

### Quick Stats

|                    | 3Q13   | Change from last |      |
|--------------------|--------|------------------|------|
|                    |        | Yr.              | 2Q13 |
| Vacancy            | 9.4%   | ▲                | ▶    |
| Lease Rates psf/yr | \$6.46 | ▲                | ▲    |
| Net Absorption     | 39,579 | ▼                | ▼    |

### Hot Topics

- Former Hotsy Manufacturing facility sells for \$31.50 per sq. ft. and will be transformed into an antique mall.
- Aeroflex RAD expands and relocates into 35,000 SF at 5030 Centennial Blvd.
- CDOT proceeding with redesign of I-25 & Cimarron interchange.
- City for Champions proposal (www.cityforchampions.com) is in process with a decision due by year end.
- Government shutdown that began on September 30 furloughed thousands of local civilian employees.

### Industrial Market Overview

The "Quick Stats" on the left side of this page seem to bring about more questions than answers. Lease rates are apparently on the rise along with vacancy rates while total absorption has decreased over the last quarter's figures. This seems to defy basic principals. No matter how you spin it, the 3rd quarter brought about a mixed bag of results.

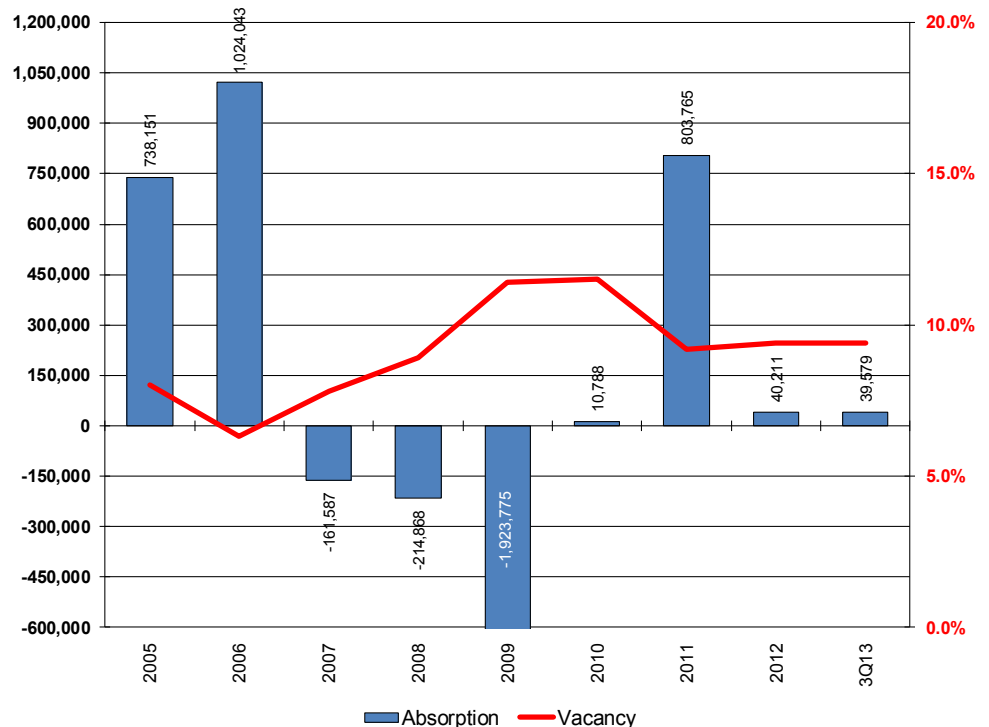
Total leasing activity through the 3rd quarter of 2013 surpassed total leasing activity recorded during all of 2012. However, the increased leasing activity only resulted in positive net absorption of around 40,000 SF for the first 9 months of the year. Leasing activity year-to-date is on par with historic trends, but it's not being accompanied by any significant growth. 2011 posted over 800,000 SF of positive absorption and along with it came the idea that a recovery was in full swing. Unfortunately, the market has only seen around 100,000 SF of positive absorption in the following 21 months and we could have a long way to go before reaching equilibrium with over 3 million SF of vacant space still on the market.

The overall vacancy rate has increased to 9.4% in the 3rd quarter, which is flat with year end 2012 and well above the modern day low of 6.3% that was recorded at the end of 2006. Notwithstanding the recorded increase in asking rents, negotiated rents continue to be discounted, sometimes considerably, below those achieved prior to the downturn.

The local industrial market has lost over 50% of its manufacturing jobs since 2000. A good portion of the space that was given back in connection with that trend has since been adapted for other uses. Most recently, an 80,000 SF manufacturing facility at the west end of Garden of the Gods Road was sold for \$32.50 per SF and will be repurposed into an antique mall. Although the space is being taken off the market and put to use, it has failed to back fill the high paying jobs that were previously lost. It's doubtful that our market will ever recover the majority of those high paying jobs in the manufacturing sector, but our time on the road to a full recovery will likely be directly related to attracting and retaining new primary employers that bring high paying jobs.

It's likely that current trends will continue for the remainder of the year and into the early part of 2014.

