



XCELIGENT[™]
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OFFICE MARKET REPORT

Colorado Springs

4th Quarter 2016

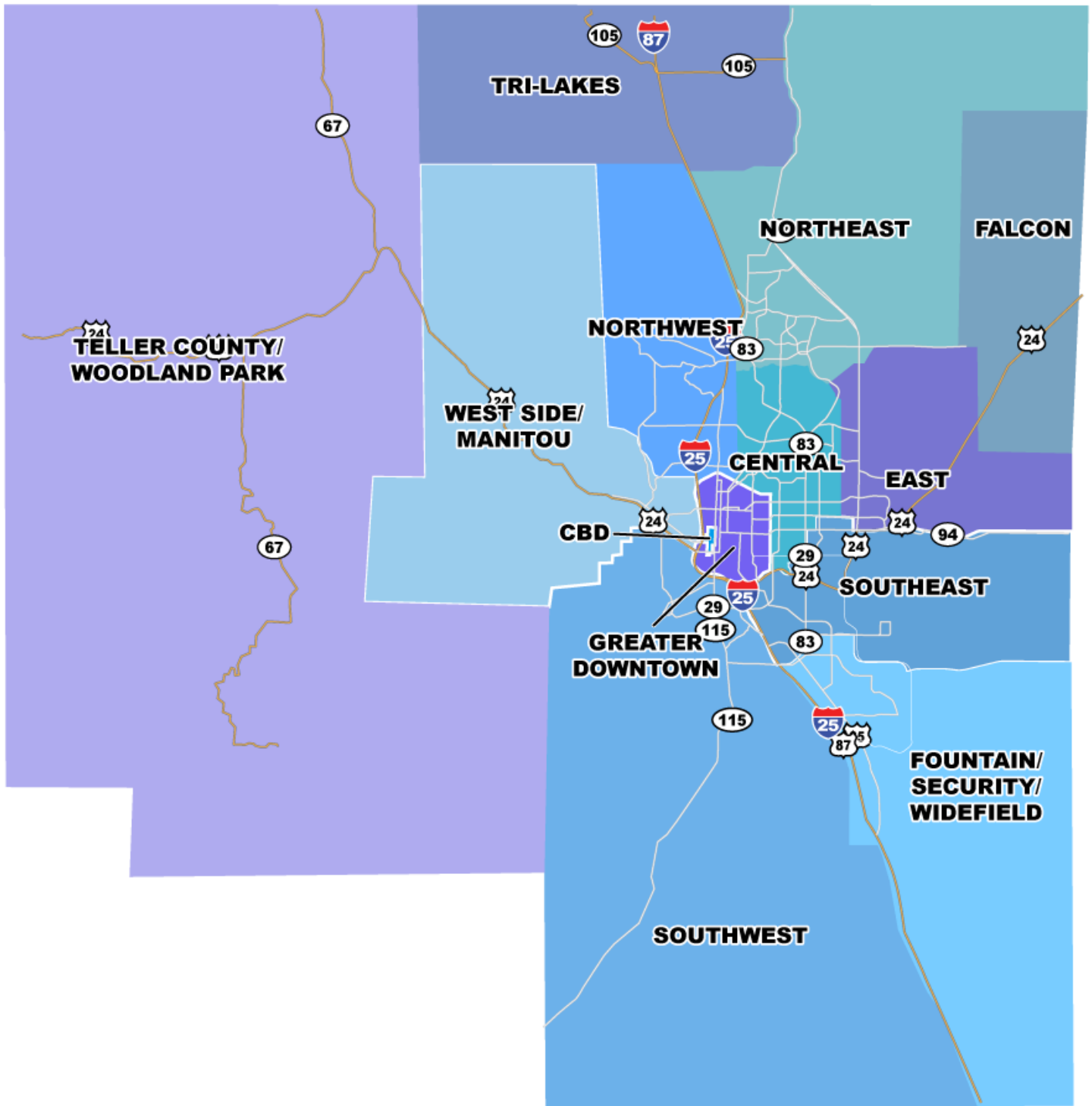


Xceligent is a leading provider of verified commercial real estate information which assists real estate professionals, appraisers, owners, investors and developers that make strategic decisions to lease, sell, buy and develop commercial properties.

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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 5,000 sf, excluding medical, 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.
Class C	Buildings competing for office users requiring functional office space at rates below the market average for the area.
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 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.



