

Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate decreased 1.5 percentage points from 4.0% in April 2016 to 2.5% in April 2017. The unemployment rate decreased due to more people finding jobs and is up slightly when compared to Colorado (2.3%) and lower than the US (4.1%). The Colorado Springs statistical area nonfarm job creation was up 1.7% totaling 4,700 jobs over the past year. Office using jobs (information, professional and business services and financial activities) had a decrease of 900 jobs during the past year

Market Overview

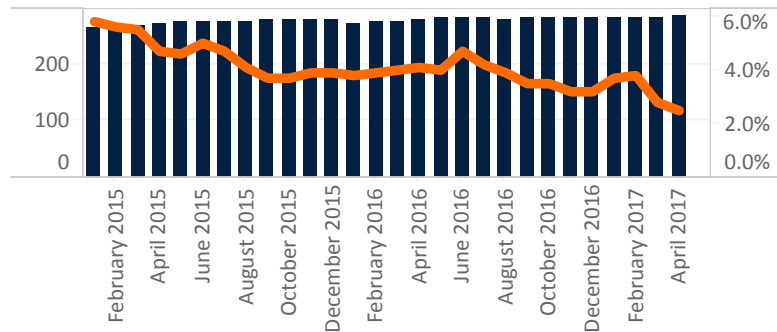
The Colorado Springs office market recorded negative 472,526 square feet (sf) of absorption during 2Q 2017. Absorption was substantially down from the positive 64,269 sf that was recorded during 1Q 2017. The 2Q 2017 total vacancy rate has increased .6 percentage point to 10.7% from the 2Q 2016 rate of 10.1%. Direct vacancy rates have also increased from 10.0% to 10.7% during the same time frame. Weighted average rent growth continued to improve during 2Q 2017 especially in Class A properties in the Northwest market. Weighted average asking rates in all classes increased \$.90 recording \$18.72 per square foot (psf) at the close of 2Q 2017 compared to \$17.82 psf at the close of 2Q 2016.

Market Highlights

Leasing and sales activity were sluggish in all class types throughout the region in 2Q 2017. Verizon vacated 431,550 square feet (sf) at their 737,541 square foot office campus. The largest block of space leased to a single tenant during 2Q 2017 was 8,887 sf, with the majority of leasing activity being in smaller spaces. A majority of activity during 2Q 2017 was health care related businesses, tech firms, Department of Defense contractors and financial lenders. Landlords were not as generous with concessions, especially in the 10,000 sf to 20,000 sf range. Landlords and prospective tenants were splitting the cost of tenant improvements versus the landlord paying for all of the TI costs, as was seen in the past several quarters. Rental rates remain high and are expected to increase due to the state-wide imposition of increased real estate taxes.

Colorado Springs Employment

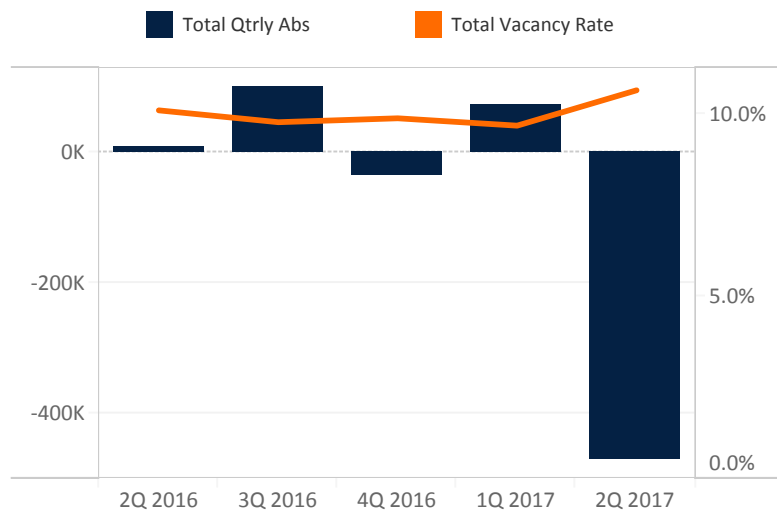
Source: BLS



Market Recap

Inventory (sf)	29,505,317
# of Bldgs	1,055
Qrtly Abs (sf)	-472,526
Total Avail Rate	13.3%
Total Vacancy Rate	10.7%
U/C Inventory (sf)	16,206
Delivered (sf)	0
Weighted Average Asking Rate (FSG)	\$18.72

Absorption and Vacancy Rate



Overview by Class (Total)

Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
A	9,982,677	1,731,893	1,548,244	15.5%	-408,733	-308,895
B	15,305,145	1,706,993	1,300,275	8.5%	-47,739	146,363
C	4,217,495	482,246	299,549	7.1%	-16,054	-17,331
Overall	29,505,317	3,921,132	3,148,068	10.7%	-472,526	-179,863

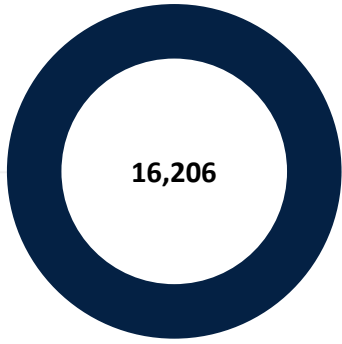
Overview by Market (Total)

Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
CBD	A	1,299,166	166,635	135,092	10.4%	-8,364	-28,359
	B	1,755,826	103,110	84,997	4.8%	-7,898	8,572
	C	583,230	87,764	58,496	10.0%	-4,750	571
	<i>Subtotal</i>	3,638,222	357,509	278,585	7.7%	-21,012	-19,216
Central	A	480,840	90,721	53,466	11.1%	0	-7,919
	B	2,319,991	372,775	245,307	10.6%	-6,596	57,205
	C	642,837	82,135	57,659	9.0%	716	9,414
	<i>Subtotal</i>	3,443,668	545,631	356,432	10.4%	-5,880	58,700
East	A	36,000	0	0	0.0%	0	0
	B	98,854	8,643	8,643	8.7%	-7,113	-7,113
	C	43,263	0	0	0.0%	0	0
	<i>Subtotal</i>	178,117	8,643	8,643	4.9%	-7,113	-7,113
Falcon	C	3,566	0	0	0.0%	0	0
	<i>Subtotal</i>	3,566	0	0	0.0%	0	0
Ftn/ Scrty/ Wdfld	B	123,069	0	10,300	8.4%	0	1,700
	C	18,130	0	10,400	57.4%	0	0
	<i>Subtotal</i>	141,199	0	20,700	14.7%	0	1,700
Grtr Dwtm	A	328,769	28,769	31,902	9.7%	0	8,698
	B	2,202,365	278,329	234,247	10.6%	-1,384	7,252
	C	873,048	63,762	65,060	7.5%	-12,470	-25,377
	<i>Subtotal</i>	3,404,182	370,860	331,209	9.7%	-13,854	-9,427
Northeast	A	3,381,995	348,965	261,824	7.7%	8,202	55,456
	B	2,558,677	230,590	227,499	8.9%	-8,062	15,637
	C	672,994	40,997	11,997	1.8%	-4,328	-5,487
	<i>Subtotal</i>	6,613,666	620,552	501,320	7.6%	-4,188	65,606
Northwest	A	3,192,364	825,117	845,934	26.5%	-408,571	-433,788
	B	3,469,117	347,456	175,046	5.0%	-14,315	34,612
	C	655,599	29,994	38,601	5.9%	-1,355	-4,685
	<i>Subtotal</i>	7,317,080	1,202,567	1,059,581	14.5%	-424,241	-403,861
Southeast	A	1,030,814	246,334	202,389	19.6%	0	64,086
	B	1,282,709	242,015	207,346	16.2%	0	4,824
	C	237,096	132,782	22,077	9.3%	0	1,764
	<i>Subtotal</i>	2,550,619	621,131	431,812	16.9%	0	70,674
Southwest	A	195,224	18,589	16,874	8.6%	0	20,630
	<i>Subtotal</i>	1,351,525	69,594	68,858	5.1%	2,445	31,205
Overall		29,505,317	3,921,132	3,148,068	10.7%	-472,526	-179,863

Overview by Market (Total) Cont'd

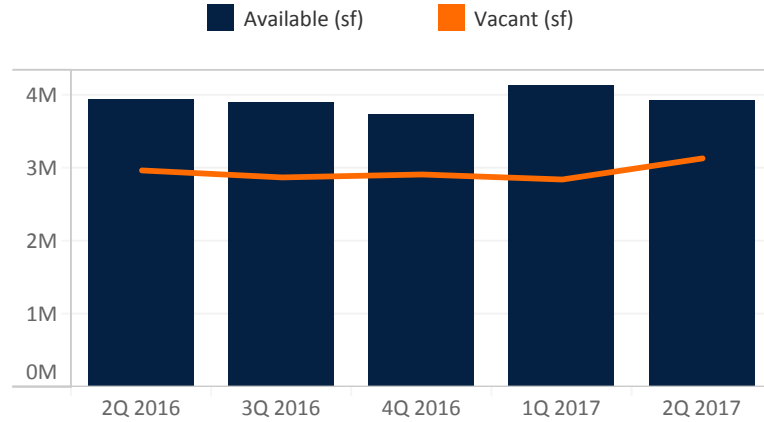
Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Southwest	B	911,508	29,496	35,784	3.9%	-700	5,575
	C	244,793	21,509	16,200	6.6%	3,145	5,000
	<i>Subtotal</i>	1,351,525	69,594	68,858	5.1%	2,445	31,205
Tllr Cty / WdInd Pk	A	37,505	6,763	763	2.0%	0	12,301
	B	66,255	11,102	11,102	16.8%	0	0
	C	17,173	12,777	12,777	74.4%	0	0
	<i>Subtotal</i>	120,933	30,642	24,642	20.4%	0	12,301
Tri-Lakes	B	228,346	22,961	22,961	10.1%	-3,478	3,220
	C	57,636	600	600	1.0%	2,169	1,650
	<i>Subtotal</i>	285,982	23,561	23,561	8.2%	-1,309	4,870
W Side/ Mntu	B	288,428	60,516	37,043	12.8%	1,807	14,879
	C	168,130	9,926	5,682	3.4%	819	-181
	<i>Subtotal</i>	456,558	70,442	42,725	9.4%	2,626	14,698
Overall		29,505,317	3,921,132	3,148,068	10.7%	-472,526	-179,863

