

Quick Stats

| | Change from last | | |
|-----------------------|------------------|-----|------|
| | 4Q15 | Yr. | 3Q15 |
| Vacancy | 19.01% | ▼ | ▼ |
| Lease Rates psf/yr | \$13.35 | ▲ | ▲ |
| Net Absorption* | 76,225 | ▲ | ▲ |

Hot Topics

- US Olympic Museum breaks ground on southwest side of CBD
- 2015 single family home sales break record
- Unemployment for El Paso County at 4.17%, below national average of 5%
- Investment Activity begins to ramp up; more stabilized assets to be brought to market in 2016



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Class A/B Office Market Overview

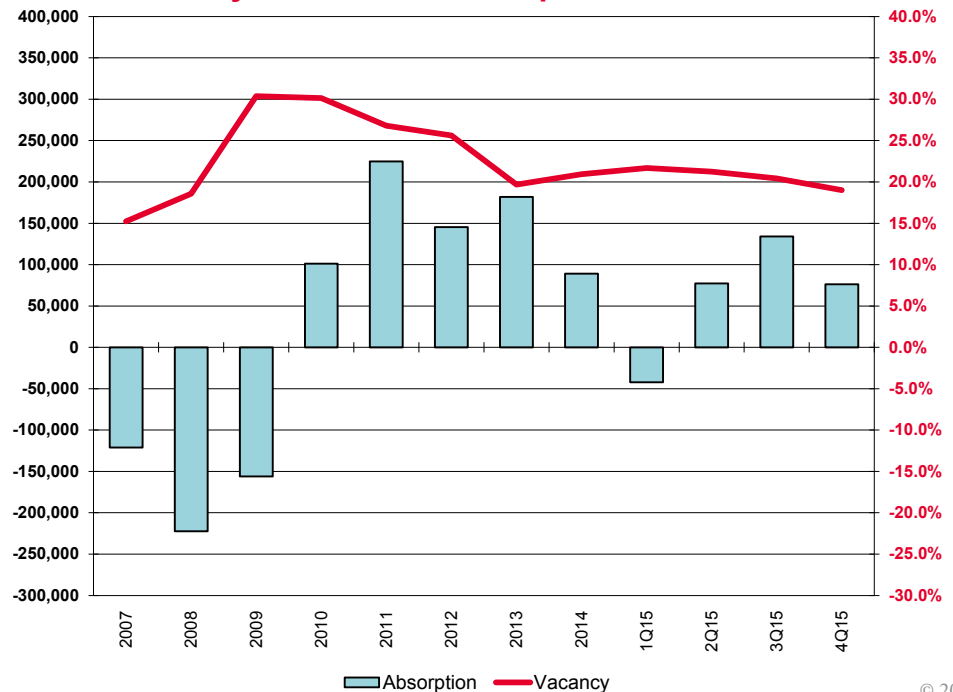
2015 concluded with positive absorption of 245,365 square feet to yield an overall vacancy rate of 19.01%. The vacancy rate is down slightly from 2014's 20.93%, but in-line with 2013 which closed the year at 19.67%. The immediate conclusion to these numbers is the market has not changed significantly over the last 3 years, and while the vacancy rate isn't all that different there are other indications the market is improving and poised for dramatic improvement.

The available, or vacant space in today's market versus three years ago is weighted toward older generation buildings and those properties with big blocks of vacant space – above 25,000 square feet. So for the average user in the market seeking high quality space in a desirable location they will find less options and higher lease rates. Lease rates have increased modestly over the last three years from an average of \$13.00 to \$13.35 per square foot (NNN). More significant, however, are the reduction in landlord's concessions. No longer can a tenant expect a landlord to "turnkey" tenant improvements, and additional concessions like moving/cablings allowances have generally disappeared. Base rent abatement is still provided, but on a more limited basis. For those requirement's in the market seeking larger blocks of space, and not being particular as to quality or location, there remains plenty of opportunities to find a relative bargain, and this should be helpful in attracting new employers to Colorado Springs.

Colorado Springs as a community has a lot of very positive things taking place. Existing hospital campuses are expanding their facilities, and new campuses are being added – including the soon to be completed 86,000 square feet Colorado General Hospital at I-25 and Nevada, and the soon to be constructed Children's Hospital on Memorial North's Briargate campus. Land sales have been strong over the last few years and over 8,000 commercial building permits were approved in 2015, this will result in new development in 2016. Multi-family housing developments are being planned and constructed and sales of single family homes posted their best year ever in 2015, up over 18% from 2014. Downtown Colorado Springs is poised for significant change. The construction of the US Olympic museum has begun and other adjacent development will follow suit. This will transform the south-west side of the city. Two new downtown apartment development's will add over 350 units to the CBD, this is in addition to Blue Dot Place which is newly completed and bringing 33 units online. This will fuel retail growth and bolster an already healthy office market, where vacancy rates are at 13.5%. As companies consider locations to grow their offices, and open new ones, Colorado Springs will prove to be an economical and desirable location.