Overview

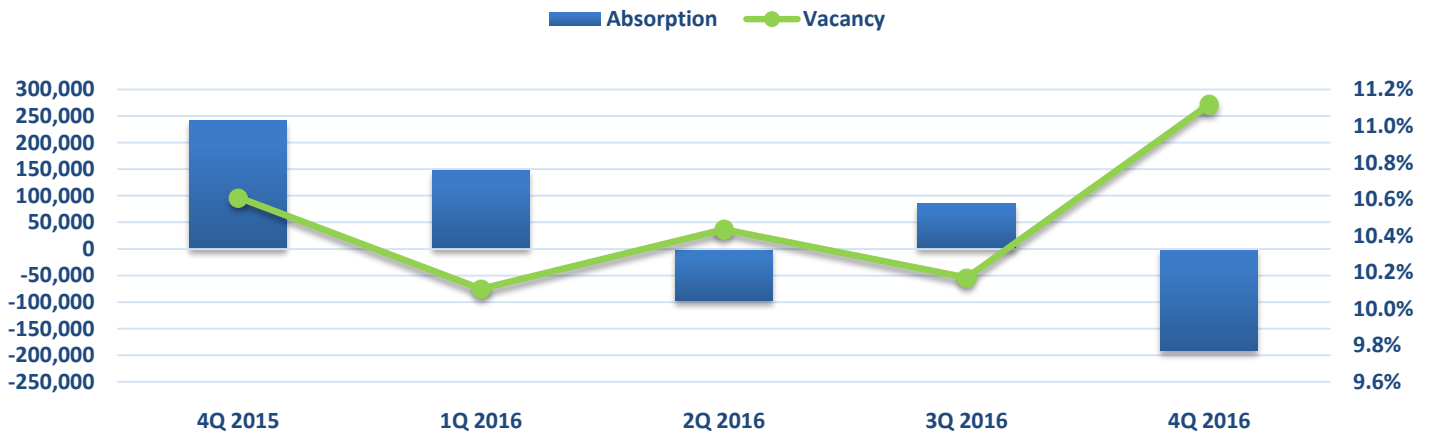
- The Colorado Springs office market ended 4Q16 with negative 191,221 square feet (sf) of net absorption bringing the year-end total to -99,320 sf. Honeywell Aerospace Company vacated 164,582 sf, which accounted for a majority of the negative absorption.
- 4Q16 leasing and sales activity were strong especially in Class A and Class B buildings. Activity within Class C buildings was stagnant in most areas throughout the region.
- Tenant activity was high, especially for those looking to lease 30,000 sf and larger spaces. A majority of this activity was health care related businesses, financial tech firms, Department of Defense contractors and financial lenders.
- Lease rates are still at all-time highs, and are still increasing in several areas, especially in the North and Greater Downtown submarkets. Landlords are offering 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 26,206 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	123	9,685,078	1,565,965	1,237,764	12.8%	97,065	87,109
B	670	15,836,458	2,132,996	1,821,944	11.5%	-261,906	-247,441
C	267	4,347,811	375,087	261,279	6.0%	-26,380	61,012
Overall	1,060	29,869,347	4,074,048	3,320,987	11.1%	-191,221	-99,320

