NATIONAL INDUSTRIAL MARKET

Market Overview – Looking Back at 2014 & Now

Source: CBRE Research / Econometric Advisors / Federal Reserve

BUSINESS INVENTORIES

ALL TIME HIGH OF
$1.75 TRILLION

IMPORTS

2.8%

AVAILABILITY RATES

Fall From
Recessionary
Peak
14.5% to 10.6%

INDUSTRIAL
PRODUCTION INDEX

105.1
HIGHEST LEVEL EVER
NATIONAL INDUSTRIAL MARKET

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BUSINESS INVENTORIES

ALL TIME HIGH OF $1.75 TRILLION

ALL TIME RECORD

ALL TIME HIGH OF $1.82 TRILLION

ALL TIME RECORD

IMPORTS

2.8%

3.4%

AVAILABILITY RATES

Fall From Recessionary Peak
14.5% to 10.6%

21ST CONSECUTIVE QUARTER WITH AN AVAILABILITY DECLINE
LOWEST SINCE Q3/2001

INDUSTRIAL PRODUCTION INDEX

105.1

HIGHEST LEVEL EVER

107.2

HIGHEST LEVEL EVER
NATIONAL INDUSTRIAL MARKET

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FULL-YEAR RENT GROWTH

4.3%
2015
Rent Growth

NET ABSORPTION
(vs. historical national average of 34M SF)

166.0M
square feet

POSITIVE NET ABSORPTION

18TH
Consecutive
Quarter

2014 FULLY RECOVERED
NATIONAL INDUSTRIAL MARKET

Market Overview – Looking Back at 2014 & Now

FULL-YEAR RENT GROWTH

4.3%  
2015
Rent Growth

5.6%  
Forecasted for 2016

NET ABSORPTION

(versus historical national average of 34M SF)

166.0M square feet

174.3M square feet

MOST SPACE ABSORBED DURING THE FIRST 3 QUARTERS OF A YEAR SINCE 2005

2014 FULLY RECOVERED

2015 PASSING PREVIOUS PEAK

POSITIVE NET ABSORPTION

18TH Consecutive Quarter

22ND Consecutive Quarter

3rd Strongest Quarter of Absorption in the Current Cycle

Source: CBRE Research / Econometric Advisors / Federal Reserve / US Census Bureau
DENVER INDUSTRIAL MARKET

Market Overview – Looking Back at 2014 & Now

INVENTORY BY PRODUCT TYPE

MANUFACTURING
905 | 45.8M SF

WAREHOUSE | DISTRIBUTION
2,710 | 141.9M SF

FLEX | R&D
718 | 34.0M SF

4,525 TOTAL
229.0 M SF

Source: CBRE Econometric Advisors
DENVER INDUSTRIAL MARKET

Market Overview – Looking Back at 2014 & Now

Source: CBRE Econometric Advisors

FUNDAMENTALS

4.8% RECORD LOW VACANCY RATE

2.5M SF UNDER CONSTRUCTION
1,548,612 PRE-LEASED

NET ABSORPTION
2014 Q3: 2.08M SF

POSITIVE ABSORPTION
18 QUARTERS

LEASE RATES UP
10.1% Q3/2014 $6.72/SF NNN
DENVER INDUSTRIAL MARKET

Market Overview – Looking Back at 2014 & Now

Source: CBRE Econometric Advisors

**FUNDAMENTALS**

- **4.8%** Record Low Vacancy Rate
- **4.6%** Decline in Vacancy

- **2.5M SF** Under Construction
- **2.3M SF** Under Construction
  - 1,548,612 Pre-Leased
  - 834,900 Pre-Leased

**NET ABSORPTION**

- 2014 Q3: 2.08M SF
- 2015 YTD: 1.91M SF

- Net Absorption Similar to Last Year

**POSITIVE ABSORPTION**

- 18 Quarters
- 22 Quarters

- Straight Positive Absorption

**LEASE RATES**

- 10.1% Q3/2014
  - $6.72/SF NNN
- 5.0% Year Over Year
  - $7.05/SF NNN
DENVER INDUSTRIAL MARKET

