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Denver, Colorado

Market Value Appraisal

of

Park Hill Golf Course
4141 East 35th Avenue
City and County of Denver, Colorado 80207

Prepared for

Clayton Early Learning Foundation
3801 Martin Luther King Boulevard
Denver, Colorado 80205

As of

June 24, 2015 - As Is

And

October 1, 2016 - Upon Completion of Rezoning

By

William M. James, MAI, CCIM
Geoff Hauer, Associate Appraiser

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JRES
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June 24, 2015

Clayton Early Learning Foundation
3801 Martin Luther King Boulevard
Denver, Colorado 80205

Attention: Mr. Michael Niyompong, Chief Operating Officer

SUBJECT PROPERTY: Park Hill Golf Course
4141 East 35th Avenue
City and County of Denver, Colorado 80207
JRES File No. 2014-136 MU

Ladies and Gentlemen:

At your request, we have appraised the referenced real property. The market value definition used and a description of the real estate are in the attached appraisal report, which, together with the attached Certificate of Appraisal, by reference, is incorporated in this letter. The scope of the appraisal is discussed in the Scope of Assignment section of this report.

This appraisal may not be used or relied upon for any purpose whatsoever by anyone other than the addressee of this letter and parties directly related to the intended use described herein, without our express written consent. It may be used only in conjunction with the purpose described in the Purpose/Intended Use section of the report.

The appraisal report contains 178 pages and 17 addenda. We certify that we have no present or contemplated future interest in the real property beyond this appraisal. We specifically call your attention to the Certificate and Summary of Appraisal on the following pages and to the Appraiser and Associate's Comments, Scope of Assignment, Appraisal Methodology, Assumptions and Limiting Conditions and Hypothetical Conditions sections in the report.

Our investigation and analysis have resulted in the opinion that the market values of fee simple interest in the subject real estate recognizing a lease (or leased fee interest) are:

APPRAISED VALUE – AS IS – GOLF COURSE
JUNE 24, 2015
$3,100,000
$.46/SF OF LAND AREA

APPRAISED VALUE – AS IS – REDEVELOPMENT SITE
JUNE 24, 2015
$24,400,000
$3.63/SF OF LAND AREA

APPRAISED VALUE – UPON COMPLETION OF REZONING
OCTOBER 1, 2016
$27,300,000
$4.06/SF OF LAND AREA

Respectfully submitted,

William M. James, MAI, CCIM
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Colorado State Certified
General Appraiser No. 40015629
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Attachments: Certificate of Appraisal
Appraisal Report

CERTIFICATE OF APPRAISAL

The Appraiser and Associate have no present or prospective interest in the subject property of this appraisal and no personal interest or bias with respect to the parties involved in this appraisal. They have the appropriate education and experience to conduct the appraisal.

The Appraiser and Associate are affiliated with the Appraisal Institute. Except as provided herein, the party for whom this appraisal report was prepared may distribute copies of this appraisal report in its entirety to such third parties as may be selected by the party for whom this appraisal report was prepared; however, selected portions of this appraisal report shall not be given to third parties without prior written consent of the Appraiser and Associate. The Appraiser and Associate will not divulge the analytical findings or conclusions to anyone other than the client or designee, except as may be required by the Appraisal Institute or by a court of law or body with the power of subpoena.

We certify that to the best of our knowledge and belief that:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute which include the Uniform Standards of Professional Appraisal Practice and with the Uniform Appraisal Standards for Federal Land Acquisitions.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- William M. James and Geoff Hauer have made a personal inspection of the property that is the subject of this report.

William M. James and Geoff Hauer have not previously appraised or provided other services at the subject property. The contribution to the research and report writing in this appraisal report by Matthew P. Hamstra is acknowledged. As of the date of this report, I, Geoff Hauer, have completed the requirements of the continuing education programs of the Colorado Appraiser Board.

Geoff Hauer
Associate Appraiser
Colorado State Certified
General Appraiser No. 40015629

As of the date of this report, I, William M. James, MAI, CCIM have completed the requirements of the continuing education program of the Appraisal Institute and of the Colorado Board of Real Estate Appraisers.

William M. James, MAI, CCIM
Appraiser
Colorado State Certified
General Appraiser No. CG1313126

SUMMARY OF APPRAISAL

JRES FILE NUMBER	2014-136 MU
IDENTIFICATION OF THE REAL ESTATE	Park Hill Golf Course 4141 East 35th Avenue City and County of Denver, Colorado 80207
ASSESSOR'S PARCEL NOS.	0119300032000, 0119300026000

LAND

Area:	6,729,836 SF (154.5 acres, 25,713% GBA)
Land Use Approvals /Entitlements (Zoning):	Open Space B (OS-B) with no development plan approval completed. The existing subject golf use is a legal conforming use.
Flood Hazard:	The subject is not located in a 100-year flood hazard area (1% risk of flood) as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map Community Panel No. 0800460089G dated November 17, 2005. See Addendum A.

IMPROVEMENTS

Use:	Golf course
Year of Construction:	1976
Stories:	One
Construction Type:	Poured in-place concrete/wood frame/metal frame
Vacancy Rate:	0%
Gross Building Area (GBA):	26,154 SF, includes basement area
Rentable Area (RA):	26,154 SF, 100% GBA
Finished Area:	11,521 SF, 44% GBA
Basement Area:	9,153 SF, 35% ground floor area, included from GBA
Parking Spaces:	193
Rentable Area/Space:	136 SF, 0% covered

SUMMARY OF APPRAISAL

Actual Age:	38 years
Effective Age:	38 years
Estimated Remaining Economic Life: As Is:	30 to 35 years, may be extended with capital improvements

DATES

Report:		June 24, 2015
Inspection:		November 3, 2014 and other dates
Value:	As Is:	June 24, 2015
	Upon Rezone:	October 1, 2016

PROPERTY RIGHTS APPRAISED

The property rights appraised are fee simple interest in the subject real estate recognizing a lease (or leased fee interest) excluding all personal property and excluding any separate water rights, mineral rights and any license or business enterprise.

INTENDED USE (PURPOSE) OF APPRAISAL

Assist in decision making regarding management and/or disposition of the subject.

INTENDED USERS OF APPRAISAL

Addressee of the transmittal letter and parties directly related to the intended use described in the Intended Use (Purpose) section of the report.

VALUE APPRAISED

Market value

ESTIMATED EXPOSURE TIME

Land As If Vacant:	6 to 12 months
Improved Property:	9 to 12 months

SUMMARY OF APPRAISAL

EXTRAORDINARY ASSUMPTIONS

Physical condition of the subject on the dates of value is similar to what it was on the date of inspection; no effect on value from unknown easements, covenants, conditions or restrictions, hazardous materials/conditions, encroachments, endangered species, and/or ADA deficiencies, the golf course use restriction on the property can be removed.

HYPOTHETICAL CONDITIONS

The subject property is appraised as is, under the hypothetical conditions that the subject lessee will not exercise its lease renewal options or its right of first refusal on any purchase offers, and that the golf course use restrictions have been removed.

HIGHEST AND BEST USE

Land As If Vacant: Golf Course if current use restrictions remain, or Mixed Use Development – Residential/Commercial if use restrictions are removed.

Improved Property: Golf Course if current use restrictions remain, or Mixed Use Development – Residential/Commercial if use restrictions are removed.

VALUE INDICATIONS	**As Is Golf Course**	**As Is Redevelopment Site**	**Upon Completion of Rezone**
Land Value:	**NA**	**24,400,000**	**$27,300,000**
Cost Approach:	**NA**	**NA**	**NA**
Sales Approach:	**$3,700,000**	**NA**	**NA**
Income Approach:	**$3,070,000**	**NA**	**NA**
APPRAISED VALUES	**$3,100,000** **$.46/SF**	**$24,400,000** **$3.63/SF**	**$27,300,000** **$4.06/SF**

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LOOKING SOUTHEAST AT SUBJECT CLUBHOUSE IMPROVEMENTS. GOLF CART ENTRANCE IS AT RIGHT.

LOOKING NORTHEAST ACROSS SUBJECT PARKING LOT AT CLUBHOUSE IMPROVEMENTS

SUBJECT PHOTOGRAPHS

LOOKING SOUTHWEST AT SUBJECT PRKING LOT, CLUBHOUSE AND GREENS

SUBJECT PHOTOGRAPHS

LOOKING NORTHEAST AT SUBJECT CLUBHOUSE

SUBJECT PHOTOGRAPHS

LOOKING NORTHEAST AT SUBJECT CLUBHOUSE ENTRANCE

SUBJECT PHOTOGRAPHS

LOOKING SOUTHEAST AT SUBJECT CLUBHOUSE. GOLF CART STORAGE ENTRANCE IS AT RIGHT

LOOKING SOUTHWEST AT SUBJECT CLUBHOUSE

SUBJECT PHOTOGRAPHS

LOOKING SOUTH EAST AT SUBJECT TRAINING FACILITY AND GREENSKEEPER BUILDING

SUBJECT PHOTOGRAPHS

LOOKING SOUTHEAST AT SUBJECT TRAINING FACILITY

SUBJECT PHOTOGRAPHS

LOOKING SOUTH AT SUBJECT GREENSKEEPER BUILDING

SUBJECT PHOTOGRAPHS

LOOKING EAST AT SUBJECT MAINTENANCE SHOP BUILDING

SUBJECT PHOTOGRAPHS

LOOKING NORTHEAST AT SUBJECT MAINTENANCE SHOP BUILDING

SUBJECT PHOTOGRAPHS

LOOKING NORTHEAST AT SUBJECT GOLF COURSE. CLUBHOUSE IS AT RIGHT.

SUBJECT PHOTOGRAPHS

LOOKING NORTH ACROSS SUBJECT DRIVING RANGE AND GOLF COURSE

SUBJECT PHOTOGRAPHS

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SUBJECT PHOTOGRAPHS

LOOKING SOUTHWEST ACROSS DAHLIA STREET AT THE SUBJECT GOLF COURSE AND INFORMAL STORM WATER DETENTION AREA

SUBJECT PHOTOGRAPHS

LOOKING NORTHWEST AT THE SUBJECT GOLF COURSE

SUBJECT PHOTOGRAPHS

LOOKING NORTHWEST AT SUBJECT GOLF COURSE

SUBJECT PHOTOGRAPHS

CLUBHOUSE LOBBY

CLUBHOUSE RESTAURANT

SUBJECT PHOTOGRAPHS

CLUBHOUSE OFFICE/ADMIN AREA

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SUBJECT PHOTOGRAPHS

LOOKING EAST ALONG WEST 38TH AVENUE, SUBJECT IS AT LEFT

LOOKING WEST ALONG WEST 38TH AVENUE, SUBJECT IS AT RIGHT

SUBJECT PHOTOGRAPHS

LOOKING NORTH ALONG COLORADO BOULEVARD, SUBJECT IS AT RIGHT

LOOKING NORTH ALONG COLORADO BOULEVARD, SUBJECT IS AT RIGHT

SUBJECT PHOTOGRAPHS

LOOKING SOUTH ALONG COLORADO BOULEVARD AT E. 40TH AVENUE, SUBJECT IS AT LEFT

LOOKING SOUTH ALONG COLORADO BOULEVARD, SUBJECT IS AT LEFT

SUBJECT PHOTOGRAPHS

LOOKING EAST ALONG SMITH ROAD, SUBJECT IS AT RIGHT.
FASTRACKS EAST LINE IS AT LEFT.

LOOKING WEST ALONG SMITH ROAD, SUBJECT IS AT LEFT.
FASTRACKS WEST LINE IS AT RIGHT.

SUBJECT PHOTOGRAPHS

LOOKING SOUTH ALONG DAHLIA STREET AT SMITH ROAD, SUBJECT IS AT RIGHT.

LOOKING NORTH ALONG DAHLIA STREET, SUBJECT IS AT LEFT

SUBJECT PHOTOGRAPHS

INTRODUCTION

Identification of the Real Estate

The subject property is the Park Hill Golf Club at 4141 East 35th Avenue in Denver, Colorado. Details of the subject are in the Summary of Appraisal above. Because of the familiarity of the users of this appraisal report with the subject property and in the interest of saving time and expense, the subject neighborhood, market area, site, and improvements are not discussed in detail in this summary appraisal report.

The subject market area is the geographic area comprising the properties with which the subject primarily competes, while the subject neighborhood is the geographic area sharing the same vicinity and local influences as the subject. The subject property is a golf course property which competes with other golf courses throughout the Denver metropolitan area, therefore the subject market area is generally the Denver metropolitan area. The subject neighborhood is generally bounded by Colorado Boulevard to the west, Smith Road to the north, Dahlia Street to the east, and Martin Luther King Jr. Boulevard to the south. Since the subject market area encompasses the Denver metro area, it is comprised of a variety of development and market trends, though in general the Denver metro area has been experiencing strong employment trends and population growth, resulting in overall positive development and market trends.

The subject neighborhood is a mature neighborhood east of downtown Denver that has generally been in a stable phase of real estate cycles. However, with recent home shortages and strong apartment trends in the Denver metro area, the subject neighborhood has seen increased residential development activity. This trend has accelerated with the construction of the FasTracks, 40th and Colorado commuter rail station that will serve the East Rail Line that is currently being built between downtown Denver's Union Station and Denver International Airport. The commuter rail line will utilize the Union Pacific railroad right of way immediately north of the subject, and the station is being built adjacent to the railroad between Jackson Street to the east, East 42nd Avenue to the south, and extending west halfway between Garfield and Monroe Streets. The East Rail Line project was approved as a part of the FasTracks transit expansion package in 2004, and went through regulatory processes with the Federal Transit Administration, receiving approval in 2009. The project broke ground in August 2010, and is scheduled for completion in 2016.

Vehicular access is available to and through the subject neighborhood and market area by an established network of local and arterial streets and limited access expressways that are subject to congestion at typical peak traffic times. Access to the vicinity of the subject is provided by Colorado Boulevard on a north-south axis and Martin Luther King Jr. Boulevard on an east-west axis. The subject neighborhood is approximately 65% developed and the market area is approximately 90% developed. The immediate surroundings of the subject include the Union Pacific Railroad and industrial properties to the north, industrial properties the northeast and single family residences to the southeast, single family residences to the south, and a mix of single family residential, multifamily residential, and commercial uses to the west. All of the surrounding properties are compatible with the subject.

The subject site is 6,729,836 SF (154.5 acres) in size and is largely rectangular in shape, comprising nearly all the land lying between Dahlia Street to the east, Smith Road to the north, Colorado

Boulevard to the west, and East 35th Avenue to the south, though the northwest and southeast corners of this described area are not part of the subject and are owned by others. The subject site enjoys good traffic exposure from all the streets named above; in particular the subject has five blocks of frontage along Colorado Boulevard which has a traffic count of 62,000 vehicles per day.

The site is currently zoned Open Space B (OS-B), which permits open space recreational uses include golf course use. The subject site is generally level, though with landscaped topography throughout consistent with the subject golf use. Public water and sewer utilities surround the site on all sides, and are also currently available at the subject clubhouse, but are generally not available throughout the subject site.

While the subject currently has use restrictions (discussed below), limiting permitted uses to an 18 hole golf course, the size of the subject site coupled with its proximity to a future commuter rail state, quick access to Interstate Highway 70, and relatively short commute to downtown Denver, make it a desirable redevelopment opportunity. Development of the subject site would require removal of the golf course use restrictions and likely be performed in conjunction with rezone of the subject to permit a variety of potential uses coupled with approval of a master development plan for the site. Rezone and master plan approvals for developments the size of the subject site often require a lengthy approval process, including public meetings and multiple conceptual filings before final approval is obtained, and generally some amount of the site must be dedicated for public open space. Depending on developer intent, city and stakeholder requirements, the configuration and resulting use mix of large development can vary considerably, but in general commercial uses tend to be oriented along major thoroughfares to best utilize high traffic counts, with multifamily residential uses located near areas with good access, and single family residential uses located in the interior areas of the development farthest removed from traffic and noise pollution. The northern portion of the subject site is located near industrial uses, suggesting potential for industrial development at this portion of the subject. The proximity of the northwest portions of the subject to the RTD FasTracks 40th and Colorado station, make this area the likely focus of greater density and mixed uses to capitalize on the transit orientation.

The subject building improvements consist of the following:

Improvement Summary		
Building	Construction	SF
Main Clubhouse and Cart Storage	Poured Concrete	20,678
Training Facility	Wood Frame	8,000
Greens keeper Building	Wood Frame	2,700
Maintenance Shop	Steel Frame/Metal	3,500
Total		34,878

The Main Clubhouse, Training Facility and Greens keeper buildings are located at the south end of the subject along East 38th Avenue. The Maintenance Shop is located on the East portion of the property, accessible off North Dahlia Street. The Main Clubhouse building has 9,153 SF below grade

which comprises the golf cart storage area, capable of storing 80 golf carts. On the main floor, administrative offices, a bar/lounge, pro shop, kitchen and banquet/meeting rooms comprise the different uses. All of the buildings are in average condition for their age. The total building area is higher than typically seen on golf course properties and the distribution of this square footage area among four different buildings compromises the functional utility of the improvements. The training facility building in particular, is atypical of golf course properties, and is perhaps in excess to the needs to the subject.

Golf Course improvements include an 18 hole, regulation length golf course, practice range, and training greens. An irrigation system distributes water from on-site wells provides irrigation water. The fairways are laid out in a northeast/southwest orientation. The practice range is in the southeast corner of the course. A 50' high net protects houses immediately east of the subject driving range from errant shots. A small soccer golf course is located at the north end of the course.

The Appraiser and Associate's inspection of the subject, and interviews with knowledgeable people concerning the property, tend to indicate that the potential for covenants, conditions, restrictions (CCRs), easements or encroachments at the subject land is great. Most notably is the Agency Agreement between the George W. Clayton Trust, through its trustee, The Clayton Foundation, and the City and County of Denver, signed in December 2000, which restricts use at the subject property to a regulation length, 18-hole daily fee public golf course. This Agency Agreement was a result of a peculiar situation in which the City, which had originally been the beneficial owner of the golf course asset as trustee for the George W. Clayton Trust, transferred ownership to the Clayton Trust. In doing so, the subject lost its tax exempt status, which was not discovered for several years. Upon discovery, with the assistance of the Probate Court, the property was transferred back to the City with the Foundation taking control of the property via the Agency Agreement, thus restoring the tax exempt status. The Agreement also provides that should the Agency Agreement be terminated voluntarily and the interest in the property be acquired by the Trust from the City, the Trust shall grant a conservation easement to the City that will ensure that the golf course land is used only for the golf course and related activities. The Agency Agreement is discussed in more detail in the History of the Subject Property section below.

The subject site does not appear to have unusual CCRs, easements or encroachments, other than those mentioned above. Therefore, as discussed below under Extraordinary Assumptions of Appraisal, it is assumed to be free of CCRs, easements or encroachments that would significantly affect value, other than those mentioned above.

To the Appraiser and Associate's knowledge, a comprehensive environmental audit of the subject property has not been performed. A review of a selected sample of the Enviromapper database of designated environmentally sensitive sites at http://www.epa.gov/emefdata/em4ef.home was conducted and the inventory is at Addendum J. The inventory is by no means comprehensive, but it does provide some indication of the potential for hazardous materials/conditions at the subject. Since the northern portion of the subject is surrounded by industrial uses, multiple designated sites from the Enviromapper inventory are adjacent to the subject site, although the subject itself if not listed as a designated site. The Enviromapper inventory is an assemblage of numerous databases of sensitive sites that have had and may currently have hazardous materials/conditions. Most such sites have been inventoried by government

agencies and have had their hazardous materials/conditions, significantly mitigated since the environmental movement began decades ago. The Appraiser and Associate's inspection of the subject, and interviews with knowledgeable people concerning the property and its neighborhood and market area, tend to indicate that the potential for hazardous materials/conditions at the subject land is limited. Since the subject site does not appear to have significant hazardous materials/conditions potential, as discussed below under Extraordinary Assumptions of Appraisal, it is assumed to be free of hazardous materials/conditions in amounts that would significantly affect value.

To the Appraiser and Associate's knowledge, a comprehensive endangered species study of the subject site has not been performed. The Appraiser and Associate's inspection of the subject, and interviews with knowledgeable people concerning the property and its neighborhood and market area, tend to indicate that the potential for endangered species on the subject land is negligible. Based on the presence of surrounding development, the existing improvements, ongoing construction activity in the area, and as discussed below under Extraordinary Assumptions and Hypothetical Conditions of Appraisal, this appraisal assumes that the subject is not affected by any endangered or threatened plant/animal species.

The Americans With Disabilities Act (ADA) became effective on January 26, 1992, requiring building owners and tenants of public accommodations and commercial facilities to remove architectural barriers to all types of disabled persons. Disabilities under ADA may be physical or mental limiting one or more of the person's major life activities whether the person currently suffers from the impairment or is only perceived as disabled. A person with Acquired Immune Deficiency Syndrome (AIDS) is considered disabled. Removal of barriers is required only if it is readily achievable, defined as "easily accomplishable and able to be carried out without much difficulty or expense". Firms with 15 or more employees and their facilities are affected. Public accommodations and commercial facilities are not limited by size and public accommodations generally include any real estate that customarily is entered by the general public for the purpose of conducting the activities of the occupant. New construction must be 100% in compliance. After considerable controversy during the adoption of regulations over who would actually be responsible for the removal of barriers and provision of auxiliary aids, the final regulations specify merely that "allocation of responsibility for the obligations of this part may be determined by lease or other contract."

To the knowledge of the Appraiser and Associate, the subject improvements have not been surveyed by an expert in the ADA, and the Appraiser and Associate are not such experts; however, the Appraiser and Associate have considered ADA in the course of inspection. In the context of unclear current standards of compliance with ADA, it is difficult to be certain of such compliance.

While ADA deficiencies at the subject may exist, no "readily achievable" or "easily accomplishable" ones were apparent at inspection. A ground level entrance ramp is available at the south entrance and the restrooms have handicap access. Correction of any readily achievable or easily accomplishable deficiencies is estimated to likely require low to moderate cost, so the impact on value of any ADA deficiencies is estimated to be relatively minor and likely similar to that of the comparable

properties used in this appraisal. Thus, the requirements of ADA are estimated and assumed to have negligible impact on the value of the subject property.

Public and Private Projects

The James Real Estate Services data base of news articles at www.jres.com indicates the following real estate activities and projects in the zip codes nearby the subject property over the past two years.

Headline	Moreland Acquires North Denver Building
Date	4/14/2014
Source	CoStar Group
Summary	Moreland Properties purchased a 160,000 square foot industrial building in north Denver for $5,384,000, or about $34 per square foot. Moreland bought the fifty-year old building at 5200 East Smith Road, the seller of which was represented by Bill Vassil of Commercial Investors Realty.

Headline	Studen Purchases Northeast Denver Industrial Building
Date	12/5/2013
Source	CoStar Group
Summary	Studen Enterprises bought a 54,518 square foot industrial building at 5959-5861 East 38th Avenue in northeast Denver. The 45-year old building was acquired from JWT Holdings for $2.2 million, or about $40 per square foot. Brandon Basham of Basham and Associates represented Studen and Mike Wafer Sr. of Newmark Grubb Knight Frank was agent for the seller.

Headline	Ravenbrick leases Kearney Street industrial building
Date	1/18/2013
Source	Denver Business Journal
Summary	Ravenbrick has signed a lease for an industrial building in Denver near Monaco Parkway and Smith Road. Negotiated with building owner Furniture Row COLO LLC via Cressa agents Brendan Fisher and Charlie Lutz, the lease for the 3950 Kearney Street building totals 60,000 SF, and company intends to use the space as a manufacturing facility for its RavenWindow product, which is to be amped with the addition of 26 new hires in the next 6 months. The building owner was represented in the lease negotiations via Steve Smith and Michael Bloom of Michael Bloom Realty.

Headline	Hotel portfolio sold
Date	9/5/2012
Source	Colorado Real Estate Journal
Summary	Seven hotels were recently purchased by limited liability companies affiliated with Sage Hospitality. Operating under the TownePlace Suites by Marriott brand and sold by JER Partners, the transaction included the addresses of 480 Flatiron Boulevard in Broomfield, $13.2 million; 685 Speer Boulevard in Denver, $14.1 million; 800 Tabor Street in Lakewood, $7.5 million; 3699 Monaco Parkway In Denver, $6.4 million; 10920 West Toller Drive in Littleton, $4.9 million; 4760 Centennial Boulevard in Colorado Springs, $4.33 million; 7877 South Chester Street in Centennial, $4.2 million.

The events described above indicate nominal real estate activity in the vicinity of the subject property. None of them appears to have any negative effect on the subject property. The Appraiser and Associate know of no other major public or private projects in the area that would affect the value of the subject.

Real Estate and Personal Property Taxes

Real estate and personal property taxes in Colorado are currently based on assessed values of 29% of actual (market) value for vacant residential land and non-residential properties, vacant or not. The assessment ratio history for residential properties, including apartments, is as follows:

Years	Assessment Ratio
1982-1986	21.00%
1987	18.00%
1988	16.00%
1989-1990	15.00%
1991-1992	14.34%
1993-1994	12.86%
1995-1996	10.36%
1997-2000	9.74%
2001-2002	9.15%
2003-2004	7.96%
2005-2006	7.96%
2007-2008	7.96%
2009-2010	7.96%
2011-2012	7.96%
2013-2014	7.96%

The assessed value ratio for residential properties experienced considerable downward pressure from the real estate tax structure in the State of Colorado until it leveled off in 2005-2006 and has now begun to rise again. As a result of the different assessment ratios between residential and other property types, real estate taxes in Colorado tend to be below the national average for residential properties and above the national average for other properties.

Assessed values in Colorado are set for two-year periods as of January 1st of the first assessment year. They are based on "actual" (market) values appraised by the assessors as of June 30th of the year prior to the first assessment year. These appraisals are based on comparable data during the 18 months prior to that unless adequately comparable market data is not available during that time, in which case older comparable data is admissible. Assessors send Notices of Valuation to property owners in early May of the assessment year. Appeals of assessed values are due to the Assessor in early June. Further appeals are available to the County Board of Equalization with deadlines later in the year. County commissioners set mill levies in late December of the assessment year. County Treasurers mail tax bills in early January and tax payments are due in the spring of the year following the assessment year. Data provided by the Denver County Assessor for the subject are as follows:

SCHEDULE NUMBER	All		
ADDRESS	4141 East 35th Avenue		
YEAR	2013	2014	2015
PAYABLE IN	2014	2015	2016
ACTUAL VALUES			
Land	$3,150,000	$3,150,000	$3,150,000
Improvements	$2,770,300	$2,363,600	$2,082,900
Total	$5,920,300	$5,513,600	$5,232,900
ASSESSED VALUE RATIO	29%	29%	29%
ASSESSED VALUES			
Land	$913,500	$913,500	$913,500
Improvements	$803,390	$685,440	$604,040
Total	$1,716,890	$1,598,940	$1,517,540
MILL LEVY	0.083090	0.083054	NA
REAL ESTATE TAXES	$66,754	$56,929	NA
EXEMPTION	$913,500	$913,500	$3,150,000
PERSONAL PROPERTY TAXES	NA	NA	NA
SPECIAL ASSESSMENTS	None	None	None
PAID	Yes	Yes	No
PRIOR TAXES	NA	NA	NA
INTEREST	NA	NA	NA
TOTAL TAXES	$66,754	$56,929	NA

Actual values upon which assessed values are based in Colorado assume the highest and best use of the property is the actual use at the time of valuation and, if applicable assume the property is leased at market rates. Actual values, of course change with market conditions. Even with actual value increases, real estate taxes are generally expected to continue to remain reasonably constant or increase slowly as a result of tax jurisdiction budget and thus mill levy limits imposed by the passage of Amendment One, the Taxpayer's Bill of Rights (TABOR), in 1993. Of course, many jurisdictions have voted to, in part, exclude themselves from TABOR limits and some have succeeded. The subject is not located in a local improvement or service district and, therefore, is not subject to special assessments.

The Denver County Assessor splits the subject property into two assessor records. The subject land is recorded under Assessor Parcel Number 0119300032000 with the George W. Clayton Trust as the owner of record, although, as described below in the History of the Subject Property section, the beneficial ownership of the property has been conveyed to the City, to be held for the ultimate benefit of the Trust, allowing the land to be exempt from ad valorem taxation. The subject improvements are recorded under Assessor Parcel Number 0119300026000 with Evergreen Alliance Golf LTD LP as the owner of record. Evergreen Golf Alliance is actually the Lessee, as per the lease between Evergreen Golf Alliance and The Clayton Foundation, with the golf course and building improvements leased. These improvements are not tax exempt, and the property taxes shown in the table above are the property taxes assessed to this portion of the property.

Colorado counties generally set mill levies in December of the year of assessed value, and real estate and personal property taxes are due in the spring of the following year. As of June 24, 2015, real estate taxes for tax year 2014 were due and paid at the subject. Assessed values have not been appealed at the subject for the referenced years. The total 2015 actual value is higher than the appraised value herein, so an opportunity exists for assessed value appeal at the subject and the potential for a real estate tax increase is recognized in the Income Approach.

Legal Description and Assessor's Parcel Number

A specific legal description of the subject real estate provided by others is not available to the Appraiser and Associate. The source of the legal description of the subject real estate is the Agency Agreement between the City of Denver and the Clayton Foundation. The subject real estate is legally described as at Addendum B. The Denver County Assessor's identification numbers for the subject are presented in the Summary of Appraisal above.

Property Rights Appraised

The property rights appraised are fee simple interest in the subject real estate recognizing a lease (or leased fee interest). These terms are defined in the Glossary of Terms at Addendum C. The unattached golf course furnishings and equipment at the subject are personal property that is owned by the current tenant of the real property. As instructed this personal property is excluded from the real property appraised. As also instructed, the attached business equipment and fixtures peculiar to and

owned by the business enterprise occupying the real estate are also excluded from the real property appraised.

As per instruction of the Client, the subject is appraised under the hypothetical condition that any property rights vested in the tenant regarding Section 24: Right of First Refusal of the Lease between The Clayton Foundation as Lessor and American Golf Corporation, as Lessee(subsequently Assigned to Evergreen Alliance Golf Limited, LP AKA Eagle Golf), do not exist, and that Eagle Golf does not exercise their option to renew the lease upon the expiration of its initial term in December 2018. Also as per instruction of the Client, the subject property is appraised as of October 1, 2016, under the Hypothetical Condition that any golf course use restrictions have been removed and it has been rezoned to enable its highest and best use as Mixed Use – Residential Commercial master Planned Community.

No other interest in real estate, personal property, separate water rights, mineral rights, licenses or business enterprise is included in the real property appraised.

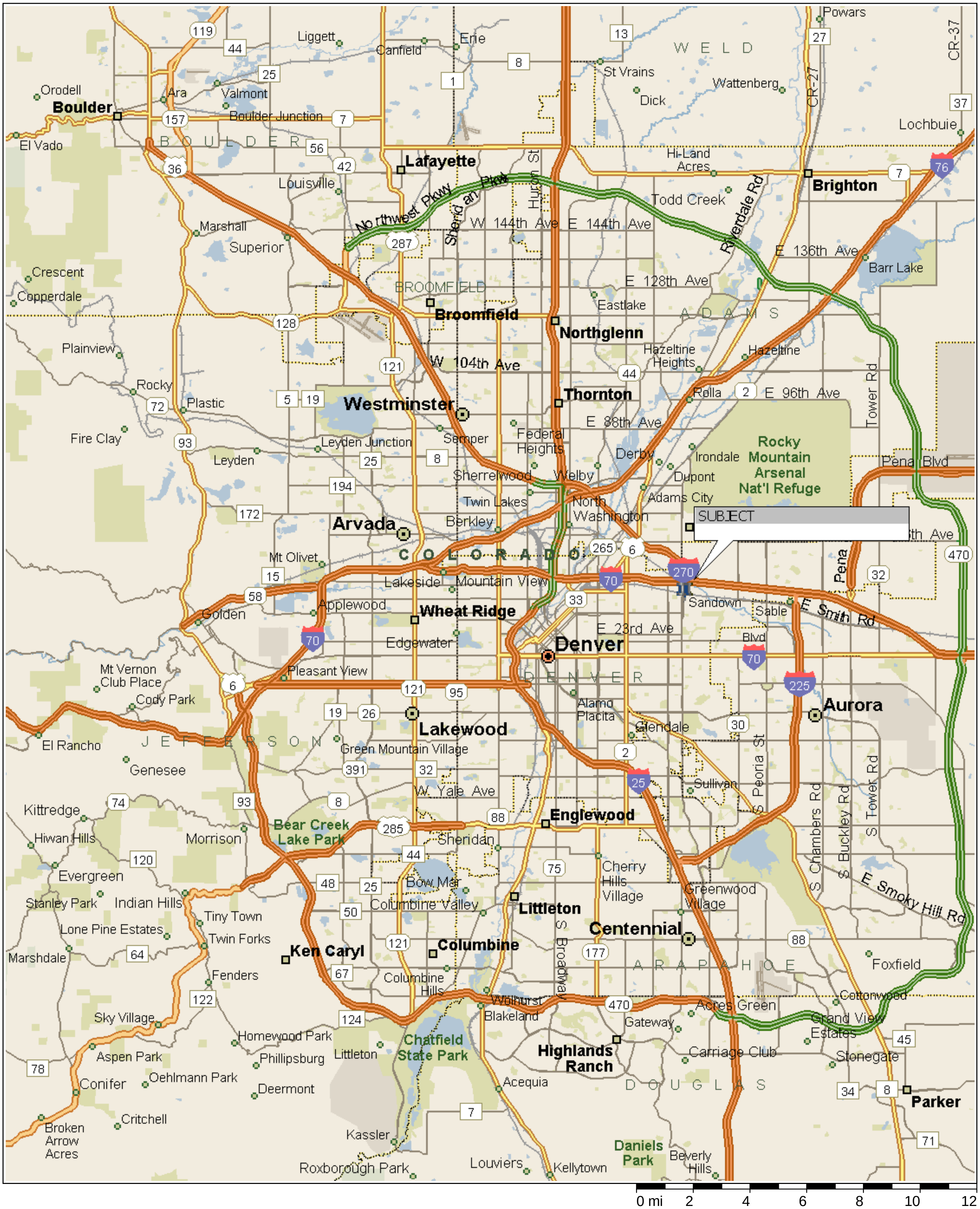
Value Definition

This is an appraisal of market value (as defined by the Dictionary of Real Estate Appraisal) of the subject property. Market value is defined for this appraisal in the Glossary of Terms at Addendum C.

Appraisals are opinions of value and are sometimes misinterpreted. Real estate markets tend to be inefficient and subject to significant price variations resulting from differing levels of motivation and knowledge on the part of buyers, sellers, and brokers. Prices may also vary due to the competitiveness of the market and the competency and aggressiveness of property or asset management in place at a property. These conditions are present for both the subject property and the market data used in the appraisal. While every effort is made to normalize these conditions in analysis of the subject property, it might very well sell or rent at different prices than the appraised values.

It should also be recognized that the appraised values and/or rents are gross of (include) sales and/or leasing commission and any other costs appropriate to the competent and aggressive marketing assumed present in any sale or rental effort at the subject. Of course, it is also assumed that all real estate taxes and special assessments are current, any financing for which the real property serves as collateral has been paid off, and any mechanic's or other liens have been released.

DENVER METROPOLITAN AREA MAP



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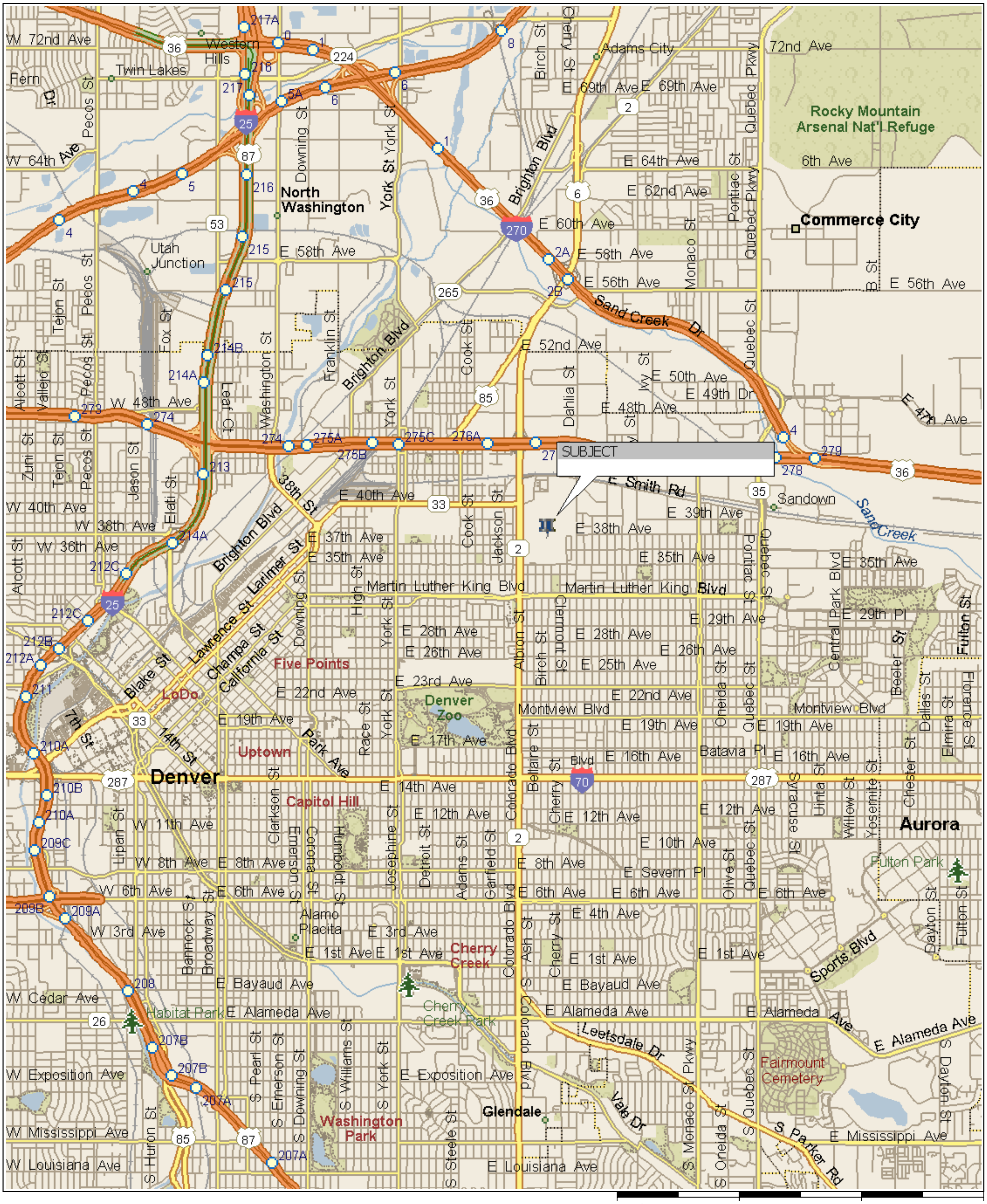
LOCAL AREA MAP



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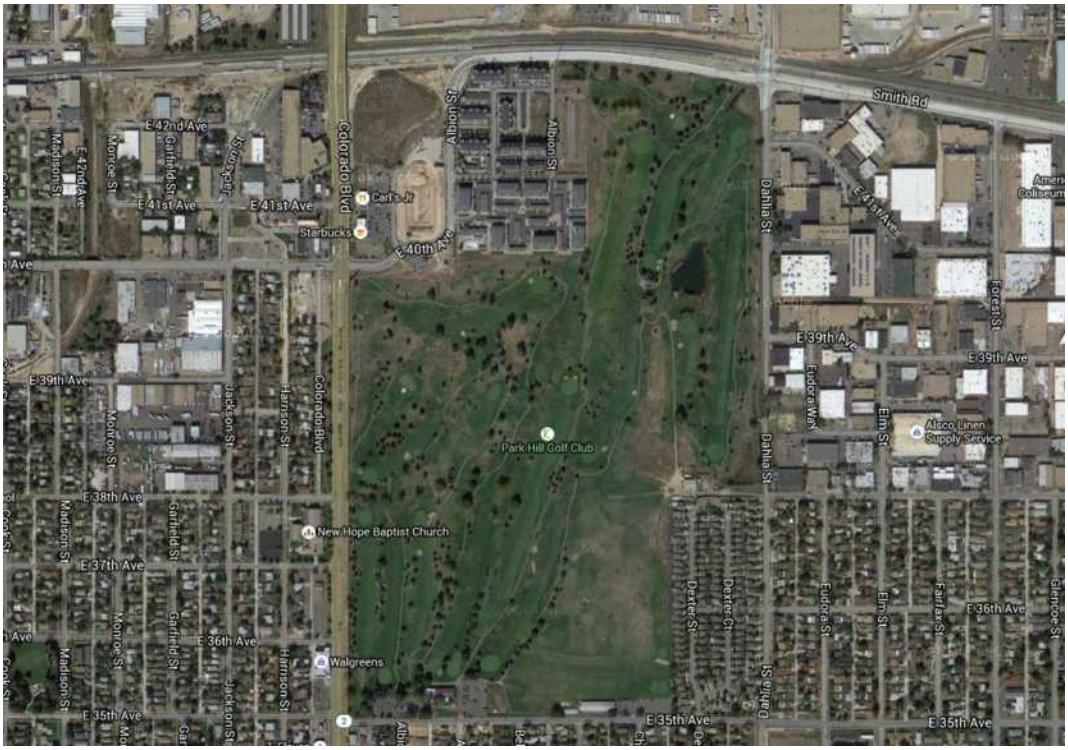
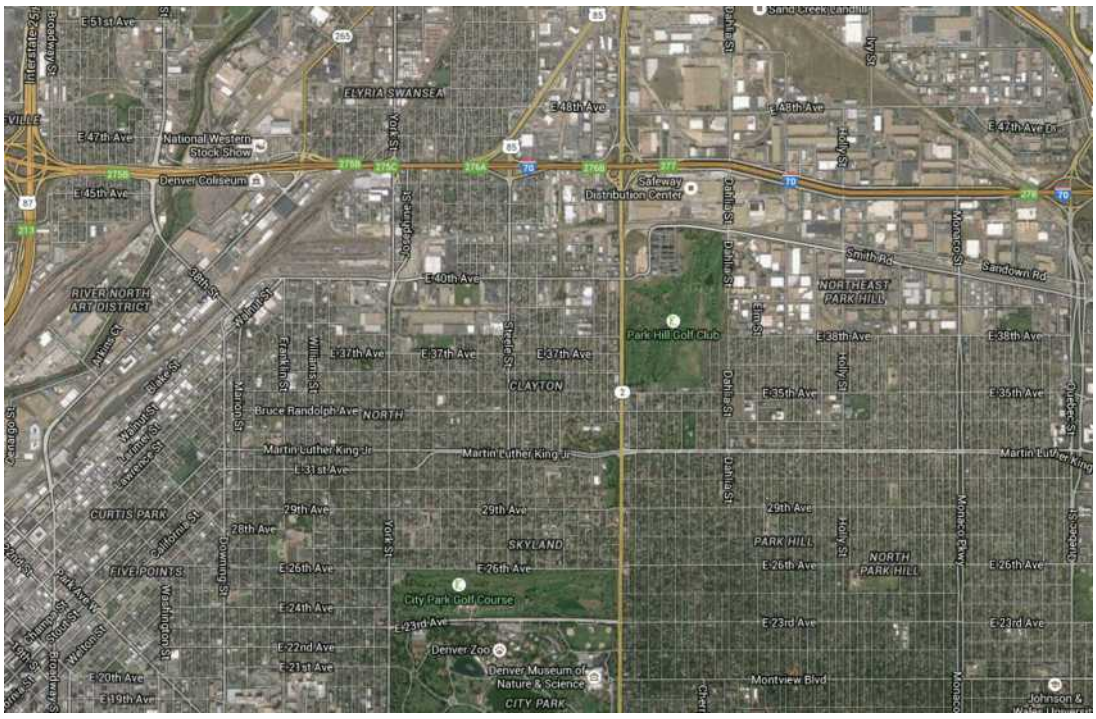
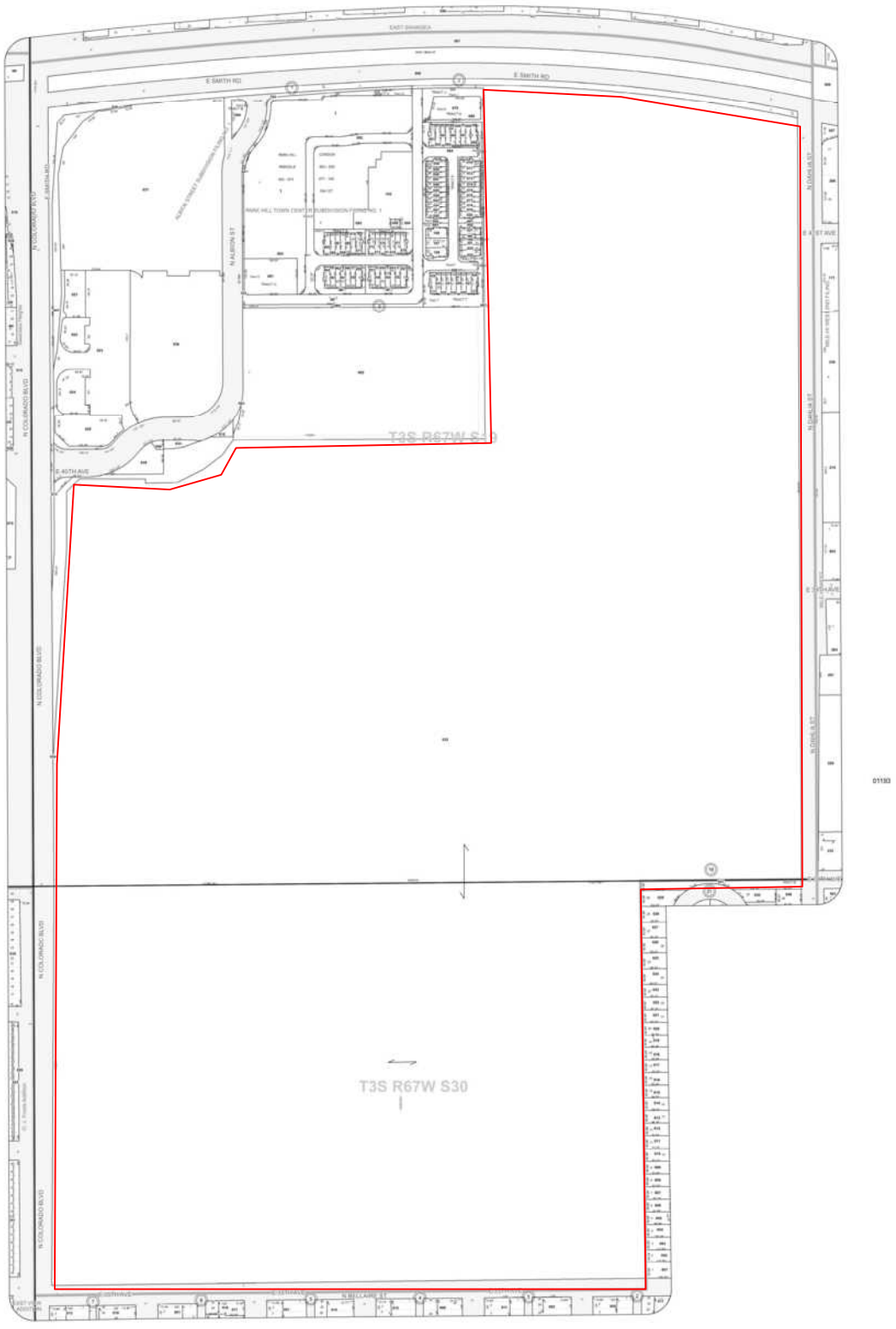
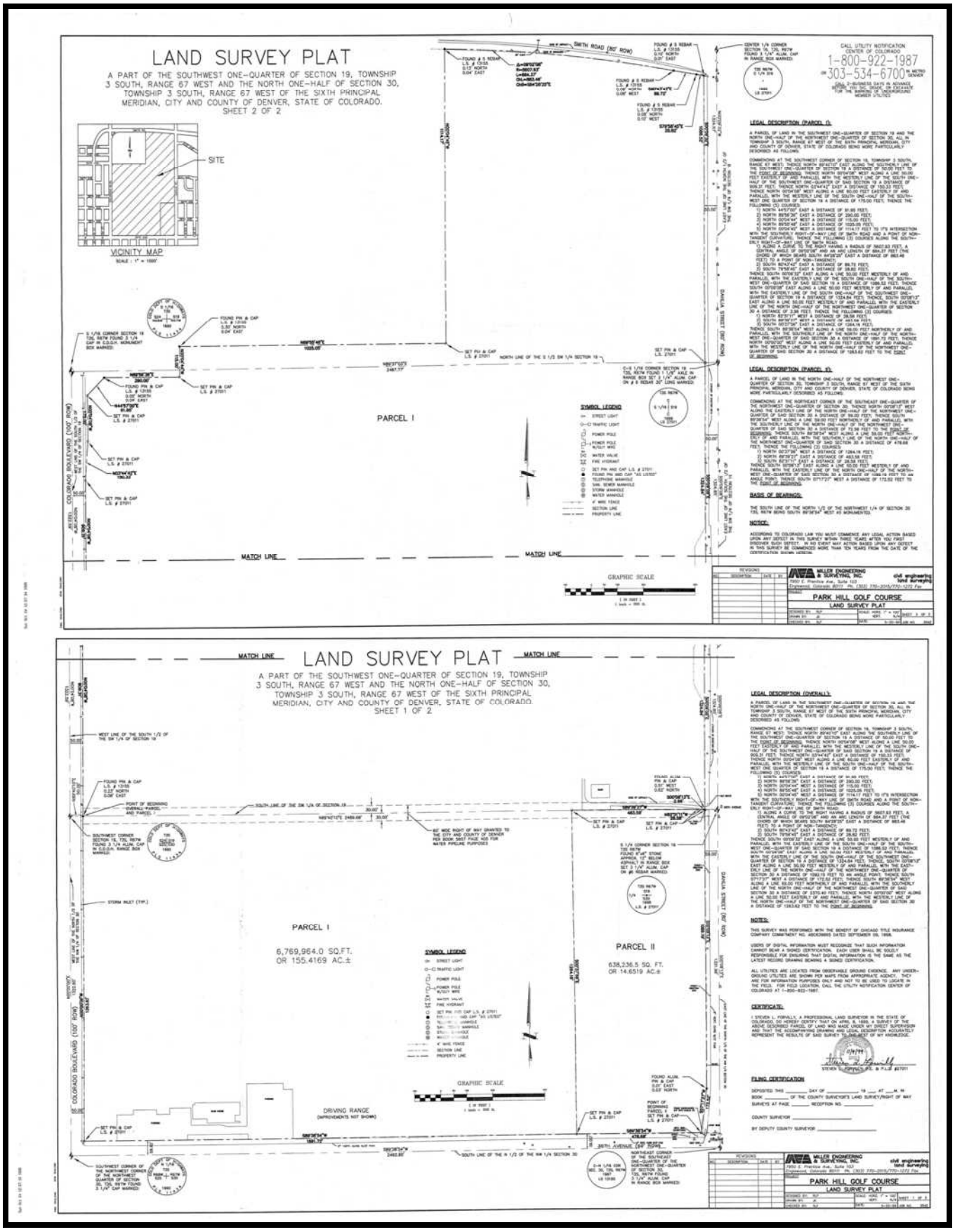




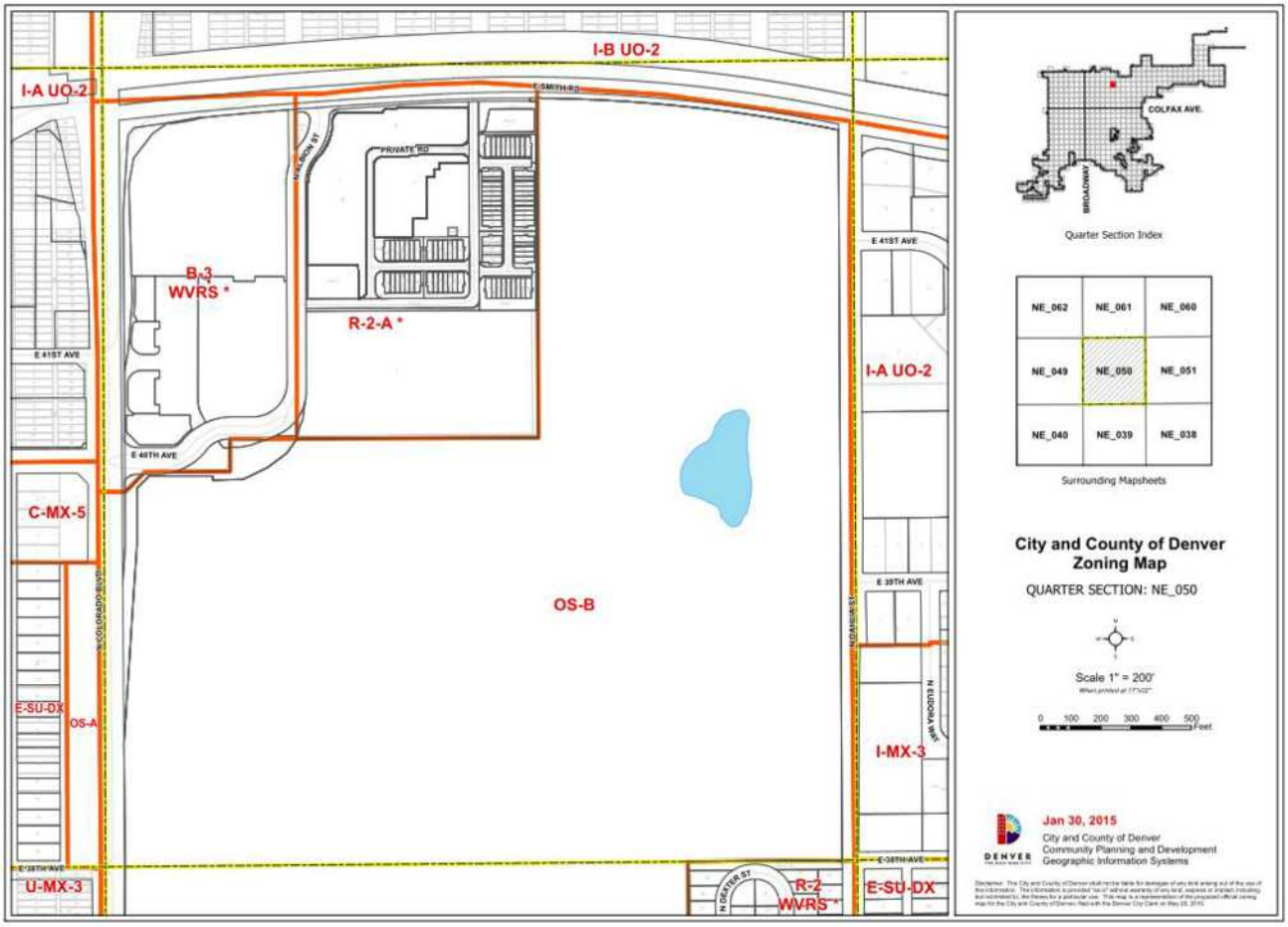
AERIAL PHOTOGRAPHS



ASSESSOR MAP


LAND SURVEY PLAT
A PART OF THE SOUTHWEST ONE-QUARTER OF SECTION 19, TOWNSHIP 3 SOUTH, RANGE 67 WEST AND THE NORTH ONE-HALF OF SECTION 30, TOWNSHIP 3 SOUTH, RANGE 67 WEST OF THE SIXTH PRINCIPAL MERIDIAN, CITY AND COUNTY OF DENVER, STATE OF COLORADO.
SHEET 2 OF 2
SITE
VICINITY MAP
SMITH ROAD (80' ROW)
COLORADO BOULEVARD (100' ROW)
DAHLIA STREET (80' ROW)
PARCEL I
MATCH LINE
MATCH LINE
GRAPHIC SCALE
SYMBOL LEGEND
CALL UTILITY NOTIFICATION CENTER OF COLORADO
1-800-922-1987
303-534-6700
LEGAL DESCRIPTION (PARCEL I):
LEGAL DESCRIPTION (PARCEL II):
BASIS OF BEARINGS:
NOTICE:
MILLER ENGINEERING & SURVEYING, INC.
civil engineering land surveying
7950 E. Prentice Ave., Suite 103
Englewood, Colorado 80111 Ph. (303) 770-2015/770-1272 Fax
PARK HILL GOLF COURSE
LAND SURVEY PLAT
MATCH LINE
LAND SURVEY PLAT
MATCH LINE
A PART OF THE SOUTHWEST ONE-QUARTER OF SECTION 19, TOWNSHIP 3 SOUTH, RANGE 67 WEST AND THE NORTH ONE-HALF OF SECTION 30, TOWNSHIP 3 SOUTH, RANGE 67 WEST OF THE SIXTH PRINCIPAL MERIDIAN, CITY AND COUNTY OF DENVER, STATE OF COLORADO.
SHEET 1 OF 2
COLORADO BOULEVARD (100' ROW)
DAHLIA STREET (80' ROW)
PARCEL I
6,769,964.0 SQ.FT.
OR 155.4169 AC.±
PARCEL II
638,236.5 SQ. FT.
OR 14.6519 AC.±
DRIVING RANGE
(IMPROVEMENTS NOT SHOWN)
GRAPHIC SCALE
SYMBOL LEGEND
LEGAL DESCRIPTION (OVERALL):
NOTES:
CERTIFICATE:
FILING CERTIFICATION
MILLER ENGINEERING & SURVEYING, INC.
civil engineering land surveying
7950 E. Prentice Ave., Suite 103
Englewood, Colorado 80111 Ph. (303) 770-2015/770-1272 Fax
PARK HILL GOLF COURSE
LAND SURVEY PLAT

SURVEY


I-B UO-2
I-A UO-2
E 40TH AVE
PRIVATE RD
B-3
WVRS *
R-2-A *
E 41ST AVE
I-A UO-2
C-MX-5
OS-B
E 39TH AVE
E-SU-DX
OS-A
I-MX-3
N DECATUR ST
R-2
WVRS *
E-SU-DX
U-MX-3
COLFAX AVE.
BROADWAY
Quarter Section Index
NE_062
NE_061
NE_060
NE_049
NE_050
NE_051
NE_040
NE_039
NE_038
Surrounding Mapsheets
City and County of Denver
Zoning Map
QUARTER SECTION: NE_050
Scale 1" = 200'
0 100 200 300 400 500 Feet
Jan 30, 2015
City and County of Denver
Community Planning and Development
Geographic Information Systems

ZONING MAP

Clayton Early Learning - PHGC

5.28.2015

Confidential & Draft

Conceptual Land use Plan

Clayton Early Learning
Yield Study
DRAFT May 27, 2015

Development Program	AC	DU	Net %	Total AC
Residential				80.3
Single Family	18.4	137		
Single Family Attached	40.1	659		
Multi-Family: 2-3 stories	8.1	195-260		
Multi-Family: 4-5 stories	13.6	1,222-1,629		
Commercial	15	300,000 SF		15
Open Space	26.1		21	26.1
Right-of-Way	32			32
	153.3	**2,213-2,685**		**153.4**

DRAFT CONCEPTUAL DEVELOPMENT PLAN

Exposure Time

Interpretation of the value definition also revolves largely around the time estimated to be necessary to sell the subject, given market conditions and characteristics of the property. Of course, exposure time on the market is also heavily dependent on the adequacy of the marketing effort executed for the property. The term "exposure time" is defined in the Glossary.

The PWC Real Estate Investor Survey is conducted nationally on a quarterly basis. PWC data for different property types indicate the longest exposure times for regional malls and the shortest for apartments and domestic self-storage as shown below:

National Average Exposure Times (Months)
PWC Real Estate Investor Survey

1st Quarter 2015	Current Quarter	Last Quarter	One Year Ago
Medical Office	4.4	5.1	5.3
Regional Malls	9.7	9.2	8.8
Power Centers	6.3	6.3	6.3
Strip Shopping Centers	6.0	6.1	6.4
CBD Offices	6.9	6.9	7.4
Suburban Offices	6.5	7.1	8.3
Secondary Offices	5.8	6.0	5.7
Flex/R&D	7.2	6.7	7.3
Warehouse	4.8	4.7	5.8
Apartment	4.1	4.1	5.0
Net Lease Properties	4.5	4.5	4.2
Domestic Self-Storage**	3.0	2.5	3.0
Full Service Lodging*	6.6	6.7	7.3
Ltd Svc-Midscale-Econ Lodging*	7.0	7.0	7.0
Luxury/Upper-Upscale Lodging*	6.3	6.0	7.8
Select Service Lodging*	6.6	6.8	6.8
Average All Types	6.0	6.0	6.4

*Semi-annual 1st and 3rd quarters, ** semi-annual 2nd and 4th quarters

The Real Estate Report is published by Real Estate Research Corporation and includes a marketing period survey of institutional real estate investors. The Report shows the longest marketing periods for industrial/flex properties and the shortest for apartments as follows:

National Average Exposure Times (Months) Real Estate Research Corp. Real Estate Report			
1st Quarter 2015	Current Quarter	Last Quarter	One Year Ago
Office – CBD	5.1	4.6	5.1
Office Suburban	6.3	5.5	6.4
Industrial – Warehouse	5.1	4.7	5.3
Industrial – R & D	6.7	5.6	6.1
Industrial – Flex	6.9	5.5	5.9
Retail – Regional Mall	5.9	4.9	5.3
Retail – Power Center	6.2	5.1	5.6
Retail – Neighborhood	5.3	4.8	5.4
Apartment	3.9	3.6	4.5
Hotel	5.7	5.3	5.6
Average All Types	5.7	5.0	5.6

The Burbach & Associates Real Estate Investment Survey in the West/Central United States provides additional exposure time data on a semi-annual basis, the most recent of which is Winter 2014/2015. For properties with reasonable asking prices, indicated times from listing to contract rose dramatically in response to the current reduced availability of financing. 67% of the respondents indicated a marketing time of up to 6 months.

The same surveys indicate that times from contract to closing are typically 3 to 6 months with 77% within 3 months, down slightly from the same percentage as in the last survey. The totals of these times, i.e. total market exposure times, are thus strongly concentrated under 16 months. Actual market exposure times may vary significantly due to variations in asking prices. If a property is listed at an unrealistically high price, its market exposure time may be extended considerably.

Since market exposure time and price (value) are interdependent, an appraised value is difficult to estimate without holding market exposure time constant. As described in the Glossary, the market exposure time estimated for this appraisal is assumed to have ended on the date of value.

Subject Property As Improved

Perhaps the best indicator of reasonable market exposure time in a real estate market is the actual market exposure time experienced in sales transactions. Only one golf course sales researched in the Sales Approach of this appraisal had market exposure time, reported at 6months. The Society of Golf Appraisers 2015Investors Survey indicated a range of market exposure times for courses throughout the country at 4 months to 18 months, with an average of 11.8 months.

The characteristics of the subject, including its location, condition and economic performance make it appeal to a reasonably typical market of prospective purchasers. Other factors that influence the estimated subject market exposure time include the reduced availability of capital for real estate and other investments resulting from the collapse of the subprime mortgage industry several years ago.

Market exposure time is considered to be the time from initial introduction to the market (often listing with a broker) at a reasonable price until the sale eventually closes. As described in the Glossary, this time includes the time when the property is under contract and sale contingencies are removed. Based on these data, and under normal conditions, a market exposure time of 9 to 12 months is considered adequate for the subject.

Based on the value definition and the above conditions, and for the purpose of this analysis, market exposure time was held constant for the subject golf course at 9 to 12 months. Then, based on consultation with brokers, buyers, and sellers (primarily those confirming the sale data used in the appraisal as described above), a determination was made whether this time frame is reasonable, given appropriate pricing (at or near appraised value) and competent, aggressive marketing. Based on this consultation, and considering the factors mentioned above at the subject, the appraised value concluded herein and the 9 to 12 month market exposure time are considered reasonable and adequate, respectively.

Subject Site As If Vacant

The land sales analyzed to appraise the subject site had marketing times (when available) that range from 6 months to 1 year months. The Littleton Village project was exposed to the market for 6 months before going under contract. The broker reported surprisingly strong interest. The Link-n-Greens site in Fort Collins was reportedly under contract previously with another buyer, with a total market exposure time one year.

The characteristics of the subject site, including its infill location, large size and TOD proximity make it appeal to a reasonably typical market of prospective purchasers. The potential for the current lessee to exercise the right of first refusal granted in the lease may impact the marketing time of the subject. As discussed below, developers interviewed indicated that the potential for a buyer with a right of first refusal to purchase the property would dissuade them from expending the time and effort necessary to evaluate the opportunity and prepare an offer on the property of the size and scope of the subject.

Based on similar consultation and analysis to that outlined above for the entire property, an adequate market exposure time associated with the value conclusion of the subject site was concluded at 6 to 12 months, under the hypothetical condition that the lessee will not renew their lease at its expiration nor exercise their right of first refusal if an offer is received.

Projected Marketing Time

In the Exposure Time section above, an exposure time associated with the appraised value was estimated at 9 to 12 months, ending on the date of value for the subject as a golf course and 6 to 12 months for the subject upon rezoning. The current trends in real estate market conditions affecting the subject property are analyzed below. As discussed in the Real Estate Market Conditions section, these market conditions are estimated to be improving.

The Denver area has experienced a surge in real estate development activity particularly for multifamily properties. Speculative office products are beginning in both the CBD, Denver Tech Center and Interlocken areas. Speculative industrial development is occurring along the Interstate 70 corridor. Residential home prices are at record highs, with demand far outstripping supply of available homes for purchase. Unprecedented development is occurring in areas in close proximity to the CBD long overlooked by developers. Projects such as the RTD FasTracks rail system build out, potential Interstate 70 redevelopment, National Western Stock Show complex redevelopment and Denver Union Station redevelopment are serving as catalysts for additional investment and development.

These conditions have resulted in the conclusion that if the subject was exposed to the market on the date of value, at a price slightly above the appraised value, consistent with the conditions outlined in the value definition used, and with competent aggressive marketing, it would have a reasonable likelihood of sale at the appraised value within a time period of 9 to 12 months is a golf course and 6 to 12 months upon rezoning for mixed-use-residential/commercial development.

Objective of Appraisal

The objective of this appraisal is to estimate the defined value of the specified interest in the subject real estate as of the dates of value.

Intended Use (Purpose) Of Appraisal

It is the Appraiser and Associate's understanding that this appraisal is to be used to assist in decision making regarding management and/or disposition of the subject.

Intended Users of Appraisal

The intended users of the appraisal include the addressee of the transmittal letter (the client) and other parties directly related to the intended use described in the Purpose/Intended use section of the report. As stated in the transmittal letter, this appraisal may not be used or relied upon by anyone other than the addressee of the transmittal letter and by other parties directly related to the intended use described above for any purpose whatsoever without the express written consent of the Appraiser and Associate. Without the transmittal letter, the appraisal report is incomplete and cannot be relied upon.

Scope of the Assignment

As requested, this is a complete appraisal conveyed in a narrative summary Appraisal Report as described in Appraisals – Scope of Work and Types of Reports at Addendum E. All extraordinary assumptions and hypothetical conditions of the appraisal, whether they result from instructions of the client or conditions observed by the Appraiser and Associate, are described in the Extraordinary Assumptions and Hypothetical Conditions of Appraisal section of this report. Additional comments related to the scope of work in this appraisal are in the Appraisal Methodology section below.

This is a complete appraisal of the subject property under three sets of assumptions:

- as is, excluding the extraordinary assumption and hypothetical conditions described below
- considering the extraordinary assumption that the golf course use restriction can be removed, and the hypothetical conditions that the option to renew the current lease and the first right of refusal to buy the subject property are not exercised
- upon completion of a hypothetical rezone of the subject to enable mixed use development.

The subject real estate and surroundings were inspected by the Appraiser and Associate consistent with the requirements of an appraisal and not a comprehensive technical review as described below under General Assumptions and Limiting Conditions of Appraisal. The Appraiser and Associate inspected the interior of the building, the exterior of the building, and the surroundings.

All of the appropriate approaches to value have been used as described under Appraisal Methodology below. The Cost Approach is not used because it is considered insufficiently reliable to contribute to the final value estimate.

The market data used is based on research considered adequate to a final value estimate. Techniques used in acquiring and confirming data are discussed in the various sections of this appraisal report. Additional market data and/or analysis may be possible in the appraisal; however, the value conclusion would likely not be changed significantly as a result.

Although no additional conclusions regarding the subject and its market have been requested in this assignment, the Appraiser and Associate have found it useful to reviewers of appraisals to know the Appraiser and Associate's perceptions of the trends of prices and rents in the market of an appraised real property. These trends are discussed below under Real Estate Market Conditions and in the relevant additional sections of the report.

Date of Value

The appraised value of the subject property is estimated as of June 24, 2015 as is, in both consideration of the subject with the golf course restriction remaining and under the consideration that the golf course restriction can be removed by the subject owner; and October 1, 2016 upon completion of the hypothetical rezone of the subject property. This is the date that the owner/developer of subject property is forecast to complete its rezoning. The real estate was inspected on November 3, 2014 and other dates, and market data was gathered and analyzed before and after that date. It is assumed that the physical condition of the subject on the dates of value is similar to what it was on the date of inspection with the hypothetical rezoning complete as well. An extraordinary assumption of this appraisal is that market conditions for the subject property on the future dates of value are reasonably similar to those projected in this report

Current, past, and prospective future market conditions trends are recognized in the appraisal, as well as typical prospective purchaser attitudes toward those trends, in order to estimate the various components of the appraisal analysis as of the dates of value. Every effort is made to develop the necessary market data upon which to estimate market trends. The appraised value as is, is a value estimate as of the date of value and not valuation of the subject as of a date before or after the date of value. The appraised value of the subject upon the hypothetical rezoning completion date is a value estimate as of the future date of value and not valuations of the subject as of dates before or after the future dates of value.

The latter date of value is in the future with respect to the date of this report. It is the date at which rezone of the subject is expected to be complete. With prospective future value estimates, unforeseen events or trends could significantly alter projections and therefore cause the actual value of the subject on the future date of value to differ from the conclusion in this appraisal.

Owner of Record

According to public records, the current owner of the subject property is:

George W. Clayton Trust
3801 Martin Luther King Jr. Boulevard
Denver, Colorado 80205

History of Subject Property

The subject was the site of the original Lowry Field used by the Colorado Air National Guard beginning in 1924. The field consisted of a sod landing area and several hangars, and was used until 1938 when "Lowry Field" was officially relocated to its permanent location four miles southeast, where it went on to become Lowry Air Force Base and is now the site of a large mixed-use redevelopment. The subject property continued to be used as an air field for several years under the name "Combs Field", and was eventually improved with several sand landing strips. Combs Field was still in use in 1945 but was apparently abandoned by 1950. The current subject improvements were constructed in 1976. To the Appraiser and Associate's knowledge, the property has been used a golf course continuously since then.

The George W. Clayton Trust was endowed in 1989 to establish an organization for the better care and education of children without fathers. As part of this endowment the Trust became the beneficial owner of the subject golf course. Revenue from the golf operations or leasing thereof, funds the Trust's charitable activities. Until 1982 the City of Denver was the recorded owner in fee simple of the golf course land as Trustee for the Trust. In 1982 the City determined that it could no longer effectively administer its responsibilities on behalf of the Trust and conveyed title to the golf course land to the Trust, and an individual interim trustee was appointed.

The Clayton Foundation was incorporated in 1984, for the single purpose of serving as the Trust's permanent trustee, and was appointed, per order of the probate court for the City and County of Denver, to act as the trustee for the Trust, and continues to operate under the terms of George W. Clayton's will.

Until this point, as the City was the recorded owner of the subject, the golf course was exempt from ad valorem taxation. Upon transfer of the golf course to the Trust unknown to the parties it became subject to ad valorem taxation. In 1997 the Foundation granted the City a conservation easement to preserve the benefits of the operation of the golf course on the golf course land.

In 1999 the Denver assessor realized that the Trust's properties had lost their exemption 17 years earlier and issued Notices of Valuation for 1997, 1998 and 1999 for the subject golf course. The Foundation filed a Petition for Abatement of Taxes with the Denver Board of County of Commissioners in 1999 requesting the Board abate the taxes because none of the parties to the 1982 proceeding had intended that the City's resignation would force the Trust to pay large tax bills. The Board voted unanimously to abate all taxes at the golf course and no assessment was issued to the Foundation. However, the Board's decision was not final until the State Property Tax Administrator determined that the Petition was in proper form and conformity with the law. The parties were informed that the Administrator intended to reject the Board-approved Petition. The parties began efforts to seek a solution from the probate court, culminating in the Agency Agreement.

The solution involved conveyance of the golf course property to the City to hold as trustee for the Clayton Trust, retroactive to December 31, 1996 and subsequent conveyance of the golf course to the Foundation to hold as agent for the City, as of the then current date. As agent for the City, the Foundation now holds title to the golf course parcel for the benefit of the citizens of the City and the general public, while utilizing the revenues from the Golf course operation for its charitable activities. The City's beneficial ownership of the Golf Course Parcel under the agency agreement, shields the parcels from future property taxes. If the Foundation elects to terminate the Agency relationship and take title to the property, the agreement calls for the imposition of a Conservation Easement on the golf course to be granted to the City.

In 1998 the Foundation entered into a lease agreement with American Golf Corporation. The lease was amended in 2004, and was assigned to the Evergreen Alliance Golf Limited, LP in 2008. This lease is discussed in more detail in the Income Approach Section below.

In 2014 the Foundation, as trustee for the George W. Clayton Trust, was approached by the City about granting a storm water tension easement sufficient to contain 54 acre foot of storm water runoff on the golf course site. Over the course of the year and into 2015 this discussion evolved to include participation in a regional storm water solution necessary to accommodate the proposed improvements to the Interstate 70 corridor to the North and West of the subject. These discussions are ongoing.

Also in 2014 the Foundation began examination of the possibility of selling the golf course property under different scenarios including pursuing removal of the golf course use restriction and rezoning the site to accommodate commercial development. These efforts included development of a draft Conceptual Land-Use Plan by local planning firm Parsons Brinkerhoff, discussed in more detail in the Highest and Best Use section below. The current subject improvements were constructed in 1976. To the Appraiser and Associate's knowledge, the property has been used a golf course continuously since then.

Recent Sales and Listings of the Subject Property

The Appraiser and Associate could find no public record of a prior sale of the subject property.

Current Listing/Pending Contract for Sale of the Subject Property

The subject property is not currently listed or under contract for sale.

Appraiser and Associate's Comments

The subject property is an unusually large open space located in close proximity to the Denver CBD and urban core. It is also located within ½ mile of the 40th and Colorado RTD FasTracks rail station. The property's size and location attributes tend to make redevelopment the Highest and Best use, were it not for an existing use restriction which requires the subject use be an 18-hole regulation length golf course.

The subject's geographic location and topography make it such that the northern portion of the subject is an informal storm water detention area. The City of Denver's interest in formalizing this area of the subject for storm water detention combined with the Colorado Department of Transportation's pending Interstate 70 project, have created leverage on the part of the subject owner, such that they may have an opportunity to remove the golf course use restriction and rezone the property for its highest and best use.

The existing lease at the subject appears to provide the Lessee with an opportunity for a Right of First Refusal on any purchase of the property, and while the lease is nearing the expiration of its initial term in 2018, the Lessee's right to extend the lease for two additional 5 year periods, could preserve this right for the Lessee for 13 years into the future. While the Lessee has been operating the subject golf operation at a loss for the past years on paper, the net cost for the Lessee to preserve this right may be low enough that this could be a threat to competitive bidding on the subject in the future if the golf course restriction is removed and the property rezoned. The subject Lessee is Evergreen Golf Alliance, LP, now Eagle Golf, which announced a recapitalization by Arcis Equity Partners in 2014, with the Blake Walker, CEO and managing partner of Arcis, serving as chairman and CEO of Eagle Golf. Arcis Equity Partners is backed by funds from Fortress Investment Group.

Today's economic instability that resulted in part from the reduced availability of credit overall which resulted from the subprime residential mortgage industry collapse in 2008 increases the risk associated with all types of real estate.

Strengths, Weaknesses, Opportunities and Threats

Additional risk factors affecting the subject, and the transaction for which this appraisal was conducted, take the form of strengths, weaknesses, opportunities and threats (SWOT). Strengths and weaknesses internal to the subject property, and opportunities and threats external to the subject property, are perceived by the Appraiser and Associate to be as follows:

Strengths and Opportunities Reducing Risk

Market:
- Long term attractiveness of Colorado and Denver metro area
- Long term attractiveness of local real estate markets

Property:

Physical:
- Large site in close proximity to CBD and transit
- Site's topography and informal status as a storm water detention facility, including its proximity and potential usefulness in storm water management associated with the Interstate 70 reconstruction project

Legal:
- The subject's lack of formal easements and access for use as a storm water detention facility
- Potential for removal of the golf course use restrictions, partially as a result of desire by Clayton Foundation to advance their mission and directives of the George W. Clayton Trust and the reported openness by current City Administration to removal of the restriction and to allow the Clayton Foundation to control their assets for the benefit of the Trust.

Income:
- Economic stabilization/growth and population growth in the Denver Metropolitan area

Weaknesses and Threats Increasing Risk

Market:
- Reduced current availability of mortgage debt
- Recent softening of the national and local area golf course real estate markets

Property:

Physical:
- Aging improvements and golf course infrastructure

Legal:
- Existing use restrictions limiting use to an 18 hole regulation golf course
- Right of first refusal held by current lessee for any purchase offers for subject – assumed to be non-existent for this assignment as per instruction from the client
- Citizen opposition to removal of a large green space from public availability for the citizens of Denver

Income:
- Interest rate risk associated with long term nature of the project and the potential need for creation of a special taxing district to finance bonds to enable infrastructure development of any future project
- Demographic and spending trends which have negatively impacted golf industry and golf operators

On balance, the Appraiser and Associate perceive that the risk factors at the subject result in very moderate extraordinary risk to an investor/user/lender under both the as is scenario, of the subject as an operating golf course and the upon completion of hypothetical rezoning scenario. In the as is scenario of the subject as a redevelopment site, in which the subject owner or a developer would pursue removal of the use restrictions and rezoning of the subject property, the risk factors at the subject result in extraordinary risk, resulting from the unknowns associated with the pursuit of the entitlement process. Additionally, the Appraiser and Associate perceive that the risk under this scenario would be elevated should the entitlement effort be undertaken by a developer not affiliated with the subject owner. These conclusions relate to real property and market related risk factors only. Under the assumption of competent aggressive management, ownership and management related risk factors are not addressed in this appraisal.

