

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

- Potential relocation of Space and Missile Systems Center to Colorado Springs
- Fort Carson begins deployment of 7,000 troops to Iraq
- First phase of North I-25 expansion approved by Colorado Department of Transportation

INDUSTRIAL REVIEW

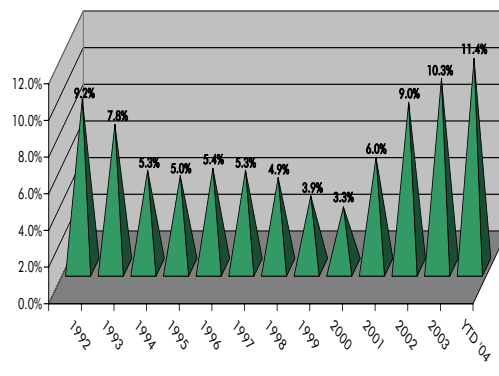
In the third quarter of '04 the industrial market failed to show improvement over previous quarters in most tracking areas. This can be attributed to a lack of local job growth at levels that contribute to overall market improvement. Growth previously forecasted in the electronic/semiconductor arena failed to materialize. The existing supply of "shadow space" (space unoccupied but leased or owned by the firm) has not been absorbed in sufficient quantities to create a need for corporate expansion into existing vacant space.

The result was an increase rather than a decrease in the market vacancy rate. Third quarter '04 vacancy increased 1.1% over the second quarter to 11.4%. Adding sublease space creates a current overall availability rate of 12%. The highest availability rate ever recorded for the industrial market occurred in 1985 when it peaked at 13%.

Contrary to second quarter forecasts, the average "asking rental rate" for industrial space rose slightly from \$6.63 PSF to \$6.71 PSF at the end of the third quarter. This small increase is due to positive landlord expectations leading to firmer price negotiations on recent transactions. This trend is not expected to continue, however, due to higher vacancy rates.

In '03 favorable financing and well located product helped support higher industrial building sale prices. Due to functional

INDUSTRIAL BUILDINGS VACANCY RATES



obsolescence and secondary geographic preferences, the average price has plummeted during '04 for product currently available. Third quarter '04 average sales stand at \$47.37 PSF, down 29% from '03's average of \$66.56 PSF.

MARKET OUTLOOK

- The current vacancy rate will continue throughout the rest of '04.
- Absorption will continue to be negative and could surpass the <162,020> SF decline in '03. YTD absorption for '04 stands at <150,663> SF.
- Lease rates will decline for the remainder of '04.
- Defense Contractors will continue to evaluate build-to-suit opportunities near Peterson A.F.B. and Schriever A.F.B.
- Industrial product will continue to be converted to non-industrial uses i.e., schools, ministries, call centers, retail, recreational uses, etc.

MARKET HIGHLIGHTS

- The 238,940 SF Ampex Facility on east Highway 24 is planned for conversion to multi-tenant office use.
- Verbal announcements from numerous local employers that increases in employment will happen during the last quarter of '04 and the first six months of '05.
- Anticipation that aerospace/defense related companies will target Colorado Springs in the near future provides increased hope for market improvement.
- East Colorado Springs near the airport, Peterson AFB, and Schriever AFB continues to attract a high level of interest from aerospace/defense related companies.
- Current, Inc. announces additional hiring in '05.

