

QUICK STATS

	4Q24	3Q24	4Q23
Vacancy	13.54%	▼	▲
Lease Rates	\$18.12	-	▲
Net Absorption	(54,591)	▲	▲

HOT TOPICS

- 2,854 building permits were issued for single-family, detached homes in 2024, a 7% increase over 2023. The number of building permits issued for new apartment units dropped by 63% in 2024 over the previous year.
- Job and wage growth pushed Colorado Springs to #5 in the 2025 Best-Performing Cities index, Colorado Springs' highest ranking and the highest among any other city in Colorado.
- El Paso County's unemployment rate was 4.6% for November 2024, up from 3.3% for November 2023.
- The median price of homes sold in December 2024 was \$475,000, keeping prices relatively the same over the past two years. Inventory is rising, with 35% more homes listed than sold.
- Colorado Springs City Council approved OneVela, a record-breaking 27-story apartment building slated for the southwest corner of Cascade and Vermijo Avenue. The building would consist of 404 units with retail space on the ground floor.
- UCHHealth announced major \$407M expansion to Memorial Hospital North, nearly doubling its size. The project adds almost 330,000 sf, increases the capacity from 140 beds to 190, with room to grow to 320 beds. The plan also included construction of a 6-level, 979-stall parking garage.
- Cost of living in Colorado Springs is now 6.1% higher than the national average and 1% higher than the state average, up 2.3% from a year ago. The largest increases were found in transportation, food, and housing.



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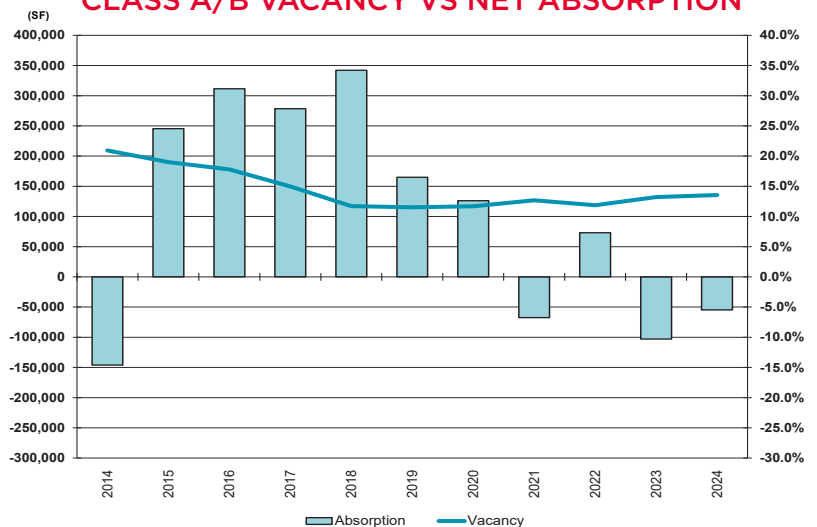
CLASS A/B OFFICE MARKET OVERVIEW

2024 can be summarized as “more of the same,” meaning Colorado Springs’ steady upward trajectory continued despite climbing interest rates and the general malaise of the national office market. Vacancy rates trended up slightly from 13.21% to 13.54% for year-end but so did asking lease rates which climbed from \$18.00 to \$18.12 year-over-year. The market did experience modest negative absorption, primarily due to the continued post-COVID fallout, but this number is not really reflective of a declining market. Underlying these figures is a market that remains active and healthy, and with the growing cost of retrofitting space and higher operating expenses figures, tenant’s occupancy costs are escalating. The investment market continues to be impacted by higher interest rates - and property owners not being motivated to sell but concluding their positions will be improved by holding on and waiting for a future disposition. Consequently, we did not experience as many investment sales in 2024.

