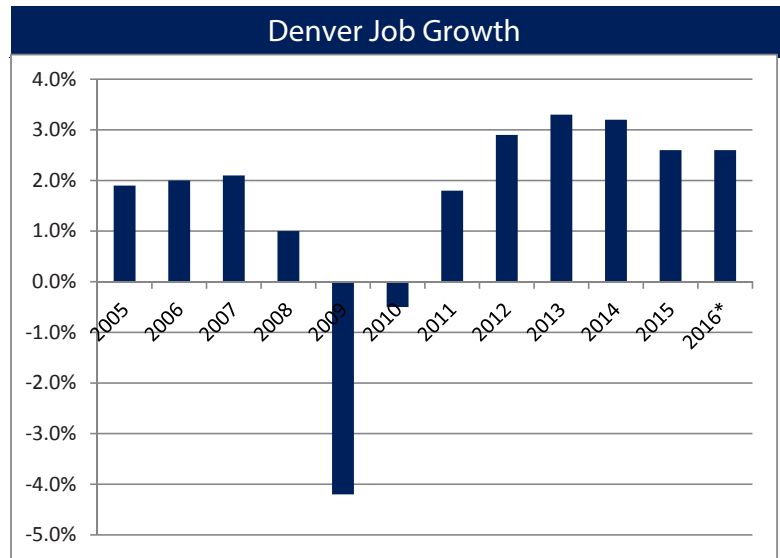


Denver industrial market continues story of growth

The Denver industrial market ended the first quarter with 443,342 sf of absorption. Vacancy remains near-historic lows at 3.9%, and asking rates continue to climb, averaging \$8.39 psf NNN in the first quarter.

Economic Overview

Employment growth remained healthy at the start of the year. The Denver metro area added 35,600 jobs in the last 12 months ending in February, a 2.6% increase in employment. The yearly employment gains were driven by Leisure & Hospitality (+5.3%), Manufacturing (+3.4%), and Professional & Business Services (+3.3%). Unemployment registered 3.0% in January, the lowest rate recorded since May 2001. Denver’s population has grown substantially in recent years, particularly from the in-migration of millennials who are drawn to the employment opportunities and quality of life that Denver provides. Population in Metro Denver now totals over 3.0 million. Even though Denver is benefitting from additional residents, the low unemployment rate indicates that recruiting and retaining a talented workforce will continue to be a top priority for employers.



*Feb '15 - Feb '16

Denver’s explosive growth is having a significant impact on the housing market. The average price for a single-family home is now \$410,009, an increase of 13% from the previous year. Indicators, such as a healthy housing market, substantial employment gains, and a growing population, are pointing towards sustained growth well into 2018, barring a major national or international crisis. The downturn in the energy industry has prompted concerns over how this will affect the local economy. Due to Denver’s diversified market, the impact has been minimal.



Denver’s unemployment rate now registers 3.0%, the lowest rate recorded since May 2001.



According to the EDC, the median home price in Metro Denver increased to \$410,009 in January, up by 13% from the previous year.



Metro Denver added 35,600 jobs in the last 12 months ending in February, a 2.6% increase in employment.



Residential building permits were up by 13.1% from the previous year in December.



Job growth in 2016 is expected to occur in industries such as professional and business services, construction, education, health services, and government.



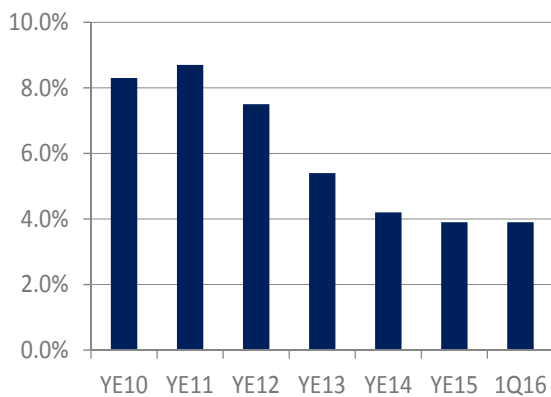
Denver’s Leisure & Hospitality sector was the most active in the last 12 months ending in February, recording an increase in employment of 5.3%.

