Peak Performance Newsletter

COLORADO SPRINGS COMMERCIAL REAL ESTATE UPDATE

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THE BOTTOM LINE

Colorado Springs enters the second half of 2026 pulled in two directions. Federal defense investment is accelerating in the Pikes Peak region even as the state's broader business climate continues to soften. For commercial real estate, the tailwind is local and sector specific (aerospace and defense); the headwind is statewide and structural (regulation and cost of doing business).

DEFENSE MOMENTUM

Federal investment in the Pikes Peak Region is accelerating

- $798M contract to Sierra Space for missile-warning satellites
- $250M Space Force Operations Facility planned at Schriever (~2,500 civilian jobs)
- Kratos & Auria awarded nearly $500M in ground systems contracts for Golden Dome

STATEWIDE HEADWINDS

Colorado's business climate continues to weaken

- Rising costs, regulation and permitting requirements
- Largest drop ever in state competitiveness ranking
- Slower business relocation and expansion

WHAT IT MEANS FOR THE MARKET

The net effect is likely uneven rather than uniform. Defense and aerospace related demand should continue to support industrial and specialized office users tied to Schriever and Golden Dome contractors. Meanwhile, the statewide regulatory and cost environment may continue to weigh on broader business relocation and expansion decisions outside the defense sector, reinforcing the "grind sideways" pattern already noted in the office market.

LOOKING AHEAD

Colorado Springs continues investing ahead of anticipated growth. Utilities is expanding energy, water and wastewater capacity, while aerospace recruitment remains active, including SelectTech Services Corporation's El Paso County expansion.

Together, infrastructure investment, defense-sector recruitment and regional marketing efforts provide a measure of local confidence despite Colorado's broader competitiveness challenges.

2026 MARKET SNAPSHOT *(detailed sector performance on following page)*

OFFICE	INDUSTRIAL	RETAIL	MULTIFAMILY
Stabilizing	Moderating	Strong	Rebalancing
11.7% Vacancy	**6.5%** Vacancy	**4.7%** Vacancy	**10.2%** Vacancy

CLASS A OFFICE

3.26M SF Inventory	**12.2%** Vacancy
$28.24 Asking Rate (FS/SF)	**60.3K** 12-Mo. Net Absorption

ALL PROPERTIES

$1.01B 12-Mo. Sales Volume	**236** YTD Sales
(10.1%) 12-Mo. Volume Growth	**$35.27B** Est. Asset Value

Sources:
The Colorado Springs Gazette, "Colorado slips again as a business destination," July 20, 2026, p. A8
The Colorado Springs Gazette, "Colorado holds key to the Golden Dome," July 21, 2026, p. A8
Market data is sourced from CoStar Group. Data as of August 4, 2026

2026 PERFORMANCE - PAST 12 MONTHS

OFFICE

MARKET SIGNAL: STABILIZING

Large defense and technology leases are supporting demand, but vacancy and negative absorption continue to reflect broader weakness. With no construction underway, recovery is expected to remain gradual.

Inventory (SF)	Asking Rate (FS/SF)	Vacancy Rate	12-Mo. Net Absorption (SF)	Under Construction
31.02M	$23.56	11.7%	(183K)	0 SF

INDUSTRIAL

MARKET SIGNAL: MODERATING

Industrial demand moderated after several years of strong growth, rising vacancy and negative absorption reflect a slower pace, while limited construction helps contain additional supply pressure.

Inventory (SF)	Asking Rate (NNN/SF)	Vacancy Rate	12-Mo. Net Absorption (SF)	Under Construction
43.03M	$11.69	6.5%	(116K)	641K SF

RETAIL

MARKET SIGNAL: STRONG

Retail remains one of the market's strongest sectors with tight availability and positive absorption. Limited new supply continues to restrict options in desirable locations.

Inventory (SF)	Asking Rate (NNN/SF)	Vacancy Rate	12-Mo. Net Absorption (SF)	Under Construction
44.70M	$21.66	4.7%	210K	19K SF

MULTI-FAMILY

MARKET SIGNAL: REBALANCING

Vacancy is trending lower from late-2024 highs as absorption outpaces new deliveries. The construction pipeline has declined sharply.

Inventory (Units)	Unit Asking Rate (Monthly)	Vacancy Rate	12-Mo. Net Absorption (Units)	Under Construction (Units)
58,639	$1,493	10.2%	2,559	1,647

CAPITAL MARKETS SNAPSHOT

PROPERTY TYPE	AVG. CAP RATE (PAST 12 MOS.)	AVG. PRICE (PAST 12 MOS.)	12-MO. SALES VOLUME
OFFICE	6.4%	$124 / SF	$91.4M
INDUSTRIAL	6.5%	$183 / SF	$259.4M
RETAIL	6.6%	$285 / SF	$492.1M HIGHEST VOLUME
MULTIFAMILY	MID-5% RANGE	~$240K / UNIT	$143.4M

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