FACTUAL DESCRIPTIONS

Denver Area Economy

The subject is located approximately 3 miles northeast of the Denver Central Business District (CBD) within the City of Denver, Colorado. The Denver metropolitan area is the largest in the state and its economic base is described at Addendum F. With a population of 650,000, the City of Denver compares to the Denver metro area population of 2.9 million and the Colorado population of 5.1 million.

Because micro and macro economies of the surrounding area influence the value of a real property, the economic conditions of the nation, state, metro area and local area are considered in appraisal of the subject. Current economic conditions in the nation, Colorado, and the Denver area are recognized in this appraisal and discussed at Addendum G.

An additional factor that must be considered in this analysis is the current reduced availability of mortgage debt which resulted in part from the collapse of credit markets in the United States and worldwide in 2008 and which originated with the collapse of the subprime residential mortgage industry. While much time has passed, progress toward worldwide and national economic stability is far from complete. With continuing questions of the stability of governmental budgets, credit facilities are available only to borrowers and for uses which present relatively low risk to lenders and/or with existing relationships. Credit market conditions continue to improve.

The economy of Colorado and the Denver area is largely driven by five industries: information technology/communications, aerospace, tourism, energy and biotechnology. The Denver economy began recovery from the Great Recession and now is performing well above national standards for employment, housing and retail sales.

Over the long term, Denver and Colorado continue to be a relatively popular location for real estate development, investment and lending. The Denver metropolitan area has a high standard of living, ranks frequently on national media "best of" lists and provides a business-friendly environment. Denver is now the 19th largest metro area in the United States. One of the greatest challenges for Denver is how to properly accommodate growth while protecting the natural environment that attracts people to the metro area and state.

State and local governments in the Denver metropolitan area continue to invest in infrastructure projects that will maintain the area's long-term viability. Construction was completed in 2006 on the $1.67 billion T-REX project, a massive highway and light rail project along Interstate Highway 25 in southeast Denver from the Broadway station south to Douglas County, including a spur along I-225 to Aurora. The Denver Art Museum expanded with the new Hamilton Wing designed by world-renowned architect Daniel Liebeskind.

One of the largest public ventures ever created in Denver is the Regional Transportation District's FasTracks project, which was authorized by Denver area voters in November of 2004, using a 0.4% sales tax to fund a comprehensive expansion of light rail, commuter rail and express bus service. FasTracks was initially planned as a $4.7 billion project but over the years its budget has grown to a $7.4 billion endeavor. A decline in sales tax revenue due to the Great Recession following the financial near-collapse in 2008 and 2009 caused RTD to postpone the construction of several of the proposed rail lines. However, several offers by private partnerships to build most of the postponed lines restarted the program.

The first such public-private partnership known as the EagleP3 venture involves a group of companies and investors led by Fluor Enterprises. The project enabled RTD to begin construction on commuter rail lines from Denver Union Station to Denver International Airport on the East Line, to Arvada and Wheat Ridge on the Gold Line and a section of the planned northwest line to Westminster. That project also includes construction of a maintenance facility for RTD commuter rail cars. Built at a cost of $2.2 billion, (including $1.03 billion in federal funds) the EagleP3 projects are due to be completed in 2016.

Shortly after the start of construction on the EageP3 project RTD received an unsolicited offer from a group headed by Kiewit Infrastructure Company to build the planned light rail extension along I-225 in Aurora. The 10.5 mile extension is under construction from East Iliff Avenue to a connection with the East Line to DIA at the Peoria Street station. Construction underway on the I-225 line is in conjunction with the Colorado Department of Transportation, which is widening part of the highway. The I-225 line will run through the Anschutz/Fitzsimons medical campus and is expected to cost approximately $350 million.

Another unsolicited bid for commuter rail construction occurred in 2013 when a team of companies led by Graham Contracting Ltd proposed a public/private venture to construct an initial 13-mile phase of the North Metro commuter rail line from Denver Union Station to the Eastlake station at East 124th Avenue in Thornton. Construction began in March of 2014 with a projected completion scheduled for 2018 at an approximate construction cost of $600 million. The Graham team has an option to build a future second phase of the North Metro line to East 162nd Avenue, pending adequate passenger traffic and development in the northern suburbs.

Construction is also underway on widening US-36 from Federal Boulevard in north Denver to Table Mesa Drive in Boulder. The project entails adding some traffic lanes and providing center median lanes for high occupancy vehicles and RTD bus rapid transit. RTD is also improving or constructing stations along the highway to accommodate the bus rapid transit vehicles. In Boulder RTD is constructing a BRT station on Pearl Street east of 30th Street. That station is adjacent to the rail line on which RTD may operate commuter trains to Denver Union Station in the future, depending on funding availability. The RTD Northwest rail line would ultimately be extended north to Longmont.

The centerpiece of the FasTracks system is Denver Union Station, the historic depot at Wynkoop and 17th streets in downtown Denver. The station was initially constructed in 1881, rebuilt after a fire in 1894 and enlarged to its current size in 1914. RTD, the Colorado Department of Transportation, the Denver Regional Council of Governments and the City & County of Denver spent about $490 million to build an adjacent transit hub for light rail trains and an underground 22-bay bus terminal connecting the two. Amtrak operates its California Zephyr passenger trains from Union Station and RTD commuter trains will start operating from the station in 2016.

In addition to reusing part of the historic Union Station building as the Amtrak station the structure has been redeveloped as a 112-room hotel named in honor of Dana Crawford with restaurant and retail uses. Ms. Crawford is one of Denver's most prominent historic preservationists and was a pioneer in downtown development. RTD leased the station to a partnership of developers and operators, including Ms. Crawford, known as Union Station Alliance to redevelop the non-transportation sections of the building. The redevelopment of Union Station also includes two pedestrian plazas in the front of the building along Wynkoop Street and the construction of office buildings at the north and south "wings" of the station.

The Denver Union Station transportation hub has also helped generate extensive office, retail and residential projects nearby, especially along Wazee Street and Chestnut Place between 16th and 20th streets, north of the station. The Downtown Denver Partnership reports that by early 2014 developers completed 14 projects with 11 more under construction costing a total of $1.8 billion and totaling 2.1 million SF of office space, 112 hotel rooms and 2,136 residential units.

Real Estate Market Conditions

Overall real estate market conditions in the Denver metropolitan area are recognized in this appraisal and discussed in detail at Addendum H. Real estate cycles are strongly influenced by general economic cycles, although they often differ from each other. Real estate markets are often burdened by incomplete information, the illiquidity of real estate assets, and longer times needed to reach market equilibrium.

Prior to the Great Recession, which began in 2008 the most recent US real estate market downturns were in the mid-1970s, late 1980s, and in the early 2000s, all followed by strong upward trends. In the mid-1970s, hotel and resort properties were affected the most.

The late 1980s market downturn was severe with greatest effect on the office market. It was caused by a general economic recession and aggravated by the 1986 Tax Reform Act. The Act eliminated many real estate tax advantages created in 1981 that allowed investors to take large tax write-offs based on deductions for depreciation, interest, and other accounting items. The savings and loan debacle that resulted, in part, from deregulation of the savings and loan industry also in 1986 added to the problem.

The economic expansion of the 1990s stimulated demand for all types of real estate, which resulted in vastly improved market conditions by the mid and later years of the decade. Real estate market conditions improved steadily in the 1990s and stabilized in the early 2000s with the office and apartment markets experiencing substantial vacancy after the September 11 terrorist attacks. Most real estate markets recovered slowly with strong residential market growth stimulated until the mid-2000s by low mortgage interest rates. As demand accelerated, sale prices of many investment-grade properties reached replacement cost once again encouraging speculative development. Markets generally remained in a healthy balance until the local and national economies fell into recession in 2001 exacerbated by the terrorism events of that year.

During the downturn in the early 2000s all categories of real estate, except single-family residential, assisted by low interest rates, were adversely affected, but then they slowly recovered. By mid-2002, all categories of real estate once again experienced higher vacancy rates, stable or declining effective rental rates, and a reduction in new development. But with an absence of additional terrorism events and reduced interest rates, real estate markets began a slow recovery. The market for single family residences and condominiums, particularly sensitive to the availability of financing, benefited from reductions in interest rates. But the residential market was severely softened by the subprime mortgage industry collapse which began in early 2007 generating the Great Recession.

Because of the financial crisis initiated in the subprime residential mortgage industry in 2007, all real estate market segments experienced a downturn; however, the apartment and single family residential markets have improved considerably, with more moderate growth of the industrial market.

The "credit crunch" created by the subprime debacle made transactions more difficult because institutional investors, the source of much real estate capital became much more cautious. Now capital is slowly being released to real estate and other markets, but most of it is still risk averse. As the economy and real estate markets recover and cost effectiveness stimulates construction of mass transit systems, significant mixed use and transit oriented real estate is being developed, often including apartments, many of them subsidized and affordable.

Single Family Residential

With mortgage interest rates near record low levels, the number of sales of both new and existing single-family residences increased early in the 2000s. Then with slightly increased interest rates sales declined but remained at healthy levels until the 2008 downturn when activity dropped significantly in spite of even lower interest rates. This situation was due primarily to buyer uncertainties over the economy and the collapse of the subprime mortgage market. Prices and sales activity fell in many segments in recent years, albeit less in the Denver area than many other metro areas in the nation. The single family market rebounded once again at most price levels and in many geographic locations in response to low interest rates.

Apartments

The apartment segment was one of the first to react to slowing demand and an excess of new construction in the late 2000s. Job reductions in metropolitan Denver had a considerable effect on vacancy rates. Construction slowed considerably, and vacancy increased and then reduced as owners of homes with subprime mortgages defaulted and move back to apartments. As a result with continued construction limited by lenders largely to transportation oriented development and subsidized projects, overall apartment vacancy declined to historic low levels. Now apartment construction has increased sufficiently to cause concern about overbuilding.

Retail

Denver is a major regional retail center for much of the Rocky Mountains and plains region. Several large shopping centers and retail districts draw customers from a wide geographic area. The most important centers include the Cherry Creek shopping center, the adjacent Cherry Creek North retail district, the 16th Street Mall in downtown Denver and the area's two largest newer regional malls, Park Meadows in the southeast suburbs and Flatirons Crossing in the northwest. Lord & Taylor closed stores at Park Meadows and Cherry Creek, and was replaced by Nordstrom at Cherry Creek. Saks 5th Avenue at Cherry Creek vacated its space, but a redevelopment will feature a flagship Restoration Hardware as anchor tenant

Some older shopping centers, like Villa Italia in Lakewood, Cinderella City in Englewood, Buckingham Square in Aurora and Crossroads in Boulder have been demolished for replacement by "neo-traditional" or new-urban mixed-use complexes. Others like the Aurora Mall were redeveloped with new anchors like Dillard's. In late 2002, Colorado Mills opened in west Lakewood. More recently the Larkridge mall in Thornton and the Orchard Town Center in Westminster were built, both of which are large open air centers.

The Shops at Northfield was built in 2007 on the former Stapleton Airport site north of I-70 as an open air shopping center including Macy's, Bass Pro Shops Outdoor World, JC Penney and Harkins Theatres 18. In 2013 Cabela's opened a 110,000 SF store in the RidgeGate Commons development in Lone Tree and a 90,000 SF store in a new retail development at I-25 and East 144th Avenue in Thornton.

Most of the recent retail development activity in metro Denver is concentrated in supermarket-anchored neighborhood centers, along with urban infill sites, often in conjunction with new mixed-use projects. Some new retailers have also entered the market, including Trader Joe's and Sprouts. Suburban development is primarily in supermarket-anchored neighborhood centers with little small shop space.

Office

As with Denver's previous major real estate downturn, the office segment led the way into a soft market in the early 2000s. Overbuilding, combined with a substantial decline in demand resulted in high vacancy rates, especially in the tech-heavy northwest and southeast sub markets. Many tech firms, especially those in telecommunications and electronic commerce, reduced operations, put onto the market large amounts of sublease space, helping push the overall office vacancy rate in metro Denver to over 20%. The office market, even before the economic slowdown, was being affected by some tenant business decisions, including tighter space utilization, the need for more parking, and the use of technologies demanding more utility services. As is the case with most real estate segments, recovery from high vacancy rates and reduced effective rental rates responded to job creation in the mid-2000s, generating demand for office space, reducing vacancy and increasing rents. The Denver CBD and the suburbs achieved near stabilized market conditions, but as the economy softened in response to the subprime mortgage industry collapse, rent rates declined and vacancy increased. Soft market conditions were aggravated by increased "telecommuting" and greater productivity among many office tenants but they have now stabilized and are generally improving. In fact, some developers are starting speculative office buildings, especially downtown.

Industrial

Denver is a major distribution center for much of the inter-mountain west, benefiting from its proximity to major highways, rail lines and Denver International Airport. While the economic recession in the early 2000s resulted in a lessening of demand for warehouse and industrial space, the market did not suffer drastically since much of the newest construction has been in single tenant and build-to-suit buildings. Development of speculative space was moderate and concentrated primarily in the popular east, northeast and southeast submarkets along I-70 and I-25. The softened economy did not affect the local industrial market as much as the rest of the nation, but absorption was negative and vacancy rose slightly. Now with economic recovery underway and strong demand from newly legal marijuana growers, the industrial real estate market is very active.

Another component of the industrial segment, however, has been affected more than warehouses. Flex, or research and development space, is just now recovering. These buildings, generally single floor and built to accommodate a wide range of tenants, often compete with office space in some suburban submarkets. The softness in the office market, compounded by the effects of the recession on high-tech tenants also caused vacancy rates to increase in the flex segment. Fortunately, the amount of speculative flex space under construction declined appreciably, allowing vacancy rates to decline and the market to recover somewhat.

Lodging

In the early 2000s the hotel market completed its recovery from the effects of the recession and a reduction in travel following the September 11, 2001 terrorist attacks in the eastern United States. But the "Great Recession" once again severely reduced hotel room demand. With an extensive amount of new construction in the mid-2000s, occupancy rates plummeted in metropolitan Denver. Airline travel returned to above pre-attack levels and convention bookings remained strong including the Democratic National Convention in late 2008. Expansion of the Colorado Convention Center in downtown Denver helped generate more room demand. Hotel development regained momentum including several downtown convention oriented and high quality properties like Four Seasons and Ritz Carlton. City of Denver officials sponsored construction of a major Hyatt hotel at the expanded convention center and a new 500-room Westin hotel is under construction at Denver International Airport in conjunction with a FasTracks commuter rail station connecting to Denver Union Station downtown. The historic Denver Union Station building was redeveloped including the 112-room Crawford hotel to be operated in conjunction with the nearby boutique Oxford Hotel. A 1,500-room hotel and conference center has been proposed by Gaylord Entertainment Company on a site south of Denver International Airport. That project, which would be operated as a Marriott, has been entangled in law suits and legal issues involving City of Aurora and State of Colorado incentives. Similar to other property types, the hotel market weakened considerably during the economic downturn but rebounded, leading to new hotel construction in some submarkets.

In general, commercial real estate market conditions are improving in response to the national and local economies with cautious optimism in response to lower interest rates. Speculative construction in the apartment, transit oriented mixed use development, warehouse, hotel and office segments has accelerated recently, particularly in Denver. Conversely, the retail and condominium development segments continue to languish in most areas.

Local Area Apartment Market Conditions

The apartment market metro area wide is discussed at Addendum H. The Denver Metro Apartment Vacancy & Rent Survey apartment market subarea in which the subject is located is called the Northeast sector. Recent market surveys by the Vacancy Survey are summarized as follows:

DENVER - NORTHEAST APARTMENT MARKET			
Year	Year End Average Rents (1BR1BA – 2BR2BA)	Average Percent Change (%)	Year End Vacancy Rate (%)
2014	$903 – 1,395	20.5	3.3
2013	750 – 1,157	0.7	6.3
2012	808 – 1,085	4.5	6.5
2011	821 – 991	9.4	5.8
2010	737 – 920	8.2	4.8
2009	673 – 858	(9.8)	6.1
2008	763 – 934	(2.0)	8.1
2007	778 – 954	(2.3)	6.0
2006	797 – 985	8.6	7.3
2005	737– 904	3.2	12.8
2004	665 – 925	15.1	11.4
2003	583 – 799	(14.5)	9.1
2002	689 – 928	(2.7)	10.8
2001	622 – 901	(1.9)	11.4
2000	642 – 911	11.3	10.8
1999	600 – 795	36.6	18.4
1998	482 – 539	4.8	6.2
1997	445 – 529	8.0	4.6
1996	415 – 487	6.0	6.2
1995	386 – 465	5.4	4.7
1994	353 – 454	8.6	8.5
1993	312 – 396	4.0	10.7
1992	296 – 385	11.5	17.1
1991	252 – 359	(7.1)	19.6
1990	298 – 360	14.2	28.8
1989	255 – 321	5.3	17.9
1988	247 – 300	NA	38.2

Source: James Real Estate Services, Inc.
Denver Area Apartment Vacancy and Rent Study

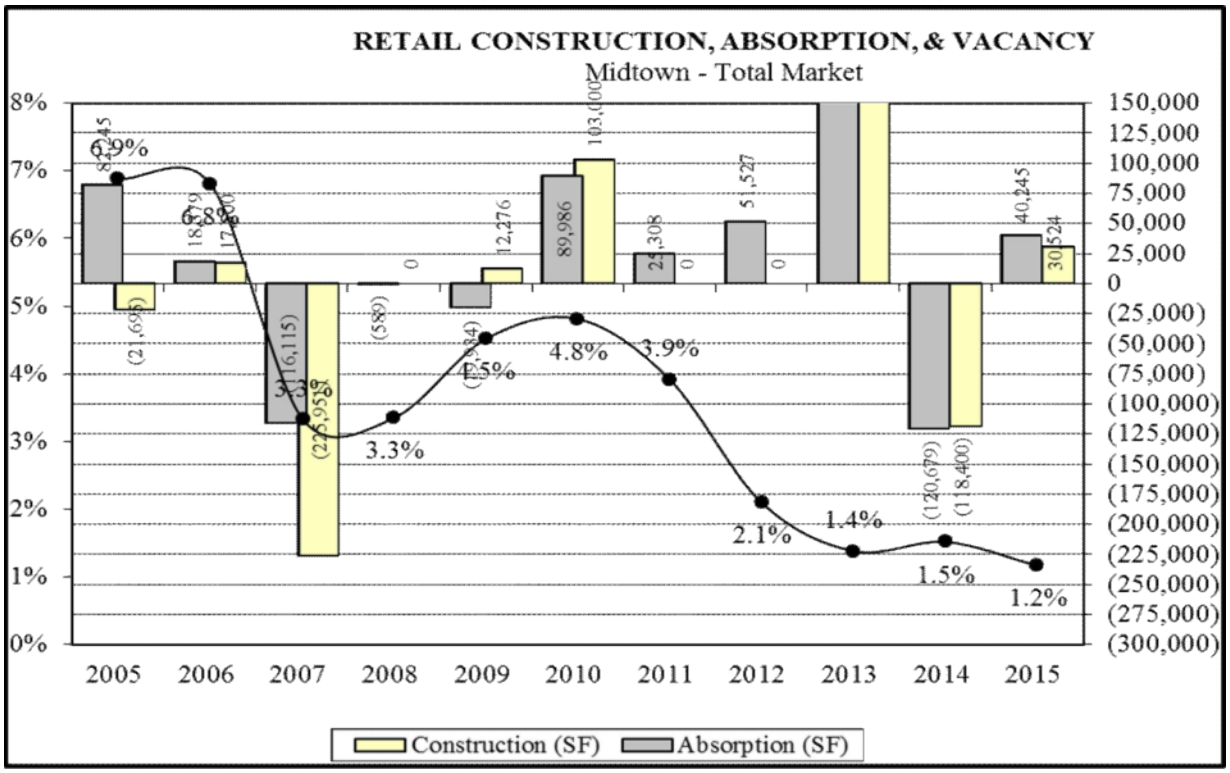
Rents for apartment properties in the subject market sector have been increasing and vacancies have been decreasing as the market strengthens. Despite continued development of apartment properties in the Denver metro area and in the subject apartment market, apartment rents continue to increase while vacancies remain low, indicative of strong tenant demand for apartments in the subject market. Additionally, capitalization rates for transactions of apartment properties in the subject market are generally in the 6%-range, while large apartment properties that appeal to institutional investors have transacted at capitalization rates of 4.75% to 5.0%, making speculative development of new apartment properties highly attractive to real estate developers.

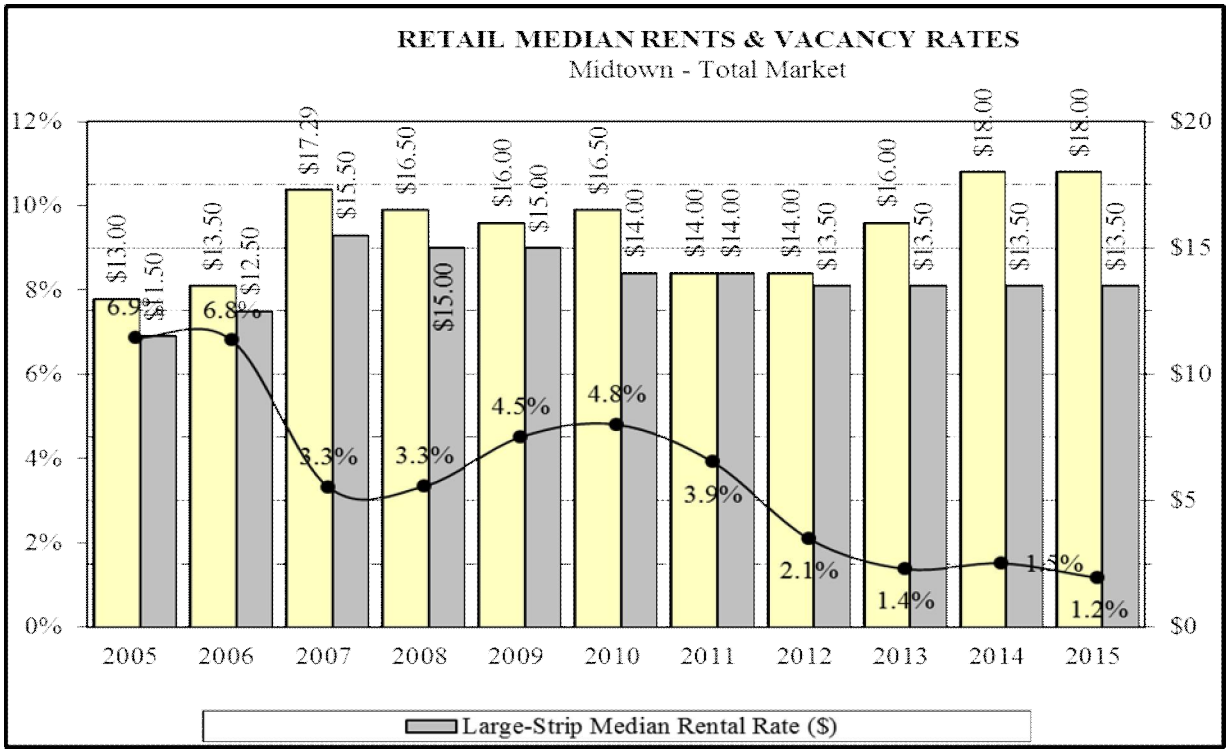
Local Area Retail Market Conditions

The retail market metro area wide is discussed at Addendum H. The Newmark Grubb Knight Frank Company retail market subarea in which the subject is located is called the Midtown sector. The Newmark Grubb Knight Frank Company surveys retail properties larger than 10,000 SF. Recent market surveys by Newmark Grubb Knight Frank are summarized as follows:

MIDTOWN RETAIL SECTOR - ALL TYPES						
Year	No. Centers	Total Retail Space SF	Net Space Added SF(1)	Vacant Space SF	Percent Vacant	Net Market Absorption SF
2015 *	67	2,909,711	30,524	33,988	1.2%	40,245
2014	66	2,879,187	-118,400	43,709	1.5%	-120,679
2013	66	2,997,587	167,806	41,430	1.4%	188,257
2012	64	2,829,781	0	61,881	2.2%	48,959
2011	64	2,829,781	0	110,840	3.9%	25,308
2010	64	2,829,781	103,000	136,148	4.8%	89,986
2009	63	2,726,781	12,276	123,134	4.5%	-19,934
2008	62	2,714,505	0	90,924	3.3%	-589
2007	62	2,714,505	-225,951	90,335	3.3%	-116,115
2006	68	2,940,456	17,500	200,171	6.8%	18,379
2005	67	2,922,956	-21,695	201,050	6.9%	82,245
2004	67	2,944,651	-265,400	304,990	10.4%	-296,898
2003	67	3,210,051	10,000	273,492	8.5%	-11,294
2002	66	3,200,051	0	252,198	7.9%	-108,027
2001	65	3,200,051	90,770	144,171	4.5%	39,299
2000(2)	62	3,109,281	120,481	92,700	3.0%	103,881
1999	60	2,988,800	0	76,100	2.5%	55,300
1998	60	2,988,800	58,300	131,400	4.4%	141,500
1997	60	2,930,500	-80,000	214,600	7.3%	-113,200
1996	61	3,010,500	55,000	181,400	6.0%	54,400
1995	60	2,955,500	-253,800	180,800	6.1%	172,000
1994	60	3,209,300	416,400	606,600	18.9%	192,500
1993	57	2,792,900	-18,500	382,700	13.7%	146,600
1992	56	2,811,400	70,000	547,800	19.5%	30,300
1991	43	2,741,400	1,055,500	508,100	18.5%	1,059,400
1990	42	1,685,900	9,700	512,000	30.4%	-46,400
1989	39	1,676,200	-214,800	455,900	27.2%	-302,700
1988	37	1,891,000	52,000	368,000	19.5%	-19,700

Source: Newmark Grubb Knight Frank/James Real Estate Services, Inc.
(1) Surveyor's inventory adjustments plus new construction, less demolitions
(2) Market inventory adjusted - new data available
* Through 1st QTR 2015





Source: Newark Grubb Knight Frank /James Real Estate Services, Inc.

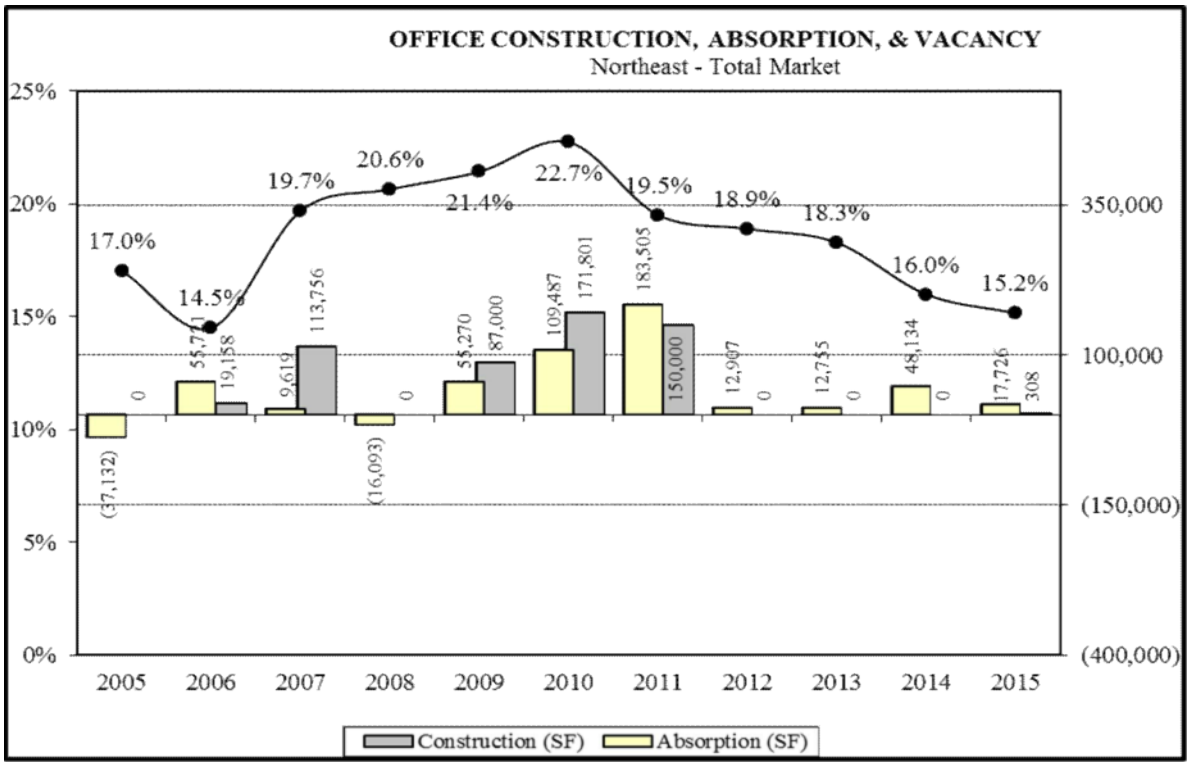
Rents for retail properties in the subject market sector have been stable and vacancies have been decreasing as the market strengthens. Net market absorption has been generally positive over the past several years. The average rate of absorption for retail space in the Midtown sector over the past three years has been approximately 39,000 SF/year. During the same period, the rate of development has been approximately 20,000 SF/year decreasing vacancy somewhat. Capitalization rates for retail properties in this market can range substantially depending on the location and quality of the tenant and traffic anchors, but generally capitalization rates for retail properties range from 6% to 7%, though high quality properties with national credit tenants are in the 5% range.

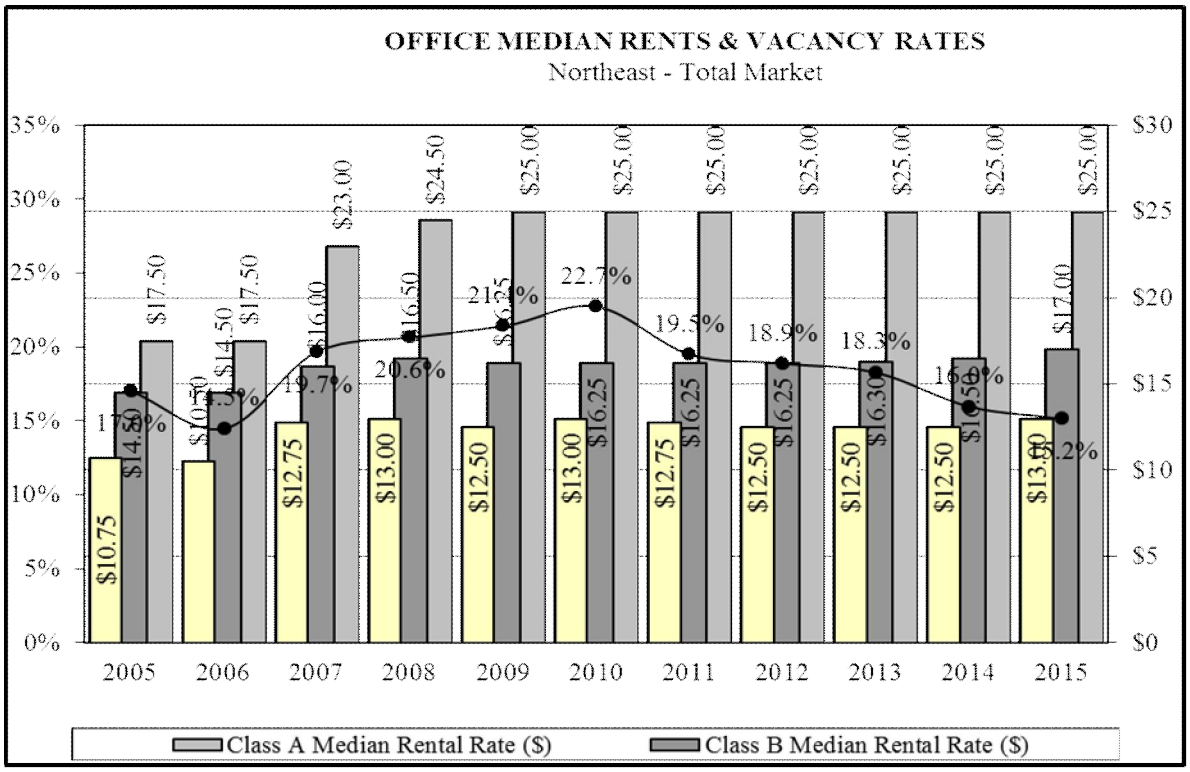
Local Area Office Market Conditions

The office market metro area wide is discussed at Addendum H. The Newmark Grubb Knight Frank Company office market subarea in which the subject is located is called the Northeast sector. The Newmark Grubb Knight Frank Company surveys office properties larger than 20,000 SF. Recent market surveys by Newmark Grubb Knight Frank are summarized as follows:

NORTHEAST OFFICE SECTOR - ALL CLASSES						
Year	No. Bldgs.	Total Office Space SF	Net Space Added SF(1)	Vacant Space	Percent Vacant	Net Market Absorption SF
2015 *	33	2,096,608	308	317,732	15.2%	17,726
2014	33	2,096,300	0	335,150	16.0%	48,134
2013	33	2,096,300	0	383,284	18.3%	-2,257
2012	33	2,096,300	0	381,027	18.2%	27,919
2011	33	2,096,300	150,000	408,946	19.5%	183,505
2010	32	1,946,300	171,801	442,451	22.7%	109,487
2009	31	1,774,499	87,000	380,137	21.4%	55,270
2008	30	1,687,499	0	348,407	20.6%	-16,093
2007	30	1,687,499	113,756	332,314	19.7%	9,619
2006	28	1,573,743	19,158	228,177	14.5%	55,721
2005	27	1,554,585	0	264,740	17.0%	-37,132
2004	27	1,554,585	105,000	227,608	14.6%	217,760
2003	26	1,449,585	62,972	340,368	23.5%	-9,159
2002	25	1,386,613	0	268,237	19.3%	-55,637
2001	25	1,386,613	98,764	212,600	15.3%	143,285
2000(2)	23	1,287,849	-393,951	257,121	20.0%	-324,072
1999	24	1,681,800	80,000	327,000	19.4%	135,500
1998	23	1,601,800	-58,500	382,500	23.9%	93,300
1997	24	1,660,300	533,000	534,300	32.2%	273,300
1996	22	1,127,300	9,800	274,600	24.4%	98,800
1995	19	1,117,500	185,300	363,600	32.5%	180,700
1994	19	932,200	-24,400	359,000	38.5%	-9,200
1993	20	956,600	-67,700	374,200	39.1%	8,700
1992	21	1,024,300	-3,600	450,600	44.0%	81,300
1991	20	1,027,900	25,000	535,500	52.1%	47,000
1990	22	1,002,900	-69,000	557,500	55.6%	-261,900
1989	24	1,071,900	-289,500	364,600	34.0%	-201,100
1988	47	1,361,400	72,400	453,000	33.3%	39,100

Source: Newmark Grubb Knight Frank/James Real Estate Services, Inc.
(1) Surveyor's inventory adjustments plus new construction less demolition
(2) Market inventory adjusted - new data available
* Through 1st QTR 2015





Source: Newark Grubb Knight Frank /James Real Estate Services, Inc.

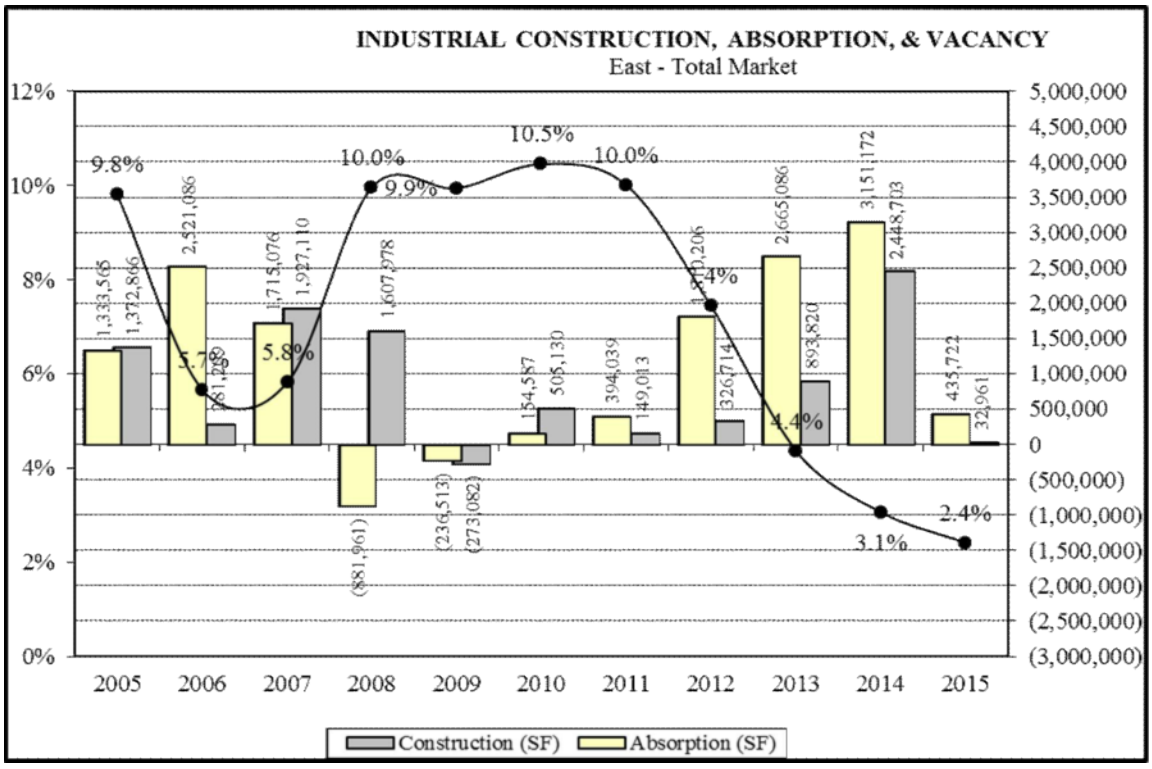
Rents for office properties in the subject market sector have been stable and vacancies have been decreasing, although vacancies remain relatively high. Net market absorption has been generally positive over the past several years. The average rate of absorption for office space in the Northeast sector over the past three years has been approximately 23,000 SF/year. During the same period, the rate of development has been 0 SF/year decreasing vacancy somewhat. Capitalization rates in this market vary primarily according to proximity to the central business district; large office properties in or near the CBD have transacted in the 5% range, while properties located in surrounding neighborhoods such as LoDo or Cherry Creek have transacted in the 6% to 7% range. No office properties with close proximity to the subject have transacted in the past few years with measurable capitalization rates, though sales farther north and east of the subject property indicate that capitalization rates in the 7% or 8% range may be appropriate.

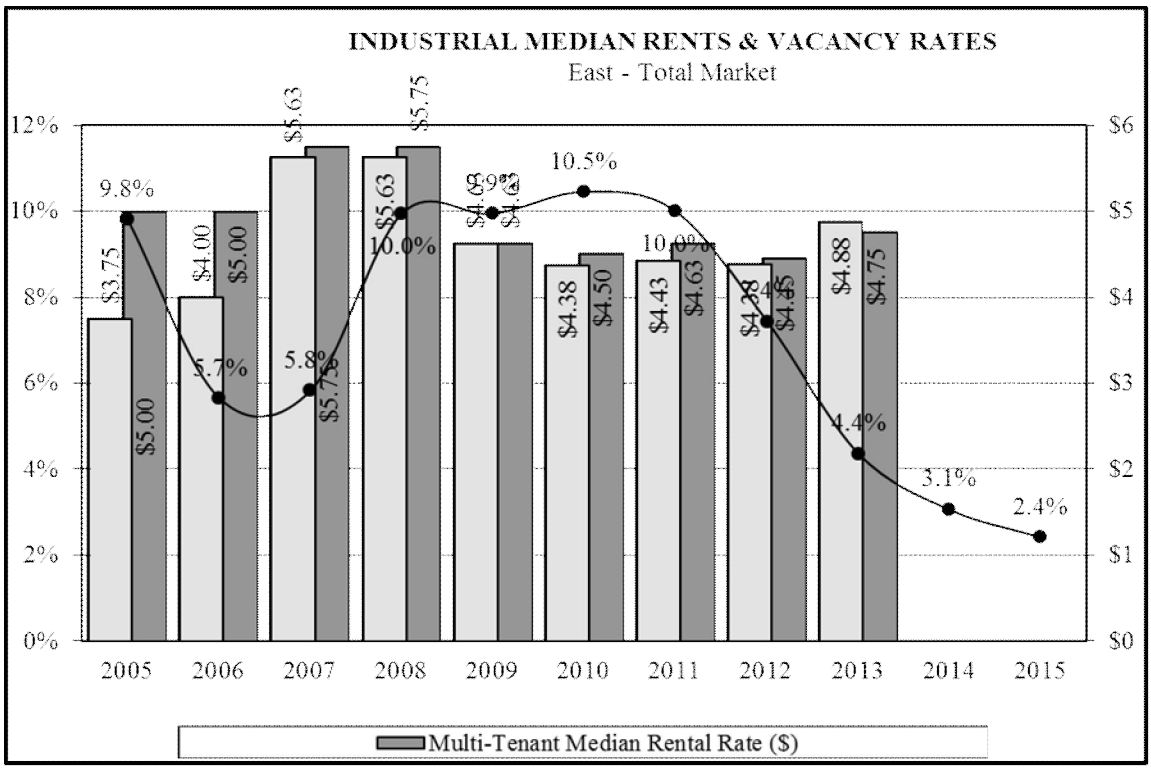
Local Area Industrial Market Conditions

The industrial market metro area wide is discussed at Addendum H. The Newmark Grubb Knight Frank Company industrial market subarea in which the subject is located is called the East sector. The Newmark Grubb Knight Frank Company surveys industrial properties larger than 20,000 SF. Recent market surveys by Newmark Grubb Knight Frank are summarized as follows:

EAST INDUSTRIAL SECTOR - ALL TYPES						
Year	No. Bldgs.	Total Indust. Space SF	Net Space Added SF(1)	Vacant Space SF	Percent Vacant	Net Market Absorption SF
2015 *	711	62,281,236	32,961	1,503,158	2.4%	435,722
2014	711	62,248,275	2,448,703	1,905,919	3.1%	3,151,172
2013	697	59,799,572	1,114,070	2,608,388	4.4%	3,172,685
2012	693	58,685,502	106,464	4,667,003	8.0%	1,302,607
2011	692	58,579,038	149,013	5,863,146	10.0%	394,039
2010	693	58,430,025	505,130	6,108,172	10.5%	154,587
2009	689	57,924,895	-273,082	5,757,629	9.9%	-236,513
2008	701	58,197,977	1,607,978	5,794,198	10.0%	-881,961
2007	683	56,589,999	1,927,110	3,304,259	5.8%	1,715,076
2006	680	54,662,889	281,209	3,092,225	5.7%	2,521,086
2005	674	54,381,680	1,372,866	5,332,102	9.8%	1,333,565
2004	665	53,008,814	851,381	5,292,801	10.0%	443,319
2003	659	52,157,433	1,295,665	4,884,739	9.4%	935,788
2002	648	50,861,768	1,122,568	4,524,862	8.9%	1,267,952
2001	640	49,739,200	2,947,882	4,670,246	9.4%	1,160,201
2000(2)	609	46,791,318	-2,639,282	2,882,565	6.2%	-542,147
1999	544	49,430,600	1,760,800	4,979,700	10.1%	1,718,600
1998	533	47,669,800	4,552,600	4,937,500	10.4%	2,713,900
1997	496	43,117,200	1,898,200	3,098,800	7.2%	889,600
1996	483	41,219,000	2,958,600	2,090,200	5.1%	2,661,000
1995	462	38,260,400	664,100	1,792,600	4.7%	637,900
1994	465	37,596,300	-528,000	1,766,400	4.7%	372,000
1993	473	38,124,300	11,600	2,666,400	7.0%	737,900
1992	470	38,112,700	261,200	3,392,700	8.9%	682,700
1991	478	37,851,500	-410,500	3,814,200	10.1%	-717,800
1990	480	38,262,000	861,900	3,506,900	9.2%	2,403,300
1989	NA	37,400,100	-8,613,700	5,048,300	13.5%	-6,620,600
1988	NA	46,013,800	NA	7,041,400	15.3%	NA

Source: Newmark Grubb Knight Frank/James Real Estate Services, Inc.
(1) Surveyor's inventory plus new construction, less demolitions
(2) Market inventory adjusted - new data available.
* Through 1st QTR 2015



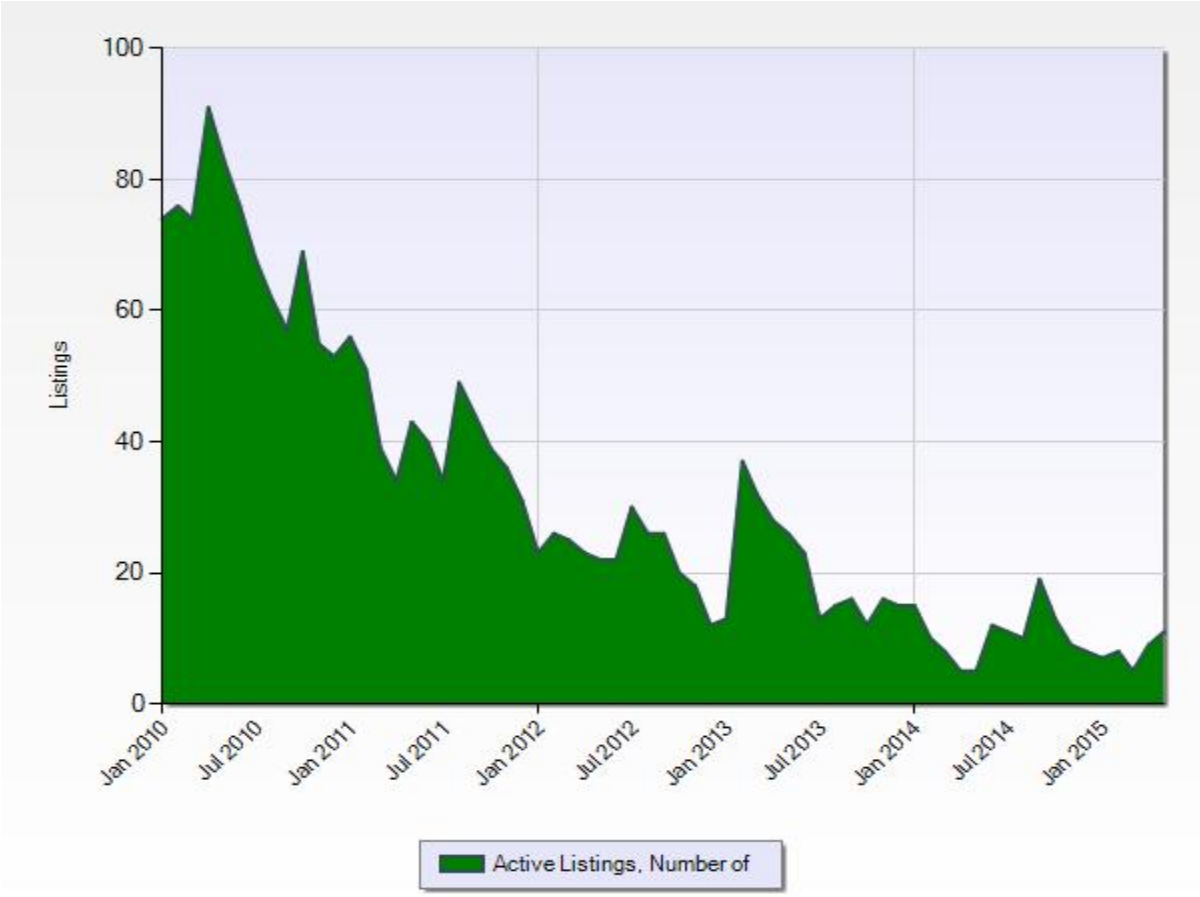


Source: Newark Grubb Knight Frank /James Real Estate Services, Inc.

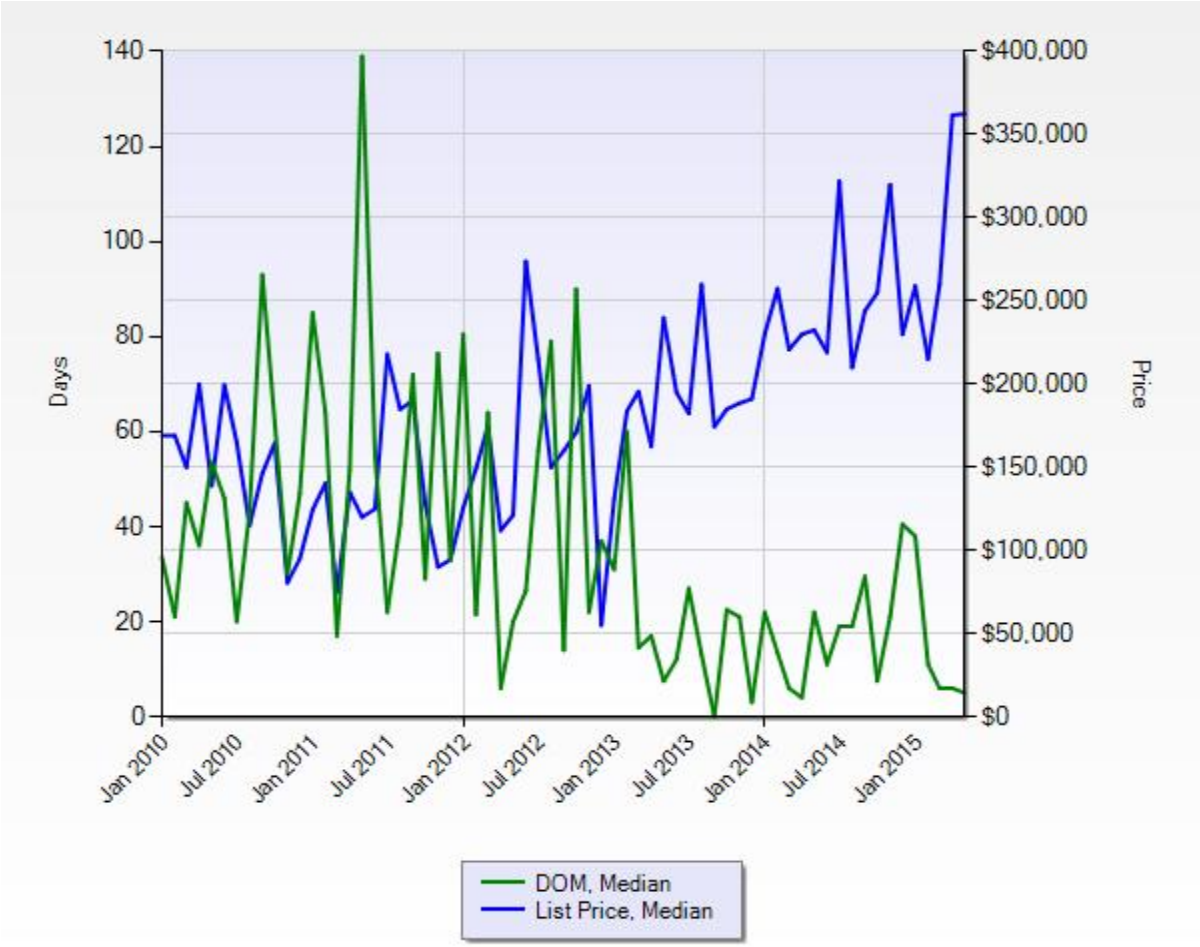
Rents for industrial properties in the subject market sector have been stable and vacancies have been decreasing, although vacancies remain relatively high. Net market absorption has been generally positive over the past several years. The average rate of absorption for industrial space in the East sector over the past three years has been approximately 2,278,000 SF/year. During the same period, the rate of development has been 968,000 SF/year decreasing vacancy somewhat. Capitalization rates in this market vary from 7% to 9%, though most industrial properties in this market are owner/user properties with relatively few investment properties with capitalization rates reported.

Local Area Single Family Residential Market Conditions

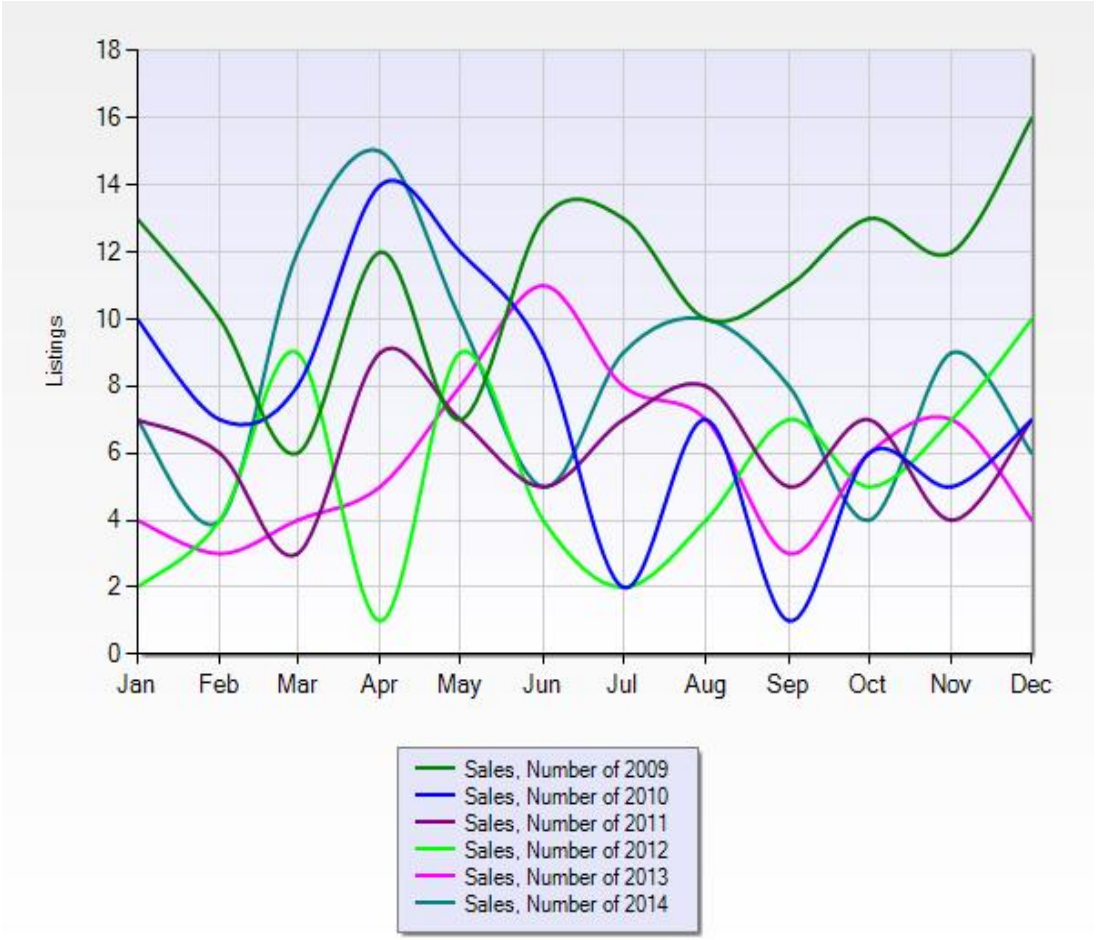
The single family residential market metro area wide is discussed at Addendum H. According to Metrolist, a very limited number of homes are for sale in the subject market area. For the purpose of this analysis, the subject market area is defined to include the area bounded by Interstate 70 to the north, Holly Street to the east, Martin Luther King Jr. Boulevard to the south and Steele Street to the west. Metrolist indicates that the current supply of homes for sale in the market area is less than 20 units.



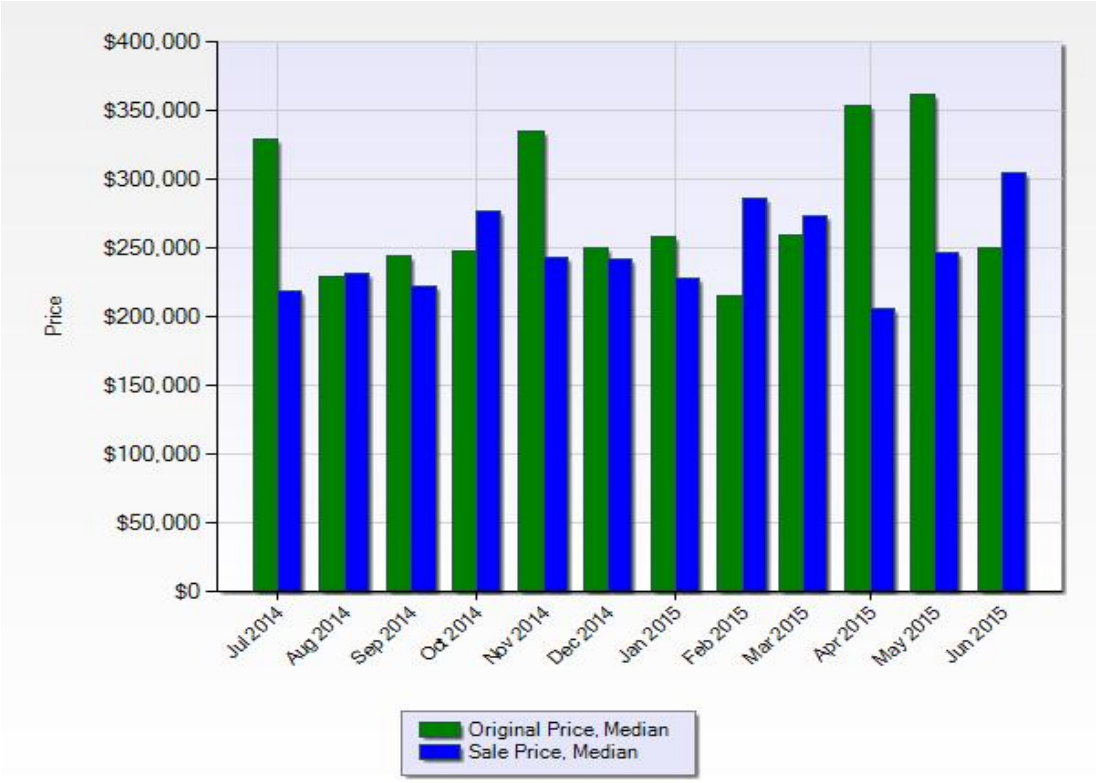
Average number of days on market appears to be less than 10 days, a sharp decrease from July 2011 when the average number of days on market was nearly 140 days.



Sale activity has improved over the past five years. According to the table below, the number of active listings has decreased since 2009 with successive decreases in 2013 and 2014. Ultimately, the limited supply of residences for sale will impact overall sale activity.



Sale prices have been below listing price for only 7 of the prior 12 months, indicative of an aggressive seller's market. However, prices have remained strong with the median sale price above $200,000. The limited supply of available units for sale will also have an impact on average sale prices as well.



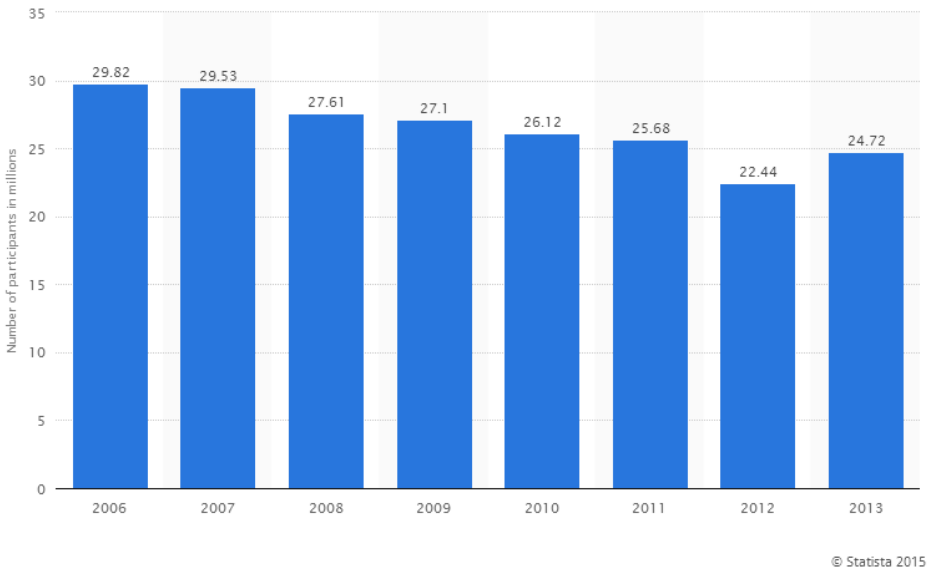
According to the National Association of Realtors (NAR), Denver's housing market remains one of the tightest markets. The NAR defines a market in balance as one with "…a six month supply". A market with a supply of less than six months favors sellers and a market with more than a six month supply favors buyers. In March, nationally there was a 4.6 month supply of homes available but Denver had only a 1.2 month supply. Homes priced under $300,000 sell within a week with multiple offers. Average home prices in Denver increased 18.3% in the last year. One of strongest increases nationally.

Golf Market and Golf Course Market Conditions

Individual golf course sales are few and far between. The trend appears to toward large company purchases of multiple properties or golf courses being purchased for redevelopment, such as the Green Gables Country Club which is included in this report as a sale comparable. The state of golf nationally is healthy, but shrinking no doubt due to the lingering effects of national economic conditions on all discretionary recreational activities as well as demographic shifts and oversupply of golf courses associated with residential development.

A recent survey conducted by the National Golf Foundation (NGF) shows a decrease in the number of golfers in the U.S. from 27.1 in 2009 to 26.1 million in 2010 and 25.7 million in 2011 (most recent year published), an overall decline of 5.2%. Trends from Statsa show continuing decline into 2012 with a slight uptick in 2013 to 24.7 million participants. Similar declines were seen among both "core" golfers (i.e. those that play eight or more rounds annually) and "occasional" golfers. The number of rounds played in 2014 declined throughout the United States by roughly 4%, with a 5% decline at public access courses and a 1.6% decline at private courses. Throughout 2014 rounds played continued to increase nationally, showing only a 1.7% decline year-over-year in June 2014, and a 1.2% decline by October 2014. By year end 2014 overall rounds played in the US were down 1.4% compared to 2013. Considering that 2014 saw difficult weather and the lowest number of playable days since 2005, the slowing rate of decline may indicate some recovery in the golf market. Metrics of rounds played per day open actually increased by nearly 1% in 2014. Throughout the industry, food and beverage revenue increased by 4.1% in 2014 over 2013. Total facility revenue increased by 1.4% and the average fee for an 18-hole round of golf increased marginally from $25.19 in 2013 to $25.35 in 2014. Municipal course rates showed a .4% decline from 2014 to 2013. In Colorado 2014 year to date rounds played showed a net increase over 2013.

Rounds Played - National



PerformanceTrak At-a-Glance - December 2014				
	December 2014[1]	December 2013[1]	Change	% Change
Mean (Average) Rounds Played - December	777	766	↑	1.4%
Mean (Average) Days Open - December	15.8	14	↑	12.9%
YTD December 2014 Highlights				
Mean (Average) Rounds Played - YTD	23,312	23,653	↓	-1.4%
Mean (Average) Days Open - YTD	266	271.6	↓	-2.1%
Mean (Average) Rounds Played Per Day Open - YTD	88	87	↑	0.6%
December 2014 Median Gross Revenue Per Facility[2]				
Median Golf Fee Revenue - December	$27,500	$27,000	↑	1.9%
Median Merchandise Revenue - December	$10,283	$9,439	↑	8.9%
Median Food & Beverage Revenue - December	$35,923	$34,659	↑	3.6%
Median Total Revenue - December[4]	$131,282	$128,171	↑	2.4%
YTD December 2014 Median Gross Revenue Per Facility[2]				
Median Golf Fee Revenue - YTD	$755,222	$760,080	↓	-0.6%
Median Golf Fee Revenue Per Day Open - YTD	$2,839	$2,799	↑	1.5%
Median Merchandise Revenue - YTD	$152,599	$152,196	↑	0.3%
Median Merchandise Revenue Per Day Open - YTD	$574	$560	↑	2.4%
Median Food & Beverage Revenue - YTD	$518,703	$499,300	↑	3.9%
Median Total Revenue - YTD[4]	$2,116,334	$2,089,697	↑	1.3%
Performance Factor[3]	**Index**			
Dec-14	89.9			
YTD December 2014	100.6			

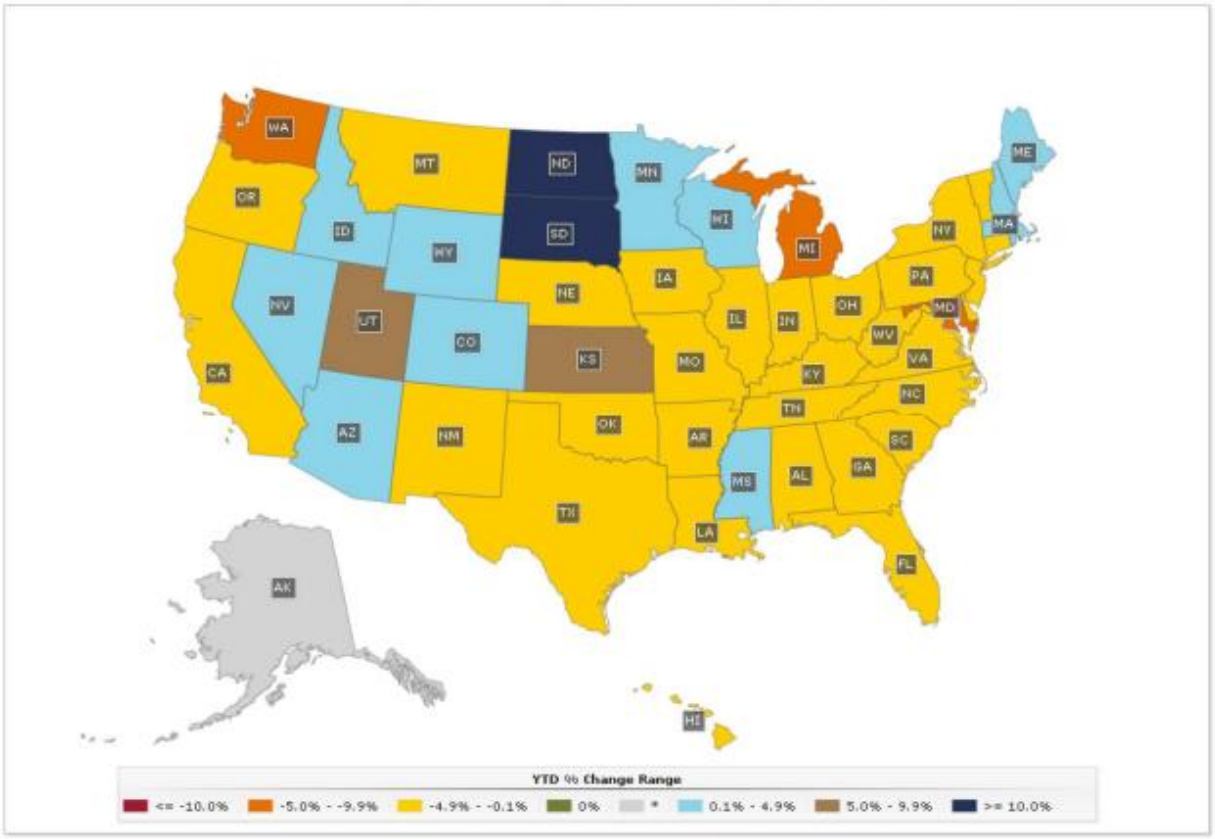
[1] Rounds played, days open, and revenue data are weighted by state and facility type.

[2] Median gross revenues exclude responses where one value of the paired data was missing (i.e., a $0 value).

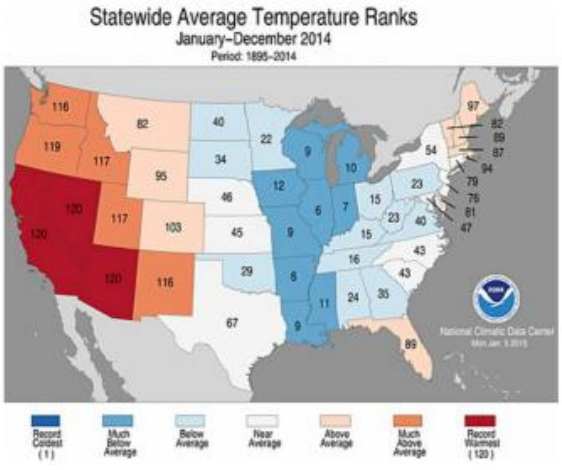
[3] Performance Factor is an index of rounds played per day open, where 100.00 represents consistent play on a per day basis.

[4] Total facility revenue is comprised of Golf, Merchandise and F&B revenue (those metrics measured by PerformanceTrak) and further includes any and all other revenue items at a facility including dues and membership fees.

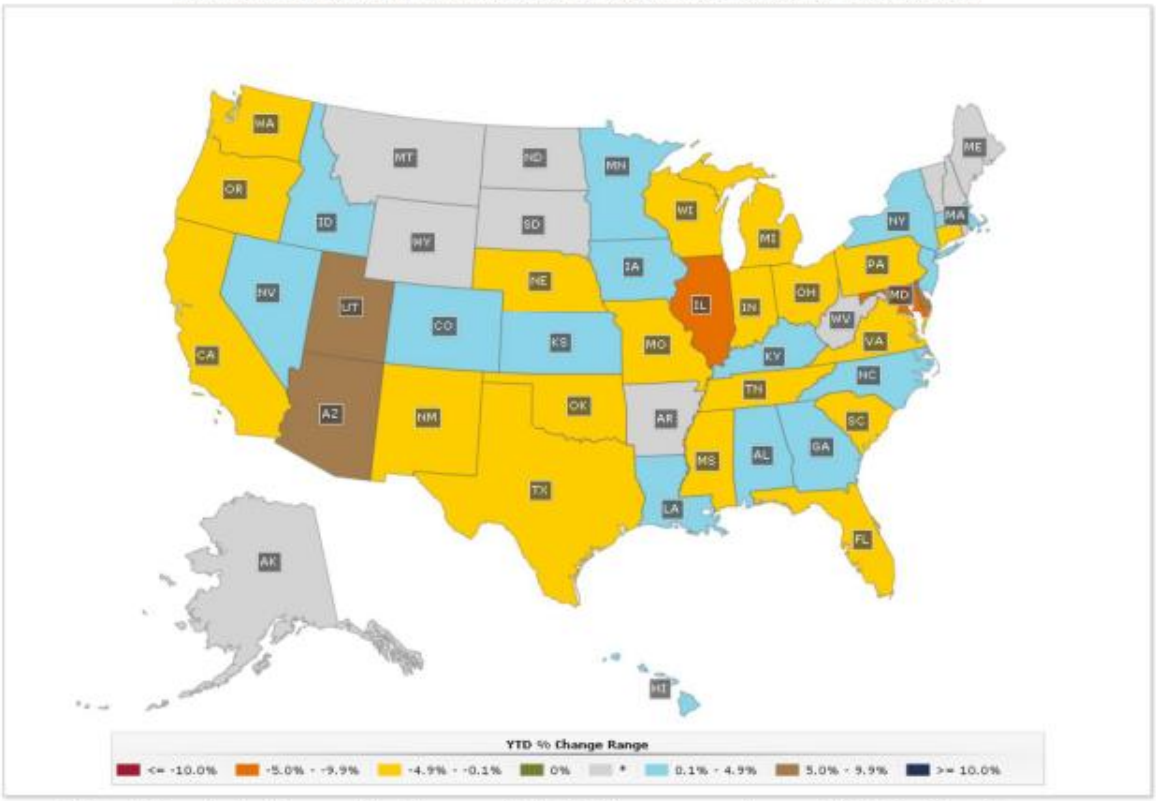
PerformanceTrak: U.S. Map of Rounds Played Year-to-Date % Change by State - December 2014



Note: States shaded in grey did not have sufficient facility responses to report YTD golf rounds played.



PerformanceTrak: U.S. Map of Golf Fee Revenue Year-to-Date % Change by State - December 2014



Note: States shaded in grey did not have sufficient facility responses to report YTD Golf Fee Revenues.

Year-to-Date Golf Fee Revenue Per Round

	Golf Fee Revenue Per Round		
	Current 2014 Year-to-Date	Prior 2013 Year-to-Date	
Facility Type	**Median**	**Median**	**% Change**
Private	$21.29	$21.39	-0.50%
Daily Fee	$25.54	$25.88	-1.30%
Muni/Mil/Univ	$22.41	$22.50	-0.40%
Resort	$48.17	$47.56	1.30%
All Facility Types	**$25.37**	**$25.21**	**0.60%**

Many media outlets have reported in the past several years that the golf industry is possibly in an irreversible decline, however, as economic conditions have improved, the rate of decline across many metrics has slowed and even reversed in some cases. Some industry observers believe that the media has been too quick to sound the death knell for the golf industry. However, course operators continue to face challenging conditions and brokers and investors report that the industry continues to suffer from an

oversupply of courses. Many expect consolidation within the industry to continue, with national operators such as Eagle Golf adding courses to their portfolios through and multicourse acquisitions.

Locally, little golf course transaction activity has occurred in the past several years. Two courses have sold for redevelopment and a third is currently under contract. Another course traded, but the buyer motivation was tied to the vast water rights associated with course, which were subsequently separated and leased to oil and gas operators. The buyer continues to operate the course and has reportedly returned course to profitability.

Golf Market Participant Interviews

Market participants who specialize in golf course brokerage and consulting were interviewed as part of this appraisal. These market participants include:

- Jim Dignan - Broker and golf course owner
- David Pope-Appraiser, MAI, SRA, member of the Society of Golf Appraisers
- Jeff Enright - Appraiser, MAI, Enright & Company, Inc.
- Jeff Davis, Broker/Owner, Fairway Advisors

These market participants echoed similar sentiments regarding the state of the golf industry in general. While the industry has seen some recovery after the economic downturn, (which imposed significant tumult in the industry), in general demographic trends have led to declining golf for participation rates and reduced enthusiasm for golf among those outside of the baby boom generation. Many noted that participation is down nearly 20% over the last 10 years. These trends had have led some in the industry to explore non-traditional methods for attracting users to golf venues and increasing interest in the sport, including novelty elements such as soccer golf and 15 inch cup holes, and non-golf course alternatives such as the Top Golf golf entertainment centers.

According to David Pope, valuation of golf course properties is a subject of debate among many industry professionals. Most rely on various measures of the economic productivity of golf courses including examination of net operating income in capitalization rates examination of net income multipliers or gross income multipliers or discounted cash flow analysis. Central to any valuation is identification of the highest and best use of the golf course. Mr. Pope noted that many golf courses, while not explicitly restricted to golf use, effectively have implied covenants, as it is very difficult to redevelop golf club land which has served as a feature amenity for a surrounding community and any discussion of redevelopment is often met with significant opposition. Incidentally this very scenario is playing out in the Denver metro area at the Applewood golf course, which is currently under contract by developer for redevelopment with single-family residential housing.

Jim Dignan indicated that examining golf course properties based on a cost approach and even a sales approach is a virtually worthless endeavor, and that he and most industry professionals “value golf

properties only one way-money to the bottom line". He indicated that most golf properties sell at a fraction of their replacement cost. He attributed this to the fact that many golf properties are developed as amenities intended to stimulate sales of residential development which surrounds the courses. He also indicated that there is little consistency within the industry regarding operating agreements and or operating leases for golf courses. These agreements or leases typically take the form of a participation agreement, in which the lessor receives a percentage of the golf course sales revenue, flat fee arrangements in which the lease rate is consistent or a combination of the two.

Land Development Market Participant Interviews

Market participants who specialize in land development brokerage and consulting were interviewed as part of this appraisal. These market participants include:

- Jim Dignan - Broker and golf course owner
- Al Sigman – Broker – Boulevard One at Lowry
- Frank Canon - Development Manager, Continuum Development
- Wayne Timm - Project Manager, Woodward Corporation Redevelopment
- Doug McKinnon - Development Manager-Green Gables Development Company, Inc.
- Jennifer McElyea - Project Manager, Watt Investment Partners
- Stephen Roesinger - Broker Newmark Grubb Knight Frank
- Martin Roth - Broker, CBRE

In general, market participants indicated that based on the positive indicators throughout the Denver Metropolitan Area, large infill development opportunities would likely be highly sought after. Some participants indicated growing concern that the market cycle may be nearing a peek based on the amount of out-of-state investment in other real estate sectors within the Metro area. Jennifer McElyea, with Watt Investment Partners indicated that their required a 3-5 year horizon, and as such they were net sellers in the Denver Market. Long-term though, she felt positive about market trends in the region and Denver in particular. She did report however that if presented with the Littleton Village project today, they would not pay much more than they did in 2013, primarily due to interest rate risk and its impact on bond financing for infrastructure development. She reported that the unknowns associated with interest rates could significantly decrease reimbursements for infrastructure development and erode overall profit margins. Jim Dignan indicated that sellers of development land in the fringe of the Metro area were becoming more aggressive in their pricing for raw land. Stephen Roesinger reported being surprised at the interest that his listing of the Littleton Village project generated in 2013. Several of the Development Managers interviewed reported that as the size, scope and complexity of a project increases so too does the level of risk. All of these Development Managers reported that bond financing for infrastructure was essential for project profitability. Frank Canon and Jennifer McElyea reported that were they presented

with the same project opportunities, under the knowledge that another party had a right of first refusal to purchase the project, they would not pursue the opportunity due to the risk that their expenditure and efforts in evaluation and planning would effectively be acquired for free by the holder of the right of first refusal.

Conclusion

The metro Denver area has a history of economic ups and downs. After the energy bust and the savings and loan crisis in the 1980s the local economy enjoyed a period of steady growth and expansion. Things changed in the early 2000s with the effects of the "dot com" recession and the terrorism incidents in New York City and Washington, DC. The economy then rebounded, experiencing steady economic growth in both Colorado and the nation until the Great Recession began in 2008 and the subsequent credit crunch softened both economic and real estate market conditions for most property types.

