



Colorado Springs Industrial Market

MARKET VIEW

First Half 2022

COLORADO SPRINGS INDUSTRIAL MARKET | FIRST HALF 2022

Nationally, the industrial commercial real estate industry powered through the First Half 2022 economic headwinds. For the third year in a row, demand outpaced supply in the industrial sector with overall vacancy rates at approximately 4% on average. With 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. Nationally, rents have increased approximately 19% year over year and sale prices have grown at similar rates. These national trends are anticipated to remain consistent through Year End 2022.

BY THE NUMBERS



39.4+ M

Total Market SF



3.2%

Adjusted Vacancy Rate



\$10.71

Average Asking Lease Rate/SF



\$152.71

Average Sale Price/SF



111,000

Speculative Construction



101,250

BTS Construction

261,771

SF Absorbed

	Year End 2021	Change from Previous	First Half 2022	Change from Previous
Availability	4.9%	▼	5.0%	▲
Lease Rates PSF/YR	\$10.49	▲	\$10.71	▲
Net Absorption	4,641,799	▲	261,771	▼

COLORADO SPRINGS INDUSTRIAL MARKET

FIRST HALF 2022 LOCAL MARKET

HOT TOPICS

- Colorado's unemployment rate fell from 3.6% in April to 3.5% in May. The seasonally adjusted rate, 3.5%, is now the lowest it has been since the start of the COVID-19 pandemic.
- There have been 177 permits issued for 6,937 apartments in El Paso County from 2021 through June 30th of this year — one of the biggest waves of multifamily development in the last 20 years and almost as many units proposed from 2016-2020 altogether.
- There were 355 single-family building permits issued in May, a nearly 20% increase over the same month last year. Through the first five months of 2022, single-family permits totaled 1,907, a 6.6% decline over the same period in 2021.
- The median price of homes sold rose 10% in June over the same month last year to reach a record high of \$495,000, from \$487,000 in May, the fifth consecutive month of record prices for the area.
- Colorado Springs ranks as the nation's No. 2 city in annual Best Places to Live report.
- Colorado Springs ranks as the No. 7 hottest housing market in the U.S. according to Realtor.com

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

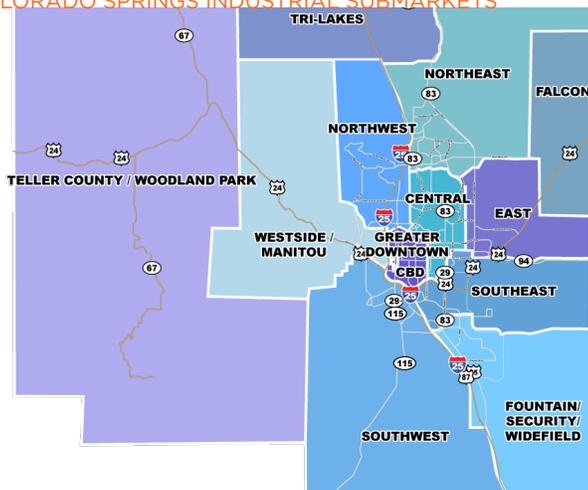
Colorado Springs has seen a renaissance of development not seen in the Industrial Market since the 1990's. This frenzy of activity has introduced new market players and opened the Colorado Springs Industrial adding much needed Class-A product to the market and has added jobs and dollars to the Colorado Springs economy. Like the national industrial market, with demand outstripping available supply, most new development is focused largely on build-to-suit projects. Looking at the recently added development, less than 750,000 SF of the recently added 5.5MM industrial inventory has been speculative build. Moreover, nearly all speculative development in the past two years has focused on Class-A Industrial product exceeding 50,000 SF.

These larger scale developments are attracting the attention of national credit tenants. Even with the recent halt in the Amazon real estate pipeline causing market insecurity, the demand for functional Class-A industrial space has ensured the deal pipeline in the First Half 2022 remained steady. Through the First Half 2022 investors and developers were energized by the Colorado Springs Industrial Market. For the developer/investor, it has created a race to dirt with groups purchasing ground and submitting development plans further north, east and south than ever before.

Much of the market activity in the First Half 2022 was focused on invest markets with many of these Class-A projects changing hands.

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.

