Market Value Appraisal

of

Former Rodeo Supermarket Building
3915 West 73rd Avenue
Westminster, Adams County, Colorado 80031

JRES Intelica File No. 2023-006 RT

Prepared for

City of Westminster
Department of Economic Development
4800 West 92nd Avenue
Westminster, Colorado 80031

As of

March 23, 2023

By

William M. James, MAI, CCIM, MBA

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REAL ESTATE DECISION SUPPORT

March 23, 2023

City of Westminster
4800 West 92nd Avenue,
Westminster, Colorado 80031

Attention: Ms. Heather Cronenberg, Real Estate and Development Administrator

SUBJECT PROPERTY: Former Rodeo Supermarket Building
3915 West 73rd Avenue
Westminster, Adams County, Colorado 80031
JRES File No. 2023-006 RT

Ladies and Gentlemen:

At your request, I have appraised the referenced real property. The market value definition applied, 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 my 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 88 pages and 15 addenda. I certify that I have no present or contemplated future interest in the real property beyond this appraisal. I specifically call your attention to the Certificate and Summary of Appraisal on the following pages and to the Appraiser's Comments, Scope of Assignment, Appraisal Methodology, Assumptions and Limiting Conditions and Hypothetical Conditions sections in the report.

My investigation and analysis have resulted in the opinion that the market value of fee simple interest in the subject real estate is:

APPRAISED VALUE – AS IS
ZERO DOLLARS
$0

Respectfully submitted,

William M. James, MAI, CCIM, MBA
Colorado State Certified
General Appraiser No. CG1313126
Voice: 303-316-6768
Email: bjames@intcre.com

Attachments: Certificate of Appraisal
Appraisal Report

CERTIFICATE OF APPRAISAL

The Appraiser has 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. He has the appropriate education and experience to conduct the appraisal.

The Appraiser is a member of 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. The Appraiser 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.

I certify that to the best of my 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 my our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I 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.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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.
- 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 has made a personal inspection of the property that is the subject of this report.

William M. James has not previously appraised or provided other services at the subject property. The contribution to the research, analysis, and report writing in this appraisal by James Presley is acknowledged.

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

William M James

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

JRES
AN INTELICAT COMPANY

SUMMARY OF APPRAISAL

JRES FILE NUMBER	2023-006 RT
IDENTIFICATION OF THE REAL ESTATE	Former Rodeo Supermarket Building 3915 West 73rd Avenue Westminster, Adams County, Colorado 80031
ASSESSOR PARCEL NO.	0171931411024

LAND

Area:	16,801 SF (0.4 acres, 391% GBA)
Land Use Approvals /Entitlements (Zoning):	C-1 (Commercial) by the City of Westminster. The former subject retail 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. 08059C0208F dated February 5, 2014. See Addendum A. Risk Factor a peer reviewed resource which assesses the risk of flood and wildfire for every property in the United States, indicates the subject property has a 0.2% chance of flooding at least once this year, and a 0.2% chance within the next 30 years.

IMPROVEMENTS

Use:		Retail
Year of Construction:		1948
Stories:		1
Construction Type:		Brick Masonry
No. of Buildings:		One
No. of Tenants:		1
Vacancy Rate:	Current	100%
	Stabilized	0%
Gross Building Area (GBA):		4,298 SF
Rentable Area (RA):		4,298 SF, 100% GBA,
Finished Area:		0 SF, 0% GBA

SUMMARY OF APPRAISAL

Parking Spaces:	10
Rentable Area/Space:	430 SF
Actual Age:	75 years
Effective Age:	75 years
Estimated Remaining Economic Life:	0 years, may be extended with capital improvements.

DATES

Report:	March 23, 2023
Inspection:	March 2, 2023 and other dates
Value:	March 23, 2023

PROPERTY RIGHTS APPRAISED
The property rights appraised are fee simple interest in the subject real estate 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 determination of the price of a potential sale of the subject property.

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.

EXPOSURE TIME
12 to 15 months

EXTRAORDINARY ASSUMPTIONS
Physical condition of the subject on the date 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.

HIGHEST AND BEST USE
Retail

INCOME APPROACH

Potential Gross Income	$42,292
Vacancy	0%
Effective Gross Income	$42,292
Total Expenses:	($0)
Net Operating Income	$42,292
Capitalization Rate	/7.5 %
Value Adjustment - Renovation	($1,800,000)
Value Indication (Rounded)	$0

VALUE INDICATIONS

Cost Approach:	**NA**
Sales Approach:	**$0**
Income Approach:	**$0**

APPRAISED VALUE	**$0**

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LOOKING NORTH AT SUBJECT BUILDING FROM WEST 73RD AVENUE

LOOKING NORTHWEST FROM WEST 73RD AVENUE AT SUBJECT BUILDING

LOOKING NORTH ALONG SUBJECT BUILDING AT SUBJECT PROPERTY

LOOKING SOUTHWEST AT SUBJECT BUILDING FROM NORTHEAST CORNER OF SUBJECT PROPERTY

WEST 73RD AVENUE IS AHEAD

LOOKING WEST ALONG SUBJECT PROPERTY AT SUBJECT PARKING AND BUILDING

LOOKING SOUTHWEST FROM SUBJECT PARKING AT SUBJECT BUILDING AND NEIGHBORING WESTMINSTER GRANGE HALL

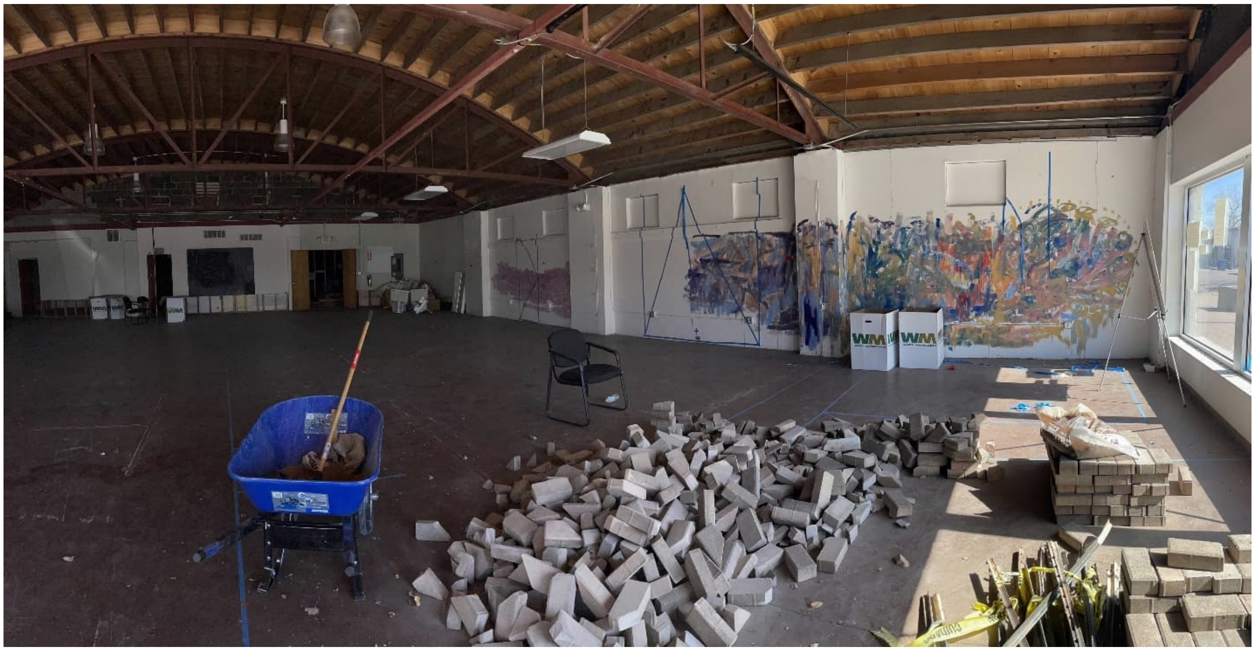
LOOKING SOUTH FROM SUBJECT PARKING AT SUBJECT BUILDING AND NEIGHBORING WESTMINSTER GRANGE HALL

LOOKING NORTH ALONG SUBJECT PROPERTY

SUBJECT BUILDING IS AT RIGHT

NEIGHBORING WESTMINSTER GRANGE HALL IS AT RIGHT

LOOKING EAST ALONG WEST 73^{RD} AVENUE AT SUBJECT BUILDING



EAST SIDE OF MAIN INTERIOR SPACE IN SUBJECT BUILDING FROM SOUTH ENTRANCE

WEST SIDE OF MAIN INTERIOR SPACE IN SUBJECT BUILDING FROM SOUTH ENTRANCE

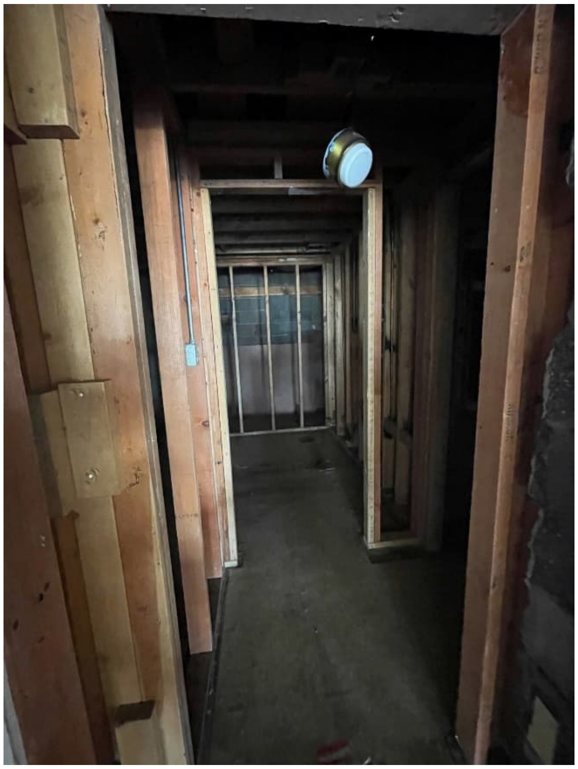
LOOKING SOUTH FROM REAR OF BUILDING AT MAIN ENTRANCE

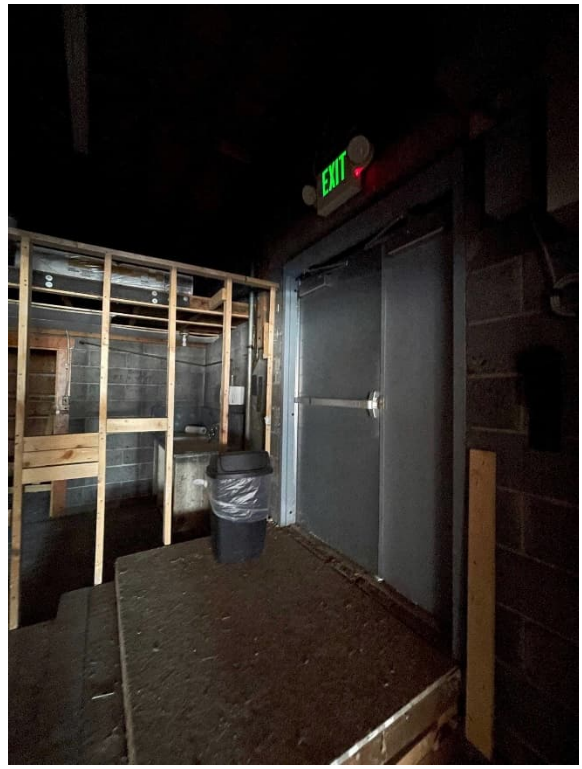
FACING WEST 73^{RD} AVENUE

INTERIOR ROOM AT REAR OF BUILDING

INGRESS/EGRESS AT SOUTHWEST CORNER OF BUILDING

SUBJECT PHOTOGRAPHS





ROUGH-FRAMED INTERIOR ROOM

NORTHEAST INGRESS/EGRESS

NORTHWEST OF INTERIOR SPACE

LOOKING EAST FROM SUBJECT BUILDING ALONG WEST 73RD AVENUE

LOOKING SOUTH FROM SUBJECT ACROSS WEST 73RD AVENUE

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LOOKING SOUTH FROM WEST 73RD AVENUE AT WESTMINSTER FIRE STATION

LOOKING NORTHEAST FROM CORNER OF WEST 73RD AVENUE AND BRADBURN BOULEVARD

INTRODUCTION

Identification of the Real Estate

The subject property is the former Rodeo Supermarket property at 3915 West 73rd Avenue, in Westminster, 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, the subject neighborhood, market area, site, and improvements are not discussed in detail in this summary Appraisal Report.

Subject Improvements

The subject building is a 4,298 SF brick masonry retail building constructed in 1948. In 2006, the City of Westminster passed a resolution to designate the building, known locally as the "Rodeo Supermarket", as an historic local landmark, protecting the stepped brick façade, street sign and barrel roof, effectively rendering the building a permanent structure at the site. The resolution is at Addendum B.

Tenants

The subject is currently 100% vacant. In 2019, a ten-year lease was executed for a proposed restaurant tenant, reportedly with significant improvements and discounted rents early in the lease term provided by the owner, the City of Westminster, in order to incentivize the tenant for which was requested by the community. This agreement was not able to continue, and the details of the lease are confidential. The Appraiser was allowed to analyze the lease terms, however, and found that the stabilized rent in the fifth year of the lease, approximately the date of value of this appraisal, was near the market rent indicated in the Income Approach of this appraisal.

Design and Layout

The design and layout of the building is mostly open concept in its current form, with some space at the rear of the building separated into rough-framed rooms. The ceiling has a peak height of 16 feet at the center. Large windows, part of the protected façade, face West 73rd Avenue. Main entry is at the south, while secondary entries are at the southwest and northeast corners.

Functional Utility

The design of the subject improvements is typical for retail buildings of their age. They have been designed and/or adapted for their historic retail use with some adaptability to other commercial uses. As is normal, their design has been superseded in some respects by typical current construction; however, they are generally acceptable to potential tenants in the retail market.

Physical Condition

The Appraiser has inspected the subject site and improvements consistent with the requirements of an appraisal; however, he has not conducted a comprehensive (engineering type) physical inspection.

The subject improvements appear to be in poor condition, considering their age. The building is currently lacking interior finish, with significant renovation required for occupancy. Deferred maintenance is substantial, requiring adherence to historical designation which increases cost and is estimated at $1,800,000, or $418.80/SF to cure based on a renovation cost estimate provided by the City of Westminster, at Addendum C. This estimate would bring the building up to code and create a “white box” for a buyer or tenant to then add finish appropriate to the occupant business. The cost estimate includes a line for finishing the building for a restaurant, approximately $1,050,000 additional beyond the “white box” state. This is approximately $244.30/SF for restaurant finish.

Americans With Disabilities Act

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". The statutory definition of "readily achievable" calls for a balancing test between the cost of the proposed "fix" and the wherewithal of the business and/or owners of the business. Thus, what might be "readily achievable" for a sophisticated and financially capable corporation might not be readily achievable for a small or local business. Firms with 15 or more employees and their facilities are affected. Size does not limit public accommodations and commercial facilities. Public accommodations generally include any real estate that customarily is entered by the public for the purpose of conducting the activities of the occupant. New construction, modification or alteration 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, the subject improvements have not been surveyed by an expert in the ADA, and the Appraiser is not such an expert; however, the Appraiser has 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. The small size of the subject building, however, likely limits it to a number of employees, which makes it not subject to ADA requirements.

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. 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.

Hazardous Materials/Conditions

The existence of hazardous materials/conditions at the subject site is discussed below under Subject Site. As with land, options for curing of building hazardous materials/conditions may include removal and encapsulation of the material.

To the Appraiser's knowledge, a comprehensive environmental audit of the subject building has not been performed. The age of the subject improvements tends to indicate that asbestos may be present in composition floor covering, thermal pipe wrapping, and/or acoustical ceilings. Asbestos at these locations is often curable through encapsulation and/or inexpensive removal. City of Westminster personnel report that some asbestos is still present in the building, and its remediation is factored into the estimated renovation discussed above.

As with the subject site, no evidence of hazardous materials/conditions was found by or reported to the Appraiser at the subject improvements. Thus, the improvements are assumed to be free of hazardous materials/conditions that would significantly affect value.

Personal Property

As described below under Property Rights Appraised, no personal property was found at the subject at inspection or is included in this appraisal.

Subject Site

The subject is 16,801 SF (0.4 acres, 391% GBA) of land with 150 feet of frontage on West 73rd Avenue. The land parcel is rectangular in shape and its topography is mostly flat with some slight downhill sloping from north to south. Unusual features include an apparent overlap of the land parcel with Westminster Parks property to the east and north of the subject, although no exceptions or easements are recorded on the title report reviewed by the Appraiser.

Land Use Approvals/Entitlements/Covenants/Permitted Uses

The subject site is zoned C-1 (Commercial) by the City of Westminster. This zone is intended for areas of commercial retail and office uses. A representative sample of the uses-by-right in this zone applicable to the subject site includes the following:

- Retail
- Office
- Hotel
- Restaurant

The subject property appears to currently comply with the requirements of zoning. The past retail use of the subject is a legal conforming use. Due to the historic designation, voluntary removal of the subject improvements is not possible.

Easements/Covenants/Restrictions

The Appraiser has not made a comprehensive title search concerning the subject. A title report dated August 2, 2019, from Fidelity National Title Insurance Company has been reviewed by the Appraiser. A 2006 resolution to designate the Rodeo Supermarket as a local historic landmark outlines the features of the building that must be preserved, as follows:

- Stepped parapet façade. Large format windows and front door documented in 1966 and 1971 photographs
- Original brick façade shown in 1966 photograph
- Sign as it appeared in 1966 photograph
- Barrel vault roofline

The only other items that appear to affect the subject are normal utility, etc., easements that likely only enhance or have no effect on value. No other CCRs, easements or encroachments that may affect the value of the subject were reported or found in the course of this appraisal. The Appraiser'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 limited. Since the subject site does not appear to have any other unusual CCRs, easements or encroachments, as discussed below under Extraordinary Assumptions of Appraisal, it is assumed to be free of other CCRs, easements or encroachments that would significantly affect value.

Opportunity Zones

Established by the Tax Cuts and Jobs Act of 2017, Opportunity Zones encourage economic growth via private capital investment by providing a tax incentive for investors to reinvest in disadvantaged communities. This program is designed to bolster new business starts and business growth and development of real property and infrastructure in locations that are well positioned for investment. Colorado was able to designate 25% of its eligible, low-income census tracts as Opportunity Zones.

A majority of the areas selected as Opportunity Zones are located outside of the Front Range. The areas nominated provide a diverse portfolio for investors including a mix of urban, small town, suburban and rural areas and investment opportunities ranging from business starts to real estate development to key infrastructure to support existing and new businesses. Zones were also located in places where other existing economic development initiatives can be leveraged for catalytic effect.

The Opportunity Zones program offers three tax benefits for investing in low-income communities through a qualified Opportunity Fund.

- A temporary deferral of inclusion in taxable income for capital gains reinvested in an Opportunity Fund.
- A step-up in basis for capital gains reinvested in an Opportunity Fund.
- A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in an Opportunity Fund if the investment is held for at least 10 years.

Opportunity Zones can create new affordable housing communities with investment from private investors in addition to traditional government programs. However, it is not clear if an existing affordable housing property can benefit from location within an Opportunity Zone as the program is in its infancy.

A map of Colorado designated Opportunity Zones is at:

https://oedit.colorado.gov/colorado-opportunity-zone-program

The subject property is not located in a designated Opportunity Zone.

Utilities

All utilities necessary to the retail use at the subject are available to the site. Water and sewer service is provided by the City of Westminster. Natural gas and electricity are provided by Xcel Energy.

Flood and Wildfire 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. 08059C0208F dated February 5, 2014. Approximately 0% of the subject land appears to be in the flood hazard area. Riskfactor.com, a peer reviewed resource which assesses the risk of flood and wildfire for every property in the United States, indicates the subject property has a 0.2% chance of flooding and a 0.2% chance of wildfire within the next 30 years.

The risk of wildfire is not generally a concern of buyers of urban properties in Colorado, but greater attention is on semi-rural and rural properties as a result of wildfires in Colorado and elsewhere in recent years. The Appraiser and Associate knows of no specific wildfire risk related to the subject property and its surroundings, or any efforts to mitigate such risk. The risk of wildfire is relatively low along the Front Range and in the eastern part of the state, and somewhat higher in the more mountainous western part of the state. The Colorado Wildfire Risk Assessment Portal provides access to information that describes wildland fire risk of specific locations statewide at:

https://co-pub.coloradoforestatlas.org/

The risk of wildfire at the subject property is relatively low.

Hazardous Materials/Conditions

The existence of hazardous materials/conditions at the subject building is discussed above under Subject Improvements. As with a building, options for curing of building hazardous materials/conditions may include removal and encapsulation of the material.

To the Appraiser's knowledge, a comprehensive environmental audit of the subject property has not been performed. As described in the Subject Improvements section, a hazardous materials study of the buildings has not been performed either. A review of a selected sample of the Enviromapper database of designated environmentally sensitive sites at https://enviro.epa.gov/enviro/em4ef.home was conducted and the inventory is at Addendum D. The inventory is by no means comprehensive, but it does provide some indication of the potential for hazardous materials/conditions at the subject. The nearest designated site is across the street from the subject site, at the City of Westminster Fire Department. 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'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.

Endangered Species

To the Appraiser's knowledge, a comprehensive endangered species study of the subject site has not been performed. The Appraiser'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.

Real Estate and Personal Property Taxes

Real estate and personal property taxes in Colorado are mostly based on assessed values of 29% of actual (market) value for vacant residential land and non-residential properties, vacant or not. 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 followed by a further reduction in 2017-2018. Ballot measures have attempted to stabilize continued downward pressure on the assessed value ratio. The assessment ratio history for residential properties, including apartments, has been 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%
2015-2016	7.96%
2017-2018	7.20%
2019-2020	7.15%
2021-2022	7.15%*

*In 2022 SB21-293, Property Tax Classification and Assessment Rates was enacted in Colorado concerning property taxation. According to the bill summary:

The bill establishes subclasses of residential and nonresidential property, for the 2022 and 2023 property tax years, temporarily reducing the assessment rate for property classified as agricultural property or renewable energy production property from 29% to 26.4%, for property classified as multi-family residential real property from 7.15% to 6.8%, contingent on the assessment rate not otherwise being reduced by an initiated measure, and for all other residential real property from 7.15% to 6.95%, restructuring the assessment rate laws; expanding the property tax deferral program to allow taxpayers to defer increases in property taxes in limited circumstances; and making an appropriation.

The act repeals a moratorium on changing a ratio for valuation for assessment (assessment rate), which is the percentage applied to a property's actual value to determine the taxable amount upon which a mill levy is imposed and classifies agricultural property, lodging property, and renewable energy production property as new subclasses of nonresidential property for purposes of the valuation for assessment. The assessment rate for agricultural property and renewable energy production property is temporarily reduced from 29% to 26.4% for the next 2 property tax years. The law is restructured so that, if an initiated measure to reduce the assessment rate for nonresidential property is approved by voters, then it would only apply to lodging property.

Multi-family residential real property is classified as a new subclass of residential real property. The law is restructured so that, if an initiated measure to reduce the residential assessment rate is approved by voters, then it would only apply to multi-family residential real property. If the initiated measure fails or is not on the ballot, then, the assessment rate for multi-family residential real property is temporarily reduced from 7.15% to 6.8% for the next 2 property tax years. The assessment rate for all residential real property other than multi-family residential real property is temporarily reduced from 7.15% to 6.95% for the next 2 property tax years.

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. 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.

For assessment purposes, the subject property is classified by the Assessor as non-residential. Data provided by the Adams County Assessor for the subject are as follows:

SCHEDULE NUMBER	R0065209	
ADDRESS	3915 W 73rd Ave Westminster, CO 80031	
YEAR	2021	2022
PAYABLE IN	2022	2023
ACTUAL VALUES		
Land	$151,200	$151,200
Improvements	$319,872	$319,872
Total	$471,072	$471,072
ASSESSED VALUE RATIO	29%	29%
ASSESSED VALUES		
Land	$43,850	$43,850
Improvements	$92,760	$92,760
Total	$136,610	$136,610
MILL LEVY	0.101518	0.101518
REAL ESTATE TAXES	$13,868	$13,868
EXEMPTION	Yes	Yes
PERSONAL PROPERTY TAXES	NA	NA
SPECIAL ASSESSMENTS	None	None
PAID	NA	NA
PRIOR TAXES	NA	NA
INTEREST	NA	NA
TOTAL TAXES	$0	$0

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 district and, therefore, is not subject to special assessments.

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 March 2023, real estate taxes for tax year 2022 were exempt at the subject. Assessed values have not been appealed at the subject for the referenced years. The total $471,072 actual value is much higher than the appraised value herein, so an opportunity exists for assessed value appeal at the subject.

Neighborhood and Market Area

The boundaries of the subject neighborhood appear to be Tennyson Street to the west, West 75^{th} Avenue to the north, Federal Boulevard to the east, and West 72^{nd} Avenue to the south. The boundaries of the market area appear to be Wadsworth Boulevard to the west, West 88^{th} Avenue to the north, Zuni Street to the east, and West 68^{th} Avenue to the south.

Access

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 US Interstate 76 from the south, US Interstate 25 from the east, and State Highway 36 from the north.

Bus service is provided by RTD at West 72^{nd} Avenue and Bradburn Boulevard and the nearest light rail or commuter rail train service is available at Clear Creek Federal Station some 2.3 miles away.

Surrounding Properties

The subject neighborhood is approximately 90% developed and the market area is approximately 80% developed. The immediate surroundings of the subject include:

North:	Fred Valente Humanitarian Park
East:	Vicki Bunsen Sculpture Garden and single-family residential
South:	Westminster Fire Station
West:	Westminster Grange Hall

All of the surrounding properties are compatible with the subject.

Facilities and Services

Real properties tend to be enhanced by the availability of support services. Occupants of retail properties tend to desire proximity to complementary retail. All of these property types are within reasonable proximity to the subject.

Public and Private Projects

The JRES Intelica CRE database 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 five years.

Dunton Purchases Westminster Center
Dunton Commercial LLC, in partnership with Centre Point Properties, bought the Westminster Plaza shopping center in Westminster. The 98,975 square foot center at 7358 Federal Boulevard is anchored by a Vasa Fitness store. It was acquired from Slate Asset Management for $20.1 million, or about $203 per square foot. The seller was represented by CBRE agents Matt Henrichs and Brad Lyons.
Nov 11, 2022 - Mile High CRE
https://milehighcre.com/dunton-commercial-acquires-westminster-retail-center-for-20-1m/

St. Louis Developer Plans Westminster Station Building
St. Louis-based LuxLiving plans to develop a 150-unit transit-oriented apartment building adjacent to RTD's Westminster commuter rail station. The company purchased property from the City of Westminster at Hooker Street and Westminster Station Drive. Construction is scheduled to begin in early 2022 on the five-story building, which will be named the Huntleigh.
Nov 04, 2021 - Colorado Real Estate Journal

Canadian Investor Purchases Westminster Apartments
Epic Investment Services purchased the Willowbrook apartments in Westminster. The 95-unit property is located at 7155 Raleigh Street. It was acquired from Summit Communities for $16,550,000, or about $174,000 per unit. The property was developed in 1973. The seller was represented by Keegan Hofer, Bill Morkes and Craig Stack of Colliers International. The buyer is headquartered in Toronto.
Aug 19, 2021 - Colorado Real Estate Journal

Summit Communities Buys Westminster Apartments
Summit Communities bought Willowbrook, a 95-unit apartment community in Westminster. The 47-year-old property is located at 7155 Raleigh Street. It was acquired from Halaby Capital for $11,750,000, or about $123,000 per unit. Bill Morkes and Craig Stack of Colliers International were agents for the seller.
Feb 26, 2020 - Mile High CRE
https://milehighcre.com/westminster-apartment-complex-sells-for-over-200-per-sf/

Urban Land Acquiring Westminster Property
The Urban Land Conservancy purchased a 5.5-acre site near the Westminster RTD commuter rail station. The nonprofit housing organization bought the site at West 71st Place and Lowell Boulevard, several blocks from the station. It is now deciding how to develop the property, either as affordable apartments or for-sale housing. The conservancy usually retains ownership of its sites and works in conjunction with a developer.
Nov 04, 2019 - Denverite
https://denverite.com/2019/11/03/a-denver-real-estate-nonprofit-secures-land-for-affordable-housing-and-more-near-westminster-station/

Land Purchased for Future Westminster Development
Land Capital and Situs Group bought 27.5 acres of land on Federal Boulevard in southeast Westminster. The purchase price of $8.4 million includes vacant land and a small Walmart Neighborhood Market. The property is located on the east side of Federal Boulevard between West 70th and West 72nd avenues. Tentative plans call for a mix of residential uses. The site is several blocks from RTD's Westminster commuter rail station west of Federal Boulevard.
Jul 24, 2019 - Denver Business Journal
https://www.bizjournals.com/denver/news/2019/07/23/rtd-westminster-station-development.html?iana=hpmvp_den_news_headline

Affordable Apartments Open Near Westminster RTD Station
The 70-unit Alto apartments were completed by Gorman and Company near the RTD commuter rail station in Westminster. The building at 7105 Federal Boulevard was developed in conjunction with Unison Housing Partners, the new name for the Adams County Housing Authority. The apartments will rent in a range of $506 to $1,402 per unit.
May 16, 2018 - Denver Business Journal
https://www.bizjournals.com/denver/news/2018/05/16/affordable-housing-development-opens-in.html

The events described above indicate limited real estate activity in the vicinity of the subject property. None of them appears to have any negative effect on the subject property and the effect of the new developments will likely be positive. The Appraiser knows of no other major public or private projects in the area that would affect the value of the subject.

Legal Description and Assessor Parcel Number

The source of the legal description of the subject real estate is the subject deed. The subject real estate is legally described at Addendum E. The Adams County Assessor identification number for the subject is presented in the Summary of Appraisal above.

Owner of Record

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

The City of Westminster
9800 West 92nd Avenue
Westminster, Colorado 80031

Objective of Appraisal

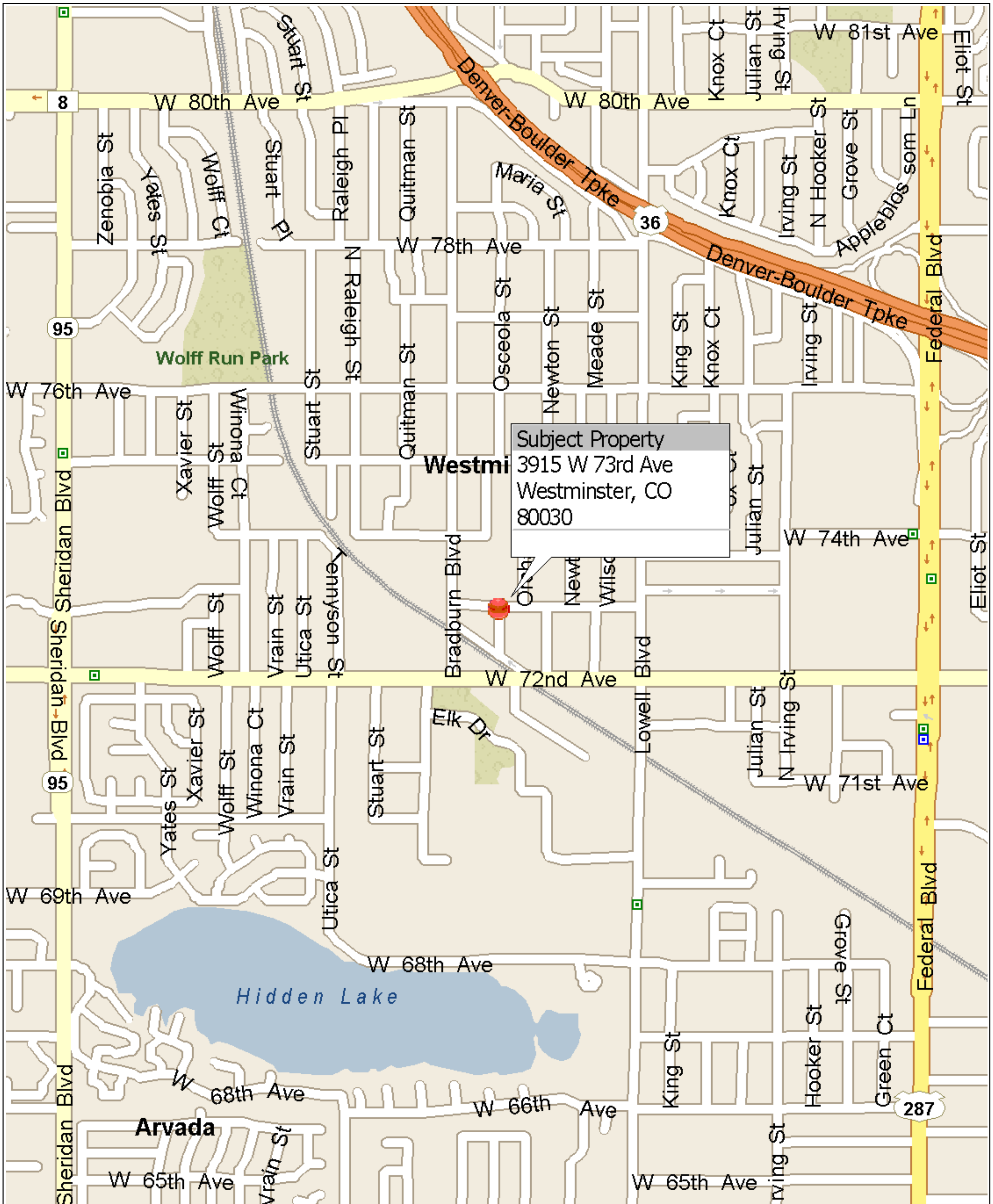
The objective of this appraisal is to estimate the defined value of the specified interest in the subject real estate as of the date of value.

