APPRAISAL OF

8.596 Acres of Vacant Land
Proposed - Sanctuary at Bear Creek Subdivision
(17 Detached Single Family Lots)
707 Cresta Road, Colorado Springs, Colorado

Date of Valuation: May 20, 2015
Date of Report: May 29, 2015
Type of Report: Appraisal Report
Type of Property: Vacant Land
File No: 2015-18

Prepared For:

The Broadmoor Hotel
c/o Mr. Tom Schmidt
One Lake Avenue
Colorado Springs, Colorado 80906

Prepared By:

THOMAS COLON & ASSOCIATES, INC.
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May 29, 2015

The Broadmoor Hotel
c/o Mr. Thomas Schmidt
One Lake Avenue
Colorado Springs, Colorado 80906

Appraisal of:	8.596 Acres of Vacant Land Proposed - Sanctuary at Bear Creek (17 Detached Single Family Lots) 707 Cresta Road, Colorado Springs, Colorado
Interest Appraised:	Fee Simple Interest
Date of Valuation:	May 20, 2015
File No.	2015-18

Dear Mr. Schmidt,

As you requested, I have developed an Appraisal Report for the above captioned property. The appraisal report presents a summary discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation is retained in the appraiser's workfile. The depth of discussion contained in this report is specific to the needs of the clients and for the intended use

This report was prepared for the Broadmoor Hotel. The intended users of this report are The Broadmoor Hotel and the City of Colorado Springs. The intended use of this appraisal is to estimate the "As Is" market value of the property as of the date of valuation to be used in negotiations with the City of Colorado Springs for a possible trade.

The market value estimate for the subject property is also subject to certain definitions, assumptions and limiting conditions, and certification of the appraiser are set forth in the attached appraisal report. This report is prepared in accordance with the requirements of 12 Code of Federal Regulations (CFR) Part 34 and the Uniform Standards of Professional Appraisal Practice (USPAP). The appraisal report contains 91 numbered pages including 3 Addenda tabs at Part 4 of this report.

My market value conclusion for the subject property is shown in the following matrix:

Value Indication: Sanctuary at Bear Creek

Premise	**"As Is"**
Property Rights	Fee Simple
Property Description	8.596 Acres of Vacant of Land Zoned R-1/9000 with Developed Plan and Preliminary Plat Approval for 17 Detached Single Family Residential Lots
Date of Valuation	May 20, 2015
Sales Comparison Approach	$1,241,000
Subdivision Development Approach	$1,400,000
Concluded Market Value	**$1,400,000**
Value Per Proposed Lot	$83,353
Value Per SF	$3.74

My estimate of market value was made with no extraordinary assumptions and no hypothetical conditions as discussed in the Scope of Work section (Part 1) of this report.

This letter is an integral part of this appraisal report. I appreciate the opportunity of undertaking this assignment.

Very truly yours,

Thomas Colon

THOMAS COLON
Colorado Certified General Appraiser
License No.: CG 1315531
Expiration Date: 12/31/2016

PRIVACY POLICY

Thomas Colon & Associates, Inc., like all providers of financial services, is now required by law to inform their clients of their policies regarding privacy of client information.

The Federal Trade Commission (FTC) has ruled that appraisers are now considered to be financial institutions. This stems from the statements by FannieMae, FreddieMac, and FHA that appraisers are considered as part of the financial institution for their participation in the lending process.

Licensed/Certified Appraisers have been and continue to be bound by the Uniform Standards of Professional Appraisal Practice (USPAP) and Ethics Rules which consist of conduct, management, confidentiality, and record keeping sections. These rules and standards are more stringent than those required by law. Therefore, Thomas Colon & Associates, Inc. has always been diligent about protecting information deemed to be private or confidential in nature.

Types of Nonpublic Personal Information Collected

Personal information about you and your property is collected during the course of developing the appraisal process. This is generally accomplished with your prior knowledge and approval. Nonpublic information is provided to our agency by you or obtained by us with your authorization. The purpose of the appraisal process is normally to develop a specific value opinion for a client. The specific value opinion is a part of the requirement for the successful completion of a particular real estate financial transaction.

Parties to Whom We Disclose Information

For current and former clients, this agency does not disclose any nonpublic personal information obtained during the course of developing a property's specific value opinion except as required by law or at the direction of the client to assist in the completion of the particular financial transaction. Such nonpublic information may be disclosed to the client and any identified intended users of the specific appraisal, review, or consultant reporting process. A fiduciary agreement is automatically in effect between our agency and the identified client and intended users per Ethics Rules of the USPAP. In all such situations, it is specifically stated that all confidential information, analyses, conclusions, survey results, adjustments, and opinions be safeguarded by the appraiser.

Record Keeping Requirements

Our agency retains records relating to the professional services that we provide so that we are better able to assist you with your professional needs and to comply with the requirements of the Ethics Rules contained within the USPAP. In order to secure your nonpublic personal information, our agency maintains physical, electronic, and procedural safeguards that comply with our professional stands.

Please call if you have any questions. Your privacy, our professional ethics, and the ability to provide you with a quality product or service are very important to us.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Date of Appraisal Report:	May 29, 2015
Effective Date of Appraisal:	May 20, 2015
Date of Property Inspection:	May 20, 2015. No one accompanied me during my inspection of the subject property.
Client:	The Broadmoor Hotel c/o Mr. Thomas Schmidt One Lake Avenue Colorado Springs, Colorado 80906
Owners of Record:	The Broadmoor Hotel One Lake Avenue Colorado Springs, Colorado 80906
Property Address:	707 Cresta Road, Colorado Springs, CO.
Real Property Interest Appraised:	Fee Simple
Land/Site Area:	8.596 Acres or 374,436 Square Feet
Number of Lots:	17 (Paper Platted and Engineered Detached Single Family Residential Lots). See Hypothetical Conditions.
Legal Description:	**Current Legal.** In Part 2 of this report I have included the legal description for the subject property per County Assessor's records. In Part 4 of this report (Exhibits and Addenda) I have also included the legal description shown on the Preliminary Plat. **After Platting.** Lots 1 through 17 and Tracts A, B and C, Sanctuary at Bear Creek, City of Colorado Springs, State of Colorado.
Tax Schedule Numbers:	74234-00-005 and 006.
Zoning:	R-1/9000 (CSC). See Part 2 for additional zoning information.
Subject Sales History:	According to the El Paso County Assessor's Office the current owner acquired the subject property on December 22, 2014. The grantor was Marvin E. Korf, and the transaction was recorded at El Paso County Reception No. 214117287. See Part 2 for additional sales history.
Subject Use History:	Vacant Land – Residential.
Highest and Best Use:	Immediate Development of 17 Detached Single Family Residential Lots.
Exposure and Marketing Period:	12 months or less.

MARKET VALUE CONCLUSION

My market value conclusion for the subject property is shown in the following matrix:

Value Indication: Sanctuary at Bear Creek

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My estimate of market value was made with no extraordinary assumptions and no hypothetical conditions as discussed in the Scope of Work section (Part 1) of this report.

CERTIFICATION OF APPRAISER

The undersigned certifies that, to the best of my knowledge and belief:

- 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 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 performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

- I have no bias with respect to the property that is the subject of this report or to the parties involved.

- 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.

- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*

- I have made a personal inspection of the property that is subject of this report.

- No one provided significant real property appraisal assistance to the person signing this certification.

Thomas Colon

THOMAS COLON
Colorado Certified General Appraiser
Colorado Lic. No. CG 1315531
Expiration Date: December 31, 2016

Subject Photographs

Looking East At Subject Property
Along Cresta Road

Looking Southeast At Subject Property
Along Cresta Road

Looking East Across a Portion of the
Subject Property

Looking Southeast Across a Portion of the
Subject Property

Looking East Across a Portion of the
Subject Property

Looking Southeast Across a Portion of the
Subject Property

Subject Photographs

Looking Southeast Across a Portion of the Subject Property

Existing Single Family Dwelling Considered to have Little to No Value

Looking South Along Cresta Road

Looking North Along Cresta Road

The subject photographs were taken May 20, 2015 by Thomas Colon.

PART 1

SCOPE OF WORK

Assumptions and Limiting Conditions

The certification of the appraiser appearing in the appraisal report is subject to the following conditions, and to such other specific and limiting conditions as are set forth by the appraiser in the report.

Extraordinary Assumptions

I have made no Extraordinary Assumptions.

Hypothetical Conditions

I have made one Hypothetical Condition.

General Assumptions and Limiting Conditions

1. The legal descriptions, land areas, surveying and engineering data provided, if any, assumed to be correct. The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photographs are included for the same purpose. Site plans are not surveys unless prepared by a separate surveyor.

2. This is an Appraisal Report opinion, which is intended to comply with the reporting requirements set forth in Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (USPAP). The report presents a summary discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's work file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use.

3. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report. The property is appraised "as if free and clear" of liens and encumbrances, but subject to existing easements, covenants, deed restrictions, and rights-of-way of record.

4. Information furnished by others, to include the owner, the owner's representative, or persons designated by the owner, is believed to be reliable. No warranty, however, is given for its reliability or accuracy. Unless otherwise noted in the appraisal report, there is no reason to believe that any data furnished by others contains a material error. A material error of any of the pertinent data could have a substantial impact on the value reported. Accordingly, the client-addressee should carefully review all assumptions, data, and relevant conclusions and should notify the appraiser in a timely manner of any questions or errors.

5. This report is as of the date set out and is not intended to reflect subsequent

fluctuations in market conditions, up or down.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or arranging for engineering studies that may be required to discover them.

7. It is assumed the subject property complies with all applicable zoning and use regulations and restrictions, unless non-conformity has been stated, defined, and considered in this appraisal report.

8. It is assumed the use of land is within the boundaries or property lines of the property described and there is no encroachment or trespass unless otherwise stated in this report.

9. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection of the subject property. I have no knowledge of the existence of such materials on or in the property unless otherwise stated. However, I am not qualified to test for such substances. The presence of such hazardous substances may affect the value of the subject property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, or for any expertise or knowledge required to discover them.

10. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. The subject property is vacant land.

11. Possession of this report, or a copy thereof, does not carry with it the right of publication. The report may only be used by the person or persons to whom it is addressed or for the purpose stated in the report. It may not be used for any purpose by any person other than the parties to whom it is intended without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.

12. Neither all or any part of the contents of this report especially any conclusions as to value, the identity of the appraiser(s), or the firm which the appraiser(s) is connected shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraiser(s).

13. No geotechnical reports concerning subject property or information relating to geologic conditions and hazards were available to the appraiser. This area of the city has been known for expansive soils and other geological hazards, the effects of which can be minimized when properly engineered foundations are employed. The valuations contained herein is based upon the premise that soil and underlying geologic conditions are adequate to support standard construction consistent with

highest and best use. No evidence to the contrary was observed during the physical inspection of the property.

Identity of the Client and Intended Users

This appraisal report has been prepared for The Broadmoor Hotel, c/o Mr. Thomas Schmidt, One Lake Avenue, Colorado Springs, Colorado 80906. The intended user of this report is The Broadmoor Hotel and the City of Colorado Springs. The appraisal has not and cannot be re-addressed. Use of this report by others not associated with Broadmoor Hotel or the City of Colorado Springs is not intended by the appraiser.

Intended Use of the Appraisal

The intended use of this appraisal is to estimate the market value of the property as of the date of valuation to be used in negotiations with the City of Colorado Springs for a possible trade.

Real Property Interest Appraised

Fee Simple. The property is appraised "as if free and clear" of all liens, bond assessments, and indebtedness, but subject to existing easements, covenants, deed restrictions, and rights-of-way of record. No consideration has been given to a division of interests or fractional interests. No value is estimated for personal property, mineral rights, water rights or other non-realty items which may or may not be associated with the property.

Purpose of the Appraisal

Real property appraisal development and reporting is subject to the Uniform Standards of Professional Appraisal Practice (USPAP). The purpose of this assignment is to estimate the "As Is" market value of the subject property as follows:

> The "As Is" market value estimate of the fee simple interest in the subject property, effective May 20, 2015.

My estimate of market value was made with no extraordinary assumptions and no hypothetical conditions as discussed in Part 1 (Scope of Work) of this report.

The definition of Market Value has been given in the "Uniform Standards of Professional Appraisal Practice" (USPAP) by the O.C.C. The term "market value," as used in this appraisal, is defined below in the Definitions of Terms section of this report.

Date of Appraisal Report

The date of the appraisal report is May 29, 2015.

Effective Date of Appraisal

The effective date of appraisal and market value opinion for the subject property is as of May 20, 2015.

Date of Property Inspection

The subject property was inspected on May 20, 2015. No one accompanied me during my inspection of the subject property.

Property Identification and Description

The subject property is identified as 8.596 acres of vacant unimproved land with a Development Plan and Preliminary Plat approval for 17 detached single family residential lots. Upon completion of the proposed subdivision improvements the subject will be known as the Sanctuary at Bear Creek. The Sanctuary at Bear Creek development is located on the east side of Crest Road, just south of Bear Creek Regional Park in the Southwest Market area of Colorado Springs, Colorado.

Please note: as of the effective date of value the subject property did contain building improvements. However, based upon my inspection of the building improvements they would appear to have little or no value. Thus the value of the subject property will be estimated as though the site is vacant land.

Data Search Parameters and Analysis Approaches

1. A physical inspection of the property.

2. A search of the public records relative to the subject. This search encompasses, among other things, tax and assessment information, easement, and other private, as well as public, deed restrictions, zoning, history of the property, etc.

3. A summary of neighborhood and regional area characteristics, as well as an analysis of supply and demand within the subject's market segment.

4. Analysis of physically possible uses, legally permissible uses, and all feasible uses in order to estimate the highest and best use of the subject property.

5. Research of public records for comparable sales and listings. Telephone verification, where possible, of all the sales and listings with the buyer, seller, or their representative or independent parties. A physical inspection of each of the properties, as well as deed

verification. Comparison of the comparable properties to the subject with consideration of such differences as legal encumbrances, financing terms, conditions of sale, market conditions, location, physical characteristics, availability of utilities, zoning, and highest and best use.

6. I used the sales comparison approach and the subdivision development approach to estimate the "As Is" market value of the subject property.

   The sales comparison approach is the technique most frequently used in the appraisal of land. The sales comparison approach is based upon the proposition that an informed buyer would pay no more for a property than what he would have to pay for a comparable property with the same utility as the subject. The process involves the comparison of the subject property with comparable properties that have sold recently or that are now listed for sale on the market making adjustments as necessary to compensate for differences between them and the subject. Where sale financing terms are considered to affect the price paid in a given transaction, an adjustment to the price of the comparable transaction for cash equivalence is made.

   The subdivision development approach is applicable when subdivision and development are the highest and best use of the parcel of land being appraised. In the subdivision development approach, the "as is" market value of the raw vacant parcel is estimated based on an analysis of the future retail value of the conceptual subdivided lots, less the cost and required profit a developer would expect in order to achieve those future tract sale revenues. In this analysis a developer would acquire the property at what is, in effect, a wholesale price, but will sell the individual lots to end-users/builders at gross retail sale prices. The subdivision development approach estimates the price that such a developer could reasonably afford to pay for the subject property "as is" based upon its future development potential.

   The use of the subdivision development approach for properties similar to the subject is supported by evidence from conversations and interviews with bankers and land developers. My survey indicates that the majority of banks would require a subdivision type appraisal be performed, particularly if there is any proposed development. Land developers also use this method to assess the feasibility of a project and whether or not to buy a particular property. Furthermore, other evidence from market supports the use of this method. The methodology is also recognized by the Appraisal Foundation, Appraisal Institute and is widely used by appraisers.

7. The cost and income approaches were not used to estimate the value of the subject property. The cost approach was not used because the existing building and site improvements were considered to have little or no value. The income approach was not used because of the poor condition of the building improvements and because similar land is typically not leased nor purchased for the production of income. However, the methodology of the subdivision development approach involves a combination of the cost, the sales comparison and income capitalization approaches to value.

Summary of Appraisal Problems

I used two approaches to estimate the "As Is" market value of the subject property.

I first used the sales comparison approach to estimate the "As Is" sale market value for the subject property undeveloped. The problem with the approach was finding recent comparable land sales that were similar in location, physical characteristics and the number of lots as the subject. While my selection of comparable land sales considered the best ones available, as of the effective date of this report, as always a better selection of comparable land sales is more desirable.

The subdivision development approach was used to estimate "As Is" market value. In the "As Is" Subdivision Development Approach the probable purchaser is a developer/builder that would incur both the costs (direct and indirect) and the time in developing the lots and selling them to an end users. The methodology of the Subdivision Development Approach involves a combination of the cost, the sales comparison and income capitalization approaches to value. The problem with Subdivision Development Approach has many moving parts including estimates for absorption, direct and indirect costs, and a developer/builder's overhead and profit. The more moving parts the greater the possibility for error. However, it is most probably the methodology a purchaser would use to assess the feasibility of a project and whether or not to buy a particular property.

Definition of Terms

Various special terms used in this report are defined in the following paragraphs to assist the reader in understanding terminology.

Cash Equivalent. A price expressed in terms of cash as distinguished from a price which is expressed all or partly in terms of the face amount of notes or other securities which cannot be sold at their face amount. The cash equivalent price, of a sale property, may differ from its contract price, and should represent the present worth at time of sale, of all cash and other considerations paid for the real property, as opposed to other portions of stated consideration, which may be paid for services, fees and/or non-realty items.

Discounting. A concept of time preference, which holds that future income or benefits, are worth less than the same income or benefits now, and that they decrease in value systematically as the time for their receipt is further deferred into the future. In appraisal analysis, discounting is the arithmetic procedure of applying a specific rate (usually) derived from the market to the anticipated future income stream in order to develop a present worth estimate.

Discounted Cash-Flow Analysis. A set of procedures in which an appraiser specifies the quantity, variability, timing, and duration of periodic income, as well as the quantity and timing of reversions, and discounts each to its present value at a specified yield rate.

Internal Rate of Return. The internal rate of return (IRR) on an investment or project is the annualized effective compounded return rate or discount rate that makes the net present value of all cash flows (both positive and negative) from a particular investment equal to zero. In more specific terms, the IRR of an investment is the interest rate at which the net present value of costs (negative cash flows) of the investment equal the net present value of the benefits (positive cash flows) of the investment. Generally speaking, internal rates of return are calculated and used to evaluate the desirability of investments or projects. The higher a project's internal rate of return, the more desirable it is to undertake the project. Assuming all other factors are equal among the various projects, the project with the highest IRR would probably be considered the best and undertaken first.

Highest and Best Use. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest market value of the property as of the date of the appraisal. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Fee Simple. A fee simple estate is absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power and taxation.

Market Value. The current economic definition of market value:

> 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, knowledgeably and assuming the price is not affective by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> a. buyer and seller are typically motivated;
> b. both parties are well informed or well advised, and each acting in what he considered his own best interest;
> c. a reasonable time is allowed for exposure in the open market;
> d. payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and
> e. 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.

From the OCC's Final Rule, 12 CRF Part 34, Subpart C-Appraisals, Section 34.42(f), effective August 24, 1990.

Analysis of Appropriate Discount Factors and Deductions. Under Title 12 CFR Part 1608.4, Appraisal Standards, appraisals are required to comply with the following pertinent sections:

(a) Minimum Standards. For Federally related transactions all appraisals shall at a minimum:

> * * * *
>
> (8) Analyze and report on current market conditions and trends that will affect projected income or the absorption period to the extent they affect the value of the subject property;
>
> (9) Analyze and report appropriate deductions and discounts for any proposed construction, or any properties that are partially leased or leased at other than market rents as of the date of the appraisal, or any tract developments with unsold units.

Sales Comparison Approach. The sales comparison approach is based upon the proposition that an informed buyer would pay no more for a property than what he would have to pay for a comparable property with the same utility. The process involves the comparison with comparable properties that have sold recently or that are now listed for sale on the market making adjustments as necessary to compensate for differences between them. Where sale financing terms are considered to affect the price paid in a given transaction, an adjustment to the price of the comparable transaction for cash equivalence is made.

Cost Approach. The cost approach is based upon the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements, which represent the highest and best use of the land or when unique or specialized improvements are located on the site for which there exist no comparable properties on the market. In this approach, we will estimate the replacement cost. Replacement cost is defined as the cost of construction at current prices of improvements, having utility equivalent to the improvements being appraised but built with modern materials and according to current standards, design and layout. From the replacement cost new there is deducted an estimate of accrued depreciation which is the loss in value arising from physical, functional and economic causes.

Income Approach. The income approach is based upon the proposition that there is a relationship between the income generating capacity of a property and its price. This method has application only in properties, which have income producing potential. In the income approach, anticipated future benefits in terms of money to be derived from the ownership of the property are converted into a value estimate. The value is dependent upon the quantity, quality, and duration of the anticipated income.

Subdivision Development Approach. The subdivision development method (aka Subdivision Analysis Approach) is defined as follows: *"A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. When all direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price of the finished lots, the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the raw land."*

The subdivision development method is applicable where a sale within a reasonable period indicates that the most probable purchaser is a developer who would acquire the subject property as a single entity. Such a developer would then develop the property and sell internal lots to end-users as market demand occurs. The developer or investor will acquire the property at what is, in effect, a wholesale price, but will sell the individual lots to end-users at gross retail sale prices. The subdivision development method estimates the price that such a developer could afford to pay for the property as a single entity.

PART 2

FACTUAL DATA

Identification of the Subject Property

The subject property is identified as 8.596 acres of vacant unimproved land with a Development Plan and Preliminary Plat approval for 17 detached single family residential lots. Upon completion of the proposed subdivision improvements the subject will be known as the Sanctuary at Bear Creek. The Sanctuary at Bear Creek development is located on the east side of Crest Road, just south of Bear Creek Regional Park in the Southwest Market area of Colorado Springs, Colorado.

Please note: as of the effective date of value the subject property did contain building improvements. However, based upon my inspection of the building improvements they would appear to have little or no value. Thus the value of the subject property will be estimated as though the site is vacant land.

Regional/Metro and Neighborhood Data

Regional/Metro Data Overview

Below is a summary of pertinent metropolitan influences.

Economic Base. The economic base of Colorado Springs consists of a broad mix of industries. Key industries include high-tech manufacturing, software development, call centers, defense contractors, information processing, back office, Olympic sports, national associations and the military.

Community Assets. Wage and utility rates in the area compare favorably with cities of similar size. Excellent industrial sites are still available in planned industrial parks. The well educated work force, central location, dry moderate climate and adequate transportation facilities have proved to be advantageous in attracting new industries to the community.

Population. Population in the Colorado Springs metro area was estimated to be 663,519 as of April 1, 2014.

Population Growth Metro Area 1970 – 2014

Year	Population	Change	Annual Percent Change	Births	Deaths	Natural Increase	Net Migration
Decade							
1970	240,100						
1980	312,600	72,500	2.7%	56,324	15,748	40,576	31,924
1990	397,500	84,900	2.4%	69,412	19,009	50,403	34,497
2000	516,929	119,429	2.7%	76,506	24,591	51,915	67,514
2010	622,263	105,334	1.9%	87,717	33,073	54,644	50,690
2013	655,453	33,190	1.6%	29,854	12,395	17,459	15,731
2014	663,519	8,066	1.2%	9,305	4,178	5,127	2,939
Totals							
Totals		423,419		329,118	108,994	220,124	203,295
Percent						52%	48%

Source: US Bureau of the Census and Colorado State Demographer. 1970-2010 Data is for April 1st of each year. 2013-2014 data is for July 1.

Over the 10 years between 2000 and 2010, population grew at a rate of about 2% per year, adding an estimated 105,300 people. Some of the increase was due to expansion at Fort Carson, with the addition of about 7,000 soldiers and 10,500 dependents. An estimated 52% of the increase was due to natural increase and 48% was due to net migration. Population in the Colorado Springs metro area over the long term has increased at a rate of 2.4% per year. Long term projections indicate that population in the Colorado Springs metro area is expected to grow annually at a rate of about 1.5% to 2% in future years.

Job Growth. Job growth in Colorado Springs showed strong growth in the 1st quarter of 2015. The number of wage and salary (payroll) jobs increased (year-over) by close to 6,000 compared to the 1st quarter of 2014. The local economy saw three consecutive years of job losses in 2008-2010, then went into positive territory over the past four years. This was in spite of federal spending cuts in 2014 and the shift away from both the Manufacturing and Information Technology sectors, which were key components of the local economic base. Job sectors that have contributed to recent job gains include healthcare, construction and some of the services sector.

Over the past decade the structure of the Colorado Springs economy experienced a dramatic change. Since 2004 the Information and Manufacturing sectors lost 8,500 jobs. At the same time the Education and Health Services sector grew by 9,900. The economy's largest employer, is still the Government sector with 48,700 employees.

The Colorado Springs Regional Business Alliance plays a key role in reinventing the local economy. CSRBA's focus includes: (1) attracting, retaining and growing primary industry, (2) building a strong business climate, (3) providing support for local businesses. The CSRBA recently announced the expansion and/or relocation of three companies and 2,194 new primary jobs in the first three months of 2015. The largest announcement was Sierra Completions, a firm that will locate at the municipal airport, with 2,100 jobs announced.

New primary job announcements in the first three months of 2015 were up significantly compared to the 459 announced for all of 2014. The loss of primary jobs continues to have a negative impact on the local economy. A total of 178 primary job layoffs were announced in the first three months of 2015. The largest was Sinton Dairy with an announced 120 job cut-back.

Primary jobs are a major driver of economic growth because they bring new dollars into the local economy. The new dollars support jobs at supermarkets, real estate offices, gas stations, home building companies and the like. Then, as the workers in these local industries spend their earnings, even more jobs are supported. Thus, primary industry activity has an expansive multiplier effect on the local economy.

Military Economic Base. The military makes up a significant part of the Colorado Springs economic base. Total employment at the four military bases is about 55,900 including 37,245 military personnel and almost 19,000 civilian workers. Employment on local military bases amounts to about 19% of the total jobs in the Colorado Springs area. As a footnote, these figures include about 4,000 soldiers deployed to the middle east, but do not include about 4,000 cadets at the Air Force Academy. The four local military bases all provide some on-base family housing, with units totaling almost 4,700.

With the war winding down in Afghanistan and the expected cut-backs in defense spending, the future level of military and civilian defense contractor personnel assigned to bases in the Colorado Springs area is a big unknown at the present time.

Latest Economic Indicators. The latest economic data indicates that the local economy is finally out of the deep hole dug by the 2007-2009 recession. However, the recovery is plodding along at a very slow pace. Most all of the monthly economic indicators show good news:

- Wage and Salary Jobs: A major revision in payroll growth for the Colorado Springs area show that 6,000 more jobs were added last year than previously reported. An earlier report by the U.S. Bureau of Labor Statistics said local payrolls grew by an average of 0.6% in 2014, but officials from the Colorado Department of Labor and Employment say they expect the bureau's annual revision to boost that estimate by 2.5%. That would be up from a 2% payroll growth rate in 2013 and the strongest annual payroll growth since at least 2000. It also would be consistent with the declining local unemployment rate, which fell to 5.2% in December from 7.6% a year earlier.

  Even after the numbers are revised, however, payroll growth in the Springs will continue to fall well short of the statewide average growth for last year. That number is expected to be revised upward to 3.3% from the bureau's current 2.7% estimate. It will mean that Colorado employers added 17,400 more jobs than initially estimated through September 2014, putting the state on track for its best year for job gains since 1999. Although Colorado Springs lags the state, the metro area appears to be on the right track.

  The bulk of the revisions are likely to come in the professional and business services, leisure and hospitality, and trade, transportation and utilities sectors. The bureau's monthly numbers show employment in those three sectors declining, losing a total of 3,300 jobs, while the quarterly numbers show the three sectors adding 1,800 jobs. The bureau's monthly estimate also undercounted growth in health care and construction by 1,500 jobs and indicated growth in the financial services industry when reductions happened instead. The revisions also will show an increase in payroll growth estimates for every metropolitan area in the state except Boulder

- Sales and Use Tax. The tourism industry led the way as Colorado Springs sales tax collections rose for the 11th time in the past 12 months, the city's Finance Department recently reported. Sales tax revenue collected in April rose 6.9% from April 2014 to $11.7 million, the second consecutive monthly increase after a small decline in February. About one-third of April's increase came from restaurants and hotels both fueled by a robust month for the local tourism industry. Collections from hotels in April were up 30.4% from a year ago, while tax paid by restaurants was up 8.2% during the same period.

  Collections in April reflect sales completed in March. Sales tax revenue is an important indicator of the health of the local economy. The 2% percent tax is levied on purchases of motor vehicles, appliances, electronics furniture, clothing and other items. The city also has special sales taxes for public safety, parks, trails and open space and collects a separate tax on hotel rooms and rental cars. Revenue from those taxes, as well as a use tax, makes up more than half of all funds in the city's general fund bud get, which pays for police, fire parks, roads and other items.

  Sales tax collections so far this year are up 4.7% from the same period last year to $30.7 million. It's a big improvement from the 0.1% decline in the same months of 2014 when compared with 2013. But it's well behind the 10% gain during the same period in 2013 compared with 2012. Outside of a couple of months, sales tax collections have been showing consistent growth over the past year when compared with the same month a year earlier. The report also indicated that five of the 14 retail sectors broken out in the sales tax report were up in April by double-digit levels, including auto dealers, building materials, grocery stores, hotels and medical marijuana outlets. April collections from the business services, commercial machines and miscellaneous retail sectors all declined.

  • The use tax — which is paid on items bought outside the city for use in the city — fell 19.3% in April from a year earlier to $619,255, the third decline in the past four months. Use tax collections so far this year are up 1.7% from the same period a year ago to $1.72 million. Despite the April drop, it won't have a huge impact on city coffers; the use tax makes up just 5 percent of sales and use tax collections.

• Combined sales and use tax collections in April rose 5.3% from April 2014 to $12.3 million and so far this year have increased 4.5% from the same period a year ago to $32.4 million.

• Collections from the bed-and-car tax in April jumped 15.1% from April 2014 to $288,866, the third double-digit monthly increase in the past four months. Collections from the tax so far this year were up 7% from the same period last year to $738,976.

- New Vehicle Registrations: According to the El Paso County Clerk and Recorder's Office, there were 25,603 new vehicles registered in the county in 2014. This was up 7.6% compared to 2013 and the fifth consecutive annual increase since registrations fell to a 39-year low in 2009. It's also the highest annual total since 26,448 new vehicles were registered in 2004. After hitting a 10-year high last year, the automobile and truck market in El Paso County has gone into reverse. The latest report from El Paso County Clerk and Recorder's Office, indicates that the number of new vehicles registered with the clerk and recorder in April fell 2.2% from April 2014 to 1,999 and follows declines in November, January and February. Registrations for the first four months of the year are down 7.2% from the same time last year to 7,661.

  Local car dealers say they aren't worried about the trend. "The new vehicle market nationally has been up from the previous year for four consecutive years, the longest streak of gains since the 1920s," said Bob Fenton, executive director of the Colorado Springs Automobile Dealers Association. "This is only a minor dip. It is unrealistic to think that sales would continue to go up every year. The numbers are still outstanding from a historical perspective and we still have a very healthy market."

  Statewide registration numbers for April are not yet available, but the March total of 19,207 was up 20.8% from March 2014. Statewide numbers so far this year have increased 5.4% from a year earlier to 45,665. Nationwide, new vehicle sales in April were up 4.6% from April 2014 to 1.45 million. Year-to-date sales were up 5.4% from a year ago to 5.41 million.

- Unemployment Rate: The news on the Colorado Springs unemployment rate for March was good, falling below 6% percent, the lowest rate in nearly six years. The local jobless rate has been declining since hitting its peak of 10% in early 2011.

- Foreclosure Filings: Foreclosure activity in El Paso County slowed last month, a positive sign for the local housing market, according to a report by the El Paso County Public Trustee's Office. A foreclosure filing is a legal action that lenders bring against borrowers who miss several months of mortgage payments. Foreclosure filings totaled 122 in March, down about 40% from the same month last year. For the 1st quarter of 2015, foreclosure filings totaled 312, a decline of almost 47% from the same period a year ago and a 14 year low for 1st quarter filings. "This worked out as the lightest quarter for new (foreclosure) starts in a very long time," Public Trustee Tom Mowle said in his report. Local economists and Real estate experts have credited an improved housing market and better economy for the decline in foreclosure activity; more jobs and rising property values are helping property owners stave off financial troubles. Foreclosure filings reached a record 5,288 in 2009, during the height of the recent recession. They've been trending downward each year since, totaling 1,825 in 2014.

- Hotel occupancy: Lots of snow in February meant there was plenty of room in Colorado Springs hotels last month. The occupancy rate for local hotels fell to 50.3% in February from 52.6% a year earlier, the first decline since November and only the second in the past 10 months, according to the Rocky Mountain Lodging Report.

  Despite the decline, the average room rate for February was up 4.8% to $90.30. Ann Alba, president of the Pikes Peak Lodging Association and a manager at The Broadmoor hotel, attributed the slowdown to the weather and a typically weak offseason. Last month was the fifth snowiest February on record for Colorado Springs with 16.6" inches reported at the Colorado Springs Airport, including a storm that dumped 9" inches on the city Feb. 21-23 and shut down many activities that weekend. The local occupancy rate for the first two months of the year is down only slightly to 47.7% from 47.8% during the same period a year ago. But the average room rate so far this year is up 4.6% from a year ago to $87.67.

Most of the gains came from limited-service properties, which reported occupancy increasing to 46.9% in the first two months of the year from 45.5% last year and the average room rate surging 10.8% to $77.24. The Broadmoor hotel and Cheyenne Mountain Resort are not included in the Colorado Springs totals but are part of a separate category, "other resorts," with many of the state's ski resorts. The occupancy rate for that category was 67.7% in February and 62.7% so far this year. Hotel occupancy statewide in February was up to 66.9% percent from 63.7% percent in 2014, while the average room rate jumped 8.2% during the same period to $159.16. The statewide occupancy rate in the first two months of the year was up to 63.7% from 61.8% a year ago, while the average room rate increased 7.3% to $155.90.

The key local economic indicators show that the corner may have been turned, but it is still a long way to go to get back to a normal level of activity. The local economy has recovered all of the nearly 14,000 jobs it lost during the recession. The local economy is definitely in the rebound mode and hopefully the city can continue on this positive path.

New Single Family Home Permits. New housing construction in the Colorado Springs Metro area has averaged almost 3,996 per year over the ten year period between 1999 through 2008. The peak year was 2005 with over 5,314 units constructed (does not include multi-family). New home construction remained strong through 2005 but in 2006 the trend reversed itself with permits totaling only 3,446, which represented a -35.2% decline compared to 2005. For 2007 new home permits were down -38.0% compared to 2006. In 2008 new single family home permits were down -42.79% compared to 2007. New detached single family building permits for 2009 were down -9.72% compared to 2008. 2009 marked the fourth year in a row with declining building permit numbers but the trend was slowing. In 2010 the negative trend reversed itself and detached single family building permits were up 27.1% compared to 2009. In 2011 it appears that the market is still recovering slowly with 1,399 detached single family building permits which was five permits less than in 2010 or down a -0.36% compared to 2010. In 2012 detached single family building permits totaled 2,218 up +58.54%, compared to 2011, which was a five year high for single family building permits. New home construction continued its recovery in 2013, as the pace of homebuilding climbed to its highest level in seven years. Building permits totaled 2,676 in 2013, a 20.65% over 2012.

The pace of Colorado Springs-area homebuilding declined in 2014, according to a report released Friday January 2, 2015 by the Pikes Peak Regional Building Department. Single-family building permits totaled 2,438, down -8.89% compared to 2013. For the first four months of 2015 permits have total 814 up 9.12% from 746 permits issued in 2014.

Detached Single Family Permits		
Year	**Permits**	**% Change**
2001	4,925	+5.3%
2002	4,466	-9.3%
2003	4,356	-2.5%
2004	5,059	+16.1%
2005	5,314	+5.0%
2006	3,446	- 35.2%
2007	2,136	- 38.0%
2008	1,223	- 42.7%
2009	1,105	-9.6%
2010	1,404	+27.1%
2011	1,399	-0.36%
2012	2,218	+58.54%
2013	2,676	+20.65%

2014	2,438	-8.89%
2014 (Jan. – April)	746	
2015 (Jan. – April)	814	+9.12%

Over the last six to eight months, the resale side of the housing market has improved steadily. But the pace of homebuilding hasn't done quite as well. The latest permit numbers indicate that might be changing. A pent-up demand for new housing among move-up buyers is starting to drive construction, said Mike Ruebenson, chief operating officer at developer La Plata Communities and board president of the Housing and Building Association of Colorado Springs. At the same time, move-up buyers and others are taking advantage of long-term mortgage rates that remain historically low. Thirty-year, fixed-rate loans averaged 3.8% percent nationally 5/12/2015, compared with 4.41% a year ago, according to mortgage buyer Freddie Mac. Some of those buyers no doubt want to purchase now for fear that rates might rise, Ruebenson said. "There is talk about interest rates starting to move up," he said. "I think you're seeing people, if they're going to make a move, they're starting to get in the game a little bit." There's also more optimism about the local economy, Ruebenson said, citing a Nevada aerospace company's announcement in February that it will build an $88 million hangar complex at the Colorado Springs Airport that eventually will employ more than 2,100 people.

An HBA forecast still calls for the pace of home construction in 2015 to match that of last year, when about 2,400 single-family building permits were issued, Ruebenson said. "It's probably a little early to revise that forecast," he said. "But we're seeing positive momentum that could result in a better 2015 than 2014."

Resale Residential Market. According to a Pikes Peak Association of Realtors MLS reports single family home sales and listings were up slightly in the first four months of 2015. The sales of single family homes increased by 20.3% in the first four months of 2015 compared to the same period in 2014. The median of all sale prices for April was $238,533, an 11% increase over the same month in 2014. Active listings of single family homes totaled 5,373 in April 2015, up 0.7% from April 2014. The decline in inventory is something that bears watching. A tighter supply of homes for sale could drive up prices, which is good news for sellers. And yet, it also means fewer choices for buyers. Low mortgage rates, a better economy and stronger consumer confidence all helped drive the market in 2014. Last week, 30 year, fixed rate mortgages averaged 3.78% nationally.

Apartment Market. New apartment construction has been cyclical, with building activity occurring when vacancies are low and rents are rising. The apartment market took a triple hit early in this decade as a result of (1) the big loss of tech jobs in 2001 and 2002; (2) the deployment of troops to Iraq and Afghanistan that started in late 2002; and (3) easy mortgage credit in 2004 to 2006 that made it possible for many renters to become home owners. Since 2007 the vacancy rate has been slowly declining and within the past five years the vacancy rate has generally hovered in the 5% to 7% range. According to a report by the Colorado Division of Housing, the area's apartment vacancy rate, was 6.2% (first quarter 2015). That was almost a full percentage point higher than the 5.3% rate at the end of last year (2014), but a decline from 6.7% during the first quarter of 2014, the report showed. Rents averaged nearly $879 a month from January through March 2015, the second-highest figure on record and an increase of almost $57 a month or nearly 7% from the same period last year, according to the report by the Colorado Division of Housing and the Apartment Association of Southern Colorado. Apartment rents now have increased for 21 straight quarters on a year-over-year basis. Several factors have combined to increase demand and, in turn, drive up rents. Generally, millennials who don't want to be tied down to homes and mortgages are driving much of the demand, experts have said. Empty nesters who have downsized or who want maintenance-free living also have contributed to lower vacancy rates.

And even though several apartment projects have been built in recent years in the Colorado Springs area, they haven't been enough to meet the demand. In 2014, just 915 units were added to the supply of apartments in the Springs, while only 544 were added in 2013. Developers have added 442 units to the supply of Springs-area apartments so far in 2015, which is already more than half of last year's total. According to the Bamberger report there is approximately 800 units currently under construction and about 1,000 in the planning pipeline.

Retail Market. The total shopping center market consists of over 327 centers with a total of 19,707,285 square feet of space. The figure does not include the two Colorado Springs regional malls, Chapel Hills located in the northern part of the city and the Citadel located in the eastern part of the city. Academy Boulevard and Powers Boulevard, on the eastern side of the city, are the city's two major retail corridors. Much of the new retail construction over the past 15 years has occurred in the Powers Boulevard corridor.

According to the Turner Commercial Report at the end of the 1st quarter of 2015 there was one new retail center under construction containing 20,000 square feet. In 2014 six new buildings had been completed containing approximately 47,138 square feet.

Retail Market Trends – 2009 through the 1st Quarter of 2015

Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	10.7%	11.2%	11.5%	12.2%	11.7%	10.2%	10.2%
Avg. Rents - $/SF NNN	$13.85	$13.37	$12.72	$12.34	$12.80	$13.08	$13.45
Leasing Activity	414,967	473,817	309,161	506,948	519,533	577,824	182,165
Absorption	175,696	91,948	-16,741	-106,244	219,314	280,776	21,559
Number of Building Sales	36	49	61	74	86	73	15
Avg. Bldg. Sales - $/SF	$85.16	$57.58	$117.39	$85.38	$156.15	$98.71	$112.89
Wt. Avg. Bldg. Sales - $/SF	$139.58	$106.06	$128.17	$137.60	$170.63	$158.21	$161.23

In 2006 the citywide retail vacancy rate reached the bottom of a downward trend, at the end of 2006 the commercial vacancy rate had fallen to 6.4%. Since the end of 2006 the retail vacancy rate has been increasing. At the end of the 4th quarter 2008 the reported citywide retail vacancy rate had reached 8.4%. By the end of the 4th quarter 2012 the reported citywide retail vacancy rate had reached 12.2%. In 2013 the retail vacancy rate trend reversed itself and fell to 11.7%. In 2014 the retail vacancy continued to fall 1.5% percentage points to 10.2%, where it remains today the end of the 1st quarter 2015.

Turner indicates that the asking retail lease rates, on a citywide basis, averaged $13.30 NNN at year-end 2006. In 2007 retail lease rates increased 4.96% to an average rate of $13.96 per square foot NNN and in 2008 they increased 2.4% to an average $14.30 NNN. Starting in 2009 the average asking retail rate started declining and this downward trend continued through the 4th quarter of 2012. At the end of the 4th quarter of 2012 the average asking retail lease rate had fallen to $12.34 per square foot NNN, a -13.71% decrease from 2008's yearend asking rate. In 2013 the asking rate trend reversed a four year trend and increased to $12.80 per square foot NNN. Asking rates increased to $13.03 in 2014 and at the end of the 1st quarter of 2015 the average asking rate has increased to $13.45 per square foot NNN.

Turner reports that during the time period 2004 through 2006 approximately 2.3 million square feet of retail space was absorbed. During the same time period approximately one million square feet of new owner occupied retail space was constructed. This still resulted in a net absorption gain of 1.3 million square feet. The downward absorption trend returned in 2007. Retail leasing activity reached 715,870 square feet during 2007 but absorption was -624,369 square feet. Again, in 2008 leasing activity was 451,027 square feet and absorption was -98,776 square feet. In 2009 the negative absorption trend reversed itself with a positive absorption of 175,416 square feet after leasing activity of 414,967 square feet. In 2010 the positive absorption trend continued with 91,948 square feet absorbed after leasing activity of 473,817 square feet. In 2011 absorption went negative with -16,741 square feet after leasing activity of 309,161 square feet. The downward trend has continued through 2012 with negative absorption of -106,244 square feet after leasing activity of 506,948 square feet. In 2013 absorption turned positive with 219,314 square feet after leasing activity of 519,533 square feet. The positive absorption trend continued in 2014 with 280,776 square feet after leasing activity of 577,824 square feet. Today at the end of the 1st quarter 2015 absorption has been positive with 21,599 square feet after leasing activity of 182,165 square feet.

Office Market. The office market in Colorado Springs consists of over 1,507 buildings and 29,258,082 square feet of space. About 40%+ of these buildings were owner-occupied. At this time according to the Turner Commercial Report at the end of the 1st quarter of 2015 there was 52,604 square feet of new office space in five buildings under construction in the city, most all of the space is reportedly preleased or will be owner occupied. Approximately 276,415 square feet in 14 building was this past year (2014). This is compared to the 63,342 square feet of new office construction took place in all of 2013.

Office Market Trends – 2009 through the 1st Quarter of 2015

Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	16.1%	14.5%	14.4%	14.5%	12.8%	13.6%	13.6%
Avg. Rents - $/SF NNN	$10.95	$10.66	$10.26	$10.27	$10.12	$10.42	$10.53
Leasing Activity	820,743	969,508	696,875	890,463	910,781	710,393	195,823
Absorption	-185,406	651,114	37,463	205,190	453,152	-46,406	-18,130
Number of Building Sales	43	50	63	59	90	90	N/A
Avg. Bldg. Sales - $/SF	$122.01	$105.86	$81.22	$71.61	$82.37	$104.28	N/A
Wt. Avg. Bldg. Sales - $/SF	$114.48	$129.53	$99.23	$98.28	$105.48	$112.69	N/A

In 2007 the city wide office vacancy rate was 8.6%. Over the next two years (2008 and 2009) the vacancy rate increased and at the end of 2009 and the city wide office vacancy rate had risen to 16.1%. In 2010 the vacancy rate came down to 14.5% and remained there for the past three years. In 2013 the metro office vacancy rate fell significantly down to 12.8%. However, for 2014 the vacancy rate has increased to 13.6%, where it remains today at the end of the 1st quarter 2015.

The office trends data would indicate that the asking lease rates peaked around the end of 2007 at $11.56 per square foot NNN. At the end of the 4th quarter of 2011 the average asking office lease rate citywide had dropped to $10.26 per square foot NNN. In 2012 the average asking lease rate remained at about $10.27 NNN, but in 2013 asking lease rate fell to $10.12. Asking rates increased to $10.42 in 2014 and at the end of the 1st quarter of 2015 the average asking rate has increased to $10.53 per square foot NNN.

Turner reports that leasing activity over the last five years has remained fairly stable, generally between 700,000 to 980,000 square feet of activity. Absorption, over the same time period, went negative in 2008 and 2009 and positive in 2010 and 2011. In 2010 absorption was a positive +651,114 square feet but in 2011 is was only 37,463 square feet. In 2012 an upward trend reemerge with positive absorption of +205,190 square feet after leasing of 890,463 square feet. Again in 2013 the upward trend continued with positive absorption of +453,152 square feet after leasing of 910,781 square feet. For 2014 absorption has been negative with -46,406 square feet of absorption after leasing activity of 710,393 square feet. Today at the end of the 1st quarter 2015 the negative absorption trend has continued with -18,130 square feet after leasing activity of 195,823 square feet.

Industrial Market. The industrial market consists of slightly over 1,670 buildings totaling 34,113,552 square feet of space. More than half of these buildings (60%) are owner-occupied. At this time according to the Turner Commercial Report at the end of the 1st quarter of 2015 there was only one building of new industrial space under construction in the city. Approximately 183,432 square feet of new industrial space in two buildings has was completed in 2014. Completed new industrial construction during 2013 totaled 75,649 square feet in six buildings.

Industrial Market Trends – 2008 through the 1st Quarter of 2015							
Year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Vacancy Rate	11.4%	11.6%	9.2%	9.4%	9.3%	8.8%	8.2%
Avg. Rents - $/SF NNN	$6.49	$6.17	$6.17	$6.12	$6.48	$6.65	$6.78
Leasing Activity	1,152,590	976,840	1,091,241	687,485	1,070,653	649,123	204,791
Absorption	-1,923,908	10,778	803,765	53,652	197,502	301,296	233,996
Number of Building Sales	40	46	44	49	78	74	N/A
Avg. Bldg. Sales - $/SF	$23.75	$42.41	$50.13	$58.96	$56.74	$55.02	N/A
Wt. Avg. Bldg. Sales - $/SF	$77.24	$68.83	$62.56	$62.11	$68.39	$69.60	N/A

At the end of the year 2000 citywide industrial vacancy rates had fallen to 3.2%. The vacancy rate increased over the next four years and at the end of 2004 vacancy rates stood at 10.5%. From 2004 the vacancy rate went on a downward trend and at year end 2006 the vacancy rate had decreased to 6.4%. Between 2006 and 2010 the vacancy rate increased and at the end of 2010 it had reached 11.6%. In 2011 absorption was significant and the vacancy rate decreased to 9.2% and in 2012 it increased slightly to 9.4%. For 2013 the vacancy dropped slightly to 9.3%. The downward trend continued in 2014 dropping to 8.8%. Today at the end of the 1st quarter of 2015 the vacancy rate has continued to decrease to 8.2%.

Turner indicates that the industrial asking lease rates, on a citywide basis, averaged $7.15 NNN at year-end 2006. Since the end of 2006 asking industrial lease rates have been on a downward trend. At the end of the 4th quarter of 2012 the asking rate appeared to have bottomed out at $6.12 per square foot NNN, which represented -14.41% from 2006's asking rate of $7.15. In 2013 the average asking rent climbed to $6.48 per square foot NNN and in 2014 it increased to $6.65 NNN. At the end of the 1st quarter 2015 has increased slightly to $6.78 per square foot NNN.

For the year end 2006 leasing activity was 1,034,628 square feet and absorption was 1,076,401 square feet. Over the next four years (2007-2010) there was a negative absorption of 2,339,827 square feet, while leasing activity remained relatively constant. In 2011 the trend reversed itself with positive absorption of 803,765 square feet. The upward trend continued through 2012 with absorption of 53,652 square feet and into 2013 with absorption of 197,502 square feet. For 2014 the positive absorption trend continued with 301,296 square feet after leasing activity and 649,123 square feet. Today at the end of the 1st quarter 2015 absorption has been positive with 233,996 square feet after leasing activity of 204,791 square feet.

Neighborhood Data Overview

According to Turner Report the subject property lies in the Southwest Market area of the city.

<u>Location.</u> The subject property is located in the southwest portion of the City of Colorado Springs, Colorado, approximately 5 miles south of downtown. It is bound on the north by US Highway 24, on the east by Interstate 25, on the south by Fort Carson and on the west by foothills and Pike National Forest. (See Vicinity Map).

Access. Access to the subject property from the north and south is by way of Interstate 25, Nevada Avenue, 8th Street, and 21st Street. Access to the neighborhood east and west is by way of U.S. Highway 24, Cheyenne Boulevard, and Lake Avenue. Access to the subject's immediate neighborhood is by way of Gold Camp Road and Old Stage Road.

Streets. Interstate 25 is a four-lane divided Interstate Highway that basically bisects the state from north to south. Nevada Avenue, also known as U.S. Highway 85-87 and the Interstate 25 Business Loop, remains one of the City's major north/south thoroughfares. Nevada Avenue extends from I-25 on the north and intersects again with I-25 about eight miles south. Nevada Avenue continues farther south and becomes State Highway 115 to Penrose and Canon City. Nevada Avenue is four lanes and divided, with a median and turning lanes in most places. State Highway 115 for the most part is two lanes, except for an occasional passing lane on steep grades.

U.S. Highway 24 (Midlands Expressway within Colorado Springs) is a six lane median divided restricted access expressway between downtown Colorado Springs and Woodland Park, Colorado, 19 miles on the west. 21st Street originates at Uintah Avenue one mile on the north and continues southward through to the southwestern part of the city. 21st Street is a two to four lane paved secondary street extending mainly through residential and industrial areas. 8th Street is a four-lane major arterial. 8th Street is fully improved with asphalt paving, curb and gutter in most areas, and sidewalk and street lighting.

Lake Avenue is a westerly extension of Circle Drive which surrounds the city on the east and intersects with Interstate 25 and then becomes Lake Avenue and extends westerly two miles to the Broadmoor Hotel. Academy Boulevard (aka State Highway 83) extends southwesterly from old Highway 85-87 then meanders in a north and northwesterly direction and intersects with Interstate 25.

Topography. The topography of the neighborhood is rolling foot hills with valleys and mesas. Many areas have views towards the east, northeast towards downtown or to the west and the mountains.

The topography of the subject's immediate neighborhood is rolling Rocky Mountain foot hills with valleys, valley walls, mesas and rock formations. Many areas have views towards the east, southeast, and north towards downtown or to the west and the surrounding mountains.

Predominant Land Uses. The most predominant of all the land uses in the immediate area of the subject neighborhood is Fort Carson. Fort Carson is home to about 15,100 troops from the 3rd Armored Cavalry Regiment, 3rd Brigade of the 4th Infantry Division, 43rd Area Support Group, 10th Special Forces Group, the Colorado National Guard, and various other units. The total maneuver and live fire training area of Fort Carson is 360,000 acres, second only to the vast expanse of the National Training Center at Fort Irwin, California. Approximately 80% of Fort Carson is usable for mechanized maneuver training, and virtually all is usable for dismounted maneuver training. Units can train at brigade level and fire all of the Army's modern weapons systems. Fort Carson has an Air Force bombing range which can be used by the Air Force's most advanced aircraft. Fort Carson units can conduct live fire training up to battalion level and regularly incorporate the Air Force, Reserve and National Guard Forces and equipment into live fire training exercises.

Fort Carson is the largest employer in El Paso County and is the second largest employer in the state after the Colorado State government. Consequently, Fort Carson has played an important role in the Colorado Springs/El Paso County economy.

Cheyenne Mountain is home to North America's eye on the skies. Housed deep inside of Cheyenne Mountain in a 4.5 acre cavern is the Cheyenne Mountain Air Station. Cheyenne Mountain Air Station accommodates NORAD – the North American Aerospace Defense Command and its centers for Space Control, Missile Warning and Air Warning. In addition to watching for hostile missiles and aircraft, NORAD tracks about 14,000 man-made objects orbiting the earth.

The Pike National Forest forms the westerly boundary of the Southwest neighborhood. The Pike National Forest covers approximately 117,000 acres (8.5% of the total county land area). It is confined to the mountainous western portion of the county in an area extending south from the Douglas County line to south of Cheyenne Mountain. Nearly all of the mountain slope area that can be seen from the I-25 corridor is U.S. Forest Service land, and nearly all that is accessible is open to the public for multipurpose recreational use, including hiking, mountain biking and limited motorized uses. Cheyenne State Park is located approximately two miles south of the subject property. The Park covers approximately 1,600 acres and the park amenities includes camp sites and hiking trails. North Cheyenne Park is also located in the neighborhood and contains approximately 1,500 acres and is owned by the City of Colorado Springs. Park amenities include camp sites, hiking trails and a water fall (Helen Hunt Falls). Bear Creek Regional Park adjoins the subject property on the north and offers over 1,200 acres of hiking and biking trails, multiple playgrounds, community gardens, tennis courts, athletic fields and an extensive trail system. These lands act as a regional recreational and open space resource for the residents of El Paso County. They virtually form the backdrop and edge of the populated area. The undeveloped hillsides help define the character of the county.

