DOWNTOWN COLORADO SPRINGS MARKET ASSESSMENT

Prepared by:

PROGRESSIVE URBAN MANAGEMENT ASSOCIATES

1201 East Colfax Avenue, Suite 201 | Denver, Colorado 80218

720-668-9991| www.pumaworldhq.com

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INTRODUCTION

This document has been prepared for the Colorado Springs Downtown Development Authority (DDA) as part of an *update* to the Downtown Colorado Springs Master Plan. The Plan Update will identify tactics, policy changes, partnerships and revenue structures needed to fully accomplish the Plan's vision for a thriving Downtown, and will guide public and private investments through the next market cycle. This Market Assessment informs the Plan; the market trends and opportunities identified in this document are used in the identification and selection of tactics in the Plan.

This document is an educated overview and qualitative assessment of trends and market opportunities for the current five-to ten-year market cycle. An understanding of the market opportunities can illuminate areas where market forces are highly unlikely to deliver certain types of development. If the community desires such development types, then resources must be identified and allocated to deliver them, or the community must decide to wait until the market can deliver them in a future cycle. This document demonstrates and draws conclusions related to the overall direction and magnitude of market forces, and as such projects for a five-to ten-year cycle. An appendix to this document provides supplementary quantitative demand projections based on 2015 Quarter 3 conditions, which will need periodic updates (every 12 to 18 months) to stay current.

Data was compiled using primary and secondary sources such as ESRI's Business Analyst Online, the U.S. Census Bureau, real estate market reports, CVB and lodging reports, Regional Business Alliance data, and Downtown Partnership and City data. Additionally, interviews were conducted to gain qualitative information from property and business owners, developers, brokers, residents, entrepreneurs, and City and County staff.

The Market Assessment includes:

1) Influence of Global Trends in Downtown Colorado Springs

   This section describes key global trends that are affecting downtowns, and describes how these are evidenced in Downtown Colorado Springs.

2) Summary of Market Opportunities
   Based on trends and market data, this section summarizes key market opportunities for Downtown Colorado Springs in the next five-to ten-year market cycle.

3) Market Profile

   The Market Profile compares and analyzes a wide range of local economic, real estate market, and related data for Downtown. Comparisons also are made for the surrounding in-place market area and the City of Colorado Springs.

4) Appendices

   a. Stakeholder Interview List
   b. Development Forecast[1]

[1] By placing this product in the Appendix, it can easily be updated annually or as needed to reflect changes such as new products built Downtown.

INFLUENCE OF GLOBAL TRENDS IN DOWNTOWN COLORADO SPRINGS

Global and national trends continue to promote the growth of vibrant downtowns. Progressive Urban Management Associates (P.U.M.A.) has been tracking and reporting global trends affecting downtowns for nearly a decade and applying that knowledge to specific cities and downtown markets. P.U.M.A.'s latest update to the report was released in spring 2014 in collaboration with research from the University of Colorado Denver.[2] This section of the Market Assessment summarizes the trends that are currently most relevant to Downtown Colorado Springs.

CHANGING WORKFORCE

The national workforce is changing in myriad ways that are, for the most part, positive for downtowns. Boomers (over 50) are retiring in greater numbers while Generation X (35 to 50) is taking the reins, and Millennials (18 to 35) are aiming to build careers with their sought-after talent and skills. Both Boomers and Millennials have fueled downtown population growth over the past decade and are poised to continue to populate urban environments, particularly in those that offer jobs, housing, amenities and activities that respond to their needs.

While there are plenty of available workers in the post-recession economy, employers are having trouble filling certain types of jobs due to widening skills gaps. Sought-after employees are becoming harder to find; the labor pool is shrinking because experienced Boomers are beginning to retire and the rate of immigration has slowed. A competitive advantage is already placed on the concentration of highly skilled employees in cities, and companies will be under increased pressure to consider operating in city centers as Millennials become more urbanized.

Additionally, women are anticipated to dominate professional occupations in the future and have been outpacing men in educational attainment since the 1970s. In 2011, women received 60% of all master's degrees. To fortify their position as hubs for commerce, downtowns must look for ways to appeal to women in all facets of the downtown experience, including physical improvements, environmental stability (i.e. clean and safe), mixed-use living options, transportation options and mobility, daycare, retail and entertainment offerings.

KEY IDEAS

Trends that can benefit Downtown Colorado Springs:

- Skilled talent is in high demand, driving businesses to locate in the compact urban centers they prefer.
- Technology is changing office configurations, reducing the space needed to conduct business and adding greater utilization beyond traditional eight-hour workdays.
- Millennials and Boomers are driving a resurgence in downtown living.
- There is increased demand for and use of alternative transportation modes (i.e. walking and biking).
- Increasing demand for healthy lifestyles, including fresh food access and active living options.

[2] "Top Global Trends Affecting Downtowns and How to Respond at Home." Progressive Urban Management Associates, 2014. The report can be accessed at: www.pumaworldhq.com

Changing Workforce in Downtown Colorado Springs

The preferences of skilled talent and the new tendency for companies to locate in the urban environments they prefer is evident in Downtown Colorado Springs. Where the suburban office market was once dominant, Downtown is now Colorado Springs' strongest office segment. Over the last five years, Downtown's office lease rates[3] have consistently been higher than the City. In 2014, Downtown's lease rates were more than ten percent higher than the City. Through the first half of 2015, Downtown's lease rates increased further to $20 per sq. ft. Additionally, Downtown's office vacancy rate has been steadily below the City for the past five years. In 2014, Downtown's office vacancy rate was 58% lower than the City, at 12% compared to 19%. Within the first half of 2015, Downtown's vacancy decreased further to 9%.

Downtown should provide a welcoming environment that makes it easy for businesses and employees to relocate, embrace social tolerance and inclusion and use social communication tools that invite populations who are increasingly diverse and technologically savvy.

ADVANCES IN TECHNOLOGY

The advance of mobile technology and high-speed connectivity continues to have profound implications for cities. Mobile devices have diminished the essentiality of static office locations, allowing connections anytime, anywhere. This new flexibility has resulted in a surge in telecommuting, and altered office configurations by reducing the space needed to conduct business. The DaVinci Institute estimates that 2 billion jobs will disappear worldwide by 2020, mostly as a result of changes in technology as workers move to a more project-based, freelance economy. The growing popularity of co-working spaces is a reflection of this trend. The mobile workforce can choose to live and work anywhere in the world, and communities that provide compatible space and preferred lifestyle choices can best capture this workforce.

With real-time, data-intensive smart technologies, apps, cloud storage, and sharing, cities and particularly urban cores are under increased pressure to make high-speed Internet access faster and free to the public. Additionally, cities are reaping a competitive advantage by making community data more easily and publicly accessible. Open data allows for more informed decision-making by business prospects, a more rapid response in planning processes, and a more engaged and informed citizenry.

Technology in Downtown Colorado Springs

Downtown Colorado Springs has a number of technology advantages, including a well-connected network of fiber throughout the core. However, access to public data is lagging. The State of Colorado has begun to address access to data with the Colorado Information Marketplace; the City of Colorado Springs and El Paso County should consider a similar model.

Stakeholder interviews revealed a desire on behalf of business owners to have faster and more secure Internet access. While the majority of Downtown is well connected by corporate fiber-optic networks, a desire for the community to manage and create better connectivity options at a local level has been expressed. This could provide competitive advantages to attracting a free-agent workforce. Chattanooga and other cities are already

[3] Unless otherwise noted, all lease rates are triple net.

moving forward on universal access fiber initiatives, suggesting that Colorado Springs may have a limited time window in which to distinguish itself in this realm.

Downtown Colorado Springs has the potential to foster new businesses through two innovative campuses and accelerator programs. One is Catalyst Campus, a hub for technology, engineering and innovation in defense and aerospace located in the former Santa Fe railroad depot with a phased plan for expansion. The other is a proposed accelerator and co-working space for innovation in health, wellness and sports industry technology. These campuses have the ability to spin off companies with high-paying jobs that will attract young, skilled workers. Downtown's office market can increase demand from these desirable spin-offs as well as other startup firms by creating open and collaborative work environments with a modern feel, and incorporating amenities such as secured bike parking, in-building access to healthy food, high speed Internet, and state-of-the-art facilities that ensure building security as well as a pleasant daily environment.

Downtown can also take advantage of technologies that enhance quality and performance for daily activities such as parking. Apps such as ParkWhiz, SpotHero, Urban Engage, or Parker help users find available parking, pre-pay for spots, extend their time, and see different pricing options in the area. These apps not only improve the visitor experience but can help Downtown maximize its available parking and create a more dynamic system that responds to demand. A parking analysis is underway concurrent to this assessment and will address how improved parking could increase turnover and revenues, and the costs to do so.

Urban Residential Renaissance

With national trends in their favor, many downtowns are experiencing an economic renaissance that is attracting new investment and higher income households. Vibrant downtowns are well positioned to capitalize on economic opportunities and deepen the demand for downtown housing by offering jobs, entertainment, culture, education, recreation, and healthy lifestyles accessible to all. To provide an environment that attracts a multi-skilled workforce and economically mixed demographics, diverse housing price points and unit types are needed.

College-educated young adults aged 25 to 34 are twice as likely as other age groups to live within three miles of a city's downtown, but an increasing number of those in the Millennial generation can no longer afford to live near the downtown of mega cities. Rising downtown real estate prices in these cities have priced out the very demographic that will be the main driver of economic growth. Many of these young, educated workers are now moving out of the big cities where the cost of living is high, to smaller, less expensive cities that have desirable urban characteristics. Colorado Springs appears poised to capitalize on this trend as rents increase in other Front Range cities.

Residential in Downtown Colorado Springs

In line with trends, the majority of current Downtown residents are Millennials and Boomers, making up approximately 39% and 29% of the population respectively. Downtown offers many of the amenities that attract these cohorts, including a compact, walkable environment, unique local retail and restaurants, parks, and easy access to outdoor recreation.

What is lacking in Downtown Colorado Springs is a supply of modern residential units as well as basic but important resident-serving amenities such as a grocery market. Existing units are older and lack on-site amenities that many transitioning urbanites expect. Downtown's housing market has lagged behind national trends and this market cycle is a critical opportunity to catch up. Fortunately, the Downtown housing market is showing signs of growth. There are currently more than 400 residential units in the pipeline, which will increase the total number of rental units in the Downtown study area boundary by 40%.

The average lease rate for a 1-bedroom citywide is approximately $800 per month, compared to Denver where a luxury apartment rents for $1,686, a mid-tier for $1,290 and a lower-end for $965. New apartments being built in Downtown Colorado Springs are planned to be mid-tier and luxury apartments, with starting rents expected between $1,100 and $1,300. This will address a critically underserved niche within Downtown, where mid-tier units are extremely limited. Housing in Downtown is at a pivotal point. New housing product will shed light over the next few years on what types of product and price points the market will support in the Downtown core.

Neighborhoods surrounding Downtown can continue to provide housing options at lower price points. As new higher-end housing units come online, it will be important to preserve and build more moderately priced housing in order to maintain a diverse community and retain young talent that is just getting started with their careers. If Colorado Springs can maintain a level of affordability, it will be an attractive alternative for residents from Denver and elsewhere who are looking for a compact downtown experience at a lower price point. Downtown's limited transit options make providing housing at a variety of price-points even more important since a share of household income will likely be spent on vehicular transportation, unless both infrastructure and education is increased around walking and biking.

Shifts In Transportation

Vehicle expense and demographic changes are shifting behaviors away from cars. Car and bike sharing programs have been adopted in many cities across the globe. Today, over 500 cities in 49 countries host modern bike share programs, including mid-sized cities with a range of climates and topography such as Des Moines, Omaha, Madison, Kansas City, Milwaukee, Minneapolis, Oklahoma City, Salt Lake City and Chattanooga. America's two largest demographic groups – Boomers and Millennials – are primarily responsible for changing transportation habits. Boomers are simplifying and downsizing households, often moving to walkable downtown areas. Millennials too are seeking walkable/bikeable environments in proximity to jobs and lifestyle amenities. The share of automobile miles driven by people in their 20s dropped precipitously over the past 15 years. This age group accounted for nearly 21% of all automobile miles driven in 1995, but less than 14% by 2009.

Driven by employee demand, businesses are increasingly looking to locate in places where their employees can easily choose from a variety of modes to travel among home, work, entertainment, services and shopping. Downtowns should consider investing in street designs that give greater emphasis to mobility options that complement more walkable, bikeable and transit-rich environments. Making sure design standards are age-and-ability friendly will promote better accessibility for all.

Transportation in Downtown Colorado Springs

The mode share in Colorado Springs is still heavily dominated by automobiles however, there is desire and significant potential to increase the share of other modes. A P.U.M.A. survey from April 2014 revealed that 64% of stakeholders, including visitors, students, residents, employees, and property and business owners, thought making Downtown more walkable/bikeable was a very important action. According to Walk Score™ as well as most stakeholders' opinions, Downtown is already the most walkable neighborhood in the City, receiving a score of 71 out of 100. Many errands can be accomplished on foot. However, this Walk Score is low compared to downtowns in many similar sized cities, and Downtown's walkability outside of a core area in proximity to North Tejon Street dissipates quickly. There remains a need to improve walkability throughout Downtown and adjacent neighborhoods.

In comparison to other urban markets, Downtown Colorado Springs has a stronger Bike Score™ at 85. As of 2015, only 2% of Downtown commuters use bikes but about 67% of the 22,980 employees working in the downtown 80903 zip code live less than 10 miles from work,[4] suggesting that biking could be a viable mode for significantly more than the current 2%. Adding bike infrastructure, such as dedicated and protected lanes, will increase the number of cyclists. When it comes to making these kinds of changes, Downtown's wide streets are an asset. Downtown has recently completed a Bike Share system feasibility study, which if implemented will encourage short bike trips throughout Downtown and increase comfort travel distances within the core. Completing key connections and wayfinding along trails like Shooks Run and the Pikes Peak Greenway would make walking and biking Downtown a more pleasant and practical alternative.

Although Downtown serves as a primary hub of the City's bus service, it is not considered to be a mode of choice at this point in time. Downtown receives a Transit Score™ of just 39. Mountain Metro Transit is investing in a relocation of the Downtown transit terminal, which could serve to encourage more choice ridership and route options, as well as catalyze transit oriented development (TOD). Many stakeholders voiced the need for a localized form of transit, either by trolley or shuttle, to move among key attractions, institutions and jobs within and near the core of Downtown. While this type of system is desired, past programs proved unsuccessful due to the lack of robust transit options connecting riders within the downtown area, as well as to and from downtown from other parts of the City. Comprehensive system changes are recommended in the regional 2040 transportation plan, but many pieces need to come into place before a shuttle or trolley becomes a viable connector option.

Health & Wellness

The connection between health and the built environment is an emerging trend, propelled by a national awareness of the rise of chronic conditions such as obesity and its correlation to physical space. Downtowns can

[4] U.S. Census, Onthemap.com. No information on what portion live within a closer, more typical biking radius.

capitalize on this trend by building healthy places with active public green spaces, inviting and walkable streets, and access to fresh, healthy food. The real estate market is catching onto this preference for healthier lifestyles, and a value premium has been placed on urban environments that support walking, biking and recreation.

Health & Wellness in Downtown Colorado Springs

Downtown Colorado Springs already has a strong culture of health and wellness thanks to its favorable climate, history as a medical treatment and research center, nearby outdoor recreation opportunities, and flagship institutions such as the U.S. Olympic Committee Headquarters (USOC) and nearby Olympic Training Center. In addition to the USOC, Downtown is home to several National Governing Bodies (NGBs), the Borealis Fat Bike Company, CityROCK, the Jack Quinn's Running Club, and a number of boutique fitness studios and fitness focused retailers. An additional 14 NGBs, along with dozens of national and international sports organizations, are headquartered throughout Colorado Springs[5], creating a strong sports industry cluster. Plans for a new U.S. Olympic Museum will further Downtown's recognition as a place that supports healthy, active lifestyles.

According to ESRI, Downtown and Market Area residents are 7% to 16% more likely than the national average to exercise at a fitness club two or more times per week. Downtown is fortunate to have trails like the Pikes Peak Greenway and Shooks Run as outdoor recreation amenities for these active types. The Greenway Fund is currently working to help finish the Legacy Loop trail system originally envisioned by General Palmer. Completing connections along trails and adding signage into the Downtown core can further recreational use and enhance the health and wellness image of Colorado Springs.

Having access to healthy foods is an important contributor to health, wellness and community. A grocery market is noticeably absent in Downtown and was cited by numerous stakeholders as a desired amenity. An appropriately-scaled food market in Downtown would fill a significant amenity gap for healthy living and make Downtown a more complete neighborhood. A challenge is that the current residential base is not yet adequate to support a full-scale grocery store in Downtown. Plans announced in late 2015 by the Colorado Springs Public Market that they will open in Downtown will help to serve the current need and add appeal for prospective new residents.

Downtown and the Global Trends

This Global Trends section of the Market Assessment places Downtown in context of broad market trends. Downtown can benefit from many of these trends, building on forces that favor compact urban living with recreation and mobility amenities. These trends and their implications for Downtown were taken into account in findings presented in the Key Market Opportunities section of the document that follows.

[5] Sports Industry Profile. Colorado Springs Regional Business Alliance. 2015

KEY MARKET OPPORTUNITIES IN DOWNTOWN COLORADO SPRINGS

This section of the document summarizes the findings of the Market Assessment in terms of key opportunities for Downtown Colorado Springs. These opportunities were uncovered through quantitative and qualitative data and research, and blended with national expertise in downtown development and an understanding of economic trends. Specific opportunities for Downtown Colorado Springs are summarized within five sectors below: Retail, Commercial/Office, Residential, Industrial, and Visitor. A final section addresses opportunities within the public realm that can strengthen and extend the market opportunities across multiple sectors. Supporting data and source citations are documented in the Market Profile and Appendices.

RETAIL

Overall, the retail market in Downtown Colorado Springs is impressively healthy for a mid-sized city. Nationally, storefront retail is in contraction due to more price-conscious consumers and competition from on-line retailers. However, downtowns are well positioned to retain retail vibrancy, as customers are more likely to shop in unique stores located in settings that offer an authentic and pleasant experience.

Retail vacancy is currently lower in Downtown (4%) than citywide (6%). Additionally, Downtown commands higher retail lease rates than the citywide average, with asking rents of $14.01 compared to $10.73 in 2014. Retail is currently solid along the Tejon Street spine and offers a mix of formats with heavy representation of locally owned and unique-to-market franchise shops. Few national retailers are represented. A new retail cluster is emerging at Costilla Street and Nevada Avenue that appears to be stable as well. This was spearheaded by motivated property owners and aided by several grants from the Downtown Development Authority. Retail is performing less consistently on many side streets, including the one-way couplet of Kiowa and Bijou.

KEY OPPORTUNITIES

- Retail is doing well along a sizable stretch of Tejon Street but is less consistently robust on side streets.
- Downtown is the strongest segment of the city's office market, with higher occupancy and rents, but remains too soft to support new construction in the near term.
- Downtown must appeal to skilled workers in order to fill office vacancy and attract growing business sectors to the region.
- Exciting opportunities exist to capture technology spin-offs from the Catalyst Campus and other innovative accelerator concepts.
- The Downtown residential market is lagging national trends. However, this investment cycle is an opportunity to catch up.
- Low vacancy and reasonable rents for small light industrial uses offer an artisan manufacturer niche opportunity.
- Public realm investments can strengthen all market segments.

Alley improvement projects have created some additional alternatives that offer artistic, presumably lower cost, locations for startups and others.

Based on a number of factors – including national retail trends and spending patterns of local market area residents – several niche areas for retail emerge as having expansion potential in Downtown. These include health and fitness goods and services, additional food and beverage venues, and technology and electronics offerings. Modest expansion potential exists in clothing and accessories stores as well.

Existing Downtown residents desire a grocery market and other resident-serving retail and services – such as hardware and general merchandise. However, there is a chicken-and-egg scenario at present where current resident numbers are too modest to create strong demand for such retailers, while the lack of such retail negatively impacts residential demand. If residential expansion occurs as planned (see below, in Residential opportunities), this could help support a small market and other retail, which in turn would further strengthen the residential real estate market. The recently announced plans to open the Colorado Springs Public Market in the core of Downtown may help unlock this conundrum, providing some food retail for Downtown residents even while numbers are too low to attract a full-service grocery store.

In sum, while the storefront retail environment in Downtown is healthy and vacancy in the DDA boundary is close to ideal, given national trends, retail expansion potential remains limited in this market cycle. Tenants and energy are best concentrated in the core and along the Tejon Street spine, rather than dispersed across the broader area of Downtown.

COMMERCIAL/OFFICE

Skilled workers and businesses are returning to downtowns across the nation. Consistent with this global trend, Downtown is now Colorado Springs' strongest office market segment. Overall vacancy in Downtown is about 9% compared to citywide vacancy of nearly 12%, and average Downtown lease rates of $19.52 are nearly $3 higher than citywide. Class A office space in the walkable core is in the highest demand within Downtown. In today's market, many companies are looking to move out of suburban campus-like settings in favor of compact, walkable urban settings with transit and other mobility options. Downtown is the only part of the Colorado Springs region that can attract or retain such companies. As such, it is a valuable regional asset.

Despite the relative strength of Downtown, the vacancy and lease rates are still too soft to expect new office construction in the near term. As is common in many previously developed areas, some properties in Downtown require utility upgrades to adequately serve new development. Colorado Springs has no urban infill policy, thus these costs come on top of standard citywide development impact fees more often associated with greenfield development (for example, parks and school fees). The combined costs may be possible to negotiate but reportedly discourage some projects, and have left a lasting impression of uncertainty in the local development community. Streetscape improvements have been a valuable tool for partnering with private development to offset some development costs. Infrastructure improvements along Vermijo Avenue that are expected to accompany development of the U.S. Olympic Museum could potentially help encourage development here, particularly by an organization with aligned interests.

Additional attraction opportunities exist in key niches and private sector efforts are underway to capitalize on these. Co-working, defense technology companies, and health and wellness related businesses are all natural fits with the strengths and amenities of Downtown Colorado Springs. Industry niche accelerators in the health and defense sectors are ideally suited to attract desired employees and companies. Potential spin-offs from these efforts should be anticipated and efforts made to meet their office needs locally.

Investment in technology infrastructure could also help to stimulate business attraction and the office/commercial real estate market. Specifically, investment in high-speed fiber would be attractive to technology businesses including those related to cyber security.

RESIDENTIAL

National demographic and lifestyle trends align to support an expanding urban rental residential real estate market, and there is ample evidence that these trends are in play along the Front Range of Colorado. A number of trends in Colorado Springs indicate pent-up market demand for additional Downtown housing units, and yet it is currently lagging significantly in construction. There is an opportunity to house some of the 22,000+ employees who are commuting from elsewhere in the City and region. Only 4% of downtown workers currently live in the downtown zip code, compared to many cities where 10% or more of workers live in downtown. If 6% more of Downtown's workers lived in Downtown, it would add 1,300 residents.

Demand exists in Downtown but it is reportedly price-sensitive. Current average rents in Colorado Springs are $800/mo. for a 1 bedroom unit, but new units in Downtown are reported to be about 50% higher. By 2020, ESRI predicts that median home sales prices in Downtown will be just ten percent lower than citywide. In recent years, a few local property owners have converted upper floors of Downtown commercial properties to condominiums, typically creating a dozen or fewer units at a time. Many stakeholders report that given the availability and affordability of small single family houses for rent in nearby neighborhoods, many would-be Downtown residents are unwilling to pay substantially more than the current citywide average rent. However, with so little current rental product in Downtown, and limited new rental product, it is difficult to pinpoint real demand at a given price point.

