

## Quick Stats

	Change from last		
	4Q19	Yr.	3Q19
Vacancy	11.52%	▼	▼
Lease Rates	\$16.23	▲	▲
Net Absorption	128,448	▲	▲

## Hot Topics

- Colorado Springs named by *U.S. News & World Report* as the nation's most desirable place to live for two straight years
- Colorado Springs' unemployment rate fell to a 2½-year low of 3.1% in November, down from 4.4% in November 2018
- YMCA unveiled plans to redevelop nearly an entire block in downtown Colorado Springs, replacing their current facility with a state-of-the-art recreation and wellness center topped by a multistory apartment building
- America's Space Force will call Colorado Springs home; \$322M has been earmarked for construction at Colorado Springs bases



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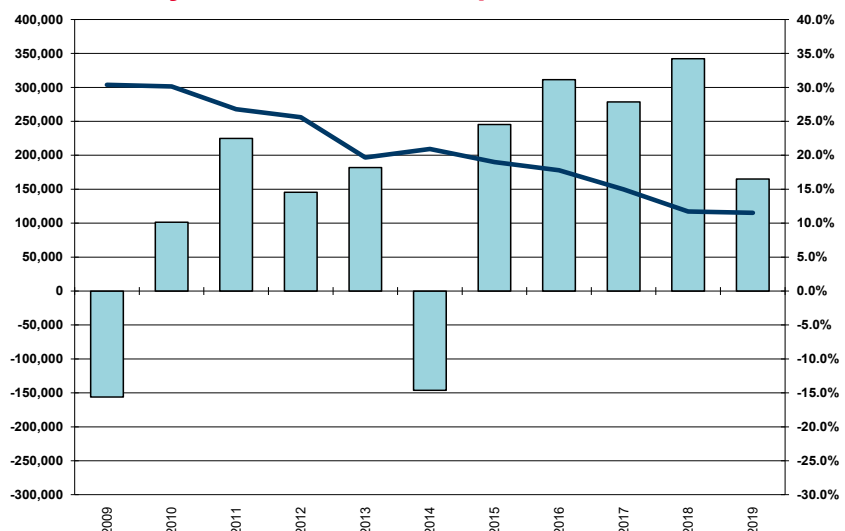
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## Class A/B Office Market Overview

The Colorado Springs Office Market ended 2019 with a modest 165,000 square feet of positive absorption and an overall vacancy rate of 11.52%. The absorption figure reflects a nine-year positive trend, and while off from 2018 & 2017 absorption rates of 342,000 and 278,000 square feet respectively, the 2019 figures don't account for some significant lease activity that occurred on space that was being vacated and leased up prior to the space coming back to the market. If the number was to account for that activity it would be significantly higher. Additionally, there were a number of owner/user sales that removed space from the market that were not accounted for in the figure. Overall activity in 2019 felt strong. Vacancy rates continue to decline, and while down only slightly from year-end 2018 which concluded at 11.71%, there were some owner-occupied sales that adjusted the overall market size, along with the addition of Victory Ridge (which is new-to-market) to add 113,000 square feet of vacancy. The market is much healthier than one might conclude by the modest year-over-year change. Average asking rates increased almost \$1.50 per square foot from year-end 2018 and suburban properties are fast closing in on \$20.00 per square foot, which would be a new high. All this is combining to fuel new construction, which we are beginning to see signs of; and while more evident with certain build-to-suits, Ent Federal Credit Union's 300,000-square-foot campus for instance, delivery is expected to begin to occur on these properties in 2021. Rates for new construction are going to range from \$25.00-\$30.00 per square foot, and tenants will need to commit for longer terms, with a minimum of 7-10 years required. This is good news for existing landlords as all signs indicate we will continue to see the market tighten in 2020 and lease rates continue to escalate at a rapid pace.

While the office numbers are encouraging, the real news is Colorado Springs is a city in a renaissance, which is most evident in the downtown core. The much-anticipated U.S. Olympic & Paralympic Museum is nearing completion; an 8,000 seat multi-use outdoor stadium has broken ground at Cimarron and Sahwach – which contemplates as many as 1,000 apartments to be added with retail, restaurants and entertainment; Colorado College has broken ground on their new indoor arena along Nevada on the campus's south side; construction has begun on another three new hotels, with more planned; additional apartment units are being planned throughout downtown with an excess of 1,000 units breaking ground in 2020, with associated retail and restaurants to follow. We believe we will look back in 5 years and recognize a much different and more vibrant city than the one we see today. Continued population growth will also fuel suburban development and we will see developers begin to focus on infill sights and repurposing of existing sites to meet changing market demands. This decade promises to be good for Colorado Springs!

