

METRO DENVER | INDUSTRIAL

Q1 2019

Accelerating success.

An Abundance of Construction and Record Rental Rates Start off 2019 for Denver's Industrial Sector

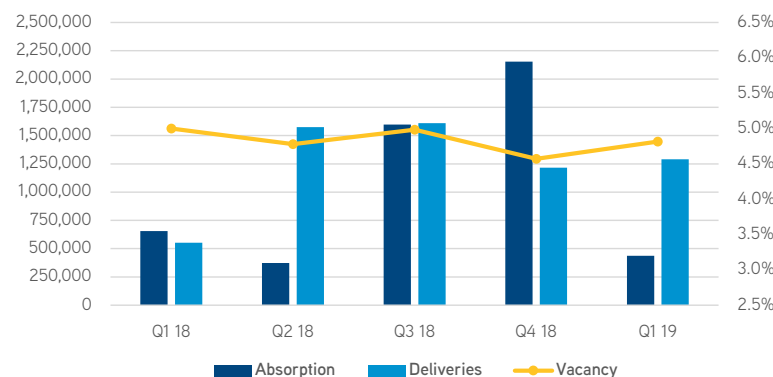
Market Overview

Metro Denver's industrial sector posted positive numbers during the first quarter of 2019. The net absorption remained positive at over 435,000 square feet despite a significant decrease from the previous quarter. The beginning of 2019 also continued the upward trend of asking rental rates. Investment activity was led by the purchasing of the 19-property portfolio by Berkeley Partners for \$247,500,000 from Etkin Johnson Real Estate Partners taking up just shy of 2 million square feet. Overall, investment activity in Metro Denver accumulated to over \$315 million during the first quarter which results as a slight increase from the fourth quarter and a 27% decrease year-over-year. The average price per square foot concluded at \$184 also resulting in an increase from the prior quarter. As 2019 continues, Denver should expect increased deliveries as well as progressive construction.

Highlighted Trends

- › Metro Denver's deliveries totaled over 1.2 million square feet during the quarter
- › 8 out of 15 submarkets recorded positive net absorption
- › As of February 2019, the unemployment rate in Metro Denver sits at 3.3% - the national unemployment is 3.7%
- › Investment activity in the first quarter totaled over \$315 million
- › Asking rental rates surpassed the \$9.00/SF mark for the first time in history

Denver Industrial Market Q1 2018–Q1 2019



Market Indicators

Relative to prior period	Q1 2019	Projected Q2 2019
Vacancy	↑	↓
Net Absorption	+	+
Deliveries	↓	↑
Rental Rate	↑	↑

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

Denver Metro Summary Statistics

	Q1 2018	Q1 2019
Vacancy Rate	5.0%	4.8%
Absorption YTD	655,065	436,630
Deliveries YTD	553,192	1,290,088
Under Construction	4,509,535	4,462,961
Asking Rents/SF	\$8.80	\$9.12
Total SF	264,306,732	270,143,267

*Source: CoStar

First quarter positive net absorption totaled more than 435,000 square feet.

Absorption

The Metro Denver industrial sector started off 2019 with 436,630 square feet being absorbed, a significant decrease from the fourth quarter's 2,154,839 square feet. Unlike the prior quarter, 8 of the 15 submarkets throughout the Metro Denver industrial sector recorded positive absorption for the first quarter with the largest positive net absorption found in the Northeast, Broomfield, and Southeast submarkets. In contrast, due to the decreased absorption, the West and Boulder submarkets recorded negative absorption.

Vacancy

The overall vacancy rate in the Denver Metro industrial sector had increased slightly and stands at 4.8%. Vacancy remains steady, hovering around the 5% mark within the past year. Two of the larger submarkets, East I-70 Montbello and Southeast, both recorded an increase in vacancy rates with the East I-70 Montbello submarket increasing from 5.7% in the previous quarter to 5.8% during the first quarter. The Southeast submarket recorded a slight increase from 3.9% during the previous quarter to 4.0% during this quarter. Vacancy rates should continue around the 5% mark as 2019 progresses.

