

METRO DENVER | INDUSTRIAL

Q4 2017

Denver's Industrial Sector Continues to Impress

Market Overview

Denver's 232 million-square-foot industrial market continues to fire on all cylinders with strong positive net absorption, on-going expansion, and increased investment activity. Even with construction costs at record levels and an overall lack of qualified construction labor, confidence in Denver industrial sector remains apparent as nearly 5 million square feet of product was delivered to the market during 2017 and more than 4 million square feet is currently under construction. Large occupiers have predominately been the driving force behind consistent market absorption, with significant interest in newly built space for that tenant base. As the scales of overall retail purchasing tilt more and more towards e-commerce every year, Denver's industrial sector will increase its position as the Rocky Mountain region's hub for investment in the development of distribution, fulfillment, and last-mile facilities. All-in-all, 2018 will be a good year for the Denver industrial market.

Highlighted Trends

- > Metro deliveries totaled approximately 1.7 million square feet during Q4, and nearly 5 million square feet during 2017.
- > 8 out of 15 submarkets realized positive net absorption.
- > Fourth quarter industrial sales activity totaled more than \$214 million across 23 transactions with an average sales price per square foot of \$104.
- > Unemployment rate in Metro Denver currently sits at 2.8 percent – national unemployment is 4.1 percent.
- > The December 2017 Manufacturing ISM Report on Business stated that economic activity in the manufacturing sector expanded and grew for the 103rd consecutive month, with an increase in the PMI of 1.5 percentage points since November 2017.

Market Indicators

Relative to prior period	Q4 2017	Projected Q1 2018
Vacancy	↓	↔
Net Absorption	+	+
Deliveries	↑	↑
Rental Rate	↑	↔

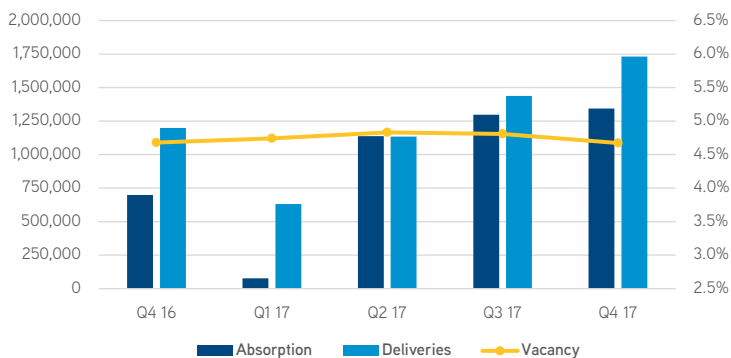
*Arrows compare current quarter to the previous quarter's historically adjusted figures

Denver Metro Summary Statistics

	Q4 2016	Q4 2017
Vacancy Rate	4.7%	4.7%
Absorption YTD	2,383,328	3,855,646
Deliveries YTD	4,498,078	4,934,266
Under Construction	3,620,525	4,017,394
Asking Rents/SF	\$7.99	\$7.95
Total SF	228,172,717	232,118,875

Fourth quarter positive net absorption totaled approximately 1.34 million square feet bringing the 2017 total to more than 3.85 million square feet.

Denver Industrial Market Q4 2016 – Q4 2017



Absorption

Absorption for the Metro Denver industrial sector totaled more than 3.85 million square feet during 2017, with over 1.3 million square feet being absorbed during the fourth quarter. Positive net absorption has been consistent for the Denver industrial sector since the end of the recession, as demand remains strong in our continually growing market. Much of Denver's absorption increasingly comes from large occupiers moving into newly constructed, state-of-the-art buildings. The East Montbello/I-70 and Northeast submarkets absorbed more than 1.3 million square feet during the quarter, as multiple 200,000-square-foot tenants took occupancy of their space during the quarter.

Vacancy

Industrial vacancy compressed slightly compared to the previous quarter and ended the year at 4.7 percent. Vacancy remains at equilibrium, marking the 16th consecutive quarter vacancy was reported below 5 percent. The relative stability of industrial vacancy is due to strong absorption of most newly constructed space.

