

### Quick Stats

	4Q15	Change from last	
		Yr.	3Q15
Availability	8.3%	▼	▼
Lease Rates psf/yr	\$7.16	▲	▲
Net Absorption	168,595	▲	▼

### Hot Topics

- FedEx breaks ground on 27 acre, 225,000 SF fulfillment center in the southeast submarket.
- Silver Key purchases 67,000 SF Office/Warehouse
- Colorado Springs is voted 5th best City in which to live by US World News
- Colorado Springs Airport reports \$15 million dolars of construction in various projects



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### Industrial Market Overview

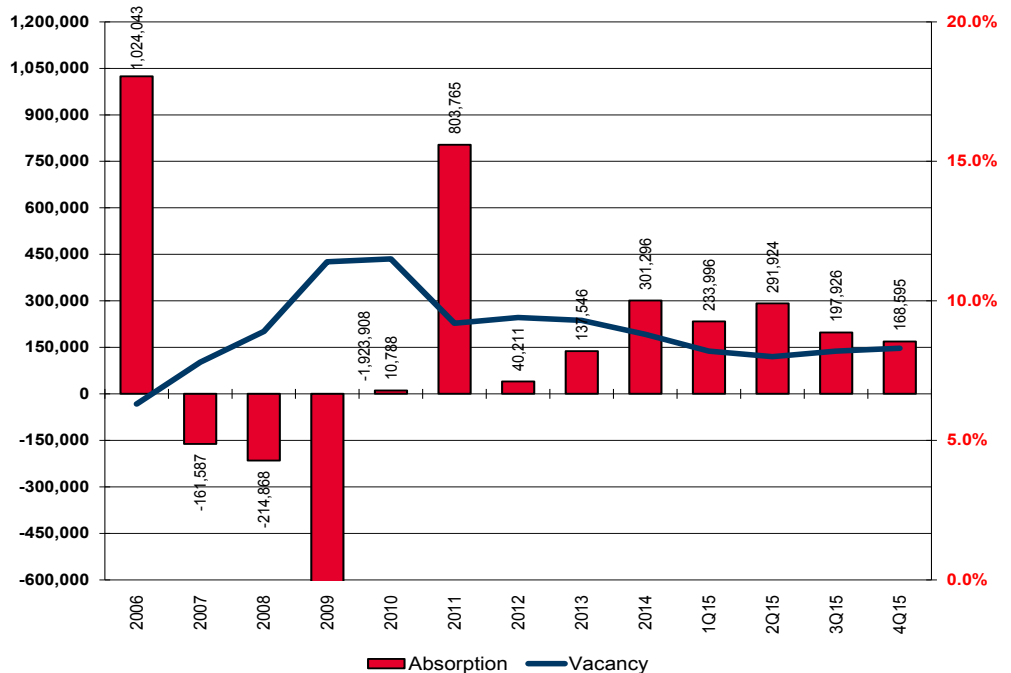
The Colorado Springs Industrial Market ended another year with mixed results. In a market of 34 million square feet of industrial product, the year ended with 2.8 million square feet (8.3%) of vacancy. Asking lease rates increased from \$6.65 to \$7.16/SF/YR NNN and the 67 sales of industrial buildings over 5,000 SF was a record for El Paso County.

Over the last five years, industrial leasing activity has averaged just over 830,000 SF annually. In 2015 there was 672,000 SF of leasing activity. Through the second quarter, the Colorado Springs Industrial Market experienced 291,000 SF of positive absorption. The closing of Chef's Catalog by Target Corp. in the second half of the year, however, put 225,000 SF of space back onto the market and ultimately, the market showed a mere 167,000 SF of positive absorption for 2015. Landlords are enjoying increased rents and less aggressive up front incentives needed to win deals, but tenants are frustrated with lack of functional product which may have contributed to lower than average leasing activity.

High paying primary jobs continue to be the key ingredient to spur a positive recovery. It's encouraging that Colorado Springs won some significant jobs recently. Sierra Nevada has completed its hangar at the airport and its subsidiary, Sierra Completions, will be relocating its operations to Colorado Springs estimating the creation of 2,000 primary jobs to the area. Because of Sierra's commitment to Colorado Springs, supporting companies are evaluating the city for a possible presence in the community. Additionally, Cherwell Software expanded their Colorado Springs presence and leased 67,000 SF in the Quantum Campus, NextEra Energy has selected a site east of Colorado Springs to construct a wind farm and SunCap Property Group completed a 225,000 SF build-to-suit distribution facility for FedEx near the airport, which is the largest single user industrial development in more than a decade. Colorado Springs government is working hard to create a business friendly environment along with a reinvestment in the community's infrastructure to help be more competitive in attracting more business relocations.