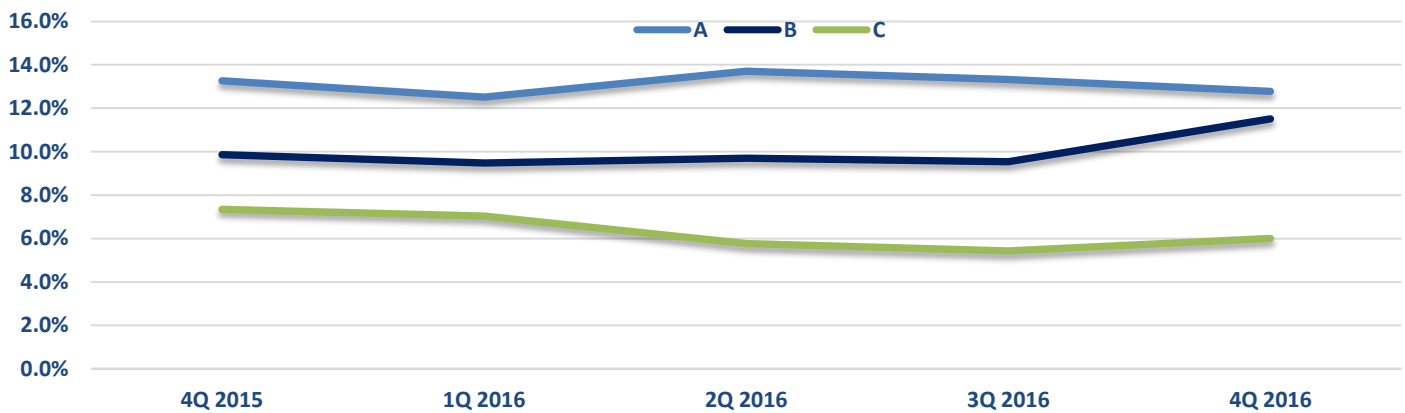
	# of Bldgs	Inventory (sf)	Direct Available (sf)	Direct Vacant (sf)	Direct Vacancy Rate (%)	Direct Quarterly Absorption (sf)	YTD Direct Net Absorption (sf)
A	123	9,685,078	1,340,434	1,192,349	12.3%	98,535	88,579
B	670	15,836,458	2,018,550	1,859,219	11.7%	-261,906	-206,267
C	267	4,347,811	369,087	257,627	5.9%	-26,380	61,012
Overall	1,060	29,869,347	3,728,071	3,309,195	11.1%	-189,751	-56,676

	# of Bldgs	Inventory (sf)	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Vacancy Rate (%)	Sublease Quarterly Absorption (sf)	YTD Sublease Net Absorption (sf)
A	123	9,685,078	225,531	47,715	0.5%	-1,470	-1,470
B	670	15,836,458	116,906	-	0.0%	-	-41,174
C	267	4,347,811	6,000	6,000	0.1%	-	-
Overall	1,060	29,869,347	348,437	53,715	0.2%	-1,470	-42,644

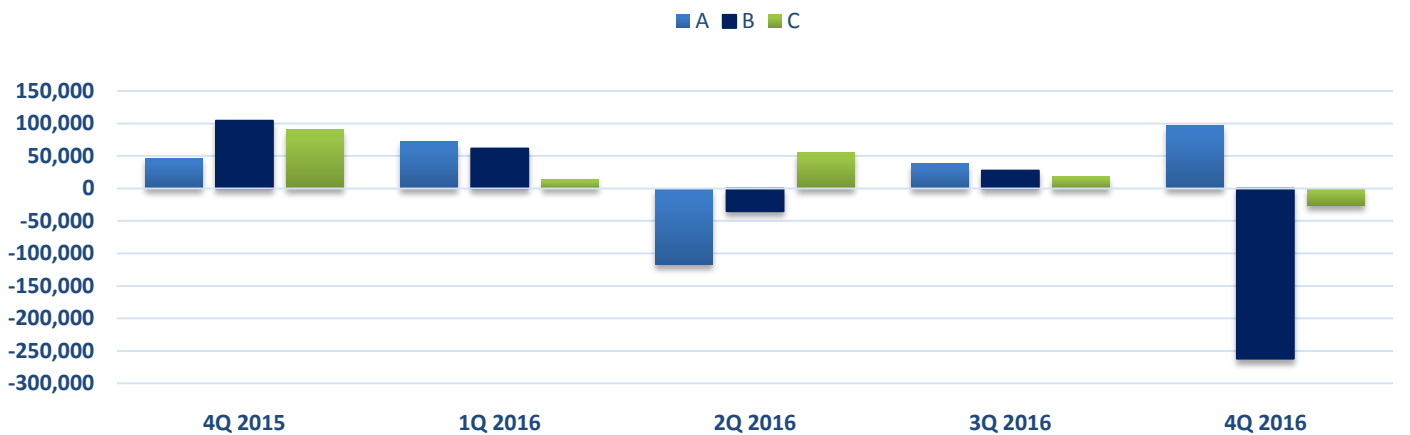
Historical Vacancy Rate & Net Absorption



