

NATIONAL INDUSTRIAL MARKET

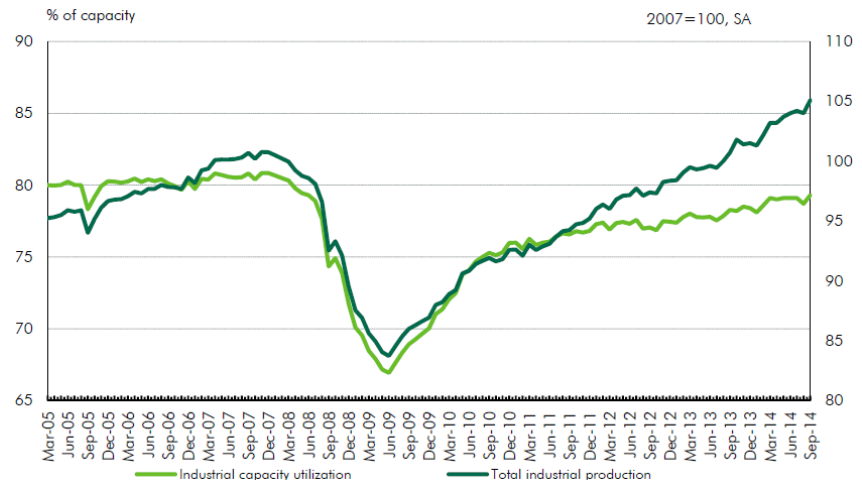
Market Overview

BUSINESS INVENTORIES
All Time High of \$1.75 Trillion
ALL TIME RECORD

IMPORTS UP 2.8%
Despite Oil Imports
Decreasing
Increasing Share of
Nations Imports are
Types of Products
That Spend Time in
Warehouses &
Stimulate Industrial
Demand

**Industrial Production Index @
105.1 – its Highest Level Ever**

Industrial Production Continues to Expand



62.3 million SF Net Absorption
(vs. historical national average of 34 msf)
18th Consecutive Quarter
Of Positive Net Absorption

Source: CBRE Research / Econometric Advisors / Federal Reserve

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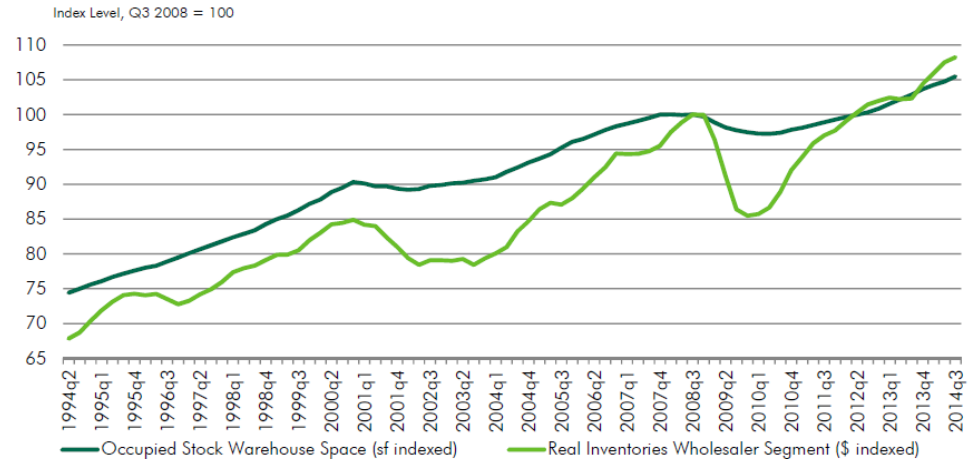
Market Overview

AVAILABILITY RATES
Fall From Recessionary Peak
From 14.5% to 10.6%

Full-year rent growth
of
5.3% & 5.7%
forecasted for
2015 & 2016

Strongest
forecast
since the
1990's

Inventories and Occupied Space Continue to Grow Beyond Prior Highs



**TOTAL WHOLESALER INVENTORIES &
TOTAL OCCUPIED STOCK OF WAREHOUSE
SPACE**

Fully Recovered

Source: CBRE Research / Econometric Advisors / US Census Bureau

DENVER INDUSTRIAL MARKET

Market Overview

INVENTORY By Product Type

902 Manufacturing

45.5 million SF

2,702 Warehouse /
Distribution

139.9 million SF

713 Flex / R&D

33.5 million SF

4,509 TOTAL

226.4 million SF

FUNDAMENTALS

4.8%

**RECORD LOW
VACANCY RATE**

2.5 million SF

**UNDER CONSTRUCTION
1,548,612 PRE-LEASED**

YTD 2014: **2.1 million SF**

2013: **1.7 million SF**

NET ABSORPTION WILL SURPASS LAST YEAR

18 QUARTERS

POSITIVE ABSORPTION (Q3-2014)

Lease Rates Up \$0.37/SF this quarter

LARGEST INCREASE IN 8 QUARTERS

Source: CBRE Research / Econometric Advisors



DENVER INDUSTRIAL MARKET

Market Overview

Denver Industrial Sales Volume

(Rolling 12 mo. total through Q1 2014)

\$668.5 million

+44.6% year-over-year increase



40,500

Jobs added in Denver

(YTD as of August 2014)



