ASPEN/SNOWMASS
REAL ESTATE MARKET OVERVIEW

A Review of What Happened in 2018
&
Looking Ahead

March 1, 2019

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Aspen Snowmass Real Estate Market Overview

March 1, 2019

Introduction

The Aspen Appraisal Group has for more than 25 years compiled a variety of data to demonstrate trends in the Aspen-Snowmass real estate market. This analysis is focused on examining sales and listings of single family houses, lots and condominiums through year-end, December 31, 2018. The commercial and fractional interest markets 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 sales data as the Snowmass zone also includes Owl Creek and Pioneer Springs, 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 2018 is an average of those available at year-end 2017 and those available year-end 2018. I think this approach gives a more realistic picture 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 2018 there were 10 Aspen land sales and 4 Snowmass land sales that were reported in the MLS as improved single family data. 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 14 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, a rebound and much stronger 2017 followed by another modest slowdown in 2018.

As the data shows, Snowmass condominiums were up big, Aspen lots showed healthy improvement over 2017, and Aspen condominiums had a strong year with record dollar volume. All other sectors were either flat, down or down significantly in dollar volume and numbers of sales.

On the supply side, at year end, there were fewer Aspen lots for sale. However, all other sectors were either largely unchanged from a year prior (all Aspen single family houses, Aspen Commercial, and Aspen houses in the $7M-$9.99M range), or up significantly. The biggest increase in supply was in Aspen condominiums, up 30% compared to the end of 2017. Values in 2018 were either stable or increasing in most areas.

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Professional Affiliations

The Appraisal Institute, MAI #6984, SRA
Certified General Appraiser, State of Colorado, #CG.001313337
Licensed Real Estate Assoc. Broker in the State of Colorado (1979)
Member of the National Association of Realtors
Member of the Aspen Board of Realtors

Education

University of California, Santa Barbara, BA, 1973, Honors

Appraisal Institute (Partial List):
- Real Estate Principles
- Basic Valuation Procedures
- Capitalization Theory & Techniques A&B
- Case Studies in Real Estate Valuation
- Valuation Analysis and Report Writing
- Ethics & Counseling Training Program
- Litigation Valuation and Easement Valuation
- Adv. Sales Comparison & Cost Approaches
- Standards of Professional Practice, A&B
- Regulatory Takings
- Condemnation Appraising: Basic Principles & Applications

Recent Appraisal Courses and other Continuing Education:
- Residential & Commercial RE Markets in Special Areas (2013)
- Appraisers Embracing Technology & Management (2014)
- Colorado Property Taxes (2017)
- 7 Hour National USPAP Equivalent Course (2011, 2013, 2015 & 2017)
- Curriculum Overview-General (2011)
- Curriculum Overview-Residential (2011)
- Regulator/Reviewer Perspectives (2018)

Other Recent Courses:
- Appraisal Institute: Business Practices & Ethics (2016)
- CREC (Realtor) Annual Update Course (2019)
- NAR (Realtor) Ethics (2017)

Experience

Appraiser-Consultant, Aspen Appraisal Group, LLC (formerly Mollica & Assoc. & Aspen Appraisal Group, Ltd): May 1978 - present
Colorado Real Estate Associate Broker: 1979 - present
Associate Appraiser, The Epstein Co., Los Angeles, August, 1975 - October 1976
Designated RM by The Appraisal Institute: 1982, converted to SRA in 1992
Designated MAI by The Appraisal Institute: November, 1984

Major Clients

Gibraltar Bank & Trust	Vectra Bank	Alpine Bank	Snowmass Village
First Bank	Chase Manhattan	Bank of Colorado	Pitkin County
Northern Trust Bank	Wells Fargo Bank	ANB Bank	City of Aspen
First Republic Bank	Dept. of Justice	US Bank	Colorado Dept. of Highways

Appraisal Experience

Single Family Residential	Multi-Family Residential	Condominiums
Commercial/Retail	Office	Proposed Construction
Ranches	Vacant Building Sites	Development Land
Lodges/Hotels	Easements/Condemnation	Special Purpose Buildings

Purposes

Mortgage Financing	Tax Planning	Estate Planning	Condemnation
Listing	Acquisition	Insurable Cost	Marriage Dissolution
Tax Appeal			

Statement of Certification

The Appraisal Institute conducts a voluntary program of continuing education for its designated members. MAI's who meet the minimum standards of this program are awarded periodic education certification. I am currently certified under this program through December 31, 2021.

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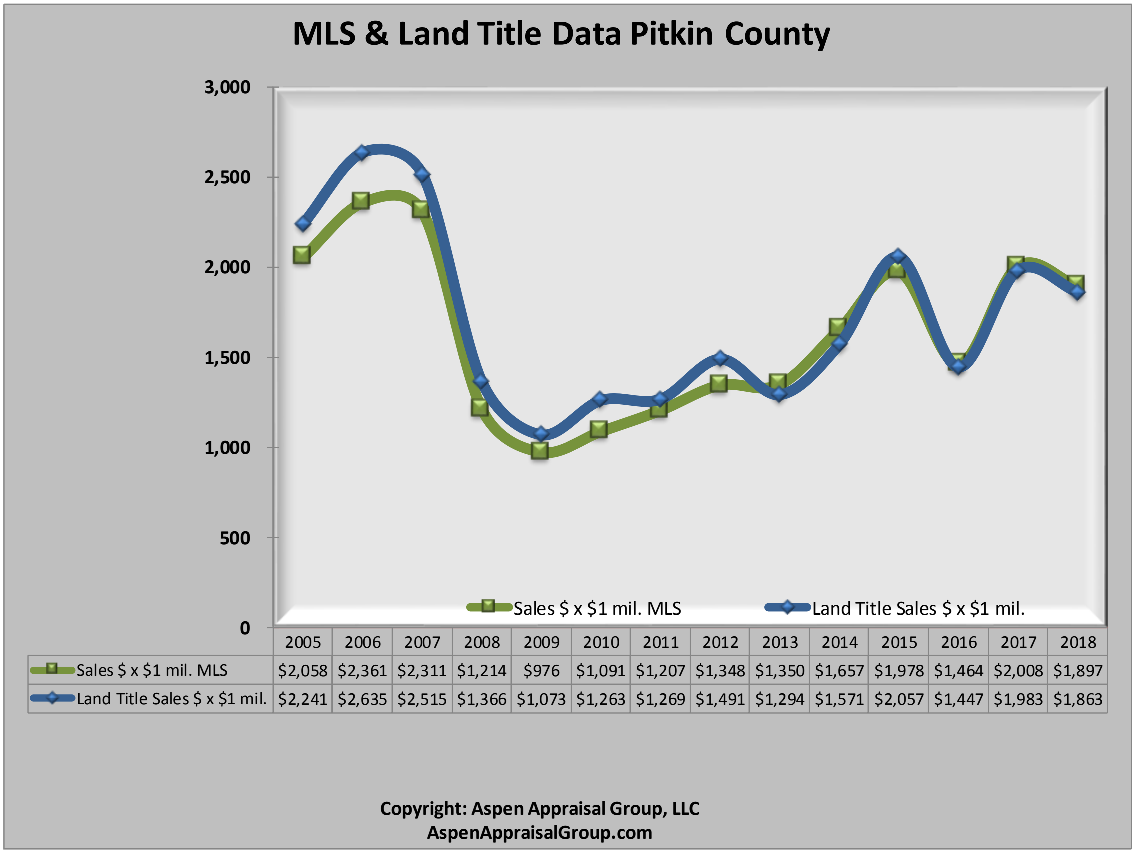
Market in General

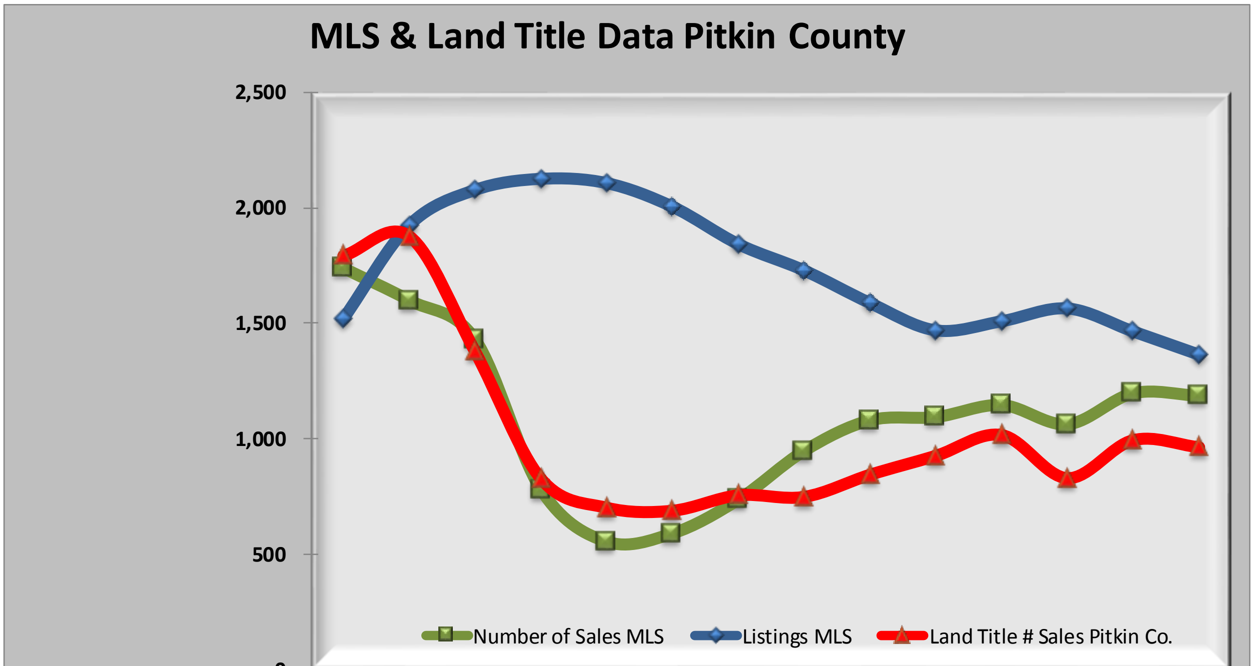


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sales $ x $1 mil. MLS	$2,058	$2,361	$2,311	$1,214	$976	$1,091	$1,207	$1,348	$1,350	$1,657	$1,978	$1,464	$2,008	$1,897
Land Title Sales $ x $1 mil.	$2,241	$2,635	$2,515	$1,366	$1,073	$1,263	$1,269	$1,491	$1,294	$1,571	$2,057	$1,447	$1,983	$1,863

Land Title information and data from the MLS system is used in this section of the report. 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. The activity in this project is discussed in more detail later in this report, in the section on Fractional Interest Condominiums. Although this data has been excluded for 2013-2015**, commencing in 2016 I have not excluded the Innsbruck data as it seems to have settled into more normal activity.**

Total dollar volume in 2018 was about $1.863B, down about 6% from the $1.983B in 2018, but still up 29% from the $1.45B in 2016. It was down about 9% 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. However, **in 2018 we saw far fewer $10M+ single family sales and only 1 sale over $20M.**

The preceding graph displays total dollar volume via MLS data and Land Title. The numbers are not identical, but the trends are very 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	2018
Number of Sales MLS	1735	1596	1427	778	552	588	734	945	1077	1091	1143	1060	1194	1183
Listings MLS	1520	1924	2076	2124	2105	2003	1842	1728	1588	1470	1509	1564	1465	1365
Land Title # Sales Pitkin Co.	1794	1879	1379	828	702	689	756	749	845	927	1017	830	995	964

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, and this was similar in 2018 with 964 sales.** 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, for the larger market overall, inventory appears to again be 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, a rebound and much improved 2017 with a decline in 2018. Snowmass looks like it bounced along the bottom between 2009 & 2012, but it too has stabilized and shown considerable improvement in the last 5 years. In fact, the brightest performer in 2018 was the Snowmass condominium market. With the new energy surrounding the now real development of Base Village, Snowmass is also on a positive trajectory.