Intended Use (Purpose) Of Appraisal

It is the Appraiser's understanding that this appraisal is to be used to assist in determination of a potential sale price of the subject.

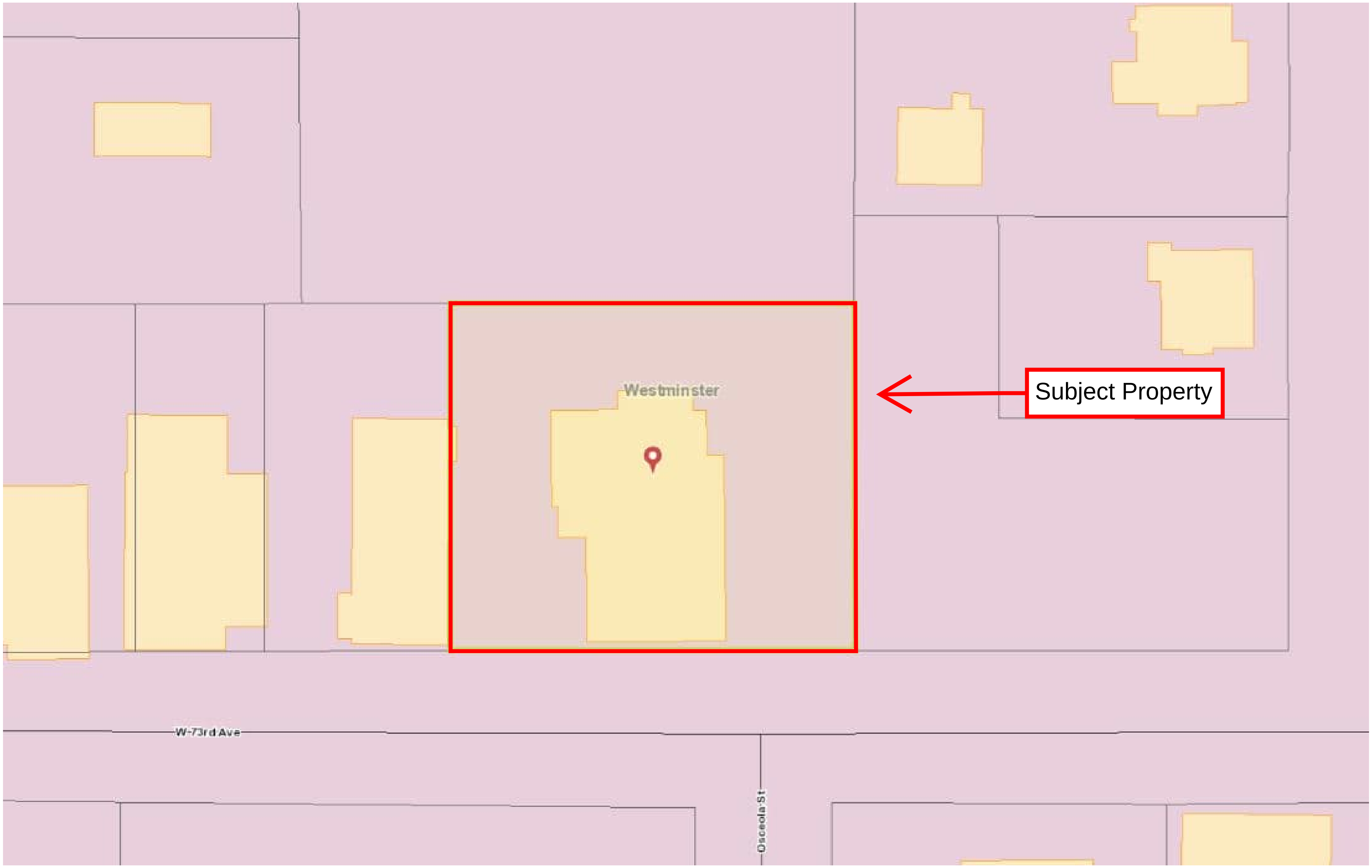
DENVER METROPOLITAN AREA MAP

LOCAL AREA MAP

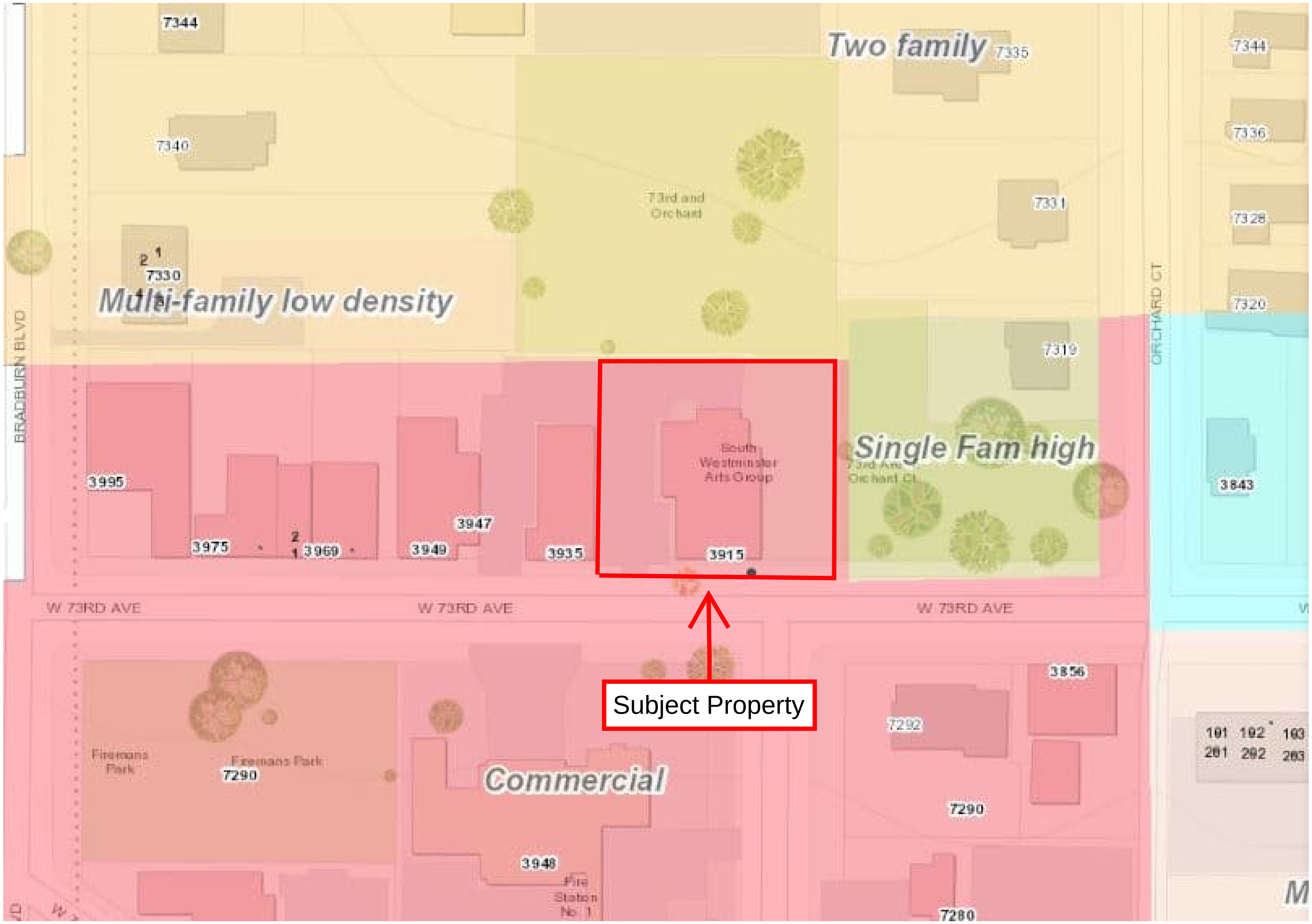


0 mi 0.2 0.4 0.6

AERIAL PHOTOGRAPH



ASSESSOR MAP


Two family
Multi-family low density
73rd and Orchard
Single Fam high
Commercial
Subject Property
South Westminster Arts Group
W 73RD AVE
W 73RD AVE
W 73RD AVE
BRADBURN BLVD
ORCHARD CT
Firemans Park
Firemans Park
Fire Station No. 1
7344
7340
7330
7335
7331
7344
7336
7328
7320
7319
3995
3975
3969
3949
3947
3935
3915
3843
3856
7292
7290
7290
3948
7280

ZONING MAP

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. Without the transmittal letter, the appraisal report is incomplete and cannot be relied upon.

Scope of the Assignment

This is a complete appraisal of the subject property as is. The subject real estate and surroundings were inspected by the Appraiser 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 inspected the interior of the building, the exterior of the building, the subject land 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. The depth of the market research, and other research and analysis performed in each approach, is in conformance with the above referenced instructions and varies somewhat with the relative weight given each approach in determining the final appraised value.

Although no additional conclusions regarding the subject and its market have been requested in this assignment, the Appraiser has found it useful to reviewers of appraisals to know the Appraiser'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.

As requested, this appraisal is conveyed in a narrative summary Appraisal Report as described in Appraisals – Scope of Work and Types of Reports at Addendum F. 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.

Date of Value

Consistent with the intended use of the appraisal, the appraised value of the subject property is estimated as of the date of this report, March 23, 2023. The real estate was inspected on March 2, 2023 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 date of value is similar to what it was on the date of inspection.

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.

Property Rights Appraised

The property rights appraised are fee simple interest in the subject real estate. These terms are defined in the Glossary of Terms at Addendum G. 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

Considering the intended use of the appraisal described above, 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 G.

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 price(s) than the appraised value(s).

It should also be recognized that the appraised value(s) and/or rent(s) are gross of (include) sales and/or leasing commission(s) 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.

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 Real Estate Report is published by Real Estate Research Corporation and includes a marketing period survey of institutional real estate investors. The data is from the RERC 4th Quarter

2022 report, the latest available. The report shows the longest marketing periods are for regional malls and both CBD and suburban offices with the shortest being for apartments as follows:

National Average Exposure Times (Months) Real Estate Research Corp. Real Estate Report			
4th Quarter 2022	Current Quarter	Last Quarter	One Year Ago
Office – CBD	10.7	9.9	8.8
Office Suburban	10.7	9.9	8.7
Industrial – Warehouse	6.1	6.6	6.6
Industrial – R & D	8.1	7.8	8.1
Industrial – Flex	7.7	7.6	7.9
Retail – Regional Mall	11.2	10.8	10.1
Retail – Power Center	9.6	10.0	9.7
Retail – Neighborhood	8.2	9.0	8.8
Apartment	2.2	2.2	2.7
Hotel	NA	NA	NA
Average All Types	8.1	8.0	7.6

The Burbach & Associates/Lowry Property Advisors 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 Summer/Fall 2022. For properties with reasonable asking prices, 88% of the respondents indicated a marketing time of up to 8 months, with 81% indicating within 6 months, down from 83% in the previous survey. The same survey indicates that times from contract to closing are typically from one to six months with 75% within 3 months and with 100% within 6 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.

PwC conducts a quarter survey of real estate investors. The following data is from the 1st Quarter 2023 Investor Survey (for the 4th quarter 2022). The survey shows that the longest anticipated marketing periods are for regional malls, a situation that has not changed during the past year. Shortest periods are for industrial – self-storage and industrial – warehouses.

National Average Exposure Times (Months) PwC Investor Survey			
4th Quarter 2022	Current Quarter	Last Quarter	One Year Ago
Office – CBD	8.1	8.1	8.7
Office Suburban	7.0	7.0	7.0
Office - Secondary	6.5	6.7	6.9
Industrial – Warehouse	3.5	3.4	3.3
Industrial - Self-Storage	2.0	3.0	3.2
Retail – Regional Mall	11.8	11.4	11.7
Retail – Power Center	6.2	6.2	6.6
Retail – Neighborhood	7.1	7.1	7.3
Apartment	4.6	4.3	4.2
Hotel	6.7	6.7	6.8
Average All Types	6.4	6.4	6.6

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. The prospects for a different market exposure time after the date of value are discussed below under Projected Marketing Time and in the Value Conclusions section of this report.

Perhaps the best indicator of reasonable market exposure time in a real estate market is the actual market exposure time experienced in sales transactions. The building sales researched in the Sales Approach of this appraisal had market exposure times (when available) that range from 3 to 12 months.

The characteristics of the subject, including its historic designation and required renovation, make it appeal to a relatively narrow market of prospective purchasers. Other factors that influence the estimated subject market exposure time include the availability of capital for real estate and other investments today and its significant required renovation.

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 12 to 15 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 at 12 to 15 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 12 to 15 month market exposure time are considered reasonable and adequate, respectively.

Projected Marketing Time

In the Exposure Time section above, an exposure time associated with the appraised value was estimated at 12 to 15 months, ending on the date of value. In order to assist in the intended use of the appraisal (to determine a potential sale price of the subject) marketing time after the date of value is also estimated. 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 relatively stable.

These conditions have resulted in the conclusion that if the subject were 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 12 to 15 months.

History of Subject Property

The subject improvements were constructed in 1948. At the time, the subject building became Westminster's first grocery store, known as the Rodeo Market until the mid-1970's. At that time, it was converted into an office building, considered by the community to be a poor use of the building. Since then, it has been granted local landmark status with historical preservations attributed to the brick façade and barrel roof. After being purchased by the City of Westminster in 2004, the office of Economic Development has attempted to turn the space into a restaurant and lease to a tenant. Thus far, this has not been successful. To the Appraiser's knowledge, the property has been vacant continuously since then.

Recent Sales and Listings of the Subject Property

The most recent known sale of the subject took place in April of 2004 at a price of $485,000. To the Appraiser's knowledge, the property has not been otherwise listed for sale in the recent past. The most recent sale of the subject is too dated to be of reliable use in this appraisal. No other sales of the subject are recent enough to be of significant use in this appraisal.

Current Listing/Pending Contract for Sale of the Subject Property

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

Appraiser's Comments

The subject property is an unusual retail property that poses significant challenges to interested parties, requiring the City of Westminster to potentially make some compromises to both preserve the building and its historical designation and create a demand for its sale or occupancy.

Strengths, Weaknesses, Opportunities and Challenges

Risk factors affecting the subject, and the potential transaction or decision for which this appraisal was conducted, take the form of strengths, weaknesses, opportunities and challenges. Strengths and weaknesses internal to the subject property, and opportunities and challenges external to the subject property, are perceived by the Appraiser to be as follows:

Strengths and Opportunities Reducing Risk

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

Property:

Physical:
- None

Legal:
- None

Income:
- None

Weaknesses and Challenges Increasing Risk

Market:
- Recent disruptions in international economic conditions
- Economic disruption resulting from the coronavirus pandemic and increased inflation
- Recent softening of the local area retail real estate markets

Property:

Physical:
- Significant renovation required for occupancy
- Historic preservation of façade and barrel roof increases cost of renovation and maintenance

Legal:
- Building cannot be removed or significantly remodeled due to historic preservation terms

Income:
- Occupancy delayed by costly required renovation

On balance, the Appraiser perceives that the risk factors at the subject result in significant extraordinary risk to an investor, user or lender. This conclusion relates 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/Westminster Area Economy

The subject is located approximately 7.5 miles northwest of the Denver Central Business District (CBD) within the Old Town area of the City of Westminster, Colorado. The Denver metropolitan area is the largest in the state and its economic base is described at Addendum H. With a population of some 115,000, the City of Westminster compares to the Denver metro area population of some 2.9 million and the Colorado population of over 5.9 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/Westminster area are recognized in this appraisal and discussed at Addendum I.

The development in early 2020 of the coronavirus pandemic created sufficient reduction in economic activity worldwide to precipitate an economic recession from which recovery to economic growth has been achieved but additional factors that must be considered in this analysis are the effects on the United States economy of the war between the Russian Federation and Ukraine and elevated currency inflation. The war affects economic conditions in Europe, as Russia cuts back on sale of oil and natural gas to European nations and reduced food is available from Ukraine to Africa. And the United States and its allies are now spending large amounts supplying Ukraine with military equipment. Difficulties in supply chains resulted in increased inflation across the globe and the economic growth and property markets in China have weakened. To what degree and how long these factors will influence the worldwide economy and United States real estate markets remains to be seen. While most real estate markets still have considerable momentum, increased interest rates are slowing activity considerably. The research and analysis applied in this appraisal of the subject property consider the effect of these changing economic conditions to the degree possible.

The economy of the Denver/Westminster area is largely driven by five industries: information technology/communications, aerospace, tourism, energy and biomedical technology. Colorado also has economic factors such as mining and agriculture outside the metropolitan area. The Denver economy began recovery from the Great Recession faster than most comparable cities and now is performing well above national standards for employment, housing and retail sales. It also rebounded quickly from the Covid-19 recession.

Over the long term, Denver/Westminster and Colorado continue to be a 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/Westminster 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. Among the largest are those developed by the Regional Transportation District:

- T-REX - $1.67 billion – 2006 - highway and light rail project along Interstate Highway 25 in southeast Denver from Broadway station to Douglas County, including a spur along I-225 to Aurora
- West Line - $707 million – 2013 – light rail from Union Station along West 6th and 13th Avenues to Golden
- FasTracks - $7.4 billion – 2004-2019 - comprehensive expansion of light rail, commuter rail and express bus service, several offers by public-private partnerships enabled RTD to build postponed lines
- EagleP3 - $2.2 billion – 2008-2016 – part of FasTracks - team led by Fluor Enterprises enabled RTD to build commuter rail lines from Denver Union Station to Denver International Airport, Arvada and Westminster
- R-Line - $350 million – 2016 – part of FasTracks - team led by Kiewit Infrastructure Company - 10.5-mile light rail extension from East Iliff Avenue to the East Line to DIA at the Peoria Street station.
- Southeast Extension – $233 million - 2019 – light rail extension two miles from Lincoln Avenue station to the RidgeGate mixed-use project east of I-25 in Lone Tree
- North Metro Line - $600 million – 2020 - team led by Graham Contracting Ltd - initial 13-mile phase of the North Metro commuter rail line from Union Station to East 124th Avenue in Thornton - option to build an extension to East 162nd Avenue
- Flatiron Flyer – with Colorado Department of Transportation - widening of US-36 from Federal Boulevard to Boulder for high occupancy vehicles and RTD bus rapid transit. The RTD Northwest rail line may ultimately be extended from Westminster to Longmont but instead, bus rapid transit service will likely extend from Boulder along the Diagonal Highway to Longmont
- Denver Union Station transit hub - $490 million – 2014 - RTD, the Colorado Department of Transportation, the Denver Regional Council of Governments and the City & County of Denver - hub for light rail, commuter rail and Amtrak trains with a 22-bay RTD/Greyhound bus terminal
- Historic Union Station - $54 million – 2014 - redeveloped as a 112-room hotel named in honor of Dana Crawford with several restaurants and retail

In all, the FasTracks project and its additions created one of the largest commuter rail and light rail systems in the United States. The Denver Union Station transportation hub helped generate extensive office, retail and residential projects nearby. The Downtown Denver Partnership reports that in 2020 developers completed, had under construction or planned, projects costing a total of over $3 billion and totaling about 3.5 million SF of office space, 1,855 hotel rooms and approximately 6,600 residential units. The coronavirus pandemic and increased inflation have compromised the financial viability of RTD and public transit in general, but the RTD projects over the years have stimulated extraordinary real estate development which may regain momentum after recovery from the economic downturn which resulted from the pandemic and increased inflation.

The National Western Center, the site of the National Western Stock Show each January has started construction of a major expansion which will take the site at Interstate Highway 70/Brighton Boulevard from 90 to 250 acres. The project will cost some $1.1 billion with partners the City and County of Denver and Colorado State University. With the pandemic and increased inflation, completion may be later than forecast in 2025.

The Denver Art Museum expanded with the new Hamilton Wing designed by world-renowned architect Daniel Liebeskind, the new History Colorado Center opened, and construction was completed on new homes for the Clyfford Still and Kirkland museums in the Civic Center area. The City and County of Denver has also initiated a process for the redevelopment and redesign of the Denver Center for the Performing Arts and has started work on an expansion of the adjacent Colorado Convention Center.

Real Estate Market Conditions

Overall real estate and retail market conditions in the Denver metropolitan area are recognized in this appraisal and discussed in detail at Addendum J. 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 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 retail, office and industrial markets. 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. More recently capital was slowly being released to real estate and other markets, with most of it still risk averse. As the economy and real estate markets recovered and cost effectiveness stimulated construction of mass transit systems, significant mixed use and transit oriented real estate was being developed, often including apartments, some of them subsidized and affordable by use of low-income housing tax credits and local governmental funding programs. The Covid-19 coronavirus pandemic interrupted growth in early 2020 but a recovery started late in 2021 and has continued, albeit at a slower pace more recently because of increased interest rates.

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 strongly once again at most price levels and in nearly all geographic locations in response to low interest rates and the economic recovery. In 2019, however, prices began to stabilize, and the number of listings and sales declined. For new development, however, in much of metro Denver builders report a shortage of available building lots. Developers have also begun to build condominium projects, although mainly at the upper end of the price spectrum. Attached townhouses have also become quite popular among developers and buyers, especially in the City and County of Denver. The pandemic interrupted single family sales in early 2020, but because of pent-up demand combined perhaps with the effect of involuntary savings resulting from less social activity, and desire for different living circumstances, sales activity was robust since late 2020, with significant reduction of sale activity as a result of increased interest rates beginning in early 2022.

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 fell as owners of homes with subprime mortgages defaulted and move back to apartments. As a result, with continued construction limited by lenders largely to mostly transportation-oriented development and subsidized projects, overall apartment vacancy declined to historic low levels. Now the situation has changed, with apartments popular among investors, lenders and developers. In fact, apartment construction has increased sufficiently to cause concern about overbuilding, especially in projects with rental rates at the upper end of the spectrum. The apartment market also is affected by competition from for-sale housing, mitigated recently by increased interest rates.

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 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 contained a flagship RH (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-urbanist 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 Southwest Plaza mall in southern Jefferson County underwent a major renovation program.

The Shops at Northfield was built in 2007 on part of 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. The opening of numerous train stations by RTD created the expectation of significant retail development nearby but other than extraordinary development adjacent to Denver Union Station little retail market absorption has materialized at such stations.

One potential issue for retail investors and developers is the growing role of online purchasing by shoppers. This has so far affected mainly older shopping centers, especially regional centers that are losing department store anchor tenants. The Covid-19 pandemic affected the retail market, especially the restaurant and entertainment sectors. With the pandemic receding as a problem the retail sector overall has rebounded, A potential concern is the continuing closures of some large anchor tenants, especially in regional malls and "power" centers.

Office

As with Denver's previous major real estate downturns, 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 submarkets. 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, including the introduction of co-working or shared office space as an outgrowth of the established executive suites office concept.

Developers responded by building speculative office buildings, especially downtown, in Cherry Creek North, in RiNo and along the I-25 southeast corridor. A potential threat to the office market was the decline in demand for, and the price of, oil and natural gas. This situation caused some energy companies with headquarters or regional offices in Denver, especially downtown, to close, increasing the vacancy rate or putting sublease space onto the market. The effects have been relatively minimal and are being felt more in energy-dependent cities such as Houston, New Orleans and Oklahoma City. A rebound in oil and gas prices has helped generate demand again for office space, but that sector of the energy economy is notoriously changeable.

The greatest effects on the office market due to Covid-19 may be in coworking, which was already becoming overbuilt prior to the pandemic. The effects may also lead to changes in office space design and the expansion of work-at-home options for some employees. Many employees chose to work from home during the pandemic, leading to lessened demand for office space at places of employment. The work-from-home trend which was previously enabled by computer and communication technology appears to have substantial momentum, reducing overall long-term demand for office space and encouraging redevelopment of some secondary office buildings to apartments. Office development has started again, including in the downtown, RiNo, Cherry Creek North and Denver Tech Center submarkets, but the work-from-home trend accelerated by the pandemic has reduced activity in the Denver central business district similar to other cities across the nation resulting in some major tenants moving from the CBD to Cherry Creek North and RiNo.

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 expansion and strong demand from newly legal marijuana growers, the industrial real estate market is very active.

The Covid-19 pandemic appears to have accelerated the movement of retail distribution to some former big box retail buildings and the distribution sector of industrial real estate has maintained momentum. The industrial sector was indeed the least affected by the pandemic. It is currently the most active in terms of new development,

The flex/research and development component of the industrial segment was affected more than warehouses. However, flex space also rebounded with the economy. 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 fall and the market to recover. While some speculative flex space is currently under construction in metro Denver most new projects are oriented to single tenants or are owner-occupied.

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 was built 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 operated in conjunction with the nearby boutique Oxford Hotel. A 1,500-room hotel and conference center were developed by Gaylord Entertainment Company on a site south of Denver International Airport in the City of Aurora. That project, which is operated by Marriott, opened in 2019. Similar to other property types, the hotel market weakened considerably during the economic downturn but rebounded, leading to new hotel construction in some submarkets, especially downtown, in Cherry Creek North, Boulder and in and near the Denver Tech Center.

The lodging market was among the first to be affected by the Covid-19 pandemic. Business and personal travel was greatly limited by stay-at-home restrictions. Many hotels simply closed for the duration. Others were either leased or acquired by local governments for conversion to affordable apartments or housing for the homeless. The lodging market in general is now starting to rebound, especially as business and tourism travel returns.

In general, commercial real estate market conditions were improving in response to the national and local economies until the coronavirus pandemic. Speculative construction in the apartment, transit oriented mixed-use development, warehouse, hotel and office segments accelerated. The Covid-19 pandemic caused a pause, but development is now starting again.

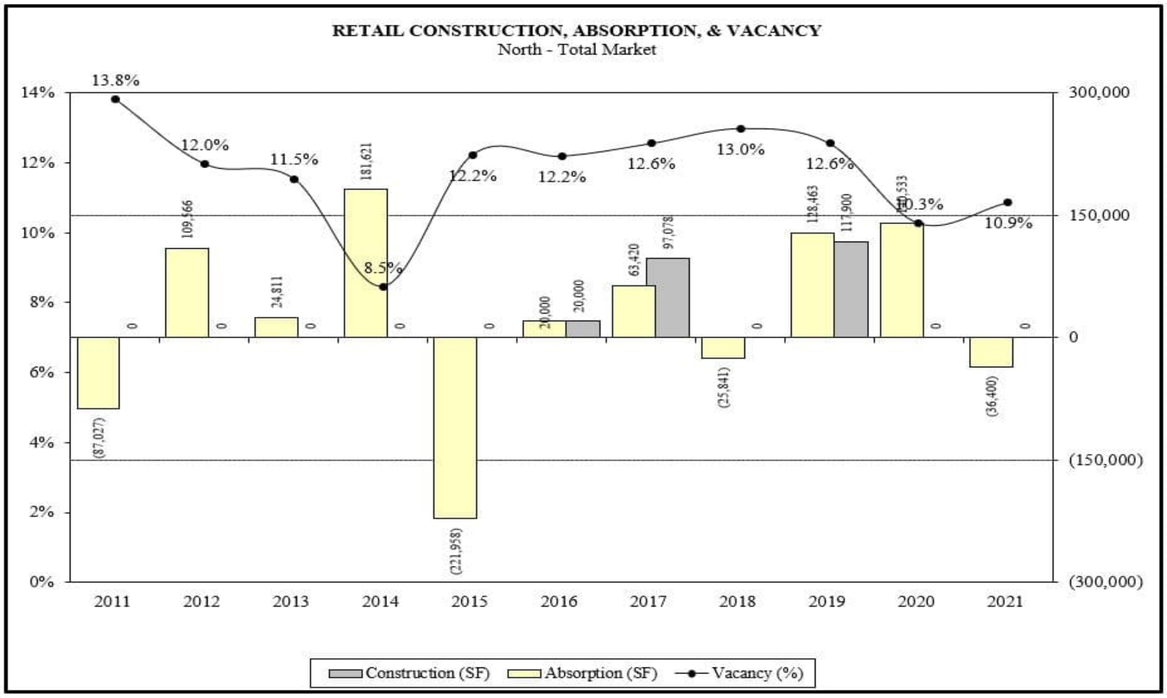
Local Area Retail Market Conditions

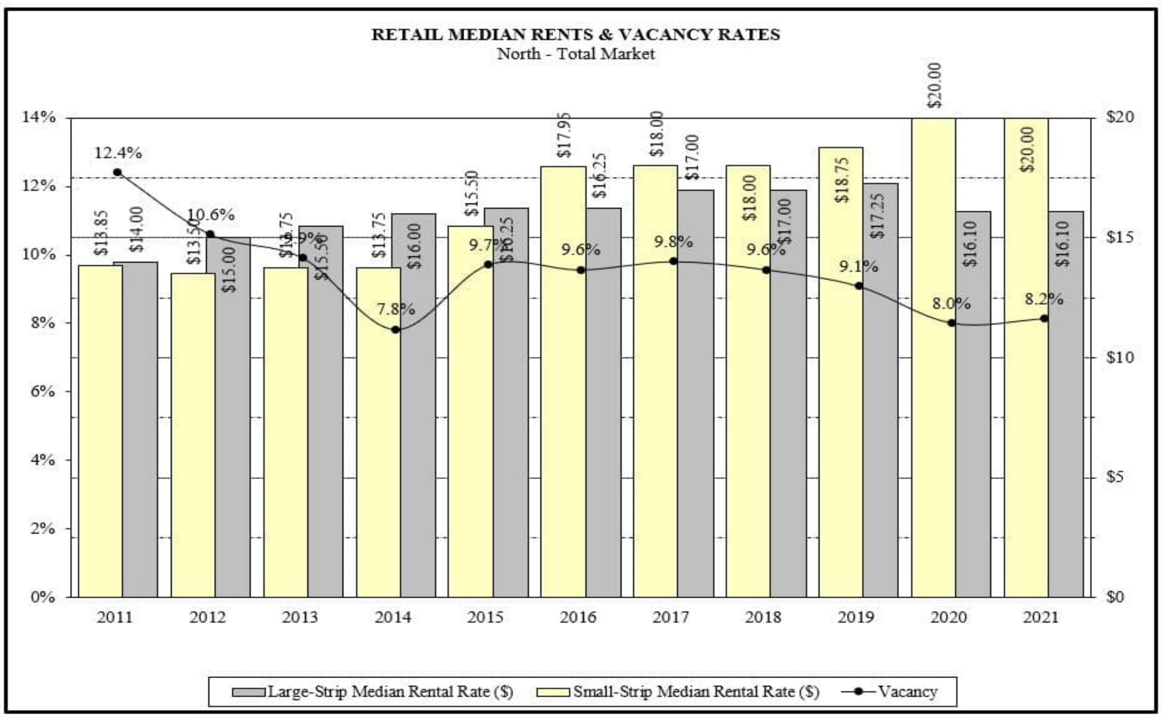
The retail market metro area wide is discussed at Addendum J. The Newmark retail market subarea in which the subject is located is called the North sector. The Newmark surveys retail properties larger than 10,000 SF. Recent market surveys by Newmark are summarized as follows:

NORTH 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
2021*	101	10,250,897	-37,150	835,460	8.2%	-47,478
2020	100	10,288,047	21,956	825,132	8.0%	129,874
2019	98	10,266,091	167,880	933,050	9.1%	201,322
2018	96	10,098,211	330,000	966,492	9.6%	321,630
2017	95	9,768,211	29,133	958,122	9.8%	34,777
2016	95	9,739,078	83,566	963,766	9.9%	57,995
2015	94	9,655,512	86,779	938,195	9.7%	-104,520
2014	93	9,568,733	63,000	746,896	7.8%	258,371
2013	91	9,505,733	119,800	942,267	9.9%	226,301
2012	90	9,385,933	0	1,048,768	11.2%	116,123
2011	90	9,385,933	2,000	1,164,891	12.4%	-130,801
2010	90	9,383,933	32,900	1,032,090	11.0%	29,598
2009	90	9,351,033	82,500	1,028,788	11.0%	-77,618
2008	89	9,268,533	700,000	868,670	9.4%	596,336
2007	88	8,568,533	150,503	765,006	8.9%	-152,276
2006(3)	92	8,418,030	363,050	462,227	5.5%	433,192

NORTH 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
2005	87	8,054,980	374,142	532,369	6.6%	606,315
2004	83	7,680,838	-130,253	764,542	10.0%	-148,418
2003	83	7,811,091	89,937	746,377	9.6%	-101,109
2002	82	7,721,154	-12,738	555,331	7.2%	-16,312
2001	83	7,733,892	703,859	551,757	7.1%	403,102
2000(2)	78	7,030,033	1,143,233	251,000	3.6%	1,197,633
1999	71	5,886,800	668,200	305,400	5.2%	770,500
1998	67	5,218,600	-70,000	407,700	7.8%	-108,200
1997	67	5,288,600	210,100	369,500	7.0%	94,500
1996	65	5,078,500	-370,200	253,900	5.0%	204,400
1995	64	5,448,700	-395,100	828,500	15.2%	-202,900
1994	64	5,843,800	272,800	1,020,700	17.5%	502,400
1993	63	5,571,000	-14,000	1,250,300	22.4%	-1,800
1992	63	5,585,000	71,100	1,262,500	22.6%	71,900
1991	57	5,513,900	368,900	1,263,300	22.9%	379,500
1990	58	5,145,000	114,000	1,273,900	24.8%	139,100
1989	58	5,031,000	672,000	1,299,000	25.8%	191,500
1988	55	4,359,000	101,300	818,500	18.8%	-145,000

Source: Newmark/James Real Estate Services, Inc.
(1) Surveyor's inventory adjustments plus new construction, less demolitions
(2) Market inventory adjusted - new data available
(3)The market data for this sector was adjusted to reflect boundary changes in the 2nd half Of 2006
* Through 3rd QTR 2021


RETAIL CONSTRUCTION, ABSORPTION, & VACANCY
North - Total Market
13.8%
12.0%
11.5%
8.5%
12.2%
12.2%
12.6%
13.0%
12.6%
10.3%
10.9%
(87,027)
109,566
24,811
181,621
(221,958)
20,000
20,000
63,420
97,078
(25,841)
128,463
117,900
(36,400)
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Construction (SF)
Absorption (SF)
Vacancy (%)


RETAIL MEDIAN RENTS & VACANCY RATES
North - Total Market
12.4%
10.6%
7.8%
9.7%
9.6%
9.8%
9.6%
9.1%
8.0%
8.2%
$13.85
$14.00
$15.00
$13.75
$16.00
$15.50
$17.95
$16.25
$18.00
$17.00
$18.00
$17.00
$18.75
$17.25
$20.00
$16.10
$20.00
$16.10
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Large-Strip Median Rental Rate ($)
Small-Strip Median Rental Rate ($)
Vacancy

Rents for retail properties in the subject market sector have been stable and vacancies have been stable as the market matures. Net market absorption has been generally positive over the past several years. The average rate of absorption for retail space in the North sector over the past five years has been approximately 130,000 SF/year. During the same period, the rate of development has been approximately 115,000 SF/year decreasing vacancy somewhat. In the smaller market of more directly comparable properties represented by the rental comparisons used in this appraisal, the average vacancy is 0%.

