

Mid-Year Report 2017



Mayor, Town Council and Economic Development Council Investors:

Re: Castle Rock EDC Mid-Year Report to Investors August 2017

2017 Executive Summary:

Castle Rock Economic Development Council's (EDC) mission is to attract and grow new jobs and expand the tax base in the Town of Castle Rock. The three fundamental functions of the EDC include:

- New prospect development (primary & retail)
- Business retention and expansion (primary & retail)
- Creation of a business-friendly environment

Economic Overview

At the midpoint of 2017 Castle Rock EDC continues to see significant market activity across multiple sectors in Castle Rock. The EDC prospect activity has been steady in the first half of 2017 with office prospects leading the way slightly up from midyear 2016. Castle Rock continues to see a very low unemployment rate (1.8%) just below the Metro Denver rate of 2.1% and the State of CO at 2.2%. While low unemployment rates are great for job seekers, lack of availability and increased upward wage pressure has put significant strain on employers trying to recruit talent to Colorado and Castle Rock. The announcement of the Castle Rock Collaboration campus purchasing their ground and thus staying on track for a 2019 opening has created a great deal of excitement for regional employers.

Nationally, economic growth accelerated at 2.6% between April and June as expected with the driver being consumer spending which was up 2.8% from the first quarter of 2017.

The Metro Denver market is on track to add 51,400 new jobs, that number has been revised down from 63,000 new jobs as the tight labor market has been a constraint to business growth. Colorado still tops the charts outpacing a majority of the nation in job growth.

In the first quarter of 2017 Douglas County reported that the unemployment rate decreased 0.5 percentage points between the first quarters of 2016 and 2017, dropping to 2.5 percent. Douglas County single-family detached home sales rose 6.4 % and the average sales price in Douglas County for single-family detached homes rose 4.7 % between the first quarters of 2016 and 2017, an increase of \$22,327. Additionally, the County posted a 69.1 % increase in residential units between the first quarters of 2016 and 2017. The average lease rates in Douglas County continue to rise in the office (1.9%), industrial (12%), flex (7%) and retail (3.8%) markets.

Business Infrastructure/Amenities

Development infrastructure is critical to developing and maintaining a thriving economy. Comcast continues to make significant private sector infrastructure investments in the community in addition to the ongoing public investments in renewable water systems, festival park, and physical infrastructure expansions. Phillip S. Miller Park is seeing 2.5M visitors annually. These investments are laying the ground work for future private sector development and additional economic opportunity.

Castle Rock Tax Base

A healthy tax base is essential for the funding of Town services and community amenities. The Outlets at Castle Rock, The Promenade at Castle Rock and The Meadows Town Center and Hilltop Developments lead the charge in Castle Rock's strong overall retail performance. The Outlets exceeded 5M visitors and year over year sales tax for the Town in May was up 12.2% and Town net sales tax revenue is up 11.5% (YTD).

Strategic Planning

In an effort to continually evaluate our strategic economic development priorities and streamline our processes, Castle Rock EDC and the Town have contracted with EPS (Economic Planning Systems) to provide an independent third party SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of the Castle Rock Market. The intent is to thoughtfully and strategically craft our economic development policies to meet our community priorities. The analysis intends to actively engage Town council, business leaders and primary employers so that Castle Rock can be very intentional in attracting and retaining primary employment for its residents as part of a distinct standalone community.

Finding creative and innovative solutions to the lack of available commercial pad sites for development and a very tight industrial and office market continues to be Castle Rock EDC's most significant constraints in attracting and retaining primary employers that create jobs for Castle Rock citizens. There are no fast, easy or inexpensive solutions to this issue, however the developer/prospect activity remains steady despite challenges that are complex and formidable. Public/Private partnerships and infrastructure investment continue to be essential to the success of Castle Rock.

