



The second quarter of 2006 was a slow period for the Colorado Springs office market. Lease activity was slightly above 3,000 square feet. This is down from 25,000 square feet in the first quarter. The vacancy rate rose slightly to 11.56% from 11.14% at the end of the first quarter. Absorption continues to be positive for the year 2006, but we saw no real increase from the previous quarter. We attribute the decrease in lease activity to the uncertainty in the market due to the development of the new North Hospital campuses.

Demand and interest in land sites for small users as well as large medical campuses continues to be strong. We have seen a number of large medical office developers searching for sites in Colorado Springs with their primary focus on the northeastern submarket. There are also several developments underway that will provide small developable lots for medical users in that same Northeast market. We expect that these will be well received, and activity will be brisk on the sites. The office condominium market for medical users seems to have slowed in the second quarter, while there are a number of new condominium projects proposed. We are in a transitional period, as new product is being

developed and the existing inventory on the market is not necessarily well-suited for medical users.

Interest in medical investment properties continues to be strong. The Briargate Medical Center at 595 Chapel Hills Drive was sold to an out-of-state investor this quarter. The new ownership group plans to convert the building to a condominium and sell the units individually. There are also several medical office buildings currently on the market for sale, most of which are under contract at this point. While interest in medical buildings as an investment opportunity is high, the inventory of properties in the sub two million dollar range is very low. We see this as an opportunity for owners interested in selling properties today.

For the remainder of 2006 we expect to see an increase in leasing activity as well as absorption primarily in the central and northeast submarkets. Going forward, we expect to see new medical office buildings brought to the market to service the North Hospital campuses, with construction starting in 2007. For tenants, these projects will be well-positioned in the marketplace and provide a high level of on-site services.

**QUICK STATS**

Current	Change from last	
	Yr.	Qtr.
Vacancy	11.67%	▲ ▲
Lease Rates	\$12.73	▲ ▼
YTD Absorption	28,428	▲ ▼

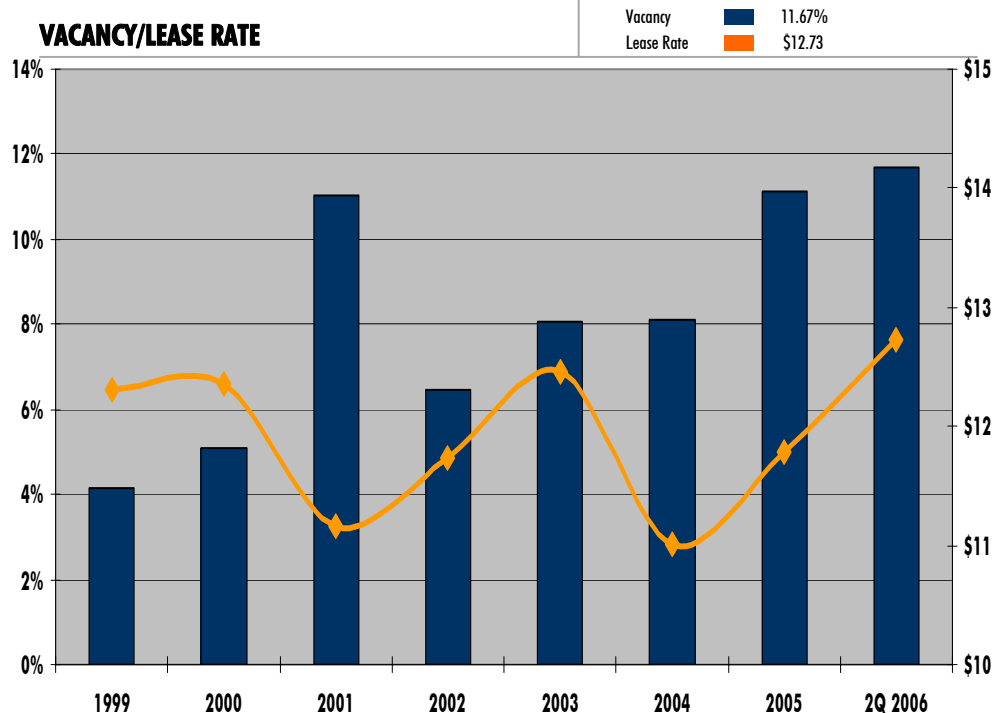
**HOT TOPICS**

•The Professional Rodeo Cowboys Association and Pro Rodeo Hall of Fame decide to stay in Colorado Springs, following a three month period in which the PRCA announced plans to move to New Mexico.

