



INDUSTRIAL

MARKET VIEW | FIRST HALF 2023

COLORADO SPRINGS, CO



**CUSHMAN &
WAKEFIELD**

**Colorado Springs
Commercial**

INDUSTRIAL

MARKET VIEW | FIRST HALF 2023

COLORADO SPRINGS INDUSTRIAL MARKET BY THE NUMBERS



39.9+ M

Total Market SF



3.03%

Adjusted Vacancy Rate



\$10.61

Average Asking Lease Rate/SF



\$202.59

Average Sale Price/SF



365,467

Speculative Construction



14,750

BTS Construction



177,616

SF Absorbed

The First Half Colorado Springs Industrial Market, fueled by the remaining energy of 2022, with high energy and demand in both sales and leasing putting significant upward pressure on pricing and further lowering the historically low vacancy rate. This frenetic energy in the initial months of 2023 were immediately cooled by the economic headwinds of rising interest rates levied by the Federal Reserve.

Rising interest rates had its intended effect as both sales and leasing transactions in the Colorado Springs Industrial Market pipeline slowed. Most of the deceleration took place within the investment and development sectors, with nearly all speculative Class-A Industrial projects finding funding for their projects, without a lead tenant, nearly impossible or halting projects altogether. This abrupt pause represents a complete shift in focus from investors and developers who, in the past two years, have been fighting vigorously to gain control of the most attractive swaths of industrial ground in Colorado Springs.

This has left large tenants already in the market with few Class A options. Moreover, tenants entering the market will arrive to find no alternatives available in the months to come as existing prospects fill the available vacancies. Furthermore, investors with money to place are finding the economics of current market pricing combined with recent interest rates, the elevated costs of construction, tenancing, and investors expected rates of return on industrial real estate difficult to balance.

With low vacancy and high demand on their side, Landlords continue to enjoy high lease rates. Asking lease rates and lease comps remained high throughout the First Half 2023 for the Colorado Springs Industrial Market. Moreover, national credit tenants remain attracted to and are executing deals within the market. This has led to positive absorption that is on track with prior year's performance.

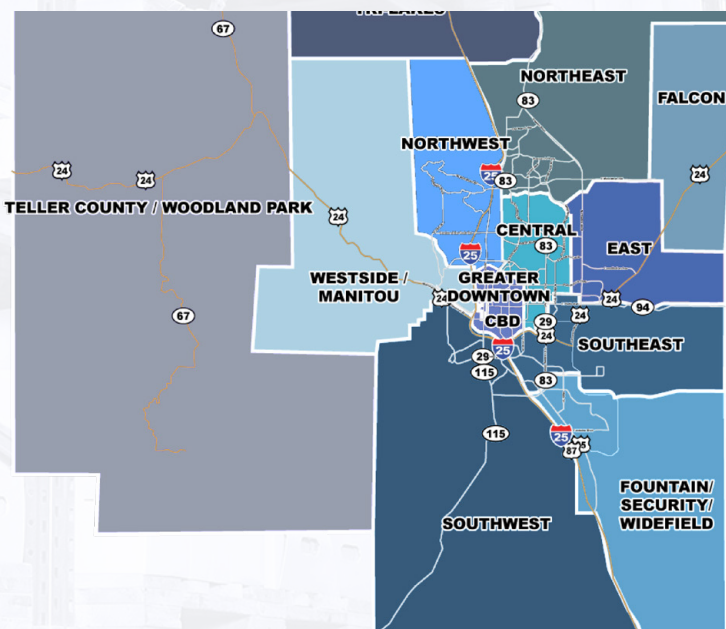
INDUSTRIAL DIVISION
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However, there remains a significant need for vacant industrial space in the Colorado Springs Industrial Market - new, functional, attractive, and affordable industrial space.

Sellers are beginning to see the telltale signs of the market shifts from the Seller's Market to a Buyer's Market January owner/user sales exceeded and average of \$237.08/SF and leveled off to \$185.12/SF throughout the rest of the First Half. The rise in interest rates is not only cooling the pipeline, it is encouraging Sellers to become more creative in their offerings including offering buyers incentives or creative financing terms such as owner-carry.

As the summer lull gives way to annual market shift of fall and winter, all eyes will be on the market searching for signs that shifts in the headwinds, up or down, are coming. No matter the direction, historical trends have proven, the Colorado Springs Industrial Market fairs well throughout economic seasons be they boom or bust. Attributing our good fortune to strong employment sectors, high rates of education, an engaged and business-friendly City body, and attractive quality of life that appeals to a growing populous year after year.



