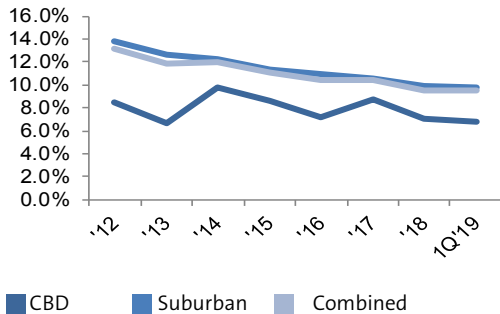


Office Market Report • 1st Quarter 2019

Colorado Springs, CO



Vacancy Rates



Vacancy Was Flat For The Quarter With Minimal Net Absorption In The Colorado Springs Office Market.

Absorption

Net absorption for the overall Colorado Springs office market was positive 18,240 square feet in the first quarter 2019. That compares to positive 35,200 square feet in the fourth quarter 2018, positive 196,047 square feet in the third quarter 2018, and positive 64,181 square feet in the second quarter 2018. The low net absorption reflects a fairly quiet office market for the first quarter of 2019. We expect to see modest but steady absorption for the next several quarters.

Vacancy

The office vacancy rate in the Colorado Springs market area remained at 9.5% at the end of the first quarter 2019. The vacancy rate was 9.5% at the end of the fourth quarter 2018, 9.6% at the end of the third quarter 2018, and 10.3% at the end of the second quarter 2018. In a market with limited development of new speculative office product, the vacancy rate continues to mirror net absorption in the market.

Rental Rates

The average quoted asking rental rate for available office space, all classes, was down slightly for the quarter to \$16.24 per square foot per year (full service) at the end of the first quarter. This is down from \$16.64 at the end of the fourth quarter 2018, but still up from the \$15.64 reported at the end of the third quarter 2018. Though average rental rates across the market have not moved much over the past few years, targeted areas of the market have seen a significant increase. Class "A" product in the Northeast and Northwest submarkets are among those that have benefitted from increased rental rates.

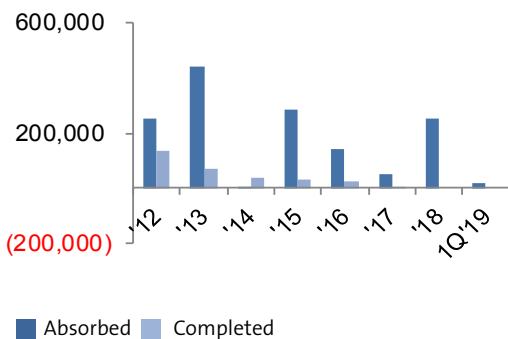
Deliveries and Construction

There have been no deliveries of new office product in the Colorado Springs market since fourth quarter 2017. There were 141,331 square feet of office space under construction at the end of the first quarter 2019.

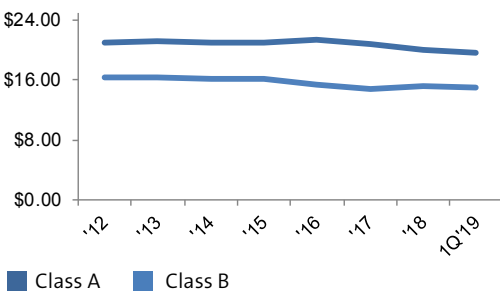
Overview

Our expectation continues to be positive net 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)



KEY TRANSACTIONS

* Transaction Represented by Quantum Commercial Group

Transaction	Location	Market
Shandy Clinic leased 8,000 SF at 6190 Barnes Road Colorado Springs, CO in the Northeast market	American Heritage Title Agency, Inc. leased 5,430 SF at 1975 Research Pkwy Colorado Springs, CO in the Northeast market	Dr. Douglas Raskin leased 25,669 SF at 830 Tenderfoot Hill Road Colorado Springs, CO in the Southeast market

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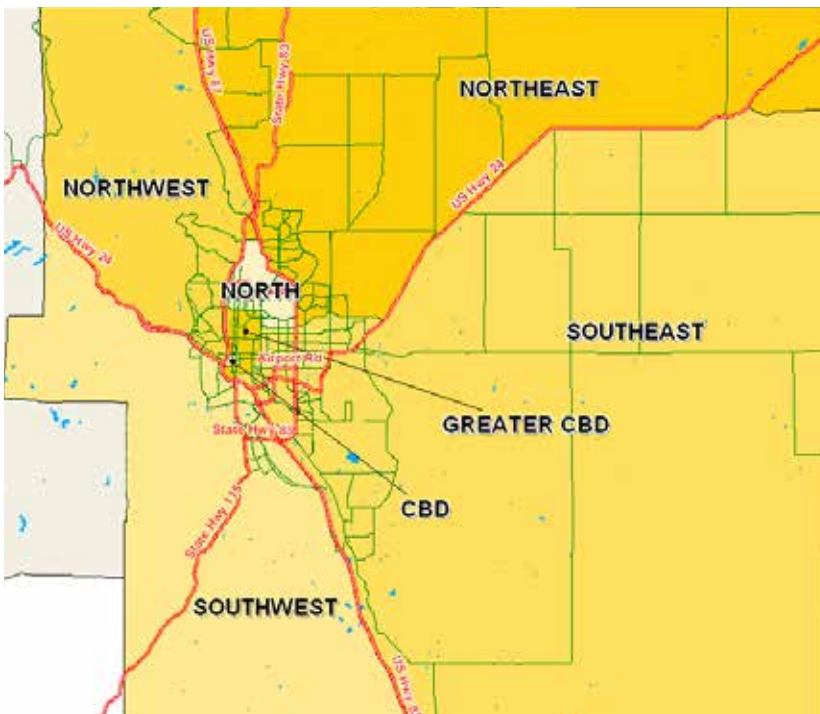
Colorado Springs, CO



Source: CoStar

Market	# Blds	Total SF	Direct Vacant	Total Vacant	Vacant %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
CBD	114	3,509,621	233,081	238,896	6.8%	8,103	0	0	\$17.03
Greater CBD	333	2,611,441	105,484	105,484	4.0%	(10,639)	0	0	\$16.36
North	190	2,641,200	339,635	341,443	12.9%	24,900	0	0	\$15.45
Northeast	319	8,743,408	491,935	580,483	6.6%	(12,100)	0	141,331	\$16.68
Northwest	229	4,712,351	698,736	789,415	16.8%	(19,074)	0	0	\$17.82
Southeast	329	5,139,831	618,874	649,374	12.6%	27,139	0	0	\$13.59
Southwest	151	1,295,644	32,333	32,333	2.5%	(89)	0	0	\$15.21
Teller County	78	411,431	11,528	11,528	2.8%	0	0	0	\$11.50
Totals	1,743	29,064,927	2,531,606	2,748,956	9.5%	18,240	0	141,331	\$16.26

Market	# Blds	Total SF	Direct Vacant	Total Vacant	Vacant %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
Class A	55	6,745,387	817,943	925,616	13.7%	(80,320)	0	109,169	\$19.67
Class B	951	17,946,288	1,534,192	1,643,869	9.2%	50,948	0	32,162	\$15.00
Class C	737	4,373,252	179,471	179,471	4.1%	47,612	0	0	\$12.39
Totals	1,743	29,064,927	2,531,606	2,748,956	9.5%	18,240	0	141,331	\$16.26



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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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