

Quick Stats

| | 2Q13 | Change from last | |
|--------------------|---------|------------------|------|
| | | Yr. | 1Q13 |
| Vacancy | 9.1% | ▼ | ▶ |
| Lease Rates psf/yr | \$6.30 | ▲ | ▲ |
| Net Absorption | 122,000 | ▲ | ▲ |

Hot Topics

- High Performance Engineering leases 85,000 SF of 2nd generation manufacturing space.
- City of Colorado Springs works towards \$82MM downtown revitalization project.
- UCCS "tops off" \$18.5 million, 54,000 SF Lane Center for Academic Health Sciences.
- Only 2/3 of jobs lost during recessions have been gained back.
- Ryan E. Henderson joins Colorado Springs Commercial as Broker Associate.

Industrial Market Overview

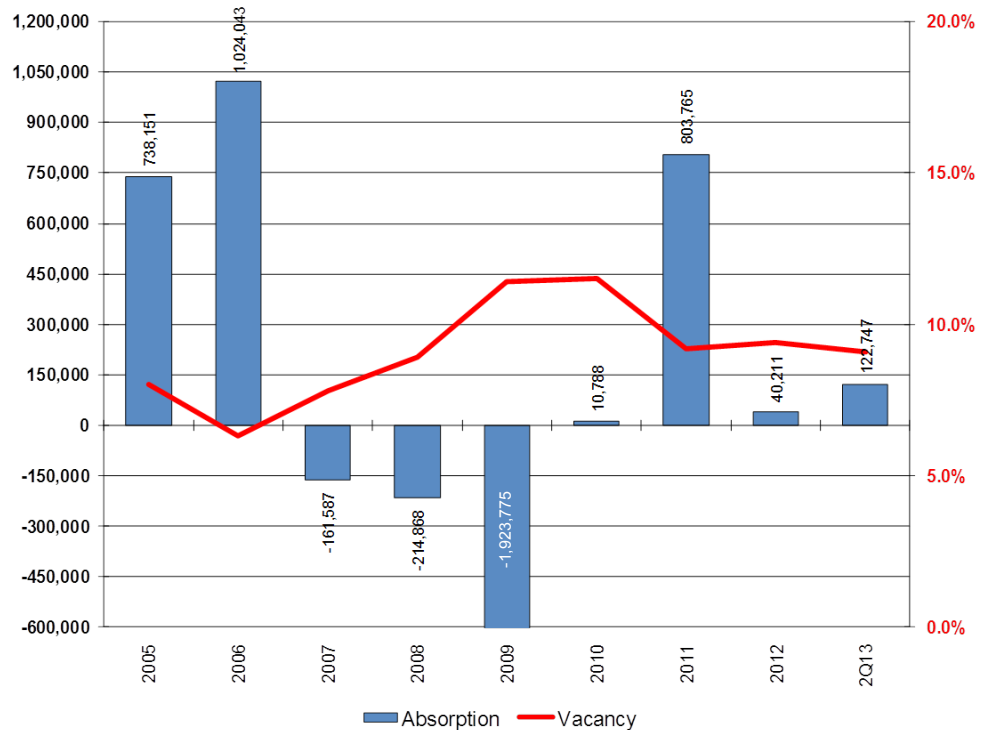
The industrial market in Colorado Springs continues to show signs of promise that are tempered by reports that our economy still has 4,800 fewer jobs than it did prior to the recession. Even so, the industrial market has shown a healthy 459,000 square feet of total leasing activity and the vacancy rate has fallen from 9.4% at the end of 2012 to 9.1% through the first half of the year.

Since 2000, the industrial market historically saw annual leasing of around 1 million square feet with considerable positive absorption. 2007 was the first of three years that brought a total negative absorption of over 2 million square feet, of which 1.4 million was attributable to the former Intel campus on Garden of the Gods Road that was sold in 2009 and was subsequently "reclassified" to other uses. The trend reversed in 2010 when roughly 11,000 square feet of positive absorption was recorded. Since then, the market has continued to post positive absorption figures and 2013 follows that trend with 122,000 square feet of positive absorption recorded so far this year.

A good portion of the absorption gains experienced in the first half of the year can be attributed to High Performance Engineering's lease of roughly 85,000 SF in a manufacturing facility on Garden of the Gods Road previously occupied by Plasmon LMSI. That deal is exciting not only because it is reflective of a local company's growth trajectory (the tenant grew out of a 16,000 SF facility), but it might be even more exciting because it's a manufacturing user that has leased a considerable amount of second generation manufacturing space in a corridor that has seen the vast majority of vacant manufacturing space be converted to adaptive uses. While one transaction cannot be viewed as a trend, it's definitely a step in the right direction.

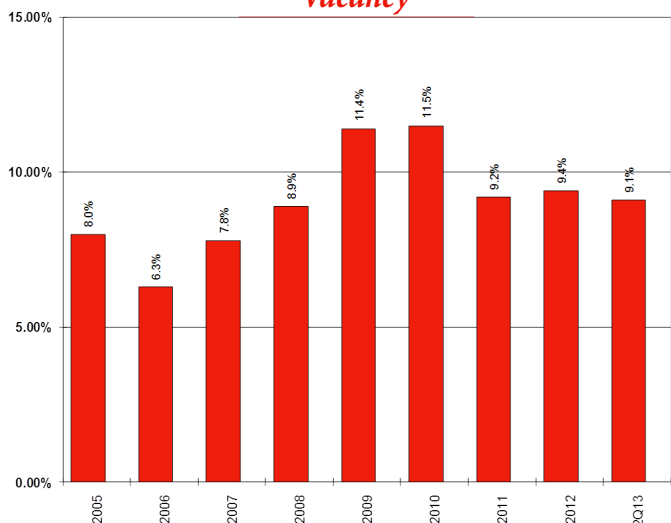
In sum, market trends continue to show signs of promise. However, this economy is one of only a few in Colorado that have yet to return to pre-recession job levels. According to a July article in the Gazette Telegraph, Colorado Springs has 4,800 fewer jobs now than it did in May of 2008. Job growth is a crucial remaining piece in the local economic recovery.

