

Quick Stats

	Change from last		
	2Q15	Yr.	1Q15
Vacancy	21.25%	▼	▼
Lease Rates psf/yr	\$13.32	▼	▲
Net Absorption*	77,350	▲	▲

Hot Topics

- Investment activity remains strong as investors seek yield in Colorado Springs.
- New Colorado Springs' Mayor, John Suthers, makes commitment to job growth and to an administration that will work collaboratively with City Council.
- Medical market activity remains stagnant, proximity to hospital campuses remains important.
- Penrose Hospital considers new west side hospital on ground-up development.
- Olympic Museum to begin construction in CBD late 2015.
- New construction in CBD drives up vacancy rate.
- DOD tenants show signs of steady but modest improvement and need for additional SF.



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Class A/B Office Market Overview

Despite feeling more upbeat about the current state of the Colorado Springs' office market, the statistics don't look much different than they did two, or even three, years ago when overall vacancy registered 21% and the average quoted lease rate in the market was \$13.08. During the intervening period the vacancy rate has remained close to 21% and quoted lease rates have had only a modest increase. While this is a vast improvement since the market's low point in 2010 where vacancy approached 35%, the momentum we experienced from 2011 through early 2013 that attributed to positive absorption and dwindling vacancy rates has been lost.

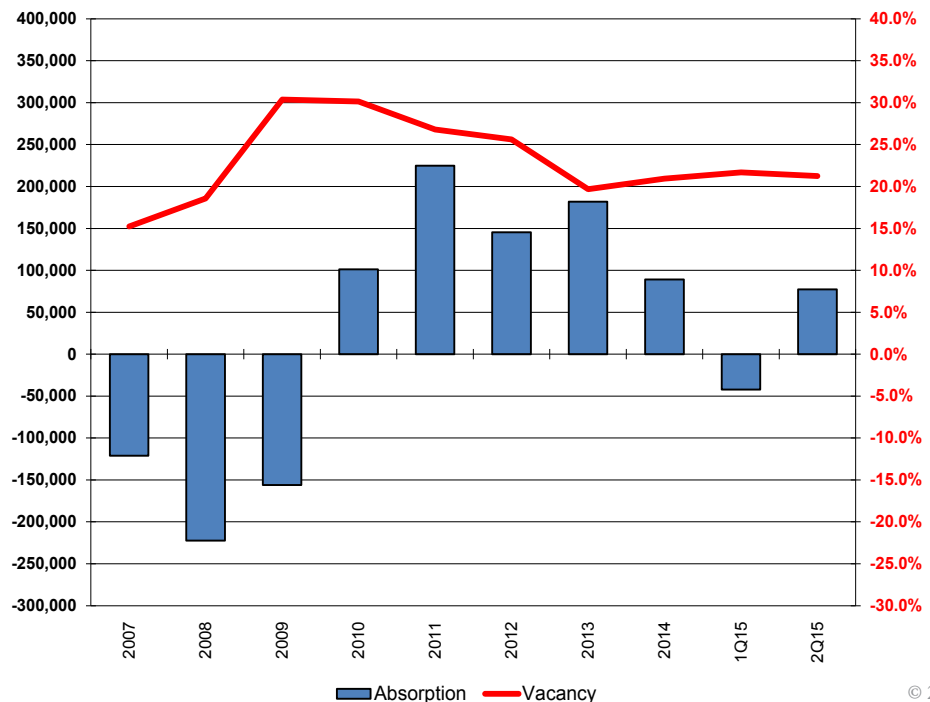
Recently we have seen major employers, including Everest College, Focus on the Family, Quantum Corporation, Verizon, and others reduce their work force or close their operations and bring to market large blocks of vacancy that have eroded progress. Compounding that has been companies who have historically leased space have taken advantage of the poor market conditions and purchased their own real estate to occupy, leaving behind space that is added to the overall market vacancy. These events have added large blocks of vacancy, in some cases more than 100,000 square feet, to the overall market vacancy. These spaces are often difficult or cost prohibitive to subdivide for smaller users and remain on the market for extended periods until a large employer requires appropriate space. Such an event often requires the city to compete for companies not currently in Colorado Springs and our success over recent years has been modest, the highlight being Sierra Nevada Corporation which is currently building its new facility at the Colorado Springs airport.

