

### Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate decreased 0.7 percentage points from 2.9% in July 2016 to 2.2% in July 2017. The unemployment rate decreased due to more people finding jobs and compares favorably to the US rate of 4.6%. The Boulder statistical area nonfarm job creation was up 2.6% totaling 4,700 jobs over the past year. Industrial using jobs (industries include manufacturing and trade transportation and utilities) removed 200 jobs during the last year.

### Market Overview

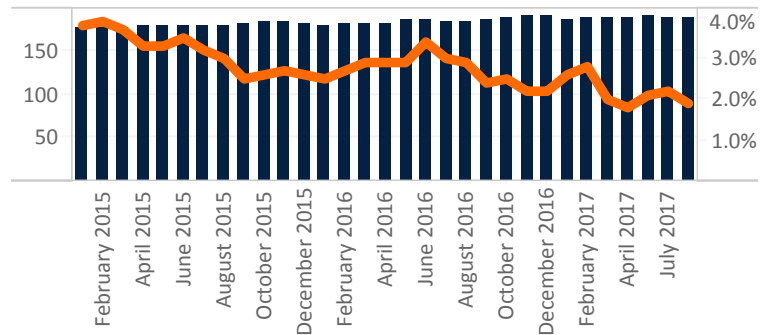
The Boulder industrial market recorded positive 27,538 square feet (sf) of absorption during 3Q 2017. Absorption was down substantially from the positive 165,777 sf that was recorded in 3Q 2016. The total vacancy rate has increased from 4.5% at the close of 3Q 2016 to 6.1% in 3Q 2017. Direct Vacancy Rates increased 1.7 percentage points from 4.4% to 6.1% during the same time-period. Weighted average rent growth increased during 3Q 2017 recording \$11.89 per square foot (psf) compared to \$10.98 psf at the close of 3Q 2016. Currently, the greater Boulder area industrial market has roughly 570,000 sf under construction.

### Market Highlights

Leasing activity throughout most of the greater Boulder area was sluggish in 3Q 2017. This was mostly due to lack of viable buildings on the market. Available warehouse space in Boulder County continues to be extremely tight, especially buildings with high ceilings in excess of 18 feet. As construction costs are still extremely expensive, many developers are only building build-to-suit projects versus speculative developments. However, the new speculative space that is being built is not enough to meet the current and future demands for the market. Asking rents remained steady during the quarter, however, buildings in the 10,000 – 20,000 sf size range had very minimal price increases due to the overall demand for this size range of buildings. Across the board, Landlords are not offering any sort of concession packages to attract tenants, and most spaces are being taken "as-is" leaving improvement costs to the tenant.

### Boulder Employment

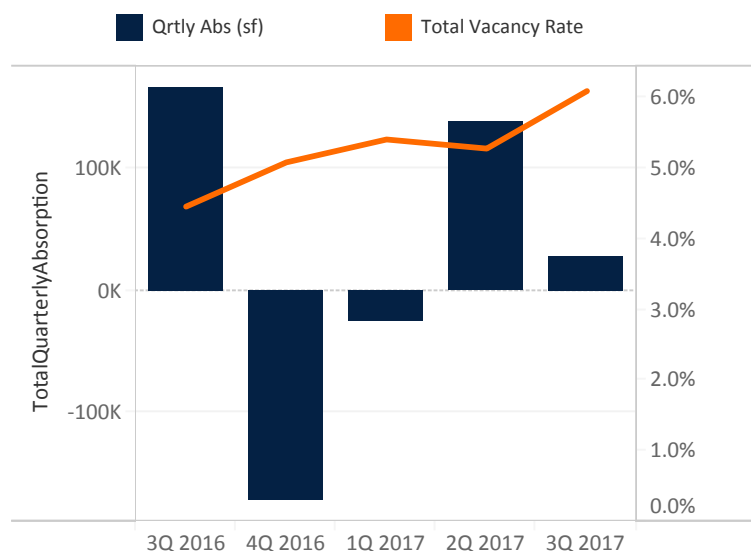
Source: BLS



### Market Recap

|                                    |            |
|------------------------------------|------------|
| Inventory (sf)                     | 32,283,759 |
| # of Bldgs                         | 700        |
| Qrtly Abs (sf)                     | 27,538     |
| Total Avail Rate                   | 5.3%       |
| Total Vacancy Rate                 | 6.1%       |
| U/C Inventory (sf)                 | 570,391    |
| Delivered (sf)                     | 293,434    |
| Weighted Average Asking Rate (NNN) | \$11.89    |

### Absorption and Vacancy Rate



### Overview by Specific Use (Total)

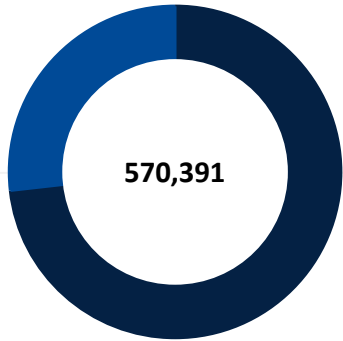
| Specific Use   | Inventory (sf)    | Avail (sf)       | Vacant (sf)      | Vacancy Rate | Qrtly Abs (sf) | YTD Net Abs (sf) |
|----------------|-------------------|------------------|------------------|--------------|----------------|------------------|
| Flex           | 20,846,188        | 1,239,769        | 1,740,262        | 8.3%         | 57,074         | 97,676           |
| Lt Ind         | 8,282,626         | 244,417          | 188,369          | 2.3%         | -25,326        | 21,773           |
| Mfg            | 551,009           | 0                | 0                | 0.0%         | 0              | 0                |
| Whse/Dist      | 2,603,936         | 227,798          | 37,461           | 1.4%         | -4,210         | 82,314           |
| <b>Overall</b> | <b>32,283,759</b> | <b>1,711,984</b> | <b>1,966,092</b> | <b>6.1%</b>  | <b>27,538</b>  | <b>201,763</b>   |

