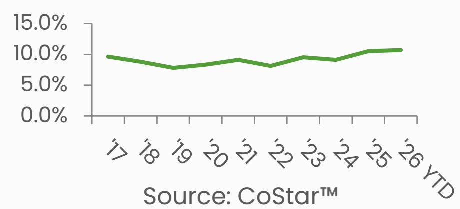
SOCO Commercial Real Estate Market Watch

OFFICE MARKET

The Colorado Springs office market showed signs of improvement during the second quarter of 2026, with direct vacancy declining to 10.7%, down from 11.0% in the first quarter but still up from 10.5% at the end of 2025. Net absorption was positive for Q2 at 109,960 square feet which helped erase some of the -156,116 square feet recorded in Q1. The market's year-to-date net absorption stands at -46,156 square feet. The second quarter marked the first recorded positive absorption after seven consecutive quarters of negative absorption in the office market.

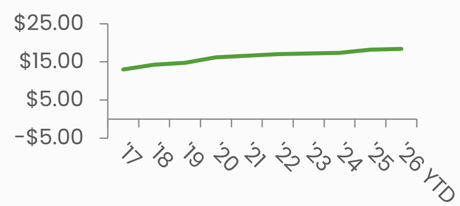
Average asking rental rates continued to trend upward, with direct asking rents increasing to $18.41 per square foot NNN, compared to $18.34 in the previous quarter and $18.26 at the end of 2025. No new office space was delivered during the second quarter following the 14,297 square feet completed in Q1, and there is no office product currently under construction, suggesting that new supply will remain limited in the near term. Overall the office market at the halfway point of 2026 compares favorably what was experienced in 2025.

VACANCY RATE

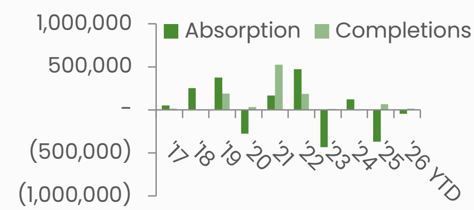


Source: CoStar™

ASKING RENTAL RATES



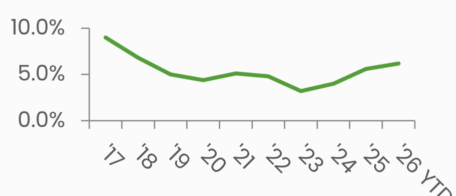
COMPLETION VS. ABSORPTION



INDUSTRIAL/FLEX MARKET

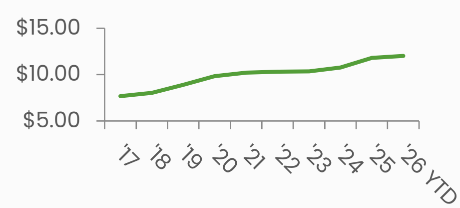
The Colorado Springs industrial/flex market saw mildly positive net absorption of 17,577 square feet in second quarter of 2026 but was still negative 50,632 square feet year-to-date due to negative 68,209 square feet of net absorption in the first quarter. Vacancy continued to rise ending the second quarter at 6.2%, up from 5.6% at year-end 2025. The increasing vacancy is caused by a combination of negative absorption and new speculative deliveries to the market. Four new buildings totaling 188,041 have been reported delivered year-to-date with seven more totaling 646,055 under construction. Despite the net absorption numbers, leasing was active for the first two quarters of 2026. As mentioned in our previous newsletter, the negative absorption shown in 2025 was heavily influenced by a single tenant giving back 639,000 square feet. Backing that single occurrence out of the data would yield a positive net absorption for 2025 of approximately 86,000 square feet. Going forward, we expect leasing to remain active in the industrial market and show positive absorption in the second half of 2026.

VACANCY RATE

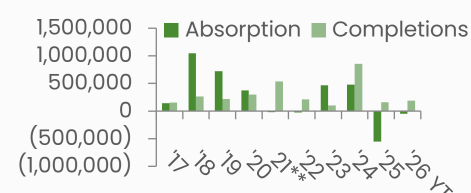


Source: CoStar™

ASKING RENTAL RATES



COMPLETION VS. ABSORPTION



**2021 Figures exclude 4 Million SF Amazon Distribution Center

RUSSELL STROUD, CCIM
Principal | **719.238.8695**
rstroud@sococre.com

MARY FRANCES COWAN, CCIM
Principal | **719.337.1500**
mcowan@sococre.com

SOCO Commercial Real Estate, LLC | 17 South Wahsatch Avenue | Colorado Springs, CO 80903 | www.sococre.com

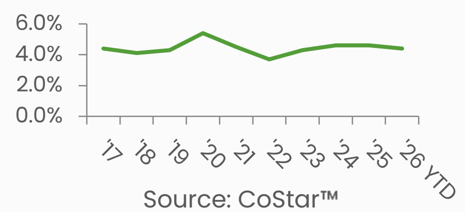
SOCO Commercial Real Estate Market Watch

RETAIL MARKET

The Colorado Springs retail market remained fundamentally healthy during the second quarter of 2026, with direct vacancy remaining near historic lows despite the addition of new inventory. Leasing activity remained strong during the quarter, resulting in positive net absorption and an improvement over the first quarter of the year. Year-to-date absorption remains positive, reflecting continued demand from service-oriented retailers, restaurants, and neighborhood retail users.