Business Attraction Team (BAT)

Castle Rock Marketing Project

In late 2016 the Business Attraction Team coordinated efforts in partnership with the Town of Castle Rock to launch a large-scale marketing program. The plan included a multiphase approach intended to increase awareness of the progress Castle Rock continues to make in terms of new developments, Town amenities, housing, employment, and infrastructure.

Castle Rock Digital Deck

Dubbed the “Digital Deck” this online application is an interactive tool intended to highlight development projects, land availability and features/amenities unique to Castle Rock in one visually stunning presentation. The decks interactive Google mapping function showcases project connectivity, providing a comprehensive overview of all Castle Rock developments. The Digital Deck has been shared with local and metro area brokerage firms, developers, and prospects interested in the Castle Rock market.

<http://castle-rock.herokuapp.com/>

Suter Media Relations

Suter Media Relations is a marketing firm specializing in media relations and publicity for the real estate industry. The partnership with Suter Media Relations is intended to generate substantial amounts of positive press and exposure of development in the Castle Rock market through third party verification. Castle Rock developments have been featured in Colorado Real Estate Journal, Denver Business Journal, BusinessDen.com, Denver Post, Biz West, WorldNews.com and a variety of additional news outlets.

<http://castlerockcdc.com/castle-rock-thriving-with-new-development/>

<http://castlerockcdc.com/edc-event-on-growth-impact-change-on-august-31/>

<http://castlerockcdc.com/constructions-king-in-castle-rock/>

<http://castlerockcdc.com/collaborative-campus-for-castle-rock/>

Broker and Developer Outreach

Supplemental to the Castle Rock Marketing Project, BAT and staff have continued traditional marketing efforts through the hosting of two targeted events that reached over 40 real estate professionals. Staff has also led a concerted campaign to directly engage Front Range brokerage firms, conducting one-on-one and group presentations showcasing Castle Rock’s current and upcoming developments.

Presentation to the following originations:

- DU Executive Real Estate Roundtable
- Society of Marketing Professional Services
- TiE Rockies
- Centura Adventist Heath Campus Board of Directors
- Land Title

- Peoples Bank
- Wells Fargo/Health Campus
- Canyon Title, Colorado Real Estate Marketing Group

Presented to the following brokerage/development firms

- Opus Development Group
- Confluent Development
- Prime West
- St. Charles Town

The 104 Initiative

The Castle Rock 104 Initiative was developed to attract start-up and second stage companies by connecting them to a network of local angel investors and industry experts. To date, the 104 Angel Network has hosted over 10 pitch sessions and are actively engaged in due diligence evaluations with two companies. The ultimate intent is to provide additional employment opportunities for Castle Rock residents, as second stage companies make up 10% of primary employers but account for up to 40% of the new primary job growth.

Basic Company Characteristics a Company Must Meet for Funding Consideration

- Based in or willing to relocate to Castle Rock (The 104 is willing to consider Douglas County based companies if a benefit to Castle Rock exists)
- Technology company that offers products or recurring services. The company must be scalable and have a strong IP position to defend its market.
- The company has already raised at least \$500,000 from seed investors (friends, family, individuals, family offices). The company must be able to demonstrate that it has used this money effectively.
- The company has achieved some level of market traction with at least \$100,000 of product revenue over the past 12 months. Grants and R&D contracts do not count. It is preferable that there is at least one recurring customer.
- The Founder and CEO are fully engaged with the company (not part-time).
- The company is looking to raise up to \$1.5 million in a pre-series A or Series A round.
- The company will not need to raise more than an additional \$5 million in order to achieve an exit or to achieve a respectable recurring quarterly dividend. Three to six years is the desired time horizon to achieve this outcome.