Local Area Market Participant Interviews

The majority of commercial brokers interviewed for this appraisal report favorable market conditions for buyers and sellers of retail properties. Mr. Zach Wright, a commercial broker with Blue West Capital, says that even though the inventory of smaller retail properties in the Denver market is low, the market for such properties is still "pretty strong". Mr. Shawn Sanborn, principal and commercial broker at Sanborn and Company, agrees describing the market for retail properties as "red hot". Mr. Jake Malman, a commercial broker with NAI Shames Makovsky, is somewhat less effusive but still describes the retail market as "still pretty strong" as does Mr. Chad Knoth, a commercial broker with Broad Street Realty.

Mr. Peter Sengelmann, a commercial broker with Pinnacle Real Estate Advisors, indicates that while the retail market was "red hot" in the recent past it does appear to be "softening a little bit" with low capitalization rates less achievable. Mr. Justin Krieger, a commercial broker also with Pinnacle Real Estate Advisors, also reports the retail market is "really strong" but does express the sentiment that market participants are nervous about the potential for rising interest rates. Mr. Krieger does agree with other brokers about the current low inventory of retail properties.

Mr. Justin Herman, a commercial broker with Unique Properties, indicates the market for smaller freestanding retail properties in the Denver Metropolitan area is "pretty tight" right now with not a lot of properties available. Ms. Amy Garris, a commercial broker with the Jamis Companies, does report, however, that there is a "pretty good demand" for such retail properties when you find them. Mr. Jae Kim, a commercial broker with M & M Multiservices, agrees with other brokers that report favorable market conditions but is somewhat less animated describing the market as "pretty good". Mr. Tyler Ryon, a commercial broker with Colliers International, sums up the retail market as "strong".

Leasing agents report that activity has remained positive for retail properties in the subject market area. After initial slow down during the beginning of the pandemic, brokers have been surprised with how the market has bounced back. Chris Student of Brockman Group, LLC reported good activity on recent sales listings he has had. Daniel Lucchesi of Keller Williams Advantage Realty LLC also reported good activity.

Conclusion

Colorado and the metro Denver area have 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 and recessed again 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. The recovery was cut short by the effects of the Covid-19 pandemic but the subsequent recovery is evident in improved market conditions in most sectors and in employment levels, which returned to pre-pandemic levels.

The Denver area has benefitted from a number of public projects that bolstered the economy and created conditions that will allow a solid base for economic and population growth well into the future. Since the early 1990s some of these major projects include:

- The above-mentioned expansion of the Regional Transportation District rail and bus system throughout the metro area, including a number of lines financed under the voter approved FasTracks project.
- The expansion of the Denver Convention Center.
- The expansion of the Denver Center for the Performing Arts into one of the largest such facilities in the United States.
- Construction of Denver International Airport (DIA).
- The building of Coors Field in the Lower Downtown neighborhood, which helped trigger major redevelopment in that old warehouse and industrial area.
- Construction of Pepsi Center, a multi-purpose center for athletic events that also helped Denver attract the 2008 Democratic National Convention. The facility has since been renamed the Ball Arena.
- Mile High Stadium, home to the National Football League’s Denver Broncos. The Denver City Council recently approved concept plans for developing mixed-use buildings on much of the stadium’s parking areas over a period of time.
- Redevelopment of the former railroad yards in the Central Platte Valley into a mixture of residential and commercial uses adjacent to Denver Union Station, which has been restored as the centerpiece of Denver’s transportation system under the FasTracks project.
- Conversion of the former Stapleton International Airport site into one of the largest urban redevelopment projects in the United States, now known as Central Park.
- Redevelopment of the Fitzsimons Army Hospital site in Aurora into the Fitzsimons Life Sciences District, including the University of Colorado hospital, Children’s Hospital, a new Denver Veterans Administration Medical Center and several smaller facilities, plus ancillary research uses.
- Conversion of the former Lowry Air Force Training Center in east Denver into an urban mixed-use community offering retail, office and residential uses plus the Wings Over the Rockies Air and Space Museum in one of the large former Air Force hangars.

- Expansion of the Denver Art Museum in downtown Denver and the attraction of the Clyfford Still and Kirkland museums to nearby sites.
- Construction of the Denver Museum of Contemporary Art on 15^{th} Street in downtown Denver.
- Replacement of the former Colorado History Museum on Broadway in Civic Center with a larger new building now known as the History Colorado Center. The site of the former museum became the location for the State of Colorado's new Ralph Carr Justice Center.
- Renovation and expansion of the National Western Stock Show complex on Brighton Boulevard into a combined educational and recreational center.
- The RidgeGate mixed-use development in Lone Tree is located south of Lincoln Avenue and on both sides of I-25. An RTD light rail extension opened into the project in 2019. Construction will begin in 2019 on the 400-acre phase east of I-25 including a regional headquarters for the Kiewit engineering firm that will employ about 1,500.
- The Denver City Council in 2018 approved the concept plan for River Mile, a 59-acre high-density mixed-use development along the east bank of the South Platte River generally between West Speer and West Colfax Boulevards. Revesco expects vertical development will not begin until 2022 or 2023.
- Aerotropolis is a concept to develop employment centers around parts of Denver International Airport. The initial section under the control of the Aerotropolis Regional Transportation Authority will cover about 3,000 acres generally bounded by Powhaton Road, E-470 and East 26^{th} and East 48^{th} Avenues. Adjacent to that section will be about 20,000 acres of residential and commercial development, all within the City of Aurora.

Most of Colorado's economic development has been centered along the Front Range between Greeley and Pueblo, especially in metro Denver and in the northern Front Range counties of Larimer and Weld. But several major projects outside metro Denver contributed as well in recent years including:

- Colorado State University built a $226.5 million football stadium.
- Redevelopment of the former CSU stadium land is being considered by the City of Fort Collins, although disagreements over the type of redevelopment have stymied progress.
- Integrated circuits manufacturer Avago continues to expand its Fort Collins plant, recently bringing total employment to 1,300.
- A partnership of McWhinney and Sage Hospitality developed the 165 room Elizabeth Hotel at 111 Chestnut Street in downtown Fort Collins. The hotel also includes meeting and ballroom space.
- The 40-year-old Foothills Mall on College Avenue in Fort Collins was extensively renovated by Alberta Development Partners into a $313 million mixed-use facility.
- Plans are underway for the development of Wilson Ranch, a 1,600-acre mixed-use development at I-25 and Colorado Highway 44 in Berthoud. The property would contain about 4,000 residential units and 5.3 million square feet of commercial space.

- The former Twin Peaks Mall in Longmont was redeveloped into a large open-air retail center.
- The City of Colorado Springs is planning to build a US Olympics Museum and a sports stadium downtown. Part of the site is occupied by an electric power plant which will need to be replaced.
- The In-N-Out restaurant chain selected Colorado Springs for a 324,000 square foot regional office and distribution center. The project, scheduled to begin construction in early 2020, is located in the Victory Ridge mixed-use development at Voyager and Interquest parkways in northern Colorado Springs.
- Pending approval by the Fort Collins City Council, a 999-acre mixed-use project will be developed west of I-25 at Mountain Vista Drive. The $325 million project would contain about 4,000 residential units, along with parks and open space.

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, along the Front Range and in metro Denver. The reduced availability of capital after the great recession brought a rational perspective to most markets. All types of real estate were experiencing improving market conditions, especially in metro Denver until the coronavirus pandemic softened growth considerably. While some markets are relatively weak and the pandemic has caused a disruption exacerbated by inflation an increased interest rates, continued general economic improvement appears to indicate at least a stable to improving trend for real estate investment over the foreseeable future in virtually all parts of Colorado, albeit with significant questions resulting from worldwide economic conditions.

ANALYSIS OF DATA AND OPINIONS OF APPRAISER

Appraisal Methodology

The subject property is appraised as is. 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. Since, as discussed below, no Cost Approach is used in this appraisal, no detailed land valuation was conducted.

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 distinctive historic architecture, 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 retail properties like the subject using the price per square foot as a unit of comparison and is used in this appraisal.

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.

In the Income Approach, the subject's forecast net income is processed into a value indication using direct capitalization since the occupancy level of the property results in relatively stable forecast net income, the property is relatively small, has a single tenant, requiring only simplified investment analysis and since the subject is a user type property, making direct capitalization the likely methodology of a prospective purchaser from a rental alternative viewpoint. Also, the extreme variability of the long-term forecasts necessary to DCF and the relative reliability of direct capitalization make it the preferred method of analysis for small size, single tenant, user properties like the subject.

The **Sales Approach** is relied upon most in this appraisal since the most likely prospective purchaser is estimated to be a user rather than an investor, and 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. Among the comparable sales analyzed in the Sales Approach 67% were purchased by buyers who intended to occupy the property. The Income Approach is used as well; however, it is considered less reliable than the Sales Approach since it represents a relatively small market segment in relation to the subject.

Extraordinary Assumptions of Appraisal

Extraordinary assumptions concerning the subject property, either requested in this appraisal or found by the Appraiser 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

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 Subject Site. 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. The application of extraordinary assumptions may have affected the appraised value.

Hypothetical Conditions

The subject property is appraised "as is" as of the date of value, under no hypothetical conditions.

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 is not attempting to go beyond that narrow scope. While the Appraiser in this appraisal has 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 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 assume no responsibility for independently verifying this information and reserves 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 is not a construction, engineering, environmental, or legal expert 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 if the subject property includes improvements, there are no structural defects or any other hidden or unapparent conditions of the property; that all mechanical equipment and any appliances are in good working condition; and, that all electrical components and 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 does not have the skill or expertise needed to make such inspections. The Appraiser assumes no responsibility for these items.
7. The Appraiser 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 has no knowledge of the existence of such materials on or in the property. The Appraiser is 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 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 has no knowledge of the existence of such violations on or in the property. The Appraiser is 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 has 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 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, by reason of this appraisal, is 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, or the firm with which the Appraiser 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. 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 any persons related to the subject property or who live or work in its vicinity.
22. The liability of the Appraiser, 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 G. 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 Public Land Use Regulations and Private Legal Constraints

Existing zoning at the subject is C-1 (Commercial), which permits retail and other uses under the approved development plan as discussed in the Identification of the Real Estate section of this report. Covenants, conditions and restrictions appear to impose no additional known constraints on land use. The possibility of rezone of the subject to other uses such as industrial is low. Zoning elsewhere in the neighborhood/market area is generally Commercial and Residential 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, and major public projects that would affect the subject site or improvements, are not anticipated. Any changes in land use regulations will likely be consistent with the developing urban retail character of the subject neighborhood and market area.

Physical Adaptability of the Property

As described in the Identification of the Real Estate section of this report, the subject land parcel and improvements have appropriate size, shape, topography, utilities, access, and other physical attributes necessary to permitted development.

Alternative Uses

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

- Retail
- Office
- Restaurant

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 have mostly recovered since weakening that began in 2007 with the national and regional economic recession which resulted from the sub-prime mortgage collapse. The Denver/Westminster metro area was 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 trends in the local and national commercial and residential markets are well established.

Recent changes in the national and international political environments have led some to speculate that the current cycle in which the real estate market finds itself is very mature and an end to this cycle could be near. In recent history Colorado 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. While positive indications in the local and national commercial and residential markets led many experts to conclude that current general real estate market conditions were improving, prior to the pandemic, there were growing rumblings from experts indicating a less than glowing outlook. While most real estate markets still have considerable momentum, increased interest rates are slowing activity considerably.

Feasibility

The strong economy in recent years has caused increased sales and rents and decreased vacancy in most markets, particularly in the subject retail market. This, in turn, resulted in increased development in the subject market area. The past softening of market conditions compromised the feasibility of development of properties like the subject, but the overall market has exhibited improvement recently. The past retail use of the subject improvements appears to demonstrate the feasibility of continuation of that use.

Probable Buyer/Highest and Best Use

The probable buyer of the subject, as is, is likely a user with the intention of occupying the space for a retail business that the community favors. Considering all previous discussion, in the absence of a comprehensive feasibility study, the highest and best use of the subject is estimated to be retail.

Sales Approach

The Sales Approach to valuation of a real property provides a value indication based on analysis of recent sales of comparable properties. For a retail building such as the subject, these sales are best analyzed based on sale price per square foot of gross building area. The market data used in this approach originated from Costar, RealQuest, REColorado 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 G.

Summarized on the following page are six building sales considered most comparable in analyzing the subject. The comparisons were selected placing greatest emphasis on recent sales of buildings 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 retail building sales with no finish, so it was necessary to rely on sales that were finished in order to develop adequate comparable sales. 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 September 2020 and June 2022. The sales exhibit cash equivalent prices per square foot ranging from $283.52/SF to $442.60/SF of gross building area. Additional information concerning the Building Sale Comparisons is at Addendum K. 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 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 section of this report are considered when adjusting the comparisons. In summary, the subject is a conventional retail building built in 1948, in below average condition with no interior finish. Significant renovations are necessary to allow occupancy in the building. The subject historic designations related to the brick façade and barrel roof inhibit removal of the improvements and increase the cost of renovation. The subject land to building ratio is 391%, with a parking ratio of 430 SF/space. The subject is 100% vacant.

BUILDING SALE COMPARISON SUMMARY

Retail

Mar-23

JRES Intelica CRE

No.	Name/Location	YOC/ Rentable Area/ Vacancy	Finish % Land:Bldg % Bldg Area SF/ Pkg Space	Grantor Grantee Recording No.	Sale Date	Cash Equiv Sale Price	Cash Equiv Price/SF Rentable	Effective Gross Income EGIM NOI/EGI	Net Income OAR EDR	Comments
Subject Property										
	Rodeo Market	1948	0%							
	3915 W 73rd Ave	4,298	391%							
	Westminster/Adams	100%	430 SF							
1	Golden Europe Restaurant	1977/2020	100%	Josef and Emilio Palla Trust	Jun-22	$1,075,000	$409.52	NA	NA	Buyer intends to occupy for sushi rest business
	6620 Wadsworth Blvd	2,625 SF	760%	Blooming Inc				NA	NA	Fully renovated in 2020, restaurant finish
	Arvada/Jefferson	0%	88 SF	2022054806				NA	NA	Strong Wadsworth retail location, high-traffic
2	George's Café	1986/1996	100%	Elpitha Giganta LLC	Mar-22	$1,600,000	$442.60	NA	NA	Buyer purchased restaurant business and bldg
	6504 Wadsworth Blvd	3,615 SF	470%	Davood & Mina 2010 Behboudi				NA	NA	Owner-occupy for operation of restaurant
	Arvada/Jefferson	100%	18 SF	2022024713				NA	NA	Shared parking by easement with larger retail
3	Jim's Burger Haven	1974	100%	John & Tammy Brusto	Jun-21	$800,000	$319.74	NA	NA	Long-time tenant purchase, seller divesting
	7855 Sheridan Blvd	2,502 SF	1226%	Jim's Burger Haven				NA	NA	High-traffic retail location on Sheridan Blvd
	Westminster/Jefferson	0%	52 SF	0096336				NA	NA	Restaurant finish, ample parking, good access
4	Vacant Retail Standalone	1971/2015	100%	Tu Tran	Dec-20	$645,000	$283.52	NA	NA	Parking/access easement for neighb retail
	7580 Sheridan Blvd	2,275 SF	881%	7580 Sheridan Blvd LLC				NA	NA	Vacant at sale on market 6 months
	Westminster/Adams	100%	114 SF	2020000131129				NA	NA	Owner occupy for retail business
5	Central Automotive Paint	1971	100%	Celebrity Holding Co	Sep-20	$450,000	$330.88	NA	NA	No deferred maintenance, min. remodel
	6900 Lowell Blvd	1,360 SF	609%	6900 Lowell LLC				NA	NA	Vacant at sale, investor buy to lease to tenant
	Westminster/Adams	100%	194 SF	0098265				NA	NA	Auto paint retail store tenant moving in
6	Dental Associates of Westminster	1971	100%	Cadence Capital Investments	Sep-20	$850,000	$352.70	NA	NA	Vacant over 1 year at sale, Enterprise Car
	7398 Federal Blvd	2,410 SF	596%	Seung H Lee, LLC				NA	NA	Buyer is owner/user for Dental business
	Westminster/Adams	100%	110 SF	0093213				NA	NA	Buyer intends to remodel ext & int for med

BUILDING SALE COMPARISON ADJUSTMENT GRID

Retail

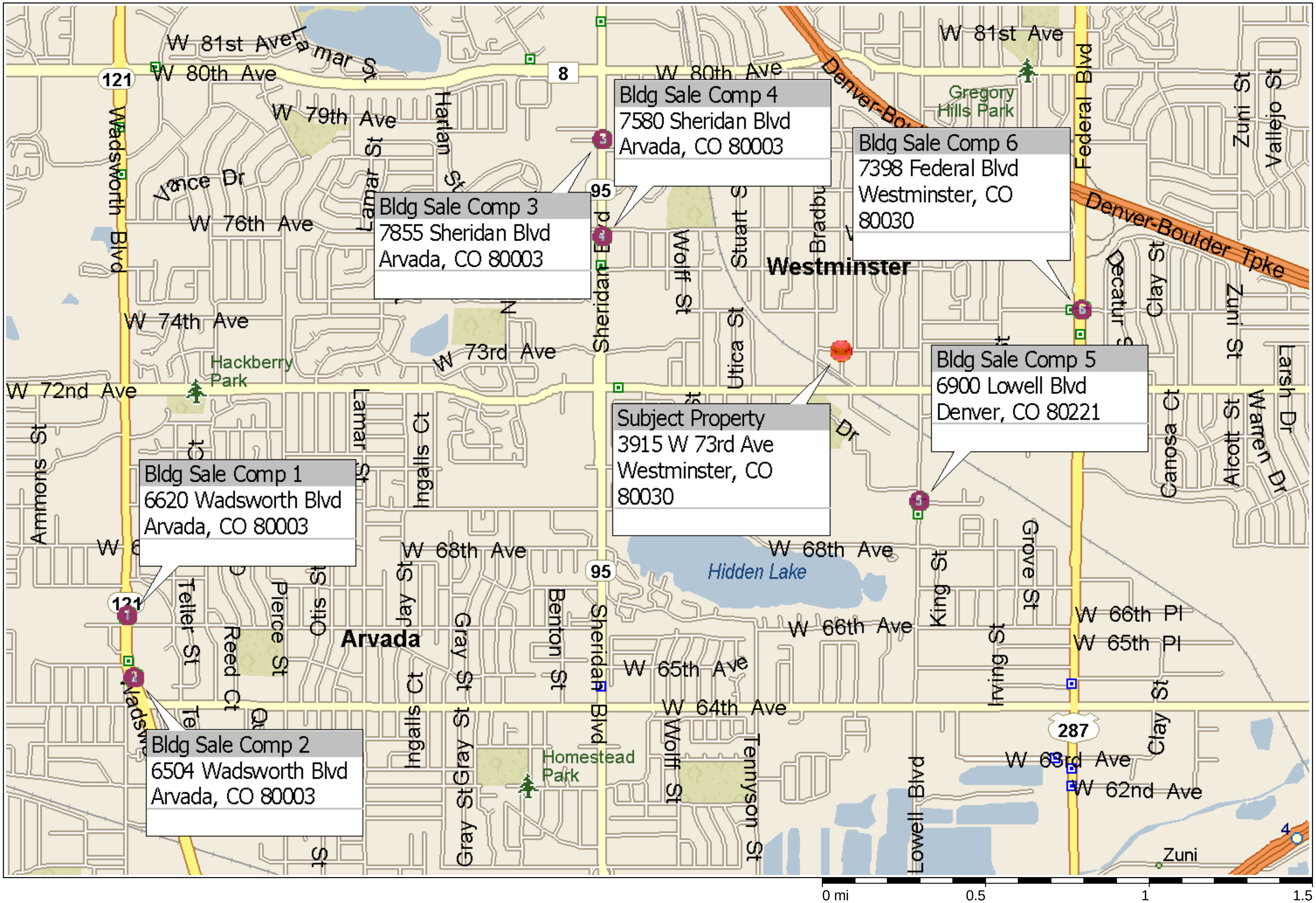
Mar-23 JRES Intelica CRE

Weighted Average
Value Indication: $229.90 /SF

Standard Deviation $41.74

No.	Name/Location	Sale Price/SF Rentable	Sale Conditions /Listing	Property Rights Conveyed	Time	Location	Age/ Cond/ Quality	Parking/ Land:Bldg Ratio	Finish Ratio	Vacancy	Other	Adjusted Price/SF	Weight (Total 100%)
1	Golden Europe Restaurant 6620 Wadsworth Blvd Arvada/Jefferson	$409.52			3%	-10% High Traffic		-10% Parking	-30%			$210.90	17%
2	George's Café 6504 Wadsworth Blvd Arvada/Jefferson	$442.60			4%	-10% High Traffic		-10% Parking	-30%			$230.15	17%
3	Jim's Burger Haven 7855 Sheridan Blvd Westminster/Jefferson	$319.74			6%	-10% High Traffic		-10% Parking	-30%			$169.46	17%
4	Vacant Retail Standalone 7580 Sheridan Blvd Westminster/Adams	$283.52			8%	-10% High Traffic		-10% Parking				$244.96	17%
5	Central Automotive Paint 6900 Lowell Blvd Westminster/Adams	$330.88			9%			-10% Parking	-30%			$216.40	17%
6	Dental Associates of Westminster 7398 Federal Blvd Westminster/Adams	$352.70			9%	-10% High Traffic		-10% Parking				$307.55	17%

BUILDING SALE COMPARISON MAP



Adjustments

An Adjustment Grid behind the Summary page analyzes the sale comparisons based on price per square foot of building, 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 before all other adjustments since the other adjustments are estimated based on conditions on the date of value and based on actual, rather than asking prices.

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 quantitative experience of the Appraiser, are the bases of the qualitative adjustments made. Every effort is made to estimate quantitative and qualitative 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's consideration, experience, judgment, and analysis of the available data.

Sale Conditions/Listing adjustments account for price influences that result from characteristics of the transaction itself. 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 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. None of the sales required adjustments for sale conditions.

Property Rights Conveyed adjustments recognize any encumbrance of the sold property with lease(s) which may affect the price. Unless otherwise noted, all of the sold properties were conveyed without encumbrance with a lease, or with lease(s) at market rent. Adjustments are based on the present value as of the sale date, of the difference between the actual rent(s) at the property and estimated market rent(s). Contract rents at 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. Due to recent improving conditions, upward adjustments are necessary for the older sales included in this analysis. Adjustments are based on general market observations and analysis of the sale comparisons themselves as well as conversations with market participants. While real property prices have generally increased in recent years, the recent introduction of the coronavirus pandemic and increased inflation have compromised general economic conditions and the attractiveness of all types of investments including real properties.

Location adjustments account for value differences resulting from quality of surrounding development, exposure, access, and competitiveness of the market sector of the comparison. **Comparison Nos. 1, 2, 3, 4, & 6** are adjusted downward for their superior traffic exposure, relative to the subject.

Age/Condition/Quality adjustments account for differences in age, physical condition, functional utility, architectural attractiveness, and overall quality of the subject and comparative improvements. A value adjustment is made below for the estimated cost of renovation at the subject and is therefore not adjusted in the grid.

Parking Ratio/Land-to-building ratio (Density) adjustments are necessary if the land-to-building ratio or parking ratios is either restrictive or excessive. 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 applicable at the subject since data at the sales are available and are sufficiently different from the subject to require adjustment. Adjustments are made for this factor on the basis of the difference between the subject and the comparable parking ratios.

Finish Ratio adjustments account for differences in percentage finish of a comparable property versus the percentage finish of the subject. The adjustment for this unit of comparison is calculated assuming a $240/SF depreciated tenant finish value, based on cost estimates for interior restaurant finish provided by the client.

Vacancy rate adjustments recognize the vacancy differences between the comparisons at the time of sale and the subject. The subject and the comparable sales are largely single tenant and usually purchaser occupied, so a vacant building 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 describe a reasonable range. The variation results from normal imperfections in real estate markets and current volatility in the subject retail market. Thus, the value estimate concluded below is considered reasonably reliable.

Weight

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 nearly equal in reliability and comparability to the subject, so they are weighted equally.

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 from $169.46/SF to $307.55/SF. The weighted average value indication for the subject is estimated at $229.90/SF of gross building area. This value is applied to the subject gross building area as follows:

$229.90/SF x 4,298 SF = $988,110

Value Adjustment – Required Renovation

As mentioned in the Identification of the Real Estate section of this report, the subject property must undergo significant repairs and renovation in order to meet the minimum code for operation and bring the building to an unfinished "white box" state. The estimate shown above is subtracted from the Value Indication by Income Approach to reach a final value indication, as follows:

Value Indication Before Renovation:	$988,110
Estimated Required Renovation:	($1,800,000)
Value indication after adjustment:	($811,890)

Since the market value of a real property is an estimate of the potential price that may be paid for a property by a prospective purchaser, and since considering the required renovation of the subject, such a rational purchaser would likely decline such a purchase, this calculation results in a value indication of $0.

VALUE INDICATION BY SALES APPROACH
$0

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. Direct capitalization is applied to the subject property.

For the reasons discussed under Appraisal Methodology, the Income Approach to valuation of the subject property is of limited utility. Barring liquidation of the subject property, it is doubtful that it would be purchased for purely speculative investment. It is more likely that the subject property would be acquired for investment only if the investor had a prospective tenant for a majority of the space on a long-term basis. Given the more likely scenario of purchaser occupancy or a pre-established tenant at a predetermined lease rate, direct capitalization rather than DCF is the most meaningful method of income analysis. The value calculations are presented in the Income Approach Summary at the end of this section.

Potential Gross Income

Potential gross income includes the sum of potential rental income and expense recoveries.

Subject Rents

The subject is vacant, and in need of significant renovation before it can be occupied. A lease agreement was executed for the subject property in 2019, with the intention of placing a restaurant tenant on a ten-year lease, with renovation costs shared between the tenant and landlord, however this agreement was not able to move forward. Details of the agreement are confidential, however a stabilized rent for the fifth year, approximately the date of this report, was projected to be relatively near the market rent indication below.

Market or Comparative Rents

Market rent for the subject is concluded based on analysis of competitive rents at similar properties. As in the other approaches, the market data used in this approach originated from Costar, RealQuest, REColorado 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.

The comparative properties from which market rent estimates are drawn are summarized on the following page and are adjusted to the subject property as outlined below. The comparisons were selected with the greatest emphasis placed upon recent rents of buildings with similar location, access, traffic exposure, age/condition/quality, land-to-building ratio/parking ratio, and use to the subject.

Highly comparable rentals are very limited in availability due to the unfinished nature of the subject, so it was necessary to rely on rentals that were finished in order to develop adequate comparable rentals. Details of the Rental Comparisons are at Addendum L. Property owners and managers of multi-tenant properties often request confidentiality of specific lease data, when provided. Therefore, the rental data provided here is generally descriptive of typical lease rates at the properties surveyed.

Subject Property

Characteristics of the subject property to which the comparisons are adjusted are discussed throughout this report, most specifically in the Identification of the Real Estate section. Market rent at the subject is estimated based on the triple net arrangement typical of retail properties in this market. To reiterate, the subject is an historic 1948 building in Old Town Westminster, of 4,565 SF on 16,801 SF, (0.4 acres) of land, for a land to building ratio of 391%, and a parking ratio of 430 SF/space. The building is 0% finished with significant renovations required for occupancy.

Adjustments

The comparative rentals are adjusted to develop market rent indications for the subject based on the parameters discussed below. Listing adjustments are made before all other adjustments since the other adjustments are estimated based on actual rather than asking rents. Adjustments shown on the adjustment grid may not calculate exactly due to rounding.

Time adjustments are generally unnecessary to rental comparisons since the data is usually quite current. However, older rental activity occasionally requires adjustment. All of the rental comparisons with actual leases are recent enough to require no adjustment. While real property prices and rents have generally increased in recent years, the recent introduction of the coronavirus pandemic and increased inflation have compromised general economic conditions and the attractiveness of all types of investments including real properties.

Listing adjustments reflect that actual rents are often less than asking rents. All of the rental comparisons indicate actual rents, so no adjustments are necessary.

Motivation adjustments reflect any unusual motivations on the part of the lessor or lessee in a rental transaction. None of the comparisons with actual rents had unusual motivations.

RENTAL COMPARISON SUMMARY

Retail

Mar-23

JRES Intelica CRE

Total Building Area 9,118 SF

Weighted Average Indicated Occupancy 100%

No.	Name/Location	Building Area (SF) # Stories Bldg Area/ Pkg Space	YOC Occu- pancy	Land: Bldg Finish Ratios		Rent Adjustments Tenant Expenses Expense Stops	Effective Rents/SF Asking		Recent		Comments
Subject Property											
	Rodeo Market	4,298	1948	391%							
	3915 W 73rd Ave	1	0%	0%							
	Westminster	430									
1	Penguin Building	4,000	1953	131%		None	$10.00	-	$10.00	-	Unique 2-story brick façade 1953 Bldg
	7267 Lowell Blvd	2	100%	0%	-	NNN	$10.00		$10.00		2 units, total of 7,600 SF in building
	Westminster	800		0%							Adjacent to high school and STEM
						NA					
2	Buffalo Wild Wings GO	1,483	2019	2262%		NA	$16.63	-	$16.63	-	In-line retail within larger complex
	7353 Federal Blvd	1	100%	0%	-	NNN	$16.63		$16.63		Shared parking with other retail
	Westminster	49		0%							Vacant 15 months prior to new lease
						NA					
3	Central Automotive Paint & Supplies	1,360	1971	609%		NA	$18.00	-	$19.41	-	Tenant reused previous tenant finish
	6900 Lowell Blvd	1	100%	0%	-	MG	$18.00		$19.41		Good traffic location on Lowell Blvd
	Westminster	194		0%							Previously tattoo parlor, with office finish
						NA					
4	Vape & Toke Smoke Shop	2,275	1971	881%		NA	$18.50	-	$18.50	-	Standard retail standalone Bldg
	7580 Sheridan Blvd	1	100%	0%	-	NNN	$18.50		$18.50		Good access & Visibility on Sheridan
	Westminster	58		0%							Shared parking retail complex
						NA					

RENTAL COMPARISON ADJUSTMENT GRID

Retail

Mar-23

JRES Intelica CRE

Weighted Average
Indicated Rent PSF $9.84

Standard Deviation $2.25

No.	Name/Location	Effective Rent/SF	Time/ Listing/ Motivation	Location	Age/ Cond/ Quality	Finish Ratio	Land: Bldg Ratio	Parking Ratio	Tenant Expenses	Other	Adjusted Rent/SF	Weight (Total 100%)
1	Penguin Building 7267 Lowell Blvd Westminster	$10.00 $10.00	-			-20%		10%			$9.00	25%
2	Buffalo Wild Wings GO 7353 Federal Blvd Westminster	$16.63 $16.63	-	-10% High Traffic	-20% Age/Cond Quality	-20%		-10%			$6.65	25%
3	Central Automotive Paint & Supplies 6900 Lowell Blvd Westminster	$19.41 $19.41	-			-20%		-5%	-10% MG		$12.62	25%
4	Vape & Toke Smoke Shop 7580 Sheridan Blvd Westminster	$18.50 $18.50	-	-10% High Traffic		-20%		-10%			$11.10	25%

RENTAL COMPARISON MAP

Location adjustments to the rental comparisons primarily recognize exposure, access, and competitiveness of the immediate vicinity. Traffic count is often a motivating factor for retail business, and **Comparison Nos. 2 & 4** are adjusted somewhat to account for their superior retail locations, resulting in higher traffic exposure, relative to the subject.

