

### Quick Stats

	2Q14	Change from last	
		Yr.	1Q14
Availability	9.9%	▲	▲
Lease Rates psf/yr	\$6.47	▶	▶
Net Absorption	-66,813	▼	▼

### Hot Topics

- 338,000 SF former Sanmina/SCI facility in Fountain, CO sells to speculative investor for \$4,075,000 (\$12.07 per SF)
- City For Champions (www.cityforchampions.com) continues to progress through City review and funding due diligence
- Major fire shuts down Martin Drake power plant. Full time work ongoing to restore capacity. Currently at 33%.
- Quantum Corporation vacates roughly 300,000 SF of office, manufacturing and warehouse space



Michael R. Helwege, Principal  
mhelwege@coscommercial.com  
719.634.1500



David L. Bacon, Senior Managing Director  
dbacon@coscommercial.com  
719.634.1500



Aaron L. Horn, Managing Director  
ahorn@coscommercial.com  
719.634.1500

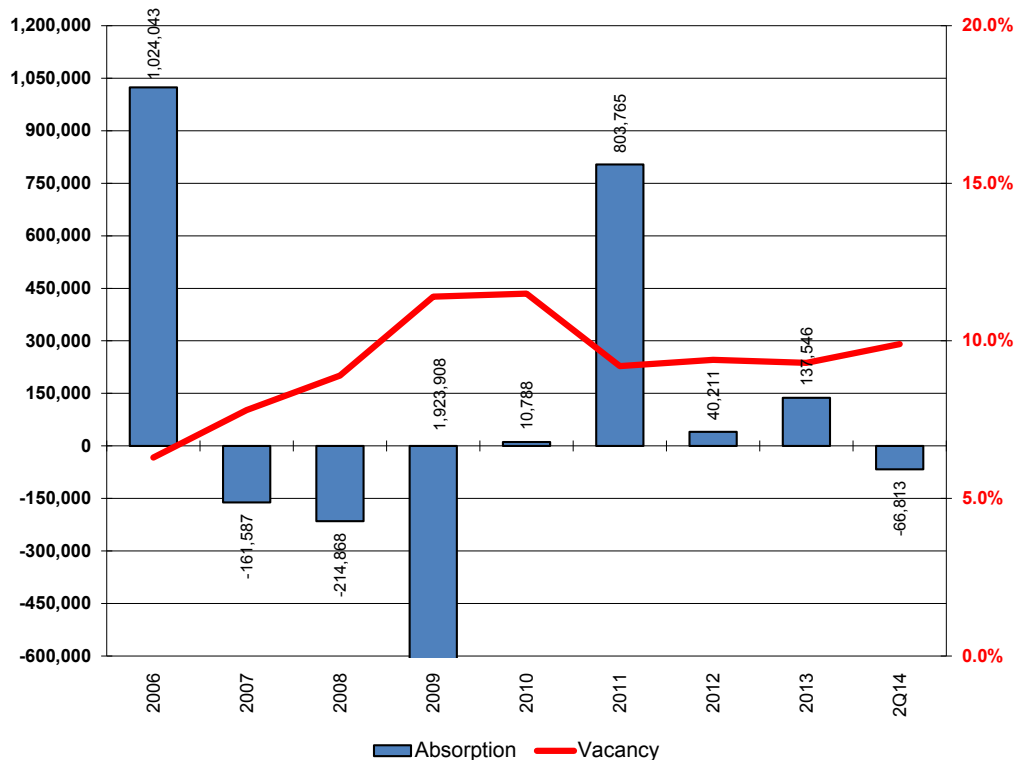
### Industrial Market Overview

Upward trends shown in the previous quarters have been reversed in the past several months. The good news is the reversal is driven primarily by Quantum Corporation vacating nearly 300,000 SF of space in a campus what was built for Quantum in 2002. A majority of this space in question can be considered pure office space, but as a whole it is grouped into the industrial property category because of the lab, manufacturing and warehouse space it contains. Removing that specific property as an anomaly would result in a vacancy rate that is below the rate posted in Q1 and would signal a continued but slow recovery.

Total leasing activity for Q2 2014 was just shy of 200,000 SF, which is on par with what has been experienced for the past several years and only slightly lower than the historical leasing activity that was seen prior to the downturn that began in 2007. Unfortunately, leasing activity doesn't correlate much with market strength. In spite of the healthy leasing activity, positive absorption figures have been and will likely continue to be well below what was experienced prior to 2007. The leasing activity we have seen can be primarily classified as an exercise in musical chairs (users moving around into cheaper and/or better space) without experiencing any increased overall demand for space. The commentary on the second page of this newsletter expands on this concept.