Industrial Market Overview

The Denver industrial market continued its story of growth into 2016. Denver’s thriving economic environment is having a significant impact on the industrial market. The first quarter saw an additional wave of large-scale users expand in the area, particularly in warehouse and distribution properties. The growth of online retail and ongoing population boom will further the expansion of warehouse and distribution properties in the coming years. Manufacturing properties recorded strong gains as well, leading the way in absorption in the first quarter. Space is extremely tight in manufacturing product, and a lack of new development will likely lead to an uptick in build-to-suit activity. Overall vacancy remained unchanged from the previous quarter and is expected to remain near historic-lows throughout 2016. The region’s historically low vacancy is prompting speculative development and an increasing amount of preleasing in buildings that are either proposed or under construction. A significant amount of new product broke ground in the first quarter as developers address the pent up demand in the market. Asking rates are expected to continue increasing throughout

2016 due to high demand and new, expensive product hitting the market that commands higher asking rates.

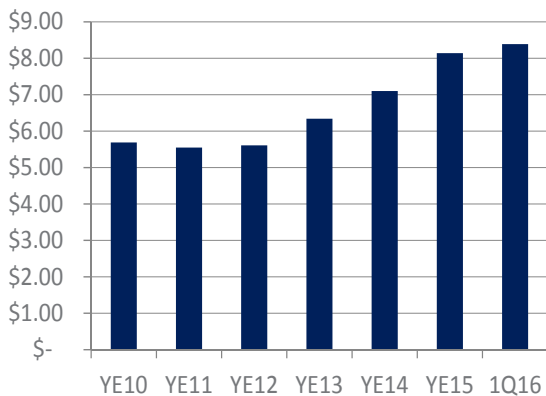
Vacancy Rates



ABSORPTION & DEMAND

The Denver industrial market recorded a positive net absorption of 443,342 square feet (sf) in the first quarter. Although the Denver industrial market is largely driven by warehouse and distribution properties, the majority of absorption in the first quarter occurred in manufacturing properties. Manufacturing properties recorded a positive net absorption of 301,414 sf, followed by flex properties (80,485 sf) and warehouse and distribution facilities (61,443 sf). Industrial properties have recorded a significant amount of absorption in recent years, posting 6.3 msf in 2014 and 2.2 msf in 2015. The legalization of marijuana caused a sharp increase in activity in Denver industrial properties in 2014. The market has since settled into a sustainable rate of growth.

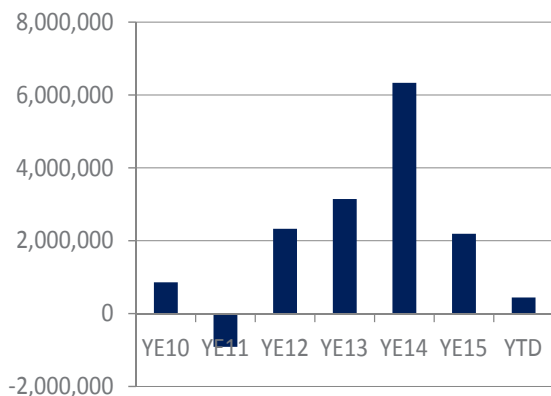
Asking Rents



NOTABLE FIRST QUARTER ACTIVITY:

- **Amazon** preleased the entire 452,400-sf building at 19799 East 36th Avenue, located in the Majestic Commercenter. The retail giant is expected to bring hundreds of jobs to the area.
- **Medline Industries** broke ground on its 545,000-sf build-to-suit in the Majestic Commercenter. The building is slated for delivery in mid-2017.
- **Scott’s Liquid Gold** renewed its 167,060-sf lease in the Montbello Industrial Park.
- **Mattress Firm** preleased 110,000 sf at 5333 N Bannock Street in the Northwest submarket. The building is set to break ground in mid-2016.
- **Dealer Tire** (80,782 sf) and **Pental Granite & Marble** (80,674 sf) leased space at Enterprise Business Center Building 5. The 466,413-sf building, located in the East I-70/Montbello submarket, was completed in 2015 and is now 77% leased.

