

MARKETBEAT



DENVER, CO INDUSTRIAL REPORT

1Q11

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Overview

Expansion in metro Denver's economy was gaining momentum as first quarter 2011 came to a close. Stronger business and consumer confidence led to higher spending which, in turn, supported long-awaited increases in hiring. The Consumer Confidence Board's Confidence Index reading rose six consecutive months through March, resulting in a year-over-year increase of 46.5%. While this index level remains well below historical norms, its sustained movement upward is promising. Industry sales in the metro area clearly reflected growing willingness to spend, rising 6.4% in the twelve months ended November 2010 compared to the same period one year ago. Sales data show significant increases in retail purchases (up 6.4% by over \$1.9 billion), wholesale trade (up 7.9% by \$517.7 million), and manufacturing (up 4.6% by \$206.1 million). And, as rising revenues allowed company balance sheets to recover, hiring has started to pick up – growing 0.7% year-over-year through February for a net gain of 8,600 jobs.

Fundamentals Improving

Stronger consumption and trade have positively impacted Denver's industrial market, working to drive vacancy levels lower while supporting modest rental rate appreciation. Overall vacancy has fallen 1.1 percentage points (pp) over the past twelve months, ending first quarter 2011 at 7.8%. The Northeast Region has seen the greatest improvement during this time frame (with overall vacancy falling 1.9 pp to 8.2%), followed by the Southeast (with a 1.8 pp decline to 11.0% overall), and the Central Region (with a 1.1% decrease to 4.6% overall). With demand holding steady and no new speculative supply in the pipeline, rental rates are starting to edge up. Direct asking rents are now 2.6% higher than they were twelve months ago at \$5.52 per square foot (psf).

Momentum Broad-Based

New and expansion leasing activity of over 2.7 million square feet (msf) in first quarter was 22.7% higher than the long-run historical average for this market yet the average lease size was 10.6% smaller than usual due to an increasing number of small- and medium-sized firms returning to the market. Significant transactions closed included a 148,902-square foot (sf) expansion by the German manufacturer of solar inverters, SMA America, at Stapleton's Enterprise Park, a 31,035-sf lease by RV parts wholesaler Stagg-Parkway at Interstate Business Center for its new Denver-area distribution facilities, and on-line contractor supplier DrillSpot's 27,156-sf signing at Fraser Distribution Center. Other noteworthy deals include two leases in Boulder and Broomfield signed by Ball Aerospace & Technologies totaling 42,850 sf to accommodate expansion plans, Coast to Coast Trade Show Services' 20,960-sf move to Airport Industrial Center, and KIOSK Information Systems' new 19,708-sf logistics facility at the Colorado Technology Center.

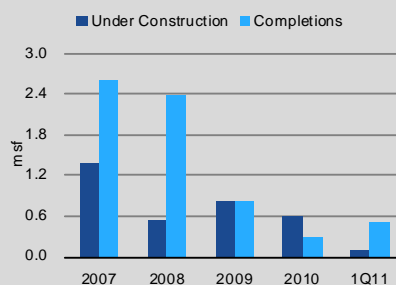
Outlook

Denver's industrial market is likely to tighten further as the pace of economic recovery accelerates. Given present absorption rates, overall vacancy levels should fall another 0.8 to 1.0 pp by year's end. Higher-grade space will become increasingly scarce, allowing owners of second-generation properties to capitalize on growing demand and improve occupancy rates. Rents should continue to trend higher, with strongest appreciation realized for class A space in prime locations and more modest gains achieved for less well-appointed facilities. The turning point, however, has clearly been reached which will gradually shift this market to a more landlord-friendly position, although cost-conscious tenants will still bargain hard to make every dollar count.

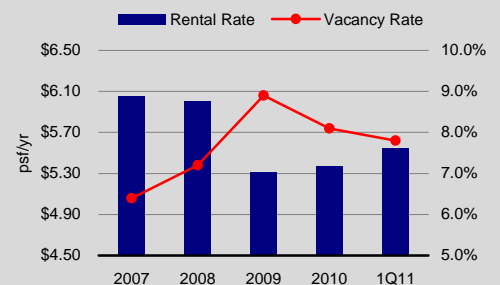
Stats on the Go

	1Q10	1Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	9.0%	7.8%	-1.1 pp	▼
Direct Asking Rents	\$5.38	\$5.52	+2.6%	▲
YTD Leasing Activity (msf)	3.3	2.2	-17.8%	◄►