Construction by Market

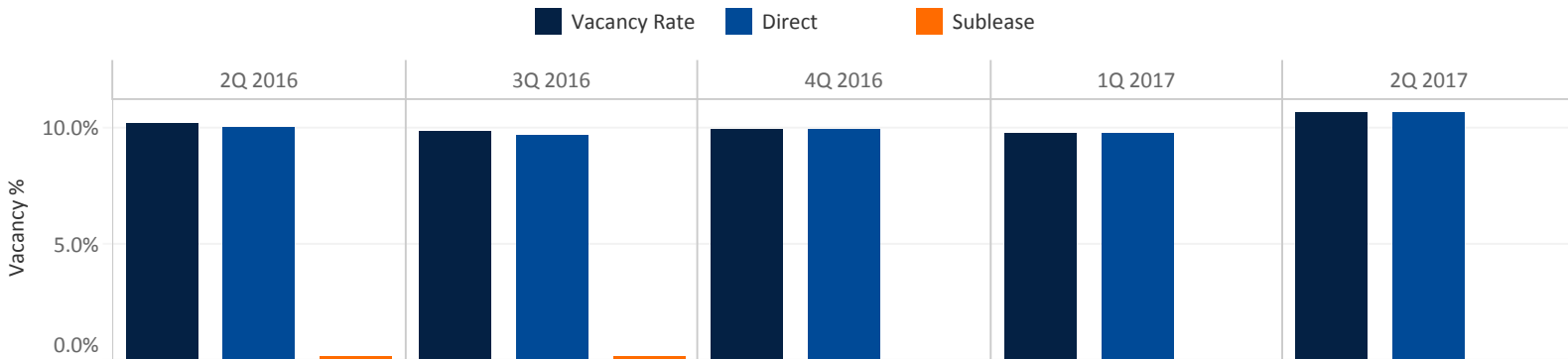


Rank
■ Northeast

Total Available and Vacant



Vacancy Rate



Overview by Class (Direct)

Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	9,982,677	1,631,830	1,545,944	15.5%	-408,733	-287,076
B	15,305,145	1,566,223	1,300,275	8.5%	-47,739	194,168
C	4,217,495	453,246	299,549	7.1%	-16,054	2,718
Overall	29,505,317	3,651,299	3,145,768	10.7%	-472,526	-90,190

Overview by Class (Sublease)

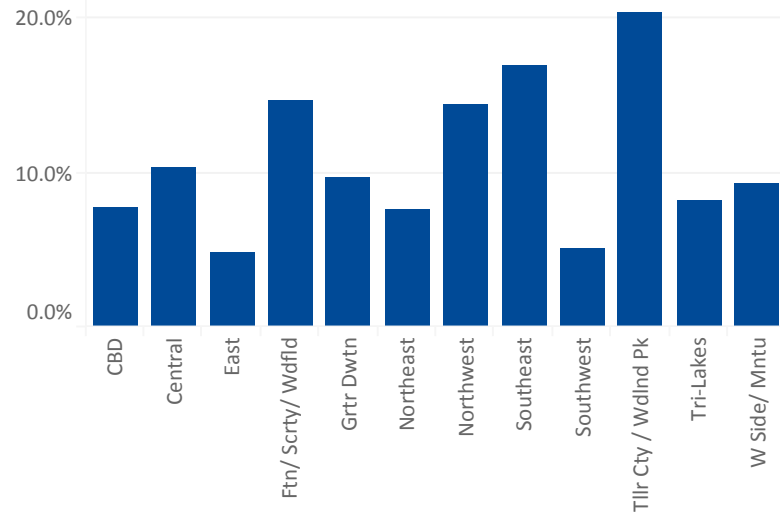
Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	9,982,677	100,063	2,300	0.0%	0	-21,819
B	15,305,145	140,770	0	0.0%	0	-47,805
C	4,217,495	29,000	0	0.0%	0	-20,049
Overall	29,505,317	269,833	2,300	0.0%	0	-89,673

