

Quick Stats

	Change from last		
	4Q18	Yr.	2Q18
Vacancy	11.71%	▼	▼
Lease Rates	\$14.76	▲	▲
Net Absorption	118,997	▲	▼

Hot Topics

- Ent Credit Union announces plans to start building a 300,000-square-foot headquarters near Interquest Parkway and I-25
- The Pentagon announces plans to re-establish the U.S. Space Command, with Colorado Springs being noted by several lawmakers as the likely location of the new space command
- The Colorado Springs area saw a 5.2% job growth, adding nearly 15,000 jobs and giving the region the 4th hottest job market in the country. Unemployment was 3.6% in October, slightly below the national rate.
- Colorado Springs Airport to sell 88 acres to an undisclosed Fortune 500 company with plans to build two warehouse-distribution centers, resulting in "significant job creation"
- Single-family home prices in Colorado Springs shot up by 11%, sales for the year were the 2nd best on record and 3,856 building permits were issued (the most since 2005). Trulia ranks Colorado Springs' housing market as the No. 1 market poised for growth in 2019.



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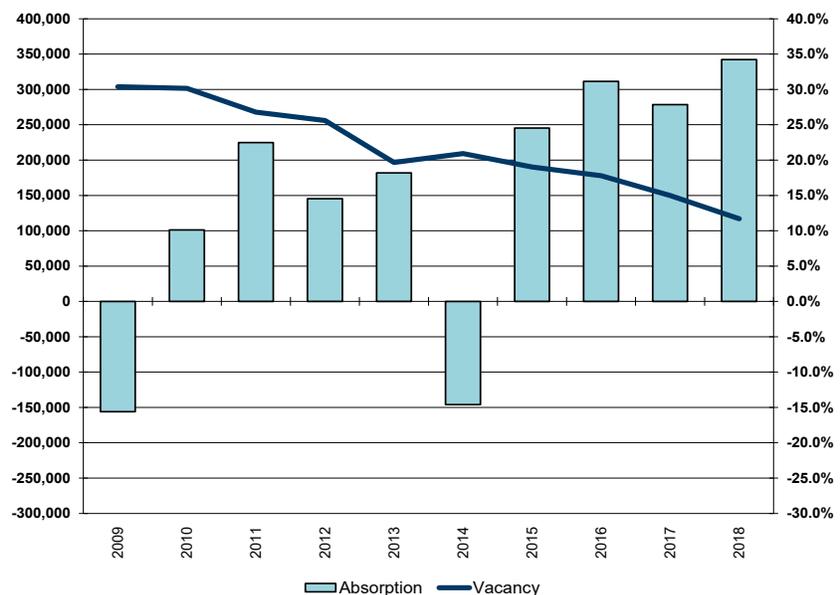
Class A/B Office Market Overview

The Colorado Springs Office Market ended 2018 with 342,000 square feet of positive absorption, and an overall vacancy rate of 11.71%. The absorption figured reflect an eight-year trend and are in line with 2017 and 2016 absorption rates of 278,000 and 311,000 square feet. Vacancy rates continue to decline, and are down significantly from year-end 2016 which closed at 18%. New construction, at a modest level and on a more build-to-suit basis, is being contemplated and delivery is expected to occur in 2020. The last speculative buildings were delivered in 2008 and overall market conditions suggest we should see new product in 2021. This is good news for existing landlord's as all signs indicate we will continue to see the market tighten in 2019 and lease rates continue to escalate at a rapid pace.

Despite all of the positive news there have been some larger tenants announcing their intent to vacate space and delivering bigger blocks, larger than 30,000 square feet, back to the market. Activity in this segment is robust and its reasonable that some of these vacancies will not register as such, before being released. This speaks to both the health of the market from overall activity, as well as the limited number of quality options that exist. There are a few buildings with the ability to deliver 100,000 square feet or greater, and while that type of requirement may come from within the market through a consolidation, the market remains attractive to outsiders who view Colorado Springs as a good place to call home. Rumors have been swirling about the pending announcement of some major new companies and employers to the city and we expect that to occur early in 2019.

