

### Quick Stats

	Change from last		
	4Q14	Yr.	3Q14
Vacancy	20.93%	▼	▲
Lease Rates psf/yr	\$13.12	▲	▲
Net Absorption*	(146,135)	▼	▲

### Hot Topics

- Investment activity remains strong as investors seek yield in Colorado Springs.
- Cushman & Wakefield/Colorado Springs Commercial growing Industrial, Retail and Support teams, increasing market share.
- Medical market activity remains stagnant, proximity to hospital campuses remains important.
- City for Champions (www.cityforchampions.com), an effort to significantly impact the economic vitality of the City, is completing the process of City review and funding.
- New construction in CBD drives up vacancy rate.
- Lease rates begin to escalate for the first time in many years.



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### Class A/B Office Market Overview

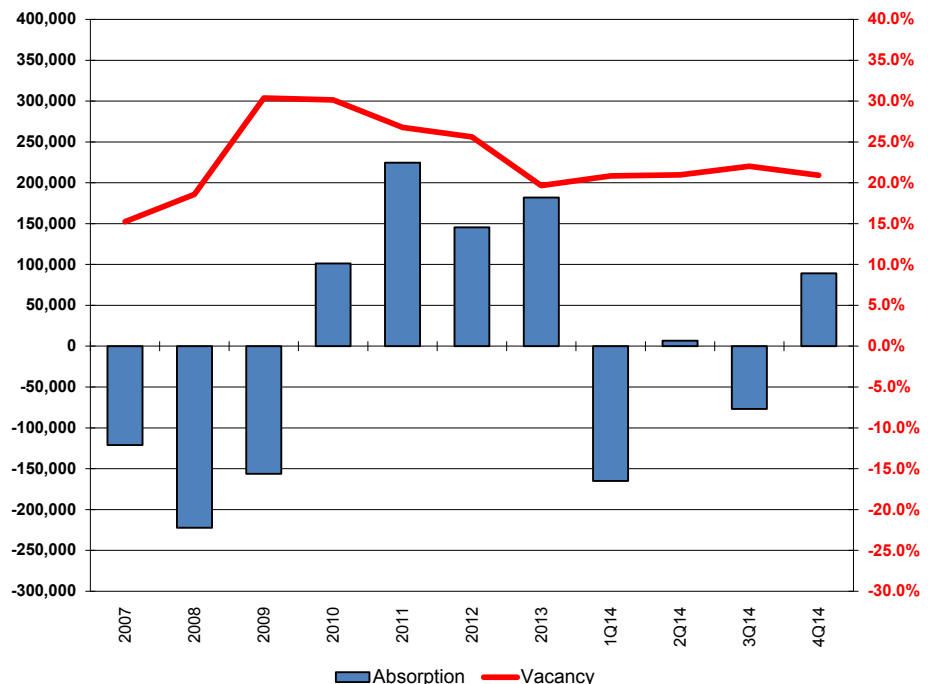
The Colorado Springs Office Market has ended 2014 in the black! Following the statistical low in Q1 2010, we have seen very modest growth (absorption, rents, lease activity etc) over the last 4 years punctuated by mild setbacks. Our forecasts have been conservatively on track quarter after quarter for the past 4.5 years with the reality of the market being stagnant with limited velocity but gradual forward momentum.

For the first time in five years, we are seeing leasing activity, absorption and an overall positive outlook in the market which has returned to prerecession levels. While the Colorado Springs market has not yet had significant job growth with new companies relocating to the city, many of the companies in the market are looking at expansions and future growth plans. This, coupled with the fact that there has been little to no speculative product out in the market since the last building cycle in 2008, are all indications for a much improved 2015.

