MarketView 2Q26

CUSHMAN & WAKEFIELD | Colorado Springs Commercial

QUICK STATS

	2Q26	vs 1Q26	vs 2Q25
Vacancy	15.04%	▲	▲
Lease Rates	$18.71	▲	▲
Net Absorption	(86,614)	▼	▼

HOT TOPICS

- *The cost of living index for the Colorado Springs area has slightly improved to 98.9% of the national average, compared to 100.9% in 2025. Average annual wages in El Paso County increased from $67,548 in 2024 to $70,899 in 2025.*
- *The Space Force's new Infrastructure Portfolio Acquisition Executive (PAE), relocating from Los Angeles, will now be headquartered at Peterson Space Force Base. A new $250M Space Force Operations Facility will be constructed at Schriever Space Force Base & the facility is expected to support 2,500± civilian jobs.*
- *The number of residents living in downtown Colorado Springs went from 2,574 residents in 2024 to 4,860 in 2025. 37 new businesses opened & total sales downtown were ~$503.6M in 2025, a year-over-year increase of 6.7%.*
- *Single-family permits in El Paso County declined from 312 in March to 270 in April, while multifamily permits fell from 74 dwelling units to just 8.*
- *The unemployment rate in El Paso County was 3.8% in April, a slight increase from 3.6% in the previous month, but sits 0.2 percentage points lower compared to the same period last year.*

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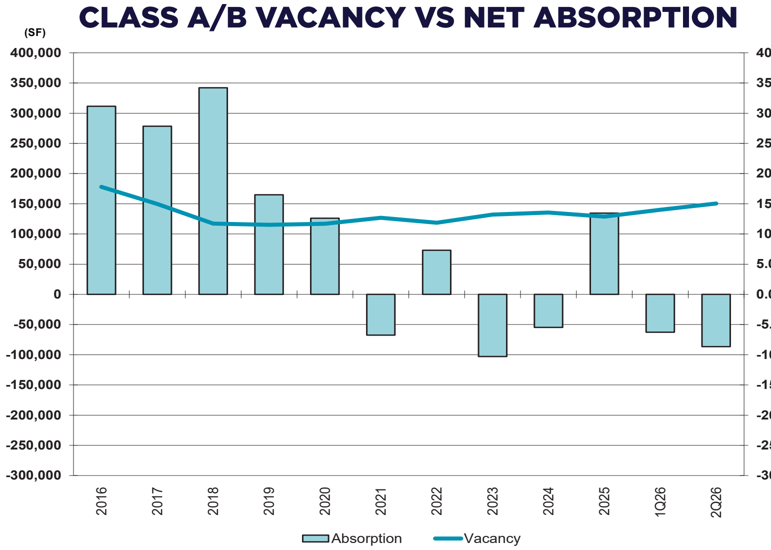
CLASS A/B OFFICE MARKET OVERVIEW

The Office Market in Colorado Springs has continued to exhibit a very modest softening in the first half of the year with vacancy rates up from year-end 2025 of 12.87% to 15.04% and negative absorption occurring in all submarkets totaling 150,000 square feet. These numbers belie the underlying health of the market, which continues to see base lease rates increase and averaging $18.71, with high-quality office space commanding rates in the $25-$26 range. Operating expenses, fueled by increased taxes and inflation, which are impacting insurance and CAMs, have spiked considerably and are disproportionately impacting tenants' occupancy costs.

Despite these softer numbers, the market fundamentals remain strong, and lease activity suggests we will reverse the first half of the year trend and post positive absorption and correspondingly lower vacancy rates by year-end. With no meaningful construction since 2008, high-quality office space remains limited. Former corporate campuses of T. Rowe Price, Oracle, and Progressive Insurance, which have been vacated and are available to purchase, provide some room for growing tenants to relocate to as owner-occupiers. These campuses, totaling over 1 million square feet, are not part of the underlying market data and when a tenant vacates "leased" space and purchases their own building it reflects negatively in our absorption, while in reality these companies are growing! The spaces left behind are desirable and we anticipate quick lease-up as high-quality bigger blocks of vacancy are scarce. So too are smaller 3–5k vacancies and tenants are compelled to seek 7-10 year terms both to hedge against increasing lease rates and to help offset tenant improvement costs. Renewing tenants, especially those coming off leases signed 5+ years ago, are seeing significant increases in their lease rates as they adjust to current market conditions.

