

QUICK STATS

	2Q20	2Q19	1Q20
Vacancy	11.93%	▼	▲
Lease Rates	\$16.54	▲	▲
Net Absorption	59,151	▼	▲

HOT TOPICS

- After two months of slowing sales, the Colorado Springs-area housing market rebounded in June with a 2% YoY increase of single-family home sales
- Several hundred new residential units have been proposed for downtown over the next three years. New projects in the pipeline include a 320-unit apartment complex at Pikes Peak & Wahsatch, a 154-unit, two-building apartment project northwest of Vermijo & Wahsatch, a 217-unit Pikes Peak Plaza apartments northwest of Pikes Peak & Prospect, a 200-unit apartment project southwest of Cimarron & Sahwatch, and a 187-unit Parkside multifamily housing development along the east edge of America the Beautiful Park
- Ground was broken for the indoor 3,400-seat Robson Arena at Colorado College and the 8,000 seat outdoor Colorado Sports and Event Center, the future home of the Switchbacks soccer team. Both arenas are scheduled to be completed in 2021.
- Peterson Air Force Base will be home to U.S. Space Command for at least the next six years



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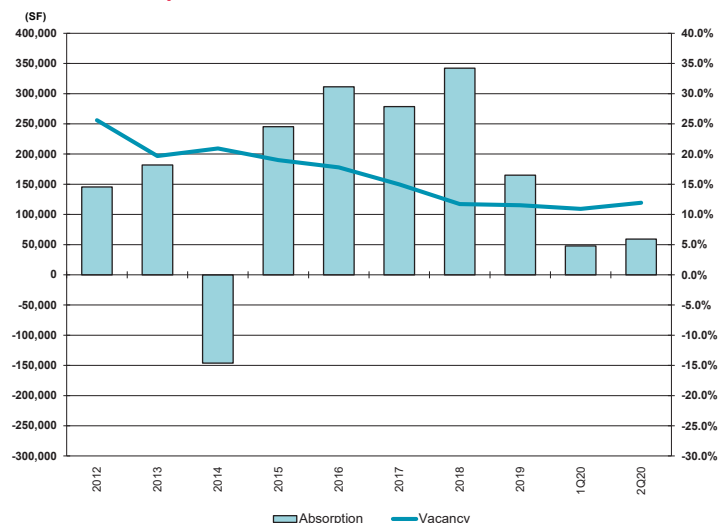


CLASS A/B OFFICE MARKET OVERVIEW

2020 is certainly not the year anyone anticipated and forecasting how the year may conclude seems naive, but at this point it is fair to say the Colorado Springs commercial office market has weathered the storm with little impact. While activity amongst traditional office users is light, and many still work remotely from home, there have been few cases to-date of tenants looking to vacate or give back space and things appear to be picking up! Throughout the first half of 2020 activity amongst defense contractors has been brisk, which has had the most impact on the Airport submarket but has also overflowed to the North I-25 submarket; this lease activity and absorption will cushion any negative effects of COVID-19 in these submarkets, and the CBD submarket seems steady for now. Overall vacancy rates for the market are up slightly in the first half of the year due to two larger blocks in the North I-25 submarket being vacated, while lease rates and absorption have showed positive trends in the first half with average rates up \$.31/foot and overall positive absorption of 107,119 square feet registered. Given current activity in the market we anticipate the year to continue experiencing overall positive absorption, and lease rates to stay steady and likely improve.

As of early July, total COVID-19 cases in El Paso county stand at 3,100. Outside of people wearing masks, the city of Colorado Springs 'feels' fairly normal. While cases are spiking elsewhere in the country, which gives some uncertainty to the overall picture, the local economy continues to be healthy, with residential real estate very strong, unemployment low, new construction of everything from residential, apartments, hotels, and office building's still on track and with more planned. While we are certainly not immune to the overall impact of the COVID-19 crisis, and the retail market has been adversely impacted, we forecast a general optimism for both the short and long-term outlook for the city. Space Command is appearing to have a positive impact with numerous GSA and DoD groups seeking larger blocks of space and drawing new employment to the city with high paying jobs. The residual impact of this will keep Colorado Springs on a very positive trajectory.

