An Appraisal of a:

Flex R&D Building
710 14th Street
Loveland, CO 80537

Prepared for:
Mr. Rod Wensing,
City of Loveland
500 E. 3rd Street
Loveland, CO 80537

Effective Date: July 15, 2015

Report Date: July 31, 2015

Prepared by:
Shannon and Associates
Donald J. Shannon MAI, SRA
David Bowes, Associate
215 W. Oak Street, Ste 501
Fort Collins, CO, 80521
EIN: 84-1570364

File # **3677**

SHANNON & ASSOCIATES
Real Estate Appraisers and Consultants

July 31, 2015

Mr. Rod Wensing
City of Loveland
500 E. 3rd Street
Loveland, CO 80537

Re: Flex R&D Building
710 14th Street, Loveland,
Larimer County, CO, 80537
File Name: 3677

Dear Mr. Wensing:

At your request, we are transmitting an appraisal report detailing the results of our analysis of the real property referenced above. The purpose of this inspection and analysis is to develop an estimate of market value of the subject property's Fee Simple interest as of July 15, 2015, which was the date of inspection.

Two copies of this appraisal are provided for your use. The original report and all photographs used within are maintained in the appraisers' file. You or your assignee may purchase additional copies, if required.

This appraisal was conducted in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Standards Board of the Appraisal Foundation, the Code of Professional Ethics of the Appraisal Institute, FIRREA Title XI, 12 CFR Part 323 (FDIC), and 12 CFR Part 34 (RTC). It is subject to the Assumptions and Limiting Conditions and Certification of Value, as part of this report. The appraisal should not be relied on unless these conditions are accepted. The appraisers have not been influenced by any parties in their value conclusions, and have no financial interest in the property. An Executive Summary is presented beginning on page 4.

Respectfully Submitted,
Shannon & Associates

Donald J. Shannon, MAI, SRA
Colorado- CG01313438

David Bowes, Associate
Colorado-CG100013986

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Addendum

Executive Summary

General:	
Owner:	Macdonald Alistair/Doreen
Legal Description:	Lot 1, Block 1, Loma Vista 1st Subdivision, City of Loveland, Larimer County, Colorado.
Parcel Number:	9526225001
Date of Report:	July 31, 2015
Purpose:	The purpose of this assignment is to estimate the current 'As Is' market value of the subject's Fee Simple Interest as of the date of value.
Intended Use:	The intended use of this appraisal is to assist the client and intended users in determining market value of the subject property for negotiating purposes.
Intended User:	The City of Loveland..
Current Listing/Contract(s):	The subject is currently listed for sale for $2,250,000 or $155 per square foot.
Property:	
Land Area:	50,640 square feet; 1.16 acres.
Building:	Single-tenant, 14,488-square-foot industrial manufacturing building built in 2000. The overall condition of the building is considered "Good."
Zoning:	B- Business, Loveland
Highest and Best Use of the Site As Vacant:	Highest and best as though vacant is to hold for light industrial or office development.
Highest and Best Use As Improved:	Highest and best use as improved is continued use as single-tenant industrial/manufacturing.
Value Indication:	See Reconciliation Section, page 58.

Certification Statement

We certify that:

- We have no unreported present or prospective interest in the subject property or personal interest or bias with the subject matter or the parties involved.
- We have not performed any prior services regarding the subject within the previous three years of the appraisal date.
- We inspected the property, both inside and out, and all comparable sales, listings and rents in this report. To the best of our knowledge, all statements of fact and information in this report are true and correct, and we have not knowingly withheld any significant information, subject to the stated assumptions and limiting conditions contained in this report.
- The reported analyses, opinions, and conclusions developed in this report were prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which includes the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- We, unless indicated as "Review Appraiser", prepared all conclusions and opinions concerning the real estate set forth in this appraisal report. No change of any item in this appraisal report shall be made by anyone other than those who signed this report, and we assume no responsibility for any unauthorized change.
- Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. This appraisal assignment is not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- The reported analyses, opinions, and conclusions are limited only by the reported Assumptions and Limiting Conditions on the following pages and are our personal, unbiased, professional analyses, opinions, and conclusions.
- No one provided significant professional assistance to the signatures of this report (If there are exceptions, the name of each individual providing significant professional assistance has been stated.)
- As of the date of this report, Donald J. Shannon, MAI, SRA and David Bowes, Associate have completed the continuing education programs of the Appraisal Institute.
- None of the appraisers or staff of Shannon and Associates, the preparers of this report, have been sued by a regulatory agency or financial institution for fraud or negligence involving an appraisal report.

Donald J. Shannon

Donald J. Shannon, MAI, SRA
Colorado-CG01313438

David Bowes, Associate
Colorado-CG100013986

Limiting Conditions and Assumptions

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

This appraisal is to be used only for the purpose stated. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.

No part of this appraisal, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, or other media.

All files, work papers and documents developed in connection with this assignment are the property of Shannon and Associates. Information, estimates and opinions are verified where possible, but is not be guaranteed. Plans provided are intended to assist the client in visualizing the property; no other use of these plans is intended or permitted.

We are unaware of any hidden or unapparent conditions of the property, subsoil, or structure. We assume no responsibility for such conditions or engineering necessary to discover the conditions. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.

Unless otherwise stated in this report, the existence of hazardous substances, including: asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals; was not indicated during the inspection. We have no knowledge of the existence of such materials on or in the property unless otherwise stated, nor are we qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value opinion is predicated on the assumption that no such hazardous substances exist on, in, or the property, which could affect value. We assume no responsibility for any such hazardous substances, nor for any expertise or knowledge required to discover them.

Unless stated in this report, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence was exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.

Good title, free of liens, encumbrances and special assessments is assumed. No responsibility is assumed for matters of a legal nature.

Necessary licenses, permits, consents, legislative or administrative authority from any local, state or Federal government or private entity are assumed to be in place or reasonably obtainable.

We assume there are no zoning violations, encroachments, easements or other restrictions which would affect the subject property, unless otherwise stated (see extraordinary assumptions).

We are not required to give testimony in Court in connection with this appraisal. If we are subpoenaed pursuant to a court order, the client agrees to pay our, Shannon and Associates, regular per diem rate plus expenses.

Our appraisals are based on the data available at the time the assignment was completed. Amendments or modifications based on new information made available after the appraisal was completed will be made for an additional fee.

Americans with Disabilities Act (ADA) of 1990

A civil rights act passed by Congress guaranteeing individuals with disabilities equal opportunity in public accommodations, employment, transportation, government services, and telecommunications. Statutory deadlines become effective on various dates between 1990 and 1997. Shannon and Associates has not made a determination regarding the subject's ADA compliance or non-compliance. Non-compliance could have a negative impact on value; however this has not been considered or analyzed in this appraisal.

Scope of Work

According to the Uniform Standards of Professional Appraisal Practice, it is our responsibility to develop and report a scope of work that results in credible conclusions that are appropriate for the appraisal problem and intended user(s). Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments.

Scope of Work

Report Type:	The intent of this appraisal report is to summarize market and subject property information in order that the client and intended users have a sufficient understanding of the appraisal process. This includes comprehensive and detailed descriptions of the appraisal process, subject and market data, and valuation analyses.
Purpose:	The purpose of this assignment is to estimate the current 'As Is' market value of the subject's Fee Simple Interest as of the date of value.
Intended Use:	The intended use of this appraisal is to assist the client and intended users in determining market value of the subject property for negotiating purposes.
Intended User:	The intended user is The City of Loveland..
Property Rights Appraised:	Based on the scope of this assignment the subject's Fee Simple interests were appraised. Fee Simple interest is defined as follows: **Fee Simple**[1] interest is defined as: *"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."*

[1] Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th Ed., 2010, p. 78

Definition of Value:	The purpose of this appraisal is to estimate **Market Value** of the subject property, as of July 15, 2015, the date of inspection.
	Market Value[2], as used in this report, is defined as: *"The most probable price which a property should bring in a competitive, open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:* • *Buyer and seller are typically motivated;* • *Both parties are well informed or well advised, and acting in what they consider their best interests;* • *A reasonable time is allowed for exposure in the open market;* • *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and* • *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*
Effective Date of Value:	July 15, 2015, this was the date of inspection.
Inspecting Appraisers:	David Bowes and Donald Shannon inspected the subject property.
Extent of the Inspection:	We inspected and photographed the exterior and interior of the subject property.
Market Analysis:	We analyzed current market conditions including sales and listings relevant to this analysis.

[2] Appraisal Institute, p. 123

Highest and Best Use Analysis:	We analyzed the subject's highest and best use, as though vacant and as improved including: physically possible; legally permissible, financially feasible, and maximally productive uses. Highest and best as though vacant is to hold for light industrial or office development. Highest and best use as improved is continued use as single-tenant industrial/manufacturing.
Valuation Analyses	
Cost Approach:	The cost approach was considered and was not applied because depreciation is difficult to measure accurately based on the age of the improvements. This method of appraisal is not a reliable approach for this property.
Sales Comparison Approach:	A sales approach was considered and was developed because this approach to value is typically used for this property type.
Income Approach:	An income approach was considered and was applied because the subject is an income producing property and there is adequate data to develop a value estimate with this approach.
Hypothetical Conditions:	There are no Hypothetical Conditions for this appraisal.
Extraordinary Assumptions:	There are no Extraordinary Assumptions for this appraisal.

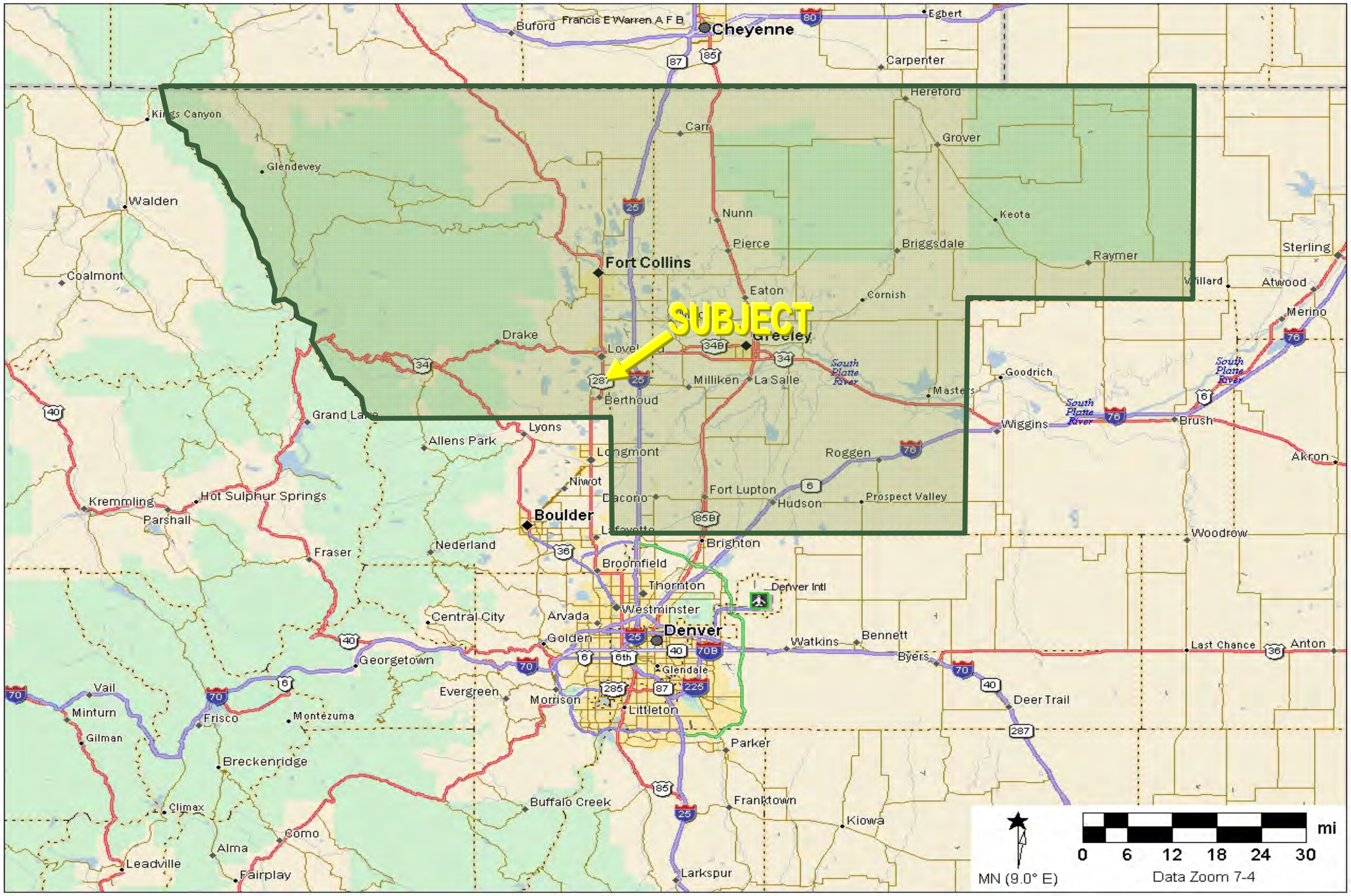
Northern Colorado Regional Data

The Northern Colorado real estate market began to soften in 2007 and continued to decline through the 4th Quarter of 2012. However, over the last three years most commercial markets are beginning to recover. Please refer to the Northern Colorado Regional Analysis located in the Addendum for a complete analysis of the regional economy and real estate market.

