

### Quick Stats

|                    | 2Q16    | Change from last |      |
|--------------------|---------|------------------|------|
|                    |         | Yr.              | 4Q15 |
| Availability       | 7.5%    | ▼                | ▼    |
| Lease Rates psf/yr | \$7.22  | ▲                | ▲    |
| Net Absorption     | 211,443 | ▲                | ▲    |

### Hot Topics

- Catalyst Campus opens in Colorado Springs to support aerospace and defense tech startups
- Microchip Technology Inc. acquires Atmel
- SAP America Inc. to build 100,000 SF data center at the T5@Colorado site
- National Cyber Intelligence Center announced in Colorado Springs
- Southern Delivery System is operational



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### Industrial Market Overview

#### Vacancy Rates:

The first half of 2016 displayed steady improvement with continued stabilization of the industrial market with a slight decrease in vacancy rates for industrial properties in Colorado Springs and El Paso County. The overall picture is much improved - end of year 2010 vacancy rates were at a high of 11.6%; however, over the past 6 years vacancy rates continued to fall to 7.5%.

#### Asking Rents:

Asking rents for industrial properties have risen steadily over the past six years. The average asking rents rose from \$6.19 per square foot in 2010 to \$7.22 per square foot for the first half of 2016. This is a welcome and necessary trend to improve the market and provides confidence for investors and developers considering new projects.

#### Currently Available Inventory:

Currently, the available industrial inventory in Colorado Springs and El Paso County is challenged in meeting current and future industrial requirements. Smaller properties are in greater demand:

- >50,000 SF - 10.8% Vacancy
- 10,000-50,000 SF - 6% Vacancy
- <10,000 SF - 2.9% Vacancy

A few new industrial buildings have hit the lease market in the small to mid-sized floor plates with ceiling heights of the 24 foot range. These properties are a welcome sight to the improvement of speculative inventory.

#### Leasing and Absorption:

Annual leasing activity for the past few years has been approximately 660,000 square feet per year. Through June of 2016 leasing activity is on track at 301,000 SF, Absorption has been a bit more fluid in the past two years with 308,691 square feet in 2014; followed by a low of 121,593 square feet in 2015 which was widely attributed to Quantum and Chef's Catalog giving back space. The first half of 2016 is showing a positive trend with current absorption at 211,443 square feet - on track to reach 400,000 square feet by year's end.

#### Industrial Sales:

The increasing number of building sales in the last several years continues to be positive. In 2014, 38 industrial buildings were sold and in 2015 that number nearly doubled to 67 with an average price per square foot of \$71.49/SF. Through June 2016, sales remain strong with 24 industrial buildings having been sold with an average price of \$69.20/SF. While not on pace to surpass 2015, industrial sales are above other years for the last decade.



## Colorado Springs Market News

Several recent significant transactions are worth noting regarding the improvement of the market:

- MRIC Colorado Springs Co bought the 223,000 square foot FedEx distribution center for \$28,845,000.
- 4710 Northpark Drive, a 78,675 SF industrial property sold to New Northpark, LLC for \$4,000,000.
- Etkin Johnson purchased approximately 70 acres of unimproved ground in northeast Colorado Springs signaling a growing confidence in new development opportunities.
- Microchip Technology, Inc. acquired Atmel Corporation for \$3.5 billion creating the world's third-largest production of micro controllers. Microchip Technology, Inc. now employs over 1,000 Colorado Springs residents. Microchip Technologies Inc. estimates it will generate \$3.25 billion in annual revenue with a significant portion of that revenue being made in Colorado Springs.
- SAP America, Inc., purchased 9 acres in the T5@ Colorado business park for \$3 million to build a purported 100,000 SF data center.
- The National Cyber Intelligence Center will be located in Colorado Springs. \$8 million in state money has been allocated to the project.

## Featured Industrial Properties

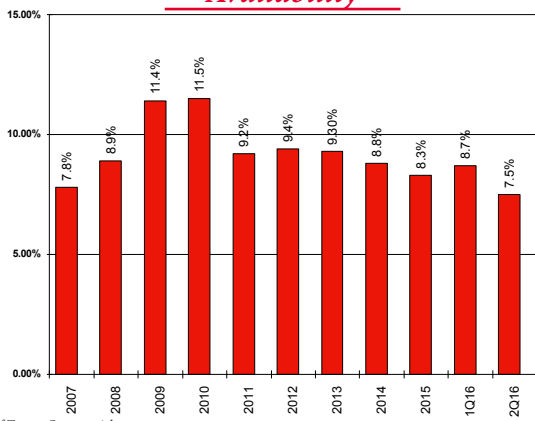


**4435 Arrowswest**  
20,000-85,319 SF For Sale or Lease



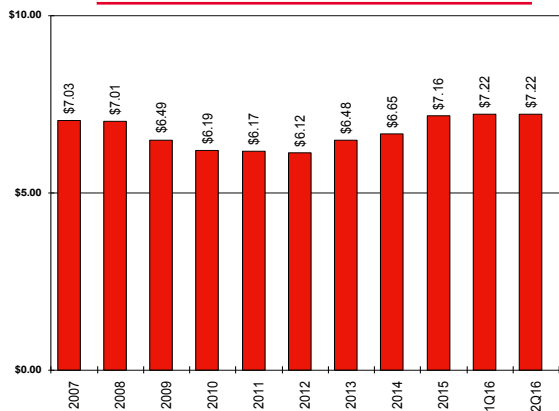
**2545 & 2555 Carmel Drive**  
12,800-25,600 SF For Sale or Lease