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 2020	4,366,829	661,730	80,979	15.15%	(3,510)	\$16.56	\$8.48
YTD 2020					23,782		
AIRPORT (SOUTHEAST) AREA:							
2nd Quarter 2020	1,404,317	160,107	8,885	11.40%	49,399	\$16.25	\$7.89
YTD 2020					55,825		
CENTRAL BUSINESS DISTRICT:							
2nd Quarter 2020	1,994,054	104,551	4,052	5.24%	13,262	\$16.72	\$9.42
YTD 2020					27,512		
TOTAL CLASS A MARKET:							
TOTALS FOR 2nd Q 2020	7,765,200	926,388	93,916	11.93%	59,151	\$16.54	\$8.61
TOTALS YTD 2020					107,119		

 **11.93%**
Direct Vacancy Rate

 **13.14%**
Overall Vacancy Rate

SIGNIFICANT TRANSACTIONS

BUILDING NAME	ADDRESS	TENANT	SQ FT	QTR
LEASE TRANSACTIONS				
Newport Business Park	1050 N Newport Rd	<i>Undisclosed</i>	31,834	2nd
2424	2424 Garden of the God Rd	GSA	23,508	2nd
Northcare at St. Francis	6071 E Woodmen Rd	Catholic Health Initiatives	20,828	1st
Patriot Park I	985 Space Center Dr	Jacobs Technology	15,491	1st
Corporate Pointe	1975 Research Pkwy	ASRC Federal	13,166	1st
Epic One	10807 New Allegiance Dr	Akima	12,332	2nd
1055 Newport	1055 N Newport Rd	ENSCO	8,920	2nd
Union Medical Campus (MOB)	1625 Medical Center Pt	Aspire Allergy & Sinus	7,362	2nd
4194 Royal Pine	4194 Royal Pine Dr	North Springs OBGYN	6,500	2nd
Briargate Tech	2375 Telstar Dr	Synergy Manual PT	6,400	2nd
BUILDING NAME	ADDRESS	SALE PRICE/PER SF	SALE TYPE	QTR
SALE TRANSACTIONS				
Union Medical Campus (MOB)	1625-1644 Medical Center Pt	\$33,630,000/\$225.06	Investor	2nd
Centennial Technology Center	4820 & 4920 Centennial Blvd	\$15,000,000/\$135.86	Investor	1st
One Commerce	7222 Commerce Dr	\$10,570,000/\$133.76	Investor	1st
Powers Professional II	6160 Tutt Blvd	\$8,240,000/\$231.83	Investor	1st
Corporate Centre	6760 Corporate Dr	\$6,250,000/\$138.41	Investor	1st
Patriot Park II	980 Technology Ct	\$3,219,000/\$96.99	Investor	1st



PALMER CENTER

2 North & 90 South Cascade Avenue
924-8,826 RSF
Join Wells Fargo, Bluestaq, UBS & More

FEATURED OFFICE PROPERTIES



THE CAMPUS @ PATRIOT PARK

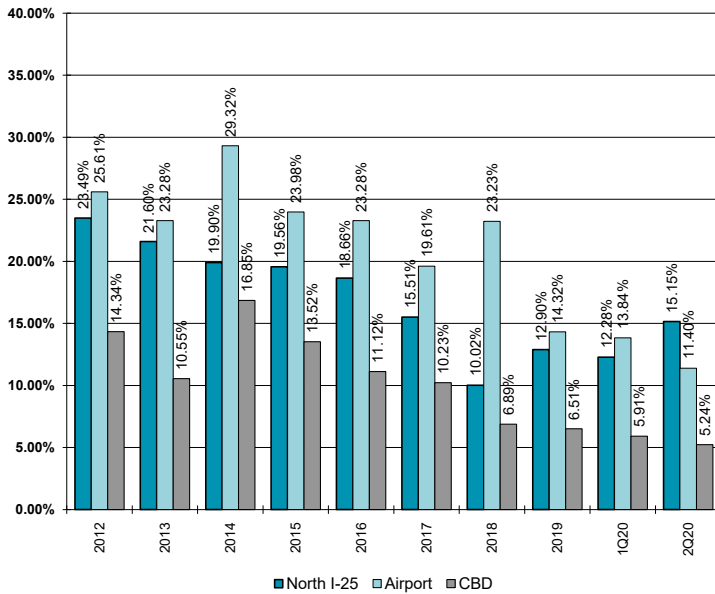
Colorado Springs' Newest Development
400,000± SF
Build-to-Suit or Lead Tenant



