

Change from last quarter.

Source: CoStar


**Vacancy**  
**4.9%**

**Absorption**  
**399,459 SF**

**Rates**  
**\$9.14 NNN**

**3Q Deliveries**  
**1,020,426 SF**

**Construction**  
**9,071,837 SF**

## Metro Denver Industrial Market

- The metro Denver industrial market ended the third quarter of 2018 with 399,459 square feet of positive absorption. This is up from the second quarter where 143,133 square feet was absorbed.
- Vacancy during the third quarter stood at 4.9 percent, up from 4.7 percent in the second quarter.
- Average rental rates for Denver Metro industrial space were down in the third quarter, standing at \$9.14 per square foot NNN. This represents a 1.9 percent decrease from the end of the second quarter.
- According to CoStar, some of the largest lease signings to occur in 2018 included: the 227,500 square foot lease signed by Miller Coors LLC in the West Denver market; the 172,627 square foot deal signed by Pinnacle Architectural Lighting in the East I-70/Montbello market; and the 139,121 square foot deal signed by Lanter Delivery Systems, Inc. in the East I-70/Montbello market.
- The unemployment rate in Colorado was 2.9 percent for August 2018. Colorado continues to remain lower than the national unemployment rate of 3.7 percent.

Source: CoStar

## Overall Metro Denver Statistics

<b>Size</b>	311,705,850 SF	<b>Number of Buildings</b>	10,634
<b>Vacant SF</b>	15,363,718 SF	<b>Year to Date Deliveries</b>	3,044,891 SF
<b>Vacancy Rate</b>	4.9%	<b>Under Construction</b>	9,071,837 SF
<b>Net Absorption</b>	399,459 SF	<b>YTD Absorption</b>	1,314,553 SF
<b>Asking Rent, Flex</b>	\$11.89	<b>Vacancy Rate, Flex</b>	7.4%
<b>Asking Rent, Warehouse</b>	\$8.21	<b>Vacancy Rate, Warehouse</b>	4.4%
<b>Asking Rent, Total</b>	\$9.14	<b>Vacancy Rate, Total</b>	4.9%

Source: CoStar

## Industrial Investment Activity

Total industrial building sales activity rose during the second quarter of 2018 compared to the first quarter. In the second quarter, 57 buildings traded hands for a total of 4.3 million square feet and a total sales volume of \$466 million. This compares to the first quarter where 35 buildings traded for a total sales volume of \$197 million and an average of \$101.66 per square foot.

## Sales Analysis by Building Size

Based on Industrial Bldg Sales from July 2017 - June 2018

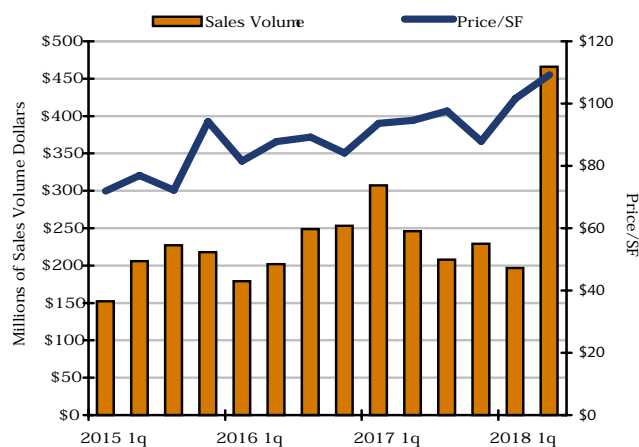
Bldg Size	#	RBA	\$ Volume	Price/SF	Cap Rate
< 25,000 SF	193	2,257,614	\$330,931,525	\$146.58	7.11%
25K - 99K SF	84	4,003,346	\$435,531,385	\$108.79	7.81%
100K - 249K SF	14	2,012,447	\$215,322,654	\$107.00	6.90%
> 250K SF	10	3,914,395	\$328,303,805	\$83.87	7.10%

Source: CoStar COMPS®

According to CoStar, one of the largest transactions to take place in the last four quarters is the sale of HUB 25, a 421,499 square foot industrial building in Denver. The building sold at a 4.40 percent cap rate for \$74 million or \$175.56 per square foot in May of 2018.

## Sales Volume and Price

Based on Industrial Building Sales of 15,000 SF and Larger



Source: CoStar

## Terms and Definitions

**Net Absorption:** The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

**Vacancy Rate:** A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

**Full Service Rental Rate:** Rental rates that include all operating expenses such as utilities, electricity, janitorial services, taxes and insurance.

**Deliveries:** Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certificate of occupancy must have been issued for the property.

**Cap Rate:** Short for capitalization rate. The Cap Rate is a calculation that reflects the relationship between one year's net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price (or asking sales price).

**Flex Building:** A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. A typical flex building will be one or two stories with at least half of the rentable area being used as office space, have ceiling heights of 16 feet or less, and have some type of drive-in door, even though the door may be glassed in or sealed off.

**Industrial Building:** A type of building adapted for such uses as the assemblage, processing, and/or manufacturing of products from raw materials or fabricated parts. Additional uses include warehousing, distribution, and maintenance facilities. The primary purpose of the space is for storing, producing, assembling, or distributing product.

All information contained in this report was obtained from CoStar.

**Pinnacle Real Estate Advisors, LLC** is a full service commercial real estate brokerage firm servicing clients globally who own commercial properties in the metro Denver area and throughout Colorado. Our expertise encompasses all commercial real estate property types as well as property management.

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