

# MARKETBEAT

## Industrial Snapshot Q1 2016

Denver, Colorado



### DENVER INDUSTRIAL

#### Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
Denver Employment	1.43M	1.46M	▲
Denver Unemployment	4.4%	3.0%	▼
U.S. Unemployment	5.6%	4.9%	▼

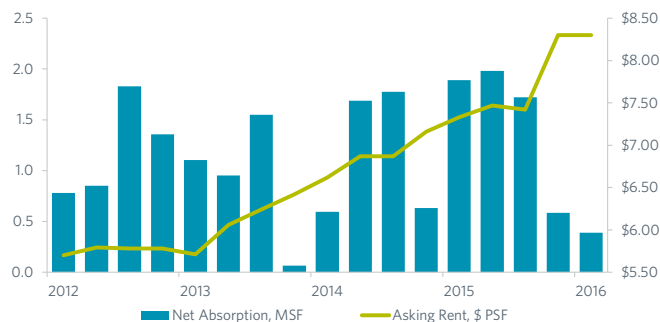
#### Market Indicators (Overall, All Product Types)

	2015	2016	12-Month Forecast
Overall Vacancy	4.1%	2.7%	■
Net Absorption	979,739	387,569	■
Under Construction	1,447,256	4,170,001	▼
Direct Asking Rent (WHSE/MFG)	\$6.12	\$6.64	▲
Average Asking Rent (FLEX)	\$9.51	\$11.11	▲

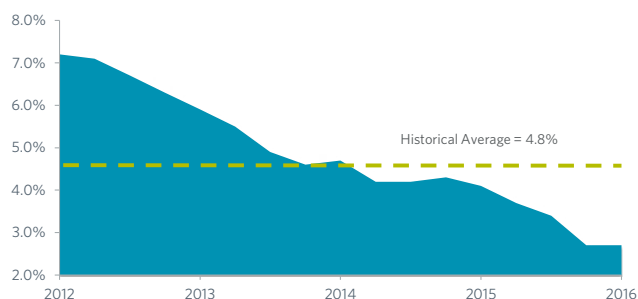
\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Asking Rent

1Q Trailing Average



#### Overall Vacancy



### Economic Overview

As we close the first quarter of 2016, the fundamental indicators remain strong for the Denver economy. The most recent statistics show that unemployment continues to fall, down to 3.0%, down from 4.4% one year ago. The metro Denver population is expected to increase to 3.3 million by 2020, allowing Denver to continue adding talented young professionals to its growing labor pool. With a high median household income and a relatively low cost of living, Denver will maintain its position as a top destination for both people and companies.

### Industrial Market Overview

Once again, the Denver industrial real estate market started another year with momentum and strength, recording further advances in all fundamental indices. From tightening vacancy and increasing rates, to record pricing and compressed cap rates for investment sales, this historic run continues to outpace the typical length of a real estate expansion cycle, setting new norms along the way and further insulating the market from any unforeseen downturns.

Denver recorded nearly 400,000 square feet (sf) in positive absorption during Q1 2016 compared to nearly one million square feet (msf) in Q1 2015, further compressing the already historically low vacancy rate to 2.7% for all product types market-wide. Strong activity was recorded in a myriad of industries including food distribution, housing supply, regional distribution centers and manufacturing, providing more proof of the strength and diversification of the market. Rental rates continued an upward trajectory, increasing 13.2% on average from Q1 2015 to a new record average lease rate of \$6.64 per square foot on a NNN basis for warehouse/manufacturing space. Each submarket saw an uptick in lease rates, recording new highs for both new leases as well as renewals. The Northwest submarket was particularly hot, logging over 200,000 sf of positive absorption. The Northeast submarket also had strong deal traffic, logging 37 deals totaling over 1.1 msf.

