



The Colorado Springs medical office market finished 2005 quietly with little activity in the fourth quarter. Total lease activity for 2005 finished at 73,049 square feet, with vacancy rates increasing slightly to 11.12%. Absorption for 2005 was (28,000) square feet. 2005 saw the construction of several new medical office buildings, and the commencement of construction of two new hospital buildings. This new construction is the underlying cause of our negative absorption, with more space being added to the market than we leased.

We continued to see strong interest in the owner-user market in the fourth quarter with many providers looking for buildings or land sites to purchase. A significant portion of the groups in the market are considering office condominiums as an alternative to purchase a building or land. A condominium can be an attractive option for established practices that understand the growth patterns of their practice.

While there continues to be a strong interest in investment properties in Colorado Springs, we expect that rising interest rates could have a negative impact on the market in 2006. There continues to be a lack of smaller investment quality buildings in the market, and there is a strong current demand for buildings priced between \$500,000 and \$2,000,000.

The medical office market will begin a new phase in 2006, with the continuing growth in the Northeast segment of the market. The new hospital projects will spur the construction of new medical office buildings to service them, and we will continue to see smaller projects built in that market to accommodate the primary providers. 2006 will also see the continuing growth of the Southeast market. With 12,000 new troops added to Fort Carson expected in the coming years, resulting in a population increase of up to 35,000. The Southeast market will be a focal point of speculation for new housing, and the commercial projects needed to serve the expanding population.

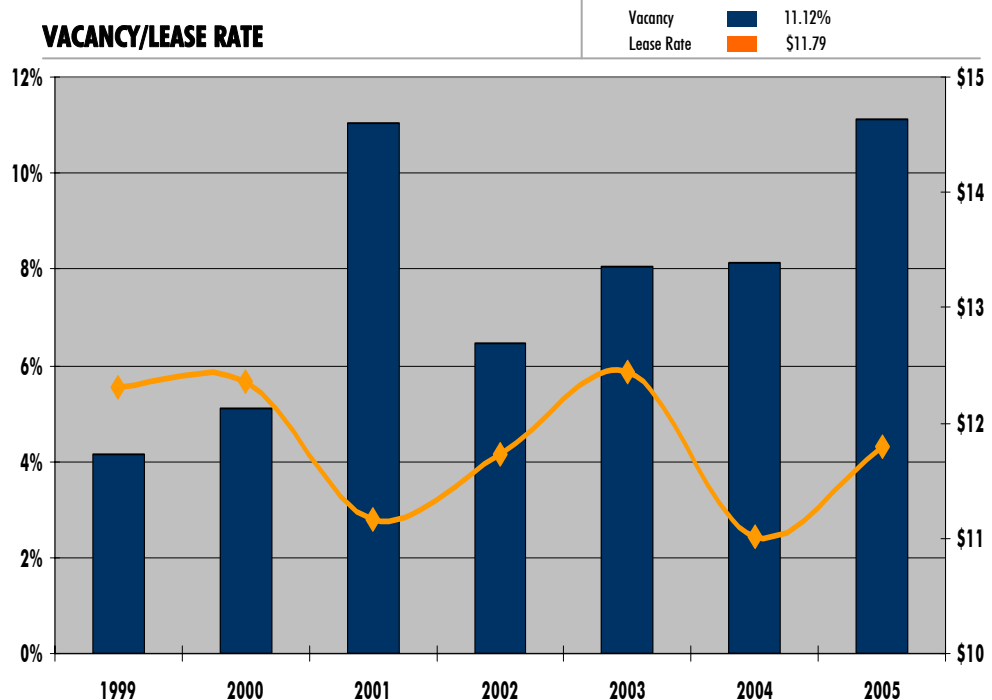
**QUICK STATS**

	Current	Change from last	
		Yr.	Qtr.
Vacancy	11.12%	↑	↓
Lease Rates	\$11.79	↑	↓
YTD Absorption	(28,012)	↑	↓

**HOT TOPICS**

- Colorado voters approve Referendum C, allowing the state to keep an estimated \$3.7 billion on education, transportation, and health care.
- Southwest Airlines bypasses Colorado Springs and chooses Denver to provide commercial air service.
- Powers Blvd. extends north to Colorado Hwy. 83, providing easier access to the Powers corridor from the city's north side.
- Congress announces \$120 million appropriation for military construction at Fort Carson, Peterson Air Force Base, and the U.S. Air Force Academy.

**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 Hospital, 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.

### Southpointe Court Office Condos

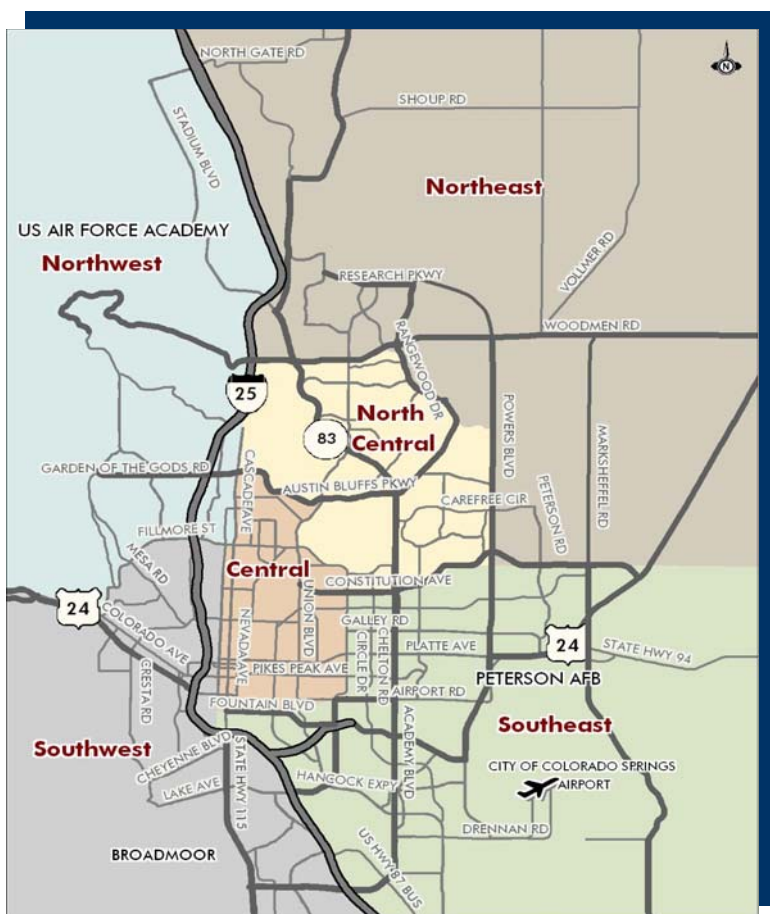
Located off Lake Avenue near the Broadmoor Town Center, 640 Southpointe Court is a new office condominium project. Southpointe Court was designed for condominium units with smaller floor plates that maximize the views in each suite and provide efficient space plans. The project was completed in the fourth quarter and only two spaces remain available.

### 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



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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 Brian Wagner:

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