All other indicators, from unemployment figures to housing starts and median home prices, continue to reflect a very healthy economy for Colorado Springs. Yet the city remains an economical alternative to Denver, which we anticipate helping to fuel growth for the foreseeable future. Should programs like U.S. Space Command come to Colorado Springs, it will only add to the diversity and growth of the city. 2019 looks to be another very good year.

Class A/B Vacancy Rate VS Net Absorption



Market Statistics

COLORADO SPRINGS CLASS A OFFICE STATISTICS 4 th QUARTER 2018							
	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
NORTH I-25 CORRIDOR:							
4 th Q 2018	4,464,608	447,295	156,163	10.02%	90,966	\$14.56	\$8.05
YTD 2018					269,552		
AIRPORT (SOUTHEAST) AREA:							
4 th Q 2018	1,491,894	346,595	0	23.23%	21,305	\$14.21	\$7.60
YTD 2018					(7,619)		
CENTRAL BUSINESS DISTRICT:							
4 th Q 2018	1,994,054	137,314	8,902	6.89%	6,726	\$15.64	\$8.70
YTD 2018					80,259		
TOTAL CLASS A MARKET							
TOTALS FOR 4 th Q 2018	7,950,556	931,204	165,065	11.71%	118,997	\$14.76	\$8.10
TOTALS YTD 2018					342,192		

OVERALL VACANCY RATE: 11.71%

AVAILABILITY RATE (includes sublease space): 13.79%

Significant Transactions

BUILDING NAME	ADDRESS	TENANT	SQUARE FEET	QTR
LEASE TRANSACTIONS				
Interquest IV	9960 Federal Dr	Western Digital	16,463	4 th
Epic One	10807 New Allegiance Dr	Mountain West Conference	14,071	3 rd
Epic One	10807 New Allegiance Dr	Applied Defense	11,653	3 rd
Colorado Square	2 N Nevada Ave	HighJump Software	11,000	3 rd
Colorado Square	2 N Nevada Ave	IAI	7,249	3 rd
Garden Gateway Plaza	1355 Garden of the Gods Rd	TMI	6,500	4 th

BUILDING NAME	ADDRESS	SALE PRICE	INVESTOR/ USER	QTR
SALE TRANSACTIONS				
Patriot Portfolio	13 Office Properties	\$125,250,000/\$122.78 psf	Investment	4 th
Corporate Pointe/Briargate Tech	1975 Research Pkwy; 2375 Telstar Dr; 8415 Explorer Dr	\$21,000,000/\$99.69 psf	Investment	3 rd
One Gateway Plaza	1330 Inverness Dr	\$11,750,000/\$103.80 psf	Investment	3 rd
Chapel Hills Atrium	1125 Kelly Johnson Blvd	\$11,075,000/\$139.64 psf	Investment	2 nd

