

METRO DENVER | INDUSTRIAL Q3 2017

Denver: A Localized Economy, Positioned for Sustained Growth

Market Overview

Denver's industrial market continues its development momentum with more than 4 million square feet currently under construction. During this cycle, a majority of industrial construction has been positioned along the I-70 corridor. However, as CDOT prepares for a \$1.2 billion expansion of I-70, scheduled to begin in early 2018, developers and industry professionals alike are contemplating Denver's other corridors in order to meet demand. The estimated five-year project has the potential to push development all directions north, and Amazon's recently announced facility along I-25 North will likely intensify discussion for further development along I-25 and I-76 to avoid the commotion of the I-70 expansion. With two major interstate systems intersecting in Denver, I-25 and I-70, confidence in the industrial sector remains elevated as our localized economy, growing population, and expanding transportation infrastructure continue to attract national attention.

Highlighted Trends

- > Metro deliveries totaled approximately 1.6 million square feet during Q3.
- > 9 out of 15 submarkets realized positive net absorption.
- > Third quarter industrial sales activity totaled more than \$240 million across 23 transactions with an average sales price per square foot of \$102.
- > Unemployment rate in Metro Denver currently sits at 2.2 percent – national unemployment is 4.4 percent.
- > The September 2017 Manufacturing ISM Report on Business stated that economic activity in the manufacturing sector expanded and grew for the 100th consecutive month, with an increase in the PMI of 2.0 percentage points since August 2017.

Market Indicators

Relative to prior period	Q3 2017	Projected Q4 2017
Vacancy	↓	↔
Net Absorption	+	+
Deliveries	↑	↑
Rental Rate	↑	↔

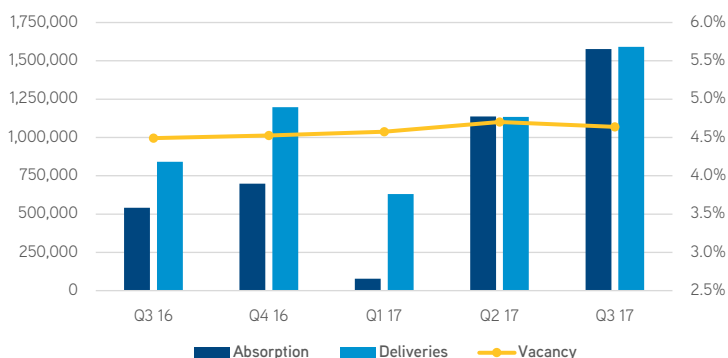
*Arrows compare current quarter to the previous quarter's historically adjusted figures

Denver Metro Summary Statistics

	Q3 2016	Q3 2017
Vacancy Rate	4.5%	4.6%
Absorption YTD	1,684,714	2,714,031
Deliveries YTD	2,996,793	3,356,381
Under Construction	3,574,357	4,001,246
Asking Rents/SF	\$7.75	\$7.92
Total SF	226,400,416	230,567,825

Third quarter positive net absorption totaled approximately 1.57 million square feet.

Denver Industrial Market Q3 2016 – Q3 2017



Absorption

Year-to-date absorption passed the 2.7 million square foot mark during the third quarter totaling more than 1.57 million square feet with nine of the metro's 15 submarkets recording positive absorption. The Metro Denver industrial sector has experienced positive absorption in 20 of the last 22 quarters. A majority of the absorption during the third quarter stems from the completion of Amazon's one million square foot facility at ProLogis Park 70 in Aurora. McLane Foodservice also took occupancy of their 250,000 square foot, build-to-suit facility off Tower Road near Denver International Airport. Absorption remains strong alongside a steady stream of new deliveries, as large tenant move-ins become more frequent throughout the metro.

Vacancy

Metro vacancy remains at relative equilibrium as third quarter vacancy decreased 10 basis points to 4.6 percent, marking the 15th consecutive quarter vacancy was reported below 5 percent. With multiple projects being delivered to the market fully leased, vacancy has held stable between 4.2 and 4.7 percent for the last eight quarters, despite ongoing development.

