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C3 Industrial
Year-End Report

COLORADO COMMERCIAL COMPANIES

Denver's Industrial Snapshot

The Northeast market is Denver's leading warehouse/distribution area, due to it's proximity to trucking routes, rail lines, and Denver International Airport. Current vacancy is 8.3%, up from 7.4% 2Q '08.

The Northwest market houses the majority of Colorado's specialty manufacturing and flex space. Current vacancy is 8.0%, up from 6.4% 2Q '08.

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 resulted in a 4.8% vacancy rate, down from 4.9% 2Q '08.

The Southwest market provides many smaller user buildings, but has experienced a lack of new construction, due to the cost of land. This lack of supply has resulted in relatively low vacancy of 6.6%, up from 5.8% 2Q '08.

The Southeast submarket features the highest concentration of second generation flex/office/service center product. Current vacancy is 11.4%, down from 12.1% 2Q '08.

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MARKET INDICATORS

Stalling Industrial Market Reflects Struggling Economy

Denver's industrial market continued to cool through the third and fourth quarters of 2008, despite several lagging indicators. Year-end data indicate that net absorption for the year was a positive 587,103 SF, followed by a poor fourth quarter posting of negative 43,708 SF.

Overall industrial vacancy rates increased to 8.2%, up from 5.7% YE 2007.

Sub-segment vacancy numbers for YE 2008 compared to YE 2007

⇩ Warehouse:	6.0% vs. 5.0%
⇧ Flex:	8.0% vs. 9.0%
⇔ Manufacturing	3.0% vs. 3.0%

Sub-segment rental rate figures for YE 2008 compared to YE 2007

⇧ Warehouse:	\$4.81/SF vs. \$4.79/SF
⇧ Flex:	\$8.82/SF vs. \$8.55/SF
⇩ Manufacturing	\$5.43/SF vs. \$5.83/SF

Construction deliveries increased to ±3.3M SF from ±2.8M SF YE 2007.

PROJECTIONS

Colorado Commercial Companies believes that the after effects of a lackluster holiday season, continued low consumer confidence numbers, and limited access to capital for individuals and businesses will result in the continuation of a 12–18 month stall for the Denver industrial market, which by most accounts appears to have begun 4Q '08.

Key economic drivers such as unemployment and consumer spending indicate that existing inventory levels will hold, manufacturing will be pared back, and users of industrial real estate will take a wait-and-see approach while seated at the negotiating table, which will result in short-term renewals and more contractions than expansions. Savvy landlords will accept short-term renewals, leases with provisions for future growth, and well securitized users with less attractive financial statements. Listing teams that excel at process oriented marketing, canvassing, and mailing campaigns will be most successful. ◀

ON THE FLIP SIDE:
• Fourth Quarter Industrial Statistics
• Current C3 Availabilities

Q4 Industrial Statistics by Sector

WAREHOUSE

Mkt.	Market	Inventory	Bldgs.	YTD Direct Absorption	YTD Leasing	Direct Availability	Vacancy	Overall Availability	Overall Vacancy	Direct Net	Rental Rate	Sublease Availability	Overall Net Rental Rate
NW	Northwest	18,115,749	381	227,489	988,725	969,692	5.40%	985,144	5.40%	$5.81	$6.50	15,452	$5.82
NE	Northeast	75,053,102	1,095	1,223,012	4,463,483	4,827,167	6.40%	5,118,841	6.80%	$4.38	$3.79	291,674	$4.34
CEN	Central	14,361,503	421	63,835	261,626	440,979	3.10%	476,979	3.30%	$4.15	$10.00	36,000	$4.59
SE	Southeast	6,541,547	134	249,365	371,533	303,678	4.60%	303,678	4.60%	$8.15	$0.00	0	$8.15
SW	Southwest	10,986,851	354	146,812	329,879	376,707	3.40%	389,579	3.50%	$5.65	$6.50	12,872	$5.68
	TOTAL	**125,058,752**	**2,385**	**1,910,513**	**6,415,246**	**6,918,223**	**5.50%**	**7,274,221**	**5.80%**	**$4.82**	**$4.63**	**355,998**	**$4.81**