Market Overview – 2015 Update

Vacancy Rate vs. Lease Rate (Chart from Q3 Denver)

Direct Vacancy Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct Vacancy Rate</th>
<th>Average Lease Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>9%</td>
<td>$7.25</td>
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<tr>
<td>2006</td>
<td>8%</td>
<td>$7.00</td>
</tr>
<tr>
<td>2007</td>
<td>7%</td>
<td>$6.75</td>
</tr>
<tr>
<td>2008</td>
<td>6%</td>
<td>$6.50</td>
</tr>
<tr>
<td>2009</td>
<td>5%</td>
<td>$6.25</td>
</tr>
<tr>
<td>2010</td>
<td>4%</td>
<td>$6.00</td>
</tr>
<tr>
<td>2011</td>
<td>3%</td>
<td>$5.75</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
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<tr>
<td>2014</td>
<td></td>
<td></td>
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<tr>
<td>YTD 2015</td>
<td></td>
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</tr>
</tbody>
</table>

Source: CBRE Research
DENVER INDUSTRIAL MARKET

Market Overview - Looking Back at 2014 & Now

Source: CBRE Research / Real Capital Analytics / US Census Bureau

Denver Industrial Sales Volume
(Rolling 12 mo. total through Q1 2015)
$668.5 million

Denver Industrial Sales Volume
(Rolling 12 mo. total through Q3 2015)
$537.0 million

Jobs added in Denver
(YTD as of August 2015)
40,500

Jobs added in Denver
(YTD as of October 2015)
44,100

Single-family home starts:
up 15.8% YTD
(August 2015)
5,851

Single-family home starts:
up 14.0% YOY
(Q3 2015)
8,627

People moved to Denver in 2013
34,848

People moved to Denver in 2014
30,630

DENVER or BUST

People moved to Denver in 2013
34,848

DENVER or BUST

People moved to Denver in 2014
30,630
DENVER INDUSTRIAL MARKET

Market Overview - Looking Back at 2014 & Now

Source: CBRE Research / Real Capital Analytics / US Census Bureau

ULI TOP MARKETS TO WATCH

1. Dallas/Fort Worth (2, 3, 1)
2. Austin (4, 1, 2)
3. Charlotte (11, 5, 4)
4. Seattle (3, 10, 5)
5. Atlanta (5, 6, 8)
6. Denver (8, 13, 3)
7. Nashville (7, 2, 14)
8. San Francisco (9, 14, 12)
9. Portland, OR (10, 7, 16)
10. Los Angeles (1, 8, 25)
11. Raleigh/Durham (20, 15, 10)
12. San Jose (6, 11, 17)
13. Boston (14, 4, 27)
14. Orange County (12, 26, 11)
15. New York-Manhattan (13, 9, 40)

Why Denver?

- Strength of the local economy
- Ability to attract a qualified workforce through culture and location
- Exposure to tech industry
- Forward-looking public and private infrastructure investment
- Housing market that is expected to remain hot in 2016
- Solid investment opportunities in the industrial market
- Mentioned as an "18-hour city" or hip, lower-cost, secondary market

DRIVER’S OF INDUSTRIAL ACTIVITY

Industrial Drivers as a % of Leasing Activity

- High Technology and Energy Related
- Transportation/Distribution/Logistics
- E-Commerce and Wholesale
- Warehousing/Storage
- Building Materials & Construction MFG
- Materials MFG-Plastics
MARKET FUNDAMENTALS REACH PRE-RECESSION LEVELS

Key market fundamentals are either nearing or have surpassed pre-recession levels. Vacancy across all sectors is below pre-recession levels. Office and industrial construction activity has far surpassed pre-recession levels. Direct asking lease rates in the office sector have exceeded their pre-recession peaks and retail and industrial lease rates are just below their previous peaks.

- Office and industrial construction activity is up 38% and 77%, respectively, from their previous highs.
- Retail construction activity remains subdued primarily due to limited power and lifestyle center development.
- Minimal new construction has restricted retail absorption in recent years.