The region's economy and real estate market are summarized as follows:

- The population has steadily increased over the last 10 years.
- Unemployment for the region has historically been and continues to be lower than the state and national averages.
- Income in the region has seen a steady increase for the middle income bracket of $50,000-$100,000 over the last 10 years. The upper income bracket of $100,000+ and the lower income bracket of $0-50,000 have experienced minor increases and decreases over the last 10 years.
- The general economy and commercial and residential real estate market markets were stagnated or declining from 2008 to 2012; most markets are stabilized and/or improving.
- The office and medical office markets in the region are beginning to absorb much of the vacant space. Vacancy rates and rental rates have stabilized.
- The industrial market has fared better than other regional real estate sectors as it did not experience as much growth during the real estate boom of the early to mid 2000's. There is currently strong demand for industrial space.
- The retail market is stable; however, the city's major mall is in the process of being redeveloped.
- The apartment market experienced moderately high vacancy rates during the housing market boom. However, as the real estate market softened over the consecutive years, the vacancy rate has steadily decline and rental rates have increased. there is currently very strong demand for apartments.
- Residential development boomed in the early to mid 2000's, but with the economic downturn came almost to a complete halt through 2012. As of 2015, continued population growth, the existing supply of available housing has been absorbed, prices are increasing and new development is moving forward.

Figure 1- Subject Location



Subject Area

Location/Boundaries

The subject property is located in southwest Loveland on the south side of 14th Street Southwest. The immediate area along 14th Street SW is primarily office, industrial manufacturing, retail, and apartment uses. The immediate area is mostly built out.

The subject area is loosely bounded by:

North:	1st Street)
South:	County Road 16
East:	Taft Avenue
West:	State Highway 287

Regional influences include the tri-city area including Greeley, Fort Collins, and Loveland. City and Regional Data detailing the market conditions in terms of population, employment, and other pertinent market data is included in Addendum of this report.

A map of the subject area is shown in Figure 2 on the following page.

Access

Interstate Highway 25 is the major north/south highway system along the Front Range of the Rocky Mountains and is the main travel route from Northern Colorado to the Denver Metropolitan Area.

State Highway 402 (14th Street SW) is primarily the southern border of the City of Loveland and intersects at Highway 287 on the south edge of Loveland. Interstate 25 is five miles east.

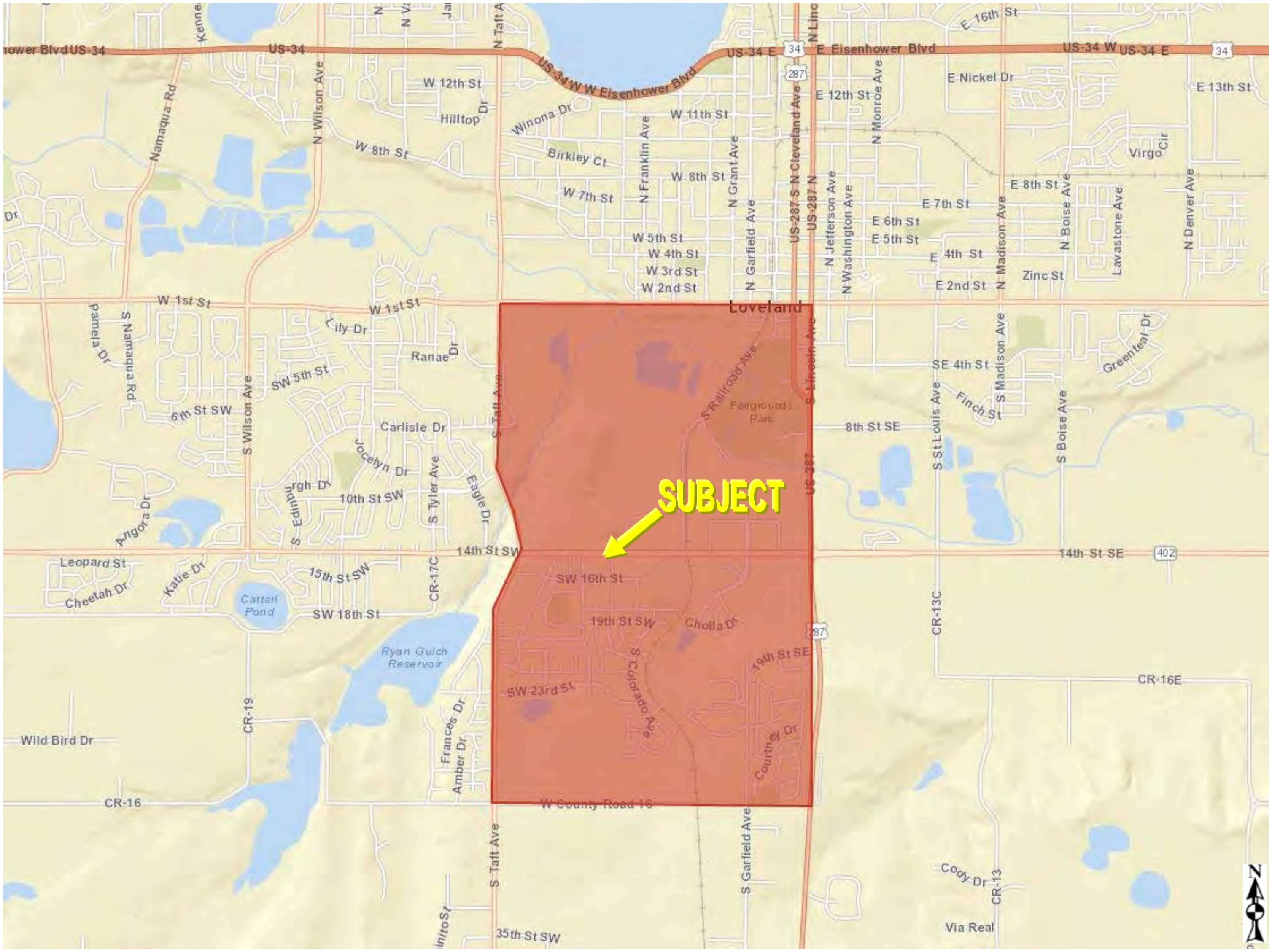
US Highway 34 (Eisenhower Boulevard in Loveland) is a four lane divided highway it is the main access from Interstate 25. It extends from Greeley on the east, through Loveland, connecting Estes Park and Rocky Mountain National Park to the west.

US Highway 287 extends from Fort Collins to the north, through Loveland, connecting Longmont and the Denver Metropolitan Area to the south. The subject property fronts US 287 four miles west of I-25.

Utilities

All public utilities are available to properties in the subject area through the city, county, or public utility companies. This includes: electric power, natural gas, domestic water and fire hydrants, sanitary sewer, and telephone service.

Figure 2- Subject Area



Flex/R&D Rents and Vacancies

The following table contains office market statistics from 2008 to 2015 as reported by the CoStar Market Reports:

3rd 2nd	Loveland Flex/Industrial Statistics		
Year	Average NNN Rent	Annual % Rent Δ	Occupancy Rate
2008	$10.20	N/A	96%
2009	$9.00	-11.8%	85%
2010	$7.15	-20.6%	84%
2011	$6.45	-9.8%	84%
2012	$6.15	-4.7%	85%
2013	$7.30	18.7%	86%
2014	$7.30	0.0%	87%
2015	$8.60	17.8%	88%
Source: CoStar Market Reports			

From 2008 to 2012 the Flex/R&D market suffered due to increasing vacancy rates and declining rents. As of 2015 rents have increased significantly and overall occupancy is improving. According to several brokers in the Loveland area the Flex/R&D market will continue to improve.

Conclusion

Starting in about 2000 growth occurred in retail, office, residential and industrial markets, driven by the actual (and anticipated) increasing population trends and economic boom throughout the Northern Colorado Region. That growth tapered off significantly in about mid-year 2007 and most commercial sectors, including office experienced negative growth. Since 2013 the markets have rebounded and Flex/R&D rents are gaining strength. The overall economic health of the subject area is positive.

Property Description

The following description of the subject site and improvements is based upon our inspection of the subject and review of all applicable plans provided by the owner.

Subject Site

Location:	The subject site is located on the south side of 14th Street Southwest in Loveland.
Current Use of the Property:	The subject site is improved with a 14,500-gross-square-foot industrial manufacturing building in good condition.
Legal Description:	Lot 1, Block 1, Loma Vista 1st Subdivision, City of Loveland, Larimer County, Colorado.
Site Size:	1.16 acres or 50,640 square feet.
Shape:	Rectangular. The site is rectangular shaped with the improvements situated in the middle of the site. The site's shape is adequate for all types of development.
Frontage/Access:	The subject property has good frontage on 14th Street SW. The site includes approximately 240 feet along 14th Street SW and is about 211 feet deep. Full-turn access to the subject from 14th Street is from the unsignalized intersection at California Avenue. The subject includes direct, right-in/right-out access to 14th Street via a shared driveway easement with the adjacent office development to the west. The overall access to the subject property is considered "Average".
Block location:	The subject is a corner lot located at the southwest corner of 14th Street SW and California Avenue.
Visibility:	The subject has "Good" frontage on 14th Street SW, a primary east/west arterial through Loveland. Visibility is somewhat limited by the extensive landscaping and trees along the north side of the subject site.
Topography:	The subject is level and at grade with the street and adjacent properties.
Soil Conditions:	The soil conditions observed at the subject appear to be typical of the region and adequate to support development.

