Mayor, Town Council, County Commissioners and Economic Development Council Investors:
Re: Castle Rock EDC 2026 Mid-Year Report

The Economy Keeps Stumbling…Forward

The U.S. economy continues to expand despite a changing mix of headwinds. The economic pain points from a year ago—tariffs, federal restructuring, slow hiring—have somewhat abated, while new threats have emerged. Conflict with Iran has contributed to higher energy prices, elevated inflation, and renewed supply-chain bottlenecks, and a new round of tariffs announced in July renewed uncertainty around trade. As a result, consumers and businesses alike have adapted and absorbed costs while operating amid persistent uncertainty, allowing economic activity to continue despite ongoing geopolitical and economic risks. Compared to a lackluster 2025, the economy showed improvement in the latest readings in 2026. Real GDP growth accelerated in the first quarter, household wealth continued to reach new heights (largely driven by fragile growth in the stock market), and employment growth ticked up.

Colorado continues to post thin positive economic growth. It ranks near the middle of states in employment, GDP, and income growth. The state ranked 31st in one-year employment growth (June 2026 year-to-date), 17th in real GDP growth (Q1 2026), and 27th in personal income growth. The 2026 midyear Colorado Business Economic Outlook projects growth in GDP, income, consumption, and very modest employment growth, with job growth of around 6,000 jobs, an increase of 0.2%. Job growth will remain uneven across industries. While some key industries are projected to post strong gains (health care and construction), other industries are flat (tourism and trade, transportation, and utilities) or are expected to post losses for the year (information and financial activities). The state had modest population growth, muted net migration, and negative net domestic migration in 2025, and the labor force, household employment, and the number of unemployed all decreased in Colorado in June. Nationally, the primary risks to economic growth are elevated inflation, lower consumption, trade, and geopolitical conflicts. The announcement of additional tariffs in late July renewed trade and cost uncertainty. Other large structural cost issues—housing, health care, insurance, and childcare—are national risks but are even more acute in Colorado as they make up a larger percentage of Coloradan's income.

While Colorado is expected to continue to grow alongside the national economy, the drivers of growth will vary across industries and regions.

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Castle Rock's Real Estate Market

Strong market fundamentals define Castle Rock's current economic landscape, with local retail and office sectors demonstrating exceptional resilience and outperforming broader regional comparables.

However, beneath the surface, the local market is undergoing a structural transition reflecting nationwide macroeconomic headwinds. This shift creates several areas to watch, including rising overhead costs for local businesses, a sharp drop in single-family permits, and temporary inventory absorption phases across industrial and multi-family real estate.

Sector Performance & Market Analysis

1. Retail

- Retail Vacancy: Compressed from 1.7% in Q1 2025 down to 0.8% in Q1 2026.
    - *Positives:* Castle Rock's retail sector continues to outperform regional averages. Driven by high median household incomes across Douglas County and strong consumer spending, in personal services, dining and specialty retail space remains near 100% occupancy.
    - *Outlook:* Locally owned restaurants across the Denver Metro area are operating in one of the most challenging economic environments in decades. According to industry reports from the Denver Restaurant Liaison Project, Colorado has seen some of the highest restaurant inflation rates in the nation, with local menu prices rising significantly above the national average to keep pace with soaring overhead. Independent operators face an intense squeeze: wholesale ingredient expenses remain elevated, commercial rents and property taxes continue to climb, and labor costs have surged. At the same time, inflation-weary consumers are tightening discretionary spending by dining out less frequently, ordering fewer high-margin items like alcohol, or seeking lower-cost dining alternatives.

2. Office

- Office Vacancy: Tightened from 5% in Q1 2025 down to 4.1% in Q1 2026.
    - *Positives:* Counter to national office market trends, Castle Rock's office sector is experiencing genuine supply constraints. Local demand is fueled by small-to-midsize primary employers, professional service firms, medical office users and life-science/tech tenants migrating closer to executive level housing. The tight vacancy rate sits well below the broader Denver Metro average (~14%), putting upward pressure on lease rates.
    - *Outlook:* While ultra-low vacancy signals a strong market on the surface, a low office supply per capita presents serious structural economic risks to a growing community. Most immediately, tight inventory creates an expansion bottleneck that forces high-growth local employers to relocate elsewhere to scale. Simultaneously, this scarcity blocks new regional headquarters from entering the market, while higher lease rates price out early-stage startups and small professional firms.

