

**QUICK STATS**

	Change from last	
	Yr.	Qtr.
Vacancy	↑	↔
Asking Lease Rates	→	→
Net Absorption*	↓	↑
Average Sales Price	↓	↓

\* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

**HOT TOPICS**

- I-25 Interchange at Rockrimmon Blvd to be rebuilt
- Sales receipts skyrocket with troops returning from Iraq
- City Council gives support to downtown convention center
- MCI continues to downsize locally

**INDUSTRIAL REVIEW**

In the second quarter of '04, the industrial market displayed limited signs of improvement. Semiconductor companies in the area reported improving economic conditions resulting in the creation of some new jobs. This job growth, however, will not be felt initially in the absorption of available space for lease. Most high tech firms have a supply of "shadow space" (space unoccupied but leased or owned by the firm) in their existing facilities waiting to be utilized. This space, when occupied, will have no immediate impact on the absorption statistics in the speculative market. Positive absorption will be created by growth from companies supporting the high tech sector. Demand should unfold during the remainder of '04 and into '05 from this market segment.

The second quarter '04 vacancy rate of 10.2% comes on the heels of three consecutive years of increasing vacancies. In '01, the vacancy rate was 6.1%, year end '02 saw an increase to 9% and '03 ended at 10.3%. Adding sublease space to this number creates a current vacancy rate of nearly 11%.

Average asking rental rates for industrial space have remained static from the first quarter of '04. There are several examples of reductions in asking rental rates but these are not affecting the overall averages to date. Continued erosion in asking rental rates in the last half of the year is likely prior to expected improvement in '05.

One of the starkest indicators for continued concern in the industrial market is evidenced by the drop in the average price per square foot for industrial building sales. Good financing helped support higher prices, which

averaged \$67/SF in '03, but much of the desirable inventory has been sold. Even though reasonable financing is still available, much of the remaining inventory for sale has challenges, i.e. functional obsolescence or geographical preferences. In '04, we see the average sales price per square foot in the \$45/SF range or close to a 35% drop from the previous year.

**MARKET OUTLOOK**

- The current vacancy rate is expected to decline slightly throughout '04.
- Absorption will continue to be positive but not significant.
- Small to medium sized prospects will continue to buy or build their own facilities due to abundant, inexpensive financing. Challenges remain in finding properties that meet functional and geographic requirements at an acceptable value.
- Shadow space will continue to be absorbed.
- Asking lease rates will drop further before full recovery begins.
- Industrial product will continue to be absorbed by non-industrial uses, i.e. charter schools, ministries, retail, etc.

**MARKET HIGHLIGHTS**

- Intel announces job growth and facility expansion in their Garden of the Gods campus.
- Atmel is reported to have increased their hiring as a result of the improving semiconductor market.
- Several defense contractors are looking at build-to-suit opportunities.
- Larger vacant projects beginning to see leasing activity, i.e. Airport Powers Business Center leasing 10,500 SF to FRIWO USA.
- KAIGER, LLC purchased the 53,632 SF industrial building at 3755 Mark Dabling Blvd. for \$3,150,000 for the sale and distribution of licensed products.

**AVERAGE SALES PRICE PER SQUARE FOOT**