Overall news for the city of Colorado Springs continues to be positive as well. While the average cost of living is slightly above the national average it is offset by the high lifestyle quality. El Paso County, Colorado’s estimated 2025 population is 751,488, with a growth rate of 0.5% in the past year according to the most recent United States census data. The 2010 population was 622,263 and has seen a growth of 24.33% since that time. This allows employers to continue to grow and attract a high-quality work force and grow their presence. This holds particularly true in the DOD industry, whose presence in Colorado Springs is bolstered by the continued local investment by Space Force and Space Command. This impact is changing the overall nature of Colorado Springs as well as the workforce transitions from one that was heavily call center and customer support-related, to a much higher paying tech related position.

As we look ahead and into 2025, we expect the first half of the year to continue to experience positive absorption and increasing lease rates. Corporate office campuses including Progressive, T. Rowe Price, USAA, Compassion International, and Oracle may bring significant vacancy to the market, and this is worth keeping an eye on.

CLASS A/B VACANCY VS NET ABSORPTION



CLASS A/B OFFICE STATISTICS

Submarket	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
NORTH I-25 CORRIDOR:							
4th Quarter 2024	4,366,829	725,827	138,816	16.62%	78,765	\$18.19	\$9.89
2024					(4,988)		
AIRPORT (SOUTHEAST) AREA:							
4th Quarter 2024	1,404,317	62,371	0	4.44%	(4,805)	\$19.06	\$8.59
2024					5,717		
CENTRAL BUSINESS DISTRICT:							
4th Quarter 2024	1,994,054	263,018	10,622	13.19%	23,298	\$17.21	\$10.84
2024					(55,320)		
TOTAL CLASS A MARKET:							
TOTALS FOR 4th Quarter 2024	7,765,200	1,051,216	149,438	13.54%	97,258	\$18.12	\$9.88
TOTALS 2024					(54,591)		

 **13.54%**
Direct Vacancy Rate

 **15.46%**
Overall Vacancy Rate

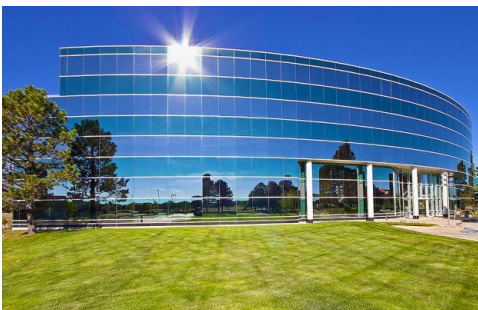
4Q24 vs 3Q24

SIGNIFICANT TRANSACTIONS

BUILDING NAME	ADDRESS	TENANT	SQ FT	QTR
LEASE TRANSACTIONS				
Briargate Research	2025 Research Pkwy	Undisclosed Engineering/DoD	53,183	4th
Briargate Medical	4105 Briargate Pkwy	HealthONE	27,821	2nd
Newport Centre One	1670 N Newport Rd	SAIC	27,508	1st
Garden Gateway Plaza	1357 Garden of the Gods Rd	Frontgrade	25,530	4th
Tech II	5555 Tech Center Dr	U.S. Anti-Doping Agency	22,372	4th
HPE	305 S Rockrimmon Blvd	The Sanborn Map Company	21,344	2nd
North Creek III	5775 Mark Dabling Blvd	Aleut Management Services	18,675	3rd
2424	2424 Garden of the Gods Rd	First Data Corporation	15,801	2nd
Corporate Pointe	1975 Research Pkwy	BiggsKofford	15,022	3rd
Epic One	10807 New Allegiance Dr	Zivaro	9,778	1st

BUILDING NAME	ADDRESS	SALE PRICE/PER SF	SALE TYPE	QTR
SALE TRANSACTIONS				
Sisters Grove Pavilion	6011 E Woodmen	\$31,200,000/ \$268.12	Investor	4th
350 Spectrum	350 Spectrum Loop	\$26,164,451/ \$168.25	Owner User	4th
5085 List Dr	5085 List Dr	\$3,600,000/\$191.10	Investor	1st
4760 Flintridge Dr	4760 Flintridge Dr	\$3,500,000/\$221.18	Investor	1st
2120 E La Salle St	2120 E La Salle St	\$2,973,000/\$292.39	Investor	4th
415 S Sahwatch St	415 S Sahwatch St	\$3,150,000/\$178.01	Owner User	4th