In last year's report I thought that 2018 performance would be solid, with dollar volume roughly similar or modestly above 2017, in the range of $1.9B to $2.2B and 900 to 1,000 transactions. I was very close in the number of transactions and dollar volume was only slightly below the bottom of my forecast. My forecast for 2019 is for another solid year barring dramatic events on the macro level. I expect that we will see dollar volume in the range of $1.7B to $1.9B and roughly 850 to 950 transactions.

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Aspen Commercial Market

In 2016 and 2017 I described the **Aspen commercial market** as **stable with muted enthusiasm**. As we enter 2019, I think this is still a good characterization. Buyer energy since 2016 has been tamped down by two factors. First, there has not been 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 significant land use code changes enacted in 2017 (these changes were highlighted in my last Market Overview). These changes have unquestionably made new development more difficult and more expensive. This too affected buyer enthusiasm.

While there continues to be virtually no vacancy for prime, "A" location downtown retail space, there is modest vacancy in secondary retail or "B" location space, and in both downtown and peripheral office space. My sense **is vacancy as we enter 2019 is unchanged or modestly lower from a year ago. I estimate that retail vacancy for excellently located space, unchanged since about 2014, is still stabilized at approximately 1% today. The Aspen Core Building, (completed in 2015 and adding about 15,000 SF of retail space), is finally occupied including both long-term tenants and pop-ups testing the waters. Looking at downtown retail vacancy overall, it is still probably closer to 2-3%, while secondary location retail is likely in the range of 2-4%.**

Office space vacancy has stabilized after declining between 2015 and 2017. Today, I think the office market vacancy rate is probably still in the range of 3-5%, and unchanged from a year ago. Aspen Core added over 5,000 SF of office space and while it was not rented, the owners have elected to convert this to event space so that it is not on the market for office use. Second level office space in Victorian Square with 3,000 SF remains unrented. A large 3,400 SF space in the Katie Reed Plaza has been vacant but a long-term lease has just been signed.

One of the big influences on the office market since 2015 was the City and County renting spaces while they undertook major redevelopment of their offices. This influence is now largely over with the new County offices of 41,000 SF finished, but the total remodeling of City Hall (Armory Building) is still on the horizon, probably starting in 2020. The City will satisfy most of their space needs with construction of the new Rio Grande Building that will be approximately 37,500 SF. When redevelopment of the Armory Building begins (not until the Rio Grande Building is finished) there could once again be some influence on the office market as some employees will probably have to relocate until the Armory remodel is finished. There was also some increase in the vacancy rate from the relocation of some County tenants who had been dispersed around Aspen as they have moved out of these locations and into the new County offices.

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, as this report is written there are no buildings listed in what I consider to be an "A" location downtown. The only published listing is 426 East Main Street at $16,995,000. This building is on the north side of Main Street at its intersection with Galena Street. According to the listing it has 10,546 SF and the listing is priced at $1,611/SF which seems aggressively priced to me. It does include a high-end penthouse unit of about 2,200 SF that sold in 2015 for $6,100,000. The street level retail of roughly 2,200 SF and a second level with 3 deed restricted employee apartments sold in 2016 for $4,500,000.

Sales Volume

The following charts show the commercial sales activity in Aspen over the last 9 years, including final data for 2018. The left chart shows total dollar volume from commercial sales. The right chart shows the transactional volume delineating commercial building sales and commercial condominiums.

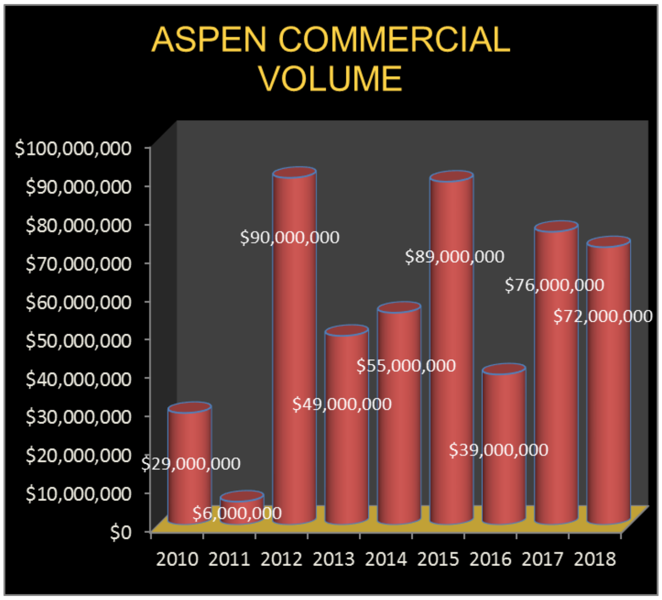
As shown, 2012 was the biggest year for dollar volume, driven largely by the acquisitions of Mark Hunt, although he was not the only buyer in the market. 2015 was also a big year and both 2017 & 2018 were strong years for dollar volume. In terms of numbers of sales, 2013 & 2014 were the most active, with 2015, 2017 & 2018 also showing strong performance.

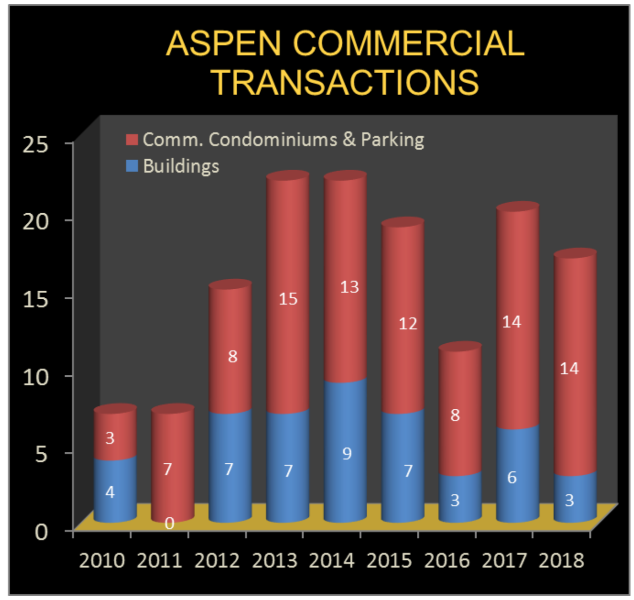
In 2018, dollar volume and transactions were down modestly from the prior year, but it was still a very strong year overall. The 17 sales in 2018 included 3 parking space condominiums, 11 retail and office condominiums, and 3 buildings, two of which were purchased for redevelopment. Excluding the parking, the remaining 14 sales were split about equally between owner users and investors. Price per square foot for these commercial condominiums (excluding the parking) varied widely, from approximately $400/SF to $2,000/SF.

The most noteworthy sale in 2018 was the Aspen Core Building that sold in February for $28M. This building is located at the corner of East Hyman and South Hunter Street. This is technically a series of condominiums including the adjoining two story Benton Building. Combined, and according to the Assessor, the sale included roughly 18,200 SF of commercial space with basement, street level retail, second level retail and second floor office space. Other than one basement space, this building was vacant at the time of sale but now the spaces are nearly all occupied, and the office space is being used as an event venue by the new owners.

Other notable 2018 sales included the North Mill Street property that was acquired in June for $15M. This property has challenging SCI zoning and the buyer, Mark Hunt, hopes to have it rezoned to Mixed-Use, which will almost certainly be a tough lift. He is also in litigation with the City over the uses permitted in SCI. This property last sold in two purchases in 2007 for approximately $18.6M.

Thus far in 2019 there has been one notable sale: the Katie Reed Plaza. It sold in January for $14,830,000 or roughly $750/SF. This building was purchased by a group of investors. At the time of sale much of the building was under lease at below market rent and a large, roughly 3,400 SF office was unrented. The new buyers are also acquiring the below market lease and plan to complete extensive exterior renovations and some needed repairs. The new buyers were reluctant to discuss their investment expectations other than saying that over time they hope to increase the cap rate and their return substantially.





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 converts 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 10 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 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%. **In 2018 I estimated cap rates on 3 more sales, and they were in the range of approximately 4% to 5%.**

I discussed the sale of the Katie Reed Plaza with a party involved in the sale and while not verified with the new owner, it was suggested that the initial capitalization rate was in the range of roughly 4% and the anticipation going forward was for a return of more than 6% when all was said and done.

Historically, the Aspen commercial market continues to show very low cap rates, but it is understandable when you think about alternative investments today like 5 year or 10 year treasuries that are paying around 2.5%-2.75% 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 over the last several years have trended up, and that will likely continue as interest rates rise. Although the Fed has eased off raising rates in early part of 2019, interest rates in general have risen considerably in the last 3-4 years. For example, the Prime Rate has moved from 3.5% in December 2015 to 5.5% in February 2019. In addition, bond yields have generally increased over this period. These factors will continue to put pressure on 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 once again in 2019 we will not see much if any change in these low cap rates.

Rents

It is my view that retail rents for prime, A and A+ located space are still stable after several years of rising dramatically. **Rents for the best spaces have been stable for the last 3-4 years.** We 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. In 2018 and thus far into 2019 I am aware of only 2 or 3 new leases written at over $200/SF. Where rents have continued to increase, they have largely been due to scheduled rents or annual bumps per lease agreements. **Office rents have also been stable for the last 2-3 years,** with most in the $30/SF to $65/SF range.

Retail rents and demand for rentals are very location sensitive. Demand for retail space in prime locations from national and international tenants continues to be strong today, but there is a decided **lack of supply with few <u>prime</u> spaces being available for rent**. This has 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 $35/SF to the rent. Thus, if rents are quoted or discussed in this report 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.

New construction for 2019 will be considerable after many years of limited activity. Already under construction projects include the EB Building (aka Taylor Building) at the corner of Hyman and Hunter, a redeveloped and expanded Boogie's Building at 534 East Cooper, the new W Hotel, 201 East Main (formerly Main Street Bakery), the City's new Rio Grande Plaza office building, the new Timberline Bank Building on Main Street, and the Rowland Broughton building on Main Street (former home of O2). Although some of the projects listed below could be postponed, we can probably look forward to construction beginning in 2019 on:

- 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
- Redevelopment and expansion of the Red Onion and adjacent Mountain Plaza Buildings
- Demolition and new development of the 517 East Hopkins Building (formerly Aspen Daily News)
- Expansion and remodeling of the Stein Building (corner of East Cooper and Hunter)
- Redevelopment and expansion of the Barnard properties at 305-307 S. Mill Street
- Demolition and new development of 232 East Main (Conoco Gas Station)

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 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 Mark Hunt with about 115,000 SF, Garfield and Hecht, today with about 43,000 SF (after their sale of the Aspen Core and Katie Reed Plaza), while Marcus, Meyer and the Souki Family are at roughly 30,000 to 40,000 SF each. Between these 6 groups, they control upwards of 400,000 SF, or roughly 35% to 40% of the downtown commercial space.

Shared office space will make its formal Aspen debut in 2019 with Alt Aspen located in the Aspenhof at 520 East Cooper Avenue, 2½ blocks from the gondola. Although over the years there have been a variety of shared long-term office spaces in Aspen, this concept has matured and grown dramatically in urban settings over the last 3-5 years. With Alt Aspen, interested renters will have access to ski lockers for $2,000 a year, conference facilities and meeting space ($150 per hour), internet and wi-fi, security and a wide range in fully furnished office spaces, be it for day use or monthly. Private offices ($250 per day), shared offices ($150 per day) and team offices ($5,000 per week) will be available. If this were the only project, I would expect demand to be good. However, it is not. Mr. Hunt has approached the City to revise his approvals for the 517 East Hopkins Building as it too will include an abundance of shared office space. The rumor was We Works coming to Aspen, but reportedly now another strong national tenant of shared office space may occupy this new building. Of course, this project is probably 18-24 months

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from delivery so Alt Aspen will have a chance to build loyalty and customers as they are nearly ready to come on line. However, I am very doubtful that the Aspen market can support what I estimate at approximately 10,000-15,000 SF of shared office space.

Overall, as we begin 2019, the Aspen commercial market is still stable but strong, largely the result of there being very little to buy. It is significant that the Aspen Core Building has finally found some tenants, and hopefully they will succeed given the relatively high rents they are reportedly paying. With completion of Victorian Square, and the EB Building that will be finished in 2019 (both located across from Aspen Core), the developers of these projects are hoping that the prime downtown commercial core is expanding. Time will tell if the high anticipated or already contracted rents are sustainable for these buildings. Given the tremendous amount of new construction, in the next 2-3 years the Aspen downtown core will see not only more inventory but also many new retailers looking for a piece of the Aspen market.