Environmental Issues	We were not provided a Phase II environmental report nor are we qualified to detect the presence of environmental hazards. Our value estimate assumes there are not any environmental hazards on or about the site that would result in a diminution in value. We did not observe any obvious signs of environmental hazards during our inspection of the property (see Assumptions and Limiting Conditions).
Easements:	We were not provided with a Commitment for Title Insurance for the subject property. A specific Assumption and Limiting Condition of this appraisal is that there is no detrimental impact on value due to land use restrictions (see, Assumptions and Limiting Conditions).
Utilities:	All services and public utilities are available to the subject.
Site Improvements and Landscaping:	The subject includes curb, sidewalk and gutter. The subject includes significant landscaping including decorative rock, trees, shrubs, and mulch. The landscaping is serviced by an automatic sprinkler system. The landscaping is considered very good for this property type.
Flood Zone:	FEMA map number 08069C1189F, dated December 19, 2006. The subject is not in a flood zone. .
Zoning Code	B- Business, Loveland
Zoning Description	The Developing Business district is intended to provide for auto-oriented and auto-dependent uses, primarily along established commercial corridors of the City. This district provides a wide range of commercial uses including retail, office, medical office, restaurant, and hotel. The subject conforms to the development standards and the zoning restrictions do not unreasonably limit the development potential of the subject property.
Site Comments:	The subject site is a 50,640-square-foot light industrial site located in southwest Loveland. The site is adequately sized and shaped for any medium-sized development. Surrounding commercial uses primarily include industrial and office uses. The area is an urban area and mostly built-out. The overall outlook for the subject site is good.

Subject Exterior Photographs

14th Street SW looking east.

North elevation looking southwest.

North elevation looking southeast.

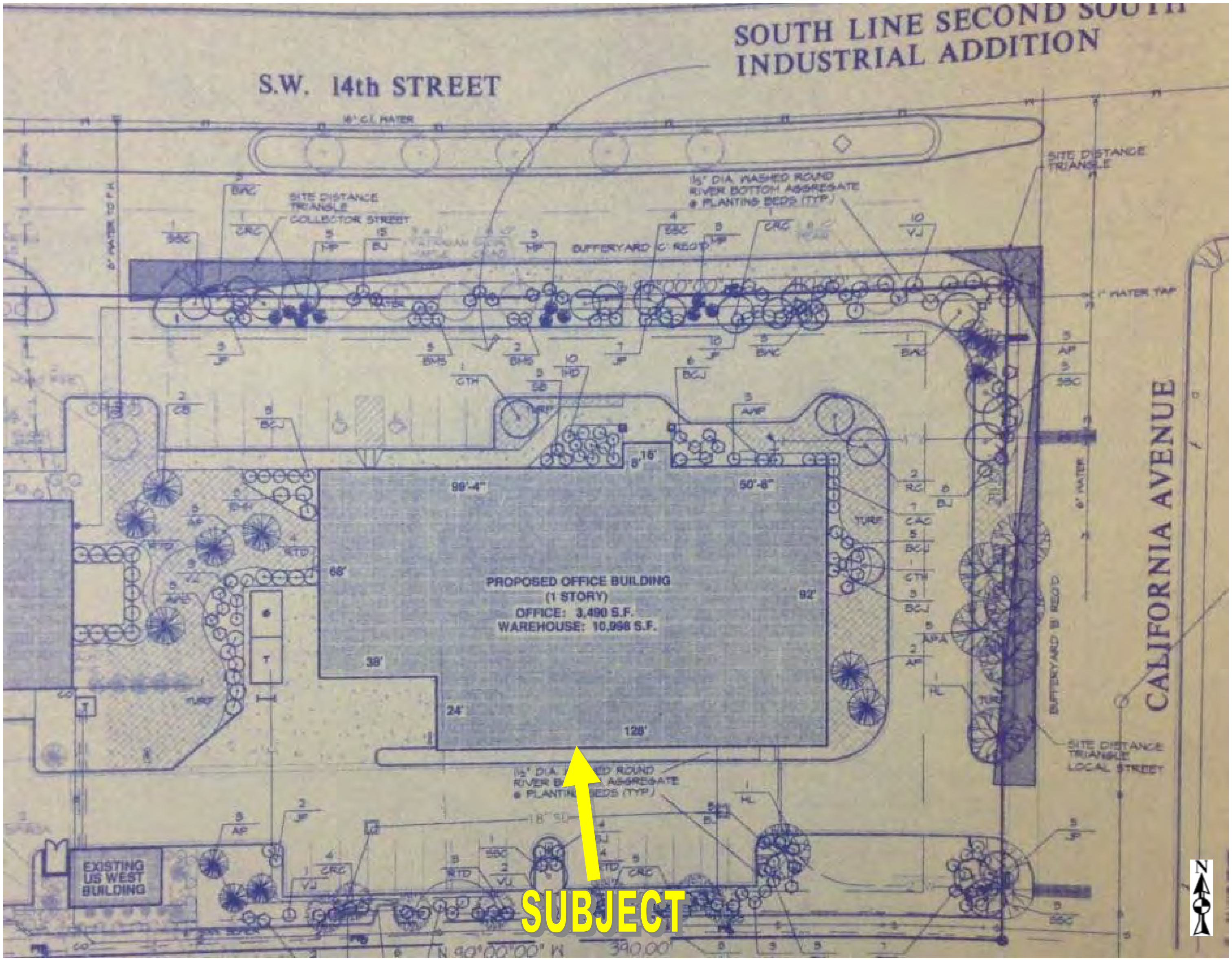
West elevation looking northeast.

Drive-through and dock-high doors located on the southwest corner of the building.

Subject landscaping.

Figure 3- Aerial Map

Figure 4- Subject Site Plan



Subject Improvements

The following is a general description of the interior and exterior of the subject based on our physical inspection.

General

Building Identification:	The subject is a industrial manufacturing building in good overall condition.
Building Description:	The subject building is a former computer switch center that was occupied by a single-tenant until about a year ago.

Building Area	Sqft	Comments
Office	2,916	Includes two single-user bathrooms, reception area, five offices, conference room, break room with sink, and foreman office that looks in toward the manufacturing area.
Manufacturing	11,572	This area includes three sections: Switch room, Co-Location area, receiving area. Switch room- Open area with 15-foot ceilings, two individual-user bathrooms, and a drive-thru door to the receiving area. This area is fully air conditioned with tiled floors and finished walls. Co-Location Area- Mostly open area with two sectioned-off office area. The ceilings are 15 feet and the area is fully air conditioned. The floors are tiled floors and the walls are finished Receiving area- Unfinished area that includes one, 10' x 7' drive-thru door and one, 8' x 8' dock-high door. The area has radiant heat and no air conditioning.
Total:	14,488	

% Office Space:	26%
Site Area Square Feet:	50,640
Parking Spaces:	27
Parking Ratio/1,000:	1.86
LTB:	3.50

Construction:	Class C, Masonry
Construction Quality:	Good
Year Built:	2000
Renovations:	None noted
Effective Age:	8 years.
Remaining Useful Life:	42
Condition:	Good
Deferred Maintenance:	We were not shown an engineering report regarding the subject's current condition. Based on our inspection we did not see any

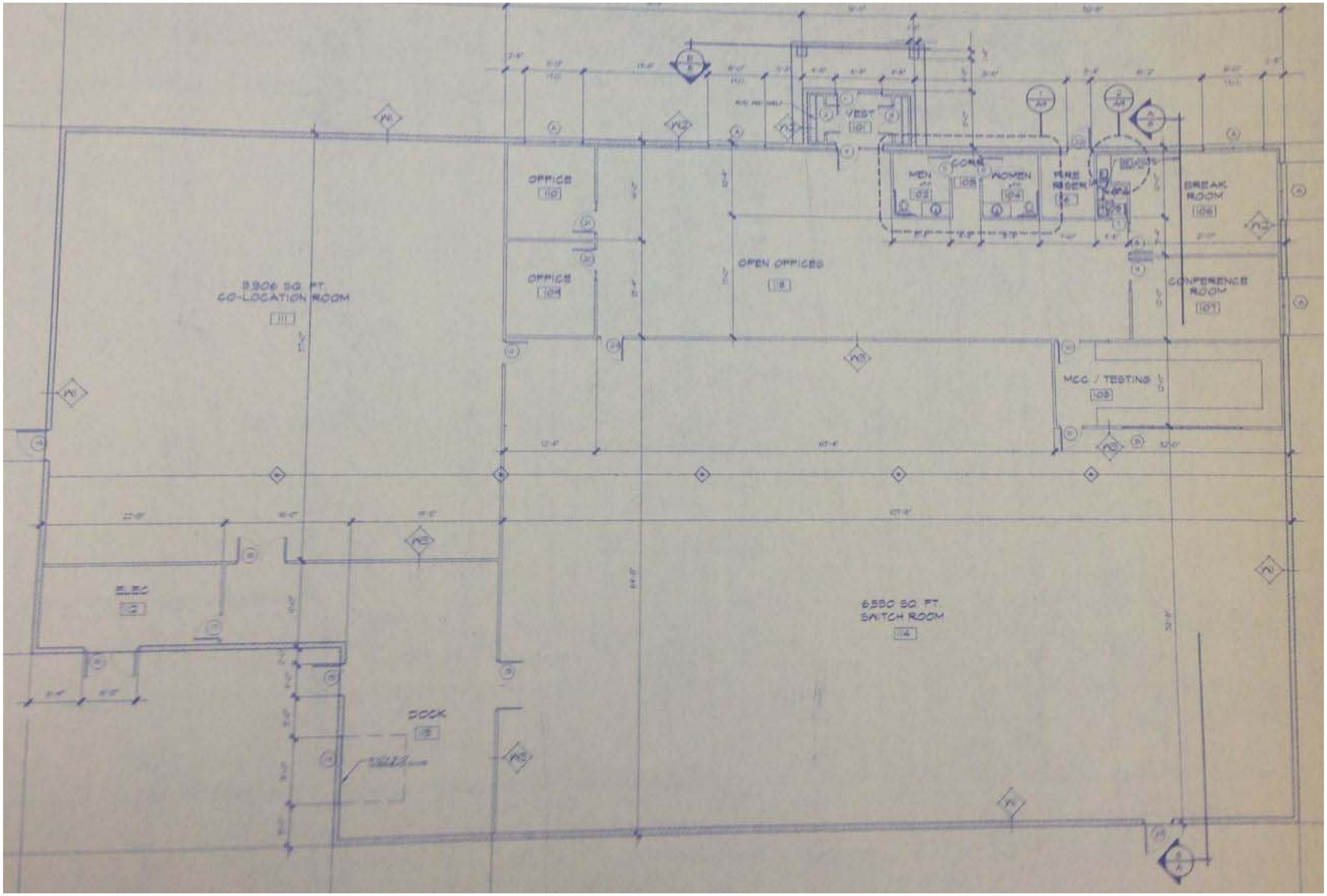
	significant exterior deferred maintenance. Our inspection of the interior indicated some water damage to the office ceiling tiles. We strongly recommend an engineering inspection prior to finalizing a sale price.
Appeal/Appearance:	Good
Areas, Ratios & Numbers:	Number of Stories: 1 Gross Building Area: 14,488 square feet Land to Building Ratio: 2.98 to 1.
Foundation, Frame & Exterior	
Foundation:	Poured concrete slab
Basement/Sublevels:	N/A
Structural Frame:	Masonry frame
Exterior:	Ribbed masonry
Windows:	Fixed, metal frame
Roof/Cover:	Flat / Unknown, assumed adequate.
Service Access/ Overhead Doors:	The building is served by (2) 10' OH doors; one drive-thru and one dock-high.
Interior	
Floor Cover:	Carpet and tile in the office area, tile in the switch room and co-location room, and concrete in the receiving room.
Walls:	Painted drywall and painted cement block
Ceilings & Height:	Acoustic ceiling panels and exposed / 8 feet in office area; 15 feet in manufacturing area
Lighting:	A mix of fluorescent and incandescent lighting.
Restrooms:	Four, individual user restrooms
Mechanical Systems	
Heating:	Gas forced air, central air conditioning in the switch room area, office area, and Co-location area (+/- 87% of gross building area). Radiant heat and no AC in receiving area.

