LONGMONT AREA MARKET ASSESSMENT

Charting a Path Forward in Uncertain Times

LONGMONT ECONOMIC DEVELOPMENT PARTNERSHIP

ELEVATING BUSINESS. EMPOWERING COMMUNITY.

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ASPIRE LEADERSHIP COUNCIL

Prepared by

CIVISTRUCT STRATEGY + DEVELOPMENT

December 2020

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LONGMONT ECONOMIC DEVELOPMENT PARTNERSHIP

ELEVATING BUSINESS. EMPOWERING COMMUNITY.

The Longmont Economic Development Partnership (LEDP) is a non-profit 501 (c)6 organization founded in 1981 whose mission is to lead a comprehensive, collaborative economic development strategy to promote and strengthen the Longmont community's economic health.

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The Longmont Downtown Development Authority (LDDA) was created in 1982 by the Longmont City Council and the Longmont electorate with a mandate to revitalize the City's Downtown commercial core. The LDDA's purpose is to prevent deterioration of property values within the LDDA District and to assist in the development and redevelopment of the district.

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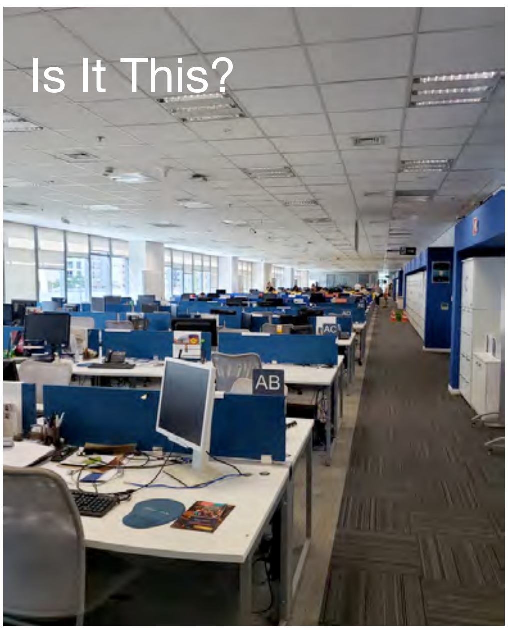
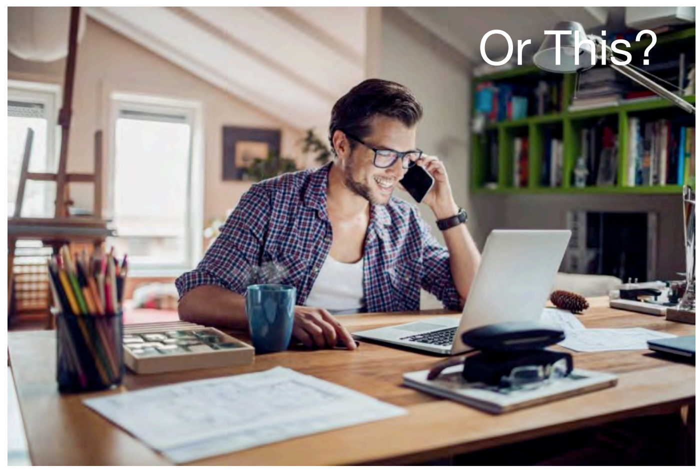
Left photo: Longmont Downtown Development Authority
Right photo: Catylist

The Evolution of Work

What's the Future of Workplace?





WHAT DO YOU THINK?

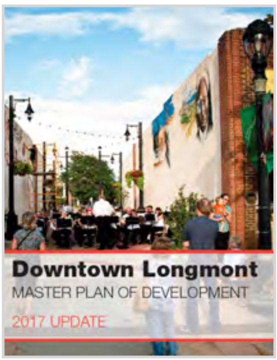
Introduction and Purpose

INTRODUCTION AND PURPOSE

The Longmont Economic Development Partnership (LEDP) and the Longmont Downtown Development Authority (LDDA) share a common purpose by leading a comprehensive, collaborative economic development effort to strengthen Longmont community's economic health.

One of the key goals for the LEDP and the LDDA is to work in partnership with their public and private partners to build and maintain a vibrant economy for Longmont, and continue to play a leading role in making Longmont a desirable location for businesses, entrepreneurs and talent in the region and beyond.

Building off of the *Advance Longmont* target industry analysis and economic development strategy that began implementation in 2014, LEDP is guided by its newly launched economic development strategy, *Advance Longmont 2.0* which focuses on quality job creation and business investment.



The plan focuses on the following targeted industries that reflect competitive strengths of the Longmont community: Smart Manufacturing, Business Catalysts, Food and Beverage, and Knowledge Creation and Deployment.

The LDDA is guided by the *Downtown Master Plan of Development*. The Plan was updated in 2017 and provides policy guidance, strategic actions and implementation priorities around 6 key areas: Land Use, Economic Vitality, Placemaking & Urban Design, Connectivity & Access, Creative District, and Leadership & Management.

The LDDA works closely with Downtown business and property owners, investors, and other community stakeholders to support high quality investment that benefits Downtown as well as the community at large.

To assist in the implementation of the LEDP *Advance Longmont 2.0 Strategic Plan* and LDDA *Downtown Master Plan of Development*, LEDP and LDDA retained CIVISTRUCT Strategy + Development to perform a **Longmont Area Market Assessment** to address the following objectives:

- To garner a more accurate picture of the office and industrial market and business climate to better inform LEDP and LDDA staff and Board, LEDP and LDDA members and investors, developers, brokers, and business and property owners
- To provide a quantitative and qualitative assessment of the market demand, opportunities, market gaps, needs, and challenges for office and industrial space in Longmont, including Downtown Longmont, based on existing building space, adaptive reuse / improvements to vacant/underutilized building space and (re)development of greenfield and infill land opportunity sites
- To provide a baseline real estate market database of office and industrial space in Longmont that LEDP and LDDA can update on a regular basis and provide to site selectors, investors and developers
- To further inform a Tactical Management Plan that outlines specific actionable strategies for LEDP and LDDA to undertake to implement LEDP's *Advance Longmont 2.0 Strategic Plan*, as well as, LDDA's *Downtown Master Plan of Development*

In addition to the stakeholder interviews conducted with real estate professionals, this report also draws from extensive secondary research with a focus on industry reports that address emerging trends in office and industrial real estate and the impact of the COVID-19 pandemic on these markets.

CIVISTRUCT
STRATEGY + DEVELOPMENT

CIVISTRUCT Strategy + Development is a real estate development consulting firm based in Boulder County, Colorado that focuses on assisting public and private sector clients meet their development objectives. We are passionate about finding better ways to reshape our built environment that meet both private sector development goals and community benefits.

For more information visit: www.civistructsd.com

ACKNOWLEDGEMENTS

CIVISTRUCT Strategy + Development Project would like to thank the many individuals who took the time to participate in the development of this report. We are particularly grateful to the Longmont Economic Development Partnership (LEDP) and the Longmont Downtown Development Authority (LDDA), the City of Longmont, and business and property owners, community members, residents, developers, real estate brokers and others who provided valuable insights regarding the preparation of this Market Assessment.

KEY TASKS

1

Project Kick-Off Meeting with LEDP and LDDA

Review the scope of work and to identify specific conditions, market issues, market segments, and issues impacting the Longmont study area with the project focus on the office and industrial sectors.

2

Baseline Real Estate Database of Office and Industrial Space

Prepare a baseline real estate database of office and industrial space in the Longmont area (in Excel format) for LEDP and LDDA to use to regularly update community members, investors, brokers, businesses and others as part of their real estate services. This database includes information such as square feet of space by building classification, vacancy, lease rates, ownership, building attributes, and other metrics.

3

Stakeholder Interviews

Stakeholder interviews conducted with 20+ business and property owners, real estate brokers, developers, investors, financial professionals, and other real estate and development professionals from within the Longmont area and also the Denver and Fort Collins metropolitan area that provided additional insight into the Longmont area and Downtown Longmont office and industrial real estate market strengths, challenges, and opportunities. A key aspect of the interviews was garnering interviewee's thoughts on the COVID-19 pandemic and their thoughts on its near term and longer term impact to the office and industrial markets.

4

Economic and Demographic Conditions and Trends

An economic and demographic conditions and trends framework provides an overview of economic and demographic conditions and trends for the City of Longmont, Downtown Longmont, and regional market areas to identify factors influencing the Longmont office and industrial market segment, including highlights of near term and potential longer term impacts of COVID-19 pandemic on demographic and economic trends.

5

Office Market Analysis

The office market analysis provides a snapshot of the local and regional office market and estimates the potential market demand that could be captured in the Longmont area based on existing supply, employment growth in office using sectors, development activity, opportunity sites, real estate market trends and the strengths, constraints, threats and opportunities of the local office market. The analysis estimates the potential market demand for office in the Longmont area due to the impact of COVID-19 and highlights emerging office trends, including how COVID-19 is changing the office market, that impacts the Longmont area office market.

6

Industrial Market Analysis

The industrial market analysis provides a market overview of the Longmont area industrial market broken out by industry sub-categories (e.g. flex/R&D, warehouse/office, specialized industrial) to provide context for how the Longmont industrial market fits within the regional competitive market and opportunities for future industrial development within the area. The analysis estimates the potential demand of industrial space that could be captured in the Longmont area taking into consideration the impact of the COVID-19 pandemic and summarizes key findings regarding the strengths, constraints, threats and opportunities related to the Longmont industrial market position and potential demand for new industrial space.

7

Action Steps and Recommendations

Action steps and recommendations summarizes key recommendations and outlines preliminary action steps to realize the opportunities identified in the Market Assessment, address challenges and market gaps in the Longmont area, and takes advantage of the strengths that Longmont and Downtown Longmont offers in terms of office and industrial opportunities.

Key Findings

CHARTING A PATH FORWARD IN UNCERTAIN TIMES

COVID-19 has emerged as one of the biggest health, economic and society-changing events in the past 100 years. The year 2020 will go down as one of the most disruptive, and challenging, in US history. Our lives have been upended, routines that we did prior to the pandemic have changed, and new routines were formed as we try to navigate this new environment and we wonder when normal will return, and what that "new normal" will look like. **A common theme that has emerged during this pandemic is dealing with uncertainties.** The long term impacts of this pandemic will be hard to pin down.

Source: Longmont Downtown Development Authority

From a real estate perspective, one of the major challenges in preparing this Market Assessment is looking at office and industrial trends that the pandemic has accelerated or started and trying to figure out what their long term impact will be while the pandemic has not yet been resolved. The pandemic has caused short term challenges to the office and industrial market that have resulted in job losses and changes to the way companies operate their businesses. While these job losses are not as severe as other industry sectors that have been harder hit by the pandemic, such as retail and hospitality, COVID has put into flux — where we work and how we work — it is anyone's guess how we will emerge and what the office and industrial market will look like. To quote a baseball analogy, it is like we are in the in the 5th inning of a 9-inning baseball game where the final score is not yet known.

Many real estate professionals and industry experts say that the stresses caused by the global pandemic recession will have a major impact on real estate property fundamentals over the next several years. However, it is important to note that these stresses in local real estate markets can and will create opportunities. The pandemic has forced many businesses out of complacency and status quo, requiring them to pivot and streamline operations to remain competitive in today's environment.

This could include opportunities such as investing in obsolete buildings to incorporate health and safety improvements that improve employee well-being and, in turn, worker productivity. Or providing a flexible work environment for employees where they could work a couple of days at the office collaborating and mentoring and a couple of days at their home office or third space.

Today's uncertain environment has led real estate developers, investors, small business owners, property owners, landlords and others to re-evaluate

Source: Longmont Downtown Development Authority

their business strategies in regards to immediate, short-term and longer-term real estate and business needs. It's difficult to forecast the impact the pandemic will have on future in-migration, future employment growth or the resulting demand of office and industrial space. But the positive quality of life attributes, exceptional infrastructure, deep talent pool and competitive business environment of the Longmont area remain strong. We expect that the Longmont area will continue to see positive employment growth, the area will continue to see new residents, all of which will positively impact the office and industrial market and provide opportunities for new office and industrial space that is designed right, located well and fills a market need.

This Market Assessment is an attempt to highlight emerging office and industrial trends that impact the Longmont area's office and industrial market and quantify the potential demand in office and industrial space over the coming decade that could be captured in the Longmont area, including Downtown Longmont, taking into consideration the impacts of COVID-19 on employment growth and other factors that drive the demand for office and industrial space. We hope this analysis will help better inform key decision makers and community members in the Longmont area considering or already invested in Longmont.

KEY FINDINGS

OFFICE MARKET

OFFICE MARKET INVENTORY

The Longmont area office market comprises nearly 2.9 million square feet of office space in 268 buildings. **Longmont's inventory is dominated by Class B/C, single-story, flex-type office space.** 76% of this space can be classified as general office space. Medical office space comprises 20% of this space and data center/call centers comprise the remaining 4% of office inventory.

OFFICE MARKET CONDITIONS

The US and Longmont area office market has experienced deteriorating market conditions brought on by the pandemic-induced recession.

The Longmont area has seen an increase in office vacancy rising from 8.6% at the beginning of 2020 to 12.1% as of 3Q 2020, the highest vacancy in the region.

While the US posted a record drop in net absorption (-41.3 million square feet of office space), the largest decline in 25 years, the Longmont area office market has not escaped, posting -37,780 square feet of net absorption of office space during the 3Q 2020 with more tenants vacating space (including a rise in sublease space) than leasing up space.

OFFICE MARKET DEMAND POTENTIAL

The Longmont area (and Downtown) have a diverse office-based employment base with a high concentration of jobs in the professional and business services, information / technology and health care (medical office) sectors.

Forecasted slower growth in office-based employment for Longmont area (7.6% between 2020-2030), along with uncertain longer term impact of pandemic on office space demand as a result of office de-densification, work from home and hybrid work schedules is expected to reduce demand for office space over the next several years as a gradual employment recovery takes place. However, office will continue to play an important role in the economy moving forward as a place to strengthen connections, bond with customers and colleagues, and foster productivity, creativity and innovation.

Taking into account the impact of the COVID-19 pandemic, the Longmont area projected market demand potential for office space between 2020-2030 is estimated at:

<u>Total Office Demand Potential (2020 - 2030)</u>
152,500 - 190,000 sq. ft.

This demand potential (estimated at 15,250-19,000 square feet annually) can be accommodated with new office development (if financially viable), leasing existing vacant and underutilized office space, adaptive reuse of non-office space to office space, and potential transformation of single-purpose office/flex space to mixed use development.

TARGET OFFICE OPPORTUNITIES

- **Longmont area's lower office cost alternative provides a competitive edge for businesses in the growing professional and business services, technology, information and health care sectors** seeking attractive, lower-cost options. Opportunities to capture potential spill-over demand from Boulder due to their limited supply and higher cost environment.

- **With Boulder / Broomfield County the technology hub of the State, the Longmont area is well positioned to capture this growing demand from technology companies looking for flex/office space** to locate to the Longmont area with its wide variety of office/flex space options, locations, and price points.

- **Transform older, outdated office space that predominates the Longmont market** with modern, flexible, sustainable office space that is attractive to today's modern office users, including larger floorplate space to attract larger tenants, such as technology companies. Some of this older space may need to be demolished.

- **Capitalize on projected steady growth for medical office building (MOB) space over the next 10 years** which is being driven by Longmont's aging population growth (+21% increase) lifting the need for in-person services.

- **Capitalize on emerging trend of projected suburban office growth and movement to medium-sized communities post-COVID** as Longmont remains an attractive, competitive destination to land high quality businesses seeking flexible office space.

- **Build modern office product, including larger floorplate space, based on market opportunities and tenant demand reflective of emerging workplace trends for today's workers and target industries** that include improved office design, incorporation of advanced HVAC and touchless technology that make buildings safer and more efficient.

- **Longmont area can be a hub for the emerging *Total Workplace Ecosystem* trend** of different locations (e.g. work from home, HQ and satellite offices, co-working space) for businesses and employees to support convenience, flexibility, functionality and employee well-being.

- **Explore opportunities and viability of live-work spaces in the Longmont area, including Downtown (that support the Creative District)**. Live-work space can provide small business owners and startups with space to grow their business. Longmont's flexible zoning permits live-work spaces in a number of commercial districts.

KEY FINDINGS

INDUSTRIAL MARKET

INDUSTRIAL MARKET INVENTORY

The Longmont area industrial market comprises nearly 9.1 million square feet of industrial space in 279 buildings. The industrial market is diversified with 55% of this industrial space classified as flex/R&D space. Warehouse/office space represents 28% of the total Longmont area industrial inventory, manufacturing space comprises 7% of inventory, and warehouse/distribution space comprises 5% of the inventory.

INDUSTRIAL MARKET CONDITIONS

Colorado's industrial demand has primarily been driven by e-commerce and increased demand for last-mile fulfillment and distribution. The region has also seen a spike in demand for flex space as businesses are looking for property that can be used for office space, industrial activity, showroom to sell their products, manufacturing or some combination of warehouse/office/manufacturing.

While the national industrial market has been resilient through the COVID-19 pandemic (primarily driven by strong demand in warehouse and fulfillment space due to rise in e-commerce), the Longmont area still recorded deteriorating industrial market fundamentals with increasing vacancy (14.6%) and negative absorption (-176,000 sq. ft.) as of 3Q 2020.

Longmont area's higher industrial vacancy is due primarily to large blocks of vacant space in the flex properties which account for 90% of the industrial vacancy. For example, the vacant Maxtor space (460,000 square feet) accounts for 34% of the entire industrial vacancy. By comparison, the Longmont area warehouse and manufacturing sectors recorded solid market fundamentals as of 3Q 2020 with low vacancy rates and positive leasing activity.

ECONOMY

The Longmont area industrial economy is an important contributor to Longmont's overall economy. **The manufacturing sector provides 9.5% of area employment, but generates 35% of the Longmont area's Gross Regional Product (GRP)**. The industrial sector is highly productive on a per worker basis with higher GRP per capita in the industrial sector compared to other economic sectors.

Longmont's high concentration of industrial-based target industries in Smart Manufacturing (electronics, medical devices), R&D (biotech, aerospace, life sciences), and Food and Beverage (craft breweries and distilleries, specialty food) provides high quality jobs and investment opportunities that the Longmont area should continue to market to attract new businesses to the community and grow startup businesses already in the Longmont area.

INDUSTRIAL MARKET DEMAND POTENTIAL

Each of the industrial sub—categories (flex/R&D, warehouse, and manufacturing) have their own drivers of demand that inform the location, type and amount of space needed within a locality. **Among real estate sectors, industrial has been least impacted by COVID-19 because most of the functions of industrial need to occur in industrial buildings.**

Flex/R&D space demand is predominately based on Longmont area employment growth in those industry sectors that locate in flex/R&D space. Among industrial buildings, this sector is most likely to be impacted by the pandemic with slower projected job growth, and thus, demand for space.

<u>Flex/R&D Demand Potential (2020 - 2030)</u>
150,000 - 250,000 sq. ft. (15,000-25,000 annually)

Warehouse demand is based not only on employment change in those industry sectors that service warehouse space, but also takes into account population growth, labor pool, locational attributes, building and site characteristics, industry production, and absorption trends. Demand for this space has been less impacted by the pandemic as warehousing generally cannot be done from home.

The primary driver of warehouse space has been attributed to the rise of e-commerce, and in particular, Amazon, which is reshaping and redefining the industrial market with "just-in-time" delivery, "last-mile", and supply chain dynamics. According to Prologis, the rise in e-commerce demand may increase warehouse / logistics demand by 400 million square feet nationally over the next couple of years. The Longmont area is ideally positioned to capture some of this demand.

<u>Warehouse Demand Potential (2020 - 2030)</u>
225,000 - 450,000 sq. ft. (22,500-45,000 annually)

Specialized Industrial (e.g. manufacturing) demand have their own factors that influence demand. Availability of affordable labor, access to raw materials, infrastructure, transportation access, and others factors of production are important factors in determining the location of manufacturing facilities. Due to their unique nature and products produced, manufacturing facilities are often owner-occupied. Similar to warehouse, most manufacturing occurs in industrial spaces, and cannot be done remotely.

<u>Manufacturing Demand Potential (2020 - 2030)</u>
120,000 - 160,000 sq. ft. (12,000-16,000 annually)

Overall, the Longmont area industrial demand potential can be accommodated with new industrial development (if financially viable), leasing existing vacant and underutilized industrial space, adaptive reuse of non-industrial space to industrial space. This demand potential does not account for any targeted build to suit opportunities from businesses that choose to locate in the Longmont area from outside the region.

KEY FINDINGS

INDUSTRIAL MARKET

TARGET FLEX/R&D OPPORTUNITIES

- **Develop / modernize outdated flex space to be competitive for target industries** - growing demand for Class A space that has at least 24' clear height, multiple loading capabilities, advanced HVAC systems, environmentally sustainable design, advanced sprinkler systems and flexible design configurations.

- **Capitalize on continued growing demand from technology companies for flex space to locate to Longmont area.**

- **Focus on developing modern smaller-scale flex/warehouse opportunities of 10,000 square feet or less** that can be built at a lower cost and leased/sold to industrial users.

- **Attract growing life sciences R&D sector** to fill the large blocks of vacant flex space that could accommodate a large scale life sciences / R&D user (e.g. former Maxtor space).

- **Explore mixed use opportunities for adaptive reuse of existing large flex space buildings -** some of Longmont's existing industrial / flex space may be obsolete for today's users and property owners and developers have the opportunity to transform some of this obsolete space to mixed use.

- **Longmont area's attractive industrial lease rates (e.g. lower) compared to competing areas provide attractive, lower-cost options for industrial businesses looking to locate or expand in Boulder County.** Opportunities to capture potential spill-over demand from Boulder due to their limited supply and higher cost environment.

- **Longmont area's smaller industrial buildings (<25,000 square feet) has significantly lower vacancy rate compared to larger industrial buildings (>21%)** which suggests potential pent up demand for smaller industrial space.

TARGET WAREHOUSE OPPORTUNITIES

- **Develop micro-fulfillment centers and distribution hubs** - smaller light-industrial warehouse space of less than 120,000 square feet growing in demand with rise of e-commerce and need to be located closer to customers.

- **Adaptive reuse of older warehouse space to accommodate increased demand in e-commerce** - Reuse of older, outdated warehouse space that may not have the modern industrial requirements to accommodate fast moving and frequently ordered e-commerce inventory.

- **Development of modern, tech-centric warehouse and fulfillment space** - focus on increased technology to store and move goods, with high clear height, incorporation of environmental and sustainability and health and safety improvements.

- **Attract regional distribution users and last-mile warehouses** - growing demand for smaller-format space to accommodate tenants needing 25,000 to 50,000 square feet of warehouse and fulfillment space in modern, flexible buildings. Also increased demand for **Amazon smaller-format last mile "fulfillment centers"** (average 200,000 sq. ft.) located close to population centers in urban and suburban communities.

- **Strong growth in demand for cold storage** due to surging increase in on-line grocery and natural foods.

- **Retail to Warehouse Conversions** - potential to turn vacant retail space into industrial/ warehouse because of rise of e-commerce and "last mile" delivery to customers.

- **Co-Warehousing for Modern Commerce** - emergence of warehouse or manufacturing-anchored mixed use projects that combine flexible warehouse space with co-working and fulfillment space as a turnkey solution for small companies and entrepreneurs in a collaborative work environment.

TARGET SPECIALIZED INDUSTRIAL OPPORTUNITIES

- **Capitalize on US manufacturing resurgence and reshoring of manufacturing jobs** for Longmont to capture manufacturing businesses looking to locate or expand in the Front Range.

- **Robust demand opportunities for medical manufacturing, natural sciences, natural foods and outdoor equipment** - opportunity for the Longmont area to capitalize on this growing demand statewide as a center for the next generation of manufacturing.

- **Continue to market to tech-oriented industrial users such as computer storage, robotics, life sciences, renewable energy and medical devices.** Longmont is well positioned to attract these type of users with proximity to universities, high quality labor pool, entrepreneurial environment, and overall high quality of life.

- **Primary opportunities revolve around smaller scale manufacturing industries given Longmont's current inventory -** but opportunities exist for larger scale producers based on land and building availability.

KEY FINDINGS

DOWNTOWN LONGMONT

OVERVIEW

Downtown Longmont is the commercial hub of Longmont, home to a robust mix of innovative and creative businesses, unique retail shopping and entertainment, wide mix of restaurants and diverse housing.

Downtown Longmont is uniquely positioned to capture future demand for office and industrial space in the Longmont area, particularly small-scale manufacturing and office-based employment growth in the professional and business services, financial services, health care and technology sectors.

OFFICE MARKET SNAPSHOT

Downtown Longmont's office market totals approximately 490,000 square feet of space in 89 buildings, representing 17% of the total Longmont area office inventory. Most of this space in classified as general office space, home to professional services firms, lawyers, health and wellness professionals, financial firms, technology companies and other innovative and creative companies.

Downtown Longmont's office vacancy was 11.5% as of 3Q 2020, slightly below the Longmont area rate of 12.1%. Downtown's average office building size (5,500 square feet) is much smaller than the Longmont area (10,800 square feet). There has been no deliveries of new office product in Downtown for over a decade and currently no office product under construction.

INDUSTRIAL MARKET SNAPSHOT

Downtown Longmont has a small, but growing industrial niche in the community that supports small-scale manufacturing uses. Downtown's industrial inventory totals approximately 243,800 square feet of space in 23 properties, representing 2.6% of the total Longmont area industrial inventory.

Approximately 77% of Downtown's industrial space can be classified as warehouse/office space, followed by manufacturing space at 13% and flex/R&D space at 10%.

As of 3Q 2020, Downtown Longmont posted solid industrial fundamentals with virtually no vacancy in any classification of industrial space. This limited vacancy suggests opportunities to introduce new industrial supply into the market. Nationally, the industrial market has been resilient through the pandemic, supported by strong growth in e-commerce and Downtown has the opportunity to capitalize on this continued industrial growth.

TARGET OPPORTUNITIES

Downtown Longmont is well positioned to capture projected Longmont area demand in office and industrial, particularly small-scale manufacturing / flex / R&D lab space over the next decade. Specifically, these target opportunities include:

- **Facilitate the development of modern office and small-scale manufacturing/R&D space focusing on sustainability, employee wellbeing and health and safety post COVID** that appeals to creative/tech talent and makers will further reinforce Downtown as an innovative and entrepreneurial hub within the City and region.

- **Downtown Longmont is strategically positioned as an entrepreneurial hub for small scale food producers / research and development** - emerging trends such as ghost kitchens and food R&D labs are promising opportunities for Downtown and the community.

- **Downtown can be a growing location for satellite offices of larger national or regional firms looking at the Denver metro / Boulder County area.** Data Ductus which has a Downtown satellite office, is one example of a company that has chosen Downtown to diversify their location with flexible, sustainable and creative workspaces reflective of emerging workplace trends post COVID.

- **Co-R/D and Warehousing for Modern Commerce** - Downtown is well suited to develop or attract emerging micro-fulfillment centers and R&D/flex space hubs or manufacturing-anchored mixed use projects that combine flexible warehouse/flex/manufacturing space with co-working and fulfillment space as a turnkey solution for small companies and entrepreneurs in a collaborative work environment.

- **Downtown catylist sites that present opportunities to build modern, flexible office and small-scale industrial space** include: Coffman Street Corridor, the 100 and 200 blocks of Main Street, the STEAM area south of 1st Avenue, and continued redevelopment of the former Butterball properties. In addition there are surface parking lots and underutilized buildings that represent additional potential redevelopment and adaptive reuse opportunities to capture market demand in office and small-scale manufacturing in Downtown Longmont.

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LONGMONT CREATIVE DISTRICT

Economic and Demographic Conditions and Trends

ECONOMIC AND DEMOGRAPHIC CONDITIONS AND TRENDS

OVERVIEW

To understand the economic and market conditions that influence the Longmont office and industrial market, such as types of space desired, locations, amenities and market demand, an economic and demographic framework was assessed which examines existing and projected demographic and economic factors for the City of Longmont, Downtown Longmont and greater regional geographic areas (e.g. Boulder County, Denver metropolitan area).

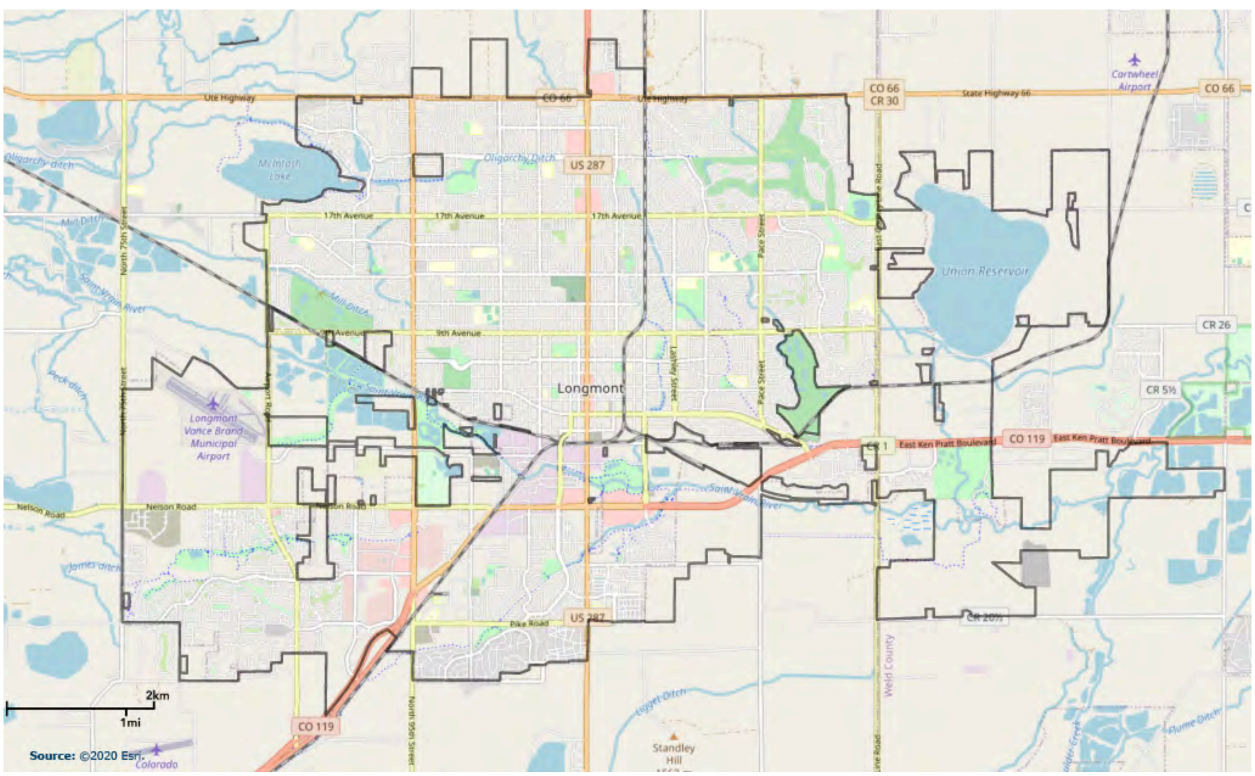
Characteristics and trends of population, households, employment and the economy were examined to identify factors and emerging trends that influence the demand for market opportunities for office and industrial that could be captured in the Longmont area. In addition, thoughts on demographic and economic trends emerging as a result of the COVID-19 pandemic are highlighted.

ANALYSIS AREAS

The following outlines the analysis areas for the economic and demographic framework:

- **Downtown Longmont** - Area includes property within the boundary of the Longmont Downtown Development Authority. Total area approximately 242 acres, or 0.39 square miles.
- **City of Longmont** - Includes incorporated area of the City. Total area approximately 29 square miles.
- **Boulder County** - Includes both incorporated and unincorporated areas of the County. Total area approximately 740 square miles.
- **Denver-Aurora CSA** - Includes the following 12 counties in the region: City and County of Denver, Arapahoe County, Jefferson County, Adams County, Douglas County, City and County of Broomfield, Elbert County, Park County, Clear Creek County, Gilpin County, Boulder County and Weld County.

Exhibit 1: City of Longmont Study Area
Source: CIVISTRUCT Strategy + Development, Esri



POPULATION

The City of Longmont has an estimated 2020 population of approximately 99,000, representing 30% of Boulder County's population. Between 2010 and 2020, the City population grew at an average annual rate of 1.5%, higher than Boulder County's annual growth rate of 1.3%, but less than the Denver regional growth rate of 1.9%. Downtown Longmont's population grew more than twice as fast as the City and County, increasing 3.2% annually during this period. Downtown's strong increase in residential population during this time was the result of new residential housing introduced in Downtown Longmont, primarily Roosevelt Park Apartments which added 115 new housing units.

Longmont's population is forecasted to grow slower over the next five years, increasing at an annual rate of 1.3% between 2020 and 2025. The City's 2025 population is forecasted to be 105,327. The City is projected to grow faster than Boulder County (1.1% annually), but slower than the Denver region (1.6%) and the State (1.5%). The population in Downtown Longmont is forecasted to grow 6.6% annually, more than 4 times the rate of City's forecasted population growth. The primary reason for this strong increase in Downtown population is the recent opening of South Main Station apartments (314 new housing units) and Spoke on Coffman, Boulder County's new affordable housing project which will provide 73 housing units, which is currently under construction.

Between 2020 and 2025, the City's strongest population growth is forecasted for those residents 65 years and over (increase of 21%) and those aged 24-44 years (increase of 10%). Children under 10 years old is projected to increase 7% over this period while the population of 10-19 years old is forecasted to increase only 1% and residents aged 45-64 is projected to decrease by 2%.

Exhibit 2: Percent Annual Population Change, 2010-2025

Source: U.S. Census Bureau, Esri forecasts for 2020

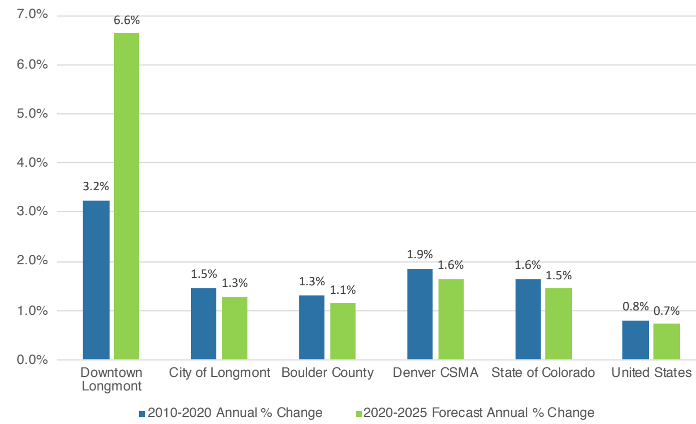


Exhibit 3: Percent Annual Population Forecast Change by Age Cohort, 2020-2025

Source: U.S. Census Bureau, Esri forecasts for 2020

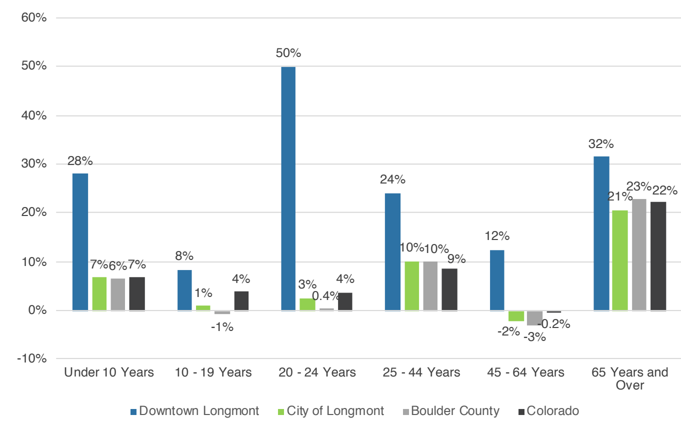


Exhibit 4: Population, 2010-2030

Source: U.S. Census Bureau, Esri forecasts for 2020 and 2025

	2010	2020	2025 Forecast	2010-2020 Number Change	2010-2020 Annual % Change	2020 -2025 Forecast Number Change	2020 -2025 Forecast Annual % Change
Downtown Longmont	**1,056**	**1,399**	**1,863**	**343**	**3.2%**	**464**	**6.6%**
City of Longmont	**86,314**	**98,979**	**105,327**	**12,665**	**1.5%**	**6,348**	**1.3%**
Boulder County	294,567	333,476	352,602	38,909	1.3%	19,126	1.1%
Denver CSMA	3,390,504	4,021,516	4,351,508	631,012	1.9%	329,992	1.6%
State of Colorado	5,029,196	5,857,922	6,283,296	828,726	1.6%	425,374	1.5%
United States	308,745,538	333,793,107	346,021,282	25,047,569	0.8%	12,228,175	0.7%

Note:
Downtown population for 2020 adjusted to reflect completion of Roosevelt Park Apartments (115 units x 1.66 average household size = 191 people) + 30% occupancy of Phase 1 of South Main Station (253 units x 30% occupancy x 1.66 average household size)
Downtown population for 2025 adjusted to reflect completion of South Main station (Remaining Phase 1 units with 10% vacancy factor + Phase 2 occupancy (61 units with 10% vacancy factor) plus Boulder County housing project on Coffman Street (73 housing units). Assumes 1.66 average household size for all multifamily units

HOUSEHOLDS

The City of Longmont has an estimated 37,677 households, representing 28% of Boulder County's total households. Between 2010 and 2020, City households grew at an average annual rate of 1.3%, higher than Boulder County's annual growth rate of 1.1%, but less than the Denver regional growth rate of 1.8%.

Downtown Longmont's households grew more than twice as fast as the City and County, increasing 3.5% annually during this period. Downtown's strong increase in households during this time was the result of new residential housing introduced in Downtown Longmont, primarily Roosevelt Park Apartments which added 115 new housing units.

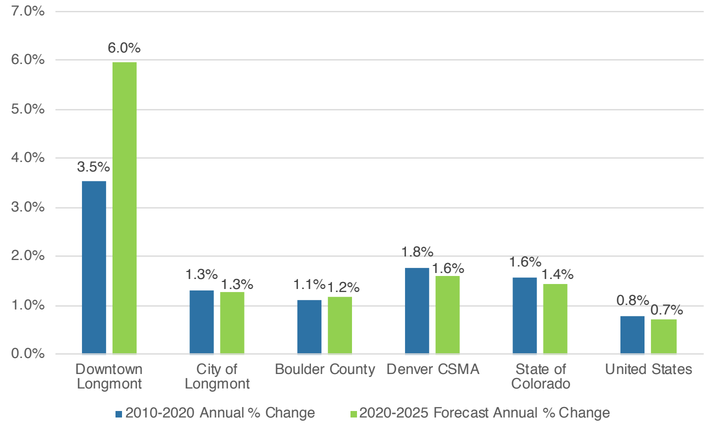
Longmont's household growth is forecasted to grow at a comparable rate to 2010-2020 at an annual rate of 1.3% between 2020 and 2025. The City is forecasted to have 40,115 households by 2025. The City's households are projected to grow faster than Boulder County (1.2% annually), but slower than the Denver region (1.6%) and the State (1.4%).

Downtown Longmont's households are forecasted to grow 6% annually, more than 4 times the rate of City's forecasted household growth.

As with the forecasted population growth, the primary factor for Downtown's household growth is the recent opening of South Main Station apartments (314 new housing units) and Spoke on Coffman, Boulder County's new affordable housing project (73 housing units), which is currently under construction.

Exhibit 5: Percent Annual Household Change, 2010-2025

Source: U.S. Census Bureau, Esri forecasts for 2020



Spoke on Coffman, Boulder County Affordable Housing Project
Source: Boulder County Housing Authority

Exhibit 6: Number of Households, 2010-2030

Source: U.S. Census Bureau, Esri forecasts for 2020 and 2025

				2010-2020		2020 -2025 Forecast	
	2010	2020	2025 Forecast	Number Change	Annual % Change	Number Change	Annual % Change
Downtown Longmont	**541**	**732**	**1,043**	**191**	**3.5%**	**311**	**6.0%**
City of Longmont	**33,294**	**37,677**	**40,115**	**4,383**	**1.3%**	**2,438**	**1.3%**
Boulder County	119,300	132,787	140,538	13,487	1.1%	7,751	1.2%
Denver CSMA	1,333,640	1,570,961	1,697,155	237,321	1.8%	126,194	1.6%
State of Colorado	1,972,868	2,285,136	2,448,665	312,268	1.6%	163,529	1.4%
United States	116,716,292	126,083,849	130,658,486	9,367,557	0.8%	4,574,637	0.7%

Note:
Downtown households for 2020 adjusted to reflect completion of Roosevelt Park Apartments (115 units) + 30% of the South Main Station units (76 units)
Downtown households for 2030 adjusted to reflect completion of South Main station (314 housing units) plus Boulder County affordable housing project on Coffman Street (73 housing units)

HOUSEHOLD CHARACTERISTICS

Household Size

Longmont has a larger household size (2.61) when compared to Boulder County (2.42), the Denver metropolitan area (2.52) and the State of Colorado (2.51).

Conversely, Downtown Longmont has a smaller household size (1.68) compared to the City as a whole, Boulder County, Denver metropolitan area and the State.

Exhibit 7: Household Size (2020)

Source: U.S. Census Bureau, Esri forecasts for 2020

1.68	2.61	2.42	2.52	2.51	2.58
Downtown Longmont	**City of Longmont**	Boulder County	Denver CSMA	Colorado	United States

Household Composition

Longmont has larger households compared to Boulder County and the State of Colorado. Approximately 40% of Longmont households are comprised of three or more people compared to 36% for Boulder County and 38% for Colorado.

Downtown Longmont has a larger share of 1 person housholds compared to the City. Approximately 48% of households in Downtown are 1 person compared to 27% for the City and 29% for Boulder County.

Longmont's larger average household size is driven by a large proportion of households with children under 18 years old. Longmont has a higher percentage of households with children under 18 years of age compared to other geographic areas.

Approximately 36% of households in Longmont have children under 18 years compared to 23% in Downtown Longmont, 29% in Boulder County and 33% in the State of Colorado.

Longmont has a lower percentage of nonfamily households compared to the Downtown Longmont, Boulder County and the State of Colorado.

Approximately one-third of Longmont households are nonfamily households compared to 56% for Downtown Longmont, 42% for Boulder County, and 36% for the State of Colorado. The large proportion of non-family households in Downtown Longmont is likely attributable to the Downtown's large numbers of residents over the age of 55, as well as, one-person households.

Exhibit 8: Household Composition

Source: U.S. Census Bureau, Esri forecasts for 2020

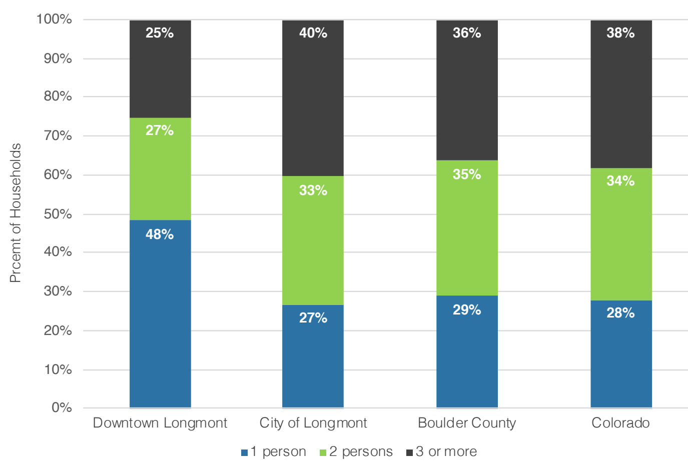
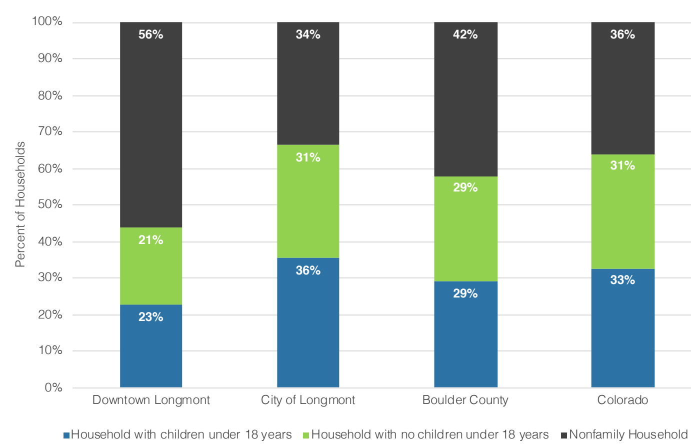


Exhibit 9: Household Composition, Family and Nonfamily Households

Source: U.S. Census Bureau, Esri forecasts for 2020



Note: Nonfamily household defined as group of unrelated persons living together or a single person living alone.

