

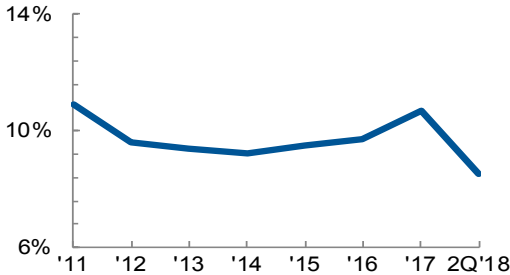
# Industrial Market Report • 2nd Quarter 2018

## Colorado Springs, CO



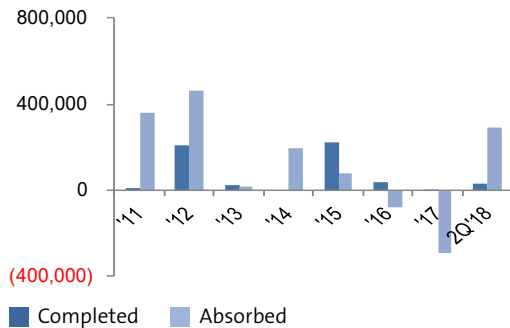
### Vacancy Rates

Year-to-Date



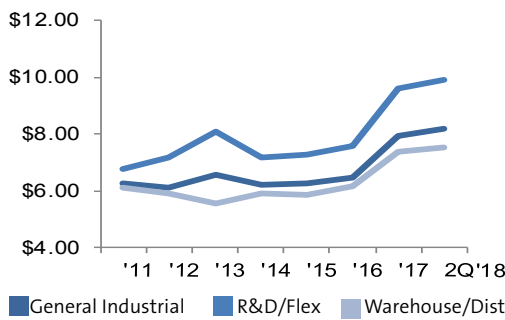
### Absorption

Year-to-Date



### Asking Rental Rates

Year-to-Date (\$/SF/Yr. Full Service)



Source: CoStar

## The Industrial Market continues to trend positive through Q2 of 2018 with no signs of slowing.

The Colorado Springs Industrial market has recorded all very positive indicators and statistics though the second quarter 2018 and with the increase in construction/ contractors, as well as auto body repair tenants, the demand for Industrial and Flex spaces does not show signs of easing up.

The overall Industrial vacancy rate recorded a substantial drop from 9.4% at the end of the first quarter 2018 to 8.5% at the end of the second quarter 2018. The Flex sector recorded a vacancy rate of 14.2% at the end of the fourth quarter 2018, a minimal drop from 14.8% at the end of the first quarter 2018. The Warehouse sector recorded a vacancy rate of 7.1% at the end of the second quarter 2018, which is a sizable drop from 8.1% at the end of the first quarter 2018 and remains one of the stronger sectors of our market.

The overall net absorption for the Colorado Springs Industrial market recorded positive 288,409 square feet at the end of the second quarter 2018, with the Warehouse sector alone totaling positive 245,792 square feet, whereas the Flex sector recorded positive 42,617 square feet.

Rental rates for the Industrial market are continuing on a very steady trend of increases through the second quarter 2018, with the overall Industrial market being recorded at \$8.20 per square foot (NNN). The Flex sector quoted rental rate was \$9.91 per square foot (NNN) and the Warehouse sector recorded a quoted rental rate of \$7.44 per square foot (NNN) at the end of the first quarter 2018, which all of these are slight increases over the quoted rental rates compared to the first quarter 2018.

The second quarter 2018 recorded a total of eight Industrial building sales transactions, over 15,000 square feet total, recording an average an increased price per square foot of \$69.68. The largest transaction in the second quarter was the sale of the 68,370 square foot Industrial building at 2050 Cygnet Heights, which sold for \$84.83 per square foot.

There were two buildings completed at the end of the second quarter 2018 totaling 30,025 square feet, giving a year-to-date total of 190,065 square feet. The trend of new construction is expected to continue as the demand remains high for quality product in desirable locations with the smaller projects, 25,000 square feet and less, to be an ideal project for most users and investors.

There has been a large increase in the need for Industrial space for both contractors/ construction companies and automotive body repair shops, which can be attributed to hail storms and weather that have impacted homes, building and vehicles. These types of groups require large spaces that can accommodate a large amount of inventory, which this demand may lead to more new construction of larger facilities.

All aspects of the Industrial market appear to be positive, which this trend has been ongoing over the past few years with warehouse leading the market. There has been steady growth and demand resulting in steady increases in rental rates, new construction and sales prices along with a decrease in vacancy rates.