Company Pitches - YTD

1. TAZMO (medical software)
2. Health Aware (medical software)
3. Prieto Battery (cell phone battery start-up)
4. Vartaga (carbon fiber recycling)
5. Build1X (construction services app)

6. Safe Rx (medical start up)
7. Zoptic (AV start-up)
8. Data Mapt (cyber security)
9. Track Tech (phone app)
10. Health Sqyre (medical software)
11. Concussion Mitigation Technology (sports medicine)

Business Retention & Expansion (BRE)

Castle Rock EDC takes a proactive role in meeting with existing businesses and connecting those businesses with valuable resources. As part of the 2017 Business Retention/Expansion program the EDC and its public and private sector partners meet with local businesses through onsite visits and tours of their facilities as well as more formal committee visits with local businesses leaders.

Business Retention Visits

Year to date 2017 the EDC performed 18 retention visits and have executed numerous requests for services. Business Retention visits include onsite meetings with local business and small targeted events. A highlight of the first two quarters of 2017 included a small event with Manufacturers Edge that connected local manufactures to valuable resources.

Completed Expansions Include

iMotion Expansion

iMotion is a Castle Rock based business that is made up of two rapidly growing companies. iMotion completed their 9,000sf building in early 2017 and took occupancy of unit A, one third of the building, in June 2017. With the move into their space they will begin the execution of hiring 5-10 new employees. Unit C of the building has been leased by Strategic Mining LLC, a new tech company in Castle Rock that manages and hosts cloud computing, with a focus on the auto industry.

Great Southwestern Construction

Great Southwestern Construction is an existing Castle Rock based business, located at 1100 Topeka Way. The company was founded in 1977 and provides construction services to a wide range of utility companies throughout the nation. In late 2015, Great Southwestern Construction determined that it had outgrown its space and began to work to expand its building to accommodate an additional 10-15 employees. That expansion was complete in January of 2017 and to date the company has hired an additional 8 employees.

Asarch Center for Dermatology, Laser and Mohs


The Asarch Center for Dermatology, Laser and Mohs Surgery is a full service medical dermatology office that specializes in Mohs Surgery. Mohs Surgery provides the highest degree of skin cancer removal, minimizing the amount of healthy tissue lost and maximizing the function and cosmetic outcome after surgery. This method of treatment is the first in market to Castle Rock and Douglas County. Asarch Center for Dermatology moved into a 1,600-sf office space in The Alexander Building on the Castle Rock Adventist Health Campus in May of 2015 with immediate plans to hire and expand into the Mary Briscoe Building (MOB II) once completed. The move into The Mary

Briscoe Building was complete in June of 2017 and the process of hiring up to 25 employees is currently underway.

Development Round Table

The objective of the quarterly Development Roundtable discussion is to foster open and honest communication between the Town of Castle Rock and the development community. Through this process, this group works to create win/win outcomes by communicating directly and respectfully and not shy away from tackling critical development obstacles. The group works on both rapid short-term problem solving as well as longer term solutions, taking into account all participants' perspective for the benefit of the community. The topics addressed in 2017 include the following:

- Year in Review
- Development Procedure Manual Review
- ACADIA Study Review
- Construction Defects
- Landscape/Irrigation Permit Changes
- Water Tap Fees
- Plumbing Code/Electrical Code update
- Analyses of Internal Systems