INCOME CHARACTERISTICS

The median household income in Longmont is less than Boulder County and the Denver metropolitan area, but higher compared to State and the Country. The median household income of Longmont residents is $76,658. This is 11% less than the Boulder County median household income of $85,144 and 4% less than the Denver metropolitan median household income of $79,921. Downtown Longmont's median household income of $60,293 is 27% less than the City median income.

Longmont's per capita income of $39,023 is 24% less than the Boulder County per capita income of $48,387, but higher compared to the State and the country. Downtown Longmont per capita income of $43,002 is 9% more than the City as a whole.

Exhibit 10: Median Household Income (2020)
Source: U.S. Census Bureau, Esri forecasts for 2020

$60,293	$76,658	$85,144	$79,921	$73,219	$62,203
Downtown Longmont	**City of Longmont**	Boulder County	Denver CSMA	Colorado	United States

Exhibit 11: Per Capita Income (2020)
Source: U.S. Census Bureau, Esri forecasts for 2020

$43,002	$39,023	$48,387	$42,179	$38,826	$34,136
Downtown Longmont	**City of Longmont**	Boulder County	Denver CSMA	State of Colorado	United States

Longmont has lower percentage of households with incomes over $100,000 compared to Boulder County but similar compared to the State. Approximately 37% of Longmont households have incomes above $100,000, compared with 43% in Boulder County and 36% for the State.

Nearly one-third of Downtown households have household incomes over $100,000, but Downtown has a higher percentage of household incomes less than $25,000 compared to the City and the County. In Downtown Longmont, 32% of households have incomes over $100,000, but 22% have incomes less than $25,000 compared to 15% for City of Longmont and 14% for Boulder County.

Exhibit 12: Household Income Distribution, 2020
Source: U.S. Census Bureau, Esri forecasts for 2020

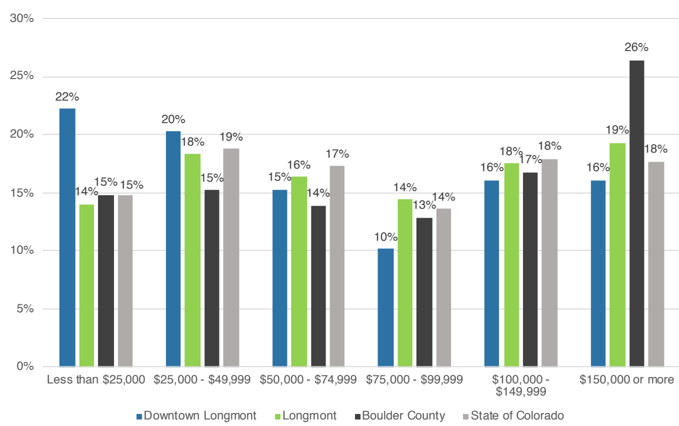
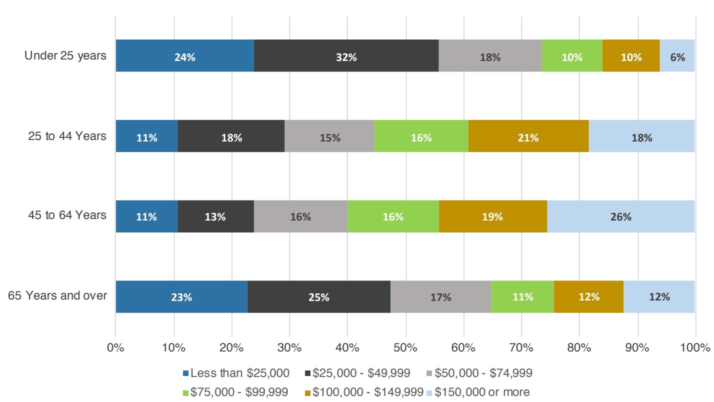


Exhibit 13: Household Income by Age of Householder, City of Longmont, 2020
Source: U.S. Census Bureau, Esri forecasts for 2020



Approximately 39% of Longmont households between the ages of 25 and 44 and 45% between the ages of 45 and 64 have average household incomes $100,000 or greater. Conversely, 24% of Longmont households with age of householder under 25 years have incomes less than $25,000 and 23% when the age of householder is 65 years and over.

AGE CHARACTERISTICS

Longmont's resident population (and Downtown Longmont) are older, on average, compared to the Boulder County, Denver metropolitan area and the State of Colorado. The median age in Longmont is 38.1 (Downtown is 42.5) compared to 36.8 for Boulder County, 37 for the Denver metropolitan area, and 37.6 for the State.

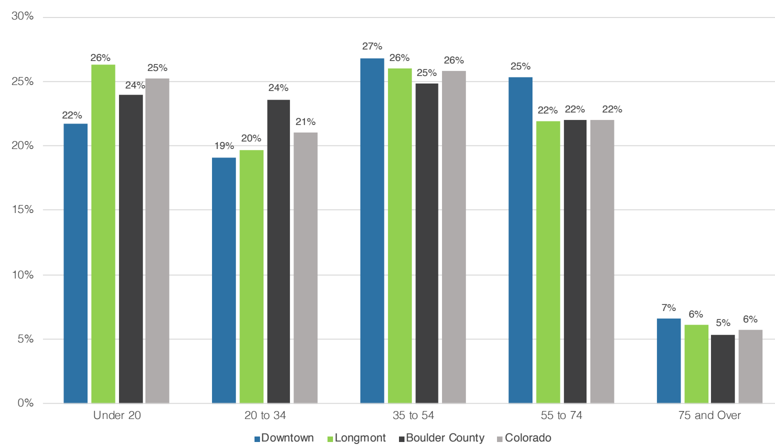
Exhibit 14. Median Age (2020)
Source: U.S. Census Bureau, Esri forecasts for 2020

42.5	38.1	36.8	37.0	37.6	38.5
Downtown Longmont	City of Longmont	Boulder County	Denver CSMA	Colorado	United States

Longmont has a greater percentage of school age children and residents 35 to 54 years of age compared to Boulder County and the State of Colorado. 26% of Longmont residents are under 20 years of age compared to 24% of Boulder County residents and 25% of State of Colorado residents.

Longmont has a similar percentage of resident population between 55 and 74 years of age compared to Boulder County and the State of Colorado. **Downtown Longmont has a higher percentage of residents 55 years of age and older compared to the City of Longmont and Boulder County.** 32% of downtown residents are 55 and older compared to 28% of City of Longmont residents, 27% of Boulder County residents, and 28% of State residents.

Exhibit 15: Population Distribution by Age Cohort, 2020
Source: U.S. Census Bureau, Esri forecasts for 2020



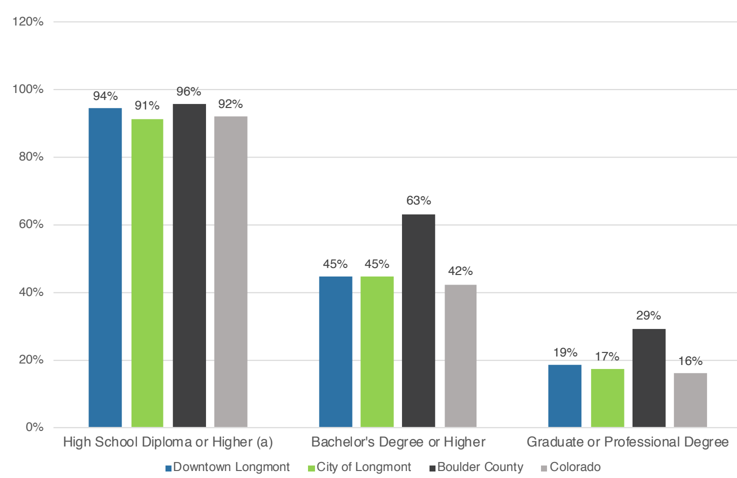
EDUCATIONAL ATTAINMENT

Longmont residents, and Colorado residents overall, are highly educated.

45% of Longmont (and downtown) residents have a Bachelor's degree or higher compared to 42% of State of Colorado residents. More than 63% of Boulder County residents have a Bachelor's degree or higher, including nearly 29% with a Graduate or Professional degree.

Overall, 42% of State of Colorado residents have a Bachelor's degree or higher, ranking it the 3rd most educated state in the country behind the District of Columbia and Massachusetts.

Exhibit 16: Educational Attainment, Population Aged 25+, 2020
Source: U.S. Census Bureau, Esri forecasts for 2020



EMPLOYMENT

197,000
Labor Force
Boulder County

5.8%
Unemployment
Boulder County

57,533
Longmont Area
Jobs (2020)

$66,992
Longmont Area
Average Earnings

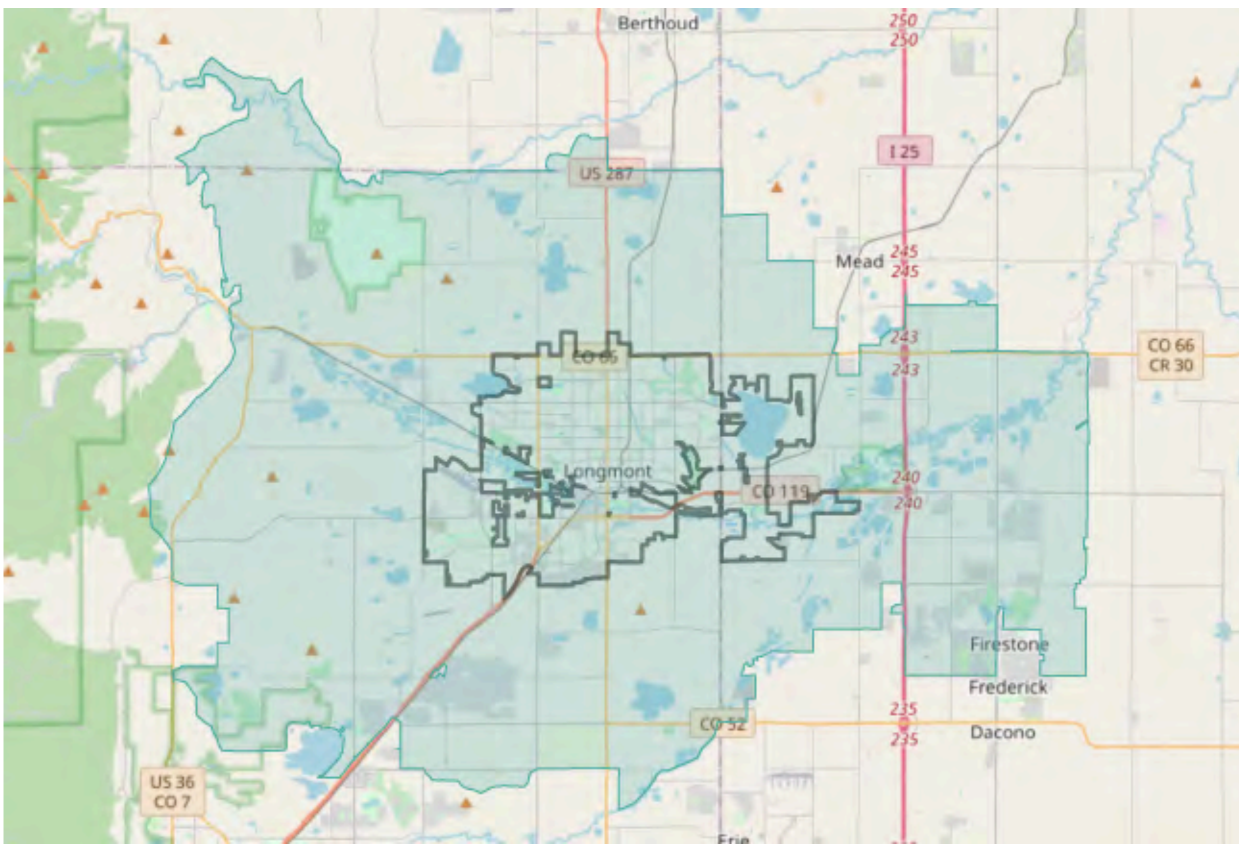
This section outlines the historical, current and projected changes in at place employment through 2030 in the Longmont area, labor force and unemployment, and average earnings by industry for the Longmont area and greater geographic areas.

The primary source for employment information, including 2020 - 2030 employment projections, is Emsi based on data from QCEW (Quarterly Census of Employment and Wages), with supplemental estimates from County Business Patterns.[1]

Longmont area at place employment (jobs) includes the area highlighted on the map below which includes the following Longmont area zip codes: 80501, 80502, 80503, and 80504.

This area includes the City of Longmont and portions of unincorporated Boulder County extending out to Lyons / US 36 corridor to the west, Frederick / Firestone communities east of I-25 to the east, Lookout Road to the south and Mead area to the north. This is the smallest geography available from the Bureau of Labor Statistics QCEW data.

Exhibit 17: Longmont Area Employment Area (Zip Code - 80501, 80502, 80503, 80504)
Source: Esri, CIVISTRUCT Strategy + Development



[1] Non-QCEW employees are based on a number of sources including QCEW, current employment statistics, County Business Patterns, BEA State and Local Personal Income Reports, the National Industry-Occupation Employment Matrix (NIOEM), the American Community Survey, and Railroad Retirement Board statistics. Self-employed and extended proprietor classes of worker data are primarily based on the American Community Survey, Non-employer statistics, and BEA State and Local Personal Income Reports. Projections for QCEW and non-QCEW employees are informed by NIOEM and long-term industry projections from the Colorado Department of Labor and Employment.

LONGMONT AREA EMPLOYMENT

The Longmont area has approximately 57,533 jobs (2020). The occupational categories that employ the largest share of jobs in the Longmont area are in the following sectors:

- Government with 8,657 jobs (15%)
- Retail Trade with 6,830 jobs (11.9%)
- Health Care and Social Assistance with 5,776 jobs (10%)
- Professional, Scientific and Technical services with 5,443 jobs (9.5%)
- Manufacturing with 5,471 jobs (9.5%)
- Accommodation and Food Services with 5,162 jobs (9%).

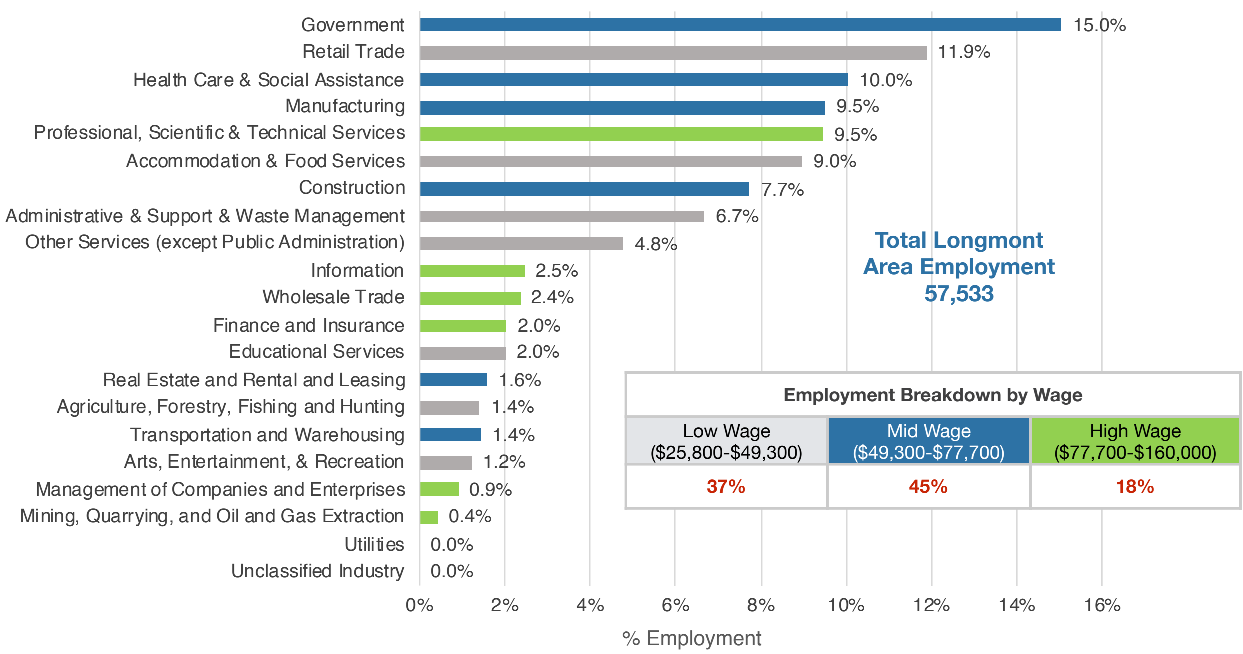
Other industry sectors include Construction (4,458 jobs, 7.7%), Administrative and Support and Waste Management (3,846 jobs, 6.7%), and Other Services, Except Public Administration (2,752 jobs, 4.8%). Longmont has a more limited jobs in: Information (1,415 jobs, 2.5%), Wholesale trade (1,355 jobs, 2.4%), finance and insurance (1,175 jobs, 2%), and educational services (1,161 jobs, 2%).

In terms of wages, 45% of jobs in the Longmont area are considered mid-wage jobs with annual wages averaging between $49,300 and $77,700. This includes occupations such as government, health care and social assistance, manufacturing, construction and real estate and rental and leasing.

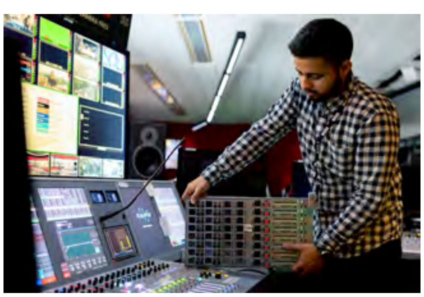
Low-wage jobs comprise 37% of Longmont area jobs. These have wage rates between $25,800-$49,300, and include industries such as retail trade, accommodation and food services, administrative, educational services, and agriculture, forestry, fishing and hunting.

High wage jobs ($77,700-$160,000) comprise 18% of Longmont area employment. These are found in the following sectors: Professional, Scientific and Technical Services, Wholesale Trade, Information, Finance and Insurance and Management of Companies.

Exhibit 18: Longmont Area Employment, 2020
Source: Emsi, Colorado Department of Local Affairs



Employment Breakdown by Wage		
Low Wage ($25,800-$49,300)	Mid Wage ($49,300-$77,700)	High Wage ($77,700-$160,000)
37%	45%	18%



LONGMONT AREA BUSINESS SNAPSHOT

PROFESSIONAL AND BUSINESS SERVICES

5,443
JOBS

42% above national average

+14.2%
PROJECTED
10-YEAR
GROWTH

$121,986
AVERAGE
EARNINGS

Nation: $110,225

LOCAL AREA EMPLOYMENT CHANGE 2010-2020

Longmont area jobs increased 23% (or 2.3% annually) between 2010 and 2020 adding 10,576 jobs during this period.

Longmont area jobs that experienced the fastest annual growth during this time period (2010-2020) included the following sectors:

- Educational Services (7.3%)
- Management of Companies and Enterprises (5.9%)
- Transportation and Warehousing (4.5%)
- Construction (3.9%)

Other industries that experienced job growth above annual average for the Longmont area included: Real Estate, Rental and Leasing (3.2%), Professional, Scientific and Technical Services (3.7%), and Accommodation and Food Services (2.9%).

Industries that saw slower annual growth during the 2010-2019 time period included: Retail Trade (2.1%), Health Care and Social Assistance (2%), Wholesale Trade (1.3%), Government (1.3%), Arts, Entertainment and Recreation (1.2%), and Other Services (2%), and Finance and Insurance (-0.1%).

"Colorado has demonstratively been an employment growth state, recording 80 growth years and only eight years of job losses between 1940 and 2019. The COVID-19 pandemic in 2020, however, has brought nine consecutive years of job growth to an abrupt halt, impacting every industry in the state."

"We estimate that Colorado will lose around 130,000 jobs in 2020, with hospitality and tourism taking the biggest hits."

2021 Colorado Business Economic Outlook
University of Colorado Leeds School of Business

Exhibit 19: Longmont Area Jobs by Industry Supersector, 2010-2020

Source: Emsi, Quarterly Census of Employment and Wages (QCEW)

NAICS	Description	2010 Jobs	2020 Jobs	2010-2020 Change	2010-2020 % Change	2010-2020 % Annual Change
11	Agriculture, Forestry, Fishing and Hunting	726	818	93	13%	1.3%
21	Mining, Quarrying, and Oil and Gas Extraction	134	245	111	82%	8.2%
22	Utilities	<10	<10	<10	Insf. Data	Insf. Data
23	Construction	3,214	4,458	1,244	39%	3.9%
31	Manufacturing	4,285	5,471	1,187	28%	2.8%
42	Wholesale Trade	1,198	1,355	157	13%	1.3%
44	Retail Trade	5,647	6,830	1,183	21%	2.1%
48	Transportation and Warehousing	573	830	257	45%	4.5%
51	Information	1,354	1,415	60	4%	0.4%
52	Finance and Insurance	1,189	1,175	(14)	-1%	-0.1%
53	Real Estate and Rental and Leasing	690	914	224	32%	3.2%
54	Professional, Scientific, and Technical Services	3,986	5,443	1,457	37%	3.7%
55	Management of Companies and Enterprises	327	521	194	59%	5.9%
56	Administrative and Support and Waste Management	3,553	3,846	294	8%	0.8%
61	Educational Services	673	1,161	488	73%	7.3%
62	Health Care and Social Assistance	4,824	5,776	951	20%	2.0%
71	Arts, Entertainment, and Recreation	626	704	78	12%	1.2%
72	Accommodation and Food Services	3,990	5,162	1,172	29%	2.9%
81	Other Services (except Public Administration)	2,295	2,752	457	20%	2.0%
90	Government	7,674	8,657	983	13%	1.3%
99	Unclassified Industry	<10	<10	<10	Insf. Data	Insf. Data
	Total / Average	**46,956**	**57,533**	**10,576**	**23%**	**2.3%**

INDUSTRY CLUSTER SNAPSHOT | **SMART MANUFACTURING**

ADVANCE LONGMONT 2.0

Smart manufacturing is the ability to solve existing and future problems via an open infrastructure that allows solutions to be implemented at the speed of business while creating advantaged value**.** Longmont is a leader for the manufacturing of tomorrow. From creating optical devices, medical instruments, smart city technology and storage batteries, Longmont companies are pushing this next frontier forward while providing high quality jobs and investment opportunities.

2,401 JOBS

1% PROJECTED 10-YEAR GROWTH

$85,540 AVERAGE EARNINGS

Source: Emsi, Smart Manufacturing Leadership Coalition, Longmont Economic Development

FORECASTED EMPLOYMENT CHANGE 2020-2030

Prior to the pandemic, Longmont area employment was forecasted to increase 12.8%, or 1.3% annually, during the 2019-2028 period. **The latest employment forecast provided by Emsi shows a dramatic change in the forecast primarily due to the pandemic-induced recession. Longmont area employment is forecasted to increase 6.7%, or 0.6% annually, during the 2020-2030 period, nearly twice as slow as the earlier forecast.**

While these employment projections are expected to be revised as the economy recovers from the pandemic and jobs return, job growth is still expected to be slower in certain industries, such as retail, over the next few years as the economy recovers.

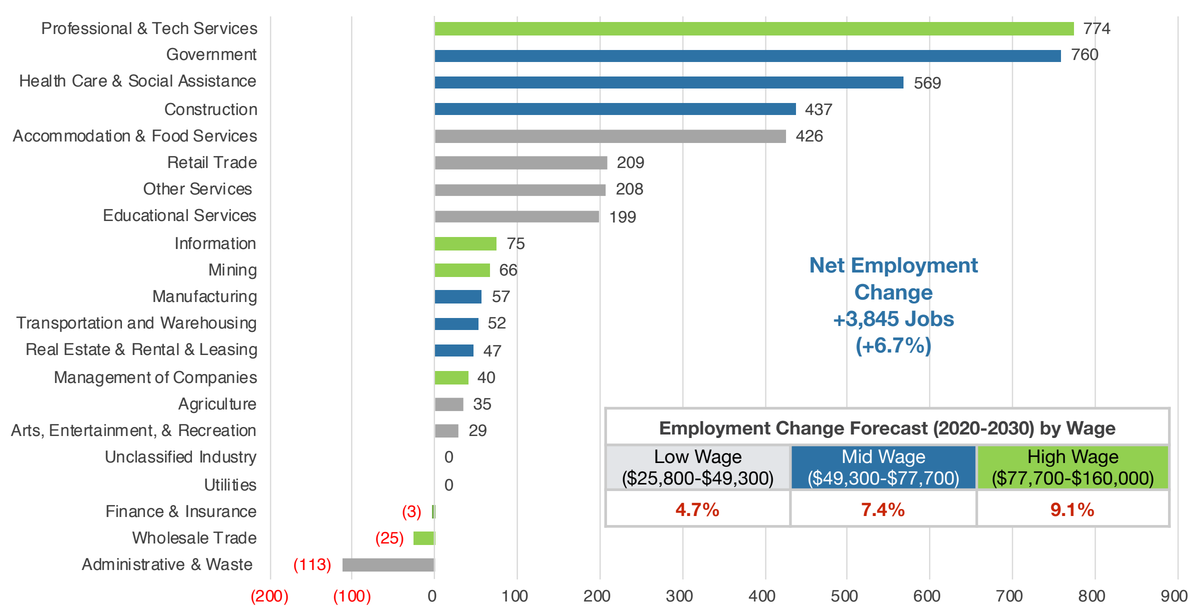
Total Longmont area employment growth is estimated to grow 3,845 jobs between 2020-2030.

The job industries that are forecasted to see the greatest numerical increase in jobs over this time period include: Professional, Scientific and Technical services (774 jobs); Government (760 jobs), Health Care and Social Assistance (569 jobs) and Construction (437 jobs).

Low-wage jobs, including Accommodation and Food Services (426 jobs), Retail Trade (209 jobs), Other Services (208 jobs), and Educational Services (199 jobs) are forecasted to see moderate new job growth.

Mid-wage jobs such as Manufacturing (57 jobs), Transportation and Warehousing (52 jobs), and Real Estate and Leasing (47 jobs) are projected to see limited job growth according to Emsi projections. Jobs in Finance and Insurance, Wholesale Trade, and Administrative and Waste Services are forecasted to see job losses during this period.

Exhibit 20: Longmont Area Employment Forecast, Number of New Jobs, 2020-2030
Source: Emsi, Colorado Department of Local Affairs



Employment Growth by Wage Category

Longmont area high-wage jobs are forecasted to growth at a faster rate (9.1%) compared to mid-wage jobs (7.4%) and low-wage jobs (4.7%) between 2020 and 2030.

High-wage jobs forecasted to see the high job growth include Professional and Technical Services (17.9%), Information (10.4%), and Management of Companies (25.1%).

Mid-wage jobs forecasted to see strong job growth include health care and social assistance (19.5%), government (15.8%) and transportation and warehousing (15.8%).

Low-wage jobs forecasted to see strong job growth include educational services (24.9%), other services (15.2%), and accommodation and food services (15%).

Among those Longmont area jobs with a larger share of total employment that are forecasted to grow at a faster rate than the average annual rate (2020-2030) of 6.7% (or 0.6% annually):

- Educational Services forecasted to increase 17%, or 1.7% annually
- Professional, Scientific, and Technical Services jobs forecasted to increase 14%, or 1.4% annually
- Construction forecasted to increase 10%, or 1% annually
- Health Care and Social Assistance jobs forecasted to increase 10%, or 1% annually
- Management of Companies & Enterprises jobs forecasted to increase 8%, or 0.8% annually
- Government jobs forecasted to increase 9%, or 0.9% annually
- Accommodation and Food Services, and other services forecasted to increase 8%, or 0.8% annually

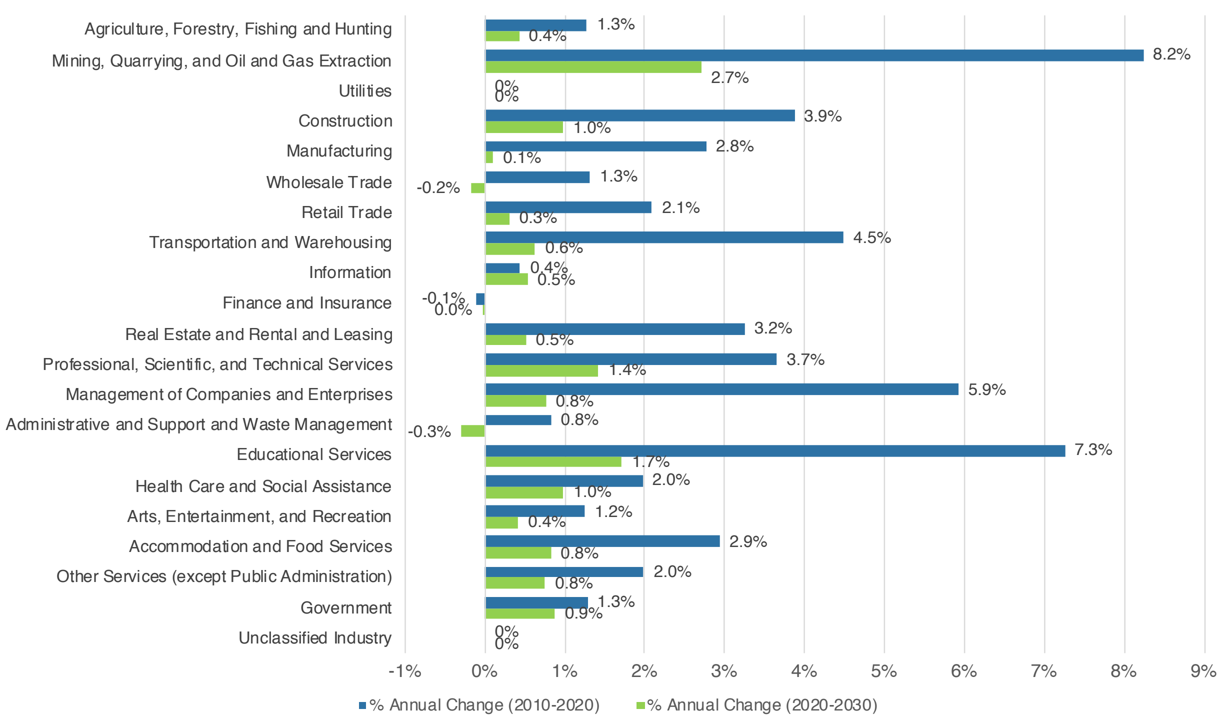
Industries that are forecasted to see slower annual growth during the 2020-2030 time period include:

- Wholesale Trade (-2%)
- Manufacturing (+1%)
- Finance and Insurance (+0.5%)
- Arts, Entertainment and Recreation (+4%))
- Retail Trade (+0.3%)

Transportation and Warehousing is forecasted to see annual growth of 6%, similar to the average annual growth for the Longmont area.


Acertara Medical Office Building
1950 Lefthand Creek Lane

Exhibit 21: Longmont Area Jobs by Industry, % Annual Change 2010-2030
Source: Emsi, Colorado Department of Local Affairs



INDUSTRY CLUSTER SNAPSHOT — KNOWLEDGE CREATION & DEPLOYMENT

The Knowledge Creation & Creation industry cluster is focused on providing the latest biotech, engineering and life sciences research and development and services. This highly paid cluster includes engineers, technicians, R&D professionals and others committed to advancing knowledge and expertise to solve some of the world's toughest problems.

2,123 JOBS

4% PROJECTED 10-YEAR GROWTH

$153,971 AVERAGE EARNINGS

Source: Emsi, Longmont Economic Development Partnership

Exhibit 22: Longmont Area Jobs by Supersector Industry, 2020-2030 (Forecast)

Source: Emsi, Quarterly Census of Employment and Wages (QCEW)

NAICS	Description	2020 Jobs	2030 Jobs (Forecast)	2020 - 2030 Change	2020 - 2030 % Change	2020 - 2030 % Annual Change
11	Agriculture, Forestry, Fishing and Hunting	818	853	35	4%	0.4%
21	Mining, Quarrying, and Oil and Gas Extraction	245	311	66	27%	2.7%
22	Utilities	<10	<10	Insf. Data	Insf. Data	Insf. Data
23	Construction	4,458	4,895	437	10%	1.0%
31	Manufacturing	5,471	5,529	57	1%	0.1%
42	Wholesale Trade	1,355	1,331	(25)	(2%)	(0.2%)
44	Retail Trade	6,830	7,039	209	3%	0.3%
48	Transportation and Warehousing	830	882	52	6%	0.6%
51	Information	1,415	1,490	75	5%	0.5%
52	Finance and Insurance	1,175	1,171	(3)	(0%)	(0.0%)
53	Real Estate and Rental and Leasing	914	961	47	5%	0.5%
54	Professional, Scientific, and Technical Services	5,443	6,217	774	14%	1.4%
55	Management of Companies and Enterprises	521	561	40	8%	0.8%
56	Administrative and Support and Waste Management	3,846	3,734	(113)	(3%)	(0.3%)
61	Educational Services	1,161	1,360	199	17%	1.7%
62	Health Care and Social Assistance	5,776	6,345	569	10%	1.0%
71	Arts, Entertainment, and Recreation	704	733	29	4%	0.4%
72	Accommodation and Food Services	5,162	5,587	426	8%	0.8%
81	Other Services (except Public Administration)	2,752	2,960	208	8%	0.8%
90	Government	8,657	9,416	760	9%	0.9%
99	Unclassified Industry	<10	<10	Insf. Data	Insf. Data	Insf. Data
	Total / Average	57,533	61,388	3,845	6.7%	0.7%

INDUSTRY CLUSTER SNAPSHOT — FOOD AND BEVERAGE

The Food and Beverage industry cluster is well represented in the Longmont area. Home to national breweries such as Oskar Blues and Left Hand Brewing, craft distilleries and local eateries, Longmont is also a hub for national and international food companies and their manufacturing, such as the expanding Smucker's food processing facility.

593 JOBS

5% PROJECTED 10-YEAR GROWTH

$56,950 AVERAGE EARNINGS

Source: Emsi, Longmont Economic Development Partnership

LONGMONT AREA EMPLOYMENT INFLOW / OUTFLOW

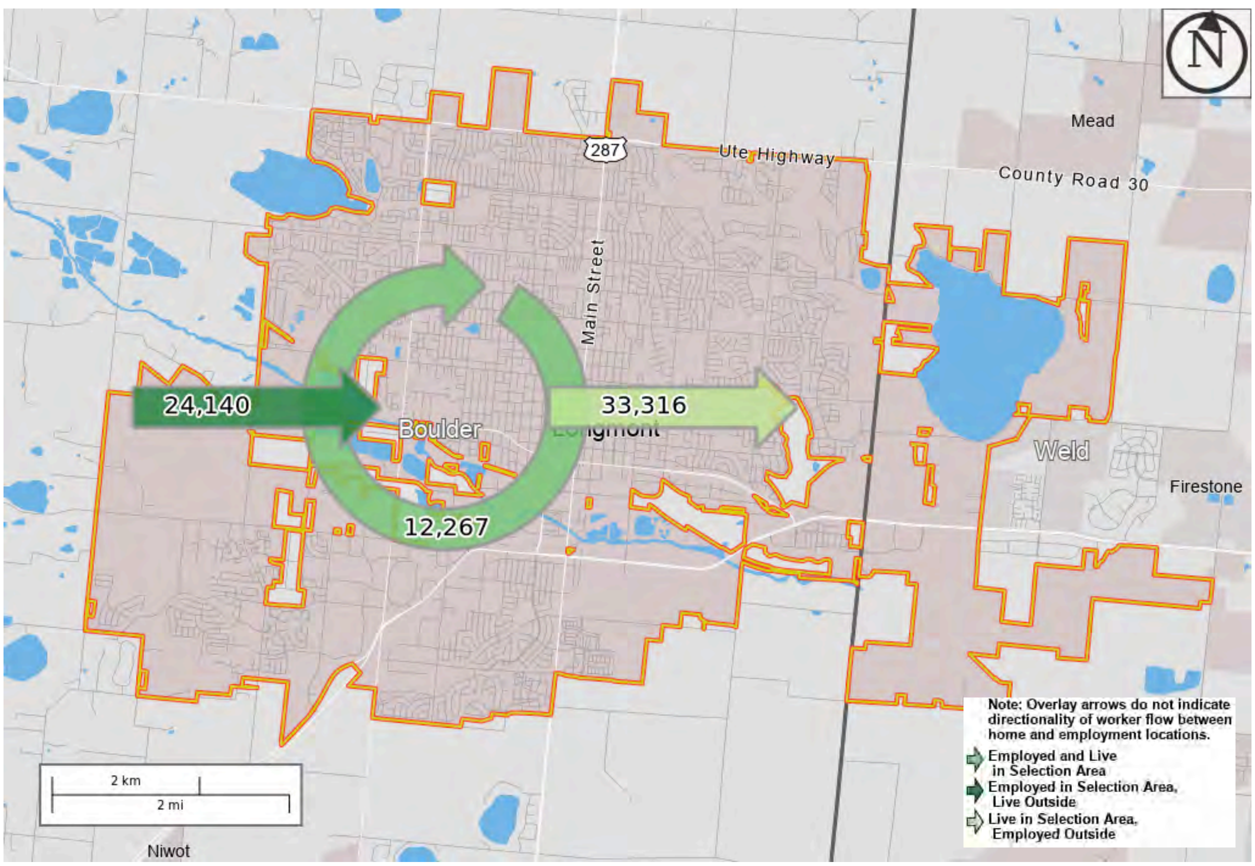
In terms of looking at how Longmont residents, jobs and economy fit with the surrounding area, **a majority of Longmont residents (73%) work outside the City and a majority of Longmont jobs (67%) are filled by workers who reside outside the City and commute into Longmont.** As of 2018 (latest available data), 24,140 workers enter the City each day for their job, but 33,316 Longmont residents leave each work day for work outside the city. Nearly 27% of Longmont jobs, or approximately 12,267, were filled by Longmont residents.

Based on data provided by the US Census Bureau, 33% of Longmont jobs were filled by Longmont residents. The remaining 67% of Longmont jobs were filled by non-residents. Conversely, 73% of Longmont residents commuted outside of Longmont for work while 27% of Longmont residents worked in Longmont. These commuting patterns for the Longmont area have remained fairly consistent historically.

However, one of the biggest uncertainties at this point is the longer term impact of the COVID-19 pandemic on employment and how this impacts workers commuting patterns.

While unknown at this point, we expect that the Work from Home trend and emergence of hybrid work schedules may potentially result in a greater percentage of the Longmont working population (and conversely workers commuting into Longmont) working remotely or in some type of hybrid schedule which could impact the inflow/outflow patterns of jobs. This is particularly true for certain industries, such as professional and business services, information or technology, that have greater opportunities for Work from Home. Some industries, such as manufacturing and construction, will be less impacted by the pandemic in terms of where people work as their jobs require them to be at the job site.

Exhibit 23: Longmont Inflow/Outflow Counts of All Jobs, 2018
Source: US Census Bureau



LOCATION QUOTIENT

When compared to the nation, Longmont area has a higher concentration of employment in professional, scientific and technical services, construction, information, retail trade, manufacturing, accommodation and food services, and other services.

For example, the Longmont area has a location quotient (LQ) of 1.42 for employment in professional, scientific and technical services compared to the country. This means that professional, scientific and technical services is 40% more concentrated in the Longmont area when compared to the national share.

A location quotient of less than 1 means that local area industry employment (Longmont area) has a smaller concentration of that industry compared to the larger area (United States).

The Longmont area is less concentrated in employment in health care and social assistance, education, real estate and rental and leasing, arts, entertainment and recreation, wholesale trade, finance and insurance, and transportation and warehousing compared to its share in national employment.

Exhibit 24: Location Quotient, Longmont Area Employment Compared to Nation, 2020

Source: Emsi, Colorado Department of Local Affairs

Note

A location quotient compares an industry's share of total employment within a local area (Longmont Area), to that industry's share of total employment in a larger area (United States). A location quotient of 1.0 means that the industry's share of local employment is equivalent to its share of larger area employment. A LQ of >1 means that local area (Longmont Area) has a larger concentration of that industry employment compared to the larger area (United States). A LQ of <1 means that local area (Longmont Area) has a smaller concentration of that industry employment compared to the larger area (United States).

INDUSTRY CLUSTER SNAPSHOT	BUSINESS CATALYSTS

ADVANCE LONGMONT 2.0

Business catalysts are industries that support and help other industries do their business. This cluster includes a wide range of businesses that facilitate success in other businesses. These industries include data processing, architectural and engineering services, payroll service, marketing and design, website hosting and many others.

5,424
JOBS

11%
PROJECTED
10-YEAR
GROWTH

$124,189
AVERAGE
EARNINGS

Source: Emsi, Longmont Economic Development Partnership

LABOR FORCE & UNEMPLOYMENT

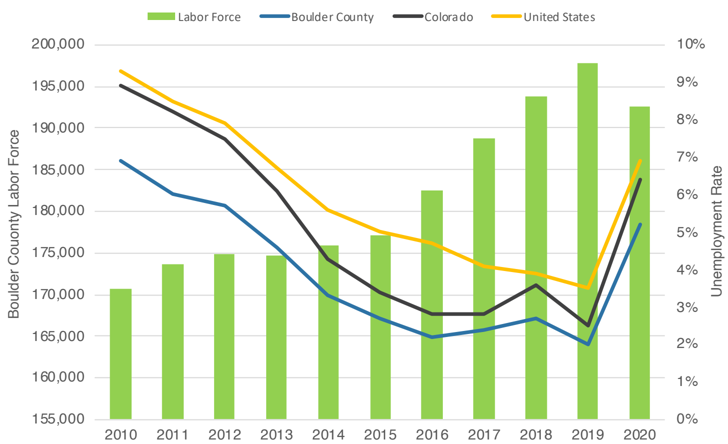
Boulder County continues to be an attractive destination for residents and workers. Since 2010, the County's labor force has increased 13%, from 170,668 people to 192,634 people. However, since the COVID-19 pandemic began spreading in early 2020, the County's labor force, which represents the number of people who are employed plus the unemployed who are looking for work, dropped more than 2.7%, or 5,112 people, from the year prior as the pandemic has had a dramatic impact on employment, forcing working people to drop out of labor force, presumably, to take care of children (due to remote learning), health issues or significant loss of jobs in certain industries (e.g. restaurants, hospitality).

Since 2010 at the end of the Great Recession, unemployment in Boulder County, State of Colorado and the US has dropped almost every year. Boulder County has consistently had lower unemployment due to its strong economy and job growth compared to the State and the US. For example, in 2010 the County's unemployment rate was 6.9% compared to 8.9% for Colorado and 9.3% for the US.

Prior to the COVID-19 pandemic, the Boulder / Longmont area recorded record low unemployment, dropping down to 2% in 2019. However, beginning in 2020 as the pandemic spurred massive job losses (some temporary, some permanent) in the region and nationally, unemployment in the Boulder / Longmont area jumped dramatically. **As of October 2020, the Boulder / Longmont unemployment rate stood at 5.2%, below the Colorado rate (6.4%) and the US rate (6.9%).**

The COVID-19 pandemic has caused increases in unemployment across all industries, but most dramatically is concentrated in industries that provide in-person services. Notably, accommodation and food services has the highest unemployment rate in Boulder County at nearly 20% as of September 2020 (preliminary) according to the Bureau of Labor Statistics. Other industries with currently high unemployment in Boulder County include: Professional, Scientific, and Technical Services (11.9%), Manufacturing (11.3%), Retail Trade (10.5%), and Health Care & Social Assistance (10.4%).