In 2015, 33 new for-rent apartments were constructed in a project called Blue Dot Place. The project reported a waiting list when only half complete. Two large projects by Nor'wood and Griffis Blessing are expected to add about 350 units in 2017 and 2018. Studies commissioned by Nor'wood in 2015 conservatively estimate that the projects should command a 30-40% rent premium over suburban product. While rents fluctuate, a mid-2015 snapshot suggests the market could support rents upward of $1.82 per sq. ft. These numbers suggest pent-up demand for upscale market-rate rental residential. The realization and leasing of the projects in the pipeline will provide product, as well as much needed data on the actual market demand and what the market can bear.

These two large projects can be expected to meet between one- and two-thirds of projected[6] demand over the next five years. In the near term, there appears to be room for continued small scale conversions and new-build projects, while additional large projects are more likely after the market response to the initial two large projects can be observed. Ultimately, it could prove beneficial to Downtown if additional residential projects add residents throughout the core of Downtown.

INDUSTRIAL

In 2015, only 3% of land in Downtown was in industrial use. There are many vacant or underutilized parcels – including large parcels in the Southwest and CityGate redevelopment areas – where zoning allows light industrial and light manufacturing. In these gateway locations, industrial may not be the highest and best use in the long term. However, there appears to be a particular niche opportunity in small-scale light industrial, such as artisan manufacturing. Overall, there is limited small industrial space available citywide, and vacancy is less than 4% in small (less than 10,000 sq. ft.) industrial spaces. Citywide lease rates for small industrial space are $6-$7 per sq. ft. Light manufacturing and other industrial uses are increasingly being welcomed back into city center areas where they add appeal to younger residents who appreciate a grittier more "authentic" look and feel. This opportunity would fit well in some of the older industrial buildings behind the Depot Station, along Sierra Madre, and in other parts of southwest Downtown. If affordable industrial space were subdivided into desirable unit sizes, this could present an exciting opportunity for Downtown.

VISITOR

Downtown is home to two well regarded hotel properties and hosts a range of established museums and other visitor attractions. The Mining Exchange is an exceptional new asset that brings a high-end experience to Downtown, while the Antlers remains a strong regional host that regularly fills for conferences and events. Both are now under one ownership, and the Antlers is undergoing significant refurnishing. Hotels just outside the Downtown Development Authority boundary (Holiday Inn and Clarion) fill out the range of lodging classes.

The Pikes Peak hospitality and lodging region suffered a number of setbacks in recent years, including several major fires that closed facilities and attractions. In 2014, citywide lodging data was below statewide figures, with

[6] See Development Forecast in Appendix.

an average occupancy rate of 62% compared to 68% and RevPAR of $35 compared to $81. The region reported improved performance in 2015; however, the numbers are still below levels that would typically incent new hotel construction. The 400 rooms in the two Downtown hotels are just 8% of the citywide market. It is difficult to extrapolate regional numbers to Downtown[7]. Many visitors come to Colorado Springs for reasons that are entirely unrelated to Downtown's offerings, and among those who partake of Downtown's attractions, many choose to stay in properties outside of Downtown and drive in.

The highly anticipated opening of the U.S. Olympic Museum is expected in 2018. The one-of-a-kind museum will draw an estimated 350,000 annual visitors. This could add more hotel demand in Downtown. Still, the region remains primarily a drive market, and economic performance of the region's lodging likely limits new Downtown opportunities, in the near term, to boutique, specialty and value properties.

PUBLIC REALM

An engaging physical environment that appeals to visitors, residents, workers and shoppers can enhance the market and bolster demand across a variety of market segments. Current market trends suggest an inviting urban downtown is important for attracting skilled talent and businesses. Partnering with private sector development, the Colorado Springs Downtown Partnership and the City of Colorado Springs have made positive investments in Downtown that increase its appeal. Great examples include public art, alley improvement projects, events and programming, and streetscape enhancements. Additional investments in the public realm can further strengthen the Downtown market. Specific investments in targeted locations should be considered in the forthcoming implementation Action Plan.[8]

More attractive and better-maintained physical connections could improve the market potential of a range of sites in Downtown. The community is right to be focused on connecting the U.S. Olympic Museum site to the anticipated bike lanes on Weber Street via improvements on Vermijo Avenue. Ideally, street enhancements would better connect destinations along Sierra Madre Street from south of the U.S. Olympic Museum to the Depot, Penrose Library, Pikes Peak Community College and toward the core of Downtown where poor existing connections leave these areas feeling cut-off. It is also important to think about fundamentals such as poorly maintained sidewalks in some areas, and wayfinding that maximizes the use of existing connectors such as the Legacy Loop. In the long term, better connections and wayfinding to important properties that are outside the

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[7] Requests for data for just the two Downtown properties were declined as the information is proprietary.

[8] Numerous case studies exist detailing streetscape and similar investments that have been effective to stimulate private development. However, it remains difficult to generalize on comparative cost effectiveness of different investment types across locations. As of this writing, the state of practice relies heavily on case-by-case assessment of what is lacking or desired.

central core – such as Catalyst Campus, CityGate, and the Gazette/St. Francis property – can improve the attractiveness of these sites and encourage workers and residents to patronize Downtown.

In some Downtown locations, street configurations affect circulation patterns and as a result the marketability of street level space. Reconfiguration of some streets may help problem areas and support surrounding uses. For example, in many parts of Downtown a clear hierarchy of streets for various modes, with a complete multimodal streetscape on Tejon Street, would invite people to arrive and linger in Downtown while maintaining easy in and out access. Other street reconfigurations suggested by stakeholders that could be considered include closing off Platte Avenue to cars adjacent to Acacia Park and converting Kiowa and Bijou streets to two-way travel east of Cascade Avenue. The latter suggestion is supported by numerous case studies where two-way conversions have improved retail performance along the converted street.

Downtown safety, real and perceived, is a concern. The heavy presence of loitering populations in some locations has a negative impact on the appeal of Downtown to visitors, potential residents and potential new office and retail tenants. In the immediate term, programing such as that implemented at Acacia Park is a strategy that can attract a wide audience and enhance the comfort of patrons. Changes to the locations of services that currently drive loitering – including transit and charity meals – are also under consideration but must be carefully balanced with equitable and compassionate alternatives. In the long term, attracting and housing a critical mass of residents in Downtown is the more permanent solution to shifting the mix of Downtown pedestrians to one that feels welcoming to a wide range of user groups. Anticipated new residential housing will certainly help to shift this mix. Other private redevelopment (potentially with public participation) that engages and connects to public spaces, rather than walls them off, can help create an "eyes on the street" presence in challenged public areas such as Acacia and Antlers parks.

Many Downtown stakeholders, including workers, visitors, and residents, desire more mobility options in Downtown. Pedestrian enhancements such as refuges across wide street widths, pedestrian-scale lighting, and traffic calming measures can increase the desirability of walking across seasons and times of day. Downtown offers excellent opportunities to incorporate more bike mobility infrastructure, with access to and from regional bike facilities and wide rights-of-way. Biking infrastructure should be designed to be comfortable for casual and visiting riders, such as protected bike lanes, and be accompanied by ample wayfinding signage. Promoting a biking culture is a natural fit with the expanding health and fitness branding niche of the community. Downtown's expected implementation of a bike share program – perhaps in conjunction with Colorado College and other civic partners – will be both a desired mobility option as well as a visible signal of its health and wellness culture and assets. A bike share program, even if it started small, could offer a valuable mobility option and be an important signal of community values. Upgrades to the transit center, while maintaining a central location, could make transit a mode of choice that would improve desirability of Downtown for skilled talent and residents. In the long term, better connections from Colorado Springs to activities in Denver would also appeal to a range of users. Downtown should always consider a range of modes in order to maximize opportunities such as scheduled resurfacing, which will shortly occur on Pikes Peak Avenue.

SUMMARY

Current market trends are more favorable for downtowns than they have been in years. Colorado Springs is benefitting from a range of these trends. Downtown has emerged as the community's strongest office segment, and Downtown storefront retail is experiencing healthy/low vacancy rates. Downtown also has excellent assets to capitalize on increasing interest in health and fitness, including the U.S. Olympic Committee Headquarters and forthcoming Museum, and ready access to recreation facilities such as the Legacy Loop and nearby Pike National Forest.

At the same time, Downtown Colorado Springs is lagging some trends, as further detailed in the Market Profile section of this document. Most notably, Downtown has seen a very slow pace of adding new rental residential units. In addition, the region as a whole struggles to attract enough young skilled workers to fill jobs in key industries, which negatively affects the office market in all segments, including Downtown.

The strongest overall market opportunity in Downtown is new rental residential. Opportunity in the hospitality sector appears limited as of late 2015 but should be reassessed after the addition of the U.S. Olympic Museum and any future improvement or expansion of Downtown conference facilities. Targeted market opportunities exist in the retail sector in expanding fitness, technology, clothing, and food service offerings; in the office sector in filling vacancies by attracting businesses related to defense and fitness technology; and in the industrial sector by developing an artisan light manufacturing niche.

DOWNTOWN COLORADO SPRINGS MARKET PROFILE

I. SNAPSHOT OF KEY DOWNTOWN MARKET DATA

RETAIL

A healthy mix of storefront retail

Sales Tax Revenue
Growing faster Downtown: 17% vs. 6% citywide, 2013 to 2014

Lease Rates
23% higher than citywide

Vacancy
4% vs 6% citywide

COMMERCIAL/OFFICE

Strongest office segment, attracts tech employers

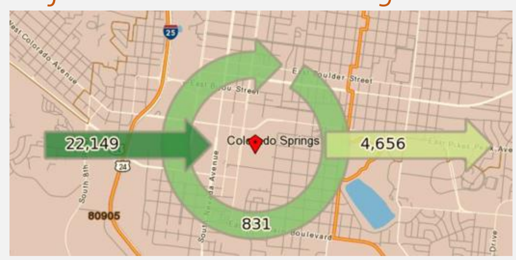
Professional, Scientific & Technical Industry
22% of all businesses
13% of all jobs
More than double the citywide percentages

Lease Rates
13% higher than citywide

Vacancy
33% lower than citywide

RESIDENTIAL

Demand for Downtown rental housing



In-Commuting
4% of Downtown workers live within the downtown zip code

Median Home Value
Projected to increase by 50% over the next five years to levels just 10% lower than citywide

Vacancy
Low vacancy and rent premiums support the case for new rental housing

INDUSTRIAL

Opportunity for artisan manufacturing

Vacancy
Citywide vacancy rates in small industrial space is less than 4%

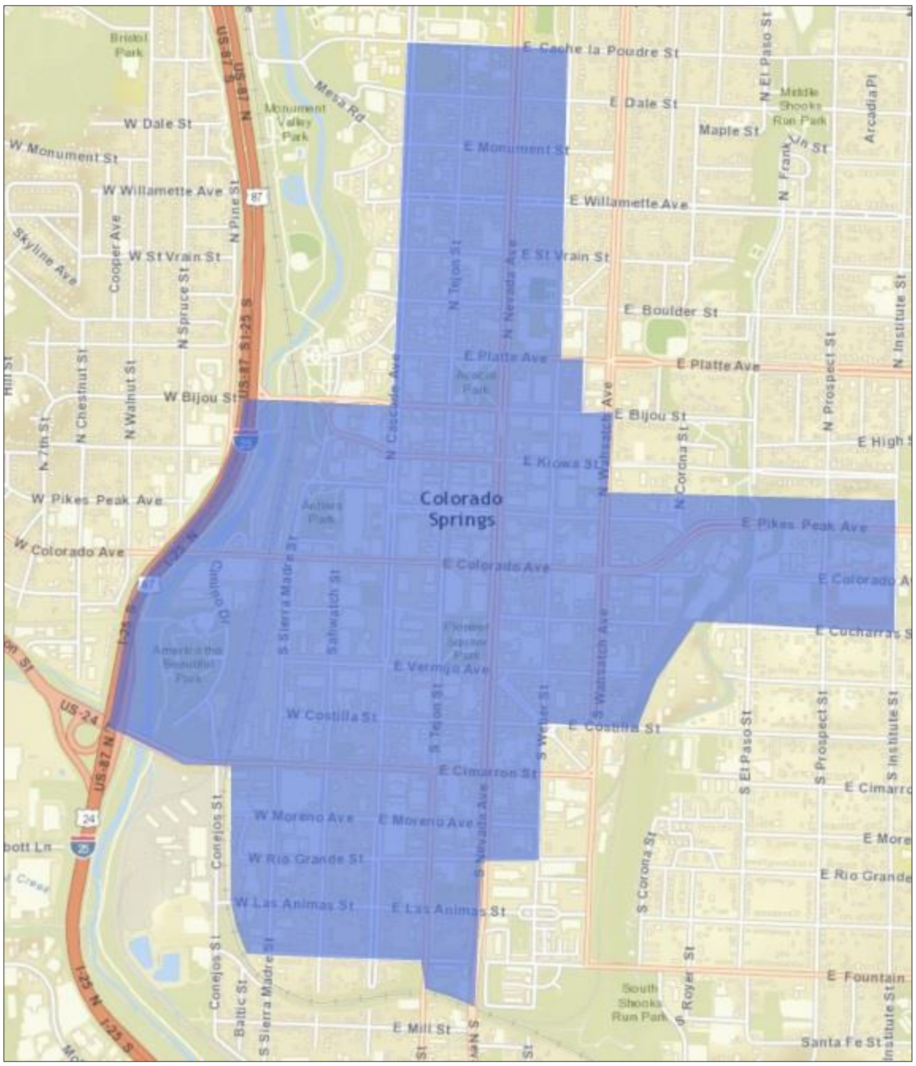
Lease Rates
Affordable at $6-$8 per sq. ft.

II. MARKET AREAS

This Market Profile compares and analyzes data across three geographies: The Downtown Development Authority (DDA) boundary, in-place Market Area, and the City of Colorado Springs. The three geographies are described below.

Downtown

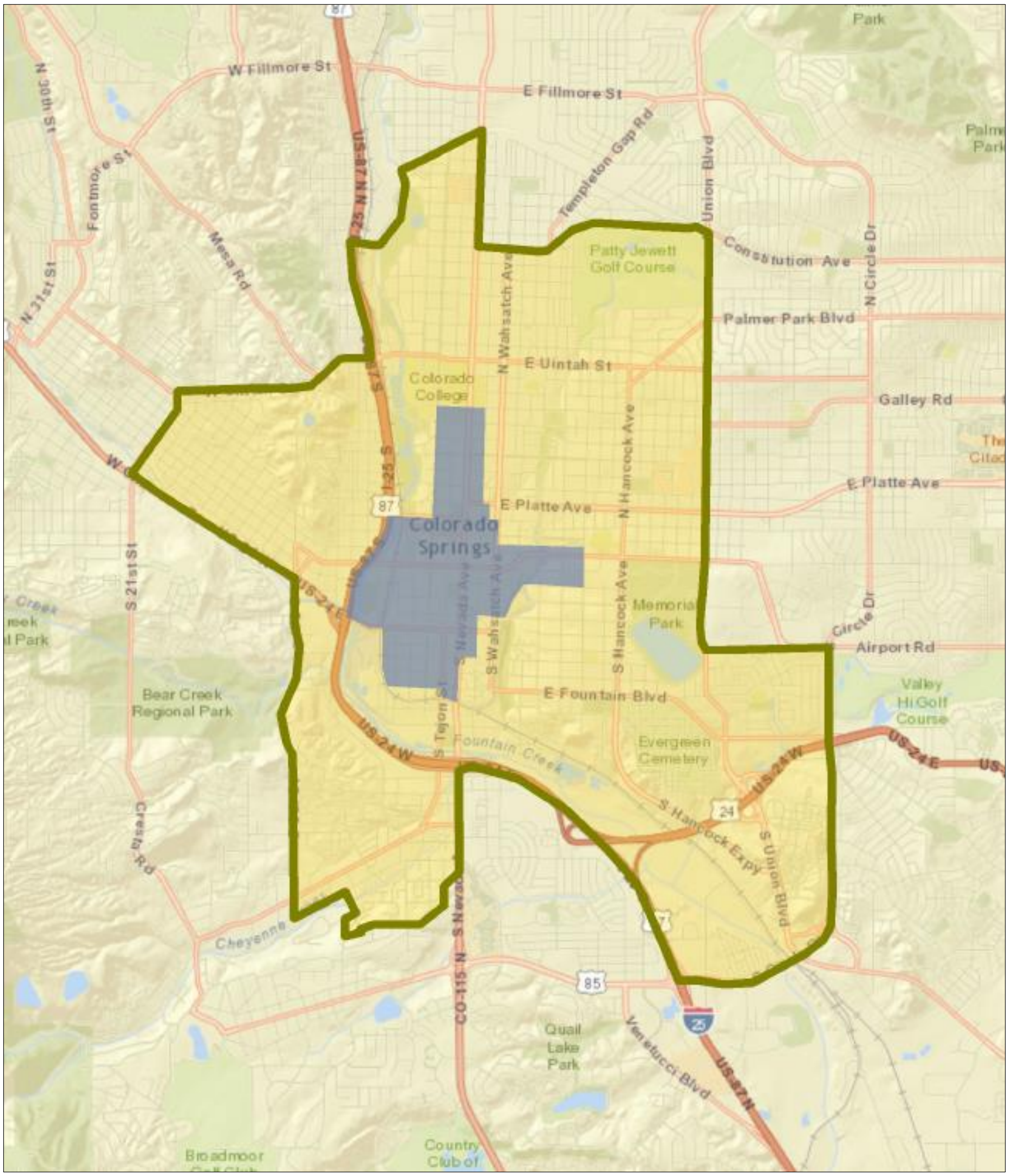
The DDA boundary is shown in blue on the map below. The DDA was established by Downtown property owners in 2006[9] to support the physical and economic development of Downtown. Development and management of the DDA is guided by the Imagine Downtown Master Plan[10]. The DDA encompasses the Greater Downtown Colorado Springs Business Improvement District and defines the Downtown area. Throughout the Market Profile, the DDA boundary is referred to as "Downtown."



[9] Imagine Downtown Master Plan, 2007, p. 19
[10] "About the DDA." *Downtown Colorado Springs.* Web.

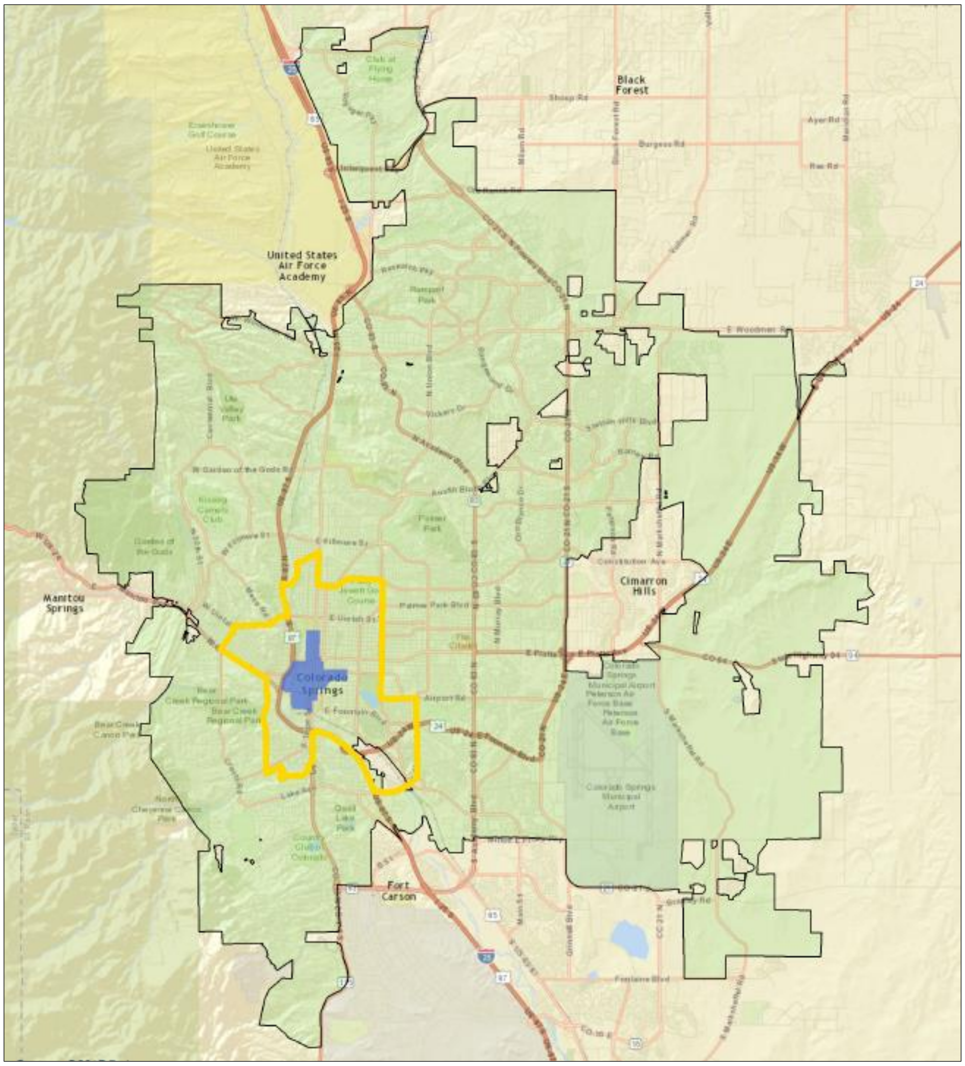
In-Place Market Area

To better understand market opportunities in Downtown, P.U.M.A., with input from the client, defined an in-place Market Area which includes the neighborhoods surrounding Downtown. The in-place Market Area boundary was selected based on a number of factors, including Census tract boundaries and the walking and driving distances from Downtown. Throughout the Market Profile, the in-place Market Area will be referred to as the "Market Area," which is depicted in yellow below.



City of Colorado Springs

The City of Colorado Springs, shown in light green on the map below, will be referred to as the "City" throughout the Market Profile.



III. ECONOMIC GENERATORS

This section of the document compiles and describes data that characterize a range of attributes that provide context about Downtown. Information included in this section relates to major economic and employment generators, visitor attractions, arts and culture revenue, and transportation options.

Business & Employment Center

Summary

Downtown is an important employment center, with more than twenty times the number of businesses and approximately eleven times more jobs per square mile than the City. The top employers in the Pikes Peak Region include military, technology, finance, and health care industries. Although many work in Downtown, relatively few live there. A Downtown employee to resident ratio of 12 to 1, compared to 1.5 to 1 in the Market Area, indicates ample employment but suggests the potential to increase Downtown residents.

Businesses and Jobs

Downtown has more businesses and jobs per square mile than either the Market Area or the City. With over 2,000 businesses offering 17,000 jobs, downtown is a hub for economic activity. Downtown also has the largest employee to resident ratio.

Businesses and Jobs, 2014/2015

	Businesses	Jobs/Employees*	Area in Square Miles	Businesses per Square Mile	Jobs* per Square Mile
DDA	**2,300**[11]	**17,000**[11]	**1.1**	**2,091**	**15,455**
Market Area	4,000	56,000	11.9	338	4,726
City	20,000	260,000	195	103	1,333

Source: ESRI BAO; Business Summary unless otherwise footnoted.
* indicates non-military jobs/employees

Top Regional Employers

According to the Regional Business Alliance, top civilian employers in the Pikes Peak region include a variety of private and public institutions, particularly those in defense, technology, finance, and health care industries. There are about 55,000 employed by the military in the region.

