

## Quick Stats

	Change from last		
	4Q17	Yr.	3Q17
Vacancy	14.98%	▼	▼
Lease Rates psf/yr	\$13.99	▲	▲
Net Absorption	97,094	▼	▲

## Hot Topics

- Colorado Springs named 8th best housing market for 2018
- The unemployment rate remained 4.1% for a third straight month, the lowest level since 2000
- Local development group plans a \$50M, 230-room Marriott-branded hotel for downtown Colorado Springs
- 10,000-seat stadium proposed for downtown Colorado Springs at Antlers Park
- 169,000 sf expansion of St. Francis Medical Center and \$110M Memorial North expansion break ground with an early 2019 completion expected



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## Class A/B Office Market Overview

The Colorado Springs Office Market ended 2017 in positive territory with some of the best leasing activity and absorption numbers the market has seen in over a decade. The fourth quarter numbers show overall positive absorption of 97,094 in all three submarkets and a modest increase in asking rent numbers to \$13.99 psf NNN. While the numbers are not eye-opening on the surface, the story behind the numbers and what it holds for the upcoming year is strongly encouraging. First, the market has continued to see a “flight to quality” demand from office tenants in all submarkets, universally. The newer/higher quality buildings continue to lead the pack with leasing activity, decreased leasing vacancy, and increases in the lease rates (deals completed, not asking rents). This demand for the higher quality product is not anticipated to slow down and with no speculative new development being delivered in the next twenty-four months, at best, we anticipate the best quality buildings will continue to excel.

Secondly, it is worth noting that there have been very few new companies that have opened or relocated to Colorado Springs in 2017. All indications are that trend will change in 2018 and beyond given current market prospects. Nonetheless, this does indicate that almost all of the growth and stability in the market is of companies expanding their local footprint. This speaks well for the overall growth and strength of the market when new companies to the market start operations in the city.

Thirdly, the terms for mutually executed leases have continued to firm up with fewer concessions such as free rent, increased tenant improvement packages, and rent numbers on par with asking rents. In other words, 2017 saw a pivotal shift from a tenant’s market to a landlord’s market and there are no indications that will change in the coming year.

When looking at the office market as a whole over the past year and as it ties into the overall growth of the city, there is little question that we reached a tipping point in 2017. The market has seen consistent but modest growth and that, combined with a tempered approach to growth and speculative development, has set the stage for a stable, balanced market for the foreseeable future.

## Market Statistics

COLORADO SPRINGS CLASS A OFFICE STATISTICS 4 <sup>th</sup> QUARTER 2017							
	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
<b>NORTH I-25 CORRIDOR:</b>							
4 <sup>th</sup> Q 2017	5,514,075	855,030	76,432	15.51%	51,630	\$13.56	\$7.58
YTD 2017					157,170		
<b>AIRPORT (SOUTHEAST) AREA:</b>							
4 <sup>th</sup> Q 2017	1,491,894	292,600	0	19.61%	19,764	\$13.47	\$7.37
YTD 2017					83,156		
<b>CENTRAL BUSINESS DISTRICT:</b>							
4 <sup>th</sup> Q 2017	2,065,622	211,290	9,400	10.23%	25,700	\$15.37	\$8.50
YTD 2017					38,204		
<b>TOTAL CLASS A MARKET</b>							
TOTALS FOR 4 <sup>th</sup> Q 2017	9,071,591	1,358,920	85,832	14.98%	97,094	\$13.99	\$7.75
TOTALS YTD 2017					278,530		

OVERALL VACANCY RATE: 14.98%

AVAILABILITY RATE (includes sublease space): 15.93%

## Significant Transactions

BUILDING NAME	ADDRESS	TENANT	SQUARE FEET	QTR
<b>LEASE TRANSACTIONS</b>				
Briargate Medical	4125 Briargate Parkway	Children's Hospital	75,596	4 <sup>th</sup>
Interquest Office	10205 Federal Drive	ConcealFab	49,734	4 <sup>th</sup>
Patriot at Newport	1055 Newport Road	Serco	45,551	3 <sup>rd</sup>
Epic One	10807 New Allegiance Drive	Church Community Builder	27,523	3 <sup>rd</sup>
PrimeCenter at Briargate	2315 Briargate Parkway	AECOM	14,088	4 <sup>th</sup>
Briargate Office Center	1755 Telstar Drive	UIC Nappairit	13,096	3 <sup>rd</sup>
<b>SALE TRANSACTIONS</b>				
Colorado Square	2 N Nevada Avenue	\$34,600,000/\$140.51 psf	Investor	3 <sup>rd</sup>
Tech Center II	5555 Tech Center Drive	\$19,150,000/\$130.97 psf	Investor	4 <sup>th</sup>
InterQuest Office Park	9965 Federal Drive	\$14,250,000/\$172.23 psf	Investor	4 <sup>th</sup>
Classic Corporate Centre	6385 Corporate Drive	\$10,400,000/\$158.02 psf	User	3 <sup>rd</sup>
1259 Lake Plaza	1259 Lake Plaza Drive	\$7,060,600/\$172.94 psf	Investor	4 <sup>th</sup>
Woodmen Corporate Center	7150 Campus Drive	\$4,800,000/\$47.17 psf	Investor	3 <sup>rd</sup>