It will be the growth of employment that will ultimately bring meaningful and sustained health to the office market, and while we have experienced organic growth with existing companies adding positions we have not seen a lot of new companies migrate to town. When that changes, we will see the market in full rebound.

Class A/B Vacancy Rate VS Net Absorption



Market Statistics

| COLORADO SPRINGS CLASS A OFFICE STATISTICS 4TH QUARTER 2015 | | | | | | | |
|---|----------------|--------------|----------------|--------------|------------|------------|----------|
| Office Submarket | Total Bldg. SF | Available SF | Sublease Space | Vacancy Rate | Absorption | Lease Rate | NNN Exp. |
| NORTH I-25 CORRIDOR: | | | | | | | |
| 4TH Q 2015 | 5,556,545 | 1,086,829 | 82,301 | 19.56% | 36,507 | \$12.87 | \$7.59 |
| YTD 2015 | | | | | 141,163 | | |
| AIRPORT (SOUTHEAST) AREA: | | | | | | | |
| 4TH Q 2015 | 1,491,894 | 357,700 | 54,181 | 23.98% | 5,140 | \$13.00 | \$7.39 |
| YTD 2015 | | | | | 64,036 | | |
| CENTRAL BUSINESS DISTRICT: | | | | | | | |
| 4TH Q 2015 | 1,914,079 | 258,816 | 4,450 | 13.52% | 34,578 | \$14.85 | \$8.56 |
| YTD 2015 | | | | | 40,166 | | |
| TOTAL CLASS A MARKET | | | | | | | |
| TOTALS FOR 4TH Q 2015 | 8,962,518 | 1,703,345 | 140,932 | 19.01% | 76,225 | \$13.35 | \$7.75 |
| TOTALS YTD 2015 | | | | | 245,365 | | |

OVERALL VACANCY RATE: 19.01%

AVAILABILITY RATE (includes sublease space): 20.58%

Significant Transactions

| BUILDING NAME | ADDRESS | TENANT | SQUARE FEET | QTR |
|-------------------------------|------------------------|---------------------------------|----------------|----------|
| LEASE TRANSACTIONS | | | | |
| Atrium One at Academy Park | 1250 Academy Park Loop | CO Department of Transportation | 90,763 | 3rd 2015 |
| Patriot at Interquest III | 9950 Federal Dr | Viavi | 30,862 | 3rd 2015 |
| Memorial North Medical Office | 4110 Briargate Pkwy | Colorado Springs Orthopedic | 29,354 | 4th 2015 |
| Academy Corporate Center | 5225 N Academy Blvd | Synergy Real Estate Group | 10,623 | 4th 2015 |
| Tech Center VI | 5575 Tech Center Dr | Travelers | 8,573 | 4th 2015 |
| Wells Fargo Tower | 90 S Cascade Ave | Target Resource Group | 6,239 | 3rd 2015 |
| Briargate Office Center | 1755 Telstar Dr | LaPlata | 6,116 | 3rd 2015 |
| BUILDING NAME | ADDRESS | SALE PRICE | INVESTOR/ USER | QTR |
| SALE TRANSACTIONS | | | | |
| 1050-1090 N Newport Rd | 1050-1090 N Newport Rd | \$15,641,200 | Investor | 3rd 2015 |
| Briargate Medical Center | 595 Chapel Hills Dr | \$8,700,000 | Investor | 3rd 2015 |
| 5725 Erindale Dr | 5725 Erindale Dr | \$4,150,000 | Investor | 3rd 2015 |
| Lexington Center | 7899 Lexington Dr | \$3,937,600 | Investor | 4th 2015 |
| Atrium One at Academy Park | 1250 Academy Park Loop | \$3,490,000 | Investor | 3rd 2015 |
| Academy Corporate Center | 5225 N Academy Blvd | \$3,200,000 | Investor | 3rd 2015 |

