



**XCELIGENT™**  
BUILDING DATA. EVERYWHERE.

# OFFICE MARKET REPORT

## Colorado Springs

**2nd Quarter 2016**



Xceligent is a leading provider of verified commercial real estate information which assists real estate professionals, appraisers, owners, investors and developers that make strategic decisions to lease, sell, buy and develop commercial properties.

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**The Colorado Springs tracked set consists of an inventory of buildings considered to be competitive by the brokerage community. All buildings within the competitive tracked set have been reviewed and verified by members of the Advisory Boards for the market area.**

<b>Tracked Inventory (Office)</b>	The total square feet of all existing single and multi tenant office buildings greater than 2,500 SF, excluding medical, government and owner occupied buildings.
<b>Class A</b>	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.
<b>Class B</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.
<b>Class C</b>	Buildings competing for office users requiring functional office space at rents below the market average for the area.
<b>Total Available SF</b>	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.
<b>Total Vacant SF</b>	The total of all of the vacant square footage within a building, including both direct and sublease space.
<b>Direct Vacant SF</b>	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
<b>Sublease SF</b>	Space that is offered for lease by a current tenant, or his agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
<b>Net Absorption</b>	The net change in occupancy from quarter to quarter, expressed in square feet.
<b>Weighted Average Direct Lease Rate</b>	The weighted average of all direct asking lease rates expressed as a full service/gross rental rate and weighted on total direct available square feet. Non-full service rates (such as NNN) have been grossed up to reflect a full service/gross rate.



## Overview

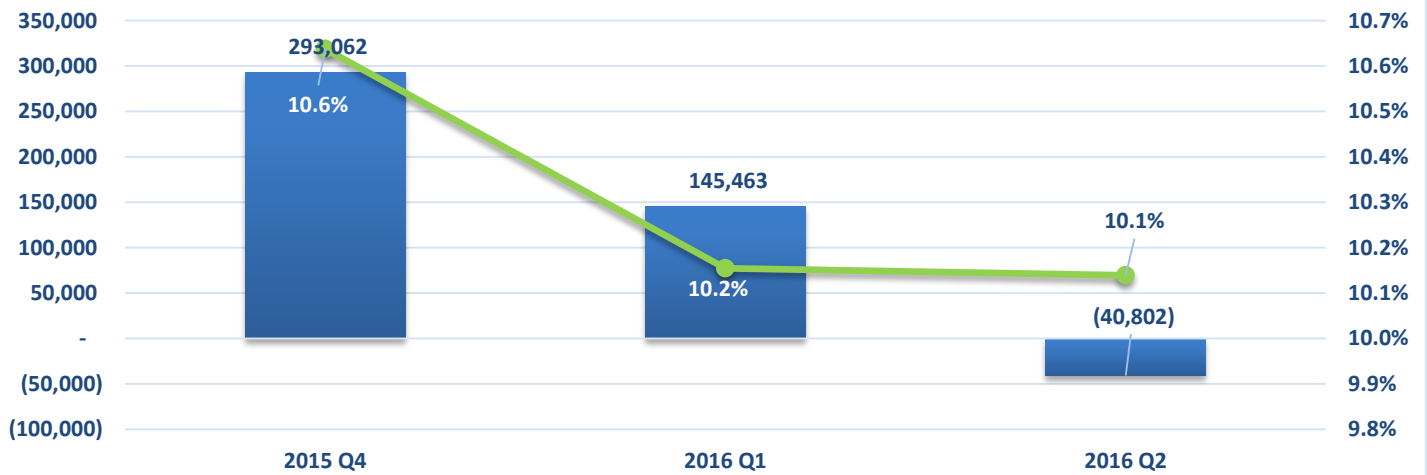
- The Colorado Springs office market closed the second quarter of 2016 with negative 40,802 square feet of absorption. Serco, Inc., vacated 121,888 square feet which was the main contributor for the negative absorption total.
- Despite the negative absorption, leasing and sales activity were strong. There are several active small to mid-sized tenants currently looking in the market.
- Lease rates are still at all time highs, but are stabilizing and in several submarkets throughout the region, rates are beginning to have modest decreases.
- Speculative construction levels are still very low due to the high costs of land, materials and labor. There is currently 90,206 square feet of construction on the Northeast sector and 16,694 square feet of construction in the East sector.
- The Colorado Springs Office market closed the second quarter of 2016 with a 10.1% vacancy rate a decrease from the fourth quarter of 2015 where the vacancy rate was 10.6%.