Of the three major submarkets in Colorado Springs; Airport Area, CBD and North I-25 Corridor, the latter is the most diverse and has seen the most activity with 4th Q 2014 absorption of 106,229 sf. The CBD has remained relatively healthy and the negative absorption of (99,547 for year end 2014) is primarily attributable to the giveback of 80,000 sf by Kinder Morgan in Q1 in a formerly single tenant building. The airport area has been a submarket that has struggled more than the others over the past several years due to its heavy concentration of DoD contractors and a prerecession flight to quality that left several functionally obsolescent buildings in the market. 2014 ended the year with approx. 102,000 sf of negative absorption which is a lag result of many government contractors that have 'right sized' of the past several years.

The forecast going into 2015 is one of moderate, consistent strengthening of the market. While we do not anticipate spikes in rent or abnormally high lease activity and absorption, we do anticipate steady positive pressure on the market to push rates upward and even the likelihood of some speculative new product being announced during the course of the year.

### Class A/B Vacancy Rate VS Net Absorption



## Market Statistics

COLORADO SPRINGS CLASS A OFFICE STATISTICS 4TH QUARTER 2014							
Office Submarket	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
<b>NORTH I-25 CORRIDOR:</b>							
4TH Q 2014	5,631,808	1,120,460	162,013	19.90%	106,229	\$12.43	\$7.57
YTD 2014					77,438		
<b>Airport (SOUTHEAST) AREA:</b>							
4TH Q 2014	1,569,594	460,127	74,312	29.32	(21,676)	\$12.87	\$7.30
YTD 2014					(102,434)		
<b>CENTRAL BUSINESS DISTRICT:</b>							
4TH Q 2014	1,805,365	304,289	0	16.85%	4,651	\$15.21	\$8.24
YTD 2014					(99,547)		
<b>TOTAL CLASS A MARKET</b>							
TOTALS FOR 4TH Q 2014	9,006,767	1,884,876	236,325	20.93%	89,204	\$13.12	\$7.64
TOTALS YTD 2014					(146,135)		

**OVERALL VACANCY RATE: 20.93%; AVAILABILITY RATE (includes sublease space): 23.55%**

## Significant Transactions

BUILDING NAME	ADDRESS	TENANT	SQUARE FEET	QTR
<b>LEASE TRANSACTIONS</b>				
Briargate Medical Pavilion	4105 Briargate Pkwy	Kaiser Foundation Health Plan	20,267	4th 2014
Union Medical Campus	1625 Medical Center Pt	William Storms Allergy Clinic	8,832	4th 2014
Patriot at Interquest II	9925 Federal Dr	Value Options	20,463	4th 2014
Patriot Park VII	565 Space Center Dr	Summit Technical Solutions	14,155	3rd 2014
Wells Fargo Tower	90 S Cascade Ave	Wells Fargo	48,223	3rd 2014
Wells Fargo Tower	90 S Cascade Ave	BombBomb	15,098	4th 2014
Briargate Tech	8415 Explorer Dr	GSA	11,500	4th 2014
<b>SALE TRANSACTIONS</b>				
Centennial Technology Center	4920 Centennial Blvd	\$15,500,000.00	Investor	4th 2014
	621 S Sierra Madre St	\$4,014,105.00	Investor	4th 2014
	5725 Erindale Dr	\$3,800,000.00	User	4th 2014
	2270 La Montana	\$2,500,000.00	Investor	4th 2014
Offices at the Park	2790 N Academy Blvd	\$1,900,000.00	Investor	4th 2014