Most of Colorado's economic development is centered along the Front Range between Greeley and Pueblo, but especially in metro Denver. Several major projects outside metro Denver that have been announced in recent years include:

City	Project	Cost of Construction:	Size:	Year of Completion:
Colorado Springs	Vineyard Data Center Park	$74 million	108 acres	Started in 2012
Colorado Springs	Wal-Mart Data Center	$100 million	24 acres	October 2012
Weld County	Niobrara Energy Park	NA	640 acres	NA
Greeley	Leprino Foods	$270 million	880,000 SF	2011 - 2012 initial phases
Pueblo	Rocla Concrete Tie	$20 million	100,000 SF	2013
Pueblo	Vestas Wind-Turbine	$240 million	300 acres	2009
Pueblo	Downtown redevelopment including the Historic Arkansas Riverwalk and an expansion of the Pueblo Convention Center	NA	26 acres	NA

The Pueblo downtown redevelopment efforts require some assistance from the State of Colorado's tourism development funds, but Pueblo must compete with other cities, including Aurora for the above-mentioned Marriott Hotel and conference center and Glendale's Cherry Creek Riverwalk. Other parts of Colorado have also attracted new employers with generally under 100 employees.

With the general improvement of market conditions nationally and locally, real estate investors from inside and outside Colorado generally continue to look at opportunities in the state and in metro Denver in particular. The reduced but improving availability of capital has brought a rational perspective to most markets. All types of real estate are experiencing improving market conditions, especially in metro Denver. While some markets remain relatively weak, slow general economic improvement and relaxing capital constraints appear to indicate at least a stable to improving trend for real estate investment over the foreseeable future in virtually all parts of Colorado

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ANALYSIS OF DATA AND OPINIONS OF APPRAISER AND ASSOCIATE

Appraisal Methodology

The subject is appraised as is, under the hypothetical condition that the right of first refusal in the lease is not present and the current lessee will not exercise their renewal options; and under the hypothetical condition that the use restrictions at the subject have been removed and the subject site has been rezoned to accommodate development for its highest and best use(s). The appraisal analysis is based on analytical techniques that may encompass anticipation of costs to be incurred, other than those assumed, and benefits to be derived in the future; however, the subject is appraised as described in this report, including only those assumptions also described in this report.

The three commonly accepted valuation techniques used in establishing the value of a real property are the Cost, Sales, and Income Approaches. The type and age of the property, market conditions, and the quantity and quality of available data, affect the applicability of each approach in a specific appraisal assignment.

Land Valuation is generally a component of the Cost Approach in appraisal of an improved property. In this appraisal, land valuation is conducted using the Sales Approach.

The **Cost Approach** develops a value indication by adding land value to the depreciated cost of replacement or reproduction of the improvements as of the date of value. The Cost Approach is often less reliable than the other two approaches because costs and depreciation are usually inherently quite difficult to estimate accurately; and, because this approach is less market based. In the context of substantial depreciation at the subject, and its high land-to-building ratio, the Cost Approach is considered inadequate in reliability and therefore is not used in this appraisal.

The **Sales Approach** indicates value by adjustment of comparable property prices per square foot of building/land area, per dwelling/storage unit, sleeping room, or other physical units of comparison. While the Sales Approach often provides some income data usable in the Income Approach, its reliance primarily on physical units of comparison orients it toward users rather than investors in real properties. The Sales Approach is generally considered a good indicator of value for golf properties and redevelopment properties like the subject using the price per square foot as a unit of comparison and is used in this appraisal. For golf course properties, the relatively high land to building ratio, together with the substantial depreciation of the improvements, makes the value contribution of the improvements best measured by adjustment of comparable sales in the Sales Approach section.

The **Income Approach** converts the estimated future income stream of a real property into a value indication using either direct capitalization or discounted cash flow analysis (DCF). Its income emphasis orients this approach to investors rather than users. Direct capitalization develops a value indication through capitalization of a stabilized net operating income (NOI) using an overall rate of return or direct capitalization rate. DCF provides a value indication by capitalization of a forecast variable net income using an internal rate of return or discount rate.

Discussions with golf course market participants indicate that during unstable market conditions, and even in more stable market times, direct capitalization tends to be an unreliable indicator, often due to minimal or negative net operating income evident in available properties. In many cases, a particular owner/operators motivations or business model may skew operating expenses, resulting in a net operating income indication not attainable under normal market conditions. Large management fees, owner's salaries or unusual benefits such as vehicle allowances are a few examples often found in the industry.

In the absence of reliable net operating income data, golf course buyers tend to examine gross revenue as an indicator of a golf course's potential for economic productivity, applying a multiple to derive a value indication for the course as a going concern, then applying market based expense assumption to model net operating income according to their particular business model in order to evaluate purchase decisions. The use of a gross revenue multiplier is also seen in valuations of other real estate assets, such as gas stations and car washes, where the property value is driven by the business productivity directly attributable to the real estate and FFE at the property, and the distinction between business value, going concern value and underlying real estate vale are nebulous.

In the Income Approach, the subject's forecast net income is processed into a value indication using the gross revenue multiplier since the occupancy level of the property results in relatively stable forecast gross revenue and since the gross revenue multiplier is the likely methodology of a prospective purchaser from an economic productivity viewpoint. Also, the extreme variability of the long-term forecasts necessary to DCF and the relative unreliability of market or subject operating expenses in direct capitalization make them less reliable indicators for golf course properties like the subject.

The **Income Approach** by Gross Revenue Multiplier, is relied upon most in concluding a final value estimate for the subject golf course as is, under the consideration that the subject owner would not pursue removal of the golf course use restriction and under the hypothetical condition that the right of first refusal does not exist and the lessee will not exercise its renewal options, because this approach is based on the income producing capability of the real property, the aspect of primary concern to typical prospective investors, and because comparable data used in the Income Approach is both recent and reflective of market trends. The Sales Approach also provides a reliable value indication since it is market based; however, the units of comparison used in the Sales Approach and the known conditions of sale are considered less accurate than the direct capitalization employed in the Income Approach.

The **Sales Approach** is relied upon most in this appraisal for concluding a final value estimate for the subject as is under the consideration that the subject owner would pursue removal of the golf course use restriction to enable re-zoning; and as if the golf course use restrictions have been removed and the subject has been re-zoned for mixed use – residential/commercial master planned development since the Sales Approach is based on the price per square foot unit of comparison which is most reflective of functional utility to a user in the absence of detailed development cost information and plan densities.

Extraordinary Assumptions of Appraisal

Extraordinary assumptions concerning the subject property, either requested in this appraisal or found by the Appraiser and Associate to be necessary to the analysis, include the above mentioned assumptions regarding:

- Covenants, conditions, restrictions, easements and encroachments
- Hazardous materials/conditions
- Endangered species
- Americans with Disabilities Act
- Date of value/inspection
- Golf course use restriction can be removed

The potential for existence of hazardous materials/conditions, endangered species and/or ADA deficiencies at the subject is discussed above under Identification of the Real Estate. The subject is appraised under the assumption that any unknown covenants, conditions, restrictions, easements and encroachments, on- or off-site hazardous materials/conditions, endangered species and/or ADA deficiencies present have negligible effect on value. It is assumed that the physical condition of the subject on the dates of value is similar to what it was on the date of inspection. It is an extraordinary assumption that under the consideration of the subject property as a redevelopment site, that the golf course use restriction can be successfully removed by agreement between the subject owner and the City of Denver. The application of extraordinary assumptions may have affected the appraised values.

Hypothetical Conditions

Hypothetical conditions concerning the subject property, either requested in this appraisal or found by the Appraiser and Associate to be necessary to the analysis, include the following:

- In valuation of the subject property as a golf course as is, no hypothetical conditions are applied.
- In valuation of the subject as a redevelopment site as is - it is a hypothetical condition that the subject lessee will not exercise its lease renewal options and any right of first refusal to purchase the subject.

- In valuation of the subject as a redevelopment site upon completion of rezone - it is a hypothetical condition that the golf course use restrictions have been removed, that the subject lessee will not exercise its lease renewal options and any right of first refusal to purchase the subject, and rezone of the subject site to accommodate development to its highest and best use(s) has been approved.

Removal of these hypothetical conditions would likely change the appraised value considerably.

General Assumptions and Limiting Conditions of Appraisal

In addition to the above-described extraordinary assumptions and hypothetical conditions, several general assumptions are made and limiting conditions imposed on this appraisal. This appraisal is for no purpose other than property valuation and the Appraiser and Associate are not attempting to go beyond that narrow scope. While the Appraiser and Associate in this appraisal have exercised reasonable due diligence, the reader should be aware that there are also inherent limitations to the accuracy of the information and analysis contained in this appraisal. Before making any decision based on the information and analysis contained in this report, it is critically important to read this entire section to understand these limitations. Before relying on any statement made in this appraisal report, interested parties may wish to contact the Appraiser and Associate for the exact extent of data collection on any point that they believe to be important to their decision making. The Assumptions and Limiting Conditions are described below:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be marketable, unless otherwise stated.
2. The property is appraised “free and clear” of all liens or encumbrances and assuming that all expenses, including taxes, have been paid, unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is researched diligently and believed to be reliable. However, no warranty is given for its accuracy. It is assumed that the subject property and market data supplied by the owner, buyers, sellers, brokers, consultants, and public officials, is accurate. The Appraiser and Associate assume no responsibility for independently verifying this information and reserve the right to alter the appraisal analysis based on correction of such information. If the user of this appraisal has any question regarding this information, it is the user's responsibility to seek whatever independent verification is deemed necessary.
5. All engineering, drafting, etc. by others is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. This appraisal should not be considered a report on the physical

items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The Appraiser and Associate are not construction, engineering, environmental, or legal experts and any statement given on these matters in this report should be considered preliminary in nature. Unless otherwise stated in this report, it is assumed that there are no structural defects hidden by floor or wall coverings or any other hidden or unapparent conditions of the property; that all mechanical equipment and appliances are in good working condition; and, that all electrical components and the roofing are in good condition. If the user of this appraisal has any questions regarding these items, it is the user's responsibility to order the appropriate inspections. The Appraiser and Associate do not have the skill or expertise needed to make such inspections. The Appraiser and Associate assume no responsibility for these items.

7. The Appraiser and Associate did not observe the existence of hazardous materials/conditions, which may or may not be present on the property, unless stated in the report. Also, unless so stated, the Appraiser and Associate have no knowledge of the existence of such materials on or in the property. The Appraiser and Associate are not qualified to detect such substances. The presence of potentially hazardous materials/conditions may affect the value of the property. Unless otherwise stated in this report, the value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required discovering them. Any party relying on this appraisal is urged to retain an expert in this field, if desired.
8. It is assumed that there is full compliance with all-applicable federal, state, and local environmental regulations and laws, unless noncompliance is stated, defined, and considered in the appraisal report. A comprehensive examination of laws and regulations affecting the subject property was not performed for this appraisal.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this report. A comprehensive examination of laws and regulations affecting the subject property was not performed for this appraisal.
10. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use upon which the value estimate contained in this report is based.
11. The Appraiser and Associate did not observe the existence of violations of the Americans with Disabilities Act (ADA), which may or may not be present on the property, unless stated in the report. Also, unless so stated, the Appraiser and Associate have no knowledge of the existence of such violations on or in the property. The Appraiser and Associate are not qualified to make a comprehensive survey concerning ADA violations. The presence of ADA violations may affect the value of the property. Unless otherwise stated in this report, the value estimate is predicated on the assumption that there are no such violations on or in the property that would cause a loss in value.

No responsibility is assumed for any such conditions or any expertise or engineering knowledge required discovering them. Any party relying on this appraisal is urged to retain an expert in this field, if desired.

12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass, unless noted in the report. The Appraiser and Associate have made no survey of the property and no responsibility is assumed in connection with such matters. The reliability of the information contained on any map or drawing is assumed by the Appraiser and Associate and cannot be guaranteed to be correct. A surveyor should be consulted if there is any concern on boundaries, setbacks, encroachments, or other survey matters.
13. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
14. Possession of this report, or a copy of it, does not carry with it the right of publication. It may not be used for any purpose by any party other than the party to whom it is addressed and other parties directly related to the intended use without the written consent of the Appraiser; and, in any event, only with proper qualification and only in its entirety.
15. The Appraiser and Associate, by reason of this appraisal, are not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
16. Neither all nor any part of the contents of this report, especially any conclusions as to value, the identity of the Appraiser and Associate, or the firm with which the Appraiser and Associate is/are connected, and any reference to affiliation with any professional appraisal organization or designation, shall be disseminated to the public through advertising, solicitation materials, public relations, news, sales, or other media without the prior written consent of the Appraiser and Associate. If this report is placed in the hands of anyone but the client, the client shall make such party aware of all the assumptions and limiting conditions of the assignment.
17. If this appraisal is subject to satisfactory completion, repairs, or alterations of the improvements, the value conclusions are contingent upon completion or the improvements in conformance with the description in this report and all applicable codes, ordinances, and statutes, and in a workmanlike manner.
18. If this appraisal contains a valuation as of a future date, the value conclusions are based on analysis of data gathered and analyzed prior to the date of the report. The value conclusions are subject to alteration resulting from unforeseeable changes in market or other conditions before the date of value.
19. If this appraisal contains a valuation of an estate in land that is less than the entire fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved. The value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate considered as a whole.

20. If this appraisal contains a valuation of the geographical portion of a larger parcel or tract or real estate, the value reported for such geographical portion relates to such portion only and should not be construed as applying with equal validity to other portions or the larger parcel or tract. The value reported for such geographical portion plus the value of all other geographical portions may or may not equal the value of the entire parcel or tract considered as a whole.
21. The appraisal analysis has been conducted without regard for the race, color, national origin, or gender of the any persons related to the subject property or who live or work in its vicinity.
22. The liability of the Appraiser and Associate, or any employee, is limited to the fee collected. There is no accountability, obligation or liability to any party other than the addressee of this report, except as stated herein. Acceptance or use of this appraisal constitutes acceptance of all of the assumptions and limiting conditions stated in this appraisal report.

Highest and Best Use/Feasibility

"Highest and best use" is defined and interpreted in the Glossary of Terms at Addendum C. To determine the highest and best use of a real property such as the subject, it is necessary first to identify which uses are legally and physically possible and then which uses are probable (feasible). The legal and physical possibilities may usually be determined by consultation with the appropriate land use controls and by conducting an engineering/architectural study. In order for a use to be probable, there must exist a purchaser/developer and financing, if necessary, for the real property with the desire and ability to accomplish the purchase/development.

Once the possible and probable uses have been determined, it is then necessary to examine them financially and determine which, if any, are feasible, i.e., will provide any net income to the property owner. That use which provides the greatest net income to the property owner and thus results in the highest present property value is the highest and best use.

Existing/Future Land Use Regulations

Existing zoning at the subject is Open Space B (OS-B), which permits golf and other uses as discussed in the Identification of the Real Estate section of this report. Covenants, conditions and restrictions impose additional known constraints on land use, namely the Agency Agreement between the City and the Clayton Foundation requires the subject to remain a golf course operated for the benefit of the citizens of Denver. Should the Foundation desire to regain title to the property from the City, the parties agreed that upon transfer, the Foundation would grant the City a "perpetual non-exclusive conservation easement in gross over and upon the Golf Course Land to maintain the Golf Course Land's scenic and open condition and to preserve the Golf Course Land for recreational use" and for the continued existence and operation of a regulation length 18 hole daily fee public golf course , prohibiting uses which would be detrimental to the continued existence and operation of the Golf Course. Based on this restriction, the possibility of rezone of the subject to other uses such as residential or commercial use would appear minimal.

Zoning elsewhere in the neighborhood/market area is a mix of residential, commercial, and industrial uses and is suitable for expected uses compatible with the uses permitted at the subject. Generally, major changes in land use patterns or related regulations, such as growth or rent controls that would affect the subject site or improvements, are not anticipated. Any changes in land use regulations will likely be consistent with the established mixed use character of the subject neighborhood and market area, golf course use restriction notwithstanding.

However, the Colorado Department of Transportation is currently addressing the aging and overburdened Interstate 70 viaduct, just north of the subject, which at 50 years old, is deteriorating and in need of replacement. CDOT is undertaking a Supplemental Draft Environmental Impact Statement (SDEIS), which is a report that includes a detailed analysis of the social, environmental, and economic

effects of the project alternatives as required by the federal government according to the National Environmental Policy Act (NEPA). The SDEIS reflects changes from the original 2008 Draft EIS. Options being explored include reconstructing the viaduct with additional lanes and lowering the roadway below grade and partially covering it, creating a tunnel-like roadway. The covered portions would be improved with green space, and create greater connectivity of the neighborhoods to the north of Interstate 70 with those to the south. The subject may play an important role in the viability of the I-70 project.

Currently, due to topography, the northern portions of the subject serve as an informal storm water retention basin, into which storm water runoff from a roughly 2 square mile area south and east of the subject drains and collects. Outside of the I-70 project, the City, recognizing the inadequacy of this informal storm water management solution, had approached the Foundation to explore granting of an easement which would allow the City to construct a drainage facility sufficient to store storm water from the surrounding area.

The character of these discussions evolved in the past year to include the potential for this storm water facility to serve the potential I-70 project. Again, due to topography, project engineers for the I-70 project will be faced with the challenge of moving storm water runoff from the south side of the I-70 corridor to the north side, so that it may drain to the South Platte River. The subject's potential to serve as a drainage facility for collection of a large area of the basin for the storm water, staging the water for transport to the south side of I-70 via yet-to-be-built pipeline, has surfaced, and initial discussion with CDOT and the City have occurred.

The subject's potentially pivotal role in a regional storm water solution may create leverage for the Foundation to alter the legal restrictions regarding golf course use at the subject, and they have embarked on exploration of this potential with City representatives.

Physical Adaptability of the Property

Land As If Vacant: As described in the Identification of the Real Estate section of this report, The subject land parcel has appropriate size, shape, topography, utilities, access, and other physical attributes necessary to a wide range of development. The physical characteristics of the subject site, particularly its large size and urban location, together with uses present and permitted at surrounding properties, tend to make the subject site suitable for golf course as well a mixed commercial and residential uses.

As Improved: The subject improvements are designed for golf use. Due to the large size of the subject, this design does not severely limit alternative uses. While adaptation to other uses is physically possible, it is likely infeasible without substantial adaptation / demolition of the improvements.

Alternative Uses

Land As If Vacant: The range of uses made possible at the subject site by legal conditions, including potential rezone, and its physical attributes is confined to:

- Single family residential
- Multifamily residential
- Retail
- Office
- Industrial
- Hotel
- Restaurant

As Improved: The range of uses made possible at the subject as improved by legal conditions and its physical attributes is confined to:

- Golf course

Market Conditions

A more thorough discussion of the real estate market conditions pertinent to the subject is in the Real Estate Market Conditions section of this report. Commercial and residential real estate market conditions are gradually recovering since weakening that began in 2007 with the national and regional economic recession which resulted from the sub-prime mortgage collapse. The Denver metro area has been impacted less than other parts of the country, partly as a result of a more diversified economy than in the past and a trend toward more cost effective transit oriented development. Positive indications in the local and national commercial and residential markets have led most experts to conclude that current general real estate market conditions are slowly improving.

Metro Market Conditions – Apartments

Inventory

As of the end of the 1st quarter of 2015 the apartment market in metro Denver contained a total of 197,652 units in properties of fifty units or more. Metro Denver, for purposes of apartment market research, is composed of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. In addition to existing units, 20,558 units were under construction in metro Denver, and another 19,709 units were in proposed projects that may be started over the next twelve months.

The following table shows the number of units existing, under construction, and proposed at the end of the 1st Quarter of 2015, and for comparison, the number of units started and completed during the 2nd Quarter:

County	Units Existing	Units Under Construction	Units Proposed	1st Quarter Started	1st Quarter Completed
Adams	27,206	1,723	1,203	120	0
Arapahoe	47,820	2,497	2,310	0	513
Boulder	12,401	1,112	2,289	0	304
Broomfield	5,545	1,192	1,098	0	0
Denver	65,434	10,048	8,923	1,328	1,144
Douglas	12,921	2,153	688	676	0
Jefferson	26,325	1,833	3,198	0	0
Total	197,652	20,558	19,709	2,124	2,051

Source: James Real Estate Services, Inc.

The following table shows vacancy and rental rate trends for apartments in metro Denver between 1988 and the first quarter of 2014. Vacancy rates vary due to factors such as economic conditions and the number of new units added to the metro Denver inventory. Vacancy rates, for example, were highest during periods of economic contraction, such as the late 1980s and during the "dot com" recession of the early 2000s. With increased vacancy rates average rental rates often plateau or actually declined.

AVERAGE APARTMENT RENTS											
		Studio		1-BR		2-BR 2-B		3-BR			
Year	Vacancy	$/Mo	$/SF	$/Mo	$/SF	$/Mo	$/SF	$/Mo	$/SF	All	% Change
2015	4.9%	$978	$1.90	$1,062	$1.50	$1,425	$1.34	$1,692	$1.32	$1,204	3.1%
2014	4.7%	914	1.84	1,034	1.47	1,383	1.30	1,635	1.28	1,168	12.2%
2013	5.2%	817	1.62	921	1.30	1,234	1.16	1,437	1.13	1,041	5.6%
2012	4.9%	765	1.52	866	1.22	1,174	1.10	1,374	1.07	986	5.7%
2011	5.4%	695	1.41	822	1.16	1,098	1.03	1295	1.01	932	2.5%
2010	5.5%	656	1.32	795	1.12	1,069	1.00	1,284	1.01	909	3.7%
2009	7.7%	677	1.37	756	1.06	1,036	0.96	1,223	0.95	875	(1.6%)
2008	7.9%	630	1.28	776	1.09	1,056	0.98	1,259	1.04	889	3.3%
2007	6.1%	624	1.28	760	1.08	1,021	0.96	1,200	0.95	860	1.2%
2006	7.0%	624	1.28	739	1.05	1021	0.96	1,163	0.93	850	0.2%
2005	7.9%	561	1.22	735	1.05	1,016	0.96	1,161	0.94	848	3.3%
2004	10.0%	534	1.16	710	1.03	990	0.95	1,134	0.92	821	0.7%
2003	10.9%	532	1.17	706	1.02	915	0.92	1,093	0.91	815	0.1%
2002	10.6%	575	1.22	716	1.06	974	0.91	1,085	0.88	814	(1.0%)
2001	8.7%	559	1.21	720	1.02	972	0.95	1,096	0.89	822	3.7%
2000	4.7%	512	1.14	692	1.04	968	0.94	1,051	0.86	793	8.0%
1999	5.2%	497	1.08	638	0.96	899	0.88	974	0.83	734	5.6%
1998	4.4%	454	1.00	608	0.91	849	0.85	955	0.80	695	6.9%
1997	4.6%	416	0.92	558	0.85	801	0.80	896	0.75	650	7.1%
1996	4.9%	399	0.90	529	0.81	726	0.74	789	0.64	607	5.6%
1995	5.0%	374	0.85	502	0.77	702	0.71	760	0.63	575	6.5%
1994	3.8%	390	0.85	473	0.73	664	0.67	708	0.58	540	7.6%
1993	4.4%	357	0.78	441	0.68	620	0.63	643	0.53	502	6.4%
1992	4.7%	333	0.73	412	0.64	583	0.59	609	0.50	472	9.0%
1991	5.8%	296	0.63	380	0.59	547	0.55	561	0.47	433	6.9%
1990	8.5%	281	0.60	353	0.55	514	0.52	549	0.44	405	3.8%
1989	11.1%	264	0.58	342	0.53	443	0.50	530	0.42	390	(1.5%)
1988	11.3%	261	0.56	349	0.54	450	0.49	533	0.45	396	(2.0%)

Source: The Denver Area Apartment Vacancy and Rent Survey/James Real Estate Services, Inc.

Note: Average rents do not reflect concessions and specials. Change is based on difference between annual average and latest quarter of the current year.

Vacancy Trends and Rental Rates

According to the 1st Quarter 2015 Apartment Vacancy and Rental Rate Survey by the Apartment Association of Metro Denver the vacancy rate in metro Denver was 4.9%, up from 4.7% at the end of 2014.

The following table compares vacancy rates, net absorption, the number of units started and completed and the average rental rate for metro Denver during recent years, including the first quarter of 2015:

	Vacancy	Net Absorption	Units Started	Units Completed	Average Rental Rate	Rental Rate Change
2015	4.9%	185	2,124	2,051	$1,204	3.1%
2014	4.7	6,474	10.842	8,236	1,168	8.8
2013	5.2	2,788	10,417	3,741	1,074	9.7
2012	4.9	3,138	9.134	1,973	979	5.0
2011	5.4	1,536	3,029	1,438	932	2.5
2010	5.5	6,827	1,406	3,503	909	3.9
2009	7.7	4,069	1,438	3,791	875	2.0

Sources: Apartment Association of Metro Denver and James Real Estate Services, Inc.

Many of the units started in 2013 and 2014 will be coming onto the market in late 2015 and during 2016. This will put upward pressure on vacancy rates, especially in communities with higher rental rates. Higher vacancy rates will also result in lower effective rental rates as property managers implement concessions and specials to attract new residents in an increasing competitive apartment market.

The following table shows vacancy rate trends over recent years for the seven counties of metro Denver. The Apartment Association of Metro Denver's (AAMD) quarterly survey combines Boulder and Broomfield counties for purposes of vacancy and rental rate reporting.

	Adams	Arapahoe	Boulder	Broomfield	Denver	Douglas	Jefferson	Metro
2015	120	0	0	0	1,328	676	0	2,124
2014	981	623	629	600	5,189	1,212	1,590	10,842
2013	722	1,697	1,141	478	5,517	511	351	10,417
2012	470	1,174	940	1,438	4,248	697	176	9,643
2011	188	223	74	272	1,518	288	466	3,029
2010	372	280	347	0	407	0	0	1,406
2009	0	328	254	0	502	0	0	1,054

Source: Apartment Association of Metro Denver

Note: 2015 average rental rate is for the 1st Quarter. Otherwise, rental rates are for year-end.

The AAMD report found that the average rental rate for apartments in Denver County was $1,216 at the end of the 1st Quarter of 2015. The rental rate had increased 2.8% since the $1,183 rental rate measured at the end of 2014 and 11.3% from the $1,093 average at the end of 2013.

	Adams	Arapahoe	Boulder	Denver	Douglas	Jefferson	Overall
2015	$1,131	$1,164	$1,341	$1,216	$1,406	$1,163	$1,204
2014	1,096	1,120	1,329	1,183	1,384	1,123	1,168
2013	988	1,026	1,228	1,093	1,262	1,033	1,074
2012	949	995	1,198	1,065	1,187	994	979
2011	910	900	1,038	941	1,092	889	932
2010	893	890	996	911	1,090	847	909
2009	809	848	943	903	1,027	849	875

Source: Apartment Association of Metro Denver

Note: 2015 average rental rate is for the 1st Quarter. Otherwise, rental rates are for year-end.

By comparison, the average rental rate for metro Denver at the end of the 1st Quarter of 2015 was $1,204, up 3.1% from the end of 2014 and 12.1% from the end of 2012. Rental rates were highest in Douglas, Boulder, and Denver counties. Rental rates in the AAMD report are not "same store" in that new properties are added to the survey upon completion, and those properties frequently have rental rates above those charged for older existing apartment communities, thereby inflating the metro average.

The AAMD report divides counties into smaller submarkets, although the number of units surveyed each quarter may vary widely, making analysis of trends more difficult. However, the recent data on vacancy rates and average rental rates for the City and County of Denver, as compared to the Metro Denver and Adams County rates, is as follows:

	Metro Vacancy Rate	Denver County Vacancy Rate	Denver Northeast Vacancy Rate	Metro Average Rental Rate ($/Unit)	Denver County Average Rental Rate ($/Unit)	Denver Northeast Average Rental Rate ($/Unit)
YTD 2015	3.9%	3.5%	NA	$1,204	$1,216	$1,149
2014	4.7	4.6	3.3	1,168	1,183	933
2013	5.2	6.1	6.3	1,074	1,093	844
2012	4.9	6.1	6.5	979	1,065	914
2011	5.4	4.8	5.8	932	941	920
2010	5.5	5.2	4.8	909	911	854
2009	7.7	8.8	6.1	875	903	787

Source: Apartments Association of Metro Denver

Note: 2014 average rental rate is for the 3rd Quarter. Otherwise, rental rates are for year-end.

The average vacancy rate for apartments in Denver County and the Denver Northeast submarket have historically tended to be higher than the metro averages.

Net Absorption

Demand for apartments is measured as net absorption, which takes into effect new move-ins and move-outs over a given period. Between 2009 and 2013 the average net absorption for metro Denver apartments was 3,671, according to the AAMD reports. The net demand was adversely affected by the Great Recession of 2008 and 2009 and by competition from for-sale housing due to low mortgage interest rates.

The AAMD estimated net absorption for 2014 of 6,474 units (prior to a questionable adjustment), which, if accurate, is slightly above the "normal" rate of net absorption. If demand continues strong then the potential for overbuilding declines, but that assumption is based on the accuracy of AAMD net absorption numbers and a continued healthy metro economy.

Development Activity

As mentioned above, development activity has increased in metro Denver, paced in great measure by continued gains in population and employment. At the end of the 1st quarter of 2015 there were 20,558 units under construction in metro Denver and 19,709 units proposed.

Of the units under construction 10,048 were in Denver County, reflecting 49% of the metro total, well ahead of any other county. Denver County also led with proposed units, with 8,923 being nearly 45% of the total. Many of the new properties under construction in metro Denver, and especially in Denver, Arapahoe, and Douglas counties, are transit-oriented or pedestrian-oriented.

Developers started projects containing 1,328 units in metro Denver during 1st Quarter 2015 and completed 1,144 units.

The following apartment communities were under construction in Denver County as of September 30, 2014:

- **17W**, 640 units at 1777 Regatta Street near Denver Union Station in the Denver Central submarket by Holland Partner Group.
- **18th & Central**, 271 units of the former site of the United War building at 2505 18th Street in the LoDo neighborhood of the Denver Central submarket by Southern Land Company. United Way sold the property when it moved to its new headquarters on Park Avenue West.
- **2785 Speer**, 332 units at 2785 Speer Boulevard in the Denver Central submarket by Allied Realty.
- **707 Sherman Street**, 105 units by Red Peak Properties in the Denver Central submarket.
- **Alexon Slogans Lake**. 369 units by Trammell Crow Residential at 1550 Raleigh Street in the Denver West submarket. This is the first vertical construction in the redevelopment of the former St. Anthony's Central Hospital on West 17th Avenue.
- **Alexon Uptown**, 372 units by Trammell Crow Residential at 1935 Logan Street in the Denver Central submarket.
- **Alta City House**, 281 units at 1801 Chestnut Place in the Denver Central submarket by Wood Partners.
- **Aster Town Center Phase II**, 135 units by Forest City Enterprises at 3309 Roslyn Street at Stapleton in the Denver East Submarket.
- **Avenue 8**, 163 units at 5805 East 8th Avenue in the Denver East submarket by Rosemary Development Group.
- **Broad stone on 9th**, 324 units on East 8th and East 9th avenues at Clermont Street in the Denver East submarket by Alliance Residential Company. The apartments are the initial vertical construction at the site of the redevelopment of the former University of Colorado Medical Center.
- **Broad stone Highland Square**, 148 units at 3251 Lowell Boulevard in the Denver West submarket by Alliance Residential Company.
- **Casey,** 187 units at 2100 Delany Street in Denver Central submarket by Mill Creek Residential Trust.
- **Coda Cherry Creek**, 185 units at 100 Steele Street in Cherry Creek North in the Denver Central submarket by Ocala Community Development.
- **Confluence**, 288 units at 2166 15th Street in the Denver Central submarket by PM Realty Group. At 34 floors Confluence will be one of Denver's tallest apartment buildings. As its name indicates, the building sits at the confluence of the South Platte River and Cherry Creek.
- **County Club Towers 2 & 3**, two connected thirty-story buildings by Bore Group at 15 South Downing Street in the Denver Central submarket.

- **Crossing @ Derange Market,** 321 units at 2525 Regatta Way in the Denver Central submarket by Cypress Real Estate Advisors.
- **Denizen**, 275 units at 415 South Cherokee Street by the Alameda RTD light rail station in the Denver South submarket by D4 Urban.
- **Detroit Terraces,** 50 units at 1530 Detroit Street in the Denver Central submarket by Inspire Investment Group.
- **Elan Union Station**, 314 units at 1900 Chestnut Place in the Denver Central submarket by Nichols/Greystar. The project will have a large King Soopers market on the ground floor.
- **Gables Cherry Creek**, 289 units at 360 South Monroe Street in Cherry Creek East in the Denver Central submarket by Smith Jones Partners.
- **Gables Speer Boulevard**, 221 units at 295 East Speer Boulevard in the Denver Central submarket by The Hanover Company.
- **Grove @ Stapleton**, 150 units of independent senior apartments at 2980 Syracuse Street in Stapleton in the Denver East submarket by Zocalo Community Development.
- **Hartley Flats**, 165 units at 2749 Walnut Street in the Denver Central submarket by Simpson Housing.
- **Helios**, 258 units at 7901 East Belleview Avenue in the Denver South submarket by Hines Interests.
- **Joule**, 221 units at 1000 Speer Boulevard in the Denver Central submarket by Snavely Group.
- **Mariposa Phase VI**, 94 units at the southeast corner of Osage Street and West 11th Avenue in the Denver Central submarket by the Denver Housing Authority. This is another phase of the ongoing redevelopment of a former public housing project near the RTD Osage Street light rail station and La Alma-Lincoln Park.
- **Milehouse @ Belleview Station Phase II,** 325 units at 6850 East Chenango Avenue by Holland Partner Group. This second phase of apartments at Belleview Station may be renamed.
- **MOTO**, 64 units at 820 Sherman Street in the Denver Central submarket by 8th & Sherman Development LLC.
- **Park Hill Station**, 156 units at 4055 Albion Street in the Denver East submarket by DelWest Capital Group. The project will be within several blocks of the RTD North Colorado commuter rail station.
- **Pearl**, 408 units at 7575 East Technology Way in the Denver Tech Center in the Denver South submarket by Carmel Partners.
- **Peregrine Place**, 65 units at 4400 East Mississippi Avenue in the Denver South submarket by Catamount Properties.
- **Platt Park North**, 60 rental townhouses on East Mississippi Avenue east of South Broadway in the Denver South submarket by Pando Holdings.
- **Renaissance @ North Colorado Station**, 129 units of affordable housing at 3999 Colorado Boulevard in the Denver Central submarket by the Colorado Coalition for the Homeless.

- **Residences @ Prospect Park**, 296 units at 2975 Huron Street in the Denver Central submarket by Edwards Communities.
- **Ruby Hill**, 114 units of affordable housing by Burgwyn Company at 1144 South Pecos Street in the Denver South submarket.
- **Skyhouse Denver**, 354 units by Novare at 1776 Broadway in the Denver Central submarket.
- **Steele Creek**, 218 units at 3222 East 1st Avenue in Cherry Creek East in the Denver Central submarket by BMC Investments.
- **Studio 17 LoHi**, 114 units at 2559 17th Street in the LoHi section of the Denver Central submarket by Simpson Housing.
- **Turntable Studios**, 168 "micro" apartments by Nichols Partnership in a former hotel at 1975 Mile High Stadium Drive in the Denver Central submarket.
- **Venue on 16th**, 180 units by the Picerne Group at 2900 East 16th Avenue near City Park in the Denver Central submarket.
- **Via**, 200 units at 828 Broadway in the Denver Central submarket by The Pauls Corporation.
- **Westend**, 390 units at 3500 Rockmount Drive in the Denver Central submarket by Carmel Partners.
- **Wheatley**, 96 units at 2460 Welton Street in the Denver Central submarket by Palisade Partners.

Two of these properties, Park Hill Station and Renaissance @ North Colorado Station, are located near the northwest corner of the subject site.

In addition, the following apartment communities have been announced in Denver County and on which construction may begin during the next twelve months:

- 1000 Broadway South, 260 units at 1000 South Broadway in the Denver Central submarket by Fore Property Company.
- 828 Broadway, 200 units at 828 Broadway in the Denver Central submarket by The Pauls Corporation.
- Alameda Station Village, 275 units at 415 South Cherokee Street by the Alameda RTD light rail station in the Denver Central submarket by D4 Urban.
- Alexan Sloans Lake. 369 units by Trammell Crow Residential at 1550 Raleigh Street in the Denver West submarket.
- Alta City House, 281 units at 1801 Chestnut Place in the Denver Central submarket by Wood Partners.
- Amaranth, 156 units at 1099 Gaylord Street in the Denver Central submarket by MGL Partners.
- Amstar Denver Highlands, 332 units at 2785 Speer Boulevard in the Denver Central submarket by Allied Realty.

- Avenue 8, 163 units at 5805 East 8th Avenue in the Denver East submarket by Rosemark Development Group.
- Balfour @ Riverfront Park, 112 units of independent senior housing at 1500 Little Raven Street in the Denver Central submarket by Balfour Senior Living.
- Broadstone on 9th, 324 units on East 9th Avenue at Clermont Street in the Denver East submarket by Alliance Residential Company. The apartments are the initial vertical construction at the site of the redevelopment of the former University of Colorado Medical Center.
- Broadstone Blake, 164 units at 2120 Blake Street in the Denver Central submarket by Alliance Residential Company.
- Casey, 187 units at 2100 Delgany Street in Denver Central submarket by Mill Creek Residential Trust. x Coda @ Cherry Creek, 185 units at 100 Steele Street in Cherry Creek North in the Denver Central submarket by Zoccalo Community Development.
- Elan Union Station, 314 units at 1900 Chestnut Place in the Denver Central submarket by Nichols/Greystar.
- EnV, 224 units at 1000 Speer Boulevard in the Denver Central submarket by Snavely Group.
- Greenways @ Stapleton, 108 units of senior housing at 8133 East 29th Place in the Denver East submarket by Horizon Development Group.
- Grove @ Stapleton, 150 units of independent senior apartments at 2980 Syracuse Street in Stapleton in the Denver East submarket by Zocalo Community Development.
- Hartley Flats, 165 units at 2749 Walnut Street in the Denver Central submarket by Simpson Housing.
- Helios, 258 units at 7901 East Belleview Avenue in the Denver South submarket by Hines Interests.
- Highland Place, 68 units at 3380 West 38th Avenue in the Denver West submarket by Allante Properties.
- Lumina, 61 units at 3234 Navajo Street in the Denver Central submarket by Treehouse Development.
- Mariposa Phase IV, 77 units at 1200 West 10th Avenue in the Denver Central submarket by the Denver Housing Authority.
- Mariposa Phase VI, 94 units at the southeast corner of Osage Street and West 11th Avenue in the Denver Central submarket by the Denver Housing Authority.
- Milehouse @ Belleview Station, 352 units at 6750 East Chenango Avenue near the RTD Belleview Avenue light rail station in the Denver South submarket by Holland Partner Group.

- MOTO, 64 units at 820 Sherman Street in the Denver Central submarket by 8th & Sherman Development LLC.
- Pearl, 408 units at 7575 East Technology Way in the Denver Tech Center in the Denver South submarket by Carmel Partners.
- Peregrine Place, 65 units at 4400 East Mississippi Avenue in the Denver South submarket by Catamount Properties.
- Platform @ Union Station, 287 units at 1650 Wewatta Street in the Denver Central submarket by Holland Partner Group. As the name indicates this high-rise building is immediately adjacent to Denver Union Station.
- Platt Park North, 60 rental townhouses on East Mississippi Avenue east of South Broadway in the Denver South submarket by Pando Holdings.
- Point 21 Urban Flats, 212 units at 2131 Lawrence Street in the Denver Central submarket by Legacy Partners.
- Residences @ Cherry Creek, 297 units at 360 South Monroe Street in Cherry Creek East in the Denver Central submarket by Smith Jones Partners.
- Residences @ Prospect Park, 296 units at 2975 Huron Street in the Denver Central submarket by Edwards Communities.
- Speer Boulevard, 221 units at 295 East Speer Boulevard in the Denver Central submarket by The Hanover Company.
- Steele Creek, 218 units at 3222 East 1st Avenue in Cherry Creek East in the Denver Central submarket by BMC Investments.
- Studio 17 LoHi, 114 units at 2559 17th Street in the Denver Central submarket by Simpson Housing.
- Venue on 16th, 180 units by the Picerne Group at 2900 East 16th Avenue in the Denver Central submarket.
- Welton @ 25th, 96 units at 2460 Welton Street in the Denver Central submarket by Palisade Partners.
- Westend, 390 units at 3500 Rockmount Drive in the Denver Central submarket by Carmel Partners.
- Yards @ Denargo Market Phase II, 321 units at 2525 Wewatta Way by Cypress Real Estate Advisiors.

None of the proposed or under construction projects are near the subject property.

Metro Market Conditions – Office

Inventory

According to Newmark Grubb Knight Frank (NGKF) the office market in metro Denver (excluding Boulder County) had a total of 92,382,550 square feet of existing space as of March 30, 2015. In addition, NGKF identified thirteen properties that were under construction with a combined total of 1,665,838 square feet. The NGKF survey covers buildings of 20,000 square feet or more. The subject site is located in the NGKF Northeast submarket. The Northeast submarket contains 2,096,608 SF of existing space, or about 2% of the metro area total office space.

The following table compares recent office market conditions and trends, for metro Denver and the Northwest submarket:

Year	Total Metro SF	Northeast submarket SF	Total Metro Vacancy Rate	Northeast Submarket Vacancy Rate
YTD 2015	92,382,550	2,096,608	13.8%	15.2%
2014	92,382,550	2,096,300	15.6%	15.9%
2013	92,014,910	2,096,300	15.7	18.3%
2012	92,381,263	2,096,300	17.2	18.2%
2011	92,213,412	2,096,300	18.2	19.5%
2010	91,387,704	1,946,300	19.3	22.7%
2009	90,176,101	1,774,499	20.0	21.4%

Source: Newmark Grubb Knight Frank 1st Quarter 2015 Denver Office Market Report
Note: 2009 to 2014 data is for the end of each year.

The following table shows historic office market trends from 1988 through the first quarter of 2015, according to Newmark Grubb Knight Frank. Note that the metro office market went through several periods of high vacancy due to national economic factors and periodic overbuilding. These situations where most evident in the late 1980s and early 1990s due to recession, the early 2000s because of the "dot com" bust and the effects of the Great Recession of 2008 to 2009.

DENVER METRO OFFICE VACANCY AND ABSORPTION						
Year	Number of Properties	Total Office Space	Net Space Added SF(1)	Vacant Space (SF)	% Vacant	Net Market Absorption (SF)
2015 *	955	92,328,756	-53,794	12,778,366	13.8%	506,320
2014	956	92,382,550	367,640	13,288,035	14.4%	1,524,689
2013	954	92,014,910	-467,052	14,521,388	15.8%	1,594,851
2012	963	92,381,263	167,851	16,219,199	17.6%	652,813
2011	963	92,213,412	825,708	16,704,161	18.1%	1,975,063
2010	951	91,387,704	1,211,603	17,853,516	19.5%	1,393,848
2009	946	90,176,101	1,583,986	18,035,761	20.0%	-1,269,264
2008	934	88,592,115	1,729,120	15,182,511	17.1%	-132,988
2007	935	86,862,995	-388,568	13,320,403	15.3%	1,227,371
2006	948	87,251,563	812,635	14,936,342	17.1%	3,146,387
2005	944	86,438,928	489,313	17,270,094	20.0%	2,047,945
2004	934	85,949,615	1,100,566	18,828,726	21.9%	1,656,500
2003	925	84,849,049	457,966	19,384,660	22.8%	645,710
2002	920	84,391,083	1,450,789	19,572,404	23.2%	-2,247,581
2001(2)	903	82,940,294	4,297,519	15,874,034	19.1%	-4,513,853
2000(3)	857	78,642,775	3,787,775	7,062,662	9.0%	2,931,213
1999	771	74,855,000	2,527,900	6,206,100	8.3%	2,552,000
1998	752	72,327,100	2,065,800	6,230,200	8.6%	2,200,100
1997	735	70,261,300	1,336,700	6,364,500	9.1%	1,946,900
1996	725	68,924,600	191,800	6,974,700	10.1%	1,644,900
1995	721	68,732,800	93,400	8,427,800	12.3%	588,722
1994	719	68,639,400	796,500	8,923,122	13.0%	3,180,478
1993	717	67,842,900	-451,200	11,307,100	16.7%	2,046,400
1992	724	68,294,100	-162,800	13,804,700	20.2%	1,816,300
1991	728	68,456,900	-160,200	15,783,800	23.1%	1,159,800
1990	735	68,617,100	2,086,800	17,103,800	24.9%	2,333,600
1989	713	66,530,300	972,300	17,350,600	26.1%	2,009,700
1988	944	65,558,000	-3,332,000	18,388,000	28.0%	-2,134,000

Vacancy Trends and Rental Rates

Denver's recovery from the effects of the Great Recession has led to increased demand for office space. At the end of 2009 the metro office vacancy rate was 20%, reflecting negative net absorption of office space as companies down-sized, moved or went out of business. Conditions began to improve in 2010 as demand returned, and the metro vacancy rate declined to 19.3% at year end. Demand remained strong in 2011, 2012, and 2013, and at year end 2014 NGKF reported net absorption of 1,524,689 square feet, with activity strongest in the Denver Central Business District (CBD) and Southeast submarkets. A further 506,320 SF was absorbed in the first quarter of 2015.

The Northeast submarket had a vacancy rate of 15.2% at the end of the 1st quarter of 2015, down from 16.9% one year earlier. The average vacancy rate was 12.7% for Class A space, 14.3% for Class B and 22.3% for Class C. One year before the vacancy rates in the Northeast submarket were 17.5% for Class A space, 15.7% for Class B and 17.7% for Class C.

Denver's median rental rate at the end of the 1st quarter of 2015 was $23.50 per square foot, measured as full service gross. By class, the average rental rates range from $28.48 for Class A space to $19.51 for Class B and $16.14 for Class C.

The median rental rates found in the Northeast submarket by NGKF were $25.54 for Class A buildings, $18.00 for Class B and $15.00 for Class C offices. In all categories the median rental rates in the Northeast submarket were below those of the metro Denver area as a whole, generally a 10% to 15% differential.

Year	Total Metro Median Rent ($/SF)	Northeast Submarket Median Rent ($/SF)	Total Metro Net Absorption (SF)	Northeast Submarket Net Absorption (SF)
YTD 2015	$23.50	$17.50	506.320	17,418
2014	$23.63	$16.85	1,524,689	39,594
2013	19.30	16.75	1,621,680	-2,257
2012	17.81	16.50	977,251	27,919
2011	17.58	16.50	1,336,359	183,505
2010	17.56	16.75	1,226,586	109,487
2009	17.73	17.10	-1,251,733	55,270

Source: Newmark Grubb Knight Frank 1st Quarter 2015 Denver Office Market Report

Net Absorption

With the economic recovery demand for office space improved. In 2010, metro net absorption rebounded to 1,226,000 square feet, followed by 1,336,000 in 2011, 977,000 in 2012, 1,621,000 in 2013, and. 1,524,689 in 2014. As of 1st Quarter 2015, NGKF reported net absorption of 506,320 square feet, with activity strongest in the Denver CBD, Midtown and Southeast submarkets.

In the Northeast submarket NGKF measured net absorption of 17,418 SF by 1st Quarter 2015. Net absorption was 7,338 in Class A buildings, -492 in Class B, and 10,572 in Class C space with the balance in much older Class D buildings for which NGKF does not provide specific market data.

In 2014, by comparison, the Northeast submarket experienced negative net absorption of 39,594 SF, which occurred mainly in Class A space.

Development Activity

As mentioned above, NGKF reported that there were ten buildings containing 1,712,932 square feet under construction in metro Denver at the end of the 1st quarter of 2015. Two of the buildings will be occupied by their owners, including the 467,000-square foot Charles Schwab campus in Lone Tree and the 276,000-square foot CoBank headquarters in Greenwood Village.

Otherwise, all the buildings under construction were located in the Central Business District and in the Midtown submarket that NGKF defines as surrounding the downtown core. The largest of these were 1401 Lawrence Street with 300,000, 1601 Wewatta Street with 283,000 square feet and the Triangle Building at 1550 Wewatta Street with 211,000 square feet. The NGKF report found no current construction projects for office properties in the Northeast sector.

Metro Market Conditions – Retail

Inventory

According to NGKF, the retail market in metro Denver (excluding Boulder County) contains 89,623,845 square feet of space as of March 30, 2015. In addition, NGKF lists thirteen retail projects totaling 589,500 square feet as under construction. The NGKF survey covers buildings of 10,000 square feet or more.

The subject property is located within the NGKF Midtown submarket. The submarket contained a total of 2,909,711 square feet on March 30, 2015. The Midtown submarket is the second smallest of the eleven retail submarkets in the NGKF report. The following table shows market conditions and trends for the metro area and the Midtown submarket.

Year	Total Metro (SF)	Midtown Submarket (SF)	Total Metro Vacancy Rate	Midtown Vacancy Rate
YTD 2015	89,623,845	2,909,711	6.1%	1.2%
2014	89,709,542	2,879,187	6.2	1.5
2013	89,460,170	2,997,587	7.4	1.4
2012	88,689,143	2,829,781	8.2	2.2
2011	89,854,562	2,829,781	9.4	3.9
2010	89,074,316	2,829,781	9.1	4.8
2009	88,482,671	2,726,781	9.4	4.5

Source: Newmark Grubb Knight Frank 1st Quarter 2015 Denver Retail Market Report

Note: Total submarket inventories may change due to new space being added or demolished. Data for the 2009 through 2014 years is for year end.

The following table shows historic retail market trends from 1988 through the first quarter of 2015, according to NGKF. Note that the metro retail market went through several periods of high vacancy due to national economic factors and periodic overbuilding. These situations were most evident in the late 1980s and early 1990s due to recession, the early 2000s because of the "dot com" bust and the effects of the Great Recession of 2008 to 2009.

DENVER METRO RETAIL VACANCY AND ABSORPTION						
Year	No. Centers	Total Retail Space SF	Net Space Added SF(1)	Vacant Space SF	Percent Vacant	Net Market Absorption SF
2015*	970	89,623,845	-85,697	5,429,890	6.1%	182,483
2014	968	89,709.542	249,372	5,518,632	6.2%	1,448,362
2013	959	89,460,170	905,048	6,632,270	7.4%	1,477,710
2012	947	88,555,122	-1,299,440	7,472,390	8.4%	-320,504
2011	948	89,854,562	780,246	8,451,326	9.4%	464,064
2010	943	89,074,316	591,645	8,135,144	9.1%	743,391
2009	937	88,482,671	1,414,403	8,286,890	9.4%	-402,595
2008	921	87,068,268	4,439,116	6,469,892	7.4%	3,635,212
2007	903	82,629,152	1,207,343	5,665,988	6.9%	-2,526,482
2006	938	83,836,495	2,320,358	4,346,849	5.2%	3,270,549
2005	906	81,516,137	2,408,542	5,297,040	6.5%	4,032,271
2004	891	79,107,595	1,297,039	6,920,769	8.7%	1,837,221
2003	873	77,810,556	903,219	7,460,951	9.6%	396,695
2002	865	76,907,337	4,228,935	6,954,427	9.0%	3,582,218
2001(2)	841	72,678,402	3,662,112	6,307,710	8.7%	1,546,118
2000(3)	802	69,016,290	7,574,190	4,191,716	6.1%	6,961,974
1999	724	61,442,100	1,552,500	3,579,500	5.8%	1,513,700
1998	708	59,889,600	1,308,400	3,540,700	5.9%	1,400,500
1997	696	58,581,200	1,387,500	3,632,800	6.2%	1,384,500
1996	692	57,193,700	1,048,900	3,629,800	6.3%	408,500
1995	685	58,242,600	-658,700	5,087,200	8.7%	911,400
1994	683	58,901,300	2,203,500	6,657,300	11.3%	2,278,700
1993	672	56,697,800	452,000	6,732,500	11.9%	1,399,100
1992	667	56,245,800	-399,200	7,679,600	13.7%	1,209,600
1991	592	56,645,000	5,869,300	9,288,400	16.4%	5,962,100
1990	579	50,775,700	1,312,700	9,381,200	18.5%	1,300,500
1989	574	49,463,000	-507,000	9,369,000	18.9%	-1,605,000
1988	529	49,970,000	-157,300	8,271,000	16.6%	-305,800

Vacancy Trends and Rental Rates

The retail market in metro Denver has been steadily improving due to a combination of increased demand and reduced new construction. At the end of the 1st quarter of 2015, the metro vacancy rate was 6.2%, down from 7.0% one year earlier. According to NGKF's definitions of types of retail space, the highest vacancy rates were measured in sub-regional shopping centers with 9.1% while the lowest rates were found in super-regional centers at 4.6% and in single-tenant buildings at 4.1%.

NGKF defines retail categories as such:

- Super regional, over 600,000 square feet.
- Sub-regional, 300,000 to 600,000 square feet
- Large strip centers, over 75,000 square feet with no enclosed common area.
- Small strip centers, under 75,000 square feet with no enclosed common area.
- Single tenant, owner occupied or leased to one tenant, free-standing with no shared common walls or parking lots with another retailer.

The Midwest submarket registered a vacancy rate of 1.2% according to the NGKF 1st quarter 2015 report, down from 1.4% one year before. The vacancy rate in the Midtown submarket was lowest for sub-regional centers and single-tenant properties, both at 0%. Other category vacancy rates were 2.9% for small strip centers, 0.8% for large strip centers.

NGKF divides metro Denver (excluding Boulder County) into eleven submarkets. The Midtown sector registered the lowest average vacancy rate in 1st quarter 2015, followed by 3.8% in the Central Business District and 4.0% in the Northeast submarket. The highest average vacancy rates were found in the Northwest (10.3%) and North (8.5%) submarkets.

Year	Midtown Small Strip Median Rent ($/SF)	Midtown Large Strip Median Rent ($/SF)
2015	$18.00	$13.50
2014	$18.00	$13.50
2013	16.00	13.50
2012	14.00	13.50
2011	14.00	14.00
2010	16.50	14.00
2009	16.00	15.00

Source: Newmark Grubb Knight Frank 1st Quarter 2015 Denver Retail Market Report
Note: Rental rates are quoted as triple net

NGKF does not tabulate median rental rates by category for the metro area. In the Midtown submarket the median rates at the end of the 1st quarter of 2015 were $18.00 for space in small strip centers and $13.50 per square foot in large strip centers. Those categories combined account for over half of the retail space in the Midtown submarket. The rental rates are tabulated on a triple-net basis.

Net Absorption

During the first quarters of 2015, NGKF measured net absorption of 182,483 square feet in metro Denver (excluding Boulder County). Demand was strongest in small strip centers with 97,854 square feet occupied. By submarket, net absorption was greatest in the Southeast Suburban (36,617 square feet) and Midtown (40,245 square feet) submarkets.

Year	Total Metro Net Absorption (SF)	Midtown Net Absorption (SF)
YTD 2015	182,483	40,245
2014	1,448,362	9,321
2013	1,477,710	185,689
2012	1,089,933	12,433
2011	472,675	25,308
2010	964,209	89,986
2009	-46,258	-19,934

Source: Newmark Grubb Knight Frank 1st Quarter 2015 Denver Retail Market Report

The Midtown submarket had 40,245 square feet of net absorption during the first quarter of 2015. The total net absorption in this submarket resulted from Small Strip Center properties, with no changes registered in the other property categories.

During all of 2014, net absorption for retail space in metro Denver totaled 1,448,362 square feet. In 2014, net absorption occurred in all categories led by large strip centers with 856,115 square feet and single tenant buildings at 311,200 square feet. On a submarket basis, net absorption in 2014 was highest in the Northeast (227,993 square feet), South submarket (238,125 square feet), and North (258,371 square feet). The Midtown submarket, in 2014, experienced net absorption of 9,321 square feet, most of which was in the single tenant category.

Development Activity

Even though net absorption continues to be active the amount of new retail construction is lagging. Developers report that it is difficult to obtain financing for many retail properties unless they are heavily preleased to credit-worthy tenants. The continued consolidation of retail brands nationally also affects demand for new space. On the other hand, Denver is an appealing market due to economic and demographic conditions, so some tenants not previously in the market enter periodically, such as Conn's HomePlus, Trader Joe's and a variety of restaurant chains and concepts.

NGKF reports that 589,500 square feet of retail space was under construction at the end of the 1st quarter of 2015. The total does not include the redevelopment of the former Saks Fifth Avenue department store in the Cherry Creek shopping center in southeast Denver that started in July. That 90,000-square foot vacant space has been demolished and construction is now underway on 53,000 square feet, including a new Restoration Hardware "flagship" store.

So far in 2015, developers have completed five projects in metro Denver with 128,303 square feet of space, much of which was contained in anchor stores. During 2014 a total of 452,309 square feet of retail space was completed, including 75,000 square feet in the 4th quarter.

A Trader Joe's grocery store was completed in the Midtown sector at 661 Logan Street, adding 11,600 SF of space to the subject sector. The NGKF does not note any retail properties currently under construction in the subject sector.

Metro Market Conditions – Industrial

Inventory

According to NGKF, the industrial market in metro Denver (excluding Boulder County) contains 176,996,053 square feet of space as of March 30, 2015. In addition, NGKF lists seven industrial projects totaling 1,573,052 square feet as under construction. The NGKF survey covers industrial buildings of 20,000 square feet or more.

The subject property is located within the NGKF East submarket. The submarket contained a total of 62,281,236 square feet on March 30, 2015 and is the largest submarket of the seven submarkets

in terms of total square feet measured. The following table shows market conditions and trends for the metro area and the East submarket.

Year	Total Metro (SF)	East submarket (SF)	Total Metro Vacancy Rate	East Vacancy Rate
YTD 2015	176,996,053	62,281,236	3.5%	2.4%
2014	176,278,681	62,248,275	3.8	3.1
2013	174,212,233	59,765,572	4.9	5.3
2012	174,885,928	58,685,502	7.4	8.0
2011	178,731,510	58,579,038	8.5	10.0
2010	178,396,252	58,430,025	7.9	10.5
2009	177,079,603	57,924,895	7.7	9.9

Source: Newmark Grubb Knight Frank 1st Quarter 2015 Denver Retail Market Report

Note: Total submarket inventories may change due to new space being added or demolished. Data for the 2009 through 2014 years is for year end.

The following table shows historic industrial market trends from 1988 through the first quarter of 2015, according to NGKF. Note that the metro industrial market went through several periods of high vacancy due to national economic factors and periodic overbuilding. These situations were most evident in the late 1980s and early 1990s due to recession, the early 2000s because of the "dot com" bust and the effects of the Great Recession of 2008 to 2009.

DENVER METRO INDUSTRIAL VACANCY AND ABSORPTION						
Year	Number of Properties	Total Indust. Space (SF)	Net Space Added (1)	Vacant Space (SF)	% Vacant	Net Market Absorption (SF)
2015*	2,579	176,996,053	717,372	6,245,305	3.5%	1,031,730
2014	2,572	176,278,681	2,066,448	6,659,456	3.8%	4,236,371
2013	2,554	174,212,233	-673,695	8,514,435	4.9%	4,395,076
2012	2,563	174,885,928	-3,845,582	12,958,219	7.4%	-1,608,362
2011	2,571	178,731,510	335,258	15,195,439	8.5%	-790,682
2010	2,578	178,396,252	1,316,649	14,069,499	7.9%	909,676
2009	2,565	177,079,603	-1,995,672	13,662,526	7.7%	-2,274,337
2008	2,593	179,075,275	-215,119	13,383,861	7.5%	-2,749,433
2007	2,563	179,290,394	1,240,908	10,849,547	6.1%	2,377,698
2006	2,573	178,049,486	764,698	11,986,337	6.7%	4,260,990
2005	2,566	177,284,788	1,383,174	15,482,629	8.7%	1,729,435
2004	2,545	175,901,614	881,311	15,828,890	9.0%	842,133
2003	2,539	175,020,303	1,129,136	15,789,712	9.0%	1,125,091
2002	2,522	173,891,167	2,232,536	15,785,667	9.1%	1,239,350
2001(2)	2,490	171,658,631	9,372,418	14,792,481	8.6%	2,674,801
2000(3)	2,343	162,286,213	22,845,613	8,094,864	5.0%	23,931,649
1999	1,804	139,440,600	2,572,100	9,180,900	6.6%	2,467,500
1998	1,774	136,868,500	5,473,800	9,076,300	6.6%	5,007,600
1997	1,719	131,394,700	5,441,700	8,610,100	6.6%	3,072,300
1996	1,643	125,953,000	2,052,300	6,240,700	5.0%	1,643,600
1995	1,683	123,900,700	2,355,200	5,832,000	4.7%	4,100,500
1994	1,668	121,545,500	-1,198,200	7,577,300	6.2%	1,234,500
1993	1,682	122,743,700	-67,400	10,010,000	8.2%	277,300
1992	1,697	122,811,100	-871,100	10,354,700	8.4%	2,637,800
1991	1,753	123,682,200	-99,900	13,863,600	11.2%	285,900
1990	1,744	123,782,100	3,274,200	14,249,400	11.5%	5,923,600
1989	NA	120,507,900	991,400	16,898,800	14.0%	2,542,300
1988	NA	119,516,500	616,500	18,449,700	15.4%	1,669,800

Vacancy Trends and Rental Rates

The industrial market in metro Denver has been steadily improving due to a combination of increased demand and reduced new construction. At the end of the 1st quarter of 2015, the metro vacancy rate was 3.5%, down from 4.5% one year earlier. According to NGKF's definitions of types of industrial space, the highest vacancy rates were measured in R&D/Flex properties with 9.3% vacancy, while the lowest rates were found in Industrial/Warehouse properties at 2.7%.

The East submarket registered a vacancy rate of 2.4% according to the NGKF 1st quarter 2015 report, down from 3.7% one year before. NGKF divides metro Denver (excluding Boulder County) into seven submarkets. The Northeast submarket registered the lowest average vacancy rate in 4th quarter 2015 at 1.2%, followed by 2.2% in the West submarket and 2.4% in the Southwest submarket. The highest average vacancy rates were found in the Northwest (11.3%) and Southeast (7.2%) submarkets.

Year	East Industrial/Warehouse Median Rent ($/SF)	East R&D/Flex Median Rent ($/SF)
YTD 2015	$4.50	$8.25
2014	$4.50	$8.25
2013	4.25	5.50
2012	3.55	5.50
2011	3.55	5.50
2010	3.37	5.50
2009	3.75	5.50

Source: Newmark Grubb Knight Frank 1st Quarter 2015 Denver Retail Market Report
Note: Rental rates are quoted as triple net

The rental rates are tabulated on a triple-net basis. NGKF does not tabulate median rental rates by category for the metro area.

Net Absorption

During the first quarters of 2015, NGKF measured net absorption of 1,031,730 square feet in metro Denver (excluding Boulder County). Demand was strongest in industrial/warehouse with 709,442 square feet occupied. By submarket, net absorption was greatest in the East (490,021 square feet) and Northwest (269,916 square feet) submarkets.

Year	Total Metro Net Absorption (SF)	East Net Absorption (SF)
YTD 2015	1,031,730	490,021
2014	4,236,371	2,987,541
2013	3,770,089	3,172,685
2012	-1,608,362	1,302,607
2011	-790,682	394,039
2010	909,676	154,587
2009	-2,274,337	-236,513

Source: Newmark Grubb Knight Frank 1st Quarter 2015 Denver Retail Market Report

During all of 2014, net absorption for industrial space in metro Denver totaled 4,236,371 square feet. In 2014, net absorption was led by industrial/warehouse with 3,592,767 square feet.

Development Activity

Even though net absorption continues to be active the amount of new industrial construction is lagging. Developers report that it is difficult to obtain financing for many industrial properties unless they are heavily preleased to credit-worthy tenants. Two macro trends that impact the East industrial submarket include demand from medicinal and recreational marijuana and demand from Niobrara oil and gas development.

In November of 2000, Colorado voters approved a constitutional amendment allowing the use of marijuana for approved medical patients with written medical consent. Following the passage of the amendment, industrial properties across the Denver metro area, including the East submarket, began to see increased demand for warehouse space for use by legal marijuana growing operations. In November 2012, Colorado voters passed another constitutional amendment allowing the use of marijuana for recreational purposes. With the passage of this amendment, industrial properties have seen further strong increase in demand for use as marijuana growing facilities, with prices of industrial properties increasing by as much as 10% to 50%. The first recreational marijuana stores opened on January 1, 2014.

Niobrara oil and gas development refers to mineral resource extraction in the Niobrara Formation, a geologic formation formed in the Late Cretaceous period when a large portion of the Midwest United States was covered by a large sea. Most of the Niobrara oil reserves in Colorado are found in the Denver-Julesberg Basin, often called the Denver Basin of D-J Basin, located in the northeastern portion of Colorado. The Denver metro area is the primary major metropolitan area with proximity to the Basin, making it well positioned as a step-off point for oil and gas companies operating in the Basin, and increasing demand for industrial space accordingly.

NGKF reports that 1,573,052 square feet of industrial space was under construction at the end of the 1st quarter of 2015. In 2014, developers completed nine projects in metro Denver with 2,792,394

square feet of space, much of which was large build-to-suits for corporate users. As of 1st quarter 2015 a total of 361,050 square feet of industrial space was completed, including 91,960 square feet in the east sector. The NGKF notes four active construction projects in the subject submarket, with a total area of 1,456,625 square feet.

Feasibility

Land As If Vacant: The strong economy in past years caused increased sales and rents and decreased vacancy in some markets, particularly in the subject market. This, in turn, resulted in increased development in the subject market area. The recent softening of market conditions compromised the feasibility of development of properties like the subject, but the overall market has exhibited improvement recently.

In fact, several example of golf courses being redeveloped, or proposed for redevelopment are present in the market, including the former Link-n-Greens site in Fort Collins which in the process of redevelopment with a new corporate campus for the Woodward Company, the former Green Gables Country Club, which is undergoing development with a mixed use, residential/commercial master planned community and the Applewood Golf Course, which has been proposed for development with single family residential development. Several other large acreage infill development projects are underway on large sites throughout the Metro area including the Littleton Village mixed use – residential/commercial development, the Midtown mixed use – residential/commercial development, the Boulevard One mixed use residential/commercial development and to a degree, the redevelopment of the former CU Medical Center Campus at 8th and Colorado.

The subject's size and location would certainly suggest that a project similar in size and scope to the projects mentioned above may be feasible. Moreover, the limited amount of developable land in the City and County of Denver have made it such that much of the new housing development in the City limits is via scraping of existing homes, placing a premium on developable land and limiting the amount of affordable single family housing. While new production home building is occurring in the City limits, it is essentially isolated to the Stapleton development east of the subject, and some remaining areas in the Lowry Development, south and east of the subject. However, new construction at Stapleton is occurring north of 49th Avenue and the subject provides an opportunity much more proximate to the CBD. Moreover, the subject's proximity to the 40th and Colorado RTD FasTracks rail station enhances the desirability of the subject as it enables or encourages greater development density in close proximity to the station area, where density can enhance a development project's feasibility.

Finally, the subject's location on Colorado Boulevard provides consistent traffic counts and volume to appeal to retail users, particularly if accompanied by new residential development. In fact, the neighborhoods along Colorado Boulevard, between 17th Avenue and Interstate 70 are somewhat underserved by retail development, particularly access to grocery.

As Improved: The current golf course use of the subject improvements, combined with the existing use restrictions, appears to demonstrate the feasibility of continuation of that use. However, the value differential between golf course use and the subject as a redevelopment site is significant enough that an effort to remove the golf course use restrictions and rezone the subject would appear to be warranted should the subject owner desire to maximize the value of the subject site. If the restrictions are removed the golf operation does not warrant continuation of that use, and redevelopment is likely feasible.

Probable Buyer/Highest and Best Use

With the current use restrictions, the probable buyer of the subject, as is, under the hypothetical condition that the lease will not be renewed upon expiration and that the right of first refusal will not be exercised, is likely a golf operator with the intention of operating the golf course as a going concern. If the subject owner should pursue removal of the golf course use restrictions, and under the extraordinary assumption that removal of the restriction is feasible, the probable buyer is likely a developer, with the intention of assisting in removal of the golf course use restrictions, if necessary, and upon removal of the restrictions, pursing entitlement at the subject for mixed use development – residential/commercial master planned development. The mix of use types and yields per use type will be dependent on market condition at the time of entitlement and development.

Under the hypothetical conditions of the golf course restriction being lifted and the site being approved for rezoning, the probable buyer of the subject is likely a developer with the intention of developing the subject, likely with mixed use – residential/commercial master planned development. The mix of use types and yields per use type will be dependent on market condition at the time of entitlement and development, and any developer would be well advised to build flexibility into their development plan, particularly considering the size and scope of the project, which could span multiple market cycles.

In February 2015, the Clayton Foundation engaged the planning firm Parsons Brinkerhoff to conduct a planning charrette to assist in identifying a draft conceptual development plan (bubble plan). The results of this work were the Draft Conceptual Development Plan prepared by Parsons Brinkerhoff and an accompanying yield matrix identifying the following use mix and yields:

Subject Draft Conceptual Development Plan Densities				
	Acres	%	DU or SF	DU/AC
Single Family- Detached	18.4	12%	137	7
Single Family - Attached	40.1	26%	659	16
Multi-Family 2-3 Stories	8.1	5%	195-260	24-32
Multi-Family 4-5 Stories	13.6	9%	1,222-1,629	89 - 119
Commercial	15	10%	300,000	
Open Space	26.1	17%	NA	
ROW	32	21%	NA	
Total	153.3	100%	2,213-2,685	14-17.5

This plan certainly has greater densities than any of the other previously mentioned development which are ongoing, with the exception of the Continuum/CU Medical Center project:

Infill Development Project Summary			
Project	**Total Units**	**Acres**	**DU/AC Overall Density**
Applewood	454	144	3.2
Green Gables	600	152	3.94
Littleton Village	600	77	7.8
Midtown	1603	141	11.3
Continuum/CU Med Center	1100	26	42.3

Unfortunately, none of these projects have advanced enough to provide good indications of the market's receptiveness to their plan densities. Considering the subject's proximity to both the CBD and to the 40th and Colorado FasTracks Rail Station, both elements that encourage and support higher density development, the densities presented by the Draft Conceptual Development Plan would appear to be reasonable in light of the indications from the other projects. However, trends to watch in the time leading up to finalization of proposed densities will include:

- Population and Economic Growth – Continued population and economic growth, both directly tied to each other, will support maximum densities.
- Demographic Trends – Current trends in housing preference have buyers and renters, both young and old, desiring to be in walkable, urban environments. These trends are well suited to promoting density, particularly with the proximity of transit at the 40th and Colorado rail station.
- Public Opposition – The Applewood golf course redevelopment is an ongoing case study of what may happen when a community finds a green space resource/amenity threatened. Applewood in fact, provides a somewhat similar, albeit much less urban, site with industrial-oriented uses virtually surrounding the property on three sides and residential only on one side. Despite the limited population directly affected by the proposed development, the outcry was sufficient that the developers offered the property for sale to a nearby Parks and Recreation District. The subject's existing restrictions, and the source thereof, may be perceived by many as a vested right owned by the citizens of Denver. Other instances of public opposition have appeared recently, but in virtually every case, City officials have moved forward with increased development, perhaps an implicit acknowledgment of the desire to bring additional tax revenue into the City.

Considering all previous discussion, the highest and best use of the subject as is, if the golf course use restrictions cannot be removed is golf course. The highest and best use of the subject as is, under the extraordinary assumption that the golf course use restrictions can be removed is mixed use development – residential/commercial. The highest and best use of the subject under the extraordinary assumption that the golf course restriction can be lifted and the hypothetical condition that the subject has been rezoned for mixed use development, is mixed use development, residential/commercial.

Land Valuation by Sales Approach -
Upon Completion of Rezoning - Redevelopment Site

In order to estimate the prospective future value of the subject land, as if the golf course restrictions had been removed and as if rezoned for mixed use – residential/commercial master planned development, several sales of comparable properties were investigated. The sales data originated from Costar, RealQuest, Metrolist and/or the DMCAR Denver Property Database, internet-based real estate data sources, brokers active in the market, other appraisers, and in house files. Corroboration generally included public records and/or assessor data. Confirmation included buyers, sellers, and/or brokers. Sales were investigated based on comparability to the subject in time, location, land area, land use approvals (zoning)/density, and other factors contributing to highest and best use.

On the following page, 1 contract and 4 recent land sales considered comparable in analyzing the subject site as if vacant are summarized. The comparisons were selected with greatest emphasis placed on recent sales of parcels with similar location, access, traffic exposure, land area, land use approvals (zoning), density and highest and best use to the subject.

Highly comparable land sales are very limited in availability due to a lack of recent large infill land sales, so it was necessary to rely on sales that were older, geographically dispersed, of different sizes, and of different highest and best uses in order to develop adequate comparable land sales. Sale information about 1 of the sales was not able to be fully confirmed, but information from secondhand sources and published reports was sufficiently detailed to provide context and the sold properties were sufficiently comparable to the subject to warrant inclusion in this analysis.

The sales occurred between August 2007 and September 2013 with 1 current contract. Unadjusted cash equivalent sale comparison prices range from $.57/SF to $6.44/SF. Additional information on the Land Sale Comparisons is at Addendum K, and below. When and if financing differed from market terms and was found to have affected the sale price, a cash equivalency adjustment was made based on estimates from the confirming party or on cash equivalency calculations as described in the Glossary at Addendum C.

Comparison 1 is the September 2013 sale of the Littleton Village planned development site, formerly a research campus for Marathon Oil. This 76.7 acre site is located in the city of the Littleton at the corner of South Broadway and East Dry Creek Road. It is surrounded by single-family development on the North and East with commercial development to the South and West. The site is not considered transit oriented.

LAND SALE COMPARISON SUMMARY

Large Urban Infill Land

Jun-15

James Real Estate Services, Inc.

No.	Location	Land Area SF/Acres	Zoning/ Authority	Building Areas and Densities - Building : Land Permitted	Building : Land Intended	Grantor/ Grantee Recording No.	Sale Date	Cash Equiv Sale Price/	Cash Equivalent Price Per SF Land	Cash Equivalent Price Per SF Bldable	Comments
Subject Property											
	Park Hill Golf Course 4141 E. 35th Ave. Denver/Denver	6,730,020 154.5	OS/B Denver	NA SF NA :1	NA SF NA :1						
1	Littleton Village Littleton/Arap.	3,341,052 76.7	STP Littleton/Arap.	NA SF NA :1	NA SF NA :1	Littleton Village, LLC WIP Littleton Village, LLC 311-5372	Sep-13	$21,500,000	$6.44	NA	76.7 acre commercial mixed-use development sold with entitlements in place for 350 SFR, 512 apartments and 250,000 SF retail. Broker reported that many purchasers didn't like the approved densities or plan. Buyer completed substantial additional work providing water/sewer to site as well as off-site roadway improvements.
2	Woodward Campus Site 777 East Lincoln Ave. Ft. Collins/Larimer	4,399,560 101.0	CCR Ft. Collins/Larimer	NA SF NA :1	930,000 SF 0.2 :1	James and Ruth Hoffman trust Woodward Incorporated 20130033878	Apr-13	$9,000,000	$2.05	$9.68	Former Lnk-N-Green golf course located on banks of Poude river. 30% of site in 100 year flood way, 30% in Buyer was able to keep existing zoning and City created a new use district administratively to accommodate PDP. City will provided some infrastructure funding, but seller is financin the infrastructure.
3	Green Gables Country Club 6800 West Jewell Ave. Uninc. Jeff.	6,621,120 152.0	A2 Uninc. Jeff.	NA SF NA :1	NA SF NA :1	Green Gables Country Club USL Denver Green Gable, LLC 0057354	Jun-11	$15,250,000	$2.30	NA	Former Green Gables country club. Purchased for redevelopment with 225K SF commercial use and up to 600 residential units, half of which can be multifamily, remainder SFD. Floodplain bisects property and affects roughly 20% of land area.
4	Midtown 6700 Pecos St. Denver/Denver	6,161,579 141.5	P-PUD Denver/Denver	NA SF NA :1	NA SF NA :1	Hamilton Sundstrand Corp. Carma Westminster, LLC 007-9792	Aug-07	$3,540,100	$0.57	NA	Former Hamilton Sundstrand manufacturing facility. Purchased by developer who pursued Rezone and entitlement for mixed-use development and cleanup of industrial site. Project is currently in process with ultimate buildout of 1200 dwelling units.
5	Applewood Golf Course 14001 W. 32nd Ave. Uninc. Jeff.	6,297,034 144.6	PD,I-1,A-2, A-2 Uninc. Jeff.	NA SF NA :1	NA SF NA :1	Molson Coors Carlson Associates, Inc. NA	Contract	$16,000,000	$2.54	NA	144 acre 18-hole golf course, under contract for purchase by developer with intentention of developing 454 single-family homes. Developer has zone change request in process. Significant public opposition. Developer offered to sell the entire parcel to the prospect req district for $16mm, which developer says is there contract price.

LAND SALE COMPARISON ADJUSTMENT GRID

Large Urban Infill Land

Jun-15 — James Real Estate Services, Inc.

Weighted Average Value Indication: $4.06 /SF — Standard Deviation: $2.29

No.	Location	Sale Price/ SF Land	Sale Conditions /Listing	Property Rights Conveyed	Time	Location	Entitlements Zoning/ Density	Development Plan Approval	Land Area/ Shape	Other	Adjusted Price /SF Land	Adjusted Price/SF Buildable	Weight (Total 100%)
1	Littleton Village Littleton/Arap.	$6.44			5% Improving Market	5% + Transit/CBD	5% Inferior Density	3% No dev. approval		2% Improvement	$7.74	NA	27%
2	Woodward Campus Site 777 East Lincoln Ave. Ft. Collins/Larimer	$2.05			5% Improving Market					36% Flood way	$2.92	NA	13%
3	Green Gables Country Club 6800 West Jewell Ave. Uninc. Jeff.	$2.30			10% Improving Market	5% + Transit/CBD	10% Inferior Density	3% No dev. approval			$2.98	NA	27%
4	Midtown 6700 Pecos St. Denver/Denver	$0.57			5% Improving Market		5% Inferior Density	3% No dev. approval		25% Enviro/ Improvements	$0.80	NA	7%
5	Applewood Golf Course 14001 W. 32nd Ave. Uninc. Jeff.	$2.54				+ Transit/CBD - Demographics	10% Inferior Density	3% No dev. approval			$2.86	NA	27%

INFILL DEVELOPMENT SALE COMPARISON MAP

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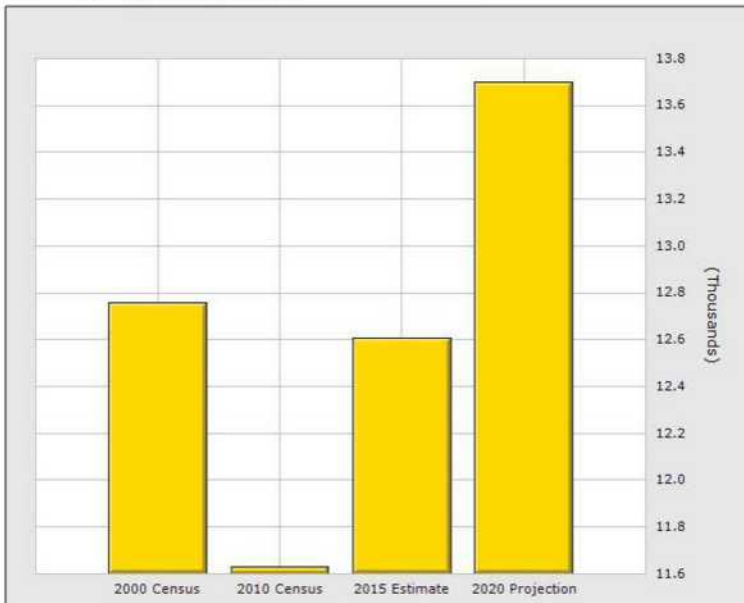
The site, which is smaller than the subject, sold in September 2013 for $21,500,000, or $6.44/SF. It sold with PD zoning and entitlements in place for 350 single-family residences, 512 apartments, 250,000 SF of commercial development and 13% of the land area dedicated to open space. The property was listed for sale and the listing broker at the time reported that, while there was substantial interest, most prospective buyers did not like the approved development plan. The buyer, WIP Littleton Village placed the contract under option, paying $500,000 for the option, with purchase contingent upon re-entitlement and approval of a special tax district to fund infrastructure development. They then worked with City Counsel to obtain approval for General Development Plan amendment. The buyer reported that roughly $500,000 was spent re-entitling the property and another $500,000 was spent in off-site infrastructure requirements. The final development plan allowed for 900 total residential units, 400 of which are to be single family and 250,000 square feet of retail. .