	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Quarterly Net Absorption (SF)	YTD Net Absorption (SF)
A	114	8,843,915	1,427,027	1,173,771	13.3%	-122,011	-37,942
B	681	16,621,609	2,253,564	1,602,420	9.6%	39,035	87,071
C	269	4,655,128	411,422	277,823	6.0%	42,174	55,532
<b>Grand Total</b>	<b>1,064</b>	<b>30,120,652</b>	<b>4,092,013</b>	<b>3,054,014</b>	<b>10.1%</b>	<b>-40,802</b>	<b>104,661</b>

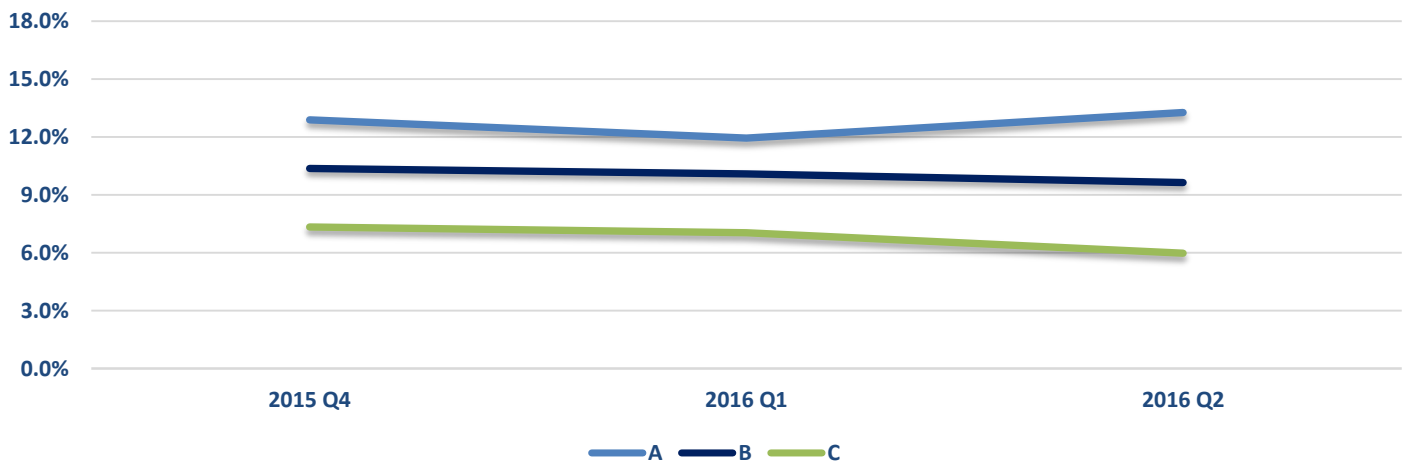
	# of Bldgs	Inventory (SF)	Direct Available (SF)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Direct Quarterly Absorption (SF)	YTD Direct Net Absorption (SF)
A	114	8,843,915	1,216,975	1,129,826	12.8%	-122,011	-30,836
B	681	16,621,609	2,151,157	1,602,420	9.6%	36,421	88,857
C	269	4,655,128	398,132	277,823	6.0%	42,174	55,532
<b>Grand Total</b>	<b>1,064</b>	<b>30,120,652</b>	<b>3,766,264</b>	<b>3,010,069</b>	<b>10.0%</b>	<b>-43,416</b>	<b>113,553</b>

	# of Bldgs	Inventory (SF)	Sublease Available (SF)	Sublease Vacant (SF)	Sublease Vacancy Rate (%)	Sublease Quarterly Absorption (SF)	YTD Sublease Net Absorption (SF)
A	114	8,843,915	210,052	43,945	0.5%	-	-7,106
B	681	16,621,609	102,407	-	0.0%	2,614	-1,786
C	269	4,655,128	13,290	-	0.0%	-	-
<b>Grand Total</b>	<b>1,064</b>	<b>30,120,652</b>	<b>325,749</b>	<b>43,945</b>	<b>0.1%</b>	<b>2,614</b>	<b>-8,892</b>

