

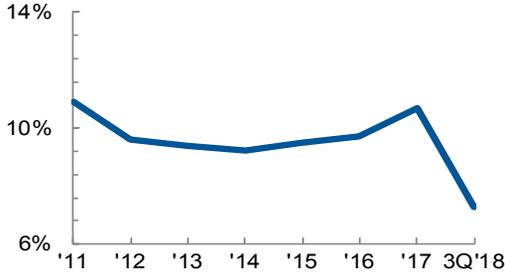
# Industrial Market Report • 3rd Quarter 2018

## Colorado Springs, CO



### Vacancy Rates

Year-to-Date



## The Industrial Market is Hitting its Stride Through the Third Quarter of 2018.

The Colorado Springs Industrial market has recorded its lowest vacancy rate over the past 10 years, showing that the Industrial market is in high demand and proving to be a very strong sector of the Colorado Springs market.

The overall Industrial vacancy rate landed at 7.4% at the end of the third quarter 2018 which is a large drop from 8.5% at the end of the second quarter 2018 and the lowest recorded overall vacancy rate since 2017. The Flex sector broke out of the higher vacancy rate trend and recorded 11.1% at the end of the fourth quarter 2018. This compares to the 14.2% at the end of the second quarter 2018. The Warehouse sector stands strong with the vacancy rate at 6.9% the end of the third quarter 2018.

The overall net absorption for the Colorado Springs Industrial market has recorded positive net absorption over the past 4 quarters and ended the third quarter 2018 with a substantial total absorption of 370,246 square feet. The Warehouse sector totaled 158,446 square feet and the Flex sector recorded positive 211,800 square feet.

Rental rates for the Industrial market continue to see incremental increases through the third quarter 2018 with the overall Industrial market recorded an average of \$8.64 per square foot (NNN). The Flex recorded an average quoted rate of \$10.16 per square foot (NNN), whereas the Warehouse sector recorded \$7.49 per square foot (NNN) at the end of the third quarter 2018.

Colorado Springs did not see any completions of industrial product in the third quarter 2018, but there is 52,406 square feet reportedly under construction. The year-to-date completions total approximately 207,065 square feet.

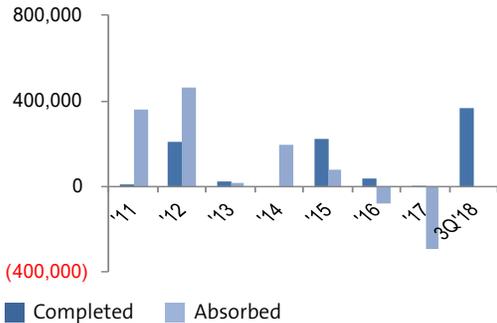
Similarly to the second quarter 2018, the third quarter 2018 recorded a total of eight Industrial building sales transactions, over 15,000 square feet total. The average price per square foot rose to \$105.10 compared to 69.68 in the second quarter 2018. The increase in average price per square foot was due to the sale of 2570 Zeppelin, which sold for \$14,600,000 as an investment at a 5.9% CAP rate.

Although there is growth in the cyber security and defense contracting sector in Colorado Springs, inclement weather may also be a factor into the current strength of the Colorado Springs Industrial market. There have been several large storms over the past few years that have increased the demand in repair work for both properties and vehicles, which has led to an increase in contractors, suppliers and repair workers needing space. Many of these groups have been able to absorb some of the Flex space that would less desirable for industrial users, which has further tightened the overall vacancy rates.

The demand and need for new construction is ever growing, so the vacancy, rental and absorption rate trends we are seeing though the third quarter 2018 are expected to continue to be positive.

