

QUICK STATS

	2Q22	1Q22	2Q21
Vacancy	11.30%	▼	▼
Lease Rates	\$17.51	▲	▲
Net Absorption	65,350	▲	▲

HOT TOPICS

- *Colorado's unemployment rate fell from 3.6% in April to 3.5% in May. The seasonally adjusted rate, 3.5%, is now the lowest it has been since the start of the COVID-19 pandemic.*
- *There have been 177 permits issued for 6,937 apartments in El Paso County from 2021 through June 30th of this year — one of the biggest waves of multifamily development in the last 20 years and almost as many units proposed from 2016-2020 altogether.*
- *There were 355 single-family building permits issued in May, a nearly 20% increase over the same month last year. Through the first five months of 2022, single-family permits totaled 1,907, a 6.6% decline over the same period in 2021.*
- *The median price of homes sold rose 10% in June over the same month last year to reach a record high of \$495,000, from \$487,000 in May, the fifth consecutive month of record prices for the area.*
- *Colorado Springs ranks as the nation's No. 2 city in annual Best Places to Live report.*



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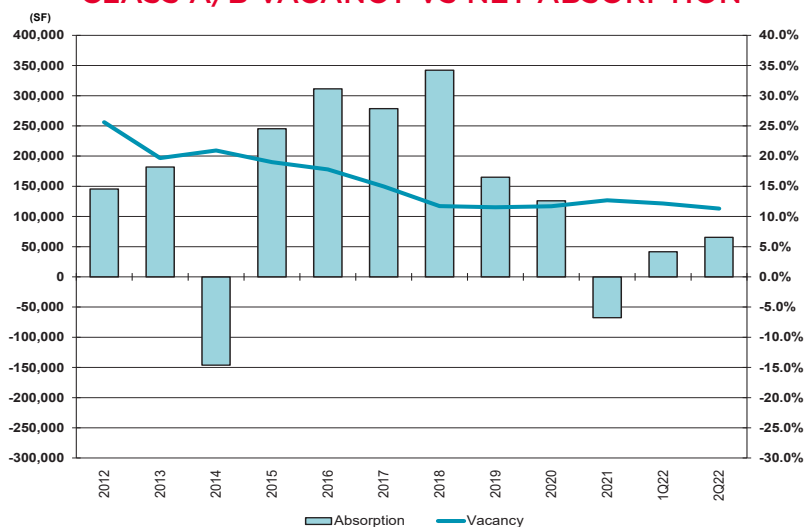


CLASS A/B OFFICE MARKET OVERVIEW

As we have been forecasting for the last few quarters, we anticipated 2022 to be a year of transition in the Colorado Springs office market. That said, unlike many other major markets where vacancy rates have spiked and or the market was overbuilt prior to going in to March 2020, Colorado Springs has remained quite stable throughout the pandemic. We ended 2021 in the fourth quarter with an overall vacancy rate of 12.68% and an average asking lease rate of \$17.20 per square foot. When we look at second quarter numbers we've actually decreased vacancy to 11.30% and increased the average asking rates to \$17.51 per square foot. The vast majority of the tenant activity in the last 36 months has been from users in the under 7,000 square-foot range, except for transactions with the DoD tenants that have remained extremely active for the past 3+ years. As it is true in most markets, the large blocks of call center space have remained very stagnant and we do anticipate additional blocks of space becoming available later this year. In Colorado Springs, the combination of the market not being overbuilt, along with a very high-paced residential influx to the market and a stable of companies with a "back to the office" philosophy has all lead us to a fairly stable and predictable office market.

All of this is not to say we are out of the woods as we do see headwinds in the next 12 months ahead, but we do not anticipate any major shifts in the stability of the market.

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 2022	4,366,829	660,544	258,248	15.13%	71,034	\$17.37	\$9.03
YTD 2022					107,499		
AIRPORT (SOUTHEAST) AREA:							
2nd Quarter 2022	1,404,317	92,383	6,390	6.58%	9,845	\$18.41	\$7.93
YTD 2022					10,933		
CENTRAL BUSINESS DISTRICT:							
2nd Quarter 2022	1,994,054	124,597	20,870	6.25%	(15,529)	\$17.08	\$9.72
YTD 2022					(11,553)		
TOTAL CLASS A MARKET:							
TOTALS FOR 2nd Q 2022	7,765,200	877,524	285,508	11.30%	65,350	\$17.51	\$8.99
TOTALS YTD 2022					106,879		