On the positive side we have seen smaller companies, especially those in high tech, grow organically, adding to their staff and leasing up more space. Of particular note are Value Options, Spectranetics, Cherwell, HGST, CareCore and Home Advisors who have been experiencing very positive growth and have had to lease more space. What we have not experienced in the market is a new company coming to our community and leasing up one of the large blocks of vacancy. Until that occurs it will be a slow road to recovery.

For tenants who want to take advantage of the market, especially those in the sub 10,000 sf size, there are limited "deals" to find. One of the reasons is the hike in costs for construction and making the necessary improvements to vacant space to accommodate a new tenant. These costs have increased significantly and landlords can no longer provide "turnkey" build-out at their quoted lease rates. This is requiring tenant's to either amortize or pay out of pocket for some of the build out costs – driving up their occupancy costs.

With the general health of the economy the real estate market will likely continue to get better, but at a modest pace, meaning for the time being there will remain ample opportunities for tenants to find space that works for them, and at reasonable rates.

Class A/B Vacancy Rate VS Net Absorption



Market Statistics

COLORADO SPRINGS CLASS A OFFICE STATISTICS 2ND QUARTER 2015							
Office Submarket	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
NORTH I-25 CORRIDOR:							
2ND Q 2015	5,631,808	1,231,207	64,725	21.86%	56,184	\$12.68	\$7.61
YTD 2015					801		
Airport (SOUTHEAST) AREA:							
2ND Q 2015	1,491,894	412,736	57,495	27.67%	4,500	\$13.00	\$7.54
YTD 2015					9,000		
CENTRAL BUSINESS DISTRICT:							
2ND Q 2015	1,914,079	276,980	0	14.47%	16,666	\$15.22	\$8.51
YTD 2015					25,241		
TOTAL CLASS A MARKET							
TOTALS FOR 2ND Q 2015	9,037,781	1,920,923	122,220	21.25%	77,350	\$13.32	\$7.78
TOTALS YTD 2015					35,042		

OVERALL VACANCY RATE: 21.25%

AVAILABILITY RATE (includes sublease space): 22.61%

Significant Transactions

BUILDING NAME	ADDRESS	TENANT	SQUARE FEET	QTR
LEASE TRANSACTIONS				
Patriot at Interquest IV	9960 Federal Drive	Jabil	10,192	2nd 2015
Briargate Tech	8415 Explorer Drive	JMark	10,076	1st 2015
1st Bank Building	2 N Cascade Avenue	Northwestern Mutual	14,598	1st 2015
Wells Fargo Tower	90 S Cascade Avenue	Merrill Lynch	11,362	1st 2015
1st Bank Building	2 N Cascade Avenue	Hogan & Hartson	8,826	1st 2015
Garden Gateway Plaza	1365 Garden of the Gods	CBA	5,017	1st 2015
SALE TRANSACTIONS				
Northcreek Campus	5725 Mark Dabling	\$15,750,000	Investor	1st 2015
4310-4390 Arrowswest Drive	4310-4390 Arrowswest Drive	\$3,550,000	Investor	1st 2015
Union Medical Plaza	3027 N Circle Drive	\$3,225,000	Investor	1st 2015
Cygnnet Building	31 N Tejon	\$2,450,000	Investor	2nd 2015
1580 E Cheyenne Mountain	1580 E Cheyenne Mountain	\$1,600,000	User	2nd 2015

