



QUICK STATS

	Current	Change from last	
		Yr.	Qtr.
Vacancy	11.97%	▲	▲
Lease Rates	\$14.33	▲	▲
YTD Absorption	93,966	▲	▲

HOT TOPICS

- Colorado Springs was ranked as one of the ten best places to live, work and play in the June issue of Kiplinger's Personal Finance magazine.
- Hewlett-Packard Co. announces plans to close its customer service center in Colorado Springs, resulting in the laying off or transfer of 800 employees.
- The Cimarron Street bridge, which was closed for six months due to structural issues, reopens, allowing traffic to resume flowing from the central business district to Highway 24.
- Frontier Airlines puts plans for a 225 employee maintenance hangar at the Colorado Springs Airport on hold after filing for bankruptcy protection.

As expected, the medical office market started to reflect the increased construction activity. At the end of the second quarter the market vacancy rate jumped nearly 40% from 8.61% to 11.97%. We also saw an increase in average lease rates to \$14.33 per square foot. The increase in vacancy is attributed to two factors; (1) New Construction in the Northeast market,

and (2) Negative absorption in the Central and North Central markets. These two are tied to the opening of the new hospitals in Northern Colorado Springs. This trend will continue throughout the remainder of 2008; however the vacancy in the Central market should stabilize by year end. Lease activity reported for the second quarter was very strong bringing the year to date totals to nearly 150,000 square feet, and absorption for the year is now sitting at 93,000 square feet. This burst of activity does not necessarily reflect our current market conditions, as most of the deals were done long ago and are reported this quarter when the buildings have been completed.

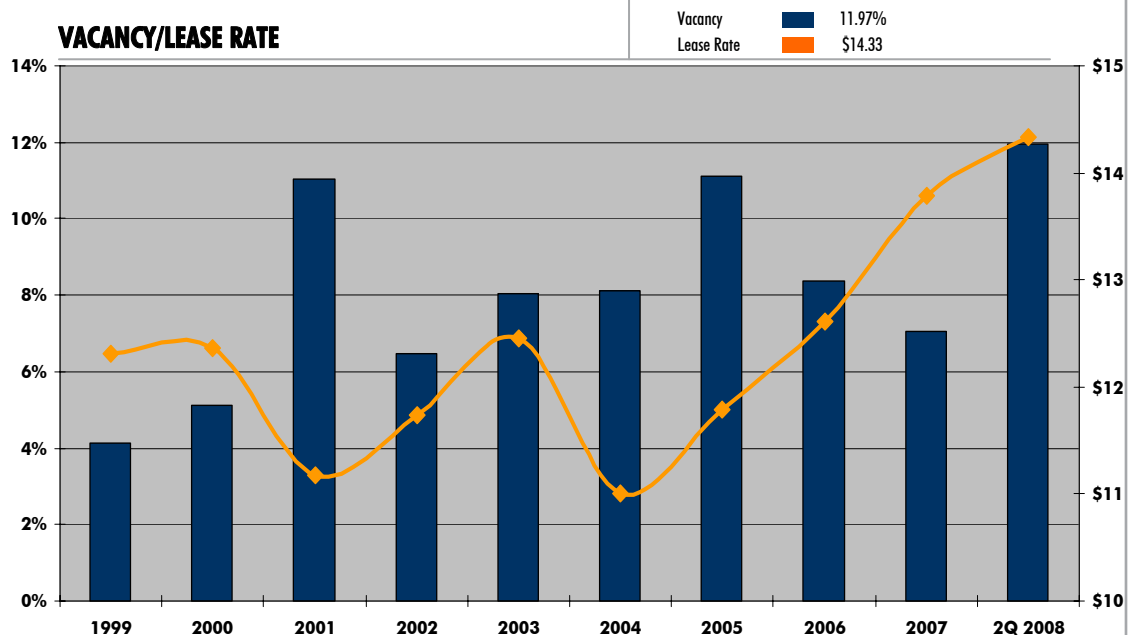
Providers that are considering a relocation will be faced with higher cost to move and longer lease terms.