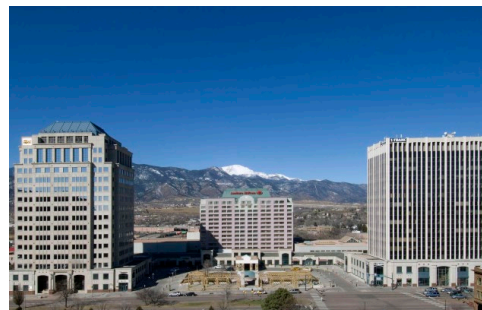
FEATURED OFFICE PROPERTIES



THE PRESIDIO

1155 Kelly Johnson Boulevard
1,394-4,950 RSF

Four-story, Class A office building with exceptional interstate visibility & access



PALMER CENTER

2 N & 90 S Cascade Avenue
924-15,147 RSF

Premier Class-A complex, above-average parking for CBD, retail amenities

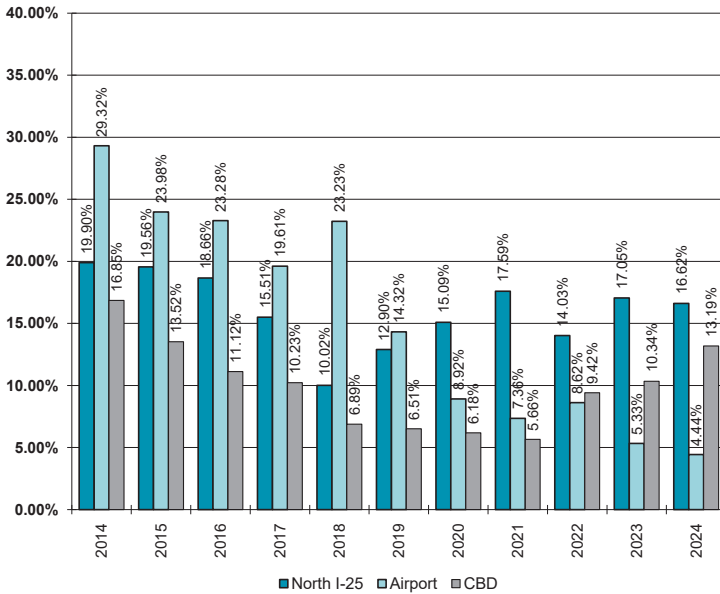


PATRIOT PARK I

985 Space Center Drive
1,690-11,176 RSF

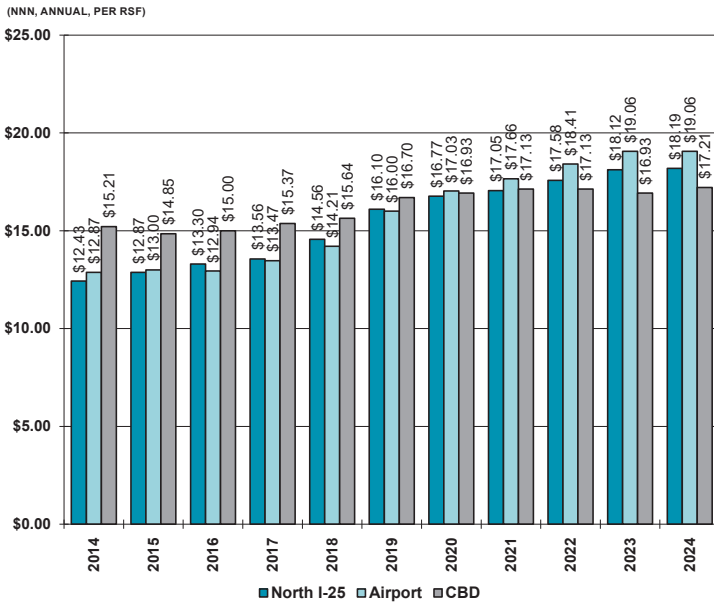
Adjacent to Peterson AFB, building workout facility with showers & lockers