The subject neighborhood is also known for the Broadmoor Hotel and having one of the most prestigious residential area in Colorado Springs. Overall, the neighborhood is considered the older part of the city but highly desirable for all age groups.

<u>Potential Inharmonious Uses.</u> Other than Cheyenne Mountain Air Station and Fort Carson there does not appear to be any potential inharmonious uses in the neighborhood.

<u>Public Utilities and Services.</u> For the most part, water, sewer, natural gas and electrical utilities are provided by the City of Colorado Springs. Adequacy of service is rated good. Water and sanitary sewer is also provided in the neighborhood by Stratmoor Hills Water and Sanitation. The US Forest Service provides fire service in the subject's immediate neighborhood.

<u>Public Schools.</u> Public Schools in the neighborhood consists of Harrison School District Number 2, Cheyenne Mountain School District 12 and Fountain/Fort Carson School District 8.

<u>Public Transportation.</u> Public Transportation to the neighborhood is provided by Colorado Springs Transit Route Nos. #4 (Broadmoor).

<u>Conclusion – Future Trends.</u> This subject neighborhood is characterized by commercial activity including motels, restaurants, retail centers, offices, and multi-family residential properties. The westerly portion of the area is considered an older part of the city, while the easterly portion has experienced newer construction with a variety of free standing buildings in all shapes, sizes, and uses. Overall, the neighborhood is well situated in the city with good access to Interstate 25, Highway 115 and US Highway 24. The neighborhood benefits from its close proximity to the Central Business District, recreational facilities and employment centers. I would anticipate that land values will remain stable or increase over the next two years.

Property Data

Location. The proposed Sanctuary at Bear Creek development is located on the east side of Crest Road, just south of Bear Creek Regional Park in the Southwest Market area of Colorado Springs, Colorado. See Satellite Photo below – the subject property is outlined in red.

Satellite Photo

Legal Descriptions. Assessor's records legally describe the subject property as follows:

APN 74234-00-005: TRACT IN SE4 SEC 23-14-67 AS FOLS, BEG AT CEN OF SEC 23, TH ELY ON E-W C/L OF SD SEC 357.25 FT FOR POB, CONT ELY ON E-W C/L OF SEC 403.63 FT, ANG R 90<16' SLY 509.09 FT, ANG R 70<51'30" SWLY 424.06 FT, ANG R 108<52'30" NLY 646.27 FT TO POB. County of El Paso, City of Colorado Springs, State of Colorado.

APN 74234-00-006: TRACT IN S2 SEC 23-14-67 AS FOLS, BEG AT CEN OF SEC 23, TH ELY ON C/L OF SEC 357.25 FT, ANG R 90< SLY 416.96 FT, ANG R 90< WLY 358.9 FT TO INTSEC WITH N-S C/L OF SEC 23, ANG R 90< ALG N-S OF SD C/L 417 FT M/L TO POB EX RD 4. County of El Paso, City of Colorado Springs, State of Colorado.

At Part 4 (Exhibits and Addenda) of this report I have also included a copy of the legal description of the subject property as described in the Preliminary Plat for Sanctuary at Bear Creek. After Platting the subject's legal descriptions would be: Lots 1 through 17 and Tracts

A, B and C, Sanctuary at Bear Creek Subdivision, City of Colorado Springs, State of Colorado.

Tax Schedule Number, Actual Value, Assessed Value, and Taxes. The subject property is identified by Tax Schedule Number 74234-00-005 and 006. Taxes in Colorado are paid one year in arrears, i.e., the 2015 taxes are due and payable in 2015. The subject's Actual and Assessed values are shown below with the 2014 mil levy and the estimated 2014 property taxes payable in 2015.

Tax Schedule Number	Real Property	2014 Actual Value	2014 Assessed Value	2014 Mil Levy	Estimated Property Taxes
74234-00-005	Land	$308,160	$89,370	70.01	$6,259.79
74234-00-006	Land	$234,720	$18,680		
	Improvements	$338,759	$26,970		
	Total	$573,479	$45,650	70.01	$3,195.96

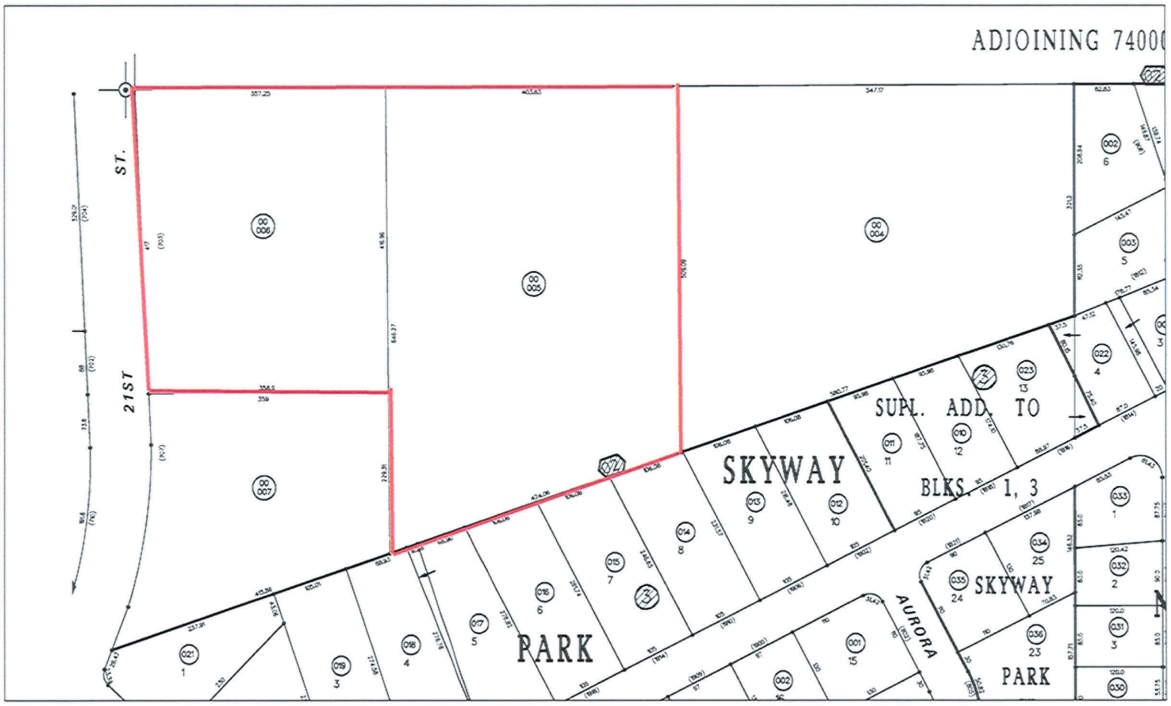
The assessed values for 2015 are 29% of market value for improved non-residential properties and vacant land. The assessment ratio for residential properties slides to meet the requirements of the Gallagher Amendment and is currently set at 7.96% of the market value. Overall property taxes are reassessed every two years in Colorado. 2015 is a reassessment year.

The actual, assessed values and taxes, as shown above, are as determined by using the Assessor's value for the year of 2014 and with the 2014 mil levy. At this time, the subject property's assessed value and taxes appear reasonable as compared to similar properties.

It is noted that the Assessor's Actual Value is significantly less than what I have estimated for the subject property. Assessor's values are generally lower than an appraiser's value mainly due to way the properties are appraised. The Assessor employs a mass appraisal methodology versus a site specific appraisal methodology employed by an appraiser. Value differences are significantly less for improved properties like residential and significantly more for vacant land properties particularly like the subject.

See a portion of the Assessor's Parcel Map on the following page – the subject property is outlined in red.

ASSESSOR'S PARCEL MAP



Special Assessments. The subject property would not appear to be subject to general obligation indebtedness that are paid by revenues produced from annual tax levies on the taxable property within such districts.

Ownership. El Paso County records show the ownership of the subject property is held in the name of The Broadmoor Hotel, One Lake Avenue, Colorado Springs, Colorado 80906.

Property Sales History. According to the El Paso County Assessor's Office the current owner acquired the subject property on December 22, 2014. The purchase price was $1,000,000 and grantor was Marvin E. Korf. The transaction was recorded at El Paso County Reception No. 214117287 and the instrument was via a Warranty Deed.

It is noted that the purchase price is significantly less than what I have estimated for the subject property. The purchase price is lower for a couple of reasons. First, there were no brokers involved in the transaction and no real estate commissions were paid. Second, the seller received an enormous amount of opposition during the development review process from the adjoining neighbors and decided that developing the property wasn't worth the brain damage.

Easements. No improvement survey or title research was supplied to the appraiser. I have reviewed the Preliminary Plat. Overall, there does not appear to be any encroachments at this time, however, this is difficult to verify without a survey. The Preliminary Plat would indicate that the subject lots will have the normal drainage and utility easements as required by the City of Colorado Springs for platting and the building of improvements. Consequently, my opinion is that there are no known easements which would adversely affect the value of the subject property. I assume no responsibility for the existence of any unknown easements or encroachments, and this appraisal is subject to the absence of any adverse easements, encroachments, or violations except as stated in this report.

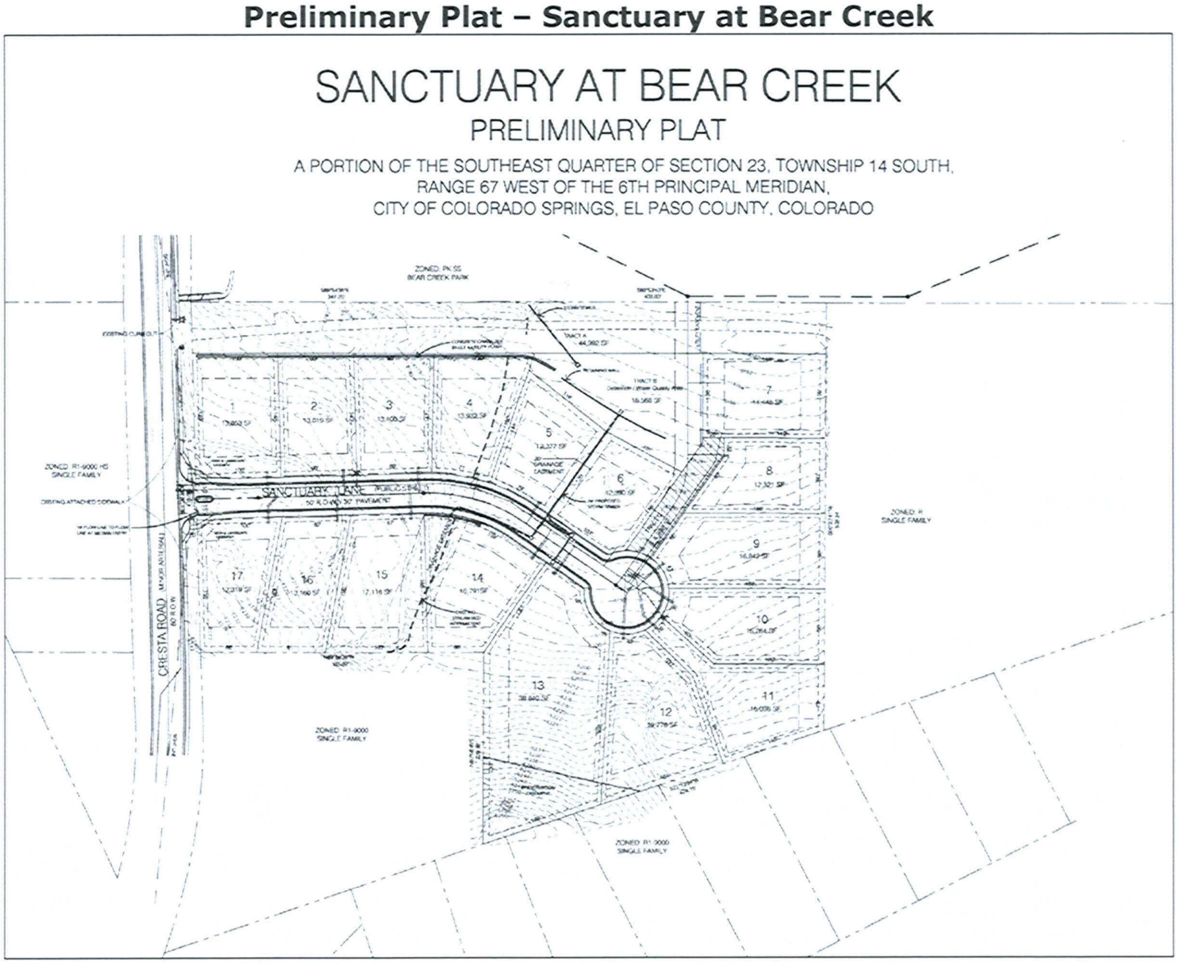
Zoning. The subject property is located within the city of Colorado Springs, the land is not platted but zoned R1-9000. The R1-9000 zoning district promotes the use of the site to detached single family lots, each having a minimum land area of 9,000 square feet. The R1-9000 zoning is an unplanned zoning district. The R1-9000 zoning district is being replaced by one of planned zoning districts like PUD. The proposed use of the subject property as detached single family lots would comply with the R1-9000 zoning regulation.

Census Tract Number. The subject property lies within the Colorado Springs urbanized area 2010 census tract number 25.02.

Land Area/Shape. According to Assessor's information the subject site contains a total land area of 8.61 acres or 375,052 square feet. The Preliminary Plat indicates that the subject has a land area of 8.596 acres or 374,436 square feet. For valuation purposes I will be using the land area indicated by the Preliminary Plat or 8.596 acres or 374,436 square feet.

A copy of the Preliminary Plat is shown on the following page. The Preliminary Plat shows a total land area of 8.596 acres or 374,436 square feet, which includes public right-of-way for Sanctuary Lane (approximately 0.789 acres). There is also three tracts (A, B and C) that contain a total of 1.572 acres. The 17 proposed subject lots contain a total land area of 271,597 square feet or 6.235 acres. The lots range in size from 12,321 square feet to 38,840 square feet with an average of 15,974 square feet and a median of 13,932 square feet.

Preliminary Plat – Sanctuary at Bear Creek



The project's shape is fairly typical for this type of infill residential development. Three of the proposed lots will have rectangular shapes. The remaining 14 lots are located on curves in the road and their shapes are irregular. Two of the lots are flag stem type lots. The shape and size of the lots are considered typical of similar residential lots in the immediate area. The lots are not considered to present atypical utility or building issues.

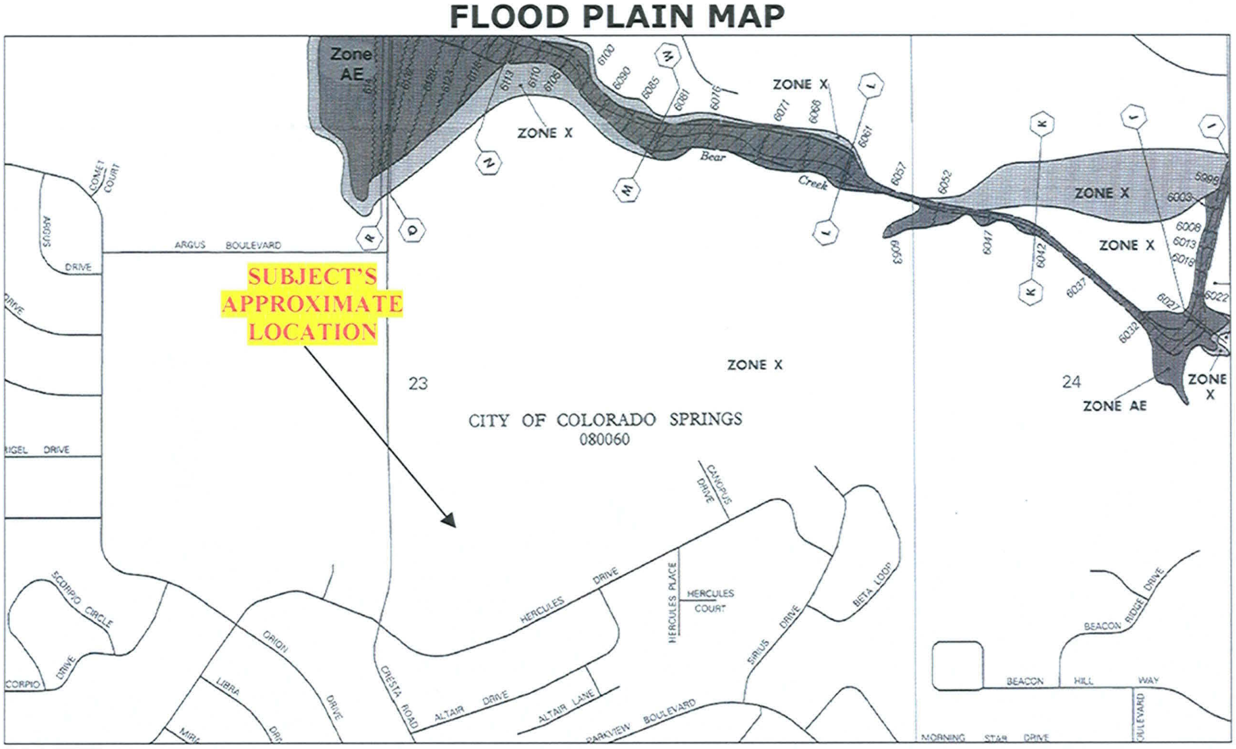
Frontage/Exposure. The subject site has approximately 417' feet along the east side of Cresta Road with average exposure. All of the lots are located on a single cul-de-sac street (Sanctuary Lane). For the most part the lots will have 80' to 100' frontages. Two of the lots are corner lots and two of the lots are flag lots. The lots will have average exposure.

Access. Access to the project will be from Cresta Road. Access to the individual subject lots will be via Sanctuary Lane.

Topography/Drainage. The topography is described as flat to slightly sloping. The south part of the site does rise upwards towards south and the Homes on Hercules Drive. A small drainage area crosses the site from the southwest towards the northeast. Drainage is basically from the southwest towards the northeast. Topography and drainage would not appear to adversely affect the utility of the site.

Flood Plain Statement. It would appear that the subject property is not located within a designated 100 year floodplain area for Fountain Creek. Flood Hazard Boundary Map No. 08041C00728F, dated 3/17/97, for Colorado Springs and El Paso County published by the Federal Emergency Management Agency (FEMA). See map below.

FLOOD PLAIN MAP



Views. Views from the subject site and from the proposed lots would be considered average to above average for the neighborhood.

Vegetation. The vegetation to the site included native grasses, scrub oak, conifers and other deciduous trees. Overall the site was moderately treed and the trees all appeared to have been trimmed.

Public Utilities. Water, sewer service, natural gas, and electricity are provided by the City of Colorado Springs. Telephone service is provided by CenturyLink, formerly Qwest communications.

Public Improvements. Public improvements to the subject property will include paved streets, concrete curbing and public utilities.

Site Improvements. There are no site improvements at this time. The proposed site improvements to the lots will include paved private streets, concrete curbing and common area landscaping, sidewalks and project identification sign.

Recreational Amenities. There are no passive or active recreational amenities to the Sanctuary at Bear Creek project. The project does adjoin Bear Creek Regional Park on the south which is considered an excellent amenity.

Stage of Development. The subject property has a Development Plan and Preliminary Plat approval for 17 detached single family lots. Most all of the engineering has been completed for the development. As of the effective date of this report the final plat had not yet been approved or recorded and the lots were undeveloped.

PART 3

ANALYSIS AND VALUATION

Highest and Best Use

Highest and best use is defined as that reasonable and probable use, or succession of potential uses, that support the highest market value of the property as of the date of the appraisal.

The Appraisal Institute in The Dictionary of Real Estate Appraisal, Fourth Edition, Chicago, 2002, p. 135, defines highest and best use as:

> "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."

First, in this analysis, the subject site is considered as if the subject ownership is vacant land or a vacant site or land that can be made vacant by demolishing any existing improvements. Second, the site is considered as it is currently improved ("as is") or as an improved property.

There are building improvements which are considered to have little no value. Any proposed improvements to the subject property would be the subdivision improvements associated with the 17 detached single family lots. Therefore, both the as though vacant highest and as if improved as residential subdivision highest and best use will be considered.

Highest and Best Use - As Though Vacant:

Legally Permissible. The zoning and the proposed preliminary plat promotes the use of the site to 17 detached single family residential lots. The land uses adjacent to or in close proximity to the subject are primarily detached single family dwellings and open space, based upon the principle of conformity, a single family residential development would be the most likely use of the site.

Physical Possibility. The subject property is 8.596 acres of vacant land, which has received final preliminary plat approval for 17 detached single family residential lots. While the preliminary plat has been approved, the final plat has not been recorded. The lots are fully engineered but undeveloped. The topography of the site is slightly sloping with average to above average mountain and city views. The vegetation to the site included native grasses, scrub oak, conifers and other deciduous trees. Overall the site was moderately treed and well maintained. The site has access to Cresta Road with good visibility. Other than the size of the site, there are no physical characteristics of the site that would limit its use. The site has generally stable soil conditions and is believed to be free from environmental contaminants. Unless noted above, easements and restrictions do not limit the use of the site. Public utilities and roadway systems adequately support residential use of the site.

Financially Feasibility. The global and US economies have limped along for the past four years. The effect of slowdown has been felt in almost every sector and every country world-wide. The recovery has been described as anemic and the US and global economies still have a way to go before returning to normal. However, the US economy has shown signs of steady growth, led by professional services, healthcare, and leisure, while housing and manufacturing are holding steady. Job growth is up, equity markets are sending positive news. Federal austerity continues to create some drag on growth. The Federal Reserve is watching the recovery closely and is gradually slowing down their bond buying program, which will send interest rates up later this year.

As the market moves forward there is a mixture of positives and negatives that add some uncertainty about the path the market will take in 2015 and 2016. The positives include job growth in the 1st quarter of 2015 was strong; mortgage rates are still historically low; existing home prices are rising; primary job announcements were up, substantially this year; and new and resale home inventories remain low. The election of new city council members and a new mayor could mean an end to the recent political turmoil that has weighed heavily on local business and consumer confidence. The negatives include cuts in defense spending remain uncertain and their potential to slow local job growth could dampen future real estate market; the possibility of rising mortgage rates looms heavily over the real estate market.

Looking forward, most economists believe that there is greater upside potential in 2015 than downside. Job growth is the key factor that has impacted the speed of recovery in the local real estate market. After peaking at about 262,000 jobs in mid - 2008, the local economy has finally recovered all jobs lost in the Great Recession. With the number of jobs now having recovered back to pre-recession levels, one of the key variables that impacts the real estate market has finally gone positive. The big question everyone is asking "could we see sustainable growth in the real estate market"? In my opinion, while the factors necessary for continued recovery of the local real estate market seem to be aligned and the likelihood of growth in the market is high, there is still the potential for unknown influences such as Defense Department spending cuts and increased mortgage rates that could emerge and drag on the real estate market. Thus, the future path the market will take is not 100% certain. However, over the long term Colorado Springs metropolitan area should continue to experience population and economic growth. In the short term (1-2 years), I believe that all new residential construction will be demand-driven and any speculative construction will be very limited until market conditions improve.

The subject property is one of the better located sites for detached single family residential development in the city. The site is convenient to the CBD, employment, and recreation/parks and shopping and is located in a good school district. The most economically feasible use of the subject property would be for the development of detached single family residential lots. Development of detached single family residential lots to be sold to a home builder, would appear to be the most economically feasible use of the subject property as though vacant. The subject's most probable purchaser "As Is" would be a developer who would buy the vacant land, develop the lots and then sell them to a builder as market demand occurs.

Maximum Productive. Development of detached single family dwellings appear to be the only legal, likely physical and only estimated economically feasible use of the subject property, it is also considered to be the maximally productive use of the site.

Highest and Best Use As Though Vacant. In my opinion, the only physically possible use of the subject property as vacant would be the development of detached single family lots. It would also be the only legally permissible use of the subject and was also considered the only economically feasible use of the site. Therefore, the highest and best use of the subject's property as though vacant would be for the immediate development of detached single-family residential lots.

The subject's most probable purchaser "As Is" would be a small developer who would buy the vacant land, develop the lots and then sell them to a builder as market demand occurs. However, subject's most probable purchaser could be a small builder/developer who would buy the vacant land, develop the lots, build the homes and then sell them to users as market demand occurs.

Highest and Best Use As If Improved (As If Developed Scenario):

Physical Possibility. The subject property contains 8.596 acres. As proposed, the subject property will be developed into 17 detached single family residential lots. The lots range in size from 12,319 square feet to 38,840 square feet with an average of 15,974 square feet and a median of 13,382 square feet. Based upon the preliminary plat area the project will have a density of 1.98 lots per acre. The lots will typically have 80 to 100 foot frontages with average exposure. The shapes of the lots are predominately irregular. The topography of the lots is gentle slopes with average mountain and city views. Other than size, there are no physical characteristics of the lots that would limit their use.

Legally Permissible. Legally permissible uses "as if developed" are the same as those "as though vacant". The only legally permissible use is detached residential single-family housing.

Financially Feasibility. After subdivision development, the only economically feasible use appears to be single-family residential home development – the same as estimated for the subject "as though vacant".

Maximally Productive Usage. The maximally productive use of the subject, "as if developed" is essentially the same as "as though vacant". Due to the location and the sizes of the lots at the subject property and the characteristics of the subject neighborhood, the lots would likely best be suited for construction of homes representing higher-end price level. My opinion is that the maximally productive use is concluded to be development of the project with higher-end residential dwellings, providing the greatest possible return on each lot.

Based on the preceding analysis and the conclusions arrived in the residential market analysis, the highest and best use of the subject property "as if developed" is immediate development with luxury homes in the over $500,000 price range.

Appraisal Valuation Methodology

This appraisal is intended to provide a narrative presentation of those facts and techniques of analysis believed appropriate for providing a reasonably supported value estimate. The data and analysis considered most relevant are discussed in the remainder of this report.

Property Valuation

My appraisal assignment is to estimate the subject's "As Is" market value. Given that the subject has a Development Plan and Preliminary Plat approval, I have determined that the most reliable methodologies to estimate the subject's "As Is" market value are the Sales Comparison Approach and the Subdivision Development Approach.

In the first part of the valuation section I have estimated the "As Is" value of the subject property using the Sales Comparison Approach. In the sales comparison approach the subject's value is estimated based upon recent sales of similar vacant land parcels. The sales comparison approach is the methodology most often used to value vacant land.

In the second part of the valuation section I have estimated "As Is" market value for the subject property using the Subdivision Development Approach. In the valuation process I also estimate the "Aggregate Retail" market value of all the subject lots as if they were fully developed. In the subdivision development approach my assumption is that the most probable purchaser of the subject property would be a developer/builder who would purchase the vacant land and develop it into lots and then sell them to end users as market demand occurs. In this approach the developer/builder would incur both the costs (direct and indirect) and the time in holding/developing the lots and selling them to end users. The difference between revenues and costs including the developer's overhead and profit (Entrepreneurial Return) represents the highest price that a developer/builder would be justified in paying for the subject property "as is" (undeveloped).

Sales Comparison Approach – "As Is"

To estimate the subject's "As Is" market value using the sales comparison approach I first researched the Colorado Springs Market for recent sales of similar properties. I searched CoStar Comps records, El Paso County Assessor's Office records, and Pikes Peak MLS records for the last three years for comparable land sales.

My comparable land search revealed that there has been very few land sales of similar properties within the past few years, particularly in the Southwest Market area. This was not surprising given that very little land remains in the subject's neighborhood for similar development. Most of the land sales that were available were larger in size, had inferior locations and were slated for higher density projects. Several of the land sales were sales from lenders that had taken the properties through foreclosure. From the few sales that were available, I have selected five of the comparable land sales to be used in direct comparison with the subject property.

I also researched current listings for similar properties. My search of current listings revealed that there were several similar listings available for comparison in the Northeast and Southeast Market Area and only one in the Southwest Market Area. Most of the listings available were of bank owned properties and were larger in size. From all of the listings available I have selected one for comparison with the subject property.

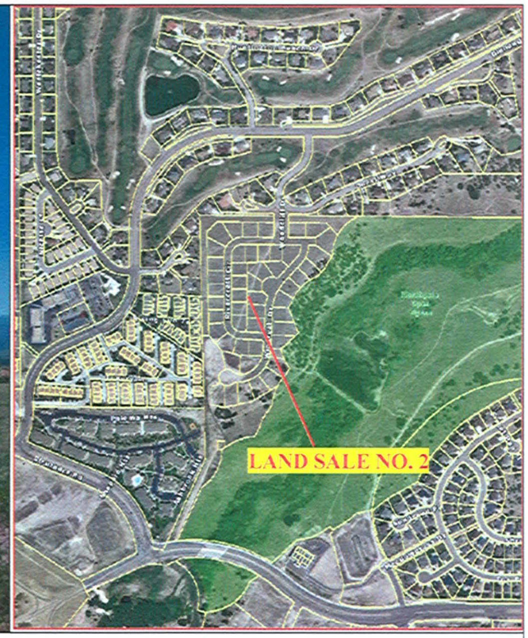
Overall, the comparable land sales and the listing were selected on the basis of similarity to the subject property as to time of transaction, proximity of location, size, physical characteristics and similarity as to zoning, stage of development and highest and best use. The five comparable land sales and the current listing are detailed on the following pages, then discussed and compared to the subject property on a sales comparison (adjustment) grid. The comparable land sales selected for direct comparison with the subject property are keyed to the Comparable Land Sales Map.

Comparable Land Sale No. 1

View:	Looking south from Sorpresa Lane		
Date Inspected/Photo by:	October 23, 2013/Tom Colon		
Location/Address:	7750 and 7860 Clay Lane – Access is from Sorpresa Lane		
Tax Schedule #:	53060-00-028 and 029		
Legal Description:	Meets and Bounds		
Grantor:	Moore2 LLC		
Grantee:	Nextop Holdings, LLC		
Sale Confirmed with/Date:	El Paso County Assessor's Records and Purchaser/October 23, 2013		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 212096397/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	August 20, 2012
Post Sale Expense:	None	Selling Price:	$262,500
Project Influence:	None	Unit Price:	$1.26 SF / $13,125 LOT
Physical Characteristics – Legal Aspects			
Land Area:	207,781 SF (4.77 AC)	Access:	Average
Shape:	Rectangular	Utilities:	All public available at site
Topography:	Slightly Sloping to Sloping	Zoning:	RR-5 (El Paso County)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Not Platted – Undeveloped
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Single Family Residential	Stage of Development:	Raw Undeveloped
Use at time of sale:	Vacant Land - Rural Residential		
Highest and Best Use:	Highest & best use would be to annex into the City of Colorado Springs for urban single family residential development.		

Remarks:	Terms of this sale were cash to Seller. Purchaser is a developer (Challenger Homes) who is in the process of annexing the property into the City of Colorado Springs. Single family land uses in the city adjoins the comparable on the north and east. Slightly sloping to sloping topography, averages views for the neighborhood. The lot sales in the immediate area are in $75,000 to $85,000 price range and are being sold to builders typically on rolling options. Sales History: The comparable property was foreclosed upon on 1/26/2010 by a bank and was sold to Moore2 LLC on 7/11/2011 for $250,000.

Comparable Land Sale No. 2

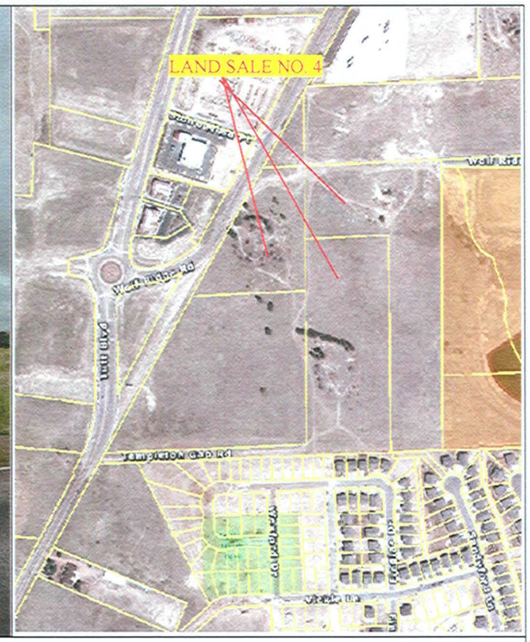
View:	Looking Southwest from Doral Way		
Date Inspected/Photo by:	October 21, 2013/Tom Colon		
Location/Address:	Doral Way off of Gleneagle Drive.		
Tax Schedule #:	62063-01-190, etc.		
Legal Description:	Lots 1 - 49 and Tracts A, B and C Morningview Subdivision, Colorado Springs, CO		
Grantor:	Smith Creek Hollings LLC (Allen Brown)		
Grantee:	Babcock Corporation (Leroy Landuis)		
Sale Confirmed with/Date:	El Paso County Assessor's Records, Purchaser/October 23, 2013		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 213061361/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	May 10, 2013
Post Sale Expense:	None	Selling Price:	$1,835,500
Project Influence:	None	Unit Price:	$1.74 SF /$37,500 Per Paper Lot
Physical Characteristics – Legal Aspects			
Land Area:	1,058,508 SF (24.3 AC)	Access:	Average
Shape:	Irregular	Utilities:	All public available at site
Topography:	Level to Sloping	Zoning:	RS-6000 (City CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Platted - Undeveloped
Visibility	Average	Corner/Interior Parcel	Interior Parcels
Surrounding Properties:	Residential and office	Stage of Development:	Paper Platted Lots
Use at time of sale:	Vacant site - Paper Platted Lots		
Highest and Best Use:	Highest and best use is single family residential		
Remarks:	Terms of this sale were cash to Seller. Purchaser is a developer. Purchaser is responsible for developing the 49 detached single family lots. Purchase price per paper platted lot is $37,500. Flat to slightly sloping topography - not all of the site was buildable. Good views of the mountains and a few trees. The comparable had utilities available for development, however. The development will contain 6.74 acres of open space. Highest and best use is single family residential. The lot sales in the immediate area are in $95,000 to $125,000 price range and are being sold to builders. Sales History: The seller purchased the property on 1/17/2007 for $2,100,000. Prior to purchase the purchaser annexed the property into the city and platted it. After annexing into the city the seller extended a main sewer to the property.		

Comparable Land Sale No. 3

View:	Looking southwest from the northeast corner of the site from Cowpoke Road		
Date Inspected/Photo by:	October 21, 2013/Tom Colon		
Location/Address:	6655 Cowpoke Road		
Tax Schedule #:	5306000061		
Legal Description:	NW4SE4NE4, N2SW4SE4NE4 EX N 30.0 FT SEC 6-13-65, El Paso County, Colorado		
Grantor:	Debra J Hostetler and Michael W Underwood		
Grantee:	Nextop Holdings, LLC		
Sale Confirmed with/Date:	El Paso County Assessor's Records and Purchaser/October 22, 2013		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 213093691/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	July 22, 2013
Post Sale Expense:	None	Selling Price:	$750,000
Project Influence:	None	Unit Price:	$1.15 SF
Physical Characteristics – Legal Aspects			
Land Area:	653,400 SF (15 AC)	Access:	Average
Shape:	Rectangular	Utilities:	All public available at site
Topography:	Level to Slightly Sloping	Zoning:	RR-5 (El Paso County)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Not Platted – Undeveloped
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Single Family Residential	Stage of Development:	Raw Undeveloped
Use at time of sale:	Rural Residential – Improved with an old single family dwelling (Land Value Only)		
Highest and Best Use:	Highest & best use would be to annex into the City of Colorado Springs for urban single family residential development.		

Remarks:	Terms of this sale were cash to Seller. Purchaser is a developer (Challenger Homes) and will be responsible for annexing the property into the City of Colorado Springs. Single family land uses in the city adjoins the comparable on the north and west. At the time of sale the property contained an old single family dwelling and several agricultural sheds but was purchased for land value only. Slightly sloping topography, above averages views of the mountains. The lot sales in the immediate area are in $75,000 to $85,000 price range and are being sold to builders typically on rolling options. Sales History: No sales history within the past five years.

Comparable Land Sale No. 4

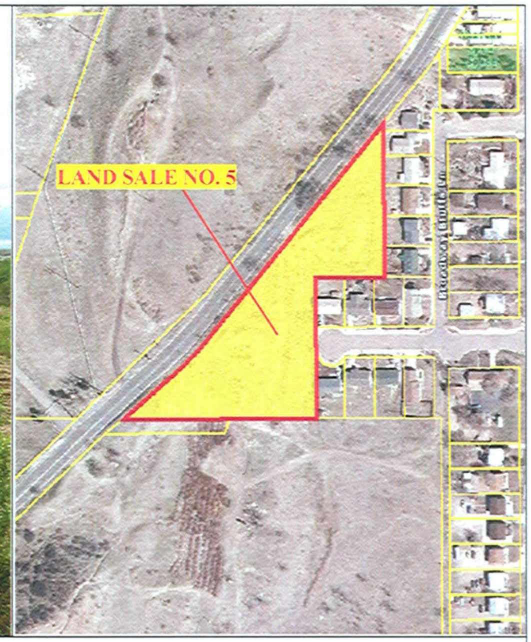


View:	Looking Southeast Across the Comparable Property		
Date Inspected/Photo by:	May 23, 2015/Tom Colon		
Location/Address:	7065 Templeton Gap Road		
Tax Schedule #:	53070-00-006, 073 and 097		
Legal Description:	Not Platted Meets and Bounds Legal, El Paso County, State of Colorado		
Grantor:	Cheuk and Susanne Kwan Living Trust		
Grantee:	Wolf Ridge Development Company LLC		
Sale Confirmed with/Date:	El Paso County Assessor's Records, Costar Comps/May 21, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 214080185/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	September 9, 2014
Post Sale Expense:	None	Selling Price:	$2,400,000
Project Influence:	None	Unit Price:	$2.08 SF
Physical Characteristics – Legal Aspects			
Land Area:	1,154,776 SF (26.51 AC)	Access:	Average
Shape:	Irregular	Utilities:	All public available at site
Topography:	Level to slightly sloping	Zoning:	A, AO (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	No
Visibility	Average	Corner/Interior Lot:	Interior Lot
Surrounding Properties:	Vacant Land, Residential	Stage of Development:	Raw Land –No Entitlements
Use at time of sale:	Vacant site		
Highest and Best Use:	Highest and best use is detached single family residential		
Remarks:	Terms were cash to the seller. Purchased by a developer. Comparable Land Sale consisted of three parcels. Located in Northeast Market area. Vegetation is native grasses with a few trees. The views were considered average for the neighborhood. The lot sales in the immediate area are in $65,000 to $75,000 price range and are being sold to builders on rolling options. Sales History: The comparable parcel was purchased 10/27/2005 for $1,262,804.		

Comparable Land Sale No. 5

View:	Looking south across the comparable property from Hill Circle		
Date Inspected/Photo by:	May 23, 2015/Tom Colon		
Location/Address:	0 Hill Circle, Colorado Springs, CO		
Tax Schedule #:	73351-00-014		
Legal Description:	Not Platted Meets and Bounds Legal, El Paso County, Colorado Springs, CO		
Grantor:	Garden of the Gods Club LLC		
Grantee:	Land 5 LLC (Peter Martz)		
Sale Confirmed with/Date:	El Paso County Assessor's Records, Broker/May 23, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 215006378/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	January 22, 2015
Post Sale Expense:	Obtaining Entitlements	Selling Price:	$356,879
Project Influence:	None	Unit Price:	$3.45 SF
Physical Characteristics – Legal Aspects			
Land Area:	102,336 SF (2.35 AC)	Access:	Average
Shape:	Irregular	Utilities:	All public available at site
Topography:	Level to Slightly Sloping	Zoning:	PUD (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Yes, as a single Lot
Visibility	Average	Corner/Interior Parcel	Corner Parcel
Surrounding Properties:	Vacant Land, Residential	Stage of Development:	Platted, Not Developed
Use at time of sale:	Vacant site		
Highest and Best Use:	Highest and best use is single family residential		
Remarks:	Terms were cash to the seller. The purchaser was a developer who is responsible for obtaining the necessary entitlements to construct 7 detached single family dwellings on the site. The site was not fully perimeter developed and the purchaser will be responsible for the construction of any road improvements. 92 days on the market. Vegetation is native grasses with a few bushes. The views were considered average for the neighborhood. Highest and best use is detached single family residential. The lot sales in the immediate area are in $175,000 to $200,000 price range and are generally being sold to builders. Sales History: The comparable property was part of a larger purchase involving multiple parcels that sold 2/28/2007 for $24,650,000.		

Comparable Land Sale No. 6



View:	Looking southeast from 26th Street		
Date Inspected/Photo by:	May 23, 2015/Tom Colon		
Location/Address:	1247 South 26th Street		
Tax Schedule #:	74151-05-020		
Legal Description:	Lot 1 Broadway Bluffs Subdivision		
Grantor:	Steven W Cox		
Grantee:	TBD		
Sale Confirmed with/Date:	El Paso County Assessor's Records and Broker/May 21, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# TBD /Assumed Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	TBD
Post Sale Expense:	None	Selling Price:	$199,900
Project Influence:	None	Unit Price:	$1.86 SF
Physical Characteristics – Legal Aspects			
Land Area:	107,593 SF (2.47 AC)	Access:	Average
Shape:	Irregular	Utilities:	All public available at site
Topography:	Slightly Sloping to Sloping	Zoning:	PUD (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Platted But Undeveloped
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Single Family Residential	Stage of Development:	Platte, Undeveloped
Use at time of sale:	Vacant Land		
Highest and Best Use:	Highest and best use is single family residential		
Remarks:	Current Listing. Terms offered are cash to Seller. Comparable is approved for 10 detached single family residential lots or 20 patio home lots. Slightly sloping to sloping topography, above averages views for the neighborhood. The comparable land sale's unusual shape and topography would limit the utility of the site. The broker information is that the retail selling price for the lots would be $70,000 to $75,000. Sales History: The comparable property was purchased by the current owner on 1/14/2014 for $84,900. The prior owner purchased the comparable property on 4/6/2009 for $150,000.		


LAND SALES MAP
LAND SALE NO. 1
LAND SALE NO. 2
LAND SALE NO. 3
LAND SALE NO. 4
LAND SALE NO. 5
LAND SALE NO.6
SUBJECT PROPERTY
Colorado Springs
Air Force Academy
Black Forest
Manitou Springs
Cimarron Hills
Pikeview
DELORME
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Data Zoom 11-0

Adjustments to Comparable Land Sales. The six comparable land sale transactions selected for direct comparison with the subject property are shown on Table 1 (Sales Comparison Grid).

Circumstances of the Sale Adjustments. To the nominal sales price of each respective transaction there is made, if required, adjustments for circumstances of sale. Circumstances of sale adjustments include four categories, which are adjusted in a specific order. The first adjustment is for property rights conveyed, which includes adjustments for leasehold transactions where necessary or for partial interests. The transaction price adjusted for property rights conveyed is further adjusted first for financing terms, if any, and then for conditions of sale including any non-arm's length relationship between the parties to the transaction.

Property Rights Conveyed. All five of land sales were sold fee simple and no adjustments were made.

Financing. Financing arrangements can affect the sale price of real estate, particularly when seller financing is involved. All the sales were cash to the seller. No financing adjustments are made.

Conditions of Sale. All of the comparable land sales were open market, arm's length transactions without any reported extraordinary considerations or circumstances.

Market Conditions. Most commonly referred to as the "time adjustment," the market conditions adjustment recognizes changes in the market (appreciation/depreciation) from the time the comparable sale closed to the subject's date of value. The comparable land sales analyzed range in age from 35 months before the subject's date of value to four months prior.

To help estimate the change in market conditions and form my adjustment for market conditions, I have analyzed the detached single family residential market. In the analysis, I looked at building permits, builder's spec inventory and the available lot inventory in the Colorado Springs Metro area. This analysis will be discussed more thoroughly in the Subdivision Development Approach. Overall, this market data would appear to indicate that residential home and land/lot values have risen (3% to 6% annually) over the past 36 months in the Colorado Springs Metro area.

In addition, to determine a market conditions adjustment I also looked at the change in home values as reported by the Office of Federal Housing Enterprise Oversight's (OFHEO). I analyzed MLS data as reported by Pikes Peak Association of Realtors for the change in home values.

Office of Federal Housing Enterprise Oversight's Data. According to the OFHEO's Housing Price Index Report prior to 2007 Residential home values in the Colorado Springs Metro area had been increasing in the 6% to 8% percent range. In 2007 home appreciation came to a virtual standstill and in 2008 it started declining. In 2012 the trend changed direction and residential home values started to increase. According to the Office of Federal Housing Enterprise Oversight's (OFHEO) latest Housing Price Index Report, the Colorado Springs MSA saw a +3.1% increase in housing prices between 4th quarter 2012 through 4th quarter 2013. This past year (4th quarter 2013 through 4th quarter 2014) saw a 4.1% increase in housing prices. See Table on the following page.

Changes in Value - Single Family Homes Colorado Springs Metro Area, 1984-2014			
Year	Quarter	Single Family Home Value	Percent Change Over One Year Ago
1984	4th	$71,450	8.4%
1985	4th	$72,690	1.7%
1986	4th	$75,340	3.6%
1987	4th	$73,950	-1.8%
1988	4th	$72,470	-2.0%
1989	4th	$72,920	0.6%
1990	4th	$73,090	0.2%
1991	4th	$76,210	4.3%
1992	4th	$81,450	6.9%
1993	4th	$89,860	10.3%
1994	4th	$98,240	9.3%
1995	4th	$105,280	7.2%
1996	4th	$111,350	5.8%
1997	4th	$116,470	4.6%
1998	4th	$121,680	4.5%
1999	4th	$126,840	4.2%
2000	4th	$136,010	7.2%
2001	4th	$147,550	8.5%
2002	4th	$154,330	4.6%
2003	4th	$158,220	2.5%
2004	4th	$167,260	5.7%
2005	4th	$179,110	7.1%
2006	4th	$184,850	3.2%
2007	4th	$183,790	-0.6%
2008	4th	$178,700	-2.8%
2009	4th	$174,030	-2.6%
2010	4th	$171,350	-1.5%
2011	4th	$166,980	-2.6%
2012	4th	$168,440	0.9%
2013	4th	$173,740	3.1%
2014	4th	$180,840	4.1%

Source: Federal Housing Finance Agency

<u>MLS Market Data.</u> Pikes Peak Association of Realtors MLS data indicates that sales of single-family homes through the first four months of 2015, sales totaled 3,331, a 20.3% increase over the same period in 2014. Meanwhile, homes that were sold in a median price of $230,000 had a +8.5% increase over the same period 2014. The inventory of homes for sale totaled 1,705 in April, a +2.3% increase compared to April 2014.

For the Southwest market MLS data indicates that sales of single-family homes through the first four months of 2015, sales totaled 169, a 29% increase over the same period in 2014. Meanwhile, homes that were sold in a median price of $356,175, had a +25.1% increase over the same period 2014. The inventory of homes for sale totaled 92 in April, a -15.6% decrease compared to April 2014.

Overall, based upon the data to be discussed above and to be discussed in the Subdivision Development Approach, this market data would appear to indicate that residential home and land/lot values have risen (3% to 6% annually) over the past 36 months in the Colorado Springs Metro area. Therefore, on Table 1 I have adjusted the comparable land sales upward for market conditions at an annual rate of 4% or 0.33% per month.

TABLE 1 - SALES COMPARISON GRID

Transaction Number:	Benchmark Lot		Land Sale No. 1		Land Sale No. 2		Land Sale No. 3		Land Sale No. 4		Land Sale No. 5		ınd Sale No. 6
Address	(Lot 14) Sanctuary Ln		7750 and 7860 Clay Lane		Doral Way, N of North Gate Road		6655 Cowpoke Road		6735 Templeton Gap Road		0 Hill Circle		1247 26th Street
Development	Sanctuary at Bear Creek		Cumbre Vista		Morning View		Unknown		Wolf Ridge		Garden of Gods		Broadview
Market Area	Southwest		Northeast		Northeast		Northeast		Northeast		Nothwest		Southwest
Date of Sale	5/20/2015		20-Aug-12		10-May-13		22-Jul-13		03-Sep-14		21-Jan-15		Listing
Property Data:													
Land Area in Sq.Ft.	374,436		207,781		1,058,508		653,400		1,154,776		102,366		107,593
Land Area in Acres	8.596		4.77		24.30		15.00		26.51		2.35		2.47
Zoning	R-1/9000		RR-5		RS 6000		RR-5		PUD AO		PUD		PUD
Number of Units	17		20		49		56		92		7		10
Density/Units Per Acre	1.98		4.19		2.79		3.73		3.47		2.98		4.05
Sale Price			$262,500		$1,835,500		$750,000		$2,400,000		$356,879		$199,900
Property Rights Conveyed		Fee Simple	-0-	nple	-0-	Fee Simple	-0-	mple	-0-	Fee Simple	-0-	le	-0-
Adjusted Sale Price			$262,500		$1,835,500		$750,000		$2,400,000		$356,879		$199,900
Financing Terms		Cash Out	-0-	Out	-0-	Cash Out	-0-	ı Out	-0-		-0-	ıt	-0-
Adjusted Sale Price			$262,500		$1,835,500		$750,000		$2,400,000		$356,879		$199,900
Conditions of Sale		Arm's Length	-0-	ıgth	-0-	Arm's Length	-0-	Arm's Length	-0-		-0-	ırm's Length	-0-
Adjusted Sale Price			$262,500		$1,835,500		$750,000		$2,400,000		$356,879		$199,900
Market Conditions (Time)		10.89% Mkt. Adj.	$2,859	?.92% Mkt. Adj.	$145,372	26% Mkt. Adj.	$54,450	?7% Mkt. Adj.	$71,280	32% Mkt. Adj.	$4,711	g	($5,997)
Sale Price Adjusted for Property Rights, Financing, Conditions of Sale, and Time			$265,359		$1,980,872		$804,450		$2,471,280		$361,590		$193,903
Purchase Price Per Acre			$55,631		$81,517		$53,630		$93,221		$153,868		$78,503
Purchase Price Per Sq. Ft.			$1.28		$1.87		$1.23		$2.14		$3.53		$1.80
Purchase Price Per Lot			$13,268		$40,426		$14,365		$26,862		$51,656		$19,390
Comparison Adjustments	**Subject**	**Comp.**	**Adj.**	**np.**		**Comp.**	**Adj.**	**Comp.**	**Adj.**		**Adj.**	**ı**	
Location/Access	Good/Avg.	Inf./Equal	$35,000	Inf./Inf.	$20,000	Inf./Equal	$35,000	Inf./Equal	$35,000	Sup./Equal	-$5,000	Inf./Equal	$30,000
Zoning	R-1/9000	Adj Below	$0	Equal	$0	Adj Below	$0	Inferior	$2,000	Inferior	$2,000	Inferior	$2,000
Physical Characteristics	Average	Equal	$0	Equal	$0	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Size (Lot Size)	15,974	6,000	$15,000	12,000	$5,000	6,000	$15,000	6,500	$12,000	15,000	$0	5,000	$20,000
Stage of Development	Paper Platted	Inferior	$10,000	Superior	-$3,000	Inferior	$10,000	Inferior	$3,000	Inferior	$3,000	Sup./Inf.	$0
View	Above Average	Equal	$0	Superior	-$3,000	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Vegetation	Above Average	Inferior	$5,000	Infeior	$5,000	Inferior	$5,000	Inferior	$5,000	Inferior	$5,000	Inferior	$5,000
Highest and Best Use	Single Family	Equal	$0	ıual	$0	Equal	$0	qual	$0	Equal	$0	ıl	$0
Net Adjustments ($/Lot)			$65,000		$24,000		$65,000		$57,000		$5,000		$57,000
Gross Adjustments ($/Lot)			$65,000		$36,000		$65,000		$57,000		$15,000		$57,000
Net Adjustments ($/Lot)			$65,000		$24,000		$65,000		$57,000		$5,000		$57,000
Adjusted Price Per Lot			$78,268		$64,426		$79,365		$83,862		$56,656		$76,391
Weighting Factor			10.00%		25.00%		10.00%		15.00%		30.00%		10.00%
Product			$7,827		$16,106		$7,937		$12,579		$16,997		$7,639
Indicated Range of Values Per Lot			$56,656	**to**	$83,862	**Lot**							
Average Value Per Lot			$73,161										
Median Value Per Lot			$77,329										
Weighted Value Per Lot			$69,085										
Indicated Value Per Lot			$73,000	**X**	17	**Lots**	$1,241,000						
							$1,241,000	**d**					

\2015-18_T1

Comparison Adjustments. To the sales price as adjusted for property rights conveyed, financing terms, conditions of sale, and market conditions, there are made percentage adjustments as necessary for physical differences between the comparable properties and the subject property. Where the comparable property is considered superior to the subject property, a downward adjustment is made. Where the comparable property is considered inferior to the subject property, an upward adjustment is made. For each respective transaction the net adjustment is the sum of the individual adjustments.

There are two possible basis that the land sales can be compared and adjusted i.e. the purchase price per acre/square foot or per proposed single family lot/unit. I have chosen to use the proposed single family lot/unit basis. I have chosen the per lot basis for several reasons. First, we know how many and the kind of lots the subject property and the comparable sale properties will have. Second, the number of lots is the main driving economic factor in a land development deal. Third, the per lot basis would be the methodology that a prospective purchaser would use to analyze whether or not to buy the subject property.

As shown on Table 1 Sales Comparison Grid, I have adjusted the comparable land sales for physical differences as compared with the subject property. My adjustments are made to the purchase price per proposed lot. Comments on adjustments to follow.

Location/Access. The location/access adjustment considers proximity and exposure to major commercial corridors, accessibility and the surrounding general level of land values. All except one of the comparable land sales were considered inferior to the subject property in terms of location and were adjusted upwards. Comparable Land Sale No. 5 was considered superior because of its gated community location and higher surrounding property values. All of the comparable sales, except Land Sale No. 2, were considered equal in access. Land Sale No. 2's access was considered inferior and was adjusted upwards. Access to Land Sale No. 2 is through an older existing subdivision.

