

QUICK STATS

	2Q23	1Q23	2Q22
Vacancy	13.38%	▲	▲
Lease Rates	\$17.87	-	▲
Net Absorption	(68,117)	▼	▼

HOT TOPICS

- *The Colorado Economic Development Commission approved \$24.4M+ in job-growth investment tax credits for two companies that are set to add 600 new jobs in El Paso County.*
- *Colorado Springs ranked 9th Best Places to Live & 4th Best Places for Young Professionals to Live, according to U.S. News & World Report.*
- *Colorado's unemployment rate was 2.8% for May & has remained below 3% for 13 consecutive months, pre-pandemic levels.*
- *Multi-family asking rents for Colorado Springs rose by 0.3% in April & 0.9% in May, with the average rent for a 1-bedroom apartment \$1,456 per month.*
- *More apartments are coming to Downtown. The Hunter, a 214-unit, Class-A project at 225 E Cimarron is projected to deliver late 2024. There are 1,700± units currently under construction, with another 1,000± expected to begin construction before year-end.*
- *The median price of homes sold in May was \$475,000, down from \$487,000 a year ago; prices have declined for four consecutive months after eight years of increases. Still, according to the U.S. News Housing Market Index, Colorado Springs has the 6-strongest market in the nation.*
- *Building permits issued for single-family, detached homes totaled 500 in June, an almost 24% increase from June 2022 and the most issued in one month since February 2021.*



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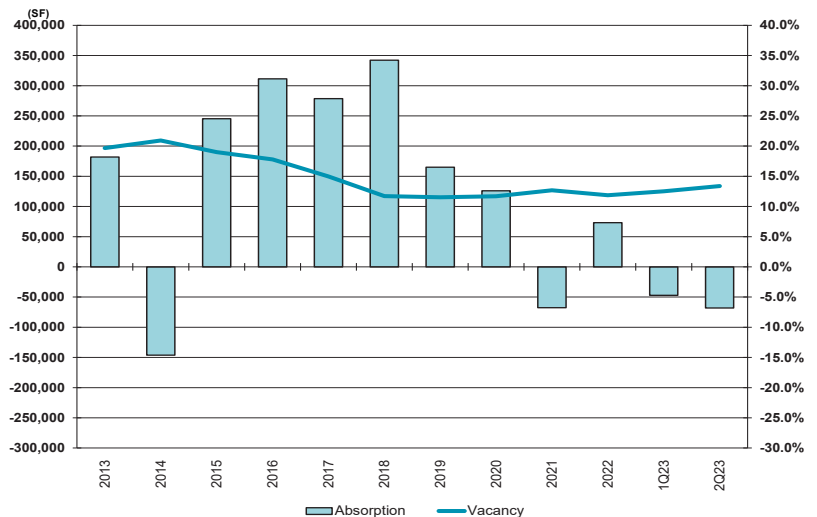


CLASS A/B OFFICE MARKET OVERVIEW

With the first half of 2023 behind us, our projections over the past 12 months about the market maintaining its stability, with minor shifts, has held true. As we projected, we would see modest negative absorption throughout 2023 as companies have redefined their new space needs and many have scaled back slightly. The second quarter numbers indicate an increase in vacancy to 13.38% in the overall office market and a slight increase in lease rates to \$17.87 per square foot NNN. Lease activity in the market has been relatively active for tenants in the 2,000 to 5,000 SF range and also active with some of the larger office users (30,000+ SF) who are primarily in the defense world (more on that below), but very flat for the mid-size users in the market.

One of the market sectors that has been a hot topic for the last several years in Colorado Springs is the presence of Space Force, U.S. Space Command, and the general Department of Defense contractor world that has historically been active within the market. In the past 36 months, we have seen the majority of the office leasing activity in the market be defense related, in some form or fashion, and the first half of this year has proven that this sector is heavily supporting the overall market health. From what we understand with all of the industry professionals, the good news is that there is no anticipation of that business slowing anytime soon; in fact, all forecasts are that the defense world continues to grow and evolve, with Colorado Springs being one of the top markets in the country forecasted for future growth and expansion. Historically it is a little bit of a warning sign when an industry is responsible for the vast majority of market activity (think dot-com era). However, given the diversity of the contracts and types of business that many of these users are pursuing, as well as a fundamental shift in how our government competes and defends itself internationally through space and satellite technology, we feel confident that this will be a strong anchor for our market for many years to come. Much of what used to be call-center type space is being converted to pure office space for defense users, and we expect that trend to continue well into the future.