3. Industrial

- Industrial Vacancy: Increased from sub 3% in Q1 2025 to 12.6% in Q1 2026.
    - *Context:* Castle Rock remains a small industrial market with relatively limited overall square footage, meaning a single multi-tenant move-out or a few individual vacancies can skew the townwide vacancy percentage dramatically. The recent rate spike is largely driven by large-format spaces (exceeding 10,000 SF) coming back onto the market. Historically, filling large-format industrial space in Castle Rock presents unique challenges, as the local labor base is overwhelmingly white-collar and specialized (~89%), leaving a smaller local labor pool tailored to traditional high-volume manufacturing or regional warehousing operations.

- *Outlook:* This industry sector should continue to be monitored

4. Residential Development & Multi-Family

- Single-Family Residential Permits: Castle Rock recorded 261 single-family permits in 2025; a significant drop compared to its 10-year historic average of approximately 800 annual permits.
    - *Context:* This slowdown reflects nationwide headwinds, including elevated mortgage interest rates (6.5%–7.0%), persistent construction cost inflation and cautious land development pacing. Despite the drop in new starts, resale inventory remains tight relative to historical benchmarks (operating around 2 to 2.5 months of supply).
- Multi-Family Vacancy: Multi-family vacancy increased from 5% in Q1 2025 to 11.2% in Q1 2026.
    - *Context:* New apartment inventory delivered in Castle Rock in early 2026 temporarily elevated vacancy metrics. Demand fundamentals remain healthy due to strong regional population and job growth, indicating this vacancy spike is a short-term absorption phase rather than a demand deficit.

2026 Development Updates and Partnerships

Castle Rock's economic development strategy plays a vital role in achieving the Town's long-term vision of becoming a self-sufficient, standalone community—one where residents can live, work, play, and access the goods and services they need locally. A key objective of this strategy is to build a strong and sustainable tax base to support essential Town services through a multifaceted approach. In partnership with the Town and Dougals County, the Castle Rock Economic Development Council (EDC) is focused on supporting local job creation and expanding the Town's and County's economic foundation. The EDC's efforts are centered around three core functions: business attraction through new prospect development, business retention and expansion, and fostering a business-friendly environment through strategic attraction of targeted industry and local/regional partnerships.

Opening of AdventHealth Schrader Family Cancer Center

One of the most exciting announcements of early 2026 was the opening of the Schrader Family Cancer Center. The "Rock of Hope" campaign raised over $14M to make Cancer treatment in Castle Rock a reality.

Other updates for 2026 include:

- **Strong first-half performance:** AdventHealth Castle Rock sustained strong inpatient and emergency department activity while maintaining positive patient experience, quality and operational performance.
- **Positioning for Castle Rock's growth:** AdventHealth is investing in the services and infrastructure needed to meet the needs of a rapidly growing community and reduce the need for residents to travel outside the area for care.
- **Recognized for excellence in patient safety and quality care**, including an "A" Hospital Safety Grade from The Leapfrog Group, a five-star quality rating from the Centers for Medicare & Medicaid Services (CMS), and national honors from the American Heart Association for stroke and Type 2 diabetes care.
- **Advancing a regional partnership:** AdventHealth and Intermountain Health have signed a letter of intent to form a joint venture bringing together their Denver-area hospitals, physician practices and ambulatory services. The proposed partnership is designed to expand access, strengthen clinical services and create a more connected regional care network.

- **Next steps for the joint venture:** A definitive agreement is anticipated in the coming weeks. AdventHealth would lead and manage daily operations, with the transaction expected to close in early 2027, subject to regulatory approval.