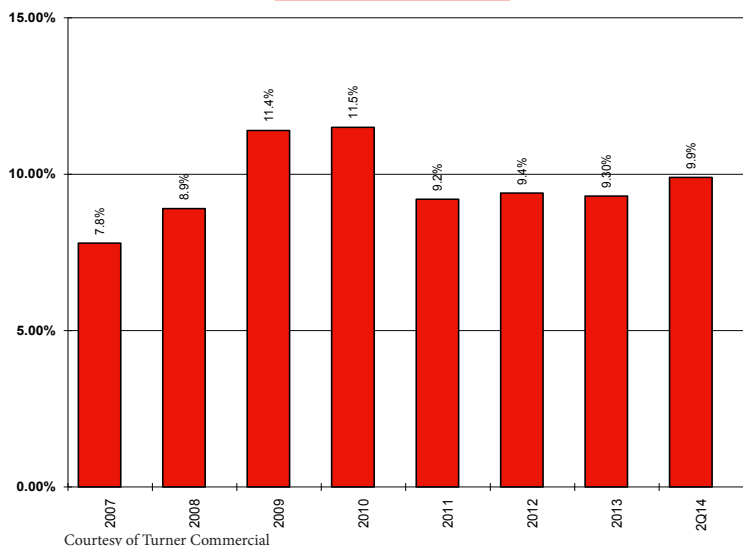
High quality industrial space continues to be in short supply and is therefore driving up rates and prices based on basic laws of supply and demand economics. This can be seen as a positive when considered by itself, but what is needed is a positive shift in the demand curve. Our community simply needs more quality employment and without it we'll continue to see the ongoing status quo described above. Growth in manufacturing, production and skilled labor positions will drive an increased demand for space that will have meaningful impact in the overall economy in the Pikes Peak region.

### Industrial Vacancy Rate VS Net Absorption



Courtesy of Turner Commercial

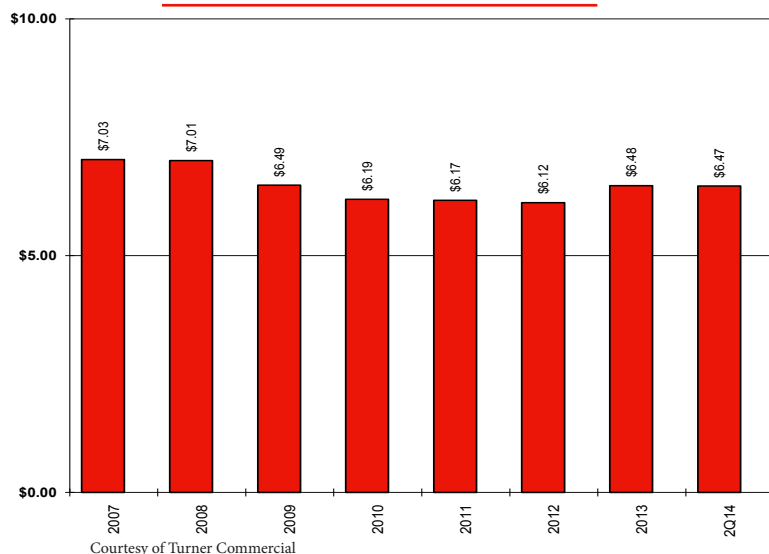
## Availability



## AVAILABILITY

The availability rate has increased from 9.0% at the end of Q1 to 9.9% at the end of Q2. Roughly 300,000 SF of sublease space is included in these numbers, but since the user has effectively moved out of the space it has been considered as available to the market. If this unique and large block of space was removed from the equation, the availability rate would fall to roughly 9% which would signal continued slight improvement. The chart to the left shows that the market has been stagnant for the better part of the past 3 years.

## Lease Rates (NNN/PSF)

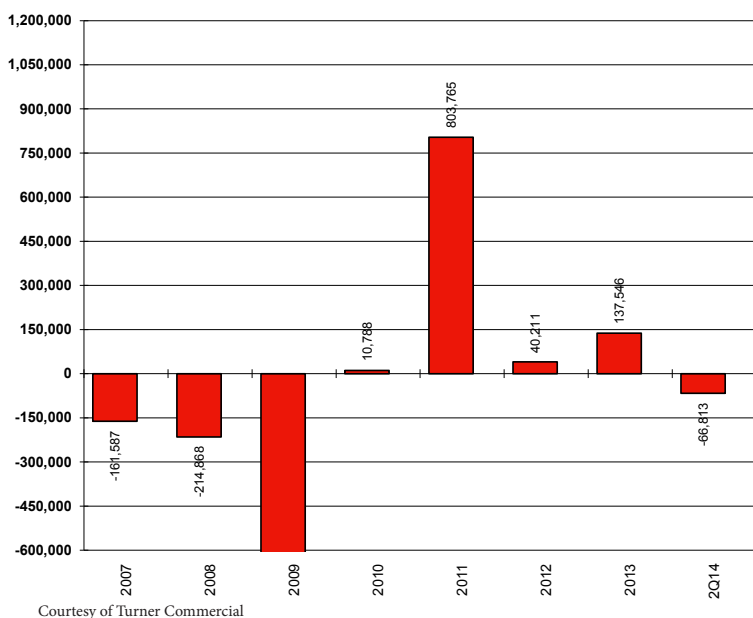


## LEASE RATES

(NNN, Annual, Per RSF)

Asking lease rates have held in the past 5 years in spite of considerable fluctuations in the availability rate. Lease rates for quality space in limited supply are on the rise, while deals on lower quality space continue to be struck below asking rates, sometimes as much as 35% or more below asking rates.

## Absorption (SF)



## ABSORPTION

Absorption is defined as the net change in occupied space from one period to the next.

Since 2005, the Colorado Springs industrial market has experienced a net loss of 319,000 SF of occupied space. Conversely, our Denver office reports 32.3 million SF of absorption gains during the same time period on a total market size of roughly 235 million SF. Our market has effectively shrunk while theirs has grown considerably. This is both great news because we know it's possible to experience that kind of growth, but it's also disappointing news because we are lacking any progress.