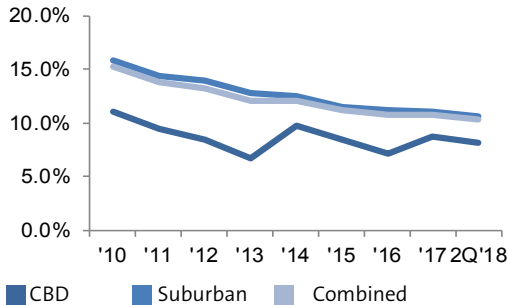


Office Market Report • 2nd Quarter 2018

Colorado Springs, CO



Vacancy Rates



The Colorado Springs Office market ended the second quarter 2018 with a vacancy rate of **10.5%**, down from 10.9% the previous quarter.

Absorption

Net absorption for the overall Colorado Springs office market was positive 127,555 square feet in the second quarter 2018. That compares to negative (24,241) square feet in the first quarter 2018, negative (36,711) square feet in the fourth quarter 2017, and negative (20,191) square feet in the third quarter 2017. The Colorado Springs office market showed strong absorption for the second quarter for the first time in several quarters. As discussed in our first quarter report, there were some anomalies in the first quarter that brought the absorption below what it would have been normally. The numbers reflect the slow but steady absorption of space that we predicted in our annual forecast.

Vacancy

The office vacancy rate in the Colorado Springs market area decreased to 10.5% at the end of the second quarter 2018. The vacancy rate was 10.9% at the end of the first quarter 2018, 10.8% at the end of the fourth quarter 2017, and 10.7% at the end of the third quarter 2017. We expect vacancy to continue to fall as office space is absorbed and there is little new product introduced to the market.

Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$15.44 per square foot per year at the end of the second quarter 2018 in the Colorado Springs market area. This represented a slight decrease in quoted rental rates from the end of the first quarter 2018, when rents were reported at \$15.46 per square foot. Over all gross lease rates remain flat although Class A office rates have seen significant increases over the past few years in specific submarkets.

Deliveries and Construction

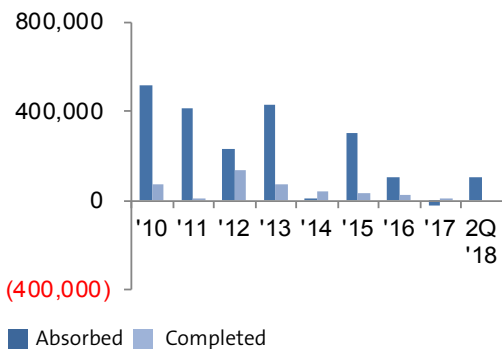
The largest projects underway at the end of second quarter 2018 were both part of Victory Ridge - 10855 Hidden Pool Heights, a 109,169-square-foot building with 0% of its space pre-leased, and 1818 Spring Water Pt., a 16,950-square-foot facility that is 0% pre-leased.

Overview

We expect more slow but steady positive absorption over the next several quarters.

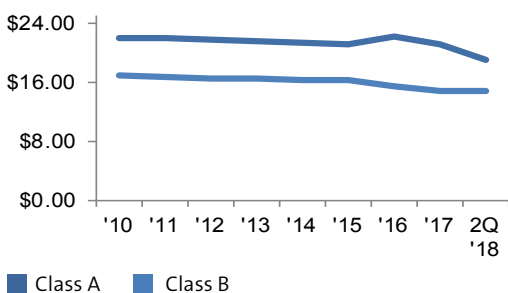
Completions vs. Absorption

(SF Year-to-Date)



Asking Rental Rates

(\$/SF/Yr. Full Service)



Source: CoStar

KEY TRANSACTIONS

*Transaction Represented by Quantum Commercial Group

Western Digital Coporation	Data Direct Networks, Inc.	New Summit Charter Academy
renewed	renewed	leased
42,487 SF	22,150 SF	75,272 SF
at 9950 Federal Drive Colorado Springs, CO	at 9950 Federal Drive Colorado Springs, CO	at 7899 Lexington Drive Colorado Springs, CO
from CV Patriot Springs, LLC	from CV Patriot Springs, LLC	from 7899 Lexington, LLC
in the Northeast market	in the Northeast market	in the Northeast market

