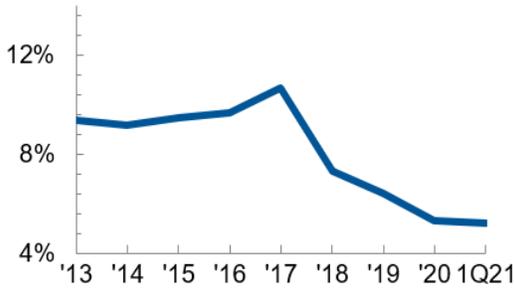


Market Reports Colorado Springs
Quantum Commercial Group Research
1st Quarter 2021



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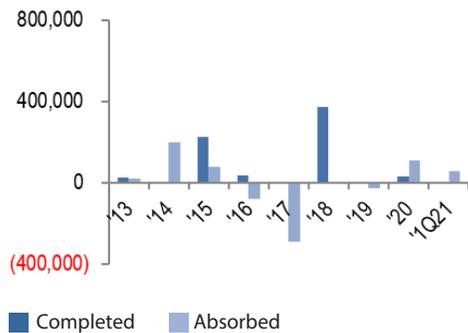
Vacancy Rates
 Year-to-Date



The Colorado Springs Industrial market remains steady through the 1st quarter 2021.

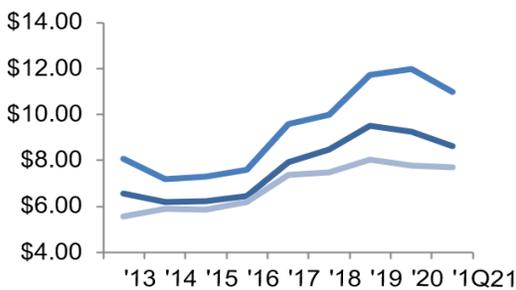
The First Quarter 2021 Industrial report for the Colorado Springs and El Paso County area shows a market that continues to hum along. The “Corona Virus Year” of 2020, with its anxiety and fear of pending doom for the local economy, has been replaced by optimism for 2021. As stated in the 2020 Year-end Quantum report, the Industrial sector of Commercial Real Estate remains solid. The first quarter vacancy rates have gone down and asking lease rates have slightly gone down also. We anticipate this trend will reverse somewhat for the remainder of 2021.

Absorption
 Year-to-Date



For this report the Industrial Building Classifications include warehouse/distribution, industrial manufacturing, and R&D flex buildings. In the first quarter of 2021 we see an overall Industrial vacancy rate for all sectors of 5.2%. This is a reduction of .01% from last quarter, which was 5.3%. Warehouse buildings continue to have the lowest vacancy rate of 3.5%, and flex building have the highest vacancy rate of 10.3%. Of note, flex buildings saw a negative absorption rate of -49,636 sq. ft. in this first quarter. Overall absorption for 1Q 2021 was a positive 55,600 sq. ft.

Asking Rental Rates
 Year-to-Date (\$/SF/Yr. Full Service)



First quarter lease rates are lower compared to end 2020. The overall average Industrial lease rate is \$9.03 sq. ft. NNN, a reduction from year-end by \$0.23. The average manufacturing lease rate is \$8.62 sq. ft. NNN. The average flex buildings lease rate is \$10.98 sq. ft. NNN. The average warehouse lease rates are \$7.68 sq. ft. NNN. First quarter leasing for industrial buildings was 198,307 sf, and flex building leases were 153,717 sf. We are beginning to see new construction of speculative industrial buildings. In the first quarter total new construction in process was 4,350,110 sf. The Amazon distribution center in the Peak Innovation Park comprises 4.1 M of this new construction. This leaves total new construction of 250,110 sf. Due to the high price for building

Continued on pg 2...

Source: CoStar

KEY TRANSACTIONS

*Transaction Represented by Quantum Commercial Group

<p>855 Aeroplaza, LLC purchased 50,146 SF at 855 Aeroplaza Dr. Colorado Springs, CO \$3,500,000.00 (\$69.80 PSF)</p>	<p>Weidner Properties, LLC purchased 12,000 SF at 112-116 Rio Grand St Colorado Springs, CO \$2,000,000.00 (\$166.67 PSF)</p>	<p>*Safe Passage CAC purchased 14,344 SF at 2335 Robinson St Colorado Springs, CO \$650,000 (\$45.32 PSF)</p>
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Average Capitalization Rates
Closed Sales



A combination of strong economic recovery, low interest rates and market liquidity will keep investment activity strong in 2021.

