ASPEN/SNOWMASS
REAL ESTATE MARKET OVERVIEW

A Review of What Happened in 2017
&
Looking Ahead

February 15, 2018

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Aspen Snowmass Real Estate Market Overview

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Introduction

The Aspen Appraisal Group has for many years compiled a variety of data to demonstrate trends in the Aspen-Snowmass real estate market. The analysis is focused on examining sales and listings of single family houses, lots and condominiums through year-end, December 31, 2017. The commercial market and fractional interest market are also addressed. To clarify, historically the Aspen and Snowmass districts were referred to as Zone 1 & Zone 2 in the MLS and most of the data for the graphs in this report come from those two areas. Now, these areas are simply recognized as Aspen and Snowmass. The exceptions are the first two graphs in the report where the MLS area has been expanded beyond just Aspen and Snowmass. Also, single family sales over $5,000,000 come from Aspen, Snowmass Village, Woody Creek and Old Snowmass, the areas where such sales typically occur. It is noteworthy that there is some corruption in the single family and land sale data as the Snowmass zone also includes Owl Creek and did, until 2012, also include Brush Creek Village which is now a separate zone. There are also minor discrepancies in how some of the data is presented. However, as a general statement, I put less emphasis on the actual numbers, and more on the general trends.

Sale and listing data in the graphs were taken primarily from information published by the Aspen Board of Realtors through the Multiple Listing Service and its Flex on-line system. Data was also taken from Land Title and Andrew Ernemann of Aspen Snowmass Sotheby's International Realty who puts together his Aspen Snowmass Market Report. Andrew's report was used primarily for the neighborhood specific data and price/SF information in the Aspen & Snowmass houses and condominiums sections.

The estimate of listings shown in the annual graphic data is based on an average of those available at year-end with those available at the prior year end. For example, the number of listings shown for 2017 is an average of those available at year-end 2016 and those available year-end 2017. I think this approach gives a more realistic evaluation of how sales fared during the year compared to available inventory. Listings shown in the MLS as pending, and under contract are still included in the listings totals; they are not considered sales. Also noteworthy is that the data in this report has been "scrubbed" from what is reported in the Flex MLS system. For example, in 2017 there were 14 Aspen land sales that were reported in the MLS as improved single family data, but in my opinion these are really land sales where the structures will be demolished or largely demolished; both the single family and land sales data have been amended. Additionally, Aspen and Snowmass condominium data does not include half duplexes but rather includes only condominiums and townhouses.

The Board requests a disclaimer be attached to use of its data, and rather than attach that to each graph, we include it below.

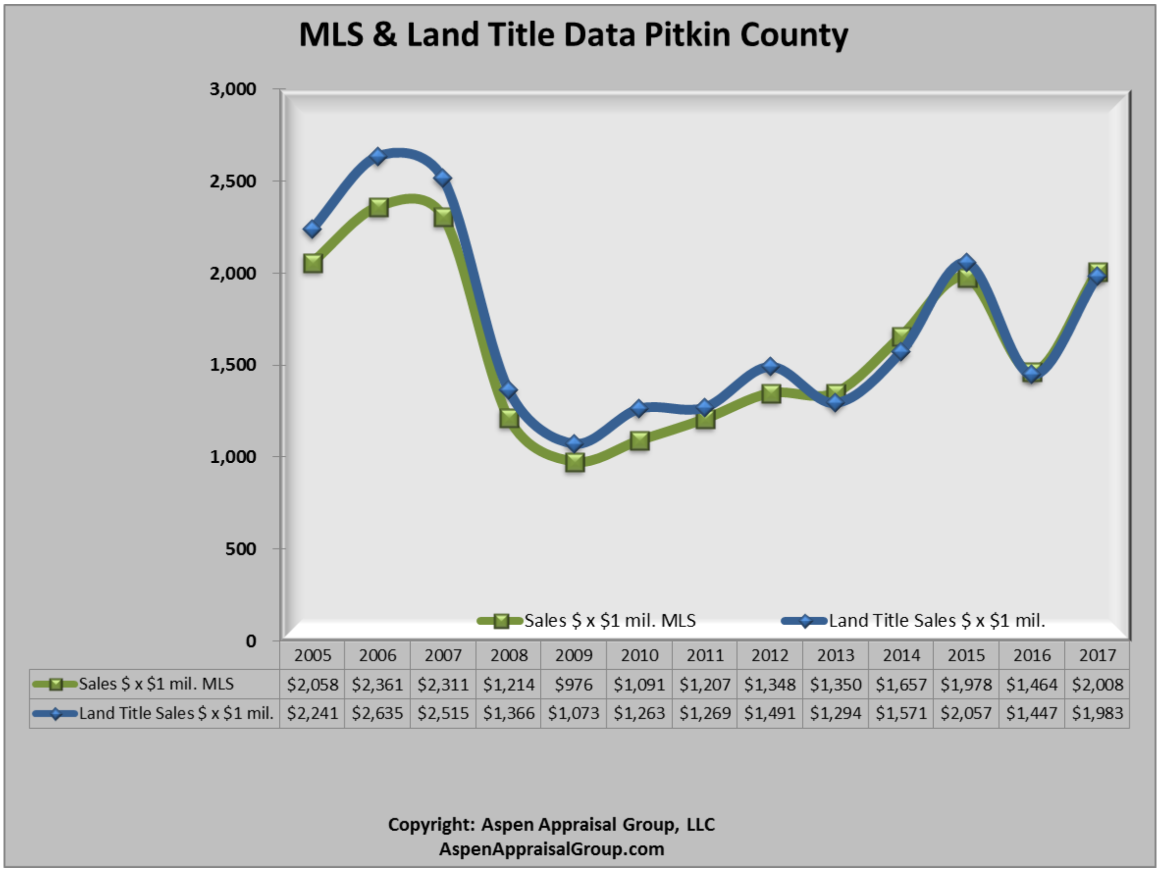
> ***This representation is based in whole or in part on data supplied by the Aspen Board of Realtors. Neither the Board nor its MLS guarantees or is in any way responsible for its accuracy. Data maintained by the Board or its MLS may not reflect all real estate activity in the market.***

Annual trends will be displayed graphically for the past 13 years, commencing in 2005 when the market was accelerating. A brief recap: in 1997-2000 the real estate market was strong, but in 2001-2002, the market slowed following 9/11 and the effects of a significant stock market decline and national recession. The recovery commenced in 2003-2004. The graphs start with the unprecedented market strength of 2005, 2006 and 2007, a struggling 2008 market as we entered a major recession, a 2009 market that was the weakest market we had seen in the prior 10 years, and then improvement in the market beginning in 2010 and continuing through 2015. The graphs show a slower 2016 market but they finish with a much stronger 2017.

As the data shows, other than Snowmass single family houses that were down, and Aspen lots that were up modestly, all other sectors were up very significantly in dollar volume. With respect to numbers of sales, increases over 2016 performance were very strong, except for Snowmass houses that were essentially flat.

At year end, the supply was down in most sectors other than the commercial market which was essentially unchanged, and Aspen houses in the $7M+ price range which increased. Values in 2017 were either stable or increasing in most areas.

Market in General

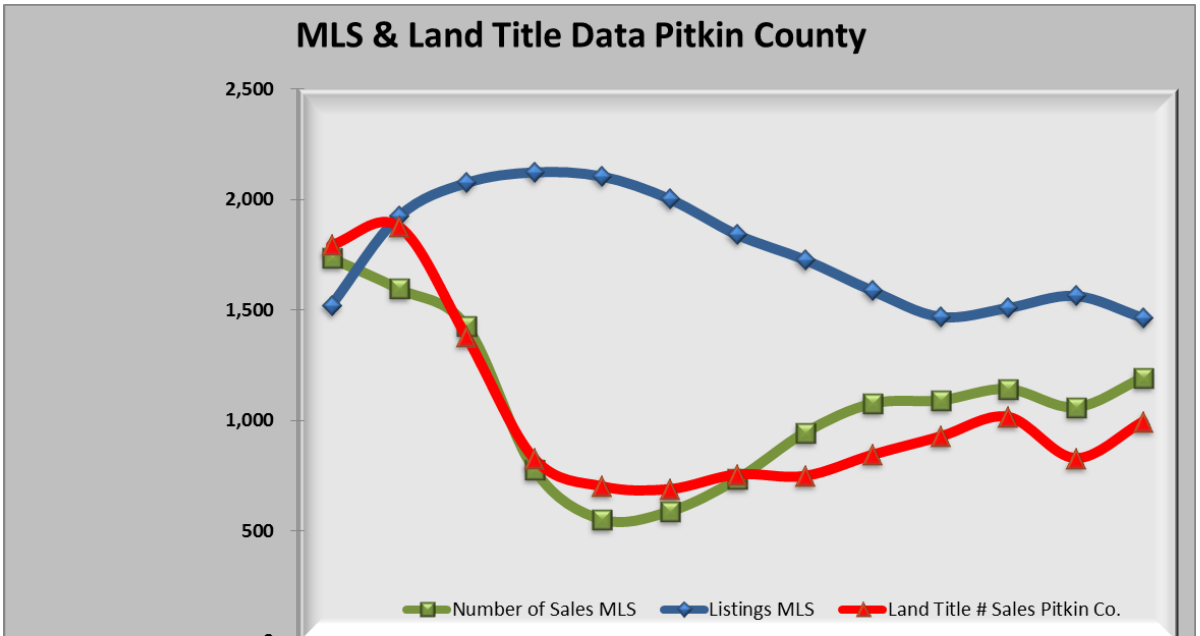


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales $ x $1 mil. MLS	$2,058	$2,361	$2,311	$1,214	$976	$1,091	$1,207	$1,348	$1,350	$1,657	$1,978	$1,464	$2,008
Land Title Sales $ x $1 mil.	$2,241	$2,635	$2,515	$1,366	$1,073	$1,263	$1,269	$1,491	$1,294	$1,571	$2,057	$1,447	$1,983

Land Title information and data from the MLS system is used in this analysis. I have adjusted the Land Title sales data for 2013, 2014 and 2015 to exclude activity associated with the Innsbruck, an Aspen fractional interest project. Between July, 2013 and December 31, 2015, according to Land Title there were roughly 1,600 sales in the Innsbruck, representing about $30M in volume. This project was originally approved as 17 units to be sold in 1/12 shares, or 204 interests. I cannot reconcile 1,500 sales, particularly in 18 months. As a result, **this data has been excluded for 2013-2015.** However, **commencing in 2016 I have not excluded the Innsbruck data as it seems to have settled into more normal activity**, accounting for only 11 sales and just over $100,000 in volume. In 2017 there was only one Innsbruck sale at $19,000.

Total **dollar volume in 2017 was approximately $1.983B, up 37%** from the $1.45B in 2016 but still down about 4% from the roughly $2.057B in 2015**.** As noted in past reports, 2015 was the biggest year since 2007. The large decrease in dollar volume in 2016 pointed to the fact that our market saw not only fewer sales, but also a considerably lower number of expensive sales, particularly those over $10M. That changed in 2017 as we saw a near record number of $10M+ single family sales and a record of $20M+ sales.

The preceding graph displays total dollar volume via MLS data and Land Title. The numbers are not identical but the trend is similar. Land Title data is based only on sales that occur in Pitkin County, whereas the MLS data includes some sales that are outside the County, but it does not include all transactions necessarily. For example, sales of deed restricted affordable housing and private sales of unlisted property are typically not included in MLS data, but are included in the Land Title data.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number of Sales MLS	1735	1596	1427	778	552	588	734	945	1077	1091	1143	1060	1194
Listings MLS	1520	1924	2076	2124	2105	2003	1842	1728	1588	1470	1509	1564	1465
Land Title # Sales Pitkin Co.	1794	1879	1379	828	702	689	756	749	845	927	1017	830	995

The preceding chart compares the number of sales with the average number of listings over the course of the year, again using both MLS and Land Title for the sales data. Listings are from MLS data alone as that is not tracked by Land Title. The number of sales between 2009 and 2012 was roughly 700 to 750 per year while in 2013 that increased to 845 sales, 927 sales in 2014, 1,017 sales in 2015, but only 830 in 2016. **The number of transactions in 2017 rebounded with 995, more in line with 2015.** The MLS data and Land Title data, shown by the green and red lines on the graph show a similar trend in the number of sales since 2012. The blue line points to the declining inventory over the last several years, and while there was an uptick in 2015 and 2016, inventory is again declining.

In short we are seeing an Aspen market that bottomed in 2009 and after 6 years of improvement saw a significant slowdown in 2016, but then a rebound and a much improved 2017. Snowmass looks like it bounced along the bottom between 2009 & 2012, but it too has stabilized and shown considerable improvement in the last 4 years. It is still lagging behind

Aspen, but with the new energy surrounding the 2016 sale of Base Village, Snowmass is also on positive footing.

In last year's report I thought that 2017 performance would be much improved over 2016, estimating in the range of $1.7B to $1.8B+ and 900+ transactions. My forecast was about 10% low in both dollar volume and the number of sales. Given the strong start in 2018, and barring something unforeseen on the macro level, I am forecasting a solid year, with dollar volume roughly similar or modestly above 2017, in the range of $1.9B to $2.2B and 900 to 1,000 transactions.

Aspen Commercial Market

The Aspen Commercial Market, like other market sectors, softened during the downturn, but beginning in 2011 it started to strengthen and it has just gotten stronger since then. The Aspen commercial market was the last part of our market to be affected by the downturn, and the first to recover. In fact, it led the recovery.

In 2013-2015 I described the **Aspen commercial market** as exuberant but still discriminating. In 2016 and 2017 I think a better characterization is **stable with muted enthusiasm**. Buyer energy in 2016 and 2017 was unquestionably tamped down by two factors. First, there was simply not much to buy. Second, a one year City Moratorium put in place in February, 2016 prevented new development applications and, more importantly, promised to make the requirements for development much more onerous. The Moratorium resulted in a host of land use code changes enacted in 2017 (they are highlighted below), all of which served to make new development more difficult. This too affected buyer enthusiasm.