Deliveries & Construction

As stated previously, the deliveries during the first quarter continued at over 1.2 million square feet throughout the Denver Metro industrial sector which was an increase of 75,000 square feet from the fourth quarter. The Northeast submarket contributed with about 55% of those deliveries with over 700,000 square feet being delivered. Some notable delivered properties were the 3 Prologis Building's in the North Denver submarket with over 630,000 square feet. Despite winter months, construction remained robust as over 4.4 million square feet of industrial space was underway in Metro Denver during the quarter. A large portion of the construction activities were credited to the East I-70/Montbello submarket with over 2.6 million square feet under construction.

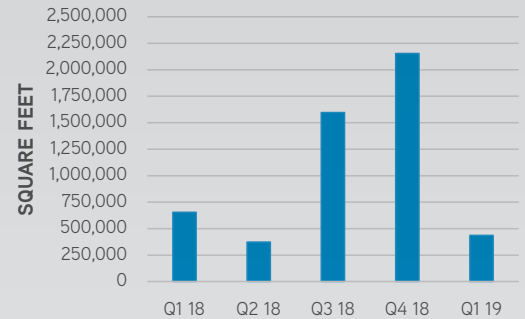
Rental Rates

As anticipated, due to the high demand for industrial space in Metro Denver as well as increased construction costs and new deliveries, the asking rental rates continued to increase during the first quarter. The overall rates topped off at \$9.12 which is an increase of 1.9% from the fourth quarter. This was the first time that asking rates had surpassed the \$9 mark in Metro Denver history. The overall average rate includes all industrial types of property, such as flex, R&D, warehouse, and finally distribution and manufacturing. The overall average asking rent for flex properties is \$12.10 per square foot, while warehouse/distribution is \$8.23 per square foot. East I-70/Montbello, Denver's largest industrial market reported the overall average asking rental rate of \$6.65 per square foot.

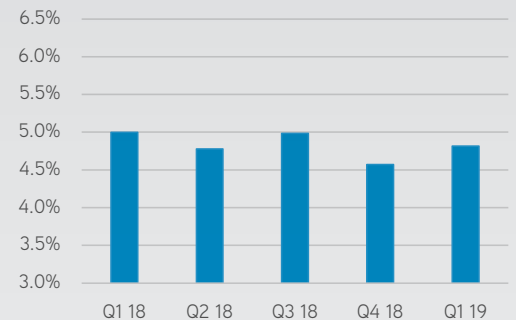
Sales Activity

Investment firm Berkeley Partners contributed to a significant amount of investment activity during the quarter by purchasing a 19-property portfolio, 1.95 million square feet, for a total of \$247,500,000 from Etkin Johnson Real Estate Partners. The final price per square foot comes out to \$127. The 19 properties purchased are found all over the Metro Denver industrial submarkets as well as Colorado Springs. The purchase is one of the largest industrial deals in Colorado history. On a good note, investment activity remains competitive and engaging as more than \$315 million was invested during the quarter which was an increase from the previous quarter but a 27% decrease from Q1 2018.