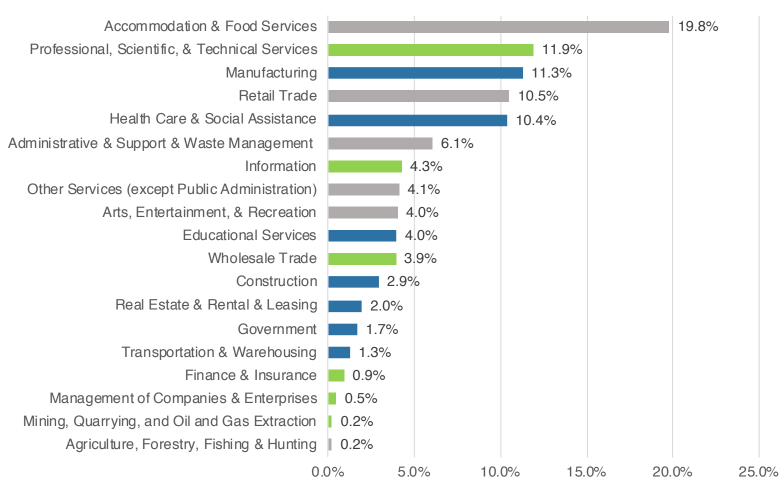
Exhibit 25: Labor Force and Unemployment, 2010 - October 2020
Source: Emsi, Bureau of Labor Statistics, Colorado Department of Labor and Employment



"The Boulder County economy continues to benefit from a high concentration of companies and employment in key industry sectors such as aerospace, biotechnology, cleantech, information technology, natural and organic products, outdoor recreation, and tourism. In addition to the presence of well-established Fortune 500 companies, many startups and early-stage companies in these industries are based in Boulder County.

2021 Colorado Business Economic Outlook
University of Colorado Leeds School of Business

Exhibit 26: Unemployment Rate by Industry, Boulder County, September 2020
Source: Emsi, Bureau of Labor Statistics, Colorado Department of Labor and Employment



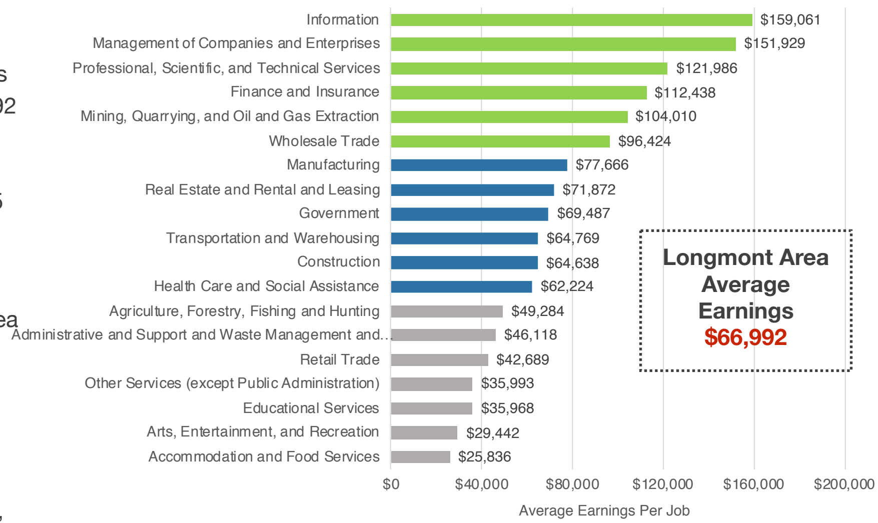
EARNINGS

Average earnings in the Longmont area are comparable to the US average, but lower than Boulder County and State of Colorado. The Longmont area has average annual earnings of $66,992 across all industries compared to $81,565 for Boulder County, $70,550 for Colorado and $69,635 for the US.

Industries that pay the highest average wage in the Longmont area include Information ($159,061), Management of Companies and Enterprises ($151,929), Professional, Scientific and Technical Services ($121,986), Finance and Insurance ($112,438), and Wholesale Trade ($96,424). These industries all have average annual earnings above the State of Colorado and US averages (but less than Boulder County) which can positive in ability to attract skilled workers.

Exhibit 27: Longmont Area Average Earnings per Job, 4Q 2020

Source: Emsi, Colorado Department of Local Affairs



Note: Average Earnings per Job - Total annual earnings of a regional industry (wages, salaries, profits, benefits, and other compensation) divided by the number of jobs in that industry

BUSINESS SIZE

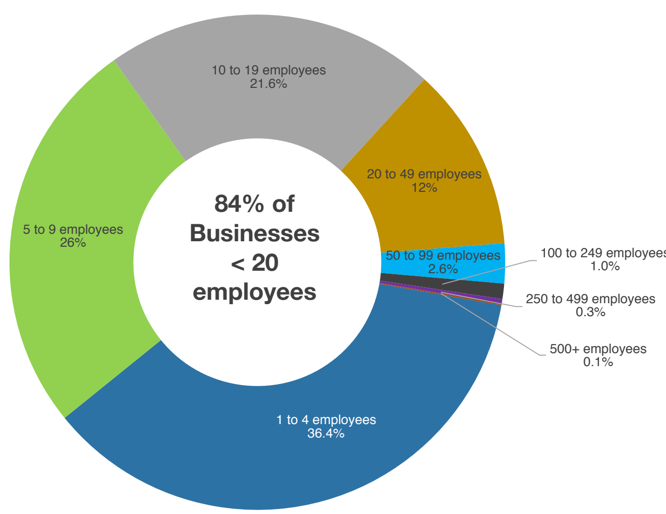
The Longmont area has a higher percent of small businesses compared to the US.

Approximately 84% of Longmont area businesses are less than 20 employees which is higher than the US average (83.5%), but slightly less than Boulder County (84.1%) and Colorado (84.3%).

Specifically, the Longmont area has a higher percent of very small businesses (1 to 4 employees) compared to the State and the US, but less than Boulder County. More than 36% of Longmont area businesses (36.4%) are between 1 and 4 employees, compared to Colorado (34.8%), and the US (33.9%). 37.3% of Boulder County businesses are comprised between 1 and 4 employees.

Exhibit 28: Longmont Area Business Size, 2020

Source: Emsi, DataBaseUSA.com



LONGMONT JOBS DENSITY

An important component of the economy is the density of jobs within a locale. While the pandemic has disrupted employment in terms of where people work, at least in the near term, **jobs density is important as it helps drive economic growth by enabling more frequent and productive interactions among firms and workers.** According to research by the Brookings Institution, "density encourages more sharing and trading among firms, better matching of workers to firms, and faster learning—helping to lower costs, increase industrial diversity, spur innovation, and ultimately raise the productivity of local firms and workers".

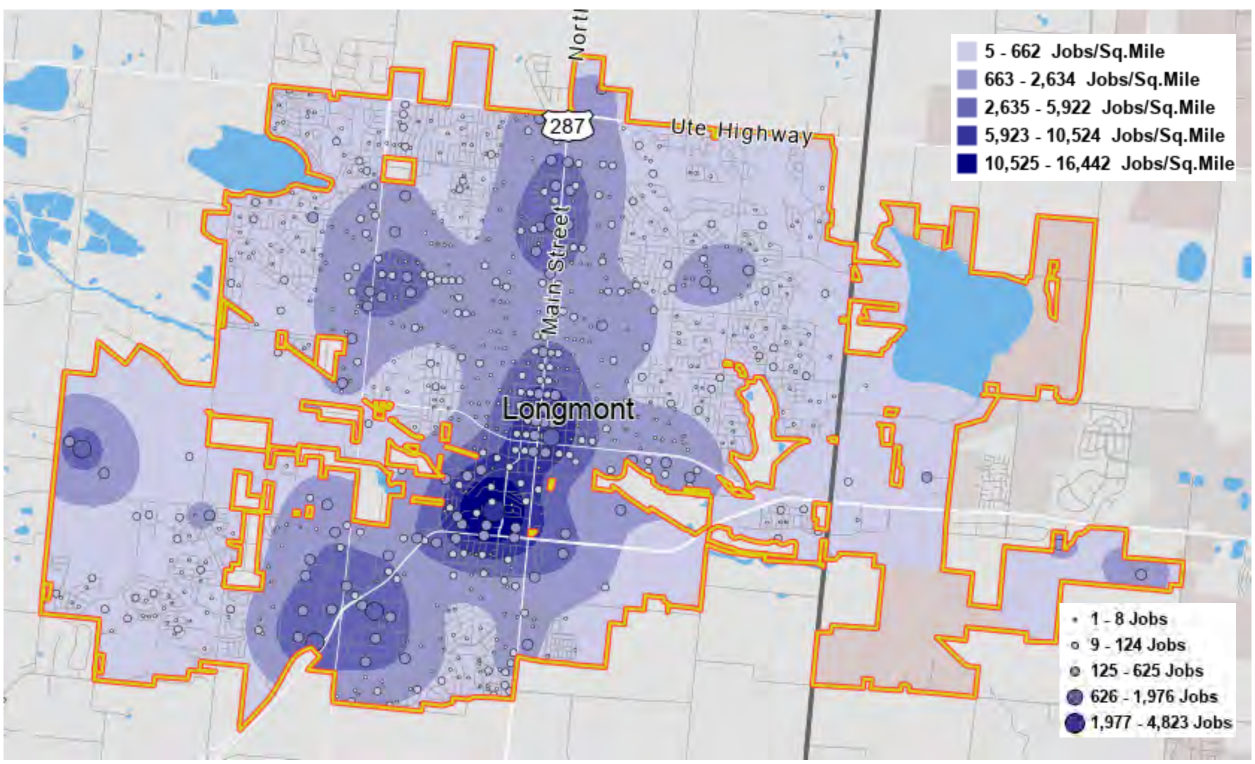
Research by the Brookings Institution show that different industry sector have different job densities depending on the type of business. For example, sectors that provide advanced business services, such as financial services, information, professional services, are the densest sectors and employ highly educated workers. In contrast, industry sectors that typically cater to consumers, or that need large tracts of land, tend to have lower job densities. This includes health care, local services, hospitality and retail sectors that tend to be in part close to households in less-dense neighborhoods.

In addition, industrial sectors, such as wholesale trade, warehouse/logistics, and manufacturing tend to have lower job densities as they are typically located in larger one-story buildings and require lots of land for their buildings and to separate from other land uses.

Longmont has an average job density of 1,213 jobs per square mile (2018 US Census). Longmont's densest job areas are in Downtown Longmont and in the primary commercial nodes of the City, most notably along Ken Pratt Boulevard, Hover Road and North Main Street. These are the primary employment centers in the City with the commercial zoning in place to permit a wide variety of retail, office, hospitality and industrial uses.

Office-based jobs tend to be densest in Downtown Longmont and southwest Longmont along Clover Basin Drive and Trade Center Drive. Industrial-based employment is most dense in southwest Longmont, as well as, in the employment node north of Ken Pratt Boulevard and west of Main Street. Retail jobs are concentrated in the Hover Road corridor, Main Street and along Ken Pratt Boulevard.

Exhibit 29: Longmont Jobs Counts and Density, All Workers, 2018
Source: US Census Bureau



GROSS REGIONAL PRODUCT

The Longmont area is a $6.6 billion economy (2019). As measured by Gross Regional Product (GRP), GRP is the monetary measure of the market value of final good and services produced in an area. This figure is the sum of earnings, property income, and taxes on production by industry sector.

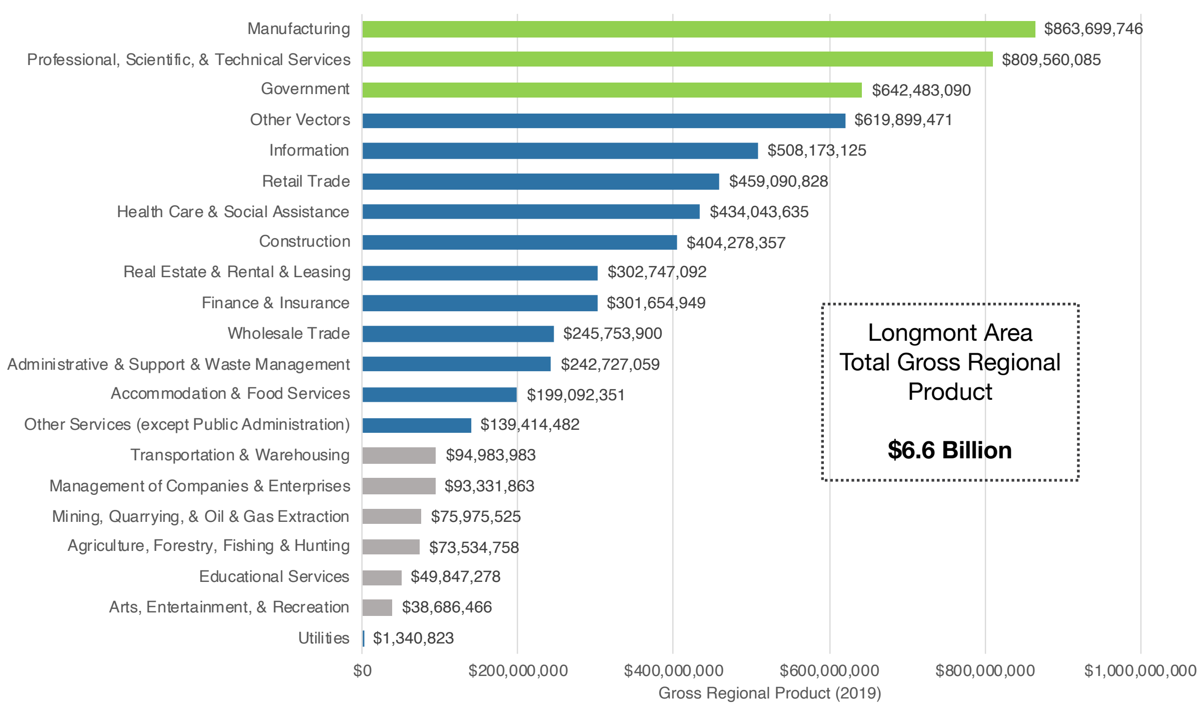
Manufacturing ($864 million), Professional, Scientific and Technical Services ($810 million), and Government ($642 million) are the largest contributors to GRP, accounting for 35% of the Longmont area's total GRP in 2019. Together these industries provide 34% of the Longmont's area employment.

Other important sectors to the Longmont area's economy include Information ($508 million), Retail Trade ($459 million), Health Care and Social Assistance ($434 million) and Construction ($404 million). Real Estate & Rental & Leasing ($302 million), Finance and Insurance ($301 million), Wholesale Trade ($246 million), and Administrative & Support & Waste Management ($242 million) are also key industry clusters that contributed to Longmont's economy.

The COVID-19 pandemic has caused an historic economic downtown in the Boulder metro region, Colorado and the nation with record GDP and employment declines. While 2020 GRP data for the Longmont area is not available at this time, it is expected that the rise in unemployment and reductions in production will cause the Longmont area's GRP to decline in 2020 from its $6.6 billion high in 2019.

In looking at the state, according to the *2021 Colorado Economic Business Outlook*, Colorado continues to outperform the nation in many areas; but has fallen behind in others. Colorado's real GDP declined 6.3% in Q2 2020 year-over-year, ranking Colorado fourth in the nation for the lowest decline. This is compared to 2.7% growth in Q1 2020 and 3.5% growth in Q2 2019. The State's unemployment rate of 6.4% ranked Colorado 30th in the nation. This rise is from an historic low of 2.5% a year ago. Boulder County has seen a drop in employment of 6.2% (year over year in October 2020) compared to an increase of 2% in 2019. This mirrors the drop in employment recorded in all of Colorado's seven metropolitan areas through October 2020 as a result of the pandemic.

Exhibit 30: Longmont Area Gross Regional Product, 2019
Source: Emsi, Colorado Department of Labor



Gross Regional Product (GRP) measures the final market value of all goods and services produced in a region. This figure is the sum of earnings, property income, and taxes on production.

KEY ECONOMIC AND DEMOGRAPHIC TAKE-AWAYS

POPULATION AND HOUSEHOLD GROWTH

Longmont's stronger projected residential growth rate when compared to the County provides attractive, lower cost destination when compared to other Boulder County communities.

Strong projected increase in City population age 65+ (21% growth between 2020-2025) provides opportunities for increase in medical office demand due to services needed.

INCOME

Longmont has a higher than average median household income compared to the State and the US, but is less than Boulder County and the Denver metro area. However, 45% of Longmont households have household income over $100,000 between prime working years (25-64), indicating strong income potential for workers in the city.

EDUCATION

Longmont is better educated than the State, but less educated when compared to Boulder County as a whole. High educational attainment is a key factor to supporting employment growth and businesses looking to locate in Longmont area for targeted industry sectors such as Business and Professional Services, Technology, and R&D. Many businesses, particularly in professional fields, seek locations where a higher than average share of the population has a bachelor's degree or higher.

EMPLOYMENT

The COVID-induced recession will depress labor participation and job growth in the Longmont area and the State for several years leading to slower employment growth and job recovery for the area. This could have a potentially negative effect on demand for office and, to some extent, industrial space in the Longmont area as vacancy rates rise and (historical) positive net absorption slows down.

Among industry super-sectors, the strongest forecasted job growth over the coming decade in the Longmont area is in professional, scientific and technology services field which is a predominately based office and flex-based use. These high paying jobs are projected to add the most jobs in the Longmont area over the decade, increasing by more than 775 jobs.

Industrial-related sectors, such as manufacturing and warehousing, are forecasted to see slower job growth when compared to other industries. However, the rise of e-commerce is projected to stimulate strong demand in warehouse and fulfillment centers. Reshoring of manufacturing jobs should help stimulate manufacturing job growth.

Longmont is a next exporter of jobs. A majority of Longmont residents (73%) work outside the City and a majority of Longmont jobs (67%) are filled by workers who reside outside the City and commute into Longmont. Opportunities exist for Longmont to capture this outflow of worker demand with new (or absorption of existing) office and industrial space.

ECONOMY

Two of the largest contributors to Longmont's $6.6 billion economy are manufacturing and professional and business services. These industry sectors supports growth for office and industrial demand and are two of Longmont's key industry economic clusters with higher share of employment compared to the US averages.

While the Longmont area and Colorado continue to outperform the US in many areas in 2020, the pandemic is expected to slow the area's economy for the next several years which is expected to impact demand for office and industrial space. However, the Longmont area continues to benefit from an increase in residential population growth which is expected to support local area employment and the economy.

DOWNTOWN LONGMONT

Downtown's strong projected increase in residential population and household growth provides opportunities for Downtown to capture spin off commercial demand in the form of office and small-scale manufacturing.

Downtown households are smaller compared to the City and region and is driven by large portion of non-family households, such as Millennials. Downtown has opportunity to continue to work to attract this demographic with its amenities, walkability, working close to where you live, and building on its creative industries to further strengthen Downtown's vibrancy.

Office Market

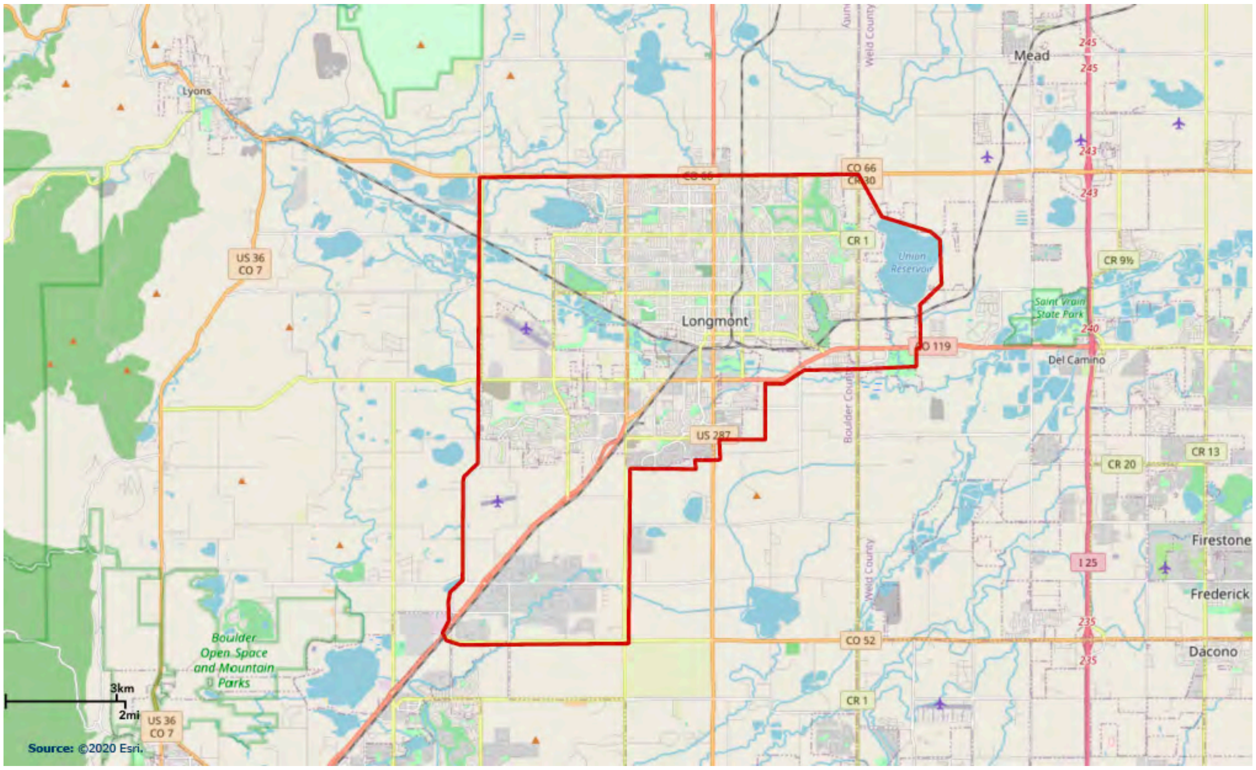
LONGMONT AREA OFFICE MARKET STUDY AREA

The Longmont area office market is located within Boulder County as part of the broader Denver regional and Northern Colorado office markets.

For the purpose of this analysis, we included the Northwest Denver and Broomfield submarkets, as well as, Fort Collins/Loveland and Weld County submarkets as part of the regional market overview. These submarkets are core areas within the region that are known to be competitive with the Longmont area and with each other in terms of attracting and keeping office tenants and users.

As shown below, the Longmont area office market study area is defined to include those properties within the City of Longmont boundaries, as well as, the Niwot area south along Highway 119, portions of unincorporated Boulder County west to the Town of Hygiene and portions of Weld County to the east, such as the Concepts Industrial Park sites, including Smucker's. This is the defined "Longmont Area" office market because LEDP represents this area in economic development efforts as these areas are not represented by another Boulder County economic development agency.

Exhibit 31: Longmont Area - Office Market Study Area
Source: LEDP, CIVISTRUCT Strategy + Development



Definitions

The office statistics presented in this analysis are broken out by building type sub-classifications as defined by Catylist. They include all classes and all sizes of office buildings, and both multi-tenant and single-tenant buildings, including owner-occupied buildings.

For the purpose of this analysis, an "office" is defined as a building used as a place for commercial, professional, or bureaucratic work.

Office sub-classifications reported in this analysis include:

General Use - Standard office building not characterized by any other office sub type.

Medical/Dental - Office building with 50% or more of the rentable space built out for use as medical or dental space.

Data Center/Call Center - Building where the main use is to get as many servers or people into a space as possible. Has few windows with no amenities.

LONGMONT AREA OFFICE MARKET OVERVIEW

2.9 Million SF Inventory | **12.1%** Vacancy | **$17.64** Asking Rent, PSF | **(37,780)** Net Absorption, SF

The Longmont area office market comprises nearly 2.9 million square feet of office space in 268 buildings. This space is located in stand alone office buildings and as part of mixed use buildings that includes both retail, residential and industrial. Most of this space can be classified as Class B and Class C space. A few office buildings, such as Roosevelt Place, can be classified as Class A office space.

According to Catylist, 76%, or approximately 2.2 million square feet, of this office space can be classified as General Office. Medical/Dental office space comprises 585,341 square feet of office space, representing 20% of the total Longmont area office inventory. Data Center/Call Centers comprise the remaining 4% of office inventory in the Longmont area, or 98,492 square feet. Downtown Longmont's office market totals approximately 490,000 square feet of space, representing 17% of the total Longmont area office inventory.

Exhibit 32: Longmont Area Office Market Inventory
Source: Catylist, CIVISTRUCT Strategy + Development

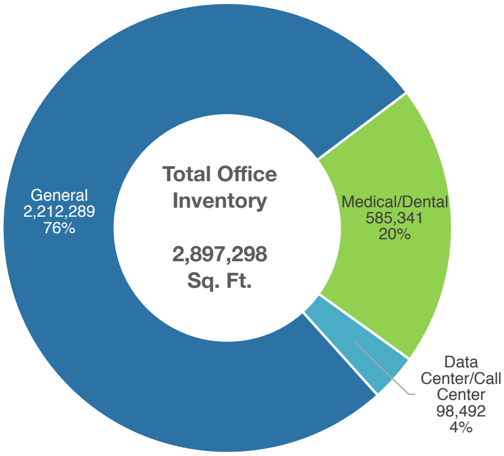


Exhibit 33: Longmont Area Office Market Overview, 3Q 2020
Source: Catylist, CIVISTRUCT Strategy + Development

	Longmont Area						Downtown Longmont					
Building Classification	# of Bldgs	Total Bldg Sq. Ft.	Available Sq. Ft.	Vacant %	Avg Bldg Size (Sq. Ft.)	Avg Listed Lease Rate (NNN)	# of Bldgs	Total Bldg Sq. Ft.	Available Sq. Ft.	Vacant %	Avg Bldg Size (Sq. Ft.)	Avg Listed Lease Rate (NNN)
General	201	2,212,289	302,286	13.7%	11,006	$17.86	78	440,850	56,510	12.8%	5,652	$21.32
Medical/Dental	64	585,341	28,168	4.8%	9,146	$17.44	10	24,078	0	0.0%	2,408	NFL
Data Center/Call Center	3	98,492	20,055	20.4%	32,831	$14.50	1	25,300	0	0.0%	25,300	NFL
Total / Average	**268**	**2,896,122**	**350,509**	**12.1%**	**10,806**	**$17.64**	**89**	**490,228**	**56,510**	**11.5%**	5,508	**$21.32**

Note: NFL stands for "Not For Lease"; Average Listed Lease Rate is expressed as Triple Net (NNN)

As of the 3Q 2020, the Longmont area had approximately 350,000 square feet of vacant office space, representing a 12.1% vacancy rate.

Vacant space was concentrated in the General Office sector with 302,000 square feet, representing 92% of the total industrial space vacancy. Medical/Dental space has a reported 4.8% vacancy with 28,168 square feet available. Data Center/Call Centers have a reported 20.4% vacancy with 20,055 square feet available for lease as of the 3Q 2020.

The Longmont area's average listed lease rate (triple net) was $17.64 per square foot. Downtown Longmont's reported average lease rate of vacant space was higher than the Longmont area at $21.32 per square foot (triple net).

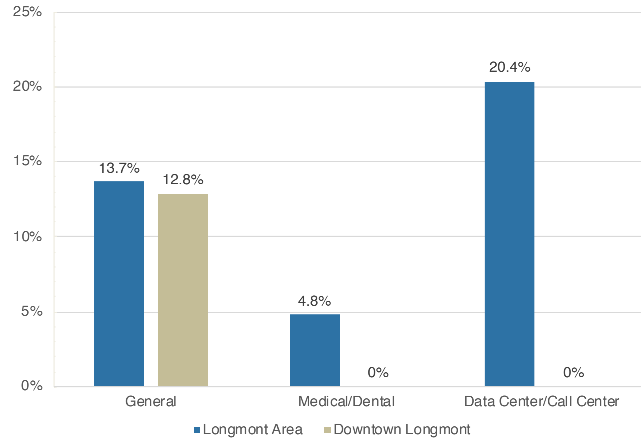
General office had the highest average listed lease rate of $17.86 per square foot followed by Medical/Dental office at $17.44 per square foot. Data Center/Call Centers reported average listed lease rate was $14.50 per square foot.

LONGMONT OFFICE VACANCY

The Longmont area office vacancy as of the 3Q 2020 was 12.1%. General office's reported vacancy rate was 13.7% and Data Center/Call Centers had a vacancy rate of 20.4%. Medical/ Dental office space had a reported low vacancy rate of 4.8%.

Downtown Longmont's reported office vacancy as of Q3 2020 was 11.5%. General office's vacancy in Downtown was 12.8%. Medical/Dental and Data Center/Call Centers did not report any vacancy in Downtown Longmont.

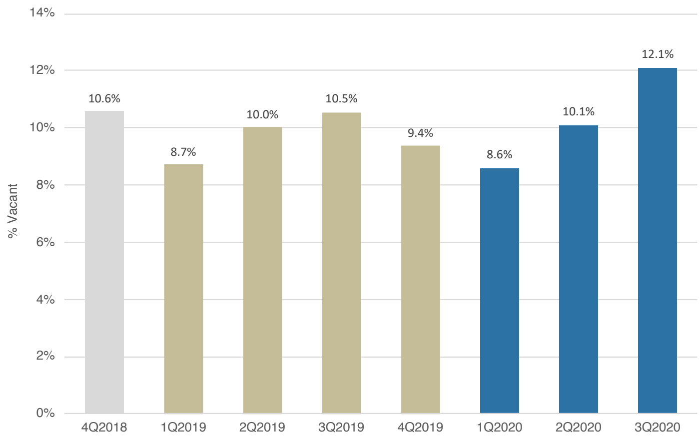
Exhibit 34: Longmont Area Office Market Vacancy by Building Classification, 3Q 2020
Source: Catylist, CIVISTRUCT Strategy + Development



Longmont's office market entered 2020 on a high note. Prior to the COVID-19 pandemic, the Longmont area recorded several quarters of lower office vacancy, dropping down to 8.6% as of the 1Q2020.

However, as of the 3Q2020, the Longmont area's office vacancy rose to 12.1% as tenants vacated space primarily due to the COVID-19 pandemic that spread throughout the US and increase in Work from Home imposed by government public health regulations limited in-person office. The pandemic has given many office tenants pause on their utilization of office space moving forward which is certainly expected to impact office vacancy at least in the near term.

Exhibit 35: Longmont Area Office Vacancy, 4Q 2018-3Q 2020
Source: Catylist, CIVISTRUCT Strategy + Development



Xilinx office building, 3100 Logic Drive

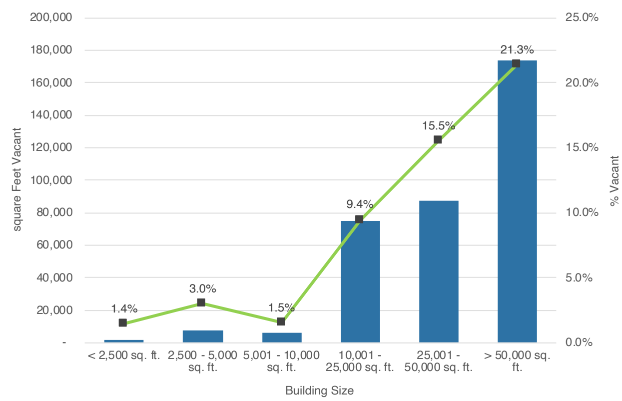
OFFICE VACANCY BY BUILDING SIZE

In looking at the vacancy rate by office building size, large office buildings over 50,000 square feet have the highest vacancy rate in the Longmont area with a reported rate of 21.3% vacant as of 3Q 2020. This represents 50% (174,000 square feet) of the total vacant space in the Longmont area. This was followed by buildings between 25,000 and 50,000 square feet with a reported vacancy rate of 15.5%, with approximately 87,400 square feet of vacant space.

Smaller office buildings had a lower vacancy rate when compared to larger office buildings. For example, office buildings under 10,000 square feet in size had low reported vacancy rate at 3% or under. Specifically, office buildings less than 2,500 square feet in size had a vacancy rate of 1.5% and office buildings between 2,500 and 5,000 square feet had a vacancy rate of 3%.

Exhibit 36: Longmont Area Office Vacancy by Building Size, 3Q 2020

Source: Catylist, CIVISTRUCT Strategy + Development



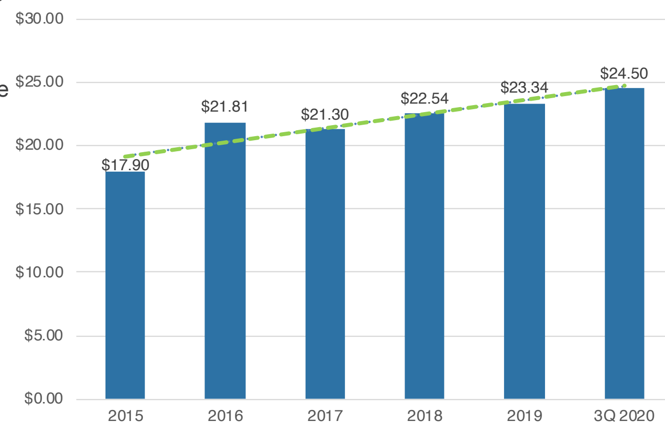
LONGMONT OFFICE RENTS

Longmont area rents have continued their upward trajectory since 2015, increasing nearly 37% from $17.90 per square foot (full service) to $24.50 per square foot as of 3Q 2020. Office rents in the Longmont area have remained relatively unchanged since the pandemic as the impact of the pandemic on rents have yet to be fully felt as many tenants have been locked into their lease rates negotiated prior to the pandemic.

Please note the the rents expressed here are full service (gross) compared to triple net (NNN) rents. In a full service (gross) lease. In a gross lease, the tenant pays a flat rental amount, and the landlord pays all or most expenses associated with the property, including taxes, insurance, and maintenance out of the rents received from tenants.

Exhibit 37: Longmont Office Rents (Full Service), 2015-3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland



Note: Rents expressed as Full Service (gross)

Colorado Sleep Institute - Medical Office Building
1630 Dry Creek Drive

OFFICE NET ABSORPTION

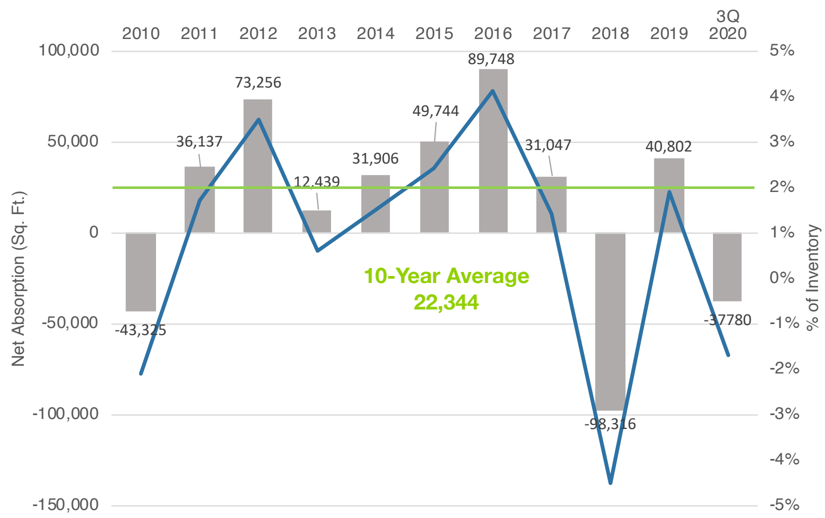
As COVID-19 took hold in the US, the national and local office markets have deteriorated as stay at home orders and work from home has dramatically impacted the office market beginning in early 2020.

Through the 3Q 2020, the Longmont area has seen negative absorption of -37,780 square feet as office move-outs (combined with the lack of leasing activity) continued to accelerate this year which contributed to negative absorption in the third quarter, and pushed up vacancies materially.

However, over the past decade, the Longmont area has experienced positive office fundamentals, with office net absorption averaging +22,344 square feet per year over the past 10 years. This means that more space was leased up and occupied than vacated during this time period and is indicative of a healthier market. Over the past 10 years the Longmont area has seen a wide swing of office net absorption each year ranging from -98,316 square feet in 2018 to a high of +89,748 square feet in 2016.

Exhibit 38: Longmont Area Office Net Absorption, 2010- 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

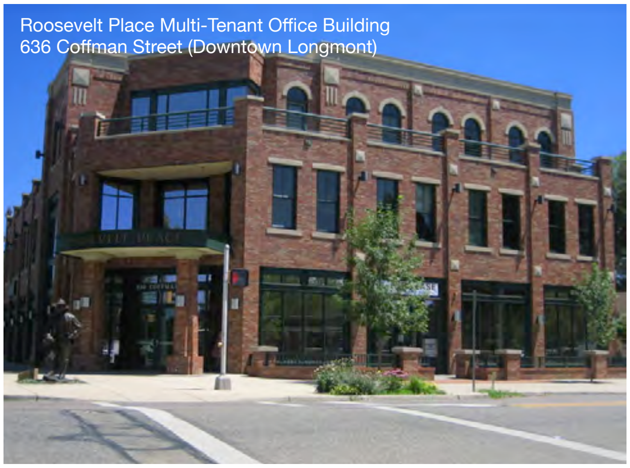


Net Absorption Defined

Net absorption is a measurement of the net change in supply of office space over time. It is measured by deducting office space vacated by tenants and made available on the office space market from total space leased up taking into consideration new office space delivered (that would add to inventory) and office space that may have been demolished or converted to non-office use (that would be removed from supply).

Positive net absorption means more office space was leased up than was made available on the market. It indicates a relative decrease in the supply of commercial space available to the market. Negative net absorption indicates more office space was vacated and placed on the market than was leased up. It indicates net demand for commercial space has decreased in the space market relative to supply.

Multi-Tenant Office building
2101 Ken Pratt Blvd



Roosevelt Place Multi-Tenant Office Building
636 Coffman Street (Downtown Longmont)

OFFICE BUILDING SIZE

The Longmont area office market has smaller office buildings when compared to other comparable office markets in the region. The average building size for the Longmont area is 10,698 square feet compared to 20,300 square feet for the City of Boulder, 44,237 square feet for the Denver Northwest market, and 50,000 square feet for the Broomfield submarket. The average office building size in Downtown Longmont is 5,508 square feet.

More than 25% of all the office buildings in the Longmont area office market are less than 2,500 square feet with more than half of all the office building 5,000 square feet or less.

Only 8 office buildings in the Longmont office market are larger than 50,000 square feet. While totaling only 3% of the total number of office buildings, these larger office buildings comprise more than 814,000 square feet of space, representing 28% of the Longmont area office inventory.

Conversely, 69 office buildings in the Longmont area office market are less than 2,500 square feet in size. These buildings represent 26% of the total office buildings in the Longmont area, but comprise only 104,524 square feet, or 4% of the total office inventory in the Longmont area.

Exhibit 39: Longmont Area Office by Number of Buildings, 2020
Source: Catylist, Boulder County Assessor, CIVISTRUCT Strategy + Development

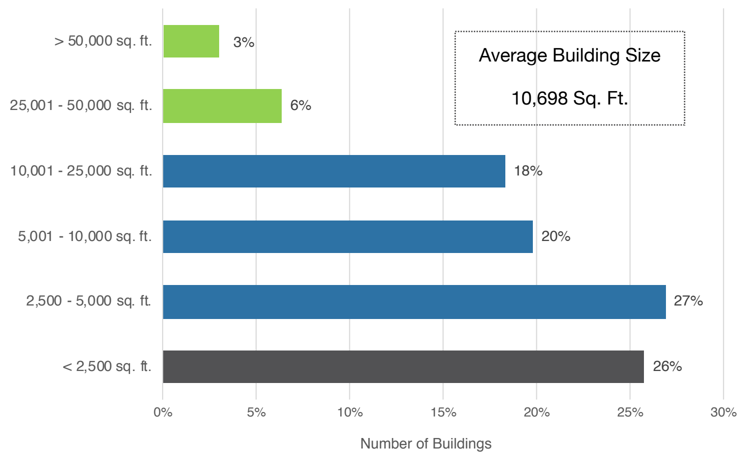


Exhibit 40: Longmont Area Office by Number of Buildings and Building Size, 2020
Source: Catylist, Boulder County Assessor, CIVISTRUCT Strategy + Development

	# of buildings	%	Total Sq. Ft.	%
< 2,500 sq. ft.	69	26%	105,524	4%
2,500 - 5,000 sq. ft.	72	27%	243,695	8%
5,001 - 10,000 sq. ft.	53	20%	377,611	13%
10,001 - 25,000 sq. ft.	49	18%	790,544	27%
25,001 - 50,000 sq. ft.	17	6%	564,376	19%
> 50,000 sq. ft.	8	3%	814,372	28%
Total	**268**	**100%**	**2,896,122**	**100%**

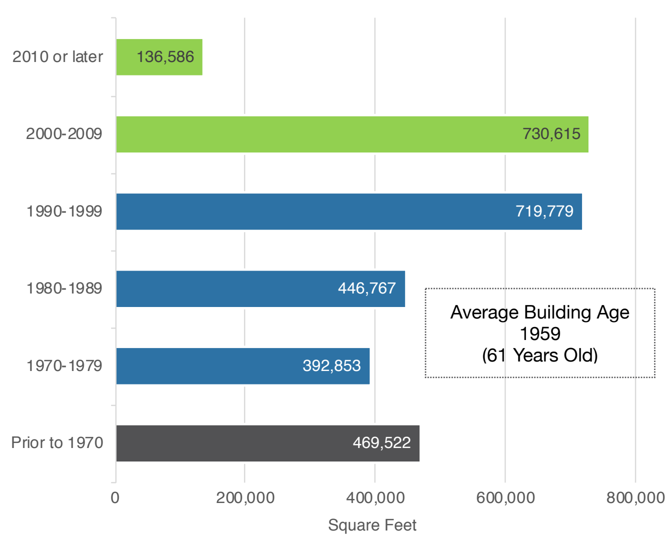
OFFICE YEAR BUILT

The Longmont area office market is comprised primarily of older office buildings. There are an estimated 268 office buildings in the Longmont area totaling 2.9 million square feet. Based on data from the Boulder County Assessor's Office, the average office building age is 61 years old (built in 1959).

While Longmont has some modern office buildings, such as Roosevelt Place in Downtown Longmont, there has been limited construction of new office product in the Longmont area market over the past decade. Only 136,586 square feet, representing 5% of the total Longmont area office inventory, has been constructed since 2010.

Conversely, 862,000 square feet of office space, representing 30% of the total office space in the Longmont area market, was built prior to 1979. This older office space can be less adaptable, with outdated building improvements and other amenities, which can limit the appeal of such space for today's modern office user.

Exhibit 41: Longmont Area Office Square Feet by Year Built, 2020
Source: Catylist, Boulder County Assessor, CIVISTRUCT Strategy + Development



REGIONAL OFFICE MARKET OVERVIEW

The Longmont Area office market is part of the greater Denver and Northern Colorado regional office markets. For the purpose of this regional market overview we focused on those submarket proximate to the Longmont area and known to be competitive to the Longmont area in terms of attracting office tenants and users. This includes the Northwest Denver, Broomfield County, Boulder County, City of Boulder, Weld County and Fort Collins / Loveland office submarkets.

The Longmont Area Regional Market comprises more than 50 million square feet of office space in more than 3,300 office buildings. The largest office submarkets in the region include the City of Boulder with more than 12.3 million square feet of office followed by the Fort Collins/Loveland submarket with 11.3 million square feet. **The Longmont area office market is one of the smaller office submarket comprising nearly 2.9 million square feet of space.**

Exhibit 42: Regional Office Market Inventory - Square Feet by Submarket, 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

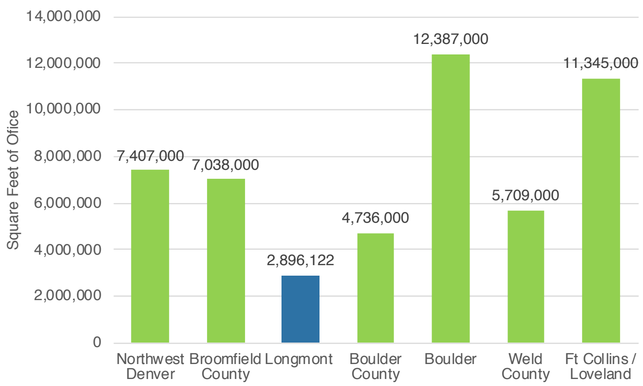


Exhibit 43: Regional Office Overview, 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

Submarket	# of Buildings	Total Sq. Ft.	Average Building Size	Total Vacant	Vacancy %	Market Rent (Full Service)	12 Month Absorption
Northwest Denver	495	7,407,000	14,964	620,665	8.4%	$23.42	198,978
Broomfield County	141	7,038,000	49,915	764,826	10.9%	$28.38	(110,267)
Longmont	**268**	**2,896,122**	**10,806**	**350,509**	**12.1%**	**$24.65**	**(32,851)**
Boulder County	260	4,736,000	18,215	469,480	9.9%	$28.39	204,246
Boulder	611	12,387,000	20,273	1,273,796	10.3%	$33.41	(381,619)
Weld County	596	5,709,000	9,579	332,649	5.8%	$19.59	(160,674)
Ft Collins / Loveland	950	11,345,000	11,942	805,184	7.1%	$22.87	(345,685)
Total	3,321	51,518,122	15,513	4,568,886	8.9%	$25.82	(627,872)

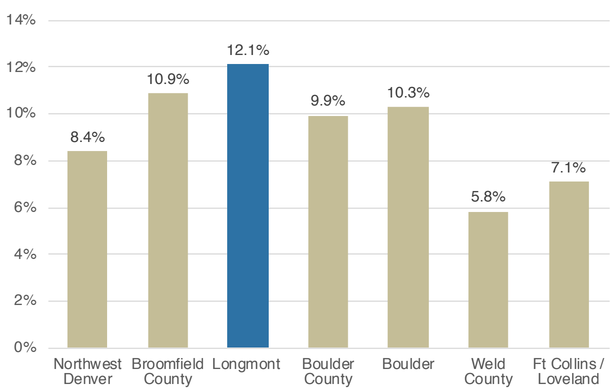
OFFICE VACANCY BY SUBMARKET

Nearly all competing office submarkets in the region saw increasing vacancy rates as the COVID-19 pandemic limited leasing activity and tenants continued vacate office space at a quick clip resulting in higher levels of negative net absorption.

