

### Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate rose .01 percentage points from 3.8% in January 2016 to 3.7% in January 2017. The unemployment rate decreased due to less people looking for work and compares favorably to Colorado (5.5%) and lower than the US (5.1%). The Colorado Springs statistical area nonfarm job creation was up 3.1% totaling 8,500 jobs over the past year. Retail using jobs (industries include trade transportation and utilities) added 2,100 jobs from January 2016 to January 2017.

### Market Overview

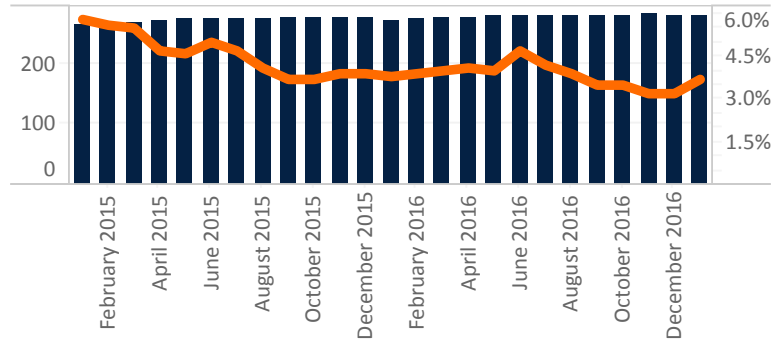
The Colorado Springs retail market recorded 54,577 square feet (sf) of negative absorption during 1Q 2017. The total vacancy rate has increased slightly from 6.6% in 4Q 2016 to 6.8% at the close of 1Q 2017. Direct vacancy rates increased 0.2 percentage points from 6.5% to 6.7% during the same time period. Weighted average rent growth continued to improve during 1Q 2017 especially in strip center properties in the Central, East, Falcon and Northwest submarkets. Weighted average asking rents in all classes increased 0.7% from 4Q 2016 bringing the 1Q 2017 overall rate to \$12.40 psf.

### Market Highlights

Leasing and sales activity was strong in the first quarter with many new "concepts" looking to enter the market. 'Quick Serve' type restaurants remain extremely active, while full service restaurants are sluggish. Primary drivers of 1Q 2017 leasing activity continued to be Food, Fitness and Entertainment. All of the newer "hot" areas continue to lease at a very quick pace, which is putting upward pressure on already high rental rates. Leasing activity in older centers, however, is flat. Mid-sized and Big Box type buildings are suffering due primarily to the vacancies of several large national retailers. Rental rates in the East, Falcon and Tri-Lakes submarkets continue to increase, whereas most of the other submarkets throughout the region are showing moderate decreases.

### Colorado Springs Employment

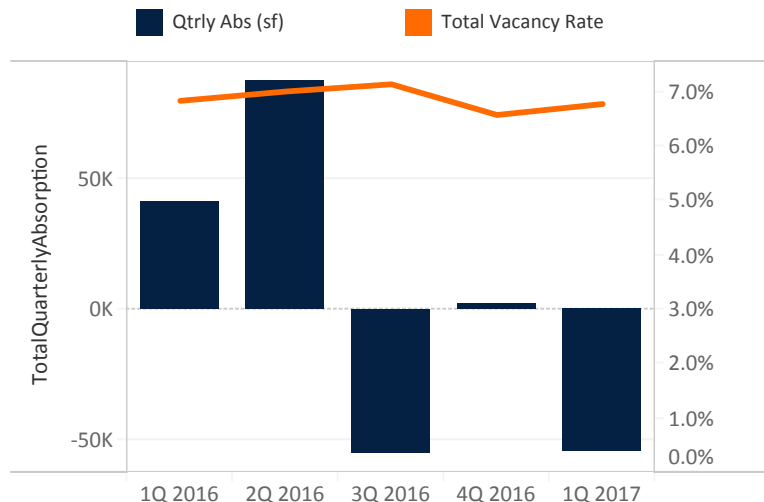
Source: BLS



### Market Recap

Inventory (sf)	34,623,033
# of Bldgs	1,459
Qtrly Abs (sf)	-54,577
Total Avail Rate	7.0%
Total Vacancy Rate	6.8%
U/C Inventory (sf)	249,485
Delivered (sf)	3,300
Weighted Average Asking Rate (NNN)	\$12.40

### Absorption and Vacancy Rate



### Overview by Specific Use (Total)

Specific Use	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Conv/Strip Ctr	3,116,182	335,158	279,970	9.0%	4,995	4,995
Free/Gen	14,224,358	651,345	494,223	3.5%	-1,588	-1,588
Nbrhd/Comm Ctr	14,152,648	1,233,975	1,360,388	9.6%	-48,976	-48,976
Reg/Power Ctr	3,129,845	212,073	212,073	6.8%	-9,008	-9,008
Overall	34,623,033	2,432,551	2,346,654	6.8%	-54,577	-54,577

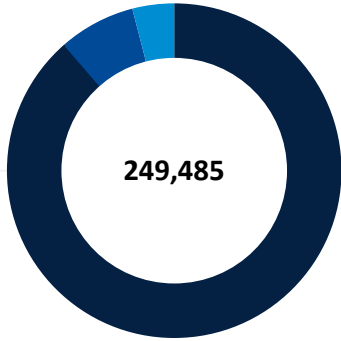
### Overview by Market (Total)

