

MarketView

Fourth Quarter 2021



CUSHMAN &
WAKEFIELD

Colorado Springs
Commercial

QUICK STATS

	Year-End 2021	4Q20	3Q21
Vacancy	12.68%	▲	▼
Lease Rates	\$17.20	▲	▲
Net Absorption	(67,551)	▼	▲

HOT TOPICS

- Colorado's unemployment rate fell from 5.4% to 5.1% in November, for a fifth consecutive month
- In the first 11 months of 2021, there were 4,093 single-family building permits issued, a slight 1.3% decrease from the 4,148 permits issued during the same period last year. Permits have now topped 4,000 for the second straight year — the first time since 2004 and 2005.
- The average price of single-family homes in October jumped to \$510,180, surpassing the record of \$502,961 set in June and 18% higher than the average price of \$432,477 in October 2020
- Colorado Springs is currently growing at a rate of 1.17% annually and the population has increased by 17.55% since the last census, which recorded a population of 416,427 in 2010. El Paso County's estimated population is 737,031 with a growth rate of 1.14% in the past year; the 2010 Population was 627,031 and has seen a growth of 17.54% since this time.
- The cost of living in Colorado Springs rose to its highest level on record during the third quarter. The Cost of Living Index show costs are 109% the national average. Denver, the index found, is nearly 115% the national average.



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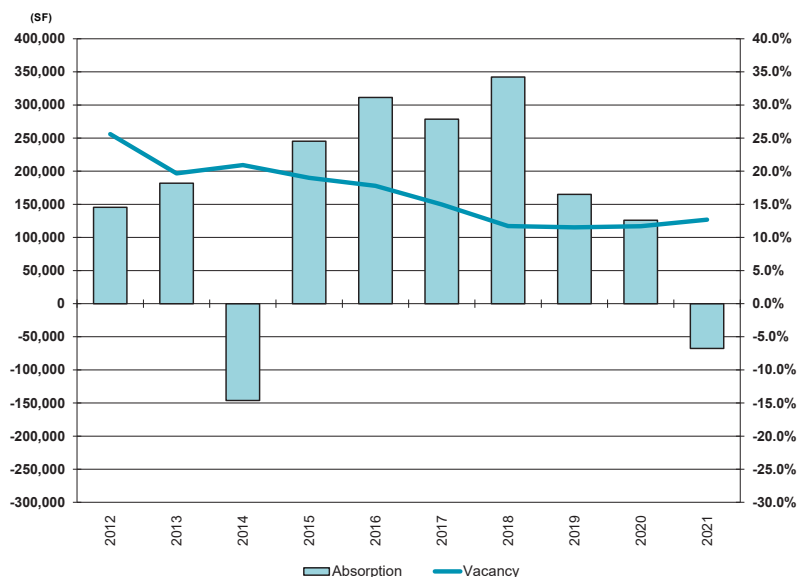


CLASS A/B OFFICE MARKET OVERVIEW

Despite the disruption of COVID-19, we began 2021 with an upbeat feeling. The market soldiered through the uncertainty of 2020 and ended the year with a vacancy rate of 11.69%, up only slightly from 2019. Lease rates had continued to escalate through 2020 and we felt as though we were poised for a return to normal. That being said, 2021 could be characterized as a bit schizophrenic. While on one hand we saw activity pick-up throughout the year, in particular with prospects under 5,000 square feet, the larger, more national users, continued to delay their deadlines to "returning to the office" and resume normal operations as the differing variants took hold. So while lease activity with smaller, more local users, was healthy the larger tenants were more hesitant to commit and in some cases looked at downsizing their footprints, delaying leasing new space, or opting to commit to a remote workplace. Despite all this the result has only led to a modest increase in vacancy and we closed out 2021 with vacancy up 1% year-over-year to 12.68%. We do anticipate this trend to continue, with some larger operations shedding space and downsizing, but new smaller tenants quickly leasing it up; and with no meaningful new construction of office space on the horizon, we anticipate the market overall will hold firm. We do not anticipate any meaningful changes to the market statistically in 2022, but we do foresee a great deal of activity occurring in the market throughout the year.

The overall health of Colorado Springs continues to improve, with residential, apartment, and medical construction booming! Tourism returned and the newly opened U.S. Olympic & Paralympic Museum, Weidner Field, and Colorado College's Robson Arena were filled with enthusiastic crowds. Construction on over 3,000 new apartment units for downtown kicked off, and plans for additional restaurants, retail and office moved forward. The city continues to attract young and talented professionals and the long term forecast remains extremely bright.