[11] 2014 ESRI data for DDA area via Downtown Partnership

Top Civilian Employers in the Pikes Peak Region, 2014	
Private Sector	**Public Sector**
Lockheed Martin Corporation	Fort Carson
Progressive Insurance Company	Peterson Air Force Base
Security Service Federal Credit Union	Schriever Air Force Base
United Services Automobile Association(USAA)	United States Air Force Academy
The Broadmoor Hotel	School District #11 – Colorado Springs
Atmel Corporation	School District #20 – Air Academy
Verizon Business	Centura Health
Northrop Grumman Corporation	Penrose – St. Francis Health Services
Hewlett Packard	City of Colorado Springs
Compassion International	El Paso County

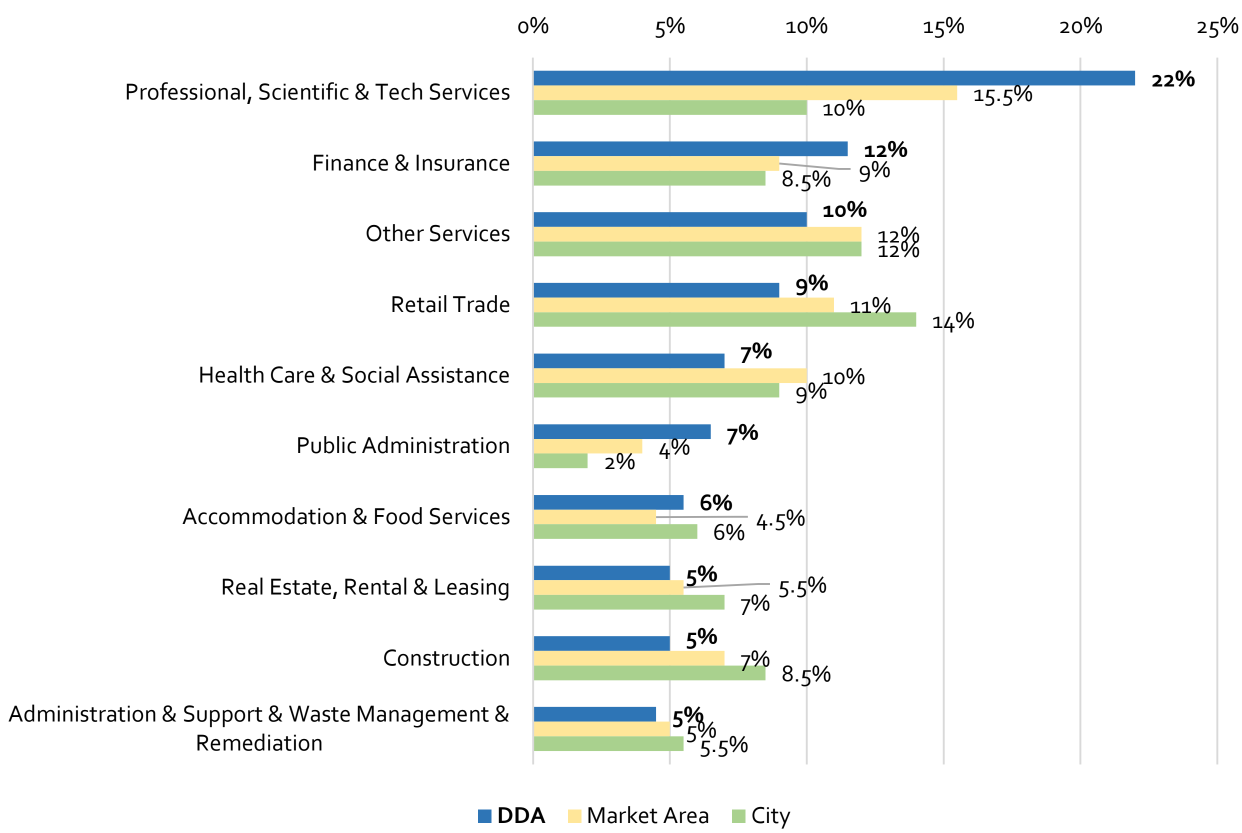
Source: Regional Business Alliance

Downtown Industries

ESRI estimates show that the professional, scientific and tech services industries accounts for nearly a quarter of all Downtown businesses, more than double the percentage in the City. Other top industries in Downtown include: finance and insurance (12%); other services (10%); and retail trade (9%).

Top Industries by Percentage of all Businesses

Source: ESRI BAO; Business Summary (NAICS Codes)



Arts and Culture[12]

In 2014, Downtown scored a 5.25 on the Creative Vitality Index compared to the national average score of 1.

The arts not only enhance the quality of life in Colorado Springs, they also strengthen the local economy. The nonprofit arts industry in the Pikes Peak region generates $72 million in annual economic impact, significantly above the national median of $45 million.[13] When patrons attend an arts event, they often dine before a show, shop nearby, or stay in a hotel. In the Pikes Peak region, audiences spend an average of $25.89 per person in relation to attending an arts event, excluding the cost of admission.[13] Of the 1.3 million annual attendees to arts and cultural events in greater Colorado Springs, 87% were local and 13% were non-resident from outside the county. Non-resident attendees spent an average of $51.38 per person in relation to attending an arts event, excluding the cost of admission.

Downtown's role as an arts and culture hub was further recognized when Downtown was designated as a state certified Creative District in 2014[14]. The arts not only attract visitor spending, but also work to generate and attract businesses and additional jobs. The Pikes Peak region is home to more than 2,492 creative businesses employing almost 7,000 people, and ranks 23rd for creative businesses per capita out of the 100 largest metropolitan areas.[15] The arts are a key driver for economic recovery and prosperity. By investing in the arts, the Pikes Peak region will reap the benefit of jobs, economic growth and a quality of life that positions the City and Downtown to compete for skilled talent and desirable industries and businesses.[13]

Many of the region's top arts venues, and a number of art galleries, are located in Downtown. In 2014, it was determined that $187.3 million in creative industries sales and $9.9 million in cultural and creative nonprofit revenues were generated in the downtown zip code. The 2014 estimate for Downtown creative industry jobs was 1,857.[16]

[12] "Snapshot of the Arts in 80903, 2013 Colorado." *Creative Vitality Suite*. WESTAF Creative Vitality Suite, 2015. Web. 03 April 2015.
[13] COPPeR (Cultural Office of the Pikes Peak Region) "2012 Arts and Economic Prosperity IV: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences."
[14] Mulson, Jen. "Downtown Colorado Springs receives Creative District designation." The Colorado Springs Gazette, 23 June 2014. Web. 7 Aug. 2015. <http://gazette.com/downtown-colorado-springs-receives-creative-district-designation/article/1521771>
[15] Americans for the Arts as cited in "2012 Arts and Economic Prosperity IV: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences."
[16] Creative Vitality Suite. "Snapshot of the Arts in 80903: 2014 Colorado."

Downtown Events

Stakeholder interviews revealed that people primarily come Downtown to visit the bars and restaurants on Tejon Street or to attend a specific event such as the Pikes Peak Arts & Music Festival or the Festival of Lights Parade. The number of events has increased 15% since 2013, up to 180. In 2015, Downtown event attendees were estimated at 382,259. When events bring people to Downtown, they not only support Downtown businesses, they also create a vibrant and exciting atmosphere that enhances the experience of residents and visitors alike. However, too many events that shut down streets can also be harmful to businesses. A balanced approach to events is therefore essential.

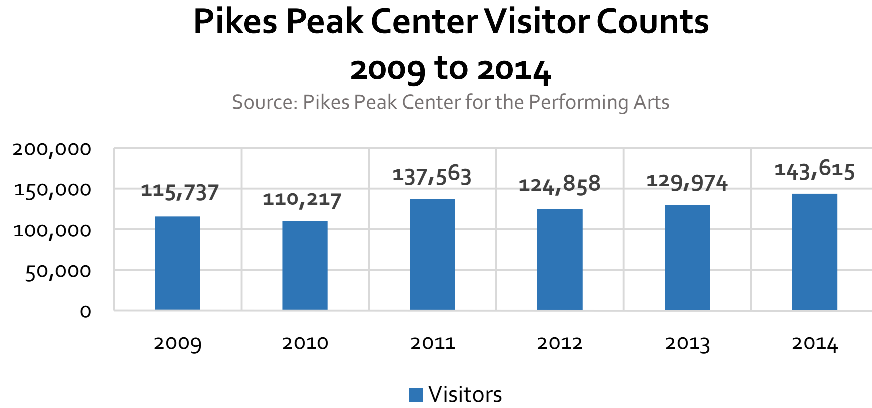
Some of Downtown's most highly attended recurring events in recent years were the What If Festival, Skate in the Park, Pridefest, Pikes Peak Arts & Music Fest, Olympic Downtown Celebration, and the Festival of Lights Parade. Some events, such as Blues under the Bridge, are limited space venues and so attract smaller attendance numbers that don't necessarily reflect the popularity of the event.

Visitors

Summary

Visitors bring dollars into the local economy and help support arts events and venues that locals can enjoy. While Colorado Springs does have an airport with commercial jet service, the typical Pikes Peak region visitor is from the drive market, including traveling families and conference attendees. Many visitors to the region make a stop in Downtown for its unique-to-region arts, dining and entertainment offerings even if that is not the primary destination or purpose for travel. Significant new attractions including the U.S. Olympic Museum are planned that will help to create a critical mass of attractions that draw visitors Downtown on a more consistent basis.

Key Regional Attractions [17]



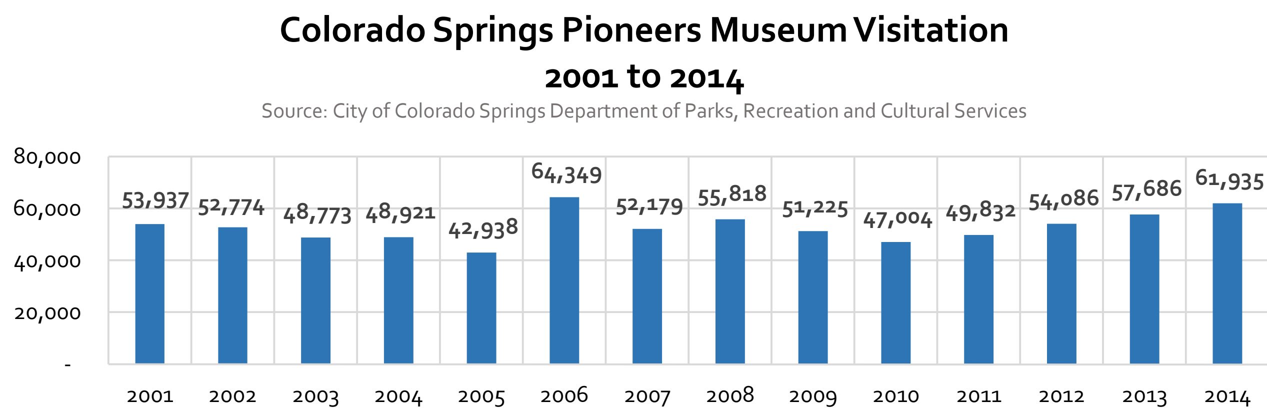
Colorado Springs offers a number of attractions that cater to locals and visitors alike. The Fine Arts Center attracts over 100,000 annual visitors. The region boasts a wide variety of outdoor recreation spots such as Pikes Peak, Garden of the Gods and the Manitou Incline. The City is well known for its flagship Olympic Training Center, which is the national headquarters of the USA Swimming[18] among others. In addition to the training facility, there are a number of venues for sports and entertainment. With military institutions, colleges, and universities in the area, including the U.S. Air Force Academy and Colorado College, the region attracts students, academics and military personnel.

Tourism by the numbers[19]

- Tourism is the region's 3rd **largest industry**, accounting for 17,000 jobs.
- The region's tourism industry payroll is more than $474 million.
- The region attracts over **5.2 million overnight visitors** per year.
- The regional tourism industry accounts for $1.35 billion in economic impact.
- In 2014, visitors spent over $43 per second region-wide**.**
- Visitors pay more than **$56 million in local taxes** per year.


Rendering of Olympic Museum. Image: Diller Scofidio

[17] Data in this section draws from the Colorado Springs Convention and Visitor's Bureau 2014 Annual Report and the Colorado Springs Visitor Guide 2015.
[18] "About the USOC, United States Olympic Committee." *Team USA*. 2015 United States Olympic Committee. Web. 20 Aug. 2015. < http://www.teamusa.org/about-the-USOC>
[19] Unless otherwise cited, data in this section is sourced from the Colorado Springs Convention and Visitors Bureau 2014 Annual Report.



Destinations under development

In 2013, the Colorado Economic Development Commission awarded $120.5 million in tax incremental financing (TIF) to Colorado Springs to add new, unique attractions that build on its history as a destination for health, sports and fitness. These state-of-the-art attractions are expected to draw hundreds of thousands of new visitors to Colorado Springs, both from within the region and nationally. The four projects are the U.S. Olympic Museum, the U.S. Air Force Academy Gateway Visitor Center, the UCCS Sports Medicine & Performance Center and a Downtown Sports & Event Center. Of these, the U.S. Olympic Museum in Downtown is closest to completion. It will draw an estimated 350,000 annual visitors. Amateur sports continue to be a strong source of regional tourism activity. The U.S. Olympic Museum will create a thematically related draw to help bring these visitors into Downtown. There are five recently completed or proposed tourism-related projects in Downtown valued at $239 million, as well as 20 region-wide projects totaling over $680 million in projected investment.[20]

Downtown Projects with Tourism Impacts

Project	Investment	Status
U.S. Olympic Museum	$70 million	Funding and entitlements
Children's Museum	$5 million	Funding
Colorado Springs Science Center	$50 million	Funding
Phantom Canyon Brewery	$1 million	Complete
I-25/Cimarron Project	$113 million	Construction

Source: Downtown Partnership

Economic Generators Summary

A wide range of assets make Downtown an important economic hub for the City and Pikes Peak region. Many of Downtown's assets – such as event venues and cultural attractions, an entrepreneurial campus, and district-wide fiber accessibility – are unique to the region. Several region-wide challenges affect Downtown including a highly seasonal visitor pattern and a deficit in the supply of skilled talent to fill available jobs. Downtown is posed to strengthen its role as an employment center as more companies seek downtown locations, and to increase visitation through additional attractions and amenities.

[20] Colorado Springs Downtown Partnership

IV. Mobility

Summary

The majority (70%) of Downtown commuters drive alone to work, but there is opportunity to increase the share of alternative modes. Downtown's compact scale and grid layout make it the most walkable neighborhood in the City. The Walk Score™ Heat Map in the section below illustrates Downtown's walkable core but shows how walkability decreases as one moves further from the core, indicating room for improvement. 17% of Downtown residents commute to work by walking, compared to just 6% in the Market Area and 3% citywide. Downtown's wide streets provide further opportunity to enhance mobility through bike infrastructure. As of 2015, only 2% of Downtown residents commute using bikes, but this number could be increased with additional facilities such as dedicated bike lanes. According to a Downtown survey conducted by P.U.M.A. in 2014, 64% of respondents said making Downtown more walkable/bikeable was a very important action. Additionally, recent stakeholder interviews noted the desire for a Downtown circulator system that would connect to key destinations.

With Pikes Peak at its doorstep, a favorable climate, and easy access to thousands of miles of hiking and biking trails, Downtown, and Colorado Springs as a whole, lends itself to healthy, active lifestyles. Downtown can further enhance its appeal as a healthy destination by increasing walkability and bikeability, completing trail connections, adding sports facilities, access to healthy food, and cultivating jobs that fit within a health and wellness niche.

Commute-to-Work Mode & Time

Across all three geographies, driving alone is the most popular mode of transportation to work. 70% of those living Downtown drive alone. However, those living Downtown are significantly more likely to walk to work: 17% compared to just 6% for the Market Area and 3% for the City. 64% of Downtown commuters have less than a 20-minute commute, which means a fairly easy commute for many but may contribute to lower rates of alternative transportation use. The number of bike and transit commutes are low across all three geographies.

Residents' Commute-to-Work Mode and Commute Time, 2015

	Drive Alone	Carpool	Bike	Walk	Transit	< 20 Minute Commute
DDA	**70%**	**5%**	**2%**	**17%**	**1%**	**64%**
Market Area	72%	10%	3%	6%	1%	63%
City	80%	10%	1%	3%	1%	52%

Source: ESRI BAO; Population Summary & PUMA calculation

Walkability and Bikeability

Walk Score™ is a patented system used to measure a location's walkability based on a 0-to-100 points scale. Points are awarded based on the distance to nearby amenities, with amenities within a 5-minute walk earning the maximum points. Walk Score also takes into account pedestrian friendly factors such as block length and intersection density. Downtown is the most walkable neighborhood in Colorado Springs, with a Walk Score of 71 and a Bike Score™ of 85 out of 100. Within Downtown there are specific areas that are considered more walkable than others. The area in north Downtown from East Kiowa Street to East Boulder Street centered on North Tejon Street has the highest Walk Score in Downtown at 95. Lessons can be learned from the amenity mix in this part of town and applied to other parts of Downtown and beyond. The Walk Score drops very quickly once outside the core of Downtown. Downtown's 80903 zip code, which includes Downtown and close-in neighborhoods, has a Walk Score of just 55.

2015 Downtown Mobility Ratings, Selected Cities

	Bike Score	Walk Score	Transit Score
Downtown Fort Collins	100	87	
Downtown Boise	98	80	
Downtown Salt Lake City	88	86	64
Downtown Colorado Springs	**85**	**71**	**39**
Downtown Denver	84	91	93
Downtown Albuquerque	80	80	53
Downtown Louisville	78	88	65
Downtown Des Moines	76	73	
Downtown Oklahoma City	72	68	51
Downtown Raleigh	67	70	50
Downtown Omaha	58	83	
Downtown Greenville		82	
Downtown Grand Junction		71	
City of Colorado Springs	46	33	15

Source: walkscore.com

Compared to other mid-sized cities with available downtown mobility ratings, Downtown Colorado Springs has a higher Bike Score and lower Walk Score than most. Walkability and bikeability are key amenities for Downtown, attracting shoppers, visitors, businesses, and new residents who prefer a walkable urban experience.

Transit Ridership

Across all three geographies, transit is the mode that the fewest number of commuters use to get to work. Walk Score's Transit Score™ is calculated by summing the relative "usefulness" of nearby routes by accounting for things like distance to the nearest stop, frequency of the route, and the type of route. Downtown has a Transit Score of 39 and the City has a Transit Score of 15. While 39 was the lowest rating of the comparison cities' downtowns, it should be noted that only half were even rated for transit.

10,527 avg. citywide weekday trips on fixed-route transit in 2014

Source: Downtown Colorado Springs Partnership

Transit in Colorado Springs works on a hub and spoke system with the main transfer center located in the core of Downtown at East Kiowa Street and Nevada Avenue as of 2015. Annual transit ridership on the Mountain Metro Transit system reached a seven-year high in 2014 with over 2.5 million trips. Weekday fixed-route transit averages 10,500 individual trips per weekday, the majority of which begin, end, or pass through the Downtown Terminal. The system operates as a "pulse" service in which numerous routes arrive at the transfer center within a 15-minute window, allowing for transfers between all routes. The Downtown Terminal is over capacity, which causes many buses to wait on the street at peak hours, resulting in significant traffic congestion. The transit authority issued a Request for Proposals in August 2015, seeking to select a site and develop a new transfer station.

Mobility Summary

Downtown is very accessible by car with easy commutes; traffic flow and parking will remain central to accessibility. However, Downtown must also offer great mobility in other forms to compete for talent. In 2015, Downtown compares well to peer cites' downtowns for bikeability, but is near the back of the pack for walkability. This likely relates to a lack of available resident-serving retail, which ties back to the present number of residents. Transit is in place, with Downtown as the hub, however it is not currently used as a mode of choice. A new location for the transit center will affect Downtown. The most positive scenario will be if transit continues to be centrally located while resolving issues of overcrowding and loitering.

V. MARKET CHARACTERISTICS

This section of the document compiles and describes data from a range of sources that influence the real estate market in Downtown. Information included in this section relates to the demographics of the residents of both Downtown and the surrounding Market Area; and real estate and related data for each of five major market sectors. These sectors include retail, residential, commercial/office, hospitality, and industrial sectors.

Residents

Summary

Downtown residents are predominately Millennials (ages 18 to 34) and Baby Boomers (ages 51 to 69) with a higher percentage of males than females (57% compared to 43%). The majority are singles, couples without children or empty nesters who live in multi-family, rental units. This is a contrast to the Market Area and the City, where the majority of residents own single-family homes. There are very few families with young children living downtown. However, affordable homes with access to good schools exist within a short distance. With more family-friendly amenities Downtown, these homes could attract young families and new Downtown patrons.

With much of Downtown comprised of college students, recent grads and retirees, it is not surprising that Downtown's household income is less than half that of the City. 72% of those living Downtown earn less than $35,000 per year, compared to 33% of residents citywide. Although the current median home value in Downtown is lower than the Market Area and the City, ESRI projects that by 2020, Downtown median home values will increase by over 50%, putting them just below City median values.

Demographics Snapshot, 2015: Residents

	2015 population	Avg. Household Size	Median Age	Gender: women to men	Median Income	Annual Per Capita Retail Spending	Bachelor's or Advanced Degree
DDA	**1,696**	**1.35**	**37.4**	**43% to 57%**	**$25,158**	**$6,786**	**26%**
Market Area	38,449	1.95	38	51% to 49%	$33,783	$8,314	35%
City	437,068	2.42	35.8	51% to 49%	$52,812	$10,328	37%

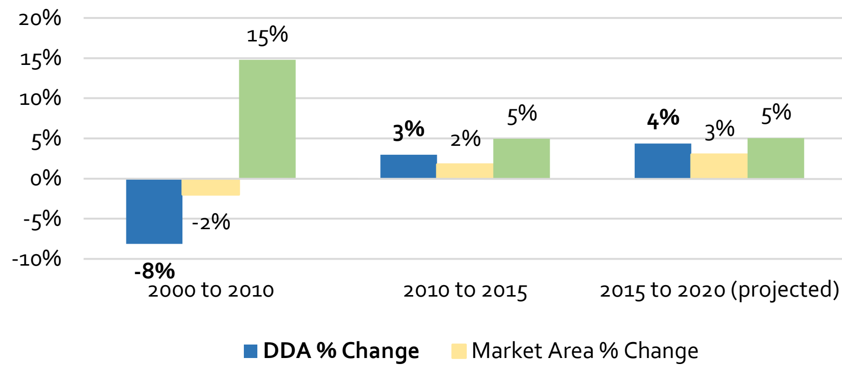
Sources: ESRI BAO; community profile & retail marketplace profile

Population Growth Trends and Projections

While the population of Colorado Springs increased significantly (15%) from 2000 to 2010, both Downtown and the Market Area experienced population decline, with Downtown losing 8% of its population and the Market Area shrinking by 2%. Downtown is slowly regaining its residential population, growing 3% from 2010 to 2015 and projected to grow another 4% between 2015 and 2020. However, the current pipeline of Downtown residential projects is expected to add 466 units, meaning Downtown's population would grow significantly more than ESRI projections, perhaps close to 30%[21] or more by 2020.

% Change in Population, 2000 to 2020

Source: ESRI BAO; Community Profile



Average Household Size

Average household size in Downtown is smaller than the Market Area and the City and has remained at 1.35 since 2010. The 2015 average household size in the Market Area is 1.95 and in the City it is the largest at 2.42.

Population, 2000 to 2020

	2000	2010	2015	2020
DDA	1,793	1,647	1,696	1,770
Market Area	38,557	37,770	38,449	39,611
City	362,773	416,427	437,068	459,099

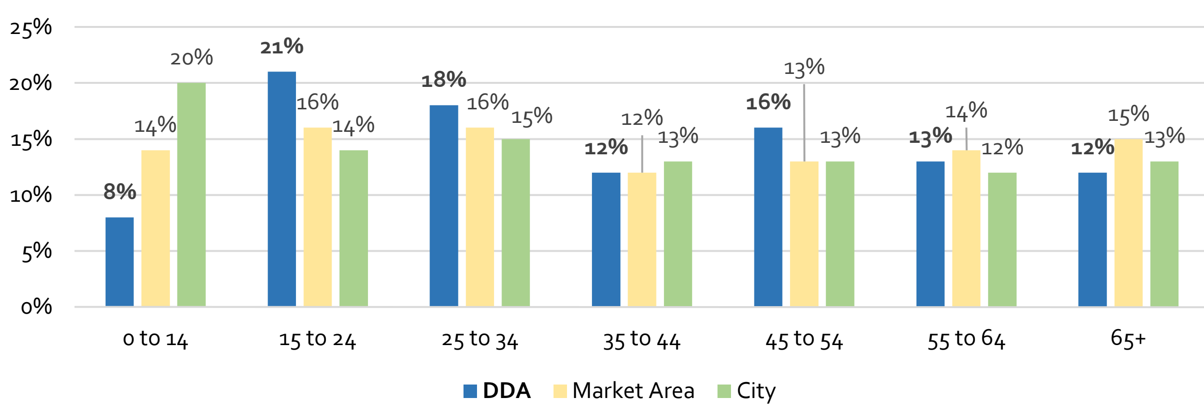
Source: ESRI BAO; Community Profile

Age

The largest age cohort in Downtown is 15 to 24, making up nearly a quarter of the Downtown population. This age group has greater representation in Downtown compared to the Market Area or the City, presumably due to the area's college students who choose to live Downtown. 39% of Downtown's population is comprised of 15 to 34 year olds, also known as Millennials. 29% of Downtown's population is 45 to 64 year olds, which includes Boomers (ages 51 to 64). A greater percentage of 15 to 34 year olds, which includes Millennials, and 45 to 54 year olds, which includes some Boomers, live Downtown compared to the Market Area and the City. Notably absent from Downtown are children below the age of 14, who are better represented in the Market Area and City.