Under Construction vs. Completions



Overall Rental vs. Vacancy Rates



Market/Submarket Statistics

Submarket	Inventory	Overall Vacancy Rate	YTD Leasing Activity	YTD User Sales Activity	Under Construction	YTD Construction Completions	YTD Direct Net Absorption	YTD Overall Net Absorption	Direct Weighted Average Net Rental Rate*			
									HT	MF	OS	W/D
I-25 Northwest	11,646,736	7.2%	132,187	0	0	0	(120,853)	(120,853)	N/A	\$9.88	\$6.48	\$3.86
I-70 Northwest	14,708,263	5.9%	34,478	0	0	0	(286,561)	(286,161)	\$9.55	N/A	\$8.54	\$5.52
Northwest Central	7,252,749	7.5%	69,651	0	0	0	(8,691)	(8,691)	N/A	N/A	\$8.62	\$5.36
Broomfield/Boulder	25,940,109	9.7%	294,065	0	0	36,000	124,502	128,616	\$11.56	\$6.33	\$10.14	\$5.35
NORTHWEST	59,547,857	8.0%	530,381	0	0	36,000	(291,603)	(287,089)	\$11.42	\$6.40	\$9.29	\$4.91
I-70 Central	23,826,793	6.4%	286,200	45,334	0	0	46,067	93,413	N/A	\$3.09	\$5.09	\$3.25
I-70 East	51,002,419	10.0%	849,250	86,214	0	0	252,274	308,363	N/A	\$3.58	\$6.30	\$3.86
I-25 Northeast	6,208,070	5.9%	54,545	0	0	0	3,126	3,126	N/A	\$4.23	\$5.00	\$5.03
Northeast Central	15,025,924	6.1%	206,690	0	72,000	0	139,166	139,166	N/A	\$3.63	\$6.02	\$4.66
Brighton	3,788,235	6.3%	0	0	0	492,751	492,751	492,751	N/A	N/A	N/A	\$2.50
NORTHEAST	99,851,441	8.2%	1,396,685	131,548	72,000	492,751	933,384	1,036,819	N/A	\$3.48	\$5.86	\$3.78
CENTRAL	21,498,676	4.6%	156,556	0	0	0	(1,440)	(1,440)	N/A	\$3.05	\$10.00	\$4.47
Southeast Central	4,973,586	9.3%	64,740	37,185	0	0	40,190	40,190	\$8.00	N/A	\$8.59	\$5.99
Southeast Suburbs	14,767,763	11.5%	217,921	0	15,000	0	123,228	87,789	\$9.45	\$6.75	\$8.91	\$6.34
SOUTHEAST	19,741,349	11.0%	282,661	37,185	15,000	0	163,418	127,979	\$8.90	\$6.75	\$8.84	\$6.26
Southwest Central	11,367,652	4.3%	230,035	0	0	0	122,647	147,316	N/A	\$3.91	\$6.21	\$5.18
Southwest/Englewood	7,649,264	8.1%	57,096	30,690	0	0	(28,431)	(28,431)	N/A	\$6.51	\$9.59	\$5.31
Lakewood	2,739,801	10.7%	63,836	0	0	0	36,327	36,327	N/A	\$4.50	\$7.67	\$6.83
SOUTHWEST	21,756,717	6.4%	350,967	30,690	0	0	130,543	155,212	N/A	\$5.58	\$8.65	\$5.40
TOTAL	222,396,040	7.8%	2,717,250	199,423	87,000	528,751	934,302	1,031,481	\$10.25	\$4.30	\$8.40	\$4.23

* Rental rates reflect asking Spsf/year.

HT= High Tech MF=Manufacturing OS = Office Service W/D = Warehouse/Distribution

Market Highlights

SIGNIFICANT 1Q11 NEW LEASE TRANSACTIONS

BUILDING	MARKET	TENANT	SQUARE FEET	PROPERTY TYPE
10075 East 40th Avenue	I-70 East	SMA America	148,902	Warehouse/Distribution
2550 West 5th Avenue	Central	Solar Solutions and Distribution	67,220	Warehouse/Distribution
3535 South Irving	Southwest Central	Snacks For A Purpose	35,624	Warehouse/Distribution

SIGNIFICANT 1Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
15000 East 39th Avenue	I-70 East	Trimco Millwork	86,214	\$4,000,000
Springhill Business Center II	Southeast Central	Springhill, LLC	60,480	\$2,470,000
2170 South Dahlia Street	Southeast Central	Highline Academy	37,185	\$2,050,000

SIGNIFICANT 1Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
1500 East Crown Prince Boulevard	Brighton	Vestas Americas	40,575	Feb-11
2865 North 63rd Street	Broomfield/Boulder	Special Transit	36,000	Jan-11

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
18050 East 104th Avenue	Northeast Central	Cummins Rocky Mountain	72,000	Jun-11
14258 East Easter Avenue	Southeast Suburban	Blue Bell Creameries	15,000	May-11

