

Fundamentals remain stable as investment sales decline

▼ 8.5%

Direct Vacancy Rate

▼ 142K

YTD SF Net Absorption

▲ 60K

SF Under Construction

▲ 142K

YTD SF Deliveries

▶ \$16.65

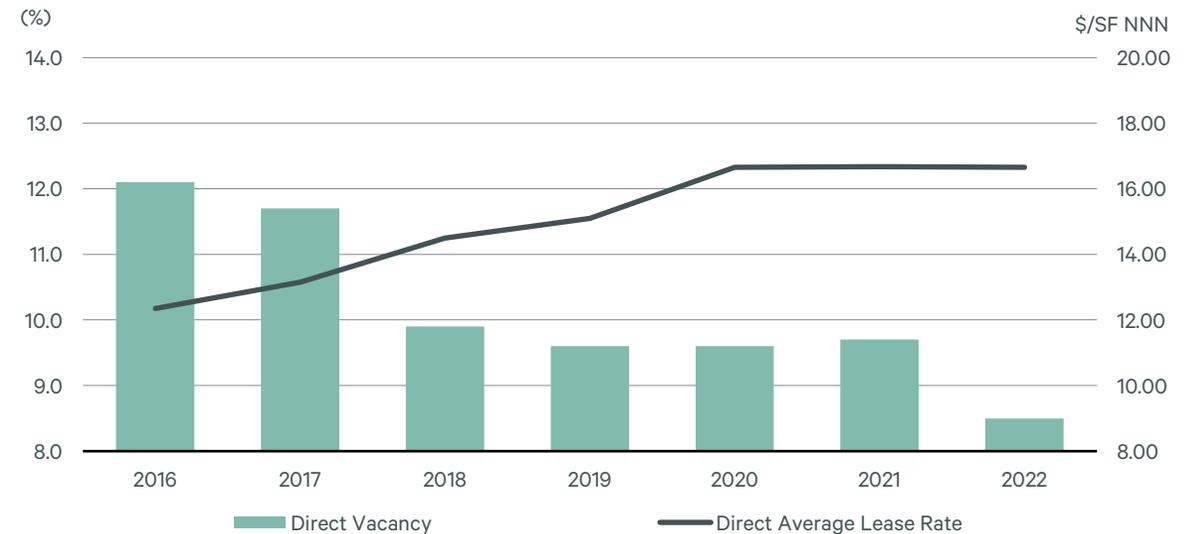
NNN / Asking Lease Rate

Note: Arrows indicate change from previous year-end.

HIGHLIGHTS

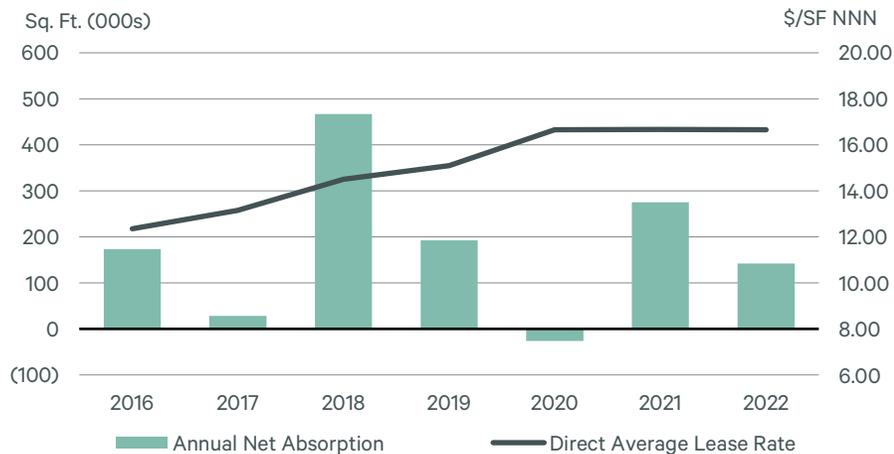
- The Colorado Springs office market continued to improve in the 2nd half of 2022, ending the year with 142,200 sq. ft. of positive net absorption—an increase of 21.6% from the 117,000 sq. ft. of positive net absorption seen in H1 2022.
- Direct vacancy decreased 40 basis points (bps) in H2 2022 and 120 bps year-over-year to 8.5%. Vacancy is highest in the Northwest submarket at 19.9%, while the Greater Downtown submarket saw vacancy decrease to 4.0%.
- The direct average asking lease rate decreased 0.1% year-over-year, reaching \$16.65 per sq. ft. NNN. The West Side/Manitou submarket has the highest average lease rate at \$19.66 per sq. ft. NNN.
- The development pipeline has increased to 60,000 sq. ft. Two properties delivered in H2 2022, including the 65,000-sq.-ft. Interquest Medical Office Building which has just 16,200 sq. ft. available for lease.
- Investment sales decreased 35.8% compared to H1 2022’s level. Total sales volume was \$86.9 million with an average price per sq. ft. of \$209.43. After falling 53.5% year-over-year, 2022 sales volume was on par with the five-year historical average seen in 2016-2020.

