



COLORADO SPRINGS

PLUM LENDING MARKET SPOTLIGHT

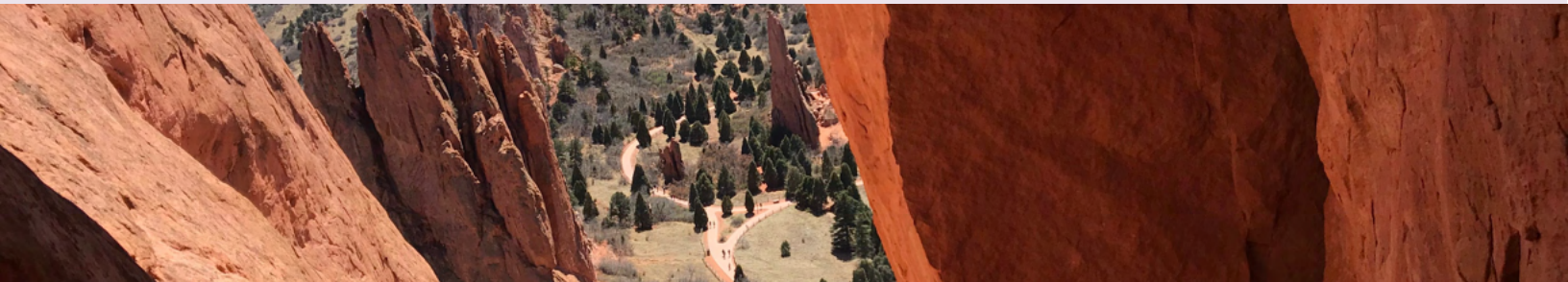


PLUM LENDING MARKET SPOTLIGHTS ARE INTENDED TO GIVE INVESTORS AND BORROWERS A DETAILED OVERVIEW OF THE INFORMATION THAT IS ALLOWING PLUM TO PLACE COMMERCIAL REAL ESTATE DEBT IN GROWING MARKETS

PLUM MARKET SPOTLIGHT - COLORADO SPRINGS, CO

- The Colorado Springs metro area has seen very positive growth in the past decade due to its strong aerospace and defense sector, a booming jobs market, its picturesque natural landscapes, such as Garden of the Gods and Pike's Peak, and the outdoor recreational lifestyle available to residents. From 2010 to 2019, the population increased by approximately 14.6%. Colorado Springs has a metro population of over 730,000.
- Ranked within the top 10 of US News & World Report's 2021-2022 150 best places to live, and the #2 best place to live in Colorado. The median age for the MSA is 35 years, while the median household income in 2019 was \$72,633.
- Colorado Springs has one of the most sophisticated communications networks in the nation and has been involved in technology ever since it was among the first cities to join the World Wide Web in the 1960s.
- Major industries located within Colorado Springs, include cybersecurity, aerospace, defense, sports, life sciences, and medical device companies. The MSA's unemployment rate for July 2021 was 6.2%.
 - Colorado Springs houses over 360 IT & Cybersecurity companies (3,000+ employees), with over 7,000+ additional jobs forecasted through 2024 in the industry for the city.
- Amazon opened a 3.7 MM SF fulfillment center during the summer of 2021 in the 900-acre master-planned Colorado Springs Airport's Peak Innovation Park.
- Home to Team USA since 1978 (known as Olympic City USA). Colorado Springs houses the United States Olympic and Paralympic Committee headquarters, 20+ national Olympic governing bodies, 50+ national sports organizations, and the Colorado Springs Olympic and Paralympic Training Center.

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MSA Overview:

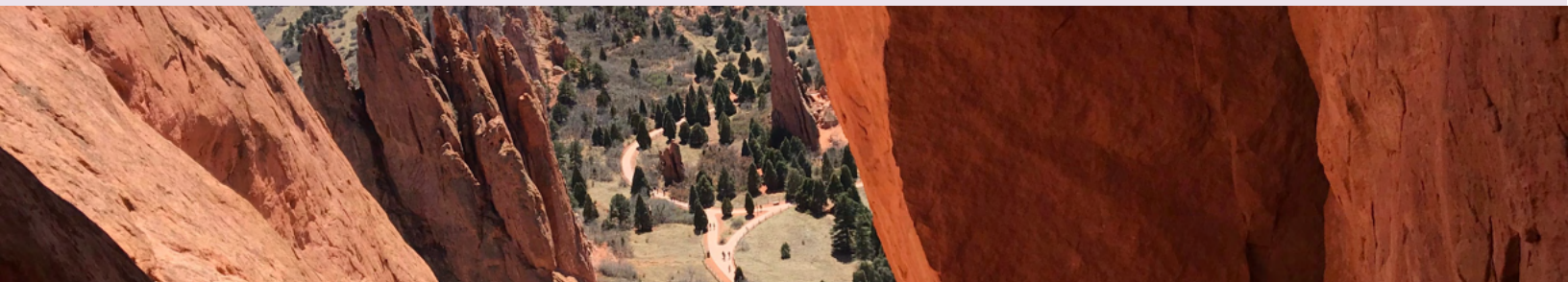
Colorado Springs rises above the mile-high city of Denver with an elevation of over 6,000 ft. The Colorado Springs metro is located 70 miles south of Denver (70 min. avg. commute time) in the heart of the I-25 growth corridor. Interstate 25 provides access to Wyoming to the north, New Mexico to the south, and the Dakotas to the northeast through connecting highways.