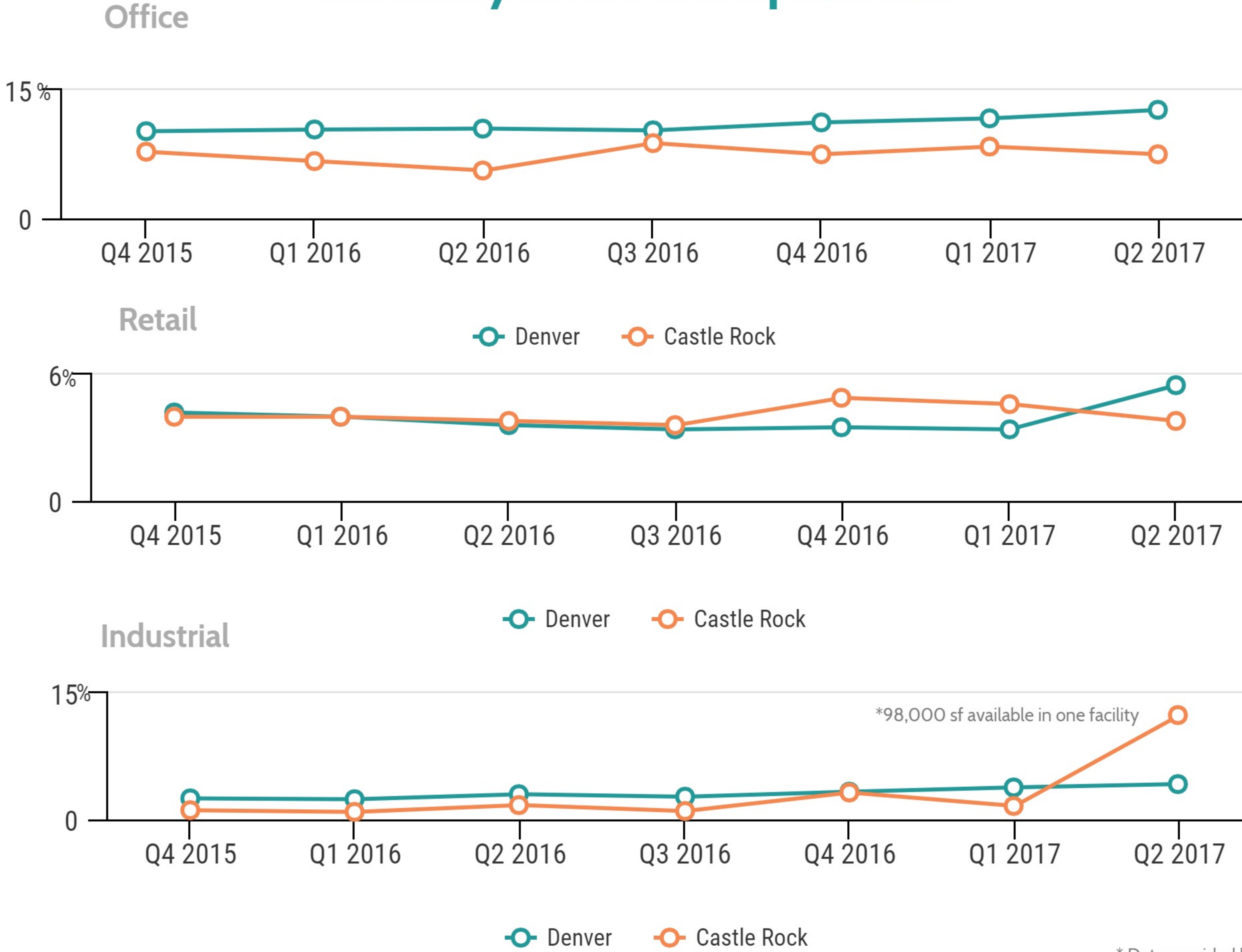
A handwritten signature in black ink, appearing to read 'Frank Gray', with a long horizontal flourish extending to the right.

