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C3 Industrial

Year End Report 2009

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 8.2%, down from 8.3% 4Q '08.

The Northwest market houses the majority of Colorado's specialty manufacturing and flex space. Current vacancy is 9.0%, 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 7.1%, up from 6.6% 4Q '08.

The Southeast submarket features the highest concentration of second generation flex/office/service center product. Current vacancy is 12.1%, up from 11.4% 4Q '08.

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Denver's Industrial Market Shows Sales Activity at Year End

2009 closed with a bang as Cobalt Capital purchased three buildings totaling approximately 500,000 SF from ProLogis for $18.53 million.

Panattoni Development Company sold its 410,000 SF warehouse at 20900 East 36th Street for $32.35 million to Union Investment Real Estate GmbH.

O'Reilly Automotive, Inc./Ozark Automotive Distributors of Springfield, MO bought the 360,000 SF building at 24210 East 19th Avenue for $19.3 million.

FORWARD LOOKING TRENDS

- ↑ Vacancy will continue to increase
- ↓ Rental Rates will continue to decrease
- ↔ Absorption should flatten and become positive, in large part due to a lack of supply of Class A speculative space
- ↔ Construction will stay flat; exception: user build-to-suits
- ↑ Landlords get creative with "blend and extend" early lease extensions; short term renewals and month to month deals
- ↓ Distressed asset sales will be far and few between in the industrial segment due to trends towards lower debt ratios than other product classes
- ↑ Sales activity will increase as liquidity improves
- ↔ Cap rates tick up slightly, then flatten
- ↑ Smart investors are beginning to seek well located properties with solid functional attributes
- ↓ Property values will continue to be deflated, current values reflect 30 to 50 percent discounts from replacement costs

4Q 2009 INDUSTRIAL AT A GLANCE

Vacancy including sublease space is approximately 8.8%
Average lease rates are approximately $5.95/SF
Net absorption was - 272,000 SF metrowide
Net new construction was 0 SF
New completions equaled 29,000 SF

ON THE FLIP SIDE:
• Year End 2009 Industrial Statistics
• Recent Industrial Leases

No warranty or representation, express or implied, is made as to the accuracy of the information contained herein, and the same is submitted subject to errors and omission, and changes by our Principals. Information and statistics contained within this narrative have been assembled from sources which may include CoStar Group, Inc., Xceligent Inc. Commercial Real Estate, the Denver Business Journal and the Colorado Real Estate Journal.

Year End 2009 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	18,684,435	401	-265,474	1,617,835	8.70%	110,139	1,727,974	9.20%	$4.86
NE	Northeast	75,909,891	1,120	120,523	6,442,057	8.50%	546,744	6,988,801	9.20%	$3.80
CEN	Central	14,267,536	422	44,979	552,931	3.90%	64,000	616,931	4.30%	$3.90
SE	Southeast	6,763,298	136	-90,394	529,241	7.80%	0	529,241	7.80%	$6.39
SW	Southwest	11,663,035	369	18,726	474,002	4.10%	24,531	498,533	4.30%	$5.07
	TOTAL	127,288,195	2,448	-171,640	9,616,066	7.60%	745,414	10,361,480	8.10%	$4.17

MANUFACTURING										
Mkt.	Market	Inventory	Bldgs.	YTD Direct Absorption	Direct Availability	Direct Vacancy	Sublease Availability	Overall Availability	Overall Vacancy	Overall Net Rental Rate
NW	Northwest	18,314,822	142	-4,119	429,039	2.30%	55,502	484,541	2.60%	$6.57
NE	Northeast	8,535,420	157	-82,348	614,621	7.20%	114,400	729,021	8.50%	$3.20
CEN	Central	3,885,974	88	444	73,476	1.90%	0	73,476	1.90%	$4.92
SE	Southeast	940,677	18	0	8,640	0.90%	0	8,640	0.90%	$5.50
SW	Southwest	4,474,787	167	-45,885	196,718	4.40%	0	196,718	4.40%	$3.45
	TOTAL	36,151,680	572	-131,908	1,322,494	3.70%	169,902	1,492,396	4.10%	$4.42

OFFICE SERVICE CENTER / HIGH TECH											
										Overall Net Rental Rate	
Mkt.	Market	Inventory	Bldgs.	YTD Direct Absorption	Direct Availability	Direct Vacancy	Sublease Availability	Overall Availability	Overall Vacancy	OS	HT
NW	Northwest	13,288,111	315	96,289	1,260,071	9.50%	199,245	1,459,316	11.00%	$8.32	$10.75
NE	Northeast	5,486,704	156	-286,467	733,793	13.40%	13,924	747,717	14.00%	$6.18	$0.00
CEN	Central	1,235,859	40	24,095	8,000	0.70%	0	8,000	1.00%	$4.50	$0.00
SE	Southeast	10,594,775	242	-22,395	1,524,231	14.40%	55,488	1,579,719	15.00%	$8.90	$9.30
SW	Southwest	4,522,624	141	-131,902	350,484	7.80%	13,540	364,024	8.00%	$8.71	$0.00
	TOTAL	35,128,073	894	-320,380	3,876,579	11.00%	282,197	4,158,776	11.84%	$8.17	$10.16

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	50,287,368	858	-173,304	3,306,945	6.58%	364,886	3,671,831	7.30%	$6.73
NE	Northeast	89,932,015	1,433	-248,292	7,790,471	8.66%	675,068	8,465,539	9.41%	$3.93
CEN	Central	19,389,369	550	69,518	634,407	3.27%	64,000	698,407	3.60%	$4.02
SE	Southeast	18,298,750	396	-112,789	2,062,112	11.27%	55,488	2,117,600	11.57%	$8.29
SW	Southwest	20,660,446	677	-159,061	1,021,204	4.94%	38,071	1,059,275	5.13%	$6.02
	TOTAL	198,567,948	3,914	-623,928	12,146,046	6.12%	1,197,513	16,012,652	8.06%	$5.31

INDUSTRIAL LEASES

The largest industrial lease signings for the Denver metro area in 2009 included:

- SMA Solar Technology AG of Germany - 153,000 SF at 3801 Havana Street, Stapleton in Denver, CO
- Abound Solar - 126,384 SF at 9586 East I-25 Frontage Road in Longmont, CO
- Hexcel Corporation - 100,000 SF at 31815 Great Western Drive in Windsor, CO
- Creative Foam Corporation - 70,000 SF at 1800 Pike Road in Golden, CO
- PMC Technology A/S - 43,350 SF at 16133 West 45th Drive in Golden, CO
- ProLogis announced over 800,000 SF of new leases and renewals to the following firms:
  - Hallmark Building Supplies, Inc.
  - Meyer Distributing, Inc.
  - Imprints Wholesale, Inc. (45,000 SF)
  - NGL Denver
  - Associated Tele-Networking, Inc.
  - Kellogg's Co.
  - Design Materials, Inc.
  - Insulfoam, LLC
  - Xpress Colorado, LLC
  - MyWay Mobile Storage

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