



OFFICE

INDUSTRIAL

RETAIL

**QUICK STATS**

|                          | Current                 | Year | Qtr. |
|--------------------------|-------------------------|------|------|
|                          | <i>Change from last</i> |      |      |
| Vacancy                  | 12.08%                  | ↗    | ↗    |
| Lease Rates              | \$6.30                  | ↘    | ↘    |
| Lease Activity           | 658,162                 | ↘    | ↘    |
| Net Absorption (669,586) |                         | ↘    | ↘    |

**TOP LEASE / SALES TRANSACTIONS**

- 415 W. Pikes Peak: 43,439 SF facility sold for \$1.23 million
- 8570 Criterion: 38,327 SF Criterion Business Centre sold for \$2.6 million
- 2870 Janitell: 28,657 SF facility sold for \$2.2 million

**HOT TOPICS**

- The Woodmen Road widening project begins construction. With estimated completion by September 2011, the project will widen Woodmen Rd. to three continuous lanes in each direction, as well as replace the Academy Blvd. interchange with a grade separated interchange.
- The Fourth Judicial District approves the issuing of \$38 million in certificates of participation by the City of Colorado Springs to help finance the new USOC headquarters located downtown.
- Colorado Springs ranks #3 in Forbes.com's "Best Cities For A Housing Recovery", based on foreclosure resales, sales activity, and other criteria.

The Colorado Springs industrial real estate market continues to struggle heading into the final quarter of 2009. During the third quarter, vacancy rates have climbed to 12.08%, due to negative absorption during the quarter of 254,193 square feet. Year to date absorption currently stands at negative 669,586 square feet. Increasing vacancy continues to force average asking lease rates downward, declining \$0.35/SF during the third quarter to a current asking rate of \$6.30/SF/NNN.

*...there has been over two square feet of space vacated for every one square foot of space leased.*

The principal driver of the local industrial market's inability to rebound continues to be the ongoing loss of employment in this sector, primarily in construction services and manufacturing. While leasing activity has remained relatively healthy during the year, there has been over two square feet of space vacated for every one square foot of space leased. Demand for these

industrial services must return to keep tenants in place and allow growth to resume.

The investment market for industrial properties has dried up significantly during 2009. Year to date, only twenty-two industrial properties have sold in El Paso County for an average price of \$58.00/SF. This is a 60% decline in sales activity and a 12% decline in sales price from the same time period in 2008. With increasing loan defaults and foreclosures expected,

prices will continue to experience downward pressure if owners need to sell in the immediate future. Investors will be very hesitant to jump into the market amid declining prices and an increasing supply of distressed properties until vacancy stabilizes and positive net income can be a short term reality instead of a long term hope.

**INDUSTRIAL STATISTICS by PROPERTY TYPE**

| Industrial Property Type | Net Rentable Area | Vacant SF        | Vacancy Rate % | Availability Rate % | Vacant Asking Rate | Sublease Asking Rate | Average Asking Lease Rate |
|--------------------------|-------------------|------------------|----------------|---------------------|--------------------|----------------------|---------------------------|
| Office/R&D               | 5,568,671         | 756,190          | 13.58%         | 14.31%              | \$9.29             | \$11.03              | \$9.37                    |
| Office/Showroom          | 2,980,965         | 346,412          | 11.62%         | 11.83%              | \$6.74             | \$6.82               | \$6.68                    |
| Office/Warehouse         | 7,115,282         | 969,435          | 13.62%         | 14.20%              | \$6.28             | \$5.88               | \$6.27                    |
| Manufacturing/Assembly   | 8,762,760         | 1,173,767        | 13.39%         | 14.84%              | \$5.15             | \$1.90               | \$5.15                    |
| Warehouse/Distribution   | 6,305,972         | 466,301          | 7.39%          | 8.76%               | \$5.77             | \$5.81               | \$5.77                    |
| <b>Total</b>             | <b>30,733,650</b> | <b>3,712,105</b> | <b>12.08%</b>  | <b>13.06%</b>       | <b>\$6.51</b>      | <b>\$4.90</b>        | <b>\$6.30</b>             |