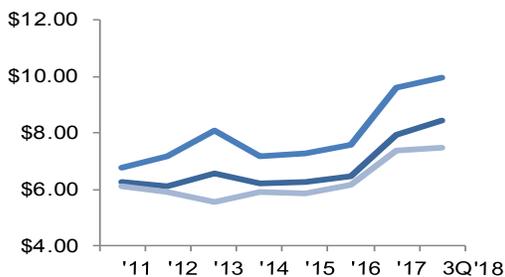
### Absorption

Year-to-Date



### Asking Rental Rates

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



Source: CoStar

### KEY TRANSACTIONS

\* Transaction Represented by Quantum Commercial Group

<p><b>McDonald Land Holdings, LLC</b> purchased 131,040 SF 2570 Zeppelin Road from Scannell Properties #298 LLC \$14,600,000</p>	<p><b>Unnamed Tenant</b> leased 122,543 SF at 1025 E Woodmen Road Colorado Springs, CO in the North Submarket</p>	<p><b>Lincoln Distribution Co.</b> leased 25,000 SF at 1610 W Garden of the Gods Rd Colorado Springs, CO in the Northwest Submarket</p>
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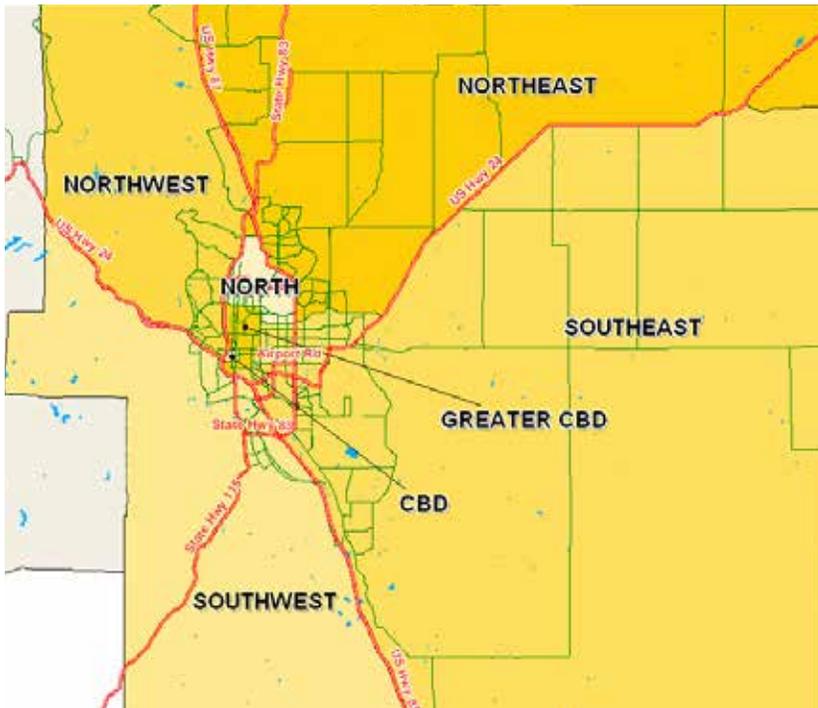
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Source: CoStar

Market	# Blds	Total SF	Direct Vacant	Total Vacant	Vacant %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
CBD Ind	36	442,710	45,044	45,044	10.2%	(5,822)	0	0	\$7.69
Greater CBD Ind	137	1,510,056	190,255	190,255	12.6%	(5,400)	0	0	\$8.04
North Ind	305	5,410,598	341,454	360,954	6.7%	202,076	12,000	0	\$7.18
Northeast Ind	110	2,690,004	147,007	245,120	9.1%	74,951	0	24,000	\$10.97
Northwest Ind	218	6,894,855	871,799	895,349	13.0%	164,866	12,000	0	\$8.69
Southeast Ind	899	14,369,351	736,301	736,301	5.1%	458,184	183,065	28,406	\$8.52
Southwest Ind	192	2,741,796	22,044	22,044	0.8%	5,583	0	0	\$8.00
Teller County Ind	21	288,464	4,999	4,999	1.7%	(2,350)	0	0	\$12.00
<b>Totals</b>	<b>1,918</b>	<b>34,347,834</b>	<b>2,358,903</b>	<b>2,500,066</b>	<b>7.3%</b>	<b>892,088</b>	<b>207,065</b>	<b>52,406</b>	<b>\$8.64</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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