Historical Vacancy Rates by Class

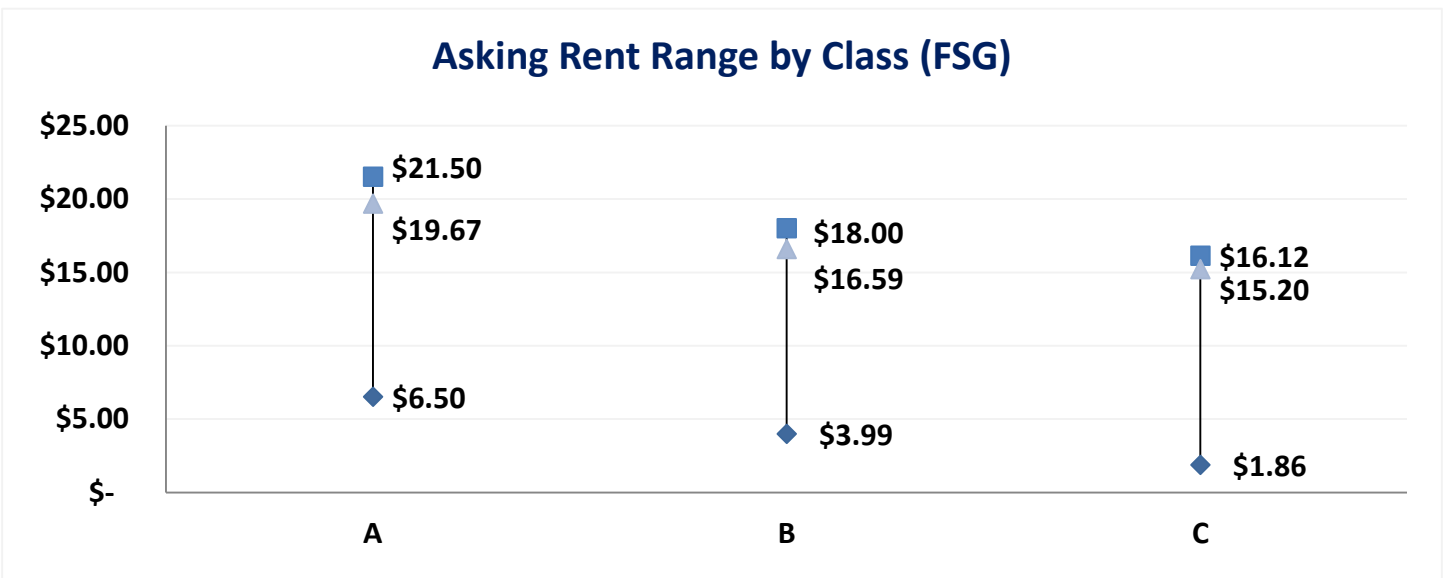
