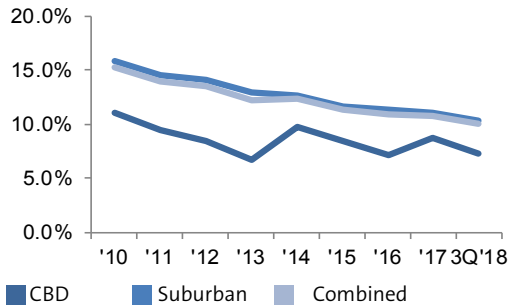


Vacancy Rates



Colorado Springs's Vacancy Decreases to 9.9% with Net Absorption Positive 210,779 SF in the Quarter.

Absorption

Net absorption for the overall Colorado Springs office market was positive 210,779 square feet in the third quarter 2018. That compares to positive 63,681 square feet in the second quarter 2018, negative 27,380 square feet in the first quarter 2018, and negative 16,043 square feet in the fourth quarter 2017. The net absorption for the quarter is far above anything the office market has seen recently. One large contributor was the 75,272-square-foot lease signed by New Summit Charter Academy at Lexington Center in the Northeast market, which counted towards the 3rd quarter office numbers, but the balance of the absorption was spread out over many buildings.

Vacancy

The office vacancy rate in the Colorado Springs market area decreased to 9.9% at the end of the third quarter 2018. The vacancy rate was 10.6% at the end of the second quarter 2018, 10.9% at the end of the first quarter 2018, and 10.8% at the end of the fourth quarter 2017. As would be expected, the surge of absorption has pushed vacancy down in a market with limited development of new speculative office product.

Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$15.64 per square foot per year at the end of the third quarter 2018 in the Colorado Springs market area. This represented a 1.4% increase in quoted rental rates from the end of the second quarter 2018, when rents were reported at \$15.43 per square foot. Though average rental rates across the market have not moved much, targeted areas have seen a marked increase over the past few years. Class "A" product in the Northeast and Northwest market are among those that have benefitted from increased rents.

Deliveries and Construction

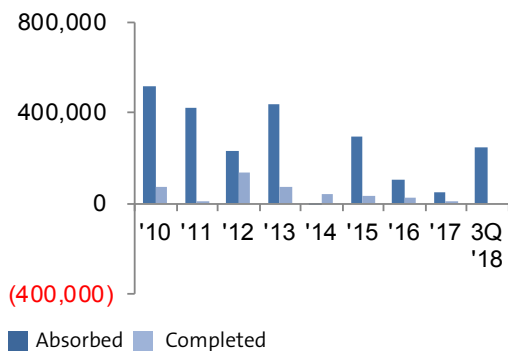
There have been no completed deliveries in the Colorado Springs market since fourth quarter 2017. There were 202,045 square feet of office space under construction at the end of the third quarter 2018.

Overview

Our expectation continues to be positive absorption that is slow but steady over the next several quarters.

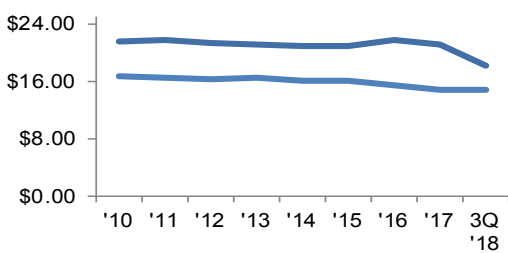
Completions vs. Absorption

(SF Year-to-Date)



Asking Rental Rates

(\$/SF/Yr. Full Service)



■ Class A ■ Class B

Source: CoStar

KEY TRANSACTIONS

*Transaction Represented by Quantum Commercial Group

<p>SocialSEO leased 13,268 SF at 5475 Mark Dabling Blvd. Colorado Springs, CO from Ecovest Investments, LLC in the North market</p>	<p>Special Kids Special Families leased 11,450 SF at 1915 Aerotech Drive Colorado Springs, CO from B H Commercial Portfolio LLC in the Southeast market</p>	<p>The Sanborn Map Company, Inc. renewed 10,387 SF at 1935 Jamboree Drive Colorado Springs, CO from 1935 Jamboree, LLC in the Northeast market</p>
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Office Market Report • 3rd Quarter 2018