 **11.30%**
Direct Vacancy Rate

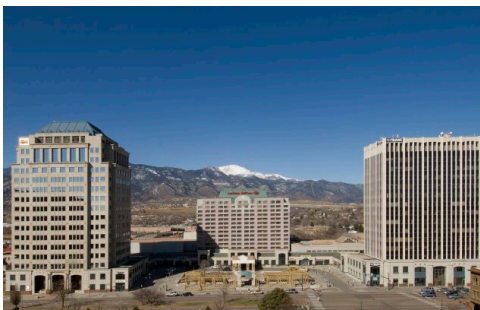
 **14.98%**
Overall Vacancy Rate

SIGNIFICANT TRANSACTIONS

BUILDING NAME	ADDRESS	TENANT	SQ FT	QTR
LEASE TRANSACTIONS				
Interquest Office	10125 Federal Drive	Undisclosed	165,831	2nd
2424	2424 Garden of the Gods Road	Undisclosed	23,416	1st
Patriot Park VII	565 Space Center Drive	Department of Veterans Affairs	15,154	2nd
Aerotech R&D	1925 Aerotech Drive	Leidos	15,113	1st
Patriot Park I	985 Space Center Drive	Tyto Athene	9,610	2nd
Synergy Corporate Center	5225 N Academy Boulevard	Synergy Realty Group	11,553	1st
Briargate Office Center	1755 Telstar Drive	Northpointe Bank	7,505	2nd
Briargate Medical	4105 Briargate Parkway	US Fertility	6,830	2nd
Colorado Square	2 N Nevada Avenue	Welkin Sciences	6,646	1st
Foothills Farm Office Park	9524 Federal Drive	Family Care Center	5,000	2nd

BUILDING NAME	ADDRESS	SALE PRICE/PER SF	SALE TYPE	QTR
SALE TRANSACTIONS				
Interquest I-IV	9925-9960 Federal Dr	\$32,700,000/\$135.55	Investor	2nd
Portfolio (2 properties)	719 & 2920 N Cascade Avenue	\$13,680,000/\$594.24	Investor	2nd
Woodland Office Park #4	7250 Campus Drive	\$11,250,000/\$150.16	User	2nd
5825 Delmonico	5825 Delmonico Drive	\$7,950,000/\$200.40	Investor	2nd
731 Chapel Hills	731 Chapel Hills Drive	\$7,000,000/\$138.69	Investor	2nd
660 Southpointe	660 Southpointe Court	\$6,050,000/\$205.38	Investor	1st

FEATURED OFFICE PROPERTIES



PALMER CENTER
2 N & 90 S Cascade Avenue
Up to 44,000± RSF
Largest contiguous space in Downtown

