

Northern Springs market thrives

The Colorado Springs commercial real estate market long has been considered by outsiders to be a mile wide and an inch deep. Those days are long gone for this maturing, robust city.

The Colorado Springs central business district has the lowest office vacancy rate. However, the largest residential and commercial real estate market where the majority of residential and commercial growth has taken place over the last several years is in northern Colorado Springs. This market area is generally considered to be the Interstate 25 corridor from Rockrimmon Boulevard in the south to the Northgate intersection in the north. Factors such as geographical constraints and limited developable land on the west side of Colorado Springs due to the existence of such entities as Fort Carson, The Broadmoor hotel complex and the U.S. Air Force Academy have pushed growth north. Additionally, the installation of new or expanded infrastructure in the northern part of the city accounts for the main reason residential and commercial growth have been feasible. That said, there are several contributing factors to account for the actual growth in commercial real estate taking place in this area.

Residential development always has been a key factor in commercial real estate growth and the northern Colorado Springs residential market has been on fire for several years. The most obvious example of this is the unparalleled success of Briargate. This 7,590-acre master-planned community is owned and developed by La Plata Investments, which is owned by the Loo family of Colorado Springs. The final build-out will consist of 26,000 residential units and 1,062 acres of commercial and retail development.

There are several reasons for Briargate's explosive growth in residential development. Briargate is located within Academy School District 20, one of the top-rated school districts in the state. La Plata has created excellent infrastructure and tightly controlled building covenants to protect homeowners' investments. Additionally, Briargate residences have direct access to I-25. This access allows workers to commute to jobs in the Meridian, Inverness and Denver Tech Center business parks 50 minutes to the north in Denver and to the Colorado Springs CBD 15 minutes to the south. They also enjoy close proximity to the 3.5 million square feet of office space within the 405-acre Briargate Business Campus as well as immediate access to the new Powers Boulevard extension. This extraordinary residential growth is also one reason Memorial Hospital has the first phase of its new 82-acre medical campus under construction within Briargate on Briargate Parkway at the Austin Bluffs Parkway intersection, just one



Steve Clarke
President and CEO,
Prime West Cos.,
Denver

block west of Powers Boulevard. All of these factors have led to several new or planned retail developments anchored by Lowe's, King Soopers and Target in the immediate vicinity of the Briargate/Powers intersection.

In addition to Briargate, there are other significant residential developments in the northern market. Norwood Development, owned by David Jenkins of Colorado Springs, is developing a 5,000 residential unit community, Wolf Ranch, to the east of and contiguous to Briargate. To the north of Briargate is Flying Horse, an upscale golf course community developed by Classic Communities, another successful local residential development company. Business parks in the northern Colorado Springs market benefit from the extraordinary residential growth. These include Briargate Business Campus, Interquest — consisting of 176 acres also owned by Norwood Development — and Northgate — consisting of 1,200 acres owned by local developer Gary Erickson.

The military presence in Colorado Springs long has been a driving force for its economy. Colorado Springs also has been the beneficiary of the Department of Homeland Security and the companies it has spawned. However, what has been largely overlooked until recently is the available work force comprised of military dependents and retired military personnel. Companies such as Progressive Insurance, USAA, T. Rowe Price, Zurich American Insurance, State Farm Insurance and Wells Fargo Mortgage Servicing, just to name a few, either have created a significant presence or have expanded their existing operations in the northern portion of the city due to the availability of this excellent source of motivated and mature employees. DeVry University and the University of Phoenix have moved into new and larger facilities in the northern section of town and have expanded their curriculums to enhance the training of this labor pool. The University of Colorado at Colorado Springs has started an evening Master of Business Administration program for the same reason.

The office market in northern Colorado Springs consists of 12.8 million sf and currently has an overall vacancy of 9.2 percent, according to Turner Commercial Research of Colorado Springs. Asking rents in Class A buildings are currently as high as \$16 per sf triple net with the average rent in the \$ 10.50-per-sf-triple-net range. Due to anticipated job growth,

the vacancy rate is projected to be below 9 percent by the end of 2006 with Class A rents averaging in the \$11- to \$11.50-per-sf-triple-net range with asking rents in some buildings as high as \$20 per sf triple net. Last year saw the majority of sublease space absorbed, rendering sublease space almost a nonissue for 2006.

Retail vacancy in the northern market is approximately 6 percent. Some of the success of the newer developments has been at the expense of older retail projects primarily located around the Citadel Mall. The best examples of retail following new residential development in the northern market are First and Main, a major retail hub consisting of almost 900,000 sf on 140 acres owned by Norwood Development and The Shops at Briargate, developed and owned by Poag & McEwen.

First and Main is located on Powers Boulevard between North Carefree Circle and Constitution Avenue. Almost every retailer with a Colorado presence is located within the First and Main project. The next major retail hub is projected to be six miles to the north on Powers Boulevard at the Briargate Parkway intersection. Lowe's Home Improvement opened a new store there in mid-January and a 50-acre development owned by Continental Development to be anchored by a SuperTarget is planned at the same intersection. Regency Centers will break ground this summer on a King Soopers-anchored shopping center one-quarter mile to the west of Powers on Briargate Parkway. Norwood Development also has a 114-acre retail development planned at Interquest Business Park to be anchored by a 14-screen Cinemark Theatre.

The Shops at Briargate is located on 28 acres at the main entrance to Briargate on the southeast quadrant of the Briargate Parkway/I-25 interchange. It consists of 128,000 sf of upscale retailers and restaurants including P.F. Chang's, Ted's Montana Grill, Ann Taylor and The Sharper Image, to name a few. The availability of this higher-end retail shopping and dining has, to some degree, minimized the need for Colorado Springs residents to travel 50 miles north to Park Meadows Mall.

While the office market is improving and the retail market is robust, Colorado Springs has limited heavy-industrial demand and sporadic high-tech demand. Intel, Quantum and Hewlett-Packard, for example, have had a long-term presence in Colorado Springs but their needs have been unpredictable and inconsistent.

Landowners and developers who have established themselves in the northern sector of Colorado Springs are well-positioned to benefit from continual, steady residential growth and commercial demand for the next several years, barring unforeseen events that could derail the local economy. ▲