Tenants looking for spaces to rent continue to be discriminating and are not willing to step up for just anything. While there continues to virtually no vacancy for prime downtown retail space, there is modest vacancy in secondary retail, peripheral office space and SCI zoned space north of Main St, although even these areas showed improvement in 2014-2017. My sense **is that retail vacancy for excellently located space, unchanged since about 2014, is still stabilized at approximately 1% today. Although the Aspen Core Building is still vacant (it was completed in 2015 and added roughly 15,000 SF of retail space), much of that street level space is now spoken for and will likely finally come to life in the next few months. Nevertheless, looking at downtown retail vacancy overall, it is probably closer to 2-3%, while secondary location retail is in the range of 2-4%.**

Office space vacancy has largely come down in the last 36 months, although in 2016 and 2017 there was less interest in office space compared to 2015. Today, I think the office market vacancy rate is probably in the range of 3-5%, and unchanged from a year ago. Aspen Core added over 5,000 SF of office space in addition to their retail component and this is still unrented space. However, reportedly there are advanced conversations now underway to rent this area as well as the retail space noted above.

One of the big influences on the office market in 2015 was the City and County renting spaces for the next several years as they undertake major redevelopment of their current offices. This influence is now largely over but the total remodeling of City Hall (Armory Building) is still on the horizon, probably in 2019 or 2020. Although timing is still uncertain, and the City will satisfy some of their space needs with construction of a new building on their Rio Grande property prior to starting on the Armory, the City will once again influence the office market when they are forced to relocate employees while construction is underway. Countering much of this influence will be the completion of the new County offices in 2018 with 41,000 SF. County tenants now dispersed around Aspen and down valley will be moving out of their current locations, creating more vacancy when they relocate to the new building.

There is **very little to buy, particularly if you want an entire building in a prime location**. Although there are a variety of parking, office and retail condominiums for sale, and two office buildings on West Main Street, there is only one building for sale in prime downtown core. The only building downtown is the Golden Horn building, listed at $12,990,000. This 1950's building is 8,444 SF according to the listing or $1,538/SF. Although it has seen some change in tenants and minor work to the building itself, it last sold in January, 2015 for $6,650,000.

Sales Volume

The following charts show the commercial sales activity in Aspen over the last 8 years, including final data for 2017. The left chart shows total dollar volume from commercial sales. The right chart shows the transactional volume delineating commercial building sales and commercial condominiums.

As shown, 2012 was the strongest period for dollar volume, driven largely by the big ticket acquisitions of Mark Hunt, although he was not the only buyer in the market. In 2012, 15 commercial properties sold, representing about $90M in activity. Of those sales, 7 were buildings: 2 bought for income, one purchased for income and to owner-occupy most of the building, and 4 building sales were land or mostly land and purchased for redevelopment. In 2012 there were 8 condominium and parking sales.

2013 was a big year for numbers of sales with 22, reflecting the higher number of commercial condominium and parking spaces vs. buildings. Dollar volume was roughly half of that shown in 2012. In 2013, there were again 7 building sales: 1 bought for income, 2 purchased for owner occupancy, and 4 were land or largely land and were acquired for redevelopment. There were 15 commercial condominium and parking sales.

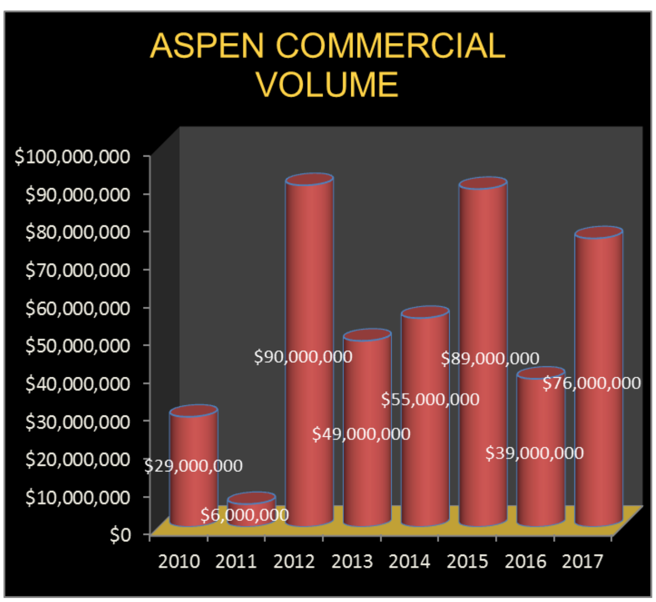
2014 was another strong year for commercial sales with approximately $55M in dollar volume, and 22 transactions. The sales in 2014 included 9 buildings: 6 bought for income, 1 purchased for owner occupancy, and 2 were land or largely land acquired for redevelopment. There were 13 condominium and parking space sales. The highest sale in 2014 was the Aspen Daily News Building at $10M. Price/SF in 2014 varied widely, from $400/SF to over $2,000/SF with most of the sales between about $600/SF and $1,300/SF.

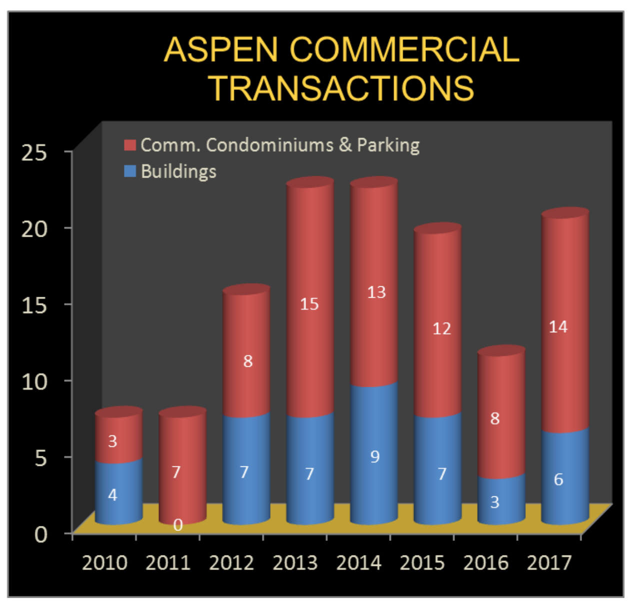
2015 was also a big year for commercial sales, only slightly below 2012 with roughly $89M in dollar volume and 19 transactions. Sales in 2015 included 7 buildings: 4 bought for income, 2 purchased for owner occupancy, and 1 were land or largely land acquired for redevelopment. The most noteworthy sale in 2015 was the Boogies Building for $27.5M in May. The property was bought by Thor Equities, a large investment and real estate development company based in New York. The purchase equates to nearly $2,000/SF measured against the existing building, but this is really a land sale as their plan is to demolish what is there now and rebuild. Although this property has an outstanding location at the corner of Hunter and Cooper, it remains to be seen whether or not this will have been a prudent purchase. They hope to find a tenant to lease roughly 17,000 SF in the range of $200 to $300/SF, which seems totally unrealistic to me, and to most knowledgeable market participants. Price/SF in 2015 varied widely, from $250/SF to the Boogies sale at just under $2,000/SF with most of the sales between about $800/SF and $1,500/SF.

In 2016 dollar volume and transactions were down significantly. Sales in 2016 included 3 buildings: 1 bought for income, 1 purchased for owner occupancy, and 1 acquired for redevelopment. There were 8 condominiums purchased, including two sales that involved multiple parking spaces. Of the other 6 condominium sales, 2 were purchased for owner occupancy and the others for income. Price per square foot for these commercial condominiums (excluding the parking sales) ranged from roughly $700 to $1,750.

In 2017 dollar volume and the number of sales were up dramatically over the prior year. Sales in 2017 included 6 buildings: 1 bought for income and owner occupancy, 1 bought for income alone, 3 purchased for redevelopment and 1 for owner occupancy. There were 9 commercial condominiums purchased and 5 condominium parking places. Price per square foot for these commercial condominiums (excluding the parking sales) ranged from roughly $700 to $1,950.The most notable sale was the Meyer Business Building on the Cooper Avenue Mall that sold to one of the tenants for $23M at about $1,600/SF.

In February, 2018 the large Aspen Core Building at the corner of East Hyman and South Hunter Street sold for $28M. The sale included roughly 20,000 SF of commercial space with basement, street level retail and second floor office space. With the exception of one basement space, this building was vacant. The new buyer has a strong commercial background in other markets and will be capitalizing on their current tenant relationships. After being under contract for over 6 months, by the time closing occurred the new buyers were able to reach agreements for leasing most of these vacant spaces.





Capitalization Rates

A capitalization rate (aka cap rate or OAR), is a rate of return on investment real estate based on expected income. A cap rate convert's anticipated income into value. It is derived by taking the net income from a building and dividing it by the sale price. Cap rates are the key to understanding the value of most commercial real estate. The capitalization rate at its foundation is about the quantity, quality and durability of the income stream. The anticipation of appreciation and increasing rents also influence the OAR. Cap Rates for prime commercial real estate are much lower than those for peripheral commercial space where rents and vacancy are still issues.

The trend in cap rates over the last several years has been decidedly downward, but I don't think there has been much, if any change since 2014. **It has been my view that for the last 3-4 years that cap rates for most Aspen commercial property ranged from approximately 4% to 5.5%, and that range is still applicable today.**

Looking at 11 sales that took place in 2014 & 2015, by my estimate the average cap rate was 4.4%, and the range was from 3.5% to 5.7%. Sales in 2016 were more limited but I was able to estimate cap rates on 3 properties and they were in the range of 3.5% to 4%. However, two of these were bought for owner occupancy and the third was bought for redevelopment. **In 2017 I estimated cap rates for 3 of the commercial sales and the range was from about 3.75% to 6.25%.**

Historically, these are very, very low cap rates, but it is understandable when you think about alternative investments today like a 5 or 10 year treasuries that are paying around 2.5%-2.9% currently. So, while there is certainly more risk with owning commercial real estate, compared to a T bill, a 4% return on an all cash sale is still attractive today, plus there is the opportunity to enhance the return on a commercial investment by growing rents and the appreciating prices.

Nationally, cap rates in general are trending up and that will likely continue as interest rates rise. Rising interest rates, along with increasing bond yields over the last 12 months (bond yields are the highest in 4 years), will continue to pressure and raise capitalization rates. However, in Aspen, where so few entities control so much of the downtown inventory, and where motivation to sell is not high, I expect that in 2018 we will not see much if any change in these low cap rates.

It is my view that retail rents for prime, A and A+ located space are still stabile after several years of rising dramatically. **Rents for the best spaces have been stable for the last 2-3 years.** We still have numerous examples today in the range of the **$200/SF benchmark**. The bulk of the most recent NNN rents for prime retail have been between roughly $100/SF and $175/SF, although in 2016 we also saw several new leases over $200/SF. In 2017 there was only one new lease written over $200/SF. Where rents have continued to increase they have largely been due to scheduled rents bumps per lease agreements.

Office rents were also increasing but those have also stabilized with most office rents in the $30/SF to $65/SF range. There was a surge in office rentals the last 2-3 years as the City and County scrambled to find space for the next several years while their current buildings are remodeled. The new County offices will be finished in 2018 and thus we will see increased vacancy in office spaces. However, still in the pipeline to start construction, although being challenged by a Citizen's group, is the remodeling of the Armory Building (City Hall) which should commence construction later this year. If this project moves forward, as is likely, it will more than make up for the County space being vacated.

Retail rents and demand are very location sensitive. Demand for prime retail space from national and international tenants continues to be strong today, but there is a decided la**ck of supply with few prime spaces being available for rent**. This led to strong increases in rents over the last several years, but since 2016 it seems that the willingness to pay much more than $200/SF has abated. Demand for office spaces continues to be more restrained, particularly if the City and County influence is taken out.

When talking about commercial rents, they are typically "triple net" (NNN), which means virtually all expenses are also passed through to the tenants. Expenses typically add $15/SF to $30/SF to the rent. Thus, if rents are quoted at $100/SF or $200/SF, that usually means closer to $125/SF or $225/SF for the tenant. The same is true for office rents.

Noteworthy new construction for 2018 will probably include the long awaited expansion and remodeling of the Crystal Palace Building into a 16 room boutique hotel, redevelopment of the Forge Building at the corner of Hopkins and Monarch, the Taylor Building at the corner of Hunter and Hyman and the Aspen Daily News Building on Hopkins. Both the Crystal Palace and Aspen Daily news buildings are owned by Mark Hunt. As discussed in the last several Market Overviews, Mr. Hunt has been the dominant buyer of Aspen downtown commercial real estate since 2012. Timing is unknown for the redevelopment of his other properties that have already received approvals including most notably the Red Onion Building, Barnard-South Mill Street property, and Mountain Plaza as well as the Buckhorn Lodge and Main Street Conoco station. Some of all of these other Hunt projects could also finally begin construction in 2018.

Since 2012 Mark Hunt has become a major player in Aspen's commercial market, but there are others that have dominated the landscape for many years. Also, starting in 2014, the Souki Family has also become a major owner. Although there are other groups that own multiple commercial properties, the largest are Woods and Mazza, Garfield, Hecht, and Hecht, Hunt, Meyer, Marcus and most recently, the Souki Family (Ajax Holdings). The biggest owner is Woods and Mazza with roughly 160,000 SF, followed by Garfield and Hecht, today with about 80,000 SF (after their sale of the Aspen Core Mark Hunt with roughly 90,000 SF, while Marcus, Meyer and the Souki Family are at roughly 30,000 to 40,000 SF each. Between these 6 groups, they control about 500,000 SF, or roughly 45% to 50% of the downtown commercial space.

