XCELIGENT

MARKET TRENDS

3Q 2017 | Northern Colorado | Industrial

Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate decreased 0.8 percentage points from 2.9% in July 2016 to 2.1% in July 2017. The unemployment rate decreased due to more people finding jobs and compares favorably to the US rate of 4.6%. The Fort Collins statistical area nonfarm job creation was up 4.8% totaling 7,800 jobs over the past year. Industrial using jobs (industries include manufacturing and trade transportation and utilities) added 800 jobs during the past year.

Market Overview

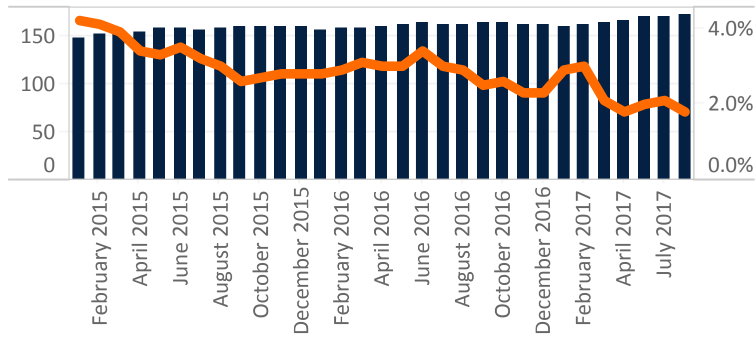
The Northern Colorado industrial market recorded positive 79,900 square feet (sf) of absorption during 3Q 2017. Absorption was up considerably from the negative 43,031 sf that was recorded during 3Q 2016. The total vacancy rate has decreased from 7.1% in 3Q 2016 to 5.9% at the close of 3Q 2017, and direct vacancy ended the same way. Weighted average rent growth improved during 3Q 2017 especially in light industrial type properties in the Fort Collins North, Fort Collins South and Loveland South submarkets. Weighted average asking rents in all classes increased 4.6% recording $9.64 per square foot (psf) at the close of 3Q 2017 compared to $9.22 psf during 3Q 2016.

Market Highlights

Leasing activity in the Northern Colorado region was at a slow to moderate pace primarily due to the lack of inventory that is currently on the market. Tenants looking for warehouse or distribution type buildings with dock-hi loading capabilities and high ceilings in the 10,000 sf to 40,000 sf size range have very few options to choose from. As a result, they are having to either build their own buildings, look outside of the area or renew their current leases, which is what many tenants are doing. There were more lease renewals in 3Q 2017 than there were new lease deals. Due to lack of viable product and high demand, rental rates are still at all-time highs and continue to increase in many of the submarkets throughout the area. Currently there are very minimal amounts of speculative construction and most of what is being built is by owner-user type tenants since there is such a shortage of viable space.

Northern Colorado Employment

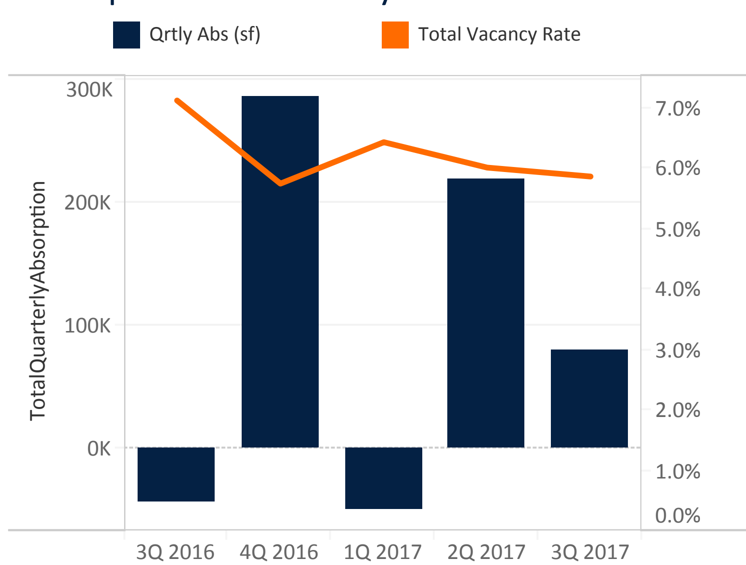
Source: BLS



Market Recap

Inventory (sf)	21,197,570
# of Bldgs	539
Qrtly Abs (sf)	79,900
Total Avail Rate	7.5%
Total Vacancy Rate	5.9%
U/C Inventory (sf)	232,904
Delivered (sf)	11,400
Weighted Average Asking Rate (NNN)	$9.64

Absorption and Vacancy Rate



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MARKET TRENDS

3Q 2017 | Northern Colorado | Industrial

Overview by Specific Use (Total)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Flex	4,290,039	801,806	753,893	17.6%	-74,594	-59,225
Lt Ind	7,222,816	438,788	192,879	2.7%	62,189	89,199
Mfg	3,502,231	42,175	31,175	0.9%	17,217	17,217
Whse/Dist	6,182,484	302,599	265,306	4.3%	75,088	235,332
Overall	**21,197,570**	**1,585,368**	**1,243,253**	**5.9%**	**79,900**	**282,523**

Overview by Market (Total)