Age/Condition/Quality adjustments consider differences in age, physical condition, and construction quality between the subject and the rental comparisons. **Comparison No. 2** is adjusted for its much newer construction and quality.

Finish Ratio adjustments reflect different percentages of finish and are based on the premise that greater finish will result in a higher overall rental rate since finished space generally commands a higher rental rate than unfinished space. All of the comparisons are fully finished and are adjusted relative to the subject's total lack of finish.

Land-to-building ratio adjustments reflect the amenity of general land area producing an enhanced environment at most buildings (or easier vehicle movement at industrial buildings) but in both cases exclusive of general parking addressed below. Industrial property prices tend to respond to land land-to-building ratio whereas other property types respond to parking ratio. Tenants in the subject market are responsive to parking ratio discussed below rather than land-to-building ratio.

Parking adjustments reflect parking facilities (covered, etc.) and ratios at the comparative properties. Parking ratio adjustments are not applicable here since they have been accounted for above under Land-to-building ratio. Where data is available, the comparable rents have parking ratios that are similar enough to the subject, including street parking, to warrant no adjustment. Parking ratio adjustments reflect differences in the quantity of parking and not quality, i.e., covered parking which is recognized above under Age/Condition/Quality. Each of the comparisons are adjusted individually for their differences in parking ratio to the subject.

Tenant Expense adjustments recognize differences in expenses that the tenants are required to pay at the subject and at the comparisons. Rent rates that include excess services generally require downward adjustments, whereas rates that include fewer services than a subject generally require upward adjustments. The comparisons are adjusted to the triple net terms upon which the subject rent discussed above would be based.

Other adjustments reflect particular characteristics unique to the subject or the rental comparisons. No Other adjustments are necessary to the comparisons.

After adjustment, the comparable data provide rent indications for the subject property that describe a reasonable range. The variation results from normal imperfections in real estate markets and current instability in the subject retail market. Thus, the market rent estimate concluded below is considered reasonably reliable.

Weight

Similar to the other approach, relative weight of the comparisons in this analysis is based on perceived reliability of the rental data and comparability of the rented buildings to the subject. Generally, those comparisons requiring the least adjustment are weighted most and listings are weighted somewhat less. The comparisons are considered to be nearly equal in reliability and comparability to the subject, so they are weighted equally.

Subject Market Rent Indication

The comparisons are adjusted as described in the Adjustments section above and as shown on the Adjustment Grid. The rent indication is $9.84/SF on a triple net basis. Considering the indications provided by the comparisons, market rent is concluded to be $9.84/SF. Since the typical prospective investor/buyer in the subject is estimated to do so, the market rent for the subject is used to estimate stabilized rental income at the subject. It is applied to the property on the Income Approach Summary at the end of this section. The capitalization rate is estimated recognizing this procedure.

Market Rent Forecast

Market rent forecasts are relevant to estimation of an appropriate capitalization rate. The market rent at the subject has remained stable in the past and the demonstrated trend is expected to slow down over the foreseeable future. This forecast is recognized in estimation of the capitalization rate applied to the subject as discussed below.

Expense Reimbursement Income

Expense reimbursement income at the subject recognizes triple net leases. Thus, all expenses in the Variable and Fixed categories are considered reimbursed. While some expenses are paid directly by the tenant at properties like the subject and others are paid through the owner, for the purpose of this analysis, all expenses for which the tenant is liable are assumed to be paid directly. Thus, no expense reimbursement income is appropriate to this analysis.

Stabilized Vacancy and Collection Loss Allowance

Current vacancy at the subject is 100%. The rental comparisons provide a relatively reliable vacancy indication. As shown on the Rental Comparison Summary, the comparisons have a weighted average occupancy of 100%.

Vacancy and collection loss allowance estimation is as much recognition of the risk of vacancy or non-payment of rent as it is a prediction of the actual vacancy a property will experience. In appraisal analysis, recognition must also be made of the potential for purchaser occupancy of a property (either full or partial) that could reduce the general risk of vacancy. This potential is considered small for a retail building like the subject. The rental comparisons and the Newmark Report appear to support a vacancy factor lower than the current vacancy at the subject. Considering the current full vacancy at the subject, and the current market absorption trends, a vacancy and collection loss rate of 0% is estimated as stabilized. The capitalization rate discussed below is estimated recognizing this vacancy estimate.

Most buyers and brokers of single tenant triple net leased investor type properties consider the potential for vacancy and expenses such as management, replacements and re-tenanting when leases expire. However, they typically analyze the prospective investments using 100% occupancy and deducting no expenses. This methodology was used in this appraisal consistent with the market so valid comparison can be made with the capitalization rates indicated by the sales. The capitalization rate is estimated below recognizing this methodology.

Effective Gross Income

The estimated stabilized effective gross income is $42,292.

Operating Expenses

Stabilized operating expenses are generally estimated based on a review of operating statements of comparable properties and the expense history/pro forma of the subject. Expenses are generally forecast to increase at the inflation rate.

Most buyers and brokers of single tenant triple net leased investor type properties consider the potential for vacancy and expenses such as management, replacements and re-tenanting when leases expire. However, they typically analyze the prospective investments using 100% occupancy and deducting no expenses. This methodology was used in this appraisal consistent with the market so valid comparison can be made with the capitalization rates indicated by the sales. The capitalization rate is estimated below recognizing this methodology.

Variable Expenses

As discussed above, all variable expenses are covered by the tenant or are not applicable.

Fixed Expenses

Insurance and Real Estate and Personal Property Taxes expenses are typically covered by the tenant in a property like the subject.

Insurance expenses include casualty and liability premiums for the building and its owners. This expense is typically covered by the tenant in a property like the subject.

Real Estate and Personal Property Taxes are typically covered by the tenant in a property like the subject. Personal property taxes are excluded since the subject property includes no personal property.
Non-Reimbursable Expenses

Replacements, Re-tenanting, and Advertising/Leasing expenses are typically covered by the owner in a property like the subject; however, with single tenant properties like the subject, these expenses are generally not recognized in income/expense statements used for purchase analysis. Therefore, they are excluded here. The capitalization rate is estimated using this methodology.

Net Operating Income

This is estimated at $42,292, stabilized.

Capitalization Rate

Determination of a capitalization rate is generally based on overall rates observed at sale comparisons used, overall rates reported in investment survey publications, and from mortgage equity analysis. The 0% stabilized vacancy rate used above, and the credit strength of the owner are recognized here. The subject owner is not a publicly traded company but appears to have strong regional credit.

Comparable Sales

Two of the building sale comparisons analyzed in this appraisal provide sufficient data to derive an overall capitalization rate. The rates indicated range from 5.9% to 6.2%. The table below summarizes the Sale Comparisons' capitalization rates and their comparability to the subject.

Sale No.	Location	Sale Date	Capitalization Rate	Comparability
4	7580 Sheridan Blvd, Westminster	Dec-20	6.5%	Up
5	6900 Lowell Blvd, Westminster	Sep-20	5.9%	Up

The capitalization rates provided by the comparable sales are adjusted to the subject as stabilized for factors such as age/condition/quality of the comparable building and the expected future trends of the net income of the comparable property. **Sales Nos. 4 & 5** are adjusted for their finish and significant changes in the retail market since their sales. Before adjustment the comparable sales indicate an average capitalization rate of 6.2%. After adjustment the comparable sales indicate a capitalization rate for the subject property as stabilized between 6.0% and 6.5%.

Investment Surveys

A number of Real Estate Investment Criteria surveys are discussed at Addendum M. The most recent going-in capitalization rates indicated by the surveys for 1st-tier, non-institutional retail properties range from 5.2% to 7.6%. In estimating the market indication of the appropriate subject capitalization rate, the inclusion or exclusion of management, replacements, re-tenanting expenses, and leasing commissions in comparable properties and the potential for vacant space unreimbursed expenses, and rental income and real estate tax increases are recognized as discussed above. Considering the investment surveys, and the age/condition/quality of the subject, the indicated capitalization rate for the subject appraisal is estimated to be in the 6.0% to 8.0% range.

Mortgage Equity Analysis

Another indicator of the appropriate capitalization rate for the subject can be calculated using mortgage equity analysis. This analysis develops a capitalization rate for a real property by analyzing the investment parameters of the mortgage and equity investment positions. The pending financing for the subject property is based on the following terms:

Interest Rate:	7.0%
Amortization Term:	25 Years
Loan-to-Value Ratio	70%

Based on these terms and the data in Real Estate Financing Terms at Addendum N, the current market for a permanent mortgage loan for the subject property with a reasonably long-term call is estimated to be 7.0% interest with 25-year amortization and a 70% maximum loan-to-value ratio.

The equity cash flow requirement is estimated based on analysis of the Real Estate Investment Criteria at Addendum M. The average indicated equity dividend rate for retail properties from the Real Estate Investment Criteria has ranged over the past year between 12.1% and 13.2%. Considering the risks associated with the changing national and local economies and their influence on local real estate markets, and the age/condition/quality of the subject, the appropriate equity dividend rate is estimated at 13.0%. These rates are applied to the mortgage equity analysis as follows:

MORTGAGE EQUITY ANALYSIS				
Interest Rate	7.0%			
Amortization Term	25	Years		
MORTGAGE				
Annual Constant (Monthly Payments)			8.5%	
Loan to Value			70.0%	
Weighted Rate - Mortgage				5.9%
EQUITY				
Dividend Rate			13.0%	
Equity Required			30.0%	
Weighted Rate - Equity				3.9%
INDICATED CAPITALIZATION RATE				9.8%

Mortgage equity analysis indicates a capitalization rate of 9.8% after rounding.

Debt Coverage Ratio Analysis

Debt coverage ratio (DCR) provides another indicator of the appropriate capitalization rate based on mortgage terms. DCR is a mortgage loan underwriting measure of risk to the lender based on the ratio of net operating income to annual debt service. Over the long-term lenders typically approve mortgages with DCRs above thresholds of 1.20:1 to 1.40:1 depending on the perceived risks associated with payment of debt service based on many other factors such as loan-to-value ratio and the credit risk of the borrower. But recently in response to the "credit crunch" required DCRs have increased. Based on a DCR of 1.30:1 and the mortgage terms used above in mortgage equity analysis the minimum indicated capitalization rate for the subject property is calculated as follows:

1.30 (DCR) X 8.5% (Annual Constant) X 70% (LTV) = 7.7%

Debt coverage ratio analysis indicates a minimum capitalization rate of 8.0% after rounding.

Tenant Corporate Credit Rating

For single tenant properties with strong credit tenants like the subject, the corporate credit rating of the tenant strongly influences the risk perceived by investors in real properties occupied by such tenants, particularly if the remainder of the current term of the lease is relatively long, and/or the lease has renewal options which are expected to be exercised. The three predominant credit rating agencies are Moody's Corporation, S&P Global Inc and Fitch Ratings. Each agency has its own system, but they are similar. A summary of the long-term credit ratings of the three agencies compiled at Wikipedia is below:

Moody's		S&P		Fitch		Rating description	
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term		
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	Investment-grade
Aa1		AA+		AA+		High grade	
Aa2		AA		AA			
Aa3		AA−		AA−			
A1		A+	A-1	A+	F1	Upper medium grade	
A2		A		A			
A3	P-2	A−	A-2	A−	F2		
Baa1		BBB+		BBB+		Lower medium grade	
Baa2	P-3	BBB	A-3	BBB	F3		
Baa3		BBB−		BBB−			
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative	Non-investment grade aka high-yield bonds aka junk bonds
Ba2		BB		BB			
Ba3		BB−		BB−			
B1		B+		B+		Highly speculative	
B2		B		B			
B3		B−		B−			
Caa1		CCC+	C	CCC	C	Substantial risks	
Caa2		CCC				Extremely speculative	
Caa3		CCC−				Default imminent with little prospect for recovery	
Ca		CC					
		C					
C		D	/	DDD	/	In default	
/				DD			
				D			

One of the most important criteria for investors in corporate bonds and real properties is whether or not a company's debt is rated "investment grade." Generally, "investment grade" debt is rated BBB or higher. Non-investment grade bonds are often referred to as "junk bonds." The subject is vacant, so no adjustment to the capitalization rate is concluded for this appraisal.

Capitalization Rate Conclusion

Of the three sources of capitalization rate data reviewed, the most reliable is estimated to be the comparable sales data with support from mortgage equity analysis, debt coverage ratio analysis and market surveys. The various analyses indicate capitalization rates applicable to the subject as follows:

Sale Comparisons:	6.0% to 6.5%
Investment Surveys:	6.0% to 8.0%
Mortgage Equity Analysis:	9.8%
Debt Coverage Ratio Analysis:	8.0% (minimum)
Average Indicated Capitalization Rate:	7.5% to 8.0%

For small single tenant properties like the subject, two factors must be considered in estimation of the capitalization rate. First, the broader market of such common properties and their affordability due to comparatively low prices may tend to cause their prices to be bid upwards, effectively reducing the capitalization rates. Also, buyers of such properties are most often users who derive benefit from them as support for the business enterprise in which they are primarily involved. Thus, the buyer's motivation to obtain economic benefit from the real property may be reduced somewhat and he or she may be willing to pay a higher price for the property than would be indicated by a "normal" capitalization rate applied to net operating income based on market rent.

The above market vacancy at the subject would reduce income for a buyer and perhaps result in commission and tenant finish expense until space can be leased. Considering the risks associated with the changing national and local economies and their influence on local real estate markets, the age/condition and quality of the subject property, the appropriate capitalization rate for the subject property under the assumptions made in this analysis is estimated at 8.0%.

Value Indication

The estimated overall capitalization rate is applied to the net operating income (NOI) estimated above to derive an indicated value as shown on the Income Approach Summary.

Value Adjustment – Required Renovations

As mentioned in the Identification of the Real Estate section of this report, the subject property must undergo significant repairs and renovation in order to meet the minimum code for operation, bringing the building to an unfinished "white box" state. The estimate shown above is subtracted from the Value Indication by Income Approach to reach a final value indication, as follows:

Value Indication before renovations:	$560,000
Estimated Required Renovations:	($1,800,000)
Value indication after adjustment:	($1,240,000)

Since the market value of a real property is an estimate of the potential price that may be paid for a property by a prospective purchaser, and since considering the required renovation of the subject, such a rational purchaser would likely decline such a purchase, this calculation results in a value indication of $0.

VALUE INDICATION BY INCOME APPROACH
$0

INCOME APPROACH SUMMARY

Mar-23 JRES Intelica CRE

POTENTIAL GROSS INCOME		4,565 SF Rentable Area					
	Market Rent		4,298	SF @	$9.84	/SF =	$42,292
	Other Income						
	Expense Reimbursements						
	Total Potential Gross Income						$42,292
VACANCY AND COLLECTION LOSS ALLOWANCE							
EFFECTIVE GROSS INCOME			(	$9.26	/SF)		$42,292
OPERATING EXPENSES							
		$/SF		Aggregate			
Variable -							
	Management			NA			
	Administration			NA			
	Payroll			NA			
	Security			Tenant			
	Janitorial			Tenant			
	Trash Removal			Tenant			
	Snow Removal			Tenant			
	Grounds Maintenance			Tenant			
	Utilities			Tenant			
	Supplies			Tenant			
	Repairs & Maintenance			Tenant			
Fixed -							
	Insurance			Tenant			
	Real Estate Taxes			Tenant			
	Personal Property Taxes			NA			
Non-Reimbursible -							
	Replacements			NA			
	Retenenting			NA			
	Advertising/Leasing			NA			
	Total Expenses				EGI		
NET OPERATING INCOME				(	$9.26	/SF)	$42,292
	$42,292 /year Capitalized @	7.50%		=			$563,898
VALUE ADJUSTMENT - VACANCY							NA
VALUE ADJUSTMENT - NON-MARKET LEASES							NA
VALUE INDICATION BY INCOME APPROACH							$563,898
					Rounded to		$560,000
		Imputed Value/SF Rentable					$122.67

Value Conclusion

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

APPROACHES	VALUE INDICATIONS
COST APPROACH	NA
SALES APPROACH	$0
INCOME APPROACH	$0

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. The approaches used agree with each other well.

For user properties such as the subject, the Sales Approach is generally the most indicative of typical purchaser attitudes since it is based on the functional utility of the property, the aspect of primary concern to the user. Data and analysis used in the Sales Approach are considered quite reliable. The Income Approach is also generally a reliable approach to value for user properties like the subject. The Income Approach appropriately simulates the thinking of user buyers from a lease/purchase alternative viewpoint. However, due to the hypothetical nature of the Income Approach analysis to a user, the reliability of this approach is often limited. Therefore, the Income Approach is generally considered most useful in corroborating a value indication by the Sales Approach. The Sales Approach is relied upon most in this appraisal since the subject is primarily a user property.

In the final analysis, the Sales Approach provides the most reliable value indication for the subject with corroboration from the Income Approach. The market value of fee simple interest in the subject real estate as of the date of value, and subject to the Certificate, Assumptions and Limiting Conditions in this report is:

APPRAISED VALUE – AS IS
ZERO DOLLARS
$0
MARKET EXPOSURE TIME: 12 TO 15 MONTHS

Addendum A –
Flood Hazard Map

FLOOD HAZARD MAP

Addendum B –

Historic Designation Resolution

City Clerk's Office
City of Westminster
4800 West 92nd Avenue
Westminster, CO 80031

RESOLUTION

2006092800979260 Adams Co 1/1
09/28/2006 11:45:26AM $.00
Carol Snyder Clerk $6.00

RESOLUTION NO. 50

INTRODUCED BY COUNCILLORS

SERIES OF 2006

Major - Lindsey

TO DESIGNATE THE RODEO SUPER MARKET AS A LOCAL HISTORIC LANDMARK

WHEREAS, the Rodeo Super Market, also known as the Rodeo Market, is historically significant because it is more than fifty years old and it:

1. Exemplifies the economic and social heritage of Westminster;
2. Represents an association with a notable person in the history of 20th century Westminster; and
3. Enhances a sense of identity for Westminster residents;

WHEREAS, the City Staff has caused the historical significance of the property to be documented and has applied to the Historic Landmark Board for a recommendation as to whether the site should be designated as a local historic landmark, and

WHEREAS, the Historic Landmark Board has held a public hearing and passed a resolution recommending that the site be designated as a local historic landmark.

NOW, THEREFORE, the City Council of the City of Westminster resolves that:

1. The Rodeo Super Market be designated as a local historic landmark pursuant to Section 11-13-5 of the Westminster Municipal Code.

2. Description of features that should be preserved:
   Barrel vault roofline
   - Stepped parapet façade, large front windows and front door documented in 1966 and 1971 photos
   - Original brick façade shown in 1966 photo
   - Sign as it appeared in 1966 photo

Notes: The only original architectural feature extant in the building at this time is the barrel vault roofline. The front façade, windows, door, brick and sign must be restored in order to be preserved. If restored, it is the intent of this resolution that these features be restored consistent with the 1966 photo included in the application.

3. The legal description and location of the property are:

Address and general location: 3915 West 73rd Avenue, between Lowell and Bradburn Boulevards

Legal Description: Beginning 60 feet west of the SE corner of Block 35, Harris Park, thence east along the north line of 73rd Avenue (Walnut Street) 140 feet to the SW corner of House's Resubdivision of Block 34, Harris Park, thence north along the west line of Block 34 a distance of 120 feet; thence west 140 feet; thence south 120 feet to the point of beginning; SE/4 Sec. 31, Township 2 South, Range 68 West, Sixth Principal Meridian, Adams County, Colorado.

UTM coordinates: UTM Zone 13
Datum NAD 27
Linear Unit: meter
496700.74; 4408607.80

PASSED AND ADOPTED this 25th day of September, 2006.

Nancy McNally
Mayor

ATTEST:

Linda Yeager
City Clerk

5

Addendum C –

Renovation Estimate

J&T Consulting, Inc.

City of Westminster

Rodeo Market Renovations
2.2.23

Summary Budget

Division	Scope Item	Restaurant Finish	Core & Shell
Direction Costs			
1	General Conditions	$ 202,642	$ 101,321
2	General Requirements	$ 70,610	$ 35,305
3	Site Work	$ 278,487	$ 259,234
4	Concrete	$ 40,629	$ 4,992
5	Masonry	$ 10,894	$ -
6	Metals	$ 61,472	$ 36,447
7	Carpentry	$ 65,455	$ 18,291
8	Moisture Protection	$ 82,080	$ 82,080
9	Doors and Windows	$ 57,915	$ 39,910
10	Finishes	$ 67,873	$ 5,902
11	Specialties	$ 57,421	$ 12,197
12	Equipement	$ 130,000	$ -
13	Furnishings	$ 3,666	$ 3,666
14	Special Construction	$ -	$ -
15	Conveying Ssystems	$ -	$ -
16	Mechanical	$ 513,828	$ 393,828
17	Electrical	$ 220,966	$ 110,483
	Sub-Total of Direct Costs	$ 1,863,938	$ 1,103,656
Contingencies			
18	Design Contingency	$ 55,000	$ 27,500
19	Construction Contingency	$ 111,000	$ 65,724
20	Owner Contingency	$ 75,000	$ 93,000
21	Escalation Contingency	$ 75,000	$ 44,408
	Sub-Total of Contingencies	$ 334,000	$ 230,632
Indirect Costs			
22	Preconstruction Services	$ -	$ -

J&T Consulting, Inc.

City of Westminster

Rodeo Market Renovations
2.2.23

Summary Budget

Division	Scope Item	Restaurant Finish	Core & Shell
23	General Liability Insurance	$ 18,998	$ 10,424
24	Builders Risk Insurance	$ 72,280	$ 43,368
25	Payment and Performance Bond	$ 19,758	$ 10,841
26	Permit Fee	$ -	$ -
	Sub-Total of Indirect Costs	$ 111,036	$ 64,633
Additional Costs			
27	Potholing/ Site Investigation	$ 8,500	$ 8,500
28	Tenant Design Fees	$ 10,000	$ -
29	Entitlements, Engineering, and Design	$ 150,000	$ 100,000
30	Permit Fees	$ 20,000	$ 15,000
31	Xcel Gas Service	$ 7,000	$ 7,000
32	Domestic and Fire Water Tap Fees	$ 186,000	$ 186,000
33	Tenant Signage and Branding	$ -	$ -
34	Tenant Furniture, Fixtures, and Equipment	$ -	$ -
35	Low Voltage (Security, AV, Data)	$ -	$ -
	Sub-Total of Additional Costs	$ 381,500	$ 316,500
36	Overhead and Profit	$ 161,628	$ 97,924
	Estimate Total	**$ 2,852,102**	**$ 1,813,346**

Addendum D –

List of EPA-Regulated Facilities

EnviroMapper

Search Place: 3915 W 73rd Ave, Westminster, Colorado, 80030

×

Back

Program Systems>>AIRS,RCRAINFO,NPDES,ACR

Results 1 - 17 of 17

1 ⊟ 5-Acre Redevelopment Parcel (Yager Project)
7400 NEWTON ST
WESTMINSTER, CO 80030

2 ⊟ Aspen Auto Body Inc
3698 W 72ND AVE
WESTMINSTER, CO 800305202

3 ⊟ City Of Westminster - Fire Department 1
3948 WEST 73RD AVENUE
WESTMINSTER, CO 80030

4 ⊟ City Of Westminster Vehicle Services Cen
7287 LOWELL BLVD
WESTMINSTER, CO 80030

5 ⊟ City Of Westminster\Comm Dev
7233 LOWELL BLVD
WESTMINSTER, CO 80030

6 ⊟ Colorado Word Works (Was North Suburban
7380 LOWELL BLVD
WESTMINSTER, CO 800304860

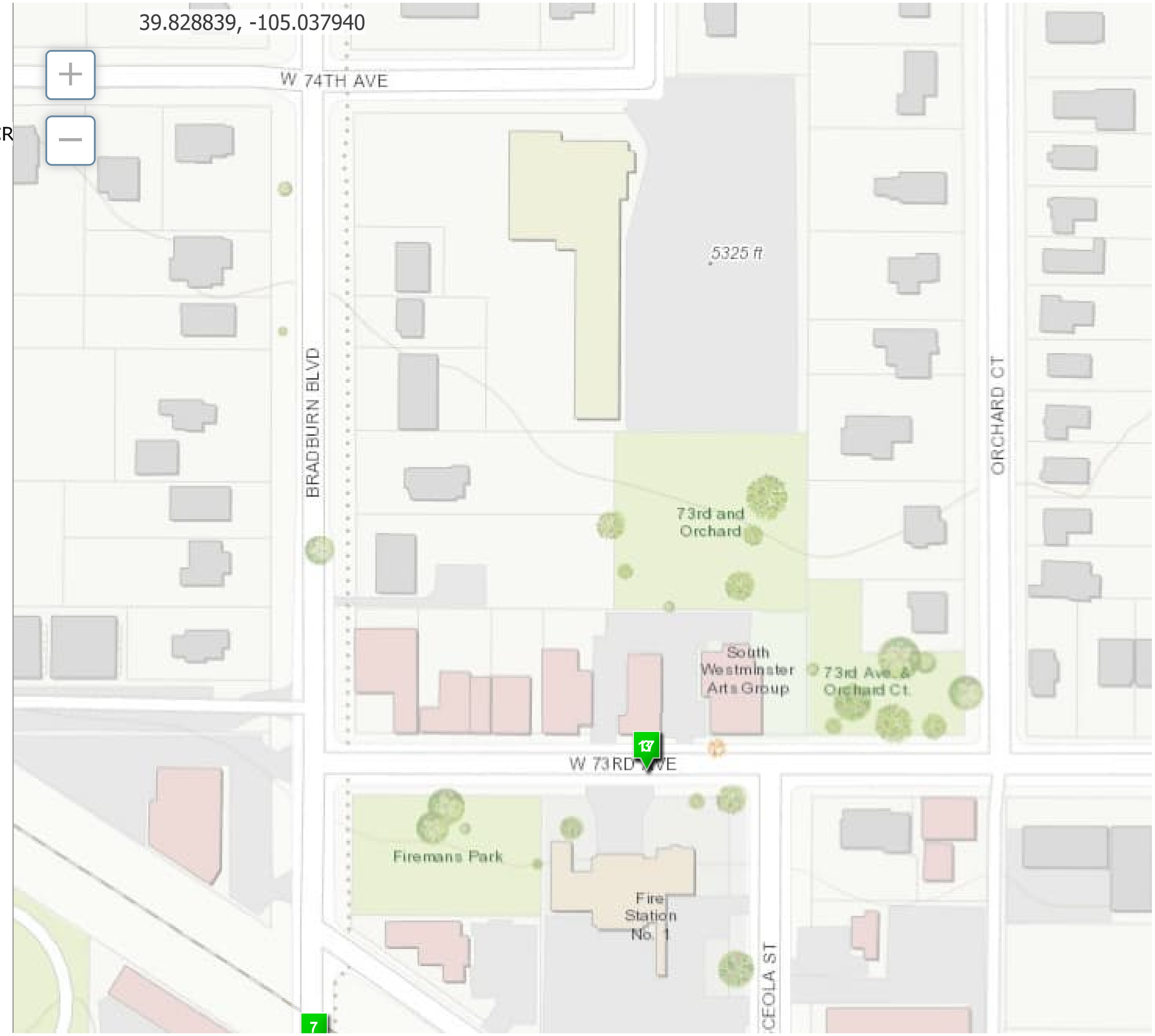
7 ⊟ Creative Auto
7231 BRADBURN
WESTMINSTER, CO 80030

8 ⊟ Federal Valley Motors Inc
3686 W 72ND AVE
WESTMINSTER, CO 80030

9 ⊟ Genuine Parts Company-Westminster Shop
3656 W 72ND AVE
WESTMINSTER, CO 80030

10 ⊟ Herb'S Texaco Service Agency
3791 W 72ND AVE
WESTMINSTER, CO 800305203

11 ⊟ Mahnke Collision Center North
3580 WEST 72ND AVENUE



Addendum E –
Legal Description

3915 W. 73rd Avenue

EXHIBIT "A"

LEGAL DESCRIPTION OF DEED DATED
March 31, 2004

Parcel Two:

Beginning 60 Feet West of the SE corner of Block 35, Harris Park, Adams County, Colorado; thence East along the North line of 73rd Avenue (Walnut Street) 140 feet to the SW corner of House's Resubdivision of Block 34, Harris Park; thence North along the West line of Block 34 a distance of 120 feet; thence West 140 feet; thence South 120 feet to the point of beginning,

Parcel Three:

That part of Block 35, Harris Park, and that part of reserved Hawthorne Street East of and adjoining said Block 35, according to the recorded plat thereof, more particularly described as follows: Beginning at a point on the West line of said Block 35 which is 480 feet South of the Northwest corner of said Block 35; thence East to a point which is 110 feet West of the East line of said Block, which is the true point of beginning; thence North a distance of 166.9 feet; thence East 190 feet to the East line of said Hawthorne Street; thence South along the East line of said Hawthorne Street a distance of 166.5 feet, thence West a distance of 190 feet to the true point of beginning.
County of Adams, State of Colorado

pg 2

File # EC81986B03

Addendum F –

Appraisals – Scope of Work and Types or Reports

APPRAISALS - SCOPE OF WORK AND TYPES OF REPORTS

by

William M. James, MAI, CCIM, MBA

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 added to USPAP. 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 or not fully verified, 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 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 Intelica CRE continue to use the terms "complete" and occasionally "limited appraisals" as defined above while their appraisals continue to conform to the requirements of USPAP.

Alongside the range of options for the scope of appraisal analysis, 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, the analysis applied and the conclusion(s). 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, letter and narrative reports. Options are inclusion or exclusion of background economic data distantly related to the appraisal conclusion, detailed descriptions of the subject property, its vicinity, site and improvements, and detailed descriptions of the real estate market data, the analysis applied to it and the conclusion(s).

For further clarification of available options contact the Principals at JRES Intelica CRE.

COMPARISON OF REPORT TYPES

	Appraisal Report		Restricted Appraisal Report
i.	state the identity of the client, or if the client requested anonymity, state that the identity is withheld at the client's request;	i.	state the identity of the client, or if the client requested anonymity, state that the identity is withheld at the client's request;
ii.	state the identity of any other intended users by name or type;	ii.	state the identity of any other indented user(s) by name;
n/a		iii.	clearly and conspicuously state a restriction that limits use of the report to the client and the named intended user(s);
n/a.		iv.	clearly and conspicuously warn that the report may not contain supporting rationale for the all of the opinions and conclusions set forth in the report
iii.	state the intended use of the appraisal;	v.	state the intended use of the appraisal;
iv.	Contain information, documents, and/or exhibits sufficient to identify the real estate involved in the appraisal, including the physical, legal and economic property characteristics relevant to the assignment	vi.	state information sufficient to identify the real estate involved in the appraisal;
v.	State the real property interest appraised;	vii.	state the real property interest appraised;
vi.	state the type and definition of value and cite the source of the definition;	viii.	state the type of value and cite the source of its definition;
vii.	state the effective date of the appraisal and the date of the report;	ix.	state the effective date of the appraisal and the date of the report;
viii.	summarize the scope of work used to develop the appraisal	x.	state the scope of work used to develop the appraisal
ix.	Summarize the extent of any significant real property appraisal assistance;	xi.	state the extent of any significant real property appraisal assistance;
x.	Provide sufficient information to indicate that the appraiser complies with the requirements of STANDARD 1 by: 1. summarizing the appraisal methods and techniques employed 2. stating the reasons for excluding the sales comparison, cost or income approach(es) if any have not been developed; 3. summarizing the results of analyzing the subject sales, agreements of sale, options, and listings in accordance with Standards Rule 1-5; and 4. stating the value opinion(s) and conclusion(s); and 5. summarizing the information analyzed and the reasoning that supports the analyses, opinions, and conclusions, including reconciliation of the data and approaches.	xii	Provide sufficient information to indicate that the appraise complied with the requirements of STANDARD 1 by: 1. stating the appraisal methods and techniques employed 2. stating the reasons for excluding the sales comparison, cost or income approach(es) if any have not been developed; 3. summarizing the results of analyzing the subject sales, agreements of sale, options, and listings in accordance with Standards Rule 1-5; and 4. stating the value opinion(s) and conclusion(s). Comment: An appraiser must maintain a workfile that includes sufficient information to indicate that the appraiser complied with the requirements of STANDARD 1 and for the appraise to produce an Appraisal Report
xi	State the use of the real estate existing as of the effective date and the use of the real estate reflected in the appraisal;	xiii	state the use of the real estate existing as of the effective date and the use of the real estate reflected in the appraisal;
xii	When an opinion of highest and best use was developed by the appraiser, state that opinion and summarize the support and rationale for that opinion;	xiv	when an opinion of highest and best use was developed by the appraiser, state that opinion;
xiii	Clearly and conspicuously: • state all extraordinary assumptions and hypothetical conditions; and • state that their use might have affected the assignment results;	xv	clearly and conspicuously: • state all the extraordinary assumptions and hypothetical conditions; and • state that their use might have affected the assignments results;
xiv	Include a signed certification in accordance with the Standards Rule 2-3.	xvi	Include a signed certification in accordance with Standards Rule 2-3.
Source: USPAP Advisory Opinion 38, 2020-2023 Edition; © The Appraisal Foundation			

Addendum G –
Glossary of Terms

Glossary Of Terms

Terms marked * are from The Dictionary of Real Estate Appraisal, Seventh Edition, 2022, 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).

