



QUICK STATS

	Current	Change from last:	
		Year	Quarter
Vacancy	15.31%	↓	↓
Lease Rates	\$13.92	↓	↓
YTD Absorption	44,437	↑	↑

HOT TOPICS

- The Woodmen Rd. bridge at Academy Blvd. opens, alleviating traffic at one of the busiest intersections in Colorado Springs, vastly improving east-west access. Construction, which began in 2009, continues as crews work to finish the project.
- It was announced that a 120 helicopter, 2,800 soldier aviation brigade will move to Fort Carson in 2013, bringing an estimated \$300 million in construction spending to the army base.
- Forbes magazine named Colorado Springs one of the best places to retire, along with fifteen other cities. Colorado Springs was credited with affordable housing, safe streets, and low cost of living.

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The medical office market continued its four year trend of positive absorption in the first quarter of 2011. This is great news for our market, as this is a clear indication that our medical market is healthy and active. Vacancy rates at the end of the first quarter fell to 15.31% from 16.5% at the end of the 4th quarter. Lease rates however continue to fall, down to \$13.92 NNN. This is nearly a 14% reduction since the peak in 2008.

It is important to note that this activity has not been evenly distributed across the market. While the northeast market had positive absorption of over 60,000 square feet in the first quarter, the balance of the market showed a loss in occupied space of nearly 16,000 square feet. This is a continuation of the ongoing expansion of services in the northeast market, and we are seeing a stabilization of rental rates in that market. Our largest submarket, the central area, continues to suffer from a lack of activity, but is technically a strong market with only an 8.5% vacancy rate. Given the age of many buildings in this market, and the functional obsolescence related to older buildings, we consider this to be near market equilibrium.

The submarket that appears to be the

weakest is the north central market. This is the North Academy Boulevard corridor from the former Penrose Community Hospital to approximately Woodmen Road. This market continues to lose occupied space and we see many of the properties transitioning to other uses than medical office.

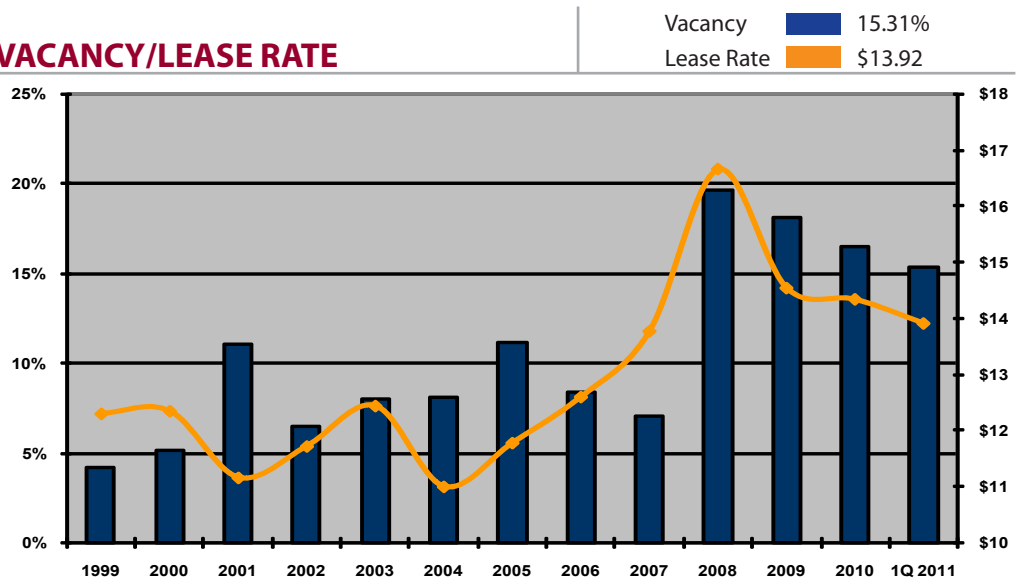
We are seeing some signs of life in the investment market in 2011. The Northcare building, which is attached to the new St. Francis Hospital, sold late in 2010 and was nearly 100% occupied at the time of the sale. The property was purchased by a large Healthcare REIT with other holdings in Colorado Springs. We have also seen construction start on a new 70,000 square foot medical

office building on the Penrose main campus. These are both signs that long-term prospects in Colorado Springs are good.

It is unlikely that we will see market activity at the same pace for the remainder of the year, as the majority of the activity in the first quarter can be attributed to a few large transactions. We do feel however that the positive trends in absorption and stabilization of rental rates will continue throughout 2011.