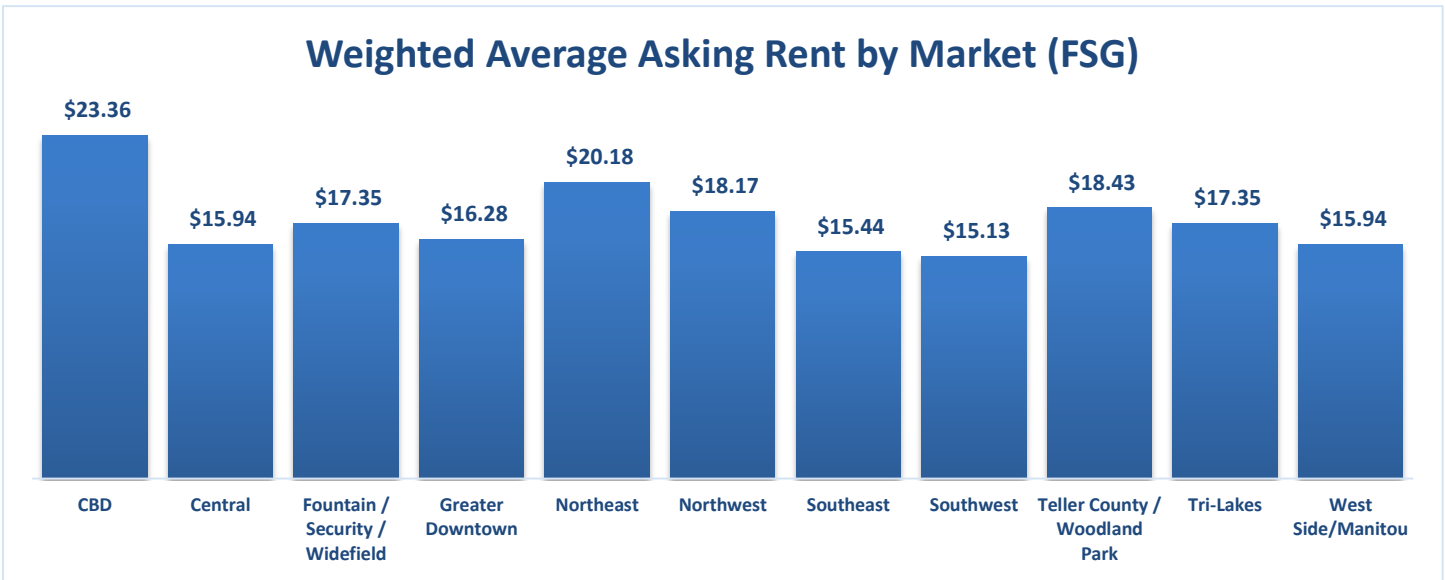
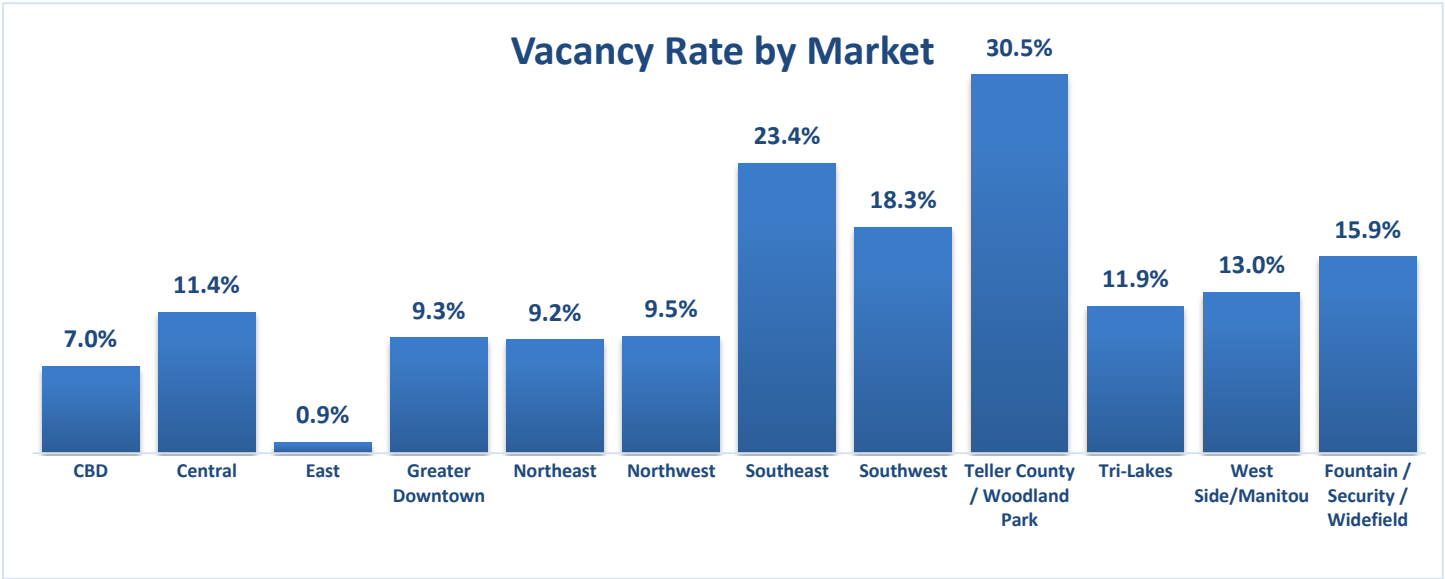