Market Name	Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
FC- I-25 Corr No	Flex	1,028,173	22,251	20,000	1.9%	0	0
	Lt Ind	551,656	9,750	0	0.0%	0	0
	Mfg	1,423,879	11,000	0	0.0%	0	0
	Whse/Dist	403,578	0	0	0.0%	0	0
	Subtotal	**3,407,286**	**43,001**	**20,000**	**0.6%**	**0**	**0**
FC-North	Flex	844,449	112,184	104,482	12.4%	-30,693	-30,693
	Lt Ind	1,991,045	34,153	42,898	2.2%	38,265	23,433
	Mfg	275,000	0	0	0.0%	0	0
	Whse/Dist	561,957	54,393	10,000	1.8%	0	49,449
	Subtotal	**3,672,451**	**200,730**	**157,380**	**4.3%**	**7,572**	**42,189**
FC-South	Flex	437,038	59,606	21,646	5.0%	0	3,731
	Lt Ind	171,220	53,940	22,540	13.2%	0	-22,540
	Whse/Dist	237,394	30,000	30,000	12.6%	0	0
	Subtotal	**845,652**	**143,546**	**74,186**	**8.8%**	**0**	**-18,809**
FC-Windsor	Flex	582,972	0	0	0.0%	0	0
	Lt Ind	415,056	2,865	0	0.0%	0	0
	Mfg	295,646	0	0	0.0%	0	0
	Whse/Dist	277,620	11,400	11,400	4.1%	0	26,220
	Subtotal	**1,571,294**	**14,265**	**11,400**	**0.7%**	**0**	**26,220**
GR-85 Corr No	Lt Ind	40,140	0	0	0.0%	0	0
	Whse/Dist	332,775	0	0	0.0%	0	0
	Subtotal	**372,915**	**0**	**0**	**0.0%**	**0**	**0**
GR-East	Flex	79,030	1,500	1,500	1.9%	0	-1
	Lt Ind	909,988	5,200	5,200	0.6%	0	-1,200
	Mfg	1,008,746	0	0	0.0%	0	0
	Whse/Dist	1,241,950	130,494	156,494	12.6%	0	0
	Subtotal	**3,239,714**	**137,194**	**163,194**	**5.0%**	**0**	**-1,201**
GR-West	Flex	122,035	40,000	40,000	32.8%	-40,000	-40,000
	Lt Ind	236,805	0	0	0.0%	0	0
	Whse/Dist	59,926	0	0	0.0%	0	0
	Subtotal	**418,766**	**40,000**	**40,000**	**9.6%**	**-40,000**	**-40,000**
LVL- I-25 Corr So	Flex	365,903	3,901	3,901	1.1%	-3,901	5,986
	Subtotal	**4,494,287**	**248,410**	**139,779**	**3.1%**	**110,983**	**270,370**
Overall		**21,197,570**	**1,585,368**	**1,243,253**	**5.9%**	**79,900**	**282,523**

Overview by Market (Total) Cont'd

Market Name	Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
LVL- I-25 Corr So	Lt Ind	1,458,699	193,997	104,266	7.1%	21,496	63,481
	Mfg	248,632	0	0	0.0%	0	0
	Whse/Dist	2,421,053	50,512	31,612	1.3%	93,388	200,903
	Subtotal	**4,494,287**	**248,410**	**139,779**	**3.1%**	**110,983**	**270,370**
LVL-East	Lt Ind	46,125	0	0	0.0%	0	0
	Whse/Dist	97,874	0	0	0.0%	0	0
	Subtotal	**143,999**	**0**	**0**	**0.0%**	**0**	**0**
LVL-North	Flex	25,558	0	0	0.0%	0	0
	Lt Ind	198,895	0	0	0.0%	2,357	2,357
	Mfg	186,689	0	0	0.0%	0	0
	Whse/Dist	94,118	0	0	0.0%	0	0
	Subtotal	**505,260**	**0**	**0**	**0.0%**	**2,357**	**2,357**
LVL-South	Flex	804,881	562,364	562,364	69.9%	0	1,752
	Lt Ind	1,203,187	138,883	17,975	1.5%	71	23,668
	Mfg	63,639	31,175	31,175	49.0%	17,217	17,217
	Whse/Dist	454,239	25,800	25,800	5.7%	-18,300	-41,240
	Subtotal	**2,525,946**	**758,222**	**637,314**	**25.2%**	**-1,012**	**1,397**
Overall		**21,197,570**	**1,585,368**	**1,243,253**	**5.9%**	**79,900**	**282,523**

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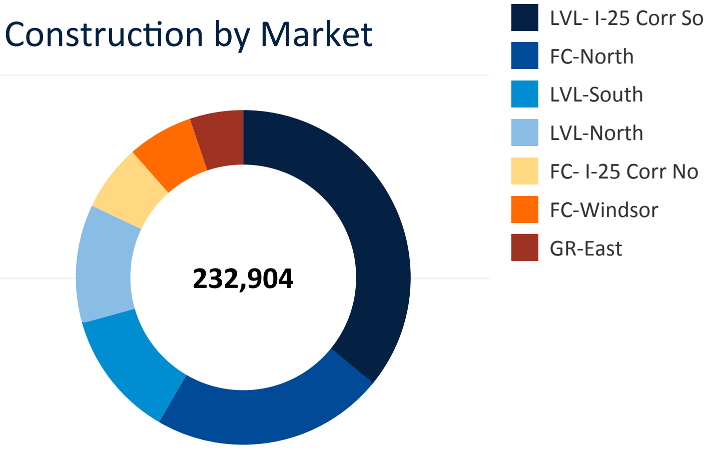
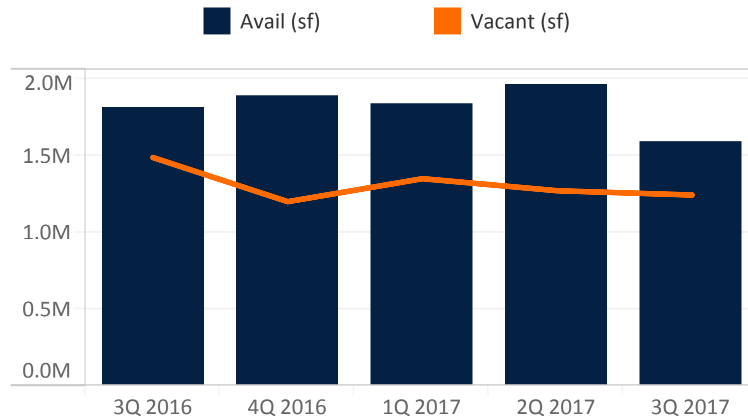
MARKET TRENDS