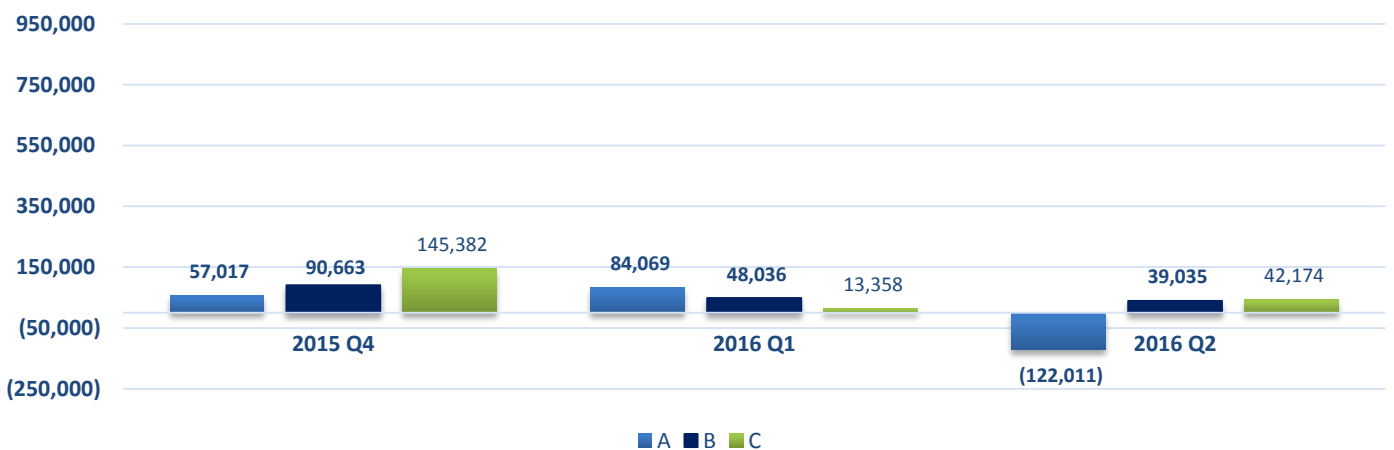
### Historical Vacancy Rate & Net Absorption



