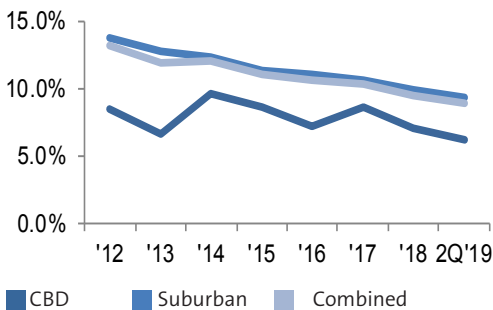


Office Market Report • 2nd Quarter 2019

Colorado Springs, CO



Vacancy Rates



Vacancy Fell For The Quarter With Relatively Strong Net Absorption In The Colorado Springs Office Market.

Absorption

Net absorption for the overall Colorado Springs office market was positive 128,456 square feet in the second quarter 2019. That compares to positive 43,204 square feet in the first quarter 2019, positive 31,100 square feet in the fourth quarter 2018, and positive 201,987 square feet in the third quarter 2018. The uptick in net absorption reflects an increasingly active office market in the second 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 dropped to 8.9% at the end of the second quarter 2019. The vacancy rate was 9.4% at the end of the first quarter 2019, 9.5% at the end of the fourth quarter 2018, and 9.6% at the end of the third 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 up slightly for the quarter to \$16.44 per square foot per year (full service) at the end of the second quarter. This is up from \$16.26 at the end of the first quarter 2019, but down from the \$16.63 reported at the end of the fourth 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

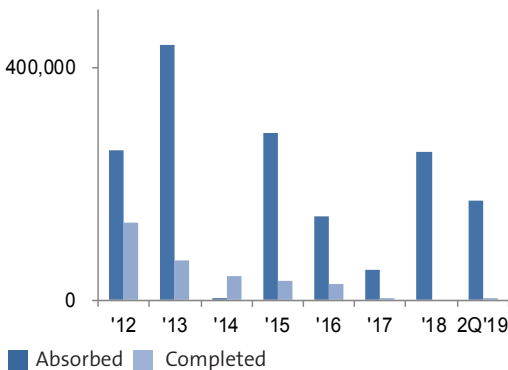
There were 5,000 square feet of new office product delivered in the second quarter 2019, the first delivery of office since the fourth quarter of 2017. There were 144,171 square feet of office space under construction at the end of the second quarter 2019 (mostly comprised of the Victory Ridge development in the Northeast market).

Overview

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

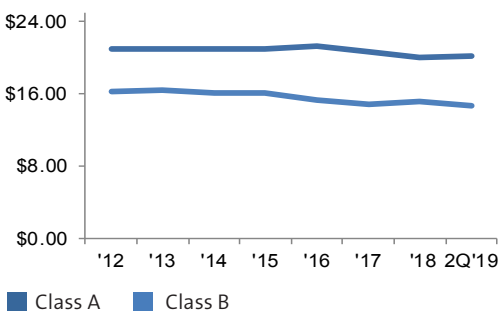
Completions vs. Absorption

(SF Year-to-Date)



Asking Rental Rates

(\$/SF/Yr. Full Service)



Source: CoStar

KEY TRANSACTIONS

*Transaction Represented by Quantum Commercial Group

<p>T-Mobile renewed 69,403 SF at 556 Chapel Hills Colorado Springs, CO in the Northeast market</p>	<p>Ball Technologies leased 14,528 SF at 4050 Lee Vance View Colorado Springs, CO in the Northeast market</p>	<p>Vladimir Jones leased 11,364 SF at 2 N Nevada Ave Colorado Springs, CO in the CBD market</p>
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Office Market Report • 2nd Quarter 2019

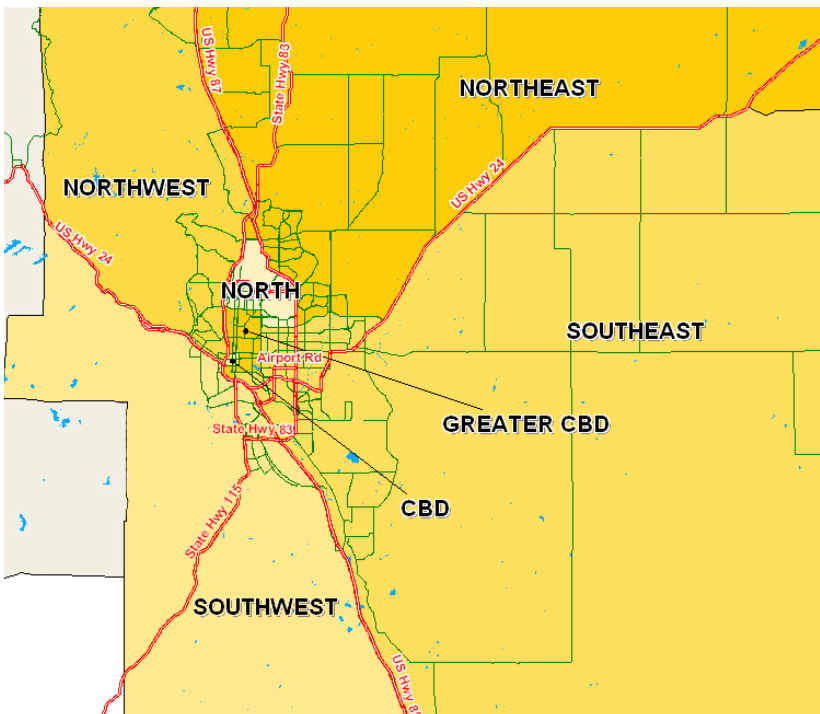
Colorado Springs, CO



Source: CoStar

Market	# Blds	Total SF	Direct Vacant	Total Vacant	Vacant %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
CBD	115	3,515,461	210,748	216,563	6.2%	30,436	0	0	\$19.77
Greater CBD	332	2,559,263	55,436	55,436	2.2%	39,409	0	0	\$16.70
North	191	2,639,634	335,094	339,961	12.9%	26,382	0	2,840	\$15.93
Northeast	322	8,794,965	475,575	535,684	6.1%	41,799	5,000	141,331	\$16.27
Northwest	229	4,713,045	756,900	809,144	17.2%	(39,443)	0	0	\$18.40
Southeast	329	5,201,065	598,196	604,382	11.6%	72,131	0	0	\$13.47
Southwest	151	1,298,829	29,144	29,144	2.2%	3,100	0	0	\$15.18
Teller County	78	411,431	13,682	13,682	3.3%	(2,154)	0	0	\$9.61
Totals	1,747	29,133,693	2,474,775	2,603,996	8.9%	171,660	5,000	144,171	\$16.44

Market	# Blds	Total SF	Direct Vacant	Total Vacant	Vacant %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
Class A	56	6,789,643	799,746	895,987	13.2%	(46,453)	0	109,169	\$20.19
Class B	954	18,013,216	1,492,432	1,525,412	8.5%	163,469	5,000	35,002	\$14.73
Class C	737	4,330,834	182,597	182,597	4.2%	54,644	0	0	\$11.91
Totals	1,747	29,133,693	2,474,775	2,603,996	8.9%	171,660	5,000	144,171	\$16.44



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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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