### Overview by Market (Total)

| Market Name    | Specific Use    | Inventory (sf)    | Avail (sf)       | Vacant (sf)      | Vacancy Rate | Qrtly Abs (sf) | YTD Net Abs (sf) |
|----------------|-----------------|-------------------|------------------|------------------|--------------|----------------|------------------|
| Boulder        | Flex            | 6,380,543         | 411,660          | 305,331          | 4.8%         | 33,918         | 60,341           |
|                | Lt Ind          | 1,664,438         | 31,929           | 12,415           | 0.7%         | 0              | 42,053           |
|                | Mfg             | 300,096           | 0                | 0                | 0.0%         | 0              | 0                |
|                | Whse/Dist       | 1,142,403         | 14,761           | 14,761           | 1.3%         | 0              | -13,500          |
|                | <b>Subtotal</b> | <b>9,487,480</b>  | <b>458,350</b>   | <b>332,507</b>   | <b>3.5%</b>  | <b>33,918</b>  | <b>88,894</b>    |
| Longmont       | Flex            | 9,099,231         | 248,525          | 683,177          | 7.5%         | -1,743         | 49,591           |
|                | Lt Ind          | 3,184,944         | 125,099          | 69,428           | 2.2%         | 0              | 19,109           |
|                | Mfg             | 143,812           | 0                | 0                | 0.0%         | 0              | 0                |
|                | Whse/Dist       | 602,844           | 159,611          | 0                | 0.0%         | -989           | -989             |
|                | <b>Subtotal</b> | <b>13,030,831</b> | <b>533,235</b>   | <b>752,605</b>   | <b>5.8%</b>  | <b>-2,732</b>  | <b>67,711</b>    |
| North          | Lt Ind          | 12,000            | 0                | 0                | 0.0%         | 0              | 0                |
|                | <b>Subtotal</b> | <b>12,000</b>     | <b>0</b>         | <b>0</b>         | <b>0.0%</b>  | <b>0</b>       | <b>0</b>         |
| Northwest      | Flex            | 5,366,414         | 579,584          | 751,754          | 14.0%        | 24,899         | -12,256          |
|                | Lt Ind          | 3,421,244         | 87,389           | 106,526          | 3.1%         | -25,326        | -39,389          |
|                | Mfg             | 107,101           | 0                | 0                | 0.0%         | 0              | 0                |
|                | Whse/Dist       | 858,689           | 53,426           | 22,700           | 2.6%         | -3,221         | 96,803           |
|                | <b>Subtotal</b> | <b>9,753,448</b>  | <b>720,399</b>   | <b>880,980</b>   | <b>9.0%</b>  | <b>-3,648</b>  | <b>45,158</b>    |
| <b>Overall</b> |                 | <b>32,283,759</b> | <b>1,711,984</b> | <b>1,966,092</b> | <b>6.1%</b>  | <b>27,538</b>  | <b>201,763</b>   |