As this report is written, I am not aware of any pending commercial contracts of significance beyond some small condominiums. There continues to be very little inventory to buy. Demand is still strong for the purchase of existing buildings and commercial condominiums, but interest continues to be negatively affected by the dramatic Land Use Code changes passed in 2017. 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.

Lift One Development

On March 5, 2019 City voters will decide the fate of the massive Lift One development plan at the base of Aspen Mountain. This new development will be centered around the replacement and realignment of the old Lift 1A, moving it to Dean Street which will greatly improve access to this primary portal for Aspen Mountain. The new lift will be a "telemix," a combination of gondola cars and chairs. This format allows year-round, multimodal use and will give the Aspen Skiing Company the opportunity to explore reopening Ruthie's Restaurant. The plan includes a relocation and remodeling of the Skiers Chalet Lodge to house the Aspen Ski History Museum. Park areas near Dean Street will be greatly improved and expanded with the addition of Dolinsek Gardens, Lift One Park, and Willoughby Park, including a 60-foot wide greenway between the two Lift One Lodge buildings for summer mountain access. There will also be 50 public parking spaces, public restrooms, public lockers, and bike racks are all part of the new Dean Street mountain portal.

Two lodges are the proposed anchors for the plan. Gorsuch Haus at the top of South Aspen Street, immediately adjacent to the current site of Lift 1A, and Lift One Lodge on the properties once occupied by the Holland House, Skiers Chalet Lodge and Skiers Chalet Steakhouse. Gorsuch Haus will be an 81-room hotel and Lift One Lodge brings another 104 lodge rooms, 34 fractional units and 6 whole ownership units. These lodges will also have underground parking and some commercial space. According to the *Aspen Times*, the total size for the entire Lift One combined developments is 320,000 SF. If City voters pass Lift One, the base of Aspen Mountain will be forever changed, and adjacent properties will benefit by their proximity. If the Lift One plan fails to pass, all bets are off for this important portal to Aspen Mountain.

Snowmass Commercial Market

In 2011 there was a lot of vacancy and very soft rents throughout Snowmass Village. In 2012-2018 that changed so that there is now not much vacancy, but rents are still weak. Reportedly, for the last several years, restaurant lessees in Base Village are paying on percentage leases while retail tenants are paying enough rent to cover the landlord's CAM expenses. Some tenants are paying base rent plus a portion of CAM. The completion of the Limelight Hotel in 2018 and other amenities like the Ice Rink have had a positive influence on energy in Base Village. In the Snowmass Mall there are a variety of lease formulas from fixed base rent to percentage leases and some also pay 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 nearly all the commercial space in Base Village and decreasing vacancy in the Mall.

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 recently finished or now under construction include:

- Snowmass Limelight Hotel is a 99-room lodge 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. It was finished in 2018.

- Base Village Plaza (adjacent to The Limelight) features 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. It was finished in 2018.

- The Lumin was also finished in 2018. It includes a Four Mountain Sports shop on the ground floor and 3 large contemporary penthouse style units ranging from 2,000 to 3,300 SF.

- One Snowmass started construction in 2018. This mixed-use project includes 41 condominiums, 11 of which will be sold as fractional interests, reportedly in 1/8 shares.

It will be branded as part of Inspirato, a membership club that manages a portfolio of luxury vacation homes around the world and offers a “one-of-a-kind experience” and “unparalleled first-class service.” The project is slated for completion in the fall of 2019 and pre-sales have been initiated. 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 sales success in the Viceroy is discussed in the Snowmass Condominiums section of this report.

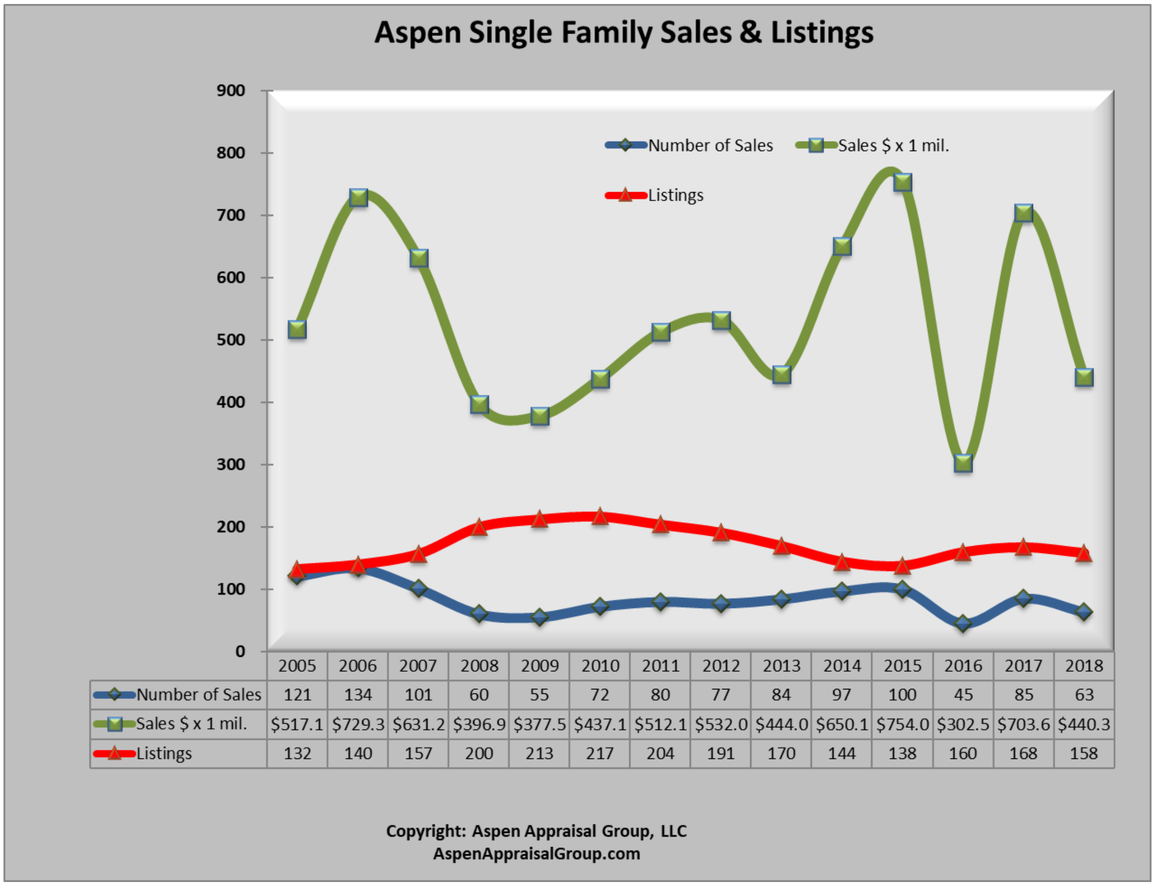
The Snowmass Center with roughly 53,000 SF of grocery, retail and office space sold in March 2016 for $16M. Jordan Sarick and Eastwood Partners, the buyers, are seeking to totally redevelop and expand this important commercial and office hub. Ultimately the developer hopes this area will become a focal point or a kind of “Main Street” for resident and second home owners. The most recent plan submitted to the Town in early 2019 calls for 10 employee housing units in 11,346 SF, 66 residential condominiums totaling just over 100,000 SF or approximately 1,500 SF average per unit, and a total of 58,433 SF of restaurant, retail and office space.

The long-time focus of commercial activity in Snowmass, the Mall (formerly owned by Related Companies who also owned Base Village) has languished for many years as the shift in focus for visitors moved downhill to Base Village. However, this important commercial hub sold to local Dwayne Romero and a group of investors. They purchased the Mall in June 2018 for $28,500,000 or roughly $350/SF. The capitalization rate for this purchase was in the range of 7%. They have no immediate plans other than to be a local presence, to take better care of the physical plant and cure deferred maintenance, and to be more hands on and interested in the success of their tenants. In the roughly 8 months since their purchase they have reduced vacancy from about 15% to under 10%.

There is one other particularly noteworthy sale that will also help change the face of Snowmass over the next 5-10 years. The Snowmass Club sold in December 2018 for $18,500,000. As reported in the *Aspen Times*, the property has 212 acres and includes the golf course and clubhouse, fitness facilities, two restaurants and tennis courts. The face of the new buyer is ABA Hospitality CEO Scott Brown. It is interesting that this property sold previously to The Toll Brothers when they bought the club from Aspen Skiing Co. for $9.1 million in March 2013. Although plans are still maturing, reportedly the new buyers intend to renovate the entire facility and "bring the club to the 21st century." The club will ultimately return to a private member club and there will be many changes made to the golf course. They also plan to develop employee-housing units on a 1.3 acre-parcel adjacent to the Club Commons. They also hope, perhaps too optimistically in my opinion, to build 40,000 SF or more of new residential units. Approvals alone are at least 2-3 years out for the new development.

This activity unquestionably bodes well for the Base Village commercial space, for the Snowmass Center nearby, the Snowmass Mall, and more broadly, for Snowmass residential real estate. However, the challenge will be going forward over the long term, in the next 5-10 years or so. Can the Snowmass Village market really absorb all the new residential units and commercial space that is being planned?

Aspen Single Family Houses



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of Sales	121	134	101	60	55	72	80	77	84	97	100	45	85	63
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	$440.3
Listings	132	140	157	200	213	217	204	191	170	144	138	160	168	158

Highlights

- Number of Sales: **Down 26%**
- Dollar Volume: **Down 37%**
- Listings:
  - Average over the year: **Down 6%**
  - Year-end 2018 vs. Year-end 2017: **Similar**
- Approximate Current Supply: **2½ – 3 years**

The number of sales and total dollar volume in 2018 were down dramatically compared to 2017. This is because of a decline in house sales over $5M. More specifically it resulted from the 38% decline in the number of $10M+ sales, and hence a significant drop in the percentage of these high-end sales to total single family sales. This is evident in the drop in both the average and median prices shown in the next chart. While the supply of single family listings over the course of the year was down modestly, at year end 2018 the supply was essentially unchanged from year end 2017.

Average and Median Sale Prices

Aspen Single Family Homes		
Year	Average	Median
2018	$7,000,000	$5,950,000
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		

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). 2017 sales over $5M rebounded with over 50% more sales compared to 2016. While all sales over $5M in 2018 showed a drop of about 23% compared to 2017, it was still a solid year for sales over $5M. 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 houses was about $1,425/SF, down significantly from the peak of $1,600/SF in 2017.** This compares to about $1,350/SF in 2016 and about $1,375/SF in 2015. This compares to about $1,150/SF in 2014**.** Interestingly, before 2017 the prior peak average price was approximately $1,400/SF in 2008.

Looking more closely at specific neighborhoods, with the exception of the Smuggler area, the number of sales in all Aspen neighborhoods decreased significantly compared to 2017. Decreases shown include East Aspen (down 44% from 16 sales to 9 sales), Smuggler area (up 100% from 4 sales to 8 sales), Central Core (6 sales-down 25% from 8 sales), Red Mountain (3 sales-down 75% from 12 sales), West End (10 sales-down 52% from 21 sales), West Aspen (14 sales-down 22% from 18 sales), and Starwood/McLain Flats (7 sales-down 22% from 9 sales).