## Featured Office Properties



Colorado Square  
2 N Nevada Ave  
1,714 to 15,220 SF For Lease

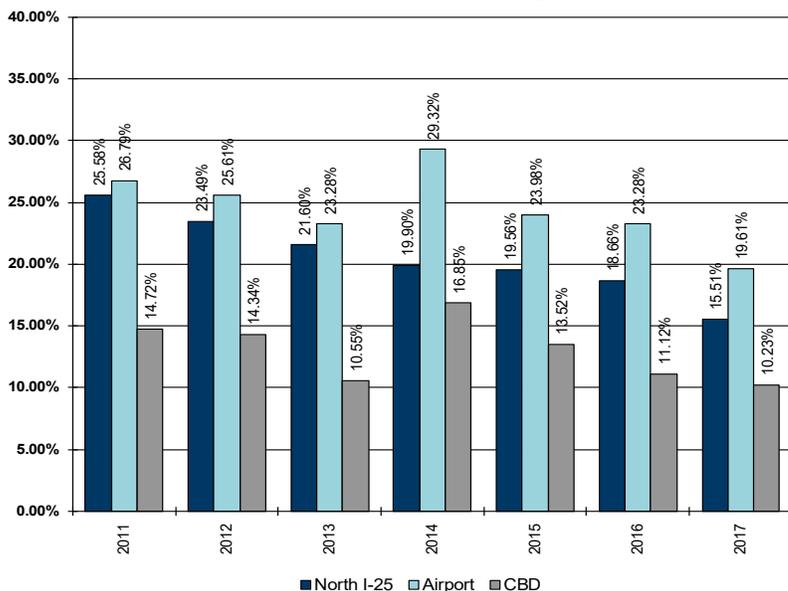


Patriot Park VI  
655 Space Center Dr  
Up to 103,970 SF For Lease



Presidio  
1155 Kelly Johnson Blvd  
1,437 to 13,526 SF For Lease

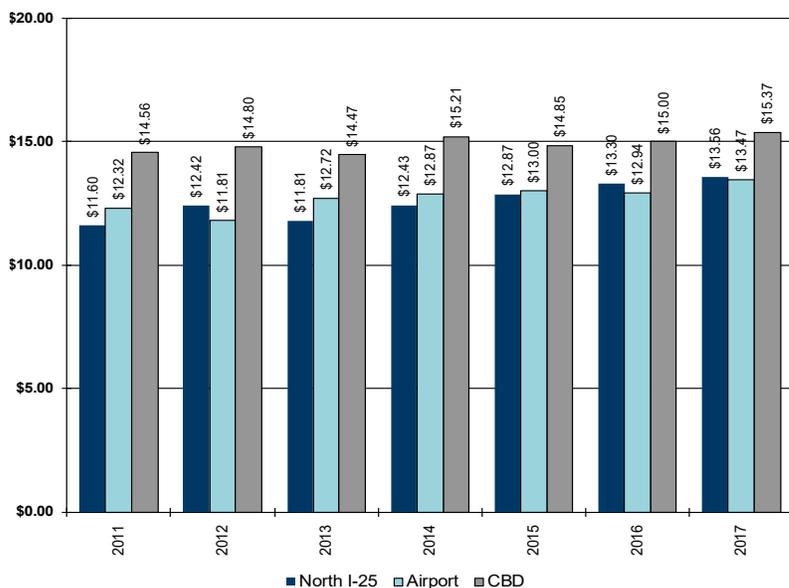
### Class A/B Vacancy



### VACANCY

Vacancy rates continued to decrease in the second half of the year and in all submarkets. We continue to await the arrival of a substantial new requirement to take down one of the 100,000 sf blocks of vacancy that continue to inflate the overall vacancy. The majority of multi-tenant buildings have seen reduced vacancy, and the level of activity in the market suggests the vacancy rate will continue to drop steadily in the first half of 2018. There are notable decreases in vacancy throughout 2017 in both North I-25 Corridor and Airport submarkets.

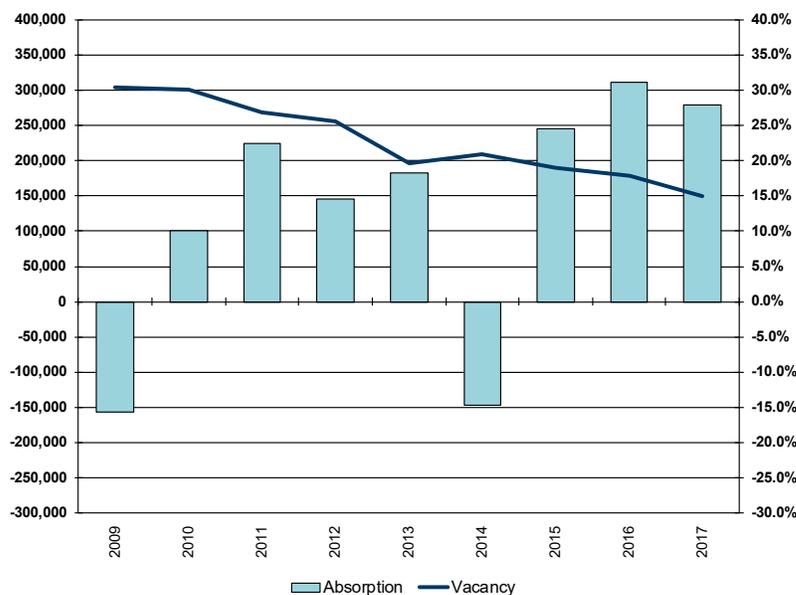
### Class A/B Lease Rates (NNN/PSF)