HOT TOPICS

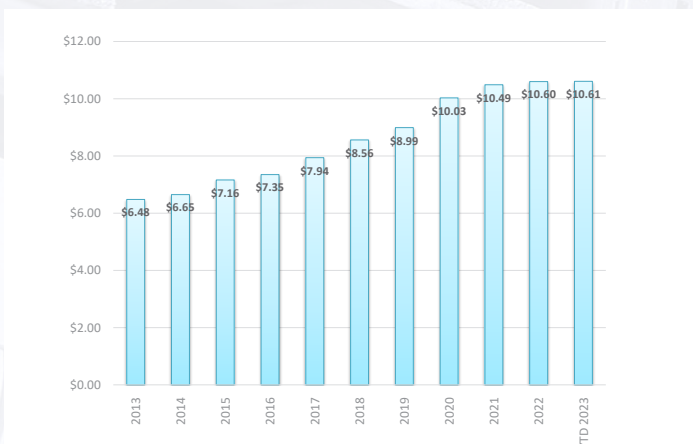
- *The Colorado Economic Development Commission approved \$24.4M+ in job-growth investment tax credits for two companies that are set to add 600 new jobs in El Paso County.*
- *Colorado Springs ranked 9th Best Places to Live & 4th Best Places for Young Professionals to Live, according to U.S. News & World Report.*
- *Colorado's unemployment rate was 2.8% for May & has remained below 3% for 13 consecutive months, pre-pandemic levels.*
- *Multi-family asking rents for Colorado Springs rose by 0.3% in April & 0.9% in May, with the average rent for a 1-bedroom apartment \$1,456 per month.*
- *More apartments are coming to Downtown. The Hunter, a 214-unit, Class-A project at 225 E Cimarron is projected to deliver late 2024. There are 1,700± units currently under construction, with another 1,000± expected to begin construction before year-end.*
- *The median price of homes sold in May was \$475,000, down from \$487,000 a year ago; prices have declined for four consecutive months after eight years of increases. Still, according to the U.S. News Housing Market Index, Colorado Springs has the 6-strongest market in the nation.*
- *Building permits issued for single-family, detached homes totaled 500 in June, an almost 24% increase from June 2022 and the most issued in one month since February 2021.*

AVAILABILITY

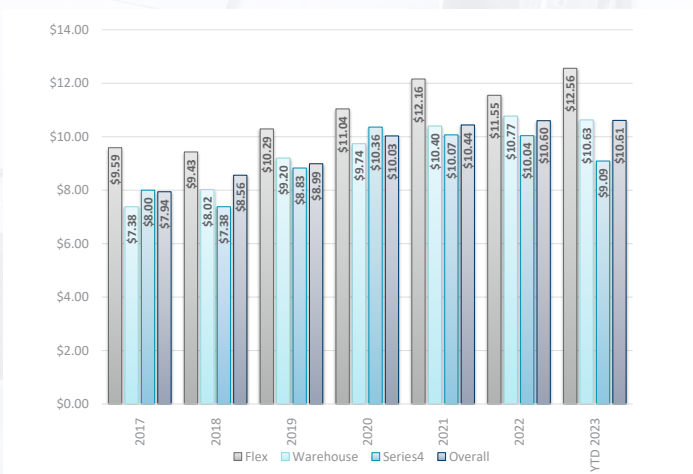
The overall industrial vacancy rate for the Colorado Springs Industrial Market in the First Half 2023 was down to 4.2% from Year End 2022's 4.7%. According to the raw data there is approximately 1.85 million square feet of vacancy in the market. However it is worth noting that a large amount of that total (approximately 640,000 SF) is attributed to a single property which has remained vacant for several years. Adjusting for this single outlying vacancy, the adjusted vacancy rate within the market is 3.03% for the Colorado Springs Industrial Market.

When adjusting for size the property, those on the highest and lowest ends have the fewest vacant properties available. For example, properties between 5,000 SF to 15,000 SF or those above 50,000 SF are in the shortest supply within the market. When adjusting for property type, (Warehouse, Flex, High-Tech, and Manufacturing) there are no vacancies within High-Tech spaces (0%), extremely limited Flex (0.9%), followed by Manufacturing (1.6%), and Warehouses (3.6%).

