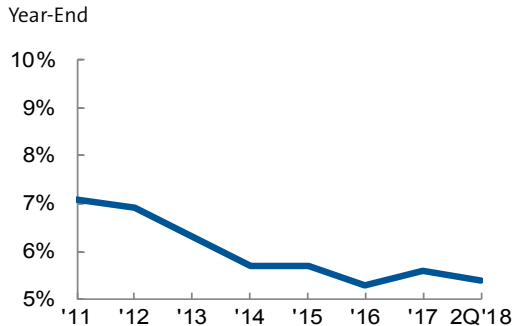


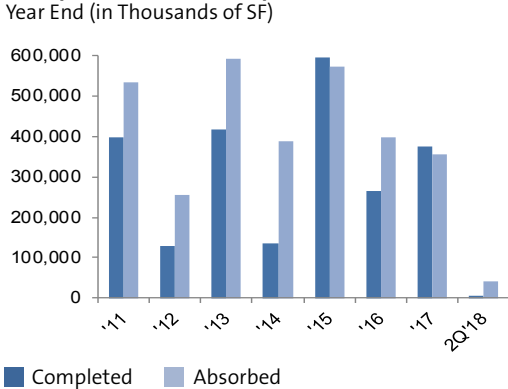
Vacancy Rates



The fastest growing city for millennials (The Brookings Institution) ...”forecasters predict Colorado Springs may soon eclipse Denver as the most populous city (if not the metro) in the state.” (Hemispheres, July 2018)

The retail market in Colorado Springs continues its improvement. Overall retail vacancy decreased to 5.4% by the end of the 1st half of 2018. This is a 2% improvement over Q1 of 2018 and is just behind the 5.1% vacancy rate at the end of 2017. The market is stabilizing although the overall trend is still downward.

Completions vs. Absorption

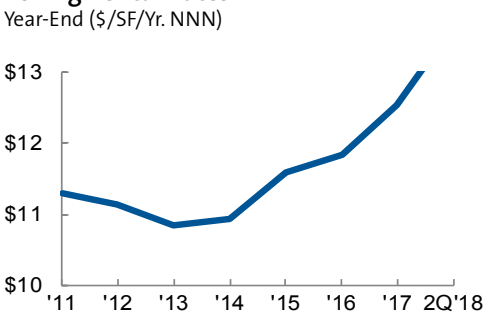


Net absorption was a positive 39,862 rentable square feet, while sublease supplies decreased by 23,263 RSF. This is a much better showing than Q1, and traditionally, this is an expected seasonal trend. Contrary to these slight improvements, asking rental rates decreased slightly. \$13.73 at the end of Q1 '18, at midyear they had dipped slightly to \$13.64. Again, these are signs of a stabilizing market.

One new retail building of 7,040 RSF was delivered to the market in Q2, with 203,226 RSF remaining under construction. Over the last year, 275,941 RSF of new retail construction have been added to the market.

Interesting sales and leases for the quarter include Sears selling their 141,130 RSF store at Chapel Hills Mall and then leasing it back. Chapel Hills Mall itself was sold to Mason Asset Management and Namdar Realty, who also own the Citadel Mall and hence, control all malls in the Colorado Springs Market.

Asking Rental Rates



City retail sales tax collections are always a good reflection of how individual retail market segments have performed in the last quarter. For the latest available results from May, 2018 (published in June, 2018) Auto sales tax receipts have decrease by 1.08% from April, but year-over-year from 2017 have risen .35%. The largest monthly drop came in Department and Discount stores down 10.35% since April, .2% in the last year. Medical marijuana sales dropped 15.53% since April, 6.64% in the prior year.