Zoning. The zoning adjustment considers the differences in permitted, special and accessory use and development restrictions. In this category I have adjusted only Comparable Land Sale Nos. 2, 4, 5 and 6 for differences in zoning. Land Sale Nos. 1 and 3 are adjusted for the differences in zoning in my stage of development adjustment to be discussed below. These two sales had most inferior stages of development which require both annexation and zoning.

Only Comparable Land Sale No. 2 was considered equivalent in zoning, because like the subject, its zoning was an unplanned district. Comparable Land Sale Nos. 4, 5 and 6 were considered inferior in zoning because there zoning were planned zoning districts.

Physical Characteristics. The need for a physical characteristics adjustment arise from differences as to topography, parcel shape, parcel location in a block, easements, soil and site conditions. Considered under this heading are the presence of toxic or hazardous materials or any other hazardous condition known to the parties at the time of sale.

Adjustments to the comparable land sales for parcel shape, topography and soil conditions are discussed below. The adjustment for differences in land preparation costs are handled in my adjustments for stage of development to be discussed below.

Parcel Shape. No adjustments were made. All of the lots to be developed on the comparable land sales would have fairly similar parcel shapes.

Topography. Lots to be developed on the Comparable Land Sale Nos. 1, 3 and 4 would have fairly flat topographies with few possibilities for walkout basements. The topography of the lots developed on Comparable Land Sale Nos. 2, 5 and 6 would be more similar to the subject's proposed lots. While there are differences in topographies of the proposed lots no adjustments were made.

Soil Conditions. No adjustments were made.

The adjustment percentage shown on Table 1, per comparable land sale, reflects the sum of the individual adjustments as discussed above.

Size. Size adjustments are typically made to allow for the fact that larger land areas of a given level of utility tend to sell for less per area unit than smaller parcels and vice-versa. Simply, a larger tract with similar characteristics compared to a smaller tract will typically sell for less on a comparative unit basis. The typical size adjustment is not warranted to the comparable land sales.

However, within the size adjustment category, I have accounted for the average size of the proposed lots and the project's overall density. The lots within the subject subdivision will have an average size of 15,974 square feet. Larger single family lots or lower density projects generally sell for more, on a per lot basis, than smaller single family lots and higher density projects. All of the comparable land sales, except Land Sale No. 5, will have smaller sized lots. Lots to be developed on Comparable Land Sale Nos. 1, 3, 4 and 6 will be in the 5,000 to 6,000 square foot range. These sales were adjusted upwards for having smaller lot sizes. Comparable Land Sale No. 5 will have lots fairly similar to the subject lots and no adjustments were made. My adjustment amount for lot size is a quality type adjustment and not tied to a specific acreage or square footage.

Stage of Development. Stage of Development adjustment considers the location and extent of public utilities and improvements and its impact on the developability of the comparable properties relative to the subject. Also considered under this heading is whether or not the comparable property was platted and if associated platting fees have been paid.

The subject property has a Development Plan and Preliminary Plat approval for 17 detached single family lots. Most all of the engineering has been completed for the development and there are no off-sites. As of the effective date of this report the final plat had not yet been approved or recorded and the lots were undeveloped.

Various adjustments were made to comparable land sales depending upon their stages of development.

Comparable Land Sale No. 1 was raw land at the time of sale and was not annexed into the City nor did it have an approved development plan or preliminary plat approval. The site is surrounded by the city but is not perimeter developed (off-sites needed). Thus a significant upward adjustment would be warranted for the comparable sale's lack of development entitlements and public improvements.

Comparable Land Sale No. 2 is located in the Northeast Market in close proximity to the Gleneagle area. The comparable is located in the city, zoned and has been platted into 64 detached single family lots. The lots are undeveloped and most all of the off-sites have been completed. This sale was adjusted downwards for being superior in stage of development.

Comparable Land Sale No. 3 was raw land at the time of sale and was not annexed into the City nor did it have an approved development plan or preliminary plat approval. The site is surrounded by the city but is not perimeter developed (off-sites needed). Thus a significant upward adjustment would be warranted for the comparable sale's lack of development entitlements and public improvements.

Comparable Land Sale No. 4 was raw land at the time of sale but it had been annexed into the City and was properly zoned for residential. However, the comparable did not have a development plan or preliminary approval and the site was not fully perimeter developed. Thus, an upward adjustment to sale price was warranted.

Comparable Land Sale No. 5 is located in the City, zoned PUD and perimeter developed. However, the comparable did not have a development plan or preliminary approval. Thus, a slight upward adjustment to sales price was warranted.

Comparable Land Sale 6 is located in the City, zoned PUD and has an approved development plan for 10 detached single family lots. The site is currently platted as a single lot and platting fees have been paid. However, additional off-site improvements will be needed to develop the site. Thus a downward adjustment would be warranted to the comparable sale for being platted and having platting fees paid and an upward adjustment would be warranted for needing off-site improvements.

View. The best views command the highest prices for residential properties. Comparable Land Sale No. 2 was considered to have a superior view and was adjusted downwards. The remaining land sales had views similar to the subject's view and were not adjusted.

Vegetation. The quality and to a certain extent the quantity of vegetation and trees that a residential property possess can greatly influence its sales price. Unlike the other adjustment categories too much vegetation/trees can also have a negative effect on value. All of the comparable land sales were considered inferior in vegetation and was adjusted upwards.

Highest and Best Use. The adjustment for highest and best use compares the sale property with the subject in terms of relative value of end uses. The adjustment additionally considers ripeness for development and compares the time for optimum development of the comparable property with that of the subject. Where a differential in ripeness of development occurs, the amount of the adjustment is based upon carrying costs over the estimated time difference. No adjustments were necessary.

Sales Comparison Approach Conclusion. On Table 1 the respective net adjustments expressed as percentages are the sum of the individual comparison adjustments. For each comparable sale, the unit sale price is adjusted by the net percentage adjustment. The range of adjusted sales prices, the mean adjusted sales price, and the weighted average sale price are as shown on the table. The adjusted sale prices are then weighted according to the appraiser's estimate of the degree of comparability that each of the respective sales bears to the subject property.

The range of adjusted sale prices, per proposed lot, are from $56,656 to $82,862 with an average of $73,161 and a median of $77,329. Comparable Land Sale No. 5 required the least amount of gross adjustment and had the lowest indicated value for the subject property. Land Sale No. 2 had the second lowest indicated value for the subject property and required the second least amount of gross adjustment. Comparable Land Sale No. 4 required the third least amount of gross adjustment and had the highest indicated value for the subject property. Comparable Land Sale Nos. 1 and 3 required the most amount of gross adjustment mainly due to their inferior locations, lot size and stage of development. Land Sale No. 6 required the third most amount of gross adjustment and had third lowest indicated value for the subject. I gave most weight to Comparable Land Sale No. 5 followed by Land Sale No. 2 because they required the least amount of gross adjustment. I gave Land Sale Nos. 1, 3 and 6 the least amount of weight because they required the most amount of gross adjustment. As such, my weighted average as shown on Table 1 is $69,085 per lot.

Based upon my analysis above I have selected $73,000 per lot as my concluded value per lot for the subject property. My selected value per lot is slightly above my (appraiser's) weighted average, similar to the average and below the median. As shown and estimated on Table 1, the indicated market value of the subject property is estimated at **$1,241,000 or $73,000 per lot.**

Subdivision Development Approach

In this part of the valuation section I have estimated the "As Is" market value for the subject property using the Subdivision Development Approach. In the process I also estimated the "Aggregate Retail" market value of all the subject lots as if they were fully developed. The Subdivision Development Approach is applicable where a sale within a reasonable period indicates that the most probable purchaser of the subject property would be a developer who would purchase the vacant land and develop it into lots and then sell them to end users as market demand occurs. In this approach the developer would incur both the costs (direct and indirect) and the time in holding/developing the lots and selling them to end users/builders. The difference between revenues and costs including the developer's overhead and profit (Entrepreneurial Return) represents the highest price that a developer would be justified in paying for the subject property "as is" (undeveloped).

The Subdivision Development Approach involves the following steps:

1. Estimate the individual retail values of the lots.

2. Estimate all direct and indirect costs, as well as a cost of sales.

3. Estimate a reasonable allowance to compensate the investor for entrepreneurial remuneration and risk.

4. Project a reasonable absorption period in which all the lots are sold.

5. Escalate current costs and retail values in future periods as dictated by the market data.

6. Discount the net proceeds at a proper rate to determine a single net present value.

In the report to follow I will discuss each one of the steps involved in the subdivision development method.

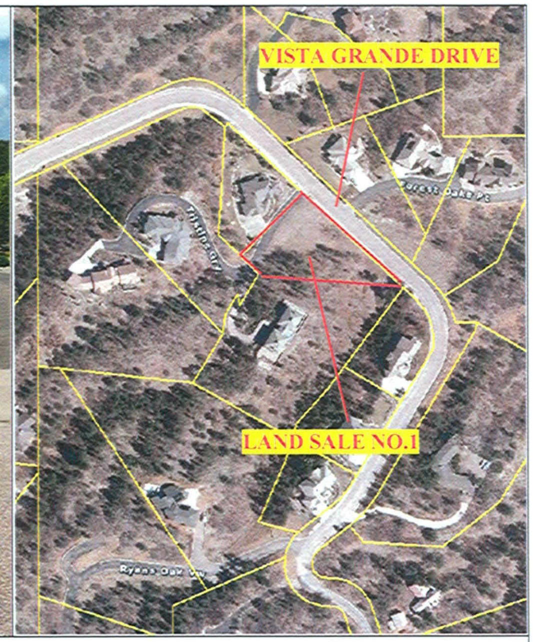
1. Estimate the individual retail values of the lots.

To begin the Subdivision Development Approach I must first estimate the "Retail" value of the subject's lots. To estimate the "Retail" value of the lots I have used the sales comparison approach along with the Benchmark Valuation Process. In the Benchmark Valuation Process I first estimate the value of <u>one</u> of the subject's 17 lots using the sales comparison approach. This lot is referred to as the Benchmark Lot. From the estimated value of the Benchmark Lot the values of the remaining 16 lots are estimated in reference to the Benchmark Lot. For my analysis I have selected Lot 14 along the south side of Sanctuary Lane containing 16,791 square feet as our Benchmark Lot. The Benchmark Lot is slightly sloping, the vegetation is native grasses with moderate trees and the view would be considered average for the subdivision.

To estimate the value of our Benchmark Lot I researched and analyzed recent sales transactions and current listings involving vacant residential single family lots in the Southwest Market area. According to the MLS and County Assessor's records, since the beginning of 2014 in the Southwest Market area there has been a total of 19 sales of detached single family lots. This would not include builder purchases occurring in the Gold Hill Mesa development. In addition, in the Southwest Market Area there are currently 71 active listings of single family residential lots.

From the 19 lot sales and 71 active listings in the subject's market area, I have selected 3 sales and one listing for estimating the value of the subject's Benchmark Lot. The 3 comparable lot sales and the listing were selected on the basis of similarity to the subject property as to time of transaction, proximity of location, size, physical characteristics and similarity as to zoning and highest and best use. The four lot sales selected for direct comparison with the subject's Benchmark Lot are discussed below and then are shown on a sales comparison grid. The comparable lot sales selected for comparison are keyed to the Comparable Lot Sales Map.

COMPARABLE LOT SALE NO. 1

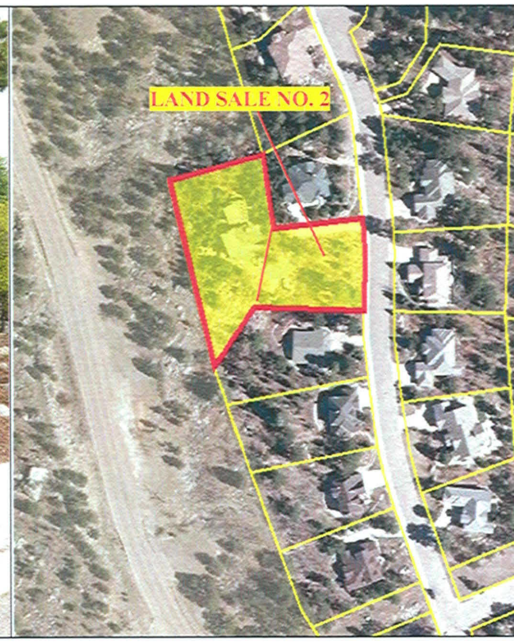


View:	Looking Southwest from Vista Grande		
Date Inspected/Photo by:	May 23, 2015/Tom Colon		
Location/Address:	2611 Tristins Grove		
Tax Schedule #:	Port of 7422412014		
Legal Description:	Lot 9, Forest Oaks Subdivision		
Grantor:	John S. Bursh		
Grantee:	Not available through Assessor's Records because of lots being combined.		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS and Broker/May 20, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# Not Available/Assumed Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	3/10/2014
Post Sale Expense:	None	Selling Price:	$145,000
Project Influence:	N/A	Unit Price:	$4.97 SF
Physical Characteristics – Legal Aspects			
Land Area:	29,185 SF (0.67 AC)	Access:	Average
Shape:	Irregular	Utilities:	Colorado Springs
Topography:	Flat to Sloping	Zoning:	PUD (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Platted
Visibility	Average	Corner/Interior Parcel	Corner/Cul-de-Sac Lot
Surrounding Properties:	Single Family Residential	Stage of Development:	Fully Developed
Use at time of sale:	Vacant Land – Single Family Residential Lot		
Highest and Best Use:	Construction of a Single Family Dwelling.		

Remarks: Terms of this sale were cash to seller. Purchaser is a user who intends to build a home on the lot. CDOM – 27, at listed price of $165,000. Corner cul-de-sac lot location. Flat to sloping topography with no walk out basement capability. Above average views. Native grass vegetation with scrub oak and a few trees. County Assessor's information was not available because the lot was combined with the adjoining lot for property tax purposes. Once the County updates the information it will be available.

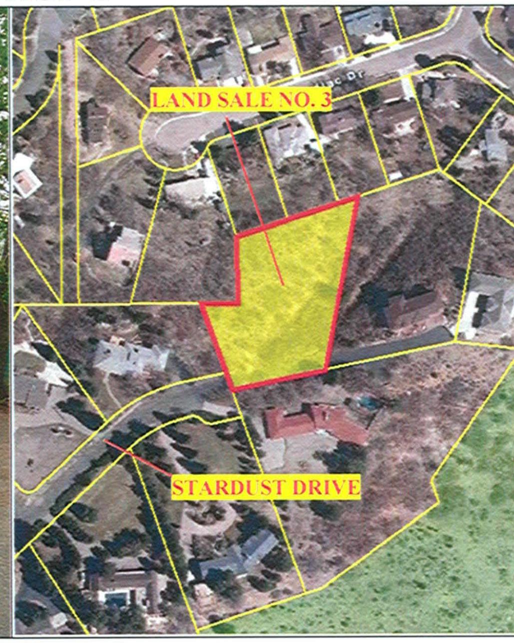
Sales History: No sales history since within the previous five years.

COMPARABLE LOT SALE NO. 2



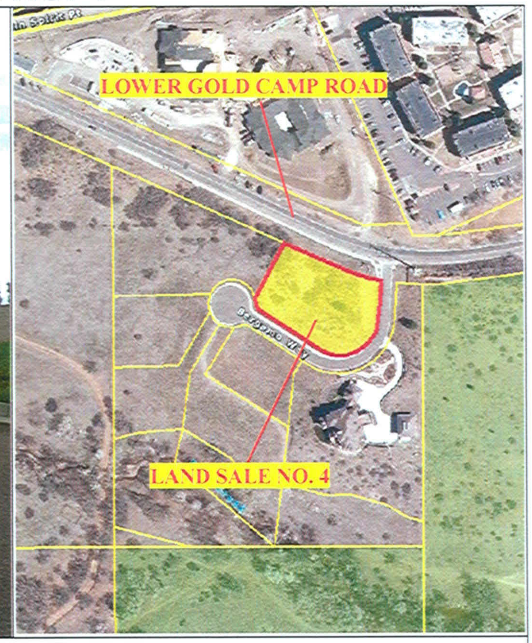
View:	Looking northwest from Paisley Drive		
Date Inspected/Photo by:	May 20, 2015/Tom Colon		
Location/Address:	675 Paisley Drive		
Tax Schedule #:	Portion of 7513402078		
Legal Description:	Lot 14, Stonecliff, Filing No. 6		
Grantor:	Michael Kenneth Montera		
Grantee:	Not available through Assessor's Records because of lots being combined.		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS and Broker/May 20, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# Not Available/Assumed Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	5/3/2014
Post Sale Expense:	None	Selling Price:	$182,406
Project Influence:	N/A	Unit Price:	$10.45 SF
Physical Characteristics – Legal Aspects			
Land Area:	17,145 SF (0.4 AC)	Access:	Average
Shape:	Irregular	Utilities:	Colorado Springs
Topography:	Sloping	Zoning:	DF, HS (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Platted
Visibility	Average	Corner/Interior Parcel	Interior Lot
Surrounding Properties:	Single Family Residential	Stage of Development:	Fully Developed
Use at time of sale:	Vacant Land – Single Family Residential Lot		
Highest and Best Use:	Construction of a Single Family Dwelling.		
Remarks:	Terms of this sale were cash to Seller. Purchaser is a user who intends to build a home on the lot. CDOM – 70, at listed price of $200,000. The seller owns the adjoining property. Cul-de-sac lot location. Sloping topography with walk out basement capability to the front of the home. Good views. Good vegetation with coniferous trees, scrub oak and other native bushes. County Assessor's information was not available because the lot was combined with the adjoining lot for property tax purposes. Once the County updates the information it will be available. Sales History: No sales history since within the previous five years.		

COMPARABLE LOT SALE NO. 3



View:	Looking northeast from Stardust Drive		
Date Inspected/Photo by:	May 20, 2015/Tom Colon		
Location/Address:	1490 Stardust Drive		
Tax Schedule #:	7423408051		
Legal Description:	Lot 1, Stardust Filing No. 1		
Grantor:	Steven M Furman and Jennie Danfors-Furman		
Grantee:	John Peter and Kelly Dee Szentmartoni		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS and Broker/May 20, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 214084386/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	9/16/2014
Post Sale Expense:	None	Selling Price:	$134,750
Project Influence:	N/A	Unit Price:	$2.49 SF
Physical Characteristics – Legal Aspects			
Land Area:	54,042 SF (1.24 AC)	Access:	Average
Shape:	Irregular	Utilities:	Colorado Springs
Topography:	Sloping	Zoning:	R (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Platted
Visibility	Average	Corner/Interior Parcel	Cul-de-Sac Lot
Surrounding Properties:	Single Family Residential	Stage of Development:	Fully Developed
Use at time of sale:	Vacant Land – Single Family Residential Lot		
Highest and Best Use:	Construction of a Single Family Dwelling.		
Remarks:	Terms of this sale were cash to Seller. Purchaser is a user who intends to build a home on the lot. CDOM – 93, at listed price of $139,750. End of cul-de-sac lot location. Sloping topography with walk out basement capability to the rear of the home. Above average views. Native grass vegetation with trees and bushes. Sales History: The comparable property sold on 7/26/2005 for $165,000.		

COMPARABLE LOT SALE NO. 4



View:	Looking northeast from Bergamo Way		
Date Inspected/Photo by:	May 20, 2015/Tom Colon		
Location/Address:	310 Bergamo Way		
Tax Schedule #:	74143-15-001		
Legal Description:	Lot 1, Bergamo Estates		
Grantor:	Rocky's Corp.		
Grantee:	TBD		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS/May 20, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# TBD/Assumed Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	Current Listing
Post Sale Expense:	None	Selling Price:	$199,000
Project Influence:	N/A	Unit Price:	$4.94 SF
Physical Characteristics – Legal Aspects			
Land Area:	40,257 SF (0.92 AC)	Access:	Average
Shape:	Irregular	Utilities:	Colorado Springs
Topography:	Sloping	Zoning:	R, HS (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Platted
Visibility	Average	Corner/Interior Parcel	Corner, Cul-de-Sac Lot
Surrounding Properties:	Single Family Residential	Stage of Development:	Fully Developed
Use at time of sale:	Vacant Land – Single Family Residential Lot		
Highest and Best Use:	Construction of a Single Family Dwelling.		

Remarks:	Current Listing. Terms are to be cash to Seller. CDOM – 681, at a starting listed price of $275,000. Corner lot of cul-de-sac. Sloping topography with walk out basement capability to the front of the home. Average views. Native grass vegetation with a few trees and bushes. Bergamo Estates is a relatively new 7 lot subdivision. There has been only one lot sale since the subdivision was developed in 2011. The asking price for this particular lot is $199,000. The asking price for the remaining five lots is $299,000 each. Sales History: No unrelated sales history since the lot was first platted and developed.


LOT SALES MAP
LOT SALE NO. 4
SUBJECT PROPERTY
LOT SALE NO. 1
LOT SALE NO. 3
LOT SALE NO. 2
Colorado Springs
DELORME
Data use subject to license.
© 2007 DeLorme. Street Atlas USA® 2008 Plus.
www.delorme.com
MN (8.2° E)
0 ¼ ½ ¾ 1 1¼ 1½ 1¾ mi
Data Zoom 12-0

Adjustments to Comparable Lot Sales. The three comparable lot sale transactions and the comparable listing selected for direct comparison with the Benchmark Lot are shown on Table 2 (Sales Comparison Grid).

Circumstances of the Sale Adjustments

Property Rights Conveyed. All three of the lot sales were sold fee simple and no adjustments were made.

Financing. All the sales were cash to the seller.

Conditions of Sale. The comparable lot sales were open market, arm's length transactions without any reported extraordinary considerations or circumstances.

Market Conditions. The comparable lot sales analyzed ranged in age from 14 months before the subject's date of value to 7 months prior.

To determine a market conditions adjustment for the Benchmark Lot, I analyzed the current single family residential market. In the analysis, I looked at building permits, builder's spec inventory and the available lot inventory in the Colorado Springs Metro area. This analysis will be discussed more thoroughly in the Subdivision Development Approach. In addition, in the sales comparison approach previously discussed, I also looked at the change in home values as reported by (OFHEO) and MLS data as reported by Pikes Peak Association of Realtors. Overall, this market data would appear to indicate that residential home and land/lot values have all risen (3% to 6% annually) over the past 36 months in the Colorado Springs Metro area.

Market Conditions Conclusion. All of the comparable lot sales have occurred within the past 18 months. Overall, based upon the data to be discussed above and to be discussed in the Subdivision Development Approach, this market data would appear to indicate that residential home and land/lot values have risen (3% to 6% annually) over the past 36 months in the Colorado Springs Metro area. However, Metrostudy data would also indicate that lots similar in lot-frontage to the Benchmark Lot report a 21.5 month supply, which is the second highest of all the lot frontage categories. Homes priced over $500,000 also continue to be a big problem. Their supply continues to grow because the area isn't adding high-wage employees who can afford to buy the higher priced homes.

In my opinion, lot values have been increasing in the metro area over the past couple of years. However, most of lots that saw appreciation were below $100,000 for homes priced $300,000 and below. Lots similar to the Benchmark Lot saw little appreciation because of the inventory of lots and extended marketing periods. Therefore, on Table 2 I have adjusted the comparable lot sales upward for market conditions at an annual rate of 4% or 0.33% per month.

Listing Adjustment. Comparable Lot Sale No. 4 is listings and its sale price is obviously subject to negotiation and the most likely price direction would be downward. To determine a market adjustment for the listing I looked at lot sales data as reported by Pikes Peak Association of Realtors. According to the data the average "original list price" versus "the selling price" was 82.3% and the median was 85.71%. My analysis of lot sales market indicates that selling prices are significantly lower than the asking prices, particularly given the lack of the number of sales. On Table 1 I have adjusted the comparable listing (Comparable Land Sale No. 4) downward -15% for being a listing and not closed sale transactions.

TABLE 2 - LOT SALES COMPARISON GRID

Transaction Number	Benchmark Lot		Lot Sale No. 1		Lot Sale No. 2		Lot Sale No. 3		Lot Sale No. 4
Address	Lot 14 - Sanctuary Land		2631 Tristins Grove		675 Paisley Drive		1490 Stardust Drive		310 Bergamo Way
	Colorado Springs		Colorado Springs		Colorado Springs		Colorado Springs		Colorado Springs
Subdivision	Sanctuary at Bear Creek		Forest Oaks		Stonecliff		Stardust Subdivision		Bergamo Estates
Market Area	Southwest		Southwest		Southwest		Southwest		Southwest
Property Data:									
Date of Sale	20-May-15		10-Mar-14		03-May-14		16-Sep-14		LISTING
Land Area Acres	0.39		0.67		0.40		1.24		0.92
Land Area Square Feet	16,791		29,185		17,415		54,014		40,257
Zoning	R1/9000		PUD		R1/9000 DF, HS		R		R, HS
Sale Price		$4.97	$145,000	$10.45	$182,046		$134,750	$4.94	$199,000
Property Rights Conveyed		Fee Simple	$0	Fee Simple	$0	Fee Simple	$0	Fee Simple	$0
Adjusted Sale Price			$145,000		$182,046		$134,750		$199,000
Financing Terms		Cash to Seller	$0	Cash to Seller	$0	Cash to Seller	$0	Cash to Seller	$0
Adjusted Sale Price			$145,000		$182,046		$134,750		$199,000
Conditions of Sale		Arm's Length	$0	Arm's Length	$0	Arm's Length	$0	Arm's Length	$0
Adjusted Sale Price			$145,000		$182,046		$134,750		$199,000
Market Conditions (Time)		4.66% Mkt Adj	$6,760	4% Mkt Adj	$7,282	+2.33% Mkt Adj	$3,141	-15% Listing	($29,850)
Adjusted Sale Price			**$151,760**		**$189,328**		**$137,891**		**$169,150**
Comparison Adjustments	**Subject**	**Comp. 1**	**Adj.**	**Comp. 2**	**Adj.**	**Comp. 3**	**Adj.**	**Comp. 4**	**Adj.**
Location/Access/Visibility	Int. Lot/Avg Access/Gd Vis	Superior	($10,000)	Superior	($15,000)	Inferior	$15,000	Equal	$0
Zoning	R1/9000	Inferior	$2,500	Inferior	$2,500	Equal	$0	Inferior	$2,500
Site (Size)	16,791	29,185	($10,000)	17,415	$0	54,014	($15,000)	40,257	($15,000)
Site (View)	Above Average	Superior	($10,000)	Superior	($10,000)	Equal	$0	Equal	$0
Site (Shape)	Irregular	Inferior	$5,000	Equal	$0	Equal	$0	Equal	$0
Topography	Slightly Sloping, W/O	Inferior	$20,000	Inferior	$10,000	Inferior	$25,000	Inferior	$20,000
Floodplain	None	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Vegetation	Above Average	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Utilities	CSC	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Stage of Development	Fully Developed	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Lot Amenities	Backs to Open Space	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Subdivision Amenities	None	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Net Adjustments ($)			($2,500)		($12,500)		$25,000		$7,500
Net Adjustments (%)			-1.65%		-6.60%		18.13%		4.43%
Gross Adjustments ($)			$67,500		$37,500		$70,000		$52,500
Gross Adjustments (%)			44.48%		19.81%		50.76%		31.04%
Adjusted Price			$149,260		$176,828		$162,891		$176,650
Weighting Factor			0.20		0.35		0.25		0.20
Product			$29,852		$61,890		$40,723		$35,330

Indicated Range of Values Per Lot	$149,260	to $176,828
Average Lot Value	$166,407	
Median Lot Value	$169,771	
Weighted Lot Value	$167,794	
Concluded Lot Value	$170,000	
Rounded	**$170,000**	
Indicated Value Per Square Foot	**$10.12**	

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Location/Access/Visibility. The location the surrounding general level of land values. It also considers whether the site has a corner, interior or cul-de-sac location. The access adjustment considers proximity and visibility to major commercial corridors and general accessibility to the site. To a certain extent these property characteristics are interrelated.

The Benchmark Lot has a cul-de-sac lot location with average access and visibility. Comparable Lot Sale Nos. 1 and 2 were both considered superior to the Benchmark Lot in terms of location but similar in access and visibility. Comparable Lot Sale No. 3 is the second closest in proximity to the Benchmark Lot but was considered inferior in terms of location but similar in access and visibility. Comparable Lot Sale No. 4 is the closest proximity to the Benchmark Lot and was considered equivalent in terms of location, access and visibility.

Zoning. The zoning adjustment considers the differences in permitted, special and accessory use and development restrictions. Only Comparable Land Sale No. 3 was considered equivalent in zoning, because like the subject its zoning was an unplanned district. Comparable Land Sale Nos. 1, 2 and 4 were considered inferior in zoning because their zoning were planned zoning districts or they had overlay districts (HS). Planned districts and overlay districts generally cost the builder more money and time to comply with the zoning regulations.

Size. Size adjustments are made to allow for the fact that larger residential lots will tend to sell for more than smaller lots. However, generally speaking there is an inverse relationship between size and price. Where all or most property characteristics are similar or equal among various sites, smaller sites will usually sell for a higher unit price than larger sites, and vice versa. Comparable Lot Sale No. 2 is basically the same size as the Benchmark Lot and was not adjusted for size. Comparable Lot Sale No. 1 is slightly larger in size and was adjusted downwards $10,000. Comparable Lot Sale Nos. 3 and 4 are significantly larger in size and were adjusted downwards $15,000.

View. For residential properties the view adjustment is considered one of the most important physical characteristics for adjustment. Comparable Lot Sale Nos. 1 and 2 were adjusted downwards for their superior views. Comparable Lot Sale Nos. 3 and 4 had views similar to the subject and were not adjusted.

Shape. Comparable Lot Sale No. 1 was adjusted upwards for its inferior shape. Comparable Lot Sale No. 1 is a corner lot but has a triangular shape and part of the lot includes Tristins Grove. The remaining comparable lot sales were considered fairly similar in shape and were not adjusted.

Topography. The topography of a given lot can greatly influence its sales price. Lots that can accommodate a walk-out basement (particularly to the rear of the home) are considered more superior to lots that cannot accommodate a walk-out basement. All of the comparable lot sales had inferior topographies. Comparable Lot Sale Nos. 1, 2 and 4's topographies are basically sloping with possible walkout capability to the front of the home. Comparable Sale No. 3 had only a small buildable envelope, the remainder of the site was sloping.

Flood Plain. No adjustments were warranted. The Benchmark Lot and all of the comparable lot sales have no flood plain involvement.

Vegetation. The quality and to a certain extent the quantity of vegetation that a residential property possess can greatly influence its sales price. Unlike the other adjustment categories too much vegetation/trees can also have a negative effect on value. All of the comparable lot sales were considered to be similar to the Benchmark Lot.

Utilities. The Benchmark Lot and all the comparable lot sales have city utilities and were not adjusted.

Stage of Development. Stage of Development adjustment considers the location and extent of public utilities and improvements and its impact on the developability of the comparable properties relative to the subject. Also considered under this heading is whether or not the comparable property was platted and if associated platting fees have been paid. In this analysis the Benchmark Lot is zoned, platted and fully developed. All of the comparable lot sales were platted and fully developed – no adjustments were warranted.

Lot Amenities. All of the comparable sale lot sales were considered to be equal in lot amenities.

Subdivision Amenities. The subdivision amenities adjustment considers whether or not the comparable lot sales are located in developments that have either active or passive amenities. Communities that are gated or have active amenities such as golf courses, tennis courts or clubhouses or passive amenities such as parks, trails and open space are generally considered superior. All of the comparable sale lot sales were considered to be equal in subdivision amenities.

Conclusion – Valuation of the Benchmark Lot. On Table 2, for each comparable lot sale, the sales price is adjusted by the dollar amount. The range of adjusted sales prices, the mean adjusted sales price, and the median sales prices are as shown on the table.

After adjustments our comparable lot sale prices ranged from $149,260 to $176,528 with an average sales price per lot of $166,407 and a median of $169,771. Comparable No. 4 had the highest indicated value for the typical subject lot and required the second least of adjustment. This comparable is a listing and its asking price was adjusted for being listing. Thus I have given this sale the least amount of weight. Comparable No. 1 had the lowest indicated value and required the second most amount of gross adjustment. I have given this sale the second least amount of weight. I gave most weight to Comparable Lot No. 2 because it required the least amount of gross adjustment. I gave the next most weight to Comparable Lot Sale No. 3.

As shown on Table 2, my indicated weighted average is $167,794. I have selected a lot value slightly above my weighted average but below the median lot sales price as the best indicator of value for the Benchmark Lot or **$170,000.**

Valuation of Remaining Residential Lots

In my opinion the value estimated for the Benchmark Lot represents the average lot value for all of the subject's 17 lots. Some of the sales prices will be more and some will be less. The average lot value of **$170,000** will be used on Table 3 (Subdivision Cash Flow Analysis).

2. Estimate all direct and indirect costs, as well as a cost of sales.

Reference is made to Table 3 (Subdivision Cash Flow Analysis). The next step in the subdivision development method is to estimate the direct and indirect costs and the cost of sales. Direct Cost would include the cost to complete the development of the lots. Indirect Costs include selling costs (commissions), closing costs and holding costs (taxes and insurance).

TABLE 3 - SUBDIVISION CASH FLOW ANALYSIS

				1	2	Totals
SALE PERIOD (Yrs.)						
Number of Lots	17		Sales Price	$170,000	$176,800	
Est. Retail Lot Value	$170,000		Lot Sales	9	8	17
GROSS SALE PROCEEDS LOTS				$1,530,000	$1,414,400	**$2,944,400**
DIRECT AND INDIRECT COSTS						
Direct Costs	17		$51,065	$868,110	$0	$868,110
Selling Costs			5.00%	76,500	70,720	147,220
Closing Costs			0.50%	7,650	7,072	14,722
Holding Costs (Taxes/Ins.)			Est.	10,000	10,000	20,000
Entrep. Profit			10.00%	153,000	141,440	294,440
Total Expenses				$1,115,260	$229,232	$1,344,492
Net Sale Proceeds				$414,740	$1,185,168	$1,599,908
			Ann.			
PV Factor @			8.00%	0.925926	0.857339	
Present Value of Cash Flows				$384,019	$1,016,091	**$1,400,109**

Sum of Net Cash Flows - Indicated "As Is" Market Value	**$1,400,109**
Rounded	**$1,400,000**
	$82,353 Lot

Internal Rate of Return (IRR) Analysis

Gross Cash Flows/Yrs.	0	1	2
	($1,400,000)	$567,740	$1,326,608

Internal Rate of Return (IRR)	**19.71%**

Notes:
1. The total of the Present Value Of the Cash Flow is considered to be the Initial Investment.
2. Gross cash flows includes entrepreneurial profit.

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Direct Costs. The next step in the subdivision development approach is to estimate the direct costs associated with the development of the subject property into 17 residential lots. For purposes of this appraisal, development improvements to be installed for the proposed lots would include both utility and street and drainage improvements. Utilities would include water, sewer, natural gas, electric, and telephone. Street improvements would include paving of the roads to City specifications. On the table below I have shown the developer's cost estimate. In some case I have combined some of the developer's expense items for analysis purposes.

Developer's Cost Estimate – 17 Single Family Lots		
Item	**Cost**	**$/Lot**
Platting Fees (Drainage and Bridge Fees)	$29,197	$1,717
Technical (Planning, Engineering and Survey)	$54,000	$3,176
Grading/Erosion Control	$127,562	$7,505
Concrete (Sidewalks, Curb and Gutter)	$33,960	$1,998
Utilities (Water, Sewer, Telephone, Electric and Gas)	$199,412	$11,730
Paving	$90,130	$5,302
Drainage Construction	$68,430	$4,026
Landscaping (Includes Fencing)	$120,290	$7,076
Off-Site Improvements	$0	$0
Other	$15,000	$882
Construction Management Fee	$40,243	$2,368
Contingency – 12%	$89,883	$5,285
	$868,107	$51,065

Platting Fees. The developer's cost estimate include platting fees. Platting fees typically include drainage, bridge fees, pond fees, school park fees, numerous other fees. These fees are typically due at the time of platting of the property or with school and park fees can be due at the time of building permit. In some cases, land or other real property may be given in lieu of school and park fees. The developer's Platting fees expense was estimated at $29,197 or $1,717 per lot. The platting fee expense appears reasonable given the level of detail in the cost estimate.

Technical. The technical (engineering/surveying/planning) expense item includes the costs associated with the planning, engineering and surveying of the project. In other subdivisions that I have appraised or been associated with, this expense category has generally ranged from a low of approximately $1,200 per lot to a high of $5,500 per lot. The wide range is a function of size and complexity. The developer's technical (engineering) expense is estimated at $54,000 or $3,176 per lot. The subject's development would not be large nor complex. A significant amount of technical expense has already been expended to get the subject lots to a paper platted stage of development. Therefore, I would expect the subject's technical expense would be in the middle of the range.

Grading/Erosion Control. The grading and erosion control expense item includes the costs associated with clearing and grubbing the site, cut/fill and erosion control. Most residential subdivisions like the subject require over-lot grading and it can be a most critical cost. Generally speaking, the excavation needed for the subject's proposed lots will be for minor over-lot grading and road excavation. The developer has estimated the grading/erosion control expense item at a cost of $127,562 or $7,505 per lot. Given, the subject's sloping topography, the excavating and grading appears reasonable with respect to other similar residential subdivisions. Please note that we have not reviewed any grading plans for the subject development.

Concrete. This item includes the expenses associated with concrete curbing, crosspans and returns. If a public sidewalk is required, it is typically the responsibility of the home builder and not the developer. In certain cases the developer does install common area type sidewalk. The developer has estimated the concrete expense item at a cost of $33,960 or $1,998 per lot. This appears reasonable when compared to other subdivisions appraised.

Utilities. The utility expense item includes the costs associated with the installation of water ($65,471), sanitary sewer ($88,555), natural gas/electric ($39,950) and telephone/cable ($5,436). The developer has estimated these utility costs at $199,412 or $11,730 per lot. In other developments that I have appraised this expense has ranged from $9,190 per lot to

$12,134 per lot for similar utilities. The developer's estimate appears reasonable particularly given the size and frontages of the subject lots.

It is also noted that the expense items of natural gas and electric can be reimbursable or at least a portion is reimbursable. The developer's cost estimate does not indicate any utility reimbursement.

Paving. This item includes the costs associated with paving the street to the specifications of the City of Colorado Springs. In most of the subdivisions that the appraiser has appraised, the cost for paving has ranged from $4,530 to $7,532 per lot. The developer has estimated the cost at $90,130 or $5,302 per lot. This appears reasonable when compared to other subdivisions that I have appraised.

Off-Site Improvements. The developer's estimate indicates that there are no off-site improvements needed. Most subdivisions that I have appraised had off-site improvements.

Other. This expense item includes the costs associated with legal expenses, common area, signs (advertising) and other unforeseen items.

Construction Supervision. The construction supervision expense item is based on estimates seen in other subdivisions for construction managers. Construction Supervision expense seen in other projects have varied significantly. In other similar subdivisions that the appraiser has appraised, this expense item typically ran $1,500 to $5,000 per lot. The range was also a function of size and complexity. The developer of the subject property has estimated an expense for construction supervision at $40,243 or $2,368 per lot, which appears in line given the size and complexity of the subject project.

Contingency. The developer did have a contingency line item. The contingency expense item as seen on other developer's cost estimates typically range from a low of 2% to a high of 20%, and with an average of 3%-5%. The contingency line item would include any unforeseen items not itemized above. In my opinion, given the developer's level of detail in estimating the development expenses I would expect the contingency expense to be in the lower end of the range. However, as shown on the table above I have used the developer's contingency expense of $89,883 or approximately 12% of the total direct development costs. This would appear in-line when compared to other cost estimates.

Conclusion Direct Development Cost. As shown on the table above the developer's estimate of direct development costs (before any possible reimbursements) is $868,107 or $51,065 per lot. It would appear that the subject's overall direct development costs, as adjusted by the appraiser, is similar to other subdivisions that I have appraised.

Comparative Direct Development Cost Estimating. Another way of estimating the hard development costs associated with the development of the subject lots is based upon direct costs known to have occurred in similar subdivisions. Over the years I have appraised many new single family subdivisions and have their cost estimates. Their development costs are shown in the table below. Please note that the development costs have been time dated at an annual rate of 3% per year.

Development Costs
Medium to High Density Detached Single Family Residential Lots

Subdivision	Number of Lots	Average Lot Size in SF	Direct Cost	$/Per Lot
Subject	17	15,974		
Centennial Glen	47	8,562	$1,934,147	$41,152
Ridgeview Stetson Hills Fil. No. 34	121	6,269	$3,276,737	$27,080
Jessica Heights	102	7,092	$3,528,223	$34,590
University Heights Filing. No. 3	15	26,945	$798,198	$53,213
University Bluffs Filing No. 4	106	16,701	$4,659,881	$43,961
Cumbra Vista Filing No. 1	113	6,800	$5,015,257	$44,383
Indian Heights Filing No. 8	46	7,011	$1,641,028	$35,675
Highgate Farms Filing No. 1	37	11,873	$1,531,610	$41,395
Minimum	15	6,269		$27,080
Maximum	121	26,945		$53,213
Average	73	11,407		$40,181
Median	75	7,827		$41,273

The estimated costs per lot for the medium and high density residential lots ranged from $27,080 to $53,213 with an average of $40,181 and a median of $41,273 per lot. The development cost per lot in a medium to high-density residential subdivision becomes more of a function of size, grading, drainage and off-site improvements. Cumbra Vista development costs were significantly higher than other comparable subdivision's costs based upon lot size. This was due to poor soil conditions requiring half of the lots to be over-dug which was being done at the development of the lot stage. However, Cumbra Vista subdivision had no off-sites. Ridgeview at Stetson Hills had the lowest development cost per lot, because the lots are smaller and there were no off-site improvements needed.

Given the small size of the subject's project, the larger lot sizes but no off-site improvements, I would expect direct development costs at the subject to be in the higher end of the range similar to University Heights Filing No. 3 or $50,000 plus.

Direct Cost Conclusion. The developer's estimated direct development cost (before any possible reimbursements) was $868,107 or $51,065 per lot. The average indicated by our direct cost comparison method was $50,000 plus per lot. Between the two methods I have placed most reliance on the developer's cost estimate. This appears to be the best information available on the development of the subject lots. As such, direct development costs (before reimbursements) is estimated at $868,107 or $51,065 per lot. While the development costs estimated above would appear reasonable they could vary substantially. The direct development costs as estimated and discussed above are carried forward to the Table 3 subdivision cash flow analysis.

Please Note:

- The direct development cost estimate did include property taxes, insurance, financing and carrying costs. These types of indirect costs are discussed below and estimated in the Subdivision Cash Flow Analysis Table 3.
- I have not shown any reimbursements coming back into the analysis.
- I did not review any construction plans other than the Preliminary Plat. While the development costs estimated above would appear reasonable they could vary substantially.

A copy of the developer's cost estimate, as prepared by Ron O'Canna, is included at Part 4 (Exhibits and Addenda) of this report.

Indirect Costs. As discussed below and shown on Table 3 I have estimated the indirect costs. Indirect costs include selling costs (commissions), closing costs and holding costs (taxes and insurance).

- **Selling Costs.** My selling costs/commissions are estimated at 5% of the selling price of a lot. The expense would either be incurred as a discount to builders in the bulk sale of the lots, or alternatively, would be incurred as a brokerage commission if the lots were sold on a retail basis to the builder. Brokerage commissions paid on vacant land/lot sales generally range from 3% to 10%, but the accepted norm is 4% to 7% depending on size of the deal. The sale of the subject lots would be considered an average deal, therefore, on Table 3 I have estimated the selling costs at 5% of the retail selling price of the lots.

- **Closing Costs.** The closing costs estimate include customary closing costs. They are estimated at ½% of the gross selling price of the 17 lots.

- **Holding Costs.** Holding costs include property taxes, liability insurance, HOA fees, utilities and other miscellaneous expenses. These expenses are estimate by upon my discussion below.

    A. **Taxes.** My estimate of property taxes for the subject property is based upon the current property taxes and our estimate of future taxes. Once the subject property is platted and developed the developer will be responsible for the property taxes on the declining balance of unsold lots during the sellout period. Property taxes on residential lots are affected by Senate Bill 185 which requires the assessor, for subdivisions that are less than 80% sold out, to value the lots using a subdivision discount which reflects the time and expense of selling the remaining lots. In short, the assessor cannot appraise the unsold lots at their full "retail" value until 80% of the subdivision is sold. Prior to that, the assessor must assign a "bulk" value to the project, which is then pro-rated across the remaining unsold lots. For the subject lots, they will be been assigned a bulk value by the Assessor's office but will probably take a year before the Assessor actually assigns the bulk values. As such, property taxes are estimated at their present rate over the projection period.

    B. **Insurance.** The cost of a typical land liability insurance policy is also estimated based upon actual costs seen for similar properties.

3. Estimate a reasonable allowance to compensate the investor for entrepreneurial remuneration and risk.

Entrepreneurial return can be derived from several sources including assembling a site and obtaining the necessary entitlements and planning, construction of both off-site and on-site improvements, marketing and sales of the lots or homes to end-users and return on investment capital. In some cases, entrepreneurial return is included as a line-item expense, while in other cases it is included as part of the overall discount rate. In either case it is necessary to consider and include an allowance for entrepreneurial return/profit. For this appraisal assignment, I have elected to incorporate entrepreneurial return as a line-item expense. This is the most widely used method of accounting for entrepreneurial return in subdivisions, and it allows the appraiser to measure entrepreneurial return on a period-by-period basis.

Overall, I have concluded from interviews and surveys with local developers, investors, appraisers and supporting data from secondary sources, that an entrepreneurial return rate of 5% to 50% is acceptable. The wide range in the entrepreneurial return rate is basically a function of risk. To measure this risk, it is necessary to consider at what point in the development process the land is being appraised. There are five primary stages of development:

(1) Raw and unimproved land without any development improvements.

(2) Entitled land which is otherwise raw and un-platted.

(3) Land that is zoned, platted with all entitlements but which is still unimproved. Additional on-site and off-site development improvements would be required (this type of land is commonly referred to as "paper platted or paper lots").

(4) Same as above but with all the off-site improvements completed. All that would remain would be the on-site improvements associated with the development of the lots.

(5) Land which is physically finished with all roads, utilities, and other infrastructure installed and which is ready to be sold to an end user for construction of building improvements.

The relative development risk is highest at stage one and lowest at stage five. The subject property is about at stage 4. The subject is 17 basically paper plated lots. All of the development entitlements have been obtained except for platting of the property and the construction of the lots. Lots similar to the subject's proposed lots are in the shortest supply. This would tend to reduce the investors risk, but there is still risk in the development of the lots. In addition, uncertainty of the national and local economies would tend to increase the investors risk. With the forgoing in mind and based upon my absorption analysis below, on Table 3 I have estimated the entrepreneurial return at 10% of the selling price of the subject lots.

4. Project a reasonable absorption period in which all the lots are sold.

Market conditions that would affect the subject property are tracked from the typical sources i.e., <u>David Bamberger & Associates</u> in his <u>Colorado Springs Single Family Housing Market Turner Commercial Research Commercial Availability Report.</u> Portions of the following absorption analysis are taken from these reports along with MLS data. This is combined with my analysis of new lot and parcel sales and building permits in the Colorado Springs Northeast Metro market area.

<u>New Home Market Conditions.</u> The Colorado Springs housing market has been characterized by cyclical ups and downs over the past four decades. The local building cycles have been 14 to 15 years in duration and the amplitude of the swings has generally been very dramatic.

The boom – bust swings in the 1970s and 1980s cycles were classic inventory cycles – massive over-building followed by a long period of adjustment with close to zero new construction. Both cycles were characterized by rapid economic growth on the up-side and a major recession on the down-side. Both were also characterized by significant overbuilding of apartments.

The current cycle, which started from a low-point in 1989, is different from past cycles. It was not so much an inventory correction cycle with a single peak as the past cycles. There was little over-building of apartments and only limited over-building of for-sale homes. The memory of excessive over-building in the 1970s and 1980s kept production from getting way ahead of demand.

Local Building Cycle Dates and Production Levels

1960 Trough - 894 units
1972 Peak - 9,448 units
1975 Trough - 847 units
1983 Peak - 10,676 units
1989 Trough - 877 units
2001 Peak - 7,111 units
2005 Mini-Peak - 6,754
2009 Trough - 1,337

The current home building cycle had two peaks, the first one in 2001 and then the second one in 2005, and also two different causes on both the up-side and the down-side of each of these peaks. The long ramp-up to the first peak in 2001 was driven by very strong economic growth. From 1990 to 2000 the Colorado Springs economy created a net of 92,700 jobs. Then the recession of 2001 and the resulting negative job growth in 2002 and 2003 caused housing demand and production to drop in 2003. The second peak in 2005 was driven by record low mortgage rates and easy credit. In 2004-2006 record low mortgage rates and easy credit expanded the market for home ownership. When the U.S. housing bubble popped in 2007 the local housing market started its steep slide to the bottom in 2009. The melt-down of financial markets, the 2007 - 2009 recession, and negative job growth and rising foreclosures were the final nails in the housing market's coffin.

Some signs of a recovery in the local housing market emerged in 2010. Today's good news is that we are five years into a recovery. Job growth is one of the key factors that will impact the speed of recovery in the local housing market. After peaking at 264,000 jobs in the metropolitan area in 2008, the economy lost a little over 10,000 payroll jobs as of the end of 2013. As of the 1st quarter of 2015 the local economy has finally recovered all the jobs lost since the start of the down-turn.

<u>New Single Family Home Permits.</u> New housing construction in the Colorado Springs Metro area has averaged almost 3,996 per year over the ten year period between 1999 through 2008. The peak year was 2005 with over 5,314 units constructed (does not include multi-family). New home construction remained strong through 2005 but in 2006 the trend reversed itself with permits totaling only 3,446, which represented a -35.2% decline compared to 2005. For 2007 new home permits were down -38.0% compared to 2006. In 2008 new single family home permits were down -42.79% compared to 2007. New detached single family building permits for 2009 were down -9.72% compared to 2008. 2009 marked the fourth year in a row with declining building permit numbers but the trend was slowing. In 2010 the negative trend reversed itself and detached single family building permits were up 27.1% compared to 2009. In 2011 it appears that the market is still recovering slowly with 1,399 detached single family building permits which was five permits less than in 2010 or down a -0.36% compared to 2010. In 2012 detached single family building permits totaled 2,218 up +58.54%, compared to 2011, which was a five year high for single family building permits. New home construction continued its recovery in 2013, as the pace of homebuilding climbed to its highest level in seven years. Building permits totaled 2,676 in 2013, a 20.65% over 2012.

The pace of Colorado Springs-area homebuilding declined in 2014, according to a report released Friday January 2, 2015 by the Pikes Peak Regional Building Department. Single-family building permits totaled 2,438, down -8.89% compared to 2013. For the first four months of 2015 permits have total 814 up 9.12% from 746 permits issued in 2014.

Over the last six to eight months, the resale side of the housing market has improved steadily. But the pace of homebuilding hasn't done quite as well. The latest permit numbers indicate that might be changing. A pent-up demand for new housing among move-up buyers is starting to drive construction, said Mike Ruebenson, chief operating officer at developer La Plata Communities and board president of the Housing and Building Association of Colorado Springs. At the same time, move-up buyers and others are taking advantage of long-term mortgage rates that remain historically low. Thirty-year, fixed-rate loans averaged 3.8% percent nationally 5/12/2015, compared with 4.41% a year ago, according to mortgage buyer Freddie Mac. An HBA forecast still calls for the pace of home construction in 2015 to match that of last year, when about 2,400 single-family building permits were issued, Ruebenson said. "It's probably a little early to revise that forecast," he said. "But we're seeing positive momentum that could result in a better 2015 than 2014."

Builder's Spec Inventories. Builder's spec inventories have remained relativity low over the past thirty six months. According to Metrostudy survey and Summit Economics, spec inventory of single family homes is estimated to be 285 units as of April 1, 2015, down -23.4% from a year ago.

Analysis of Speculative New Single Family Inventory Apr 1, 2015

Price Range	Total Spec (Unsold Inventory) Apr 1, 2015	Annual Closings Apr 2014 thru Mar 2015	Months of Spec (Unsold) Inventory
Less than $250,000	56	403	1.7
$250,000 to $299,999	75	673	1.3
$300,000 to $349,999	41	369	1.3
$350,000 to $399,999	39	232	2.0
$400,000 to $499,999	44	140	3.8
$500,000 and Over	30	162	2.2
Total	285	1,979	1.7

Source: Metrostudy survey and Summit Economics.

The current spec inventory includes 186 units under construction and about 99 finished units for a total estimated spec inventory of 285 units. Overall, at the sales rate for the past 12 months there is a 1.7 month supply of specs. For homes to be built on the subject lots (over $500,000) there is a total of 30 specs and with 162 annual closing there is a 2.2 month inventory of specs.

Single Family New Home Market Performance, Colorado Springs Metro Area, 1st Quarter 2015										
			Under Construction Apr 1, 2015			Finished Inventory Apr 1, 2015				
Price Range	Annual Starts Apr 2014 thru Mar 2015	Annual Closings Apr 2014 thru Mar 2015	Unsold Specs	Presales Under Contract	Total	Unsold Specs	Presales Under Contract	Total Finished Inventory	Models	Total Finished Inventory Including Models
Less than $250,000	392	403	31	73	104	25	41	66	14	146
$250,000 to $299,999	649	673	58	115	173	17	60	77	24	178
$300,000 to $349,999	353	369	30	70	100	11	50	61	19	141
$350,000 to $399,999	244	232	27	54	81	12	30	42	20	104
$400,000 to $499,999	151	140	25	36	61	19	17	36	13	85
$500,000 and Over	170	162	15	81	96	15	9	24	5	53
Totals	1,959	1,979	186	429	615	99	207	306	95	707

Source: Metrostudy survey and Summit Economics, LLC. Unsold specs is an estimate prepared by Summit Economics, LLC based on discussions with builders, data from realtor and builder marketing materials and websites. File: Metro Study 1st Qtr 2015

Spec inventories are at historical lows and some shortages could emerge if the market were to pick up. However, with the recent mortgage rate increase and uncertainty caused by defense spending cuts, traffic and sales have leveled off and builders report they are being cautious about building a lot of specs.

