COLLIERS BENNETT & KAHNWEILER, INC | DENVER

The Knowledge Report

INDUSTRIAL | MID-YEAR 2007 | DENVER

Denver's Vacancy Decreases to 8.1%

Net Absorption Positive 1,014,444 SF in the Quarter

The Denver Industrial market ended the second quarter 2007 with a vacancy rate of 8.1%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 1,014,444 square feet in the second quarter. Vacant sublease space decreased in the quarter, ending the quarter at 1,203,947 square feet. Rental rates ended the second quarter at $6.00, a decrease over the previous quarter. A total of 9 buildings delivered to the market in the quarter totaling 693,200 square feet, with 2,040,681 square feet still under construction at the end of the quarter.

MARKET INDICATORS

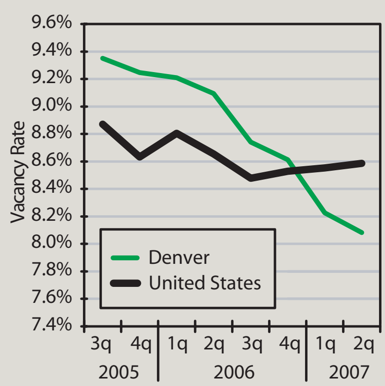
	2006 Q2	2007 Q2
Vacancy	↓	↓
Net Absorption	↑	↑
Construction	↔	↑
Rental Rates	↔	↑

VACANCY

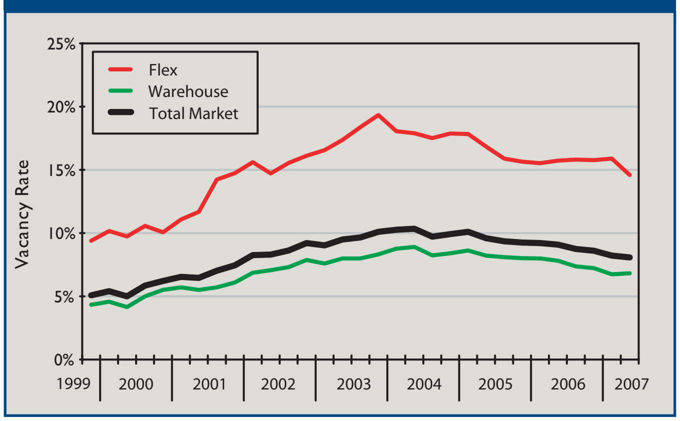
The Industrial vacancy rate in the Denver market area decreased to 8.1% at the end of the second quarter 2007. The vacancy rate was 8.2% at the end of the first quarter 2007, 8.6% at the end of the fourth quarter 2006, and 8.7% at the end of the third quarter 2006. Flex projects reported a vacancy rate of 14.6% at the end of the second quarter 2007, 15.9% at the end of the first quarter 2007, 15.8% at the end of the fourth quarter 2006, and 15.8% at the end of the third quarter 2006. Warehouse projects reported a vacancy rate of 6.8% at the end of the second quarter 2007, 6.7% at the end of first quarter 2007, 7.2% at the end of the fourth quarter 2006, and 7.4% at the end of the third quarter 2006.

U.S. VACANCY COMPARISON

Past 8 Quarters



VACANCY RATES BY BUILDING TYPE 1999-2007



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The Knowledge Report

Mid-Year 2007 | Denver | Industrial

INVENTORY

Total Industrial inventory in the Denver market area amounted to 264,124,809 square feet in 8,134 buildings as of the end of the second quarter 2007. The Flex sector consisted of 42,805,704 square feet in 1,496 projects. The Warehouse sector consisted of 221,319,105 square feet in 6,638 buildings. Within the Industrial market there were 1,604 owner-occupied buildings accounting for 75,791,882 square feet of Industrial space.

