



Since 2008 we have been reporting to you on both the downturn in the market and the anemic recovery that we've been experiencing the last two years. This slow, but steady, progress continues and we anticipate reporting positive absorption for year-end. This will result in lower vacancy rates, albeit modest improvements. Lease rates will continue to remain low until an overall healthy market emerges.

There is good news however, and that is we do see companies being more bullish on their future plans, and confident to make long-term commitments including plans for expansion. History shows that the most successful companies in all types of industries take a contrarian approach to growth and expansion by capitalizing on stagnant activity. As for our company, Colorado Springs Commercial, we have also been focused on the growth of our firm to position ourselves to take advantage of improving market conditions and serve our existing and growing base of clients. As such we are pleased to report adding professionals to service both the retail and industrial segments, as well as expand our level of service in the office and medical disciplines. Joining our firm in the third quarter of 2012 are the following experts:



Mike Helwege is an eight year veteran of the commercial real estate brokerage community in the Pikes Peak region. His primary focus is cultivating relationships with users, owners, investors and developers, concentrating primarily on industrial and suburban office properties. His goal is to provide his clients with performance that consistently exceeds expectations. Mike is an avid golfer and woodworker. He and his high school sweetheart, Kris, have been married since 2002 and have two young daughters, Hayley and Piper.

INDUSTRIAL



Greg Kaufman is the Senior Managing Director of retail brokerage. For the past 13 years he has focused on landlord representation, tenant representation, and development/acquisition services for a wide range of retail tenants, landlords, and developers in Colorado. Greg is a Colorado native and graduated from the University of North Dakota with a Bachelor of Accountancy degree and a minor in Spanish language studies. Greg is an avid golfer and enjoys outings with his wife Sheri and two young sons, Graham and Grant.

RETAIL



Weston Thomas began his commercial real estate career in 2010. Weston focuses on office/medical leasing and sales in Southern Colorado. Weston's finance background gives him expertise in investment analysis and valuation. He serves as a broker to a multitude of national and local medical office tenants in the region, as well as Landlord Representative to Class A and Class B office property owners. Weston graduated from Colorado State University with a BS in finance and real estate and a minor in economics. He and his wife are expecting their first child in November.

GENERAL



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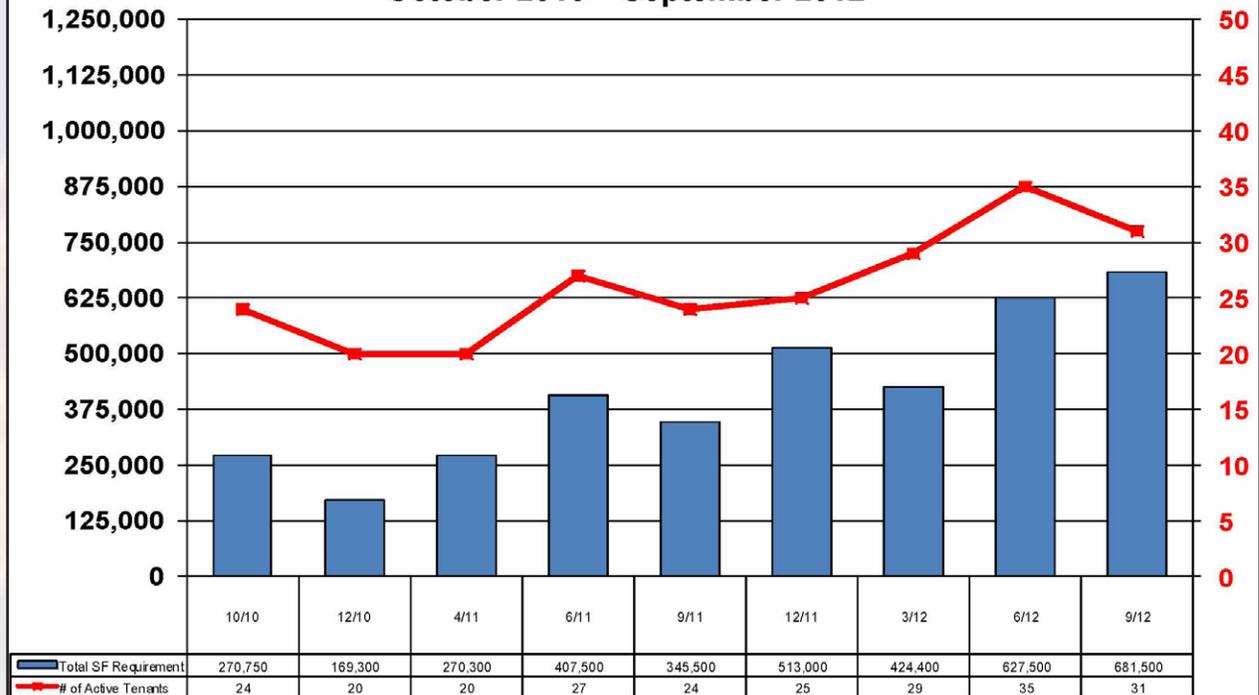