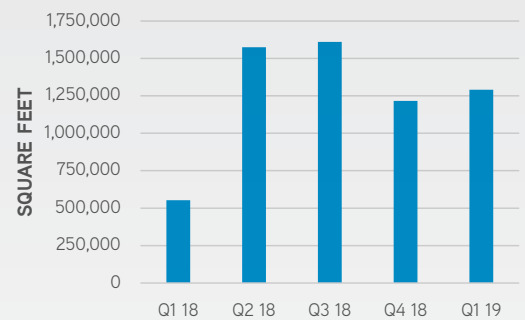
Absorption



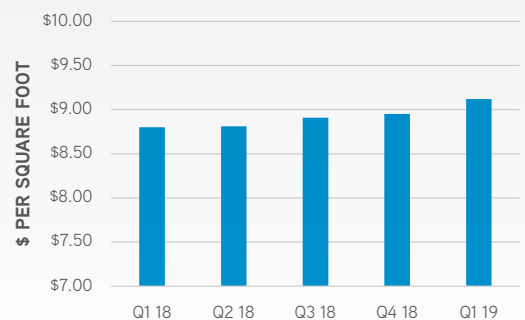
Vacancy



Deliveries



Rental Rates



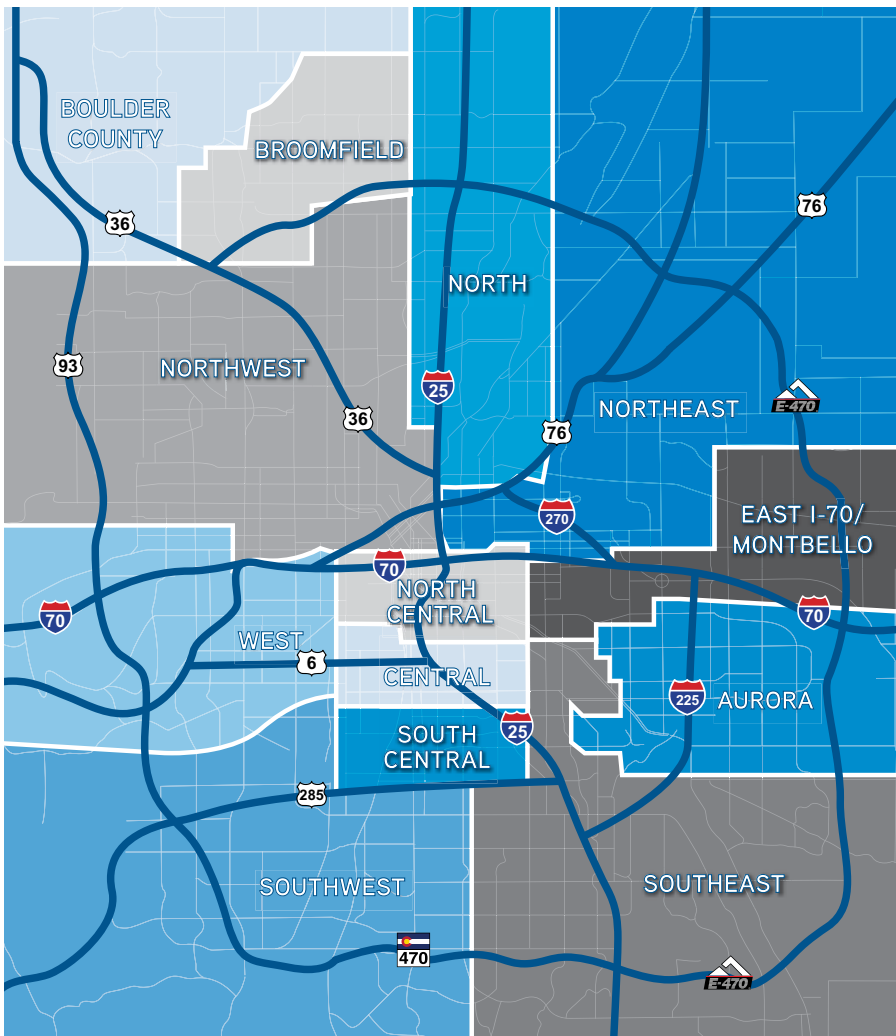
Recent Transactions

Industrial – Denver - Sales Activity						
PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
19 Property Portfolio	Metro Denver-Boulder-Colorado Springs	\$247,500,000	1,950,000	\$127	Berkeley Partners	Etkin Johnson Real Estate Partners
301 W. 60th Pl.	Northwest Denver	\$13,000,000	69,096	\$188	McClung-Logan Equipment Company	Rocky Mountain Prestress
12790 E. 38th Ave.	East I-70/Montbello	\$6,200,000	80,000	\$78	Novel Commercial Real Estate	Donald Hansen

Industrial – Denver - Leasing Activity				
PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
19700 E. 23rd Ave.	East I-70/Montbello	147,000	New	Bunzl
20101 E. 36th Dr.	East I-70/Montbello	139,000	New	RK Mechanical
17851 E. 40th Ave.	East I-70/Montbello	89,898	New	Maintenance Supply