### Historical Vacancy Rates by Class

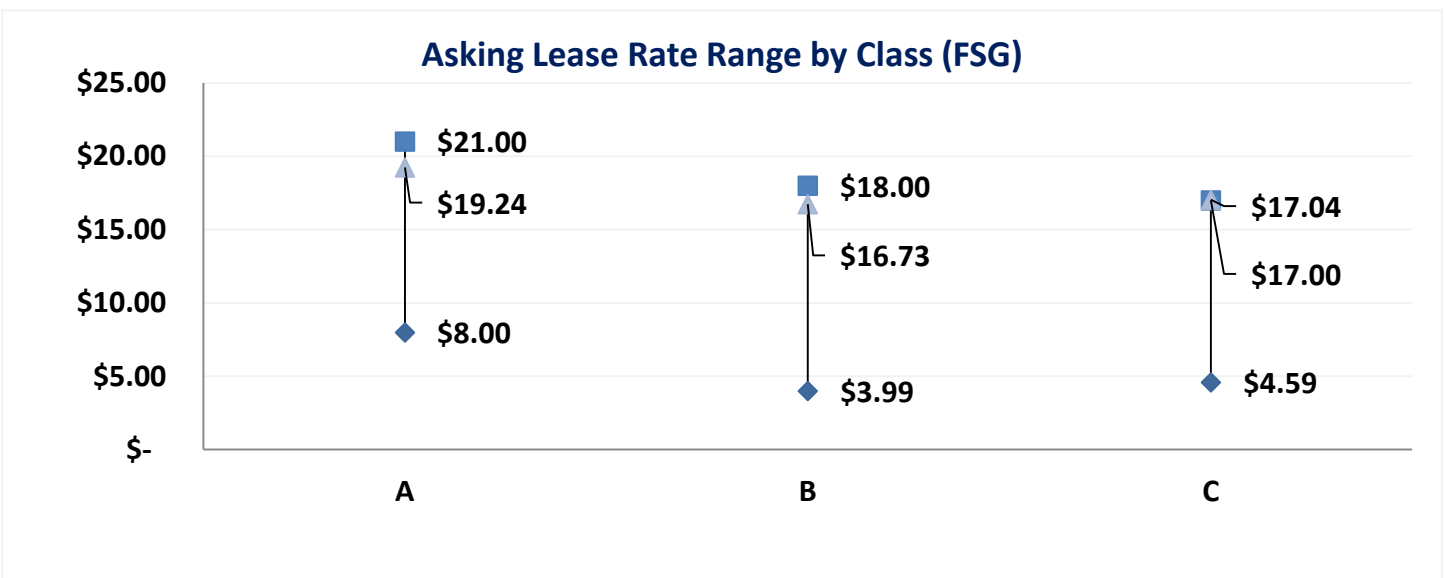