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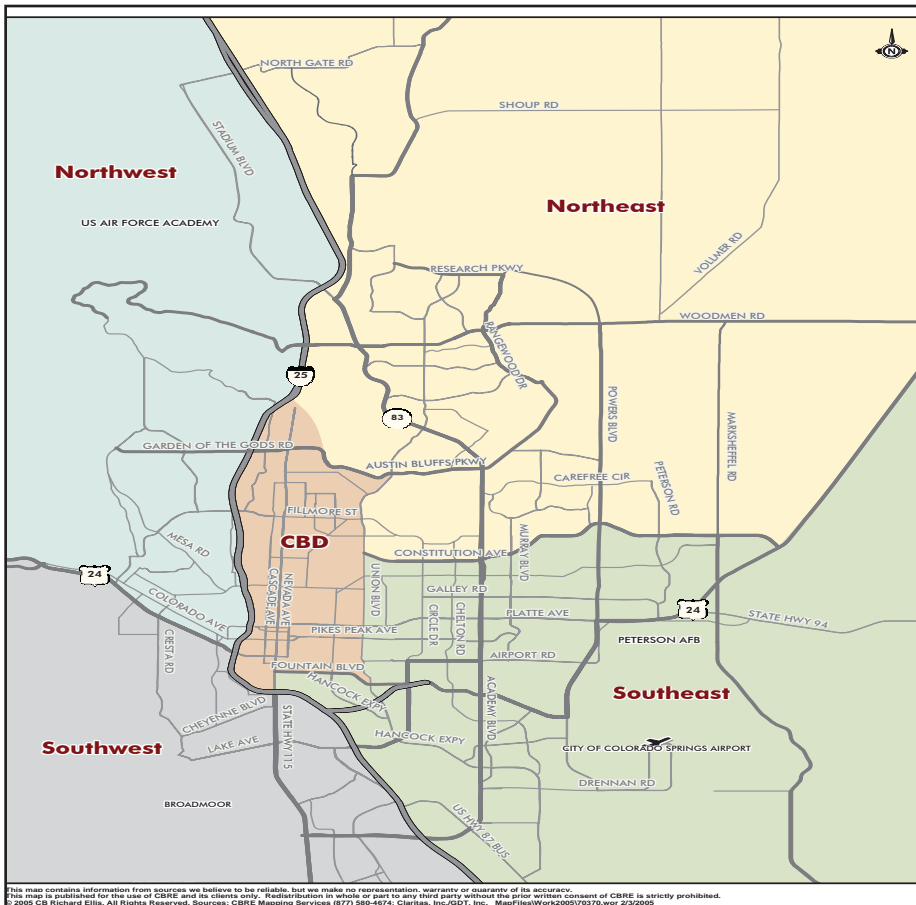
**INDUSTRIAL**

RETAIL

**METRO INDUSTRIAL STATISTICS**

| Industrial Submarket | Net Rentable Area | Vacant SF        | Vacancy Rate % | Availability Rate % | Average Asking Lease Rate | Leasing Activity | Absorption SF    |
|----------------------|-------------------|------------------|----------------|---------------------|---------------------------|------------------|------------------|
| <b>CBD</b>           | 6,921,564         | 602,157          | 8.70%          | 9.06%               | \$5.18                    | 104,128          | (23,699)         |
| <b>Northwest</b>     | 7,796,195         | 798,995          | 10.25%         | 10.78%              | \$7.82                    | 217,962          | (155,169)        |
| <b>Northeast</b>     | 3,308,148         | 419,857          | 12.69%         | 12.69%              | \$9.83                    | 69,898           | (84,981)         |
| <b>Southeast</b>     | 11,164,831        | 1,826,536        | 16.36%         | 18.45%              | \$5.50                    | 257,924          | (353,894)        |
| <b>Southwest</b>     | 1,542,912         | 64,560           | 4.18%          | 4.31%               | \$5.72                    | 8,250            | (51,843)         |
| <b>Total</b>         | <b>30,733,650</b> | <b>3,712,105</b> | <b>12.08%</b>  | <b>13.06%</b>       | <b>\$6.30</b>             | <b>658,162</b>   | <b>(669,586)</b> |

**COLORADO SPRINGS INDUSTRIAL SUBMARKET MAP**



**INDUSTRIAL BROKERAGE SERVICES:**

David L. Bacon, Managing Director  
719.955.2009 dbacon@sierracre.com

Aaron L. Horn, Broker Associate  
719.955.2020 ahorn@sierracre.com

**DEFINITION OF TERMS**

**Average Asking Lease Rate**

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

**Net Leases**

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

**Market Coverage**

Includes all competitive industrial buildings 5,000 square feet and greater in size.

**Net Absorption**

The change in occupied square feet from one period to the next.

**Net Rentable Area**

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

**Occupied Square Feet**

Building area not considered vacant.

**Under Construction**

Buildings which have begun construction as evidenced by site excavation or foundation work.

**Available Square Feet**

Available Building Area which is either physically vacant or unoccupied, including sublease space.

**Availability Rate**

Available Square Feet divided by the Net Rentable Area. This calculation includes vacant and sublease space and is given as a percentage.

**Vacant Square Feet**

Existing Building Area which is physically vacant or immediately available and does not include sublease space.

**Vacancy Rate**

Vacant Building Feet divided by the Net Rentable Area. This calculation is given as a percentage and includes vacant space but does not include sublease space.

**Normalization**

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.



For more information regarding the MarketView, please contact one of the industrial brokers listed.

Sierra Commercial Real Estate, Inc.  
102 S. Tejon, Suite 750  
Colorado Springs, Colorado 80903  
T. 719.955.2000 F. 719.955.2019

www.sierracre.com