## Featured Office Properties



**Palmer Center**  
2 N & 90 S Cascade Avenue  
924 to 3,736 SF For Lease

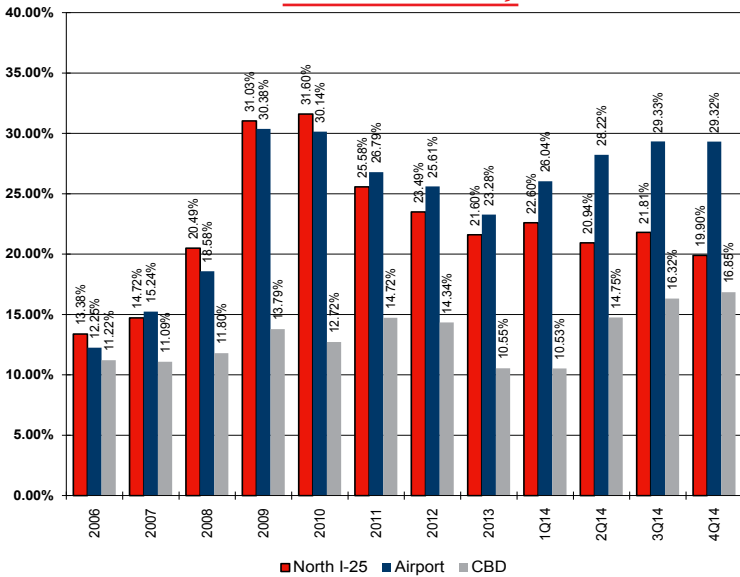


**Patriot Interquest II**  
9925 Federal Drive  
20,191 SF For Lease

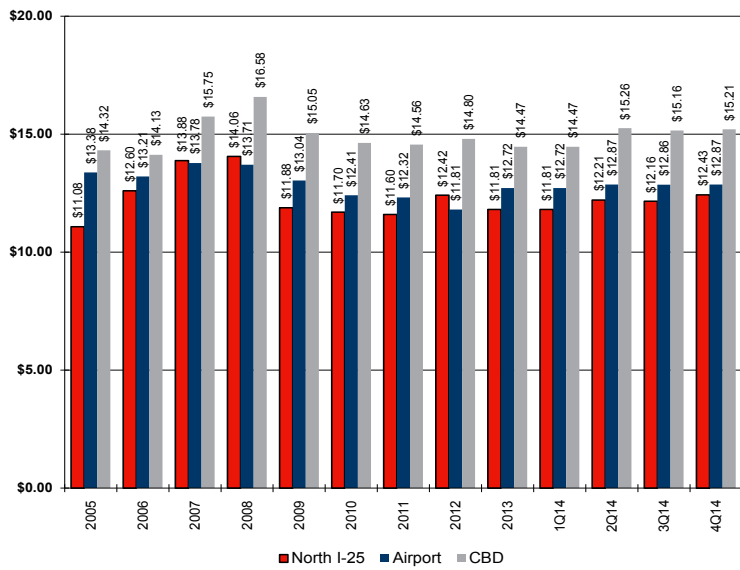


**Patriot Park VII**  
565 Space Center Drive  
33,828 SF For Lease (divisible)

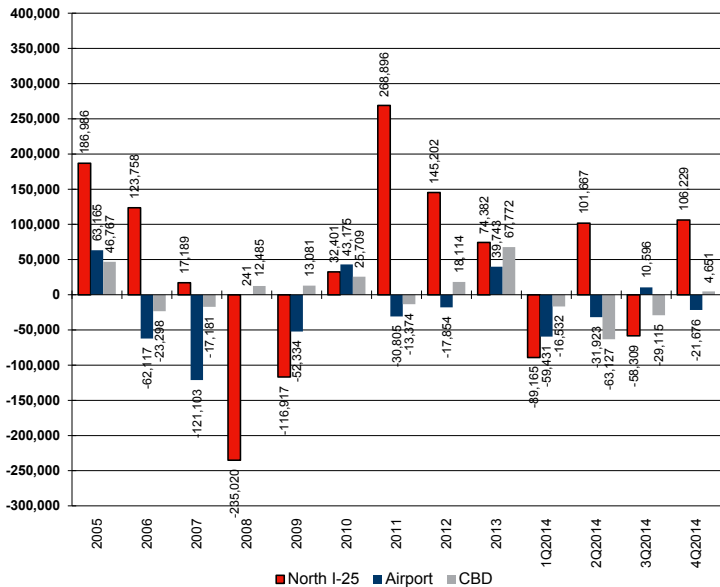
**Class A/B Vacancy**



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



**Class A/B Absorption (SF)**



**VACANCY**

Vacancy rates are down in the North I-25 submarket, which is the city's largest and most dynamic at 5.6 million square feet. Both the Airport and CBD remained relatively flat for 4th quarter, but with stronger lease activity we forecast 1st quarter vacancy to be down in all three submarkets, and for this trend to continue through 2015.

