



**CUSHMAN &  
WAKEFIELD®**

**Colorado Springs  
Commercial**

INDEPENDENTLY OWNED AND OPERATED

**COLORADO SPRINGS OFFICE MARKET**

**SECOND QUARTER 2012**

### Mid Year Market Review

The velocity of investor and tenant interest in Colorado Springs to start the year initially lead us to believe that 2012 was going to be the tipping point year to quickly rebound this market back to 2005-2008 numbers. For no specific reasons, much of the potential and projected activity stalled by the time we were through with the 1st Quarter. Many of these transactions are still very much 'real' but they simply have not yet materialized, which has diluted some of the bold enthusiasm we experienced in 1st Quarter 2012.

However, we still maintain our 4th consecutive quarter of positive absorption in all three office submarkets, with positive absorption totaling 76,615 square feet, which is on the heels of modest 1st Quarter absorption of 52,205 sf for total YTD of 128,820 sf. The byproduct of this positive absorption is a reduction in vacancy rates and since 2nd Quarter 2011 we have seen a 2% drop in the overall market vacancy. Modest figures overall but some properties, specifically those well located in either the Briargate Business Campus or the CBD, are beginning to increase lease rates and other properties are holding firm with their advertised rates. While there are still properties willing to negotiate and offer very attractive terms to large credit-worthy tenants, we are starting to see lease rates bottom out and rebound. Despite the fact that this recovery continues to be protracted and there are few signs that an immediate turnaround is on the near horizon, the fact remains that the overall health of the Colorado Springs Office Market continues to gradually improve.

### By Sub-Markets

The Central Business District registered 29,945 square feet of positive absorption in the second quarter and is the healthiest of the three submarkets with an overall vacancy rate of 12.33%. With very limited large blocks of space, tenant's seeking space in excess of 9,000 square feet will have limited options and little room to negotiate. The overall vacancy is comprised of spaces less than 5,000 square feet. We anticipate the health of this market to continue and for lease rates to begin to escalate in the second half of the year.

The North I-25 submarket, which is our largest and most diverse, registered 38,944 square feet of positive absorption in the second quarter yielding 73,729 year-to-date. Vacancy rates dropped to 25.42% and market-wide lease rates softened modestly. However, quality product in the master planned business parks, specifically Briargate Business Campus, have begun to see lease rates escalate and the market tighten. Provided demand continues we should see lease activity expand to older product along the interstate and with that an increase in lease rates market wide by year end.

The Airport submarket, for the second time in four years, registered positive absorption totaling 7,726 square feet for the second quarter. Overall the market continues to languish with YTD positive absorption of 440,000 square feet and a vacancy rate of 47%. This market has a long way to go to get healthy, and one quarter of good news over a four year period leaves us cautious as to predicting when the market will finally turn.

### QUICK STATS – Class “A” Market

Vacancy: 26.37%  
Lease Rates: \$12.87 NNN  
Net Absorption YTD: 128,820 square feet

### 2012 OFFICE MARKET OUTLOOK

Vacancy: ➡ Net Absorption: ➡  
Lease Rate: ➡ Lease Activity: ➡



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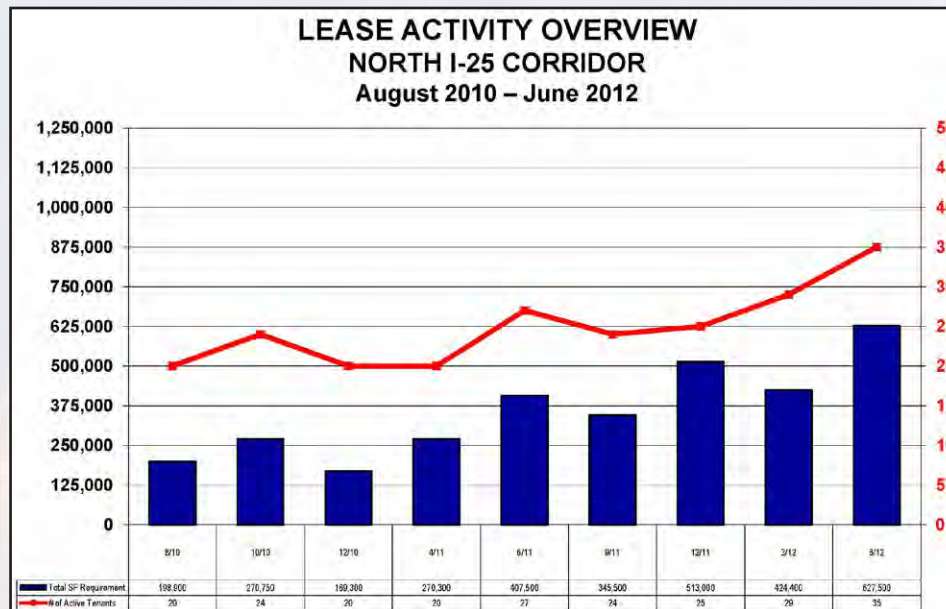
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# MARKET STATISTICS

