

MARKETBEAT

Market Snapshot Q3 2015

Northern Colorado



Overview

- The Fort Collins-Loveland and Greeley metro market combined to add over 3,600 jobs to the local economy during the past 12 months, led primarily by strong growth in the professional and business services industry which added over 1,100 jobs and the education and leisure/hospitality industry increasing by over 600 jobs.
- There is a pool of well-educated candidates seeking employment, although many lack the expertise gained by

experience in which employers are interested. This “skills gap” is especially prevalent in the energy industry.

- Vacancy remains tight throughout all product types with average asking rates increasing during the quarter in office, industrial, and multi-family sectors. Multi-family vacancy eased slightly, still at an incredibly tight 3.6% market-wide. This seemingly insatiable demand continues to drive rents skyward.

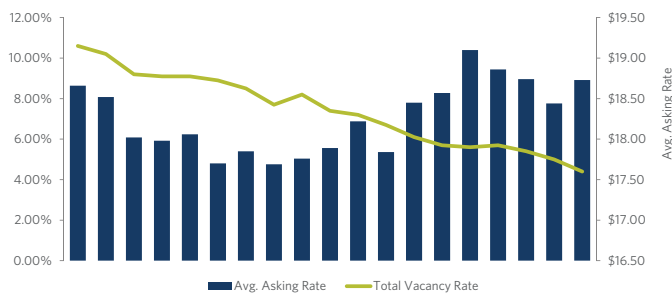
Leasing Summary

MARKET	BUILDING BASE	DIRECT VACANT	SUBLEASE VACANT	TOTAL VACANT	Q3 15 VACANCY	Q3 14 VACANCY	AVERAGE ASKING RENT	NET ABSORPTION
Office	15,320,375	664,876	9,169	674,045	4.4%	5.6%	\$18.73 GROSS	90,728
Industrial	44,163,863	2,108,564	50,041	2,158,605	4.9%	4.9%	\$8.20 (WHSE) NNN \$9.68 (FLEX) NNN	35,017
Retail	30,085,281	1,441,553	21,563	1,463,116	4.9%	5.3%	\$12.88 NNN	21,076

Top Lease Transactions

TENANT	PROPERTY ADDRESS	PROPERTY CITY	PROPERTY TYPE	SIGN DATE	SF LEASED
Advanced Energy	4424-4430 Innovation Dr.	Fort Collins	Industrial	8/25/2015	91,884
King Soopers	2211-2325 S. College Ave.	Fort Collins	Retail	9/1/2015	47,854
Unknown	9351 Eastman Park Dr.	Windsor	Office	9/10/2015	23,000
Mountain Supply and Service, LLC	661 Innovation Cir.	Windsor	Industrial	9/15/2015	11,243
Integrity Well Solutions, LLC	10765 Turner Blvd.	Longmont	Industrial	10/2/2015	8,800
Carlsons Investment & Management, LTD	5837-5857 Wright Dr.	Loveland	Office	9/11/2015	8,500
Unknown	1000 S. Lincoln Ave.	Loveland	Office	9/1/2015	7,372
BH, Inc.	661 Innovation Cir.	Windsor	Industrial	9/17/2015	5,445
Unknown	5000 N. County Road 19	Fort Collins	Industrial	9/2/2015	5,000
Unknown	1567 Skyway Dr.	Longmont	Industrial	8/2/2015	4,548

Office Vacancy vs. Average Asking Rate



Office Overview

- Overall vacancy remained on a downward trajectory through Q3 2015, ending the quarter at 4.4%.
- Vacancy still remains well below the six-year historical average of 8.6% and is expected to decrease further due to an increased demand from high- and soft-tech firms expanding into limited vacant space.
- Average asking rents declined slightly during the second quarter of 2015, falling \$0.30 per square foot (PSF) on an annual full service basis on average to \$18.44 PSF, but have bounced back to their Q1 levels of \$18.74 PSF.
- Overall net absorption was strong, with the market absorbing over 90,000 square feet (SF) in the quarter.

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Industrial Overview

- Overall vacancy declined in the third quarter, falling 10 basis-points in the past three months, ending the quarter at 4.9%, well below the historical average of 6.5%
- Industrial vacancy at the end of the third quarter reached a 14-year low.
- Total net absorption was down 50.2% from Q2 to 35,017 SF in Q3, but still marked the second consecutive quarter of positive net absorption.
- Average asking rents increased in the third quarter, up \$0.34 PSF on an average triple net basis to \$8.52 PSF, while current rates for both Industrial and flex space remain well above five-year historical averages of \$6.88 PSF.
- Construction increased by 333,700 SF with four new projects breaking ground. The vast majority of the space currently being constructed is the Woodward Technology Center, a 303,000 SF industrial park in Fort Collins.