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

Lease rates have begun to escalate over the course of 2014 in a meaningful way as new building owners, and old, look to take advantage of a slowly improving market. Higher quality properties are seeing the greatest increase as they generally represent the lowest vacancy, but across the board rates are increasing and we anticipate the trend to continue.

**ABSORPTION**

Absorption for year-end was slightly negative but 4th quarter saw solid absorption in North I-25, slightly negative in Airport, and nominally positive in CBD. Indications are for consecutive quarters of positive absorption going forward as lease activity picks up and we forecast a robust 2015.

# Medical Market Statistics

4TH QUARTER 2014							
	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
Colorado Springs MOB Market	1,644,899	239,455	2,614	14.38%	(9,655)	\$15.98	\$8.96

OVERALL - VACANCY RATE: 14.38%; AVAILABILITY RATE (includes sublease space): 14.54%

## Medical Office Market Overview

Overall the medical office market is healthy but not seeing robust activity. For the past 24 months the trend has been toward absorption and lease activity in the newer (northern) MOB product. We anticipate this trend to continue and the newest buildings to reach stable occupancy during 2015. That said, new speculative development appears to be a ways off which should put positive pressure on lease rates.

## Featured Medical Properties

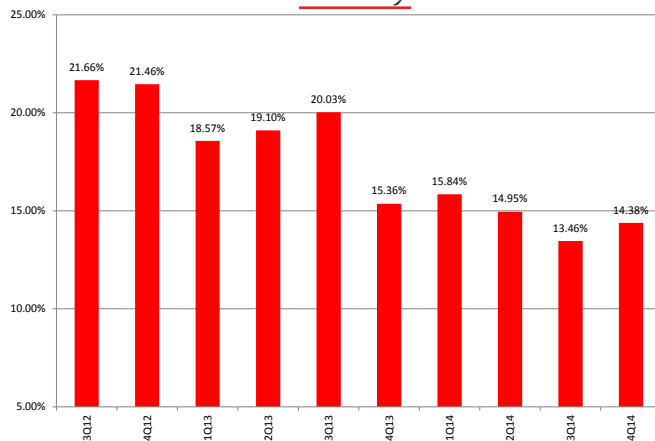


Union Medical Center  
1625 Medical Center Pt  
25,464 SF For Lease



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

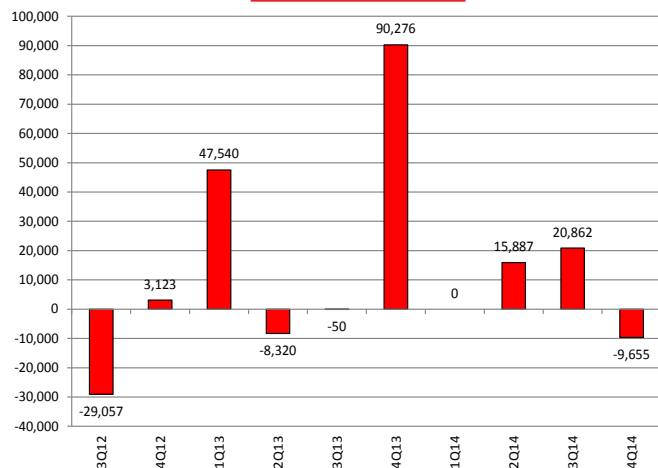
### Vacancy



### Lease Rates (NNN/PSF)



### Absorption (SF)



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