Deliveries & Construction

Approximately 1.6 million square feet of inventory was delivered during the third quarter with the completion of Amazon's one million square foot facility. Year-to-date deliveries are up 12 percent from the previous year, and currently, there are more than 4 million square feet under construction throughout Metro Denver. Denver's I-70 corridor has experienced significant growth over the past five years. However, with continued expansion, developers will likely pursue opportunities along other corridors such as US 36, I-76, and I-25 north. East I-70/Montbello currently has approximately 1.7 million square feet in the pipeline, and construction of Amazon's three-story, 2.4 million square foot robotics fulfillment center in the North submarket along I-25 began during the quarter.

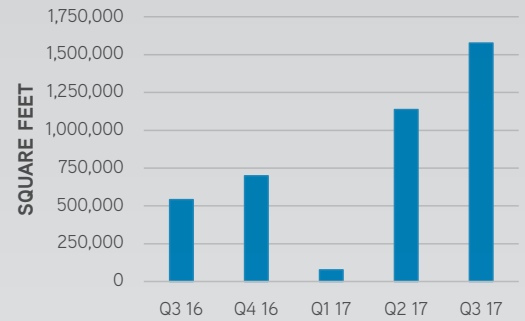
Rental Rates

The overall third quarter average asking rate held steady just below the \$8 per square foot mark. It should be noted the overall average rate includes all industrial-type properties, such as warehouse, flex, R&D, and manufacturing and distribution. Depending on size and quality, rates along the I-25 corridor range from \$5.50 to \$8.50 per square foot, while rates along the I-70 corridor are attaining \$4.00 to \$6.00 per square foot. Although overall rates decreased slightly quarter-over-quarter, the third quarter rate finished at \$7.92 per square foot – just \$0.04 per square foot below the previous quarter.

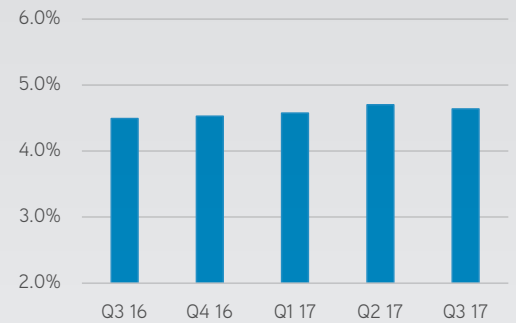
Sales Activity

There were 23 transactions in the Metro Denver industrial market during the third quarter totaling approximately \$240 million in sales volume with an average price per square foot of \$102. Notable third quarter transactions included five properties from Ivanhoe Cambridge's purchase of the 94-property Last Mile Logistics Portfolio. Totalling just over 640,000 square feet, the five Metro Denver properties were located in the East I-70/Montbello submarket with an allocated value of more than \$51 million. Other transactions during the quarter included 4775 East Walnut Street in Boulder, which sold for \$22.1 million, and Gateway Plaza in Aurora sold for \$10.95 million.