Douglas County School District - Wilcox Building

Over the past several years, the Douglas County School District (DCSD) has partnered with local leadership—including the Town of Castle Rock, the EDC, and the Downtown Alliance—to evaluate the long-term viability of its aging administrative office in downtown Castle Rock. Most recently, working alongside Owen Ames Kimball (OAK) Construction, this coalition spent the early part of 2026 pursuing options and structural remedies to modernize the Wilcox Street facility.

Unfortunately, despite exhaustively exploring every structural and financial scenario, a viable solution to preserve the downtown offices could not be reached, leading DCSD to announce the planned relocation of its administrative headquarters. Because the costs of updating and maintaining the facility proved prohibitive, partners have now turned their focus toward collaborative, second-life concepts for the landmark site.

Strategic Attraction

Aerospace - Castle Rock EDC continues to actively pursue aerospace opportunities in partnership with Arapahoe Community College, Colorado State University and the Douglas County School District. Current initiatives include the development of an aerospace campus in collaboration with a private sector coworking SCIF (Secure Compartmental Information Facility).

Aerospace updates for 2026 include:

The Colorado Space Institute (CSI) at Arapahoe Community College has been designated a NASA State Hub for Aerospace Workforce Development. CSI is one of seven entities across the nation to receive this designation. As a NASA State Hub for Colorado, CSI will be focused on streamlining curriculum and being the coordinating backbone for the state by aligning community college, high school CTE programs, economic development efforts, and aerospace employers to create clear, stackable, industry-validated pathways to fulfill the skilled technical workforce needs.

Development & Prospects Updates

The Meadows (Commercial/Retail/Residential) – The Meadows is a master planned community located in the northwest corner of Castle Rock that includes both single family, multifamily, mixed-use, traditional office, medical office, recreation, and entertainment. The development is anchored by AdventHealth Castle Rock and the Arapahoe Community College Sturm Collaboration Campus.

2026 Meadows updates include:

- Findlay Toyota Castle Rock broke ground in May 2026.
- Westbridge Development broke ground on a new retail development in Limelight Center in July 2026.
- Development continues on the last 77 single family lots (Chateau), which are located west of the golf course off Coachline Road.

The Brickyard (Redevelopment/Reuse) - In 2018, the ACME Brick factory announced that they would be closing their Castle Rock operation which opened in the early 1900's. The site was acquired by Confluence Companies in 2020. The team at Confluence has been working with the EDC and the Town to reimagine the site for a redevelopment and reuse project that will revitalize, activate, and connect the blighted site to the community while simultaneously honoring the historical role of ACME in the Castle Rock community.

The Brickyard will be a regional destination for recreation, travel, living, and dining. The 31-acre master planned mixed-use development is located directly west of Downtown Castle Rock and adjacent to the regionally renowned Philip S. Miller Park. Visible from I-25, the Brickyard will have easy access to the interstate via the Plum Creek Interchange and will connect to regional bike and walking trails.

The Brickyard will be anchored by the new Castle Rock Sport Center, a 144,000 SF state-of-the-art facility containing an Olympic-sized swimming pool, multiple basketball and sports courts, a weight room, play areas, a running track, and fitness rooms. The Brickyard will also include a four-star 123-room hotel and spa with a restaurant, lobby bar, and event space. In total, The Brickyard will include 96,400 SF of restaurant, retail, conference, and entertainment space and 56,00 SF of office space. The 466 residential units will include a variety of for-rent and for-sale housing options.

Brickyard updates for 2026 include:
- Phase one of the development is well underway
- The large public infrastructure package that began in March of 2025 will be substantially completed in 2026
- The Castle Rock Sports Center broke ground in August 2025 and will open in June of 2027
- The Brickyard Apartment Building, consisting of 298 for-rent apartment units and 40,000 SF of restaurant, retail, and office space, broke ground in December of 2025
- Phase two of the development is kicking off this summer, with the "Weatherford Hall" building scheduled for a late August start. This building consists of approximately 50,000 SF of restaurant, retail, and office space
- Phase two will also include the hotel and for-sale condominiums, which are planned to begin construction in 2027
- Phase three will primarily consist of commercial development and is planned to closely follow the first two phases

