

# Hoff & Leigh's Weekend Market Report

## Hoff & Leigh, Inc.

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### All Market Average Office Building Sale Price PSF = \$102.45 (DOWN 0.35 from last week)

We are currently tracking 84 office buildings for sale.  
This is 789,314 square feet, which represents a total market value of \$80,862,414.

### All Market Average Industrial Building Sale Price PSF = \$99.88 (DOWN 0.47 from last week)

We are currently tracking 64 industrial buildings for sale.  
This is 799,101 square feet, which represents a total market value of \$79,815,656.

To View Tim Leigh's ad, please click below!

<http://hoffleigh.com/Doc/Tim%20Leigh.pdf>

To view our most recent Colorado Springs Business Journal Ad please click below

<http://hoffleigh.com/Doc/3.26.10%20Colorado%20Springs%20Business%20Journal%20Ad.pdf>

## Tim's Market Report

While studying the office buildings for sale this week, I noticed we're still fighting an uphill battle with pricing. The average (class "B") office building's list price is \$102.45 psf and the assessor says it should be \$68.84 psf. That's a difference of \$33.60 psf. Our (office building) market's got 789,314 square feet for sale, city-wide. That means, (according to our local expert - the tax assessor, whose prices come from "sold property comps"), our inventory's still overpriced vis-à-vis the market, by nearly \$26 Million dollars!

As owners, we're still drinking the Coolaide and believe our real estate's worth more than it is. We're still over-valued by nearly 33%! Want a glimpse of the future? Expect the continuing price deflation of office buildings for sale in Colorado Springs. Remember, you can fool Mama; you can fool Papa; and sometimes, you can even fool yourself. But, you can never (repeat that word - never), fool Mr. Market! Until we correct our thinking, we'll languish in the slosh.

And, according to the assessor, "industrial buildings for sale" are over-priced by about 36%. (Where's that nighttime Tylenol? I want to sleep until the market makes me look smart, again!) The average listing is priced at \$99.88 psf; the assessor says it should be around \$63.87 psf. Considering there's about 800,000 square feet of industrial property

listed for sale; that means that market must drop by nearly \$28,000,000 before it will clear. As I've said – there will be blood.

So, you're thinking, "Where are the deals?" Not downtown; there's 22 buildings listed for sale in the 80903 zip code (the largest number of listings by zip code in the city). In that zip code, that average building's for sale for nearly a 45% premium. It's listed for about \$135 psf and the assessor says its' only worth about \$75 psf.

The Seller's who've come to grips with reality own buildings in the 80909 & 80917 zip codes. They've lowered their prices to most closely meet Mr. Market's demand. In 80909, for example, the average building's listed for \$86.69 psf and the assessor's value is \$75.45 psf. That's merely (merely?) a price differential of \$11.24 or about 13%. And, in 80917, where the average listing is \$72.99 psf, the assessor says it should be \$68.54 psf, a difference of \$4.45 or comparatively, a very nominal difference. These zip codes are in the "challenged" Academy Boulevard corridor and reflect diminished values (caused by the lost "business-trade" area population) of that corridor appropriately. You could make a pretty compelling case, that if you're interested in buying an office building in Colorado Springs, that's an area where you can "make a deal"!

I have 2 Tim Leigh'isms that I preach; 1) prices need to reflect what Mr. Market will pay or else they won't sell; and 2) in Colorado Springs, much of our "class B" inventory has become worn-out and therefore, prices need to drop to reflect that "wear & tear" plus the cost of renovation to meet Mr. Market's demands.

If you'd like to know what your building's worth call me [719-630-2277](tel:719-630-2277) or shoot me an email [Tim@HoffLeigh.com](mailto:Tim@HoffLeigh.com) For a limited time, we're offering free valuations – no cost; no obligation; just reality.

### **FROM THE CANDIDATE:**

Gossip & juice . . . that's what I get . . . Gossip & juice.

As you know, I've been working diligently for the past several months learning where the bodies are buried and how the conductor runs the train and I've been getting Gossip & Juice. None-the-less, last week was another action-packed, event-filled marathon of learning. I learned some real things and I've learned some Gossip & Juice.

I learned that I can give a political speech. I gave my 1<sup>st</sup> one last week and surprisingly, it wasn't all bloviation. There was some meat and I'm told, it was fairly-well received. I was told the 1<sup>st</sup> one is the hardest. I was glad to get it over.

Up this week; a meeting with Memorial Hospital CEO, Larry McEvoy; Police Chief Myer; a small presentation from Mayor Hickenlooper to hear his opinion on "strong-mayor"; participation in the "Future's Forum" and in my spare time, continued study in preparation for my short-course in top-down-budgeting ("Budgeting for Outcomes"). I'm studying the Ft. Collins model in preparation for my meeting with Mayor Hutchinson

and his finance team (City Manager Darin Atteberry and CFO Mike Freeman). Ft. Collins' Mayor Hutchinson had a financial situation very similar to ours with continuous budget shortfalls when he first took office in 2005. Since then, Ft. Collins changed their model, from "bottom-up" to "top-down" very successfully. (In their 1<sup>st</sup> year, they eliminated nearly 160 city government functions with no constituent complaints! The story was, nobody missed what the government was doing in those 160 areas! I think I hear a message in there somewhere.