Overall, as we begin 2018, the Aspen commercial market is still stable but strong, largely the result of there being very little to buy. In February, 2018 the large Aspen Core project with over

22,000 SF of retail, office and basement space sold for $28M. As noted above, it looks like this building will finally see some tenants, a welcomed addition to Aspen's downtown after 3 years of vacancy. In addition, the Taylor Building, located catty corner from Aspen Core is finally under construction with a mixed use building including a penthouse and office and retail space. Victorian Square, located across the street from both Aspen Core and the Taylor Building is now finished and there are some tenants occupying it, albeit with short term leases. In short, it seems that this part of the downtown core is finally seeing some movement.

As this report is written, there is roughly $15M in pending commercial contracts. There continues to be very little inventory to buy. Demand is still evident for the purchase of existing buildings and commercial condominiums, but interest has been negatively affected by the dramatic Land Use Code changes discussed below. There is very little vacancy and rents are stable to modestly increasing. There is a considerable amount of new inventory under construction or approved and nearing construction. There is very little new development in the approval pipeline for the first time in many years. The recent land use code changes coupled with a limited supply of properties to buy will continue to tamp down enthusiasm and market activity.

Land Use Code Changes

A one year Moratorium on new commercial development went into effect in February, 2016. A variety of significant Code changes resulted and those changes were codified in early 2017. The most significant changes include:

- Affordable Housing mitigation increases from 60% to 65%.

- Previously excluded replacement of existing commercial space now generates affordable housing, initially 15%, increasing 3% annually until 2034 when it too will cap at 65%.

- Whereas free market residential units have been prohibited in the C-C and C-1 zone districts since 2012, new units are now also prohibited in NC and SCI zones with limits on the new residential uses that are permitted in the MU zone.

- The height limit for commercial buildings was lowered to 28 feet across the board in most commercial zone districts, where they currently range from 28 feet to 40 feet. While downtown building heights in the core were reduced in 2012 from 40 feet or more to 28 feet or two stories, developers were still allowed up to 40 feet for lodging projects on the north side of the street. That incentive is gone with this change. The 28-foot limit also reduces height in the Mixed Use zone district.

- The open space/pedestrian amenity requirement is still 25%; the change comes for redevelopment that was based on what existed, but no less than 10% vs. the Code change that now requires 25% or cash-in-lieu.

- Parking mitigation can still be paid via cash-in-lieu but the fee increased from $30,000 per space to $38,000. Parking requirements have also been changed to encourage alternative transportation.

- Cumulative floor area ratios (FAR) were reduced: CC from 2.75:1 to 2.25:1; C-1 from 2.5:1 to 2:1; MU from 2:1 to 1:1 in locations other than Main Street Historic District – Main Street increases to 1.25:1 and other locations up to 1.5:1 but only with Special Review approval. S/C/I and NC no changes in cumulative FAR.

- Requirement to incorporate "second tier" commercial space into any new development. This required second tier space cannot be storage or office. It can be located in the basement, above the ground floor, or on the street level with access from an alleyway or from mid-block pedestrian amenity space, or it can have its front façade and primary entry from a subgrade courtyard, enclosed interior courtyard, or arcade. Required percentage of leasable area for this second tier space ranges from 20% in CC zone to 25% in C-1 & MU to 35% in NC and S/C/I.

- In response to the City's belief that the downtown core has undergone a transition that has altered the community' character by the proliferation of "formula use" (i.e. chain stores) formula retail is now strictly regulated in commercial zone districts. Formula retail is defined as any business with 11 or more other establishments and sharing in at least two of eight common characteristics, including standardized merchandise, services, trademarks, decor, facades and staff uniforms. Exemptions to the new formula retail regulations include any building constructed or under construction prior to February 27, 2017 and any new building approved or in the land use approval process prior to February 27, 2017. Existing buildings can lose their exemption if they are demolished or are renovated and add more than 500 SF of net leasable space and 250 SF of floor area. Formula retail use is not prohibited but it can be approved on a case by case basis as a Conditional Use.

These changes are very significant and will certainly dissuade developers from seeking approvals to redevelop downtown property. Although there are numerous developments that are exempt from these new rules, many of which have not yet been built, going forward I don't expect to see many new land use applications. Since these new rules were enacted in early 2017, the only commercial application submitted of note is for the redevelopment of the small Seguin Building on East Hopkins (formerly the home of Square Grouper and Over Easy). This building sold in 2017 to the owners of the adjoining White House Tavern and assuming they get through the approval process they intend to fully occupy the new building with another restaurant.

Snowmass Commercial

In 2011 there was a lot of vacancy and very soft rents throughout Snowmass Village. In 2012-2017 that changed so that there is not now much vacancy, but rents are still weak. Reportedly, for the last several years, most lessees are paying just enough rent to cover the landlord's CAM expenses. It is going to be awhile for Snowmass commercial space to find real traction, although it is positive that vacancy has come down with tenants occupying virtually all of the commercial space in Base Village and in the Mall area.

The biggest change in Snowmass Village results from the December, 2016 sale at $56.5M for Base Village. This key property at the base of the ski area sold from Related Companies to a joint venture including the lead developer, East West Partners, and other partners including the Aspen Skiing Company. This sale and the exit of Related was a long-time coming. This new developer has a track record of success in other resort markets (including most notably Beaver Creek, CO). They have been strongly embraced by the resident and second home communities. The future of this important property is finally on positive footing and development finally resumed in 2017 in a big way after being stalled for many years. All told this is estimated to be a $600M development. Developments now under construction include:

- Snowmass Limelight Hotel is a 99-room lodge and with 11 free-market 2 & 3 bedroom condominiums on the top floor. This project is patterned after the Aspen Skiing Company's successful Limelight in downtown Aspen. Completion is anticipated in November, 2018

- Base Village Plaza (adjacent to The Limelight) will feature a dual purpose winter ice rink and summer grassy area for kid play, informal soccer games, and outdoor performances along with a 5 story glass enclosed climbing wall. Completion will be in 2018.

- The Lumin is under construction. It will include a Four Mountain Sports shop on the ground floor and 3 large contemporary penthouse style units ranging from 2,000 to 3,300 SF. Completion will be in November, 2018.

- One Snowmass will commence construction in 2018. This mixed use project will include 41 condominiums, 11 of which will be sold as fractional interests in 1/8 shares. The project is slated for completion is the fall of 2019 and pre-sales will be initiated later this year. This project will also have 4 employee housing units, 6,500 SF of new retail space and 6,700 SF of clinic space for Aspen Valley Hospital.

- In 2017 the Viceroy saw a $4M renovation of the lobby, many common areas, fitness center, new café and new restaurant.

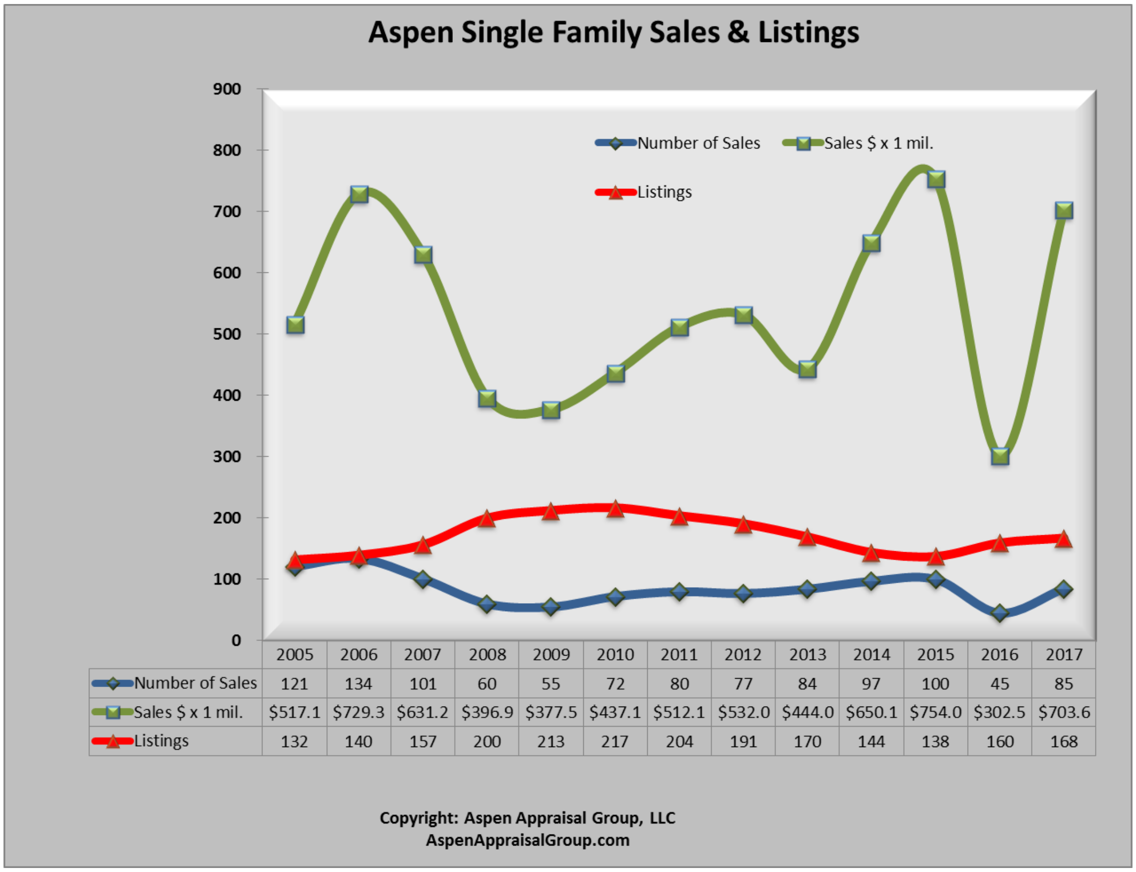
The Snowmass Center with roughly 53,000 SF of grocery, retail and office space sold in March, 2016 for $16M. Jordan Sarick and Eastwood Partners, the buyers, are seeking to totally redevelop and expand this important commercial and office hub. The developer is now in the

Town approval process to expand the commercial space by 17,000 SF and add 75 new residential condominiums and 11 employee housing units. Ultimately the developer hopes this area will become a focal point or a kind of "Main Street" for resident and second home owners.

The long-time focus of commercial activity in Snowmass, the Mall (owned by Related and now listed for sale), is languishing as the focus shifts downhill to Base Village.

All of this activity unquestionably bodes well for the Base Village commercial space, for the Snowmass Center nearby, and more broadly, for Snowmass residential real estate.

Aspen Single Family Houses



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number of Sales	121	134	101	60	55	72	80	77	84	97	100	45	85
Sales $ x 1 mil.	$517.1	$729.3	$631.2	$396.9	$377.5	$437.1	$512.1	$532.0	$444.0	$650.1	$754.0	$302.5	$703.6
Listings	132	140	157	200	213	217	204	191	170	144	138	160	168

Highlights

- Number of Sales: **Up 89%**
- Dollar Volume: **Up 133%**
- Listings:
  - Average over the year: **Up 5%**
  - Year-end 2017 vs. Year-end 2016: **Down 11%**
- Approximate Current Supply: **1½ – 2 years**

Average and Median Sale Prices

Aspen Single Family Homes		
Year	Average	Median
2017	$8,300,000	$6,500,000
2016	$6,700,000	$5,400,000
2015	$7,550,000	$5,950,000
2014	$6,300,000	$5,500,000
2013	$5,300,000	$4,100,000
2012	$6,900,000	$4,700,000
2011	$6,400,000	$5,050,000
2010	$6,100,000	$5,100,000
2009	$6,900,000	$5,100,000
2008	$6,600,000	$6,100,000
2007	$6,200,000	$5,500,000
Note: All numbers are rounded		

The number of sales and total dollar volume in 2017 were up dramatically compared to 2016. However, it is noteworthy that performance was still well below that shown in 2015, despite the fact that the average and median prices were above the 2015 numbers. This reflects a higher percentage of $5M+ sales as a percentage of total single family sales. Additionally, while the supply at year end was also lower than a year before, compared to available inventory at the end of 2015, there was actually an increase of about 11%. After a record year for sales over $5M in 2015, 2016 was the second slowest in the prior 10 years (only 2009 showed fewer sales over $5M). However, 2017 showed a rebound with over 50% more $5M+sales compared to 2016. This will be discussed more fully in the luxury single family section of this report.

Overall, the **average price per square foot for Aspen single family house was up significantly at nearly $1,600/SF compared to about $1,350/SF in 2016 and about $1,375/SF in 2015.** This compares to about $1,150/SF in 2014**.** This is well above the prior peak average price of near $1,400/SF in 2008.