Market Name	Specific Use	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
CBD	Conv/Strip Ctr	4,278	0	0	0.0%	0	0
	Free/Gen	641,017	19,860	19,860	3.1%	-4,400	-4,400
	Nbrhd/Comm Ctr	36,446	0	0	0.0%	0	0
Central	Conv/Strip Ctr	696,843	84,481	79,484	11.4%	3,535	3,535
	Free/Gen	3,629,856	224,702	122,394	3.4%	708	708
	Nbrhd/Comm Ctr	4,515,482	697,461	670,296	14.8%	-10,014	-10,014
	Reg/Power Ctr	911,698	148,535	148,535	16.3%	-10,066	-10,066
East	Conv/Strip Ctr	269,507	53,708	20,050	7.4%	2,419	2,419
	Free/Gen	1,108,626	13,026	10,881	1.0%	0	0
	Nbrhd/Comm Ctr	1,549,929	44,363	195,250	12.6%	-1,053	-1,053
	Reg/Power Ctr	1,162,424	13,538	13,538	1.2%	1,058	1,058
Falcon	Conv/Strip Ctr	101,283	380	380	0.4%	0	0
	Free/Gen	274,870	5,754	5,200	1.9%	0	0
	Nbrhd/Comm Ctr	492,244	2,840	2,840	0.6%	-1,440	-1,440
Ftn/ Scrty/ Wdfld	Conv/Strip Ctr	154,554	1,770	25,495	16.5%	0	0
	Free/Gen	366,833	1,670	1,670	0.5%	0	0
	Nbrhd/Comm Ctr	733,582	37,306	37,306	5.1%	0	0
	Reg/Power Ctr	207,450	0	0	0.0%	0	0
Grtr Dwtm	Conv/Strip Ctr	122,097	0	0	0.0%	0	0
	Free/Gen	944,526	44,356	35,255	3.7%	-5,241	-5,241
	Nbrhd/Comm Ctr	315,714	11,000	11,000	3.5%	0	0
Northeast	Conv/Strip Ctr	611,629	17,183	14,101	2.3%	664	664
	Free/Gen	2,053,596	13,133	8,236	0.4%	16,486	16,486
	Nbrhd/Comm Ctr	2,959,708	191,696	173,469	5.9%	-28,934	-28,934
	Reg/Power Ctr	848,273	50,000	50,000	5.9%	0	0
Northwest	Conv/Strip Ctr	297,374	24,751	15,329	5.2%	-3,700	-3,700
	Free/Gen	1,275,001	49,182	48,541	3.8%	-5,568	-5,568
	Nbrhd/Comm Ctr	596,978	19,587	16,657	2.8%	-6,439	-6,439
Southeast	Conv/Strip Ctr	281,275	49,418	21,664	7.7%	3,200	3,200
	Free/Gen	752,495	173,627	173,627	23.1%	0	0
Overall		34,623,033	2,432,551	2,346,654	6.8%	-54,577	-54,577

Overview by Market (Total) Cont'd

Market Name	Specific Use	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Southeast	Nbrhd/Comm Ctr	1,233,596	165,932	210,357	17.1%	-4,427	-4,427
Southwest	Conv/Strip Ctr	426,612	90,345	90,345	21.2%	0	0
	Free/Gen	1,743,899	25,785	14,888	0.9%	738	738
	Nbrhd/Comm Ctr	836,108	49,150	31,403	3.8%	3,478	3,478
Tllr Cty/ WdInd Pk	Conv/Strip Ctr	70,473	6,402	6,402	9.1%	-1,650	-1,650
	Free/Gen	70,580	0	0	0.0%	0	0
	Nbrhd/Comm Ctr	79,000	0	0	0.0%	0	0
Tri-Lakes	Conv/Strip Ctr	35,840	6,720	6,720	18.8%	527	527
	Free/Gen	427,057	20,078	25,678	6.0%	0	0
	Nbrhd/Comm Ctr	233,609	13,608	10,778	4.6%	-147	-147
W Side/ Mntu	Conv/Strip Ctr	44,417	0	0	0.0%	0	0
	Free/Gen	936,002	60,172	27,993	3.0%	-4,311	-4,311
	Nbrhd/Comm Ctr	570,252	1,032	1,032	0.2%	0	0
Overall		34,623,033	2,432,551	2,346,654	6.8%	-54,577	-54,577