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VACANCY/LEASE RATE



FEATURED PROPERTIES

Union Medical Campus

Union Medical Campus is the premier medical facility in Colorado Springs. Features such as central location, flexible space plans, close proximity to hospitals and public transportation make this medical campus very desirable. Existing tenants include Colorado Springs Health Partners, Storms Allergy and Colorado Springs Orthopaedic Group.

Springs Medical Center

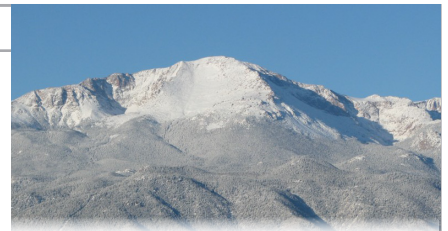
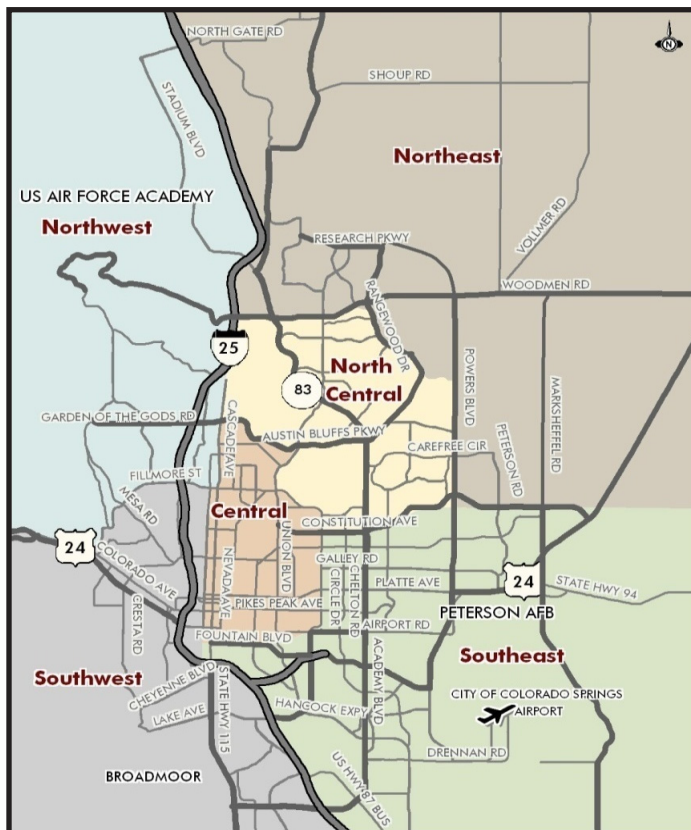
The Springs Medical Center provides a great central location in the Printers Park submarket, with existing medical space at a competitive market rate. Space from 2,400 square feet to 26,000 square feet is available to accommodate a variety of medical providers. For larger users, on-building signage is available. Take advantage of this central location with easy access and aggressive ownership.

Pavilion Medical Center

Pavilion Medical Center is a premier, Class A medical office project located at Wahsatch Avenue and Fontanero Street. This location provides the ideal setting for specialty groups working out of both Memorial and Penrose Hospital, as well as primary care practices that serve all areas of Colorado Springs. Approximately 932 square feet of second generation medical space is available, with an additional 14,300 square feet coming available August 1, 2011.

For additional information, contact Brian Wagner at 719-955-2000

COLORADO SPRINGS MEDICAL SUBMARKET MAP



AVERAGE ASKING LEASE RATE

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

NET LEASES

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

MARKET COVERAGE

Includes all competitive multi-tenant medical buildings.

NET ABSORPTION

The change in occupied square feet from one period to the next.

NET RENTABLE AREA

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

OCCUPIED SQUARE FEET

Building area not considered vacant.

UNDER CONSTRUCTION

Buildings that have begun construction as evidenced by site excavation or foundation work.

AVAILABLE SQUARE FEET

Available Building Area that is either physically vacant or unoccupied, including sublease space.

AVAILABILITY RATE

Available Square Feet divided by the Net Rentable Area. This calculation includes vacant and sublease space and is given as a percentage.

VACANT SQUARE FEET

Existing Building Area which is physically vacant or immediately available and does not include sublease space.

VACANCY RATE

Vacant Building Feet divided by the Net Rentable Area. This calculation is given as a percentage and includes vacant space but does not include sublease space.

NORMALIZATION

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the Colorado Springs medical market, please contact:

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