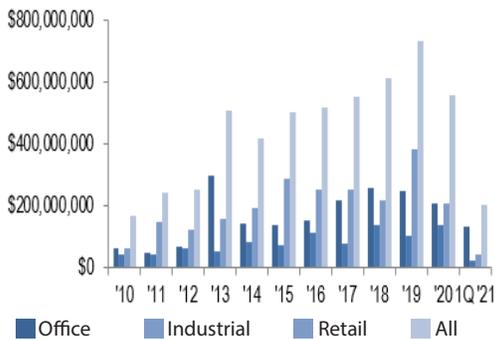
Investors are actively seeking well located, quality office buildings in the Colorado Springs area. Several notable transactions in the first quarter of 2021 indicate strong investor interest in the local market. The Kratos Defense & Security Solutions building at 12515 Academy Ridge View was sold to a real estate investment firm from Florida for \$43,500,000. Kratos is a defense contractor and security systems integrator for the federal government. Cap rate was reported at 6.13%.

Alturas, an investment group based in Idaho, has expanded their holdings in Colorado Springs. Alturas acquired the NorthCreek Office Complex for \$46,600,000 and Garden Gateway Plaza for \$11,200,000. Both NorthCreek and Garden Gateway represented the opportunity to acquire a portfolio of well-located properties with a diverse mix of credit tenants.

It is still a sellers' market for industrial assets with increasing demand from investors and a limited supply of available properties. Investors view the industrial market as low risk with continued growth. Colorado Springs has benefited greatly from Amazon's decision to locate a major distribution close to the airport. Amazon is expected to expand their distribution facilities with two additional properties in the area. UPS also has a distribution facility under construction along I-25, north of Colorado Springs.

Sales of multifamily properties remains strong as Colorado Springs is viewed as a rapidly growing area with a strong economy. BlueLine Equity Partners purchased the 91-unit Overlook at Mesa Creek for \$27.3 million (\$299,835/unit), one of the highest prices paid for an apartment property of over 50 units. Cap rate was reported at 4.6%.

Property Sales Volume



Average Price Per Square Foot

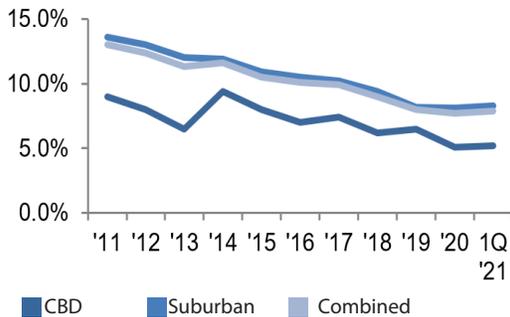


Source: CoStar

KEY TRANSACTIONS

<p>Midtown Realty Group purchased 153,807 SF Kratos Defense & Security 12515 Academy Ridge View Colorado Springs CO 80921 from STORE Capital Office \$43,500,000 (\$282.82 psf)</p>	<p>Alturas purchased 115,052 SF Garden Gateway Plaza 1355,1357,1365 Garden of the Gods Rd Colorado Springs, CO 80907 from Presidio Property Trust Office \$11,200,000 (\$97.35 psf)</p>	<p>Alturas purchased 325,469 SF NorthCreek Office Complex 5725,5755,5775 Mark Dabbling Blvd Colorado Springs, CO 80919 from Younan Properties, Inc Office \$46,600,000 (\$143.18 psf)</p>
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Vacancy Rates



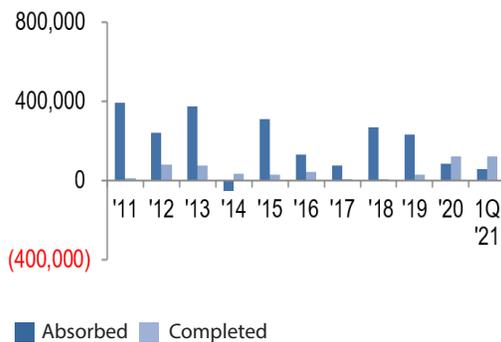
Direct office space saw positive absorption for the first quarter though available sublease space increased.

Absorption

Net absorption for direct space was positive 57,294 square feet for the first quarter of 2021. Sublease space showed negative absorption of approximately 130,000 square feet, though much of this can be attributed to few large blocks of space. This is somewhat of a mixed indicator. Businesses are still entering into new leases but some of the leases already in place are seeing a pull back. Leasing of smaller office spaces of 5,000 square feet and less continues to be more active than larger blocks of space.

Completions vs. Absorption

(SF Year-to-Date)



Vacancy

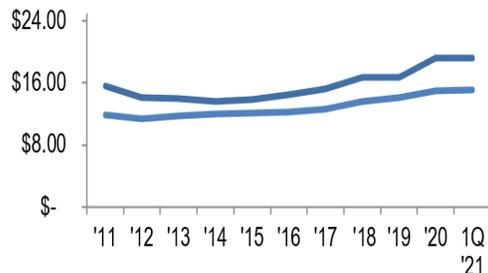
Direct office vacancy was up slightly from the fourth quarter of 2020 (7.9% compared to 7.7%). This is due to delivery of new office product outpacing absorption for the quarter. Direct vacancy was virtually flat from the end of 2019.

Rental Rates

Asking rental rates trended up in 2020 but were level for the first quarter of 2021. Rates seemed largely unaffected by the slowing in absorption over the past several quarters. Some pockets of the office market have seen larger gains in rental rates than others. Class A office in the northeast and northwest markets have experienced the largest increases in asking rates over the past few years.