MANUFACTURING

Mkt.	Market	Inventory	Bldgs.	YTD Direct Absorption	YTD Leasing	Direct Availability	Vacancy	Overall Availability	Overall Vacancy	Direct Net	Rental Rate	Sublease Availability	Overall Net Rental Rate
NW	Northwest	17,334,812	133	125,178	182,265	347,322	2.00%	402,082	2.30%	$7.13	$8.82	54,760	$7.36
NE	Northeast	8,254,859	154	78,764	193,372	490,473	5.90%	600,273	7.30%	$4.00	$4.20	109,800	$4.03
CEN	Central	3,903,974	89	42,000	42,000	0	0.00%	0	0.00%	$0.00	$0.00	0	$0.00
SE	Southeast	960,618	19	41,214	41,214	8,640	0.90%	8,640	0.90%	$5.50	$0.00	0	$5.50
SW	Southwest	4,445,940	166	119,409	201,069	96,969	2.20%	96,969	2.20%	$6.07	$0.00	0	$6.07
	TOTAL	**34,900,203**	**561**	**406,565**	**659,920**	**943,404**	**2.70%**	**1,107,964**	**3.20%**	**$5.38**	**$5.74**	**164,560**	**$5.43**

OFFICE SERVICE CENTER / HIGH TECH

Mkt.	Market	Inventory	Bldgs.	YTD Direct Absorption	YTD Leasing	Direct Availability	Vacancy	Overall Availability	Overall Vacancy	Direct Net	Rental Rate	Sublease Availability	Overall Net Rental Rate
NW	Northwest	13,506,392	304	426,010	1,159,619	1,194,412	8.84%	1,254,055	9.28%	$9.15	$9.87	59,643	$9.17
NE	Northeast	5,486,704	156	255,130	472,101	392,302	7.15%	404,302	7.37%	$6.84	$8.75	12,000	$6.90
CEN	Central	1,235,859	40	-7,622	33,505	29,000	2.35%	29,000	2.35%	$4.50	$0.00	0	$4.50
SE	Southeast	10,192,810	231	220,101	764,993	1,171,252	11.49%	1,180,162	11.58%	$9.73	$11.00	8,910	$9.74
SW	Southwest	4,369,686	133	112,345	240,967	169,672	3.88%	176,122	4.03%	$8.73	$6.00	6,450	$8.63
	TOTAL	**34,791,451**	**864**	**1,005,964**	**2,671,185**	**2,956,638**	**8.50%**	**3,043,641**	**8.75%**	**$9.01**	**$9.54**	**87,003**	**$9.01**

ALL BUILDING TYPES

Mkt.	Market	Inventory	Bldgs.	YTD Direct Absorption	YTD Leasing	Direct Availability	Vacancy	Overall Availability	Overall Vacancy	Direct Net	Rental Rate	Sublease Availability	Overall Net Rental Rate
NW	Northwest	48,956,953	818	778,677	2,330,609	2,511,426	5.10%	2,641,281	5.40%	$7.58	$8.92	129,855	$7.64
NE	Northeast	88,794,665	1,405	1,556,906	5,128,956	5,709,942	6.40%	6,123,416	6.90%	$4.53	$4.04	413,474	$4.49
CEN	Central	19,501,336	550	98,213	337,131	469,979	2.40%	505,979	2.60%	$4.17	$10.00	36,000	$4.58
SE	Southeast	17,694,975	384	510,680	1,177,740	1,483,570	8.40%	1,492,480	8.40%	$9.38	$11.00	8,910	$9.39
SW	Southwest	19,802,477	653	378,566	771,915	643,348	3.20%	662,670	3.30%	$6.53	$6.33	19,322	$6.52
	TOTAL	**194,750,406**	**3,810**	**3,323,042**	**9,746,351**	**10,818,265**	**5.60%**	**11,425,826**	**5.90%**	**$6.04**	**$5.53**	**607,561**	**$6.01**

200-208 KALAMATH

Warehouse/Office/Retail

Land and buildings for sale or lease

- 57,960 SF including:
  - Warehouse
  - Showroom
  - Restaurant/brewery
  - Office
- Central location
- Immediate access to I-25
- ±2 Acres
- 2 Dock-high doors
- 1 Drive-in door
- I-1 and Enterprise zoned

6201 EAST 42ND AVE

Warehouse/Distribution

Excellent user opportunity

- Recently renovated
- Ready to occupy
- 10,000–100,000 SF
- Acessible to I-70, DIA, rail
- 8 Dock-high doors
- 3 Drive-in doors
- 6 Rail doors
- I-2 Zoned (heavy industrial)
- 18' Clear heights
- 33' x 33' Column spacing
- 5.07 Acre site
- ±2 Acres fenced yard

INDUSTRIAL LEASES

The largest industrial lease signings for the Denver metro area in 2008 included:

General Electric Company
152,218 SF at The Campus at Longmont

Office Depot
149,986 SF at Havanna Distribution Center

Coors Brewing Company
132,000 SF at Majestic Commercenter

Western Paper Distributors, Inc.
120,908 SF at Mile High Business Center

Vestas American Wind Tech
120,000 SF at Joliet Business Center

Alstrom Power
103,396 SF at Mile High Business Center

Oakwood Homes
100,486 SF at Lincoln Distribution Center