Population by Age, 2015

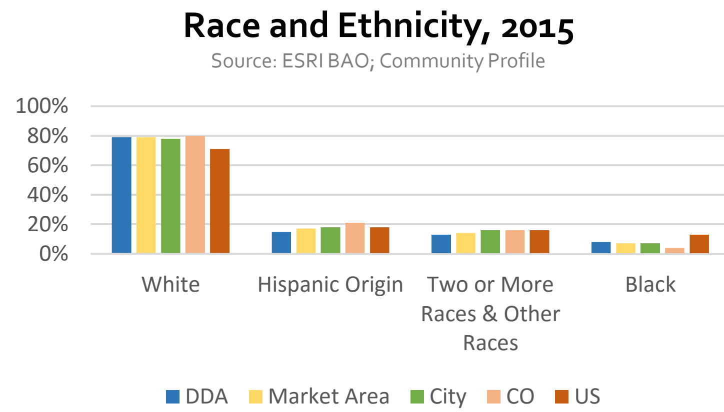
Source: ESRI BAO; Community Profile



[21] This figure was calculated by adding 466 residents to the 2020 ESRI projection. This assumes just one resident per unit and doesn't account for potential vacancy.

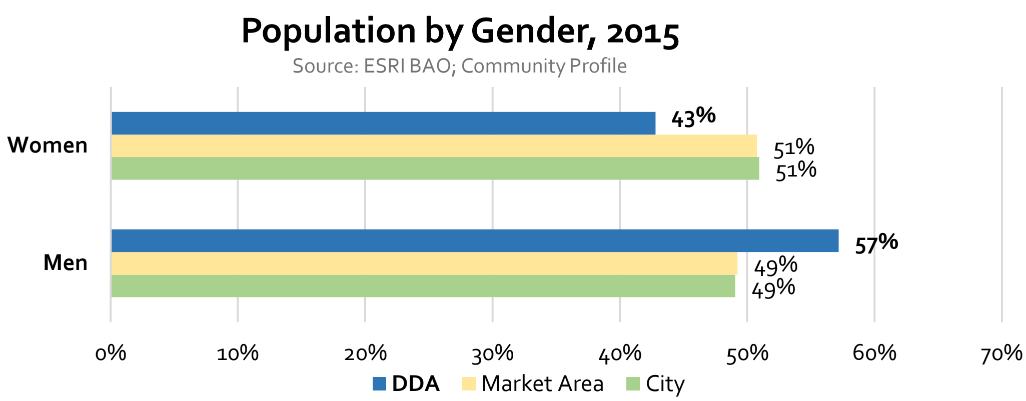
Race and Ethnicity

Downtown has a similar racial and ethnic make-up to the Market Area, the City and Colorado, but with more whites and fewer blacks than the U.S. The large majority of Downtown residents (80%) are white, 8% are black and 15% report their ethnicity as Hispanic origin.



Gender

While the City and the Market Area have a fairly even split between females and males (51% vs. 49%), Downtown has notably more males than females, 57% compared to 43%.

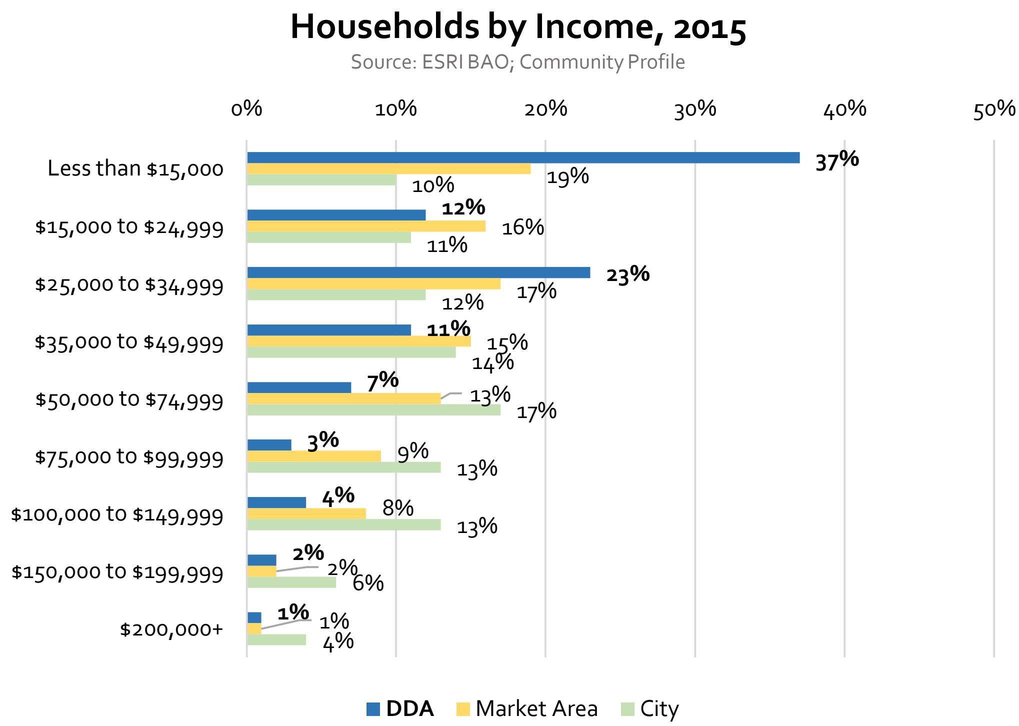


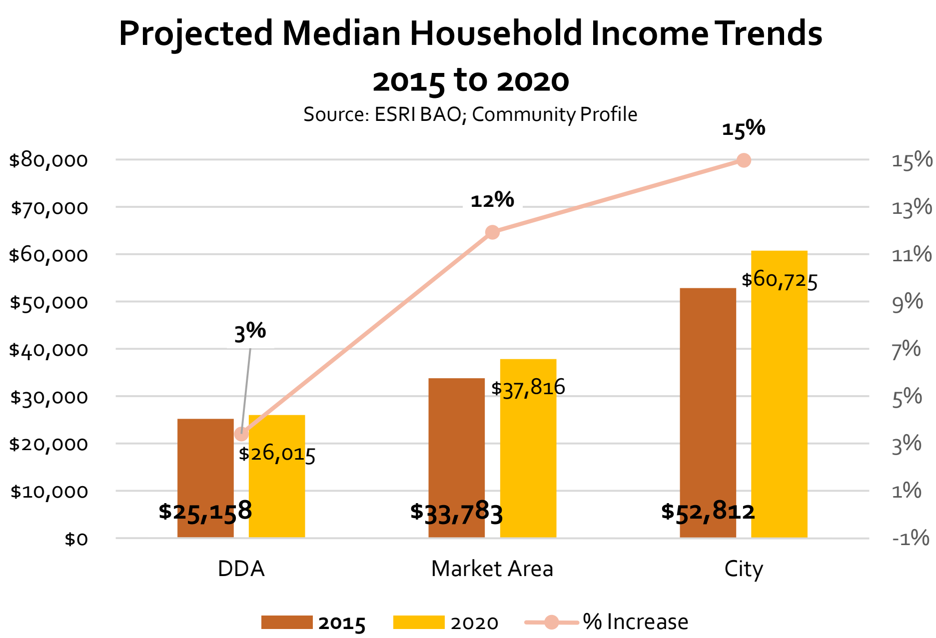
Educational Attainment

Downtown has fewer residents with a Bachelor's or professional degree, 26% compared to 35% in the Market Area and 37% citywide. However, the proportion of Downtown's population that is still in college may be affecting these numbers.

Median Household Income

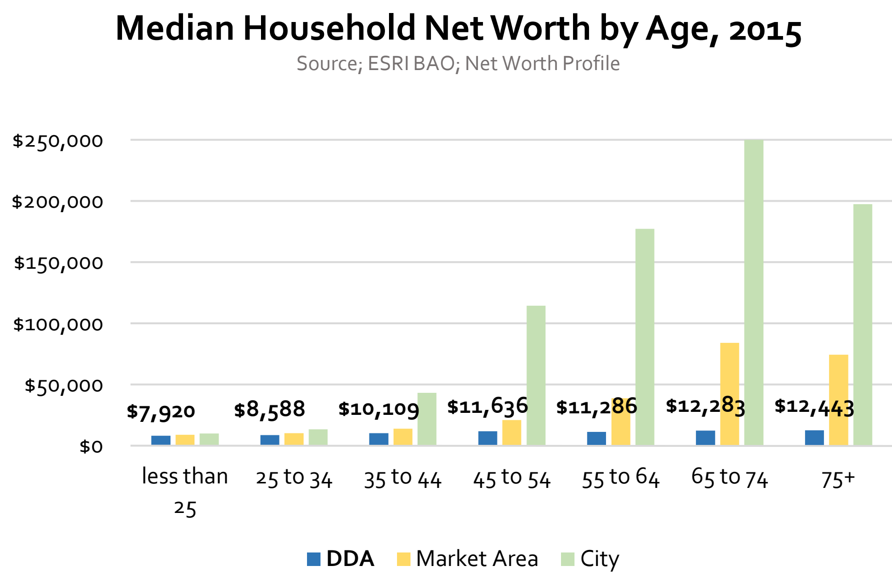
Downtown has a significantly larger share of residents (37%) with incomes less than $15,000, compared to 19% in the Market Area and just 10% in the City. 72% of those living Downtown earn less than $35,000 per year compared to 33% of residents citywide. ESRI projects median income to increase 3% in Downtown between 2015 and 2020 compared to 12% and 15% in the Market Area and City. Lower incomes in Downtown can partially be explained by a larger share of the population being college age students or recent graduates who may have low paying jobs while in school and entry level salaries upon graduation. The ESRI estimates consider that Downtown has a relatively older and less expensive housing stock that is attractive to a variety of residents who have lower incomes. However, as new Downtown housing products come online with higher price points, these can be expected to change the appeal of downtown and alter income trends.





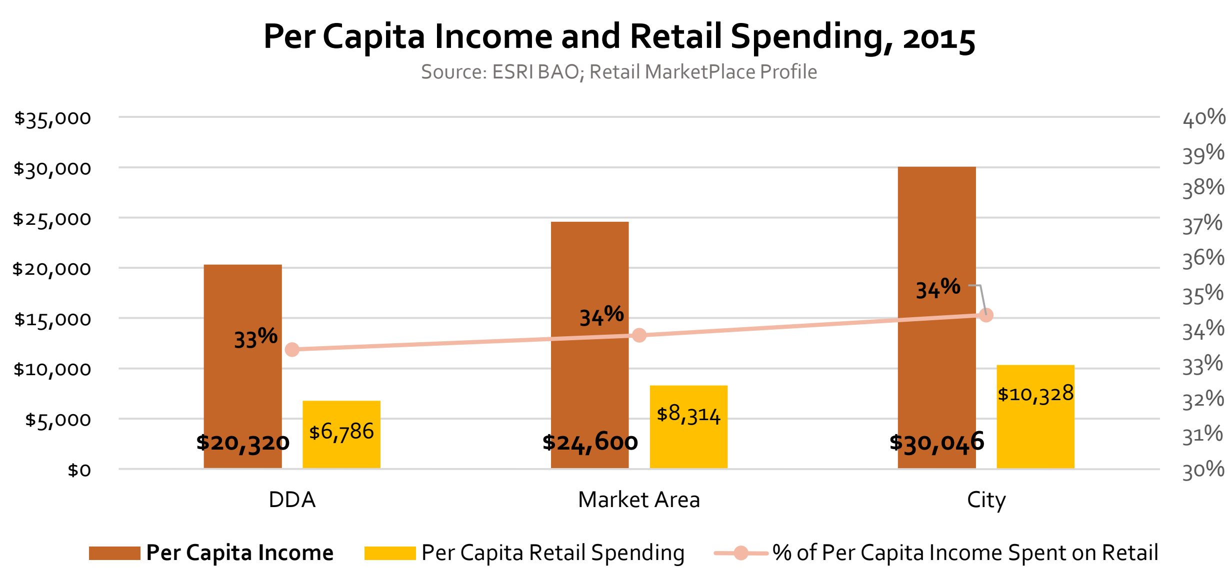
Median Net Worth

While residents throughout Colorado Springs are successfully building their net worth over time, those living Downtown tend to have stagnant net worth that is much lower than the Market Area or City households. Combined with low median incomes Downtown, this data shows that Downtown residents, including Boomers and those over 65, are truly low income and will continue to demand affordable housing types and low-cost amenities. Residents over 65 living in the Market Area are showing higher median net worth than Downtown residents, though still less than $100,000, compared to citywide residents of the same age who are accumulating median net worth between $150,000 and $250,000.



Spending Habits and Preferences

Though citywide per capita income and per capita retail spending are higher than those in the Market Area and Downtown, the percentage of per capita income spent on retail is nearly even across the three geographies, with Downtown residents spending an average of 33% of income on retail compared to 34% in the Market Area and citywide, at about one-third of the income. According to ESRI's Market Potential report, consumers in Downtown and the Market Area tend to favor environmentally conscious products and value making green choices over convenience and price.



Retail Leakage and Market Potential

ESRI's retail leakage report identifies retail demand and supply, and resulting retail leakage or surplus. Overall, Downtown is a net supplier of retail trade and food and drink, with $109M more in supply than demand. Of particular note is a $47M surplus in food services and drinking places. This does not necessarily imply there are too many of these establishments because there are few residents living Downtown to generate demand, and we know Downtown draws customers from throughout the region.

Retail Leakage, 2015

Industry Type	DDA	Market Area	City
General Merchandise Stores	$1.6M	--	--
Electronics and Appliance Stores	--	$4.8M	--
Food, Beverage and Stores	--	$39.3M	--
Specialty food store	--	--	$3.1M
Health and Personal Care Stores	--	$4.6M	$10.8M
Clothing and Accessories Stores	--	$3.4M	$15.5M
Misc. Store Retailers	--	--	$1.6M

Source: ESRI BAO; Retail Marketplace Profile

Where there is leakage, businesses are likely to be able to attract customers who would have had to travel further to meet their demand for the product or service offered. The chart above shows the categories with the greatest leakage in Downtown, the Market Area and the City. For Downtown, the greatest leakage occurs within the general merchandise category, which could include department stores, drug stores or retailers such as Target or Walgreens. Stakeholder interviews with current and prospective Downtown residents stated the need for stores that could serve a variety of household needs. Demand for these general types of products are likely being met through retail outlets in the Market Area or the City, which do not have leakage in this category. The Market Area has significant leakage in food and beverage stores as well as more modest leakage in electronics, clothing, health and personal care stores. Downtown is likely already capturing some of this leakage and could perhaps add additional businesses in these categories to capture more of the demand than exists in the Market Area and to some extent the City.

Retail Categories with Above Average Market Potential Index

The following retail categories particularly appeal to consumers in Downtown, the Market Area and the City[22]:

- Clothing, apparel and jewelry
- Electronics
- Health and wellness
  - Gyms/health clubs
  - Exercise
  - Healthy Lifestyle Accessories
  - Organic Food

[22] ESRI BAO; Retail Market Potential

Psychographic Segments

Adding more nuance to raw spending potential, psychographic profiles of distinct consumer types highlight the nuances and particularities of consumer spending habits and preferences. The top psychographic types in Downtown and the Market Area, according to ESRI, are as follows[23]:

Old and Newcomers (21%)

This consumer type is a mix of age groups, including those just beginning their careers and those who are retiring. Mostly singles and childless couples, this group is more likely to rent and live in a mix of single family and multifamily housing. With lower incomes and lower education rates, older residents in this group often receive Social Security and most are price sensitive but open to impulse buys. This cohort values environmentally friendly and green products, and prefers urban living.

Set to Impress (17%)

This consumer group has a median age of 33 and is largely comprised of nonfamily households and singles living in large, affordable multiunit apartment buildings. Incomes are lower among these resident, many of whom are working in service industry jobs while attending college. These consumers value fashion, trends and personal image, but are price sensitive. They also tend to value access to live music, events, and a fun downtown atmosphere.

Emerald City (13%)

Made up of Millennials and childless Gen Xers, Emerald City consumers tend to live in established older neighborhoods with a mix of rentals and owner occupied homes, though they are more likely to rent. Single-person and nonfamily households are the norm. Home values and average rents are higher than the U.S. average and over half of these residents are college educated and professionally employed. This consumer group tends to earn median income and is made up of tech-savvy individuals who use laptops and smartphones often. They are environmentally friendly, preferring natural and green products as well as living healthy lifestyles including exercise and organic food. This group enjoys music and art as well as new experiences and trying new things.

In Style (10%)

These mostly Gen Xers are childless, affluent couples and singles, often with substantial net worth. Well educated and professionally employed, this group makes up double income households. Largely homeowners, housing is a mix of single-family, townhomes, and small apartment buildings in older established neighborhoods. These consumers are tech savvy smartphone users who value an urban lifestyle that allows them access to arts, music, and culture.

Workers

Summary

The professional, scientific and tech services industry is strong, accounting for nearly a quarter of all businesses Downtown, more than double the percentage in the City. However, with residential costs increasing, there is a need to further cultivate high paying jobs Downtown. Stakeholder interviews revealed that Downtown has a growing entrepreneurial spirit and there are several innovative campuses in the works that could spin-off young,

[23] ESRI BAO; Tapestry Segmentation Area Profile

dynamic new companies that drive growth in Downtown. Robust connectivity infrastructure (fiber) will be important for attracting these coveted companies and employees.

Number of Jobs

With 17,000 jobs and a residential population of 1,696 people, Downtown's 12 to 1 employee to resident ratio means that Downtown offers more jobs per residents than either the Market Area or the City. At 1.5 employees to residents, the Market Area has a healthy balance of jobs and residents.

Number of Jobs, 2015

	Total Jobs	Employee to Resident Ratio
DDA	**17,000[24]**	**12 to 1**
Market Area	56,163	1.5 to 1
City	260,517	0.5 to 1

Source: ESRI BAO; Business Summary

Employment by Industry

Public administration offers more jobs in Downtown than any other industry, accounting for one fifth of all Downtown jobs. The professional, scientific and tech services industry ranks second for number of jobs, offering 13% of all Downtown jobs. In the Market Area and City, the heath care and social assistance industry is the top industry, offering 29% and 16% of jobs respectively. Although not a category reported by ESRI, the downtown 80903 zip code had nearly 2,000 creative jobs in 2013.

Top Industries by Number of Jobs, 2015 *

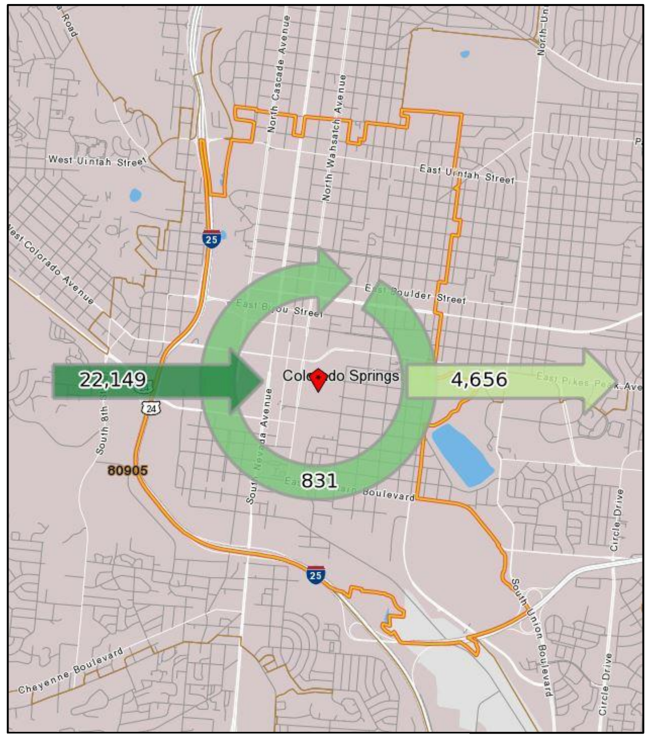
DDA			**Market Area**			**City**		
Industry	**Jobs**	**% of all Jobs**	Industry	Jobs	% of all Jobs	Industry	Jobs	% of all Jobs
Public Administration	4,233	**20%**	Health Care and Social Assistance	16,499	29%	Health Care and Social Assistance	43,306	16%
Professional Scientific and Tech Services	2,647	**13%**	Public Administration	5,494	10%	Retail Trade	34,646	13%
Accommodation and Food Services	1,762	**8%**	Educational Services	5,167	9%	Public Administration	26,954	10%
Transportation and Warehousing	1,624	**8%**	Retail Trade	4,396	9%	Accommodation and Food Services	24,371	9%
Health Care and Social Assistance	1,543	**7%**	Professional, Scientific & Tech Services	3,657	7%	Educational Services	17,577	7%

Source: ESRI BAO; Business Summary
* This table does not account for military jobs and the military as a local industry

24 ESRI via Downtown Partnership

Commuter Inflow and Outflow

The graphic below, based on 2012 data and using the downtown zip code 80903, shows that the vast majority (96%) of downtown workers live outside of downtown and just 4% of downtown workers live downtown. 84% of downtown residents work outside of downtown.



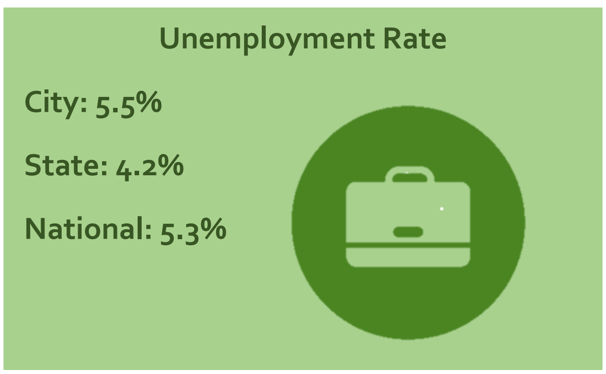
Source: www.onthemap.com

Employment/Job Distribution

There are approximately 22,980 employees working in the downtown 80903 zip code, 67% of which live less than 10 miles from work, 16% live within 10 to 24 miles from work, and approximately 17% live 25 or more miles from work.

Unemployment Rate

The City of Colorado Springs' unemployment rate was 5.5% as of Q2 2015.



Source: U.S. Bureau of Labor Statistics

Labor Demand

As of November 2015, there were 14,221 job openings in Colorado Springs MSA, with a median posted salary of $64,650. Nearly 1,200 of these postings are in professional, technical and health care related jobs. Overall demand for labor (14,778) exceeds supply (12,254) by over 2,500 workers.