Industrial Vacancy Rate VS Net Absorption



Michael R. Helwege, Principal
mhelwege@coscommercial.com
719.634.1500

Vacancy

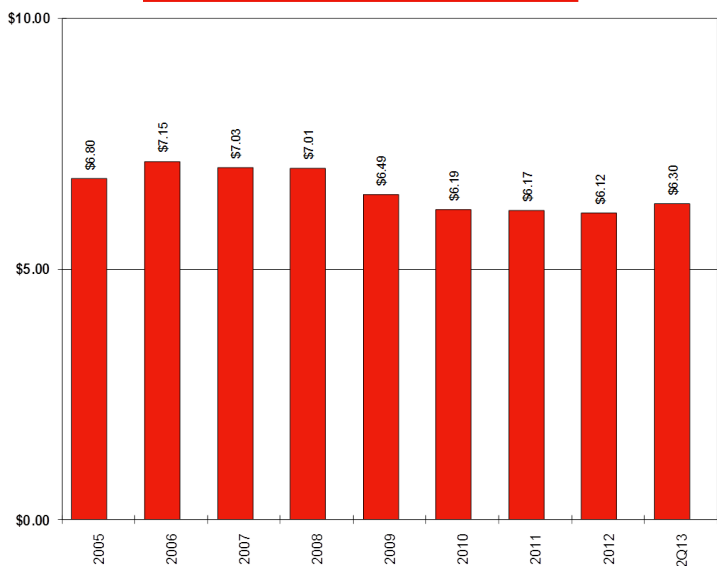


Courtesy of Turner Commercial

VACANCY

The industrial vacancy rate topped out between 2009 and 2010 at over 11%. It fell to the 9% range in 2011 after over 800,000 square feet of positive absorption and has remained relatively flat ever since. Speculative construction has been absent due to the historic lows at which space has been leased and purchased since the downturn. Supply and demand economics should continue to drive down the vacancy rate, but positive job growth must occur for long term stability in the market.

Lease Rates (NNN/PSF)

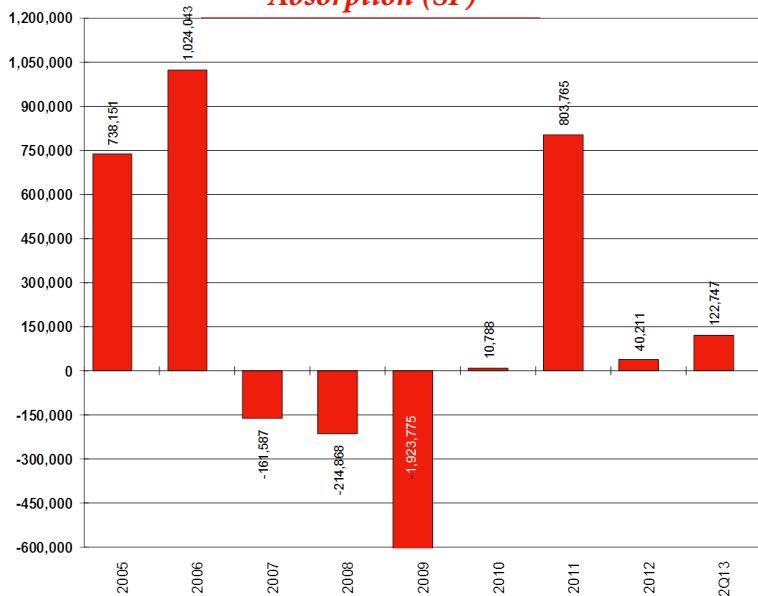


Courtesy of Turner Commercial

LEASE RATES (NNN, Annual, Per RSF)

Lease rates have gone up for the first time 2006, when the average asking rate was \$7.15 per Sq. Ft. at the end of the year. Average asking rates have climbed to \$6.30 per Sq. Ft. through the first half of 2013, which might signal a recovery is in the making, but closer analysis shows that rates have only climbed in certain high quality segments of the market where supply has dwindled and speculative construction hasn't occurred because achievable rates haven't yet increased to a level that supports new construction.

Absorption (SF)



Courtesy of Turner Commercial

ABSORPTION

Beginning in 2007, the industrial market posted over 2 million square feet of negative absorption over a three year period. A good majority of that was attributable to Intel vacating a 1.4 million sq. ft. facility on Garden of the Gods Road. 2011 signaled better times were on the way with over 800,000 sq. ft. of positive absorption, but 2012 sputtered at only 40,000 sq. ft. of positive absorption. The first half of 2013 posted positive absorption of over 122,000 sq. ft., but a full recovery can only be achieved if our economy can grow meaningful jobs.

Special Announcement



Colorado Springs Commercial (COSC) is pleased to announce that Ryan E. Henderson has joined the firm as a Broker Associate. Ryan teams with Mike Helwege and works with tenants, buyers, sellers, landlords and developers throughout the region. He is a 2008 graduate of the UCCS School of Business. Before joining COSC, Ryan worked in sales and hospitality in the Las Vegas, NV and Colorado Springs areas.