MARKET STATISTICS

COLORADO SPRINGS CLASS-A OFFICE STATISTICS 3RD QUARTER 2012

Office Submarket	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
NORTH I-25 CORRIDOR:							
3RD Q 2012	6,310,806	1,566,447	54,637	24.82%	4,145	\$11.64	\$7.56
YTD 2012					77,874		
AIRPORT (SOUTHEAST) AREA:							
3RD Q 2012	1,586,690	710,264	20,723	44.76%	14,981	\$11.85	\$7.04
YTD 2012					15,421		
CENTRAL BUSINESS DISTRICT:							
3RD Q 2012	1,803,132	243,032	33,534	13.48%	(20,758)	\$14.87	\$8.20
YTD 2012					33,893		
TOTAL CLASS A MARKET							
TOTALS FOR 3RD Q 2012	9,700,628	2,519,743	108,894	25.98%	(1,632)	\$12.79	\$7.60
TOTALS YTD 2012					127,188		
OVERALL - VACANCY RATE: 25.98%; AVAILABILITY RATE (includes sublease space): 27.10%							

LEASE ACTIVITY OVERVIEW NORTH I-25 CORRIDOR October 2010 – September 2012



FEATURED PROPERTIES



Garden Gateway Plaza
1365 Garden of the Gods Road
17,729 SF For Lease (divisible)



Academy Point Office Center
1030-1050 South Academy Blvd.
13,309 SF For Lease (divisible)



Corporate Center at Briargate
2060 Briargate Parkway
7,550 SF For Lease (divisible)



Quantum
10285 Federal Drive
70,000 SF For Lease (avail January 2013)



Briargate Tech Center
2375 Research Parkway & 8415 Explorer Drive
79,072 SF For Lease (divisible)



Palmer Center
2 North & 90 South Cascade Avenue
43,848 SF For Lease (divisible)

CLASS A OFFICE MARKET

3rdQ2012 Review

By Sub-Markets

The Central Business District registered 20,758 square feet of negative absorption in the third quarter and is the healthiest of the three submarkets with an overall vacancy rate of 13.48%. With very limited large blocks of space, tenant's seeking space in excess of 9,000 square feet will have limited options and little room to negotiate. The overall vacancy is comprised of spaces less than 5,000 square feet. We anticipate the health of this market to continue and for lease rates to begin to escalate in the second half of the year.

The North I-25 submarket, which is our largest and most diverse, registered 4,145 square feet of positive absorption in the third quarter yielding 77,874 year-to-date. Vacancy rates dropped to 24.82% and market-wide lease rates softened modestly. However, quality product in the master planned business parks, specifically Briargate Business Campus, have begun to see lease rates escalate and the market tighten. Provided demand continues we should see lease activity expand to older product along the interstate and with that an increase in lease rates market wide by year end.

The Airport submarket, for the second time in four years, registered positive absorption totaling 14,981 square feet for the third quarter. Overall the market continues to languish with YTD positive absorption of 15,421 square feet and a vacancy rate of 44.76%. This market has a long way to go to get healthy, and two quarters of good news over a four year period leaves us cautious as to predicting when the market will finally turn.

QUICK STATS – Class “A” Market

Vacancy: 25.98%
 Lease Rates: \$12.79 NNN
 Net Absorption YTD: 127,188 square feet

2012 OFFICE MARKET OUTLOOK

Vacancy: ➡ Net Absorption: ➡
 Lease Rate: ➡ Lease Activity: ➡

MEDICAL OFFICE MARKET

3RD QUARTER 2012							
	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Average Lease Rate	NNN Exp.
Colorado Springs MOB Market	1,587,417	343,839	52,199	21.66%	(29,057)	\$16.15	\$8.83
OVERALL - VACANCY RATE: 21.66%; AVAILABILITY RATE (includes sublease space): 25.43%							

Lease rates for medical office buildings generally range from \$17.00-\$21.00 per rentable square foot on new construction, and \$14.50-\$16.50 for second generation properties. 3rd Quarter 2012 numbers show an average asking lease rate of \$16.15 per square foot and negative absorption of 29,057 square feet.

As we look into the balance of 2012, we forecast the medical market continues its stabilization and expect to see vacancy rates decrease as the newer first generation buildings constructed on or near the Memorial and Penrose Campuses fill up with tenants expanding in the northern part of town. Currently there are approximately 6 users active in the market totalling in excess of 75,000 square feet in new lease activity, which we anticipate will land before the end of the year. The YTD lease activity in 2012 has already lead to positive absorption and we expect that trend to continue through the rest of the year. While we don't anticipate the sentiment of uncertainty to change in 2012, there will be increased demand for space and limited speculative product that will be left available by late 2012.