In December 2014, Century Communities and Richmond Homes purchased super pad sites which would enable development of 500 homes. Total paid between the two buyers was $19 million translating to a per unit price of $38,000. Each of these sales was of paper-plated lots on pad sites, with each buyer responsible for developing on-site infrastructure and finishing the lots, and all off-sites extended to the pad.

Demographics from Costar for the site are as follows:

Population for 1 Mile Radius

7400 S Broadway, Littleton, CO 80122



Population	1 Mile	2 Mile	3 Mile
2015 Total Population:	12,607	44,550	101,731
2020 Population:	13,697	48,406	110,858
Pop Growth 2015-2020:	8.65%	8.66%	8.97%
Average Age:	41.90	42.40	40.70
Households			
2015 Total Households:	5,056	18,169	41,819
HH Growth 2015-2020:	8.54%	8.55%	8.90%
Median Household Inc:	$75,166	$77,822	$73,719
Avg Household Size:	2.50	2.40	2.40
2015 Avg HH Vehicles:	2.00	2.00	2.00
Housing			
Median Home Value:	$267,316	$277,632	$289,731
Median Year Built:	1976	1977	1981

Comparison 2 is the April 2013 sale of the Link-n-Greens Golf Course for development of a new corporate campus for Woodward Incorporated. This 101 acre site is located in the City of Fort Collins, just across the Poudre River from Old Town Fort Collins, at the Southeast corner of East Lincoln Avenue and North Lemay Avenue. It is surrounded by a mix of residential, light industrial and agricultural uses to the North, big-box retail uses to the East and the Poudre River/open space/residential uses to the Southwest. The site is not considered transit oriented, but it is in close proximity to the Old Town shopping district.

The site, which is somewhat smaller than the subject, sold in April 2013 for $9,000,000, or $2.04/SF. The sale price included no water rights. The water rights were acquired by the City of Fort Collins. One third of the site was in the 100 year floodway, and another third was in the 500 year floodway. It had CCR – Poudre River District zoning in place at sale. It was placed under contract subject to the buyer achieving approval of their desired ODP. The property was not listed for sale, but was previously under contract by a retail developer seeking to develop big-box retail on the site, proposals for which had been rejected by the City. The seller was approached directly by the buyer. The buyer is a global corporation with over $1 billion in sales that is, according to Wikipedia "the world's oldest and largest independent designer, manufacturer and service provider of control systems and control system components for aircraft engines, industrial engines and turbines, power generation and mobile industrial equipment." The company had formerly had a presence in the local area, and was seeking to expand and develop a new corporate headquarters campus.

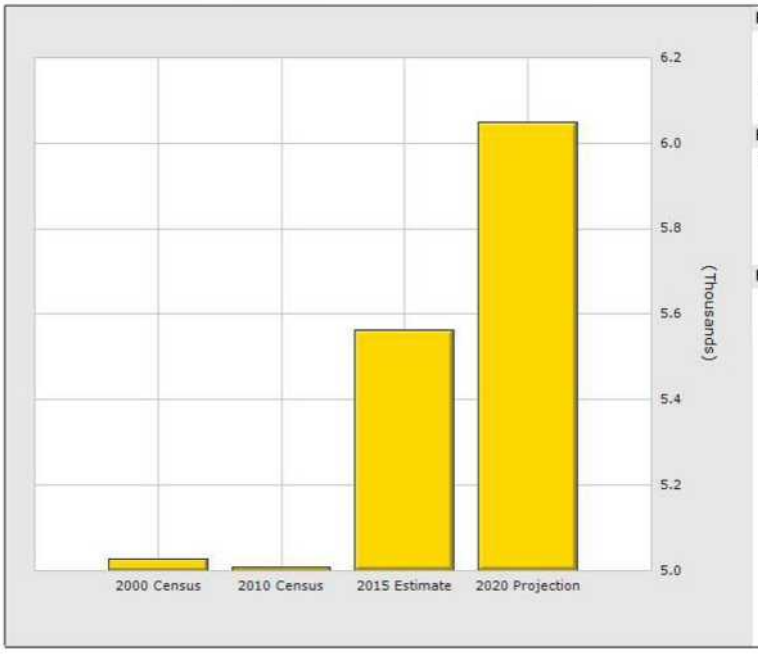
Prior to closing the sale the buyer secured approval for their desired ODP. They did not need to change the zoning but worked with the City to create a new use category in the existing zone district, which enabled administrative review and approval of the development plan. The buyer spent just under $1 million on entitlements, and required roughly $1.2 million in off-site improvements. As the buyer's plans include manufacturing in the over 930,000 SF of proposed building area, roughly $1 million was required to bring power to the site from two nearby substations, with the buyer paying half of this expense and the City paying the remainder. The buyer also donated 31 acres of the site, land which was in the 100 year floodway, to the City of Fort Collins who will maintain and restore the open space to its natural habitat. The buyer loaned the City the money for this restoration, with repayment to come from TFF proceeds. The sale was also contingent on expanding the Downtown Development District to include the site, which, combined with the buyers planned utilization of historic building façades enabled TIFF financing for the project. The buyer also secured approval to excavate the 100 year floodway, using the excavated material to elevate the site areas in the 500 year floodway. Roughly 120,000 CUyd.^{3} of material was excavated and an additional 220,000 yd.^{3} were imported. Total cost of this site work was roughly $5-$6 million which included some on-site infrastructure development and the administrative CLOMR/LOMR process to change the flood hazard area designation on the site.

On the 68 acre site (after dedication of a portion of the original site to the City), roughly 9.6% will be dedicated to building coverage; 12.6% dedicated to parking and drives, 0% dedicated to public

right-of-way; and 77.8% dedicated to open space. Phase 1 of the project will entail roughly 315,000 SF of building area including a 251,000 SF manufacturing building. Phase 2 of the project will include an additional 541,000 SF of building area, including 90,000 SF of corporate office/headquarters. Included in the site is a 7.5 acre commercial pad which will be developed in the future with roughly 73,000 SF of mixed-use development with ground floor retail and upper-level office. Total development cost for the project was reported at over $200 million with the project expected to bring 1,700 workers to the site. The City offered a $23.5 million incentive package to the buyers who also receive enterprise zone and job creation tax credits from the Colorado Office of Economic Development and Colorado Economic Development Commission. The project will span several decades.

Population for 1 Mile Radius

777 E Lincoln Ave, Fort Collins, CO 80524



Population	1 Mile	2 Mile	3 Mile
2015 Total Population:	5,563	34,752	73,438
2020 Population:	6,049	37,406	79,334
Pop Growth 2015-2020:	8.74%	7.64%	8.03%
Average Age:	35.60	33.10	33.80
Households			
2015 Total Households:	2,631	13,600	30,242
HH Growth 2015-2020:	8.74%	8.37%	8.45%
Median Household Inc:	$37,986	$40,011	$41,829
Avg Household Size:	2.10	2.20	2.20
2015 Avg HH Vehicles:	2.00	2.00	2.00
Housing			
Median Home Value:	$243,269	$241,402	$245,249
Median Year Built:	1963	1970	1975

Comparison 3 is the June 2011 sale of the former Green Gables Country Club. This 152 acre site is located in unincorporated Jefferson County, surrounded by the City of Lakewood. It is located at the southeast corner of South Wadsworth Boulevard and West Jewell Ave. It is surrounded by commercial, single and multi-family development on the North; residential and rural residential on the East and South; and residential and commercial on the West. Ward reservoir bounds the site at its southeast quarter. The site is not considered transit oriented.

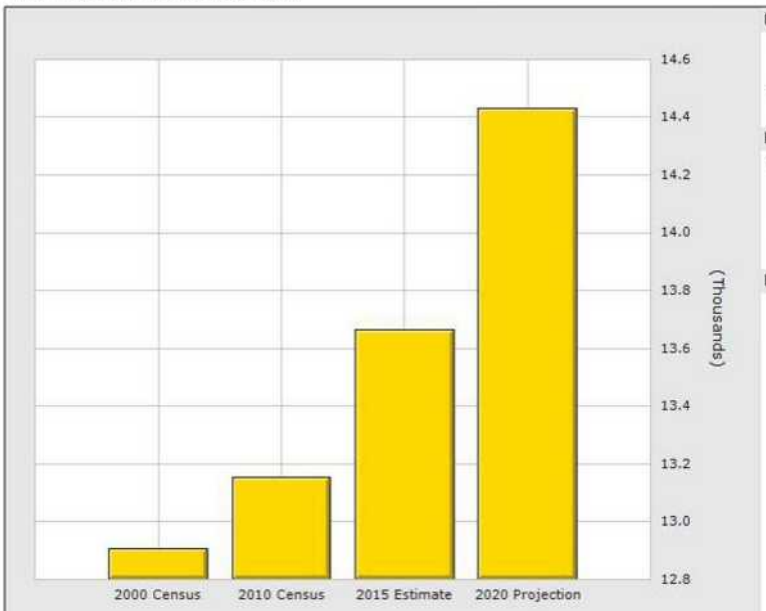
The site, which is similar in size to the subject, sold June 2011 for $15,250,000. It sold with A2 zoning and no entitlements in place for development. The sale included water rights which the buyer estimated to be worth north of $1,000,000, but they reported that this was an added bonus as they felt they got a good deal based on the land and densities alone. The property was not listed for sale. The

buyer, Green Gables Development Company Incorporated, worked with Jefferson County to obtain approval rezone the property as planned development. Buyer representatives indicated that achieving ODP approval, post-sale, was relatively straightforward and easy costing $150-$200,000 and taking less than one year. Achieving final site plan approval required roughly 2.5 years and $1.5 million due to the detailed construction drawings required by Jefferson County. The buyer also reported that off-site cost were relatively low, consisting of roughly $500,000-$750,000 to widen surrounding streets and enhance utility infrastructure. Necessary spine infrastructure on-site was reported to cost from $15-$20 million, the cost of which will be added to the subsequent sale price to Ryland homes, who will develop the bulk of the project with single-family residential. Ryland reportedly paid $50,000-$70,000 per paper platted, a price which included minimal spine infrastructure. Green Gables Development Company will retain a multifamily pad into retail pads. Upon rezoning to PD (Planned Development), entitlements include 225,000 SF of commercial uses including office and retail (155,000 SF may be a single retail tenant) and 600 residential units, composed of 300 single-family detached with densities between five and 15 DU/acre and 300 multifamily units, both as standalone use or above ground floor commercial. A floodplain bisects the property encompassing roughly 20% of the overall site area.

Demographics from Costar for the site are as follows:

Population for 1 Mile Radius

6800 W Jewell Ave, Denver, CO 80232



Population	1 Mile	2 Mile	3 Mile
2015 Total Population:	13,663	66,853	149,094
2020 Population:	14,430	71,353	160,644
Pop Growth 2015-2020:	5.61%	6.73%	7.75%
Average Age:	41.90	39.10	37.60
Households			
2015 Total Households:	5,608	27,398	57,729
HH Growth 2015-2020:	5.51%	6.54%	7.44%
Median Household Inc:	$63,650	$58,873	$54,310
Avg Household Size:	2.40	2.40	2.50
2015 Avg HH Vehicles:	2.00	2.00	2.00
Housing			
Median Home Value:	$254,017	$227,432	$218,167
Median Year Built:	1970	1972	1971

Comparison 4 is the August 2007 sale of the former Hamilton-Sundstrand corporate campus and manufacturing facility, currently being developed and marketed as the Midtown

residential development. This 141 acre site is located in Unincorporated Adams County, just north of the Denver City limits, and northwest of the Denver CBD. It is located at the southwest and southeast corners of Pecos Street and West 68th Avenue, on both sides of Pecos Street. It is surrounded by single-family development on the North; vacant land to the East; light industrial to the South and vacant land to the West. The site has some transit orientation as the FasTracks Northwest Line's Federal Boulevard Station is within ½ mile of the western potions of the site.

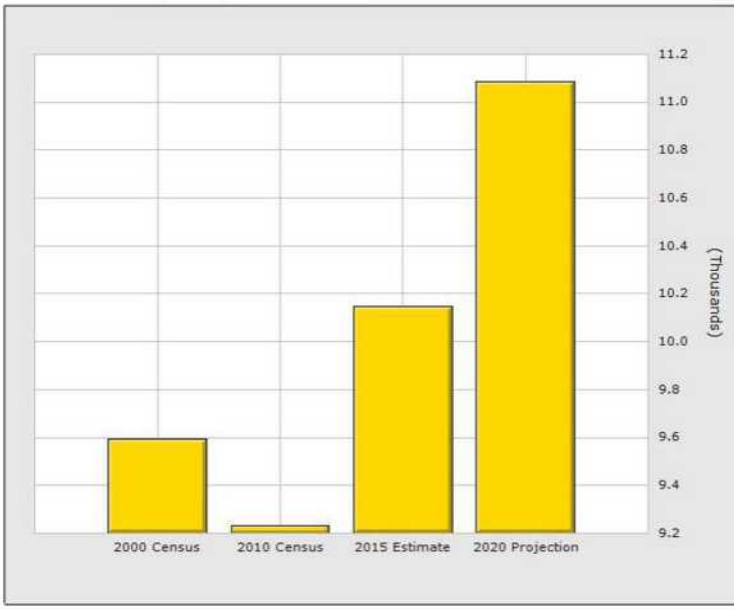
The site, which is similar in size to the subject, sold August 2007 for $3,540,100 ($.57/SF). It sold with PUD, I-2 and I-1 zoning and no entitlements in place for development. It is not known if the property was listed for sale. The site sold needing significant environmental remediation as per order from the EPA and Colorado Department of Public Health and Environment. The buyer assumed oversight of the environmental remediation. The buyer, Carma Colorado, Inc/Brookfield Residential, worked with Adams County to obtain approval rezone the property as C-5 (Commercial), R-4 (Residential) and PL (Public Land).

Upon rezoning, entitlements permitted up to 1,600 single-family homes, single-family attached homes, condominiums and apartments and or townhomes, approximately 13.5 acres of commercial use and roughly 47 acres of parks and open space. Actual build out has been reported to be in the neighborhood of 1300 to 1400 housing units 850 of which will be single-family detached homes. The homes are being built by David Weekly and Brookfield Residential Colorado.

Public records indicate that in April 2015, Century at Midtown, LLC purchased 49 lots for $1,687,200 or roughly $34,432/unit. In December 2014, Infinity Home Collection at Midtown, LLC purchased 30 lots for $3,150,000 ($105,000/Lot). Neither of these sales was able to be verified.

Population for 1 Mile Radius

6730-6762 Pecos St, Denver, CO 80221



Population	1 Mile	2 Mile	3 Mile
2015 Total Population:	10,148	43,118	105,710
2020 Population:	11,083	46,830	115,215
Pop Growth 2015-2020:	9.21%	8.61%	8.99%
Average Age:	35.70	35.40	35.10
Households			
2015 Total Households:	3,416	14,795	37,838
HH Growth 2015-2020:	9.19%	8.63%	9.01%
Median Household Inc:	$44,541	$42,838	$44,872
Avg Household Size:	3.00	2.90	2.70
2015 Avg HH Vehicles:	2.00	2.00	2.00
Housing			
Median Home Value:	$158,677	$159,655	$163,207
Median Year Built:	1958	1964	1969

Comparison 5 is the Applewood Golf Course, which Carlson Associates reportedly has under contract from the owner, Molson/Coors Inc. The active 144.56 acre golf course is located in Unincorporated Jefferson County, on West 38th Avenue, west of Interstate 70. It is surrounded by single-family development on the South with former gravel pits, now water storage reservoirs, on the West, North and East. The site is not considered transit oriented.

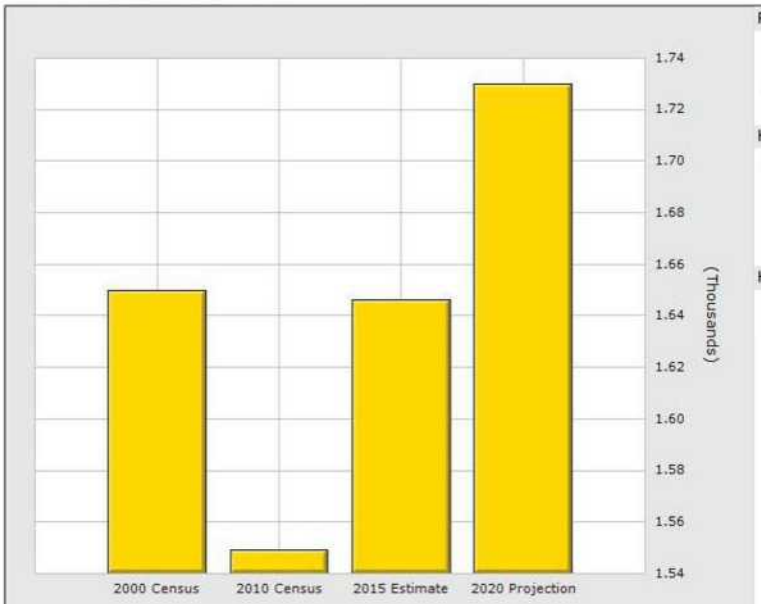
The site, which is similar in size to the subject, is reportedly under an option contract, pending the buyer obtaining necessary zoning approvals. The current zoning is primarily planned development, with a mix of I-1 (Industrial) and A-2 (Agricultural). The option contract price is unknown. The buyer has faced significant public opposition to the rezoning and has offered the site for purchase to the Prospect Parks and Recreation District at a price of $16 million ($2.54/SF), which they have reported is consistent with their contract price with Molson/Coors. Representatives from Carlson Associates were not responsive to inquiries to verify the current option contract price. Representatives from the Prospect Parks and Recreation District confirmed the offer of resale and the $16 million resale offer price.

The property was not listed for sale. Carlson Associates is working with Jefferson County to obtain PD (Planned Development) zoning to enable 454 single-family detached homes. Various sources that have indicated that off-site improvements including enhancing water and sewer capacity and enhancing roadway access will be required to serve the site for residential development.

Demographics from Costar for the site are as follows:

Population for 1 Mile Radius

Hwy 58 & I-70, Wheat Ridge, CO 80033



Population	1 Mile	2 Mile	3 Mile
2015 Total Population:	1,646	18,759	56,398
2020 Population:	1,730	19,681	59,341
Pop Growth 2015-2020:	5.10%	4.91%	5.22%
Average Age:	45.70	44.50	42.20
Households			
2015 Total Households:	687	8,032	24,065
HH Growth 2015-2020:	5.09%	4.89%	5.16%
Median Household Inc:	$91,594	$79,267	$68,545
Avg Household Size:	2.40	2.30	2.30
2015 Avg HH Vehicles:	2.00	2.00	2.00
Housing			
Median Home Value:	$384,319	$357,390	$320,423
Median Year Built:	1969	1969	1972

To the extent possible, prior recent sales of the comparisons were researched as well in order to determine the existence of speculative markets. Some sales in this market may have been based on buyer speculation of future price increases, but no prices appear to be unrealistically high because of speculation.

Subject Site

Characteristics of the subject site to which the comparisons are adjusted are discussed throughout this report, most specifically in the Identification of the Real Estate section. In summary, the subject site is a 154 18-hole golf course which has OS-B (Open Space) zoning with no development plan approval completed. For the purposes of this analysis is a hypothetical condition that the use restriction, which currently limits use to a 18-hole regulation length golf course, has been removed and the site has been rezoned to permit mixed use-residential/retail master-planned development with uses and densities in rough conformance with the draft yields prepared by Parsons Brinkerhoff as follows:

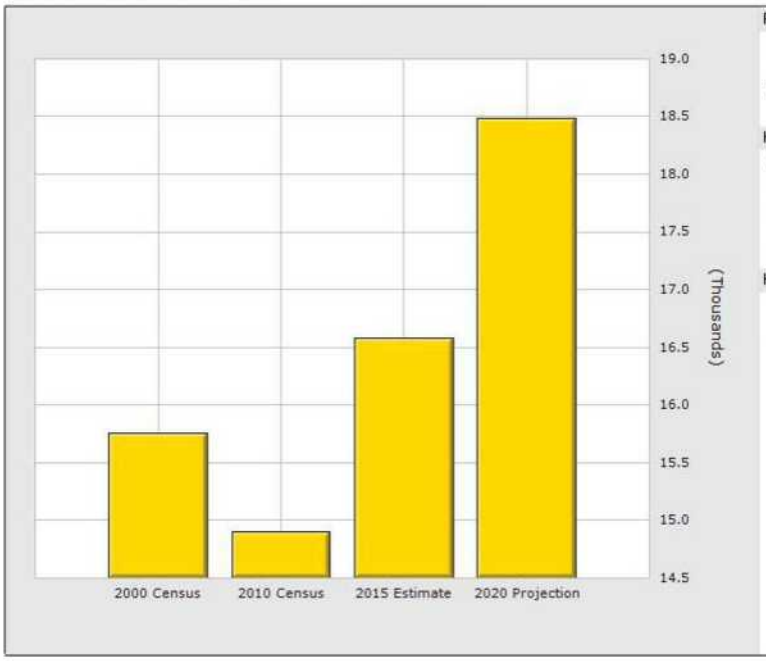
Clayton Early Learning
Yield Study
DRAFT May 27, 2015

Development Program	AC	DU	Net %	Total AC
Residential				80.3
Single Family	18.4	137		
Single Family Attached	40.1	659		
Multi-Family: 2-3 stories	8.1	195-260		
Multi-Family: 4-5 stories	13.6	1,222-1,629		
Commercial	15	300,000 SF		15
Open Space	26.1		21	26.1
Right-of-Way	32			32
	153.3	**2,213-2,685**		**153.4**

The site is located at the northeast corner of Colorado Boulevard and East 38th Ave. It is surrounded by light industrial uses to the North and East and residential uses to the South and West. The site is located within one half mile of the RTD FasTracks East Commuter rail line 40th and Colorado station, making the site transit oriented. Infrastructure and off-site improvements are likely not presently sufficient to enable the scope of development described above. The site includes improvements described above in the Identification of Real Estate section, which may or may not be usable by a future developer. They are estimated to contribute relatively little to the property value. For the purposes of this analysis is assumed that the existing off-site infrastructure which currently serves the site will be unchanged on the future date of value. The site is valued as of October 1, 2016. Surrounding demographic data at the subject, provided by Costar, is as follows:

Population for 1 Mile Radius

4141 E 35th Ave, Denver, CO 80207



Population	1 Mile	2 Mile	3 Mile
2015 Total Population:	16,580	59,155	143,213
2020 Population:	18,481	65,892	160,077
Pop Growth 2015-2020:	11.47%	11.39%	11.78%
Average Age:	36.20	36.10	36.30
Households			
2015 Total Households:	6,226	23,207	66,702
HH Growth 2015-2020:	11.52%	11.49%	12.03%
Median Household Inc:	$44,768	$54,945	$54,908
Avg Household Size:	2.60	2.50	2.00
2015 Avg HH Vehicles:	2.00	2.00	1.00
Housing			
Median Home Value:	$250,225	$297,041	$340,632
Median Year Built:	1951	1948	1953

Adjustments

An Adjustment Grid located behind the Summary page analyzes the sale comparisons based on price per square foot of land, the most appropriate unit of comparison in this analysis. Adjustments shown on the adjustment grid may not calculate exactly due to rounding.

Sale Conditions/Listing, Property Rights Conveyed and Time adjustments are made to the cash equivalent prices before all other adjustments since these adjustments are estimated based on conditions on the date of sale. Following that, time and all other adjustments are made. Occasionally, quite large adjustments are required due to a lack of highly comparable sale data. In some cases, low prices may require upward adjustments that appear extremely large on a percentage basis when, in fact, they are not large on a dollar amount basis.

The presentation of an adjustment grid may appear to imply a level of accuracy that is not possible in market analysis such as this. The adjustments made are estimated based on review of the comparable sales presented as well as a substantial database of other less comparable sales. These data, together with interviews of brokers, buyers, sellers, and other areas of qualitative experience of the Appraiser and Associate, are the bases of the quantitative adjustments made. Every effort is made to estimate qualitative and quantitative adjustments as accurately as possible, and as consistently as possible, relative to each other, including occasional examination and analysis of paired sales, when available data permits. However, it must be recognized that the adjustments are necessarily only

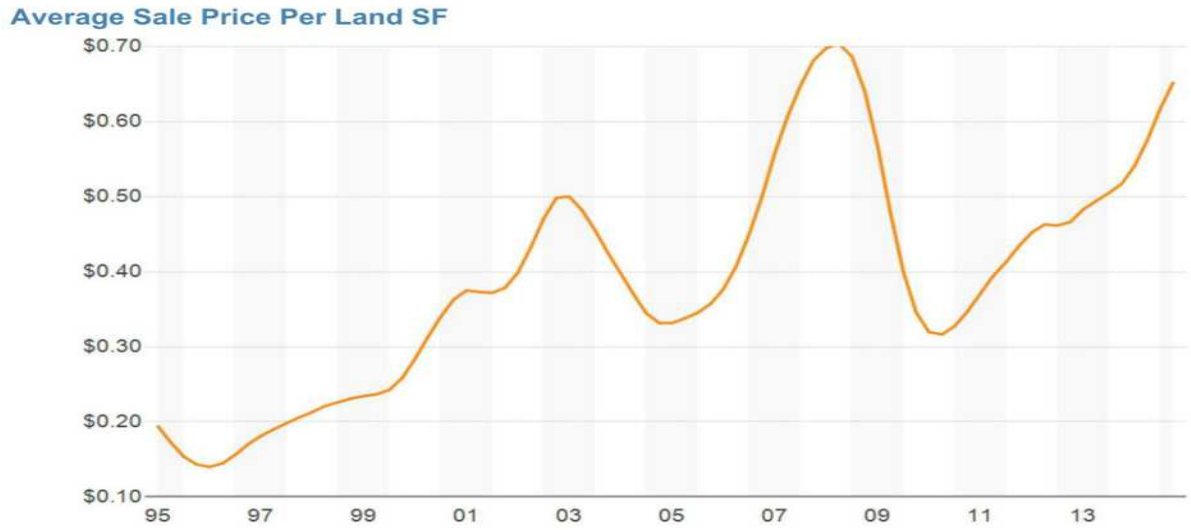
estimates based on the Appraiser and Associate's consideration, experience, judgment, and review and analysis of the available data.

Sale Conditions/Listing adjustments account for price influences that result from characteristics of the transaction itself and are offsetting in some cases. Listing adjustments are applied to reflect the tendency of sale prices to be negotiated downward from asking prices. Although listings have limited reliability, they often provide useful corroborative indications of the upper limit of value of a subject property, particularly when highly comparable recent closed sale activity is inadequate. None of the Land Sale Comparisons are listings so no adjustments are necessary.

Sale conditions adjustments are applied when a land sale has unusually motivated buyers or sellers, has personal property or other property included in the sale, or is affected by any other factor that caused a price adjustment. None of the land sales require adjustments for sale conditions.

Property Rights Conveyed adjustments recognize any encumbrance of the sold property with a lease which may affect the price. Unless otherwise noted, all of the comparable land sales are properties for which fee simple interest was conveyed. Adjustments are based on the present value as of the sale date, of the difference between the actual rent at the sold property and estimated market rent.

Time adjustments account for changes in market conditions between the sale date of the comparisons and the date of value of this appraisal. Due to recent improving conditions, upward adjustments are necessary for the older sales included in this analysis. The sales are adjusted to the future date of October 31, 2016. Such adjustments are based on general market observations, analysis of the land sales, and conversations with market participants. Data from costar regarding large land transactions throughout the Colorado Front Range indicates the following trends:



The demonstrated trend of increasing sale prices per SF is estimated to continue into the coming years up to the future date of value, yet at perhaps a slower rate than seen in the past. The degree of upward adjustment is less than indicated by the trend line above as the comparable sales are composed of high-quality infill development sites, for which response to overall market conditions may be more muted in part due to interest rate risk associated with special district bonds necessary for infrastructure development. As reported by Jennifer McElyea, project manager for Littleton Village, variability in interest rates going forward can significantly impact the risk of a large project as increasing interest rates may erode profit margin, limiting the reimbursement for infrastructure development cost to the developer. As such, **all of the Sale Comparisons are adjusted upward** for improving market conditions.

Location adjustments are based on perceived value differences arising from quality or quantity of surrounding development, degree of growth in a given area, superior or inferior exposure, frontage, access, or other location factors. Of particular importance in location adjustments is the subject's proximity to the RTD's FasTracks 40th and Colorado rail line station. Also of importance is the proximity of the subject property to the Denver CBD.

Comparisons 1, 3 and 5 are adjusted upward for their inferior location, primarily as a result of a lack of transit orientation, but also in terms of their proximity to the Denver CBD. **Comparison 2**, while lacking transit orientation, is proximate to the Fort Collins CBD and has frontage along the Poudre River open space area, which is estimated to offset the lack of transit orientation in terms of site amenity. **Comparison 4 is adjusted upward** as it is estimated to have slightly inferior transit orientation in slightly inferior location in terms of proximity to the Denver CBD. **Comparison 5 is adjusted downward** for its superior surrounding demographics which, upon build out, may enable support for higher retail home prices. This downward adjustment offsets the previous upward adjustment for its inferior transit oriented/CBD proximity location.

Entitlements (Zoning)/Density adjustments account for differences in value due to differing permitted uses and density. The draft of the Conceptual Land Use Plan prepared by Parsons Brinkerhoff utilized the following densities and uses:

Clayton Early Learning
Yield Study
DRAFT May 27, 2015

Development Program	AC	DU	Net %	Total AC
Residential				80.3
Single Family	18.4	137		
Single Family Attached	40.1	659		
Multi-Family: 2-3 stories	8.1	195-260		
Multi-Family: 4-5 stories	13.6	1,222-1,629		
Commercial	15	300,000 SF		15
Open Space	26.1		21	26.1
Right-of-Way	32			32
	153.3	**2,213-2,685**		**153.4**

The entitlements (zoning) and resulting development potential of all of the comparisons is of a sufficiently lower density to make upward adjustments necessary to all of the comparisons. The degree of upward adjustment is difficult to quantify. A summary of the permitted densities at each of the comparisons, after rezoning, is below:

Infill Development Project Summary

Comp.	Project	Total Units	Acres	DU/AC Overall Density	Sale price	$/Unit
5	Applewood	454	144	3.2	$16,000,000	$35,242
3	Green Gables	600	152	3.94	$15,250,000	$25,417
1	Littleton Village	600	77	7.8	$21,500,000	$35,833
4	Midtown	1,603	141	11.3	$3,540,100	$2,208
NA	Continuum/CU Med Center	1,100	26	42.3	$52,000,000	$47,273

Also included in the summary above is the sale of the CU Medical Center to Continuum Partners development. This sale does not represent a true land sale due to the complexities of the project but does provide an informal indication of densities in a high density urban infill development project. The sale price indicated reflects the purchase price for the 26 acre project as well as the demolition abatement cost reported as necessary for the project. The sale also includes some existing infrastructure as well as existing parking garage.

Comparison Nos. 3 and 5 had similar overall density to each other and sold for roughly the same price per SF. However, discussions with the buyer of **Comparison No. 3** indicated that they felt they received a very good deal considering the densities permitted and the water rights included in the sale. **Comparison No. 3** also required upward adjustment for improving market conditions. It also includes a commercial component which occupied roughly 26%, of the land area. **Comparison No. 1** was a smaller site and had ultimately ended up with twice the permitted density as available at **Comparison Nos. 3 and 5**. Its sale price indication is over twice that from **Comparison Nos. 3 and 5**. Whether this is as a result of the elevated density or as a result of the more advanced entitlements available at that comparison is not clear. Comparison 5 includes no commercial component, unlike all the other residentially oriented comparisons.

Of consideration when adjusting for density is also the absorption timeline necessary to absorb a larger project. Discussions with Frank Canon, project manager for the Continuum/CU Medical Center Project indicated that project entitlements for higher unit counts via increased density do not always translate to higher sale prices. The risks associated with a longer absorption period necessary to sell out large projects may require discounting. Also of consideration is the concept of paper density (that which is legally permitted) versus market appropriate density. Issues such as parking requirements can limit the

profitability of development of additional units as is reportedly evident at the Continuum/CU Medical Center project. And while a project's proximity to transit may appear to reduce the parking requirements, lack of adequate accommodation of parking may impact the desirability of a site from a retail user's perspective. Mr. Cannon's opinion was that in the Denver Metropolitan area, only development around Union Station, in which a truly urban walkable environment exists, supports realistic reductions in parking requirements. All other areas throughout the RTD Fast tracks system require traditional parking considerations.

Based on these considerations, **all of the comparisons are adjusted upward** for their inferior permitted density, as shown on the adjustment grid.

Development Plan Approval adjustments recognize any difference between the development plan approval status of the sold property and the subject. Many land sales in this market are placed under contract prior to annexation and/or development plan approvals and the buyer pursues the annexation and/or approvals with the cooperation of the seller. Such approvals often take many months or even years and in such cases the sale price of the land when it eventually closes often reflects the annexation/approval status when the land was placed under contract rather than the status upon closing. These conditions are recognized in adjusting the comparable sale prices to the subject annexation/approval status in this appraisal.

While **Comparison No. 1** sold with entitlements in place, the market's reportedly unfavorable reaction to the permitted densities appear to indicate that these entitlements may have had less value than typical. Nonetheless, the entitlements were in place and modification was administrative, thus reducing the cost. As such, **Comparison No. 1 is estimated to have a superior state of entitlements is that hypothetically present at the subject, requiring downward adjustments. Comparison 2** sold with existing zoning in place that required an administrative modification to enable the proposed development. As such **Comparison No. 2** is estimated to have a similar state of entitlements as that hypothetically present at the subject, requiring no adjustments. **Comparison no. 3** sold with agricultural zoning and the buyer pursued rezoning with Jefferson County. The buyer reported that the rezoning process to achieve ODP approval was relatively quick and at a relatively minimal cost, in the range of $150,000-$200,000. As such **Comparison No. 3 is adjusted upward** to reflect the cost in achieving ODP approval similar to that of the subject. **Comparison No. 4** sold with existing industrial oriented zoning in the buyer pursued rezoning with Adams County. No information on the rezoning process or costs associated with it is available. Regardless, the time and cost associated with securing entitlements equivalent to that hypothetically assumed at the subject **necessitates upward adjustments to Comparison No. 4**. **Comparison No. 5** is under contract with existing industrial and agricultural oriented zoning, and the buyer is pursuing rezoning with Jefferson County. The rezoning process is facing significant public opposition. As such, **Comparison No. 5 is adjusted upward** to reflect the cost and time associated with achieving a similar state of entitlement to that hypothetically assumed at the subject.

Land Area/Shape adjustments reflect differences in perceived value arising from differing sizes and shapes of land parcels. Generally, larger or dysfunctional shaped land parcels sell for a bulk rate that

is lower than prices attributable to smaller parcels. However, occasionally some plottage value (increased value per square foot for larger parcels) is evident in redevelopment markets where parcels must be assembled to achieve sufficient size to make development or redevelopment feasible. All of the land sales are near enough to the subject in land area to make no such adjustment necessary.

Other adjustments account for factors that are unique to the subject or to the comparative land sales. None of the comparable land sales require adjustment for existing prepaid utility tap fee credit. **Comparison No. 2 is adjusted upward** as roughly 2/3 of its site area was located in designated flood hazard areas. The amount of adjustment is based on the cost required by the buyer to elevate portions of the site out of the flood hazard area. **Comparison No. 4 is adjusted upward** as it required significant environmental cleanup. While funding for the cleanup was in place, the buyer managed the project to completion.

Another consideration for adjustment is the improvements present at the subject. Comparison 3 and five also had improvements present similar in size and scope to that of the subject. In both cases the development plans call for these improvements to be retained and put to use in some complementary fashion, likely after significant remodeling. At the subject, it is likely that only the main clubhouse building would be retained, likely requiring remodeling. **Comparison No. 2** also had improvements which would be retained after development, but for historical protection reasons versus economic reasons. However the retention of the improvements did create goodwill which helped to enable the desired development. Comparisons 1 and 4 had no improvements. **Comparison Nos. 1 and 4 are adjusted upward** as they contained no improvements. The amount of adjustment is based on the estimated shell value of the subject main clubhouse building in relation to the overall site value.

After adjustment, the comparable data provide value indications for the subject that describes a rather broad range. The variation results from normal imperfections in real estate markets and the extreme unknowns associated with large development sales and projects and the limited amount of data available in the subject market. Thus, the weighted average value estimate concluded below is considered less reliable than is typical in analysis of this type.

Weight

Relative weight of the comparisons in this analysis is based on perceived reliability of the sale data and comparability of the sold parcels to the subject. Generally, those comparisons requiring the least adjustment are weighted most and listings and older sales are weighted somewhat less. **Comparison No. 2** was redeveloped with commercial uses by a user versus redeveloped for resale purposes by a developer. While it is similar in some ways, primarily the fact that it was a former golf course in close proximity to the local CBD, the complexity of this project and the site, as well as the purely commercially oriented use, make it a less reliable indicator. As such**, Comparison No. 2 is weighted less**. **Comparison No. 4** is an older sale and had some unusual characteristics regarding the

environmental cleanup necessary at the site, the cost of which could not be fully verified. As such, **Comparison No. 2 is weighted less.**

Listings

In addition to the sales described above, listings were researched for this appraisal as well. No comparable urban infill listings of the size and scope of the subject were encountered. Suburban or ex-urban land listings were found to exhibit list prices ranging from $.50/SF to around $1/SF. The listings tend to corroborate the value indications provided by the sales discussed above, particularly after adjustment for location and permitted densities..

Recent Subject Sales

As described in the Prior Sales section of this report, no sale of the subject land is recent enough to be usable in this analysis.

Subject Listing/Pending Subject Contract for Sale

As described in the Current Listing/Pending Contract for Sale section of this report, the subject is not listed for sale or under contract for sale.

Subject Value Indication

The comparisons are adjusted as appropriate, given the general guidelines outlined in the Adjustments section above and as shown on the Adjustment Grid. The adjusted sale prices from all of the comparisons range generally from $.80/SF to $7.74/SF, with concentration around $3.00/SF. The weighted average value indication for the subject site is estimated at $4.06/SF. This value is applied to the subject land area as follows:

$4.06/SF x 6,729,836 SF = $27,323,134
Rounded To: $27,300,000

After rounding, it is concluded that the market value indication of the subject land by the Sales Approach is:

LAND VALUE INDICATION BY SALES APPROACH
REDEVELOPEMENT SITE - UPON COMPLETION OF REZONING
$27,300,000

Land Valuation by Sales Approach – Redevelopment Site - As Is

In order to estimate the value of the subject land, under the extraordinary assumption that the golf course use restriction can be removed, the same sales of comparable properties described above were utilized. This examination provides a perspective of the risk and associated value impact a developer would assume in pursuing entitlements at the subject for its highest and best use as a mixed use. Integral into this value conclusion is the extraordinary assumption that the golf course use restriction can be removed.

LAND SALE COMPARISON SUMMARY

Large Urban Infill Land - As Is

Jun-15

James Real Estate Services, Inc.

No.	Location	Land Area SF/Acres	Zoning/ Authority	Building Areas and Densities - Building : Land Permitted	Building : Land Intended	Grantor/ Grantee Recording No.	Sale Date	Cash Equiv Sale Price/	Cash Equivalent Price Per SF Land	Cash Equivalent Price Per SF Bldable	Comments
Subject Property											
	Park Hill Golf Course 4141 E. 35th Ave. Denver/Denver	6,730,020 154.5	OS/B Denver	NA SF NA :1	NA SF NA :1						
1	Littleton Village Littleton/Arap.	3,341,052 76.7	STP Littleton/Arap.	NA SF NA :1	NA SF NA :1	Littleton Village, LLC WIP Littleton Village, LLC 311-5372	Sep-13	$21,500,000	$6.44	NA	76.7 acre commercial mixed-use development sold with entitlements in place for 350 SFR, 512 apartments and 250,000 SF retail. Broker reported that many purchasers didn't like the approved densities or plan. Buyer completed substantial additional work providing water/sewer to site as well as off-site roadway improvements.
2	Woodward Campus Site 777 East Lincoln Ave. Ft. Collins/Larimer	4,399,560 101.0	CCR Ft. Collins/Larimer	NA SF NA :1	930,000 SF 0.2 :1	James and Ruth Hoffman trust Woodward Incorporated 20130033878	Apr-13	$9,000,000	$2.05	$9.68	Former Lnk-N-Green golf course located on banks of Poude river. 30% of site in 100 year flood way, 30% in Buyer was able to keep existing zoning and City created a new use district administratively to accommodate PDP. City will provided some infrastructure funding, but seller is financin the infrastructure.
3	Green Gables Country Club 6800 West Jewell Ave. Uninc. Jeff.	6,621,120 152.0	A2 Uninc. Jeff.	NA SF NA :1	NA SF NA :1	Green Gables Country Club USL Denver Green Gable, LLC 0057354	Jun-11	$15,250,000	$2.30	NA	Former Green Gables country club. Purchased for redevelopment with 225K SF commercial use and up to 600 residential units, half of which can be multifamily, remainder SFD. Floodplain bisects property and affects roughly 20% of land area.
4	Midtown 6700 Pecos St. Denver/Denver	6,161,579 141.5	P-PUD Denver/Denver	NA SF NA :1	NA SF NA :1	Hamilton Sundstrand Corp. Carma Westminster, LLC 007-9792	Aug-07	$3,540,100	$0.57	NA	Former Hamilton Sundstrand manufacturing facility. Purchased by developer who pursued Rezone and entitlement for mixed-use development and cleanup of industrial site. Project is currently in process with ultimate buildout of 1200 dwelling units.
5	Applewood Golf Course 14001 W. 32nd Ave. Uninc. Jeff.	6,297,034 144.6	PD,I-1,A-2, A-2 Uninc. Jeff.	NA SF NA :1	NA SF NA :1	Molson Coors Carlson Associates, Inc. NA	Contract	$16,000,000	$2.54	NA	144 acre 18-hole golf course, under contract for purchase by developer with intentention of developing 454 single-family homes. Developer has zone change request in process. Significant public opposition. Developer offered to sell the entire parcel to the prospect req district for $16mm, which developer says is there contract price.

LAND SALE COMPARISON ADJUSTMENT GRID

Large Urban Infill Land - As Is

Jun-15 — James Real Estate Services, Inc.

Weighted Average Value Indication: $3.63 /SF — Standard Deviation: $1.95

No.	Location	Sale Price/ SF Land	Sale Conditions /Listing	Property Rights Conveyed	Time	Location	Entitlements Zoning/ Density	Development Plan Approval	Land Area/ Shape	Other	Adjusted Price /SF Land	Adjusted Price/SF Buildable	Weight (Total 100%)
1	Littleton Village Littleton/Arap.	$6.44			2% Improving Market	5% + Transit/CBD	5% Inferior Density	-10% Existing entitlements premium		2% Improvement	$6.70	NA	27%
2	Woodward Campus Site 777 East Lincoln Ave. Ft. Collins/Larimer	$2.05			2% Improving Market			-5% Entitlement difficulty		36% Flood way	$2.73	NA	13%
3	Green Gables Country Club 6800 West Jewell Ave. Uninc. Jeff.	$2.30			7% Improving Market	5% + Transit/CBD	10% Inferior Density	-5% Entitlement difficulty			$2.71	NA	27%
4	Midtown 6700 Pecos St. Denver/Denver	$0.57			2% Improving Market		5% Inferior Density	-5% Entitlement difficulty		25% Enviro/ Improvements	$0.73	NA	7%
5	Applewood Golf Course 14001 W. 32nd Ave. Uninc. Jeff.	$2.54				+ Transit/CBD - Demographics	10% Inferior Density	-5% Entitlement difficulty			$2.67	NA	27%

INFILL LAND SALE COMPARISON MAP - AS IS

0 mi 10 20 30 40 50

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Adjustments

An Adjustment Grid located behind the Summary page analyzes the sale comparisons based on price per square foot of land, the most appropriate unit of comparison in this analysis. Adjustments shown on the adjustment grid may not calculate exactly due to rounding.

The discussion of adjustments and the limitations of adjustment grids described above apply to this analysis as well. All of the adjustments described above are applied to the Comparisons in this analysis, except as follows:

Sale Conditions/Listing – As in the above analysis, none of the Land Sale Comparisons are listings so no adjustments are necessary.

As in the above analysis, none of the land sales require adjustments for sale conditions.

Property Rights Conveyed - As in the above analysis, none of the land sales require adjustments for property rights conveyed.

Time - As in the above analysis, **all of the Sale Comparisons are adjusted upward** for improving market conditions.

Location - As in the above analysis, **Comparison Nos. 1, 3 and 5 are adjusted upward** for their inferior location, primarily as a result of a lack of transit orientation, but also in terms of their proximity to the Denver CBD. **Comparison No. 4 is adjusted upward** as it is estimated to have slightly inferior transit orientation in slightly inferior location in terms of proximity to the Denver CBD. **Comparison No. 5 is adjusted downward** for its superior surrounding demographics which, upon build out, may enable support for higher retail home prices. This downward adjustment offsets the previous upward adjustment for its inferior transit oriented/CBD proximity location.

Entitlements (Zoning)/Density - As in the above analysis, **all of the comparisons are adjusted upward** for their inferior permitted density, as shown on the adjustment grid.

Development Plan Approval adjustments recognize any difference between the development plan approval status of the sold property and the subject. Many land sales in this market are placed under contract prior to annexation and/or development plan approvals and the buyer pursues the annexation and/or approvals with the cooperation of the seller. Such approvals often take many months or even years and in such cases the sale price of the land when it eventually closes often reflects the annexation/approval status when the land was placed under contract rather than the status upon closing. These conditions are recognized in adjusting the comparable sale prices to the subject annexation/approval status in this appraisal. In this analysis, the subject is assumed to have its existing entitlements, with zoning as open space, but it is an extraordinary assumption that the golf course use restriction can be removed. In this scenario, a buyer/developer would bear the full risk of pursuing rezoning and entitlement at the subject to enable its highest and best use as a mixed use development. The risk at the subject would appear to be in excess of that typically encountered by developers in

redevelopment scenarios. The elevated risk arises because of the longstanding use of the subject as a golf course, the public's perception of the implied restriction on other uses

All of the Comparisons are estimated to have a superior state of entitlements than that present at the subject, requiring downward adjustments to each of them. Comparison 1 requires larger adjustment due to the existing entitlements in place. The other Comparisons either had no entitlements, or had entitlements which presented less risk associated with modification from a public opposition, political and jurisdictional administration standpoint. For example, Comparison No. 2 sold with existing zoning in place that required only an administrative modification to enable the proposed development. **Comparison No. 3** sold with agricultural zoning and the buyer pursued rezoning with Jefferson County. The buyer reported that the rezoning process to achieve ODP approval was relatively quick and at a relatively minimal cost, in the range of $150,000-$200,000. **Comparison No. 4** sold with existing industrial oriented zoning and the buyer pursued rezoning with Adams County. Little opposition to this use change was experienced as it was part of a cleanup of a abandoned industrial site. **Comparison No. 5** is under contract with existing industrial and agricultural oriented zoning, and the buyer is pursuing rezoning with Jefferson County. While the rezoning process is facing significant public opposition from a small segment of nearby affected residents, this site is estimated to be far less contentions than the subject, and based in part on the experience in re-zoning Green Gables, it would appear that the risk for pursuing rezoning in Jefferson County is lower than that found in Denver.

Land Area/Shape a- As in the above analysis, all of the land sales are near enough to the subject in land area to make no such adjustment necessary.

Other - As in the above analysis, **Comparison No. 2 is adjusted upward** as roughly 2/3 of its site area was located in designated flood hazard areas. **Comparison No. 4 is adjusted upward** as it required significant environmental cleanup. **Comparison Nos. 1 and 4 are adjusted upward** as they contained no improvements.

After adjustment, the comparable data provide value indications for the subject that describes a rather broad range. The variation results from normal imperfections in real estate markets and the extreme unknowns associated with large development sales and projects and the limited amount of data available in the subject market. Thus, the weighted average value estimate concluded below is considered less reliable than is typical in analysis of this type.

Weight

As in the above analysis, relative weight of the comparisons in this analysis is based on perceived reliability of the sale data and comparability of the sold parcels to the subject. Generally, those comparisons requiring the least adjustment are weighted most and listings and older sales are weighted somewhat less. As in the above analysis, **Comparison No. 2** was redeveloped with commercial uses by a user versus redeveloped for resale purposes by a developer. While it is similar in some ways, primarily the fact that it was a former golf course in close proximity to the local CBD, the complexity of this

project and the site, as well as the purely commercially oriented use, make it a less reliable indicator. As such**, Comparison No. 2 it is weighted less**. **Comparison No. 4** is an older sale and had some unusual characteristics regarding the environmental cleanup necessary at the site, the cost of which could not be fully verified. As such, **Comparison No. 2 is weighted less.**

Listings

In addition to the sales described above, listings were researched for this appraisal as well. No comparable urban infill listings of the size and scope of the subject were encountered. Suburban or ex-urban land listings were found to exhibit list prices ranging from $.50/SF to around $1/SF. The listings tend to corroborate the value indications provided by the sales discussed above, particularly after adjustment for location and permitted densities.

Recent Subject Sales

As described in the Prior Sales section of this report, no sale of the subject land is recent enough to be usable in this analysis.

Subject Listing/Pending Subject Contract for Sale

As described in the Current Listing/Pending Contract for Sale section of this report, the subject is not listed for sale or under contract for sale.

Subject Value Indication

The comparisons are adjusted as appropriate, given the general guidelines outlined in the Adjustments section above and as shown on the Adjustment Grid. The adjusted sale prices from all of the comparisons range generally from $.73/SF to $6.70/SF, with concentration around $2.70/SF. The weighted average value indication for the subject site is estimated at $3.63/SF. This value is applied to the subject land area as follows:

$3.63/SF x 6,729,836 SF = $24,429,304
Rounded To: $24,400,000

After rounding, it is concluded that the market value indication of the subject land by the Sales Approach is, subject to the extraordinary assumption that the golf course use restriction can be removed, is:

LAND VALUE INDICATION BY SALES APPROACH
REDEVELOPMENT SITE - AS IS
$24,400,000

Sales Approach
Golf Course – As Is

The Sales Approach to valuation of a real property provides a value indication based on analysis of recent sales of comparable properties. For golf course properties such as the subject, these sales are best analyzed based on sale price per square foot of land area. Price per hole is also examined as it is a metric often used to provide value indications for golf courses.

As in the Land Valuation section, the market data used in this approach originated from Costar, RealQuest, Metrolist and/or the DMCAR Denver Property Database, internet based real estate data sources, investors, developers, brokers active in the neighborhood and market area, other appraisers and in-house files. Corroboration generally included public records and assessor data. Confirmation included buyers, sellers, and/or brokers. Sales were investigated for their comparability to the subject based on time, location, size, age, condition, quality, finish, vacancy rate, and other factors contributing to highest and best use. When, and if, financing differed from market terms and was found to have affected the sale price, cash equivalency adjustment was made based on estimates from the confirming party or on cash equivalency calculations as described in Addendum C.

Summarized on the following page are 4 golf course sales considered most comparable in analyzing the subject. The comparisons were selected placing greatest emphasis on recent sales of golf courses with similar location, access, traffic exposure, age/condition/quality, land-to-building ratio/parking ratio, and highest and best use to the subject.

Highly comparable sales are very limited in availability due to a lack of recent golf course sales so it was necessary to rely on sales that were older and geographically dispersed in order to develop adequate comparable sales. Sale information about 2 of the sales was not able to be fully confirmed, but the available information was sufficient and the sold properties were sufficiently comparable to the subject to warrant inclusion in this analysis. Since the subject and the comparable sales are primarily user type properties they tend not to be able to provide capitalization rate information for use in the Income Approach.

The comparisons occurred between November 2008 and March 2011. The sales exhibit cash equivalent prices per square foot of land ranging from $.42/SF to $.90/SF and from $172,222/hole to $436,111/hole. Additional information concerning the Golf Course Sale Comparisons is at Addendum L. To the extent possible, prior recent sales of the comparisons were researched as well in order to determine the existence of speculative markets. Similar to the Land Valuation, some sales in this market may have been based on buyer speculation of future price increases but no prices appear to be unrealistically high because of speculation.

SALE COMPARISON SUMMARY

Golf Course

Jun-15

James Real Estate Services, Inc.

No.	Location	Land Area SF/Acres	Zoning/ Authority	Building Area YOC	Grantor/ Grantee Recording No.	Sale Date	Cash Equiv Sale Price/	Cash Equivalent Price Per SF Land	Cash Equivalent Price Per Hole	Comments
Subject Property	Park Hill Golf Course 4141 E. 35th Ave. Denver	6,730,020 154.5	OS-B Denver	26,154 SF 1973						
1	Fox Hill Golf Club 1400 State Hwy. 119 Longmont/Boulder	6,157,206 141.4	A Longmont/Boulder	27,276 SF 1999	First National Denver Tartan Golf Management LLC 313-7339	Mar-11	$3,940,000	$0.64	$218,889	Fox Hill Club, private golf club located in Longmont Colorado. 18 hole, 7123 yard course, 70 par. Clubhouse YOC 1973. Driving range, pro shop, pool, tennis, poolhouse/members pub. REO sale, seller provided financing.
2	Heather Ridge Country Club 13521 East Iliff Ave. Aurora/Arapahoe	4,268,880 98.0	PD - Golf PBG Aurora/Arapahoe	26,979 SF 1973	HRCC REO, LLC Heather Ridge Metropolitan District 913-0019	Dec-09	$3,100,000	$0.73	$172,222	Former private club purchased by neighborhood organized metro district. Course was REO as club went bankrupt. Course had faced redevelopment pressure. 18 hole, 5926 yards. Originally developed in 1973. Reqd. $1.4mmin improvements. Rates - $23-$29.
3	Blackstone Country Club 777 S. Country Club Pkwy. Aurora/Arapahoe	9,452,520 217.0	PD Aurora/Arapahoe	36,014 SF 2007	Lennar Colorado, LLC Canongate Golf Clubs of Georgia 9114900	Oct-09	$4,000,000	$0.42	$222,222	Blackstone country club. 18 holes. Pool, tennis, fitness and member lounge. Developed by Lennar as part of broader country club development. Holes are interlaced throughout neighborhood areas and course consists of six different parcels.
4	Vista Ridge Golf Club 2700 Vista Pkwy. Erie/Weld	8,742,056 200.7	PUD Erie/Weld	20,129 SF 2002	In Play Membership Golf Inc. Colorado National Golf Club, LLC 359-1344	Nov-08	$7,850,000	$0.90	$436,111	Vista Ridge golf club - large format course intertwined among housing development. Purchased by partnership btw. Steve Tebo and Steve Kerr, rebranded as Colorado National Golf Club, with licensing agreemtn with CU. 18 hole, par 72, 7676 yards.

LAND SALE COMPARISON ADJUSTMENT GRID

Golf Course

Jun-15 — James Real Estate Services, Inc.

Weighted Average Value Indication: $0.58 /SF; $225,125

Standard Deviation: $0.14; $75,070.52

No.	Location	Sale Price/ SF Land Hole	Sale Conditions /Listing	Property Rights Conveyed	Time	Location	Age Quality/Condition	Parking/ L :B	Vacancy Rate	Other	Adjusted Price /SF Land /Hole	Weight (Total 100%)
1	Fox Hill Golf Club 1400 State Hwy. 119 Longmont/Boulder	$0.64 $218,889	-10% REO		5% Improving Market	5% Population/ Demo	-15% Condition/quality/age				$0.54 $186,165	25%
2	Heather Ridge Country Club 13521 East Iliff Ave. Aurora/Arapahoe	$0.73 $172,222	-10% REO		5% Improving Market						$0.69 $162,750	25%
3	Blackstone Country Club 777 S. Country Club Pkwy. Aurora/Arapahoe	$0.42 $222,222			5% Improving Market		-15% Condition/quality/age				$0.38 $198,333	25%
4	Vista Ridge Golf Club 2700 Vista Pkwy. Erie/Weld	$0.90 $436,111			-10% Improving Market		-10% Condition/quality/age				$0.73 $353,250	25%

GOLF COURSE SALE COMPARISON MAP

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Subject Property

Characteristics of the subject property to which the comparisons are adjusted are discussed throughout this report, primarily in the Identification of the Real Estate sections of this report are considered when adjusting the comparisons. In summary, the subject is a public 18-hole golf course located in the City and County of Denver. It has the following improvements:

Improvement Summary		
Building	**Construction**	**SF**
Main Clubhouse and Cart Storage	Poured Concrete	20,678
Training Facility	Wood Frame	8,000
Greens keeper Building	Wood Frame	2,700
Maintenance Shop	Steel Frame/Metal	3,500
Total		34,878

The main clubhouse building was built in 1973 with cart storage in the lower level. The building is in average condition Additional buildings are in average condition. The subject is located at the north edge of the City of Denver and is surrounded by light industrial development on the north and east, with residential development to the south. Residential and light industrial uses lie to the west. The site is within ½ mile of the future 40th and Colorado FasTracks rail station. The subject has frontage along Colorado Boulevard, and East 38th Avenue. Gross operating revenue at the course has been around $2,300,000 in 2013 and 2014, and 2,500,000 in 2012. The subject golf operation is managed by Eagle Golf, an experienced regional golf management company with over 50 golf courses under management.

Net operating Income at the subject, after payment of operating expenses has been negative over the past two years. The subject has a use restriction which limits use of the property to golf course uses, as per an Agency Agreement between the City of Denver and the Clayton Foundation. The greens fees are also required to be competitive with other local municipal golf courses.

Adjustments

Adjustments are made to an Adjustment Grid behind the Summary page, which analyzes the sale comparisons based on price per hole, the most appropriate unit of comparison in this analysis. Price per square foot of land is also examined as a unit of comparison. However, price per hole is estimated to be the most reliable unit of comparison. Adjustments shown on the adjustment grid may not calculate exactly due to rounding. Sale conditions/listing adjustments are applied to the cash equivalent prices first for the same reasons described in the Land Valuation section. Then time adjustments are made before all other adjustments. Occasionally, quite large adjustments are required due to a lack of highly comparable

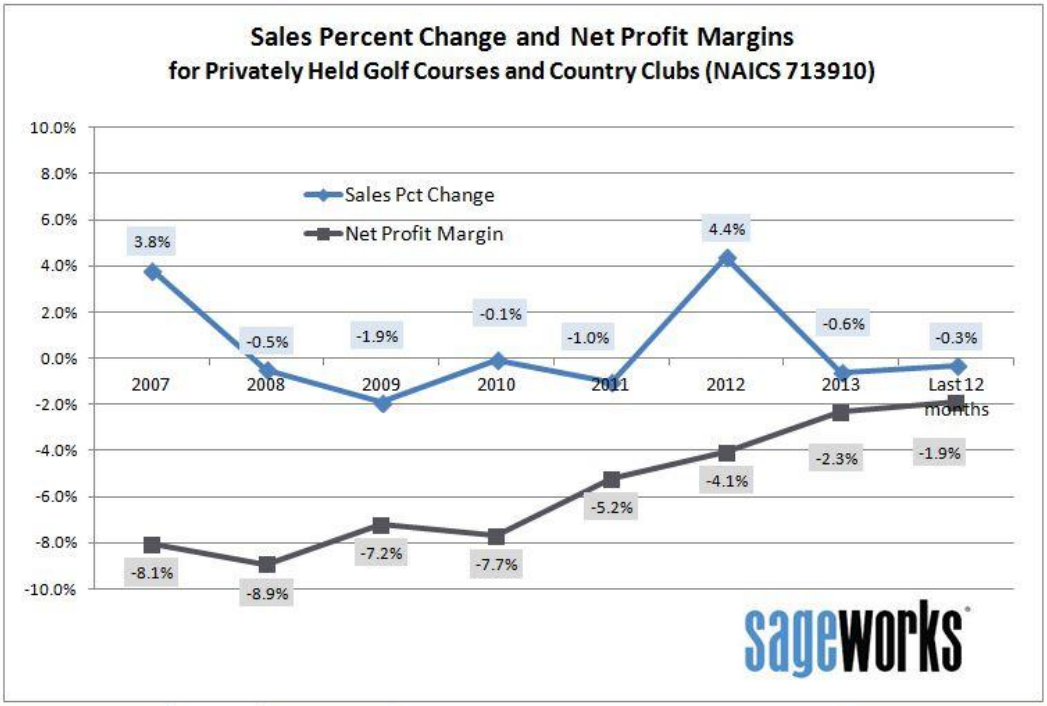
sale data. In some cases, small prices may require upward adjustments that appear extremely large on a percentage basis when, in fact, they are not large on a dollar amount basis.

Sale Conditions/Listing adjustments account for price influences that result from characteristics of the transaction itself and are offsetting in some cases. Listing adjustments are applied to reflect the tendency of sale prices to be negotiated downward from asking prices. Although listings have limited reliability, as with the land sale analysis, they often provide useful corroborative indications of the upper limit of value of a subject property, particularly when highly comparable recent closed sale activity is inadequate. None of the comparisons are listings so no adjustments are necessary.

Sale condition adjustments are applied when a sale has unusually motivated buyers or sellers, has personal property or other property included in the sale, or is affected by any other factor that caused a price adjustment. **Comparison Nos. 1 and 2 are adjusted** downward as they were bank owned properties. Sellers of bank owned properties typically have elevated motivations to sell properties quickly to clear them from their balance sheets.

Property Rights Conveyed adjustments recognize any encumbrance of the sold property with leases which may affect the price. Unless otherwise noted, all of the sold properties were conveyed without encumbrance with a lease, or with leases at market rent. Adjustments are based on the present value as of the sale date, of the difference between the actual rents at the property and estimated market rent(s). Average contract rents at the subject and the comparisons (to the extent they are known) are close enough to their respective market rents to make no adjustment necessary. None of the building sales require adjustment for property rights conveyed.

Time adjustments account for trends in property values experienced in the last several years during which the comparative transactions occurred. The discussion of time adjustments in the Land Valuation section largely applies here as well; however, the trend in land values may differ from that of golf course values. In particular, as golf course valuations are driven by the economic productivity of the golf course operation present at the site, trends in the golf industry also provide an indication of necessary time adjustments. As shown in the graph below, prepared by Sageworks as part of a study of golf course operating data, sales and net profit margins at golf courses have been recovering after a period of significant decline associated with the recent economic downturn:



As such due to recent improving conditions, upward adjustments are necessary for the older sales included in this analysis. However, the oldest comparisons require downward adjustments to reflect golf market conditions which were superior prior to the broader real estate market downturn and recession.

Location adjustments account for value differences resulting from quality of surrounding development, exposure, access, and competitiveness of the market sector of the comparison. **Comparison No. 1 is adjusted upward** for its inferior location in an area with lower surrounding population density.

Age/Condition/Quality adjustments account for differences in age, physical condition, functional utility, architectural attractiveness, and overall quality of the subject and comparative improvements. **Comparison Nos. 1, 3 and 4 are adjusted downward** as they are newer and in better condition, with less functional obsolescence than the subject. In particular, **Comparison No. 1 and Comparison No. 3** are full service country club oriented properties which include pool and tennis facilities.

Parking Ratio/Land-to-building ratio (Density) adjustments are necessary if the land-to-building ratio or parking ratios is either restrictive or excessive or if density affects rentability of the apartment units. Industrial property prices tend to respond to land-to-building ratio whereas other property types respond to parking ratio. Parking/land-to-building ratio adjustments are not applicable at the subject since data at the sales are available and not sufficiently different from the subject to require adjustment.

Vacancy rate adjustments recognize the vacancy differences between the comparisons at the time of sale and the subject. The comparable sales are largely single tenant and usually purchaser occupied, so a vacant golf course may be equal to or more attractive to a prospective purchaser than an occupied one and no adjustment for this factor is necessary.

Other adjustments account for factors that are unique to the subject or to the comparative building sales. No other adjustments are necessary to the comparisons.

After adjustment, the comparable data provide value indications for the subject that describes a somewhat reasonable range. The variation results from normal imperfections in real estate markets and variability in the golf course operating environments, as well as the lack of detail as to the golf course operation at the Comparisons. Thus, the weighted average value estimate concluded below is considered less reliable than is typical in analysis of this type.

Weight

As in the Land Valuation section, relative weight of the comparisons in this analysis is based on perceived reliability of the sale data and comparability of the sold properties to the subject. Generally, those comparisons requiring the least adjustment are weighted most, and listings and older sales are weighted somewhat less. The comparisons are considered to be all nearly equally unreliable indicators due to limited information about the actual golf operations at each facility and the economic productivity of the facilities. As they are all equally unreliable they are weighted equally.

Other Sales

In addition to the sales described above, other sales within Colorado were encountered but not utilized in the analysis. In particular the Snowmass Club sold in March 2013 for $9,100,000 for the 18-hole course. This translates to $505,556/hole. This sale is located in Snowmass Colorado in a resort oriented area which is not directly comparable to the subject property's location, and as such, it was not used in the analysis. In March 2012, the Club at Cordillera sold for $14,200,000. The sale included two regulation 18-hole courses and one short 18-hole course, for a total of 54 holes. The sale price translated to $262,963/hole. The course is located in Edwards Colorado and is a semi private resort oriented course. The course has endured several years of unstable operations due to management and shareholder difficulties.

Data from the Society of Golf Appraisers from 2012 in 2013 provided a large summary of golf course sales throughout the United States. In 2012, sale prices range from $550,400 for nine-hole course to just under $50 million for a 90-hole course. The average course sale price was $2,435,000 for an 18-hole course or $122,222/hole the mean sales price was $5,910,577 with the mean whole count of 20.8 holes and a price per hole of $192,870. In 2013 course sale prices range from $535,000 for nine-hole course in the low-end to $40,520,000 for 216-hole course portfolio. The median sale price was $2,100,000 and median whole count was 18 holes. The median price per hole was $97,222. The mean

sale price is $4,816,000 and mean hole count was 23.3 holes. The mean sale price per hole was $186,458.

Listings

In addition to the sales described above, listings were researched and analyzed encountered in the course of research for this appraisal. Only one remotely comparable listing is available in the Colorado area. Monument Hill Country Club located north of Colorado Springs is currently listed for sale at $2,400,000 ($.36/SF of land or $133,333/hole). The 151 acre course includes a driving range and a full range of amenities. The property includes 60,000 SF of building area with most improvements added in the 1980s. The clubhouse is 23,440 SF includes restaurant, bar/grill, banquet room, office space, locker rooms and a kids club. A separate building offers a full fitness center, for indoor climate controlled tennis courts and a fully suspended exercise floor. An aquatic center was built in 1998. It includes a six lane 25 yard indoor pool and diving area with 15 foot depth. A retractable roof allows the aquatic Center to remain open 12 months a year. The full service country club currently has 780 members and is located in the 2,374 home Woodmore community. The property generates annual revenues of over $2 million.

While this property is newer than the subject, includes more improvements and has other factors which might require adjustment, revenue generating potential appears to be somewhat similar to the subject, making its pricing indication of $2,400,000 ($.36/SF of land or $133,333/hole) a good indicator for the subject after downward adjustment for its listing status.

Although listings are less reliable than sales as indicators of value, they are useful, after adjustment, in describing a likely upper limit to value of a subject property. This listing would suggest a lower value indication than that presented by the adjusted golf course sales comparisons.

Recent Subject Sales

As described in the Prior Sales section of this report, no sale of the subject is available to be used in this analysis.

Subject Listing/Pending Subject Contract for Sale

As noted above under Current Listing/Pending Contract for Sale, the subject is not listed for sale or currently under contract for sale.

Subject Value Indication

The comparisons are adjusted as appropriate given the general guidelines outlined in the Adjustments section above and as shown on the Adjustment Grid. The adjusted sale prices from all of the comparisons range generally from $.38/SF to $.73/SF and from $162,750/hole to $353,250/hole. The

weighted average value indication for the subject is estimated at $.58/SF of land area and $225,125/hole. This value is applied to the subject land area and hole count as follows:

$.58/SF x 6,729,836 SF = $3,903,304
Rounded To: $3,900,000

$225,125/hole x 18 holes = $4,052,250
Rounded To: $4,050,000

The values are reasonably close and are reconciled to a final value estimate of $3,980,000.

Value Adjustment – Business Value and FFE

Golf courses are typically sold as going concerns, which includes real estate value as well as non-real estate items such as furniture fixtures and equipment necessary to conduct the golf operation and tangible items including an established customer base and workforce, working capital, contracts, operating agreements, trademarks, patents, goodwill, name recognition etc.

The subject golf course does not have a name brand course design nor any particularly striking course features which would lend it unique value attributes to drive revenue. Moreover the course has operated at a net negative cash flow according to the course operator's financials in 2012, 2013 and 2014. While the course operator is a national multi-course operator and has a network of relationships, contracts, contracts and other elements which may serve to create some element of business value, the course operation's negative cash flows would indicate that any business value has nominal value.

The course operator does own the furniture, fixtures and equipment which are put to use in the economic productivity of the course operation. The course operator has valued this FFE on their balance sheet as follows, including their allocation of depreciation associated with the equipment:

FF&E Tabulation	
	As of 12/31/2014
Furniture, Fixtures, Equip, & Software:	
696-000-2325 Turf Equipment	$222,761.34
696-000-2327 Range Equipment	15,725.20
696-000-2328 Small Tools	2,643.63
696-000-2329 Irrigation Systems	5,379.94
696-000-2330 Golf Carts & GPS	240,037.55
696-000-2335 Beverage Carts	13,509.37
696-000-2337 Kitchen Equipment	5,729.29
696-000-2340 Furniture & Fixtures	32,607.19
696-000-2345 Computer Equipment	38,762.85
696-000-2347 Office Equipment	11,261.53
Total Furniture, Fixtures, Equip, & Software	$588,417.89
	-
Accumulated Depreciation:	
696-000-2625 A/D Turf Equipment	$(151,548.47)
696-000-2627 A/D Range Equipment	(10,779.22)
696-000-2628 A/D Small Tools	(2,515.18)
696-000-2629 A/D Irrigation Systems	(3,835.80)
696-000-2630 A/D Golf Carts & GPS	(74,688.77)
696-000-2635 A/D Beverage Carts	(13,509.37)
696-000-2637 A/D Kitchen Equipment	(1,430.76)
696-000-2640 A/D Furniture & Fixtures	(9,637.00)
696-000-2645 A/D Computer Equipment	(33,416.46)
696-000-2647 A/D Office Equipment	(9,525.49)
Total Accumulated Depreciation	$(310,886.52)
Subtotal Fixed Assets (Net of Depr)	**$277,531.37**

While the amount of depreciation reported is a function of accounting practices and rules, it does serve as a useful indicator of actual depreciation, and in the absence of better data to the contrary, it is estimated as appropriate for this analysis, and the estimated value of the FF & E is estimated at:

Estimated Value – FF & E
$280,000

The business value and FFE value adjustments are applied the above value indication as follows:

Value Indication before Adjustment:	$3,980,000
Value Adjustment - business value:	NA
Value Adjustment - FFE:	$280,000
Value Indication after Adjustment:	$3,700,000
Rounded to:	$3,700,000

VALUE INDICATION BY SALES APPROACH - GOLF COURSE – AS IS
$3,700,000

Income Approach

The Income Approach provides a value indication for a real property by projecting a net income stream through analysis of the subject and comparable income and expense information. The net income is then processed into a value indication using direct capitalization and/or discounted cash flow analysis (DCF). Discounted cash flow analysis is used when the net income of the real property is forecast to be variable, when the property is of sufficient size to cause typical prospective investors to use DCF, or when specifically requested in an assignment. DCF is particularly appropriate to analysis of large multi-tenant properties having several leases above or below market rents or above market vacancy. Direct capitalization is generally appropriate for small to medium size properties, single tenant or user type properties, or those with stable forecast net income.

The golf course market continues to remain weak, despite some economic recovery. Demographics shifts and challenges facing the golf business discussed above in the Real Estate Market Conditions section, continue to plague the industry, as does the overbuilding that occurred in the years leading up to the downturn. The few buyers that do exist tend to be opportunistic, seeking underperforming or mismanaged courses, or national golf management firms trading multi-course portfolios. As evidenced in the Sales Approach section above, no comparable golf course transactions have occurred since 2011, and only 4 transactions between 2002 and 2015 of operating golf courses in the Colorado Front Range were encountered in the research for this appraisal. One other operating course – Heritage Todd Creek – sold in 2012, but this transaction represented a water rights acquisition, of which the golf course was a portion of the transaction value. Three other courses sold, or are currently under contract (described in the Land Valuation section above), but each of these course sales represent redevelopment opportunities, where golf course was not the highest and best use.

Discussions with golf course market participants indicate that during unstable market conditions, and even in more stable market times, direct capitalization tends to be an unreliable indicator, often due to minimal or negative net operating income evident in available properties. This is the case at the subject property, where no positive EBITDA occurred for the past 2 years, with only $14,612 of positive EBITDA occurred in 2012. In many cases, a particular owner/operator's motivations or business model may skew operating expenses, resulting in a net operating income indication not attainable under normal market conditions. Large management fees, owner's salaries or unusual benefits such as vehicle allowances are a few examples often found in the industry.

In the case of the subject, an additional consideration is the fact that the course is not owned by the golf operator, but leased. Moreover, the lease in the 17th year of a 20-year lease. Based upon the operating data available at the subject, the lease expense is one of the largest single expense categories, catapulting EBITDA into negative territory over the past two years. This would seem to indicate that the contractual rental rate is in excess of that supportable by the market conditions and business operation evidenced in the operating statements. However, with little comparable data available regarding industry

standard operating expenses, it is difficult to examine if the reported subject operations are truly representative of market conditions.

In the absence of reliable net operating income data, golf course buyers tend to examine gross revenue as an indicator of a golf course's potential for economic productivity, applying a multiple to derive a value indication for the course as a going concern, then applying market based expense assumption to model net operating income according to their particular business model in order to evaluate purchase decisions. The use of a gross revenue multiplier is also seen in valuations of other real estate assets, such as gas stations and car washes, where the property value is driven by the business productivity directly attributable to the real estate and FFE at the property, and the distinction between business value, going concern value and underlying real estate vale are nebulous. Because of the unreliable operating expense data at the subject, the Gross Revenue Multiplier method is applied to the subject to arrive at a value indication by the Income Approach.

Revenues

Stabilized potential gross income at the subject includes greens and guest fees, golf cart rental, golf merchandise, pro shop services, player development program, driving range and food and beverage. Historical operations of the subject property are documented on the Operating Statements at Addendum N. Revenues at the subject are in effect capped at the lease required daily fees to be comparable to other municipal golf course fees in the local area. These statements and 2015 budget are summarized below:

	2012	2013	2014	2015 Budget
Gross Sales	$2,526,238	$2,301,171	$2,306,063	$2,390,952
Cost of Sales	$322,305	$317,434	$316,147	$290,116
Total Payroll	$815,055	$733,434	$763,469	$805,405
Golf Operation Expenses	$719,683	$646,357	$673,742	$654,215
Property Taxes	$67,928	$38,876	$38,817	$76,392
Facility Lease	$583,330	$699,996	$816,663	$699,996
Net Profit	$17,937	($134,926)	($302,775)	($135,172)

Subject Greens Fees and Comparable Course Fees

The subject property is operated with greens fees that are required to be comparable to other fees charged at municipal courses throughout the local area. Greens fees are currently $26 for 18 holes and $17 for 9 holes on weekdays; $31 for 18 holes and $17 for nine holes on Friday's; and $36 for 18 holes and $20 for nine holes on weekends. The most comparable and competitive golf courses to the subject are those courses throughout the Denver Metro area operated as municipal golf courses. A summary of each course's 18-hole rates is below. Other nearby municipal courses are also summarized below. It should be noted that the City of Denver assumed control of all of their courses in the past two years and now

operates each course (except the subject), and sets rates to a level necessary to fund operations and maintenance and improvements at the various courses. This type of fee structure is typical of municipal or publicly owned courses as they are operated as amenities for local residents, and not as a profit center, much like a recreation center or park facility.

Course	Subject	City Park	Evergreen	Kennedy	Overland	Wellshire	Willis Case
Operator	Eagle Golf	Denver	Denver	Denver	Denver	Denver	Denver
Weekday 18 holes - Resident	$26.00	$27.00	$25.00	$27.00	$27.00	$27.00	$27.00
Weekday 9 holes - Resident	$17.00	$17.00	$17.00	$17.00	$17.00	$17.00	$17.00
Weekend 18 holes - Resident	$36.00	$37.00	$36.00	$37.00	$37.00	$37.00	$37.00
Weekend 9 holes - Resident	$20.00	$20.00	$20.00	$20.00	$20.00	$20.00	$20.00
Cart - 18 holes	$14.00	$15.00	$15.00	$15.00	$15.00	$15.00	$15.00
Cart - 9 holes	$7.00	$7.50	$7.50	$7.50	$7.50	$7.50	$7.50
Driving Range -Sm	$4.00	$4.00	NA	$4.00	$2.00	$5.00	NA
Driving Range -Md	$7.00	$8.00	NA	$10.00	$6.00	$8.00	NA
Driving Range -Lg	$11.00	$10.00	NA	$15.00	$9.00	$10.00	NA

Course	Subject	South	Lone Tree	Littleton	Broken Tee
Operator	Eagle Golf	South Suburban Parks and Rec.	South Suburban Parks and Rec.	South Suburban Parks and Rec.	Englewood
Weekday 18 holes - Resident	$26.00	$33.00	$47.00	$26.00	$24.00
Weekday 9 holes - Resident	$17.00	$19.00	$24.00	$16.00	$14.00
Weekend 18 holes - Resident	$36.00	$37.00	$50.00	$30.00	$28.00
Weekend 9 holes - Resident	$20.00	$22.00	$27.00	$19.00	$16.00
Cart - 18 holes	$14.00	$16.00	$16.00	$16.00	$15.00
Cart - 9 holes	$7.00	$9.00	$9.00	$9.00	$8.00
Driving Range -Sm	$4.00	$5.00	NA	$5.00	NA
Driving Range -Md	$7.00	$8.00	NA	NA	NA
Driving Range -Lg	$11.00	$11.00	NA	$7.00	NA

Rates for the subject appear to be competitive with other municipal courses throughout the Denver Metropolitan area.

