ASPEN/SNOWMASS
REAL ESTATE MARKET OVERVIEW

A Review of What Happened in 2019
&
Looking Ahead to 2020

February 20, 2020

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Appraiser-Consultant

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Aspen Snowmass Real Estate Market Overview

February 20, 2020

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, 2019. 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, Brush 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 from Andrew Ernemann of Aspen Snowmass Sotheby's International Realty who puts together his Aspen Snowmass Market Report. Andrew's data was used primarily for the neighborhood specific 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 2019 is an average of those available at year-end 2018 and those available year-end 2019. 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 listing totals; they are not considered sales until they close.

Also noteworthy is that the data in this report has been "scrubbed" from what is reported in the Flex MLS system. For example, in 2019 there were 8 Aspen land sales and 1 Snowmass land sale 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 20 years for most sectors to give a longer-term perspective. The overall market and Land Title data is graphed since 2005 or the last 15 years. Commercial data is graphed since 2010.

A brief market 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 show 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 a modest slowdown in 2018 and with similar performance in 2019.

As the 2019 data shows, Snowmass condominiums had another solid year despite seeing fewer sales. Aspen condominiums were down in both sales and dollar volume. Aspen and Snowmass lots showed considerably fewer sales and lower dollar volume. Aspen and Snowmass houses were up big in both dollar volume and number of sales. The Aspen commercial market showed fewer sales and lower dollar volume.

On the supply side, at year end, other than available Aspen lots that saw a 20% increase and Snowmass condominium listings that were essentially unchanged, all other sectors were down. The biggest drop in supply was for Aspen houses in the $5M to $6.99M price range, down 34%. Values in 2019 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 Update Course (2019)
- Curriculum Overview-General (2011)
- Curriculum Overview-Residential (2011)
- Regulator/Reviewer Perspectives (2018)

Other Recent Courses:

- Appraisal Institute: Business Practices & Ethics (2019)
- CREC (Realtor) Annual Update Course (2019)
- NAR (Realtor) Ethics (2019)

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.

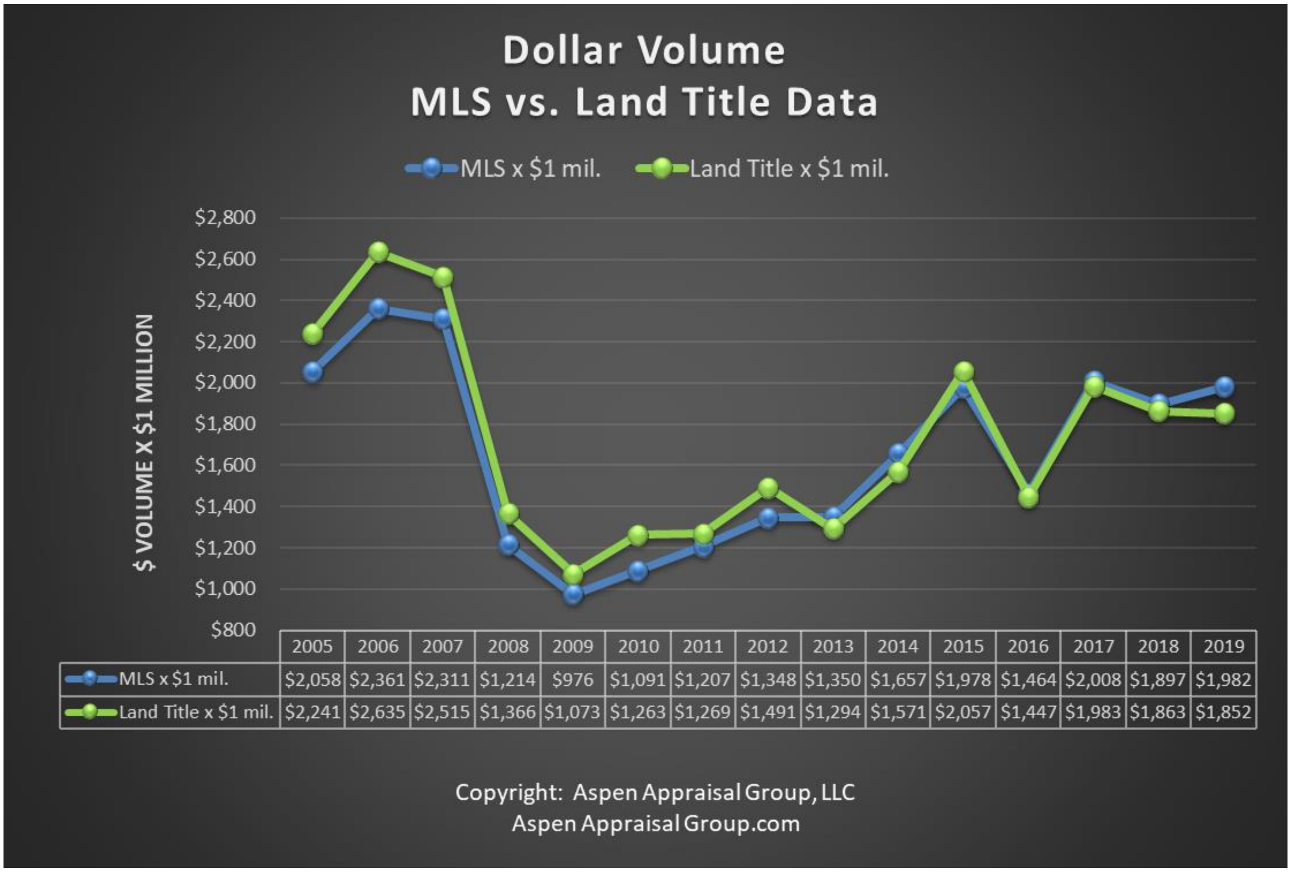
TABLE OF CONTENTS

Introduction
Appraiser Qualifications

ABOUT THE REPORT

	Page
Market in General	1
Aspen Commercial Market	4
Sales Volume	5
Billionaire Influence	7
Capitalization Rates	8
Rents	9
Lift One Development	10
Snowmass Commercial Market	11
Aspen Single-Family Houses	14
Snowmass Single-Family Houses	17
Luxury Houses	20
3	
Aspen Condominiums	24
Snowmass Condominiums	28
Fractional Interest Condominiums	31
Aspen Lots	36
Snowmass Lots	39
Conclusion and a Look Ahead	41
Historic Price/SF	42
Long-term Graph	43
Final Comments	44

Market in General

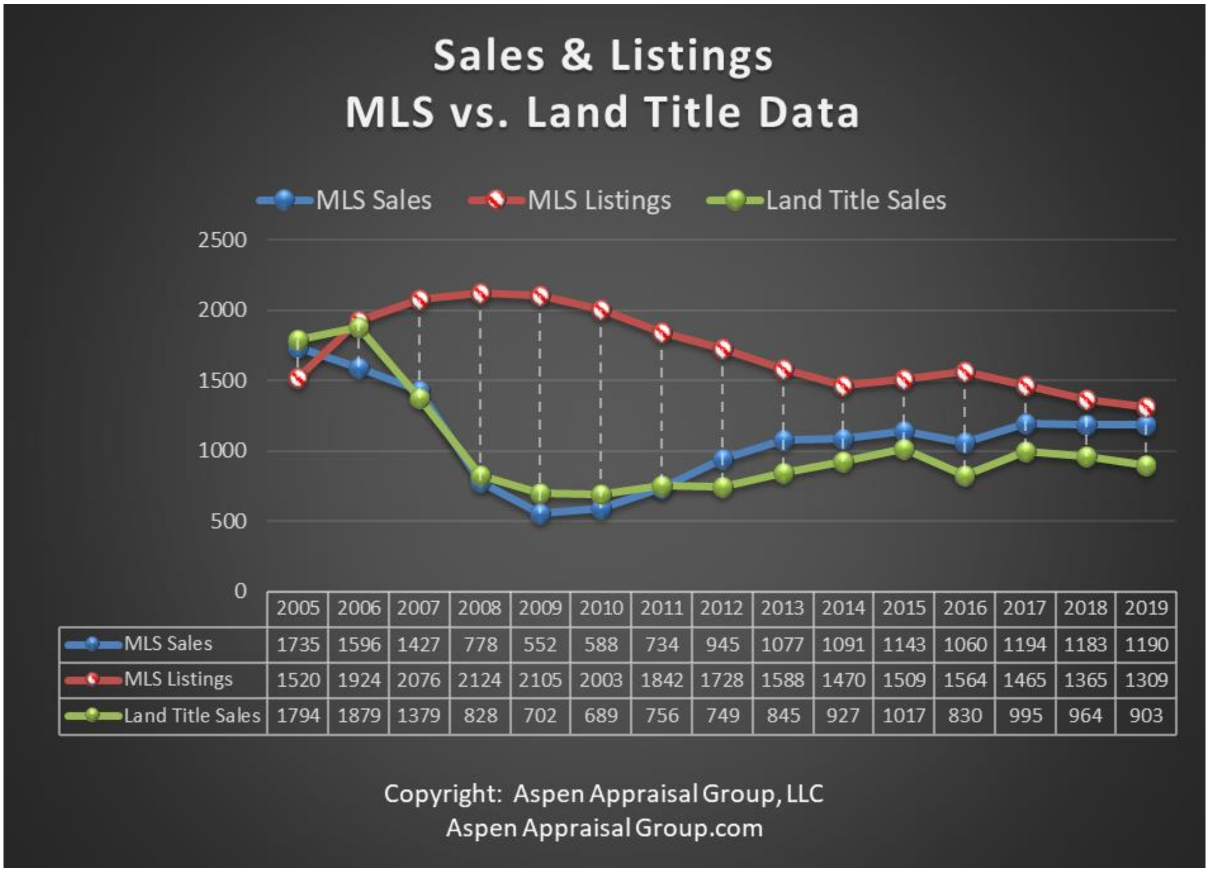


Land Title information and data from the MLS system is used in this section of the report. I have adjusted the Land Title sales data for 2013, 2014 and 2015 to exclude activity associated with the Innsbruck, an Aspen fractional interest project. Between July 2013 and December 31, 2015, according to Land 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 2019 reported by Land Title for Pitkin County was about $1.852B, less than a 1% change from the $1.863B in 2018, but down about 7% from the $1.983B in 2017 and down about 10% from the roughly $2.057B in 2015. As noted in past reports, 2015 was the biggest year since 2007. With a strong and much improved 2019 for sales over $5M, the similar dollar volume compared to 2018 is probably attributable to lower Aspen condominium and commercial dollar volume.

The preceding graph displays total dollar volume via MLS data and Land Title. The numbers are not identical, but the trends are 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 (most noteworthy are inclusion of sales in Carbondale), 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.



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. **In 2019 we saw 903 sales.** The MLS data and Land Title data, shown by the green and blue lines on the graph show a similar trend in the number of sales since 2012. The divergence in the number of sales is largely due to some Basalt and Carbondale area activity that is included in the MLS data but not the Land Title information. The red 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 continues to decline.

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, a modest decline in 2018 and a similar year in 2019. 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. In 2019 Snowmass condominiums were still strong, albeit with fewer sales but similar dollar volume (i.e. more, higher priced units sold). With the new energy surrounding the now real development of Base Village, Snowmass is also on a very positive trajectory.

In last year's report my forecast for 2019 was for another solid year barring dramatic macro events, be they national or international. I expected that we would see dollar volume in the range of $1.7B to $1.9B and roughly 850 to 950 transactions. Based on the Land Title data I was correct in my forecast for both the number of transactions and dollar volume.

In 2020 I am again projecting a similar or modestly inferior year compared to 2019 with $1.6B to $1.8B in dollar volume and roughly 850 to 950 transactions.