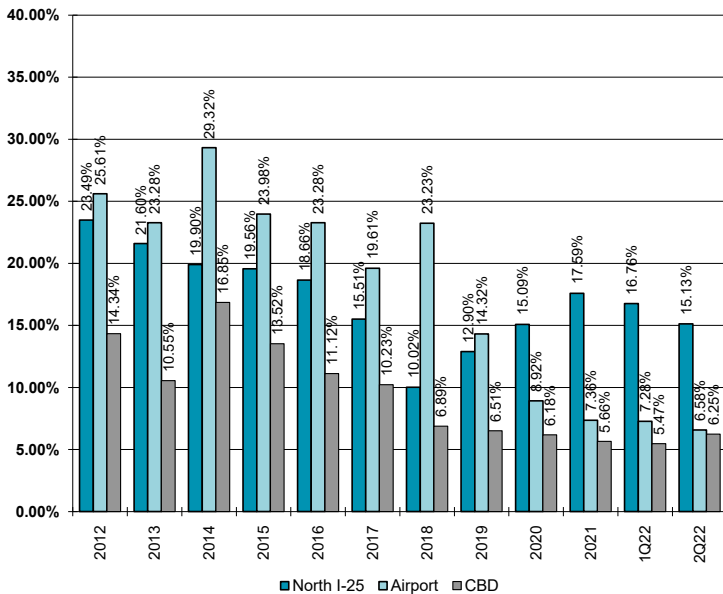


1055 NEWPORT
1055 N Newport Road
5,292-31,190 RSF
New ownership, Class A office, SCIF



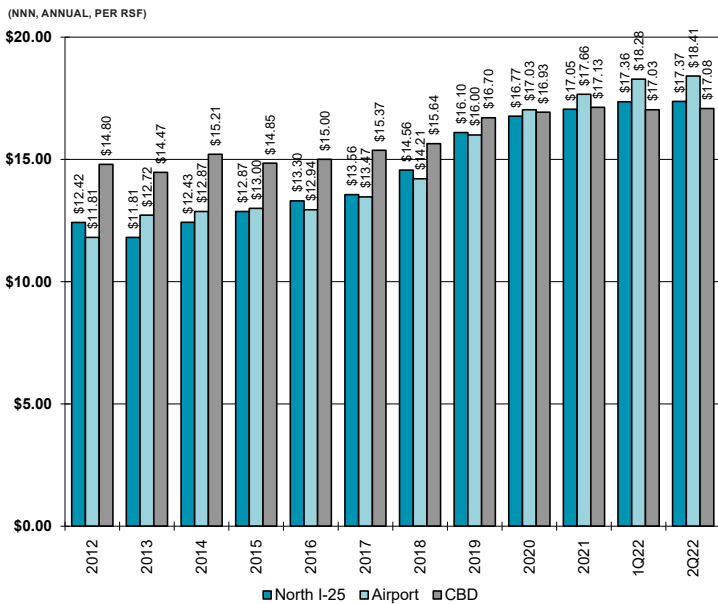
INTERQUEST I, II, & IV
9945, 9925, & 9960 Federal Drive
8,000-43,991 RSF
Highest quality, single-story in the market

CLASS A/B VACANCY



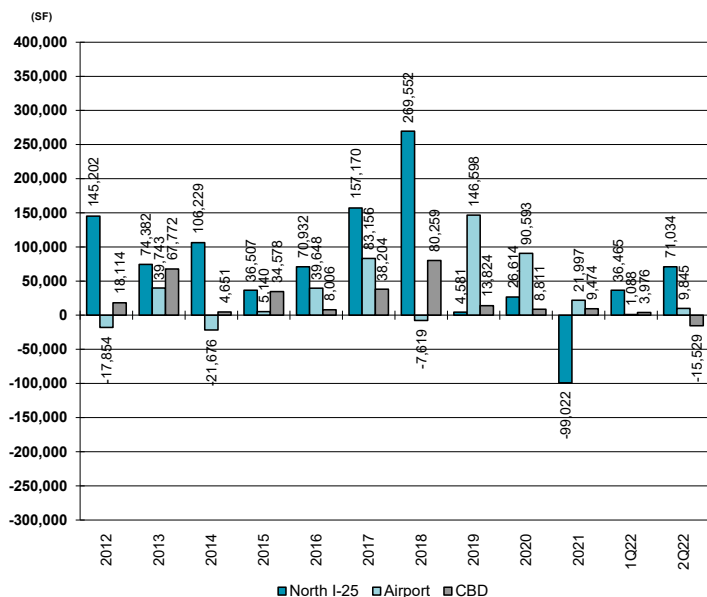
Vacancy rates went down in the first half of the year to 11.30% from 12.68% for year-end 2021. The decrease is largely due to two larger deals; one in the North I-25 submarket which dropped vacancy from 17.59% for year-end 2021 to 15.13%, and one in the Airport submarket which reduced vacancy from 7.36% from year end 2021 to 6.58%. The CBD market remained stable, with a modest uptick in vacancy from 5.66% from year end 2021 to 6.25%. Activity in the Airport submarket remains strong and we forecast vacancy rates continuing to drop in the second half of the year. We do anticipate some larger tenants vacating space in the CBD and North I-25 markets 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 \$18.41 per square foot 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 second half of the year as landlords take a more wait-and-see approach on any fallout from COVID-19 and with some pending vacancy on the horizon. 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




The overall market saw positive absorption of 106,879 square feet during the first half of the year. This was not the case in the CBD, which registered negative absorption of 11,553 square feet. We expect the CBD to soften in the second half of the year with some larger vacancies being created, but historically the submarket has been very stable and strong, and we anticipate this to return in 2023. The Airport market will continue to see positive absorption through the second half of 2022 and that will likely cause a positive spill to the other submarkets as tenants run out of options for leasing. Lease activity seems to be softening, but with limited new construction we expect the market to stay healthy and we do not foresee year-end numbers being significantly off from year-end 2021.