Colorado Springs is the 2nd largest city in the state, the county seat for El Paso, and is known as Olympic City USA (home to Team USA since 1978). Colorado Springs houses the United States Olympic and Paralympic Committee headquarters, 20+ national Olympic governing bodies, 50+ national sports organizations, and the CO Springs Olympic and Paralympic Training Center.

The metro area has over 160 miles of park trails and 105 miles of urban trails and had its own designated National Natural Landmark since 1971 called Garden of the Gods, an expansive 1,300 acre+ site with fin-like, tall sandstone and limestone formations and over 15 miles of trail. The landmark receives an estimated 6 million visitors from the US and over 60 countries.

Colorado Springs has one of the state's two major airports. August 2021 YTD passenger count for the Colorado Springs airport reached over 1.1 MM, an increase over the same period YTD 2019. Colorado Springs has a strong military presence as there are five installations in and around the region, including the United States Air Force Academy (1 MM+ visitors annually) just north of the city, Cheyenne Mountain/NORAD, and Peterson AFB and NORTHCOM.

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Economic Overview:

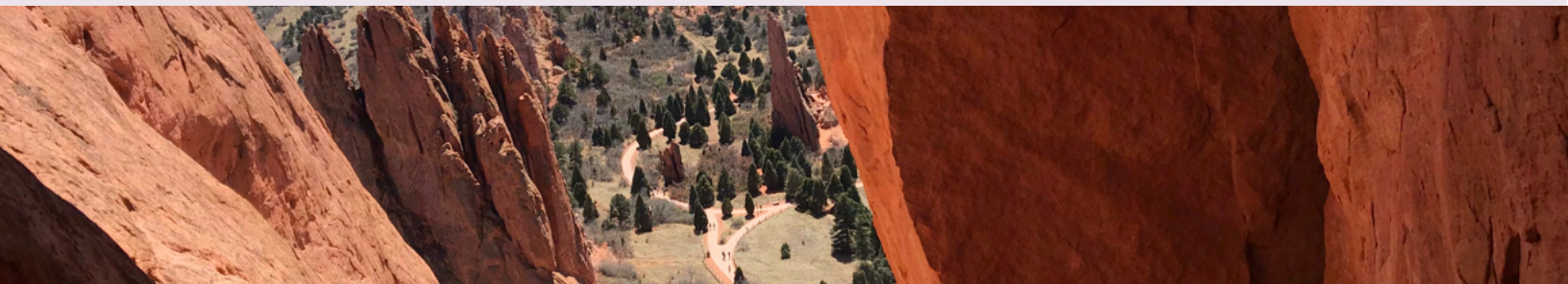
The Colorado Springs MSA has a diverse workforce with over 170,000 employed in either aerospace and defense, healthcare & MedTech, cybersecurity, or manufacturing, to name a few sectors. Amazon, who is continuing to expand its presence in CO, opened its 3.7 MM SF fulfillment center during the summer of 2021 within the 900-acre master-planned Colorado Springs Airport's Peak Innovation Park. Additionally, the Aerospace Corp. will have a new ~\$100 MM 90,000 SF R&D facility at the same park in 2022 that will focus on classified space and national security work.

Major industries located within Colorado Springs include cybersecurity, aerospace, defense (250+ firms in the area), sports, and life sciences, and medical device companies. In 2020, CBRE ranked Colorado Springs as the #4 up-and-coming tech market. While Silicon Valley continues to be the epicenter for venture capital, Colorado Springs has not been left behind. Quantum Metric received \$200 million in VC funding with a \$1 billion valuation in 2021. The company also has plans to keep its headquarters in the Pike's Peak region.