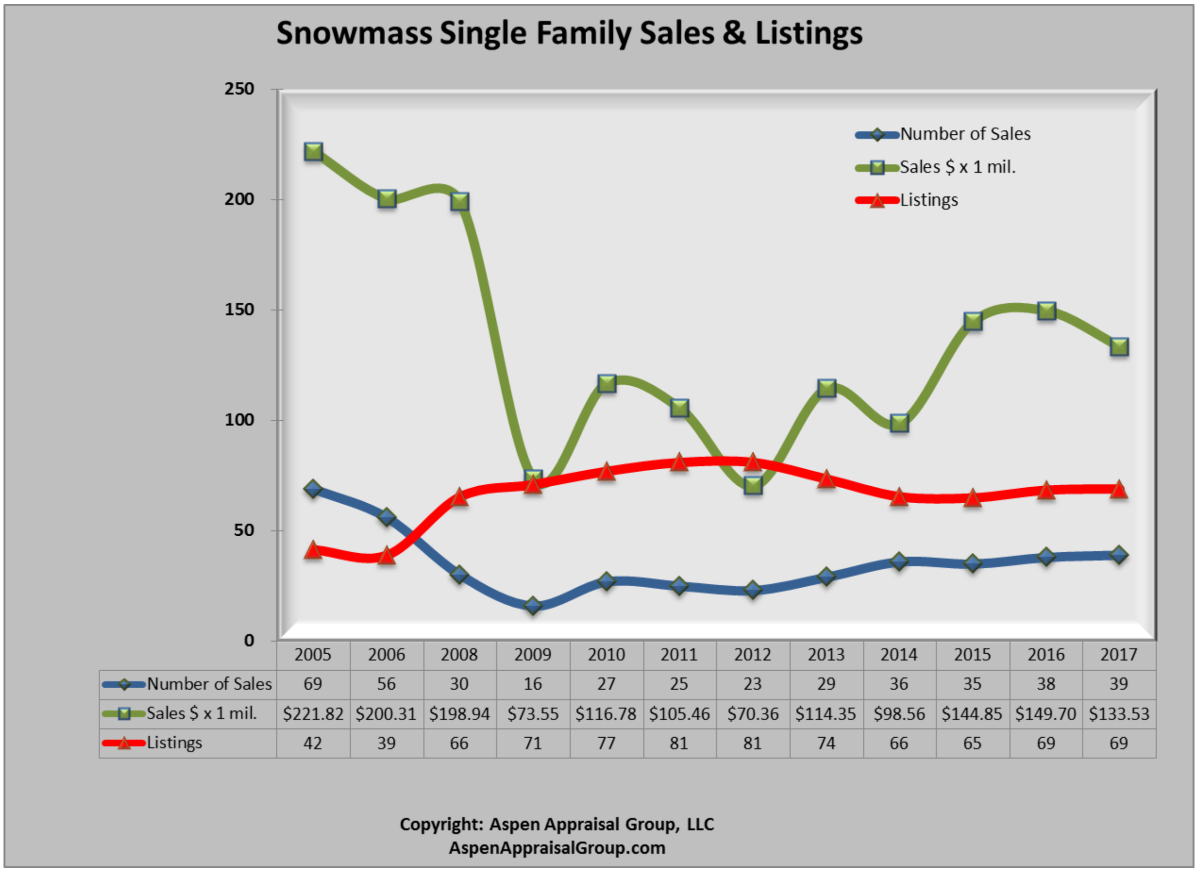
Looking more closely at specific neighborhoods, the number of sales in all Aspen neighborhoods increased dramatically compared to 2016. Increases shown include East Aspen (up 100% from 8 sales to 16 sales), Smuggler area (up 33% from 3 sales to 4 sales), Central Core (10 sales-up 233% from 3 sales), Red Mountain (12 sales-up 100% from 6 sales), West End (21 sales-up 40% from 21 sales), West Aspen (18 sales-up 125% from 18 sales), and, the best performer: Starwood/McLain Flats (9 sales-up 350% from only 2 sales).

Price per square foot continues to be very neighborhood sensitive. In 2017 with both Smuggler and West Aspen showing modest declines compared to significant increases in the other neighborhoods. Smuggler went from about $1,200/SF to $1,150/SF while West Aspen dropped from about $1,300/SF to $1,250/SF. This drop is insignificant.

Neighborhoods showing an increase in $/SF included Red Mountain, up from about $1,850/SF to $2,200/SF, East Aspen up from approximately $1,150/SF to $1,400/SF, the Central Core, up from $1,700/SF to $2,700/SF, the West End, up from $1,500 to $1,750/SF, while the Starwood/McLain Flats area increased from roughly $600/SF to $900/SF.

It is particularly noteworthy that the supply of listings decreased dramatically, from 3-4 years of supply in 2016 to 1½ to 2 years in 2017. This trend is shown visually on the graph above by the merging of the blue and red lines. In 2018 I expect performance in the Aspen single family market to be similar to 2017 in both dollar volume and number of sales. With the declining supply and aggressive pricing on many listings, I also expect that the average price per square foot will continue to increase in most neighborhoods.

Snowmass Single Family Houses



	2005	2006	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number of Sales	69	56	30	16	27	25	23	29	36	35	38	39
Sales $ x 1 mil.	$221.82	$200.31	$198.94	$73.55	$116.78	$105.46	$70.36	$114.35	$98.56	$144.85	$149.70	$133.53
Listings	42	39	66	71	77	81	81	74	66	65	69	69

Highlights

- Number of Sales: **Essentially Flat** - **Up 3%**
- Dollar Volume: **Down 11%**
- Listings:
  - Average over the year: **No change**
  - Year-end 2017 vs. Year-end 2016: **Down** 6%
- Approximate Current Supply: 1½ – 2 years

Average and Median Sale Prices

Snowmass Single Family Homes		
Year	Average	Median
2017	$3,400,000	$2,550,000
2016	$3,950,000	$3,300,000
2015	$4,150,000	$2,800,000
2015 A	$3,900,000	$2,800,000
2014	$2,700,000	$2,000,000
2013	$3,950,000	$2,100,000
2013 A	$2,500,000	$2,100,000
2012	$3,050,000	$2,050,000
2011	$4,200,000	$3,100,000
2010	$4,300,000	$3,200,000
2009	$4,600,000	$2,400,000
2008	$7,200,000	$4,750,000
2007	$5,500,000	$4,100,000
Note: All numbers are rounded		
2015 A excludes Wildcat Rch sale at $11.7M		
2013 A excludes Wildcat Rch sale at $44M		

2017 single family house performance in Snowmass was tepid and much less active than Aspen. The number of sales was essentially flat and dollar volume was down about 11%. This is shown in the drop in the average and median house prices shown above.

In Snowmass the **average price per square foot** of a single family house was **essentially unchanged in 2017 from 2016 at $880/SF**. The range was from about $600/SF in Melton Ranch/Wildridge to $1,500/SF in The Divide (based on only 2 sales however). By comparison, the peak average price for a Snowmass single family home was in 2008 at about $1,200/SF.

Looking at specific neighborhoods, Ridge Run was the best performer in 2017 with 13 sales, up from 7 sales in 2016. This level of activity dwarfed all other Snowmass neighborhoods. Other solid performing neighborhoods included Melton Ranch/Wildridge and Horse Ranch, both with 5 sales and modestly improved over 2016 performance. Wood Run, the most active neighborhood in 2016 was down significantly, from 10 sales in 2016 to only 3 in 2017. Other neighborhoods were essentially flat to up modestly in numbers of sales compared to 2016.

In Ridge Run where there were an adequate number of sales to pay attention to $/SF, this neighborhood actually dropped from about $900/SF to $750/SF. Wood Run dropped significantly from about $1,300/SF to only $1,100/SF, but as noted above this is based on only 3 sales in 2017.

Prime slope front neighborhoods like the Pines, Two Creeks and the Divide continued to suffer from inactivity. Because the number of sales in each of these slope front neighborhoods differs from year to year, it makes more sense to look at them collectively. There were 5 sales in 2017 vs. 4 in 2016. The average was about $1,450/SF in 2017 compared to about $1,200/SF the year before. I don't think that this indicates rising prices however. Rather, it reflects the fact that it does not take much to skew the average when there is this limited amount of data.

It should be noted here that when I address the Snowmass MLS data, it includes geographic areas outside of Snowmass Village proper including, for example, the high end subdivisions of East Owl Creek and Owl Creek Ranch, and Wildcat Ranch as well. This can impact the data presented for single family and vacant land data, although it has no bearing on the Snowmass condominium data. In 2016 there were no sales in these outlying areas. In 2017 there was one single family sale in Pioneer Springs at $8,750,000.

Coming off two solid years of performance, I expect that 2018 will be an improved year for Snowmass house sales. The supply of available homes at year end was down about 6% compared to the end of 2016, translating to 1½ to 2 years of supply. There is certainly much better "value for money" in Snowmass compared to Aspen. The energy around new development in Base Village will also help fuel this market. In 2018 I expect to see more and higher priced sales in the ski front neighborhoods compared to 2015-2017. That said, I believed this to be true a year ago, but it did not happen.

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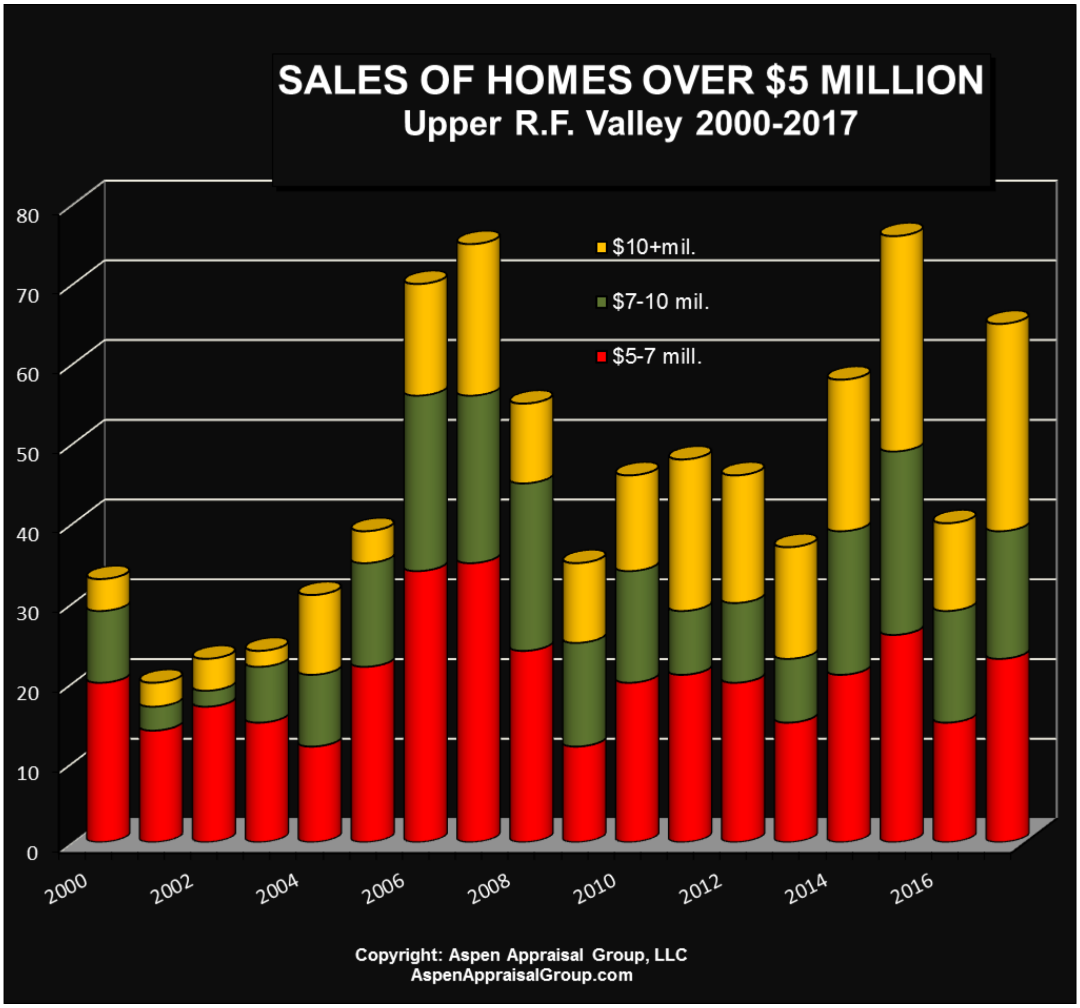
Luxury Houses



As noted in the Introduction, data in this section comes from the Aspen-Snowmass area and includes sales in Aspen, Snowmass, Old Snowmass, Woody Creek and Brush Creek (although there were none in Brush Creek).

The preceding chart shows the last 18 years of sales activity for house sales over $5M (2000–2017). As shown, 2006 & 2007 were the best years ever for transactions over $5,000,000, until 2015. Like the rest of our market, this category suffered in 2008 & 2009, but it also strengthened faster than the sub $5M inventory. The period of 2010-2012 showed steady improvement, and while 2013 showed a slowdown, largely because of lack of supply, 2014 was a very strong year and 2015 saw record activity. Now, after a much slower 2016, activity in 2017 was much improved although still well below what was seen in 2006, 2007 and 2015.

Final Sales Data for 2017

- Over the last 18 years we have averaged 46 sales over $5M**.** In 2015 there were 76 sales over $5M, or nearly 70% above the 16 year average. 2015 was the biggest year ever, eclipsing both 2006 & 2007 when the market was peaking and there were 70 and 75 sales, respectively. In 2016 single family activity over $5M dropped to only 40 sales, a decline of 47% from 2015, and below the long-term average. **In 2017 there were 65 sales over $5M, or 40% above the 18 year average.**

- **In 2017 there were 23 sales in the $5M-$7M range,** up from 15 sales in 2016 or an **increase of 53%.** Over the last 18 years, we have averaged about 20 sales a year so **2017 was slightly above the long term average.**

- The supply of **$7-10M range** houses grew in 2015 & 2016 following record land sales activity. It continued to grow in 2017. **Sales in this category were solid in 2017 with 16 sales and somewhat better than 2016 when there were 14 sales.** Although still down significantly from the 23 sales in 2015, **2017 performance was modestly above the long-term average of 13 sales seen over the last 18 years.**

- **Market performance of Aspen area $10M+ houses was much improved in 2017** compared to 2016 and was the **second biggest year in history with 26 sales**. This is eclipsed only by 2015 when there were 27 sales. Particularly noteworthy is the fact that 2017 also saw a **record number of $20M+ sales with 5**, compared to 3 in 2015. All five of these sales were in the Aspen area including 2 in Red Mountain/Pitkin Green, 1 in West Buttermilk, 1 in Whitehorse Springs and 1 in Top of Mill at the base of Aspen Mt. In addition to this single family activity there were two condominium sales over $10M in 2017: the Pitkin Center Penthouse at about $10.6M and River Park Unit 12 at just under $11.6M.