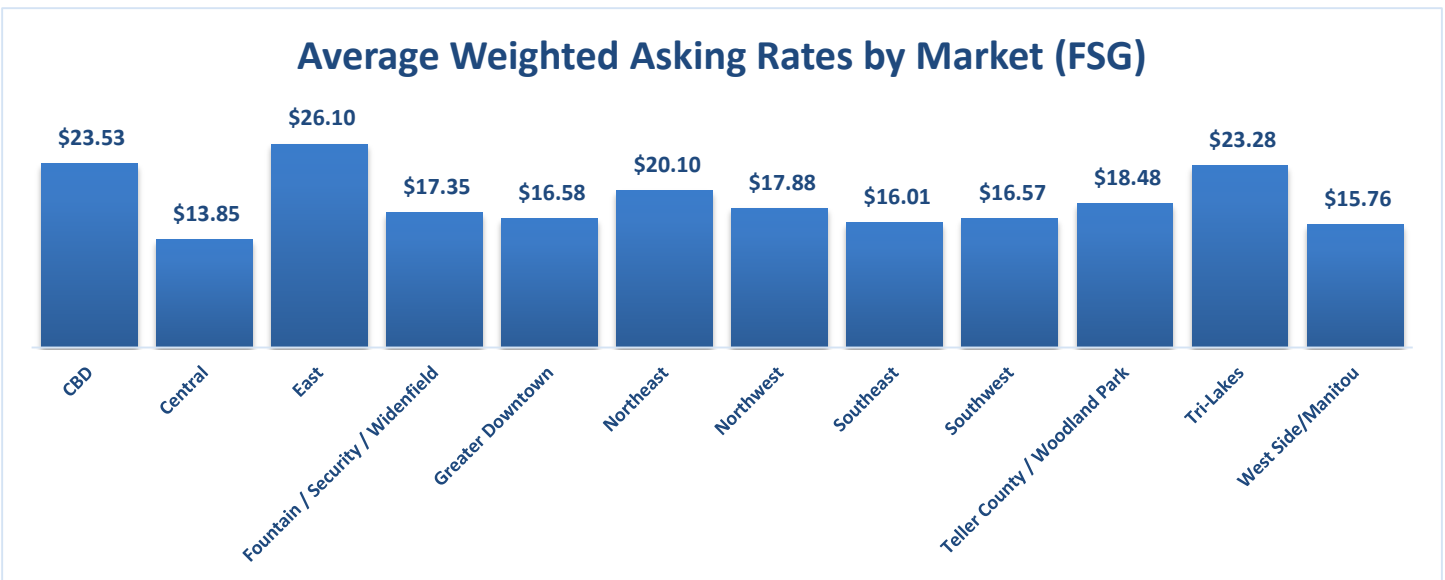
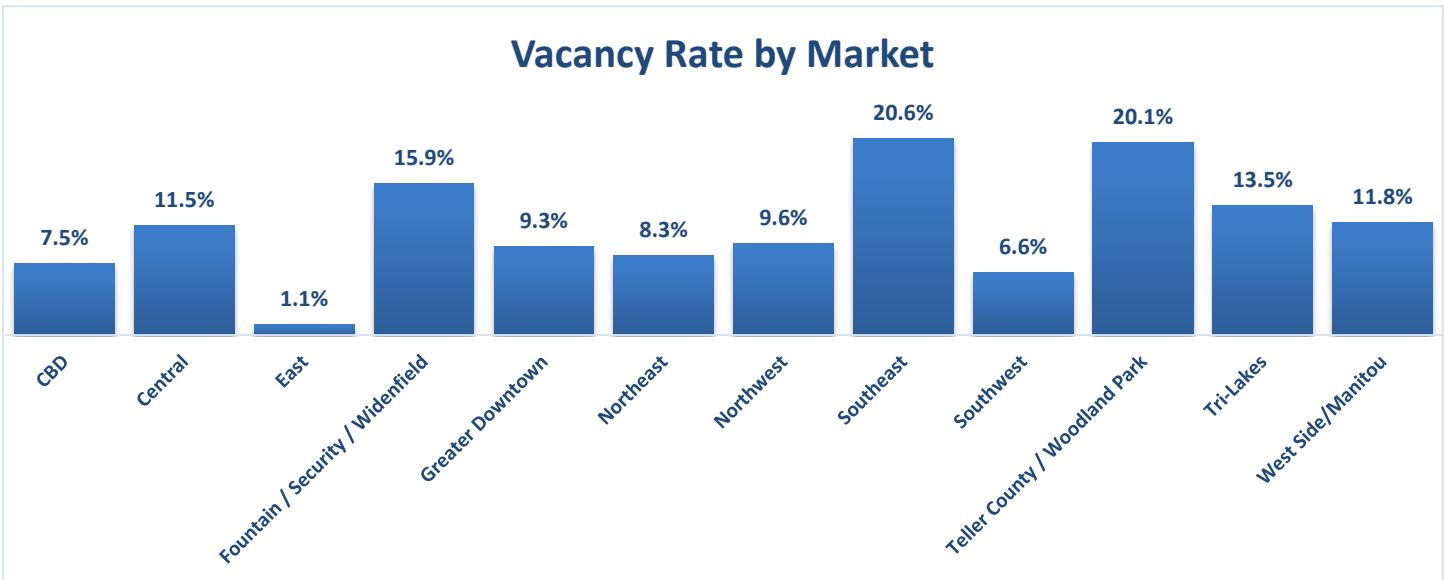


