



Commercial Real Estate

Market Watch

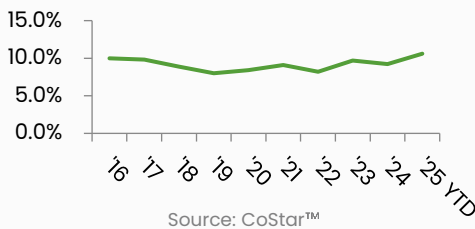
OFFICE MARKET

The Colorado Springs office market experienced a further increase in vacancy during the fourth quarter of 2025, with direct vacancy rising to 10.6%, up from 10.2% in Q3. Net absorption remained negative for the quarter at -86,203 square feet, a larger loss than the -45,999 square feet recorded in the prior quarter. The total net absorption for the year was -369,325 square feet with all four quarters posting negative numbers. The continued negative absorption reflects ongoing tenant downsizing and consolidation, with fewer expansion-driven leases offsetting space returning to the market. Leasing activity slowed in Q4, both in terms of deal count and square

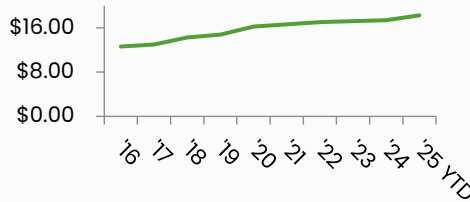
footage, contributing to additional upward pressure on vacancy.

Average asking rental rates increased again in the fourth quarter, with direct asking rents rising to \$18.26 per square foot NNN, up from \$17.98 in Q3. Despite weaker occupancy fundamentals, landlords continue to demonstrate pricing discipline, particularly in well-located and higher-quality assets. One new office building totaling 57,762 square feet was delivered during the quarter, modestly increasing inventory but having a limited immediate impact on overall market conditions. With no additional office space currently under construction, the pace of new supply entering the market remains constrained, which should help moderate future vacancy growth as tenant demand stabilizes.

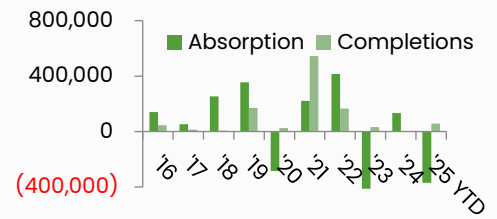
VACANCY RATE



ASKING RENTAL RATES



COMPLETION VS. ABSORPTION



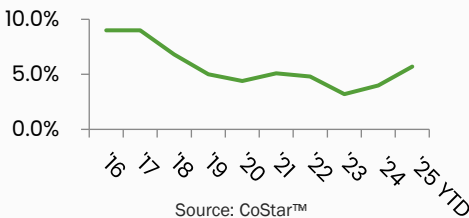
INDUSTRIAL/FLEX MARKET

The Colorado Springs industrial and flex market showed signs of stabilization during the fourth quarter of 2025, with direct vacancy edging down slightly to 5.7%, compared to 5.8% in Q3. Net absorption turned positive during the quarter at 27,012 square feet, reversing from the -142,646 square feet of negative absorption recorded in the third quarter. The improvement was driven by increased leasing activity, with total leasing volume more than doubling quarter-over-quarter as several mid-sized transactions closed late in the year. The total net absorption for the year was -565,677 square feet, but it is important to remember that a single tenant giving back a large block

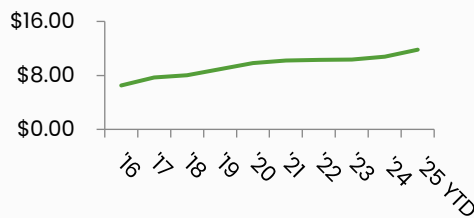
of leased space in the second quarter caused -639,000 square feet of absorption.

Average asking rental rates continued to rise in Q4, with direct NNN rents increasing to \$11.81 per square foot, up from \$11.48 in the prior quarter. Pricing strength reflects limited availability of functional industrial space and sustained demand from distribution, service, and light manufacturing users. One new industrial building totaling 20,000 square feet was delivered during the quarter, while 917,096 square feet remains under construction. While vacancy has trended higher over the course of the year, the return to positive absorption in Q4 suggests demand fundamentals remain intact as the market heads into 2026.

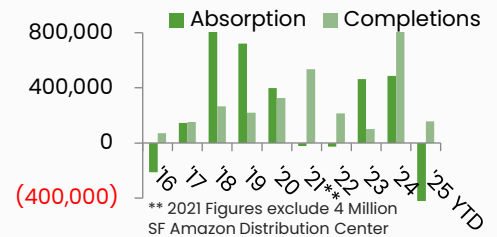
VACANCY RATE



ASKING RENTAL RATES



COMPLETION VS. ABSORPTION



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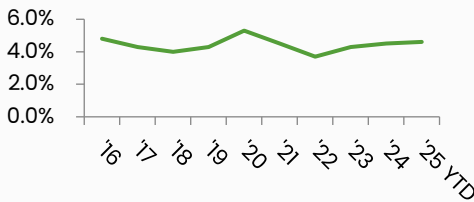


RETAIL MARKET

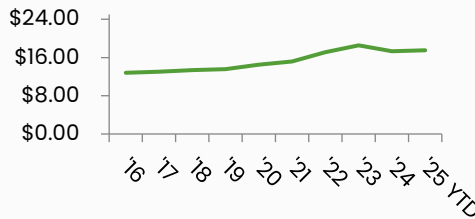
The Colorado Springs retail market remained relatively stable during the fourth quarter of 2025, with direct vacancy ticking up slightly to 4.6%, compared to 4.5% in Q3. Net absorption slowed during the quarter, totaling 20,325 square feet, down from 101,952 square feet of positive absorption in the prior quarter. Leasing activity moderated in Q4, with fewer deals completed and a reduction in overall leased square footage, reflecting a seasonal slowdown rather than a shift in underlying demand.