As of the 3Q 2020, the Longmont area office vacancy rate was higher compared to competing office submarkets. The Longmont area vacancy rate (12.1%) was higher compared to Boulder County (9.9%), City of Boulder (10.3%), Broomfield County (10.9%) and Northwest Denver (8.4%) submarkets. The Northern Colorado office submarkets recorded lower vacancy rates compared to the region with Fort Collins / Loveland (7.1%) and Weld County (5.8%).

Exhibit 44: Office Market Vacancy by Submarket, 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland



OFFICE RENT BY SUBMARKET

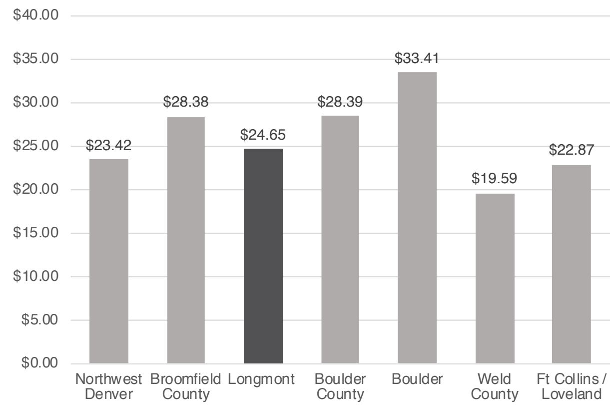
Longmont area office market lease rates averaged $24.65 per square foot as of 3Q 2020. Please note that this average lease rate is expressed as full service (gross) rents as compared to triple net (NNN) rents. Full service rents have increased approximately 37% over the past 10 years to $22.10 per square foot (gross). In 2010, the average market lease rate for the Downtown Longmont office market was $15.96 per square foot.

Based on a survey of Downtown businesses and discussions with real estate brokers, office rents in Downtown have a wide range from $12 to $30 per square foot triple net (NNN) with a “sweet spot” range of $14 to $22 per square foot triple net. Downtown NNN expenses average around $6-10 per square foot. Based on this, the range of full service (gross) rents in Downtown Longmont range from $20 - $28 per square foot.

While Downtown Longmont’s average rental growth has been strong over the past 10 years, totaling 37% increase, it is less than the average rental growth of the Longmont Submarket (53% increase) and Boulder Metro Market (47% increase) over the same time period. Overall, Downtown Longmont’s average market rent is 36% less compared to Boulder Metro Market average rents and nearly 8% less compared to the City of Longmont average market rents.

Exhibit 45: Office Market Rents (Full Service) by Submarket, 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland



NET ABSORPTION BY SUBMARKET

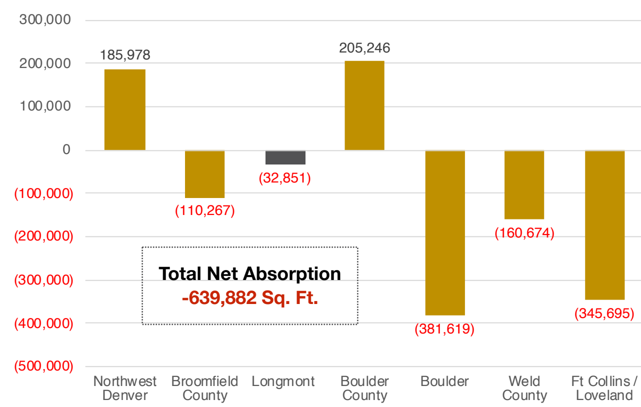
The regional office market overall continued to feel the impact of COVID-19 as the area posted net absorption of -639,882 square feet as leasing activity slowed down, more sub-lease space became available as tenants moved out, and the area continued to see office-using job losses which impacted leasing demand.

With the exception of Boulder County (+205,246 square feet) and Northwest Denver (+185,978 square feet), the other competing office submarkets recorded negative net absorption as of the 3Q 2020. This has been led by the City of Boulder (-381,619 square feet), followed by Fort Collins / Loveland (-345,695 square feet), Weld County (-160,674 square feet) and Broomfield County (-110,267 square feet).

The negative net absorption experienced in the region mirrors national office trends that saw US net absorption post a record -41.3 million square feet in the 3Q 2020, by far the largest decline in occupancy in any quarter since 1995 according to Cushman and Wakefield. US net absorption was also negative at -23.0 million square feet in the second quarter according to Cushman and Wakefield.

Exhibit 46: Office Net Absorption by Submarket, 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland



OFFICE DELIVERIES

Since 2010, there has been approximately 136,500 square feet of office space delivered in the Longmont area. **More than 104,000 square feet, representing more than 76% of this delivered office space during this period, has been medical office space.** Examples of this recently delivered space has included the UC Health Urgent Care facility on Main Street (7,342 square feet delivered in 2015); Front Range Orthopedic Center on Dry Creek Drive (52,671 square feet in 2018); and Colorado Sleep Institute (52,185 square feet in 2019).

During 2010 and 3Q2020, there has been nearly 30,000 square feet of General office space delivered in the Longmont area. In addition, a 2,500 square foot data center was delivered in 2011 (Microsoft Data Center at 250 Disc Drive).

When looking at the competitive markets in the area, a total of 373,000 square feet of new office space has been delivered during the past 12 months as of 3Q 2020. Nearly half of this new space delivered has been located in the City of Boulder (171,000 square feet) followed by Boulder County (107,000 square feet). The City of Boulder newly delivered space includes 53,000 square feet in the S'Park Market Building leased to Splunk and 43,000 square feet leased to WeWork.

Exhibit 47: Longmont Area Office New Deliveries, 2010-2020
Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

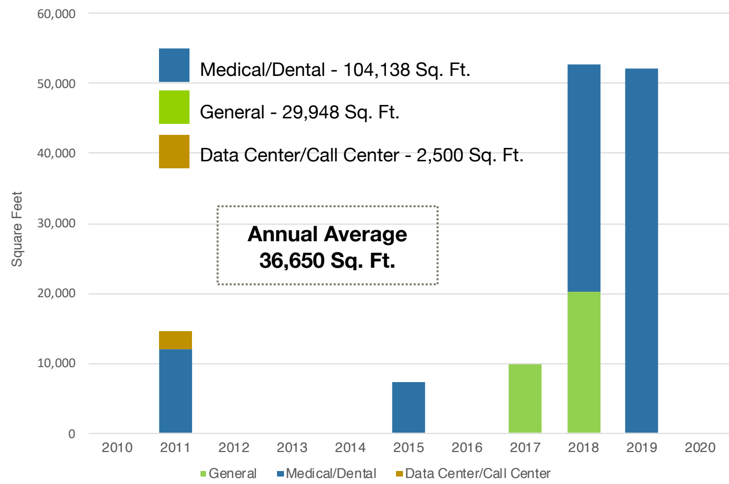
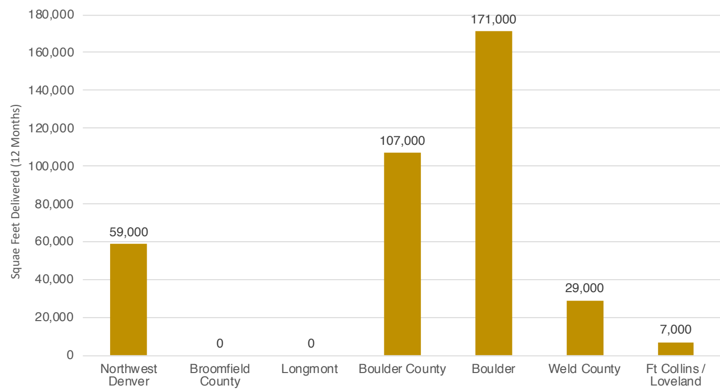


Exhibit 48: Office New Deliveries by Submarket (12 Months)
Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland



Example of Medical Office Building
Front Range Orthopedic and Spine Center, 1630 Dry Creek Drive

OFFICE UNDER CONSTRUCTION

The Longmont area currently has one office building under construction - a 100,000 square feet medical office that UC Health is building at Longs Peak Hospital. This medical office will be UC Health's Longs Peak Outpatient Clinic as part of a larger expansion plan for the hospital.

Currently, there is nearly 950,000 square feet of office space under construction in 18 buildings in the region. The average building size is around 52,600 square feet. This includes 233,500 square feet in 4 buildings in the City of Boulder. More than 1/3 of this space has been pre-leased, primarily to technology firms. The average building size of Boulder under construction space is 58,400 square feet.

The Fort Collins/Loveland submarket is seeing nearly 256,000 square feet of office space under construction, 52% of which has been pre-leased, including a 86,000 square feet VA Medical Clinic. Northwest Denver is also seeing new office construction with 214,000 square feet of space currently under development. Broomfield County is seeing 136,993 square feet under construction. This includes the 124,000 Class A office / mixed use building at Arista. Currently, there is no office space under construction in the Weld County submarket.

Exhibit 49: Office Under Construction by Submarket, 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

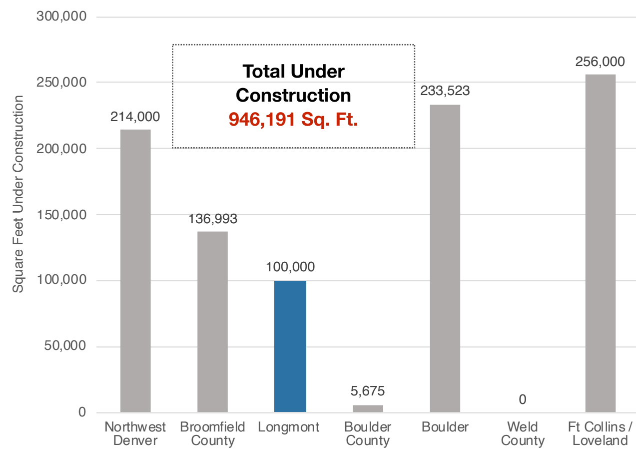


Exhibit 50: Competitive Market Area - Selected Office Under Construction, 3Q 2020

Source: Catylist, CIVISTRUCT Strategy + Development

Name	Address	City	County	Bldg Sq. Ft.	Type	Asking Lease Rates (NNN)
8383 Arista Pl	8383 Arista Pl	Broomfield	Broomfield	124,993	General	Negotiable
8893 Indiana St	8893 Indiana St	Arvada	Jefferson	42,369	Medical	$26.00
UC Health Longs Peak Outpatient Clinic	1950 Mountain View Ave	Longmont	Boulder	100,000	Medical	Not Disclosed
Boulder Commons Phase 2	2530 Junction Pl	Boulder	Boulder	52,000	General	Not Disclosed
Reve Boulder - Bldg 1 & 2	2440 30th St	Boulder	Boulder	114,377	General	Not Disclosed
S'Park	3390 Valmont Rd	Boulder	Boulder	42,000	General	Negotiable
400 W Baseline Road	400 W Baseline	Lafayette	Boulder	5,675	General	$18.00-$25.00
The William Building	1650 Canyon Rd	Boulder	Boulder	25,146	General	$40.00-$45.00

UCHealth Longs Peak Medical Center in Longmont is a multispecialty medical office building expected to be completed in 2022.

Rendering Source: UCHealth

OFFICE SALES ACTIVITY

The Longmont area reported fewer office sales compared to previous years. Investment activity has has slowed dramatically since the pandemic struck as lenders and investors take a wait and see approach.

Based on data provided by Catylist, the Longmont area reported around 10 office sales in 2020 as of November at an average sales price of $180 per square foot. Most of these sales were for smaller office space 3,000 square feet or less. These sales totaled approximately $4.3 million for a total of 23,853 square feet. Most of the office space that sold can be classified as General office.

Longmont area office sales ($180 per square foot) that have transacted this year, on a square foot basis, are 40% less than Boulder Metro office sales ($255 per square foot) which is the highest in the region. Denver Metro office sales averaged $250 per square foot on 317 transactions through 3Q 2020 and Fort Collins / Loveland office sales average $221 per square foot for 76 transactions. As a comparison Weld County office sales are similar to Longmont area office sales at $182 per square foot.

Exhibit 51: Office Sales by Submarket, 2020
Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

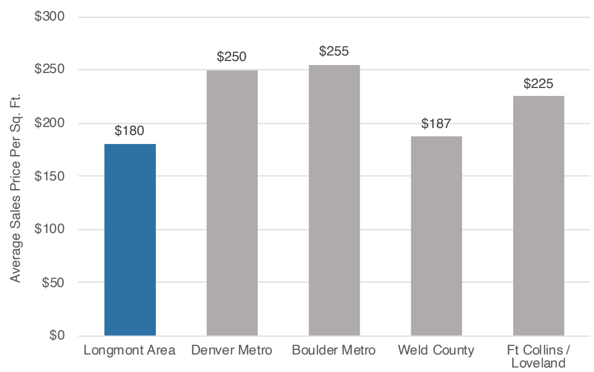


Exhibit 52: Longmont Area Office Sales, 2020
Source: Catylist, CIVISTRUCT Strategy + Development

Name	Address	City	Type	Sales Date	Sale price	Space Sq. Ft.	Price / Sq. Ft.
Evergreen Center	630 15th Avenue, Suite 100	Longmont	General	7/31/20	$460,000	3,364	$137
947 Kimbark	947 Kimbark Street	Longmont	General	9/16/20	$341,000	2,025	$168
916 Main Street	916 Main Street, Suites 201, 203, 205	Longmont	General	11/3/20	Not Disc.	5,368	Unknown
916 Main Street	916 Main Street, Suite 301	Longmont	General	2/28/20	$829,800	2,841	$292
900 S Main	900 S Main Street, Suite 200	Longmont	General	6/15/20	$820,000	3,156	$260
State Farm Insurance	1008 17th Avenue	Longmont	General	1/15/20	$200,000	960	$208
1351 Frontier Street	1351 Frontier Street	Longmont	Medical	10/7/20	$372,577	2,296	$162
713 3rd Avenue	713 3rd Avenue, Floor 1	Longmont	General	10/20/20	$615,000	1,550	$397
637 Terry Street	637 Terry Street	Longmont	General	7/31/20	$509,900	1,680	$304
936 Kimbark Street	936 Kimbark Street	Longmont	General	7/7/2020	$149,000	613	$243
				Total / Average	**$4,297,277**	**23,853**	**$180**

The Evergreen Center, Suite 100 (3,364 square feet) recently sold for $460,000.

Photo Credit: Catylist

NOTABLE LEASE TRANSACTIONS

While the pandemic has slowed down leasing activity throughout Longmont and the Boulder region, there were a few notable transactions that still occurred.

A review of Longmont area lease transactions that were executed in 2020 finds that most of office leases are for space 5,000 square feet or less. This is consistent with the high number of smaller office spaces in the Longmont area. Nearly half of the leases was for office space between 1,000 and 5,000 square feet. Only 4% of the leases were for space larger than 5,000 square feet.

Longmont's lease transactions in 2020 included a range of medical, technology, and real estate companies, mostly for space less than 5,000 square feet. Many of Boulder's notable lease transactions in 2020 were for technology companies, such as Twitter and Microsoft, where they leased larger amounts of space, often in excess of 10,000 square feet.

In Boulder County, many of the larger lease transactions occurred in Louisville. Gaiam, a yoga and fitness company, leased 138,502 square feet at their office in Louisville. Centennial Valley office park, off of McCaslin Boulevard in Louisville, saw new leases signed, including SurveyGizmo with 26,500 square feet and Capella Space, an aerospace company, with 18,800 square feet.

Exhibit 53: Longmont Area Selected Office Lease Transactions by Size of Space Leased, 2020
Source: Catylist, CIVISTRUCT Strategy + Development

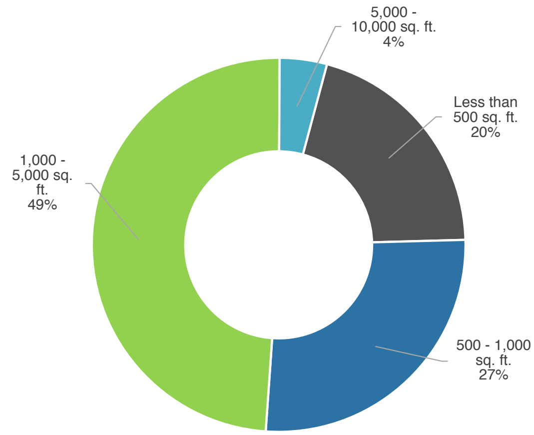


Exhibit 54: Selected Notable Lease Transactions in Longmont and Boulder Area, 2020
Source: Catylist, CIVISTRUCT Strategy + Development

Name	Type	Location	Address	City	Sq. Ft. Leased	Lease Rate
Longmont Area						
Medical	Medical	Longmont Prof. Campus	1551 Professional Lane	Longmont	4,573	$17-$19.00 NNN
Black Dog LED	Technology	6309 Monarch Park Pl	6309 Monarch Park Pl	Niwot	7,402	Not Disclosed
Colorado Escrow/Title	Real Estate	351 Coffman	351 Coffman Street	Longmont	3,150	$18.75 NNN
DHI Title Company	Real Estate	Terry 2000 Office Park	2020 Terry Street	Longmont	2,226	Not Disclosed
Angles Sports Exchange	Sports	24 9th Avenue	24 9th Avenue	Longmont	2,400	$10.00 NNN
Kinetic Sculpture	Medical	1630 Dry Creek Drive	1630 Dry Creek Drive	Longmont	4,593	Not Disclosed
Boulder						
Twitter	Technology	Railyards at S'Park	3401 Bluff Street	Boulder	65,000	Not Disclosed
Microsoft	Technology	The William Building	1650 Canyon Boulevard	Boulder	17,940	$42.00 NNN
Archer DX	Technology	Flatiron Park West	2425 55th Street	Boulder	17,138	$15.75 NNN
Uplight	Technology	Boulder Commons II	2530 Junction Place	Boulder	30,500	Not Disclosed
Holland & Hart LLP	Legal	One Boulder Plaza	1800 Broadway	Boulder	20,000	Not Disclosed
Crossfit HQ	Fitness	2617 Broadway	2617 Broadway	Boulder	7,100	Not Disclosed
Boulder County						
Gaiam	Fitness	833 S Boulder Road	833 S Boulder Road	Louisville	138,502	Not Disclosed
Survey Gizmo	Technology	Centennial Valley	168 Centennial Parkway	Louisville	26,499	Not Disclosed
Capella Space	Aerospace	Centennial Valley	Not Disclosed	Louisville	18,799	Not Disclosed

EMERGING TRENDS IMPACTING LONGMONT AREA OFFICE MARKET

The COVID-19 pandemic introduced significant disruption to the office market and the way people work, where they work and how they work.

One of the most mentioned themes among the real estate industry as they assess the ongoing impact of the pandemic is that the COVID-19 pandemic did not create new trends, but accelerated those trends that were already underway.

While the impact of the pandemic on the office market and, in particular, employment can not be understated, the pandemic presents tremendous opportunities for businesses and the office market that focus on employee wellbeing, flexibility, technology and new types of collaborative environments to drive improved people, place and business performance.

ACCELERATION OF WORK FROM HOME & HYBRID WORK STRUCTURES

COVID-19 has accelerated the work from home (WFH) movement like no other event in history. While WFH is not new, the real question is that will this trend stick? The real estate industry's thoughts on the impact of the pandemic on office work are wide ranging and quickly evolving. In the long run, many industry experts believe that companies will allow more employees to work remotely or in some type of hybrid work structure where employees works work a few days in the office and a few days at home per week post-COVID.

Offices still play an important role to feel connected to company culture, engage in collaboration and bonding with co-workers, foster creativity and innovation, onboarding of new employees, and training/mentorship. However, office space can be a significant expense on a company's balance sheet that businesses are currently evaluating to see what is the optimal space configuration to maintain employee productivity and keep expenses low. This could lead to a reduction in office space, but because of social distancing, office tenants may require more square feet per worker compared to pre-COVID levels which could wash out the potential reduction in space.

Photo credit: Unsplash


Photo credit: workplaceinsight.net

EMERGENCE OF THE TOTAL WORKPLACE ECOSYSTEM

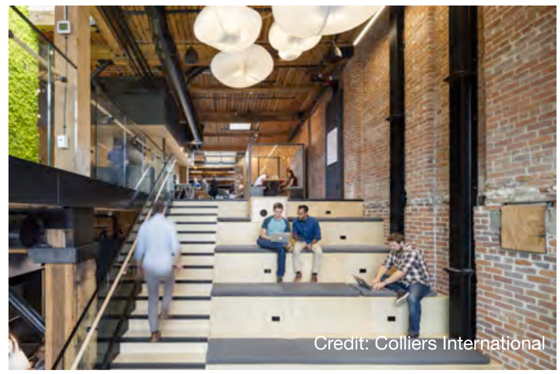
According to real estate giant Cushman and Wakefield, the new normal for office will be a *Total Workplace Ecosystem* where the workplace will no longer be a single location, but an **ecosystem of different locations (e.g. home, HQ and satellite offices, co-working space) and experiences to support convenience, flexibility, functionality and employee well-being.**

There is no one-size-fits-all solution as every industry and every business is different, but companies will need to re-evaluate what they really need from their offices. The pandemic has brought this opportunity for businesses to do a critical self-evaluation to the forefront for how they want to operate, where they want to operate, and how to best support their employees to maximize productivity and foster employee well-being.

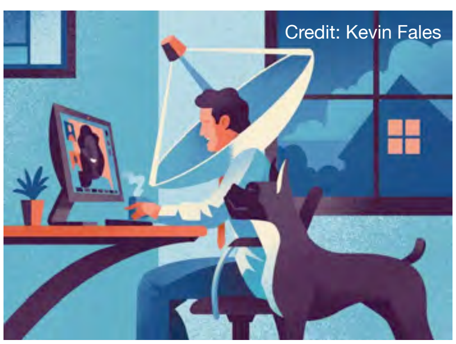
CHANGING DESIGN OF OFFICE BUILDINGS TO SUPPORT PUBLIC HEALTH & SAFETY

In the wake of COVID-19, safety in buildings, as it relates to health, is likely to become a critical component of office building design. **The pandemic highlighted the need for office buildings to play a greater role in public health processes such as social distancing in the office, improved design aspects, and reduced number of employees (de-densification).** New buildings with advanced HVAC systems, touchless technology, sensors, etc. will be at an advantage over older buildings. For existing buildings, improvements in health safety in office buildings will require new investments by landlords and higher operating costs, particularly with older, outdated buildings.


"The 6-Feet Office" - Designing for a New Normal
Credit: Cushman and Wakefield


Credit: Colliers International

New technological advances and services to improve building safety could result in healthier and more sustainable buildings that will support greater worker productivity, flexibility and well-being. Companies will want less space, but better space that optimize employee productivity and help to bring together those working in the building and those working from home. There will increased focus by businesses on re-imagining the workplace to be attractive to their employees which may shrink their footprint that they need. Buildings will need to be designed with flexibility in mind, including connections to outside with ample natural light, collaborative space to socialize, and more quiet space to focus and have small meetings with colleagues in a more private setting.


Credit: Kevin Fales

Suburban Office Development Prospects

Up 8 spots to 12th Ranked

According to *2021 Emerging Trends in Real Estate*, suburban office rose significantly in the survey of 550+ real estate professionals as an favored investment and development prospect compared to previous years

SUBURBAN OFFICE MIGRATION

The impact of remote work and emerging demographic trends is expected to be more favorable to suburban office markets than urban business districts, particularly those suburban markets that can provide urban amenities with culture, shopping, restaurants and live/work/play areas. COVID has only accelerated the growth of medium-sized cities and secondary and tertiary real estate markets, as well as, exurbs and suburbs near gateway cities.

In addition, emerging demographic trends support the shift to suburban locations as the millennial generation, which is larger than Generation Z, is reaching the age when people tend to move from the city to the suburbs. According to research by John Burns Real Estate Consulting, the population of people between ages 30 to 49 will grow by 8.4 million over the next decade while the population of those between 20 and 29 will shrink by 400,000. This is expected to make suburban office locations more attractive as people look to live close to where they work.

According to PwC, the WFH and flexible office schedule is leading to a different model of how companies lease and use office space. For example, outdoor retailer REI recently abandoned their brand new office headquarters that would have consolidated their employees in one location, in favor of a hub-and-spoke system with satellite offices in suburban areas.

LONGMONT AREA OFFICE MARKET DEMAND POTENTIAL

The COVID-19 pandemic has caused a massive disruption to the way people work, where they work, and how they work. Traditional office demand forecasts look at the projected growth in office employment and use a square-foot-per-worker factor to determine future demand. The office demand model is likely to be more challenging post COVID-19.

While the full impact of the COVID-19 pandemic on current (and potential longer term) employment growth trends and demand for office is still evolving, such as working remotely (either from home or smaller satellite offices) and flexible office space configurations, the pandemic has accelerated certain trends impact key drivers of demand for office space.

OFFICE SPACE DRIVERS

These key drivers of demand for office space include:

- **Changes in employment of office-based industries** – through both recruitment of new firms, as well as, expansion or contraction of existing firms through economic growth or recessions (which we are experiencing now due to the pandemic).
- **In-office density.** While the trend has been toward placing more employees closer together (more employees per square foot of office space), due to COVID-19, this trend has slowed down, or even reversed in some instances.
- **Work from home / flexible work schedules.** The pandemic has accelerated the Work From Home (WFH) and flexible work schedule movement. Some businesses are introducing a hybrid work environment where employees have the opportunity to work from home a few days a week and are in the office the other days. Businesses are re-evaluating their existing real estate footprints as they move to more remote work models or decide to use flexible office space to meet fluctuating office space needs.

These drivers impact the demand for office space in a locality. This can result in opportunities for new office development, conversion of obsolete office space into a non-office use, leasing existing vacant and underutilized office space, or adaptive reuse of non-office space to office space.

Emsi Employment Projections and the Impact of COVID-19

Emsi's projections are forward projections of past employment trends. Changes in recorded employment will affect projections. Emsi's employment projections are based on historical employment data with slight adjustments for BLS QCEW datasets and state projections. Emsi does not change methodology to attempt to model the effects of current events, as doing so would involve guesswork and assumptions that can't be supported with any data.

The impacts of COVID-19 related layoffs began appearing in QCEW 2020Q1 data, which was released by the BLS on 9/2/20. The employment projections used in this Longmont area employment forecast have begun to account for COVID-19 related layoffs. For example, prior to COVID-19, Longmont area employment was forecasted to grow approximately 1.3% annually until 2028. The latest employment projection for the 2020-2030 period is showing an average annual growth rate of 0.7% annually. The decrease in employment growth projections has been most likely due to the COVID-19 layoffs which reduce job growth projections in the Longmont area (and County, State and National employment changes).

Emsi industry data have various sources depending on the class of worker. (1) For QCEW Employees, Emsi primarily uses the QCEW (Quarterly Census of Employment and Wages), with supplemental estimates from County Business Patterns. (2) Non-QCEW employees data are based on a number of sources including QCEW, Current Employment Statistics, County Business Patterns, BEA State and Local Personal Income reports, the National Industry-Occupation Employment Matrix (NIOEM), the American Community Survey, and Railroad Retirement Board statistics. (3) Self-Employed and Extended Proprietor classes of worker data are primarily based on the American Community Survey, Nonemployer Statistics, and BEA State and Local Personal Income Reports. Projections for QCEW and Non-QCEW Employees are informed by NIOEM and long-term industry projections published by individual states.

For the purpose of this office demand analysis, employment projections in the following industry super-sectors that primarily occupy office space were evaluated to estimate the potential demand for office space in the Longmont area:

NAICS	Industry
52	Finance & Insurance
53	Real Estate & Rental & Leasing
54	Professional, Scientific, & Tech Services
55	Management of Companies
56	Administrative & Support/Waste Manage
62	Health Care & Social Assistance
81	Other Services (except Public Admin)

"The overall impact [of COVID-19] on total office demand is unclear with experts forecasts ranging from minimal impact (Work From Home reductions offset by lower density) to an overall decline in office demand of 10-15%"

— 2021 Emerging Trends in Real Estate

OFFICE-USING EMPLOYMENT SECTORS

FINANCIAL ACTIVITIES

The Financial Activities industry super-sector consists of two sectors: (1) Finance and Insurance, and (2) Real Estate and Rental and Leasing. This super-sector comprises 3.6% of Longmont area employment, or approximately 2,100 jobs.

Approximately 56% of the employees in the Financial Activities industry work in the Finance and Insurance Sector which include banks, credit unions, securities and investment firms, insurance carriers, etc.). About 44% of the workers are employed in the Real Estate and Rental and Leasing Sector, which includes real estate brokers and agents, real estate-related payroll jobs and leasing companies for anything from equipment and machinery to real estate.

The Financial Activities super-sector generally yield highly skilled, highly educated workers and pay above-average wages.

52	Finance and Insurance
5211	Monetary Authorities-Central Bank
5221	Depository Credit Intermediation
5222	Nondepository Credit Intermediation
5223	Activities Related to Credit Intermediation
5231	Securities and Commodity Contracts Intermediation and Brokerage
5232	Securities and Commodity Exchanges
5239	Other Financial Investment Activities
5241	Insurance Carriers
5242	Agencies, Brokerages, and Other Insurance Related Activities
5251	Insurance and Employee Benefit Funds
5259	Other Investment Pools and Funds

53	Real Estate and Rental and Leasing
5311	Lessors of Real Estate
5312	Offices of Real Estate Agents and Brokers
5313	Activities Related to Real Estate
5321	Automotive Equipment Rental and Leasing
5322	Consumer Goods Rental
5323	General Rental Centers
5324	Commercial and Industrial Machinery and Equipment Rental and Leasing
5331	Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)

PROFESSIONAL AND BUSINESS SERVICES

The Professional and Business Services super-sector industry includes a wide variety of sectors including Professional, Scientific, and Technical Services; Management of Companies and Enterprises; and Administrative and Support and Waste Management and Remediation Services. This super-sector comprises 17.1% of Longmont area employment, or approximately 9,800 jobs.

Approximately 56% of the employees in the Professional and Business Services industry work in the Professional, Scientific and Technical Services sector which include lawyers, accounting, computer design, architecture and engineering, public relations, and research and development. About 39% of the workers are employed in the Administrative and Support and Waste Management and Remediation Services sector which comprises establishments that perform routine support activities such as office administration, hiring personnel, cleaning, travel agents, waste disposal and others. The remaining 5% is comprised of the Management of Companies and Enterprises sector which includes a broad cross section of company headquarters and regional offices for businesses.

Similar to the Financial Activities super-sector, the Professional and Business Services super-sector is also comprise of highly skilled, highly educated workers and pay above-average wages.

54	Professional, Scientific, and Technical Services
5411	Legal Services
5412	Accounting, Tax Preparation, Bookkeeping, and Payroll Services
5413	Architectural, Engineering, and Related Services
5414	Specialized Design Services
5415	Computer Systems Design and Related Services
5416	Management, Scientific, and Technical Consulting Services
5417	Scientific Research and Development Services
5418	Advertising, Public Relations, and Related Services
5419	Other Professional, Scientific, and Technical Services

55	Management of Companies and Enterprises
5511	Management of Companies and Enterprises

56	Administrative and Support and Waste Management and Remediation Services
5611	Office Administrative Services
5612	Facilities Support Services
5613	Employment Services
5614	Business Support Services
5615	Travel Arrangement and Reservation Services
5616	Investigation and Security Services
5617	Services to Buildings and Dwellings
5619	Other Support Services
5621	Waste Collection
5622	Waste Treatment and Disposal
5629	Remediation and Other Waste Management Services

HEALTH CARE AND SOCIAL ASSISTANCE

The Health Care and Social Assistance industry super-sector is a broad industry that is a significant contributor the Longmont area and Colorado economy. This sector includes all facets of the medical establishment such as hospitals, medical labs, nursing care facilities, residential care facilities, child day care.

For the purpose of this study, we focused only on Offices of Physicians, Dentists and Other Health Care Practitioners, as well as, Individual and Family Services as these establishments are most likely located in an office environment. These sub-categories comprises 4% of Longmont area employment, or approximately 2,300 jobs.

62	Health Care and Social Assistance
6211	Offices of Physicians
6212	Offices of Dentists
6213	Offices of Other Health Practitioners
6241	Individual and Family Services

OTHER SERVICES (EXCEPT PUBLIC ADMINISTRATION)

The Other Services industry super-sector comprises establishments that provide services not specifically categorized elsewhere in the NAICS employment classification system, such as automotive repair, car washes, hair salons, drycleaning and laundry services and service organizations.

For the purpose of this study, we focused only on organizations that would typically occupy office space, such as Grantmaking and Giving Services, Social Advocacy Organizations, Civic and Social Organizations and Business, Professional, Labor, Political and Similar Organizations. These sub-categories comprise only 0.4% of Longmont area employment, or approximately 230 jobs.

81	Other Services (except Public Administration)
8132	Grantmaking and Giving Services
8133	Social Advocacy Organizations
8134	Civic and Social Organizations
8139	Business, Professional, Labor, Political, and Similar Organizations

INDUSTRY SNAPSHOT - MEDICAL OFFICE MARKET

The Medical Office Building (MOB) market has emerged as one of the strongest office related sub-categories in the country and in the Colorado market. While this specialized office market has been growing prior to the pandemic, the MOB market is positioned for steady growth with long-term drivers sustaining positive outlook according to *2021 Emerging Trends in Real Estate*, post COVID. This includes:

- **Aging population fuels growth** - Over the next decade, the number of persons 65 and older will grow by over 30%, fueling the need for medical services as older people typically have more need for services.
- **Off-campus health services demand increasing** - health professionals have been shifting their medical services to off-campus outpatient medical facilities in an effort to locate closer to the customers and to reduce operating costs.
- **Tele-health growing, but in-person visits remain robust** - while the use of virtual care and telehealth took off during the pandemic, the need for in-person visits, labs and imaging will continue to sustain demand for medical office space as it is difficult to do these virtually.

The Colorado Medical Office Building (MOB) market totals 23.9 million square feet of space. Nearly 60% of this space is located within the Denver metropolitan area, including Boulder County, based on data that Revista tracks (7,500 square feet or greater).

The Denver metro MOB market has been resilient throughout the pandemic and is growing too. More than 800,000 square feet of MOB space has been delivered in the past year growing its inventory more than 6%. **The Denver's MOB vacancy rate of 4.5% as of the 2Q 2020 is significantly less than the overall Denver metro office vacancy rate of 14.7%**.

In terms of lease rates, the Denver metro MOB average lease rate of $21.47 per square foot (NNN) with same-store rent growth of 3.5% year-over-year. The Denver metro MOB same-store rent growth metric ranks 15th of the 125 metro areas tracked by Revista.

Post-COVID it is anticipated that the MOB market will continue with strong fundamentals fueled by increased demand for medical office space, new development inventory added, positive net absorption and low vacancy rates.

LONGMONT AREA OFFICE DEMAND METHODOLOGY

The following figures illustrate the methodology employed to estimate the potential demand of office space that the Longmont area could capture over the next decade taking into account the estimated impact of COVID-19 on the office market. There are may variables and uncertainties at this point to estimate office space demand, and this forecast is informed based on best available information and data, discussions with leading real estate experts and industry leaders, and surveys of hundreds of real estate professionals on how they think the COVID-19 pandemic and ensuring recession will impact the office market, in the near term and over the long run.

This methodology requires several informed estimates and assumptions, highlighting the fact that these projections are for planning purposes not precise estimates or statements about the amount of office development that could occur in the Longmont area over the next decade.

Baseline office-based 2020-2030 employment projections were provided by Emsi based on historical employment data with slight adjustments for Bureau of Labor Statistics QCEW datasets and state projections.

Adjustments were made to this employment forecast to account for the fact that some of the typical "office-based" employment may be located in non traditional office buildings, such as industrial, flex/R&D and warehouse space.

Further adjustments were made to account for the potential impact, long term, of COVID-19 on the number of employees working in a office environment versus working from home or having some kind of hybrid work schedule which could impact the company's office space footprint ultimately needed.

2020-2030 Longmont Area and Boulder Office-Based Employment Change X % of Office-Based Employment Located in Office Space (versus Industrial) X % of Office-Space Employees Working from Home / Hybrid Work Schedule = 2020-2030 Estimated Number of Employees Working in Office Environment

As illustrated in the figure below, the estimated gain in the number of employees working in an office environment during the period 2020-2030 was multiplied by an average amount of square feet per job that an employee typically occupies to estimate potential demand of office space in square feet.

The average square feet per employee metric varies by office type and is based on industry trends and accounts for the potential impact of COVID-19 on de-densification of office space.

This demand for office space was than adjusted based on a range of capture rates that the Longmont area market could "capture" of this Longmont area office-based employment growth and Boulder area office-based employment growth. These percentages were based on current market supply and demand conditions, competitive areas and market trends impacting office demand.

Please note that the office demand forecasted here could be accommodated through absorption of existing vacant and underutilized space, adaptive reuse of existing space, and, if financially viable, construction of new office space on a speculative basis or built to suit based on tenant needs. This demand is in addition to any built to suit office opportunities that arise from businesses looking to locate in the Longmont area.

2020-2030 Estimated Number of Employees Working in Office Environment X Average Square Feet Per Employee by Building Type = Potential Demand of Office Space X % of Office Space Captured in Longmont Area = Range of Demand of Office Space Captured in Longmont Area

LONGMONT AREA OFFICE EMPLOYMENT

Projected office-based employment for the Longmont area is forecasted to increase by 1,105 jobs between 2020 and 2030, or 7.6%, from 14,457 in 2020 to 15,562 in 2030 based on Emsi employment data.

Office-based jobs forecasted to see strongest growth during this period in the Longmont area are in the fields of health care and social assistance — offices of physicians, dentists, other health care practitioners (+15.7%), professional, scientific, and technical services (+14.2%), and management of companies and enterprises (+7.6%.

Estimated Office Jobs Located in Office Space

Within each industry supersector, some of the jobs are located within traditional office-based environments and other, while having an office component, may be located in industrial type space, such as warehouse/office, flex/R&D, or manufacturing facilities. Based on a review of each industry supersector, adjustments were made to the percent of those jobs located in primarily office space versus industrial space. For example, we assumed that 50% of Professional and Business Services (e.g. professional, scientific, and technical services, management of companies, and administrative and support industry sub-sectors) is located in office space while the remaining 50% would be located in non-office space, such as flex/R&D space that would be located in industrial properties.

Thinking longer term once the pandemic is under control and vaccinations are available, many leading experts in real estate believe that the prevalence of WFH should persist with some people working remotely 1-2 days per week, but the physical office will remain important as the locus on recruiting, culture and collaboration.

The degree to which workers working remotely (either full time or some kind of hybrid approach) also depends on the type of industry. For example, even though there may be an upswing in telehealth caused by the pandemic, we would assume that most medical office workers would need to be in a physical office space, but a technology worker may have more flexibility to work remotely from home, either full time or part time.

While the long term impact of the pandemic on how many people will work from home full time or part time in some type of hybrid work schedule is still uncertain, we assumed that, for example, 20% of professional, scientific and technical services would work from home, and 15% of financial activities sectors would work from home, but medical office workers are assumed to be in the office 95% of the time. These adjustments, in part, are based on a comprehensive review of leading real estate research into the impact of COVID-19 on the real estate market, as well as, discussions with real estate developers, lenders, brokers and other professionals in the field to ascertain their thoughts on how the pandemic will impact the office market in the long term.

Exhibit 55: Projected Office-Based Employment by Industry Supersector, Longmont Area, 2020-2030

Source: Emsi, CIVISTRUCT Strategy + Development

NAICS	Industry	2020 Jobs	2030 Jobs	2020 - 2030 Change	2020 - 2030 Change %	% Office-Based Employment (vs. Industrial)	% Work in Office (vs. Remote)	Adjusted Office Jobs Change
52	Finance & Insurance	1,175	1,171	(3)	-0.3%	100%	85%	(3)
53	Real Estate & Rental & Leasing	909	956	47	5.2%	100%	85%	40
54	Professional, Scientific, & Tech Services	5,443	6,217	774	14.2%	50%	80%	310
55	Management of Companies	521	561	40	7.6%	50%	95%	19
56	Administrative & Support/Waste Manage	3,846	3,734	(113)	-2.9%	50%	85%	(48)
62	Health Care & Social Assistance	2,329	2,695	366	15.7%	100%	95%	348
81	Other Services (except Public Admin)	234	228	(6)	-2.6%	100%	80%	(5)
	Total / Average	**14,457**	**15,562**	**1,105**	**7.6%**			**660**

Health Care and Social Assistance: Includes offices of physicians, dentists, other health care practitioners , and individual and family services
Other Services: Includes grantmaking and giving organizations, social advocacy organizations, civic and social organizations and business, professional, labor, political and similar organizations

Work from Home - Hybrid Work Schedule

The next adjustment to the office-based employment forecast is the potential longer term impact of the COVID-19 pandemic on the Work from Home (WFH) and flexible work schedule. A comprehensive review of research conducted by leading real estate groups finds a wide range of opinions on the longer term impact of the pandemic on how and where people work. Is WFH a real trend that will become permanent or will workers eventually go back to the office once the pandemic is under control?

After adjusting the office-based employment forecast by industry supersector to take into consideration the percent of jobs that would be located in an office building and the potential longer term impact of the COVID-19 pandemic on working remotely (full time or part time), the adjusted 10-year employment forecast for office-based employment in the Longmont area is approximately 660 office-based jobs. Most of this job growth is forecasted to be in the Professional, Scientific, and Technical Services and Health Care and Social Assistance industry supersectors.

BOULDER OFFICE EMPLOYMENT FORECAST

The Longmont area has the potential to capture job growth from the City of Boulder and surrounding communities. With limited site development opportunities in Boulder, higher lease rates, and Boulder workers that live in Longmont, businesses that are looking to grow or expand in Boulder may be looking at the Longmont area as an opportunity to locate their company.

Projected office-based employment for the Boulder area is forecasted to increase by 4,033 jobs between 2020 and 2030, or 13.2% during this period, from 30,615 in 2020 to 34,648 in 2030 based on Emsi employment forecast data.

Office-based jobs forecasted to see strongest growth during this period in Boulder are in the fields of professional, scientific, and technical services (17.4% growth), management of companies (10.5% growth), and real estate and rental and leasing (4.9%).

For the purpose of this analysis, we assumed no potential capture in job growth from Boulder area for health care and social assistance job growth (offices of physicians, dentists, other health care practitioners) and other services (except Public Administration) as we expect these jobs would remain in the Boulder area.

After adjusting the office-based employment forecast by industry supersector to take into consideration the percent of jobs that would be located in an office building and the potential longer term impact of the COVID-19 pandemic on working remotely (full time or part time) using the same methodology for the Longmont area office-based employment growth, the adjusted 10-year employment forecast for office-based employment in Boulder is approximately 2,582 office-based jobs. Most of this job growth is forecasted to be in the Professional, Scientific, and Technical Services industry supersector.