Inventory of Vacant single Family Lots. Lot inventory continues to fall. Metrostudy reports a total vacant lot inventory as of the end of the 1st quarter 2015 of 2,858, a drop of 16.2% from a year ago.

Lot Inventory by Size Segment
Single Family Detached
Colorado Springs Metro Area, 1st Quarter, 2015

Lot Size Segment (Frontage)	Annual Housing Starts Apr 2014 thru Mar 2015	Vacant Lot Inventory March 2015	Months of Supply
Less than 50'	233	374	19.3
50'-54'	394	301	9.2
55'-59'	292	198	8.1
60'-64'	375	357	11.4
65'-89'	150	177	14.2
70'-79'	186	203	13.1
80'-89'	97	174	21.5
90' and Greater	253	1,074	50.9
Total	1,980	2,858	17.3

Source: Metrostudy survey. File:Metrostudy 1st Qtr 2015

The latest Metrostudy reports a total vacant lot inventory of 2,858 as of the end of the 1st quarter 2015. This equates to a 17.3 month supply of lots at current building rates. While there appears to be an adequate supply of lots, some builders are reporting an emerging shortage of lots in key locations.

The largest inventory of vacant lots is in lots with 90′ or greater frontages. These lots typically target the luxury market. In this segment there is a 50.9 month supply of lots available at current sales rates. The lowest inventory of vacant lots is in lots with 55′-59′ frontage. These lots typically target the production segment of the market with homes priced from $225,000 to $275,000. In this segment there is an 8.1 month supply of lots available at current sales rates. For lots to be developed at the subject property there is a 21.5 month supply, which is the second highest.

Existing Competition

The majority of the higher-end residential construction ($500,000 and above) is currently be captured by Briargate, Northgate and Flying Horse projects located in the Northeast Market area. The Southwest Market area is only capturing a small percentage of the higher-end residential market because there are few ongoing projects. One of the only existing developments in the Southwest market area is Gold Hill Mesa, which is not truly comparable with the subject proposed lots.

Recently, Lorson South Land Corporation (Leroy Landuis) purchased the failed Star Ranch Development from the lender that had taken the property back through foreclosure in 2011. The purchase included 66 detached single family lots of which 34 lots were fully developed and 32 lots were partly developed. It is the intent of the purchaser to sell the existing lots and develop the remaining lots as market demand occurs. The comparable lots are larger than the subject's proposed lots and located in a gated community. The purchaser indicated that the asking price for the lots will be above $200,000. As such, these lots may not be directly competitive with the subject lots.

In my opinion, most of the subject's competition will come from existing developed lots scattered throughout the neighborhood. MLS data indicates that there are 71 lot listings in the Southwest Market area with an average asking price of $200,445 and a median of $165,000. The average cumulative days on the market is 465. See Table Below.

71 Listings	Acres	Lot Sq. Ft.	List Price	CDOM
Min	0.26	11,425	$50,000	7
Max	1.86	81,022	$539,000	2,475
Average	0.81	35,278	$200,445	456
Median	0.70	30,492	$165,000	252

New Competition – Planned Subdivisions

I also looked at future residential subdivisions coming on line in the Southwest Market area that would be considered competitive with the subject's proposed lots. Overall, very little land remains in the Southwest Market area that could be developed in direct competition with the subject's proposed lots. I did find one development (JL Ranch) currently proposed in the Southwest Market area that would be considered somewhat competitive with the subject's proposed lots. The proposed JL Ranch subdivision is located in the southerly portion the Southwest Market area near NORAD Road. As currently proposed, the JL Ranch development will contain 414 detached single family lots and 366 attached single family units. Given the size of the proposed detached single lots at JL Ranch, they would probably be priced well below the subject's proposed lots. Overall, my analysis indicates that there could be roughly 50 lots that could be brought to the market and would be considered competitive with the subject's lots in the Southwest Market area.

Projections for Residential Construction for El Paso County

My projection for residential construction for 2015 and 2016 in El Paso County is based upon building permit forecasting by David Bamberger in his semi-annual Colorado Springs Housing Study dated May 2015.

In every study Bamberger basically presents two possible scenarios emerging for the U.S. and local economy including the single family home market. In May 2015 Bamberger revised his two scenarios. Bamberger sees the future of the single family housing market in Colorado Springs playing out over the next two years in one of two ways.

The first path is called "The Low Forecast" scenario; the second path is called "The High Forecast" scenario. Both paths are heavily influenced by the direction the global, national and local economies take over the next 12 to 24 months. Bamberger's two scenarios are summarized below.

"The Low Forecast" Scenario

The US and global economies began to slow in mid-2015 and into 2016. A number of key factors align in the mid-2015 and into 2016 to keep the US economy from gaining strong momentum. The global economy falters impacting the US, causing business and consumer confidence to decline. Consumer and business spending slows and Federal defense spending cut-backs combine to cause slow growth in GDP. Job growth remains slow and unemployment increases some. Incomes remain flat. The US economy continues in a funk through 2016. The Colorado Springs economy follows the path set by the US economy and remains in slow-go mode. Job growth continues at a slow pace and single family starts decline slightly, totaling 2,400 in 2015. In 2016 the local economy shows only moderate gains as national economic activity wobbles along. Local job growth shows some gains and single family housing permits increase to 2,700, about the same level as in 2013.

"The High Forecast" Scenario

The US and global economies gain strong momentum in 2015 and in 2016. The US economy shows solid growth in 2015 and 2016. The European and Asian economies rebound. Consumer and business confidence is restored. Equity markets continue to show strong gains. Consumer and business spending increases. Job growth accelerates. Unemployment falls. Incomes grow. Housing values increase significantly and foreclosures decline. The US economy gains increasing momentum throughout 2015 and by 2016 its back to normal. The Colorado Springs economy follows the path set by the US economy and gains traction in 2015. Job growth shows strong gains and single family starts see a strong increase, totaling 3,000 in 2015. In 2016 the local economy continues to grow as national economic activity accelerates. Local job growth makes a big gain and single family housing permits increase to 3,400 in 2016, the highest since the downturn started in 2007.

In this analysis I have projected residential construction starts for 2015 and 2016 using the midpoint of Bamberger's two possible scenarios. My projections for residential construction starts are show below.

Years	Units	Annual % Change
2015	2,700	Estimated
2016	3,050	+ 12.96%

Total construction of new single family dwellings in El Paso County is expected to vary significantly over the next two years.

Projections for Residential Construction for Sanctuary at Bear Creek

According to Metrostudy survey and Summit Economics, spec inventory of single family homes over $500,000 is currently estimated at 30 specs, which is a 2.2 month inventory of specs. Within the past year there has been 162 closings of new homes over $500,000 which represented an 8.19% market share of all new homes closings.

Metrostudy reports a total vacant lot inventory as of the end of the 1st quarter 2015 of 2,858, a drop of 16.2% from a year ago. The latest Metrostudy reports a total vacant lot inventory of 2,858 as of the end of the 1st quarter 2015. This equates to a 17.3 month supply of lots at current building rates.

For lots to be developed at the subject property there is somewhere around a 21.5 month supply of lots. Most of lots available are located in the Briargate, Northgate and Flying Horse developments. Similar lots available in the subject's market area are mostly scattered throughout the neighborhood and generally have higher asking prices. The subject lots would be well positioned in the market with an average asking price of $170,000 which is below the average asking price of $200,445 indicated by MLS data.

My projection is that the Sanctuary at Bear Creek development should be able to capture 4% of the new home over $500,000 sales market. In the table below I have projected the market share of new homes over $500,000 based upon my projection of future building permits and Sanctuary at Bear Creek's market share rate of 4%.

Year	Projected Permits	Market Share % Over $500,000	# of Units	Market Share % Sanctuary at Bear Creek	# of Units Sanctuary at Bear Creek
2015	2,700	8.2%	221	4%	9
2016	3,050	8.5%	259	4%	10

Based upon my market share analysis the Sanctuary at Bear Creek development should absorb 17 units in two years.

Absorption Conclusion

In my opinion, based upon Bamberger's information, the number of projects, the number of possible projects coming on line and the residential market seen for 2015 and beyond, it would appear that the subject lots could be absorbed in two years. This would be dependent upon the pricing of the units and improving market conditions.

My absorption estimate is based on the following factors.

- The selling price of the subject's proposed homes would be in the $500,000 and above price band. New home sales in the subject's price band made up 8.19% of all the new attached home sales in the County in the past year. Similar lots available in the subject's market area are mostly scattered throughout the neighborhood and generally have higher asking prices. The subject lots would be well positioned in the market with an average asking price of $170,000 which is below the average asking price of $200,445 indicated by MLS data. My projection was that the Sanctuary at Bear Creek development should be able to capture 4% of the new home over $500,000 sales market. At that rate it will take approximately two years to absorb the subject lots.

- Of all the planned projects in the city there was only one project that could be considered somewhat competitive with the subject with a total of 50 possible units. These units will probably not be brought to market all at once but will develop gradually as market conditions improve. Therefore it would still be possible to absorb the subject lots within the next couple of years.

- Over the long term it's projected that Colorado Springs will see employment expansion and population migration into the area. Even in the short term there appears to be an above average market for the subject lots.

- Very little land remains in the Southwest Market area that could be developed in direct competition with the subject property.

In conclusion it will take approximately 24 months or 2 years to sellout the subject's 17 lots. On Table 3 I have projected absorption of the subject lot's at 9 in the first year and 8 lots in the second year. Overall, my absorption projection is dependent upon the pricing of the lots and improving market conditions. My sellout period estimate does assume that an aggressive marketing program is in place and that financing is readily available for the lots and homes in the subdivision.

5. Escalate current cost and retail values in future periods, if required, as dictated by the market data.

Holding costs are expected to rise over the absorption period. To some degree, you would also think that development costs would follow inflation. From 1989 to 2010, the Consumer Price Index (CPI) for all U.S. cities has increased at an annual rate of 3.4%, down from the rate of the previous two decades. In the Colorado Springs area, I would anticipate that inflation should at least keep pace with that of the rest of the nation. Going forward, I would anticipate the local CPI will increase by at least 3 to 4%.

Market data indicates that single family lot values similar to the subject's lots are on an upward trend for the last couple of years because of declining inventories. To some degree, you would also think that individual lot sale prices and development costs would follow inflation. From 1989 to 2010, the Consumer Price Index (CPI) for all U.S. cities has increased at an annual rate of 3.4%, down from the rate of the previous two decades. In the Colorado Springs area, we would anticipate that inflation should at least keep pace with that of the rest of the nation. Going forward, we would anticipate the local CPI will increase to 3% or higher. However, the increases in labor and material costs has actually put more downward pressure on lot values.

An investor will again attempt to negotiate an escalation factor as close as possible to the cost of his funds (approximately 4% to 8% per year).

With this in mind, on Table 3, I have used a 4% escalation factor for expenses and 4% escalation (appreciation) factor for the selling price of the lots beginning the second year of the projection period.

Net Sales Proceeds. As shown on Table 3, from total revenues direct and indirect costs are subtracted to arrive at the net cash flow.

6. If required, discount the net proceeds at a proper rate to determine a single net present value.

In order to translate the forecasted income stream in the subdivision cash flow analysis into an estimate of value, the future net cash flows for each year are discounted to the present value utilizing a selected discount rate.

Considering that we have already provided for a line-item deduction for entrepreneurial profit, the discount rate need only reflect the cost of capital. The common term for the cost of capital is simply the interest rate. The interest rate compensates the lender for the time value of money and also allows for profit via the spread between the bank's cost of funds and the borrower's interest rate. Loan fees and points increase the lender's rate of return. For the investor the cost of funds is equivalent to what it would cost him to borrow from a lending institution or a private lender.

Our survey of banks indicated that the availability of the type of loan that would be needed to purchase the subject property and hold the parcels is difficult to get in today's market. Banks have become concerned about the market and their loan portfolios, which makes these types of loans very difficult to arrange and are usually dependent on other banking relationships and the ability of the borrower to pay. These type of loans usually require the borrower to have a good track record, financially sound, contribute personal equity to the project (50%-70% LTV), and commit to a personal guarantee. Interest are generally at 2 to 6 points over prime with terms of one to two years. As of the effective date of this report the prime rate was at 3.25%, which would indicate a range of interest rates between 5.25% and 9.25%. Loan fees add another 100 to 300 basis points to these rates, raising them to 6.25% to 10.25%.

My survey of private lenders indicated that the availability of the type of loan is also getting much harder in today's market. Private lenders have also become very concerned about the market's position in the cycle. However, private lenders appear to be looking beyond the ability of the borrower just to pay but also the downside if the investment fails. My survey of private lenders indicated a cost of capital from 7% to 9%. These loans usually require the borrower to contribute personal equity to the project (50%-70% LTV), and commit to a personal guarantee.

Based on this information, I have selected a cost of capital rate of 8.0% for the subject property. This rate is above the Bank's low rate of 6.25% for its best customers and slightly below a private lender's high rate of 9%. This would also be 475 basis points over the prime rate, which should be reasonable for an investment of this nature. The net sale proceeds (cash flows), as shown on Table 3 are then discounted at 8% per year.

Conclusion – Subdivision Development Approach. As shown on Table 3 from the gross revenues I deducted direct costs and indirect cost of selling commission, closing costs, holding costs and an entrepreneurial return. The indicated market value of the subject property "As Is" is the summation of the cash flows over the projection period of two years. The "As Is" market value of the as indicated by my subdivision development approach is as shown on Table 3 or **$1,400,000 (Rounded) or $82,353 per lot.**

As shown on Table 3 the internal rate of return (IRR) for my cash flow analysis is calculated at 19.71%. To determine the reasonableness of my IRR I have reviewed two surveys: Burbach & Associates, Inc. Real Estate Investment Survey and The Colorado Land Development Investment Survey.

According to the Burbach & Associates Survey IRR rates for undeveloped vacant land ranges between 8% - 30%+ with an average of 22% and typically includes a profit. Fully developed parcels with all entitlements were at the lower end of the range whereas undeveloped parcels with entitlements were at the higher end of range.

The Colorado Land Development Investment Survey indicated that IRR rates for fully developed residential lots varied upon the purchaser. Builder purchasers IRR rates were at 10%+ and investor purchasers were at 25%+.

The surveys indicate that IRRs generally ranging between 8% - 30%. Both of the surveys indicated that fully developed parcels/lots with all entitlements were at the lower end of the ranges whereas undeveloped parcels with entitlements were at the higher end of range.

The IRR for my cash flow analysis was calculated at 19.71%, which is near the middle indicated by both surveys. This would appear reasonable, particularly given that the subject property's stage of development and price segment of the market. It is also consistent the subject's location, number of lots and current trends in the local market place.

Reconciliation and Conclusion

Value Indications

I used both the sales comparison and subdivision development approaches to estimate the "As Is" market value of the subject property. The values derived from the two approaches are as follows:

<u>"As Is" Market Values</u>

Sales Comparison Approach (Table 1)	$1,241,000 ($73,000/Lot)
Subdivision Development Approach (Table 3)	$1,400,000 ($82,353/Lot)

Reconciliation

I first used the sales comparison approach to estimate the subject's "As Is" market value. The sales comparison approach is typically well adapted to properties in active real estate markets where there are a sufficient number of recent sales of similar properties. This approach does not produce good estimates of market value when few recent sales of comparable properties exist, or when the adjustments between comparable sales and the subject are large. In terms of this appraisal a fair to poor selection of comparable land were available. Overall, the sales comparison approach's accuracy was limited due to adjustments made for location, proposed lot size and stage of development. I have given a moderate emphasis on the indication of value derived from the sales comparison approach for the subject property "As Is".

The methodology of the subdivision development approach involves a combination of the sales comparison, cost and income approaches to value. The Subdivision Development Approach has many moving parts including estimates for absorption, direct and indirect costs, commissions and a developer's overhead and profit. This approach has many moving parts and does not produce good estimates of market value when used incorrectly. The use of the Subdivision Development Approach for properties similar to the subject is supported by evidence from conversations and interviews with bankers and land developers. My survey indicates that the majority of banks would require a subdivision type appraisal be performed, particularly if there is any proposed development. Land developers and investors also use this method to assess the feasibility of a project and whether or not to buy a particular property. Furthermore, other evidence from market supports the use of this method. The methodology is also recognized by the Appraisal Foundation, Appraisal Institute and is widely used by appraisers. I have given considerable emphasis on the indication of value derived from the Subdivision Development Approach.

Conclusion

In arriving at the final estimate of value for the subject property, careful consideration was accorded all pertinent factors. In addition, none of the value estimates were averaged or disregarded. Rather, the indications of value derived from the respective approaches were thoroughly analyzed with regard to their strengths and weaknesses in relation to the purpose and function of this appraisal. The value indications developed in the two approaches do not support each other. Overall, I have given most weight to the Subdivision Development Approach for the subject property because I had better data.

The market values estimated for the subject property are shown in the matrix below:

Value Indication: Sanctuary at Bear Creek

Premise	**"As Is"**
Property Rights	Fee Simple
Property Description	8.596 Acres of Vacant of Land Zoned R-1/9000 with Developed Plan and Preliminary Plat Approval for 17 Detached Single Family Residential Lots
Date of Valuation	May 20, 2015
Sales Comparison Approach	$1,241,000
Subdivision Development Approach	$1,400,000
Concluded Market Value	**$1,400,000**
Value Per Proposed Lot	$83,353
Value Per SF	$3.74

My estimate of market value was made with no extraordinary assumptions and one hypothetical condition as discussed in the Scope of Work section (Part 1) of this report.

Exposure and Marketing Period

Marketing period for the subject lots was estimated at one year as discussed in Part 3 of this report. The marketing time for the "As Is" market value of the subject property is estimated at one year or less. To estimate the exposure and marketing period for the subject properties, I have discussed typical marketing times with area real estate brokers active in the sales of similar properties in Colorado Springs. According to these conversations, marketing times have decreased within the past 36 months. The Colorado Springs residential land/lot real estate market appears to be improving.

Therefore, I have estimated a typical marketing time for the subject property. However, it should be noted that estimating an appropriate marketing period is always difficult; the actual marketing period can be significantly longer or shorter than estimated. Reasons for this can be the effect of various economic shortcomings or windfalls, which cannot be foreseen in the future. As a result, the final estimate of the marketing period should, in the final analysis, be treated as only the best estimate of a time period, which is always difficult to estimate. The estimate also takes into consideration competent and aggressive marketing of the subject property. Anything less can potentially extend the estimate of the marketing time frame.

2015-18

PART 4

EXHIBITS AND ADDENDA

Legal Description - From Preliminary Plat

Owner's Develop Cost Estimate

Appraiser's Qualifications and License

LEGAL DESCRIPTION: SANCTUARY AT BEAR CREEK

THAT PORTION OF THE SOUTHEAST QUARTER OF SECTION 23, TOWNSHIP 14 SOUTH, RANGE 67 WEST OF THE 6TH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER, THENCE EASTERLY ALONG THE NORTH LINE OF SAID SOUTHEAST QUARTER 357.25 FEET TO THE POINT OF BEGINNING OF THE TRACT HEREIN DESCRIBED; THENCE CONTINUING EASTERLY ALONG SAID NORTH LINE 403.63 FEET; THENCE ANGLE RIGHT 90 DEGREES 16 MINUTES A DISTANCE OF 509.09 FEET; THENCE ANGLE RIGHT 70 DEGREES 51 MINUTES 30 SECONDS A DISTANCE OF 424.05 FEET; THENCE ANGLE RIGHT 108 DEGREES 52 MINUTES 30 SECONDS A DISTANCE OF 646.27 FEET TO THE POINT OF BEGINNING.
TOGETHER WITH:

THAT PORTION OF THE SOUTHEAST QUARTER OF SECTION 23, TOWNSHIP 14 SOUTH, RANGE 67 WEST OF THE 6TH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER; THENCE EASTERLY ALONG THE NORTH LINE OF THE SAID SOUTHEAST QUARTER, 357.25 FEET; THENCE ANGLE RIGHT 90 DEGREES A DISTANCE OF 416.96 FEET; THENCE ANGLE RIGHT AND RUN WESTERLY PARALLEL TO THE SAID NORTH LINE OF THE SOUTHEAST QUARTER, 359 FEET TO A POINT ON THE WEST LINE OF THE SAID SOUTHEAST QUARTER, SAID POINT BEING 416.96 FEET SOUTH OF THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER; THENCE NORTH ALONG THE WEST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION TO THE POINT OF BEGINNING,

EXCEPT THAT PORTION THEREOF QUIT CLAIMED TO EL PASO COUNTY IN DEED RECORDED SEPTEMBER 12, 1956 IN BOOK 1590 AT PAGE 441 FOR HIGHWAY PURPOSES, AS FOLLOWS:

BEGINNING AT THE CENTER OF SAID SECTION 23, RUN EAST ON THE EAST AND WEST CENTER LINE THEREOF A DISTANCE OF 10 FEET; THENCE ANGLE RIGHT 88 DEGREES 22 MINUTES AND RUN SOUTHERLY 417 FEET, MORE OR LESS TO A POINT ON THE NORTH LINE OF A TRACT HERETOFORE CONVEYED TO WILLIAM G. VANDENBURG AND THEO VANDENBURG, AS RECORDED OCTOBER 13, 1953 IN BOOK 1401 AT PAGE 257, SAID POINT BEING 23.93 FEET EAST OF THE NORTH AND SOUTH CENTER LINE OF SAID SECTION 23; THENCE WEST ON THE NORTH LINE OF SAID VANDENBURG TRACT 23.93 FEET TO SAID NORTH AND SOUTH CENTER LINE OF SECTION 23, THENCE NORTH 417 FEET MORE OR LESS TO THE POINT OF BEGINNING, COUNTY OF EL PASO, STATE OF COLORADO.
BEING ALSO DECLARED AS FOLLOWS:
A PARCEL OF LAND BEING A PORTION OF THE SOUTHEAST QUARTER OF SECTION 23, TOWNSHIP 14 SOUTH, RANGE 67 WEST OF THE SIXTH PRINCIPAL MERIDIAN, EL PASO COUNTY, COLORADO.

BASIS OF BEARINGS; THE EASTERLY BOUNDARY OF A PARCEL OF LAND DESCRIBED IN BOOK 1590 AT PAGE 441, RECORDS OF EL PASO COUNTY, COLORADO, BEING MONUMENTED AT BOTH ENDS BY A NO. 5 REBAR AND ORANGE PLASTIC SURVEYORS CAP STAMPED "RAMPART PLS 26965" AND IS ASSUMED TO BEAR N01°32'16"W A DISTANCE OF 416.68 FEET.

COMMENCING AT THE NORTHEASTERLY CORNER OF A PARCEL OF LAND DESCRIBED IN BOOK 1590 AT PAGE 441, RECORDS OF EL PASO COUNTY, COLORADO, SAID POINT BEING THE SOUTHWESTERLY CORNER OF PARCEL NO. 5 DESCRIBED IN A DOCUMENT RECORDED IN BOOK 2647 AT PAGE 213, SAID POINT BEING ON THE NORTH LINE OF THE SOUTHEAST QUARTER OF SECTION 23, TOWNSHIP 14 SOUTH, RANGE 67 WEST OF THE SIXTH PRINCIPAL MERIDIAN, EL PASO COUNTY, COLORADO, SAID POINT BEING THE POINT OF BEGINNING;

THENCE ON SOUTHERLY BOUNDARY OF SAID PARCEL NO. 5 AND SAID NORTH LINE THE FOLLOWING TWO (2) COURSES;

1. S89°54'35"E, A DISTANCE OF 347.25 FEET;
2. S89°53'43"E, DISTANCE OF 403.63 FEET TO THE NORTHWESTERLY CORNER OF A PARCEL OF LAND DESCRIBED IN A DOCUMENT RECORDED IN BOOK 2061 AT PAGE 392;

THENCE S00°23'41"W, ON THE WESTERLY BOUNDARY OF SAID PARCEL DESCRIBED IN A DOCUMENT RECORDED IN BOOK 2081 AT PAGE 392, A DISTANCE OF 508.84 FEET TO THE SOUTHWESTERLY CORNER OF SAID PARCEL DESCRIBED IN A DOCUMENT RECORDED IN BOOK 2061 AT PAGE 392 BEING ALSO A POINT ON THE NORTHERLY BOUNDARY OF SKYWAY PARK ESTATES RECORDED IN PLAT BOOK V AT PAGE 72;
THENCE S71°13'24"W, ON SAID NORTHERLY BOUNDARY A DISTANCE OF 424.15 FEET TO THE SOUTHEASTERLY CORNER OF A PARCEL OF LAND DESCRIBED IN A DOCUMENT RECORDED IN BOOK 6323 AT PAGE 963;

THENCE ON THE EASTERLY AND NORTHERLY BOUNDARY OF SAID PARCEL OF LAND DESCRIBED IN A DOCUMENT RECORDED IN BOOK 6323 AT PAGE 963 THE FOLLOWING TWO (2) COURSES;

1. N00°06'46"E, A DISTANCE OF 229.58 FEET;
2. N89°54'32"W, A DISTANCE OF 335.07 FEET TO THE SOUTHEASTERLY CORNER OF SAID PARCEL OF LAND DESCRIBED IN DESCRIBED IN BOOK 1590 AT PAGE 441;

THENCE N01°32'16"W, ON THE EASTERLY BOUNDARY OF SAID PARCEL OF LAND DESCRIBED IN DESCRIBED IN BOOK 1590 AT PAGE 441, A DISTANCE OF 416.68 FEET TO THE POINT OF BEGINNING.

CONTAINING A CALCULATED AREA OF 8.596 ACRES

			11-May-15
PROJECT: SANCTUARY AT BEAR CREEK	LOTS:	17	PAY PERIOD: 25-Jun-14
	ACRES:	8.60	
	DU/AC:	1.98	
	CL:	604 LF	

#	ITEM	ORIGINAL ESTIMATED COST 07-Jul-14 SUBTOTAL	ACTUAL COST THIS DRAW SUBTOTAL	ACTUAL SPENT TO DATE SUBTOTAL	BALANCE TO COMPLETE SUBTOTAL
	PLANNING	$6,000	$0.00	$0.00	$6,000.00
	ENGINEERING DESIGN	$17,000	$0.00	$0.00	$17,000.00
	SUPERVISION	$40,243	$0.00	$0.00	$40,243.21
	SURVEYING	$19,000	$0.00	$0.00	$19,000.00
	SOILS ENGINEER	$12,000	$0.00	$0.00	$12,000.00
	EXCAVATION	$127,562	$0.00	$0.00	$127,562.00
	SANITARY SEWER	$88,555	$0.00	$0.00	$88,555.00
	WATER	$65,471	$0.00	$0.00	$65,471.00
	NATURAL GAS	$16,150	$0.00	$0.00	$16,150.00
	ELECTRIC	$23,800	$0.00	$0.00	$23,800.00
	TELEPHONE	$5,436	$0.00	$0.00	$5,436.00
	DRAINAGE CONSTRUCTION	$68,430	$0.00	$0.00	$68,430.00
	CURB AND GUTTER	$28,710	$0.00	$0.00	$28,710.00
	PAVING	$90,130	$0.00	$0.00	$90,130.00
	SIDEWALK	$5,250	$0.00	$0.00	$5,250.00
	FENCE	$54,390	$0.00	$0.00	$54,390.00
	LANDSCAPING	$65,900	$0.00	$0.00	$65,900.00
	OFFSITES	$0	$0.00	$0.00	$0.00
	MISCELLANEOUS	$15,000	$0.00	$0.00	$15,000.00
	DRAINAGE FEES	$26,686	$0.00	$0.00	$26,685.80
	PARK FEES	$0	$0.00	$0.00	$0.00
	SCHOOL FEES	$0	$0.00	$0.00	$0.00
	BRIDGE FEES	$2,511	$0.00	$0.00	$2,511.20
	CONTINGENCY	$89,883	$0.00	$0.00	$89,883.27
	TOTAL CONSTRUCTION COST	$868,107	$0.00	$0.00	$868,107.48
	REIMBURSEMENTS	$0	$0.00	$0.00	$0.00
	TOTAL AFTER REIMBURSEMENT	$868,107	$0.00	$0.00	$868,107.48

COST PER LOT $51,065

ESTIMATE ASSUMES:

No offsite Drainage or Street Improvements
Park & School Fees at time of Building Permit
No Soils or Enviormential Mitigation
Interior Sidewalk By Builder
Does Not Include Money Already Spent

REVISIONS:

PROJECT: SANCTUARY AT BEAR CREEK

LOTS:	17
ACRES:	8.60
DU/AC:	1.98
CL:	604 LF

PAY PERIOD: 25-Jun-14
ESTIMATE DATE: 07-Jul-14

11-May-15

#	Item Description	ESTIMATE Quantity	ESTIMATE Units	ESTIMATE Unit Price	ESTIMATE Total Cost	BID Quantity	BID Units	BID Unit Price	BID Total Cost	TOTAL THIS MONTH Quantity	TOTAL THIS MONTH Amount	TOTAL TO DATE Quantity	TOTAL TO DATE Amount
	PLANNING				6,000				0		$0.00		$0.00
	ENGINEERING DESIGN				17,000				0		$0.00		$0.00
	CONSTRUCTION SUPERVISION			5.00%	40,243				0		$0.00		$0.00
	SURVEYING		LS		15,000		LS		0		$0.00		$0.00
	SOILS ENGINEERING		LS		12,000		LS		0		$0.00		$0.00
	EXCAVATION:												
	Rough Cut Road	2,273	CY	4.00	9,092	0	CY	0.00	0	0	$0.00		$0.00
	Rough Cut Road Import	6,300	CY	7.00	44,100	0	CY	0.00	0	0	$0.00		$0.00
	Grub ROW	0	LS	0.00	25,000	0	LS	0.00	0	0	$0.00		$0.00
	Detention Pond	0	LS	0.00	10,000	0	LS	0.00	0	0	$0.00		$0.00
	Demo Existing Structure	0	LS	0.00	25,000	0	LS	0.00	0	0	$0.00		$0.00
	Strip & Replace	895	CY	6.00	5,370	0	CY	0.00	0	0	$0.00		$0.00
	Rock Excavation	0	LS	0.00	0	0	CY	0.00	0	0	$0.00		$0.00
	Erosion Control	0	LS	0.00	9,000	0	CY	0.00	0	0	$0.00		$0.00
	SANITARY SEWER:												
	4" PVC Service	17	EA	975.00	16,575	0	EA	0.00	0	0	$0.00		$0.00
	3" Active Underdrain Service	17	EA	400.00	6,800	0	EA	0.00	0	0	$0.00		$0.00
	8" PVC	851	LF	40.00	34,040	0	LF	0.00	0	0	$0.00		$0.00
	6" Active Underdrain Main with Sewer	720	LF	14.00	10,080	0	LF	0.00	0	0	$0.00		$0.00
	Tie In Existing With New Manhole	1	EA	4,300.00	4,300	0	LF	0.00	0	0	$0.00		$0.00
	48" Manhole	3	EA	3,000.00	9,000	0	EA	0.00	0	0	$0.00		$0.00
	60 Manhole	1	EA	3,500.00	3,500	0	EA	0.00	0	0	$0.00		$0.00
	Adjust Manhole	5	EA	300.00	1,500	0	EA	0.00	0	0	$0.00		$0.00
	Rock Excavation	0	LF/VF	5.00	0	0	LF/VF	0.00	0	0	$0.00		$0.00
	Underdrain Cleanout	3	EA	920.00	2,760	0	EA	0.00	0	0	$0.00		$0.00
	WATER:												
	8" Gate Valve	2	EA	1,400.00	2,800	0	EA	0.00	0	0	$0.00		$0.00
	8" Bends	3	EA	510.00	1,530	0	EA	0.00	0	0	$0.00		$0.00
	3/4" Service	17	EA	1,000.00	17,000	0	EA	0.00	0	0	$0.00		$0.00
	8" PVC Main	614	LF	31.50	19,341	0	LF	0.00	0	0	$0.00		$0.00
	Traffic Control	0	LS	0.00	1,800	0	LF	0.00	0	0	$0.00		$0.00
	Rock Bedding	50	TN	28.00	1,400	0	LF/VF	0.00	0	0	$0.00		$0.00
	8" Tie In Cresta Road with Valves	0	EA	0.00	8,600	0	SF	0.00	0	0	$0.00		$0.00
	Hydrant Assembly	2	EA	5,100.00	10,200	0	EA	0.00	0	0	$0.00		$0.00
	Raise Valve Box	7	EA	400.00	2,800	0	EA	0.00	0	0	$0.00		$0.00
	GAS	17	LOT	950.00	16,150		LS		0		$0.00		$0.00
	ELECTRIC	17	LOT	1,400.00	23,800		LS		0		$0.00		$0.00
	TELEPHONE:												
	Telephone LDA	0	LOT	0.00	0	0	LOT	0.00	0	0	$0.00		$0.00
	Trench	604	LF	9.00	5,436	0	LF	0.00	0	0	$0.00		$0.00
	DRAINAGE CONSTRUCTION:												
	18" RCP	200	LF	39.00	7,800	0	LF	0.00	0	0	$0.00		$0.00
	24" RCP	340	LF	45.00	15,300	0	EA	0.00	0	0	$0.00		$0.00
	18" RCP Bend	2	EA	900.00	1,800	0	EA	0.00	0	0	$0.00		$0.00
	18" X 24" RCP Wye	1	EA	1,470.00	1,470	0	EA	0.00	0	0	$0.00		$0.00
	18" RCP Flared End Section	1	EA	500.00	500	0	EA	0.00	0	0	$0.00		$0.00
	24" RCP Flared End Section	1	EA	600.00	600	0	EA	0.00	0	0	$0.00		$0.00
	D50=9" RipRap	100	TN	45.00	4,500	0	EA	0.00	0	0	$0.00		$0.00
	Type 2 Manhole	1	EA	2,490.00	2,490	0	TN	0.00	0	0	$0.00		$0.00
	4' D-10 R Catch Basin	2	EA	4,000.00	8,000	0	TN	0.00	0	0	$0.00		$0.00
	Concrete Cutoff Wall	70	LF	171.00	11,970	0	EA	0.00	0	0	$0.00		$0.00
	2' Concrete Chase	900	SF	10.00	9,000	0	EA	0.00	0	0	$0.00		$0.00
	Detention Pond Outlet	1	EA	5,000.00	5,000	0	EA	0.00	0	0	$0.00		$0.00
	CURB & GUTTER:												
	Curb and Gutter	1,280	LF	12.00	15,360	0	LF	0.00	0	0	$0.00		$0.00
	25' Squared Return	2	EA	2,500.00	5,000	0	EA	0.00	0	0	$0.00		$0.00
	Ped Ramp	200	SF	14.75	2,950	0	SF	0.00	0	0	$0.00		$0.00
	Cross Pan	195	SF	8.00	1,560	0	SF	0.00	0	0	$0.00		$0.00
	C&G Prep	1,280	LF	1.50	1,920	0	LF	0.00	0	0	$0.00		$0.00
	C&G Backfill	1,280	LF	1.50	1,920	0	LF	0.00	0	0	$0.00		$0.00
	ASPHALT PAVING:												
	5"Asphalt	2,610	SY	22.00	57,420	0	SY	0.00	0	0	$0.00		$0.00
	6" Base Course	2,610	SY	8.00	20,880	0	SY	0.00	0	0	$0.00		$0.00
	Signage & Striping	0	LS	0.00	4,000	0	LS	0.00	0	0	$0.00		$0.00
	Paving Prep	2,610	SY	3.00	7,830	0	SY	0.00	0	0	$0.00		$0.00

PROJECT: SANCTUARY AT BEAR CREEK

LOTS	17		
ACRES	8.60	PAY PERIOD	25-Jun-14
DU/AC	1.98	ESTIMATE DATE	07-Jul-14
CL	604 LF		

11-May-15

#	Item Description	ESTIMATE Quantity	ESTIMATE Units	ESTIMATE Unit Price	ESTIMATE Total Cost	BID Quantity	BID Units	BID Unit Price	BID Total Cost	TOTAL THIS MONTH Quantity	TOTAL THIS MONTH Amount	TOTAL TO DATE Quantity	TOTAL TO DATE Amount
	SIDEWALK	1,750	SF	3.00	5,250	0	SF	0.00	0	0	$0.00		$0.00
	FENCE	1,110	LF	49.00	54,390	0	LF	0.00	0	0	$0.00		$0.00
	LANDSCAPING												
	Seeding	4	ACRE	3,800.00	15,200	0	ACRE	0.00	0	0	$0.00		$0.00
	Landscaping	3,668	SF	6.00	22,008	0	ACRE	0.00	0	0	$0.00		$0.00
	3/4" Irrigation Tap Fee City	0	LS	0.00	9,292	0	ACRE	0.00	0	0	$0.00		$0.00
	Entry Signage	0	LS	0.00	8,000	0	SF	0.00	0	0	$0.00		$0.00
	Pilaster	24	EA	475.00	11,400	0	EA	0.00	0	0	$0.00		$0.00
	OFFSITES												
		0	LS	0.00	0	0	LS	0.00	0	0	$0.00		$0.00
		0	LS	0.00	0	0	LF	0.00	0	0	$0.00		$0.00
		0	SY	0.00	0	0	SY	0.00	0	0	$0.00		$0.00
	MISCELLANEOUS		LS		15,000		LS		15,000		$0.00		$0.00
	DRAINAGE FEES	8.6	ACRE	3,103.00	26,686		ACRE		0		$0.00		$0.00
	PARK FEES		BUILDER		0		BUILDER		0		$0.00		$0.00
	SCHOOL FEES		BUILDER		0		BUILDER		0		$0.00		$0.00
	BRIDGE FEES	8.6	ACRE	292.00	2,511		ACRE		0		$0.00		$0.00
	CONTINGENCY			12%	89,883						$0.00		$0.00
	Sub Total				$868,107				$15,000		$0.00		$0
	POSSIBLE REIMBURSEMENTS												
	Telephone	0	LOTS	0.00	0				0		$0.00		$0.00
					0								
					0				0		$0.00		$0.00
	Sub Total Reimbursements				$0				$0		$0		$0
	TOTAL AFTER REIMBURSEMENTS				$868,107				$15,000		$0		$0

APPRAISER QUALIFICATIONS
THOMAS COLON

EMPLOYMENT HISTORY:

11/1993 - Present: Independent real estate appraiser -Thomas Colon & Associates, Inc.

1/1989-10/1993 Hastings & Colon Real Estate Appraisers. Appraisal assignments included - Motels: existing properties along the front range and Canon City. Retail: community and neighborhood shopping centers in Colo. Spgs. and Denver. Industrial: light and heavy industrial properties along the front range. Office: office buildings in the CBD and suburban areas of Colo. Spgs. Residential: both single family and multi-family properties in all areas of El Paso County and the City of Colorado Springs.

1978-1988 Smartt Construction Company - President. Responsibilities included development of all types of land uses for company including single family, multi-family, industrial, and commercial and mobile home park. Construction of single family dwellings, office, warehouse, and retail buildings. Construction was done for company's projects or for other owners on a negotiated or competitive bid basis. Activity involved in all Company sales and leasing, from actually selling and leasing to overseeing all other sales and leasing activities for the Company.

1970 - 1978 Various Contractors and Subcontractors: Ross Construction Company, Guy Graham Construction, K.D. Rose Construction Co., Horn Brothers Construction Co., Columbine Construction Co., Ambassador Homes. Involved in various aspects of single family, multi-family, commercial, office and industrial construction.

EDUCATION:

University of Colorado: Bachelor Degree, 1974.

Pikes Peak Association of Realtors: Courses - Real Estate Law, Ethics,

Jones Real Estate Collage: Approximately 165 hours of real estate courses required for Colorado Broker License.

University of Colorado Division of Continuing Education: Approximately 876 hours in appraisal courses required for Colorado Certified General Appraisers license and continuing education for both the appraisers and brokers licenses.

Northwest Center of Professional Education: Courses/Seminars included - Retail Center Feasibility and Leasing, Valuation of Real Estate, Leasing Commercial Real Estate, Commercial Property Management, Developing and Managing a Mini-Storage Warehouse.

Judy Car & Associates: Developing a Manufactured Housing Community. Manufactured Housing Resource Group Inc.: The Manufactured Housing Land Development.

AFFILIATIONS:

Colorado Springs Board of Realtors (Broker Member)

Colorado Association of Real Estate Appraisers

Appraiser Qualifications (Thomas Colon)
Continued
Page 2

Housing and Building Association of Colorado Springs - (HBA): Associate Member, Board of Director for 18 years, I also chaired the HBA's Land Use/County Affairs Committee for 18 years. HBA's Associate of the Year -1996.

El Paso County Comprehensive Plan (Former Committee and sub-Committee Member)

El Paso County Land Development Code (Former Committee Member)

El Paso County Oversight Sub-Committee (Former Board Member)

El Paso County Regulatory Review Commission (Former Board Member)

City of Colorado Springs/El Paso County Drainage Board (Former Board Member and Chairman)

City of Colorado Springs School/Park Fee Advisory Committee (Former Appraiser Member)

PROPERTY TYPES APPRAISED:

Single Family Residential: Individual single family, Condominiums, and Townhomes

Multi-Family Residential: Duplex properties up to a 479 unit apartment complex.

Vacant Land: Residential and Commercial Subdivision Development, agricultural, retail, office, and industrial.

Commercial Improved: Office buildings, banks, strip retail buildings, free standing retail buildings fast food restaurant buildings, full service restaurant buildings, motels, B & Bs, multi-user and single user industrial buildings, mini-warehouse facilities, automotive buildings, car wash properties both self service and tunnel type, nursing home properties and Gaming Casinos.

LICENSES:

Colorado Certified Appraiser License No. CG 1315531
License expires December 31, 2016

Colorado Real Estate Broker License No. EI00 321421
License expires March 21, 2016

STATE OF COLORADO
Department of Regulatory Agencies
Division of Real Estate

Active
Cert Gen Appraiser

PRINTED ON SECURE PAPER

1315531	Jan 1 2014	Dec 31 2016
Number	Issue Date	Expires

THOMAS JOSEPH COLON
COLORADO SPRINGS, CO 80921

Program Administrator

Thomas Joseph Colon
Licensee Signature

APPRAISAL REVIEW REPORT
OF THE

Appraisal report prepared by Thomas Colon:

8.596 Acres of Vacant Land
Proposed – Sanctuary at Bear Creek Subdivision
(17 Detached Single Family Lots)
707 Cresta Road, Colorado Springs, Colorado

Date of Review Report

May 2, 2016

Appraisal Review Report Prepared For:

The City of Colorado Springs,
on behalf of Colorado Springs Parks, Recreation & Cultural Services
30 South Nevada Avenue, Suite 502
Colorado Springs, CO 80903

Appraisal Review Report Prepared By:

Richard Muegge, MAI
1230 Pleasant View Lane
Colorado Springs, Colorado 80921

MUEGGE & ASSOCIATES, INC.
REAL ESTATE APPRAISAL & CONSULTING

RICHARD MUEGGE, MAI
1230 PLEASANT VIEW LANE, COLORADO SPRINGS, CO 80921
(719) 597-0285
FAX (719) 380-0592
RICH@MUEGGEASSOCIATES.COM

May 2, 2016

Mr. Ronn Carlentine
Real Estate Services Manager
City of Colorado Springs
30 South Nevada Avenue, Suite 502
Colorado Springs, CO 80903

Appraisal Review of: An appraisal report appraising 8.596-acres of vacant land at 707 Cresta Road, Colorado Springs, Colorado, proposed for development with 17 detached single family lots to be known as the Sanctuary at Bear Creek Subdivision.

Dear Mr. Carlentine:

In fulfillment of our agreement, I am pleased to transmit herewith my appraisal review report of the narrative appraisal report of the referenced property prepared by Thomas Colon of Thomas Colon & Associates, Inc. This appraisal review report sets forth my opinion as to the quality and credibility of the appraisal report based on a "desk" review, with no field review of the subject property or comparables. Based on my review of the appraisal report I consider it appropriate and credible for the intended use stated therein. The value conclusion is appropriate, reasonable and well supported given the data and analyses presented in the appraisal report. The appraisal is compliant with the 2016-2017 Uniform Standards of Professional Appraisal Practice.

The client of this appraisal review assignment is The City of Colorado Springs who is also the intended user. This appraisal review report is to determine the credibility of the appraisal report under review and evaluate its compliance with relevant USPAP (Uniform Standards of Professional Appraisal Practice) requirements. Development of the reviewer's own opinion of value is not part of this appraisal review assignment.

This appraisal review report may not be distributed to or relied upon by any other persons or entities without my written permission. Any party who uses or relies upon any information in this appraisal review report, without the preparer's written consent, does so at their own risk.

Sincerely,

Richard Muegge, MAI
Colorado Certified General Appraiser; #CG40011459

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ASSUMPTIONS & LIMITING CONDITIONS

1. The signatory of this review appraisal report is a Member of the Appraisal Institute. The Bylaws and Regulations of the Appraisal Institute require each Member to control the use and distribution of each appraisal (and appraisal review) report signed by such Member. Therefore, neither all, nor any part of the contents of this appraisal review report, or copy thereof, shall be used for any purposes by anyone but the intended user(s) specified in this appraisal review report without the previous written consent of the appraiser. Neither all nor any part of the contents of this appraisal review report shall be conveyed to any person or entity, other than the review appraiser's firm or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to conclusions, the identity of the review appraiser or firm with which the review appraiser is connected, or any reference to The Appraisal Institute or MAI designation. Further, the review appraiser or firm assumes no obligation, liability, or accountability to any third party. If this appraisal review report is placed in the hands of anyone but the intended user(s), the client shall make such party aware of all the assumptions, limiting conditions and additional language of the assignment.

2. The loss or removal of any part of this review appraisal report invalidates the entire review appraisal report.

Appraisal Review Client: City of Colorado Springs,
On behalf of Colorado Springs Parks, Recreation & Cultural Services
30 South Nevada Avenue
Colorado Springs, CO 80903

Appraisal Review Intended User: City of Colorado Springs

Appraisal Review Intended Use:

To assist the client in determining whether the appraisal report under review is credible and sufficient for the client's use in aiding or supporting decisions related to their proposed land exchange .

Purpose of Appraisal Review:

To develop an opinion regarding the quality of the appraisal report under review, whether the analyses are appropriate and whether the opinions and conclusions are credible for the intended use of the appraisal, and to evaluate its compliance with relevant USPAP (Uniform Standards of Professional Appraisal Practice) requirements. Development of the reviewer's own opinion of value is not part of this appraisal review.

Date of Appraisal Review: May 2, 2016

Appraisal Review Scope of Work:

This appraisal review involved completing a "desk" review of the appraisal report under review, with no field review of the subject property or comparables. This appraisal review was completed to determine my professional opinion of the completeness, accuracy, adequacy, relevance and reasonableness of the analyses, opinions and conclusions in the appraisal report given law, regulations and the intended user's requirements applicable to the appraisal report under review. This appraisal review assignment does not include the development of the reviewer's own opinion of value. The scope of this appraisal review assignment involved reading the appraisal report to develop an opinion as to whether the analyses are appropriate, the opinions and conclusions credible, whether the appraisal report is appropriate and not misleading within the context of the client's intended use, and to develop the reasons for any disagreement. The appraisal review included a telephone conversation with the appraiser regarding some points of clarification and questions about the appraisal report. The appraisal report's compliance with USPAP requirements was also evaluated. Factual data presented in the appraisal report for the subject property and the comparable properties were checked with the county assessor's web-site. Mathematical calculations presented in the appraisal report were also checked. In summary, the content, analyses and valuation methodology in the appraisal report were evaluated specific to the subject property's as is condition stated in the appraisal report to determine the adequacy, relevance and credibility of the appraisal report and its value conclusion.

APPRAISAL REPORT UNDER REVIEW – GENERAL INFORMATION

Appraiser:	Thomas Colon (Colorado Certified General Appraiser)
Subject Property:	8.596 acres of vacant land proposed for development with 17 detached single family lots to be known as Sanctuary at Bear Creek, Colorado Springs, Colorado
Client & Intended Users:	The Broadmoor Hotel
Intended Use:	Estimate the market value of the subject property as of the date of valuation for use in negotiations with the City of Colorado Springs for a possible land trade.
Real Property Rights Appraised:	Fee Simple interest, As Is
Date of Appraisal Report:	May 29, 2016
Valuation Date:	As Is – May 20, 2016
Extraordinary Assumptions:	None
Hypothetical Conditions:	One hypothetical condition regarding the retail value of the lots used in the subdivision development approach being estimated as though they were fully developed to determine the subject's "As Is" market value.
Tax Schedule Numbers:	74234-00-005 and 006
Highest and Best Use:	Immediate development of 17 Detached Single Family Residential Lots.
Concluded As Is Market Value:	$1,400,000 (rounded)
As Is Market Value per Lot:	$82,353

My review of the appraisal report noted the following areas of potential concern, correction, and/or recommended revision, my additional comments, and my overall opinion of the quality and credibility of the appraisal report.

Typographical / Editing:

Some minor typographical and editing errors in the appraisal report were noted but had no singular or cumulative effect on the appraisal's overall credibility and value conclusions.

Hypothetical Conditions:

Page 12 – The explanation of the hypothetical condition appears confusing. Inclusion of this hypothetical condition does not appear necessary. This condition is included to address the subject's retail lot values being concluded as though they were fully developed lots ready for vertical construction. However, the explanation appears to state that the retail lot values are "Prospective Values" that will or could occur at a future date. The subject's retail lot values are needed to estimate the subject's "As Is" market value in the subdivision development approach. As such the appraisal correctly defines the retail values as "Prospective Values" when fully developed at a future date, and not "As Is" values reflecting the hypothetical condition that the lots are fully developed on the report's date of valuation. The appraisal values the subject based on its "As Is" undeveloped condition on the valuation date and not "As If Fully Developed". Therefore, the hypothetical condition included in the appraisal report is considered unnecessary and can be deleted from the appraisal report.

General Assumptions & Limiting Conditions:

Page 14 – General Assumption 13 states no geotechnical reports concerning the subject property or information relating to geologic conditions and hazards were available to the appraiser. The reviewer's examination of Colorado Springs Office of Emergency Management's (OEM) website of landslide information revealed a major portion of the subject is in a landslide susceptibility area. The approved preliminary plat map references a geological hazard report prepared by Entech Engineering, Inc., and states that the property is subject to the findings, summary and conclusions of this geo-hazard report. This geo-hazard report is not referenced in the appraisal report. In discussing this with the appraiser he explained that his statement regarding geologic information being unavailable was in reference to unavailable information from his client. The subject's referenced geotechnical report on file with Colorado Springs Land Use Review Department reportedly contains relatively minor recommendations for development of the site. The appraiser stated that the costs associated with the geotechnical report's recommendations are included in the developer's cost estimate used in the appraisal's subdivision development analysis and are thus inherently reflected in the appraisal's valuation analysis. Further, the OEM Landslide Susceptibility Map includes the following statement regarding areas shown on this map that indicated potential landslide susceptibility. *"For locations that lie within the susceptible area, this designation does not imply that landslides will occur during the life of a residential structure, only that a higher risk exists compared to areas not mapped as susceptible. If structural distress or ground movement is noted at a locality, a geotechnical engineer or engineering geologist should be consulted to determine if it is landslide related. Structural distress should be evaluated by a structural engineer. No* *levels of risk assessment such as high, medium, or low were made within the susceptible zone. This map should not be used by itself to determine site specific hazard or risk assessments. These data were constructed qualitatively. Quantitative approaches, such as deterministic analyses and statistical and probabilistic risk modeling, were beyond the scope of this project...."* The subject having a completed geological hazard report that includes site development recommendations and that these recommendations are included in the subject's development cost estimate mitigates concerns arising from the subject being in a landslide susceptibility zone.

Revision to the appraisal report is recommended referencing the geo-hazard report and that its recommendations are included in the developer's cost estimate, thus mitigating concerns regarding the subject being in the OEM map's landslide susceptibility zone and whether this is included in the subject's valuation.

Intended Users:

Page 14 - The City of Colorado Springs is not cited as an intended user of the appraisal report.

Recommend revising the appraisal to include the City of Colorado Springs as an intended user consistent with the intended use of the appraisal report.

Identification of the Subject Property:

Page 20 – The appraisal states the subject has an approved Preliminary Plat for 17 detached single family residential lots. The reviewer verified with the City's Land Use Review Department that the subject has a preliminary plat and final plat, both approved on September 12, 2014. The plat map was not recorded as of the report's valuation date.

The appraisal notes the presence of some building improvements on the site that add little to no contributory value to the property based upon the appraiser's inspection. The subject property is therefore valued as though the site is vacant land, which is consistent with its highest and best use.

Tax Schedule Numbers, Actual Values, Assessed Values, and Taxes

Page 33 – The appraisal does not provide explanation regarding the difference between the subject's concluded market value and the Assessor's determination of Actual Value. Such explanation could address the statutory constraints imposed on assessor's in Colorado regarding the time period in which comparable sales data may be considered for ad valorem taxation of real property, that the assessor has not valued the subject property as a separate legal parcel, the difference between mass appraisal and individual property appraisal, etc. Such explanation would help clarify the difference between the assessor's actual value for the subject property and the appraiser's concluded market value. Associated revision is recommended.

Property Sales History:

Page 34 – Discussion of the subject's sale to the current owner on December 22, 2014 reflects the property having an approved preliminary plat map and geo-hazard report in place. In discussing this sale with the appraiser he stated that the seller had obtained the property at no cost and subsequently obtained the development entitlements (preliminary and final plat approval for development of 17 single family lots), and then sold it to the current owner. The appraiser considers this sale less than an arm's length transaction due to the seller's nominal basis in the property and that the property sold for less than its market value. Therefore, the subject's prior sale is not considered a reliable indication of the subject's current market value. The current owner reportedly purchased the property for development of an equestrian center.

Property Data

Page 36 – The subject's amenities include average to above average views and its adjoining Bear Creek Regional Park to the north.

Highest and Best Use – As Though Vacant:

Pages 37-39: The subject's highest and best use as though vacant essentially reflects the subject's as is condition on the valuation date. The property is zoned for single family residential lots with an approved preliminary and final plat map and a geologic hazard report updated in 2014, but is undeveloped with the final plat map needing to recorded. The subject's good location amenities render it one of the better sites for single family lot development on the west side of the City. Conclusion of the subject's Highest and Best Use as Though Vacant for immediate development of detached single-family residential lots is reasonable and appropriate.