Overall, the health of the market remains strong, and we do not see any short-term indicators that would suggest the market won't continue our 5-year trend of rising lease rates and low overall vacancy rates.

CLASS A/B VACANCY VS NET ABSORPTION



CLASS A/B OFFICE STATISTICS

Submarket	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
NORTH I-25 CORRIDOR:							
2nd Quarter 2026	5,216,749	820,673	218,519	15.73%	(38,792)	$18.63	$10.48
2026					(61,681)		
AIRPORT (SOUTHEAST) AREA:							
2nd Quarter 2026	1,404,317	111,755	11,300	7.96%	(31,415)	$19.45	$8.86
2026					(40,222)		
CENTRAL BUSINESS DISTRICT:							
2nd Quarter 2026	1,994,054	363,598	1,580	18.23%	(16,407)	$18.41	$11.37
2026					(47,331)		
TOTAL CLASS A MARKET:							
TOTALS FOR 2nd Quarter 2026	8,615,120	1,296,026	231,399	15.04%	(86,614)	$18.71	$10.44
TOTALS 2026					(149,234)		

15.04%
Direct Vacancy Rate

17.73%
Overall Vacancy Rate

2Q26 vs 1Q26

SIGNIFICANT TRANSACTIONS

BUILDING NAME	ADDRESS	TENANT	SQ FT	QTR
LEASE TRANSACTIONS				
Garden Gateway Plaza	1355 Garden of the Gods	MGA Home Healthcare CO	15,090	2Q26
1055 Newport	1055 Newport Rd	ENSCO	14,212	1Q26
Epic One	10807 New Allegiance Dr	Orchard Alliance	12,332	1Q26
Colorado Square	2 N Nevada Ave	IntraNerve Neuroscience Holdings	11,000	1Q26
Town & Country	4040 E Bijou St	Cairn Behavioral Health	9,193	2Q26
North Creek II	5755 Mark Dabling Blvd	PeopleTec	8,357	2Q26
Colorado Square	2 N Nevada Ave	KBR Wyle Services	7,249	2Q26
Garden Gateway Plaza	1365 Garden of the Gods	State of CO - DVR	6,763	2Q26
Plaza of the Rockies North	111 S Tejon St	Helland and Hurwitz	5,386	2Q26
Briargate Office Center	1755 Telstar Dr	Pentrust Mortgage	4,567	1Q26
1259 Lake Plaza Dr	1259 Lake Plaza Dr	Colorado Psychiatry Solutions	4,475	2Q26

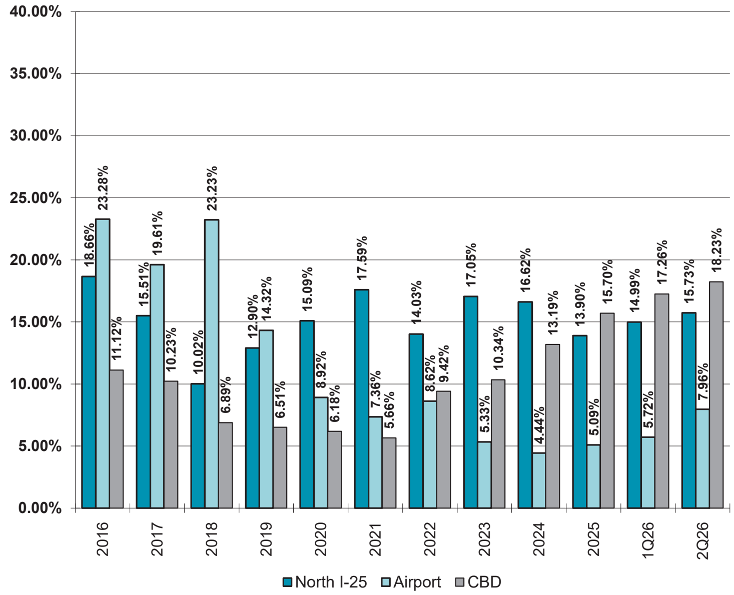
BUILDING NAME	ADDRESS	SALE PRICE/PER SF	SALE TYPE	QTR
SALE TRANSACTIONS				
Woodmen Office Park	7250 Campus Dr	$14,767,400 / $197	Investor	2Q26
4065 Sinton Rd	4065 Sinton Rd	$4,000,000 / $135	Owner User	1Q26
5465 Mark Dabling Blvd	5465 Mark Dabling Blvd	$2,450,000 / $148	Investor	2Q26
409 N Tejon St	409 N Tejon St	$2,000,000 / $455	Investor	2Q26

