

3rd Quarter 2009

Overview

While the nation embarks on a long journey down the road to recovery, Metro Denver appears to be poised to lead the charge. Although the area is experiencing some of the worst labor and housing conditions in decades, the areas diverse economic base should translate into an earlier and more sustainable recovery than other metropolitan areas. In fact, According to a recent forecast by Moody's Economy.com, Colorado, Idaho, Texas, Oregon, and Washington will be the first states to recover starting in late 2009.

However, while many industry experts believe the industrial market is approaching or has hit bottom, it's still unclear as to when the industrial market will see appreciable progress in key market indicators such as vacancy and lease rates.

Landlords have been engaging in blend and extend, month- to-month and short term leases to retain existing tenants and to stimulate new activity. This trend is expected to continue well into 2010.

The metro area posted just over 500,000 SF of negative absorption for the third quarter. This accounted for a nominal two tenths of a percent increase to the overall vacancy rate. It's expected that absorption will remain relatively flat over the next several quarters with no significant movements in either direction.

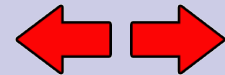
Fortunately, the industrial development pipeline has drained out. Speculative developments are viewed as too risky of an investment due to the current economic climate. Investors seeking double digit returns will look elsewhere until lease rates rise enough to warrant new construction. Because of this, the metro area will begin to chip away at the vacancy rate and not be hindered by the accelerant of new construction.

Market Metrics

Vacancy Rate



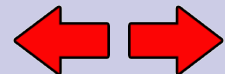
Lease Rates



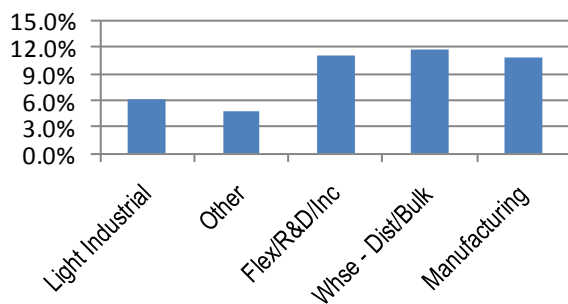
Absorption



New Construction



Vacancy % by Subtype



Market Snapshot

Total SF	233,546,436
Total Availability Rate	11.3%
Total Vacancy Rate	9.2%
Direct Vacancy Rate	8.5%
Qtr Net Absorption	-501,278
Avg. Lease Rate (NNN)	\$6.50

