



OFFICE MARKET REPORT

Colorado Springs

3rd Quarter 2016

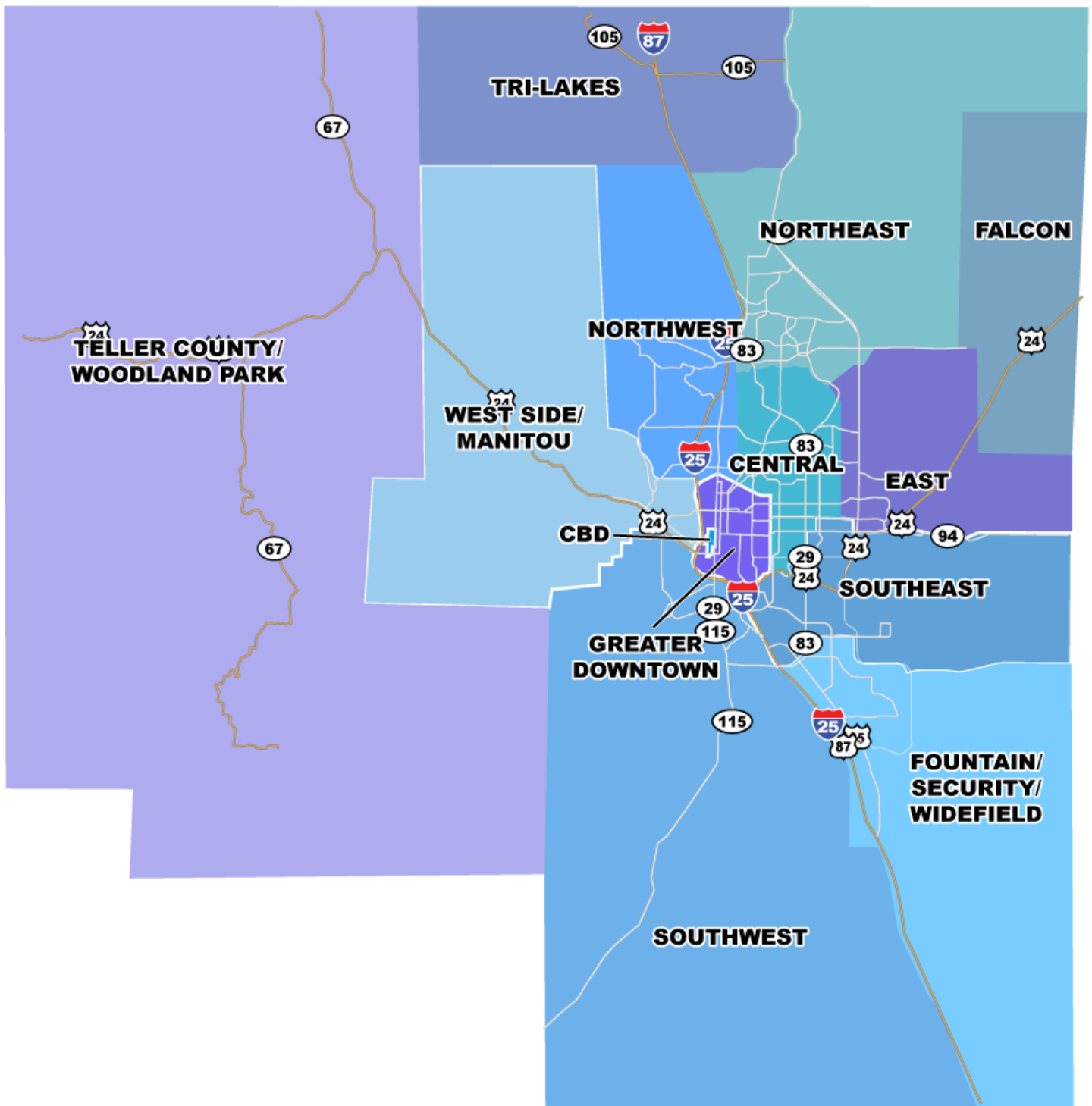


Xceligent is a leading provider of verified commercial real estate information which assists real estate professionals, appraisers, owners, investors and developers that make strategic decisions to lease, sell, buy and develop commercial properties.

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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.