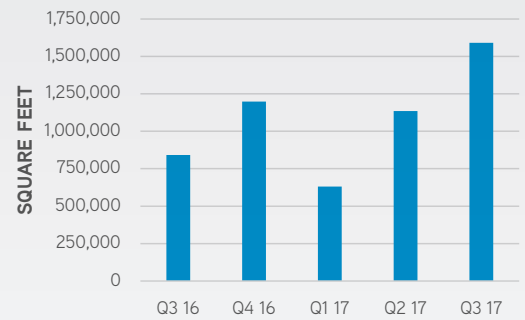
Absorption



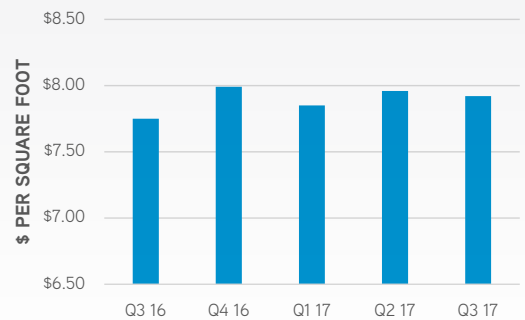
Vacancy



Deliveries



Rental Rates



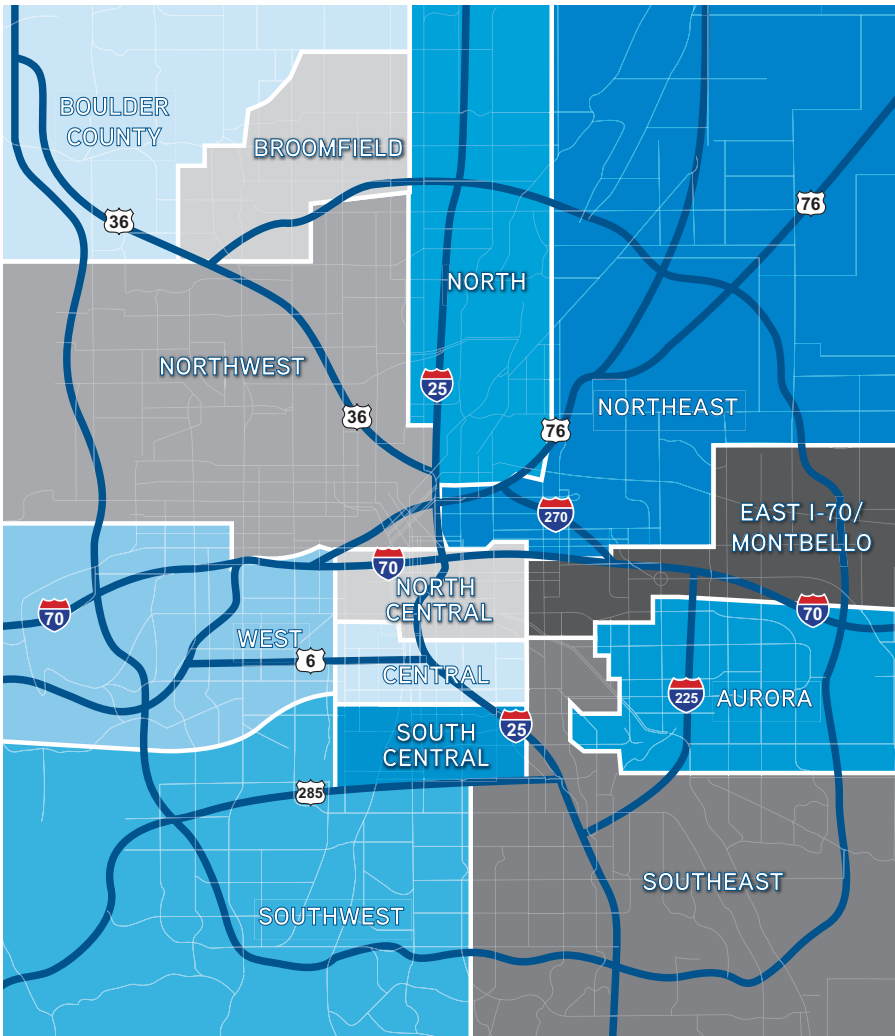
Recent Transactions

Industrial – Denver - Sales Activity						
PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
Last Mile Logistics Portfolio	East I-70/Montbello	\$54,538,890	640,685	\$85	Ivanhoe Cambridge	Evergreen Industrial
4775 East Walnut Street	Boulder	\$22,100,000	99,149	\$223	Washington Capital Management	WW Reynolds Companies
Gateway Plaza	East I-70/Montbello	\$10,950,000	125,228	\$87	DePaul Real Estate	Holualoa Companies

Industrial – Denver - Leasing Activity				
PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
480 East 55th Avenue	Central	238,194	New	Graybar Electric Company
4201 Oneida Street	East I-70/Montbello	124,800	New	Redline Express
Majestic Commercenter	East I-70/Montbello	92,145	New	Diversified Transfer & Storage