Market Snapshot

Submarket	Specific Use	# Bldgs	Bldg Size (SF)	Total Available (SF)	Total Availability (%)	Total Vacant (SF)	Total Vacancy Rate (%)	QTR Absorption	Avg. Lease Rates
Airport Montbello	Light Industrial	446	13,515,737	1,057,919	7.8%	804,622	6.0%	27,014	\$4.66
	Other	8	197,570	4,546	2.3%	4,546	2.3%	-	-
	Truck Terminal	5	167,022	-	0.0%	-	0.0%	-	-
	Flex/R&D/Incubator	107	3,282,674	397,712	12.1%	368,756	11.2%	6,203	\$6.35
	Whse - Dist/Bulk	477	48,538,572	7,831,762	16.1%	6,306,572	13.0%	(486,160)	\$3.89
Manufacturing	25	1,628,795	471,471	28.9%	205,389	12.6%	27,000	-	
Airport Montbello Total		1,068	67,330,370	9,763,410	14.5%	7,689,885	11.4%	(425,943)	\$4.43
Southeast	Light Industrial	202	5,165,687	643,366	12.5%	510,480	9.9%	(9,847)	\$7.40
	Flex/R&D/Incubator	206	7,730,554	1,439,350	18.6%	1,304,460	16.9%	(56,257)	\$8.85
	Whse - Dist/Bulk	37	3,291,961	429,998	13.1%	374,207	11.4%	78,086	\$7.01
	Manufacturing	6	568,886	-	0.0%	-	0.0%	-	-
Southeast Total		451	16,757,088	2,512,714	15.0%	2,189,147	13.1%	11,982	\$8.31
Boulder	Light Industrial	89	1,932,673	122,587	6.3%	63,779	3.3%	18,616	\$7.91
	Flex/R&D/Incubator	205	12,457,761	683,927	5.5%	565,823	4.5%	(89,712)	\$8.30
	Whse - Dist/Bulk	22	1,256,957	360,965	28.7%	318,366	25.3%	51,333	\$6.38
	Manufacturing	3	269,428	-	0.0%	-	0.0%	-	-
Boulder Total		319	15,916,819	1,167,479	7.3%	947,968	6.0%	(19,763)	\$7.91
North Central	Light Industrial	688	24,895,818	1,986,638	8.0%	1,665,233	6.7%	218,363	\$5.44
	Other	8	304,921	18,000	5.9%	18,000	5.9%	(7,278)	-
	Truck Terminal	2	45,265	20,865	46.1%	20,865	46.1%	-	-
	Flex/R&D/Incubator	37	1,904,722	144,031	7.6%	144,031	7.6%	(5,622)	\$7.43
	Whse - Dist/Bulk	53	5,264,193	832,960	15.8%	659,350	12.5%	6,023	\$4.30
	Manufacturing	12	1,747,357	599,715	34.3%	599,715	34.3%	(242,873)	-
North Central Total		800	34,162,276	3,602,209	10.5%	3,107,194	9.1%	(31,387)	\$5.53
South Central	Light Industrial	695	19,803,881	1,591,677	8.0%	1,385,581	7.0%	27,848	\$5.37
	Other	2	61,000	28,000	45.9%	28,000	45.9%	-	-
	Flex/R&D/Incubator	30	834,481	114,567	13.7%	112,180	13.4%	(41,315)	\$6.59
	Whse - Dist/Bulk	24	3,848,323	277,727	7.2%	210,507	5.5%	(450)	\$5.18
	Manufacturing	4	2,551,706	-	0.0%	-	0.0%	-	-
South Central Total		755	27,099,391	2,011,971	7.4%	1,736,268	6.4%	(13,917)	\$5.48
Northeast	Light Industrial	220	7,829,373	118,670	1.5%	108,670	1.4%	(6,015)	\$5.50
	Other	14	425,607	14,325	3.4%	14,325	3.4%	-	-