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	29	657,018	6.2%	0.0%	6.2%	6.0%	-	(1,460)	(1,460)	-	-	-	\$10.93
Flex	45	1,596,646	9.0%	0.0%	9.0%	10.2%	22,607	18,732	18,732	-	-	50,000	\$7.94
Total	74	2,253,664	8.2%	0.0%	8.2%	9.0%	22,607	17,272	17,272	-	-	50,000	\$8.06
BOULDER													
Industrial	283	10,222,647	5.9%	1.8%	7.7%	7.8%	258,745	6,337	6,337	-	-	165,705	\$10.25
Flex	224	9,908,180	5.3%	0.6%	5.8%	4.4%	48,748	(112,441)	(112,441)	31,000	31,000	-	\$14.02
Total	507	20,130,827	5.6%	1.2%	6.8%	6.1%	307,493	(106,104)	(106,104)	31,000	31,000	165,705	\$11.88
BROOMFIELD													
Industrial	79	3,540,333	11.0%	0.0%	11.0%	7.2%	17,208	(4,441)	(4,441)	139,876	139,876	-	\$10.22
Flex	31	1,239,287	7.4%	0.0%	7.4%	6.8%	1,800	134,312	134,312	152,761	152,761	-	\$12.57
Total	110	4,779,620	10.1%	0.0%	10.1%	7.1%	19,008	129,871	129,871	292,637	292,637	-	\$10.67
CENTRAL													
Industrial	79	3,540,333	11.0%	0.0%	11.0%	7.2%	17,208	(4,441)	(4,441)	-	-	-	\$9.08
Flex	31	1,239,287	7.4%	0.0%	7.4%	6.8%	1,800	134,312	134,312	-	-	-	\$8.50
Total	110	4,779,620	10.1%	0.0%	10.1%	7.1%	19,008	129,871	129,871	-	-	-	\$9.06
EAST I-70/MONTBELLO													
Industrial	1,075	79,681,376	5.5%	0.3%	5.8%	5.8%	764,581	(10,803)	(10,803)	25,000	25,000	2,515,021	\$6.35
Flex	62	1,974,219	4.2%	0.0%	4.2%	2.9%	21,180	(26,355)	(26,355)	-	-	117,000	\$20.74
Total	1,137	81,655,595	5.5%	0.3%	5.8%	5.7%	785,761	(37,158)	(37,158)	25,000	25,000	2,632,021	\$6.65