CLASS A/B VACANCY



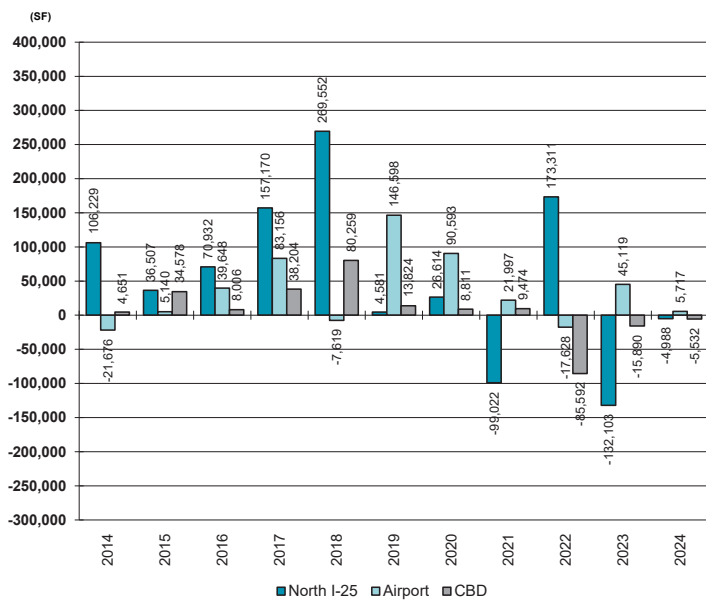
Vacancy rates remained fairly stable this past year but are up modestly from 2023 year-end of 13.21% to 13.54% for 2024, and 2022 year-end of 11.59%. Over the past three years vacancy has averaged 12.78%. While some larger blocks have hit the market, lease activity has been strong and space is quickly getting leased back up with both small and larger tenant requirements. The Airport submarket continues to see vacancy rates down over year-end 2023 to post in at 4.44%, the North I-25 market was down slightly from 17.05% to 16.62%, and the CBD saw the biggest increase, rising from 10.34% to 13.19% over the year. All markets are tight for quality space and lease rates are beginning to justify new construction, which has been limited in scope to MOB and single-story offerings in the Airport market.

CLASS A/B LEASE RATES



Average asking rates have climbed steadily in all submarkets with overall average asking rates of \$18.12 PSF, up from \$18.00 PSF for year-end 2023 and \$17.63 for year-end 2022. With diminishing high-quality vacancy, we expect building owners to continue to push rates higher throughout 2025 as many building owners now seek starting rates in the low to mid \$20 PSF range with 3% annual escalations, giving confidence to the overall market. While larger blocks of space remain in single-story product and pull down the average, tenant improvement costs continue to drive rates up and require tenants to contemplate longer, 7-10-year terms.

CLASS A/B ABSORPTION



The overall market saw modest negative absorption of 54,591 SF for year-end 2024, continuing a trend from 2023 of negative absorption of 102,874 SF. Most of this negative absorption was posted in the first half of the year, and the fourth quarter of 2024 posted positive absorption of 97,258 SF. The CBD and North I-25 submarkets both experienced negative absorption, and the Airport submarket had modest positive absorption. There continues to be fallout from the work-from-home concept and tenants right-sizing. We anticipate the overall market to register positive absorption through the first half of 2025, with both the CBD and North I-25 markets seeing the strongest absorption, as the amount of active prospects seeking space in the first half of 2025 is strong. Lease activity remains healthy, and with no meaningful new construction we do not forecast any long-term effects created by isolated cases of tenants downsizing or vacating space.