Frank Gray

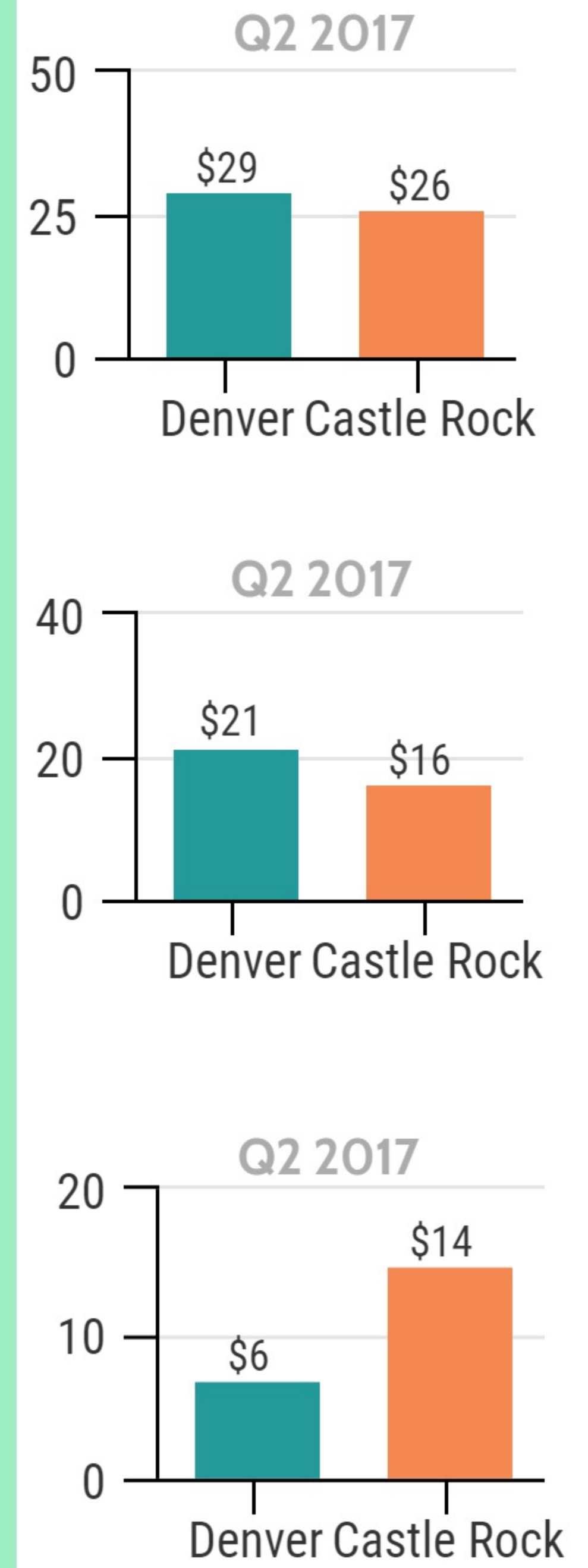
President and CEO

2017 Mid-Year Report

Vacancy Rate Comparison*

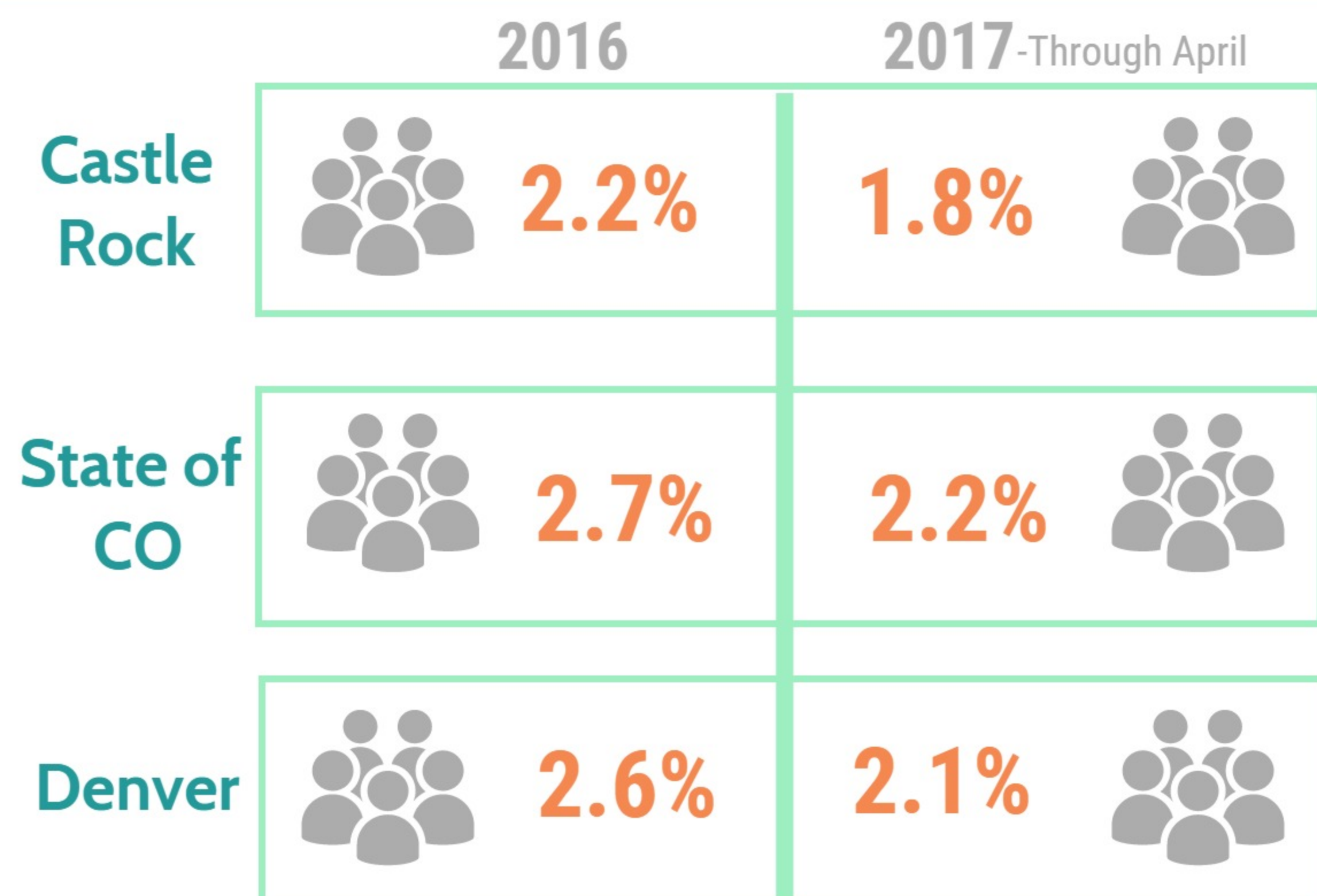


Lease Rate Comparison*



* Data provided by NavPoint Real Estate Group

Unemployment Comparison



Castle Rock Sales Tax Comparison



Promenade Update

Signature Tenants Opened

- Sam's Club
- King Soopers
- 24 Hour Fitness

Recently Opened

- Health Images
- Torrid
- Sprint
- Club Pilates
- Popcorn Bliss
- European Wax Center
- Potbelly Sandwiches

Under Construction

- Hobby Lobby
- Ross
- Bank of America
- Zoe's Kitchen
- Rocket Fizz
- Ent Service Center

New Signed Tenants

- Chase Bank
- Smoothie King
- Beau Thai
- Sleep Nation
- Pearle Vision
- Old Chicago