Gross Revenue Estimate

Gross Revenue for the subject is estimated at $2,390,000 based in part on the budgeted revenue estimated by the subject operator. The estimate seems reasonable and is consistent with a recovering trend which has been seen industry-wide.

Gross Revenue Multiplier

Determination of a Gross Revenue Multiplier is generally based on multipliers observed at sale comparisons used, multipliers reported in investment survey publications and interviews with industry professionals. The gross income analysis above, the greens fees and other revenue sources at the subject and the operating history of the tenants are recognized here. The subject tenant is not a publicly traded company, but appears to have average regional credit.

Comparable Sales

None of the building sale comparisons analyzed in this appraisal provide sufficient data to derive a gross income multiplier.

Investment Surveys

The Society of Golf Appraisers, Golf Course Investment Survey's is discussed in the Denver Real Estate Market Conditions section at Addendum H. The survey's results for Gross Income Multipliers are shown below.

Golf Investor Survey (golf appraisers.org)												
	2012			2013			2014			2015		
	Low	High	Average	Low	High	Average	Low	High	Average	Low	High	Average
Gross Income Multiplier	0.4	3	1.4	0.5	3	1.5	0.4	3	1.4	0.5	3.5	1.6

In estimating the market indication of the appropriate subject gross income multiplier, the inclusion or exclusion of management, replacements, and lease expense in comparable properties and the potential for unreimbursed expenses, and rental income and real estate tax increases are recognized. Considering the investment surveys, the age/condition/quality of the subject, the public nature of the course and rate restrictions in place, the indicated gross income multiplier for the subject appraisal is estimated to be in the 1.4 to 1.6 range.

Industry Professional Interviews

Another indicator of the appropriate gross income multiplier for the subject is information accumulated during interviews with golf course industry professionals. Jim Dignan, broker with DTZ

and a partner in the recent acquisition of the Heritage at Todd Creek golf course indicated that multipliers for courses which have had a history of losing money should range from 1.0 to 1.5 in recent periods, as buyers are still weary of the economic recovery and the likelihood that recent industry trends can be reversed or at least stabilized. Overall his view was pessimistic. He also noted that courses which could not be owned in fee simple by the operator added an extra layer of risk and concern, requiring discounting. He noted that virtually no operator would approach a course if it did not have a lease term of over 20 years, and even then some operators would discount their estimations of operating metrics by as much as 25% - 40%.

Keith Cubba of Colliers International indicated that weakness still pervades in the industry. Many of the weaker courses have not cleared out of the market due to deed restrictions which limit alternative uses. Public courses face some of the tightest conditions due to daily fee compression as a result of tee time services, which extract a fee for their services. Established private courses and signature courses were commanding multipliers at the higher end of the range.

Rob Waldron, Acquisition and Business Development Manager for Billy Casper Golf reported in a March 2012 Golf Inc. magazine article titled, Courses Selling for 1.6x Gross Revenue, that golf courses with large food and beverage components of the gross revenue are not worth as much as a course with little food and beverage as food and beverage typically adds little to the bottom line. "Food and Beverage only adds 15% to the bottom line while golf adds 35%."

Industry professional surveys indicate a range of gross revenue multipliers from 1.0 to 1.5

Gross Revenue Multiplier Conclusion

Of the three sources of gross revenue data reviewed, the most reliable is estimated to be the industry professional surveys with support from the investment surveys. The various analyses indicate gross revenue multiples applicable to the subject as follows:

Sale Comparisons:	No Data
Investment Surveys:	1.4 to 1.6
Industry Professional Surveys:	1.0 to 1.5

Average Indicated Gross Revenue Multiplier: 1.0 to 1.6

When considering the appropriate gross revenue multiplier, several considerations are examined. First, the subject course location is such that is lies at the north end of residential portion of northeast Denver. It is surrounded by residential uses primarily to the south and west, with light industrial uses to the north east and portions of the west. This provides a smaller geographically proximate customer base than would be available if the course was completely surrounded by residential uses. Moreover, the demographics surrounding the subject indicate that average household income is around $44,000, whereas the average household income from the Denver metropolitan area is around $62,000.

Ostensibly, this indicates that the population immediately surrounding the subject is relatively small, but also likely has less discretionary income for the subject to capture. This forces the subject to capture customers from areas further afield. The subject golf course and facilities are in average condition and, partially due to their urban location, provide a fairly average course natural environment. This reduces the ability of the course itself to draw customers from outside of its immediate geographic area.

At the subject, food and beverage has contributed roughly 30% of Gross Sales historically. Net income from food and beverage has ranged from 25% to 30% of total food and beverage revenue, whereas net income from golf operations, after deduction of golf operating expense, course maintenance expense and clubhouse expense, has ranged from 43% to 50% of total golf revenue. This indicates that the food and beverage operation is less profitable than the golf operation and contributes a sizable portion of gross revenue, warranting a gross revenue multiple near the lower end of the range.

Considering the subject location, course amenities and condition and operating revenue mix, as well as the risks associated with the changing national and local economies and their influence on local real estate markets, particularly the golf industry in general, the appropriate gross income multiplier for the subject property under the assumptions made in this analysis is estimated at 1.3 to 1.5.

Value Indication Gross Revenue Multiplier

The estimated Gross Revenue Multiplier is applied to the Gross Revenue estimated above to derive a range of value indications as shown below:

Gross Revenue Multiplier		
Forecasted Gross Revenue	$2,390,000	$2,390,000
Multiplier	1.3	1.5
Market Value Indication – Gross Revenue Multiplier	$3,107,000	$3,585,000
Rounded to:	$3,100,000	$3,590,000
Reconciled to:		$3,350,000

Value Adjustment – Business Value and FF & E

As described above, golf course valuation typical includes fixtures and equipment necessary to conduct the golf operation and tangible items including an established customer base and workforce, working capital, contracts, operating agreements, trademarks, patents, goodwill, name recognition etc.

The value estimates for FF & E and intangible business value arrived at in the Sales Approach above applies to the going concern value by the Income Approach by Gross Revenue Multiplier as shown below:

Value Indication before Adjustment:	$3,350,000
Value Adjustment - business value:	NA
Value Adjustment - FF & E:	$280,000
Value Indication after Adjustment:	$3,070,000
Rounded to:	$3,070,000

VALUE INDICATION BY INCOME APPROACH – GOLF COURSE - AS IS
$3,070,000

Value Conclusions

The value indications provided for the subject real property by the approaches used are as follows:

APPROACHES	VALUE INDICATIONS		
	As Is Golf Course	As Is Redevelopment Site	Upon Completion of Rezoning Redevelopment Site
	June 24, 2013	June 24, 2013	October 1, 2016
LAND VALUE BY SALES APPROACH	NA	$24,400,000	$27,300,000
COST APPROACH	NA	NA	NA
SALES APPROACH	$3,700,000	NA	NA
INCOME APPROACH	$3,070,000	NA	NA

In order to make a final value estimate for a real property, it is necessary to recognize the relative reliability of the data and analysis used in each approach, generally placing the most emphasis on the approach that is most reflective of the thinking of the typical buyer of the real property. The valuation approaches used are compared as discussed in the Appraisal Methodology section of this report.

For development of properties such as the subject as a redevelopment site, both as is and upon completion of rezoning, absent detailed development cost estimates, the Sales Approach is generally the most indicative of typical purchaser attitudes since it is based on the development capacity of the property in light of that scene at other comparable properties. Data and analysis used in the Sales Approach are considered fairly reliable.

For development properties the Income Approach - Discounted Cash Flow Analysis is only reliable if accurate development cost information is available. Without accurate development cost Discounted Cash Flow Analysis is not appropriate. Likewise, for development properties, the cost approach is also of limited utility without accurate development cost information. As the project is merely conceptual in nature no accurate development cost estimates are available, making the Income Approach and Cost Approach not appropriate. As such the Sales Approach is relied upon exclusively in estimating the value of the subject upon completion of the hypothetical proposed rezoning on the future date of value.

For golf course properties such as the subject as is, under the hypothetical condition that the current lease will not be renewed and the right of first refusal will not be exercised, the Sales Approach relies on physical units of comparison of interest to users. The Income Approach analyzes income-producing ability, which is of interest to investors/operators. Buyers are interested in both income producing ability and functional utility of the property. For the subject golf course the Income Approach

more accurately represents potential economic opportunity and carrying capacity of the golf course itself. Utilization of the Gross Revenue multiple allows analysis of the operation, above and beyond each individual operators operating expense structures and business models. The Sales Approach, while generally indicative of typical purchaser attitudes, is limited in reliability due to the unavailability of transaction details for many of the sales. Therefore, the Sales Approach is generally considered most useful in corroborating the value indication by the Income Approach. The Income Approach is relied upon most in this appraisal since the subject is primarily an investor property. The value indications for the golf course are adjusted for business value and FF & E, resulting in a value indication for the real estate alone.

Of note is the subject lease provisions, which permits the subject lessee to exercise a right of first refusal on any purchase offers received by the subject owner. The Appraisers have been instructed to appraise the subject as is under the hypothetical condition that this right of first refusal does not exist. In reality, the subject lessee could preserve this right of first refusal through the remainder of the original lease term and for an additional 10 years via exercising its lease renewal options. While the subject operator has been operating the golf course at a loss for the past several years, the costs associated with preserving the first right of refusal are nominal. Upon learning that the subject owner is pursuing a rezone of the subject property the lessee would be very likely to inform its primary investors of the potential opportunity. As the golf course operator is backed by private equity funds from companies which surely have the knowledge, experience and or partnership relationships to evaluate large-scale real estate development opportunities, it would seem likely that the subject lessee would preserve their right of first refusal. Discussions with developers indicate that they would be reluctant to expend the time and effort necessary to evaluate a purchase decision of a potential project of the scale and scope as that present at the subject with the knowledge that a potential buyer may exercise their right of first refusal on any offer put forth by the developer. This could have the consequence of reducing or eliminating competitive bidding for the subject property.

In the final analysis of the subject as is, under the hypothetical condition that the lessee will not exercise its renewal options and right of first refusal on any purchase offers, the Income Approach provides the most reliable value indication, with corroboration from the Sales Approach. The estimated market values of fee simple interest in the subject real estate recognizing a lease (or leased fee interest) as of the date of value, subject to the Hypothetical Conditions in this report and subject to the Certificate, Assumptions and Limiting Conditions in this report is:

APPRAISED VALUE – GOLF COURSE - AS IS
June 24, 2015
$3,100,000
$.46/SF OF LAND AREA
MARKET EXPOSURE TIME: 9 TO 12 MONTHS

In the final analysis of the subject as-is, with the extraordinary assumption that the golf course use restriction can be removed to enable pursuit of entitlements for mixed use development, the Sales Approach provides the only reliable value indication. The estimated market values of fee simple interest in the subject real estate recognizing a lease (or leased fee interest) as of the date of value, subject to the Hypothetical Conditions in this report and subject to the Certificate, Assumptions and Limiting Conditions in this report is:

APPRAISED VALUE – REDEVELOPMENT SITE - AS IS
June 24, 2015
$24,400,000
$3.63/SF OF LAND AREA
MARKET EXPOSURE TIME: 6 TO 12 MONTHS

In the final analysis of the subject upon the hypothetical completion of rezoning and removal of the golf course use restriction, the Sales Approach provides the only reliable value indication. The estimated market values of fee simple interest in the subject real estate recognizing a lease (or leased fee interest) as of the date of value, subject to the Hypothetical Conditions in this report and subject to the Certificate, Assumptions and Limiting Conditions in this report is:

APPRAISED VALUE – REDEVELOPMENT SITE
UPON COMPLETION OF REZONING
October 1, 2016
$27,300,000
$4.06/SF OF LAND AREA
MARKET EXPOSURE TIME: 6 TO 12 MONTHS

Addendum A –
Flood Hazard Map

Flood Map Report

For Property Located At

CoreLogic RealQuest Professional

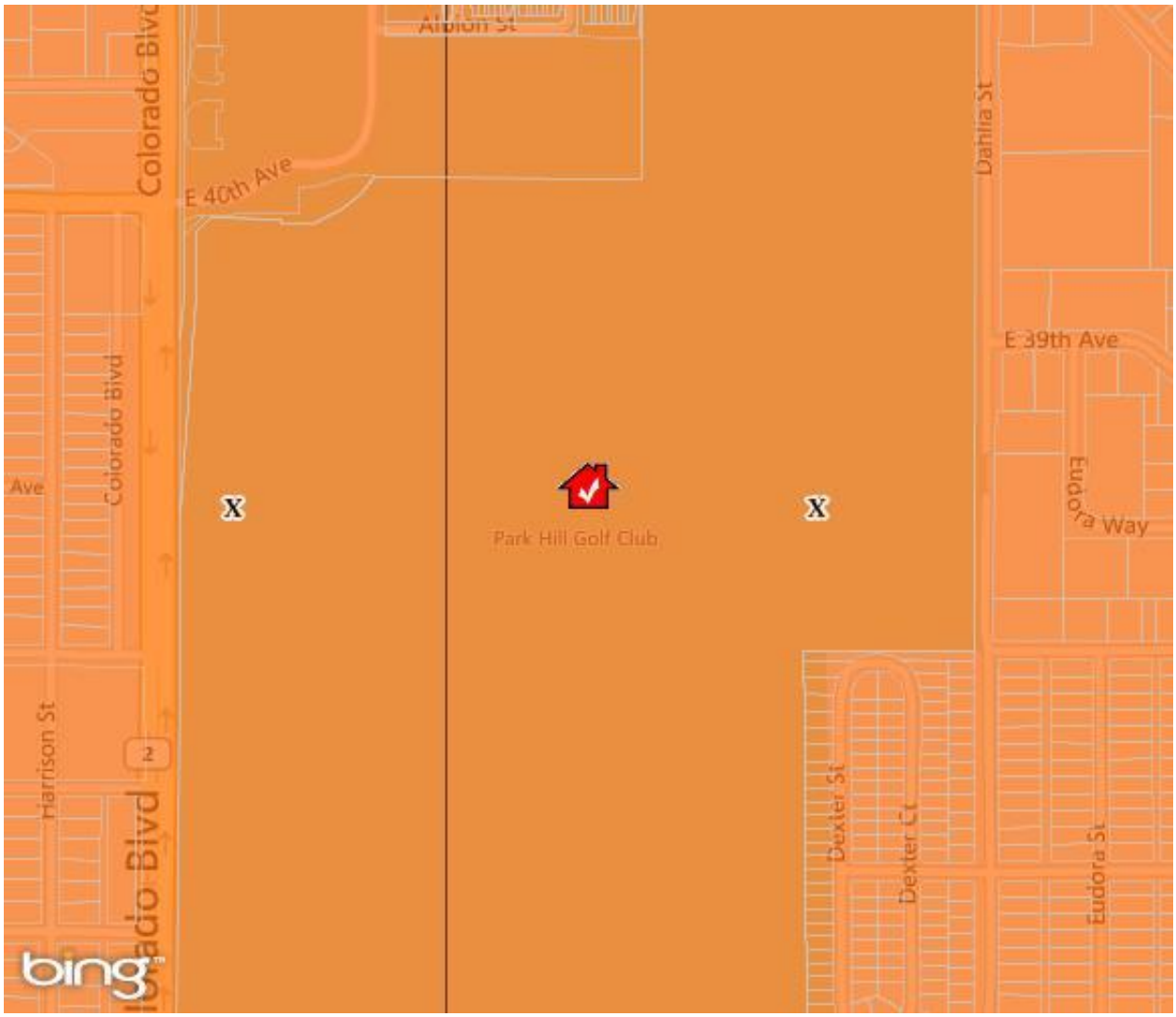
4141 E 35TH AVE, DENVER, CO 80207-1809

Report Date: **11/18/2014** County: **DENVER, CO**

Flood Zone Code	Flood Zone Panel	Panel Date
X	080046 - 0800460089G	11/17/2005
Special Flood Hazard Area (SFHA)	**Within 250 ft. of multiple flood zones?**	**Community Name**
Out	No	DENVER

Flood Zone Description:

Zone X-An area that is determined to be outside the 100- and 500-year floodplains.



Flood Zones

Coastal 100-year Floodway	100-year Floodway	Undetermined	500-year Floodplain incl. levee protected area
Coastal 100-year Floodplain	100-year Floodplain	Unknown or Area Not Included	Out of Special Flood Hazard Area

Disclaimer of Use

This map/report was produced using multiple sources. It is provided for informational purposes only. This map/report should not be relied upon by any third parties. It is not intended to satisfy any regulatory guidelines and should not be used for this or any other purpose.

Addendum B –
Legal Description

LEGAL DESCRIPTION OF GOLF COURSE LAND
(excluding 14-acre Commercial Parcel)

A PARCEL OF LAND IN THE SOUTHWEST ONE-QUARTER OF SECTION 19 AND THE NORTH ONE-HALF OF THE NORTHWEST ONE-QUARTER OF SECTION 30, ALL IN TOWNSHIP 3 SOUTH, RANGE 67 WEST OF THE SIXTH PRINCIPAL MERIDIAN, CITY AND COUNTY OF DENVER, STATE OF COLORADO BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SECTION 19, TOWNSHIP 3 SOUTH, RANGE 67 WEST; THENCE NORTH 89°40'10" EAST ALONG THE SOUTHERLY LINE OF THE SOUTHWEST ONE-QUARTER OF SECTION 19 A DISTANCE OF 50.00 FEET TO THE POINT OF BEGINNING; THENCE NORTH 00°04'08" WEST ALONG A LINE 50.00 FEET EASTERLY OF AND PARALLEL WITH THE WESTERLY LINE OF THE SOUTH ONE-HALF OF THE SOUTHWEST ONE-QUARTER OF SAID SECTION 19 A DISTANCE OF 909.31 FEET; THENCE NORTH 03°44'42" EAST A DISTANCE OF 150.33 FEET; THENCE NORTH 00°04'08" WEST ALONG A LINE 60.00 FEET EASTERLY OF AND PARALLEL WITH THE WESTERLY LINE OF THE SOUTH ONE-HALF OF THE SOUTHWEST ONE QUARTER OF SECTION 19 A DISTANCE OF 175.00 FEET; THENCE THE FOLLOWING (5) COURSES:

1) NORTH 44°57'00" EAST A DISTANCE OF 91.95 FEET;
2) NORTH 89°56'36" EAST A DISTANCE OF 290.00 FEET;
3) NORTH 00°04'44" WEST A DISTANCE OF 115.00 FEET;
4) NORTH 89°55'48" EAST A DISTANCE OF 1025.05 FEET;
5) NORTH 00°04'45" WEST A DISTANCE OF 1114.17 FEET TO ITS INTERSECTION WITH THE SOUTHERLY RIGHT-OF-WAY LINE OF SMITH ROAD AND A POINT OF NON-TANGENT CURVATURE; THENCE THE FOLLOWING (3) COURSES ALONG THE SOUTHERLY RIGHT-OF-WAY LINE OF SMITH ROAD:

1) ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 5607.93 FEET, A CENTRAL ANGLE OF 09°02'08" AND AN ARC LENGTH OF 884.37 FEET (THE CHORD OF WHICH BEARS SOUTH 84°28'25" EAST A DISTANCE OF 883.46 FEET) TO A POINT OF NON-TANGENCY;
2) SOUTH 80°43'42" EAST A DISTANCE OF 89.72 FEET;
3) SOUTH 79°58'45" EAST A DISTANCE OF 28.82 FEET;

THENCE SOUTH 00°09'32" EAST ALONG A LINE 50.00 FEET WESTERLY OF AND PARALLEL WITH THE EASTERLY LINE OF THE SOUTH ONE-HALF OF THE SOUTHWEST ONE-QUARTER OF SAID SECTION 19 A DISTANCE OF 1086.52 FEET; THENCE SOUTH 00°09'08" EAST ALONG A LINE 50.00 FEET WESTERLY OF AND PARALLEL WITH THE EASTERLY LINE OF THE SOUTH ONE-HALF OF THE SOUTHWEST ONE-QUARTER OF SECTION 19 A DISTANCE OF 1324.84 FEET; THENCE, SOUTH 00°08'13" EAST ALONG A LINE 50.00 FEET WESTERLY OF AND PARALLEL WITH THE EASTERLY LINE OF THE NORTH ONE-HALF OF THE NORTHWEST ONE-QUARTER OF SECTION 30 A DISTANCE OF 2.96 FEET; THENCE THE FOLLOWING (3) COURSES:

1) NORTH 82°31'11" WEST A DISTANCE OF 28.58 FEET;
2) SOUTH 89°39'27" WEST A DISTANCE OF 483.58 FEET;
3) SOUTH 00°37'56" EAST A DISTANCE OF 1264.16 FEET;

THENCE SOUTH 89°38'54" WEST ALONG A LINE 59.00 FEET NORTHERLY OF AND PARALLEL WITH THE SOUTHERLY LINE OF THE NORTH ONE-HALF OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 30 A DISTANCE OF 1891.72 FEET; THENCE NORTH 00°00'00" WEST ALONG A LINE 50.00 FEET EASTERLY OF AND PARALLEL WITH THE WESTERLY LINE OF THE NORTH ONE-HALF OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 30 A DISTANCE OF 1263.62 FEET TO THE POINT OF BEGINNING.

LEGAL DESCRIPTION

Addendum C –
Glossary of Terms

Glossary Of Terms

Terms marked * are from The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, Appraisal Institute. Others are as stated, or if not stated; they are by James Real Estate Services, Inc. Not all terms are used in all assignments.

Actual Age*

The number of years that have elapsed since construction of an improvement was completed; also called historical or chronological age.

Actual Value

Actual value is used by assessors in Colorado and "...shall be determined under general laws, which shall prescribe such methods and regulations as shall secure just and equalized valuations for assessment of all real and personal property..." (C.R.S. Section 39-1-101) and generally means market value (Colorado & Utah Coal Co. v. Rorex, 149 Colo. 502 369 P.2d, 799 (1962) determined as of January 1st of a "base year" specified by statute and all events after that date are disregarded (C.R.S. Section 39-1-104(9)(a) and (10.1)(a) and 105) except "unusual conditions". Unusual conditions include: installation of on site improvements, addition to or remodeling of a structure, a change of use of the land, the creation of a condominium ownership, any new regulations restricting or increasing use of the land, any detrimental acts of nature and any damage due to accident, vandalism, fire or explosion (Martin v. Board of Assessment Appeals, 707 P.2d 348 (1985)). Generally purely economic events, e.g. changes in market conditions, are not considered unusual conditions. All three approaches must be considered (C.R.S. Section 39-1-101) except for residential properties which are confined to the cost and market (sales) approaches (C.R.S. Section 39-1-103(5)(a).

Adverse Possession*

The actual, exclusive, open, notorious, hostile, and continuous possession and occupation of real property under an evident claim of right or title. The time required to obtain legal title by adverse possession varies from state to state.

Aggregate Value

The sum of the individual values of two or more physically or legally distinct portions of a real property without discount for market absorption time or bulk purchase. See Bulk Value.

Bulk Value

The combined value to a single purchaser of two or more physically or legally distinct portions of a real property with appropriate discount for bulk purchase or market absorption of the separate portions. See Aggregate Value.

Business Enterprise Value *

The value contribution of the total intangible assets of a continuing business enterprise such as marketing and management skill, an assembled work force, working capital, trade names, franchises, patents, trademarks, contracts, leases, customer vase, and operating agreements.

Cash Equivalency

When financing with more favorable than market terms was provided to the buyer in any transaction and is found to have affected the sale price, and when confirmation of the transaction does not reveal a specific cash equivalence adjustment, the sale price is adjusted to a cash equivalent price based on market discounts and market yield requirements for mortgage note purchases and/or an economic model that attempts to simulate buyer and seller behavior. The model is based in part on estimates. The appropriate adjustment is calculated by taking the present value of the debt service difference between market and actual financing terms. The market interest rate used in this calculation is for the same loan-to-price ratio and other terms as the actual financing and the discount rate used is the market interest rate. The present value is taken over the expected holding period for the investment which may be shorter than the repayment period of the actual loan as adjusted by expectations of market interest rate changes and the holding period of the buyer.

Damages*

In condemnation, the loss in value to the remainder in a partial taking of a property. Generally, the difference between the value of the whole property before the taking and the value of the remainder after the taking is the measure of the value of the part taken and the damages to the remainder. Note that the different regions of the country and different courts may use terms such as consequential damages and severance damages differently.

The Colorado Jury Instructions-Civil 4th Chapter; Eminent Domain (Condemnation) Section 36:4 definitions are:

> Any damages or benefits are to be measured by the effects the acquisition of, and the expected uses of, the property actually taken has on the reasonable market value of the residue. Any damages are to be measured by the decrease, if any, in the reasonable market value of the residue, that is, the difference between the reasonable market value of the residue before the property actually taken is acquired and the reasonable market value of the residue after the property actually taken has been acquired. Any damages that may result to the residue from what is expected to be done on land other than the land actually taken from the respondent and any damages to the residue which are shared in common with the community at large are not to be considered. Similarly, any benefits to the residue are to be measured by the increase, if any, in the reasonable market value of the residue due to the (construction) (improvement) of the (*insert brief description of the proposed improvement*). For anything to constitute a specific benefit, however, it must result directly in a benefit to the residue and be peculiar to it. Any benefits which may result to the residue but which are shared in common with the community at large are not to be considered. Nothing should be considered as a factor of either damages or

benefit unless you find that it increases or decreases the reasonable market value of the residue. Any finding of damages or benefits to the residue shall not affect your determination of the value of the property actually taken. You are to determine any damages or benefits as separate, independent items. You should not attempt to balance the two. Any adjustment or balancing must be done by the court.

As stated in La Plata Electric Association v. Cummins 782 P.2d 696,700 (Colo. 1986): "[A] property owner should get compensated for all damages that are material, necessary and reasonable result of the taking." Generally increased circuity of access to or from a property is not considered compensable; however, substantial impairment or elimination of access to or from the adjoining road without alternative means of access is. The damage generally must result from the condemnor's use of the property taken from the owner, not property taken from another owner, even if for the same project.

Depreciation *

1. In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

2. In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method.

Disposition Value *

The most probable price that is specified interest in real property is likely to bring under the following conditions:

1. Consummation of a sale will occur within a limited future marketing period specified by the client.

2. The actual market conditions currently prevailing are those to which the appraised property interest is subject.

3. The buyer and seller is each acting prudently and knowledgeably.

4. The seller is under compulsion to sell.

5. The buyer is typically motivated.

6. Both parties are acting in what they consider their best interests.

7. An adequate marketing effort will be made in the limited time allowed for the completion of a sale.

8. Payment will be made in cash in U.S. Dollars or in terms of financial arrangements comparable thereto.

9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with special financing terms.

Easement*

The right to use another's land for a stated purpose. Also a nonpossessory (incorporeal) interest in landed property conveying use, but not ownership, of a portion of that property.

Economic Life*

The period over which improvements to real property contribute to property value.

Effective Age*

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age.

Excess Land*

In regard to an improved site, the land not needed to serve or support the existing improvement. In regard to a vacant site or a site considered as though vacant, the land not needed to accommodate the site's primary highest and best use. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement.

Exposure Time*

1. The time a property remains on the market.

2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

External Obsolescence *

An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant.

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Source: Uniform Standards of Professional Appraisal Practice

Fair Market Value

The price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

Source: US Internal Revenue Service - *United States v. Cartwright*, 411 U. S. 546, 93 S. Ct. 1713, 1716-17, 36 L. Ed. 2d 528, 73-1 U.S. Tax Cas. (CCH) ¶ 12,926 (1973), applied in IRS Revenue Ruling 59-60, also 26 C.F.R. sec. 20.2031-1(b) – estate tax, and sec. 25.2512-1 – gift tax

Fair Market Value

The hypothetical price that a willing buyer and seller agree upon when they are acting freely, carefully, and with complete knowledge of the situation.

Source: US Department of Housing and Urban Development, Housing Glossary

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Source: Financial Accounting Standards Board, Statement of Financial Accounting Standard (SFAS) 157: Fair Value Measurements

Feasibility*

An indication that a project has a reasonable likelihood of satisfying explicit objectives.

Fee Simple Estate*

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Fractional Interest

See Partial Interest

Functional Obsolescence *

The impairment of functional capacity of a property according to market tastes and standards.

Functional Obsolescence - Curable*

An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected.

Functional Obsolescence - Incurable*

An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected.

Functional Utility*

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms.

General Benefits*

In eminent domain valuation, the benefits that accrue to the community at large as a result of the new public work and the increased general prosperity that accompanies development.

Going-In Capitalization Rate*

The overall capitalization rate obtained by dividing a property's net operating income for the first year after purchase by the present value of the property.

Growth Rate

This term is the rate at which income and expenses are forecast to increase in a discounted cash flow analysis. Projected inflation tends to be the primary influence on expense growth rates whereas both inflation and market rent trends tend to affect market rent growth rates.

Highest and Best Use*

> The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property-specific with respect to the user and timing of the use-that is adequately supported and results in the highest present value.

The concept of highest and best use focuses on profit maximization as a determining factor in the development and/or use of a real property. In fact, a property's use tends to be determined by conflict resolution among developers, lenders, tenants, government and interest groups concerning economic as well as social feasibility. Thus, the most probable use of a real property may be different from its highest and best use. In estimating the highest and best use of the subject, then, some consideration is given to factors other than those outlined in the definition of highest and best use that may affect the eventual actual use of a property.

Hypothetical Condition

That which is contrary to what exists, but is supposed for the purpose of analysis.

> Source: Uniform Standards of Professional Appraisal Practice

Imputed Capitalization Rate

An imputed capitalization rate is the rate, which results from dividing stabilized net operating income as of the date of value by the net present value of the real property as calculated in discounted cash flow analysis. An imputed capitalization rate can be calculated also by using the projected first year operating income. To the extent these two net incomes differ due to vacancy, lease terms, anticipated renovation cost or other factors in the real estate, and market rent trends the resulting imputed capitalization rates also may differ.

Inflation*

> An erosion of the purchasing power of currency characterized by price escalation and an increase in the volume of money, i.e. the proliferation of monetary units and consequent decline in the value of each unit.

Insurable Value*

A type of value for insurance purposes.

Investment Value*

The specific value of a property interest to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.

Just Compensation*

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position as he or she would be if the property had not been taken.

Larger Parcel*

In governmental land acquisitions, the tract or tracts of land that are under the beneficial control of a single individual or entity and have the same, or an integrated, highest and best use. Elements for consideration by the appraiser in making a determination in this regard are contiguity, or proximity, as it bears on the highest and best use of the property, unity of ownership, and unity of highest and best use. In most states, unity of ownership, contiguity, and unity of use are the three conditions that establish the larger parcel for the consideration of severance damages. In federal and some state cases, however, continuity is sometimes subordinated to unitary use.

Leased Fee Interest (Estate)*

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual land-lord-tenant relationship.

Leased Leasehold Interest

The "sandwich" position of the lessee in one lease who in turn subleases to another party.

Leasehold Interest *

The tenant's possessory interest created by a lease.

License*

1. For real property, a personal, unassignable, and typically revocable privilege or permit to perform some activity on the land of another without obtaining an interest in the property.

2. A formal agreement for a lawful source that allows a business or profession to be conducted, e.g., a franchise.

3. Government permission to conduct and activity.

Life Estate*

Rights of use, occupancy, and control, limited to the lifetime of a designated party, sometimes referred to as the life tenant.

Liquidation Value*

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can be modified to provide for valuation with specified financing terms.

Market Area*

The area associated with the subject property that contains its direct competition.

Market Rent*

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement, including permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options, and tenant improvements.

Market Value*

The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair-sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.

Market Value

Market Value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated:

2. Both parties are well informed or well advised, and acting in what they consider their own best interests:

3. A reasonable time is allowed for exposure in the open market;

4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Adopted as part of Final Rules in response to the Financial Institutions Reform Recovery and Enforcement Act by the Federal Reserve System, Federal Deposit Insurance Corporation (FDIC), Office of Thrift Supervision (OTS), Office of the Comptroller of the Currency (OCC), and the National Credit Union Administration in August 1990.

The Federal Home Loan Bank Board in Memorandum R-41c originally published the above definition with inconsequential differences in September 1986, and the Appraisal Institute published essentially the same definition in 1992 in The Appraisal of Real Estate, Tenth Edition. After adoption by federal regulators, this definition became mandatory for federally regulated lenders in late 1990.

This appraisal has been made under several assumptions regarding the definition. The "specified date" quoted and the date of value of the appraisal is assumed to be the same. Thus, the "sale" referred to in the definition is assumed to occur on the date of value.

The "reasonable time" quoted in Item 3 is assumed to have elapsed prior to, and to have ended on, the "specified date," or date of value. The value concluded pertains specifically to the date of value of this appraisal, not a future date, and reflects recent market trends leading up to the date of value. If the property were put on the market on the date of value, the eventual sale price may, or may not, be equal to

the appraised value. This eventual sale price would depend on the asking price, marketing time, and market trends during the marketing period after the date of value.

The appraisal was made assuming "reasonable time" means the amount of time necessary to expose the subject to prospective purchasers, generally through brokerage, at a price that elicits interest. Thus, the number of purchasers to which a property appeals largely determines reasonableness. "Reasonable time" also allows time for competent, aggressive marketing of the property, analysis by prospective purchasers, negotiating a price, obtaining financing, and closing the transaction.

"Reasonable time" is also distinguished from any holding period relating to feasibility of a proposed use of a property. If a substantial time will likely elapse before the highest and best use becomes feasible, the holding period is recognized in the value estimate by means of discounting the property's value rather than by means of extending the marketing time. The value conclusion recognizes that a typical purchaser will require a reduced price as compensation for a holding period, if such a holding period is necessary.

Source: Financial Institutions Reform, Recovery, and Enforcement Act of 1989

Market Value

The amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal.

Source: Uniform Appraisal Standards for Federal Land Acquisitions, Washington, D.C. 2000

Neighborhood*

1. A group of complementary land uses; a congruous grouping of inhabitants, buildings or business enterprises.

2. A developed residential super pad within a master planned community usually having a distinguishing name and entrance.

Partial Interest*

Divided or undivided rights in real estate that represent less than the whole (a fractional interest).

Personal Property*

1. Identifiable tangible objects that are considered by the general public as being "personal," - for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate. (USPAP, 2010-2011 ed.)

2. Consists of every kind of property that is not real property; movable without damage to itself or the real estate; subdivided into tangible and intangible. Also called personalty.

Prescriptive Easement (Easement by prescription)*

The right to use another's land, which is established by exercising this right openly, hostilely, and continuously over a statutory period of time.

Physical Deterioration*

The wear and tear that begins when a building is completed and placed into service.

Physical Deterioration - Curable*

The form of physical deterioration that can be practically and economically corrected as of the date of appraisal.

Physical Deterioration - Incurable*

A form of physical deterioration that cannot be practically or economically corrected as of the date of appraisal.

Prospective Opinion of Value*

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy.

Real Estate*

An identified parcel or tract of land, including improvements, if any.
(USPAP, 2010-2011 ed.)

Real Property*

The interests, benefits, and rights inherent in the ownership of real estate.
(USPAP, 2010-2011 ed.)

Reasonable Market Value

Reasonable Market Value means the fair, actual, cash market value of the property. It is the price the property could have been sold for on the open market under the usual and ordinary circumstances, that is, under those circumstances where the owner was willing to sell and the purchaser was willing to buy, but neither was under an obligation to do so. In determining the

market value of property actually taken, the appraiser may not take into account any increase or decrease in value caused by the proposed public improvement.

Source: Colorado Jury Instructions 4th: Civil; Chapter 36; Eminent Domain (Condemnation) Section 36:3.

Remainder*

1. A future possessory interest in real estate that is given to a third party and matures upon the termination of a limited or determinable fee. For example, A gives B a life estate in A's farm for B's lifetime. A also gives C an interest in the farm to take effect upon B's death. C has a remainder interest.

2. In eminent domain condemnation, a portion of a larger parcel remaining in the ownership of the property owner after a partial taking.

Remaining Economic Life*

The estimated period during which improvements will continue to represent the highest and best use of the property; an estimate of the number of years remaining in the economic life of the structure or structural components as of the date of the appraisal; used in the economic age-life method of estimating depreciation.

Residue

Residue means that portion of any property, which is not taken but which belongs to the respondent, and which has been used by, or is capable of being used by, the respondent, together with the property actually taken, as one economic unit. (See Remainder)

Source: Colorado Jury Instructions 3d: Civil, Chapter 36; Eminent Domain (Condemnation) Section 36:4.

Sandwich Lease*

A lease in which an intermediate, or sandwich, leaseholder is the lessee of one party and the lessor of another.

Special Benefits*

In eminent domain valuation, the benefits that arise from the peculiar relation of the land in question to the public improvement, usually resulting from a change in its highest and best use. Special benefits may accrue to multiple parcels (such as all four quadrants of a newly constructed freeway interchange) because the parcels are directly benefited in a similar manner, if not to the same degree.

In Colorado the effect of special benefits is calculated as follows:

In determining the amount of compensation to be paid for such a partial taking, the compensation for the property taken and damages to the residue of said property shall be reduced by the amount of any special benefits which result from the improvement or project, but not to exceed fifty percent of the total amount of compensation to be paid for the property actually taken."

Source: Colorado Revised Statutes, Title 38, Article 1, Section 114 (2)

Stabilized Year

Stabilized year as of date of value is used in discounted cash flow analysis as a hypothetical reference, or base year of operations of the real property from which to make cash flow projections. It is not an actual year, but rather one that is calculated based on real property operations as of the date of value. The rates of income and expenses, therefore on the date of value are annualized to create the stabilized year operating statement, which may differ from the twelve-month periods preceding or succeeding the date of value. Stabilized-year potential gross income is based on actual rents for leased space and market rents for vacant space. A stabilized vacancy allowance is applied to derive effective gross income. To account for contract rents that may differ from market rents for the same space, financial vacancy rather than physical vacancy is used. Expenses in the stabilized year are estimated based on stabilized operations. Particularly for buildings with non-market vacancy levels, some stabilized expense items may differ from the first year projections.

Surplus Land*

Land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Such land may or may not contribute positively to value and may or may not accommodate future expansion of an existing or anticipated improvement.

Terminal (Residual) Capitalization Rate*

The capitalization rate applied to the expected net income for the year immediately following the end of the projection period to derive the prospective resale price or value of a property. Also called a going-out, residual, or reversionary capitalization rate.

Trade Area*

The geographic area from which a retail facility consistently draws most of its customers; also called market area.

Value in Use*

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not equal to market value but is different conceptually.

Addendum D –

Instructions to Appraiser and Associate

Addendum E –

Appraisals – Scope of Work and Types of Reports

APPRAISALS - SCOPE OF WORK AND TYPES OF REPORTS

by

William M. James, MAI, CCIM

In 1994, the Appraisal Standards Board of the Appraisal Foundation (the national regulator of the appraisal profession) promulgated regulations concerning limited appraisals and abbreviated reports in the Uniform Standards of Professional Appraisal Practice (USPAP). This action was long awaited in the appraisal community since many appraisers regardless of a lack of specific regulations have always conducted such appraisals. In 1999, USPAP was amended to further clarify this and several other items. While a Departure Provision permitting "limited" appraisals and abbreviated reports had been in place for several years, only then had most of its ambiguity been removed making clearer how to conduct such work. Thus, a number of specific terms were established to replace Letter Opinion of Value, Update Appraisal, Recertification of Value and Evaluation of Real Property Collateral.

Specific definitions were included in USPAP; however, in essence a "complete" appraisal was one in which added data or analysis would result in only negligible change in its value conclusion. A "limited" (or preliminary) appraisal was one that could have significant value change under those conditions. A "complete" appraisal was at the top of the range of possibilities of reliability or credibility. "Limited" appraisals on the other hand were able to cover a wide range of less reliable or credible options such as exclusion of approaches to value, reliance on market data previously gathered for other appraisals, rather than extensive primary research, or even exclusion of inspection of the real estate in rare cases. A limited appraisal was often useful for preliminary decision-making regarding a real property asset or when an abundance of collateral or credit is available in a loan transaction. An "Evaluation" under the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) was essentially often a limited appraisal.

In 2006 USPAP abandoned the Departure Provision, which differentiated between "complete" and "limited" appraisals and replaced it with an obligation by appraisers to consult with their clients to determine the appropriate scope of work considering the intended use of the appraisal. Limited appraisals and abbreviated reports have always been useful tools to serve appraisal and advisory client needs in a wide variety of situations, so the terms are still useful by to briefly identify different scopes of work. Today, appraisers are required to specifically address the various components of appraisal analysis in an appraisal assignment. Appraisers at JRES continue to use the terms "complete" and "limited appraisals" as defined above while their appraisals continue to conform to the requirements of USPAP.

Alongside the range of scope of appraisal analysis options, USPAP formerly provided three written report options and one oral report option. In 2014 USPAP consolidated the Self-Contained and Summary Appraisal Report options into the Appraisal Report option which complements the renamed Restricted Appraisal Report option as described on the following page. In the descriptions of the report options the words `summarize' and `state' are used to describe minimum reporting requirements for components of the appraisal report. Either report option may be used with any appraisal research and analysis scope option. An oral report option was eliminated from the table of report options in 2014 and is rarely used except for court testimony.

Today, an Appraisal Report is generally considered equivalent to the former USPAP Summary Appraisal Report and contains summary descriptions of the subject property, its environment, the data used in the appraisal and the analysis applied. While many appraisers include more, according to USPAP, a Restricted Appraisal Report is required to include only the absolute minimum information necessary to make the appraisal report usable without ambiguity or misunderstanding. Within these two categories, a wide variety of Appraisal Report formats are possible including form and narrative reports. Options are inclusion or exclusion of background economic data distantly related to the appraisal conclusion, detailed descriptions of the subject property neighborhood, site and improvements, and detailed descriptions of the real estate market data and/or analysis applied to it.

For further clarification of available options contact the Principals at James Real Estate Services, Inc.

COMPARISON OF REPORT TYPES

a)	**Appraisal Report**	b)	**Restricted Appraisal Report**
i.	state the identity of the client and any intended users, by name or type;	i.	state the identity of the client by name or type; and state a prominent use restriction that limits use of the report to the client and warns that the rationale for how the appraiser arrived at the appraiser's opinions and conclusions set forth in the report may not be understood properly without additional information in the appraiser's workfile;
ii.	state the intended use of the appraisal;	ii.	state the intended use of the appraisal;
iii.	summarize information sufficient to identify the business or intangible asset and the interest appraised;	iii.	state information sufficient to identify the business or intangible asset and the interest appraised;
iv.	state the extent to which the interest appraised contains elements of ownership control, including the basis for that determination;	iv.	state the extent to which the interest appraised contains elements of ownership control, including the basis for that determination;
v.	state the extent to which the interest appraised lacks elements of marketability and/or liquidity, including the basis for the determination;	v.	state the extent to which the interest appraised lacks elements of marketability and/or liquidity, including the basis for that determination;
vi.	state the standard (type) and definition of value and the premise of value, and cite the source of the definition;	vi.	state the standard (type) of value and the premise of value, and cite the source of its definition;
vii.	state the effective date of the appraisal and the date of the report;	vii.	state the effective date of the appraisal and the date of the report;
viii.	Summarize the scope of work used to develop the appraisal;	viii.	State the scope of work used to develop the appraisal;
ix.	summarize the information analyzed, the appraisal procedures followed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the market approach, asset-based (cost) approach, or income approach must be explained;	ix.	state the appraisal procedures followed, state the value opinion(s) and conclusion(s) reached, and reference the workfile; exclusion of the market comparison approach, asset-based (cost) approach, or income approach must be explained;
x.	clearly and conspicuously state all extraordinary assumptions and hypothetical conditions; and state that their use might have affected the assignment results; and	x.	clearly and conspicuously state all extraordinary assumptions and hypothetical conditions; and that their use might have affected the assignment results; and
xi.	include a signed certification in accordance with Standards Rule 10-3.	xi.	include a signed certification in accordance with Standards Rule 10-3.

Source: Uniform Standards of Professional Appraisal Practice 2014-2015 Edition, Advisory Opinion 11

Addendum F –

Denver Metropolitan Area Economic Base

DENVER METROPOLITAN AREA ECONOMIC BASE 2015

Eric Karnes
William M. James, MAI, CCIM

Denver is located in north central Colorado about 15miles east of the foothills of the Rocky Mountains. The plains and grasslands to the east and the mountains to the west offer contrasting scenery and varied vegetation, wildlife, and recreational opportunities. From nearly every point in Denver the Rockies dominate the western vista. The Denver metropolitan area is defined as a seven-county region of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties.

As the distribution center of the Rocky Mountains and High Plains regions, Denver has a highly developed transportation network. Several major and regional airlines and various charter services serve Denver International Airport, one of the busiest commercial airports in the United States. Denver is the center of railroad traffic in the region with services provided by the Union Pacific Railroad and the Burlington Northern-Santa Fe Railroad. The Regional Transportation District (RTD) provides local bus and light rail service, and starting in 2016, commuter rail service. National bus lines and the Colorado Department of Transportation's new Colorado service provide regional and national bus routes. The city is also at the crossroads of three Interstate Highways: I-70, I-25, and I-76, and three beltways: I-225, I-270, and C-470/E-470.

Climate

At 5,280 feet above sea level, Denver enjoys the mild, sunny, semi-arid climate that prevails over much of the central Rocky Mountain and high plains regions without the extremely cold mornings of the high elevations or the hot afternoon summers at lower altitudes. According to city statistics, the sun shines on Denver an average of 300 days a year and less than 15 inches of precipitation falls. Denver's average annual minimum temperature is 37.2 degrees and only one year in five does the mercury reach 100 degrees; temperatures of 90 degrees or above are reached on an average of only 35 days out of the year.

Recreation and Entertainment

Some of the most popular ski resorts in the world are located within a two to four hours drive from Denver. Driving distances to some of the state's premier resorts are as follows:

Ski Resort Mileage from Denver	
Aspen	162 miles
Breckenridge	81 miles
Steamboat Springs	166 miles
Telluride	327 miles
Vail	98 miles
Winter Park	64 miles

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SERVICES

There are over 200 parks in the metro area and thousands of surrounding acres of city, county, state and federal open space lands that provide recreational opportunities. The sports enthusiast enjoys the NFL's Denver Broncos, the NBA's Denver Nuggets, the NHL's Colorado Avalanche, the Colorado Rapids professional soccer team and the Colorado Rockies major league baseball team. Denver is one of only nine cities in the nation with teams in all five major league sports. College level sports are also well represented, especially with teams from the University of Colorado and the University of Denver. .

Other recreational attractions in Denver include the Denver Zoo, the Denver Museum of Nature and Science, the Denver Botanic Gardens, the Denver Art Museum, the History Colorado museum, the Clyfford Still Museum, the Kirkland Museum of Fine and Decorative Art and two amusement parks, Elitch Gardens and Lakeside. The Elitch Gardens and Lakeside amusement parks have both been Denver traditions for over 100 years. In May 1995 Elitch Gardens moved to a 60-acre site in the South Platte Valley near downtown Denver after being purchased by the New York-based Six Flags chain of amusement parks.

The Denver Center for the Performing Arts (DCPA) is one of the largest venues of its types in the United States. The DCPA is a comprehensive performing arts facility that features the only full-surround concert hall in the United States. The complex covers four square blocks in downtown Denver, adjacent to the Denver Convention Center.

Health

Denver has been the health center of the Rocky Mountain West since its earliest years. Denver's dry climate has been prescribed for ailments such as asthma, tuberculosis, and "general debilitation." The health care system that services Denver residents today is composed of some of the largest and most diverse hospitals, clinics, and support services in the country. Major research programs are conducted by several institutions and include research in cancer, cardiovascular, and pulmonary medicine.

In addition to health care facilities, Denver is home to several health programs sponsored by public and private agencies. Other services available include a hospice program and several home health agencies. Several hospitals in the Denver area are participating in the current movement toward "for profit" health care facilities.

Education

The following table by the Metro Denver Economic Development Corporation provides detailed information regarding the institutions of higher learning in the Denver metro area and surrounding region.

Four Year Public Institutions	
Colorado School of Mines	A public research university in Golden devoted to engineering and applied science.
Colorado State University Main Campus in Fort Collins	150 programs of study including pre-professional.
Colorado State University - Global Campus	Offers 8-week course format and multiple start dates with 100 percent online classes in management, leadership, teaching, and social sciences.
Metropolitan State University of Denver	A comprehensive, baccalaureate degree-granting urban institution offering arts and sciences, professional and businesses courses and programs.
University of Colorado Boulder	Five colleges offering courses in over 175 areas of study.
University of Colorado Denver - Downtown	Liberal arts and science programs and selected professional programs, schools of medicine, nursing, dentistry and pharmacy.
University of Colorado Denver – Anschutz Medical Campus	Liberal arts and science programs and selected professional programs, schools of medicine, nursing, dentistry and pharmacy.
University of Northern Colorado in Greeley	Business school, health and human science, theatre arts and teacher education programs, and humanities and social sciences.

Four Year Private Institutions	
Colorado Christian University	A liberal arts Christian college.
Denver Seminary	Seminary masters programs.
Regis University	A Jesuit school offering programs in liberal arts, sciences, business and education.
University of Denver	Doctoral, research university
Johnson and Wales University	Offers degrees in Business, Culinary Arts, and Hospitality

Community Colleges	
Aims Community College	Aims has campuses in Greeley, Fort Lupton and Loveland, with nearly 160 degree and certificate programs, and 4,000 day, evening, weekend, and online courses annually.
Arapahoe Community College	A two-year college providing 70 degree and certificate programs.
Community College of Aurora	Over 40 degree and certificate programs that specialize in transfer and vocational education.
Community College of Denver	An urban community college providing degree and certificate programs.
Front Range Community College	A two-year community college providing 85 degree, occupational and technical programs as well as transfer courses.
Red Rocks Community College	More than 150 programs leading to two-year degrees or professional certificates.

Technical and Specialized Institutions	
Art Institute of Colorado	Programs in the creative and applied arts, including design, media fashion, and culinary programs.
Argosy University	Develops technical proficiency and overall professional approach expected in business, industrial, or medical environments.
College for Financial Planning	Provides distance learning programs for financial planners.
Columbia College	An extended campus providing degree and certificate programs.
Denver School of Nursing	Serves students, the nursing profession, healthcare organizations, and clients receiving care, by offering programs for students who seek careers in nursing and other medical fields.
DeVry University	Career-oriented undergraduate programs in business and technology for high school graduates and working adults.
Echotech Institute	Focuses on careers in renewable energy and sustainable design.
Everest College	A career-oriented college offering a variety of occupational programs.
ITT Technical Institute	Associate's and bachelor degrees in technology fields.
Naropa Institute in Boulder	Offers educational programs that cultivate awareness of the present moment through intellectual, artistic, and meditative disciplines.
National American University	Graduate, bachelors, associates and certificate programs.

Technical and Specialized Institutions

National Theatre Conservatory	Accepts eight students a year for a three year theatre training program.
Pickens Technical College	Technical college offering certificates and degrees in arts, human services, engineering, construction, health, environment, and business technologies
Rocky Mountain College of Art & Design	A four-year college providing art and design studies.
Rocky Vista University in Parker	Provides training for students seeking careers in osteopathic medicine.
The Iliff School of Theology	United Methodist graduate theological seminary.
University of Phoenix	Specializes in the education of working adults by offering degree programs that are highly relevant, accessible and efficient.
Webster University	Offering graduate programs to working adults.
Westwood College of Technology	Hands on, career focused educational programs.

Population and Labor Force

METRO DENVER POPULATION BY COUNTY		
County	**2010**	**2020**
Adams	443,711	542,245
Arapahoe	574,819	677,047
Boulder	295,604	335,076
Broomfield	56,107	72,013
Denver	604,879	732,085
Douglas	287,124	352,675
Jefferson	535,651	595,037
Metro	2,797,895	3,306,178

Source CO Demography Office

METRO DENVER LABOR FORCE 2012 and 2014		
	Metro Denver	**Colorado**
Civilian Labor Force	1,450,600 **	2,824,200 **
Employed	1,394,000 **	2,704,600 **
Unemployed	56,500 **	119,600 **
% Unemployed	3.9 **	4.2 **
College Graduates	41.7 *	37.5 *
High School Graduate	90.3 *	90.6 *

*Source: Metro Denver EDC 2012 annual average
**Source: US Bureau of Labor Statistics – December 2014 (excluding Boulder County)

Income Estimates and Cost of Living

	Total Households		**Median Household Income**		**Per Capita Income**	
	Denver Metropolitan Area	**Colorado**	**Denver Metropolitan Area**	**Colorado**	**Denver Metropolitan Area**	**Colorado**
2010 Census 1)	1,004,696	1,981,300				
2012 Estimate 2)			$68,870	$62,326	$33,678	$30,217
2018 Estimate 3)			$73,568		$38,172	
2020 Estimate 4)	1,333,866	2,396,828				
Change 2012-2018			+6.8%		+13.3%	
Change 2000-2012	+25.1%	+22.9%	+34.0%	+12.6%	-8.7%	-3.7%
Change 2010-2020	+32.8%	+21.0%				

Note: Neither the State of Colorado Demography Office nor the US Census Bureau estimate future median household income or per capita income levels. The Census Bureau also no longer obtains income data in the decennial census, but obtains estimates through its American Community Survey, the latest of which is 2012. The ACS is a survey of a sample of the US population and not a census.

Sources:
1. US Bureau of the Census
2. US Bureau of the Census American Community Survey
3. CCIM STDB Online
4. State of Colorado Demography Office

COST OF LIVING INDEX As of March 12, 2015	
City	**All Items Index%**
Albuquerque, NM	103.1
Atlanta, GA	115.4
Austin, TX	113.6
Boston, MA	185.5
Charlotte, NC	109.6
Chicago, IL	150.4
Dallas, TX	114.5
Denver, CO	**127.4**
Houston, TX	112.8
Kansas City, MO	111.7
Las Vegas, NV	106.4
Los Angeles, CA	167.5
Miami-Dade County, FL	128.0
Phoenix, AZ	105.1
Portland, OR	128.5
Raleigh, NC	108.5
Salt Lake City, UT	104.7
San Diego, CA	156.4
San Francisco, CA	204.2
San Jose, CA	159.0
Seattle, WA	140.4

Source: CostofLiving.net

Cost of living is based on the percentage of income necessary to meet the same standard of living based on a US average cost of $70,000. Therefore, the US average is 100.

Employment

The Denver metropolitan area is the administrative and economic distribution center for the Rocky Mountain West, a region that includes the greater part of six states and encompasses about one-quarter of the geographical area of the nation. Denver's position is reflected in a large office market for administrative and managerial facilities, with major concentrations downtown and in the I-25 southeast corridor, including the Denver Tech Center. The city is also a major distribution center, generating demand for warehouse space, especially in northeast Denver and north Aurora.

NON-FARM EMPLOYMENT IN METRO DENVER - 2014			
NAICS Sector	**Number of Employees**	**% of Total Employment**	**% Change From 2013 to 2014**
Education & Health Services	193,700	12.8	6.2
Financial Activities	98,200	7.2	2.5
Government	193,100	14.2	2.6
Information	42,700	3.1	(1.8)
Leisure & Hospitality	148,200	10.9	5.2
Manufacturing	68,800	5.1	7.3
Mining & Construction	87,500	6.4	8.4
Other Services	51,200	3.8	0.2
Professional & Business Services	243,900	18.0	3.0
Trade, Transportation & Utilities	250,000	18.5	0.5
Total Employment	1,357,300	100.0%	3.3%

Source: US Bureau of Labor Statistics December 2013 and December 2014

The economic base is diversified with the principal segments being professional and business services, wholesale and retail trade, transportation, utilities, governmental agencies, and education and health services. Denver is a major center for federal offices, mainly downtown and in the Federal Center in Lakewood. Additionally, the Denver metro area serves as a hub for the following industries:

Aerospace

The Denver metro area ranks first in the nation for total private aerospace workers with over 19,000 people employed at aerospace companies, including largest employers like Lockheed Martin and Ball Aerospace. Colorado has the nation's third-largest aerospace economy and is home to over 400 aerospace firms and suppliers, most of which are in the Denver metro area. Lockheed Martin recently moved several of its space systems operations to metro Denver.

Aviation

Denver International Airport is consistently ranked as one of the busiest airports in the country, and construction is currently underway to expand the terminal building, add loading gates and a station for the Regional Transportation District's east commuter rail line to Denver Union Station. Among the five smaller general aviation airports in the region, Centennial Airport is ranked as one of the busiest in the nation for private and business use. A survey of the 50 largest metropolitan areas in the U.S. found the Denver metro area to place 11th among those markets for absolute employment in the aviation industry and 13th for employment concentration in the sector. The metro area currently houses approximately 590 companies in the field and accounts for 76.0% of the industry for the entire state.

Bioscience
The bioscience industry continues to be a growing economic presence in the Denver metro area. The presence of academic institutions and medical and research facilities, have contributed to the strength of the industry in Denver. It has also led to the redevelopment of the former Fitzsimons Army Medical Center in Aurora into one of the largest medical campuses in the country. To be completed over a 20-year period, the site is being developed with facilities for the care of patients and the advancement of bioscience and other medical-related issues. In addition, the Colorado Science and Technology Park at Fitzsimons will provide over 6 million square feet of corporate and research space on the site, as well as hosting The Children's Hospital and the Anschutz Medical Campus, which is home to facilities for the University of Colorado and University Physicians. The US Department of Veterans Affairs is building a new hospital on the campus. When comparing the subsectors in the industry against the 50 largest metropolitan areas in the nation for employment concentration, the region was found to place 8th in both the subsector of medical devices and diagnostics and in absolute employment. The region currently hosts 330 companies in the sector and has an employment base of 9,480.

Broadcasting & Telecom
The Denver metro area is also a hub for the broadcasting and telecommunications industries, especially in the cable and satellite categories. Relative to 50 metro areas surveyed in the United States, the region placed 6th in employment concentration and 9th in absolute employment. Additionally, the region hosts 2,640 companies in the sector, accounting for 82.0% of the industry in the entire state.

Energy
The combination of clean technology and the state's energy resources base places Colorado at the forefront of energy development. Colorado is also becoming a leader in alternative energy sources, especially wind and solar power. Two major public research centers in the energy field are the National Renewable Energy Laboratory and the US Department of Energy's laboratory for renewable energy and energy efficiency. Denver hosts corporate headquarters or regional offices for numerous companies in the energy fields, especially oil and natural gas in addition to alternative sources of energy.

Banking & Financial Services
The Denver metro area is one of the largest markets between Chicago and Los Angeles for the banking and financial services industry, hosting over 13,000 companies within the sector. Having an employment base of 100,100 persons the measure places it at 10th in the nation for absolute employment, 4th among the 50 largest metropolitan areas in the nation for employment concentration in the sector, and accounts for 78.0% of the employment concentration for the financial sector in the state.

Healthcare and Wellness
Placing at 14th among the 50 largest metro areas surveyed in the United States for absolute employment with a total of 182,200, the region placed at 25th in employment concentration and 9th and accounts for 70.0% of the industry in the entire state, totaling 17,950 direct companies.

Information Technology and Software
Colorado has the third-highest concentration of high-tech workers among the fifty states, employing about 45,000 people, with Denver and Boulder being national leaders in the field.

THE 25 LARGEST PRIVATE SECTOR NON-RETAIL EMPLOYERS IN METRO DENVER			
Rank	**Company**	**Product**	**Employment**
1.	Century Link	Telecommunications	6,500
2.	University of Colorado Health	Health care	5,750
3.	Children's Hospital of Colorado	Health care	5,650
4.	United Airlines	Airline	4,900
5.	Lockheed Martin Space Systems	Aerospace	4,750
6.	Kaiser Permanente	Health care and insurance	4,480
7.	Comcast	Telecommunications	4,370
8.	University of Denver	Higher education	4,180
9.	Frontier Airlines	Airline	3,350
10.	IBM	Business machines and computers	2,800
11.	Exempla St. Joseph's Hospital	Health care	2,510
12.	Miller Coors Brewing Company	Beverages	2,500
13.	Raytheon Corporation	Aerospace	2,410
14.	Level 3 Communications	Telecommunications	2,370
15.	Health One – Swedish Hospital	Health care	2,270
16.	Boulder Community Health	Health care	2,260
17.	Great West Financial	Finance services	2,260
18.	Health One – Presbyterian St. Luke's Hospital	Health care	2,220
19.	Charles Schwab	Financial services	2,180
20.	United Parcel Services	Shipping and logistics	2,040
21.	Exempla Lutheran Medical Center	Health care	2,040
22.	Southwest Airlines	Airline	2,020
23.	CH2M Hill	Engineering	2,000
24.	HSS, Inc.	Employment staffing	2,000
25.	TIAA-CREF	Financial services	2,000

Source: Metro Denver Economic Development Corporation, March 2015

The following table shows average annual employment change and unemployment rates for the Denver and Boulder metro areas. The US Census Bureau and the US Bureau of Labor Statistics count Denver and Boulder as separate metropolitan areas for reporting purposes.

Year	Employment Change		Unemployment Rate %	
	Denver	Boulder	Denver	Boulder
2014	50,015	5,838	3.9	3.2
2013	29,616	2,204	6.6	5.2
2012	24,208	3,539	7.9	6.1
2011	8,420	2,461	8.6	6.4
2010	(9,456)	(983)	9.1	7.0
2009	(50,220)	(7,161)	8.3	6.8
2008	15,434	1,917	4.9	4.1
2007	19,904	2,779	3.9	3.3
2006	39,337	4,348	4.4	3.7
2005	30,093	3,484	5.2	4.5
2004	22,503	3,153	5.9	4.9
2003	23,605	1,199	6.4	5.8
2002	(15,046)	(2,446)	5.9	5.8
2001	(15,533)	84	3.8	3.7
2000	19,899	(8,490)	2.6	2.4
1999	25,169	5,411	2.5	2.8
1998	39,376	4,881	2.9	3.1
1997	37,991	5,832	2.9	3.0
1996	16,337	1,849	3.8	3.9
1995	42,855	4,099	3.6	4.0
1994	57,037	9,208	4.0	3.8
1993	41,537	7,136	4.8	4.6
1992	19,172	4,202	5.3	5.0
1991	13,426	3,763	4.7	4.8
1990	NA	NA	4.5	4.8

Source: US Bureau of Labor Statistics, March 2015

A major impact on Denver's economy during the past several decades was an expanding and contracting energy industry. During the 1970s, the expanding energy industry accounted for 26% of Denver's job growth and occupied half of all downtown office space. These conditions resulted in an office building construction boom, primarily in downtown Denver and the southeast submarket. Contraction of the energy industry in the 1980s caused one of the highest office building vacancy rates in the nation.

Today, the economy and the real estate markets have improved considerably. Denver's economy is now more diversified and is stronger than the national average in mining, construction, transportation, communications, finance, and business and professional services. Economic conditions in Denver have historically mirrored that of the national economy with a steady upturn in 1989 followed by a national recession in 1991, strong growth in 1993-2000 and another softening in 2001 resulting from the national recession, the local "dot.com" contraction and exacerbated by the terrorist incidents of September 11. The metro economy was also affected by the economic downturn known as the "Great Recession" in the 2008 to 2009 period.

Denver's economic growth is well positioned to continue due to its competitive position compared to other U.S. cities. Office and industrial facilities offer reasonable sales and rental prices in comparison with peer cities in the western region. The Denver area has competitive tax rates and the

Colorado General Assembly has eliminated the unitary tax, making the state considerably more attractive for business relocation and expansion.

Prospective employers find a well-educated employee base available. The cost of utilities and housing for relocated employees is comparable with other major metropolitan areas in the Rocky Mountain area. The "quality of life" for employees is an important consideration in relocation or establishment of any business, and the Denver area competes favorably.

MAJOR DEVELOPMENT PROJECTS IN METRO DENVER

Following is a list of major private and public development and infrastructure projects underway in metro Denver. These include on-going projects and those announced and/or started in 2014:

Mixed-Use Projects

- **Aeropolis**, a planned mixed-use development on both private and public land adjacent to Denver International Airport. The project would contain uses complementary to the airport, with districts for technology, logistics, aviation, office, lodging and industrial facilities.

- **Arvada Downtown Transit-Oriented Development Site**, an 8.8 acre tract located adjacent to the planned RTD commuter rail station in downtown Arvada. Trammell Crow Company was selected by the City of Aurora and RTD to be the master developer for the site. Several options are being considered, but all will include a mix of retail and residential uses. Construction is underway on a park-and-ride garage and the RTD station.

- **Belleview Station,** a transit-oriented mixed use development in southeast Denver adjacent to the RTD Belleview Avenue light rail station. The property is generally bounded by I-25 and the RTD tracks, East Union Avenue, East Belleview Avenue and South Monaco Street. The 18-acre site is ultimately planned to have about 1,800 residential units, and nearly 1.5 million square feet of office and retail space. Construction is currently underway on the first phase, two apartment buildings by Holland Partners Group with a total of 677 units.

- **Boulevard One,** formerly called the Buckley Annex, the redevelopment of the former US Air Force financial center on Quebec Street at Lowry Boulevard in east Denver. The 70 acre site was turned over to the Lowry Redevelopment Authority, which shepherded plans through the City and County of Denver to allow about 800 residential units and up to 200,000 square feet of commercial and office space. Site work on streets and utilities is currently underway.

- **Candelas**, a 1,500 acre site generally bounded by the Rocky Flats Wildlife Refuge, Indiana Street and Colorado highways 72 and 93 in northwest Arvada. The site is approved for up to 4,674 residences and 7.1 million square feet of commercial, office and industrial use. Candelas is adjacent to the planned extension of the Northwest Parkway toll road from West 120th Avenue in Broomfield to Colorado Highway 93, north of Golden.

- **The Canyons**. A 3,300 acre community at I-25 and Happy Canyon Road in Castle Pines. The project is conceived to have about 2,500 residential units, mainly single family, and 250 acres set aside for commercial use.

- **Cimarron**, a 426-acre project west of Indiana Street at West 96th Avenue, adjacent to the cities of Arvada and Westminster. Cimarron would contain about 1,700 residential units, 133 acres of retail space and 23 acres assigned for industrial and office uses.

- **Fehringer Ranch**, a proposed corporate campus at US-285 and South Simms Street in unincorporated Jefferson County. The 494-acre site would also provide about 174 acres of open space. No development plans have been announced.

- **Gaylord Hotel and Conference Center,** a 1,500 room hotel with ancillary meeting facilities on an 85-acre site on East 64th Avenue in northeast Aurora near Denver International Airport. The facility will be operated by Marriott. Controversy over the use of public incentive funds by the City of Aurora and the State of Colorado have led to legal actions that may result in a delay of the project, or its termination if plaintiffs are successful in the courts. The Colorado State Treasurer and members of the Colorado General Assembly have also raised concerns about the use of incentives for the project and the failure of the City of Aurora to allow a public vote on the issue.

- **Golden Run,** a high-density mixed-use project on the southwest side of Erie, generally bounded by County Line Road, Arapahoe Road and 119th Street. Developer Aaron Harber proposes that the 320-acre project will ultimately contain about 2.5 million square feet of commercial space and residential units that could house as many as 38,000 people. The Town of Erie has annexed the site but not yet given approvals for Harber's development concept.

- **The Jones District**, a 42-acre site south of Dry Creek Road along I-25 in Centennial. The project will be developed as an "urban center" adjacent to the RTD Dry Creek light rail station and will contain about 1.8 million square feet of space, mainly in office buildings with some service retail.

- **Littleton Village**, the redevelopment of the former Marathon Oil research center at South Broadway and East Dry Creek Road in Littleton. The 77 acre site will be developed in a neo-traditional style with about 250,000 square feet of retail space and up to 900 residential units. Site work is underway for the initial single family and townhome developments.

- **Lowry**, the redevelopment of the former Lowry Air Force Base in east Denver. The 1,866 acre site is almost completely built out with a mix of office, retail and residential uses and the Wings Over the Rockies aerospace and aviation museum. The property is generally bounded by East Alameda and East 11th avenues, Monaco Parkway and Havana Street. The final major phase is the Boulevard One section (see above).

- **Midtown**, a 184-acre redevelopment of a former industrial site at West 68th Avenue and Pecos Street in unincorporated Adams County. Development has started on single family homes and the entire site will ultimately contain a mix of about 1,300 units. The development will also contain parks and a community garden. It is being marketed as a transit-oriented community due to its proximity to the future RTD commuter rail stations on Federal Boulevard at West 60nd Avenue in unincorporated Adams County and near West 71st Avenue in Westminster.

- **Mile High Greyhound Track**, the redevelopment of a former dog racing track in Commerce City. The Commerce City Urban Renewal Authority selected Real Estate Generations LLC to redevelop the 65 acre property into a mixed-use community.

- **North Park**, a 937-acre development at the southwest quadrant of I-25 and West 168th Avenue (Colorado Highway 7) in Broomfield. The project is being developed by McWhinney and will contain, at completion, about 17.2 million square feet of retail and commercial space and 7,313 residential units. Two hospitals are included in North Park, a 66-acre campus of the University of Colorado Health Services and the north campus of the Children's Hospital of Colorado.

- **Porteos**. A 1,287 acre development south of Denver International Airport on East 56th Avenue. The project, to be developed by A&C Properties of Phoenix, would include a mix of industrial, office, hotel and residential uses oriented to airport users.

- **Promenade,** a 200-acre retail and residential project on the north side of Castle Rock at Santa Fe Drive and the extension of Meadows Drive. Proposed by Alberta Development Partners, the project would include a 900,000 square foot retail outlet center and 360 apartment units.

- **Prosper**, a 5,111 acre mixed-use community south of I-70 in Watkins. Tentative plans call for about 9,000 residential units and eight million square feet of commercial space. Arapahoe County commissioners approved the concept but the developer will be required to submit a specific development plan, including identification of adequate water sources.

- **RidgeGate,** a 3,500 acre planned community on both sides of I-25 south of Lincoln Avenue in Lone Tree. Development has been concentrated west of I-25 initially, including a regional headquarters for the Charles Schwab financial services company and the Sky Ridge Medical Center. The City of Lone Tree is investigating financial options to pay RTD to extend its existing light rail line from the station on Park Meadows Drive north of Lincoln Avenue south into RidgeGate and then east across I-25 into the future section of the development.

- **Sloans**, a redevelopment of the former St. Anthony's Hospital site on West 17th Avenue in west Denver. The property became available when the hospital moved to a new campus at the Federal Center in Lakewood. EFG-South Sloans Lake LLC purchased the property from Catholic Health Initiatives of Colorado, demolished most of the existing structures and is beginning sales to individual developers. Ultimately Sloans will contain about 1,200 residential units and 300,000 square feet of commercial space. The first phase of vertical construction is a 369 unit apartment project by Trammell Crow Residential.

- **Stapleton,** the 4,700 acre redevelopment of the former Stapleton International Airport in northeast Denver. The project, which is the largest urban mixed-use redevelopment in the United States, is being constructed in a neo-traditional style, with a mix of residential, office and retail uses. United Airlines will retain is employee training center in Stapleton. Stapleton will also include a 300-acre office and industrial project on both sides of I-70 at Central Park Boulevard, ultimately containing about ten million square feet. RTD will open a commuter rail station for its East line at Central Park Boulevard in 2016.

- **Superior Town Center**. A 157-acre mixed-use community at the southeast quadrant of US-36 and McCaslin Boulevard in Superior. The project is designed to include office, retail and residential uses in a neo-traditional concept. Site work is currently underway and the initial development will be an athletic center.

- **Vauxmont**, a mixed-use development on about one thousand acres at the northeast corner of Colorado highways 72 and 93 in far west Arvada. The project's concept calls for about 518 residential units and 699 acres for commercial and office uses.

- **Village at the Peaks**, an $80 million redevelopment of the derelict Twin Peaks Mall at Ken Pratt Boulevard and South Hover Street in Longmont. NewMark Merrill Mountain States is redeveloping the site as a retail project containing a Whole Foods Market, multi-screen cinema, Sam's Club and other tenants. An eminent domain lawsuit extended the development schedule but a court ruling in the favor of the City of Longmont approved the eminent domain action brought by its urban renewal authority. Construction is now underway.

Public Projects and Transportation

- **Arapahoe Road and I-25 Interchange**, a $74 million project planned by the Colorado Department of Transportation to rebuild the congested interchange in conjunction with the cities of Centennial and Greenwood Village. The plans call for replacing the I-25 bridge and reconfiguring traffic ramps. Since the RTD Southeast light rail line runs adjacent to the freeway the plans must also take into consideration how those lines might be affected.

- **Boulder Junction Transit Village**, a transit-oriented mixed-use project in east Boulder including an RTD bus rapid transit station and a future commuter rail depot. The project encompasses about 171 acres generally bounded by the railroad tack, Valmont Road, Pearl Street and 30th Street. Currently underway is construction on the bus station, a parking garage, hotel and 71-units of affordable housing. A 319-unit apartment project on the south side of Pearl Street was completed in 2014. Developers recently proposed several large mixed-use projects nearby, including SPARK a retail and apartment project on Valmont Road at the railroad crossing, Reve on the southeast corner of 30th and Pearl streets and a new regional headquarters for Google on the southwest corner of the intersection.

- **C-470 Widening**, a project by the Colorado Department of Transportation to add two lanes to C-470 between I-25 and South Kipling Parkway in the south metro area. The $100 million project may begin construction in 2015.

- **Clear Creek Transit Village**, a 21.8 acre project proposed at the planned RTD Gold Line station near Federal Boulevard and West 60th Avenue. The development concept calls for 1,125 residential units and 250,000 square feet of commercial space.

- **Denver International Airport Terminal Expansion**, a project to add space to the airport terminal, additional gates for airlines, a 500-room Westin Hotel and conference center and an RTD commuter rail station. The project is scheduled to be fully completed by 2016, although parts will be finished prior to then. The RTD station will provide direct service to Denver Union Station.

- **Denver Union Station,** a keystone of the FasTracks transit expansion program that restored the historic downtown railroad station and converted it into rail, retail and restaurant uses. A hotel, known as The Crawford after Denver preservationist and developer Dana Crawford, occupies part of the station. Land surrounding the station on the north, south and west sides is being developed with office, apartment and hotel uses. The station opened in 2014 with the return of Amtrak passenger trains. RTD commuter rail lines currently under construction will feed passengers into Denver Union Station in 2016 and 2018. The station also includes a new light rail terminal and an underground RTD bus station that opened in May of 2014.

- **FasTracks**, the ongoing $7.8 billion project to extend light rail and commuter rail and bus rapid transit service throughout metro Denver. Currently underway are extensions of the I-225 light rail line from East Iliff Avenue to Peoria Street and commuter rail lines to Denver International Airport and to Arvada and Wheat Ridge. Construction on a commuter rail line to Northglenn and Thornton will begin in 2014. Construction of bus rapid transit lanes on US-36 between Federal Boulevard in Denver and Table Mesa Drive in Boulder is also underway. Future, but as yet unfunded, lines include extensions to Highlands Ranch and Lone Tree and commuter rail service to Boulder and Longmont. The projects currently underway will be completed in 2016 and in 2018 for the North line to Thornton and Northglenn.

- **Fitzsimons Redevelopment**, the conversion of the former US Army Fitzsimons Hospital into a 577-acre medical and research campus. The site includes the University of Colorado Medical Center, Children's Hospital of Denver, the Anschutz Center for Advanced Medicine and a new Veterans Hospital. The site also has land designed as a commercial and residential town center. RTD is preparing to begin construction on the extension of the I-225 light rail line through the campus, which will include a station on Fitzsimons Parkway. The line will connect with the new East commuter rail line at Peoria Street.

- **Glendale RiverWalk**, a park, recreation center and enhanced pedestrian and bicycle facility along Cherry Creek east of South Colorado Boulevard. The City of Glendale will also encourage mixed-use development along the RiverWalk corridor. An initial and now completed phase of development, known as CitySet, includes retail and hotel space at the southeast corner of South Colorado Boulevard and Cherry Creek South Drive.

- **I-25 North Widening**, a $44 million project to add driving lanes to I-25 between US-36 and West 120th Avenue in the north metro area. Construction is due to be completed in the summer of 2015.

- **I-70 Reconstruction**, a $1.8 billion concept to rebuild I-70 from I-25 to Tower Road, including a joint venture with the City and County of Denver to improve conditions in the Globeville/Swansea neighborhoods along the corridor. The Colorado Department of Transportation is working with Denver planners to develop a concept to lower the freeway, build a cover over several sections and reconstruct interchanges at Vasquez and Colorado boulevards.

- **Jefferson Parkway**, an 11 mile extension of the existing Northwest Parkway toll road in the northwest metro area. The proposed section would run from West 120th Avenue in Broomfield to Colorado Highway 93 near Golden. The road's construction is opposed by the City of Golden and numerous environmental organizations but supported by the State of Colorado and the City of Arvada. The CDOT is working with the City of Golden to ameliorate traffic concerns along US-6 which would receive traffic from the toll road. The construction cost for the extension is estimated at $204 million.

- **US-36 Reconstruction**, a 17-mile project to widen the highway in the northwest metro between Federal Boulevard in Denver and Table Mesa Drive in Boulder. The project will add lanes, replace bridges, provide bicycle facilities and build two center lanes for high occupancy vehicles and RTD buses, including bus rapid transit service. RTD will also add or improve six bus stations along the corridor. Construction is currently underway and scheduled for completion in late 2015.

- **Westminster Mall Redevelopment**, a plan by the City of Westminster to replace the now-demolished Westminster Mall with a large mixed-use community adjacent to the RTD bus station at US-36 and Sheridan Boulevard. The 105 acre site is generally bounded by Sheridan Boulevard, Harlan Street and West 88th and West 92nd avenues. The City of Westminster will seek developers to implement the project in stages. The Oliver McMillan Company of San Diego was selected as the developer of what will be called Westminster Center.

