

Change from last quarter.

Source: CoStar


Vacancy
4.5%

Absorption
2,647,889 SF

Rates
\$9.34 NNN

4Q Deliveries
1,687,901 SF

Construction
6,442,785 SF

Metro Denver Industrial Market

- The metro Denver industrial market ended the fourth quarter of 2018 with 2,647,889 square feet of positive absorption. This is up from the third quarter where 790,160 square feet was absorbed.
- The Industrial vacancy rate in the Denver market area decreased to 4.5 percent at the end of the fourth quarter 2018, a slight change from 4.6 percent vacancy rate recorded at the end of the third quarter.
- Average rental rates for Denver Metro industrial space were up in the fourth quarter, standing at \$9.34 per square foot NNN. This represents a 2.1 percent increase from the end of the third quarter.
- According to CoStar, the largest projects underway at the end of fourth quarter 2018 were 22300 E 26th Avenue, a 555,840-square-foot facility that is 100% available, and 18701 E 38th Avenue, a 289,113-square-foot facility that is also 100% available.
- The unemployment rate in Colorado ended the year rising to 3.5 percent in December. Colorado continues to remain lower than the national unemployment rate of 3.9 percent.

Source: CoStar

Overall Metro Denver Statistics

Size	312,911,150 SF	Number of Buildings	10,666
Vacant SF	14,197,100 SF	Year to Date Deliveries	4,047,433 SF
Vacancy Rate	4.5%	Under Construction	6,442,785 SF
Net Absorption	2,647,889 SF	YTD Absorption	4,431,159 SF
Asking Rent, Flex	\$11.88	Vacancy Rate, Flex	6.5%
Asking Rent, Warehouse	\$8.46	Vacancy Rate, Warehouse	4.1%
Asking Rent, Total	\$9.34	Vacancy Rate, Total	4.5%

Source: CoStar

Industrial Investment Activity

Total year-to-date industrial building sales activity in 2018 is up compared to the previous year. In the first nine months of 2018, the market saw 130 industrial sales transactions with a total volume of \$914,831,112. The price per square foot has averaged \$112.45 this year. In the first nine months of 2017, the market posted 135 transactions with a total volume of \$754,663,215. The price per square foot averaged \$95.32.

Sales Analysis by Building Size

Based on Industrial Bldg Sales from Oct 2017 - Sept 2018

Bldg Size	#	RBA	\$ Volume	Price/SF	Cap Rate
< 25,000 SF	214	2,490,493	\$372,832,596	\$149.70	7.10%
25K - 99K SF	81	3,840,241	\$427,370,071	\$111.29	7.93%
100K - 249K SF	16	2,269,937	\$270,665,400	\$119.24	6.83%
> 250K SF	9	3,502,910	\$302,743,805	\$86.43	7.10%

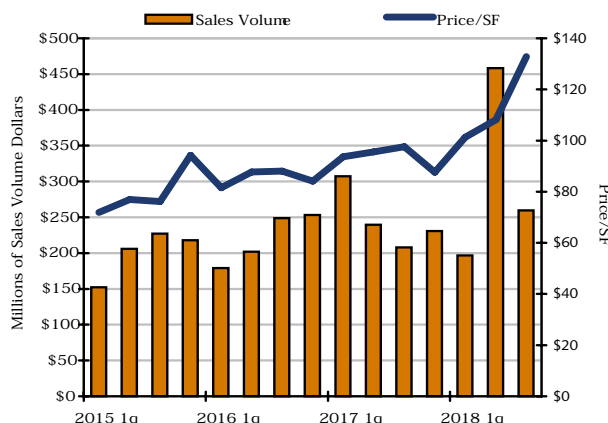
Source: CoStar COMPS®

One of the largest transactions that has occurred within the last four quarters in the Denver market is the sale of HUB 25 in Denver. This 421,499-square-foot industrial portfolio sold for \$74,000,000, or \$175.56 per square foot.

Cap rates have been higher in 2018, averaging 7.62%, compared to the first nine months of last year when they averaged 7.18%.

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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