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 2021	4,366,829	768,225	119,190	17.59%	(3,524)	\$17.05	\$8.96
YTD 2021					(99,022)		
AIRPORT (SOUTHEAST) AREA:							
4th Quarter 2021	1,404,317	103,316	38,438	7.36%	5,046	\$17.66	\$7.88
YTD 2021					21,997		
CENTRAL BUSINESS DISTRICT:							
4th Quarter 2021	1,994,054	112,771	38,317	5.66%	13,314	\$17.13	\$9.52
YTD 2021					9,474		
TOTAL CLASS A MARKET:							
TOTALS FOR 4th Q 2021	7,765,200	984,312	195,945	12.68%	14,836	\$17.20	\$8.89
TOTALS YTD 2021					(67,551)		

 **12.68%**
Direct Vacancy Rate

 **15.20%**
Overall Vacancy Rate

SIGNIFICANT TRANSACTIONS

BUILDING NAME	ADDRESS	TENANT	SQ FT	QTR
LEASE TRANSACTIONS				
Garden Gateway Plaza	1357 Garden of the Gods Rd	Aeroflex/Cobham	25,530	3rd
Academy Point Atrium II	1150 Academy Park Lp	MITRE	21,578	3rd
Briargate Research	2075 Research Pkwy	Netscout Systems, Inc.	20,983	4th
Patriot Park I	985 Space Center Rd	Cosmic AES	19,770	3rd
Garden Gateway Plaza	1365 Garden of the Gods Rd	State of CO	9,447	4th
Northcare at St. Francis	6071 E Wooden Rd	Centura	8,346	4th
Epic One	10807 New Allegiance Dr	WaterStone	7,091	3rd
Briargate Office Center	1755 Telstar Dr	ProofID	6,757	4th
1st Bank Building	2 N Cascade Ave	Robinson & Henry, P.C.	6,491	4th
Corporate Pointe	1975 Research Pkwy	Ascension Engineering	4,916	3rd
Tech Center VI	5575 Tech Center Dr	Engineering Systems, Inc.	4,495	4th
Tech Center VI	5575 Tech Center Dr	Stephenson Stellar	4,320	4th
BUILDING NAME	ADDRESS	SALE PRICE/PER SF	SALE TYPE	QTR
SALE TRANSACTIONS				
Union Portfolio Sale	8890 N Union & 175 S Union Blvd	\$56,610,000/\$198.31	Investor	3rd
Penrose Pavilion	2312 N Nevada Ave	\$33,400,000/\$483.53	Investor	3rd
Briargate Portfolio Sale	1755 Telstar; 2025 & 2075 Research Pkwy	\$33,250,000/\$127.86	Investor	4th
Airport Portfolio Sale	985 Space Center & 1055 N Newport Rd	\$26,750,000/\$164.16	Investor	4th
Newport Portfolio Sale	1050 & 1090 N Newport Rd	\$21,675,000/\$177.25	Investor	4th
2405 Research	2405 Research Pkwy	\$20,200,000/\$714.64	Investor	3rd
2610 Tenderfoot Hill	2610 Tenderfoot Hill St	\$18,400,000/\$609.27	Investor	4th

FEATURED OFFICE PROPERTIES



PALMER CENTER
2 N & 90 S Cascade Avenue
Up to 30,000± RSF
Largest contiguous space in Downtown

