LAST YEARS PREDICTION – THE PAST

• Conservative Supply of New Spec Space
• Increase in Build-to-Suit Activity
• Spike in Class B and Class C Rental Rates
CONTROLLED CONSTRUCTION KEY TO MARKET HEALTH

Industrial Construction as a Percent of Market

- 5 Yr. Completions Rate (%)
- 1 Yr. Completions Rate (%)

LOOKING AHEAD...CONSERVATIVE TREND CONTINUES

Industrial Construction as a Percent of Market
LAST YEARS PREDICTION – THE PAST

- Conservative Supply of New Spec Space
- Increase in Build-to-Suit Activity
- Spike in Class B and Class C Rental Rates

BTS ACTIVITY PICKS UP MOMENTUM … WILL CONTINUE

Based on the 38 delivered and under construction properties across Metro Denver since 2014
15 – BTS
23 - SPEC

![Circle diagram showing BTS Total 39% and Spec Total 61%]
LAST YEARS PREDICTION – THE PAST

- Conservative Supply of New Spec Space
- Increase in Build-to-Suit Activity
- Spike in Class B and Class C Rental Rates

LEASE RATE APPRECIATION SHARPEST IN B & C

Source: Costar Lease Rates
- Class A – 24’ clear, ESFR, 1 DH, 1997-YTD YOC
DENVER ECONOMIC OVERVIEW – THE PRESENT

Broad-based economic growth

+4.3% GMP growth

4.7% Increase in retail sales

8,439 Single-family permits up 15.3%

28,690 People moved to Denver in 2014

52,650 Jobs added in Denver/Boulder (+3.6%)

DENVER INDUSTRIAL MARKET – THE PRESENT

Market Overview

INVENTORY By Product Type

<table>
<thead>
<tr>
<th>Type</th>
<th>SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>903, 45.6 M</td>
</tr>
<tr>
<td>Warehouse / Distribution</td>
<td>2,708, 141.3 M</td>
</tr>
<tr>
<td>Flex / R&amp;D</td>
<td>716, 33.7 M</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4,519, 228.0 M</td>
</tr>
</tbody>
</table>

Source: CBRE Research Q2 2015

PEAK TO TROUGH TO PRESENT Fundamentals

<table>
<thead>
<tr>
<th>Fundamentals</th>
<th>Peak – Last Cycle</th>
<th>Trough – Q1 2010</th>
<th>Present – Q2 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy</td>
<td>6.03% Q3 2007</td>
<td>7.90%</td>
<td>4.30%</td>
</tr>
<tr>
<td>U/C</td>
<td>2.85M SF Q2 2007</td>
<td>0 SF</td>
<td>2.8M SF</td>
</tr>
<tr>
<td>Lease Rate</td>
<td>$7.22/SF NNN Q2 2004</td>
<td>$5.85/SF NNN</td>
<td>$6.83/SF NNN</td>
</tr>
<tr>
<td>Net Absorption</td>
<td>2,907,569 SF Q2 2006</td>
<td>(1,072,331) SF</td>
<td>1,424,485 SF</td>
</tr>
</tbody>
</table>

Source: Moody’s Debt Buffet, Colorado Dept. of Revenue, CBRE Research Q2 2015
CENTRAL/NORTHEAST CONSTRUCTION

Of the 3.68M SF Completed 60% is Occupied
1.37M SF will be Coming On-line

DRIVERS OF INDUSTRIAL ACTIVITY – THE PRESENT
Q2 2014 RO Q2 2015
SEVERE LACK OF SMALL BAY WAREHOUSE – THE FUTURE
Small Warehouse Space in the U.S.

During the past 10 quarters, large space has averaged 75% of total completions.

In Denver 35% of completed projects from 2014-YTD were under 200,000 SF and only 23% are in the Northeast and Central Submarkets.

DENVER INDUSTRIAL LEASE RATES HAVE ROOM TO GROW – THE FUTURE
Top 50 Markets

U.S. Average - $4.51 per sq. ft.
Denver - $4.64 per sq. ft.

Source: CBRE Research, Q3 2014
CAPITAL CANNOT LOCATE ENOUGH INDUSTRIAL PRODUCT – THE FUTURE
Industrial shows main imbalance

Institutional Investment Imbalance

2015-2016 BOLD PREDICTIONS

- Cap Rates: Sub 5.25% Cap Rates
- Small Bay Class A Rates Will Reach Replacement Cost Rents
- If Jim Bolt Wins NAIOP Industrial Broker of the Year Award AGAIN, He Will Either Be On Vacation or Will Forget About the Next Forecast Event