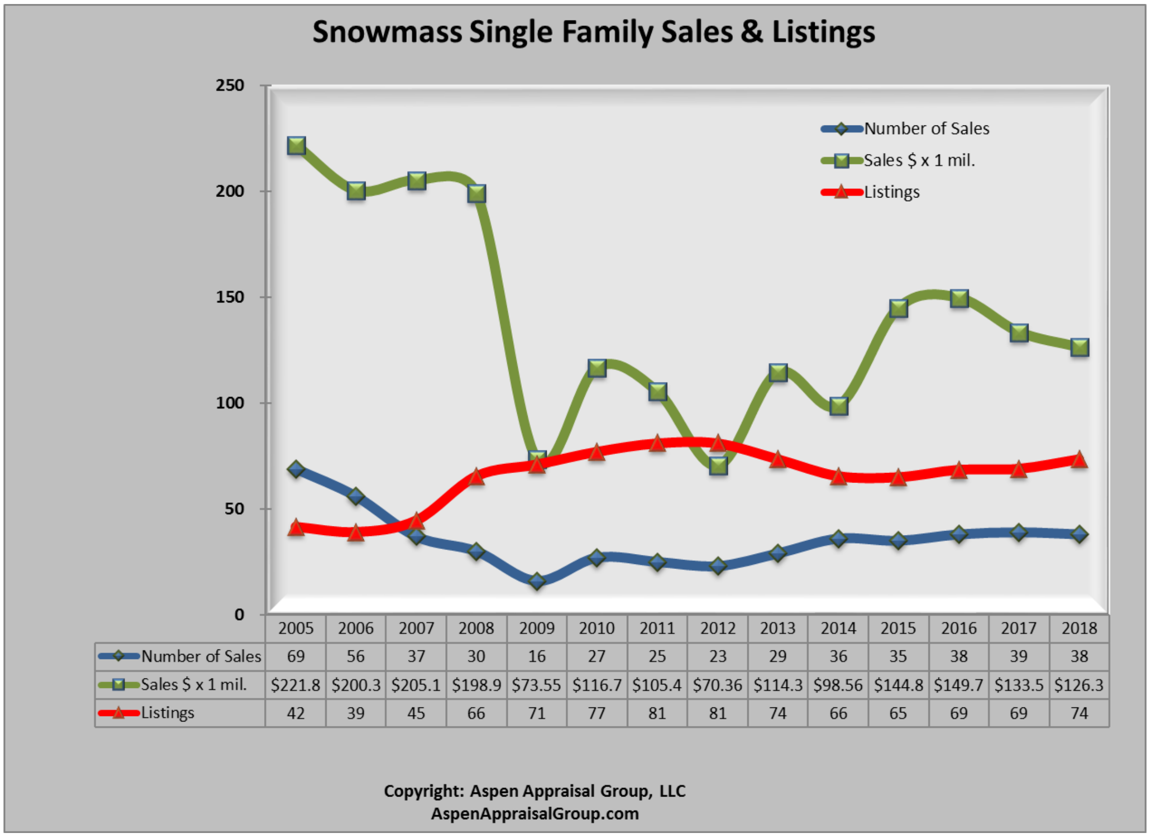
Price per square foot continues to be very neighborhood sensitive. In 2018 there were notable increases over 2017 in the Smuggler and West End neighborhoods and a modest increase in Starwood/McLain Flats, but all other areas showed declines. Smuggler went from about $1,150/SF to nearly $1,600/SF while the West End increased from about $1,750/SF to nearly $2,100/SF. Starwood/McLain Flats increased about 11%, from $925/SF to $1,025/SF.

Neighborhoods showing a decline in $/SF included East Aspen, down from $1,400/SF to $1,250/SF, Central Core houses down from approximately $2,350/SF to $2,100/SF, Red Mountain, down from about $2,200/SF to $1,700/SF and West Aspen down from approximately $1,250/SF to $1,150/SF.

It is also noteworthy that with fewer sales listings have increased to about 2½ - 3 years of supply after a significant drop between 2016 & 2017 (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 somewhat widening gap between the blue and red lines.

In last year's report I thought that 2018 performance in the Aspen single family sector would be similar to 2017 in both dollar volume and number of sales. I was incorrect on both. As this report is written, I expect that the number of sales will likely decline again compared to 2018 but dollar volume will be up over last year. As such, the average price should increase and given the aggressive pricing on many listings, the average price per square foot should also increase in most neighborhoods.

Snowmass Single Family Houses



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of Sales	69	56	37	30	16	27	25	23	29	36	35	38	39	38
Sales $ x 1 mil.	$221.8	$200.3	$205.1	$198.9	$73.55	$116.7	$105.4	$70.36	$114.3	$98.56	$144.8	$149.7	$133.5	$126.3
Listings	42	39	45	66	71	77	81	81	74	66	65	69	69	74

Highlights

- Number of Sales: **Essentially Flat**
- Dollar Volume: **Down 5%**
- Listings:
  - Average over the year: **Up 7%**
  - Year-end 2018 vs. Year-end 2017: **Up 19%**
- Approximate Current Supply: **2 – 2½ years**

In 2018 single family house performance in Snowmass was decent. The year was similar to 2017: the number of sales was essentially flat and dollar volume was again down, albeit modestly at about 5%. This is shown in the drop in the average house price shown in the following chart.

Average and Median Sale Prices

Snowmass Single Family Homes		
Year	Average	Median
2018	$3,300,000	$2,800,000
2018 A	$3,200,000	$2,800,000
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		
2018 A excludes Wildcat Rch sale at $9M		
2015 A excludes Wildcat Rch sale at $11.7M		
2013 A excludes Wildcat Rch sale at $44M		

In Snowmass the **average price per square foot of a single family house was also down to $760/SF** vs. $880/SF in both 2016 & 2017. In 2018 the range was from about $675/SF in Melton Ranch/Wildridge to $1,675/SF in The Divide (based on only 1 sale however). By comparison, the peak average price for a Snowmass single family house was in 2008 at about $1,200/SF.

Looking at specific neighborhoods, Horse Ranch, Ridge Run and Melton Ranch were the best performers in 2018. Activity in Horse Ranch grew to 9 sales compared to only 5 in 2017 while Ridge Run saw 8 sales, but this compares with 13 sales in 2017. In Melton Ranch there were 7 sales in 2018 compared to 5 the year before. The activity in these 3 areas dwarfed all other Snowmass neighborhoods. In 2018 the number of sales in Wood Run, Two Creeks, The Pines, Fox Run and The Divide were flat to down modestly.

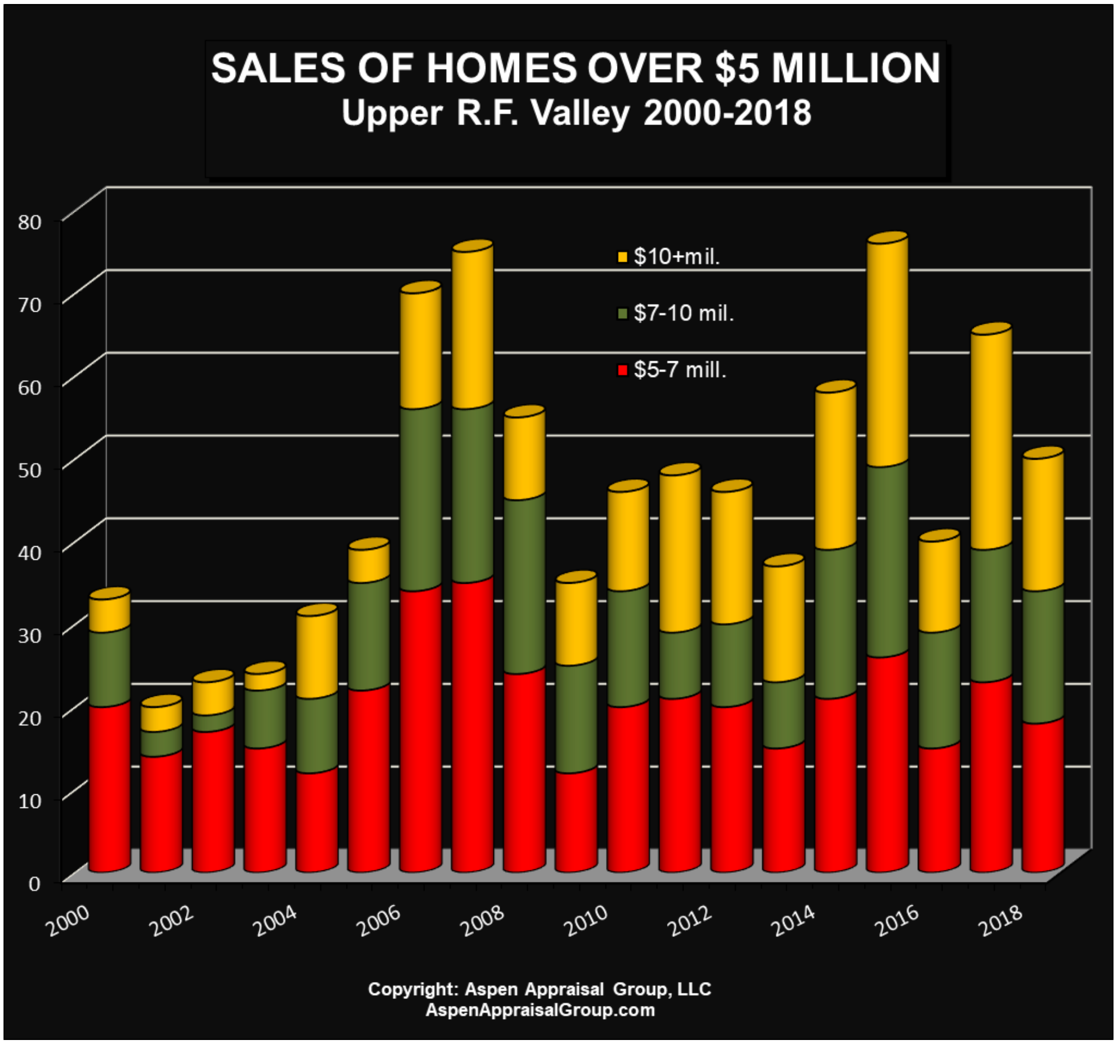
Prime slope front neighborhoods like the Pines, Two Creeks and the Divide continued to suffer from inactivity. Because the number of sales in each of these slope front neighborhoods differs from year to year, I think it makes more sense to look at them collectively. There were 5 sales in 2017 vs. 4 in 2016. In 2018 there were only 3 sales. The average price in 2018 was up to about $1,600/SF compared to $1,450/SF in 2017 and $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, Pioneer Springs 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. In 2018 there was one single family sale in Wildcat at $9,000,000.

Looking back over the last 5 years Snowmass has been consistent in the number of sales, ranging from 35-39. Dollar volume has fluctuated but is too has been relatively stable since 2015. Much of the lower priced inventory has now been sold. At the same time the supply of available houses at year end was up about 19% compared to the end of 2017, translating to roughly 2 to 2½ years of supply.

There continues to be much better "value for money" in Snowmass compared to Aspen. The energy around new development in Base Village will continue to fuel this market. However, in both 2017 and 2018 I expected to see more and higher priced sales in the ski front neighborhoods compared to 2014-2016 but that did not happen either year. In 2019 I do not expect that Snowmass' most expensive neighborhoods will see much change. I also anticipate that in 2019 most other Snowmass neighborhoods will see fewer to a similar number of sales.

Luxury Houses



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

The preceding chart shows the last 19 years of sales activity for house sales over $5M (2000–2018). 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. After a much slower 2016, activity in 2017 was much improved although still well below what was seen in 2006, 2007 and 2015. In 2018 the market again slowed significantly for these expensive Aspen-Snowmass area houses.

Final Sales Data for 2018

- Since 2000, the Aspen-Snowmass area market has averaged 46 sales over $5M over this 19 year period**.** 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 2018 there were 50 sales over $5M. While this is a significant decline of 23% from 2017, it is still 9% above the 19 year average.**

- **In 2018 there were 18 sales in the $5M-$6.99M range,** down from 23 sales in 2017, or a **decline of 22%.** Over the last 19 years, we have averaged about 20 sales a year so **2018 was slightly below the long-term average.**

- The supply of **$7-9.99M range** houses grew in 2015 & 2016 following record land sales activity. It continued to grow in 2017 and 2018. **Sales in this category were again solid in 2018 with 16 sales,** the same number as in 2017 and somewhat better than 2016 when there were 14 sales. Although still down significantly from the record 23 sales in 2015, **2018 performance was modestly above the long-term average of 13 sales seen over the last 19 years.**

- **Market performance of Aspen-Snowmass area $10M+ houses was much worse in 2018 with a decline of nearly 40%, from 26 sales to only 16.** After a very strong 2017, including a record number of $20M+ sales with 5, this part of the market saw much less interest from buyers. Of the sales over $10M, 12 were in Aspen and the other 4 were in Old Snowmass and Woody Creek. It is also noteworthy that Aspen also saw 5 condominium/townhouse sales over $10M in 2018.