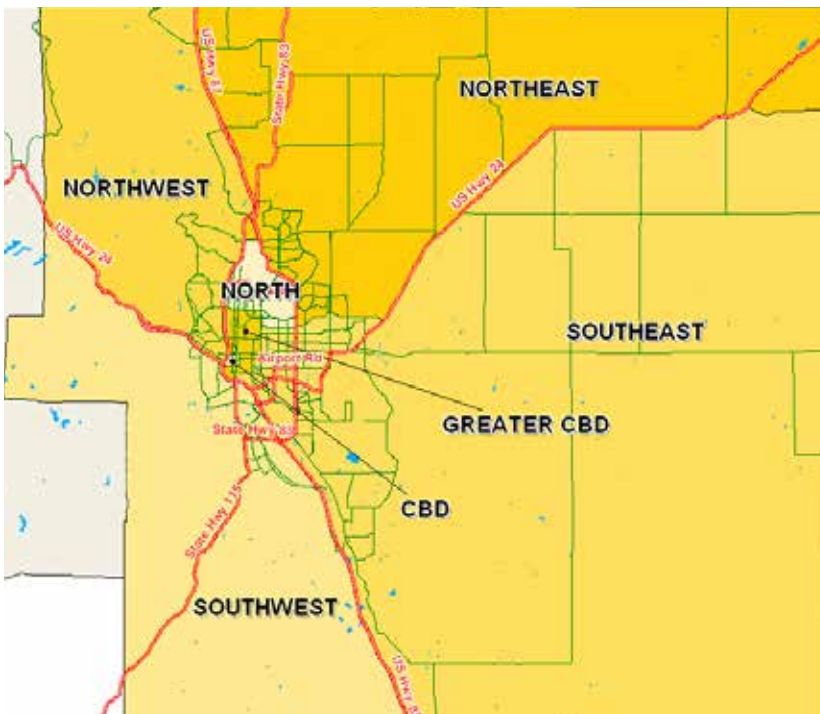
Colorado Springs, CO



Source: CoStar

Market	# Blds	Total SF	Direct Vacant	Total Vacant	Vacant %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
CBD	113	3,471,960	254,127	256,565	7.4%	47,522	0	0	\$16.50
Greater CBD	333	2,589,875	154,283	154,283	6.0%	30,606	0	0	\$16.28
North	191	2,653,516	333,247	335,171	12.6%	54,855	0	0	\$15.33
Northeast	316	8,646,260	552,340	561,581	6.5%	177,222	0	202,045	\$16.57
Northwest	228	4,643,821	710,666	781,731	16.8%	28,044	0	0	\$16.19
Southeast	327	5,133,736	699,560	701,560	13.7%	(98,853)	0	0	\$13.98
Southwest	152	1,331,644	61,432	61,432	4.6%	(9,597)	0	0	\$14.85
Teller County	78	410,382	9,313	9,313	2.3%	17,281	0	0	\$7.87
Totals	1,738	28,881,194	2,774,968	2,861,636	9.9%	247,080	0	202,045	\$15.64

Market	# Blds	Total SF	Direct Vacant	Total Vacant	Vacant %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
Class A	53	6,473,425	824,163	864,756	13.4%	54,064	0	169,883	\$18.21
Class B	947	17,983,566	1,674,680	1,718,755	9.6%	157,758	0	32,162	\$14.79
Class C	738	4,424,203	276,125	278,125	6.3%	35,258	0	0	\$12.13
Totals	1,738	28,881,194	2,774,968	2,861,636	9.9%	247,080	0	202,045	\$15.64



Quantum Commercial Group Real Estate Advisors

Russell Stroud, CCIM
719.228.3619
rstroud@quantumcommercial.com

Mary Frances Cowan, CCIM
719.228.3606
mcowan@quantumcommercial.com

Andrew Oyler
719.228.3605
aoyler@quantumcommercial.com

Michael Palmer, SIOR
719.228.3626
mpalmer@quantumcommercial.com

Dale Stamp, President
719.228.3601
dstamp@quantumcommercial.com

Taylor Stamp
719.228.3623
tstamp@quantumcommercial.com

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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