

INDUSTRIAL

MARKET VIEW | 1Q-2Q 2025



CUSHMAN &
WAKEFIELD

Colorado Springs
Commercial

Colorado Springs, CO

BY THE NUMBERS | 1Q-2Q 2025



5.2%
Vacancy Rate



\$166.00
Average Sale Price/SF



41.2 M
Total Market SF



-412,140
SF Absorbed



\$10.88
Average Lease Rate/SF



114,322
BTS Construction



249,633
Speculative Construction (2025-2026)

The first half 2025 saw the Colorado Springs Industrial Market navigate a landscape of cautious optimism. After a strong finish to 2024, with 3.8% vacancy rates, lease rates at \$11.00 per square foot, and positive net absorption of 146,828 square feet, the market entered the new year with high hopes but soon faced hesitation due to national economic pressures like inflation, political instability, looming tariffs/trade wars, and stagnation in interest rates.

Despite these challenges, the market demonstrated underlying strength and resilience, with stable sales and strong demand for premium spaces, though official statistics require careful interpretation.

OVERVIEW

	CHANGE	FIRST HALF 2025	4Q 2024	4Q 2023
VACANCY	▲	5.2%	3.8%	3.5%
LEASE RATES	▼	\$10.88	\$11.00	\$10.36
NET ABSORPTION	▼	-412,140	146,828	579,129

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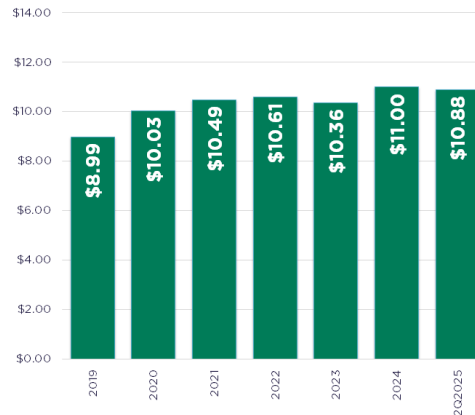
SUMMARY OF KEY FINDINGS

The industrial market in the first half of 2025 was characterized by several key trends

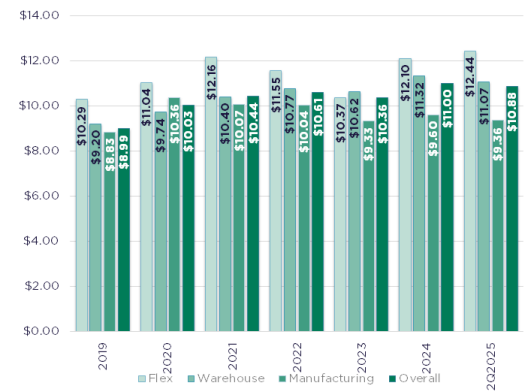
LEASE RATES

The average asking lease rate softened slightly to \$10.88 per square foot from \$11.00 per square foot at year-end 2024. However, new deals for spaces over 10,000 square feet commanded a premium, averaging \$11.80 per square foot, exceeding market expectations.