FIGURE 1: Direct Vacancy vs. Lease Rates



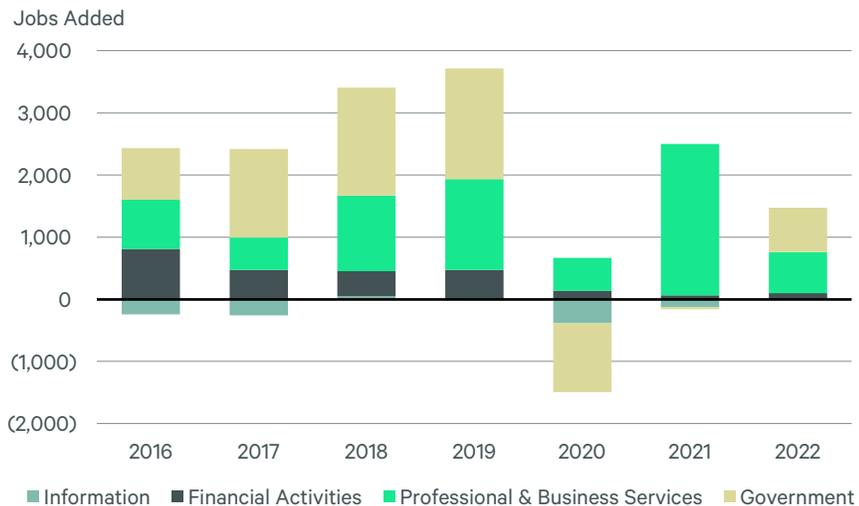
Source: CBRE Research Q4 2022

FIGURE 2: Net Absorption vs. Lease Rates



Source: CBRE Research Q4 2022

FIGURE 3: Office Using Job Growth



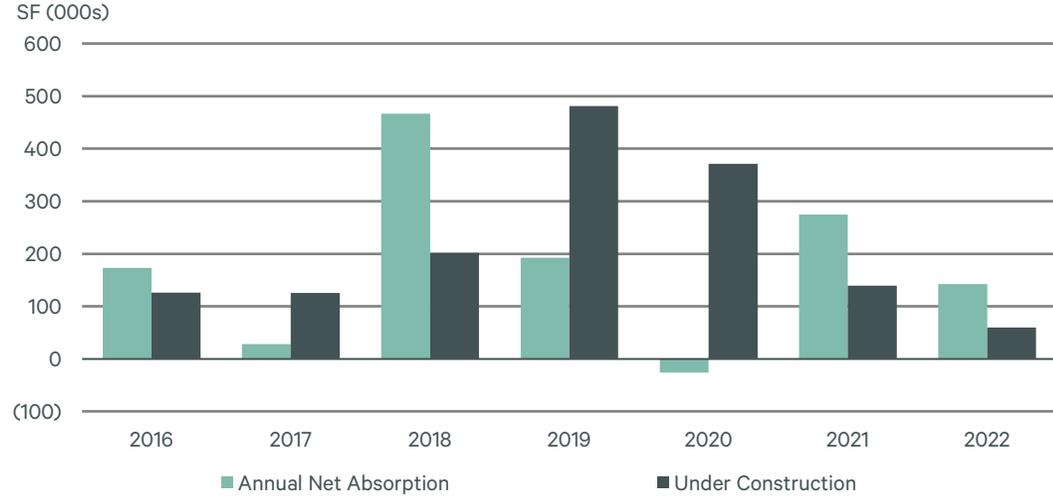
Source: U.S. Bureau of Labor Statistics, December 2022