The metro is home to the National Cybersecurity Center, with five colleges (including the US Air Force Academy) that are certified as Centers of Academic Excellence by the National Security Agency. Colorado Springs has also become a top site for data centers, with FedEx, Progressive Insurance, Hewlett Packard Enterprise, Walmart, and SAP having storage sites in the city due to superior electric reliability, inexpensive power costs, and the metro's path towards a heavier concentration of solar energy.

As of July 2021, the unemployment rate in the Colorado Springs MSA is 6.2%. Home prices in the area have increased substantially in the past year.

Median Household Income has increased from \$60,732 in 2010 to \$72,633 in 2019, representing an increase of 19.6%, or a compound annual growth rate (CAGR) of 2.01%



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Commercial Real Estate Trends:

Hospitality: Colorado Springs, was part of three leisure destinations with the highest hotel occupancy rates in July 2021, trailing only behind the Florida Keys and Gatlinburg and Pigeon Forge in Tennessee. According to STR, hotel occupancy was at 84.4% for July, which was a result of Colorado Springs being one of the nation's hottest hotel markets for summer 2021.

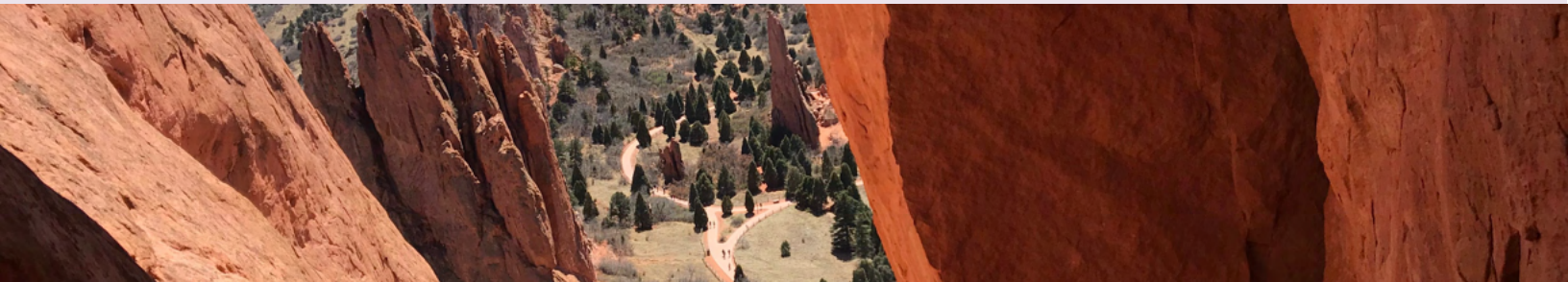
Office: Aside from the relative strength in the hospitality sector, Colorado Springs' office market has also performed exceptionally well despite the resurgence of COVID in recent months. Cap rates for office properties are at record lows and market rent is above \$22/SF, which is an all-time high for the office market in Colorado Springs.

Industrial: As expected, the industrial market in Colorado Springs has been hot, with annual rent growth exceeding 5%. The market vacancy rate is at approximately 4%, and with limited construction in the pipeline, the market will likely stay tight for the foreseeable future.

Multi-Family: Annual rent growth in the Colorado Springs multi-family market exceeds 10%, and occupancy has increased to approximately 95% in recent quarters. Market cap rates remain compressed at just under 5%. Over 3,000 units are currently under construction in the market, which represents approximately 7% of the market's inventory.

Colorado Springs CRE Updates:

- Market Rents are at record highs across Office, Retail, Multi-Family, and Industrial property types
- Enchanted Springs Apartments sold for \$65,000,000 (\$325k/Unit) on a 4.15% cap rate
- Sev1 Tech signed a 10-year NNN lease at 5110 Edison Ave at a rental rate of \$25/SF



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Development Activity:

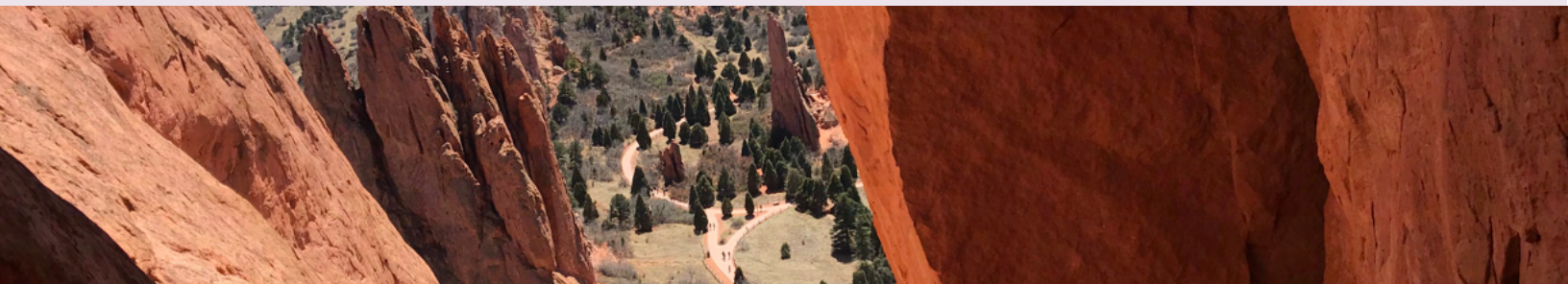
Hospitality: A new dual-branded 261 room Marriott SpringHill Suites and Element by Westin Hotel (both extended stay) is earmarked to open in spring 2022 by Hotel Equities and an affiliate of Colorado Springs-based Olive Real Estate Group. The hotel is an Urban Renewal Authority Project (whereby tax incentives were given for being in a state-designated opportunity zone). The total estimated cost will be over \$75 MM. A 120 room Hyatt Place hotel recently opened in downtown Colorado Springs by the firm, AAA Hotel Developers. These projects, plus a recently completed Kinship Landing and Hilton Garden Inn will be major deliveries that will help to effectively double the number of hotel rooms in downtown Colorado Springs within the span of four years.

Healthcare: Penrose-St. Francis Health Services, the child of Centura Health, is expanding its 195-bed St. Francis Medical Center by 60 additional inpatient beds, consisting of new 5th and 6th floors with 30 additional non-medical surgical rooms and 30 intensive care units. The project is expected to be completed in spring 2022.

Office: Colorado-based Ent Credit Union recently moved into its newly constructed five-story 300,000 SF headquarters, spanning over 27 acres, with a two-story cafeteria, and a water feature with 19 separate waterfalls.

Multi-Family: There has been a fever pitch ramp up in construction in 2021, due to the demand from remote workers, millennials, and empty nesters exceeding supply. Notable projects include the 604-unit two-property JV with Greystar and Origin Investments, 217-unit Pikes Peak Plaza, 154-unit property by Nor'wood Development, and the 223-unit Mosaica by developer Darsey Nicklasson.

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Sales Activity:

On September 16th, Hyatt House Colorado Springs sold for \$14,500,000 or approximately \$116,000/Room. The property was built in 1999 and previously sold for \$12,135,000 in October 2019. The buyer is expected to convert the building into a multifamily property.

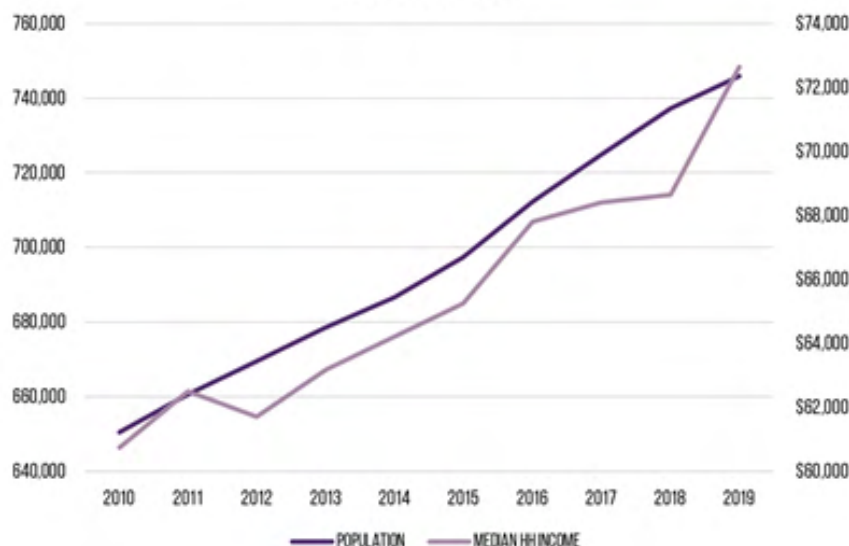
On August 18th, Enchanted Springs Apartments sold for \$65,000,000 (\$325k/Unit) on a 4.15% cap rate. The 200-unit property was built in 2020 and was 97% leased at the time of sale.

Lease Activity:

Last month, Sev1 Tech (an IT company specializing in cloud and cybersecurity services) signed a 10-year NNN lease at 5110 Edison Ave at a rental rate of \$25/SF. Sev 1 Tech will occupy 10,000 SF or approximately 32% of the building's NRA.

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