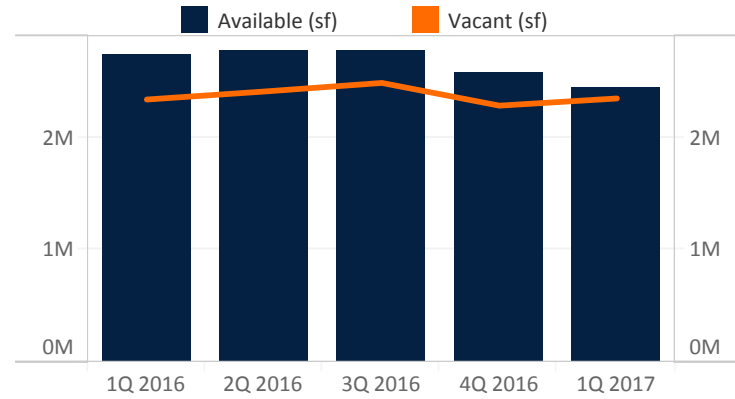
#### Construction by Market



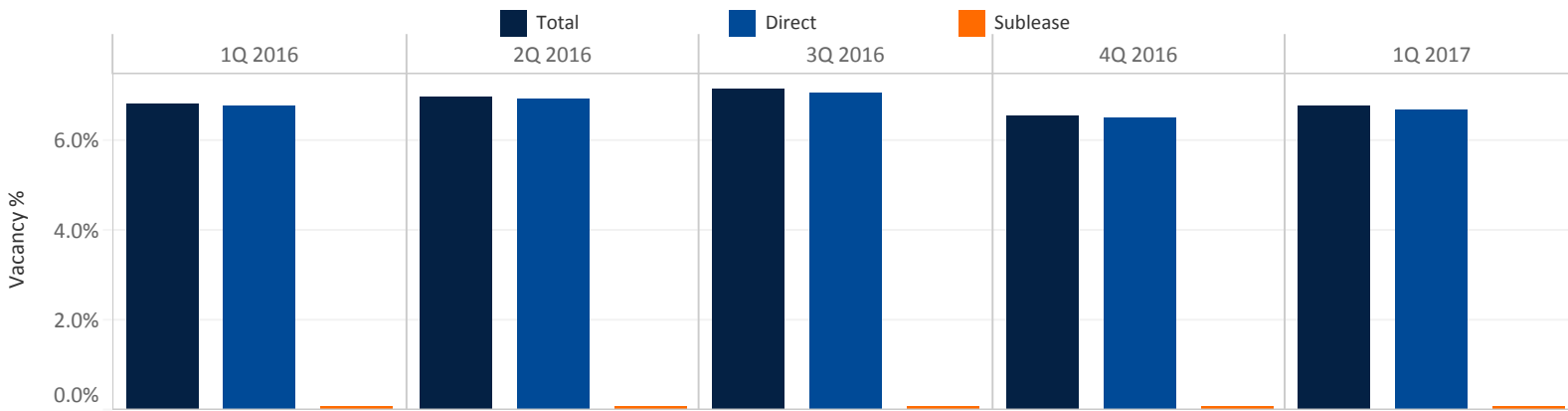
Rank

- East
- Falcon
- Northeast

#### Total Available and Vacant



#### Vacancy Rate



#### Overview by Specific Use (Direct)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Conv/Strip Ctr	3,116,182	332,658	279,970	9.0%	4,995	4,995
Free/Gen	14,224,358	623,907	467,743	3.3%	-1,588	-1,588
Nbrhd/Comm Ctr	14,152,648	1,233,975	1,360,388	9.6%	-48,976	-47,536
Reg/Power Ctr	3,129,845	212,073	212,073	6.8%	-9,008	-9,008
Overall	34,623,033	2,402,613	2,320,174	6.7%	-54,577	-53,137

#### Overview by Specific Use (Sublease)

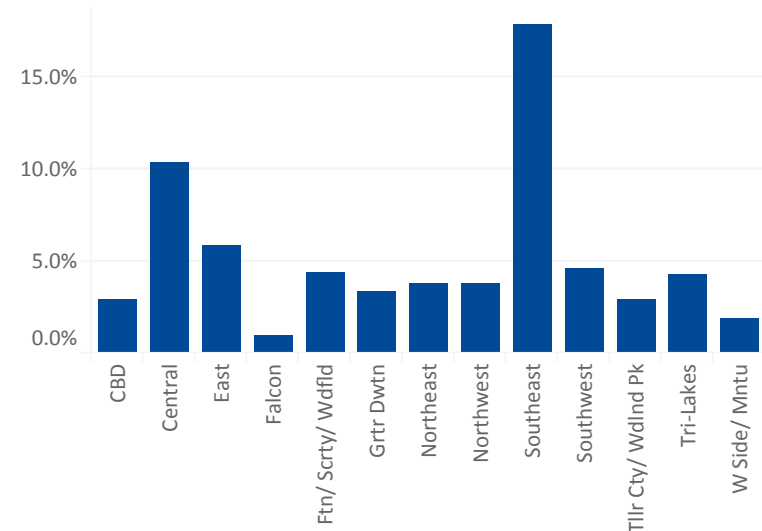
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Conv/Strip Ctr	3,116,182	2,500	0	0.0%	0	0
Free/Gen	14,224,358	27,438	26,480	0.2%	0	0
Nbrhd/Comm Ctr	14,152,648	0	0	0.0%	0	-1,440
Reg/Power Ctr	3,129,845	0	0	0.0%	0	0
Overall	34,623,033	29,938	26,480	0.1%	0	-1,440