Aspen Commercial Market

As we enter 2020, I would describe the **Aspen commercial market as stable but strong, with some enthusiastic buyers.** The most notable buyer is Mark Hunt who continues to buy buildings, most of which are at very aggressive prices. Other than commercial condominiums for owner use, most buyers of larger buildings, other than Mr. Hunt, have been more cautious since 2016. 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 2018 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 continues to be modest vacancy in secondary retail or "B" location space, and in both downtown and peripheral office space. My sense **is vacancy as we enter 2020 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. 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 largely stabilized with modest improvement in peripheral space. Today, I think the office market vacancy rate is probably in the range of 2-4%, and somewhat improved from a year ago.

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 or 2021. 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**. Mr. Hunt continues to find sellers as the common wisdom today is if you have a downtown building to sell, call Mr. Hunt. 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. There are two published listings of note, both in the ownership of Mark

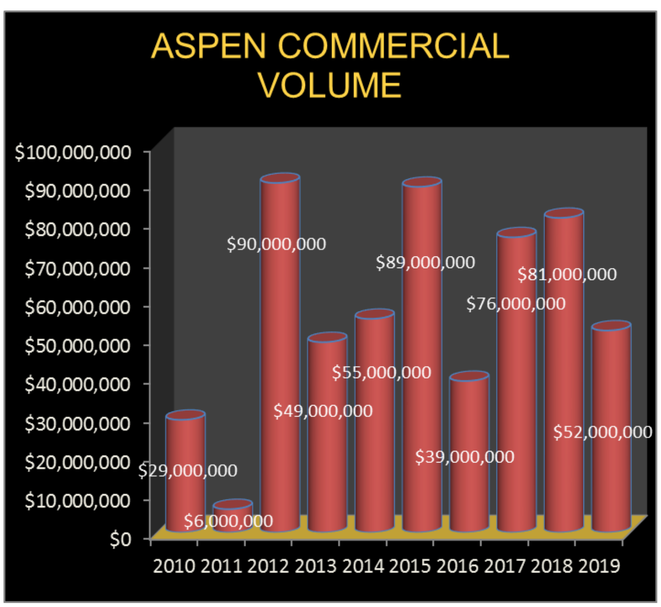
Friedland and some investors. Mr. Friedland is best known for this foray into the residential spec market the last several years.

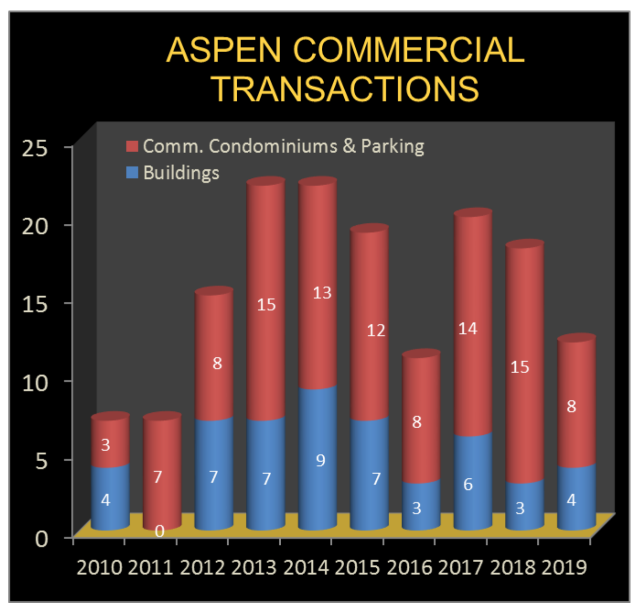
The first listed building is 426 East Main Street at $15,995,000, reduced from its price a year ago of $16,995,000. This building is on the north side of Main Street at its intersection with Galena Street. According to the listing it has 10,546 SF and the listing is priced at $1,516/SF which still seems 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.

Also available is the commercial space in the newly remodeled and expanded E.B. Building at 601 East Hyman. This building is at the northeast corner of Hyman and Hunter. It has an excellent corner location and this part of the commercial market is unquestionably improving, but the building in my view is considerably overpriced, even with the inclusion of the top floor 2,442 SF penthouse. The building includes a total of 6,605 SF, with a second-floor office of 560 SF, street level retail or restaurant of 2,246 SF, the penthouse and 1,357 SF of basement. The list price is $25,900,000 or $3,921/SF.

Sales Volume

The following charts show the commercial sales activity in Aspen over the last 10 years, including final data for 2019. The left chart shows total dollar volume from commercial sales. The right chart shows the transactional volume delineating commercial building sales and commercial condominiums. A note of clarification: the 2018 data was amended to reflect an $8.235M sale of a series of Park Place condominiums that were not previously known to the appraiser.





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 2019, dollar volume and number of transactions were down significantly but this was driven more by a limited supply than lack of demand. The 12 sales in 2019 included 1 parking space condominium, 7 retail and office condominiums, and 4 buildings, two of which were purchased for redevelopment. Excluding the parking, the remaining 11 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 $725/SF to $3,400/SF.

Particularly notable is the Hunt purchase of the street level retail and affordable housing in the Isis Theater Building in October 2019 at $13,050,000 or $3,400/SF. I cannot understand this purchase, and neither can most of the other commercial brokers I speak with. This is likely another long-term play in which Mr. Hunt hopes to buy the theater space and convert some of it to more retail.

Another sale in 2019 was 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. After the initial sale, the new buyers also acquired the primary 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. It is also noted that they paid $790,000 in April 2019 to acquire Rustique and their below market lease.

Also notable is the sale of the Conner Cabins office condominium at 534 E. Hopkins that sold in October 2019 for $4,375,000 or $2,734/SF. It sold previously in April 2018 for $3,475,000 which was considered a very strong price at the time. This recent sale is discussed in more detail below as it is one more indication of how billionaires are now influencing the Aspen commercial market.

As this report is written in February 2020 there have already been some significant closings. They include the aggregation of spaces owned by the Casper Family in the Wheeler Square Building that sold to Mr. Hunt for $10,600,000 in January. In addition, Mr. Hunt has two more large purchases under contract. One is not surprising as it the remaining space in the Wheeler Square Building. The other purchase, if it closes, will certainly turn some heads.

Also closing in 2020 are 4 commercial condominiums which were owned by Mark Friedland and his group. Reportedly the sales are arms-length although Mr. Friedland will retain a minority interest in the North of Nell sales. The purchases include a series of commercial units in the North of Nell that are occupied by Gorsuch and under long-term lease. They closed in February 2020 for a combined acquisition of $12,700,000 or approximately $2,800/SF. The purchase also included the right to use 3 parking spaces. This was a purchase about cash flow and owning a highly visible commercial space at the base of Aspen Mountain.

The other Friedland sale was of his offices at 623-625 E. Hopkins. These units were not listed, and the billionaire buyer has a house nearby. The combined price for these two detached office cabins was $6,400,000 or about $2,700/SF.

Billionaire Influence

It has long been recognized that the Aspen residential market has been influenced by the billionaire buyer. For a small town like Aspen, the number of billionaires owning property here is staggering. By my count, there are at least 60 and more likely in the range of 75 or more that either own a house, commercial property or both. According to Forbes Magazine, New York City currently has the highest concentration of billionaires in the world with 105, followed by Hong Kong with 87 and San Francisco with 75.

Relatively new is the billionaire foray into the Aspen commercial market. Mr. Hunt, the most dominant buyer of commercial real estate since 2012 is reportedly bankrolled by 2 billionaire "angels." He now controls 17 downtown commercial properties with roughly 140,000 square feet, making him the second largest landlord in Aspen. He has paid upwards of $160M for these properties.

Mr. Friedland, a huge player in the residential market and more recently in the commercial market, also has a pool of investors that include more than one billionaire. And now, with the recent his sale of the Conner Cabins unit and the 623-625 E. Hopkins office cabins, the billionaire influence is being seen again in what I would term buying "hobby offices." Both buyers own residential property within walking distance of these properties, and they will be for their personal use.

A quick review of the purchasing power of the billionaire buyer is useful. To help understand how much purchasing power a billionaire has, we can equate a millionaire and a billionaire with time. If a millionaire spent $1 every second, he would be out of money in 11 days. A billionaire could spend $1 every second, or $3,600 every hour, for 32 years! In simple terms, for the buyer with a $10,000,000 statement, who might overpay by $50,000 for a condominium, or for the $100,000,000 statement buyer who overpays by $500,000 for a house, a billionaire purchaser can overpay by $5,000,000 and it has the same insignificance. Of course, most of our billionaire buyers have more than $1B so that this comparison is even more skewed.

The high prices paid by these billionaire buyers are driving values for a lot of downtown Aspen commercial property. The strong prices are emboldening sellers. Capitalization rates are often not even a consideration as is the case with most of Mr. Hunt's purchases. The two office purchases referenced above certainly were not based on alternative investments and a return on capital. These high prices are also helping drive up real estate taxes as the Assessor is required to consider sales data in addition to income. More importantly perhaps, real estate taxes are typically absorbed by tenants as pass-through expenses. Although Mr. Hunt is clearly focused on the long game, intending to redevelop most of what he buys, his high basis will force him to find tenants capable of paying very aggressive rents. It was in 2017 that the City legislated chain stores (aka formula retail). Although they ended up with a watered-down version compared to what they wanted initially, any building that is torn down or expanded by 500 SF will be subject to what could be an arbitrary approval as a conditional use. That said, most of the tenants coming to town in the next several years will unquestionably need to be predominantly large national and international retailers as they will be the only tenants that can pay $150/SF or $200/SF rents, in addition to their pass-through expenses. This will set up an interesting dynamic between Mr. Hunt and the City as he asks for conditional use approvals for many of his buildings.

Market Value is grounded in a buyer who is prudent and rational and for commercial property the purchases should consider investment expectations, both short term and long term. However, it appears that many of these strong commercial purchases are simply based on what I want or, in the case of Mr. Hunt, a belief that the long-term strength of Aspen will eventually make his purchases good investments. And if not, it probably won't matter that much when you are bankrolled by billionaires.

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 4-5 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 and 2019 I estimate cap rates on several more sales, and they were in the range of approximately 4% to 5%. **It is important to emphasize however, that most of the cap rate data gathered the last several years has been from commercial condominiums and not large multi-tenant buildings.** Most of the large buildings have been purchased by Mr. Hunt who is usually not concerned with the cap rate on a particular property. What can be said, generally speaking, is larger buildings have more risk with multiple tenants and thus that too should be considered in understanding the capitalization rate issue.

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.

The North of Nell sales in February 2020 showed a combined cap rate of roughly 4.5% while the purchases individually were again in the range of about 4% to 5%.

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 1.6% currently down from the 2.5%-2.75% a year ago. 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 very attractive today, plus there is the opportunity to enhance the return on a commercial investment by growing rents and the appreciating prices.

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 2020 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 5 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, 2019 and thus far into 2020 I am aware of only a handful of new leases written at over $200/SF, although there are more if expense pass-throughs are considered. 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 3-4 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 more than $200/SF has abated. Demand for office spaces has increased but as more reasonably priced peripheral space has rented up, there is less demand for well-located office space that appears to be overpriced.

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, although we have some buildings that exceed that. 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.

Commercial Market Summary

New construction for 2019 was extensive, and what is on tap for 2020 also looks to be considerable after many years of limited activity. Finished in 2019 are the EB Building (aka Taylor Building) at the corner of Hyman and Hunter, the Timberline Bank Building on Main Street, the Rowland Broughton building on Main Street (former home of O2), and the new W Hotel at the base of Aspen Mountain. As we enter 2020 still under construction projects include a redeveloped and expanded Boogie's Building at 534 East Cooper, 201 East Main (formerly Main Street Bakery), the Forge Building at the corner of Hopkins and Monarch, the Crystal Palace Building at 300 East Hyman, the former Duvike Building on the Hyman Mall, and the City's new Rio Grande Plaza office building.