Industrial Overview													
EXISTING PROPERTIES			VACANCY				ACTIVITY	ABSORPTION		CONSTRUCTION			RENTS
SUBMARKET/CLASS	BLDGS	TOTAL INVENTORY SF	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR	LEASING ACTIVITY SF	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	DELIVERIES CURRENT QTR SF	DELIVERIES YTD SF	UNDER CONSTRUCTION SF	AVG RENTAL RATE (NNN)
AURORA													
Industrial	25	579,714	0.0%	0.0%	0.0%	0.0%	-	-	1,000	-	-	-	N/A
Flex	13	554,538	7.2%	1.1%	8.3%	18.6%	10,048	57,169	47,521	-	-	-	\$6.85
Total	38	1,134,252	3.5%	0.5%	4.1%	9.1%	10,048	57,169	48,521	-	-	-	\$6.85
BOULDER													
Industrial	246	9,646,766	4.3%	1.2%	5.5%	5.7%	53,153	(4,605)	3,842	-	-	-	\$11.43
Flex	115	5,133,265	4.2%	0.0%	4.2%	5.2%	73,653	51,894	29,370	62,400	62,400	-	\$16.91
Total	361	14,780,031	4.2%	0.8%	5.0%	5.5%	126,806	47,289	33,212	62,400	62,400	-	\$13.27
BROOMFIELD													
Industrial	67	2,990,702	2.0%	0.0%	2.0%	0.4%	88,530	(46,330)	16,904	-	-	152,761	\$6.54
Flex	10	221,565	1.6%	0.0%	1.6%	1.6%	-	-	(3,600)	-	-	-	\$11.31
Total	77	3,212,267	2.0%	0.0%	2.0%	0.5%	88,530	(46,330)	13,304	-	-	152,761	\$6.82
CENTRAL													
Industrial	307	10,586,919	4.1%	0.9%	5.0%	4.3%	7,208	(33,742)	31,597	-	-	-	\$7.97
Flex	6	168,491	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-	-	\$9.50
Total	313	10,755,410	4.0%	0.9%	4.9%	4.2%	7,208	(33,742)	31,597	-	-	-	\$7.99
EAST I-70/MONTBELLO													
Industrial	1,046	76,621,782	4.3%	0.6%	4.9%	5.1%	576,645	1,348,935	2,117,661	1,015,740	2,102,931	1,706,380	\$6.05
Flex	27	1,041,924	2.0%	0.4%	2.3%	4.8%	10,000	25,958	7,498	-	-	-	N/A
Total	1,074	77,663,706	4.3%	0.6%	4.9%	5.1%	586,645	1,374,893	2,125,159	1,015,740	2,102,931	1,706,380	\$6.05