BRIARGATE RESEARCH

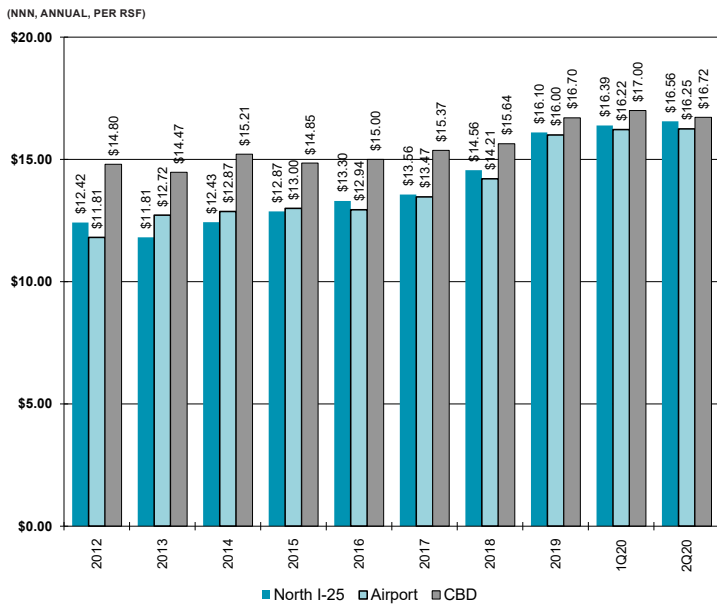
2025 & 2075 Research Parkway
7,816-53,183 RSF
Single-story Office Building

CLASS A/B VACANCY



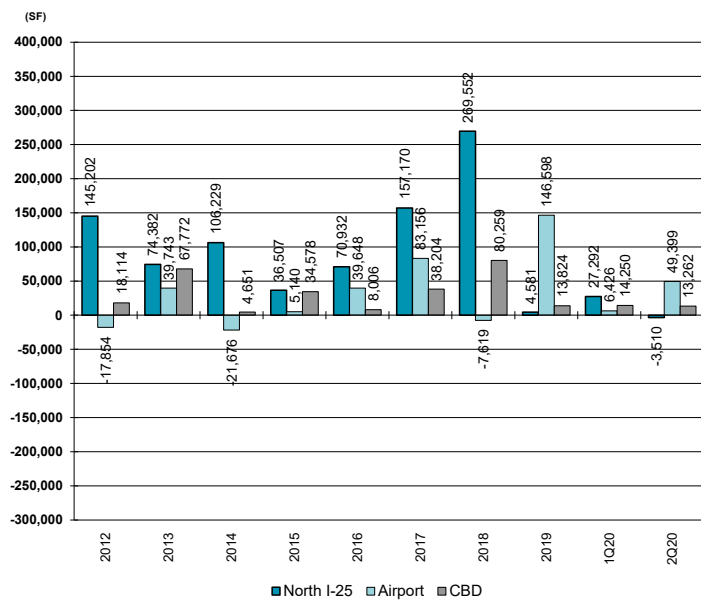
Vacancy rates rose slightly in the first half of 2020 from 11.52% for year-end 2019 to 11.93%. The numbers reflect two larger vacancies created by tenants vacating approximately 50,000 square feet in the North I-25 submarket. The Airport submarket dropped from 14.32% for year-end 2019 to 11.40% and the CBD submarket dropped from 6.51% for year-end 2019 to 5.24%. The market is tight although some fallout from COVID-19 is expected in the second half of 2020, which is not anticipated to adversely affect the overall market.

CLASS A/B LEASE RATES



Lease rates continue to escalate, with the highest-end Class A properties in the low \$20's per square foot and new construction in the high \$20's. Average lease rates jumped slightly in the first half of the year to \$16.54 per square foot market-wide. We expect these numbers to hold steady in the CBD and North I-25 submarkets and increase in the Airport submarket, where DoD activity is strong and vacancy rates are plummeting. There are significant new construction projects being planned and these projects should further bolster lease rates.

CLASS A/B ABSORPTION




Year-to-date absorption was a positive 107,119 square feet, with all three submarkets posting positive figures for the first half of the year, with the Airport submarket posting the strongest numbers. While some softening could occur in the second half of the year, overall activity suggests it won't be significant and any vacancy created should be fairly quickly leased.

