

## QUICK STATS

|                | 4Q23     | 3Q23                             | 4Q22 |
|----------------|----------|----------------------------------|------|
| Vacancy        | 13.05%   | ▼                                | ▲    |
| Lease Rates    | \$18.00  | ▲                                | ▲    |
| Net Absorption | (95,769) | ▲<br><small>4Q23 vs 3Q23</small> | ▼    |

## HOT TOPICS

- Colorado's unemployment rate remained at 3.3% in November, keeping below the national unemployment 3.7% rate.
- Home construction in the Colorado Springs area declined to its lowest level in just over a decade, while sales on the resale side of the market fell to a 9-year low. Pikes Peak Regional Building Department issued 2,259 single-family home permits, falling 26.4% from 2022 and nearly 50% from 2020. Sales for 2023 totaled 11,742, down 23% from 2022.
- The median price of homes sold in December, rose to \$455,000, a 3.2% increase from the same month in 2022, and the fourth straight month that prices increased on a year-over-basis after seven months of declines.
- Norwood Development Group has proposed the construction of downtown's first high-rise office project since the completion of the Plaza of the Rockies, which opened in 2001. The 12-story, 194,000 SF office building at the NEC of Cimarron and Sahwach streets. 30 West will feature a rooftop lounge, fitness center, and golf simulator.
- The smokestacks of the 100-year-old Martin Drake Power Plant will be gone from the downtown skyline by the end of 2024 as Colorado Springs Utilities continues its demolition of the plant.



### GREG PHANEUF

Principal  
+1 719 339 9062



### PETER SCOVILLE

Principal  
+1 719 330 8339



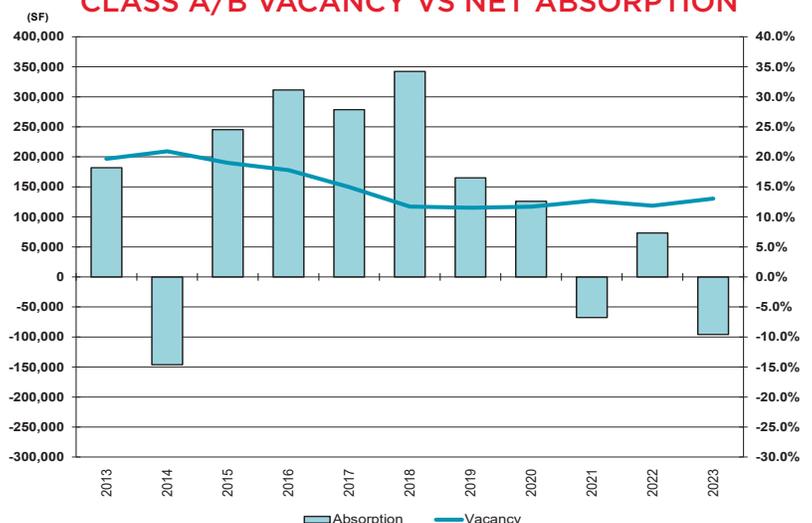
## CLASS A/B OFFICE MARKET OVERVIEW

2023 can be summarized as “more of the same,” meaning Colorado Springs’s steady upward trajectory continued despite climbing interest rates and the general malaise of the national office market. Vacancy rates trended up slightly from 11.87% to 13.05% for year-end, but so did asking lease rates which climbed from \$17.63 to \$18.00 year-over-year. The market did experience modest negative absorption, primarily due to the continued post-COVID fallout, but this number is not really reflective of a declining market. Underlying these figures is a market that remains active and healthy, and with the growing cost of retrofitting space and higher operating expenses figures, tenant’s occupancy costs are escalating. The investment market was impacted by higher interest rates - and property owners not being motivated to sell but concluding their positions will be improved by holding on and waiting for a future disposition. Consequently, we did not experience as many investment sales.