Direct Vacancy Rates

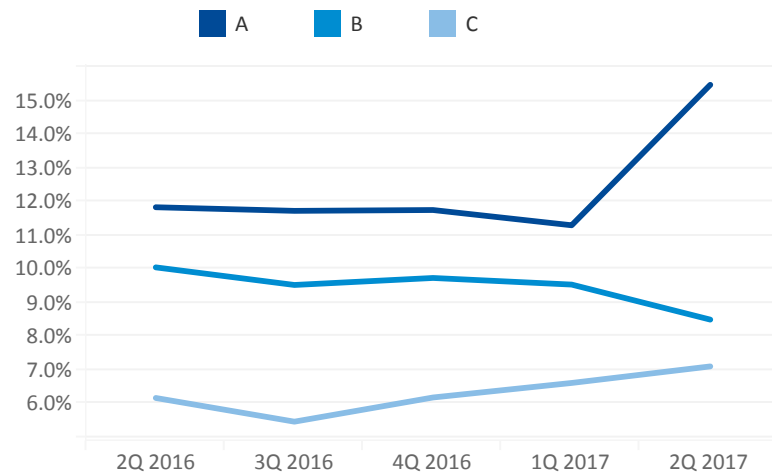
By Market and Class

Market Name	Class	Quarter Year				
		2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
CBD	A	9.9%	9.3%	8.4%	9.4%	10.4%
	B	7.1%	6.7%	5.5%	5.1%	4.8%
	C	6.7%	7.4%	9.1%	9.2%	10.0%
Central	A	8.9%	7.7%	9.2%	10.4%	11.1%
	B	13.1%	13.9%	13.1%	13.2%	10.6%
	C	7.1%	7.1%	7.0%	7.1%	9.0%
East	A	0.0%	0.0%	0.0%	0.0%	0.0%
	B	3.7%	2.0%	1.5%	1.5%	8.7%
	C	0.0%	0.0%	0.0%	0.0%	0.0%
Falcon	C	0.0%	0.0%	0.0%	0.0%	0.0%
Ftn/ Scrty/ Wdfld	B	9.8%	9.8%	9.8%	8.4%	8.4%
	C	57.4%	57.4%	57.4%	57.4%	57.4%
Grtr Dwtm	A	12.7%	12.4%	12.3%	9.7%	9.7%
	B	10.5%	9.9%	10.9%	10.4%	10.6%
	C	5.9%	4.4%	4.5%	6.0%	7.5%
Northeast	A	7.2%	7.7%	7.3%	6.6%	7.7%
	B	11.1%	10.3%	11.2%	10.9%	8.9%
	C	4.2%	1.0%	1.0%	1.1%	1.8%
Northwest	A	13.2%	13.6%	12.5%	13.4%	26.5%
	B	6.3%	5.7%	6.2%	6.3%	5.0%
	C	6.9%	6.0%	6.0%	6.3%	5.9%
Southeast	A	21.7%	20.5%	25.9%	20.7%	19.6%
	B	15.7%	15.5%	16.5%	16.6%	16.2%
	C	9.6%	9.6%	10.1%	9.3%	9.3%
Southwest	A	21.4%	21.4%	21.0%	18.6%	8.6%
	B	5.2%	4.7%	4.5%	4.0%	3.9%
	C	0.5%	0.5%	8.7%	9.9%	6.6%
Tlir Cty / WdInd Pk	A	34.8%	34.8%	34.8%	34.8%	2.0%
	B	16.8%	16.8%	16.8%	16.8%	16.8%
	C	74.4%	74.4%	74.4%	74.4%	74.4%
Tri-Lakes	B	14.6%	11.7%	11.5%	9.1%	10.1%
	C	0.0%	0.4%	3.9%	4.8%	1.0%
W Side/ Mntu	B	22.1%	16.7%	17.4%	17.4%	12.8%
	C	4.5%	4.5%	3.3%	3.3%	3.4%
Overall		10.0%	9.6%	9.9%	9.7%	10.7%

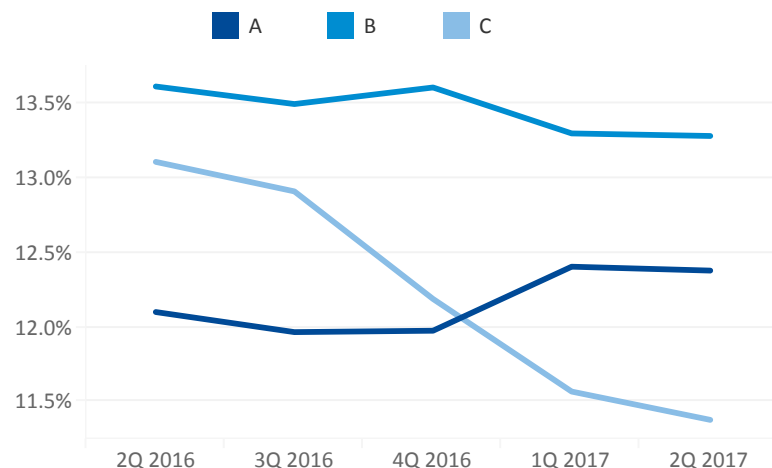
By Market



Colorado Springs by Class



National by Class

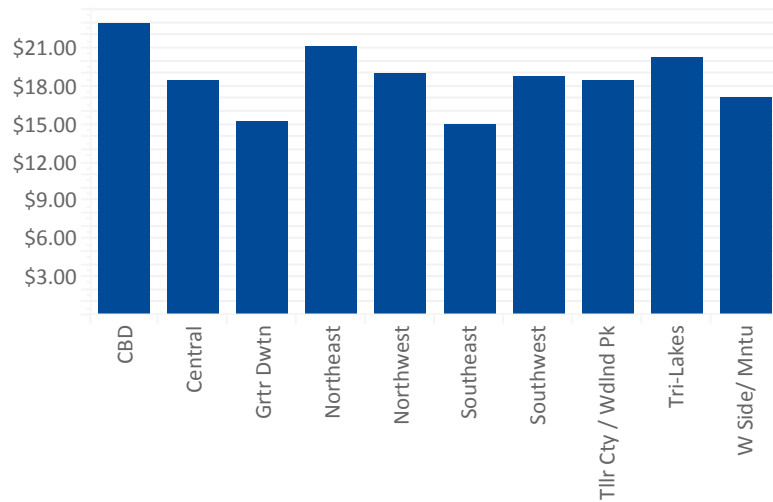


Direct Weighted Average Asking Rates (FSG)