	Truck Terminal	3	82,160	-	0.0%	-	0.0%	-	-
	Flex/R&D/Incubator	48	1,032,007	187,810	18.2%	147,810	14.3%	(5,000)	\$6.90
	Whse - Dist/Bulk	55	4,832,556	533,052	11.0%	390,722	8.1%	50,540	\$5.50
	Manufacturing	8	449,195	150,000	33.4%	150,000	33.4%	-	-
	Ind-Whse/Dist	1	15,327	-	0.0%	-	0.0%	-	-
Northeast Total		349	14,666,225	1,003,857	6.8%	811,527	5.5%	39,525	\$6.08
Northwest	Light Industrial	133	5,755,890	345,346	6.0%	305,570	5.3%	(46,748)	\$6.33
	Other	5	258,478	14,400	5.6%	14,400	5.6%	-	-
	Flex/R&D/Incubator	176	6,860,599	1,099,707	16.0%	936,124	13.6%	(30,325)	\$8.01
	Whse - Dist/Bulk	27	1,650,676	350,935	21.3%	131,200	7.9%	(1,058)	\$5.67
	Manufacturing	3	54,880	20,746	37.8%	6,306	11.5%	-	\$8.10
	Ind-Whse/Dist	1	46,400	-	0.0%	-	0.0%	-	-
Northwest Total		345	14,626,923	1,831,134	12.5%	1,393,600	9.5%	(78,131)	\$7.57
West	Light Industrial	204	4,905,293	262,170	5.3%	235,525	4.8%	(26,293)	\$5.84
	Other	6	212,174	-	0.0%	-	0.0%	-	-
	Flex/R&D/Incubator	169	5,829,552	888,038	15.2%	783,801	13.4%	(4,761)	\$8.16
	Whse - Dist/Bulk	36	2,494,658	182,135	7.3%	172,862	6.9%	(12,000)	\$6.75
	Manufacturing	5	2,455,860	-	0.0%	-	0.0%	-	-
West Total		420	15,897,537	1,332,343	8.4%	1,192,188	7.5%	(43,054)	\$7.71
Southwest	Light Industrial	105	3,117,267	303,949	9.8%	204,901	6.6%	(25,639)	\$7.13
	Other	9	288,303	18,320	6.4%	15,032	5.2%	-	-
	Flex/R&D/Incubator	119	4,687,754	615,563	13.1%	521,509	11.1%	19,896	\$8.87
	Whse - Dist/Bulk	28	1,676,268	75,681	4.5%	70,556	4.2%	50,069	\$5.23
	Manufacturing	2	45,215	-	0.0%	-	0.0%	-	-
Southwest Total		263	9,814,807	1,013,513	10.3%	811,998	8.3%	44,326	\$8.07
North	Light Industrial	25	649,918	89,402	13.8%	79,400	12.2%	-	\$5.61
	Other	1	22,936	-	0.0%	-	0.0%	-	-
	Flex/R&D/Incubator	41	1,983,478	461,067	23.2%	419,517	21.2%	1,964	\$7.00
	Whse - Dist/Bulk	14	2,477,742	261,448	10.6%	261,448	10.6%	-	\$5.75
	Manufacturing	1	31,190	-	0.0%	-	0.0%	-	-
North Total		82	5,165,264	811,917	15.7%	760,365	14.7%	1,964	\$6.60
Longmont	Light Industrial	141	5,845,295	649,670	11.1%	288,470	4.9%	(1,867)	\$6.45
	Other	5	322,639	-	0.0%	-	0.0%	-	-
	Flex/R&D/Incubator	112	4,545,417	498,206	11.0%	410,198	9.0%	14,987	\$7.05
	Whse - Dist/Bulk	17	1,131,798	53,495	4.7%	33,495	3.0%	-	\$5.40
	Manufacturing	5	264,587	140,641	53.2%	140,641	53.2%	-	\$6.03
Longmont Total		280	12,109,736	1,342,012	11.1%	872,804	7.2%	13,120	\$6.63
Grand Total		5,132	233,546,436	26,392,559	11.3%	21,512,944	9.2%	(501,278)	\$6.50