## COLORADO SPRINGS CLASS-A OFFICE STATISTICS 2ND QUARTER 2012

Office Submarket	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
<b>NORTH I-25 CORRIDOR:</b>							
2ND Q 2012	6,310,806	1,603,937	65,093	25.42%	38,944	\$11.66	\$7.56
YTD 2012					73,729		
<b>AIRPORT (SOUTHEAST) AREA:</b>							
2ND Q 2012	1,508,990	711,836	14,868	47.17%	7,726	\$12.19	\$7.12
YTD 2012					440		
<b>CENTRAL BUSINESS DISTRICT:</b>							
2ND Q 2012	1,803,132	222,274	33,534	12.33%	29,945	\$14.75	\$8.20
YTD 2012					54,651		
<b>TOTAL CLASS A MARKET</b>							
TOTALS FOR 2ND Q 2012	9,622,928	2,538,047	113,495	26.37%	76,615	\$12.87	\$7.63
TOTALS YTD 2012					128,820		

OVERALL - VACANCY RATE: 26.37%; AVAILABILITY RATE (includes sublease space): 27.55%



## SIGNIFICANT TRANSACTIONS

### SIGNIFICANT SALE/LEASE TRANSACTIONS

BUILDING NAME	ADDRESS	TENANT/BUYER	SQUARE FEET	LEASE/SALE
<b>SALE TRANSACTIONS</b>				
555 Middle Creek Pkwy	555 Middle Creek Parkway	Compassion International	205,000	\$15,750,000
Pine Creek Village	9475 Briar Village Point	Real Capital Solutions	83,353	\$8,940,000
Federal Express	5550 Tech Center Drive	Outreach, Inc.	63,204	\$3,200,000
<b>LEASE TRANSACTIONS</b>				
Platte Airpark	320 & 440 Wooten Road	The Boeing Company	62,983	Lease
Medical Pavilion at Briargate	4105 Briargate Parkway	Front Range Orthopedics	29,548	Lease
Chapel Hills Atrium	1125 Kelly Johnson Blvd.	CareCore National	21,679	Lease
522 E Pikes Peak Avenue	522 E Pikes Peak Avenue	Digital Imaging	5,995	Lease
Plaza 25	3730 Sinton Road	Kaman Aerospace	3,725	Lease



## FEATURED PROPERTIES



Garden Gateway Plaza  
1365 Garden of the Gods Road  
17,729 SF For Lease (divisible)



Lexington Center  
7899 Lexington Drive  
75,272 SF For Sale  
Investor/ Owner-User



Corporate Center at Briargate  
2060 Briargate Parkway  
7,550 SF For Lease (divisible)



Chapel Hills Atrium  
1125 Kelly Johnson Boulevard  
14,535 SF For Lease



Briargate Tech Center  
2375 Research Parkway & 8415 Explorer Drive  
79,072 SF For Lease (divisible)



Verizon  
2424 Garden of the Gods Road  
105,000 SF For Lease (divisible)



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# MEDICAL OFFICE MARKET

2ND QUARTER 2012							
	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Average Lease Rate	NNN Exp.
Colorado Springs MOB Market	1,522,817	311,768	2,292	20.47%	34,398	\$16.18	\$8.88
OVERALL - VACANCY RATE: 20.47%; AVAILABILITY RATE (includes sublease space): 20.62%							

The Colorado Springs MOB market has continued to show increased signs of strength throughout the first half of 2012. While the national medical market has and will continue to be affected by the overall health insurance payee/payor issues facing the country and many medical practices are taking a guarded approach to the future, we are seeing signs of stabilization locally as many users are active in the market and looking to secure space and be operational before year end 2012.

Despite the general uncertainty of healthcare in the country and the ultimate outcome of the Memorial Hospital transition to the University Health System locally, there has been a continued shift for practices to either relocate their practices in the northern part of town or open additional offices in order to service a growing market in North Colorado Springs. In almost every instance this is resulting in positive absorption of existing MOB inventory. Within the last 6 years, both St. Francis (Centura) and Memorial Hospital have built and opened competing hospitals in the northern 'growth corridor' of the city. While it has taken a few years (in no doubt in large part attributable to the economy), many medical users are finalizing transactions either on or near campuses (such as the recent transaction with Front Range Orthopedics for 29,548 square feet in Healthcare Realty Trust's project in Briargate).

Lease rates for medical office buildings generally range from \$17.00-\$21.00 per rentable square foot on new construction, and \$14.50-\$16.50 for second generation properties. 2nd Quarter 2012 numbers show an average asking lease rate of \$16.18 per square foot and absorption of 34,398 square feet, mainly attributable to the Front Range Orthopedics lease at Medical Pavilion at Briargate referenced above.

As we look into the balance of 2012, we forecast the medical market continues its stabilization and expect to see vacancy rates decrease as the newer first generation buildings constructed on or near the Memorial and Penrose Campuses fill up with tenants expanding in the northern part of town. Currently there are approximately 6 users active in the market totalling in excess of 75,000 square feet in new lease activity, which we anticipate will land before the end of the year. The YTD lease activity in 2012 has already lead to positive absorption and we expect that trend to continue through the rest of the year. While we don't anticipate the sentiment of uncertainty to change in 2012, there will be increased demand for space and limited speculative product that will



Union Medical  
Campus



Medical Pavilion  
at Briargate



NorthCare  
at St. Francis



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