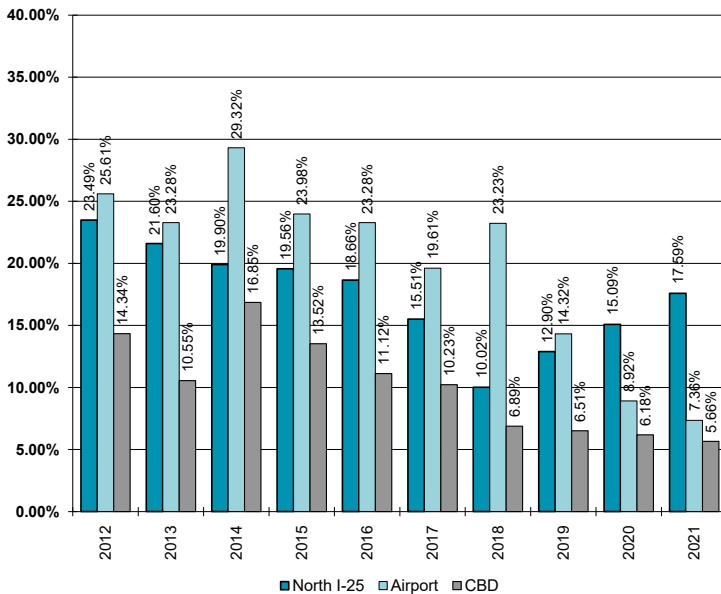


1055 NEWPORT
1055 N Newport Road
5,292-28,573 RSF
New ownership, Class A office



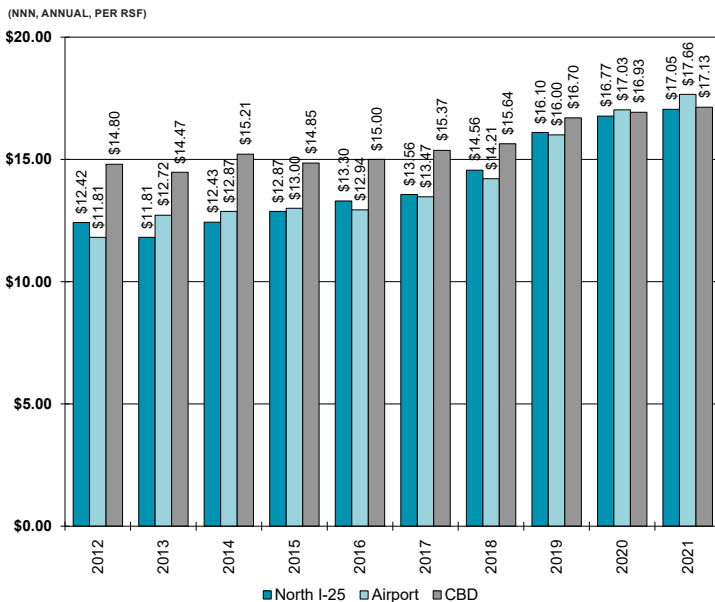
INTERQUEST II & IV
9925 & 9960 Federal Drive
23,528 RSF; 8,000-20,293 RSF
Highest quality, single-story in the market

CLASS A/B VACANCY



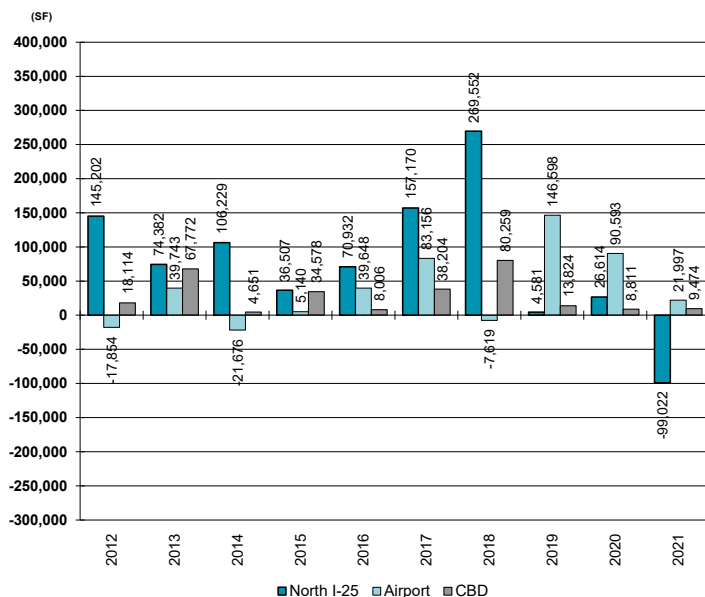
Vacancy rates remained stable in 2021, rising only slightly from 2020 year-end of 11.69% to 12.68% for 2021. The increase is primarily due to one larger 35,000-square-foot block being put on the market by a local owner/user in the North I-25 submarket. The CBD and Airport submarkets actually saw vacancy rates fall to end the year at 7.36% and 5.66% respectively. Both the Airport and CBD submarkets are extremely tight for space and new construction is being contemplated, with a number of projects being marketed for pre-leasing. We do anticipate some larger tenants vacating space in the CBD in the second half of 2022, causing a short-term increase in vacancy rates.

CLASS A/B LEASE RATES



Lease rates continue to escalate throughout the market, but more notably in the North I-25 and Airport submarkets. Average asking rates have climbed to \$17.66 in the Airport, and we expect that to continue with a very limited supply of space. The CBD and North I-25 markets will likely remain flat throughout the first half of the year as landlords take a more wait-and-see approach on any fallout from COVID-19. We may see a return to some free base rent, but Landlords are holding the line on tenant improvement allowances; all while costs of construction continue to escalate disproportionately. 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



While the overall market saw negative absorption of 67,551 square feet, this was not the case in the CBD and Airport submarkets which both posted positive absorption over the year. We anticipate the Airport market to continue to see positive absorption through the first half of 2022, and both the CBD and North I-25 markets to register some negative absorption as tenants downsize or vacate space in response to the trend to work remotely. We believe this will be short-lived and isolated to larger users. Lease activity remains strong and we anticipate space will be quickly back-filled. Limited new construction should also help mitigate the long term effects created by negative absorption and we do not foresee year-end numbers being significantly off.