Although some of the projects listed below could be postponed, we can probably also look forward to construction beginning in 2020 on:

- 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)
- Redevelopment and expansion of the Barnard properties at 305-307 S. Mill Street
- Demolition and new development of 232 East Main (Conoco Gas Station)
- Completing the stalled development of 201 East Main Street (formerly Main St. Bakery)

Finally, there is also the pending replacement and/or overhaul of bricks and infrastructure in the pedestrian malls. That project is being designed now and may also begin in 2020 or 2021.

Overall, as we begin 2020, the Aspen commercial market continues to be stable but strong. I discussed two pending contracts, both involving Mr. Hunt. These two deals represent over $40M in purchases if they close. There continues to be very little inventory to buy. Demand is still strong for the purchase of existing buildings and commercial condominiums, but interest from most buyers continues to be negatively affected by the dramatic Land Use Code changes passed in 2017 and from sellers who want to sell on very low cap rates. 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 however very little new development in the approval pipeline for the first time in many years.

Lift One Development

On March 5, 2019 City voters decided the fate of the massive Lift One development plan at the base of Aspen Mountain. It passed by a slim margin of only 26 votes. Since that time feuding between the Gorsuch Haus group and the Brown Brothers and their investment group threatened to derail the approvals but, as this report is written, the two sides are reportedly talking and cooperating.

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.

Assuming the developments move ahead, construction could begin in 2021. Suffice it to say that if both developments come to fruition, the base of Aspen Mountain will be forever changed, and adjacent properties will benefit by their proximity.

Snowmass Commercial Market

In 2011 there was a lot of vacancy and very soft rents throughout Snowmass Village. In 2012-2019 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 One Snowmass West in 2019 along with 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 1/15th share fractional interests. One Snowmass West was finished in 2019 and One Snowmass East will be completed in 2020. This project is 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." 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. The retail space has been largely leased, including The Collective, Mix6, Eye Pieces and Straight Line Studios.

- 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 was discussed in prior Market Overviews.

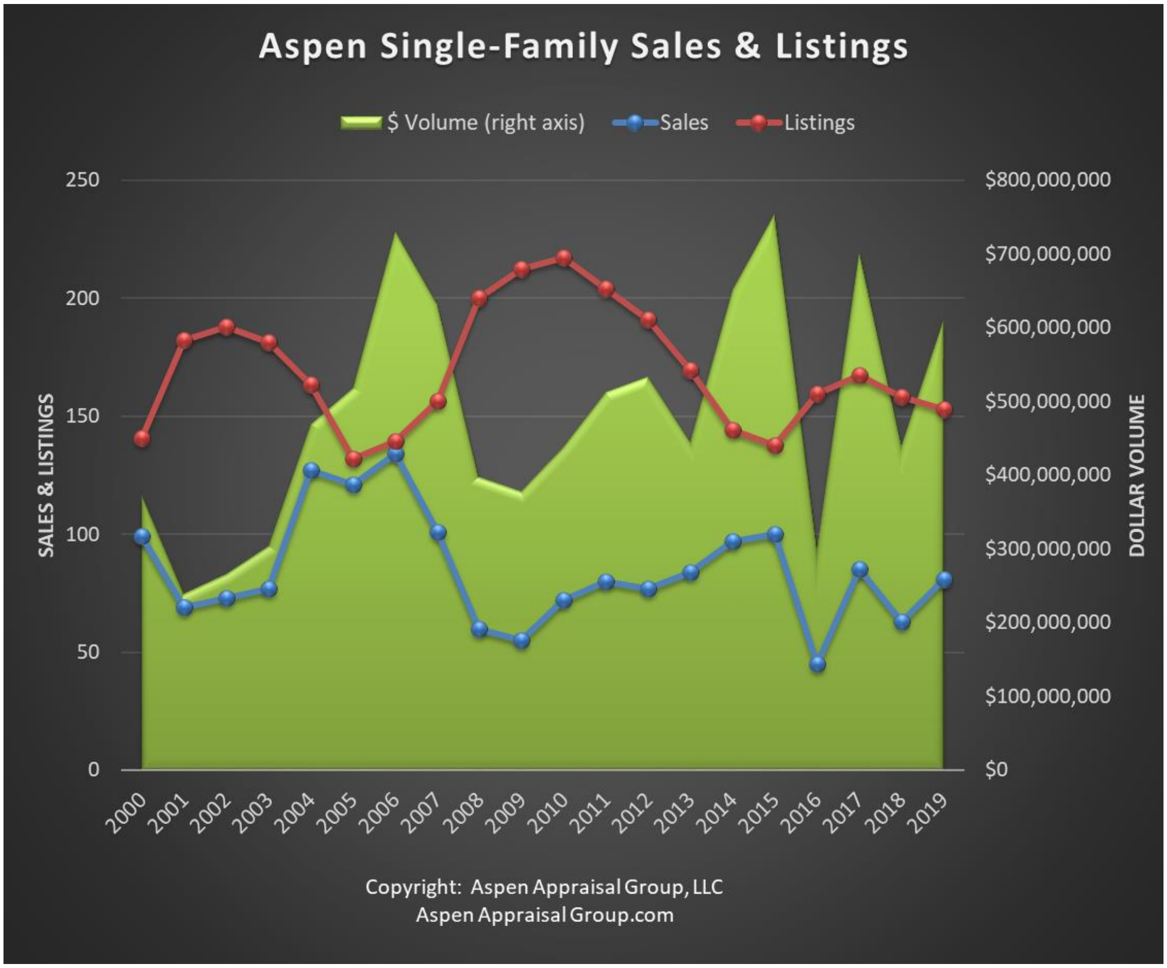
The Snowmass Center with roughly 53,000 SF of grocery, retail and office space sold in March 2016 for $16M. Jordan Sarick and Eastwood Partners, the buyers, are seeking to totally redevelop and expand this important commercial and office hub. Ultimately the developer hopes this area will become a focal point or a kind of "Main Street" for resident and second homeowners. Approvals have not been easy as the developer is requesting a variety of variances and the community remains concerned about height of the 11 buildings and the density of the development. So far, the approval process has taken about 2 years. The most recent plan submitted to the Town calls for 10 employee housing units in 11,346 SF, 68 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 along with 16,646 SF of community serving commercial space.

The long-time focus of commercial activity in Snowmass, the Mall (formerly owned by Related Companies who also owned Base Village) had 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 18 months since their purchase they have reduced vacancy from about 15% to well 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 and to my knowledge nothing yet is formally proposed.

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? Where will all the buyers and tenants come from?

Aspen Single-Family Houses



Highlights

- Number of Sales (**81 sales in 2019** vs. 63 sales in 2018): **Up 29%**
- Dollar Volume **($610.98M in 2019** vs. $440.39M in 2018): **Up 39%**
- Listings:
  - Average over the year: **Down 3%**
  - Year-end 2019 vs. Year-end 2018: **Down 6%**
- Approximate Current Supply: **1½ – 2 years**

The number of sales and total dollar volume in 2019 were up dramatically compared to 2018. This is because of a big increase in house sales over $5M. More specifically it resulted from the 106% increase in the number of sales in the $5M-$6.99M price range and a 44% increase in sales in the $10M+ price range. This is evident in the average price increase shown in the next chart. While the supply of single-family listings over the course of the year was down modestly at roughly 3%, at year end 2019 the supply was down 6%, from 158 listings to 148.

Average and Median Sale Prices

Aspen Single Family Homes		
Year	**Average**	**Median**
2019	$7,550,000	$6,000,000
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		

It is interesting to look more closely at the $5M+ single-family market. While the bulk of these sales are in the Aspen area, my statistics for this segment also include Snowmass Village, Woody Creek, Brush Creek and Old Snowmass. 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. In 2019 the $5M+ market was very strong, up 40% with one of the biggest years ever. 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 in 2019 was about $1,400/SF,** down slightly from 2018 when it was $1,425/SF, but down significantly from the peak of $1,600/SF in 2017**.** This compares to about $1,350/SF in 2016, about $1,375/SF in 2015, and roughly $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 exceptions of the Smuggler and Woody Creek areas, the number of sales in all Aspen neighborhoods were similar or significantly up compared to 2018.

Increases in the number of sales include East Aspen (up 78% from 9 sales to 16 sales), Red Mountain (5 sales-up 67% from 3 sales), West End (16 sales-up 33% from 12 sales) and West Aspen (24 sales-up 50% from 16 sales).

Modest or no change was seen in Starwood/McLain Flats (7 sales in 2019 and 9 sales in 2018) and in the Central Core where there were 5 sales in 2019 compared to 4 in 2018.

The Smuggler area, after showing a big increase in 2018 was down 27%, dropping from 11 sales to 8 in 2019.

Price per square foot, not surprisingly, continues to be very neighborhood sensitive. In 2019 the only neighborhoods that saw an increase were East Aspen and West Aspen. In East Aspen this indicator went from about $1,250/SF in 2018 to $1,500/SF in 2019. In West Aspen the increase was from roughly $1,000/SF to $1,225/SF. Otherwise, there were no increases over 2018 and there were some modest declines. House sales in the Central Core averaged about $2,000/SF in 2019 compared to $2,100/SF in 2018.

The biggest decline was in the Smuggler area, dropping from about $1,300/SF to $900/SF. Starwood/McLain Flats also dropped significantly from about $900/SF to $750/SF.

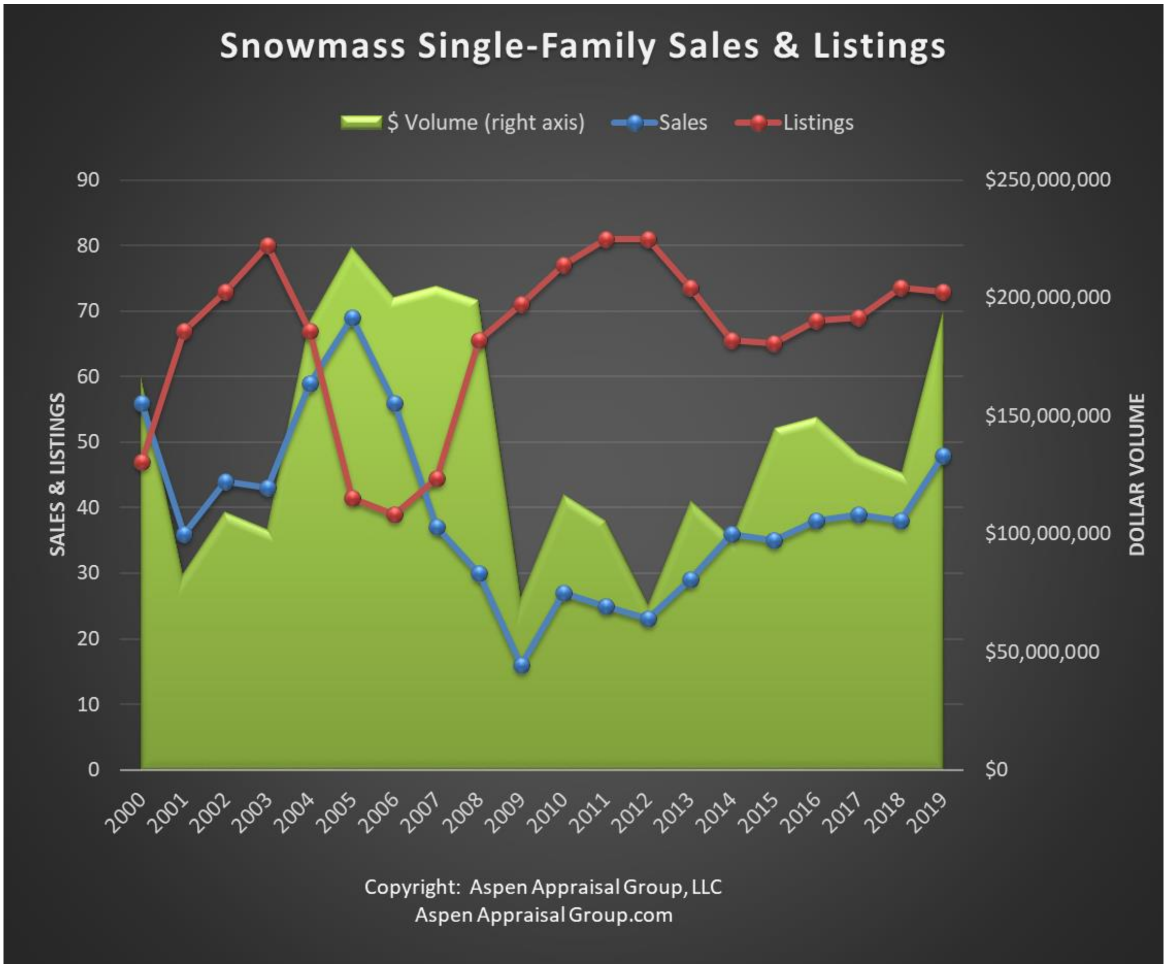
The West End also declined from about $2,100/SF in 2018 to $1,950/SF in 2019. Red Mountain was essentially unchanged at roughly $1,700/SF.