Other than very generally in §§ 39-1-103(5)(a) and 104(10.2)(d), C.R.S., Colorado statutes do not provide a specific definition of actual value. However, there are a number of Colorado court cases that mention actual value and market value. In Fellows v. Grand Junction Sugar Co., 78 Colo. 393, 242 P. 635 (1925), the court concluded that "In determining 'fair value' or 'actual value', market value is usually taken as the measure, because it is most likely to be just and least difficult of ascertainment." Other Colorado cases such as Colorado & Utah Coal Co. v. Rorex, 149 Colo. 502, 369 P.2d 796 (1962) and May Stores Shopping Centers, Inc. v. Shoemaker, 151 Colo. 100, 376 P.2d 679 (1962) mention market value and attempt to define it.

The definition of market value developed by the Appraisal Institute is based on California case law: Sacramento Southern R.R. Co. v. Heilbron, 156 Cal. 408, 104 P. 979 (1909). The Appraisal Institute market value definition derived from the above case is as follows:

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

Source: Colorado Assessor's Reference Library, Volume 3, Real Property Valuation Manual

Adverse Possession*

The actual, exclusive, open, notorious, hostile, and continuous possession and occupation of real estate under an evident claim of right or title. The time required and the specific elements needed to obtain legal title by adverse possession vary 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*

1. A firm or individual producing goods or services. A business enterprise hires labor and purchases other inputs, selling its products or services to others.
2. An entity pursuing an economic activity. (USPAP, 2020-2021 ed.)

Business Enterprise Value*

The value contribution of the total intangible assets of a continuing business enterprise such as marketing and management skill, an assembled workforce, working capital, trade names, franchises, patents, trademarks, contracts, leases, customer base, 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*

1. Money claimed by, or ordered to be paid to, a person as compensation for loss or injury. (Black's)
2. In condemnation, the loss in value to the remainder in a partial taking of 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 different regions of the country and different courts may use terms such as consequential damages and severance damages differently.

3. In other types of suits for trespass or nuisance, for example, in determining the effect of adverse environmental conditions on property prices, values, or use and enjoyment, a loss in value that may be quantified as the difference between the unimpaired value and the value of the property as is.

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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 appraisal, a loss in the value of improvements from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the value of the improvement on the same date.
2. In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques.

Disposition Value *

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

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
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 compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in US dollars (or the local currency) 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 specified financing terms.

Easement*

The right to use another's land for a stated purpose.

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.

Economic Life*

The period over which improvements to real estate 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*

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately.

Exposure Time*

1. The time a property remains on the market.
2. An opinion, based on supporting market data, of the length of time that 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. (USPAP, 2020-2021 ed.)

External Obsolescence *

A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent. There are two forms of external obsolescence: economic and locational. A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent.

Extraordinary Assumption*

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property, or conditions external to the property, such as market conditions or trends, or about the integrity of data used in an analysis. (USPAP, 2020-2021 ed.)

Fair Market Value

The price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

> Source: US Supreme Court – United States v. Cartwright, 411 U.S. 546 (1973)

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 improvements 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 super-adequacy in the structure, materials, or design that cannot be practically or economically corrected as of the effective date of the appraisal.

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*

1. In eminent domain takings, the benefits that accrue to the community at large, to the area adjacent to the improvement, or to other property situated near a taken property.

2. Benefits that arise from the fulfillment of the public project that justified a taking.

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*

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)

3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions).

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

1. A condition that is presumed to be true when it is known to be false. (SVP)
2. A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2020-2021 ed.)

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*

1. The value of a property 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.

2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives. (IVS)

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 pecuniarily as he or she would have been if the property had not been taken.

Larger Parcel*

In governmental land acquisitions and in valuation of charitable donations of partial interests in property such as easements, 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, contiguity is sometimes subordinated to unitary use.

Leased Fee Interest (Estate)*

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leased Leasehold Interest

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

Leasehold Interest *

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the 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 from a lawful source that allows a business or profession to be conducted, e.g., a franchise.

3. Government permission to conduct an activity.

Life Estate or Life Interest*

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 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 US dollars (or the local currency) 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 specified financing terms.

Market Area*

The geographic region from which a majority of demand comes and in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas, or the competitive market area may be distinguished from the general market area.

Market Rent*

The most probable rent that a property should bring in a competitive and open market under all conditions requisite to a fair lease transaction, the lessee and lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. Implicit in this definition is the execution market support of a lease as of a specified date under conditions whereby

- Lessee and lessor are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;

- Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and
- The rent reflects specified terms and conditions typically found in that market, such as permitted uses, use restrictions, expense obligations, duration, concessions, rental adjustments and revaluations, renewal and purchase options, frequency of payments (annual, monthly, etc.), and tenant improvements (TIs).

Market Value*

A type of value that is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined, such as the following.

1. The most widely accepted components of market value are incorporated in the following definition: The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.
2. Market value is described, not defined, in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal.

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

Market value is 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 value, 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 compelled to buy or sell, giving due consideration to all available economic uses of the property.

Source: Uniform Appraisal Standards for Federal Land Acquisitions, Washington, D.C. 2016

Neighborhood*

1. A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises. See also market area.
2. A developed residential superpad within a master planned community usually having a distinguishing name and entrance.
3. A geographic area around a property that influences that property, i.e., its environment.

Partial Interest*

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest.

Personal Property*

1. Tangible or intangible objects that are considered personal, as opposed to real property. Examples of tangible personal property include furniture, vehicles, jewelry, collectibles, machinery and equipment, and computer hardware. Examples of intangible personal property include contracts, patents, licenses, computer software, and intellectual property.
2. Any tangible or intangible article that is subject to ownership and classified as real property, including identifiable tangible objects that are considered by the general public as being "personal," such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment, and intangible property that is created and stored electronically such as plans for installation art, choreography, emails, or designs for digital tokens. (USPAP, 2020-2021 ed.)

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*

A form of physical deterioration that can be practically and economically corrected as of the date of appraisal; excludes vandalism and damage, which are curable conditions but are not accounted for in an estimate of replacement cost or reproduction cost.

Physical Deterioration - Incurable*

A form of physical deterioration that cannot be practically or economically corrected as of the effective 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 yet achieved sellout or a stabilized level of long-term occupancy.

Real Estate*

An identified parcel or tract of land, including improvements, if any. (USPAP, 2020-2021 ed.)

Real Property*

1. An interest or interests in real estate.
2. The interests, benefits, and rights inherent in the ownership of real estate. (USPAP, 2020-2021 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*

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

Remaining Economic Life*

The estimated period over which existing improvements are expected to contribute economically to a property; an estimate of the number of years remaining in the economic life of a structure or structural components as of the effective 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. The owner of the sandwich lease is neither the fee owner nor the user of the property; he or she may be a leaseholder in a chain of leases, excluding the ultimate sublessee.

Special Benefits*

In condemnation, 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 benefitted 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 that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.

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 resale price or value of a property. Also called a going-out, exit, residual, or reversionary capitalization rate.

Trade Area*

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

Use Value*

The value of a property based on a specific use, which may or may not be the property's highest and best use. If the specified use is the property's highest and best use, use value will be equivalent to market value. If the specified use is not the property's highest and best use, use value will be equivalent to the property's market value based on the hypothetical condition that the only possible use is the specified use.

Value in Use*

1. The amount determined by discounting the future cash flows (including the ultimate proceeds of disposal) expected to be derived from the use of an asset at an appropriate rate that allows for the risk of the activities concerned. (FASB Accounting Standards Codification, Master Glossary)
2. Formerly used in valuation practice as a synonym for contributory value or use value.

Addendum H –

Denver Metropolitan Area Economic Base

DENVER METROPOLITAN
AREA ECONOMIC BASE
2022

Eric Karnes
William M. James, MAI, CCIM

Denver is located in north central Colorado about 15 miles 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 commuter and light 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 (at least partly) 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

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. Sports enthusiasts enjoy the NFL's Denver Broncos, the NBA's Denver Nuggets, the Colorado Mammoths, 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 park may be relocated in the future due to planned redevelopment of the property.

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 Colorado Convention Center. Plans are currently being developed to redevelop and expand part of the DCPA and the convention center. The National Western Complex on Brighton Boulevard in north Denver is also being redeveloped and expanded.

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

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	
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.
Everest College	A career-oriented college offering a variety of occupational programs.
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

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.

Population and Labor Force

METRO DENVER POPULATION BY COUNTY			
County	**2010**	**2020**	**% Change**
Adams	443,711	509,844	14.9
Arapahoe	574,819	649,980	13.1
Boulder	295,604	324,682	9.8
Broomfield	56,107	69,444	23.8
Denver	604,879	715,878	18.4
Douglas	287,124	344,280	19.9
Jefferson	535,651	578,795	9.8
Metro	2,797,895	3,192,903	14.1

Source: US Bureau of the Census

METRO DENVER LABOR FORCE 2022		
	Metro Denver	**Colorado**
Civilian Labor Force	1,736,300 **	3,248,800 **
Employed	1,680,500 **	3,137,000 **
Unemployed	55,800 **	111,800 **
% Unemployed	3.2% **	3.4% **
College Graduates	47.8% *	42.7% *
High School Graduate	92.3% *	92.4% *

*Source: Metro Denver EDC 2021 annual average
**Source: US Bureau of Labor Statistics – June 2022 (excluding Boulder County)

Income Estimates

	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			
2020 Census 4)	1,201,998	2,396,828	$75,646	$75,232	$69,822	$63,776
Change 2010-2020	+19.6%	+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.

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/US Bureau of the Census

COST OF LIVING INDEX As of August 12, 2022	
City	**All Items Index%**
Albuquerque, NM	91.1
Atlanta, GA	107.5
Austin, TX	119.3
Boston, MA	162.4
Charlotte, NC	98.9
Chicago, IL	106.9
Dallas, TX	101.6
Denver, CO	**128.7**
Houston, TX	96.5
Kansas City, MO	86.2
Las Vegas, NV	111.6
Los Angeles, CA	173.3
Miami, FL	123.1
Phoenix, AZ	103.7
Portland, OR	130.8
Raleigh, NC	102.3
Salt Lake City, UT	118.9
San Diego, CA	160.1
San Francisco, CA	269.3
San Jose, CA	214.5
Seattle, WA	172.3

Source: Bestplaces.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 east, central and northeast Denver and north Aurora.

NON-FARM EMPLOYMENT IN METRO DENVER (in thousands)			
NAICS Sector	**Number of Employees**	**% of Total Employment**	**% Change From 2021 to 2022**
Education & Health Services	193,100	11.5	0.7
Financial Activities	115.500	6.9	0.3
Government	201,600	12.0	0.4
Information	53,800	3.2	2,5
Leisure & Hospitality	172,000	10.2	10.0
Manufacturing	74,000	4.4	5.1
Mining & Construction	117,300	7.0	7.0
Other Services	62,600	3.7	7.4
Professional & Business Services	315,600	18.7	9.2
Trade, Transportation & Utilities	288,000	17.1	2.9
Total Employment	1,680,500	100.0%	5.5%

Source: US Bureau of Labor Statistics June 2021 and June 2022 (excluding Boulder)
Note: Number of employees does not add to Total Employees due to exclusion of several small categories

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 20,000 people employed at aerospace companies, including largest employers like Lockheed Martin Space Systems, Sierra Nevada, Raytheon Corporation and Ball Aerospace. Colorado has the nation's second-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. Construction is currently underway on a 39-gate expansion and a redevelopment of the Great Hall at the Jeppesen Terminal. 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 14th for employment concentration in the sector. The metro area currently houses approximately 630 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 has 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 ultimately 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 built a new hospital on the campus, replacing a facility in east Denver. 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 11th 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 15,860.

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 5th in employment concentration and 9th in absolute employment. Additionally, the region hosts 2,630 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. Denver ranks 6th in fossil fuel employment concentration and 4th for clean tech.

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 14,000 companies within the sector. Having an employment base of 98,000 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 214,400, the region placed at 30th in employment concentration and 9th and accounts for 70.0% of the industry in the entire state, totaling 19,760 direct companies.

Information Technology and Software
Colorado has the third-highest concentration of high-tech workers among the fifty states, employing about 54,580 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	UC Health	Healthcare	13,190
2	Amazon	Distribution	12,360
3	HealthONE Corporation	Healthcare	12,160
4	Centura Health	Healthcare	10,740
5	Intermountain Healthcare	Healthcare	10,000
6	Lockheed Martin Corporation	Aerospace and defense	9,320
7	Comcast	Telecommunications	8,080
8	United Airlines	Airline	7,130
9	Kaiser Permanente	Healthcare	7,100
10	Children’s Hospital Colorado	Healthcare	7,000
11	DISH Network	Satellite television	6,300
12	Ball Corporation	Aerospace and containers	6,150
13	Lumen Technologies	Telecommunications	6,100
14	United Parcel Service	Logistics	5,640
15	Southwest Airlines	Airline	4,740
16	Charter Communication	Telecommunications	4,000
17	FedEx	Logistics	3,950
18	University of Denver	Higher education	3,760
19	Wells Fargo	Financial services	3,670
20	United Healthcare	Insurance	3,620
21	Charles Schwab	Financial services	3,490
22	Empower Retirement	Insurance and retirement savings	3,040
23	Frontier Airlines	Airline	2,980
24	Xcel Energy	Utility	2,940
25	Medtronic PLC	Medical technology	2,600

Source: Metro Denver Economic Development Corporation, June 2022

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
2021	85,550	13,259	3.7	2.8
2020	(78,287)	(10.624)	6.6	5.4
2019	44,700	4,700	2.4	2.1
2018	27,800	4,300	3.7	3.3
2017	64,200	8,500	2.8	2.5
2016	59,700	7,800	2.6	2.2
2015	4,600	(1,200)	3.1	2.8
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, June 2022

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.

The COVID-19 pandemic of 2020-2021 created a deep but brief recession nationally and in metro Denver. By late 2021 the recession was ending as vaccines allowed employees to return to work. All segments of the real estate markets in Denver rebounded except for office, which was affected by changes in employment characteristics as more employees were able to work from home.

Denver's economic growth is now 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 2018:

Mixed-Use Projects

- **East 61st Avenue and Pena Boulevard**, a 400-acre mixed-use development by F. C. Fullenwider, Inc. adjacent to a new RTD commuter rail station. Panasonic Corporation is the anchor office and research tenant in the project near Denver International Airport.

- **Aerotropolis**, 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. Residential development will not be allowed so that future complaints about noise will not occur.

- **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. Construction was recently completed on a park-and-ride garage and the adjacent RTD station. The next phase will be apartments to be developed by Trammell Crow Company.

- **Aurora Metro Center**, a 70-acre project planned for Aurora Parkway between South Chambers Road and South Sable Boulevard, including a high-density mix of commercial and residential uses. The site is adjacent to an RTD light rail station.

- **Ball Arena land**, about 55 acres adjacent to the Ball arena in downtown Denver, is now being planned for a massive office, retail and residential community. The arena will remain, but the parking areas will be redeveloped.

- **Baseline**, 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.

- **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.

- **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. Construction is being completed on the final residential and retail uses.

- **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 Jefferson 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 planned to have about 2,500 residential units, mainly single family, and 250 acres set aside for commercial use.

- **Central Park**, a 100-acre mixed use development in Highlands Ranch by Shea Properties. The site at Plaza Drive and Lucent Boulevard will include office, retail and residential uses.

- **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.

- **Colorado Center**, a two-phase expansion of the office and retail complex at I-25 and South Colorado Boulevard. The initial phase contained a 210,000 square foot office tower and 40,000 square feet of retail space. A second phase will include 269 apartment units. Colorado Center is adjacent to an RTD light rail station.

- **The Colorado Rockies** baseball team developed **McGregor Square**, a mixed-use full block project adjacent to Coors Field, including retail, residential, hotel and restaurant 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.

- **The former Colorado Department of Transportation headquarters** in south Denver will be redeveloped into a residential and commercial mixed-use development by Kentro. The property is on East Arkansas Avenue east of South Colorado Boulevard. It will contain several types of residential uses totaling 840 units.

- **Gaylord Hotel and Conference Center,** a 1,500-room hotel with ancillary meeting facilities was recently opened on an 85-acre site on East 64th Avenue in northeast Aurora near Denver International Airport. The facility is being operated by Marriott. A second phase is in the planning stage.

- **Hess Ranch,** a 1,536-acre mixed-use development in Parker, south of Stroh Road and west of Crowfoot Valley Road. The project is planned for 3,379 residential units and several commercial sites.

- **The Jones District**, a 42-acre site south of Dry Creek Road along I-25 in Centennial. The project, since renamed The District, 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 space and apartments. The Centennial City Council recently approved plans to maximize density in the district.

- **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 is being developed in a neo-traditional style with about 250,000 square feet of retail space and up to 900 residential units.

- **The Loretto Heights** campus in southwest Denver was acquired by Westside Investment Partners. The property at 3001 South Federal Boulevard was recently approved by the Denver City Council for a mixture of uses, including the adaptive reuse of the historic former college buildings. The first apartment building was recently completed.

- **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).

- **Market Station**, the redevelopment of the former RTD bus station in the block bounded by 16th, 17th, Blake and Market streets. Continuum Partners developed about 90,000 square feet of office space, 86,000 square feet of retail and 225 micro apartments on the site.

- **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 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. Construction is underway on the first apartment component.

- **Mile High Stadium**, a conceptual plan to develop the parking lots on the south side of the stadium fronting on West Colfax Avenue. The general plan is under consideration to include high density residential, retail and entertainment uses. The Denver City Council approved the concept plan for future development on the site.

- **Miller's Landing**, a 65-acre development at the northwest quadrant of I-25 and Plum Creek Parkway in Castle Rock. P3Advisors LLC plans a mixed-use commercial development on the site, which was recently approved by the Castle Rock Town Council.

- **Porteos**. A 1,287-acre development south of Denver International Airport on East 64th Avenue. The project, to be developed by A&C Properties of Phoenix, would include a mix of industrial, office and hotel uses oriented to airport businesses.

- **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.

- **Red Tail Ridge** is the proposed development of a 430-cre parcel at US-36 and the Northwest Parkway in Louisville. The project will primarily include office and flex buildings oriented to biomedical users. The developer is Brue Baukol.

- **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. Construction on the extension of RTD's southeast light rail line was completed into RidgeGate east of I-25. Engineering and construction company Kiewit is moving to a 1,500-employee regional office in RidgeGate East near the light rail station.

- **River Mile**, a 59-acre mixed-use development along the east bank of the South Platte River between Speer Boulevard and West Colfax Avenue. The project by Revesco may ultimately replace the Elitch Gardens amusement park. Plans call for a high-density mixture of residential and commercial uses, with development likely to take several decades.

- A five-block section of **Sherman Street** between East Colfax Avenue and East 20th Avenue may be redeveloped. The Dikeou family owns six parcels on the corridor and has initiated a planning process for high density development of the parcels.

- **Smokestack 40,** the conversion of a former AT&T industrial complex at 2535 East 40th Avenue by Brooke and Tom Gordon into a performance venue with commercial space and about 760 residential units.

- **Stapleton,** now called Central Park, 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 is expanding its employee training center in Central Park. Central Park also includes 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 opened a commuter rail station for its East line at Central Park Boulevard in 2016.

- **Superior Downtown**. A 156-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.

- **Uplands** is a proposed 230-acre mixed-use development at West 84th Avenue and Federal Boulevard in Westminster. Proposed by Oread Development, the project would contain about 2,350 residential units, commercial uses and park lands.

- **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.

- **Westfield RiNo**, a 14-acre high density mixed-use development by Westfield Partners on Brighton Boulevard between 40th and 43rd streets near the RTD 38th & Blake commuter rail station. Construction by several developers is currently underway, mainly of apartment buildings.

<u>Public Projects and Transportation</u>

- **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 track, Valmont Road, Pearl Street and 30th Street. Developers completed several large mixed-use projects, including SPARK, a retail, office and apartment project on Valmont Road at the railroad crossing and Reve on the southeast corner of 30th and Pearl streets, A new regional headquarters for Google was recently completed on the southwest corner of the intersection.

- **Brighton Boulevard reconstruction**, a $76 million project by the City & County of Denver to rebuild the busy thoroughfare between 29th and 45th streets in the RiNo neighborhood. The street was rebuilt, utilities placed underground, new sidewalks and bicycle lanes added, and extensive landscaping provided. In conjunction with the **National Western Center** project, the reconstruction extended to Race Court near the Denver boundary with Adams County.

- **C-470 Widening**, a project by the Colorado Department of Transportation to add two toll lanes to C-470 between I-25 and South Kipling Parkway in the south metro area. The $100 million project started construction in 2016 and was completed in 2022.

- **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.

- Property owners approved a streetscape improvement plan for **East Colfax Avenue** between Grant and Josephine streets. The planned **RTD Bus Rapid Transit** service on the street between Broadway and Yosemite Street may be operational by 2023.

- **Colfax Avenue and I-25 interchange study** is being coordinated with a number of public and private agencies to consider how the connections between the two highways and the impact on potential redevelopment may be planned. The study may be expanded to include the Colfax Avenue interchange with Federal Boulevard.

- Voters approved a change in the Denver City Charter to create a **Department of Transportation and Infrastructure** that will manage all aspects of mobility in local government operations.

- **FasTracks**, the ongoing $7.8 billion project to extend light rail and commuter rail and bus rapid transit service throughout metro Denver. A commuter line to Arvada and Wheat Ridge recently opened. Construction on a commuter rail line to Northglenn and Thornton opened in 202. Construction of bus rapid transit lanes on US-36 between Federal Boulevard in Denver and Table Mesa Drive in Boulder was completed in early 2016.

- Planning is underway for improvements to **East 56th Avenue** in northeast Denver. The street will be widened to four lanes between Havana Street and Tower Road. New bicycle lanes and improved sidewalks will be included.

- **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 built an extension of the I-225 light rail line through the campus, which includes a station on Fitzsimons Parkway. The line connects with the new East commuter rail line at Peoria Street.

- **The Gates Rubber Company's** former manufacturing plant site on South Broadway received Denver City Council approval for urban renewal and tax increment financing status. The concept plan calls for a large transit-oriented development containing office and retail uses and about 2,600 residential units, all within walking distance of the RTD light rail station at South Broadway and West Kentucky Avenue. Legend Partners of Denver and Endeavor Real Estate of Austin recently purchased the first section of the property for development.

- **Glendale 180**, a park, recreation center and enhanced pedestrian and bicycle facility along Cherry Creek and East Virginia Avenue east of South Colorado Boulevard. The City of Glendale will also encourage mixed-use development along the RiverWalk corridor.

- **I-70 Reconstruction**, a $1.8 billion project 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 expects to have the project completed by 2023.

- **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 City & County of Broomfield recently withheld funds for its share of the project. The CDOT is working with the City of Golden to ameliorate traffic concerns along US-6 which would receive traffic from the toll road, including a new interchange at 19th Street. The construction cost for the extension is estimated at $204 million. The Federal Aviation Administration voiced concerns about the proposed highway's proximity to the end of a runway at Rocky Mountain Metro Airport, which may further complicate plans.

- **National Western Center**, the redevelopment and expansion of the historic stock show and rodeo complex on Brighton Boulevard in north Denver. The project will involve participation by Colorado State University, History Colorado and the Denver Museum of Nature and Science, among other organizations to utilize the property for year-round events.

- **RTD Southeast Light Rail Extension** was completed in Lone Tree. The 2.5-mile extension runs from the original terminus north of Lincoln Avenue across I-25, serving the SkyRidge Medical Center and the expanding RidgeGate mixed-use development on both sides of the freeway.

- **RTD** completed construction on the **G commuter rail line** to Wheat Ridge and Arvada in 2019. Due to higher than projected ridership, RTD added more cars to the **A line commuter trains** between Denver Union Station and Denver International Airport.

- The City & County of Denver adopted rules and fees for **electric scooters and bicycles**. A number of mobility companies have stated service. Denver City Council approved an ordinance regulating the use of the vehicles on sidewalks where they may conflict with pedestrians.

- The City & County of Denver is preparing to add more bicycle lanes and improved sidewalks and crossways on a two mile section of **South Broadway** south of downtown.

- **Speer and Leetsdale mobility study** is underway to determine how best to improve traffic movement along Speer Boulevard and Leetsdale Drive in east Denver and Glendale, including better bus service and alternative means, such as wider sidewalks and bicycle lanes.

- **Thornton Eastlake RTD Station Plan** was created by the City of Thornton for the area adjacent to the planned commuter rail station near East 124th Avenue and Claude Court. The north line is due to be completed in 2020 and will connect Eastlake to Denver Union Station.

- **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 is selling individual sites to developers, with several apartment projects completed and currently underway. The new name for the project is **Downtown Westminster**.

- **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. An initial phase of 71 units of affordable housing was recently completed.

Addendum I –

Denver Metropolitan Area Economic Conditions

DENVER METROPOLITAN AREA
ECONOMIC CONDITIONS

4th Quarter 2022

Eric Karnes
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The national economy expanded from the effects of the Great Recession of 2008-2009. Then the Covid-19 pandemic began, with the primary economic effects starting in March of 2020 and showing their greatest influence in subsequent quarters. Since then, the economies, both nationally and in metro Denver, have recovered. Denver's employment is now at a record level.

The U.S. Department of Housing and Urban Development's "National Housing Market Summary" report for the 3rd Quarter of 2022 (the latest quarter available) indicated that on the national level the housing market was still healthy although increasing interest rates may affect future sales and construction. In particular, the indices tracked by the HUD report include:

- New single-family residential construction during the 3rd Quarter of 2022 reported 911,000 units started, down 17.5% on a year-to-year basis. Completions totaled 1,026,000 for the 3rd Quarter, up 8.3% from the same period in 2021. Permits issued for the 3rd Quarter 2022 were down 14.6% from the 3rd Quarter of 2021.

- New single-family sales totaled 597,000 in the 3rd Quarter of 2022, down 16.49% from the same period in 2021. The median sale price for a new single-family house in the 3rd Quarter 2022 was $454,900, up 10.6% from the previous year.

- The average unsold inventory of 463,000 new single-family units in the 3rd Quarter 2022 created an average 9.4 months' supply, up from 6.1 months one year before.

- An annual average of 4,770,000 existing residential units was sold during the 3rd Quarter of 2022, down 21.4% from the same period in 2021. The median sale price for an existing unit was $391,467, an increase of 8.6% from the 3rd Quarter of 2021.

- The inventory of unsold existing units was 1,230,000, or a 3.1 months' supply. This compares to the inventory of new residential units for sale of 463,000, or a 9.4 months' supply.

Foreclosures**,** once the bane of the housing market nationally and in metro Denver, subsided considerably with economic recovery. For example, the US Housing and Urban Development 3rd Quarter 2022 report indicated that 3.45% of the existing residential mortgages in the US were past due on their payments, down from 4.88% in the 3rd Quarter of 2021. Loans in foreclosure nationally accounted for about 1.90% of all residential mortgages.

HISTORY AND FORECAST FOR KEY NATIONAL ECONOMIC VARIABLES December 2022 Forecast								
	2016	2017	2018	2019	2020	2021	2022	2023
Inflation-Adjusted & Current Dollar Income Accounts								
Inflation-Adjusted Gross Domestic Product (Billions)A	$16,659.8	$17,092.7	$18,572.1	$19,021.3	$18,385.3	$19,395.8	$19,982.4	$20,142.3
Change	1.6%	2.3%	2.9%	2.5%	-3.7%	5.5%	1.9%	0.8%
Personal Income (Billions)/B	$16,011.8	$16,416.9	$17,663.9	$18,356	$19,673.9	$21,040.8	$21,784.7	$22,2612.4
Change	3.6%	3.1%	446%	4.4%	6.1%	7.2%	2.3%	3.8%
Per-Capita Income ($/person)	$49,553	$50,402	$53,685	$55,705	$59,647	$63,628	$65,572	$67,928
Change	2.9%	2.3%	3.7%	3.7%	5.5%	6.8%	2.2%	3.6%
Population & Employment								
Population (Millions)	323.1	325.7	327.2	329.5	329.8	330.7	332.2	332.9
Change	0.7%	0.7%	0.6%	0.7%	0.5%	0.4%	0.1%	0.2%
Unemployment Rate	4.9%	4.4%	3.9%	3.7%	8.2%	5.4%	3.7%	4.1%
Total Nonagricultural Employment (Millions)	144.3	146.6	149.1	151.3	142.2	146.1	152.1	154.4
Change	1.7%	1.6%	1.7%	1.5%	-5.8%	2.7%	4.1%	1.5%
Price Variables								
Consumer Price Index (1982-84=100)	240.0	245.1	251.1	256.5	258.8	271.0	293.0	304.7
Change	1.3%	2.1%	2.4%	2.0%	1.2%	4.7%	8.1%	4.0%
Producer Price Index (1982=100)	185.4	193.5	201.9	204.7	208.8	NA	NA	NA
Change	-2.6%	4.4%	4.3%	1.4%	2.0%			
Other Key Indicators								
Corporate Profits (Billions)	$2,079.0	$2,165.2	$2,269.2	$2,394.0	$1,957.9	$2,638.5	$2976.1	$2,833.3
Change	-0.4%	4.4%	8.1%	5.8%	-13.0%	19.6%	7.4%	-4.8%
Housing Permits (Millions)	1.190	1.264	1.309	1.339	1.378	1.679	1.700	1,490
Change	0.6%	4.8%	2.1%	1.6%	-0.6%	14.1%	-2.2%	-12.5%
Retail Trade (Billions)	$5,488.5	$5,764.4	$6,036.4	$6,211.5	$6,267.6	$7,315.1	$8,170.6	$8,366.7
Change	3.0%	4.6%	5.0%	3.0%	0.8%	17.7%	9.8%	2.4%

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 income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

The Colorado Office of State Planning and Budgeting provided the above information about the national economy.

COLORADO ECONOMY

Colorado's economy was growing and leading the nation in most economic indicators before the arrival of the Covid-19 pandemic and has resumed its expansion. The US Bureau of Labor Statistics tracks employment and unemployment on the national, state and metropolitan levels. The following information for the US and Colorado is provided for the month of December 2022 and is preliminary:

- The national unemployment rate in December of 2022 was 3.5%, down from 3.9% in December of 2021.
- For Colorado, the unemployment rate in September was 3.3%, down from 4.2% in December of 2021.
- The Denver metro area (including Boulder) had an unemployment rate of 2.7% in December, down from 3.6% one year previously.

On a combined basis, metro Denver (including Boulder) recorded a net increase of about 62,900 non-farm jobs between December 2021 and December of 2022. This equates to an employment increase of about 3.5% for the twelve months in the metro area.

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 the state of Colorado for December 2021 and December 2022:

Employment Category	December 2021	December 2022	% Change
Mining, energy and logging	19,800	20,800	5.1
Construction	178,900	194,500	3.1
Manufacturing	151,200	157,800	4.4
Trade, transportation and utilities	491,800	502,400	2.2
Information	77,700	78,300	0.8
Financial activities	180,000	176,600	-1.9
Professional and business services	467,100	499,000	6.8
Education and health services	348,400	361,700	3.8
Leisure and hospitality	331,300	351,600	6.1
Other services	116,700	125,000	7.1
Government	443,900	453,800	2.2
Total nonfarm overall employment	2,806,800	2,911,500	3.7

The above table shows changes in nonfarm wage and salary categories, which can vary from the broader overall total employment statistics. Employment totals are preliminary and subject to change.

HISTORY AND FORECAST FOR KEY COLORADO ECONOMIC VARIABLES December 2022 Forecast								
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Current Income								
Personal Income (Billions)/A	$289.1	$303.7	$323.2	$340.3	$374.0	$397.4	$429.0	$444.8
Change	4.1%	5.4%	5.5%	5.1%	6.2%	7.3%	4.4%	4.6%
Wage and Salary Income (Billions)	$152.7	$159.9	$168.5	$177.6	$181.6	$203.8	$226.8	$239.8
Change	4.2%	5.7%	5.1%	5.2%	-0.3%	8.9%	10.5%	5.7%
Per-Capita Income ($/person)	$52,182	$54,156	$56,740	$58,954	$64,334	$68.156.4	$73,244.0	$75,895.0
Change	2.4%	4.0%	4.0%	3.7%	5.2%	6.4%	3.6%	3.6%
Population & Employment								
Population (Thousands)	5,540.5	5,607.2	5,695.6	5,771.9	5,814.0	5,831.2	5,8543.8	5,896.4
Change	1.7%	1.4%	1.4%	1.2%	1.0%	0.8%	0.5%	0.9%
Net Migration (Thousands)	61.6	46.8	53.0	43.0	35.0	30.0	15.0	35.0
Unemployment Rate	3.3%	2.8%	3.3%	2.8%	7.0%	6.0%	3.6%	3.9%
Total Nonagricultural Employment (Thousands) /B	2,598.3	2,655.7	2,725.3	2,785.6	2,665.8	2,716.0	2,865.0	2,913.7
Change	2.2%	2.2%	2.4%	2.1%	-4.3%	2.7%	4.4%	1.7%
Construction Variables								
Total Housing Permits Issued (Thousands)	38.4	41.9	44.5	38.6	38.7	45.1	57.7	48.7
Change	20.5%	7.5%	6.1%	-9.4%	0.2%	11.5%	2.0%	-15.5%
Nonresidential Construction Value (Millions) /C	$5,585.5	$5,704.1	$7,611.7	$5,063.6	$5,250.4	$5,433.1	$6,030.1	$5,861.3
Change	16.3%	-4.0%	23.4%	-37.8%	3.8%	-0.2%	7.5%	-2.8%
Prices & Sales Variables								
Retail Trade (Billions) /D	$99.1	$103.9	$109.3	$224.6	$226.8	$265.9	$302.7	$310.5
Change	4.3%	4.8%	5.2%	9.0%	1.0%	16.2%	12.8%	2.6%
Denver-Boulder-Greeley Consumer Price Index	246.6	255.0	262.0	26702	273.1	281.7	304.3	317.1
(1982-84=100) - Change	2.8%	3.4%	2.7%	1.9%	2.3%	3.5%	8.0%	4.2%

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 reflect the number of jobs more accurately 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).

