



INDUSTRIAL MARKET VIEW | 2022

COLORADO SPRINGS, CO



**CUSHMAN &
WAKEFIELD**

**Colorado Springs
Commercial**

INDUSTRIAL MARKET VIEW | 2022



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WAKEFIELD

Colorado Springs
Commercial

COLORADO SPRINGS INDUSTRIAL MARKET BY THE NUMBERS



39.9+ M

Total Market SF



3.0%

Adjusted Vacancy Rate



\$10.60

Average Asking Lease Rate/SF



\$153.76

Average Sale Price/SF



0

Speculative Construction



177,827

BTS Construction



241,838

SF Absorbed

NATIONAL MARKET | 2022

The 2022 national industrial commercial real estate market finished strong despite uncertain economic headwinds. For the third year in a row, industrial product remained the darling of the commercial real estate market exceeding 700 million square feet of new leasing for the year - 757 million square feet of new leasing volume in 2022. This was the second-best year in history, following 2021's impressive 923 million square feet of new leasing. Markets with the largest volume of new leasing included Chicago, Dallas/Ft. Worth, Houston, and Phoenix.

Markets saw an average year over year rent increase of 18.6% in 2022 with rates averaging \$8.81/SF NNN - the strongest year to date. The national vacancy rate is 3.3% - 140 basis points lower than pre-pandemic levels and 300 basis points lower than the 10-year average.

The overwhelming national demand and lack of supply, the greater share of new construction is focused on build-to-suits with speculative developments only recently nearing their pre-financial crisis (2008) levels. Markets report over 682 million square feet of deliveries anticipated for 2023. However, with the cost of new construction elevated due to rising cost of commodities pricing, an increase in skilled labor costs, along with uncertain costs of capital - the speculative construction market remains unclear for 2023 to 2024.

	Year End 2022	Change from Previous	Year End 2021	Change from Pre- vious
Availability	4.5%	▼	4.7%	▼
Lease Rates PSF/YR	\$10.60	▲	\$10.49	▲
Net Absorption	241,838	▼	4,641,799	▲

INDUSTRIAL DIVISION
coscommercial.com

COLORADO SPRINGS INDUSTRIAL MARKET

LOCAL MARKET | 2022

The 2022 Colorado Springs Industrial Market mirrored the energy and trend of the national industrial commercial real estate markets with increased demand, low supply, upward trends in both lease and sale pricing, and upward growth in construction.

Colorado Springs has seen a sharp rise development not seen in the Industrial Market since the 1990's. This frenzy of activity has introduced new market players and opened the Colorado Springs Industrial adding much needed Class-A product to the market and has added jobs and dollars to the Colorado Springs economy. Like the national industrial market, with demand outstripping available supply, most new development has been focused largely on a balance build-to-suit and lead tenant secured speculative projects. Nearly all speculative development in the past three years has focused on Class-A Industrial projects exceeding 100,000 SF.

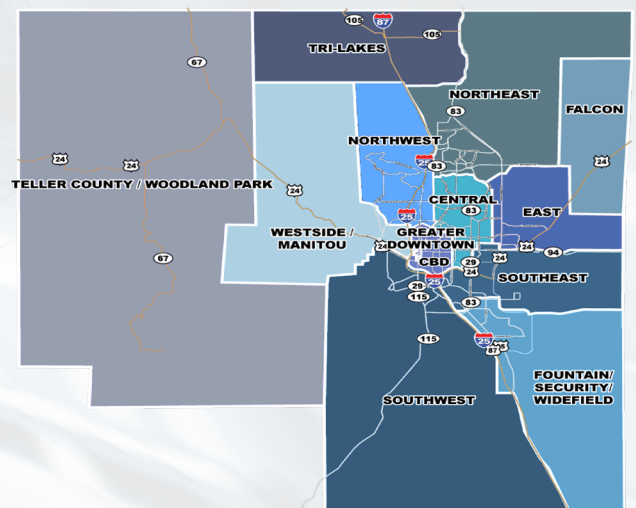
Throughout 2022 investors and developers were energized by the Colorado Springs Industrial Market. For the developer, projects moved further north, east and south within Colorado Springs than ever before. As economic headwinds shifted throughout 2022, economies of scale became more influential for developers in the market with development plans shifting toward larger scale projects. Some projects have been temporarily shelved in the face of rising interest rates and cost of construction with most developers chasing a lead-tenant before breaking ground. In fact, no development projects were going spec in 2023 absent a lead tenant.