It is also noteworthy that with more sales and fewer listings at year end there is now about 1½ to 2 years of supply vs. 2½ - 3 years of supply at the end of 2018. This trend is shown visually on the graph above by the narrowing gap between the blue and red lines.

In last year's report I thought that 2019 performance in the Aspen single-family sector would see fewer sales but increased dollar volume and a higher average price. I was incorrect on the number of sales but was right on higher dollar volume and the higher average sale price.

As this report is written, I expect that the number of sales will likely decline in 2020 compared to 2019 but dollar volume will be similar, to up modestly over last year. I also expect the average price of an Aspen single-family house will not change much and the average price per square foot should be stable or modestly increasing in most neighborhoods.

Snowmass Single-Family Houses



Highlights

- Number of Sales (**48 sales in 2019** vs. 38 sales in 2018): **Up 26%**
- Dollar Volume **($196.26M in 2019** vs. $126.32M in 2018): **Up 55%**
- Listings:
    - Average over the year: **Similar**
    - Year-end 2019 vs. Year-end 2018: **Down 18%**
- Approximate Current Supply: **1½ - 2 years**

In 2019 single-family house performance in the Snowmass zone was dramatically improved. As shown above, both the number of sales and dollar volume were up significantly after little change between 2015 and 2018. Following those increases, the average and median prices also rose considerably, up 24% and 32%, respectively. This rise is shown in the increase in the average house price shown in the following chart.

Average and Median Sale Prices

Snowmass Single Family Homes		
Year	**Average**	**Median**
2019	$4,100,000	$3,700,000
2019 A	$3,800,000	$3,500,000
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		
2019 A excl. Pioneer Spings at $14.3M & Wildcat at $5.82M		
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 up to $920/SF** vs. $750/SF in 2018 and $800/SF in 2017. In 2019 the range was from about $675/SF in Melton Ranch/Wildridge to $1,865/SF in Two Creeks (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, Ridge Run, Melton Ranch/Wildridge, and Wood Run were the best performers in 2019. Ridge Run and Melton Ranch/Wildridge were also two of the strongest neighborhoods in 2018. Activity in Ridge Run increased from 8 sales in 2018 to 15 sales in 2019. Wood Run saw an increase from 2 sales in 2018 to 8 sales in 2019. Melton/Wildridge grew from 7 sales in 2018 to 9 in 2019. The activity in these 3 areas dwarfed all other Snowmass neighborhoods. In 2019 the number of sales in the Pines did increase from 1 sale in 2018 to 2 in 2019. However, Two Creeks, Horse Ranch, the Divide and Fox Run were flat to down compared to the prior year.

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 and in 2019 there were 4 sales.

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. In 2019 there was a sale in Pioneer Springs at $14,300,000 and a sale in Wildcat at $5,820,000. The chart above showing the average and median sale prices was amended to reflect these.

Looking back over the 5 years between 2014 and 2018, Snowmass was very consistent in the number of single-family sales, ranging from 35-39. Dollar volume fluctuated but it too had been relatively stable since 2015. This changed in 2019 with 48 sales and nearly $200M in dollar volume. At the same time the supply of available houses at year end was down about 18% compared to the end of 2018, translating to roughly 1½ to 2 years of supply at the end of 2019 compared to the 2 to 2½ years of supply a year ago.

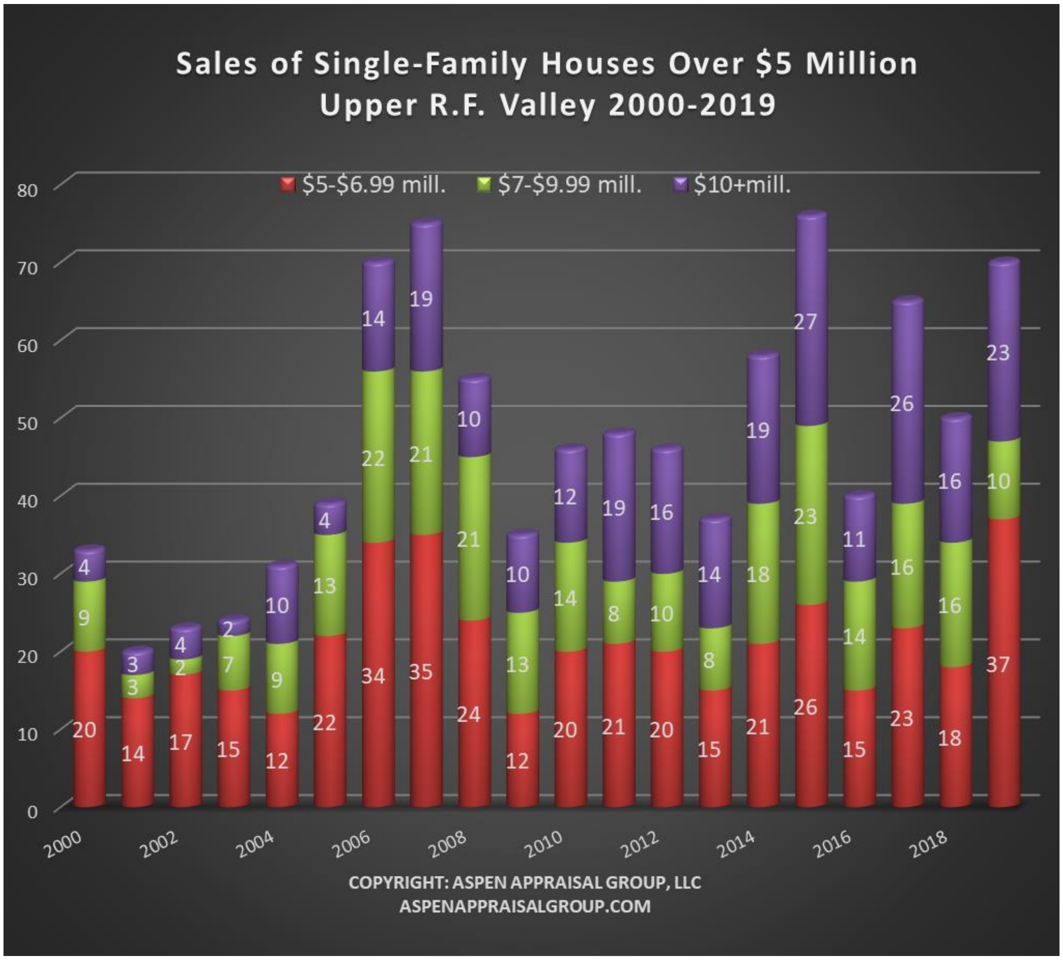
There continues to be much better “value for money” in Snowmass compared to Aspen and it appears that buyers are seeing that with the surge in 2019 single-family sales. The energy around new development in Base Village will continue to fuel this market as it has for the last several years. However, in 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.

In 2019 I did not expect that Snowmass’ most expensive neighborhoods would see much change and that proved correct. I also anticipated that in 2019 most other Snowmass neighborhoods would see fewer to a similar number of sales, but that forecast was incorrect as there were considerably more sales of modestly priced single-family houses. In 2020 I think we will again see 3-5 sales in the prime ski front neighborhoods but fewer sales in the other Snowmass neighborhoods.

As stated in the Luxury House discussion below, in 2020 my forecast is for 8-12 sales in the $5M+ price range in the Snowmass MLS area, with one of those over $10M.

Overall, I think we will see fewer Snowmass single-family sales and lower dollar volume in 2020. However, given the drop in inventory and the number of sales in 2019, there may be some modest appreciation in subdivisions like Ridge Run, Melton Ranch and Wood Run.

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.

The preceding chart shows the last 20 years of sales activity for house sales over $5M (2000–2019). 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 market. 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 for these expensive Aspen-Snowmass area houses but **2019 saw a significantly improved market, driven largely by sales in the $5M-$6.99M price range and by those over $10M.**

Final Sales Data for 2019

- Since 2000, the Aspen-Snowmass area market has averaged 47 sales over $5M over this 20-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 2019 there were 70 sales over $5M. This is a significant increase of 40% over 2018 and 49% above the 20-year average.**

- **In 2019 there were 37 sales in the $5M-$6.99M range,** up from 18 sales in 2018, or a **dramatic increase of 106%.** Over the last 20 years, we have averaged about 21 sales a year so **2019 was considerably above 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 but declined in 2019. **Sales in 2019 were down significantly from the prior year with only 10 sales, down 38%. This is the lowest number of sales in this price range since 2013. It is also below the long-term average of 13 sales seen over the last 20 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. However, **2019 saw a dramatic rebound with 23 sales or an increase of 44% over 2018. This is the 3rd most active year ever for $10M+ Aspen area single-family sales, following only 2015 and 2017 when there were 27 sales and 26 sales, respectively. Of these 2019 sales, 3 exceeded $20M.** It is noteworthy that there was a reported sale in Starwood of Lot R-98, December 2019 at $26.95M. However, in discussing this sale with a broker familiar with both the property and the seller, he believed the sale to be at a greatly inflated price; it also involved the trade of a very expensive 150+ foot yacht. This sale is excluded from my 2019 data.

- Of the sales over $10M in 2019, 20 were in the Aspen area and 3 were in the larger Snowmass area (Owl Creek and Brush Creek). There were no $10M+ sales in Snowmass Village, Old Snowmass or Woody Creek.

- The following chart shows **Aspen condominium, townhouse and ½ duplex** activity in the $5M+ price range for the last 10 years. Interestingly, there has been only 1 sale of a condominium over $5M in Snowmass Village over this 10-year period.