Electrical:	Seven (7) 277/480 volt, 3-phase/4-wire units and Two (2) 120/208 volt, 3-phase/4-wire units. Based on our inspection of the building plans and physical inspection we deduced the 277/480 volt panels have a capacity of 6,250 amps with a demand load of 1,932 amps. The two 120/208 units have a capacity of 625 amps with a demand load of 175 amps. All of the units are manufactured by Cutler-Hammer.
Plumbing Condition:	Appears adequate
Security:	The building includes an intruder alarm.
Sprinkler:	Yes
Parking	
Parking Type and spaces:	Type: Asphalt, surface parking Spaces: 27 Ratio: 1.59 spaces per 1,000 square feet

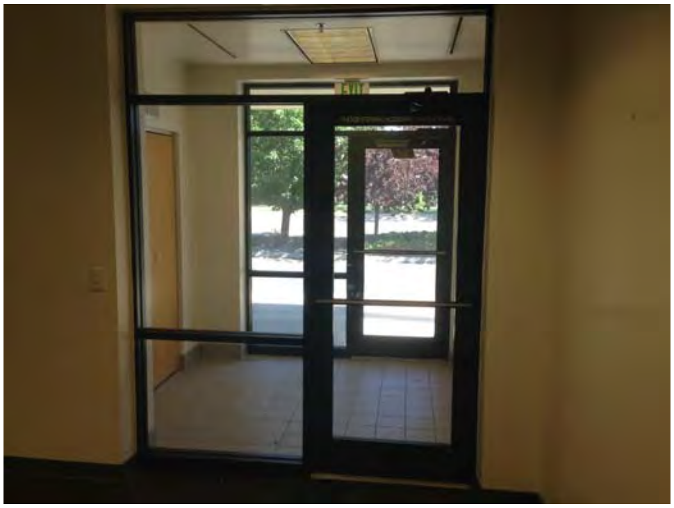
Comments

The improvements appear to be in good overall condition with no significant deferred maintenance noted. The floor plan functions well for its use. Although the building includes super-adequate electrical the market typically does not include a value premium equal to the cost to install the electrical infrastructure. The overall outlook for the subject improvements is good.

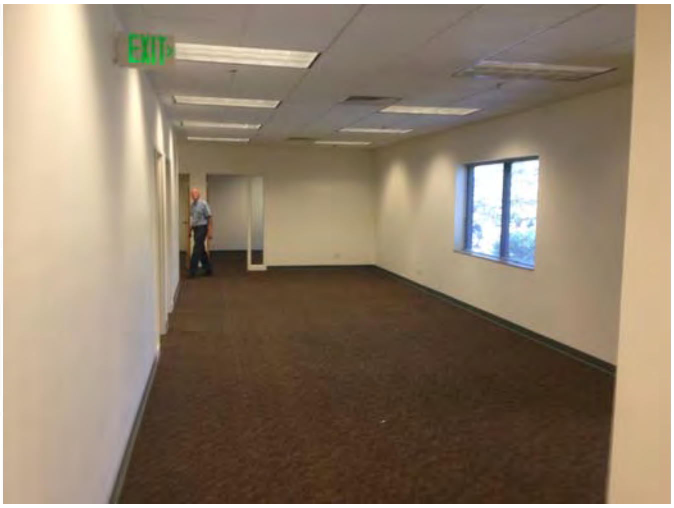
Figure 5- Building Plan



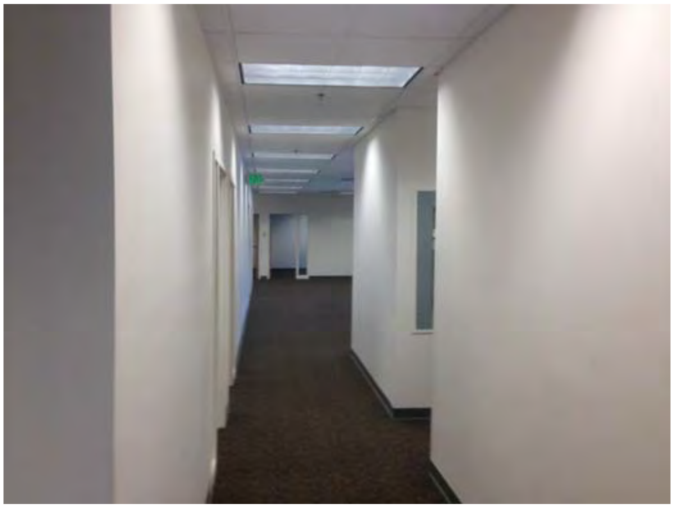
Subject Interior Photographs



Office area- Front entrance.



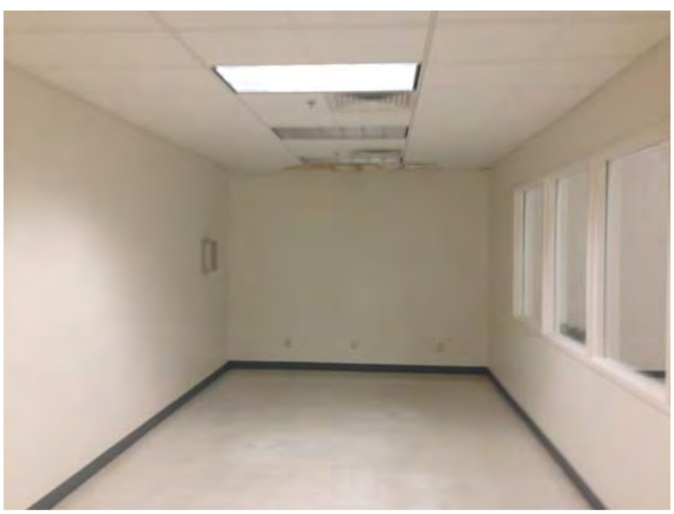
Office area- reception area



Office area- hallway.

Office area- office.

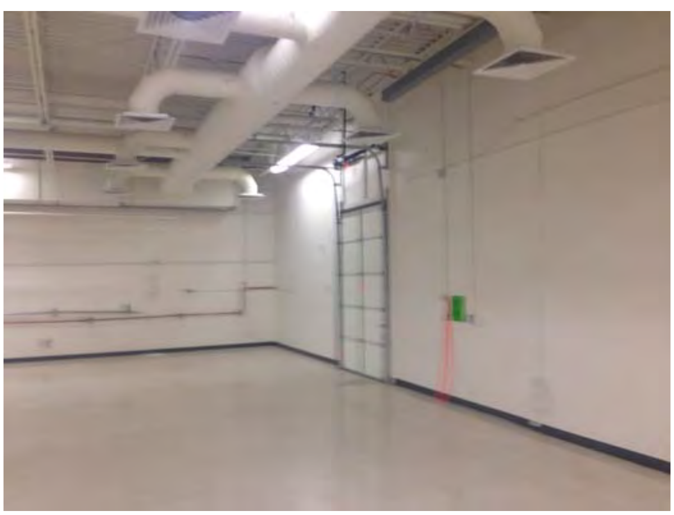
Office area- conference room.



Office area- foreman office.

Switch room- main area.

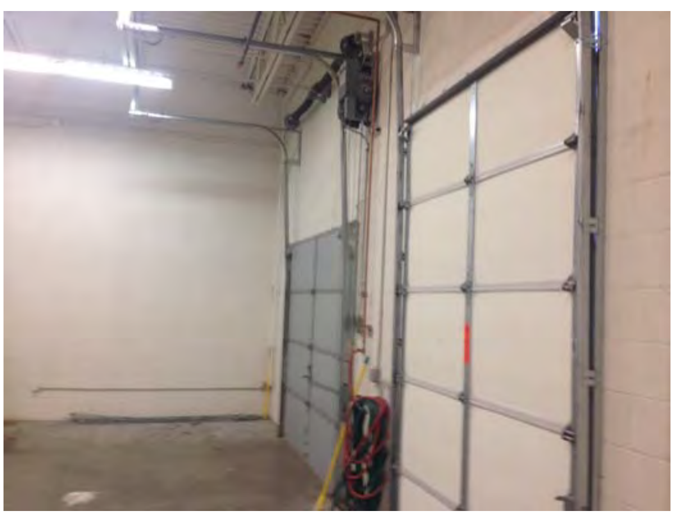
Switch room- bathrooms.



Switch room- drive-thru door to receiving area.

. Co-location area- Open area.

Co-location area- partitioned office area.



Receiving area.

Assessment and Taxes

Real Estate Assessment and Taxes	
Taxing Authority	Larimer County
Assessment Year	2014 payable in 2015
Taxes and Assessed Values	
Parcel Number	9526225001
Land Actual Value	$177,200
Improvement Actual Value	$847,800
Total Actual Value	$1,025,000
Land Assessed Value	$51,388
Improvement Assessed Value	$245,862
Total Assessed Value	$297,250
Mill Levy	75.196
Estimated Tax Amount	$22,352
Comments	The 2014 taxes payable in 2015 are paid in full. The 2015 taxes payable in 2016 are estimated based on the 2015 assessed values applied to the 2014 mill levy.

Highest and Best Use

Highest and best use is defined as:

> *The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.*

Inherent in this definition is the use must be legally permissible, physically possible, financially feasible, and maximally productive. These criteria are usually considered sequentially.

As Though Vacant

Legally Permissible:	The subject site is zoned B- Business, which is a commercial retail/office/light industrial zoning designation. This zoning district allows for most commercial development and does not unreasonably limit the subject's development potential.
Physically Possible:	The subject site is a 50,640-square-foot, "Rectangular" shaped site with "Average" access and "Good" frontage on 14th Street SW. The lot is large enough for most small to medium sized commercial development. There are no apparent physical limitations to the development of the subject site.
Financially Feasible:	Surrounding uses are primarily apartment, light industrial, retail and office uses. Based on the current economy, new speculative commercial construction is on hold until market fundamentals improve.
Maximally Productive:	The highest and best use "as vacant" takes into consideration what is legally permissible, physically possible, financially feasible, and maximally productive. Highest and best as though vacant is to hold for light industrial or office development.

As Improved

Legally Permissible:	The current use is legally permissible.
Physically Possible:	The current use is physically possible.
Financially Feasible:	The current use of the building is financially feasible if properly priced.
Maximally Productive:	Highest and best use as improved is continued use as single-tenant industrial/manufacturing.

Ownership Profile

Based on an examination of the marketplace and the physical configuration of the improvements, the likely ownership profile is an owner/user.

Approaches to Value

Professional Appraisal Practice customarily includes the Cost, Income, and Sales Comparison Approaches to Value to develop a final value estimate. The use of one or more of these techniques may be determined by the quantity or quality of data available. In some instances, depending upon the type of property appraised or the purpose of the appraisal, one or two of the approaches may carry more weight or may furnish a more reliable indication of value than the others. In other instances, because of use, age, design, obsolescence or inadequacy of data, one may be accorded little weight in a correlation of the approaches into a final value estimate. Exhibits are used in each approach to describe sales data and justify required adjustments.

The Cost Approach

The Cost Approach involves estimating the current reproduction or replacement cost of improvements and subtracting the depreciation from all causes, as of the date of the appraisal. The estimated value of the land is then added to the depreciated cost of the improvements. The land value is developed through comparing recent sales of similar vacant parcels to the subject site, "as vacant" and available to be put to its Highest and Best Use. The estimates of replacement costs are based on the various services and knowledge of the local market.

The Income Approach

The Income Approach to Value converts a stream of net income into an indication of value by use of a Capitalization Rate (Direct Capitalization) or a Discount Rate (Yield Capitalization, i.e., Discounted Cash Flow Analysis). The estimate of economic rent, defined as rent a property would demand if it were available for lease as of the date of the appraisal, is used to develop the potential gross annual income. In the Income and Expense Statement, deductions are made for operating expenses, vacancy and collection losses to derive a Net Operating Income. Through analysis of comparable sales and/or examination of the financial market, a Capitalization Rate is calculated. Net Income divided by the Capitalization Rate indicates value by the Income Approach.