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	98	3,031,947	5.9%	0.7%	6.6%	3.3%	8,152	8,928	8,928	111,000	111,000		\$11.31
Flex	47	2,650,806	25.4%	0.7%	26.1%	25.9%	2,133	(6,028)	(6,028)	-	-	-	\$13.02
Total	145	5,682,753	15.0%	0.7%	15.7%	14.1%	10,285	2,900	2,900	111,000	111,000	-	\$12.37
NORTH CENTRAL													
Industrial	424	16,744,542	4.2%	0.0%	4.2%	4.0%	89,564	(26,095)	(26,095)	-	-	30,202	\$9.71
Flex	23	716,135	4.4%	0.0%	4.4%	3.1%	4,400	(9,404)	(9,404)	-	-	-	\$19.86
Total	447	17,460,677	4.2%	0.0%	4.2%	4.0%	93,964	(35,499)	(35,499)	-	-	30,202	\$10.17
NORTH													
Industrial	164	7,810,641	6.0%	0.0%	6.0%	6.1%	18,922	1,593	1,593	-	-	30,000	\$8.66
Flex	41	1,759,817	2.7%	0.9%	3.6%	4.0%	19,239	34,724	34,724	30,000	30,000		\$14.14
Total	205	9,570,458	5.4%	0.2%	5.6%	5.7%	38,161	36,317	36,317	30,000	30,000	30,000	\$9.05
NORTHEAST													
Industrial	433	19,645,378	3.9%	0.0%	3.9%	2.7%	99,360	447,772	447,772	707,276	707,276	-	\$8.29
Flex	35	1,012,260	2.4%	0.0%	2.4%	3.1%	-	7,230	7,230	-	-	-	\$12.83
Total	468	20,657,638	3.8%	0.0%	3.8%	2.7%	99,360	455,002	455,002	707,276	707,276	-	\$8.55
NORTHWEST													
Industrial	293	11,564,878	3.7%	0.3%	4.0%	3.8%	102,232	(23,415)	(23,415)	-	-	145,000	\$8.47
Flex	79	1,926,222	2.2%	0.1%	2.3%	4.1%	33,161	34,344	34,344	-	-	15,104	\$10.29
Total	372	13,491,100	3.5%	0.3%	3.8%	3.9%	135,393	10,929	10,929	-	-	160,104	\$8.89
SOUTH CENTRAL													
Industrial	403	10,725,626	1.8%	0.0%	1.8%	1.6%	111,658	(21,316)	(21,316)	-	-	-	\$8.56
Flex	28	625,112	10.3%	0.0%	10.3%	5.9%	2,108	(27,540)	(27,540)	-	-	-	\$9.96
Total	431	11,350,738	2.3%	0.0%	2.3%	1.9%	113,766	(48,856)	(48,856)	-	-	-	\$8.66
SOUTHEAST													
Industrial	247	10,214,495	3.5%	0.5%	4.0%	4.7%	152,635	146,296	146,296	78,550	78,550	478,879	\$9.73
Flex	255	8,807,354	4.6%	0.4%	4.9%	4.8%	138,098	(12,600)	(12,600)	-	-	25,200	\$11.20
Total	502	19,021,849	4.0%	0.4%	4.4%	4.8%	290,733	133,696	133,696	78,550	78,550	504,079	\$10.45
SOUTHWEST													
Industrial	191	6,000,921	1.6%	0.7%	2.3%	1.4%	18,950	(52,523)	(52,523)	-	-	-	\$9.90
Flex	114	3,933,418	6.0%	0.2%	6.2%	6.1%	60,847	(3,393)	(3,393)	-	-	100,000	\$11.07
Total	305	9,934,339	3.3%	0.5%	3.8%	3.3%	79,797	(55,916)	(55,916)	-	-	100,000	\$10.88
WELD COUNTY													
Industrial	492	18,885,317	1.8%	0.2%	2.0%	2.0%	78,570	(1,027)	(1,027)	14,625	14,625	742,850	\$10.79
Flex	64	2,231,626	6.9%	0.0%	6.9%	6.6%	4,960	(7,970)	(7,970)	-	-	-	\$10.26
Total	556	21,116,943	2.4%	0.2%	2.6%	2.5%	83,530	(8,997)	(8,997)	14,625	14,625	742,850	\$10.69
WEST													
Industrial	243	14,626,556	1.6%	0.1%	1.8%	1.6%	82,029	(28,326)	(28,326)	-	-	48,000	\$8.54
Flex	114	7,310,130	2.0%	0.0%	2.1%	1.7%	34,166	(28,697)	(28,697)	-	-	-	\$11.94
Total	357	21,936,686	1.7%	0.1%	1.9%	1.6%	116,195	(57,023)	(57,023)	-	-	48,000	\$9.81
MARKET TOTAL													
Industrial	4,758	224,162,638	4.3%	0.3%	4.5%	4.3%	1,831,328	465,466	465,466	1,076,327	1,076,327	4,155,657	\$8.23
Flex	1,172	45,980,629	5.8%	0.3%	6.1%	5.7%	407,904	(28,836)	(28,836)	213,761	213,761	307,304	\$12.10
Total	5,930	270,143,267	4.5%	0.3%	4.8%	4.6%	2,239,232	436,630	436,630	1,290,088	1,290,088	4,462,961	\$9.12
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q1 19	5,930	270,143,267	4.5%	0.3%	4.8%	4.6%	2,239,232	436,630	436,630	1,290,088	1,290,088	4,462,961	\$9.12
Q4 18	5,910	268,929,267	4.3%	0.3%	4.6%	5.0%	2,010,323	2,154,839	4,779,127	1,215,736	4,953,656	4,959,361	\$8.95
Q3 18	5,899	267,551,455	4.8%	0.2%	5.0%	4.8%	2,736,772	1,596,635	2,624,288	1,610,336	3,737,920	4,891,468	\$8.91
Q2 18	5,886	265,888,778	4.5%	0.3%	4.8%	5.0%	2,528,137	372,588	1,027,653	1,574,392	2,127,584	4,668,700	\$8.81
Q1 18	5,870	264,306,732	4.7%	0.3%	5.0%	4.7%	3,447,054	655,065	655,065	553,192	553,192	4,509,535	\$8.80



400 offices in
68 countries on
6 continents

United States: **109**
Canada: **43**
Latin America: **18**
Asia Pacific: **44**
EMEA: **85**

\$3.3
billion in
annual revenue

2.0
billion square feet
under management

17,300
professionals
and staff

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