### LEASE RATES (NNN, Annual, Per RSF)

With the overall improving market, we continue to see most properties push lease rates up and hold the line in negotiations. Older, mid-80's generation buildings continue to pull the average down, but many of them are starting to increase their rates with the improving market; the CBD market is pushing \$20.00 and higher-quality suburban product is now at \$17.00. We anticipate the overall average to increase through 2018, but asking rates will only increase modestly and it will be the actual deal terms that will truly reflect the improving market.

### Class A/B Vacancy Rate VS Net Absorption (SF)



### ABSORPTION

Absorption has been strong in 2017, and we anticipate that to continue into 2018. For the first time in many years tenants are having a hard time finding quality space. As was previously mentioned, the leasing activity (not reflected in absorption numbers) was very strong in the first half of the year and all indicators are toward increased absorption and strong leasing activity throughout all three submarkets.

# Medical Market Statistics

4 <sup>th</sup> QUARTER 2017							
	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
Colorado Springs MOB Market	1,655,998	189,585	0	11.45%	(55,743)	\$16.37	\$8.80

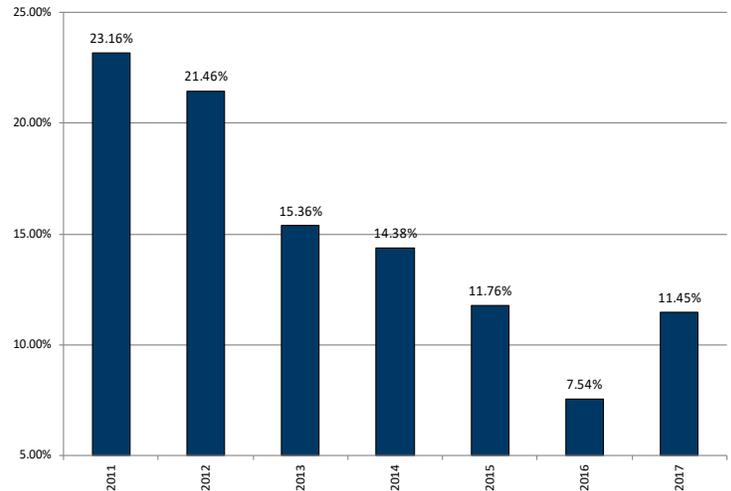
OVERALL - VACANCY RATE: 11.45%

AVAILABILITY RATE (includes sublease space): 11.45%

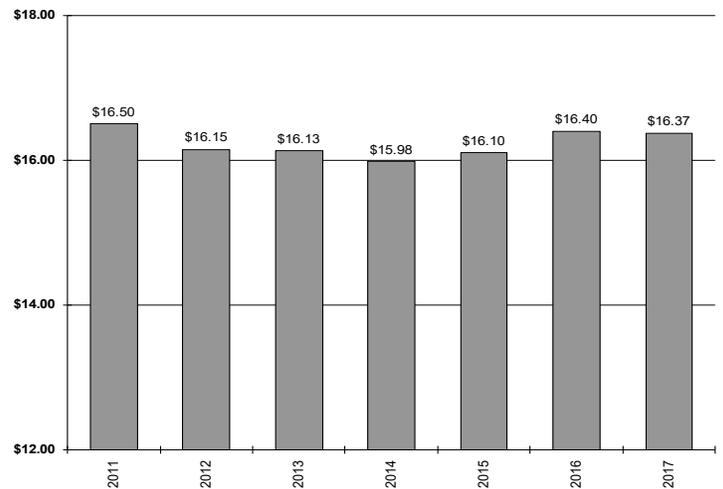
## Medical Office Market Overview

The medical market in Colorado has remained very strong throughout 2017. Virtually all of the higher quality MOBs (predominantly in northern Colorado Springs) are 95%± occupied and there are a couple of smaller speculative projects scheduled to break ground in 2018. The uptick for the 4th Quarter vacancy is due to vacancy that came online east of downtown by the UCH main campus. The overriding trend in the market has been a shift to the growth areas in the north and northeast parts of town and we anticipate that trend to continue throughout the coming year.

### Vacancy



### Lease Rates (NNN/PSF)



## Featured Medical Properties



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



Northcare at St. Francis  
6071 East Woodmen Road  
1,841 to 5,034 SF For Lease

### Absorption (SF)

