

Quick Stats

	Change from last		
	2Q17	Yr.	1Q17
Vacancy	15.63%	▼	▼
Lease Rates psf/yr	\$13.84	▲	▲
Net Absorption*	33,552	▲	▼

Hot Topics

- Residential market remains very strong; average price of homes sets a record high of \$326,263 in June 2017
- El Paso County unemployment rate remains low, posting at 2.7% through May 2017
- US Olympic Museum breaks ground in Downtown Colorado Springs with completion scheduled for late 2018
- Downtown Colorado Springs adding over 500 apartment units by mid-2018
- HRT unveils plans for new MOB at Penrose St. Francis campus
- Children's Hospital construction underway with 2018 delivery



Greg Phaneuf, Principal
gphaneuf@coscommercial.com
(719) 418-4064



Peter Scoville, Principal
pscoville@coscommercial.com
(719) 418-4063

Class A/B Office Market Overview

The first half of 2017 saw the continued improvement in the market with overall vacancy down significantly to 15.63% from 17.8% at the start of the year. Absorption year-to-date posted a healthy figure of 219,250 square feet. Quoted lease rates continue to escalate, but perhaps more importantly the actual lease rates in consummated transactions are rising faster as Landlord's are not willing to negotiate off the quoted rate and concessions, such as free rent, are being limited. Quality suburban office product is holding to rates as high as \$17.00 NNN year one and the Central Business District market is at \$20.00 NNN. These figures are getting healthy enough to support new construction, and a continued reduction in vacancy rates will spur developers to proceed with new product, specifically for multi-story Class-A buildings where the overall vacancy rate is substantially lower than the market average and hovers around 12%. It is likely to see new product being added to the Briargate or Interquest market beginning in 2018 and in 2019 to the CBD, which is experiencing a bit of a renaissance.

Part of the dynamic change to the CBD market is the addition of high-end residential units to the core. Several smaller developments were completed in 2016 but the most substantial development, 333 ECO located on East Colorado Avenue, will deliver 169 one and two bedroom units later this year and another 187 units are planned for the 600 block of South Cascade. Overall this will bring approximately 500 new units to downtown, an unprecedented number which will help fuel the need for other services. The CBD office market has historically attracted more traditional type tenants, law firms, accounting firms, banking and finance and Department of Defense contractors; but we have begun to see a migration of companies to the CBD that enjoy the ability to walk to nearby restaurants, coffee shops, and like the overall energy the CBD has to offer. This in turn has spurred more retail such as restaurants, brew pubs, and coffee shops to open. We expect not only will the overall gentrification of downtown continue, but it will become much more of destination for people to both work and live in the upcoming years.

The Olympic Museum broke ground this past spring with an anticipated delivery date of early 2019. In conjunction with the museum, there will be a revised street scape and parking garage as well as a "signature pedestrian walkway" to the America the Beautiful Park. This will tie together the south-west side of the city and lay the foundation for future development which will include apartments, retail, and an office tower. Expect more information to be released on this in the coming months, but it all proves to be a very exciting time for Downtown Colorado Springs and should translate into the city having a very different look and vibe in the upcoming years.

Market Statistics

COLORADO SPRINGS CLASS A OFFICE STATISTICS 2 nd QUARTER 2017							
	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
NORTH I-25 CORRIDOR:							
2 nd Q 2017	5,204,022	851,333	123,156	16.36%	24,208	\$13.39	\$7.49
YTD 2017					113,516		
AIRPORT (SOUTHEAST) AREA:							
2 nd Q 2017	1,325,239	264,838	0	19.98%	0	\$13.40	\$7.41
YTD 2017					97,628		
CENTRAL BUSINESS DISTRICT:							
2 nd Q 2017	1,935,879	207,206	0	10.70%	9,344	\$15.18	\$8.52
YTD 2017					8,106		
TOTAL CLASS A MARKET							
TOTALS FOR 2 nd Q 2017	8,465,140	1,323,377	123,156	15.63%	33,552	\$13.84	\$7.71
TOTALS YTD 2017					219,250		