## Direct Vacancy Rate

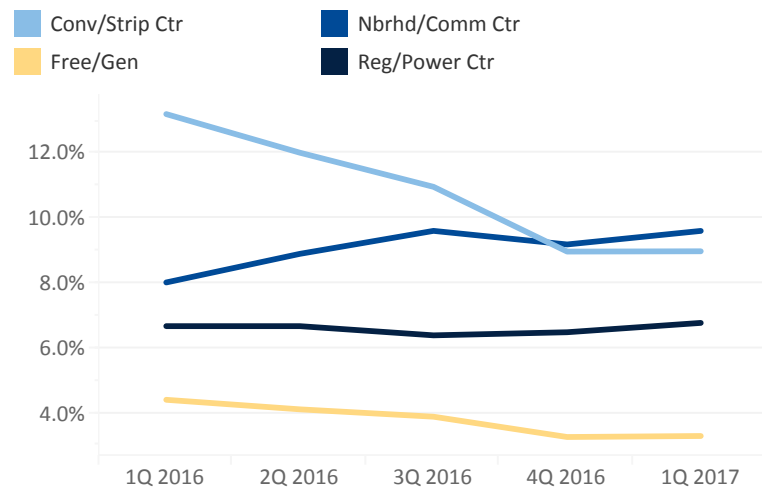
### By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
CBD	Conv/Strip Ctr	0.0%	0.0%	0.0%	0.0%	0.0%
	Free/Gen	8.0%	6.5%	2.5%	2.4%	3.1%
	Nbrhd/Comm Ctr	0.0%	0.0%	0.0%	0.0%	0.0%
Central	Conv/Strip Ctr	12.1%	11.4%	13.0%	11.9%	11.4%
	Free/Gen	3.3%	3.1%	3.4%	3.0%	3.0%
	Nbrhd/Comm Ctr	12.6%	13.4%	14.4%	14.6%	14.8%
	Reg/Power Ctr	15.2%	15.2%	15.2%	15.2%	16.3%
East	Conv/Strip Ctr	7.5%	6.4%	5.8%	8.3%	7.4%
	Free/Gen	1.9%	2.0%	0.8%	0.7%	1.0%
	Nbrhd/Comm Ctr	2.8%	12.1%	12.1%	12.5%	12.6%
	Reg/Power Ctr	1.8%	1.8%	1.1%	1.3%	1.2%
Falcon	Conv/Strip Ctr	4.7%	4.7%	0.4%	0.4%	0.4%
	Free/Gen	1.9%	1.9%	1.9%	1.9%	1.9%
	Nbrhd/Comm Ctr	1.6%	1.6%	0.6%	0.3%	0.6%
Ftn/ Scrtly/ Wdfld	Conv/Strip Ctr	47.3%	47.3%	47.3%	16.5%	16.5%
	Free/Gen	3.2%	2.8%	3.3%	0.5%	0.5%
	Nbrhd/Comm Ctr	5.7%	5.8%	4.7%	5.1%	5.1%
	Reg/Power Ctr	0.0%	0.0%	0.0%	0.0%	0.0%
Grtr Dwtm	Conv/Strip Ctr	1.3%	1.3%	1.3%	0.0%	0.0%
	Free/Gen	5.6%	4.1%	4.4%	3.2%	3.7%
	Nbrhd/Comm Ctr	13.2%	3.5%	3.5%	3.5%	3.5%
Northeast	Conv/Strip Ctr	6.5%	2.7%	1.4%	1.4%	2.3%
	Free/Gen	1.7%	1.2%	1.2%	1.2%	0.4%
	Nbrhd/Comm Ctr	2.3%	2.3%	5.0%	4.9%	5.9%
	Reg/Power Ctr	5.8%	5.8%	5.8%	5.9%	5.9%
Northwest	Conv/Strip Ctr	12.9%	11.2%	6.4%	3.9%	5.2%
	Free/Gen	3.5%	3.7%	3.5%	3.4%	3.8%
	Nbrhd/Comm Ctr	3.0%	2.1%	2.1%	1.4%	2.8%
Southeast	Conv/Strip Ctr	9.2%	10.0%	11.2%	8.9%	7.7%
	Free/Gen	21.3%	21.3%	21.3%	23.1%	23.1%
	Nbrhd/Comm Ctr	21.9%	21.4%	21.1%	16.7%	17.1%
Southwest	Conv/Strip Ctr	21.8%	16.5%	21.3%	21.2%	21.2%
	Free/Gen	1.8%	1.7%	1.7%	0.9%	0.9%
	Nbrhd/Comm Ctr	4.7%	4.4%	4.0%	4.2%	3.8%
Tlir Cty/ Wdlnl Pk	Conv/Strip Ctr	6.6%	6.6%	6.6%	6.7%	9.1%
	Free/Gen	0.0%	0.0%	0.0%	0.0%	0.0%
	Nbrhd/Comm Ctr	0.0%	0.0%	0.0%	0.0%	0.0%
Tri-Lakes	Conv/Strip Ctr	18.3%	18.3%	14.6%	20.2%	18.8%
	Free/Gen	5.0%	5.0%	5.0%	2.9%	2.9%
	Nbrhd/Comm Ctr	4.3%	3.5%	3.5%	4.6%	4.6%
W Side/ Mntu	Conv/Strip Ctr	0.0%	0.0%	0.0%	0.0%	0.0%
	Free/Gen	6.2%	5.9%	5.4%	2.5%	3.0%
	Nbrhd/Comm Ctr	0.2%	0.2%	0.2%	0.2%	0.2%
Overall		6.8%	6.9%	7.1%	6.5%	6.7%