With new construction pushing lease rates up and continuing inflationary pressure on the cost of Tenant Improvements, cost containment will become increasingly critical. Providers that are considering a relocation will be faced with higher cost to move and longer lease terms. Property owners will face the same issues as Tenants look for higher build-out allowances to offset the increased costs.

We have not seen any changes in the investment market, which is flat at best. Issues with the national economy and a difficult lending environment continue to be a problem, and we don't expect to see that change in the short term. Activity has also slowed in the Owner/User market, as fewer groups are actively seeking properties to purchase. This could be due to a lack of inventory on the market, as most available space is only being offered for lease.

We will see a continuation of these trends in the third and fourth quarter of 2008. Opportunities will continue to exist for creative providers and owners, but they will often be disguised as problems.

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. Second generation medical suites are able to accommodate users from 1,300 square feet.

Powers Professional Center

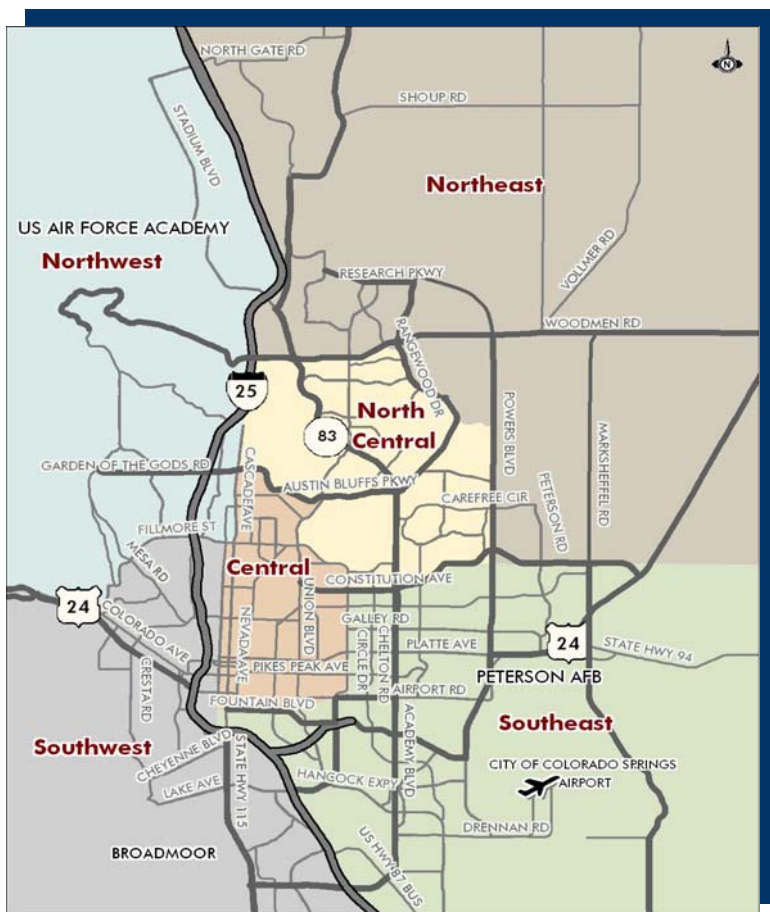
New Class A Medical/Professional office building located just south of the new St. Francis Hospital on Powers Blvd. The project has great visibility from Powers and offers flexible space plans and competitive, economic packages. This is a great location for all types of medical uses with no on-site use restrictions.

Research Professional Buildings I & II

Two new Class A Medical office buildings for sale or lease. Located at the northwest corner of Powers Blvd. and Research Pkwy., Research Professional provides central access to both Memorial Hospital North and the new St. Francis Hospital.

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

COLORADO SPRINGS MEDICAL SUBMARKET MAP



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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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