

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 7.0%, down from 8.3% 4Q '08.

The Northwest market houses the majority of Colorado's specialty manufacturing and flex space. Current vacancy is 10.2%, up from 8.0% 4Q '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 kept vacancy relatively low. Current vacancy is 5.8%, up from 4.8% 4Q '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 6.7%, up from 6.6% 4Q '08.

The Southeast submarket features the highest concentration of second generation flex/office/service center product. Current vacancy is 11.6%, up from 11.4% 4Q '08.

MARKET INDICATORS

Denver Industrial Segment Healthier than Most, but Still Slowing



Denver's industrial market ended the second quarter of 2009 with an 8.9% overall vacancy rate and year-to-date net absorption totaling a negative **197,327 SF**.

Active tenants in the market totaled approximately **8.8M SF**, down from approximately 13.8M SF of active tenants last year at this time.

2Q 09 Construction deliveries decreased to **±141,575 SF** from ±176,764 SF 2Q 08. Sales of industrial property have continued to decrease as access to capital continues to be a challenge for many buyers.

Sub-segment vacancy numbers for 2Q 2009 compared to 2Q 2008

↑ Warehouse:	7.5% vs. 6.6%
↑ Flex:	15.4% vs. 13.9%
↑ Manufacturing	3.5% vs. 3.1%

Sub-segment rental rate figures for 2Q 2009 compared to 2Q 2008

↓ Warehouse:	\$5.24/SF vs. \$5.41/SF
↓ Flex:	\$9.48/SF vs. \$9.90/SF
↓ Manufacturing	\$5.21/SF vs. \$5.54/SF

Although overall demand has slowed significantly, many commercial real estate brokers and owners still feel that Denver is one of the healthier industrial markets in the country.

FORECAST

Down Market for Owners Balanced by Opportunities for Tenants and Buyers

- Industrial Users continue their flight to quality as many choose to lease space in newer, high clear buildings at reduced rental rates
- As users absorb Class A properties, a gradual strengthening of Class B and C product will begin
- Current leasing trends include short-term lease renewals and "blend and extends" by tenants seeking to capitalize on poor market conditions prior to lease expirations
- Although construction costs are stabilizing, current market demand and lease rates do not justify new spec construction
- Lease and loan defaults continue to increase—by both owners and tenants ◀

ON THE FLIP SIDE:

- Mid-Year Industrial Statistics
- C3 Sells Unique Industrial Brewery

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

Mid-Year Industrial Statistics by Sector

WAREHOUSE													
Mkt.	Market	Inventory	Bldgs.	YTD Direct		Direct		Overall Availability	Overall Vacancy	Direct Net	Sublease Rate	Sublease Availability	Overall Net Rental Rate
				Absorption	YTD Leasing	Availability	Vacancy						
NW	Northwest	18,302,208	391	82,722	293,105	1,055,978	5.80%	1,097,446	6.00%	\$5.23	\$5.93	41,468	\$5.26
NE	Northeast	75,535,048	1,106	555,126	2,339,565	5,804,009	7.70%	6,208,105	8.20%	\$4.18	\$3.45	404,096	\$4.13
CEN	Central	14,286,282	419	-29,793	75,720	477,372	3.30%	511,372	3.60%	\$4.01	\$6.00	34,000	\$4.14
SE	Southeast	6,512,772	133	5,225	77,409	366,305	5.60%	366,305	5.60%	\$7.06	\$0.00	0	\$7.06
SW	Southwest	11,125,397	358	-11,145	88,659	462,016	4.20%	484,392	4.40%	\$5.21	\$6.29	22,376	\$5.26
TOTAL		125,761,707	2,407	602,135	2,874,458	8,165,680	6.49%	8,667,620	6.89%	\$4.49	\$3.95	501,940	\$4.46

MANUFACTURING													
Mkt.	Market	Inventory	Bldgs.	YTD Direct		Direct		Overall Availability	Overall Vacancy	Direct Net	Sublease Rate	Sublease Availability	Overall Net Rental Rate
				Absorption	YTD Leasing	Availability	Vacancy						
NW	Northwest	17,585,556	138	15,814	70,185	363,860	2.10%	422,622	2.40%	\$7.43	\$7.53	58,762	\$7.44
NE	Northeast	8,337,378	155	-12,045	152,061	502,518	6.00%	575,218	6.90%	\$3.99	\$3.95	72,700	\$3.98
CEN	Central	3,903,974	89	444	12,922	73,476	1.90%	73,476	1.90%	\$5.34	\$0.00	0	\$5.34
SE	Southeast	940,677	18	0	0	8,640	0.90%	8,640	0.90%	\$5.50	\$0.00	0	\$5.50
SW	Southwest	4,438,991	166	-56,959	39,427	153,928	3.50%	153,928	3.50%	\$3.58	\$0.00	0	\$3.58
TOTAL		35,206,576	566	-52,746	274,595	1,102,422	3.13%	1,233,884	3.50%	\$5.17	\$5.55	131,462	\$5.21