Overall news for the city of Colorado Springs continues to be positive as well. While the average cost of living is slightly above the national average it is offset by the high lifestyle quality. El Paso County, Colorado’s estimated 2024 population is 773,647, with a growth rate of 1.42% in the past year according to the most recent United States census data. El Paso County, Colorado is the largest county in Colorado. The 2010 population was 622,263 and has seen a growth of 24.33% since that time. This allows employers to continue to grow and attract a high-quality work force and grow their presence. This holds particularly true in the DOD industry, whose presence in Colorado Springs is bolstered by the continued local investment by Space Force and Space Command. This impact is changing the overall nature of Colorado Springs as well as the workforce transitions from one that was heavily call center and customer support-related, to a much higher paying tech related position.

As we look ahead and into 2024 we expect the first half of the year to continue to experience positive absorption, increasing lease rates, and the announcement of new office construction. The political environment may cause a pause to the second half of 2024, but overall we remain optimistic for both the city and an improving and more dynamic office 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. |
|-----------------------------------|----------------|--------------|----------------|--------------|------------|------------|----------|
| <b>NORTH I-25 CORRIDOR:</b>       |                |              |                |              |            |            |          |
| 4th Quarter 2023                  | 4,366,829      | 744,703      | 249,312        | 17.05%       | 8,612      | \$18.12    | \$9.27   |
| 2023                              |                |              |                |              | (132,103)  |            |          |
| <b>AIRPORT (SOUTHEAST) AREA:</b>  |                |              |                |              |            |            |          |
| 4th Quarter 2023                  | 1,404,317      | 74,862       | 0              | 5.33%        | 7,159      | \$19.06    | \$7.95   |
| 2023                              |                |              |                |              | 45,119     |            |          |
| <b>CENTRAL BUSINESS DISTRICT:</b> |                |              |                |              |            |            |          |
| 4th Quarter 2023                  | 1,994,054      | 193,421      | 24,530         | 9.70%        | (3,114)    | \$16.93    | \$10.29  |
| 2023                              |                |              |                |              | (8,785)    |            |          |
| <b>TOTAL CLASS A MARKET:</b>      |                |              |                |              |            |            |          |
| TOTALS FOR 4th Q 2023             | 7,765,200      | 1,012,986    | 273,842        | 13.05%       | 12,657     | \$18.00    | \$9.28   |
| TOTALS 2023                       |                |              |                |              | (95,769)   |            |          |

 **13.05%**  
Direct Vacancy Rate

 **16.57%**  
Overall Vacancy Rate

4Q23 vs 3Q23

## SIGNIFICANT TRANSACTIONS

| BUILDING NAME             | ADDRESS                    | TENANT                    | SQ FT  | QTR |
|---------------------------|----------------------------|---------------------------|--------|-----|
| <b>LEASE TRANSACTIONS</b> |                            |                           |        |     |
| North Creek III           | 5775 Mark Dabling Blvd     | Nooks                     | 57,727 | 2nd |
| 2424                      | 2424 Garden of the Gods Rd | Frontier Technology       | 47,077 | 2nd |
| Palmer Center             | 2 S Cascade Ave            | Bluestaq                  | 43,006 | 1st |
| Tech Center VI            | 5575 Tech Center Drive     | CACI                      | 42,648 | 3rd |
| 2424                      | 2424 Garden of the Gods Rd | LMI Consulting            | 35,420 | 4th |
| 9910 Federal              | 9910 Federal Drive         | Apogee Engineering        | 33,924 | 2nd |
| Palmer Center             | 90 S Cascade Ave           | Erickson, Brown & Kloster | 15,633 | 1st |
| Interquest I              | 9945 Federal Drive         | United Healthcare Group   | 15,225 | 4th |
| Corporate Pointe          | 1975 Research Pkwy         | Maxar Mission Solutions   | 10,850 | 3rd |
| The Presidio              | 1155 Kelly Johnson Blvd    | Galloway and Company      | 9,247  | 4th |

| BUILDING NAME            | ADDRESS                 | SALE PRICE/PER SF      | SALE TYPE  | QTR |
|--------------------------|-------------------------|------------------------|------------|-----|
| <b>SALE TRANSACTIONS</b> |                         |                        |            |     |
| Research One             | 8540 Scarborough Dr     | \$11,450,000/ \$267.71 | Investor   | 3rd |
| Patriot Park II          | 980 Technology Ct       | \$4,850,000/\$146.13   | Investor   | 4th |
| 2630 Tenderfoot Hill     | 2630 Tenderfoot Hill St | \$3,958,000/\$126.10   | Owner/User | 4th |
| 5085 List Dr             | 5085 List Dr            | \$2,000,000/\$106.17   | Investor   | 3rd |
| 1925 Dominion Way        | 1925 Dominion Wy        | \$1,450,000/\$120.55   | Investor   | 3rd |