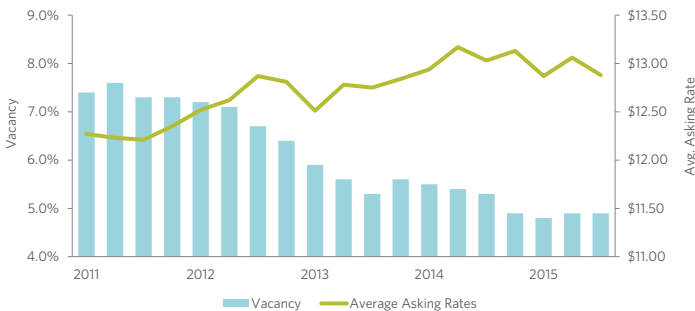
Industrial Vacancy vs. Average Asking Rate



Retail Overview

- Occupancy levels rose by a marginal amount in Q3 2015, with net absorption increasing to by just over 21,000 SF.
- Retail vacancy continues to decline, and remains well below the historical average, ending the third quarter at 4.9%.
- Rents decreased slightly in the quarter, down \$0.22 PSF on average to \$12.88 PSF on an annual triple net basis.
- Very few large transactions occurred during the quarter, with only a handful of deals trading over 5,000 SF.
- Construction deliveries were up slightly for the quarter, with 13,777 SF being added in Q3.

Retail Vacancy vs. Average Asking Rate



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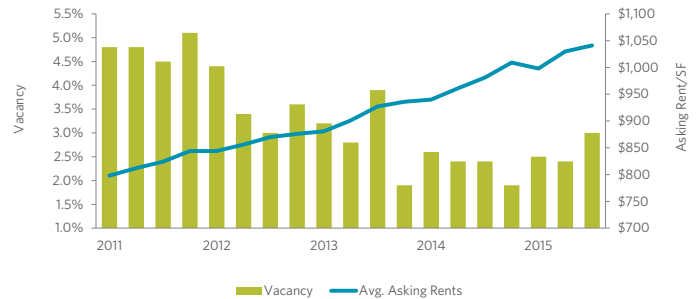


Multi-Family Overview

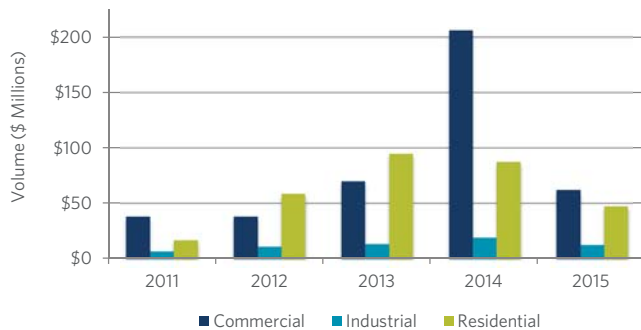
- There have been 1,068 units delivered in the last 12 months, with an impressive 3,051 units currently under construction.
- Overall vacancy rate stands at a lean 3.6%, even with where it stood a year ago.
- Rents continue to rise steadily, increasing \$16.00/unit on average over the quarter and \$261/unit over the past five years.
- Sales activity decreased sharply from the second to third quarter, falling from \$32 million to \$10 million.

Source: Colorado Division of Housing, Second Quarter 2015 "Colorado Multi-Family Housing Vacancy & Rental Survey." Report lags one quarter. Also, the Apartment Insights Statistics/Trends summary which tracks buildings over 50 units was used.