OVERALL VACANCY RATE: 15.63%

AVAILABILITY RATE (includes sublease space): 17.09%

Significant Transactions

BUILDING NAME	ADDRESS	TENANT	SQUARE FEET	QTR
LEASE TRANSACTIONS				
Northrop Grumman Building	3535 Northrop Grumman Pt	Northrop Grumman	124,305	2 nd
2424	2424 Garden of the Gods	Conduent	88,345	1 st
Tech Center II	5555 Tech Center Dr	USADA	22,372	2 nd
United Healthcare	1755 Telstar Dr	United Healthcare	21,235	1 st
Wells Fargo Tower	90 S Cascade Ave	Root9B	15,098	1 st
Chapel Hills Atrium	1125 Kelly Johnson Blvd	Centene/Healthnet	4,053	2 nd
SALE TRANSACTIONS				
Quantum C	10208 Federal Dr		User	1 st
12515 Academy Ridge View	12515 Academy Ridge View	\$11,750,000 / \$191 psf	Investor	2 nd
1110 Bayfield Dr	1110 Bayfield Dr	\$7,400,000 / \$45 psf	Investor	2 nd
360 Command View	360 Command View	\$6,900,000 / \$79 psf	User	2 nd
Atrium One at Academy Park	1250 S Academy Park Loop	\$6,775,200 / \$69 psf	Investor	2 nd
Woodmen Corporate Center	7150 Campus Dr	\$4,800,000 / \$46 psf	Investor	2 nd

Featured Office Properties



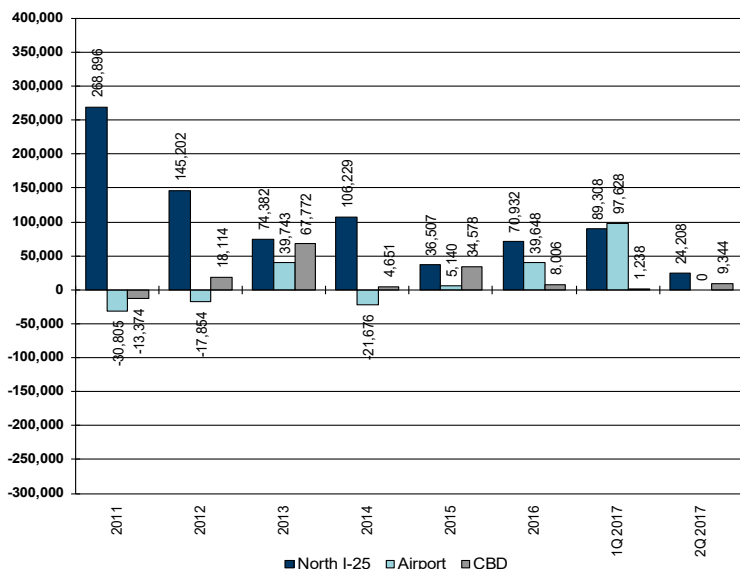
The Presidio
1155 Kelly Johnson Blvd
1,555 to 13,526 SF For Lease



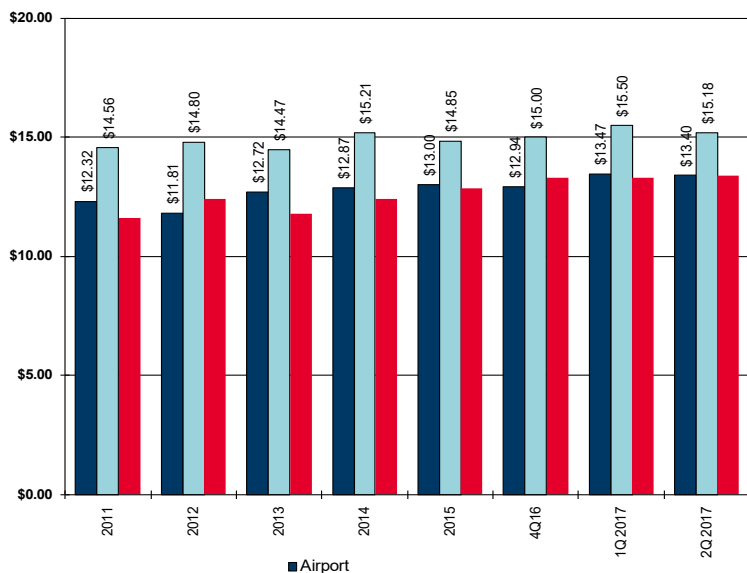
Corporate Pointe
1975 Research Pkwy
1,581 to 29,054 SF For Lease



