

Office, industrial space filling up

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Infusion of GIs, contracts leads to lower vacancy rates

By RICH LADEN THE GAZETTE

In another sign of an improving Colorado Springs economy, vacancy rates for offices and industrial buildings have dropped to the lowest levels in three to four years, according to a study released Tuesday.

Paul Turner, president of Springs-based Turner Commercial Research, said the rebounding commercial real estate market still has a way to go before returning to pre-recession levels of 2000.

Still, Turner said, more troops coming to Fort Carson and big-money contracts for the defense industry — such as a local unit of Northrop Grumman that recently received a contract that could total \$2.5 billion over 10 years — are among the positive signs for the economy.

A better economy means more businesses need space for their operations and employees, which helps fill offices, industrial buildings and shopping centers.

"It's coming," Turner said of the improving commercial real estate market.

Turner's quarterly commercial real estate report showed that vacancy rates for office buildings fell to 8.5 percent in the third quarter of 2005, the lowest level since 7.3 percent in the first quarter of 2001.

By comparison, the area's office-vacancy rate hovered around 5 percent in the late 1990s, when the economy was particularly strong.

As vacancies have fallen, rents have climbed, although still not to their pre-2001 levels. Third-quarter office rents averaged \$10.39 per square foot, up a few cents from the second quarter of this year and the highest since \$10.45 in the fourth quarter of 2002, according to Turner's quarterly reports. Average rents reached their highest level — nearly \$11 per square foot — at the end of 2001.

Industrial vacancies — warehouses, manufacturing plants and other buildings — fell to 9.3 percent in the third quarter, according to Turner's latest report. That matches the vacancy rate in the fourth quarter of 2002, the last time industrial vacancies had fallen that low.

Vacancies had fallen as low as 3.3 percent at the end of 2000.

Despite falling industrial vacancies, rents averaged \$6.66 per square foot in the third quarter — down a few cents from the first and second quarters of this year. Still, the current average industrial rent is up from the end of 2003 and is running ahead of the late 1990s.

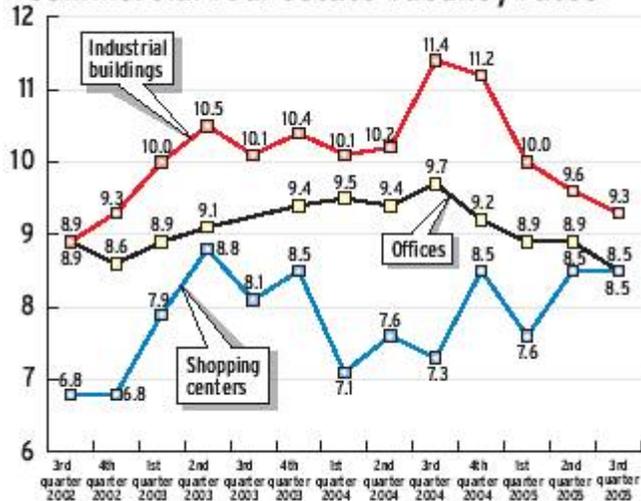
Shopping-center vacancies were 8.5 percent in the third quarter, unchanged from the second quarter.

Shopping-center vacancies have seesawed over the past several quarters as more retail space is built to respond to fastgrowing neighborhoods in north, east and northeast Colorado Springs.

Shopping-center rents averaged \$13.09 per square foot in the third quarter, higher than a year ago and reflecting strong demand for retail space along busy corridors such as Powers and North Academy boulevards.

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Commercial real estate vacancy rates



SOURCE: Turner Commercial Research, Colorado Springs

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