

Quick Stats

	4Q16	Change from last	
		Yr.	4Q15
Availability	6.9%	▼	▼
Lease Rates psf/yr	\$7.35	▲	▲
Net Absorption	553,658	▲	▲

Hot Topics

- Westside Development buys 120 Acres Colorado Crossings in North Colorado Springs
- National Cyber Intelligence Center sparks development in North Nevada Avenue
- MRIC purchased the 223,000 SF FedEx distribution center for \$28.8 M
- T5@Colorado 100,000 SF/64 Acres data center currently under construction



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Industrial Market Overview

Vacancy Rates:

The Colorado Springs Industrial market continued its upward momentum in 2016. Vacancy rates reached the lowest mark in 10 years and ended at 6.9% vacancy, providing approximately 2.4M square feet of available space. Asking rents continued to rise and ended at \$7.35/SF, up nearly \$.20/SF from year end 2015. Activity was lower than previous years, but lack of quality inventory undoubtedly had an impact as tenants find it increasingly hard to find quality industrial space, especially for requirements of 25,000 SF or less.

Asking Rents:

Asking Rents for industrial properties have risen steadily for the past six years. In 2012, the Colorado Springs saw asking rates for industrial product bottom out at \$6.12/RSF NNN. Year end 2016, the average asking rate for industrial product in Colorado Springs was \$7.35/SF NNN. There is still no major speculative industrial buildings planned and 2017 should see continued increase in asking lease rates.

Currently Available Inventory:

The Colorado Springs industrial market is comprised of 34M SF of industrial properties. 2016 ended the year with an industrial vacancy rate of 6.9%, leaving 2.4M SF of available industrial product. There are seven properties with floorplates larger than 100,000 SF that total nearly 2M SF of the available industrial product, leaving 400,000 SF of industrial product less than 100,000 SF. As such, landlords of larger properties still need to be aggressive to land tenants, while landlords of properties less than 20,000 SF are finding the need for leasing incentives such as free rent and tenant improvement allowances to be less necessary to lease their properties.

Leasing and Absorption:

Colorado Springs saw a positive absorption of 479,000 SF in 2016, the highest absorption in the industrial sector in five years. Leasing activity, however, was at a modest 550,000 SF which was the lowest in the last five years. Explanation for this oddity could lie in the quantity and of quality of functionally attractive space.

Industrial Sales:

There were 47 sales of industrial buildings in Colorado Springs in 2016 with an average price of \$70.57/SF. The number of sales was down from 2015's total of 67 buildings sold and the average price per square foot remained about the same. There is a lack of quality industrial buildings available for sale in Colorado Springs which contributed to the decrease in number of buildings sold. Expect to see prices continue to increase as sellers slowly enter the market.



Colorado Springs Market News

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

- MRIC Colorado Springs Co bought the 223,000 square foot FedEx distribution center for \$28,845,000.
- Colorado Springs City Council declared South Nevada Ave. and South Tejon St. Corridors an urban renewal site
- Microchip Technology, Inc. acquired Atmel Corporation for \$3.5 billion creating the world's third-largest production of micro controllers. Microchip Technology, Inc. employs over 1,000 Colorado Springs residents. Microchip Technologies Inc. estimated that it will generate \$3.25 billion in annual revenue with a significant portion of that revenue generated in Colorado Springs.
- SAP America, Inc., purchased 9 acres in the T5@ Colorado business park for \$3 million to build a purported 100,000 SF data center first half 2016 and broke ground in second half 2016. In addition, SAP America, Inc. purchased 17.9 Acres in northern Colorado Springs to build a second 100,000 square feet data center.
- The National Cyber Intelligence Center will be located on North Nevada Avenue in Colorado Springs - the location is expected to revitalize a once challenged area of the city and attracts more companies in the cyber-security field. More companies in the cybersecurity field are expected to consider Colorado Springs as the hub of the cybersecurity industry. The State of Colorado has allocated \$8 million to the project.