DENVER METROPOLITAN AREA ECONOMY

Metro Denver's economy experienced a strong rebound from the Great Recession prior to the brief but sharp rescission caused by the Covid-19 pandemic. Denver's economy returned to a growth mode.

The table below shows trends in several of the most important economic indicators for the Denver metropolitan area, including Boulder. Annual changes in the indicators are for the year end compared to the totals for the previous year for 2013 to 2022.

Indicator	2015	2016	2017	2018	2019	2020	2021	2022
Employment change (1)	0.6%	4.2%	4.4%	1.8%	3.0%	-4.8%	6.5%	3.5%
Metro Unemployment rate (2)	3.2%	2.6%	2.5%	3.6%	2.2%	8.0%	3.5%	2.7%
Housing permits change (3)	9.3%	24.4%	3.1%	10.1%	17.5%	3.0%	71.9%	-11.5%
Retail sales change (4)	7.8%	1.4%	4.8%	5.2%	2.0%	1.0%	7.8%	12.8%

Sources:

1. US Bureau of Labor Statistics:2022 is for December 2022 compared to December of 2021.
2. US Bureau of Labor Statistics: 2022 is for December.
3. Change for 2015 through the 4th quarter of 2022 is from building permit data compiled by the Home Builders Association of Metro Denver and JRES Intelica CRE.
4. Colorado Office of State Planning and Budgeting projection for 2022.

A number of major announcements were made in metro Denver during the 4th Quarter of 2022 including:

- United Airlines is adding 1,800 jobs at its hub at Denver International Airport.
- Virta Health will move its headquarters to Denver from San Francisco, creating about 1,000 local jobs.

Denver continues to be included in "best of" listings, including the following during the 4th quarter of 2022:

- CBRE ranked Denver as the 5th best tech markets in the US.
- Marketing company Promoleaf named Boulder as the best city for sustainable business startups.

Transportation

One of the most important influences on any local economy is the quality and variety of transportation options. Congestion detracts from economic 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 4th quarter of 2022 that will affect mobility and transportation in metro Denver:

- Plans were revealed for the design of the bus rapid transit lines on East Colfax Avenue.
- The Colorado Department of Transportation started construction on the widening of South Santa Fe Drive in northern Douglas County.
- Voters in the City & County of Denver approved an initiative to impose a sidewalk maintenance and construction fee on property owners.

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 mostly oriented to office buildings and apartments.

Two transit-oriented events occurred in metro Denver during the 4th quarter of 2022:

- The former Radisson Hotel at 3155 South Vaughn Way in Aurora is being converted into a 332-unit apartment building several blocks from the RTD Nine Mile Station.
- Construction started on Tempo Nine Mile, a 255-unit apartment building across South Parker Road from the RTD Nine Mile Station.

Addendum J –
Real Estate Market Conditions

DENVER METROPOLITAN AREA
REAL ESTATE MARKET CONDITIONS

4th Quarter 2022

Eric Karnes
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Denver's economy recovered quickly from the effects of the Great Recession. Employment growth returned, the unemployment rate fell below the national average and all sectors of the real estate market improved along with the economy. Denver's economy was not affected as badly as that of the nation as a whole or as in many comparable cities, but the economic difficulties were felt across the board here.

But Denver's economy was affected by the economic recession brought on by the Covid-19 pandemic. With the advent of effective vaccines, the economy in Denver and nationally recovered strongly from the recession. However, concerns over inflation, the war in Ukraine, supply line problems and increased interest rates are raising concerns about a possible economic slowdown.

Denver has been fortunate in being positioned for long term 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 Westin hotel and RTD commuter rail terminal.

In November of 2015 Denver voters approved a tax extension that will expand the Colorado Convention Center and renovate and redevelop the National Western Complex on Brighton Boulevard. In the November 2016 election voters in the seven-county Denver metro area overwhelmingly approved the continuation of a sales tax to fund the Scientific and Cultural Facilities District. The district provides funding to over 275 arts, cultural, historical and scientific organizations.

In November of 2017 voters in the City & County of Denver approved $937 million worth of bonds to fund a ten-year capital improvement and maintenance program. The projects included in the bonds involve transportation, cultural affairs, public safety, health, parks and government facilities. Another large bond package was approved by voters in 2021, mainly for infrastructure.

Colorado's economy was growing and leading the nation in most economic indicators before the arrival of the Covid-19 pandemic and has resumed its expansion. The US Bureau of Labor Statistics tracks employment and unemployment on the national, state and metropolitan levels. The following information for the US and Colorado is provided for the month of September 2022 and is preliminary:

- The national unemployment rate in December of 2022 was 3.5%, down from 3.9% in December of 2021.
- For Colorado, the unemployment rate in September was 3.3%, down from 4.2% in December of 2021.
- The Denver metro area (including Boulder) had an unemployment rate of 2.7% in December, down from 3.6% one year previously.

On a combined basis, metro Denver (including Boulder) recorded a net increase of about 62,900 non-farm jobs between December 2021 and December of 2022. This equates to an employment increase of about 3.5% for the twelve months in the metro area.

Real Estate Cycles

The US economy generally moves in cycles, as do real estate market conditions, investment opportunities and development activity. Overall economic conditions affect market conditions for all types of real estate, since employment, for example, creates demand.

One source useful in tracking real estate cycles is the quarterly *Real Estate Cycle Monitor*. The report is produced by Dr. Glenn R. Mueller of the Burns School of Real Estate at the University of Denver. The publication tracks market trends in 54 major US metropolitan areas, including Denver. It considers factors such as economic trends, occupancy rates and rental rates for the apartment, industrial, office, hotel and retail sectors in each city. In the *Cycle Monitor* Mueller defines four cycles as the following phases:

Phase 1: **Recovery**: market conditions are at the bottom and starting to improve.
Phase 2: **Expansion**: development is underway due to improved market conditions.
Phase 3: **Hypersupply**: development is exceeding demand and is poised for correction.
Phase 4: **Recession**: market conditions have worsened due to less demand and/or excess supply.

In the latest *Real Estate Cycle Monitor* (4th Quarter 2022) Mueller rates the current market cycles for each category of commercial real estate in metro Denver categories as:

- Office: Entering the **Recovery** phase**.**
- Industrial: Entering into **Hypersupply** phase.
- Apartment: Entering into **Hypersupply** phase**.**
- Retail: In the later stage of **Expansion,** moving into **Hypersupply.**
- Hotel: At the end of the **Recovery** phase and moving into **Expansion**.

While the overall economy of metro Denver is doing well commercial real estate sectors are moving towards market problems. Much of those are based on overbuilding but also on declining demand, at least in the office and industrial sectors.

Transit Oriented Development

One of the major trends affecting real estate development and investment in recent years has been the emergence of transit-oriented development. This concept involves the placement of residential and commercial properties within a convenient distance of major transit stops, especially those in the light rail, commuter rail and bus rapid transit categories.

During the Covid 19 pandemic more people have been working from home, and overall employment has declined due to the economic recession. Therefore, transit ridership has fallen, at least for the short term. Questions remain about how the job market will react to possible returns to places of employment.

There has also been a great deal of discussion about how transit users can benefit from "last mile" connections between transit stops and their homes or jobs. This has meant special attention to adequate and safe sidewalks, bicycle lanes, shuttle buses, ride share and, most recently, electric scooters and electric bicycles. The advent of the latter has also caused considerations of where scooters belong in the "last mile" hierarchy, especially as they relate to pedestrians or cyclists.

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.

Transit-oriented development has always been a factor in major cities with large public transit systems like Boston, New York, Washington, Philadelphia, Chicago and San Francisco. Now many second and third tier cities are developing major rail systems, and this creates a market for employment and housing within the “last mile” from stations. Cities that are particularly active in building light rail and commuter rail lines, and in some cases express bus lines, include Charlotte, Dallas, Raleigh, Salt Lake City, Minneapolis, Phoenix and Portland, and, of course, Denver.

Voters in the Raleigh approved a bus rapid transit, light rail and commuter rail system and that city recently opened a downtown rail and bus terminal serving Amtrak, NC Rail and future commuter rail trains. The MARTA system in metro Atlanta will expand to some adjacent counties., although voters in Gwinnett County recently turned down a transit issue in that large suburb. The City of Atlanta, meanwhile, is proceeding with its own transit expansions not tied to MARTA, including light rail and streetcar lines.

Dallas and Denver are two of the second-tier cities that have been most active in extending light rail and commuter rail lines. Both cities have also benefitted from considerable transit-oriented development.

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 Denver, Portland, Dallas and San Diego. In Denver the Regional Transportation District is considering how to encourage TOD projects adjacent to light rail and commuter rail stations by determining where park-and-ride lots may be converted to development that encourages transit use. 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.

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 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, Lincoln Avenue and SkyRidge 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 opened in 2016 and 2017 also have major passenger draws, including the east line to Denver International Airport, the I-225 extension through the Anschutz Medical Campus and the Northwest line to Westminster. The Gold Line to downtown Arvada and Wheat Ridge opened in 2019 as did the 2.5-mile extension of the Southeast line in Lone Tree. The North commuter rail line to Thornton and Northglenn opened in the fall of 2020.

The recently passed federal infrastructure bill contains funds for the state of Colorado and for Denver metro area jurisdictions, including RTD. How those funds will be spent has not been determined although they may help extend the Northwest rail line and possibly an extension of the Southwest rail line into Highlands Ranch.

So far most of the transit-oriented development has occurred on the southeast line to Lone Tree, the new Aurora line between South Parker Road and the Peoria Station, the East line between Denver Union

Station and Denver International Airport and the West line to Lakewood and Golden. The hub of the RTD system, Denver Union Station, has also been the center of extension office, apartment, condominium, and hotel development, all within easy walking distance of the station.

RTD is also planning bus rapid transit service on some of its busiest bus routes. The initial line will be on East Colfax Avenue. This route will be in conjunction with streetscape improvements planned along the corridor by the City & County of Denver, including better bus shelters and sidewalks. Studies are also underway for possible BRT routes in Boulder County, especially along the Diagonal Highway (CO-119) between Boulder and Longmont and US-287 from Broomfield to Longmont.

The economic shutdown caused by the Covid-19 virus had immediate effects on transportation. The "stay-at-home" requirement by state and local government caused many employees to work from home and commuting declined considerably. That situation was also seen with public transit, as bus and train ridership plummeted, resulting in the closure or some routes. The federal economic recovery act included funds for transit and the Biden administration's proposed infrastructure program may also inject large amounts of federal funds into local transit projects.

Even during the pandemic developers have been announcing projects that are defined as transit-oriented, although they will not come on stream until 2022 and 2023.

Retail

The retail market in metro Denver was affected, as elsewhere, by the decline in retail sales due to the Great Recession. The economy nationally and in metro Denver recovered and enjoyed an over ten-year period of growth. Then the economic downturn caused by the Covid-19 intruded.

The economy, nationally and in metro Denver, is starting to recover, although the retail market was especially hard hit by the recession caused by the pandemic. Those effects were mainly oriented to reductions in employment, store closures (some permanently) and restaurant closures. In some cases restaurants were able to operate through making deliveries or customer pickups, but others simply closed. By the 3rd Quarter of 2020 some stores and restaurants were allowed to reopen but under strict mask and distancing regulations by state and local governments. Others created outdoor seating arrangements with the appropriate distancing requirements between tables. By the end of the 1st Quarter of 2021 some of the regulations were being loosened or eliminated, allowing stores and restaurants to reopen, although some jurisdictions still required masks to be worn inside.

The retail market in metro Denver (excluding Boulder County) contains about 91.6 million square feet. At the end of the 3rd Quarter of 2021 the vacancy rate was 6.1%, up from 5.5% at the end of the 3rd Quarter of 2020. Following are net absorption trends for the last several years and for 2021 through the 3rd Quarter.

- 2012 -57,000 square feet
- 2013 1,477,710 square feet
- 2014 1,448,362 square feet
- 2015 698,051 square feet
- 2016 312,465 square feet
- 2017 914,385 square feet
- 2018 771,748 square feet
- 2019 -36,375 square feet
- 2020 29,779 square feet
- 2021 168,137 square feet

The 2016 net absorption was negatively affected by the closure of eight Safeway supermarkets in the metro area, followed by the closure of 17 Sports Authority stores in 2018. The negative net absorption recorded in 2019 was due primarily to the closure of a Sears department store in the West submarket and several other anchor tenants in various submarkets. In 2020 and early 2021 several anchor tenants closed, including the 70,000 square foot Great Indoors in the South submarket.

For purposes of this report, the construction, absorption, and vacancy statistics are provided by the Newmark and are generally confirmed with reports prepared by Cushman & Wakefield and CBRE. Data is for the calendar year or year-end or for the 3rd Quarter for 2021.

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
2021*	1,043	91,639,872	61,359	5,602,492	6.1%	186,137
2020	1,029	91,578,513	161,020	4,823,891	5.3%	29,779
2019	1,023	91,417,493	-134,820	5,274,500	5.8%	-36,375
2018	1,018	91,552,313	641,352	5,210,298	5.4%	771,748
2017	1,009	90,910,961	509,899	5,374,959	5.9%	914,385
2016	993	90,401,062	112,198	5,564,818	6.2%	312,465
2015	985	90,288,864	579,322	5,579,341	6.2%	698,051
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/JRES Intelica CRE
(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 3rd quarter 2021

METRO DENVER RETAIL RENTAL RATES,
NET ABSORPTION AND VACANCY RATES
Data for 2021 is Through 3rd Quarter

Year	Median Rent – Large Strip	Median Rent – Small Strip	Overall Net Absorption	Overall Metro Vacancy
2021	$22.07	$22.76	168,137	6.1%
2020	21.09	22.96	29,779	5.3
2019	24.16	22.83	-36,375	5.8
2018	22.88	22.64	771,748	5.4
2017	22.50	22.04	914,385	5.9
2016	22.34	20.90	312,465	6.2
2015	21.39	19.95	698,051	6.2
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 2nd Quarter 2021 Denver Retail Market Report

The recession caused by the pandemic adversely affected the retail market in metro Denver. Rental rates quoted by the Newmark report do not take into effect concessions that may be offered to tenants. In some instance retail space owners have foregone rent collections for some tenants.

According to the Newmark 3rd Quarter 2021 Denver Retail Report, retail vacancy rates in general have remained essentially steady in the 5.5% to 6.2% range for six years, even taking into consideration the pandemic-paused recession. The overall metro Denver retail vacancy rate was measured at 6.1% at the end of the 3rd Quarter of 2021. By category, vacancy rates were highest in subregional centers at 8.8%. Lowest retail vacancies were recorded in single tenant properties at 2.1%.

On the basis of location, vacancy rates were highest in the Downtown submarket (8.8%) and lowest in the Midtown (3.4%) submarket. The large strip and sub-regional categories had been hard hit by the departures of some "big box" retailers, especially in 2012 and 2013, leaving in some cases spaces not yet released. The Safeway closures starting in the 2nd Quarter 2015 were mainly in small strip and large strip centers. Closures of 17 Sports Authority stores in metro Denver affected vacancy rates in 2017, mainly in sub-regional and large strip centers.

According to Newmark there was a total of only about 67,000 square feet of retail space under construction in metro Denver (excluding Boulder) as of the end of the 3rd Quarter of 2021. Newmark expects about 550,000 square feet to be completed in 2021, with Downtown and Northeast accounting for much of that space.

Following are construction completions for retail space in metro Denver in recent years, and for 2021 through the 3rd Quarter:

- 2012 257,021 square feet
- 2013 766,443 square feet
- 2014 542,039 square feet
- 2015 793,322 square feet
- 2016 365,363 square feet
- 2017 598,000 square feet
- 2018 641,352 square feet
- 2019 303,880 square feet
- 2020 139,756 square feet
- 2021 513,989 square feet

Investors have been active in the retail market in metro Denver. According to Newmark the following trend occurred in retail acquisitions in recent years. The Newmark 3rd Quarter 2021 report did not list sales activity for that period:

- 2010 $242.8 Million
- 2011 $362.1 Million
- 2012 $943.7 Million
- 2013 $751.2 Million
- 2014 $852.5 Million
- 2015 $1.3 Billion
- 2016 $1.6 Billion
- 2017 $951.3 Million
- 2018 $1.3 Billion
- 2019 $1.3 Billion
- 2020 $274.8 Million
- 2021 $693.3 million

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.

The largest sales during the 3rd Quarter were the Bowles Avenue Marketplace in south central Jefferson County for $30,250,000 and the Cherry Knolls portfolio for $26.3 million.

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 n metro Denver is preleased or being built for single users. Speculative shop spaces are being included in some retail centers and mixed-use projects, especially in Cherry Creek North and Downtown. Many new mid to high-rise apartment buildings contain ground floor retail space.

Office

The office market in Denver was affected by the Great Recession as employers cut jobs and reduced their space needs. The rebound after the Great Recession created strong demand for office space and encouraged the development of new office buildings, especially downtown, in Cherry Creek North, RiNo and the Denver Tech Center.

The advent of the economic downturn caused by the Covid-19 pandemic created difficulties for the metro Denver office market, including:

- Coworking space, which had been expanding in Denver, was cut back due to concerns over distances between employees caused by concerns over infections.
- Work from home options required during the pandemic became more attractive for many businesses and employees. This may result in a decline in open office designs and also in the amount of space businesses require.
- Conversely, some businesses may react to employee concerns about overcrowded offices by returning to the more traditional individual office design, at least for some employees.
- In some markets, including Denver, oil and gas companies reduced space needs due to a combination of the pandemic, worldwide energy price fluctuations and moves towards cleaner sources of energy. Fortunately, on the last factor, Denver is a center for alternative energy companies.

While the overall Denver economy has rebounded the trend has not yet been manifested in the metro office market, as demand remains negative, and vacancies are rising. Large blocks of sublease space put onto the market are also a drag on recovery in the office sector.

The office market in metro Denver (excluding Boulder County) contains about 101.7 million square feet. Following are metro Denver office vacancy rates for recent years, as of the end of each year and for the 4th Quarter 2022:

- 2012 17.2%
- 2013 15.8%
- 2014 14.5%
- 2015 14.2%
- 2016 14.3%
- 2017 15.2%
- 2018 15.5%
- 2019 14.5%
- 2020 17.4%
- 2021 21.4%
- 2022 23.6%

Following are office market net absorption trends in metro Denver during the last several years and for 2022:

- 2012 692,813 square feet
- 2013 1,594,851 square feet
- 2014 1,524,689 square feet
- 2015 1,273,924 square feet
- 2016 632,641 square feet
- 2017 1,166,497 square feet
- 2018 2,817,162 square feet
- 2019 1,587,411 square feet
- 2020 -2,475,697 square feet
- 2021 -2,991,472 square feet
- 2022 -1,600,695 square feet

Until 2015 most of the new office space being developed was heavily preleased or intended to be owner-occupied. Starting in 2016 developers, enticed by strong market conditions, started some speculative developments, especially downtown and in RiNo. By 2019 speculative construction emerged again in the office market.

For purposes of this report, the construction, absorption, and vacancy statistics are provided by Newmark and are generally confirmed with reports prepared by CBRE.

One factor affecting the office market in metro Denver was the emergence of coworking. This concept became popular on the national as well as local basis. A report by Cushman & Wakefield in August of 2018 estimated that 1% of the total office inventory in the US is now contained in coworking, or flexible, office space. The report estimated that the percentage may increase threefold in the foreseeable future, with a much higher percentage in certain markets, although that was written prior to the arrival of the Covid 19 pandemic recession.

Coworking is best defined as a concept in which individual tenants or users contract with a provider of office and service space. These spaces range from the use of a desk to full office suites. In some cases a building owner will also provide the coworking spaces although in most cases the coworking sponsor is a tenant.

The coworking concept in itself is not new. Some national chains were providing coworking spaces over thirty years ago, including International Workplace Group, now called Regus. The expansion of the concept follows the growth of the "gig economy", in which people who may have been working from home offices decide to work instead in a coworking environment with services and the ability to network with others. These employees also include those who are consultants, frequently for former employers, and writers, editors, salespeople, and researchers.

An early use of the coworking concept was the provision of office services for nonprofit organizations. In Denver this was most evident with the Alliance Center, a coworking operation on Wynkoop Street in LoDo that is oriented to nonprofits, especially those involved with environmental causes.

The coworking concept initially was particularly popular in Denver, especially among employees and companies in tech fields. Coworking spaces were found in most of the metropolitan area's office submarkets but mainly clustered in downtown Denver and in LoDo, LoHi and RiNo. There were at least sixteen coworking operators in Denver, ranging from large firms like WeWork to smaller specialized operators.

WeWork experienced internal management issues, including the replacement of its founder as chief executive officer. It also reduced employment by about 2,500. Since WeWork leased about 1% of the private office space in metro Denver a further decline in that company's prospects had an adverse effect on of Denver office market, especially downtown and in RiNo. The coworking concept was adversely affected by the Covid-19 pandemic.

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)**
2022*	993	101,675,985	1,082,795	24,033,610	23.6%	-1,600,695
2021	988	100,593,190	529,594	21.529,293	21.4%	-2,991,472
2020	NA	100,163,596	519,544	17,428,464	17.4%	-2,475,697
2019	994	99,644,052	520,881	14,399,978	14.5%	1,587,411
2018	989	99,121,171	2,857,006	14,755,621	15.5%	2,817,162
2017	978	96,264,165	2,382,528	14,657,240	15.2%	1,166,497
2016	963	93,881,637	471,769	13,184,480	14.3%	631,642
2015	961	93,409,868	1,027,318	13,297,471	14.2%	1,273,924
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

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)**
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/JRES Intelica CRE
(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 4th quarter 2022

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
2022*	$38.15	$26.15	$20.65	23.6%
2021	36.13	25.46	19.95	21.4
2020	32.83	24.34	NA	17.4
2019	34.38	24.57	20.26	14.5
2018	33.78	23.70	21.94	15.5
2017	31.22	22.73	18.92	15.2
2016	30.41	22.26	18.53	14.3
2015	30.67	20.90	17.43	14.2
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 4th Quarter 2022 Metro Denver Office Report

According to the Newmark 4th Quarter 2022 report, the median office rental rate in metro Denver was $30.96 per square foot on a full-service basis. In terms of rental rates by class, the median rate was $38.15 per square foot for Class A space and $26.15 per square foot for Class B and $20.65 for Class C space. Those rates do not take into consideration effects of concessions or competition from sublease space, both of which would lower effective asking rates.

Rental rates increased for all three categories since the end of 2015 until the declines measured for the averages in the 1st Quarter of 2020. Rental rates showed increases starting in 2021. In terms of rental rates by submarket, the highest median rates were measured in Downtown and Cherry Creek submarkets. Lowest median rates were in Aurora and in the Southwest submarket.

New office construction was growing in metro Denver due to low vacancy rates and tenant demand, especially downtown. During 2015 developers completed ten buildings totaling 1,420,247 square feet. During 2016 construction was completed on three buildings with a total of 448,000 square feet. In 2017 developers completed about 2.3 million square feet. During 2018 over 3.2 million square feet were completed, about half of which was downtown.

During 2019 only six buildings were completed in metro Denver, adding 663,193 square feet to the market. Construction starts of new buildings virtually ceased in 2020. During 2021, however, over 1.2 million square feet of space was completed, downtown and in Cherry Creek North. At the end of the 2022 only ten buildings were under construction in metro Denver, totaling 1,734,244 square feet, all but one downtown or in Cherry Creek North.

Investors have identified office properties as a popular type of investment in metro Denver. According to Newmark the following volumes of sales have occurred for office properties in recent years:

- 2010 $518.9 Million
- 2011 $1.2 Billion
- 2012 $1.6 Billion
- 2013 $2.2 Billion
- 2014 $2.3 Billion
- 2015 $2.6 Billion
- 2016 $2.2 Billion
- 2017 $2.0 Billion
- 2018 $3.1 Billion
- 2019 $2.5 Billion
- 2020 $1.6 Billion
- 2021 $2.2 Billion
- 2022 $1.5 Billion

The largest office sale during the 4th Quarter of 2022 was $60,742,067 for the Easterly Government Properties Inc. portfolio at 16401 East Centretech Parkway and 12155 West Alameda Parkway. The two buildings have a combined size of 222,060 square feet, which equates to a per square foot price of about $262.

Addendum K –

Building Sale Comparisons

Comparable Sale No. 1

Name:	Golden Europe Restaurant				
Location:	6620 Wadsworth Blvd				
City/County:	Arvada/Jefferson				
Legal Description:	Lot 3, Shops on Wadsworth Sub, Jefferson County, CO				
Assessor's No.:	39-024-14-023				
YOC:	1977/2020	Bldg Type:	Retail restaurant		
GBA:	2,625	RA (SF):	2,625	Finished Area (SF):	2,625
Warehouse Ceiling Heigh		RA/Effic:	100%	% Finished:	100%
Overhead Doors:	NA				
Spec Features/Amenities:	Newer restaurant finish				
Pkg Spaces:	30	88	SF Each		% covered
Construction Quality:	Masonry	Physical Cond.:	Good		
Land Area (SF):	19,950	Ratio:GBA	760%	Zoning:	MX-U
Zoning Authority:	Jefferson	Utilities:		Tenant Finish Qual:	Restaurant
Major Tenants:	Golden Europe Restaurant				
Hazmat/ADA:	NA				
Time on Market:	77 days	Contract Date:	NA	Close/Record Date:	Jun-22
Recording No.:	2022054806				
Seller:	Josef and Emilio Palla Trust				
Buyer:	Blooming Inc				
Sale Price:	$1,075,000	Per Square Foot:	$409.52		
Cash From Buyer:	NA	Financing:			
Cash Equiv. Price:	$1,075,000	Per Square Foot:	$409.52	Purch Expected IRR	
Scheduled Gross Incm:		Per Square Foot:	NA	PGIM:	NA
Vacancy @ Sale:	NA	% SGI:		EGIM:	NA
Effective Gross Incm:	NA	Per Square Foot:	NA	OAR:	NA
Operating Expenses:		% EGI:	NA	EDR:	NA
Net Operating Incm:	NA	Debt Svc @ Sale:		Equity Cash Flow:	NA
Prior Sales:					
Purchaser Intent:	Owner-occupy sushi restaurant business				
Source:	Buyer Broker	Date:	Mar-23	By:	JP
File #:	2023-006	Party/Firm/Phone	Michelle McWilliams / MaxMara / 650-327-110		
Comments:	Buyer intends to occupy for sushi rest business				
	Fully renovated in 2020, restaurant finish				
	Strong Wadsworth retail location, high-traffic				

Comparable Sale No. 2

Name:	George's Café				
Location:	6504 Wadsworth Blvd				
City/County:	Arvada/Jefferson				
Legal Description:	Tract A, 2,d replat of Lot 4 North Park Center First Filing + parking easement				
Assessor's No.:	39-024-15-005				
YOC:	1986/1996	Bldg Type:	Retail restaurant		
GBA:	3,615	RA (SF):	3,615	Finished Area (SF):	3,615
Warehouse Ceiling Heigh		RA/Effic:	100%	% Finished:	100%
Overhead Doors:	None				
Spec Features/Amenities:	Restaurant finish				
Pkg Spaces:	200	18	SF Each		% covered
Construction Quality:	Brick	Physical Cond.:	Good		
Land Area (SF):	16,998	Ratio:GBA	470%	Zoning:	B2
Zoning Authority:	Arvada	Utilities:		Tenant Finish Qual:	Restaurant
Major Tenants:	George's Café				
Hazmat/ADA:	NA				
Time on Market:	NA	Contract Date:	NA	Close/Record Date:	Mar-22
Recording No.:	2022024713				
Seller:	Elpitha Giganta LLC				
Buyer:	Davood & Mina 2010 Behboudi				
Sale Price:	$1,600,000	Per Square Foot:	$442.60		
Cash From Buyer:	36%	Financing:			
Cash Equiv. Price:	$1,600,000	Per Square Foot:	$442.60	Purch Expected IRR	
Scheduled Gross Incm:		Per Square Foot:	NA	PGIM:	NA
Vacancy @ Sale:	NA	% SGI:		EGIM:	NA
Effective Gross Incm:	NA	Per Square Foot:	NA	OAR:	NA
Operating Expenses:		% EGI:	NA	EDR:	NA
Net Operating Incm:	NA	Debt Svc @ Sale:		Equity Cash Flow:	NA
Prior Sales:					
Purchaser Intent:	Purchased business and real estate together, owner-occupy				
Source:	Listing Broker	Date:	Mar-23	By:	JP
File #:	2023-006	Party/Firm/Phone	Austin Snedden / Marcus & Millichap / 303-328		
Comments:	Buyer purchased restaurant business and bldg				
	Owner-occupy for operation of restaurant				
	Shared parking by easement with larger retail				

Comparable Sale No. 3

Name:	Jim's Burger Haven				
Location:	7855 Sheridan Blvd				
City/County:	Westminster/Jefferson				
Legal Description:	Lot 1, Strawberry Garden Subdivision, County of Jefferson, Colorado				
Assessor's No.:	29-361-01-053				
YOC:	1974	Bldg Type:	Retail restaurant		
GBA:	2,502	RA (SF):	2,502	Finished Area (SF):	2,502
Warehouse Ceiling Heigh		RA/Effic:	100%	% Finished:	100%
Overhead Doors:					
Spec Features/Amenities:					
Pkg Spaces:	48	52	SF Each		% covered
Construction Quality:	Brick	Physical Cond.:	Average		
Land Area (SF):	30,666	Ratio:GBA	1226%	Zoning:	B1
Zoning Authority:	Westminster	Utilities:		Tenant Finish Qual:	restaurant
Major Tenants:	Jim's Burger Haven				
Hazmat/ADA:	NA				
Time on Market:	NA	Contract Date:	NA	Close/Record Date:	Jun-21
Recording No.:	0096336				
Seller:	John & Tammy Brusto				
Buyer:	Jim's Burger Haven				
Sale Price:	$800,000	Per Square Foot:	$319.74		
Cash From Buyer:	4%	Financing:			
Cash Equiv. Price:	$800,000	Per Square Foot:	$319.74	Purch Expected IRR	
Scheduled Gross Incm:		Per Square Foot:	NA	PGIM:	NA
Vacancy @ Sale:	NA	% SGI:		EGIM:	NA
Effective Gross Incm:	NA	Per Square Foot:	NA	OAR:	NA
Operating Expenses:		% EGI:	NA	EDR:	NA
Net Operating Incm:	NA	Debt Svc @ Sale:		Equity Cash Flow:	NA
Prior Sales:					
Purchaser Intent:	Owner-occupy for current tenant business				
Source:	Seller	Date:	Mar-23	By:	JP
File #:	2023-006	Party/Firm/Phone	John Brusto / Brusto Properties LLC / 720-935-(		
Comments:	Long-time tenant purchase, seller divesting				
	High-traffic retail location on Sheridan Blvd				
	Restaurant finish, ample parking, good access				

Comparable Sale No. **4**

Name:	Vacant Retail Standalone				
Location:	7580 Sheridan Blvd				
City/County:	Westminster/Adams				
Legal Description:	Lots 3 & 4 amended, Country Meadows, Adams County, CO				
Assessor's No.:	0171931301022				
YOC:	1971/2015	Bldg Type:	Retail		
GBA:	2,275	RA (SF):	2,275	Finished Area (SF):	2,275
Warehouse Ceiling Heigh		RA/Effic:	100%	% Finished:	100%
Overhead Doors:					
Spec Features/Amenities:					
Pkg Spaces:	20	114	SF Each		% covered
Construction Quality:	Brick	Physical Cond.:	Good		
Land Area (SF):	20,038	Ratio:GBA	881%	Zoning:	PUD
Zoning Authority:	Westminster	Utilities:		Tenant Finish Qual:	Retail
Major Tenants:	None				
Hazmat/ADA:	NA				
Time on Market:	192 days	Contract Date:	NA	Close/Record Date:	Dec-20
Recording No.:	2020000131129				
Seller:	Tu Tran				
Buyer:	7580 Sheridan Blvd LLC				
Sale Price:	$645,000	Per Square Foot:	$283.52		
Cash From Buyer:	NA	Financing:			
Cash Equiv. Price:	$645,000	Per Square Foot:	$283.52	Purch Expected IRR	
Scheduled Gross Incm:		Per Square Foot:	NA	PGIM:	NA
Vacancy @ Sale:	NA	% SGI:		EGIM:	NA
Effective Gross Incm:	NA	Per Square Foot:	NA	OAR:	NA
Operating Expenses:		% EGI:	NA	EDR:	NA
Net Operating Incm:	NA	Debt Svc @ Sale:		Equity Cash Flow:	NA
Prior Sales:					
Purchaser Intent:	Owner occupy retail business				
Source:	Trans Broker	Date:	Mar-23	By:	JP
File #:	2023-006	Party/Firm/Phone	Dallas Sandberg / Pinnacle Real Estate Advisors		
Comments:	Parking/access easement for neighb retail				
	Vacant at sale on market 6 months				
	Owner occupy for retail business				