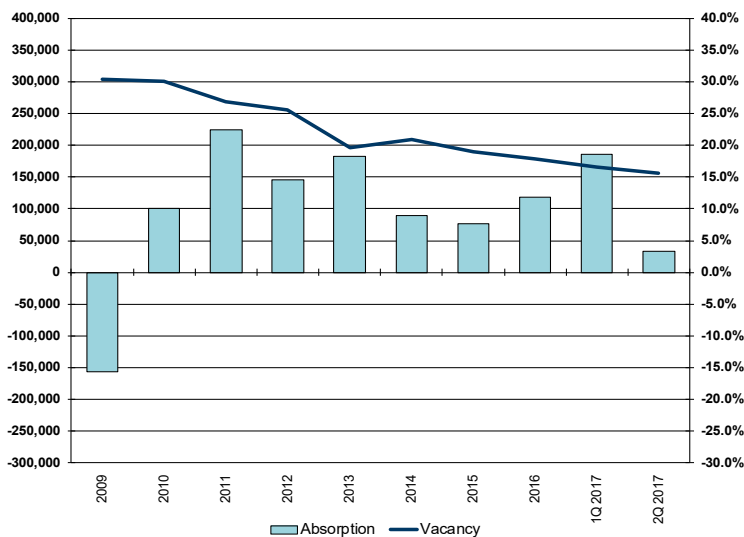
Patriot Park VI
655 Space Center Dr
Up to 103,970 SF For Lease

Class A/B Vacancy**VACANCY**

Vacancy rates continued to decrease in the first half of the year and in all submarkets. We continue to await the arrival of a substantial new requirement to take down one of the 100,000 sf blocks of vacancy that continue to inflate the overall vacancy. The majority of multi-tenant buildings have seen reduced vacancy, and the level of activity in the market suggests the vacancy rate will continue to drop steadily in the second half of 2017.

Class A/B Lease Rates (NNN/PSF)**LEASE RATES (NNN, Annual, Per RSF)**

With the overall improving market, we continue to see most properties push lease rates up and hold the line in negotiations. Older, mid-80's generation buildings continue to pull the average down, but many of them are starting to increase their rates with the improving market; the CBD market is pushing \$20.00 and higher-quality suburban product is now at \$17.00. We anticipate the overall average to increase through 2017 and provide impetus for new construction in 2018.

Class A/B Vacancy Rate VS Net Absorption (SF)**ABSORPTION**

Absorption has been strong year to date, and we anticipate that to continue through the end of 2017. For the first time in many years tenants are having a hard time finding quality space. As was previously mentioned, the leasing activity (not reflected in absorption numbers) was very strong in the first half of the year and all indicators are toward increased absorption and strong leasing activity throughout all three submarkets.

Medical Market Statistics

2 nd QUARTER 2017							
	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
Colorado Springs MOB Market	1,655,998	118,522	0	7.16%	12,016	\$16.42	\$8.81

OVERALL - VACANCY RATE: 7.16%

AVAILABILITY RATE (includes sublease space): 7.16%

Medical Office Market Overview

The Colorado Springs medical office market continues on a strong note with overall vacancy at a very tight 7.16% and with escalating lease rates as demand persists and options, in particular for on-campus locations, become limited. There is continued growth of both local hospital systems (UC Health and Centura) which will drive demand for locations with proximity to the campuses. The addition of Children's Hospital to Memorial North will drive further activity to the Briargate market and we anticipate construction of new MOB's in 2019.