Average asking rental rates softened slightly in the fourth quarter, with direct NNN rents declining to \$17.48 per square foot, compared to \$17.75 in Q3. New construction activity accelerated late in the year, with 83,062 square feet of new retail space delivered during the quarter, compared to 24,313 square feet in Q3. Despite the increase in deliveries, vacancy levels remain low by historical standards, supported by consistent tenant demand in grocery-anchored, neighborhood, and service-oriented retail centers. As the market enters 2026, limited construction pipelines should continue to support stable retail fundamentals.

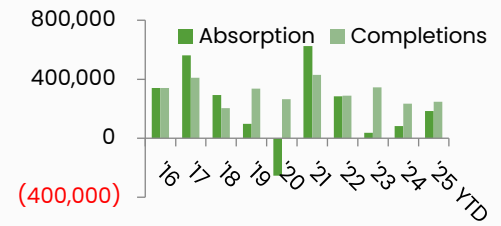
VACANCY RATE



ASKING RENTAL RATES



COMPLETION VS. ABSORPTION



Source: CoStar™

INVESTMENT MARKET

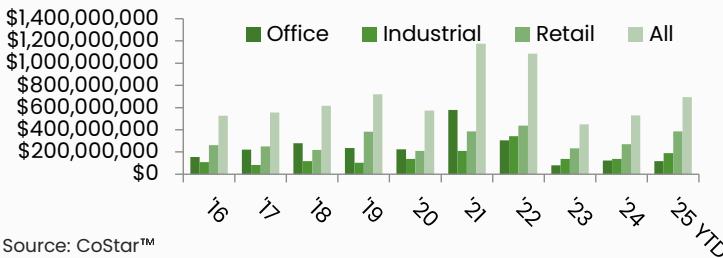
Commercial property investment activity in Colorado Springs accelerated in the fourth quarter of 2025, with total sales volume (all property types) rising to \$229.7 million, up sharply from \$113.5 million in Q3. Pricing also moved higher in Q4, with the average price per building square foot increasing to \$215.15 PSF, compared to \$180.15 PSF in the prior quarter.

average pricing increasing to \$182.60 PSF from \$135.21 PSF. Office sales volume improved quarter-over-quarter to \$25.5 million from \$22.6 million in Q3, with average pricing rising to \$169.16 PSF from \$146.96 PSF; however, office remains the one sector showing a year-over-year decline in total annual volume.

Retail drove much of the quarter's momentum, with sales volume increasing to \$153.1 million in Q4 versus \$51.5 million in Q3, while average pricing shifted to \$240.37 PSF compared to \$278.56 PSF last quarter. Industrial investment activity also strengthened, with Q4 volume rising to \$51.2 million from \$39.4 million in Q3, and

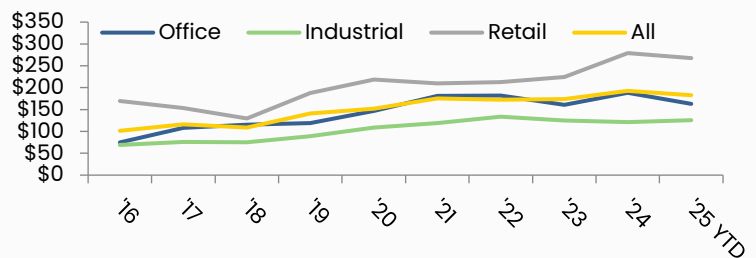
On an annual basis, total 2025 investment volume across all property types totaled \$693.3 million, up from \$529.6 million in 2024. Annual volume increased in industrial (\$189.1M vs. \$136.8M) and retail (\$386.6M vs. \$270.2M), while office declined slightly (\$118.6M vs. \$122.6M). Overall, transaction velocity and pricing strength in Q4 suggest improving market liquidity heading into 2026, with capital continuing to favor retail and industrial while office remains more selective.

PROPERTY SALES VOLUME



Source: CoStar™

AVERAGE PRICE PER SQUARE FOOT



2025 KEY TRANSACTIONS

Office – 104,439 SF

Tech Center VI – 5575 Tech Center Dr
Sale Price: \$17.25 mil (\$165.17 PSF)

Retail – 222,729 SF

Chapel Hills West (5-Building Portfolio) – 7580 Goddard St
7560, 7620-7650, 7660, 7664-7730 N Academy Blvd
Sale Price – \$23.7 mil (\$106.41 PSF)

Industrial – 62,618 SF

3250 Astrozon Ct
Sale Price: \$13.5 mil (\$215.59 PSF)
Cap Rate: 6.36%