## MARKETBEAT

# Industrial Snapshot Q1 2016

Denver, Colorado



With fewer and fewer properties available for sale, activity from user-buyers decreased by 60% compared to Q1 2015, with only six sales trading hands to users during the quarter. Average sale prices stayed relatively steady for the second quarter in a row, signaling that we may have reached a high point in pricing during this cycle. While user sales activity dipped, investment sales remained strong, as more owners predictably entered the market to take advantage of peak pricing. The average cap rate for these transactions was 6.5%, compressed from the average in 2015 of 7.2%. Notable sales during the quarter included the Dartmouth Industrial Center and Warehouse Central.

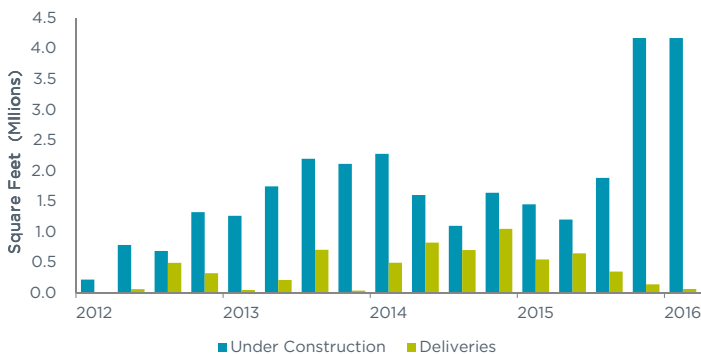
Developers continue to look in every corner of the market for viable development opportunities. Four projects are currently underway in the North Central, all of which are seeking to set new benchmarks for lease rates in the area. Speculative development along the I-70 corridor remains steady, but not overbuilt, protecting the market from oversupply concerns in the future. Currently, there are only four completed or soon-to-be-finished lease options available that are greater than 200,000 sf, in the Northeast submarket. The Southeast submarket continues to provide a steady dose of speculative development, with Ecompass Business Park, Inova, and Highfield Business Park all underway.

With confidence running high throughout the industrial real estate industry, the market appears to be in for an extended run. Tenants continue to stay motivated, even as landlords are becoming more bullish by the day, evidenced by declining rental concessions and mandated longer lease terms. While there has been a significant drop off in new cannabis grow operations, available options for users are very hard to find, requiring tenants to heed the demands of the landlord. Pay attention to sales pricing in the coming months, as there may be a pattern of evidence showing that the market has peaked. Finally, look for more investor owners to realize that selling now may be the right move.

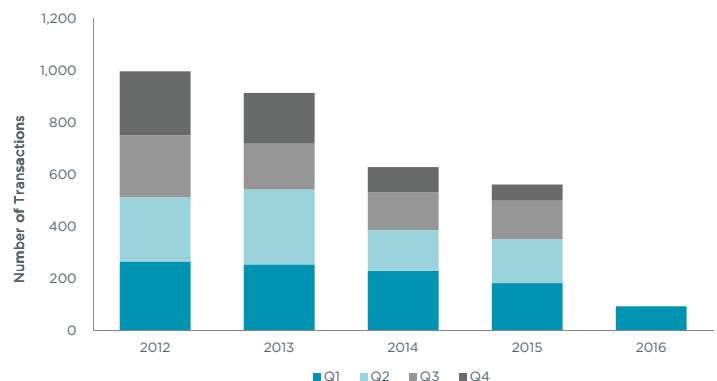
### Outlook

- Investment demand will continue to drive investment activity and cap rate compression.
- Various large build-to-suit requirements should land in the next 6 to 9 months.
- Users will continue to struggle to find new alternatives as well as stomach renewal rates.