FIGURE 4: Market Statistics by Submarket

Submarket	Rentable Area (SF)	YTD Absorption (SF)	Total Availability Rate (%)	Direct Vacancy Rate (%)	Average Asking Lease Rate (\$/SF NNN)	Under Construction (SF)
CBD	2,738,157	(59,373)	10.0	7.9	16.47	-
Central	3,117,865	51,409	6.9	5.2	14.73	-
East	157,524	-	0.8	-	18.50	-
Falcon	59,167	-	-	-	-	-
Fountain/Security/Widefield	61,920	-	-	-	-	-
Greater Downtown	3,216,226	27,162	4.7	4.0	16.78	-
Northeast	5,875,423	63,988	15.7	7.4	17.95	20,000
Northwest	4,334,149	(7,043)	24.8	19.9	16.74	-
Southeast	2,464,444	44,030	10.6	7.0	14.36	40,000
Southwest	839,340	7,298	3.9	3.0	16.48	-
Tri-Lakes	415,642	10,152	2.4	1.8	14.92	-
West Side/Manitou	442,284	4,605	2.7	1.5	19.66	-
GRAND TOTAL	23,722,141	142,228	12.4	8.5	16.65	60,000

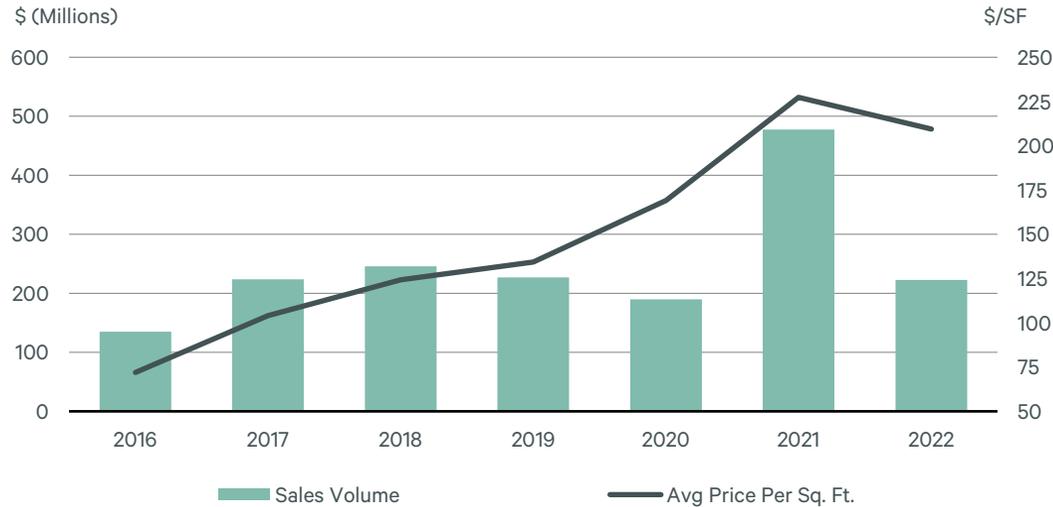
Source: CBRE Research Q4 2022

FIGURE 5: Absorption and Under Construction



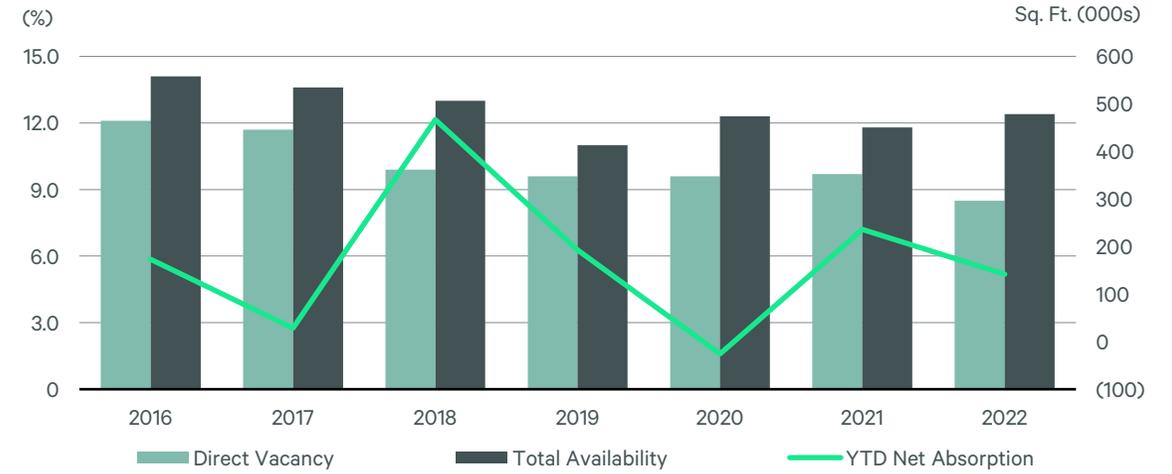
Source: CBRE Research Q4 2022

FIGURE 6: Sales Volume and Average Price Per Sq. Ft.



Source: CBRE Research Q4 2022

FIGURE 7: Vacancy, Availability & Absorption



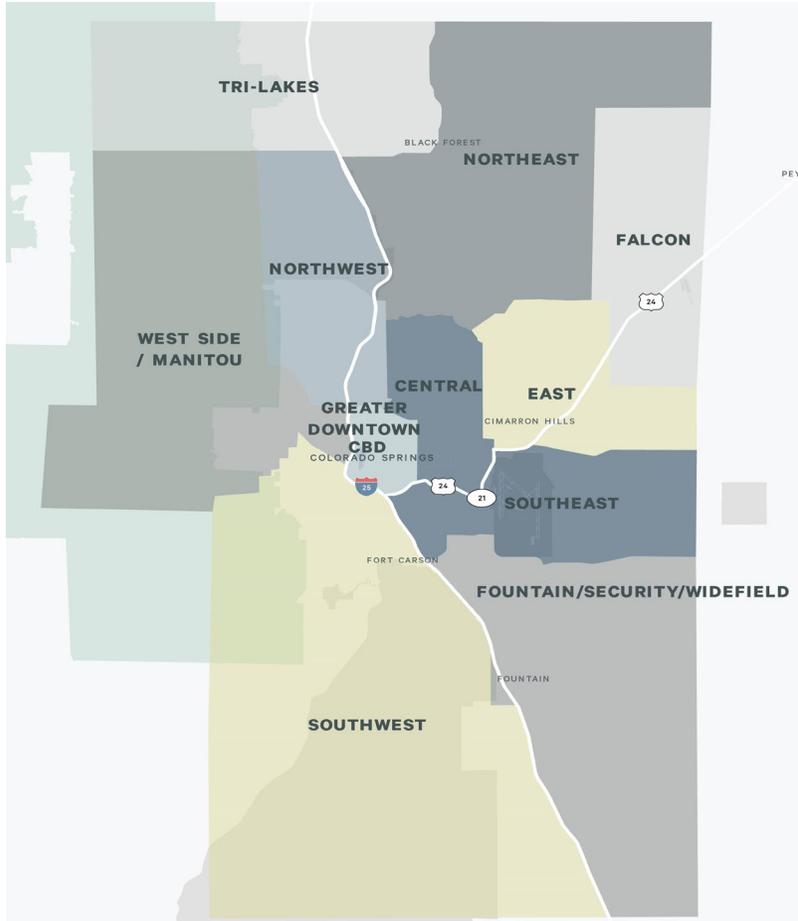
Source: CBRE Research Q4 2022

FIGURE 8: Direct vs Sublease Availability



Source: CBRE Research Q4 2022

Market Area Overview



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