Exhibit 56: Projected Office-Based Employment by Industry Supersector, Boulder Area, 2020-2030

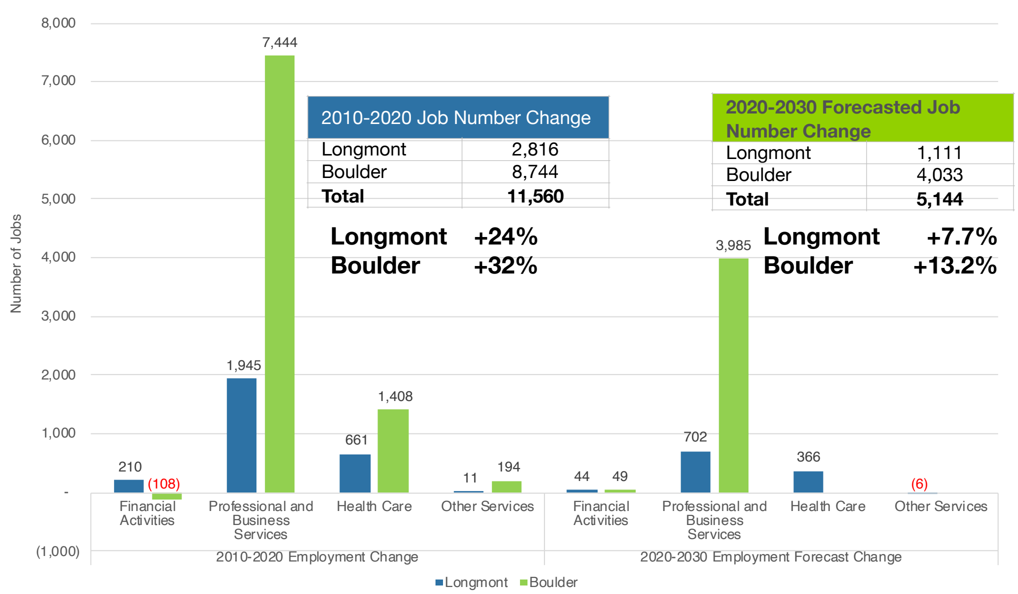
Source: Emsi, CIVISTRUCT Strategy + Development

NAICS	Industry	2020 Jobs	2030 Jobs	2020 - 2030 Change	2020 - 2030 Change %	% Office-Based Employment (vs. Industrial)	% Work in Office (vs. Remote)	Adjusted Office Jobs Change
52	Finance & Insurance	2,464	2,401	(63)	-2.6%	100%	85%	(54)
53	Real Estate & Rental &Leasing	2,306	2,418	112	4.9%	100%	85%	95
54	Professional, Scientific, & Tech Services	22,128	25,983	3,855	17.4%	50%	80%	1,542
55	Management of Companies	807	891	85	10.5%	100%	95%	40
56	Administrative & Support/Waste Manage	2,911	2,956	45	1.5%	50%	80%	19
	Total / Average	30,615	34,648	4,033	13.2%			1,643

Health Care and Social Assistance: Includes offices of physicians, dentists, other health care practitioners , and individual and family services
Other Services: Includes grantmaking and giving organizations, social advocacy organizations, civic and social organizations and business, professional, labor, political and similar organizations

Exhibit 57: Longmont and Boulder Office Employment Change by Industry Supersector (2010-2030)

Source: Emsi, Bureau of Labor Statistics



OFFICE MARKET DEMAND POTENTIAL

As noted previously, employment growth (or contraction) in office-based industries, location of jobs, densification (or de-densification), and remote working / flexible schedules, play a central role in determining demand for office space in a locality, whether through development of new office space, absorption (e.g. leasing up) of existing vacant or underutilized space, or adaptive reuse of existing space.

Based on Emsi employment forecast data, and taking into account the potential longer term impact of the COVID-19 pandemic on how and where people work, the Longmont area is projected to see an increase of 660 jobs in office-based employment between 2020-2030, while the Boulder area is projected to see an increase of 1,643 jobs in office-based employment over the same period.

Prior to the COVID-19 pandemic, the United States was seeing a decline in the amount of office space per employee. According to CoStar Portfolio Strategy, this "densification" of office space saw a reduction of U.S. office space per employee dropping from 197 square feet in 2010 to roughly 182 square feet in 2017.

Based on Longmont area's current market share relative to the larger market area, competitive office areas, economic and demographic trends, a low capture and high capture market scenario was provided to estimate a range of potential future office demand potential. The low capture market scenario assumes a challenging market and represents a more limited opportunity for the Longmont area to capture job growth demand. Conversely, a high capture market scenario assumes strong market conditions and strong opportunity to capture a greater share of the growth in office-based employment growth.

For the Longmont area job growth we assumed a low capture market scenario of 80% and a high capture market scenario of 90% of the Longmont area job growth as the Longmont area is the core job area in northern Boulder County. For the Boulder area job growth we assumed that the Longmont area could potentially capture some of this job growth due to its proximity to Boulder, lower costs and greater opportunities for new office construction and land development. We assumed a low capture market scenario of 5% and a high capture market scenario of 10% of the Boulder area job growth.

Exhibit 58: Projected Office Employment and Demand for Office Space, Longmont Area Market, 2020-2030
Source: Emsi, CIVISTRUCT Strategy + Development

	Adjusted Office-Based Employment 2020-2030 Change	Average Job per Sq. Ft.	Potential Office Demand Sq. Ft. (2020-2030)	Longmont Area Capture Rate		Potential Longmont Area Office Demand (Sq. Ft.)	
				Low	High	Low	High
Office Employment Growth (Longmont Area)	660	250	165,056	80%	90%	132,045	148,550
Office Employment Growth (Boulder)	1,643	250	410,645	5%	10%	20,532	41,065
Total Potential Office Space Demand in Longmont Area Market				**152,577**		**189,615**	
Annual Absorption Demand Potential				**15,258**		**18,961**	

However, the pandemic has reversed this trend as many real estate experts are saying that there will be a focus on less density in the office with workers spreading out, flexible schedules and some combination of work from home (at least in the near term). While it is too soon to see if these office design configuration and "de-densification" of the office environment will be permanent, for the purpose of this analysis, we assumed an average of 250 square feet per employee.

The Longmont area employment forecast is based on the 4 zip codes served by Longmont, which includes the City of Longmont, Niwot and portions of unincorporated Boulder County. This area is larger than the Longmont area as defined for this market study.

Overall, we estimate that the total potential office demand that could be captured in the Longmont area could range between 152,577 and 189,615 square feet over the next 10 years, or between 15,250 and 19,000 square feet annually.

This office demand could be accommodated through absorption of existing vacant and underutilized space, adaptive reuse of existing space, and, if financially viable, construction of new office space on a speculative basis or built to suit based on tenant needs. This demand is in addition to any built to suit office opportunities that arise from businesses looking to locate in the Longmont area.

WHAT ABOUT COWORKING IN A POST-COVID WORLD?

Prior to the COVID-19 pandemic, coworking played a disruptive role in office demand and was a growing trend for businesses and workers seeking a high-value amenity, flexible workspace.

Since the pandemic took hold, coworking has been walloped as work from home took off effectively creating ghost towns in coworking spaces. Since profitability in most coworking operators it tied to high density seating and rental arbitrage, the low utilization during the pandemic has driven some coworking operators to close or file for bankruptcy.

There has been alot of talk in the industry about how coworking will emerge post-COVID. Many industry experts are speculating that coworking is positioned to recover, and potentially thrive, in the long run as these spaces offer a flexible, lower-cost alternative for companies that need to downsize or "de-densify" their offices in a cost effective and timely manner. Coworking also provide services, support networks and amenities that continue to be vital for the success of small businesses and entrepreneurs.

Like prior to the pandemic, coworking spaces promoted community and local involvement. Post-COVID, this sense of togetherness is expected to play a key role in recovering from the pandemic. While the pandemic has for sure moved some of these workers to their home office and some are reluctant to go to any office at this time, including a coworking space, the nature of community, flexible arrangements and workplace agility that coworking provides should help coworking thrive into the future.

Cambridge Innovation Center, Rotterdam
Photo Credit: cic.com

LONGMONT AREA TARGET OFFICE OPPORTUNITIES

- **Longmont area's lower office cost alternative provides a competitive edge for continued growth in the Professional and Business Services (Business Catalysts) industry cluster,** such as consulting, data processing/hosting, architecture and engineering, marketing and design, looking to expand their business or open new business in the Longmont area.
- **Steady growth for medical office space** - Longmont's projected aging population growth (age 65+ forecasted 21% growth between 2020-2025) provides opportunities for increase in off-campus medical office building demand due to in-person services needed to serve aging and other populations.
- **Market to growing demand from technology companies looking for flex/office space to locate to the Longmont area -** approximately 57% of the 13.9 million square feet of office space in the Boulder/Broomfield market is occupied by technology companies, the largest concentration in the state. Longmont is well positioned to capture this demand, and potential spill over demand from Boulder, with its wide variety of office/flex space options, locations, and price points.
- **Downtown Longmont remains highly attractive destination for office users** - focus on developing new, or modernizing underutilized properties, to be competitive for office-based target industry needs and creating sustainable workspaces reflective of today's emerging office trends. Targeted tenants include: creative users, tech firms, start-up businesses, professional and business services. Downtown can be a growing location for satellite offices of larger firms, such as Data Ductus, looking to diversify their locations.

SUMMARY OFFICE MARKET OBSERVATIONS AND KEY FINDINGS

STRENGTHS

LOCATION

- **The Longmont area is centrally located within the Denver metropolitan and Northern Colorado markets** with easy access to Denver, Boulder, Fort Collins, Greeley, and Loveland. This is attractive for businesses wanting a central location to be closer to their customers, employees and suppliers.

ECONOMY & PEOPLE

- **The Longmont area has a growing population, diversified economy anchored by key industry clusters.** In 2019, Longmont was ranked #1 Boomtown in the US by SmartAsset in terms of its prosperity and robust development out of 500 of the nation's largest cities based on the following metrics: population change, unemployment rate, change in unemployment rate, GDP growth rate, business growth, housing growth and change in household income.

COMMUNITY INFRASTRUCTURE

- **Longmont provides a very competitive cost environment for businesses and residents.** This includes low electrical rates from the City-owned utility service, exceptional water and wastewater systems providing adequate water to residential and commercial users, to attractive lease rates and building pricing to more affordable housing in Boulder County.

- **NextLight, the citywide, community-owned, fiber-optic broadband network offers low cost, high-speed connections for residential and business customers.** This is particularly important for the rising demand of data centers, work from home businesses and office space that need high speed, dependable Internet connections.

- **Longmont's flexible commercial zoning** permits a wide range of uses in commercial zoning areas, including live-work and higher density residential within selected zoning districts, such as Mixed-Use Employment.

OFFICE MARKET TRENDS

- **Longmont area's attractive lease rates (e.g. lower) compared to competing areas provide attractive, lower-cost options for businesses looking to locate or expand in Boulder County.** Opportunities to capture potential spill-over demand from Boulder due to their limited supply and higher cost environment.

- **Longmont area's smaller office buildings (<10,000 square feet) has significantly lower vacancy rate (<3%) compared to larger office buildings (>21%)** which suggests potential pent up demand for smaller office space.

SUPPLY

- **Longmont's dominant inventory of Class B/C, single-story, flex type space is attractive to companies looking for lower cost flex space** to expand or locate, particularly tech companies who need flex space (opportunity to attract spill-over demand from Boulder).

OFFICE-BASED EMPLOYMENT DEMAND

- **Longmont (and Downtown) have a diverse office-based industry base with a high concentration of high-paying jobs in the Professional and Business Services, Technology and Information industry sectors** which support office-base employment.

- **Longmont area is forecasted to see the strongest growth in Professional and Business Services** between 2020-2030 (+774 jobs) which is expected to be the primary driver for office space.

EDUCATION

- **Longmont (and Boulder County) is a highly educated community with more than 45% of residents (18 and above) having a Bachelor's degree or higher.** High educational attainment is a key factor to supporting employment growth and office-based businesses looking to locate in Longmont area for targeted industry sectors such as Business and Professional Services, Technology, and R&D.

DOWNTOWN LONGMONT

- **Downtown Longmont is the commercial hub of the City with a strong sense of place** with a high concentration of innovative, creative, government and professional jobs that makes it a commercial center for the community.

- **Downtown is predominately service-oriented in term of businesses and employment with a higher percentage of high wage employment compared to the City.** More than 33% of downtown employees work in industries such as finance and insurance, information, real estate, and professional and business services.

- **Downtown's walkable, amenity rich environment with restaurants, retail shopping, entertainment and downtown housing provide an attractive location for new and expanding businesses seeking office space**.

CHALLENGES

OFFICE MARKET CONDITIONS

- **National office market downturn continues due to pandemic-induced recession with office market fundamentals deteriorating** through 3Q 2020 including 33.5 million square feet of *negative* net absorption (largest quarterly decline since 2001) and vacancy rate increasing to 14%.

- **Longmont area office market experienced similar challenging office market conditions to national market** with negative absorption (-37,780 square feet) and increasing vacancy (increased from 8.6% in Q1 2020 to 12.1% as of 3Q 2020), the highest office vacancy in the region.

- **Longmont area office market experiencing rise in office sublease space** as tenants vacate space due to the pandemic adding to negative net absorption and increasing office vacancy rate.

- **Tenant leasing challenges - finding tenants to occupy large blocks of office space.** Longmont area large office buildings (>50,000 square feet) have highest vacancy rate (21.3%) with 50% of the total vacant space (174,000 sq. ft.) in the Longmont area. Most new leases signed in Longmont area are for space 5,000 sq. ft. or less.

- **Current market rents in Longmont area (and Downtown) lower compared to competing Boulder/Broomfield office markets** and does not support new office construction without potential public-private partnerships.

BUILDING SUPPLY

- **Limited amount of modern office space in Longmont** constraint to capturing future growth and demand for office as outdated and functional obsolete space is not appealing to to today's growing businesses such as technology and professional and business services firms.

- **Longmont area has smaller office buildings and smaller office floorplates** when compared to other office comparable office markets in the region which limits opportunities to attract larger office users. Longmont area's average building size is 10,700 square feet compared to 20,300 for City of Boulder and 40,000 square feet+ for Broomfield/Denver NW market.

- **Older office space (average building age is 61 years old) that predominates the Longmont market is less adaptable**, with outdated HVAC and building improvements and other amenities, which limit the appeal of such space for today's modern office user.

- **Longmont lack of large blocks of office space for tenants (e.g. at least 2,500 sq. ft. In Longmont)** limits opportunities to attract larger office users.

- **Limited availability of pure Class A office space product in Longmont area** limits opportunities for national and regional office users looking for space in Longmont area.

- **Very limited new office product (that is not medical office) delivered in Longmont area in the past decade**, and only office currently under construction is build to suit medical office (UC Health).

- **Lack of highway access (I-25 and US 36) where a lot of competitive office development is occurring in region.**

OFFICE-BASED EMPLOYMENT DEMAND

- **Forecasted slower growth in office-based employment for Longmont area** (7.6% between 2020-2030) expected to limit demand for office space.

- **Uncertain longer term impact of pandemic on office space demand as a result of office de-densification, work from home and hybrid work schedules could reduce demand for office space.**

ENTITLEMENTS

- **Longer and more challenging entitlement process** (e.g. more uncertainty) to secure project approvals and permitting costs can negatively impact project pro formas and financial viability.

FINANCING

- **Tighter lending restrictions for office product** as a result of the pandemic makes it challenging to finance new speculative office product without significant pre-leasing.

- **Rising construction materials and labor costs** and availability putting upward pressure on new office construction feasibility.

- **Rising office tenant fit out costs** (close to $100 / sq. ft. for new construction) challenge for landlords (and for tenants who may be negotiating with landlord for sharing in these costs); may limit ability to attract entrepreneurial businesses who can't afford these higher costs.

OPPORTUNITIES

REAL ESTATE PRODUCTS

- **Medical office buildings (MOB) positioned for steady growth in wake of pandemic over next 10 years** as the number of people aged 65+ will grow by more than 21% in the Longmont area lifting the need for in-person medical services.

- **Provide a total Workpace Ecosystem of locations and experiences reflective of emerging workplace trends for today's workers and target industries** that support convenience, productivity, flexibility, functionality and employee well-being. These spaces includes work from home, office space, satellite offices, and coworking spaces.

- **Projected increased demand for data centers** as work from home and hybrid work schedules are expected to become a larger part of most company occupancy strategies post COVID. Data centers which provide cloud computing to connect with employees are an integral part of this technology and connectivity.

OFFICE-BASED EMPLOYMENT

- **Longmont area's lower office cost alternative provides a competitive edge for continued growth in the Professional and Business Services,** such as consulting, data processing/hosting, architecture and engineering, marketing and design, looking to expand their business or open new business in the Longmont area.

SPILL-OVER BOULDER DEMAND

- **Lower office rents and more flexible office space relative to Boulder and other competing office markets provide opportunities to attract new businesses and entrepreneurs seeking a lower cost, more flexible space environment.**

- **Strategic focus on expanding the Tech footprint in Longmont, attracting Technology tenants and users, particularly from the Boulder market** (50% of their office tenants are Tech companies), including landing a marquee technology company.

EMERGING TRENDS

- **Capitalize on emerging trend of projected suburban office growth and movement to medium-sized communities post-COVID**. The Longmont area is as an attractive, competitive destination to land high quality businesses seeking flexible office space with room to expand.

BUILD AND MODERNIZING SPACE

- **Transform older, outdated office space that predominates the Longmont market with modern, flexible, sustainable office space that is attractive to today's modern office user.** Integrate ESG features and health and safety improvements to distinguish office product in a post-COVID world.

- **Build larger, modern office product based on market opportunities and tenant demand.** Public-private partnerships and innovative funding sources may be needed to close the financial gap. Longmont area office market has one of the smallest average office building sizes (10,806 square feet) when compared to other competitive office submarkets.

PUBLIC-PRIVATE PARTNERSHIPS

- **While local and state government finances likely to be constrained for some time, opportunity to creatively work with local governments to help grow economic activity and repair fiscal health.** Providing high employment opportunities (with high quality office space) is one strategic action that the business community and government can work together.

DOWNTOWN LONGMONT

- **Downtown Longmont remains highly attractive destination for office users.** Opportunity to develop new and/or transform underutilized properties, including 2nd floor space, to be competitive for office-based target industry needs and creating sustainable workspaces reflective of today's emerging office trends. Targeted tenants include: creative users, tech firms, start-up businesses, professional and business services.

- **Downtown can be a growing location for satellite offices of larger firms**, such as Data Ductus which has a Downtown satellite office, looking to diversify their locations.

- **Capitalize on new residential development** (e.g. South Main Station) as a catalyst for new, flexible office space and working closer to where you live.

- **Potential opportunities to assemble land to create larger blocks for office/mixed use (re)development.**

- Facilitating the development of modern office and small-scale R&D space that appeals to creative/tech talent and makers will further reinforce **Downtown as an innovative and entrepreneurial hub within the City and region.**

THREATS

ECONOMY

- **Federal Congressional Budget Office (CBO) is forecasting a drop in GDP because of the COVID pandemic that will likely lead to a slow growth decade.** The CBO forecasts US GDP to average 1.7% from 2020 to 2030, down from the 1.9% 10 year forecast a year ago. This could impact everything from employment to production to business revenue that is likely to ripple through the economy, including lower growth potential for the US, regional and local office markets.

- **Anticipated slow recovery of US economy will continue to negatively impact office market fundamentals** (e.g. vacancy, absorption, lease rates, development activity) for the forseeable future for most office markets nationwide as businesses navigate an uncertain world post-COVID.

FINANCING MARKET

- **While the Fed has stepped in to help stabilize the capital markets during the pandemic, the pandemic has created a bifurcated market with some real estate product types, such as logistics/ warehouse, doing really well, and others, such as retail, being challenged.** Office financing is falling into the latter category as financing is really tight, and without a fairly significant pre-leasing, difficult to finance construction of new office product given the uncertainty in office demand at this time.

EMPLOYMENT

- **Limited forecasted office employment growth in the US which is expected to rise by only 0.7% per year on average over the next decade will curtail demand for new office space.** This is similar to the Longmont area office-based employment growth which is forecasted to increase 0.7% annually between 2020-2030.

- **Uncertainty in the economy post-COVID will find the US (and local) office markets with many unknowns that is expected to lower the demand for office space,** including how and when companies open their offices back up, what capacity they open back up to employees, employing work from home and hybrid work schedules, and finding a path forward in an uncertain environment.

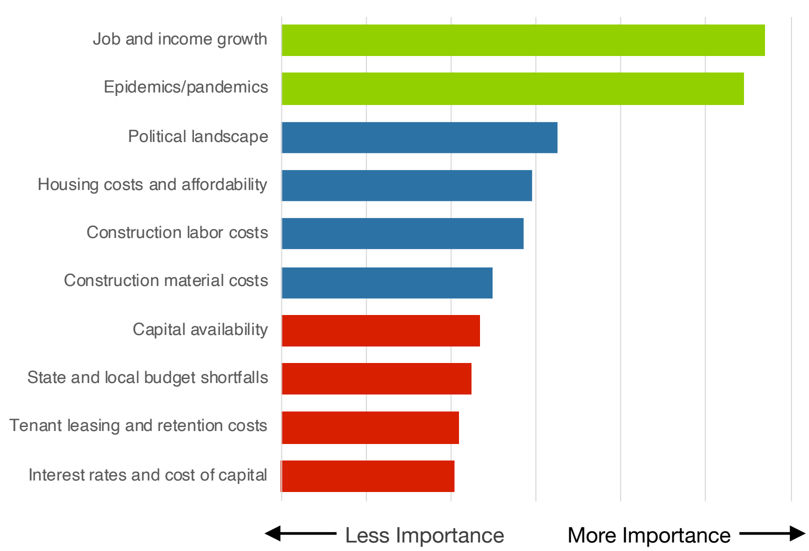
CONSTRUCTION

- **Rising construction labor costs and material costs and limited labor availability** has been cited as one of the top real estate / development issues moving into 2021 according to Emerging Trends in Real Estate. These rising construction costs and limited pool of qualified labor is expected to hurt project pro formas and development feasibility of new office products.

GOVERNMENT FINANCES

- **Pandemic has hit state and local government finances very hard which will be a strain on public services, including infrastructure, for the foreseeable future.** This reduction in fiscal revenue could limit opportunities for public-private partnerships on high priority projects, such as those providing high quality jobs to local communities.

Exhibit 59: Top 10 Importance of Issues/Concerns for Real Estate in 2021
Source: Emerging Trends in Real Estate (ULI and PwC)



Industrial Market

LONGMONT AREA INDUSTRIAL MARKET STUDY AREA

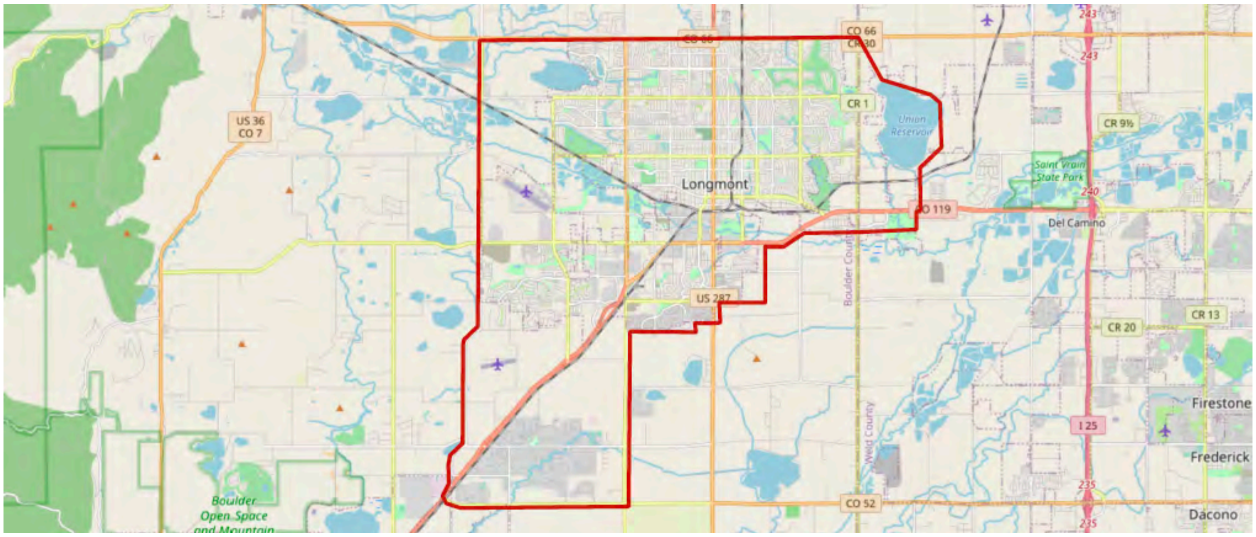
MARKET AREA BOUNDARY

The Longmont area industrial market is located within Boulder County as part of the broader Denver regional and Northern Colorado office markets.

This boundary is similar to the area of the Longmont Area office market. The area includes those properties within the City of Longmont boundaries, as well as, the Niwot area south along Highway 119, portions of unincorporated Boulder County west to Hygiene and portions of Weld County to the east, such as the Concepts Industrial Park sites, including Smucker's.

For the purpose of this analysis, we included the Northwest Denver and Broomfield submarkets, as well as, Fort Collins/Loveland and Weld County submarkets as part of the regional market overview. These submarkets are core areas within the region that are known to be competitive with the Longmont area and with each other in terms of attracting and keeping industrial tenants and users.

Exhibit 60: Longmont Area Industrial Market Study Area
Source: LEDP, CIVISTRUCT Strategy + Development



DEFINITIONS

The industrial statistics presented in this analysis are broken out by building type sub-classifications as defined by Catylist. They include all classes and all sizes of industrial buildings, and both multi-tenant and single-tenant buildings, including owner-occupied buildings.

Industrial sub-classifications reported in this analysis include:

Flex/R&D - One or two story industrial building featuring both Office space and Warehouse space with loading doors, where the primary focus is on the Office space. Typically has windows, at least 30% of the square footage used for office space, the front side of the building will be dedicated exclusively to Office space, with plenty of parking, usually less than 100,000 square feet. The office space in a Flex/R&D building will be of considerable quality and if viewed from its office side may resemble a class B office building.

Warehouse/Office - Industrial property that is split between Office and Warehouse space. The distinction between the Office and Warehouse space in one of these buildings may be less formal, and a remodel could easily change the layout. May still have warehouse space, doors, etc. Office space in an Warehouse/Office building may serve a more retail purpose than in dedicated Office buildings, but no Industrial building will have a proper storefront, at most a Warehouse/Office space will have a reception area for conducting business with customers.

Warehouse/Distribution - Industrial property, usually 20,000 square feet or larger, used primarily to store goods. Typically has multiple truck doors.

Manufacturing - Larger industrial building (usually over 50,000 square feet) with heavy power and minimal office. Main use of building is manufacturing goods.

Self Storage - Industrial building(s) with many small units leased to tenants on a short-term basis.

LONGMONT AREA INDUSTRIAL MARKET OVERVIEW

9 Million SF Inventory	14.6% Vacancy	$9.71 Market Rent, PSF	(176,693) Net Absorption, SF

The Longmont area industrial market comprises nearly 9.1 million square feet of industrial space in 279 buildings. Approximately 55%, or 5 million square feet, of this industrial space can be classified as Flex/R&D space. Warehouse/office space comprises nearly 2.6 million square feet of industrial space, representing 28% of the total Longmont area industrial inventory. Manufacturing spaces comprises 657,500 square feet of space (7% of inventory), followed by Warehouse/Distribution space with 423,400 square feet (5% of inventory).

Downtown Longmont's industrial market totals approximately 243,831 square feet of space, representing 2.7% of the total Longmont area industrial inventory. 77% of Downtown Longmont's industrial inventory is Warehouse/Office space (186,938 square feet), followed by Manufacturing with 31,729 square feet (13% of Downtown industrial inventory), Flex/R&D with 23,745 square feet (10%) and Self Storage with 1,400 square feet (0.1%).

Exhibit 61: Longmont Area Industrial Market Inventory, 3Q 2020

Source: Catylist, CIVISTRUCT Strategy + Development

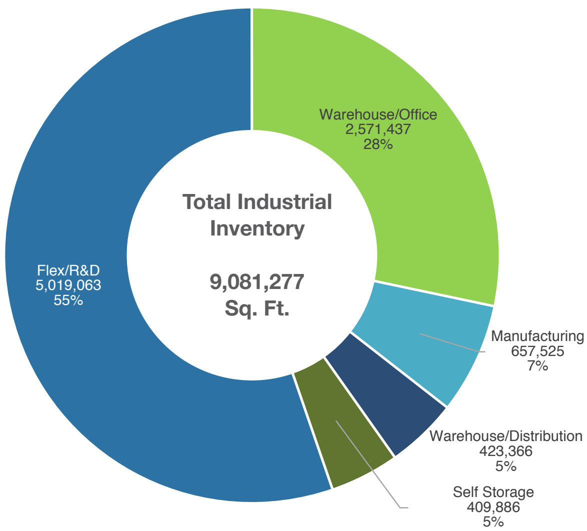


Exhibit 62: Longmont Area Industrial Market Overview, 3Q 2020

Source: Catylist, CIVISTRUCT Strategy + Development

	Longmont Area					Downtown Longmont				
Building Classification	# of Bldgs	Total Bldg Sq. Ft.	Vacant Sq. Ft.	Vacant %	Market Rent Per Sq. Ft. (NNN)	# of Bldgs	Total Bldg Sq. Ft.	Vacant Sq. Ft.	Vacant %	Market Rent Per Sq. Ft.
Flex/R&D	88	5,019,063	1,217,219	24.3%	$10.40	2	23,745	0	0%	NFL
Warehouse/Office	153	2,571,437	111,677	4.3%	$9.30	17	186,938	0	0%	NFL
Manufacturing	15	657,525	0	0.0%	$8.97	3	31,729	0	0%	NFL
Warehouse/Distribution	6	423,366	0	0.0%	NFL	0	0	0	0%	NFL
Self Storage	17	409,886	0	0.0%	NFL	1	1,419	0	0%	NFL
Total / Average	**279**	**9,081,277**	**1,328,896**	**14.6%**	**$9.71**	**23**	**243,831**	0	0%	

Note: NFL stands for "Not For Lease"; Average Listed Lease Rate is expressed as Triple Net (NNN)

As of the 3Q 2020, the Longmont area had approximately 1.3 million square feet of vacant industrial space, representing a 14.6% vacancy rate.

Vacant space was concentrated in the Flex/R&D sector with 1.2 million square feet, representing 92% of the total industrial space vacancy. Warehouse/Office space has a reported 4.3% vacancy with 111,677 square feet available. There was no reported vacancy for Warehouse/Distribution, Manufacturing or Self Storage space as of the 3Q 2020.

The Longmont area's average market lease rate (triple net) was $9.71 per square foot.

Flex/R&D had the highest average market rent of $10.40 per square foot followed by Warehouse/Office at $9.30 per square foot. Market rents for Specialized Industrial space was $8.97 per square foot. There was not any available market rent data for Downtown due to limited vacant space.

LONGMONT INDUSTRIAL VACANCY

The Longmont area industrial vacancy as of 3Q 2020 was 14.6% representing 1.3 million square feet of vacant space. Flex/R&D had the highest reported vacancy rate among building classifications with a reported vacancy rate of 24.3% with 1.2 million square feet vacant. The former Maxtor space (460,000 square feet) accounts for 34% of the vacancy in the entire industrial inventory. Warehouse/Office space has a reported vacancy of 4.3% with 112,000 square feet vacant. There was no reported vacancy in Manufacturing, Warehouse/Distribution or Self Storage Space. Downtown Longmont did not have any reported vacancy for its industrial space.

Longmont's industrial market entered 2020 on a high note. Prior to the COVID-19 pandemic, the Longmont area recorded several quarters of lower industrial vacancy, dropping down to 10.1% as of the 1Q2020.

However, as of the 3Q2020, the Longmont area's industrial vacancy rose to 14.6% as as market continued to experience negative absorption due to the COVID-19 pandemic that. The pandemic has given many industrial tenants pause on their utilization of space moving forward which is certainly expected to impact office impact at least in the near term.

As a side note, if you take the former Maxtor space (460,000 square feet) out of the industrial vacancy, the Longmont area industrial vacancy would drop to 9.6% (versus the current 14.6%).

Exhibit 63: Longmont Area Industrial Market Vacancy by Building Classification, 3Q 2020
Source: Catylist, CIVISTRUCT Strategy + Development

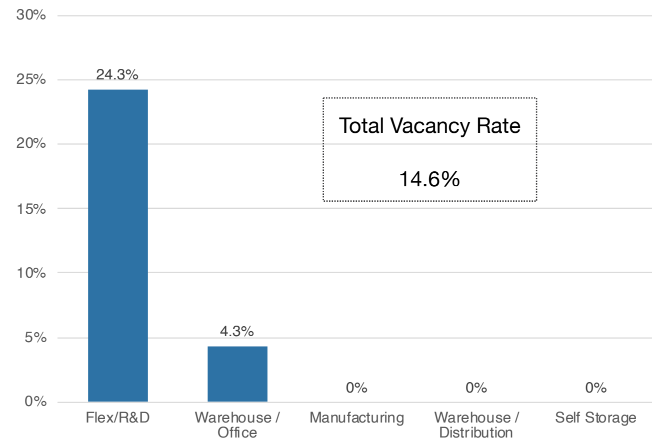
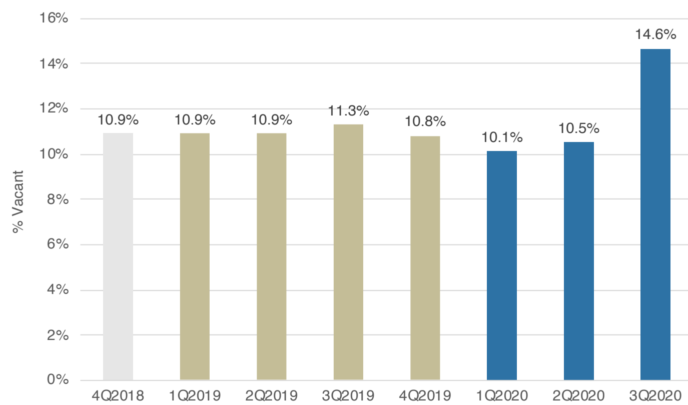


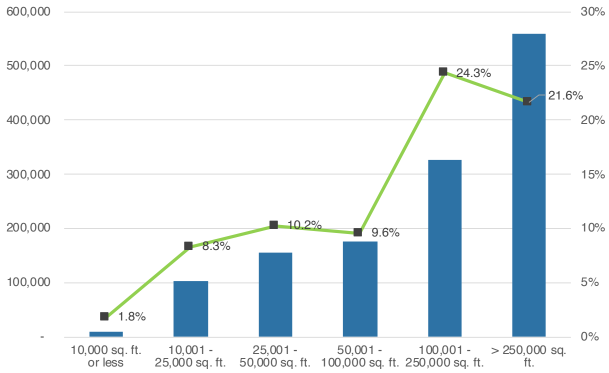
Exhibit 64: Longmont Area Industrial Vacancy, 4Q 2018-3Q 2020
Source: Catylist, CoStar CIVISTRUCT Strategy + Development, Arland




Former Maxtor space accounts for 35% of overall Longmont Area vacancy rate

Exhibit 65: Longmont Area Industrial Vacancy by Building Size, 3Q 2020

Source: Catylist, CIVISTRUCT Strategy + Development



Comparing the vacancy rate by industrial building size, large office buildings over 100,000 square feet have the highest vacancy rates in the Longmont area. Buildings 100,000 - 250,000 square feet have a reported rate of 24.3% vacant as of 3Q 2020 and buildings over 250,0000 square feet have a vacancy rate of 21.6%. Together these large vacant buildings represents nearly 67% (884,000 square feet) of the total vacant space in the Longmont area. Industrial buildings between 25,000 and 50,000 square feet (10.2%) and 50,000-100,000 square feet (9.5%) had lower vacancy rates compared to larger buildings.

Overall, smaller industrial buildings had a lower vacancy rate when compared to larger industrial buildings. For example, industrial buildings under 10,000 square feet in size had low reported vacancy rate at 1.8% and industrial buildings between 10,000 and 25,000 square feet had a vacancy rate of 8.3%.


6450 Dry Creek Parkway, Niwot
Industrial Flex Building
60,000 Sq. Ft. Vacant


7477 East Dry Creek Parkway Niwot
Former Crocs Headquarters building
99,000 Sq. Ft. Vacant

LONGMONT INDUSTRIAL RENTS

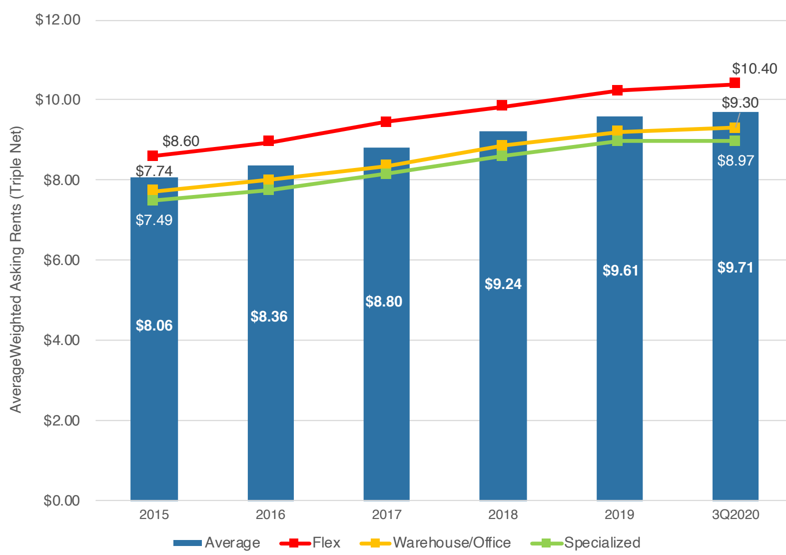
Longmont area industrial rents have continued their upward trajectory since 2015, increasing 20% from $8.06 per square foot (triple net) to $9.71 per square foot as of 3Q 2020. The pandemic has not had an immediate impact on rents as tenants and landlords are locked into lease agreements. Any potential impact to rents due to the pandemic would begin to show after lease agreement have ended and tenants renegotiate with landlords which would depend on when the leases expire.

Flex space have the highest industrial rents by product type, averaging $10.40 per square foot, increasing 21% since 2015. This is followed by Warehouse/Office space which average $9.30 per square foot (increase of 21% since 2015) and specialized industrial at $8.97 per square foot (increase of 20% since 2015) as of 3Q 2020.

Please note the the rents expressed here are triple net (NNN) rents. In a NNN lease, the tenant pays a base rental amount plus an additional rental charge for the tenant's pro rata share of common area charges, property taxes and insurance.

Exhibit 66: Longmont Industrial Rents (Triple Net), 2015-3Q 2020

Source: CoStar, CIVISTRUCT Strategy + Development, Arland



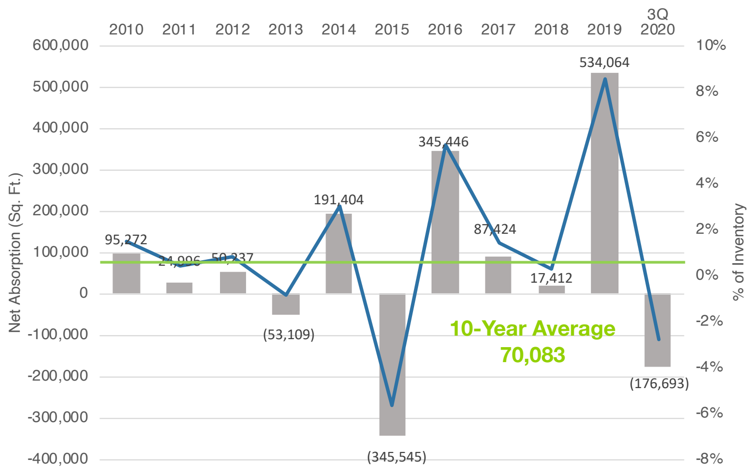
Note: Rents expressed as Triple Net (NNN)

LONGMONT NET ABSORPTION

Longmont area industrial absorption has averaged a +70,083 square feet per year over the past 10 years. This means that more space was leased up and occupied than vacated during this time period. Over the past 10 years the Longmont area has seen a wide swing of industrial net absorption each year ranging from -345,545 square feet in 2015 to a high of +534,064 square feet in 2019, when the Smucker's food production facility opened in Longmont.

As COVID-19 took hold in the US, the national and local industrial markets have been impacted in a negative way. Through 3Q 2020, the Longmont area has seen net absorption of -176,693 square feet as leasing activity has slowed and move-outs continued to accelerate this year which contributed to negative absorption in the third quarter, and pushed up vacancies materially.

Exhibit 67: Longmont Area Industrial Net Absorption, 2010-3Q 2020
Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland



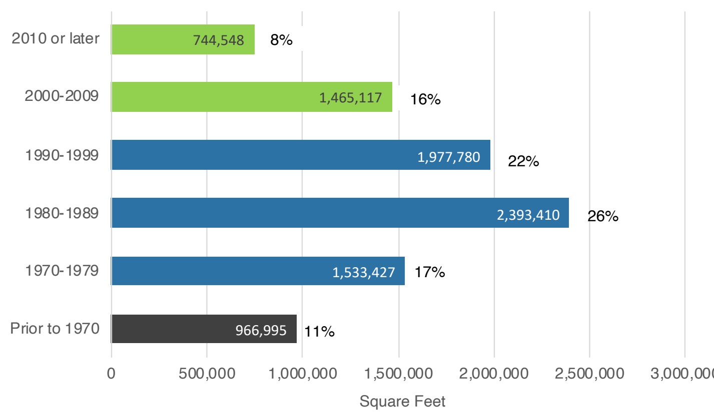
YEAR BUILT

The Longmont area industrial market is comprised primarily of older industrial buildings. There are an estimated 279 industrial buildings in the Longmont area totaling approximately 9 million square feet. Based on data from the Boulder County Assessor's Office, the average office building age is 41 years old (built in 1979).

There has been limited construction of new industrial product in the Longmont area market over the past decade. Only 744,548 square feet, representing 8% of the total Longmont area industrial inventory, has been constructed since 2010.

A large percent of the Longmont area industrial space was built in the 1980s where nearly 2.4 million square feet, representing 26% of the total inventory, was built. Conversely, 2.5 million square feet of industrial space, representing 28% of the total industrial space in the Longmont area market, was built prior to 1980. This older industrial space can be less adaptable, with outdated building improvements and other amenities, which can limit the appeal of such space for today's modern industrial user.

Exhibit 68: Longmont Area Industrial Square Feet by Year Built, 2020
Source: Catylist, Boulder County Assessor, CIVISTRUCT Strategy + Development




Micron Technology, 1900 Pike Road, Longmont

BUILDING SIZE

The Longmont area industrial market has larger industrial buildings, on average, when compared to other industrial submarkets in the region with the exception of Broomfield County. The average industrial building size for the Longmont area is 32,550 square feet compared to 30,000 square feet for the City of Boulder, 32,850 square feet for Boulder County, 27,074 square feet for the Denver Northwest market, 21,480 for Weld County and 22,554 square feet for the Fort Collins/Loveland submarket markets. Only Broomfield County with 34,214 square feet has an average larger building size. Downtown Longmont's average industrial building size is much smaller, averaging 9,900 square feet.

Nearly 40% of all the industrial buildings in the Longmont area, or 110 buildings, are less than 10,000 square feet in size. Nearly 70% of all the industrial building 25,000 square feet or less.

Only 5 including buildings in the Longmont industrial market are larger than 250,000 square feet. While totaling only 2% of the total number of industrial buildings, these larger industrial buildings comprise more than 2.5 million square feet of space, representing 28% of the Longmont area industrial inventory.