FEATURED OFFICE PROPERTIES

TECH CENTER I
5450 Tech Center Dr
16,763-85,228 RSF
Highly prominent building with excellent freeway visibility/access to I-25

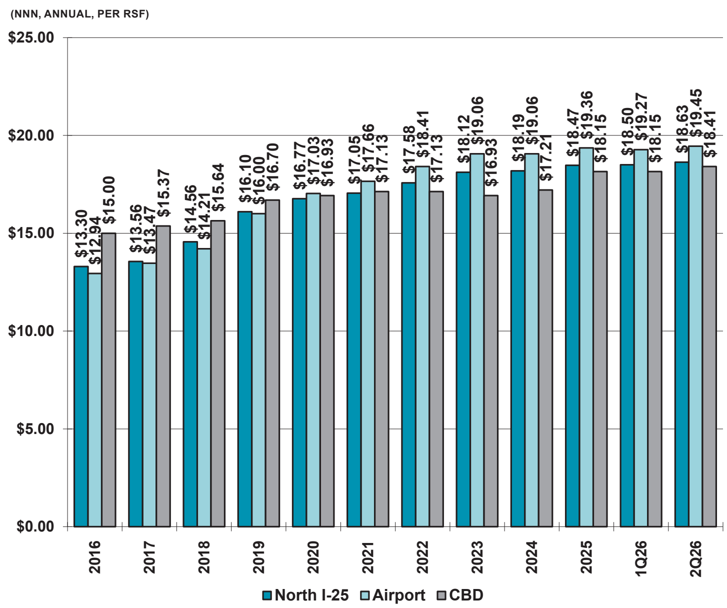
PALMER CENTER
2 N-90 S Cascade Ave
924-83,433 RSF
Full floors available, premier Class A office in the heart of Downtown

GARDEN GATEWAY PLAZA
1357 Garden of the Gods Rd
25,530 RSF (divisible)
Single-story Office for Lease or Sale
Competitive lease rates, Class-A finishes



