

Quick Stats

	4Q17	CHANGE FROM LAST YEAR
Availability	10.9%	▲
Lease Rates PSF/YR	\$7.94	▲
Net Absorption	(260,804)	▼

Hot Topics

- Kroger leased 192,000 SF at long vacant distribution warehouse at 702 Bandle Drive, Fountain
- Charis Ministries purchased 10285 Federal Drive - at 121,020 SF industrial building in the Northeast Sub-market
- Mountain Shadows Business Park, a 97,595 SF industrial building was purchased
- Purchase of 9965 Federal Drive for over \$14.25M represents the year's largest transaction



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Industrial Market Overview

The Colorado Springs Industrial Market by year end 2017 realized notable and significant activity in larger leases, industrial investment sales, and new large speculative developments resulting in long-awaited high lease rates and higher building sales prices. Although overall vacancy rates increased to 10.9% at the end of the fourth quarter 2017 from 10.1% in the third quarter 2017 and 9.7% in the first half of 2017, the market is positioned to continue to improve in 2018.

Average asking industrial lease rates at the end of 2017 were \$7.94 per square foot compared to \$7.46 per square foot at the end of the third quarter. Warehouse asking lease rates were \$7.38 per square foot with Flex asking rates of \$9.59 per square foot at the end of the fourth quarter 2017. Comparatively, third quarter 2017 asking lease rates were \$6.90 per square foot and \$9.07 per square foot, respectively.

Flex properties recorded an improved vacancy rate of 15.1% at the end of 2017 compared to 19.4% at the end of the third quarter 2017. Simultaneously, warehouse properties recorded a vacancy rate 9.9% for year end 2017 compared to a third quarter rate of 8%.

By year end 2017 there were 43 industrial sales (building 5,000 SF and above) with an average sales price of \$98.80 per square foot - a significant increase over the previous year's asking price of \$70.57 per square foot. The improving market is enticing developers to consider speculative development in the Colorado Springs market. This has lead to a number of large-scale developments breaking ground in the market.





Colorado Springs Market News

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

- Kroger leased 197,000 SF of warehouse distribution space at 702 Bandley Drive a long-time vacant industrial building in Fountain.
- 2570 Zeppelin Road is a new 131,040 SF industrial building on the Powers Boulevard Corridor with 85,000 SF leased to NS Auto Force and 40,000 SF was leased to an undisclosed national tenant.
- ConcealFab leased 92,985 SF at Interquest Industrial - 10205 Federal Drive. ConcealFab is a leader in the manufacturing of small cell and oDAS concealment solutions. ConcealFab creates concealment projects for the wireless telecom, energy, and government sectors.
- New construction of T5@Colorado Building in southern Colorado Springs nearing completion. The T5@Colorado Building - 3819 Janitell Road is 800,00 square-foot data center
- Colorado Springs continues its reinvestment in city infrastructure with the support of the recently passed 2A ballot initiative which dedicated funds to invest to fix failing water control systems, completion of the Southern Delivery System, improve roads, and increased the public safety budget. This initiative was put forward to make Colorado Springs more attractive to local and incoming businesses, residents, and the thousands of tourists who visit the City of Colorado Springs each year.

Featured Industrial Properties



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



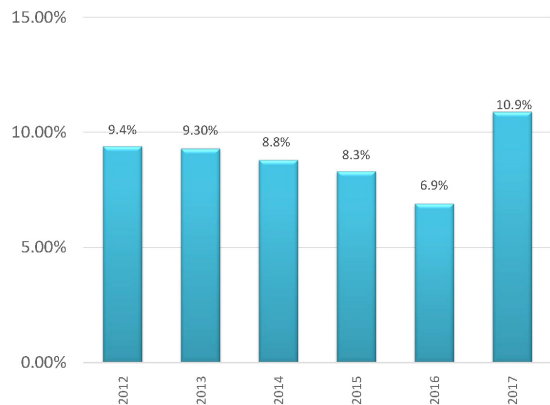
3204-3208 E Platte Avenue
43,143 SF For Sale



1915-1925 Aerotech Drive
5,210-38,000 SF For Lease



5045 List Drive
30,400 SF For Sale



AVAILABILITY

The overall industrial vacancy rate year end 2017 was 10.9%. This rate was up from 10.1% in the third quarter 2017. Net absorption totaled a negative 260,804 SF in the fourth quarter 2017. Vacant sublease space increased in the fourth quarter 2017 to 80,948 SF. Only one 5,000 SF building completed in the fourth quarter with 956,040 SF under construction by year end.

LEASE RATES

(NNN, Annual Per RSF)

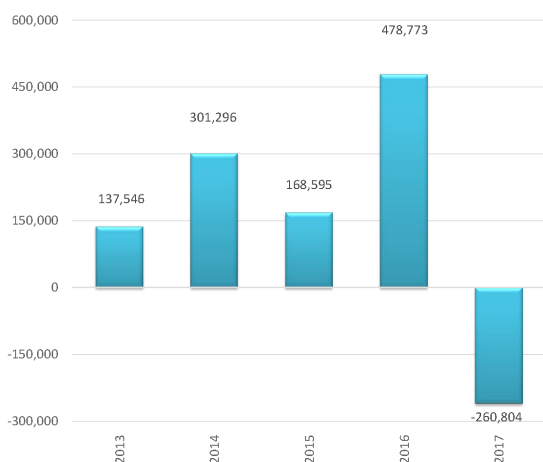
Average asking lease rates for available space at the end for the fourth quarter increased to an average asking rate of \$7.94 per square foot, representing an increase of 6.4% over the previous quarter. Warehouse rates were \$6.90 per square foot and Flex rates were \$9.07 at the end of third quarter 2017. The Warehouse sector asking rates were \$7.38 per square foot with the Flex rates at \$9.59 per square foot, increased by the end of the fourth quarter.



ABSORPTION

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

The overall Colorado Springs industrial absorption for the fourth quarter 2017 was a negative 260,804 SF. This level compares to a negative 178,323 SF in the third quarter 2017, positive 64,456 SF in the second quarter, and a negative 145 SF in the first quarter 2017. Flex buildings registered positive absorption of 271,008 SF in the fourth quarter while Warehouse recorded a negative 531,812 SF leading to the overall negative absorption for the industrial market.



INDUSTRIAL SALES

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

The number of overall Industrial building sales 5,000 feet and larger buildings in the fourth quarter 2017 were down from the first half 2017 but the sales price per square foot increased. In the third quarter, four industrial transactions closed with a total volume of \$12,420,000. The four building totaled 116,552 SF with an average per square foot price of \$106.56. That compares to eight transactions totaling \$23,033,00 in the first half of the year. The square footage totaled 373,7272 SF and an average price per square foot of \$61.63/ in the same period.



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Real Estate's Industrial Services

Cushman and Wakefield | Colorado Springs Commercial 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 on-line at

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 was recognized as one of the Colorado Real Estate Journal's Icons in Brokerage and Leadership in 2016. David recently received the Legacy Award from the Southern Colorado Commercial Brokers Association (SCCB) for his body of work in commercial real estate.

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 Power Broker award for 2013 and 2015 and was a member of the Xceligent Advisory Board 2017. Aaron possesses strong financial analysis skills helping his clients evaluate multiple real estate scenarios.