I learned (well, I had been told this already, but it's on a lot of folk's mind) we have unfunded pension liabilities exceeding \$120,000,000. That's a lot of money. Notice that one worrisome word, "unfunded." Unfunded means there's no plan; there's no money. Coincidentally, I learned Vallejo, California had a similar problem and ultimately declared bankruptcy. Hmm . . . I wonder if they turned-off the lights and collected the trash cans first.

And speaking of California; you know they're broke. So, what'd they do? The Sunshine State booked nearly \$1 Billion in new revenue from various taxes attributed to growing & distributing medical marijuana last year. That's a lot of money, too.

And speaking of "Medical marijuana" (and yes, this is funny because we bill ourselves as "The Sports & Wellness Capital of America" and then find-out we can't be that healthy after all.) I mean, come-on, based on the number of applicants for "Pot-Cards" it's easy to see that we're suffering from an epidemic of biblical proportions whose only cure is "The Pot". Hmm . . .

Let me explain. Last week I learned that (right now) there's a back-log at the Colorado Department of Health of nearly 100,000 applications for medical marijuana cards (Pot-Cards). Each card entitles the holder to grow 6 marijuana plants for his own "medicinal use". Not counting the cards already issued or those to come, the 100,000 cards multiplied by 6 plants is potentially 600,000 plants. ("In the trades", the pot grower and dispensary hold each individual's card and grow the crop; individuals normally don't.)

I've been told the feds say (gossip & juice) that if you have less than 99 plants in a grow facility, they'll leave you alone. The grower's have determined that you need about 1,000 square feet to adequately grow 99 plants. Performing the simple math learned in Mrs. Vedejas's 4<sup>th</sup> grade, I calculate those 600,000 plants will require roughly 600 new growing "salons"! I learned that about 1/2 (300 salons) of that plant volume will be attributed to El Paso County & Colorado Springs.

OK – let's have some fun. We currently list nearly 800,000 square feet of industrial buildings for sale. If we ascribe the reported 1/2 of the total pot-plant-volume (just the current back-log) to our area, we'd fill nearly 38% of our vacant industrial buildings for sale! Hmm . . . Let's see; I like that idea. (For you lucky dogs who get to sell the buildings, you'd realize something like \$2,000,000 in new real estate commissions. Anybody want to buy a car? A new flat panel?)

Now, here's an idea. Let's accept that pot's a reality - because it is. No moralizing or preaching here - just a business idea. Let's zone it; regulate it; and tax it. 300 new "salons" needed you say? (Check my math.) Let's ascribe a \$2,000 start-up tax and an attendant \$3,000 per year "moral-hazard" tax. Let's see -  $300 \times \$2,000 = \$600,000$  in new taxes for the start-up and \$900,000 every year thereafter (just by taxing the known, current back-log). What's it cost for that water and those trash cans again? (Here's a random thought - how about a special "green-overlay-zone" of the Academy Boulevard corridor big boxes that need an alternative use? Er, pardon the pun - I'm just trying to think outside the box.)

Here's another idea. If we have 300 new salons, and if each salon yields 100 pounds of new "pot-per-year", we'd produce 30,000 pounds of "pot-per-year" (and I'm guessing my numbers are very low). The street value of pot's about \$8,350 per pound. Thanks to Mrs. Vedejas and Dr. Kochtu (hug your kid's teacher on Monday), I can do advanced math.  $30,000 \text{ pounds} \times \$8,350 \text{ (street value) per pound} = \$250,500,000$  in new sales! Let's see; what's the going rate? 7% you say? Ah, yes; what a magic number; real estate commissions or taxes - I guess they're about the same.

Taxing, (just the known back-log production), pot would produce about \$17,535,000 in new tax revenue. OK; OK; OK; you're a skeptic. I get that. Let's presume I'm wrong by 50%. That's not likely by the way, but I'm feeling generous. Gee; we'd only make around \$8,500,000 in new tax revenue. Let's see, how many "pot holes" need filling?

Now for the crass commercial pitch - go to [www.TimForMayor.com](http://www.TimForMayor.com) Tell your friends to go to [www.TimForMayor.com](http://www.TimForMayor.com) and check it out. I'm guessing that we need to raise about \$300,000 to win the mayoral election. If you're interested in my energy and ideas and willingness to work hard for our community, lend a hand. It's **TIME**.

Keep it real,

*Tim Leigh*

**Tim Leigh**  
Hoff & Leigh Commercial Real Estate