## FEATURED OFFICE PROPERTIES



**PALMER CENTER**  
2 N & 90 S Cascade Avenue  
924-15,147 RSF  
*Class A office space in the heart of  
Downtown Colorado Springs*

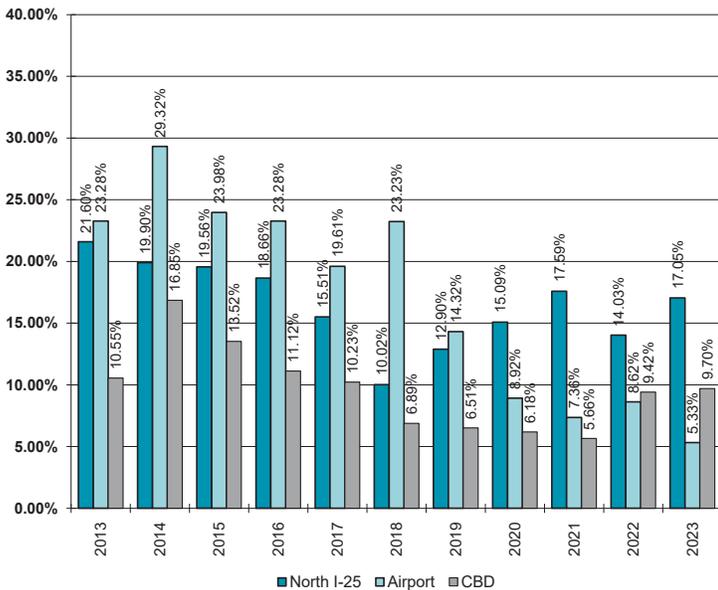


**CORPORATE POINTE**  
1975 Research Parkway  
3,301-13,931 RSF  
*Situated within the prestigious Briargate  
Business Campus*



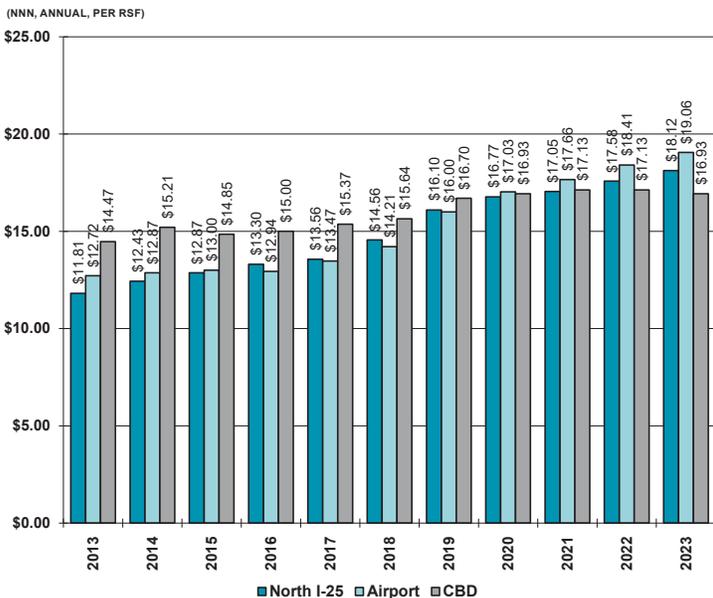
**COLORADO SQUARE**  
2 N Nevada Avenue  
569-15,558 RSF  
*Full floor available with stunning 360°  
views; new 4,860-SF spec suite*

