

### Quick Stats

	4Q13	Change from last	
		Yr.	3Q13
Availability	9.3%	▶	▶
Lease Rates psf/yr	\$6.48	▶	▲
Net Absorption	447,117	▲	▲

### Hot Topics

- City For Champions proposal (cityforchampions.com) granted \$120.5 million in tax incentives.
- Several flex properties sell as part of 15 building, \$135 million portfolio (\$115 per SF).
- Small industrial building at 949 Elkton sells to investor for over \$100 per SF.
- Unemployment rate drops to 7.3%, lowest level since 2009, but still behind State and US levels.

### Industrial Market Overview

The Colorado Springs Industrial Market continues to show positive signs of ongoing recovery, but there are still many hurdles to clear before the downturn will be completely in the rear view mirror.

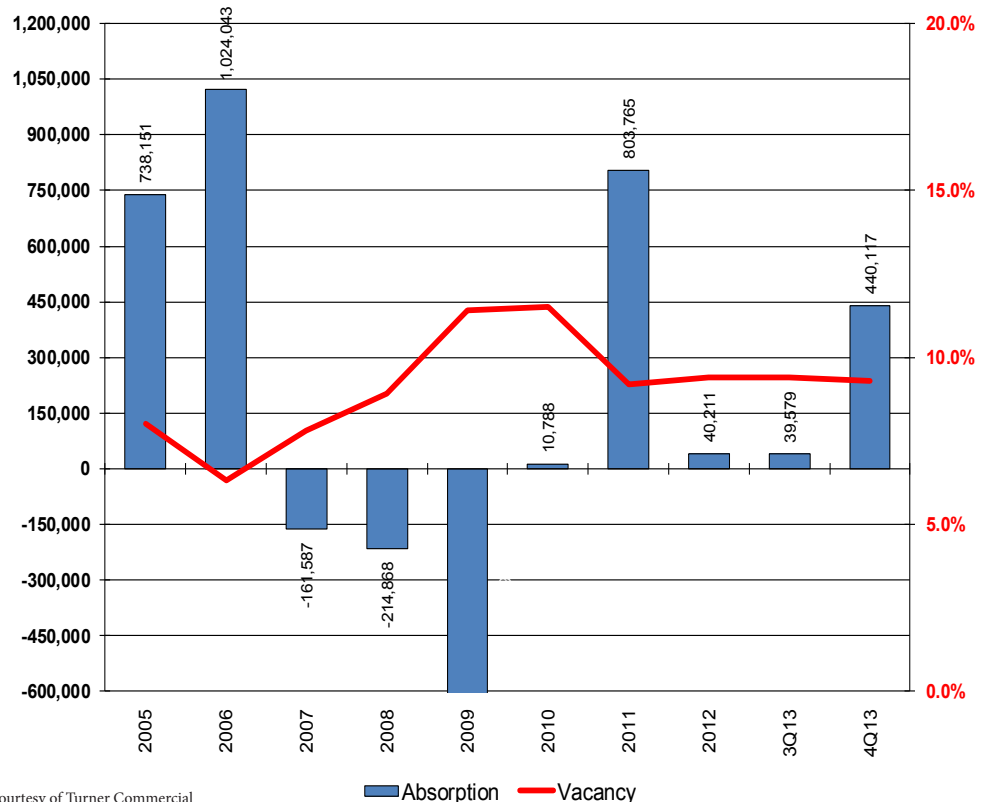
Total leasing activity for 2013 came in at 1,070,653 square feet (SF), considerably above 2012's showing of 687,485 SF. The increased leasing activity resulted in more positive absorption, both great signs that recovery is process. Advertised lease rates are still on the rise, but the level at which many deals are completed continues to be well below those average asking rates.

Since the beginning of 2012, the industrial market has absorbed roughly 480,000 SF of space. That amounts to roughly 40,000 SF each quarter or just over 13,000 SF each month. Before the downturn, it wasn't uncommon to see 70,000 SF of positive absorption in a month. 2013's stand alone numbers averaged almost 37,000 SF of absorption each month, so the market is making good progress if the trends continue.

The overall Availability Rate includes sublease space and ended 2013 at 9.3%, slightly lower than the 9.4% recorded at the end of Q3 and year-end 2012. However, it should be noted that included in the current rate is Quantum Corporation's offer to sublease approximately 300,000 SF of space it is currently occupying. Removing that space from the equation results in a vacancy rate of 8.4%, which better reflects the actual market conditions.

Even though our local unemployment rate has fallen to multi-year lows, continued quality job growth has been and will still be the key factor to economic stability in the region. City For Champions (www.cityforchampions.com) is poised to lead the charge in what we hope will result in more quality jobs and associated positive economic impact in the Colorado Springs area. In sum, it is expected that the gains seen in 2013 should continue throughout 2014.