Exhibit 69: Longmont Area Industrial by Number of Buildings, 2020

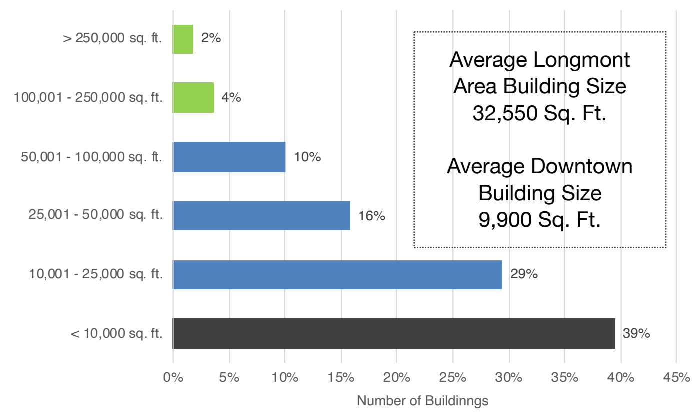


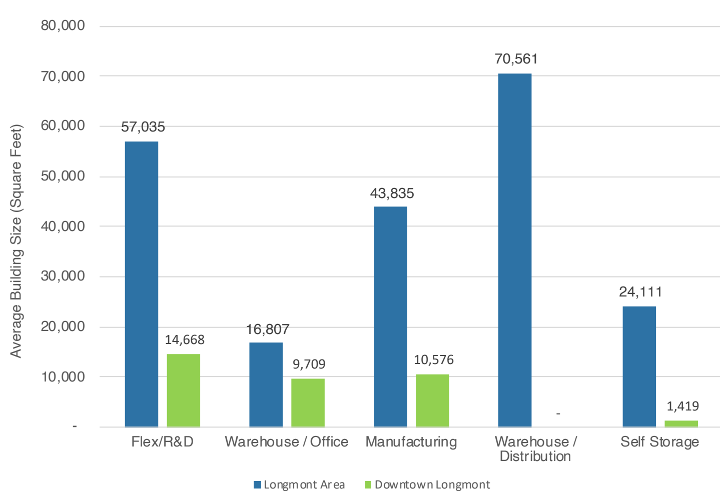
Exhibit 70: Longmont Area Industrial by Number of Buildings and Building Size, 2020

Source: Catylist, Boulder County Assessor, CIVISTRUCT Strategy + Development

	# of buildings	%	Total Sq. Ft.	%
< 10,000 sq. ft.	110	39%	573,318	6%
10,001 - 25,000 sq. ft.	82	29%	1,234,507	14%
25,001 - 50,000 sq. ft.	44	16%	1,511,595	17%
50,001 - 100,000 sq. ft.	28	10%	1,835,294	20%
100,001 - 250,000 sq. ft.	10	4%	1,338,907	15%
> 250,000 sq. ft.	5	2%	2,587,656	28%
Total	**279**	**100%**	**9,081,277**	**100%**

Exhibit 71: Longmont Area Industrial Building Size by Type, 2020

Source: Catylist, Boulder County Assessor, CIVISTRUCT Strategy + Development



Longmont area industrial space vary by building type. Warehouse / Distribution building are the largest industrial buildings as they are used to typically store vast amount of products, averaging 70,561 square feet. Flex / R&D industrial buildings are the second largest buildings in the Longmont area, averaging 57,035 square feet followed by Manufacturing building which average 43,835 square feet. Self-Storage (24,111 square feet average building size) and Warehouse/Office (16,807 square feet average building size) round out the Longmont industrial area inventory.

Downtown Longmont industrial buildings are much smaller averaging 9,990 square feet. Flex/R&D has the largest average building size at 14,668 square feet followed by Manufacturing (10,576 square feet), Warehouse/Office (9,709 square feet) and Self Storage (1,419 square feet).

REGIONAL INDUSTRIAL MARKET OVERVIEW

The Longmont Area office market is part of the greater Denver and Northern Colorado regional office markets. This large area includes dozens of office submarkets as far south as the Castle Rock area and north to the Wyoming border.

For the purpose of this regional overview we focused on those submarket proximate to the Longmont area and known to be competitive to the Longmont area in terms of attracting office tenants and users. This includes the Northwest Denver, Broomfield County, Boulder County, City of Boulder, Weld County and Fort Collins / Loveland office submarkets.

The Longmont Area Regional Market comprises more than 50 million square feet of industrial space in more than 3,300 industrial buildings. The largest industrial submarkets in the region include the City of Boulder with more than 12.3 million square feet of industrial followed by the Fort Collins/Loveland submarket with 11.3 million square feet. **The Longmont area industrial market is one of the smaller office submarkets comprising nearly 9.1 million square feet of space.**

Exhibit 72: Regional Industrial Market Inventory - Square Feet by Submarket, 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

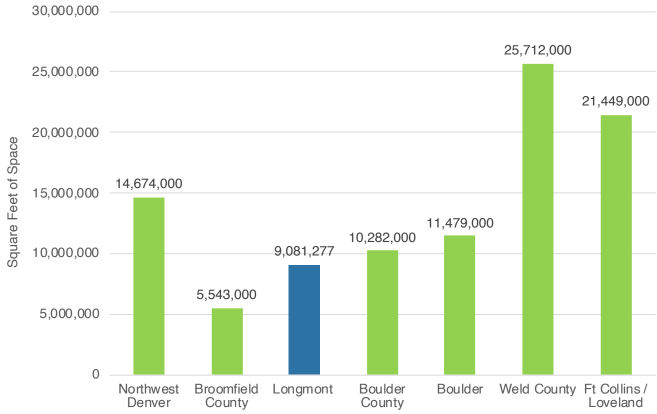


Exhibit 73: Longmont Competitive Market Area Industrial Overview, 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

Submarket	# of Buildings	Total Sq. Ft.	Average Building Size	Total Vacant	Vacancy %	Market Rent (Full Service)	12 Month Absorption
Northwest Denver	542	14,674,000	27,074	620,003	4.2%	$10.34	(129,329)
Broomfield County	162	5,543,000	34,216	520,233	9.4%	$10.99	224,197
Longmont	279	9,081,277	32,549	1,328,896	14.6%	$11.49	(32,851)
Boulder County	313	10,282,000	32,850	821,683	8.0%	$11.33	(165,311)
Boulder	383	11,479,000	29,971	677,702	5.9%	$13.21	(282,950)
Weld County	1197	25,712,000	21,480	1,273,767	5.0%	$10.32	(196,740)
Ft Collins / Loveland	951	21,449,000	22,554	961,173	4.5%	$10.16	(91,001)
Total	3,827	98,220,277	25,665	6,203,457	6.3%	$11.12	(673,985)

INDUSTRIAL VACANCY BY SUBMARKET

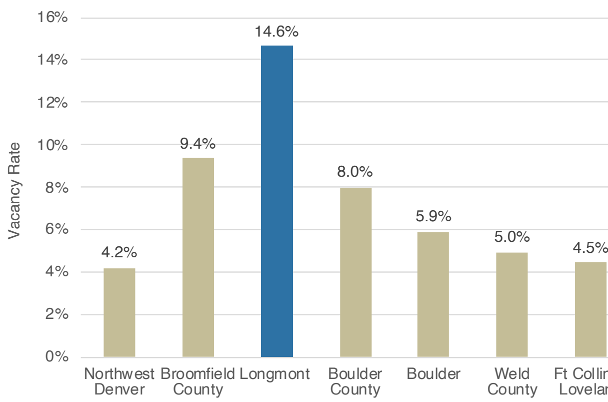
Nearly all competing industrial submarkets in the region saw increasing vacancy rates as the COVID-19 pandemic limited leasing activity and tenants continued vacate space, combined with new deliveries, that resulted in higher levels of negative net absorption.

As of the 3Q 2020, the Longmont area industrial vacancy rate was significantly higher compared to competing industrial submarkets. The Longmont area vacancy rate (14.6%) was higher compared to Boulder County (8%), City of Boulder (5.9%), Broomfield County (9.4%) and Northwest Denver (4.2%) submarkets. The Northern Colorado submarkets also recorded lower vacancy rates with Fort Collins / Loveland (4.5%) and Weld County (5%).

However, it should be noted that not including the vacant former Maxtor space (460,000 square feet) in the vacancy rate, the Longmont area's industrial vacancy rate would drop down to 9.6%.

Exhibit 74: Industrial Market Vacancy by Submarket, 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland



INDUSTRIAL RENT BY SUBMARKET

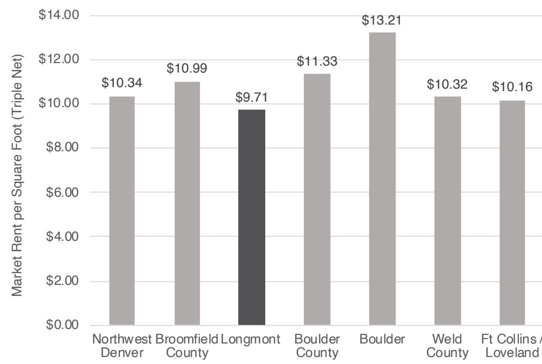
Longmont area industrial market lease rates are lower when compared to competing submarkets. Longmont's average market rent is $9.71 per square foot as of 3Q 2020 compared to an average of $13.21 per square foot for Boulder, $11.33 per square foot for Boulder County, $10.99 per square foot for Broomfield County and $10.16 per square foot for Fort Collins/ Loveland.

Longmont has a predominance of older industrial / flex buildings when may drive down the average market rents as compared to newer, modern products which can command higher rents.

Please note that this average lease rate is expressed as triple net (NNN) as compared to full service (gross) rents. In a NNN lease, the tenant pays a base rental amount plus an additional rental charge for the tenant's pro rata share of common area charges, property taxes and insurance.

Exhibit 75: Industrial Market Rents by Submarket, 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland



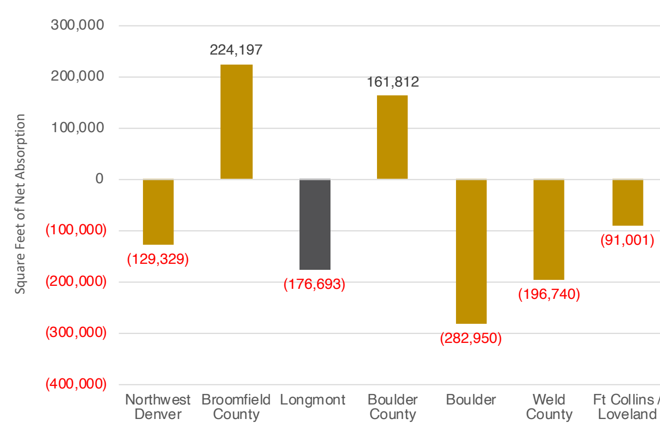
NET ABSORPTION BY SUBMARKET

The regional industrial market overall has felt the impact of COVID-19 as the area posted net absorption of -490,704 square feet as leasing activity slowed down, more sub-lease space became available as tenants moved out, and the area continued to see industrial-using job losses which impacted leasing demand.

With the exception of Boulder County (+161,812 square feet) and Broomfield County (+224,197 square feet), the other competing industrial submarkets recorded negative net absorption as of the 3Q 2020. This has been led by the City of Boulder with -282,950 square feet, followed by Weld County (-196,740 square feet), Longmont (-176,693 square feet), Northwest Denver (-129,329 square feet) and Fort Collins / Loveland (-91,001 square feet).

Exhibit 76: Industrial Net Absorption by Submarket, 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland



INDUSTRIAL DELIVERIES

Since 2010, there has been approximately 713,000 square feet of industrial space delivered in the Longmont area.

Nearly 60% of this delivered industrial space during this period has been manufacturing space with the new 416,776 square foot Smucker's plant that opened in 2019 in east Longmont. This food production facility focused on producing the Uncrustables sandwiches and recently was awarded the *2020 Food Engineering Plant* of the Year award.

In addition, the past decade has seen nearly 165,000 square feet of Warehouse/Office space (average building size 33,000 square feet), 62,000 square feet of Flex/R&D space (average building size 15,500 square feet) and 56,000 square feet of Self-Storage space delivered.

When looking at the competitive markets in the area, a total of 1.4 million square feet of new industrial space has been delivered as of 3Q 2020 in 41 buildings. The Weld County (474,000 square feet) and Boulder County (449,000 square feet) submarkets account for nearly 2/3rds of this newly delivered industrial space followed by the Fort Collins/Loveland (272,000 square feet), Broomfield County (184,000 square feet), and Northwest Denver (60,000 square feet) submarkets.

There has not been any recently delivered industrial space (past 12 months) in the Longmont and City of Boulder submarkets.

Exhibit 77: Longmont Area Industrial New Deliveries, 2010-2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

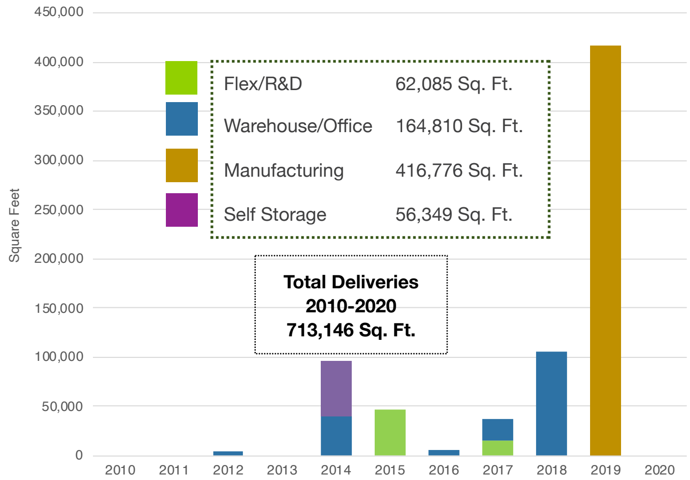


Exhibit 78: Industrial New Deliveries by Submarket (12 Months)

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

The J.M. Smucker Company's Longmont Facility
2020 Food Engineering Plant of the Year Award
Photo credit: Joel Eden Photography

INDUSTRIAL UNDER CONSTRUCTION

The Longmont area currently has two industrial sites under construction totaling 288,000 square feet. In May 2020, Smucker's broke ground on a 240,000 square foot second phase of the Uncrustables plant which will add 200 jobs to the plant's 250-person workforce.

Adjacent to Smucker's, a total of 48,000 square feet of flex space is currently under construction as part of the Sandstone Business Complex. The flex space is being built with three 16,000 square foot flex buildings targeted for built to suit users. The buildings are being targeted to food users or ancillary businesses that want to be near the Smucker's Uncrustables plant. There is also a 50,000 square foot indoor sports facility being constructed as part of this project.

Exhibit 79: Office Under Construction by Submarket, 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

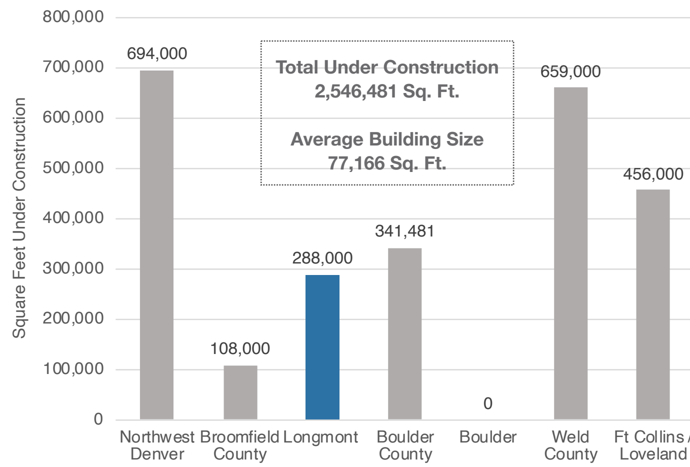


Exhibit 80: Competitive Market Area - Selected Industrial Under Construction, 3Q 2020

Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

Name	Address	City	County	Building Sq. Ft.
Smucker's Phase 2 Expansion	2900 Peak Avenue	Longmont	Weld	240,000
Sandstone Business Complex	SE corner Pinnacle and Peak Ave	Longmont	Weld	48,000
Louisville Corporate Campus - Bldg B	725 Tech Ct	Louisville	Boulder	146,318
The Collective - Bldg 2	199 S Taylor Ave	Louisville	Boulder	37,231
1495 Overlook Dr	1495 Overlook Dr	Lafayette	Boulder	8,667
Mountain Gateway - Bldg 2	11400 W Ridge Rd	Arvada	Jefferson	82,436
Mountain Gateway - Bldg 1	11400 W Ridge Rd	Arvada	Jefferson	59,731
11059 Dover St	11059 Dover St	Westminster	Jefferson	55,200
13794 I-25 Frontage Rd	13794 I-25 Frontage Rd	Mead	Weld	23,000
8312 Raspberry Way	8312 Raspberry Way	Frederick	Weld	8,248
Raspberry Hill Business Park Lot 14	0 Raspberry Way	Frederick	Weld	8,248
5988 Iris Pkwy	5988 Iris Parkway	Firestone	Weld	14,309

Currently, there is a total of more than 2.5 million square feet of industrial space under construction in 33 buildings in the region. The average building size is around 77,166 square feet. More than half of this space under construction is occurring in the Northwest Denver (694,000 square feet) and Weld County (659,000 square feet) submarkets. Nearly 70% of the Weld County industrial space under construction is pre-leased.

The Fort Collins/Loveland submarket is seeing nearly 456,000 square feet of industrial space under construction, of which 21% has been pre-leased. Boulder County has 341,481 square feet of industrial space under construction, most of this occurring in Colorado Technology Center in Louisville. Broomfield County has 108,000 square feet of industrial space under construction. Currently, there is no industrial space under construction in the City of Boulder submarket.

Aerial rendering view of Sandstone Business Complex
Photo credit: Colorado Real Estate Journal

Rendering of the flex space at the Sandstone Business Complex
Photo credit: Colorado Real Estate Journal

INDUSTRIAL SALES ACTIVITY

The Longmont area reported fewer industrial sales compared to previous years. Investment activity has has slowed since the pandemic struck as lenders and investors take a wait and see approach.

Based on data provided by Catylist and CoStar, the Longmont area reported 9 industrial sales in 2020 as of November at an average sales price of $127 per square foot. All of these sale were for small industrial Warehouse/Office space 20,000 square feet or less. These sales totaled approximately $11.5 million for a total of 90,466 square feet.

Longmont area industrial sales ($127 per square foot) that have transacted this year, on a square foot basis, are 17% less than Boulder Metro industrial sales ($148 per square foot on 39 transactions) which is the highest in the region. Denver Metro industrial sales averaged $140 per square foot on 555 transactions through 3Q 2020 and Weld County averaged $131 per square foot.

The Fort Collins / Loveland submarket saw average sales of only $80 per square foot for 77 transactions. The primary reason for the big drop in average sales price is that the Rocky Mountain Innovation Center, a 811,817 square foot flex property in Loveland, sold to a local owner RMCIT, LLC for $15.5 million, or $19 per square foot.

Exhibit 81: Industrial Sales by Submarket, 2020
Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

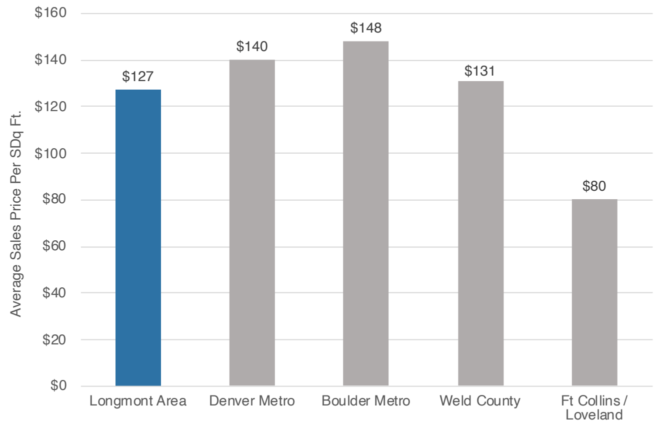


Exhibit 82: Longmont Area Industrial Sales, 2020
Source: Catylist, Costar, CIVISTRUCT Strategy + Development, Arland

Address	Type	Sales Date	Sale price	Space Sq. Ft.	Price / Sq. Ft.
1801 Lefthand Circle	Warehouse/Office	1/8/2020	$2,466,667	20,000	$123
1811 Lefthand Circle	Warehouse/Office	1/8/2020	$2,466,667	20,000	$123
1821 Lefthand Circle	Warehouse/Office	1/8/2020	$2,466,667	20,000	$123
26 S. Sunset St	Warehouse/Office	3/11/20	$2,000,000	15,000	$133
201 Price Road	Warehouse/Office	2/24/20	$433,750	3,156	$137
821 S Bowen St	Warehouse/Office	3/23/20	$325,000	1,300	$250
1100 Delaware Ave	Warehouse/Office	1/21/20	$222,000	1,550	$143
2117 18th Ave	Warehouse/Office	10/20/20	$120,000	1,004	$120
201 Murray Street	Warehouse/Office	7/7/2020	$995,000	8,456	$118
Total / Average			**$11,495,751**	**90,466**	**$127**

1821 Lefthand Circle sold as a portfolio of industrial flex space for $2.5 million
Photo credit: Catylist

NOTABLE LEASE TRANSACTIONS

While the pandemic has slowed down industrial leasing activity throughout Longmont and the Boulder region, there were a few notable leasing transactions that still occurred.

A review of Longmont area lease transactions that were executed in 2020 finds that most reported industrial leases are for space 10,000 square feet or less. A wide range of companies are represented including bioscience, brewing, home furnishings and manufacturing and apparel. Longmont's industrial leases were for smaller space when compared to other industrial leases signed in Boulder County.

In Boulder County, many of the larger lease transactions occurred in Louisville, in particular in Colorado Technology Center. This included Pro's Closet, a bicycle company, that leased 136,929 square feet at their facility in Louisville and Charlotte's Web, a cannabis company, leasing 113,280 square feet.

In the City of Boulder, two notable lease transactions executed in 2020 include Hain Celestial, a food and personal services company that manufactures, markets, and sells organic and natural products leasing 56,673 square feet and Front Range Biosciences, a leader in cannabis and hemp genetics and R&D, leasing 39,769 square feet.

Exhibit 83: Selected Notable Lease Transactions in Longmont and Boulder Area, 2020
Source: Catylist, CoStar, CIVISTRUCT Strategy + Development, Arland

Name	Type	Address	City	Sq. Ft. Leased
Longmont Area				
Chromadex	Bioscience	1751 S Fordham St	Longmont	9,980
CANarchy Craft Brewery Collective	Brewing	1820 Industrial Circle	Longmont	8,500
Verlo Mattress	Home Furnishings	455 Weaver Park Rd	Longmont	7,918
Holmes Cutting Horses	Pet Services	204 S Bowen St	Longmont	5,604
Whitewater West Industries	Manufacturing	1110 Boston Ave	Longmont	5,840
Uniform Tech	Apparel	1501 S Sunset St	Longmont	5,843
Boulder				
Hain Celestial	Food and Personal Care Services	6455 Spine Road	Boulder	56,673
Front Range Biosciences	Bioscience	6400 Lookout Road	Boulder	39,769
Boulder County				
The Pro's Closet	Sports/Bicycles	1900 Taylor Ave	Louisville	136,929
Charlotte's Web	Cannabis	600 Tech Ct	Louisville	113,280
Alpen Glass	Manufacturing	333-335 Centennial Pkwy	Louisville	58,000
Archer DX Inc.	Health Technology	333-335 Centennial Pkwy	Louisville	52,000
Sierra Nevada Corp.	Aerospace	321 S Taylor Ave	Louisville	34,843
Western Greens	Environmental Services	1753 Boxelder St	Louisville	19,473
Isolate Extraction Systems	Manufacturing	1886 Priairie Way	Louisville	15,671

CANarchy is a collection of like-minded brewers dedicated to bringing high quality, innovative flavors to drinkers in the name of independent craft beer. The portfolio of craft breweries includes Oskar Blues Brewery, Cigar City Brewing, Squatters Craft Brewers and Wasatch Brewery, Deep Ellum Brewing Company, Perrin Brewing Company and Three Weavers Brewing Company.

ChromaDex Corp. Is an integrated, global nutrachemical company devoted to improving the way people age. The company leverages its business units to discover, acquire, develop and commercialize patented and proprietary ingredient technologies that address the dietary supplement, food, beverage, skin care and pharmaceutical markets. ChromoDex, Inc. Is listed on the NASDAQ.

Uniform Technology is a leading source for reusable apparel for contamination control with a focus and integrity on bringing innovation and an ever-expanding product portfolio to the contamination control industry with leading edge and advanced products. This includes apparel for cleanrooms, paint stray, food processing, and sitewear.

VACANT COMMERCIAL LAND

Longmont has approximately 524 acres of commercially-zoned vacant land on 62 parcels that may represent opportunities for new office and industrial development. Nearly 80% of this land is zoned Mixed-Use Employment (MU-E) or Non-Residential - Primary Employment which permits a wide range of office, flex, manufacturing, and warehouse uses.

The higher intensity commercial vacant land permitted with the Mixed Use Employment and Non-Residential - Primary Employment zoning is concentrated in SW Longmont (around Xilinx and Dry Creek Road) and Western Longmont along Airport Road and 75th Street. The Main Street corridor contains approximately 34 acres of vacant land as part of the Mixed Use - Downtown and Mixed Use - Corridor zoning, which permits office, artisanal manufacturing and, to some extent, light industrial uses.

Vacant commercial land located within the Mixed Use - Regional Center zoning is primarily centered around the Village at the Peaks off of Hover Road and along Highway 119 adjacent to the Wal-Mart near County Line Road.

Exhibit 84: Longmont Vacant Commercial Land by Zoning Category
Source: Catylist, LEDP, CIVISTRUCT Strategy + Development

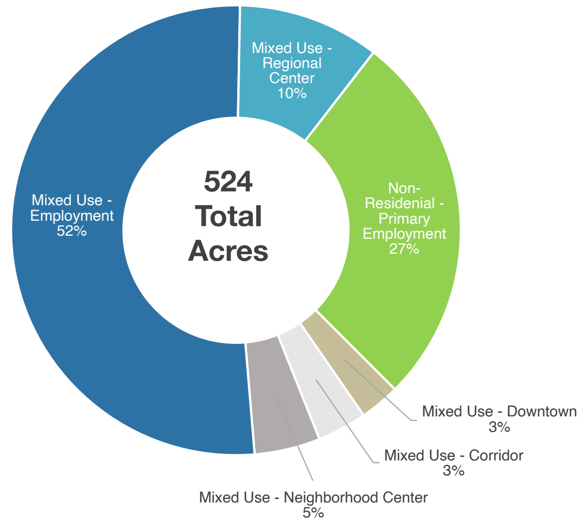


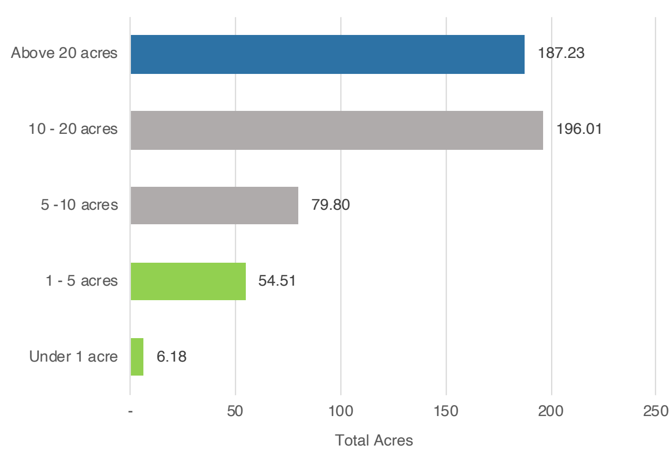
Exhibit 85: Longmont Vacant Commercial Land, 2020
Source: Catylist, LEDP, CIVISTRUCT Strategy + Development

Zoning	No. of Parcels	Total Acres	Average Parcel Size	Permitted Commercial Uses
Mixed Use - Downtown	6	15.14	2.5	Office, Retail, Artisanal Manufacturing
Mixed Use - Corridor	7	18.64	2.7	Office, Retail, Artisanal Manufacturing, Light Industrial (secondary use)
Mixed Use - Neighborhood Center	5	24.75	5.0	Office, Retail, Artisanal Manufacturing
Mixed Use - Employment	19	270.3	14.2	Office, Retail, Artisanal Manufacturing, Light Industrial, Medium Industrial, Warehouse, Wholesale Trade
Mixed Use - Regional Center	9	53.4	5.9	Office (secondary use), Retail, Artisanal Manufacturing
Non-Residential - Primary Employment	16	141.5	8.8	Office (secondary use), Artisanal Manufacturing (secondary), Light Industrial, Medium Industrial, Warehouse, Wholesale Trade
TOTAL	**62**	**523.73**	**8.4**	

The Longmont area average parcel size of commercially-zoned vacant land is 8.4 acres. The largest parcels are located in the Mixed-Use Employment zoning which average 14.2 acres followed by Non-Residential - Primary Employment zoning which average 8.8 acres.

Nearly 75% of the parcels are 10 acres in size or larger, primarily located in southwest and west Longmont. This presents opportunities to develop larger scale office and industrial uses, including warehouse and fulfillment space, should the market support new investment. Many of the smaller vacant land parcels are located along the Main Street corridor which has either downtown or corridor zoning.

Exhibit 86: Longmont Vacant Commercial Land by Parcel Size
Source: Catylist, LEDP, CIVISTRUCT Strategy + Development



EMERGING TRENDS IMPACTING LONGMONT AREA INDUSTRIAL MARKET

Prior to the COVID pandemic, industrial real estate was enjoying strong market conditions, with decreasing vacancies, rising pricing, strong absorption and new development.

While the pandemic has walloped all real estate property types to varying degrees, industrial real has performed relatively well throughout the pandemic as 2020 comes to an end. E-commerce continues it upward trajectory buoying warehouse demand and manufacturing is having it's moment with a resurgence in US based manufacturing.

One of the key themes that has emerged during the pandemic is that COVID-19 has accelerated the typical structural drivers of industrial, which includes e-commerce, speed-to-consumer supply chain strategies, and logistics users' adoption of high-throughput modern logistics facilities which are pushing products faster and more efficiently to the consumer.

In addition, the trend toward automation of manufacturing and distribution center operations will only deepen in the coming years.

AUTOMATION, ROBOTICS AND AI CONTINUES TO RESHAPE THE INDUSTRIAL MARKET

Emerging new technologies are transforming the industrial market from manufacturing to warehouse to fulfillment centers. Automated storage and retrieval systems, autonomous guided vehicles and robots are helping to increase industrial through-put (the time it takes for a product to pass through a manufacturing or fulfillment process) to help businesses become more adaptive, productive and cost-effective. Data analytics is helping to increase the efficiency of supply chains and helping developers make better locational decisions (e.g. "last mile"). However despite automation and AI, industrial properties will continue to employ human workers. Robots, sensor networks and AI are making the workplace safer and more efficient, and will allow human workers to focus on creative problem solving.


Photo credit: Emerj


SaltBox, Atlanta, GA
Photo credit: joinsaltbox.com

NEW MODELS FOR INDUSTRIAL DEVELOPMENT

The increase in demand for industrial real estate is causing developers, owners and operators to rethink their real estate needs. One of these emerging trends is the emergence of **warehouse or manufacturing-anchored mixed use developments**. For example, real estate technology start up SaltBox and ReadySpaces provide flexible warehouse space combined with coworking and fufillment space as a turnkey solution for small companies. This "Co-Warehousing for Modern Commerce" is creating a collaborative work environment for like-minded entrepreneurs.

Another industrial model gaining in popularity are **ghost kitchens**. These are facilities where virtual delivery-only food concepts are produced without a brick and mortar location. Their food is sold online and through delivery apps such as DoorDash and GrubHub. Food delivery has exploded in the past couple of years and the pandemic has only accelerated this, growing 300% faster than dine-in over the last 5 years. Ghost kitchens also enable restaurants to outsource all aspects of food delivery to large centralized locations where numerous restaurant brands can benefit from economies of scale through shared inventory, production and delivery services.


DoorDash Ghost Kitchen, Redwood City, CA
Photo credit: eater.com

BLURRING THE LINE BETWEEN RETAIL AND INDUSTRIAL REAL ESTATE

The pandemic and its accelerated impact on shrinking retail footprints and the rise of e-commerce is providing new opportunities for warehouse distribution space. As the amount of vacant retail space nationwide increases due to store closings, owners and operators of retail real estate are looking at options to repurpose their space. **One of the emerging trends is mixing retail with warehouse to provide that "last mile' warehouse space to enable product delivery to customers close by.** For example, Target and Walmart are experimenting with using space in their existing retail store for warehouse and distribution. However, there are many challenges to consider in these conversions, such as co-tenancy obligations, costs to convert a retail building to an industrial use, zoning regulations that may prevent such uses in a retail area.


Target Retail / Fulfillment Center, Burnsville MN
Photo credit: Fortune.com

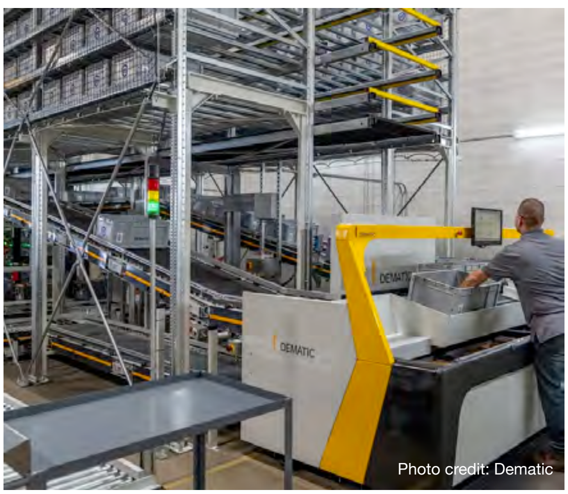


Photo credit: Dematic

RISE OF MICRO-FULFILLMENT CENTERS

Demand is soaring for smaller light-industrial warehouse of less than 120,000 square feet as e-commerce accelerates competition for industrial space closer to population centers. With the rise of e-commerce, warehouses have expanded beyond storing bulk inventory to become full-service fulfillment centers (hold products for shorter periods of time and shipped as quickly as possible). Nationally, on-line spending is expected to reach $150 billion in 2020 due to the effects of COVID-19. This has resulted in an increase in micro-distribution hubs located closer to consumers to increase the "speed to market". This shift in warehouse utilization has renewed demand for older, smaller warehouses located close to urban areas and primary transportation corridors. While these warehouses may not need to have the clear heights, dock to square footage ratios or yard space needed for modern large-scale logistics uses, they can accommodate fast moving and frequently ordered e-commerce inventory.

INCREASING IMPORTANCE OF SUSTAINABILITY INITIATIVES

Environmental, Social, and Corporate Governance (ESG) Initiatives have become a fundamental priority for industrial owners, customers and institutional capital partners in recent years and will continue to rise in importance. ESG refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business. This includes heightened awareness of a company's carbon footprint across their manufacturing or supply chain process, as well as, enhanced building features (e.g. LEED certification, alternative energy) that can help a company's bottom line while being increasingly sunstainable.

LONGMONT AREA INDUSTRIAL MARKET DEMAND POTENTIAL

The Longmont industrial market comprises several sub-classifications of industrial space each of which have their own drivers of demand for space. For the purposes of estimating industrial market demand, we looked at three sub-categories of industrial space:

(1) Flex/R&D
(2) Warehouse (also known as Logistics)
(3) Specialized Industrial (e.g. manufacturing)

These are the predominant types of industrial space found in the Longmont area, as well as, in the larger regional and national industrial markets.

The following table summarizes the primary drivers of demand for industrial space by sub-category. The COVID-19 pandemic has caused a disruption in the industrial market with supply chain disruption, cost escalations and workforce dislocations. There are may variables and uncertainties at this point to estimate industrial space demand, and this forecast is informed based on best available information and data, discussions with leading real estate experts and industry leaders, and reviews of surveys of hundreds of real estate professionals on how they think the COVID-19 pandemic and ensuing recession will impact the industrial market and employment, in the near term and in the long term.

The industrial market demand estimate methodology requires several informed assumptions, highlighting the fact that these projections are for planning purposes, not precise estimates or statements about the amount of industrial development that could occur in the Longmont area over the next decade.

Each of the industrial sub—categories have their own drivers of demand that help inform the location, type and amount of space needed. For example, future demand for Flex/R&D space is predominately based on employment growth in those industry sectors that locate in Flex/R&D space, such as Information, Construction, Professional and Business Services. Warehouse (Logistics) is based not only employment change in those industry sectors that service warehouse space, but also takes into locational attributes, building and site characteristics, industry production, operating efficiencies and historic and projected absorption trends. In particular, warehouse space has seen a growing impact due to the rise of e-commerce especially since the pandemic that is not directly correlated with employment growth.

Specialized Industrial (e.g. manufacturing) demand have their own factors that influence demand. Availability of affordable labor, access to raw materials, infrastructure, transportation access, and others factors of production are important factors in determining the location of manufacturing plants. Due to their unique nature and products produced, manufacturing facilities are often owner-occupied (not part of the competitive market in terms of leasing).

FLEX/R&D

- Designed to be used in a variety of ways in a flexible configuration
- Can include office, lab space, warehouse, showroom, light manufacturing, high-tech, data centers
- Hybrid space that does not fall into one category (e.g. office, warehouse)
- Characterized by higher ratio of employment to building square footage when compared to warehouse or manufacturing space

WAREHOUSE

- Large facilities typically with high ceilings, multi-level racking, and (increasingly) sophisticated inventory control systems for ordering and delivering products
- Typically single story buildings, but seeing increase in mezzanine space and multilevel structures
- Includes warehouses (for storage), distribution (for shipping to individual stores) and fulfillment (where employees download orders, pick items and ship them directly to customers)

SPECIALIZED INDUSTRIAL

- Manufacturing buildings house specialized equipment to produce finished materials or products
- Can range from light to heavy manufacturing depending on the process used to produce finished product
- Have unique building needs for electrical power, water, drainage, ventilation, product storage
- Primarily build to suit and owner occupied due to their unique requirements and building characteristics

FLEX MARKET DEMAND POTENTIAL

As the name describes, Flex space can be loosely defined as any building that is designed to service a variety of uses, such as office space, research and development, lab, showrooms, warehouse and light manufacturing. These buildings often have a warehouse door or loading dock with a higher ceiling height than office - typically around 14-16 feet tall. Flex space comes in all shapes and sizes and, because they have such variable uses, these types of buildings can very attractive to an array of businesses seeking space.

The projection of future demand for Flex/R&D space is predominately based on employment growth in those key industry sectors that locate in Flex space, such as Information, Construction, Professional and Business Services. Please note that some of these industry sub-sectors utilize traditional office space (such as Professional and Business Services) and we allocated a certain percent of employment change in this sub-sector to office space and a certain percent to Flex space based on sub-sector space trends, existing inventory, and market conditions. The employment projections were also adjusted to take into potential longer term impact of COVID-19 in terms of Work From Home, hybrid work schedules and de-densification of industrial space.

In addition to forecasted employment change in Flex-based industries, there are also other factors that come into play that impact how much space and where to locate, whether a speculative development or build to suit. These can include building and site characteristics, locational attributes, grant funding (for R&D space), labor pool access, wage rates and other economic development factors.

FLEX EMPLOYMENT SUPER-SECTORS

CONSTRUCTION

The Construction industry sector comprises those businesses involved in residential and nonresidential building construction, including large scale public works projects such as roadway construction, bridges, drainage and flood control, water and wastewater facilities, electric power generation, mass transit and similar projects. This super-sector comprises 7.7% of Longmont area employment, or approximately 4,500 jobs.

This industry has been considered an essential business during the pandemic and has been less impacted due to job losses. Single-family residential construction has been the driver in Colorado during the year, as non-residential and public infrastructure projects were more limited compared to prior years.

23	Construction
2361	Residential Building Construction
2362	Nonresidential Building Construction
2371	Utility System Construction
2372	Land Subdivision
2373	Highway, Street, and Bridge Construction
2379	Other Heavy and Civil Engineering Construction
2381	Foundation, Structure, and Building Exterior Contractors
2382	Building Equipment Contractors
2383	Building Finishing Contractors
2389	Other Specialty Trade Contractors

INFORMATION

The Information industry sector includes those companies responsible for the creation, distribution, and transmission of information. This includes newspaper and book publishers, motion picture and video industries, radio and television broadcasting, wired and wireless telecommunications carriers and other data processing and hosting services. This super-sector comprises 2.5% of Longmont area employment, or approximately 1,415 jobs.

Despite a relatively strong tech economy and increased need for data processing and wireless communication post COVID which is leading to job gains, these gains are projected to be offset by losses in the publishing and movie industries.

51	Information
5111	Newspaper, Periodical, Book, and Directory Publishers
5112	Software Publishers
5121	Motion Picture and Video Industries
5122	Sound Recording Industries
5151	Radio and Television Broadcasting
5152	Cable and Other Subscription Programming
5173	Wired and Wireless Telecommunications Carriers
5174	Satellite Telecommunications
5179	Other Telecommunications
5182	Data Processing, Hosting, and Related Services
5191	Other Information Services

PROFESSIONAL AND BUSINESS SERVICES

As described in the office market analysis, the Professional and Business Services super-sector industry includes a wide variety of sectors including Professional, Scientific, and Technical Services; Management of Companies and Enterprises; and Administrative and Support and Waste Management and Remediation Services. This super-sector comprises 17.1% of Longmont area employment, or approximately 9,800 jobs.

54	Professional, Scientific, and Technical Services
5411	Legal Services
5412	Accounting, Tax Preparation, Bookkeeping, and Payroll Services
5413	Architectural, Engineering, and Related Services
5414	Specialized Design Services
5415	Computer Systems Design and Related Services
5416	Management, Scientific, and Technical Consulting Services
5417	Scientific Research and Development Services
5418	Advertising, Public Relations, and Related Services
5419	Other Professional, Scientific, and Technical Services

55	Management of Companies and Enterprises
5511	Management of Companies and Enterprises

56	Administrative and Support and Waste Management and Remediation Services
5611	Office Administrative Services
5612	Facilities Support Services
5613	Employment Services
5614	Business Support Services
5615	Travel Arrangement and Reservation Services
5616	Investigation and Security Services
5617	Services to Buildings and Dwellings
5619	Other Support Services
5621	Waste Collection
5622	Waste Treatment and Disposal
5629	Remediation and Other Waste Management Services

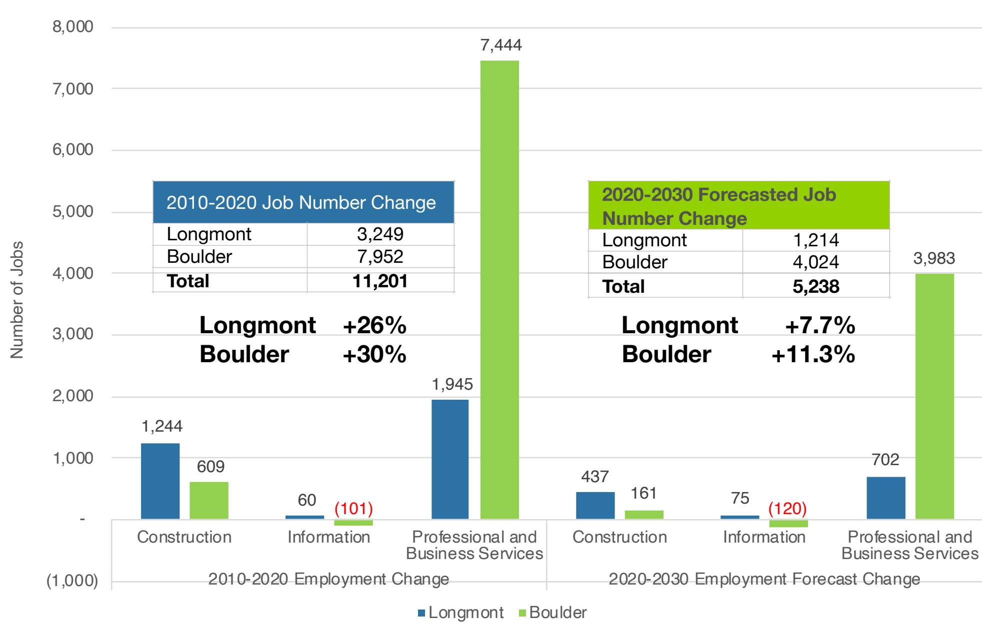
EMPLOYMENT FORECAST

Between 2010 and 2020, Flex/R&D employment saw strong employment increases, rising 26% in the Longmont area and 30% in the Boulder area. This resulted in an increase of more than 11,200 jobs in the Flex/R&D industry sectors.