Snowmass saw one $10M+ sale in 2017, a house in the Divide. There was also one $10M+sale in 2016 (Wood Run) and one in 2015, both bought the same Brazilian buyer. In 2014 Snowmass saw only 4 sales over $5M, with two in Two Creeks, one in the Pines, and one in Wood Run. However, in 2015 the Snowmass market showed significant improvement with 11 sales over $5M**,** including one in the Divide, two in the Pines, three in Ridge Run, one in Two Creeks, four sales in Wood Run and one sale in Wildcat Ranch. **In 2017 there were only 6 sales in the $5M+ price range in Snowmass,** including 2 in the Divide, 2 in Two Creeks, 1 in the Pines and 1 in Pioneer Springs. This compares to 10 sales in 2016.

Supply Comments

On **the supply side**, not considering pending sales, the number of listings at year end 2017 is **down 16% in the $5-7M category with 38 listings compared to 45 a year before.** Based on sales activity in 2017 this is roughly a 1½ to 2 year year supply and much lower than the approximate 3 year supply we saw at the end of 2016.

In the $7-10M price range, the supply of listings increased by 14%. At year end 2017 it stood at did at 57 listings compared to 50 listings at year end 2016 and 52 at year end 2015. Based on the 16 sales in 2017 this is roughly a 3½ to 4 year supply of inventory. This part of the market is oversupplied.

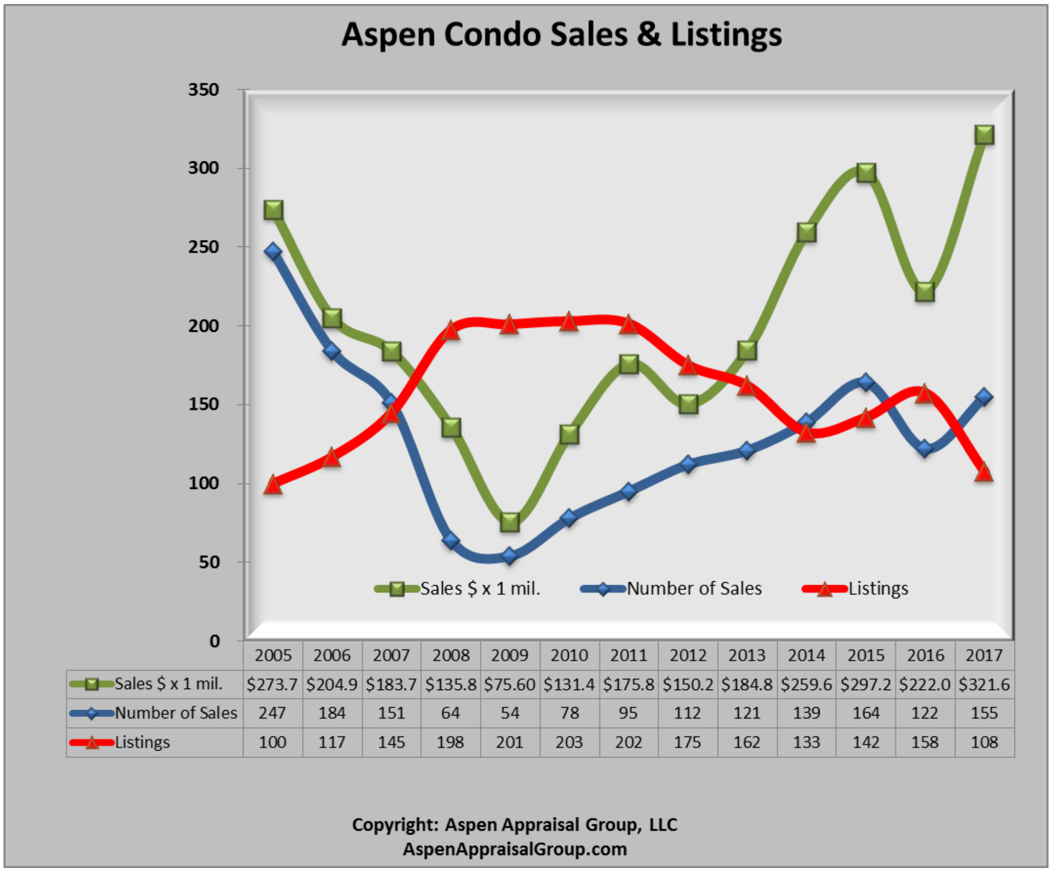
The **supply of $10M+ listings at year end 2017 is very similar to the year before: 84 listings vs. 82 at the end of 2016 (again exclusive of pending sales). Based on the sales activity in 2017 this is an approximately 3-4 year supply and much better than the roughly 5-7 year supply we saw at the end of 2016.** However, of these 84 listings, **the supply of $20M+ listings continues to grow significantly** up from 18 at the end of 2015 to 24 at the end of 2016 and **32 listings at year end 2017.** This is **a very large inventory and more oversupplied than a year ago. Although we saw a record number of $20M+ sales in 2017 with 5, today the supply of $20M+ listings is probably in the range of 6-8+ years.**

Historically, at least in the last 10 years or so, we typically see 1-3 single family sales annually over $20M. This was true in 2014 with 3 sales, in 2015 with 3 sales and only 1 sale in 2016. As noted there were a record 5 sales in 2017. As of February, 2018, there has been one closing of a house in Mocklin Subdivision at what I think is a very strong price of $21.5M, and there is another $20M+ single family house shown as pending. With 32 listings now over $20M, not including non-published listings, **this part of the part is still considerably oversupplied.**

Last year I expected that activity in Aspen over $5M would improve considerably over what was shown in 2016 and I expected Snowmass activity to be modestly improved over 2016 performance. While I was broadly correct about Aspen, Snowmass single family sales over $5M did not perform as well as I had anticipated. Additionally, I had estimated a more typical year of $10M+ sales, probably in the range of 15-18, with 2 or 3 of those sales occurring at over $20M. In actuality, this estimate was too conservative given the 26 sales that took place, including 5 over $20M.

So, what is my estimate for 2018? I think Snowmass will see improved performance with 10 to 12 sales over $5M with one or two of those eclipsing $10M. In Aspen, I expect another strong year for $5M+ sales, probably in the range of 50-60 sales. Of those, I am estimating 20-25 over $10M and 4-6 of those over $20M.

Aspen Condominiums



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales $ x 1 mil.	$273.7	$204.9	$183.7	$135.8	$75.60	$131.4	$175.8	$150.2	$184.8	$259.6	$297.2	$222.0	$321.6
Number of Sales	247	184	151	64	54	78	95	112	121	139	164	122	155
Listings	100	117	145	198	201	203	202	175	162	133	142	158	108

Highlights

- Number of Sales: **Up 27%**
- Dollar Volume: **Up 45%**
- Listings:
  - Average over the year: **Down 32%**
  - Year-end 2017 vs. Year-end 2016: **Down 36%**
- Approximate Current Supply: **.5 to 1 year**

The supply at year end 2017 stood at 84 listings compared to 131 at the end of 2016. This is a significant drop, down from 1 -1.5 years. **Now, with a year or less of inventory, Aspen condominiums are firmly in a seller's market.** This is clearly shown on the graph above by the intersection of sales and listings.

In reviewing the graph, it is noteworthy that the supply of listings for both 2015 and 2016 were skewed up by entry into the market of the Boomerang, a 52 unit project at 500 West Hopkins. This project was approved years ago but development was stalled because of market weakness and because the developer sought to modify the approvals. This large project is not on the market now and it is very likely that its approvals will be vacated and this particular project will never be built.

Average and Median Sale Prices

Aspen Condominiums		
Year	Average	Median
2017	$2,100,000	$1,450,000
2016	$1,800,000	$1,200,000
2015	$1,800,000	$1,100,000
2014	$1,900,000	$1,150,000
2013	$1,525,000	$1,000,000
2012	$1,350,000	$900,000
2011	$1,850,000	$1,200,000
2010	$1,700,000	$1,100,000
2009	$1,750,000	$1,200,000
2008	$1,450,000	$1,300,000
2007	$1,200,000	$1,150,000
Note: All numbers are rounded		

2017 showed record dollar volume for Aspen condominiums. As shown above, there was an increase in both the average and median sale prices of Aspen condominiums in 2017. These are the highest indicators we have ever seen. Additionally, with an increase of 27% in the number of sales, these higher benchmarks reflect that there were also a **record number of higher priced units selling compared to prior years**. The **average price per square foot for Aspen condominiums has been in a steady upward trend the last several years. In 2017 it was up about 10% to just under $1,400/SF.** This compares to about $1,250/SF in 2016, $1,200/SF in 2015, $1,150/SF in 2014, $1,000/SF in 2013, and $950/SF in 2012.

In 2017 there were 17 condominium and townhouse sales in Aspen over $2,000/SF compared to There were **6 in 2016,** 9 sales over $2,000/SF in 2015, 8 sales in 2014 and 4 in 2013.

Sales over $3,000/SF

- In 2014 the Aspen market saw its first sale over $3,000/SF, a penthouse condominium in the new Muse Building, a downtown mixed use project 3 blocks from the base of Aspen Mountain. This unit sold for $15.8M.

- In 2015 there were two more sales over $3,000/SF, but one was a small 700 SF one bedroom unit in the Brand Building that sold for $2,375,000. The other sale was also the highest price in 2015 for the two penthouse units in Aspen Core, a new project in the heart of downtown. These two adjoining units were purchased by one buyer for $25M or roughly $3,000/SF for its 8,200 SF. However, it is particularly noteworthy that the Aspen Core penthouses were purchased unfinished and that when all is said and done, the buyer will have in the range of $4,000/SF invested in these units.

- In 2016 there were 3 sales over $3,000/SF. Two of these, Monarch on the Park Penthouse 1 and the Dancing Bear Penthouse were already discussed in the luxury single family section. Briefly, Monarch on the Park Unit P-1 sold in February for $15M or $4,275/SF, the highest price per square foot seen in the Aspen market until the sale of the Dancing Bear Penthouse. The Dancing Bear unit sold as an unfinished shell in December, 2016 for $16M or $5,317/SF based on its size being advertised by the listing broker of 3,009 SF. This is now the highest per square foot price ever paid in Aspen. The buyer reportedly has roughly $6,000/SF into the unit as finished and furnished; it is being developed for speculation. The asking price for the completed unit is $29.95M, or just under $10,000/SF. This asking price seems well above market to me. The third sale over $3,000/SF was a surprise because of its location. A modestly sized top floor unit of 2,000 SF in the new 201 North Mill project sold in May at $7,250,000 or $3,625/SF.

- **Looking at 2017 there were again 3 sales over $3,000/SF.** One of these was another top floor penthouse in the 201 North Mill project: Unit A sold in August, 2017 for $7,400,000 or $3,641/SF. The next sale was a penthouse in the Pitkin Center Building, Units 3A&B, selling in September for $10,631,000 or $3,456/SF. The last sale is located ½ block from Pitkin Center in the new Victorian Square at 601 East Hyman. The 1,834 SF top floor penthouse in this new project sold for $6,500,000 in September or $3,544/SF. It was never exposed to the MLS. Noteworthy is that this unit has no off-street parking, sold unfinished and was bought by the same buyers as the Dancing Bear Penthouse. They will probably spend in the range of $1,000,000 to finish and furnish it. It too was bought for speculation. It is now listed at $9,995,000 or $5,450/SF.

Also noteworthy for the Aspen condominium market is the South Aspen Street Townhomes, now known as One Aspen. This project was originally approved in 2003. It is located at the base of Aspen Mountain, on the Lift 1-A side. The project includes 14 free market units, ranging in size from 4,100 SF to 5,700 SF (averaging 4,900 SF), and they are three bedroom plus den townhouses plus two car garages. The project also has 15 on-site deed restricted units. Marketing began in July, 2014. Construction commenced at the end of 2015 and the first phase of units is now complete. Initial list prices in the project ranged from $8,500,000 to $16,200,000, or from about $1,750/SF to $2,600/SF and 9 of those first offerings were under contract for roughly 2 years while the project was finished. As this report is written, the first five closings took place in January, 2018 (Units 1-5) and Unit 3 was resold; **there have been 6 closings thus far**. Prices ranged from $8,500,000 or about $1,750/SF to $10,000,000 for Unit 3 that sold unfinished at $2,000/SF. The owner will probably spend in the range of $500/SF+ to finish the unit.

In addition to Unit 3 that sold unfinished, Units 4 & 5 also sold unfinished at roughly $1,670/SF to $1,780/SF. Both units were bought for speculation by the buyer of the Dancing Bear and Victorian Square penthouses. Both units are being finished and are offered now listed fully furnished at about $3,000/SF.

Of the remaining units in One Aspen, two are under contract at about $2,600/SF (one of these is also re-listed by the buyer) and four more are listed by the project developer at prices ranging from $12,195,000 for Unit 9 ($2,781/SF) to $16,275,000 for Unit 13 ($2,749/SF).

A year ago I expected that sales activity for Aspen condominiums in 2017 would be strong, and well above what was seen in 2016 but I did not expect performance to match the strength seen in 2015. This belief was half right: the number of sales in 2017 was less than in 2015 but dollar volume in 2017 was actually higher.

With the greatly reduced supply of Aspen condominiums, I expect the average price per sale to exceed 2017. However, with supply diminished and as price point becomes more of an issue due to the continued increases in price per square foot, I expect there to be a lower number of sales and dollar volume.