Deliveries & Construction

Approximately 1.73 million square feet of inventory was delivered during the fourth quarter. 2017 deliveries are up 10 percent from the previous year, with nearly 5 million square feet of product delivered to the market to close out the year. Currently, there is more than 4 million square feet of industrial product under construction throughout the metro with material leasing activity on the under construction buildings. Denver's industrial sector continues to experience growth as demand shows no signs of slowing.

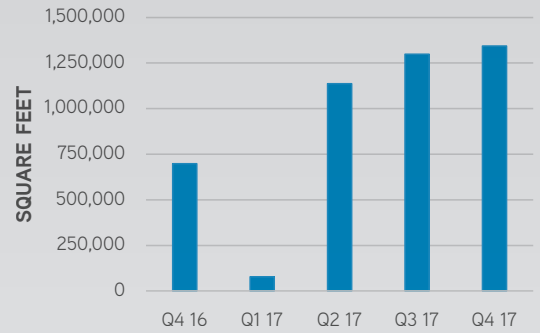
Rental Rates

Overall average asking rental rates for industrial properties in Metro Denver continues to hold steady at \$7.95/sf. The overall average rate includes all industrial-type properties, such as warehouse, flex, R&D, and manufacturing and distribution. The overall average asking rate for warehouse type properties was \$7.49/sf, while flex properties had an average asking rate of \$10.67/sf. Approximately, 90 percent of Denver's inventory falls under the category of "industrial warehouse" properties, with the remaining 10 percent categorized as "flex" properties.

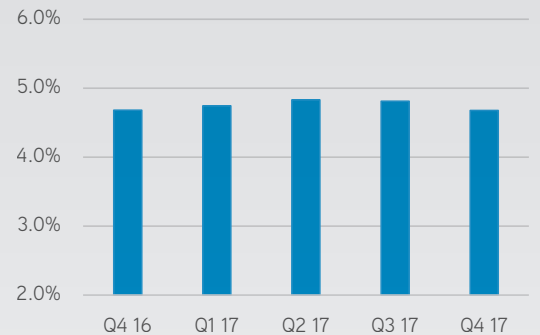
Sales Activity

There were 23 transactions in the Metro Denver industrial market during the fourth quarter totaling approximately \$214 million in sales volume with an average price per square foot of \$104. Notable fourth quarter transactions included the six property, UBS Portfolio totaling \$51 million, and the \$23.4 million Aspen Industrial Park in Boulder. Investment activity during 2017 totaled approximately \$965 million, which is 15 percent higher than the 2016 sales volume.

