



COMMERCIAL MARKET UPDATE

Fall 2011



Michael R. Helwege, CCIM and former Principal of Bach Real Estate Partners, LLC, recently acquired Steve Bach's interests in the company, which continues to specialize in commercial sales, leasing and advisory services in the Pikes Peak Region, but under the new identity of Helwege Real Estate Partners, LLC.

Industrial Market Continues to Improve

The industrial market continues to show signs of increased momentum. Market wide vacancy has declined for three straight quarters and currently stands at 10.1%, but the remaining 3.4 million square feet of vacancy does not account for the 90,000 square feet that will be brought online by Goodwill in connection with its recent lease of 105,000 square feet. Even so, the continuing downward trend is a good sign.

Positive signs continue with leasing activity and absorption. Leasing activity totals 920,000 sq. ft. through third quarter 2011 and absorption totals 445,000 sq. ft. for the same period. It appears that 2011 will post the first positive absorption gain (increase in total occupied space) since 2006. The local economy could have used that turnaround a lot sooner, but now is better than never. Even with all the positive signs, there is still a large amount of empty space with rents and prices continuing a downward push as building owners attempt to "move" their space in a market saturated with competition.



Courtesy Turner Commercial Research

Office Market: Good News and Bad News

The good news: the Metro office market is still on an upward trend. Vacancy is currently at 14.4% which represents a slight reduction over 2010 levels. Leasing activity totals almost 565,000 sq. ft. through the third quarter, which is on par with prior years. Asking rents continue to fall in response to the 4.1 million sq. ft. currently available, but deals are struck well below current asking rates. Average sale prices have fallen as well, which when combined is creating demand for what can be argued as historic lease and purchase opportunities. Current market conditions seem to be spurring activity.



Courtesy Turner Commercial Research

Perfect conditions existed in 1998-2001, when market wide vacancy hovered around 5%. There are still 2.5 million square feet that need to be absorbed in order for the market to be back to "perfect" as it was defined back then. Unfortunately, 2011 absorption to date stands at a disappointing 53,000 sq. ft., which doesn't even make a dent. So, to sum up the bad news: There's still a long way to go.

Tenants and buyers will continue to have the upper hand and building owners must be aggressive and creative in order to win deals.

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