Featured Medical Properties

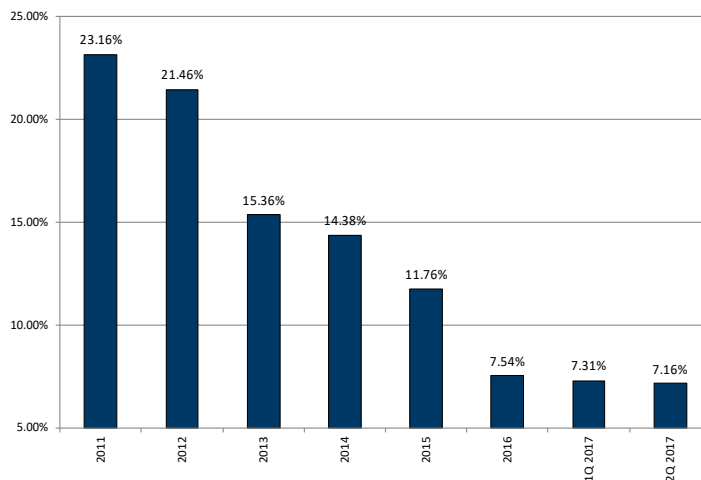


Briargate Medical
4105 Briargate Parkway
1,978 to 13,079 SF For Lease

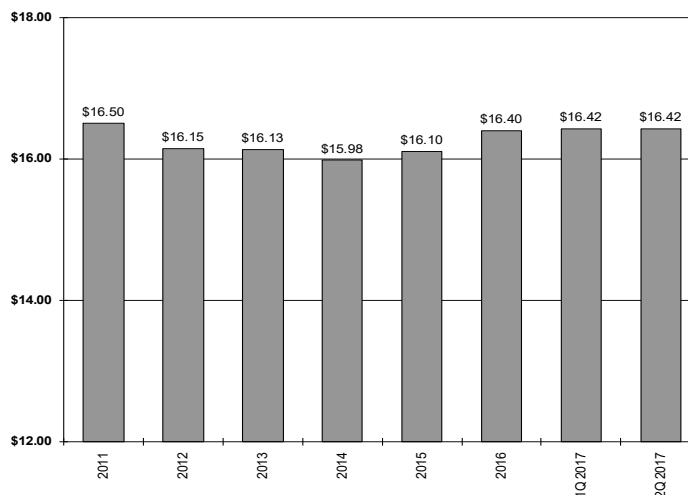


Northcare at St. Francis
6071 East Woodmen Road
1,841 to 5,034 SF For Lease

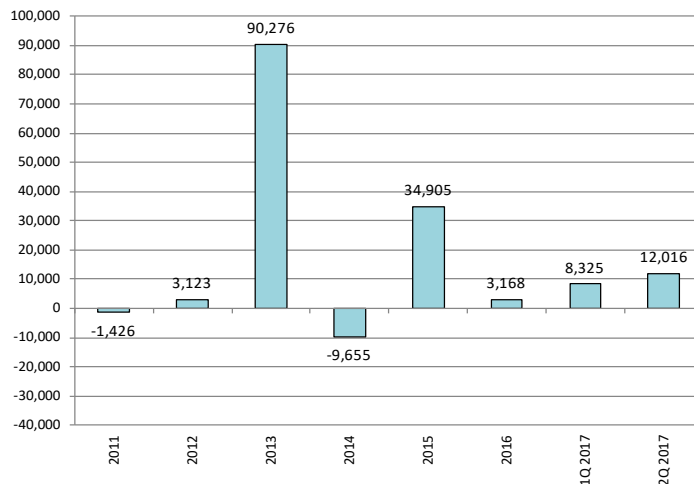
Vacancy



Lease Rates (NNN/PSF)



Absorption (SF)



Colorado Springs Commercial
a Cushman & Wakefield Alliance
2 North Cascade Avenue, Suite 520
Colorado Springs, CO 80903
(719) 634-1500