Significant Transactions

5600 Flatiron Pkwy



76,700 SF

\$8,050,000

Boulder Market

Purchased by Boulder County

20400 E. 26th Ave.



52,395 SF

\$3,000,000

East Market

Purchased by Drake Williams Steel

3770 E. 40th Ave.



90,000 SF

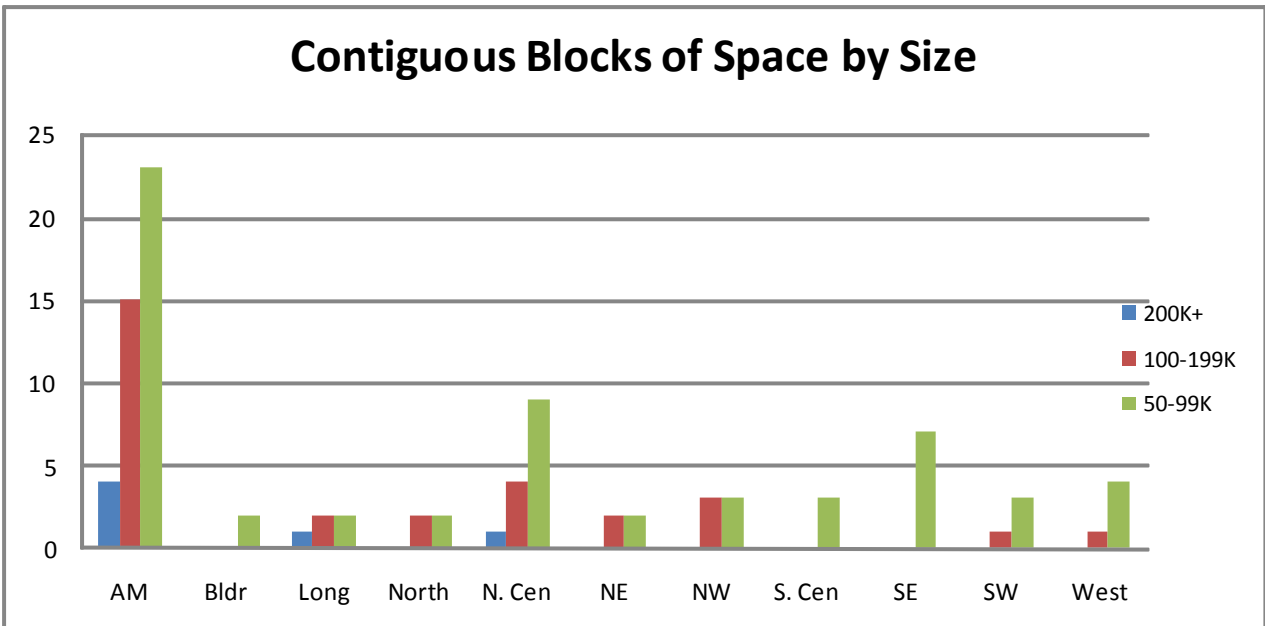
\$2,150,000

North Central Market

Purchased by Lee Hing—Sunny Mountain Storage

Tenant or Buyer	Building	Size (SF)	Market	Type
Genuine Parts Company	2101 E. Hwy 224	130,860	Northeast	Buy
Larsen Warehousing & Dist.	11585 E. 53rd Ave.	126,320	A/M	Lease
Metech	500 W. 53rd Pl.	112,563	North Central	Lease
AtLast Fulfillment	22100 E. 26th Ave.	84,422	A/M	Lease
Prologix Distribution	5000 Moline St.	78,440	A/M	Lease
Full Circle	13333 E. 37th Ave.	78,000	A/M	Lease
Universal Stainless	14002 E. 33rd Pl.	71,500	A/M	Lease
Colorado Distribution Group	11551 E. 45th Ave.	63,619	A/M	Lease
Caroba Plastics	3231-3239 S. Platte River Dr.	57,376	A/M	Lease
Dodson Global	4625-4725 Forest St.	56,090	A/M	Lease
Tundra Specialties	3825 Walnut St.	52,175	Boulder	Lease
Manko Windows	11000 E. 51st Ave.	51,750	A/M	Buy
Oneida Cold Storage	9101 E. 89th Ave.	40,000	Northeast	Lease

Contiguous Blocks of Space



Building	Submarket	Type	Largest Block Available
2452 Clover Basin Dr.	Longmont	Light Industrial	350,000
4300 Fox St.	North Central	Whse - Dist	321,276
Airways Business Center Bldg 3	Airport Montbello	Whse - Dist	264,400
4250 Oneida St.	Airport Montbello	Whse - Dist	245,340
4355 Kearney St.	Airport Montbello	Whse - Dist	218,750
11196 E. 45th Ave.	Airport Montbello	Whse - Dist	201,620
Leyden Distribution Center	Airport Montbello	Whse - Dist	168,352
Airways Business Center Bldg 2	Airport Montbello	Whse - Dist	161,524
5000 Lima St.	Airport Montbello	Whse - Dist	153,858
3801 Havana St.	Airport Montbello	Whse - Dist	149,762
4403 Table Mountain Dr.	West	R&D/Flex	149,762
10075 E. 40th Ave.	Airport Montbello	Whse - Dist	148,902
4201 Oneida St.	Airport Montbello	Whse - Dist	148,200
2400 Industrial Ln.	Northwest	Whse - Dist	147,000

Industrial Advisory Board

Wayne Barrett



Michael Bloom



Steve Hager



Greg Knott



R.C. Myles



T.J. Smith



Doug Viseur



Mike Wafer



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