Snowmass saw no $10M+ sales in 2018, and only one sale in 2017 for a house in the Divide. **Looking at the broader $5M+ market in Snowmass, in 2018 there were 7 sales that eclipsed $5M** including one in Wildcat Ranch, and one each in The Pines, The Divide, Two Creeks, Wood Run, Ridge Run and Horse Ranch. This compares to 6 sales in 2017, 10 sales in 2016, 11 sales in 2015 and 4 sales in 2014.

Supply Comments

On **the supply side**, inclusive of pending sales, the number of listings at year end 2018 is **up 24% in the $5-6.99M category with 47 listings compared to 38 a year before.** Based on sales activity in 2018 this is roughly a 2½ to 3 year supply, and much higher than the approximate 1½ to 2 year supply we saw at the end of 2017.

In the $7-9.99M price range, the supply of listings at year end was essentially unchanged. At year end 2018 it stood at 60 listings compared to 57 listings at year end 2017 but only 50 and 52 at 2016 and 2015, respectively. Based on the 16 sales in 2018 this is still roughly a 3½ to

4 year supply of inventory. Although this is essentially no different from a year ago, this part of the market continues to be oversupplied.

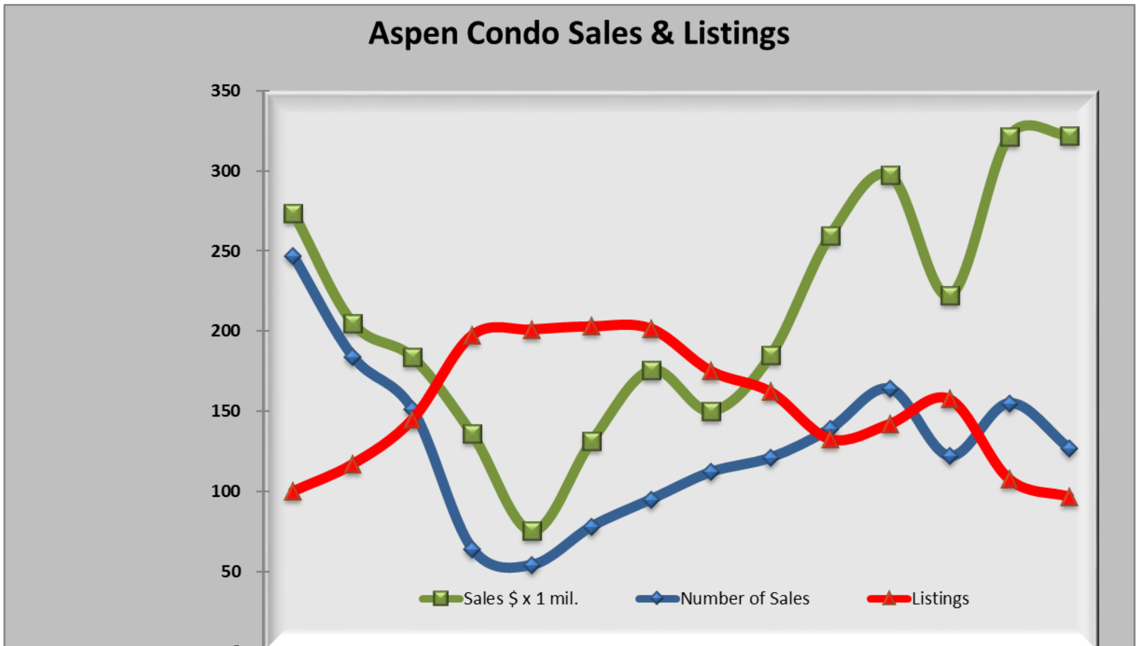
The **supply of $10M+ listings at year end 2018 stands at 92,** up from 84 listings at the end of 2017 and 82 at the end of 2016 (again exclusive of pending sales). Based on the sales activity in 2018 **this is an approximately 5-6 years supply and considerably worse than the 3-4 years supply we saw at the end of 2017.** Of these 92 listings, **the supply of $20M+ listings is essentially unchanged** from a year ago standing at 31 vs. 32 listings at year end 2017. This is a very large inventory and this part of the market continues to be dramatically oversupplied. Although we saw a record number of $20M+ sales in 2017 with 5, in 2018 there was only 1 sale. **Today the supply of $20M+ listings is probably in the range of 8-10+ 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, 1 sale in 2016 and 1 sale in 2018. As noted, there were a record 5 sales in 2017. As of February 2019, there has been one closing of a house in the Central Core at 135 East Cooper at what I think is a totally unsupportable price of $21.95M, and there is another $20M+ single family house shown as pending. With more than 30 listings now over $20M, not including non-published listings, **this part of the part is still dramatically oversupplied.**

Last year at this time my estimate for 2018 was that Snowmass would see improved performance compared to 2017, with 10 to 12 sales over $5M and one or two of those eclipsing $10M. My estimate was too optimistic in that only 7 sales took place in Snowmass over $5M and none of those were over $10M. In 2019 my expectations for the Snowmass $5M+ single family market is more tempered, and I anticipate 5 to 10 sales over $5M and, perhaps optimistically, one sale over $10M.

In Aspen, I expected that 2018 would be another strong year for $5M+ sales, probably in the range of 50-60 sales. Of those, I estimated that 20-25 would be over $10M and 4-6 of those over $20M. This projection was also too aggressive. While there were 50 sales over $5M, the sales over $10M and $20M in 2018 fell well short of my estimates. In 2019 I anticipate that the Aspen market will again see in the range of 50 sales over $5M with 15-20 of those sales over $10M, and a typical year for sales over $20M with 1-3 sales.

Aspen Condominiums



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	$321.8
Number of Sales	247	184	151	64	54	78	95	112	121	139	164	122	155	127
Listings	100	117	145	198	201	203	202	175	162	133	142	158	108	97

Highlights

- Number of Sales: **Down 18%**
- Dollar Volume: **Similar**
- Listings:
  - Average over the year: **Down 10%**
  - Year-end 2018 vs. Year-end 2017: **Up 30%**
- Approximate Current Supply: **.5 to 1 year**

The supply at year end 2018 stood at 109 listings compared to 84 listings at the end of 2017. Although this is a significant increase, approximately 30%, it is noteworthy that the supply at year end is still less than a year of inventory. **Since 2017 Aspen condominiums have been firmly in a seller's market.** This is clearly shown on the graph above by the intersection of sales and listings with the blue line (sales) continuing above the red line (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. In 2018 approvals were vacated and this property was sold for an entirely different type of development for which the buyer will need approvals.

Average and Median Sale Prices

Aspen Condominiums		
Year	Average	Median
2018	$2,550,000	$1,350,000
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 and that record volume was eclipsed in 2018, albeit not by much. At the same time, the number of sales declined in 2018 compared to the prior year. Hence, as shown above, there was an increase in the average sale price but a decline in the median sale price of Aspen condominiums. These are the highest indicators we have ever seen. 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 2018 it was up about 12%, to $1,560 compared to just under $1,400/SF in 2017.** 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 2018 there were 21 condominium and townhouse sales over $2,000/SF. In 2017 there were 17 condominium and townhouse sales compared to 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. It was estimated that they would spend in the range of $1,000,000 to finish and furnish it. It too was bought for speculation. It was listed at $9,995,000 or $5,450/SF until November 2018 when the price was raised to $10,995,000 or just under $6,000/SF.

- In 2018 there were yet again 3 sales over $3,000/SF, including one over $4,000/SF and one sale over $5,000/SF. Galena Place Unit 1 sold in October 2018 for $12,500,000 (furnished) or $3,300/SF. 201 North Mill Unit B sold in May 2018 for $7,750,000 (furnished) or $4,015/SF. The highest sale on a square foot basis was a very small unit of 715 SF, Brand Building Unit 13 that sold in September for $3,900,000 (furnished) or $5,455/SF. This purchase was undoubtedly more a reflection of price point and not price per square foot. The highest price for an Aspen condominium in 2018 was Top of Mill Unit E that sold in March for $18,344,000 or $2,789/SF for this large, 6,578 SF unit.

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 bedrooms 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. 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.

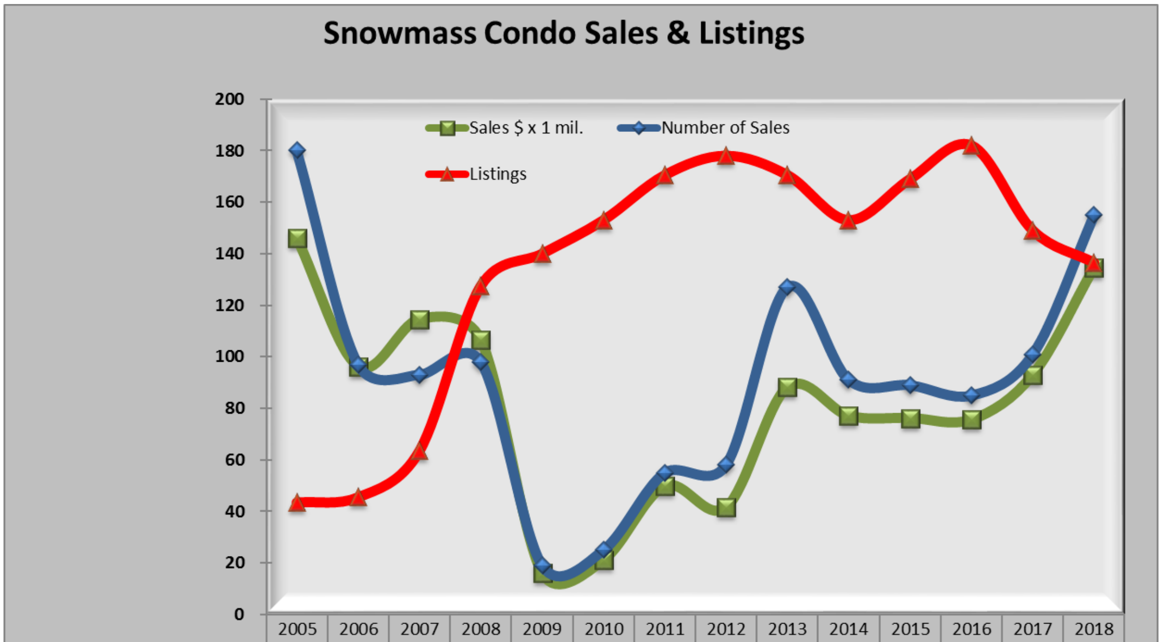
The following chart summarizes all market activity to date in One Aspen.

One Aspen Project - South Aspen Street							
Closed Sales							
One Aspen Unit 1	01/18	$8,500,000	$1,753	$1,753	4,848	3BR+den-4.5BA
One Aspen Unit 2	01/18	$9,150,000	$1,831	$1,831	4,998	3BR+den-5BA
One Aspen Unit 3	01/18	$8,102,009	$1,621	$1,621	4,998	3BR+den-5BA
One Aspen Unit 3	01/18	$10,000,000	$2,001	$2,001	4,998	3BR+den-5BA
One Aspen Unit 4	01/18	$8,348,616	$1,670	$1,670	4,998	3BR+den-5BA
One Aspen Unit 5	01/18	$8,642,242	$1,783	$1,783	4,848	3BR+den-4.5BA
Listings & Pending Sales						
One Aspen Unit 6	Pending	$10,850,000	$2,694	$2,694	4,027	3BR+den-4.5BA
One Aspen Unit 7	Listing	$12,600,000	$2,732	$2,732	4,612	3BR+den-4+2(.5)BA
One Aspen Unit 8	Pending	$10,300,000	$2,558	$2,558	4,027	3BR+den-4.5BA
One Aspen Unit 9	Listing	$12,195,000	$2,781	$2,781	4,385	3BR+den-4.5BA
One Aspen Unit 10	Pending	$14,095,000	$2,682	$2,682	5,256	3BR+den-4.5BA
One Aspen Unit 11	Pending	$12,000,000	$2,635	$2,635	4,554	3BR+den-4.5BA
One Aspen Unit 12	Listing	$15,750,000	$2,860	$2,860	5,507	3BR+den-4.5BA
One Aspen Unit 13	Listing	$16,275,000	$2,749	$2,749	5,920	3BR+den-4.5BA
One Aspen Unit 14	Pending	$17,000,000	$2,925	$2,925	5,811	3BR+den-4.5BA
One Aspen Unit 2	Listing	$14,899,000	$2,873	$2,873	5,185	3BR+den-4.5BA
One Aspen Unit 4	Listing	$14,995,000	$2,896	$2,896	5,177	3BR+den-4.5BA
One Aspen Unit 1	Listing	$14,499,000	$2,991	$2,991	4,848	3BR+den-4.5BA

A year ago, I expected that with the greatly reduced supply of inventory, the average price per sale in 2018 would exceed 2017. I also expected that with the diminished supply that price point would become more of an issue due to the continued increases in price per square foot. As a result, I expected there to be a lower number of sales and dollar volume. In fact, I was largely correct in that the average price rose and the number of sales declined but dollar volume did increase.