Colorado Springs Industrial investment activity throughout 2022 was vigorous with several projects trading at record figures. One such project, Airport Business Center, traded two times within weeks for a record-setting \$38m and \$52m respectively. Other

There remains a significant need for small to mid-sized multi-tenant development in the Colorado Springs Industrial Market. Many sub-20,000 SF users are finding themselves facing low vacancy rates, increasing lease rates, and heavy competition in the market. For many tenants, the lack of attractive market alternatives has left them either renewing in-place for lack of attractive and affordable market options or are finding themselves in the build-to-suit sale market, primarily new build construction, at equally low vacancy rates and high sale prices.

HOT TOPICS

- Colorado was again named the #2 Best Place To Live in the United States by the U.S. News and World Report
- Colorado's unemployment rate fell again to 3.0% in December 2022. This is now the lowest unemployment has been since the start of the COVID-19 pandemic.
- The combined dollar assessment of building permits pulled by homebuilders, general contractors and subcontractors for residential and commercial construction totaled \$3.81 billion in 2022, a 4% decrease over 2021. 2022 is the second best year on record for overall construction spending.
- The median home price in Colorado Springs was \$465,000 in October, still up 4.3% on a year-over-year basis, and home sales totaled 1,100, down by one-third on a year-over-year basis and the biggest percentage decline in roughly 25 years. Even though home sales have fallen, prices have continued to rise over the past few months.

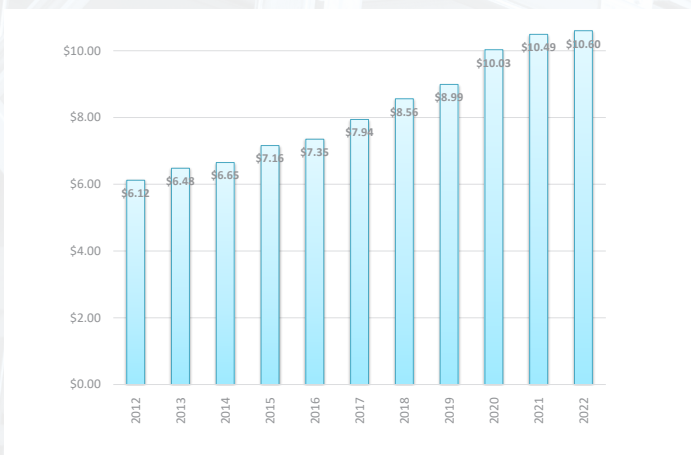


AVAILABILITY

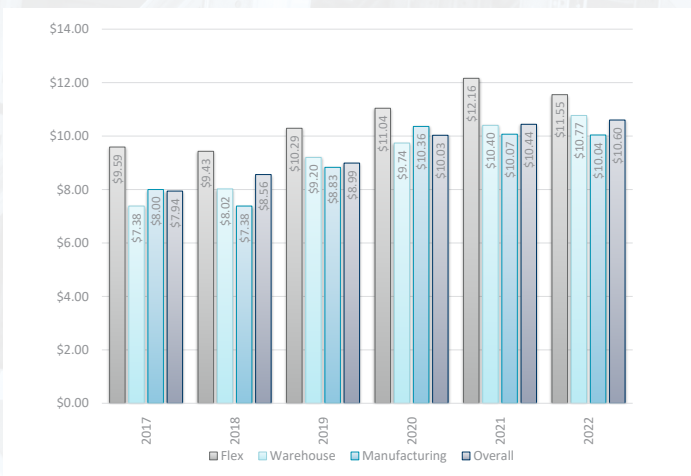
The overall direct industrial vacancy rate for the Colorado Springs Industrial Market in 2022 was up slightly to 4.7% from 4.5% at Year End 2021. In the past five years, the overall absorption rate has averaged 4.7%. At year's end, there was approximately, 1.9 MM SF of available industrial product in the Colorado Springs Industrial Market. However it is worth noting that a large amount of that total is attributed to a single property which has remained vacant for several years. Adjusting for this single outlying vacancy, the a more accurate vacancy rate within the market is approximately 3.0% for the Colorado Springs Industrial Market.

The lowest availability is that of properties 5,000 SF and below at approximately 1.5% vacancy! Followed by properties between 30,001 SF to 50,000 SF at 2.4% vacancy; 5,001 SF and 10,000 SF with 3.3% vacancy. In fact, only properties with 50,000 + SF have vacancy rates exceeding 5.0% however we must once again adjust to this category's true rate of 1.1% making it as covetable as it's smaller cousin.