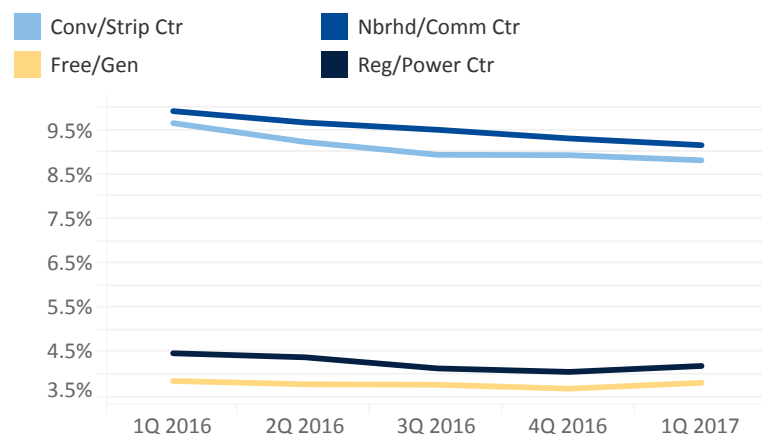
### By Market



### Colorado Springs by Specific Use



### National by Specific Use

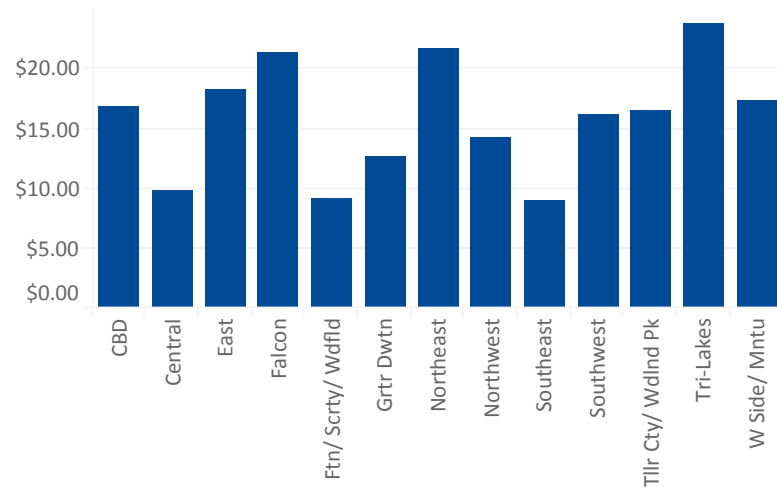


## Direct Weighted Average Asking Rates (NNN)

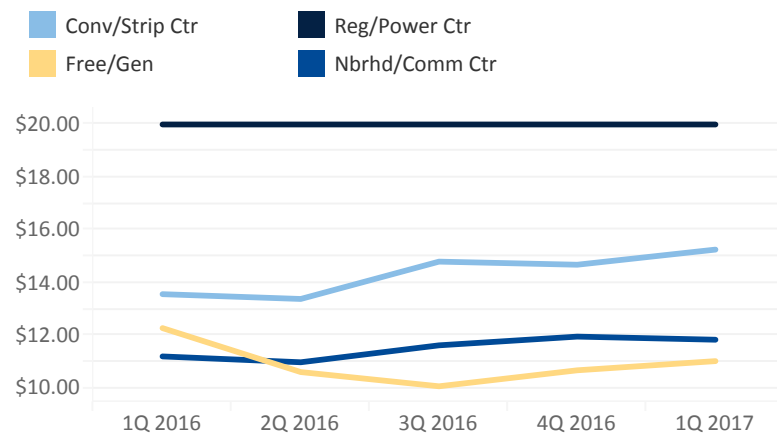
### By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
CBD	Conv/Strip Ctr	-	-	-	-	-
	Free/Gen	\$14.32	\$14.56	\$15.78	\$15.88	\$16.90
	Nbrhd/Comm Ctr	-	-	-	-	-
Central	Conv/Strip Ctr	\$8.38	\$9.49	\$10.29	\$10.82	\$11.27
	Free/Gen	\$10.24	\$9.65	\$9.69	\$9.51	\$9.47
	Nbrhd/Comm Ctr	\$9.98	\$9.83	\$10.24	\$10.33	\$9.77
	Reg/Power Ctr	-	-	-	-	-
East	Conv/Strip Ctr	\$15.76	\$16.66	\$15.82	\$16.59	\$20.08
	Free/Gen	\$17.59	\$16.86	\$21.50	\$21.50	\$21.50
	Nbrhd/Comm Ctr	\$18.35	\$19.32	\$18.72	\$18.07	\$15.83
	Reg/Power Ctr	-	-	-	-	-
Falcon	Conv/Strip Ctr	\$18.56	\$19.11	\$22.51	\$22.51	\$32.00
	Free/Gen	-	\$23.98	\$18.64	\$18.64	-
	Nbrhd/Comm Ctr	\$19.00	\$19.00	\$20.00	\$20.00	\$20.00
Ftn/ Scrty/ Wdfld	Conv/Strip Ctr	\$11.00	\$11.00	\$11.00	\$11.00	\$11.00
	Free/Gen	\$16.62	\$14.79	\$14.79	\$14.79	\$24.00
	Nbrhd/Comm Ctr	\$8.35	\$7.66	\$8.13	\$8.35	\$8.35
	Reg/Power Ctr	-	-	-	-	-
Grtr Dwtm	Conv/Strip Ctr	-	-	-	-	-
	Free/Gen	\$9.22	\$11.46	\$11.79	\$13.42	\$13.24
	Nbrhd/Comm Ctr	\$12.00	\$11.00	\$11.00	\$11.00	\$11.00
Northeast	Conv/Strip Ctr	\$23.45	\$25.56	\$26.32	\$24.76	\$18.63
	Free/Gen	\$11.64	\$17.62	\$22.10	\$22.21	\$23.39
	Nbrhd/Comm Ctr	\$21.86	\$22.32	\$22.73	\$22.72	\$23.32
	Reg/Power Ctr	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
Northwest	Conv/Strip Ctr	\$15.55	\$15.40	\$16.28	\$15.61	\$16.20
	Free/Gen	\$14.10	\$14.43	\$10.68	\$10.52	\$13.13
	Nbrhd/Comm Ctr	\$14.60	\$13.93	\$14.02	\$13.15	\$13.76
Southeast	Conv/Strip Ctr	\$8.93	\$8.57	\$9.45	\$10.98	\$11.22
	Free/Gen	\$8.46	\$7.15	\$7.18	\$7.15	\$7.15
	Nbrhd/Comm Ctr	\$9.49	\$9.33	\$9.77	\$11.58	\$12.74
Southwest	Conv/Strip Ctr	\$9.99	\$9.62	\$16.70	\$16.46	\$16.99
	Free/Gen	\$14.22	\$14.34	\$14.11	\$14.67	\$15.44
	Nbrhd/Comm Ctr	\$16.00	\$16.96	\$16.95	\$16.72	\$15.59
Tlir Cty/ Wdln Pk	Conv/Strip Ctr	\$13.74	\$13.74	\$13.74	\$17.37	\$16.61
	Free/Gen	-	-	-	-	-
	Nbrhd/Comm Ctr	-	-	-	-	-
Tri-Lakes	Conv/Strip Ctr	\$22.36	\$22.36	\$22.70	\$22.52	\$25.12
	Free/Gen	\$26.50	\$26.50	\$26.50	\$26.50	\$26.50
	Nbrhd/Comm Ctr	\$19.63	\$19.25	\$20.02	\$19.57	\$21.61
W Side/ Mntu	Conv/Strip Ctr	-	-	-	-	-
	Free/Gen	\$6.71	\$17.58	\$11.65	\$18.81	\$17.50
	Nbrhd/Comm Ctr	\$14.00	\$14.00	\$14.00	\$14.00	\$14.00
Overall		\$11.99	\$11.48	\$12.02	\$12.31	\$12.40