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:							
2nd Quarter 2023	4,366,829	733,790	264,131	16.80%	(45,041)	\$17.95	\$9.27
2023					(117,818)		
AIRPORT (SOUTHEAST) AREA:							
2nd Quarter 2023	1,404,317	114,935	6,390	8.18%	0	\$18.78	\$7.95
2023					5,046		
CENTRAL BUSINESS DISTRICT:							
2nd Quarter 2023	1,994,054	190,468	10,622	9.55%	(23,076)	\$16.98	\$10.27
2023					(2,557)		
TOTAL CLASS A MARKET:							
TOTALS FOR 2nd Q 2023	7,765,200	1,039,193	281,143	13.38%	(68,117)	\$17.87	\$9.27
TOTALS 2023					(115,329)		

 **13.38%**
Direct Vacancy Rate

 **17.00%**
Overall Vacancy Rate

SIGNIFICANT TRANSACTIONS

BUILDING NAME	ADDRESS	TENANT	SQ FT	QTR
LEASE TRANSACTIONS				
North Creek III	5775 Mark Dabling Blvd	Nooks	57,727	2nd
Palmer Center	2 S Cascade Ave	Undisclosed	43,006	1st
9910 Federal	9910 Federal Drive	Apogee Engineering	33,924	2nd
Penrose Pavilion	2312 N Nevada Ave	RMCC Cancer Center	22,050	1st
Palmer Center	90 S Cascade Ave	Erickson, Brown & Kloster	15,633	1st
Woodmen Medical Plaza	7435 Sisters Grove	Centura Health	14,874	2nd
Woodmen Medical Plaza	7435 Sisters Grove	Heart & Vascular Partners	13,789	2nd
Corporate Pointe	1975 Research Pkwy	Abode Hospice of Colorado	9,240	1st
Woodmen Medical Plaza	7435 Sisters Grove	Iron Horse Pediatrics	8,909	1st
Colorado Square	2 N Nevada Ave	TouchMath	5,387	1st

BUILDING NAME	ADDRESS	SALE PRICE/PER SF	SALE TYPE	QTR
SALE TRANSACTIONS				
2960 N Circle	2960 N Circle Dr	\$4,175,000/\$168.31	Investor	1st
18950 Base Camp	18950 Base Camp Rd	\$4,000,000/\$245.64	Investor	2nd
6215 Corporate	6215 Corporate Dr	\$3,320,000/\$255.88	Investor	1st
2930 Austin Bluffs	2930 Austin Bluffs Pkwy	\$2,200,000/\$143.01	Investor	1st
House of Miles	1930 & 1 Frequent Flyer Pt	\$1,900,000/\$175.54	Investor	1st

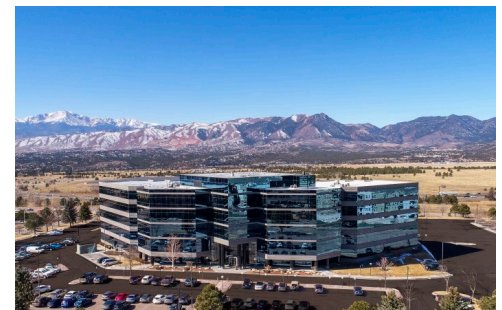
FEATURED OFFICE PROPERTIES



CENTENNIAL TECHNOLOGY CENTER
4920 Centennial Blvd
59,970 RSF
For Sale of Lease

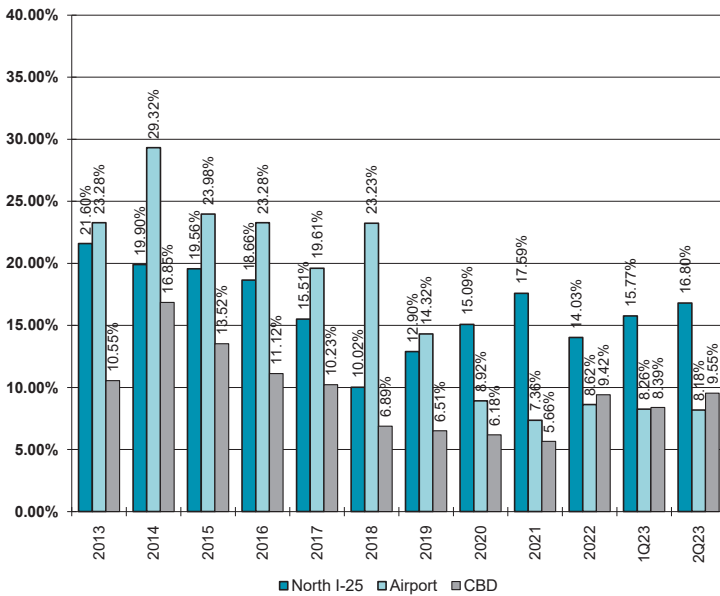


NORTH CREEK
5725, 5755, 5775 Mark Dabling Blvd
980-11,427 RSF
Renovated Common Area, Fitness Center,
Training/Conference Center