Inventory	The total square feet (sf) of all existing single and multi tenant office buildings greater than 20,000 sf, excluding government and owner occupied buildings.
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.
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.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Sublease (sf)	Space that is offered for lease by a current tenant, or his agent, within a property.
Net Absorption	The net change in occupancy from quarter to quarter, expressed in square feet.
Weighted Average Direct Lease Rate	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

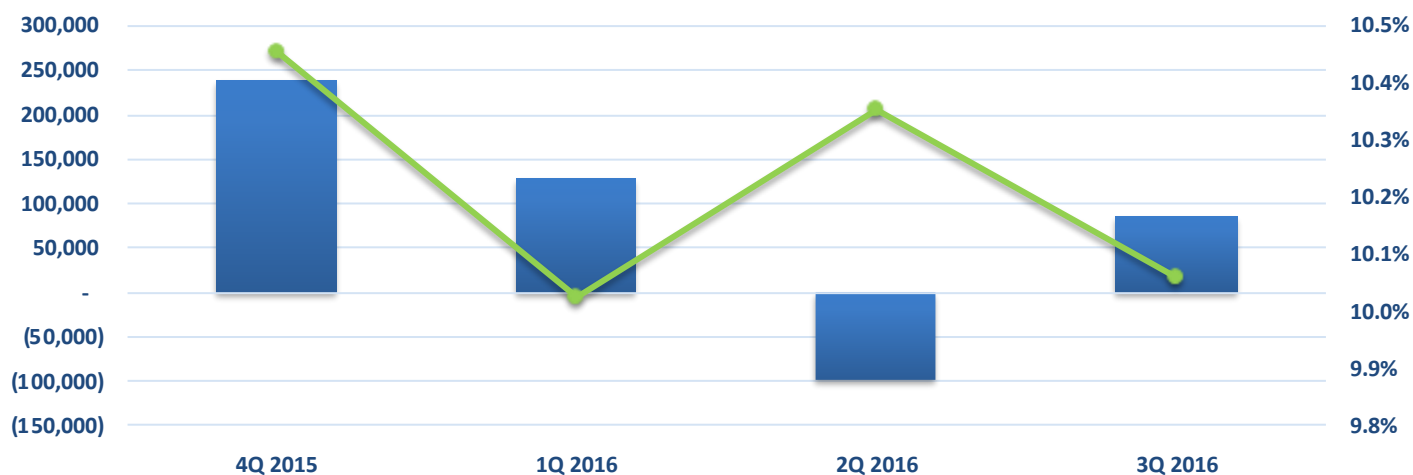
- The Colorado Springs office market ended 3Q 2016 with positive 85,908 square feet (sf) of absorption. Directstream leased 23,528 sf of space which was a major contributor.
- 3Q 2016 leasing and sales activity were strong especially in Class A and Class C type buildings. Activity within Class B buildings was stagnant in most areas throughout the region.
- Lease rates are still at all time highs but are stabilizing. Several submarkets throughout the region have rates that are beginning to have modest decreases. Landlords are beginning to offer tenant concessions to prospective tenants in either free rent and/or higher Tenant Improvement allowances.
- Speculative construction levels are still very low due to the high costs of land, materials and labor. There is currently 90,206 sf of construction in the Northeast sector of the region.

	# of Bldgs	Inventory (sf)	Total Available (sf)	Total Vacant (sf)	Total Vacancy Rate (%)	Quarterly Net Absorption (sf)	YTD Net Absorption (sf)
A	125	9,776,520	1,717,030	1,299,278	13.3%	42,138	-590
B	674	15,982,325	2,130,157	1,506,551	9.4%	19,810	47,199
C	267	4,346,811	325,074	222,773	5.1%	23,960	86,370
Overall	1,066	30,105,656	4,172,261	3,028,602	10.1%	85,908	132,979