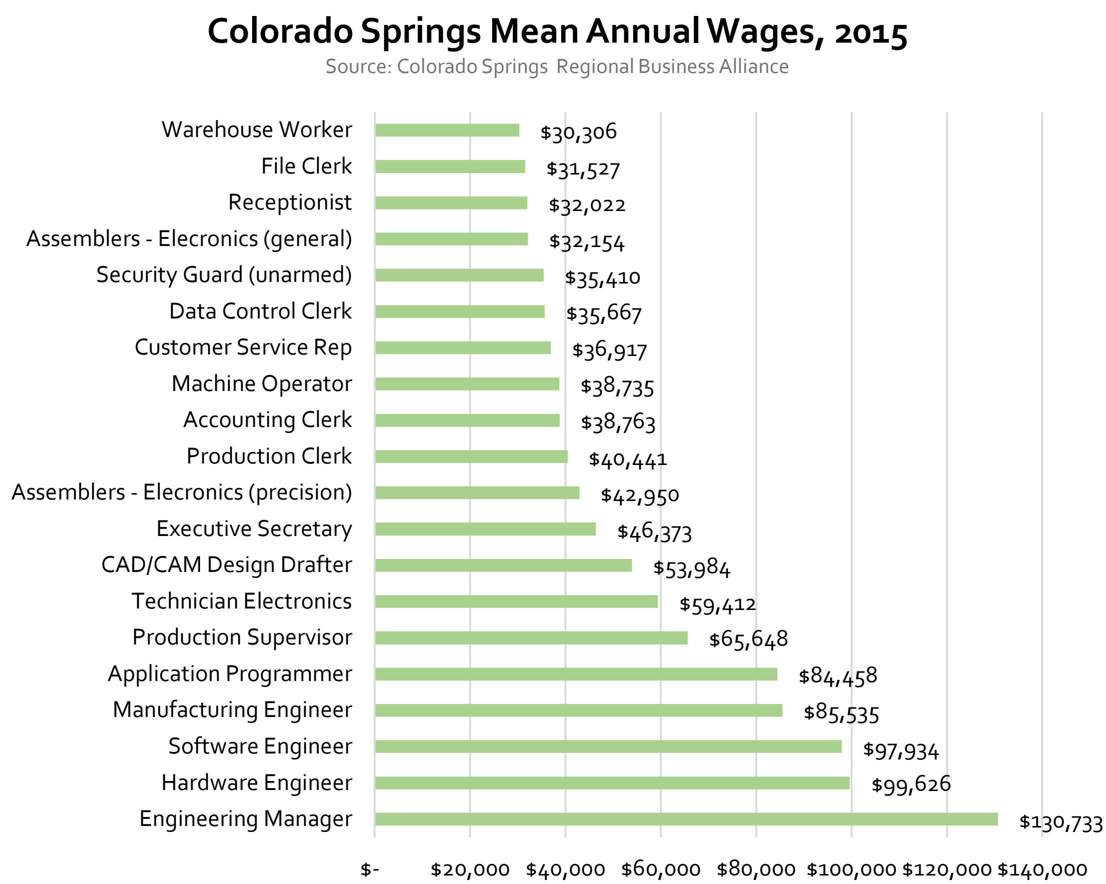
Top Titles in MSA Job Postings, November 2015

Title	Number of Postings
Software Engineer	753
Customer Service Rep	652
Registered Nurse	619
Administrative Assistant	534
Sales Rep	486
Teller	434
Systems Engineer	435
Physical Therapist	429
Project Manager	422
Systems Administrator	387

Source: Regional Business Alliance

Average Worker Earnings

Average worker earning in the City of Colorado Springs vary by occupation, with warehouse workers and file clerks earning roughly $30,000 annually while software and hardware engineers earn close to $100,000 per year.



Real Estate by Sector: Housing

Summary

The Downtown residential market lags behind the robust housing market seen in downtowns along the Front Range. However, there appears to be pent-up demand for Downtown housing indicated by the speed with which residential units are renting and waiting lists at new Downtown developments. As of 2015, only 4% of workers in the downtown zip code lived downtown but demand for walkable, amenity-rich environments that are in close proximity to jobs is starting to shift this balance. Demand for Downtown residential could be further enhanced by some basic resident-serving amenities such as a grocery store, pharmacy, fitness club, and pet care facilities.

Housing Units, 2015

	Total Units	New Units Since 2000	% of City total
DDA	**1,122**	**92**	**<1%**
Market Area	20,027	1,646	11%
City	188,544	38,933	100%

Source: ESRI BAO; Community Profile and Housing Summary

Housing Units

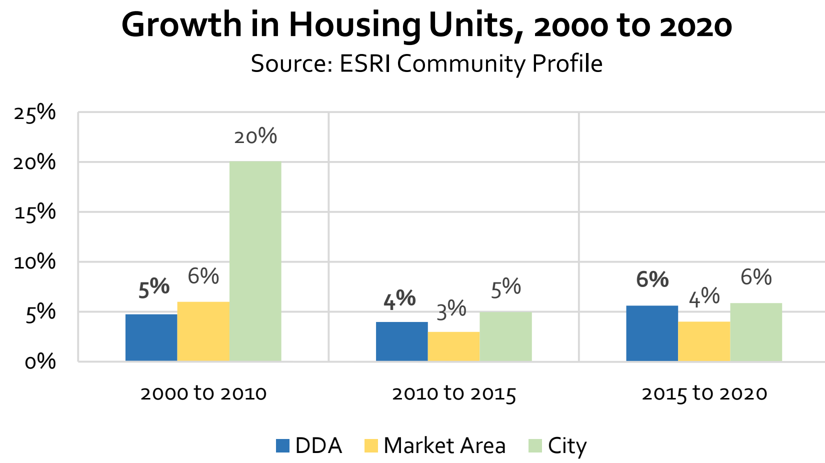
With 79% of housing units being multifamily and 75% being rentals, like most downtowns, Downtown Colorado Springs has significantly more multifamily and rental units than the Market Area and the City. While higher than the Market Area and City, it is on the lower end compared to other mid-sized cities' downtowns. Compared to other mid-sized cities' downtowns, ESRI's estimate for Downtown Colorado Springs[25] residential vacancy is the lowest at 12%. Meanwhile, Downtown Colorado Springs is in the middle of the pack for home ownership rate at 13%.

Housing Comparison, Selected Downtowns

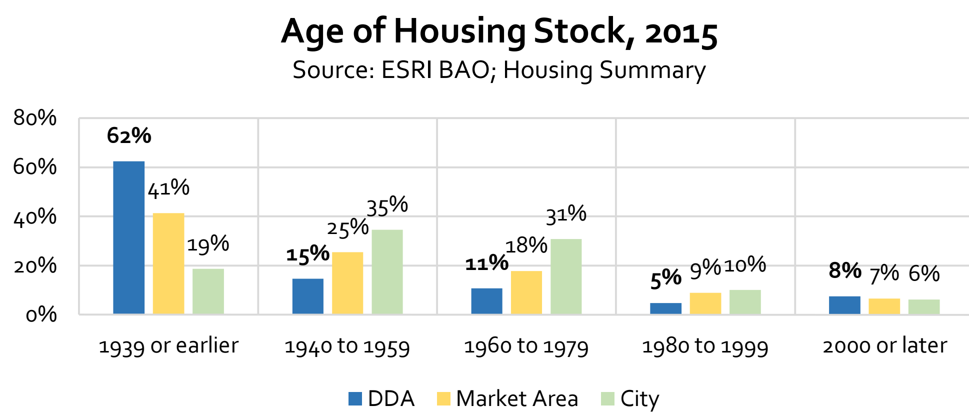
	Single Family	Multi-family	Owner-Occupied	Rental	Vacant
Downtown Albuquerque	18%	82%	11%	76%	13%
Downtown Boise	11%	89%	7%	76%	17%
Downtown Colorado Springs	**21%**	**79%**	**13%**	**75%**	**12%**
Downtown Louisville	2%	98%	7%	80%	14%
Downtown Oklahoma City	11%	89%	6%	75%	19%
Downtown Omaha	21%	79%	16%	71%	13%
Downtown Raleigh	18%	82%	23%	58%	19%
Downtown Salt Lake City	20%	80%	20%	67%	13%
Downtown Tulsa	4%	96%	12%	68%	20%
Colorado Springs Market Area	57%	43%	54%	37%	9%
City of Colorado Springs	61%	39%	41%	53%	6%
Source: ESRI BAO, Community Profile					

[25] Note that local and Colorado Department of Local Affairs estimates of Downtown residential vacancy, as shown on following pages, are considerably lower and likely more accurate. ESRI estimates are included here because they depict a relative position to peer city Downtowns.

Growth Trend



The City of Colorado Springs experienced a boom in new housing units between 2000 and 2010 with a 20% increase. Generally speaking, much of this development occurred on the outskirts of the City and drove ancillary shopping areas that have competed with, rather than supported, Downtown. The growth trend has since tapered off with a 5% increase over the past five years and a projected 6% increase between 2015 and 2020. Downtown and the Market Area have experienced smaller but sustained growth in new units since 2000 which is projected by ESRI to continue into 2020. There is a significant amount of new residential in the pipeline for Downtown (over 40% of the current unit total), which could increase Downtown housing significantly above ESRI projections. The local market data that exists for vacancy rates, rents and absorption, while limited in quantity, strongly suggest significant pent-up demand for housing in Downtown that support the addition of units well beyond ESRI's linear projections.

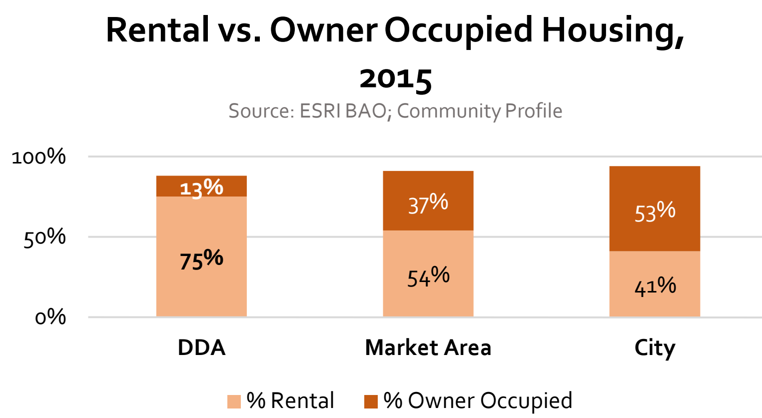


Housing Stock Age

Over half of Downtown's housing stock was built before 1940, while Market Area housing stock was largely built before 1960. Citywide, much of the housing stock was built between 1940 and 1980. Across all three geographies, less than 10% of the housing stock was built after 2000.

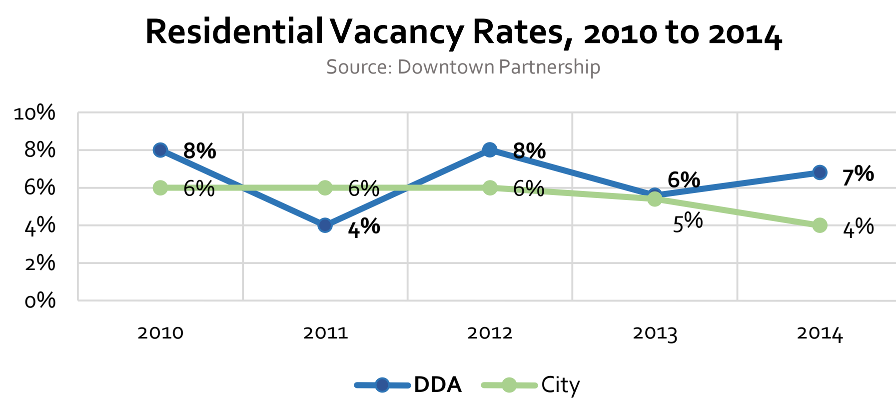
Rental vs. Ownership Trend

Downtown has a significantly larger proportion of rental units than the Market Area and the City. Rental units account for 75% of Downtown housing units, compared to 54% in the Market Area and just over 40% citywide. The ownership rate is in the middle of the pack compared to other mid-sized cities' downtowns.

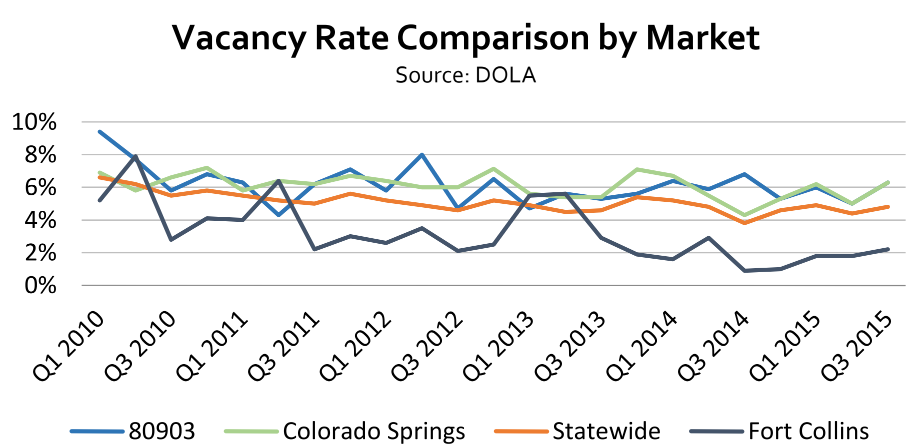


Vacancy Trend

Local data demonstrates improvement in vacancy rates. After three years of remaining at a steady 6%, the City's residential vacancy declined over the past two years from 6% in 2012 to 4% in 2014. Meanwhile, vacancy in the DDA has had more fluctuation from year to year, with residential vacancy at 7% in 2014.

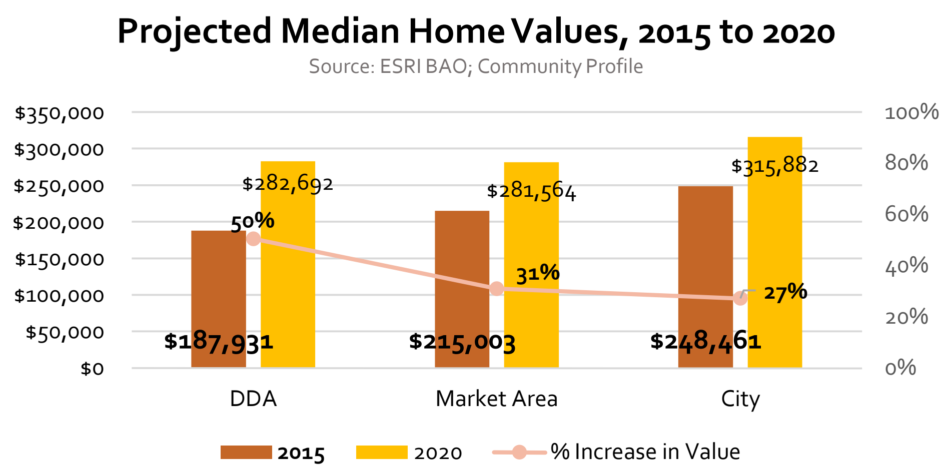


The Department of Local Affairs (DOLA) provides quarterly vacancy rates for the downtown 80903 zip code which includes Downtown and adjacent neighborhoods. These vacancy rates have been more volatile than Colorado Springs over the past five years, but mirrored Colorado Springs in the last five quarters. 80903, Colorado Springs and statewide vacancy are all now in the 5 to 6% range, which is considered ideal to allow healthy movement in a market. This is higher than the very tight 2% vacancy of the Fort Collins market.

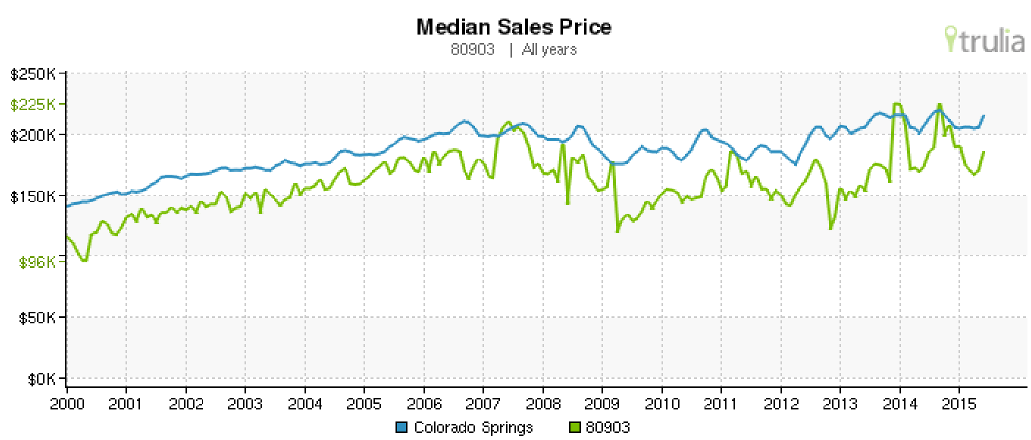


Median Home Sales Price and Median Owner Occupied Home Values

After sustaining steady increases between 2000 and 2007, the median home sales price in the downtown zip code 80903 dropped sharply during the Great Recession of 2008 and have had greater fluctuations since. The last two years have seen a few spikes in sales prices above pre-recession levels. The City's median sales prices recovered much more quickly post-recession and have significantly less price fluctuation. The current median sales price for Downtown is $175,000, compared to the City median sales price of $225,000.



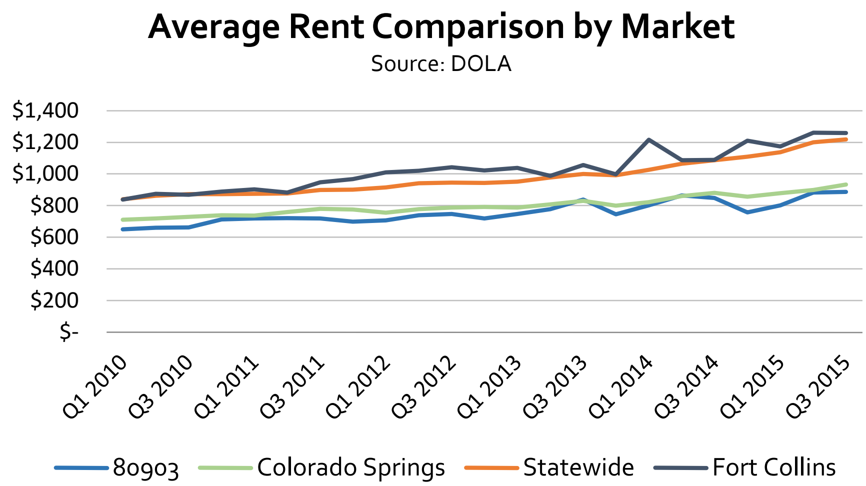
Today, average owner occupied home values in Downtown are lower than the Market Area and City, $237,000 compared to $257,000 and $294,000 respectively. Existing homes in Downtown are primarily condominium units with one or two bedrooms, while in the other areas are more typically single family dwellings with yards and, in the case of the City, more bedrooms on average. ESRI projects that by 2020, Downtown median home values will increase by over 50%, putting them above the Market Area and just slightly below the City's median home values.



Source: trulia.com, accessed 8/4/2015

Rents

According to Trulia, the average monthly lease rate for a 1-bedroom apartment in the City of Colorado Springs is approximately $800. This is more affordable than the average rentals for an apartment in Denver, which according to Axiometrics, are $1,686 for a luxury apartment, $1,290 for mid-tier and $965 for lower-end. New 1 bedroom apartments being built in Downtown Colorado Springs, more closely mirror Denver's mid-tier prices, ranging between $1,100 and $1,300. DOLA data shows that over the past five years, rents in the downtown 80903 zip code are typically slightly lower than Colorado Springs and significantly below the statewide average and Fort Collins. DOLA 2015 quarterly data indicates that the downtown 80903 zip code has lower average rents but also a higher proportion of smaller units. This is partly attributable to the fact that units in the downtown zip code, are typically smaller and older. DOLA data indicates that for units with rents greater than $1,100, the downtown zip code contains about 2% of citywide supply with a 1.6% vacancy rate compared to 3.7% citywide. This suggests significant pent-up demand for upscale units in modern formats in Downtown.



Housing Tenure Characteristics

The majority of home owners Downtown and in the City moved into their current homes between 2000 and 2009. Nearly 50% of Downtown renters moved in between 2000 and 2009 and another 45% have moved in the last five years, since 2010. This 95% turnover since 2000 reflects the high proportion of rental units and a mobile population.

Comfort & Safety

The safety of Downtown, both real and perceived, affects the residential and hospitality markets. Overall, Downtown is quite safe, but pervasive loitering in some locations leads to negative perceptions and in some cases a generally unpleasant environment. One stakeholder commented that the resulting image is "inconsistent with the Colorado Springs brand" as a family-friendly place.

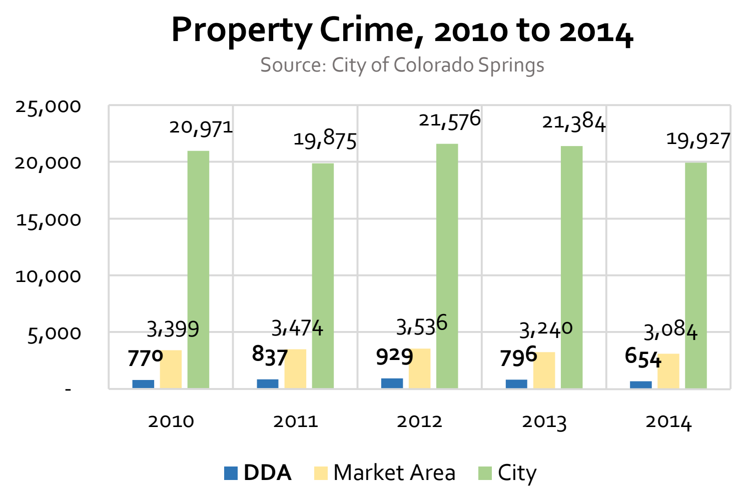
Perceptions of Downtown[26]

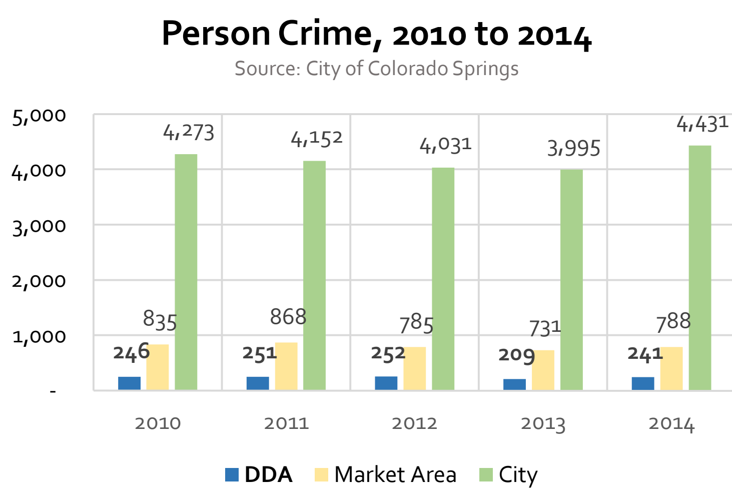
As part of the 2014 downtown strategic planning process, P.U.M.A. conducted an online survey, with over 1,000 responses, asking stakeholders about their desired vision for Downtown Colorado Springs. Making Downtown clean and safe rose as some of the most important elements, illustrated in the word cloud on the previous page. When asked to select just one action to help achieve their vision for Downtown, 15% of respondents chose to reduce loitering by transient populations. This was one of three top responses.

Crime Rates and Trends

According to stakeholder interviews, there are both real and perceived safety issues in Downtown, particularly related to vagrancy. This impacts visitors' willingness to come Downtown and can be intimidating to residents and costly to businesses. It can also affect the desirability of a Downtown job.

Downtown fairly closely mirrors the crime rates in the Market Area and the City. Downtown accounts for 3% of the City's property crime and 5% of the City's person crime. Property crimes involve theft from businesses and individuals and damage to vehicles or other personal property. Person crimes are those involving another person such as harassment, muggings, fistfights, and other physical harm. Whereas the number of person crimes has held fairly steady, Downtown's property crime fell 30% between 2012 and 2014, for a five-year low. Downtown reports slightly more crimes per acre or per resident than some other areas of the City, but Downtown has a small land mass and resident base with considerably more workers, visitors, transit customers, and businesses than such areas. As such, average risk from crime for a given individual in Downtown can reasonably assumed to be in line with other areas of the City.

