,000. This is the largest sale for an industrial building in the Denver Metro area in the last two years.

As Denver continues to be an important link for consumer goods between the Pacific Coast and Midwest along with a healthy construction industry, the industrial market should continue to be insulated from any potential downturn. Denver continues to attract an above average workforce of all ages that is highly educated, motivated and active. This has a direct correlation with the healthy economy and active real estate market.

Direct vs. Sublease Space Available Comparison

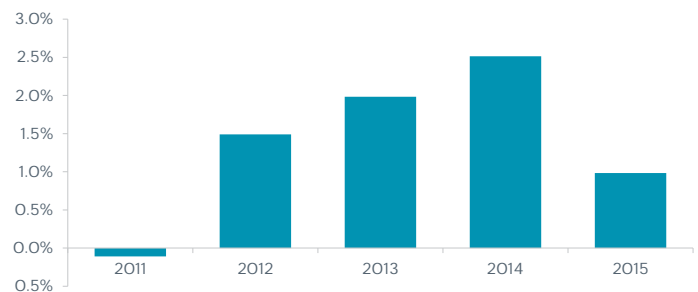


Submarket Asking Rents



Industrial Net Absorption

PERCENTAGE OF INVENTORY



### Outlook

- Rental Rates will continue to get pushed upward by bullish landlords.
- More sellers will enter the market to take advantage of top-end pricing and compressed cap rates.
- Colorado will remain a popular destination for ecommerce companies.
- Construction related companies will continue to position for sustained business growth by looking for more productive facilities.

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	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RENT (WAREHOUSE)	AVERAGE ASKING RENT (FLEX*)
SUBMARKET										
Boulder	710	21,161,730	504,468	1,438,434	9.2%	(104,320)	(126,767)	-	\$8.22	\$11.22
Central	2,571	47,631,550	43,793	783,598	1.7%	76,177	(7,958)	-	\$7.00	\$8.78
North	261	8,182,097	0	724,933	8.9%	4,648	510,901	-	\$7.53	\$10.77
Northeast	2,092	94,428,850	419,086	2,705,760	3.3%	366,881	1,200,974	1,995,481	\$6.52	\$9.77
Northwest	824	22,562,058	13,260	1,012,563	4.5%	162,214	322,247	216,000	\$6.15	\$10.68
Southeast	874	23,206,583	700	1,370,793	5.9%	85,424	203,743	121,052	\$8.11	\$9.92
Southwest	527	10,687,559	4,000	312,593	3.0%	170,611	266,662	103,500	\$9.53	\$9.84
West	520	19,871,134	5,575	480,758	2.4%	(44,181)	65,150	-	\$7.06	\$10.04
<b>TOTAL</b>	<b>8,379</b>	<b>247,731,561</b>	<b>990,882</b>	<b>8,829,432</b>	<b>4.0%</b>	<b>717,454</b>	<b>2,434,952</b>	<b>2,436,033</b>	<b>\$6.93</b>	<b>\$10.39</b>

### Under Construction 3Q 2015

PROJECT	SQUARE FEET	DEVELOPER	COMPLETION DATE	SUBMARKET
Crossroads Commerce Park, Buildings 1-4	735,000	Trammell Crow Company	Q2 2016	Northeast
19799 E 36th Avenue, Building 29	452,400	Majestic Realty Company	Q1 2016	Northeast
5503 Havana Street	251,600	Prologis	Q1 2016	Northeast
435-495 E 62nd Avenue	124,000	Corum Real Estate	Q2 2016	Northeast

### Key Lease Transactions 3Q 2015

PROPERTY	SQUARE FEET	TENANT	TRANSACTION TYPE	SUBMARKET
9410 E 40th Avenue	503,000	Beverage Distributors	New	Northeast
14401 W 65th Way	124,000	Prescient Co, Inc.	New	West
21250 East 36th Drive	94,500	Pack-Rat	New	Northeast
13331-13333 E 37th Avenue	76,000	Gibson Athletic	New	Northeast
11775 E 45th Avenue	60,000	American Lighting, Inc.	New	Northeast
1960 Cherry Street	59,000	Packers Plus Energy Services	New	Northwest
10838 Highway 93	46,000	Sky Fuels, Inc.	Renewal	West

### Key Sale Transactions 3Q 2015

PROPERTY	SQUARE FEET	SELLER/BUYER	PRICE	SUBMARKET
5151 N Bannock Street	706,000	Bannock Street Center LP / Conscience Bay Company	\$42,895,000	Northwest
4775 E Walnut Street	101,000	Crestone Real Estate, LLC / W.W. Reynolds Companies	\$16,000,000	Boulder
5550 Airport Boulevard	332,000	Amgen, Inc. / AstraZeneca Pharmaceuticals LP	\$14,614,000	Boulder
14200 E Moncrieff Place	225,000	Beverage Distribution / LBA Realty	\$11,040,000	Northeast
2100 31st Street	77,000	Belle Haven Realty Co /	\$9,100,000	Central
4200 Jackson Street	49,000	4200 Jackson LLC / Tercero Properties	\$5,338,820	Central

