



Colorado Springs/El Paso County Q3 2023 Market Update



Item	2022 YTD	2023 YTD	% Difference
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VELOCITY (Source: Moody's)

Commercial Sales Volume	358,679,886	388,998,845	8.45%
Commercial Transactions	155	164	5.81%

SALES TAX INDICATORS (Source: ColoradoSprings.gov - City of Colorado Springs, through July 2023)

All Sales Taxes	23,599,909	23,216,015	-1.63%
Retail Taxes	2,1396,733	21,003,195	-1.84%
Restaurant Taxes	2,786,241	3,034,279	8.90%
Lodging Taxes	1,067,300	1,186,973	11.21%
Medicinal Marijuana Sales	126,637	119,535	-5.61%

VACANCY RATE

	11.30%	13.38%	18.41%
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(Source: Variable; Office Sector, Class A/B)

EL PASO COUNTY RESIDENTIAL REAL ESTATE

(Source: Colorado Association of Realtors - El Paso County, through August 2023)

Residential Total Sales	5,303,899,400	3,871,694,004	-27.00%
Residential Average Price	548,150	538,633	-1.74%
Residential Days on Market	12	35	191.67%
Residential Listed for Sale	2682	2062	-23.12%

Cap Rates as of 09/14/2023 Commercial Property Cap Rates By Property Type, Sector & Class			
Property Type	Class A	Class B	Class C
Multifamily Metro Mid & High Rise	4.75 - 4.85	4.85 - 4.95	5.00 - 5.45
Multifamily Suburban	4.85 - 4.95	4.95 - 5.05	5.20 - 5.70
Retail Metro (CBD)	6.50 - 7.25	6.75 - 7.00	7.00 - 7.50
Retail Suburban	6.20 - 6.90	6.70 - 6.80	6.90 - 7.40
Office Metro	6.90 - 7.20	7.05 - 7.60	7.30 - 7.65
Office Suburban	6.10 - 7.40	7.20 - 7.60	7.15 - 7.80
All Self-Storage	4.90 - 5.30	5.35 - 5.90	6.00 - 6.20
All Industrial	5.00 - 5.45	5.30 - 5.70	5.45 - 6.00
Hotel Metro (Luxury)(CBD)	7.75 - 8.30	8.25 - 8.70	8.90 - 9.20
Hotel Suburban	8.25 - 8.80	8.40 - 8.80	8.75 - 9.25
Hotel Economy		9.30 - 9.50	9.50 - 10.00

Source: <https://apartmentloanstore.com/colorado-springs/colorado/cap-rate>



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PUBLIC POLICY CHANGES

- Yemi Mobolade was elected to lead Colorado Springs and was sworn in as the **42nd Mayor** of Colorado Springs, the second largest city in Colorado.

DEVELOPMENTS

- The Air Force decided that **U.S. Space Command's** permanent headquarters will remain in Colorado Springs, instead of moving to Huntsville, AL.
- A developer's plans to build nearly **500 additional homes and more business space** in an existing undeveloped subdivision near Peterson Space Force Base on Colorado Springs' east side earned unanimous approval on Tuesday from the City Council.
 - The council approved five proposals from property owner Pikes Peak Investments to add a 21.86-acre parcel to the existing 240 acres of the undeveloped Reagan Ranch subdivision within Banning Lewis Ranch. The proposed amendments also included new land designations that authorize developers to build more single-family, multi-family and commercial space in the subdivision.
- The City of Colorado Springs earned a spot in the most recent U.S. News & World Report's 2023-2024 **Best Places to Live** rankings.
 - Colorado Springs ranked ninth in the 2023 rankings. This marks the sixth consecutive year Colorado Springs ranked inside the top 10 of the U.S. News Best Places to Live listing. Olympic City USA was one of only two Colorado cities to place in the top 10, as well as ranking second in the country in the "Most Desirable" category.
- From the third quarter of 2022 though the first quarter of 2023, self-storage and net lease industrial properties held their value the best, while all other commercial asset types experienced significant **cap rate expansion** with property values dropping 10 – 15%. Office property cap rates expanded the most, increasing on average 125 bps. Cap rate expansion resulted mostly from high mortgage rates which created smaller loans, bringing real estate prices down on acquisitions. It is predicted that cap rates will continue to expand through the third quarter of 2023 when interest rates peak, and then plateau during the last quarter according to CBRE. (Source: By Terry Painter/Mortgage Banker, Author of "The Encyclopedia of Commercial Real Estate Advice" , Wiley Publishers. Member of the "Forbes Real Estate Council")
- **Multifamily** – This is the most sought-after commercial property asset classes. Surprisingly, investors only purchased \$6.2 billion nationally for apartment building properties in January of 2023, according to Real Capital Analytics. Compare that to the more than \$20 billion purchased in January of 2022. Since the third quarter of 2022, this trend from investors has been making it a buyer's market and expanded cap rates. CBRE states that cap rate expansion started slowing considerably in March of 2023, and should continue at a slower increase though the third quarter of 2023 by about 25 bps.