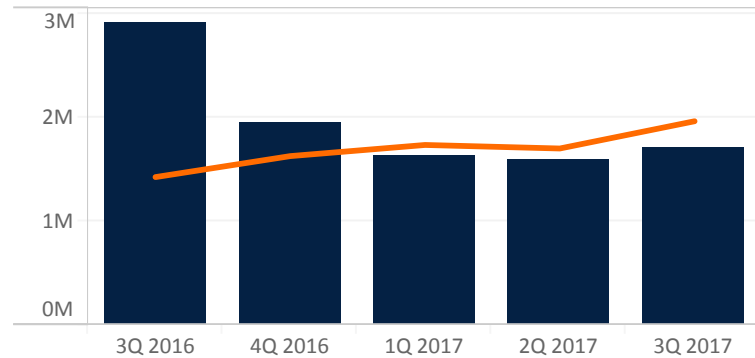
#### Construction by Market

■ Northwest  
■ North



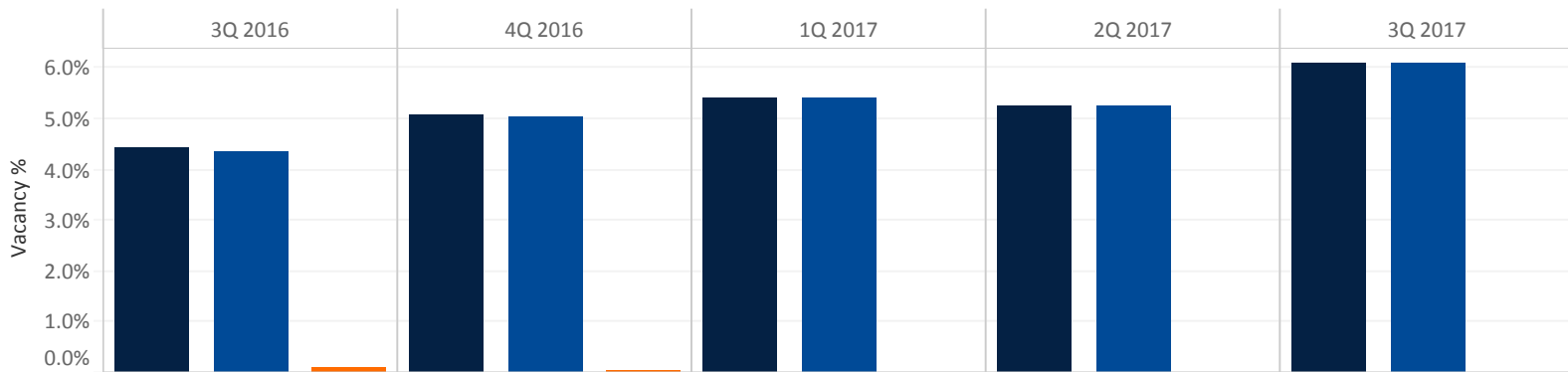
#### Total Available and Vacant

■ Avail (sf) ■ Vacant (sf)



#### Vacancy Rate

■ Total ■ Direct ■ Sublease



#### Overview by Specific Use (Direct)

| Specific Use | Inventory (sf) | Avail (sf) | Vacant (sf) | Vacancy Rate | Qtrly Abs (sf) | YTD Net Abs (sf) |
|--------------|----------------|------------|-------------|--------------|----------------|------------------|
| Flex         | 20,846,188     | 1,115,265  | 1,740,262   | 8.3%         | 57,074         | 141,144          |
| Lt Ind       | 8,282,626      | 224,417    | 188,369     | 2.3%         | -25,326        | 24,217           |
| Mfg          | 551,009        | 0          | 0           | 0.0%         | 0              | 0                |
| Whse/Dist    | 2,603,936      | 37,461     | 37,461      | 1.4%         | -4,210         | 106,092          |
| Overall      | 32,283,759     | 1,377,143  | 1,966,092   | 6.1%         | 27,538         | 271,453          |

#### Overview by Specific Use (Sublease)

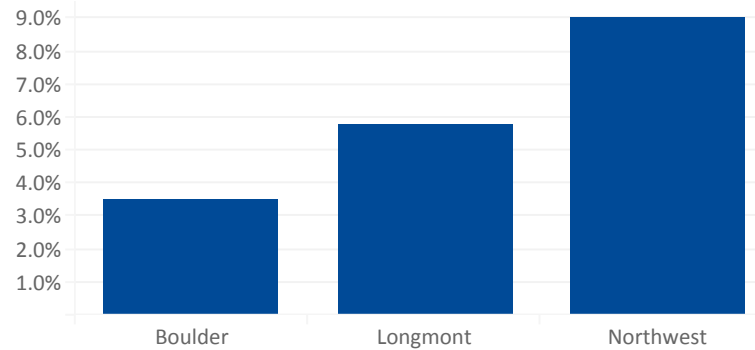
| Specific Use | Inventory (sf) | Avail (sf) | Vacant (sf) | Vacancy Rate | Qtrly Abs (sf) | YTD Net Abs (sf) |
|--------------|----------------|------------|-------------|--------------|----------------|------------------|
| Flex         | 20,846,188     | 124,504    | 0           | 0.0%         | 0              | -43,468          |
| Lt Ind       | 8,282,626      | 20,000     | 0           | 0.0%         | 0              | -2,444           |
| Mfg          | 551,009        | 0          | 0           | 0.0%         | 0              | 0                |
| Whse/Dist    | 2,603,936      | 190,337    | 0           | 0.0%         | 0              | -23,778          |
| Overall      | 32,283,759     | 334,841    | 0           | 0.0%         | 0              | -69,690          |