## CLASS A/B VACANCY



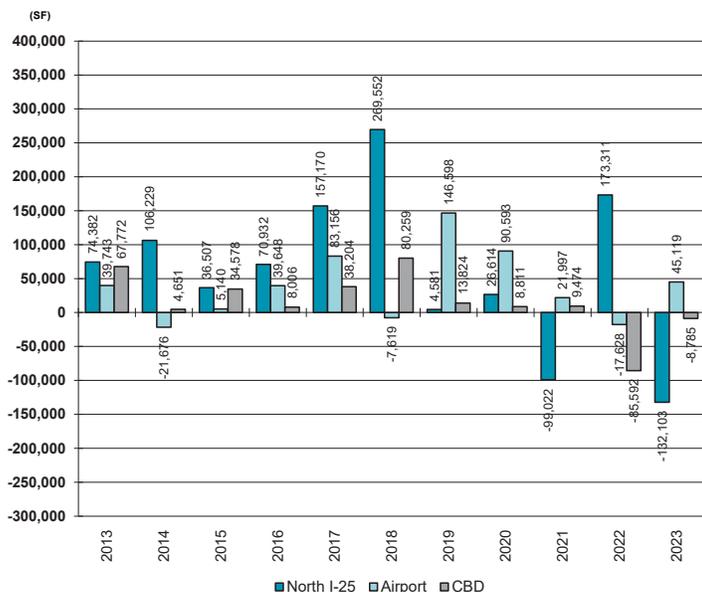
Vacancy rates remained fairly stable this past year, down slightly from 2022 year-end of 11.87% to 13.05% for 2023. Over the past three years vacancy has averaged 12.53%. While some larger blocks have hit the market, lease activity has been strong and space is quickly getting leased back up with both small and larger tenant requirements; however, tenants in the 10,000-20,000 SF range have been limited. The Airport submarket saw vacancy rates down over year-end 2022 to post in at 5.33%; while the North I-25 market was up significantly from 14.03% to 17.05%. All markets are tight for space and lease rates are beginning to justify new construction, which has been limited in scope to MOB and single-story offerings in the Airport market. Despite the higher rates these properties command interest has been strong and 2024 will see strong lease activity.

## CLASS A/B LEASE RATES



Average asking rates have climbed steadily in all submarkets with overall average asking rates of \$18.00 PSF, up from \$17.63 PSF for year-end 2022 and \$17.20 for year end 2021. With diminishing high quality vacancy we expect building owners to continue to push rates higher throughout 2024 as many building owners now seek rates in the low to mid \$20 PSF range, giving confidence to the overall market. While larger blocks of space remain in single story product and pull down the average, tenant improvement costs and the expectation of new construction will continue to drive rates up and require tenant's to contemplate longer, 5-10 year terms.

## CLASS A/B ABSORPTION



The overall market saw modest negative absorption of 95,769 SF for year-end 2023, reversing 2022's trend of positive absorption. This was the case in the CBD and North I-25 submarkets, which both posted negative absorption, and the Airport submarket realizing positive absorption. There continues to be modest fallout from the work-from-home concept. We anticipate the overall market to register positive absorption through the first half of 2024, with both the CBD and North I-25 markets seeing the strongest absorption, as the amount of active prospects seeking space in the first half of 2024 is strong. Lease activity remains healthy, and with limited new construction we do not forecast any long-term effects created by isolated cases of tenants downsizing or vacating space.

# MEDICAL OFFICE MARKET STATISTICS

4th QUARTER 2023

| TOTAL BLDG SF | AVAILABLE SF | SUBLEASE SPACE | VACANCY RATE | YTD ABSORPTION | LEASE RATE | NNN EXP. |
|---------------|--------------|----------------|--------------|----------------|------------|----------|
| 1,826,859     | 202,559      | 3,841          | 11.09%       | 30,004 SF      | \$20.92    | \$11.86  |