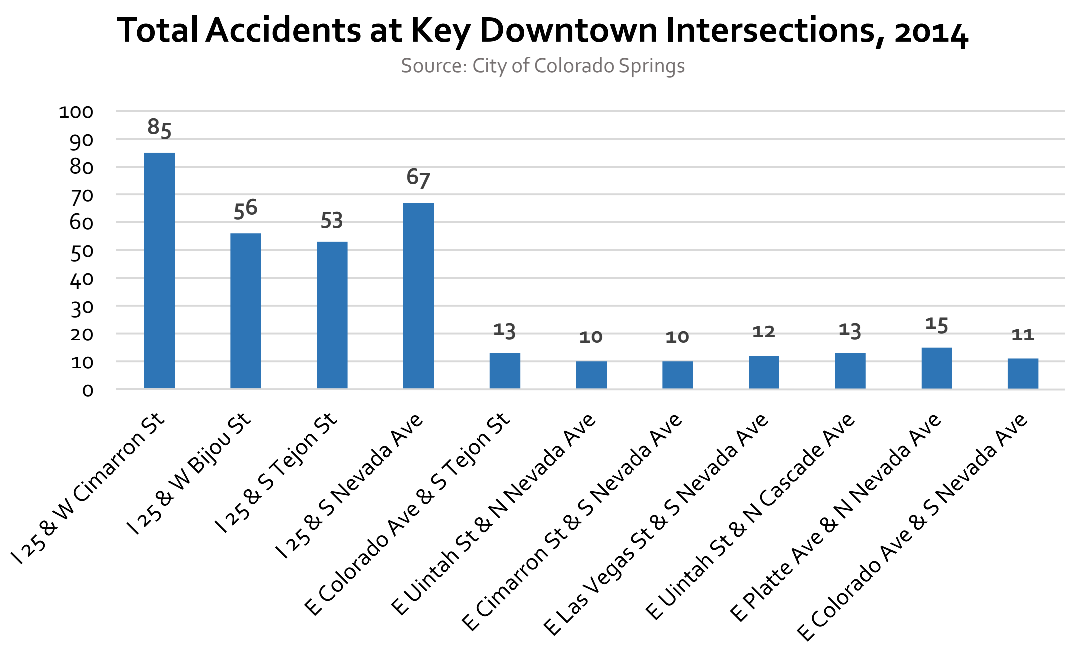


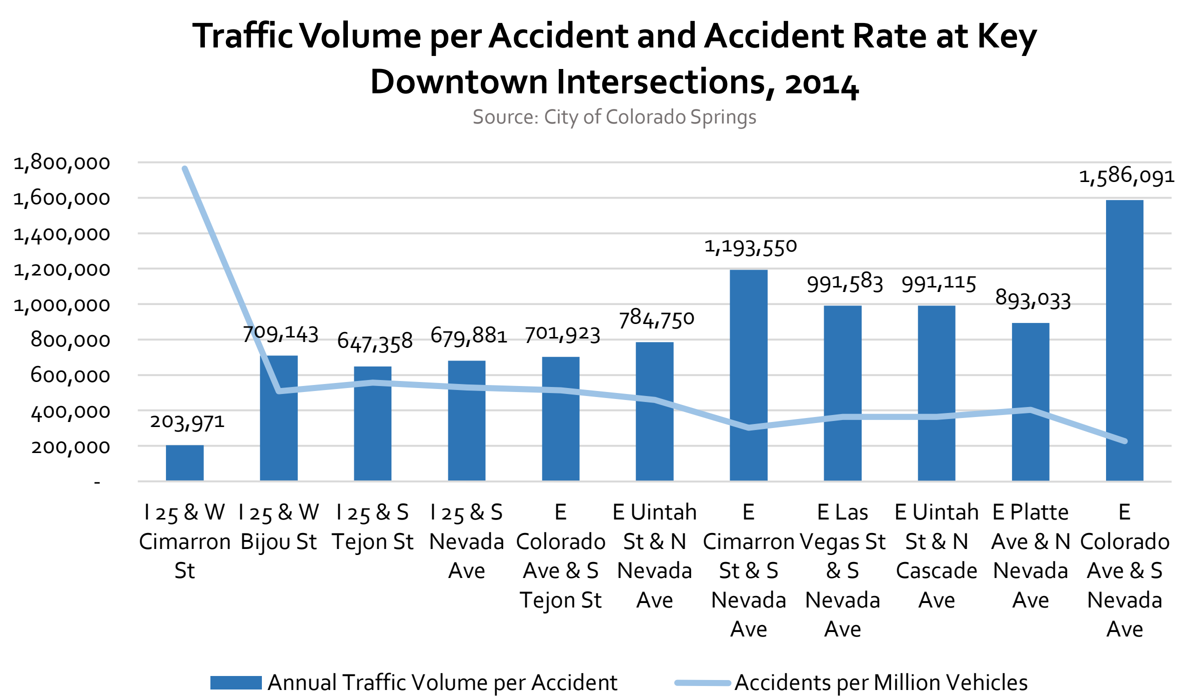


[26] 2014 Downtown Survey, PUMA

Traffic

The I -25 and Cimarron Street intersection has the highest accident rate of all key intersections in Downtown, averaging one accident per every 200,000 cars, or about 1 accident every four days.





Real Estate by Sector: Office

Summary

Downtown's office sector offers over 3.5 million sq. ft. As of mid-2015, vacancy for office real estate was at 9% with nearly 32,000 sq. f.t of net absorption. Average lease rates were approximately $20 per sq. ft.

Downtown Office Real Estate: Q1 2015	
Total Office Square Footage	3,524,933
Vacant Square Footage	316,859
Vacancy Rate	9%
Net Absorption	31,586 sq. ft.
Average Lease Rate	$19.52 per sq. ft.

Source: Costar and Quantum Commercial Real Estate via Downtown Partnership

For the post-recession economy, Downtown's office market, particularly among Class A properties, is strong relative to other downtown markets where, in P.U.M.A.'s experience, there have been vacancies in the double digits. Compared to Colorado Springs, Downtown has lower vacancies and higher lease rates. According to interviews with brokers, office tenants like the vibe of Downtown but most new leases are the result of lateral movements and not new companies locating Downtown.

For certain types of businesses, there is growing demand for flexible, collaborative, co-working spaces. Epicentral Coworking in Downtown Colorado Springs has done particularly well. Home to web developers, photographers, consultants and more, the business started in 2012 with just two members and has grown to 45 members and businesses.[27] In 2014, Epicentral moved into a permanent home, purchasing a building on North Tejon Street, and in early 2015 Epicentral signed a lease to open a second location at the Ivywild School, a short distance south of Downtown. Just two doors down from Epicentral's Downtown location is the Wild Goose Meeting House, another highly successful business that has filled the niche for a communal experience, providing collaborative space to work and socialize. Indicative of the success of these formats, this corner of Downtown has asking rents 18% higher than Downtown's average.[28]

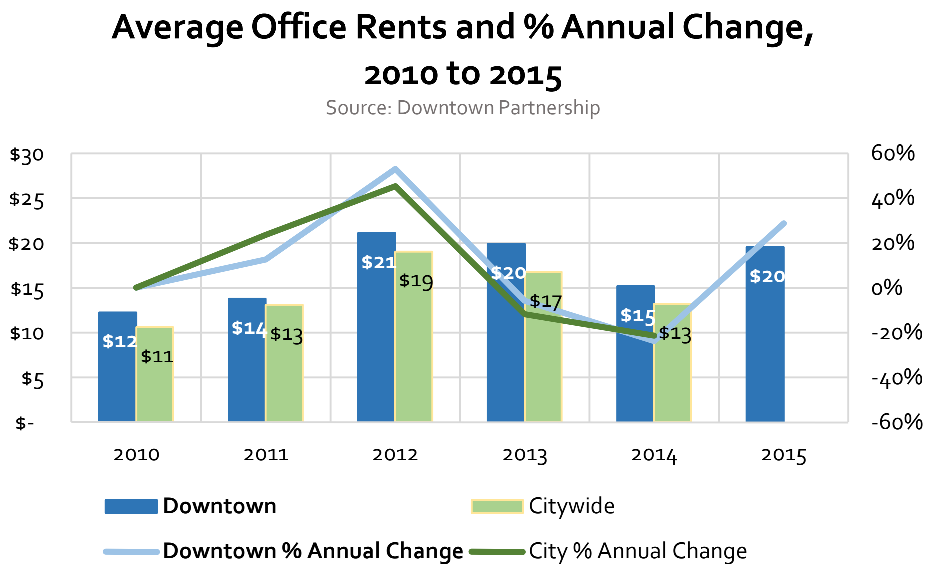
[27] Hobbs, Stephen. "Bigger space may help Colorado Springs business boost other businesses." The Gazette. Aug. 30, 2014. Web.
[28] Downtown Partnership

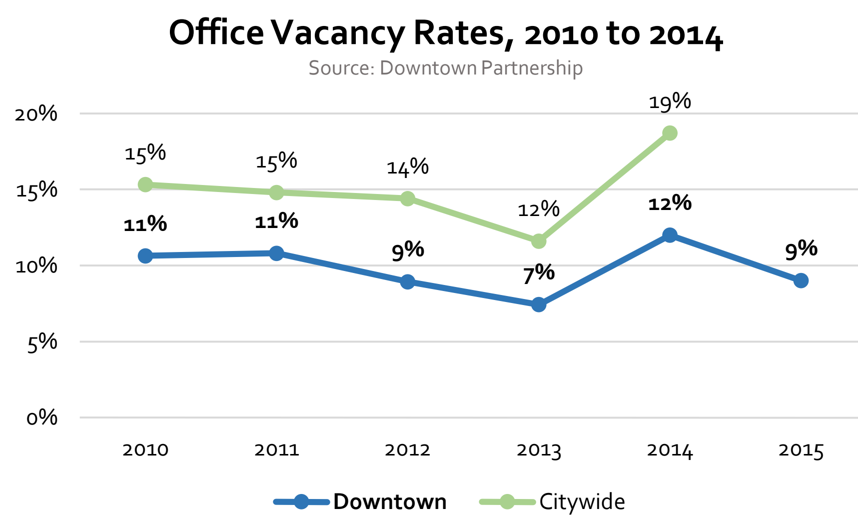
Average Lease Rates

Since 2010, office lease rates have been consistently higher in Downtown than citywide. In 2014[29], Downtown rates were 13% higher than the City, $15 compared to $13 per sq. ft.

Vacancy Rates

Vacancy rate trends since 2010 show that office space vacancy is lower in Downtown than citywide, with Downtown vacancy at 12% in 2014 compared to 19% citywide.





[29] This is likely related to consolidation of a major employer which released Class A office space that has yet to be absorbed.

Real Estate by Sector: Retail

Summary

The Great Recession significantly affected retail in Colorado Springs, evidenced by the decline in citywide retail sales in 2008 and 2009. Retail is now recovering, with year-over-year sales growth since 2011 reaching average pre-recession levels.[30] As of 2015, downtown offers 2.5 million square feet of retail space in 377 buildings. Downtown has lower retail vacancy and higher average retail lease rates than the rest of the City. Downtown retail vacancy is low, at 4%, with current net absorption of around 5,000 square feet and average rents of $14 per square foot. Rents vary substantially based on location and use type (restaurant versus retail). Much of the existing stock of retail space is in much older structures than the citywide average or new development, and may be less efficient or modern. The fact that it nonetheless commands higher average rents underscores the desirability of the location for food service and some types of retail. However, the age and outdated configurations of space can affect rents negatively where it impacts the cost of tenant finish and the visibility of retail offerings.

Downtown offers a strong spine of retail and restaurant vibrancy along Tejon Street. Tejon offers the sort of authentic experience many shoppers are looking for, with primarily unique local businesses along a walkable street. The lack of critical mass of residents in Downtown makes it a challenge to attract national retailers, but there is opportunity for independent businesses to provide their own spin on chain products. Local property owners and retailers report that while restaurant uses are performing well and driving rents up, the performance of shops is much more varied. Some longstanding shops have closed while others are performing better than ever, perhaps reflecting consumer spending trends that focus on in-person shopping as an experience and on unique, local, and individualized goods. Rents for shops are also significantly lower than restaurants, which is at least partly driven by higher tenant finish costs for restaurants and as such may not represent higher profitability for property owners.

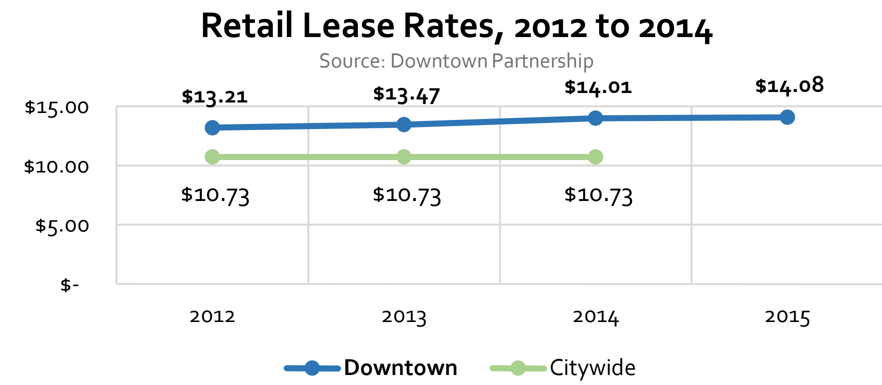
Pockets of retail are cropping up in other areas of Downtown, notably at Costilla and Nevada. In light of the contraction of storefront retail nationally, retail expansion potential is somewhat limited. A challenge may be connecting emerging nodes to the core and strengthening retail along side streets such as Bijou and Kiowa.

Downtown Retail Real Estate: Q1 2015	
Building Count	377
Total Square Footage	2,466,151
Vacant Square Footage	98,460
Vacancy Rate	4%
Net Absorption	5,235 sq.ft.
Average Asking Rent	$14.08 per sq.ft.

Source: Costar and Quantum Commercial Real Estate via Downtown Partnership

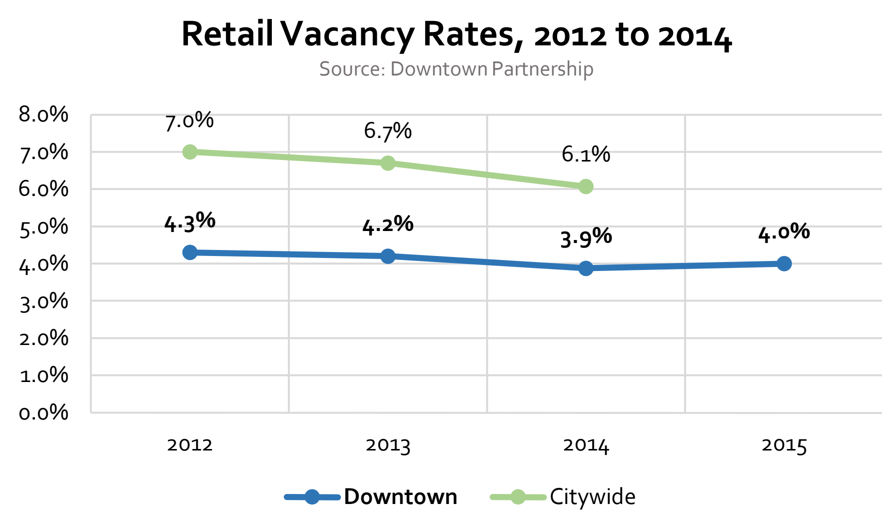
[30] Turner Commercial Research June 2015 Reports

Average Lease Rate



Between 2010 and 2012, Downtown lease rates rose while City lease rates dropped. Since 2012, Downtown's rates have been higher than the City. In 2014, Downtown retail rents were 30% higher than City retail rents. Downtown retail lease rates vary, but currently average around $14 per sq. ft. with low rates of $12 per sq. ft. and high rates of $22 per sq. ft. The lowest retail rents exist for "pocket listings" by individual owners who don't list through a broker. Pocket listing for retail space can be as low as $6.50 per sq.ft. with no improvements.[31] Department of Local Affairs (DOLA)'s third quarter 2015 estimate for the average asking rate in the downtown zip code is similar: $13.31 compared to $11.30 for Colorado Springs, an 18% premium. By comparison, Downtown Denver commands a premium of 91%, with an asking rate of $30.11 compared to $15.77 citywide.

Vacancy Rate Trend



Downtown's retail vacancy held at 4% in 2015. It has remained steady since 2012 and has consistently been lower than the City.

Retail Mix

In 2014, the Colorado Springs Downtown BID completed a first-floor tenancy inventory. According to the inventory survey, only 56% of first-floor tenants within the BID constitute restaurant and retail, while other first-floor tenants include a diverse array of service amenities, institutions, hotel and visitor services, and auto services. Non-retail tenants and uses help to activate first-floor spaces and create a sense of vibrancy in the Downtown.

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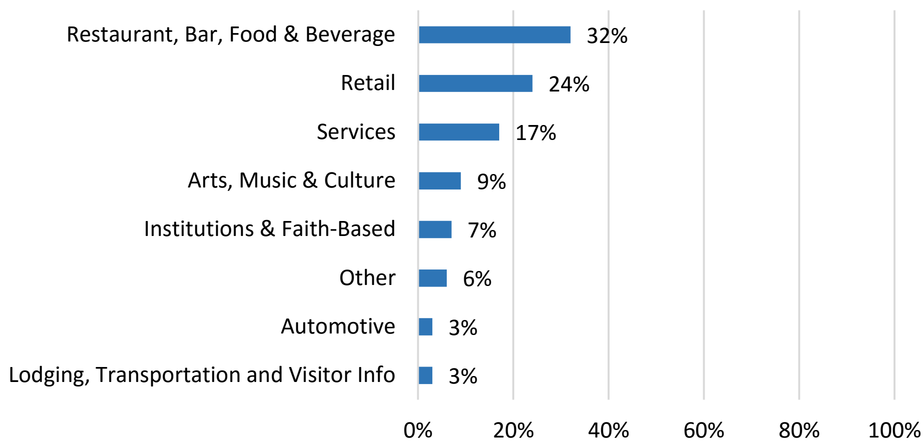
[31] Fountain Colony LLC via Downtown Partnership

Downtown BID First-Floor Tenancy Mix, 2014

Source: Downtown Partnership



Real Estate by Sector: Industrial

Downtown offers over 600,000 square feet of industrial space, while the Market Area and City offer over 13 million and over 75 million square feet of industrial space, respectively. Downtown industrial accounts for just 0.8% of the City's total industrial space. Downtown offers additional existing structures and a supply of vacant land that could be used for artisan manufacturing and other creative modern industrial uses that fit with the arts and cultural character.

Industrial Real Estate, 2015

	DDA	Market Area	City
Industrial Square Footage	653,400	13,503,600	75,097,440
% of Land Acres in Industrial Use	3%	6%	2%

Source: City of Colorado Springs

Average Lease Rate Trend

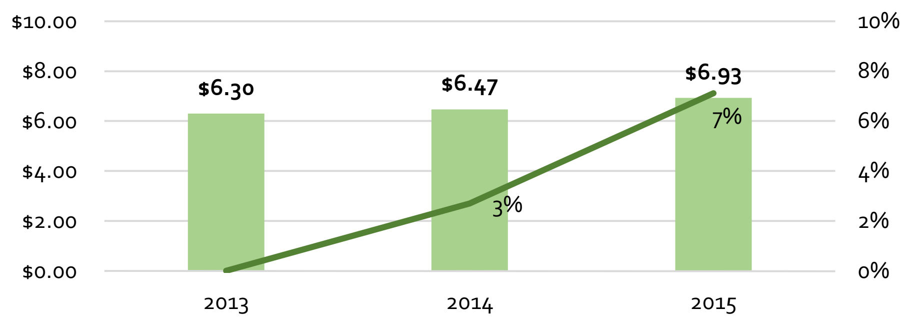
Citywide, industrial lease rates showed decent growth (7%) between 2014 and Q2 of 2015. However, as of second quarter 2015, smaller industrial spaces of less than 25,000 square feet had a significantly lower vacancy of 4% and higher rents of $7-$8 per sq.ft.[32]

Vacancy Rate and Absorption Trend

Citywide industrial vacancy has remained relatively stable over the last two years, decreasing from 9% in 2013 to 8% in 2015. Net absorption for citywide industrial real estate dipped to 67,000 in 2014 but was back up to 292,000 square feet in Q2 2015.

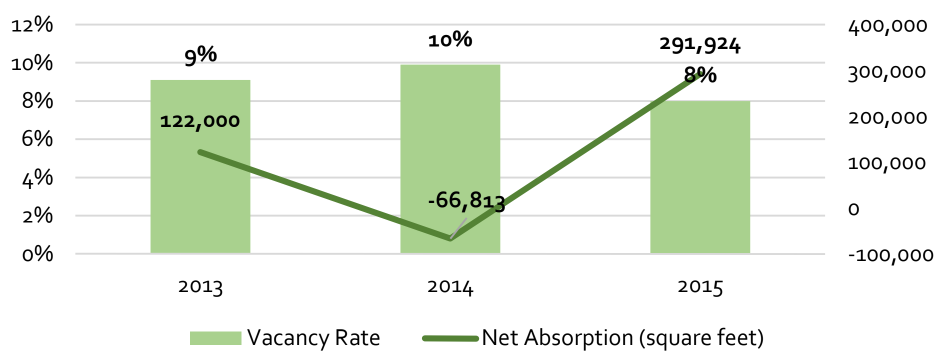
Industrial Citywide Average Lease Rate: Q2 2013 to Q2 2015

Source: Cushman & Wakefield



Industrial Citywide Net Absorption vs Vacancy Rate, Q2 2013 to Q2 2015

Source: Cushman & Wakefield



[32] Market View: Colorado Springs Industrial. Cushman Wakefield. Second Quarter 2015.

Real Estate by Sector: Hospitality

Summary

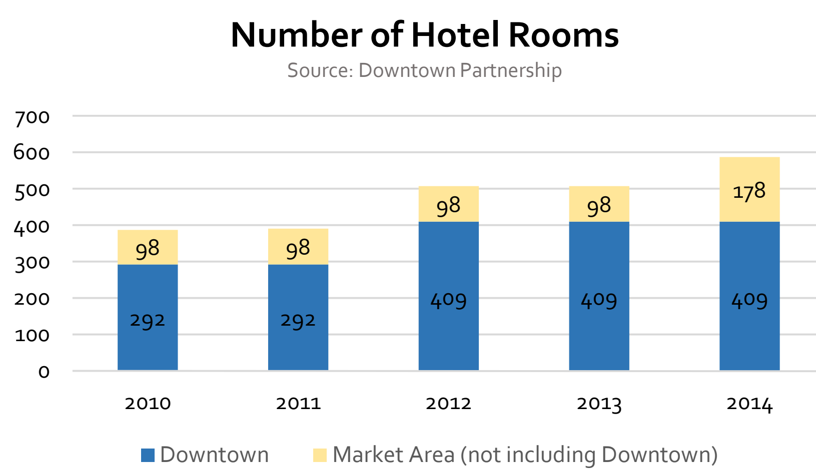
Downtown offers approximately 400 (or 8%) of the City's 5,000 hotel rooms, while the Market Area, inclusive of Downtown, provides 12%. Colorado Springs has historically attracted a drive market, due to the limited service of its airport, meaning hotel location within the City is only moderately important for visitors. The Colorado Springs Airport is actively working to attract more flights, while the Colorado Springs Convention and Visitors Bureau works to bring conferences and leisure travelers, which could grow the visitor base. However, in the absence of this or additional attractions such as a new conference facility or the new U.S. Olympic Museum, opportunities for new Downtown hotels may be limited in the short term to boutique, specialty products that offer visitors a unique experience.

