



QUICK STATS

| | Current | Change from last | |
|----------------|---------|------------------|------|
| | | Yr. | Qtr. |
| Vacancy | 19.61% | ↘ | ↘ |
| Lease Rates | \$16.67 | ↘ | ↘ |
| YTD Absorption | 157,112 | ↘ | ↘ |

HOT TOPICS

- HealthGrades ranks Memorial Health System #1 in the state for cardiac surgery, and Penrose-St. Francis #1 in the state for overall critical care and gastrointestinal medical treatment in their Eleventh Annual Hospital Quality in America Study.
- The US Army announces that Fort Carson will add an Apache helicopter battalion in March, adding 500 soldiers and their 150 dependents to the Army base on the south side of Colorado Springs.
- The Powers Boulevard / Woodmen Road interchange is completed ahead of schedule, creating an overpass and adding lanes to major thoroughfares in the fastest growing area of Colorado Springs.

www.sierracre.com

As expected 2008 was a record breaking year in the medical office market. For the first year ever we saw almost 275,000 square feet of leasing activity, and nearly 600,000 square feet of new medical space added to the market. Much of this activity is attributed to growth in the Northeast submarket. Average lease rates increased from \$13.78/sf in 2007 to \$16.67/sf in 2008 and the vacancy rate nearly tripled in the last year and currently sits at 19.61%.

The speculative medical developments in the Northeast submarket have overwhelmed the initial demand surrounding the hospitals. It is difficult to project 2009's leasing activity, however we do anticipate a decline in velocity.

Until the economy stabilizes, we expect to see providers focusing on more economical second generation spaces in the Central submarket. We expect to see rental rates outside of the Northeast submarket firm up as landlords begin to

leverage their rates against newer buildings in the Northeast submarket. The first wave of users in the Northeast market came in 2008, and we expect this market to slightly underperform the other markets in 2009. As the residential market regains momentum and the new hospitals continue to add services this market will strengthen. We expect to see some re-adaptive uses of the older medical space in the North-Central market as it is converted to general office use.

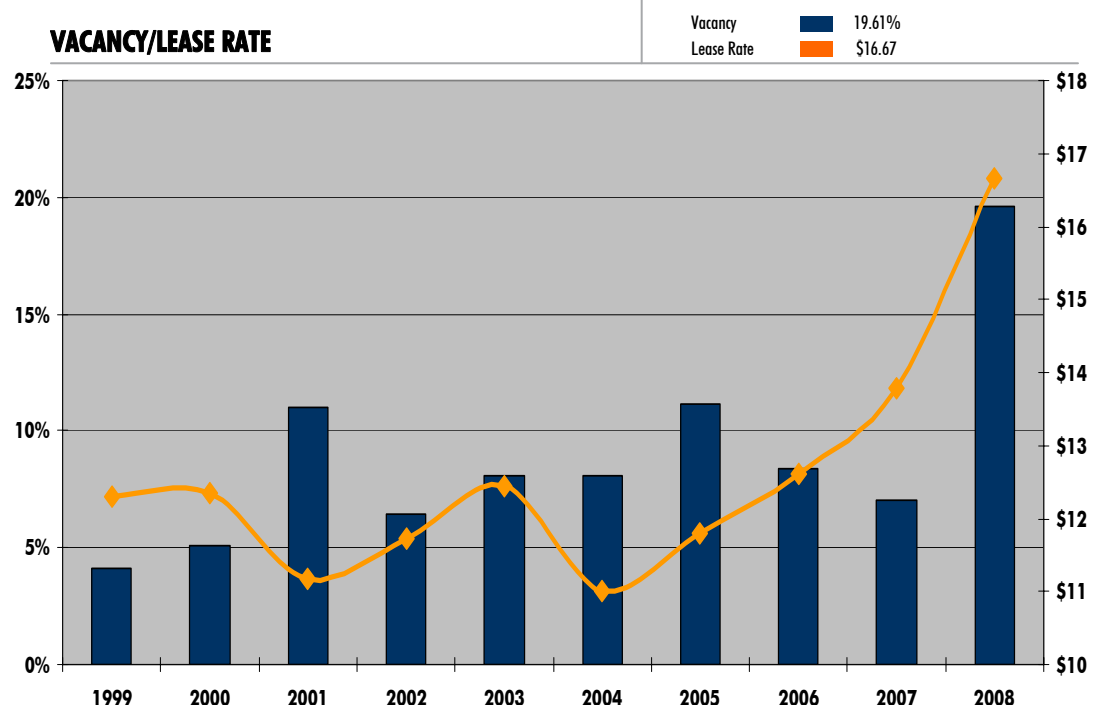
We expect little activity in the investment market this year. This is driven by the difficulty in the capital markets and the tightening of credit for investment quality properties.