Dawson Trails (Commercial/Retail/Residential) - The Dawson Trails project is in the southwest quadrant of Castle Rock on the west side of I-25. The property is owned by Westside Property Investment Company. The project was originally entitled for 7,900 single family homes and 17 mm square feet of commercial property and sat dormant (under a Suspension Agreement) for the past 30 years due to a variety of different challenges that encumbered the site. In fall of 2022, Westside Development and the Town of Castle Rock agreed to a plan that includes increased open space, a downzoning which reduced housing units to 5,850 and commercial square footage to 3.2 mm square feet and a commitment by Westside to provide $50MM in developer funding for the Crystal Valley Interchange (CVI). In addition, agreements have now been reached with Costco, King Soopers and HealthOne to occupy a significant portion of the 3.2 million SF of available commercial ground with several additional retail and commercial opportunities working through letters of intent. The interchange is now largely complete – the bridge over I-25 has been serving traffic since November 2025, the northbound on and off ramps are now fully operational and the southbound on and off ramps are anticipated to be complete by the end of 2026. In addition, national homebuilders Taylor Morrison Homes and Trumark Homes have closed on a total of 485 lots and are currently developing their property with home deliveries commencing in 2027. The first phase of Dawson Trails has an additional 100 townhome lots and +/- 650 multifamily units in the pipeline and the second phase is planned for another +/- 1,900 residential units.

New Dawson Trails/CVI updates for 2026 include:
- Grading at Dawson Trails Costco is completed and lot construction is underway. Costco anticipates commencing construction of their warehouse in August 2026
- Offsite water, sanitary sewer lines, and electric/natural gas are anticipated to be completed by September 2026
- CVI is almost complete; the bridge over I-25 is completed and now open as are the northbound on and off ramps; the southbound on and off ramps should be completed by the end of 2026
- King Soopers Marketplace is under contract to anchor a 21-acre shopping center at the southwest corner of Dawson Trails Blvd. and Crystal Valley Parkway. Development of this shopping center is expected to commence in Q4 2026
- Demand for additional commercial and retail pad sites is robust with more than a dozen prospective users under contract or letters of intent

Miller's Landing (Mixed Use/Management Change) – Is a 65-acre site situated between Philip S. Miller Park and Downtown Castle Rock at the northwest corner of Plum Creek and I-25 with excellent access and visibility from the interstate. The Town of Castle Rock and the EDC originally created an Urban Renewal Authority (URA) with the existing taxing entities at the site in 2012 to help attract a private developer, create a higher and better use at one of the Town's major interchanges, and mitigate the challenges associated with the municipal landfill, which previously occupied the property.

P3 Advisors removed the landfill in 2019 and have fully remediated the site. In 2023 Crown Community Development (CCD) took the lead on the property's development. The team at CCD is currently in the process of reassessing the site and evaluating potential options to move the project forward.

New Millers Landing updates for 2026 include:
- Ownership hired NavPoint RE to market the 18 acres on the hard corner of Plum Creek and I-25
- Confluence completed the construction of Praxis Street, providing access to Millers Landing and the Brickyard off of Plum Creek Parkway

Outlets at Castle Rock have completed their restaurant pad site project and have signed Texas Roadhouse as their first restaurant user. This project is part of enhancing the overall customer experience and maximizing retail potential. The Outlets leasing team have been working closely with a variety of potential additional restaurant tenants that hope to be able to finalize and announce soon.