Featured Office Properties



Palmer Center
2 N & 90 S Cascade Ave
924 to 8,403 SF For Lease

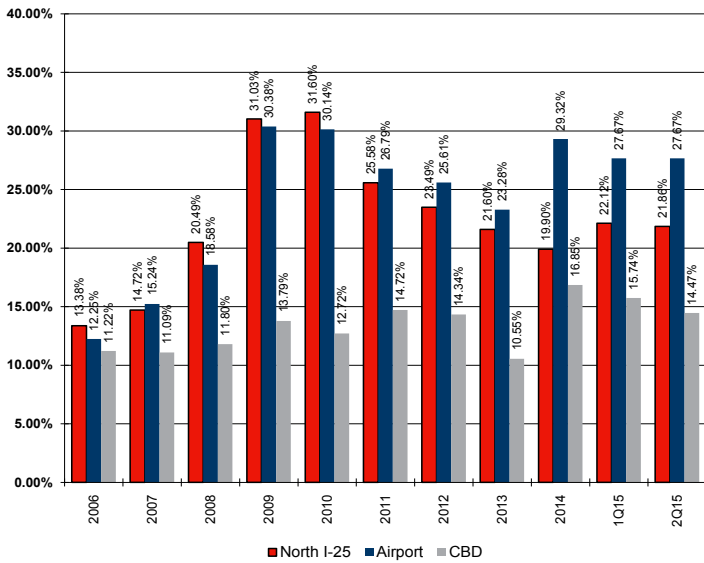


Patriot Interquest II
9925 Federal Drive
23,528 SF For Lease



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

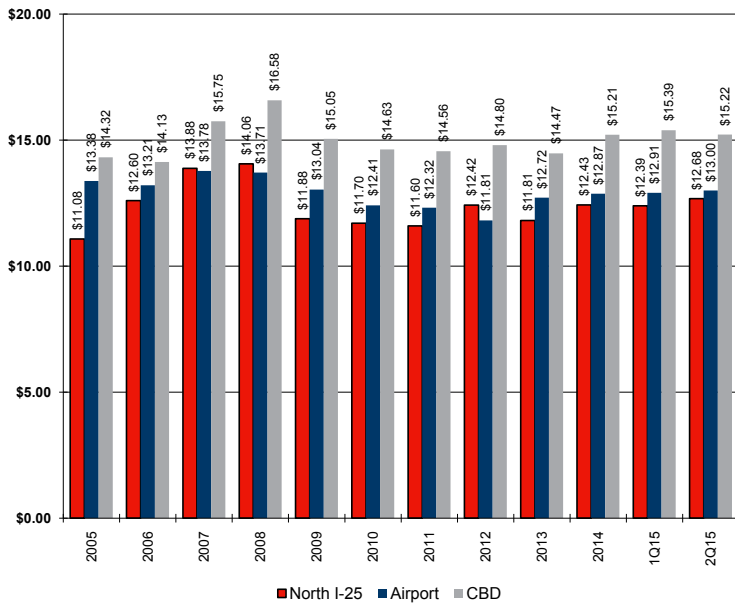
Class A/B Vacancy



VACANCY

Vacancy rates have continued to drop over the past 18 months, albeit at a modest pace. The market will continue to see decreasing vacancy throughout the rest of 2015 but until we have new companies relocating or starting up in Colorado Springs our vacancy will continue to decrease modestly.

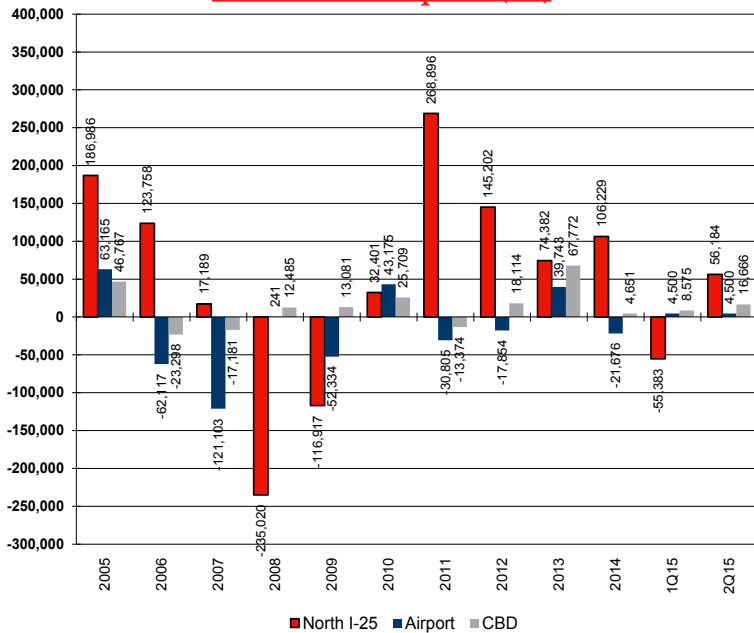
Class A/B Lease Rates (NNN/PSF)