### Industrial Vacancy Rate VS Net Absorption

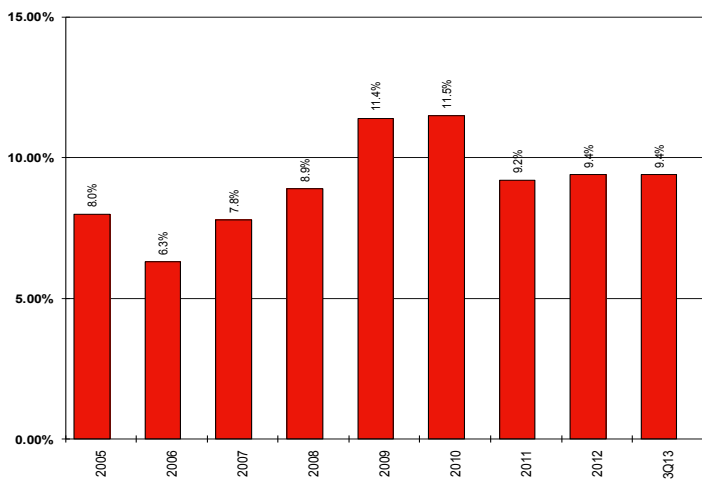


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## Vacancy

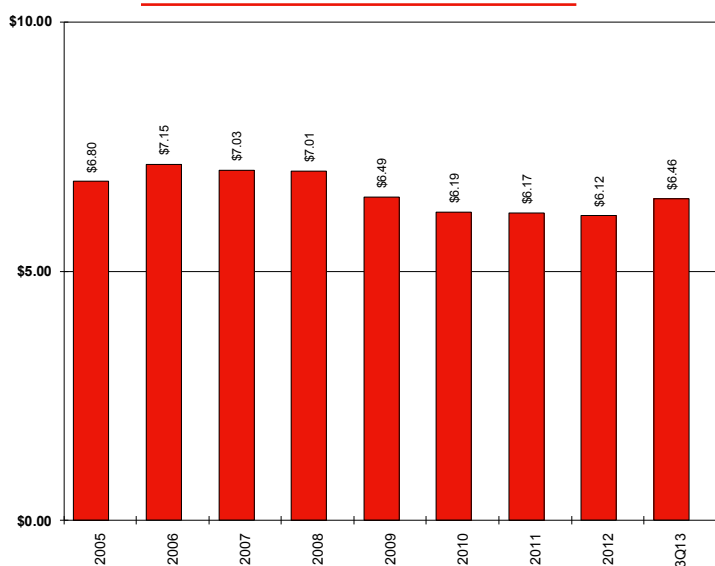


Courtesy of Turner Commercial

## VACANCY

The market wide vacancy rate has remained relatively flat above 9% over the past couple years after dropping considerably from around 11.5% due to 2011's positive absorption showing of over 800,000 SF. However, the current 9.4% vacancy rate represents over 3 million SF of available space and although pockets of the market are tightening, there is still a considerable amount of growth needed to achieve equilibrium.

## Lease Rates (NNN/PSF)

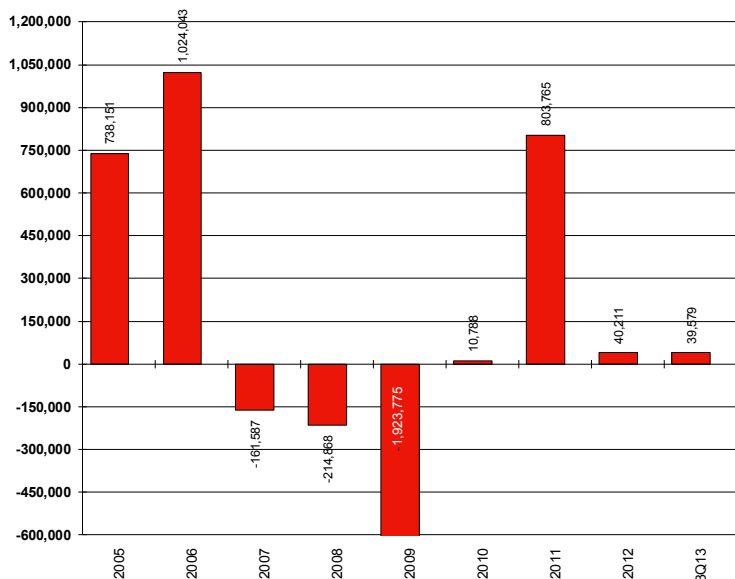


Courtesy of Turner Commercial

## LEASE RATES (NNN, Annual, Per RSF)

Lease rates have continued an upward trend for the second straight quarter, following 6 years of declines. They are currently at \$6.46 per SF, which represents an over 5% increase to the rates recorded at the end of last year. This is more of the mixed bag mentioned previously. Notwithstanding this interesting piece of data, rents continue to be negotiated well below asking levels.

## Absorption (SF)



Courtesy of Turner Commercial

## ABSORPTION

Absorption figures continue to post well below historic averages prior to the downturn. Roughly 2.4 million SF of negative absorption was recorded between 2007 and 2009, topping the vacancy charts at around 11.5%. 2010 turned the other direction and showed a mere 10,800 SF of positive absorption. 2011 posted a healthy 800,000 SF of positive absorption and it felt like a recovery was in full swing. Unfortunately, the past 21 months have shown a combined positive absorption of only 100,000 SF.