3Q 2017 | Northern Colorado | Industrial

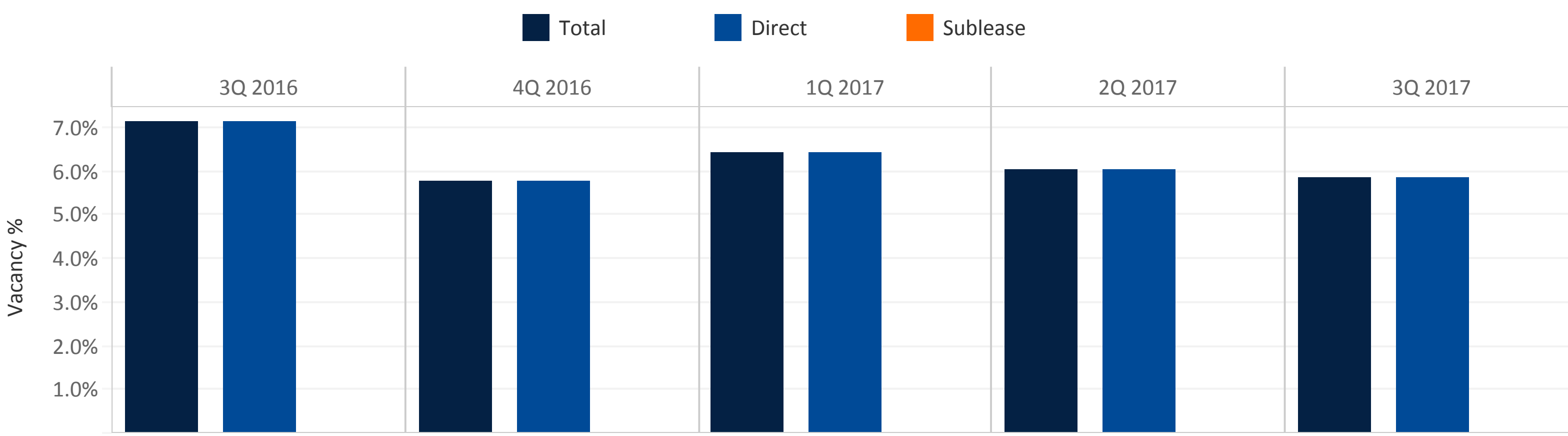
Construction by Market



Total Available and Vacant



Vacancy Rate



Overview by Specific Use (Direct)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	4,290,039	778,042	753,893	17.6%	-74,594	-59,225
Lt Ind	7,222,816	412,588	192,879	2.7%	62,189	103,449
Mfg	3,502,231	42,175	31,175	0.9%	17,217	17,217
Whse/Dist	6,182,484	283,699	265,306	4.3%	75,088	276,572
Overall	21,197,570	1,516,504	1,243,253	5.9%	79,900	338,013

Overview by Specific Use (Sublease)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	4,290,039	23,764	0	0.0%	0	0
Lt Ind	7,222,816	26,200	0	0.0%	0	-14,250
Mfg	3,502,231	0	0	0.0%	0	0
Whse/Dist	6,182,484	18,900	0	0.0%	0	-41,240
Overall	21,197,570	68,864	0	0.0%	0	-55,490

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MARKET TRENDS

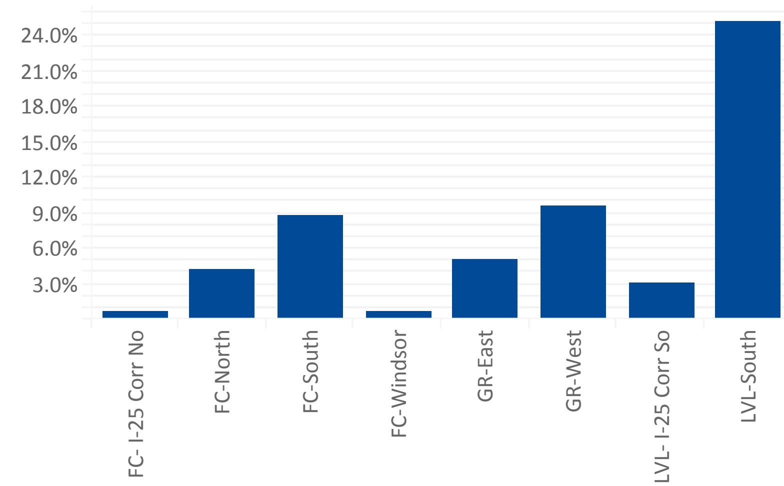
3Q 2017 | Northern Colorado | Industrial