Stores Opened in 2026:
- Stio
- Portland Leather
- JD Sports
- Journey's
- Offline (by Aerie)
- Griddled
  *Coming Soon: Hoka and Peak Pizza

Downtown Castle Rock – The Downtown Development Authority (DDA) is charged with furthering development and place-making in Downtown Castle Rock using Tax Increment Financing (TIF) and is guided by a Plan of Development. The Plan of Development provides guidance from Town Council to pursue projects, which include projects of beautification, projects that increase commerce, development and re-development projects. Downtown is excited about several projects that continue to make progress including:

- **The View** mixed used development located at 610 Jerry Street consists of 14,250 SF of office space, 5,000 SF of restaurant space, 221 residential apartments, 399 parking spaces, of which 100 are open to the public. As of Q2 2026, nearly half of the residential units are leased, and commitments from two dining establishments have been received for the first-floor retail space. Those dining establishments are expected to be announced later this year.
- **The Historic City Hotel**, located at 415 Perry Street, plans to fully restore the historic structure and incorporate a food and beverage concept into the restored space. Plans also include a newly constructed building which will consist of a boutique 33-room hotel, first floor leasable retail space and rooftop bar. The project was first presented to the DDA Board in the fall of 2023 and was approved by Town Council in January 2025. In May of this year, the project submitted their structural building permit to begin construction.
- **Scileppi's at the Old Stone Church,** located at 210 3rd Street, is currently under construction with the second phase of its expansion. Phase 2 consists of the redevelopment of the dining room on the west side of the historic church. This expansion will allow for additional dining and private group reservations. Construction is expected to be completed in the fall of 2026.

Development Roundtable was established with the objective of bringing Town staff and the development community together to improve communication, build trust, relationships, and create best practices in the development of the community. The group meets quarterly to discuss topics impacting the development process.

2026 Discussion Items & Updates

- 2025 Year End Update
- CVI Fair Share
- Building Code Updates effective June 2026
- Development Services Staffing Update
- Water Department New System Development Fees

Sub-Committee Breakout Meetings

Water - Subcommittee has continued to meet as needed and has discussed major updates to the code and master plan. This sub-committee is led by the Town of Castle Rock Water Department and the private sector. The following topics have been discussed:

- Updates to Ordinance 4.04 & 13.12 SDF Fees
- Landscape Criterial Manuel
- Landscape Rebate Program
- Water Use Management Plan

2026 Mid-Year Report Summary

So far in 2026, Castle Rock's economy reflects broader state and national trends, navigating notable macroeconomic headwinds alongside key areas of growth. A primary area of concern is the persistent decline in single-family housing permits, which fell to a 15-year low with single-digit starts in July 2026. This slowdown in home construction coincides with broader economic pressures facing the local business community. Combined with national inflation, geopolitical impacts on energy prices, shifting federal trade policies, state budget deficits, and slowing Colorado in-migration, local businesses are navigating tight profit margins due to rising operational and transportation costs. Furthermore, after five years of minimal commercial vacancy, Q1 and Q2 of 2026 saw an uptick in commercial and industrial vacant space, accompanied by a general slowing in economic development prospect activity.

Despite these immediate challenges, Castle Rock's retail sector and long-term prospects remain strong. Retail activity continues to serve as a major bright spot, driving a 5.9% year-over-year increase in sales tax revenue from May 2025 to May 2026. Commercial leasing and sales momentum also remain solid across major master-planned developments, including Dawson Trails, Pine Canyon, The Brickyard, and The Meadows. Additionally, the Castle Rock EDC made meaningful strides in early 2026 toward advancing primary job opportunities in the aerospace and bio-science sectors. Moving forward into the second half of the year, maintaining a supportive business environment will be essential as the EDC continues to focus on strategic long-term development, primary job attraction, tax base diversification, and critical infrastructure investment.