The future development of the U.S. Olympic Museum is expected to bring significant new visitors Downtown. To capture these visitors' attention, Downtown should continue to offer great amenities such as the restaurants and retail on Tejon Street, activate parks and plaza space, and make it easy to move among Downtown attractions via wayfinding and perhaps bike share or other transportation options.

The City's lodging tax of 2% is one of the lowest among competitor cities, including Denver. A modest increase in this rate could keep Colorado Springs competitive while increasing revenue that can be spent to further promote the City.

Number of Hotel Rooms

The number of Downtown hotel rooms increased by over 100 rooms between 2010 and 2014 due to the development of a single property. The number of hotel rooms in the Market Area increased by 80 rooms over the same time period. Interviews with Downtown stakeholders revealed the possibility of one to two new hotels being considered in or just outside Downtown.



Hotel Data

As shown in the occupancy and revenue per available room (RevPAR) trend data in the table below, from 2010 to 2014 Colorado Springs generally had weaker occupancy and RevPAR than statewide averages, Denver, and Fort Collins, but was stronger than Grand Junction. In 2015, Colorado Springs saw its highest occupancy and RevPAR over the last five years and was on par with Fort Collins. These figures do not include "resort" properties within the respective communities, such as The Broadmoor or Cheyenne Mountain Resort in Colorado Springs, which are reported separately.

Colorado Springs Annual Occupancy and RevPAR

	Statewide		Denver		Fort Collins		Grand Junction		Colorado Springs	
	Occ %	RevPAR	Occ %	RevPAR	Occ %	RevPAR	Occ %	RevPAR	Occ %	RevPAR
2010	58.7%	$69.72	64.4%	$69.44	55.8%	$46.31	55.8%	$45.73	**60.9%**	**$51.39**
2011	61.0%	$72.45	66.8%	$72.02	61.1%	$50.71	57.7%	$47.29	**62.1%**	**$52.41**
2012	61.8%	$73.40	68.0%	$73.32	61.7%	$51.21	55.6%	$45.56	**60.5%**	**$51.06**
2013	64.0%	$76.01	70.8%	$76.34	62.2%	$51.63	55.6%	$45.56	**59.1%**	**$49.87**
2014	68.3%	$81.12	75.8%	$81.73	68.7%	$57.02	58.9%	$48.27	**62.0%**	**$52.32**
2015 Jan-Sept	72.2%	$85.75	78.9%	$85.07	69.7%	$57.85	62.4%	$51.14	**69.0%**	**$58.23**

Source: Rocky Mountain Lodging Report

Colorado Springs' visitation is highly seasonal and has a higher drop in the winter compared to the state. The January 2015 citywide RevPAR of $35 is less than half the statewide average RevPAR rate of $81.[35] Lower wintertime visitation is weighed against summertime highs in decisions about developing new hotel product.

The most recent data suggests that Colorado Springs' lodging market is gaining strength after several years with localized setbacks such as the Royal Gorge closure. The citywide hotel occupancy rate increased by a larger margin between June 2014 and 2015 than the state average, 4% compared to 2%. Additionally, the June citywide 85% hotel occupancy rate was higher than the state average occupancy rate of 80% and the average daily room rate hit an all-time high of $105.68, a 7% increase over 2014.[36] Among the factors increasing average citywide room rates may be the addition of new five-star rooms at The Mining Exchange in Downtown that are not classified as resort.

Lodging, 2014/2015

DDA	Hotel Rooms, 2014	409
Market Area	Hotel Rooms, 2014	587
City	Hotel Rooms, January 2015	5,027
City*	RevPAR, January 2015	$38.62[33]
City*	Avg. Daily Rate, June 2015	$105.68[34]
City*	Hotel Occupancy, June 2015	85%

Source: Downtown Partnership except where footnoted
* Note: some hotels included in the Colorado Springs Rocky Mountain Lodging Report survey may be located outside of the City limits.

33 Rocky Mountain Lodging Report, January 2015
34 Rocky Mountain Lodging Report, June 2015 (Colorado Springs Gazette, July 21, 2015)
35 Rocky Mountain Lodging Report, January 2015.
36 Colorado Springs Gazette, "Colorado Springs hotels report strong numbers for June." July 29, 2015.

VI. Development

This section of the document compiles and describes data related to land use and development in Downtown. Information included in this section includes current land use, zoning, and valuation; and development permits and revenue trends.

Land Use & Zoning

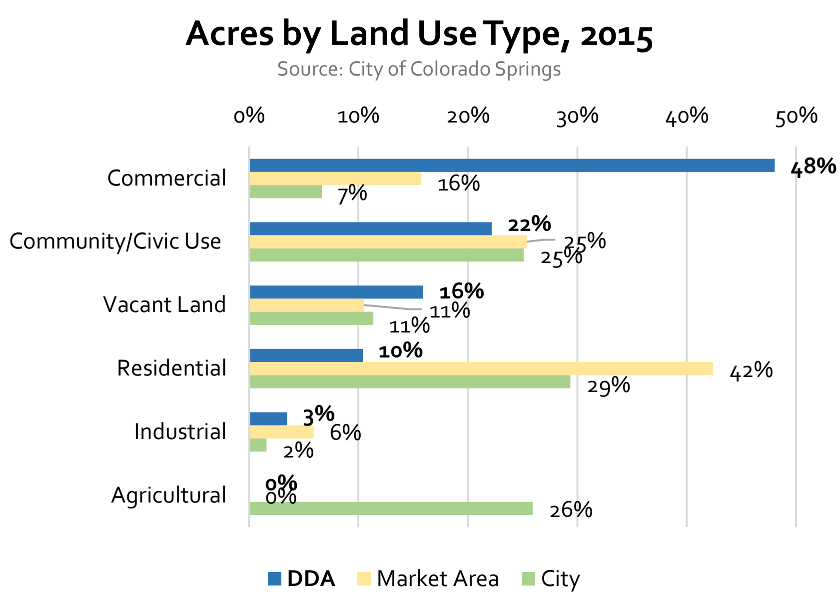
Summary

Commercial land Downtown provides the greatest value among land use types. With just 48% of the total acreage, it provides 94% of the total assessed value. The Market Area and the City have a greater percentage of land in residential use and generate significantly more value through residential than Downtown. However, that will begin to change as more Downtown residential units come online.

A form-based code was adopted for downtown in 2009, which will help encourage a compact form with a vibrant mix of uses and pedestrian-friendly scale. The consensus among developers interviewed was that the new zoning works for their needs.

Land Acres by Current Land Use

2015 Downtown land use is predominantly commercial, with nearly 50% of Downtown's 433 acres in a commercial use. Civic and community uses account for 22% of Downtown land area, and vacant land accounts for 16% of all acreage. In comparison, the Market Area is predominantly residential, while citywide land use is evenly distributed between civic, residential and agricultural uses.



Downtown Zoning Designations[37]

Sector	Transect	Comments
Central	T6	Urban Core
Corridor	T5.7	Urban Center - outside of Core but allow significant density due to wide ROWs
Transition 1	T5.5	Urban Center - surrounds the majority of the Core
Transition 2	T5.3	Urban Center - more gradual transition to adjacent neighborhoods

Downtown Zoning Building Types

	Sector			
Building Type	**Central**	**Corridor**	**Transition 1**	**Transition 2**
Mixed Use Building	X	X	X	X
Live/Work Building	X	X	X	X
Civic Building	X	X	X	X
Apartment Building	X	X	X	X
Small Commercial Building		C	X	X
Rowhouse	C	X	X	X
Accessory Unit		C	X	X

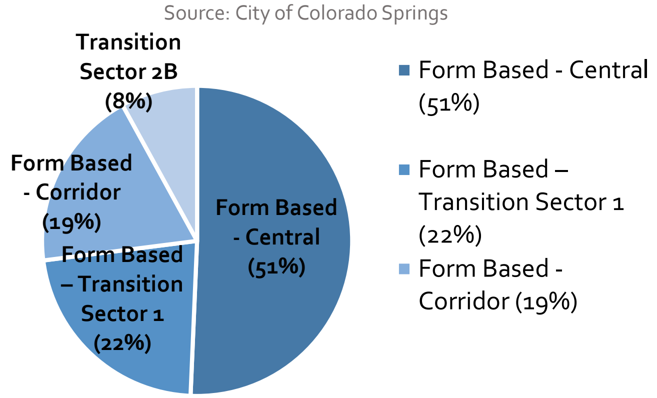
An "X" indicates that the building type is permitted in the sector
A "C" indicates that conditional use approval is needed

Land acres by current zoning designations

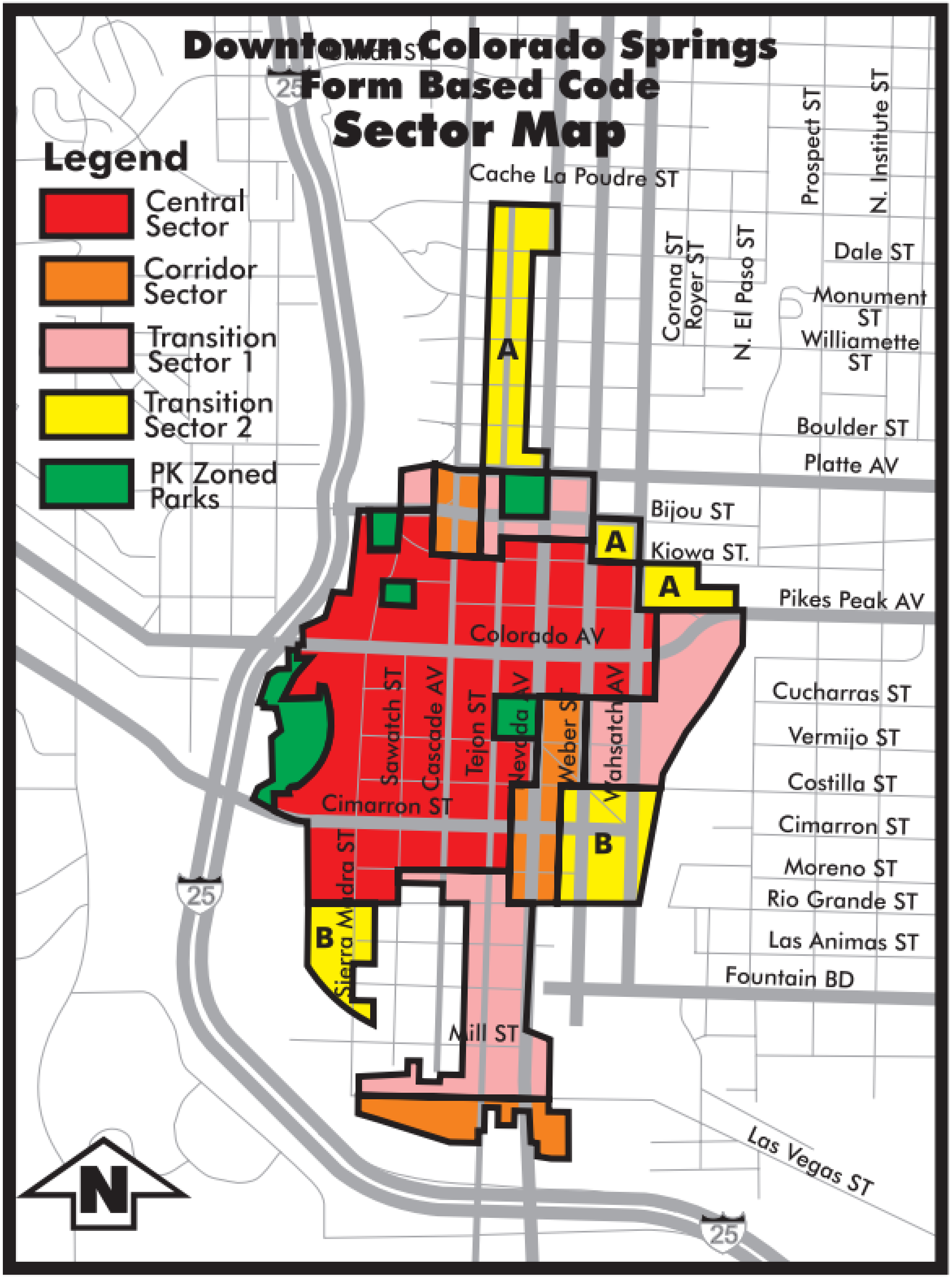
Downtown is the only neighborhood in Colorado Springs using form based zoning, with the majority (51%) of its acreage designated as form based – central.

DDA: Acres by Zoning Category, 2015

Source: City of Colorado Springs



[37] Colorado Springs Form Based Design Code


Downtown Colorado Springs
Form Based Code
Sector Map
Legend
Central Sector
Corridor Sector
Transition Sector 1
Transition Sector 2
PK Zoned Parks
Cache La Poudre ST
Prospect ST
N. Institute ST
Corona ST
Royer ST
N. El Paso ST
Dale ST
Monument ST
Williamette ST
Boulder ST
Platte AV
Bijou ST
Kiowa ST.
Pikes Peak AV
Colorado AV
Cucharras ST
Vermijo ST
Costilla ST
Cimarron ST
Moreno ST
Rio Grande ST
Las Animas ST
Fountain BD
Sawatch ST
Cascade AV
Tejon ST
Weber ST
Cimarron ST
Sierra Madre ST
Mill ST
Las Vegas ST
A
A
A
B
B
25
25
25
N

Total Assessed Value, Land Value & Improvements Value by Use Type

Commercial property is the most valuable land use type in Downtown, accounting for 94% of total assessed value, 88% of total land value, and 96% of total improvement value. In the Market Area and the City, there is significantly greater value in residential land than there is Downtown.

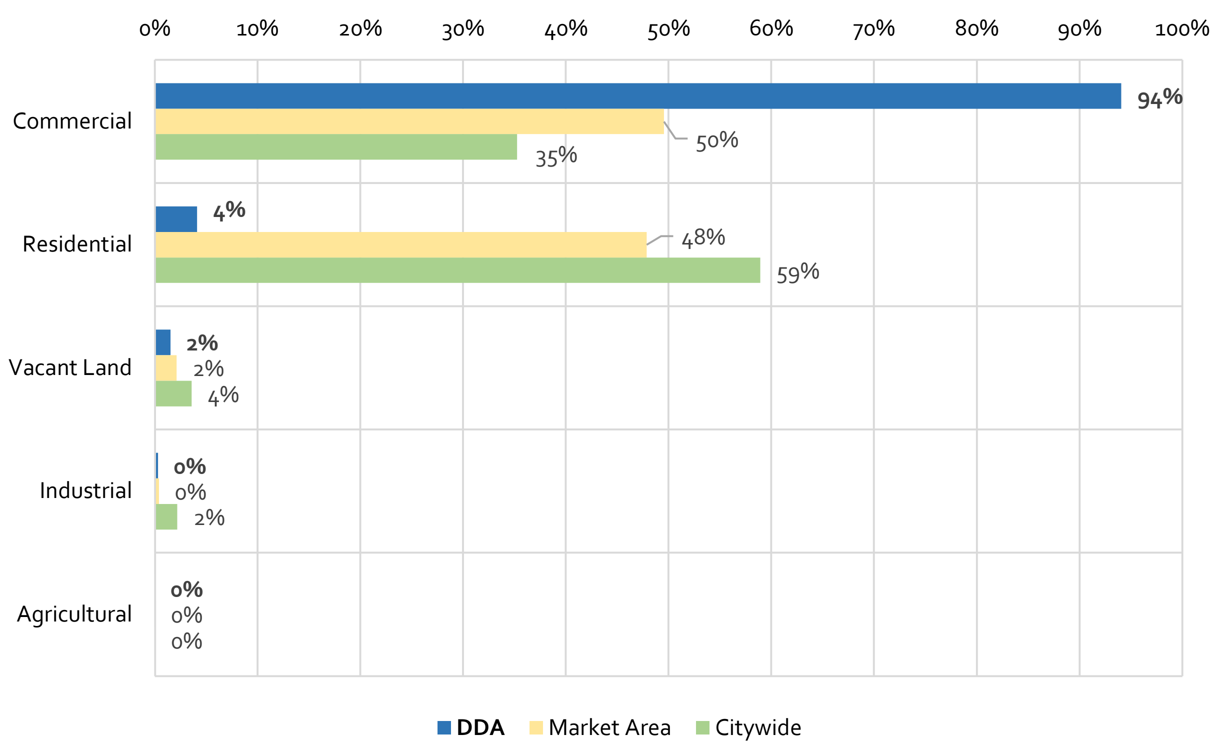
Valuation by Land Use Type, 2015

		Vacant Land	Residential	Commercial	Industrial	Agricultural	**Total**
DDA	Assessed Value	$2,048,100	$5,520,900	$126,209,280	$416,790	$4,600	$134,199,670
	Land Value	$2,048,100	$882,450	$22,463,390	$258,000	$0	$25,651,940
	Improvements Value	$0	$4,638,450	$103,745,890	$158,790	$4,600	$108,547,730
Market Area	Assessed Value	$8,962,220	$201,386,020	$208,442,960	$1,692,310	$149,600	$420,633,110
	Land Value	$8,960,120	$34,711,880	$43,249,880	$448,200	$95,600	$87,465,680
	Improvements Value	$2,100	$166,674,140	$165,193,080	$1,244,110	$54,000	$333,167,430
City	Assessed Value	$158,874,290	$2,616,686,020	$1,565,373,620	$97,670,580	$993,570	$4,439,598,080
	Land Value	$158,857,090	$475,956,050	$396,512,270	$24,945,290	$469,570	$1,056,740,270
	Improvements Value	$17,200	$2,140,729,970	$1,168,861,350	$72,725,290	$524,000	$3,382,857,810

Source: City of Colorado Springs

Land Use Type by Percentage of Total Assessed Value, 2015

Source: City of Colorado Springs



Current Development

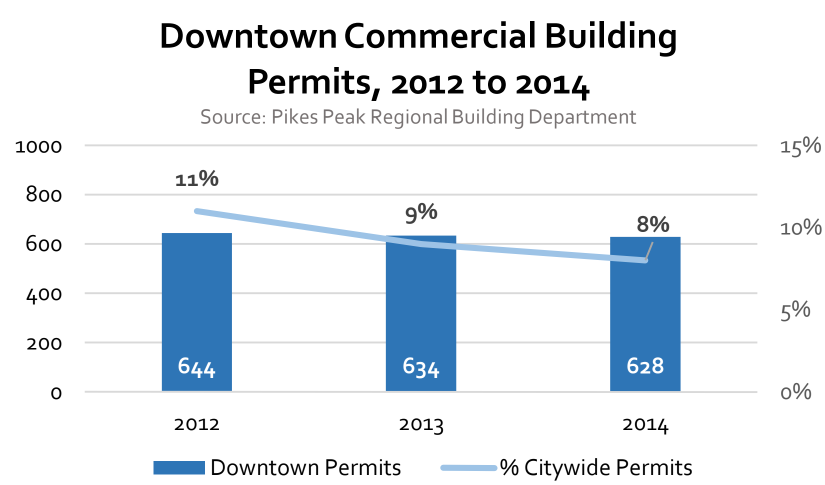
Summary

There are 17 major Downtown development projects recently completed, under construction, or proposed to be completed within the next five to ten years, seven of which are residential projects.

Brokers and developers believe the recession of 2008 hurt momentum for developing downtown residential but the conversation is now back on the table. In interviews, some developers said that old infrastructure, inappropriately applied development fees, and expensive land prices have placed a heavier burden on developing Downtown than elsewhere in the City. However, despite this, a small number of developers are moving forward with new residential projects. As of summer 2015, there are seven projects proposed or under construction, which are expected to create an additional 466 units, over 40% of the total units today. Of the new units, 350 will come from two residential projects by Nor'wood Development and Griffis Blessing. The rest of the developments range from approximately 5 to 50 units. According to one residential developer, the smaller units in Downtown (studios and one bedrooms between 800 and 1,000 sq. ft., which are actually large by urban standards) are most popular. Another Downtown developer said there is confidence in the market for Downtown residential but the price point remains to be seen. Among the new projects, 1 bedroom units are expected to rent between $1,100 and $1,300/month, necessitating incomes of $40,000 to $47,000 annually for a single person based on the standard affordability metric of spending no more than a third of income on housing.

Building Permits

The number of Downtown commercial building permits has declined slightly since 2012, decreasing from 644 permits, which accounted for 11% of citywide commercial permits in 2012, to 628 permits in 2014 accounting for 8% of City permits.

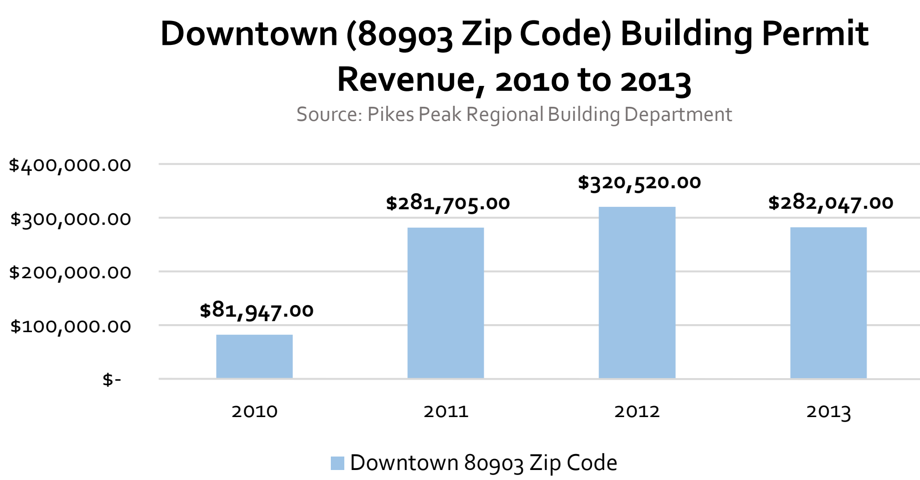


Building Permit Revenue Trend

After the downturn of the prior decade, Downtown and City building permit revenue increased significantly in 2011 with City building permit revenue increasing 26% and Downtown building permit revenue increasing 244%. This "new normal" was sustained in 2012 and 2013.

Recent and Proposed Projects and Valuation

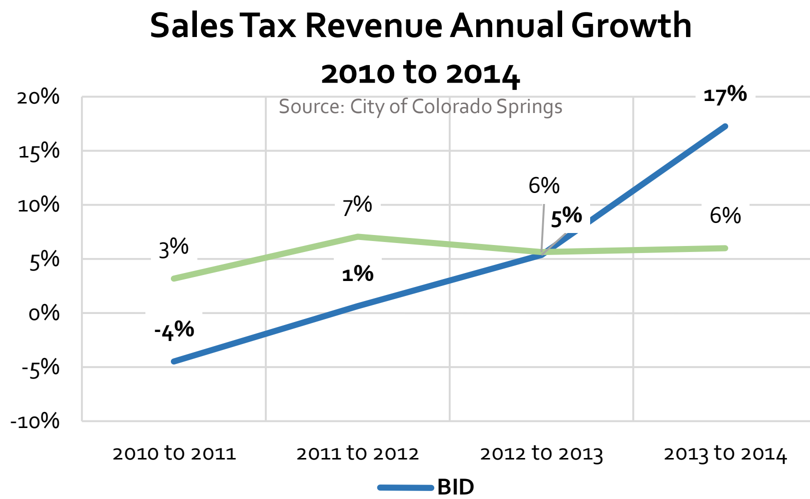
Downtown continues to be a hotspot for investment and new development. Over 20 major investment projects have been recently completed or are currently being developed in Downtown, and Downtown investment between 2014 and 2020 is valued at over $425 million dollars, $100 million of which are within the Downtown Urban Renewal Area boundary. Increases in revenues within a tax increment financing (TIF) district, such as the Downtown Urban Renewal Area, can be reinvested in the district. There are currently seven residential projects proposed or under construction within the urban renewal area which will create 433 additional housing units, most of which are in two developments of nearly 200 units each. The larger market area is projected to build 164 additional units within five new residential developments by 2018, with the potential to add an extra 65 to 250 units by 2025.