Aspen Condominium, Townhouse and 1/2 Duplex - $5M+						
	$5M-$9.99M	$10M-14.99M	$15M-19.99M	$20M+	Avg$/SF	Median$/SF
2010	5	1			$1,531	$1,554
2011	5	0			$1,283	$1,218
2012	6	0			$1,638	$1,477
2013	7	0			$2,002	$2,039
2014	5	1	3		$1,780	$1,696
2015	9	1	0	1	$1,981	$2,081
2016	13	0	1		$1,860	$1,638
2017	14	2	0		$2,251	$2,070
2018	16	4	1		$2,130	$2,000
2019	12	2	0		$1,884	$2,046
Totals	92	11	5	1	$1,834	$1,782

Snowmass Village saw no sales over $10M in either 2018 or 2019; there was only one sale in 2017 for a house in the Divide. **If the MLS area for Snowmass is considered, one sale over $10M took place in Brush Creek which is adjacent to Snowmass. One more sale took place over $10M, also in Brush Creek but it is reported in the MLS as part of West Aspen data. Looking at the broader $5M+ market in Snowmass, in 2019 there are 16 reported sales that eclipsed $5M** including one in Pioneer Springs (Brush Creek), one in Wildcat Ranch, 5 in Wood Run, 2 each in the Pines, Horse Ranch and Ridge Run and one each in the Divide, Fox Run and Two Creeks. This too is a very strong year for Snowmass; it compares to 7 sales over $5M in 2018, 6 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 2019 is down 34% in the $5-6.99M category with 31 listings compared to 47 a year before.** Based on sales activity in 2019 this is less than a one-year supply, boding well for appreciation in 2020 but perhaps fewer sales. This part of the market is arguably undersupplied currently.

In the $7-9.99M price range, the supply of listings at year end was also down, about 12%. At year end 2019 it stood at 53 listings compared to 60 listings at year end 2018. Based on the 10 sales in 2019 this is roughly a 5 to 6 year supply of inventory and much increased over a year ago when there was about 3½ to 4 years of inventory. This part of the market continues to be oversupplied.

The **supply of $10M+ listings at year end 2019 stands at 84, down about 9% from the 92 listings at the end of 2018** (again exclusive of pending sales). Based on the sales activity in 2019 **this is an approximately 3 to 4 years supply,** and much improved over the 5 to 6 years supply at the end of 2018, and similar to the 3 to 4 years supply we saw at the end of 2017. Of these 84 listings, **the supply of $20M+ listings is essentially unchanged** from a year ago standing at 28 vs. 31 at the end of 2018 and 32 listings at year end 2017. This is a very large inventory and the $20M+ market continues to be dramatically oversupplied. Although we saw 3 sales in 2019

(2017 was the record year with five $20M+ sales), **today the supply of $20M+ listings is probably in the range of 7-10+ 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, 1 sale in 2018 and 3 in 2019. As noted, there were a record 5 sales in 2017. With 28 listings now over $20M, not including non-published listings, **this part of the part is still dramatically oversupplied.**

As of February 2020, there has been one closing of a house in the Central Core, 1001 Ute Avenue Lot 2 reported in the MLS at $27.695M. This large 17,000 SF house had been listed for $35M. Reportedly this sale involved $22M in cash to the seller plus a house in Florida that was taken in trade. Particularly interesting is the buyer plans to actively rent the house and probably won't use it, or not use it much.

Last year at this time my estimate for 2019 was that Snowmass would see 5 to 10 sales over $5M and, perhaps optimistically, one sale over $10M. This proved too conservative, but my cautious projection was tempered by more aggressive predictions in 2017 and 2018, both of which fell short. In 2020 my forecast is for 8-12 sales in this $5M+ price range in Snowmass, again with one sale over $10M.

Looking more broadly at the larger Aspen market (that includes Snowmass, Old Snowmass, Woody Creek and Brush Creek), I expected that in 2019 we would 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. Like Snowmass, this was too conservative as we saw 70 sales over $5M, of which 23 were over $10M and three of those eclipsed $20M.

In 2020 I think we will see a more typical year for the larger Aspen Market with 50-60 sales over $5M, 15-20 of those over $10M and 2-4 sales over $20M.

Aspen Condominiums

Highlights

- Number of Sales (**117 in 2019** vs. 127 in 2018): **Down 8%**
- Dollar Volume **($231.85M in 2019** vs. $321.89M in 2018): **Down 28%**
- Listings:
  - Average over the year: **Up 6%**
  - Year-end 2019 vs. Year-end 2018: **Down 11%**
- Approximate Current Supply: **.5 to 1 year**

The supply at year end 2019 stood at 97 vs. 109 listings at year end 2018, and 84 listings at the end of 2017. While this is a meaningful decline, the supply at year end is less than a year of inventory and it was that way a year ago. **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) then 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**
2019	$2,000,000	$1,500,000
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. However**, in 2019, dollar volume for Aspen condominiums dropped by 28%. The number of sales continued to decline, dropping between 2017 and 2018 and again in 2019 compared to the prior year.** Hence, as shown above, there was also a decrease in the average sale price although an increase in the median sale price of Aspen condominiums.

The **average price per square foot for Aspen condominiums has been in a steady upward trend the last several years. In 2019 it was $1,620/SF, up 4%** from the $1,560/SF in 2018 which was up about 12% 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 2019 there were 31 condominium and townhouse sales over $2,000/SF. In 2018 there were 21. In 2017 there were 19 condominium and townhouse sales compared to 7 in 2016, 10 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.

- In 2019 there were no sales over $3,000/SF. However, it is noteworthy that as this report is written, one of the three highest sales ever on a per square foot basis has occurred: the Victorian Square Penthouse at 601 East Hyman closed in January 2020 for $9,250,000 (furnished) or $5,043 /Sf for this 1,834 SF unit.

Sales Over $5,000,000

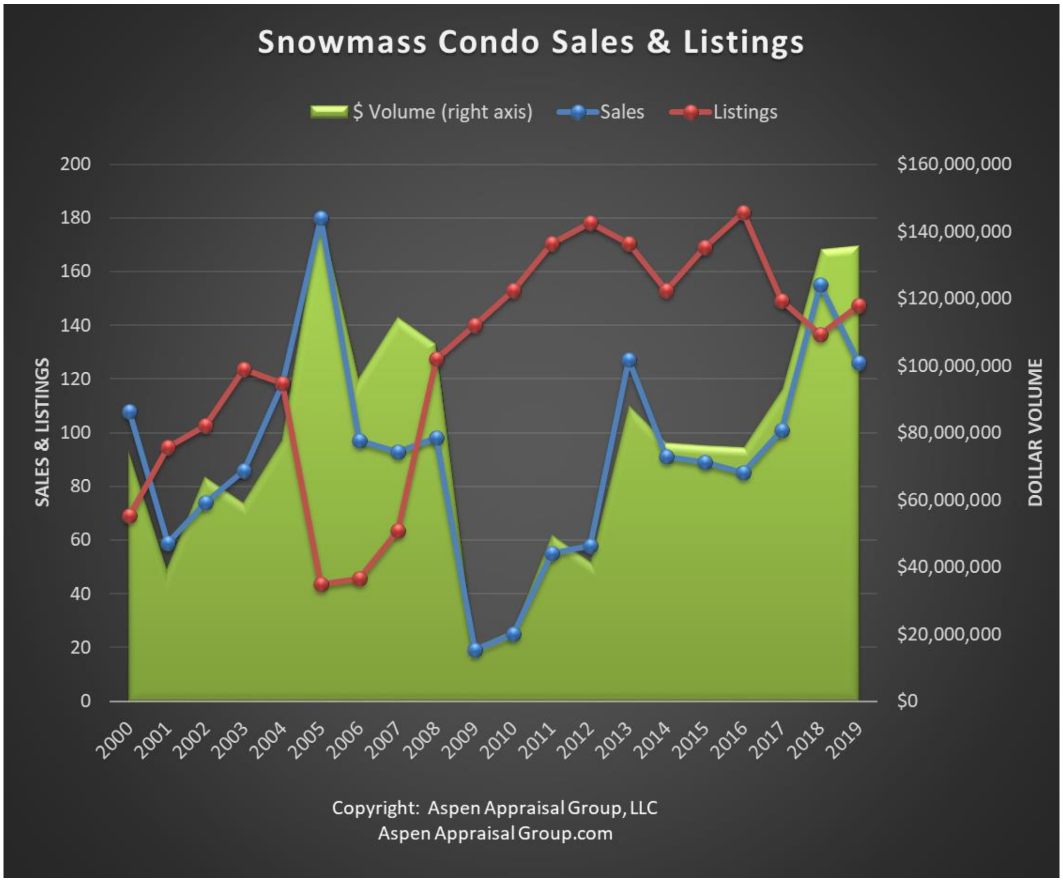
The chart below was also included in the preceding Luxury Single-family section. It shows **Aspen condominium, townhouse and ½ duplex** activity in the $5M+ price range for the last 10 years.

Aspen Condominium, Townhouse and 1/2 Duplex - $5M+						
	$5M-$9.99M	$10M-14.99M	$15M-19.99M	$20M+	Avg$/SF	Median$/SF
2010	5	1			$1,531	$1,554
2011	5	0			$1,283	$1,218
2012	6	0			$1,638	$1,477
2013	7	0			$2,002	$2,039
2014	5	1	3		$1,780	$1,696
2015	9	1	0	1	$1,981	$2,081
2016	13	0	1		$1,860	$1,638
2017	14	2	0		$2,251	$2,070
2018	16	4	1		$2,130	$2,000
2019	12	2	0		$1,884	$2,046
Totals	92	11	5	1	$1,834	$1,782

A year ago, my forecast for Aspen condominiums was for fewer sales, reduced dollar volume and a modest decline in the average price. It appears now as I write this report in February 2020 that this was an accurate prediction.

My forecast for 2020 is for a similar, to modestly down year in number of sales and dollar volume compared to 2019, but an increase in the average price.

Snowmass Condominiums



Highlights

- Number of Sales (**126 in 2019** vs. 155 in 2018): **Down 19%**
- Dollar Volume **($135.79M in 2019** vs. $134.63M in 2018): **Up 1%**
- Listings:
    - Average over the year: **Up 8%**
    - Year-end 2019 vs. Year-end 2018: **Up 2%**
- Approximate Current Supply: **1 – 1½ years**

After languishing in 2015 & 2016, the number of condominium sales and total dollar volume was up significantly in 2018, following a robust 2017. **The number of sales dropped significantly in 2019 but dollar volume was largely unchanged.** However, the drop was almost entirely due to fewer sales in the Viceroy (40 sales in 2018 vs. 26 in 2019). In 2018 the new Base Village team was motivated to sell their developer inventory in the Viceroy, and they were very successful in doing that. In 2019 there was simply much less of that product to sell.

Average and Median Sale Prices

Snowmass Condominiums		
Year	**Average**	**Median**
2019	$1,075,000	$750,000
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 2019 there were 126 sales of Snowmass condominiums compared to 155 sales in 2018 (down 19%), and 101 sales in 2017. **Dollar volume was however up modestly to just under $135.8M. This is shown in the rise in the average and median sale prices. In short, fewer units sold but what did sell was at higher prices.**

In 2019 Snowmass saw 15 condominium sales over $2M, with 7 of those over $3M. Of the 15 sales over $2M, 7 were in Base Village (Limelight, Lumin and One Snowmass West). **The highest price in 2019 was for Lumin Unit 1 at $6,100,000 ($1,857/SF) which is the highest sale price ever for a Snowmass condominium.**

The highest price per square foot for a Snowmass condominium was also seen in 2019 with a One Snowmass West unit that sold for $1,975/SF. Comparatively, in 2018 there 12 sales over $2M and again 7 over $3M. The highest price in 2018 was $4,425,000 for an Owl Creek Townhome. The highest price per square foot in 2018 was about $1,650 for a new Lumin unit and a new Limelight unit.