As we enter 2019, I anticipate that there will be fewer Aspen condominium sales, reduced dollar volume and a modest decline in the average price.

Snowmass Condominiums



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sales $ x 1 mil.	$146.0	$96.26	$114.5	$106.5	$16.04	$21.09	$49.80	$41.52	$88.14	$77.03	$76.22	$75.55	$93.03	$134.6
Number of Sales	180	97	93	98	19	25	55	58	127	91	89	85	101	155
Listings	44	46	64	128	140	153	171	178	171	153	169	182	149	137

Highlights

- Number of Sales: **Up 53%**
- Dollar Volume: **Up 45%**
- Listings:
  - Average over the year: **Down 8%**
  - Year-end 2018 vs. Year-end 2017: **Up 15%**
- Approximate Current Supply: **1 year +/-**

After languishing in 2015 & 2016, the number of condominium sales and total dollar volume was up significantly in 2018, following a robust 2017. Clearly, the energy from the 2016 sale of Base Village is being felt in the Snowmass condominium market with the new team guiding development and sales, strong sales of developer inventory in the Viceroy, and some finally completed product in the Limelight and Lumin.

Average and Median Sale Prices

Snowmass Condominiums		
Year	**Average**	**Median**
2018	$875,000	$600,000
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		

In 2018 there were 155 condominium sales, up 53% from the 101 sales in 2017. **Dollar volume was also up big, +45% over 2017**. Based on 2018 sales, at year end there was only about one year of inventory, shown by the crossing of the red and blue lines on the preceding graph. The impact from sales in the Viceroy (aka Assay Hill) was very significant in 2018, with 40 sales reported in the MLS, 29 of which were under $500K. This is reflected in the lower average price of $875,000 for all Snowmass condominiums in 2018. Other new Base Village product that sold in 2018 included 7 Limelight units at prices from $1.775M to $3.75M, and 1 Lumin closing at $3.3M.

As this report is written in February 2019, the supply has increased considerably since year end, in part because of new listings associated with Base Village, not all of which are shown in the MLS. At year end I counted 146 Snowmass condominium listings but as this report is written the number of listings has significantly. These new Base Village listings include 11 whole ownership units in One Snowmass (aka Inspirato). When complete, One Snowmass will include 30 whole ownership units and 11 fractional interest units. Base Village reports that they are about 95% sold out of their Viceroy inventory. There are still 8 units for sale and another 7 are pending. The Viceroy also has 16 units that are available for sale by owners. As of approximately March 1, 2019 there are 182 reported Snowmass condominium listings in the MLS with 18 of those shown as under contract; this compares to year end 2018 when there were 146 listings with 10 pending sales.

Pricing for the Lumin, Limelight and now One Snowmass units are at levels not seen previously in Snowmass condominiums. List prices for the 3 remaining Limelight units range from $2,025,000 for a two bedroom unit ($1,465/SF) to $4,765,000 for a three bedroom unit ($1,825/SF). The one remaining Lumin unit is priced at $4,400,000 or $1,572/SF. It is also noteworthy that in January 2019 the Lumin Penthouse sold for $6,100,000 or $1,857/SF. This is new territory for Snowmass condominiums.

As noted above, now in the pipeline for Base Village is One Snowmass that will include 41 units (11 of which will probably be sold in 1/8 shares). The project is now under construction and pre-sales have started. List prices range from $1,895,000 for a 2BR unit with 1,630 SF ($1,163/SF) to $7,895,000 for a 4BR unit with 3,767 SF ($2,095/SF). This project will also have approximately 13,000 SF of commercial space. New for this project is its link with Inspirato, an international membership that allows buyers of One Snowmass units the benefits of belonging to their world-wide network of vacation rentals.

The range in price per square foot for sales in 2018 was very wide, from about $200/SF to $1,650/SF. **The average sale for a Snowmass condominium in 2018 was about $720/SF. This is up 13% from the approximately $635/SF in 2015-2017.** This compares to $625/SF in 2014 and $650/SF in 2013. OF the 2018 sales over $800/SF, roughly half were in the Viceroy or were new Base Village inventory. These projects are having an impact on price per square foot, as for the last several years the $/SF for Snowmass condominiums saw virtually no change. Interesting is that the peak average price was about $1,050/SF in 2008.

Until 2018 the Snowmass condominium market had been relatively stable in prices since 2013. However, the supply of well-located lower priced inventory has been diminished as many of these units have sold. I expect to see fewer sales of Snowmass condominiums in 2019, and lower dollar volume.

I expected some modest price appreciation in 2015-2018 for the lower and mid-priced units, and that has generally occurred. Now, with the closings of the higher priced Base Village units, and “price creep” from some of the older inventory I expect that 2019 will also see an increase in price per square foot. In short, I expect that there will continue to be modest upward pressure on prices in 2019 as Base Village continues to positively influence the Snowmass condominium market, particularly for that product located near the Village and Base Village core.

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. 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. 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, 2017 and 2018 settled into a more normal pattern.** There were 11 Innsbruck sales and just over $100,000 in volume in 2016, one $19,000 sale in 2017 and there were no sales in 2018. Thus, **starting with 2016 the Innsbruck sales data is not excluded.**

After big declines in three of the four years between 2012 and 2015, **since 2016 the fractional interest market has been steady, at least in dollar volume.** Total dollar volume was $79.77M in 2016, $75.27M in 2017 and $76.68M in 2018. **The last three years have been driven by the sales success of Phase 2 in the Dancing Bear and resales in the Residences at Little Nell**. The number of fractional interests sold in 2018 was 169, down about 11% from the 189 sales in 2017 but down 24% from the 223 sales in 2016. With dollar volume the same, generally, we can surmise that prices per fraction have increased, at least in the two most important projects.

In last year's report I expected that Dancing Bear would be a strong performer in 2018, as it had been in 2016 & 2017 when it was the dominant performer. 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 2018 this strong trend continued with 27 more closings representing 31% of total fractional market dollar volume.**

In 2017 the average price for sales in the Dancing Bear was about $815,000**. In 2018 the average price in the Dancing Bear increased to $886,000.** 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. As this report is written in February 2019 the 6 most recent closings have been at $925,000. All units in the Dancing Bear are essentially the same: 3 BR-3.5 BA units of 2,000 SF.

Sales in the Residences at Little Nell continue to account for a large share of the total fractional interest activity, about 41% of the total dollar volume in 2018 and 36% in 2017. In 2018 there were 19 RLN sales, averaging $1,651,000. However, it is noteworthy that in 2018

there were 8 interests sold to one buyer in a bulk sale of $11,825,000. If that sale is deleted, the average price in 2018 was about $1,777,000. Looking more specifically at unit types, the most recent closings for 4BR fractional units were at $2,650,000. There were no reported sales in the MLS data of 3 BR units, but current listings are priced at $1,825,000+.

The average price per fraction has been upward for RLN since 2016. In 2017 there were also 19 RLN sales; the average was $1,425,000. This compares to 17 sales in RLN in 2016 averaging approximately $1,250,000. 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 Aspen** continue to slow but the **average price is increasing and was up 20% in 2018**. **There were 20 sales in 2018 with an average price of $194,000.** This compares to 26 sales in 2017 averaging approximately $161,000 and 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 since 2016 has dropped off considerably, to 57 transactions in 2016, 33 sales in 2017, and only 31 sales in 2018**. This project has now been mired in litigation for several years and that will likely continue in 2019. This uncertainty is clearly being shown in sales activity. Interestingly, and not surprising, **the average price continues to decline**, from about $110,000 in 2012 and 2013 to $79,000 in 2014, $64,000 in 2015, $52,500 in 2016, $52,000 in 2017 and **only $47,000 in 2018**.

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 2018 there were 196 listings in the MLS compared to 184 a year prior. 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, 203 at the end of 2015 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

Two years ago, the Dancing Bear had roughly 50 new fractions to sell in Phase 2. As this report is written, there are about 22 left. Asking prices have been steadily increasing, priced initially at $760,000, increased to $785,000, then $795,000, then $825,000 in 2016, next $850,000, then $875,000 in 2017, $900,000 in 2018 and the most recent closings have been at $925,000.

The Lift One Lodge, to be developed at the base of Aspen Mountain had 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 approved in 2011 and sold to a new developer in 2015. The new owners recently modified their approvals and now the project will reportedly include 34 fractional units and 6 whole ownership condominiums. This project and the adjoining Gorsuch Haus were discussed in more detail in the Commercial Section of the report. Briefly, this project will totally transform the base area for the west flank of Aspen Mountain. It goes before City voters on March 5, 2019. If voters say yes, this project will likely commence construction in 2020 or 2021.

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 2020 assuming the foreclosure can be worked out and a new developer can be found. 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. More importantly, there is no guarantee at this point that the project will even move forward.

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 hotel that should be finished in June or July of 2019. The project has a new 88 unit hotel plus 11 fractional units in a 91,500-square-foot three- and four-story building. The property will be operated as a W Hotel brand with the fractional component knows as the Sky Residences at W Aspen. Owners will have 5 weeks of use, including 2 winter weeks, 2 summer weeks and 1 winter or summer week based on space availability. The fractional units will include 5 two-bedroom units at about 1,650 SF and 6 three-bedroom units at about 2,160 SF. According to the developer who I spoke with a year ago, 1/10th interest fractions would be sold between roughly $500,000 and $750,000 as the initial pricing. Some recent information suggests that the price is now between approximately $550,000 and $800,000. A total of 110 interests are offered. The units became formally available for sale during the second quarter of 2018. I reached out to the developer to confirm pricing and interest thus far, and their response was:

> Our pricing strategy is based on several factors, including a staggered price increase per transaction so we do not provide pricing as it is a dynamic pricing model that changes frequently and is only relative at the moment a prospect is actively considering a purchase…. interest on our offering is very strong and our sales traction mirrors that interest and is also very strong.

The only other new product is in Snowmass, 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 doubtful, between the W Hotel with 110 interests, and Lift One Lodge with 272 interests (assuming 1/8 shares), and One Snowmass with 88 interests, this would translate to nearly 500 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.