Revenue

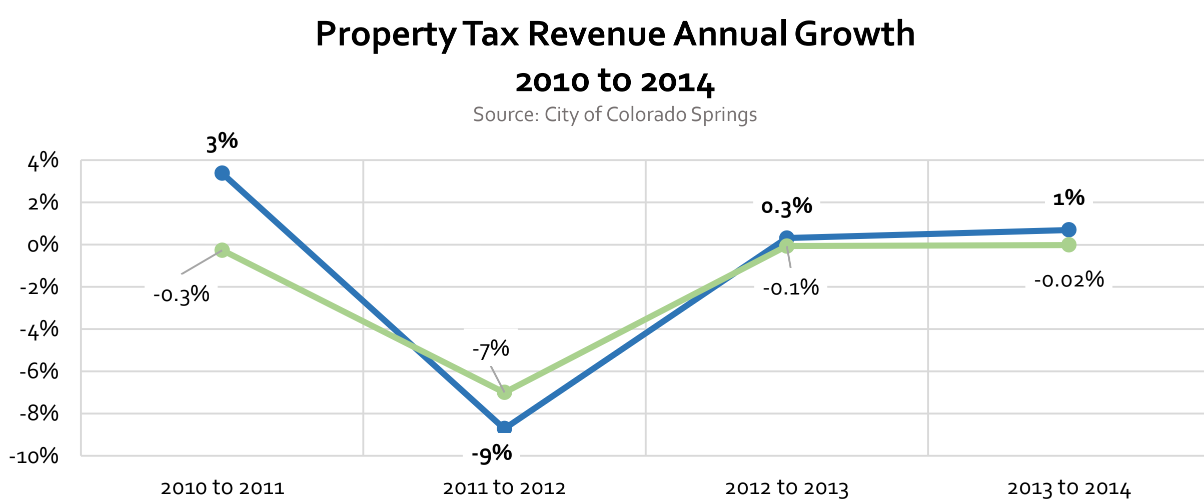
Summary

Between 2013 and 2014, annual sales tax revenue growth in the Downtown Business Improvement District (BID)[38] surpassed the City, increasing 17%, compared to the City's 6%. In 2014, the BID generated 14 times more sales tax revenue per acre than the City.



Property Tax Revenue Trend

The Downtown BID's property tax revenue has increased and declined at nearly the same rate as the City between 2010 and 2014.



[38] Note that the BID boundary is somewhat smaller than the Downtown (DDA) boundary. Sales tax revenue data was provided for the BID but not for the Downtown boundary. However, the BID boundary includes the majority of retail sales tax generating businesses in Downtown, thus trends within the BID can reasonably be understood as representative of Downtown.

IMPLICATIONS & NEXT STEPS

This Market Assessment paints a picture of order-of-magnitude market opportunities in Downtown Colorado Springs over the next five-to ten-year market cycle. The Key Market Opportunities section contains the major findings of this report, which are backed by the data in the Market Profile.

Using this assessment and quantitative modelling, a Development Forecast has been prepared by the consultant team as an appendix to this document. The Development Forecast quantifies demand in each of the sectors under the current conditions. The appendix should be considered a snapshot and should be updated every 12 to 18 months to reflect changes in Downtown that occur through the course of the market cycle.

This Market Assessment is intended to inform the updated Imagine Downtown Master Plan. It will be consulted in the selection of priorities and in the consideration of implementation strategies. Ultimately, it may also help to inform how Downtown Partnership resources are allocated toward projects that advance and implement the Master Plan.

APPENDICES

APPENDIX A: STAKEHOLDER INTERVIEW LIST

We are grateful for the generous time given by the following Downtown stakeholders who helped to inform this document:

Project Management Team Members:

- Susan Edmondson Downtown Partnership
- Sarah Harris Downtown Partnership
- Karen Palus City of Colorado Springs
- Peter Wysocki City of Colorado Springs
- Travis Easton City of Colorado Springs
- Ryan Tefertiler City of Colorado Springs

Technical Advisory Committee (TAC) Members:

- Aaron Briggs HB&A Architects
- Al Wenstrand Colorado Springs Regional Business Alliance
- Aubrey Day LiveWell Colorado
- Doug Price Colorado Springs Convention and Visitors Bureau
- Edward Bledowski DLR Group
- Jeff Finn Nor'wood Development Group
- Jim Smith Mountain Chalet
- Lisa Tessarowicz Epicentral Coworking
- Nolan Schriner NES Landscape Architects
- Ray Walkowski Colorado Springs Planning Commission
- Simon Penner Newmark Grubb Knight Frank
- Steve Engel Griffis/Blessing, Inc.
- Jim Rees Colorado Springs Urban Renewal Authority

Interviewees and Focus Group Participants:

- Aaron Briggs HB&A Architects
- Allen Beauchamp Bike CS
- Allyson Schuur Kinder Morgan
- Amy Long Colorado Springs Convention and Visitors Bureau
- Andrea Barker HB&A Architects
- Andy Vick COPPeR (Cultural Office of the Pikes Peak Region)
- Anne Cesare UC Health
- Ari Howard McCabe's
- Bob Cope City of Colorado Springs
- Boyd Williams YMCA of the Pikes Peak Region

Brian Olson	El Paso County
Brian Risley	YMCA of the Pikes Peak Region
Brian Shevock	City of Colorado Springs
Carl Schueler	City of Colorado Springs
Carly Kobasiar	City of Colorado Springs
Charles Ochs	Property Owner
Chris Jenkins	Nor'wood Development Group
Chris Lieber	City of Colorado Springs
Chris Morrison	Beauty Bar Inc.
Chuck Murphy	Murphy Construction
Connie Perry	City of Colorado Springs
Courtney Stone	The Independence Center
Dan Robertson	Robertson Company
Darsey Nicklasson	Blue Dot Place
Dave Munger	Council of Neighbors and Organizations (CONO)
Dick Frieg	Savory Spice Shop
Dirk Draper	Colorado Springs Regional Business Alliance
Erin Hannan	Colorado Springs Fine Arts Center
Greg Howard	McCabe's
Greg Warnke	City of Colorado Springs
Harold Fong	Property Owner
Henry Yankowski	El Paso County
Ingrid Richter	The O'Neil Group Companies
Jackie Hilaire	Colorado Springs Parks, Recreation and Cultural Services Board
James McMurray	HB&A Architects
Jeanne Groat	CJ Kard
Jeff Finn	Nor'wood Development Group
Jeff Greene	City of Colorado Springs
Jeff Markewich	Colorado Springs Planning Commission
Jenny Elliot	Downtown Development Group
Jim DiBiase	Olive Group Real Estate
Jim Egbert	Citizens Transportation Advisory Committee
Jimmy Waler	SRAM
John Olson	Altitude Landscape Architects
John Onscott	NAI Highland Commercial
Johnathan Shankland	The Famous Steakhouse
Jon Khoury	Cottonwood Center for the Arts
Kathleen Krager	City of Colorado Springs
Kathy Loo	Blue Dot Place
Kayla Ross	Rocky Mountain Soap Market
Kevin O'Neil	The O'Neil Group Companies
Kristen Downs	U.S. Olympic Museum
Kurt Schroeder	City of Colorado Springs
Logan Harrison	NAI Highland Commercial

• Manny San Fernando	Kratt Commercial Real Estate
• Mark Tremmel	Tremmel Design
• Matt Mayberry	City of Colorado Springs
• Michael Cain	U.S. Olympic Training Center
• Mike Chavez	City of Colorado Springs
• Nicola Myers Murty	CBRE Commercial Real Estate
• Patrick Bultema	Colorado College
• Perry Sanders	The Mining Exchange Hotel
• Peter Scoville	Cushman Wakefield Commercial Real Estate
• Randi Hitchcock	UpaDowna
• Rebecca Taraborelli	Rasta Pasta
• Richard Warner	Bingo Burger
• Russ Ware	The Wild Goose Meeting House
• Sam Eppley	Sparrowhawk
• Sam Guadagnoli	Cowboys/The Mansion/The Mezzanine
• Shelby Pywell	The Mining Exchange Hotel
• Sonica Patel	US Health
• Stan Rovira	U.S. Olympic Museum
• Stanton Kensinger	Olive Group Real Estate
• Susan Davies	Trails and Open Space Coalition
• Taylor Stamp	Quantum Commercial Real Estate
• Tiffany Colvert	NAI Highland Commercial
• Tim Roberts	City of Colorado Springs
• Tim Seibert	NES Landscape Architecture
• Tom Hoover	OZ Architecture
• Tyrone Johnson	Colorado Springs Utilities
• Uyen Le	Beauty Bar Inc.
• Vicki McCann	City of Colorado Springs
• Wayne Bland	Kirkpatrick Bank
• Whitney Johnson	CBRE Commercial Real Estate

City of Colorado Springs, El Paso County, and Colorado Springs Utilities Staff:

• Mayor John Suthers	City of Colorado Springs
• Jeff Greene	City of Colorado Springs
• Bob Cope	City of Colorado Springs
• Travis Easton	City of Colorado Springs
• Ryan Tefertiller	City of Colorado Springs
• Carl Schueler	City of Colorado Springs
• Kathleen Krager	City of Colorado Springs
• Karen Palus	City of Colorado Springs
• Chris Lieber	City of Colorado Springs
• Matt Mayberry	City of Colorado Springs
• Brian Vitulli	City of Colorado Springs

• Craig Blewitt	City of Colorado Springs
• Tim Roberts	City of Colorado Springs
• Brian Shevock	City of Colorado Springs
• Mike Chavez	City of Colorado Springs
• Connie Perry	City of Colorado Springs
• Steve Vigil	City of Colorado Springs
• Stephanie Troup	City of Colorado Springs
• Bootsy Jones	City of Colorado Springs
• Karen Garcia	City of Colorado Springs
• Vicki McCann	City of Colorado Springs
• Joseph McMeekin	Pikes Peak Regional Building Department
• Elena E. Nunez	Colorado Springs Utilities
• Tyrone Johnson	Colorado Springs Utilities
• Henry Yankowski	El Paso County
• Brian Olson	El Paso County
• Deanne McCann	El Paso County
• Stephen Fischer	El Paso County
• Sara Lobato	El Paso County
• Andrew Dukes	Colorado Springs Police Department
• Molly Miles	Colorado Springs Police Department

Downtown Business Improvement District (BID) Board:

• Allison Cortez	BID Board
• David Bunkers	BID Board
• Craig Ralston	BID Board
• Gary Feffer	BID Board
• Jessica Modeer	BID Board
• Lauren Andrus	BID Board
• Luke Travins	BID Board
• Randy Case	BID Board
• Russ Ware	BID Board
• William Nelson	BID Board
• Wylene Carol	BID Board

Downtown Development Authority (DDA) Board:

• Aaron Briggs	DDA Board
• Chris Jenkins	DDA Board
• Chuck Murphy	DDA Board
• David Lord	DDA Board
• David Lux	DDA Board
• Dot Lischick	DDA Board
• Hannah Parsons	DDA Board

• Ingrid Richter	DDA Board
• Jill Gaebler	DDA Board
• Roger Sauerhagen	DDA Board
• Steve Engel	DDA Board

Downtown Partnership:

• Alison Murray	Downtown Partnership
• Cindy Newsome	Downtown Partnership
• Dirk Draper	Downtown Partnership
• Doug Price	Downtown Partnership
• Gary Butterworth	Downtown Partnership
• Jeff Greene	Downtown Partnership
• Jill Tiefenthaler	Downtown Partnership
• Jim Rees	Downtown Partnership
• Julian Flores	Downtown Partnership
• Kady Hommel	Downtown Partnership
• Larry Yonker	Downtown Partnership
• Mark Jones	Downtown Partnership
• Michael Collins	Downtown Partnership
• Nolan Schriner	Downtown Partnership
• Randy Case	Downtown Partnership
• Rich Guy	Downtown Partnership
• Sam Eppley	Downtown Partnership
• Stuart Coppedge	Downtown Partnership

APPENDIX B: DOWNTOWN COLORADO SPRINGS DEVELOPMENT FORECAST

OVERVIEW & METHODOLOGY

As part of the Downtown Colorado Springs Master Plan Update, a comprehensive market assessment was compiled by Progressive Urban Management Associates (P.U.M.A.) of Denver. The market assessment includes three major sections of analysis, including a 2015 downtown market profile, a discussion of global trends affecting downtown and the identification of key market opportunities.

As a supplement to the market assessment, P.U.M.A. was engaged to prepare development forecasts to help guide investment decisions. To prepare development forecasts, P.U.M.A. worked with its planning partner, Starboard Realty Group, LLC, to establish a set of reasonable expectations for potential development in the market segments of residential, office, retail and hospitality. The development forecasts provide both 1) order of magnitude expectations for the next 5 to 10 years and 2) high/low development projections for the next 5 years.

A variety of sources and assumptions are implicit for each forecast, including the following:

- **Local Market Dynamics**: A variety of sources are utilized to obtain basic local parameters for establishing development forecasts. We looked at local market dynamics including job growth, development activity, demographics, in-migration, disposable income and other factors.

- **Influence of National Trends**: P.U.M.A. brings extensive research and knowledge in global and national trends that are shaping cities. Trends, including demographics and lifestyles, are applied to the local market context to identify opportunities that may be unique to Downtown Colorado Springs.

Our overall summary of "order of magnitude" opportunities by real estate segment is provided in the box to the right. We characterize investment opportunities along a continuum that ranges from limited to moderate to strong.

Detail for each segment, including low/high development expectations for the next five years, is provided in the following pages.

Overall Downtown Colorado Springs Development Opportunities Through 2020

Segment	Opportunity
Office	Moderate
Residential	Moderate to Strong
Retail	Limited
Hospitality	Limited

DOWNTOWN OFFICE FORECAST: MODERATE OPPORTUNITY

To determine a forecast for the downtown office market, we looked at projected job growth, estimated downtown capture rate for regional job growth, average square feet to be occupied per new downtown job and how global trends are impacting the innovation niche.

Overall, our analysis finds the office segment to be a moderate opportunity for new investment over the next five years. Projected absorption, based upon a conservative estimate of downtown's job growth, finds that an amount of space commensurate to 88% to 97% of downtown's existing inventory of vacant office inventory could be occupied within five years. In addition, there are opportunities to accommodate innovation businesses that could spin out of planned accelerators into nontraditional office and light industrial space.

Assumptions & Analysis

Projected Job Growth: Using the average of three respected job growth forecasts, we arrived at a 2.2% annual rate of non-military job growth for the next five years. Our indicators include the following:

- 2.9%: Colorado Department of Labor and Employment[39]
- 1.7%: Summit Economics[40]
- 1.9%: Forbes.com[41]

While the state outlook is more optimistic than the 2.2% job growth rate, we remain tempered in our outlook given Colorado Springs' sluggish response to the economic recovery. In the past five years, annual non-military job growth rates have averaged about 1.0% in the Colorado Springs region.[42]

Downtown Capture Rate: To capture new jobs, we anticipated that Downtown would continue to attract jobs at the same proportion of its existing market share. Within the DDA boundaries, downtown is home to 17,000 of the city's 260,000 jobs, or about 6.5% of the city's job base.[43] We then applied the anticipated growth rate of 2.2% as the expected rate of growth for the 17,000 existing jobs. A strong case of 2.7% and limited scenario of 1.7% growth rates are also provided. Finally, we apply 150 square feet of space per new employee to each case, creating a range of anticipated absorption of 279,000 to 307,000 square feet of office space over the next five years attributed to job growth alone. This would account for absorbing 88% to 97% of the existing 317,000 square feet of vacant office space in downtown Colorado Springs; however, existing space does not exactly match the configurations and/or types of finish that are likely to be demanded by new and growing firms. Additional explanation on nontraditional office formats is provided below.

Existing Jobs	Job Growth Rate	New Jobs 5 Years	Est Absorption
17,000	1.7% (low)	1,861	**279,000 sq.ft.**
17,000	2.2% (expected)	1,954	**293,000 sq.ft.**
17,000	2.7% (high)	2,047	**307,000 sq.ft.**

[39] Wayne Heilman. "New stats point to best job growth in Colorado Springs". http://gazette.com/new-stats-point-to-best-job-growth-in-colorado-springs-in-years/article/1552628
[40] Wayne Heilman. "Colorado Springs economy forecast to grow, but not as robustly as other places". http://gazette.com/colorado-springs-economy-forecast-to-grow-but-not-as-robustly-as-other-places/article/1541314
[41] Colorado Springs, CO "At a Glance". http://www.forbes.com/places/co/colorado-springs/
[42] Bureau of Labor Statistics. http://www.bls.gov/eag/eag.co_coloradosprings_msa.htm
[43] 2014 ESRI data for DDA area via Downtown Partnership

Global Trends Impact – Innovation Niche: An opportunity for downtown will be capturing new entrepreneurial businesses that are looking for nontraditional office formats in urban settings, including light industrial space. Users that Colorado Springs can cultivate for this type of non-traditional office space include incubators, co-working, maker space and other forms of synergistic open floor plan office designs. National trends are placing a premium on communities that can foster entrepreneurship and innovation by creating a supportive culture and flexible nontraditional spaces. The proposed Catalyst Campus and other accelerators are likely to generate spin-off businesses that can occupy such downtown locations that typically reuse, re-purpose and re-energize underutilized buildings, creating new urban vitality.

Given the relatively limited supply of existing light industrial space in downtown Colorado Springs, there may be an opportunity to replicate this product type through new construction of low rise, open floorplate, light industrial concepts.

There is also opportunity to convert space in traditional mid- and high-rise office buildings to these new formats. Converted office spaces, particularly in Class B and C properties, may feature more open floorplates and higher ceilings with exposed building infrastructure. Elements of popular office layouts, including co-working, are increasingly being incorporated into conventional spaces. There is also a trend of larger buildings creating a social gathering place by converting an underutilized space into a lounge-type area that includes wifi, comfortable furniture, coffee and snack vending and areas for group discussion.

DOWNTOWN RESIDENTIAL FORECAST: MODERATE TO STRONG OPPORTUNITY

To determine the growth potential for residential development in downtown Colorado Springs we looked at a variety of traditional and non-traditional measures, including downtown workers, existing residents that may be attracted to a downtown location and growth from in-migration from other cities. We also applied lessons from our global trends analysis that demonstrates a preference for urban living among both Millennial and Boomer segments of the population.

Overall, we find residential to be a moderate to strong investment opportunity driven by demographic and lifestyle trends that are poised to converge in Downtown Colorado Springs over the next five years. Development of approximately 695 to 1,453 units is achievable. Pent-up demand unique to the Downtown Colorado Springs market will contribute to fuel this development segment.

Assumptions & Analysis

Several traditional and nontraditional factors are incorporated into our forecast, including the following:

Factor	Calculation	Anticipated Impact on Demand
Existing Workforce: Increase the percentage of downtown workers that live downtown – currently 4%.[44]	Each additional percent of the downtown workforce equals 170 workers, or 125 households (1.35 persons per downtown household)	Low: 1% = 125 units Expected: 2% = 250 units High: 3% = 375 units
New Workforce: Attract 5% of new workers to live downtown.	New downtown workforce projections range from 1,861 to 2,047 jobs.	Low: 70 units Expected: 72 units High: 75 units
Existing Colorado Springs residents: Existing residents are currently the strongest potential segment for new downtown housing. 30% of city households are one-person households.[45]	Attract from 0.5% to 1.0% of the city's one- person households (about 50,000) to downtown apartments, condos or homes.	Low: 0.5% = 250 units Expected: 0.75% = 375 units High: 1.0% = 500 units
New Colorado Springs residents: Net migration to El Paso County is averaging about 5,000 new residents per year. A recent report found Colorado Springs a Top 10 market for attracting millennials (3.2% annual growth), a segment predisposed to urban living.[46]	Assuming 2,500 new households moving into the region each year (i.e. 12,500 households over five years), attract 2% to 4% over the next five years to live downtown.	Low: 2% = 250 units Expected: 3% = 375 units High: 4% = 500 units
TOTAL ALL FACTORS		**Low: 695 units** **Expected: 1,074 units** **High: 1,453 units**

[44] Inflow/Outflow Job Counts in 2013. http://onthemap.ces.census.gov/
[45] ESRI BAO, Community Profile
[46] Pamela Pant. "10 Surprisingly Hot Markets for Millennials". http://www.trulia.com

The preceding forecast is focused within the Downtown, but similar market dynamics are in play within the nearby neighborhoods and "In Place Market Area". These urban neighborhoods are attractive to the same demographic groups but also provide housing types and amenities that expand the market potential to families.

DOWNTOWN RETAIL FORECAST: LIMITED OPPORTUNITY

To determine the development potential for additional downtown retail, we looked at the disposable income anticipated from new employees and residents within the downtown. In addition, we looked at capturing additional spending from new residents likely to move within the "in place market area" identified within the Market Assessment.

Overall, we find downtown retail opportunities to be limited to a continuation of unique and independent concepts offering a variety of retail and dining options. Projected growth in employment and residents over the next five years will not create the fundamentals or "critical mass" sought by most formula-driven national retail chains and franchises. However, the unique independent strategy builds off of downtown's existing retail strength and differential market advantage. Our projections find that from 50% to 90% of downtown's existing supply of 98,460 square feet of vacant space could be absorbed through disposable income from new growth in downtown employee and resident markets.

Assumptions & Analysis

Factor	Calculation	Anticipated Impact on Demand
New Downtown Employees: Downtown can capture disposable income generated by new downtown employees.	Median per capita income for new employees will be $35,000. Disposable income at 25%, goal to capture 25% of disposable income within downtown retailers. Goal to generate sales of $200 per square foot of retail space, an industry standard for urban retail districts.	Low: 1,861 employees support 20,000 sq.ft. of new retail Expected: 1,954 employees support 21,250 sq.ft. of new retail High: 2,047 employees support 22,500 sq.ft. of new retail
New Downtown Residents: Downtown can capture disposable income generated by new downtown residents.	Median household income from new residents will be $50,000. Disposable income at 25%, goal to capture 33% of disposable income within downtown retailers. Sales of $200 per square foot.	Low: 1,007 households support 21,000 sq.ft. of new retail Expected: 1,540 households support 32,000 sq.ft. of new retail High: 2,075 households support 43,000 sq.ft. of new retail
Growth of In-Place Markets: Downtown can capture disposable income from new residents moving into neighborhoods surrounding the downtown.	Median household incomes of $35,000, disposable income at 25%, goal to capture 25% of disposable income within downtown retail, sales at $200 per square foot.	Low: 1,000 new households support 11,000 sq.ft. of new retail Expected: 1,500 new households support 16,500 sq.ft. of new retail High: 2,000 new households support 22,000 sq.ft. of new retail
TOTAL ALL FACTORS		**Low: 52,000 sq.ft. new retail** **Expected: 70,000 sq.ft. new retail** **High: 87,000 sq.ft. new retail**

DOWNTOWN HOSPITALITY FORECAST: LIMITED OPPORTUNITY

In evaluating development potential for the hospitality segment, we first look at the performance measures for existing hotels in the Colorado Springs market. Overall, Colorado Springs underperforms the remainder of the state in key measures of hotel profitability. Over the past five years, the city's hotel occupancy rate has been comparable to statewide averages (i.e. Colorado Springs averaging 60% to statewide 65%), RevPAR, which measures the revenue per available room has significantly lagged (i.e. Colorado Springs averaging $55 RevPAR versus statewide $80 RevPAR).[47] These measures suggest a local hotel market that is highly seasonal (occupancies peak in the summer, drop by more than half in the winter) catering to a value vacation market.

Downtown hotels are limited to two major properties that cater more to the business and upscale visitor markets; however, performance measures for downtown hotels are proprietary and not available for analysis.

Given the overall nature of the Colorado Springs hotel market (i.e. seasonal occupancies, low RevPAR) we see limited opportunities in this sector for downtown. Prior to the opening of the U.S. Olympic Museum, a small boutique property may be viable. After the opening of the U.S. Olympic Museum and verification of visitation patterns, a more robust outlook may evolve.

[47] Colorado Hotel and Lodging Association. "Rocky Mountain Lodging Report – Colorado Edition", 2010-2015