Source: CoStar

KEY TRANSACTIONS

*Transaction Represented by Quantum Commercial Group

<p>Sears leased 141,130 SF at Chapel Hills Mall from Northwood Investors, LLC</p>	<p>Party City leased 15,964 SF at 7664-7730 N Academy Blvd. from DDR MCH West, LLC</p>	<p>Northwood Investors LLC purchased 141,130 SF at Chapel Hills Mall from Sears Holding Company</p>
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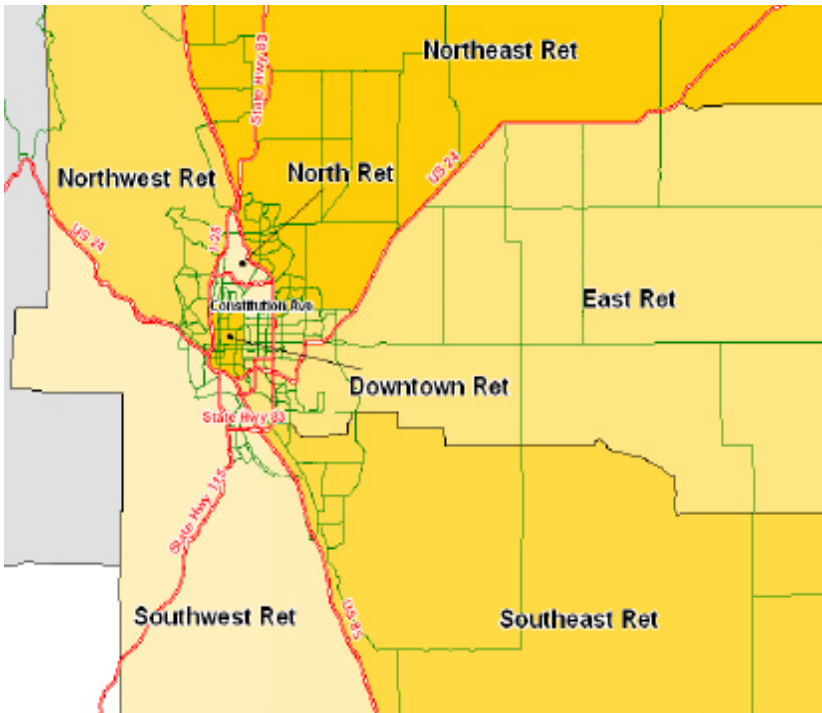
Retail Market Report • 2nd Quarter 2018

Colorado Springs, CO



Source: CoStar

By Submarket	Buildings	Total SF	Vacant SF	Vacant %	Available %	NET ABSORPTION		Under Construction SF	Asking Rent
						Current	Year To Date		
Downtown	375	2,454,657	116,400	4.7%	4.5%	-26,833	-46,376	25,920	\$14.52
East	841	10,878,270	991,658	9.2%	9.0%	15,174	-127,244	8,400	\$8.27
N & Northeast	1038	16,600,792	694,544	4.3%	4.1%	15,066	73,026	147,106	\$18.76
Northwest	498	3,430,135	163,390	4.8%	4.7%	909	-28,110	10,500	\$15.60
Southeast	171	1,649,820	64,941	3.9%	3.6%	13,887	10,936	6,000	\$13.30
Southwest	475	4,962,885	84,121	2.0%	1.7%	-427	2,762	5,300	\$15.43
Teller	220	1,273,834	51,429	4.0%	4.0%	-1,177	30,487	0	\$15.66
TOTALS	3618	41,250,393	2,166,483	5.4%	5.2%	16,599	-84,519	203,226	\$13.64



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RETAIL TERMS AND DEFINITIONS

Total SF: Retail inventory includes all multi-tenant and single tenant buildings at least 30,000 square feet. Shopping malls are not included in calculations.

Retail Building Classifications: Super Regional Centers are properties with greater than two million square feet of space, drawing from a trade area encompassing multiple smaller submarkets. Sub Regional centers include centers of 500,000 square feet or greater that service one main submarket exclusively. Single Tenant retail includes power center tenants in free-standing centers as well as stand-alone retailers. Large Strip Centers are car oriented strip retail centers of 150,000

square feet or greater. Small Strip Centers are centers of 50,000 to 150,000 square feet, and include many local and grocery anchored centers.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year. Retail rents are reported

on a triple net basis where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis.

** Quantum Commercial Group Inc. (QCG) & CoStar may revise reported quarterly and final year-end figures.*

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