



SIERRA

COMMERCIAL REAL ESTATE, INC

A CB RICHARD ELLIS AFFILIATE

MARKET VIEW

COLORADO SPRINGS INDUSTRIAL

FOURTH QUARTER 2004

In 2004, the 31 million square foot industrial market displayed a lack of user demand by setting near record high vacancy rates year-to-date of 11.2%; 11.9% with sublease space included. Two larger facilities, the Ampex building with 238,940 SF and the Walter Drake building with 211,164 SF, were placed on the market and contributed to the higher vacancy rate.

Negative absorption continued in speculative buildings and resulted in (196,590) SF for 2004. It should be noted that positive owner occupied absorption of 483,220 SF occurred and if taken into account, industrial absorption resulted in an gain of 286,630 SF for the year. Asking lease rates increased slightly to

\$6.84 from \$6.63 at year-end 2003.

The most significant impact to the industrial market has been in light manufacturing and flex-tech product, reflecting corporate downsizing from soft high-tech markets with companies moving their manufacturing operations off shore. The addition of available inventory in new industrial and distribution space continued in the eastern submarkets near the airport. Absorption of this product was negligible during 2004. The strongest segment of the industrial market continued to be owner/user buildings ranging from 2,000 SF to 10,000 SF on one-to-three acre lots.

QUICK STATS

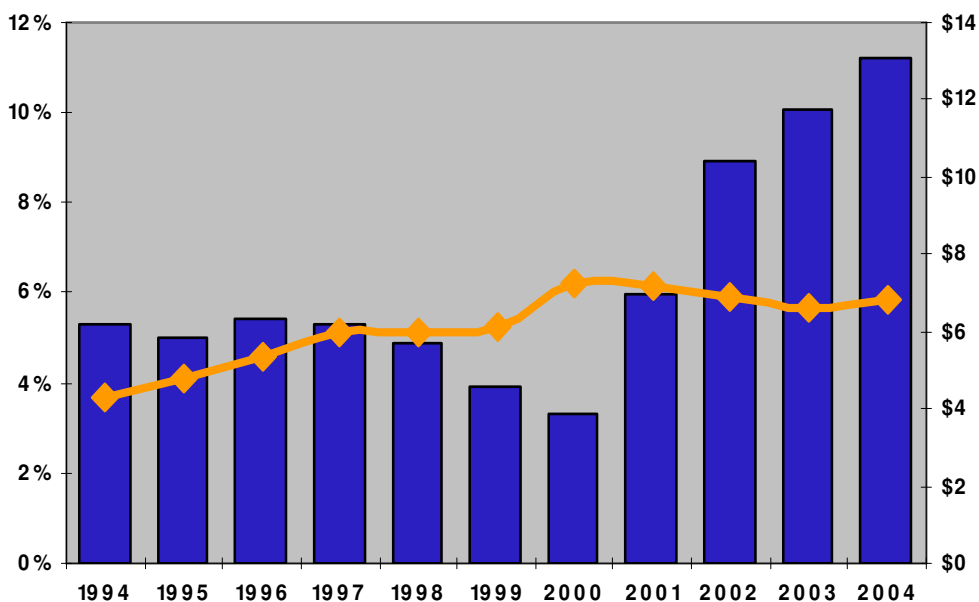
	Current	Change from		
		'03	3Q '04	'05 Projection
Vacancy	11.2%	↑	↑	↔
Lease Rates	\$6.84	↔	↑	↑
Absorption	286,630	↔	↑	↑
Construction	222.4M	↔	↑	↑

HOT TOPICS

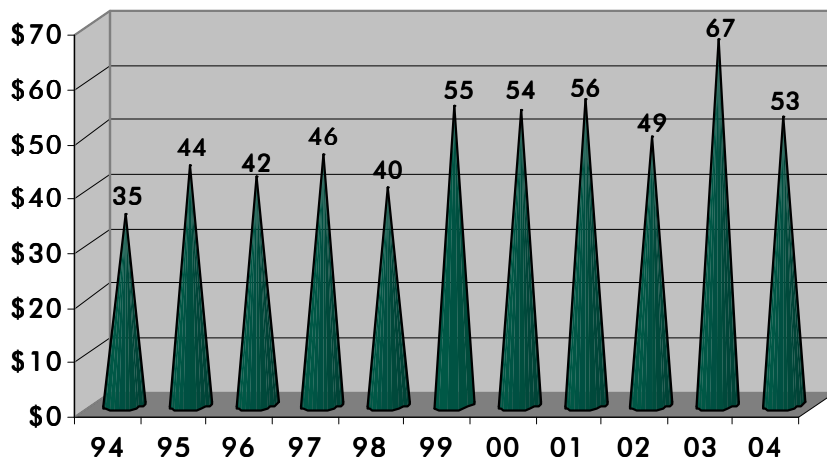
- Colorado Springs ranked No. 15 among top metropolitan areas for high tech and software related employment
- Economic Development Corporation facilitates 2,000 new job announcements for 2004
- Chef's Catalogue moves into Colorado Springs, creating 125-150 new jobs

METRO VACANCY/LEASE RATES

Lease Rates \$6.84
Vacancy 11.2%



Industrial Building Sales Average Price Per Square Foot



Source: El Paso County Public Records

In 2004, 63 industrial buildings were sold. The former Rock Shox manufacturing building on Garden of the Gods Road sold for \$6.45M, and the former Sanmina/SCI building, with 152,000 SF, also sold in mid 2004. The average price per square foot dipped to approximately \$53.00/sf, a level that is comparable to four of the past six years.

TOP COLORADO SPRINGS INDUSTRIAL TRANSACTIONS - 2004

Size	Buyer	Address	Sale Price
152,000 SF	James Irwin Charter School	5525 Astrozon Blvd	\$5.25M
87,180 SF	Stock Building Supply Inc.	3250 Astrozon Blvd	\$3.70M
102,500 SF	Hexokee LLLP	1610 Garden of the Gods	\$6.45M
53,632 SF	Kaiger LLC	3755 Mark Dabling Blvd	\$3.15M
149,995 SF	Dabling Properties LLC	5825 Mark Dabling Blvd	\$4.25M
50,500 SF	Columbus Real Estate Investment	6275 Corporate Dr 6325 Corporate Dr	\$4.00M

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MARKET OUTLOOK '05

- Asking lease rates will remain static or increase slightly as facilities larger than 20,000 SF begin to show positive absorption in late 2005.
- The trend of converting large vacant single-use, flex-tech and light manufacturing facilities to smaller multi-tenant space for alternative uses will continue as landlords realize the need to attract alternative opportunities.
- After a brief recovery, Colorado's microchip/wafer-fab industry will return to a period of uncertainty in 2005 due to increased offshore competition.
- Niche manufacturing of specialized products will continue to slowly absorb some of the existing vacant space.
- New construction will consist of smaller owner/user buildings creating demand for new one-to three-acre platted lots as the existing supply is depleted. Asking prices for land will continue to rise into the \$3.00-\$4.00 per SF range.
- A continued high level of interest by aerospace/defense related companies will lead to speculative land and building purchases in east Colorado Springs, near Peterson and Schriever Air Force Bases.
- Chef's Catalog, Inc. will move its corporate headquarters, call center, shipping and receiving into 105,000 SF, creating 150 new jobs.

For more information regarding the Colorado Springs industrial market, please contact one of the industrial brokers listed.

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