OFFICE SERVICE CENTER / HIGH TECH													
Mkt.	Market	Inventory	Bldgs.	YTD Direct		Direct		Overall Availability	Overall Vacancy	Direct Net	Sublease Rate	Sublease Availability	Overall Net Rental Rate
				Absorption	YTD Leasing	Availability	Vacancy						
NW	Northwest	9,837,554	252	-15,754	166,378	1,018,045	10.30%	1,047,954	10.70%	\$8.17	\$6.12	29,909	\$8.11
NE	Northeast	5,288,537	151	-34,070	162,129	432,049	8.20%	436,264	8.20%	\$7.08	\$6.50	4,215	\$7.07
CEN	Central	1,235,859	40	3,095	3,095	29,000	2.30%	29,000	2.30%	\$4.50	\$0.00	0	\$4.50
SE	Southeast	8,715,104	216	15,847	259,628	1,132,532	13.00%	1,150,704	13.20%	\$9.44	\$5.47	18,172	\$9.37
SW	Southwest	4,276,155	133	-58,236	61,870	266,318	6.20%	275,239	6.40%	\$8.77	\$4.00	8,921	\$8.62
TOTAL		29,353,209	792	-89,118	653,100	2,877,944	9.80%	2,939,161	10.01%	\$8.51	\$5.64	61,217	\$8.45

ALL BUILDING TYPES													
Mkt.	Market	Inventory	Bldgs.	YTD Direct		Direct		Overall Availability	Overall Vacancy	Direct Net	Sublease Rate	Sublease Availability	Overall Net Rental Rate
				Absorption	YTD Leasing	Availability	Vacancy						
NW	Northwest	45,725,318	781	82,782	529,668	2,437,883	5.33%	2,568,022	5.62%	\$6.79	\$6.70	130,139	\$6.78
NE	Northeast	89,160,963	1,412	509,011	2,653,755	6,738,576	7.56%	7,219,587	8.10%	\$4.35	\$3.55	481,011	\$4.30
CEN	Central	19,426,115	548	-26,254	91,737	579,848	2.98%	613,848	3.16%	\$4.20	\$6.00	34,000	\$4.30
SE	Southeast	16,168,553	367	21,072	337,037	1,507,477	9.32%	1,525,649	9.44%	\$8.84	\$5.47	18,172	\$8.80
SW	Southwest	19,840,543	657	-126,340	189,956	882,262	4.45%	913,559	4.60%	\$6.00	\$5.64	31,297	\$5.99
TOTAL		190,321,492	3,765	460,271	3,802,153	12,146,046	6.38%	12,840,665	6.75%	\$5.51	\$4.40	694,619	\$5.45



200-208 KALAMATH
Warehouse/Office/Retail

- 57,960 SF including:
 - Warehouse
 - Showroom
 - Restaurant/brewery
 - Office
- Central location
- Immediate access to I-25
- ±1.5 Acres
- 2 Dock-high doors
- 1 Drive-in door
- I-1 and Enterprise zoned

C3 Sells Unique Industrial Brewery

Creative Deal Structure and SBA Lending Close the Deal

Colorado Commercial Companies (C3) sold the former Heavenly Daze building at the beginning of second quarter. The sale of the property, located at 200-208 South Kalamath, represents one of the top 10 largest industrial sales and also one of the top 15 largest industrial transactions year to date.

The sales price of \$3.05 million included a 56,954 SF industrial building, a 1,006 SF commercially zoned outbuilding, and ±1.5 acres of land. The transaction also included all of the fixtures, furniture and equipment located within the former brew pub.

C3 represented the seller, Tebo Development Co., in the transaction. The buyer, StranahansKalamath, LLC will occupy about 85% of the property and will utilize the facility to increase its production of Stranahan's Colorado Whiskey. Stranahan's engaged C3 to continue as the listing agent for the remaining space within the property. Tebo Development Co. recently engaged C3 to list its one remaining land parcel adjacent to the site.

To view C3's listings of industrial, flex, land, and office space visit our Website at www.colocom.com.