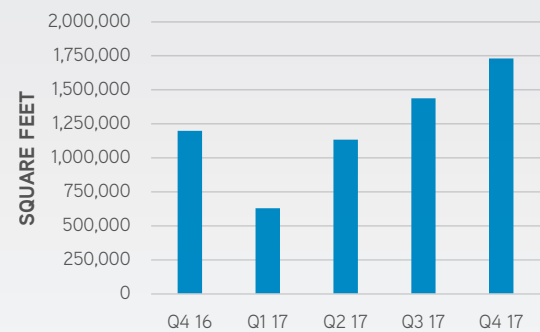
Absorption



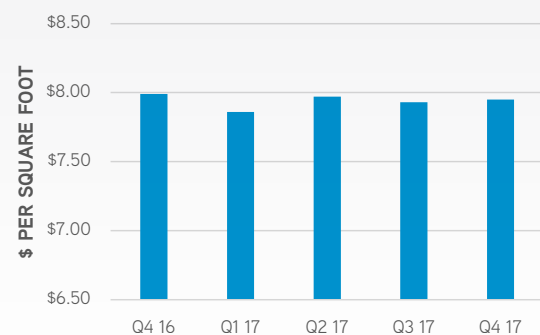
Vacancy



Deliveries



Rental Rates



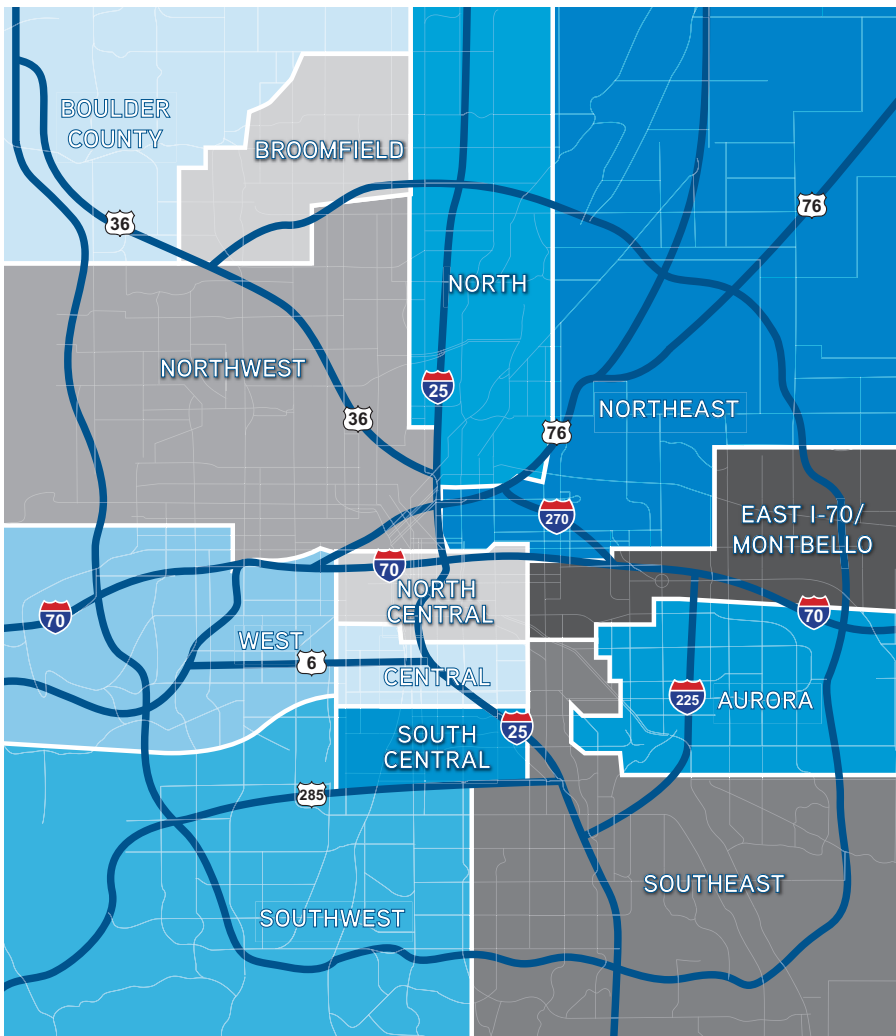
Recent Transactions

Industrial – Denver - Sales Activity						
PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
UBS Portfolio	West	\$51,000,000	485,984	\$105	TH Real Estate	UBS
Aspen Industrial Park	Boulder	\$23,460,000	171,552	\$137	Ivy Realty	WW Reynolds Companies
Sherwood Business Park	Southwest	\$22,305,000	231,886	\$96	Matrix Group, Inc.	BLT Legacy, Inc.

Industrial – Denver - Leasing Activity				
PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
18300 E. 28th Street	East I-70/Montbello	85,604	New	Old West Mattress
12905 & 13100 E. 39th Avenue	East I-70/Montbello	259,510	Renewal	Dish Network