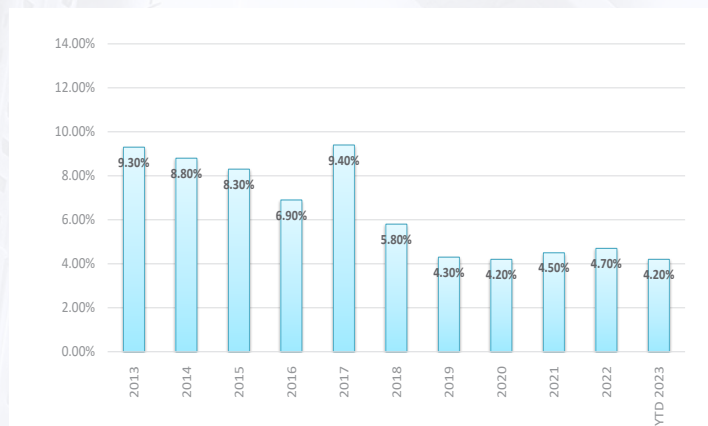
ASKING LEASE RATES



ASKING LEASE RATES BY PRODUCT TYPE



VACANCY RATES



LEASE RATES

(NNN, Annual Per RSF)

The upward pressure on lease rates remained constant into First Half 2023 due to market demand and low vacancy. Asking lease rates have seen a nearly 74% spike in the past ten years with 30% of that spike occurring in the past three years. Despite three hikes to interest rates have not deterred Landlords or Tenants from making a deal. Asking lease rates went up a penny from Year End 2022 rates to \$10.61/SF in Colorado Springs Industrial Market.

The average asking rate in the First Half 2022 reached \$10.71/SF the highest asking lease rate in history for the Colorado Springs Industrial Market - this rate then slightly flattened to \$10.60/SF by Year End 2022. There has not been a move by landlords to lower their rates, to date.

Average asking rates for industrial products by product type in the Colorado Springs Industrial Market for First Half 2023 were as follows: Manufacturing \$10.04/SF; Industrial Flex \$12.56/SF; and Warehouse \$10.61/SF.

Property size is also greatly affecting lease rates with properties under 20,000 SF fetching an average asking lease of \$12.00/SF NNN.

Lease up times are averaging 4 months for Class A Industrial product with older/less functional properties seeing lease up times of 6 month +/- on average.

INDUSTRIAL SALES

(5,000 SF + - Number of Sales vs. Average Price Per SF)

The First Half 2023 Colorado Springs Industrial Market's overall average sale averaged \$200.71/SF for 20 sales representing a dramatic increase over 2022's average of \$153.76/SF for 60 total sales.

SALES, LEASING, VOLUME



However, it is important to note that despite the elevated price per square foot in the this year's first half, the overall sales volume is down from the previous year by approximately 20%. Properties fetching the highest prices (40%) exceeded prices above \$200/SF. Of that subset, 3 properties fetched prices exceeding \$300/SF - surprisingly, none were leased investment sales. Fourteen of the seventeen total sales occurred in properties between 5,000 SF and 15,000 SF, at an average figure of \$219.55/SF. Industrial product between 15,001 SF and 30,000 SF averaged \$124.68/SF for 2 sales, and properties exceeding 50,001 attracted one sale at \$120.91/SF. Sales fetching the highest price per square foot in the First Half 2023 were those 15,000 and under and occurred in 1Q23 with flattening as interest levels were raised in 2Q23.