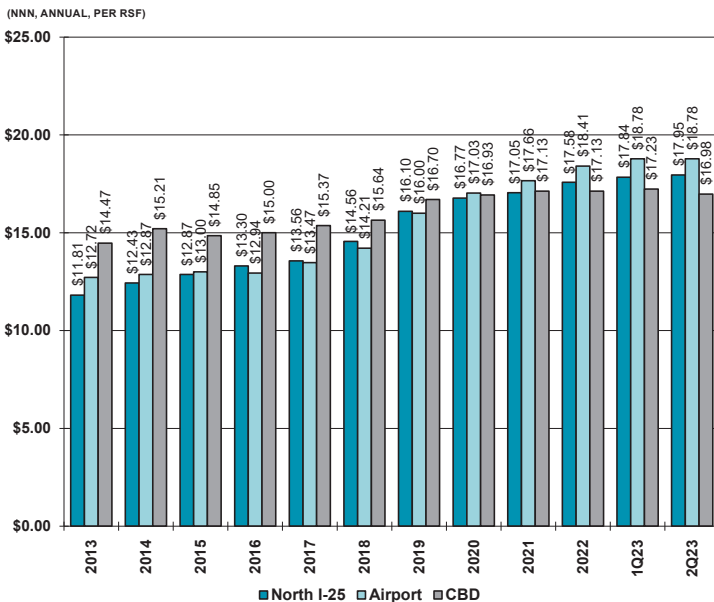
BRIARGATE OFFICE CENTER
1755 Telstar Dr
1,196-15,527 RSF
13,096 RSF Plug & Play Spec Suite

CLASS A/B VACANCY



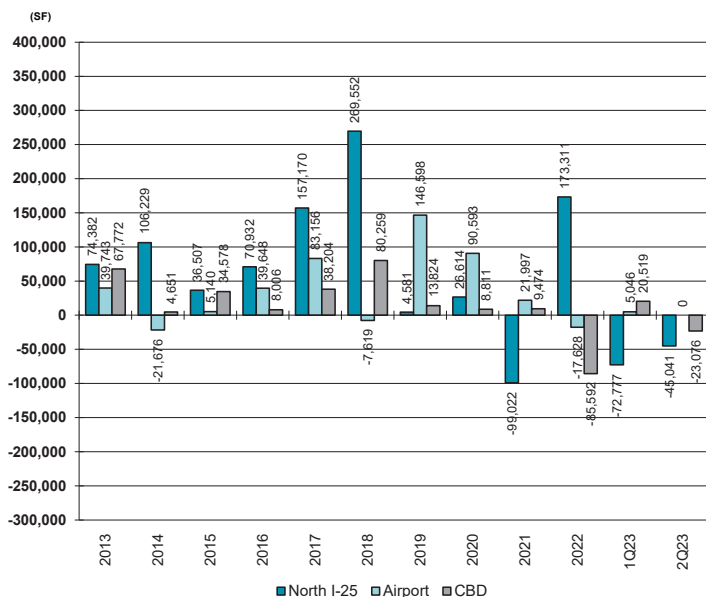
Vacancy rates have increased slightly during the first half of 2023 to end the second quarter at 13.38%. This relatively minor rise in vacancy is something we forecasted and anticipate to see additional space come online throughout the year. That said, we do not expect vacancy to climb dramatically. With the fall out from companies restructuring their space needs during the pandemic, vacancy was expected to rise a little bit, and what we are seeing is inline with predictions. Given the fact that the market has not been overbuilt, we do not foresee an unhealthy vacancy in the foreseeable future.

CLASS A/B LEASE RATES



Average asking rates have climbed in both the Airport and North I-25 markets and held steady in the CBD, with overall average asking rates of \$17.87 PSF, up from \$17.63 PSF for year end 2022. We expect the increases to continue, with a very limited supply of space and the addition of new construction. Larger blocks of space in the CBD and North I-25 market, specifically in single-story buildings, will likely cause rates to remain flat through the second half of 2023 as landlords take a more wait-and-see approach on any further fallout from COVID-19. Smaller blocks in the nicest office properties are commanding increases as demand for higher quality space is strong. With construction costs escalating, tenants now need to consider longer terms or amortizing tenant improvement costs in order to cover the cost of build-out.