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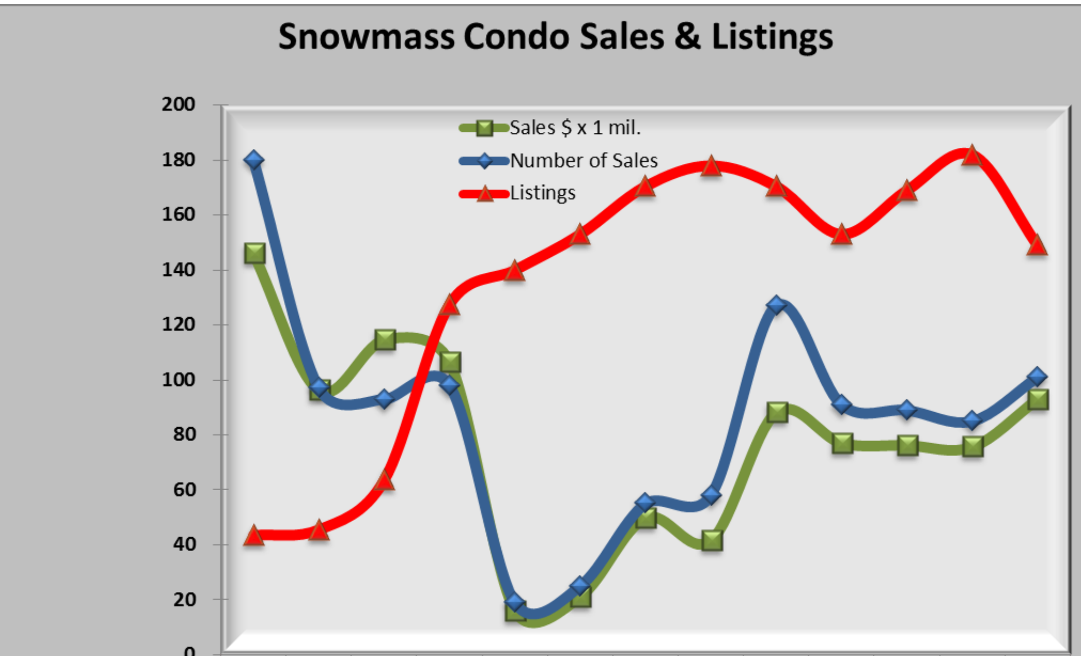
Snowmass Condominiums



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales $ x 1 mil.	$146.	$96.2	$114.	$106.	$16.0	$21.0	$49.8	$41.5	$88.1	$77.0	$76.2	$75.5	$93.0
Number of Sales	180	97	93	98	19	25	55	58	127	91	89	85	101
Listings	44	46	64	128	140	153	171	178	171	153	169	182	149

Highlights

- Number of Sales: **Up 19%**
- Dollar Volume: **Up 23%**
- Listings:
    - Average over the year: **Down 18%**
    - Year-end 2017 vs. Year-end 2016: **Down 26%**
- Approximate Current Supply: **1 – 1.5 years**

Average and Median Sale Prices

Snowmass Condominiums		
Year	**Average**	**Median**
2017	$925,000	$600,000
2016	$900,000	$650,000
2015	$850,000	$600,000
2014	$850,000	$550,000
2013	$700,000	$500,000
2012	$700,000	$600,000
2011	$900,000	$750,000
2010	$1,000,000	$750,000
2009	$1,050,000	$575,000
2008	$1,100,000	$950,000
2007	$1,200,000	$950,000
Note: All numbers are rounded		

The number of condominium sales and total dollar volume was up significantly in 2017 after languishing the prior two years. It is also noteworthy that although the number of sales was less than 2013 when there were 52 sales in the Viceroy, dollar volume in 2017 actually exceeded 2013. At the same time the number of listings at year end dropped considerably to roughly 1-1.5 years of supply compared to 2-2.5 years at the end of 2016.

As this report is written in February, 2018, the supply has increased considerably because of new listings associated with Base Village, not all of which are actually shown in the MLS. These new Base Village listings include 65 Viceroy Units (27 of which were quickly placed under contract), 3 Lumin units and 11 Limelight Units (4 under contract). As of today there are 168 reported Snowmass listings in the MLS with 23 of those shown as under contract; this compares to year end 2017 when there was 127 listings with 8 pending sales.

Pricing for the Lumin and Limelight units are at price levels not seen in Snowmass condominiums. List prices in the Limelight range from $1,675,000 to $2,285,000 for the 6 two bedroom units ($1,220/SF to $1,575/SF) and from $2,595,000 to $4,765,000 for the 5 three bedroom units ($988/SF to $1,825/SF). The 3 Lumin units are priced at $3,300,000, $4,400,000 and $6,300,000 for the penthouse or 1,572/SF to $1,918/SF. This is new territory for Snowmass condominiums.

Also in the pipeline for Base Village is One Snowmass that will include 41 units (11 of which will be sold in 1/8 shares). The project is slated for completion is the fall of 2019 and pre-sales will be initiated later this year. This project will also have approximately 13,000 SF of commercial space.

The **average sale price per square foot for a Snowmass condominium in 2017 was about $635/SF, unchanged from 2015 and 2016.** This compares to $625/SF in 2014 and $650/SF in 2013. Thus, for the last several years the $/SF for Snowmass condominiums has been very stable. The peak average price was about $1,050/SF in 2008.

The Snowmass condominium market has been relatively stable in prices since 2013. However, the supply of well-located lower priced inventory has been diminished. I expected some modest price appreciation in 2015-2017 for the lower and mid-priced units, and that has generally occurred. Although not really reflected in the average price per square foot, the average price of a Snowmass condominium has seen continued upward movement the last several years, albeit modest.

With much of the inexpensive inventory sold, the fate of Base Village finally on a positive footing following its sale in December, 2016, and the new development team bringing a lot of new product on the market, I expect more upward pressure on prices in 2018. I think this new higher priced inventory will positively influence much of the Snowmass condominium market, particularly that inventory that is located nearer the Village core.

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Fractional Interest Condominiums

The last several years I began my discussion of the fractional market with sales in the Innsbruck, also discussed at the beginning of this report. The units were reportedly acquired by a national time share company that is reselling time share interests off-site, in a variety of national sales centers. Originally, as approved by the City, the project was to include 17 units being marketed in 1/12 shares, or 204 total fractional interests. Land Title reported that between July, 2013 and December, 2014 there were over 1,500 interests sold plus 75 more interests in 2015. I have been unable to reconcile this activity and in my view, it makes more sense to simply **exclude both dollar volume ($31M+) and numbers of sales in the Innsbruck from the 2013, 2014 and 2015 data. However, activity in 2016 and 2017 settled into a more normal pattern. There were** 11 Innsbruck sales and just over $100,000 in volume in 2016 and only one $19,000 sale in 2017. Thus, **starting with 2016 the Innsbruck sales data will not be excluded.**

After declines the last several years, the fractional interest market in 2016 showed a significant increase in dollar volume with roughly the same number of sales. Dollar volume in 2016 was about $79.7M, an increase of 71% compared to the Innsbruck adjusted volume in 2015 of $46.6M. This was the biggest year since 2011, driven largely by the sales success of Phase 2 in the Dancing Bear. The number of fractional interests sold in 2016 was 223, essentially the same as the 227 seen in 2015. **In 2017 total fractional dollar volume dropped about 5% to $75.3M and the number of sales dropped about 17% to 189. 2017 activity was once again fueled by strong sales in the Dancing Bear and Residences at Little Nell.**

In last year's report I expected that Dancing Bear would be a strong performer in 2017. In fact, **Dancing Bear was the dominant performer in both 2016 and 2017.** Following completion in 2016 of the 11 units in Phase 2, **there were 38 closings with about $39.5M in volume. In 2017 there were 32 more closings with just over $26M in volume, representing 17% of all fractional transactions in both 2016 and 2017. The Dancing Bear sales were about 35% of total dollar volume for the entire fractional market in 2017 (vs. 50% of the total dollar volume in 2016).**

In 2017 the average price in the Dancing Bear was about $815,000. In 2016 eight of these sales were the Penthouse unit, discussed previously at $16M. Eliminating that special unit from the rest of the sales corresponds to $23.5M for 30 closings, or an average price of approximately $783,000 per share. The average price has been constantly increasing in the Dancing Bear as the developer continues to raise prices. In 2012 the average price was only $625,000; in 2013 it was $650,000; in 2014 the average price was $740,000 while in 2015 it was $750,000.

Sales in the Residences at Little Nell continue to account for a large share of the total fractional interest activity, about 36% of the total dollar volume. In 2017 there were 19 RLN sales, averaging about $1,425,000. This compares to 17 sales in RLN in 2016 averaging approximately $1,250,000. Although the average price for RLN fractions increased over 2016, it is noteworthy that there were 13 sales in 2015, averaging $1,400,000, 11 sales in 2014 that averaged $1,535,000 and 11 sales in 2013 averaging about $1,350,000. In 2013 there was also a bulk acquisition of 16 shares at $16M, or $1M per interest. If that sale is included in the 2013 data, RLN sold 27 interests and the average sale price drops to $1,175,000. These averages compare to an average sale price in RLN in 2012 of $1.5M, and $1.4M in 2011.

The number of sales in the **Grand Hyatt** was considerably less in 2017 but the average increased significantly, up approximately 15%. **In 2017 there were 26 sales averaging approximately $161,000**. This compares to 41 sales in 2016 with an average price of about $140,000. This upward trend in average price has been on-going since 2013 when the average was only $95,000.

Activity in the **Ritz Carlton** saw a big surge in 2014 with 61 sales vs. 20 to 21 sales in 2012 & 2013. Even with the big increase in 2014, the number of sales in 2015 nearly doubled to 111 sales. **The pace of sales in 2016 dropped off considerably, to 57 transactions while in 2017 there were only 33 sales**. Additionally, **the average price continues to decline**, from about $110,000 in 2012 and 2013 to only $79,000 in 2014, $64,000 in 2015, $52,500 in 2016 and $52,000 in 2017. This project is now mired in litigation.

The supply of listings for Aspen and Snowmass area projects, at least those in the MLS, has been reasonably consistent since 2009 with roughly 200 units. At year end 2017 there were 184 listings in the MLS. The low point was in 2011 with 174 listings at year end while the high was in 2012 when there were 238. At the end of 2014 there were 191 listings compared to the end of 2015 when there were 203 and 228 at the end of 2016. This is still about a 1-2 year supply. However, MLS listings do not tell the whole story as it does not account for units not shown in the MLS that are still being sold directly from the developer, nor does it account for new projects like those discussed below.

New Development

A year ago the Dancing Bear had in the neighborhood of 50 new fractions to sell in Phase 2. As this report is written, there are about 25 left. Asking prices have been steadily increasing, priced initially at $760,000, increased to $785,000, then $795,000, then $825,000 a year ago, next $850,000, and today the price is $875,000.

The Lift One Lodge, to be developed at the base of Aspen Mountain has approvals for 22 fractional units and 5 whole ownership units. However, timing for this project is still unclear even though this fully entitled project was sold in 2015. The new owners recently modified their approvals. Past conversations with the developer indicate that construction will likely not commence in 2018 and timing is still uncertain. Part of the delay is the uncertainty around the new lift alignment in conjunction with this project and with the proposed Gorsuch Haus hotel and condominium project that is located just uphill.

The Aspen Club started construction in 2016 for 20 new fractional units and a total remodeling of the Aspen Club athletic facility. They had anticipated completion at the end of 2017 but ran into financial problems so that the project is now in foreclosure and struggling to find new money to pay off creditors and move forward with the project. Best case for completion now is late 2019 assuming the foreclosure can be worked out. Under construction are 10 two-story, three-bedroom townhome residences (2,035 SF), and 4 four-bedroom townhome residences (2,698 SF) located along the banks of the Roaring Fork River. There will also be 6 single-level, four-bedroom club residences (2,600 SF) located within the newly renovated Aspen Club. The Fractional Use Plan that was offered was equivalent to a 1/12th interest based on a one month (4 week) period of ownership and use. The months of January, February, March, June, July, August, September, and December were offered for ownership. The range in original pricing was:

Three Bedrooms - $600,000 to $830,000
Four Bedrooms - $895,000 to $1,490,000

Under the original Aspen Club plan 160 interests would be sold while the developer was going to retain 80 interests. It is uncertain if this original concept of 1/12 shares will be retained or if this part of the project will be changed.

Another new fractional interest project is the redevelopment of the Sky Hotel to the east of the Little Nell Hotel at the base of Aspen Mountain. The original 90 room lodge has been demolished and is now under construction with a new 88 unit hotel and 11 fractional units in a 91,500-square-foot three- and four-story building. The property will be operated as a W Hotel brand. The fractional units will include 5 two-bedroom at about 1,500 square feet and 6 three–bedroom at about 2,000 square feet. According to the developer 1/10th interest fractions will be sold between $500,000 and $750,000 as the initial pricing. Owners will have 1 month of use. A total of 110 interests will be offered. The units will be formally available for sale during the second quarter of 2018 and completion is estimated in mid-2019. Reportedly, the developer has had over 100 people express interest in this fractional product.

The only other new product is in Snowmass as part of the new One Snowmass project that is now starting construction. Completion is anticipated for late 2019. This will be a mixed use project with commercial space, 30 whole ownership condominiums and 11 fractional units to be sold in 1/8th shares. Pricing is not yet known.

Not including the Aspen Club whose future is uncertain, between the W Hotel with 110 interests, and Lift One Lodge with 176 interests (assuming 1/8 shares), and One Snowmass with 88 interests, this would translate to nearly 400 more units in addition to the roughly 200 units shown in the MLS. If the Aspen Club is revived as originally marketed, it would add another 160 interests to the mix. This is obviously a very large supply that could easily take 5+ years to absorb.