Now nearing completion is One Snowmass East while One Snowmass West was finished in 2019. Combined this project includes 41 units (11 of which are being sold in fractional 1/15 shares). Closings have started in the West building. Six closings were reported in 2019 at prices ranging from $1,850,000 for a 2BR-2BA ($1,135/SF) to $3,950,000 for a 3BR-3BA unit ($1,976/SF). List prices for the remaining units range from $1,995,000 for a 2BR-2BA unit with 1,803 SF ($1,106/SF) to $7,895,000 for a 4BR-4B unit with 3,767 SF ($2,096/SF). This project also has 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 all Snowmass condominium sales in 2019 was again very wide, from $188/SF to $1,975/SF. This compares to 2018 when the range was from about

$200/SF to $1,650/SF. **The average sale for a Snowmass condominium in 2019 was $790/SF, up about 10% from the $720/SF in 2018** and from the approximately $600/SF to $650/SF seen between 2013 & 2017. Clearly, the abundance of new inventory in Base Village is having an impact on price per square foot. **Noteworthy 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 expected to see fewer sales of Snowmass condominiums in 2019, and lower dollar volume. I was correct on fewer sales, but dollar volume was up modestly.

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 expected that 2019 would also see an increase in the overall price per square foot. That too has occurred.

In short, I expect that there will continue to be modest upward pressure on prices in 2020 as Base Village continues to positively influence the Snowmass condominium market, particularly for that product located near the Village and Base Village core. I am anticipating fewer sales in 2020 and reduced dollar volume but probably a modest increase in the average price per square foot.

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 2016-2019 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, no sales in 2018 and 9 sales with $92,000 in volume in 2019. Thus, **starting with 2016 I have included the Innsbruck sales data.**

Since 2016 the fractional interest market has been steady in dollar volume. Total dollar volume was $79.77M in 2016, $75.27M in 2017, $76.68M in 2018 and **$72.18M in 2019**. **The last four years have been driven by the sales success of Phase 2 in the Dancing Bear and resales in the Residences at Little Nell although 2019 saw the new Sky Residences enter the market**. There were **201 fractional interests sold in 2019**, up 19% from the 169 interests sold in 2018. Comparatively there were 189 sales in 2017 and 223 sales in 2016.

In last year's report I expected that Dancing Bear would be a strong performer in 2019, as it had been in 2016, 2017 & 2018 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. And, **in 2019 the Dancing Bear accounted for $17.971M in volume representing 25% of the fractional market's dollar volume. There were 20 sales in 2019.**

In 2019 the average price for all sales in the Dancing Bear was about $900,000. This compares to $886,000 in 2018 and $815,000 in 2017. 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. In 2018 and 2019 prices for most sales were $900,000, $925,000 and $950,000. As this report is written in February 2020 the 3 most recent closings, all in 2020, have been at $975,000. This project is now nearly sold out. 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, 18% in 2019, about 41% of the total dollar volume in 2018 and 36%

in 2017. **In 2019 there were 7 sales, down from 19 RLN sales in 2018. The average price was $1,888,000.**

The average price per fraction has been upward for RLN since 2016. In 2018 there were 19 sales averaging about $1,650,000, 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.

The newest fractional project in Aspen is the **Sky Residences** located across the street from the Little Nell Hotel at the base of Aspen Mountain. The original 90 room lodge was demolished, and a new high-quality hotel and fractional project was finished in 2019. The project has an 88-unit hotel plus 11 fractional units in a 91,500-square-foot three- and four-story building. The property is being operated as a branded W Hotel with the fractional component known as the Sky Residences at W Aspen. Units are being sold as 1/10th shares or a total of 110 interests. Owners 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 in the Sky Residences include 5 two-bedroom units at about 1,567 SF and 6 three-bedroom units at about 1,993 SF. **There were 24 fractions sold in 2019**, some involving the sale of multiple fractions to one buyer. Prices for the closed two-bedroom units ranged from $525,000 to $575,000 while 3-bedroom closings ranged from $637,000 to $726,000. Land Title reports that there was approximately $20.895M in volume for the 24 sales; the average price was $870,000 according to them. **According to Land Title sales in this project accounted for 29% of the total fractional dollar volume.** However, my own research shows 24 sales but just over $16M in volume and an average price of $668,000. Conversations with the developer in September 2019 suggest that the Land Title data is incorrect as the average price far exceeds the roughly $550,000 to $800,000 that was reportedly the asking prices for the units. Prices advertised in February 2020 are $580,000 for the 2BR units and $840,000 for the 3BR units.

The number of sales in the **Grand Hyatt Aspen continue to slow and the average price also declined, down 15%. There were 17 sales in 2019 averaging about $165,000.** This compares to 20 sales in 2018 with an average price of $194,000, 26 sales in 2017 averaging approximately $161,000 and 41 sales in 2016 with an average price of about $140,000. It is noteworthy that in 2013 the average price 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, only 31 sales in 2018, and **28 sales in 2019**. This project has now been mired in litigation for several years and that will likely continue in 2020. This uncertainty is clearly being shown in sales activity. Interestingly, and not surprising, **the average price has generally been declining**, 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, **$47,000 in 2018 and a small increase to $53,000 in 2019**.

The supply of fractional interest listings for Aspen and Snowmass area projects, at least those in the MLS, was reasonably consistent between 2009 and 2018 with roughly 200 units. At year end 2019 the supply dropped to 157 units shown in the MLS. This is the lowest number of listings since 2011 when there were 174 listings. The decline reflects the success of Dancing Bear and their developer inventory now sold. 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

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 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 passed by a narrow margin in 2019. This project will likely commence construction in 2021 or 2022.

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. The developer is in bankruptcy. Best case for completion now is mid to late 2021 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.

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. It is also uncertain if a new developer will take over the project or if the struggling developer now in bankruptcy who entitled the project can stay alive. At this point there is no guarantee that if or when the project will move forward.

The only other new product is in Snowmass, part of the new One Snowmass project that is now under construction. Completion of One Snowmass West was in 2019 and One Snowmass East will be finished in 2020. This is a mixed-use project with commercial space, 30 whole ownership condominiums and 11 fractional units that are being sold 1/15th shares (Snowmass Residence Club located in One Snowmass East). The project enjoys a Base Village location with easy ski access. The project has an infinity-edge spa/pool on the rooftop Sky Terrace, a 2,500-square-foot fitness center, dedicated long-term ski storage and access to the Inspirato Lounge which is a private owners club.

The fractional component consists of 3 two-bedroom units of 1,697 SF, 5 three-bedroom units of 1,978 SF to 2,293 SF and 3 four bedroom units with 2,693 SF. Depending on demand the developer has the right to add 9 Club units to the fractional program or up to 20 total fractional units. Buyers have the exclusive right to one winter week, and they can reserve exclusive use for additional periods, each up to 7 days. Pricing is widely variable depending on which winter week is chosen. The range in pricing in the MLS is from $126,000 for a 2BR fraction to $720,000 for a prime 4BR week. Reportedly, interest has been good with roughly 20 interests under contract. It will be interesting to see how this project develops and how the market embraces the one week use concept with 1/15th shares and widely variable pricing. This has not been a successful product in Aspen as 1/8th shares have dominated the market with the Dancing Bear and RLN, and more recently 1/10th shares in the Sky Residences.

Not including the Aspen Club whose future is doubtful, between the W Hotel with 86 remaining interests, Lift One Lodge with 272 interests (assuming 1/8 shares), and One Snowmass with roughly 145 remaining interests, this would translate to 500 more units in addition to the roughly 160 units shown in the MLS. This is obviously a very large supply that could easily take 5+ years to absorb. If the Aspen Club is revived as originally marketed, it would add another 80-160 interests to the mix. That said, timing is still uncertain for the Lift One Lodge and the Aspen Club, and no one knows what the Aspen Club fractional component will ultimately look like.

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 1/15 and 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.

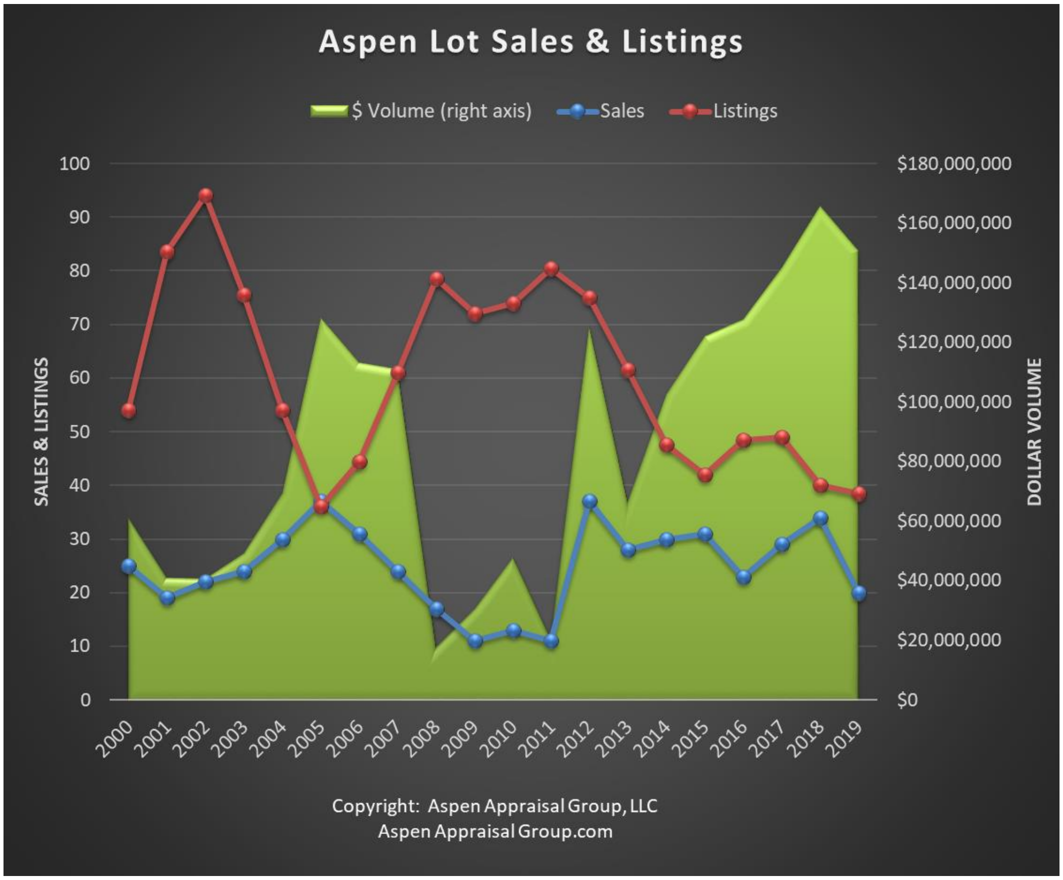
In 2019 I expected strong activity again in Dancing Bear and RLN with increasing average prices. This was correct. In 2020 Dancing Bear sales will unquestionably decline as the developer is now nearly sold out. So, the average price will likely mirror the most recent sales at about $975,000. RLN activity will also likely be similar to 2019.

In 2019 I also expected a strong start to sales in the Sky Residences because of it is a new product and its outstanding location. I noted in last year's report that it would not be surprising to see 20 sales or more in the Sky Residences; there were 24 sales. It has been interesting to see that the market so far is embracing the Sky Residence fractional plan with its 1/10 shares and 4-5 weeks of use. In 2020 I anticipate another 20 sales or so.

As discussed in prior reports, the Aspen market given has clearly shown a preference for 1/8 shares with 6 weeks of use. Now with the initial success of the Sky Residences with their 1/10th

shares, that too seems to be an acceptable model. However, with 1/8th or 1/10th shares, the owner is entitled to 5 or 6 weeks of use. The most interesting thing to watch will be the pace of sales in One Snowmass and whether enough buyers will want a 1/15th share with only one week of use. Time will tell.

