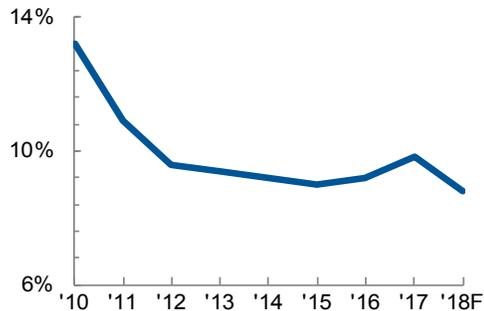


Industrial

Vacancy Rates

Year-End



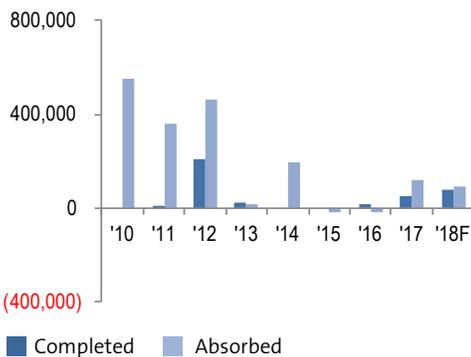
The Colorado Springs Industrial market is expected to remain strong through 2018.

Although the Colorado Springs Industrial market has not seen a substantial change over the past few years, there has been gradual improvements and we have seen an increase in demand throughout all sectors, which we expect to continue through 2018, along with a possible jump in new construction projects.

The demand for functional product will ultimately lead to new construction in 2018, which we have already started to see in 2017. More than 80,000 square feet was completed and a number of smaller projects have broken ground in 2017. We expect a similar total completion amount in 2018, with the potential for a much higher number due to the increase in cyber security companies; large data centers; and other industrial uses who are now focusing on Colorado Springs and require new functional product.

Absorption

Year-End

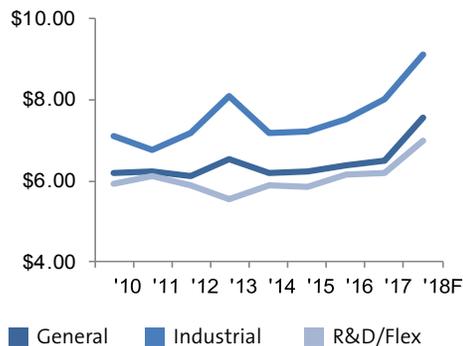


The Colorado Springs Industrial market overall vacancy rate has fluctuated between 9% and 10% through 2017 and have had a similar trend going back to 2015. We don't believe this is a true reflection of the strength of the overall market, given that the slightly higher vacancy rate is the result of the availability of large floorplates, 20,000 square feet and larger. The vacancy rate for space under 20,000 square feet is down in the 3% range which is substantially lower than the overall vacancy rate. A majority of these large spaces are functionally obsolete in the current market. For example, many of these spaces have low ceiling heights, high ratio of office space, limited dock & drive in doors and lack land for both outside storage and truck/ trailer access. Many users in today's market require ceiling heights above 20 feet, a majority of warehouse space, multiple dock high & drive in doors and excess land attached to the property. We do, however, expect a number of the large spaces to be absorbed in 2018, as users will initially gravitate to renovating existing space, given the high cost of new construction. We should expect the overall vacancy rate to begin dipping back into the low 9% or high 8% range in 2018.

The steady trend of rental rate and sales price increases are expected to continue through 2018, after seeing the average rental rates climb from \$6.07 per square foot (NNN) in 2014 to \$7.46 per square foot (NNN) in 2017. Similarly, the average sales price per square foot has increased from \$33.32 in 2014 to \$74.00 in 2017. We expect the demand to increase with local and Denver-based companies expanding into the Colorado Springs market, which will further drive the rental rates and sales prices in 2018.

Asking Rental Rates

Year-End (\$/SF/Yr. Full Service)



In summary, we expect the Colorado Springs Industrial market to continue its gradual improvement and anticipate an increase in both rental rates and sales prices, as well as the potential for a significant increase in new construction during 2018.

Source: CoStar

Key Transactions 2017

	Lessee/Buyer	Lessor/Seller	Property	Submarket	Size (SF)
L	*Dillon Company	Fountain Business Park LLC	802 Bandlely Drive	Southeast	197,000
S	Douglas Way LLC	BDB ProblD LLC	2810 Capital Drive	Northeast	83,800
S	Gregory D & Susan P. Peterson	CBC LLC	8570 Criterion Drive	Northeast	38,000

* Transaction Represented by QCG S=Sale L=Lease