COLORADO SPRINGS INDUSTRIAL SUBMARKETS

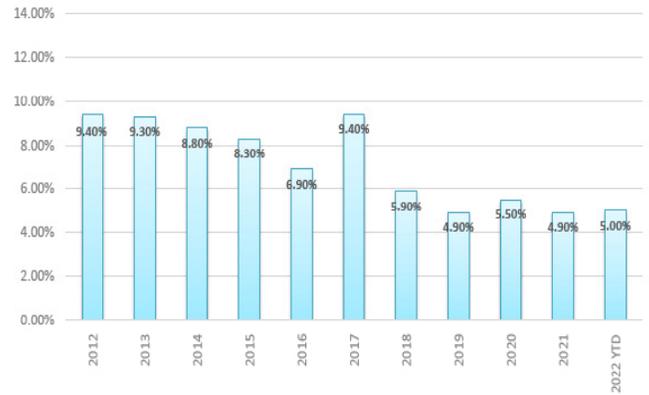


AVAILABILITY

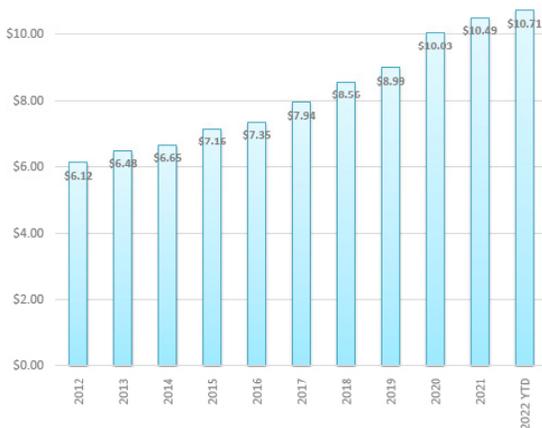
The overall direct industrial vacancy rate for the Colorado Springs Industrial Market in the First Half 2022 was up slightly to 5.0% from 4.9% at Year End 2021. In the past five years, the overall absorption rate has averaged 5.24%. At year's end, there was approximately, 1.975 MM SF of available industrial product in the Colorado Springs Industrial Market. However it is worth noting that approximately 34.5% of that total is attributed to a single property which has remained largely vacant for several years. Adjusting for this outlying vacancy, the a more accurate vacancy rate within the market is approximately 3.2% for the Colorado Springs Industrial Market.

The lowest availability is that of properties under 5,000 SF at only 0.7% vacancy! Followed by properties between 5,001 SF and 10,000 SF with 2.0% vacancy. In fact, only properties with 50,000 + SF have vacancy rates exceeding 7.0%.

VACANCY RATES



ASKING LEASE RATES



LEASE RATES

(NNN, Annual Per RSF)

Asking lease rates have seen a precipitous rise in recent years. In fact, the average asking lease rate in the Colorado Springs Industrial Market has climbed approximately 35% since 2017. This upward pressure on lease rates has remained consistent due to a number of factors most notably increased market demand, 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 First Half 2022 deal pipeline.

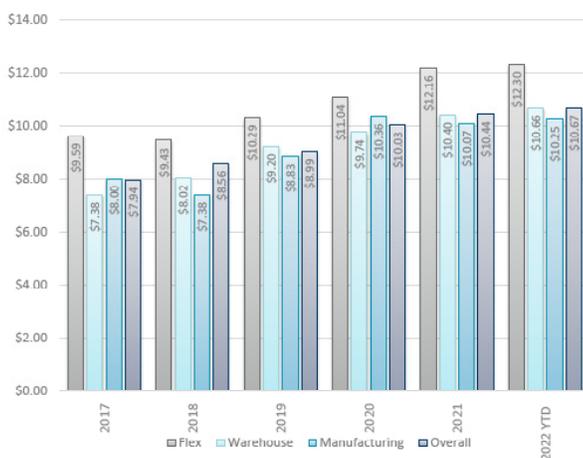
The average asking rate in the First Half 2022 reached \$10.71/SF the highest asking lease rate in history for the Colorado Springs Industrial Market. That figure is up 2.1% over 2021's Year End figure of \$10.49/SF across all product types.

Average asking rates for industrial products by product type in the Colorado Springs Industrial Market for the First Half 2022 were as follows: Manufacturing \$10.25/SF; Industrial Flex \$12.30/SF; and Warehouse \$10.66/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.