MEDICAL OFFICE MARKET STATISTICS

2nd QUARTER 2022

TOTAL BLDG SF	AVAILABLE SF	SUBLEASE SPACE	VACANCY RATE	YTD ABSORPTION	LEASE RATE	NNN EXP.
1,715,361	150,259	1,823	8.76%	13,138 SF	\$20.03	\$11.00

 **8.76%**
Direct Vacancy Rate

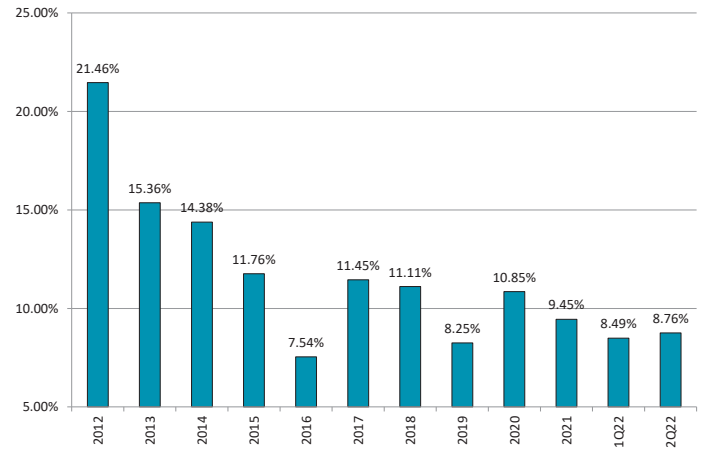
 **8.87%**
Overall Vacancy Rate

MEDICAL OFFICE MARKET OVERVIEW

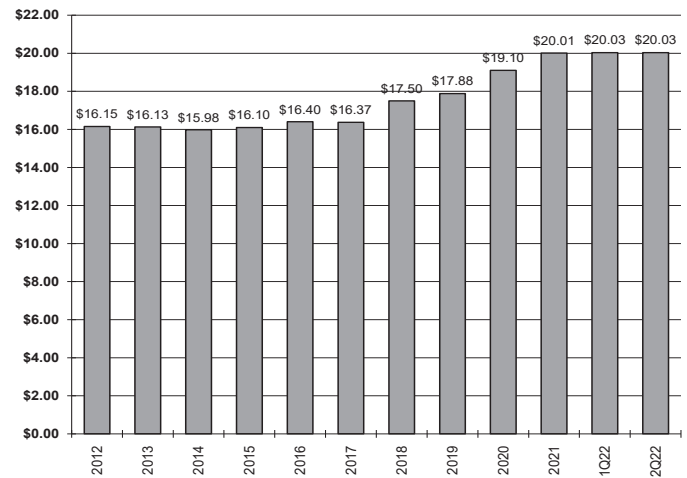
The medical office market has remained very strong through 2022, year-to-date, despite a very uncertain time in the general economy and healthcare. With the last speculative construction being almost 12 years ago in 2008/2009, the existing MOB market has remained very tight. With the steady improvement 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.

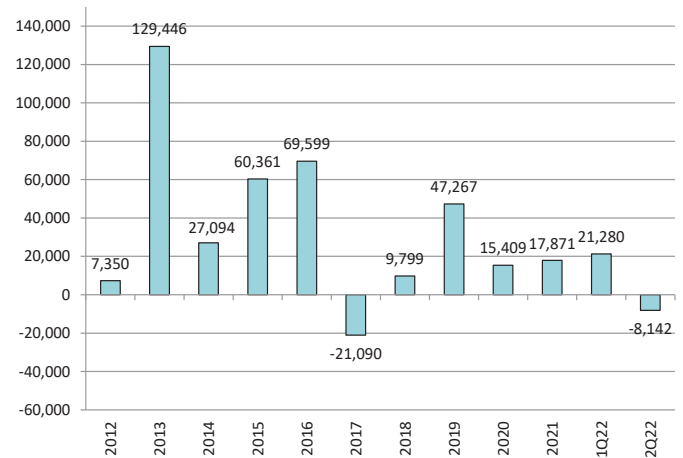
VACANCY



LEASE RATES



ABSORPTION



FEATURED MEDICAL PROPERTIES



WOODMEN MEDICAL PLAZA
7435 Sisters Grove
1,605-51,091 SF

Under construction, adjacent to Penrose-St. Francis Hospital



PENROSE PAVILION
2312 N. Nevada Avenue
2,506 SF

Connected to Penrose Hospital, Class-A interior and finish

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