



### 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 6.8%, down from 7.5% 2Q '10.

The Northwest market houses the majority of Colorado's specialty manufacturing and flex space. Current vacancy is 8.3%, down from 8.8% 2Q '10.

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 2.8%, down from 3.7% 2Q '10.

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%, down from 6.7% 2Q '10.

The Southeast submarket features the highest concentration of second generation flex/office/service center product. Current vacancy is 11.6%, no change from 2Q '10.

### TO BUILD OR NOT TO BUILD

Overall industrial indicators showed Denver to be an industrial market in slow recovery. Inconsistent demand paired with lower consumer confidence numbers has resulted in a market caught in a holding pattern. As several submarkets posted vacancy rates below 9% many users have begun to call for new construction. How the lenders and developers respond is yet to be determined.

Indicator	2010 Prediction	Q2 2011	Q2 2010	Current Trend
Overall Vacancy:		7.80%	8.60%	
Overall Sublease Availability:		770,857 SF	936,000 SF	
Overall Construction:		92,394 SF (3 Buildings)	668,000 SF (2 Buildings)	
Overall Rental Rate:		\$5.91/SF	\$4.10/SF	
Overall Absorption:		956 SF	1,750,000 SF	
Overall Sales:		Q1 2011* 14 Transactions \$295,049,000 \$194.37/SF Average	Q1 2010* 18 Transactions \$42.7 M \$55.82/SF Average	

\*Trailing indicators.

Currently, three buildings over 30,000 SF are under construction and all three are preleased. Spec construction is on hold. Rental rates have begun to creep up as demand and supply show signs of shifting out of equilibrium.

Class A space has been absorbed as users continue to exit second generation spaces for more functional buildings.

The industrial sales market is bifurcated. Denver has experienced solid demand from the investment community for stabilized, well located assets. Whereas second generation assets draw attention from local and regional business owners looking to take advantage of the market to diversify their asset holdings. These purchasers have survived the recession, operated conservatively and stockpiled capital. Many feel that the current market environment presents opportunities for purchases below replacement cost, financed with loans at historically low interest rates.

#### ON THE FLIP SIDE:

- Industrial Statistics
- Top Industrial Leases and Sales

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## Second Quarter 2011 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	19,795,632	434	231,618	1,317,259	6.70%	16,819	1,334,078	6.70%	\$5.18	
NE	Northeast	83,988,817	1,263	430,926	5,950,906	7.10%	510,897	6,461,803	7.70%	\$3.73	
CEN	Central	16,051,944	450	135,852	493,488	3.10%	0	493,488	3.10%	\$4.24	
SE	Southeast	7,064,691	148	34,756	348,345	4.90%	8,648	356,993	5.10%	\$6.13	
SW	Southwest	12,485,527	415	129,615	795,692	6.40%	3,663	799,355	6.40%	\$5.39	
<b>TOTAL</b>		<b>139,386,611</b>	<b>2,710</b>	<b>962,767</b>	<b>8,905,690</b>	<b>6.39%</b>	<b>540,027</b>	<b>9,445,717</b>	<b>6.78%</b>	<b>\$4.93</b>	
MANUFACTURING											
Mkt.	Market	Inventory	Bldgs.	YTD Direct Absorption	Direct Availability	Direct Vacancy	Sublease Availability	Overall Availability	Overall Vacancy	Overall Net Rental Rate	
NW	Northwest	23,437,951	171	-453,710	1,966,787	8.40%	471,932	2,438,719	10.40%	\$5.94	
NE	Northeast	10,636,707	175	751,338	659,423	6.20%	114,400	773,823	7.30%	\$3.60	
CEN	Central	4,108,531	92	17,100	387,653	9.40%	0	387,653	9.40%	\$2.99	
SE	Southeast	1,052,336	18	8,640	62,031	5.90%	0	62,031	5.90%	\$8.50	
SW	Southwest	4,881,810	174	83,653	91,256	1.90%	0	91,256	1.90%	\$6.01	
<b>TOTAL</b>		<b>44,117,335</b>	<b>630</b>	<b>407,021</b>	<b>3,167,150</b>	<b>7.18%</b>	<b>586,332</b>	<b>3,753,482</b>	<b>8.51%</b>	<b>\$5.41</b>	
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 OS	HT
NW	Northwest	16,366,950	397	193,670	1,437,270	8.78%	238,937	1,676,207	10.24%	\$9.51	\$11.91
NE	Northeast	5,854,908	162	140,200	791,406	13.52%	4,853	796,259	13.60%	\$5.82	\$0.00
CEN	Central	1,540,463	49	7,422	13,712	0.89%	0	13,712	0.89%	\$6.88	\$0.00
SE	Southeast	11,654,816	262	4,473	1,889,858	16.22%	32,826	1,922,684	16.50%	\$8.74	\$8.81
SW	Southwest	4,748,442	153	-8,490	509,397	10.73%	6,336	515,733	10.86%	\$8.18	\$0.00
<b>TOTAL</b>		<b>40,165,579</b>	<b>1,023</b>	<b>337,275</b>	<b>4,641,643</b>	<b>11.56%</b>	<b>282,952</b>	<b>4,924,595</b>	<b>12.26%</b>	<b>\$7.83</b>	<b>\$4.14</b>
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	59,600,553	1,002	-28,422	4,721,316	7.90%	727,688	5,449,004	9.10%	\$7.37	
NE	Northeast	100,480,432	1,600	1,322,464	7,401,735	7.40%	630,150	8,031,885	8.00%	\$3.93	
CEN	Central	21,700,938	591	160,374	894,853	4.10%	0	894,853	4.10%	\$3.72	
SE	Southeast	19,771,843	428	47,869	2,300,234	11.60%	41,474	2,341,708	11.80%	\$8.34	
SW	Southwest	22,115,779	742	204,778	1,396,345	6.30%	9,999	1,406,344	6.40%	\$6.45	
<b>TOTAL</b>		<b>223,669,545</b>	<b>4,363</b>	<b>1,707,063</b>	<b>16,714,483</b>	<b>7.47%</b>	<b>1,409,311</b>	<b>18,123,794</b>	<b>8.10%</b>	<b>\$5.96</b>	

### TOP INDUSTRIAL LEASES 2Q 2011

- ◆ 148,902 SF - SMA at Enterprise Park, 3801 Havana Street, Denver, CO
- ◆ 140,630 SF - Home Depot at 9410 Heinze Way, Denver, CO
- ◆ 127,951 SF - Dish Network at 12695 East 39th Avenue, Denver, CO
- ◆ 94,132 SF - Goodwill Industries of Denver at Dartmouth Industrial Park, 3155-3199 S. Platte River Drive, Englewood, CO
- ◆ 82,880 SF - Nite Ize at 6455 Spine Road, Boulder, CO
- ◆ 69,345 SF - PFX Pet Supply at 4501 Florence Street, Denver, CO

### TOP INDUSTRIAL SALES 2Q 2011

- ◆ 353,092 SF - LBA Realty Purchased Denver Commerce Center for \$23,700,000 (\$67.12/SF)
- ◆ 110,000 SF - Performance Building Services Purchased 8221 East 96th Avenue for \$2,325,000 (\$21.14/SF)
- ◆ 101,589 SF - City Center Retail Purchased Parfet Business Park for \$6,515,000 (\$64.13/SF)