



COLORADO SPRINGS

COMMERCIAL

MARKET UPDATE

2011 Year End



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

Office Market - 2011 Summary

Final data for 2011 reveals a vacancy rate of 14.5%, which remains unchanged from the prior year and represents over 4.1 million square feet (SF) of available space with an average asking rate of \$10.26 per SF.

Looking back to 2006, the average asking rate was \$10.72 per SF when year end vacancy was a mere 7.3%. 2011's vacancy rate is double the 2006 level, but the average asking rate is barely 4% less than it was back in 2006.

Market forces should have pushed asking rates well below their current levels. However, current deals can be made at effective rates as much as 40% below current asking levels. Actual lease rates are harder to track because the parties tend to maintain confidentiality of the specific deal terms.

Better indications of current market conditions are shown on the sale side: the 2011 average office building sale price was \$76 per SF. That's around 40% less than the 2006 average sale price of \$124 per SF, before taking inflation into account.

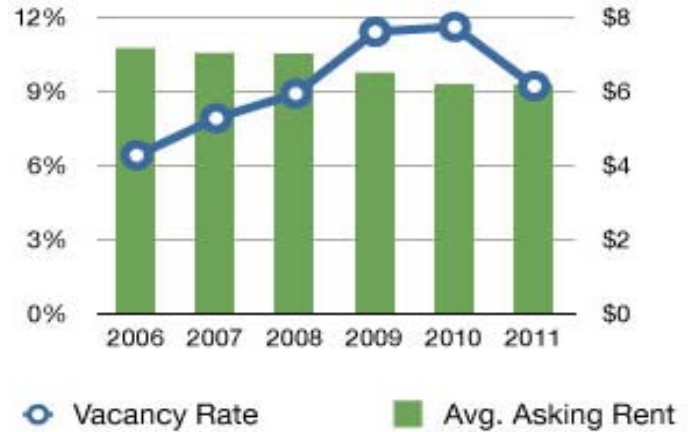
The bottom line: great deals still abound for tenants and buyers, but forward thinking building owners can land deals if they position themselves appropriately with proper marketing tactics.



Courtesy Turner Commercial Research

Industrial Market - 2011 Summary

A little more than 3 million SF of industrial space remained vacant at the end of 2011, which represents a nearly 21% reduction from the 2010 year end figure (but is still 1.4 times more than it was in 2006). The prior year's reduction is due mainly to the almost 800,000 SF of positive absorption (increase in net occupied space) recorded in 2011. That takes a bite out of the nearly 2.5 million SF of negative absorption that took place between 2007 and 2010, and is a positive sign that recovery is in the making. Industrial asking rents have shifted more with market forces than office rents, but like office rents they shouldn't always be taken at face value.



Courtesy Turner Commercial Research

More positive news appears on the sale side. The average purchase price for industrial properties in 2011 was \$49 per SF, which is a 17% increase over 2010 and over two times the 2009 figure. It's also getting back in line with the average prices that have been achieved in the years before the most recent downturn.

The bottom line: this data is certainly positive news for landlords and sellers, but tenants and buyers will likely remain in the driver seat for at least the next year or two. Aggressive marketing and "win-win" negotiating by building owners continues to be crucial in the dealmaking process.