Property Valuation:

Page 40 – Two methodologies are used in determining the subject's "As Is" market value, the Sales Comparison Approach and the Subdivision Development Approach. Use of these two methodologies enhances the reliability of the final market value conclusion.

Sales Comparison Approach – As Is:

Page 51 – The market conditions adjustment calculation for Land Sale 1 is incorrect and should be $28,586. Correcting this adjustment revises Land Sale No. 1's adjusted price per lot to $79,554. This correction increases the overall average value per lot to $73,376 and the weighted average per lot to $69,213.

Page 52 – Discussion with the appraiser revealed that differences among the comparable land sales in the Location / Access adjustment reflects the combined effect of their individual location and access in comparison to the subject.

Pages 52-54 - Discussion with the appraiser revealed that the dollar per lot adjustment differences for the same physical characteristic among the comparable land sales reflects their differing levels of superiority / inferiority for that characteristic when compared to the subject.

Pages 54-55 – The appraisal's concluded market value of $73,000 per lot appears better supported by the overall average, median and weighted average per lot values following correction to Land Sale No. 1's market conditions adjustment.

Subdivision Development Approach:

Pages 56 – 66 – The individual retail values of the subject's proposed lots are concluded at $170,000 per lot on average. Four comparable residential lot sales are presented and adjusted for differing characteristics to the subject's proposed lots. Discussion with the appraiser revealed that the dollar per lot adjustment differences for the same physical characteristic among the comparable land sales reflects their differing levels of superiority / inferiority for that characteristic when compared to the subject. The gross adjustments for sales 1, 3 and 4 are incorrectly stated in the adjustment grid on page 64, but their respective net adjustments and corresponding adjusted lot prices are correct. Correction is recommended to enhance the appraisal report's overall credibility. The concluded benchmark lot value is rounded up to the nearest $1,000 in the appraisal, resulting in retail lot value of $170,000. This is an overall average retail lot value for the subject's proposed lots, with individual subject lots anticipated to sell for more or less than this average lot value. The concluded average retail lot value is used in the subdivision cash flow analysis in backing into the subject's "As Is" market value as an undeveloped but with an approved but unrecorded final plat map in place.

Direct development costs reflect the developer's cost estimate for the subject's proposed development, which make allowance for project development costs incurred to date for the approved plat map and engineering work. The appraiser's direct development costs are supported by direct costs obtained by the appraiser of other subdivision projects. The appraisal's estimate of indirect costs and entrepreneurial profit are also considered reasonable.

The appraisal's projected absorption period for lot sell-out is well supported based on analysis of local published market reports, historic home building cycles, new single family home permits, builder's spec inventories, and the inventory of vacant single family lots, in addition to consideration of existing competition and planned subdivisions and projections of residential construction for El Paso County. The appraisal's absorption forecast is well-documented and supported, with a two-year sell out period for the subject's proposed finished lots. Lot values and expenses are forecast to escalate 4% annually. With entrepreneurial profit accounted for as a line item expense, the discount rate is based on the cost of funds (interest rate). Discounting the net sale proceeds over the forecast absorption period results in a value indication of $1,400,000 via the subdivision development approach. An internal rate of return (IRR) analysis of the initial cash outlay and anticipated returns over the absorption period indicates an acceptable IRR of 19.71% based on the subdivision development approach's discounted cash flow analysis.

Reconciliation and Conclusion:

Page 81-82 – The subdivision approach is considered providing a more reliable and better supported "as is" market value indication for the subject than the sales comparison approach. The subdivision development approach mirrors the logic of land developers and lenders in analyzing a proposed residential development. Giving most weight to the subdivision development approach in the final value conclusion is considered reasonable and appropriate, resulting in a final "as is" market value conclusion of $1,400,000 for the subject, which translates to $82,353 per lot. The final value per proposed lot stated on page 82 of $83,353 on page 82 is a typographical error and should be corrected.

USPAP Compliance:

The appraisal report is considered compliant with the 2016-2017 Uniform Standards of Professional Appraisal Practice.

Reviewer's Conclusion of Appraisal Report

Overall, following my review of the appraisal report and discussion with the appraiser, the appraisal's analyses are considered appropriate and the appraisal's opinions and conclusions are considered credible, resulting in the appraisal report considered appropriate and not misleading. The recommended revisions / corrections to the appraisal report noted above do not affect the value conclusion nor are they considered impacting the appraisal's overall credibility.

CERTIFICATION

In preparing the appraisal review of the appraisal report identified in this appraisal review report, the following certifications are made.

I certify that, to the best of my knowledge and belief:

- 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 personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
- My analyses, opinions, and conclusions were developed, and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice, and with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- I have not made a personal inspection of the subject of the work under review.
- no one provided significant appraisal, appraisal review, or appraisal consulting assistance to the person signing this certification.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- as of the date of this report, Richard Muegge has completed the requirements under the continuing education program of the Appraisal Institute.

Richard Muegge, MAI
Colorado Certified General Appraiser #CG40011459

PROFESSIONAL QUALIFICATIONS

Richard Muegge, MAI, President
Muegge & Associates, Inc.
1230 Pleasant View Lane, Colorado Springs, CO 80921
Office (719) 597-0285; Cell (719) 439-1785; FAX (719) 380-0592
mueggeassociates@comcast.net

State of Colorado Licensing Information: Certified General Appraiser #CG40011459

Education:

University of Maine, Orono, Maine
B.S., Wildlife Management - 1976

Appraisal Institute:
- All MAI designation educational requirements completed - 7 intensive courses in appraisal theory, application, analysis, and reporting
- Various seminars offered by the Appraisal Institute

International Association of Assessing Officers:
- Fundamentals of Real Property Appraisal
- Income Approach to Real Property Valuation

Professional Designations: MAI, Appraisal Institute

Employment History

Approx. Dates	Employer	Position
8/97 – Present	Muegge & Associates, Inc. Colorado Springs, CO	President
3/94 – 7/97	Bank of America NW Regional Appraisal Office Portland, OR	Commercial Appraiser & Section Manager
7/90- 3/94	Wells Fargo Bank San Jose, CO	Senior Commercial Appraiser
4/89 - 7/90	Bank of The West Walnut Creek, CA	Appraisal Officer
9/87 - 4/89	Coast Savings & Loan Assoc. San Jose, CA	Senior Commercial Appraiser
9/86 – 9/87	Bell Savings & Loan Assoc. San Mateo, CA	Commercial Appraiser
10/82 – 8/86	Montana Dept. of Revenue Butte, MT	Residential Appraiser & Commercial Appraiser

Richard Muegge, MAI

Types of Property Appraised

Assignments completed include both original and review appraisal work of a broad variety of property types. Mr. Muegge has successfully defended appraisals for the Montana Department of Revenue before county and state tax appeal boards. He has also served as a tax appeal referee and arbitrator in El Paso County, Colorado. He has valued properties ranging in value from less than $100,000 to upwards of $90,000,000. Major property types appraised include the following:

Apartments
Banks
Bowling Alleys
Churches
General Office Buildings
Industrial
Schools
Medical Office Buildings
Motor Hotels
Nursing Homes
Research and Development Buildings
Restaurants
Retail
Subdivisions
Land (ranging from small finished sites to several hundred acres)

Appraiser Education Data

International Association of Assessing Officers:

- Fundamentals of Real Property Appraisal
- Income Approach to Valuation

Appraisal Institute:

- Real Estate Appraisal Principles (challenged exam)
- Basic Valuation Procedures (challenged exam)
- Standards of Professional Appraisal Practice
- Capitalization Theory & Techniques - Part A
- Capitalization Theory & Techniques - Part B
- Case Studies in Real Estate Valuation
- Report Writing & Valuation Analysis
- Standards of Professional Practice - Parts A & B
- Condemnation Appraising: Basic Principles & Applications
- Litigation Appraising: Specialized Topics & Applications
- USPAP Update Seminars
- Business Practices and Ethics
- Subdivision Valuation
- Uniform Appraisal Standards for Federal Land Acquisitions
- Case Studies in Partnership and Common Tenancy Valuation
- Fundamentals of Separating Real, Personal Property & Intangible Business Assets
- Numerous seminars including Analyzing Operating Expenses, Risk Assessment, Golf Courses & Real Estate, Appraisal Policy Changes, and Analyzing Distressed Real Estate.

Richard Muegge, MAI

Synopsis of Appraiser Experience

Mr. Muegge has over 30 years experience in real estate appraisal and appraisal review. He has held appraisal licenses in California and Oregon and currently holds a Certified General Appraiser license in Colorado. He has appraised properties in Montana, California, Oregon and Colorado. He has also reviewed appraisals completed in these states plus Washington, Alaska, Idaho and Canada. Mr. Muegge has most recently established a successful private appraisal & consulting practice in Colorado Springs, Colorado, primarily serving El Paso, Pueblo & Teller Counties. His current practice focuses on completing appraisal, appraisal review and consulting assignments for financial institutions, attorneys, government agencies, developers and private property owners. His appraisals are used for mortgage lending, eminent domain, condemnation, estate, litigation support, foreclosure, loan workout and land development purposes. His current business includes submitting formal work proposals, data research and collection from public and private sources, micro and macro market analysis, property inspection, and valuation analysis, preparation of written appraisal reports, appraisal review and verbal communication with clients. He has also served as a referee and arbitrator for the El Paso County Board of Equalization. His appraisal career includes extensive experience valuing diverse property types of varying degrees of difficulty, complexity and value, managing multiple appraisal assignments, subcontracting out appraisal assignments in a multi-state region and Canada, appraisal review, discussing appraisal assignment results with clients, and ensuring appraisal compliance with Federal Banking regulations and financial institution policies. He was a member of a small selected team of appraisers within a statewide savings and loan association responsible to appraise income properties in their problem loan portfolio for the asset management group.

Partial List of Clients

Tier One Bank
Springs Ranch, LLC
Bank of America
Wells Fargo Bank
JP Morgan Chase
Centennial Realty Partners
City of Colorado Springs
Pueblo County, Colorado
US Bank
Key Bank
FDIC

First Community Bank
Colorado Springs State Bank
American National Bank
Bank of The West
Colorado National Bank
Pueblo Bank & Trust
Colorado Housing & Finance Authority
El Paso County
Rocky Mountain Bank & Trust
Colorado Department of Transportation

Expert Witness Qualification

Colorado State District Court – 4th Judicial District:

CDOT v. Chestnut Street Partners, LLC - Eminent Domain; Feb. 2015

4-Way Ranch Metropolitan District No. 1 v. KO1515; Mountain View Electric Assoc.; Board of County Commissioners of El Paso County; Mark Lowderman, Treasurer El Paso County; and Thomas Mowle, Public Trustee of El Paso County – Condemnation Action; March, 2015

APPRAISAL OF

8.596 Acres of Vacant Land
Proposed - Sanctuary at Bear Creek Subdivision
(17 Detached Single Family Lots)
707 Cresta Road, Colorado Springs, Colorado

Date of Valuation: May 20, 2015
Date of Report: May 29, 2015
Type of Report: Appraisal Report
Type of Property: Vacant Land
File No: 2015-18

Prepared For:

The Broadmoor Hotel
c/o Mr. Tom Schmidt
One Lake Avenue
Colorado Springs, Colorado 80906

Prepared By:

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Original

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May 29, 2015

The Broadmoor Hotel
c/o Mr. Thomas Schmidt
One Lake Avenue
Colorado Springs, Colorado 80906

Appraisal of:	8.596 Acres of Vacant Land Proposed - Sanctuary at Bear Creek (17 Detached Single Family Lots) 707 Cresta Road, Colorado Springs, Colorado
Interest Appraised:	Fee Simple Interest
Date of Valuation:	May 20, 2015
File No.	2015-18

Dear Mr. Schmidt,

As you requested, I have developed an Appraisal Report for the above captioned property. The appraisal report presents a summary discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation is retained in the appraiser's workfile. The depth of discussion contained in this report is specific to the needs of the clients and for the intended use

This report was prepared for the Broadmoor Hotel, whom is also the intended user of this report. The intended use of this appraisal is to estimate the "As Is" market value of the property as of the date of valuation to be used in negotiations with the City of Colorado Springs for a possible trade.

The market value estimate for the subject property is also subject to certain definitions, assumptions and limiting conditions, and certification of the appraiser are set forth in the attached appraisal report. This report is prepared in accordance with the requirements of 12 Code of Federal Regulations (CFR) Part 34 and the Uniform Standards of Professional Appraisal Practice (USPAP). The appraisal report contains 89 numbered pages including 3 Addenda tabs at Part 4 of this report.

My market value conclusion for the subject property is shown in the following matrix:

Value Indication: Sanctuary at Bear Creek

Premise	**"As Is"**
Property Rights	Fee Simple
Property Description	8.596 Acres of Vacant of Land Zoned R-1/9000 with Developed Plan and Preliminary Plat Approval for 17 Detached Single Family Residential Lots
Date of Valuation	May 20, 2015
Sales Comparison Approach	$1,241,000
Subdivision Development Approach	$1,400,000
Concluded Market Value	**$1,400,000**
Value Per Proposed Lot	$83,353
Value Per SF	$3.74

My estimate of market value was made with no extraordinary assumptions and one hypothetical condition as discussed in the Scope of Work section (Part 1) of this report.

This letter is an integral part of this appraisal report. I appreciate the opportunity of undertaking this assignment.

Very truly yours,

Thomas Colon

THOMAS COLON
Colorado Certified General Appraiser
License No.: CG 1315531
Expiration Date: 12/31/2016

PRIVACY POLICY

Thomas Colon & Associates, Inc., like all providers of financial services, is now required by law to inform their clients of their policies regarding privacy of client information.

The Federal Trade Commission (FTC) has ruled that appraisers are now considered to be financial institutions. This stems from the statements by FannieMae, FreddieMac, and FHA that appraisers are considered as part of the financial institution for their participation in the lending process.

Licensed/Certified Appraisers have been and continue to be bound by the Uniform Standards of Professional Appraisal Practice (USPAP) and Ethics Rules which consist of conduct, management, confidentiality, and record keeping sections. These rules and standards are more stringent than those required by law. Therefore, Thomas Colon & Associates, Inc. has always been diligent about protecting information deemed to be private or confidential in nature.

Types of Nonpublic Personal Information Collected

Personal information about you and your property is collected during the course of developing the appraisal process. This is generally accomplished with your prior knowledge and approval. Nonpublic information is provided to our agency by you or obtained by us with your authorization. The purpose of the appraisal process is normally to develop a specific value opinion for a client. The specific value opinion is a part of the requirement for the successful completion of a particular real estate financial transaction.

Parties to Whom We Disclose Information

For current and former clients, this agency does not disclose any nonpublic personal information obtained during the course of developing a property's specific value opinion except as required by law or at the direction of the client to assist in the completion of the particular financial transaction. Such nonpublic information may be disclosed to the client and any identified intended users of the specific appraisal, review, or consultant reporting process. A fiduciary agreement is automatically in effect between our agency and the identified client and intended users per Ethics Rules of the USPAP. In all such situations, it is specifically stated that all confidential information, analyses, conclusions, survey results, adjustments, and opinions be safeguarded by the appraiser.

Record Keeping Requirements

Our agency retains records relating to the professional services that we provide so that we are better able to assist you with your professional needs and to comply with the requirements of the Ethics Rules contained within the USPAP. In order to secure your nonpublic personal information, our agency maintains physical, electronic, and procedural safeguards that comply with our professional stands.

Please call if you have any questions. Your privacy, our professional ethics, and the ability to provide you with a quality product or service are very important to us.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Date of Appraisal Report:	May 29, 2015
Effective Date of Appraisal:	May 20, 2015
Date of Property Inspection:	May 20, 2015. No one accompanied me during my inspection of the subject property.
Client:	The Broadmoor Hotel c/o Mr. Thomas Schmidt One Lake Avenue Colorado Springs, Colorado 80906
Owners of Record:	The Broadmoor Hotel One Lake Avenue Colorado Springs, Colorado 80906
Property Address:	707 Cresta Road, Colorado Springs, CO.
Real Property Interest Appraised:	Fee Simple
Land/Site Area:	8.596 Acres or 374,436 Square Feet
Number of Lots:	17 (Paper Platted and Engineered Detached Single Family Residential Lots). See Hypothetical Conditions.
Legal Description:	**Current Legal.** In Part 2 of this report I have included the legal description for the subject property per County Assessor's records. In Part 4 of this report (Exhibits and Addenda) I have also included the legal description shown on the Preliminary Plat. **After Platting.** Lots 1 through 17 and Tracts A, B and C, Sanctuary at Bear Creek, City of Colorado Springs, State of Colorado.
Tax Schedule Numbers:	74234-00-005 and 006.
Zoning:	R-1/9000 (CSC). See Part 2 for additional zoning information.
Subject Sales History:	According to the El Paso County Assessor's Office the current owner acquired the subject property on December 22, 2014. The grantor was Marvin E. Korf, and the transaction was recorded at El Paso County Reception No. 214117287. See Part 2 for additional sales history.
Subject Use History:	Vacant Land – Residential.
Highest and Best Use:	Immediate Development of 17 Detached Single Family Residential Lots.
Exposure and Marketing Period:	12 months or less.

MARKET VALUE CONCLUSION

My market value conclusion for the subject property is shown in the following matrix:

Value Indication: Sanctuary at Bear Creek

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My estimate of market value was made with no extraordinary assumptions and one hypothetical condition as discussed in the Scope of Work section (Part 1) of this report.

CERTIFICATION OF APPRAISER

The undersigned certifies that, to the best of my knowledge and belief:

- 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 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 performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved.
- 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*
- I have made a personal inspection of the property that is subject of this report.
- No one provided significant real property appraisal assistance to the person signing this report.

Thomas Colon

THOMAS COLON
Colorado Certified General Appraiser
Colorado Lic. No. CG 1315531
Expiration Date: December 31, 2016

Subject Photographs

Looking East At Subject Property
Along Cresta Road

Looking Southeast At Subject Property
Along Cresta Road

Looking East Across a Portion of the
Subject Property

Looking Southeast Across a Portion of the
Subject Property

Looking East Across a Portion of the
Subject Property

Looking Southeast Across a Portion of the
Subject Property

Subject Photographs

Looking Southeast Across a Portion of the Subject Property

Existing Single Family Dwelling Considered to have Little to No Value

Looking South Along Cresta Road

Looking North Along Cresta Road

The subject photographs were taken May 20, 2015 by Thomas Colon.

PART 1

SCOPE OF WORK

Assumptions and Limiting Conditions

The certification of the appraiser appearing in the appraisal report is subject to the following conditions, and to such other specific and limiting conditions as are set forth by the appraiser in the report.

Extraordinary Assumptions

I have made no Extraordinary Assumptions.

Hypothetical Conditions

I have made one Hypothetical Condition.

1. At the time of the inspection the subject was vacant unimproved land with a Development Plan and Preliminary Plat approval for 17 detached single family residential lots. To estimate the "As Is" market value of the subject using the subdivision development approach, I also need to estimate the "Retail" value of the lots as though they were fully developed. Therefore, except for the "As Is" value, all of the values developed within this report are "Prospective Values." The Prospective Values are values that will or could occur at a future date and are defined herein.

General Assumptions and Limiting Conditions

1. The legal descriptions, land areas, surveying and engineering data provided, if any, assumed to be correct. The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photographs are included for the same purpose. Site plans are not surveys unless prepared by a separate surveyor.

2. This is an Appraisal Report opinion, which is intended to comply with the reporting requirements set forth in Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (USPAP). The report presents a summary discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's work file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use.

3. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report. The property is appraised "as if free and clear" of liens and encumbrances, but subject to existing easements, covenants, deed restrictions, and rights-of-way of record.

4. Information furnished by others, to include the owner, the owner's representative, or persons designated by the owner, is believed to be reliable. No warranty, however, is given for its reliability or accuracy. Unless otherwise noted in the appraisal report, there is no reason to believe that any data furnished by others contains a material error. A material error of any of the pertinent data could have a substantial impact on the value reported. Accordingly, the client-addressee should carefully review all assumptions, data, and relevant conclusions and should notify the appraiser in a timely manner of any questions or errors.

5. This report is as of the date set out and is not intended to reflect subsequent fluctuations in market conditions, up or down.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or arranging for engineering studies that may be required to discover them.

7. It is assumed the subject property complies with all applicable zoning and use regulations and restrictions, unless non-conformity has been stated, defined, and considered in this appraisal report.

8. It is assumed the use of land is within the boundaries or property lines of the property described and there is no encroachment or trespass unless otherwise stated in this report.

9. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection of the subject property. I have no knowledge of the existence of such materials on or in the property unless otherwise stated. However, I am not qualified to test for such substances. The presence of such hazardous substances may affect the value of the subject property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, or for any expertise or knowledge required to discover them.

10. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. The subject property is vacant land.

11. Possession of this report, or a copy thereof, does not carry with it the right of publication. The report may only be used by the person or persons to whom it is addressed or for the purpose stated in the report. It may not be used for any purpose by any person other than the parties to whom it is intended without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.

12. Neither all or any part of the contents of this report especially any conclusions as to value, the identity of the appraiser(s), or the firm which the appraiser(s) is connected shall be disseminated to the public through advertising, public relations,

news, sales, or other media without prior written consent and approval of the appraiser(s).

13. No geotechnical reports concerning subject property or information relating to geologic conditions and hazards were available to the appraiser. This area of the city has been known for expansive soils and other geological hazards, the effects of which can be minimized when properly engineered foundations are employed. The valuations contained herein is based upon the premise that soil and underlying geologic conditions are adequate to support standard construction consistent with highest and best use. No evidence to the contrary was observed during the physical inspection of the property.

Identity of the Client and Intended Users

This appraisal report has been prepared for The Broadmoor Hotel, c/o Mr. Thomas Schmidt, One Lake Avenue, Colorado Springs, Colorado 80906. The intended user of this report is The Broadmoor Hotel and its affiliates and representatives. The appraisal has not and cannot be re-addressed. Use of this report by others not associated with Broadmoor Hotel is not intended by the appraiser.

Intended Use of the Appraisal

The intended use of this appraisal is to estimate the market value of the property as of the date of valuation to be used in negotiations with the City of Colorado Springs for a possible trade.

Real Property Interest Appraised

Fee Simple. The property is appraised "as if free and clear" of all liens, bond assessments, and indebtedness, but subject to existing easements, covenants, deed restrictions, and rights-of-way of record. No consideration has been given to a division of interests or fractional interests. No value is estimated for personal property, mineral rights, water rights or other non-realty items which may or may not be associated with the property.

Purpose of the Appraisal

Real property appraisal development and reporting is subject to the Uniform Standards of Professional Appraisal Practice (USPAP). The purpose of this assignment is to estimate the "As Is" market value of the subject property as follows:

> The "As Is" market value estimate of the fee simple interest in the subject property, effective May 20, 2015.

My estimate of market value was made with no extraordinary assumptions and one hypothetical condition as discussed in Part 1 (Scope of Work) of this report.

The definition of Market Value has been given in the "Uniform Standards of Professional Appraisal Practice" (USPAP) by the O.C.C. The term "market value," as used in this appraisal, is defined below in the Definitions of Terms section of this report.

Date of Appraisal Report

The date of the appraisal report is May 29, 2015.

Effective Date of Appraisal

The effective date of appraisal and market value opinion for the subject property is as of May 20, 2015.

Date of Property Inspection

The subject property was inspected on May 20, 2015. No one accompanied me during my inspection of the subject property.

Property Identification and Description

The subject property is identified as 8.596 acres of vacant unimproved land with a Development Plan and Preliminary Plat approval for 17 detached single family residential lots. Upon completion of the proposed subdivision improvements the subject will be known as the Sanctuary at Bear Creek. The Sanctuary at Bear Creek development is located on the east side of Crest Road, just south of Bear Creek Regional Park in the Southwest Market area of Colorado Springs, Colorado.

Please note: as of the effective date of value the subject property did contain building improvements. However, based upon my inspection of the building improvements they would appear to have little or no value. Thus the value of the subject property will be estimated as though the site is vacant land.

Data Search Parameters and Analysis Approaches

1. A physical inspection of the property.

2. A search of the public records relative to the subject. This search encompasses, among other things, tax and assessment information, easement, and other private, as well as public, deed restrictions, zoning, history of the property, etc.

3. A summary of neighborhood and regional area characteristics, as well as an analysis of supply and demand within the subject's market segment.

4. Analysis of physically possible uses, legally permissible uses, and all feasible uses in

order to estimate the highest and best use of the subject property.

5. Research of public records for comparable sales and listings. Telephone verification, where possible, of all the sales and listings with the buyer, seller, or their representative or independent parties. A physical inspection of each of the properties, as well as deed verification. Comparison of the comparable properties to the subject with consideration of such differences as legal encumbrances, financing terms, conditions of sale, market conditions, location, physical characteristics, availability of utilities, zoning, and highest and best use.

6. I used the sales comparison approach and the subdivision development approach to estimate the "As Is" market value of the subject property.

   The sales comparison approach is the technique most frequently used in the appraisal of land. The sales comparison approach is based upon the proposition that an informed buyer would pay no more for a property than what he would have to pay for a comparable property with the same utility as the subject. The process involves the comparison of the subject property with comparable properties that have sold recently or that are now listed for sale on the market making adjustments as necessary to compensate for differences between them and the subject. Where sale financing terms are considered to affect the price paid in a given transaction, an adjustment to the price of the comparable transaction for cash equivalence is made.

   The subdivision development approach is applicable when subdivision and development are the highest and best use of the parcel of land being appraised. In the subdivision development approach, the "as is" market value of the raw vacant parcel is estimated based on an analysis of the future retail value of the conceptual subdivided lots, less the cost and required profit a developer would expect in order to achieve those future tract sale revenues. In this analysis a developer would acquire the property at what is, in effect, a wholesale price, but will sell the individual lots to end-users/builders at gross retail sale prices. The subdivision development approach estimates the price that such a developer could reasonably afford to pay for the subject property "as is" based upon its future development potential.

   The use of the subdivision development approach for properties similar to the subject is supported by evidence from conversations and interviews with bankers and land developers. My survey indicates that the majority of banks would require a subdivision type appraisal be performed, particularly if there is any proposed development. Land developers also use this method to assess the feasibility of a project and whether or not to buy a particular property. Furthermore, other evidence from market supports the use of this method. The methodology is also recognized by the Appraisal Foundation, Appraisal Institute and is widely used by appraisers.

7. The cost and income approaches were not used to estimate the value of the subject property. The cost approach was not used because the existing building and site improvements were considered to have little or no value. The income approach was not used because of the poor condition of the building improvements and because similar land is typically not leased nor purchased for the production of income. However, the methodology of the subdivision development approach involves a combination of the cost, the sales comparison and income capitalization approaches to value.

Summary of Appraisal Problems

I used two approaches to estimate the "As Is" market value of the subject property.

I first used the sales comparison approach to estimate the "As Is" sale market value for the subject property undeveloped. The problem with the approach was finding recent comparable land sales that were similar in location, physical characteristics and the number of lots as the subject. While my selection of comparable land sales considered the best ones available, as of the effective date of this report, as always a better selection of comparable land sales is more desirable.

The subdivision development approach was used to estimate "As Is" market value. In the "As Is" Subdivision Development Approach the probable purchaser is a developer/builder that would incur both the costs (direct and indirect) and the time in developing the lots and selling them to an end users. The methodology of the Subdivision Development Approach involves a combination of the cost, the sales comparison and income capitalization approaches to value. The problem with Subdivision Development Approach has many moving parts including estimates for absorption, direct and indirect costs, and a developer/builder's overhead and profit. The more moving parts the greater the possibility for error. However, it is most probably the methodology a purchaser would use to assess the feasibility of a project and whether or not to buy a particular property.

Definition of Terms

Various special terms used in this report are defined in the following paragraphs to assist the reader in understanding terminology.

Cash Equivalent. A price expressed in terms of cash as distinguished from a price which is expressed all or partly in terms of the face amount of notes or other securities which cannot be sold at their face amount. The cash equivalent price, of a sale property, may differ from its contract price, and should represent the present worth at time of sale, of all cash and other considerations paid for the real property, as opposed to other portions of stated consideration, which may be paid for services, fees and/or non-realty items.

Discounting. A concept of time preference, which holds that future income or benefits, are worth less than the same income or benefits now, and that they decrease in value systematically as the time for their receipt is further deferred into the future. In appraisal analysis, discounting is the arithmetic procedure of applying a specific rate (usually) derived from the market to the anticipated future income stream in order to develop a present worth estimate.

Discounted Cash-Flow Analysis. A set of procedures in which an appraiser specifies the quantity, variability, timing, and duration of periodic income, as well as the quantity and timing of reversions, and discounts each to its present value at a specified yield rate.

Internal Rate of Return. The internal rate of return (IRR) on an investment or project is the annualized effective compounded return rate or discount rate that makes the net present value of all cash flows (both positive and negative) from a particular investment equal to zero. In more specific terms, the IRR of an investment is the interest rate at which the net present value of costs (negative cash flows) of the investment equal the net present value of the benefits (positive cash flows) of the investment. Generally speaking, internal rates of return are calculated and used to evaluate the desirability of investments or projects. The higher a project's internal rate of return, the more desirable it is to undertake the project. Assuming all other factors are equal among the various projects, the project with the highest IRR would probably be considered the best and undertaken first.

Highest and Best Use. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest market value of the property as of the date of the appraisal. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Fee Simple. A fee simple estate is absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power and taxation.

Market Value. The current economic definition of market value:

> 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, knowledgeably and assuming the price is not affective by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> a. buyer and seller are typically motivated;
> b. both parties are well informed or well advised, and each acting in what he considered his own best interest;
> c. a reasonable time is allowed for exposure in the open market;
> d. payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and
> e. 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.

From the OCC's Final Rule, 12 CRF Part 34, Subpart C-Appraisals, Section 34.42(f), effective August 24, 1990.

Analysis of Appropriate Discount Factors and Deductions. Under Title 12 CFR Part 1608.4, Appraisal Standards, appraisals are required to comply with the following pertinent sections:

(a) Minimum Standards. For Federally related transactions all appraisals shall at a minimum:

> * * * *
>
> (8) Analyze and report on current market conditions and trends that will affect projected income or the absorption period to the extent they affect the value of the subject property;
>
> (9) Analyze and report appropriate deductions and discounts for any proposed construction, or any properties that are partially leased or leased at other than market rents as of the date of the appraisal, or any tract developments with unsold units.

Sales Comparison Approach. The sales comparison approach is based upon the proposition that an informed buyer would pay no more for a property than what he would have to pay for a comparable property with the same utility. The process involves the comparison with comparable properties that have sold recently or that are now listed for sale on the market making adjustments as necessary to compensate for differences between them. Where sale financing terms are considered to affect the price paid in a given transaction, an adjustment to the price of the comparable transaction for cash equivalence is made.

Cost Approach. The cost approach is based upon the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements, which represent the highest and best use of the land or when unique or specialized improvements are located on the site for which there exist no comparable properties on the market. In this approach, we will estimate the replacement cost. Replacement cost is defined as the cost of construction at current prices of improvements, having utility equivalent to the improvements being appraised but built with modern materials and according to current standards, design and layout. From the replacement cost new there is deducted an estimate of accrued depreciation which is the loss in value arising from physical, functional and economic causes.

Income Approach. The income approach is based upon the proposition that there is a relationship between the income generating capacity of a property and its price. This method has application only in properties, which have income producing potential. In the income approach, anticipated future benefits in terms of money to be derived from the ownership of the property are converted into a value estimate. The value is dependent upon the quantity, quality, and duration of the anticipated income.

Subdivision Development Approach. The subdivision development method (aka Subdivision Analysis Approach) is defined as follows: *"A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. When all direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price of the finished lots, the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the raw land."*

The subdivision development method is applicable where a sale within a reasonable period indicates that the most probable purchaser is a developer who would acquire the subject property as a single entity. Such a developer would then develop the property and sell internal lots to end-users as market demand occurs. The developer or investor will acquire the property at what is, in effect, a wholesale price, but will sell the individual lots to end-users at gross retail sale prices. The subdivision development method estimates the price that such a developer could afford to pay for the property as a single entity.

PART 2

FACTUAL DATA

Identification of the Subject Property

The subject property is identified as 8.596 acres of vacant unimproved land with a Development Plan and Preliminary Plat approval for 17 detached single family residential lots. Upon completion of the proposed subdivision improvements the subject will be known as the Sanctuary at Bear Creek. The Sanctuary at Bear Creek development is located on the east side of Crest Road, just south of Bear Creek Regional Park in the Southwest Market area of Colorado Springs, Colorado.

Please note: as of the effective date of value the subject property did contain building improvements. However, based upon my inspection of the building improvements they would appear to have little or no value. Thus the value of the subject property will be estimated as though the site is vacant land.

Regional/Metro and Neighborhood Data

Regional/Metro Data Overview

Below is a summary of pertinent metropolitan influences.

Economic Base. The economic base of Colorado Springs consists of a broad mix of industries. Key industries include high-tech manufacturing, software development, call centers, defense contractors, information processing, back office, Olympic sports, national associations and the military.

Community Assets. Wage and utility rates in the area compare favorably with cities of similar size. Excellent industrial sites are still available in planned industrial parks. The well educated work force, central location, dry moderate climate and adequate transportation facilities have proved to be advantageous in attracting new industries to the community.

Population. Population in the Colorado Springs metro area was estimated to be 663,519 as of April 1, 2014.

Population Growth Metro Area 1970 – 2014

Year	Population	Change	Annual Percent Change	Births	Deaths	Natural Increase	Net Migration
Decade							
1970	240,100						
1980	312,600	72,500	2.7%	56,324	15,748	40,576	31,924
1990	397,500	84,900	2.4%	69,412	19,009	50,403	34,497
2000	516,929	119,429	2.7%	76,506	24,591	51,915	67,514
2010	622,263	105,334	1.9%	87,717	33,073	54,644	50,690
2013	655,453	33,190	1.6%	29,854	12,395	17,459	15,731
2014	663,519	8,066	1.2%	9,305	4,178	5,127	2,939
Totals							
Totals		423,419		329,118	108,994	220,124	203,295
Percent						52%	48%

Source: US Bureau of the Census and Colorado State Demographer. 1970-2010 Data is for April 1st of each year. 2013-2014 data is for July 1.

Over the 10 years between 2000 and 2010, population grew at a rate of about 2% per year, adding an estimated 105,300 people. Some of the increase was due to expansion at Fort Carson, with the addition of about 7,000 soldiers and 10,500 dependents. An estimated 52% of the increase was due to natural increase and 48% was due to net migration. Population in the Colorado Springs metro area over the long term has increased at a rate of 2.4% per year. Long term projections indicate that population in the Colorado Springs metro area is expected to grow annually at a rate of about 1.5% to 2% in future years.

Job Growth. Job growth in Colorado Springs showed strong growth in the 1st quarter of 2015. The number of wage and salary (payroll) jobs increased (year-over) by close to 6,000 compared to the 1st quarter of 2014. The local economy saw three consecutive years of job losses in 2008-2010, then went into positive territory over the past four years. This was in spite of federal spending cuts in 2014 and the shift away from both the Manufacturing and Information Technology sectors, which were key components of the local economic base. Job sectors that have contributed to recent job gains include healthcare, construction and some of the services sector.

Over the past decade the structure of the Colorado Springs economy experienced a dramatic change. Since 2004 the Information and Manufacturing sectors lost 8,500 jobs. At the same time the Education and Health Services sector grew by 9,900. The economy's largest employer, is still the Government sector with 48,700 employees.

The Colorado Springs Regional Business Alliance plays a key role in reinventing the local economy. CSRBA's focus includes: (1) attracting, retaining and growing primary industry, (2) building a strong business climate, (3) providing support for local businesses. The CSRBA recently announced the expansion and/or relocation of three companies and 2,194 new primary jobs in the first three months of 2015. The largest announcement was Sierra Completions, a firm that will locate at the municipal airport, with 2,100 jobs announced.

New primary job announcements in the first three months of 2015 were up significantly compared to the 459 announced for all of 2014. The loss of primary jobs continues to have a negative impact on the local economy. A total of 178 primary job layoffs were announced in the first three months of 2015. The largest was Sinton Dairy with an announced 120 job cut-back.

Primary jobs are a major driver of economic growth because they bring new dollars into the local economy. The new dollars support jobs at supermarkets, real estate offices, gas stations, home building companies and the like. Then, as the workers in these local industries spend their earnings, even more jobs are supported. Thus, primary industry activity has an expansive multiplier effect on the local economy.

Military Economic Base. The military makes up a significant part of the Colorado Springs economic base. Total employment at the four military bases is about 55,900 including 37,245 military personnel and almost 19,000 civilian workers. Employment on local military bases amounts to about 19% of the total jobs in the Colorado Springs area. As a footnote, these figures include about 4,000 soldiers deployed to the middle east, but do not include about 4,000 cadets at the Air Force Academy. The four local military bases all provide some on-base family housing, with units totaling almost 4,700.

With the war winding down in Afghanistan and the expected cut-backs in defense spending, the future level of military and civilian defense contractor personnel assigned to bases in the Colorado Springs area is a big unknown at the present time.

Latest Economic Indicators. The latest economic data indicates that the local economy is finally out of the deep hole dug by the 2007-2009 recession. However, the recovery is plodding along at a very slow pace. Most all of the monthly economic indicators show good news:

- Wage and Salary Jobs: A major revision in payroll growth for the Colorado Springs area show that 6,000 more jobs were added last year than previously reported. An earlier report by the U.S. Bureau of Labor Statistics said local payrolls grew by an average of 0.6% in 2014, but officials from the Colorado Department of Labor and Employment say they expect the bureau's annual revision to boost that estimate by 2.5%. That would be up from a 2% payroll growth rate in 2013 and the strongest annual payroll growth since at least 2000. It also would be consistent with the declining local unemployment rate, which fell to 5.2% in December from 7.6% a year earlier.

  Even after the numbers are revised, however, payroll growth in the Springs will continue to fall well short of the statewide average growth for last year. That number is expected to be revised upward to 3.3% from the bureau's current 2.7% estimate. It will mean that Colorado employers added 17,400 more jobs than initially estimated through September 2014, putting the state on track for its best year for job gains since 1999. Although Colorado Springs lags the state, the metro area appears to be on the right track.

  The bulk of the revisions are likely to come in the professional and business services, leisure and hospitality, and trade, transportation and utilities sectors. The bureau's monthly numbers show employment in those three sectors declining, losing a total of 3,300 jobs, while the quarterly numbers show the three sectors adding 1,800 jobs. The bureau's monthly estimate also undercounted growth in health care and construction by 1,500 jobs and indicated growth in the financial services industry when reductions happened instead. The revisions also will show an increase in payroll growth estimates for every metropolitan area in the state except Boulder

- Sales and Use Tax. The tourism industry led the way as Colorado Springs sales tax collections rose for the 11th time in the past 12 months, the city's Finance Department recently reported. Sales tax revenue collected in April rose 6.9% from April 2014 to $11.7 million, the second consecutive monthly increase after a small decline in February. About one-third of April's increase came from restaurants and hotels both fueled by a robust month for the local tourism industry. Collections from hotels in April were up 30.4% from a year ago, while tax paid by restaurants was up 8.2% during the same period.

  Collections in April reflect sales completed in March. Sales tax revenue is an important indicator of the health of the local economy. The 2% percent tax is levied on purchases of motor vehicles, appliances, electronics furniture, clothing and other items. The city also has special sales taxes for public safety, parks, trails and open space and collects a separate tax on hotel rooms and rental cars. Revenue from those taxes, as well as a use tax, makes up more than half of all funds in the city's general fund bud get, which pays for police, fire parks, roads and other items.

  Sales tax collections so far this year are up 4.7% from the same period last year to $30.7 million. It's a big improvement from the 0.1% decline in the same months of 2014 when compared with 2013. But it's well behind the 10% gain during the same period in 2013 compared with 2012. Outside of a couple of months, sales tax collections have been showing consistent growth over the past year when compared with the same month a year earlier. The report also indicated that five of the 14 retail sectors broken out in the sales tax report were up in April by double-digit levels, including auto dealers, building materials, grocery stores, hotels and medical marijuana outlets. April collections from the business services, commercial machines and miscellaneous retail sectors all declined.

  • The use tax — which is paid on items bought outside the city for use in the city — fell 19.3% in April from a year earlier to $619,255, the third decline in the past four months. Use tax collections so far this year are up 1.7% from the same period a year ago to $1.72 million. Despite the April drop, it won't have a huge impact on city coffers; the use tax makes up just 5 percent of sales and use tax collections.

• Combined sales and use tax collections in April rose 5.3% from April 2014 to $12.3 million and so far this year have increased 4.5% from the same period a year ago to $32.4 million.

• Collections from the bed-and-car tax in April jumped 15.1% from April 2014 to $288,866, the third double-digit monthly increase in the past four months. Collections from the tax so far this year were up 7% from the same period last year to $738,976.

- New Vehicle Registrations: According to the El Paso County Clerk and Recorder's Office, there were 25,603 new vehicles registered in the county in 2014. This was up 7.6% compared to 2013 and the fifth consecutive annual increase since registrations fell to a 39-year low in 2009. It's also the highest annual total since 26,448 new vehicles were registered in 2004. After hitting a 10-year high last year, the automobile and truck market in El Paso County has gone into reverse. The latest report from El Paso County Clerk and Recorder's Office, indicates that the number of new vehicles registered with the clerk and recorder in April fell 2.2% from April 2014 to 1,999 and follows declines in November, January and February. Registrations for the first four months of the year are down 7.2% from the same time last year to 7,661.

  Local car dealers say they aren't worried about the trend. "The new vehicle market nationally has been up from the previous year for four consecutive years, the longest streak of gains since the 1920s," said Bob Fenton, executive director of the Colorado Springs Automobile Dealers Association. "This is only a minor dip. It is unrealistic to think that sales would continue to go up every year. The numbers are still outstanding from a historical perspective and we still have a very healthy market."

  Statewide registration numbers for April are not yet available, but the March total of 19,207 was up 20.8% from March 2014. Statewide numbers so far this year have increased 5.4% from a year earlier to 45,665. Nationwide, new vehicle sales in April were up 4.6% from April 2014 to 1.45 million. Year-to-date sales were up 5.4% from a year ago to 5.41 million.

- Unemployment Rate: The news on the Colorado Springs unemployment rate for March was good, falling below 6% percent, the lowest rate in nearly six years. The local jobless rate has been declining since hitting its peak of 10% in early 2011.

- Foreclosure Filings: Foreclosure activity in El Paso County slowed last month, a positive sign for the local housing market, according to a report by the El Paso County Public Trustee's Office. A foreclosure filing is a legal action that lenders bring against borrowers who miss several months of mortgage payments. Foreclosure filings totaled 122 in March, down about 40% from the same month last year. For the 1st quarter of 2015, foreclosure filings totaled 312, a decline of almost 47% from the same period a year ago and a 14 year low for 1st quarter filings. "This worked out as the lightest quarter for new (foreclosure) starts in a very long time," Public Trustee Tom Mowle said in his report. Local economists and Real estate experts have credited an improved housing market and better economy for the decline in foreclosure activity; more jobs and rising property values are helping property owners stave off financial troubles. Foreclosure filings reached a record 5,288 in 2009, during the height of the recent recession. They've been trending downward each year since, totaling 1,825 in 2014.

- Hotel occupancy: Lots of snow in February meant there was plenty of room in Colorado Springs hotels last month. The occupancy rate for local hotels fell to 50.3% in February from 52.6% a year earlier, the first decline since November and only the second in the past 10 months, according to the Rocky Mountain Lodging Report.

  Despite the decline, the average room rate for February was up 4.8% to $90.30. Ann Alba, president of the Pikes Peak Lodging Association and a manager at The Broadmoor hotel, attributed the slowdown to the weather and a typically weak offseason. Last month was the fifth snowiest February on record for Colorado Springs with 16.6" inches reported at the Colorado Springs Airport, including a storm that dumped 9" inches on the city Feb. 21-23 and shut down many activities that weekend. The local occupancy rate for the first two months of the year is down only slightly to 47.7% from 47.8% during the same period a year ago. But the average room rate so far this year is up 4.6% from a year ago to $87.67.

Most of the gains came from limited-service properties, which reported occupancy increasing to 46.9% in the first two months of the year from 45.5% last year and the average room rate surging 10.8% to $77.24. The Broadmoor hotel and Cheyenne Mountain Resort are not included in the Colorado Springs totals but are part of a separate category, "other resorts," with many of the state's ski resorts. The occupancy rate for that category was 67.7% in February and 62.7% so far this year. Hotel occupancy statewide in February was up to 66.9% percent from 63.7% percent in 2014, while the average room rate jumped 8.2% during the same period to $159.16. The statewide occupancy rate in the first two months of the year was up to 63.7% from 61.8% a year ago, while the average room rate increased 7.3% to $155.90.

The key local economic indicators show that the corner may have been turned, but it is still a long way to go to get back to a normal level of activity. The local economy has recovered all of the nearly 14,000 jobs it lost during the recession. The local economy is definitely in the rebound mode and hopefully the city can continue on this positive path.

New Single Family Home Permits. New housing construction in the Colorado Springs Metro area has averaged almost 3,996 per year over the ten year period between 1999 through 2008. The peak year was 2005 with over 5,314 units constructed (does not include multi-family). New home construction remained strong through 2005 but in 2006 the trend reversed itself with permits totaling only 3,446, which represented a -35.2% decline compared to 2005. For 2007 new home permits were down -38.0% compared to 2006. In 2008 new single family home permits were down -42.79% compared to 2007. New detached single family building permits for 2009 were down -9.72% compared to 2008. 2009 marked the fourth year in a row with declining building permit numbers but the trend was slowing. In 2010 the negative trend reversed itself and detached single family building permits were up 27.1% compared to 2009. In 2011 it appears that the market is still recovering slowly with 1,399 detached single family building permits which was five permits less than in 2010 or down a -0.36% compared to 2010. In 2012 detached single family building permits totaled 2,218 up +58.54%, compared to 2011, which was a five year high for single family building permits. New home construction continued its recovery in 2013, as the pace of homebuilding climbed to its highest level in seven years. Building permits totaled 2,676 in 2013, a 20.65% over 2012.

The pace of Colorado Springs-area homebuilding declined in 2014, according to a report released Friday January 2, 2015 by the Pikes Peak Regional Building Department. Single-family building permits totaled 2,438, down -8.89% compared to 2013. For the first four months of 2015 permits have total 814 up 9.12% from 746 permits issued in 2014.

Detached Single Family Permits		
Year	**Permits**	**% Change**
2001	4,925	+5.3%
2002	4,466	-9.3%
2003	4,356	-2.5%
2004	5,059	+16.1%
2005	5,314	+5.0%
2006	3,446	- 35.2%
2007	2,136	- 38.0%
2008	1,223	- 42.7%
2009	1,105	-9.6%
2010	1,404	+27.1%
2011	1,399	-0.36%
2012	2,218	+58.54%
2013	2,676	+20.65%

2014	2,438	-8.89%
2014 (Jan. - April)	746	
2015 (Jan. - April)	814	+9.12%

Over the last six to eight months, the resale side of the housing market has improved steadily. But the pace of homebuilding hasn't done quite as well. The latest permit numbers indicate that might be changing. A pent-up demand for new housing among move-up buyers is starting to drive construction, said Mike Ruebenson, chief operating officer at developer La Plata Communities and board president of the Housing and Building Association of Colorado Springs. At the same time, move-up buyers and others are taking advantage of long-term mortgage rates that remain historically low. Thirty-year, fixed-rate loans averaged 3.8% percent nationally 5/12/2015, compared with 4.41% a year ago, according to mortgage buyer Freddie Mac. Some of those buyers no doubt want to purchase now for fear that rates might rise, Ruebenson said. "There is talk about interest rates starting to move up," he said. "I think you're seeing people, if they're going to make a move, they're starting to get in the game a little bit." There's also more optimism about the local economy, Ruebenson said, citing a Nevada aerospace company's announcement in February that it will build an $88 million hangar complex at the Colorado Springs Airport that eventually will employ more than 2,100 people.

An HBA forecast still calls for the pace of home construction in 2015 to match that of last year, when about 2,400 single-family building permits were issued, Ruebenson said. "It's probably a little early to revise that forecast," he said. "But we're seeing positive momentum that could result in a better 2015 than 2014."

Resale Residential Market. According to a Pikes Peak Association of Realtors MLS reports single family home sales and listings were up slightly in the first four months of 2015. The sales of single family homes increased by 20.3% in the first four months of 2015 compared to the same period in 2014. The median of all sale prices for April was $238,533, an 11% increase over the same month in 2014. Active listings of single family homes totaled 5,373 in April 2015, up 0.7% from April 2014. The decline in inventory is something that bears watching. A tighter supply of homes for sale could drive up prices, which is good news for sellers. And yet, it also means fewer choices for buyers. Low mortgage rates, a better economy and stronger consumer confidence all helped drive the market in 2014. Last week, 30 year, fixed rate mortgages averaged 3.78% nationally.

Apartment Market. New apartment construction has been cyclical, with building activity occurring when vacancies are low and rents are rising. The apartment market took a triple hit early in this decade as a result of (1) the big loss of tech jobs in 2001 and 2002; (2) the deployment of troops to Iraq and Afghanistan that started in late 2002; and (3) easy mortgage credit in 2004 to 2006 that made it possible for many renters to become home owners. Since 2007 the vacancy rate has been slowly declining and within the past five years the vacancy rate has generally hovered in the 5% to 7% range. According to a report by the Colorado Division of Housing, the area's apartment vacancy rate, was 6.2% (first quarter 2015). That was almost a full percentage point higher than the 5.3% rate at the end of last year (2014), but a decline from 6.7% during the first quarter of 2014, the report showed. Rents averaged nearly $879 a month from January through March 2015, the second-highest figure on record and an increase of almost $57 a month or nearly 7% from the same period last year, according to the report by the Colorado Division of Housing and the Apartment Association of Southern Colorado. Apartment rents now have increased for 21 straight quarters on a year-over-year basis. Several factors have combined to increase demand and, in turn, drive up rents. Generally, millennials who don't want to be tied down to homes and mortgages are driving much of the demand, experts have said. Empty nesters who have downsized or who want maintenance-free living also have contributed to lower vacancy rates.

And even though several apartment projects have been built in recent years in the Colorado Springs area, they haven't been enough to meet the demand. In 2014, just 915 units were added to the supply of apartments in the Springs, while only 544 were added in 2013. Developers have added 442 units to the supply of Springs-area apartments so far in 2015, which is already more than half of last year's total. According to the Bamberger report there is approximately 800 units currently under construction and about 1,000 in the planning pipeline.

Retail Market. The total shopping center market consists of over 327 centers with a total of 19,707,285 square feet of space. The figure does not include the two Colorado Springs regional malls, Chapel Hills located in the northern part of the city and the Citadel located in the eastern part of the city. Academy Boulevard and Powers Boulevard, on the eastern side of the city, are the city's two major retail corridors. Much of the new retail construction over the past 15 years has occurred in the Powers Boulevard corridor.

According to the Turner Commercial Report at the end of the 1st quarter of 2015 there was one new retail center under construction containing 20,000 square feet. In 2014 six new buildings had been completed containing approximately 47,138 square feet.

Retail Market Trends – 2009 through the 1st Quarter of 2015

Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	10.7%	11.2%	11.5%	12.2%	11.7%	10.2%	10.2%
Avg. Rents - $/SF NNN	$13.85	$13.37	$12.72	$12.34	$12.80	$13.08	$13.45
Leasing Activity	414,967	473,817	309,161	506,948	519,533	577,824	182,165
Absorption	175,696	91,948	-16,741	-106,244	219,314	280,776	21,559
Number of Building Sales	36	49	61	74	86	73	15
Avg. Bldg. Sales - $/SF	$85.16	$57.58	$117.39	$85.38	$156.15	$98.71	$112.89
Wt. Avg. Bldg. Sales - $/SF	$139.58	$106.06	$128.17	$137.60	$170.63	$158.21	$161.23

In 2006 the citywide retail vacancy rate reached the bottom of a downward trend, at the end of 2006 the commercial vacancy rate had fallen to 6.4%. Since the end of 2006 the retail vacancy rate has been increasing. At the end of the 4th quarter 2008 the reported citywide retail vacancy rate had reached 8.4%. By the end of the 4th quarter 2012 the reported citywide retail vacancy rate had reached 12.2%. In 2013 the retail vacancy rate trend reversed itself and fell to 11.7%. In 2014 the retail vacancy continued to fall 1.5% percentage points to 10.2%, where it remains today the end of the 1st quarter 2015.

Turner indicates that the asking retail lease rates, on a citywide basis, averaged $13.30 NNN at year-end 2006. In 2007 retail lease rates increased 4.96% to an average rate of $13.96 per square foot NNN and in 2008 they increased 2.4% to an average $14.30 NNN. Starting in 2009 the average asking retail rate started declining and this downward trend continued through the 4th quarter of 2012. At the end of the 4th quarter of 2012 the average asking retail lease rate had fallen to $12.34 per square foot NNN, a -13.71% decrease from 2008's yearend asking rate. In 2013 the asking rate trend reversed a four year trend and increased to $12.80 per square foot NNN. Asking rates increased to $13.03 in 2014 and at the end of the 1st quarter of 2015 the average asking rate has increased to $13.45 per square foot NNN.

Turner reports that during the time period 2004 through 2006 approximately 2.3 million square feet of retail space was absorbed. During the same time period approximately one million square feet of new owner occupied retail space was constructed. This still resulted in a net absorption gain of 1.3 million square feet. The downward absorption trend returned in 2007. Retail leasing activity reached 715,870 square feet during 2007 but absorption was -624,369 square feet. Again, in 2008 leasing activity was 451,027 square feet and absorption was -98,776 square feet. In 2009 the negative absorption trend reversed itself with a positive absorption of 175,416 square feet after leasing activity of 414,967 square feet. In 2010 the positive absorption trend continued with 91,948 square feet absorbed after leasing activity of 473,817 square feet. In 2011 absorption went negative with -16,741 square feet after leasing activity of 309,161 square feet. The downward trend has continued through 2012 with negative absorption of -106,244 square feet after leasing activity of 506,948 square feet. In 2013 absorption turned positive with 219,314 square feet after leasing activity of 519,533 square feet. The positive absorption trend continued in 2014 with 280,776 square feet after leasing activity of 577,824 square feet. Today at the end of the 1st quarter 2015 absorption has been positive with 21,599 square feet after leasing activity of 182,165 square feet.