Multi-Family Vacancy vs. Average Asking Rate



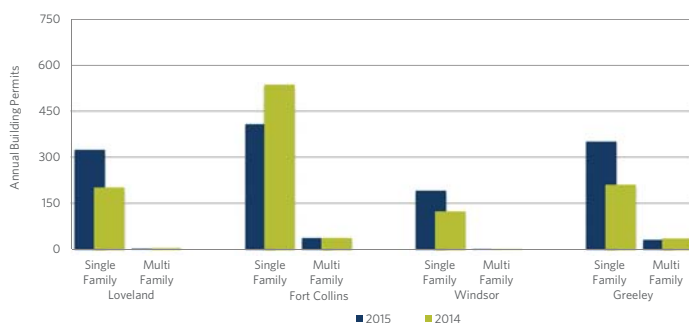
Land Sales Volume



Land Overview

- Land sales activity decreased dramatically in the past year, with sales volume falling from \$312 million in 2014 to \$122 million at the end of the third quarter 2015.
- The average price per acre for commercial land increased a 13.6% since the end of 2014, closing the quarter out at \$50,000 per acre, up from \$44,000 in 2014.
- The largest transaction was the sale of 78 acres of commercial land at E. 168th Ave. in Lochbuie, which was purchased by Walton International Group for \$7.85 million.
- Building permit applications increased by 21.0% in 2014, with nearly 1,600 requests being filed in the past year, of that 92.0% were single-family structures.

Northern Colorado Building Permits



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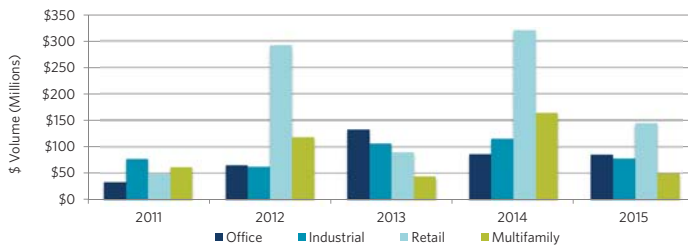
Top 10 Improved Property Quarterly Sales

PROPERTY ADDRESS	CITY	SF (# OF UNITS)	TYPE	SALE PRICE	PRICE/SF (UNIT)	BUYER	SELLER
3005 Rocky Mountain Ave.	Loveland	82,000	Office	\$20,595,300	\$251.16	McWhinney Real Estate Services	Crop Production Services, Inc.
110 E. 1st Street	Loveland	20	Multi-Family	\$3,250,000	\$162,500.00	McCormac Properties, LLC	Park Place Plaza Real Estate, LLC
2057 Vermont Dr.	Fort Collins	24,850	Office	\$3,031,709	\$122.00	Forney Industries, Inc.	1031 Corporation Exchange Professionals
201 E. 4th St.	Loveland	23,964	Office	\$1,827,000	\$76.26	Douglas Erion	Cheri Waneka
1023 39th Ave.	Greeley	29,304	Office	\$1,650,000	\$56.31	Timothy H. Hume	Community Banks of Colorado
1753-1765 30th Street	Greeley	20	Multi-Family	\$1,525,000	\$76,250.00	CFR Investments, Llc	Arkadia, Llc
1145 29th Street Road	Greeley	34	Multi-Family	\$1,320,000	\$50,769.00	Jayci Holdings Two	Robert and Barbara Hartzell
6200 W. 10th St.	Greeley	28,214	Office	\$1,310,000	\$46.43	Wayne and Kris Howard	Roberta and Vernon Cecil
1001 13th Street	Greeley	34	Multi-Family	\$1,150,000	\$33,825.00	New Colony, LLC	13th Avenue Greeley Company
425 W. Mulberry St.	Fort Collins	15,128	Office	\$1,000,000	\$66.10	Streit Development	Colorado State University

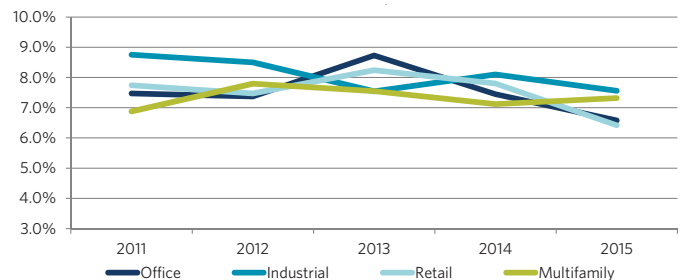
Investment Overview

- Sale activity remained strong through the third quarter of 2015 with 41 transactions taking place in the past three months and a healthy 110 deals year-over-year.
- The largest transaction during the quarter was an office building sale in Loveland, totalling 80,153 square feet, purchased by Healthcare Realty Trust Incorporated from McWhinney Real Estate Services.
- Cap rates declined 65 basis-points to end the third quarter just under 7.0% on average.
- Total available space has decreased by over a 125,000 square feet in the past quarter, ending the third quarter at just under 4.3 MSF. Vacancy across all markets has fallen to just over 4.7%, the lowest rate in over a decade and a testament to the continuing strength of the market.

Historical Sales Volume



Historical Cap Rates



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