

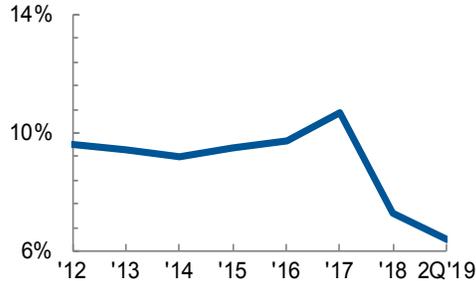
Industrial Market Report • 2nd Quarter 2019

Colorado Springs, CO



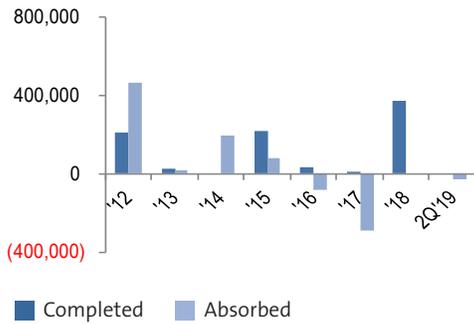
Vacancy Rates

Year-to-Date



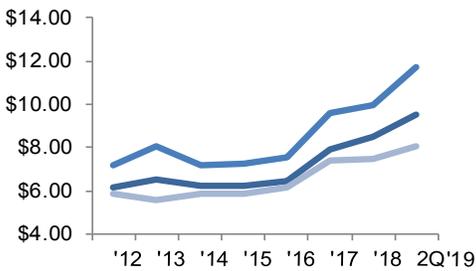
Absorption

Year-to-Date



Asking Rental Rates

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



Legend: ■ General Industrial ■ R&D/Flex ■ Warehouse/Dist
Source: CoStar

The Colorado Springs Industrial Market is Showing Signs of a Plateau Through Q2 2019, But All Due from a Strong Market.

The Colorado Springs Industrial market remains strong though the second quarter 2019, but the market may be experiencing a slight plateau. The plateau is largely due to the overall market strength, lack of quality Industrial product, and high demand for new industrial facilities. We are still seeing positive movement throughout most all of the market statics and unless more new construction doesn't take place, the market will tighten further and begin to flatten out further.

The overall Industrial vacancy rate has now dipped down to 6.4% at the end of the second quarter 2019, which is a further drop from 6.7% at the end of the first quarter 2019. This is a very low vacancy rate and clearly shows the strength and demand for space in Colorado Springs. The Flex sector continues to lag greatly at 13.5% through the second quarter 2019 compared to the Warehouse sector, which was recorded at 4.8%. The flex product throughout the Colorado Springs market is proving to be functionally obsolete and most users and tenants require high ceilings, access for full size semi-trucks, and minimal office build-out. There are also a number of very large floor plates vacant in the flex sector, which is largely the reason for the vacancy rate to be so high for the flex sector.

At the end of the second quarter 2019, the overall net absorption for the Industrial market was recorded at negative 26,520 square feet, which is the first negative absorption since the fourth quarter 2017. The Warehouse sectors saw a negative 27,830 square feet of absorption, whereas the Flex sector saw positive 6,310 square feet of net absorption.

The average asking rental rates for the Industrial market, through the second quarter 2019, continues to gradually increase and was recorded at \$9.52 per square foot (NNN). Flex sector recorded an average quoted rate of \$11.73 per square foot (NNN) and the Warehouse sector recorded an average of \$8.03 per square foot (NNN) at the end of the second quarter 2019. Both Industrial sectors have been increasing at a consistent rate over the past 11 years, but we may be expecting this to start tapering as we may be reaching a point where tenants are unable to support the high rent. The high rent, however, is nearing a point for investors and owners to justify the cost of new construction.

There was a total of 40 Industrial sales transactions reported in the second quarter 2019, with a total sales volume of \$24,280,000 at an average price per square foot of \$105.41. The sales were a healthy mix of both Investment and owner/user sales, but only one sale for a property over 20,000 square feet was reported, which was the 50,341 square foot facility located at 4870 Centennial Blvd for \$6,000,000 as an investor at a 7.35 % CAP rate.

There were no Industrial projects completed in the second quarter 2019 and only 48,000 square feet reported to be under construction.

KEY TRANSACTIONS

* Transaction Represented by Quantum Commercial Group

<p>TMC Design Corp leased 44,800 SF at 2506 Zeppelin Rd Colorado Springs, CO in the Southeast Submarket</p>	<p>Root Of Abrams Family Trust purchased 50,341 SF 4870 Centennial Blvd from Meged-Tal Investments LLC \$6,000,000</p>	<p>Pella Windows leased 12,500 SF at 3113 N Stone Ave from Full Circle V, LLC</p>
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