Office Market Report • 2nd Quarter 2018

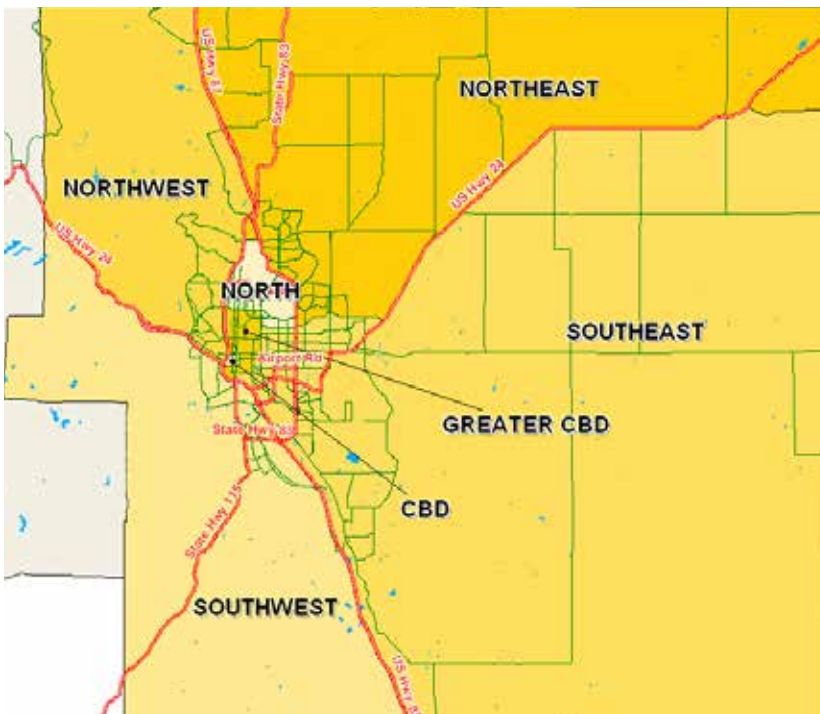
Colorado Springs, CO



Source: CoStar

Market	# Blds	Total SF	Direct Vacant	Total Vacant	Vacant %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
CBD	113	3,473,053	250,798	278,260	8.0%	25,827	0	0	\$16.46
Greater CBD	333	2,589,875	174,176	174,176	6.7%	10,713	0	0	\$16.12
North	191	2,733,223	337,305	337,305	12.3%	52,721	0	0	\$15.30
Northeast	315	8,585,141	695,804	703,188	8.2%	25,650	0	141,331	\$16.54
Northwest	229	4,579,478	722,625	761,480	16.6%	54,834	0	0	\$15.83
Southeast	327	5,110,781	666,152	696,652	13.6%	(74,277)	0	0	\$13.78
Southwest	150	1,324,296	61,270	61,270	4.6%	(9,435)	0	0	\$14.48
Teller County	78	410,382	9,313	9,313	2.3%	17,281	0	0	\$8.30
Totals	1,736	28,806,229	2,917,443	3,021,644	10.5%	103,314	0	141,331	\$15.44

Market	# Blds	Total SF	Direct Vacant	Total Vacant	Vacant %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
Class A	51	5,700,959	404,465	426,424	7.5%	27,453	0	109,169	\$19.02
Class B	946	18,700,128	2,249,380	2,330,922	12.5%	36,741	0	32,162	\$14.89
Class C	739	4,405,142	263,598	264,298	6.0%	39,120	0	0	\$11.67
Totals	1,736	28,806,229	2,917,443	3,021,644	10.5%	103,314	0	141,331	\$15.44



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OFFICE TERMS AND DEFINITIONS

Total SF: Office inventory includes all multi-tenant and single tenant buildings. Owner-occupied buildings are included.

Office Building Classifications: Quantum Commercial Group adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year. Office rents are reported full service where all costs

of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

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