



Commercial Real Estate

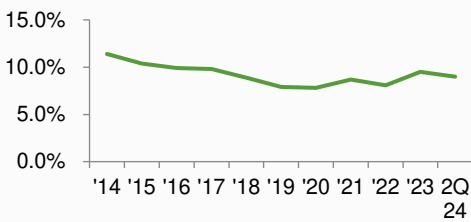
Market Watch

OFFICE MARKET

Colorado Springs office market absorption was positive for the first half of 2024 after being down sharply in 2023. Net absorption was at a positive 152,598 square feet year-to-date at the end of the second quarter (compared to negative 397,780 square feet at the end of 2023 according to CoStar). 2424 W Garden of the Gods, a hot spot for defense related tenants, made a large contribution to the positive absorption for 2024, recording 166,000 square feet of positive net absorption year-to-date. Overall office vacancy dropped to 9.0%, down from 9.5% at year-end 2023. Asking rents continued to trend up slightly.

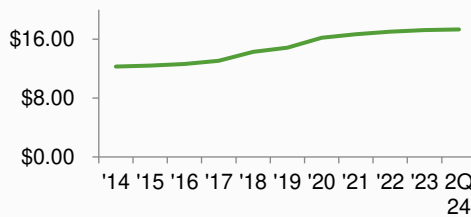
Sales volume in the office market continues to be very low compared to the years prior to 2023. The drop in sale volume is due in part to rising interest rates, economic uncertainty, and a change in office market dynamics brought on by remote and hybrid work models. (See "Property Sales Volume" chart in the Investment Market section).

VACANCY RATE

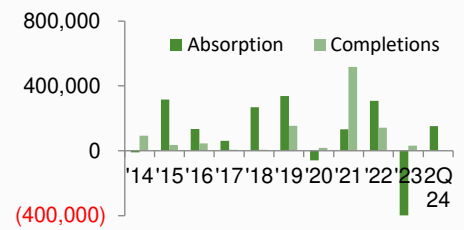


Source: CoStar™

ASKING RENTAL RATES



COMPLETION VS. ABSORPTION*



*Completion vs. Absorption figures are year to date.

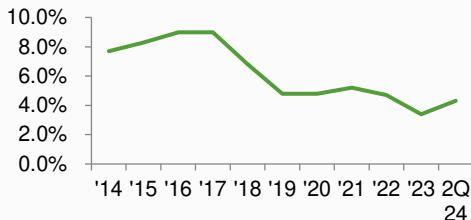
INDUSTRIAL/FLEX MARKET

The industrial/flex market saw negative net absorption of 160,666 square feet in the first half of 2024. This is following on the heels of a reasonably strong 2023 (with a positive net absorption of 477,561 square feet). The negative absorption for 2024 can be largely attributed to a few large spaces coming back onto the market. Absorption in 2023 was helped, in large part, by the approximately 639,298 square foot lease by solar manufacturer, Meyer Burger, at the former Intel plant located at 1615 Garden of the Gods Road.

Vacancy ended the second quarter at 4.3% which is up from 3.4% at the end of 2023 but still down from 4.7% at year-end 2022. New industrial developments continue to be delivered to the market. We expect demand in the market to remain strong in the coming years, spurring continued growth.

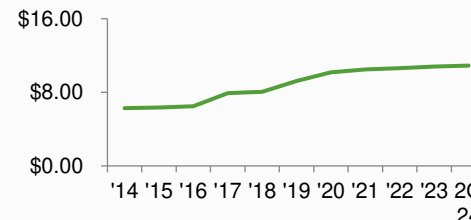
Total sales volume of industrial/flex continue to be low compared to the volume of 2022. Interest rates and economic uncertainty have slowed sales in all categories. (See "Property Sales Volume" chart in the Investment Market section).

VACANCY RATE

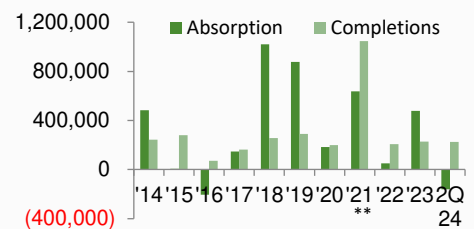


Source: CoStar™

ASKING RENTAL RATES



COMPLETION VS. ABSORPTION*



*Completion vs. Absorption figures are year to date.
 ** 2021 Figures exclude 4 Million SF Amazon Distribution Center



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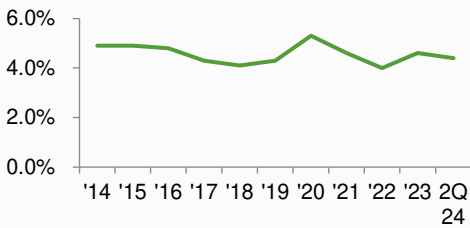
Market Watch

RETAIL MARKET

There was a slight decline in retail vacancy in the first two quarters of 2024. Current vacancy is 4.4% down from 4.6% at the end of 2023. Asking rental rates also declined slightly from \$18.67 per square foot at the end of 2023 to \$18.47 per square foot at the end of 2nd Quarter 2024. The high growth population areas of Colorado Springs such as Interquest and Northgate have seen significant growth of new retail assets that are targeted to serve the expanding population of these areas. The rents in these areas continue to remain stable with national retailers willing to pay higher market rental rates as long as the demographics support the volume of sales.