Direct Vacancy Rates

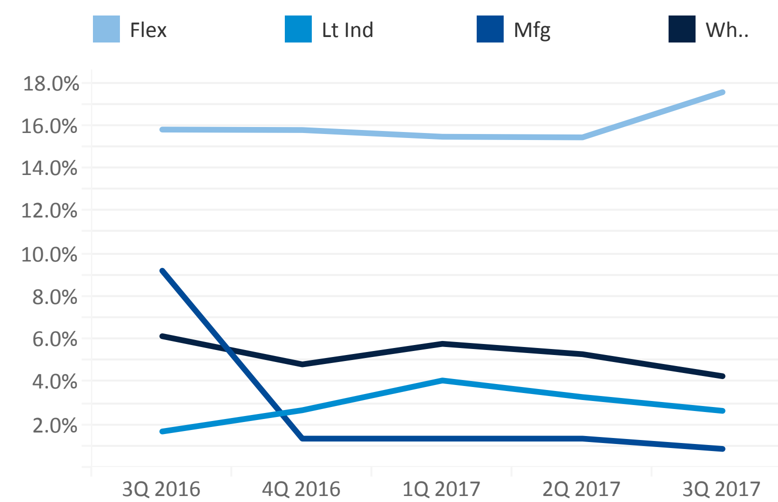
By Market and Specific Use

Market Name	Specific Use	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
		Quarter Year				
FC- I-25 Corr No	Flex	1.9%	1.9%	1.9%	1.9%	1.9%
	Lt Ind	0.0%	0.0%	0.0%	0.0%	0.0%
	Mfg	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	**0.6%**	**0.6%**	**0.6%**	**0.6%**	**0.6%**
FC-North	Flex	7.2%	6.2%	6.2%	6.2%	12.4%
	Lt Ind	2.8%	2.8%	4.4%	3.3%	2.2%
	Mfg	100.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	9.5%	9.5%	1.8%	1.8%	1.8%
	Subtotal	**12.2%**	**4.4%**	**4.1%**	**3.5%**	**4.3%**
FC-South	Flex	5.0%	5.6%	5.6%	5.0%	5.0%
	Lt Ind	0.0%	0.0%	13.2%	13.2%	13.2%
	Whse/Dist	12.6%	12.6%	12.6%	12.6%	12.6%
	Subtotal	**6.1%**	**6.4%**	**9.1%**	**8.8%**	**8.8%**
FC-Windsor	Flex	0.0%	0.0%	0.0%	0.0%	0.0%
	Lt Ind	0.0%	0.0%	0.0%	0.0%	0.0%
	Mfg	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	9.8%	9.8%	0.0%	0.0%	4.1%
	Subtotal	**1.7%**	**1.7%**	**0.0%**	**0.0%**	**0.7%**
GR-85 Corr No	Lt Ind	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
GR-East	Flex	0.0%	1.9%	0.0%	1.9%	1.9%
	Lt Ind	0.5%	0.4%	0.7%	0.6%	0.6%
	Mfg	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	12.6%	12.6%	14.4%	12.6%	12.6%
	Subtotal	**5.0%**	**5.0%**	**5.7%**	**5.0%**	**5.0%**
GR-West	Flex	1.8%	0.0%	0.0%	0.0%	32.8%
	Lt Ind	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	**0.5%**	**0.0%**	**0.0%**	**0.0%**	**9.6%**
LVL- I-25 Corr So	Flex	1.4%	2.7%	0.0%	0.0%	1.1%
	Lt Ind	1.5%	6.5%	10.3%	8.8%	7.1%
	Mfg	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	4.7%	1.1%	5.5%	5.2%	1.3%
	Subtotal	**3.1%**	**2.9%**	**6.2%**	**5.6%**	**3.1%**
LVL-East	Lt Ind	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
LVL-North	Flex	0.0%	0.0%	0.0%	0.0%	0.0%
	Lt Ind	0.0%	1.2%	1.2%	1.2%	0.0%
	Mfg	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	**0.0%**	**0.5%**	**0.5%**	**0.5%**	**0.0%**
LVL-South	Flex	70.1%	70.1%	69.9%	69.9%	69.9%
	Lt Ind	3.4%	3.5%	2.7%	1.5%	1.5%
	Mfg	75.9%	75.9%	75.9%	75.9%	49.0%
	Whse/Dist	0.0%	0.0%	1.6%	1.6%	5.7%
	Subtotal	**25.7%**	**25.7%**	**25.6%**	**25.0%**	**25.2%**
Overall		**7.1%**	**5.7%**	**6.4%**	**6.0%**	**5.9%**

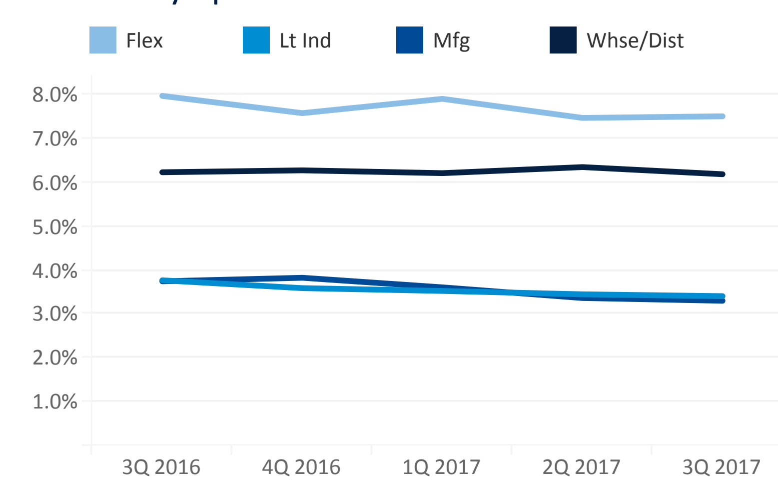
By Market



Northern Colorado By Specific Use



National by Specific Use

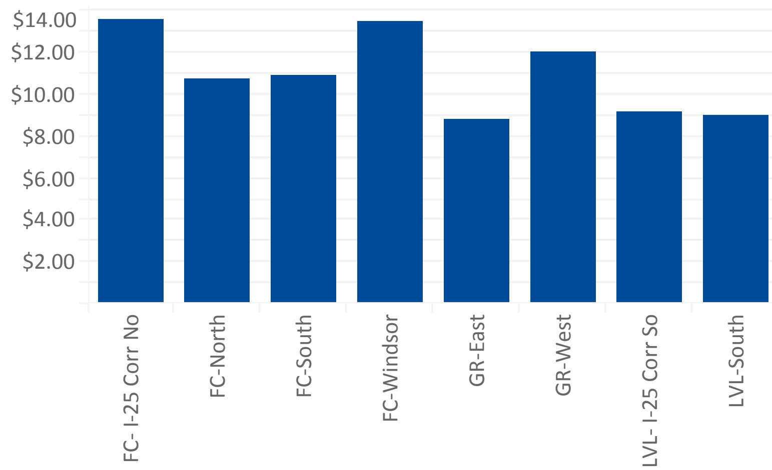


Direct Weighted Average Asking Rates (NNN)