SALES ACTIVITY

Tallying industrial building sales of 15,000 square feet or larger, Denver industrial sales figures rose during the first quarter 2007 in terms of dollar volume compared to the fourth quarter of 2006. In the first quarter, 63 industrial transactions closed with a total volume of $218,326,546. The 63 buildings totaled 3,489,788 square feet and the average price per square foot equated to $62.56 per square foot. That compares to 54 transactions totaling $189,771,636 in the fourth quarter. The total square footage was 2,848,354 for an average price per square foot of $66.63. Total year-to-date industrial building sales activity in 2007 is up compared to the previous year. In the first three months of 2007, the market saw 63 industrial sales transactions with a total volume of $218,326,546. The price per square foot has averaged $62.56 this year. In the first three months of 2006, the market posted 60 transactions with a total volume of $190,392,706. The price per square foot averaged $54.82. Cap rates have been higher in 2007, averaging 7.92%, compared to the first three months of last year when they averaged 7.22%. One of the largest transactions that has occurred within the last 4 quarters in the Denver market is the sale of Seagate/Maxtor Campus in Longmont. This 450,090 square foot industrial building sold for $60,500,000, or $134.42 per square foot. The property sold on 7/3/2006.

241 OFFICES
IN 54 COUNTRIES
ON 6 CONTINENTS

Americas	130
USA	98
Canada	18
LatinAmerica	14
Asia Pacific	46
Europe,MiddleEast Africa	65

595.7	million square feet under management
9,327	professionals
3,745	active agents/brokers

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ABSORPTION

Net absorption for the overall Denver Industrial market was positive 1,014,444 square feet in the second quarter 2007. That compares to positive 1,171,331 square feet in the first quarter 2007, positive 819,825 square feet in the fourth quarter 2006, and positive 1,255,510 square feet in the third quarter 2006. The Flex building market recorded net absorption of positive 655,529 square feet in the second quarter 2007, compared to positive 3,798 square feet in the first quarter 2007, positive 53,087 in the fourth quarter 2006, and positive 128,322 in the third quarter 2006. The Warehouse building market recorded net absorption of positive 358,915 square feet in the second quarter 2007 compared to positive 1,167,533 square feet in the first quarter 2007, positive 766,738 in the fourth quarter 2006, and positive 1,127,188 in the third quarter 2006.

RENTAL RATES

The average quoted asking rental rate for available Industrial space was $6.00 per square foot per year at the end of the second quarter 2007 in the Denver market area. This represented a 0.5% decrease in quoted rental rates from the end of the first quarter 2007, when rents were reported at $6.03 per square foot. The average quoted rate within the Flex sector was $9.13 per square foot at the end of the second quarter 2007, while Warehouse rates stood at $5.04. At the end of the first quarter 2007, Flex rates were $9.02 per square foot, and Warehouse rates were $5.07.

LARGEST LEASE SIGNINGS

The largest lease signings occurring in 2007 included: the 199,991-square-foot lease signed by Nestle Waters North America at 11700 E. 47th Ave. in the East I-70/Montbello market; the 123,300-square-foot deal signed by Unified Packaging Inc. at 460 E. 76th Ave. in the North market; and the 103,478-square-foot lease signed by Aspen Distribution at 3500 Rockmont Dr. in the North Central market.

SUBLEASE VACANCY

The amount of vacant sublease space in the Denver market decreased to 1,203,947 square feet by the end of the second quarter 2007, from 1,502,751 square feet at the end of the first quarter 2007. There was 1,446,117 square feet vacant at the end of the fourth quarter 2006 and 1,125,128 square feet at the end of the third quarter 2006. Denver's Flex projects reported vacant sublease space of 360,707 square feet at the end of second quarter 2007, up from the 352,802 square feet reported at the end of the first quarter 2007. There were 288,603 square feet of sublease space vacant at the end of the fourth quarter 2006, and 261,180 square feet at the end of the third quarter 2006. Warehouse projects reported decreased vacant sublease space from the first quarter 2007 to the second quarter 2007. Sublease vacancy went from 1,149,949 square feet to 843,240 square feet during that time. There was 1,157,514 square feet at the end of the fourth quarter 2006, and 863,948 square feet at the end of the third quarter 2006.

