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Northern Colorado's industrial/flex market has had an incredibly hot start in 2013, and the trend shows no signs of slowing down. The market up north has seen an increase in demand for every type of industrial/flex user the market will bear. In a recent search we did for an out of state user/buyer looking to purchase a 3,000 square foot unit of industrial space in Fort Collins, the search returned only four viable listings. In a similar search for a client looking for 10,000 square feet, the options were even more limited due to the other requirements for ceiling height, docks, and sprinklers. According to Patrick O'Donnell in Realtec's Loveland office, he is having similar experiences. Requirements for large users are very tight as most of the major areas of industrial product are leasing quickly. Product over 100,000 sf is almost impossible to find. Choices are more available in the 20-30,000 SF range, but still good class "A" and "B" product is very limited.

The Greeley market is seeing substantial activity from the oil and gas companies and related services. Companies like Anadarko and Noble Energy are taking larger spaces or building to meet their needs, but smaller companies providing any manner of related services to the oil and gas industry are in need of smaller spaces. There are a few industrial park proposals which will allow for the needed expansion of that type of product in the area. The Grainery project in northeast Greeley just off of Highway 85 is bringing over 70 acres of industrially zoned ground to the market. This number can be expanded as the market requires. Of this, there is already a 27 acre commitment in place. The corridor along Highway 85 is receiving most of the activity for these uses.

If clients are looking for anything with an outside yard, those options are pretty much non-existent, and if a building with outside storage is found, buyers/tenants should be prepared to pay a 20% premium. Rents are slowly starting to increase in the region, and landlords are less willing to lease space to tenants that are not established.

According to a recent report posted by the board of Northern Colorado Commercial Association of Realtors, blended vacancy rates are hovering right around 5.8%. This is a 2% drop year over year from 2012. We project this trend to continue.

Signs are around us that we are getting close to the tipping point for a developer looking to begin speculative development on an industrial park. There are only a handful of developers that can assume the risk of such a development, as banks still won't lend on a project without seeing it pre-leased, and developers (for good reason) are still a bit risk adverse to finance a project like that on their own.

In summary, market conditions continue to tighten in Northern Colorado. We see no new construction of anything except build to suit product in the next 12 months. Once rates rise to a level to justify speculative product, the limitation will be bank lending for these types of buildings without pre-leasing requirements. That situation could still take some time to resolve. We are on the edge of a shortage of space and will need to deal in creative ways with some of the needs of industrial users in the months ahead.