LEASE RATE



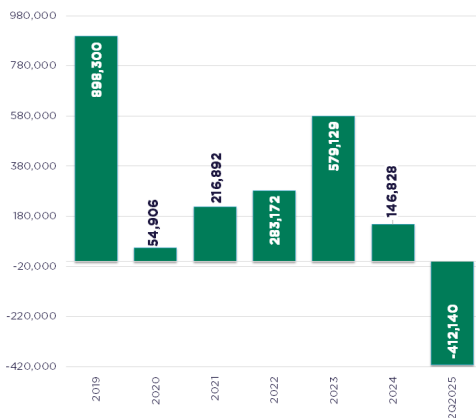
LEASE RATE W/ SUBTYPE



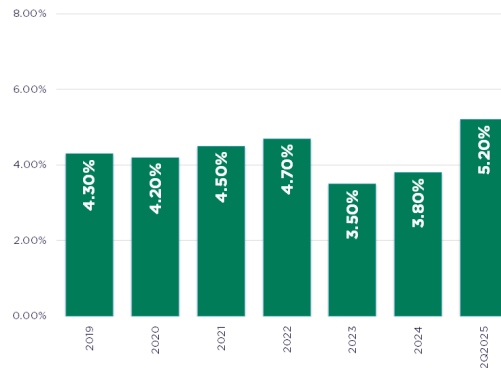
LEASING ACTIVITY

The market saw 281,484 square feet in new leasing. Notably, a lack of available inventory meant no single lease deal exceeded 20,000 square feet, highlighting a significant supply constraint for larger users.

ABSORPTION



VACANCY



ABSORPTION & VACANCY

Official data showed a negative absorption of -412,140 square feet, a significant drop from the positive 146,828 square feet at year-end 2024. This figure is highly misleading due to a data error that included 469,000 square feet of proposed—not delivered—buildings, and approximately 689,000 SF of sublease which flooded the numbers with erroneous data.

The true vacancy rate remains low, estimated nearer to 3.2% of positive absorption.

SALES MARKET

Investor confidence remained firm, with sales volume on track with previous years. The average sales price was \$166 per square foot for 28 total properties sold. Sales prices ranged widely, from a high of \$321 to a low of \$40 per square foot, demonstrating the diverse range of products offered.

INDUSTRIAL SALES



Colorado Springs, CO

A DEEPER LOOK AT THE MARKET

LEASING AND SALES: A TALE OF TWO TRENDS

While the overall average asking lease rate saw a minor dip from year-end 2024, the market for larger, quality industrial spaces remained robust. The premium paid for new leases over 10,000 square feet indicates strong, specific demand that outpaces average market conditions. This resilience is mirrored in the sales market, where consistent volume and pricing at an average of \$166 per square foot show that investors continue to view Colorado Springs industrial properties as a stable, long-term asset. The wide range in sales prices—from a low of \$40 to a high of \$321 per square foot—also demonstrates the diverse quality and type of products available. Lease rates varied by product type: manufacturing averaged \$9.36 per square foot, office flex \$12.44 per square foot, and warehouse \$11.07 per square foot, with an overall average of \$10.88 per square foot. The largest leases in the first half included two 20,500 square foot deals at 702 Bandle Drive followed by DesignWorks at 1950 Reliable Drive, at \$12.70 per square foot with a \$3.50 triple net on a five-year deal.

THE ABSORPTION ANOMALY EXPLAINED

If one were to look at the numbers alone, the Colorado Springs Industrial Market would appear to be on the down swing. However, that would be a complete misrepresentation of the true health and vitality of the market. In order to understand the numbers, it is necessary to understand the nuances the numbers don't accurately portray.

For example, absorption fell from a positive 146,828 square feet at the end of 2024 to a negative -412,140 square feet in the first half of 2025. The Colorado Springs market saw in excess of 281,484 square feet of new leasing in the first half, lease rates remained relatively flat, and demand remained high. We look to excess products coming onto the market and find the sources of our negative number. First, is the former HP plan on Garden of the Gods, this property is responsible for over 689,000 square feet of product being dumped into the market – unfortunate collateral damage of the failed Meyer Burger deal. This product is, without question, functionally and economically obsolete. Moving forward, several proposed projects were erroneously reported as having been delivered in the first half 2025 adding nearly half a million square feet of product to the market that does not otherwise exist. All told, the falsely reported deliveries and functionally obsolete product exceed one million square feet of product skewing the overall market numbers.

The first half 2025 saw two much-needed Class-A deliveries include a 136,000 square foot Class A property by Clark Investments at 15707 Terrazzo Drive, and an 84,750 square foot property by AZ Opportunity Fund at Colorado Aerospace Business Center. Ground broke on two more

Class-A industrial buildings at Falcon Commerce Center (115,000 square feet and 250,000 square feet), skewing the overall market numbers.