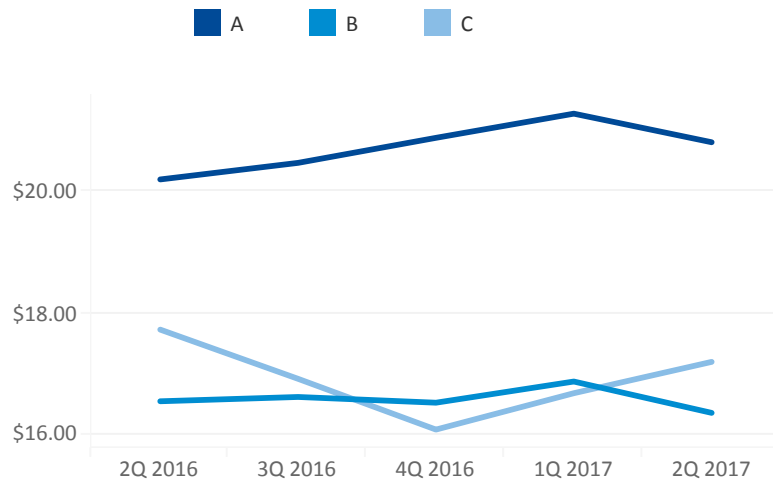
By Market and Class

Market Name	Class	Quarter Year				
		2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
CBD	A	\$26.17	\$25.62	\$25.82	\$26.74	\$26.34
	B	\$22.81	\$23.16	\$23.42	\$23.23	\$21.75
	C	\$17.08	\$16.00	\$16.72	\$17.16	\$17.16
Central	A	\$20.74	\$22.00	\$26.08	\$26.11	\$25.26
	B	\$14.09	\$14.80	\$14.97	\$15.53	\$15.74
	C	\$14.90	\$14.97	\$12.27	\$12.44	\$12.11
East	A	-	-	-	-	-
	B	-	-	-	-	-
	C	-	-	-	-	-
Falcon	C	-	-	-	-	-
Ftn/ Scrty/ Wdflld	B	\$16.96	\$16.96	\$16.96	\$16.25	-
	C	\$15.38	\$15.38	\$15.38	\$15.38	-
Grtr Dwtm	A	\$20.91	\$20.81	\$22.79	\$20.73	\$20.08
	B	\$13.66	\$13.87	\$14.01	\$14.18	\$13.96
Northeast	A	\$21.70	\$22.03	\$22.44	\$23.19	\$22.23
	B	\$19.22	\$19.05	\$18.99	\$19.74	\$20.12
	C	\$20.34	\$17.41	\$16.90	\$14.31	\$15.57
Northwest	A	\$19.28	\$19.30	\$19.33	\$18.90	\$19.45
	B	\$17.36	\$18.57	\$19.02	\$18.85	\$17.58
	C	\$15.57	\$16.27	\$13.69	\$13.62	\$19.60
Southeast	A	\$18.12	\$18.64	\$17.32	\$17.42	\$17.89
	B	\$14.84	\$13.06	\$12.67	\$13.27	\$11.11
	C	\$10.99	\$10.99	\$11.61	\$11.48	\$11.48
Southwest	A	\$15.96	\$16.34	\$15.35	\$18.83	\$18.73
	B	\$17.88	\$17.19	\$17.38	\$16.51	\$16.39
	C	-	\$18.92	\$18.92	\$18.92	\$22.04
Tllr Cty / WdlnD Pk	A	\$30.45	\$30.45	\$30.45	\$30.45	\$30.45
	B	\$17.70	\$17.70	\$17.70	\$17.70	\$17.70
	C	\$18.45	\$18.45	\$18.45	\$18.45	\$18.45
Tri-Lakes	B	\$16.42	\$14.77	\$18.68	\$19.37	\$20.22
	C	-	-	-	-	\$20.00
W Side/ Mntu	B	\$17.50	\$17.36	\$16.81	\$17.11	\$17.11
	C	\$14.02	\$14.02	\$15.03	\$16.67	\$16.81
Overall		\$17.82	\$18.09	\$18.13	\$18.56	\$18.72