### KEY TRANSACTIONS

\* Transaction Represented by Quantum Commercial Group

<p><b>SAP Americas</b> leased 100,000 SF at 322 Janitell Road Colorado Springs, CO in the Southeast Submarket</p>	<p><b>2050 Cygnet Heights, LLC</b> purchased 68,370 SF 2050 Cygnet Heights from Monmouth Real Estate Investment Corporation \$5,800,000</p>	<p><b>Amerco Real Estate Co.</b> purchased 90,295 SF 4725-4755 Centennial Blvd. from Dmarc 2007-cd5 Centennial Blvd \$4,147,500</p>
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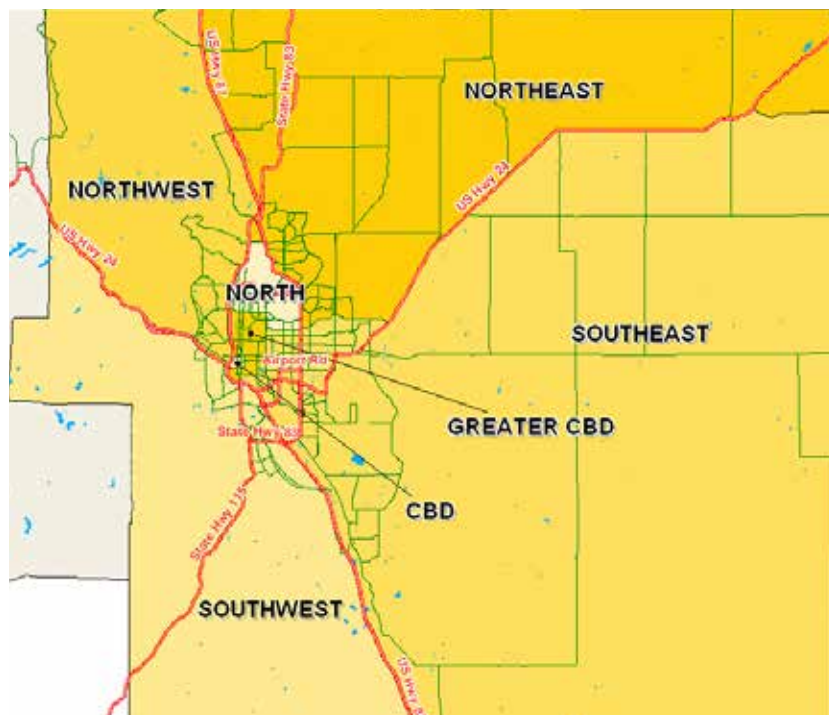
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Source: CoStar

Market	# Blds	Total SF	Direct Vacant	Total Vacant	Vacant %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
CBD Ind	36	442,710	41,022	41,022	9.3%	(1,800)	0	0	\$7.69
Greater CBD Ind	137	1,510,056	188,790	188,790	12.5%	(3,935)	0	0	\$7.81
North Ind	303	5,397,754	494,104	513,604	9.5%	72,518	0	0	\$6.62
Northeast Ind	108	2,681,566	264,521	362,634	13.5%	(44,163)	0	0	\$11.16
Northwest Ind	216	6,874,685	981,709	1,004,109	14.6%	46,967	12,000	0	\$8.16
Southeast Ind	897	14,402,499	762,717	762,717	5.3%	416,900	178,065	20,906	\$7.87
Southwest Ind	191	2,731,200	33,279	33,279	1.2%	(6,152)	0	0	\$7.96
Teller County Ind	20	283,516	4,999	4,999	1.8%	(2,350)	0	0	\$12.00
<b>Totals</b>	<b>1,908</b>	<b>34,323,986</b>	<b>2,771,141</b>	<b>2,911,154</b>	<b>8.5%</b>	<b>477,985</b>	<b>190,065</b>	<b>20,906</b>	<b>\$8.20</b>



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### INDUSTRIAL TERMS AND DEFINITIONS

**Total SF:** Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 10,000 square feet.

**Industrial Buildings Classifications:** Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

**Vacancy and Availability:** The vacancy rate is the amount of

physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

**Net Absorption:** The net change in physically occupied space over a period of time.

**Asking Rent:** The dollar amount asked by landlords for available space expressed in dollars per square foot per year. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro

rata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

*\* Quantum Commercial Group Inc. (QCG) & CoStar may revise reported quarterly and final year-end figures.*

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