- **Westminster Station**, a transit-oriented development around the future RTD commuter rail station in downtown Westminster. The concept advanced by the City of Westminster has not yet been formalized in terms of the land uses. It generally encompasses the area bounded by the RTD rail line, West 72nd Avenue and Federal and Lowell boulevards.

Addendum G –

Denver Metropolitan Area Economic Conditions

DENVER METROPOLITAN AREA
ECONOMIC CONDITIONS

1st Quarter 2015

Eric Karnes
William M. James, MAI, CCIM

The national economy continues to recover and indeed expand from the effects of the Great Recession. Employment is increasing and the unemployment rate is slowly declining. Housing has been one of the bright spots in both the national and local economies, with foreclosures down, sales up and construction accelerating, especially in apartments. The metro Denver economy did not suffer as badly as those in many comparable cities and is also enjoying expansion. However, the for-sale residential market may be cooling slightly and in some cities, including Denver, apartments may be overbuilt by 2015 or 2016.

The U.S. Department of Housing and Urban Development's "National Housing Market Summary" report for the 4th Quarter of 2014 (the latest available quarter) indicated that on the national level the housing market is still doing well. In particular, the indicators tracked by the HUD report include:

- New single family residential construction during the 4th Quarter of 2014 reported 706,000 units started, up 6.5% on a year-to-year basis. Completions totaled 630,000 for the 4th Quarter, up 7.1% from the same period in 2013. Permits issued for the 4th Quarter 2014 were up 5.3% from the 4th Quarter of 2013.
- New single family sales totaled 466,000 in the 4th Quarter of 2014, up 4.5% from the same period in 2013. The median sale price for a new single family house in the 4th Quarter was $295,100, up 5.5% from the previous year.
- The average unsold inventory of 215,000 new single family units in the 4th Quarter created a 5.4 average month's supply, up from 5.1 months in the 4th Quarter of 2013.
- An annual average of 5,060,000 existing residential units were sold during the 4th Quarter of 2014, up 2.7% from the same period in 2013. The median sale price for an existing unit was $207,633, an increase of 4.2% from the 4th Quarter of 2013.
- The inventory of unsold existing units was 1,860,000, or a 4.4 month supply. This compares to the inventory of new residential units for sale of 215,000, or a 5.4 month supply.

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The table below is from the Colorado Office of State Planning and Budgeting.

HISTORY AND FORECAST FOR KEY NATIONAL ECONOMIC VARIABLES								
	Actual					March Forecast		
	2010	2011	2012	2013	2014	2015	2016	2017
Inflation-Adjusted & Current Dollar Income Accounts								
Inflation-Adjusted Gross Domestic Product (Billions)/A	$14,779.4	$15,052.4	$15,470.7	$15,759.0	$16,086.3	$16,535.7	$16,982.2	$17.423.7
Change	2.5%	1.8%	2.8%	1.9%	2.4%	2.8%	2.7%	2.6%
Personal Income (Billions)/B	$12,435.2	$13,193.3	$13,743.8	$14,135.2	$14,716.1	$15,437.7	$16,240.5	$17,101.2
Change	2.9%	6.1%	4.2%	2.8%	3.9%	4.9%	5.2%	5.3%
Per-Capita Income ($/person)	$40,143	$42,275	$43,741	$44,666	$46,162	$48,042	$50,120	$52,373
Change	-2.1%	5.3%	3.4%	2.1%	3.1%	4.1%	4.3%	4.5%
Population & Employment								
Population (Millions)	309.3	311.6	313.9	316.5	318.8	321.3	324.0	326.5
Change	0.8%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%
Unemployment Rate	9.6%	8.9%	8.1%	7.4%	6.1%	5.5%	5.1%	5.0%
Total Nonagricultural Employment (Millions)	129.9	131.5	133.7	136.4	139.0	141.8	144.5	127.1
Change	-0.7%	1.2%	1.7%	1.7%	1.9%	2.0%	1.9%	1.8%
Price Variables								
Consumer Price Index (1982-84=100)	218.1	224.9	229.6	233.0	236.7	237.7	242.9	248.5
Change	1.6%	3.2%	2.1%	1.5%	1.6%	0.4%	2.2%	2.3%
Producer Price Index (1982=100)	184.7	201.0	202.2	203.4	205.4	199.6	209.8	218.5
Change	6.8%	8.8%	0.8%	0.6%	1.0%	-2.8%	5.1%	4.1%
Other Key Indicators								
Corporate Profits (Billions)	$1,740.6	$1,877.7	$2,009.5	$2,105.6	$2,112.0	$2,241.0	$2,363.3	$2,468.6
Change	25.0%	7.9%	7.0%	4.8%	0.2%	6.1%	5.5%	4.5%
Housing Permits (Millions)	0.605	0.624	0.829	0.964	1.021	1.201	1.418	1.575
Change	3.7%	3.1%	32.9%	16.2%	3.1%	17.6%	18.1%	11.1%
Retail Trade (Billions)	$4,307.9	$4,631.1	$4,881.4	$5,084.3	$5,271.9	$5,520.1	$5,791.1	$6,069.6
Change	5.5%	7.5%	5.4%	4.2%	4.0%	4.7%	4.9%	4.8%

/A BEA revised NIPA component

/B Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors; income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

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COLORADO ECONOMY

Colorado's economy is growing and leading the nation as a whole in most economic indicators. The US Bureau of Labor Statistics tracks employment and unemployment on the national, state and metropolitan levels. The following information is provided for the month of March 2015 and is preliminary:

- The national unemployment rate in March was 5.5%, down from 6.6% in March of 2014.
- For Colorado, the unemployment rate in March was 4.2%, down from 5.5% one year before.
- The US Census Bureau counts Boulder and Denver as separate metropolitan areas. During the twelve months ending in March of 2015 the unemployment rate for Boulder County declined from 5.0% to 3.6%. For the same period the Denver unemployment rate fell from 5.9% to 4.3%. For both metro areas the unemployment rates are similar to or below the state and national averages.

The decline in the unemployment rates is due primarily to increasing employment totals, especially in Colorado, Boulder and Denver. On a combined basis, metro Denver (including Boulder) recorded a net increase of 38,000 non-farm jobs between March of 2014 and March of 2015. That increase equates to an employment growth rate in the metro area of 2.6%

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The US Bureau of Labor Statistics breaks out job totals by industry classification on a monthly basis. Following is a table showing preliminary total employment by category and percentage changes in employment (in thousands) in Colorado for March 2014 and March of 2015:

Category	March 2014	March 2015	% Change
Mining and logging	32.6	35.5	8.9
Construction	139.2	153.7	10.4
Manufacturing	134.8	139.3	3.3
Trade, transportation and utilities	428.9	436.7	1.7
Information	70.0	68.4	(2.3)
Financial activities	152.3	156.5	2.8
Professional and business services	381.0	384.7	1.0
Education and health services	294.8	309.2	4.9
Leisure and hospitality	297.3	309.7	4.2
Other services	99.3	100.0	0.7
Government	406.2	411.1	1.2
Total employment	2,650.0	2,714.7	2.4%

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The Colorado Office of State Planning and Budgeting provided the following information about the state's economy.

HISTORY AND FORECAST FOR KEY COLORADO ECONOMIC VARIABLES								
	Actual					March Forecast		
	2010	2011	2012	2013	2014	2015	2016	2017
Current Income								
Personal Income (Billions)/A	$212.5	$225.4	$237.5	$245.8	$261.4	$274.8	$290.4	$308.2
Change	3.9%	6.1%	4.2%	3.5%	5.8%	5.1%	5.6%	6.1%
Wage and Salary Income (Billions)	$114.2	$119.1	$124.4	$130.0	$138.0	$145.6	$154.1	$163.9
Change	1.4%	4.3%	4.4%	3.9%	6.5%	5.5%	5.8%	6.3%
Per-Capita Income ($/person)	$42,107	$44,053.0	$45,134	$46,603	$48,875	$50,530	$52,486	$54,760
Change	2.3%	4.6%	2.5%	1.8%	4.1%	3.4%	3.9%	4.3%
Population & Employment								
Population (Thousands)	5,049.7	5,118.5	5,188.7	5,273.7	5,348.5	5,439.3	5,532.0	5,628.1
Change	1.5%	1.4%	1.4%	1.6%	1.6%	1.7%	1.7%	1.7%
Net Migration (Thousands)	37.2	33.9	37.2	48.3	51.8	56.2	59.6	62.5
Unemployment Rate	9.0%	8.6%	8.0%	6.8%	5.0%	4.3%	4.4%	4.2%
Total Nonagricultural Employment (Thousands) /B	2,222.3	2,258.2	2,310.0	2,381.1	2,460.8	2,525.4	2,596.8	2,670.2
Change	-1.0%	1.6%	2.3%	2.9%	3.3%	2.6%	2.8%	2.8%
Construction Variables								
Total Housing Permits Issued (Thousands)	11.6	13.8	23.4	27.3	29.2	32.8	35.7	38.7
Change	23.9%	16.5%	73.2%	17.2%	6.2%	12.1%	9.1%	8.1%
Nonresidential Construction Value (Millions) /C	$3,146.7	$3,923.1	$3,669.7	$3,595.1	$4,238.8	$4,279.5	$4,541.9	$4,743.3
Change	-6.2%	24.7%	-6.5%	-2.0%	17.4%	1.0%	6.1%	4.4%
Prices & Sales Variables								
Retail Trade (Billions) /D	$70.5	$75.9	$80.0	$83.6	$89.5	$93.9	$99.1	$104.7
Change	6.0%	7.7%	5.4%	4.5%	6.8%	4.9%	5.5%	5.7%
Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	212.4	220.3	224.6	230.8	237.2	241.5	248.3	254.9
Change	1.9%	3.7%	1.9%	2.8%	2.8%	1.8%	2.8%	2.6%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors; income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

/B Includes OSPB's estimates of forthcoming revisions to jobs data that are currently not published. The jobs figures will be benchmarked based on Quarterly Census of Employment and Wage data to more accurately reflect the number of jobs in the state than what was estimated based on a survey of employers.

/C Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling project predominately at commercial and manufacturing facilities, education institutions, medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).

/D Retail trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods/books/music, and general merchandise found at warehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants).

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DENVER METROPOLITAN AREA ECONOMY

Metro Denver's economy experienced a strong rebound from the Great Recession. The table below shows trends in several of the most important economic indicators for the Denver metropolitan area, including Boulder. The large increase in 2013 housing permits was due to increased apartment development, which had been severely depressed. Compared with 2013 activity, in 2014 apartment construction was up 4.1% while permit numbers were up 13.0% for detached single family units and up 30.4% for attached (mainly townhouse) units.

Otherwise, annual changes in the indicators are for the year end compared to the totals for the previous year.

Indicator	2010	2011	2012	2013	2014	2015
Employment change (1)	-0.5%	1.5%	1.7%	1.5%	3.7%	2.6%
Unemployment rate (2)	8.8%	7.7%	7.5%	5.8%	3.2%	4.1%
Housing permits change (3)	35.5%	-0.4%	53.5%	87.3%	10.1%	-12.5%
Retail sales change (4)	6.8%	4.3%	7.7%	3.4%	NA	NA

Sources:

1. US Bureau of Labor Statistics: 2015 is for March compared to March of 2014.
2. US Bureau of Labor Statistics: 2015 is for the month of March.
3. Change for 2013, 2014 and 2015 is from building permit data compiled by the Home Builders Association of Metro Denver and James Real Estate Services. Data for 2010 to 2012 is from the US Bureau of the Census housing units authorized for construction.
4. Colorado Department of Revenue 2014 annual report will not be available until mid-2015.

Following are some of the major events and announcements in metro Denver that occurred or were announced during the 1st quarter of 2015:

- Traffic sign maker Wanco will add 75 to 100 jobs in Arvada.
- Agribusiness company Wilbur-Ellis is moving its headquarters from California to Aurora, creating 60 jobs.
- Life Time Fitness will relocate its headquarters to Louisville from Minnesota, creating 57 jobs.
- Denver was ranked 4th nationally by online research firm WalletHub for STEM (science, technology, engineering and mathematics) job growth.
- Relocation research company SelfStorage.com ranked Denver 5th for tech business startups.
- Research firm Movoto rated metro Denver as 6th nationally for creativity.
- Online researcher NerdWallet ranked Denver 6th for job opportunities in 2015.
- Hotels.com reported that Denver was the 7th most popular destination for sports travel in 2014.
- An analysis of US Census Bureau data by Forbes magazine found that Denver was the 10th fastest growing major city in the US in 2014.

Traffic/Transportation

One of the most important influences on any local economy is the quality and variety of transportation. Congestion detracts from economy health. Denver has been fortunate that several major transportation initiatives are working to keep traffic in all forms moving. These include the large expansion of Regional Transportation District rail and bus transit systems and the continued growth of Denver International Airport.

Following are some of the events announced or that occurred during the 1st quarter of 2015 that will affect traffic and transportation in metro Denver:

- Ridership on RTD buses and trains totaled 104.9 million passengers in 2014, a 1.2% increase over the previous record year in 2013.
- An agreement was signed between RTD, the City of Lone Tree and Douglas County to help fund the cost of extending the southeast light rail line across I-25 south of Lincoln Avenue in Lone Tree.
- The Colorado Department of Transportation is seeking a private partner to help fund the cost of the widening of I-70 in north Denver.
- Ridership on the E-470 toll road increased 13.6% in 2014 over 2013.
- A study of downtown Denver commuting patterns found that 60% of employees rode transit, walked or used bicycles to get to work.

Transit-Oriented Development

The expansion of the RTD rail system is encouraging developers to build transit-oriented projects to take advantage of proximity to RTD stations. These projects are often mixed-use but currently are especially oriented to apartments. The announcements made during the 1st quarter of 2015 that are transit-oriented include:

- Development plans were announced for Clear Creek Transit Village, a transit-oriented project adjacent to RTD's Federal Boulevard Gold Line commuter rail station at West 60th Avenue in Adams County. The project, a joint venture of Dana Crawford, TOD Group and Trailbreak Partners, will ultimately contain about 1,125 residential units and 250,000 square feet of commercial space. Construction is scheduled to begin in 2016.
- Pollard Motor Company will vacate its 11-acre car dealership property at 30th and Pearl streets in Boulder, allowing the City of Boulder to seek proposals for a transit-oriented affordable housing community on the site. The car dealer will move to its new location in east Boulder in 2016. The City of Boulder bought the property, which is a block from RTD's bus terminal at East Pearl Street and Junction Place.

Addendum H –
Real Estate Market Conditions

DENVER METROPOLITAN AREA
REAL ESTATE MARKET CONDITIONS

1st Quarter 2015

Eric Karnes
William M. James, MAI, CCIM

Denver's economy rebounded quickly from the effects of the Great Recession. Employment growth returned, the unemployment rate is well below the national average and declining and all sectors of the real estate market are improving with the economy. Denver's economy was not affected as badly as that of the nation as a whole, or as many comparable cities, but the economic difficulties were felt across the board here. Now that has changed for the better.

Denver has also been fortunate in being positioned for long term economic growth through economic diversity and the effects of various public investments, including the Regional Transportation District (RTD) rail and bus transit expansion program and expansion of the terminal at Denver International Airport, including a hotel and RTD commuter rail terminal.

Colorado's economy is growing and leading the nation as a whole in most economic indicators. The US Bureau of Labor Statistics tracks employment and unemployment on the national, state and metropolitan levels. The following information is provided for the month of March 2015 and is preliminary:

- The national unemployment rate in December was 5.5%, down from 6.6% in March of 2014.
- For Colorado, the unemployment rate in December was 4.2%, down from 5.5% one year before.
- The US Census Bureau counts Boulder and Denver as separate metropolitan areas. During the twelve months ending in March of 2015 the unemployment rate for Boulder County declined from 5.0% to 3.6%. For the same period the Denver unemployment rate fell from 5.9% to 4.3%. For both metro areas the unemployment rates are similar to or below the state and national averages.

The decline in the unemployment rates is due primarily to increasing employment totals, especially in Colorado, Boulder and Denver. On a combined basis, metro Denver (including Boulder) recorded a net increase of 38,000 non-farm jobs between March of 2014 and March of 2015. That increase equates to an employment growth rate in the metro area of 2.6%.

Colorado (and Denver and Boulder in particular) continues to rank highly in various "best of" ratings by research companies and economic analysts. Dr. Richard Wobbekind, an economist with the Leeds School of Business at the University of Colorado - Boulder, forecast continued economic growth for Colorado in 2015. Wobbekind estimated strongest growth in the education, health care, construction, business and professional services and tourism sectors of Colorado's economy.

Transit Oriented Development

Transit oriented development (TOD) tends to be higher density mixed use commercial and residential properties which take advantage of proximity to public transit stops. Residents, employees and visitors to TOD properties enjoy "walkability", reduced need for automobiles and auto storage, proximity to sources of daily products and services and the convenience of short commute distances generally within one-quarter to one-half mile from a rail station or bus hub. All of these factors tend to have a positive effect on real property rents and prices.

The benefit of TOD varies depending on property type and market. According to a 2014 study, *Retail Rent With Respect to Distance From Light Rail Transit Stations in Dallas and Denver* by Arthur C. Nelson Professor of Planning and Real Estate Development, University of Arizona et al., "…planners and public officials have assumed that the largest share of market responsiveness to transit stations occurred within the first 0.25 mile and the rest out to about 0.50 mile. Emerging analysis is relaxing those narrow bands for apartments and office land uses, the premiums for which can extend well beyond a mile with half or more of the premium found within the first one-half mile. In contrast, this study finds a much tighter distance threshold with respect to retail land uses, perhaps only within the first 0.10 mile."

Another study of office rents completed by Dr. Nelson et al in 2014 was O*ffice Rent Premiums with Respect to Distance from Light Rail Transit Stations in Dallas and Denver*. The study found "…as the distance from an LRT [light rail transit] station increases rents fall… but at a declining rate." Based upon the data analyzed in this study, the distance threshold for the effect of light rail station proximity on office rents for the Denver market is estimated at "about 3.30 miles". Most analysts do not expect employees to walk up to three miles, but rather find they use alternative forms of transportation such as bicycles, or shuttles, such as the 16th Street Mall shuttle in Denver. Since "…the office rent market capitalizes benefits of LRT station proximity so much further away than previously thought there are opportunities to maximize those benefits".

Ridership is the key to the combined success of light rail and the associated transit oriented development. According to a study by G.B. Arrington, *Light Rail and the American City*, "a successful TOD can increase ridership at an individual station 20% to 40%, and up to 5% overall at the regional level." Transit investment is capitalized by bringing riders closer to transit facilities through well planned, compact developments. Arrington further states that "…successful TOD projects have to be successful without transit in order to be successful with transit…" He says projects should be "transit-oriented" and not "transit dependent". One of the biggest challenges to city planners and individual property developers is the concept of "place making" - what is the formula that generates sufficient attractiveness of a location to increase the consumer dollars spent and the rents paid by tenants.

The value associated with the proximity to rail transit stations is known as a "transit premium". According to *The New Real Estate Mantra – Location Near Public Transportation*, commissioned by American Public Transportation Association (APTA) in March 2013, the Center for Transit Oriented Development (CTOD) examined several studies and conclude the impact on real estate value for "transit premiums ranged from a few percent to over 150 percent increase". The study noted "increases were most dramatic for office and retail uses while single family residential value premiums range from 2% to 32%, condominiums range from 2% to 18% and apartments from 0% to 45%."

Studies have been completed on mass transit systems in various market areas including Portland, Dallas and San Diego but other than the Nelson study described above, no recent study has been completed of Denver's developing FasTracks system. Most studies focus on the effect of rail transit stations on single family residential properties. One recent study, *Developmental Impacts of the Dallas Area Rapid Transit Light Rail System*, completed in January 2014 by Center for Economic Development and Research, University of North Texas for DART focused on both commercial and residential properties. DART opened in 1996 and since that time has expanded into one of the largest light rail systems in the country.

All of the studies researched indicate positive effects on real estate property values in proximity to rail transit despite negative or "nuisance" factors such as view, noise, traffic, pollution, and type of system i.e. commuter rail as opposed to light rail. Rail transit tends to be a strong catalyst for development and activity increases particularly as additional lines are developed and connectivity improves. In St. Paul, building permits around stations increased 29% while the value of the building permits increased 80% compared to areas not served by rail transit. From 2006 to 2010, Denver area apartment developers paid an average

Developers tend to be willing to pay more for land near rail stations because they are perceived to be permanent in contrast to the flexibility of other forms of public transportation such as busses. However, bus rapid transit (BRT) tends to be considered a permanent system as well. BRT is conventional bus service with enhancements allowing passengers to board quickly and giving the vehicles priority in traffic. According to *Public Transit's Impact on Housing Costs: A Review of Literature* for Center of Housing Policy Insights by Keith Wardrip in August 2011, "a significant price premium for homes selling near the 25 year old BRT system in Pittsburgh."

According to the DART study, new development occurring within 0.25 miles of DART stations between 1996 and early 2013 totaled more than $1.5 billion. This compares to the $600 million developed in comparable "control areas" away from the light rail development. Of the $1.5 billion, more than half was multifamily development, $224 million was office development and $393 million was retail development. Upcoming projects near DART amount to an estimated $3.9 billion "announced values" and $3.8 billion is attributed to the presence of DART rail. On average, office rents are 13.9% higher for properties located within 0.25 miles of DART. The office rent premium paid peaked in 2010 at almost 20%. The DART study also indicted that multi-family and office property developments are drawn to station areas, "consistent with transit-oriented development and new urbanism style developments".

As property values increase, the revenue from real estate taxes increases. According to the study, "DART stations not only stimulate development more than comparable areas in the region, but in 2013 these developments generated over 2.5 times more property tax revenue." In 2013, the estimated tax contribution from the DART properties was estimated at $36.3 million while the control group contribution was estimated at $14.2 million. The increased tax base generated by TOD often provides an opportunity for "value capture" as a method for financing major transit projects using the tax increment.

Different communities experience different levels of property value response to TOD. Studies show that in Boston, residential property values increased 6.5% while Portland experienced a 10% increase in property values. Light rail had the strongest effect in the Dallas market, where residential property values increased from 25% to 39%. A study of MARTA in Atlanta showed that higher income neighborhoods did not experience as much growth in property values as lower income neighborhoods. The study further explained that the type of rail service, either commuter rail or light rail, had an influence on property values. However, the higher income neighborhoods served by MARTA did not "value" the service and thereby property values were not influenced by proximity to stations. In other neighborhoods where rail transit was used and "valued", particularly the lower income neighborhoods, property values increased closer to the stations. The increased property prices associated with proximity to rail transit appears to be experienced most when the population appreciates access provided by transit service regardless of the income level of the district.

According to a study by Roderick B. Diaz, *Impacts Of Rail Transit on Property Values*, residents near rail have more convenient access to regional employment, retail, and cultural opportunities. Places of employment properties such as office and industrial properties tend to have higher property values because they have increased access to the labor market. Retail properties experience higher property values due to the concentration of activity near the rail station.

Although much of the data analyzed in available studies is based upon single family housing, the benefit may be greater for apartments or condominiums. According to the DART study, more than 8,500 multi-family units will be constructed along DART over the next five to ten years. Between 1993 and 2013, "almost $580 million more was invested into multi-family residential than in the control areas." In Denver, apartment rents were reported to be 4% higher in communities within ¼ mile of a station. The largest demographic group leasing apartments close to stations in Denver is college students.

In a 2013 study by the American Public Transportation Association (APTA), the "largest generation in U.S. history and most multi-modal could be a game changer for public transportation…". Nearly 70% of millennials use "multiple ways of getting around a city or suburb". According to 54% of millennials polled, public transportation is ranked highest as the "best mode to connect to all other modes". Other modes include car-sharing, bike-sharing, walking and car ownership. The APTA study noted the

"recent trend of smart phone applications which allow public transit users to be spontaneous and flexible with their travel decisions". Millennials are leading the trend of Americans who are returning to walkable cities and suburbs.

There are several factors that help make transit-oriented development feasible and successful. Based on experience with transit-oriented development in metro Denver and in some other comparable cities those factors include:

- Stations within walkable proximity to major employers, sporting and entertainment venues, shopping centers, medical centers, colleges and universities or other civic facilities. These types of stations become destinations.
- Stations adjacent to, or within walking distance of, high-density multi-family residential units or established residential neighborhoods. These locations also feature "drop-in" service and retail and restaurant uses that cater to arriving or departing passengers.
- Stations with convenient options for transfers to other modes of public transportation, such as buses, streetcars and shuttles.

It is also important that stations have a sense of place, using signage, landscaping and civic artwork to differentiate each from another. At some RTD stations municipalities have participated in funding such amenities over and above what RTD invests. Perceptions of safety are also important. These can be maximized through lighting and station design. Indeed, the very presence of people helps create a more comfortable feeling for transit users.

As mentioned above, some of RTD's existing stations are more successful than others in helping to generate transit-oriented development. The Southeast Rail Line, for example, benefits from good demographics such as median and household income levels well above the metro Denver average and proximity to existing destinations, such as the University of Denver and major employers in the Denver Tech Center and at the Dry Creek, County Line, and Lincoln Avenue stations. Other existing lines with major destinations are the West Rail Line to the Federal Center and the Jefferson County Government Center and the Southwest Rail Line to downtown Littleton and Arapahoe Community College

Some of the new lines that will open by the middle of 2016 will also have major passenger draws, including the East Rail Line to Denver International Airport, the I-225 extension through the Anschutz Medical Campus, the North Metro Rail Line to the Denver Coliseum, and the National Western Complex, and the Gold Line to downtown Arvada.

Residential Real Estate

The U.S. Department of Housing and Urban Development's "National Housing Market Summary" report for the 4th Quarter of 2014 (the latest available quarter) indicated that on the national level the housing market is still doing well. In particular, the indicators tracked by the HUD report include:

- New single family residential construction during the 4th Quarter of 2014 reported 706,000 units started, up 6.5% on a year-to-year basis. Completions totaled 630,000 for the 4th Quarter, up 7.1% from the same period in 2013. Permits issued for the 4th Quarter 2014 were up 5.3% from the 4th Quarter of 2013.
- New single family sales totaled 466,000 in the 4th Quarter of 2014, up 4.5% from the same period in 2013. The median sale price for a new single family house in the 4th Quarter was $295,100, up 5.5% from the previous year.
- The average unsold inventory of 215,000 new single family units in the 4th Quarter created a 5.4 average month's supply, up from 5.1 months in the 4th Quarter of 2013.
- An annual average of 5,060,000 existing residential units were sold during the 4th Quarter of 2014, up 2.7% from the same period in 2013. The median sale price for an existing unit was $207,633, an increase of 4.2% from the 4th Quarter of 2013.
- The inventory of unsold existing units was 1,860,000, or a 4.4 month supply. This compares to the inventory of new residential units for sale of 215,000, or a 5.4 month supply.

One should consider that the HUD statistics are national in scope. In reality, real estate markets are all local, since someone looking to buy a home in Denver doesn't necessarily care about prices or availability in Boston or Seattle. However, the national statistics are valuable for determining major trends.

Foreclosures, once the bane of the housing market nationally and in metro Denver, have subsided considerably. For example, the US Housing and Urban Development 4th Quarter 2014 report indicated that 5.68% of the existing residential mortgages in the US were past due on their payments, down from 6.39% in the 4th Quarter of 2013, the lowest number since the 4th Quarter of 2007. Loans in foreclosure nationally accounted for about 2.16% of all residential mortgages. According to RealtyTrac the number of foreclosure starts by lenders declined 4% between January of 2014 and January of 2015.

On a more localized level, the Colorado Division of Housing reported that foreclosure activity continued to decline in most of the state's counties. For the 4th Quarter of 2014 the Division of Housing reported residential mortgages for which new foreclosure filings occurred were down 8.2% from the same period in 2013. The number of foreclosures that were finalized and for which auctions were held was down 25.3% from the 4th Quarter of 2013.

For all of 2013 the Division of Housing reported that new foreclosures actions declined 45% as compared to 2012, resulting in the lowest total since 2004. New filings mirrored that situation, falling 31% during 2013.

Residential Development and Sales Activity

The following tables show trends in residential development activity in metro Denver:

RESIDENTIAL BUILDING PERMITS ISSUED BY TYPE

For the Seven-County Denver Metropolitan Area

2004 through 1st Quarter 2015

Year	SF-D	SF-A	Apartments	Total
2015	1,914	410	1,678	4,002
2014	7,541	1,972	10,842	20,355
2013	6,671	1,402	10,417	18,490
2012	5,406	1,026	3,240	9,872
2011	3,545	834	2,008	6,387
2010	3,356	798	1,002	5,156
2009	2,405	592	438	3,435
2008	3,727	1,330	4,413	9,470
2007	7,219	4,632	3,015	14,866
2006	11,183	5,311	1,127	17,621
2005	15,988	4,642	460	21,090
2004	14,460	4,843	2,681	21,984

Source: Home Builders Association of Metro Denver

Notes:

1. SF-D denotes detached single family house for sale
2. SF-A denotes single family units attached horizontally or vertically for sale
3. Apartments are for-rent units

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HISTORIC BUILDING PERMIT TRENDS
For the Seven-County Denver Metropolitan Area
1969 Through 1st Quarter 2015

Year	For Sale Units	For Rent Apartments	Total Permits
2015	2,324	1,678	4,002
2014	9,513	10,842	20,355
2013	8,073	10,417	18,490
2012	6,632	3,240	9,872
2011	4,379	2,008	6,387
2010	4,154	1,002	5,156
2009	2,997	438	3,435
2008	5,057	4,413	9,470
2007	11,851	3,015	14,866
2006	16,494	1,127	17,621
2005	20,630	460	21,090
2004	19,303	2,681	21,984
2003	16,561	1,858	18,419
2002	18,391	4,085	22,476
2001	18,984	9,090	28,074
2000	19,501	9,116	28,617
1999	20,679	4,784	25,463
1998	19,864	7,794	27,658
1997	17,815	5,415	23,230
1996	15,614	3,666	19,280
1995	15,001	4,979	19,980
1994	15,329	4,588	19,917
1993	14,303	1,951	16,254
1992	11,601	1,764	13,365
1991	7,629	208	7,837
1990	5,465	479	5,944
1989	4,889	859	5,748
1988	5,452	1,401	6,853
1987	7,344	3,150	10,494
1986	11,308	6,826	18,134
1985	12,217	6,875	19,092
1984	17,953	9,309	27,262

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Year	For Sale Units	For Rent Apartments	Total Permits
1983	24,196	8,011	32,207
1982	13,216	6,507	19,723
1981	11,729	3,552	15,281
1980	11,329	4,662	15,991
1979	16,938	5,265	22,203
1978	20,812	7,353	28,165
1977	20,358	3,207	23,565
1976	12,258	2,319	14,577
1975	8,750	670	9,420
1974	8,358	3,287	11,645
1973	15,682	13,504	29,186
1972	20,135	24,928	45,063
1971	17,393	18,234	35,627
1970	9,966	10,029	19,995
1969	7,628	7,563	15,191

Source: Home Builders Association of Metro Denver
Note: For sale units include both detached single family units and condominium and townhouse units

The statistics provided by Metrolist for the single-family home market in the Denver metro area confirm the softening of the market after peaking in 2006-2008. The market began to improve in 2011 and is currently experiencing steady demand and higher sale prices. The inventory declined due to the tightness of the market.

METROLIST SALES – SINGLE FAMILY DETACHED HOUSING							
	Annual Totals for Years						
	2009	2010	2011	2012	2013	2014	2015
Sales	33,114	30,777	31,437	35,033	43,957	37,941	6,847
Average Price	$262,774	$281,498	$278,733	$308,320	$345,543	$365,713	$402,131
Median Price	$220,500	$230,000	$229,902	$255,000	$283,000	$308,000	$345,000
Inventory of Listings	14,946	15,890	12,792	6,366	5,575	7,735	3,603
Under Contract	3,712	3,267	3,166	3,784	NA	NA	NA
Months Supply	6	6	5	2	2	1	1
Days on Market	97	92	107	77	55	39	30

Note: According to Metrolist, statistics for single family detached and condominium and townhome data are likely skewed due to the placement of townhome listings in both categories. The Metrolist data service does not include the number of units under contract. 2015 is for the year-to-date through March 2015. Data for 2009 through 2014 is total or year end.

The market for condominium and townhouse units in metro Denver also improved since the housing downturn. As with the sales of detached single family units, condo unit sales and prices have increased although the inventory of unsold units increased somewhat yet is still tight.

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Construction of new single family units has accelerated as the housing market improved. Construction of new condominium units, on the other hand, has been very limited. This situation is due to several factors that deter developers from building new for-sale multi-family projects, mainly because of the potential for construction liability lawsuits from individual owners or homeowner associations.

This is not likely to change until the Colorado legislature addresses this form of tort. The Denver Regional Council of Governments was tasked by the legislature with studying the issue and making recommendations. However, legislation introduced in both the 2014 and 2015 sessions to address the issue was not passed. Since that time the Lakewood City Council and the Lone Tree City Council passed local legislation intended to resolve the issue, however those ordinances are likely to be the subject of litigation from homeowner associations. Several other municipalities in metro Denver are considering ordinances similar to that adopted by the City of Lakewood and the City of Lone Tree, including Arvada, Castle Rock and Parker.

For now most of the for-sale multi-family housing that will probably be developed in Colorado will be attached townhouses without homeowner associations that are responsible for structural maintenance.

There may also be development of condo projects with units at the top end of the price spectrum where the cost of construction liability insurance is not as drastic a part of overall construction costs. For example, the 71 units under construction at 250 Columbine Street in Cherry Creek North and the proposed Coloradan on Wewatta Street adjacent to Denver Union Station would be typical of that type of development.

METROLIST SALES – CONDOMINIUMS & TOWNHOMES Annual Totals for Years							
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Sales	8,956	8,041	7,950	9,113	12,632	14,756	2,893
Average Price	$158,215	$161,016	$155,648	$180,413	$204,102	$225,105	$258,235
Median Price	$135,450	$131,040	$124,888	$142,900	$165,000	$180,000	$209,000
Inventory of Listings	4,816	4,977	3,396	1,340	1,443	3,017	1,008
Under Contract	969	843	782	917	NA	NA	NA
Month's Supply	7	8	5	2	2	1	1
Days on Market	102	100	117	77	52	30	24

Note: According to Metrolist, statistics for single family detached and condominium and townhome data are likely skewed due to the placement of townhome listings in both categories. The Metrolist data service does not includes the number of units under contract. 2015 is for the year-to-date through March 2015. Data for 2009 through 2014 is total or year end.

Apartments

The apartment market in metro Denver improved vastly during the last several years as the economy recovered, generating demand for apartments. The lack of new construction (until recently) also contributed to the tightening market. Following is a synopsis of apartment market conditions as of the end of the 1st Quarter of 2015, as described in the James Real Estate Services "Apartment Perspective" and including data from the Apartment Association of Metro Denver.

- The vacancy rate in the seven-county Denver metro area rose during the 1st Quarter of 2015 to 4.9%, up from 4.7% in the 4th Quarter of 2014 but still below the 5.1% measured one year before. Vacancy rates were highest in Denver and the combined Boulder/Broomfield counties and lowest in Jefferson County.
- Net absorption was disappointing during 2012 as many apartment residents took advantage of low residential mortgage interest rates to buy. Increasing employment, however, generates demand for apartments. However, net absorption during 2013 was even lower than 2012, recording only 2,788 units. Absorption rebounded during 2014 to 6,474 units. Over a ten year period annual net absorption in metro Denver has averaged about 3,400 units so the rebound is a positive indicator (if it continues) in the face of the amount of extensive new development underway. During the 1st Quarter of 2015, however, net absorption was only 185 units.
- The tightening apartment market has led to rising rental rates, but that may change later in 2015 and 2016. The average rental rate for the 1st Quarter of 2015 was $1,204 per month, up 3.1% over the 4th Quarter of 2014. However, the increase is at least somewhat skewed by the inclusion of new projects being completed and added to the market. Those communities usually have higher average rental rates, thus inflating the average rental rate for the metro area.
- Developers, lenders and investors are attracted by Denver's healthy economy and, until now, strong apartment market. As of the end of the 1st Quarter of 2015 James Real Estate Services, Inc. counted 20,558 apartment units under construction in metro Denver. In addition, developers have proposed projects containing 19.709 units that may begin construction during the next twelve months.
- During 2014 developers started projects containing 10,842 units and completed communities with 8,236 units. In the 1st Quarter of 2015 developers started 2,124 units and brought onto the market projects with 2,051 units.

AVERAGE APARTMENT RENTS											
		Studio		1-BR		2-BR 2-B		3-BR			
Year	Vacancy	$/Mo	$/SF	$/Mo	$/SF	$/Mo	$/SF	$/Mo	$/SF	All	% Change
2015	4.9%	$978	$1.90	$1,062	$1.50	$1,425	$1.34	$1,692	$1.32	$1,204	3.1%
2014	4.7%	914	1.84	1,034	1.47	1,383	1.30	1,635	1.28	1,168	12.2%
2013	5.2%	817	1.62	921	1.30	1,234	1.16	1,437	1.13	1,041	5.6%
2012	4.9%	765	1.52	866	1.22	1,174	1.10	1,374	1.07	986	5.7%
2011	5.4%	695	1.41	822	1.16	1,098	1.03	1295	1.01	932	2.5%
2010	5.5%	656	1.32	795	1.12	1,069	1.00	1,284	1.01	909	3.7%
2009	7.7%	677	1.37	756	1.06	1,036	0.96	1,223	0.95	875	(1.6%)
2008	7.9%	630	1.28	776	1.09	1,056	0.98	1,259	1.04	889	3.3%
2007	6.1%	624	1.28	760	1.08	1,021	0.96	1,200	0.95	860	1.2%
2006	7.0%	624	1.28	739	1.05	1021	0.96	1,163	0.93	850	0.2%
2005	7.9%	561	1.22	735	1.05	1,016	0.96	1,161	0.94	848	3.3%
2004	10.0%	534	1.16	710	1.03	990	0.95	1,134	0.92	821	0.7%
2003	10.9%	532	1.17	706	1.02	915	0.92	1,093	0.91	815	0.1%
2002	10.6%	575	1.22	716	1.06	974	0.91	1,085	0.88	814	(1.0%)
2001	8.7%	559	1.21	720	1.02	972	0.95	1,096	0.89	822	3.7%
2000	4.7%	512	1.14	692	1.04	968	0.94	1,051	0.86	793	8.0%
1999	5.2%	497	1.08	638	0.96	899	0.88	974	0.83	734	5.6%
1998	4.4%	454	1.00	608	0.91	849	0.85	955	0.80	695	6.9%
1997	4.6%	416	0.92	558	0.85	801	0.80	896	0.75	650	7.1%
1996	4.9%	399	0.90	529	0.81	726	0.74	789	0.64	607	5.6%
1995	5.0%	374	0.85	502	0.77	702	0.71	760	0.63	575	6.5%
1994	3.8%	390	0.85	473	0.73	664	0.67	708	0.58	540	7.6%
1993	4.4%	357	0.78	441	0.68	620	0.63	643	0.53	502	6.4%
1992	4.7%	333	0.73	412	0.64	583	0.59	609	0.50	472	9.0%
1991	5.8%	296	0.63	380	0.59	547	0.55	561	0.47	433	6.9%
1990	8.5%	281	0.60	353	0.55	514	0.52	549	0.44	405	3.8%
1989	11.1%	264	0.58	342	0.53	443	0.50	530	0.42	390	(1.5%)
1988	11.3%	261	0.56	349	0.54	450	0.49	533	0.45	396	(2.0%)

Source: The Denver Area Apartment Vacancy and Rent Survey/James Real Estate Services, Inc.

Note: Average rents do not reflect concessions and specials. Change is based on difference between annual average and latest quarter of the current year.

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METRO DENVER APARTMENT DEVELOPMENT ACTIVITY

For the counties of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson

Year	Units Permitted	Units Added	Units Absorbed (Net)	Vacancy Rate
2015	1,678	1,560	185	4.9%
2014	10,842	4,803	6,474	4.7
2013	10,417	3,743	2,788	5.2
2012	3,240	1,675	3,138	4.9
2011	2,008	1,438	1,536	5.4
2010	1,002	498	6,827	5.5
2009	438	3,791	4,069	7.7
2008	4,413	2,881	(2,421)	7.9
2007	3,015	2,212	4,644	6.1
2006	1,127	738	2,709	7.0
2005	460	2,517	8,123	7.7
2004	2,681	2,548	4,679	10.0

Source: Apartment Association of Metro Denver, Home Builders Association of Metro Denver and James Real Estate Services, Inc.

Note. Units added may also include units not previously in the AAMD survey and are not necessarily the same as units completed.

APARTMENT VACANCY RATES AND RENTAL RATES BY COUNTY
1st QUARTER 2015

County	Vacancy Rate	Economic Vacancy Rate	Average Rental Rate
Adams	4.0%	21.3%	$1,131
Arapahoe	4.9	14.4	1,164
Boulder/Broomfield	6.0	11.1	1,341
Denver	6.3	15.0	1,216
Douglas	4.5	12.5	1,406
Jefferson	3.2	11.9	1,163
Metro Denver	4.9%	14.6%	$1,204

Source: Apartment Association of Metro Denver

Note: Economic Vacancy Rate is defined by the AAMD as combined physical vacancy plus the effects of specials and concessions.

APARTMENT RENTAL RATES AND VACANCY RATES BY YEAR

Year	Year End Average Rental Rate	Year End Vacancy Rate
2014	$1,168	4.7%
2013	1,041	5.2
2012	979	4.7
2011	932	5.4
2010	909	5.5
2009	875	7.7
2008	889	7.9
2007	860	6.1
006	850	7.0
2005	848	7.7
2004	822	10.0

Source: Apartment Association of Metro Denver

For lists of apartment communities started and completed in 2014 and of those under construction and proposed, see the James Real Estate Services, Inc. Apartment Perspective report at www.jres.com.

Senior Housing

The residential market segment with the largest growth potential is senior housing. Indeed, the U.S. Census Bureau estimates that in 2030 there will be approximately 107 million people 65 and older (as compared to approximately 34 million in 1995), with life expectancy of approximately 86 years.

Three distinct market categories comprise the senior housing real estate market: independent living, assisted living, and acute nursing care. Independent housing ranges from age-restricted apartment buildings to resort-like communities that provide extensive amenities to attract residents. Individualized health care options are usually not offered to residents of independent housing.

Assisted living facilities provide limited services, including transportation, meal preparation, and assistance with bathing, laundry, medication, and other personal needs. Acute care facilities offer full medical services and range from traditional nursing homes to specialized centers such as Alzheimer's and memory care facilities. There are also some facilities that include housing for all three living types.

The National Investment Center for the Senior Housing & Care Industry reports that cap rates in the industry are drawing closer to rates seen in other commercial property types due to greater knowledge by investors of the risks involved with this property type, with the lowest mean cap rates being seen in the independent living sector (mid 8s) and the highest in nursing homes (low 13s).

Marcus & Millichap forecasts the passage of healthcare reform will have long-term effects for the senior housing industry. Included in the legislation via the Community Living Assistance Services and Supports Act, the measure is forecast to affect properties that depend on Medicaid supplements with reduced values, while having less effect on those more dependent on private-pay users and Medicare recipients.

In the Denver metro area, there is reasonably strong demand for senior housing, as evidenced by low vacancies and even waiting lists, especially for the more independent type of lifestyle. As elsewhere in the nation, demographic trends indicate an aging metro area population that should continue to grow demand for this property type over the foreseeable future.

During the 1st Quarter of 2015 one new senior housing apartment community was started in metro Denver, that being the Morningstar Senior Living project at Commons Street and RidgeGate Parkway in Lone Tree. The development contains 124 independent living units, plus assisted living apartments and nursing home care beds.

Two senior apartment communities were completed during the 1st Quarter of 2015. Auburn Ridge at 1101 Auburn Drive in Castle Rock contains 90 units and was developed by Atlantic Investment & Development. At 10827 East Kentucky Avenue the Aurora Housing Authority finished construction on the 65-unit second phase of the Village at Westerly Creek.

A number of other senior apartment projects have been proposed recently but most of those are awaiting word on whether the Colorado Housing and Finance Agency will approve the necessary low income housing tax credits.

Retail

The retail market in metro Denver was affected, as elsewhere, by the decline in retail sales due to the effects of the Great Recession. Now that the economy nationally and in metro Denver has recovered the retail real estate sector has followed suit.

The retail market in metro Denver (excluding Boulder County) contains about 89.6 million square feet. At the end of the 1st Quarter of 2015 the vacancy rate was 6.1%, down from 6.2% at the end of the 4th Quarter of 2014. The market recorded net absorption of 1,477,710 square feet during 2013, a considerable improvement over the negative absorption of 320,000 square feet recorded for all of 2012. Net absorption for 2014 was 1,448,362 square feet. For the 1st Quarter of 2015 net absorption was 182,483 square feet.

For purposes of this report, the construction, absorption, and vacancy statistics are provided by the Newmark Grubb Knight Frank, and are generally confirmed with reports prepared by Cassidy Turley and CBRE.

DENVER METRO RETAIL VACANCY AND ABSORPTION						
Year	No. Centers	Total Retail Space SF	Net Space Added SF(1)	Vacant Space SF	Percent Vacant	Net Market Absorption SF
2015*	970	89,623,845	-85,697	5,429,890	6.1%	182,483
2014	968	89,709.542	249,372	5,518,632	6.2%	1,448,362
2013	959	89,460,170	905,048	6,632,270	7.4%	1,477,710
2012	947	88,555,122	-1,299,440	7,472,390	8.4%	-320,504
2011	948	89,854,562	780,246	8,451,326	9.4%	464,064
2010	943	89,074,316	591,645	8,135,144	9.1%	743,391
2009	937	88,482,671	1,414,403	8,286,890	9.4%	-402,595
2008	921	87,068,268	4,439,116	6,469,892	7.4%	3,635,212
2007	903	82,629,152	1,207,343	5,665,988	6.9%	-2,526,482
2006	938	83,836,495	2,320,358	4,346,849	5.2%	3,270,549
2005	906	81,516,137	2,408,542	5,297,040	6.5%	4,032,271
2004	891	79,107,595	1,297,039	6,920,769	8.7%	1,837,221
2003	873	77,810,556	903,219	7,460,951	9.6%	396,695
2002	865	76,907,337	4,228,935	6,954,427	9.0%	3,582,218
2001(2)	841	72,678,402	3,662,112	6,307,710	8.7%	1,546,118
2000(3)	802	69,016,290	7,574,190	4,191,716	6.1%	6,961,974
1999	724	61,442,100	1,552,500	3,579,500	5.8%	1,513,700
1998	708	59,889,600	1,308,400	3,540,700	5.9%	1,400,500
1997	696	58,581,200	1,387,500	3,632,800	6.2%	1,384,500
1996	692	57,193,700	1,048,900	3,629,800	6.3%	408,500
1995	685	58,242,600	-658,700	5,087,200	8.7%	911,400
1994	683	58,901,300	2,203,500	6,657,300	11.3%	2,278,700
1993	672	56,697,800	452,000	6,732,500	11.9%	1,399,100
1992	667	56,245,800	-399,200	7,679,600	13.7%	1,209,600
1991	592	56,645,000	5,869,300	9,288,400	16.4%	5,962,100
1990	579	50,775,700	1,312,700	9,381,200	18.5%	1,300,500
1989	574	49,463,000	-507,000	9,369,000	18.9%	-1,605,000
1988	529	49,970,000	-157,300	8,271,000	16.6%	-305,800

Source: Newmark Grubb Knight Frank/James Real Estate Services, Inc.
(1) Surveyors inventory adjustments plus new construction, less demolition
(2) Coverage area changed to include new Broomfield County
(3) Market Inventory adjusted - new data available
*Through the 1st Quarter of 2015.

METRO DENVER RETAIL RENTAL RATES,
NET ABSORPTION AND VACANCY RATES

Year	Median Rent – Large Strip	Median Rent – Small Strip	Overall Net Absorption	Overall Metro Vacancy
2015*	$21.07	$17.25	182,483	6.1%
2014	16.50	17.00	1,444,362	6.2
2013	15.00	15.00	1,477,710	7.4
2012	15.00	14.75	(320,504)	8.4
2011	15.00	14.75	464,064	9.4
2010	15.00	14.75	743,391	9.1
2009	15.00	15.50	(402,595)	9.4
2008	16.00	16.00	3,635,212	7.4
2007	17.00	15.50	(2,526,482)	6.1
2006	17.00	12.50	3,270,549	5.0
2005	17.00	12.50	4,032,271	6.2
2004	15.00	12.00	1,837,221	8.5

Source: Newmark Grubb Knight Frank 1st Quarter 2015 Denver Retail Market Report
* Note: Through the 1st Quarter of 2015

As the economy recovered from the Great Recession consumers began to feel more comfortable about their personal economic prospects. Accordingly, retail sales rebounded, helping retailers and creating market opportunities for new stores to enter the Denver market.

According to the Newmark Grubb Knight Frank 1st Quarter 2015 Denver Retail Report, the improvement allowed vacancy rates to decline in many submarkets and categories. The overall metro Denver retail vacancy rate was measured at 6.1%. By category, vacancy rates ranged from highs in the sub-regional centers at 9.1%, the large strip centers at 6.9% and the small strip centers at 6.6%. Lowest retail vacancies were recorded in single tenant spaces (4.1%) and in super-regional malls at 4.6%.

On the basis of location, vacancy rates were highest in the North and Northwest submarkets and lowest in Midtown (1.2%) and in the Central Business District at 3.8%. The large strip and sub-regional categories were especially hard hit by the departures of some “big box” retailers, especially in 2012 and 2013, leaving spaces not yet released.

According to the 2015 Emerging Trends in Real Estate report by PricewaterhouseCoopers LLP and the Urban Land Institute, the retail market in the Denver metro area ranked 5th in terms of buy/hold/sell ratings among all US metropolitan markets surveyed. The improving local economy, retail sales and market conditions have yet to generate much speculative new retail development.

According to Newmark Grubb Knight Frank the following retail projects were under construction in metro Denver at the end of the 1st Quarter of 2015:

JRES JAMES REAL ESTATE SERVICES

- Serenity Ridge, 157,000 square feet at Arapahoe Road and Smoky Hill Road in far southeast Aurora. The center is anchored by a King Soopers market.
- King Soopers redevelopment, 123,000 square feet in the southeast suburban submarket at 17751 to 17761 Cottonwood Drive in Parker.
- Breckenridge Brewery Campus, 6775 South Santa Fe Drive in Littleton with 85,000 square feet.
- Littleton Village Phase 1, 52,000 square feet at 7400 South Broadway.
- The Elan at 1975 19th Street near Denver Union Station, an apartment building with 50,000 square feet of ground level retail, including a King Soopers market.
- The 30,000 square foot retail component of 250 Columbine, a mixed-use residential, office and retail project in Cherry Creek North.
- A 27,000 square foot Sprout's Farmers Market grocery at Kipling Street and West 38th Avenue in Wheat Ridge.
- Gateway Point Plaza, 23,000 square feet at 3751 Tower Road in northeast Denver.
- Steele Creek, an apartment building at 88 Steele Street in Cherry Creek East with 16,000 square feet of retail space.
- The 14,000 square feet of retail space on the ground floor of 100 St. Paul Street, an office building under construction in Cherry Creek North.

Newmark Grubb Knight Frank does not include in its list of retail projects under construction the 400,000 square foot addition to the Cherry Creek shopping center on East 1st Avenue. This addition replaces a vacant former department store and will be anchored by a flagship Restoration Hardware store that is moving from smaller quarters in the mall.

During the 1st Quarter of 2015 five retail projects with 128,303 square feet were completed in metro Denver, including a 55,000 square foot Hobby Lobby store at The Grove in Thornton, 30,524 square feet at 5809 West 44th Avenue, a 16,779 square foot La-Z-Boy furniture store at The Grove, building F at Webster Lake Promenade on East 120th Avenue in Northglenn with 15,000 square feet and 11,000 square feet at Westerra Plaza at 373 Union Boulevard in Lakewood. In 2013 developers completed 766,443 square feet, well above the 257,021 added in 2012. During 2014 a total of 452,309 square feet was completed and added to the retail market.

According to Newmark Grubb Knight Frank, investors acquired about $852.5 million square feet of retail properties in metro Denver in 2014, compared to $751.2 million purchased in 2013. This was a decrease from the $943.7 million worth of retail properties acquired in 2012, but was well above the $362.1 million in 2011 and the low of $242.8 million in 2010. By comparison, retail property sales in metro Denver previously peaked in 2005 with $870.5 million. During the 1st Quarter of 2015 Newmark Grubb Knight Frank recorded retail property sales of $249.2 million. Sales during the 1st Quarter of 2015 resulted in an average per square price of about $192, up from $147 per square foot in 2014, $183 per square foot for 2013 and $163 in 2012.

Transit oriented developments (TOD), with offices and/or residences above retail space are also growing in response to demographic changes and the extension of RTD light rail and commuter rail lines. A significant contribution comes from the growing redevelopment trend along East Colfax Avenue, partly in response to the new Denver Main Street zoning first implemented there. The Dividend Capital Research newsletter Real Estate Cycle Monitor prepared by Dr. Glenn Mueller of the University of Denver shows most national retail sectors including Denver to be in the "recovery" phase of real estate cycles.

A major portion of the retail market is among single tenant triple net leased properties, which continue to be popular among Section 1031 tax deferred buyers and tenant-in-common (TIC) investors. Worth noting is that the Denver metro area has one of the highest ratios of retail space per capita in the country at some 30 square feet per person, compared to the national average of about 20 square feet per

person. Denver, however, is a major regional draw, attracting shoppers from outside the metro area, so the higher total square foot per capita (based on the US Census totals for metro Denver residents) is not particularly troubling.

Like other real estate segments, the retail market has benefited from low mortgage interest rates but that has yet to generate much new speculative development. Most of the retail space recently completed or currently under construction in metro Denver is preleased to anchor tenants or being built for single users. Small speculative shop spaces are being included in some mixed-use projects, especially in Cherry Creek North and downtown. It is anticipated that the strength of the Denver market overall will position the retail sector to continue to enjoy decreasing vacancy rates and healthy demand.

Office

The office market in Denver was also affected by the Great Recession as employers cut jobs and reduced their space needs. With a rebound in the economy and strong employment growth the office market in Denver is tightening due to increased demand but still limited new speculative construction.

The office market in metro Denver (excluding Boulder County) contains about 92.3 million square feet. The vacancy rate at the end of the 1st Quarter of 2015 was 13.8%, down from 14.4% at the end of 2014, 15.8% at the end of 2013 and from 17.2% at the end of the 4th Quarter of 2012. During 2013 the Denver office market recorded net absorption of 1,594,851 square feet, well above the total for 2012. Most of the new office space currently under construction is heavily preleased or intended to be owner-occupied although developers are starting some speculative developments, especially downtown. During 2014 net absorption was 1,524,689 square feet. For the 1st Quarter of 2015 net absorption was reported at 506,320 square feet.

For purposes of this report, the construction, absorption, and vacancy statistics are provided by Newmark Grubb Knight Frank and are generally confirmed with reports prepared by Cassidy Turley and CBRE.

According to the 2015 Emerging Trends in Real Estate report by PricewaterhouseCoopers LLP and the Urban Land Institute, the office market in the Denver metro area ranked 6th in terms of buy/hold/sell ratings among all metropolitan markets surveyed in the United States. The report also noted that the creation of the RTD rail and bus transit hub at Denver Union Station in the downtown area has strengthened the central business district. The downtown area has also benefitted from Denver's role as a center for energy-related companies, many of which are expanding or relocating to the center city in Class A buildings. Whether the recent decline in demand for oil and gas, and the subsequent fall in prices, affects energy-related office needs is a trend to carefully watch.

DENVER METRO OFFICE VACANCY AND ABSORPTION						
Year	Number of Properties	Total Office Space	Net Space Added SF(1)	Vacant Space (SF)	% Vacant	Net Market Absorption (SF)
2015 *	955	92,328,756	-53,794	12,778,366	13.8%	506,320
2014	956	92,382,550	367,640	13,288,035	14.4%	1,524,689
2013	954	92,014,910	-467,052	14,521,388	15.8%	1,594,851
2012	963	92,381,263	167,851	16,219,199	17.6%	652,813
2011	963	92,213,412	825,708	16,704,161	18.1%	1,975,063
2010	951	91,387,704	1,211,603	17,853,516	19.5%	1,393,848
2009	946	90,176,101	1,583,986	18,035,761	20.0%	-1,269,264
2008	934	88,592,115	1,729,120	15,182,511	17.1%	-132,988
2007	935	86,862,995	-388,568	13,320,403	15.3%	1,227,371
2006	948	87,251,563	812,635	14,936,342	17.1%	3,146,387
2005	944	86,438,928	489,313	17,270,094	20.0%	2,047,945
2004	934	85,949,615	1,100,566	18,828,726	21.9%	1,656,500
2003	925	84,849,049	457,966	19,384,660	22.8%	645,710
2002	920	84,391,083	1,450,789	19,572,404	23.2%	-2,247,581
2001(2)	903	82,940,294	4,297,519	15,874,034	19.1%	-4,513,853
2000(3)	857	78,642,775	3,787,775	7,062,662	9.0%	2,931,213
1999	771	74,855,000	2,527,900	6,206,100	8.3%	2,552,000
1998	752	72,327,100	2,065,800	6,230,200	8.6%	2,200,100
1997	735	70,261,300	1,336,700	6,364,500	9.1%	1,946,900
1996	725	68,924,600	191,800	6,974,700	10.1%	1,644,900
1995	721	68,732,800	93,400	8,427,800	12.3%	588,722
1994	719	68,639,400	796,500	8,923,122	13.0%	3,180,478
1993	717	67,842,900	-451,200	11,307,100	16.7%	2,046,400
1992	724	68,294,100	-162,800	13,804,700	20.2%	1,816,300
1991	728	68,456,900	-160,200	15,783,800	23.1%	1,159,800
1990	735	68,617,100	2,086,800	17,103,800	24.9%	2,333,600
1989	713	66,530,300	972,300	17,350,600	26.1%	2,009,700
1988	944	65,558,000	-3,332,000	18,388,000	28.0%	-2,134,000

Source: Newmark Grubb Knight Frank/James Real Estate Services, Inc.
(1) Surveyor's inventory adjustments plus new construction less demolition
(2) Coverage area increased to include Broomfield County
(3) Market inventory adjusted - new data available
*Through the 1st Quarter of 2015

METRO DENVER OFFICE RENTAL RATES AND VACANCY RATE TRENDS

Year	Median Rent – Class A	Median Rent – Class B	Median Rent – Class C	Overall Vacancy Rate
2015 *	$28.48	$19.51	$16.14	13.8%
2014	28.87	19.60	15.96	14.4
2013	25.00	18.25	13.75	15.8
2012	22.00	17.00	13.00	17.6
2011	21.40	17.00	13.25	18.1
2010	20.50	16.25	13.00	19.5
2009	21.00	16.50	13.50	20.0
2008	23.50	17.75	14.50	17.1
2007	23.00	17.75	14.00	15.3
2006	18.00	15.50	12.75	17.1
2005	18.00	15.50	12.75	20.0
2004	18.50	15.50	13.25	21.9

Source: Newmark Grubb Knight Frank 1st Quarter 2015 Metro Denver Office Report
*Note: Through the 1st Quarter of 2015

According to the Newmark Grubb Knight Frank 1st Quarter 2015 report, the median office rental rate in metro Denver was $23.50 per square foot on a full service basis. In terms of rental rates by class, the median rate was $28.48 per square foot for Class A space, $19.51 per square foot for Class B and $16.14 for older unrenovated Class C space. In terms of rental rates by submarket, the highest median rates were measured in the Central Business District and Cherry Creek submarkets. Lowest median rates were in Aurora.

Some of the major moves that occurred or were announced in the Denver office market during the 1st Quarter of 2015 included:

- Comcast Corporation leased 288,000 square feet at Panorama Corporate Center in the southeast suburban submarket, backfilling space vacated by Charles Schwab when it moved to its new campus in Lone Tree.
- Transamerica leased 121,000 square feet at 1801 California Street and will relocate from its much smaller quarters in the southeast suburban submarket.
- Nationwide Mutual Insurance leased 76,000 square feet at One Lincoln Station on Park Meadows Drive in Lone Tree.
- Liberty Global leased 70,000 square feet in the Triangle Building at 1550 Wewatta Street in LoDo, which is currently under construction. The company will relocate from offices in the southeast suburban submarket.
- The Colorado Department of Health Policy and Finance expanded by 58,000 square feet at 303 East 17th Avenue in the Central Business District.
- Four Winds Interactive leased the 52,961 square foot Museum Center office component of The Art, a mixed-use project at West 12th Avenue and Broadway.
- Brown & Caldwell moved into 33,000 square feet at 1527 Cole Boulevard in the west submarket.
- HDR EOC took 31,000 square feet at One Maroon Circle in the southeast suburban submarket.
- CNC Health Solutions occupied 30,000 square feet at Greenwood Corporate Plaza in the southeast suburban submarket.

New office construction is growing in metro Denver due to low vacancy rates and tenant demand. Completed during the 1st Quarter of 2015 was the renovation of the former Avaya building at 1200 West 120th Avenue into Park 12 Hundred with 297,172 square feet. Ten buildings are currently under construction, including two major renovations from industrial uses, with a combined total of 1,665,838 square feet. These include:

- 1401 Lawrence Street, a 22-story building with 301,130 square feet of space in the Central Business District, of which 86,644 is preleased for a Kansas City law firm's expanding Denver office.
- 1601 Wewatta Street adjacent to Denver Union Station, 283,000 square feet.
- CoBank headquarters, (to be owner occupied), 276,000 square feet at 6360 South Fiddlers Green Circle in the southeast suburban submarket.
- The Triangle Building, 1550 Wewatta Street, also near Denver Union Station, 210,932 square feet.
- Charles Schwab building 3 at its campus on East Lincoln Avenue in Lone Tree with 183,000 square feet.
- 100 St. Paul Street in Cherry Creek North, 135,000 square feet. The major tenant in the building will be First Bank.
- 200 Columbine, a mixed-use building in Cherry Creek North with 80,000 square feet of office space.
- The Lab, 73,815 square feet at 2420 17th Street in the LoHi neighborhood.
- Museum Center, the office component of The Art mixed-use development at Broadway and West 12th Avenue, 52,961 square feet.
- Industry Phase II, 70,000 square feet at 3001 Brighton Boulevard.

Investors have reentered the market for office buildings in Denver. During the 1st Quarter of 2015 Newmark Grubb Knight Frank reported that about $675.6 million worth of office properties were acquired. In 2014 total sales were $2.3 billion, compared to office sales during 2013 of about $2.2 billion. By comparison, total office sales in 2012 were $1.6 billion, following sales of $1.2 billion in 2011 and $518.9 million in 2010.

The largest sales reported during the 1st Quarter of 2015 were the $171.9 million purchase of 1515 Wynkoop Street in LoDo, the $91 million sale of Greenwood Corporate Plaza and Zeller Realty's acquisition of Alamo Plaza for $75.2 million. Sales during the 1st Quarter of 2015 averaged about $193 per square foot.

Medical Office

In the late 1980s and early 1990s, the development of medical office buildings was extremely limited in the Denver metro area and concentrated almost exclusively on or adjacent to hospital campuses. Sales activity was also extremely limited with increasing attention on the substantial annual increases in health care costs and questions concerning adaptation to them by both the public and private sectors.

Denver is a major regional medical center and hosts general and specialist hospitals and practitioners. As such, it generates need for office space specifically oriented to medical users. This space includes factors not normally found in traditional office buildings, such as extra water supplies, sound conditioning of walls, a mixture of office uses (including examination rooms) and space for technical services and equipment.

According to CoStar, the metro Denver office market contains 14,879,159 square feet of office space described as entirely medical in nature, contained in 630 buildings. As of May 13, 2015, the vacancy rate for such medical office space was 8.4%. The vacancy rate at the end of 2013 was 7.7%, down from 9.1% at the end of 2012.

Developers completed 32,748 square feet of medical office space in 2013 and 88,800 square feet in 2014. During 2013 net absorption of medical office space in metro Denver was 113,831 square feet. For 2014 net medical office absorption was only 60,783 square feet. For the twelve month period ending on May 13, 2015 net absorption was 157,126 square feet. Full service gross medical office space rent averaged $24.17 per square foot. CoStar lists a total of 117,490 square feet of medical office space as currently under construction in metro Denver.

Perhaps the greatest impact on the medical office market in recent years has resulted from the evolution of the medical profession from an emphasis on "boutique" one-doctor practices to health maintenance organizations (HMOs). The greater emphasis on efficiency encouraged by insurance companies has caused the industry to consolidate into larger organizations, each providing a full range of medical services from primary care to hospitalization. Formerly, most health care providers had more or less exclusive relationships with hospitals and therefore located their offices for initial patient contact close by those hospitals. Today this phenomenon is generally confined to specialists. With greater emphasis on patient convenience, primary care physicians are increasingly locating in residential neighborhoods and in buildings with convenient access, plentiful parking and good traffic exposure, exclusively occupied by medical and perhaps dental professionals.

The use of ambulatory surgery centers is becoming increasingly more common in the Denver metropolitan area. Becoming popular with patients because of their convenience and lower costs respective to hospitals, the facilities have now also become popular with doctors and hospitals themselves, and are now averaging an annual growth rate within the state of 7.0%. Currently, the number of these facilities within the state of Colorado totals over one hundred.

Additionally, growth of medical office space continues to rise, particularly in the west and southeastern portions of the U.S., in response to greater population growth and the ever-increasing population of persons over 55. This growing demand has increased interest in the sector by developers and investors, who have since raised the growth of new development in the property type from 8.5 million square feet in 2000 to 13.7 million in 2005 and approximately 13.2 million in 2006. Development was stymied with the Great Recession but is expected to resume with the recovery. Furthermore, the appeal of these properties to investors is strengthened by the nature of the tenants themselves, whose longer lease terms and slower tenant turnover make the property type less susceptible to market swings.

Another factor contributing to significant change within the sector is the continued increase in healthcare spending. Currently accounting for 16.0% of the Gross Domestic Product in the U.S. and anticipated to rise to 19.6% by 2016, the rising costs are compelling physicians to offset them via greater ownership in the facilities by physicians themselves or by the addition of ancillary services. An example of this is the 78,300 square foot Lowry Medical Center in Denver, which was completed in 2006 and is 80.0% owned by doctor/tenants.

The recent upholding of the Patient Protection and Affordable Care Act by the U.S. Supreme Court has affected the healthcare industry. Expected to increase the number of Americans with health insurance by 32 million by 2019, the increased number of hospital-employed physicians is prompting healthcare systems and physician practices to converge. Providing mutual safety and economies of scale, the measure increases the importance of hospital affiliation in asset value of medical office buildings to their investors. An increased role is also occurring for pad sites within well-located retail centers including for ambulatory surgery centers. Taking spaces formerly occupied by banks, video, and furniture stores, they provide a much-needed competitive advantage in the increasingly brand-specific market.

The approval of the Patient Protection and Affordable Care Act is forecast to dramatically affect the healthcare industry, according to a report by Marcus & Millichap. To provide insurance coverage for all by 2019, the company projects it will impact the sector by increasing demand for not only medical office space but also healthcare retailers. While construction of medical office space is not expected to peak in the near term, it is forecast to rebound by 2014 to pre-recession levels of more than 17 million SF, as it is anticipated that demand will exceed the current national measure of available vacant space of 70 million square feet by 60 million square feet.

Additionally, the law will favor new construction in the sector of traditional hospitals by denying Medicare reimbursements to specialty hospitals that are owned by physicians. This is expected to maintain the sector's high desirability to investors, since the sector has experienced only a 16.0% decline median price since peaking in 2007, while core commercial properties have experienced declines of 25.0% to 40.0%. As well, the increased number of persons covered in the near term should accelerate the demand for pharmacy services and therefore should renew interest in growth by healthcare retailers (pharmacies) as well as grocery store chains and general store chains such as Target and Wal-Mart.

Industrial

The industrial market in metro Denver is composed of warehouse, manufacturing and research and development/flex buildings. As with other sectors of the economy, industrial real estate suffered during the Great Recession but not as badly as the office or retail sectors.

The industrial market in metro Denver (excluding Boulder County) contains about 177 million square feet. The vacancy rate for all categories of industrial space at the end of the 1st Quarter of 2015 was 3.5%, down from 3.8% at the end of 2014 and from 4.9% at the end of 2013 and 7.4% at the end of 2012. Combined industrial sector net absorption for the 1st Quarter of 2015 was 1,031,730 square feet, compared to net absorption of 4,236,371 square feet for all of 2014. By comparison, net absorption was 4.4 million square feet in 2013.

For purposes of this report, construction, absorption and vacancy statistics are provided by Newmark Grubb Knight Frank and generally confirmed with reports prepared by Cassidy Turley and CBRE.

DENVER METRO INDUSTRIAL VACANCY AND ABSORPTION						
Year	Number of Properties	Total Indust. Space (SF)	Net Space Added (1)	Vacant Space (SF)	% Vacant	Net Market Absorption (SF)
2015*	2,579	176,996,053	717,372	6,245,305	3.5%	1,031,730
2014	2,572	176,278,681	2,066,448	6,659,456	3.8%	4,236,371
2013	2,554	174,212,233	-673,695	8,514,435	4.9%	4,395,076
2012	2,563	174,885,928	-3,845,582	12,958,219	7.4%	-1,608,362
2011	2,571	178,731,510	335,258	15,195,439	8.5%	-790,682
2010	2,578	178,396,252	1,316,649	14,069,499	7.9%	909,676
2009	2,565	177,079,603	-1,995,672	13,662,526	7.7%	-2,274,337
2008	2,593	179,075,275	-215,119	13,383,861	7.5%	-2,749,433
2007	2,563	179,290,394	1,240,908	10,849,547	6.1%	2,377,698
2006	2,573	178,049,486	764,698	11,986,337	6.7%	4,260,990
2005	2,566	177,284,788	1,383,174	15,482,629	8.7%	1,729,435
2004	2,545	175,901,614	881,311	15,828,890	9.0%	842,133
2003	2,539	175,020,303	1,129,136	15,789,712	9.0%	1,125,091
2002	2,522	173,891,167	2,232,536	15,785,667	9.1%	1,239,350
2001(2)	2,490	171,658,631	9,372,418	14,792,481	8.6%	2,674,801
2000(3)	2,343	162,286,213	22,845,613	8,094,864	5.0%	23,931,649
1999	1,804	139,440,600	2,572,100	9,180,900	6.6%	2,467,500
1998	1,774	136,868,500	5,473,800	9,076,300	6.6%	5,007,600
1997	1,719	131,394,700	5,441,700	8,610,100	6.6%	3,072,300
1996	1,643	125,953,000	2,052,300	6,240,700	5.0%	1,643,600
1995	1,683	123,900,700	2,355,200	5,832,000	4.7%	4,100,500
1994	1,668	121,545,500	-1,198,200	7,577,300	6.2%	1,234,500
1993	1,682	122,743,700	-67,400	10,010,000	8.2%	277,300
1992	1,697	122,811,100	-871,100	10,354,700	8.4%	2,637,800
1991	1,753	123,682,200	-99,900	13,863,600	11.2%	285,900
1990	1,744	123,782,100	3,274,200	14,249,400	11.5%	5,923,600
1989	NA	120,507,900	991,400	16,898,800	14.0%	2,542,300
1988	NA	119,516,500	616,500	18,449,700	15.4%	1,669,800

Source: Newmark Grubb Knight Frank/James Real Estate Services, Inc.
(1) Surveyor's inventory plus new construction, less demolitions
(2) Coverage area increased to include Broomfield County
(3) Market inventory adjusted - new data available.
* Through the 1st Quarter of 2015

JRES JAMES REAL ESTATE SERVICES

The industrial market in metro Denver moved into balance with recovery from the Great Recession but is now actually creating potential for a shortage of warehouse space. Vacancy rates declined in all segments during the 1st Quarter of 2015. With a balancing market rental rates are also stabilizing although not yet rising appreciably.

METRO DENVER INDUSTRIAL RENTAL RATES AND VACANCY TRENDS

Year	Median Rental Rate Single Tenant Space	Median Rental Rate Multi-Tenant Space	Median Rental Rate All Industrial Space	Overall Vacancy Rate
2015 *			$6.64	3.5%
2014			6.64	3.8
2013	$6.35	$7.11		4.9
2012	6.35	7.11		7.4
2011	6.35	7.11		8.5
2010	6.00	6.75		7.9
2009	6.62	7.12		7.7
2008	7.38	7.38		7.5
2007	7.12	7.12		6.1
2006	6.50	6.75		6.7
2005	6.25	6.75		8.9
2004	6.50	6.62		9.0

Source: Newmark Grubb Knight Frank 4th Quarter 2014 Denver Industrial Market report
Note: Rental rates combine those for industrial/warehouse space and research and development/flex space
* Note: Through the 1st Quarter of 2015

Newmark Grubb Knight Frank no longer provides information broken out between multi-tenant and single tenant space. Therefore, effective with data for 2014 and 2015 median rental rates are for all industrial space, based on an average of the rates reported for each submarket.

According to the 2015 Emerging Trends in Real Estate report by PricewaterhouseCoopers LLP and the Urban Land Institute, the industrial market in the Denver metro area ranked 13h in terms of buy/hold/sell ratings among all metropolitan markets surveyed in the United States. Denver is a major regional center for the intermountain West and serves as a convenient location for distribution facilities, especially due to the good road, rail and air service available. This makes the city very attractive to warehouse users and developers. The legalization of marijuana sale and use in Colorado has also stimulated demand for growing facilities in warehouses, especially in the older Class B and C categories. The research and development component of the area economy generates demand for flex space, especially in aerospace, alternative energy and biomedicine.

The 1st Quarter 2015 survey of industrial market conditions in metro Denver by Newmark Grubb Knight Frank found the following conditions:

- The vacancy rate for warehouse and industrial space was 2.7%, down from 2.9% at the end of 2014 and from 3.6% in the 4th Quarter of 2013. For flex space, the overall vacancy rate declined from 10.0% at the end of 2014 to 9.3% at the end of the 1st Quarter of 2015.
- By location, the lowest vacancy rates for industrial/warehouse space were in the Southwest, West and Northeast submarkets, all of which had vacancy rates under 3%. The highest rates were recorded in Northwest Denver with a 12.2% rate, down from 15.8% one year before.
- For flex space the lowest vacancy rates were located in Northeast and Central Denver submarkets, both with vacancy rates under 3%. Highest flex vacancy was in West Denver at 14.2% and Southwest Denver at 12.1%.
- Net absorption during the 1st Quarter of 2015 was 709,442 square feet for industrial/warehouse space and 322,288 square feet of flex space. This demand (combined with a limited addition of new space) allowed the metro vacancy rates for warehouse/industrial and flex space to continue the declining trend in both categories.
- Industrial real estate brokers report that one reason for the strong demand for warehouse space may be found in the new marijuana sales business. Legalized by Colorado voters in a referendum the heavily-regulated field has been taking warehouse space, especially in the Class B and C categories, for marijuana growing facilities.

The lack of new development was a crucial factor in the improvement in both segments of the industrial market. However, developers are reacting to the decline in vacancy rates and the strong tenant demand overall. Newmark Grubb Knight Frank counted 1,573,052 square feet of industrial space under construction at the end of the 1st Quarter of 2015, most of which was contained in four large warehouses in the East submarket.

A total of 1,168,917 square feet of new space was completed during 2013. For all of 2014 nearly 2.8 million square feet was completed in metro Denver, about 300,000 of which was in flex/R&D buildings. Four buildings were completed in the 1st Quarter of 2015 totaling about 189,000 square feet of warehouse space and 171,000 square feet of flex space.

Improved market conditions and tenant demand have encouraged industrial developers to begin new speculative buildings. The following large warehouse/industrial or flex/research and development buildings were under construction at the end of the 1st Quarter of 2015:

- Enterprise Business Center building 5 at 10050 East 40th Avenue in the East submarket with 466,540 square feet.
- Stapleton Business Center North building 2 at 9700 East 56th Avenue with 392,425 square feet in the East submarket.
- Gateway Park building 21, 18250 East 40th Avenue, 347,840 square feet in the East submarket.
- Stapleton Business Center North at 5501 Havana Street with 249,820 square feet in the East submarket.
- Enterprise Business Center at Stapleton building 1 at 9600 East 40th Avenue with 91,960 square feet.
- Mikron (built-to-suit), 67,000 square feet at South Potomac Street and East Otero Avenue in the southeast submarket.
- The Lafayette Tech Center, 35,000 square feet of flex space at 1405 South Public Road in Lafayette.
- 14,427 square feet at 1630 – 1644 Platte Street in the central submarket.

Several major moves occurred or were announced during the 1st Quarter of 2015, including:

- Niagara Bottling occupied 132,000 square feet at the Majestic CommerCenter in the east submarket.
- White Cap Construction Supply leased 107,000 square feet at 701 Osage Street in the central submarket.
- Czarnowski moved into 72,199 square feet at 9600 East 56th Drive in the east submarket.
- Baroness Wine moved into 72,082 square feet at 5301 Peoria Street in the east submarket.
- DirectTV occupied a 67,537 square foot flex building at 13300 James E. Casey Avenue in the southeast submarket.
- White Wave Foods took the entire 66,331 square foot flex building at 1900 Cherry Street in the northwest submarket.

Investors have also returned to the industrial market in Denver. According to Newmark Grubb Knight Frank, investors acquired $249.9 million of industrial properties in metro Denver in 2013, with most of the sales in warehouse buildings. During 2012 the total sales volume for industrial properties in metro Denver was $229.2 million, up from $122.1 million in 2011. On a ten-year average Newmark Grubb Knight Frank reports that metro Denver industrial property sales averaged $262 million per year.

During 2014 total sales were $611.4 million. Total sales in the 1st Quarter of 2015 were $228.6 million, or about $62 per square foot. Several of the largest sale transactions in the 1st Quarter included:

- Global Logistic Properties and GIC Real Estate International, both based in Singapore, purchased a portfolio of nine warehouses in the east submarket for $108.8 million.
- DTC Industrial Trust bought Airport Distribution Center in the east submarket for $46.6 million.
- Dividend Capital Diversified Property Fund sold 18300 East 28th Avenue for $10.9 million

On a per square foot basis, sale prices during the 1st Quarter of 2015 ranged from about $36 to $141 for warehouse space. For flex/research and development sales during the 1st Quarter the sales prices ranged from $51 to $98 per square foot. .