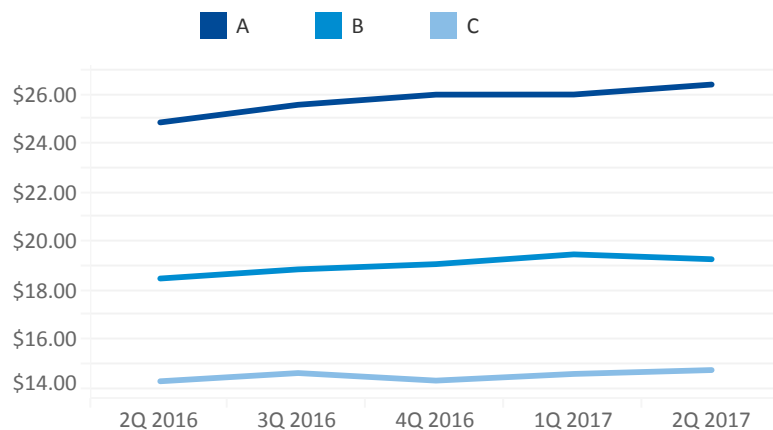
By Market



Colorado Springs by Class

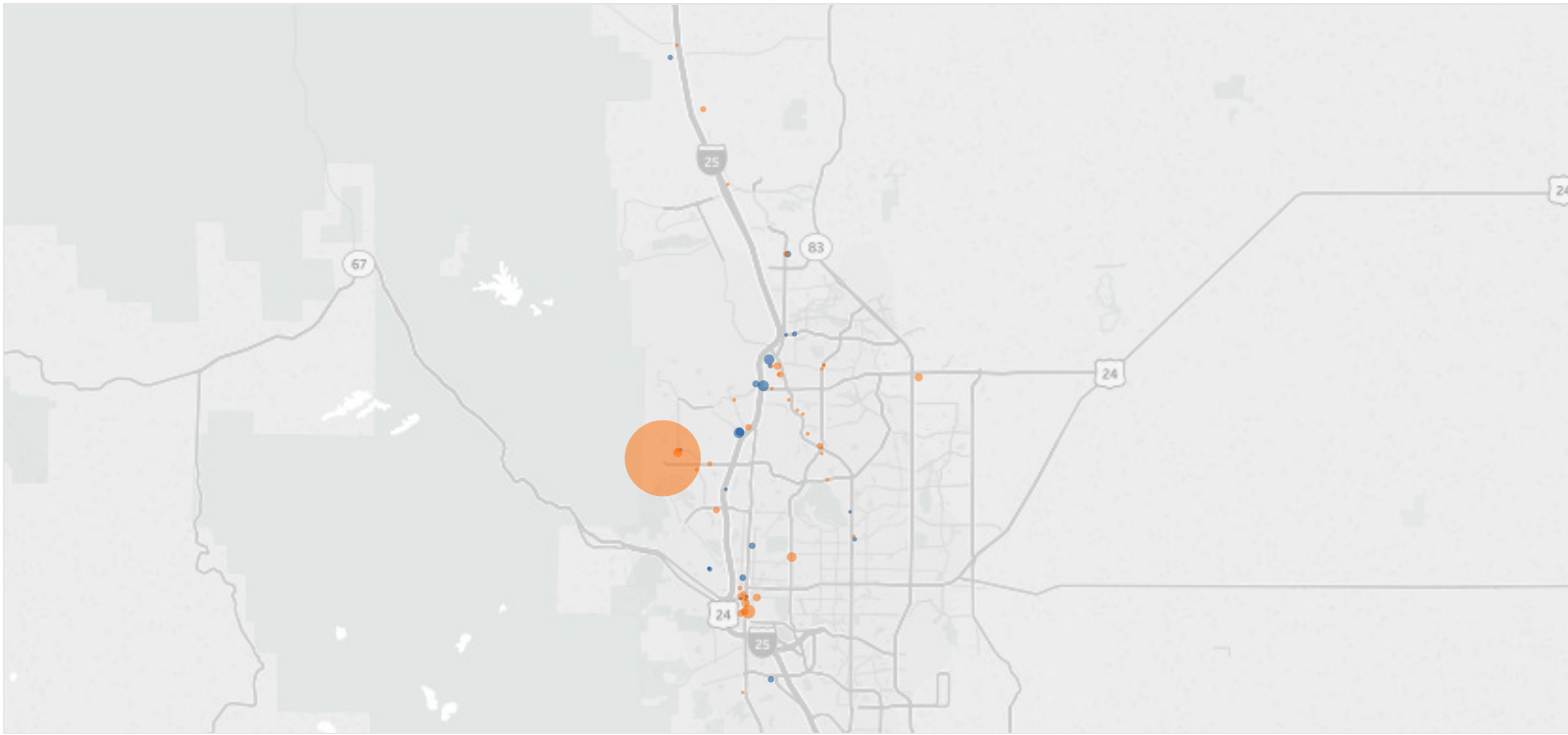


National by Class



Absorption Map

■ Negative
 ■ Positive



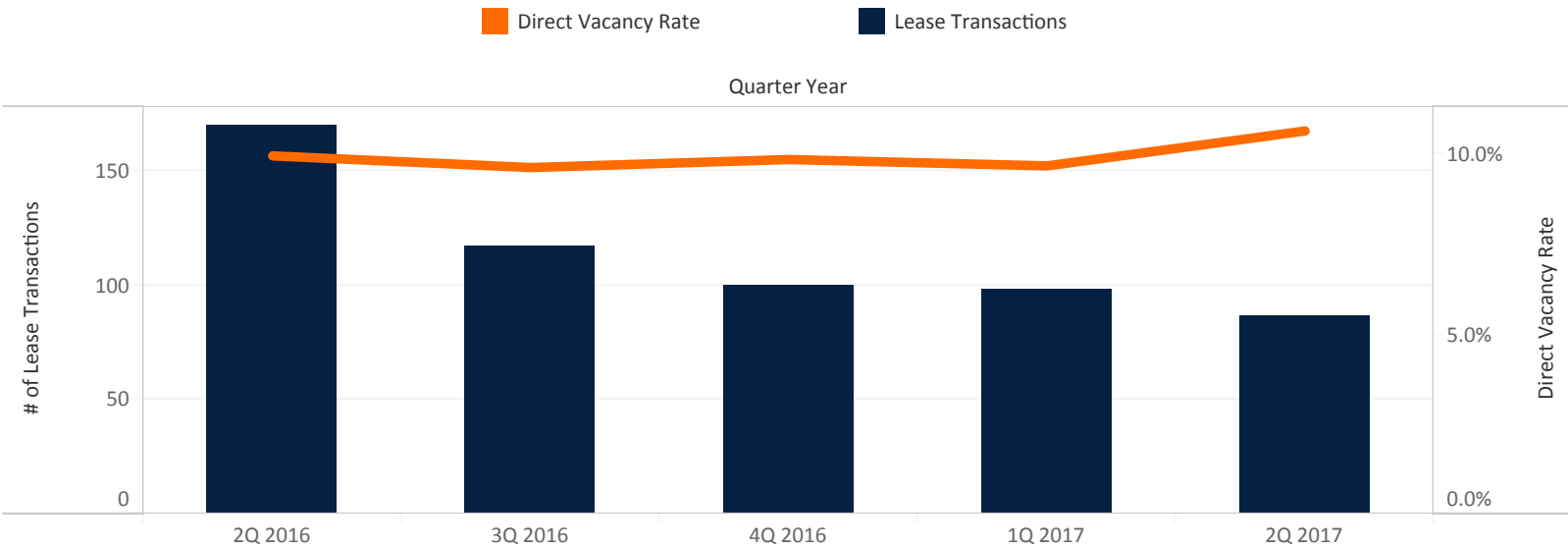
Largest Positives (Direct)