### Direct Vacancy Rates

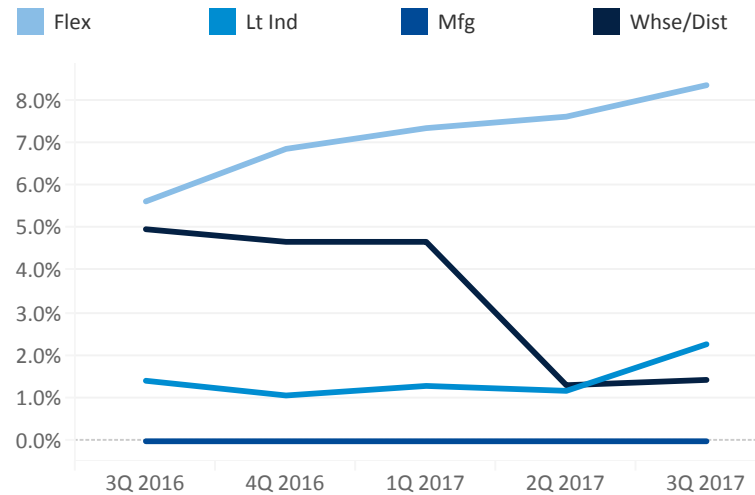
#### By Market and Specific Use

| Market Name    | Specific Use    | Quarter Year |             |             |             |             |
|----------------|-----------------|--------------|-------------|-------------|-------------|-------------|
|                |                 | 3Q 2016      | 4Q 2016     | 1Q 2017     | 2Q 2017     | 3Q 2017     |
| Boulder        | Flex            | 5.4%         | 5.5%        | 5.1%        | 5.3%        | 4.8%        |
|                | Lt Ind          | 0.4%         | 0.9%        | 0.9%        | 0.7%        | 0.7%        |
|                | Mfg             | 0.0%         | 0.0%        | 0.0%        | 0.0%        | 0.0%        |
|                | Whse/Dist       | 0.8%         | 0.1%        | 0.1%        | 1.3%        | 1.3%        |
|                | <b>Subtotal</b> | <b>3.8%</b>  | <b>3.9%</b> | <b>3.6%</b> | <b>3.9%</b> | <b>3.5%</b> |
| Longmont       | Flex            | 7.6%         | 8.1%        | 8.4%        | 7.5%        | 7.5%        |
|                | Lt Ind          | 2.2%         | 2.2%        | 2.2%        | 2.0%        | 2.2%        |
|                | Mfg             | 0.0%         | 0.0%        | 0.0%        | 0.0%        | 0.0%        |
|                | Whse/Dist       | 0.0%         | 0.0%        | 0.0%        | 0.0%        | 0.0%        |
|                | <b>Subtotal</b> | <b>5.7%</b>  | <b>6.1%</b> | <b>6.3%</b> | <b>5.6%</b> | <b>5.8%</b> |
| North          | Lt Ind          | 0.0%         | 0.0%        | 0.0%        | 0.0%        | 0.0%        |
|                | <b>Subtotal</b> | <b>0.0%</b>  | <b>0.0%</b> | <b>0.0%</b> | <b>0.0%</b> | <b>0.0%</b> |
| Northwest      | Flex            | 2.3%         | 6.4%        | 8.4%        | 10.7%       | 14.0%       |
|                | Lt Ind          | 1.1%         | 0.0%        | 0.6%        | 0.6%        | 3.1%        |
|                | Mfg             | 0.0%         | 0.0%        | 0.0%        | 0.0%        | 0.0%        |
|                | Whse/Dist       | 14.0%        | 14.0%       | 14.0%       | 2.3%        | 2.6%        |
|                | <b>Subtotal</b> | <b>2.9%</b>  | <b>4.7%</b> | <b>6.0%</b> | <b>6.2%</b> | <b>9.0%</b> |
| <b>Overall</b> |                 | <b>4.4%</b>  | <b>5.0%</b> | <b>5.4%</b> | <b>5.3%</b> | <b>6.1%</b> |