### Industrial Vacancy Rate VS Net Absorption

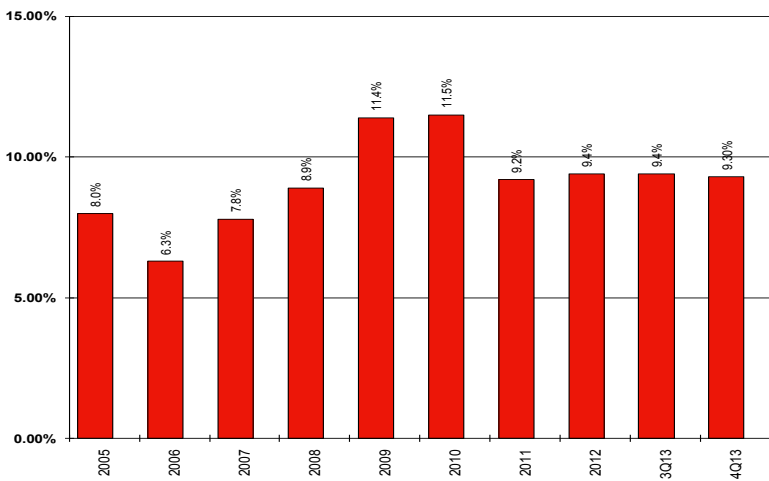


Courtesy of Turner Commercial



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### Availability

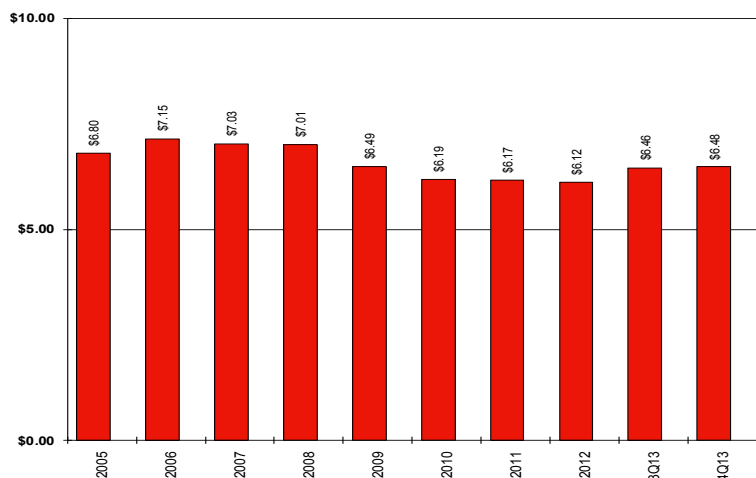


Courtesy of Turner Commercial

### AVAILABILITY

The market wide availability rate has remained relatively flat over the past two years, but includes roughly 300,000 SF of sublease space that is currently occupied. When that space is removed, the rate drops to 8.4% which better reflects current market conditions.

### Lease Rates (NNN/PSF)

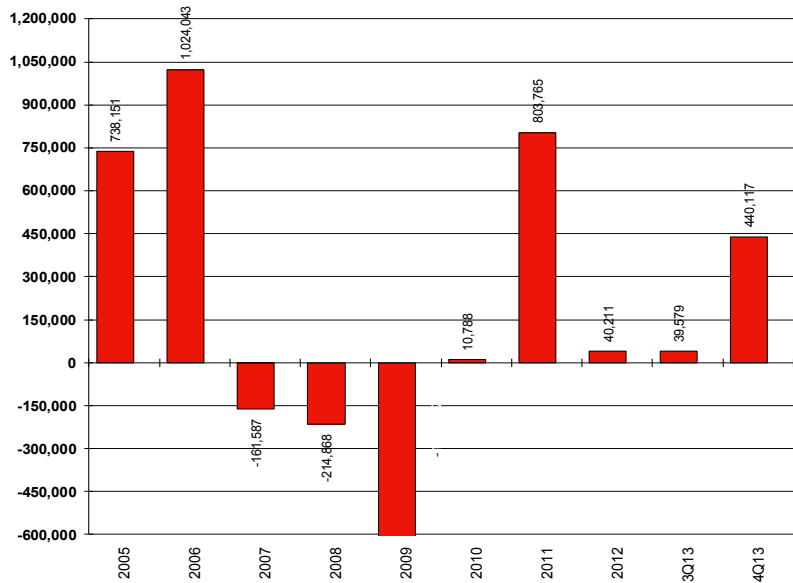


Courtesy of Turner Commercial

### LEASE RATES (NNN, Annual, Per RSF)

Advertised lease rates have risen consistently for the past 3 quarters after 6 years of declines. Year end data shows advertised rates are at an average of \$6.48 per SF, but many deals continue to be negotiated below advertised rates.

### Absorption (SF)



Courtesy of Turner Commercial

### ABSORPTION

Absorption levels are still well below the annual levels achieved before the downturn. Current levels show continued improvement at a tepid pace. Roughly 440,000 SF of positive absorption was recorded in 2013, well above the 40,000 SF recorded in 2012, but considerably below the 800,000 SF recorded in 2011. The 2011 levels gave the impression that the recovery had landed, but ended up as an anomaly driven by rock bottom prices and lease rates.