Property Name	Significant Transactions	Market Name	Class	
Woodmen Corporate Center	Undisclosed tenant	Northwest	A	8,887
5555 Tech Center Dr	United States Anti-Doping Agency	Northwest	A	8,424
Chapel Hills Atrium	Sevitech, LLC	Northeast	A	8,301
Tech Center VI	Millennium Engineering and Integration Services	Northwest	A	5,242
One Commerce Center	Altia; Camira	Northwest	A	3,806
625 N Cascade Ave	Heuser & Heuser	Grtr Dwtm	C	3,307
Creekside Office Park	Talk and Play	Northeast	B	3,306
Weber Professional Building	Courtney Crance D.O./Jack Ford M.D; Jeff Blixt D.O.; FASAM	Grtr Dwtm	B	3,270

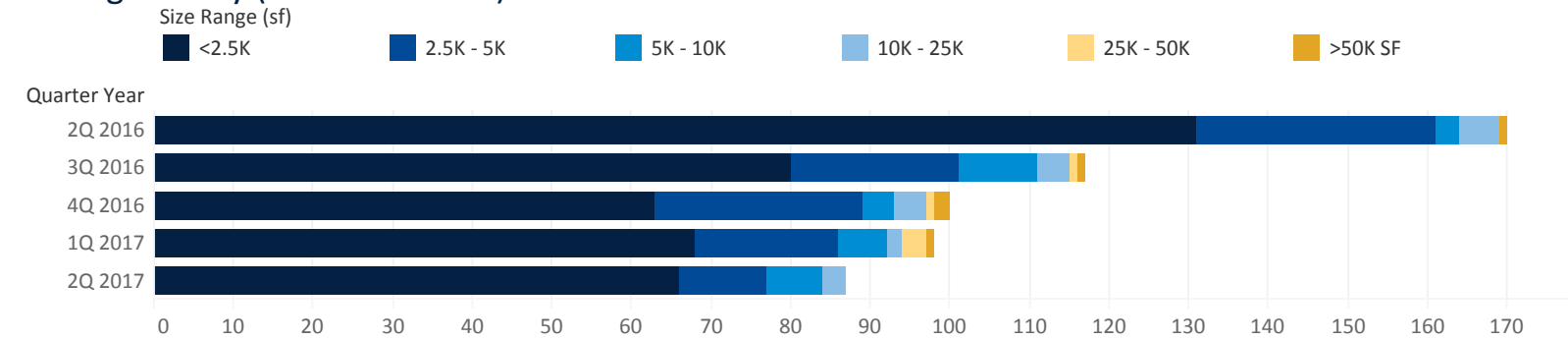
Largest Negatives (Direct)

Property Name	Significant Transactions	Market Name	Class	
2424	Verizon	Northwest	A	-431,550
418 S Weber St	Resource Exchange	Grtr Dwtm	C	-14,119
1425 N Union Blvd	Advanced Psychiatric Health	East	B	-7,113
5025 Boardwalk Dr	Inn-Side Furnishings	Northwest	B	-6,383
Plaza of the Rockies North Tower	American Pacific Mortgage	CBD	A	-5,395
6071 E Woodmen Rd	Catholic Health Initiatives	Northeast	B	-5,034
Four Gateway Plaza	American Family Insurance	Grtr Dwtm	B	-4,654
Regency Executive Center	VIP Mortgage; Rubicon Alliance	Northeast	A	-4,573

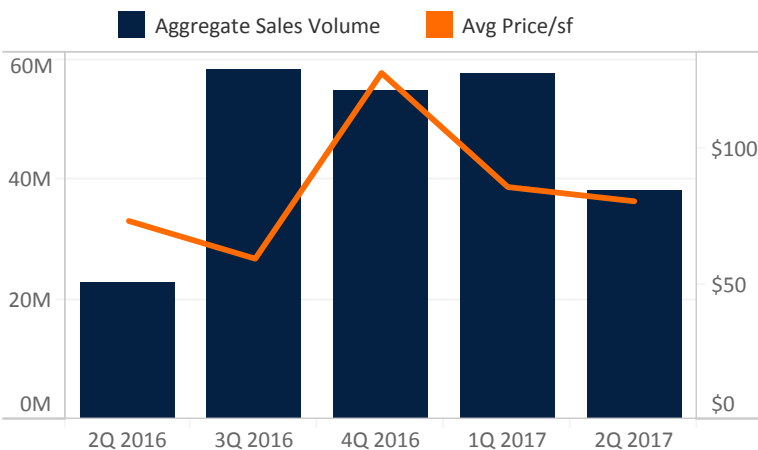
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
12515 Academy Ridge View	05/30/2017	Store Capital	\$11,750,000
1110 Bayfield Dr	04/25/2017	Dynamic Integrated Solutions	\$7,400,000
Colorado Military Academy	04/28/2017	Colorado Military Academy	\$6,900,000
Atrium One at Academy Park	06/12/2017	Horse Creek Farms	\$6,775,200
2210 E La Salle St	04/27/2017	Jeffrey Thomason	\$1,700,000