Aspen Lots



Highlights

- Number of Sales (**20 in 2019** vs. 34 in 2018): **Down 41%**
- Dollar Volume **($150.78M in 2019** vs. $165.79M in 2018): **Down 9%**
- Listings:
  - Average over the year: **Down 2%**
  - Year-end 2019 vs. Year-end 2018: **Up 20%**
- Approximate Current Supply: **2 – 2.5 years**

The supply of listings over the course of the year was essentially unchanged, but the supply had grown from 35 listings at the end of 2018 to 42 at year end 2019. This is similar to the supply of 45 listings at the end of 2017. This equates to roughly 2-2.5 years of inventory which is more typical over the last few years but well above the 1-1.5 years we saw at the end of 2018. The reader should note here the moving away of the red line from the blue line after merging a year ago.

In 2019 the number of land sales declined 41%, dropping from 34 to 20. By my count, of these 2019 Aspen land sales, 8 were reported as house sales but are better classified as tear downs – land sales. This compares to 10 tear downs in 2018.

Dollar volume also declined in 2019 but the average and median prices rose dramatically because there were more high-priced land sales as a percentage of all sales. If we look at land sales over $4M we find that there were 13 sales in 2019 or 65% vs. 14 sales in 2018 (40%) vs. 10 sales in 2017 (35%), but 15 sales over $4M in 2016 or 65%. After **Aspen saw its highest ever land sales dollar volume in 2018 at nearly $166M, that declined in 2019 to about $151M. Although down compared to 2018 this was still a huge year.** However, it is noteworthy that 4 of the land sales in 2019 exceeded $15M and three of those were over $20M.

Average and Median Sale Prices

Aspen Lots		
Year	**Average**	**Median**
2019	$7,550,000	$5,150,000
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 2019 were the four that eclipsed $15M. They included 230 Lake Avenue, a beautiful lot of just under 11,000 SF overlooking Hallam Lake that sold for $13M in 2018 and re-sold for $15.75M in 2019. We also saw two sales in the Rubey Subdivision which continues to see huge prices for these special lots that allow nearly 20,000 SF of floor area. The Rubey Subdivision boasts some of the highest land sales ever seen in Aspen. In 2019 we saw the sale of Rubey Lot 2 at $21M and Rubey Lot 3 at $24.2M. Rubey Lot 3 is the second highest land sale ever in Aspen. 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 is to be demolished.

Also notable is the sale of 135 E. Cooper at $21.95M. This 6,500 SF corner lot in the Central Core, 2 blocks from Lift 1A, will be totally redeveloped according to the selling broker who considers this a land sale. The property is improved with a vintage Victorian and guest house that will be retained but are given little value by the buyer. It is a staggering price and one that reflects the buyer wanting it (he owns other property within walking distance and is reportedly a billionaire) and a seller who was not motivated.

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 was insignificant and more a statement about available inventory with fewer higher priced lots available to buy. As discussed above, in 2019 the average price increased dramatically following the sale of more, higher priced lots.

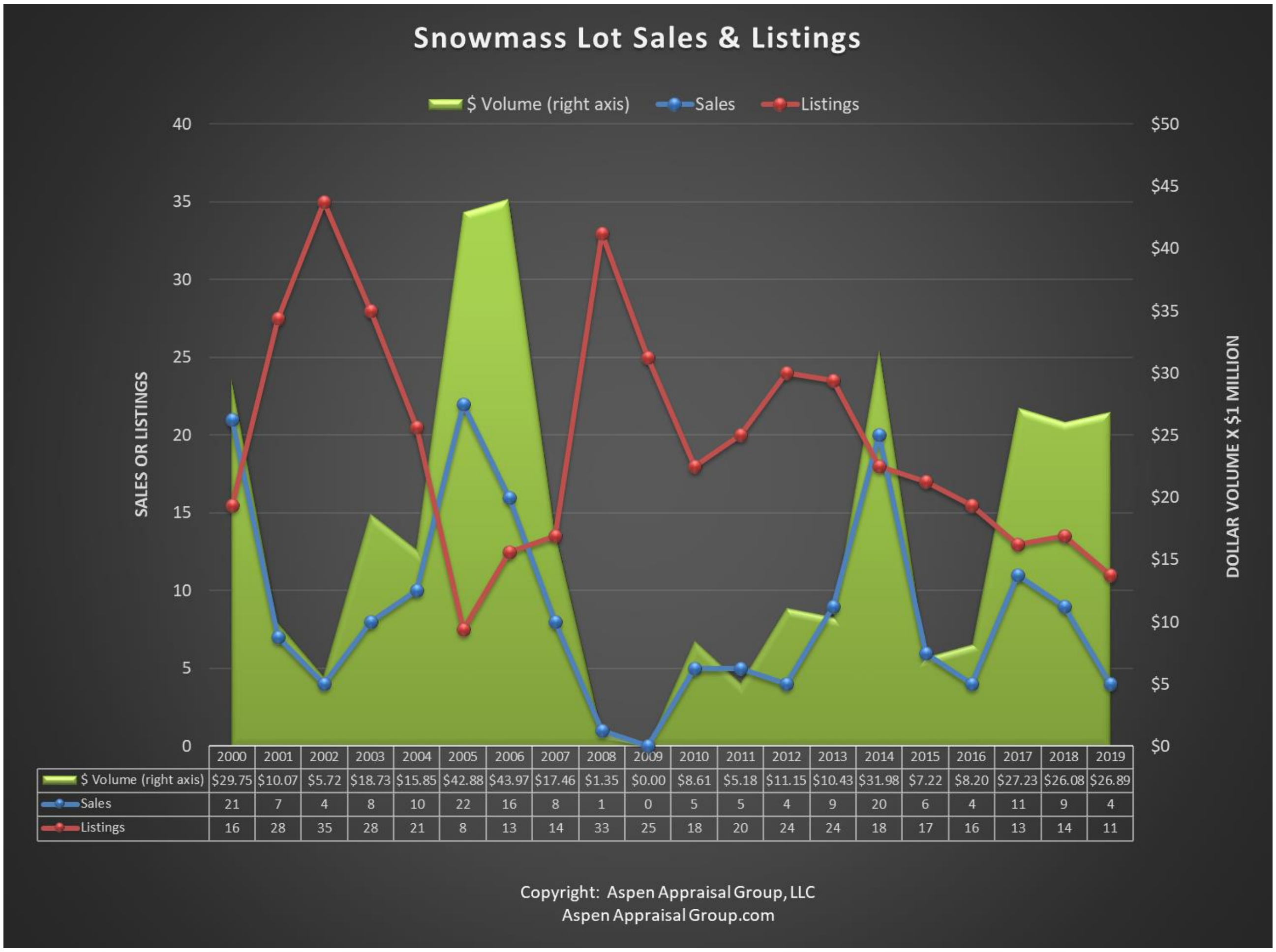
Although there were a lot of end users who bought lots the last several years, spec developers continue to acquire lots and their influence is still being felt in the single-family market as we move into 2020. While the number of sales was about the same in 2013-2015 and 2017-2018 (28-34 sales), the **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**. It declined about 9% in 2019 to $151M but this is still the second biggest year ever.**

The most active neighborhoods for lot sales in 2019 were the Central Core with 5, Red Mountain with 3 and West Aspen with 7. In 2018 it was the Central Core with 6, West End with 10 and Red Mountain with 6. The decline in sales in the West End and Red Mountain points to much lower inventory in 2019.

In 2019 I expected to see little appreciation in most neighborhoods, and I expected to see fewer Aspen land sales and a decline in dollar volume. It seems I was correct on fewer sales and lower dollar volume. With respect to market movement, the West End, Central Core, East Aspen and West Aspen saw some appreciation.

So, what about 2020? With the supply of available lots up at year end and recognizing how prices have escalated significantly over the last several years, in my opinion 2020 will see stable prices with little if any appreciation in most neighborhoods. I also expect to see fewer Aspen area land sales and a decline in dollar volume compared to what we saw in 2019.

Snowmass Lots



Highlights

- Number of Sales (**4 sales in 2019** vs. 9 sales in 2018): **Down 56%**
- Dollar Volume **($6.72M in 2019** vs. $26.01M in 2018): **Down 74%**
- Listings:
    - Average over the year: **Down 21%**
    - Year-end 2019 vs. Year-end 2018: **Down 53%**
- Approximate Current Supply: **3 – 3½ 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. However, **in 2019 the number of lot sales dropped significantly, down 56% to only 4 sales (including 1 teardown).** After strong interest in 2017 and 2018 it appears that interest is waning, probably a function of increased asking prices on listings, high construction costs for new houses, and more interest from buyers seeking to remodel existing houses.

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%. **In 2019 the average price for the 4 Snowmass lots sales was about $1,700,000 compared to over $7,500,000 for the average Aspen lot.** However, **with so few sales 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 2019 there was one sale the Pines, 1 sale in Horse Ranch and two in Ridge Run (one of these was tear down).

On the supply side there were fewer listings at year end, down 53%, the difference between 15 listings and 7 at year end 2019. 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. In 2018 and 2019 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 2020.

My forecast for Snowmass lots in 2019 was fewer sales, less dollar volume and stable prices; I was correct with that projection. For 2020 I am expecting similar performance or a small increase in the number of sales and dollar volume.

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. With more expressed enthusiasm than 2018, 2019 proved to be another solid year overall. And, the supply at year end 2019 was down in most sectors. As we enter 2020, it looks like the Aspen-Snowmass real estate market will see another solid year.

In 2020 we are seeing good momentum 6 weeks into the year, although not as strong as a year ago, at least on the residential side. It is noted that the following stats exclude commercial property and are based on houses, lots, condominiums, townhouses and ½ duplexes in Aspen, Snowmass, Brush Creek, Old Snowmass and Woody Creek.

As of February 15, 2020, there have been roughly $172M in closings and there is another approximately $175M under contract. The next chart shows how this activity compares to the same 6 weeks in prior years.

Sales Activity Comparison January 1 - February 15								
Houses, Land & Condominiums	2013	2014	2015	2016	2017	2018	2019	2020
Number of Sales	40	33	45	35	46	57	42	49
Average Price per Sale	$1,765,882	$1,924,393	$4,785,968	$2,409,600	$2,721,913	$3,003,360	$4,323,947	$3,515,836
Total Dollar Volume	$70,635,280	$63,504,969	$215,368,560	$84,336,000	$125,207,998	$171,191,520	$181,605,774	$172,275,964
Dollar Volume as % of Year	5.46%	4.04%	10.47%	5.83%	6.31%	9.19%	9.81%	
Pending Sales - December 31 Prior Year	43	35	33	45	46	48	39	39
Pending Sales - February 15					67	70	75	54
Approx. Pending Volume - February 15					$250,000,000	$250,000,000	$250,000,000	$175,000,000
MLS Zones: Aspen, Snowmass, Brush Creek, Old Snowmass & Woody Creek; Excludes Commerical activity								

The next chart summarizes the data in the Overview comparing the performance in 2019 with 2018.