MEDICAL OFFICE MARKET STATISTICS

4TH QUARTER 2021

TOTAL BLDG SF	AVAILABLE SF	SUBLEASE SPACE	VACANCY RATE	YTD ABSORPTION	LEASE RATE	NNN EXP.
1,715,361	162,112	1,823	9.45%	17,871 SF	\$20.01	\$10.35

 **9.45%**
Direct Vacancy Rate

 **9.56%**
Overall Vacancy Rate

MEDICAL OFFICE MARKET OVERVIEW

The medical office market has remained very strong through all of 2021, despite a very uncertain time in the general economy and healthcare. With the last speculative construction being almost 12 years ago in 2008/2009, the existing MOB market has remained very tight. With the steady improvement in the market (pre-COVID-19), we are seeing multiple projects that are ready to break ground on a speculative basis with 30%-60% pre-lease requirements and one project come out of ground. These projects are what attribute to the slight increase in vacancy for 2020/2021. Given the market demand, we expect many of these projects to do very well in their lease-up despite the fact that the costs will likely be 30% higher than current market.

In addition to a vibrant leasing market, the appetite for quality medical investments has remained strong from both the medical REITs as well as private capital investors and we anticipate that to continue throughout 2022.

FEATURED MEDICAL PROPERTIES



NORTHCARE AT ST. FRANCIS

6071 E Woodmen Rd

1,353-5,708 SF

High quality finishes, Class-A MOB



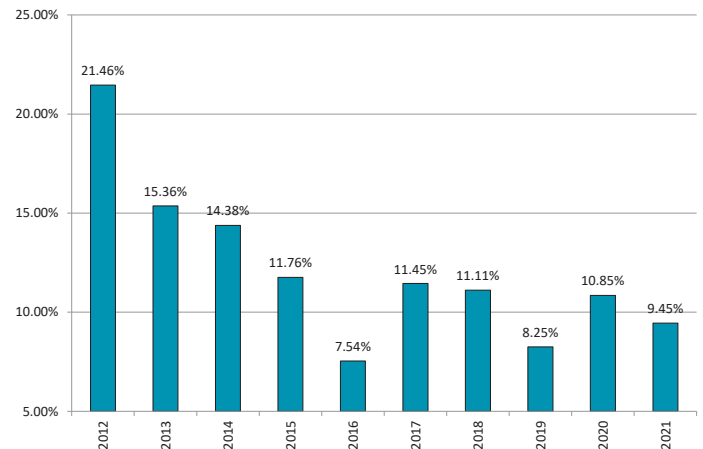
UNION MEDICAL CAMPUS

1625 Medical Center Pt

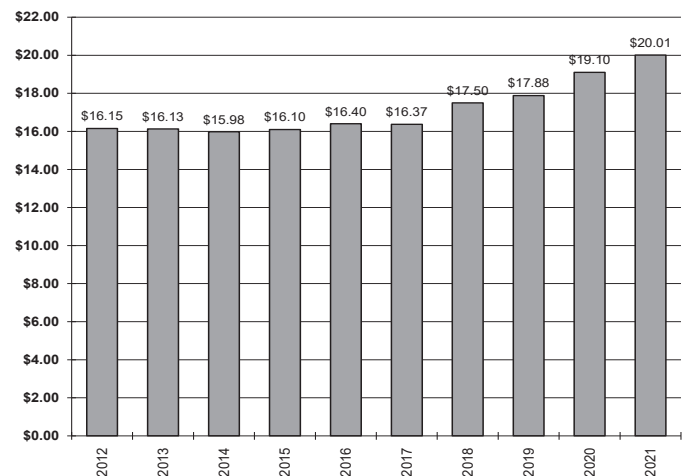
1,367-10,538 SF

Centralized location, easy access

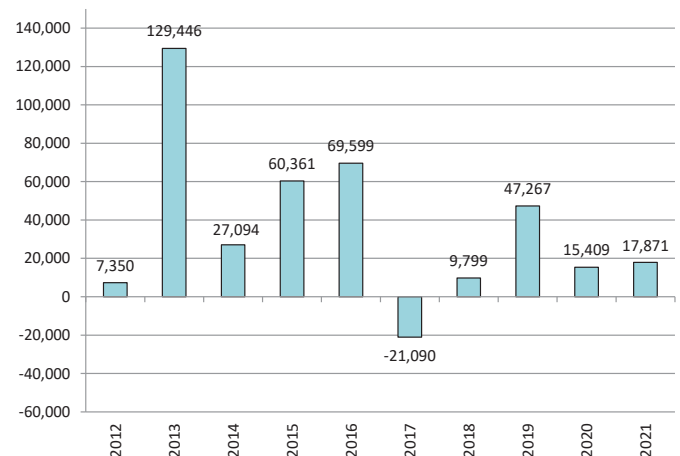
VACANCY



LEASE RATES



ABSORPTION



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