5,851

Single-family home starts:

up 15.8% YTD

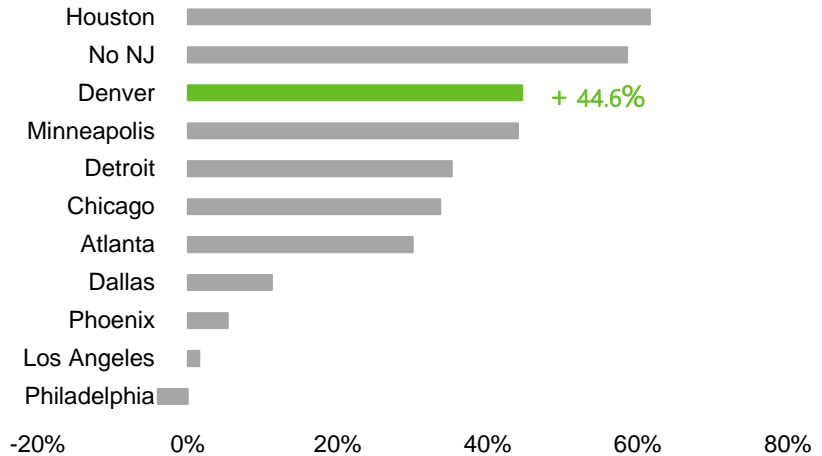
(August 2014)



34,848

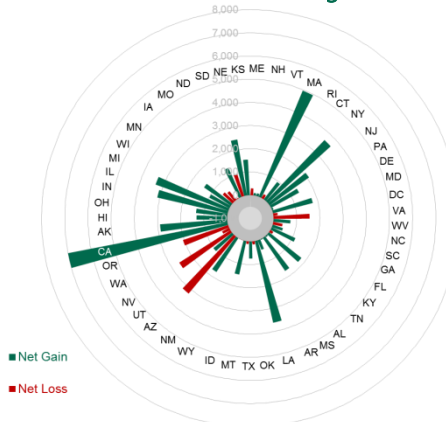
People moved to Denver in 2013

Momentum in Denver's industrial sales activity exceeds eight of the 10 largest U.S. industrial markets



Colorado = 5th fastest growing state in 2013

Colorado Net Migration



Denver is **2nd** in the influx of Millennials (ages 25-34) between 2009 and 2012
Source: Brookings Institution

Source: CBRE Research / Real Capital Analytics / US Census Bureau



NORTHEAST BIG BOX SPEC CONSTRUCTION OVERVIEW



Average tenant landed from speculative building is 132,544 SF

Source: CBRE Research



THE PROBLEM (AND OPPORTUNITY)

What about the little guy?

**AVERAGE TENANT
LANDED**
131,821 SF

DEVELOPERS
Need to
BUILD BIG
To Get
Economies
of Scale to
Justify
Construction

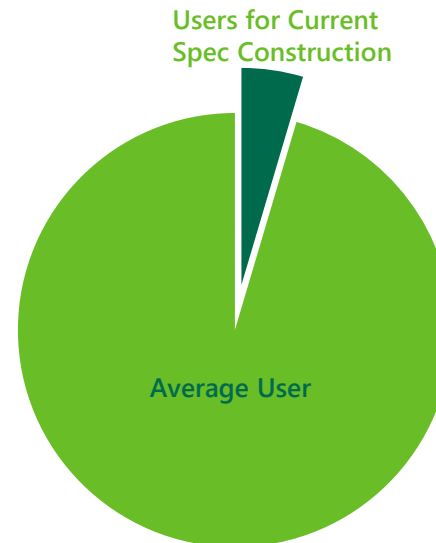
Source: CBRE Research

CBRE

#1: Average size user in
Denver is 31,505 SF

#2: 95.42% of the market cannot
and will not occupy the space that
is being delivered

#3: The market is at a record low
vacancy rate ↓ 4.8% ...



CONSTRUCTION COST ANALYSIS FOR 75,000 SF BUILDING

100,000 SF Tenant Down to 20,000 SF

**A LEASE RATE
Of ±\$7.45
Required**

**Existing Tenants
Paying \$4.00-
\$5.00/SF**

<u>Development Costs</u>					<u>\$\$\$</u>	<u>\$/SF</u>
Land	FAR:	0.4	\$5.00/ Land SF		\$1,250,000	\$12.50
Hard Costs (Site, Core, Shell, Design)					\$5,750,000	\$57.50
Tenant Improvments	Ofc Build out:	15%	\$60.00/ Office SF	\$5.00/ WH SF	\$1,325,000	\$13.25
Leasing Commissions		8.0%	5 yrs	Rate = 8% ROC	\$310,235	\$3.10
Tap and Development Fees					\$200,000	\$2.00
Property Taxes	Tax Rate	2.4%	Months	12	\$30,120	\$0.30
					<hr/>	
					\$8,865,355	\$88.65
Lease Rate NNN	Annual Increases	2.5%			\$745,000	\$7.45
Unleveraged ROC	General Vacancy	5.0%				8.0%

* Tilt Up Concrete structure

Source: CBRE Research



THE DELTA

Smaller Than We Think

Existing Rents



\$4.00- \$5.00/SF

41,087 SF @ \$9.08/SF NNN
11/1/14 Commencement
Airport/Montbello Submarket

21,789 SF @ \$7.52/SF NNN
5/1/14 Commencement
Airport/Montbello Submarket

13,563 SF @ \$6.90/SF NNN
11/1/14 Commencement
Airport/Montbello Submarket

18,000 SF @ \$6.83/SF NNN
8/1/14 Commencement
North Central Submarket

Replacement Cost Rents



±\$7.45/SF

**This drives investment activity
and is making Denver a top 5 city for industrial sales**

Source: CBRE Research

CBRE

INDUSTRIAL MARKET FORECAST

The Denver Market is Strong

#1: Strong rent growth across the industrial sector led by small bay Class A & B product

#2: E-commerce activity will “arrive” in Denver further tightening the industrial market

#3: Conservative supply of continued speculative development

#4: Sales activity increases

#5: Healthy market until the next “event”