MEDICAL OFFICE MARKET STATISTICS

2nd QUARTER 2020

TOTAL BLDG SF	AVAILABLE SF	SUBLEASE SPACE	VACANCY RATE	YTD ABSORPTION	LEASE RATE	NNN EXP.
1,720,998	140,076	2,289	8.14%	62,131 SF	\$18.73	\$9.84

 **8.14%**
Direct Vacancy Rate

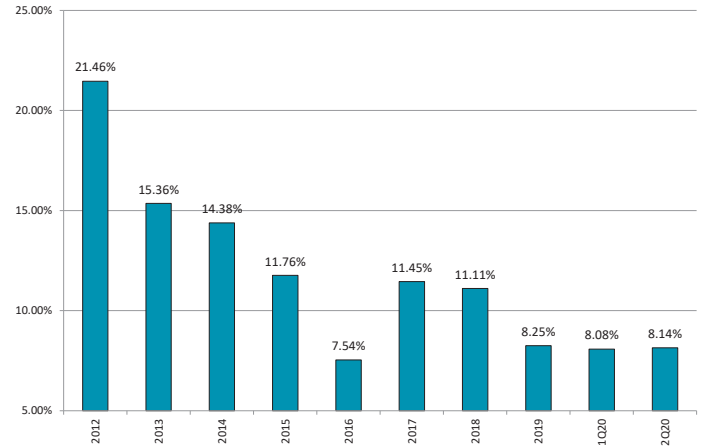
 **8.27%**
Overall Vacancy Rate

MEDICAL OFFICE MARKET OVERVIEW

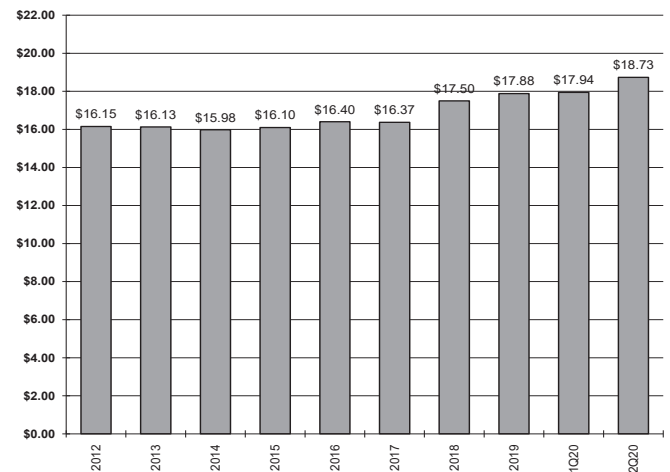
The medical office market has remained very strong through the first half of 2020. With the last speculative construction being almost 12 years ago in 2008/2009, the existing MOB market has remained very tight with sub-9% vacancy rates for the last several years. With the steady improvement in the market (pre-COVID-19), we are seeing multiple projects that are ready to break ground on a speculative basis with 30%-60% prelease requirements. 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 2020. During the 2nd Quarter, in the midst of the COVID-19 pandemic, MBRE purchased Union Medical Center (2nd generation MOB space) for \$225 per-square-foot or \$33.63M.

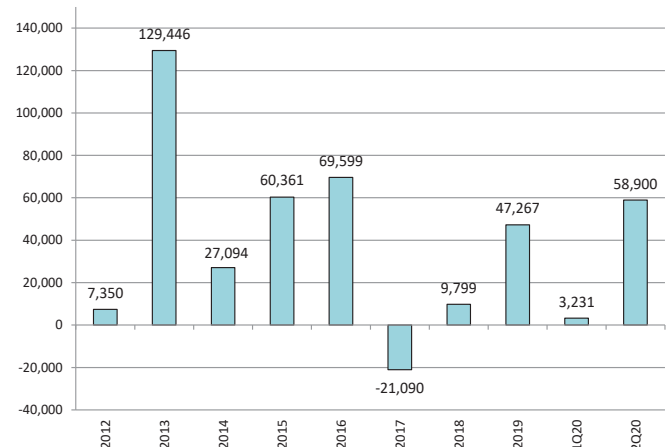
VACANCY



LEASE RATES



ABSORPTION



FEATURED MEDICAL PROPERTIES



PINE CREEK MEDICAL CENTER
4160 Royal Pine Dr
5,000-45,000 SF
Coming soon!



UNION MEDICAL CAMPUS
1625 Medical Center Pt
1,470-12,736 SF
New ownership