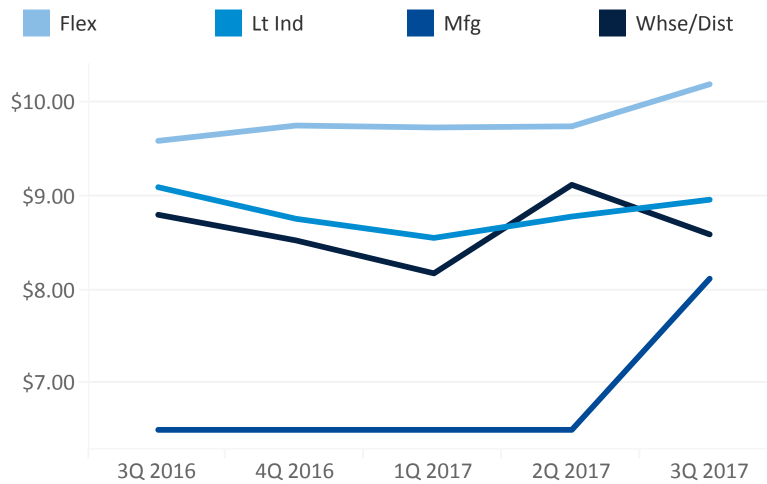
By Market and Specific Use

Market Name	Specific Use	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
		Quarter Year				
FC- I-25 Corr No	Flex	-	$10.50	-	-	$10.50
	Lt Ind	$16.00	$16.00	$16.00	$16.00	$16.00
	Mfg	-	-	-	-	$12.00
	Whse/Dist	-	-	-	-	-
	Subtotal	**$16.00**	**$15.40**	**$16.00**	**$16.00**	**$13.55**
FC-North	Flex	$10.40	$11.72	$11.79	$12.33	$12.88
	Lt Ind	$8.67	$8.74	$8.68	$8.76	$9.14
	Mfg	-	-	-	-	-
	Whse/Dist	$8.00	$8.00	$8.00	$8.00	$8.00
	Subtotal	**$8.80**	**$9.31**	**$9.71**	**$10.24**	**$10.75**
FC-South	Flex	$13.98	$13.98	$13.98	$16.00	$12.67
	Lt Ind	$7.50	$6.25	$6.99	$6.99	$8.00
	Whse/Dist	$8.95	$8.95	$8.95	$9.50	$9.50
	Subtotal	**$9.63**	**$9.41**	**$8.99**	**$8.69**	**$10.88**
FC-Windsor	Flex	-	-	-	-	-
	Lt Ind	-	-	-	-	-
	Mfg	-	-	-	-	-
	Whse/Dist	-	-	-	-	$13.45
	Subtotal	**-**	**-**	**-**	**-**	**$13.45**
GR-85 Corr No	Lt Ind	-	-	-	-	-
	Whse/Dist	-	-	-	-	-
	Subtotal	**-**	**-**	**-**	**-**	**-**
GR-East	Flex	-	-	-	-	-
	Lt Ind	$9.00	$9.00	$9.00	$8.79	$8.79
	Mfg	-	-	-	-	-
	Whse/Dist	$11.00	$8.95	$6.50	-	-
	Subtotal	**$10.85**	**$8.95**	**$6.93**	**$8.79**	**$8.79**
GR-West	Flex	-	-	-	-	$12.00
	Lt Ind	-	-	-	-	-
	Whse/Dist	-	-	-	-	-
	Subtotal	**-**	**-**	**-**	**-**	**$12.00**
LVL- I-25 Corr So	Flex	-	$9.75	-	-	$14.00
	Lt Ind	$10.60	$9.00	$9.04	$9.23	$9.04
	Mfg	-	-	-	-	-
	Whse/Dist	$8.45	$8.45	$8.62	-	-
	Subtotal	**$8.83**	**$8.85**	**$8.97**	**$9.23**	**$9.14**
LVL-East	Lt Ind	-	-	-	-	-
	Whse/Dist	-	-	-	-	-
	Subtotal	**-**	**-**	**-**	**-**	**-**
LVL-North	Flex	-	-	-	-	-
	Lt Ind	-	$10.00	$10.00	$10.00	-
	Mfg	-	-	-	-	-
	Whse/Dist	-	-	-	-	-
	Subtotal	**-**	**$10.00**	**$10.00**	**$10.00**	**-**
LVL-South	Flex	$9.38	$9.38	$9.38	$9.38	$9.38
	Lt Ind	$8.12	$8.17	$7.81	$8.23	$8.33
	Mfg	$6.50	$6.50	$6.50	$6.50	$6.75
	Whse/Dist	-	-	-	-	$5.85
	Subtotal	**$9.08**	**$8.97**	**$8.93**	**$9.02**	**$9.02**
Overall		**$9.22**	**$9.15**	**$9.06**	**$9.23**	**$9.64**

