

# MarketView

First Quarter 2020



CUSHMAN & WAKEFIELD

Colorado Springs Commercial

## QUICK STATS

	1Q20	YoY	4Q19
Vacancy	10.93%	▼	▼
Lease Rates	\$16.52	▲	▲
Net Absorption	47,968	▲	▼

## CLASS A/B OFFICE MARKET OVERVIEW

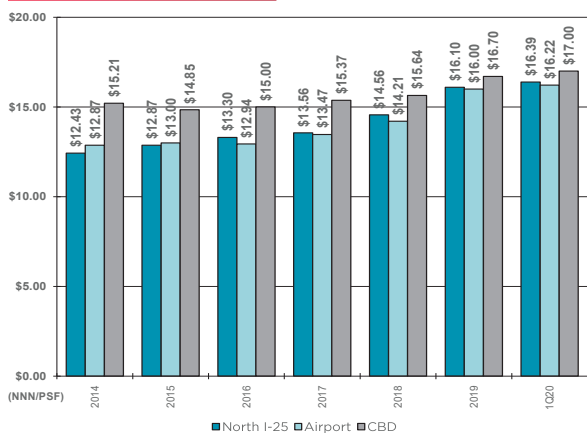
After 5 years of consecutive quarter-over-quarter growth in the Colorado Springs Office market both in terms of positive absorption as well as continued rental rate increases, we had been forecasting that a slowdown was going to happen and that the million dollar questions were 'when and what would be the catalyst?'. As of March 2020, we now know.

The first quarter numbers for all three of the submarkets in Colorado Springs showed positive growth (see table below). While absorption was a fairly modest 47,968 SF, the overall activity in the market has been strong and rates have been climbing at very healthy increases. When we look at the competitive office market as a whole (all 3 submarkets – CBD, North I-25 Corridor and Airport area) the average asking lease rate was \$13.35 psf NNN at the end of 2015. As of the 1st Q 2020 the average rate was \$16.52 psf NNN– a 24% increase in rates over 4 years. These are very healthy numbers but arguably not sustainable year-over-year growth expectations.

So as we look into the coming months in 2020, and as is true in virtually every sector of the economy worldwide, there are a lot of unknowns. However, the key fundamentals to the Colorado Springs office market are still very strong: the market is not overbuilt. There are no speculative office projects currently under construction. Average lease rates are still at a deep discount to replacement cost and the strong presence of mission critical business for our nation's security and prosperity with a large local employee base all point toward a soft landing as the repercussions of this virus play out.

While we anticipate little lease activity in the coming months, we do not foresee a rapid decompression in the market. Obviously, the situation is changing by the hour and we welcome any discussion or insights anyone may have and will be sure to supplement any information that materially changes between now and the end of the 2nd Quarter.

## LEASE RATES



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## CLASS A/B OFFICE STATISTICS

Submarket	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
<b>NORTH I-25 CORRIDOR:</b>							
1st Quarter 2020	4,366,829	536,320	187,494	12.28%	27,292	\$16.39	\$8.38
YTD 2020					27,292		
<b>AIRPORT (SOUTHEAST) AREA:</b>							
1st Quarter 2020	1,404,317	194,352	0	13.84%	6,426	\$16.22	\$7.58
YTD 2020					6,426		
<b>CENTRAL BUSINESS DISTRICT:</b>							
1st Quarter 2020	1,994,054	117,813	20,895	5.91%	14,250	\$17.00	\$9.39
YTD 2020					14,250		
<b>TOTAL CLASS A MARKET:</b>							
TOTALS FOR 1st Q 2020	7,765,200	848,485	208,389	10.93%	47,968	\$16.52	\$8.49
TOTALS YTD 2020					47,968		

10.93%  
Direct Vacancy Rate

13.61%  
Overall Vacancy Rate

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