11.09%  
Direct Vacancy Rate

11.30%  
Overall Vacancy Rate

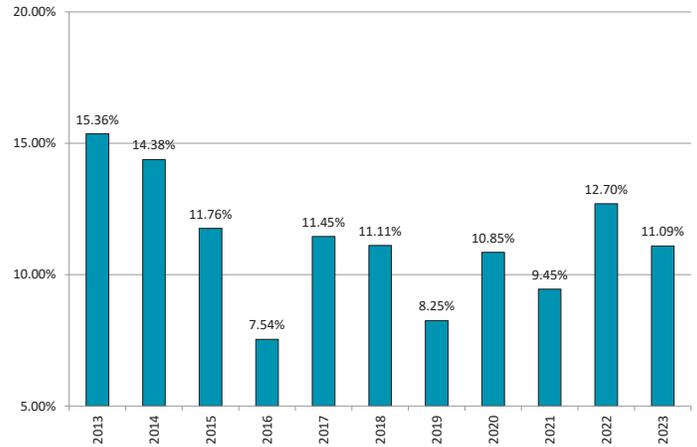
4Q23 vs 3Q23

## MEDICAL OFFICE MARKET OVERVIEW

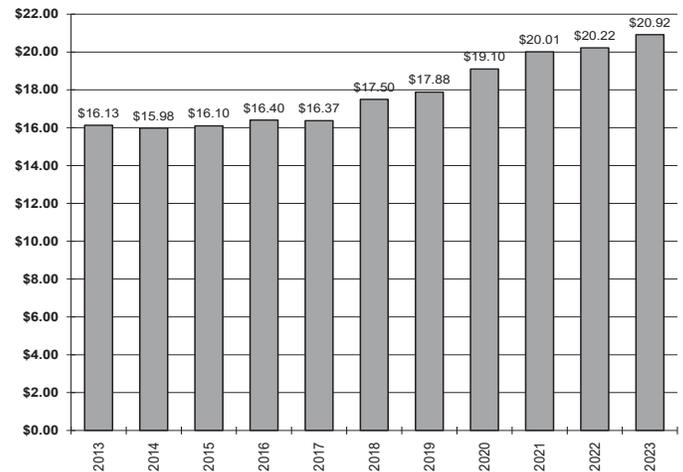
The medical office market in Colorado Springs remains very strong as we enter into 2024. Leasing activity was steady throughout 2023 and much of the new construction that was delivered to the market has been leased with very limited larger blocks of vacancy available. Current vacancy rate sits at 11.09%; however, it is important to note that virtually half of that vacancy is in one building that has a 90,000 SF vacancy in the southern part of Colorado Springs. If we were to look at the northern section of the market only, which is where the vast majority of the growth is happening in the medical and residential world, our true vacancy is somewhere in the 5% range and is comprised of smaller, sub-5,000 SF blocks.

Given the lease rates medical office buildings generate and length of term, they remain an attractive investment opportunity. As interest rates have risen throughout 2023 the environment for investment acquisitions have slowed – however with rates stabilizing we expect investment activity to increase.

## VACANCY



## LEASE RATES



## FEATURED MEDICAL PROPERTIES



### NORTHCARE AT ST. FRANCIS

6071 E Woodmen Road  
1,823-6,901 RSF

Enclosed 4th floor sky bridge to Penrose St. Francis Hospital  
3,646 SF dental space

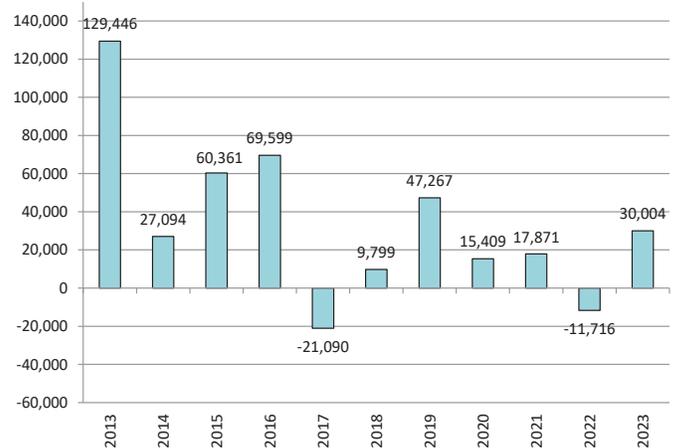


### BRIARGATE MEDICAL CENTER

595 Chapel Hills Drive  
831-12,736 RSF

Class A MOB; building fitness center and conference room

## ABSORPTION



90 S Cascade Avenue, Suite 1150 • Colorado Springs, CO 80903 • +1 719 634 1500 • coscommercial.com