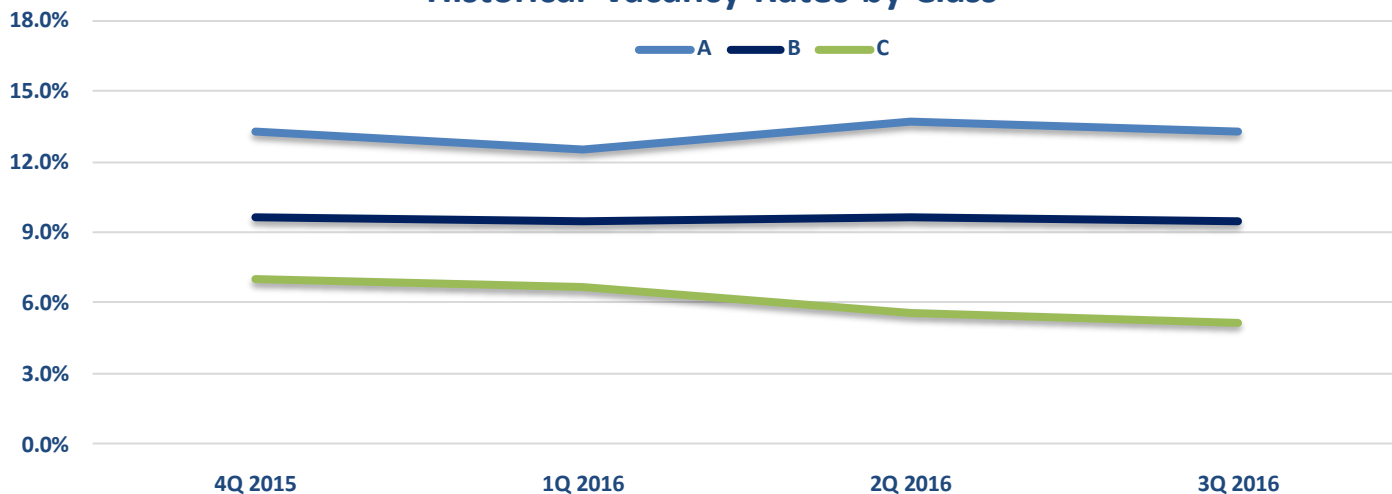
	# of Bldgs	Inventory (sf)	Direct Available (sf)	Direct Vacant (sf)	Direct Vacancy Rate (%)	Direct Quarterly Absorption (sf)	YTD Direct Net Absorption (sf)
A	125	9,776,520	1,487,137	1,255,333	12.84%	42,138	17,314
B	674	15,982,325	2,008,360	1,488,452	9.31%	19,810	52,380
C	267	4,346,811	319,074	222,773	5.12%	23,960	86,370
Overall	1,066	30,105,656	3,814,571	2,966,558	9.85%	85,908	156,064

	# of Bldgs	Inventory (sf)	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Vacancy Rate (%)	Sublease Quarterly Absorption (sf)	YTD Sublease Net Absorption (sf)
A	125	9,776,520	229,893	43,945	0.45%	-	-17,904
B	674	15,982,325	121,797	-	0.00%	-	-5,181
C	267	4,346,811	6,000	-	0.00%	-	-
Overall	1,066	30,105,656	357,690	43,945	0.45%	-	-23,085

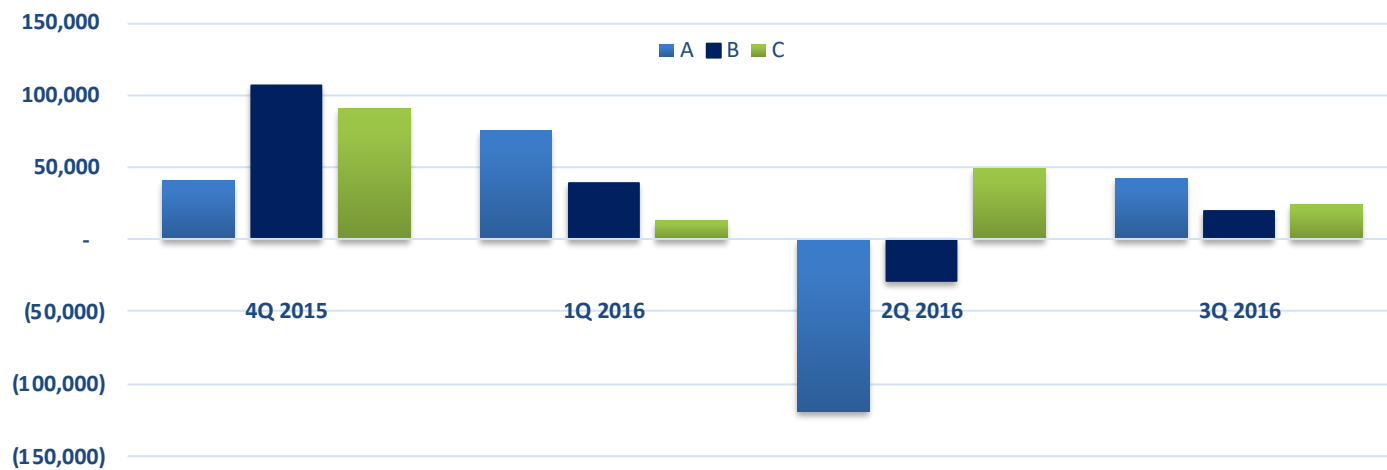
Historical Vacancy Rate & Net Absorption