ASKING LEASE RATES BY PRODUCT TYPE



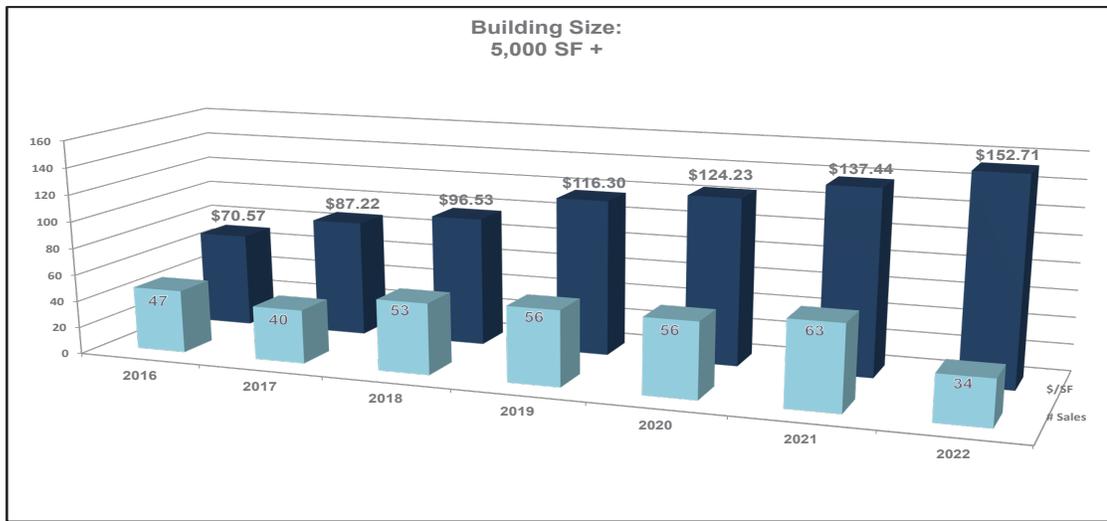
ASKING LEASE RATES BY PRODUCT TYPE



INDUSTRIAL SALES

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

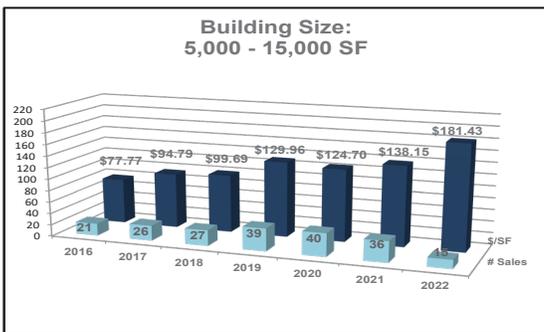
The First Half 2022 Colorado Springs Industrial Market's overall average sale averaged \$152.71/SF for 34 total sales. The majority of sales occurred in properties between 5,000 SF and 15,000 SF, 15 total sales, at an average figure of \$181.43/SF representing 31% year-over-year- increase. Industrial product between 15,001 SF and 30,000 SF averaged \$118.94/SF for 6 sales. Products between 30,000 and 50,000 square feet averaged \$108.71/SF among 6 sales keeping in line with 2021's average. Sales exceeding 50,001 attracted \$135.00/SF among 9 sales. Of sales of the largest properties, 6 of the 9 were investment sales. The average sale price of owner/user sales was \$85.19/SF among 3 sales while investment sales averaged \$159.82/SF among 6 sales.



1,659,395
Total Sales Volume SF



48,805
Average SF Sale

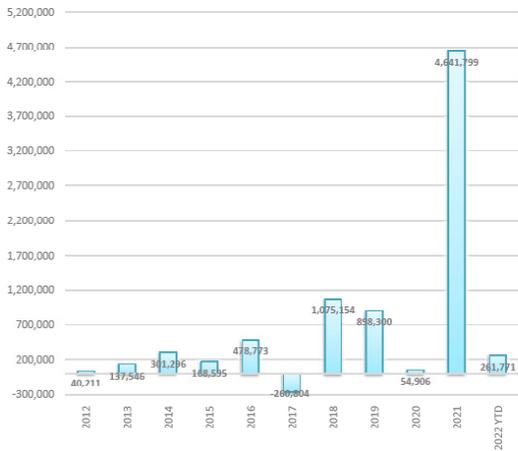


\$152.71
Average \$/SF Sale



34
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.)

The First Half 2022 saw positive absorption of 261,771 SF. This figure pales in comparison to Year End 2021's absorption figure in excess of 4.6MM SF ; however, when viewed through the lens of historic trend, the delivery of over 4MM SF in industrial product in a single year is a one-off occurrence. The First Half 2022's positive absorption is telling of the health and vitality of the Colorado Springs Industrial Market.

There remains approximately 550,00 SF of Class A industrial product available for lease. Much of which has strong interest from national credit tenants and/or is under lease negotiations. It is highly probable the Colorado Springs Industrial Market will end 2022 with positive absorption at or above 1MM SF.

FEATURED PROPERTIES



Rustic Hills Commerce Center
Now Pre-Leasing!
7,500 SF to 206,920 SF
\$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
4805 N 30th Street
14,013 SF
\$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
\$12.00/SF/YR NNN



Tier II Cultivation For Sale
25-43 Fabrication Drive
9,120 SF
Call Broker for Pricing



Office/Warehouse with I-25 Visibility
3185 Janitell Road
9,253 SF
\$15.00/SF/YR MG



Office Warehouse 2 Minutes to Highway
4202 Mark Dabbling Blvd.
21,650 SF
\$9.75/SF/YR NNN



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



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**Colorado Springs
Commercial**

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.



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