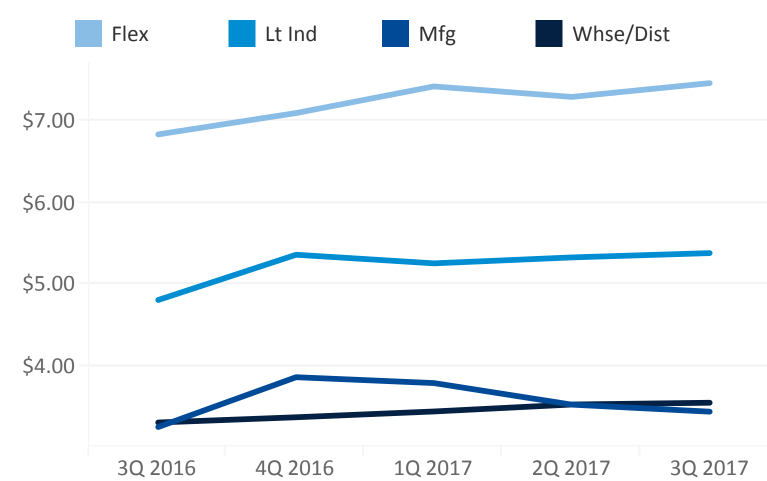
By Market



Northern Colorado by Specific Use

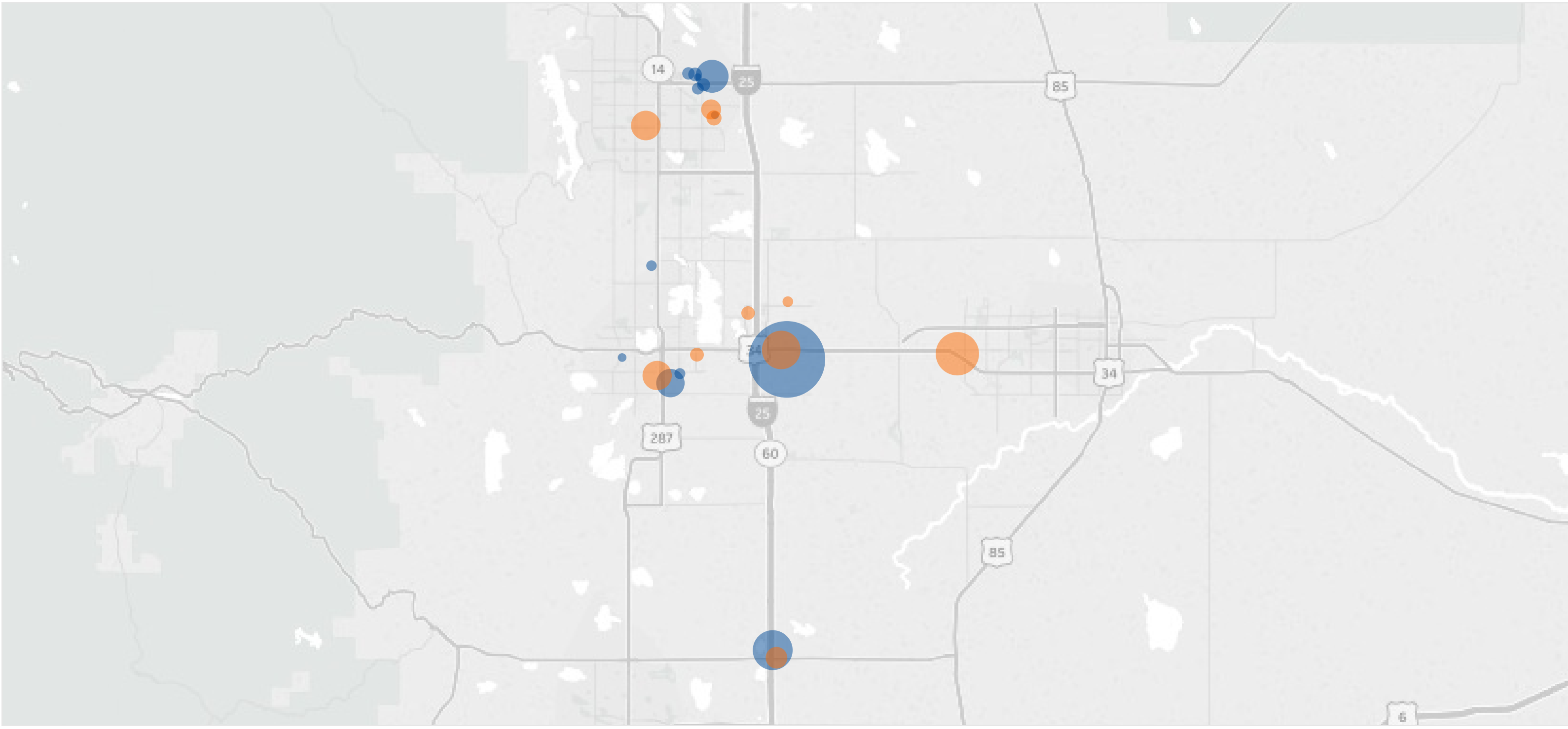


National by Specific Use



Absorption Map

Negative Positive



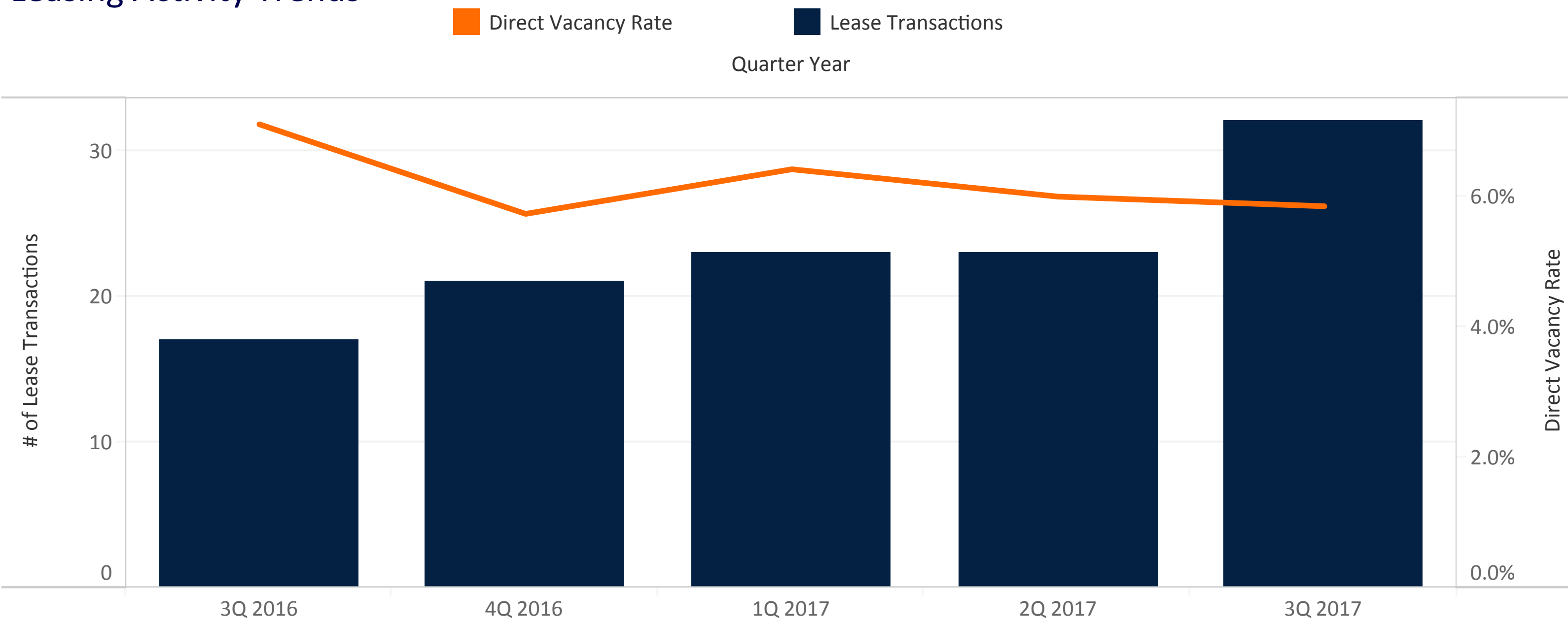
Largest Positives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	
High Country Beverage	High Country Beverage	LVL- I-25 Corr So	Whse/Dist	125,000
14444 E I-25 Frontage Rd	McClinton Energy Group	LVL- I-25 Corr So	Lt Ind	33,896
2479 International Blvd	Colorado State University	FC-North	Lt Ind	23,150
729 8th St	Berthoud International LLC	LVL-South	Mfg	17,217
128 Commerce Dr	Rocky Mountain Westy Inc	FC-North	Lt Ind	3,950
2002-2016 E Lincoln Ave	Mattress By Appointment ; Set It Off	FC-North	Lt Ind	3,632