Historical Vacancy Rates by Class



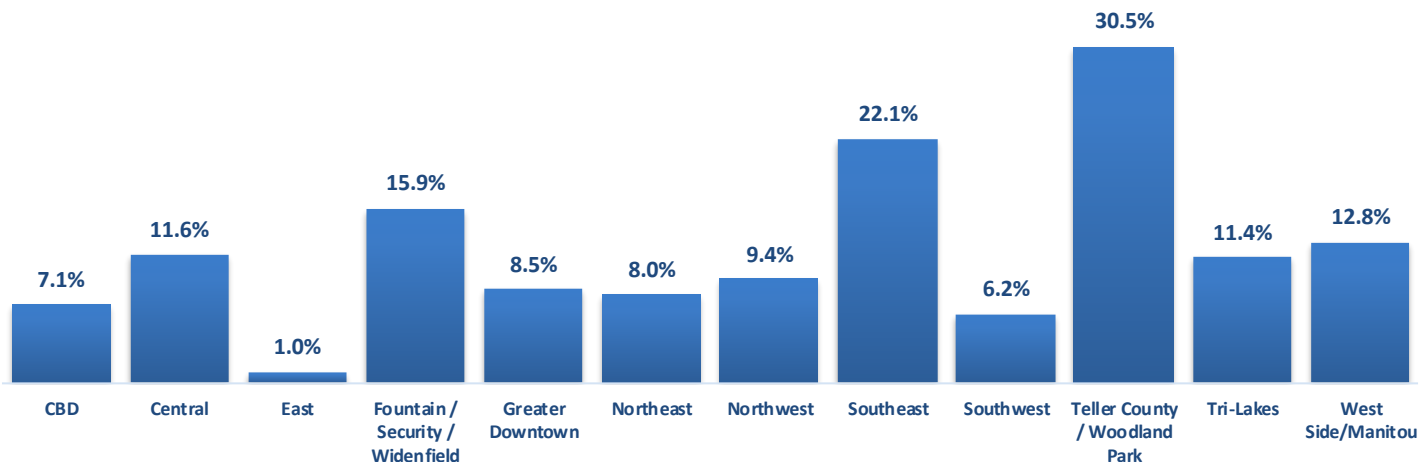
Historical Net Absorption by Class



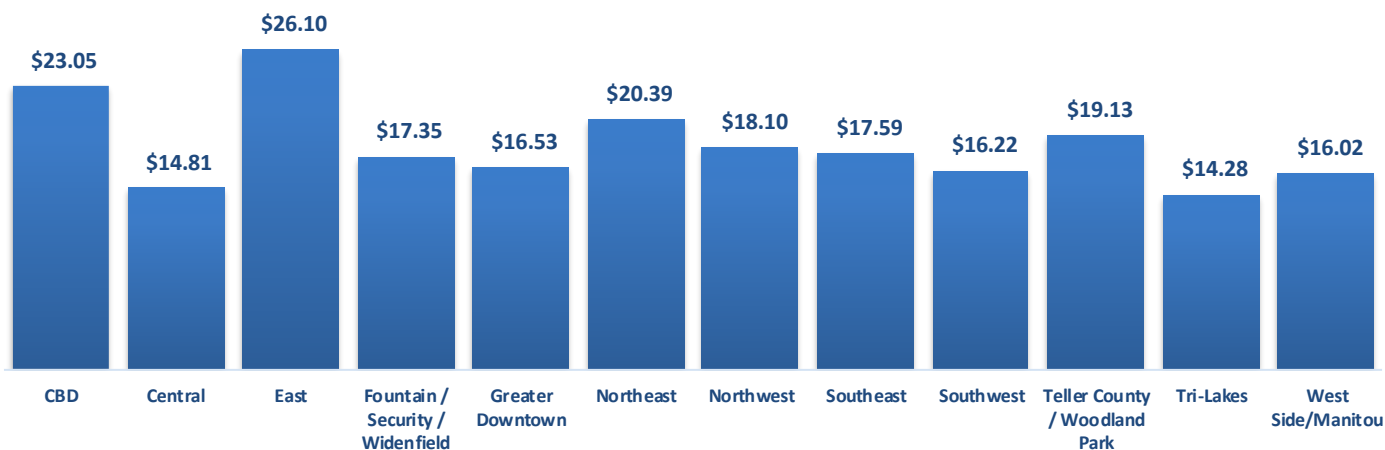
	# of Bldgs	Inventory (sf)	Total Vacant (sf)	Sublease Vacant (sf)	Total Vacancy Rate (%)	Total Qtrly Net Absorption (sf)	YTD Total Net Absorption (sf)
Fountain / Security / Widenfield	12	141,199	22,400	-	15.9%	-	-
B	10	123,069	12,000	-	9.8%	-	-
C	2	18,130	10,400	-	57.4%	-	-
Southeast	55	2,653,811	586,655	43,945	22.1%	11,846	-152,459
A	15	1,121,902	379,628	43,945	33.8%	7,346	-111,923
B	29	1,282,709	198,680	-	15.5%	-	-42,952
C	11	249,200	8,347	-	3.3%	4,500	2,416
Southwest	90	1,375,006	85,540	-	6.2%	4,553	34,135
A	10	199,160	38,332	-	19.2%	-	1,138
B	58	927,487	46,008	-	5.0%	4,553	7,123
C	22	248,359	1,200	-	0.5%	-	25,874
Northwest	162	7,352,545	689,401	-	9.4%	6,629	41,997
A	28	3,180,088	442,671	-	13.9%	2,299	15,202
B	104	3,477,188	194,930	-	5.6%	-2,025	12,747
C	30	695,269	51,800	-	7.5%	6,355	14,048
Central	256	3,681,454	428,296	-	11.6%	-9,258	24,476
A	6	480,840	37,120	-	7.7%	-	6,896
B	185	2,473,571	340,334	-	13.8%	-9,090	-9,030
C	65	727,043	50,842	-	7.0%	-168	26,610