**Availability**



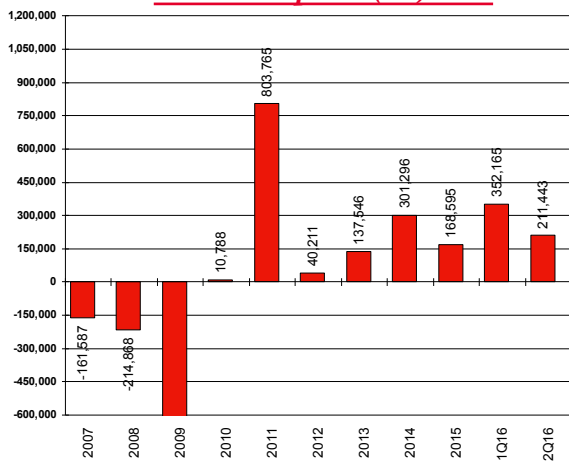
Courtesy of Turner Commercial

**Lease Rates (NNN/PSF)**



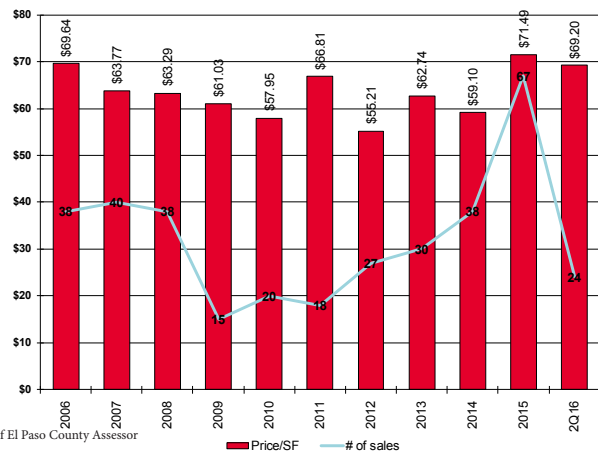
Courtesy of Turner Commercial

**Absorption (SF)**



Courtesy of Turner Commercial

**Industrial Sales (\$/SF)**



Courtesy of El Paso County Assessor

**AVAILABILITY**

Vacancy in the Colorado Springs Industrial market is 7.5% with the majority of the available space in properties of 50,000 SF or more. There is currently a 10.8% vacancy rate for properties greater than 50,000 SF. Vacancy rates for properties from 10,000-50,000 SF is 6.0%. Vacancy rates for properties less than 10,000 SF is 2.9% providing smaller users with fewer properties from which to choose. There has been no significant development of speculative product in spite of the relative lack of space.

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

Average lease rates have increased from \$7.16/SF in 2015 to \$7.22/SF YTD 2016. Owners of small industrial properties are enjoying a vacancy rate of 2.9% creating greater competition among prospective tenants. Landlords of spaces 50,000 SF or larger still must be aggressive in offering leasing incentives to attract the few prospective large tenants.

**ABSORPTION**

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

Absorption has increased for the Colorado Springs market and we saw 211,443 SF of space absorbed in the first half of 2016. The community continues to promote new industries moving to the area. Economic development remains crucial to the health and growth of the market.

**INDUSTRIAL SALES (>5,000 SF) Number of Sales vs. Average \$/SF**

First half 2016 saw 24 industrial buildings greater than 5,000 SF sold for an average of \$69.20/SF. Lack of functional properties for sale will likely push the average price per square foot higher by year end. This trend will only help the eventual construction of new product for the market.

# Cushman and Wakefield|Colorado Springs Commercial Real Estate's 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, 20,000 or 200,000 square feet, we recognize that each deal is equally important to the principals involved. For that specific reason, the Industrial Team maintains a limited portfolio of assignments in order to provide the appropriate amount of focus to be better poised to achieve maximum results. As consistent top producers in the market, we 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 land.

Cushman & Wakefield is the world's largest privately held commercial real estate services firm. Founded in 1917, it has 253 offices in 60 countries, employing more than 15,000 professionals. It offers a complete range of services for all property types, including leasing, sales and acquisitions, equity, debt and structured finance, corporate finance and investment banking, corporate services, property management, facilities management, project management, consulting and appraisal. The firm has more than \$3.7 billion in assets under management globally. A recognized leader in local and global real estate research, the firm publishes its market information and studies online at [WWW.CUSHMANWAKEFIELD.COM/KNOWLEDGE](http://WWW.CUSHMANWAKEFIELD.COM/KNOWLEDGE).

## About Our Industrial Brokers



David Bacon brings more than 35 years of sales and marketing experience to Colorado Springs Commercial. He has consistently earned recognition for his outstanding production achievements. Dave was named Commercial Realtor of the Year and received their

Transaction of the Year Award on multiple occasions in each specialty including: industrial, retail, land and office from the Realtor Commercial & Industrial Society (RCIS) and most recently received the "Most Notable Industrial Transaction" of the year award from the newly formed Southern Colorado Commercial Brokers (SCCB) organization. Dave is also a recipient of CoStar's Power Broker award and has been recognized as one of the Colorado Real Estate Journal's Icons in Brokerage and Leadership in 2016.

Aaron Horn has focused exclusively on the Colorado Springs Industrial and Office market for the past ten years working with both owners and users to help with their commercial real estate needs. Aaron currently serves as the President of the Southern



Colorado Commercial Brokers Association (SCCB), has won the CoStar PowerBroker award for 2013 and 2015 and is a member of the Xceligent Advisory Board. As a CCIM candidate, Aaron possesses strong financial analysis skills helping his clients evaluate multiple real estate scenarios.