When we true up the numbers, the market's statistics begin to make much more sense. The true vacancy rate, when adjusted for errors, moves closer to the 3% levels seen in previous quarters and absorption moves into positive territory. This context is crucial for understanding that demand has not collapsed; rather, the data was temporarily skewed.

DEVELOPMENT, DEMAND, AND ECONOMIC HEADWINDS

Despite some choppy economic headwinds in the first half, investment and development has continued in Colorado Springs. The market saw 220,750 square feet of new industrial space delivered in the first half of the year, with 136,000 square feet delivered in Q1 and 84,750 square feet in Q2. Despite these additions, the most significant challenge remains a “shocking lack of product,” particularly for large users. The absence of any lease deals over 20,000 square feet is a direct result of this supply shortage, not a lack of demand. In addition to deliveries, two new Class-A industrial buildings broke ground at Falcon Commerce Center (115,000 square feet and 250,000 square feet). They are anticipated to deliver late 2026.

Broader economic factors are tempering market activity. The Federal Reserve, despite earlier projections for more cuts, is now expected to keep interest rates unchanged, with the federal funds rate currently ranging from 4.25% to 4.5%. This decision is influenced by mixed economic data, including strong consumer spending and weakness in housing and construction, and aims to curb spending and bring down inflation. Two Fed governors dissented on policy decisions, and concerns exist that potential tariffs could hinder progress towards the central bank's 2% inflation goal. With the national unemployment rate at 4.1% and the local Colorado Springs rate at 4.4%, the economic climate remains a key factor influencing business decisions and real estate strategy.

CONCLUSION

The Colorado Springs industrial market in the first half of 2025 is best described as fundamentally strong but externally cautious. Core metrics like sales stability and demand for premium space point to solid fundamentals. However, misleading absorption data, a critical shortage of large-scale inventory, and national economic uncertainty create a complex picture. Moving forward, the key challenge will be delivering new industrial product to meet the clear and present demand.



**CUSHMAN &
WAKEFIELD**

**Colorado Springs
Commercial**

INDUSTRIAL TEAM

*Staffed with seasoned professionals who consistently
provide results that exceed client expectations.*

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.



AARON HORN

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Aaron specializes in industrial, office and investment products doing Tenant/Buyer and Landlord/Seller representation. He began his career as a warehouse logistics consultant working with local and national hard-goods supply companies, moving to commercial real estate in 2006. Currently with Colorado Springs Commercial, LLC an alliance of Cushman & Wakefield, Aaron is actively involved in his community serving on the board of the Southern Colorado Commercial Brokers Association (SCCB) the premier association for the southern Colorado region.

Aaron has conducted over \$170,000,000 in transactions and represented over 3.2 Million square feet in commercial real estate sales and leases.



HEATHER MCKEEN

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Heather McKeen specializes in industrial leasing, sales, and strategic advisory services at Cushman & Wakefield | Colorado Springs Commercial. She began her career with the firm in 2016, advancing from Executive Assistant and Marketing Coordinator to Broker in 2019. Heather has built a strong reputation in industrial development, site selection, and tenant representation across the Colorado Springs market.

She has worked with clients such as Amazon, DoorDash, and Campbell's, and represented DIS Colorado, LLC in a landmark \$46,000,000 lease to Space Command. Her experience makes her a trusted advisor to developers and investors seeking success in industrial real estate.



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Max Stanton is an associate broker at Colorado Springs Commercial, bringing a strong background in commercial real estate, client service, and account management. Known for his empathy and leadership, Max builds lasting relationships and serves as a trusted extension of his clients' teams.

Before joining the firm, he spent over two years with Tributary Real Estate in Denver, focusing on office tenant representation. His prior experience includes client management roles at Dish Network and Diversant, as well as positions with the Denver Broncos and Mercedes-Benz. Max is a licensed broker in Colorado and continues to grow his market knowledge.