•The Colorado Springs City Council voted 7-0 to reject a 357-acre concept plan on the Banning Lewis Ranch because the plan included only 38 acres of commercial space. The council concluded that more commercial space is necessary.

•Bank of America announces plans to close its 670-employee call center in Colorado Springs while T. Rowe Price announces plans to expand and hire an additional 650 people.

**VACANCY/LEASE RATE**



## FEATURED PROPERTIES

### Pavilion Medical Center

Pavilion Medical Center is a premier, Class-A medical office project located at Wahsatch and Fontanero. This location provides the ideal setting for specialty groups working out of both Memorial and Penrose Hospitals, as well as primary care practices that serve all areas of Colorado Springs. Approximately 10,000 square feet of second generation medical office space is available, with build-outs that consist of extensive hard wall offices and exam rooms.

### Printers Park Medical

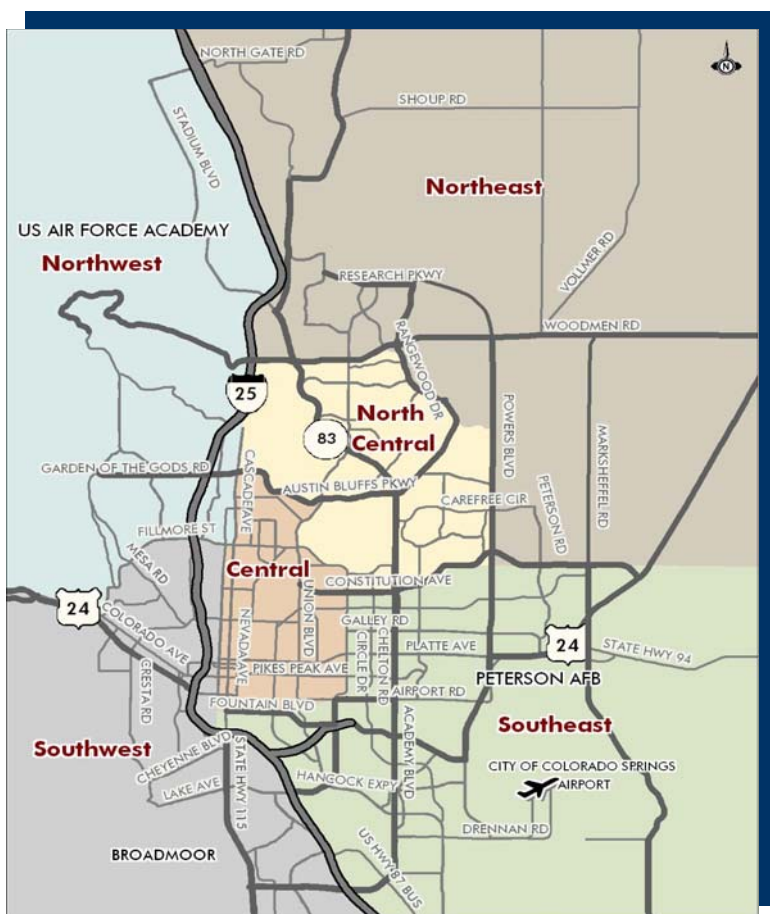
Located minutes east of downtown, this new medical building offers covered/uncovered parking, public transportation, easy access to hospitals, plug and play suites or build-to-suit suites. A generous \$30.00 per square foot tenant finish allowance on unfinished suites with a 10-year lease.

### Briargate Medical Campus

This two-story facility is Building One of a planned multi-building medical plaza serving the needs of neighborhoods in northern El Paso County. The Briargate Medical Campus offers patients a variety of medical services including imaging, laboratory, family practice, pediatrics and more. Access is easy, just north of the intersection of Research Parkway and Union Boulevard.

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

### COLORADO SPRINGS MEDICAL SUBMARKET MAP



Contact:  
**Brian Wagner, Director**  
 Office/Medical Brokerage Services  
 719.955.2016 [bwagner@sierracre.com](mailto:bwagner@sierracre.com)



#### 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 Brian Wagner:

102 South Tejon, Suite 750  
 Colorado Springs, Colorado 80903  
 T. 719.955.2000 F. 719.955.2019

[www.sierracre.com](http://www.sierracre.com)



© Information herein has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by Sierra Commercial Real Estate, Inc. clients, and cannot be reproduced without prior written permission of Sierra Commercial Real Estate, Inc.