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	26	609,253	4.8%	0.0%	4.8%	0.0%	-	-	1,000	-	-	-	N/A
Flex	14	573,485	8.8%	1.1%	9.8%	8.0%	2,110	(10,307)	37,214	-	-	-	\$6.36
Total	40	1,182,738	6.7%	0.5%	7.3%	4.0%	2,110	(10,307)	38,214	-	-	-	\$6.36
BOULDER													
Industrial	246	9,643,209	5.3%	1.2%	6.5%	5.5%	59,272	(82,696)	(78,854)	153,018	153,018	41,600	\$11.42
Flex	114	5,157,389	6.1%	0.4%	6.5%	5.3%	2,120	(60,268)	(63,200)	-	62,400	-	\$15.24
Total	360	14,800,598	5.6%	0.9%	6.5%	5.4%	61,392	(142,964)	(142,054)	153,018	215,418	41,600	\$13.08
BROOMFIELD													
Industrial	67	2,990,711	1.5%	0.0%	1.5%	2.0%	4,547	14,459	44,032	-	-	578,592	\$6.85
Flex	11	279,815	0.0%	0.0%	0.0%	1.3%	3,600	3,600	0	-	-	-	\$11.43
Total	78	3,270,526	1.4%	0.0%	1.4%	1.9%	8,147	18,059	44,032	-	-	578,592	\$7.21
CENTRAL													
Industrial	307	10,661,188	3.8%	0.9%	4.7%	4.6%	40,086	(6,574)	25,023	-	-	-	\$7.75
Flex	6	168,491	0.0%	0.0%	0.0%	0.0%	5,659	-	-	-	-	-	\$9.50
Total	313	10,829,679	3.7%	0.9%	4.6%	4.6%	45,745	(6,574)	25,023	-	-	-	\$7.77
EAST I-70/MONTBELLO													
Industrial	1,050	77,218,793	4.5%	0.1%	4.6%	4.8%	910,752	913,005	2,388,703	1,004,380	3,107,311	1,705,000	\$6.12
Flex	27	1,041,924	2.0%	0.4%	2.3%	2.3%	-	-	7,498	-	-	-	N/A
Total	1,074	78,260,717	4.5%	0.1%	4.6%	4.7%	910,752	913,005	2,396,201	1,004,380	3,107,311	1,705,000	\$6.12