243,997
Total Sales Volume SF



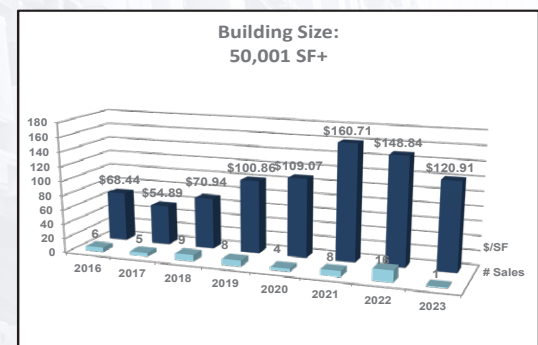
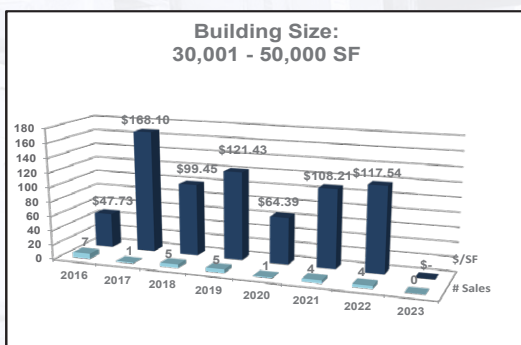
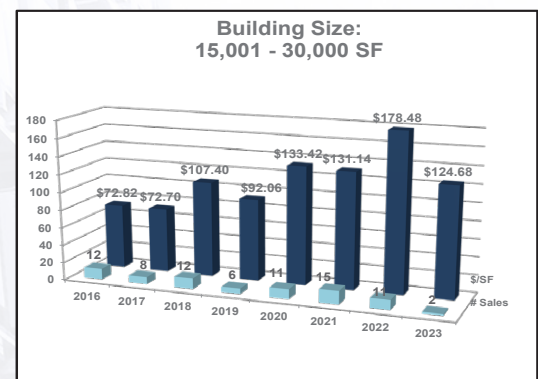
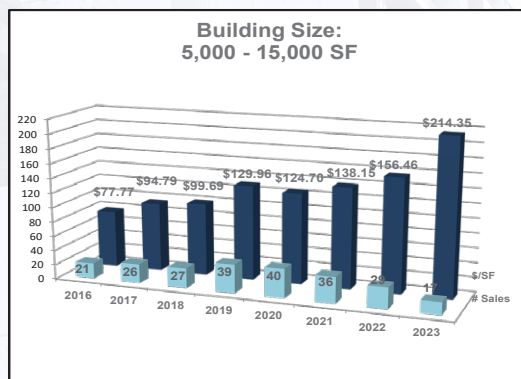
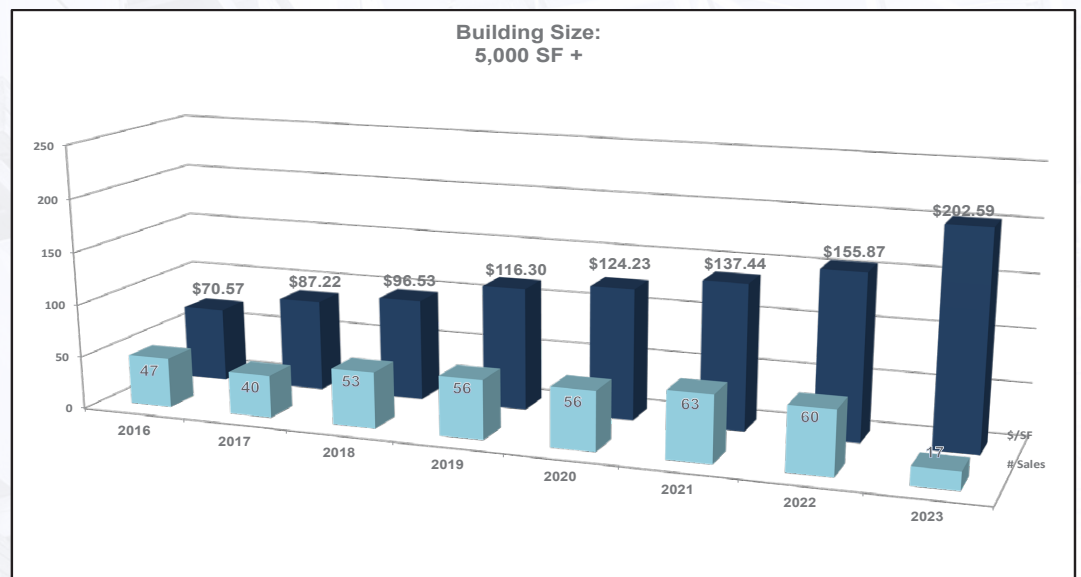
14,353
Average SF Sale



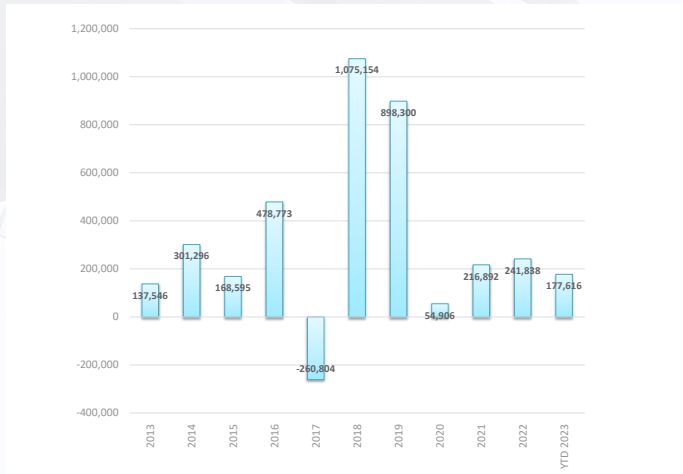
\$202.59
Average \$/SF Sale



17
Total Number of Sales



ABSORPTION



ABSORPTION

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

First Half 2023 began the year with positive absorption of 177,616 SF. This is in keeping with the prior year's positive absorption of 241,838 SF and is a marker of the continued strength of the Colorado Springs Industrial Market.