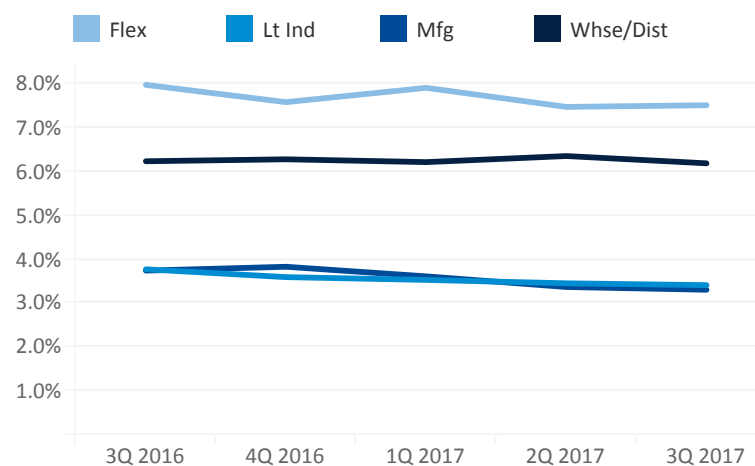
#### By Market



#### Boulder By Specific Use



#### National by Specific Use

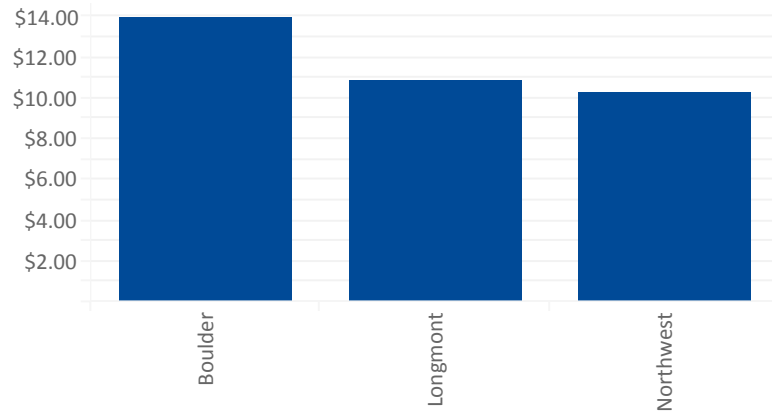


### Direct Weighted Average Asking Rates (NNN)

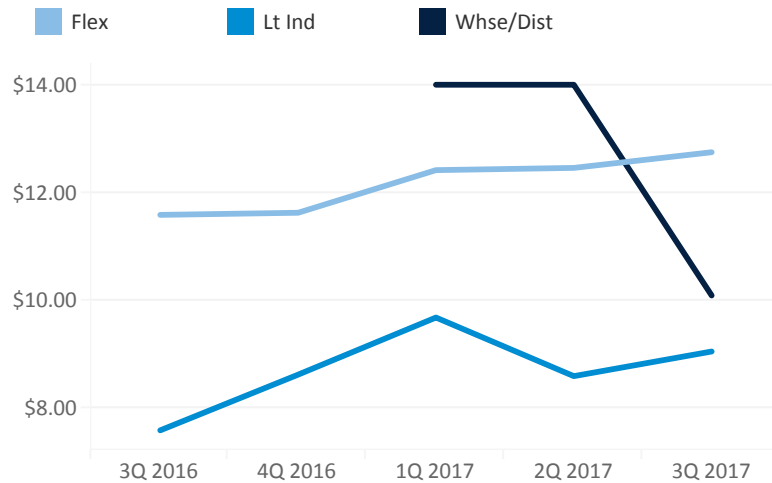
#### By Market and Specific Use

| Market Name    | Specific Use    | Quarter Year   |                |                |                |                |
|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
|                |                 | 3Q 2016        | 4Q 2016        | 1Q 2017        | 2Q 2017        | 3Q 2017        |
| Boulder        | Flex            | \$12.48        | \$12.82        | \$14.51        | \$13.51        | \$14.06        |
|                | Lt Ind          | \$11.51        | \$12.41        | \$11.90        | \$12.14        | \$12.32        |
|                | Mfg             | -              | -              | -              | -              | -              |
|                | Whse/Dist       | -              | -              | \$14.00        | \$14.00        | \$14.00        |
|                | <b>Subtotal</b> | <b>\$12.41</b> | <b>\$12.81</b> | <b>\$14.15</b> | <b>\$13.37</b> | <b>\$13.90</b> |
| Longmont       | Flex            | \$10.54        | \$10.61        | \$9.89         | \$11.98        | \$12.18        |
|                | Lt Ind          | \$8.36         | \$8.36         | \$9.81         | \$11.68        | \$8.51         |
|                | Mfg             | -              | -              | -              | -              | -              |
|                | Whse/Dist       | -              | -              | -              | -              | -              |
|                | <b>Subtotal</b> | <b>\$10.09</b> | <b>\$10.21</b> | <b>\$9.87</b>  | <b>\$11.91</b> | <b>\$10.81</b> |
| North          | Lt Ind          | -              | -              | -              | -              | -              |
|                | <b>Subtotal</b> | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       |
| Northwest      | Flex            | \$11.11        | \$10.94        | \$11.30        | \$11.31        | \$11.15        |
|                | Lt Ind          | \$4.74         | \$7.67         | \$7.83         | \$6.93         | \$7.85         |
|                | Mfg             | -              | -              | -              | -              | -              |
|                | Whse/Dist       | -              | -              | -              | -              | \$7.75         |
|                | <b>Subtotal</b> | <b>\$9.71</b>  | <b>\$10.31</b> | <b>\$10.57</b> | <b>\$9.42</b>  | <b>\$10.22</b> |
| <b>Overall</b> |                 | <b>\$10.98</b> | <b>\$11.23</b> | <b>\$11.96</b> | <b>\$11.42</b> | <b>\$11.89</b> |