Respectfully,

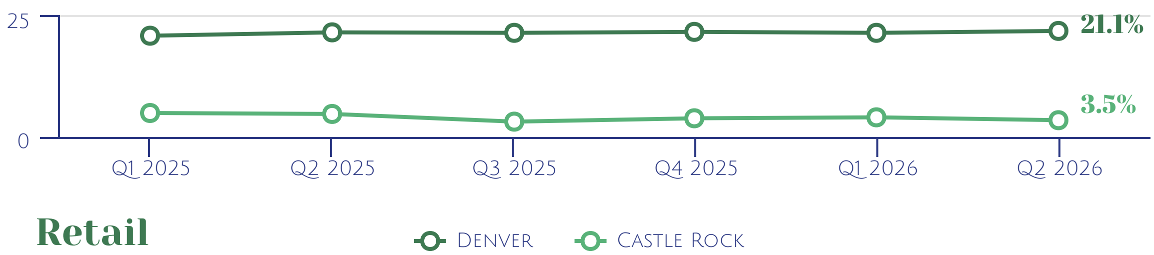
Frank Gray; Castle Rock EDC CEO

2026 Mid-Year Report

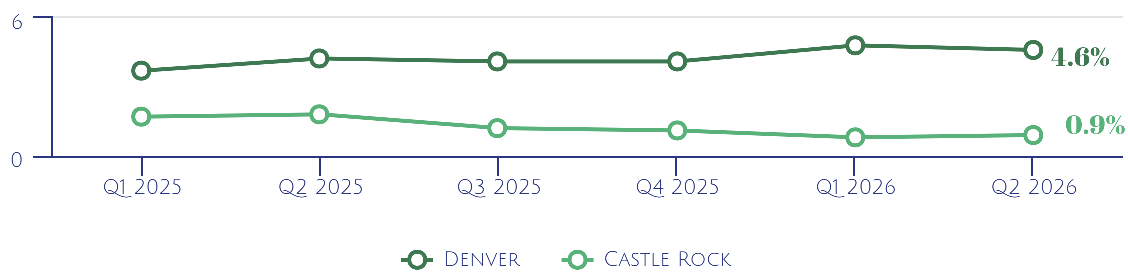
CASTLE ROCK ECONOMIC DEVELOPMENT COLORADO

Vacancy Rate Percentages

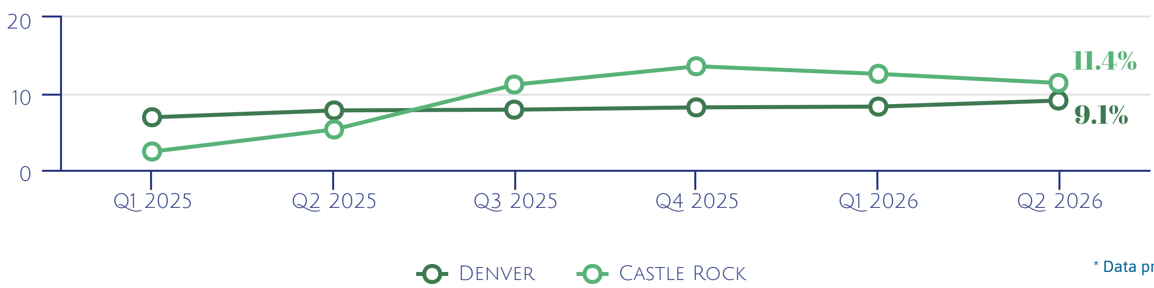
Office



Retail

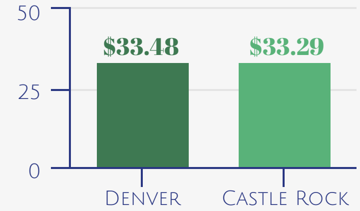


Industrial Flex



Lease Rates

Office



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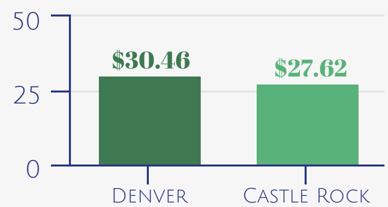

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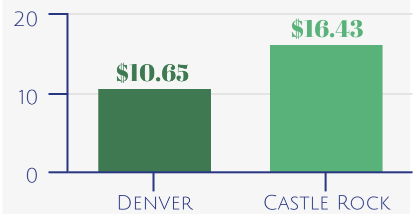


* Data provided by NavPoint Real Estate Group; NNN Lease Rates

Unemployment Rate Comparison

	2023 Y.E.	2024 Y.E.	2025 Y.E.	2026 May
Castle Rock	2.9%	3.9%	3.3%	3.1%
Douglas County	2.9%	3.9%	3.3%	3.3%
State of CO	3.3%	4.3%	3.9%	3.9%
National	3.8%	4.2%	4.4%	4.2%