Lodging

The Rocky Mountain Lodging Report provides data about the hotel and motel market in metro Denver based on a monthly survey conducted for the Colorado Hotel and Lodging Association. The March 2015 report found the following market conditions:

- Average metro occupancy for 2015 year-to-date was 69.9%, down slightly from 70.0% in March 2014.
- The average daily rate for rooms in metro Denver was $122.86, compared to an ADR of $113.58 for the same period in 2014.
- The revenue per available room was $85.86 through March of 2015, up from $79.46 for March of 2014.
- By submarket, average annual occupancy for the year-to-date through March 2015 was in the 55 to 78% range, with lowest rate found in North Denver at 55.2%. At the end of March 2015 occupancy rates were highest in Northeast Denver and Downtown at 78.6% and 72.4% respectively.

During the 1st Quarter of 2015 several major announcements were made about hotel development and/or investment in metro Denver, including:

- Blackstone Real Estate bought five Towne Place Suites by Marriott hotels in metro Denver from AB Real Estate Group and Sage Hospitality for $76,250,000.
- White Lodging started work on a 491 room dual-branded hotel at 15th and California streets in downtown Denver. The hotel will combine an AC Hotel and a LeMeridien Hotel in one building.
- Corporex Colorado plans to develop a 174-unit Embassy Suites hotel near the intersection of Lincoln Avenue and Park Meadows Drive in Lone Tree, adjacent to a future RTD light rail station.
- BMC Investments and Sage Hospitality began construction on a 155 room hotel at 245 Columbine Street in Cherry Creek North. The $70 million project has not yet been named but it is expected not to be part of a chain.
- A 139 room Marriott Courtyard may be developed adjacent to the Abilene Street RTD light rail station in Aurora.
- The Arvada Urban Renewal Authority selected Arvada Hotel Investment LLC to develop a 136 room Hilton Garden Inn on Old Wadsworth Boulevard south of the planned RTD commuter rail station in Olde Town.
- Propel Development filed plans with the City of Littleton for a 125 room Marriott Courtyard hotel at 3056 West County Line Road.
- Mesa Gold announced plans for a 100 room Marriott Courtyard in the Orchard Park West mixed-use development at West 144th Avenue and Huron Street.

The following table shows the ten-year trend for hotel and motel occupancy and average daily room rates. Source is the monthly Rocky Mountain Lodging Report. For 2004 through 2014 the data is the annual average. For 2015 the data is through March:

METRO DENVER LODGING OCCUPANCY AND ROOM RATES

Year	Average Occupancy	Average Daily Room Rate
2015	69.9%	$122.86
2014	75.8	124.37
2013	70.8	115.09
2012	66.6	109.75
2011	66.8	109.94
2010	64.4	107.77
2009	59.0	106.85
2008	65.0	118.27
2007	67.0	111.21
2006	66.4	101.54
2005	64.1	91.10

The following table shows market data for each of metro Denver's eight lodging submarkets with the Rocky Mountain Lodging Report as source. Data for 2015 is through March.

METRO DENVER LODGING MARKET CONDITIONS BY SUBMARKET

Submarket	Occupancy Rate	Average Daily Room Rate	Average Revenue Per Available Room
South/Southeast Denver	68.1%	$115.88	$78.90
Midtown	63.4	87.09	55.26
Downtown	72.4	165.82	120.10
Northeast	78.6	100.86	79.30
West	66.0	98.54	65.08
North	55.2	86.03	47.45
US-36 corridor	62.9	111.70	70.23
Boulder	65.8	135.66	89.30
Overall Metro	69.9%	$122.86	$85.86

PGA PERFORMANCETRAK
IN COOPERATION WITH THE NGCOA

PerformanceTrak News–December 2014 and Year-End Results **February 2, 2015**

Executive Summary

December 2014 rounds and YTD 2014 rounds played per day open were up 1.4% and 0.6% respectively. 2014 finished with the fewest days open in nine years. With our newest reported metric, rounds played per day open, this reinforced golf demand when weather conditions are acceptable and proved consumers are choosing to play golf. With the impact of unfavorable weather and without adjusting for weather, 2014 rounds played finished down 1.4%. There were 5.6 fewer days open this year versus 2013.

PGA PerformanceTrak data also accounts for weather's impact on other key performance indicators such as Golf Fee Revenue and Golf Merchandise Revenue. Golf Fee Revenue per days open realized an increase of 1.5% while Golf Merchandise Revenue per days open realized an increase of 2.4% when compared with 2013 data. The updated chart below now includes these metrics.

PerformanceTrak At-a-Glance - December 2014

	December 2014[1]	December 2013[1]	Change	% Change
Mean (Average) Rounds Played - December	777	766	↑	1.4%
Mean (Average) Days Open - December	15.8	14	↑	12.9%
YTD December 2014 Highlights				
Mean (Average) Rounds Played - YTD	23,312	23,653	↓	-1.4%
Mean (Average) Days Open - YTD	266	271.6	↓	-2.1%
Mean (Average) Rounds Played Per Day Open - YTD	88	87	↑	0.6%
December 2014 Median Gross Revenue Per Facility[2]				
Median Golf Fee Revenue - December	$27,500	$27,000	↑	1.9%
Median Merchandise Revenue - December	$10,283	$9,439	↑	8.9%
Median Food & Beverage Revenue - December	$35,923	$34,659	↑	3.6%
Median Total Revenue - December[4]	$131,282	$128,171	↑	2.4%
YTD December 2014 Median Gross Revenue Per Facility[2]				
Median Golf Fee Revenue - YTD	$755,222	$760,080	↓	-0.6%
Median Golf Fee Revenue Per Day Open - YTD	$2,839	$2,799	↑	1.5%
Median Merchandise Revenue - YTD	$152,599	$152,196	↑	0.3%
Median Merchandise Revenue Per Day Open - YTD	$574	$560	↑	2.4%
Median Food & Beverage Revenue - YTD	$518,703	$499,300	↑	3.9%
Median Total Revenue - YTD[4]	$2,116,334	$2,089,697	↑	1.3%
Performance Factor[3]	**Index**			
Dec-14	89.9			
YTD December 2014	100.6			

[1] Rounds played, days open, and revenue data are weighted by state and facility type.

[2] Median gross revenues exclude responses where one value of the paired data was missing (i.e., a $0 value).

[3] Performance Factor is an index of rounds played per day open, where 100.00 represents consistent play on a per day basis.

[4] Total facility revenue is comprised of Golf, Merchandise and F&B revenue (those metrics measured by PerformanceTrak) and further includes any and all other revenue items at a facility including dues and membership fees.

December State-by-State Performance

State-by-state results below are for December rounds played and days open for 2014 in comparison to 2013. A total of 34 states reported increases or consistent play for the month of December; some with fewer days open (Hawaii and Louisiana). When accounting for days open, 20 states reported increases in rounds per day open for December 2014 as compared to December 2013.

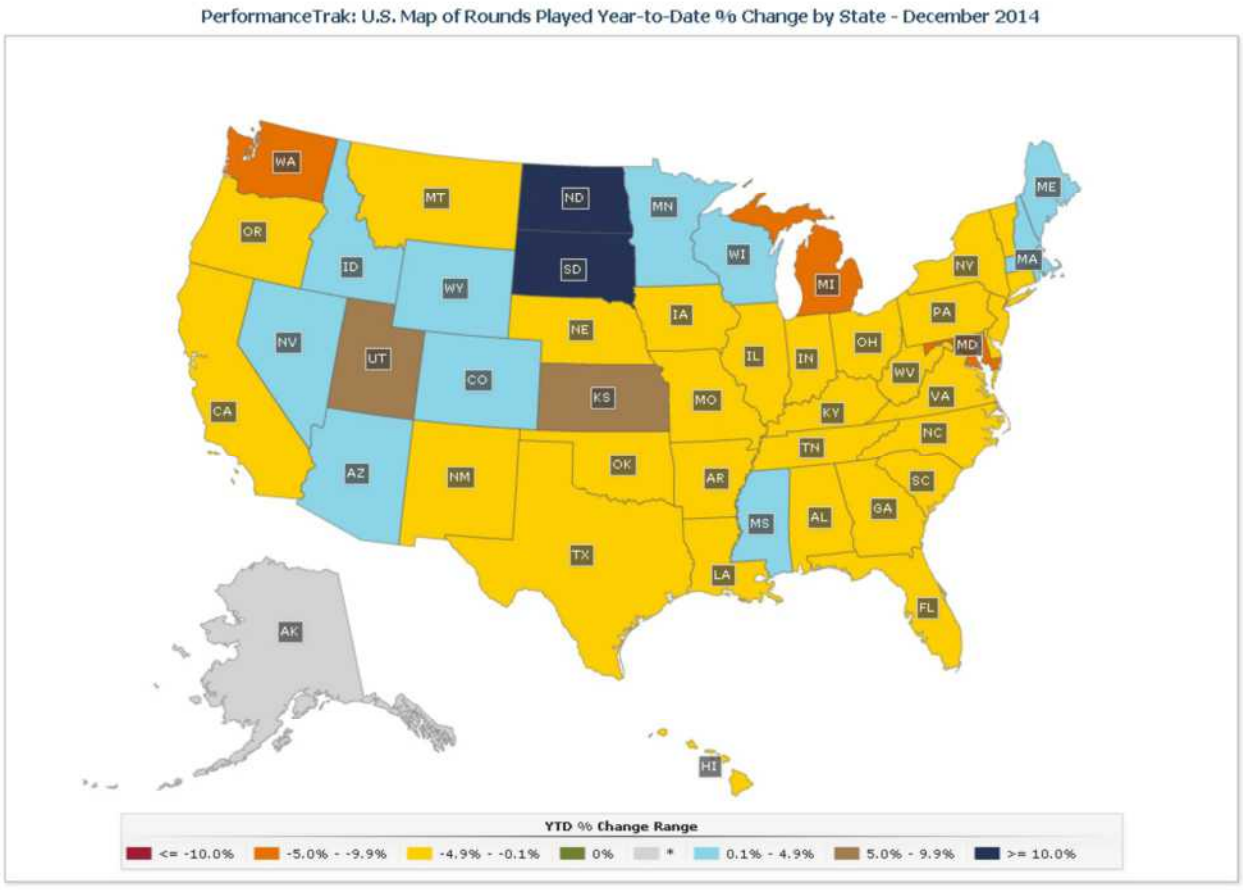
PerformanceTrak Monthly State Results by Rounds % Change for December 2014

	Rounds Played			Days Open			
State	Current Year	Previous Year	% Change	Current Year	Previous Year	% Change	Performance Factor
All United States	777	766	1.4%	15.8	14.0	12.9%	89.9
Montana	31	4	675.0%	1.2	0.5	140.0%	322.9
Wyoming	27	4	575.0%	1.0	1.0	0.0%	675.0
Minnesota	16	3	433.3%	0.3	0.1	200.0%	177.8
Idaho	260	69	276.8%	13.3	4.4	202.3%	124.7
Michigan	65	19	242.1%	2.1	0.6	250.0%	97.7
South Dakota	30	11	172.7%	1.8	1.1	63.6%	166.7
Utah	1,086	399	172.2%	17.2	4.3	300.0%	68.0
Illinois	104	45	131.1%	7.7	3.2	140.6%	96.0
Massachusetts	167	86	94.2%	9.2	5.4	70.4%	114.0
Pennsylvania	241	132	82.6%	15.1	10.0	51.0%	120.9
West Virginia	243	135	80.0%	11.1	6.1	82.0%	98.9
Iowa	70	40	75.0%	5.0	1.6	212.5%	56.0
Rhode Island	240	157	52.9%	19.1	9.9	92.9%	79.2
Ohio	153	104	47.1%	11.0	7.9	39.2%	105.7
New York	117	84	39.3%	4.7	3.4	38.2%	100.8
Connecticut	128	95	34.7%	6.8	6.1	11.5%	120.9
Indiana	106	80	32.5%	7.3	4.3	69.8%	78.0
Oregon	689	538	28.1%	24.4	20.3	20.2%	106.5
Colorado	424	338	25.4%	10.0	7.1	40.8%	89.1
Nebraska	149	124	20.2%	9.7	5.4	79.6%	66.9
Washington	716	603	18.7%	22.3	19.6	13.8%	104.4
New Jersey	380	326	16.6%	18.6	14.6	27.4%	91.5
Louisiana	1,066	925	15.2%	25.5	26.0	-1.9%	117.5
Missouri	321	282	13.8%	18.7	15.6	19.9%	95.0
Alabama	821	726	13.1%	26.2	25.5	2.7%	110.1
New Mexico	552	492	12.2%	16.8	15.8	6.3%	105.5
Georgia	1,125	1,005	11.9%	25.8	25.6	0.8%	111.1
Texas	1,454	1,379	5.4%	24.0	21.9	9.6%	96.2
Arkansas	331	318	4.1%	22.0	17.7	24.3%	83.7
Mississippi	710	688	3.2%	25.6	23.2	10.3%	93.5
Nevada	1,510	1,475	2.4%	22.9	19.1	19.9%	85.4
Hawaii	2,129	2,086	2.1%	29.3	29.8	-1.7%	103.8
Florida	2,896	2,862	1.2%	29.3	29.3	0.0%	101.2
Kansas	314	314	0.0%	18.5	15.6	18.6%	84.3
Oklahoma	777	784	-0.9%	19.8	17.9	10.6%	89.6
Maryland	560	566	-1.1%	22.7	18.5	22.7%	80.6
South Carolina	1,361	1,387	-1.9%	27.7	26.4	4.9%	93.5
Virginia	681	708	-3.8%	22.1	20.5	7.8%	89.2
Arizona	2,799	2,916	-4.0%	28.7	29.0	-1.0%	97.0
Kentucky	272	290	-6.2%	18.3	17.3	5.8%	88.7
North Carolina	973	1,041	-6.5%	24.5	24.7	-0.8%	94.2
Tennessee	594	638	-6.9%	24.4	22.2	9.9%	84.7
California	2,362	2,831	-16.6%	26.3	28.6	-8.0%	90.7
Delaware	367	462	-20.6%	22.6	23.0	-1.7%	80.8
New Hampshire	5	13	-61.5%	0.1	1.3	-92.3%	500.0
Wisconsin	1	3	-66.7%	0.1	0.5	-80.0%	166.7
Maine	0	0	*	0	0	*	
North Dakota	0	0	*	0	0	*	
Vermont	0	0	*	0	0	*	

Note 1: States displayed are those that have sufficient sample size and sufficient days open for reporting. Regardless of display, all responses are included in the "All States" value for nationwide results.
Note 2: Results are based on weighting by facility type and state.

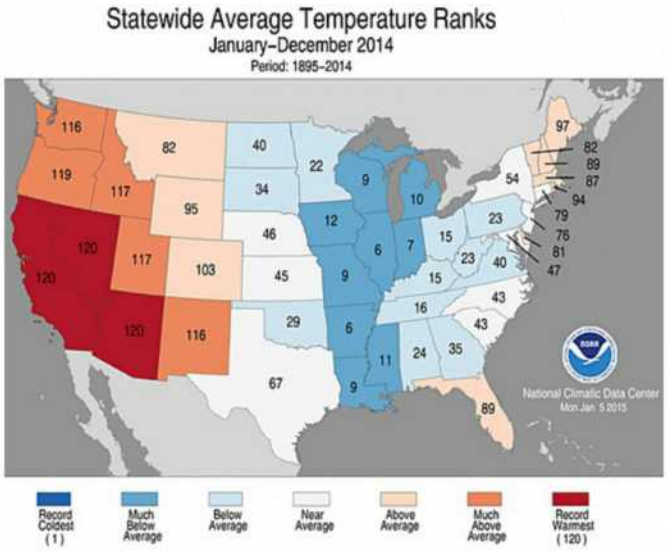
PerformanceTrak YTD State Results and Weather

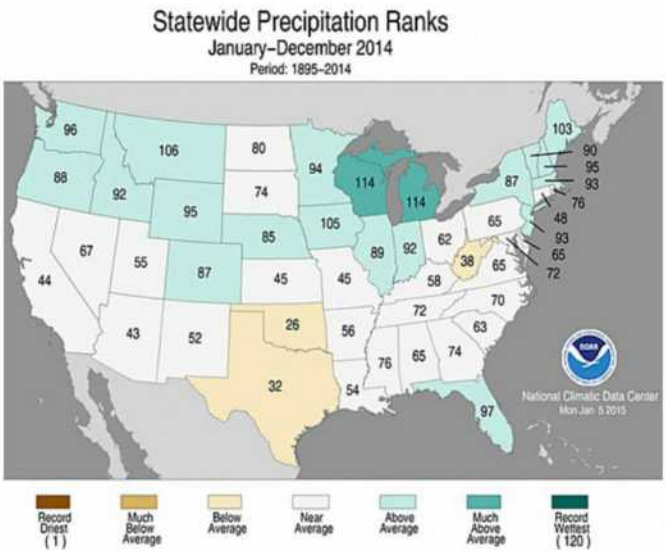
The color-coded map below provides YTD December 2014 rounds played results compared to YTD December 2013 based on a percent change range. While YTD 2014 ended with the fewest days open in the past nine years, there were sixteen states with year over year increases in rounds played for the year. And when accounting for weather, a total of 29 states showed growth in rounds played per day open in 2014. Throughout this year wetter than usual weather has negatively impacted close to half of the U.S.



Note: States shaded in grey did not have sufficient facility responses to report YTD golf rounds played.

Below are weather maps for ***YTD 2014***. This provides a look at weather conditions for the year and correlates with available play. Overall this was a slightly warmer but wetter year than usual. Half of the states with a growth decline experienced much wetter weather.

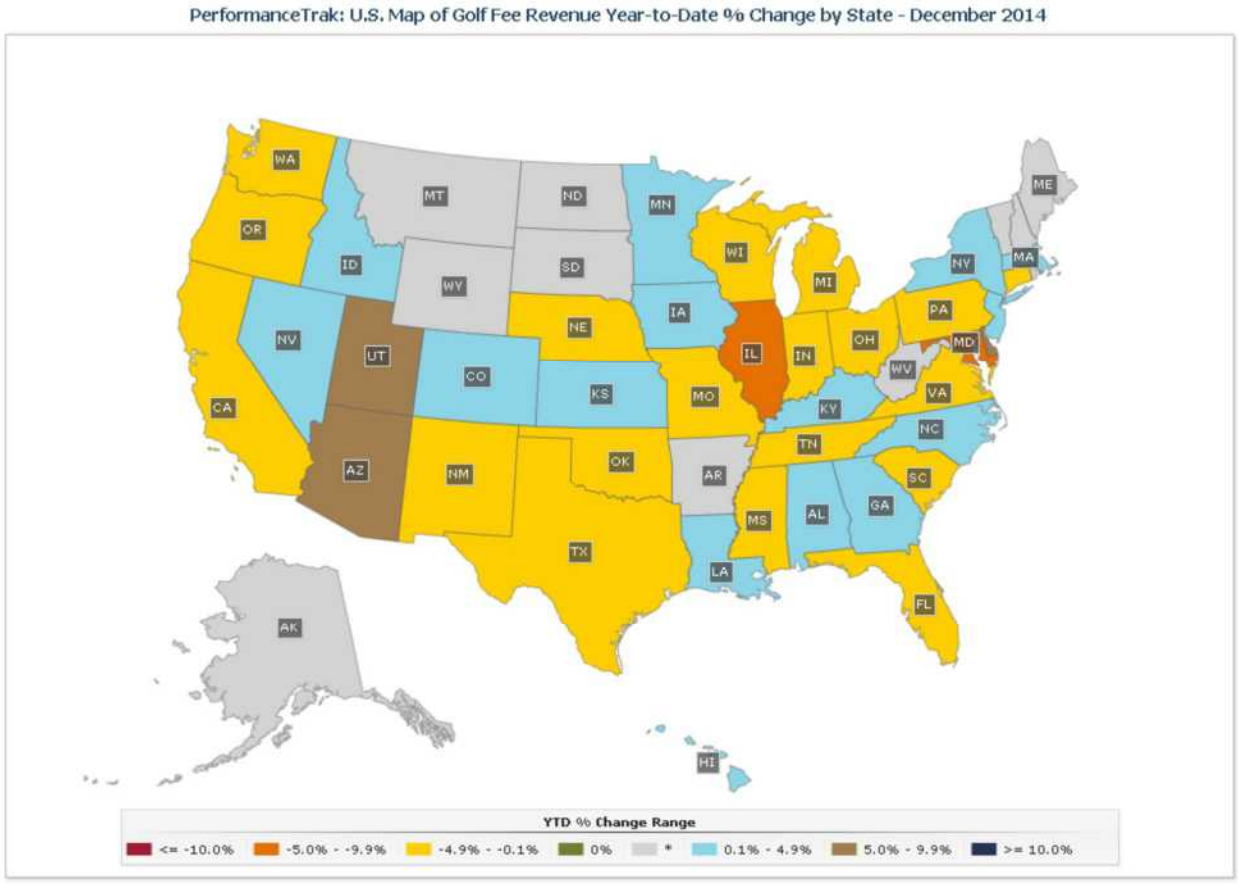




For the maps above: The numeric value within an area represents where it falls within the rank from 1 to 120 which covers the historical period of record-keeping (120 years). It is sorted from highest to lowest value (Coldest/Driest to Warmest/Wettest). For example, if the value equals 12 on the 1 to 120 scale, it represents the 12th coldest / driest period on record. A value of 109 would represent the 12th warmest / wettest.

YTD Gross Golf Fee Revenue Percent Change by State

The color-coded map on the following page provides YTD December 2014 gross golf fee revenue results compared to YTD December 2013 based on a percent change range. Overall, national gross golf fee revenue is trending close to flat compared to 2013. When reviewing gross golf fee revenues in relation to days open, there were twenty-three states that showed growth. There were 18 states with YTD 2014 gross golf fee revenue increases over the prior year. The top 5 states with the largest percent increases were Delaware, Arizona, Utah, North Carolina and Colorado.



Note: States shaded in grey did not have sufficient facility responses to report YTD Golf Fee Revenues.

YTD Golf Fee Revenue Per Round Played

YTD December 2014 median golf fee revenue per round played is presented below by facility type. Overall, golf fee revenue per round played is near flat with the national effective green fee rate currently at $25.37.

Year-to-Date Golf Fee Revenue Per Round

	Golf Fee Revenue Per Round		
	Current 2014 Year-to-Date	Prior 2013 Year-to-Date	
Facility Type	**Median**	**Median**	**% Change**
Private	$21.29	$21.39	-0.50%
Daily Fee	$25.54	$25.88	-1.30%
Muni/Mil/Univ	$22.41	$22.50	-0.40%
Resort	$48.17	$47.56	1.30%
All Facility Types	**$25.37**	**$25.21**	**0.60%**

About PerformanceTrak

PGA PerformanceTrak in Cooperation with the NGCOA is the industry's leading rounds and revenue data reporting and operational benchmarking service. Reports are available nationally and by state, PGA Section and markets for over 70 local markets. A dedicated team at the PGA of America National office gathers data monthly to support participation and benchmark reporting across the country and to assist with customer service inquiries. PerformanceTrak has a high standard regarding data quality. Information submitted is reviewed for significant changes and outliers, feedback is gathered from users regarding their specific operations and their local area and any outlier of data is omitted from reporting. PerformanceTrak is a fully online, web-based service with real-time reports available 24/7.

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The Investor's Tour
Salient Indicators

SGA
The Golf Advisory Experts

Survey Method:		2015		
Overall Capitalization Rate[1]	Range	6.0%	to	15.0%
	Average			10.6%
Terminal / Residual Capitalization Rate[2]	Range	8.0%	to	15.0%
	Average			11.4%
Net Income Multiplier[3]	Range	2.0	to	14.0
	Average			8.6
Gross Income Multiplier	Range	0.5	to	3.5
	Average			1.6
Discount Rate	Range	8.0%	to	22.0%
	Average			14.1%
DCR & Band of Investment Method: [4]				
Overall Capitalization Rate	Range	9.0%	to	n/a
	Average			11.0%
Discount Rate	Range	10.2%	to	n/a
	Average			14.0%
Growth Indicators:				
Income Growth Rate	Range	0.5%	to	4.0%
	Average			2.3%
Expense Growth Rate	Range	2.0%	to	4.0%
	Average			2.2%
Operational Indicators:				
Management Fee as % of Gross Revenue	Range	1.0%	to	5.0%
	Average			3.3%
Capital Reserves as % of Gross Revenue	Range	2.0%	to	10.0%
	Average			3.1%
Transaction Indicators:				
Marketing Period (Months)	Range	4 mos	to	18 mos
	Average			11.8
Broker Sales Commission	Range	2.0%	to	6.0%
	Average			3.2%

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1 / Overall Capitalization reflects going-concern operations.
2 / Terminal or going-out Capitalization rates also reflect going-concern operations.
3 / Net Income Multiple (Price / Net Income) is the inverse of the Cap Rate.
4 / Typical information (LTV, DCR, etc.) derived from a survey of lenders and borrowers.

Addendum I –
Demographic Information

Market Profile - Appraisal Version

Confidential Golf Course
4141 E 35th Ave, Denver, Colorado, 80207,
Rings: 1, 3, 25 mile radii

Prepared by William James
Latitude: 39.765643431
Longitude: -104.9387273

	1 mile	3 miles	25 miles
Population Summary			
2000 Total Population	16,040	120,358	2,246,785
2010 Total Population	15,149	127,209	2,602,235
2013 Total Population	15,673	133,165	2,692,598
2013 Group Quarters	196	5,743	41,515
2018 Total Population	17,127	146,798	2,890,423
2013-2018 Annual Rate	1.79%	1.97%	1.43%
Household Summary			
2000 Households	5,688	52,970	879,308
2000 Average Household Size	2.80	2.20	2.51
2010 Households	5,750	59,750	1,028,587
2010 Average Household Size	2.60	2.03	2.49
2013 Households	6,006	62,986	1,066,858
2013 Average Household Size	2.58	2.02	2.48
2018 Households	6,609	70,057	1,149,938
2018 Average Household Size	2.56	2.01	2.48
2013-2018 Annual Rate	1.93%	2.15%	1.51%
2010 Families	3,466	24,206	637,237
2010 Average Family Size	3.36	3.04	3.14
2013 Families	3,600	25,467	657,936
2013 Average Family Size	3.33	3.01	3.14
2018 Families	3,937	28,175	704,602
2018 Average Family Size	3.32	3.00	3.14
2013-2018 Annual Rate	1.81%	2.04%	1.38%
Housing Unit Summary			
2000 Housing Units	5,880	56,006	911,757
Owner Occupied Housing Units	60.2%	43.6%	63.5%
Renter Occupied Housing Units	36.5%	51.0%	32.9%
Vacant Housing Units	3.2%	5.4%	3.6%
2010 Housing Units	6,223	65,065	1,093,661
Owner Occupied Housing Units	56.0%	42.0%	59.5%
Renter Occupied Housing Units	36.4%	49.9%	34.5%
Vacant Housing Units	7.6%	8.2%	6.0%
2013 Housing Units	6,487	67,989	1,129,557
Owner Occupied Housing Units	52.1%	39.0%	56.7%
Renter Occupied Housing Units	40.5%	53.7%	37.8%
Vacant Housing Units	7.4%	7.4%	5.6%
2018 Housing Units	7,055	74,993	1,211,206
Owner Occupied Housing Units	53.0%	39.7%	57.3%
Renter Occupied Housing Units	40.7%	53.7%	37.7%
Vacant Housing Units	6.3%	6.6%	5.1%
Median Household Income			
2013	$38,632	$42,070	$57,936
2018	$45,166	$50,159	$70,980
Median Home Value			
2013	$227,442	$282,442	$254,077
2018	$294,875	$395,403	$316,195
Per Capita Income			
2013	$24,354	$33,303	$32,423
2018	$27,997	$39,098	$37,483
Median Age			
2010	34.0	34.1	35.2
2013	34.5	34.6	35.7
2018	35.2	35.1	36.3

Data Note: Household population includes persons not residing in group quarters. Average Household Size is the household population divided by total households. Persons in families include the householder and persons related to the householder by birth, marriage, or adoption. Per Capita Income represents the income received by all persons aged 15 years and over divided by the total population.
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2013 and 2018. Esri converted Census 2000 data into 2010 geography.

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	1 mile	3 miles	25 miles
2013 Households by Income			
Household Income Base	6,006	62,986	1,066,853
<$15,000	19.7%	19.6%	11.5%
$15,000 - $24,999	14.5%	12.1%	9.4%
$25,000 - $34,999	11.8%	11.0%	9.3%
$35,000 - $49,999	13.2%	13.2%	12.8%
$50,000 - $74,999	11.5%	14.7%	17.3%
$75,000 - $99,999	11.2%	9.3%	13.2%
$100,000 - $149,999	10.7%	10.2%	15.8%
$150,000 - $199,999	3.9%	4.7%	5.6%
$200,000+	3.4%	5.1%	5.1%
Average Household Income	$63,055	$69,198	$81,115
2018 Households by Income			
Household Income Base	6,609	70,057	1,149,933
<$15,000	19.3%	18.8%	11.0%
$15,000 - $24,999	11.5%	9.4%	7.2%
$25,000 - $34,999	10.8%	9.9%	8.3%
$35,000 - $49,999	11.5%	11.8%	11.1%
$50,000 - $74,999	9.4%	12.4%	14.1%
$75,000 - $99,999	15.0%	12.1%	16.1%
$100,000 - $149,999	14.4%	14.1%	19.2%
$150,000 - $199,999	4.8%	6.1%	7.3%
$200,000+	3.5%	5.4%	5.7%
Average Household Income	$72,119	$81,093	$93,559
2013 Owner Occupied Housing Units by Value			
Total	3,379	26,485	640,046
<$50,000	0.3%	0.4%	1.3%
$50,000 - $99,999	4.2%	4.0%	3.4%
$100,000 - $149,999	12.8%	10.3%	9.0%
$150,000 - $199,999	22.0%	14.7%	16.8%
$200,000 - $249,999	19.4%	13.5%	18.3%
$250,000 - $299,999	12.6%	11.0%	14.4%
$300,000 - $399,999	17.0%	17.9%	16.9%
$400,000 - $499,999	7.0%	11.1%	8.5%
$500,000 - $749,999	3.8%	10.9%	7.5%
$750,000 - $999,999	0.7%	3.5%	2.1%
$1,000,000 +	0.1%	2.7%	1.8%
Average Home Value	$258,428	$347,517	$309,564
2018 Owner Occupied Housing Units by Value			
Total	3,740	29,742	693,576
<$50,000	0.2%	0.1%	0.5%
$50,000 - $99,999	2.3%	2.0%	2.3%
$100,000 - $149,999	5.1%	3.4%	4.1%
$150,000 - $199,999	11.8%	6.5%	10.0%
$200,000 - $249,999	16.3%	9.1%	14.5%
$250,000 - $299,999	16.1%	10.4%	15.2%
$300,000 - $399,999	23.9%	19.4%	20.3%
$400,000 - $499,999	11.6%	16.2%	12.0%
$500,000 - $749,999	7.7%	17.9%	11.9%
$750,000 - $999,999	4.8%	10.8%	6.6%
$1,000,000 +	0.4%	4.2%	2.5%
Average Home Value	$340,409	$466,060	$387,554

Data Note: Income represents the preceding year, expressed in current dollars. Household income includes wage and salary earnings, interest dividends, net rents, pensions, SSI and welfare payments, child support, and alimony.
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2013 and 2018. Esri converted Census 2000 data into 2010 geography.

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Prepared by William James
Latitude: 39.765643431
Longitude: -104.9387273

	1 mile	3 miles	25 miles
2010 Population by Age			
Total	15,146	127,208	2,602,235
0 - 4	8.4%	6.7%	7.1%
5 - 9	7.6%	5.3%	7.1%
10 - 14	6.5%	4.2%	6.6%
15 - 24	12.7%	12.6%	13.4%
25 - 34	16.7%	23.2%	15.5%
35 - 44	14.2%	16.1%	14.7%
45 - 54	12.9%	12.4%	14.5%
55 - 64	9.1%	10.6%	11.2%
65 - 74	6.0%	5.1%	5.5%
75 - 84	4.5%	2.7%	3.1%
85 +	1.5%	1.0%	1.3%
18 +	73.1%	81.2%	75.3%
2013 Population by Age			
Total	15,673	133,166	2,692,600
0 - 4	8.2%	6.5%	6.8%
5 - 9	7.6%	5.6%	6.9%
10 - 14	6.9%	4.5%	6.7%
15 - 24	13.1%	12.3%	13.4%
25 - 34	15.1%	21.9%	15.1%
35 - 44	14.5%	16.2%	14.3%
45 - 54	12.5%	12.4%	13.8%
55 - 64	10.2%	10.9%	11.9%
65 - 74	6.1%	5.9%	6.4%
75 - 84	4.2%	2.7%	3.2%
85 +	1.6%	1.1%	1.4%
18 +	73.3%	80.9%	75.8%
2018 Population by Age			
Total	17,127	146,797	2,890,422
0 - 4	8.2%	6.4%	6.8%
5 - 9	7.4%	5.4%	6.8%
10 - 14	7.1%	4.8%	6.8%
15 - 24	12.9%	12.6%	12.8%
25 - 34	14.2%	20.5%	14.7%
35 - 44	14.3%	15.5%	14.3%
45 - 54	12.2%	12.2%	12.9%
55 - 64	10.7%	11.0%	12.1%
65 - 74	7.0%	7.2%	7.8%
75 - 84	4.3%	3.1%	3.5%
85 +	1.8%	1.2%	1.5%
18 +	73.3%	80.7%	75.9%
2010 Population by Sex			
Males	7,355	64,958	1,294,548
Females	7,794	62,251	1,307,687
2013 Population by Sex			
Males	7,634	67,973	1,340,187
Females	8,039	65,192	1,352,411
2018 Population by Sex			
Males	8,377	74,955	1,439,535
Females	8,750	71,842	1,450,889

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2013 and 2018. Esri converted Census 2000 data into 2010 geography.

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Prepared by William James
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Longitude: -104.9387273

	1 mile	3 miles	25 miles
2010 Population by Relationship and Household Type			
Total	15,149	127,209	2,602,235
In Households	98.7%	95.5%	98.4%
In Family Households	79.4%	59.6%	79.1%
Householder	22.8%	18.9%	24.5%
Spouse	12.8%	12.4%	18.4%
Child	34.8%	22.8%	30.1%
Other relative	6.5%	3.7%	3.9%
Nonrelative	2.4%	1.8%	2.2%
In Nonfamily Households	19.3%	35.9%	19.3%
In Group Quarters	1.3%	4.5%	1.6%
Institutionalized Population	0.8%	1.5%	0.8%
Noninstitutionalized Population	0.5%	3.0%	0.8%
2010 Households by Type			
Total	5,750	59,749	1,028,587
Households with 1 Person	30.5%	45.5%	29.4%
Households with 2+ People	69.5%	54.5%	70.6%
Family Households	60.3%	40.5%	62.0%
Husband-wife Families	33.8%	26.7%	46.7%
With Related Children	18.2%	12.4%	22.7%
Other Family (No Spouse Present)	26.5%	13.8%	15.3%
Other Family with Male Householder	6.0%	3.6%	4.7%
With Related Children	3.3%	2.0%	2.8%
Other Family with Female Householder	20.5%	10.2%	10.5%
With Related Children	12.9%	6.7%	7.0%
Nonfamily Households	9.3%	14.0%	8.6%
All Households with Children	34.8%	21.3%	32.9%
Multigenerational Households	6.9%	2.7%	3.5%
Unmarried Partner Households	8.3%	9.3%	6.8%
Male-female	6.5%	7.1%	5.9%
Same-sex	1.8%	2.3%	1.0%
2010 Households by Size			
Total	5,752	59,749	1,028,588
1 Person Household	30.5%	45.5%	29.4%
2 Person Household	29.7%	30.4%	32.3%
3 Person Household	15.1%	10.6%	15.2%
4 Person Household	12.0%	7.5%	13.2%
5 Person Household	5.7%	3.1%	5.9%
6 Person Household	3.5%	1.5%	2.3%
7 + Person Household	3.6%	1.4%	1.7%
2010 Households by Tenure and Mortgage Status			
Total	5,750	59,750	1,028,587
Owner Occupied	60.6%	45.7%	63.3%
Owned with a Mortgage/Loan	49.3%	37.6%	51.4%
Owned Free and Clear	11.3%	8.1%	11.9%
Renter Occupied	39.4%	54.3%	36.7%

Data Note: Households with children include any households with people under age 18, related or not. Multigenerational households are families with 3 or more parent-child relationships. Unmarried partner households are usually classified as nonfamily households unless there is another member of the household related to the householder. Multigenerational and unmarried partner households are reported only to the tract level. Esri estimated block group data, which is used to estimate polygons or non-standard geography.
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2013 and 2018. Esri converted Census 2000 data into 2010 geography.

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Addendum J –
List of EPA-Regulated Facilities

EPA: United States Environmental Protection Agency

EnviroMapper for Envirofacts

Air, Water, Waste...

Program Systems

Clear

Select a program system to map:

- [x] Air Emissions (AIRS/AFS) (39)
- [ ] Superfund Sites (CERCLIS) (0)
- [x] Toxic Releases (TRI) (7)
- [x] Hazardous Waste (RCRAInfo) (48)
- [x] Water Dischargers (PCS/ICIS) (6)
- [ ] Brownfields (ACRES) (2)
- [ ] Biennial Reporting (BR) (2)
- [ ] RADInfo (0)
- [ ] Toxic Substances Control Act (TSCA) (1)

View:

(•) All ( ) 20 per page

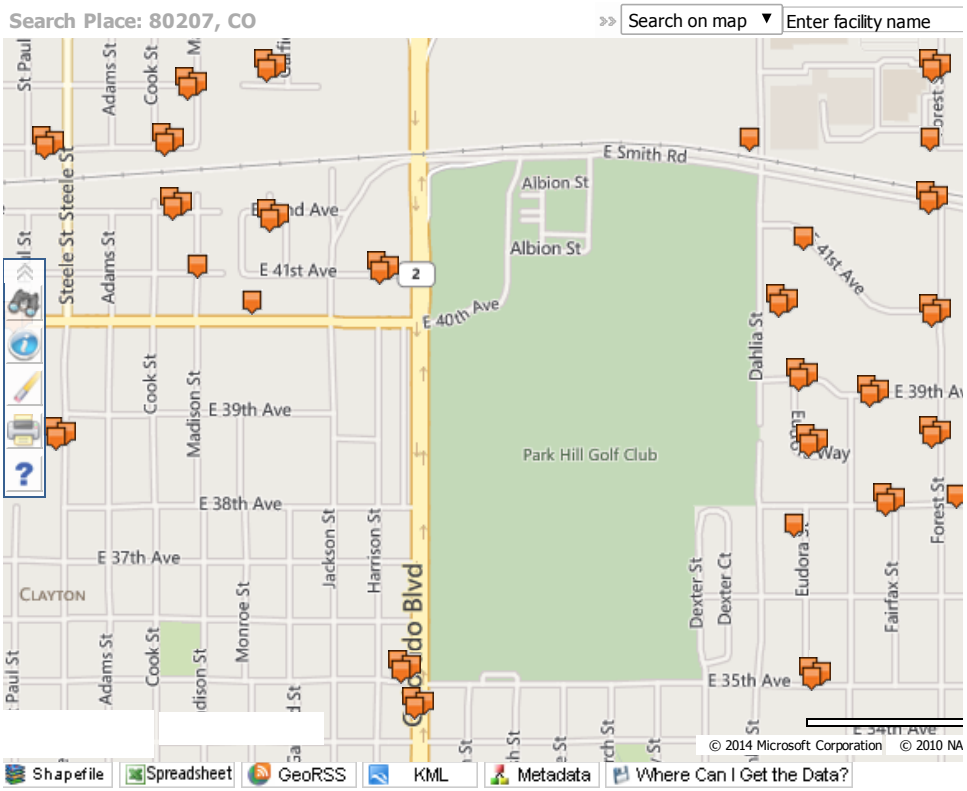
Single facility

Facility cluster

Chemicals

Industry

Greenhouse Gas Emissions



Facility Name/Address	AIRS/AFS	ACRES	BR	CERCLIS	GHG	PCS/ICIS	RADInfo	RCRAInfo	TRI	TSCA
7-ELEVEN, INC. - NO 27067 FRS ECHO 3990 EAST 35TH AVENUE DENVER, CO 80205-3856	View Report	-	-	-	-	-	-	-	-	-
A B HIRSCHFIELD PRESS INC FRS ECHO 5200 SMITH ROAD DENVER, CO 80216-4553	View Report	-	-	-	-	-	-	View Report	View Report	-
ABBA PRINTING.CN FRS ECHO 5225 E 38TH AVE DENVER, CO 802071128	View Report	-	-	-	-	-	-	-	-	-
ABEGG PRINTING CO FRS ECHO 3031 E 40TH AVE DENVER, CO 802053611	View Report	-	-	-	-	-	-	-	-	-
AMERICAN LINEN FRS ECHO 3850 ELM STREET DENVER, CO 80207-1030	View Report	-	-	-	-	-	-	-	-	-
AMERICAN WEB INC FRS ECHO 4040 DAHLIA STREET /4900 EAST 41ST AVENUE DENVER, CO 80216-4430	View Report	-	-	-	-	-	-	-	-	-
AMERICAN WEB INC FRS ECHO 4900 E 41ST AVE DENVER, CO 802164425	-	-	-	-	-	-	-	View Report	-	-
ASPEN WASTE SERVICES AND DISPOSAL LLC FRS ECHO 4420 GARFIELD ST DENVER, CO 80216	-	-	-	-	-	-	-	View Report	-	-
BC PRINTING INC FRS ECHO 4940 E 39TH AVE DENVER, CO	-	-	-	-	-	-	-	View Report	-	-

Addendum K –

Land Sale Comparisons – Large Urban Infill

Comparable Sale No. 1

Street Frontages:	Littleton Village				
City/County:	Littleton/Arap.				
Legal Description:	Lengthy				
Assessor's Property No.:	2077-27-4-00-003				
Land Area SF:	3,341,052	Land Area Acres:		76.70	
Topo/Soils/Vegetation:	Level				
Hazardous Materials:	NA				
Flood Hazard/Wetlands:	None				
Utilities To Site:	All				
Street Impvmnts To Site:	Broadway/Dry Creek				
Special Assessments:	NA				
Zoning:	STP	Zoning Authority:		Littleton/Arap.	
Density:	NA	:1	NA		SF Bldable
Development Plan Apprvl:	Yes				
Improvements on Site:	None				
Time on Market:	NA	Contract Date:	NA		
Close Date:	Sep-13	Recording Date:	Sep-13		
Recording No.:	311-5372				
Seller:	Littleton Villag	Buyer:	WIP Littleton Village, LLC		
Sale Price:	$21,500,000	$6.44	PSF & PSF bldable		NA
Cash From Buyer:	100%	Financing:	NA		
Cash Equivalent Price:	$21,500,000	$6.44	PSF & PSF bldable		NA
Prior Sales:	2004-$14,500,000				
Use at Sale:	Vacant land				
Purchaser Intent:	NA	SF	NA		:1 bld to land ratio
Highest & Best Use:	Mixed-use development				
Source:	Stephen Rosinger		Date:		Jun-15
By:	GH	File:	2014-136		
Party/FirmPhone:	Listing broker/303-260-4350				

Comments:

76.7 acre commercial mixed-use development sold with entitlements in place for 350 SFR, 512 apartments and 250,000 SF retail. Broker reported that many purchasers didn't like the approved densities or plan. Buyer completed substantial additional work providing water/sewer to site as well as off-site roadway improvements.

Comparable Sale No. 2

Street Frontages:	Woodward Campus Site777 East Lincoln Ave.				
City/County:	Ft. Collins/Larimer				
Legal Description:	Lengthy				
Assessor's Property No.:	97124-00-062, 071, 006, 017, 005, 87073-00-096, 099				
Land Area SF:	4,399,560	Land Area Acres:		101.00	
Topo/Soils/Vegetation:	Level				
Hazardous Materials:	NA				
Flood Hazard/Wetlands:	30% of site in flood hazard area				
Utilities To Site:	All				
Street Impvmnts To Site:	E. Lincoln Ave.				
Special Assessments:	NA				
Zoning:	CCR	Zoning Authority:		Ft. Collins/Larimer	
Density:	NA	:1	NA		SF Bldable
Development Plan Apprvl:	None at sale				
Improvements on Site:	Golf clubhouse-no value				
Time on Market:	NA	Contract Date:	Apr-12		
Close Date:	Apr-13	Recording Date:	Apr-13		
Recording No.:	20130033878				
Seller:	James and Ruth	Buyer:	Woodward Incorporated		
Sale Price:	$9,000,000	$2.05	PSF & PSF bldable		$9.68
Cash From Buyer:	100%	Financing:	None		
Cash Equivalent Price:	$9,000,000	$2.05	PSF & PSF bldable		$9.68
Prior Sales:	NA				
Use at Sale:	Golf course				
Purchaser Intent:	930,000	SF		0.2	:1 building to land ratio
Highest & Best Use:	Commercial-mixed-use				
Source:	Wayne Timura		Date:		Jun-15
By:	GH	File:	2014-136		
Party/FirmPhone:	Buyer representative/719-351-8629				

Comments:

Former Lnk-N-Green golf course located on banks of Poude river. 30% of site in 100 year flood way, 30% in
Buyer was able to keep existing zoning and City created a new use district administratively to
accommodate PDP. City will provided some infrastructure funding, but seller is financin the infrastructure.

Comparable Sale No. 3

Street Frontages:	Green Gables Country Club6800 West Jewell Ave.				
City/County:	Uninc. Jeff.				
Legal Description:	Lengthy				
Assessor's Property No.:	49-261-00-005				
Land Area SF:	6,621,120	Land Area Acres:		152.00	
Topo/Soils/Vegetation:	Level to rolling				
Hazardous Materials:	NA				
Flood Hazard/Wetlands:	NA				
Utilities To Site:	All				
Street Impvmnts To Site:	Wadsworth/Jewell				
Special Assessments:	NA				
Zoning:	A2	Zoning Authority:		Uninc. Jeff.	
Density:	NA	:1		NA	SF Bldable
Development Plan Apprvl:	None at sale				
Improvements on Site:	66,000 SF clubhouse				
Time on Market:	NA	Contract Date:	Jan-11		
Close Date:	Jun-11	Recording Date:	Jun-11		
Recording No.:	0057354				
Seller:	Green Gables C	Buyer:	USL Denver Green Gable, LLC		
Sale Price:	$15,250,000	$2.30	PSF & PSF bldable		NA
Cash From Buyer:	100%	Financing:	NA		
Cash Equivalent Price:	$15,250,000	$2.30	PSF & PSF bldable		NA
Prior Sales:	NA				
Use at Sale:	Country club				
Purchaser Intent:	NA	SF	NA		:1 building to land ratio
Highest & Best Use:	Mixed use development				
Source:	Garrett Baum		Date:		Jun-15
By:	GH	File:	2015-136		
Party/FirmPhone:	Buyer rep/303-226-5300				

Comments:

Former Green Gables country club. Purchased for redevelopment with 225K SF commercial use and up to 600 residential units, half of which can be multifamily, remainder SFD.

Floodplain bisects property and affects roughly 20% of land area.

Comparable Sale No. 4

Street Frontages:	Midtown6700 Pecos St.				
City/County:	Denver/Denver				
Legal Description:	Portion SE 4 and SW 4 section 4 T 3 S R68W				
Assessor's Property No.:	182504300001, 002, 016, 182504402001				
Land Area SF:	6,161,579	Land Area Acres:		141.45	
Topo/Soils/Vegetation:	Level				
Hazardous Materials:	Yes				
Flood Hazard/Wetlands:	None				
Utilities To Site:	All				
Street Impvmnts To Site:	Pecos Street				
Special Assessments:	NA				
Zoning:	P-PUD	Zoning Authority:		Denver/Denver	
Density:	NA	:1	NA		SF Bldable
Development Plan Apprvl:	Not at sale				
Improvements on Site:	NA				
Time on Market:	NA	Contract Date:	Aug-06		
Close Date:	Aug-07	Recording Date:	Aug-07		
Recording No.:	007-9792				
Seller:	Hamilton Sund	Buyer:	Carma Westminster, LLC		
Sale Price:	$3,540,100	$0.57	PSF & PSF bldable		NA
Cash From Buyer:	100%	Financing:	NA		
Cash Equivalent Price:	$3,540,100	$0.57	PSF & PSF bldable		NA
Prior Sales:	NA				
Use at Sale:	Former manufacturing facility				
Purchaser Intent:	NA	SF	NA		:1 building to land ratio
Highest & Best Use:	Commercial/mixed-use development				
Source:	Chris Mortensen		Date:		Jun-15
By:	GH	File:	2015-136		
Party/FirmPhone:	Developer representative/303-706-9451				

Comments:

Former Hamilton Sundstrand manufacturing facility. Purchased by developer who pursued
Rezone and entitlement for mixed-use development and cleanup of industrial site.
Project is currently in process with ultimate buildout of 1200 dwelling units.

Comparable Sale No. **5**

Street Frontages:	Applewood Golf Course14001 W. 32nd Ave.				
City/County:	Uninc. Jeff.				
Legal Description:	Lengthy				
Assessor's Property No.:					
Land Area SF:	6,297,034	Land Area Acres:		144.56	
Topo/Soils/Vegetation:	Level to slightly sloping				
Hazardous Materials:	NA				
Flood Hazard/Wetlands:	NA				
Utilities To Site:	Well and septic				
Street Impvmnts To Site:	W. 32nd Ave.				
Special Assessments:	NA				
Zoning:	PD,I-1,A-2, A-2	Zoning Authority:		Uninc. Jeff.	
Density:	NA	:1	NA		SF Bldable
Development Plan Apprvl:	None				
Improvements on Site:	13,000 SF of building improvements for golf course				
Time on Market:	None	Contract Date:	NA		
Close Date:	Contract	Recording Date:	Contract		
Recording No.:	NA				
Seller:	Molson Coors	Buyer:	Carlson Associates, Inc.		
Sale Price:	$16,000,000	$2.54	PSF & PSF bldable		NA
Cash From Buyer:	NA	Financing:	NA		
Cash Equivalent Price:	$16,000,000	$2.54	PSF & PSF bldable		NA
Prior Sales:	NA				
Use at Sale:	18-hole golf course				
Purchaser Intent:	NA	SF	NA		:1 building to land ratio
Highest & Best Use:	Gravel extraction or residential development				
Source:	Mike Hansen		Date:		Jun-15
By:	GH	File:	2014136		
Party/FirmPhone:	Prospect Parks and Recreation District/303-424-3246				

Comments:

144 acre 18-hole golf course, under contract for purchase by developer with intentention of developing 454 single-family homes. Developer has zone change request in process. Significant public opposition. Developer offered to sell the entire parcel to the prospect req district for $16mm, which developer says is there contract price.

Addendum L –

Land Sale Comparisons – Golf Course

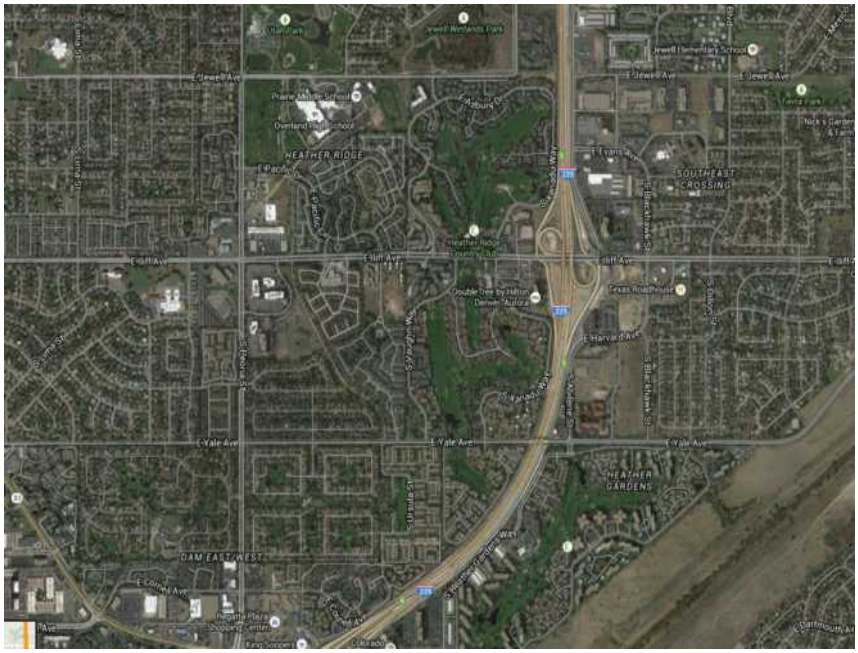
Comparable Sale No. **1**

Street Frontages:	Fox Hill Golf Club 1400 State Hwy. 119				
City/County:	Longmont/Boulder				
Legal Description:	Fox Hill country club golf course in West half northwest quarter southeast quarter				
Assessor's Property No.:	131501300014				
Land Area SF:	6,157,206	Land Area Acres:		141.35	
Topo/Soils/Vegetation:	Rolling				
Hazardous Materials:	None				
Flood Hazard/Wetlands:	NA				
Utilities To Site:	All				
Street Impvmnts To Site:	Ken Pratt/3rd Ave				
Special Assessments:					
Zoning:	A	Zoning Authority	Longmont/Boulder		
Density:	0.00443	:1		27,276	SF Bldable
Development Plan Apprv	NA				
Improvements on Site:	27k SF Clubhouse/Golf Course				
Time on Market:	NA	Contract Date:	Mar-11		
Close Date:	Mar-11	Recording Date:	Mar-11		
Recording No.:	313-7339				
Seller:	First National L	Buyer:	Tartan Golf Management LLC		
Sale Price:	$3,940,000	$0.64	PSF & PSF bldabl	$144.53	
Cash From Buyer:	100%	Financing:	NA		
Cash Equivalent Price:	$3,940,000	$0.64	PSF & PSF bldabl	$144.53	
Prior Sales:	NA				
Use at Sale:	Golf course				
Purchaser Intent:	27,260	SF		0.0	:1 bld to land ratio
Highest & Best Use:	Golf course				
Source:	Steve Kerr		Date:	June 2015	
By:	GH	File:	2015-136		
Party/FirmPhone:	Buyer/Tartan Golf Management/303-926-1723				

Comments:

Fox Hill Club, private golf club located in Longmont Colorado. 18 hole, 7123 yard course, 70 par.
Clubhouse YOC 1973. Driving range, pro shop, pool, tennis, poolhouse/members pub.
REO sale, seller provided financing.

Comparable Sale No. **2**



Street Frontages:	Heather Ridge Country Club13521 East Iliff Ave.				
City/County:	Aurora/Arapahoe				
Legal Description:	Block one Lot 1 Heather Ridge First Family				
Assessor's Property No.:	197325101002				
Land Area SF:	4,268,880	Land Area Acres:		98.00	
Topo/Soils/Vegetation:	Level/rolling				
Hazardous Materials:	None				
Flood Hazard/Wetlands:	NA				
Utilities To Site:	All				
Street Impvmnts To Site:	E. Iliff Ave.				
Special Assessments:	NA				
Zoning:	PD - Golf PBG	Zoning Authority		Aurora/Arapahoe	
Density:	0.00632	:1		26,979	SF Bldable
Development Plan Apprv	Yes				
Improvements on Site:	27,000 foot clubhouse				
Time on Market:	6 months	Contract Date:		Oct-09	
Close Date:	Dec-09	Recording Date:		Dec-09	
Recording No.:	913-0019				
Seller:	HRCC REO, L	Buyer:		Heather Ridge Metropolitan District	
Sale Price:	$3,100,000		$0.73	PSF & PSF bldable	$114.81
Cash From Buyer:	100%	Financing:		NA	
Cash Equivalent Price:	$3,100,000		$0.73	PSF & PSF bldable	$114.81
Prior Sales:	$2,700,000 on February 27, 2002				
Use at Sale:	Private golf club				
Purchaser Intent:	27,000	SF		0.0	:1 building to land ratio
Highest & Best Use:	Public golf course				
Source:	Van lewis			Date:	Jun-15
By:	GH	File:		2015136	
Party/FirmPhone:	Buyer rep./303-755-3550				

Comments:

Former private club purchased by neighborhood organized metro district.

Course was REO as club went bankrupt. Course had faced redevelopment pressure.

18 hole, 5926 yards. Originally developed in 1973. Reqd. $1.4mmin improvements. Rates - $23-$29.

Comparable Sale No. 3

Street Frontages:	Blackstone Country Club 777 S. Country Club Pkwy.				
City/County:	Aurora/Arapahoe				
Legal Description:	High Plains country club first filing				
Assessor's Property No.:	207133214001, et al				
Land Area SF:	9,452,520	Land Area Acres:		217.00	
Topo/Soils/Vegetation:	Rolling				
Hazardous Materials:	None				
Flood Hazard/Wetlands:	NA				
Utilities To Site:	All				
Street Impvmnts To Site:	Country club Parkway				
Special Assessments:	NA				
Zoning:	PD	Zoning Authority		Aurora/Arapahoe	
Density:	0.00381	:1		36,014	SF Bldable
Development Plan Apprv	Yes				
Improvements on Site:	Tennis, swimming, fitness, event center				
Time on Market:	NA	Contract Date:		NA	
Close Date:	Oct-09	Recording Date:		Oct-09	
Recording No.:	9114900				
Seller:	Lennar Colorad	Buyer:		Canongate Golf Clubs of Georgia	
Sale Price:	$4,000,000		$0.42	PSF & PSF bldable	$111.11
Cash From Buyer:	100%	Financing:		NA	
Cash Equivalent Price:	$4,000,000		$0.42	PSF & PSF bldable	$111.11
Prior Sales:	NA				
Use at Sale:	Country club				
Purchaser Intent:	36,000	SF		0.0	:1 building to land ratio
Highest & Best Use:	Country club				
Source:	Mat Diebel			Date:	Jun-15
By:	GH	File:		2015-136	
Party/FirmPhone:	Seller/303-754-0600				

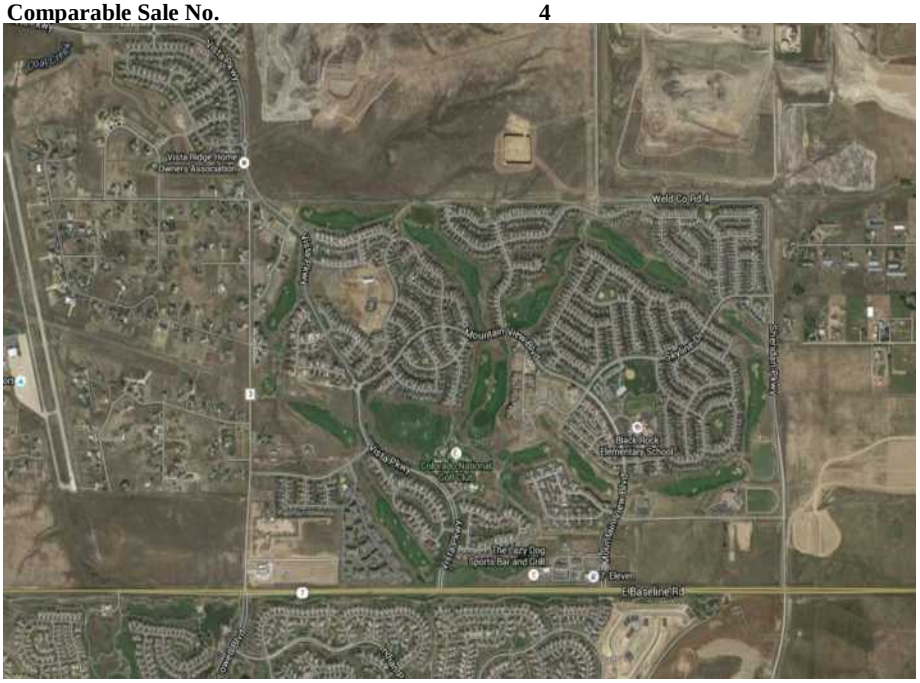
Comments:

Blackstone country club. 18 holes. Pool, tennis, fitness and member lounge.

Developed by Lennar as part of broader country club development.

Holes are interlaced throughout neighborhood areas and course consists of six different parcels.

Comparable Sale No. 4



Street Frontages:	Vista Ridge Golf Club2700 Vista Pkwy.				
City/County:	Erie/Weld				
Legal Description:	Trackt 7A 7b, 8,9,10,11,12,13,14A, 14B 15 and 20 Vista Ridge				
Assessor's Property No.:	146732402052, 146732202054, 146733318005, 146732300042				
Land Area SF:	8,742,056	Land Area Acres:		200.69	
Topo/Soils/Vegetation:	Rolling				
Hazardous Materials:	None				
Flood Hazard/Wetlands:	NA				
Utilities To Site:	All				
Street Impvmnts To Site:	Vista Parkway				
Special Assessments:	NA				
Zoning:	PUD	Zoning Authority		Erie/Weld	
Density:	0.002302548	:1		20,129	SF Bldable
Development Plan Apprv	Yes				
Improvements on Site:	20,129 SF clubhouse				
Time on Market:	NA	Contract Date:	NA		
Close Date:	Nov-08	Recording Date:	Nov-08		
Recording No.:	359-1344				
Seller:	In Play Membe	Buyer:	Colorado National Golf Club, LLC		
Sale Price:	$7,850,000	$0.90	PSF & PSF bldable	$389.98	
Cash From Buyer:	100%	Financing:	NA		
Cash Equivalent Price:	$7,850,000	$0.90	PSF & PSF bldable	$389.98	
Prior Sales:	$6,400,000 Dec-06 ($355,555/hole)				
Use at Sale:	Golf course				
Purchaser Intent:	20,129	SF		0.0	:1 building to land ratio
Highest & Best Use:	Golf Course				
Source:	Costar		Date:	Jun-15	
By:	GH	File:	2015-136		
Party/FirmPhone:	Costar				

Comments:

Vista Ridge golf club - large format course intertwined among housing development.
Purchased by partnership btw. Steve Tebo and Steve Kerr, rebranded as Colorado National Golf Club, with licensing agreemtn with CU. 18 hole, par 72, 7676 yards.

Addendum M –
Subject Lease Summary

Addendum N –
Subject Operating Statements

	2012	2013	2014	2014			2015		
	Actual	Actual	Actual	Budget			Budget		
Total Rounds	49141	39993	39397	45253			45253		
Green & Guests Fees	916,719.79	771,956.89	808,701.67	882,838.00			879,833.00		
Golf Cart Rental	262,650.20	225,614.63	238,901.04	225,933.00			225,933.00		
Golf Merchandise	87,408.99	68,933.57	78,884.48	84,598.00			84,598.00		
Pro Shop Services	125,422.08	104,924.02	62,860.87	49,743.00			101,743.00		
Player Development Program	145,164.04	143,453.50	148,271.62	147,279.00			147,279.00		
Driving Range	161,032.01	158,294.00	160,480.56	171,889.00			171,889.00		
Total Golf Revenue	1,718,397.11	1,473,176.61	1,496,109.22	1,662,273.00			1,662,273.00		
Golf Merchandise COS	54,795.33	40,255.43	48,100.57	54,987.00			54,987.00		
Golf Payroll & Related	167,481.20	167,104.02	153,780.65	189,375.00			189,375.00		
Golf Operating Expenses	72,278.90	71,179.78	81,856.38	48,185.00			48,185.00		
Net Golf Operations	1,423,841.68	1,194,637.38	1,194,637.38	1,369,726.00			1,369,726.00		
Food & Beverage Revenue	807,841.20	827,994.67	809,963.36	788,679.00			788,679.00		
Food & Beverage COS	267,509.69	277,179.06	268,074.14	235,129.00			235,129.00		
Food & Beverage Payroll & Related	274,928.24	232,390.51	249,551.99	258,415.00			258,415.00		
Food & Beverage Operating Expense	64,684.28	71,330.07	71,254.58	66,223.00			66,223.00		
Net Food & Beverage	260,718.99	247,095.03	221,082.65	230,912.00			230,912.00		
Golf Course Maint Payroll & Related	230,562.16	195,072.47	215,023.98	213,707.00			213,707.00		
Golf Course Maint Operating Expense	190,648.49	204,195.53	213,453.28	205,532.00			205,532.00		
Net Golf Course Maintenance	421,210.65	399,268.00	428,477.26	419,239.00			419,239.00		
Clubhouse Payroll & Related	13,108.81	10,679.09	8,827.84	12,280.00			12,280.00		
Clubhouse Operating Expense	124,934.86	117,342.59	124,897.39	130,122.00			130,122.00		
Net Clubhouse Maintenance	138,043.67	127,921.68	133,725.23	142,402.00			142,402.00		
General & Admin Payroll & Related	77,702.77	72,178.94	75,447.64	72,925.00			72,925.00		
General & Admin Operating Expenses	266,896.59	181,910.09	180,637.06	201,203.00			201,203.00		
Net General & Admin	344,599.36	254,089.03	256,084.70	274,128.00			274,128.00		
Sales & Marketing Payroll & Related	51,272.17	56,025.85	60,837.81	60,703.00			60,703.00		
Sales & Marketing Operating Expenses	239.99	399.50	1,643.37	2,950.00			2,950.00		
Net Sales & Marketing	51,512.16	56,425.35	62,481.18	63,653.00			63,653.00		
Total Operating Revenue	2,528,238.31	2,301,171.28	2,306,063.58	2,390,952.00			2,390,952.00		
Total Cost of Sales	322,305.02	317,434.49	316,174.71	290,116.00			290,116.00		
Total Payroll	816,085.35	733,360.88	763,468.91	776,237.00			805,406.00		
Total Operating Expenses	719,683.11	648,357.56	673,742.06	654,215.00			654,215.00		
Net Operating Income	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	2011	[illegible]
NOI %	26.5%	26.2%	24.0%	28.0%			26.8%	2026	[illegible]

	2012	2013	2014	2014		2014	
	Actual	Actual	Actual	Budget		Budget	
Non Operational Expense							
Start Up Expense	(250.00)	(16.00)	84.12				
Taxes- Property	67,928.99	38,876.82	38,817.92	76,392.00		76,392.00	
Asset Sale, Disposal & Impairment	3,573.82	0.00	500.00				
Total Non Operational Expense	71,252.81	39,860.82	39,233.80	76,392.00		76,392.00	
Facility Lease	583,330.00	699,996.33	816,663.00	699,996.00		699,996.00	
Additional Expense / (Revenue)			13,359.55	12,675.00		12,675.00	
Interest Income							
Interest Expense- Cap Lease	770.17	6,691.03					
Depreciation	61,581.67	62,320.95	79,599.65	86,764.00		86,764.00	
Additional Expense / (Revenue)	62,351.84	71,011.98	92,959.20	98,439.00		98,439.00	
Net Income	(47,739.82)	(206,840.78)	(396,179.10)	(264,443.80)		(233,811.00)	
Capital Expenditures	0.00	37,060.27	15,402.13				
Capital Lease Principal Payment	37,069.70	50,625.10	61,358.76	58,740.00		58,740.00	
Revpar (average revenue / round)	$51.4	$57.5	$58.5	$52.8		$52.8	Revpar (average revenue / round)
Golf Green & Cart Fee / round	$24.0	$24.9	$26.5	$25.4		$24.2	Golf Green & Cart Fee / round
Golf Merchandise Net $	$32,613.7	$28,678.1	$30,783.9	$29,609.0		$29,609.0	Golf Merchandise Net $
Golf Merchandise COS %	62.69%	58.40%	61.00%	65.00%		68.00%	Golf Merchandise COS %
Golf Merchandise / Round	$1.8	$1.7	$2.0	$1.9		$1.9	Golf Merchandise / Round
Payroll / Revenue %	32.26%	31.90%	33.10%	32.50%		33.69%	Payroll / Revenue %
F&B COS %	33.11%	37.20%	33.10%	29.80%		29.81%	F&B COS %
F&B Payroll %	34.03%	28.10%	30.80%	30.50%		32.51%	F&B Payroll %
F&B Net %	24.8%	29.8%	27.3%	31.3%		29.3%	F&B Net %
F&B Net $	200,718.99	247,095.03	221,082.65	246,804.00		218,340.00	F&B Net $

Addendum O –

Real Estate Investment Criteria

COLORADO REAL ESTATE INVESTMENT CRITERIA

1st Quarter 2015

Eric Karnes
William M. James, MAI, CCIM

Interest rates have fallen in recent years, and remained relatively low during the "credit crunch" and beyond. Investors who survived changes in tax laws and overly optimistic growth forecasts have become more cautious but are back seeking opportunities. The most recent changes in tax laws include an increase in the amount owners can depreciate on tenant improvements made in their buildings, including security measures. Also, investors in commercial properties will pay a lower tax on capital gains from the sale of these properties.

Properties are now most frequently analyzed based on current cash flow although institutional investors continue to forecast rentals, vacancies, and expenses in discounted cash flow analyses. The availability of capital decreased from Real Estate Investment Trusts (REITs), pension funds, life companies, and conduits. Low rates did not stimulate the lending markets because lenders were able to accept only relatively low risk assets as security for loans. However, with an improved economy in many markets, including Denver, investors are once again targeting certain types of properties, especially apartments, warehouses and to a lesser extent, Class A downtown office buildings. In fact, office buildings downtown are being constructed on a speculative basis to take advantage of the lower vacancy rates and rising rental rates in the downtown area.

The data compiled below were published by the PwC Real Estate Investor Survey, Real Estate Research Corporation (RERC), Burbach & Associates Real Estate Investment Survey, Integra Realty Resources (IRR) 2015 Viewpoint Report, and RealtyRates.com. The reports are provided on a quarterly or semi-annual basis except for Integrated Realty Resources which is annual. RealtyRates.com provides data for the period preceding their latest survey. For example, the data quoted from the RealtyRates.com 2nd Quarter 2015 survey is for the 1st quarter of 2015.

The Real Estate Research Corporation and the PwC Real Estate Investor Survey differentiate among varying classes of properties, providing insight to levels of performance expected from the spectrum of investment properties. Generally, data reflects the national real estate market. Where available, Denver and western regional data complement the tables. The data reported by the various sources generally come from periodic surveys of real estate professionals, including lenders, developers, investors and appraisers.

According to the 2nd Quarter 2015 RealtyRates.com survey of real estate investors, current "preferred investments properties" include:

- Apartments (All types)
- Health Care/Senior Housing (Independent living and Assisted living)
- Industrial (Warehouse and Bulk distribution)
- Retirement and Family Mobile Home Parks
- Office (CBD and Medical)
- Retail (Grocery Anchored)

Current "cautionary investment properties" include:

- Golf (Private, Public Municipal and Semi-Private)
- Health Care/Senior Housing (Congregate Care and Independent Living)
- Industrial (Flex/Showroom)
- Lodging (Full service and Golf/Gaming/Resort)
- RV Parks/Campgrounds
- Office (Suburban)
- Restaurants (All Types)
- Retail (Unanchored Strip Centers/Convenience Stores-Gas Stations/Big Box Power Centers)
- Self Storage (all types)
- Special Purpose (Schools, Daycare Centers/Public Assembly Facilities/Parking Garages)

Current "rejecting yet may consider under special circumstances investment properties" include:

- Golf (Public- Privately Owned)
- Health Care/Senior Housing (Acute Care and Nursing Homes)
- Industrial (Heavy Manufacturing)
- Retail (Malls-Outlet Malls/Free Standing Credit-Franchised/Unanchored Strip Centers)
- Special Purpose (Churches/Marinas-Recreational Facilities)

The RealtyRates.com survey finds medical office space is now rated as a preferred investment, reversing previous surveys that did not favor such investment. The change follows a recent study by the Cushman & Wakefield national brokerage firm found that investors (especially real estate investment trusts) were becoming more interested in that type of investment. The RealtyRates.com rankings did not change substantially from those recorded in the previous quarter, other than the medical office properties and several moves in the Health Care and Golf categories.

The following ratings of investment conditions for various property types are provided by the Real Estate Research Corporation. The higher the number the better perceived as an investment category, generally speaking and on a national basis. Obviously, local market conditions should also be taken into consideration. An excellent market for apartments in Denver may not be as bright in St. Louis, for example.

INVESTMENT CRITERIA BY PROPERTY TYPE								
	4th Qtr	4th Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr
	2011	2012	2013	2014	2014	2014	2014	2015
Office – CBD	6.5	6.1	6.4	6.5	6.5	6.6	6.6	6.4
Office – Suburban	4.7	4.8	5.5	5.7	5.3	5.4	5.5	5.3
Industrial –Warehouse	6.9	6.9	7.2	7.5	7.3	7.4	7.2	6.8
Industrial – R & D	5.5	5.6	6.0	6.4	5.8	6.4	6.0	5.7
Industrial – Flex	5.0	5.2	5.9	5.9	5.7	6.0	5.6	5.4
Retail – Regional Mall	5.8	5.4	5.9	5.9	6.2	6.0	5.9	5.7
Retail – Power Center	5.8	5.3	5.7	5.4	5.3	5.9	5.8	5.4
Retail – Neighborhood	6.0	6.2	6.6	6.6	6.1	6.3	6.6	6.5
Apartment	7.1	7.0	6.7	6.8	6.3	6.4	6.3	6.1
Hotel	6.0	6.6	6.9	7.1	6.5	6.5	6.5	6.6

Source: Real Estate Research Corporation

JRES JAMES REAL ESTATE SERVICES

Overall Capitalization Rates

Overall capitalization rates for investment real estate declined gradually for several years as interest rates have similarly declined, but the Federal Reserve has made it clear that as the national economy expands, if necessary it will slowly increase short-term interest rates to prevent inflation from getting too high. So far that has not occurred, as unemployment rates still remain relatively high. Long-term mortgage interest rates appeared to have bottomed out, for the time being.

Capitalization rates trailed long-term interest rates in their decline but they appear to respond more to generally reduced economic activity in their return to a rising trend. Interest rates have strong influence on cap rates but income during the investment period, and the eventual sale price of the investment also have a significant effect. As long as the economy continues to grow moderately and provides steady demand for investment real estate, and as long as investors can reasonably expect that trend to continue, cap rates will exceed interest rates.

The rise in cap rates is somewhat limited by the comparative attractiveness of the stock market. As long as investment returns on Wall Street are relatively low, investment real estate will continue to be attractive and cap rates will be held down somewhat.

Recently a major caution was the substantial numbers of residential and commercial properties with market values below their mortgage loan balances and the possibility that rising interest rates could bring increased loan defaults. However, the feared influx of distressed commercial mortgages did not occur, and indeed the delinquency rate for most types of commercial and residential mortgages declined.