MEDICAL OFFICE MARKET STATISTICS

4th QUARTER 2024

TOTAL BLDG SF	AVAILABLE SF	SUBLEASE SPACE	VACANCY RATE	YTD ABSORPTION	LEASE RATE	NNN EXP.
1,826,859	228,431	13,375	12.50%	(9,024) SF	\$21.15	\$12.28

 **12.50%**
Direct Vacancy Rate

 **13.24%**
Overall Vacancy Rate

4Q24 vs 3Q24

MEDICAL OFFICE MARKET OVERVIEW

The MOB market in Colorado Springs has remained fairly steady throughout the year. Average asking lease rates continue to climb and vacancy has remained relatively flat with the year ending with minimal negative absorption. There has been no new construction on a speculative basis since the completion of Woodmen Medical Plaza on the St Francis Campus in 2022 that is over 90% leased. With Construction costs at all times high and forecasted to only increase in the foreseeable future, we do not anticipate speculative projects in the near future. Additionally, because of high costs, we expect to see lease rate continue to escalate at a healthy rate.

Overall, the trend in the market continues to toward higher quality assets and finishes and we expect to see more of the same in 2025 with the newer and better quality (and on or near hospital campuses) leasing well and the older project languishing on the market.

FEATURED MEDICAL PROPERTIES



NORTHCARE AT ST. FRANCIS

6071 E. Woodmen Road
1,823-5,681 RSF

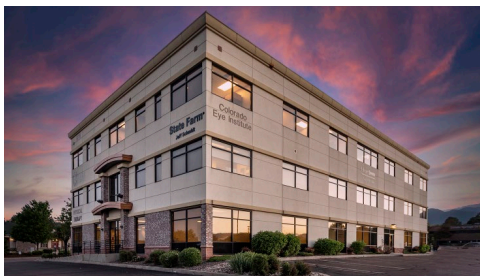
Class A MOB, enclosed sky bridge to St. Francis Hospital



POWERS PROFESSIONAL I & II

6140 & 6160 Tutt Boulevard
3,505 RSF

7 minutes to Penrose St. Francis, high-quality finishes

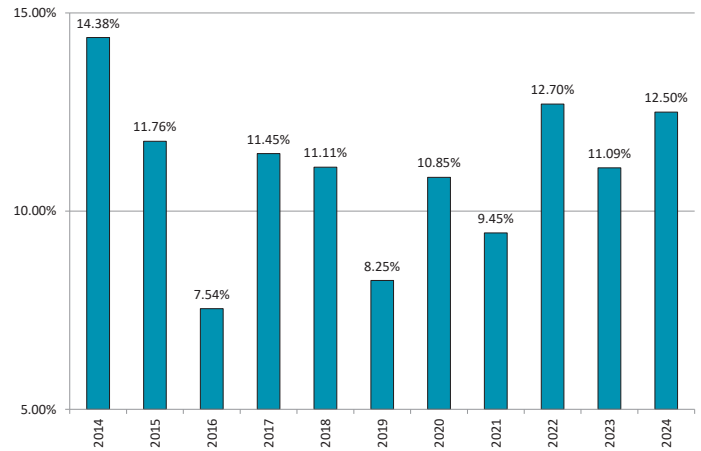


1230 TENDERFOOT HILL ROAD

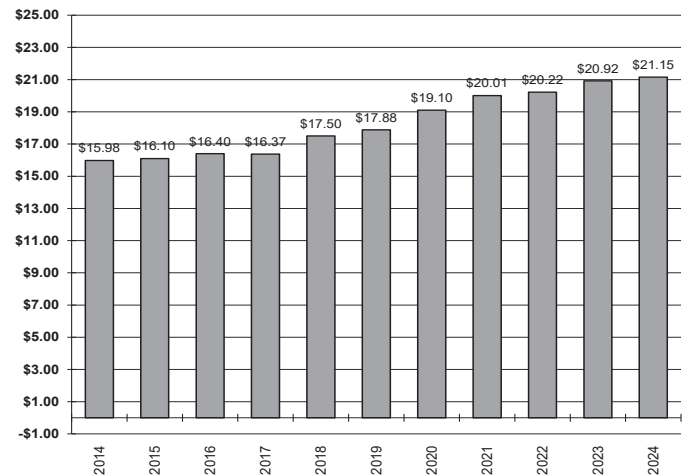
1,221 RSF

High parking ratio, located immediately south of Downtown

VACANCY



LEASE RATES



ABSORPTION

