

Hoff & Leigh's Weekend Market Report

Hoff & Leigh, Inc.

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All Market Average Office Building Sale Price PSF = \$106.48 (DOWN from \$106.94 last week.)

We are currently tracking 148 office buildings for sale.
This is 1,577,562 square feet, which represents a total market value of \$167,978,533.

All Market Average Industrial Building Sale Price PSF = \$81.68 (DOWN from \$81.92 last week.)

We are currently tracking 141 industrial buildings for sale.
This is 1,743,309 square feet, which represents a total market value of \$142,395,256.

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

I watched a friend of mine move-out of his house over the weekend. I suspect his house was worth over \$1,200,000 in the hey-day. He sold it for \$700,000 to raise some quick cash; said he's downsizing. He went from 5,000 sf on a couple of acres to a 1,500 sf condo. He went from a Mercedes to an Acura. He's a real name and face and he's another statistic. And I was late for a meeting last week because another friend stopped by in desperation. "What can I do with my building?" "Call the bank," I replied, "You owe more than its worth." His wife told him not to worry; "You can always make more money," she said. She doesn't get it. He can't.

And I'd like to report that the commercial real estate market is picking up steam but I can't. Yes, we've done several small leases in the last week or so but unfortunately, especially if you're a building owner, that activity may not mean much. The sad truth is; deals are being done at huge discounts. In rational markets, lease rates would hold "somewhat steady." However, in these "irrational times" we continue to watch lease rates drop like a proverbial 6" putt. In fact, Steve had a chip shot at 4465 Northpark Drive last week (this is a class B/C building where Antonio's Restaurant used to be). He missed because the Tenant was able to roll into similar space in a class "A" building for less rent.

Anecdotally, we're remodeling our office building at 2500 North Circle Drive in preparation for re-tenancy. We've had a tenant in place for the past 5 years and the building has been a cash cow. Joe Hastings appraised the building November 1, 1999 for \$675,000 and in a normal market this building would easily be worth over \$1,000,000.

As we all know, "timing-in-life" is everything and unfortunately for me, I find myself with terrible timing trying to raise a little scratch in an unnaturally depressed market. To get there, I swallowed my pride and lowered my price to \$625,000. For the math challenged, that's \$50,000 less than a 10 year old appraisal. Ugh. There's a reality check; all that motion and still no love.

And, according to Dave & Matt, there are now 149 office buildings (less than 40,000 square feet) for sale with an average asking price of \$106.48. At Fred Crowley's suggestion, we've started tracking our data by Zip Code and a 1st run count told us 80903 has the greatest number of office properties listed for sale – 34; followed by 80909 with 27 and 80918 with 18. Stay tuned as we refine our data. Our goal's been, and continues to be "to provide superior data for decision makers" and I'd be happy to discuss any of this with you. Just call or write.

As 2009 winds down, I'd say we're still trying to find the bottom of our market. Here's a couple of examples; we've had 1757 South 8th Street for sale (with give-away pricing) and can't find a buyer; we went under contract on 103 South Wahsatch for fifty-cents on the dollar; and we're in the middle of a 10,000 sf lease negotiation on a 3 year (downtown) office lease for \$1; \$2; \$3 per square foot.

And here's the crass commercial message; call me if you'd like to discuss your situation and how the market will impact your circumstances in 2010.

Now some good news! We live in Colorado Springs! And we have a great water system! Last week, I took the tour, drank the Coolaide and became a disciple.

I'm not going to lie. I like water. I like warm water better than cold water. That is of course, unless it's hot outside and I need a cold drink. Then I like cold water; but, mostly, I like clean water. And we're lucky we don't live in California or Georgia or pick-a-place, where they treat their waste water (yes – that waste) and drink it. We're lucky because our water is 1st source water. We get to use it before anybody else. That's one of the unique things about our community. In fact, it's nothing short of a Christmas Miracle that we can convert 1 cubic foot of Rocky Mountain snow into 1 gallon of sparkling, clear & clean water, and deliver it from Western Slope to our homes in 3 days through a series of pipes and tunnels and open waterways nearly 200 miles long for less than 1/2 of 1 cent. Many people cry to be witness to a miracle so "they believe." This is one.

Nearly 2/3 of our water supply starts as rain or snow melt on the west side of the Continental Divide. It falls somewhere near French Creek, where it bubbles down-creek, joining flow from Fancy Creek, Missouri Creek and the entire Homestake Basin. It gathers steam as it rushes through the 1st pipe owned by CSU which accumulates to the Missouri Tunnel, (6' diameter; 1 mile long) who delivers this 1st source water to The

Homestake Reservoir, which is nearly 11,000 feet above sea level, 200 feet deep and holds nearly 43,000 acre feet of “home brew”.

By the way, an acre foot of water is the size of a football field 1 foot deep in water. Colorado Springs uses about 80,000 football fields per day. Think of 80,000 football field stacked on top of each other; then think about 80,000 football fields stacked on top of each so high that they reach twice as high as a plane flies to Hawaii. That’s our daily consumption of water. Yet, according to Richard Skorman, even with all that, on a per capita basis we consume less water than any other Front Range city.

From the Homestake Reservoir, our water continues through the Homestake Tunnel under the Continental Divide to Turquoise Lake then to Twin Lakes (with each lake dropping nearly 1,000 feet in elevation from its predecessor); then across South Park (not through 11 Mile or Spinney – which is Denver owned water), to the Rampart Reservoir. From Rampart, the water is flushed down a 1,000 foot “drain pipe” where it winds its way through various treatment facilities and nearly 2,000 miles of distribution piping to our homes. When you look at the system our engineers have concocted, it’s nothing short of miraculous and they have done it all with old technology.

Of course we flush about 43,000,000 gallons of waste every day, and of course if I was downstream, I’d be concerned. But we have mitigation systems in place that prevent major problems like the Fountain Creek recovery project. That’s a \$10,000,000 system that collects all the water flowing through Fountain Creek when necessary, while simultaneously releasing up to 18 million gallons of clean, stored water, that’s continuously stored “just in case.” The contaminated water that’s collected is recycled through the waste water system, cleaned-up and ingeniously reused as gray water throughout the city.

Yes, I did meet with the CSU guys and heard their story and was amazed. I was amazed by their good work and strategic thinking. And I was amazed that our city thinks a part-time city council can run a Billion Dollar enterprise. Hmm. . .

Have a profitable week.

Tim Leigh

Imagine The Possibilities!

Tim Leigh
Hoff & Leigh Commercial Real Estate