LEASE ACTIVITY

Building Name	Submarket	Size (SF)	Tenant Name
460 E. 76th	North	123,300	Unified Packaging
3500 Rockmont Dr.	North Central	103,478	Aspen Distribution
3550 Odessa Way	Northeast	90,633	WJ Whatley
Upland Distribution	Northeast	69,600	Spicers

DELIVERIES AND CONSTRUCTION

During the second quarter 2007, 9 buildings totaling 693,200 square feet were completed in the Denver market area. This compares to 7 buildings totaling 164,045 square feet that were completed in the first quarter 2007, 12 buildings totaling 561,816 square feet completed in the fourth quarter 2006, and 358,943 square feet in 14 buildings completed in the third quarter 2006. There were 2,040,681 square feet of Industrial space under construction at the end of the second quarter 2007. Some of the notable 2007 deliveries include: Majestic Commercenter - Building 25 - Phase 4, a 215,000-square-foot facility that delivered in second quarter 2007 and is now 23% occupied, and Majestic Commercenter - Building 26 - Phase 4, a 200,000-square-foot building that delivered in second quarter 2007 and is now 0% occupied. The largest projects underway at the end of second quarter 2007 were Aurora Commerce Center - Building C, a 406,959-square-foot building with 0% of its space pre-leased, and ProLogis Park 70 - Building 8, a 360,000-square-foot facility that is 0% pre-leased.

TOTAL INDUSTRIAL MARKET STATISTICS

	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
Market	# Bldgs	Total RBA	Direct SF	Total SF	Vac%	Absorption	Deliveries	Const SF	Rates
Aurora Ind	90	2,419,072	488,263	488,263	20.2%	(97,833)	0	360,000	$6.81
Boulder Ind	430	13,211,224	1,030,542	1,174,090	8.9%	119,809	0	0	$8.07
Broomfield Ind	123	4,323,506	707,510	707,510	16.4%	226,937	0	0	$6.96
Central Ind	621	14,145,954	736,320	736,320	5.2%	73,606	0	0	$5.57
East I-70/Montbello Ind	1,272	67,881,571	4,650,286	4,968,470	7.3%	451,476	439,000	1,020,473	$4.16
Fort Collins/Loveland Ind	461	12,167,780	922,355	936,540	7.7%	197,728	67,510	11,500	$7.81
Glendale Ind	135	2,744,169	293,221	293,221	10.7%	(44,364)	0	0	$7.26
Longmont Ind	174	5,756,989	1,282,689	1,282,689	22.3%	16,982	0	0	$7.18
North Central Ind	819	23,394,770	1,570,993	1,770,274	7.6%	268,629	63,972	0	$4.66
North Ind	193	8,445,468	761,921	854,425	10.1%	49,815	0	210,166	$7.70
Northeast Ind	544	15,490,048	1,156,307	1,324,359	8.5%	12,380	0	24,547	$4.87
Northwest Ind	575	17,165,503	1,171,770	1,192,456	6.9%	206,202	129,228	141,200	$6.41
Parker/Castle Rock Ind	68	835,369	56,149	56,149	6.7%	(12,158)	0	0	$8.37
South Central Ind	889	17,214,795	767,005	796,144	4.6%	(19,627)	0	0	$5.72
Southeast Ind	444	15,123,921	1,971,864	2,113,527	14.0%	386,300	72,000	81,120	$8.38
Southwest Ind	424	9,616,048	451,928	479,833	5.0%	58,797	32,980	129,079	$9.18
Weld County Ind	457	11,352,669	1,423,088	1,468,888	12.9%	128,094	12,000	31,096	$6.51
West Ind	415	22,835,953	700,206	703,206	3.1%	163,002	40,555	31,500	$6.98
Totals	**8,134**	**264,124,809**	**20,142,417**	**21,346,364**	**8.1%**	**2,185,775**	**857,245**	**2,040,681**	**$6.00**