Sales Comparison Approach

The Sales Comparison Approach is based on elements of direct comparison. Adjustments are made to the sale price of each comparable property to reflect the differences between each sale and the subject property.

Final Reconciliation

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied for a single estimate of market value. Different properties require different means of analysis and lend themselves to one approach over the others.

Analyses Applied

A **cost analysis** was considered and was not applied because depreciation is difficult to measure accurately based on the age of the improvements. This method of appraisal is not a reliable approach for this property.

A **sales comparison analysis** was considered and was applied because this approach to value is typically used for this property type.

An **income analysis** was considered and was applied because the subject is an income producing property and there is adequate data to develop a value estimate with this approach.

Sales Comparison Approach

The Sales Comparison Approach is based on the premise that a buyer will pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

- The subject's competitive market is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The most pertinent data and details of the transaction are analyzed.
- The most meaningful unit of comparison for the subject property is determined.
- Each comparable sale is analyzed and, where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed and reconciled for a final indication of value.

The subject is a 14,488-gross-square-foot industrial manufacturing building, in "Good" condition. Comparables Sales were selected based on the following criteria:

- Size: 9,000 to 20,000 gross square feet
- Location: Loveland/Berthoud
- Sale Dates: January 2014 to present
- Highest and Best Use: Industrial/Flex

The most applicable unit of comparison is price per square foot. Photos and descriptions of each comparable are presented on the following pages. The sales and adjustments are shown in Table 1 on page 40.

Comparable 1

Transaction

County	Weld	**Date**	5/12/14
Address	100 Gateway Dr.	**Price**	$1,164,000
City	Berthoud	**Price Per SF**	$129.33
Market	Berthoud	**Transaction Type**	Closed
Parcel ID	106103434001	**Financing**	Conventional
Grantor	Panilolo, LLC	**Property Rights**	Fee Simple
Grantee	ASC, Ltd	**Verification Source**	Larry Melton, Broker

Site

Acres	2.8	**Land to Building Ratio**	13.6
Land SF	122,404	**Access**	Average
Road Frontage	Gateway Dr.	**Parking**	Unknown
Synergy	Average	**Visibility**	Average

Building

GBA	9,000	**Property Type**	Industrial
Year Built	2014	**Percent Office**	33%
Construction	Metal frame	**Clear Height**	Unknown
Marshall & Swift Building Class	Class S		
Condition	Average		
Renovations	None		

Comments

Cash, arms-length transaction. Purchased by an owner/user. The exterior finish is metal frame and in overall average condition. The interior office space is typical office space and includes HVAC. The remainder of the interior is typical warehouse space and does not include HVAC. The landscaping is limited and in average overall condition. The property is located in Gateway Industrial Center at the NWQ of Hwy 60 and I-25. Most of the lots in the industrial center have been sold. According to CoStar, the average rent in the immediate area is about $11.50/sqft (nnn).

Comparable 2

Transaction

County	Weld	**Date**	9/25/14
Address	208 Gateway Drive	**Price**	$2,000,000
City	Berthoud	**Price Per SF**	$135.14
Market	Berthoud	**Transaction Type**	Closed
Parcel ID	10610343407	**Financing**	Conventional
Grantor	Southwest Properties, LLC	**Property Rights**	Fee Simple
Grantee	Gary Roberts	**Verification Source**	Craig Hau, Broker

Site

Acres	1.7	**Land to Building Ratio**	4.9
Land SF	72,494	**Access**	Average
Road Frontage	Gateway Dr.	**Parking**	Unknown
Synergy	Average	**Visibility**	Average

Building

GBA	14,800	**Property Type**	Industrial
Year Built	2002	**Percent Office**	40%
Construction	Masonry and metal	**Clear Height**	Unknown
Marshall & Swift Building	Class C and S		
Condition	Average		
Renovations	None		

Comments

Cash, arms-length transaction. Purchased by the occupying tenant. The exterior finish is metal frame with masonry facade and is in average overall condition. The interior office space is typical office space and includes HVAC. The remainder of the interior is typical warehouse/shop space and does not include HVAC. The landscaping is limited and in average overall condition. The property is located in Gateway Industrial Center at the NWQ of Hwy 60 and I-25. Most of the lots in the industrial center have been sold. According to CoStar, the average rent in the immediate area is about $11.50/sqft (nnn).

Comparable 3

Transaction

County	Larimer	**Date**	7/31/14
Address	6833 N. Franklin Ave.	**Price**	$1,530,000
City	Loveland	**Price Per SF**	$90.80
Market	Lovelanid	**Transaction Type**	Closed
Parcel ID	9626119001	**Financing**	Conventional
Grantor	Gatorwest. LLC	**Property Rights**	Fee Simple
Grantee	Loenig Legacy, LLC	**Verification Source**	Randy Marshall, broker

Site

Acres	2.5	**Land to Building Ratio**	6.46
Land SF	108,900	**Access**	Average
Road Frontage	Franklin Ave.	**Parking**	Unknown
Synergy	Average	**Visibility**	Average

Building

GBA	16,850	**Property Type**	Industrial
Year Built	2000	**Percent Office**	18%
Construction	Masonry and metal frame	**Clear Height**	Unknown
Marshall & Swift Building	Class C and S		
Condition	Average		
Renovations	None		

Comments

Cash, arms-length transaction. Located in Longview industrial park with significant vacant lots available for sale. According to CoStar, the average lease rate in the immediate area is about $7.50/sqft (nnn). Purchased by a church group for offices and services.

Figure 6- Comparable Sales Map

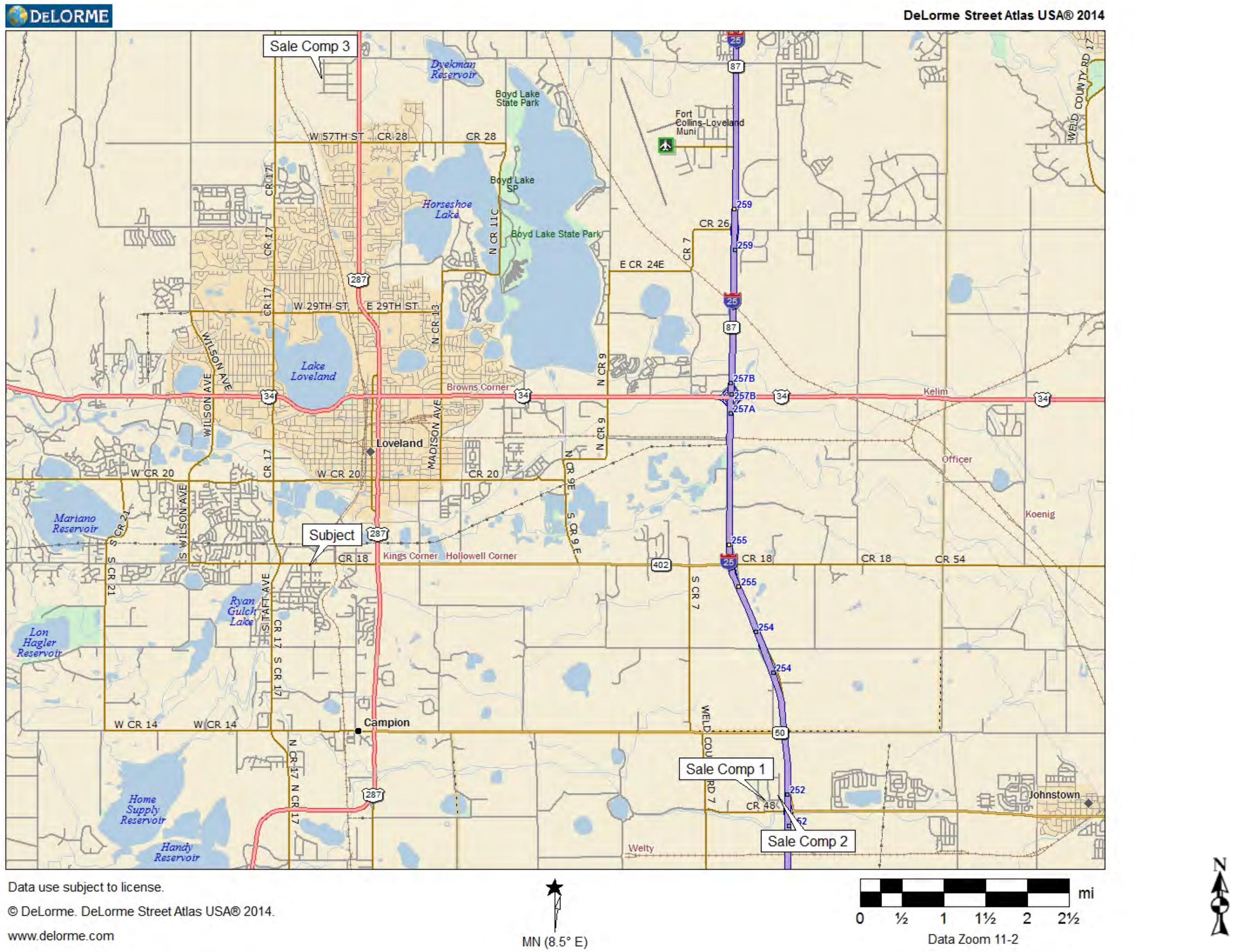


Table 1- Comparable Sales Adjustments

Analysis Grid			Comp 1		Comp 2		Comp 3	
Address	710 14th Street		100 Gateway Dr.		208 Gateway Drive		6833 N. Franklin Ave.	
City	Loveland		Berthoud		Berthoud		Loveland	
County	Larimer		Weld		Weld		Larimer	
Date	[redacted]		May-14		Sep-14		Jul-14	
Price	[redacted]		$1,164,000		$2,000,000		$1,530,000	
GBA	14,488		9,000		14,800		16,850	
GBA Unit Price	[redacted]		$129.33		$135.14		$90.80	
Transaction Adjustments								
Property Rights	Fee Simple		Fee Simple	0.0%	Fee Simple	0.0%	Fee Simple	0.0%
Financing	Conventional		Conventional	0.0%	Conventional	0.0%	Conventional	0.0%
Conditions of Sale	Cash		Normal	0.0%	Normal	0.0%	Normal	0.0%
Less: Land Value								
Adjusted GBA Unit Price			**$129.33**		**$135.14**		**$90.80**	
Market Trends Through	Jul-15	5.0%	5.9%		4.0%		4.8%	
Adjusted GBA Unit Price			$136.97		$140.53		$95.14	
Location	See Comments		See Comments		See Comments		See Comments	
% Adjustment	[redacted]		-5%		-5%		10%	
GBA	14,488		9,000		14,800		16,850	
% Adjustment	[redacted]		-5%		0%		5%	
Condition	See comments		See comments		See comments		See comments	
% Adjustment	[redacted]		5%		5%		10%	
Percent Office	26%		33%		40%		18%	
% Adjustment	[redacted]		0%		-5%		10%	
Land to Building Ratio	3.5		13.6		4.9		6.5	
% Adjustment	[redacted]		-5%		0%		0%	
Adjusted GBA Unit Price			**$123**		**$134**		**$128**	
Net Adjustments			-10.0%		-5.0%		35.0%	
Gross Adjustments			20.0%		15.0%		35.0%	

The comparable sales represent the best available from the market to estimate the subject's value. All of the comparable sales are cash equivalent, arms-length transactions.

The sales are compared to the subject using annual price per gallon sold as the unit of comparison. Some general comments regarding the adjustment factors applied to the sales are:

Conditions of Sale and Economic Adjustments

Property Rights Conveyed**.** All of the comparable sales are confirmed as transfers of the fee simple or leased fee estate with no leasehold value nor was any inventory values included in the sale prices; therefore, no adjustments for property rights were necessary.