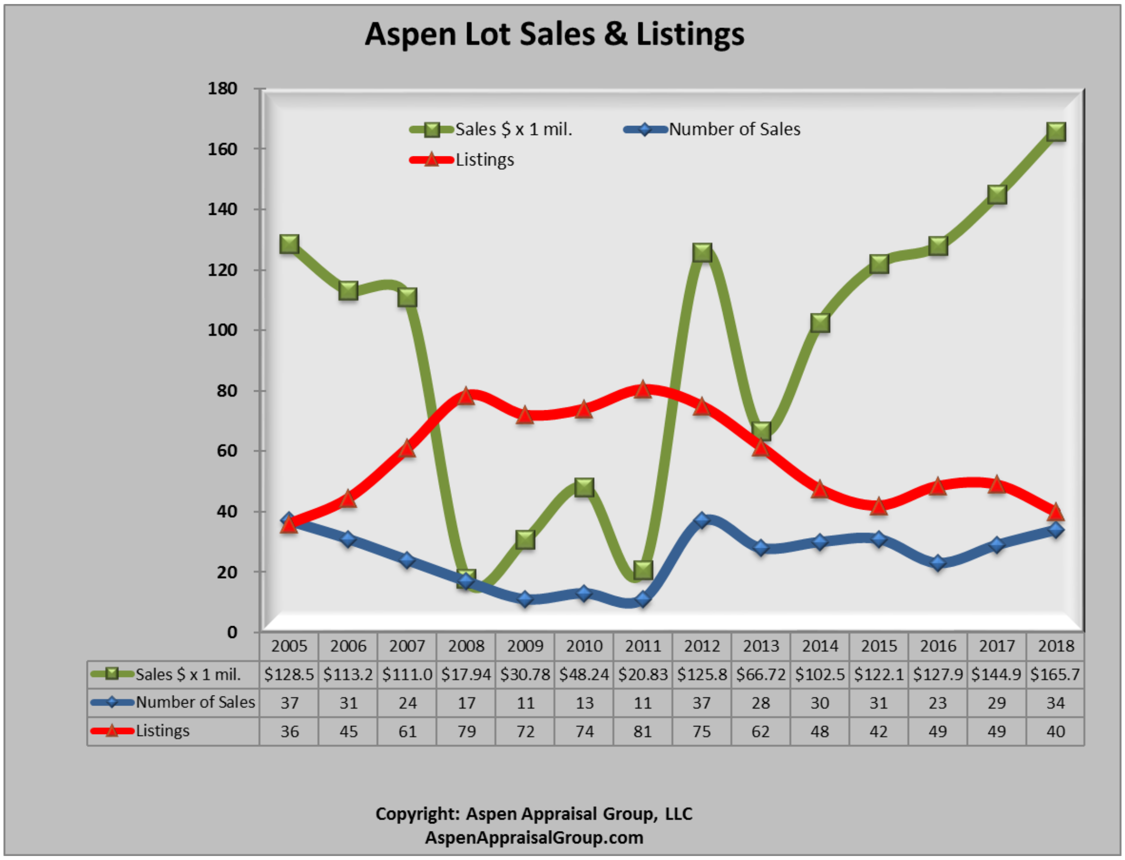
Conclusion

The fractional product in our market is diverse and can be confusing with 1/8 shares to 1/10 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 2018 would probably be somewhat improved over 2017, at least for the best projects; this was certainly true for Dancing Bear and RLN. Year after year these two projects have dominated sales in the Aspen-Snowmass area fractional market.

In 2019 I again expect strong activity again in Dancing Bear and RLN with increasing average prices. I also expect a strong start to sales in the W Hotel because of it is a new product and enjoys an outstanding location. It will be interesting to see if the W with its 1/10 shares and 4-5 weeks of use will be readily embraced by the Aspen market given that it has clearly shown a preference for 1/8 shares with 6 weeks of use. Nevertheless, based on what the developer is saying, it will not be surprising to see more than 20 closings in 2019.

Aspen Lots



Highlights

- Number of Sales: **Up 17%**
- Dollar Volume: **Up 14%**
- Listings:
  - Average over the year: **Down 18%**
  - Year-end 2018 vs. Year-end 2017: **Down 22%**
- Approximate Current Supply: **1 – 1.5 years**

The supply of listings over the course of the year declined significantly after being unchanged in 2016 & 2017. At year end 2018 the supply stood at 35 listings compared to 45 listings at the end of 2017. This is roughly 1 year of inventory and much improved over the approximately 2-2.5 years of inventory we saw at the end of 2016 and the end of 2017. The reader should note again the merging of the red and blue lines on the graph.

In 2018 the number of land sales increased from 29 to 34, up 17%. By my count, of these 34 Aspen land sales in 2018, 10 were reported as house sales but are better classified as tear downs – land sales.

Dollar volume also increased in 2018 but the average and median prices declined slightly (as they did in 2017), because there were not as many high priced land sales as a percentage of all sales: 14 sales in 2018 or 40% were over $4M vs. 10 sales in 2017 or 35%, but 15 sales over $4M in 2016 or 65%. **Aspen land sales dollar volume in 2018 was the highest ever at nearly $166M.**

Average and Median Sale Prices

Aspen Lots		
Year	Average	Median
2018	$4,900,000	$3,450,000
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 most notable land sales in 2018 were 848 Willoughby Way at $14.675M after having sold only a few months before at $12.1M and Rubey Lot 1 at $15.2M. Rubey Lot 1 was the least desirable lot in this outstanding project at the base of Red Mountain. The Rubey Subdivision boasts some of the highest land sales ever seen in Aspen. Also notable is 230 Lake Avenue, a beautiful lot of just under 11,000 SF overlooking Hallam Lake that sold for $13M.

Particularly noteworthy is the February 2019 closing of Rubey Lot 2 at $21M, one of the highest Aspen land sales in history. This outstanding property sold in 2016 for $10M, albeit before the new owner spent a considerable sum on approvals, plans, undergrounding of utilities and site clean-up. Other sales in Rubey include Lot 3 at $13M, Lot 4 at $18.5M and Lot 5 at $22M. The highest land sale of a conventional building site in Aspen's history was 205 Shady Lane that sold in 2017 at $27M. Although it has a 6,500 SF 1980's vintage house, it will be demolished.

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 and 2018 the average price per lot took a dip, but this is insignificant and more a statement about available inventory with fewer 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 2019. While the number of sales was about the same in 2013-2015 and 2017-2018 (28-34 sales), the **biggest change in the Aspen land market in the last 6 years has been in dollar volume,** increasing about 50% between 2013 and 2014, another 20% between 2014 and 2015, up 5% in 2016, up another 20% in 2017 with a then record year of $145M. **In 2018 this**

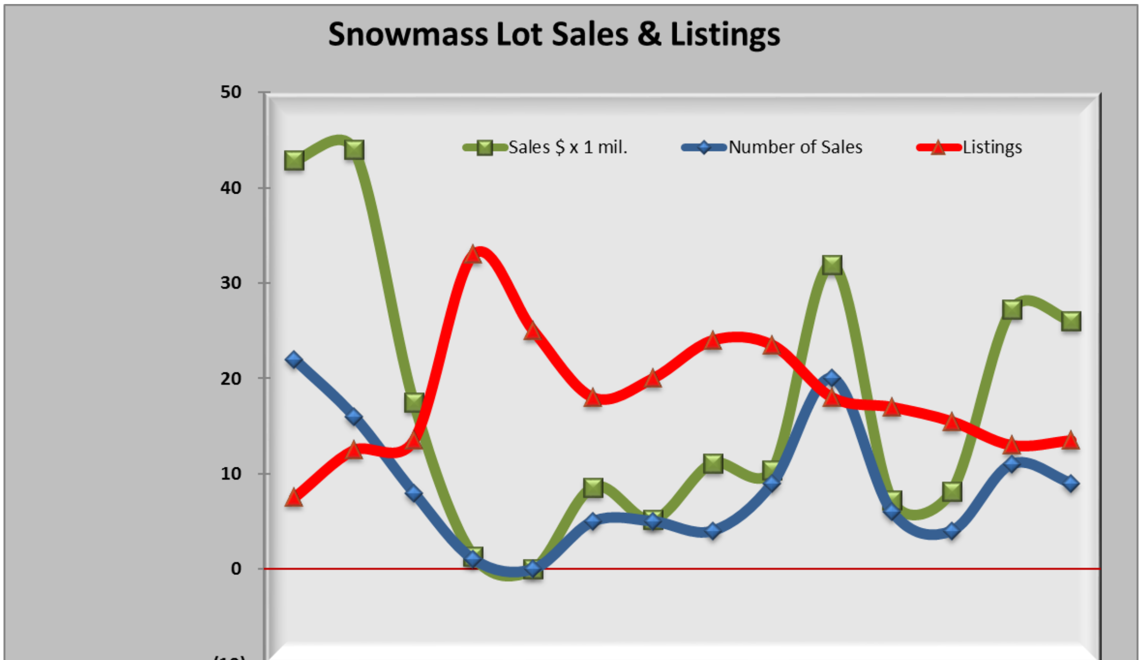
trend continued, up another 14% to just under $166M and another record year. Compared to 2013, dollar volume in 2018 was up nearly 150%

The most active neighborhoods for lot sales in 2018 were the Central Core with 6, West End with 10 and Red Mountain with 6.

In 2018 I expected that with many lower priced lots purchased in 2017, there would be increased appreciation for lots in neighborhoods like West Aspen and Starwood/McLain Flats for example. I thought that Red Mountain, Pitkin Green, West End and the Central Core would probably see more modest appreciation in 2018 compared to the last 2-3 years. It is hard to know what happened to land in outlying areas like Starwood since there was very little land sales activity, although my sense is that no appreciation occurred. In the Red Mountain, Pitkin Green, West End and Central Core, I was largely correct in that appreciation has continued, but more modestly that in the prior 2-3 years.

So, what about 2019? With the supply of available lots declining, and prices having escalated significantly over the last several years, in my opinion 2019 will see stable prices with little if any appreciation in most neighborhoods. I also expect fewer Aspen area land sales and a decline in dollar volume.

Snowmass Lots



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sales $ x 1 mil.	$42.88	$43.97	$17.46	$1.35	$0.00	$8.61	$5.18	$11.15	$10.43	$31.98	$7.22	$8.20	$27.23	$26.08
Number of Sales	22	16	8	1	0	5	5	4	9	20	6	4	11	9
Listings	8	13	14	33	25	18	20	24	24	18	17	16	13	14

Highlights

- Number of Sales: **Down 18%**
- Dollar Volume: **Down 4%**
- Listings:
  - Average over the year: **Similar**
  - Year-end 2018 vs. Year-end 2017: **Up 25%**
- Approximate Current Supply: **1 - 2 years**

The Snowmass land market saw a big upturn in the number of sales and dollar volume in 2017 and while 2018 was down 18% in the number of sales, this is only the difference between 11 sales and 9 sales. 2018 was a good year for Snowmass lots. Clearly, in the last 2 years there has been renewed interest in building, both for speculation and for owner occupancy. By my count, in both 2017 & 2018, total land sales included 4 properties in each year 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. **In 2018 the average price was approximately $2,900,000 or about 40% less than the average Aspen lot. However, it is noteworthy that Snowmass land sales in 2018 also included the Popish Valley in Wildcat Ranch at $14.75M. If that sale is eliminated, the average sale price for a Snowmass lot drops to $1,400,000 and total dollar volume drops by more than 50%.** With so few sales it is however noteworthy that it doesn't take much to skew the average.

Interesting is that in 2017 and 2018 there were no land sales in either the Pines or Two Creeks. In addition to the sale in Wildcat, in 2018 there were 3 sales in Horse Ranch, 1 sale in Ridge Run, 1 sale in Wood Run and 3 sales in Country Club (one of these lots sold twice).

On the supply side there were more listings at year end, up 25%, but this is just the difference between 12 listings at year end 2017 compared to 15 listings at year end 2018. Looking back over the last several years, the trend has been generally downward for listing inventory, shown by the red line on the preceding graph. Now it appears that the gap between listings and sales is widening, but again, with so few properties, it is hard to glean a meaningful trend. In my opinion it is doubtful that the Snowmass land market will see much, if any appreciation in 2019.

In last year's report I estimated a similar number of Snowmass land sales in 2018 compared to 2017 but also modestly appreciating prices. There were a similar number of sales but once again there was little evidence to indicate any appreciation. My forecast for Snowmass lots in 2019 is fewer sales, less dollar volume and stable prices.

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Conclusion and a Look Ahead

After a disappointing 2016, performance in 2017 for the Aspen-Snowmass market rebounded strongly to nearly the same levels seen in 2015. Although the feeling locally was disappointment in overall performance in 2018, a closer look reveals a solid year, down only marginally from 2017. Although the supply at year end 2018 was similar or up in nearly all sectors compared to a year prior, sales volume in the first 6 weeks of the year is ahead of 2017. As we enter 2019, the market looks promising.

In 2019 we are seeing very good momentum 6 to 8 weeks into the year. As of February 15, 2019, there have been about $181M in closings, and there is roughly $250M under contract from about 75 properties. Comparatively, as of February 15, 2018, there were over $171M in closings and another 70 properties were under contract representing again, about $250M in volume. As of March 1, 2017, there was roughly $125M in closings and another 67 properties representing $250M+ in sales were under contract. This year to date activity bodes well for a solid 2019, unless derailed by a macro influence or influences.

The following chart summarizes the data in the Overview comparing the performance in 2018 with 2017.