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	1.6%	0.0%	1.6%	2.3%	11,571	18,589	(1,758)	-	-	380,000	\$7.61
Flex	27	1,992,416	23.6%	0.0%	23.6%	23.7%	4,266	55,687	119,375	-	-	-	\$11.91
Total	107	4,571,826	11.2%	0.0%	11.2%	11.2%	15,837	74,276	117,617	-	-	380,000	\$10.78
NORTH CENTRAL													
Industrial	416	16,319,996	5.5%	0.1%	5.6%	4.9%	41,330	(120,353)	(272,842)	-	-	-	\$7.83
Flex	13	354,105	0.0%	0.0%	0.0%	0.0%	-	1,100	0	-	-	-	\$10.91
Total	429	16,674,101	5.4%	0.1%	5.5%	4.8%	41,330	(119,253)	(272,842)	-	-	-	\$7.95
NORTH													
Industrial	146	6,244,969	3.1%	0.0%	3.1%	3.7%	27,469	39,962	90,853	-	-	855,000	\$7.04
Flex	12	487,911	2.8%	0.0%	2.8%	2.7%	4,680	(872)	(3,865)	-	-	-	\$9.89
Total	158	6,732,880	3.1%	0.0%	3.1%	3.7%	32,149	39,090	86,988	-	-	855,000	\$7.32
NORTHEAST													
Industrial	386	17,210,394	9.7%	0.0%	9.7%	10.9%	78,650	421,586	895,942	234,000	901,839	-	\$8.99
Flex	14	511,927	12.5%	0.0%	12.5%	5.8%	4,500	(34,239)	(51,703)	-	-	-	\$13.00
Total	400	17,722,321	9.7%	0.0%	9.7%	10.9%	83,150	387,347	844,239	234,000	901,839	-	\$9.04
NORTHWEST													
Industrial	261	10,549,133	5.4%	0.0%	5.4%	3.7%	26,262	92,619	18,373	289,505	399,505	-	\$8.68
Flex	38	969,950	5.7%	0.0%	5.7%	9.7%	9,990	38,854	41,434	-	83,291	-	\$11.12
Total	299	11,519,083	5.4%	0.0%	5.4%	4.2%	36,252	131,473	59,807	289,505	482,796	-	\$9.38
SOUTH CENTRAL													
Industrial	396	10,950,808	2.4%	0.0%	2.5%	3.1%	109,914	65,544	(54,037)	-	-	-	\$8.31
Flex	13	381,967	10.1%	0.0%	10.1%	9.3%	-	(2,960)	(27,723)	-	-	-	\$9.48
Total	409	11,332,775	2.7%	0.0%	2.7%	3.3%	109,914	62,584	(81,760)	-	-	-	\$8.39
SOUTHEAST													
Industrial	217	8,808,706	3.1%	0.0%	3.1%	2.2%	17,846	(75,436)	(26,699)	50,000	113,550	327,202	\$8.98
Flex	162	5,592,746	8.4%	0.0%	8.4%	9.4%	70,708	51,928	167,211	-	113,352	-	\$12.25
Total	379	14,401,452	5.1%	0.0%	5.1%	5.0%	88,554	(23,508)	140,512	50,000	226,902	327,202	\$10.52
SOUTHWEST													
Industrial	176	5,699,198	0.8%	0.0%	0.8%	1.1%	7,675	21,138	88,690	-	-	-	\$8.33
Flex	51	1,758,326	9.6%	0.2%	9.8%	10.3%	6,528	9,013	(40,695)	-	-	-	\$9.55
Total	227	7,457,524	2.8%	0.1%	2.9%	3.3%	14,203	30,151	47,995	-	-	-	\$8.99
WELD COUNTY													
Industrial	402	16,219,838	0.6%	0.0%	0.6%	0.4%	51,029	(34,978)	80,409	-	-	-	\$9.58
Flex	24	1,160,774	13.2%	0.0%	13.2%	13.2%	526	54,001	322,430	-	-	130,000	\$9.53
Total	426	17,380,612	1.4%	0.0%	1.4%	1.2%	51,555	19,023	402,839	-	-	130,000	\$9.57
WEST													
Industrial	220	14,126,348	1.0%	0.0%	1.0%	1.0%	21,680	(10,702)	139,526	-	-	-	\$6.82
Flex	51	1,855,695	2.0%	0.0%	2.0%	1.1%	3,456	(18,401)	9,309	-	-	-	\$11.41
Total	271	15,982,043	1.2%	0.0%	1.2%	1.0%	25,136	(29,103)	148,835	-	-	-	\$7.78
MARKET TOTAL													
Industrial	4,396	209,831,954	4.1%	0.2%	4.3%	4.3%	1,408,083	1,256,163	3,338,361	1,730,903	4,675,223	3,887,394	\$7.49
Flex	577	22,286,921	8.3%	0.1%	8.5%	8.4%	118,143	87,136	517,285	-	259,043	130,000	\$10.67
Total	4,973	232,118,875	4.5%	0.2%	4.7%	4.8%	1,526,226	1,343,299	3,855,646	1,730,903	4,934,266	4,017,394	\$7.95
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q4 17	4,973	232,118,875	4.5%	0.2%	4.7%	4.8%	1,526,226	1,343,299	3,855,646	1,730,903	4,934,266	4,017,394	\$7.95
Q3 17	4,967	230,655,445	4.5%	0.3%	4.8%	4.8%	2,215,372	1,297,626	2,512,347	1,438,140	3,203,363	4,001,246	\$7.93
Q2 17	4,966	229,598,560	4.5%	0.4%	4.8%	4.7%	3,116,780	1,137,218	1,214,721	1,134,531	1,134,531	3,372,643	\$7.97
Q1 17	4,964	228,533,423	4.4%	0.4%	4.7%	4.7%	2,539,897	77,503	77,503	630,692	630,692	4,963,520	\$7.86
Q4 16	4,960	228,172,717	4.3%	0.3%	4.7%	4.6%	4,659,383	698,614	2,383,328	1,198,283	4,498,078	3,620,525	\$7.99



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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