Each sector has experienced positive annual net absorption every year since 2009. Industrial vacancy stands 250 bps below its previous low in 2007 while office and retail vacancy just reached pre-recession levels in 2015. While direct asking lease rates for the industrial and retail sectors have not reached pre-recession levels, lease rates in both sectors continue to gain momentum and are within 8.85 of their previous highs.
# THE ELEPHANT IN THE ROOM

## Denver Marijuana Real Estate Characteristics

<table>
<thead>
<tr>
<th>Industrial</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Denver Footprint</td>
<td>3.7 million sq. ft.</td>
</tr>
<tr>
<td>Share of Market</td>
<td>2.6% of warehouse space</td>
</tr>
</tbody>
</table>
| Average Tenant Lease| Range: 2,000-100,000 sq. ft.  
Typical Lease: 10,000-20,000 sq. ft. |
| Type of Properties  | Warehouse; Class B & C |
| Tenant Location Pattern | Along major highways (I-25 and I-70) |
| Key Submarkets      | Airport/Montbello, Central, North Central and Southwest |
| Marijuana Lease Rates| 2-3 times the average warehouse rate |
| Zoning              | I-A and I-B / Light and General Industrial |
| Zoning Restrictions | 1,000 ft. from residential zones |

*Note: * estimated
CONSTRUCTION TIMELINE

The Progress of Commercial Construction in Denver

Source: CBRE Research

Year End Under Construction Totals

- Airport/Montbello
- Central
- Northwest
- Southeast
- Other

02 03 04 05 06 07 08 09 10 11 12 13 14 Q3 15

[Bar chart showing under construction totals from 2002 to Q3 2015]
The Progress of Commercial Construction in Denver

Source: CBRE Research

Industrial Construction as a % of Market

- Seattle
- Denver
- Salt Lake City
- Minneapolis
- Chicago
- Phoenix
- Las Vegas
- Dallas

0% 1.0% 2.0% 3.0%
“E-commerce has driven the most disruptive movement of our time, changing the supply chain landscape forever - led by new consumer behaviors.”

-Adam Mullen, Head of Supply Chain Services
E-COMMERCE & TECHNOLOGY

Future Drivers

NEW CONSTRUCTION DOMINATED BY LARGE WAREHOUSE SPACE
Large warehouse space as a % of total completions by year

NATIONAL DISTRIBUTION MODEL (PRE-2007 VS. PRESENT)
Changing consumer preferences and expectations forced supply chain models to become more efficient nationwide.
Denver’s industrial sector will not be negatively affected by low, volatile oil prices, as the industry represents a negligible share of leasing activity and occupied sf. Ft. The boost to consumption will translate into increased demand for warehousing and logistics space. In fact, the Q2 2015 vacancy rate of 4.5% is down from 4.9% a year earlier. On the other hand, Northern Colorado’s industrial market will soften as oil production in the Denver-Julesburg basin stalls.
CAPITAL CANNOT LOCATE ENOUGH INDUSTRIAL PRODUCT

Source: CBRE Investor Intentions Survey

Imbalance in Investor Intentions vs. Actual Activity

Office: 33% Intentions, 21% Actual Activity
Retail: 15% Intentions, 16% Actual Activity
Residential: 16% Intentions, 12% Actual Activity
Industrial: 28% Intentions, 16% Actual Activity
FIGURE 15. INDUSTRIAL - CLASS A CAP RATES, H1 2015 - TIER I & II METROS

S. California
Seattle
San Francisco Bay Area
N. New Jersey
TIER I AVERAGE
Miami/S. Florida
Dallas/Fort Worth
Chicago
Houston
Baltimore/Washington D.C.
Philadelphia/PA Corridor
ALL MARKETS AVERAGE
Boston
Atlanta
Nashville
Minneapolis
Indianapolis
Denver
St. Louis
Phoenix
TIER II AVERAGE
Columbus
Memphis
Cincinnati
Kansas City
TIER III AVERAGE

3% 4% 5% 6% 7%

Tier I Tier II Tier III All Markets
WHERE ARE WE IN THE CYCLE?