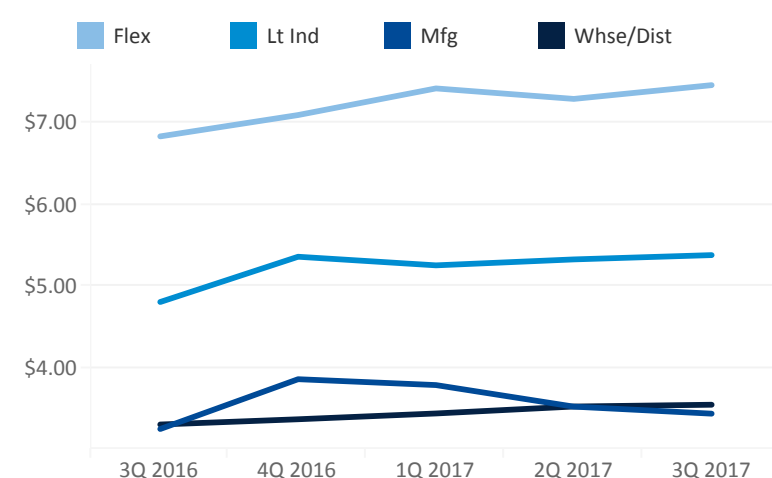
#### By Market



#### Boulder by Specific Use

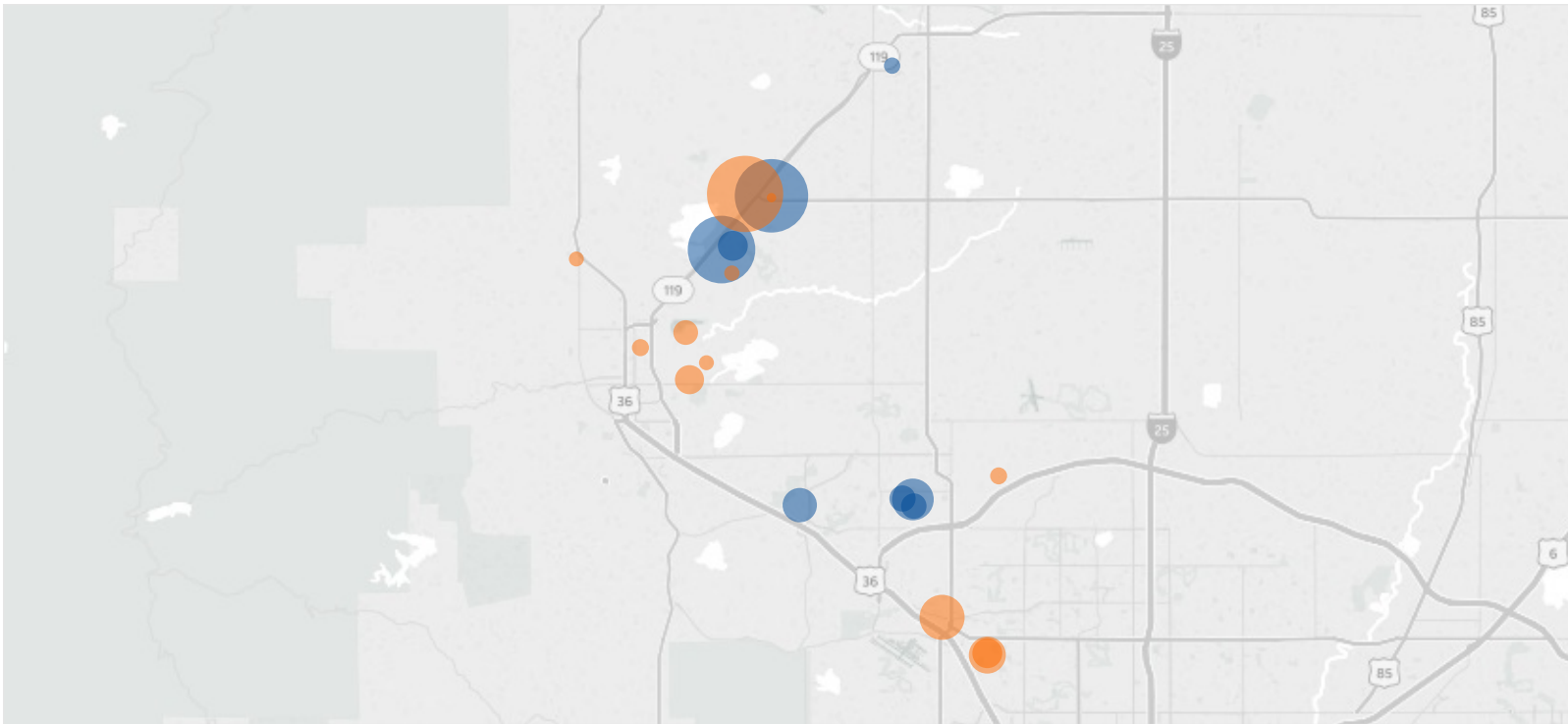


#### National by Specific Use



#### Absorption Map

■ Negative
 ■ Positive



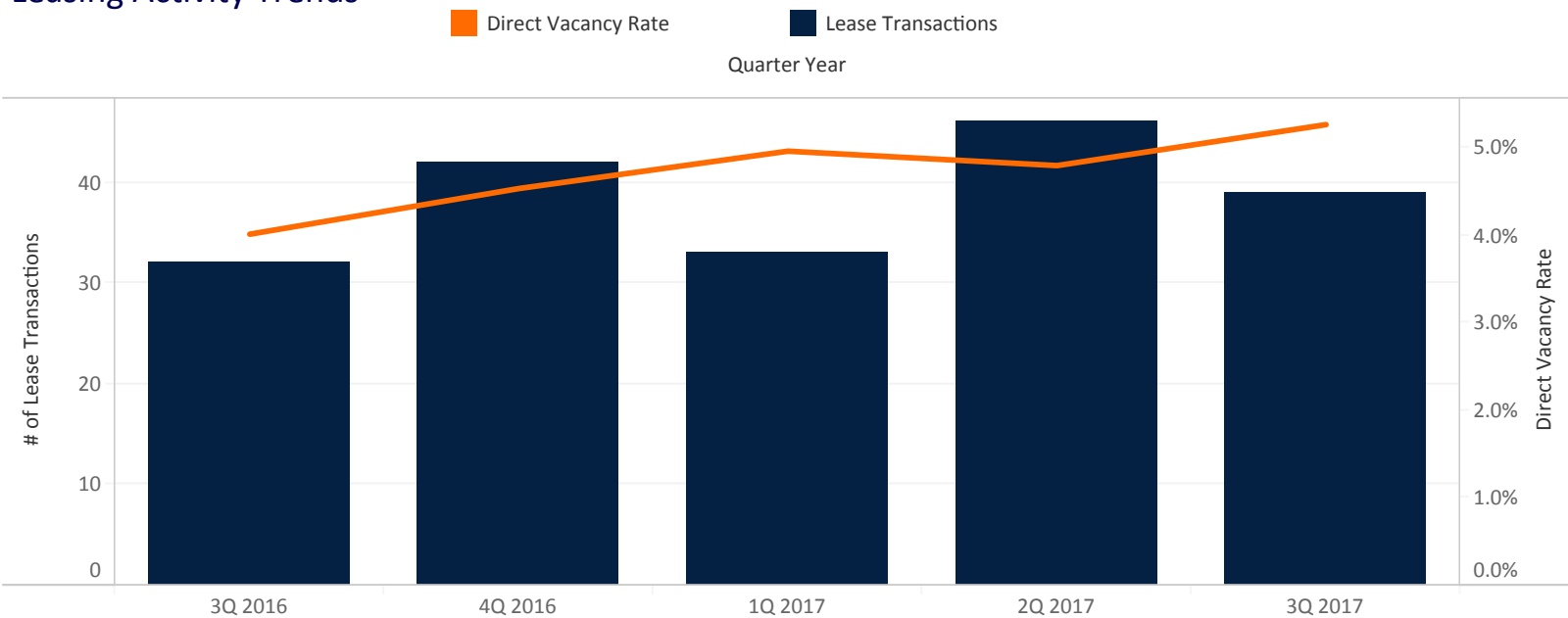
#### Largest Positives (Direct)