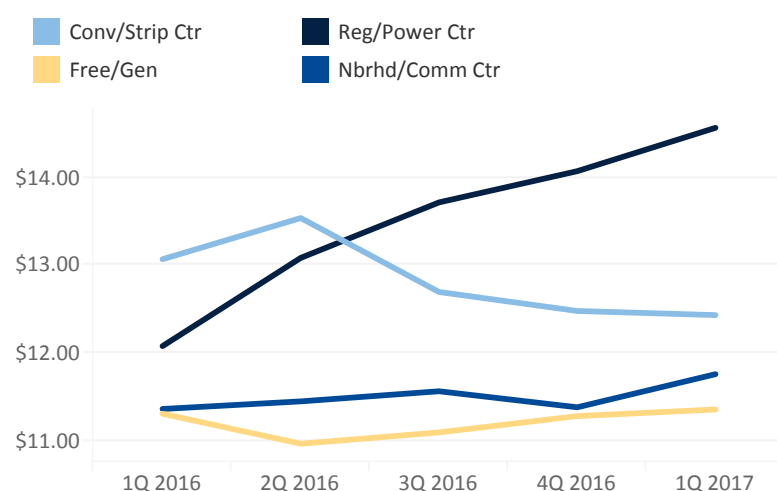
### By Market



### Colorado Springs by Specific Use

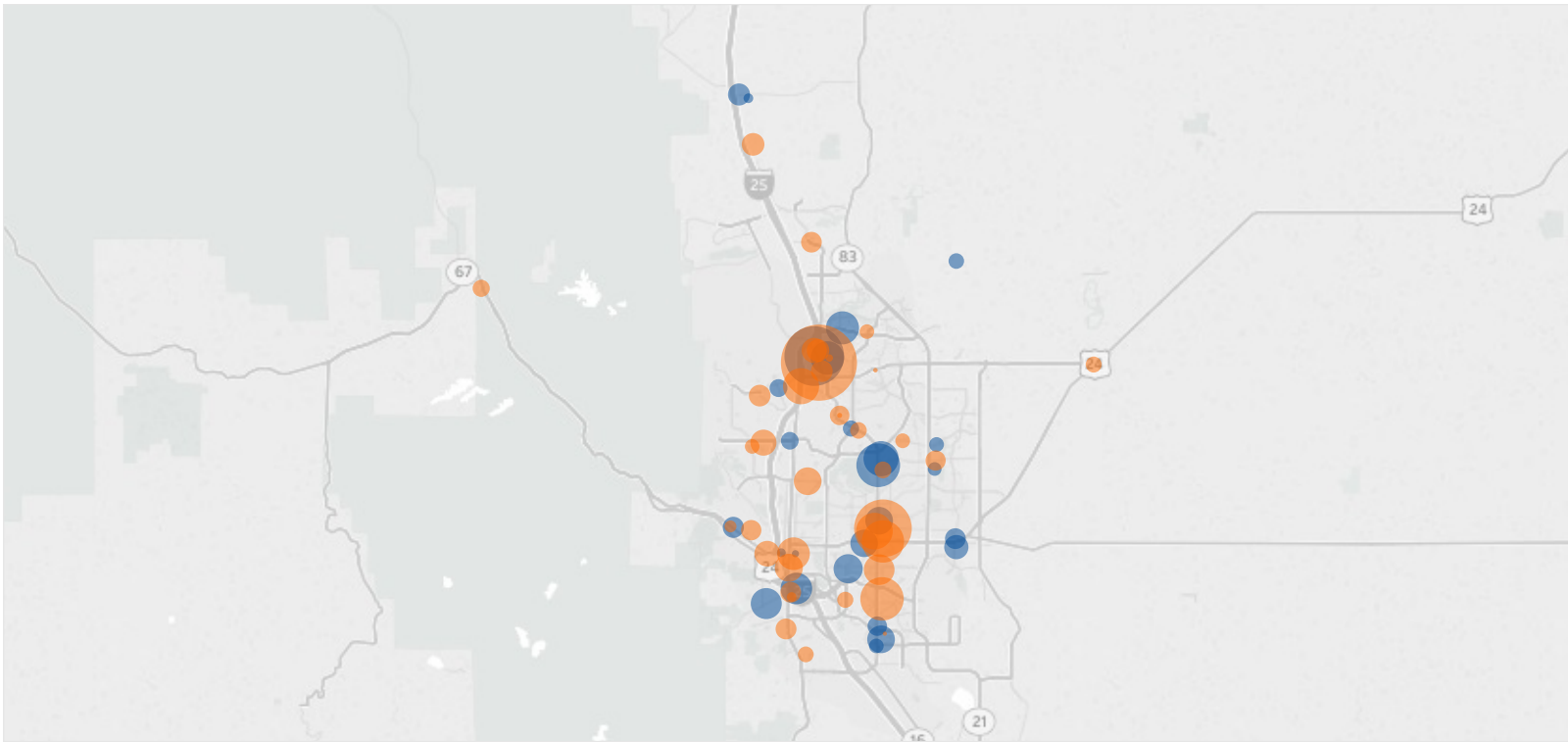


### National by Specific Use



### Absorption Map

● Negative
 ● Positive



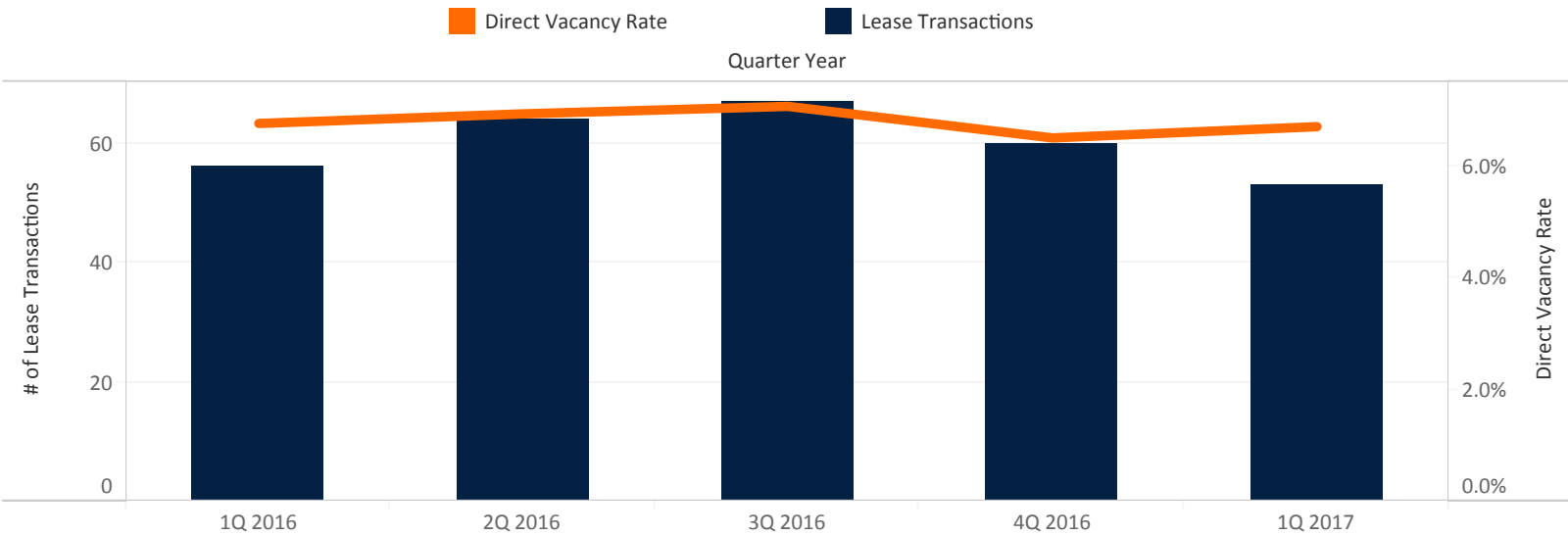
### Largest Positives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
1355 Kelly Johnson Blvd	Building sold to Joyce Heffner Williams	Northeast	Free/Gen	20,000
Plaza 3500	L.A. Insurance, Color Me Happy and Promises Boutique	Central	Nbrhd/Comm Ctr	10,731
3835 N Academy Blvd	Building sold to Harold Frost and Edmond J Frost	Central	Free/Gen	6,926
Chapel Hills Shops	Plato's Closet and GolfTec	Northeast	Nbrhd/Comm Ctr	6,300
Kum and Go	Kum and Go	Northeast	Conv/Strip Ctr	6,142
419 E Arvada St	Building sold to Arlond Eisaei	Southwest	Free/Gen	5,588
Cheyenne Plaza	Caffeinated Cow and Bob's Discount Mattress	Southwest	Nbrhd/Comm Ctr	5,400
Valli Hi Plaza	Undisclosed Tenant	Central	Conv/Strip Ctr	4,759