Northeast	139	6,673,291	533,027	-	8.0%	22,950	88,494
A	43	3,258,986	241,950	-	7.4%	23,514	80,723
B	77	2,741,311	284,052	-	10.4%	-237	6,539
C	19	672,994	7,025	-	1.0%	-327	1,232
East	21	236,018	2,360	-	1.0%	-	21,678
A	2	71,500	2,360	-	3.3%	-	4,984
B	12	121,255	-	-	0.0%	-	16,694
C	7	43,263	-	-	0.0%	-	-
Teller County / Woodland Park	13	120,933	36,943	-	30.5%	-	-6,308
A	3	37,505	13,064	-	34.8%	-	-13,064
B	7	66,255	11,102	-	16.8%	-	6,756
C	3	17,173	12,777	-	74.4%	-	-
West Side/Manitou	41	460,425	58,884	-	12.8%	12,132	22,680
B	23	286,176	51,253	-	17.9%	12,132	14,499
C	18	174,249	7,631	-	4.4%	-	8,181
Tri-Lakes	26	285,982	32,496	-	11.4%	898	4,640
B	21	228,346	32,246	-	14.1%	1,148	4,890
C	5	57,636	250	-	0.4%	-250	-250
Greater Downtown	177	3,406,407	288,416	-	8.5%	31,629	37,395
A	10	328,769	41,792	-	12.7%	-	-4,576
B	108	2,213,425	217,190	-	9.8%	13,329	31,003
C	59	864,213	29,434	-	3.4%	18,300	10,968
CBD	74	3,718,585	264,184	-	7.1%	4,529	16,251
A	8	1,097,770	102,361	-	9.3%	8,979	20,030
B	40	2,041,533	118,756	-	5.8%	-	-1,070
C	26	579,282	43,067	-	7.4%	-4,450	-2,709
Overall	1,066	30,105,656	3,028,602	43,945	10.1%	85,908	132,979