Asking Rental Rates

(\$/SF/Yr. NNN)



Overview

Positive absorption of direct space is a good sign though one needs to keep an eye on available sublease to get a sense of the overall health of the office market. The Colorado Springs office market continues to show resiliency. As the virus subsides, we expect to see a stronger rebound than was reflected in the first quarter.

■ Class A ■ Class B

Source: CoStar

KEY TRANSACTIONS

*Transaction Represented by Quantum Commercial Group

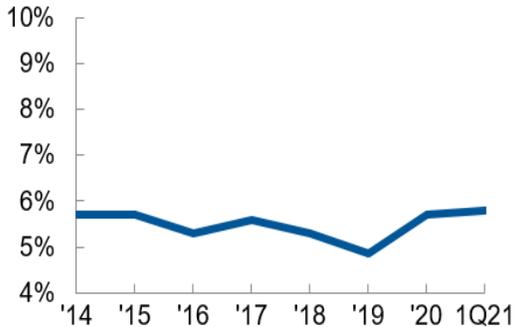
<p>GSA leased 18,083 SF at Garden Gateway Colorado Springs, CO in the Northwest market</p>	<p>ERA Shields Real Estate leased 14,260 SF at Classic Corporate Centre Colorado Springs, CO in the Northwest market</p>	<p>Farnsworth Group leased 7,135 SF at NorthCreek Office Complex Colorado Springs, CO in the Northwest market</p>
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From a high growth, stable retail market in 2019, to an unprecedented Pandemic with stifling controls placed over small business, Brick and Mortar retail in Colorado Springs should be dead.

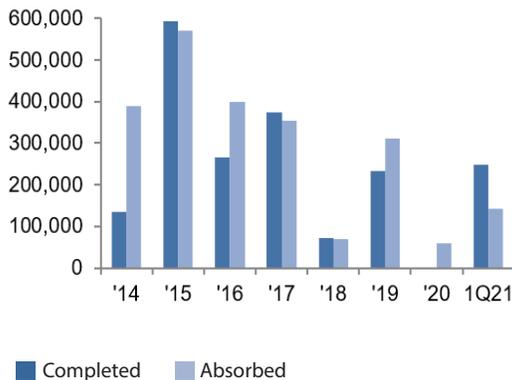
However, taking a look at the trends over 2020 and now into the first quarter of 2021, what is seen is a healthy market, in a deeply healthy community, trying to recover. One major difference, is the shift online of so many retail purchases over 2020. Leading into 2019, Forrester Research stated that 86% of retail sales still happened in Brick and Mortar stores. In 2021, NRF (National Retail Federation) said in their March 3 Monthly Economic Review, the forecast for 2021 is online sales reaching 26-27% of all retail sales. Part of the shift in retail spending over 2020 was due to stores being closed. But it was also due to services being closed; travel, dining, entertainment and sporting industries were virtually shut down, shifting expenditures for services to goods. Thus a huge boost to retail sales online, and also to retail imports. Although coronavirus makes forecasting difficult, online and brick and mortar national retail sales are predicted to increase 6.5% to 8.2% nationally.

Taking a look at local trends starting with average asking NNN rent, the number was \$14.27 at the end of 2019. In 2020 it decreased to \$14.19 by the end of Q2, but then started increasing. It was \$14.55 at the end of Q3, \$14.63 after Q4, and now \$14.67 at the end of Q1 2021. The trend is up and typically that is due to demand increasing. Vacancy rate is basically showing the same improving trend. At the end of 2019, vacancy was 4.86%. It took a jump by Q2 2020 to 5.49%. Q3 was worse, rising to 6.06% due to businesses shutting down. By Q4 it had started to retreat to normal, coming in at 5.7%. Although it went up a tad in Q1 2021 to 5.8%, never the less, the trend is one that leads an observer to feel that the underlying economics are such that the market will continue to improve in 2021

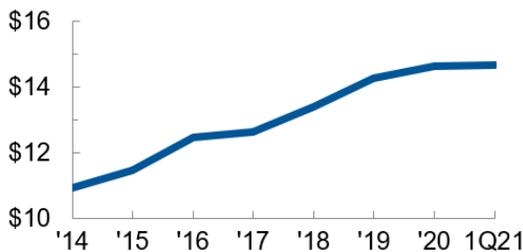
Vacancy Rates



Completions vs. Absorption
 (SF Year-to-Date)



Asking Rental Rates
 (\$/SF/Yr. NNN)



Source: CoStar

KEY TRANSACTIONS

*Transaction Represented by Quantum Commercial Group

<p>Amazon Leased 134,969 SF at 715 S. Academy</p>	<p>Restaurant Depot Leased 30,000 SF at Citadel Crossing Shopping Center</p>	<p>Continuance LLC Purchased Natural Grocers 916 Paradise Lodge Lane from Blake Carlson for \$6,500,000.00</p>
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