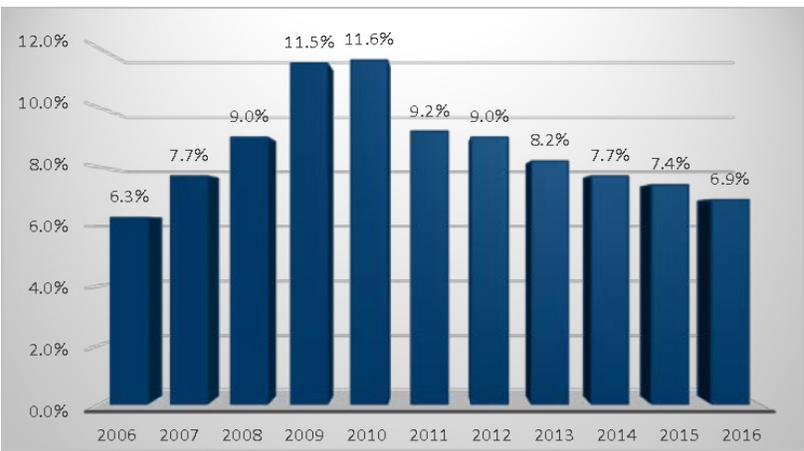
Featured Industrial Properties



1915-1925 Aerotech
2,500-53,132 SF For Lease

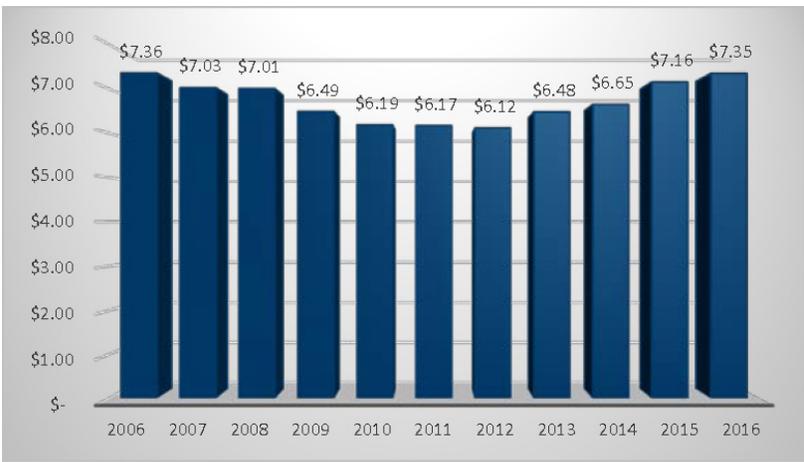


4435 Arrowswest
20,000-85,319 SF For Sale or Lease



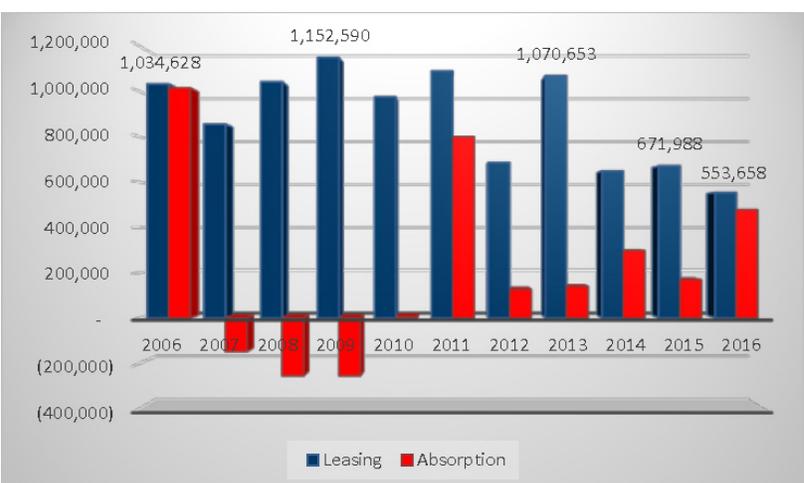
AVAILABILITY

Vacancy in the Colorado Springs Industrial market is 6.9% with the majority of the available space in properties of 50,000 SF or more. There is currently a 9.98% vacancy rate for properties greater than 50,000 SF. Vacancy rates for properties from 10,000-50,000 SF is 5.0%. Vacancy rates for properties less than 10,000 SF is 2.8% providing smaller users with fewer properties from which to choose. There has been no significant development of speculative product in spite of the relative lack of space.



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

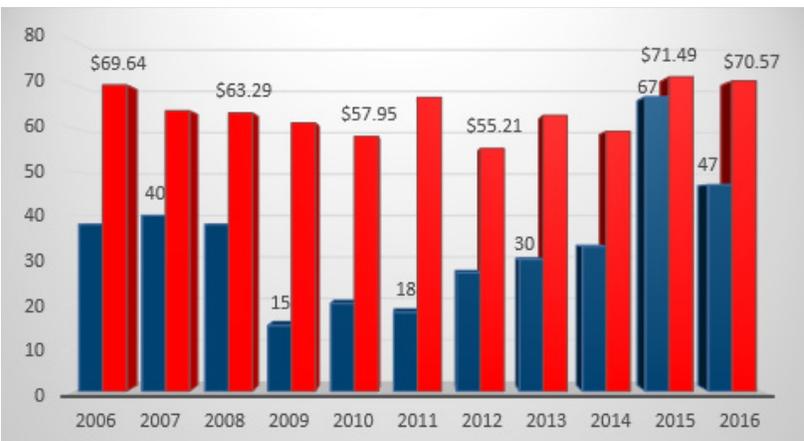
Average lease rates have increased from \$7.16/SF in 2015 to \$7.35/SF in 2016. Owners of small industrial properties are enjoying a vacancy rate of 2.8% creating greater competition among prospective tenants. Landlords of spaces 50,000 SF or larger still must be aggressive in offering leasing incentives to attract the few prospective large tenants.



ABSORPTION

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

Absorption in 2016 decreased for the Colorado Springs market. We saw 478,773 SF of space absorbed 2016.



**INDUSTRIAL SALES
(>5,000 SF - Number of Sales vs. Average Price Per SF)**

There were 47 industrial buildings greater than 5,000 SF sold in 2016 for an average price of \$70.57/SF. Availability of functional properties for sale will likely push the average price per square foot higher by year end. This trend will only help the eventual construction of new product for the market.

Cushman and Wakefield|Colorado Springs Commercial 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 online 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 has been recognized as one of the Colorado Real Estate Journal's Icons in Brokerage and Leadership in 2016.

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 PowerBroker award for 2013 and 2015 and is a member of the Xceligent Advisory Board. As a CCIM candidate, Aaron possesses strong financial analysis skills helping his clients evaluate multiple real estate scenarios.