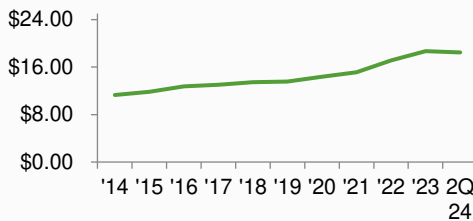
Newer retail assets will remain attractive to investors due to predictable cash flow and stable returns. Single tenant retail assets such as Starbucks continue to sell at very aggressive cap rates. These leases typically have corporate guarantees and terms of up to 20 years. Older retail centers with significant vacancy are often repositioned for alternative uses. Look for this trend to continue as retailers such as Bed, Bath and Beyond transition to internet sales.

VACANCY RATE

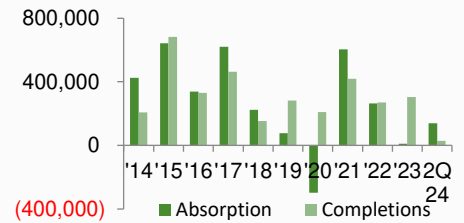


Source: CoStar™

ASKING RENTAL RATES



COMPLETION VS. ABSORPTION*



*Completion vs. Absorption figures are year to date.

INVESTMENT MARKET

Sales volume declined significantly in 2023 and has remained low during the first six months of 2024. Several factors are affecting sales volume including interest rates, more cautious underwriting by lenders and the upcoming presidential election. Although there is a significant decline in sales volume, the price per square foot for all asset classes remained relatively stable. Office declined slightly; however, retail and industrial all posted increases in the price per square foot.

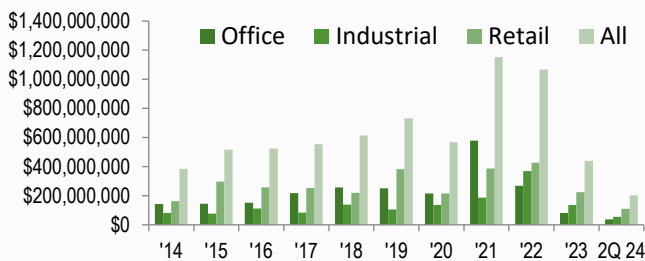
Strong national and regional investors continue to target the Colorado Springs market due to population growth and a strong economy driven in part by the aerospace and defense industry. Woodmen Ridge View apartments, 260 units, recently sold for \$67.7 million (5.11% cap rate). Chapel Hills East, a 7-property retail portfolio, sold for

\$31,777,000 to MetLife Investment. Large investors are targeting well located, newer properties that offer predictable cash flow and stabilized tenancy.

Cap rates are increasing into the 7% and 8% range due largely to the increased cost of capital. This is especially true for older properties in "B" locations that have more risk for lease up and may require expensive property upgrades. Sub 6% cap rates are still prevalent in retail sales for newer properties with long-term credit tenants. Although there is some concern that apartment vacancies may increase, investors are still willing to pay aggressive cap rates for newer, well-located properties.

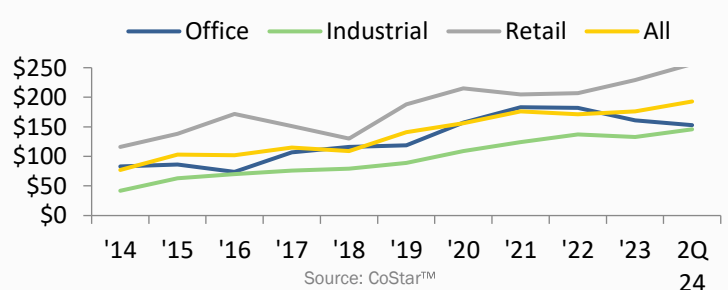
Equity capital is plentiful with investment groups raising record amounts of capital to deploy as deals become more attractive. There is still a "wait and see" attitude with many buyers as the Fed has been slow to lower interest rates.

PROPERTY SALES VOLUME*



*Property sales volume figures are year to date.

AVERAGE PRICE PER SQUARE FOOT



Source: CoStar™

KEY TRANSACTIONS

Industrial – 23,095 SF
6250 Corporate Dr
Buyer – MedRide (Owner/User)
Sale Price at Closing: \$6,300,000

Office – 27,821 SF
Medical Pavilion at Briargate
Tenant – HealthONE

Retail – Portfolio of 7 Properties
Chapel Hills East
Buyer – MetLife Investment
Sale Price at Closing: \$31,777,000

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