

# MARKET REPORT

## DOWNTOWN COLORADO SPRINGS Q1 2024

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Sources: Downtown Partnership, CoStar, Placer.ai



### TOURISM & ATTRACTIONS

The Wyndham-flagged **Mining Exchange Hotel** is wrapping up a major \$9 million-plus renovation of the property, including all-new designs and furniture for the guest rooms and hallways, a dramatic renovation of the lobby, and new food and beverage options for guests and Downtown patrons, including **Blk Mgc** (Black Magic), a high-end coffee experience, and **Golden Hour**, a new craft cocktail bar, both located in the newly renovated lobby. Colarelli Construction facilitated the renovation work for the hotel, which was purchased in 2022 by Kemmons Wilson Companies of Memphis, Tenn.

The week of February 12-18 brought the most visitation to Downtown in Q1, with over 321,000 visits. That week included **Valentine's Day**, a popular night for Downtown's restaurants and bars.

When looking at just visitors (excluding residents and

Highest visited week in Q1  
All visitation 2/12/2024:

**321,209**

Visitors only 3/4/2024:

**233,914**

Highest visited day, visitors only  
(3/16/2024 St. Patrick's Day Parade)

**56,832**



Updated guest rooms are just a part of the massive renovation nearing completion at The Mining Exchange Hotel.

employees), the week of March 4-10 brought the most visitation to the district, with just under 234,000 visits. Downtown hosted the **Colorado College Tiger playoffs** during this period, and the **Pikes Peak Center** had robust programming.

Total visits Downtown from residents, employees, and visitors totaled over 3.8 million in Q1 2024. While the total number of visits is down by 1.7% from 2023, it is still up by 15.2% from 2022 and 63.8% in 2021, indicating that we've recovered total visitation to pre-pandemic levels.

Hotel occupancy rate	January	February	March
	47.2%	61.9%	60.8%
YoY	down from 51.7% in Jan. 2023	down from 63.4% in Feb. 2023	up from 59.6% in March 2023



### DEVELOPMENT

Significant sales were very slim in Q1, with the exception of two properties: a small multifamily property at 520 N. Weber St. sold for \$910,000 and a retail/restaurant building at 215-219 E. Platte Ave., home to Boriello Brothers Pizza, sold to Norwood Development for \$800,000.

With so many recent multifamily unit deliveries to market, Downtown vacancy rates have been on a bit of a roller coaster ride, starting from a low of 6.2% in Q2 2022 to a high of 30.4% in Q1 2023. As predicted, demand for Downtown living is strong and accordingly, vacancy rates have fallen to 10.6% as of Q1 2024 after falling for four consecutive quarters.

As supply increases, average effective rents have also stabilized in Downtown, decreasing by a slight \$11 from Q1 2023 to Q1 2024 – down from \$1,915 to \$1,904. Stabilizing rental prices are healthy for this community, which has faced dramatic increases in the cost of housing – both for-sale and for-rent property – since the pandemic.



# Spotlight

Lulu's Downstairs is now Downtown – and upstairs. Renamed as **Lulu's Downtown**, the entertainment venue relocated from Manitou Springs to 32 S. Tejon St., formerly home to Studio 32 Discotheque. Owner **Marc Benning** is well-known in the entertainment and music industry and has extensive experience booking national touring bands and comedy acts.

Benning was quick to step into the space in the new year and renovate the interior, managing to open to the public in a handful of weeks. The space features an **elevated stage above a dance floor area** with tiered seating and standing room options providing all patrons with a view of the stage. Benning's renovations added a distinct **vintage and eclectic flair** to the venue – hints of gilded luxury like antiqued Versace wallpaper and heavy curtains mix with a multifarious art selection and mirrors arranged densely and haphazardly along the walls behind the full-service bar.

Lulu's was supported by a **Retail Incentive Grant** from the Downtown Development Authority, eager to fill a gap in the city center's entertainment scene.



Marc Benning, owner of Lulu's, in the new Downtown space. Photo by Matthew Schniper.

### Total Downtown experience

- 130+ dining, drink & nightlife options
- 70+ shopping options
- 15+ galleries and art centers



## SHOPPING & DINING



Hank's K9 Social Club is a Downtown playdate — or luxury resort — for your furry friends.

### New businesses (Q1)

- **Bar Thirty-Three**, a speakeasy and high-end craft cocktail bar, 18 S. Nevada Ave. #33
- **Auric Gallery**, a merger of the former Kreuser and G44 galleries, 125 E. Boulder St.
- **Boucher Art + Stage**, an art gallery and performance space by Chelsea Boucher, 328 N. Nevada Ave.
- **One Medical**, a national chain for primary care physician services, 321 S Tejon St., #100
- **Hank's K9 Social Club**, a dog day care and overnight boarding facility, 815 S. Sierra Madre St.
- **Lulu's Downtown**, a well-loved live music venue and bar relocated to Downtown from Manitou Springs, 32 S Tejon St.
- **NOVA Nightclub**, a three-level nightclub and bar featuring a large dance floor, DJ sets, and billiards on the top floor, 18 S. Nevada Ave.

Retail vacancy rate	Total square feet	Total available square feet	Average rent (NNN)	Net absorption
5.8%	1,694,286 sq ft	97,599	\$29.50	-33,227 sq ft



## OFFICE

Downtown's office market remains relatively resilient, especially compared with large urban centers nationwide. However, vacancy rates continue to climb as leases come up for renewal. Downtown's total office vacancy rate is 8.3%, up from 7.3% in the final quarter of 2023 and up from 6.0% one year ago. Class A vacancy is 12.9%, up slightly from 11.8% last quarter and up by five percentage points from a year ago. Despite higher vacancy rates, Downtown's office lease rates are up from this time last year for both all-office and Class A spaces, with a larger increase in Class A rents than office overall. That said, lease rates dipped very slightly in Q1 of this year from Q4 of 2023.

**Employee visits Downtown were up 16% in 2023 over 2022, however Q4 of 2023 and Q1 of 2024 showed slight drops in employee visits from the same periods in the previous year.**

Q1 2024	844,606	(down 6.6% YoY)
Q4 2023	818,176	(down 0.6% YoY)
Q3 2023	845,190	(up 13.3% YoY)
Q2 2023	922,653	(up 27.3% YoY)
Q1 2023	904,404	(up 35.3% YoY)
Q1 2022	668,220	

Zooming out for a wider perspective, Colorado Springs saw citywide office vacancy remain flat at 10.7% for Q1 of this year. Downtown Denver's Q1 vacancy climbed to 24.5% for all office products and 25.6% for Class A space.

Office vacancy	Total office inventory	Total office available	Net absorption	Average rent (NNN)
8.3%	5,040,172 sq ft	417,352 sq ft	-46,012 sq ft	\$17.95
Class A vacancy	Total Class A inventory	Total Class A available	Class A average rent (NNN)	
12.9%	1,476,190 sq ft	190,432 sq ft	\$18.93	