Office Market. The office market in Colorado Springs consists of over 1,507 buildings and 29,258,082 square feet of space. About 40%+ of these buildings were owner-occupied. At this time according to the Turner Commercial Report at the end of the 1st quarter of 2015 there was 52,604 square feet of new office space in five buildings under construction in the city, most all of the space is reportedly preleased or will be owner occupied. Approximately 276,415 square feet in 14 building was this past year (2014). This is compared to the 63,342 square feet of new office construction took place in all of 2013.

Office Market Trends – 2009 through the 1st Quarter of 2015

Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	16.1%	14.5%	14.4%	14.5%	12.8%	13.6%	13.6%
Avg. Rents - $/SF NNN	$10.95	$10.66	$10.26	$10.27	$10.12	$10.42	$10.53
Leasing Activity	820,743	969,508	696,875	890,463	910,781	710,393	195,823
Absorption	-185,406	651,114	37,463	205,190	453,152	-46,406	-18,130
Number of Building Sales	43	50	63	59	90	90	N/A
Avg. Bldg. Sales - $/SF	$122.01	$105.86	$81.22	$71.61	$82.37	$104.28	N/A
Wt. Avg. Bldg. Sales - $/SF	$114.48	$129.53	$99.23	$98.28	$105.48	$112.69	N/A

In 2007 the city wide office vacancy rate was 8.6%. Over the next two years (2008 and 2009) the vacancy rate increased and at the end of 2009 and the city wide office vacancy rate had risen to 16.1%. In 2010 the vacancy rate came down to 14.5% and remained there for the past three years. In 2013 the metro office vacancy rate fell significantly down to 12.8%. However, for 2014 the vacancy rate has increased to 13.6%, where it remains today at the end of the 1st quarter 2015.

The office trends data would indicate that the asking lease rates peaked around the end of 2007 at $11.56 per square foot NNN. At the end of the 4th quarter of 2011 the average asking office lease rate citywide had dropped to $10.26 per square foot NNN. In 2012 the average asking lease rate remained at about $10.27 NNN, but in 2013 asking lease rate fell to $10.12. Asking rates increased to $10.42 in 2014 and at the end of the 1st quarter of 2015 the average asking rate has increased to $10.53 per square foot NNN.

Turner reports that leasing activity over the last five years has remained fairly stable, generally between 700,000 to 980,000 square feet of activity. Absorption, over the same time period, went negative in 2008 and 2009 and positive in 2010 and 2011. In 2010 absorption was a positive +651,114 square feet but in 2011 is was only 37,463 square feet. In 2012 an upward trend reemerge with positive absorption of +205,190 square feet after leasing of 890,463 square feet. Again in 2013 the upward trend continued with positive absorption of +453,152 square feet after leasing of 910,781 square feet. For 2014 absorption has been negative with -46,406 square feet of absorption after leasing activity of 710,393 square feet. Today at the end of the 1st quarter 2015 the negative absorption trend has continued with -18,130 square feet after leasing activity of 195,823 square feet.

Industrial Market. The industrial market consists of slightly over 1,670 buildings totaling 34,113,552 square feet of space. More than half of these buildings (60%) are owner-occupied. At this time according to the Turner Commercial Report at the end of the 1st quarter of 2015 there was only one building of new industrial space under construction in the city. Approximately 183,432 square feet of new industrial space in two buildings has was completed in 2014. Completed new industrial construction during 2013 totaled 75,649 square feet in six buildings.

Industrial Market Trends – 2008 through the 1st Quarter of 2015

Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	11.4%	11.6%	9.2%	9.4%	9.3%	8.8%	8.2%
Avg. Rents - $/SF NNN	$6.49	$6.17	$6.17	$6.12	$6.48	$6.65	$6.78
Leasing Activity	1,152,590	976,840	1,091,241	687,485	1,070,653	649,123	204,791
Absorption	-1,923,908	10,778	803,765	53,652	197,502	301,296	233,996
Number of Building Sales	40	46	44	49	78	74	N/A
Avg. Bldg. Sales - $/SF	$23.75	$42.41	$50.13	$58.96	$56.74	$55.02	N/A
Wt. Avg. Bldg. Sales - $/SF	$77.24	$68.83	$62.56	$62.11	$68.39	$69.60	N/A

At the end of the year 2000 citywide industrial vacancy rates had fallen to 3.2%. The vacancy rate increased over the next four years and at the end of 2004 vacancy rates stood at 10.5%. From 2004 the vacancy rate went on a downward trend and at year end 2006 the vacancy rate had decreased to 6.4%. Between 2006 and 2010 the vacancy rate increased and at the end of 2010 it had reached 11.6%. In 2011 absorption was significant and the vacancy rate decreased to 9.2% and in 2012 it increased slightly to 9.4%. For 2013 the vacancy dropped slightly to 9.3%. The downward trend continued in 2014 dropping to 8.8%. Today at the end of the 1st quarter of 2015 the vacancy rate has continued to decrease to 8.2%.

Turner indicates that the industrial asking lease rates, on a citywide basis, averaged $7.15 NNN at year-end 2006. Since the end of 2006 asking industrial lease rates have been on a downward trend. At the end of the 4th quarter of 2012 the asking rate appeared to have bottomed out at $6.12 per square foot NNN, which represented -14.41% from 2006's asking rate of $7.15. In 2013 the average asking rent climbed to $6.48 per square foot NNN and in 2014 it increased to $6.65 NNN. At the end of the 1st quarter 2015 has increased slightly to $6.78 per square foot NNN.

For the year end 2006 leasing activity was 1,034,628 square feet and absorption was 1,076,401 square feet. Over the next four years (2007-2010) there was a negative absorption of 2,339,827 square feet, while leasing activity remained relatively constant. In 2011 the trend reversed itself with positive absorption of 803,765 square feet. The upward trend continued through 2012 with absorption of 53,652 square feet and into 2013 with absorption of 197,502 square feet. For 2014 the positive absorption trend continued with 301,296 square feet after leasing activity and 649,123 square feet. Today at the end of the 1st quarter 2015 absorption has been positive with 233,996 square feet after leasing activity of 204,791 square feet.

Neighborhood Data Overview

According to Turner Report the subject property lies in the Southwest Market area of the city.

Location. The subject property is located in the southwest portion of the City of Colorado Springs, Colorado, approximately 5 miles south of downtown. It is bound on the north by US Highway 24, on the east by Interstate 25, on the south by Fort Carson and on the west by foothills and Pike National Forest. (See Vicinity Map).

Access. Access to the subject property from the north and south is by way of Interstate 25, Nevada Avenue, 8th Street, and 21st Street. Access to the neighborhood east and west is by way of U.S. Highway 24, Cheyenne Boulevard, and Lake Avenue. Access to the subject's immediate neighborhood is by way of Gold Camp Road and Old Stage Road.

Streets. Interstate 25 is a four-lane divided Interstate Highway that basically bisects the state from north to south. Nevada Avenue, also known as U.S. Highway 85-87 and the Interstate 25 Business Loop, remains one of the City's major north/south thoroughfares. Nevada Avenue extends from I-25 on the north and intersects again with I-25 about eight miles south. Nevada Avenue continues farther south and becomes State Highway 115 to Penrose and Canon City. Nevada Avenue is four lanes and divided, with a median and turning lanes in most places. State Highway 115 for the most part is two lanes, except for an occasional passing lane on steep grades.

U.S. Highway 24 (Midlands Expressway within Colorado Springs) is a six lane median divided restricted access expressway between downtown Colorado Springs and Woodland Park, Colorado, 19 miles on the west. 21st Street originates at Uintah Avenue one mile on the north and continues southward through to the southwestern part of the city. 21st Street is a two to four lane paved secondary street extending mainly through residential and industrial areas. 8th Street is a four-lane major arterial. 8th Street is fully improved with asphalt paving, curb and gutter in most areas, and sidewalk and street lighting.

Lake Avenue is a westerly extension of Circle Drive which surrounds the city on the east and intersects with Interstate 25 and then becomes Lake Avenue and extends westerly two miles to the Broadmoor Hotel. Academy Boulevard (aka State Highway 83) extends southwesterly from old Highway 85-87 then meanders in a north and northwesterly direction and intersects with Interstate 25.

Topography. The topography of the neighborhood is rolling foot hills with valleys and mesas. Many areas have views towards the east, northeast towards downtown or to the west and the mountains.

The topography of the subject's immediate neighborhood is rolling Rocky Mountain foot hills with valleys, valley walls, mesas and rock formations. Many areas have views towards the east, southeast, and north towards downtown or to the west and the surrounding mountains.

Predominant Land Uses. The most predominant of all the land uses in the immediate area of the subject neighborhood is Fort Carson. Fort Carson is home to about 15,100 troops from the 3rd Armored Cavalry Regiment, 3rd Brigade of the 4th Infantry Division, 43rd Area Support Group, 10th Special Forces Group, the Colorado National Guard, and various other units. The total maneuver and live fire training area of Fort Carson is 360,000 acres, second only to the vast expanse of the National Training Center at Fort Irwin, California. Approximately 80% of Fort Carson is usable for mechanized maneuver training, and virtually all is usable for dismounted maneuver training. Units can train at brigade level and fire all of the Army's modern weapons systems. Fort Carson has an Air Force bombing range which can be used by the Air Force's most advanced aircraft. Fort Carson units can conduct live fire training up to battalion level and regularly incorporate the Air Force, Reserve and National Guard Forces and equipment into live fire training exercises.

Fort Carson is the largest employer in El Paso County and is the second largest employer in the state after the Colorado State government. Consequently, Fort Carson has played an important role in the Colorado Springs/El Paso County economy.

Cheyenne Mountain is home to North America's eye on the skies. Housed deep inside of Cheyenne Mountain in a 4.5 acre cavern is the Cheyenne Mountain Air Station. Cheyenne Mountain Air Station accommodates NORAD – the North American Aerospace Defense Command and its centers for Space Control, Missile Warning and Air Warning. In addition to watching for hostile missiles and aircraft, NORAD tracks about 14,000 man-made objects orbiting the earth.

The Pike National Forest forms the westerly boundary of the Southwest neighborhood. The Pike National Forest covers approximately 117,000 acres (8.5% of the total county land area). It is confined to the mountainous western portion of the county in an area extending south from the Douglas County line to south of Cheyenne Mountain. Nearly all of the mountain slope area that can be seen from the I-25 corridor is U.S. Forest Service land, and nearly all that is accessible is open to the public for multipurpose recreational use, including hiking, mountain biking and limited motorized uses. Cheyenne State Park is located approximately two miles south of the subject property. The Park covers approximately 1,600 acres and the park amenities includes camp sites and hiking trails. North Cheyenne Park is also located in the neighborhood and contains approximately 1,500 acres and is owned by the City of Colorado Springs. Park amenities include camp sites, hiking trails and a water fall (Helen Hunt Falls). Bear Creek Regional Park adjoins the subject property on the north and offers over 1,200 acres of hiking and biking trails, multiple playgrounds, community gardens, tennis courts, athletic fields and an extensive trail system. These lands act as a regional recreational and open space resource for the residents of El Paso County. They virtually form the backdrop and edge of the populated area. The undeveloped hillsides help define the character of the county.

The subject neighborhood is also known for the Broadmoor Hotel and having one of the most prestigious residential area in Colorado Springs. Overall, the neighborhood is considered the older part of the city but highly desirable for all age groups.

Potential Inharmonious Uses. Other than Cheyenne Mountain Air Station and Fort Carson there does not appear to be any potential inharmonious uses in the neighborhood.

Public Utilities and Services. For the most part, water, sewer, natural gas and electrical utilities are provided by the City of Colorado Springs. Adequacy of service is rated good. Water and sanitary sewer is also provided in the neighborhood by Stratmoor Hills Water and Sanitation. The US Forest Service provides fire service in the subject's immediate neighborhood.

Public Schools. Public Schools in the neighborhood consists of Harrison School District Number 2, Cheyenne Mountain School District 12 and Fountain/Fort Carson School District 8.

Public Transportation. Public Transportation to the neighborhood is provided by Colorado Springs Transit Route Nos. #4 (Broadmoor).

Conclusion – Future Trends. This subject neighborhood is characterized by commercial activity including motels, restaurants, retail centers, offices, and multi-family residential properties. The westerly portion of the area is considered an older part of the city, while the easterly portion has experienced newer construction with a variety of free standing buildings in all shapes, sizes, and uses. Overall, the neighborhood is well situated in the city with good access to Interstate 25, Highway 115 and US Highway 24. The neighborhood benefits from its close proximity to the Central Business District, recreational facilities and employment centers. I would anticipate that land values will remain stable or increase over the next two years.

Property Data

Location. The proposed Sanctuary at Bear Creek development is located on the east side of Crest Road, just south of Bear Creek Regional Park in the Southwest Market area of Colorado Springs, Colorado. See Satellite Photo below – the subject property is outlined in red.

Satellite Photo

Legal Descriptions. Assessor's records legally describe the subject property as follows:

<u>APN 74234-00-005:</u> TRACT IN SE4 SEC 23-14-67 AS FOLS, BEG AT CEN OF SEC 23, TH ELY ON E-W C/L OF SD SEC 357.25 FT FOR POB, CONT ELY ON E-W C/L OF SEC 403.63 FT, ANG R 90<16' SLY 509.09 FT, ANG R 70<51'30'' SWLY 424.06 FT, ANG R 108<52'30'' NLY 646.27 FT TO POB. County of El Paso, City of Colorado Springs, State of Colorado.

<u>APN 74234-00-006:</u> TRACT IN S2 SEC 23-14-67 AS FOLS, BEG AT CEN OF SEC 23, TH ELY ON C/L OF SEC 357.25 FT, ANG R 90< SLY 416.96 FT, ANG R 90< WLY 358.9 FT TO INTSEC WITH N-S C/L OF SEC 23, ANG R 90< ALG N-S OF SD C/L 417 FT M/L TO POB EX RD 4. County of El Paso, City of Colorado Springs, State of Colorado.

At Part 4 (Exhibits and Addenda) of this report I have also included a copy of the legal description of the subject property as described in the Preliminary Plat for Sanctuary at Bear Creek. After Platting the subject's legal descriptions would be: Lots 1 through 17 and Tracts

A, B and C, Sanctuary at Bear Creek Subdivision, City of Colorado Springs, State of Colorado.

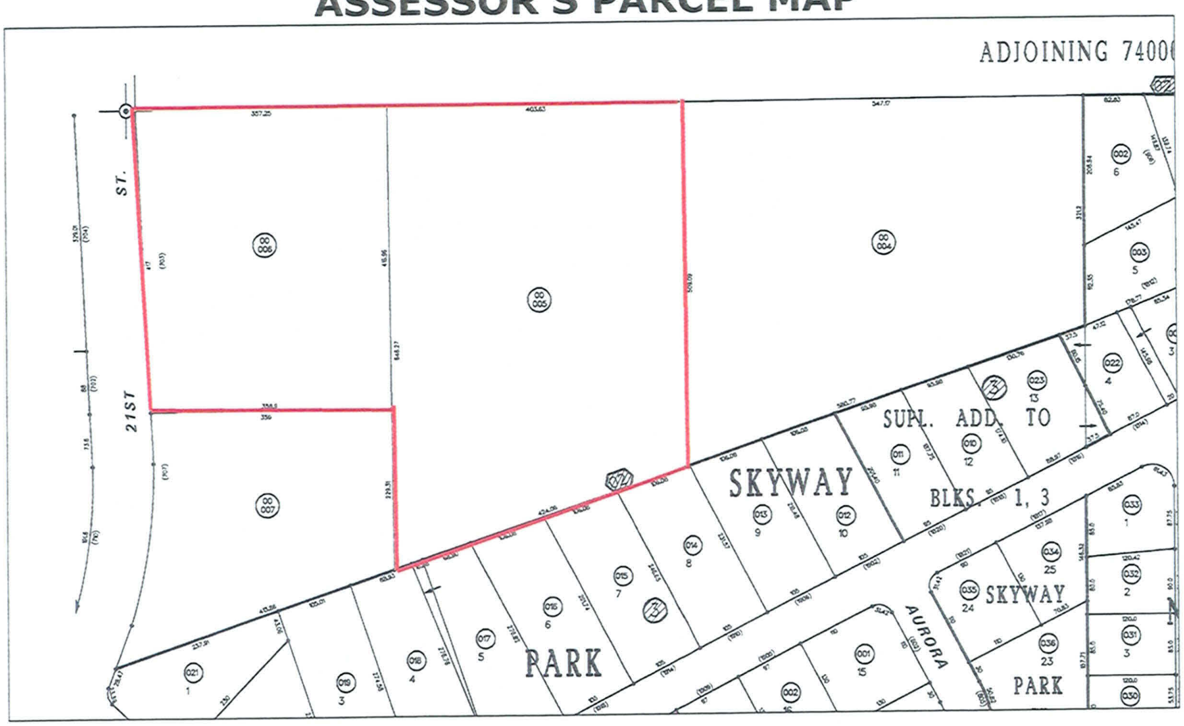
Tax Schedule Number, Actual Value, Assessed Value, and Taxes. The subject property is identified by Tax Schedule Number 74234-00-005 and 006. Taxes in Colorado are paid one year in arrears, i.e., the 2015 taxes are due and payable in 2015. The subject's Actual and Assessed values are shown below with the 2014 mil levy and the estimated 2014 property taxes payable in 2015.

Tax Schedule Number	Real Property	2014 Actual Value	2014 Assessed Value	2014 Mil Levy	Estimated Property Taxes
74234-00-005	Land	$308,160	$89,370	70.01	$6,259.79
74234-00-006	Land	$234,720	$18,680		
	Improvements	$338,759	$26,970		
	Total	$573,479	$45,650	70.01	$3,195.96

To estimate market value, for 2015 assessments of the property, the Assessor will used sale from 2013 and the first six months of 2014. The assessed values for 2015 are 29% of market value for improved non-residential properties and vacant land. The assessment ratio for residential properties slides to meet the requirements of the Gallagher Amendment and is currently set at 7.96% of the market value. Overall property taxes are reassessed every two years in Colorado. 2015 is a reassessment year.

The actual, assessed values and taxes, as shown above, are as determined by using the Assessor's value for the year of 2014 and with the 2014 mil levy. At this time, the subject property's assessed value and taxes appear reasonable as compared to similar properties. See a portion of the Assessor's Parcel Map below – the subject property is outlined in red.

ASSESSOR'S PARCEL MAP



Special Assessments. The subject property would not appear to be subject to general obligation indebtedness that are paid by revenues produced from annual tax levies on the taxable property within such districts.

Ownership. El Paso County records show the ownership of the subject property is held in the name of The Broadmoor Hotel, One Lake Avenue, Colorado Springs, Colorado 80906.

Property Sales History. According to the El Paso County Assessor's Office the current owner acquired the subject property on December 22, 2014. The purchase price was $1,000,000 and grantor was Marvin E. Korf. The transaction was recorded at El Paso County Reception No. 214117287 and the instrument was via a Warranty Deed.

Easements. No improvement survey or title research was supplied to the appraiser. I have reviewed the Preliminary Plat. Overall, there does not appear to be any encroachments at this time, however, this is difficult to verify without a survey. The Preliminary Plat would indicate that the subject lots will have the normal drainage and utility easements as required by the City of Colorado Springs for platting and the building of improvements. Consequently, my opinion is that there are no known easements which would adversely affect the value of the subject property. I assume no responsibility for the existence of any unknown easements or encroachments, and this appraisal is subject to the absence of any adverse easements, encroachments, or violations except as stated in this report.

Zoning. The subject property is located within the city of Colorado Springs, the land is not platted but zoned R1-9000. The R1-9000 zoning district promotes the use of the site to detached single family lots, each having a minimum land area of 9,000 square feet. The R1-9000 zoning is an unplanned and obsolete zoning district. The R1-9000 zoning district is being replaced by one of planned zoning districts like PUD.

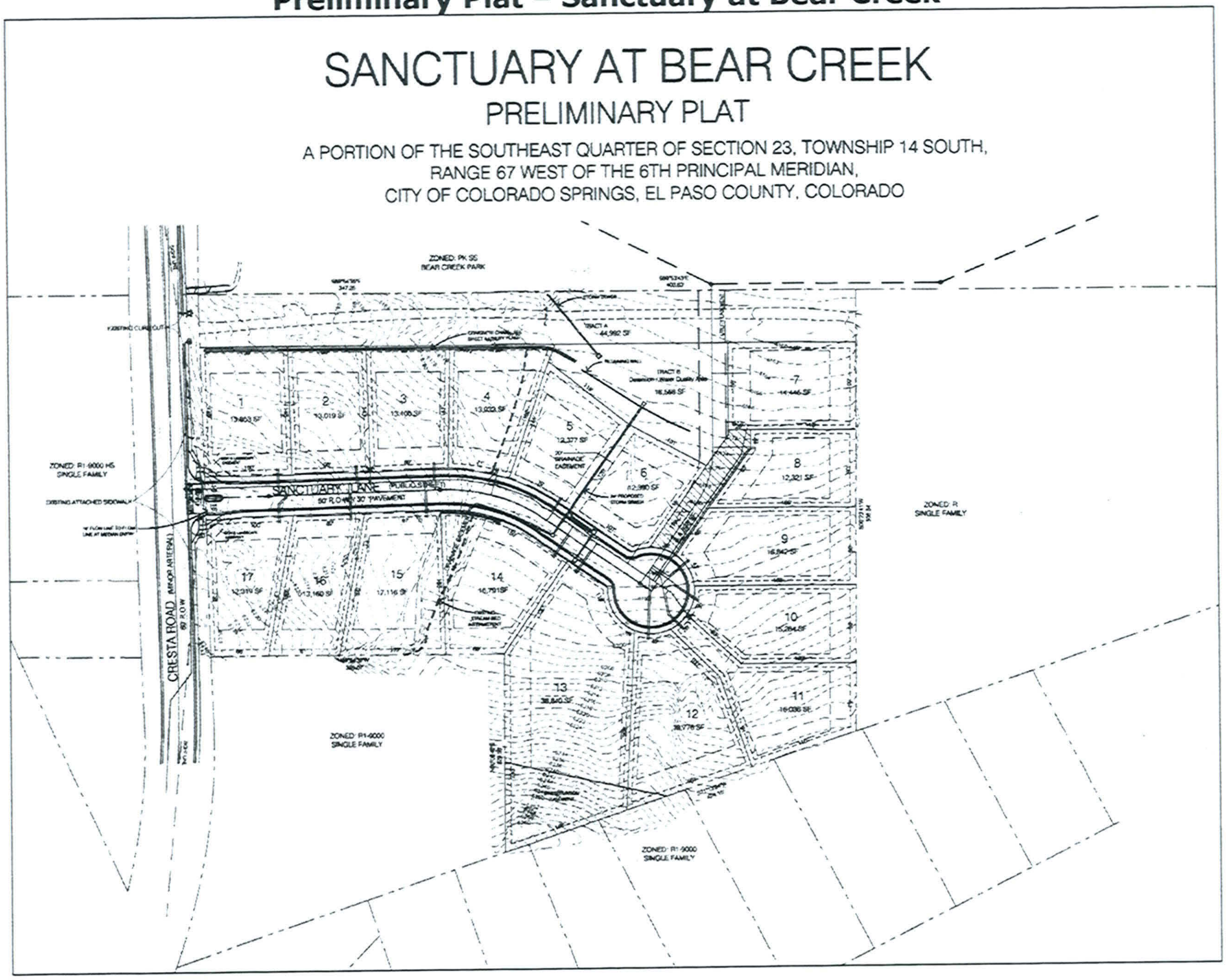
The proposed use of the subject property as detached single family lots would comply with the R1-9000 zoning regulation.

Census Tract Number. The subject property lies within the Colorado Springs urbanized area 2010 census tract number 25.02.

Land Area/Shape. According to Assessor's information the subject site contains a total land area of 8.61 acres or 375,052 square feet. The Preliminary Plat indicates that the subject has a land area of 8.596 acres or 374,436 square feet. For valuation purposes I will be using the land area indicated by the Preliminary Plat or 8.596 acres or 374,436 square feet.

A copy of the Preliminary Plat is shown on the following page. The Preliminary Plat shows a total land area of 8.596 acres or 374,436 square feet, which includes public right-of-way for Sanctuary Lane (approximately 0.789 acres). There is also three tracts (A, B and C) that contain a total of 1.572 acres. The 17 proposed subject lots contain a total land area of 271,597 square feet or 6.235 acres. The lots range in size from 12,321 square feet to 38,840 square feet with an average of 15,974 square feet and a median of 13,932 square feet.

Preliminary Plat – Sanctuary at Bear Creek



The project's shape is fairly typical for this type of infill residential development. Three of the proposed lots will have rectangular shapes. The remaining 14 lots are located on curves in the road and their shapes are irregular. Two of the lots are flag stem type lots. The shape and size of the lots are considered typical of similar residential lots in the immediate area. The lots are not considered to present atypical utility or building issues.

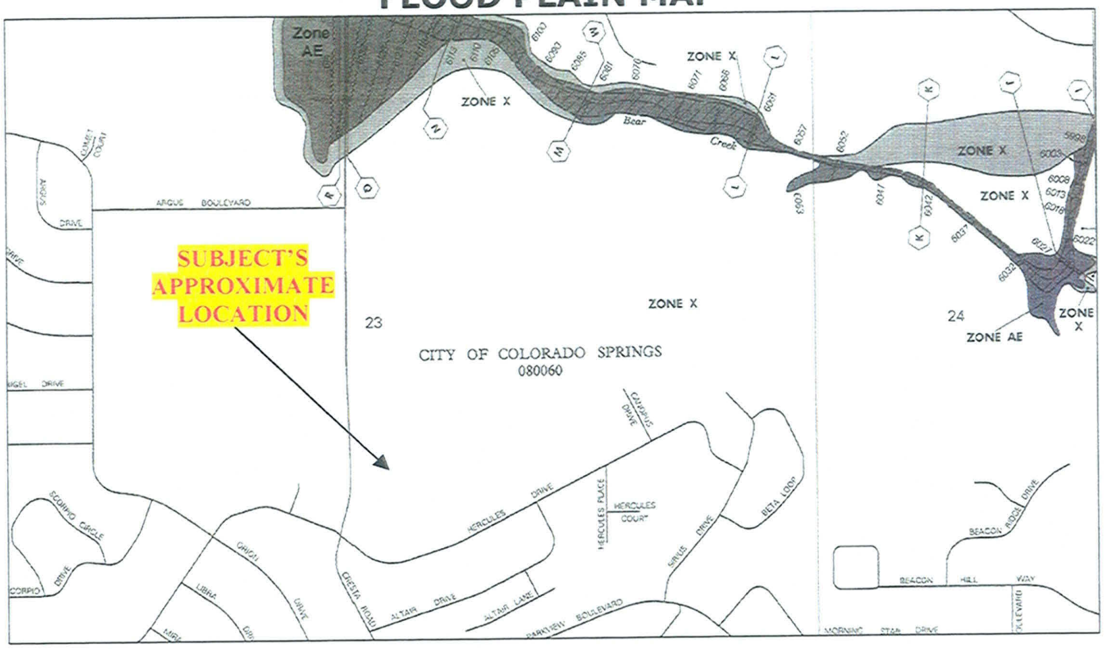
Frontage/Exposure. The subject site has approximately 417' feet along the east side of Cresta Road with average exposure. All of the lots are located on a single cul-de-sac street (Sanctuary Lane). For the most part the lots will have 80' to 100' frontages. Two of the lots are corner lots and two of the lots are flag lots. The lots will have average exposure.

Access. Access to the project will be from Cresta Road. Access to the individual subject lots will be via Sanctuary Lane.

Topography/Drainage. The topography is described as flat to slightly sloping. The south part of the site does rise upwards towards south and the Homes on Hercules Drive. A small drainage area crosses the site from the southwest towards the northeast. Drainage is basically from the southwest towards the northeast. Topography and drainage would not appear to adversely affect the utility of the site.

Flood Plain Statement. It would appear that the subject property is not located within a designated 100 year floodplain area for Fountain Creek. Flood Hazard Boundary Map No. 08041C00728F, dated 3/17/97, for Colorado Springs and El Paso County published by the Federal Emergency Management Agency (FEMA). See map below.

FLOOD PLAIN MAP



Views. Views from the subject site and from the proposed lots would be considered average to above average for the neighborhood.

Vegetation. The vegetation to the site included native grasses, scrub oak, conifers and other deciduous trees. Overall the site was moderately treed and the trees all appeared to have been trimmed.

Public Utilities. Water, sewer service, natural gas, and electricity are provided by the City of Colorado Springs. Telephone service is provided by CenturyLink, formerly Qwest communications.

Public Improvements. Public improvements to the subject property will include paved streets, concrete curbing and public utilities.

Site Improvements. There are no site improvements at this time. The proposed site improvements to the lots will include paved private streets, concrete curbing and common area landscaping, sidewalks and project identification sign.

Recreational Amenities. There are no passive or active recreational amenities to the Sanctuary at Bear Creek project. The project does adjoin Bear Creek Regional Park on the south.

Stage of Development. The subject property has a Development Plan and Preliminary Plat approval for 17 detached single family lots. Most all of the engineering has been completed for the development. As of the effective date of this report the final plat had not yet been approved or recorded and the lots were undeveloped.

PART 3

ANALYSIS AND VALUATION

Highest and Best Use

Highest and best use is defined as that reasonable and probable use, or succession of potential uses, that support the highest market value of the property as of the date of the appraisal.

The Appraisal Institute in The Dictionary of Real Estate Appraisal, Fourth Edition, Chicago, 2002, p. 135, defines highest and best use as:

> "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."

First, in this analysis, the subject site is considered as if the subject ownership is vacant land or a vacant site or land that can be made vacant by demolishing any existing improvements. Second, the site is considered as it is currently improved ("as is") or as an improved property.

There are building improvements which are considered to have little no value. Any proposed improvements to the subject property would be the subdivision improvements associated with the 17 detached single family lots. Therefore, both the as though vacant highest and as if improved as residential subdivision highest and best use will be considered.

Highest and Best Use - As Though Vacant:

Legally Permissible. The zoning and the proposed preliminary plat promotes the use of the site to 17 detached single family residential lots. The land uses adjacent to or in close proximity to the subject are primarily detached single family dwellings and open space, based upon the principle of conformity, a single family residential development would be the most likely use of the site.

Physical Possibility. The subject property is 8.596 acres of vacant land, which has received final preliminary plat approval for 17 detached single family residential lots. While the preliminary plat has been approved, the final plat has not been recorded. The lots are fully engineered but undeveloped. The topography of the site is slightly sloping with average to above average mountain and city views. The vegetation to the site included native grasses, scrub oak, conifers and other deciduous trees. Overall the site was moderately treed and well maintained. The site has access to Cresta Road with good visibility. Other than the size of the site, there are no physical characteristics of the site that would limit its use. The site has generally stable soil conditions and is believed to be free from environmental contaminants. Unless noted above, easements and restrictions do not limit the use of the site. Public utilities and roadway systems adequately support residential use of the site.

Financially Feasibility. The global and US economies have limped along for the past four years. The effect of slowdown has been felt in almost every sector and every country world-wide. The recovery has been described as anemic and the US and global economies still have a way to go before returning to normal. However, the US economy has shown signs of steady growth, led by professional services, healthcare, and leisure, while housing and manufacturing are holding steady. Job growth is up, equity markets are sending positive news. Federal austerity continues to create some drag on growth. The Federal Reserve is watching the recovery closely and is gradually slowing down their bond buying program, which will send interest rates up later this year.

As the market moves forward there is a mixture of positives and negatives that add some uncertainty about the path the market will take in 2015 and 2016. The positives include job growth in the 1st quarter of 2015 was strong; mortgage rates are still historically low; existing home prices are rising; primary job announcements were up, substantially this year; and new and resale home inventories remain low. The election of new city council members and a new mayor could mean an end to the recent political turmoil that has weighed heavily on local business and consumer confidence. The negatives include cuts in defense spending remain uncertain and their potential to slow local job growth could dampen future real estate market; the possibility of rising mortgage rates looms heavily over the real estate market.

Looking forward, most economists believe that there is greater upside potential in 2015 than downside. Job growth is the key factor that has impacted the speed of recovery in the local real estate market. After peaking at about 262,000 jobs in mid - 2008, the local economy has finally recovered all jobs lost in the Great Recession. With the number of jobs now having recovered back to pre-recession levels, one of the key variables that impacts the real estate market has finally gone positive. The big question everyone is asking "could we see sustainable growth in the real estate market"? In my opinion, while the factors necessary for continued recovery of the local real estate market seem to be aligned and the likelihood of growth in the market is high, there is still the potential for unknown influences such as Defense Department spending cuts and increased mortgage rates that could emerge and drag on the real estate market. Thus, the future path the market will take is not 100% certain. However, over the long term Colorado Springs metropolitan area should continue to experience population and economic growth. In the short term (1-2 years), I believe that all new residential construction will be demand-driven and any speculative construction will be very limited until market conditions improve.

The subject property is one of the better located sites for detached single family residential development in the city. The site is convenient to the CBD, employment, and recreation/parks and shopping and is located in a good school district. The most economically feasible use of the subject property would be for the development of detached single family residential lots. Development of detached single family residential lots to be sold to a home builder, would appear to be the most economically feasible use of the subject property as though vacant. The subject's most probable purchaser "As Is" would be a developer who would buy the vacant land, develop the lots and then sell them to a builder as market demand occurs.

Maximum Productive. Development of detached single family dwellings appear to be the only legal, likely physical and only estimated economically feasible use of the subject property, it is also considered to be the maximally productive use of the site.

Highest and Best Use As Though Vacant. In my opinion, the only physically possible use of the subject property as vacant would be the development of detached single family lots. It would also be the only legally permissible use of the subject and was also considered the only economically feasible use of the site. Therefore, the highest and best use of the subject's property as though vacant would be for the immediate development of detached single-family residential lots.

The subject's most probable purchaser "As Is" would be a small developer who would buy the vacant land, develop the lots and then sell them to a builder as market demand occurs. However, subject's most probable purchaser could be a small builder/developer who would buy the vacant land, develop the lots, build the homes and then sell them to users as market demand occurs.

Highest and Best Use As If Improved (As If Developed Scenario):

Physical Possibility. The subject property contains 8.596 acres. As proposed, the subject property will be developed into 17 detached single family residential lots. The lots range in size from 12,319 square feet to 38,840 square feet with an average of 15,974 square feet and a median of 13,382 square feet. Based upon the preliminary plat area the project will have a density of 1.98 lots per acre. The lots will typically have 80 to 100 foot frontages with average exposure. The shapes of the lots are predominately irregular. The topography of the lots is gentle slopes with average mountain and city views. Other than size, there are no physical characteristics of the lots that would limit their use.

Legally Permissible. Legally permissible uses "as if developed" are the same as those "as though vacant". The only legally permissible use is detached residential single-family housing.

Financially Feasibility. After subdivision development, the only economically feasible use appears to be single-family residential home development – the same as estimated for the subject "as though vacant".

Maximally Productive Usage. The maximally productive use of the subject, "as if developed" is essentially the same as "as though vacant". Due to the location and the sizes of the lots at the subject property and the characteristics of the subject neighborhood, the lots would likely best be suited for construction of homes representing higher-end price level. My opinion is that the maximally productive use is concluded to be development of the project with higher-end residential dwellings, providing the greatest possible return on each lot.

Based on the preceding analysis and the conclusions arrived in the residential market analysis, the highest and best use of the subject property "as if developed" is immediate development with luxury homes in the over $500,000 price range.

Appraisal Valuation Methodology

This appraisal is intended to provide a narrative presentation of those facts and techniques of analysis believed appropriate for providing a reasonably supported value estimate. The data and analysis considered most relevant are discussed in the remainder of this report.

Property Valuation

My appraisal assignment is to estimate the subject's "As Is" market value. Given that the subject has a Development Plan and Preliminary Plat approval, I have determined that the most reliable methodologies to estimate the subject's "As Is" market value are the Sales Comparison Approach and the Subdivision Development Approach.

In the first part of the valuation section I have estimated the "As Is" value of the subject property using the Sales Comparison Approach. In the sales comparison approach the subject's value is estimated based upon recent sales of similar vacant land parcels. The sales comparison approach is the methodology most often used to value vacant land.

In the second part of the valuation section I have estimated "As Is" market value for the subject property using the Subdivision Development Approach. In the valuation process I also estimate the "Aggregate Retail" market value of all the subject lots as if they were fully developed. In the subdivision development approach my assumption is that the most probable purchaser of the subject property would be a developer/builder who would purchase the vacant land and develop it into lots and then sell them to end users as market demand occurs. In this approach the developer/builder would incur both the costs (direct and indirect) and the time in holding/developing the lots and selling them to end users. The difference between revenues and costs including the developer's overhead and profit (Entrepreneurial Return) represents the highest price that a developer/builder would be justified in paying for the subject property "as is" (undeveloped).

Sales Comparison Approach – "As Is"

To estimate the subject's "As Is" market value using the sales comparison approach I first researched the Colorado Springs Market for recent sales of similar properties. I searched CoStar Comps records, El Paso County Assessor's Office records, and Pikes Peak MLS records for the last three years for comparable land sales.

My comparable land search revealed that there has been very few land sales of similar properties within the past few years, particularly in the Southwest Market area. This was not surprising given that very little land remains in the subject's neighborhood for similar development. Most of the land sales that were available were larger in size, had inferior locations and were slated for higher density projects. Several of the land sales were sales from lenders that had taken the properties through foreclosure. From the few sales that were available, I have selected five of the comparable land sales to be used in direct comparison with the subject property.

I also researched current listings for similar properties. My search of current listings revealed that there were several similar listings available for comparison in the Northeast and Southeast Market Area and only one in the Southwest Market Area. Most of the listings available were of bank owned properties and were larger in size. From all of the listings available I have selected one for comparison with the subject property.

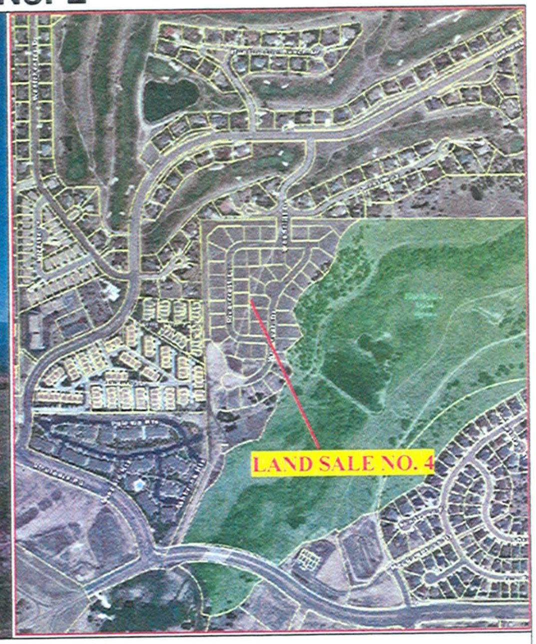
Overall, the comparable land sales and the listing were selected on the basis of similarity to the subject property as to time of transaction, proximity of location, size, physical characteristics and similarity as to zoning, stage of development and highest and best use. The five comparable land sales and the current listing are detailed on the following pages, then discussed and compared to the subject property on a sales comparison (adjustment) grid. The comparable land sales selected for direct comparison with the subject property are keyed to the Comparable Land Sales Map.

Comparable Land Sale No. 1

View:	Looking south from Sorpresa Lane		
Date Inspected/Photo by:	October 23, 2013/Tom Colon		
Location/Address:	7750 and 7860 Clay Lane – Access is from Sorpresa Lane		
Tax Schedule #:	53060-00-028 and 029		
Legal Description:	Meets and Bounds		
Grantor:	Moore2 LLC		
Grantee:	Nextop Holdings, LLC		
Sale Confirmed with/Date:	El Paso County Assessor's Records and Purchaser/October 23, 2013		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 212096397/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	August 20, 2012
Post Sale Expense:	None	Selling Price:	$262,500
Project Influence:	None	Unit Price:	$1.26 SF / $13,125 LOT
Physical Characteristics – Legal Aspects			
Land Area:	207,781 SF (4.77 AC)	Access:	Average
Shape:	Rectangular	Utilities:	All public available at site
Topography:	Slightly Sloping to Sloping	Zoning:	RR-5 (El Paso County)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Not Platted – Undeveloped
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Single Family Residential	Stage of Development:	Raw Undeveloped
Use at time of sale:	Vacant Land - Rural Residential		
Highest and Best Use:	Highest & best use would be to annex into the City of Colorado Springs for urban single family residential development.		

Remarks:	Terms of this sale were cash to Seller. Purchaser is a developer (Challenger Homes) who is in the process of annexing the property into the City of Colorado Springs. Single family land uses in the city adjoins the comparable on the north and east. Slightly sloping to sloping topography, averages views for the neighborhood. The lot sales in the immediate area are in $75,000 to $85,000 price range and are being sold to builders typically on rolling options. Sales History: The comparable property was foreclosed upon on 1/26/2010 by a bank and was sold to Moore2 LLC on 7/11/2011 for $250,000.

Comparable Land Sale No. 2



View:	Looking Southwest from Doral Way		
Date Inspected/Photo by:	October 21, 2013/Tom Colon		
Location/Address:	Doral Way off of Gleneagle Drive.		
Tax Schedule #:	62063-01-001, etc.		
Legal Description:	Lots 1 – 49 and Tracts A, B and C Morningview Subdivision, Colorado Springs, CO		
Grantor:	Smith Creek Hollings LLC (Allen Brown)		
Grantee:	Babcock Corporation (Leroy Landuis)		
Sale Confirmed with/Date:	El Paso County Assessor's Records, Purchaser/October 23, 2013		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 213061361/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	May 10, 2013
Post Sale Expense:	None	Selling Price:	$1,835,500
Project Influence:	None	Unit Price:	$1.74 SF /$37,500 Per Paper Lot
Physical Characteristics – Legal Aspects			
Land Area:	1,058,508 SF (24.3 AC)	Access:	Average
Shape:	Irregular	Utilities:	All public available at site
Topography:	Level to Sloping	Zoning:	RS-6000 (City CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Platted – Undeveloped
Visibility	Average	Corner/Interior Parcel	Interior Parcels
Surrounding Properties:	Residential and office	Stage of Development:	Paper Platted Lots
Use at time of sale:	Vacant site – Paper Platted Lots		
Highest and Best Use:	Highest and best use is single family residential		
Remarks:	Terms of this sale were cash to Seller. Purchaser is a developer. Purchaser is responsible for developing the 49 detached single family lots. Purchase price per paper platted lot is $37,500. Flat to slightly sloping topography – not all of the site was buildable. Good views of the mountains and a few trees. The comparable had utilities available for development, however. The development will contain 6.74 acres of open space. Highest and best use is single family residential. The lot sales in the immediate area are in $95,000 to $125,000 price range and are being sold to builders. Sales History: The seller purchased the property on 1/17/2007 for $2,100,000. Prior to purchase the purchaser annexed the property into the city and platted it. After annexing into the city the seller extended a main sewer to the property.		

Comparable Land Sale No. 3

View:	Looking southwest from the northeast corner of the site from Cowpoke Road		
Date Inspected/Photo by:	October 21, 2013/Tom Colon		
Location/Address:	6655 Cowpoke Road		
Tax Schedule #:	5306000061		
Legal Description:	NW4SE4NE4, N2SW4SE4NE4 EX N 30.0 FT SEC 6-13-65, El Paso County, Colorado		
Grantor:	Debra J Hostetler and Michael W Underwood		
Grantee:	Nextop Holdings, LLC		
Sale Confirmed with/Date:	El Paso County Assessor's Records and Purchaser/October 22, 2013		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 213093691/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	July 22, 2013
Post Sale Expense:	None	Selling Price:	$750,000
Project Influence:	None	Unit Price:	$1.15 SF
Physical Characteristics – Legal Aspects			
Land Area:	653,400 SF (15 AC)	Access:	Average
Shape:	Rectangular	Utilities:	All public available at site
Topography:	Level to Slightly Sloping	Zoning:	RR-5 (El Paso County)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Not Platted – Undeveloped
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Single Family Residential	Stage of Development:	Raw Undeveloped
Use at time of sale:	Rural Residential – Improved with an old single family dwelling (Land Value Only)		
Highest and Best Use:	Highest & best use would be to annex into the City of Colorado Springs for urban single family residential development.		
Remarks:	Terms of this sale were cash to Seller. Purchaser is a developer (Challenger Homes) and will be responsible for annexing the property into the City of Colorado Springs. Single family land uses in the city adjoins the comparable on the north and west. At the time of sale the property contained an old single family dwelling and several agricultural sheds but was purchased for land value only. Slightly sloping topography, above averages views of the mountains. The lot sales in the immediate area are in $75,000 to $85,000 price range and are being sold to builders typically on rolling options. Sales History: No sales history within the past five years.		

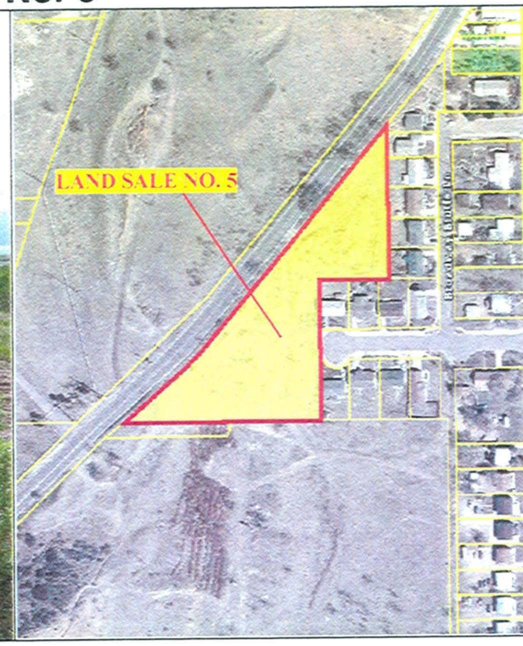
Comparable Land Sale No. 4

View:	Looking Southeast Across the Comparable Property		
Date Inspected/Photo by:	May 23, 2015/Tom Colon		
Location/Address:	7065 Templeton Gap Road		
Tax Schedule #:	53070-00-006, 073 and 097		
Legal Description:	Not Platted Meets and Bounds Legal, El Paso County, State of Colorado		
Grantor:	Cheuk and Susanne Kwan Living Trust		
Grantee:	Wolf Ridge Development Company LLC		
Sale Confirmed with/Date:	El Paso County Assessor's Records, Costar Comps/May 21, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 214080185/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	September 9, 2014
Post Sale Expense:	None	Selling Price:	$2,400,000
Project Influence:	None	Unit Price:	$2.08 SF
Physical Characteristics – Legal Aspects			
Land Area:	1,154,776 SF (26.51 AC)	Access:	Average
Shape:	Irregular	Utilities:	All public available at site
Topography:	Level to slightly sloping	Zoning:	A, AO (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	No
Visibility	Average	Corner/Interior Lot:	Interior Lot
Surrounding Properties:	Vacant Land, Residential	Stage of Development:	Raw Land –No Entitlements
Use at time of sale:	Vacant site		
Highest and Best Use:	Highest and best use is detached single family residential		
Remarks:	Terms were cash to the seller. Purchased by a developer. Comparable Land Sale consisted of three parcels. Located in Northeast Market area. Vegetation is native grasses with a few trees. The views were considered average for the neighborhood. The lot sales in the immediate area are in $65,000 to $75,000 price range and are being sold to builders on rolling options. Sales History: The comparable parcel was purchased 10/27/2005 for $1,262,804.		

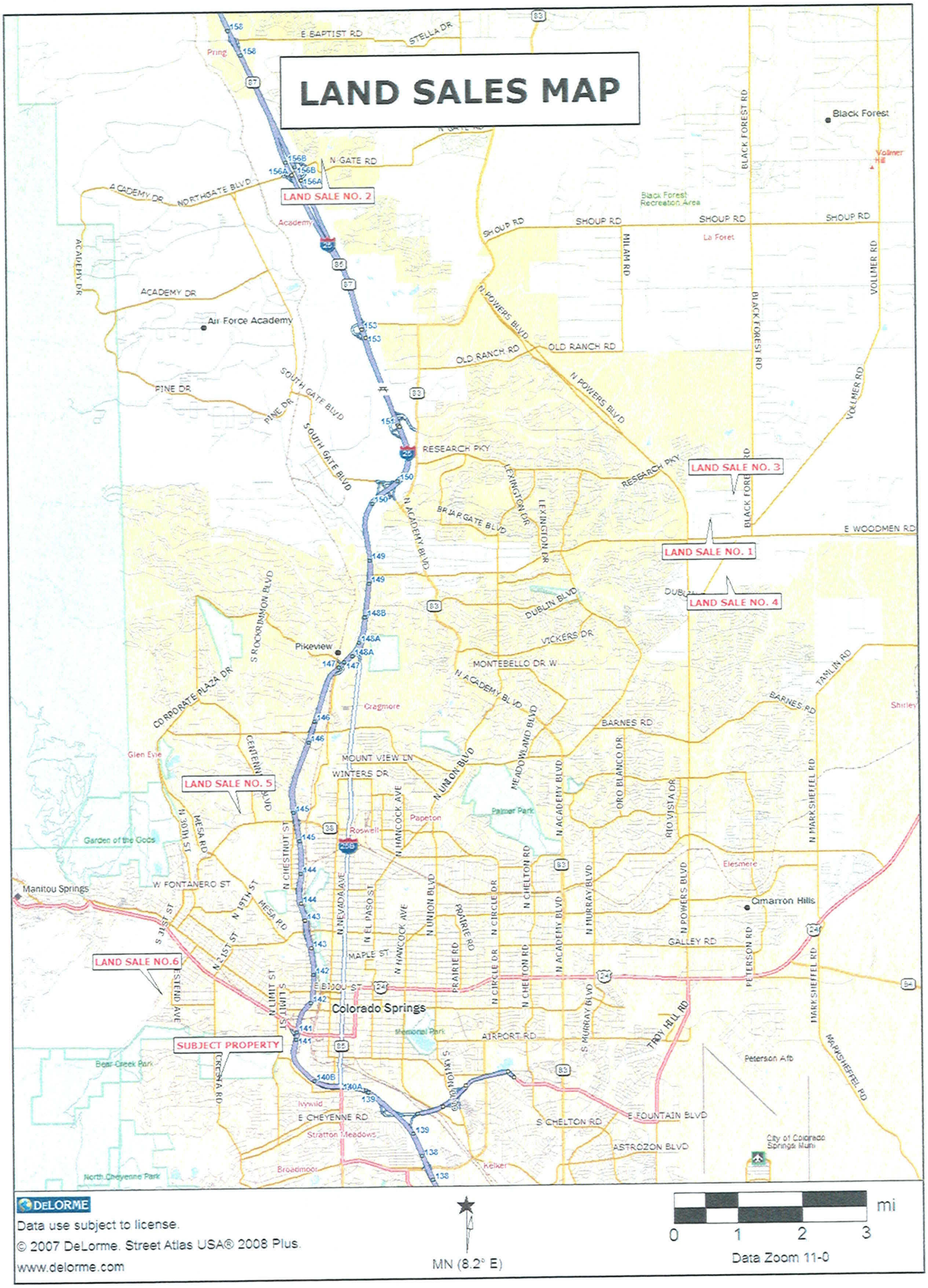
Comparable Land Sale No. 5

View:	Looking east across the comparable property from Issaquah Drive		
Date Inspected/Photo by:	May 23, 2015/Tom Colon		
Location/Address:	0 Hill Circle, Colorado Springs, CO		
Tax Schedule #:	73351-00-014		
Legal Description:	Not Platted Meets and Bounds Legal, El Paso County, Colorado Springs, CO		
Grantor:	Garden of the Gods Club LLC		
Grantee:	Land 5 LLC (Peter Martz)		
Sale Confirmed with/Date:	El Paso County Assessor's Records, Broker/May 23, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 215006378/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	January 22, 2015
Post Sale Expense:	Obtaining Entitlements	Selling Price:	$356,879
Project Influence:	None	Unit Price:	$3.45 SF
Physical Characteristics – Legal Aspects			
Land Area:	102,336 SF (2.35 AC)	Access:	Average
Shape:	Irregular	Utilities:	All public available at site
Topography:	Level to Slightly Sloping	Zoning:	PUD (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Yes, as a single Lot
Visibility	Average	Corner/Interior Parcel	Corner Parcel
Surrounding Properties:	Vacant Land, Residential	Stage of Development:	Platted, Not Developed
Use at time of sale:	Vacant site		
Highest and Best Use:	Highest and best use is single family residential		
Remarks:	Terms were cash to the seller. The purchaser was a developer who is responsible for obtaining the necessary entitlements to construct 7 detached single family dwellings on the site. The site was not fully perimeter developed and the purchaser will be responsible for the construction of any road improvements. 92 days on the market. Vegetation is native grasses with a few bushes. The views were considered average for the neighborhood. Highest and best use is detached single family residential. The lot sales in the immediate area are in $175,000 to $200,000 price range and are generally being sold to builders. Sales History: The comparable property was part of a larger purchase involving multiple parcels that sold 2/28/2007 for $24,650,000.		

Comparable Land Sale No. 6



View:	Looking southeast from 26th Street		
Date Inspected/Photo by:	May 23, 2015/Tom Colon		
Location/Address:	1247 South 26th Street		
Tax Schedule #:	74151-05-020		
Legal Description:	Lot 1 Broadway Bluffs Subdivision		
Grantor:	Steven W Cox		
Grantee:	TBD		
Sale Confirmed with/Date:	El Paso County Assessor's Records and Broker/May 21, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# TBD /Assumed Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	TBD
Post Sale Expense:	None	Selling Price:	$199,900
Project Influence:	None	Unit Price:	$1.86 SF
Physical Characteristics – Legal Aspects			
Land Area:	107,593 SF (2.47 AC)	Access:	Average
Shape:	Irregular	Utilities:	All public available at site
Topography:	Slightly Sloping to Sloping	Zoning:	PUD (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Platted But Undeveloped
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Single Family Residential	Stage of Development:	Platte, Undeveloped
Use at time of sale:	Vacant Land		
Highest and Best Use:	Highest and best use is single family residential		
Remarks:	Current Listing. Terms offered are cash to Seller. Comparable is approved for 10 detached single family residential lots or 20 patio home lots. Slightly sloping to sloping topography, above averages views for the neighborhood. The comparable land sale's unusual shape and topography would limit the utility of the site. The broker information is that the retail selling price for the lots would be $70,000 to $75,000. Sales History: The comparable property was purchased by the current owner on 1/14/2014 for $84,900. The prior owner purchased the comparable property on 4/6/2009 for $150,000.		