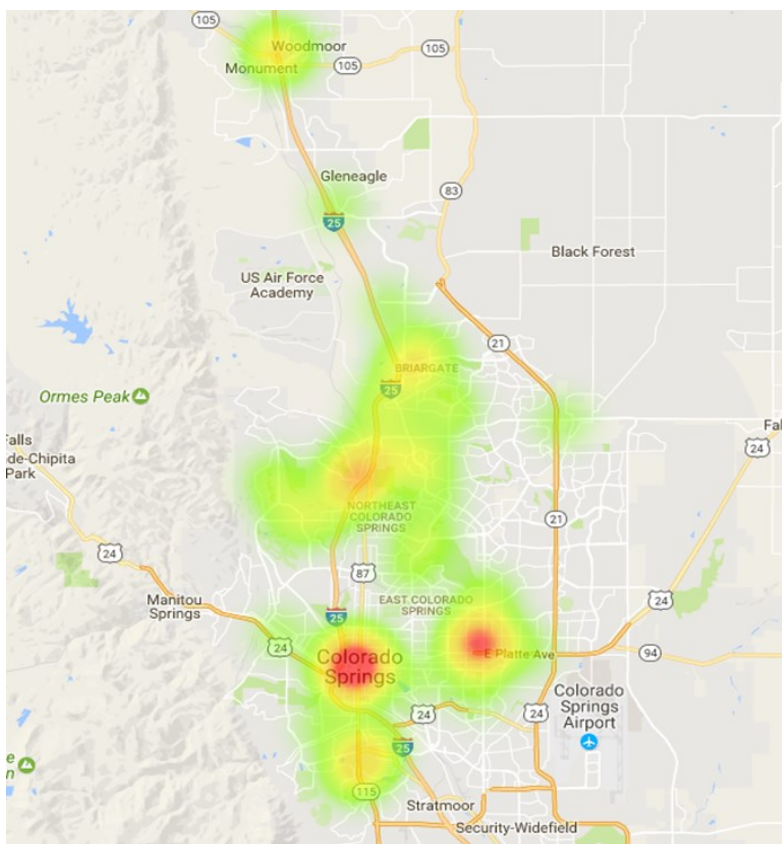
Historical Net Absorption by Class



	# of Bldgs	Inventory (sf)	Total Vacant (sf)	Sublease Vacant (sf)	Total Vacancy Rate (%)	Total Qtrly Net Absorption (sf)	YTD Total Net Absorption (sf)
CBD	73	3,543,344	249,676	6,000	7.0%	18,079	33,931
A	8	1,097,770	97,519	-	8.9%	4,842	24,872
B	39	1,865,292	103,972	-	5.6%	19,237	17,768
C	26	580,282	48,185	6,000	8.3%	-6,000	-8,709
Central	258	3,709,664	422,698	1,470	11.4%	-3,284	24,047
A	6	480,840	45,547	1,470	9.5%	-8,427	-1,531
B	187	2,501,781	331,138	-	13.2%	314	-5,861
C	65	727,043	46,013	-	6.3%	4,829	31,439
East	18	171,004	1,530	-	0.9%	-	3,454
A	1	36,000	0	-	0.0%	-	4,984
B	10	91,741	1,530	-	1.7%	-	-1,530
C	7	43,263	0	-	0.0%	-	-
Fountain / Security / Widefield	12	141,199	22,400	-	15.9%	-	-
B	10	123,069	12,000	-	9.8%	-	-
C	2	18,130	10,400	-	57.4%	-	-
Greater Downtown	177	3,411,692	318,389	-	9.3%	-10,483	22,033
A	10	328,769	38,610	-	11.7%	2,182	-1,394
B	108	2,218,710	240,096	-	10.8%	-11,394	22,708
C	59	864,213	39,683	-	4.6%	-1,271	719
Northeast	138	6,678,664	612,701	2,300	9.2%	-24,658	75,131
A	43	3,223,444	252,833	2,300	7.8%	4,180	74,500
B	76	2,782,226	353,358	-	12.7%	-29,353	-1,116
C	19	672,994	6,510	-	1.0%	515	1,747
Northwest	160	7,337,538	693,908	-	9.5%	-35,445	16,551
A	28	3,180,088	389,269	-	12.2%	27,543	40,719
B	102	3,462,181	262,839	-	7.6%	-62,988	-48,216
C	30	695,269	41,800	-	6.0%	-	24,048
Southeast	55	2,653,811	621,548	43,945	23.4%	29,344	-164,840
A	15	1,121,902	363,418	43,945	32.4%	65,917	-43,943
B	29	1,282,709	212,170	-	16.5%	-13,490	-100,230
C	11	249,200	45,960	-	18.4%	-23,083	-20,667
Southwest	89	1,355,091	247,402	-	18.3%	-161,862	-127,727
A	9	178,760	37,504	-	21.0%	828	1,966
B	58	927,972	208,698	-	22.5%	-162,690	-155,567
C	22	248,359	1,200	-	0.5%	-	25,874
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%	-	-
Tri-Lakes	26	285,982	34,021	-	11.9%	-1,525	3,115
B	21	228,346	31,771	-	13.9%	475	5,365
C	5	57,636	2,250	-	3.9%	-2,000	-2,250
West Side/Manitou	41	460,425	59,771	-	13.0%	-1,387	21,293
B	23	286,176	53,270	-	18.6%	-2,017	12,482
C	18	174,249	6,501	-	3.7%	630	8,811
Overall	1,060	29,869,347	3,320,987	53,715	11.1%	-191,221	-99,320