Net Absorption



Denver recorded over 1.5 msf in new deals in the first quarter. Leasing activity has slowed in the past year due to a lack of space for tenants to expand into. Existing quality space has become increasingly difficult to locate, resulting in tenants having to choose between premium new space and lower quality space. Despite continued construction along I-70, the I-70/Montbello submarket led Denver in leasing activity in the first quarter, recording 648,798 sf in new deals. The remaining I-70 construction is on track to be completed by December 2016.

VACANCY & AVAILABILITY

After plummeting in 2014 due to high activity in the market, the vacancy rate held steady from the previous quarter at 3.9% and has remained near historic-lows for the past year. Vacancy is expected to remain relatively stable throughout 2016 as continued development balances out strong demand. Manufacturing properties recorded the lowest vacancy rate in the first quarter (2.1%), followed by warehouse and distribution properties (3.4%). Flex properties recorded the highest vacancy rate of 8.1%. The majority of construction activity is occurring in warehouse and distribution properties. These projects are heavily preleased but still have available space, which will help to alleviate tightness in warehouse and distribution product as this space delivers. A limited amount of manufacturing product is under construction, and therefore vacancy is expected to remain incredibly low in these properties. Manufacturing tenants planning to expand within the market have few options. Therefore, an uptick in manufacturing build-to-suit activity is projected in 2016.

RENTAL RATES

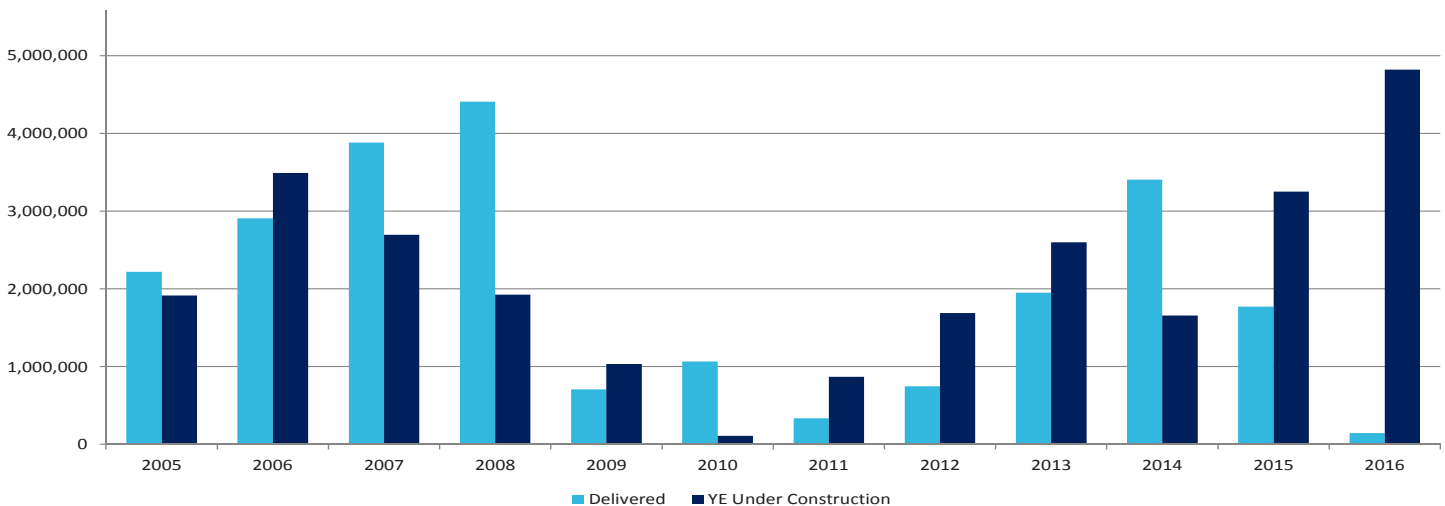
Denver industrial asking rates continue to rise. From the previous quarter, NNN asking rates increased by \$0.25 per square foot (psf) to \$8.39 psf. Asking rates were \$7.44 psf at the close of 2014. The jump in rates this past year was due to continued demand, as well as new expensive product hitting the market. Demand in the industrial market shows little sign of abating, and asking rates are expected to continue increasing in 2016 at an average rate of \$0.25 psf per quarter.