Featured Office Properties



Interquest Office
10125 Federal Dr
191,181 SF For Lease

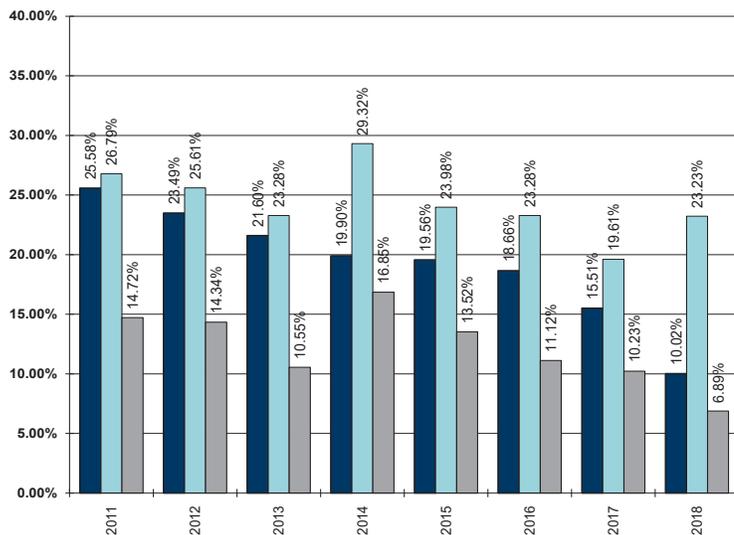


Patriot Park VI
655 Space Center Dr
103,970 SF For Lease



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

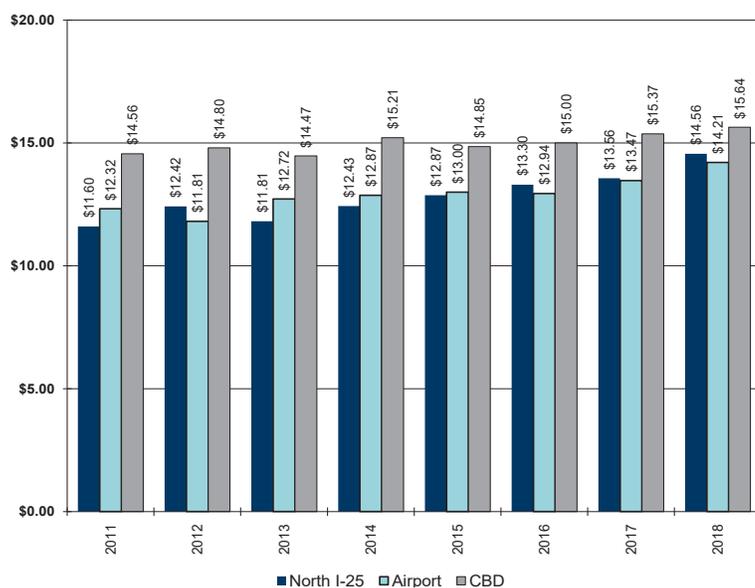
Class A/B Vacancy



VACANCY

Vacancy rates continued to decrease throughout the year, with the exception of the Airport submarket which was affected by Vectrus vacating 103,000 square feet and relocating north. Vacancy remains inflated by a number of buildings with available space of 100,000 square feet and greater, however, the majority of multi-tenant buildings have seen reduced vacancy. The level of activity in the market suggests the vacancy rate will continue to drop steadily in 2019 and construction will be supported.

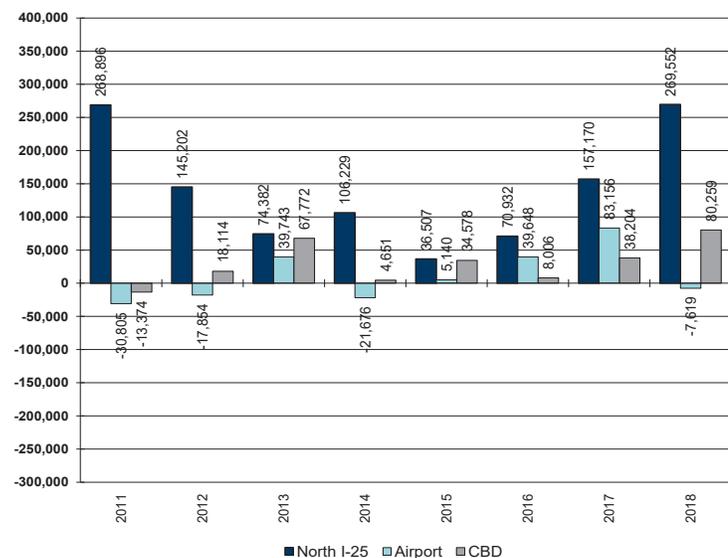
Class A/B Lease Rates (NNN/PSF)



LEASE RATES (NNN, Annual, Per RSF)

With the overall improving market, we continue to see most properties push lease rates up and hold the line in negotiations. Older, mid-80's generation buildings continue to pull the average down, but many of them are increasing their rates with the improving market; the CBD market is pushing \$21.00 and higher-quality suburban product is now closing in on \$19.00. We anticipate the overall average to increase through 2019.