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

2ND QUARTER 2015							
	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
Colorado Springs MOB Market	1,644,899	214,533	2,614	12.89%	23,580	\$16.25	\$9.01

OVERALL - VACANCY RATE: 12.89%

AVAILABILITY RATE (includes sublease space): 13.04%

Medical Office Market Overview

The overall health of the Medical Office Market can be characterized as consistently improving. The attached graphs show a great visual of a two year trend of decreased vacancy and modest increase in asking rents. The overall trend is the market has been, and will continue to be, toward the newer/higher quality northern locations and product types. There is no speculative development on the horizon, so we anticipate an increasingly tighter market into 2016.

Featured Medical Properties

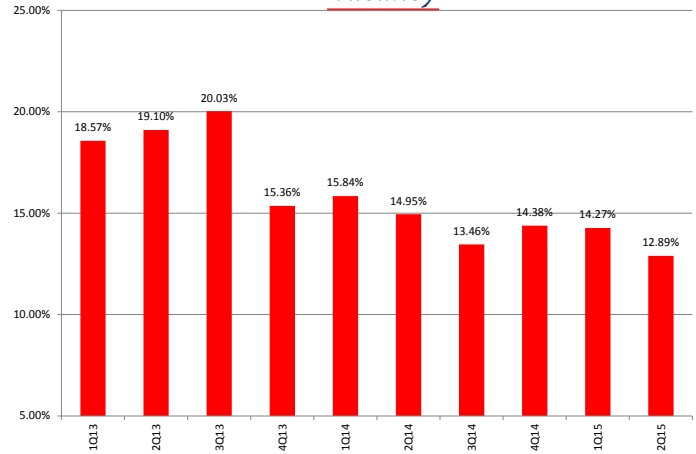


Union Medical Center
1625 Medical Center Pt
25,464 SF For Lease

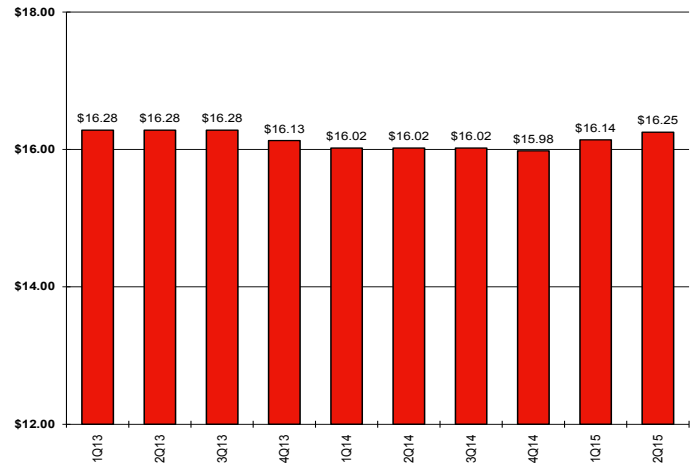


Northcare at St. Francis
6071 East Woodmen Road
13,724 SF For Lease

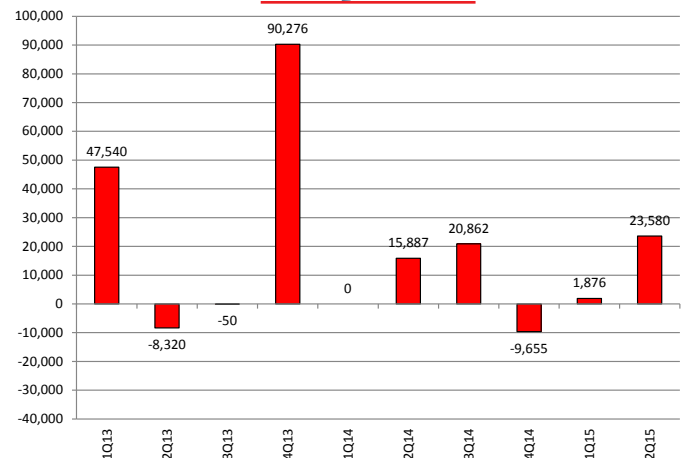
Vacancy



Lease Rates (NNN/PSF)



Absorption (SF)



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