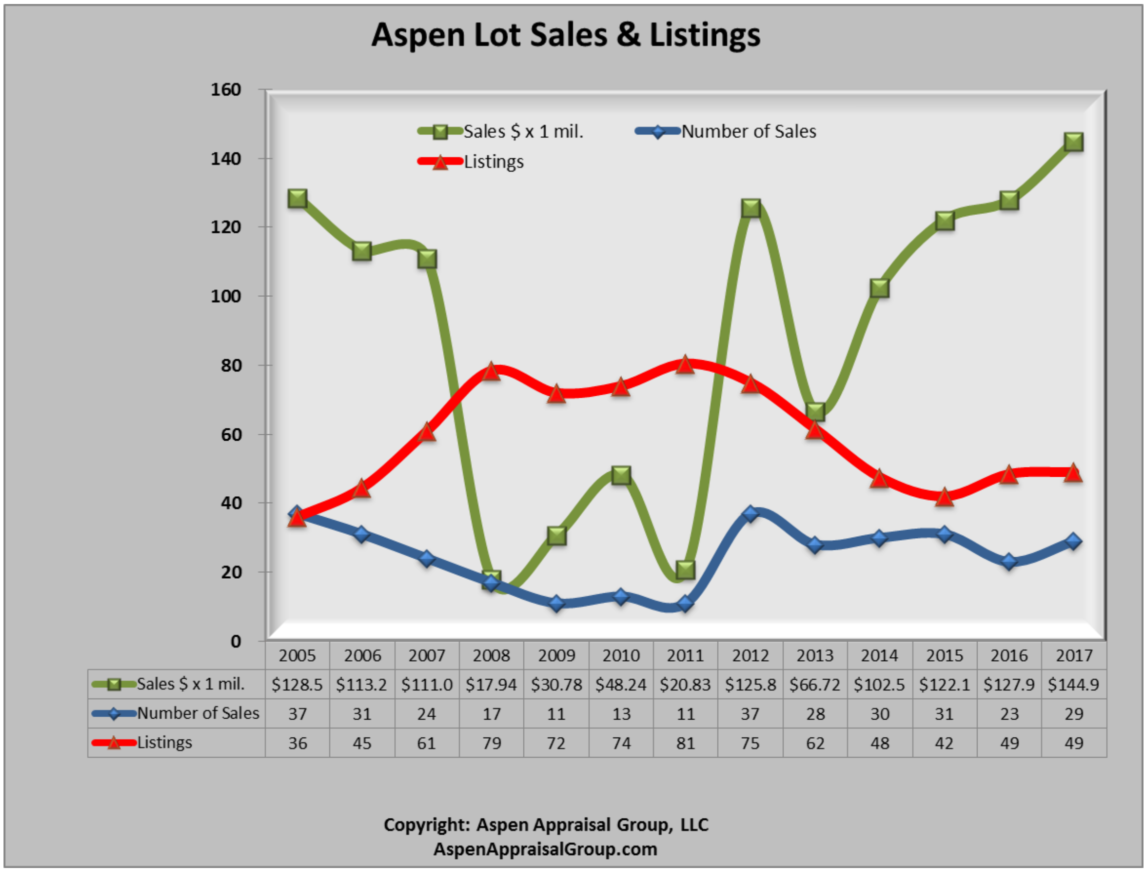
Conclusion

The fractional product in our market is diverse and can be confusing with 1/8 shares to 12/10 shares to 1/12 shares to 1/20 shares and different use patterns. The different use patterns and fractional types were an advantage in the stronger market, allowing projects to differentiate themselves from each other, but most realtors don't understand the product, or have only minimal understanding. This has been a concern for many years.

Last year I expected that volume and average prices in 2017 would probably be somewhat improved over 2016, at least for the best projects; this was certainly true for Dancing Bear. RLN also continues to be a very strong performer and while the average sale price had seen some declines, it rebounded in 2017.

In 2018 I expect strong activity again in Dancing Bear and RLN along with solid pre-sale activity in the W Hotel because of its outstanding location. It will however be interesting to see if the W with its 1/10 shares and one month of use will be readily embraced by the Aspen market that has clearly shown a preference for 1/8 shares with 6 weeks of use.

Aspen Lots



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales $ x 1 mil.	$128.5	$113.2	$111.0	$17.94	$30.78	$48.24	$20.83	$125.8	$66.72	$102.5	$122.1	$127.9	$144.9
Number of Sales	37	31	24	17	11	13	11	37	28	30	31	23	29
Listings	36	45	61	79	72	74	81	75	62	48	42	49	49

Highlights

- Number of Sales: **Up 26%**
- Dollar Volume: **Up 13%**
- Listings:
    - Average over the year: **Similar**
    - Year-end 2017 vs. Year-end 2016: **Down 15%**
- Approximate Current Supply: **1.5 – 2 years**

The supply of listings over the course of the year was the same as in 2016. However, at year end the supply stood at 45 listings or roughly 2 years of inventory. This is improved over the approximately 2-2.5 years of inventory we saw at the end of 2016.

In 2017 the number of land sales increased from 23 to 29, up 26%. By my count, of these 29 Aspen land sales in 2017, 14 can be classified as tear downs. **Dollar volume also increased in 2017 but the average and median prices declined because there were not as many high priced land sales as a percentage of all sales:** 10 of the 29 sales in 2017 or 35% were over $4M vs. 15 sales over $4M in 2016 or 65%. **Aspen land sales dollar volume was the highest ever at about $145M.**

Average and Median Sale Prices

Aspen Lots		
Year	**Average**	**Median**
2017	$5,000,000	$3,750,000
2016	$5,850,000	$4,100,000
2015	$3,950,000	$3,900,000
2014	$3,000,000	$2,550,000
2013	$2,400,000	$2,150,000
2012	$3,400,000	$2,750,000
2011	$1,900,000	$1,900,000
2010	$3,700,000	$2,600,000
2009	$2,800,000	$3,000,000
2008	$2,600,000	$2,500,000
2007	$4,600,000	$3,800,000
Note: All numbers are rounded		

The two most notable land sales in 2017 were both over $20M. Lot 5 in the Rubey Subdivision sold for $22M while 205 Shady Lane sold at $27M. It is noteworthy that the Shady Lane lot is the highest land sale ever in Aspen for a conventional building site. Although it has a 6,500 SF 1980's vintage house, it will be demolished. Both of these buyers will likely have well in excess of $40M into these properties once their houses are built. This follows 3 other strong land sales in 2016, also in the Rubey Subdivision at the base of Red Mountain. Sales in 2016 included Lot 2 at $10M, Lot 3 at $13M and Lot 4 at $18.5M.

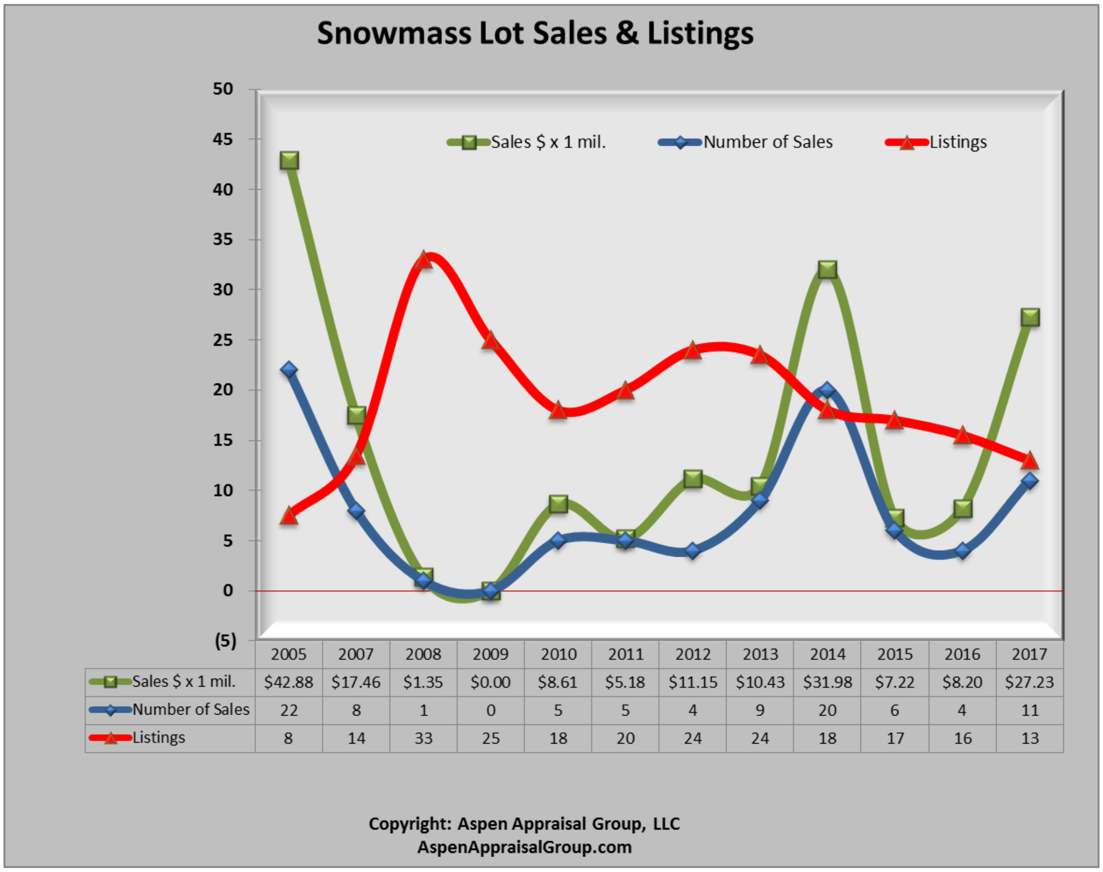
A generally upward trend in average sale price for Aspen lots has been occurring since 2013. In 2014, 2015 & 2016 this was because higher priced lots were selling, most notably in the West End, Central Core and Red Mountain/Pitkin Green. It also points to appreciating prices in those neighborhoods. In 2017 the average price per lot took a dip, but this is not significant; this is more a statement about available inventory with less higher priced lots available to buy.

Although there were a lot of end users who bought lots the last several years, spec developers continue to acquire lots and their influence is still being felt in the single family market as we move into 2018. While the number of sales was about the same in 2013 and 2014, the **biggest change in the Aspen land market in the last 5 years has been in dollar volume, increasing about 50% between 2013 and 2014, another 20% between 2014 and 2015, up 5% in 2016 and up another 20% in 2017 with a record year of $145M.**

The most active neighborhoods for lot sales in 2017 were Starwood/Whitehorse Springs with 5, Central Core and West End with 8 and Red Mountain with 3.

In 2017 I expected that there would be little to no appreciation at work for land in most Aspen neighborhoods other than Red Mountain/Pitkin Green and the West End & Central Core. I think that generally occurred. However, with many lower priced lots purchased in 2017, I expect that in 2018 there will be increased appreciation for lots in neighborhoods like West Aspen and Starwood/McLain Flats for example. I think that Red Mountain, Pitkin Green, West End and the Central Core will probably see more modest appreciation in 2018 compared to the last 2-3 years.

Snowmass Lots



	2005	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales $ x 1 mil.	$42.88	$17.46	$1.35	$0.00	$8.61	$5.18	$11.15	$10.43	$31.98	$7.22	$8.20	$27.23
Number of Sales	22	8	1	0	5	5	4	9	20	6	4	11
Listings	8	14	33	25	18	20	24	24	18	17	16	13

Highlights

- Number of Sales: **Up 175%**
- Dollar Volume: **Up 232%**
- Listings:
  - Average over the year: **Down 19%**
  - Year-end 2017 vs. Year-end 2016: **Down 14%**
- Approximate Current Supply: **1 - 2 years**

The Snowmass land market saw a big upturn in the number of sales and dollar volume in 2017. This signals renewed interest in building, both for speculation and for owner occupancy. By my count the 11 land sales in 2017 included 4 properties that were tear downs. Although I have been reluctant to report the average sale price of Snowmass land over the last several years because there have been so few sales, in 2017, **the average price was about $2,500,000 or half of what the average Aspen lot sold for.**

Interesting in 2017 is that there were no land sales in either the Pines or Two Creeks. Four of the 2017 land sales were in Ridge Run, 4 lots sold in Wood Run while the remaining 3 lot sales were in Melton Ranch, Sinclair Meadows and Horse Ranch. The highest land sale was in January, 2017 for two contiguous ski front lots in Wood Run that closed at $9,050,000.

On the supply side listings are fewer but while the drop is about 14%, this is really just the difference between 14 listings at year end 2016 and 12 listings at year end 2017. Looking back over the last several years, the trend has been decidedly downward for listing inventory, shown clearly by the red line on the preceding graph. With the nearing intersection of listings and sales, the Snowmass land market is poised for some appreciation.

In last year's report I noted that the December 2016 sale of Base Village and the new energy anticipated from the developer would translate to an increased number of land sales in 2017 and probably some modest appreciation. The number of land sales certainly increased, but there is little evidence to suggest any appreciation. In 2018 I am estimating a similar number of land sales compared to 2017 but rising, modestly appreciating prices.

Conclusion and a Look Ahead

After a disappointing 2016, performance in 2017 rebounded strongly to nearly the same levels seen in 2015. The difference lies mostly in the supply of listings, which at the end of 2015 were increasing vs. the end of 2017 when the supply is declining across the board. With the increased sales volume at just under $2B and nearly 1,000 transactions along with a declining supply as we enter 2018, the market looks very promising.

In 2018 we are seeing excellent momentum 6 weeks into the year. As of February 15, 2017 there had been roughly $125M in closings and another 67 properties representing $250M+ in sales were under contract. As of February, 2018 there have been over $167M in closings and another 70 properties are under contract representing again, about $250M in volume. It could be argued that 2018 dollar volume to date is skewed by roughly $50M in closings from the One Aspen project where the 6 closed sales had been under contract for over 2 years. Nevertheless, activity to date bodes well for a very solid 2018, unless derailed by a macro influence or influences.

The following chart summarizes the data in the Overview comparing the performance in 2017 with 2016.