	Vacancy Rate %					Weighted Average Asking Rent (FSG)				
	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
CBD	8.5%	8.2%	8.0%	7.8%	7.0%	\$23.73	\$23.77	\$23.26	\$22.97	\$23.36
A	11.1%	11.4%	10.1%	9.3%	8.9%	\$24.62	\$24.75	\$24.47	\$24.40	\$24.54
B	7.3%	6.5%	7.0%	7.0%	5.6%	\$23.46	\$23.81	\$22.97	\$23.26	\$23.70
C	7.0%	7.1%	6.7%	7.4%	8.3%	\$19.21	\$19.07	\$19.25	\$17.11	\$18.25
Central	12.0%	11.9%	11.1%	11.4%	11.4%	\$14.30	\$14.48	\$13.99	\$14.71	\$15.94
A	9.2%	7.7%	7.7%	7.7%	9.5%	\$21.09	\$21.08	\$21.12	\$20.61	\$23.32
B	13.0%	13.1%	13.0%	13.3%	13.2%	\$13.39	\$13.80	\$13.30	\$14.48	\$14.54
C	10.7%	10.4%	7.0%	7.0%	6.3%	\$14.36	\$13.81	\$13.49	\$13.80	\$12.28
East	2.9%	2.2%	-	0.9%	0.9%	\$22.90	\$23.40	-	-	-
A	13.8%	10.5%	-	-	-	\$22.90	\$23.40	-	-	-
B	-	-	-	1.7%	1.7%	-	-	-	-	-
C	-	-	-	-	-	-	-	-	-	-
Fountain / Security / Widefield	15.9%	15.9%	15.9%	15.9%	15.9%	\$17.35	\$17.35	\$17.35	\$17.35	\$17.35
A	-	-	-	-	-	-	-	-	-	-
B	9.8%	9.8%	9.8%	9.8%	9.8%	\$18.84	\$18.84	\$18.84	\$18.84	\$18.84
C	57.4%	57.4%	57.4%	57.4%	57.4%	\$15.63	\$15.63	\$15.63	\$15.63	\$15.63
Greater Downtown	9.7%	9.8%	9.7%	8.8%	9.3%	\$16.27	\$16.40	\$16.30	\$16.49	\$16.28
B	11.5%	11.1%	10.7%	10.0%	10.8%	\$15.30	\$15.67	\$15.23	\$15.51	\$15.62
C	4.7%	5.3%	6.0%	4.4%	4.6%	\$19.56	\$18.14	\$19.81	\$20.93	\$18.23
Northeast	9.4%	8.5%	8.2%	7.8%	9.2%	\$20.18	\$20.08	\$20.58	\$20.57	\$20.18
A	10.1%	9.0%	8.3%	7.8%	7.8%	\$20.49	\$21.10	\$21.33	\$21.23	\$21.39
B	10.7%	9.8%	9.8%	9.6%	12.7%	\$19.87	\$19.09	\$19.96	\$20.10	\$19.17
C	1.2%	1.3%	1.0%	1.0%	1.0%	\$13.91	\$17.11	\$17.95	\$17.81	\$17.33
Northwest	9.9%	9.2%	9.3%	9.2%	9.5%	\$17.84	\$17.94	\$17.91	\$17.99	\$18.17
A	14.0%	13.0%	13.7%	13.6%	12.2%	\$18.27	\$18.27	\$18.25	\$18.31	\$18.33
B	6.2%	5.9%	5.8%	5.8%	7.6%	\$17.79	\$17.77	\$17.82	\$17.83	\$18.30
C	9.5%	8.3%	6.9%	6.0%	6.0%	\$14.83	\$15.41	\$14.63	\$15.27	\$14.99
Southeast	16.5%	16.4%	22.9%	22.6%	23.4%	\$16.45	\$16.13	\$16.01	\$16.08	\$15.44
A	23.9%	23.4%	34.3%	33.7%	32.4%	\$17.49	\$17.81	\$17.87	\$17.71	\$17.32
B	11.4%	11.9%	15.5%	15.5%	16.5%	\$14.91	\$13.25	\$12.84	\$13.12	\$12.98
C	8.3%	8.1%	9.2%	9.2%	18.4%	\$9.66	\$12.45	\$12.15	\$10.61	\$13.62
Southwest	8.8%	8.8%	6.6%	6.3%	18.3%	\$15.60	\$16.11	\$16.72	\$15.75	\$15.13
A	22.1%	21.4%	21.4%	21.4%	21.0%	\$14.36	\$15.91	\$16.01	\$16.73	\$15.71
B	5.7%	5.9%	5.4%	5.0%	22.5%	\$16.88	\$16.43	\$17.81	\$16.49	\$16.49
C	10.9%	10.8%	0.5%	0.5%	0.5%	\$10.94	\$12.00	\$12.00	\$12.23	\$12.23
Teller County / Woodland Park	25.3%	19.9%	30.5%	30.5%	30.5%	\$18.63	\$18.63	\$18.43	\$18.43	\$18.43
A	-	-	34.8%	34.8%	34.8%	-	-	\$30.40	\$30.40	\$30.40
B	27.0%	17.1%	16.8%	16.8%	16.8%	\$18.90	\$18.90	\$17.65	\$17.65	\$17.65
C	74.4%	74.4%	74.4%	74.4%	74.4%	\$18.40	\$18.40	\$18.40	\$18.40	\$18.40
Tri-Lakes	13.0%	12.4%	11.7%	11.4%	11.9%	\$16.66	\$16.35	\$25.55	\$14.88	\$17.35
A	-	-	-	-	-	-	-	-	-	-
B	16.3%	15.5%	14.6%	14.1%	13.9%	\$16.66	\$16.22	\$25.55	\$14.69	\$17.35
C	-	0.2%	-	0.4%	3.9%	-	\$35.82	-	\$33.60	-
West Side/Manitou	17.7%	14.8%	15.4%	12.8%	13.0%	\$13.45	\$15.68	\$15.76	\$16.02	\$15.94
A	-	-	-	-	-	-	-	-	-	-
B	23.0%	21.7%	22.1%	17.9%	18.6%	\$15.18	\$16.06	\$16.10	\$16.41	\$16.11
C	9.1%	3.6%	4.4%	4.4%	3.7%	\$8.72	\$13.30	\$14.02	\$14.02	\$15.23
Overall	10.6%	10.1%	10.4%	10.2%	11.1%	\$17.87	\$17.75	\$17.69	\$17.74	\$17.70