However, employment increases in the Flex/R&D industry is forecasted to be slower during the 2020-2030 period as the industry recovers from the COVID-19 pandemic. The Longmont area is forecasted to see an increase of 7.7%, or 1,214 jobs, in the Flex/R&D sector during this period, while the Boulder area is forecasted to see slighted higher growth rate, increasing 11.3%, or 4,024 jobs during the 2020-2030 period.

For the Longmont area, Construction (9.8% increase) and Professional and Business Service (7.2%) is forecasted to see the strongest employment increase among the sub-sectors.

Exhibit 87: Longmont and Boulder Flex Employment Change by Industry Supersector (2010-2030)
Source: Emsi, Bureau of Labor Statistics



LONGMONT AREA FLEX EMPLOYMENT

Projected Flex-based employment for the Longmont area is forecasted to increase by 1,214 jobs between 2020 and 2030, or 7.7%, from 15,683 in 2020 to 16,897 in 2030 based on Emsi employment data.

Flex-based jobs forecasted to see strongest growth during this period in the Longmont area are in the Professional, Scientific and Technical Services industry (+14.2%), Construction (+9.8%) and Management of Companies and Enterprises (+7.6%).

We assumed the following allocation of Flex employment would be located in a Flex space (versus a traditional office or other environment): 100% of Construction related employment, 95% of Information related employment and 50% of Professional and Business Services employment. The remaining 50% of Professional and Business Services employment was allocated to traditional office space as detailed in the Office Market Analysis section.

Similar to the Office Market Analysis, the Flex-based employment forecast was adjusted to take into account the potential longer term impact of COVID-19 on remote work and hybrid work schedules. We assumed 50% of construction employment would be located in a Flex space (assume most of this work is on construction sites and not in a flex office), 95% of Information sector jobs on located in Flex space and 85% of Professional and Business Services are located in Flex Space.

Taking into the account these modifications to the Flex-based employment forecast, the adjusted change in employment that would be located in a Flex space is 565 jobs during the 2020-2030 period. Employment in the Construction and Professional, Scientific and Technical Services account for the majority of this job growth.

Exhibit 88: Projected Flex-Based Employment by Industry Supersector, Longmont Area, 2020-2030

Source: Emsi, CIVISTRUCT Strategy + Development

NAICS	Industry	2020 Jobs	2030 Jobs	2020-2030 Change	2020-2030 Change %	% Industrial-Based Employment (vs. Office)	% Work in Industrial Space (vs. Remote)	Adjusted Industrial Jobs Change (2020-2030)
23	Construction	4,458	4,895	437	9.8%	100%	50%	219
51	Information	1,415	1,490	75	5.3%	75%	95%	54
54	Professional, Scientific & Tech Services	5,443	6,217	774	14.2%	50%	85%	329
55	Management of Companies	521	561	40	7.6%	50%	85%	17
56	Administrative & Waste Management	3,846	3,734	(113)	-2.9%	50%	95%	(54)
	Total / Average	15,683	16,897	1,214	7.7%			565

BOULDER FLEX EMPLOYMENT FORECAST

As noted in the Office Market Analysis, the Longmont area has the potential to capture job growth from the City of Boulder and surrounding communities. With limited site development opportunities in Boulder and higher business costs, businesses that are looking to grow or expand in the Boulder area may be looking at the Longmont area as an opportunity to locate their businesses.

Projected flex-based employment for the Boulder area is forecasted to increase by 4,024 jobs between 2020 and 2030, or 11.8% during this period based on Emsi employment forecast data.

After adjusting the flex-based employment forecast by industry supersector to take into consideration the percent of jobs that would be located in a flex building and the potential longer term impact of the COVID-19 pandemic on working remotely (full time or part time) using the same methodology for the Longmont area office-based employment growth, the adjusted 10-year employment forecast for flex-based employment in Boulder is approximately 1,690 flex-based jobs. Most of this job growth is forecasted to be in the Professional, Scientific, and Technical Services industry sector.

Exhibit 89: Projected Flex-Based Employment by Industry Supersector, Boulder Area, 2020-2030

Source: Emsi, CIVISTRUCT Strategy + Development

NAICS	Industry	2020 Jobs	2030 Jobs	2020-2030 Change	2020-2030 Change %	% Industrial-Based Employment (vs. Office)	% Work in Industrial Space (vs. Remote)	Adjusted Industrial Jobs Change (2020-2030)
23	Construction	2,549	2,710	161	6.3%	100%	50%	81
51	Information	5,705	5,584	(120)	-2.1%	75%	95%	(86)
54	Professional, Scientific & Tech Services	22,128	25,983	3,855	17.4%	50%	85%	1,639
55	Management of Companies	807	891	85	10.5%	50%	85%	36
56	Administrative & Waste Management	2,915	2,957	43	1.5%	50%	95%	20
	Total / Average	34,103	38,126	4,024	11.8%			1,690

FLEX MARKET DEMAND POTENTIAL

As noted previously, employment growth (or contraction) in flex-based industries, location of jobs, densification (or de-densification), and remote working / flexible schedules, play a central role in determining demand for flex space in a locality, whether through development of new flex space, absorption (e.g. leasing up) of existing vacant or underutilized space, or adaptive reuse of existing space.

For the purposes of this analysis, we assumed that Construction workers average 500 square feet per employee, while Information and Professional and Business Services average 250 square feet per employee.

Based on Longmont area's current market share and competitive strength relative to the larger market area, competitive areas, a low capture and high capture market scenario was provided to estimate a range of potential future flex space demand potential.

The low capture market scenario assumes a challenging market and represents a more limited opportunity for the Longmont area to capture job growth demand. Conversely, a high capture market scenario assumes strong market conditions and strong opportunity to capture a greater share of the growth in flex-based employment growth.

For the Longmont area job growth we assumed a low capture market scenario of 80% and a high capture market scenario of 90%. For the Boulder area job growth we assumed that the Longmont area could potentially capture some of this job growth due to its proximity to Boulder, lower cost of business and greater opportunities for new flex construction and land development. We assumed a low capture market scenario of 5% and a high capture market scenario of 10% of the Boulder area job growth.

Exhibit 90: Projected Flex Employment and Demand for Flex Space, Longmont Area Market, 2020-2030
Source: Emsi, CIVISTRUCT Strategy + Development

NAICS	Industry	Adjusted Industrial-Based Employment 2020-2030 Change	Average Job per Sq. Ft.	Potential Industrial Demand Sq. Ft. (2020-2030)	Longmont Area Capture Rate		Potential Longmont Area Industrial Demand (Sq. Ft.)	
					Low	High	Low	High
23	Construction	131	500	65,565	80%	90%	52,452	59,009
51	Information	54	250	13,438	80%	90%	10,750	12,094
54	Professional, Scientific & Tech Services	329	250	82,288	80%	90%	65,831	74,060
55	Management of Companies	17	250	4,229	80%	90%	3,383	3,806
56	Administrative & Waste Management	-54	250	(13,389)	80%	90%	(10,711)	(12,050)
	Total / Average	477		152,132	Total demand		121,705	136,919
					Annual demand		12,171	13,692

Exhibit 91: Projected Flex Employment and Demand for Flex Space, Boulder Area Market, 2020-2030
Source: Emsi, CIVISTRUCT Strategy + Development

NAICS	Industry	Adjusted Industrial-Based Employment 2020-2030 Change	Average Job per Sq. Ft.	Potential Industrial Demand Sq. Ft. (2020-2030)	Longmont Area Capture Rate		Potential Longmont Area Industrial Demand (Sq. Ft.)	
					Low	High	Low	High
23	Construction	32	500	16,122	5%	10%	806	1,612
51	Information	-86	250	(21,437)	5%	10%	(1,072)	(2,144)
54	Professional, Scientific & Tech Services	1,639	250	409,643	5%	10%	20,482	40,964
55	Management of Companies	36	250	8,981	5%	10%	449	898
56	Administrative & Waste Management	20	250	5,081	5%	10%	254	508
	Total / Average	1,641		418,391	Total demand		20,920	41,839
					Annual demand		2,092	4,184

FLEX MARKET DEMAND POTENTIAL

Projected employment growth in Flex-based industries is expected to be the primary driver of demand for Flex space in the Longmont market. Certainly, there are variables that impact Flex demand and decisions for where businesses locate. These include locational factors (located in urban or suburban business park setting), building and site characteristics (does the building need to be updated?), access to high quality labor pool, and other variables that companies evaluate when making business decisions.

Based on the projected growth in Flex-based employment, we estimate that the total potential Flex demand that could be captured in the Longmont area could range between 150,000 and 250,000 square feet over the next 10 years, or between 15,000 and 25,000 square feet annually.

This Flex demand could be accommodated through absorption of existing vacant and underutilized space, adaptive reuse of existing space, and, if financially viable, construction of new flex space on a speculative basis or built to suit based on tenant needs. This demand is in addition to any built to suit office opportunities that arise from businesses looking to locate in the Longmont area.

Longmont Area Estimated Annual Demand for Flex Space (Sq. Ft.)		
	Low	High
Annual Demand	15,000	25,000
10 year demand potential	150,000	250,000

LONGMONT AREA TARGET FLEX SPACE OPPORTUNITIES

- **Modern, adaptable industrial/flex space to accommodate a variety of uses** - growing demand in Colorado for Class A space that has minimum 24 foot clear height, multiple loading capabilities, environmentally sustainable design, advanced sprinkler systems and flexible design configurations to accommodate office, warehouse, manufacturing and distribution.
- **Capitalize on continued growing demand from technology companies for flex/ industrial space to locate to Longmont area -** Boulder/Broomfield is the technology hub in the State of Colorado. Technology demand includes software development, hardware manufacturing, e-commerce, business services, cloud computing and others. As of Q2 2020, more than 50% of tenant demand in Boulder/Broomfield is from technology companies.
- **Recruit technology companies looking to locate satellite offices from coastal markets to Longmont for flex/office space -** growing demand for the hub-and-spoke model for multiple office locations for larger companies looking to diversity their locations.
- **Flex space design focused on sustainability, employee wellbeing, health and safety** - focus on developing or modernizing flex space that employs advanced HVAC systems, touchless technology, sensors and other innovations to improve building safety will support greater worker productivity, flexibility and well-being.
- **Actively seek "transplant tenants" from various businesses moving to Colorado and the Denver region seeking flex space -** recruit national and regional industrial developers to bring new flex product to the Longmont area market.
- **Growing life sciences R&D sector** - Denver/Boulder metro area ranked 13th nationally for top life sciences market based on its employment base, leasable lab space, and funding capture rates. The Longmont area has large blocks of vacant flex space that could accommodate a large scale life sciences / R&D user (e.g. former Maxtor space).
- **Explore mixed use opportunities for adaptive reuse of existing large flex space buildings -** some of the existing industrial / flex space may be obsolete for today's users. Property owners and developers have the opportunity to transform some of this obsolete space to mixed use (e.g. residential) as permitted by the City's Land Development Code.

WAREHOUSE (LOGISTICS) MARKET DEMAND POTENTIAL

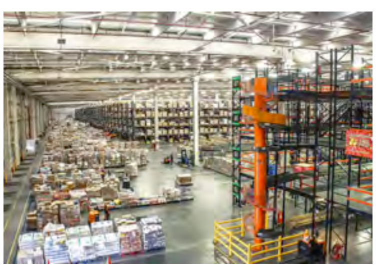
The underlying determinants of determining warehouse demand are complex, have changed over time and are continuing to change especially with the rise of e-commerce. While office and flex-based demand is based predominantly on employment change within those industries that occupy that type of space, estimating warehouse demand is more complex. "Warehouse-based employment" is difficult to ascertain based on traditional NAICS employment classifications. For example, the Manufacturing sector includes employment in both production and warehousing facilities. Many workers in Wholesale Trade and Transportation and Warehousing and warehousing do not work in warehouse facilities. In addition, many workers in retail industry are warehouse workers, but counted in the retail industry (e.g. big box retailers that use warehouse type facilities for their retail stores and use the upper racks for storage).

There are many economic and real estate variables that go into determining warehouse demand and space to accommodate this demand. Research has shown that using warehouse-based employment solely as a proxy to estimate demand of warehouse space is not entirely accurate. Other economic and real estate that impact demand include area population growth, building and property characteristics, locational attributes, access to population centers, replacement demand, financial factors, and economic development variables.

The Longmont area warehouse/logistics demand projection takes into the account these factors with a focus on historic and projected net absorption trends for the Longmont area, to a limited extent warehouse-based employment change for the period 2020-2030, and the increasing impact of e-commerce on the warehouse market.

Warehouse (Logistics) Demand Factors
• **Building and property characteristics** (e.g. building age, condition, ceiling heights, structure size, column span, number of dock doors, number of drive-in doors, sprinklers, parking area, truck service area, ability to expand)
• **Locational attributes** (e.g. close to highways, ports, urban, suburban or rural location, nature and quality of the neighborhood and area in general)
• **Access to labor and population centers** where manufacturers/distributors can position their product for quick packaging and shipment to retail centers and consumers
• **Technological improvements** (e.g. robotics, AI, data analytics) that improve efficiencies of warehouse space
• **Replacement demand** due to obsolescence of existing buildings (e.g. buildings not up to date, ceilings too low, limited docking doors)
• **Businesses moving from lower cost non-industrial space** (e.g. start ups, entrepreneurs working out of the house)
• **Economic development factors** such as access to adequate labor, employment growth rates (or contraction), wage rates, industry mix (location quotient), energy costs, educational attainment, age of firms, and employee drive times
• **Financial factors** such as revenue potential of the property, business net operating income, profitability, taxes, government regulations
• **International issues** such as tariffs, currency exchange rates, trade barriers, foreign wage structure, geo-political factors, import/export activity
• **Historic absorption and development trends** within industrial regional and sub-market

GENERAL PURPOSE WAREHOUSE



- Primary use is storage of products
- Includes bulk warehouse, refrigerated or cold storage, freezer storage, and high cube storage
- Clear height typically 16 feet or higher
- Office typically comprises 15% or less of total space

FULFILLMENT CENTER

- Building designed for delivery of products directly from warehouse to consumer
- Size can range from 100,000 to 1 million square feet +
- Average 32 feet clear height
- Office typically comprises 20% or less of total space

GENERAL PURPOSE DISTRIBUTION

- Primary use is distribution of goods with minimal time spent in storage
- Subsets include air cargo and overnight delivery services
- Clear height typically 16 feet or higher
- Office typically comprises 20% or less of total space

Warehouse-Based Employment Demand

One of the demand factors assessed was the projected change in warehouse-based employment between 2020-2030 based on employment data provided by Emsi. We examined warehouse-based employment change for those industries that locate jobs in warehouse/logistics space, including the Wholesale Trade, Transportation and Warehousing, Manufacturing (assumed 30% of those job are located in warehouse facilities) and Retail (assumed 30% of those jobs are located in warehouse facilities).

Another factor we took into consideration is that the Longmont area has the potential to capture a limited amount of potential warehouse demand from Boulder due to Boulder's high costs and limited land and building availability.

Employment growth in these industries is forecasted to be limited over the next few years as the Longmont area and nation recover from the COVID-induced recession and jobs losses are slowly recovered, but are forecasted to pick up once the nation returns to some sense of normalcy with vaccinations in place.

According to Emsi projections, the adjusted projected Longmont area employment change between 2020-2030 is 102 warehouse-based jobs and for the Boulder area is 637 warehouse-based jobs. Assuming that 80-90% of the Longmont area jobs could be captured in Longmont and 10-20% of the Boulder area warehouse-based employment growth could be captured in the Longmont area results in potential warehouse demand of 72,800 - 110,000 square feet between the 2020-2030 period.

Exhibit 92: Warehouse-Based Employment Demand Forecast (2020-2030)

Source: Emsi, CIVISTRUCT Strategy + Development

	2020 Jobs	2030 Jobs	2020-2030 Change	Adjusted Employment Change*	Average Job per Sq. Ft.	Potential Industrial Demand Sq. Ft. (2020-2030)	Longmont Area Capture Rate		Potential Longmont Area Warehouse Demand (Sq. Ft.)	
							Low	High	Low	High
Longmont Area	14,486	14,780	294	102	500	51,212	80%	90%	40,969	46,090
Boulder Area	23,835	24,678	843	637	500	318,538	10%	20%	31,854	63,708
								Total	**72,823**	**109,798**

* assumes 100% of Wholesale Trade and Transportation and Warehousing are in Warehouse space and 30% of manufacturing and retail trade is in Warehouse space

Warehouse Net Absorption Trends

The Longmont area warehouse market comprises approximately 3 million square feet of space, representing 30% of the total Longmont area industrial inventory. According to CoStar, the Longmont area has averaged around +70,000 square feet of net absorption annually the past 10 years. Assuming that warehouse net absorption maintains the same ratio to overall inventory, this translates into around +23,000 square feet annually net absorption for Longmont area warehouse space.

Longmont comprises around 30% of the total Boulder County warehouse space of 10.1 million square feet. Boulder County has averaged +140,300 square feet of warehouse net absorption the past decade. Assuming the Longmont area captures this same 30% translates into around +42,000 square feet of net absorption.

Overall, we estimate that the Longmont area could potentially capture anywhere from 23,100-41,500 square feet annually, or 231,000 - 415,000 square feet over the 2020-2030 period. This high capture represents a high market capture depending on strong market conditions, strong e-commerce demand, positive locational attributes and other factors that could drive warehouse space to the Longmont market.

Exhibit 93: Longmont Area Warehouse Net Absorption Trends (2020-2030)

Source: Catylist, CoStar CIVISTRUCT Strategy + Development, Arland

	Inventory (Sq . Ft.)	Average Net Absorption (Sq. Ft.)	
		Annual	10 year
Boulder County Warehouse Space	10,129,543	140,299	1,402,993
Longmont Warehouse Space	2,994,803	23,042	230,421
% Longmont Warehouse Space	30%	33%	33%
Longmont All Industrial Space	9,108,675	70,083	700,825
Longmont Net Absorption		Low Capture	High Capture
Annual Demand Potential		**23,100**	**41,500**
10-Year Demand Potential		**231,000**	**415,000**

Note: Low capture is based on Longmont capturing less than its market share while high capture is based on Longmont area capturing greater than its market share

Projected E-Commerce Related Demand

Historically, the manufacturing and retail sectors have driven demand for warehouse space. However, more recently, the warehouse market has been buoyed by a rapid rise in e-commerce demand and this has only accelerated since the beginning of the COVID pandemic with online sales reaching a level not previously expected until 2022.

US e-commerce sales is forecasted to reach $794.50 billion in 2020, up 32.4% year-over-year. E-commerce sales is expected to reach 14.4% of all US retail spending in 2020 and 19.2% by 2024 according to eMarketer.com.

According to JLL, e-commerce sales are forecasted to hit $1.5 trillion in the US by 2025. According to Prologis, e-fulfillment is among the most intensive uses of logistics real estate. **They estimate that for each $1 billion in e-commerce sales requires 1.2 million square feet of distribution space (or for each $1 million in on-line sales generates demand for 1,200 square feet of space).** Prologis projects a 5%-10% increase in the size of warehouse inventories in the US when the economy emerges post-COVID.

With the increasing trend of micro warehouses and fulfillment centers located closer to the local market area and their customers and retailers ("last mile"), we looked at current and projected online spending within the Longmont and Boulder area as a proxy to estimate potential increase in warehouse demand within the Longmont area.

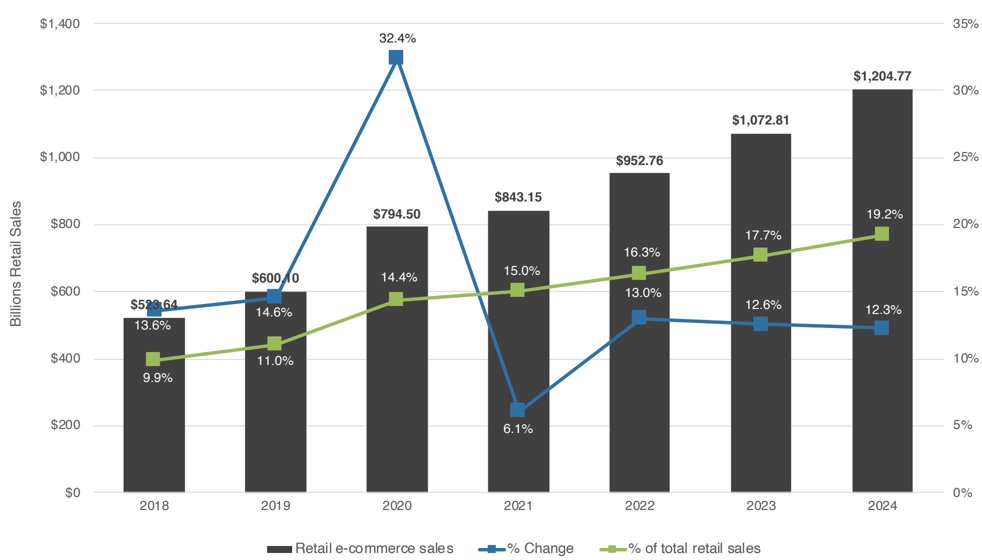
Based on on-line retail spending data the Longmont area is forecasted to generate approximately $85 million in on-line purchases and the Boulder area is estimated to generate approximately $150 million in on-line purchases in 2020. Assuming a conservative 5% year-over-year annual growth rate this translates into an increase of $53 million in online sales (Longmont area) and $95 million in on-line sales (Boulder area) between 2020-2030.

Based on data from JLL that says for each $1 million in retail sales generates demand for 1,200 square feet of warehouse space, this translates into approximately 80,000 square feet of potential warehouse demand for the Longmont area. This is based on the assumption that the Longmont area captures 90% of the increase in on-line sales and 20% of the increase in Boulder area on-line sales.

We assumed a low capture market scenario based on a challenging market and represents a more limited opportunity for the Longmont area to capture job growth demand and a high capture market scenario assuming strong market conditions and strong opportunity to capture a greater share of the e-commerce related warehouse demand. **This results in e-commerce demand potential of 72,500 - 88,700 square feet between 2020-2030 period, or 7,200-8,900 square feet annual demand for the Longmont area.**

		Capture Rate		Potential Demand (Sq. Ft.)	
	Sq. Ft.	Low	High	Low	High
2020-2030 Potential Demand	80,598	90%	110%	72,538	88,657
Annual Demand	8,060	90%	110%	7,254	8,866

Exhibit X: US E-Commerce Retail Sales (2018-2024), % Change, % of Total Retail Sales
Source: eMarketer.com



TOTAL WAREHOUSE DEMAND PROJECTION

Despite the COVID pandemic and ensuing impact to the US and local economy, the warehouse / logistics market continues to perform relatively well, and with the rise in e-commerce demand, is well positioned to weather this challenging time and into the forseeable future. Low vacancy rates and positive absorption support increased demand for warehouse space in the Longmont market over the long run.

There are many economic and real estate factors that go into determining demand for warehouse space in a locality. As part of this analysis, we looked at several factors, including warehouse-based employment growth, net absorption trends and the impact of e-commerce. All of these variables, including others such as locational attributes, building and site characteristics and economic development factors, all impact the amount and location of warehouse space.

Overall, we estimate that the total potential warehouse demand that could be captured in the Longmont area could range between 225,000 and 450,000 square feet over the next 10 years, or between 22,500 and 45,000 square feet annually.

Longmont Area Estimated Annual Demand for Warehouse Space, 2020-2030 (Sq. Ft.)

	Low	High
Annual Demand	22,500	45,000
10 year demand potential	225,000	450,000

This warehouse demand could be accommodated through absorption of existing vacant and underutilized space, adaptive reuse of existing space, and, if financially viable, construction of new warehouse space on a speculative basis or built to suit based on tenant needs. This demand is in addition to any built to suit warehouse opportunities that arise from businesses looking to locate in the Longmont area.

LONGMONT AREA TARGET WAREHOUSE OPPORTUNITIES

- **Micro-fulfillment centers and distribution hubs** - smaller light-industrial warehouse space of less than 120,000 square feet growing in demand with rise of e-commerce and need to be located closer to customers. According to Prologis, e-commerce supply chains require more than three times the distribution space required by traditional retail supply chains centered on brick-and-mortar distribution which should demand for warehouse space in the Longmont market.
- **Adaptive use of older warehouse space** - reuse of older, outdated warehouse space that may not have the modern industrial requirements (e.g. clear heights) in Longmont area to accommodate fast moving and frequently ordered e-commerce inventory.
- **Development of modern, tech-centric warehouse and fulfillment space** - focus on increased technology to store and move goods, with high clear height (24 feet or higher), incorporation of environmental and sustainability and health and safety improvements.
- **Attract regional distribution users** - demand growing for space to accommodate tenants needing 25,000 to 50,000 square feet of warehouse and fulfillment space in modern, flexible buildings such as manufacturers, retailers and health care sectors that need space to stock up on goods.
- **Cold Storage** - refrigerated and freezer warehouse and fulfillment space expected to see growth in demand due to surging increase in on-line grocery (e.g. Amazon's on-line grocery sales tripled year over year in in Q2 2020) and natural foods.
- **Retail to Warehouse Conversions** - potential to turn vacant retail space into industrial/ warehouse because of rise of e-commerce and "last mile" delivery to customers.
- **Co-Warehousing for Modern Commerce** - emergence of warehouse or manufacturing-anchored mixed use projects that combine flexible warehouse space with co-working and fulfillment space as a turnkey solution for small companies and entrepreneurs in a collaborative work environment.

SPECIALIZED INDUSTRIAL MARKET DEMAND POTENTIAL

The Specialized Industrial segment includes those industrial businesses not easily categorized into Flex or Warehouse space. The predominant Specialized Industrial use is Manufacturing and is the focus for this demand analysis.

There are different levels of manufacturing facilities depending on the intensity of production, processing or assembly they provide. At one end is heavy manufacturing facilities that are specialized properties designed to support intense production activities, large-scale undertaking, big equipment, large areas of land, high cost and high barriers to entry. This contrasts with light industry, or production, that is small-scale, can be completed in factories or small facilities, costs less and has lower barriers to entry.

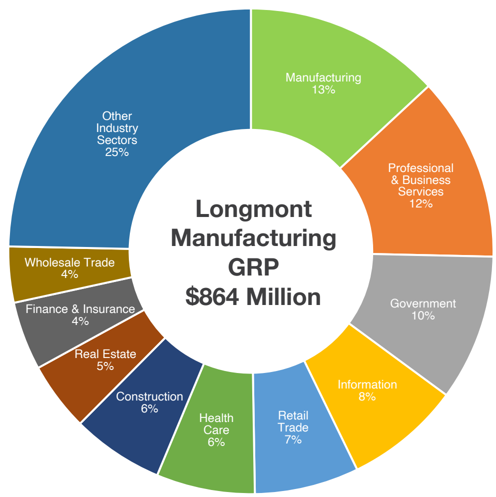
Manufacturing is a $26.5 billion industry in Colorado, representing 6.7% of the state's GDP. According to the *2021 Colorado Business Economic Outlook* (CU Leeds School of Business), Colorado's manufacturing employment grew consistently through the economic expansion, posting annual gains from 2011 to 2019 despite slower growth than Colorado as a whole. According to the *Economic Outlook*, several manufacturing sub-sectors outperformed industry-wide growth in the state since 2010, including food products, beverages, chemicals, plastics and rubber products, machinery and electrical equipment and appliances that has been bolstered by renewable energy investments, breweries, cannabis, aerospace and health care.

Longmont has a diversified manufacturing base including food production (e.g. Smucker's), craft breweries (Oskar Blues, Left Hand Brewery), high tech manufacturing (storage batteries, surgical instruments), computers and electronics, energy components and agricultural technology.

In fact, among industry sectors in the Longmont area, manufacturing is the top producer toward the area's Gross Regional Product, contributing $864 million (2019) of the Longmont area's $6.5 billion economy, representing 13% of the Longmont area's economic output.

Exhibit 94: Longmont Area Gross Regional Product (2019)

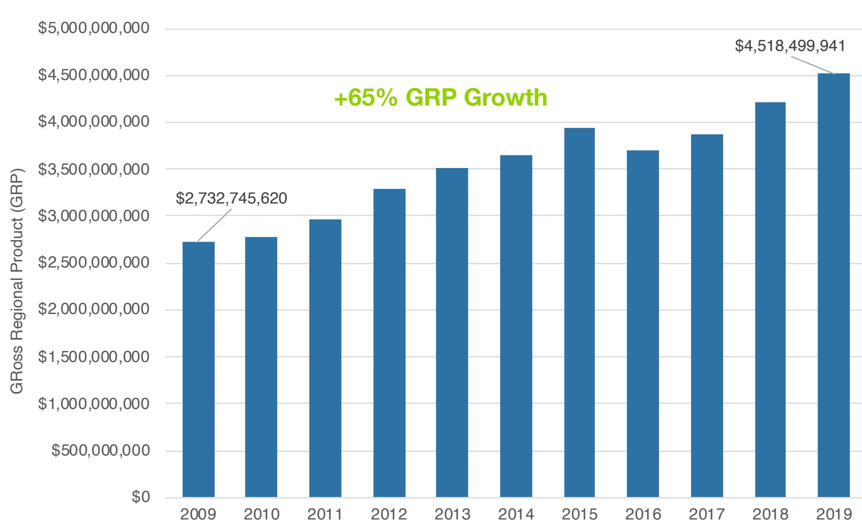
Source: Emsi, Bureau of Economic Analysis, Bureau of Labor Statistics



Boulder County's (and Longmont) manufacturing industry has performed well over the past decade with Gross Regional Product increasing 65% during this period to more than $4.5 billion.

Key industries that contributed to this growth also have presence in Longmont include food production (e.g. Smucker's), craft breweries (Oskar Blues, Left Hand Brewery), high tech manufacturing (storage batteries, surgical instruments), computers and electronics, energy components and agricultural technology.

Exhibit 95: Boulder County Manufacturing Industry Gross Regional Product



Gross Regional Product (GRP) measures the final market value of all goods and services produced in a region. This figure is the sum of earnings, property income, and taxes on production.

MANUFACTURING DEMAND POTENTIAL

Estimating market demand for manufacturing in a locality is challenging due to the unique nature and customizable requirements of manufacturing buildings, most of which are owner-occupied and are not typically marketed, sold or leased in the competitive industrial market. Most manufacturing buildings are build to suit type construction as they typically have significant capital investment in equipment and other building requirements needed by the business to operate the facility.

Manufacturers have many decisions and factors to consider when deciding to open and locate and manufacturing building in a locality. While having access to a good labor pool is important, it is often the locational attributes, building and site characteristics, existing infrastructure, building and land costs, zoning regulations, available incentives and access to rail and transportation routes that are factors that businesses evaluate when determining where to locate a manufacturing facility.

Employment Forecast - Looking solely at historical and projected manufacturing employment, while one factor, is not a representative proxy for estimating future manufacturing demand. Between 2010 and 2020, the Longmont area enjoyed strong manufacturing growth with a gain of nearly 1,200 manufacturing jobs, from 4,285 in 2010 to 5,471 in 2020, representing an increase of 28%, or 2.8% annually. This manufacturing growth was consistent with Colorado's overall employment growth in the manufacturing sector.

However, primarily due to the COVID pandemic, manufacturing employment projections provided by Emsi (based on Bureau of Labor Statistics information), shows a dramatic slowdown in projected manufacturing employment growth for the Longmont area over the next decade.

Emsi projections show manufacturing employment to remain relatively flat for the Longmont area, increasing only 1% between 2020 and 2030, or 0.1% annually. This represents increase of less than 100 manufacturing jobs for the entire decade. This forecast does not take into account any build to suit manufacturing opportunities that Longmont may attract which would add manufacturing jobs. One example is the Phase 2 expansion of the Smucker's food processing facility which is expected to add 200 new manufacturing jobs to the Longmont economy.

Net Absorption - Another factor to look at to help estimate manufacturing demand, in addition to employment trends, is historical absorption trends for manufacturing space in the Longmont and Boulder County area. The Longmont area specialized industrial / manufacturing market comprises approximately 685,000 square feet of space, representing approximately 12% of the Longmont area's total industrial inventory. According to CoStar, the Longmont area has averaged around +70,000 square feet of industrial net absorption annually the past 10 years. Assuming that specialized industrial net absorption maintains the same ratio to overall inventory, this translates into around +12,500 square feet annually net absorption for Longmont area specialized industrial space.

Longmont comprises around 13% of the total Boulder County specialized industrial space. Boulder County has averaged +104,500 square feet of specialized industrial net absorption the past decade. Assuming the Longmont area captures this same 13% translates into around +13,500 square feet of specialized industrial net absorption.

Exhibit 96: Longmont Area Specialized Industrial Demand Potential (2020-2030)

Source: Catylist, CoStar CIVISTRUCT Strategy + Development, Arland

	Inventory (Sq . Ft.)	Average Net Absorption (Sq. Ft.) Annual	10 year
Longmont Area Specialized Industrial Space	684,923	12,563	125,632
Boulder County Specialized Industrial Space	5,401,014	104,524	1,045,240
% Longmont Specialized Industrial Space	13%	12%	12%
Longmont All Industrial Space	9,108,675	70,083	700,825
Longmont Net Absorption		Low Capture 90%	High Capture 120%
Annual Demand Potential		12,000	16,000
10-Year Demand Potential		120,000	160,000

Note: Low capture is based on Longmont capturing less than its market share while high capture is based on Longmont area capturing greater than its market share

Looking at these trends to forecast future demand, we estimate that the Longmont area could potentially capture anywhere from 90%-120% of the average net absorption which translates into 12,000-16,000 square feet annually, or 120,000 - 160,000 square feet over the 2020-2030 period. This does take into account for any specialized build to suit manufacturers. The low capture market scenario assumes a challenging market and represents a more limited opportunity for the Longmont area to capture specialized industrial demand. Conversely, a high capture market scenario assumes strong market conditions and strong opportunity for the Longmont area to capture a greater share of the specialized industrial demand.

Colorado and the Longmont area are well positioned to capture opportunities for manufacturers to expand or locate in the area. According to real estate industry leaders, manufacturing is having its “moment’ and is strategically positioned to retain and recover jobs post-COVID. Manufacturing is a key part of Longmont’s economy producing more than $864 million in economic output, representing 13% of Longmont area’s total $6.6 billion economy.

The pandemic has brought to the forefront to challenges and costs of manufacturers getting their products produced outside the US back to the US in a timely and cost effective manner. The reshoring trend began more than five years ago, partly reversing a decades-long movement that saw manufacturers take advantage of low foreign wages in other countries.

Manufacturing Reshoring Trend Gains Steam

According to a recent survey by Boston Consulting Group of 263 US manufacturing executives, more manufacturers are bringing production back to the US in an effort to cut costs and move closer to consumers. 17% of manufacturers are "actively reshoring," or moving operations back to the US, up from 13% in 2013, according to the survey.

Automation costs and advanced manufacturing technologies also are making the companies more open to investing in the US according to the survey. However, despite the increase of automation, half the executive surveyed still said they expect US manufacturing employment to rise by at least 5% over the next five years as a result of reshoring. In addition, the US has surpassed China as the most likely destination for new factory capacity for goods sold in the US.

LONGMONT AREA TARGET MANUFACTURING OPPORTUNITIES

- **Continue to promote Longmont has a hub for Smart Manufacturing -** this includes businesses that produce optical devices, storage batteries, surgical tools and other smart technology. Smart Manufacturing is one of LEDP’s key industry clusters where leading companies are designing and producing advanced manufacturing technology that is pulling the US into the next frontier of manufacturing (Manufacturing 2.0).

- **Robust demand opportunities for medical manufacturing, natural sciences, natural foods and outdoor equipment in Colorado** - opportunities for the Longmont area to capitalize on this growing demand statewide as a center for the next generation of manufacturing.

- **Reshoring of manufacturing industries** - provides opportunity for Longmont to capture businesses looking to locate or expand in the Front Range of Colorado.

- **Continue to market to tech-oriented industrial users such as computer storage, robotics, life sciences, renewable energy and medical devices.** These companies require a unique type of real estate footprint that can include manufacturing, testing areas, production space, office, warehouse/distribution space. Longmont is well positioned to attract these type of users with proximity to universities, high quality labor pool, entrepreneurial environment, and overall high quality of life.

- **Primary opportunities revolve around smaller scale manufacturing industries given Longmont’s current inventory -** but opportunities exist for larger scale producers based on land and building availability.

- **Downtown Longmont is strategically positioned as an entrepreneurial hub for small scale food producers / research and development** - emerging trends such as ghost kitchens and food R&D labs are promising opportunities for the community.

SMALL-SCALE MANUFACTURING

Small-scale manufacturing is a key component of a local economy. According to the US Small Business Administration, 84% of all businesses in the Longmont area are small businesses (defined as 20 employees or less).

To determine the potential demand of small-scale manufacturing that could potentially be captured in Longmont, we examined employment change in small-scale manufacturing based industries in the Longmont area as well as historical absorption trends in the Longmont area.

Small-scale manufacturing jobs generally fall within the manufacturing industry, but can also include other jobs that make or fabricate products either by hand or with minimal automation, which may include direct sale to consumers. According to Recast City, in addition to manufacturing, these other industries can include retail trade (e.g. clothing stores; electronic shopping and mail order houses); information; professional, scientific and technical services; and arts, entertainment and recreation (e.g. independent artists).

As noted previously, revised projections provided by Emsi show a drop in employment across all industry sectors for the Longmont area between 2020-2030, primarily as a result of the pandemic.

Looking at those industry sectors that employ small-scale manufacturers, the total forecasted change in employment within the Longmont area is an increase of 705 jobs, representing a 6.4% increase over the decade. Based on the assumption that 100% of manufacturing-related jobs will take place in a manufacturing space and 50% of the jobs in the other industry sectors will take place in a manufacturing space, assuming 250 to 500 square feet per employee (depending on the sector) and that 84% of these jobs are small-scale manufacturing jobs, results in estimated demand of nearly 96,000 square feet of small-scale manufacturing space between 2020-2030.

Assuming a Longmont capture rate of 80%-90% based on market demand opportunities, the estimated demand for small-scale manufacturing is approximately 76,700 to 86,200 square feet of space, or 7,700 - 8,600 square feet annually.

Exhibit 97: Longmont Area Small-Scale Manufacturing Demand Potential (2020-2030)
Source: Emsi, US Small Business Administration, CIVISTRUCT Strategy + Development

Industry	2020 Jobs	2030 Jobs	Number Change	Change %	% in Manuf. Space	Average Job per Sq. Ft.	% SSM business	Potential Demand Sq. Ft. 2020-2030	Longmont Capture Rate		Potential Longmont Area Demand (Sq. Ft.)	
									Low	High	Low	High
Manufacturing	5,410	5,457	47	0.9%	100%	500	84.0%	19,614	80%	90%	15,691	17,653
Retail Trade	224	274	50	22.3%	50%	350	84.0%	7,337	80%	90%	5,870	6,603
Information	1,276	1,383	106	8.3%	50%	350	84.0%	15,629	80%	90%	12,503	14,066
Professional, Scientific, & Technical Services	3,984	4,474	491	12.3%	50%	250	84.0%	51,523	80%	90%	41,219	46,371
Arts, Entertainment & Recreation	105	117	12	11.1%	50%	350	84.0%	1,716	80%	90%	1,373	1,544
Total	**10,999**	**11,704**	**705**	**6.4%**				**95,819**			**76,655**	**86,237**

This potential demand in small-scale manufacturing space will ultimately depend on many other factors in addition to projected employment growth and industrial absorption trends, such as building and site characteristics, labor pool, access to transportation routes, local economic development incentives, and other factors that businesses need to consider when deciding to expand or open up a manufacturing business. In addition, estimating market demand for manufacturing in a locality is challenging due to the unique nature and customizable requirements of manufacturing buildings, most of which may be owner-occupied and are not marketed, sold or leased in the competitive industrial market.


Magic Fairy Candles, Downtown Longmont

INDUSTRY SECTOR OVERVIEW

While the COVID pandemic has challenged many sectors of the commercial real estate market, one sector is booming - life sciences. With an aging population and a flood of venture capital and government funding to support various biotech, medical device and pharma initiatives, research and development space to serve life sciences is a growing investment with significant development opportunities.

According to CBRE, since early 2019, the amount of R&D lab space in the nation's top five life sciences markets grew by 11.9% compared to 2% of conventional office space in the US over that period. This resurgence in life sciences is driving demand for specialized life sciences space - R&D labs and office buildings, medical testing facilities, and advanced manufacturing environments.

DENVER-BOULDER MARKET

The Denver-Boulder life sciences market is the epicenter of life sciences activity in the region. It is a growing market with ongoing expansion of the industry sector's labor force, record venture capital funding in 2020, and strong demand for R&D lab space.

The Denver-Boulder market comprises approximately 2.1 million square feet of life sciences space with a low vacancy rate of 7.8% and above average lease rate of nearly $24 per square foot (NNN) as of 3Q 2020. The vacancy rate is expected to decline even further as demand for life sciences space continues to increase.

In addition, the Denver-Boulder life sciences sector has attracted more venture capital over the past few years, with a new record of $310 million for the year ending Q1 2020. The region has also received a significant boost from NIH funding with $339 million last year which is helping boost demand for lab space.

Exhibit 98: Denver-Boulder Life Sciences Industry Snapshot 3Q 2020
Source: CBRE Research

Inventory	2,124,711 sq. ft.
Vacancy Rate	7.80%
Average Asking Rent (NNN)	$23.93
Venture Capital Funding	$310 million (year ending Q1 2020)
Significant Lease Deals	Pfizer - 151,384 (Boulder) ArcherDX - 52,465 (Denver NW) Somalogic - 30,887 (Boulder) ArcherDX - 22,623 (Boulder) Eli Lilly - 13,965 (Boulder)
New Life Sciences to Market	AveXis - 800,000 (Longmont) AGC Biologics - 178,713 (Boulder)

AveXis occupies the former AstraZenana site in Longmont
Photo source: TimesCall

INVENTORY & EMPLOYMENT TRENDS

Life sciences space product in the Boulder area is comprised primarily of second generation lab space and flex/office-to-lab conversion space. Longmont and Gunbarrel are lower-cost alternatives and have a supply of flex and light industrial buildings that have in-place infrastructure to convert to lab space (e.g. former Maxtor facility).

Through 2019, Boulder and Broomfield Counties represent the largest share of medical device and diagnostics (engineering, R&D, manufacturing) employment in the Denver region, with concentration of biotech employment in Boulder County four times the national average.

LIFE SCIENCE LAB MARKET TRENDS

A key component of lab space and spurring innovation is access to Good Manufacturing Practices (GMP)–compliant facilities. GMP refers to an ever-evolving set of FDA regulations governing the safety, sanitation and quality-control procedures involved in the production, processing and packaging pharmaceuticals and medical devices. Life sciences companies must have enough GMP space to ensure workflow is uninterrupted so their products can come to market.

In addition, the pandemic has also exposed US reliance on global supply chains and overseas manufacturing. As a result, the industry is moving some life sciences manufacturing and operational facilities back to the US, which should translate into more demand for lab space in the US.

STRENGTHS

INDUSTRIAL MARKET TRENDS

- **US industrial market has been resilient through the pandemic and is expected to continue to post solid fundamentals in 2021 and beyond** with low vacancy rates, increasing rental rates, robust development, and return of solid net absorption gains primarily driven by the impact of e-commerce and on-line retail sales, particularly for warehouse and fulfillment space.

- **Solid industrial warehouse/logistics and manufacturing market fundamentals (low vacancy, positive absorption) in Longmont area** compared to flex space.

- **Longmont area's attractive industrial lease rates (e.g. lower) compared to competing areas provide attractive, lower-cost options for industrial businesses looking to locate or expand in Boulder County.** Opportunities to capture potential spill-over demand from Boulder due to their limited supply and higher cost environment.

- **Longmont area's smaller industrial buildings (<25,000 square feet) has significantly lower vacancy rate (<7%) compared to larger industrial buildings (>21%)** which suggests potential pent up demand for smaller industrial space.

LOCATION

- **The Longmont area is centrally located within the Denver metropolitan and Northern Colorado markets**. This is attractive for industrial businesses wanting a central location to be closer to their customers, employees and suppliers.

ECONOMY

- **Longmont's diverse manufacturing economy is the top producing industry cluster in Longmont** contributing more than $864 million towards Longmont's economy (Gross Regional Product).

- **Longmont's high concentration of industrial-based target industries in Smart Manufacturing (electronics, medical devices), R&D (biotech, aerospace, life sciences), and Food and Beverage (craft breweries and distilleries, specialty food)** provides high quality jobs and investment opportunities.

