



Activity in the Colorado Springs medical office market picked up in the 3rd Quarter with approximately 20,000 square feet of lease activity. This brought the year-to-date lease activity up to nearly 50,000 square feet and decreases the market vacancy rate to 9.7%.

and related medical office buildings are developed.

Looking forward, we believe that lease rates for Class-A medical office space will rise in the coming year. This will be driven by increased construction costs and the rental rates that developers will need to achieve in the

newer buildings. These new buildings could command rates that are \$2.00 per square foot higher than the top of the market today.

We expect the remainder of 2006 and into 2007 to present exciting opportunities for medical providers as new projects and developers enter the market. These ventures include new on-campus projects at both new hospital sites and other lease/ownership opportunities.

We are seeing two different types of lease activity. The first is a conversion from medical office space to general office space along the Academy Boulevard Corridor; and the second being leases signed in new

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buildings in the Northeast submarket. Activity in the Central submarket has been slow this year with only 7,000 square feet of lease activity. We attribute this to uncertainties in the Northeast market as the hospitals

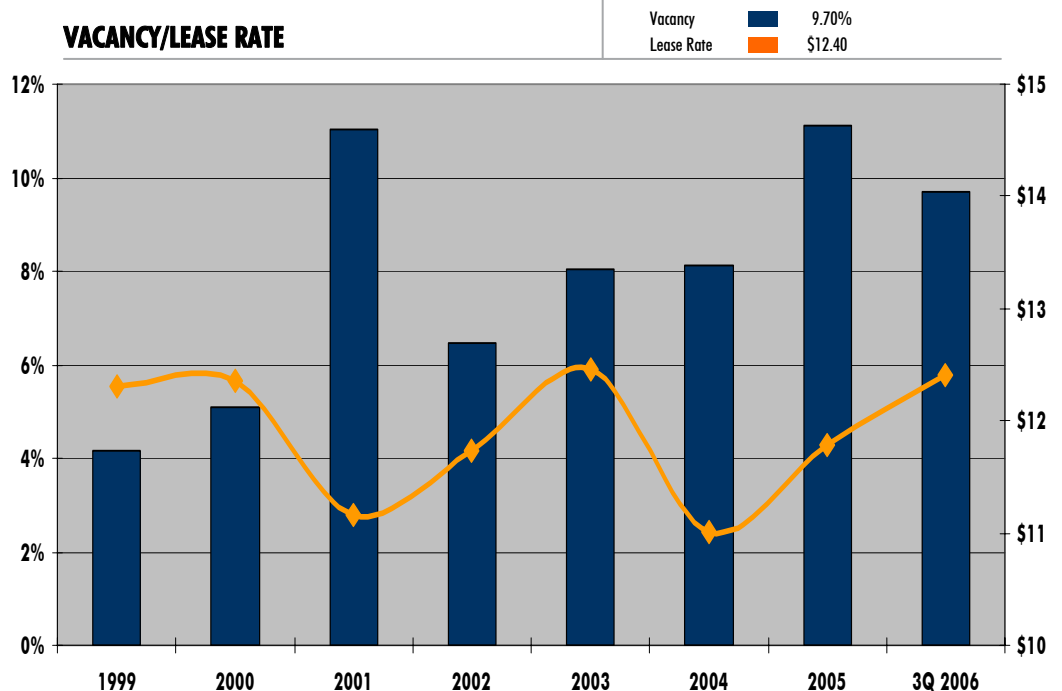
QUICK STATS

	Current	Change from last	
		Yr.	Qtr.
Vacancy	9.70%	▲	▲
Lease Rates	\$12.40	▲	▲
YTD Absorption	36,273	▲	▲

HOT TOPICS

- Colorado Springs ranks #1 in the large city category in Money Magazine's annual survey of the Best Places to Live in America, based on quality of life, housing, education, weather, health, leisure and culture.
- The 24,000 acre Banning-Lewis Ranch, on the city's east side, receives approval by the Colorado Springs City Council to begin construction after a seven month moratorium. The approval only allows construction on 1,100 designated acres, until financial liability issues are resolved.
- Fort Carson announces it will oversee training for more than 200,000 National Guard and Army Reserve soldiers from 21 states.

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.

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.

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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