| PropertyName            | Significant Transactions         | Market Name | Specific Use |        |
|-------------------------|----------------------------------|-------------|--------------|--------|
| Boulder Tech Center     | Wiland Marketing                 | Longmont    | Flex         | 60,266 |
| 6150 Lookout Rd         | First RF                         | Boulder     | Flex         | 51,082 |
| 2000 Taylor Ave         | M.M.A. Design LLC                | Northwest   | Whse/Dist    | 19,479 |
| Centennial Valley One   | Technology                       | Northwest   | Flex         | 13,187 |
| Gunbarrel Business Park | Earthhero ; Hades Strategies LLC | Boulder     | Flex         | 10,016 |
| 1772 Prairie Way        | Apex Movement Company            | Northwest   | Flex         | 7,673  |
| The Park At CTC III     | Zolo Technologies (expansion)    | Northwest   | Flex         | 7,259  |
| 1551 S Sunset St        | Serial Tech                      | Longmont    | Flex         | 2,991  |

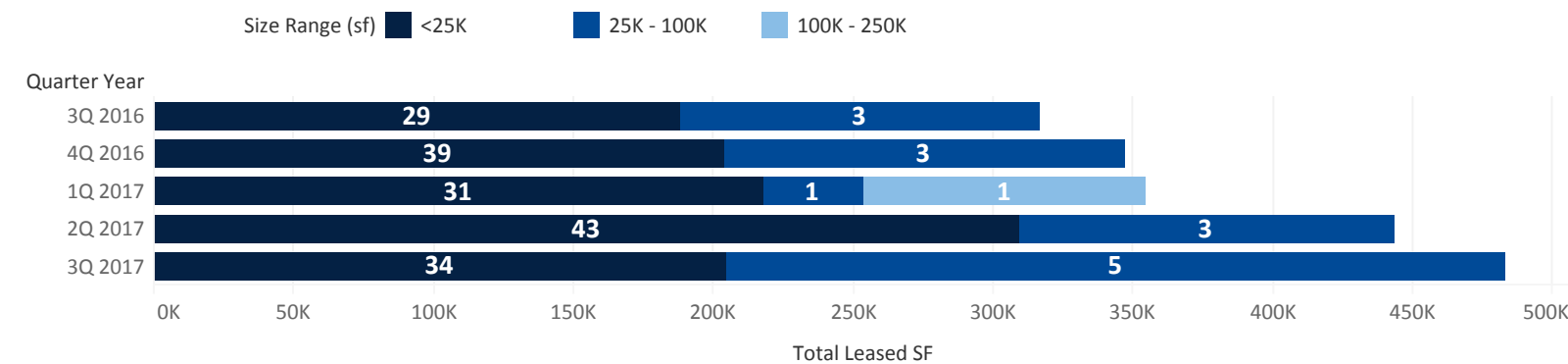
#### Largest Negatives (Direct)

| PropertyName       | Significant Transactions                                     | Market Name | Specific Use |         |
|--------------------|--|-------------|--------------|---------|
| IBM                | IBM  | Longmont    | Flex         | -65,000 |
| 2305 W Midway Blvd | D&D Metal  | Northwest   | Whse/Dist    | -22,700 |
| 7005 W 116th Ave   | Alpha Mold West, Inc   | Northwest   | Lt Ind       | -15,326 |
| 11610 Quay St      | Steen Machine  | Northwest   | Lt Ind       | -10,000 |
| 5445 Conestoga Ct  | ReTul  | Boulder     | Flex         | -9,468  |
| Airport Plaza One  | Also Energy  | Boulder     | Flex         | -6,823  |
| 3200 Valmont Rd    | Ruya Crossfit  | Boulder     | Flex         | -3,270  |
| 1408 Horizon Ave   | San Juan Technologies ; Nolan Computer ; Living River Church | Northwest   | Flex         | -3,220  |

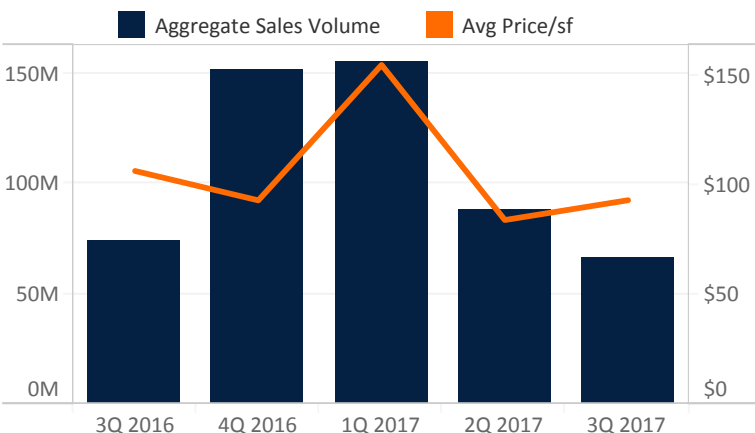
### Leasing Activity Trends



### Leasing Activity (# of New Deals)



### Sales Volume vs. Price/SF



### Top Sales

| Property                     | Sale Date  | Buyer                                    | Sale Price   |
|------------------------------|------------|--|--------------|
| 333 Centennial Pkwy          | 07/17/2017 | DPC Development Company                  | \$25,000,000 |
| Boulder Tech Center          | 08/30/2017 | Tebo Properties                          | \$12,100,000 |
| 295 Interlocken              | 09/12/2017 | Steve and Loretta Scheenstra Trust et al | \$8,615,000  |
| 1850 Dogwood St              | 07/24/2017 | Adler Realty Investments                 | \$7,375,000  |
| Church Ranch Business Center | 08/11/2017 | Zayo Group                               | \$3,496,200  |