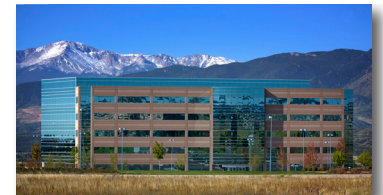
Featured Office Properties



Palmer Center
2 N & 90 S Cascade Ave
924 to 10,069 SF For Lease

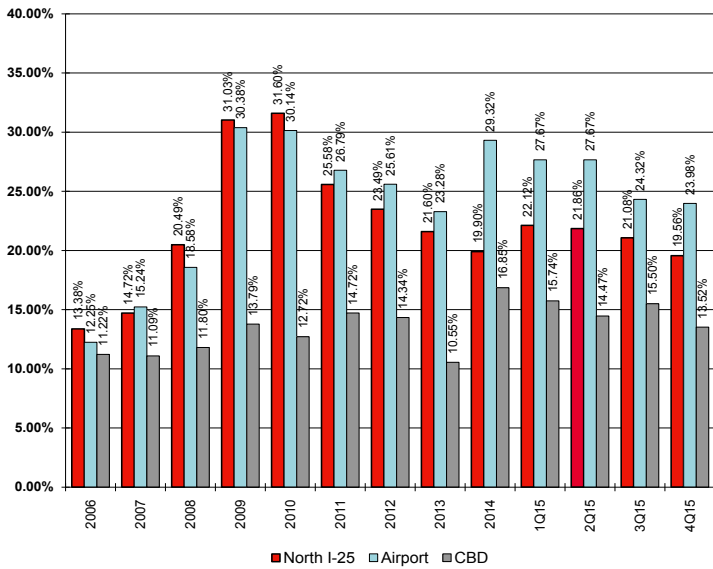


Patriot Park I
985 Space Center Drive
2,012 to 15,491 SF For Lease



Epic One
10807 New Allegiance Drive
3,341 to 30,468 SF For Lease

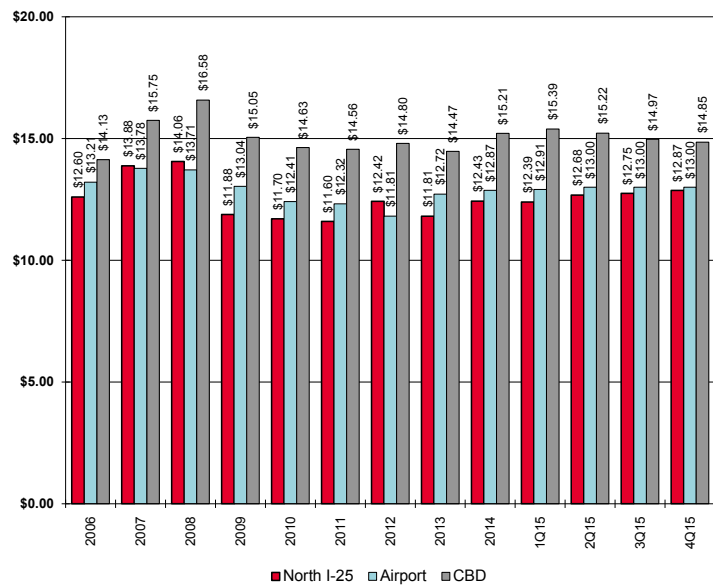
Class A/B Vacancy



VACANCY

Vacancy rates have continued to drop over the past year, albeit at a modest pace. The market will continue to see decreasing vacancy into 2016 but until we have new companies relocating or starting up in Colorado Springs our vacancy will continue to decrease modestly.

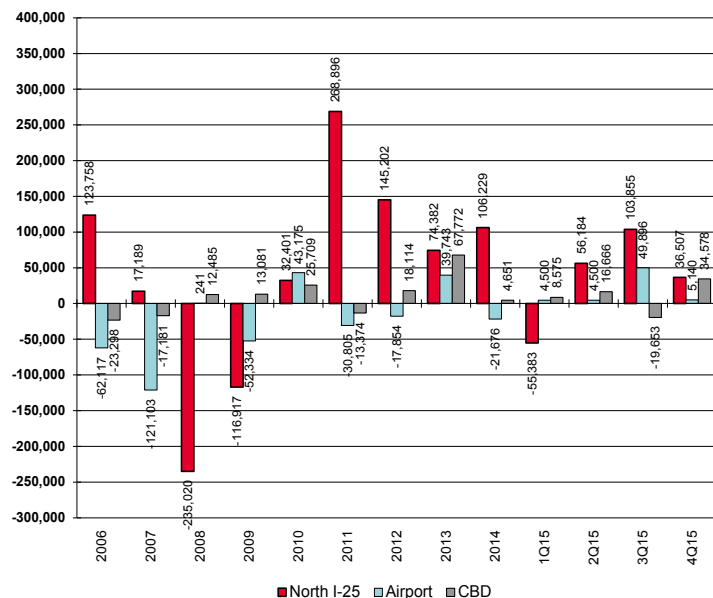
Class A/B Lease Rates (NNN/PSE)



LEASE RATES (NNN, Annual, Per RSF)

There has not been a significant shift in the asking lease rates in the past several years, as is evident in the adjacent graph. However, the actual leases being completed in the market are increasing while concessions decrease and we anticipate this trend to continue into the foreseeable future.

Class A/B Absorption (SF)



ABSORPTION

Absorption has been positive but at a minimum level. The reason behind this is that while the leasing activity has generally been increased there have been very few new companies coming to town and absorbing additional space.