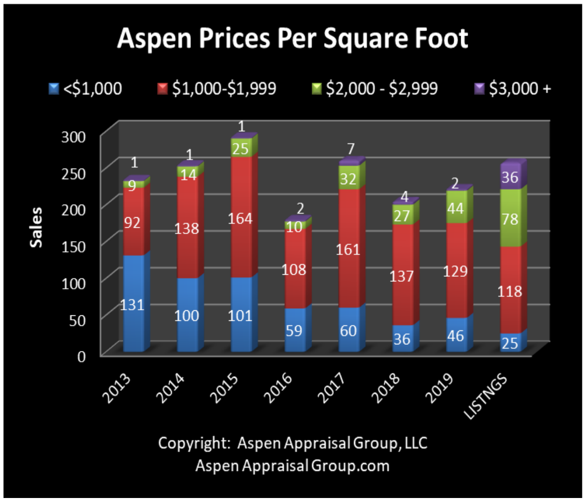
2019 vs. 2018 Data Summary				
Market Sector	$ Volume	# Sales	Avg # Listings	# Listings-Year End
Commercial	Down 36%	Down 33%	Similar	Similar
Aspen - All Single Family	Up 39%	Up 29%	Down 3%	Down 6%
Snowmass All Single Family	Up 55%	Up 26%	Down 1%	Down 18%
Aspen/Snowmass Area Luxury S.F.				
$5M-$6.99M	Up	Up 106%	Down 8%	Down 34%
$7M-$9.99M	Down	Down 38%	Down 3%	Down 12%
$10M+	Up	Up 44%	Similar	Down 9%
Aspen Condominiums	Down 28%	Down 8%	Up 6%	Down 11%
Snowmass Condominiums	Up 1%	Down 19%	Up 8%	Up 2%
Aspen Lots	Down 9%	Down 41%	Down 2%	Up 20%
Snowmass Lots	Down 74%	Down 56%	Down 21%	Down 53%

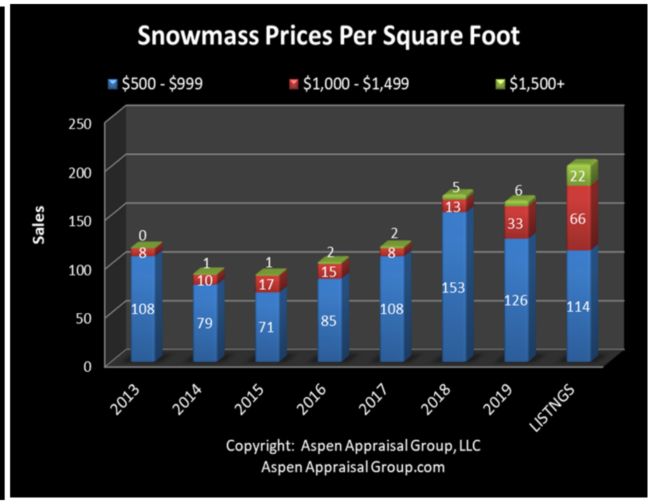
My forecast for 2020 is for a year that is similar, be it modestly lower or modestly improved over 2019 depending on the sector. This was largely the same forecast I made a year ago**.** I am forecasting the following:

- A similar or modestly inferior year compared to 2019 with $1.6B to $1.8B in dollar volume and roughly 850 to 950 transactions.
- I expect fewer Aspen single-family sales but similar, to modestly higher dollar volume fueled by another strong year for sales over $5M and for those over $10M, albeit a year that will probably see fewer sales than 2019 in both those categories.
- In 2020 I think we will see a more typical year for high-end single-family sales in the larger Aspen Market with 50-60 sales over $5M, 15-20 of those over $10M and 2-4 sales over $20M.
- I think we will see fewer Snowmass single-family sales and lower dollar volume in 2020. I am expecting to again see 3-5 sales in the prime ski front neighborhoods but fewer sales in the other Snowmass neighborhoods. My forecast is for 8-12 sales in the $5M+ price range in the Snowmass MLS area, with one of those over $10M. However, given the drop in inventory and the number of sales in 2019, there may be some modest appreciation in some of the more modest subdivisions like Ridge Run, Melton Ranch and Wood Run.
- For Aspen condominiums and townhouses, I anticipate a similar, to modestly down year in number of sales and dollar volume compared to 2019, but an increase in the average price.
- I am anticipating fewer sales of Snowmass condominiums in 2020 and reduced dollar volume but probably a modest increase in the average price per square foot and in the average price of a unit.
- For Aspen lots I am forecasting stable prices with little if any appreciation in most neighborhoods. I am also expecting fewer Aspen area land sales and a decline in dollar volume compared to what we saw in 2019.
- For Snowmass lots I am anticipating similar performance to 2019 to a small increase in the number of sales and dollar volume.
- I anticipate a strong and superior year for commercial sales in Aspen with more dollar volume and more transactions.
- Looking at the Aspen-Snowmass and Pitkin County markets overall, I think that in 2020 we will see a similar or modestly down year compared to 2019 and what is probably a continuation of a slow transition into the next down market.

Historic Price/SF

The next two graphs show the last 7 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.



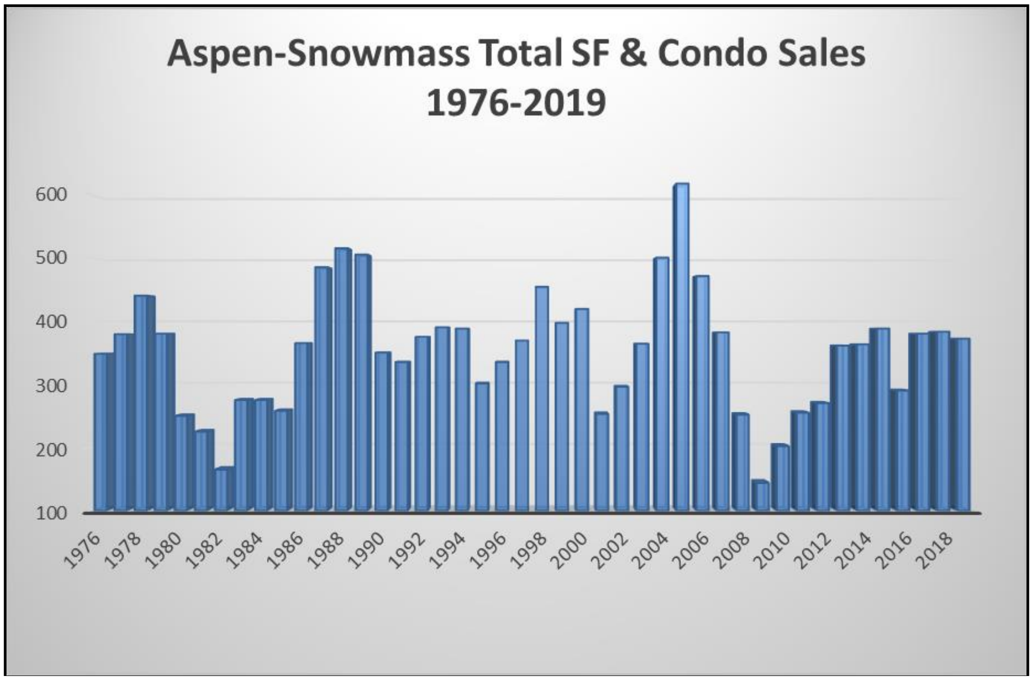


Interesting observations from these graphs include:

- As is well understood, Snowmass is a much better value than Aspen with the bulk of historic sales at under $1,000/SF. A change is happening in Snowmass however as new Base Village inventory is seeing more sales over $1,500/SF.
- Many Snowmass sellers continue 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. Much of that inventory is tired and dated. Snowmass is considerably oversupplied with inventory priced over $1,000/SF and particularly inventory over $1,500/SF.
- The Aspen market is strong under $2,000/SF with fewer sales in this price range in 2019. At the same time, there are fewer listings than sales pointing to shrinking inventory.
- There were more sales over $2,000/SF in 2019 than ever before.
- Aspen still has an abundance of listings that are overpriced, over $2,000/SF and particularly those over $3,000/SF
- Price point will continue to become 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 Graph

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.

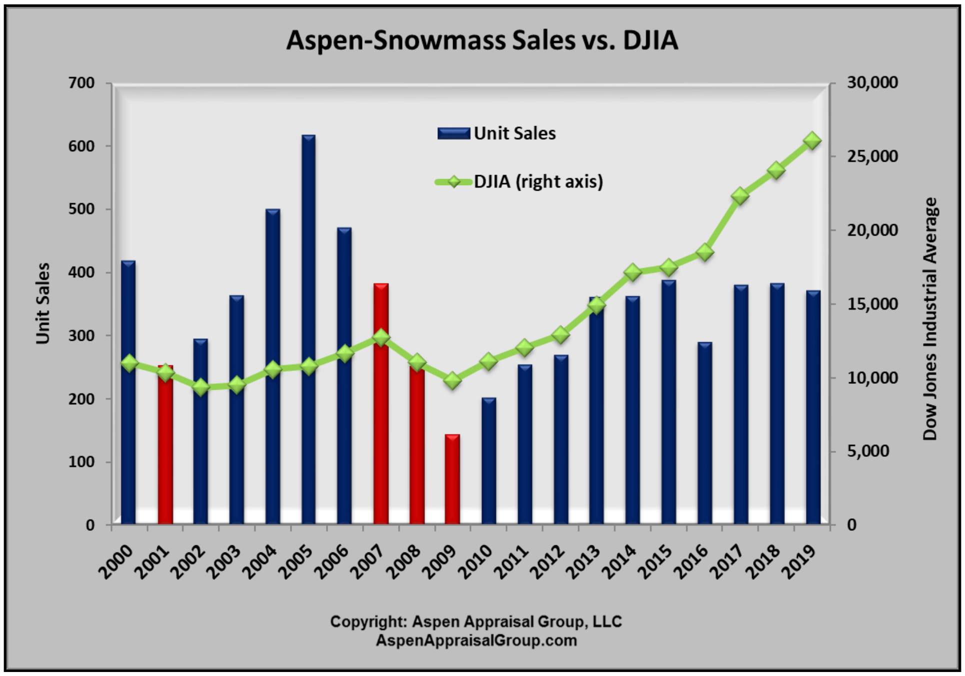


Although the graphic data can certainly be overanalyzed, and I hesitate to forecast the next national recession or oversimplify, the following observations are noteworthy:

- 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, and those opinions constantly change. Additionally, will it be a mild recession and more of a slump, or will it be a more significant downturn.
- With 2019 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 or 2019.
- In the last nearly 40 years, the longest period of upward movement following the bottom of a cycle is 6 years (1983-1988). With 2019 finishing down modestly, and if 2020 finishes as I am forecasting with little change or down modestly again, it appears that the Aspen Snowmass real estate market will continue what appears to be its slow move toward our next down market.

Final Comments

- As this report is written, the stock market saw the Dow Jones close at about 29,000, a near record high. A year ago, it was at about 26,000.



- There is strong evidence to support that there is a connection between the stock market and Aspen area real estate; the preceding graph displays this relationship over the last 20 years. As a note, the average for the Dow is a simple calculation based on the year end closing with the year-end closing the following year. The red bars mark periods of recession. Other than 2001-2002, until 2016 this graph certainly mirrors this connected relationship. Of course, 2001 was plagued by the tragedy of September 11. 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, up significantly by the end of the year. However, what about 2017-2019? The Dow continues to rise dramatically but the relationship to Aspen area real estate appears to be less meaningful. I don't think it signals that Aspen-Snowmass real estate will take off and see a huge year in 2020.

- 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 has been 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 11 years in the making. The longest bull market had been about 9½ years, ending in 2000. Who knows how long it will continue? Given the sophistication, knowledge and financial wherewithal for the Aspen-Snowmass buyer, our more restrained market activity reflected in the graph since 2017 suggests, from an Aspen-centric view, our more restrained market activity reflected in the graph since 2017 suggests that perhaps buyers here have pulled back intentionally because of uncertainty, and that we are now a leading indicator signaling that the Dow will see a correction in 2020….

- Markets do not like uncertainty and there is certainly the potential for a negative macro-economic or geo-political influence that could stifle our 2020 real estate market. There are many possibilities that could derail our market and to name only a few that seem very possible: the impact of ever increasing cyber-crime on our national security and democracy, particularly with the 2020 election ahead, North Korea or Iran asserting itself, or the rippling effects on the global economy from impacts of the Coronavirus on supply chains and consumer demand in China, or a ballooning deficit and national debt. And of course, looming ahead is the Presidential election in 2020. I think most people will agree that it promises to be the ugliest and most contentious election ever. No matter where you are in the political spectrum, it is very hard to see how that process will inspire buyers of Aspen area real estate. 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 2020 will be derailed by a macro level geo-political 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.