	Vacancy Rate %				Weighted Asking Rate (FSG)			
	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2015	1Q 2016	2Q 2016	3Q 2016
Fountain / Security / Widenfield	15.9%	15.9%	15.9%	15.9%	\$17.35	\$17.35	\$17.35	\$17.35
A	-	-	-	-	-	-	-	-
B	9.8%	9.8%	9.8%	9.8%	\$18.84	\$18.84	\$18.84	\$18.84
C	57.4%	57.4%	57.4%	57.4%	\$15.63	\$15.63	\$15.63	\$15.63
Southeast	16.0%	15.9%	22.4%	22.1%	\$16.45	\$16.13	\$16.01	\$17.59
A	23.9%	23.4%	34.5%	33.8%	\$17.49	\$17.81	\$17.86	\$18.37
B	11.4%	11.9%	15.5%	15.5%	\$14.91	\$13.25	\$12.84	\$15.57
C	2.5%	2.3%	3.3%	3.3%	\$9.66	\$12.45	\$12.15	\$10.61
Southwest	8.7%	8.7%	6.6%	6.2%	\$15.47	\$16.11	\$16.72	\$16.22
A	19.8%	19.2%	19.2%	19.2%	\$14.36	\$15.91	\$16.01	\$17.89
B	5.7%	5.9%	5.5%	5.0%	\$16.63	\$16.43	\$17.81	\$17.47
C	10.9%	10.8%	0.5%	0.5%	\$10.94	\$12.00	\$12.00	\$12.23
Northwest	9.9%	9.2%	9.4%	9.4%	\$17.87	\$17.96	\$17.86	\$18.10
A	14.3%	13.2%	13.9%	13.9%	\$18.35	\$18.34	\$18.30	\$18.47
B	6.0%	5.6%	5.5%	5.6%	\$17.73	\$17.70	\$17.77	\$18.03
C	9.5%	8.3%	8.4%	7.5%	\$14.83	\$15.41	\$14.44	\$14.76
Central	12.3%	12.1%	11.4%	11.6%	\$14.22	\$14.40	\$13.98	\$14.81
B	13.4%	13.5%	13.4%	13.8%	\$13.31	\$13.72	\$13.29	\$14.63
C	10.7%	10.4%	7.0%	7.0%	\$14.36	\$13.81	\$13.49	\$13.31
Northeast	9.4%	8.8%	8.3%	8.0%	\$20.17	\$20.06	\$20.11	\$20.39
A	9.9%	8.9%	8.1%	7.4%	\$20.47	\$21.09	\$21.29	\$22.38
B	10.7%	10.6%	10.4%	10.4%	\$19.88	\$19.15	\$19.05	\$19.21
C	1.2%	1.3%	1.0%	1.0%	\$13.91	\$17.11	\$17.95	\$17.81
East	3.3%	2.8%	1.1%	1.0%	\$22.76	\$23.10	\$26.10	\$26.10
A	10.3%	8.6%	3.3%	3.3%	\$22.76	\$23.10	\$26.10	\$26.10
B	-	-	-	-	-	-	-	-
C	-	-	-	-	-	-	-	-
Teller County / Woodland Park	25.3%	19.9%	30.5%	30.5%	\$18.68	\$18.68	\$18.48	\$19.13
A	-	-	34.8%	34.8%	-	-	\$30.45	\$30.45
B	27.0%	17.1%	16.8%	16.8%	\$18.95	\$18.95	\$17.70	-
C	74.4%	74.4%	74.4%	74.4%	\$18.45	\$18.45	\$18.45	\$18.45
West Side/Manitou	17.7%	14.8%	15.4%	12.8%	\$13.45	\$15.68	\$15.76	\$16.02
A	-	-	-	-	-	-	-	-
B	23.0%	21.7%	22.1%	17.9%	\$15.18	\$16.06	\$16.10	\$16.41
C	9.1%	3.6%	4.4%	4.4%	\$8.72	\$13.30	\$14.02	\$14.02
Tri-Lakes	13.0%	12.4%	11.7%	11.4%	\$15.80	\$15.62	\$24.86	\$14.28
A	-	-	-	-	-	-	-	-
B	16.3%	15.5%	14.6%	14.1%	\$15.80	\$15.48	\$24.86	\$14.28
C	-	0.2%	-	0.4%	-	\$35.82	-	-
Greater Downtown	9.6%	9.6%	9.4%	8.5%	\$16.27	\$16.40	\$16.57	\$16.53
A	11.3%	12.7%	12.7%	12.7%	\$19.79	\$19.44	\$20.12	\$19.98
B	11.2%	10.9%	10.4%	9.8%	\$15.30	\$15.67	\$15.53	\$15.90
C	4.7%	5.3%	5.5%	3.4%	\$19.56	\$18.14	\$19.81	\$17.68
CBD	7.9%	7.6%	7.4%	7.1%	\$23.73	\$23.77	\$23.26	\$23.05
A	11.1%	11.4%	10.1%	9.3%	\$24.62	\$24.75	\$24.47	\$24.40
B	6.4%	5.7%	6.2%	5.8%	\$23.46	\$23.81	\$22.97	\$23.13
C	7.0%	7.1%	6.7%	7.4%	\$19.21	\$19.07	\$19.25	\$16.86
Overall	10.5%	10.0%	10.4%	10.1%	\$17.84	\$17.75	\$17.63	\$18.16