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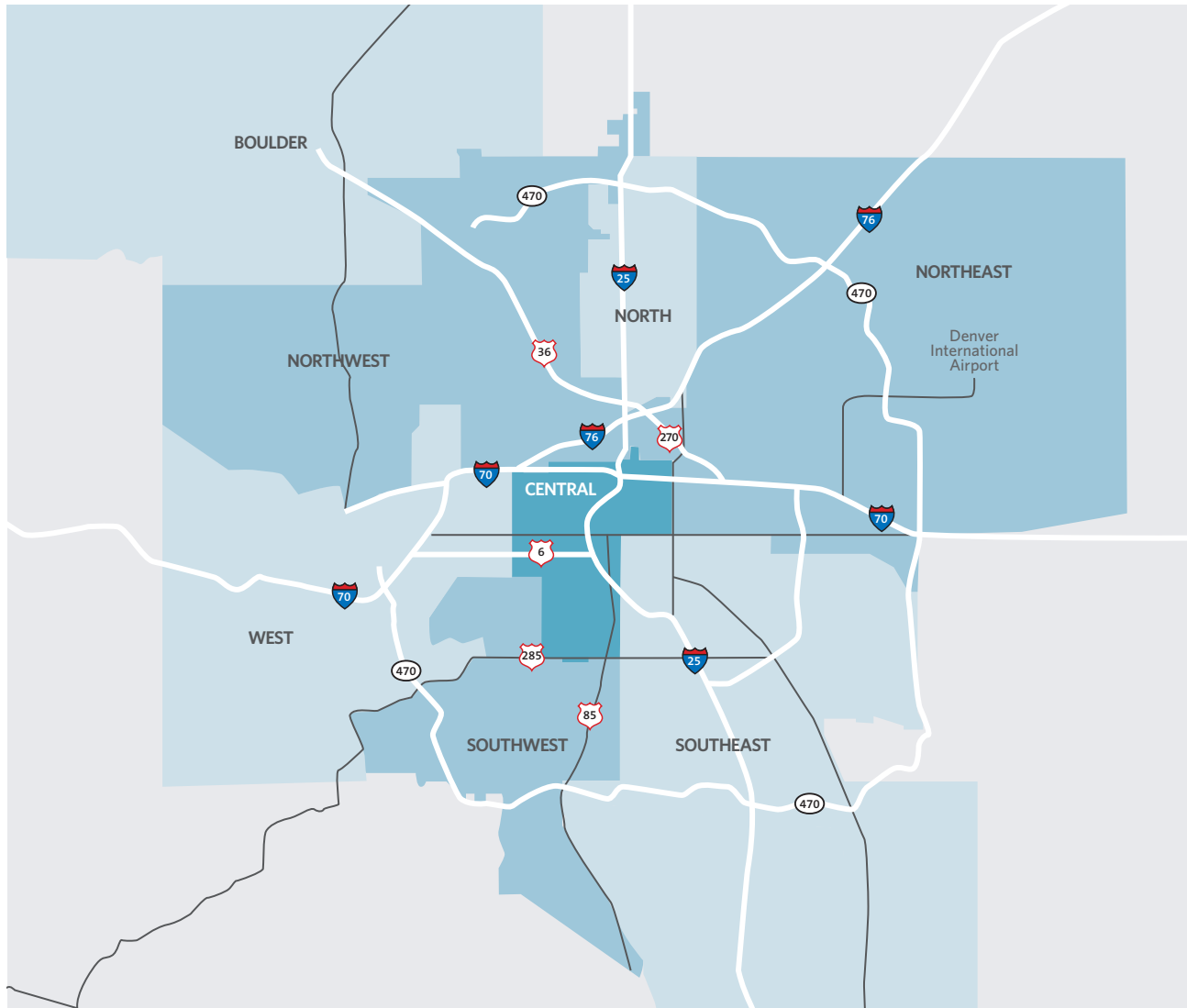
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#### INDUSTRIAL SUBMARKETS

##### DENVER, COLORADO



#### About Cushman & Wakefield

Cushman & Wakefield is a global leader in commercial real estate services, helping clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms in the world with revenues of \$5 billion across core services of agency leasing, asset services, capital markets, facilities services (branded C&W Services), global occupier services, investment management (branded DTZ Investors), tenant representation and valuations & advisory. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @Cushwake on Twitter.

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