CONSTRUCTION

Strong demand and a lack of quality available space have caused a development boom in Denver's industrial market with 32 buildings totaling more than 4.8 msf currently under construction. Developers broke ground on over 1.6 msf in the first quarter. The region's historically low vacancy is prompting speculative development and an increasing amount of preleasing in buildings that are either proposed or under construction. Build-to-suit activity has also increased substantially. The overwhelming majority of construction is occurring in the East I-70/Montbello submarket where over 2.7 msf is currently being developed. Majestic Realty acquired 530 acres adjacent to its existing Majestic Commercenter in late 2015, located within the East I-70/Montbello submarket. The company is expanding the footprint of the park, which could total up to 7.0 msf. Development is specifically aimed at e-commerce facilities and massive distribution centers to take advantage of the shift towards online consuming. Majestic Commercenter attracted the world's largest e-commerce retailer to its development. Amazon preleased the entire 452,400-sf building currently under construction at 19799 East 36th Avenue and is expected to bring hundreds of jobs to the location. Medline Industries, a supplier of medical, surgical, and pharmaceutical products, broke ground on its 545,000-sf build-to-suit in Majestic Commercenter. The building is slated for delivery in mid-2017.

Development activity is expected to remain steady in 2016 with a number of developments scheduled to break ground in coming months. 145,975 sf of new product was delivered to the market in the first quarter. Significantly preleased new development indicates that the industrial market will remain tight through 2016.

DENVER DEVELOPMENT TIMELINE





NOTABLE BUILDINGS UNDER CONSTRUCTION

- Enterprise Business Center Bldg. 6, Distribution (647,000 sf). East I-70/Montbello.
- Medline Industries, Distribution (545,000 sf). East I-70/Montbello.
- Majestic Commercenter Building 29, Distribution (452,400 sf). East I-70/Montbello.
- Crossroads Commerce Park, Warehouse (376,598 sf). Northeast.
- Eastpark 70 Building 1, Distribution (356,833 sf). East I-70/Montbello
- Coors Technology Park, Flex (300,000 sf). West.
- 12900 E Smith Road, Warehouse (290,132 sf). East I-70/Montbello.



NOTABLE BUILDINGS DELIVERED YTD

- Empire Staple Co., Warehouse (61,870 sf). Northeast.
- 3D Systems Technology Center Bldg. 10, Flex (33,500 sf). Southwest.
- Gunslinger Custom Paint, Warehouse (30,415 sf). West.

Largest 1Q16 Denver Transactions

Tenant Name	Building	Submarket	Square Feet
Amazon	Majestic Commercenter	East I-70/Montbello	452,400
Scott's Liquid Gold	Montbello Industrial Park	East I-70/Montbello	167,060
Mattress Firm	5333 N Bannock St	Northwest	110,000

Trends to Watch

Employment: Denver added 35,600 jobs in the 12 months ending in February

Active Markets: I-70 East/Montbello, West, Boulder

Market Drivers: Construction, Housing, Health Care

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