### Construction/Deliveries



### Deal Velocity



# MARKETBEAT

## Industrial Snapshot Q1 2016

Denver, Colorado



	TOTAL BUILDINGS (SF)	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	VACANCY RATE	CURRENT ABSORPTION (SF)	YTD NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	AVERAGE ASKING RENT WHSE/MFG*	AVERAGE ASKING RENT FLEX*
SUBMARKET										
Boulder/Broomfield	486	26,137,462	0	884,455	3.4%	119,956	119,956	442,671	\$9.21	\$12.62
Central	626	21,906,501	0	306,458	1.4%	14,732	14,732	0	\$6.65	N/A
Northeast	1,705	107,354,014	489,211	3,008,800	3.3%	27,067	27,067	3,484,435	\$5.41	\$9.52
Northwest	614	35,834,984	117,314	505,166	1.5%	97,712	97,712	0	\$8.08	\$11.24
Southeast	472	21,438,358	8,000	763,270	3.6%	11,055	11,055	98,875	\$8.23	\$11.05
Southwest	805	27,163,744	0	284,230	1.0%	117,047	117,047	144,020	\$7.68	\$9.54
<b>TOTAL</b>	<b>4,708</b>	<b>239,835,063</b>	<b>614,525</b>	<b>5,752,379</b>	<b>2.7%</b>	<b>387,569</b>	<b>387,569</b>	<b>4,170,001</b>	<b>\$6.64</b>	<b>\$11.11</b>

\*Rental rates reflect asking \$/SF/Year

### Under Construction 1Q 2016

PROJECT	SF	DEVELOPER	COMPLETION DATE	SUBMARKET
Majestic Commerce Center	452,400	Majestic Realty Co.	Q2 2016	Northeast
Crossroads Commerce Park	376,598	Trammell Crow Company	Q2 2016	Northeast
Eastpark 70	354,900	Consolidated Investment Group	Q3 2016	Northeast
12900 East Smith Rd.	289,500	Brookwood Capital Partners	Q3 2016	Northeast
5503 Havana St.	251,591	ProLogis	Q3 2016	Northeast

### Key Lease Transactions 1Q 2016

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
445 W. 53rd Pl.	200,972	Precision Building Systems, LLC	Renewal	Central
390 E. 55th Ave.	127,480	American Tire Distributors	New Lease	Central
10040 E. 40th Ave.	80,782	Dealer Tire	New Lease	Northeast
10040 E. 40th Ave.	80,674	Pental Marble and Granite	New Lease	Northeast
5503 Havana St.	79,677	Willaims-Sonoma	New Lease	Northeast
8020 Steel St.	70,000	Samuel & Sons	New Lease	North
18250 E. 40th Ave.	65,000	Quality Bicycle Products	New Lease	Northeast

### Key Sale Transactions 1Q 2016

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
3101-3151 South Platte River Drive	663,247	TA/Cabot Properties	\$53,230,000	Southwest
2395-2525 W. 4th Ave.	325,858	IBC Holdings LLC/Stockbridge Capital Group, LLC	\$24,000,000	Central
6675 S. Kenton St. (3 Properties)	144,274	SVN Equities LLC/Kumar Trust	\$15,600,000	Southeast
2401-2409 Blake St.	49,500	Dikeou Realty/Lennar Multifamily Investors LLC	\$13,155,000	Central
8535 Highfield Pky	98,875	Bradbury Properties Company, Inc./Bc Wyatts Torch LLC	\$12,600,000	Southeast
1710 Platte St. (2 Properties)	20,000	Empire Staple Co./Trammell Crow Company	\$12,000,000	Central
2323-2355 Delgany St.	83,133	Judd Properties Corp./EverWest Real Estate Partners LLC	\$10,500,000	Central

\*Industrial inventory and submarket boundaries revised as of Q1 2016. Historical data set also revised to reflect current statistical area.