Class A/B Absorption (SF)



ABSORPTION

Absorption continued to be strong in 2018, and we anticipate that to continue into 2019, despite the announcement of a few companies closing their operations. Tenants are continuing to have limited options and landlords are less willing to negotiate. As was previously mentioned, the leasing activity (not reflected in absorption numbers) was very strong in 2018 and all indicators are toward increased absorption and strong leasing activity throughout all three submarkets during the first half of 2019, driving the need for new construction.

Medical Market Statistics

4 th QUARTER 2018							
	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
Colorado Springs MOB Market	1,655,998	183,924	0	11.11%	(1,206)	\$17.50	\$9.13

OVERALL - VACANCY RATE: 11.11%

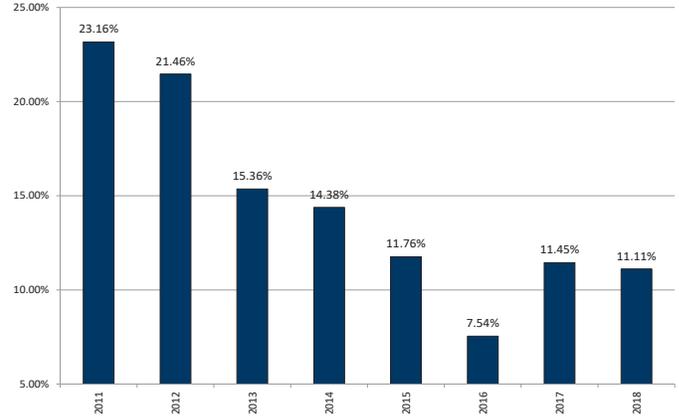
AVAILABILITY RATE (includes sublease space): 11.11%

Medical Office Market Overview

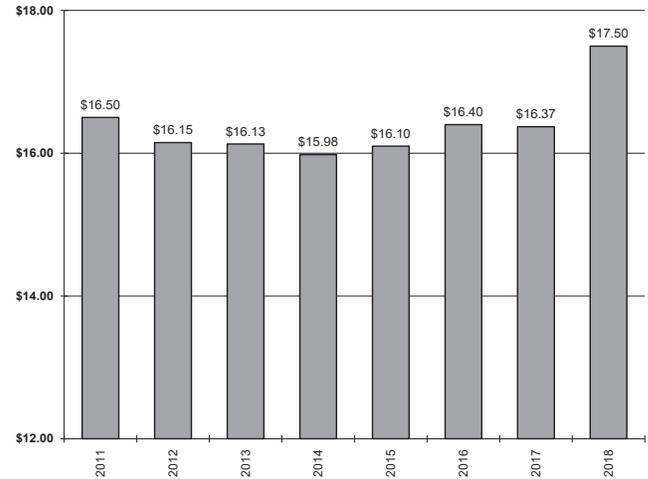
The medical office market remained very active throughout 2018. The key drivers in the market continue to be the acquisitions/consolidations of private practices by the larger systems and hospitals (UCH & Centura) as well as a fundamental continued shift to quality MOB assets in the northern part of Colorado Springs. Of the 11.11% vacancy rate that has dipped slightly since year-end 2017, the vast majority of the vacant space is in the central and southern part of the market. We do not anticipate any change in that trend.

While we have not yet seen the development of pure speculative MOB buildings in the market, there are several smaller projects (<60,000 SF) that we anticipate breaking ground in 2019.

Vacancy



Lease Rates (NNN/PSF)



Featured Medical Properties



Coming soon to St. Francis Campus



Union Medical Campus
1625-1644 Medical Center Pt.
1,470-8,366 SF For Lease

Absorption (SF)