This challenging credit market could create some opportunities for liquid investors to purchase challenged assets.

In conclusion, we expect to see very few changes in activity in the first quarter of 2009. The high vacancy rates and high occupancy costs will create a stagnant market. This will adjust later in the year as the market begins to stabilize.

The speculative medical developments in the Northeast submarket have overwhelmed the initial demand surrounding the hospitals

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.

Lake Plaza Office Condominiums

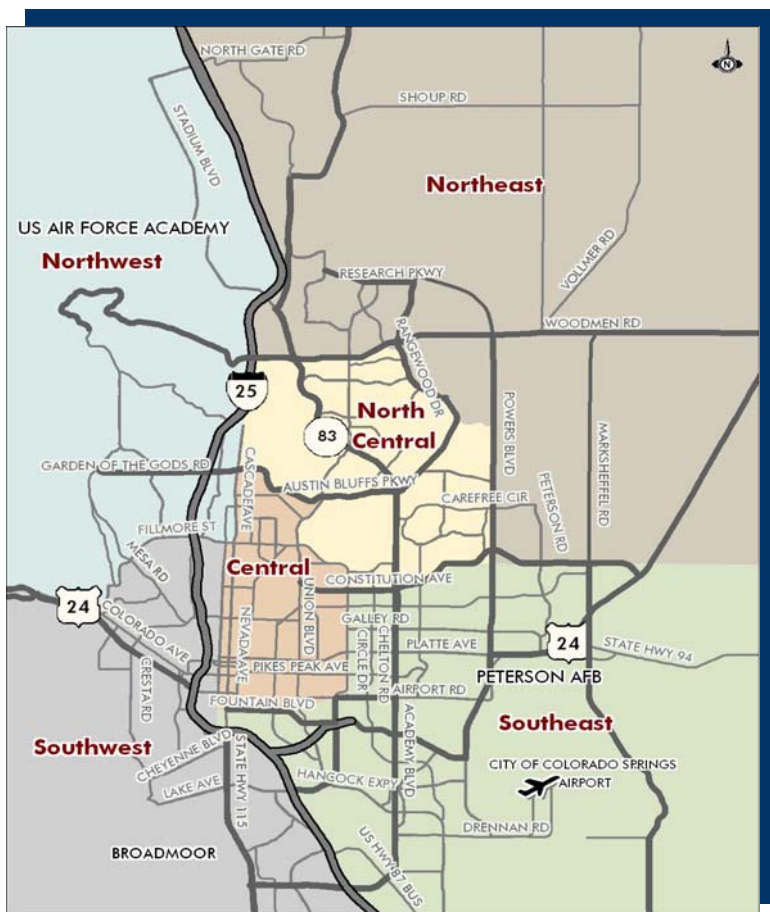
Conveniently located at the corner of Venetucci and Tenderfoot Hill Road, Lake Plaza Office Condominiums is offering office space for sale or lease. Tenants/Buyers will have the opportunity to control their occupancy costs while building equity. Tenants will enjoy Class A office space professionally designed to meet their needs at competitive lease rates.

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

© 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.