## Class A/B Vacancy Rate VS Net Absorption



## Market Statistics

COLORADO SPRINGS CLASS A OFFICE STATISTICS 4 <sup>th</sup> QUARTER 2019							
	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
<b>NORTH I-25 CORRIDOR:</b>							
4 <sup>th</sup> Q 2019	4,401,580	567,722	203,620	12.90%	(28,645)	\$16.10	\$8.35
YTD 2019					4,581		
<b>AIRPORT (SOUTHEAST) AREA:</b>							
4 <sup>th</sup> Q 2019	1,404,317	201,036	0	14.32%	138,837	\$16.00	\$7.63
YTD 2019					146,598		
<b>CENTRAL BUSINESS DISTRICT:</b>							
4 <sup>th</sup> Q 2019	1,994,054	129,792	26,309	6.51%	18,256	\$16.70	\$9.08
YTD 2019					13,824		
<b>TOTAL CLASS A MARKET</b>							
TOTALS FOR 4 <sup>th</sup> Q 2019	7,799,951	898,550	229,929	11.52%	128,448	\$16.23	\$8.40
TOTALS YTD 2019					165,003		

**OVERALL VACANCY RATE: 11.52%**

**AVAILABILITY RATE (includes sublease space): 14.47%**

## Significant Transactions

BUILDING NAME	ADDRESS	TENANT	SQUARE FEET	QTR
<b>LEASE TRANSACTIONS</b>				
Patriot Park VI	655 Space Center Dr	Lockheed Martin	103,970	4 <sup>th</sup>
1225 Aeroplaza	1225 Aeroplaza Dr	Collins Aerospace	61,617	4 <sup>th</sup>
1st Bank Tower	2 N Cascade Ave	Bluestaq	18,267	4 <sup>th</sup>
Newport Centre One	1670 N Newport Rd	SAIC	17,218	3 <sup>rd</sup>
Wells Fargo Tower	90 S Cascade Ave	Northwestern Mutual	15,098	3 <sup>rd</sup>
Corporate Pointe	1975 Research Pkwy	Centura Health	4,810	4 <sup>th</sup>
Briargate Office Center	1755 Telstar Dr	Robert Half International	3,550	4 <sup>th</sup>

BUILDING NAME	ADDRESS	SALE PRICE	INVESTOR/USER	QTR
<b>SALE TRANSACTIONS</b>				
Newport Centre One & Northrop Grumman	1670 N Newport Rd & 3535 Northrop Grumman Pt	\$28,300,000/\$147.44 psf	Investor	4 <sup>th</sup>
Presidio	1155 Kelly Johnson Blvd	\$12,297,900/\$152.20 psf	Investor	3 <sup>rd</sup>

