



QUICK STATS

	Current	Change from last	
		Yr.	Qtr.
Vacancy	17.04%	↗	↗
Lease Rates	\$16.30	↘	↘
YTD Absorption	164,762	↗	↗

HOT TOPICS

- The St. Francis Medical Center, a 350,000 square feet, 156-bed hospital, opens in Northeast Colorado Springs, at Woodmen Rd. & Powers Blvd. It is the second major hospital to open in the area in fourteen months.
- The new Austin Bluffs Pkwy. bridge opens over Union Blvd. in September, helping to relieve traffic gridlock at the city's busiest intersection.
- The Broadmoor Hotel hosts the United State's Golf Association's 2008 U.S. Senior Open, with an estimated \$30 million economic benefit to the city and roughly 150,000 fans attending.

At the end of the third quarter the market vacancy continued its upward trend, coming in at 17%. This represents almost a 50% increase from the second quarter. This is the third quarter in a row of increases in vacancy rate. We have also seen an increase in absorption with the year-to-date total at nearly 165,000 square feet. The results are mixed across the submarkets; while vacancy is stabilizing in the Central market and increasing in the Northeast, absorption is moving in the opposite direction. Year-to-date lease activity has surpassed 250,000 square feet, and we expect 2008 to have the strongest lease activity in the history of our market.

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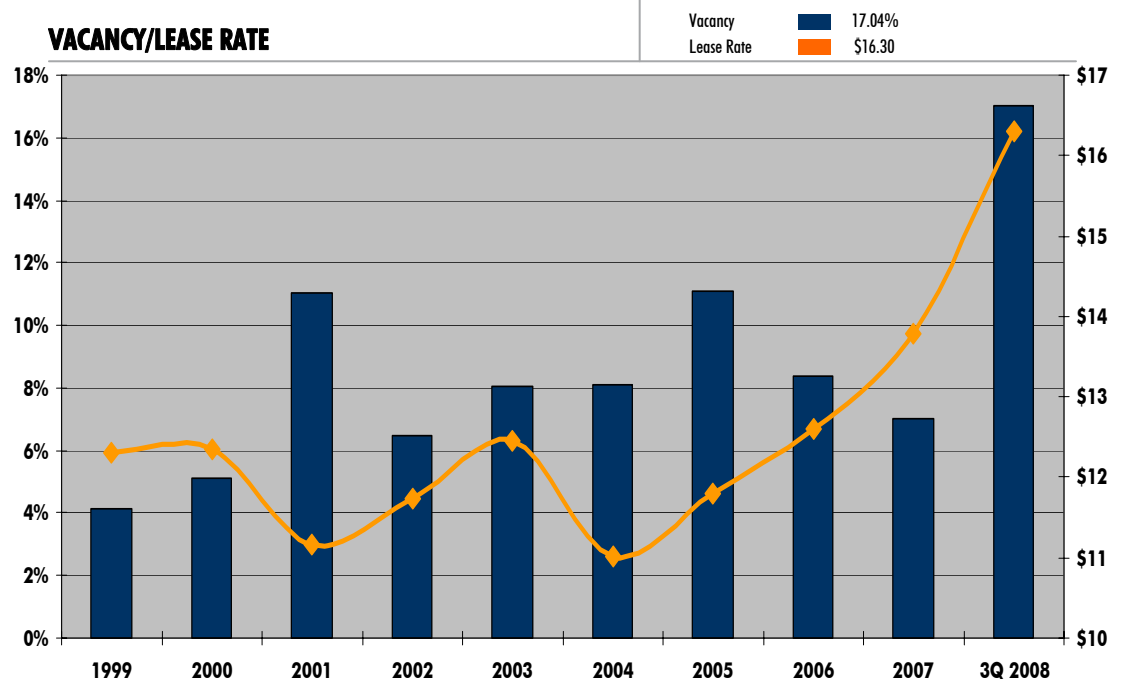
It appears that the velocity of the leasing activity in the Northeast market is slowing; this is due to

passing off the initial wave of activity created by the opening of the new hospitals. We are projecting future leasing activity in this market to be more linear and it will correspond with the growth in the hospital systems.

The investment market has slowed dramatically due primarily to difficulty in the credit markets. This, compounded with the fact that most of the institutional quality assets sold in the last cycle, points to a slow period for investment sales. Penrose - St. Francis is in the process of trying to sell two of its older hospital facilities, and the demand for these facilities is uncertain.

No major changes in the market for the remainder of the year are expected as activity will slow in the fourth quarter. We will see the completion of a few new buildings and a continuation in the trends for vacancy and lease rates.

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

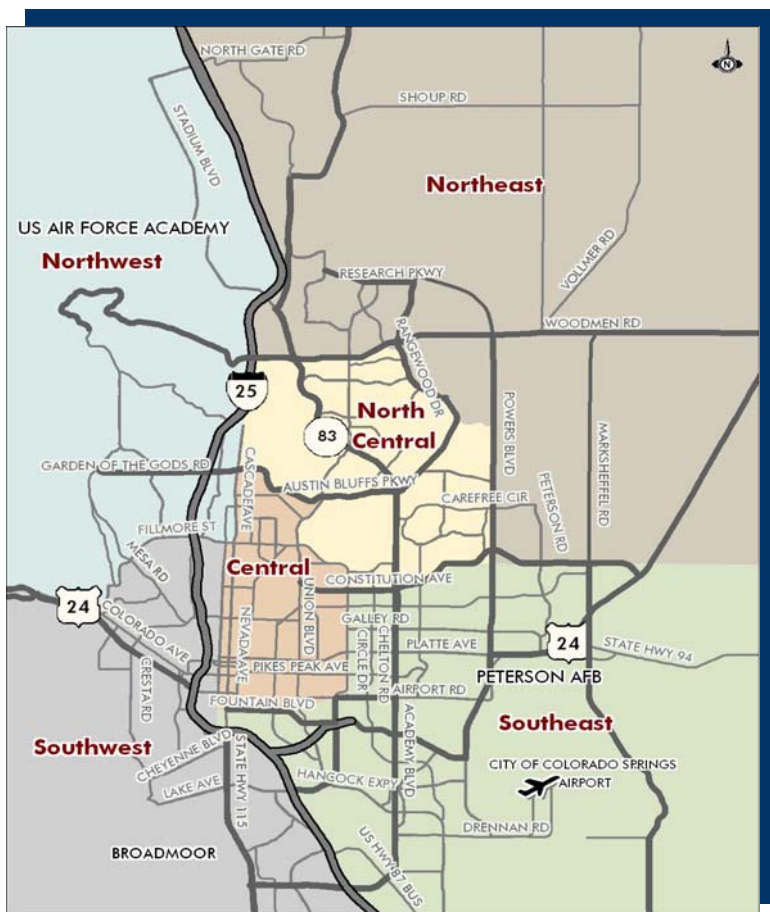
New Class A Medical/Professional office building located just south of the new St. Francis Hospital on Powers Blvd. The project has great visibility from Powers and offers flexible space plans and competitive, economic packages. This is a great location for all types of medical uses with no on-site use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



Contact:
Brian Wagner, Managing Director
 Office/Medical Brokerage Services
 719.955.2016 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



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