## Terminology

| Term                               | Definition  |
|------------------------------------|---|
| Net Absorption (sf)                | The net change in occupied square feet from quarter to quarter, expressed in square feet.   |
| Note                               | This report reflects Direct Vacancy and Absorption; Sublease space is excluded.   |
| 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 Direct Lease Rent | The weighted average of all direct asking lease rents expressed as triple net (NNN) rents and weighted on total direct available square feet.   |

*This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy.*



## Advisory Board Members

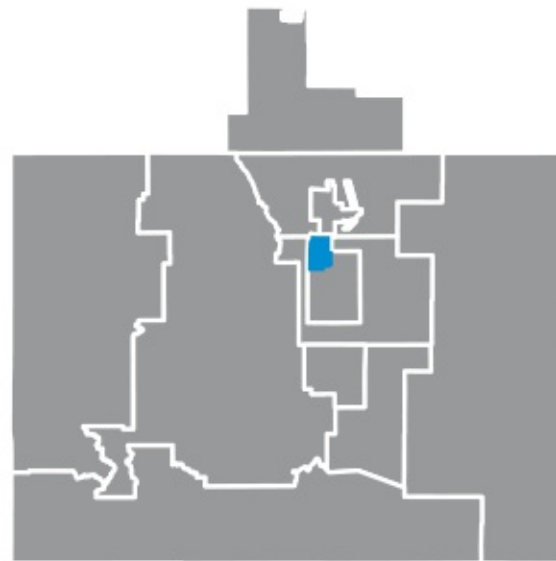
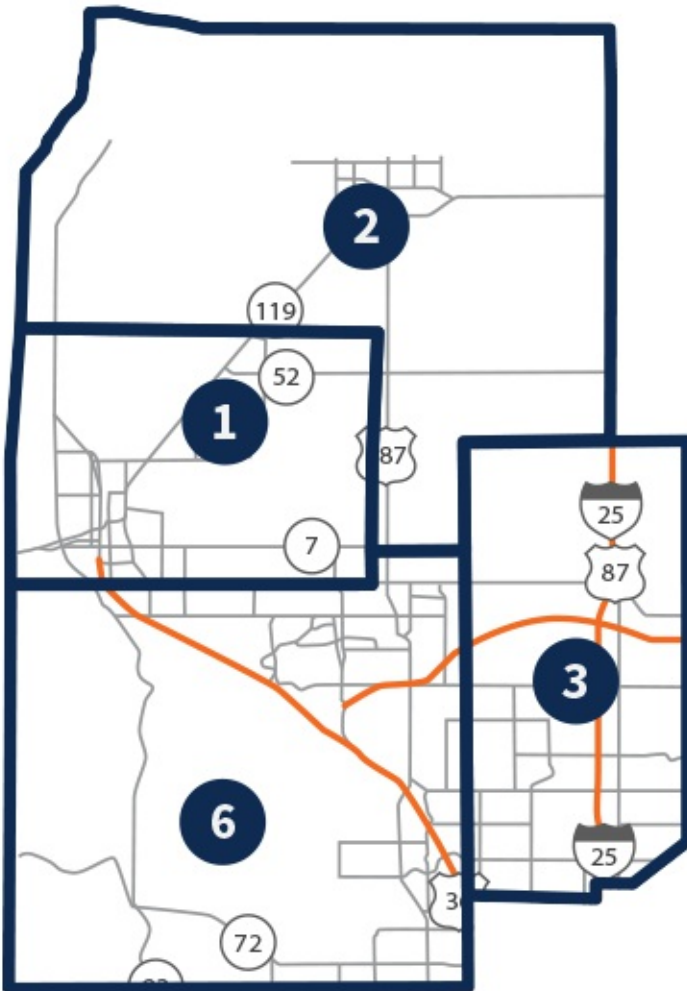
|                       |                  |                             |                |
|-----------------------|------------------|-----------------------------|----------------|
| BOOM Properties       | Todd Walsh, CCIM | Gibbons White Commercial    | Chris Boston   |
| CBRE                  | Wade Wimmer      | New Option Partners         | Aaron Evans    |
| Dean Callan & Company | Hunter Barto     | Re/Max Commercial           | Keith Kanemoto |
|                       |                  | The W.W. Reynolds Companies | Chad F. Henry  |

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| Colliers International | Drew Carlson<br>Tyson Price             | JLL                        | Mandy Seyfried<br>Margaret James                |
| Cushman & Wakefield    | Andrea Jones                            | Newmark Grubb Knight Frank | Lauren Douglas<br>Mandy Johnson                 |

## Xceligent Team

|               |                                  |                        |                |
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- 1** Boulder
- 2** Longmont
- 3** North
- 4** Northwest