1313 Duff Dr	Funkwerks, LLC	FC-North	Lt Ind	3,290
1807-1831 E Mulberry St	Texas Fireplace Express, LLC	FC-North	Lt Ind	2,993

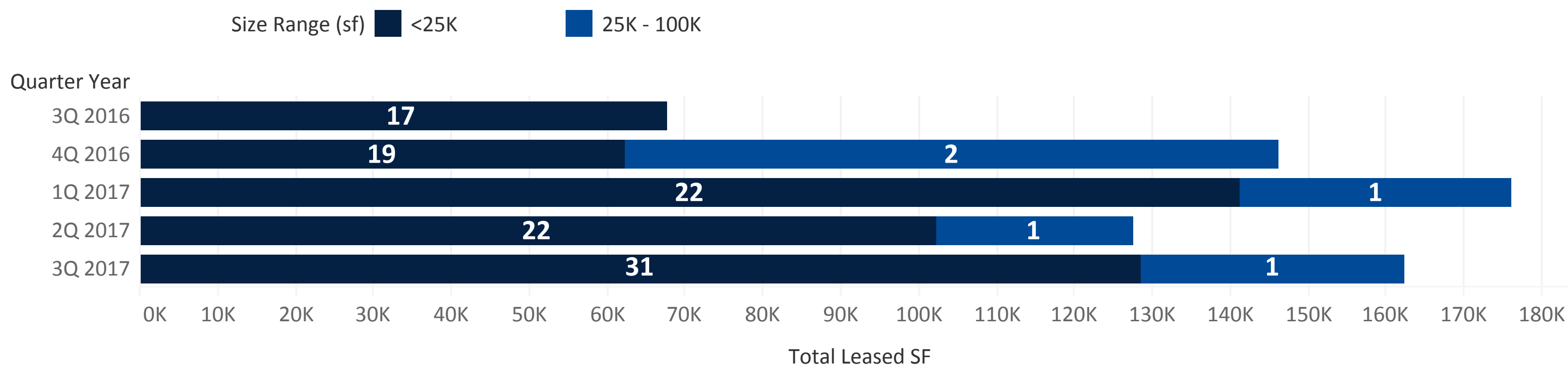
Largest Negatives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	
8750 W 20th Ave	PDC Energy	GR-West	Flex	-40,000
7311 E Highway 34	Engeman Enterprises	LVL- I-25 Corr So	Whse/Dist	-31,612
Centre Tech II	Tolmar Inc.	FC-North	Flex	-18,675
140 SW 2nd St	Steele Athletics	LVL-South	Whse/Dist	-18,300
4107 S Valley Dr	Northridge 4x4	LVL- I-25 Corr So	Lt Ind	-10,000
2400 Midpoint Dr	Advanced Energy	FC-North	Flex	-8,517
River Center 30	Frontier Technical Services	FC-North	Flex	-4,840
Coe Plaza	A & J ; Numotion	LVL-South	Lt Ind	-4,064