## Featured Office Properties



Interquest Office  
10125 Federal Dr  
121,894 SF For Lease

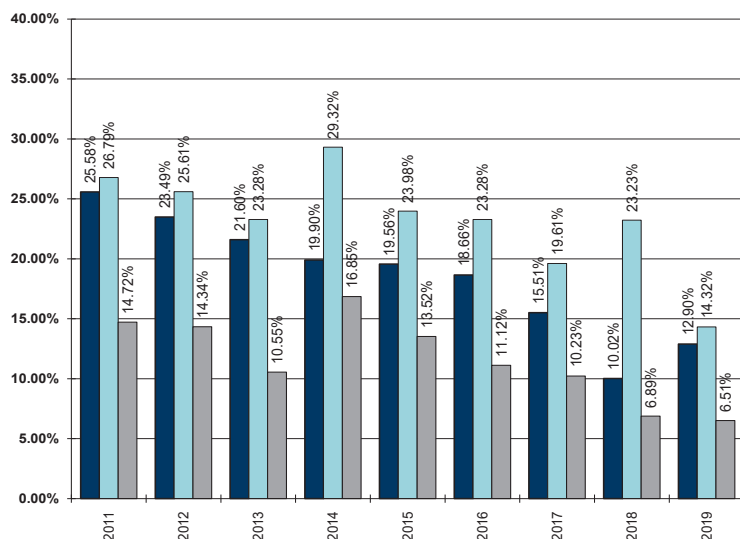


Patriot Park VII  
565 Space Center Dr  
32,181 SF For Lease



Briargate Research  
2025 & 2075 Research Pkwy  
53,183 SF For Lease

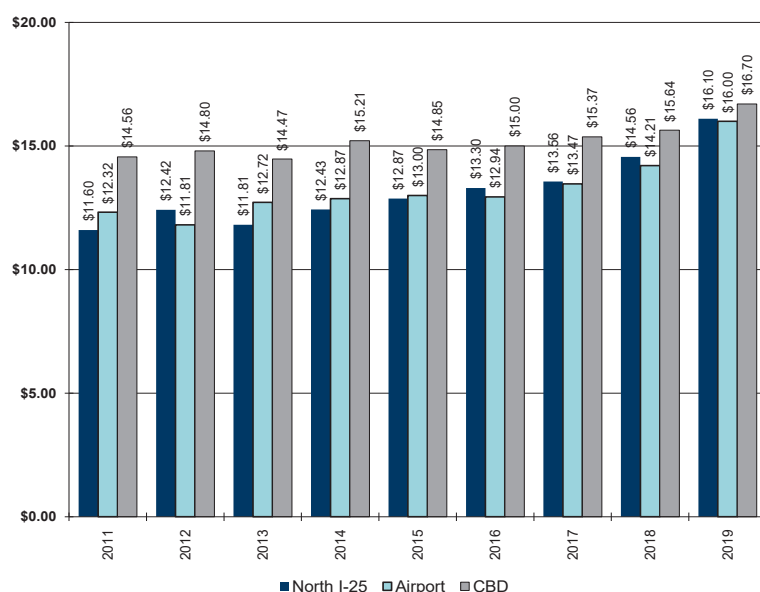
## Class A/B Vacancy



## VACANCY

Vacancy rates dropped slightly in 2019 from 11.71% for year-end 2018 to 11.52%. The numbers are slightly skewed due to the addition of new construction with Victory Ridge and the removal of approximately 250,000-square-foot of owner/user sales from 2018 market inventory, driving up vacancy in the North I-25 Corridor submarket. The Airport submarket realized the strongest year in close to a decade and that trend is expected for 2020.

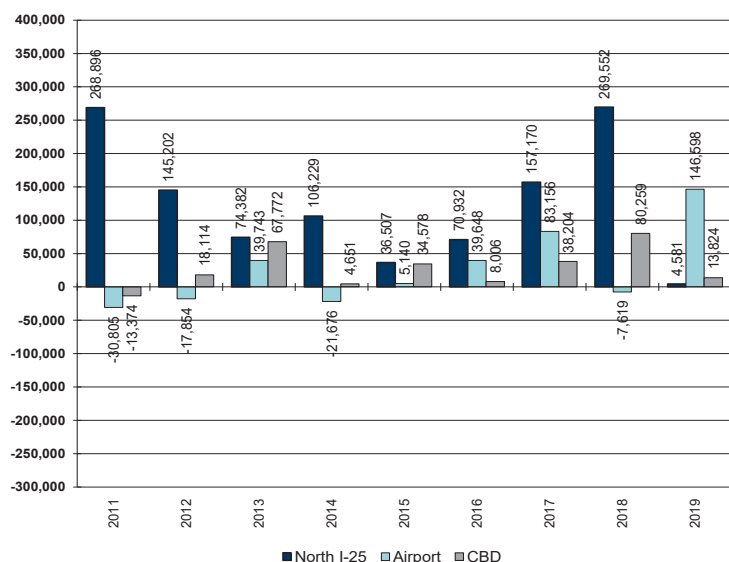
## Class A/B Lease Rates (NNN/PSF)



## LEASE RATES (NNN, Annual, Per RSF)

Lease rates continue to escalate, with the highest-end Class A properties in the CBD achieving \$21.00 and \$20.00 per square foot in the North I-25 market. Lower Class-A properties, many of which are receiving upgrades to take them out of the 1980s, are also increasing asking rates and achieving \$15.00-\$17.00 per square foot. We fully anticipate this trend to continue through 2020 as quality inventory becomes depleted and tenants vie for limited options and new construction becomes reality with rates around \$25.00 per square foot. We are quickly approaching the threshold needed to underwrite the addition of new inventory to the office market.

