Peak Performance

2025 Performance and 2026 Outlook | **Year Ending 2025**

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PEAK PERFORMANCE NEWSLETTER

2026 OUTLOOK

THE BOTTOM LINE: Two federal defense initiatives are expected to drive much of the new jobs and spending tied to Colorado Springs over the next year: the **Golden Dome** missile defense program and the associated funding package often referred to nationally as the **"One Big Beautiful Bill."**

Together, these initiatives steer tens of billions of dollars toward defense, aerospace, and missile defense work that Colorado-based firms can compete for. This is why local leaders are expecting a noticeable boost in hiring and investment in the Springs.

The exact number of new jobs and the total dollars flowing into Colorado Springs will depend on which local companies secure Golden Dome task orders. However, the consensus is that the combination of Golden Dome and the broader funding package should translate into more high-paying engineering, cyber, and manufacturing roles, along with increased defense-related spending in the local economy over the next year and beyond.

At this time, there is no clearly defined strategy outlining how or when the funds will be released. For now, it remains a wait-and-see environment as the market looks for signs of when this government funding will begin impacting local real estate.

2025 PERFORMANCE (PAST 12-MONTHS)

THE OFFICE SECTOR, with no new speculative office product, modest but steady population and employment growth, and businesses continuing to rationalize space post-pandemic, is most likely to experience a slow, uneven "grind sideways" in 2026, with elevated vacancies, tenant-friendly leasing terms, and modest rent movement rather than a sharp rebound. The Department of War (DOW) sector continues to look at available space with the anticipation of major government funding coming soon, however most companies have not been making any decisions as of yet.

OVERALL OFFICE

30.5M	$23.31	11.6%	(-469K)	0
INVENTORY	MARKET ASKING RATE (FS)	VACANCY RATE	NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)

CLASS A/B OFFICE

3.17M	$27.45	10.9%	(-385K)	0
INVENTORY	MARKET ASKING RATE (FS)	VACANCY RATE	NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)

THE INDUSTRIAL SECTOR remained one of the region's strongest performing property types through late 2025, though activity normalized from the rapid expansion of prior years. Vacancy remained low by historical standards, supported by continued demand from logistics, manufacturing, and technology users, while rental rates generally held firm or experienced modest growth for modern, well-located properties. Although absorption turned negative, this largely reflects the impact of new speculative construction being delivered to the market. New development became more selective and build-to-suit driven, with speculative projects concentrated in infill locations or along key transportation corridors where tenant demand is strongest. Investor appetite remained strong for quality industrial assets, particularly smaller and mid-size buildings with diversified tenant rosters and functional layouts.

42.7M	$11.45	6.0%	(-616K)	906K
INVENTORY	MARKET ASKING RATE	VACANCY RATE	NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)

THE RETAIL SECTOR continued to be one of the strongest commercial property types in Colorado Springs during the second half of 2025. Limited new construction, healthy consumer spending, and continued population growth in key corridors supported low vacancy and generally stable to rising rents in prime locations. Performance remained highly location-specific, with centers in growth areas and along major traffic arteries experiencing the strongest competition for space, while older or poorly positioned properties lagged. Investor and lender sentiment toward retail improved compared to prior years, particularly for grocery-anchored centers, newly-constructed outparcels, and daily-needs retail.

45M	$21.46	4.8%	+164K	28.3K
INVENTORY	MARKET ASKING RATE	VACANCY RATE	NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)

THE MULTIFAMILY SECTOR moved further into a phase of moderation and gradual rebalancing by late 2025. Following a period of elevated deliveries, new starts slowed sharply, allowing the market to absorb recent supply and improve occupancy across many newer projects. Strong population and job growth in Colorado Springs supported absorption, and as the development pipeline thinned, conditions began to tighten, setting the stage for more consistent rent growth heading into 2026. Investors remained selective, with the strongest interest focused on well-located Class B properties and newer, stabilized Class A communities positioned for long-term rent and income growth.

58,543	12.6%	2,405	$241K	1,452	$1,297 - $2,020
INVENTORY (UNITS)	VACANCY RATE	12 MO ABSORPTION (UNITS)	MARKET SALES PRICE (UNIT)	UNDER CONSTRUCTION (UNITS)	MARKET ASKING RATE (1 BDRM - 3 BDRM

CAPITAL MARKETS for commercial real estate in 2026 are expected to improve meaningfully from the 2023–2025 downcycle, with greater liquidity, modestly lower borrowing costs, and higher transaction volume. However, conditions will remain selective by asset type and quality. Overall sentiment is cautiously optimistic. Investors anticipate a “reset” phase in which capital re-enters the market, though underwriting remains disciplined and the differentiation between winners and losers remains pronounced. Real estate experts expect modestly lower all-in borrowing costs and improving debt liquidity as banks, agencies, life companies, and private credit lenders increase origination activity. The MBA forecasts CRE lending to rise approximately 20–25% in 2026.

OVERALL OFFICE	CLASS A/B OFFICE	INDUSTRIAL	RETAIL
$151 AVERAGE SALES PRICE PSF	$189 AVERAGE SALES PRICE PSF	$143 AVERAGE SALES PRICE PSF	$225 AVERAGE SALES PRICE PSF
10.4% AVERAGE CAP RATE	10.9% AVERAGE CAP RATE	9.5% AVERAGE CAP RATE	7.6% AVERAGE CAP RATE
$102M 12-MONTH SALES VOLUME		$202M 12-MONTH SALES VOLUME	$350M 12-MONTH SALES VOLUME