2017 vs. 2016 Data Summary

Market Sector	$ Volume	# Sales	Avg # Listings	# Listings-Year End
Commercial	Up 95%	Up 73%	Similar	Similar
Aspen - All Single Family	Up 133%	Up 89%	Up 5%	Down 11%
Snowmass All Single Family	Down 11%	Up 3%	Similar	Down 6%
Aspen/Snowmass Area Luxury S.F.				
$5M-$6.99M	Up	Up 53%	Up 11%	Down 16%
$7M-$9.99M	Up	Up 21%	Similar	Up 14%
$10M+	Up	Up 136%	Up 33%	Similar
Aspen Condominiums	Up 45%	Up 27%	Down 32%	Down 36%
Snowmass Condominiums	Up 23%	Up 19%	Down 18%	Down 26%
Aspen Lots	Up 13%	Up 26%	Similar	Down 15%
Snowmass Lots	Up 232%	Up 175%	Down 19%	Down 14%

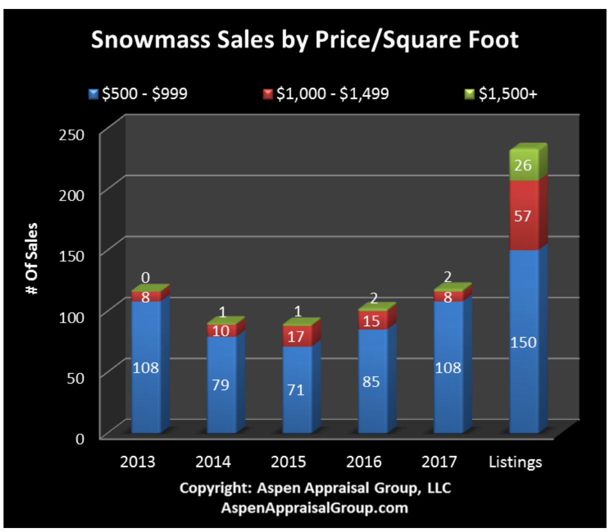
My forecast for 2018 is for a year that is similar to modestly improved over 2017. I expect the following:

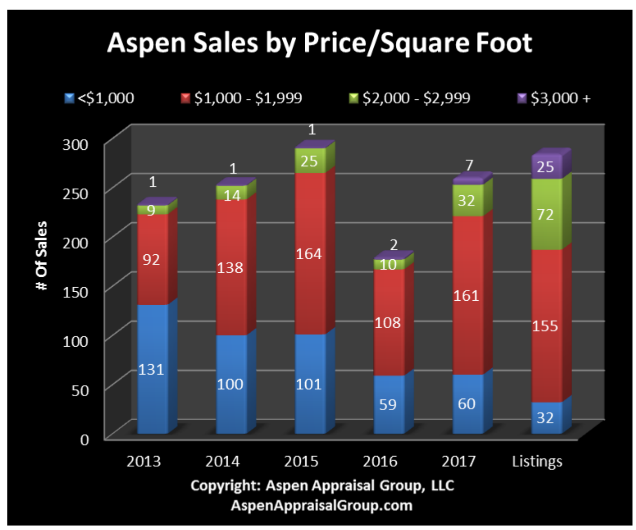
- Roughly $1.9B to $2.2B in sales with 900-1000 transactions.
- Continued strong performance for Aspen houses, including those over $10M. This will in part be fueled by an increased number of land sales and "tear downs" in 2017. In 2018 I expect performance in the Aspen single family market to be similar to 2017 in both dollar volume and number of sales.

- With the huge increase in land sales in Snowmass last year, I also expect to finally see considerable improvement in the Snowmass single family market although still muted activity over $10M.
- Although it was a good year in 2017, I think performance in 2018 will be even better for Snowmass condominiums & townhouses. It could be one of the biggest years ever for both dollar volume and numbers of sales, fueled largely by the new Base Village inventory.
- For Aspen condominiums and townhouses, given a diminished supply and increasing price points due to the continued increases in price per square foot, I expect there to be fewer Aspen condominium sales and dollar volume will also be less, particularly in light of the record in dollar volume seen in 2017.
- Prices and value will continue to increase for lots and houses in nearly all neighborhoods.
- A solid but inferior year for commercial sales in Aspen with less dollar volume and fewer transactions.

Historic Price/SF

The next two graphs show the last 5 years of price per square foot indications from the Aspen and Snowmass markets along with current listings. The data here comes from sales and listings of single family houses, condominiums, half duplexes and townhouses.





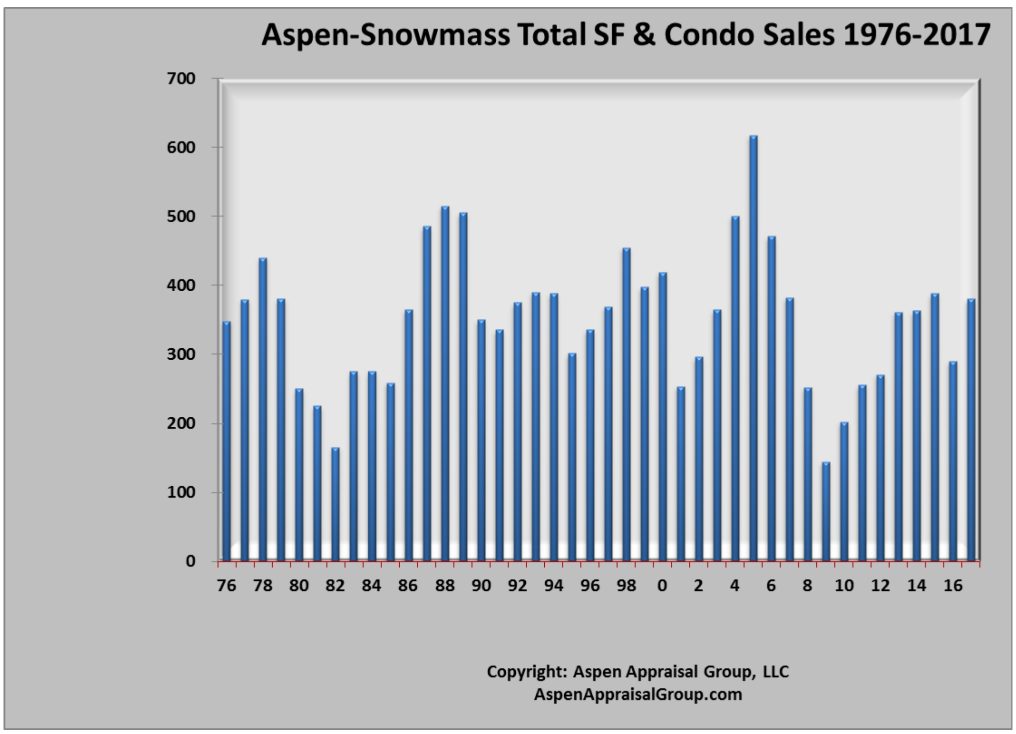
Interesting observations from these graphs include:
- As is well understood, Snowmass is a much better value than Aspen with the bulk of historic sales at under $1,000/SF
- Many Snowmass sellers appear to be very unrealistic about what their properties are worth, highlighted by the number of listings priced over $1,000/SF and particularly

those over $1,500/SF. Snowmass is considerably oversupplied with inventory priced over $1,000/SF.

- The Aspen market is very strong under $2,000/SF and the market in 2017 was the strongest ever for $2,000/SF + sales.
- Many Aspen listings are probably overpriced, particularly those over $3,000/SF
- Price point may start to become more of a barrier for buyers than simple price per square foot. To illustrate, while a new or newer 6,000 SF house at $2,500/SF or $15M may be a fair price, $15M, or $18M priced at $3,000/SF, is a lot of money where the market is not that deep.

Long Term

The following graph shows the long term trend of Aspen/Snowmass sales since 1976. The graph is based on the number of transactions of single family and condominium sales in both Aspen and Snowmass. I think that the number of sales is a good barometer of market cycles.

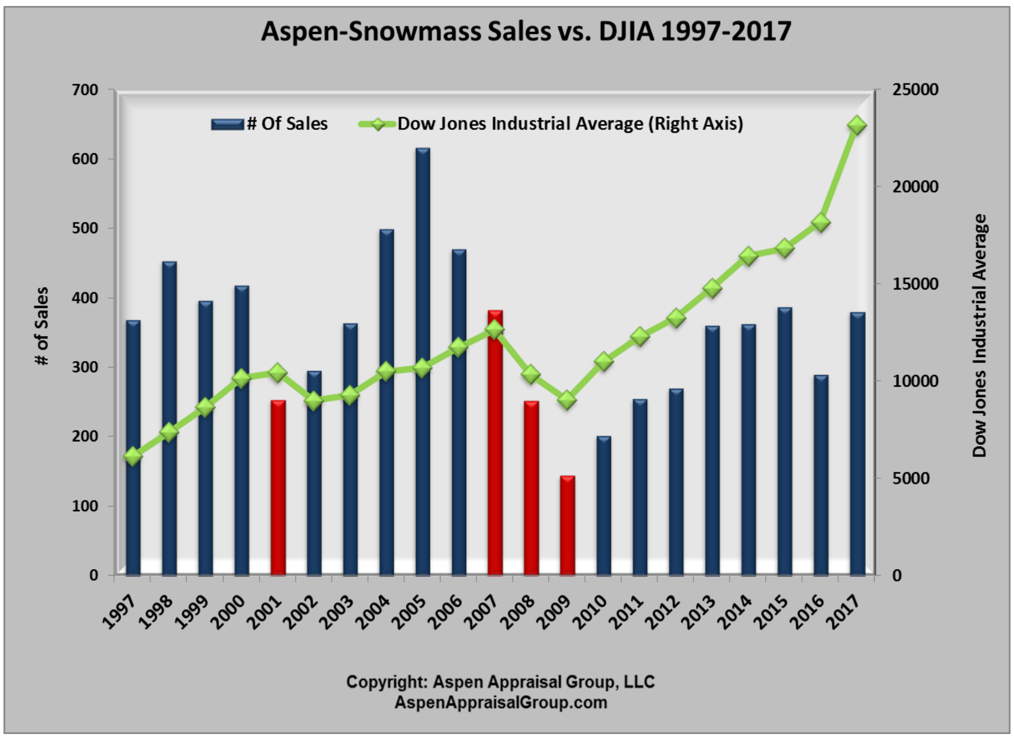


Although the graphic data can certainly be overanalyzed, and I hesitate to forecast the next national recession or oversimplify, the following observations are noteworthy:

- The local real estate market is cyclical.
- Aspen is not immune from what happens nationally.
- The Aspen area down market usually coincides with national recession. Since 1976, other than the bottom in 1995, the other bottoms coincided with national recession.
    - This is shown by the recessions of 1973-1975 (16 months), 1980-1982 (22 months), 1990-1991 (8 months), 2001 (8 months), and 2007-2009 (18 months).

- Economists offer varying opinions about when the next recession will occur.

- In the last nearly 40 years, the longest period of upward movement following the bottom of a cycle is 6 years (1983-1988). However, if 2018 finishes as strong as is being suggested now, the Aspen Snowmass real estate market will have been in upward movement for 7 of 8 years.
- With 2017 now finished, we can see that 2015 was a peak and the 6th year of an up market. We can also see that while the market dipped in 2016, 2017 rebounded.
- As this report is written, the stock market saw its peak for the Dow Jones at about 26,600 on January 26, 2018 only to be followed the next week by fears of inflation, rising wages and rising interest rates that led to a nerve wracking and scary 10% correction to about 23,800 in early February. However, most of the correction has now been erased and as of February 15 the Dow is back over 25,000.



- There is strong evidence to support that there is a connection between the stock market and Aspen area real estate; the preceding graph displays this relationship over the last 20 years. As a note, the average for the Dow is a simple calculation based on the year end closing with the year-end closing the following year. Other than 2016, this graph certainly mirrors this connected relationship. 2016 can probably be explained by a tone setting rough start to the beginning of the year with the stock market showing large losses and very erratic behavior, the price of oil is the lowest it has been in many years, and the uncertainty around who would control Congress and the White House with November elections ahead. The Dow began to recover in March, 2016 closing up significantly by the end of the year.

- While it is not my intention to make too much of the connection between the Dow/stock market and the Aspen buyer, it is not surprising that there is a strong correlation given the economic profile of Aspen and Snowmass area buyers. For many years it was a common belief that Aspen was immune from what happens nationally. This has certainly not been the case over the last 20 years.
- We are now in the second longest bull market in history. It started in March, 2009 and is now nearly 9 years in the making. The longest ever is about 9½ years, a bull market that ended in 2000. Many believe that this current bull market has a long time to run, and that the early February correction was just a short term wake-up call and not a long term trend.
- Additionally the national economy is very strong and for the first time in many years, international economies are also strong and improving. We are also in the second longest period of economic expansion in history. It started in June, 2009 so we are nearly 9 years. The longest period of economic expansion ever was 10 years ending in 2001.
- Obviously if the stock market continues to rally, it bodes well for our real estate market. Additionally, the early February correction may motivate some folks to reduce their stock market positions and move that to Aspen area real estate.
- The recently passed Republican tax cuts also bode well for our real estate market. With considerable savings now being enjoyed by upper income citizens, their corporations and some pass-through entities, our buyers will have more money in their pockets to buy real estate.
- Markets do not like uncertainty and there is certainly the potential for a macro negative influence that could at stifle our 2018 real estate market. There are many possibilities that could derail our market and to name only four: war with North Korea, the impact of ever increasing cyber-crime on our national security and democracy, rising interest rates and the ballooning deficit and national debt, or the further undermining of the Trump Administration because of escalating pressure from the Russia investigation. However, with that said, it is impossible to know how these issues will play out. More important is to simply recognize that there is potential here for a strong 2018 to be derailed by a macro event or events, and while in a given year this is always a possibility, many would argue that today it is more likely given the undeniable turmoil surrounding much of our national government.