Financing Terms**.** All of the sales involved cash or terms equal to cash. No adjustments were necessary.

Conditions of Sale.

All of the comparable sales are confirmed as arm's length market transactions with no special conditions, motivations, or undue stimulus affecting the sale price. No adjustments were necessary.

Market Conditions (Date of Sale). Until mid-year 2007, the Northern Colorado commercial market was experiencing a vibrant growth cycle including several new developments, increasing rents, decreasing capitalization rates, and increasing land and improved values. Conversations with several brokers active in the market and general market current trends indicated the following: lull in sales activity; an increase in capitalization rates (which is the measure to attract investors); and overall negative growth since mid-year 2007. It is hard to quantify the significance of the growth and fall of the commercial markets when there are so few recent sales. The market condition adjustments are based primarily on anecdotal evidence from brokers, a macro look at falling values, and the negative disparity between listing prices and actual sale prices.

To quantify capitalization rate changes into a market conditions adjustment we analyzed average Flex/R&D capitalization rates in 2012 and current Flex/R&D capitalization rates in the local, Front Range, and national markets (see page 55). We apply overall net operating income of $100,000 to past and current capitalization rates to find out a percent change in values. The analysis is as follows:

CAPITALIZATION RATE ANALYSIS									
	Avg Capitalization Rates		Overall Value			Annual Change			
Income	Jun-14	Current	Jun-14	Current	%Δ	Jun-14	Date of Value	Total Years	Annual Δ
$100,000	7.6%	6.8%	$1,323,967	$1,461,988	10.4%	Jun-14	Jul-15	1.1	9.3%

Capitalization rates using market survey averages in 2012 were generally ranging from 6.6% to 8.2%, averaging about 7.6%. The same survey averages indicated capitalization rates today are about 5.8% to 7.8%, averaging about 6.8%; a -70 basis points change. This indicates some growth since 2012 but does not account for market changes in the immediate subject area.

We also analyzed average rents from 2012 to 2015 in the Loveland area Flex/R&D sector to note any significant changes in the market (see subject area write-up). The overall annual change is shown as follows:

MARKET RENT ANALYSIS						
Jun-14	2015	%Δ	Jun-14	Date of Value	Total Years	Annual Δ
$7.30	$8.60	17.81%	Jun-14	Jul-15	1.1	15.9%

The overall Flex/R&D markets in the subject area, Loveland, and Northern Colorado are generally doing better than the past several years; the average rent in Loveland has increased significantly over the last year.

Based on the capitalization rate and market rent analysis, comments from brokers, owners, and developers, and the general trends since 2014, we conclude at a 5.0% annual upward market adjustment from the date of sale to the date of value.

Physical Adjustments (After Market Conditions Adjustments)

Location. Location can be rated by many different criteria including access, visibility, rents and land values in the area, income and home prices, neighboring development, and/or significant draws nearby. Although some of these factors can be quantified, typically applying location adjustments are a combination of all of the factors as well as a judgment call from the appraiser. Typically the location adjustment is attributable to the value in the land relative to the subject and comparable sales overall values.

Based on quantified and qualified analysis, the subject, comparable sales, and adjustments are arrayed by location from best to worst as follows:

Sale	Sale Price/SF	Synergy	Availability of Vacant Land	Average Rent/SF (1/2 mile radius)	Adjustment
Comp 2	$141	Average	Limited	$11.50	-5%
Comp 1	$137	Average	Limited	$11.50	-5%
Subject	TBD	Good	Limited	$7.50	N/A
Comp 3	$95	Average	Significant	$7.50	10%

All other factors aside, the table generally shows a correlation between the location and price paid per square foot.

Gross Building Area. Generally there is an inverse relationship between size and price paid per square foot, all other factors being equal. The subject and comparable sales are arrayed by size along with their corresponding adjustments as follows:

Sale	Sale Price/SF	GBA	Adjustment
Comp 1	$137	9,000	-5%
Subject	TBD	14,488	N/A
Comp 2	$141	14,800	0%
Comp 3	$95	16,850	5%

The table above generally indicates a correlation between size and price paid per square foot.

Condition. The subject was built in 2000 and is in "Good" condition. The subject's effective age is about 8 years. The subject and comparable sales are arrayed by condition from best to worst as follows:

Sale	Sale Price/SF	Year Built	Marshall & Swift Building Class	Condition	Adjustment
Subject	TBD	2000	Class C	Good	N/A
Comp 2	$141	2002	Class C and S	Average	5%
Comp 1	$137	2014	Class S	Average	5%
Comp 3	$95	2000	Class C and S	Average	10%

The table above indicates masonry construction (Class C) is superior to metal construction (Class S) and the year of construction has an effect on value as well. The table generally shows a correlation between the condition and price paid per square foot.

Percent Office. The subject includes about 2,900 square feet of office space or about 26% of the overall building area. Based on construction costs office space is superior to warehouse space and commands a higher price paid per square foot versus warehouse space. The subject and comparable sales are arrayed by percent office with their corresponding adjustments are as follows:

Sale	Sale Price/SF	Percent Office	Adjustment
Comp 2	$141	40%	-5%
Comp 1	$137	33%	0%
Subject	TBD	26%	N/A
Comp 3	$95	18%	10%

Sale All other factors aside, the table generally shows a correlation between the percent of office space and price paid per square foot.

Land To Building Ratio (LTB). The LTB ratio is based on the land square feet divided by the building area square feet. The LTB typically indicates a superior and inferior parking ratio and traffic flow relative to the size of the building. As the LTB increases, the more land area there is available for parking, open space, building envelopes, etc… The subject and comparable sales are arrayed by LTB with their corresponding adjustments are as follows:

Sale	Economic Adjusted Sale Price/SF	Land to Building Ratio	Adjustment
Comp 1	$137	13.6	-5%
Comp 3	$95	6.5	0%
Comp 2	$141	4.9	0%
Subject	**TBD**	3.5	N/A

Sale 1 seems to be an outlier; however, all other factors aside, the table generally shows a correlation between the LTB and price paid per square foot.

Comparable Sales Discussion

The comparable sales and their corresponding **physical** adjustments are discussed below: All physical adjustments are applied after the conditions of sale and economic (market) adjustments.

Comparable Sale 1. The following adjustments and adjusted price per square foot are as follows:

	Value per GBA SF	Location	GBA	Condition	Percent Office	Land to Building Ratio	Total Net Physical Adustments	Adjusted $/SF
Comp 1	$136.97	-5%	-5%	5%	0%	-5%	-10%	**$123**

Comparable Sale 2. The following adjustments and adjusted price per square foot are as follows:

	Value per GBA SF	Location	GBA	Condition	Percent Office	Land to Building Ratio	Total Net Physical Adustments	Adjusted $/SF
Comp 2	$140.53	-5%	0%	5%	-5%	0%	-5%	**$134**

Comparable Sale 3. The following adjustments and adjusted price per square foot are as follows:

	Value per GBA SF	Location	GBA	Condition	Percent Office	Land to Building Ratio	Total Net Physical Adustments	Adjusted $/SF
Comp 3	$95.14	10%	5%	10%	10%	0%	35%	**$128**

Sales Comparison Summary

The comparable sales are arrayed by adjusted sale price per square foot from high to low as follows:

Sale	Sale Date	GBA Unit Price	Adjusted $/SF	Overall Net Adjustments	Comments
Comp 2	Sep-14	$141	$134	-5%	Cash, arms-length transaction. Purchased by the occupying tenant. The exterior finish is metal frame with masonry facade and is in average overall condition. The interior office space is typical office space and includes HVAC. The remainder of the interior is typical warehouse/shop space and does not include HVAC. The landscaping is limited and in average overall condition. The property is located in Gateway Industrial Center at the NWQ of Hwy 60 and I-25. Most of the lots in the industrial center have been sold. According to CoStar, the average rent in the immediate area is about $11.50/sqft (nnn).
Comp 3	Jul-14	$95	$128	35%	Cash, arms-length transaction. Located in Longview industrial park with significant vacant lots available for sale. According to CoStar, the average lease rate in the immediate area is about $7.50/sqft (nnn). Purchased by a church group for offices and services.
Comp 1	May-14	$137	$123	-10%	Cash, arms-length transaction. Purchased by an owner/user. The exterior finish is metal frame and in overall average condition. The interior office space is typical office space and includes HVAC. The remainder of the interior is typical warehouse space and does not include HVAC. The landscaping is limited and in average overall condition. The property is located in Gateway Industrial Center at the NWQ of Hwy 60 and I-25. Most of the lots in the industrial center have been sold. According to CoStar, the average rent in the immediate area is about $11.50/sqft (nnn).
Minimum:		$95	$123		
Maximum		$141	$134		
Spread:		48%	8%		

The adjusted prices per square foot indicate a range of $123 (Sale 1) to $134 (Sale 2) per square foot, with a spread of about 8%. Sale 3 is at the top of the range and required the least net physical and overall net adjustments. Additionally, the subject includes super adequate power for industrial/manufacturing and, although we can't quantify how much added value the extra power is worth, we can recognize it by reconciling higher in the indicated value range. With more emphasis on the indicated value per square foot from Sale 3 and with consideration to its super adequate power system, we apply a value per square foot of $130 as follows:

GBA	Value/SF	Implied Value	Rounded
14,488	$130	$1,883,440	$1,883,000

Market value of the subject property's indicated value per the Sales Comparison Approach is:

Sales Comparison Approach Value
One Million Eight Hundred Eighty Three Thousand Dollars
$1,883,000

The indicated value from the Sales Comparison approach will be compared to the indicated value from the Income approach in the Reconciliation section of this report (see page 58).

Income Approach

The income approach analyzes the investment characteristics of an income producing property and the benefits received by the owner of such a property. This approach can be processed via a direct capitalization technique or a discounted cash flow analysis. We apply the direct capitalization approach only in this analysis.

Direct Capitalization Approach

The income capitalization approach develops indications of value based on the anticipated income. Rent, vacancy, operating expenses, and capitalization rates are needed to estimate value by the income capitalization approach. The projected income and expenses for the subject property are based on information from the subject and properties of similar age, size, and condition. The market and actual information is used to develop an estimate of how much income the subject property can produce. A capitalization rate is then applied to the net operating income to develop an indicated value of the subject property.

The income capitalization approach involves following steps.

- Summarize and analyze market leases;
- Estimate fair market (economic) rent or analyze actual income from operating for the subject;
- Estimate expenses to calculate the net operating income;
- Estimate market capitalization rate;
- Divide the net operating income by the capitalization rate for an indication of value for the subject.

The subject is currently vacant space; however, according to the owner, the subject was leased to CDS Engineering as network center space. According to the owner the monthly rent was $20,000 or about $16.50 per square foot. We were unable to obtain a copy of the lease. We are unaware of the terms, term, starting rent, and when the tenant vacated. We do not consider the former lease further and apply market rent to value the subject using the income capitalization approach.

Fair Market Rent

The subject is a 14,488 gross-square-foot, single-tenant, Flex/R&D building located at 710 14th Street. The following comparable lease rates are from a survey of Flex/R&D units in the subject area. The comparable lease information is indicated on the following pages.

Lease Comparable 1

Location and Building		Lease Details	
Name	Denver Avenue Commercial Park-	**Lessor**	Denver Ave Commercial
Address	393 N. Denver Ave.	**Lessee**	Waukesha-Pearce Industries, Inc
City	Loveland	**SF Leased**	6,300
County	Larimer	**Start Date**	4/1/2015
GBA	36,750	**Term**	1-year
Year Built	2006	**Terms**	NNN
Condition	Average	**Monthly Rent**	$6,300
Marshall & Swift	Class S	**Current Rent Per Sqft**	$12.00
		Expenses Per Sqft	$2.90

Comments

The tenant has an option to extend lease at a 3% escalation.