Vacancy Rate by Submarket

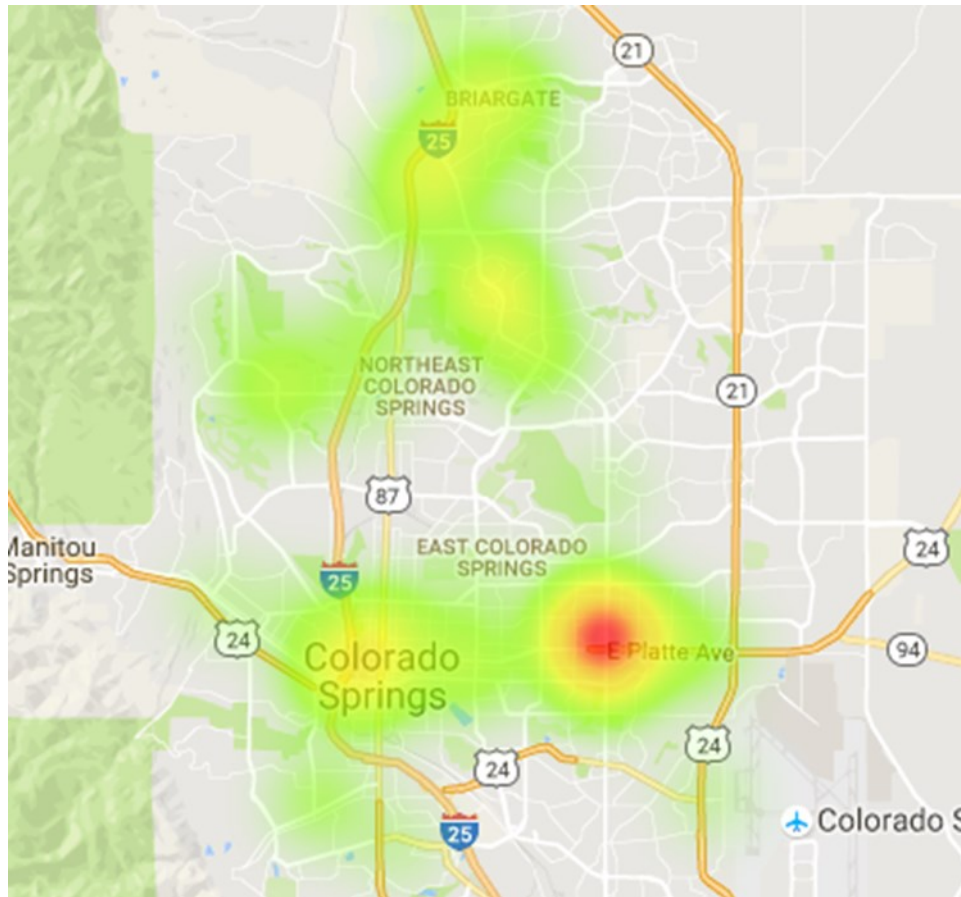


Weighted Average Asking Rent by Submarket (FSG)



Asking Rent Range by Class (FSG)