Comparable Sale No. **5**

Name:	Central Automotive Paint				
Location:	6900 Lowell Blvd				
City/County:	Westminster/Adams				
Legal Description:	SUB:NORTH MOUNTAIN VIEW DESC: LOT 8 EXC W 10 FT				
Assessor's No.:	1825-05-2-08-008				
YOC:	1971	Bldg Type:	Retail		
GBA:	1,360	RA (SF):	1,360	Finished Area (SF):	1,360
Warehouse Ceiling Heigh		RA/Effic:	100%	% Finished:	100%
Overhead Doors:	NA				
Spec Features/Amenities:	NA				
Pkg Spaces:	7	194	SF Each		% covered
Construction Quality:	Brick	Physical Cond.:	Good		
Land Area (SF):	8,276	Ratio:GBA	609%	Zoning:	PUD
Zoning Authority:	Adams	Utilities:		Tenant Finish Qual:	Retail
Major Tenants:	Central Automotive Paint				
Hazmat/ADA:	NA				
Time on Market:	12 months	Contract Date:	NA	Close/Record Date:	Sep-20
Recording No.:	0098265				
Seller:	Celebrity Holding Co				
Buyer:	6900 Lowell LLC				
Sale Price:	$450,000	Per Square Foot:	$330.88		
Cash From Buyer:	NA	Financing:			
Cash Equiv. Price:	$450,000	Per Square Foot:	$330.88	Purch Expected IRR	
Scheduled Gross Incm:		Per Square Foot:	NA	PGIM:	NA
Vacancy @ Sale:	NA	% SGI:		EGIM:	NA
Effective Gross Incm:	NA	Per Square Foot:	NA	OAR:	NA
Operating Expenses:		% EGI:	NA	EDR:	NA
Net Operating Incm:	NA	Debt Svc @ Sale:		Equity Cash Flow:	NA
Prior Sales:					
Purchaser Intent:					
Source:	Listing Broker	Date:	Mar-23	By:	JP
File #:	2023-006	Party/Firm/Phone	Brad Brooks / RE/MAX Alliance / 303-877-814		
Comments:	No deferred maintenance, min. remodel				
	Vacant at sale, investor buy to lease to tenant				
	Auto paint retail store tenant moving in				

Comparable Sale No. 6

Name:	Dental Associates of Westminster				
Location:	7398 Federal Blvd				
City/County:	Westminster/Adams				
Legal Description:	LACONTE SUBD FLG NO 2 1ST RP LOT 3A				
Assessor's No.:	1719-32-4-21-006				
YOC:	1971	Bldg Type:	Retail		
GBA:	2,410	RA (SF):	2,410	Finished Area (SF):	2,410
Warehouse Ceiling Heigh		RA/Effic:	100%	% Finished:	100%
Overhead Doors:	NA				
Spec Features/Amenities:	NA				
Pkg Spaces:	22	110	SF Each		% covered
Construction Quality:	Brick	Physical Cond.:	Good		
Land Area (SF):	14,375	Ratio:GBA	596%	Zoning:	C-1
Zoning Authority:	Westminster	Utilities:		Tenant Finish Qual:	Retail
Major Tenants:	Vacant				
Hazmat/ADA:	NA				
Time on Market:	12 months	Contract Date:	NA	Close/Record Date:	Sep-20
Recording No.:	0093213				
Seller:	Cadence Capital Investments				
Buyer:	Seung H Lee, LLC				
Sale Price:	$850,000	Per Square Foot:	$352.70		
Cash From Buyer:	35%	Financing:			
Cash Equiv. Price:	$850,000	Per Square Foot:	$352.70	Purch Expected IRR	
Scheduled Gross Incm:		Per Square Foot:	NA	PGIM:	NA
Vacancy @ Sale:	NA	% SGI:		EGIM:	NA
Effective Gross Incm:	NA	Per Square Foot:	NA	OAR:	NA
Operating Expenses:		% EGI:	NA	EDR:	NA
Net Operating Incm:	NA	Debt Svc @ Sale:		Equity Cash Flow:	NA
Prior Sales:					
Purchaser Intent:	Owner-occupy for dental implant business				
Source:	Listing Broker	Date:	Mar-23	By:	JP
File #:	2023-006	Party/Firm/Phone	J.R. Hagan / Legend Partners / 720-529-2988		
Comments:	Vacant over 1 year at sale, Enterprise Car				
	Buyer is owner/user for Dental business				
	Buyer intends to remodel ext & int for med				

Addendum L –
Rental Comparisons

Comparable Rental No. **1**

Name:	Penguin Building				
Location:	7267 Lowell Blvd				
City/County:	Westminster				
YOC:	1953	Bldg Size (SF):	4,000	Type:	Retail
No. Stories:	2	Const. Quality:	Brick	Phys. Cond:	Average
Warehouse Ceiling Ht:	14	Special Features:			
Tenant Finish Ratios:		To			
Major Tenants:					
Tenant Finish Allowance/SF:		Amenities:			
Land Area (SF):	5,227	L:B Ratio:	131%		
Parking Spaces:	5	SF Each:	800	% Covered:	
Pkg Charge/Month:		Tenant Sizes/Types:	Retail		
Occupancy:	0%	Absorption (SF/mo):		Since:	
Asking Rents (/SF):	$10.00	To	$10.00		
Concessions:					
Effective Asking Rents/SF:	$10.00	To	$10.00		
Planned Ask Rnt Changes:		Recent Ask Rnt Chngs:			
Recent Leases (/SF):	$10.00	To	$10.00		
Concessions:					
Eff. Recent Rents/SF:	$10.00	To	$10.00		
Lease Term Lengths:	1 year				
Rent Adjust. During Leases:	None				
Tenant Expenses:	NNN	Per SF:		Expense Stops:	NA
Tenant Restrictions:	NA				
Source:	Leasing Rep	Date:	Mar-23	By:	JP
File No.:	2023-006	Firm/Phone:	Penny Quinn / 720-333-2630		
Comments:	Unique 2-story brick façade 1953 Bldg				
	2 units, total of 7,600 SF in building				
	Adjacent to high school and STEM				

Comparable Rental No. 2

Name:	Buffalo Wild Wings GO				
Location:	7353 Federal Blvd				
City/County:	Westminster				
YOC:	2019	Bldg Size (SF):	1,483	Type:	Restaurant
No. Stories:	1	Const. Quality:	Brick	Phys. Cond:	Good
Warehouse Ceiling Ht:		Special Features:			
Tenant Finish Ratios:		To			
Major Tenants:	Buffalo Wild Wings GO				
Tenant Finish Allowance/SF:		Amenities:	Restaurant finish		
Land Area (SF):	33,541	L:B Ratio:	2262%		
Parking Spaces:	30	SF Each:	49.433	% Covered:	
Pkg Charge/Month:		Tenant Sizes/Types:	1,483 SF restaurant		
Occupancy:	100%	Absorption (SF/mo):		Since:	
Asking Rents (/SF):	$16.63	To	$16.63		
Concessions:					
Effective Asking Rents/SF:	$16.63	To	$16.63		
Planned Ask Rnt Changes:		Recent Ask Rnt Chngs:			
Recent Leases (/SF):	$16.63	To	$16.63		
Concessions:					
Eff. Recent Rents/SF:	$16.63	To	$16.63		
Lease Term Lengths:	3 yrs				
Rent Adjust. During Leases:	NA				
Tenant Expenses:	NNN	Per SF:		Expense Stops:	NA
Tenant Restrictions:	NA				
Source:	Leasing Rep	Date:	Mar-23	By:	JP
File No.:	2023-006	Firm/Phone:	Crosbie Real Estate Group / 720-287-6865		
Comments:	In-line retail within larger complex Shared parking with other retail Vacant 15 months prior to new lease				

Comparable Rental No. **3**

Name:	Central Automotive Paint & Supplies				
Location:	6900 Lowell Blvd				
City/County:	Westminster				
YOC:	1971	Bldg Size (SF):	1,360	Type:	Retail
No. Stories:	1	Const. Quality:	Brick	Phys. Cond:	Good
Warehouse Ceiling Ht:		Special Features:			
Tenant Finish Ratios:		To			
Major Tenants:	Central Auto Paint				
Tenant Finish Allowance/SF:		Amenities:			
Land Area (SF):	8,282	L:B Ratio:	609%		
Parking Spaces:	7	SF Each:	194.29	% Covered:	
Pkg Charge/Month:		Tenant Sizes/Types:	1,360 SF retail		
Occupancy:	100%	Absorption (SF/mo):		Since:	
Asking Rents (/SF):	$18.00	To	$18.00		
Concessions:					
Effective Asking Rents/SF:	$18.00	To	$18.00		
Planned Ask Rnt Changes:		Recent Ask Rnt Chngs:			
Recent Leases (/SF):	$19.41	To	$19.41		
Concessions:					
Eff. Recent Rents/SF:	$19.41	To	$19.41		
Lease Term Lengths:	3 years				
Rent Adjust. During Leases:	NA				
Tenant Expenses:	Modified Gross	Per SF:		Expense Stops:	NA
Tenant Restrictions:	NA				
Source:	Leasing Rep	Date:	Mar-23	By:	JP
File No.:	2023-006	Firm/Phone:	RE/MAX Alliance / 303-877-8140		
Comments:	Tenant reused previous tenant finish				
	Good traffic location on Lowell Blvd				
	Previously tattoo parlor, with office finish				

Comparable Rental No. **4**

Name:	Vape & Toke Smoke Shop				
Location:	7580 Sheridan Blvd				
City/County:	Westminster				
YOC:	1971	Bldg Size (SF):	2,275	Type:	Retail
No. Stories:	1	Const. Quality:	Brick	Phys. Cond:	Good
Warehouse Ceiling Ht:		Special Features:			
Tenant Finish Ratios:		To			
Major Tenants:	Vape & Toke Smoke Shop				
Tenant Finish Allowance/SF:		Amenities:	Shared parking with retail complex		
Land Area (SF):	20,038	L:B Ratio:	881%		
Parking Spaces:	39	SF Each:	58.333	% Covered:	
Pkg Charge/Month:		Tenant Sizes/Types:	2,275 SF Retail		
Occupancy:	100%	Absorption (SF/mo):		Since:	
Asking Rents (/SF):	$18.50	To	$18.50		
Concessions:					
Effective Asking Rents/SF:	$18.50	To	$18.50		
Planned Ask Rnt Changes:		Recent Ask Rnt Chngs:			
Recent Leases (/SF):	$18.50	To	$18.50		
Concessions:					
Eff. Recent Rents/SF:	$18.50	To	$18.50		
Lease Term Lengths:	3 years				
Rent Adjust. During Leases:	NA				
Tenant Expenses:	NNN	Per SF:		Expense Stops:	NA
Tenant Restrictions:	NA				
Source:	Leasing Rep	Date:	Mar-23	By:	JP
File No.:	2023-006	Firm/Phone:	Pinnacle Real Estate Advisors / 303-962-9571		
Comments:	Standard retail standalone Bldg				
	Good access & Visibility on Sheridan				
	Shared parking retail complex				

Addendum M –
Real Estate Investment Criteria

COLORADO REAL ESTATE INVESTMENT CRITERIA

4th Quarter 2022

Eric Karnes
William M. James, MAI, CCIM, MBA

Interest rates fell in recent years and remained relatively low during the “credit crunch”. Rising inflation levels caused the US Federal Reserve to increase interest rates, which will have an effect on real estate in general. Investors who survived changes in tax laws and overly optimistic growth forecasts became more cautious but are still 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 pay a lower tax on capital gains from the sale of these properties.

The development in early 2020 of the coronavirus pandemic to created sufficient reduction in economic activity worldwide to precipitate a deep but brief economic recession. By early in 2021 the economic conditions in the US were beginning to improve and have since returned to pre-pandemic levels, in terms of employment. The potential remains, however, for a return to recession due to inflationary pressures and effects of the Russian invasion of Ukraine.

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 Colorado, investors were targeting certain types of properties, especially apartments, warehouses and Class A office buildings.

The data compiled below were published by the Real Estate Research Corporation (RERC) Report, PwC Real Estate Investor Survey, Burbach & Associates/Lowery Property Advisors Real Estate Investment Survey, Integra Realty Resources (IRR) annual Viewpoint Reports 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 1st Quarter 2023 survey is for the 4th quarter of 2022.

The Real Estate Research Corporation and Burbach & Associates/Lowery reports 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 1st Quarter 2023 RealtyRates.com survey of real estate investors (for the 4th Quarter 2022), current “preferred investments properties” include:

- Apartments (suburban garden style and mixed-use)
- Health Care/Senior Housing (independent living and assisted living)
- Industrial (warehouse and bulk distribution)
- Lodging (limited service)
- Retirement and Family Mobile Home Parks
- Medical Office
- Restaurants (free-standing and franchised fast serve)
- Retail: Convenience Stores, Gas Stations, Free Standing Credit/Franchised and grocery-anchored centers
- Self-storage (all types)

Current "cautionary investment properties" include:

- Apartments – urban high-rise
- Golf (private, public/municipal and semi-private)
- Acute car health facilities, congregate care and nursing homes
- Industrial (flex/showroom)
- Lodging (full service, golf/gaming/resort)
- RV Parks/Campgrounds
- Office (Suburban)
- Retail (big box/power centers, unanchored strip centers)
- Special Purpose (schools, daycare centers, parking garages)

Current "rejecting but may consider under special circumstances" investment properties include:

- Golf (public-privately owned)
- Industrial (heavy manufacturing)
- Office (CBD)
- Restaurants (full service, inline)
- Retail (malls/outlet malls)
- Special Purpose (churches/marinas/recreational Facilities, public assembly 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 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 Pittsburgh, for example.

	1st Qtr 2020	2nd Qtr 2020	3rd Qtr 2020	4th Qtr 2020	1st Qtr 2021	2nd Qtr 2021	3rd Qtr 2021	4th Qtr 2021	1st Qtr 2022	2nd Qtr 2022	3rd Qtr 2022
Office – CBD	3.3	3.8	3.2	3.5	3.7	4.1	3.7	4.2	3.2	3.4	2.4
Office – Suburban	2.7	4.2	4.4	4.6	4.3	4.5	4.2	4.1	3.6	3.5	2.8
Industrial – Warehouse	5.8	7.4	7.8	8.0	7.6	7.3	7.3	7.4	6.7	4.9	5.0
Industrial – R & D	4.6	5.2	5.7	6.0	5.8	6.1	5.7	5.9	5.2	4.8	4.3
Industrial – Flex	4.2	4.9	5.2	5.5	5.6	5.4	5.4	6.1	5.1	4.8	4.3
Retail – Regional Mall	2.5	2.2	2.2	2.2	2.5	2.8	2.9	3.1	3.5	3.9	3.3
Retail – Power Center	2.7	2.7	2.6	2.6	3.6	4.1	4.2	4.4	4.7	4.8	4.1
Retail – Neighborhood	4.3	4.5	4.4	4.8	5.0	5.2	5.8	5.6	5.5	5.6	5.0
Apartment	4.6	6.2	6.5	6.6	6.5	6.5	7.4	6.9	6.2	5.6	4.8
Hotel	2.7	2.2	2.0	1.7	4.0	3.6	5.3	5.4	5.3	6.0	5.0

Source: Real Estate Research Corporation, 1st Quarter 2023 for 4th Quarter 2022

Only one of the ten categories improved from the 2nd Quarter levels, reflecting concerns by investors over increased interest rates and the possibility of a recession. The sector that improved was Industrial Warehouses. Greatest declines were recorded in the Office-CBD and Hotel sectors.

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 made it clear that as the national economy expanded it would slowly increase short-term interest rates to prevent inflation from getting too high. That policy changed immediately with the advent of the economic conditions caused by the Covid-19 pandemic. Now that the economy is returning to expansion, and inflation has likewise increased, the US Federal Reserve has begun to increase interest rates.

Long-term mortgage interest rates remain low by historic standards. Capitalization rates trailed long-term interest rates in their decline. 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. Any 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. RealtyRates.com provides the data in the following table showing historic trends in cap rates by product types as of the 4th Quarter of 2022:

HISTORICAL AVERAGE * OVERALL CAP RATE (%)												
Year	**Apt.**	**Golf**	**Health**	**Ind**	**Lodge**	**MH/RV**	**Off**	**Retail**	**Rest**	**Storage**	**Spec**	**All**
2022	7.93	11.54	8.64	8.95	9.90	9.27	8.88	9.02	11.50	9.59	11.61	9.32
2021	7.52	11.02	8.02	8.31	9.34	8.58	8.26	8.61	10.85	8.90	11.02	8.76
2020	7.50	11.08	8.10	8.32	9.40	8.63	8.16	8.58	10.81	8.91	10.91	8.75
2019	7.92	11.56	8.58	8.72	9.86	9.08	8.54	8.93	11.20	9.40	11.20	9.15
2018	8.46	12.08	9.07	9.23	10.53	9.62	9.08	9.44	11.62	9.92	11.71	9.68
2017	8.16	11.73	8.87	8.96	10.28	9.26	8.94	9.19	11.42	9.57	11.25	9.42
2016	8.13	11.75	8.92	9.08	10.22	9.15	9.16	9.27	11.57	9.67	11.21	9.48
2015	8.21	11.77	8.88	9.00	10.18	9.06	9.09	9.22	11.72	9.54	11.20	9.46
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 1st Quarter 2023 for the 4th Quarter 2022
*Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey
^Further weighted by property category
1993 through 2021 as of 4th quarter of each year.

RealtyRates.com also provides the following market commentary from its 1st Quarter 2023 Investor Survey narrative (for the 4th quarter of 2022):

> *Coincident with a 99 basis point increase in Treasury rates to which most commercial mortgage interest rates are indexed, together with a four point decrease in equity dividend rates, the RealtyRates.com ™ Investor Survey Weighted Composite (Cap Rate) Index ™ increased 55 basis points from 9.33 to 9.88 during the 4th Quarter of 2022.*
>
> *The greatest quarter-over-quarter cap rate index increases during the 4th Quarter were recorded by the Restaurant sector up 86 basis points, followed by the Lodging and Special Purpose sectors, up 57 basis points.*
>
> *The smallest quarter-over-quarter cap rate index increase during the 4th Quarter was recorded by the Golf sector, up 34 basis points, followed by the Industrial and Retail sectors, up 52 basis points.*
>
> *Mortgage lending standards tightened on weaker demand for most commercial real estate loan categories during the 4th Quarter. Meanwhile spreads were up six basis points overall, while but average permanent mortgage rates were up 53 basis points.*

In the following tables for capitalization rates, note that in some cases "NA" is listed. When that indication is made it means that for that quarter not enough non-institutional buyers responded to provide appropriate data for that category of property, or the reports do not cover that category of real estate.

OVERALL (GOING IN) CAPITALIZATION RATES – INDUSTRIAL (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Warehouse																
RERC – National	6.4	5.9	6.4	5.9	6.3	5.9	6.2	5.9	6.2	5.9	6.1	5.5	6.1	5.5	6.3	5.5
West – 1st Tier	6.1		6.7		5.9		5.9		5.9		5.9		6.7		5.9	
West – 2nd Tier	6.7		6.9		6.8		6.7		6.7		7.2		7.0		7.1	
West – 3rd Tier	7.0		7.6		7.5		7.6		7.5		8.0		7.7		8.2	
PwC– Institutional	4.8		4.8		4.4		4.3		4.2		4.4		4.3		4.4	
Burbach & Assoc.			6.9				6.5								6.7	
Realty Rates.com	7.5		7.6		7.7		7.6		7.5		7.6		7.7		8.6	
IRR	6.5	5.8							6.1	5.0					6.0	5.9
R&D/Other																
RERC-National	7.1	6.8	7.1	6.8	7.1	6.9	7.0	6.9	7.0	6.9	7.0	6.9	7.0	6.9	7.0	6.9
West-1st Tier	6.6		6.7		6.6		6.6		6.6		6.7		6.7		6.8	
West-2nd Tier	7.2		7.6		7.4		7.3		7.3		7.8		7.9		8.0	
West-3rd Tier	7.5		8.3		8.2		8.1		8.2		8.7		8.7		9.0	
Realty Rates.com	9.1		9.2		9.3		9.2		9.1		9.2		9.4		10.0	
IRR	7.2	5.8							6.6	5.5					6.5	6.5

Sources: Real Estate Research Corporation, PwC, Burbach & Associates/Lowery, RealtyRates.com, Integra Realty Resources (IRR)

OVERALL (GOING IN) CAPITALIZATION RATES – RETAIL (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Regional Mall																
RERC – National	8.0	7.3	8.2	7.4	8.2	7.5	8.2	7.6	8.3	7.7	8.3	7.1	8.4	7.2	8.5	7.3
West – 1st Tier	7.4		7.6		7.6		7.6		7.7		7.8		7.5		8.2	
West – 2nd Tier	7.9		8.5		8.2		8.6		8.7		8.9		8.8		9.0	
West – 3rd Tier	8.5		9.4		9.2		9.0		9.2		9.6		9.6		9.8	
PwC – Institutional	7.4		7.4		7.4		7.2		7.2		7.2		7.2		7.3	
Burbach & Assoc.			7.3				7.5								7.0	
IRR	7.3	7.5							7.2	7.8					5.8	7.0
Power Center																
RERC-National	7.7	7.3	7.7	7.4	7.7	7.5	7.6	7.6	7.7	7.6	7.6	7.4	7.8	7.4	7.8	7.4
West-1st Tier	7.4		7.5		7.5		7.4		7.7		7.3		7.1		7.6	
West-2nd Tier	8.0		8.4		8.3		8.4		8.5		8.5		8.7		8.8	
West-3rd Tier	8.3		9.1		8.9		8.9		8.9		9.6		9.5		9.9	
PwC-Institutional	6.7		6.7		6.7		6.6		6.5		6.4		6.4		6.4	
IRR	7.2	7.5							6.9	7.5					7.0	6.8
Neighborhood																
RERC – National	7.5	7.2	7.5	7.3	7.3	7.4	7.2	7.5	7.2	7.5	7.3	6.8	7.4	6.8	7.5	6.8
West – 1st Tier	6.8		7.2		7.0		6.9		6.8		7.1		5.2		7.6	
West – 2nd Tier	7.2		7.9		7.8		7.8		7.6		8.0		7.9		8.2	
West – 3rd Tier	7.7		8.7		8.4		8.3		8.2		8.6		8.8		9.2	
PwC – Institutional	7.4		7.4		7.3		7.2		7.2		7.0		7.1		7.3	
Burbach & Assoc.			7.2				7.3		7.2						6.9	
IRR	7.3	7.0							7.0	7.0					7.0	6.0
RealtyRates.com																
Anchored centers	9.3		9.4		9.6		9.4		9.2		9.0		8.4		10.0	
Unanchored centers	10.2		10.3		10.4		10.3		10.2		9.9		9.7		10.7	

Sources: Real Estate Research Corporation, PwC, Burbach & Associates/Lowery, RealtyRates.com, Integra Realty Resources (IRR)

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OVERALL (GOING IN) CAPITALIZATION RATES – OFFICE (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Central Business District																
RERC– National	7.1	6.1	7.2	6.3	7.1	6.4	7.1	6.4	7.1	6.5	7.2	6.5	7.3	6.8	7.5	6.8
West – 1st Tier	6.7		6.8		6.8		6.8		6.8		6.8		7.2		7.1	
West – 2nd Tier	7.0		7.4		7.5		7.7		7.8		8.0		8.0		8.3	
West – 3rd Tier	7.5		8.2		8.3		8.2		8.5		8.6		8.7		9.4	
PwC–Institutional	5.7		5.8		5.8		5.8		5.6		5.7		5.7		5.8	
Burbach & Assoc.			6.3				6.8								6.6	
Realty Rates.com	9.3		9.4		9.5		9.4		9.3		9.3		9.5		10.2	
IRR	6.9	6.0							7.0	6.0					7.0	6.5
Suburban																
RERC-National	7.3	6.4	7.4	6.5	7.3	6.5	7.3	6.5	7.4	6.5	7.4	6.6	7.5	6.7	7.6	6.8
West-1st Tier	6.9		7.1		7.1		7.0		7.0		7.1		5.8		7.3	
West-2nd Tier	7.4		7.5		7.7		7.7		7.9		8.2		8.3		8.6	
West-3rd Tier	7.8		8.5		8.5		8.4		8.7		8.9		8.9		9.6	
PwC-Institutional	6.0		6.2		6.1		6.2		6.1		6.0		6.0		6.0	
Realty Rates.com	8.2		8.3		8.5		8.4		8.3		8.4		8.1		9.4	
IRR	7.2	6.0							7.2	6.0					7.2	6.5

Sources: Real Estate Research Corporation, PwC, Burbach & Associates/Lowery, RealtyRates.com, Integra Realty Resources (IRR)

OVERALL (GOING IN) CAPITALIZATION RATES – APARTMENTS (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
RERC – National	5.7	5.2	5.7	5.3	5.5	5.4	5.3	5.0	5.2	5.0	5.3	5.0	5.5	5.0	5.5	5.0
West – 1st Tier	5.2		5.3		5.0		5.1		5.0		5.1		5.3		5.3	
West – 2nd Tier	5.8		6.1		5.8		5.9		5.8		6.1		6.2		6.3	
West – 3rd Tier	6.3		6.8		6.5		6.5		6.5		6.9		7.0		7.1	
PwC – Institutional	5.0		5.0		4.6		4.4		4.4		4.5		4.8		4.9	
Burbach & Assoc.			6.1				6.0								5.4	
Realty Rates.com																
Suburban	7.1		7.2		7.4		7.2		6.9		6.9		7.1		7.8	
Urban High Rise	8.1		8.2		8.3		8.2		7.9		7.9		8.2		8.6	
IRR																
Urban	5.4	4.5							4.9	4.5					4.9	4.0
Suburban	5.6	4.8							5.1	4.8					5.0	4.0

Sources: Real Estate Research Corporation, PwC, Burbach & Associates/Lowery, RealtyRates.com, Integra Realty Resources (IRR)

OVERALL (GOING IN) CAPITALIZATION RATES – HOTEL (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
RERC – National	8.6	7.8	8.5	8.0	8.5	8.3	8.4	8.4	8.4	8.3	8.2	7.9	8.3	7.9	8.5	7.9
West – 1st Tier	8.3		8.1		8.1		8.2		8.1		7.7		7.7		8.3	
West – 2nd Tier	9.0		9.0		9.0		9.1		9.0		8.9		9.1		9.5	
West – 3rd Tier	9.4		9.4		9.4		9.8		9.8		9.8		10.0		10.3	
Burbach & Assoc.			9.8				8.8								8.4	
Realty Rates.com																
Full service	9.8		9.8		9.9		9.7		9.6		9.6		9.0		10.7	
Limited service	10.2		10.2		10.3		10.1		9.9		9.9		11.1		11.0	

Sources: Real Estate Research Corporation, RealtyRates.com and Burbach & Associates/Lowery

For the 1st Quarter 2023 RealtyRates.com Investor Survey (for the 4th Quarter of 2022) the overall cap rate for the Healthcare and Senior Housing category declined to 8.91%. By subcategory, acute care facilities were reported at 10.46%, congregate care at 8.79%, assisted living 8.16% and 7.95% for outpatient 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.

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	3.99-10.77	8.15
Golf	4.44-15.89	10.28
Health Care/Senior Housing	4.49-12.15	8.75
Industrial	4.34-11.71	8.57
Lodging	4.44-15.89	8.86
Mobile Home/RV Park	4.39-14.31	9.44
Office	4.34-11.55	8.25
Restaurant	4.91-17.89	10.08
Retail	4.04-11.69	8.67
Self-Storage	4.34-11.85	9.58
Special Purpose	4.94-17.89	10.44
All Properties	3.99-17.89	9.19

Source: RealtyRates.com 1st Quarter 2023 for the 4th Quarter 2022.

Equity Dividend Rates

In general, equity dividend rates appear to have been reasonably stable during the past few years. 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	3rd Qtr 2020	4th Qtr 2020	1st Qtr 2021	2nd Qtr 2021	3rd Qtr 2021	4th Qtr 2021	1st Qtr 2022	2nd Qtr 2022	3rd Qtr 2022
Apartment	11.0	10.9	10.9	10.8	10.7	10.7	10.6	10.4	9.8
Office	12.1	12.3	12.3	12.2	12.2	12.1	11.9	12.1	11.8
Retail	13.4	13.4	13.3	13.3	13.3	13.2	13.1	12.1	13.0
Industrial	12.0	12.0	11.9	11.9	11.8	11.7	11.6	11.8	11.5
Lodging	14.2	14.3	14.2	14.1	14.2	13.9	13.8	12.8	13.7

Source: Realty Rates.com 1st Qtr 2023 for the 4th Qtr 2022

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	3rd Qtr 2020	4th Qtr 2020	1st Qtr 2021	2nd Qtr 2021	3rd Qtr 2021	4th Qtr 2021	1st Qtr 2022	2nd Qtr 2022	3rd Qtr 2022
US 5 Year	0.4	0.8	0.8	0.8	1.2	2.1	3.4	3.6	4.2
US 10 Year	0.9	1.4	1.6	1.3	1.5	2.1	3.3	3.5	3.9
US 30 Year	1.7	2.2	2.3	1.9	1.9	2.5	3.5	3.5	4.1
Aaa Corporate	1.6	2.0	2.9	2.6	2.6	3.3	4.5	4.9	4.7

Source: US Federal Reserve as of March 10, 2023 and for Aaa Corporate, Moody's as of March 1, 2023
Note: US Federal Reserve discontinued reporting on Baa corporate bond rates in late 2016.

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 many of the same sources of the above investment information.

DISCOUNT (IRR) RATES – INDUSTRIAL (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
2021Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Warehouse																
RERC – National	7.9	7.2	8.0	7.3	7.8	7.2	7.7	7.2	7.6	7.2	7.7	6.8	7.8	6.8	8.0	6.8
West – 1st Tier	7.7		7.8		7.4		7.5		7.5		7.6		7.6		7.8	
West – 2nd Tier	8.5		8.4		8.5		8.4		8.3		8.9		8.8		9.2	
West – 3rd Tier	9.0		9.9		9.3		9.3		9.3		9.8		9.6		10.1	
PwC – Institutional	6.1		6.1		6.2		6.0		5.9		6.0		6.0		6.1	
Burbach & Assoc.			7.8				8.3								7.3	
IRR	7.7	8.0							7.3	6.0					7.2	7.0
R&D/Other																
RERC-National	8.5	8.7	8.6	8.7	8.5	8.7	8.3	8.7	8.4	8.6	8.3	8.5	8.3	8.5	8.4	8.5
West-1st Tier	8.5		8.3		8.3		8.1		8.3		8.2		8.2		8.4	
West-2nd Tier	8.9		9.1		9.1		9.0		9.0		9.5		9.6		9.8	
West-3rd Tier	9.3		10.3		10.1		9.9		9.9		10.4		10.4		10.6	
IRR	8.3	8.0							7.9	7.0					7.8	7.5

Sources: Real Estate Research Corporation, PwC, Burbach & Associates/Lowery, Integra Realty Resources (IRR)

DISCOUNT (IRR) RATES – RETAIL (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Regional Mall																
RERC – National	9.4	9.3	9.6	9.4	9.7	9.4	9.8	9.4	9.6	9.3	9.6	8.7	9.6	8.7	9.8	8.8
West – 1st Tier	9.1		9.4		9.6		9.6		9.4		9.5		9.3		9.6	
West – 2nd Tier	9.8		10.3		10.3		10.6		10.6		10.7		10.5		10.8	
West – 3rd Tier	10.4		11.4		11.1		10.9		10.9		11.4		11.2		11,7	
PwC – Institutional	7.7		7.9		7.9		7.8		7.8		7.8		7.8		7.9	
Burbach & Assoc.			9.3				9.1								8.6	
IRR	8.4	10.0							6.7	9.0					8.6	8.5
Power Center																
RERC-National	8.9	9.2	9.1	9.2	8.8	9.3	8.8	9.3	8.8	9.1	8.7	8.7	8.8	8.7	8.9	8.7
West-1st Tier	8.7		8.9		8.8		8.8		8.5		8.4		8.3		8.6	
West-2nd Tier	9.7		9.8		9.7		9.8		9.9		9.4		9.6		10.1	
West-3rd Tier	10.1		10.7		10.3		10.3		10.3		10.4		10.8		11.3	
PwC-Institutional	7.9		7.9		7.8		7.7		7.7		7.6		7.6		7.7	
IRR – Community	8.4	10.0							8.4	9.0					8.3	8.5
Neighborhood																
RERC – National	8.8	9.0	9.0	9.0	8.8	9.1	8.7	9.1	8.7	8.9	8.6	8.1	8.7	8.1	8.8	8.1
West – 1st Tier	8.5		8.5		8.6		8.4		8.6		8.4		8.3		8.7	
West – 2nd Tier	8.7		9.3		9.5		9.3		9.3		9.5		9.4		9.9	
West – 3rd Tier	9.4		10.3		10.2		10.0		10.0		10.1		10.2		11.0	
PwC – Institutional	8.4		8.4		8.5		8.5		8.4		8.4		8.5		8.5	
Burbach & Assoc.			9.0				9.0								8.0	
IRR	8.5	10.0							8.2	9.3					8.3	8.0

Sources: Real Estate Research Corporation, PwC, Burbach & Associates/Lowery, Integra Realty Resources (IRR)

DISCOUNT (IRR) RATES – OFFICE (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Central Business District																
RERC – National	8.6	8.1	8.7	8.3	8.6	8.4	8.6	8.4	8.6	8.3	8.7	8.3	8.7	8.6	8.9	8.6
West – 1st Tier	8.5		8.5		8.6		8.5		8.5		8.6		8.4		8.6	
West – 2nd Tier	8.8		9.0		9.3		9.3		9.6		9.8		9.8		10.1	
West – 3rd Tier	9.4		9.9		10.1		10.0		10.2		10.5		10.5		11.0	
PwC – Institutional	7.3		7.3		7.3		7.2		6.9		6.9		7.0		7.0	
Burbach & Assoc.			8.1				8.4								8.3	
IRR	8.2	8.5							8.3	6.5					8.4	8.0
Suburban																
RERC-National	8.9	9.5	8.9	9.5	8.9	9.7	8.8	9.8	8.8	9.6	8.9	9.6	8.9	9.5	9.0	9.5
West-1st Tier	9.0		8.8		8.9		8.7		8.7		8.8		8.7		9.0	
West-2nd Tier	9.3		9.4		9.6		9.6		9.7		10.0		9.9		10.4	
West-3rd Tier	9.8		10.3		10.4		10.3		10.5		10.6		10.7		11.2	
PwC-Institutional	7.3		7.5		7.5		7.6		7.6		7.5		7.5		7.6	
Burbach & Assoc.			9.8				9.5								8.6	
IRR	8.4	8.5							8.4	6.5					8.5	8.0

Sources: Real Estate Research Corporation, PwC, Burbach & Associates/Lowery, Integra Realty Resources (IRR)

DISCOUNT (IRR) RATES – APARTMENTS (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
RERC – National	7.3	7.6	7.3	7.6	7.2	7.7	7.2	7.5	6.9	7.3	7.0	7.2	7.0	7.2	7.2	7.2
West – 1st Tier	7.2		6.8		7.0		7.0		6.8		7.0		7.0		7.3	
West – 2nd Tier	7.7		7.6		7.9		7.8		7.8		8.1		8.1		8.4	
West – 3rd Tier	8.4		8.5		8.7		8.6		8.5		9.0		8.8		9.3	
PwC – Institutional	6.7		6.7		6.7		6.6		6.6		6.7		6.8		6.9	
Burbach & Assoc.			7.5				7.8								7.1	
IRR																
Urban	6.8	8.0							6.5	6.0					6.5	6.5
Suburban	7.0	8.0							6.7	6.0					6.5	6.5

Sources: Real Estate Research Corporation, PwC, Burbach & Associates/Lowery, Integra Realty Resources (IRR)

DISCOUNT (IRR) RATES – HOTEL (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
RERC – National	10.2	9.9	10.2	10.1	10.0	10.5	9.9	10.7	10.0	10.5	10.0	10.3	10.0	10.3	10.2	10.3
West – 1st Tier	10.3		10.1		10.2		10.0		9.9		9.7		9.7		10.3	
West – 2nd Tier	10.9		11.0		11.1		10.9		11.0		11.1		11.0		11.4	
West – 3rd Tier	11.4		11.6		11.7		11.9		11.9		11.9		11.9		12.3	
Burbach & Assoc.			10.2				9.9								10.6	

Sources: Real Estate Research Corporation, Burbach & Associates/Lowery

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 were once again being started. In fact, many builders now report a shortage of lots in metro Denver. Recent increases in interest rates, however, have resulted in a decline in buyer demand.