## Class A/B Absorption (SF)



## ABSORPTION

Absorption softened throughout the year and registered a modest 165,000 for year-end. The numbers do not reflect the true strength of the market, as leases with new tenants are being completed prior to space being vacated and owner/users in the market are purchasing buildings and contemplating building for their own use.

## Medical Market Statistics

4 <sup>th</sup> QUARTER 2019							
	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	YTD Absorption	Lease Rate	NNN Exp.
Colorado Springs MOB Market	1,655,998	136,653	2,289	8.25%	47,267	\$17.88	\$9.24

OVERALL - VACANCY RATE: 8.25%

AVAILABILITY RATE (includes sublease space): 8.39%

## Medical Office Market Overview

The Colorado Springs Medical Office Market ended the year on a very high note. Over the past 10 years we have seen a steady decline in vacancy rates and uptick in lease rates. There has been very little new construction on a speculative basis and while there are a handful of projects that we would have expected to see come out of the ground in 2019, it has not really happened yet. 2020 should see 2-4 new speculative projects break ground, all in the 45,000-60,000-square-foot range. The net result (when combined with construction costs that continue to escalate) is that the lease rates for the higher end, well located buildings will continue to rise at a very strong pace.

The unprecedented residential and population growth in the city has fueled the expansion of all of the hospital systems including UC Health and Centura, as well as foster the explosive growth of Children's Hospital in the market which continues to quickly expand its presence both physically and in market share. An important note and something for the market to watch in the coming year is that all of the systems and practices seem to be thriving in today's market and there are no signs of a 'loser' as the market flourishes.

We expect the coming year to be very dynamic with new projects breaking ground and prelease activity announcements.

## Featured Medical Properties

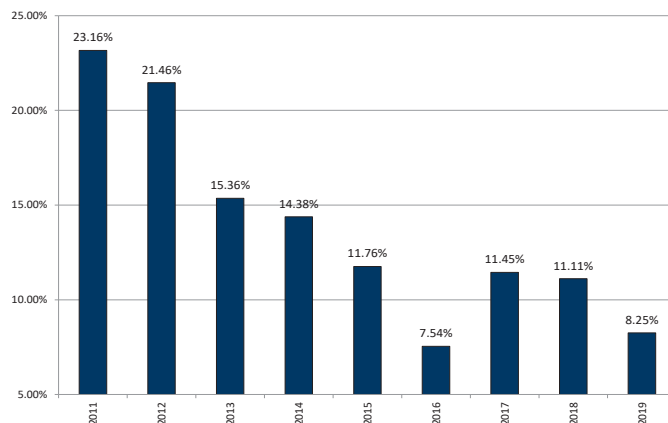


Coming soon to St. Francis Campus

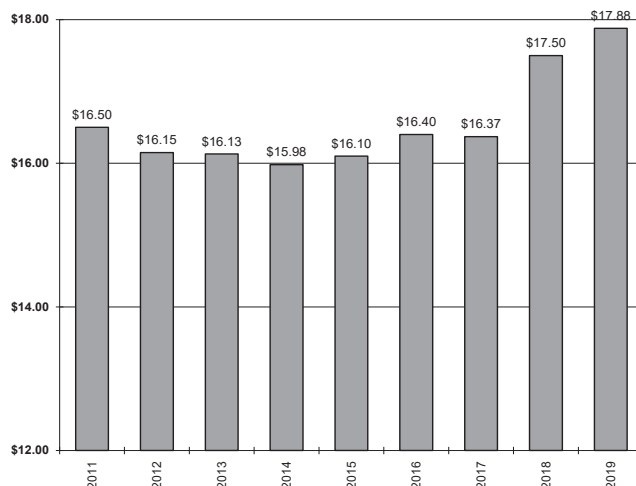


Coming Soon - Class A+ Medical Office  
Pine Creek Medical Center  
4160 Royal Pine Drive  
2,000-45,000 SF For Lease

## Vacancy



## Lease Rates (NNN/PSF)



## Absorption (SF)