RealtyRates.com provides the data in the following table showing historic trends in cap rates by product types:

HISTORICAL AVERAGE* OVERALL CAP RATE (%)												
Year	**Apt.**	**Golf**	**Health**	**Ind**	**Ldg**	**MH/RV**	**Off**	**Retail**	**Rest**	**Storage**	**Spec**	**All^**
2015	8.06	11.54	8.71	8.85	10.16	8.89	8.90	9.08	11.56	9.55	10.58	9.31
2014	8.24	11.83	8.89	9.03	10.43	9.17	9.06	9.26	11.79	9.75	11.24	9.52
2013	8.38	11.92	8.90	9.07	10.60	9.22	9.28	9.11	11.86	9.95	11.10	9.58
2012	8.25	12.07	8.85	9.09	10.57	9.08	9.47	9.15	11.77	10.19	11.09	9.60
2011	8.60	12.00	9.21	9.49	10.81	9.48	9.44	9.28	11.70	10.69	11.12	9.81
2010	8.89	12.22	9.62	9.60	11.05	9.55	9.54	9.54	11.84	10.72	11.30	10.00
2009	8.82	12.14	9.42	9.45	10.94	9.30	9.33	9.23	11.69	10.45	11.27	9.83
2008	8.77	12.01	9.37	9.38	11.05	9.32	9.09	9.09	11.57	10.13	11.22	9.74
2007	8.81	11.96	9.53	9.52	10.49	9.37	9.25	9.20	10.85	9.93	11.29	9.71
2006	9.26	11.93	10.18	9.77	10.77	9.63	9.72	9.32	11.24	10.31	11.53	10.03
2005	9.14	11.44	10.02	9.42	10.50	9.11	9.39	8.98	11.07	9.97	11.19	9.73
2004	9.00	10.66	10.19	9.72	10.71	9.03	9.31	8.86	11.01	9.91	11.74	9.73
2003	9.19	10.36	10.56	9.47	11.69	9.51	9.44	9.05	11.16	10.04	12.04	9.93
2002	9.21	10.70	9.92	9.20	11.13	9.62	9.43	9.23	11.08	10.57	10.99	10.57
2001	9.61	10.52	10.31	9.81	10.87	10.22	9.78	9.85	11.11	10.69	12.76	10.28
2000	8.97	9.19	9.41	9.65	9.89	10.90	10.13	10.38	10.64	10.56	12.44	9.97
1999	7.94	8.14	8.34	8.54	8.76	9.65	8.97	9.19	9.42	9.35	11.02	8.83
1998	8.71	8.93	9.15	9.37	9.60	10.59	9.84	10.08	10.33	10.26	12.09	9.69
1997	8.45	8.66	8.88	9.10	9.32	10.28	9.55	9.79	10.03	9.96	11.73	9.40
1996	8.47	8.70	8.93	9.17	9.41	10.46	9.66	9.92	10.19	10.06	11.92	9.50
1995	9.22	9.45	9.68	9.92	10.17	11.21	10.42	10.68	10.94	10.86	12.8	10.26
1994	9.15	10.37	11.63	12.92	12.74	13.94	12.05	11.35	12.63	12.84	14.78	11.96
1993	9.15	10.37	11.63	12.92	12.74	13.94	12.05	11.35	12.63	12.84	14.78	11.96

Source RealtyRates.com 2nd Quarter. 2015 for the 1st Quarter 2015
*Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey
^Further weighted by property category

RealtyRates.com also provided the following market commentary from its 2nd Quarter 2015 Investor Survey narrative:

> *Consistent with a 35 basis point decrease in Treasury rates to which most commercial mortgage interest rates are indexed, the RealtyRates.com ™ Investor Survey Weighted Composite (Cap Rate) Index ™ similarly declined 15 basis point during the 1st Quarter of 2015, with all of the eleven property categories also recording cap rate index decreases during the quarter.*
>
> *The greatest quarter-over-quarter cap rate index decrease was recorded by the Lodging sector, down 22 basis points, followed by the Mobile Home/RV Park sector, down 21 basis points during the same period.*
>
> *The smallest quarter-over-quarter cap rate index decrease was recorded by the Apartment sector, down eleven one basis points during the 1st Quarter, followed by the Health Care/Senior Housing, Industrial, Retail and Self Storage sectors, all down 13 basis points.*
>
> *Mortgage terms again eased a bit overall during the 1st Quarter. Spreads likewise decreased for all property types, while equity dividend rates were unchanged overall.*

OVERALL CAPITALIZATION RATES – INDUSTRIAL (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Warehouse														
RERC - National	7.7	7.3	7.5	6.9	7.5	7.0	7.4	6.9	7.3	6.6	7.2	6.4	7.1	6.5
West – 1st Tier	7.2		6.9		7.0		6.8		6.8		6.5		6.6	
West – 2nd Tier	7.9		7.5		7.4		7.2		7.5		7.1		7.4	
West – 3rd Tier	8.6		8.3		8.3		8.1		8.4		7.9		8.0	
PwC - Institutional	6.7		6.2		6.2		6.0		5.9		5.8		5.8	
Non-Institutional	8.7		NA		NA		NA		NA		NA		NA	
Burbach & Assoc.					8.4				8.3				8.1	
Realty Rates.com	8.2		7.6		7.7		7.6		7.6		7.6		7.5	
IRR	7.8	7.5	7.5	7.0							7.1	6.8		
R&D/Other														
RERC-National	8.0	7.8	7.9	7.6	7.8	7.5	7.8	7.3	7.7	7.2	7.6	7.0	7.5	6.9
West-1st Tier	7.6		7.4		7.3		7.2		7.1		7.0		6.9	
West-2nd Tier	8.2		7.8		7.8		7.5		7.8		7.4		7.7	
West-3rd Tier	9.0		8.7		8.5		8.1		8.7		8.1		8.1	
PwC-Institutional	8.2		7.8		7.8		7.8		7.6		7.5		7.5	
Non-Institutional	10.2		9.3		9.3		9.3		9.1		9.0		9.0	
Realty Rates.com	10.3		9.5		9.4		9.5		9.5		9.5		9.4	
IRR	8.3	8.0	8.0	7.5							7.8	7.3		

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, RealtyRates.com and Integra Realty Resources (IRR)

JRES JAMES REAL ESTATE SERVICES

OVERALL CAPITALIZATION RATES – RETAIL (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Regional Mall														
RERC - National	7.3	7.3	7.4	6.9	7.3	6.8	7.3	6.6	7.1	6.3	6.9	6.3	7.0	6.3
West – 1st Tier	7.1		6.9		6.9		6.8		6.5		6.4		6.5	
West – 2nd Tier	7.9		7.5		7.5		7.3		7.4		7.1		7.1	
West – 3rd Tier	8.7		8.3		8.0		8.2		8.4		7.8		8.0	
PwC - Institutional	6.8		6.6		6.6		6.6		6.6		6.2		6.4	
Non-Institutional	9.2		8.1		8.1		8.0		8.0		7.6		9.0	
Burbach & Assoc.					7.8				7.7				7.6	
IRR	7.3	6.8	7.3	6.0							6.8	6.0		
Power Center														
RERC-National	7.6	7.5	7.5	7.1	7.5	7.2	7.3	7.0	7.4	6.8	7.2	6.6	7.1	6.7
West-1st Tier	7.4		7.1		7.1		6.9		6.9		6.6		6.7	
West-2nd Tier	8.0		7.7		7.7		7.5		7.6		7.2		7.2	
West-3rd Tier	8.9		8.4		8.4		8.2		8.4		8.0		8.2	
PwC-Institutional	7.0		6.7		6.7		6.7		6.7		6.6		6.6	
Non-Institutional	NA		NA		NA		NA		NA		NA		7.4	
IRR	7.6	7.5	7.4	7.3							7.2	6.5		
Neighborhood														
RERC - National	7.8	7.5	7.7	7.3	7.6	7.2	7.4	7.1	7.4	6.9	7.2	6.8	7.2	6.6
West – 1st Tier	7.4		7.2		7.1		6.9		6.9		6.7		6.8	
West – 2nd Tier	8.1		7.8		7.7		7.5		7.7		7.2		7.4	
West – 3rd Tier	9.0		8.6		8.3		8.3		8.4		8.0		8.1	
PwC - Institutional	7.1		7.0		7.0		7.1		7.1		7.1		7.0	
Non-Institutional	9.6		8.6		8.6		8.6		8.4		8.4		8.3	
Burbach & Assoc.					8.2				8.3				7.9	
IRR	7.7	7.5	7.4	7.3							7.3	6.3		
RealtyRates.com														
Anchored centers	9.1		8.6		8.7		8.6		8.6		8.5		8.4	
Unanchored centers	10.5		9.9		10.0		9.9		9.9		9.8		9.8	

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, RealtyRates.com and Integra Realty Resources (IRR)

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OVERALL CAPITALIZATION RATES – OFFICE (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Central Business District														
RERC - National	7.5	7.0	7.2	6.7	7.1	6.6	7.2	6.7	7.0	6.4	6.9	6.4	6.9	6.4
West – 1st Tier	7.0		6.7		6.6		6.8		6.6		6.5		6.6	
West – 2nd Tier	7.9		7.5		7.3		7.5		7.5		7.1		7.4	
West – 3rd Tier	8.7		8.4		8.2		8.1		8.4		7.9		8.0	
PwC - Institutional	6.7		6.5		6.3		6.3		6.2		6.2		6.1	
Non-Institutional	NA		NA		NA		NA		NA		NA		NA	
Burbach & Assoc.					7.6				7.4				7.5	
Realty Rates.com	9.8		9.7		9.5		9.4		9.4		9.4		9.3	
IRR	7.7	6.5	7.4	5.8							7.1	5.8		
Suburban														
RERC-National	7.8	7.6	7.7	7.4	7.7	7.4	7.6	7.2	7.5	7.1	7.4	6.9	7.5	7.1
West-1st Tier	7.5		7.3		7.3		7.2		7.1		6.9		7.1	
West-2nd Tier	8.2		7.9		7.8		7.6		7.8		7.4		7.7	
West-3rd Tier	9.0		8.7		8.5		8.3		8.6		8.1		8.2	
PwC-Institutional	7.4		7.0		6.8		6.8		6.7		6.7		6.6	
Non-Institutional	8.6		NA		NA		NA		NA		NA		NA	
Realty Rates.com	9.5		8.2		8.1		8.0		8.0		7.9		7.8	
IRR	7.9	7.0	7.7	6.5							7.4	6.5		

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, RealtyRates.com and Integra Realty Resources (IRR)

JRES JAMES REAL ESTATE SERVICES

OVERALL CAPITALIZATION RATES – APARTMENTS (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
RERC - National	6.3	5.7	6.2	5.5	6.2	5.7	6.2	5.5	6.1	5.4	6.0	5.5	5.9	5.3
West – 1st Tier	5.8		5.5		5.6		5.5		5.6		5.4		5.4	
West – 2nd Tier	6.7		6.4		6.2		6.2		6.4		6.1		6.2	
West – 3rd Tier	7.5		7.3		6.9		6.9		6.7		7.0		7.1	
PwC - Institutional	5.7		5.8		5.8		5.6		5.5		5.4		5.4	
Non-Institutional	7.3		6.8		6.8		6.7		6.5		6.6		6.6	
Burbach & Assoc.					6.8				6.7				6.7	
Realty Rates.com														
Suburban	7.7		7.8		7.8		7.7		7.7		7.6		7.5	
Urban High Rise	8.9		9.0		9.0		8.9		8.9		8.8		8.8	
IRR														
Urban	5.9	4.5	5.8	4.8							5.5	5.0		
Suburban	6.0	5.0	5.9	5.0							5.7	5.3		

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, RealtyRates.com and Integra Realty Resources (IRR)

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OVERALL CAPITALIZATION RATES – HOTEL (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
RERC – National	8.5	8.3	8.3	7.9	8.3	8.3	8.2	7.9	8.0	7.6	7.9	7.7	7.9	7.3
West – 1st Tier	8.3		8.0		8.2		7.6		7.6		7.8		7.6	
West – 2nd Tier	9.2		8.6		8.9		8.3		8.6		8.5		8.3	
West – 3rd Tier	9.9		9.7		9.5		9.2		9.3		9.5		9.2	
Burbach & Assoc.					9.6				8.8				8.6	
Realty Rates.com														
Full service	9.8		9.6		9.5		9.4		9.4		9.4		9.2	
Limited service	12.4		11.8		11.7		11.6		11.6		11.7		11.5	
IRR														
Full service	8.9	8.0	8.3	8.0							8.1	7.5		
Limited service	9.2	10.0	9.0	9.0							8.8	8.0		

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, RealtyRates.com and Integra Realty Resources (IRR)

JRES JAMES REAL ESTATE SERVICES

The table below is from the Lender and Investor Survey by the National Investment Center for Seniors Housing & Care Industries and Valuation Counselors, the American Seniors Housing Association study and RealtyRates.com. These capitalization rates are responses from lenders when asked what cap rates they applied in determining the values of a stabilized facility on which to lend. These rates may differ from those assigned by buyers (or sellers) in market transactions.

The reports upon which this table was based are no longer available in the previous format. However, the long-term outlook for investment in senior housing properties is very favorable due to demographic trends in the aging population.

For the 2nd Quarter 2015 RealtyRates.com Investor Survey the overall cap rate for the category declined slightly to 8.94. By subcategory acute care facilities were reported at 10.58, congregate care at 8.9, assisted living 8.13 and 7.92 for out-patient care facilities.

Independent living, one of the senior housing categories that is seeing the most development activity in many markets (including Denver), is surprisingly not listed by RealtyRates.com as a separate subcategory.

								2011		2012
	2004	2005	2006	2007	2008	2009	2010	1st Qtr.	3rd Qtr	1st Qtr.
Independent Living	9.1	8.5	7.7	7.3	8.7	8.8	8.4	8.5	8.4	8.2
Assisted Living	10.5	8.9	8.7	9.1	9.3	8.4	9.1	9.1	9.5	9.3
Nursing homes	13.0	13	12.8	12.0	13.1	10.0	13.1	13.3	13.2	13.3
CCRCs	9.7	8.7	8.3	7.8	9.0	9.0	NA	NA	NA	NA

Land Lease Capitalization Rates. The data in the following table, provided by RealtyRates.com, summarizes prevailing land lease capitalization rates that reflect initial rates of return on appraised values for vacant land proposed for development. They do not address increases in land lease payments or the reversion but may include percentage rent. Lease terms range from 40 to 99 years.

LAND LEASES (%)		
	Capitalization Rate	
	Range	Average
Apartments	2.04-10.38	6.07
Golf	2.57-15.48	8.30
Health Care/Senior Housing	2.57-11.75	6.55
Industrial	2.43-10.38	6.17
Lodging	2.57-15.24	6.87
Mobile Home/RV Park	2.37-12.20	7.13
Office	2.23-10.38	6.61
Restaurant	3.52-15.50	7.87
Retail	2.13-11.75	6.29
Self-Storage	2.43-10.38	7.29
Special Purpose	2.57-15.98	7.96
All Properties	2.04-15.98	7.01

Source: RealtyRates.com 1st Qtr. 2015

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Equity Dividend Rates

In general, equity dividend rates appear to have been reasonably stable during the past few years but trended slightly lower for the 1st Quarter of 2015. The "tipping point" for equity dividend rates is the annual constant for monthly mortgage payments at competitive terms where leverage of transactions moves from negative to positive.

NATIONAL EQUITY DIVIDEND RATES (%)

Category	4th Qtr 2012	4th Qtr 2013	1st Qtr 2014	2nd Qtr 2014	3rd Qtr 2014	4th Qtr 2014	1st Qtr 2015
Apartment	13.1	11.7	11.4	11.6	11.2	11.6	10.5
Office	13.3	12.7	12.4	12.3	12.1	12.4	11.4
Retail	13.8	13.5	13.0	13.6	12.8	13.6	12.1
Industrial	13.1	12.4	12.2	12.5	12.0	12.5	11.3
Lodging	15.6	15.0	14.2	14.7	14.0	14.8	13.1

Source: Realty Rates.com 1st Qtr 2015

Discount Rates

Alternative Yield Rates. The investment yield environment that presents alternatives to real estate investors is best represented by the available yields on United States and corporate bonds of reasonably equivalent duration. The risks associated with investment in U.S. bonds are significantly lower than most real estate investment. Corporate bonds generally have moderately lower risk than real estate. Varying upward adjustment, then, is necessary to most bond rates to drive an indication of appropriate discount rates for use in analysis of most investment real properties.

BOND RATES (%)

Term/Grade	4th Qtr 2012	4th Qtr 2013	1st Qtr 2014	2nd Qtr 2014	3rd Qtr 2014	4th Qtr 2014	1st Qtr 2015
US 5 Year	1.3	1.5	1.6	1.8	1.7	1.7	1.5
US 10 Year	1.7	1.9	2.6	2.6	2.4	2.2	2.2
US 30 Year	3.0	3.6	3.4	3.4	3.1	2.8	3.0
Aaa Corporate	3.5	4.0	3.9	4.2	4.0	3.7	4.0
Baa Corporate	4.6	5.1	4.8	4.9	4.9	4.7	4.9

Source: US Federal Reserve for the final day in each quarter.

Improved Properties. The discount rate is the internal rate of return (IRR), or yield, to a cash investor used in discounted cash flow analysis of a real property. Although variations are common, an appropriate discount rate may be approximated by surcharging the cash investor's cash flow rate, i.e. capitalization rate, with the expected growth rate in net income. The following tables are compilations from a number of sources.

DISCOUNT RATES – INDUSTRIAL (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Warehouse														
RERC - National	9.0	9.0	9.0	8.5	9.0	8.7	8.9	8.7	8.7	8.3	8.6	8.0	8.6	8.3
West – 1st Tier	8.8		8.8		8.6		8.7		8.5		8.3		8.3	
West – 2nd Tier	9.4		9.2		9.2		9.2		9.2		9.1		9.1	
West – 3rd Tier	10.2		10.0		10.1		9.9		9.9		9.9		9.8	
PwC - Institutional	7.7		7.3		7.5		7.3		7.3		7.2		7.2	
Non-Institutional	10.7		NA		NA		NA		NA		NA		NA	
Burbach & Assoc.					9.7				9.8				9.7	
IRR	9.0	8.3	8.6	7.8							8.3	7.5		
R&D/Other														
RERC-National	9.3	9.3	9.3	9.2	9.3	9.3	9.2	8.9	9.2	9.1	8.9	8.5	8.9	8.6
West-1st Tier	9.1		9.3		9.2		9.0		8.9		8.6		8.8	
West-2nd Tier	9.8		9.6		9.7		9.4		9.7		9.4		9.6	
West-3rd Tier	10.5		10.4		10.5		10.3		10.3		10.2		10.3	
PwC-Institutional	11.6		11.0		11.0		10.8		8.8		8.8		8.6	
Non-Institutional	NA		NA		NA		NA		NA		NA		NA	
IRR	9.5	9.0	9.2	8.5							8.9	8.3		

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, and Integra Realty Resources (IRR)

DISCOUNT RATES – RETAIL (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Regional Mall														
RERC - National	8.9	9.0	8.9	8.4	8.7	8.6	8.7	8.3	8.7	8.0	8.6	7.9	8.7	8.3
West – 1st Tier	9.0		8.9		8.7		8.8		8.4		8.3		8.7	
West – 2nd Tier	9.9		9.3		9.5		9.3		9.2		9.1		9.3	
West – 3rd Tier	10.7		10.2		10.3		10.3		10.2		10.0		10.1	
PwC - Institutional	9.3		8.8		8.9		8.7		8.6		8.2		8.2	
Non-Institutional	11.1		10.1		10.2		10.2		10.0		10.0		12.2	
Burbach & Assoc.					9.4				9.3				9.0	
IRR	8.8	8.0	8.4	7.5							8.3	7.0		
Power Center														
RERC-National	9.0	9.2	9.0	8.6	9.0	9.0	8.9	9.1	8.8	8.6	8.7	8.2	8.8	8.7
West-1st Tier	9.2		8.8		9.1		9.1		8.6		8.6		8.8	
West-2nd Tier	9.0		9.4		9.8		9.6		9.6		9.3		9.4	
West-3rd Tier	10.8		10.2		10.6		10.4		10.2		10.1		10.3	
PwC-Institutional	8.2		8.2		8.2		8.1		8.1		8.0		7.9	
Non-Institutional	NA		NA		NA		NA		NA		NA		9.0	
IRR - community											8.4	7.8		
Neighborhood														
RERC - National	9.1	9.2	9.1	8.8	9.0	8.9	9.0	9.0	8.9	8.5	8.8	8.5	8.8	8.5
West – 1st Tier	9.4		9.0		8.9		8.9		8.7		8.5		8.6	
West – 2nd Tier	9.8		9.5		9.6		9.6		9.5		9.3		9.3	
West – 3rd Tier	10.7		10.4		10.5		10.3		10.2		10.2		10.1	
PwC - Institutional	8.4		8.1		8.1		8.3		8.2		8.1		8.1	
Non-Institutional	10.8		10.5		10.5		10.6		10.1		10.1		10.0	
Burbach & Assoc.					9.7				10.0				9.6	
IRR	8.9	8.8	8.6	8.3							8.5	7.5		

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, and Integra Realty Resources (IRR)

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DISCOUNT RATES – OFFICE (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Central Business District														
RERC - National	8.9	8.7	8.7	8.4	8.8	8.6	8.7	8.6	8.6	8.3	8.5	8.1	8.5	8.3
West – 1st Tier	8.7		8.7		8.8		8.7		8.5		8.3		8.7	
West – 2nd Tier	9.7		9.4		9.4		9.3		9.2		9.0		9.4	
West – 3rd Tier	10.6		10.2		10.2		10.1		10.2		9.7		10.0	
PwC - Institutional	8.4		8.1		8.0		7.9		7.5		7.5		7,5	
Non-Institutional	NA		NA		NA		NA		NA		NA		NA	
Burbach & Assoc.					9.1				9.1				8.7	
IRR	8.8	8.0	8.6	7.5							8.3	7.5		
Suburban														
RERC-National	9.3	9.3	9.4	9.1	9.4	9.1	9.2	9.2	9.2	9.0	9.0	8.5	9.1	8.9
West-1st Tier	9.1		9.2		9.2		9.2		9.2		8.7		9.0	
West-2nd Tier	10.0		9.8		9.6		9.8		9.7		9.5		9.5	
West-3rd Tier	10.9		10.5		10.6		10.4		10.4		10.1		10.2	
PwC-Institutional	8.5		8.2		8.0		8.0		8.0		7.9		7.8	
Non-Institutional	9.6		NA		NA		NA		NA		NA		NA	
Burbach & Assoc.					10.1				10.0				9.6	
IRR	9.1	8.3	8.9	8.0							8.7	8.0		

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, and Integra Realty Resources (IRR)

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DISCOUNT RATES – APARTMENTS (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
RERC - National	8.0	7.5	8.0	7.5	8.0	7.7	8.0	7.5	7.8	7.6	7.8	7.3	7.6	7.2
West – 1st Tier	7.7		7.8		7.8		7.8		7.8		7.4		7.4	
West – 2nd Tier	8.4		8.4		8.1		8.2		8.4		7.9		8.3	
West – 3rd Tier	9.3		9.3		8.9		9.1		8.9		8.9		9.1	
PwC - Institutional	8.2		8.2		8.2		8.0		7.9		7.3		7.3	
Non-Institutional	10.7		9.3		9.4		9.3		9.1		8.8		8.8	
Burbach & Assoc.					9.2				8.7				8.4	
IRR														
Urban	7.7	6.8	7.4	7.5							7.2	7.5		
Suburban	7.8	7.3	7.6	7.8							7.4	7.8		

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, and Integra Realty Resources (IRR)

DISCOUNT RATES – HOTEL (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
RERC – National	10.2	10.3	10.0	10.0	10.0	10.0	9.9	9.9	9.8	9.4	9.4	9.2	9.6	9.4
West – 1st Tier	10.2		10.0		10.0		9.7		9.5		9.3		9.5	
West – 2nd Tier	11.0		10.5		10.6		10.3		10.3		10.1		10.3	
West – 3rd Tier	11.9		11.6		11.8		11.1		11.1		11.1		10.9	
Burbach & Assoc.					10.8				10.6				10.1	
IRR														
Full service	10.2	10.0	10.1	10.0							9.9	9.8		
Limited service	10.7	12.0	10.6	11.0							10.4	10.8		

Sources: Real Estate Research Corporation, Burbach & Associates and Integra Realty Resources (IRR)

Discount Rates – Land Development

Discussions with local developers and investors as well as those participating nationally have indicated equity yield rates for land development, lot development, and major rehabilitation projects increased dramatically after the real estate crash of 2008. Costs associated with infrastructure, the growing capital requirements, and lack of equity financing all contribute to higher expected returns for developers. After the subprime mortgage industry collapse and severely reduced home building there was once again an oversupply of lots. The supply of residential lots in the metro Denver area was largely absorbed, and the opportunities for these yields for subdivision development declined. With financing more readily available, equity investors and larger homebuilders are again developing small and larger scale lot projects. With a healthy recovery in Denver's housing market the oversupply was reduced and single family subdivisions are once again being started.

Discount rates for land development are applied in different ways by different segments of the market – with and without previous deduction of developer's profit as a line item expense. In the latter format, the developer's profit is included in the discount rate making it much higher. Generally, rates are quoted unleveraged or free and clear of financing but occasionally they are quoted as leveraged or financed equity yield rates.

The Burbach & Associates Real Estate Investment Survey reports Colorado discount rates for development of raw residential land. The Burbach & Associates survey reports profit at from 3.0% to 8.0% of gross revenues from lot sales.

The RealtyRates.com 1st Quarter 2015 Investor Survey (for the 4th Quarter 2014) reports discount rates that are internal rates of return being achieved by landowners on improved properties. As such, they include changes in land lease payments, percentages rent where applicable, and the reversion of the entire property at the termination of the lease as shown below. Lease terms range from 40 to 99 years.

The PwC Real Estate Investor Survey, Burbach & Associates and RealtyRates.com report discount rates on land development are shown in the following two charts. PWC issues its land development reports only in the 2nd and 4th quarters of the year.

LAND DEVELOPMENT DISCOUNT RATES	
	Discount Rate Free & Clear (w/Profit)
Burbach & Assoc.	
Range	3.0% – 40.0%
Average	16.7 %
PwC	
Range	10.0% – 25.0%
Average	16.75% (1- 20 year absorption)
RealtyRates.com	
Range	5.58% - 20.9%
Average	12.01%

Sources: Burbach & Associates Winter 2014-2015
PwC Real Estate Investor Survey, 4th Qtr 2014
RealtyRates.com 1st Qtr. 2015

DEVELOPER SURVEY (%)				
	Actual Rates		Pro-Forma Rates	
	Range	Average	Range	Average
Site-Built Residential	13.89-53.82	34.07	13.33-51.76	32.71
Manufactured Housing	14.15-56.21	36.06	13.59-53.96	33.94
Business Parks	14.04-53.46	34.59	13.48-51.32	32.56
Industrial Parks	14.29-45.90	30.85	13.72-44.07	29.67

Source: RealtyRates.com 2nd Qtr. 2015 Developer Survey (for 1st Qtr 2015)

Inflation/Rental and Expense Growth Rates

Inflation for the national economy has decreased significantly from the levels of the late 1990s and remains well under 2%. While some criticize its applicability to the broader economy, the most widely accepted measure of inflation in the United States is the Consumer Price Index (CPI) for All Urban Consumers, summarized for recent years below.

CONSUMER PRICE INDEX – ALL URBAN CONSUMERS ANNUALIZED CHANGE (CPI%)												
	2009		2010		2011		2012		2013		2014	
	1st H	2nd H	1st H	2nd H	1st H	2nd H	1st H	2nd H	1st H	2nd H	1st H	2nd H
National	-2.8	2.6	1.4	1.0	4.6	2.4	1.4	1.7	1.8	1.6	1.7	1.7
Denver	-3.4	2.2	1.2	2.8	4.8	2.2	1.2	2.1	2.3	2.8	2.9	2.0

Sources: Bureau of Labor Statistics/Denver statistics available on a semi-annual basis as of 2002. H designates first or second semi-annual report. US BLS now uses data for Western Region for Denver.

More pertinent to real estate investment analysis are the growth rates experienced and expected by investors outlined below. The surveys interview national institutional investors and advisors. The survey results are pertinent to large well-located investment-grade real estate assets. Local markets and individual properties could warrant considerable variation from national survey results.

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NATIONAL INCOME ESCALATION RATES – INDUSTRIAL (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**
Warehouse														
RERC	2.8	2.8	2.9	2.6	3.0	2.7	3.0	2.9	3.1	2.8	2.9	2.8	3.1	2.8
PwC	1.9	2.9	2.4	2.9	2.5	3.0	2.5	3.0	2.5	3.0	2.6	3.0	2.7	3.0
IRR	1.9	2.7	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
R&D/Other														
RERC	2.5	2.7	2.8	2.6	2.8	2.7	2.9	2.8	2.8	2.8	2.7	2.8	2.9	2.8
PwC	1.6	2.9	2.0	2.9	2.0	2.9	2.0	2.9	2.4	2.9	2.4	2.6	2.4	2.7
IRR	1.6	2.6	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Sources: Real Estate Research Corporation, PwC, and Integra Realty Resources (IRR)

NATIONAL INCOME ESCALATION RATES – RETAIL (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**
Regional Mall														
RERC	2.4	2.8	2.6	2.6	2.8	2.7	2.9	2.9	2.9	2.8	2.9	2.8	3.1	2.8
PwC	2.6	2.0	2.8	2.2	3.0	2.2	3.0	2.2	2.7	2.3	2.6	2.3	2.7	2.7
IRR	1.9	2.7	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Power Center														
RERC	2.3	2.8	2.5	2.7	2.5	2.7	2.5	2.9	2.6	2.9	2.6	2.8	2.6	2.8
PwC	1.2	2.5	1.2	2.5	1.2	2.5	1.4	2.5	1.4	2.8	1.7	2.8	1.7	2.8
IRR	2.1	2.7	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Neighborhood & Community														
RERC	2.5	2.9	2.8	2.6	2.8	2.7	2.8	2.9	2.9	2.9	2.7	2.9	2.9	2.8
PwC	1.8	3.0	1.9	3.0	2.0	2.9	1.8	3.0	1.8	3.0	2.0	2.7	1.8	2.7
IRR	2.0	2.7	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Sources: Real Estate Research Corporation, PwC, and Integra Realty Resources (IRR)

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NATIONAL INCOME ESCALATION RATES – OFFICE (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**
Central Business District														
RERC	3.2	2.9	3.5	2.5	2.9	2.7	2.9	2.8	3.1	2.9	3.2	2.9	3.2	2.9
PwC	2.6	2.7	2.6	2.6	2.6	2.6	2.4	2.6	2.4	2.6	2.6	2.6	2.4	2.6
IRR	2.0	2.7	NA	NA	NA	NA	NA	NA	NA	NA	2.2	2.5	NA	NA
Suburban														
RERC	2.4	2.8	2.5	2.6	2.6	2.7	2.7	2.9	2.6	2.9	2.6	2.8	2.8	2.8
PwC	1.6	2.7	1.8	2.6	2.1	2.7	2.2	2.7	2.5	2.7	2.6	2.8	2.6	2.8
IRR	1.6	2.7	NA	NA	NA	NA	NA	NA	NA	NA	2.3	2.6	NA	NA

Sources: Real Estate Research Corporation, PwC, and Integra Realty Resources (IRR)

NATIONAL INCOME ESCALATION RATES – APARTMENTS (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**
RERC	3.2	2.9	3.1	2.7	3.0	2.8	3.0	2.8	3.2	2.8	2.9	2.8	3.0	2.8
PwC	2.6	2.7	2.5	2.7	2.7	2.7	2.8	2.8	2.8	2.8	2.8	2.7	2.8	2.7
IRR														
Urban	3.2	2.8	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Suburban	3.3	2.8	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Sources: Real Estate Research Corporation, PwC, and Integra Realty Resources (IRR)

NATIONAL INCOME ESCALATION RATES – HOTELS (%)

	3rd Q 2011		3rd Q 2012		3rd Q 2013		1st Q 2014		3rd Q 2014		1sr Q 2015	
Category	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**
RERC	3.2	3.0	3.3	3.0	3.6	2.9	3.5	2.6	3.4	2.9	3.5	3.2
PwC	3.3	2.9	4.5	3.0	4.0	3.0	3.9	3.0	3.8	2.8	4.0	2.8
IRR												
Full service	3.0	3.0	2.9	2.8	NA	NA	NA	NA	NA	NA	NA	NA
Limited service	3.0	3.0	2.7	2.7	NA	NA	NA	NA	NA	NA	NA	NA

Sources: Real Estate Research Corporation, PwC, and Integra Realty Resources (IRR)
Note: Hotel data is semi-annual for the 1st and 3rd quarters of each year

Reserve Requirements

The data provided by RealtyRates.com in the following table summarizes average lender required capital reserves and maintenance by property type. Note that Per Unit means per lodging unit, per living unit, per golf hole and so on depending on the property type. These data are for Class A and B properties nationwide.

AVERAGE RESERVE REQUIREMENTS 4th QUARTER 2014									
	$ Per SF			$ Per Unit			% of EGI		
PROPERTY TYPE	Low	High	Typ.	Low	High	Typ.	Low	High	Typ.
Apartments				155	390	362			
Golf				1,250	7,200	3,320	2.0	4.0	3.0
Health Care/Senior Housing				255	695	388			
Industrial	0.22	0.62	0.42						
Lodging							4.0	8.0	4.5
Mobile Home/RV Park				28	282	156	2.0	5.0	4.0
Office	0.28	0.72	0.52						
Restaurant							2.0	5.0	3.0
Retail	0.28	0.88	0.57						
Self-Storage	0.22	0.55	0.51	28	185	116			
Special Purpose	0.24	0.78	0.56						

Source: RealtyRates.com 1st Qtr. 2015

Leasing Assumptions – Renewal Probability/Time to Relet/Vacancy Loss

The following charts are (by property category) a compilation of leasing assumptions typically used by investors in the course of Discounted Cash Flow (DCF) analysis.

RENEWAL PROBABILITY (&)/RELEASE TIME (MOS)/ VACANCY LOSS (%) – INDUSTRIAL

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Warehouse														
Renew probability	67.3		68.0		70.4		69.3		70.2		71.2		69.4	
Release time	7.8		7.5		7.2		7.0		7.5		7.0		6.3	
Vacancy loss	7.7		6.6		6.7		6.2		6.1		6.2		6.5	
R&D/Other														
Renew probability	63.0		64.1		66.3		64.7		65.3		66.1		64.3	
Release time	8.6		8.3		8.6		8.3		8.4		7.4		7.6	
Vacancy loss	8.2		7.7		7.4		8.4		7.7		7.5		7.6	

Sources: Real Estate Research Corporation (RERC)

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RENEWAL PROBABILITY (&)/RELEASE TIME (MOS)/ VACANCY LOSS (%) – RETAIL

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Regional Mall														
Renew probability	69.1		70.0		72.7		69.7		69.9		70.4		68.9	
Release time	6.7		7.1		6.6		6.5		6.1		6.3		5.8	
Vacancy loss	6.9		6.5		6.1		5.8		5.8		5.7		6.6	
Power Center														
Renew probability	66.1		66.0		66.2		65.9		66.4		68.2		67.3	
Release time	8.4		8.6		8.6		8.3		8.2		7.5		7.7	
Vacancy loss	7.8		7.2		6.6		6.8		7.0		6.5		7.4	
Community/ Neighborhood														
Renew probability	67.5		67.8		68.5		66.7		67.9		65.8		66.8	
Release time	7.7		6.9		7.1		6.9		6.9		6.5		6.8	
Vacancy loss	7.2		6.6		6.2		5.8		6.3		6.5		6.5	

Sources: Real Estate Research Corporation (RERC)

RENEWAL PROBABILITY (&)/RELEASE TIME (MOS)/ VACANCY LOSS (%) – OFFICE

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Central Business District														
Renew probability	65.9		67.1		69.1		68.2		68.1		69.3		68.3	
Release time	7.9		7.5		7.2		6.8		6.9		6.9		6.7	
Vacancy loss	7.4		6.9		7.0		6.7		7.0		6.7		7.0	
Suburban														
Renew probability	63.0		63.3		64.0		63.3		64.7		65.0		63.6	
Release time	8.8		8.9		8.4		8.6		8.1		7.8		8.3	
Vacancy loss	9.7		9.4		9.2		8.3		8.3		8.3		9.4	

Sources: Real Estate Research Corporation (RERC)

RENEWAL PROBABILITY (&)/RELEASE TIME (MOS)/ VACANCY LOSS (%) – APARTMENT

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Renew probability	57.6		59.7		62.5		60.6		63.0		55.7		63.0	
Release time	2.8		2.3		2.2		2.1		2.1		3.4		2.7	
Vacancy loss	5.7		5.3		5.1		5.2		5.3		4.8		5.4	

Sources: Real Estate Research Corporation (RERC)

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Terminal Capitalization Rates

The terminal, or residual, capitalization rate is used in discounted cash flow analysis to determine an asset sale at the end of a holding period. The terminal rate is generally higher than the comparable going-in capitalization rate because of the greater age and likely inferior condition of the real estate by the time of sale.

TERMINAL CAPITALIZATION RATES – INDUSTRIAL (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Warehouse														
RERC - National	8.3	7.8	8.1	7.7	8.1	7.6	8.0	7.4	7.9	7.0	7.8	7.0	7.7	7.2
West – 1st Tier	7.5		7.7		7.6		7.4		7.2		7.2		7.2	
West – 2nd Tier	8.3		8.3		8.1		7.8		8.1		7.8		8.0	
West – 3rd Tier	8.7		8.7		8.6		8.3		8.7		8.5		8.7	
PwC	7.3		6.8		6.7		6.6		6.6		6.5		6.4	
Burbach & Assoc.					8.8				8.5				8.6	
IRR	8.2	8.3	8.0	7.5							7.6	7.0		
R&D/Other														
RERC-National	8.6	8.3	8.5	8.3	8.4	8.1	8.4	7.7	8.3	7.7	8.1	7.8	8.2	7.5
West-1st Tier	8.1		8.1		8.0		7.7		7.7		7.6		7.6	
West-2nd Tier	8.7		8.5		8.5		7.9		8.5		8.1		8.3	
West-3rd Tier	9.5		9.5		9.2		8.8		9.2		8.8		9.0	
PwC	8.3		8.0		8.0		7.9		7.9		7.8		7.8	
IRR	8.8	8.8	8.5	8.0							8.3	7.5		

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, and Integra Realty Resources (IRR)

TERMINAL CAPITALIZATION RATES – RETAIL (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Regional Mall														
RERC - National	7.9	7.7	8.1	7.5	8.0	7.5	7.9	7.1	7.8	6.8	7.6	6.9	7.7	6.9
West – 1st Tier	7.7		7.6		7.7		7.5		7.2		7.0		7.2	
West – 2nd Tier	8.4		8.2		8.4		7.8		8.0		7.8		7.7	
West – 3rd Tier	9.3		9.1		8.8		8.8		9.0		8.5		8.7	
PwC	7.2		7.1		7.0		6.9		6.9		6.8		7.0	
Burbach & Assoc.					7.8				8.1				7.4	
IRR	7.8	7.0	7.5	6.6							7.4	6.5		
Power Center														
RERC-National	8.2	8.0	8.2	7.7	8.2	7.9	8.0	7.7	8.0	7.4	7.8	7.2	7.8	7.3
West-1st Tier	8.0		7.6		8.0		7.6		7.5		7.3		7.4	
West-2nd Tier	8.6		8.4		8.6		8.1		8.2		8.0		7.9	
West-3rd Tier	9.5		9.2		9.2		8.8		8.9		8.7		8.9	
PwC	7.3		7.1		7.2		7.2		7.2		7.1		7.0	
IRR - community	8.1	7.8	7.8	7.8							7.7	7.0		
Neighborhood														
RERC - National	8.3	8.0	8.3	7.9	8.2	7.9	8.1	7.7	8.1	7.4	7.9	7.5	7.9	7.2
West – 1st Tier	7.9		8.0		8.0		7.6		7.5		7.5		7.5	
West – 2nd Tier	8.7		8.5		8.5		8.1		8.3		8.1		8.0	
West – 3rd Tier	9.6		9.4		9.0		8.9		9.0		8.7		8.7	
PwC	7.7		7.4		7.3		7.4		7.3		7.2		7.2	
Burbach & Assoc.					8.6				8.9				8.3	
IRR	8.1	7.8	7.9	7.8							7.8	6.8		

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, and Integra Realty Resources (IRR)

TERMINAL CAPITALIZATION RATES – OFFICE (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Central Business District														
RERC - National	8.1	7.5	7.9	7.4	7.8	7.2	7.9	7.4	7.7	7.0	7.5	7.0	7.6	7.1
West – 1st Tier	7.5		7.6		7.3		7.4		7.3		7.2		7.3	
West – 2nd Tier	8.3		8.3		8.0		8.1		8.1		7.7		7.9	
West – 3rd Tier	9.3		9.1		8.9		8.7		8.9		8.5		8.7	
PwC	7.5		6.9		6.8		6.8		6.6		6.6		6.6	
Burbach & Assoc.					8.0				8.2				7.4	
IRR	8.2	7.0	7.9	6.3							7.6	6.5		
Suburban														
RERC-National	8.7	8.1	8.4	8.1	8.4	8.0	8.2	7.9	8.2	7.7	8.1	7.7	8.1	7.7
West-1st Tier	8.1		8.1		8.0		7.8		7.6		7.6		7.7	
West-2nd Tier	8.7		8.7		8.5		8.2		8.3		8.1		8.4	
West-3rd Tier	9.5		9.3		9.2		8.9		9.0		8.7		9.0	
PwC	7.9		7.7		7.6		7.6		7.3		7.3		7.3	
Burbach & Assoc.					9.3				8.7				8.6	
IRR	8.4	7.5	8.2	7.0							8.0	7.3		

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, and Integra Realty Resources (IRR)

TERMINAL CAPITALIZATION RATES – APARTMENTS (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
RERC - National	7.0	6.2	6.9	6.4	6.9	6.3	6.9	6.3	6.8	6.0	6.8	6.2	6.6	6.1
West – 1st Tier	6.4		6.5		6.3		6.2		6.1		6.2		6.2	
West – 2nd Tier	7.0		7.2		7.0		6.8		6.9		6.9		6.9	
West – 3rd Tier	7.9		8.2		7.6		7.7		7.5		7.6		7.8	
PwC	6.2		6.4		7.2		6.0		6.0		6.0		6.0	
Burbach & Assoc.					6.8				6.8				7.2	
IRR														
Urban	7.7	6.8	6.3	5.3							6.1	5.5		
Suburban	7.8	7.3	6.4	5.5							6.3	5.8		

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, and Integra Realty Resources (IRR)

TERMINAL CAPITALIZATION RATES – HOTELS (%)

	4th Q 2012		4th Q 2013		1st Q 2014		2nd Q 2014		3rd Q 2014		4th Q 2014		1st Qtr 2015	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Net**	**Den**	**Nat**	**Den**	**Nat**	**Den**
RERC - National	9.1	8.7	9.0	8.6	9.0	8.8	8.9	8.5	8.8	8.1	8.6	8.5	8.6	8.1
West – 1st Tier	8.9		8.8		8.8		8.4		8.4		8.5		8.3	
West – 2nd Tier	9.7		9.3		9.5		8.8		9.2		9.2		9.0	
West – 3rd Tier	10.8		10.4		10.1		9.8		10.1		10.2		10.1	
PwC					8.2				8.3				8.3	
Burbach & Assoc.					9.6				9.1				9.6	
IRR														
Full service	10.2	10.0	8.9	8.8							8.7	8.5		
Limited service	12.0	10.6	9.5	9.8							9.3	9.0		

Sources: Real Estate Research Corporation, PwC, Burbach & Associates, and Integra Realty Resources (IRR)

JRES JAMES REAL ESTATE SERVICES

National Single Tenant Triple Net Leased Market

Many corporations look at sale-leaseback transactions as a vehicle to raise capital and delete real estate from their balance sheets, thus improving them. The basis for the terms of investment for these transactions is the financial strength or credit worthiness (credit rating) of the companies involved. However, additional factors including length of lease term and rent escalation provisions are also important in determining terms of investment. The triple net leased market encompasses all real estate property types, especially the Industrial, Office and Retail sectors. The table below reports investment criteria that include all property types on a national basis.

For triple net investments, the credit of the tenant is instrumental in determining the value of the investment; the better or higher the credit or net worth of the tenant, the lower the perceived risk of the investment. Investors are usually willing to trade return for risk and accept smaller overall returns in exchange for high-quality virtually risk-free tenants on the lease. Lesser credit or lower quality tenants are often very good investments; however, because although not considered investment grade they are sometimes very good companies that do not have a corporate bond rating because of lack of corporate to credit enhancement. Should this occur, the investor can realize a better than normal return while receiving the security of a "high credit" tenant.

The location of the property is also important because many investors, developers, tenants, lenders and landlords put significant stock in the properties' current and long-term residual value. A property that is leased to an "investment grade" tenant under a bond-type lease can still be considered less than desirable if it is in a poor quality or inferior location.

NATIONAL NET LEASED MARKET

	4th Q 2012	4th Q 2013	1st Q 2014	2nd Q 2014	3rd Q 2014	4th Q 2014	1st Qtr 2015
Overall Cap Rate							
Range	6.0-8.75	6.0-8.5	6.0-8.5	6.0-8.5	6.0-8.5	6.0-8.5	6.0-8.5
Average	8.2	7.1	7.0	7.0	7.0	7.0	6.9
Terminal Cap Rate							
Range	7.0-9.0	7.0-9.0	7.0-9.0	7.0-9.0	7.0-9.0	7.0-9.0	7.0-9.0
Average	8.4	8.1	8.0	7.8	7.8	7.8	7.8
Discount Rate (IRR)							
Range	7.0-9.0	7.0-9.0	7.0-9.0	7.0-9.0	7.0-9.0	7.0-9.0	6.0-9.0
Average	8.2	7.9	7.9	7.9	7.9	7.9	7.7
Market Rent Change Rate							
Range	(3.0)-3.0	0.0-3.0	0.0-3.0	0.0-3.0	0.0-3.0	0.0-3.0	0.0-3.0
Average	0.9	1.4	1.9	1.9	1.9	1.9	1.9
Expense Change Rate							
Range	0.0-3.0	0.0-3.0	0.0-3.0	0.0-3.0	0.0-3.0	0.0-3.0	0.0-3.0
Average	1.9	1.9	2.2	2.2	2.2	2.2	2.2

Source: PwC Real Estate Investor Survey

JRES JAMES REAL ESTATE SERVICES

Addendum P –
Real Estate Financing Terms

COLORADO
REAL ESTATE FINANCING TERMS

1st Quarter 2015

Eric Karnes
William M. James, MAI, CCIM

Colorado has traditionally been a net importer of capital to support real estate and other development and is noted for its "boom and bust" economic cycles. The collapse of the subprime mortgage industry significantly reduced the availability of long term financing for new homes and commercial/investment properties to borrowers with adequate credit strength and able to afford conservative loan terms. However, conduit lending has returned to the market as a way to finance many types of real estate. While the market has improved since its nadir in 2009, the volume of loan production is still below that experienced prior to 2008, and the difficulty in obtaining financing has placed greater emphasis on methods that have lower loan-to-value ratios.

Today, with Denver perceived to be one of the stronger real estate markets in the country, financing has become more available for some types of improved properties, especially apartments and industrial buildings. There is limited financing available for new for-sale residential development although that category is beginning to see activity due to the tightness in the for-sale market. As is the case for the rest of the country, much of the demand for housing is fueled by low home mortgage interest rates and increased employment levels. Locally, strong population growth, increasing employment and pent-up demand, is also stimulating sales although that trend may be plateauing.

General Interest Rate Trends - Short Term Rates

The following is a history of the prime and federal funds rates over the past ten years. The 2015 rates are as of May 15 with a source of the US Federal Reserve.

PRIME RATE AND FEDERAL FUNDS RATE

Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Prime	8.05%	8.05%	5.09%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Federal Funds	4.96%	5.02%	1.93%	0.16%	0.18%	0.10%	0.14%	0.09%	0.10%	0.13%

In essence, the Federal Reserve lowers short-term interest rates to stimulate the economy and raises them when inflation appears to be a risk. Recently, the Federal Reserve has been keeping the Federal Funds Rate generally stable due to continued concerns over a relatively high unemployment rate, although job growth has increased. So far there is no evidence of meaningful inflation returning to the economy, allowing the Federal Reserve to keep rates exceptionally low.

The Prime Rate is the interest rate charged by banks to their most creditworthy customers. Construction loan interest rates are usually pegged to this rate, with RealtyRates.com national survey data indicating the following spreads as of the 1st Quarter 2015, as well as loan fees, loan to value and cost ratios, and loan terms:

Property Type	Spread Over Prime	Loan Fees	Loan To Value Ratio	Loan To Cost Ratio	Loan Term (Mos.)	Amortization
Apartments						
-Minimum	0.45%	1.00%	60.0%	75.0%	12.0	Interest Only
-Maximum	6.45%	5.00%	100.0%	100.0%	40.0	Interest Only
-Average	3.35%	2.85%	80.0%	87.0%	26.0	Interest Only
Golf						
-Minimum	1.55%	1.00%	60.0%	65.0%	12.0	Interest Only
-Maximum	7.25%	5.50%	100.0%	100.0%	24.0	Interest Only
-Average	4.41%	3.14%	78.0%	82.0%	18.0	Interest Only
Health Care/Senior Housing						
-Minimum	0.95%	1.50%	50.0%	60.0%	12.0	Interest Only
-Maximum	6.86%	5.50%	100.0%	100.0%	24.0	Interest Only
-Average	3.83%	3.36%	78.0%	80.0%	18.0	Interest Only
Industrial						
-Minimum	0.95%	1.50%	50.0%	60.0%	12.0	Interest Only
-Maximum	6.85%	5.00%	100.0%	100.0%	24.0	Interest Only
-Average	3.86%	3.11%	80.0%	80.0%	18.0	Interest Only
Lodging						
-Minimum	1.25%	1.50%	50.0%	60.0%	12.0	Interest Only
-Maximum	7.03%	5.70%	100.0%	100.0%	24.0	Interest Only
-Average	4.18%	3.46%	80.0%	80.0%	18.0	Interest Only
Mobile Home/RV Parks						
-Minimum	0.95%	1.50%	50.0%	60.0%	12.0	Interest Only
-Maximum	6.85%	5.00%	100.0%	100.0%	24.0	Interest Only
-Average	3.28%	3.11%	80.0%	80.0%	18.0	Interest Only
Office						
-Minimum	0.95%	1.50%	50.0%	60.0%	12.0	Interest Only
-Maximum	6.50%	5.00%	100.0%	100.0%	24.0	Interest Only
-Average	3.77%	3.11%	83.0%	80.0%	18.0	Interest Only
Restaurants						
-Minimum	1.45%	2.00%	50.0%	60.0%	12.0	Interest Only
-Maximum	8.15%	5.70%	100.0%	100.0%	24.0	Interest Only
-Average	4.84%	3.71%	75.0%	80.0%	18.0	Interest Only
Retail						
-Minimum	0.95%	1.50%	50.0%	60.0%	12.0	Interest Only
-Maximum	6.80%	5.05%	100.0%	100.0%	24.0	Interest Only
-Average	3.92%	3.14%	80.0%	80.0%	18.0	Interest Only
Self Storage						
-Minimum	0.95%	1.50%	50.0%	60.0%	12.0	Interest Only
-Maximum	6.83%	5.00%	100.0%	100.0%	24.0	Interest Only
-Average	3.81%	3.11%	80.0%	80.0%	18.0	Interest Only

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SERVICES

Property Type	Spread Over Prime	Loan Fees	Loan To Value Ratio	Loan To Cost Ratio	Loan Term (Mos.)	Amortization
Special Purpose						
-Minimum	1.35%	2.00%	50.0%	60.0%	12.0	Interest Only
-Maximum	8.13%	6.00%	100.0%	100.0%	24.0	Interest Only
-Average	4.78%	3.90%	73.0%	80.0%	18.0	Interest Only
All Properties						
-Minimum	0.45%	1.00%	50.0%	60.0%	12.0	Interest Only
-Maximum	8.15%	6.00%	100.0%	100.0%	40.0	Interest Only
-Average	4.19%	3.40%	73.0%	80.0%	26.0	Interest Only

Source: RealtyRates.com 2nd Qtr 2015 Investor Survey for the 1st Quarter 2015

General Interest Rate Trends - Long Term Rates

The following is a history of the 10-year Treasury rates as compared to the federal funds rates over the past ten years. The 2015 rates are as of May 15 and are provided by the US Federal Reserve.

10-YEAR TREASURY RATE AND FEDERAL FUNDS RATE

Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
10-Year Treasury	4.96%	4.63%	3.80%	3.26%	3.21%	2.79%	1.95%	2.67%	2.34%	2.34%
Federal Funds	4.96%	5.02%	1.93%	0.16%	0.18%	0.10%	0.14%	0.09%	0.10%	0.13%

Mortgage Interest Rates

Mortgage interest rates are influenced by long-term rates. The following table shows 20-year U.S. Government bond yields and national long-term home mortgage interest rates (30-year fixed home mortgage). The source is the US Federal Reserve as of May 15, 2015 for the 20-Year Bond Yields and the 30 Year Mortgage interest rates.

20-YEAR BOND YIELDS AND 30-YEAR CONVENTIONAL MORTGAGE RATES

Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
20-Year Bond Yields	6.42%	6.34%	5.95%	5.04%	4.78%	4.46%	3.55%	4.22%	2.77%	2.74%
30-Year Mortgage	4.95%	4.91%	4.55%	4.11%	3.95%	3.62%	2.63%	3.46%	4.13%	3.85%

The following are recent residential mortgage interest rates in the Denver metropolitan area:

DENVER METRO RESIDENTIAL MORTGAGE RATES AS OF MAY 18, 2015		
Type	**Interest Rate (%)**	**Total Points**
30-Year Fixed	4.06	0.32
15-Year Fixed	3.34	0.34
1-Year ARM	2.50	1.00

Source: HSH Statistics

Commercial mortgage interest rates are typically indexed to the 10-Year Treasury Rate. Current spreads from RealtyRates.com survey data are:

AVERAGE MORTGAGE RATE SPREADS			
	Basis Point Spread		
Property Type	**Minimum**	**Maximum**	**Average**
Apartment	66	640	259
Golf	119	1150	507
Health Care/Senior Housing	119	777	307
Industrial	105	640	269
Lodging	119	1126	339
RV/Camp. /Mfg. Housing/MH Park	99	822	365
Office	85	640	313
Restaurant	214	1152	439
Retail	75	777	281
Self Storage	105	640	381
Special Purpose/Other Commercial	119	1200	448

Based on 10-Year Treasury Rate
Source: RealtyRates.com 2nd Qtr 2015 Investor Survey for the 1st Quarter 2015

FIXED-TERM COMMERCIAL MORTGAGE INTEREST RATES	
Property Type	**National Average**
Apartment	4.57%
Office	5.11%
Retail	4.79%
Industrial	4.67%
Lodging	5.37%
Special Purpose	6.46%

Source: RealtyRates.com 2nd Qtr 2015 Investor Survey

REALTY RATES.COM NATIONAL AVERAGES				
Property Type	**Amortization Terms (Years)**	**Mortgage Payoff Terms (Yrs.)**	**Loan-to-Value Ratios (%)**	**Debt Coverage Ratios**
Apartment	26	20.5	73	1.43
Golf	22	9.00	66	1.60
Health/Senior Housing	25	13.65	71	1.57
Industrial	24	11.46	70	1.50
Lodging	22	7.80	67	1.60
RV/Camp. /Mfg. Housing/MH Park	25	9.15	70	1.42
Office	30	8.00	73	1.70
Restaurant	21	7.45	64	1.67
Retail	25	6.20	70	1.43
Self Storage	28	6.10	69	1.67
Special Purpose/Other Commercial	21	7.85	64	1.70

Sources: RealtyRates.com 2nd Qtr 2015 Investor Survey for the 1st Quarter 2015

Local Real Estate Financing

In order to determine local real estate financing terms a number of bankers, mortgage brokers, and other lenders are also interviewed on a continuing basis.

Local Banks have traditionally been relationship and not transaction lenders, focusing on lending services to bank customers. However, in recent years local banks have been very active in real estate lending in attempts to create, maintain, or gain market share. Mid-size local and larger regional banks appear to be the most aggressive, with lending rates lower than the prime rate not uncommon. Typically, banks require some level of financial guarantee from borrowers in addition to the property collateral. A bank's focus still remains in the arena of construction loans, interim loans, and loans for owner-occupied properties, although they are also willing to look at special-use properties, including land, as security. Loan amounts range from $20,000 to $100,000,000.

Life Insurance Companies are lending in the Denver area mostly through designated correspondents. Like banks, they are only able to lend on very secure projects. However, permanent as well as interim funds are available. Rates range from 250 to 350 basis points over corresponding treasuries with 75% loan to value ratios and a $50,000,000 limit. Terms range from 1-25 years with 20 to 30 year amortization periods.

Small Business Administration loans have traditionally been available only from specialists in their processing. Local banks are also venturing into this market as a way of diversifying and increasing loan activity without an unacceptable increase in risk. SBA loans are universally for owner occupied existing properties below $2,000,000, with rates at 1.5% to 2.5% over the prime rate with up to 90% loan to value ratios and 20 to 25 year amortization. SBA loans have also become more prevalent in the market as a way for banks and conduits to increase loan and servicing fees.

Pension Funds became disenchanted nationally with real estate in the recent past due to poor investment performance. Historically, pension funds viewed Denver as a potential turnaround market, rather than a high quality investment market. However, with the local stabilizing economic conditions and recent poor performance of the bond and equity markets, pension funds again are interested in investments in Colorado. Generally, only the best 5% to 10% of properties are considered "investment grade" real estate that this type of investor will consider. When loans are made, minimum loan amounts with pension funds are generally near $10,000,000 with interest rates from 140-200 basis points over corresponding treasuries.

Savings and Loans in the Denver area have mostly become banks and have also returned to the commercial loan market. Some are active in the residential loan market with a small number of them making multi-family loans from $300,000 up to $1 million. Commercial loan to value ratios are typically up to 75% with debt service coverage at a minimum of 1.25. Loans are typically for a 20 to 30 year amortization period and with fixed rates for only 3 to 5 years. Because of the relative stability of the Federal Home Loan Bank's 11th District Cost of Funds Rate; however, many borrowers are electing to accept longer-term (up to 15 year) adjustable rate loans using this index. Without prepayment penalties, savings and loans and banks are able to charge spread of 200 to 250 basis points.

Wall Street/Conduit Lenders have returned to the market. "Conduit" lending, which services loans by directing funds from Wall Street to borrowers via related subsidiaries or various loan servicing companies, banks, and S&L's, has increased as investors gain confidence in the residential market.

Addendum Q –

Qualifications of Appraiser and Associate and Company Profile

Qualifications of
WILLIAM M. JAMES

MAI - Member of the Appraisal Institute
CCIM - Commercial Investment Real Estate Institute
MBA - University of Denver, Daniels College of Business
Real Estate and Construction Management
BA - University of Washington, Foster School of Business
Urban Development

Certified General Appraiser - State of Colorado
Former Member of the Colorado State Board of Real Estate Appraisers
Licensed Real Estate Broker - State of Colorado

Business Affiliations, Past/Present

James Real Estate Services, Inc. - Denver
RACO Development Corp. - Englewood
Shorett and Riely - Seattle/Anchorage
City of Seattle – Planning Commission
Ginther Wycoff Group - Denver
Chase and Company - Denver
Federal Housing Administration – Denver
US Army – Facilities Division – Stuttgart

APPRAISAL AND ADVISORY EXPERIENCE
Property Types

Agricultural Land
Airport Parking Facilities
Aircraft Hangars
Animal Hospitals
Antenna Towers
Apartments
Arenas
Assisted Living Facilities
Athletic Clubs
Auto Sales/Service Centers
Bank Buildings
Bowling Centers
Breweries & Brew Pubs
Broadcast Facilities
Car Washes
Casinos
Chemical Facilities
Condominium Units, Assemblages, Complexes and Conversions
Continuing Care Facilities
Day Care Centers
Community Centers
Distribution Warehouses
Dog Day Care Facilities
Equestrian Facilities
Event Centers
Food Processing Facilities
Family Entertainment Centers
Gasoline Stations
Golf Courses/Clubs
Gravel Mines
Group Homes
Hazardous Materials/Conditions
Health Clubs
Historic Properties
Homeless Shelters
Hospitals
Hotel/Motel
HUD Apartments
Industrial
Kennels
Lakes
Laboratories
Manufacturing Facilities
Medical Offices
Mobile Home Parks
Mortuaries
Movie & Performance Theaters
Nurseries
Office Buildings and Condominiums
Parking Facilities
Refrigerated Warehouses
Residential Care Facilities
Research & Development
Restaurants
Retail
Schools
Self Service Storage
Shopping Centers
Single Family Residences
Subdivisions
Surgical Centers
Truck Terminals
Truck Maintenance Facilities
University Facilities
Urban Land
Vehicle Maintenance Facilities
Warehouses
Wetlands
Worship Facilities

Assignment Types

Appraisals including Full and Fractional Interests
Construction Progress Inspections
Feasibility Studies
Highest & Best Use Studies
Market Studies
Project Management
Rent Studies
Reviews of Appraisals
Rezone Consultation
Portfolio Analysis
Site Selection/Acquisition

Assignment Purposes

Acquisition
Arbitration
Assessment Appeal
Disposition
Eminent Domain
Estate Taxes
Financing
Foreclosure
HUD Programs
Investment Analysis
Lease Renewal
Litigation Support
Negotiation Support

Assignment Locations

Alaska
Arizona
Colorado
Idaho
Kansas
Louisiana
Michigan
New Mexico
North Dakota
Oklahoma
South Dakota
Utah
Washington
Wyoming

Qualifications of
WILLIAM M. JAMES
(continued)

Representative Clients, Past/Present

AEGON USA
Adams Bank & Trust
Adams County School District No. 14
AIMCO
Advantage Bank
ARCS Commercial Mortgage Co.
Affinity Bank.
ANB Bank
Amerisphere Mortgage Finance LLC
AMG National Trust Bank
Archon Group
AT&T Small Business Lending Corp.
Bank Financial
Bank of America
Bank of the West
Bank of Choice
Bank One
Bankers Bank of the West
Bellco Credit Union
Berenbaum Weinschienk PC
Berkley Bank
Brighton Housing Authority
Burg Simpson
Calumet Savings/Hanover Mortgage
Catholic Charities
CB Richard Ellis
Centura Health
Cherry Creek School District
Cheyenne Regional Medical Center
Chrysler First Business Credit Corp.
Church of Jesus Christ of Latter Day Saints
City of Arvada
City of Aurora
City of Brighton
City and County of Denver
City of Colorado Springs
City of Golden
City of Greenwood Village
City of Lakewood
Citywide Banks
Collegiate Peaks Bank
Colorado Attorney General
Colorado Business Bank
Colorado Capital Bank
Colorado Division of Gaming
Colorado Dept. of Transportation
Colorado East Bank and Trust
Colorado Health Facilities Authority
Colorado Housing/Finance Authority
Colorado National Bank
Colorado Savings Bank
Colorado State Bank & Trust
Colorado Board of Land Commissioners
Comerica Bank
Commerce Bank
Community First National Bank
Compass Bank
Coors Brewing Company
Coors Distributing Company
Davis, Graham and Stubbs
Denver Housing Authority
Denver Health Medical Center
Denver Public Schools
Douglas County Attorney
E-470 Highway Authority
Englewood Schools
Fairfield Residential
Federal Deposit Insurance Corp.
Federal National Finance Corp.
Firestone Tire and Rubber Co.
FirstBank
First National Banks/First Savings Bank
First Western Trust Bank
Fitzsimons Redevelopment Authority
Ford Leasing Development Co.
Front Range Bank
GE Capital Corporation
GMAC Commercial Mtg. Corp.
General American Life Ins.
Gorsuch Kirgis LLP
Grand Junction Housing Authority
Great Western Bank
Greystone USA
Grubb & Ellis Company
Guaranty Bank and Trust Co.
Guardian Life Insurance Co.
HealthOne
Heartland Bank
Heller Financial
Hope Communities
Household International, Inc
Huntoon Hastings Inc.
InnovAge
Jefferson County Open Space
Jefferson County Highways & Transportation
Johnson Capital
Jones Intercable, Inc.
JP Morgan Chase Bank
Judicial Arbiter Group
Key Bank of Colorado
Koelbel and Company
Kutak Rock LLP
LaSalle Bank
Liberty Savings Bank
Life Insurance Co. of Virginia
Mercy Medical Center
Merrill Lynch Business Financial Services
Metropolitan Life Insurance Co.
Metropolitan State College of Denver
Mile High Community Loan Fund.
Miller Coors
Molson Coors
Municipal Bond Investment Assurance Corp.
National Jewish Health
NHP Property Management, Inc.
North Valley Bank
Northland Financial Company
Oakwood Homes
Patrician Financial Company
Patton Boggs LLP
Piper Capital Management
Platte Valley Medical Center
PorterCare Hospital
Prudential Bache
Pueblo Bank and Trust
Public Employees Retirement Assoc.
Real Estate Research Corp.
Red Mortgage Capital LLC
Redstone Agency Lending
Regional Transportation District
Resolution Trust Corporation
Ross Management Group
Saehan Bank
Safeway Stores, Inc.
Saint Joseph Hospital
Salvation Army
Service Corporation International
Sinclair Oil Company
Southwestern Life Insurance Co.
Standard Life Ins. of Portland
Steele Street Bank and Trust
Taco Bell Corporation
Terrix Financial Corporation
Thistle Community Housing
Trammell Crow Company
TransAmerica Realty Services, Inc.
TransLending Corporation
Transnation Title Insurance Co.
Travelers Insurance Company
Tri-State Bank
Trust for Public Land
Universal Lending Corp.
Union Bank & Trust
Union Colony Bank
Union Pacific Railroad
University of Denver
Urban Land Conservancy
US Bank
US Department of Agriculture
US Department of HUD
US Department of Veterans Affairs
US Federal Aviation Administration
US Foods
US General Services Administration
US Postal Service
US Small Business Administration
US West New Vector Group, Inc.
Ute Mountain Tribe
Valley Bank & Trust
Vectra Bank
Volunteers of America
Wabash Life Insurance Company
Washington National Insurance Co.
Wells Fargo Bank
Western Skies, Inc.
Western Pioneer Life Insurance Co.
White and Steele
WW Grainger Inc.
Young Americans Bank
Zocalo Community Development

Qualifications of
WILLIAM M. JAMES
(continued)

Accepted as Expert Witness

Superior Court -	City of Seattle
District Courts -	Jefferson County, City & County of Denver, Boulder County, Arapahoe County, Adams County
US Bankruptcy Court -	Districts of Colorado and Northern Oklahoma
US District Court -	Colorado
Circuit Court -	Florida, Hawaii
County Board of Equalization -	City and County of Denver, Arapahoe County
Board of Assessment Appeals -	State of Colorado
American Arbitration Association	Judicial Arbiter Group

County Board of Equalization Hearing Officer/Arbitrator

City and County of Broomfield
Douglas County

City and County of Denver
Jefferson County

Professional Associations

Appraisal Institute
- Member, Board of Directors
- Chair, General Appraiser Council
- Member, Appraisal Standards Council
- Member – Admissions and Designations Qualifications Committee
- Chair, Admissions Appeals Board
- Member, General Admissions Committee
- Chair, General Experience Subcommittee
- Vice Chair, Masters Degree Program Subcommittee
- Member, Regional Ethics and Counseling Panel
- Director, Colorado Chapter
- Chair, Education, Colorado Chapter

CCIM Institute
International Right of Way Association
National Association of Realtors
Colorado Association of Realtors
Denver Metro Commercial Association of Realtors

Appraisal Instruction

Appraisal Institute
University of Denver - Adjunct Professor
University of Colorado
Colorado Association of Realtors
Denver Board of Realtors
Denver Metropolitan Commercial Association of Realtors
Mesa County Association of Realtors
Community College of Aurora
Realtor's Commercial Industrial Society – Colorado Springs

Published Articles

Colorado Real Estate Journal
Valuation Insights and Perspectives
Journal of Property Management

Community Affairs Past and Present

Member, Board of Directors, Regional Transportation District, Denver Metro
Member, Board of Directors, Housing Colorado
Co-Chair – 16th Street Mall Steering Committee
Member – Downtown Denver Partnership Transportation and Development Council
Member, Advisory Board, University of Denver, Franklin L. Burns School of Real Estate
Member, Cherry Creek Steering Committee
Member, Citizens Advisory Committee, Central Denver Transportation Study
Chair, Transportation Solutions Foundation Board of Directors
Member, Citizens Advisory Committee, Cherry Creek Parking Study
Director, Cherry Creek Chamber of Commerce
Member, Denver Cherry Creek Rotary
President, Denver Cherry Creek Rotary Foundation Board of Trustees

Qualifications of
GEOFFREY K. HAUER

Masters of Information Technology
University of Denver, Daniels College of Business

Bachelor of Science
Colorado State University, College of Business

Certified General Appraiser - State of Colorado
Licensed Real Estate Broker - State of Colorado
Foundation Certified – ITIL –IT Service Management

BUSINESS AFFILIATIONS, PRESENT AND PAST

James Real Estate Services, Inc.
Denver 2000 – Present

Real Estate Support Services
Denver 1996 – Present

Management Automation Group
Denver 2001 - 2005

Housemeasurements.com
Denver 1996 - Present

APPRAISAL AND ADVISORY EXPERIENCE

Property Types

Agricultural Land
Apartments
Assisted Living Facilities
Auto Sales/Service Centers
Bank Buildings
Bio Tech/Laboratories
Camping Parks
Car Washes
Chemical Facilities
Churches
Community Centers
Condominium Units, Assemblages, Complexes and Conversions
Day Care Centers
Distribution Warehouses
Equestrian Facilities
Gas Stations
Fast Food Restaurants
Gravel Pits
Ground Leases
Historic Properties
Hospitals
Hotel/Motel
Industrial
Laboratories
Manufacturing Facilities
Medical Offices
Mobile Home Parks
Office Buildings and Condominiums
Open Space
Parking Facilities
Refrigerated Warehouses
Research and Development
Restaurants
Retail
Rural Land
Schools
Self Service Storage
Shopping Centers
Single Family Residences
Subdivisions
Surgical Centers
Trophy Ranches
Urban Land
Vehicle Maintenance Facilities
Warehouses

Assignment Types

Appraisals
Conservation Easement Inspections
Feasibility Studies
Fractional Interests
Highest & Best Use Studies
Litigation Support
Market Studies
Project Management
Portfolio Analysis
Site Selection/Acquisition

Assignment Purposes

Acquisition
Assessment Appeal
Disposition
Eminent Domain
Estate Taxes
Financing
Foreclosure
Investment Analysis
Insurance Settlement
Lease Renewal
Litigation Support
Negotiation Support

Assignment Locations

Denver Metro Area
Archuleta County
Chaffee County
Clear Creek County
Custer County
Eagle County
El Paso County
Garfield County
Grand County
Gunnison County
Huerfano County
La Plata County
Las Animas County
Santa Fe, NM
Teller County
Montezuma County
Moffat County
Montrose County
Park County
Routt County
Rio Blanco County

Qualifications of
GEOFFREY K. HAUER
(continued)

Representative Clients, Past/Present

Affinity Bank
Bank of America
Bank One
Bank of Cherry Creek
Bureau of Land Management
BMC Mortgage
Citywide Banks
Colorado Business Bank
Colorado Dept. of Transportation
Colorado National Bank
Colorado Savings Bank
Colorado State Land Board
Comerica Bank
Commerce Bank
Community First National Bank
Compass Bank
Coors Brewing Company
Federal National Finance Corp.
First American State Bank
First Fidelity Investment and Loan
First Interstate Bank of Denver
FirsTier Bank
Fitzsimons Redevelopment Authority
GE Capital Corporation
GMAC Commercial Mtg. Corp.
Good Times Restaurants
Grasslands Development
Guaranty Bank and Trust Co.
HealthOne
Jefferson County Open Space
Key Bank of Colorado
Kirkpatrick Bank
Liberty Savings Bank
Mountain States Bank
Peak National Bank
Pueblo Bank and Trust
Real Estate Research Corp.
Rocky Mountain Investors, Inc.
Terrix Financial Corporation
Trammel Crow
TransAmerica Realty Services, Inc.
Tri-State Bank
Universal Lending Corp.
Union Bank & Trust
United Western Bank
Vectra Bank
Washington Mutual
Wells Fargo Bank
Western Skies, Inc.

APPRAISAL EDUCATION

Conservation Easement Appraisal Courses:
The Appraisal of Conservation Easements – Appraisal Institute – 2013
Conservation Easement Appraiser Update Course – Center for Professional Education, LLC – 2013

Advanced/MAI Designation Courses:
General Appraiser Report Writing and Case Studies - Appraisal Institute - 2011
Advanced Income Capitalization – Appraisal Institute - 2010
Advanced Applications – Appraisal Institute - 2009

State Certification Level Courses:
Certified General Appraisal – American Real Estate College, LLC – 2007
Certified Residential Appraisal – American Real Estate College, LLC - 2007

Continuing Education Courses (Recent)
Business Standards and Ethics – Appraisal Institute – 2008
Real Estate Finance Statistics and Valuation Modeling – Appraisal Institute - 2008
USPAP Update – Appraisal Institute – 2007
Sales Comparison Valuation of Mixed Use Properties – Appraisal Institute – 2007

PROFESSIONAL ASSOCIATIONS

Appraisal Institute
Denver Metropolitan Commercial Association of Realtors
Colorado Association of Realtors

JRES
JAMES
REAL ESTATE
SERVICES

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Denver, Colorado 80206-5412
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fax: 303-388-8756
www.jres.com

REAL ESTATE DECISION SUPPORT

COMPANY PROFILE

James Real Estate Services, Inc., is a diversified real estate advisory firm with a foundation of commercial and residential appraisal, appraisal review, market analysis, brokerage and investment advisory services s in Denver, Colorado since 1982. JRES assists clients with strategic direction and specific decisions for a wide variety of real estate situations.

As transportation oriented development and affordable housing have become important segments of all real estate, JRES increasingly advises clients in these areas. As cooperation with the surrounding community becomes more important to real estate decisions JRES advises property owners, governments and community organizations with market and investment based real estate research and analysis.

Over the years, James Real Estate Services, Inc. (JRES) has conducted real estate appraisal and consulting projects for a variety of institutional, governmental, developer, and corporate clients along the Colorado Front Range, in mountain resorts, on the western slope and the eastern plains, and in several other states. Appraisal and market study assignments include office buildings, apartment and condominium complexes, shopping centers, hospitality, industrial, mixed use, "green" buildings and special use properties, single-family residences, residential and commercial subdivisions, and vacant land, both urban and rural.

Many of these engagements require extensive feasibility analysis of alternative uses and eminent domain analysis and consulting. Advisory services include assessed value appeals and arbitration, mass appraisal consulting, market and feasibility studies, development opportunity research, entitlements consulting and management, development and redevelopment cash flow projections, and development project management. Appraisal and market study purposes include mortgage loan underwriting and foreclosure, transaction support, eminent domain, estate consulting, and litigation support for insurance and other types of dispute resolution including arbitration.

The Principals, Associates, and Affiliates of JRES offer in-depth experience at appraisal, review appraisal, site evaluation and selection, development analysis and implementation, economic and physical due diligence, project management, financing, marketing, transaction negotiation, and asset disposition. Brokerage services are concentrated in the single-family residential market in the Denver metropolitan area. Unusual property types appraised and analyzed include:

Residential subdivisions
Mixed use properties
Refrigerated food processing facilities
Automotive sales & service centers
Aircraft hangars
Family entertainment centers
Museums
Health clubs
Correctional facilities
Hotels
Self-storage complexes
Executive suites office buildings
Mixed use properties
Ballet facilities
Fraternity/sorority houses
Commercial subdivisions
Transit oriented developments
Homeless shelters
Truck terminals
Car washes
Event centers
Camp/retreat facilities
Educational facilities
Golf courses
Casinos
Student apartments
Medical office buildings
Music studios
Animal sanctuaries
Pet boarding facilities
Open space land
Chemical distribution facilities
Funeral homes
Bowling centers
Breweries
Worship facilities
Theatre complexes
Assisted living facilities
Restaurants
Bank branches
HUD subsidized apartments
Hospitals
Child care facilities
Equine hospitals
Self-storage complexes

Together, the Principals and staff of the firm offer a substantial base of diversified real estate appraisal, market analysis and investment consulting experience. From its core appraisal discipline, the firm serves a variety of needs of its clients in a changing real estate market place with a solid foundation of fundamental objectivity and sound analytical techniques, occasionally making use of its affiliation with qualified professionals in complementary areas of expertise.

Principals in the firm include:

William M. James, MAI, CCIM	President and Director, Valuation Advisory Services
Stephen E. Ross	Director, Market Analysis
Denise Moore	Director, Multifamily Valuation
Ann M. Del Nigro	Director, Brokerage Services
Geoff Hauer	Director, Information Systems
Eric Karnes	Director, Market Research
Tammy Summers	Office Manager

Bill James began his appraisal career in 1973 with the commercial and investment appraisal firm of Shorett and Riely in Seattle, Washington and opened the company's first branch office in Anchorage, Alaska. In Denver since 1976, he earned an MBA degree from the University of Denver in Real Estate and Construction Management in 1979. Over the years, while conducting appraisals and market studies on a wide variety of semi-rural, residential, general and special purpose commercial and investment properties, he has managed rezoning, development and redevelopment projects, and instructed appraisal courses.

Bill is a Certified General Appraiser (former member of the Colorado Appraiser Board) and a licensed Real Estate Broker in Colorado. He has been accepted as an expert witness in several jurisdictions and has performed appraisals and consulting assignments on a number of special purpose and narrow market properties, and under unique circumstances.

Bill has prepared and taught appraisal courses at the University of Denver, University of Colorado, Community College of Aurora, the Denver Metropolitan Commercial Association of Realtors, and the Colorado Association of Realtors. In the Appraisal Institute, he is or has been Chair of the General Appraiser Council, Admissions Appeals Board and the General Experience Subcommittee, a member of the Board of Directors, Admissions Committee, Regional Ethics and Counseling Panel, Appraisal Standards Council, Master's Degree Program Subcommittee and a member of the Board of Directors of the Colorado Chapter. In 2008 he was publicly elected to the Board of Directors of the Regional Transportation District in the Denver metro area and in 2012 he was elected to the Board of Directors of Housing Colorado..

Steve Ross has over 20 years of experience in real estate analysis, consulting and appraisal. After earning his Bachelor of Science degree in Real Estate and Finance from the University of Denver and his Masters of Business Administration from Cal Poly, San Luis Obispo, where he emphasized Economics and International Business, Steve began his real estate career as a commercial real estate consultant in 1989 with The Meyers Group in Southern California.

After moving to Grubb & Ellis in 1991, Steve held several positions in the Research Services Division including Regional Research Director for the Pacific Northwest Region and National Research Coordinator. In 1996, he joined Marcus & Millichap, as National Manager of the Research Services Division. Prior to joining James Real Estate Services in 2003, Steve started his own independent real estate consulting practice in 2001 where he provided real estate market analysis, consulting services, and market overviews, evaluations, and projections of office, industrial, retail, multi-family and hospitality markets on MSA, regional and national levels to corporate and institutional clients. Projects completed for pension fund advisors, REITs and major commercial real estate clients include asset/market analyses, acquisition studies, development analyses and rehabilitation/repositioning studies of apartment communities.

As an appraiser and market analyst with JRES, Steve has completed appraisals or market studies for office buildings, retail and single-tenant triple net lease properties, auto sales and service centers, industrial buildings, mixed-use developments, residential condominiums, public housing, sand and gravel mines, water storage reservoirs and residential and commercial land. Steve is a Certified General Appraiser in Colorado and is approved by the Colorado Housing and Finance Authority as a Low-Income Housing Tax Credit Market Analyst.

Denise Moore began her appraisal career in 1992 at Accredited Appraisers, Inc. as an assistant and then as Operations Manager. In 1994, she moved to James Real Estate Services and began to appraise single-family residences. Since 1996, she has primarily appraised apartment properties and condominium conversions with a growing emphasis on HUD related affordable housing including rent comparability studies and senior housing (assisted living) properties. She has appraised other property types but specializes in multifamily properties. Denise is a Certified General Appraiser in Colorado.

Ann Del Nigro began her real estate career with a major developer in the late 1980s and joined James Real Estate Services as office manager in 1988. Ann specializes in single-family residential brokerage and is a certified short sales and foreclosure resource in Colorado. Ann also conducts and manages residential inspections for FHA home improvement loans, and researches market data and conducts competitive market analyses for residential lenders. Ann is a licensed Real Estate Broker in Colorado.

Geoff Hauer has been involved in appraisal related business activities since 1999, specializing in niche services for brokers in the Denver area. Geoff joined James Real Estate Services, Inc. in 2001 as Director of Information Systems and retains that title in an outside consulting capacity. He maintains the JRES computer network, consults on IT related projects for the firm and provides strategic vision regarding the application of technology at JRES. Geoff earned a Masters Degree in Information Technology from the University of Denver, Daniels College of Business in early 2002. Geoff is a Certified General Appraiser and a Licensed Real Estate Broker in Colorado.

Eric Karnes has researched and analyzed apartment, commercial, industrial and residential real estate markets since 1970. After developing, managing and selling Karnes Research Company, in Charlotte and Raleigh, North Carolina, Eric relocated to the Denver area and joined James Real Estate Services in 2000 and later retired. After rejoining JRES, Eric now maintains the JRES library of real estate market information, prepares the Real Estate Perspective and Apartment Perspective email newsletters, edits the Apartment Perspective blog and contributes to the Real Estate and Transportation Linked in Group. He also consults for several national development and investment companies.

Associate Appraisers at JRES include **Maureen Holton** and **Jeff McGhie**. With their qualified assistance, the Principals at the firm provide timely and accurate services and analysis to clients, relying on a wide variety of outside resources and an extensive in-house market data base.

Among outside resources are Affiliates with whom JRES consults in assignments that require their expertise. Together, these affiliates and JRES have formed an alliance of independent consulting professionals, integrating complementary specialties to provide solutions for a wide variety of real estate situations. These affiliates include:

Kent Bagley	Bagley Development Consultants	Entitlements and Land Planning
Richard E. Erickson	Due Diligence Advisors	Technical Inspection and Hazardous Materials/Conditions
Alec Garbini	CM2, Inc.	Development Consulting and Management
Andrew M. Kenney, AIA, NCARB	Kenney Architects, P.C.	Architecture