Terminology

Term	Definition
Class A	Most prestigious buildings competing for premier office users with rents above the market average. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.
Class B	Buildings competing for a wide range of office users with average market rents. Building finishes are fair to good for the area and systems are adequate, but the property does not compete with Class A product.
Class C	Buildings competing for office users requiring functional office space at rates below the market average for the area.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Inventory	The total square feet (sf) of all existing single and multi tenant office buildings greater than 5,000 sf, excluding medical, government and owner occupied buildings
Net Absorption	The net change in occupancy from quarter to quarter, expressed in square feet.
Sublease (sf)	Space that is offered for lease by a current tenant, or his agent, within a property.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move
Total Vacant (sf)	The total of all of the vacant square footage within a building, including both direct and sublease space.
Weighted Average Direct Lease Rent	The weighted average of all direct asking lease rents expressed as a full service/gross rental rate and weighted on total direct available square feet. Non-full service rents (such as NNN) have been grossed up to reflect a full service/gross rate.

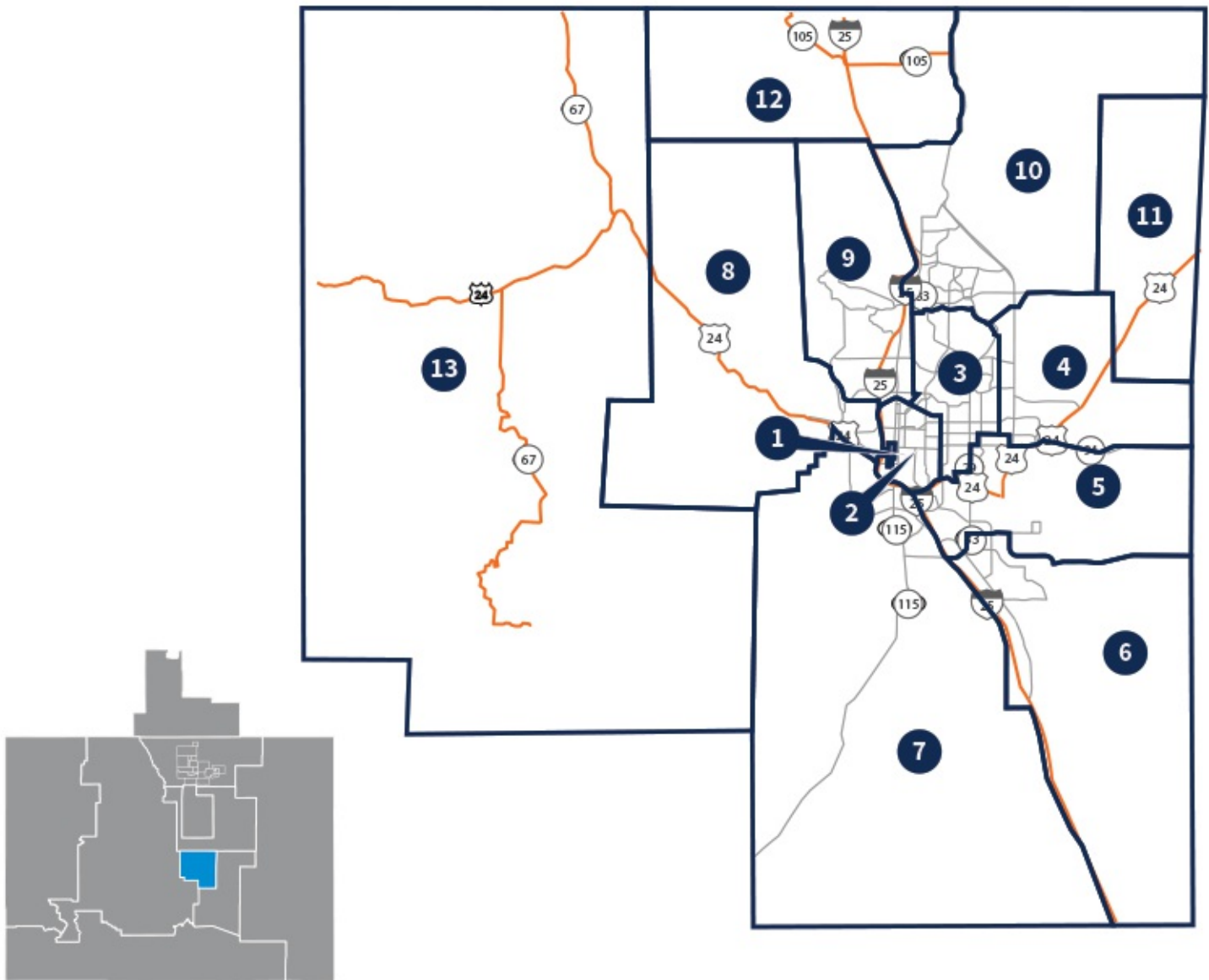
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Advisory Board Members

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	Whitney Johnson	Quantum Commercial	Susan Beitle
Cameron Butcher	Caleb David	Re/Max Commercial	Rob Rolley
		Weichert Commercial	Weldon Shaver

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- 1** CBD
- 2** Greater Downtown
- 3** Central
- 4** East
- 5** Southeast
- 6** Fountain / Security / Widefield
- 7** Southwest
- 8** West Side / Manitou
- 9** Northwest
- 10** Northeast
- 11** Falcon
- 12** Tri Lakes
- 13** Teller County / Woodland Park