Lease Comparable 2

Location		Building and Lease	
Name	6820 Powell St	**Lessor**	Kingscourt 7, LLC
Address	6820 Powell St	**Lessee**	Tolmar
City	Loveland	**SF Leased**	12,300
County	Larimer	**Start Date**	3/1/2015
GBA	12,300	**Term**	3-year
Year Built	2014	**Terms**	NNN
Condition	Average	**Monthly Rent**	$10,762
Marshall & Swift	Class S	**Current Rent Per Sqft**	$10.50
		Expenses Per Sqft	Not stated

Comments

Pharmaceutical company. Needed additional office and warehouse space. Immediate area is mostly built out.

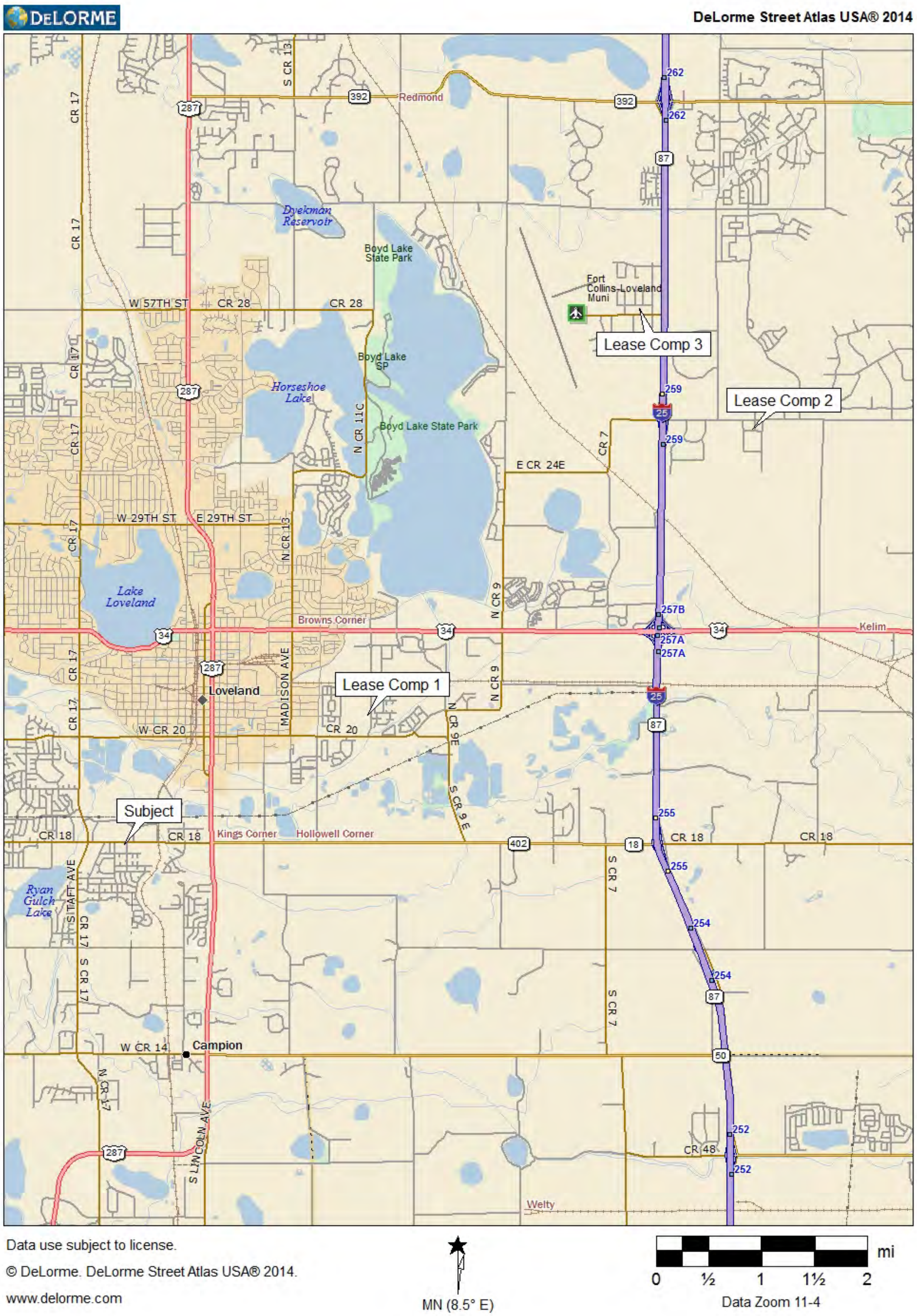
Lease Comparable 3

Location		Building and Lease	
Name	Fort Collins-Loveland Airpark-	**Lessor**	Boeing Drive Investments, LLC
Address	5610 Boeing Dr.	**Lessee**	Avago Technologies Wireless
City	Loveland	**SF Leased**	22,490
County	Larimer	**Start Date**	3/1/2015
GBA	47,452	**Term**	2-year
Year Built	1998	**Terms**	NNN
Condition	Average	**Monthly Rent**	$16,867
Marshall & Swift	Class C	**Current Rent Per Sqft**	$9.00
		Expenses Per Sqft	Not stated

Comments

Multi-tenant, two-story, light industrial building located at the SE quadrant of Wright Ave. and Boeing Dr. in the Fort Collins-Loveland Airpark industrial center.

Figure 7- Comparable Rents Map



Comparable Lease Rates Discussion

The leases used in this analysis are all for three units located in Loveland. We note the following:

- The comparable rents range from about $9.00 to $12.00 per square foot, NNN;
- The unit sizes range from 6,300 to 22,490 square feet;
- The lease rates vary based on size of the unit (6,300 at $12.00/sqft and $9.00/sqft 22,490).

Gross Potential Income

Based on the comparable leases we apply market rent of $10.50 per square foot and derive a gross potential income as follows:

Square feet:	Rent Per Square Foot:	PGI
14,488	$10.50	$152,124

Vacancy, Collection Loss, and Operating Expenses

Vacancy and Collection Loss

The analysis of deductions for a vacancies and collection loss factors must consider the economic forecasts for the remaining economic life of the subject, as well as the current local rental environment.

The highest and best use for the subject is as single-tenant space, which will either be 100% occupied or 100% vacant. However, a three to six month vacancy every five years indicates a 5% to 10% vacancy rate. The vacancy rate in the pro-forma analysis represents a stabilized rate of the remaining economic life of the subject. Due to the single-tenant nature of the subject property, a vacancy/collection rate of 5% is estimated to be appropriate and supportable within the market, given the current and historic information available, as well as forecasts for future market behavior.

The Gross Effective Income (EGI) is calculated as follows:

PGI	Vacancy Rate	Applied	EGI
$152,124	5%	($7,606)	$144,518

Expenses

Our analysis is based on triple net leases for the entire building, with the tenants paying utilities, taxes, and insurance costs. The owner is responsible for professional management fees (if applicable), and a reserve for replacement of short-lived components of the building. Management fees in this market range from approximately two to six percent, based on the type of property and number and type of tenants; however, single-tenant buildings typically don't require management services and the administrative costs are relatively minimal. Reserves are somewhat subjective in nature ranging from two to five percent of Gross Effective Income, depending upon the age/condition of the building. Given the single-tenant/owner-user nature of the building, the size of the building, and the age and quality of the building, we apply a 5% rate to account administrative costs and owner's maintenance/reserve costs.

Net Operating Income

The Net Operating Income (NOI) is calculated as follows:

EGI	Reserve/ Management Rate	Reserve/ Management Expenses	NOI
$144,518	5%	($7,226)	$137,292

Overall Capitalization Rate

An overall capitalization rate (capitalization rate) is used to convert income into value. The rate reflects the relationship between one year's net operating income and the corresponding value.

Capitalization rates were derived from two sources including:

- Investor surveys
- CoStar Survey
- Comparable Sales

Surveys

Data for capitalization and discount rates for Flex/R&D properties are found in the Real Estate Investment Survey published by Burbach and Associates and the Price/Waterhouse Cooper (PWC) National Market Indicator. The Burbach and Associates Real Estate Investment Survey delineates expected capitalization rates for developers, lenders and investors in the Rocky Mountain region and the PWC survey is a national market indicator. The results of the surveys for historic and current capitalization rates are shown as follows:

Capitalization Rates	2015			2014			2013		
	High	Low	Average	High	Low	Average	High	Low	Average
PriceWaterhouseCooper (1st Qtr Stats)	7.0%	4.5%	5.8%	7.5%	5.0%	6.2%	10.0%	5.0%	6.6%
Burbach and Associates (Winter)	8.5%	7.0%	7.8%	9.0%	7.0%	7.9%	9.3%	7.0%	8.2%

CoStar Survey

CoStar is a sale database that tracks local and national sales and rents. Based on a narrowed search of Flex/R&D sales in Larimer/Weld Counties current and historic capitalization rates are shown as follows:

Capitalization Rates	2015			2014			2013		
	High	Low	Average	High	Low	Average	High	Low	Average
CoStar Larimer County	8.3%	6.5%	7.0%	8.5%	6.7%	7.5%	8.8%	6.9%	7.8%

Capitalization Rate Conclusion

The following table shows the current and historical capitalization rates from the various surveys:

Capitalization Rates	2015			2014			2013		
	High	Low	Average	High	Low	Average	High	Low	Average
PriceWaterhouseCooper (1st Qtr Stats)	7.0%	4.5%	5.8%	7.5%	5.0%	6.2%	10.0%	5.0%	6.6%
Burbach and Associates (Winter)	8.5%	7.0%	7.8%	9.0%	7.0%	7.9%	9.3%	7.0%	8.2%
CoStar Larimer County	8.3%	6.5%	7.0%	8.5%	6.7%	7.5%	8.8%	6.9%	7.8%
Averages			**6.8%**			**7.2%**			**7.6%**

The table above shows an average 2015 capitalization rate range of 5.8% to 7.8% with an overall average of 6.8%. The PWC survey researches larger investment grade developments, which are not as applicable to the subject property. The Burbach and Associates survey is primarily the Denver Metropolitan area; however, the capitalization rates typically are in line with the Northern Colorado Area. The Larimer/Weld County survey indicated a capitalization rate average of 7.0% and is a good indicator for the Loveland's Flex/R&D market. As such, we apply a rate of 7.5% to the net operating income in the pro forma analysis based on anticipated future market behavior.

Table 2- Pro-Forma

INCOME AND EXPENSE PRO-FORMA		
Square feet:	14,488	
Rent Per Square Foot:	$10.50	
Gross Potential Annual Income (PGI):		$152,124
Less: Vacancy/Collection Loss (applied to PGI):	5.0%	($7,606)
Effective Gross Income:		$144,518
Less: Management/reserves (Applied to EGI):	5.0%	($7,226)
Net Operating Income:		$137,292
Capitalization Rate:	7.5%	
Indicated Value (NOI divided by CAP Rate):		$1,830,559
Indicated Value (Rounded)		**$1,831,000**

Income Capitalization Summary

The pro-forma analysis indicates the Market Value of the subject property as follows:

Income Approach Value
One Million Eight Hundred Thirty One Thousand **$1,831,000**

The indicated value from the Income Capitalization approach is compared to the indicated value from the Sales Comparison approach analysis in the Reconciliation section of this report (see next page).

Reconciled Value of the Real Estate

This section is a summary of the property, the data available, the thought processes, and the applicable approaches to value. A summary of each value conclusion indicates the following:

VALUE INDICATIONS	
Sales Comparison Approach	**$1,883,000**
Income Capitalization Approach	**$1,831,000**

The indications of value for the subject property from the sales comparison and income capitalization approaches range from $1,831,000 to $1,883,000 varying about 3% from high to low.