As the First Half 2023 draws to a close, there remains fewer than 75,000 SF of Class A Industrial product available and deliverable for lease to prospective tenants in 2023. Looking toward the second half of this year, the Rustic Hills Commerce Center will add approximately 290,000 SF of redeveloped light industrial product to the market for leasing absorption numbers that will affect 2023 and 2024's statistics and the delivery of 875 Vapor Trail in 2Q24 (80% pre-leased) will add valuable Class-A product needed to the Colorado Springs Industrial Market.

FEATURED PROPERTIES



Rustic Hills Commerce Center
Now Leasing!
5,499-86,761 SF
Rates Starting at \$10.25 per PSF NNN



Executive Office Flex
2205 Executive Drive
3,500 SF Available
\$14.00 per RSF NNN



Mountain Shadows Business Park
5,000 SF & 14,013 SF
Rates Starting at \$9.50 per RSF NNN



Aerotech R&D
1915-1925 Aerotech Drive
76,000 SF
Call Broker for Pricing



Garden Park Industrial
1110-1120 Elkton Drive
2,880 SF
\$11.50 per RSF NNN



707 Hathaway Drive
27,418 SF
\$9.75 per RSF NNN



Vapor Trail Logistics Center
875 Vapor Trail
35,255 SF to 70,177 SF
Rates Starting at \$10.50 per RSF NNN



3410 N Propsect St.
36,474 SF For Sale Or Lease
Sale: \$5,471,100
Lease: Starting at \$7.25 per RSF NNN



3610 Stone Ave
Freezer/Refrigeration Storage Space
22,417 SF
\$12.00 per RSF NNN

Headquartered in the heart of downtown Colorado Springs, Cushman & Wakefield | Colorado Springs Commercial is the premier Southern Colorado commercial real estate firm specializing in office, industrial, capital markets, healthcare, retail, land, and corporate services.

Colorado Springs Commercial is an independently owned and operated member of the Cushman & Wakefield (C&W) Alliance. The Alliance consists of specially-selected independent firms, who provide clients with extended geographic reach through elite commercial real estate professionals and high quality, comprehensive services. Operating as a unified team, C&W and the Alliance firms integrate the strength of local talent, relationships, and market intelligence with the full capacity of C&W's resources and platform. Through the Alliance, Colorado Springs Commercial's clients benefit from seamless access to global services platform, technologies, and value-added partners via C&W's global platform.

Dedicated exclusively to commercial real estate services, Colorado Springs Commercial is comprised of brokers and a professional support staff who possess a genuine commitment and unsurpassed knowledge of the industry.

Areas of specialization and expertise include office, industrial, retail, and investment brokerage services.

We are committed to achieving superior results for our clients through specialized expertise, with access to a full complement of services, and sophisticated market knowledge and analysis.

Our philosophy of a full-service approach to the commercial real estate business with leasing and sales specialists teaming together, each with unique knowledge and experience in specialized property categories and market niches, is what separates Colorado Springs Commercial from the competition. We have focused our resources on client service and client success. More than any other asset, we value the client relationships we have developed over the years. Sustaining and enhancing those relationships is both a personal and professional commitment.

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INDUSTRIAL SERVICES

Cushman and Wakefield | Colorado Springs Commercial's Industrial Team is staffed with seasoned professionals who strive to consistently provide results that exceed client expectations. Whether it's an assignment of 2,000 or 200,000 square feet, each deal is equally important to the principals involved.

As consistent top producers in the market, they have extensive experience in all categories of industrial real estate in the Colorado Springs metropolitan area. The Industrial Team is equipped to provide exceptional service for your office/warehouse, showroom, manufacturing, research & development, warehouse/distribution, laboratory, adaptive use or other industrial requirement, including commercial land.

Colorado Springs Commercial is an alliance of Cushman & Wakefield benefiting from the support of its global real estate research team, experts, and capital advisors. Cushman & Wakefield is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. The firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. www.cushmanwakefield.com