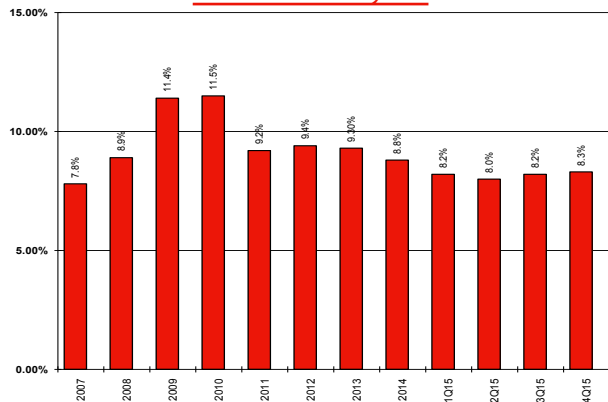
Colorado Springs Commercial expects that current trends will continue through 2016. Limited product will create a continued upward movement in lease rates and sale prices. This trend should lead to some forward thinking speculators to develop new product, providing new options for existing users to upgrade their space as well as provide quality opportunities for primary job growth in the market.

### Industrial Vacancy Rate VS Net Absorption



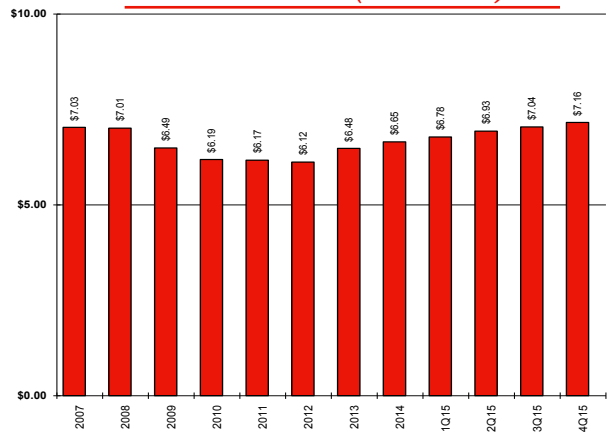
Courtesy of Turner Commercial

**Availability**



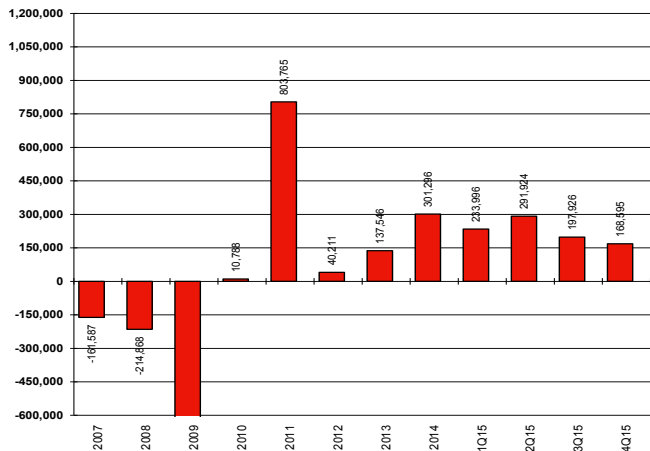
Courtesy of Turner Commercial

**Lease Rates (NNN/PSF)**



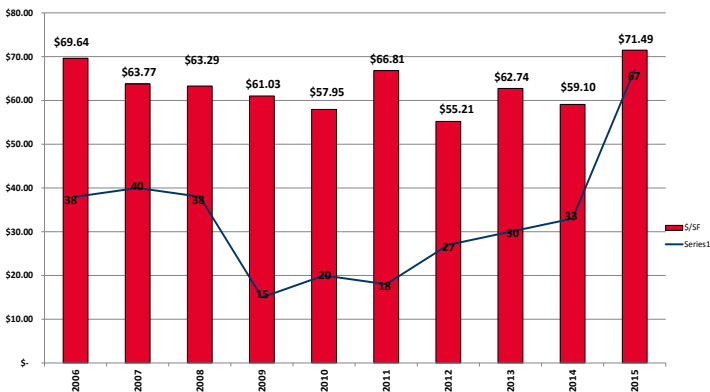
Courtesy of Turner Commercial

**Absorption (SF)**



Courtesy of Turner Commercial

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



Courtesy of El Paso County Assessor

**AVAILABILITY**

Vacancy in the Colorado Springs Industrial market is 8.3%, with the majority of the available space in properties of 50,000 SF or more. There is currently a 12.8% vacancy rate for properties greater than 50,000 SF. Vacancy rates for properties less than 25,000 SF is 3.7% which provides smaller users with fewer properties from which to choose. There has been no development of speculative product in spite of the relative lack of space.

**LEASE RATES**

(NNN, Annual, Per RSF)

Asking lease rates increased in 2015 from \$6.65 to \$7.16/SF/YR. Landlords of smaller space have seen increased user competition for spaces less than 25,000 SF and have seen a reduction in need for aggressive incentives such as free rent and Tenant improvement allowances. Landlords of spaces greater than 25,000 SF still find themselves in a more competitive market.

**ABSORPTION**

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

Improved absorption still eludes the Colorado Springs market and we saw 169,000 SF of space absorbed in 2015. Target recently shutdown Chef's Catalog, putting 225,000 SF of space on the market. Quantum also gave up large amounts of space, greatly reducing absorption numbers in Colorado Springs.

**Industrial Sales**

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

2015 saw 67 industrial buildings greater than 5,000 SF sold for an average of \$71.49/SF. This was the highest number of sale transactions as well as the highest price per square foot for industrial properties in the last ten years. Removal of those now owner-occupied properties from the leasing market have reduce inventory even further. Although this trend is positive, the lack of new construction is still concerning.