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/Lowery Property Advisors Real Estate Investment Survey for Summer/Fall 2022 reports discount rates for development of raw residential land. The Burbach & Associates/Lowrey survey reports profit at from 10.4% to 30.0% of gross revenues (with profit) from lot sales.

The RealtyRates.com 1st Quarter 2023 Investor Survey (for the 4tht Quarter 2022) and the latest report for land development 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.

RealtyRates.com reports on land development discount rates in its 2nd and 4th quarter reports (for the 1st and 3rd quarters respectively). The Developer Survey (see below) is reported quarterly.

The Burbach & Associates/Lowery, PwC and RealtyRates.com report discount rates on land development are shown in the follows.

LAND DEVELOPMENT DISCOUNT RATES	
	Discount Rate Free & Clear (w/Profit)
Burbach/Lowery	
Range	14.0% – 30.0%
Average	20.0 %
PwC	
Range	12.0% – 30.0%
Average	18.70% (1- 20-year absorption)
RealtyRates.com	
Range	4.64% - 15.43%
Average	8.22%

Sources: Burbach & Associates /Summer/Fall 2022
PwC Real Estate Investor Survey, 4th Qtr 2022 for the 3rd Qtr 2022
RealtyRates.com Investor Survey 4th Qtr. 2022 for 3rd Qtr 2022

DEVELOPER SURVEY (%)				
	Actual Rates		Pro-Forma Rates	
	Range	Average	Range	Average
Site-Built Residential	14.08-48.95	31.67	13.52-46.99	30.40
Manufactured Housing	14.38-53.33	34.70	13.80-51.20	32.66
Business Parks	14.34-49.59	32.76	13.76-47.60	30.84
Industrial Parks	14.42-43.02	29.44	13.84-41.30	28.32

Source: RealtyRates.com 1st Qtr. 2023 Developer Survey for 4th Qtr 2022, for National Sell-Out Discount Rates

Inflation/Rental and Expense Growth Rates

Inflation for the national economy has decreased significantly from the levels of the late 1990s although inflation rates climbed in 20221. 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 and showing annualized change. In the first half of 2021 the national inflation rate began to increase and continued in 2022.

CONSUMER PRICE INDEX – ALL URBAN CONSUMERS
ANNUALIZED CHANGE (CPI %)

	2017		2018		2019		2020		2021		2022	
	1st H	2nd H	1st H	2nd H	1st H	2nd H	1st H	2nd H	1st H	2nd H	1st H	2ndH
National	1.7	2.1	2.5	1.6	1.7	2.5	1.0	1.4	5.4	7.0	9.1	6.4
Denver	3.1	3.7	2.1	1.3	2.1	3.8	3.1	0.4	3.5	7.9	8.3	6.5

Sources: US Bureau of Labor Statistics. H designates first or second semi-annual report. Change is on an annualized twelve month basis.

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.

NATIONAL INCOME ESCALATION RATES – INDUSTRIAL (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**
Warehouse																
RERC	2.9	2.9	3.0	2.8	3.2	2.9	3.7	2.8	3.7	2.8	4.1	3.0	3.7	3.1	3.4	3.2
PwC	1.2	2.3	1.7	2.3	2.7	2.3	3.1	2.3	3.1	2.3	3.3	2.6	3.2	2.6	3.4	2.5
R&D/Other																
RERC	2.6	2.9	2.3	2.9	2.4	2.9	2.5	2.9	2.6	2.8	3.0	3.1	2.9	3.2	2.6	3.3

Sources: Real Estate Research Corporation and PwC

NATIONAL INCOME ESCALATION RATES – RETAIL (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**
Regional Mall																
RERC	0.4	2.9	1.2	3.0	1.2	3.0	1.2	3.0	1.4	3.0	1.7	3.2	1.7	3.2	2.0	3.2
PwC	(1.8)	2.8	(1.5)	2.8	(1.5)	2.8	(0.3)	2.9	(0.1)	2.9	0.1	2.9	0.1	2.9	0.6	3.7
Power Center																
RERC	0.8	2.9	1.3	2.8	1.3	2.9	1.3	2.8	1.4	2.8	1.9	3.0	2.0	3.2	2.2	3.2
PwC	0.0	2.6	0.3	2.7	0.5	2.7	0.5	2.7	0.5	2.8	1.1	2.9	2.0	3.3	2.0	3.5
Neighborhood/ Community																
RERC	1.4	2.9	1.8	2.8	1.8	2.9	1.9	2.9	2.1	2.8	2.5	3.0	2.7	3.1	2.8	3.1
PwC	0.5	2.5	0.9	2.6	1.2	2.6	1.0	2.5	1.2	2.6	1.3	2.6	1.2	2.5	1.2	2.5

Sources: Real Estate Research Corporation and PwC

NATIONAL INCOME ESCALATION RATES – OFFICE (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**
Central Business District																
RERC	1.2	2.9	1.4	2.9	1.5	2.9	1.5	2.9	1.6	2.9	2.4	3.1	2.0	3.2	1.6	3.3
PwC	0.6	2.9	0.7	2.9	1.0	2.9	1.3	2.9	1.3	2.9	1.4	2.9	1.4	3.1	1.7	3.1
Suburban																
RERC	1.4	2.9	1.6	2.9	1.7	3.0	1.8	2.9	1.8	2.9	2.4	3.1	2.1	3.2	1.7	3.3
PwC	0.7	2.1	1.5	2.1	1.6	2.1	1.6	2.1	1.7	2.1	1.6	2.2	1.4	2.2	1.4	2.3

Sources: Real Estate Research Corporation and PwC

NATIONAL INCOME ESCALATION RATES – APARTMENTS (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**
RERC	1.9	2.9	2.6	2.9	2.9	2.9	3.3	2.9	3.4	2.9	3.5	3.0	3.5	3.1	2.9	3.1
PwC	0.8	3.0	1.3	3.0	2.0	3.1	3.6	2.9	3.8	3.0	4.1	3.2	3.8	3.4	3.9	3.4

Sources: Real Estate Research Corporation and PwC

NATIONAL INCOME ESCALATION RATES – HOTELS (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**	**Inc**	**Exp**
RERC	(0.3)	2.7	(0.3)	2.6	1.2	2.8	1.5	3.3	2.2	3.5	3.3	3.9	4.0	3.7	3.6	3.6
PwC	1.8	3.4	NA	NA	4.7	3.6	6.5	3.0	5.3	2.8	6.4	2.8	7.5	2.8	7.0	5.0

Sources: Real Estate Research Corporation and PwC

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 2022									
	$ Per SF			$ Per Unit			% of EGI		
PROPERTY TYPE	Low	High	Typ.	Low	High	Typ.	Low	High	Typ.
Apartments				165	450	418			
Golf				1,295	7,950	3,666	2.0	4.5	3.2
Health Care/Senior Housing				275	760	424			
Industrial	0.28	0.90	0.59						
Lodging							4.0	8.5	4.6
Mobile Home/RV Park				38	318	176	2.0	5.5	4.2
Office	0.38	0.95	0.69						
Restaurant							2.0	5.5	3.2
Retail	0.38	1.15	0.76						
Self-Storage	0.32	0.85	0.71	38	218	137			
Special Purpose	0.30	1.20	0.80						

Source: RealtyRates.com 1st Qtr. 2023 for the 4th Qtr 2022

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 Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Warehouse																
Renew probability	70.0		71.0		71.0		72.0		73.0		74.0		73.0		72.0	
Release time	7.0		6.8		6.8		6.6		6.9		6.7		6.6		6.1	
Vacancy loss	4.3		4.2		4.1		3.8		4.0		3.1		3.4		3.8	
R&D/Other																
Renew probability	66.0		66.0		65.0		66.0		67.0		69.0		69.0		69.0	
Release time	8.4		8.5		8.6		8.1		8.5		8.4		7.8		8.1	
Vacancy loss	6.4		6.8		6.7		6.7		6.9		5.9		5.8		6.3	

Sources: Real Estate Research Corporation (RERC)

RENEWAL PROBABILITY (&)/RELEASE TIME (MOS)/ VACANCY LOSS (%) – RETAIL

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Regional Mall																
Renew probability	62.0		62.0		61.0		60.0		61.0		59.0		61.0		63.0	
Release time	10.1		9.8		9.7		10.1		10.1		10.5		10.8		11.2	
Vacancy loss	9.3		8.4		9.4		8.9		10.2		8.8		9.2		9.4	
Power Center																
Renew probability	62.0		65.0		63.0		62.0		63.0		64.0		65.0		66.0	
Release time	10.3		9.6		9.5		9.7		9.4		9.8		10.0		9.6	
Vacancy loss	9.5		8.5		8.6		8.8		8.5		8.0		7.9		8.3	
Community/ Neighborhood																
Renew probability	65.0		67.0		66.0		65.0		67.0		68.0		68.0		69.0	
Release time	9.0		8.9		8.8		8.8		8.9		8.9		9.0		8.2	
Vacancy loss	6.9		6.9		6.9		7.6		7.3		6.8		6.4		6,5	

Sources: Real Estate Research Corporation (RERC)

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RENEWAL PROBABILITY (&)/RELEASE TIME (MOS)/ VACANCY LOSS (%) – OFFICE

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Central Business District																
Renew probability	65.0		65.0		64.0		64.0		65.0		65.0		64.0		63.0	
Release time	9.3		9.2		9.2		8.8		8.7		9.5		9.9		10.7	
Vacancy loss	7.2		7.3		7.0		7.4		7.3		7.2		7.8		8.5	
Suburban																
Renew probability	65.0		65.0		65.0		65.0		66.0		64.0		63.0		62.0	
Release time	9.3		8.7		8.8		8.7		8.5		9.3		9.9		10.7	
Vacancy loss	7.6		7.8		7.6		8.1		7.9		7.6		8.4		8.9	

Sources: Real Estate Research Corporation (RERC)

RENEWAL PROBABILITY (&)/RELEASE TIME (MOS)/ VACANCY LOSS (%) – APARTMENT

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Renew probability	63.0		66.0		68.0		72.0		73.0		79.0		73.0		71.0	
Release time	4.3		3.4		2.6		2.7		2.3		1.8		2.2		2.2	
Vacancy loss	5.7		5.5		5.3		5.3		5.2		4.6		4.8		5.1	

Sources: Real Estate Research Corporation (RERC)

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 (RESIDUAL) CAPITALIZATION RATES – INDUSTRIAL (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Warehouse																
RERC - National	7.0	6.5	7.0	6.6	6.9	6.6	6.7	6.6	6.7	6.6	6.8	6.2	6.8	6.2	7.0	6.2
West – 1st Tier	6.8		6.9		6.6		6.7		6.7		6.9		6.6		6.8	
West – 2nd Tier	7.3		7.4		7.6		7.5		7.5		8.1		7.9		8.0	
West – 3rd Tier	7.7		8.1		8.2		8.2		8.3		8.7		8.5		9.0	
PwC	5.5		5.4		5.1		4.9		4.8		4.9		4.9		5.0	
Burbach & Assoc.			6.7				6.6								6.7	
R&D/Other																
RERC-National	7.7	8.1	7.7	8.1	7.7	8.2	7.6	8.2	7.6	8.1	7.6	8.1	7.6	8.1	7.6	8.1
West-1st Tier	7.4		7.5		7.3		7.4		7.3		7.4		7.5		7.6	
West-2nd Tier	7.9		8.2		8.2		8.1		8.1		8.6		8.7		8.8	
West-3rd Tier	8.3		9.1		8.9		9.0		9.1		9.6		9.6		9.8	

Sources: Real Estate Research Corporation, PwC, Burbach & Associates/Lowery

TERMINAL (RESIDUAL) CAPITALIZATION RATES – RETAIL (%)

	4th Qtr 2021		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Regional Mall																
RERC - National	8.6	8.4	8.8	8.5	8.8	8.6	8.8	8.6	8.8	8.6	8.8	8.0	8.9	8.1	9.0	8.2
West – 1st Tier	8.2		8.3		8.4		8.3		8.3		8.4		8.6		8.6	
West – 2nd Tier	8.9		9.1		9.0		9.2		9.3		9.5		9.4		9.5	
West – 3rd Tier	9.1		9.9		9.8		9.6		9.8		10.2		10.2		10.4	
PwC	7.4		7.4		7.4		7.3		7.3		7.3		7.3		7.4	
Burbach & Assoc.			8.7				8.0								7.9	
Power Center																
RERC-National	8.2	8.2	8.2	8.2	8.2	8.3	8.1	8.4	8.3	8.4	8.2	8.2	8.3	8.2	8.4	8.2
West-1st Tier	7.9		8.0		8.2		8.0		8.4		8.1		8.2		8.3	
West-2nd Tier	8.7		8.8		9.1		9.0		9.0		9.2		9.4		9.5	
West-3rd Tier	8.9		9.7		9.7		9.5		9.6		10.3		10.2		10.5	
PwC	7.2		7.2		7.2		7.2		7.2		7.1		7.1		7.1	
Neighborhood																
RERC - National	8.0	7.8	8.1	7.9	7.8	8.0	7.7	8.1	7.8	8.0	7.9	7.3	7.9	7.3	8.1	7.3
West – 1st Tier	7.5		7.7		7.5		7.4		7.4		7.7		7.8		7.9	
West – 2nd Tier	8.0		8.4		8.4		8.3		8.3		8.6		8.7		8.8	
West – 3rd Tier	8.3		9.3		9.0		8.9		8.9		9.3		9.6		9.8	
PwC	7.3		7.4		7.3		7.3		7.3		7.1		7.1		7.1	
Burbach & Assoc.			7.4				7.3								7.0	

Sources: Real Estate Research Corporation, PwC, Burbach & Associates/Lowery

TERMINAL (RESIDUAL) CAPITALIZATION RATES – OFFICE (%)

	4th Qtr 2021		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Dev**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
Central Business District																
RERC - National	7.6	6.8	7.7	7.0	7.6	7.1	7.6	7.1	7.6	7.3	7.8	7.4	7.9	7.7	8.0	7.7
West – 1st Tier	7.1		7.3		7.4		7.4		7.4		7.5		7.6		7.6	
West – 2nd Tier	7.5		7.9		8.1		8.3		8.4		8.7		8.7		9.0	
West – 3rd Tier	8.2		8.7		8.9		8.9		9.2		9.5		9.5		10.0	
PwC	6.1		6.1		6.1		6.1		6.1		6.1		6.2		6.2	
Burbach & Assoc.			7.4				7.7								7.0	
Suburban																
RERC-National	7.8	8.1	7.9	8.1	7.8	8.2	7.8	8.3	7.9	8.3	7.9	8.4	7.9	8.4	8.1	8.4
West-1st Tier	7.6		7.6		7.6		7.6		7.6		7.7		7.6		7.7	
West-2nd Tier	8.0		8.3		8.4		8.5		8.6		8.8		8.9		9.0	
West-3rd Tier	8.4		9.0		9.2		9.1		9.4		9.5		9.6		10.1	
PwC	6.5		6.4		6.3		6.4		6.4		6.4		6.7		6.8	
Burbach & Assoc.			8.6				7.9								7.6	

Sources: Real Estate Research Corporation, PwC, Burbach & Associates/Lowery

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TERMINAL (RESIDUAL) CAPITALIZATION RATES – APARTMENTS (%)

	4th Qtr 2021		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
RERC - National	6.3	6.0	6.3	6.1	6.1	6.2	6.0	5.8	5.9	5.8	6.0	5.8	6.0	5.8	6.1	5.8
West – 1st Tier	5.9		5.8		5.7		5.8		5.7		6.0		5.9		6.1	
West – 2nd Tier	6.5		6.6		6.6		6.7		6.7		7.0		7.0		7.3	
West – 3rd Tier	7.0		7.4		7.2		7.3		7.3		7.8		7.7		7.9	
PwC	5.4		5.3		5.3		4.8		4.8		4.8		5.1		5.3	
Burbach & Assoc.			6.3				5.9								6.6	

Sources: Real Estate Research Corporation, PwC, Burbach & Associates/Lowery

TERMINAL (RESIDUAL) CAPITALIZATION RATES – HOTELS (%)

	4th Qtr 2020		1st Qtr 2021		2nd Qtr 2021		3rd Qtr 2021		4th Qtr 2021		1st Qtr 2022		2nd Qtr 2022		3rd Qtr 2022	
Category	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**	**Nat**	**Den**
RERC - National	9.1	8.8	9.1	9.0	9.1	9.3	9.0	9.4	9.0	9.4	8.9	9.3	9.0	9.2	9.1	9.2
West – 1st Tier	8.8		8.6		9.0		8.7		8.7		8.6		8.7		8.8	
West – 2nd Tier	9.6		9.6		9.9		9.7		9.7		9.7		9.8		10.0	
West – 3rd Tier	10.0		10.3		10.4		10.7		10.5		10.5		10.6		10.9	
PwC	8.7		NA		8.5		8.2		8.2		8.1		8.1		8.1	
Burbach & Assoc.			10.8				8.9								10.2	

Sources: Real Estate Research Corporation, PwC, Burbach & Associates/Lowery PwC reports on hotels semi-annually.

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 (%)

	1st Qtr 2021	2nd Qtr 2021	3rd Qtr 2021	4th Qtr 2021	1st Qtr 2022	2nd Qtr 2022	3rd Qtr 2022
Overall Cap Rate							
Range	5.0-8.5	5.0-7.5	5.0-7.5	5.0-7.5	5.0-7.5	5.0-7.5	5.0-7.5
Average	6.3	6.2	6.2	6.0	6.0	6.1	6.2
Terminal Cap Rate							
Range	6.9-9.0	6.0-8.5	6.0-7.5	5.0-7.0	5.0-7.0	5.0-7.5	5.0-7.5
Average	7.1	7.0	6.5	6.1	6.1	6.2	6.3
Discount Rate (IRR)							
Range	6.0-10.0	6.0-10.0	6.0-10.0	5.0-10.0	5.0-10.0	5.0-10.0	5.0-10.0
Average	7.5	7.5	7.2	7.2	7.2	7.2	7.4
Market Rent Change Rate							
Range	(5.0)-2.0	(5.0)-2.5	(5.0)-2.0	(5.0)-2.0	(5.0)-2.0	(5.0)-2.0	(5)-2.0
Average	0.2	0.,2	0.1	0.0	0.0	0.0	0.0
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	1.4	1.4	1.4	1.6	1.6	1.6	1.6

Source: PwC Real Estate Investor Survey, 4th Quarter 2022 for the 3rd Quarter 2022.

Addendum N –

Real Estate Financing Terms

COLORADO
REAL ESTATE FINANCING TERMS

4th Quarter 2022

Eric Karnes
William M. James, MAI, CCIM, MBA

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 returned to the market as a way to finance many types of real estate.

Until the advent of the economic slowdown caused by the Covid-19 pandemic, Denver was perceived to be one of the stronger real estate markets in the country. Financing had become more available for some types of improved properties, especially apartments, office and industrial buildings. There was some financing available for new for-sale residential development 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 was fueled by low home mortgage interest rates and increased employment levels. Locally, strong population growth, increased employment and pent-up demand was stimulating sales.

The pandemic-caused recession was brief but deep. The Denver economy has recovered, with metro employment at a record level by mid-2022. All sectors of the commercial real estate markets in metro Denver are improving except for the office market. Denver remains on many “best of” and “top ten” lists, resulting in outside interest in acquiring and developing commercial properties.

General Interest Rate Trends - Short Term Rates

The following is a trend of the prime and federal funds rates over the past ten years. The 2023 rates are as of February 14 with the US Federal Reserve as source.

PRIME RATE AND FEDERAL FUNDS RATE

Rate	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Prime Rate	3.25%	3.25%	3.25%	3.50%	4.25%	4.25%	4.75%	3.25%	3.25%	7.00%	7.75%
Federal Funds	0.09%	0.10%	0.12%	0.41%	1.16%	2.20%	1.75%	0.08%	0.08%	3.83%	4.58%

In essence, the Federal Reserve lowers short-term interest rates to stimulate the economy and raises them when inflation appears to be a risk. The Federal Reserve reduced rates attempting to stimulate the economy due to the conditions caused by the Covid-19 pandemic but began to increase rates to combat inflation. 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 4th Quarter 2022, 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	3.49%	2.86%	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	4.47%	3.15%	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	6.85%	5.50%	100.0%	100.0%	24.0	Interest Only
-Average	3.94%	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	3.94%	3.12%	80.0%	80.0%	18.0	Interest Only
Lodging						
-Minimum	1.25%	1.50%	50.0%	60.0%	12.0	Interest Only
-Maximum	7.00%	5.70%	100.0%	100.0%	24.0	Interest Only
-Average	4.24%	3.47%	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	3.94%	3.12%	80.0%	80.0%	18.0	Interest Only
Office						
-Minimum	0.95%	1.50%	50.0%	60.0%	12.0	Interest Only
-Maximum	6.45%	5.00%	100.0%	100.0%	24.0	Interest Only
-Average	3.80%	3.12%	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	4.90%	3.72%	75.0%	80.0%	18.0	Interest Only
Retail						
-Minimum	0.95%	1.50%	50.0%	60.0%	12.0	Interest Only
-Maximum	6.75%	5.05%	100.0%	100.0%	24.0	Interest Only
-Average	3.94%	3.15%	80.0%	80.0%	18.0	Interest Only

Property Type	Spread Over Prime	Loan Fees	Loan To Value Ratio	Loan To Cost Ratio	Loan Term (Mos.)	Amortization
Self-Storage						
-Minimum	0.95%	1.50%	50.0%	60.0%	12.0	Interest Only
-Maximum	6.80%	5.00%	100.0%	100.0%	24.0	Interest Only
-Average	3.91%	3.12%	80.0%	80.0%	18.0	Interest Only
Special Purpose						
-Minimum	1.35%	2.00%	50.0%	60.0%	12.0	Interest Only
-Maximum	8.10%	6.00%	100.0%	100.0%	24.0	Interest Only
-Average	4.81%	3.95%	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	4.32%	3.45%	73.0%	80.0%	26.0	Interest Only

Source: RealtyRates.com 1st Quarter 2023 Investor Survey for the 4th Quarter 2022

General Interest Rate Trends - Long Term Rates

The following is the trend of the 10-year Treasury rates as compared to the federal funds rates over the past ten years. The 2023 rates are as of February 14 and are provided by the US Federal Reserve.

10-YEAR TREASURY RATE AND FEDERAL FUNDS RATE

Rate	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
10-Year Treasury	2.34%	2.28%	2.34%	2.37%	3.07%	1.76%	0.86%	1.54%	4.14%	3.77%
Federal Funds	0.10%	0.12%	0.41%	1.16%	2.20%	1.75%	0.08%	0.08%	3.83%	4.58%

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 February 14, 2023 for the 20-Year Bond Yields with HSH Statistics the source for the 30 Year Mortgage interest rates.

20-YEAR BOND YIELDS AND 30-YEAR CONVENTIONAL MORTGAGE RATES

Rate	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
20-Yr Bond Yields	2.77%	2.72%	2.70%	2.62%	3.22%	2.04%	1.38%	1.95%	6.95%	3.94%
30-Year Mortgage	4.13%	3.98%	3.94%	3.88%	4.81%	3.66%	2.72%	2.92%	5.51%	6.97%

The following are recent residential mortgage interest rates in the Denver metropolitan area:

DENVER METRO RESIDENTIAL MORTGAGE RATES AS OF February 15, 2023		
Type	**Interest Rate (%)**	**Total Points**
30-Year Fixed	6.97	0.50
15-Year Fixed	6.13	0.50
1-Year ARM	5.78	0.40

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	70	488	276
Golf	115	1000	514
Health Care/Senior Housing	120	626	336
Industrial	105	582	318
Lodging	115	1000	347
RV/Camp. /Mfg. Housing/MH Park	110	842	405
Office	105	566	286
Restaurant	162	1200	469
Retail	75	580	328
Self Storage	105	596	419
Special Purpose/Other Commercial	165	1200	505

Based on 10-Year Treasury Rate
Source: RealtyRates.com 1st Quarter 2023 Investor Survey for the 4th Quarter 2022

FIXED-TERM COMMERCIAL MORTGAGE INTEREST RATES	
Property Type	**National Average**
Apartment	6.65%
Office	6.75%
Retail	7.17%
Industrial	7.07%
Lodging	7.36%
Special Purpose	8.94%

Source: RealtyRates.com 1st Qtr 2023 Investor Survey for the 4th Qtr 2022

REALTY RATES.COM NATIONAL AVERAGES				
Property Type	**Amortization Terms (Years)**	**Mortgage Payoff Terms (Yrs.)**	**Loan-to-Value Ratios (%)**	**Debt Coverage Ratios**
Apartment	26	20.50	73	1.43
Golf	23	9.00	67	1.55
Health/Senior Housing	25	13.65	71	1.49
Industrial	25	11.46	70	1.45
Lodging	22	7.80	67	1.55
RV/Camp. /Mfg. Housing/MH Park	26	9.15	70	1.35
Office	30	8.00	68	1.63
Restaurant	22	7.45	66	1.57
Retail	25	6.20	70	1.39
Self-Storage	28	6.10	70	1.52
Special Purpose/Other Commercial	23	7.85	66	1.70

Sources: RealtyRates.com 1st Quarter 2023 Investor Survey for the 4th Quarter 2022

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. Following are lending conditions prior to the arrival of the Covid-19 pandemic, and to some extent, since the recovery began:

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 lend 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 in 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 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 Colorado as a potential turnaround market, rather than a high-quality investment market. However, with the local improved economic conditions and recent poor performance of the bond and equity markets, pension funds 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 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. 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 O –

Qualifications of Appraiser 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

JRES Intelica CRE – Denver
James Real Estate Services, Inc. - Denver
RACO Development Corp. - Englewood
Shorett and Riely - Seattle/Anchorage
City of Seattle – Planning Commission
Regional Transportation District - Denver
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
Co-Working 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 Condos
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

Representative Clients, Past/Present

AEGON USA
Adams Bank & Trust
Adams County School District No. 14
AIMCO
Advantage Bank
ARCS Commercial Mortgage Co.
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
BNSF Railway Company
BOK Financial
Brighton Housing Authority
Brothers Redevelopment, Inc.
Burg Simpson
Catholic Charities
CB Richard Ellis
Centura Health
Cherry Creek School District
Cheyenne Regional Medical Center
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
Colorado Attorney General
Colorado Business Bank
Colorado Capital Bank
Colorado Coalition for the Homeless
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
Denver Water
Douglas County Attorney
Douglas County School District
E-470 Highway Authority
Enterprise Community Loan Fund
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.
GE Capital Corporation
GMAC Commercial Mtg. Corp.
General American Life Insurance Co.
Gorsuch Kirgis LLP
Grand Junction Housing Authority
Great Western Bank
Greyhound Lines Inc.
Greystone USA
Grubb & Ellis Company
Guaranty Bank and Trust Co.
Guardian Life Insurance Co.
HealthOne
Heartland Bank
Heller Financial
Hope Communities
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
Life Insurance Co. of Virginia
Mercy Housing
Mercy Medical Center
Merrill Lynch Business Financial Services
Metropolitan Life Insurance Co.
Metropolitan State College of Denver
Mile High Community Loan Fund.
MidFirst Bank
Molson Coors
Municipal Bond Investment Assurance Corp.
National Jewish Health
NHP Property Management, Inc.
North Valley Bank
Oakwood Homes
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
Rocky Mountain Communities
Ross Management Group
Safeway Stores, Inc.
Saint Joseph Hospital
Salvation Army
Service Corporation International
Sinclair Oil Company
Southwestern Life Insurance Co.
St. Charles Town Company
Standard Life Ins. of Portland
Stewart Title Guaranty Company
Taco Bell Corporation
Terrix Financial Corporation
Thistle Community Housing
Trammell Crow Company
TransAmerica Realty Services, Inc.
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, Salt Lake County, Utah
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
Boulder County
City and County of Denver
Jefferson County
Adams 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
American Planning Association

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
The CE Shop

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 – Radian | Placematters Advisory Committee
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

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REAL ESTATE DECISION SUPPORT

COMPANY PROFILE

Intelica Valuation Services, LLC dba JRES Intelica CRE is a diversified real estate advisory firm with a foundation of commercial and residential appraisal, appraisal review, market analysis, brokerage and investment advisory services in Denver, Colorado since 1982. JRES assists clients with strategic direction and specific decisions for a wide variety of real estate situations. JRES merged with Intelica CRE based in St. Louis in 2021.

As transportation or mobility-oriented development, apartments 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, lenders, governments and community organizations with market and investment based real estate research and analysis.

Over the years, JRES Intelica CRE (JRES) has conducted real estate appraisal and consulting assignments 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 occasionally in several other states. Appraisal and market study assignments include office buildings, apartment and condominium complexes, shopping centers, hospitality, industrial, mixed use, "green" buildings, single-family residences, residential and commercial subdivisions, and vacant land, both urban and rural. In addition to conventional types of real properties JRES is often asked to appraise or analyze unusual or special use properties.

Many assignments require extensive feasibility analysis of alternative uses or eminent domain analysis and consulting. Advisory services include assessed value appeals and arbitrations, 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	Commercial subdivisions	Open space land
Mixed use properties	Transit oriented developments	Chemical distribution facilities
Refrigerated food processing facilities	Homeless shelters	Funeral homes
Automotive sales & service centers	Truck terminals	Bowling centers
Aircraft hangars	Car washes	Breweries
Family entertainment centers	Event centers	Worship facilities
Museums	Camp/retreat facilities	Theatre complexes
Health clubs	Educational facilities	Assisted living facilities
Correctional facilities	Golf courses	Restaurants
Hotels	Casinos	Bank branches
Self-storage complexes	Student apartments	HUD subsidized apartments
Executive suites office buildings	Medical office buildings	Hospitals
Mixed use properties	Music studios	Child care facilities
Ballet facilities	Animal sanctuaries	Equine hospitals
Fraternity/sorority houses	Pet boarding facilities	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 marketplace 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, MBA	Managing Director
Stephen E. Ross	Director, Market Analysis
Denise Moore	Director, Multifamily Valuation
Ann M. Del Nigro	Director, Brokerage Services
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 serves as an arbitrator of property tax assessment appeals in several counties and occasionally also manages such appeals for property owners.

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 has been Chair of the General Appraiser Council, the Admissions Appeals Board and the General Experience Subcommittee; a member of the Board of Directors, the Admissions Committee, the Regional Ethics and Counseling Panel, Appraisal Standards Council, the 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 25 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 Master 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.

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. Eric maintains the JRES library of real estate market information and prepares the Real Estate Perspective and Apartment Perspective email newsletters. He also consults for several national development and investment companies.

Jeff McGhie and Matt Hamstra are Associate Appraisers at JRES. With qualified assistance, the Principals and staff at JRES provide timely and accurate real estate appraisal services and market analysis to clients, relying on a wide variety of outside resources and an extensive in-house market data base.