EXISTING PROPERTIES			VACANCY				ACTIVITY	ABSORPTION		CONSTRUCTION			RENTS
SUBMARKET/CLASS	BLDGS	TOTAL INVENTORY SF	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR	LEASING ACTIVITY SF	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	DELIVERIES CURRENT QTR SF	DELIVERIES YTD SF	UNDER CONSTRUCTION SF	AVG RENTAL RATE (NNN)
LONGMONT													
Industrial	80	2,579,410	2.3%	0.0%	2.3%	2.0%	18,589	(8,735)	(20,347)	-	-	380,000	\$8.40
Flex	27	1,992,416	3.3%	0.0%	3.3%	4.0%	47,954	14,879	63,688	-	-	-	\$9.95
Total	107	4,571,826	2.7%	0.0%	2.7%	2.9%	66,543	6,144	43,341	-	-	380,000	\$9.14
NORTH CENTRAL													
Industrial	415	16,308,785	5.0%	0.2%	5.1%	6.7%	77,715	(82,509)	(152,489)	-	-	-	\$7.84
Flex	12	344,075	0.3%	0.0%	0.3%	0.3%	1,501	-	(1,100)	-	-	-	\$10.91
Total	427	16,652,860	4.9%	0.2%	5.0%	6.6%	79,216	(82,509)	(153,589)	-	-	-	\$7.96
NORTH													
Industrial	145	6,216,569	3.7%	0.0%	3.7%	3.5%	49,776	(15,234)	50,891	153,018	153,018	855,000	\$7.10
Flex	12	487,911	2.7%	0.0%	2.7%	2.7%	1,800	182	(2,993)	-	-	-	\$9.76
Total	157	6,704,480	3.6%	0.0%	3.6%	3.4%	51,576	(15,052)	47,898	153,018	153,018	855,000	\$7.31
NORTHEAST													
Industrial	384	16,964,028	10.7%	0.2%	10.9%	11.7%	340,928	350,754	434,077	250,000	667,839	234,000	\$9.14
Flex	14	511,927	5.8%	0.0%	5.8%	5.8%	-	-	(17,464)	-	-	-	\$13.00
Total	398	17,475,955	10.6%	0.2%	10.8%	11.5%	340,928	350,754	416,613	250,000	667,839	234,000	\$9.18
NORTHWEST													
Industrial	259	10,203,858	3.4%	0.2%	3.6%	2.7%	95,724	9,490	(74,246)	110,000	110,000	331,105	\$8.77
Flex	38	969,950	9.7%	0.0%	9.7%	10.1%	7,545	3,776	2,580	-	83,291	-	\$10.99
Total	297	11,173,808	4.0%	0.2%	4.2%	3.3%	103,269	13,266	(71,666)	110,000	193,291	331,105	\$9.37
SOUTH CENTRAL													
Industrial	396	10,950,196	3.0%	0.1%	3.1%	1.9%	94,320	(124,054)	(119,581)	-	-	-	\$8.18
Flex	13	381,967	9.3%	0.0%	9.3%	0.0%	-	(35,600)	(24,763)	-	-	-	\$9.48
Total	409	11,332,163	3.2%	0.1%	3.3%	1.9%	94,320	(159,654)	(144,344)	-	-	-	\$8.24
SOUTHEAST													
Industrial	217	8,808,706	2.0%	0.2%	2.2%	1.9%	33,133	(26,146)	(26,146)	-	63,550	212,000	\$8.83
Flex	162	5,541,409	9.5%	0.0%	9.5%	9.2%	52,800	(10,779)	(10,779)	-	113,352	-	\$12.31
Total	379	14,350,115	4.9%	0.1%	5.0%	4.7%	85,933	(36,925)	(36,925)	-	176,902	212,000	\$10.63
SOUTHWEST													
Industrial	176	5,699,198	1.1%	0.0%	1.1%	2.4%	-	74,348	67,552	-	-	-	\$8.28
Flex	51	1,758,326	10.1%	0.2%	10.3%	7.7%	14,723	(46,274)	(49,708)	-	-	-	\$9.56
Total	227	7,457,524	3.3%	0.1%	3.3%	3.7%	14,723	28,074	17,844	-	-	-	\$9.01
WELD COUNTY													
Industrial	401	16,221,861	0.4%	0.0%	0.4%	0.3%	54,217	(4,045)	138,520	-	-	130,000	\$9.20
Flex	23	1,099,524	35.2%	0.0%	35.2%	37.8%	30,000	27,700	26,608	-	-	-	\$6.89
Total	424	17,321,385	2.6%	0.0%	2.6%	2.7%	84,217	23,655	165,128	-	-	130,000	\$8.22
WEST													
Industrial	220	14,126,348	0.9%	0.0%	1.0%	1.2%	39,899	35,262	150,228	-	-	-	\$7.40
Flex	51	1,855,695	1.1%	0.0%	1.1%	1.8%	15,737	14,519	27,710	-	-	-	\$10.76
Total	271	15,982,043	1.0%	0.0%	1.0%	1.3%	55,636	49,781	177,938	-	-	-	\$7.94
MARKET TOTAL													
Industrial	4,384	208,504,842	4.0%	0.4%	4.3%	4.5%	1,529,837	1,473,389	2,619,463	1,528,758	3,097,338	4,001,246	\$7.38
Flex	574	22,062,983	7.4%	0.1%	7.4%	7.9%	265,761	103,424	94,568	62,400	259,043	-	\$10.65
Total	4,958	230,567,825	4.3%	0.4%	4.6%	4.7%	1,795,598	1,576,813	2,714,031	1,591,158	3,356,381	4,001,246	\$7.92
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q3 17	4,958	230,567,825	4.3%	0.4%	4.6%	4.7%	1,795,598	1,576,813	2,714,031	1,591,158	3,356,381	4,001,246	\$7.92
Q2 17	4,956	229,382,895	4.3%	0.4%	4.7%	4.6%	3,116,780	1,137,218	1,137,218	1,134,531	1,765,223	3,372,643	\$7.96
Q1 17	4,955	228,301,139	4.2%	0.4%	4.6%	4.5%	2,539,897	77,503	77,503	630,692	630,692	4,963,520	\$7.85
Q4 16	4,952	228,064,433	4.2%	0.3%	4.5%	4.4%	4,659,383	698,614	2,383,328	1,198,283	4,195,076	3,620,525	\$7.99
Q3 16	4,946	226,400,416	4.2%	0.3%	4.5%	4.4%	3,648,611	541,097	1,684,714	841,350	2,996,793	3,574,357	\$7.75



396 offices in
68 countries on
6 continents

United States: **153**
Canada: **29**
Latin America: **24**
Asia Pacific: **79**
EMEA: **111**

\$2.6
billion in
annual revenue

2.0
billion square feet
under management

15,000
professionals
and staff

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