2018 vs. 2017 Data Summary				
Market Sector	**$ Volume**	**# Sales**	**Avg # Listings**	**# Listings-Year End**
Commercial	Down 5%	Down 15%	Similar	Similar
Aspen - All Single Family	Down 37%	Down 26%	Down 6%	Similar
Snowmass All Single Family	Down 5%	Similar	Up 7%	Up 19%
Aspen/Snowmass Area Luxury S.F.				
$5M-$6.99M	Down	Down 22%	Similar	Up 24%
$7M-$9.99M	Similar	Similar	Up 9%	Similar
$10M+	Down	Down 38%	Up 6%	Up 10%
Aspen Condominiums	Similar	Down 18%	Down 10%	Up 30%
Snowmass Condominiums	Up 45%	Up 53%	Down 8%	Up 15%
Aspen Lots	Up 14%	Up 17%	Down 18%	Down 22%
Snowmass Lots	Down 4%	Down 18%	Similar	Up 25%

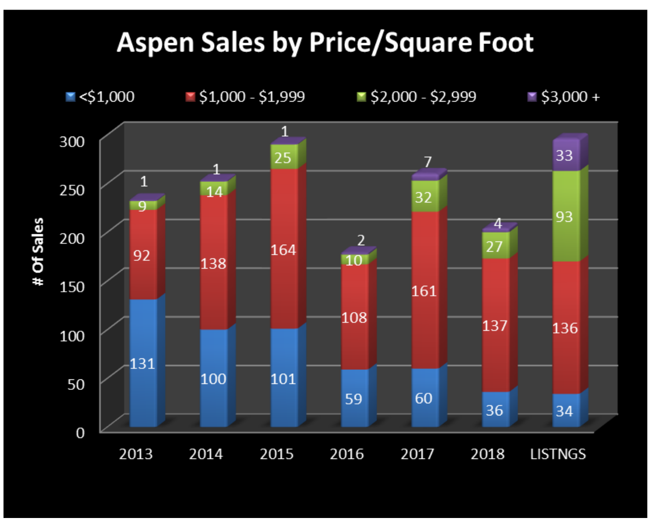
My forecast for 2019 is for a year that is similar, be it modestly lower or modestly improved over 2018. I expect the following:

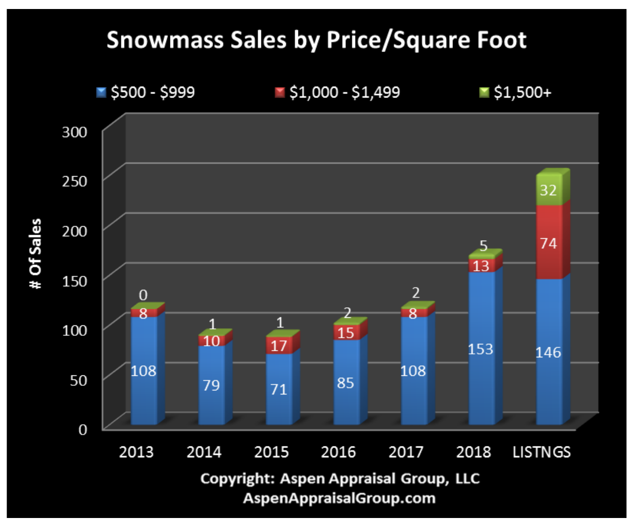
- Roughly $1.7B to $1.9B in sales with 850-950 transactions.
- I expect fewer Aspen single family sales but higher dollar volume fueled by an improvement in sales over $10M.
- With big increases in the number of land sales in Snowmass the last two years, I expect to see similar activity in the overall Snowmass single family market. I anticipate a similar number of sales over $5M and very little, if any activity over $10M.

- For Aspen condominiums and townhouses, I anticipate fewer sales in 2019, lower dollar volume and a modest decline in the average price.
- Following the outstanding performance in 2018 for Snowmass condominiums, bolstered in large part by sales in the Viceroy, as well as the Limelight, I think 2019 will see fewer sales and less dollar volume. The removal of the reasonably priced Viceroy units from the supply will translate to fewer sales even with the other new inventory being offered in Base Village.
- For Aspen lots I am forecasting stable prices with little if any appreciation in most neighborhoods. I also expect fewer land sales and lower dollar volume compared to 2018.
- For Snowmass lots I am anticipating fewer land sales, lower dollar volume and stable prices compared to 2018.
- A solid but inferior year for commercial sales in Aspen with less dollar volume and fewer transactions.
- Looking at the Aspen-Snowmass and Pitkin County markets overall, I think that in 2019 we will continue our slow transition into the next down market.

Historic Price/SF

The next two graphs show the last 6 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:

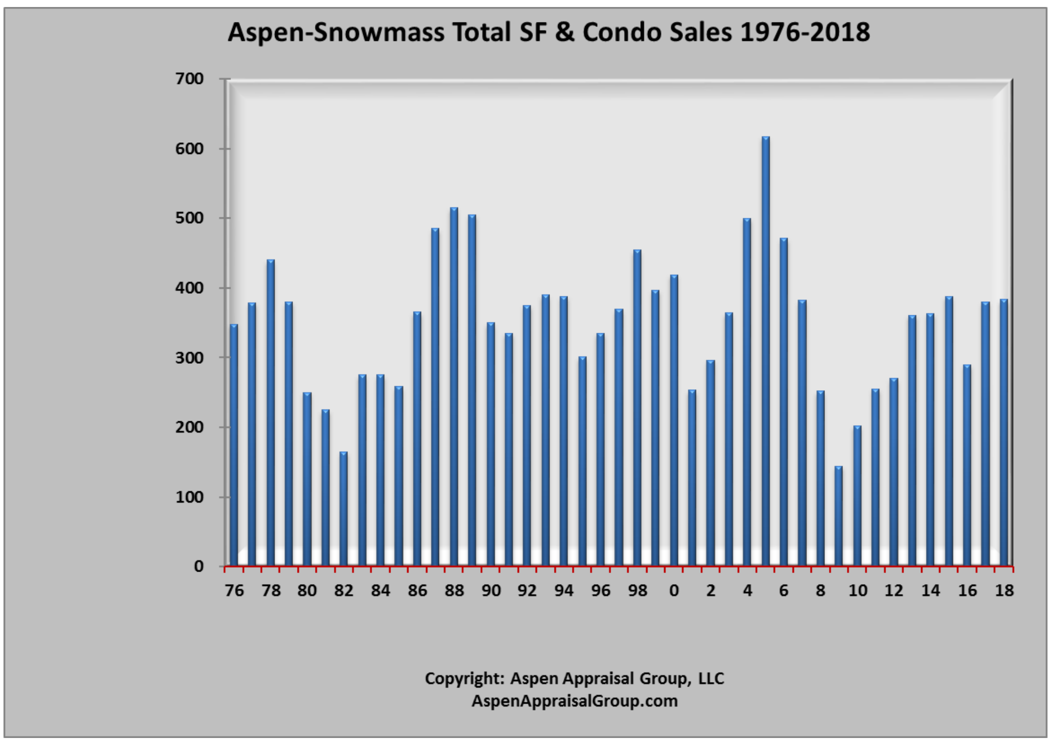
- As is well understood, Snowmass is a much better value than Aspen with the bulk of historic sales at under $1,000/SF.
- Many Snowmass sellers appear to be very unrealistic about what their properties are worth, highlighted by the number of listings priced over $1,000/SF and particularly

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

- The Aspen market is strong under $2,000/SF but the market in 2018 showed fewer $2,000/SF + sales compared to the record setting 2017.
- Many Aspen listings are considerably overpriced, particularly those over $3,000/SF
- Price point will continue 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:

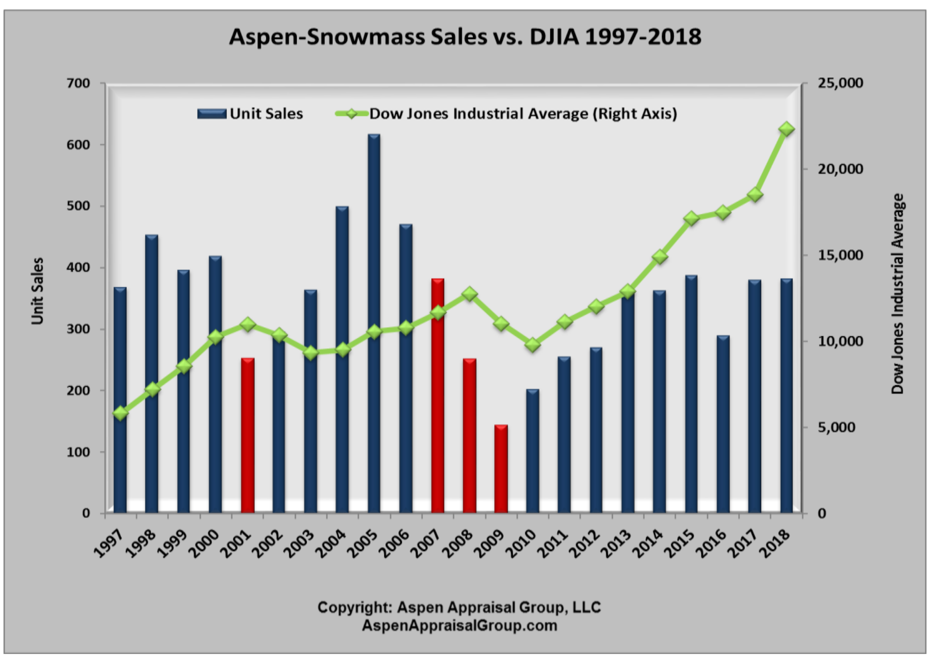
- The local real estate market is cyclical.
- Aspen is not immune from what happens nationally.
- The Aspen area down market usually coincides with national recession. Since 1976, other than the bottom in 1995, the other bottoms coincided with national recession.

- 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 2019 finishes as I am forecasting, modestly down from 2018, the Aspen Snowmass real estate market will be moving more decidedly into our next down market.
- With 2018 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 with little change in 2018.

Final Comments

- As this report is written, the stock market saw the Dow Jones close at about 26,000 on March 1, 2019. After a peak of 26,828 on October 3, 2018 we saw incredible volatility through the end of the year, plummeting to 21,792 on December 24, or a drop of nearly 30% from the peak. The crazy swings were fueled largely by trade fears and the tariff war with China, rising interest rates, fears of inflation and a Government shutdown to end the year. Since then the Government has reopened, the Fed has eased back from raising interest rates and trade fears have moderated, at least for the time being.



- 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 22 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 2001 and 2016, this graph certainly mirrors this connected relationship. Of course, 2001 was plagued by the tragedy of September 11th. 2016 can probably be explained by a very rough start with the stock market showing large losses and very erratic behavior early in the year, the price of oil at the lowest it had 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 30 years.

- We are now in the longest bull market in history. It started in March 2009 and is 10 years in the making. The longest bull market had been about 9½ years, ending in 2000. Who knows how long it will continue? The nearly 30% correction at the end of 2018 was certainly a wake-up call and the Government Shutdown has delayed important data collection. Investors seems split on how long this bull market will continue.

- Additionally, the national economy continues its strength with low unemployment and raising wages. However, many observers note that it has slowed following the "sugar high" from the recent Trump tax cuts. Last year I thought that these tax cuts could have pushed our real estate market as many of our buyers benefitted. However, this does not seem to have been the case looking at the overall performance in 2018. Alternatively, the tax cuts could have been a positive influence on buyers and helped save the year.

- If the stock market continues to rally, it bodes well for our real estate market. Conversely, what we saw in November and December could happen again, and that would certainly not be a positive for our market. Most economists are expecting the next recession to hit in 2020 or 2021. Very few expect that to occur in 2019.

- Markets do not like uncertainty and there is certainly the potential for a macro negative influence that could stifle our 2019 real estate market. There are many possibilities that could derail our market and to name only five that seem very possible: an actual conflict between NATO allies and Russia, the impact of ever increasing cyber-crime on our national security and democracy, resuming the trade and tariff war with China, 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 and numerous other Democratic led investigations into all aspects of the President's life and that of his family. However, with that said, it is impossible to know how these issues will play out. More important is to simply recognize that there is the very real possibility that a solid 2019 will 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 and division surrounding much of our national government and the toxicity of our politics.