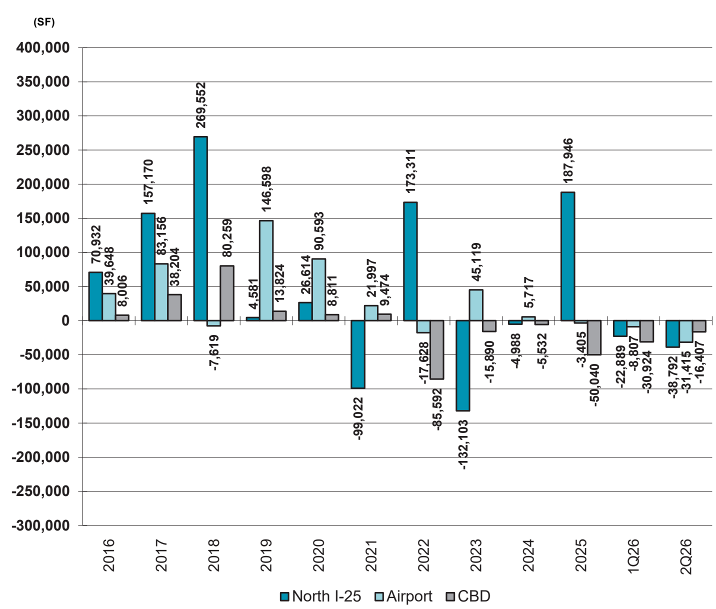
CLASS A/B VACANCY

Following the last few years where vacancy rates remained fairly flat and hovered around 13%, they have spiked up throughout the market in the first half of the year from 12.87% at year-end to 15.04%. The CBD saw the biggest increase, rising from 15.7% to 18.23%; and up significantly from 2023 where rates closed at 10.34%. Some of this is attributable to lingering Covid impact, but exacerbated by downtown tenants moving to suburban product. We anticipate this trend to continue throughout the balance of 2026 before stabilizing in 2027 and improving in 2028. The North I-25 market, which saw a significant reduction during 2025 with vacancy down from 16.09% to 13.90% for year-end, bumped up to 15.73%. Our Airport submarket, which has been very tight the last few years, saw vacancy rates increase from 5% to almost 8%. This is most attributed to one larger tenant vacating and consolidating their operations in the North I-25 market. That being said, all markets remain tight for quality space and we expect this trend to reverse during the second half of the year in the North I-25 and Airport submarkets.



CLASS A/B LEASE RATES

Average asking rates have continued to climb in all submarkets with overall average asking rates of $18.71, up from $18.54 PSF for year-end 2025 and $18.12 PSF for year-end 2024. With diminishing high-quality vacancy, and increasing costs to build-out space for tenants, we expect building owners to continue to push rates higher throughout 2026 as many building owners now seek starting rates in the low to mid $20 PSF range with 3% annual escalations, giving confidence to the overall market. While larger blocks of space remain in single-story product and pull down the average, tenant improvement costs continue to drive rates up and require tenants to contemplate longer, 7-10-year terms. Current lease rates do not support new construction, and vacancy rates remain relatively low, and so we anticipate 2026 to bring further increases.



CLASS A/B ABSORPTION

The overall market recorded 149,234 square feet of negative absorption in the first half of 2026, after posting positive absorption of 134,501 square feet for year-end 2025. This negative absorption was seen throughout all three submarkets with the CBD and Airport realizing the highest percentage based upon their sizes. Current lease activity in the North I-25 and Airport submarkets suggest this trend will reverse in the second half of the year. We had reported in the past "some potential storm clouds may exist with a handful of corporate campuses likely coming online," and so far they are being purchased and backfilled with owner-users but contributing to the negative absorption numbers as these groups migrate out of their old locations. Given we haven't had any meaningful new construction since 2008, this will likely replace the need for new construction in the near future, but these options will appeal to larger users, so while we may see a spike in negative absorption in the year ahead, we do not see this adversely impacting lease rates or vacancy in traditional multi-tenant office buildings.

MEDICAL OFFICE MARKET STATISTICS

2nd QUARTER 2026

TOTAL BLDG SF	AVAILABLE SF	SUBLEASE SPACE	VACANCY RATE	NET ABSORPTION	LEASE RATE	NNN EXP.
1,826,859	205,102	23,257	11.23%	(6,952) SF	$22.08	$13.53