### Historical Net Absorption by Class

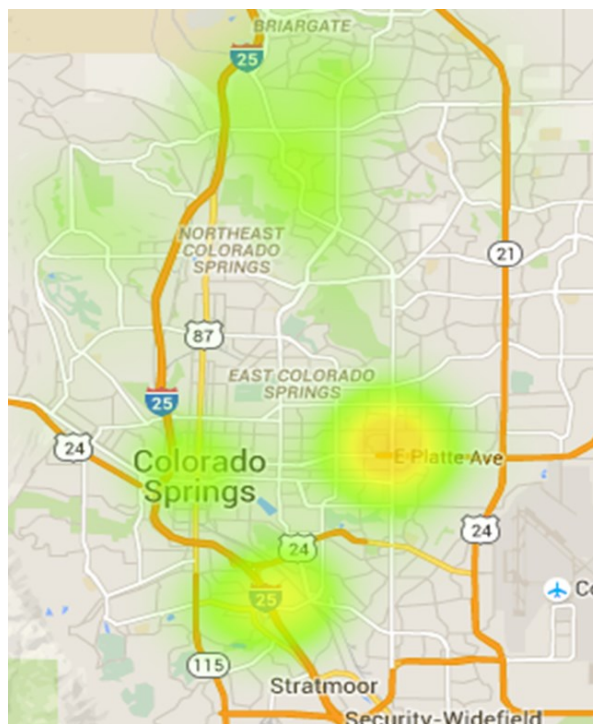


	# of Bldgs	Inventory (SF)	Total Vacant (SF)	Sublease Vacant (SF)	Total Vacancy Rate (%)	Total Qtrly Net Absorption (SF)	YTD Total Net Absorption (SF)
<b>Central</b>	<b>257</b>	<b>3,703,744</b>	<b>424,767</b>	-	<b>11.5%</b>	<b>25,956</b>	<b>35,922</b>
A	5	324,529	28,972	-	8.9%	-	6,896
B	187	2,652,172	352,961	-	13.3%	1,267	2,248
C	65	727,043	42,834	-	5.9%	24,689	26,778
<b>Southwest</b>	<b>90</b>	<b>1,375,006</b>	<b>90,093</b>	-	<b>6.6%</b>	<b>29,353</b>	<b>29,582</b>
A	10	199,160	38,332	-	19.2%	127	1,138
B	58	927,487	50,561	-	5.5%	3,956	2,570
C	22	248,359	1,200	-	0.5%	25,524	25,874
<b>Northeast</b>	<b>140</b>	<b>6,718,791</b>	<b>559,178</b>	-	<b>8.3%</b>	<b>28,604</b>	<b>63,100</b>
A	38	2,839,576	197,011	-	6.9%	23,089	57,209
B	81	2,952,281	323,417	-	11.0%	3,559	4,332
C	21	926,934	38,750	-	4.2%	1,956	1,559
<b>West Side/Manitou</b>	<b>41</b>	<b>460,425</b>	<b>54,173</b>	-	<b>11.8%</b>	<b>919</b>	<b>12,306</b>
B	23	286,176	46,542	-	16.3%	400	4,125
C	18	174,249	7,631	-	4.4%	1,319	8,181
<b>Southeast</b>	<b>54</b>	<b>2,587,955</b>	<b>532,645</b>	<b>43,945</b>	<b>20.6%</b>	<b>106,566</b>	<b>98,449</b>
A	13	1,002,492	365,225	43,945	36.4%	124,323	119,269
B	30	1,336,263	154,573	-	11.6%	20,382	22,904
C	11	249,200	12,847	-	5.2%	2,625	2,084
<b>Greater Downtown</b>	<b>177</b>	<b>3,460,784</b>	<b>322,251</b>	-	<b>9.3%</b>	<b>1,553</b>	<b>6,507</b>
A	10	328,769	39,416	-	12.0%	-	2,200
B	108	2,213,425	228,223	-	10.3%	10,172	22,917
C	59	918,590	54,612	-	5.9%	8,619	14,210
<b>CBD</b>	<b>73</b>	<b>3,705,085</b>	<b>277,482</b>	-	<b>7.5%</b>	<b>4,882</b>	<b>9,399</b>
A	7	948,344	93,673	-	9.9%	4,651	2,225
B	40	2,177,459	145,192	-	6.7%	2,380	5,433
C	26	579,282	38,617	-	6.7%	2,611	1,741
<b>Northwest</b>	<b>162</b>	<b>7,352,545</b>	<b>705,280</b>	-	<b>9.6%</b>	<b>29,075</b>	<b>31,575</b>
A	26	3,090,341	408,019	-	13.2%	28,322	11,838
B	106	3,566,935	239,106	-	6.7%	576	12,044
C	30	695,269	58,155	-	8.4%	177	7,693
<b>East</b>	<b>19</b>	<b>206,504</b>	<b>2,360</b>	-	<b>1.1%</b>	<b>3,784</b>	<b>4,984</b>
A	2	71,500	2,360	-	3.3%	3,784	4,984
B	10	91,741	-	-	0.0%	-	-
C	7	43,263	-	-	0.0%	-	-
<b>Tri-Lakes</b>	<b>26</b>	<b>285,982</b>	<b>38,743</b>	-	<b>13.5%</b>	<b>2,189</b>	<b>3,742</b>
B	21	228,346	38,743	-	17.0%	2,055	3,742
C	5	57,636	-	-	0.0%	134	-
<b>Teller County / Woodland Park</b>	<b>13</b>	<b>122,632</b>	<b>24,642</b>	-	<b>20.1%</b>	<b>563</b>	<b>5,993</b>
A	3	39,204	763	-	1.9%	763	763
B	7	66,255	11,102	-	16.8%	200	6,756
C	3	17,173	12,777	-	74.4%	-	-
<b>Fountain / Security / Widenfield</b>	<b>12</b>	<b>141,199</b>	<b>22,400</b>	-	<b>15.9%</b>	<b>-</b>	<b>-</b>
B	10	123,069	12,000	-	9.8%	-	-
C	2	18,130	10,400	-	57.4%	-	-
<b>Grand Total</b>	<b>1,064</b>	<b>30,120,652</b>	<b>3,054,014</b>	<b>43,945</b>	<b>10.1%</b>	<b>40,802</b>	<b>104,661</b>