COMMUNITY INFRASTRUCTURE

- **Longmont provides a very competitive cost environment for industrial-based businesses.** This includes low electrical rates from the City-owned utility service and exceptional water and wastewater systems providing adequate water.

- Longmont area industrial users benefit from **NextLight, the citywide, community-owned, fiber-optic broadband network that offers low cost, high-speed connections**.

- **Longmont's flexible commercial zoning** permits a wide range of uses in commercial zoning areas, including live-work and higher density residential within selected zoning districts, such as Mixed-Use Employment.

INDUSTRIAL SUPPLY

- **Longmont area industrial market has larger industrial buildings, on average, when compared to other industrial submarkets in the region** which can be attractive when seeking industrial tenants who need larger blocks of space

- **Smaller industrial buildings have the lowest vacancy rate (buildings 10,000 sq. ft. or less had a vacancy rate of 1.8%) which suggests pent up demand for smaller industrial / flex space.**

- **Longmont's dominant inventory of Class B/C, single-story, industrial flex space is attractive to companies looking for lower cost multi-purpose space** to expand or locate, particularly tech companies who need flex space.

INDUSTRIAL DEMAND

- **Longmont area's central location and continued strong population growth, combined with rise of e-commerce demand**, support increased demand for warehouse and fulfillment space.

- **Longmont (and Downtown) have a diverse office-based industry base with a high concentration of high-paying jobs in the Professional and Business Services and Information industry sectors** which support office-base employment.

DOWNTOWN LONGMONT

- **Downtown Longmont is the commercial hub of the City and a center for entrepreneurial businesses to grow and expand**, including small-scale manufacturers, such as food/R&D labs and curated goods, that have established a presence in downtown.

- **Mixed-Use Downtown (MU-D) zoning permits small scale (artisanal) manufacturing as a permitted use.** This flexible zoning encourages growth in the craft and culinary cluster in Downtown.

CHALLENGES

INDUSTRIAL MARKET CONDITIONS

- **While the national industrial market has been resilient through the COVID-19 pandemic (primarily driven by strong demand in warehouse / fulfillment space due to rise in e-commerce)**, the Longmont area still recorded deteriorating market fundamentals with increasing vacancy (14.6%) and negative absorption (-176,000 sq. ft.) as of 3Q 2020.

- **Longmont area's higher industrial vacancy primarily due to large blocks of vacant space in the flex/R&D properties which account for 90% of the industrial vacancy.** For example, the vacant Maxtor space (460,000 square feet) accounts for 34% of the entire industrial vacancy.

- **Large industrial buildings over 100,000 square feet have the highest vacancy rate in the Longmont area** (>20% vacant) compared to smaller buildings under 100,000 square feet (<10% vacant).

BUILDING SUPPLY

- **Rising e-commerce fulfillment requires new design features for warehouse and distribution buildings that are limited in the Longmont area,** such as ceiling heights upwards of 40 feet, mezzanine floors and multiple docking capabilities.

- **Lack of modern industrial space in Longmont area with high ceilings (20 feet or higher) and other building attributes desired by today's industrial users, including outdoor storage.** The average age of Longmont's industrial buildings are 41 years old, with only 8% of the industrial inventory representing new construction built since 2010.

- **Longmont has larger, but older industrial buildings, that may not be designed by today's modern standards and is less adaptable** to attract industrial tenants and is viewed as a constraint to capturing future growth and demand for high quality industrial space

- **Limited availability of affordable space for manufacturing appropriate spaces**, particularly for smaller, growth-oriented companies and start ups

- **Longmont lack of smaller industrial/flex space for tenants (e.g. 3,000 sq. ft. or less)** limits opportunities to attract smaller, entrepreneurial industrial users.

- **Very limited new industrial product delivered in Longmont area in the past decade,** other than the new Smucker's food processing facility in 2018.

- **Strong competitive industrial development activity occurring along I-25 / US 36 corridors which could impact demand for industrial in Longmont area.**

- **Identifying tenants / users to fill large blocks of vacant industrial/flex space** (e.g. former Maxtor space).

INDUSTRIAL-BASED EMPLOYMENT DEMAND

- **Longmont area flex-based employment is forecasted to see slower growth** (7.7%) between 2020-2030 as the economy slowly recover from the COVID-induced recession which is expected to limit demand for flex space (warehouse and manufacturing demand less tied to employment).

- **Small-scale / entrepreneurial business understanding and capacity to access public sector resources** to solve problems impacting their business.

ENTITLEMENTS

- **Longer and more challenging entitlement process for industrial projects** which introduces more uncertainty and risk to business and property owners, developers, and investors to secure project approvals.

- **Current City Land Development Code regulations and design standards utilizes single non-residential standard for office, industrial, warehouse and manufacturing buildings.** For example, there is not a differentiation between industrial/warehouse buildings and office buildings design standards each of which have different architecture, facade, landscaping and design features. Applying a "higher standard" office building design standard to an industrial/warehouse building, which typically uses different building facade materials, can impact project design, marketability, costs and, ultimately, project viability as this adds complexity, cost and additional regulatory / administrative variance process for project approvals.

FINANCING

- **Rising construction materials and labor costs and labor availability** putting upward pressure on new industrial building feasibility.

OPPORTUNITIES

FLEX/R&D SPACE

- **Develop / modernize outdated flex space to be competitive for target industries with a focus on sustainability, employee well-being, health and safety** - growing demand for Class A space that has at least 24 foot clear height, multiple loading capabilities, advanced HVAC systems, environmentally sustainable design, advanced sprinkler systems and flexible design configurations.
- **Capitalize on continued growing demand from technology companies for flex space to locate to Longmont area.** The Boulder/Broomfield submarket is the technology hub in Colorado and opportunities exist for Longmont to capture this growing demand.
- **Focus on developing modern smaller-scale flex/warehouse opportunities of 10,000 square feet or less** that can be built at a lower cost and leased/sold to industrial users.
- **Attract growing life sciences R&D sector to** fill the large blocks of vacant flex space that could accommodate a large scale life sciences / R&D user (e.g. former Maxtor space).
- **Explore mixed use opportunities for adaptive reuse of existing large flex space buildings -** some of Longmont's existing industrial / flex space may be obsolete for today's businesses. Property owners and developers have the opportunity to transform some of this obsolete space to mixed use (e.g. residential).

WAREHOUSE SPACE

- **Develop micro-fulfillment centers and distribution hubs** - smaller light-industrial warehouse space of less than 120,000 square feet growing in demand with rise of e-commerce and need to be located closer to customers.
- **Adaptive reuse of older warehouse space to accommodate increased demand in e-commerce** - Reuse of older, outdated warehouse space that may not have the modern industrial requirements (e.g. clear heights, lots of dock doors) in Longmont area to accommodate fast moving and frequently ordered e-commerce inventory. Key requirements include extensive parking areas and huge vehicle staging and loading room.
- **Development of modern, tech-centric warehouse and fulfillment space** - focus on increased technology to store and move goods, with high clear height (24 feet or higher), incorporation of environmental and sustainability and health and safety improvements.
- **Attract regional distribution users** - demand growing for space to accommodate tenants needing 25,000 to 50,000 square feet of warehouse and fulfillment space in modern, flexible buildings such as manufacturers, retailers and health care sectors.
- **Cold Storage -** refrigerated and freezer warehouse and fulfillment space expected to see growth in demand due to surging increase in on-line grocery and natural foods.
- **Retail to Warehouse Conversions** - potential to turn vacant retail space into industrial/warehouse because of rise of e-commerce and "last mile" delivery to customers.
- **Co-Warehousing for Modern Commerce** - emergence of warehouse or manufacturing-anchored mixed use projects that combine flexible warehouse space with co-working and fulfillment space as a turnkey solution for small companies and entrepreneurs in a collaborative work environment.

SPECIALIZED INDUSTRIAL SPACE

- **Capitalize on US manufacturing resurgence and reshoring of manufacturing jobs** for Longmont to capture manufacturing businesses looking to locate or expand in the Front Range of Colorado.
- **Robust demand opportunities for medical manufacturing, natural sciences, natural foods and outdoor equipment** - opportunity for the Longmont area to capitalize on this growing demand statewide as a center for the next generation of manufacturing.
- **Continue to market to tech-oriented industrial users such as computer storage, robotics, life sciences, renewable energy and medical devices.** Longmont is well positioned to attract these type of users with proximity to universities, high quality labor pool, entrepreneurial environment, and overall high quality of life.
- **Primary opportunities revolve around smaller scale manufacturing industries given Longmont's current inventory -** but opportunities exist for larger scale producers based on land and building availability.
- **Downtown Longmont is strategically positioned as an entrepreneurial hub for small scale food producers / research and development** - emerging trends such as ghost kitchens and food R&D labs are promising opportunities for the community.
- **Strengthen linkages with Front Range Community College Center for Integrated Manufacturing** as a source of talented labor to grow entrepreneurial businesses in the Longmont area.

THREATS

ECONOMY

- **Long term impact of the COVID pandemic on the industrial real estate market and employment unknown at this time** and how this will ultimately impact consumer behavior.

- **Forecasted drop in GDP because of the COVID pandemic that will likely lead to a slow growth decade which could impact the industrial market.** This could impact everything from employment to production to business revenue that is likely to ripple through the economy, including lower growth potential for the US, regional and local industrial markets.

- **Anticipated slow recovery of US economy as a result of the pandemic and ensuing job losses/recovery will continue to negatively impact certain sectors of the industrial market.** The flex market is expected to be directly impacted as flex space demand is primarily tied to employment growth in flex-based sectors. Warehouse space has been more resilient through the pandemic primarily as a result of surge of e-commerce while manufacturing facilities are build to suit opportunities whose demand is tied to many factors such as locational attributes, building and site characteristics, existing infrastructure, available incentives and access to rail and transportation routes.

FINANCING MARKET

- **Access to capital, particularly for innovative, emerging manufacturers that often have longer timelines for revenue and profitability**, making them less attractive to investors of risk capital.

EMPLOYMENT

- **Skills gaps and inability to fill manufacturing job openings** due to shifting skill sets due to advanced technologies, misperceptions (negative perception) of manufacturing jobs and retirement of baby boomers hinder employment opportunities, particularly for manufacturing jobs

- **Limited forecasted industrial-based employment growth in the Longmont area expected to limit demand for industrial space.** Flex-based employment forecasted to grow 7.7%, warehouse-based employment forecasted to grow 2% and manufacturing employment forecasted to grow 1.1% between 2020-2030.

CONSTRUCTION

- **Rising construction labor costs and material costs and limited labor availability** has been cited as one of the top real estate / development issues moving into 2021 according to *Emerging Trends in Real Estate*.

- **Market volatility and rising materials costs negatively impacting production costs.**

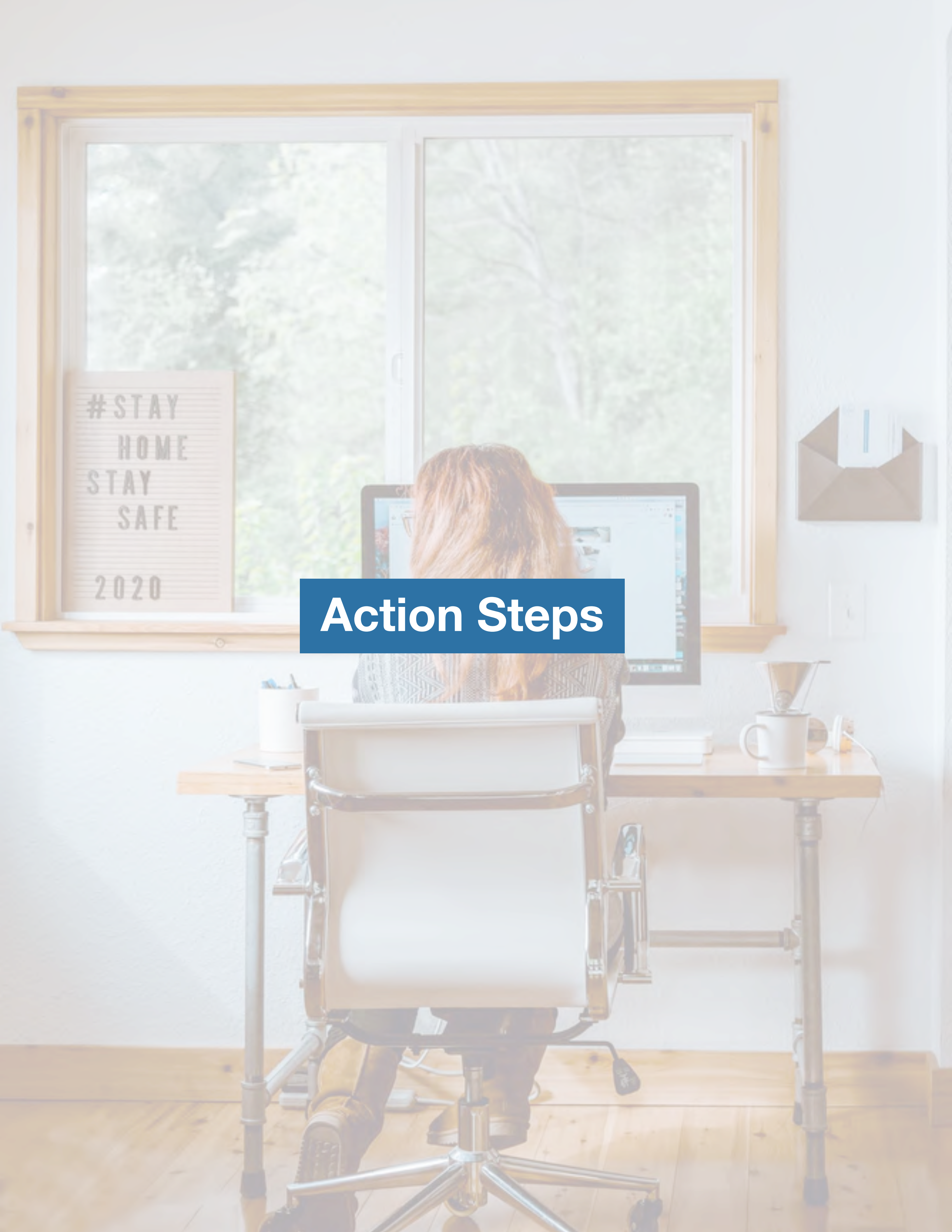
- **Land and construction costs have risen substantially** over past 10-12 years in the Longmont area putting pressure on development yields.

EXOGENOUS SHOCKS

- **Exogenous shocks — an event or development coming from outside of the system itself that has great effects on an economy — such as pandemics (e.g. COVID-19), wars, and natural disasters that disrupt the local, national and global economy.**

Source: Yale University, stock.adobe.com

Action Steps



ACTION STEPS AND RECOMMENDATIONS

This section presents preliminary action steps and recommendations to realize the opportunities identified in the Market Assessment, address challenges and market gaps in Longmont, and take advantage of the strengths that the Longmont area, including Downtown Longmont, offers in terms of office and industrial opportunities.

These action steps highlights and builds off various plans such as: Downtown Longmont Master Plan of Development (2016), Downtown Longmont Market Study (April 2020), Longmont Economic Development Partnership Advance Longmont 2.0 Strategic Plan and Implementation Framework (2019), and Longmont Main Street Corridor Plan (2019).

It is our hope that these action steps promotes ongoing discussion and collaboration among the City's economic partners to help facilitate investment in the Longmont area and Downtown Longmont. As the COVID pandemic has created unprecedented uncertainty in the office and industrial markets, now is more important than ever to be proactive and collaborative with our public and private sector partners so Longmont can remain a vibrant community.

Implementation of the study recommendations and action steps can be further prioritized and assessed through a Tactical Management Plan to be performed outside of this Market Assessment.

MARKETING AND BUSINESS OPERATIONS

1. **LEDP, LDDA, and City Staff collaboratively work with property owners and developers to market opportunity sites, small area planning, and identify gaps that impede successful development to develop modern office and industrial space or transform existing office and industrial space to meet today's business needs.** Key areas that should have focused attention include Downtown Longmont catalyst sites (as identified in the Downtown Master Plan of Development), STEAM site, Southeast Urban Renewal Area, St. Vrain Creek Corridor, and underutilized/vacant commercial sites, such as the former Maxtor site and DigitalGlobe sites.

2. **Provide proactive community and policy leader outreach, education, best practices and training opportunities for LEDP/LDDA leadership and staff, City Council and staff, Boards and Commissions** on current office and industrial market trends, (re)development and planning goals and economic development strategies. The purpose is to help community leaders better understand the benefits of economic development projects and its importance to community prosperity, as well as, to better understand the local market and what is feasible in the Longmont area. This includes providing opportunities for LEDP, LDDA and City leaders to tour best practices of economic development projects and public-private partnerships in other communities.

3. **LEDP and LDDA continue to expand its marketing and outreach in a pro-active approach, as part of a potential National and Regional Marketing Campaign, to the broader national and Denver metropolitan areas, Northern Colorado and Boulder development community to market opportunities to attract targeted businesses and office and industrial investment in Downtown and the Longmont area.** This includes highlighting success business stories in the Longmont area, such as the small-scale manufacturing success stories in Downtown. As an example, one strategy may to market that Longmont is close to Boulder (but is <u>not</u> Boulder) and focus on Longmont's strengths - high quality of life, superb amenities, vibrant Downtown, lower business costs, exceptional infrastructure (e.g. Gigabit fiber network, adequate water supply), and access to numerous local, state and Federal incentives, as a branding strategy to attract businesses from outside of Colorado.

4. **Continue to encourage and promote the startup and growth of small businesses and entrepreneurs "grow your own" through incentive programs, technical assistance, and active recruitment.** This includes evaluating opportunities that create modern office and industrial formats, such as coworking, flex/R&D space, small-scale manufacturing space, micro-warehouse hubs and other scalable space to allow businesses to grow and remain in Downtown and the Longmont area.

5. **Actively promote the Opportunity Zone and North Metro Enterprise Zone incentives and tax credits in Longmont and in the Downtown area to attract investment into the area.** Work with Economic Partners, and the broader economic development community (such as Metro Denver EDC and Northern Colorado partners) to distribute materials that raise awareness and access to resources for prospective developers and existing property owners and businesses to take advantage of these key programs.

REGULATORY AND LAND USE PLANNING

1. **Continue to review and update City Land Development Code zoning and design standards, as well as planning requirements, to ensure that those regulations are well aligned with the desired end result, are forward thinking and can be flexible to meet market needs and advance development objectives for office and industrial space.** For example, current Land Development Code standards apply a single non-residential design standard to commercial buildings, and do not differentiate between industrial buildings and office buildings. Industrial / warehouse buildings often have a different architecture, facade, landscaping and design features compared to an office building. Applying "higher standard" office design and landscape standards to an industrial / warehouse buildings can impact project design, marketability and construction cost which can add complexity, cost and additional regulatory / administrative variance process to secure project approvals.

2. **LEDP and LDDA partner with City staff and leadership to facilitate a predictable and transparent development review process for office and industrial projects.** A predictable, well documented and up-to-date review process that also has some flexibility ensures a smooth and transparent review process that helps increase efficiency from all parties. This is vital to creating a business friendly development climate that makes it attractive to investment opportunities in the Longmont community.

3. **Coordinated Capital Improvements Planning in Key Focus Areas.** Continue to look for opportunities to coordinate the timing and funding of infrastructure investment in key focus areas in the Longmont area, such as STEAM area, Downtown, St. Vrain Creek corridor, and Southeast Longmont urban renewal areas, as priority office and industrial (re)development projects arise. LEDP and LDDA should collaborate with City Public Works and Natural Resources, Planning and Development Services Department and City Manager's Office to evaluate and pursue opportunities to coordinate CIP funding with the City's Comprehensive Plan (Envision Longmont), LEDP Advance Longmont Plan and LDDA Downtown Master Plan of Development, as well as the community's small area plans and urban renewal plans.

4. **Continue to provide expedited site plan review for priority commercial development projects that meet certain criteria when such action is in the best interests of the City, LEDP, LDDA and community partners.** Developers often cite the time it takes to get projects approved as a constraint that impacts project viability and costs. Having the City and developer collaboratively work together throughout the development review process, where all parties are responsive, can be an important action to get to the finish line and successful project construction.

5. **LEDP and LDDA collaborate with the City of Longmont leadership and staff as an advocate for supporting new high priority office and industrial projects.** This includes providing input into the Land Development Code updates and planning process changes to support commercial real estate development projects that provide employment opportunities, entrepreneurial growth and key industry sector growth within the Longmont area.

6. **LEDP, LDDA, City and Developer creatively problem solve and find solutions to advance office and industrial projects**, including (re)development sites that may have challenging site or market issues, is an important collaborative effort between the public and private sector. The need to be flexible, creatively problem solve and find solutions and to have a positive working relationship between the community, City, economic partners, and developer is paramount for projects to succeed.

Mentor Graphics, 1811 Pike Road, Longmont

REAL ESTATE SERVICES

1. **Fine tune the City, LDDA and LEDP Financial Toolbox to facilitate key economic development and public-private partnerships within key focus areas in the Longmont area, including Downtown.** The City, LDDA and LEDP all have established programs to assist businesses and developers on projects that meet community goals as part of a public-private partnership. Possible tools to identify and review include:
   - potential expanded urban renewal areas/tax increment financing and infrastructure/CIP as opportunities arise for priority projects
   - development fee waivers and reductions to close the financial gap and leveling the playing field to attract private sector investment in areas that have high cost of entry
   - incentives to preserve and rehabilitate historic structures to meet current market opportunities
   - incentives for rehabilitating buildings to meet modern standards and attracting small labs / flex space
   - incentives to help businesses rebuild post-COVID

2. **Development Liaison Services for Development Review and Entitlements.** Provide technical assistance to developers, property and business owners and others seeking government entitlement approvals for new office and industrial development in the Longmont area, including Downtown. Serve as a liaison and technical advisor to help usher property and business owners and developers through the development review and other regulatory processes. This could also include assisting in project visioning, pre-development feasibility, preparing a roadmap through the entitlement process, and assist in the coordination of commercial projects going through the City development review process.

3. **Tactical assessment of finished and abandoned projects to find out what worked and what did not work to permit project implementation.**

4. **LDDA consider prioritizing its incentives and existing TIF funding to support employment growth and daytime population in Downtown Longmont with a focus on modern office and small scale manufacturing that appeals to creative/tech talent** (e.g. lab space, flex space, commercial/R&D kitchens). The LDDA has a well established toolbox of funding mechanisms and assistance to facilitate catalyst projects and support local businesses to help implement the Master Plan. With the potential office and industrial demand in Longmont, the LDDA should focus its limited financial support and investment to capture a portion of this forecasted demand for office and small-scale manufacturing investment in Downtown, including helping businesses post COVID.

5. **LEDP and LDDA should continue to collaborate to prepare and adopt a joint incentive program to support commercial development projects that increase Downtown Longmont's daytime population**. This could focus on office, small-scale manufacturing, flex/R&D space, commercial kitchens, micro-fulfillment centers and other uses that provide high quality employment opportunities in line with the Downtown Master Plan of Development.

6. **LEDP and LDDA should continue to work with community development partners to address financial gaps for new building construction and adaptive reuse of office and industrial space.** This includes identifying those development cost factors which impede project viability. While market demand may be there for new modern office and industrial space, including small-scale manufacturing, today's high development cost environment combined with lower Longmont area market rents that may not support new construction without a public-private partnership.

6268 Monarch Park Place, Industrial/Flex Building, Niwot

Appendix

APPENDIX A

LONGMONT AREA MARKET ASSESSMENT

STAKEHOLDER SUMMARY INTERVIEW NOTES

Interviewee	Organization Name	Location	Organization Type
Ryan Will	Keystone Real Estate	Fort Collins	Development
Beau Breck	LCP Development	Denver	Development & Property Management
James Arnold	Cushman & Wakefield	Fort Collins	Real Estate Brokerage
Jordan Butts	Midfirst Bank	Denver	Financial/Banking
JD Belanger	Summit Real Estate	Longmont	Real Estate Brokerage
Keith Burden	Burden Inc.	Niwot	Development & Property Management
Mark Casey	Tenant Wisdom LLC	Boulder	Real Estate Brokerage
Al Linton	Pratt Management LLC	Longmont	Property Management
Erik Abrahamson	CBRE	Boulder/Denver	Real Estate Brokerage
Seth Chernoff	Chernoff Properties	Boulder	Development & Property Management
Ed Regel	Regel & Associates	Longmont	Real Estate Brokerage
Mike Kboudi	Cushman & Wakefield	Denver	Real Estate Brokerage (Land)
Andrew Knudtsen	Economic & Planning Systems	Denver	Real Estate Economics
Brian Bair	Mass Equities	Niwot	Development
David Jaudes	McWhinney	Denver	Development & Property Management
Tim Conarro	Summit Real Estate	Niwot/Longmont	Real Estate Brokerage
Paul Shoukas	PCS Design	Denver	Design
Tony DeSimone	Confluence Development	Golden	Development & Property Management
Scott Holton	Element Properties	Boulder	Development

Longmont Reputation

- Has gotten hip, publicly owned utilities, lower cost basis, good inventory of commercial space
- More “blue collar”, better than Loveland, improving, changing, on the upslope, room for growth, Lafayette & Louisville stronger markets, out of the way from Denver
- “Industrial” feel, more affordable place to live, grittier feeling, great on the west, more gritty on the east side of town, doesn’t have a community feel, feels “messy”
- Good & improving, local power (inexpensive), lots of water, unique character
- Heard it’s very difficult to get entitlements
- Has changed for the better, a lot going on in the City (stands on its own)
- Office/industrial user – more business friendly & affordable compared to Boulder
- Longmont – bedroom community, feeding off Boulder, Main St./ downtown grid good, quaint
- High barrier to entry
- Reputation is changing, “growing up quick”
- Bullish on Longmont (Developer)
- Changing/improving - good reputation, good for flex/ R&D, food production, office not quite there, nice/ safe/ educated/affordable community, getting a better reputation for amenities
- Entitlements – good reputation/improved
- Growing, been able to secure anchors (hospitals), less of a bedroom community, great downtown
- Improved, positive, centrally located, utilities owned by City
- Good reputation, Boulder “overflow”, in line with Fort Collins, ahead of Loveland & Greeley, moved from residential market to commercial market
- Very good/ awesome/ pro-business, big, stable place with good infrastructure

Longmont Strengths

- Enterprise zone is a positive
- St. Vrain Creek - great feature, NextLight, more affordable than Boulder (for employees & businesses), tenants more open to coming to Longmont
- Good mileage – out of NextLight
- NextLight is a plus
- Longmont – cheaper utilities/ NextLight
- Play to Longmont's strengths, not its challenges
- Longmont land is cheaper than the rest of the County (development opportunities)
- Longmont has great assets - water, utilities (LPC), gateway to Rocky Mountain National Park, better quality of life

Longmont Opportunities

- Need to get City to offer better incentives (compared to Broomfield)
- City needs to be as responsive as it possibly can
- Longmont well positioned to draw from north suburbs
- Post COVID Longmont is an attractive / less expensive place, can pull from Boulder
- Longmont should focus on capturing tech demand from Boulder
- Longmont needs to offer that it is close to Boulder, but different from Boulder (interesting juxtaposition - agriculture, tech, working class)
- If you want to attract development to Longmont, need continuity between entitlement process and incentives

Longmont Challenges

- Getting permits, review is slow, understaffed
- Entitlement/ approval process, more costly
- Longmont's blind spots: need for high quality, energy efficient, good looking office, everyone wants to hang onto large floorplate – now going away, min height= 20' for flex, not leveraging NextLight very well, no destination industrial/ office park in Longmont
- Market rents in Longmont don't justify development costs
- Entitlement approvals very tough
- Affordable housing – shifting costs to commercial developers
- Developer perspective on entitlements: difficult/ not easy/ more uncertainty
- Entitlement process, property taxes

Downtown Longmont

- Downtown is great, good restaurants, vibrant
- Downtown is cool/ walkability/ amenities compared to Greeley & Loveland
- Downtown Longmont well positioned to capture office growth
- Walkable, urban environment
- Lots of potential / steady improvement over the years / authentic
- A lot of opportunity for Downtown / create something unique
- Downtown good location to capture office demand with walkability, amenities, shopping, restaurants

Impact of COVID-19 on Office

- Office to go to a hybrid model, office will need to "right size" like retail, slower changes due to lease terms over next 5-7 years
- Office space is forever changed (will take a generation for people to forget this pandemic)
- Less demand, enhanced janitorial/ more cleaning/ HVAC, more space per employee
- COVID had forced offices/ businesses to reevaluate their priorities
- Not easy working from home
- Workplace will come back over the next few years
- More spread out offices
- 10- 20% working remotely in the future (compared to 5% pre-COVID)
- Routine is what drives office
- COVID had NOT permanently changed the market

- Forecasts 20 – 30% permanently working remotely
- Can't create a company culture working from home
- Certain companies want to do a hub & spoke model
- Designers need to be together (marketing, designers) requires more collaboration
- Certain industries can work remotely and will not need office – square footage demand for office will go down
- Architectural impacts of COVID: virtual network/ scenario – caters to virtual meetings, no need for big conference rooms (smaller meeting rooms), reduce lobby/ common areas, 85% GLA goes up to 95% GLA
- COVID – temporary impact – people will go back to work
- Financial / Banking Underwriting impacts: Lesser of 65% - 75% LTC or LTV loan vs typical 75% LTC (ratchet down because of COVID), Office – 50% pre-leasing requirement – 1.25 DSCR minimum, 1.0 DSCR interest only – leasing requirement pre-COVID, debt yield 8.5% - 9%
- Banks are more conservative now because of COVID
- Bank loans: sponsorship is huge, referrals, leasing requirements, more equity for construction loans for office/ industrial
- Swung towards remote working, but not as efficient working remotely, younger workers not learning/progressing
- 2021 more people back in office, more so in 2022
- Office impact - Reduced employee per square foot (less densification of office employees)
- People need a "hive"
- Some industries/ services need to be together
- A lot of collaboration is lost in remote working
- Satellite office suites – trend moving forward/ slash costs
- Workforce distributed in the future
- New normal = hybrid, rethinking how you use the screens
- No one knows what the impact to office will be
- Lots of different scenarios out there for how COVID will impact office: more remote workers, people will want to come back to the office once pandemic moves on/ vaccine, satellite offices in smaller cities/ communities, % of workers come to office certain days of week
- More spread out in office
- Office design will change
- No dramatic change to office industry – incremental change though, except huge office complexes
- Pendulum to swing back from more work from home to less work from home post COVID
- Rare for companies to completely abandon office space
- The pandemic accelerated a shift in the office market in a 1 year period vs. a 10-year period
- Created a split where some office activities can be done remotely (e.g. accounting) and some need to be done in person (e.g. lab space, creative agencies/collaboration)
- Employers need to provide flexibility to stay competitive and attract/retain employees
- Major principles of collaboration, mentorship, innovation can't be done at home - "an alchemy happens when people are together"

Longmont Office Strengths

- Longmont is positioned well because of flex space
- Office demand still strong

Office Challenges / Opportunities in Longmont

- Longmont office – not a ton of supply
- Longmont inventory doesn't match what tenants want – quality of buildings, ceiling heights
- Unfilled need for 1,500 – 2,000 square foot range (market demand)
- Pure office not attractive in Longmont
- Longmont does not have a lot of pure office product
- Medical is shrinking down a bit
- Large floorplate office space demand is challenging
- 20,000 – 50,000 square feet – national co-working company looking for space
- Office will end up ahead in Longmont (you can drive up to your building, ground floor space-no elevator, heavy tech/ flex component)
- Class A office risky to build in Longmont, better to convert older, industrial space into funky space

- Blind spot – co-working (lack in Longmont), chief economist – 1st type of office to come back
- Class A office demand limited
- Enterprise co-working- looking to expand
- Co-working is hard to do bank loans, need more of a track record•
- Flex spaced desirable vs Class A – Fort Collins has not seen it, bank not seeing any Class A office product
- More demand for office condos
- Demand for tech space
- Flex space in the suburbs – trend that could do well, no elevators/ lobby space, vanilla box
- Longmont needs to land a marquee technology company, which could attract other businesses
- Co-working is going to come back big, but want privacy/ own suite
- Still demand for Class A in Longmont (branding)
- Flexibility is key moving forward
- Opportunity for suburban markets & coworking/ hybrid space with no long term lease commitments
- Software/ tech – strong preference for Boulder over Longmont (Boulder is a good place for collaboration)
- People leaving coastal cities to Colorado – opportunities for office and industrial in Longmont
- Lack of Class A office – demand from Boulder
- Bankers are applying national issues to the Boulder market
- Median office size in Longmont is 3,000 sq. ft. (not average size)

Impact of COVID-19 on Industrial

- Industrial is less impacted by COVID because work can't necessarily be done from home
- Industrial strong market – will continue/ e-commerce is here to stay
- People need to be in the "office" for industrial
- Industrial remains pretty tight for now (no big spike in vacancy)

Industrial Challenges / Opportunities in Longmont

- Hard to find 20' clear manufacturing space in Longmont
- Couldn't find 3,000 square feet flex space in Longmont for a tech company – limited supply
- Longmont industrial – old, "junky" (not modern), flex, not a lot of property with yard (in demand), more local tenants
- Lot of industrial competition being built along I-25
- Longmont industrial space – remains competitive & full
- Not much industrial land in City
- Market – move towards light industrial
- Future of the industrial market in Boulder County is in Longmont
- Longmont inventory doesn't match what tenants want – quality of buildings, ceiling heights
- Challenges: large vacant space (former Maxtor site) – how to adoptive reuse the space, need to turn that space into smaller space that can be subdivided
- Large floorplate office/flex space not doing well (Maxtor vacant)
- Industrial – follow rooftops
- Industrial: e-commerce/ distribution doing well, small wholesale distribution – wave of the future (5,000 SF or less), challenge is that Longmont is not at I-25/ US 36 corridor (that market is booming)
- Longmont's challenges: lack of large floorplate (10,000 SF or more) – opportunity for flex/ industrial/ tech, no Class A office in Longmont (potential opportunity for Longmont to challenge/ cost in Boulder)
- Convert light industrial into co-working
- Old Maxtor site (450,000 square feet) – focus on "life science" facility, comp is Research Triangle Park, getting on site selection lists/ national brokers, considering breaking up building
- Double down on good, functional buildings that are affordable, focus on attracting flex/ manufacturing to Longmont
- Data centers opportunity
- Industrial already changing pre-COVID to a more automated system, doesn't see changes because of COVID
- 5,000 square feet industrial floorplates lack in Longmont – flex use/ outdoor storage
- Former Maxtor site is a redevelopment play (mixed use with housing) - what is the Highest and Best use?

Longmont Industrial Strengths

- Light industrial doing well, including service industries
- Demand is strong in Longmont for industrial/ flex

LEDP and LDDA Comments

- LEDP & LDDA do a great job/ very organized (compared to other communities)
- LEDP done great job – total supports partnership
- LEDP does a good job – economic development
- Have LEDP use Catylist instead of reaching out to brokers for maintaining/updating real estate database
- LEDP is great for what they do
- LEDP and LDDA – great reputation/ work with businesses/ do a good job/ supportive
- LEDP and LDDA do a great job
- LEDP does great job, need for assistance for helping with business leads – work with them on rebates & tax credits
- Jobs board/ central database for employees – would be nice to have in Longmont
- LEDP should market that Longmont is close to Boulder, but different from Boulder

Competition

- Longmont's competition (nicer, newer facilities): Boulder County (Louisville, Lafayette), east of I-25 (Firestone, Frederick), Hwy 52 – I-25 interchange, Hwy 66 – I-25 interchange
- Superior/ Louisville/ Lafayette – bedroom community to Boulder
- Erie still figuring out what it wants to be
- Broomfield – most well rounded reputation
- City of Boulder too expensive for entrepreneurial tenants
- Fort Collins does it well – Economic Development better than Loveland/ Greeley, proactive, during COVID, constantly reaching out to business community
- East Longmont – Thornton competition
- Flex/ R&D – Louisville/ Lafayette competition
- Longmont not proximate to Denver compared to Louisville/ Lafayette
- I-25 corridor needs improvement
- Entitlement process – Denver very difficult, Ft Collins, Boulder

APPENDIX B

LONGMONT AREA COMMERCIAL VACANT LAND SITES

Name	Address	City/State/Zip	County	Zoning	Land Acres
313 Coffman St	313 Coffman St	Longmont, CO 80501	Boulder	Mixed Use - Downtown	0.26
Redevelopment Opportunity	600 Main St	Longmont, CO 80501	Boulder	Mixed Use - Downtown	0.28
1300 Main St	1300 Main	Longmont, CO 80501	Boulder	Mixed Use - Corridor	0.36
2322 17th Ave	2322 17th	Longmont, CO 80501	Boulder	Mixed Use - Neighborhood Center	0.47
126 S Main St	126 S Main St	Longmont, CO 80501	Boulder	Mixed Use - Downtown	0.49
2306 17th Ave	2306 17th Ave	Longmont, CO 80501	Boulder	Mixed Use - Neighborhood Center	0.54
155 Primrose Ct	155 Primrose	Longmont, CO 80501	Boulder	Mixed Use - Employment	0.64
409 Ute Hwy 66	409 Ute Hwy 66	Longmont, CO 80504	Boulder	Mixed Use - Corridor	0.68
127 S Main St	127 S Main St	Longmont, CO 80501	Boulder	Mixed Use - Downtown	0.72
154 Primrose Ct	154 Primrose Ct	Longmont, CO 80501	Boulder	Mixed Use - Employment	0.79
630 15th Ave	630 15th Ave	Longmont, CO 80501	Boulder	Mixed Use - Corridor	0.95
919 S Sherman St	919 S Sherman St	Longmont, CO 80501	Boulder	Mixed Use - Employment	1.02
1402 Main St	1402 Main St	Longmont, CO 80501	Boulder	Mixed Use - Corridor	1.11
The Crossing at Clover Basin	SEC Clover Basin & Dry Creek	Longmont, CO 80503	Boulder	Mixed Use - Regional Center	1.26
1876 Hover St	1876 Hover St	Longmont, CO 80501	Boulder	Mixed Use - Neighborhood Center	1.47
1601 Dry Creek Dr	1355 Dry Creek Dr	Longmont, CO 80503	Boulder	Non-Residential - Primary Employment	1.50
1365 Dry Creek Dr	1365 Dry Creek Dr	Longmont, CO 80503	Boulder	Non-Residential - Primary Employment	1.53
Ken Pratt Blvd (CO Hwy 119) & 3rd Ave	0-0 Ken Pratt Blvd	Longmont, CO 80501	Boulder	Mixed Use - Employment	1.53
121 Main St	121 Main St	Longmont, CO 80501	Boulder	Mixed Use - Downtown	1.60
Fairgrounds Marketplace Lot 4	10035 N 95th	Longmont, CO 80503	Boulder	Mixed Use - Regional Center	1.91
Fairgrounds Marketplace Lot	10035 N 95th	Longmont, CO 80503	Boulder	Mixed Use - Regional Center	2.18
Fairgrounds Marketplace Lot 5	10035 N 95th	Longmont, CO 80503	Boulder	Mixed Use - Regional Center	2.25
1500 Professional Lane	1500 Professional Ln	Longmont, CO 80503	Boulder	Mixed Use - Corridor	2.34
S Fordham St	0 S Fordham St	Longmont, CO 80501	Boulder	Non-Residential - Primary Employment	2.48
E 3rd Ave	E 3rd Ave	Longmont, CO 80501	Boulder	Mixed Use - Employment	2.88
Fairgrounds Marketplace Lot 2	10035 N 95th	Longmont, CO 80503	Boulder	Mixed Use - Regional Center	3.49
Clover Basin Business Park-Lot 2	0-0 N 75th	Longmont, CO 80503	Boulder	Non-Residential - Primary Employment	3.60
10191 E County Line Rd	10191 E County Line	Longmont, CO 80501	Boulder	Mixed Use - Employment	3.79
340 S Sunset St	340 S Sunset St	Longmont, CO 80501	Boulder	Non-Residential - Primary Employment	4.22
Boulder County Business Center-Lot 6		Longmont, CO 80503	Boulder	Non-Residential - Primary Employment	4.71
1629-1635 Main St	1629-1635 Main St	Longmont, CO 80501	Boulder	Mixed Use - Corridor	4.79
3051 Logic Drive	3051 Logic Drive	Longmont, CO 80503	Boulder	Non-Residential - Primary Employment	4.85
SWC Clover Basin Dr & Airport Rd	Clover Basin Dr	Longmont, CO 80503	Boulder	Mixed Use - Neighborhood Center	5.00
Clover Basin Business Park	0 Disc Drive	Longmont, CO 80503	Boulder	Non-Residential - Primary Employment	5.01
SEC Highway 119 & County Line Road	12083 CO-119	Longmont, CO 80504	Boulder	Mixed Use - Regional Center	5.39
1730 S Fordham St		Longmont, CO 80503	Boulder	Non-Residential - Primary Employment	6.1
Boulder County Business Center Lot 8		Longmont, CO 80503	Boulder	Non-Residential - Primary Employment	6.14
State Highway 119 - Block 1	State Highway 119 - Block 1	Longmont, CO 80504	Weld	Non-Residential - Primary Employment	6.50
Fairgrounds Parkway	0 Fairgrounds Parkway	Longmont, CO 80504	Boulder	Mixed Use - Regional Center	6.75
1660 S Fordham St		Longmont, CO 80503	Boulder	Non-Residential - Primary Employment	6.99
SWC County Line Rd and Highway 119		Longmont, CO 80503	Boulder	Mixed Use - Employment	7.3
Ken Pratt Blvd (CO Hwy 119) & 3rd Ave	0-0 Ken Pratt Blvd	Longmont, CO 80501	Boulder	Mixed Use - Employment	7.63
Highway 66 and Main - NW Corner		Longmont, CO 80501	Boulder	Mixed Use - Corridor	8.41
Twin Peaks Square Pad Site	800 S Hover St	Longmont, CO 80501	Boulder	Mixed Use - Regional Center	8.58
301 1st Ave	301 1st Ave	Longmont, CO 80501	Boulder	Mixed Use - Downtown	11.79
E Ken Pratt Blvd	0-0 Ken Pratt Blvd	Longmont, CO 80501	Boulder	Mixed Use - Employment	12.85
3002 Nelson Road	3002 Nelson Road	Longmont, CO 80501	Boulder	Mixed Use - Employment	14.37
Clover Basin Business Park	0 N 75th	Longmont, CO 80503	Boulder	Non-Residential - Primary Employment	14.62
3632 Nelson Road		Longmont, CO 80501	Boulder	Mixed Use - Employment	15.78
Concepts Land - Block 5	State Hwy 119 - Block 5	Longmont, CO 80504	Weld	Non-Residential - Primary Employment	15.93
9165 Nelson Road		Longmont, CO 80501	Boulder	Mixed Use - Employment	17.17
Highway 66 and Pace - SE Corner		Longmont, CO 80503	Boulder	Mixed Use - Neighborhood Center	17.27
Clover Basin Business Park-Lot 4	0-0 Disc Dr	Longmont, CO 80503	Boulder	Non-Residential - Primary Employment	18.41
1901 S Hover Street	1901 S Hover Street	Longmont, CO 80504	Boulder	Mixed Use - Employment	18.74
21 S Sunset St	21 S Sunset St	Longmont, CO 80501	Boulder	Mixed Use - Employment	19.33
NE Corner - 75th and Nelson		Longmont, CO 80503	Boulder	Mixed Use - Employment	19.75
SEC Highway 119 & County Line Road	48 E Ken Pratt Blvd	Longmont, CO 80504	Weld	Mixed Use - Regional Center	21.59
10012 N 119th St	10012 N 119th St	Longmont, CO 80501	Boulder	Mixed Use - Employment	22.59
NEC Nelson and Airport Road		Longmont, CO 80501	Boulder	Mixed Use - Employment	27.7
Airport Road Self Storage		Longmont, CO 80501	Boulder	Mixed Use - Employment	34.54
Xilinx Land South of Main Building		Longmont, CO 80503	Boulder	Non-Residential - Primary Employment	38.91
Airport Rd & Rogers Rd	Airport Rd & Rogers Rd	Longmont, CO 80503	Boulder	Mixed Use - Employment	41.90
					523.73