11.23% Direct Vacancy Rate

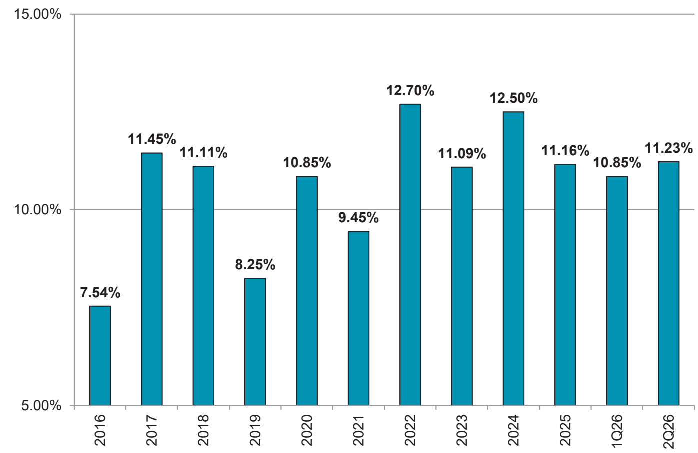
12.50% Overall Vacancy Rate

2Q26 vs 1Q26

MEDICAL OFFICE MARKET OVERVIEW

The MOB market in Colorado Springs continues to be in a healthy state with a direct vacancy of 11.23% and up slightly from 11.16% for year-end 2025. The market experienced modest negative absorption of approximately 7,000 square feet. Average asking lease rates continue their upward trend. One aspect of the market worth noting is that the trend toward higher quality, newer assets persists. Of the 205,102 square feet of vacancy on the market, approximately 120,000 square feet of that space was available in 4Q 2024 and represents the lower quality, inferior location product. In other words, when the lower part of the market is removed, a very stable and healthy medical leasing market is revealed. We anticipate 'more of the same' throughout the balance of 2026, with asking lease rates on the rise.

VACANCY



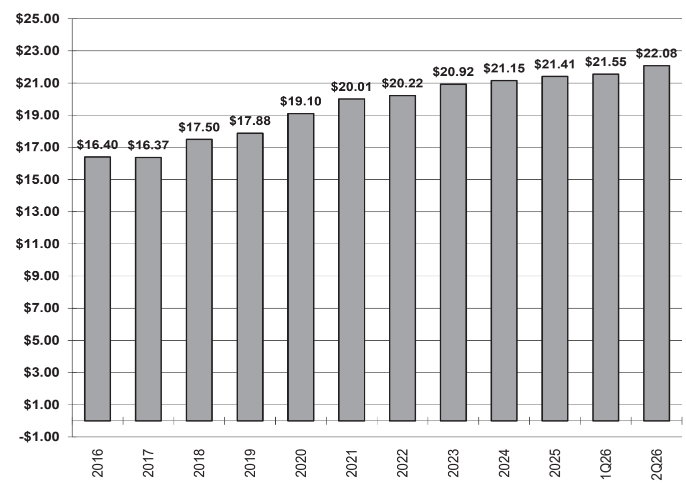
FEATURED MEDICAL PROPERTIES

BRIARGATE MEDICAL
4105 Briargate Pkwy
28,191 RSF
Directly across from Memorial North & Children's Hospital

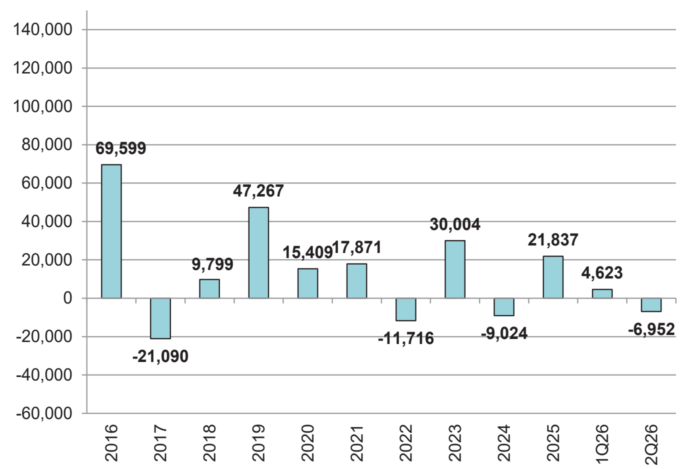
PAVILION MEDICAL CENTER
320 E Fontanero St
1,542-6,746 RSF
Dental office available, close to Penrose & Memorial Hospitals

PREMIER HEALTH PLAZA
3920 N Union Blvd
1,038-8,724 RSF
Premier building signage with visibility from Union/Austin Bluffs

LEASE RATES



ABSORPTION



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