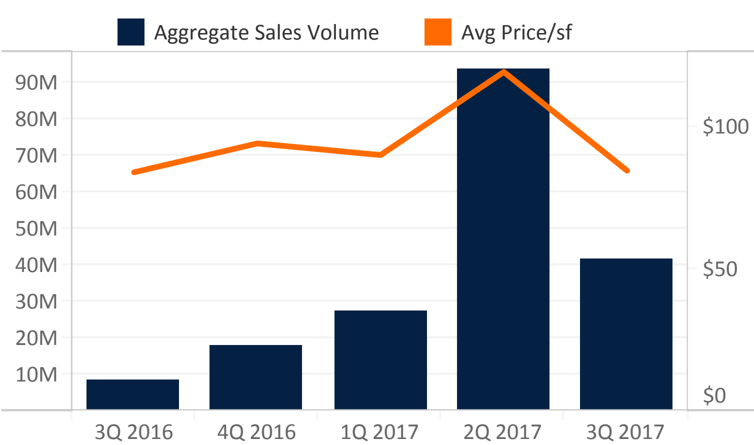
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
3600 Ronald Reagan Blvd	07/05/2017	Canyon Bakehouse	$14,742,500
Wild Calling	07/20/2017	Situs Group	$4,900,000
Gateway Center	07/28/2017	Kenneth E Deline	$3,146,154
5850 Byrd Dr	08/01/2017	Kanemoto Family	$2,815,000
8750 W 20th Ave	07/11/2017	Alpha Insulation and Waterproofing	$2,100,000

Terminology

Term	Definition
Net Absorption (sf)	The net change in occupied square feet from quarter to quarter, expressed in square feet.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move.
Total Sublease (sf)	Space that is offered for lease by a current tenant, or his agent, within a property
Total Vacant (sf)	The total of the direct vacant square footage in a building that is being marketed.
Tracked Inventory	The total square feet (sf) of all existing single and multi tenant industrial properties greater than 10,000 sf
Weighted Average Rents	The weighted average of all direct asking lease rents expressed as a full service/gross rental rate and weighted on total direct available square feet. Non-full service rents (such as NNN) have been grossed up to reflect a full service/gross rate.

Advisory Board Members

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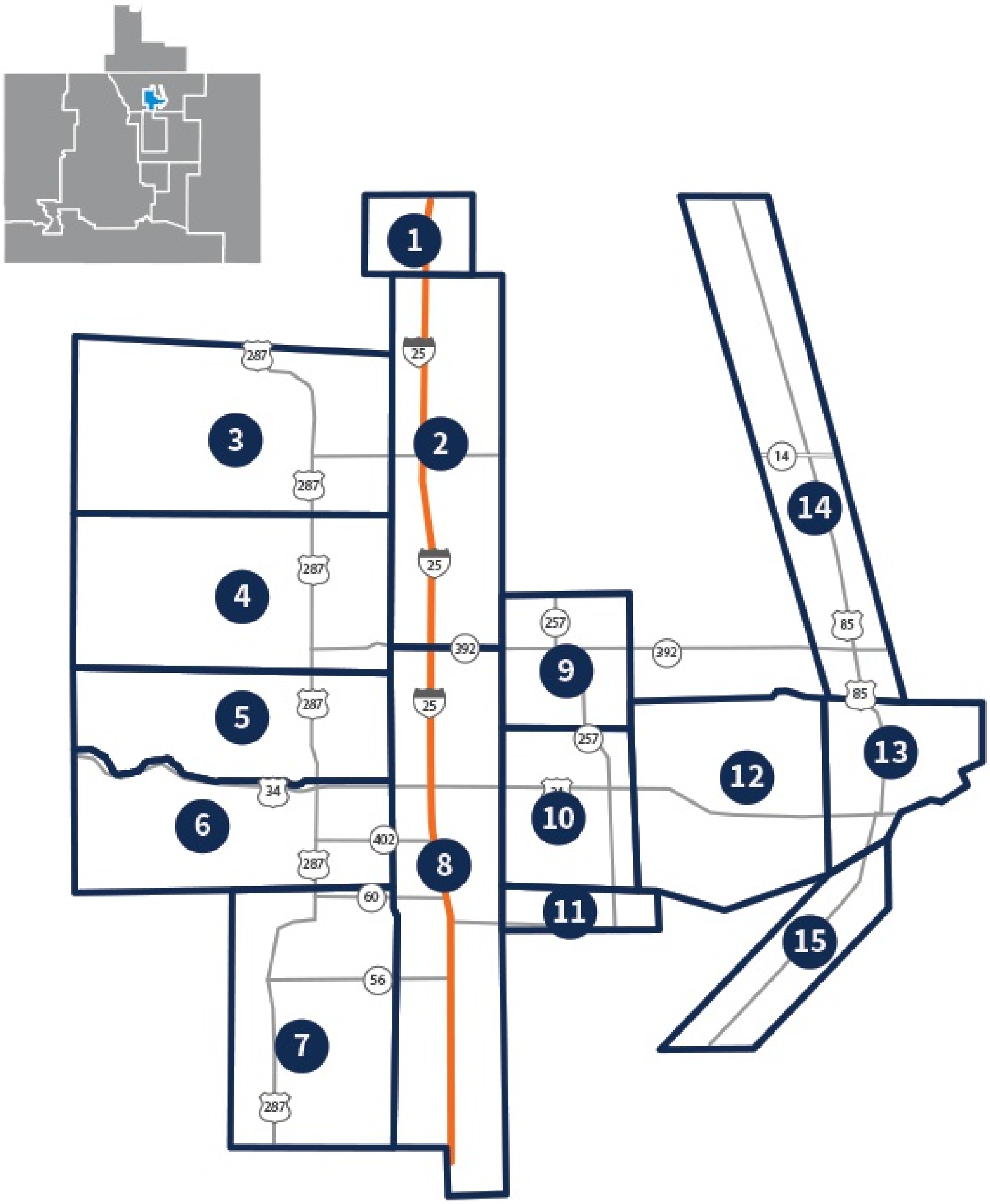
MARKET TRENDS

3Q 2017 | Northern Colorado | Industrial



1. Fort Collins - Wellington
2. Fort Collins - 25 Corridor North
3. Fort Collins - North
4. Fort Collins - South
5. Loveland - North
6. Loveland - South
7. Loveland - Berthoud
8. Loveland - I-25/US34
9. Fort Collins - Windsor
10. Loveland - East
11. Loveland - Johnstown / Milliken
12. Greeley - West
13. Greeley - East
14. Greeley - 85 Corridor North
15. Greeley - 85 Corridor South