# MARKETBEAT

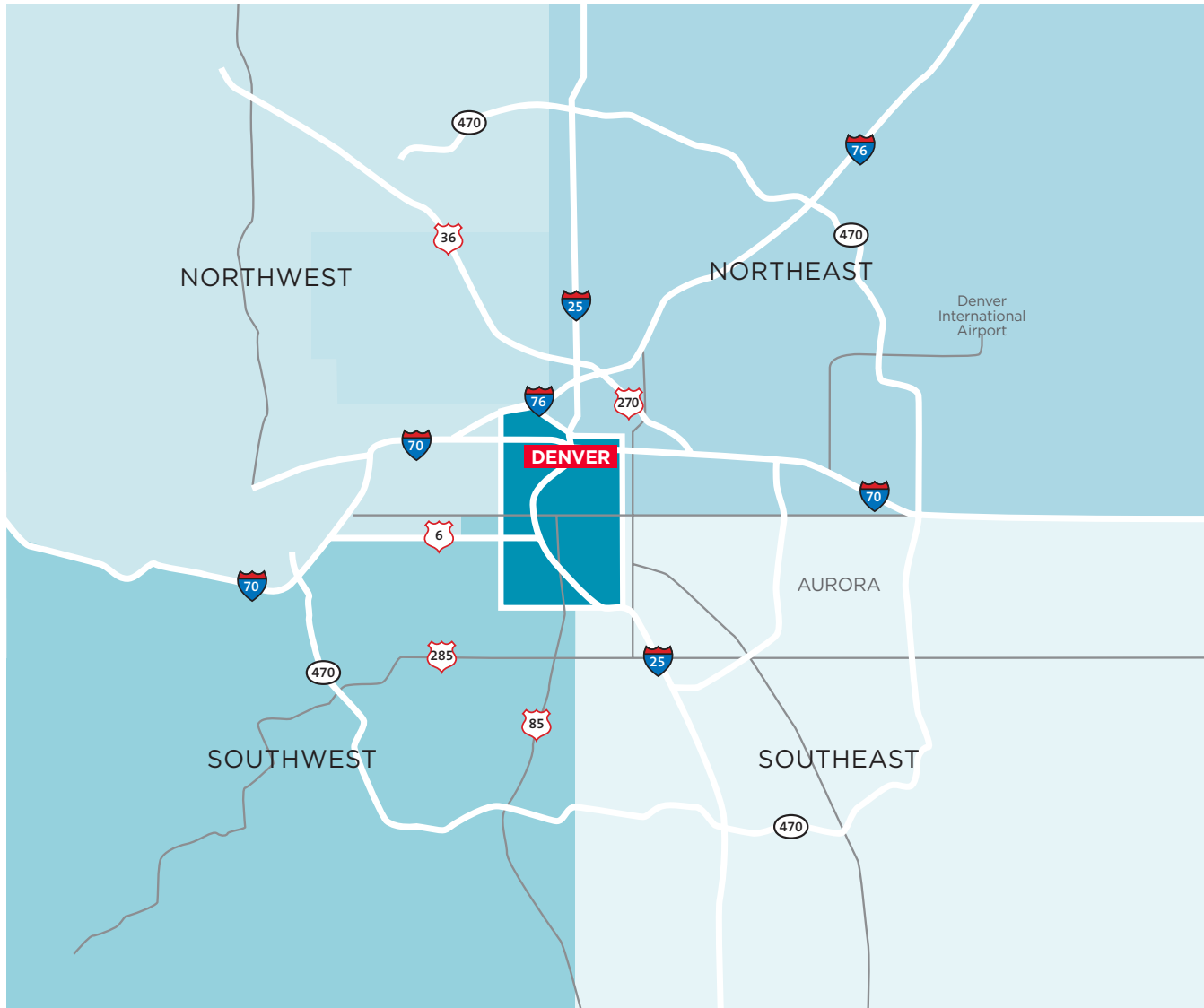
## Industrial Snapshot Q1 2016

Denver, Colorado



### INDUSTRIAL SUBMARKETS

DENVER, COLORADO



### About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @Cushwake on Twitter.

### Andrea Jones

Vice President  
Marketing & Research  
1515 Arapahoe Street  
Suite 1200  
Tel: +1 303 312 4256  
Fax: +1 303 534 8270  
[andrea.jones@cushwake.com](mailto:andrea.jones@cushwake.com)

Copyright © 2016 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.