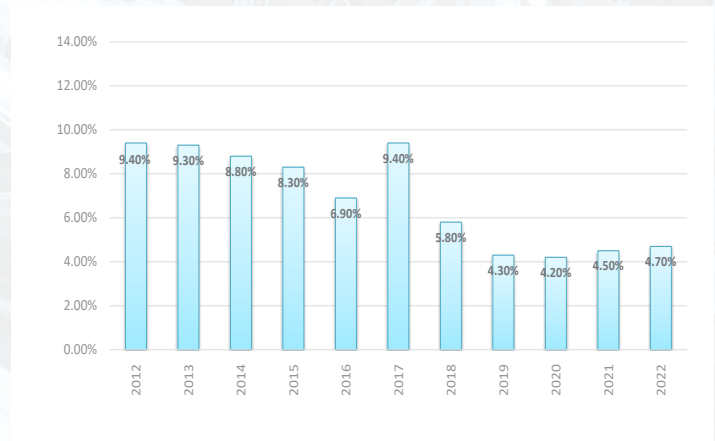
ASKING LEASE RATES



ASKING LEASE RATES BY PRODUCT TYPE



VACANCY RATES



LEASE RATES

(NNN, Annual Per RSF)

Asking lease rates have seen a sharp rise in recent years. In fact, the average asking lease rate in the Colorado Springs Industrial Market has climbed approximately 73.20% since 2012 and 33.50% since 2017! The upward pressure on lease rates has remained consistent due most notably to increased market demand and low vacancy. Recent rising rates of inflation have not translated into increases or decreases in rental rates nor have they had an effect on the Colorado Springs Industrial Market's 2022 deal pipeline.

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. That figure is up over 2021's Year End figure of \$10.49/SF across all product types.

Average asking rates for industrial products by product type in the Colorado Springs Industrial Market for Year End 2022 were as follows: Manufacturing \$10.04/SF; Industrial Flex \$11.55/SF; and Warehouse \$10.77/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 6 months for Class A Industrial product with older/less functional properties seeing lease up times of 6 month +/- on average.

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ASKING LEASE RATES BY PRODUCT TYPE



INDUSTRIAL SALES

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

The 2022 Colorado Springs Industrial Market's overall average sale averaged \$153.76/SF for 60 total sales representing 11.80% year-over-year increase. The majority of sales occurred in properties between 5,000 SF and 15,000 SF, 28 total sales, at an average figure of \$151.28/SF. Industrial product between 15,001 SF and 30,000 SF averaged \$178.16/SF for 12 sales. Products between 30,000 and 50,000 square feet averaged \$117.54/SF among 4 sales keeping in line with 2021's sales volume. Sales exceeding 50,001 attracted \$148.84/SF among 16 sales. Of sales of the largest properties, of the 13 were investment sales.



2,868,708
Total Sales Volume SF



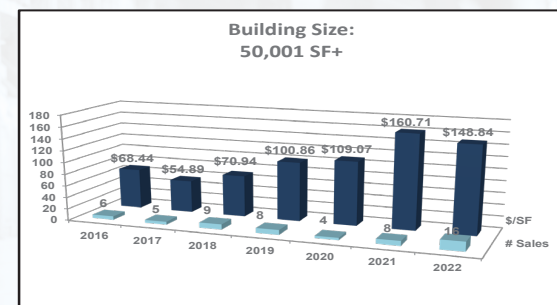
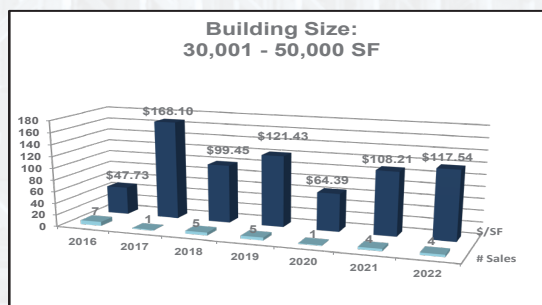
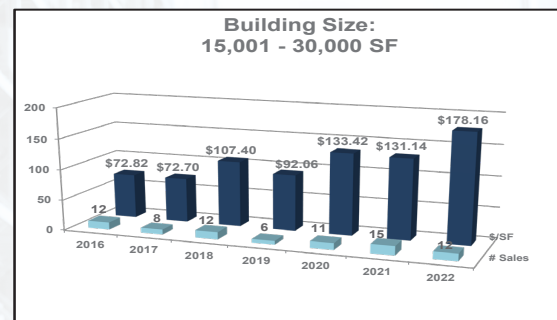
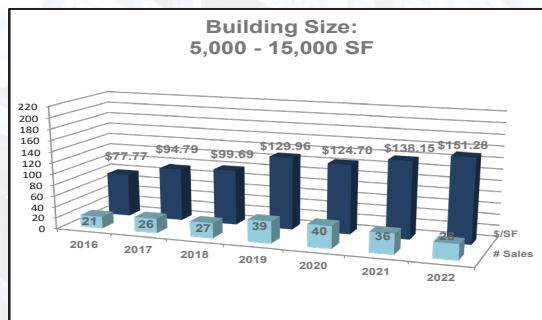
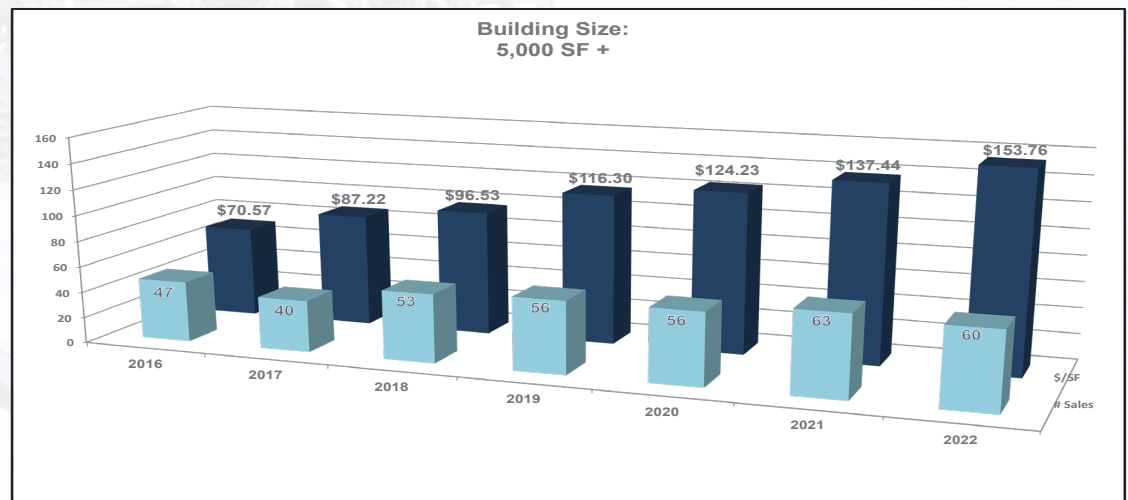
47,812
Average SF Sale