Medical Market Statistics

| 4TH QUARTER 2015 | | | | | | | |
|-----------------------------|----------------|--------------|----------------|--------------|------------|------------|----------|
| | Total Bldg. SF | Available SF | Sublease Space | Vacancy Rate | Absorption | Lease Rate | NNN Exp. |
| Colorado Springs MOB Market | 1,644,899 | 195,756 | 2,680 | 11.76% | 34,905 | \$16.10 | \$8.98 |

OVERALL - VACANCY RATE: 11.76%

AVAILABILITY RATE (includes sublease space): 11.92%

Medical Office Market Overview

The Colorado Springs medical office market continued the strong path it began in early 2014. The continued growth of the city, coupled with the robust hospital systems of Centura and University of Colorado Health continuing to expand and acquire practices within the market, has driven the market into stabilization following the downturn in 2007. The leasing trend has favored the newer and higher quality assets and the projects built in the last cycle of 2005-2008 have achieved stabilized occupancy. With a limited amount of high quality on (or near) campus assets, 2016/2017 may see some quasi-speculative construction and certainly some upward pressure on lease rates.

Featured Medical Properties

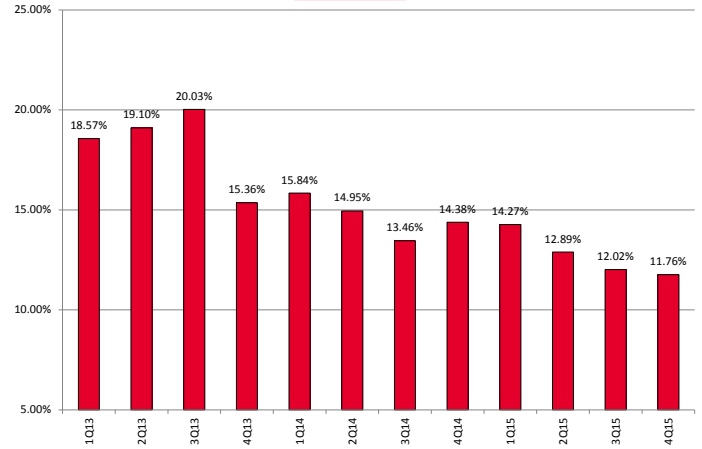


Briargate Medical
4105 Briargate Parkway
1,978 to 13,079 SF For Lease

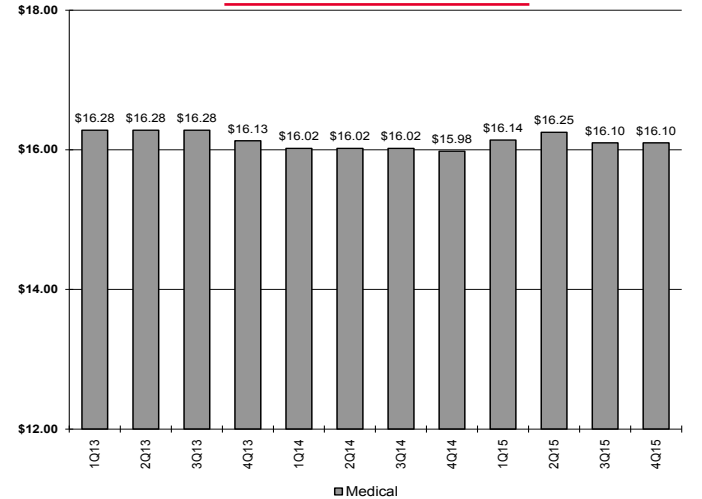


Northcare at St. Francis
6071 East Woodmen Road
3,841 SF For Lease

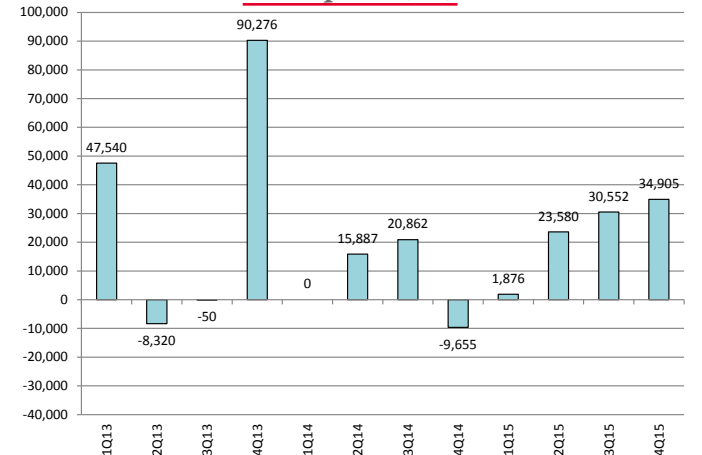
Vacancy



Lease Rates (NNN/PSF)



Absorption (SF)



Colorado Springs Commercial

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