LAND SALES MAP
LAND SALE NO. 1
LAND SALE NO. 2
LAND SALE NO. 3
LAND SALE NO. 4
LAND SALE NO. 5
LAND SALE NO.6
SUBJECT PROPERTY
Black Forest
Black Forest Recreation Area
La Foret
Air Force Academy
Pikeview
Colorado Springs
Manitou Springs
Cimarron Hills
Garden of the Gods
Palmer Park
Peterson Afb
E BAPTIST RD
STELLA DR
N GATE RD
NORTHGATE BLVD
ACADEMY DR
SHOUP RD
BLACK FOREST RD
VOLLMER RD
OLD RANCH RD
N POWERS BLVD
RESEARCH PKY
E WOODMEN RD
N ACADEMY BLVD
BRIARGATE BLVD
LEXINGTON DR
DUBLIN BLVD
VICKERS DR
MONTEBELLO DR W
BARNES RD
MOUNT VIEW LN
WINTERS DR
N UNION BLVD
W FONTANERO ST
MAPLE ST
E BIJOU ST
AIRPORT RD
GALLEY RD
E FOUNTAIN BLVD
S CHELTON RD
ASTROZON BLVD
E CHEYENNE RD
N MARKSHEFFEL RD
TROY HILL RD
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Adjustments to Comparable Land Sales. The six comparable land sale transactions selected for direct comparison with the subject property are shown on Table 1 (Sales Comparison Grid).

Circumstances of the Sale Adjustments. To the nominal sales price of each respective transaction there is made, if required, adjustments for circumstances of sale. Circumstances of sale adjustments include four categories, which are adjusted in a specific order. The first adjustment is for property rights conveyed, which includes adjustments for leasehold transactions where necessary or for partial interests. The transaction price adjusted for property rights conveyed is further adjusted first for financing terms, if any, and then for conditions of sale including any non-arm's length relationship between the parties to the transaction.

<u>Property Rights Conveyed.</u> All five of land sales were sold fee simple and no adjustments were made.

<u>Financing.</u> Financing arrangements can affect the sale price of real estate, particularly when seller financing is involved. All the sales were cash to the seller. No financing adjustments are made.

<u>Conditions of Sale.</u> All of the comparable land sales were open market, arm's length transactions without any reported extraordinary considerations or circumstances.

<u>Market Conditions.</u> Most commonly referred to as the "time adjustment," the market conditions adjustment recognizes changes in the market (appreciation/depreciation) from the time the comparable sale closed to the subject's date of value. The comparable land sales analyzed range in age from 33 months before the subject's date of value to four months prior.

To help estimate the change in market conditions and form my adjustment for market conditions, I have analyzed the detached single family residential market. In the analysis, I looked at building permits, builder's spec inventory and the available lot inventory in the Colorado Springs Metro area. This analysis will be discussed more thoroughly in the Subdivision Development Approach. Overall, this market data would appear to indicate that residential home and land/lot values have risen (3% to 6% annually) over the past 36 months in the Colorado Springs Metro area.

In addition, to determine a market conditions adjustment I also looked at the change in home values as reported by the Office of Federal Housing Enterprise Oversight's (OFHEO). I analyzed MLS data as reported by Pikes Peak Association of Realtors for the change in home values.

<u>Office of Federal Housing Enterprise Oversight's Data.</u> According to the OFHEO's Housing Price Index Report prior to 2007 Residential home values in the Colorado Springs Metro area had been increasing in the 6% to 8% percent range. In 2007 home appreciation came to a virtual standstill and in 2008 it started declining. In 2012 the trend changed direction and residential home values started to increase. According to the Office of Federal Housing Enterprise Oversight's (OFHEO) latest Housing Price Index Report, the Colorado Springs MSA saw a +3.1% increase in housing prices between 4th quarter 2012 through 4th quarter 2013. This past year (4th quarter 2013 through 4th quarter 2014) saw a 4.1% increase in housing prices. See Table on the following page.

Changes in Value - Single Family Homes
Colorado Springs Metro Area, 1984-2014

Year	Quarter	Single Family Home Value	Percent Change Over One Year Ago
1984	4th	$71,450	8.4%
1985	4th	$72,690	1.7%
1986	4th	$75,340	3.6%
1987	4th	$73,950	-1.8%
1988	4th	$72,470	-2.0%
1989	4th	$72,920	0.6%
1990	4th	$73,090	0.2%
1991	4th	$76,210	4.3%
1992	4th	$81,450	6.9%
1993	4th	$89,860	10.3%
1994	4th	$98,240	9.3%
1995	4th	$105,280	7.2%
1996	4th	$111,350	5.8%
1997	4th	$116,470	4.6%
1998	4th	$121,680	4.5%
1999	4th	$126,840	4.2%
2000	4th	$136,010	7.2%
2001	4th	$147,550	8.5%
2002	4th	$154,330	4.6%
2003	4th	$158,220	2.5%
2004	4th	$167,260	5.7%
2005	4th	$179,110	7.1%
2006	4th	$184,850	3.2%
2007	4th	$183,790	-0.6%
2008	4th	$178,700	-2.8%
2009	4th	$174,030	-2.6%
2010	4th	$171,350	-1.5%
2011	4th	$166,980	-2.6%
2012	4th	$168,440	0.9%
2013	4th	$173,740	3.1%
2014	4th	$180,840	4.1%

Source: Federal Housing Finance Agency

<u>MLS Market Data.</u> Pikes Peak Association of Realtors MLS data indicates that sales of single-family homes through the first four months of 2015, sales totaled 3,331, a 20.3% increase over the same period in 2014. Meanwhile, homes that were sold in a median price of $230,000 had a +8.5% increase over the same period 2014. The inventory of homes for sale totaled 1,705 in April, a +2.3% increase compared to April 2014.

For the Southwest market MLS data indicates that sales of single-family homes through the first four months of 2015, sales totaled 169, a 29% increase over the same period in 2014. Meanwhile, homes that were sold in a median price of $356,175, had a +25.1% increase over the same period 2014. The inventory of homes for sale totaled 92 in April, a -15.6% decrease compared to April 2014.

Overall, based upon the data to be discussed above and to be discussed in the Subdivision Development Approach, this market data would appear to indicate that residential home and land/lot values have risen (3% to 6% annually) over the past 36 months in the Colorado Springs Metro area. Therefore, on Table 1 I have adjusted the comparable land sales upward for market conditions at an annual rate of 4% or 0.33% per month.

TABLE 1 - SALES COMPARISON GRID

Transaction Number:	Benchmark Lot		Land Sale No. 1		Land Sale No. 2		Land Sale No. 3		Land Sale No. 4		Land Sale No. 5		ınd Sale No. 6
Address	(Lot 14) Sanctuary Ln		7750 and 7860 Clay Lane		Doral Way, N of North Gate Road		6655 Cowpoke Road		6735 Templeton Gap Road		0 Hill Circle		1247 26th Street
Development	Sanctuary at Bear Creek		Cumbre Vista		Morning View		Unknown		Wolf Ridge		Garden of Gods		Broadview
Market Area	Southwest		Northeast		Northeast		Northeast		Northeast		Nothwest		Southwest
Date of Sale	5/20/2015		20-Aug-12		10-May-13		22-Jul-13		03-Sep-14		21-Jan-15		Listing
Property Data:													
Land Area in Sq.Ft.	374,436		207,781		1,058,508		653,400		1,154,776		102,366		107,593
Land Area in Acres	8.596		4.77		24.30		15.00		26.51		2.35		2.47
Zoning	R-1/9000		RR-5		RS 6000		RR-5		PUD AO		PUD		PUD
Number of Units	17		20		49		56		92		7		10
Density/Units Per Acre	1.98		4.19		2.79		3.73		3.47		2.98		4.05
Sale Price			$262,500		$1,835,500		$750,000		$2,400,000		$356,879		$199,900
Property Rights Conveyed		Fee Simple	-0-	nple	-0-	Fee Simple	-0-	mple	-0-	Fee Simple	-0-	le	-0-
Adjusted Sale Price			$262,500		$1,835,500		$750,000		$2,400,000		$356,879		$199,900
Financing Terms		Cash Out	-0-	Out	-0-	Cash Out	-0-	Out	-0-		-0-	ıt	-0-
Adjusted Sale Price			$262,500		$1,835,500		$750,000		$2,400,000		$356,879		$199,900
Conditions of Sale		Arm's Length	-0-	ngth	-0-	Arm's Length	-0-	Arm's Length	-0-		-0-	rm's Length	-0-
Adjusted Sale Price			$262,500		$1,835,500		$750,000		$2,400,000		$356,879		$199,900
Market Conditions (Time)		10.89% Mkt. Adj.	$2,859	.92% Mkt. Adj.	$145,372	.26% Mkt. Adj.	$54,450	37% Mkt. Adj.	$71,280	32% Mkt. Adj.	$4,711	g	($5,997)
Sale Price Adjusted for Property Rights, Financing, Conditions of Sale, and Time			$265,359		$1,980,872		$804,450		$2,471,280		$361,590		$193,903
Purchase Price Per Acre			$55,631		$81,517		$53,630		$93,221		$153,868		$78,503
Purchase Price Per Sq. Ft.			$1.28		$1.87		$1.23		$2.14		$3.53		$1.80
Purchase Price Per Lot			$13,268		$40,426		$14,365		$26,862		$51,656		$19,390
Comparison Adjustments	Subject	Comp.	Adj.	mp.		Comp.	Adj.	Comp.	Adj.		Adj.	).	
Location/Access	Good/Avg.	Inf./Equal	$35,000	Inf./Inf.	$20,000	Inf./Equal	$35,000	Inf./Equal	$35,000	Sup./Equal	-$5,000	Inf./Equal	$30,000
Zoning	R-1/9000	Adj Below	$0	Equal	$0	Adj Below	$0	Inferior	$2,000	Inferior	$2,000	Inferior	$2,000
Physical Characteristics	Average	Equal	$0	Equal	$0	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Size (Lot Size)	15,974	6,000	$15,000	12,000	$5,000	6,000	$15,000	6,500	$12,000	15,000	$0	5,000	$20,000
Stage of Development	Paper Platted	Inferior	$10,000	Superior	-$3,000	Inferior	$10,000	Inferior	$3,000	Inferior	$3,000	Sup./Inf.	$0
View	Above Average	Equal	$0	Superior	-$3,000	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Vegetation	Above Average	Inferior	$5,000	Infeior	$5,000	Inferior	$5,000	Inferior	$5,000	Inferior	$5,000	Inferior	$5,000
Highest and Best Use	Single Family	Equal	$0	qual	$0	Equal	$0	qual	$0	Equal	$0	l	$0
Net Adjustments ($/Lot)			$65,000		$24,000		$65,000		$57,000		$5,000		$57,000
Gross Adjustments ($/Lot)			$65,000		$36,000		$65,000		$57,000		$15,000		$57,000
Net Adjustments ($/Lot)			$65,000		$24,000		$65,000		$57,000		$5,000		$57,000
Adjusted Price Per Lot			$78,268		$64,426		$79,365		$83,862		$56,656		$76,391
Weighting Factor			10.00%		25.00%		10.00%		15.00%		30.00%		10.00%
Product			$7,827		$16,106		$7,937		$12,579		$16,997		$7,639

Indicated Range of Values Per Lot	$56,656	to	$83,862	Lot	
Average Value Per Lot	$73,161				
Median Value Per Lot	$77,329				
Weighted Value Per Lot	$69,085				
Indicated Value Per Lot	$73,000	X	17	Lots	$1,241,000
					$1,241,000 d

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Comparison Adjustments. To the sales price as adjusted for property rights conveyed, financing terms, conditions of sale, and market conditions, there are made percentage adjustments as necessary for physical differences between the comparable properties and the subject property. Where the comparable property is considered superior to the subject property, a downward adjustment is made. Where the comparable property is considered inferior to the subject property, an upward adjustment is made. For each respective transaction the net adjustment is the sum of the individual adjustments.

There are two possible basis that the land sales can be compared and adjusted i.e. the purchase price per acre/square foot or per proposed single family lot/unit. I have chosen to use the proposed single family lot/unit basis. I have chosen the per lot basis for several reasons. First, we know how many and the kind of lots the subject property and the comparable sale properties will have. Second, the number of lots is the main driving economic factor in a land development deal. Third, the per lot basis would be the methodology that a prospective purchaser would use to analyze whether or not to buy the subject property.

As shown on Table 1 Sales Comparison Grid, I have adjusted the comparable land sales for physical differences as compared with the subject property. My adjustments are made to the purchase price per proposed lot. Comments on adjustments to follow.

Location/Access. The location/access adjustment considers proximity and exposure to major commercial corridors, accessibility and the surrounding general level of land values. All except one of the comparable land sales were considered inferior to the subject property in terms of location and were adjusted upwards. Comparable Land Sale No. 5 was considered superior because of its gated community location and higher surrounding property values. All of the comparable sales, except Land Sale No. 2, were considered equal in access. Land Sale No. 2's access was considered inferior and was adjusted upwards. Access to Land Sale No. 2 is through an older existing subdivision.

Zoning. The zoning adjustment considers the differences in permitted, special and accessory use and development restrictions. In this category I have adjusted only Comparable Land Sale Nos. 2, 4, 5 and 6 for differences in zoning. Land Sale Nos. 1 and 3 are adjusted for the differences in zoning in my stage of development adjustment to be discussed below. These two sales had most inferior stages of development which require both annexation and zoning.

Only Comparable Land Sale No. 2 was considered equivalent in zoning, because like the subject, its zoning was an unplanned district. Comparable Land Sale Nos. 4, 5 and 6 were considered inferior in zoning because there zoning were planned zoning districts.

Physical Characteristics. The need for a physical characteristics adjustment arise from differences as to topography, parcel shape, parcel location in a block, easements, soil and site conditions. Considered under this heading are the presence of toxic or hazardous materials or any other hazardous condition known to the parties at the time of sale.

Adjustments to the comparable land sales for parcel shape, topography and soil conditions are discussed below. The adjustment for differences in land preparation costs are handled in my adjustments for stage of development to be discussed below.

<u>Parcel Shape</u>. No adjustments were made. All of the lots to be developed on the comparable land sales would have fairly similar parcel shapes.

Topography. Lots to be developed on the Comparable Land Sale Nos. 1, 3 and 4 would have fairly flat topographies with few possibilities for walkout basements. The topography of the lots developed on Comparable Land Sale Nos. 2, 5 and 6 would be more similar to the subject's proposed lots. While there are differences in topographies of the proposed lots no adjustments were made.

Soil Conditions. No adjustments were made.

The adjustment percentage shown on Table 1, per comparable land sale, reflects the sum of the individual adjustments as discussed above.

Size. Size adjustments are typically made to allow for the fact that larger land areas of a given level of utility tend to sell for less per area unit than smaller parcels and vice-versa. Simply, a larger tract with similar characteristics compared to a smaller tract will typically sell for less on a comparative unit basis. The typical size adjustment is not warranted to the comparable land sales.

However, within the size adjustment category, I have accounted for the average size of the proposed lots and the project's overall density. The lots within the subject subdivision will have an average size of 15,974 square feet. Larger single family lots or lower density projects generally sell for more, on a per lot basis, than smaller single family lots and higher density projects. All of the comparable land sales, except Land Sale No. 5, will have smaller sized lots. Lots to be developed on Comparable Land Sale Nos. 1, 3, 4 and 6 will be in the 5,000 to 6,000 square foot range. These sales were adjusted upwards for having smaller lot sizes. Comparable Land Sale No. 5 will have lots fairly similar to the subject lots and no adjustments were made. My adjustment amount for lot size is a quality type adjustment and not tied to a specific acreage or square footage.

Stage of Development. Stage of Development adjustment considers the location and extent of public utilities and improvements and its impact on the developability of the comparable properties relative to the subject. Also considered under this heading is whether or not the comparable property was platted and if associated platting fees have been paid.

The subject property has a Development Plan and Preliminary Plat approval for 17 detached single family lots. Most all of the engineering has been completed for the development and there are no off-sites. As of the effective date of this report the final plat had not yet been approved or recorded and the lots were undeveloped.

Various adjustments were made to comparable land sales depending upon their stages of development.

Comparable Land Sale No. 1 was raw land at the time of sale and was not annexed into the City nor did it have an approved development plan or preliminary plat approval. The site is surrounded by the city but is not perimeter developed (off-sites needed). Thus a significant upward adjustment would be warranted for the comparable sale's lack of development entitlements and public improvements.

Comparable Land Sale No. 2 is located in the Northeast Market in close proximity to the Gleneagle area. The comparable is located in the city, zoned and has been platted into 64 detached single family lots. The lots are undeveloped and most all of the off-sites have been completed. This sale was adjusted downwards for being superior in stage of development.

Comparable Land Sale No. 3 was raw land at the time of sale and was not annexed into the City nor did it have an approved development plan or preliminary plat approval. The site is surrounded by the city but is not perimeter developed (off-sites needed). Thus a significant upward adjustment would be warranted for the comparable sale's lack of development entitlements and public improvements.

Comparable Land Sale No. 4 was raw land at the time of sale but it had been annexed into the City and was properly zoned for residential. However, the comparable did not have a development plan or preliminary approval and the site was not fully perimeter developed. Thus, an upward adjustment to sale price was warranted.

Comparable Land Sale No. 5 is located in the City, zoned PUD and perimeter developed. However, the comparable did not have a development plan or preliminary approval. Thus, a slight upward adjustment to sales price was warranted.

Comparable Land Sale 6 is located in the City, zoned PUD and has an approved development plan for 10 detached single family lots. The site is currently platted as a single lot and platting fees have been paid. However, additional off-site improvements will be needed to develop the site. Thus a downward adjustment would be warranted to the comparable sale for being platted and having platting fees paid and an upward adjustment would be warranted for needing off-site improvements.

View. The best views command the highest prices for residential properties. Comparable Land Sale No. 2 was considered to have a superior view and was adjusted downwards. The remaining land sales had views similar to the subject's view and were not adjusted.

Vegetation. The quality and to a certain extent the quantity of vegetation and trees that a residential property possess can greatly influence its sales price. Unlike the other adjustment categories too much vegetation/trees can also have a negative effect on value. All of the comparable land sales were considered inferior in vegetation and was adjusted upwards.

Highest and Best Use. The adjustment for highest and best use compares the sale property with the subject in terms of relative value of end uses. The adjustment additionally considers ripeness for development and compares the time for optimum development of the comparable property with that of the subject. Where a differential in ripeness of development occurs, the amount of the adjustment is based upon carrying costs over the estimated time difference. No adjustments were necessary.

Sales Comparison Approach Conclusion. On Table 1 the respective net adjustments expressed as percentages are the sum of the individual comparison adjustments. For each comparable sale, the unit sale price is adjusted by the net percentage adjustment. The range of adjusted sales prices, the mean adjusted sales price, and the weighted average sale price are as shown on the table. The adjusted sale prices are then weighted according to the appraiser's estimate of the degree of comparability that each of the respective sales bears to the subject property.

The range of adjusted sale prices, per proposed lot, are from $56,656 to $82,862 with an average of $73,161 and a weighted average of $77,329. Comparable Land Sale No. 5 required the least amount of gross adjustment and had the lowest indicated value for the subject property. Land Sale No. 2 had the second lowest indicated value for the subject property and required the second least amount of gross adjustment. Comparable Land Sale No. 4 required the third least amount of gross adjustment and had the highest indicated value for the subject property. Comparable Land Sale Nos. 1 and 3 required the most amount of gross adjustment mainly due to their inferior locations, lot size and stage of development. Land Sale No. 6 required the third most amount of gross adjustment and had third lowest indicated value for the subject. I gave most weight to Comparable Land Sale No. 4 followed by Land Sale No. 2 because they required the least amount of gross adjustment. I gave Land Sale Nos. 1, 3 and 6 the least amount of weight because they required the most amount of gross adjustment. As such, my weighted average as shown on Table 1 is $69,085 per lot.

Based upon my analysis above I have selected $73,000 per lot as my concluded value per lot for the subject property. My selected value per lot is slightly above my (appraiser's) weighted average, similar to the average and below weighted average. As shown and estimated on Table 1, the indicated market value of the subject property is estimated at **$1,241,000 or $73,000 per lot.**

Subdivision Development Approach

In this part of the valuation section I have estimated the "As Is" market value for the subject property using the Subdivision Development Approach. In the process I also estimated the "Aggregate Retail" market value of all the subject lots as if they were fully developed. The Subdivision Development Approach is applicable where a sale within a reasonable period indicates that the most probable purchaser of the subject property would be a developer who would purchase the vacant land and develop it into lots and then sell them to end users as market demand occurs. In this approach the developer would incur both the costs (direct and indirect) and the time in holding/developing the lots and selling them to end users/builders. The difference between revenues and costs including the developer's overhead and profit (Entrepreneurial Return) represents the highest price that a developer would be justified in paying for the subject property "as is" (undeveloped).

The Subdivision Development Approach involves the following steps:

1. Estimate the individual retail values of the lots.
2. Estimate all direct and indirect costs, as well as a cost of sales.
3. Estimate a reasonable allowance to compensate the investor for entrepreneurial remuneration and risk.
4. Project a reasonable absorption period in which all the lots are sold.
5. Escalate current costs and retail values in future periods as dictated by the market data.
6. Discount the net proceeds at a proper rate to determine a single net present value.

In the report to follow I will discuss each one of the steps involved in the subdivision development method.

1. Estimate the individual retail values of the lots.

To begin the Subdivision Development Approach I must first estimate the "Retail" value of the subject's lots. To estimate the "Retail" value of the lots I have used the sales comparison approach along with the Benchmark Valuation Process. In the Benchmark Valuation Process I first estimate the value of one of the subject's 17 lots using the sales comparison approach. This lot is referred to as the Benchmark Lot. From the estimated value of the Benchmark Lot the values of the remaining 16 lots are estimated in reference to the Benchmark Lot. For my analysis I have selected Lot 14 along the south side of Sanctuary Lane containing 16,791 square feet as our Benchmark Lot. The Benchmark Lot is slightly sloping, the vegetation is native grasses with moderate trees and the view would be considered average for the subdivision.

To estimate the value of our Benchmark Lot I researched and analyzed recent sales transactions and current listings involving vacant residential single family lots in the Southwest Market area. According to the MLS and County Assessor's records, since the beginning of 2014 in the Southwest Market area there has been a total of 19 sales of detached single family lots. This would not include builder purchases occurring in the Gold Hill Mesa development. In addition, in the Southwest Market Area there are currently 71 active listings of single family residential lots.

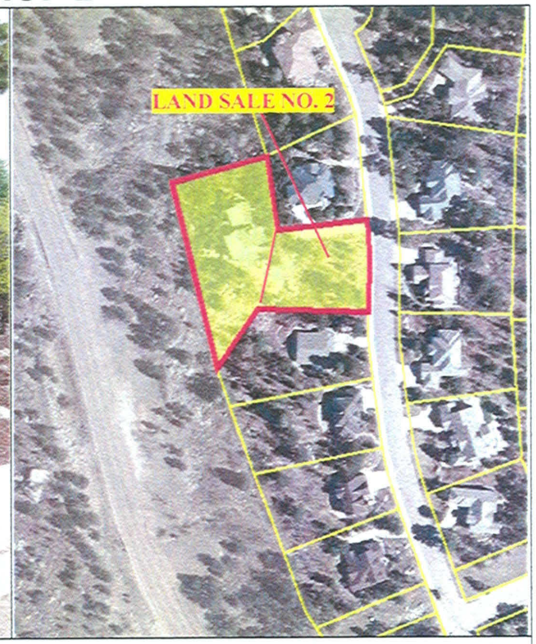
From the 19 lot sales and 71 active listings in the subject's market area, I have selected 5 sales and one listing for estimating the value of the subject's Benchmark Lot. The 5 comparable lot sales and the listing were selected on the basis of similarity to the subject property as to time of transaction, proximity of location, size, physical characteristics and similarity as to zoning and highest and best use. The six lot sales selected for direct comparison with the subject's Benchmark Lot are discussed below and then are shown on a sales comparison grid. The comparable lot sales selected for comparison are keyed to the Comparable Lot Sales Map.

COMPARABLE LOT SALE NO. 1

View:	Looking Southwest from Vista Grande		
Date Inspected/Photo by:	May 23, 2015/Tom Colon		
Location/Address:	2611 Tristins Grove		
Tax Schedule #:	Port of 74224-12-0014		
Legal Description:	Lot 9, Forest Oaks Subdivision		
Grantor:	John S. Bursh		
Grantee:	Not available through Assessor's Records because of lots be combined.		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS and Broker/May 20, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# Not Available/Assumed Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	3/10/2014
Post Sale Expense:	None	Selling Price:	$145,000
Project Influence:	N/A	Unit Price:	$4.97 SF
Physical Characteristics – Legal Aspects			
Land Area:	29,185 SF (0.67 AC)	Access:	Average
Shape:	Irregular	Utilities:	Colorado Springs
Topography:	Flat to Sloping	Zoning:	PUD (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Platted
Visibility	Average	Corner/Interior Parcel	Corner/Cul-de-Sac Lot
Surrounding Properties:	Single Family Residential	Stage of Development:	Fully Developed
Use at time of sale:	Vacant Land – Single Family Residential Lot		
Highest and Best Use:	Construction of a Single Family Dwelling.		

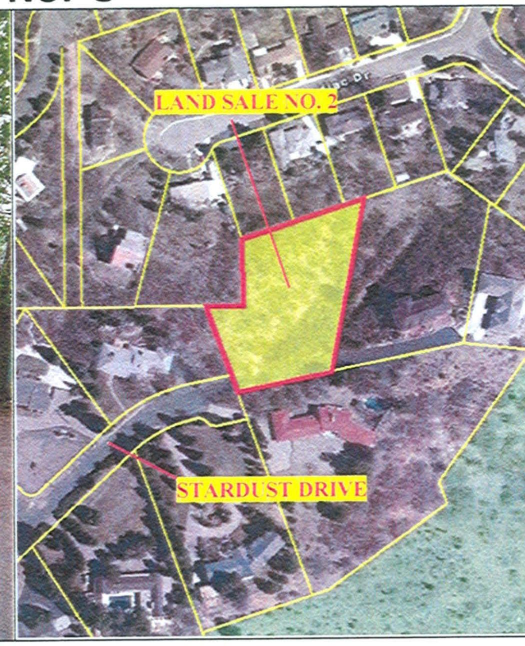
Remarks:	Terms of this sale were cash to seller. Purchaser is a user who intends to build a home on the lot. CDOM – 27, at listed price of $165,000. Corner cul-de-sac lot location. Flat to sloping topography with no walk out basement capability. Above average views. Native grass vegetation with scrub oak and a few trees. County Assessor's information was not available because the lot was combined with the adjoining lot for property tax purposes. Once the County updates the information it will be available. Sales History: No sales history since within the previous five years.

COMPARABLE LOT SALE NO. 2



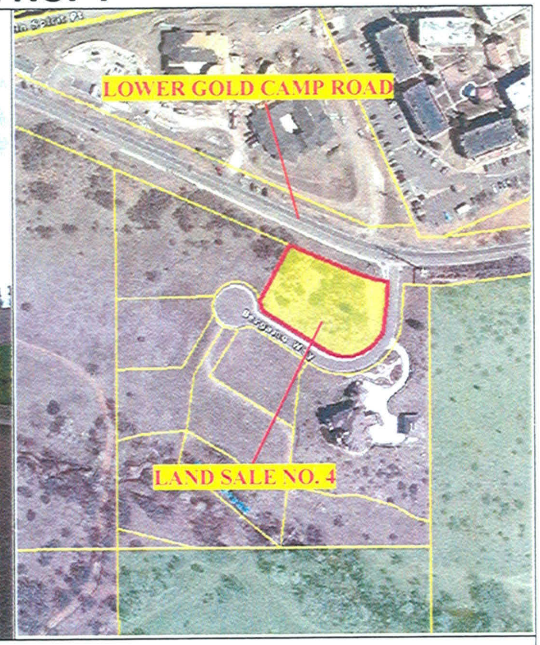
View:	Looking northwest from Paisley Drive		
Date Inspected/Photo by:	May 20, 2015/Tom Colon		
Location/Address:	675 Paisley Drive		
Tax Schedule #:	Portion of 75134-02-078		
Legal Description:	Lot 14, Stonecliff, Filing No. 6		
Grantor:	Michael Kenneth Montera		
Grantee:	Not available through Assessor's Records because of lots be combined.		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS and Broker/May 20, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# Not Available/Assumed Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	5/3/2014
Post Sale Expense:	None	Selling Price:	$182,406
Project Influence:	N/A	Unit Price:	$10.45 SF
Physical Characteristics – Legal Aspects			
Land Area:	17,145 SF (0.4 AC)	Access:	Average
Shape:	Irregular	Utilities:	Colorado Springs
Topography:	Sloping	Zoning:	DF, HS (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Platted
Visibility	Average	Corner/Interior Parcel	Interior Lot
Surrounding Properties:	Single Family Residential	Stage of Development:	Fully Developed
Use at time of sale:	Vacant Land – Single Family Residential Lot		
Highest and Best Use:	Construction of a Single Family Dwelling.		
Remarks:	Terms of this sale were cash to Seller. Purchaser is a user who intends to build a home on the lot. CDOM – 70, at listed price of $200,000. The seller owns the adjoining property. Cul-de-sac lot location. Sloping topography with walk out basement capability to the front of the home. Good views. Good vegetation with coniferous trees, scrub oak and other native bushes. County Assessor's information was not available because the lot was combined with the adjoining lot for property tax purposes. Once the County updates the information it will be available. Sales History: No sales history since within the previous five years.		

COMPARABLE LOT SALE NO. 3



View:	Looking northeast from Stardust Drive		
Date Inspected/Photo by:	May 20, 2015/Tom Colon		
Location/Address:	1490 Stardust Drive		
Tax Schedule #:	74234-08-051		
Legal Description:	Lot 1, Stardust Filing No. 1		
Grantor:	Steven M Furman and Jennie Danfors-Furman		
Grantee:	John Peter and Kelly Dee Szentmartoni		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS and Broker/May 20, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 214084386/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	9/16/2014
Post Sale Expense:	None	Selling Price:	$134,750
Project Influence:	N/A	Unit Price:	$2.49 SF
Physical Characteristics – Legal Aspects			
Land Area:	54,042 SF (1.24 AC)	Access:	Average
Shape:	Irregular	Utilities:	Colorado Springs
Topography:	Sloping	Zoning:	R (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Platted
Visibility	Average	Corner/Interior Parcel	Cul-de-Sac Lot
Surrounding Properties:	Single Family Residential	Stage of Development:	Fully Developed
Use at time of sale:	Vacant Land – Single Family Residential Lot		
Highest and Best Use:	Construction of a Single Family Dwelling.		
Remarks:	Terms of this sale were cash to Seller. Purchaser is a user who intends to build a home on the lot. CDOM – 93, at listed price of $139,750. End of cul-de-sac lot location. Sloping topography with walk out basement capability to the rear of the home. Above average views. Native grass vegetation with trees and bushes. Sales History: The comparable property sold on 7/26/2005 for $165,000.		

COMPARABLE LOT SALE NO. 4



View:	Looking northeast from Bergamo Way		
Date Inspected/Photo by:	May 20, 2015/Tom Colon		
Location/Address:	310 Bergamo Way		
Tax Schedule #:	74143-15-001		
Legal Description:	Lot 1, Bergamo Estates		
Grantor:	Rocky's Corp.		
Grantee:	TBD		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS/May 20, 2015		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# TBD/Assumed Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	Current Listing
Post Sale Expense:	None	Selling Price:	$199,000
Project Influence:	N/A	Unit Price:	$4.94 SF
Physical Characteristics – Legal Aspects			
Land Area:	40,257 SF (0.92 AC)	Access:	Average
Shape:	Irregular	Utilities:	Colorado Springs
Topography:	Sloping	Zoning:	R, HS (CSC)
Drainage/Flood Plain:	Adequate/No flood zone	Platted:	Platted
Visibility	Average	Corner/Interior Parcel	Corner, Cul-de-Sac Lot
Surrounding Properties:	Single Family Residential	Stage of Development:	Fully Developed
Use at time of sale:	Vacant Land – Single Family Residential Lot		
Highest and Best Use:	Construction of a Single Family Dwelling.		
Remarks:	Current Listing. Terms are to be cash to Seller. CDOM – 681, at a starting listed price of $275,000. Corner lot of cul-de-sac. Sloping topography with walk out basement capability to the front of the home. Average views. Native grass vegetation with a few trees and bushes. Bergamo Estates is a relatively new 7 lot subdivision. There has been only one lot sale since the subdivision was developed in 2011. The asking price for this particular lot is $199,000. The asking price for the remaining five lots is $299,000 each. Sales History: No unrelated sales history since the lot was first platted and developed.		

LOT SALES MAP
SUBJECT PROPERTY
LOT SALE NO. 1
LOT SALE NO. 2
LOT SALE NO. 3
LOT SALE NO. 4
Colorado Springs
DELORME
Data use subject to license.
© 2007 DeLorme. Street Atlas USA® 2008 Plus.
www.delorme.com
MN (8.2° E)
0 ¼ ½ ¾ 1 1¼ 1½ 1¾ mi
Data Zoom 12-0

Adjustments to Comparable Lot Sales. The three comparable lot sale transactions and the comparable listing selected for direct comparison with the Benchmark Lot are shown on Table 2 (Sales Comparison Grid).

Circumstances of the Sale Adjustments

Property Rights Conveyed. All three of the lot sales were sold fee simple and no adjustments were made.

Financing. All the sales were cash to the seller.

Conditions of Sale. The comparable lot sales were open market, arm's length transactions without any reported extraordinary considerations or circumstances.

Market Conditions. The comparable lot sales analyzed ranged in age from 14 months before the subject's date of value to 7 months prior.

To determine a market conditions adjustment for the Benchmark Lot, I analyzed the current single family residential market. In the analysis, I looked at building permits, builder's spec inventory and the available lot inventory in the Colorado Springs Metro area. This analysis will be discussed more thoroughly in the Subdivision Development Approach. In addition, in the sales comparison approach previously discussed, I also looked at the change in home values as reported by (OFHEO) and MLS data as reported by Pikes Peak Association of Realtors. Overall, this market data would appear to indicate that residential home and land/lot values have all risen (3% to 6% annually) over the past 36 months in the Colorado Springs Metro area.

Market Conditions Conclusion. All of the comparable lot sales have occurred within the past 18 months. Overall, based upon the data to be discussed above and to be discussed in the Subdivision Development Approach, this market data would appear to indicate that residential home and land/lot values have risen (3% to 6% annually) over the past 36 months in the Colorado Springs Metro area. However, Metrostudy data would also indicate that lots similar in lot-frontage to the Benchmark Lot report a 21.5 month supply, which is the second highest of all the lot frontage categories. Homes priced over $500,000 also continue to be a big problem. Their supply continues to grow because the area isn't adding high-wage employees who can afford to buy the higher priced homes.

In my opinion, lot values have been increasing in the metro area over the past couple of years. However, most of lots that saw appreciation were below $100,000 for homes priced $300,000 and below. Lots similar to the Benchmark Lot saw little appreciation because of the inventory of lots and extended marketing periods. Therefore, on Table 2 I have adjusted the comparable lot sales upward for market conditions at an annual rate of 4% or 0.33% per month.

Listing Adjustment. Comparable Lot Sale No. 4 is listings and its sale price is obviously subject to negotiation and the most likely price direction would be downward. To determine a market adjustment for the listing I looked at lot sales data as reported by Pikes Peak Association of Realtors. According to the data the average "original list price" versus "the selling price" was 82.3% and the median was 85.71%. My analysis of lot sales market indicates that selling prices are significantly lower than the asking prices, particularly given the lack of the number of sales. On Table 1 I have adjusted the comparable listing (Comparable Land Sale No. 4) downward -15% for being a listing and not closed sale transactions.

TABLE 2 - LOT SALES COMPARISON GRID

Transaction Number	Benchmark Lot		Lot Sale No. 1		Lot Sale No. 2		Lot Sale No. 3		Lot Sale No. 4
Address	Lot 14 - Sanctuary Land		2631 Tristins Grove		675 Paisley Drive		1490 Stardust Drive		310 Bergamo Way
	Colorado Springs		Colorado Springs		Colorado Springs		Colorado Springs		Colorado Springs
Subdivision	Sanctuary at Bear Creek		Forest Oaks		Stonecliff		Stardust Subdivision		Bergamo Estates
Market Area	Southwest		Southwest		Southwest		Southwest		Southwest
Property Data:									
Date of Sale	20-May-15		10-Mar-14		03-May-14		16-Sep-14		LISTING
Land Area Acres	0.39		0.67		0.40		1.24		0.92
Land Area Square Feet	16,791		29,185		17,415		54,014		40,257
Zoning	R1/9000		PUD		R1/9000 DF, HS		R		R, HS
Sale Price		$4.97	$145,000	$10.45	$182,046		$134,750	$4.94	$199,000
Property Rights Conveyed		Fee Simple	$0	Fee Simple	$0	Fee Simple	$0	Fee Simple	$0
Adjusted Sale Price			$145,000		$182,046		$134,750		$199,000
Financing Terms		Cash to Seller	$0	Cash to Seller	$0	Cash to Seller	$0	ısh to Seller	$0
Adjusted Sale Price			$145,000		$182,046		$134,750		$199,000
Conditions of Sale		Arm's Length	$0	Arm's Length	$0	Arm's Length	$0	rm's Length	$0
Adjusted Sale Price			$145,000		$182,046				$199,000
Market Conditions (Time)		4.66% Mkt Adj	$6,760	4% Mkt Adj	$7,282	+2.33% Mkt Adj	$3,141	15% Listing	($29,850)
Adjusted Sale Price			**$151,760**		**$189,328**		**$137,891**		**$169,150**
Comparison Adjustments	**Subject**	1		**Comp. 2**	**Adj.**	**Comp. 2**	**Adj.**	**Comp. 4**	**Adj.**
Location/Access/Visibility	Int. Lot/Avg Access/Gd Vis	Superior	($10,000)	Superior	($15,000)	Inferior	$15,000	Equal	$0
Zoning	R1/9000	Inferior	$2,500	Inferior	$2,500	Equal	$0	Inferior	$2,500
Site (Size)	16,791	29,185	($10,000)	17,415	$0	54,014	($15,000)	40,257	($15,000)
Site (View)	Above Average	Superior	($10,000)	Superior	($10,000)	Equal	$0	Equal	$0
Site (Shape)	Irregular	Inferior	$5,000	Equal	$0	Equal	$0	Equal	$0
Topography	Slightly Sloping, W/O	Inferior	$20,000	Inferior	$10,000	Inferior	$25,000	Inferior	$20,000
Floodplain	None	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Vegetation	Above Average	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Utilities	CSC	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Stage of Development	Fully Developed	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Lot Amenities	Backs to Open Space	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Subdivision Amenities	None	Equal	$0	Equal	$0	Equal	$0	Equal	$0
Net Adjustments ($)			($2,500)		($12,500)		$25,000		$7,500
Net Adjustments (%)			-1.65%		-6.60%		18.13%		4.43%
Gross Adjustments ($)			$67,500		$37,500		$70,000		$52,500
Gross Adjustments (%)			44.48%		19.81%		50.76%		31.04%
Adjusted Price			$149,260		$176,828		$162,891		$176,650
Weighting Factor			0.20		0.35		0.25		0.20
Product									$35,330

Indicated Range of Values Per Lot	$149,260	**to**	$176,828
Average Lot Value	$166,407		
Median Lot Value	$169,771		
Weighted Lot Value	$167,794		
Concluded Lot Value	$170,000		
Rounded	**$170,000**		
Indicated Value Per Square Foot	**$10.12**		

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Location/Access/Visibility. The location the surrounding general level of land values. It also considers whether the site has a corner, interior or cul-de-sac location. The access adjustment considers proximity and visibility to major commercial corridors and general accessibility to the site. To a certain extent these property characteristics are interrelated.

The Benchmark Lot has a cul-de-sac lot location with average access and visibility. Comparable Lot Sale Nos. 1 and 2 were both considered superior to the Benchmark Lot in terms of location but similar in access and visibility. Comparable Lot Sale No. 3 is the second closest in proximity to the Benchmark Lot but was considered inferior in terms of location but similar in access and visibility. Comparable Lot Sale No. 4 is the closest proximity to the Benchmark Lot and was considered equivalent in terms of location, access and visibility.

Zoning. The zoning adjustment considers the differences in permitted, special and accessory use and development restrictions. Only Comparable Land Sale No. 3 was considered equivalent in zoning, because like the subject its zoning was an unplanned district. Comparable Land Sale Nos. 1, 2 and 3 were considered inferior in zoning because their zoning were planned zoning districts or they had overlay districts. Planned districts and overlay districts generally cost the builder more money and time to comply with the zoning regulations.

Size. Size adjustments are made to allow for the fact that larger residential lots will tend to sell for more than smaller lots. However, generally speaking there is an inverse relationship between size and price. Where all or most property characteristics are similar or equal among various sites, smaller sites will usually sell for a higher unit price than larger sites, and vice versa. Comparable Lot Sale No. 2 is basically the same size as the Benchmark Lot and was not adjusted for size. Comparable Lot Sale No. 1 is slightly larger in size and was adjusted downwards $10,000. Comparable Lot Sale Nos. 3 and 4 are significantly larger in size and were adjusted downwards $15,000.

View. For residential properties the view adjustment is considered one of the most important physical characteristics for adjustment. Comparable Lot Sale Nos. 1 and 2 were adjusted downwards for their superior views. Comparable Lot Sale Nos. 3 and 4 had views similar to the subject and were not adjusted.

Shape. Comparable Lot Sale No. 1 was adjusted upwards for its inferior shape. Comparable Lot Sale No. 1 is a corner lot but has a triangular shape and part of the lot includes Tristins Grove. The remaining comparable lot sales were considered fairly similar in shape and were not adjusted.

Topography. The topography of a given lot can greatly influence its sales price. Lots that can accommodate a walk-out basement (particularly to the rear of the home) are considered more superior to lots that cannot accommodate a walk-out basement. All of the comparable lot sales had inferior topographies. Comparable Lot Sale Nos. 1, 2 and 4's topographies are basically sloping with possible walkout capability to the front of the home. Comparable Sale No. 3 had only a small buildable envelope, the remainder of the site was sloping.

Flood Plain. No adjustments were warranted. The Benchmark Lot and all of the comparable lot sales have no flood plain involvement.

Vegetation. The quality and to a certain extent the quantity of vegetation that a residential property possess can greatly influence its sales price. Unlike the other adjustment categories too much vegetation/trees can also have a negative effect on value. All of the comparable lot sales were considered to be similar to the Benchmark Lot.

Utilities. The Benchmark Lot and all the comparable lot sales have city utilities and were not adjusted.

Stage of Development. Stage of Development adjustment considers the location and extent of public utilities and improvements and its impact on the developability of the comparable properties relative to the subject. Also considered under this heading is whether or not the comparable property was platted and if associated platting fees have been paid. In this analysis the Benchmark Lot is zoned, platted and fully developed. All of the comparable lot sales were platted and fully developed – no adjustments were warranted.

Lot Amenities. All of the comparable sale lot sales were considered to be equal in lot amenities.

Subdivision Amenities. The subdivision amenities adjustment considers whether or not the comparable lot sales are located in developments that have either active or passive amenities. Communities that are gated or have active amenities such as golf courses, tennis courts or clubhouses or passive amenities such as parks, trails and open space are generally considered superior. All of the comparable sale lot sales were considered to be equal in subdivision amenities.

Conclusion – Valuation of the Benchmark Lot. On Table 2, for each comparable lot sale, the sales price is adjusted by the dollar amount. The range of adjusted sales prices, the mean adjusted sales price, and the median sales prices are as shown on the table.

After adjustments our comparable lot sale prices ranged from $149,260 to $176,528 with an average sales price per lot of $166,407 and a median of $169,771. Comparable No. 4 had the highest indicated value for the typical subject lot and required the second least of adjustment. This comparable is a listing and its asking price was adjusted for being listing. Thus I have given this sale the least amount of weight. Comparable No. 1 had the lowest indicated value and required the second most amount of gross adjustment. I have given this sale the second least amount of weight. I gave most weight to Comparable Lot No. 2 because it required the least amount of gross adjustment. I gave the next most weight to Comparable Lot Sale No. 3.

As shown on Table 2, my indicated weighted average is $167,794. I have selected a lot value slightly above my weighted average but below the median lot sales price as the best indicator of value for the Benchmark Lot or **$170,000.**

Valuation of Remaining Residential Lots

In my opinion the value estimated for the Benchmark Lot represents the average lot value for all of the subject's 17 lots. Some of the sales prices will be more and some will be less. The average lot value of **$170,000** will be used on Table 3 (Subdivision Cash Flow Analysis).

2. Estimate all direct and indirect costs, as well as a cost of sales.

Reference is made to Table 3 (Subdivision Cash Flow Analysis). The next step in the subdivision development method is to estimate the direct and indirect costs and the cost of sales. Direct Cost would include the cost to complete the development of the lots. Indirect Costs include selling costs (commissions), closing costs and holding costs (taxes and insurance).

TABLE 3 - SUBDIVISION CASH FLOW ANALYSIS

			1	2	Totals
SALE PERIOD (Yrs.)					
Number of Lots	17	Sales Price	$170,000	$176,800	
Est. Retail Lot Value	$170,000	Lot Sales	9	8	17
GROSS SALE PROCEEDS LOTS			$1,530,000	$1,414,400	**$2,944,400**
DIRECT AND INDIRECT COSTS					
Direct Costs	17	$51,065	$868,110	$0	$868,110
Selling Costs		5.00%	76,500	70,720	147,220
Closing Costs		0.50%	7,650	7,072	14,722
Holding Costs (Taxes/Ins.)		Est.	10,000	10,000	20,000
Entrep. Profit		10.00%	153,000	141,440	294,440
Total Expenses			$1,115,260	$229,232	$1,344,492
Net Sale Proceeds			$414,740	$1,185,168	$1,599,908
		Ann.			
PV Factor @		8.00%	0.925926	0.857339	
Present Value of Cash Flows			$384,019	$1,016,091	**$1,400,109**

Sum of Net Cash Flows - Indicated "As Is" Market Value **$1,400,109**
Rounded **$1,400,000**
$82,353 Lot

Internal Rate of Return (IRR) Analysis

Gross Cash Flows/Yrs.	0	1	2
	($1,400,000)	$567,740	$1,326,608
Internal Rate of Return (IRR)	**19.71%**		

Notes:
1. The total of the Present Value Of the Cash Flow is considered to be the Initial Investment.
2. Gross cash flows includes entrepreneurial profit.

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Direct Costs. The next step in the subdivision development approach is to estimate the direct costs associated with the development of the subject property into 17 residential lots. For purposes of this appraisal, development improvements to be installed for the proposed lots would include both utility and street and drainage improvements. Utilities would include water, sewer, natural gas, electric, and telephone. Street improvements would include paving of the roads to City specifications. On the table below I have shown the developer's cost estimate. In some case I have combined some of the developer's expense items for analysis purposes.

Developer's Cost Estimate – 17 Single Family Lots		
Item	**Cost**	**$/Lot**
Platting Fees (Drainage and Bridge Fees)	$29,197	$1,717
Technical (Planning, Engineering and Survey)	$54,000	$3,176
Grading/Erosion Control	$127,562	$7,505
Concrete (Sidewalks, Curb and Gutter)	$33,960	$1,998
Utilities (Water, Sewer, Telephone, Electric and Gas)	$199,412	$11,730
Paving	$90,130	$5,302
Drainage Construction	$68,430	$4,026
Landscaping (Includes Fencing)	$120,290	$7,076
Off-Site Improvements	$0	$0
Other	$15,000	$882
Construction Management Fee	$40,243	$2,368
Contingency – 12%	$89,883	$5,285
	$868,107	$51,065

Platting Fees. The developer's cost estimate include platting fees. Platting fees typically include drainage, bridge fees, pond fees, school park fees, numerous other fees. These fees are typically due at the time of platting of the property or with school and park fees can be due at the time of building permit. In some cases, land or other real property may be given in lieu of school and park fees. The developer's Platting fees expense was estimated at $29,197 or $1,717 per lot. The platting fee expense appears reasonable given the level of detail in the cost estimate.

Technical. The technical (engineering/surveying/planning) expense item includes the costs associated with the planning, engineering and surveying of the project. In other subdivisions that I have appraised or been associated with, this expense category has generally ranged from a low of approximately $1,200 per lot to a high of $5,500 per lot. The wide range is a function of size and complexity. The developer's technical (engineering) expense is estimated at $54,000 or $3,176 per lot. The subject's development would not be large nor complex. A significant amount of technical expense has already been expended to get the subject lots to a paper platted stage of development. Therefore, I would expect the subject's technical expense would be in the middle of the range.

Grading/Erosion Control. The grading and erosion control expense item includes the costs associated with clearing and grubbing the site, cut/fill and erosion control. Most residential subdivisions like the subject require over-lot grading and it can be a most critical cost. Generally speaking, the excavation needed for the subject's proposed lots will be for minor over-lot grading and road excavation. The developer has estimated the grading/erosion control expense item at a cost of $127,562 or $7,505 per lot. Given, the subject's sloping topography, the excavating and grading appears reasonable with respect to other similar residential subdivisions. Please note that we have not reviewed any grading plans for the subject development.

Concrete. This item includes the expenses associated with concrete curbing, crosspans and returns. If a public sidewalk is required, it is typically the responsibility of the home builder and not the developer. In certain cases the developer does install common area type sidewalk. The developer has estimated the concrete expense item at a cost of $33,960 or $1,998 per lot. This appears reasonable when compared to other subdivisions appraised.

Utilities. The utility expense item includes the costs associated with the installation of water ($65,471), sanitary sewer ($88,555), natural gas/electric ($39,950) and telephone/cable ($5,436). The developer has estimated these utility costs at $199,412 or $11,730 per lot. In other developments that I have appraised this expense has ranged from $9,190 per lot to

$12,134 per lot for similar utilities. The developer's estimate appears reasonable particularly given the size and frontages of the subject lots.

It is also noted that the expense items of natural gas and electric can be reimbursable or at least a portion is reimbursable. The developer's cost estimate does not indicate any utility reimbursement.

Paving. This item includes the costs associated with paving the street to the specifications of the City of Colorado Springs. In most of the subdivisions that the appraiser has appraised, the cost for paving has ranged from $4,530 to $7,532 per lot. The developer has estimated the cost at $90,130 or $5,302 per lot. This appears reasonable when compared to other subdivisions that I have appraised.

Off-Site Improvements. The developer's estimate indicates that there are no off-site improvements needed. Most subdivisions that I have appraised had off-site improvements.

Other. This expense item includes the costs associated with legal expenses, common area, signs (advertising) and other unforeseen items.

Construction Supervision. The construction supervision expense item is based on estimates seen in other subdivisions for construction managers. Construction Supervision expense seen in other projects have varied significantly. In other similar subdivisions that the appraiser has appraised, this expense item typically ran $1,500 to $5,000 per lot. The range was also a function of size and complexity. The developer of the subject property has estimated an expense for construction supervision at $40,243 or $2,368 per lot, which appears in line given the size and complexity of the subject project.

Contingency. The developer did have a contingency line item. The contingency expense item as seen on other developer's cost estimates typically range from a low of 2% to a high of 20%, and with an average of 3%-5%. The contingency line item would include any unforeseen items not itemized above. In my opinion, given the developer's level of detail in estimating the development expenses I would expect the contingency expense to be in the lower end of the range. However, as shown on the table above I have used the developer's contingency expense of $89,883 or approximately 12% of the total direct development costs. This would appear in-line when compared to other cost estimates.

Conclusion Direct Development Cost. As shown on the table above the developer's estimate of direct development costs (before any possible reimbursements) is $868,107 or $51,065 per lot. It would appear that the subject's overall direct development costs, as adjusted by the appraiser, is similar to other subdivisions that I have appraised.

Comparative Direct Development Cost Estimating. Another way of estimating the hard development costs associated with the development of the subject lots is based upon direct costs known to have occurred in similar subdivisions. Over the years I have appraised many new single family subdivisions and have their cost estimates. Their development costs are shown in the table below. Please note that the development costs have been time dated at an annual rate of 3% per year.

Development Costs
Medium to High Density Detached Single Family Residential Lots

Subdivision	Number of Lots	Average Lot Size in SF	Direct Cost	$/Per Lot
Subject	17	15,974		
Centennial Glen	47	8,562	$1,934,147	$41,152
Ridgeview Stetson Hills Fil. No. 34	121	6,269	$3,276,737	$27,080
Jessica Heights	102	7,092	$3,528,223	$34,590
University Heights Filing. No. 3	15	26,945	$798,198	$53,213
University Bluffs Filing No. 4	106	16,701	$4,659,881	$43,961
Cumbra Vista Filing No. 1	113	6,800	$5,015,257	$44,383
Indian Heights Filing No. 8	46	7,011	$1,641,028	$35,675
Highgate Farms Filing No. 1	37	11,873	$1,531,610	$41,395
Minimum	15	6,269		$27,080
Maximum	121	26,945		$53,213
Average	73	11,407		$40,181
Median	75	7,827		$41,273

The estimated costs per lot for the medium and high density residential lots ranged from $27,080 to $53,213 with an average of $40,181 and a median of $41,273 per lot. The development cost per lot in a medium to high-density residential subdivision becomes more of a function of size, grading, drainage and off-site improvements. Cumbra Vista development costs were significantly higher than other comparable subdivision's costs based upon lot size. This was due to poor soil conditions requiring half of the lots to be over-dug which was being done at the development of the lot stage. However, Cumbra Vista subdivision had no off-sites. Ridgeview at Stetson Hills had the lowest development cost per lot, because the lots are smaller and there were no off-site improvements needed.

Given the small size of the subject's project, the larger lot sizes but no off-site improvements, I would expect direct development costs at the subject to be in the higher end of the range similar to University Heights Filing No. 3 or $50,000 plus.