CLASS A/B ABSORPTION



The overall market saw modest negative absorption during the first half of 2023 with the market giving back approximately 68,100 RSF. These numbers are inline with what we anticipated, with current leasing activity and a general shift from larger block, call-center space being absorbed by more traditional office users, specifically many in the defense world. We see absorption remaining relatively flat throughout the rest of the year.

MEDICAL OFFICE MARKET STATISTICS

2nd QUARTER 2023

TOTAL BLDG SF	AVAILABLE SF	SUBLEASE SPACE	VACANCY RATE	YTD ABSORPTION	LEASE RATE	NNN EXP.
1,826,859	184,911	5,254	10.12%	47,531 SF	\$20.84	\$11.72

10.12%
Direct Vacancy Rate

10.41%
Overall Vacancy Rate

MEDICAL OFFICE MARKET OVERVIEW

The medical office market in Colorado Springs remains very strong as we enter into the second half of 2023. While leasing activity is not off the charts, there remains a steady amount of activity in the market and supply is being outpaced by demand. The vacancy rate sits at 10.12%; however, it is important to note that virtually half of that vacancy is in one building that has a 90,000 SF vacancy in the southern part of Colorado Springs. If we were to look at the northern section of the market only, which is where the vast majority of the growth is happening in the medical and residential world, our true vacancy is somewhere in the 5% range.

Also, of note, is the fact that the only speculative medical office building that has been constructed in the last several years was completed in late 2022 and is now 100% leased, to a handful of different tenants. Clearly, the market is showing that there is demand for high-quality, well-located medical office assets in Colorado Springs.

FEATURED MEDICAL PROPERTIES



PREMIER HEALTH PLAZA
3920 N Union Boulevard
1,038-8,724 RSF

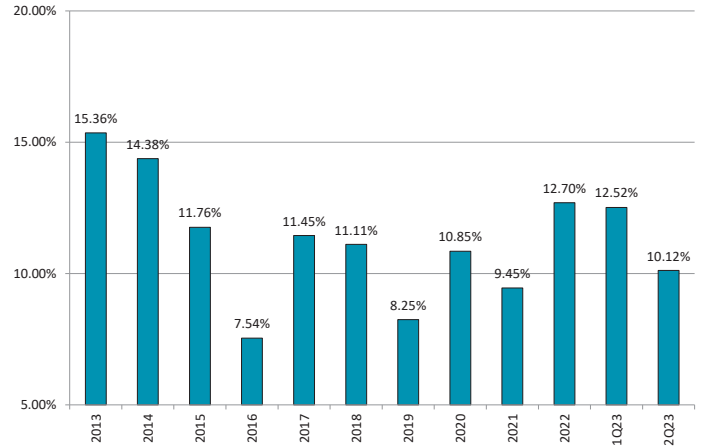
10 minutes to Penrose Hospital and UHealth Memorial Hospital



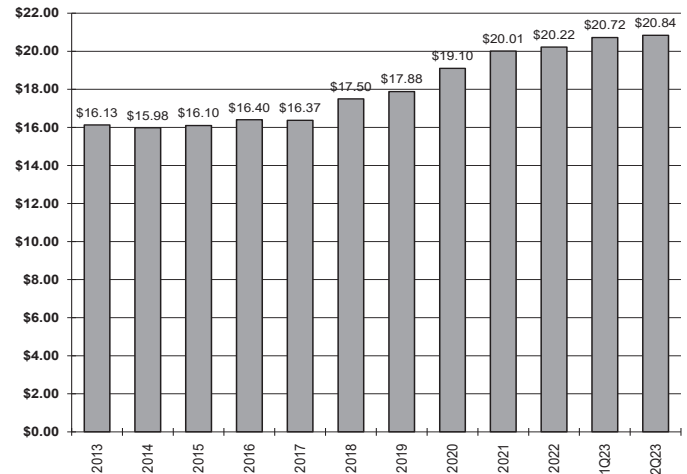
INTERQUEST II
9925 Federal Drive
2,000-28,876 SF

Single-Story Medical Office, Close Proximity to Hospitals & MOBs

VACANCY



LEASE RATES



ABSORPTION