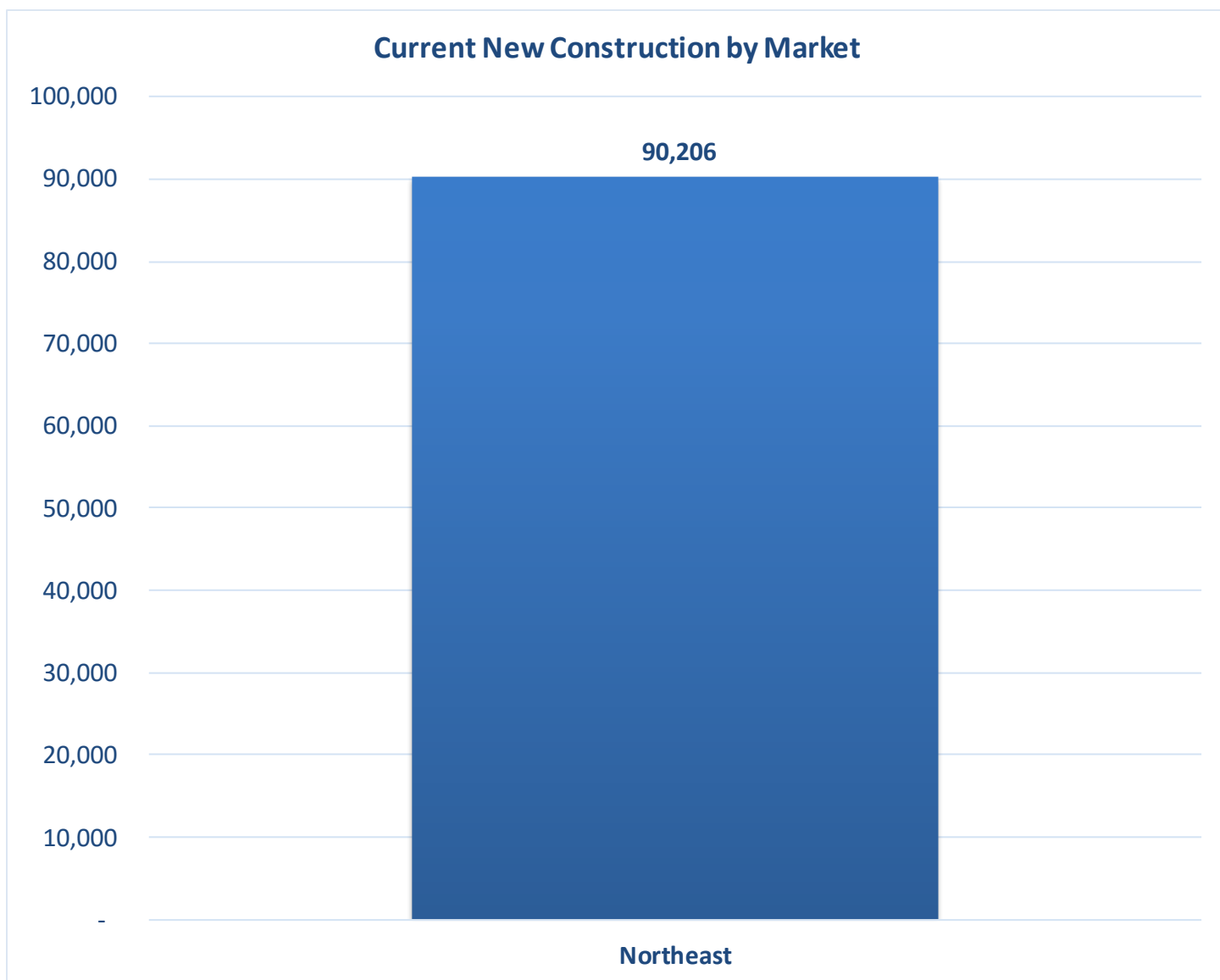


Largest Absorption Changes

Property Name	Occupied or Vacated (sf)	Tenant Name	Submarket	Building Class
9925 Federal Dr	23,528	Directstream	Northeast	A
Chapel Hills Atrium	7,365	Guaranteed Rate	Northeast	A
Newport Center One	7,346	SAIC	Southeast	A
4465 Northpark Dr	6,600	Planet Deadline	Northwest	C
Plaza of the Rockies North Tower	5,165	Hanon McKendry Advertising and La Casa Blanca, LLC	CBD	C
1702 E Pikes Peak Ave	3,912	Core Vision	Greater Downtown	B
3100 N Academy Blvd	3,844	Colorado Springs Oral and Facial Surgery	Central	B
The Kiowa Building	-4,300	Kids Resource Network	Central	C
75 Printers Pkwy	-5,960	Springs Medical Associates	Greater Downtown	B
Briargate Medical Center	-9,662	American Federal Security K-9 Solutions & Capital Mgmt Group	Northeast	A
CBA Building	-10,074	Executive Park Eye Care and Ronald D. Solomon OD	Northeast	A

Top Transactions

Property Name	Sale Price	Sold (sf)	Buyer	Seller	Market	Building Class
Garden of the Gods Building D	\$31,000,000	737,541	GOTG LLC	Verizon Business Network Services Inc	Northwest	A
Powers Professional Center Bldg 2	\$6,750,000	35,500	Powers Professional Holdings LLC	110 Riverbend LLC	East	A
Mountain Shadows Professional Center	\$2,650,000	23,948	Terra West LLC et al	Three Crosswoods Holdings LLC	Northwest	B
Pikes Peak Medical Center	\$2,550,000	32,372	TWDD Mob LLC	Ocean Blue Equities LLC	Greater Downtown	A
4194 Royal Pine Dr	\$1,900,000	12,564	Urgency Center 1 LLC	ANB Bank	Northeast	B



Colorado Springs	
Bearing Commercial Appraisal	Greg Baker
Cameron Butcher	Caleb David
CBRE	Brad Bird
	Nicola Myers - Murty
	Dan Rodriguez
	Whitney Johnson
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

This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy. **For more information, please contact :**

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