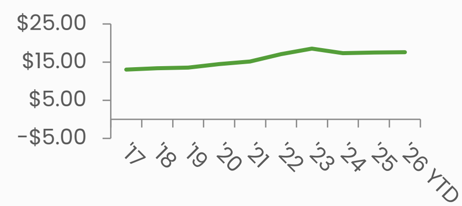
Average direct asking NNN rental rates continued to trend upward as landlords benefited from limited availability in well-located shopping centers. New retail deliveries dropped off compared to previous years. As Colorado Springs continues to experience population growth and consumer spending remains resilient, the retail sector continues to be one of the strongest-performing commercial property types heading into the second half of 2026.

VACANCY RATE

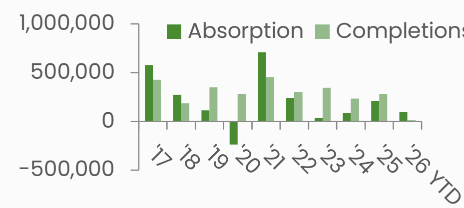


Source: CoStar™

ASKING RENTAL RATES



COMPLETION VS. ABSORPTION



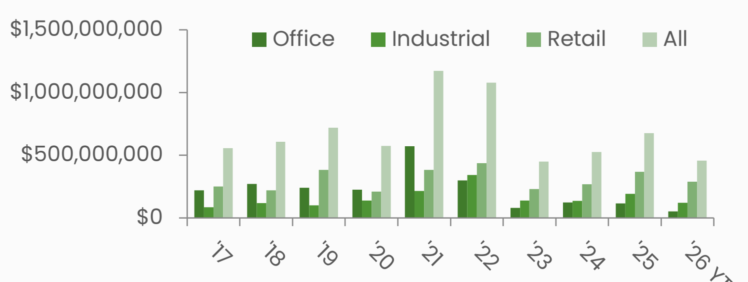
INVESTMENT MARKET

Commercial real estate investment activity in Colorado Springs remained active through the first half of 2026, with total sales volume reaching $456.6 million YTD across office, industrial, and retail properties. This compares to $676.3 million for all of 2025 and $526.4 million for all of 2024. At mid-year, the market has already reached roughly two-thirds of 2025's full-year volume, indicating a strong pace of transaction activity.

Retail led the market with $289.1 million in 2026 YTD sales volume, compared to $369.3 million recorded during all of 2025. Industrial followed with $120.7 million YTD, compared to $193.0 million for full-year 2025. Office investment activity remained more limited, totaling $52.7 million YTD, compared to $115.0 million at year end 2025.

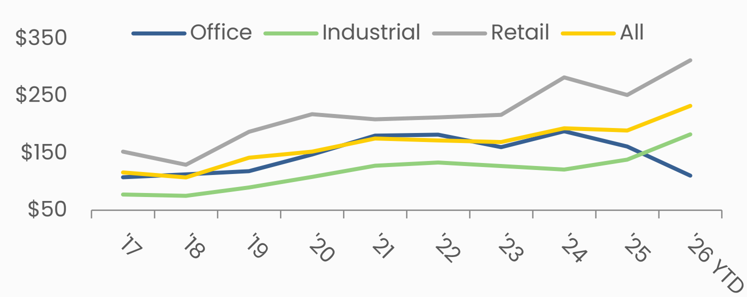
Average pricing also strengthened across the broader market, with the average price per building square foot for all property types (combined) increasing to $232.78 PSF YTD, compared to $189.50 PSF in 2025. Retail posted the highest average pricing at $312.61 PSF, followed by industrial at $182.86 PSF. Office pricing was lower at $110.58 PSF, reflecting continued selectivity among office investors.

PROPERTY SALES VOLUME



Source: CoStar™

AVERAGE PRICE PER SQUARE FOOT



2026 YTD KEY TRANSACTIONS

OFFICE
2864 S Circle Dr - 150,163 SF
Sale Price $5,000,000 ($33.30 PSF)

INDUSTRIAL
7925 Industry - 24,000 SF
Sale Price $5,500,000 ($229.17 PSF)
6.07 acres included for outside storage

RETAIL
Shops at Dublin Commons (North Shops)
5925-5935 Dublin Blvd - 34,104 SF
$20.5 mil ($601.10 PSF) Cap Rate 5.33%