504,270 sq ft Under Construction

Development Highlights

Deliverables and/or Under Construction

Meadows Town Center

Under Construction
27,155 sf
95% Leased

iMotion Expansion

Completed
9,000 sf Industrial Flex
Unit C Leased by Strategic Mining

Limelight MOB

Under Construction
21,351 sf medical office

Personal Warehouse Space

Completed
67% Sold Out
Additional Contracts Pending

Mary Briscoe Building : MOB II

Completed
Grand Opening May 2017

Great Southwestern Construction

Expansion Completed

Castle Rock Industrial Park

Proposed Annexation

Brooklyn Veterinary Clinic

Completed

Riverwalk

Ground Breaking - June 2017

Mercantile Commons

Full - 100% Leased



Making Headlines

Development Features

Collaboration Campus

Colorado Real Estate Journal
Denver Business Journal
Denver Post
9News
KOA Radio

Miller's Landing

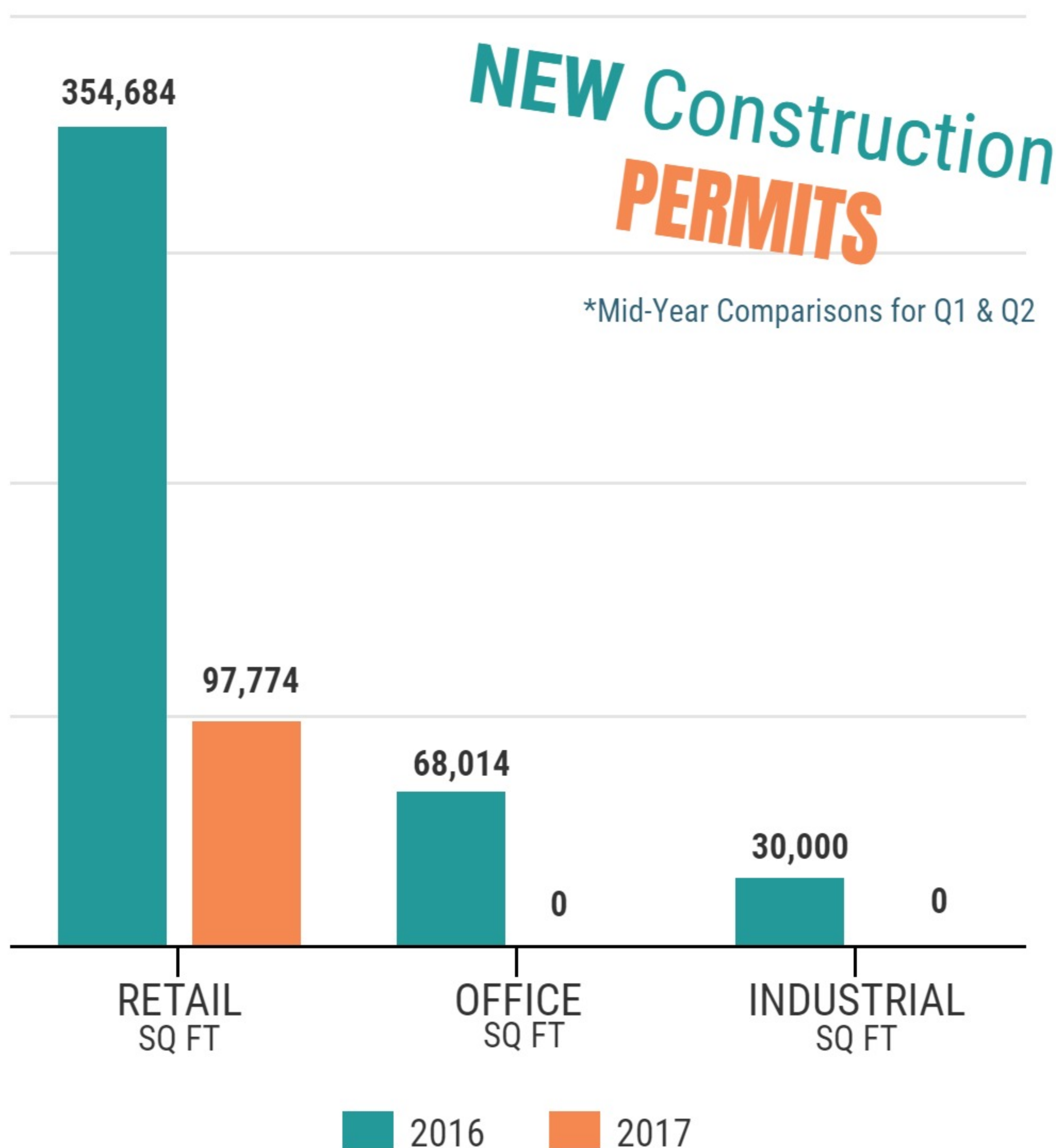
BusinessDen.com
Castle Rock News Press
Colorado Real Estate Journal
Denver Business Journal
Denver Post

Castle Rock Development

Denver Business Journal
Colorado Real Estate Journal



New Construction



Development Prospects