	Vacancy Rate %			Weighted Asking Rate (FSG)		
	2015 Q4	2016 Q1	2016 Q2	2015 Q4	2016 Q1	2016 Q2
<b>Central</b>	<b>12.8%</b>	<b>12.5%</b>	<b>11.5%</b>	<b>\$14.17</b>	<b>\$14.36</b>	<b>\$13.85</b>
A	11.1%	8.9%	8.9%	\$19.72	\$19.72	\$19.82
B	13.5%	13.5%	13.3%	\$13.99	\$14.29	\$13.75
C	10.7%	10.4%	5.9%	\$14.01	\$13.36	\$13.02
<b>Southwest</b>	<b>8.7%</b>	<b>8.7%</b>	<b>6.6%</b>	<b>\$15.34</b>	<b>\$16.01</b>	<b>\$16.57</b>
A	19.8%	19.2%	19.2%	\$14.36	\$15.91	\$16.01
B	5.7%	5.9%	5.5%	\$16.43	\$16.23	\$17.55
C	10.9%	10.8%	0.5%	\$10.94	\$12.00	\$12.00
<b>Northeast</b>	<b>9.4%</b>	<b>8.8%</b>	<b>8.3%</b>	<b>\$20.21</b>	<b>\$20.03</b>	<b>\$20.10</b>
A	9.1%	7.9%	6.9%	\$20.12	\$20.64	\$21.07
B	11.2%	11.1%	11.0%	\$20.11	\$19.48	\$19.45
C	4.3%	4.4%	4.2%	\$20.84	\$20.87	\$20.42
<b>West Side/Manitou</b>	<b>19.4%</b>	<b>16.6%</b>	<b>11.8%</b>	<b>\$13.45</b>	<b>\$15.68</b>	<b>\$15.76</b>
A	-	-	-	-	-	-
B	25.7%	24.4%	16.3%	\$15.18	\$16.06	\$16.10
C	9.1%	3.6%	4.4%	\$8.72	\$13.30	\$14.02
<b>Southeast</b>	<b>16.1%</b>	<b>16.1%</b>	<b>20.6%</b>	<b>\$16.45</b>	<b>\$16.13</b>	<b>\$16.01</b>
A	24.5%	24.0%	36.4%	\$17.12	\$17.64	\$17.71
B	12.0%	12.5%	11.6%	\$16.10	\$14.55	\$14.23
C	4.3%	4.1%	5.2%	\$9.66	\$12.45	\$12.15
<b>Greater Downtown</b>	<b>9.8%</b>	<b>9.7%</b>	<b>9.3%</b>	<b>\$16.19</b>	<b>\$16.33</b>	<b>\$16.58</b>
A	11.3%	12.0%	12.0%	\$19.79	\$19.61	\$20.14
B	11.8%	11.3%	10.3%	\$15.26	\$15.66	\$15.71
C	4.4%	5.0%	5.9%	\$19.28	\$17.85	\$18.83
<b>CBD</b>	<b>7.9%</b>	<b>7.6%</b>	<b>7.5%</b>	<b>\$23.71</b>	<b>\$23.93</b>	<b>\$23.53</b>
A	10.1%	10.4%	9.9%	\$25.09	\$25.09	\$24.79
B	7.2%	6.6%	6.7%	\$23.31	\$23.68	\$22.96
C	7.0%	7.1%	6.7%	\$19.21	\$19.42	\$20.40
<b>Northwest</b>	<b>10.1%</b>	<b>9.2%</b>	<b>9.6%</b>	<b>\$17.89</b>	<b>\$17.98</b>	<b>\$17.88</b>
A	13.6%	12.3%	13.2%	\$18.36	\$18.34	\$18.31
B	7.1%	6.8%	6.7%	\$17.86	\$17.84	\$17.89
C	9.5%	8.3%	8.4%	\$14.83	\$15.41	\$14.44
<b>East</b>	<b>3.6%</b>	<b>3.0%</b>	<b>1.1%</b>	<b>\$22.76</b>	<b>\$23.10</b>	<b>\$26.10</b>
A	10.3%	8.6%	3.3%	\$22.76	\$23.10	\$26.10
B	-	-	-	-	-	-
C	-	-	-	-	-	-
<b>Tri-Lakes</b>	<b>14.8%</b>	<b>14.3%</b>	<b>13.5%</b>	<b>\$15.80</b>	<b>\$15.48</b>	<b>\$23.28</b>
A	-	-	-	-	-	-
B	18.6%	17.9%	17.0%	\$15.80	\$15.48	\$23.28
C	-	0.2%	-	-	-	-
<b>Teller County / Woodland Park</b>	<b>25.0%</b>	<b>19.6%</b>	<b>20.1%</b>	<b>\$18.68</b>	<b>\$18.68</b>	<b>\$18.48</b>
A	-	-	1.9%	-	-	\$30.45
B	27.0%	17.1%	16.8%	\$18.95	\$18.95	\$17.70
C	74.4%	74.4%	74.4%	\$18.45	\$18.45	\$18.45
<b>Fountain / Security / Widenfield</b>	<b>15.9%</b>	<b>15.9%</b>	<b>15.9%</b>	<b>\$17.35</b>	<b>\$17.35</b>	<b>\$17.35</b>
A	-	-	-	-	-	-
B	9.8%	9.8%	9.8%	\$18.84	\$18.84	\$18.84
C	57.4%	57.4%	57.4%	\$15.63	\$15.63	\$15.63
<b>Grand Total</b>	<b>10.6%</b>	<b>10.2%</b>	<b>10.1%</b>	<b>\$17.82</b>	<b>\$17.73</b>	<b>\$17.62</b>