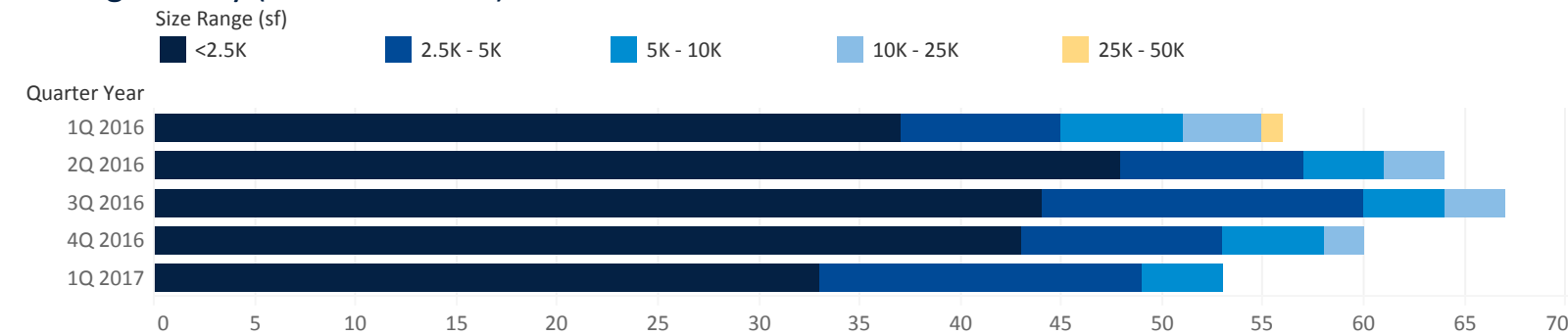
### Largest Negatives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
Chapel Hills West	Golfsmith	Northeast	Nbrhd/Comm Ctr	-32,534
Crossroads at Citadel	Social Security	Central	Nbrhd/Comm Ctr	-18,696
Bally Plaza	Hydro Planet and 4 Wheel Performance Parts	Southeast	Nbrhd/Comm Ctr	-10,600
Citadel Crossing Shopping Center	Yo Yogurt and Priceless Clothing Co	Central	Reg/Power Ctr	-10,066
3680 Citadel Dr	U-Like Sushi Grill	Central	Free/Gen	-7,541
Zio's Italian Kitchen	Zio's Italian Kitchen	Northwest	Free/Gen	-7,326
301-315 E Pikes Peak Ave	Arc Document	Grtr Dwtm	Free/Gen	-5,969
Fairway Plaza	Apartment Locators	Central	Nbrhd/Comm Ctr	-5,300

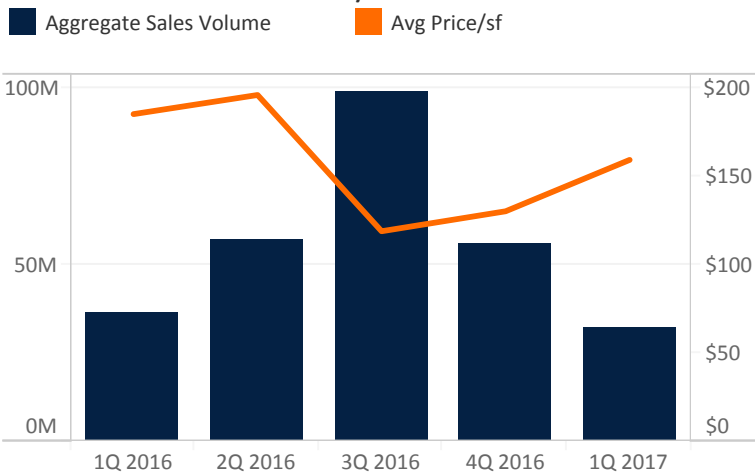
#### Leasing Activity Trends



#### Leasing Activity (# of New Deals)



#### Sales Volume vs. Price/SF



#### Top Sales

Property	Sale Date	Buyer	Sale Price
Big R Of Falcon	01/12/2017	Store Master Funding VIII LLC	\$6,650,000
Wells Fargo Bank	03/17/2017	SouthGate Companies	\$4,700,000
CB Potts	01/12/2017	Synergy Associates Real Estate	\$4,550,000
401-405 N Tejon St	03/08/2017	Keith Reynolds	\$1,900,000
408 W Garden of the Gods Rd	03/22/2017	408 Garden of Gods LLC	\$1,870,000



## Terminology

Term	Definition
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move.
Total Net Absorption (sf)	The net change in occupied square feet from quarter to quarter, expressed in square feet.
Total Vacant (sf)	The total of the direct vacant square footage in a building that is being marketed.
Tracked Inventory	The total square feet (sf) of all existing single and multi tenant retail properties greater than 2,500 sf.
Weighted Average Direct Lease Rent	The weighted average of all direct asking lease rents expressed as triple net (NNN) rents and weighted on total direct available square feet.

*This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy.*

## Advisory Board Members

Bearing Commercial Appraisal	Greg Baker	Cushman & Wakefield	Aaron Horn
CBRE	Brad Bird	Land Title Guarantee	Ben Lowe
	Dan Rodriguez	NAI Highland	Bob Garner
	Nicola Myers-Murty	Newmark Grubb Knight Frank	Simon Penner
	Whitney Johnson	Quantum Commercial	Susan Beitle
Cameron Butcher	Caleb David	Re/Max Commercial	Rob Rolley
		Weichert Commercial	Weldon Shaver

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