-Not Seasonally Adjusted, US Bureau of Labor Statistics

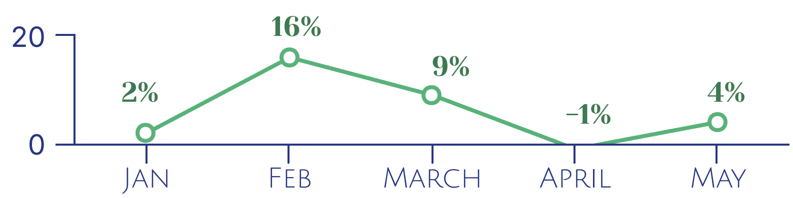
Sales Tax

YOY Comparison

2025
+16%
*Year End

2026
+4.5%
*Through May

YOY Monthly Comparison



*Data Provided by the Town of Castle Rock

2026 Mid-Year Report

CASTLE ROCK ECONOMIC DEVELOPMENT COLORADO

Recent Development Activity

The Meadows

- Toyota Castle Rock broke ground in May
- Limelight Center retail development broke ground in July
- Development continues on 77 single family lots in the Chateau neighborhood

Outlets at Castle Rock

3 Phase update to include:

- Construction underway on 3 pad sites - Texas Roadhouse signed LOI
- New store openings - Stio, Portland Leather, JD Sports, Journey's Offline by Aerie, Griddled

AdventHealth Castle Rock

- Schrader Family Cancer Center is open

Millers Landing

- Confluence completed the construction of Praxis Street, providing access to Millers Landing and the Brickyard off of Plum Creek Parkway

Dawson Trails

- Costco under construction
- Public infrastructure under construction
- King Soopers Marketplace under contract

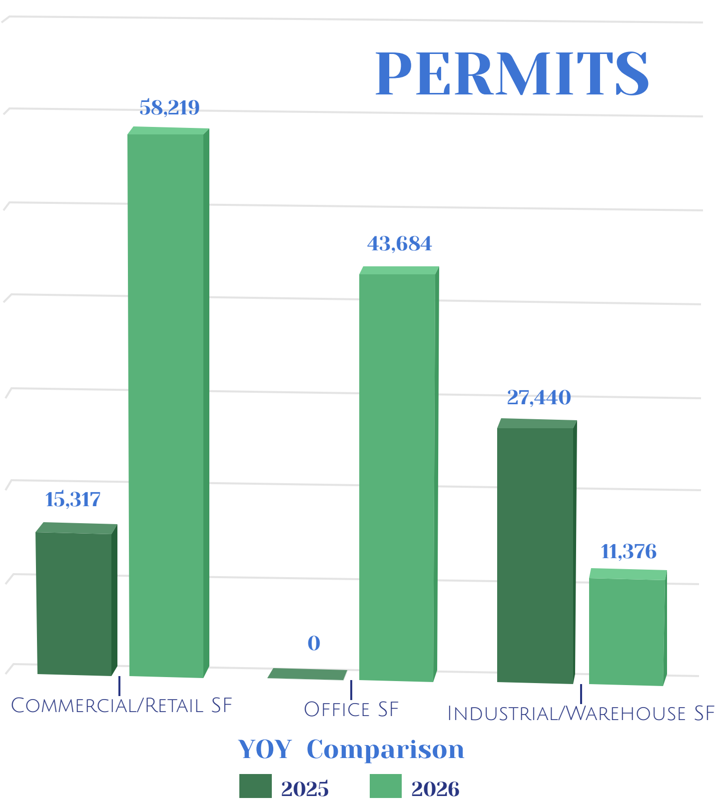
Crystal Valley Interchange

- Bridge over I-25 complete
- Northbound on & off ramps are open
- Southbound on and off ramps under construction

The Brickyard

- Infrastructure package under construction
- Castle Rock Sports Center under construction
- Brickyard Apartment & Mixed-Use - 298 apartments and 40,000 SF of commercial under construction
- Phase 2 construction of Weatherford Hall -50,000SF Mixed-Use building under construction

New Construction



Development Prospects