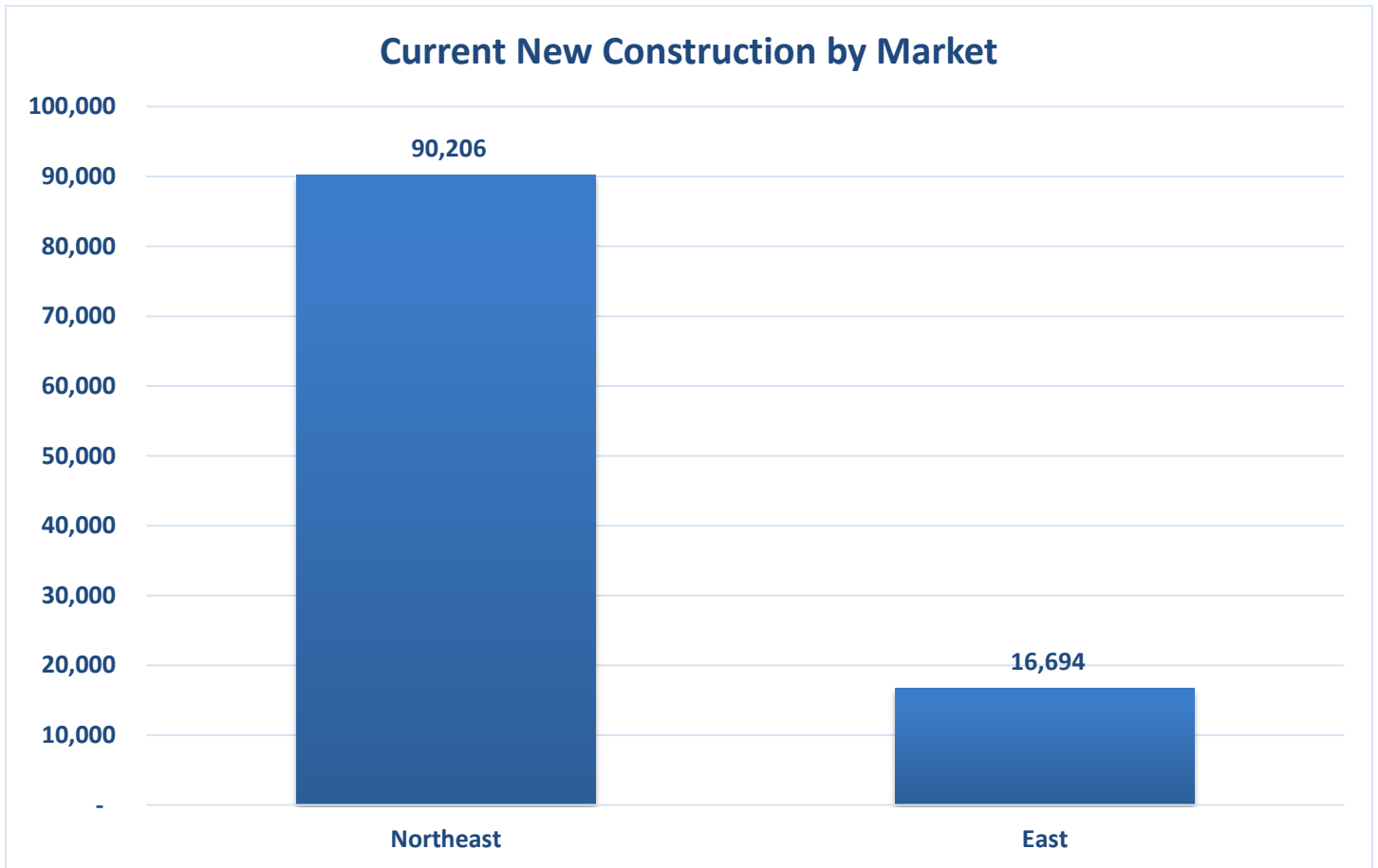


## Largest Absorption Changes

Property Name	SF Occupied or Vacated	Tenant Name	Submarket	Building Class
The Palmer Center	8,826	Black & Graham, PC	CBD	B
5360 N Acedemy Blvd	6,668	Family Resource Network	Central	B
Aspen Building	5,831	Valdez Corporation	Northwest	A
Mountain Shadows Professional Ctr	5,395	State Farm and Rocky Mountain Mens Clinic	Northwest	B
90 S Cascade Ave	4,651	Boecore, Inc	CBD	A
Pinon Valley Ranch Office Campus	3,761	IT Company	Northwest	B
One Commerce Center	(2,746)	Waterhole Justice and McDade - Woodcock, Inc.	Northwest	A
Alamo Corporate Center	(4,921)	Welkin Science	CBD	B
4360 Montebello Dr	(8,555)	Multiple tenants	Central	B
1050-1090 N Newport Rd	(121,888)	Serco, Inc.	Southeast	A

**Top Transactions**

Property Name	Sale Price	SF Sold	Buyer	Seller	Market	Building Class
One Gateway Plaza	\$7,785,600	113,203	G2H LLC	1330 Inverness Drive Holdings LLC	Southeast	A
Dublin Health Center	\$1,893,000	11,876	Snowmass Investment LLC	Hawthorn Properties LLC et al	Central	B
Monterey Office Park	\$1,250,000	19,792	Circle K Stores Inc	Moon Fountain Mesa LLC	Southeast	C
6 Elm Ave	\$850,000	3,396	The Oasis at 6 Elm LLC	123 Cascade Associates LLC	Southwest	C



Colorado Springs	
Bearing Commercial Appraisal	Greg Baker
Cameron Butcher	Caleb David
CBRE	Brad Bird Nicola Myers - Murty
Cushman & Wakefield	Aaron Horn
NAI Highland	Bob Garner
Newmark Grubb Knight Frank	Simon Penner
Land Title Guarantee	Ben Lowe
Quantum Commercial	Susan Beitle
Re/Max	Rob Rolley
Weichert Commercial	Chuck Armstrong Weldon Shaver

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