Largest Absorption Changes

Property Name	Occupied or Vacated (sf)	Tenant Name	Submarket	Building Class
745 Space Center Dr	51,770	Booz Allen Hamilton	Southeast	A
1050-1090 N Newport Rd	30,800	HDSI	Southeast	A
5475 Mark Dabling Blvd	15,570	SocialSEO	Northwest	A
Alamo Corporate Center	13,919	TEK Systems and Code Baby	CBD	B
6385 Corporate Dr	9,166	Candle 3	Northwest	A
Tech Center VI	6,592	Benefit Dynamics	Northwest	A
Briargate Tech Building	-21,162	Lockhee Martin	Northeast	B
834 Emory Cir	-22,119	The Retired Enlisted Association	Southeast	C
Northcreek III	-62,254	CSAA Regional Claims Office	Northwest	B
1110 Bayfield Dr	-164,582	Honeywell Aerospace Co.	Southwest	B

Top Transactions

Property Name	Sale Price	Sold (sf)	Buyer	Seller	Market	Building Class
Research Corporate Center	\$17,500,000	98,904	Maple Hill LLC	Brookwood Financial Partners LLC	Northeast	A
Pine Creek Village Bldg H	\$13,500,000	94,545	Goodman Realty Group	Pine Creek Retail LLC	Northeast	B
1150 Kelly Johnson Blvd	\$4,900,000	45,796	Tek Experts Global	FF Investments et al	Northeast	A
Pavilion Medical Center	\$4,142,700	46,546	Pavilion Medical Center LLC	Pavilions LLC	Greater Downtown	B
Las Piedras Office Park	\$2,800,000	20,410	Max Reg LLC	NC Foundation	Northeast	A

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 :**

Eric Groth	Director of Analytics Colorado	(916) 494-1386	egroth@xceligent.com
Aaron Knight	Senior Sales Executive	(303) 503-1657	aknight@xceligent.com
David Verwer	Regional VP of Sales Western Region	(480) 889-4555	dverwer@xceligent.com
Brad Hauser	Regional VP of Analytics Western Region	(214) 613-5683	Bhauser@xceligent.com