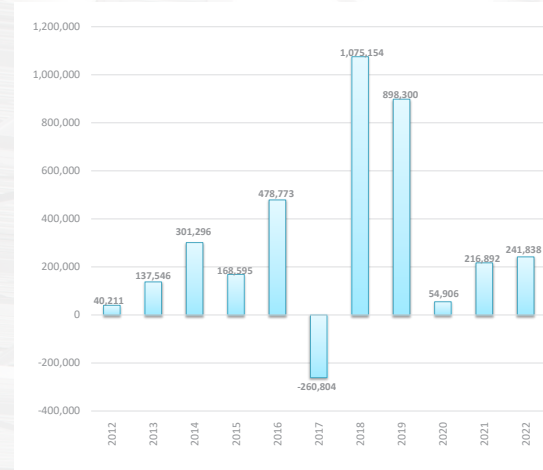
\$153.76
Average \$/SF Sale



60
Total Number of Sales



ASKING LEASE RATES BY PRODUCT TYPE



ABSORPTION

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

Year End 2022's positive absorption of 241,838 SF is telling of the health and vitality of the Colorado Springs Industrial Market. The market did see two significant deliveries affect the net absorption number by adding large swaths of vacant space onto the market (2540 and 2520 Zeppelin Rd.'s combined availability of 220,000 SF). However, those spaces will show both positive absorption and a significant dent in the vacancy rate for the upcoming 2023 data as those spaces are approximately 80% pre-leased.

In fact, as of Year End 2022 there remains fewer than 100,000 SF of Class A Industrial product available and deliverable for lease to prospective tenants in 2023. What remains of existing industrial product on-market is largely comprised of Class B or C product, some of which has been re-developed, mostly not, creating significant challenges to tenants, buyers, and brokers going into the upcoming year.

FEATURED PROPERTIES



Rustic Hills Commerce Center
Now Pre-Leasing!
7,500 SF to 206,920 SF
Rates Starting at \$9.50/SF/YR NNN



Executive Office Flex
2205-2225 Executive Drive
7,500 to 28,000 SF
\$14.50/SF/YR NNN



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



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



Garden Park
1110-1120 Elkton Drive
2,880SF to 8,640 SF
\$11.50/SF/YR NNN



707 Hathaway Drive
27,418 SF
Call Brokers for Pricing



Vapor Trail Logistics Center
875 Vapor Trail
35,255 SF to 70,210 SF
Call Brokers for Pricing



3410 N Propsect St.
36,474 SF
For Sale Or Lease
Call Brokers for Pricing



Adobe Court Business Park
3302- 3372 Adobe Court
1,750 SF +
\$11.00/SF/YR 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.

INDUSTRIAL TEAM



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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

Colorado Springs Commercial | Industrial Team 2022 Results

**37****TOTAL # OF DEALS****\$42,786,596****TOTAL DEAL VOLUME****501,950****TOTAL SQUARE FEET**