Direct Cost Conclusion. The developer's estimated direct development cost (before any possible reimbursements) was $868,107 or $51,065 per lot. The average indicated by our direct cost comparison method was $50,000 plus per lot. Between the two methods I have placed most reliance on the developer's cost estimate. This appears to be the best information available on the development of the subject lots. As such, direct development costs (before reimbursements) is estimated at $868,107 or $51,065 per lot. While the development costs estimated above would appear reasonable they could vary substantially. The direct development costs as estimated and discussed above are carried forward to the Table 3 subdivision cash flow analysis.

Please Note:

- The direct development cost estimate did include property taxes, insurance, financing and carrying costs. These types of indirect costs are discussed below and estimated in the Subdivision Cash Flow Analysis Table 3.
- I have not shown any reimbursements coming back into the analysis.
- I did not review any construction plans other than the Preliminary Plat. While the development costs estimated above would appear reasonable they could vary substantially.

A copy of the developer's cost estimate, as prepared by Ron O'Canna, is included at Part 4 (Exhibits and Addenda) of this report.

Indirect Costs. As discussed below and shown on Table 3 I have estimated the indirect costs. Indirect costs include selling costs (commissions), closing costs and holding costs (taxes and insurance).

- **Selling Costs.** My selling costs/commissions are estimated at 5% of the selling price of a lot. The expense would either be incurred as a discount to builders in the bulk sale of the lots, or alternatively, would be incurred as a brokerage commission if the lots were sold on a retail basis to the builder. Brokerage commissions paid on vacant land/lot sales generally range from 3% to 10%, but the accepted norm is 4% to 7% depending on size of the deal. The sale of the subject lots would be considered an average deal, therefore, on Table 3 I have estimated the selling costs at 5% of the retail selling price of the lots.

- **Closing Costs.** The closing costs estimate include customary closing costs. They are estimated at ½% of the gross selling price of the 17 lots.

- **Holding Costs.** Holding costs include property taxes, liability insurance, HOA fees, utilities and other miscellaneous expenses. These expenses are estimate by upon my discussion below.

    A. **Taxes.** My estimate of property taxes for the subject property is based upon the current property taxes and our estimate of future taxes. Once the subject property is platted and developed the developer will be responsible for the property taxes on the declining balance of unsold lots during the sellout period. Property taxes on residential lots are affected by Senate Bill 185 which requires the assessor, for subdivisions that are less than 80% sold out, to value the lots using a subdivision discount which reflects the time and expense of selling the remaining lots. In short, the assessor cannot appraise the unsold lots at their full "retail" value until 80% of the subdivision is sold. Prior to that, the assessor must assign a "bulk" value to the project, which is then pro-rated across the remaining unsold lots. For the subject lots, they will be been assigned a bulk value by the Assessor's office but will probably take a year before the Assessor actually assigns the bulk values. As such, property taxes are estimated at their present rate over the projection period.

    B. **Insurance.** The cost of a typical land liability insurance policy is also estimated based upon actual costs seen for similar properties.

3. Estimate a reasonable allowance to compensate the investor for entrepreneurial remuneration and risk.

Entrepreneurial return can be derived from several sources including assembling a site and obtaining the necessary entitlements and planning, construction of both off-site and on-site improvements, marketing and sales of the lots or homes to end-users and return on investment capital. In some cases, entrepreneurial return is included as a line-item expense, while in other cases it is included as part of the overall discount rate. In either case it is necessary to consider and include an allowance for entrepreneurial return/profit. For this appraisal assignment, I have elected to incorporate entrepreneurial return as a line-item expense. This is the most widely used method of accounting for entrepreneurial return in subdivisions, and it allows the appraiser to measure entrepreneurial return on a period-by-period basis.

Overall, I have concluded from interviews and surveys with local developers, investors, appraisers and supporting data from secondary sources, that an entrepreneurial return rate of 5% to 50% is acceptable. The wide range in the entrepreneurial return rate is basically a function of risk. To measure this risk, it is necessary to consider at what point in the development process the land is being appraised. There are five primary stages of development:

(1) Raw and unimproved land without any development improvements.

(2) Entitled land which is otherwise raw and un-platted.

(3) Land that is zoned, platted with all entitlements but which is still unimproved. Additional on-site and off-site development improvements would be required (this type of land is commonly referred to as "paper platted or paper lots").

(4) Same as above but with all the off-site improvements completed. All that would remain would be the on-site improvements associated with the development of the lots.

(5) Land which is physically finished with all roads, utilities, and other infrastructure installed and which is ready to be sold to an end user for construction of building improvements.

The relative development risk is highest at stage one and lowest at stage five. The subject property is about at stage 4. The subject is 17 basically paper plated lots. All of the development entitlements have been obtained except for platting of the property and the construction of the lots. Lots similar to the subject's proposed lots are in the shortest supply. This would tend to reduce the investors risk, but there is still risk in the development of the lots. In addition, uncertainty of the national and local economies would tend to increase the investors risk. With the forgoing in mind and based upon my absorption analysis below, on Table 3 I have estimated the entrepreneurial return at 10% of the selling price of the subject lots.

4. Project a reasonable absorption period in which all the lots are sold.

Market conditions that would affect the subject property are tracked from the typical sources i.e., David Bamberger & Associates in his Colorado Springs Single Family Housing Market Turner Commercial Research Commercial Availability Report. Portions of the following absorption analysis are taken from these reports along with MLS data. This is combined with my analysis of new lot and parcel sales and building permits in the Colorado Springs Northeast Metro market area.

New Home Market Conditions. The Colorado Springs housing market has been characterized by cyclical ups and downs over the past four decades. The local building cycles have been 14 to 15 years in duration and the amplitude of the swings has generally been very dramatic.

The boom – bust swings in the 1970s and 1980s cycles were classic inventory cycles – massive over-building followed by a long period of adjustment with close to zero new construction. Both cycles were characterized by rapid economic growth on the up-side and a major recession on the down-side. Both were also characterized by significant overbuilding of apartments.

The current cycle, which started from a low-point in 1989, is different from past cycles. It was not so much an inventory correction cycle with a single peak as the past cycles. There was little over-building of apartments and only limited over-building of for-sale homes. The memory of excessive over-building in the 1970s and 1980s kept production from getting way ahead of demand.

Local Building Cycle Dates and Production Levels

1960 Trough - 894 units
1972 Peak - 9,448 units
1975 Trough - 847 units
1983 Peak - 10,676 units
1989 Trough - 877 units
2001 Peak - 7,111 units
2005 Mini-Peak - 6,754
2009 Trough - 1,337

The current home building cycle had two peaks, the first one in 2001 and then the second one in 2005, and also two different causes on both the up-side and the down-side of each of these peaks. The long ramp-up to the first peak in 2001 was driven by very strong economic growth. From 1990 to 2000 the Colorado Springs economy created a net of 92,700 jobs. Then the recession of 2001 and the resulting negative job growth in 2002 and 2003 caused housing demand and production to drop in 2003. The second peak in 2005 was driven by record low mortgage rates and easy credit. In 2004-2006 record low mortgage rates and easy credit expanded the market for home ownership. When the U.S. housing bubble popped in 2007 the local housing market started its steep slide to the bottom in 2009. The melt-down of financial markets, the 2007 - 2009 recession, and negative job growth and rising foreclosures were the final nails in the housing market's coffin.

Some signs of a recovery in the local housing market emerged in 2010. Today's good news is that we are five years into a recovery. Job growth is one of the key factors that will impact the speed of recovery in the local housing market. After peaking at 264,000 jobs in the metropolitan area in 2008, the economy lost a little over 10,000 payroll jobs as of the end of 2013. As of the 1st quarter of 2015 the local economy has finally recovered all the jobs lost since the start of the down-turn.

<u>New Single Family Home Permits.</u> New housing construction in the Colorado Springs Metro area has averaged almost 3,996 per year over the ten year period between 1999 through 2008. The peak year was 2005 with over 5,314 units constructed (does not include multi-family). New home construction remained strong through 2005 but in 2006 the trend reversed itself with permits totaling only 3,446, which represented a -35.2% decline compared to 2005. For 2007 new home permits were down -38.0% compared to 2006. In 2008 new single family home permits were down -42.79% compared to 2007. New detached single family building permits for 2009 were down -9.72% compared to 2008. 2009 marked the fourth year in a row with declining building permit numbers but the trend was slowing. In 2010 the negative trend reversed itself and detached single family building permits were up 27.1% compared to 2009. In 2011 it appears that the market is still recovering slowly with 1,399 detached single family building permits which was five permits less than in 2010 or down a -0.36% compared to 2010. In 2012 detached single family building permits totaled 2,218 up +58.54%, compared to 2011, which was a five year high for single family building permits. New home construction continued its recovery in 2013, as the pace of homebuilding climbed to its highest level in seven years. Building permits totaled 2,676 in 2013, a 20.65% over 2012.

The pace of Colorado Springs-area homebuilding declined in 2014, according to a report released Friday January 2, 2015 by the Pikes Peak Regional Building Department. Single-family building permits totaled 2,438, down -8.89% compared to 2013. For the first four months of 2015 permits have total 814 up 9.12% from 746 permits issued in 2014.

Over the last six to eight months, the resale side of the housing market has improved steadily. But the pace of homebuilding hasn't done quite as well. The latest permit numbers indicate that might be changing. A pent-up demand for new housing among move-up buyers is starting to drive construction, said Mike Ruebenson, chief operating officer at developer La Plata Communities and board president of the Housing and Building Association of Colorado Springs. At the same time, move-up buyers and others are taking advantage of long-term mortgage rates that remain historically low. Thirty-year, fixed-rate loans averaged 3.8% percent nationally 5/12/2015, compared with 4.41% a year ago, according to mortgage buyer Freddie Mac. An HBA forecast still calls for the pace of home construction in 2015 to match that of last year, when about 2,400 single-family building permits were issued, Ruebenson said. "It's probably a little early to revise that forecast," he said. "But we're seeing positive momentum that could result in a better 2015 than 2014."

<u>Builder's Spec Inventories.</u> Builder's spec inventories have remained relativity low over the past thirty six months. According to Metrostudy survey and Summit Economics, spec inventory of single family homes is estimated to be 285 units as of April 1, 2015, down -23.4% from a year ago.

Analysis of Speculative New Single Family Inventory
Apr 1, 2015

Price Range	Total Spec (Unsold Inventory) Apr 1, 2015	Annual Closings Apr 2014 thru Mar 2015	Months of Spec (Unsold) Inventory
Less than $250,000	56	403	1.7
$250,000 to $299,999	75	673	1.3
$300,000 to $349,999	41	369	1.3
$350,000 to $399,999	39	232	2.0
$400,000 to $499,999	44	140	3.8
$500,000 and Over	30	162	2.2
Total	285	1,979	1.7

Source: Metrostudy survey and Summit Economics.

The current spec inventory includes 186 units under construction and about 99 finished units for a total estimated spec inventory of 285 units. Overall, at the sales rate for the past 12 months there is a 1.7 month supply of specs. For homes to be built on the subject lots (over $500,000) there is a total of 30 specs and with 162 annual closing there is a 2.2 month inventory of specs.

Single Family New Home Market Performance, Colorado Springs Metro Area, 1st Quarter 2015

			Under Construction Apr 1, 2015			Finished Inventory Apr 1, 2015				
Price Range	Annual Starts Apr 2014 thru Mar 2015	Annual Closings Apr 2014 thru Mar 2015	Unsold Specs	Presales Under Contract	Total	Unsold Specs	Presales Under Contract	Total Finished Inventory	Models	Total Finished Inventory Including Models
Less than $250,000	392	403	31	73	104	25	41	66	14	146
$250,000 to $299,999	649	673	58	115	173	17	60	77	24	178
$300,000 to $349,999	353	369	30	70	100	11	50	61	19	141
$350,000 to $399,999	244	232	27	54	81	12	30	42	20	104
$400,000 to $499,999	151	140	25	36	61	19	17	36	13	85
$500,000 and Over	170	162	15	81	96	15	9	24	5	53
Totals	1,959	1,979	186	429	615	99	207	306	95	707

Source: Metrostudy survey and Summit Economics, LLC. Unsold specs is an estimate prepared by Summit Economics, LLC based on discussions with builders, data from realtor and builder marketing materials and websites. File: Metro Study 1st Qtr 2015

Spec inventories are at historical lows and some shortages could emerge if the market were to pick up. However, with the recent mortgage rate increase and uncertainty caused by defense spending cuts, traffic and sales have leveled off and builders report they are being cautious about building a lot of specs.

Inventory of Vacant single Family Lots. Lot inventory continues to fall. Metrostudy reports a total vacant lot inventory as of the end of the 1st quarter 2015 of 2,858, a drop of 16.2% from a year ago.

Lot Inventory by Size Segment
Single Family Detached
Colorado Springs Metro Area, 1st Quarter, 2015

Lot Size Segment (Frontage)	Annual Housing Starts Apr 2014 thru Mar 2015	Vacant Lot Inventory March 2015	Months of Supply
Less than 50'	233	374	19.3
50'-54'	394	301	9.2
55'-59'	292	198	8.1
60'-64'	375	357	11.4
65'-89'	150	177	14.2
70'-79'	186	203	13.1
80'-89'	97	174	21.5
90' and Greater	253	1,074	50.9
Total	1,980	2,858	17.3

Source: Metrostudy survey. File:Metrostudy 1st Qtr 2015

The latest Metrostudy reports a total vacant lot inventory of 2,858 as of the end of the 1st quarter 2015. This equates to a 17.3 month supply of lots at current building rates. While there appears to be an adequate supply of lots, some builders are reporting an emerging shortage of lots in key locations.

The largest inventory of vacant lots is in lots with 90′ or greater frontages. These lots typically target the luxury market. In this segment there is a 50.9 month supply of lots available at current sales rates. The lowest inventory of vacant lots is in lots with 55′-59′ frontage. These lots typically target the production segment of the market with homes priced from $225,000 to $275,000. In this segment there is an 8.1 month supply of lots available at current sales rates. For lots to be developed at the subject property there is a 21.5 month supply, which is the second highest.

Existing Competition

The majority of the higher-end residential construction ($500,000 and above) is currently be captured by Briargate, Northgate and Flying Horse projects located in the Northeast Market area. The Southwest Market area is only capturing a small percentage of the higher-end residential market because there are few ongoing projects. One of the only existing developments in the Southwest market area is Gold Hill Mesa, which is not truly comparable with the subject proposed lots.

Recently, Lorson South Land Corporation (Leroy Landuis) purchased the failed Star Ranch Development from the lender that had taken the property back through foreclosure in 2011. The purchase included 66 detached single family lots of which 34 lots were fully developed and 32 lots were partly developed. It is the intent of the purchaser to sell the existing lots and develop the remaining lots as market demand occurs. The comparable lots are larger than the subject's proposed lots and located in a gated community. The purchaser indicated that the asking price for the lots will be above $200,000. As such, these lots may not be directly competitive with the subject lots.

In my opinion, most of the subject's competition will come from existing developed lots scattered throughout the neighborhood. MLS data indicates that there are 71 lot listings in the Southwest Market area with an average asking price of $200,445 and a median of $165,000. The average cumulative days on the market is 465. See Table Below.

71 Listings	Acres	Lot Sq. Ft.	List Price	CDOM
Min	0.26	11,425	$50,000	7
Max	1.86	81,022	$539,000	2,475
Average	0.81	35,278	$200,445	456
Median	0.70	30,492	$165,000	252

New Competition – Planned Subdivisions

I also looked at future residential subdivisions coming on line in the Southwest Market area that would be considered competitive with the subject's proposed lots. Overall, very little land remains in the Southwest Market area that could be developed in direct competition with the subject's proposed lots. I did find one development (JL Ranch) currently proposed in the Southwest Market area that would be considered somewhat competitive with the subject's proposed lots. The proposed JL Ranch subdivision is located in the southerly portion the Southwest Market area near NORAD Road. As currently proposed, the JL Ranch development will contain 414 detached single family lots and 366 attached single family units. Given the size of the proposed detached single lots at JL Ranch, they would probably be priced well below the subject's proposed lots. Overall, my analysis indicates that there could be roughly 50 lots that could be brought to the market and would be considered competitive with the subject's lots in the Southwest Market area.

Projections for Residential Construction for El Paso County

My projection for residential construction for 2015 and 2016 in El Paso County is based upon building permit forecasting by David Bamberger in his semi-annual Colorado Springs Housing Study dated May 2015.

In every study Bamberger basically presents two possible scenarios emerging for the U.S. and local economy including the single family home market. In May 2015 Bamberger revised his two scenarios. Bamberger sees the future of the single family housing market in Colorado Springs playing out over the next two years in one of two ways.

The first path is called "The Low Forecast" scenario; the second path is called "The High Forecast" scenario. Both paths are heavily influenced by the direction the global, national and local economies take over the next 12 to 24 months. Bamberger's two scenarios are summarized below.

"The Low Forecast" Scenario

The US and global economies began to slow in mid-2015 and into 2016. A number of key factors align in the mid-2015 and into 2016 to keep the US economy from gaining strong momentum. The global economy falters impacting the US, causing business and consumer confidence to decline. Consumer and business spending slows and Federal defense spending cut-backs combine to cause slow growth in GDP. Job growth remains slow and unemployment increases some. Incomes remain flat. The US economy continues in a funk through 2016. The Colorado Springs economy follows the path set by the US economy and remains in slow-go mode. Job growth continues at a slow pace and single family starts decline slightly, totaling 2,400 in 2015. In 2016 the local economy shows only moderate gains as national economic activity wobbles along. Local job growth shows some gains and single family housing permits increase to 2,700, about the same level as in 2013.

"The High Forecast" Scenario

The US and global economies gain strong momentum in 2015 and in 2016. The US economy shows solid growth in 2015 and 2016. The European and Asian economies rebound. Consumer and business confidence is restored. Equity markets continue to show strong gains. Consumer and business spending increases. Job growth accelerates. Unemployment falls. Incomes grow. Housing values increase significantly and foreclosures decline. The US economy gains increasing momentum throughout 2015 and by 2016 its back to normal. The Colorado Springs economy follows the path set by the US economy and gains traction in 2015. Job growth shows strong gains and single family starts see a strong increase, totaling 3,000 in 2015. In 2016 the local economy continues to grow as national economic activity accelerates. Local job growth makes a big gain and single family housing permits increase to 3,400 in 2016, the highest since the downturn started in 2007.

In this analysis I have projected residential construction starts for 2015 and 2016 using the midpoint of Bamberger's two possible scenarios. My projections for residential construction starts are show below.

Years	Units	Annual % Change
2015	2,700	Estimated
2016	3,050	+ 12.96%

Total construction of new single family dwellings in El Paso County is expected to vary significantly over the next two years.

Projections for Residential Construction for Sanctuary at Bear Creek

According to Metrostudy survey and Summit Economics, spec inventory of single family homes over $500,000 is currently estimated at 30 specs, which is a 2.2 month inventory of specs. Within the past year there has been 162 closings of new homes over $500,000 which represented an 8.19% market share of all new homes closings.

Metrostudy reports a total vacant lot inventory as of the end of the 1st quarter 2015 of 2,858, a drop of 16.2% from a year ago. The latest Metrostudy reports a total vacant lot inventory of 2,858 as of the end of the 1st quarter 2015. This equates to a 17.3 month supply of lots at current building rates.

For lots to be developed at the subject property there is somewhere around a 21.5 month supply of lots. Most of lots available are located in the Briargate, Northgate and Flying Horse developments. Similar lots available in the subject's market area are mostly scattered throughout the neighborhood and generally have higher asking prices. The subject lots would be well positioned in the market with an average asking price of $170,000 which is below the average asking price of $200,445 indicated by MLS data.

My projection is that the Sanctuary at Bear Creek development should be able to capture 4% of the new home over $500,000 sales market. In the table below I have projected the market share of new homes over $500,000 based upon my projection of future building permits and Sanctuary at Bear Creek's market share rate of 4%.

Year	Projected Permits	Market Share % Over $500,000	# of Units	Market Share % Sanctuary at Bear Creek	# of Units Sanctuary at Bear Creek
2015	2,700	8.2%	221	4%	9
2016	3,050	8.5%	259	4%	10

Based upon my market share analysis the Sanctuary at Bear Creek development should absorb 17 units in two years.

Absorption Conclusion

In my opinion, based upon Bamberger's information, the number of projects, the number of possible projects coming on line and the residential market seen for 2015 and beyond, it would appear that the subject lots could be absorbed in two years. This would be dependent upon the pricing of the units and improving market conditions.

My absorption estimate is based on the following factors.

- The selling price of the subject's proposed homes would be in the $500,000 and above price band. New home sales in the subject's price band made up 8.19% of all the new attached home sales in the County in the past year. Similar lots available in the subject's market area are mostly scattered throughout the neighborhood and generally have higher asking prices. The subject lots would be well positioned in the market with an average asking price of $170,000 which is below the average asking price of $200,445 indicated by MLS data. My projection was that the Sanctuary at Bear Creek development should be able to capture 4% of the new home over $500,000 sales market. At that rate it will take approximately two years to absorb the subject lots.

- Of all the planned projects in the city there was only one project that could be considered somewhat competitive with the subject with a total of 50 possible units. These units will probably not be brought to market all at once but will develop gradually as market conditions improve. Therefore it would still be possible to absorb the subject lots within the next couple of years.

- Over the long term it's projected that Colorado Springs will see employment expansion and population migration into the area. Even in the short term there appears to be an above average market for the subject lots.

- Very little land remains in the Southwest Market area that could be developed in direct competition with the subject property.

In conclusion it will take approximately 24 months or 2 years to sellout the subject's 17 lots. On Table 3 I have projected absorption of the subject lot's at 9 in the first year and 8 lots in the second year. Overall, my absorption projection is dependent upon the pricing of the lots and improving market conditions. My sellout period estimate does assume that an aggressive marketing program is in place and that financing is readily available for the lots and homes in the subdivision.

5. Escalate current cost and retail values in future periods, if required, as dictated by the market data.

Holding costs are expected to rise over the absorption period. To some degree, you would also think that development costs would follow inflation. From 1989 to 2010, the Consumer Price Index (CPI) for all U.S. cities has increased at an annual rate of 3.4%, down from the rate of the previous two decades. In the Colorado Springs area, I would anticipate that inflation should at least keep pace with that of the rest of the nation. Going forward, I would anticipate the local CPI will increase by at least 3 to 4%.

Market data indicates that single family lot values similar to the subject's lots are on an upward trend for the last couple of years because of declining inventories. To some degree, you would also think that individual lot sale prices and development costs would follow inflation. From 1989 to 2010, the Consumer Price Index (CPI) for all U.S. cities has increased at an annual rate of 3.4%, down from the rate of the previous two decades. In the Colorado Springs area, we would anticipate that inflation should at least keep pace with that of the rest of the nation. Going forward, we would anticipate the local CPI will increase to 3% or higher. However, the increases in labor and material costs has actually put more downward pressure on lot values.

An investor will again attempt to negotiate an escalation factor as close as possible to the cost of his funds (approximately 4% to 8% per year).

With this in mind, on Table 3, I have used a 4% escalation factor for expenses and 4% escalation (appreciation) factor for the selling price of the lots beginning the second year of the projection period.

Net Sales Proceeds. As shown on Table 3, from total revenues direct and indirect costs are subtracted to arrive at the net cash flow.

6. If required, discount the net proceeds at a proper rate to determine a single net present value.

In order to translate the forecasted income stream in the subdivision cash flow analysis into an estimate of value, the future net cash flows for each month are discounted to the present value utilizing a selected discount rate.

Considering that we have already provided for a line-item deduction for entrepreneurial profit, the discount rate need only reflect the cost of capital. The common term for the cost of capital is simply the interest rate. The interest rate compensates the lender for the time value of money and also allows for profit via the spread between the bank's cost of funds and the borrower's interest rate. Loan fees and points increase the lender's rate of return. For the investor the cost of funds is equivalent to what it would cost him to borrow from a lending institution or a private lender.

Our survey of banks indicated that the availability of the type of loan that would be needed to purchase the subject property and hold the parcels is difficult to get in today's market. Banks have become concerned about the market and their loan portfolios, which makes these types of loans very difficult to arrange and are usually dependent on other banking relationships and the ability of the borrower to pay. These type of loans usually require the borrower to have a good track record, financially sound, contribute personal equity to the project (50%-70% LTV), and commit to a personal guarantee. Interest are generally at 2 to 6 points over prime with terms of one to two years. As of the effective date of this report the prime rate was at 3.25%, which would indicate a range of interest rates between 5.25% and 9.25%. Loan fees add another 100 to 300 basis points to these rates, raising them to 6.25% to 10.25%.

My survey of private lenders indicated that the availability of the type of loan is also getting much harder in today's market. Private lenders have also become very concerned about the market's position in the cycle. However, private lenders appear to be looking beyond the ability of the borrower just to pay but also the downside if the investment fails. My survey of private lenders indicated a cost of capital from 7% to 9%. These loans usually require the borrower to contribute personal equity to the project (50%-70% LTV), and commit to a personal guarantee.

Based on this information, I have selected a cost of capital rate of 8.0% for the subject property. This rate is above the Bank's low rate of 6.25% for its best customers and slightly below a private lender's high rate of 9%. This would also be 475 basis points over the prime rate, which should be reasonable for an investment of this nature. The net sale proceeds (cash flows), as shown on Table 3 are then discounted at 8% per year.

Conclusion – Subdivision Development Approach. As shown on Table 3 from the gross revenues I deducted direct costs and indirect cost of selling commission, closing costs, holding costs and an entrepreneurial return. The indicated market value of the subject property "As Is" is the summation of the cash flows over the projection period of two years. The "As Is" market value of the as indicated by my subdivision development approach is as shown on Table 3 or **$1,400,000 (Rounded) or $82,353 per lot.**

As shown on Table 3 the internal rate of return (IRR) for my cash flow analysis is calculated at 19.71%. To determine the reasonableness of my IRR I have reviewed two surveys: Burbach & Associates, Inc. Real Estate Investment Survey and The Colorado Land Development Investment Survey.

According to the Burbach & Associates Survey IRR rates for undeveloped vacant land ranges between 8% - 30%+ with an average of 22% and typically includes a profit. Fully developed parcels with all entitlements were at the lower end of the range whereas undeveloped parcels with entitlements were at the higher end of range.

The Colorado Land Development Investment Survey indicated that IRR rates for fully developed residential lots varied upon the purchaser. Builder purchasers IRR rates were at 10%+ and investor purchasers were at 25%+.

The surveys indicate that IRRs generally ranging between 8% - 30%. Both of the surveys indicated that fully developed parcels/lots with all entitlements were at the lower end of the ranges whereas undeveloped parcels with entitlements were at the higher end of range.

The IRR for my cash flow analysis was calculated at 19.71%, which is near the middle indicated by both surveys. This would appear reasonable, particularly given that the subject property's stage of development and price segment of the market. It is also consistent the subject's location, number of lots and current trends in the local market place.

Reconciliation and Conclusion

Value Indications

I used both the sales comparison and subdivision development approaches to estimate the "As Is" market value of the subject property. The values derived from the two approaches are as follows:

<u>"As Is" Market Values</u>

Sales Comparison Approach (Table 1)	$1,241,000 ($73,000/Lot)
Subdivision Development Approach (Table 3)	$1,400,000 ($82,353/Lot)

Reconciliation

I first used the sales comparison approach to estimate the subject's "As Is" market value. The sales comparison approach is typically well adapted to properties in active real estate markets where there are a sufficient number of recent sales of similar properties. This approach does not produce good estimates of market value when few recent sales of comparable properties exist, or when the adjustments between comparable sales and the subject are large. In terms of this appraisal a fair to poor selection of comparable land were available. Overall, the sales comparison approach's accuracy was limited due to adjustments made for location, proposed lot size and stage of development. I have given a moderate emphasis on the indication of value derived from the sales comparison approach for the subject property "As Is".

The methodology of the subdivision development approach involves a combination of the sales comparison, cost and income approaches to value. The Subdivision Development Approach has many moving parts including estimates for absorption, direct and indirect costs, commissions and a developer's overhead and profit. This approach has many moving parts and does not produce good estimates of market value when used incorrectly. The use of the Subdivision Development Approach for properties similar to the subject is supported by evidence from conversations and interviews with bankers and land developers. My survey indicates that the majority of banks would require a subdivision type appraisal be performed, particularly if there is any proposed development. Land developers and investors also use this method to assess the feasibility of a project and whether or not to buy a particular property. Furthermore, other evidence from market supports the use of this method. The methodology is also recognized by the Appraisal Foundation, Appraisal Institute and is widely used by appraisers. I have given considerable emphasis on the indication of value derived from the Subdivision Development Approach.

Conclusion

In arriving at the final estimate of value for the subject property, careful consideration was accorded all pertinent factors. In addition, none of the value estimates were averaged or disregarded. Rather, the indications of value derived from the respective approaches were thoroughly analyzed with regard to their strengths and weaknesses in relation to the purpose and function of this appraisal. The value indications developed in the two approaches do not support each other. Overall, I have given most weight to the Subdivision Development Approach for the subject property because I had better data.

The market values estimated for the subject property are shown in the matrix below:

Value Indication: Sanctuary at Bear Creek

Premise	**"As Is"**
Property Rights	Fee Simple
Property Description	8.596 Acres of Vacant of Land Zoned R-1/9000 with Developed Plan and Preliminary Plat Approval for 17 Detached Single Family Residential Lots
Date of Valuation	May 20, 2015
Sales Comparison Approach	$1,241,000
Subdivision Development Approach	$1,400,000
Concluded Market Value	**$1,400,000**
Value Per Proposed Lot	$83,353
Value Per SF	$3.74

My estimate of market value was made with no extraordinary assumptions and one hypothetical condition as discussed in the Scope of Work section (Part 1) of this report.

Exposure and Marketing Period

Marketing period for the subject lots was estimated at one year as discussed in Part 3 of this report. The marketing time for the "As Is" market value of the subject property is estimated at one year or less. To estimate the exposure and marketing period for the subject properties, I have discussed typical marketing times with area real estate brokers active in the sales of similar properties in Colorado Springs. According to these conversations, marketing times have decreased within the past 36 months. The Colorado Springs residential land/lot real estate market appears to be improving.

Therefore, I have estimated a typical marketing time for the subject property. However, it should be noted that estimating an appropriate marketing period is always difficult; the actual marketing period can be significantly longer or shorter than estimated. Reasons for this can be the effect of various economic shortcomings or windfalls, which cannot be foreseen in the future. As a result, the final estimate of the marketing period should, in the final analysis, be treated as only the best estimate of a time period, which is always difficult to estimate. The estimate also takes into consideration competent and aggressive marketing of the subject property. Anything less can potentially extend the estimate of the marketing time frame.

PART 4

EXHIBITS AND ADDENDA

Legal Description From Preliminary Plat

Owner's Develop Cost Estimate

Appraiser's Qualifications and License

LEGAL DESCRIPTION: SANCTUARY AT BEAR CREEK

THAT PORTION OF THE SOUTHEAST QUARTER OF SECTION 23, TOWNSHIP 14 SOUTH, RANGE 67 WEST OF THE 6TH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER, THENCE EASTERLY ALONG THE NORTH LINE OF SAID SOUTHEAST QUARTER 357.25 FEET TO THE POINT OF BEGINNING OF THE TRACT HEREIN DESCRIBED; THENCE CONTINUING EASTERLY ALONG SAID NORTH LINE 403.63 FEET; THENCE ANGLE RIGHT 90 DEGREES 16 MINUTES A DISTANCE OF 509.09 FEET; THENCE ANGLE RIGHT 70 DEGREES 51 MINUTES 30 SECONDS A DISTANCE OF 424.05 FEET; THENCE ANGLE RIGHT 108 DEGREES 52 MINUTES 30 SECONDS A DISTANCE OF 646.27 FEET TO THE POINT OF BEGINNING.
TOGETHER WITH:

THAT PORTION OF THE SOUTHEAST QUARTER OF SECTION 23, TOWNSHIP 14 SOUTH, RANGE 67 WEST OF THE 6TH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER; THENCE EASTERLY ALONG THE NORTH LINE OF THE SAID SOUTHEAST QUARTER, 357.25 FEET; THENCE ANGLE RIGHT 90 DEGREES A DISTANCE OF 416.96 FEET; THENCE ANGLE RIGHT AND RUN WESTERLY PARALLEL TO THE SAID NORTH LINE OF THE SOUTHEAST QUARTER, 359 FEET TO A POINT ON THE WEST LINE OF THE SAID SOUTHEAST QUARTER, SAID POINT BEING 416.96 FEET SOUTH OF THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER; THENCE NORTH ALONG THE WEST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION TO THE POINT OF BEGINNING.

EXCEPT THAT PORTION THEREOF QUIT CLAIMED TO EL PASO COUNTY IN DEED RECORDED SEPTEMBER 12, 1956 IN BOOK 1590 AT PAGE 441 FOR HIGHWAY PURPOSES, AS FOLLOWS:

BEGINNING AT THE CENTER OF SAID SECTION 23, RUN EAST ON THE EAST AND WEST CENTER LINE THEREOF A DISTANCE OF 10 FEET, THENCE ANGLE RIGHT 88 DEGREES 22 MINUTES AND RUN SOUTHERLY 417 FEET, MORE OR LESS TO A POINT ON THE NORTH LINE OF A TRACT HERETOFORE CONVEYED TO WILLIAM G. VANDENBURG AND THEO VANDENBURG, AS RECORDED OCTOBER 13, 1953 IN BOOK 1401 AT PAGE 257, SAID POINT BEING 23.93 FEET EAST OF THE NORTH AND SOUTH CENTER LINE OF SAID SECTION 23; THENCE WEST ON THE NORTH LINE OF SAID VANDENBURG TRACT 23.93 FEET TO SAID NORTH AND SOUTH CENTER LINE OF SECTION 23, THENCE NORTH 417 FEET MORE OR LESS TO THE POINT OF BEGINNING, COUNTY OF EL PASO, STATE OF COLORADO.
BEING ALSO DECLARED AS FOLLOWS:
A PARCEL OF LAND BEING A PORTION OF THE SOUTHEAST QUARTER OF SECTION 23, TOWNSHIP 14 SOUTH, RANGE 67 WEST OF THE SIXTH PRINCIPAL MERIDIAN, EL PASO COUNTY, COLORADO.

BASIS OF BEARINGS; THE EASTERLY BOUNDARY OF A PARCEL OF LAND DESCRIBED IN BOOK 1590 AT PAGE 441, RECORDS OF EL PASO COUNTY, COLORADO, BEING MONUMENTED AT BOTH ENDS BY A NO. 5 REBAR AND ORANGE PLASTIC SURVEYORS CAP STAMPED "RAMPART PLS 28068" AND IS ASSUMED TO BEAR N01°32'16"W A DISTANCE OF 416.68 FEET.

COMMENCING AT THE NORTHEASTERLY CORNER OF A PARCEL OF LAND DESCRIBED IN BOOK 1590 AT PAGE 441, RECORDS OF EL PASO COUNTY, COLORADO, SAID POINT BEING THE SOUTHWESTERLY CORNER OF PARCEL NO. 5 DESCRIBED IN A DOCUMENT RECORDED IN BOOK 2647 AT PAGE 213, SAID POINT BEING ON THE NORTH LINE OF THE SOUTHEAST QUARTER OF SECTION 23, TOWNSHIP 14 SOUTH, RANGE 67 WEST OF THE SIXTH PRINCIPAL MERIDIAN, EL PASO COUNTY, COLORADO, SAID POINT BEING THE POINT OF BEGINNING.

THENCE ON SOUTHERLY BOUNDARY OF SAID PARCEL NO. 5 AND SAID NORTH LINE THE FOLLOWING TWO (2) COURSES:

1. S89°54'35"E, A DISTANCE OF 347.25 FEET;
2. S89°53'43"E, DISTANCE OF 403.63 FEET TO THE NORTHWESTERLY CORNER OF A PARCEL OF LAND DESCRIBED IN A DOCUMENT RECORDED IN BOOK 2061 AT PAGE 392;

THENCE S00°23'41"W, ON THE WESTERLY BOUNDARY OF SAID PARCEL DESCRIBED IN A DOCUMENT RECORDED IN BOOK 2061 AT PAGE 392, A DISTANCE OF 506.84 FEET TO THE SOUTHWESTERLY CORNER OF SAID PARCEL DESCRIBED IN A DOCUMENT RECORDED IN BOOK 2061 AT PAGE 392 BEING ALSO A POINT ON THE NORTHERLY BOUNDARY OF SKYWAY PARK ESTATES RECORDED IN PLAT BOOK V AT PAGE 72;
THENCE S71°13'24"W, ON SAID NORTHERLY BOUNDARY A DISTANCE OF 424.15 FEET TO THE SOUTHEASTERLY CORNER OF A PARCEL OF LAND DESCRIBED IN A DOCUMENT RECORDED IN BOOK 6323 AT PAGE 983.

THENCE ON THE EASTERLY AND NORTHERLY BOUNDARY OF SAID PARCEL OF LAND DESCRIBED IN A DOCUMENT RECORDED IN BOOK 6323 AT PAGE 983 THE FOLLOWING TWO (2) COURSES:

1. N00°06'46"E, A DISTANCE OF 229.58 FEET;
2. N89°54'32"W, A DISTANCE OF 335.07 FEET TO THE SOUTHEASTERLY CORNER OF SAID PARCEL OF LAND DESCRIBED IN DESCRIBED IN BOOK 1590 AT PAGE 441;

THENCE N01°32'16"W, ON THE EASTERLY BOUNDARY OF SAID PARCEL OF LAND DESCRIBED IN DESCRIBED IN BOOK 1590 AT PAGE 441, A DISTANCE OF 416.68 FEET TO THE POINT OF BEGINNING.

CONTAINING A CALCULATED AREA OF 8.596 ACRES

PROJECT: SANCTUARY AT BEAR CREEK

		11-May-15
LOTS:	17	PAY PERIOD: 25-Jun-14
ACRES:	8.60	
DU/AC:	1.98	
CL:	604 LF	

#	ITEM	ORIGINAL ESTIMATED COST 07-Jul-14 SUBTOTAL	ACTUAL COST THIS DRAW SUBTOTAL	ACTUAL SPENT TO DATE SUBTOTAL	BALANCE TO COMPLETE SUBTOTAL
	PLANNING	$6,000	$0.00	$0.00	$6,000.00
	ENGINEERING DESIGN	$17,000	$0.00	$0.00	$17,000.00
	SUPERVISION	$40,243	$0.00	$0.00	$40,243.21
	SURVEYING	$19,000	$0.00	$0.00	$19,000.00
	SOILS ENGINEER	$12,000	$0.00	$0.00	$12,000.00
	EXCAVATION	$127,562	$0.00	$0.00	$127,562.00
	SANITARY SEWER	$88,555	$0.00	$0.00	$88,555.00
	WATER	$65,471	$0.00	$0.00	$65,471.00
	NATURAL GAS	$16,150	$0.00	$0.00	$16,150.00
	ELECTRIC	$23,800	$0.00	$0.00	$23,800.00
	TELEPHONE	$5,436	$0.00	$0.00	$5,436.00
	DRAINAGE CONSTRUCTION	$68,430	$0.00	$0.00	$68,430.00
	CURB AND GUTTER	$28,710	$0.00	$0.00	$28,710.00
	PAVING	$90,130	$0.00	$0.00	$90,130.00
	SIDEWALK	$5,250	$0.00	$0.00	$5,250.00
	FENCE	$54,390	$0.00	$0.00	$54,390.00
	LANDSCAPING	$65,900	$0.00	$0.00	$65,900.00
	OFFSITES	$0	$0.00	$0.00	$0.00
	MISCELLANEOUS	$15,000	$0.00	$0.00	$15,000.00
	DRAINAGE FEES	$26,686	$0.00	$0.00	$26,685.80
	PARK FEES	$0	$0.00	$0.00	$0.00
	SCHOOL FEES	$0	$0.00	$0.00	$0.00
	BRIDGE FEES	$2,511	$0.00	$0.00	$2,511.20
	CONTINGENCY	$89,883	$0.00	$0.00	$89,883.27
	TOTAL CONSTRUCTION COST	$868,107	$0.00	$0.00	$868,107.48
	REIMBURSEMENTS	$0	$0.00	$0.00	$0.00
	TOTAL AFTER REIMBURSEMENT	$868,107	$0.00	$0.00	$868,107.48

COST PER LOT $51,065

ESTIMATE ASSUMES:
No offsite Drainage or Street Improvements
Park & School Fees at time of Building Permit
No Soils or Enviormential Mitigation
Interior Sidewalk By Builder
Does Not Include Money Already Spent

REVISIONS:

PROJECT SANCTUARY AT BEAR CREEK

LOTS: 17
ACRES: 8.60
DU/AC: 1.98
CL: 604 LF

PAY PERIOD: 25-Jun-14
ESTIMATE DATE: 07-Jul-14

13-May-15

#	Item Description	ESTIMATE Quantity	Units	Unit Price	Total Cost	BID Quantity	Units	Unit Price	Total Cost	TOTAL THIS MONTH Quantity	Amount	TOTAL TO DATE Quantity	Amount
	PLANNING				6,000				0		$0.00		$0.00
	ENGINEERING DESIGN				17,000				0		$0.00		$0.00
	CONSTRUCTION SUPERVISION			5.00%	40,243				0		$0.00		$0.00
	SURVEYING		LS		19,000		LS		0		$0.00		$0.00
	SOILS ENGINEERING		LS		12,000		LS		0		$0.00		$0.00
	EXCAVATION:												
	Rough Cut Road	2,273	CY	4.00	9,092	0	CY	0.00	0	0	$0.00		$0.00
	Rough Cut Road Import	6,300	CY	7.00	44,100	0	CY	0.00	0	0	$0.00		$0.00
	Grub ROW	0	LS	0.00	25,000	0	LS	0.00	0	0	$0.00		$0.00
	Detention Pond	0	LS	0.00	10,000	0	LS	0.00	0	0	$0.00		$0.00
	Demo Existing Structure	0	LS	0.00	25,000	0	LS	0.00	0	0	$0.00		$0.00
	Strip & Replace	895	CY	6.00	5,370	0	CY	0.00	0	0	$0.00		$0.00
	Rock Excavation	0	LS	0.00	0	0	CY	0.00	0	0	$0.00		$0.00
	Erosion Control	0	LS	0.00	9,000	0	CY	0.00	0	0	$0.00		$0.00
	SANITARY SEWER:												
	4" PVC Service	17	EA	975.00	16,575	0	EA	0.00	0	0	$0.00		$0.00
	3" Active Underdrain Service	17	EA	400.00	6,800	0	EA	0.00	0	0	$0.00		$0.00
	8" PVC	851	LF	40.00	34,040	0	LF	0.00	0	0	$0.00		$0.00
	6" Active Underdrain Main with Sewer	720	LF	14.00	10,080	0	LF	0.00	0	0	$0.00		$0.00
	Tie In Existing With New Manhole	1	EA	4,300.00	4,300	0	LF	0.00	0	0	$0.00		$0.00
	48" Manhole	3	EA	3,000.00	9,000	0	EA	0.00	0	0	$0.00		$0.00
	60 Manhole	1	EA	3,500.00	3,500	0	EA	0.00	0	0	$0.00		$0.00
	Adjust Manhole	5	EA	300.00	1,500	0	EA	0.00	0	0	$0.00		$0.00
	Rock Excavation	0	LF/VF	5.00	0	0	LF/VF	0.00	0	0	$0.00		$0.00
	Underdrain Cleanout	3	EA	920.00	2,760	0	EA	0.00	0	0	$0.00		$0.00
	WATER:												
	8" Gate Valve	2	EA	1,400.00	2,800	0	EA	0.00	0	0	$0.00		$0.00
	8" Bends	3	EA	510.00	1,530	0	EA	0.00	0	0	$0.00		$0.00
	3/4" Service	17	EA	1,000.00	17,000	0	EA	0.00	0	0	$0.00		$0.00
	8" PVC Main	614	LF	31.50	19,341	0	LF	0.00	0	0	$0.00		$0.00
	Traffic Control	0	LS	0.00	1,800	0	LF	0.00	0	0	$0.00		$0.00
	Rock Bedding	50	TN	28.00	1,400	0	LF/VF	0.00	0	0	$0.00		$0.00
	8" Tie In Cresta Road with Valves	0	EA	0.00	8,600	0	SF	0.00	0	0	$0.00		$0.00
	Hydrant Assembly	2	EA	5,100.00	10,200	0	EA	0.00	0	0	$0.00		$0.00
	Raise Valve Box	7	EA	400.00	2,800	0	EA	0.00	0	0	$0.00		$0.00
	GAS	17	LOT	950.00	16,150		LS		0		$0.00		$0.00
	ELECTRIC	17	LOT	1,400.00	23,800		LS		0		$0.00		$0.00
	TELEPHONE:												
	Telephone LDA	0	LOT	0.00	0	0	LOT	0.00	0	0	$0.00		$0.00
	Trench	604	LF	9.00	5,436	0	LF	0.00	0	0	$0.00		$0.00
	DRAINAGE CONSTRUCTION:												
	18" RCP	200	LF	39.00	7,800	0	LF	0.00	0	0	$0.00		$0.00
	24" RCP	340	LF	45.00	15,300	0	EA	0.00	0	0	$0.00		$0.00
	18" RCP Bend	2	EA	900.00	1,800	0	EA	0.00	0	0	$0.00		$0.00
	18" X 24" RCP Wye	1	EA	1,470.00	1,470	0	EA	0.00	0	0	$0.00		$0.00
	18" RCP Flared End Section	1	EA	500.00	500	0	EA	0.00	0	0	$0.00		$0.00
	24" RCP Flared End Section	1	EA	600.00	600	0	EA	0.00	0	0	$0.00		$0.00
	D50=9" RipRap	100	TN	45.00	4,500	0	EA	0.00	0	0	$0.00		$0.00
	Type 2 Manhole	1	EA	2,490.00	2,490	0	TN	0.00	0	0	$0.00		$0.00
	4' D-10 R Catch Basin	2	EA	4,000.00	8,000	0	TN	0.00	0	0	$0.00		$0.00
	Concrete Cutoff Wall	70	LF	171.00	11,970	0	EA	0.00	0	0	$0.00		$0.00
	2' Concrete Chase	900	SF	10.00	9,000	0	EA	0.00	0	0	$0.00		$0.00
	Detention Pond Outlet	1	EA	5,000.00	5,000	0	EA	0.00	0	0	$0.00		$0.00
	CURB & GUTTER:												
	Curb and Gutter	1,280	LF	12.00	15,360	0	LF	0.00	0	0	$0.00		$0.00
	25' Squared Return	2	EA	2,500.00	5,000	0	EA	0.00	0	0	$0.00		$0.00
	Ped Ramp	200	SF	14.75	2,950	0	SF	0.00	0	0	$0.00		$0.00
	Cross Pan	195	SF	8.00	1,560	0	SF	0.00	0	0	$0.00		$0.00
	C&G Prep	1,280	LF	1.50	1,920	0	LF	0.00	0	0	$0.00		$0.00
	C&G Backfill	1,280	LF	1.50	1,920	0	LF	0.00	0	0	$0.00		$0.00
	ASPHALT PAVING:												
	5"Asphalt	2,610	SY	22.00	57,420	0	SY	0.00	0	0	$0.00		$0.00
	6" Base Course	2,610	SY	8.00	20,880	0	SY	0.00	0	0	$0.00		$0.00
	Signage & Striping	0	LS	0.00	4,000	0	LS	0.00	0	0	$0.00		$0.00
	Paving Prep	2,610	SY	3.00	7,830	0	SY	0.00	0	0	$0.00		$0.00

PROJECT: SANCTUARY AT BEAR CREEK

11-May-15

LOTS	17		
ACRES:	8.60	PAY PERIOD	25-Jun-14
DU/AC	1.98	ESTIMATE DATE	07-Jul-14
CL	604 LF		

#	Item Description	ESTIMATE Quantity	ESTIMATE Units	ESTIMATE Unit Price	ESTIMATE Total Cost	BID Quantity	BID Units	BID Unit Price	BID Total Cost	TOTAL THIS MONTH Quantity	TOTAL THIS MONTH Amount	TOTAL TO DATE Quantity	TOTAL TO DATE Amount
	SIDEWALK	1,750	SF	3.00	5,250	0	SF	0.00	0	0	$0.00		$0.00
	FENCE	1,110	LF	49.00	54,390	0	LF	0.00	0	0	$0.00		$0.00
	LANDSCAPING												
	Seeding	4	ACRE	3,800.00	15,200	0	ACRE	0.00	0	0	$0.00		$0.00
	Landscaping	3,668	SF	6.00	22,008	0	ACRE	0.00	0	0	$0.00		$0.00
	3/4" Irrigation Tap Fee City	0	LS	0.00	9,292	0	ACRE	0.00	0	0	$0.00		$0.00
	Entry Signage	0	LS	0.00	8,000	0	SF	0.00	0	0	$0.00		$0.00
	Pilaster	24	EA	475.00	11,400	0	EA	0.00	0	0	$0.00		$0.00
	OFFSITES												
		0	LS	0.00	0	0	LS	0.00	0	0	$0.00		$0.00
		0	LS	0.00	0	0	LF	0.00	0	0	$0.00		$0.00
		0	SY	0.00	0	0	SY	0.00	0	0	$0.00		$0.00
	MISCELLANEOUS		LS		15,000		LS		15,000		$0.00		$0.00
	DRAINAGE FEES	8.6	ACRE	3,103.00	26,686		ACRE		0		$0.00		$0.00
	PARK FEES		BUILDER		0		BUILDER		0		$0.00		$0.00
	SCHOOL FEES		BUILDER		0		BUILDER		0		$0.00		$0.00
	BRIDGE FEES	8.6	ACRE	292.00	2,511		ACRE		0		$0.30		$0.00
	CONTINGENCY			12%	89,883						$0.00		$0.00
	Sub Total				$868,107				$15,000		$0.00		$0
	POSSIBLE REIMBURSEMENTS:												
	Telephone	0	LOTS	0.00	0				0		$0.00		$0.00
					0								
					0				0		$0.00		$0.00
	Sub Total Reimbursements				$0				$0		$0		$0
	TOTAL AFTER REIMBURSEMENTS				$868,107				$15,000		$0		$0

APPRAISER QUALIFICATIONS
THOMAS COLON

EMPLOYMENT HISTORY:

11/1993 - Present: Independent real estate appraiser -Thomas Colon & Associates, Inc.

1/1989-10/1993 Hastings & Colon Real Estate Appraisers. Appraisal assignments included - Motels: existing properties along the front range and Canon City. Retail: community and neighborhood shopping centers in Colo. Spgs. and Denver. Industrial: light and heavy industrial properties along the front range. Office: office buildings in the CBD and suburban areas of Colo. Spgs. Residential: both single family and multi-family properties in all areas of El Paso County and the City of Colorado Springs.

1978-1988 Smartt Construction Company - President. Responsibilities included development of all types of land uses for company including single family, multi-family, industrial, and commercial and mobile home park. Construction of single family dwellings, office, warehouse, and retail buildings. Construction was done for company's projects or for other owners on a negotiated or competitive bid basis. Activity involved in all Company sales and leasing, from actually selling and leasing to overseeing all other sales and leasing activities for the Company.

1970 - 1978 Various Contractors and Subcontractors: Ross Construction Company, Guy Graham Construction, K.D. Rose Construction Co., Horn Brothers Construction Co., Columbine Construction Co., Ambassador Homes. Involved in various aspects of single family, multi-family, commercial, office and industrial construction.

EDUCATION:

University of Colorado: Bachelor Degree, 1974.

Pikes Peak Association of Realtors: Courses - Real Estate Law, Ethics,

Jones Real Estate Collage: Approximately 165 hours of real estate courses required for Colorado Broker License.

University of Colorado Division of Continuing Education: Approximately 876 hours in appraisal courses required for Colorado Certified General Appraisers license and continuing education for both the appraisers and brokers licenses.

Northwest Center of Professional Education: Courses/Seminars included - Retail Center Feasibility and Leasing, Valuation of Real Estate, Leasing Commercial Real Estate, Commercial Property Management, Developing and Managing a Mini-Storage Warehouse.

Judy Car & Associates: Developing a Manufactured Housing Community. Manufactured Housing Resource Group Inc.: The Manufactured Housing Land Development.

AFFILIATIONS:

Colorado Springs Board of Realtors (Broker Member)

Colorado Association of Real Estate Appraisers

Appraiser Qualifications (Thomas Colon)
Continued
Page 2

Housing and Building Association of Colorado Springs - (HBA): Associate Member, Board of Director for 18 years, I also chaired the HBA's Land Use/County Affairs Committee for 18 years. HBA's Associate of the Year -1996.

El Paso County Comprehensive Plan (Former Committee and sub-Committee Member)

El Paso County Land Development Code (Former Committee Member)

El Paso County Oversight Sub-Committee (Former Board Member)

El Paso County Regulatory Review Commission (Former Board Member)

City of Colorado Springs/El Paso County Drainage Board (Former Board Member and Chairman)

City of Colorado Springs School/Park Fee Advisory Committee (Former Appraiser Member)

PROPERTY TYPES APPRAISED:

Single Family Residential: Individual single family, Condominiums, and Townhomes

Multi-Family Residential: Duplex properties up to a 479 unit apartment complex.

Vacant Land: Residential and Commercial Subdivision Development, agricultural, retail, office, and industrial.

Commercial Improved: Office buildings, banks, strip retail buildings, free standing retail buildings fast food restaurant buildings, full service restaurant buildings, motels, B & Bs, multi-user and single user industrial buildings, mini-warehouse facilities, automotive buildings, car wash properties both self service and tunnel type, nursing home properties and Gaming Casinos.

LICENSES:

Colorado Certified Appraiser License No. CG 1315531
License expires December 31, 2016

Colorado Real Estate Broker License No. EI00 321421
License expires March 21, 2016

STATE OF COLORADO
Department of Regulatory Agencies
Division of Real Estate

Active
Cert Gen Appraiser

PRINTED ON SECURE PAPER

1315531	Jan 1 2014	Dec 31 2016
Number	Issue Date	Expires

THOMAS JOSEPH COLON
COLORADO SPRINGS, CO 80921

Thomas Joseph Colon

Program Administrator — Licensee Signature