Both approaches were equally applicable in valuing the subject property and we apply equal weight to both approaches. Based on the analysis from the Sales Comparison and Income Capitalization approaches, the final value conclusion of the subject property's Fee Simple interest, as of July 15, 2015 is:

The final value conclusion of the subject property as of July 15, 2015 is:

Concluded Value
One Million Eight Hundred Fifty Seven Thousand
$1,857,000

Respectfully Submitted,

Shannon & Associates

Donald J. Shannon, MAI, SRA
Colorado- CG01313438

David Bowes, Associate
Colorado-CG100013986

Qualifications

Donald J. Shannon, MAI, SRA

Professional & Appraisal Institute Affiliations
Appraisal Institute SRA and MAI Member, International Right of Way Association Member
Colorado Certified General Appraiser # CG01313438
Wyoming Certified General Appraiser No. WY-78

Appraisal Institute Past or Present Committees or Offices:
Colorado Chapter: Admissions, Director, Secretary-Treasurer, Vice President, President
Region II: Review & Counseling Committee, Candidates Guidance Chair, Regional Representative, Regional Director, Regional Chair
National: Candidates Guidance Chair, Teaching Faculty, and National Director

Education

Bachelor of Science in Marketing & Economics from University of Missouri
Over 200 technical real estate appraisal courses and seminars including:

- *Discounted Cash Flow Analysis*
- *Market Analysis*
- *Investment Analysis*
- *Subdivision Analysis*
- *Uniform Standards of Professional Practice*
- *Feasibility Analysis and Highest & Best Use*
- *Mortgage Fraud*
- *Eminent Domain*
- *Distressed Commercial Real Estate*
- *Livestock Ranches*
- *Fair Lending*
- *Business Valuation*
- *Reviewing Appraisals*
- *Appraisal of Leaseholds*
- *Appraisal of Partial Interest*
- *Appraisal Consulting*
- *Standards for Federal Acquisitions (Yellow Book)*
- *Green Building Certificate Program (Colorado State University)*
- *Valuing Green Buildings – Appraisal Institute*

Appraisal Practice

Owner/Manager of Shannon & Associates, Real Estate Appraisers and Consultants
Independent real estate appraiser since 1971 completing a wide variety of appraisal assignments including:

- Office Buildings
- Motels & Hotels
- Shopping Centers
- Industrial Buildings
- Warehouse Buildings
- Medical & Surgical Centers
- Hospitals
- Event Centers
- Single & Multi-Tenant Retail
- Self-Storage
- Health Clubs
- Golf Courses
- Multi-Family
- Education Facilities
- Mobile Home/R.V Parks
- Farms & Ranches
- Guest Ranches
- Appraisal Reviews
- Mountain Resorts
- Rural Tracts
- Development Land
- Subdivisions
- Eminent Domain
- Conservation Easements
- Leaseholds and Partial Interest
- Feasibility Analysis
- Real Estate Counseling
- Qualified Litigation Support
- Solar Building

Specialized in Passive Solar homes in the early 1980s and built a solar home in 1985. Owns and manages various apartments, office buildings, shopping center and a service station. 1986 appraisal and subsequent court testimony in the LaPlatta Electric v. Cummris case before the Colorado Supreme Court resulted in a major policy change in condemnation law.

Donald J. Shannon, MAI, SRA

STATE OF COLORADO
Department of Regulatory Agencies
Division of Real Estate

Active
Cert Gen Appraiser

PRINTED ON SECURE PAPER

Number	Issue Date	Expires
1313438	Jan 1 2013	Dec 31 2015

DONALD JOSEPH SHANNON
FORT COLLINS, CO 80521

Program Administrator

Licensee Signature

Permit Number 78

STATE OF WYOMING

NON TRANSFERABLE

CERTIFIED REAL ESTATE APPRAISER PERMIT

DONALD J. SHANNON
CERTIFIED GENERAL APPRAISER
AS PROVIDED FOR BY THE LAWS OF WYOMING.

Issued: 09/05/2013
Expires: 09/04/2015

AUTHORIZED BY THE WYOMING CERTIFIED REAL ESTATE APPRAISER BOARD WITNESS MY HAND AND THE OFFICIAL SEAL AT CHEYENNE, WYOMING.

SHANNON & ASSOCIATES APPRAISERS
215 WEST OAK STREET, STE. 501
FT. COLLINS, CO 80521

Nicole Novotny Smith Executive Director

David E. Bowes

Professional License

Colorado Certified general Real Estate Appraiser, #CG100013986 EXP 12/31/2016

Professional Experience

Shannon & Associates (May 2009 to Present)

Commercial Appraiser

- Associate in the firm of Shannon & Associates, Fort Collins, Colorado specializing in appraisal of land and commercial investment real estate.

Valuescape (February 2008 to January 2009)

Commercial Appraiser

- Experience in various appraisal projects including industrial, retail, office, shopping centers, multi-family, vacant land, special use properties, and other commercial types.

Bowes and Company (May 2003 to January 2008)

Commercial Appraiser

- Associate in the firm of Bowes and Company, Denver, Colorado specializing in appraisal, counseling, research, litigation support, and testimony regarding land and commercial, special purpose, recreational, environmentally-impacted, and other investment real estate.

Related Educational Background

Regis University

B.B.A Bachelor of Business Administration

Appraisal Institute

-Appraisal Principals and Procedures
-Basic Income Capitalization
-General Applications
-Uniform Standards of Professional Appraisal Practice Part A and B
-Advanced Income Capitalization
-Highest & Best Use and Market Analysis
-Advanced Sales Comparison and Cost Approaches
-Report Writing and Valuation Analysis
-Uniform Standards of Professional Appraisal Practice Update 2007
-Advanced Applications

Professional Membership

- Associate Member Appraisal Institute Effective February 2007

STATE OF COLORADO
Department of Regulatory Agencies
Division of Real Estate

Active
Cert Gen Appraiser

PRINTED ON SECURE PAPER

100013986	Jan 1 2014	Dec 31 2016
Number	Issue Date	Expires

DAVID EUGENE BOWES
FORT COLLINS, CO 80526

Marcia Waters
Program Administrator

Licensee Signature

Engagement Letter

APPRAISAL AGREEMENT

DATE OF AGREEMENT July 9, 2015

PARTIES TO AGREEMENT

CLIENT NAME	Mr. Rod Wensing	**APPRAISER NAME**	Donald J. Shannon
CLIENT COMPANY	City of Loveland	**APPRAISER COMPANY**	Shannon & Associates
ADDRESS	500 E. Third Street	**ADDRESS**	215 W. Oak St., Suite 501
CITY, STATE, ZIP	Loveland, CO 80537	**CITY, STATE, ZIP**	Fort Collins, CO 80521
PHONE	970-962-2301	**PHONE**	970-482-1010
FAX/EMAIL/CELL	Rod.wensing@cityofloveland.org	**FAX**	970-221-4444

The Client hereby engages the Appraiser to complete the following appraisal assignment:

PROPERTY IDENTIFICATION

710 14th Street SW, Loveland, Colorado

PROPERTY TYPE

14,488 square foot Industrial Building

INTEREST VALUED

Fee Simple

INTENDED USER(S)

City of Loveland

INTENDED USE

To assist the Client and intended users in establishing a Market Value.

TYPE OF VALUE

Market Value as defined by the appraisal requirements pursuant to FIRREA.

OPINION OF VALUE

It should be understood that this is an **Opinion of Value,** based upon the data available to the Appraiser/s, not a guarantee or warranty of value.

HYPOTHETICAL CONDITIONS/EXTRAORDINARY ASSUMPTIONS

None anticipated

Scope of Work

Site Visit

The Appraiser shall make an interior and exterior inspection of the subject property. Client or Client's designated agent are encouraged to be present at the time of inspection. Client shall make all reasonable effort to provide access in a timely manner to the Appraiser for inspection, and Appraiser shall make all reasonable effort not to unduly disturb the business(s) currently using the subject property, if any.

Valuation Approaches

The appraisal shall use the Sales Comparison and Income Approaches to Value to develop a credible opinion of value.

Report Format

The Appraisal Report shall be prepared in a Narrative format.

Delivery Date

July 31, 2015

Delivery Method

The appraisal report shall be delivered to the Client by US Mail and/or hand delivery.

Number of Copies

The Appraiser shall provide the Client with 2 copies of the appraisal report.

Payment to Appraiser

The total fee for this appraisal assignment is $3,000 and shall be due upon delivery of the completed Appraisal Report to the Client.

Proposed Improvements - Not Applicable

If the property appraised consists of proposed improvements, Client shall provide to the Appraiser all plans, specifications, and documentation sufficient to identify the extent and character of the proposed improvements.

Properties Under/Contract for Sale - Not Applicable

If the property is currently under contract for sale, the Client shall provide to appraiser a copy of said contract including all addenda.

REQUIRED INFORMATION FOR ASSIGNMENT

Client shall provide to Appraiser the following information necessary for the completion of this assignment (if available and appropriate):

- Detailed rent roll and copies of leases; if available
- Contact information for leasing agent and/or management company for the inspection

CONFIDENTIALITY

Appraiser shall not provide a copy of the appraisal report to or disclose the results of the appraisal prepared in accordance with this Agreement with any party other than the Client, without the Client's written authorization, except as stipulated in the confidentiality section of the ethics rule of the Uniform Standards of Appraisal Professional Appraisal Practice.

CHANGES TO THE AGREEMENT

Any changes to the assignment as outlined in this agreement must be made in writing and signed by the Client and the Appraiser. Changes will be subject to an additional fee which shall be specified in the written agreement.

TESTIMONY AT COURT OR OTHER PROCEEDINGS

Unless otherwise stated in this Agreement, Client agrees that Appraiser's assignment pursuant to this Agreement shall not include the Appraiser's participation in or preparation for, whether voluntarily or subject to subpoena, any oral or written discovery, sworn testimony in a judicial, arbitration or administrative proceeding, or attendance at any judicial, arbitration, or administrative proceeding relating to this assignment. If preparation and /or testimony for any of the above or similar proceedings is required it is mandatory that preparation time and estimated time for testimony is to be paid in advance before the court proceedings to avoid any appearance of advocacy.

Fees for additional Consultation, Research and Meetings outside the scope of the Agreement:

Don Shannon $200/hour; Court preparation and testimony $250/hour

Associate $150 - $175/hour; Court preparation and testimony $200/hour

Appraiser Independence

Appraiser cannot and shall not agree to provide an opinion of value that is contingent on a predetermined amount. Appraiser cannot guarantee the outcome of the assignment in advance. Appraiser cannot insure that the opinion of value developed as a result of this assignment will serve to facilitate any specific objective by the Client or others or to advance any particular cause. Appraiser's opinion of value will be developed competently and with independence, impartiality and objectivity.

Expiration of Agreement

This agreement is valid only if signed by both Appraiser and Client within 10 days of the Date of Agreement specified.

Governing Law and Jurisdiction

The interpretation and enforcement of this Agreement shall be governed by the laws of the State of Colorado in which the Appraiser's principal place of business is located.

No Third Party Beneficiaries

Nothing in this Agreement shall create a contractual relationship between the appraiser or the Client and any third party, or any cause of action in favor of any third party. This Agreement shall not be construed to render any person or entity a third party beneficiary of this Agreement, including but not limited to, any third parties identified herein.

The Limit of Liability

The limit of liability shall be no more than the remuneration received.

Use of Employees or Independent Contractors

Appraiser may use employees or independent contractors at Appraiser's discretion to complete the assignment. Notwithstanding, the Appraiser shall inspect the subject property and sign the written appraisal report and take full responsibility for the services provided as a result of this Agreement.

APPRAISAL CONDITIONS

1. STANDARDS. The written report to be furnished by the Appraiser shall be addressed to the Client and shall comply with the professional and ethical standards of the American Institute of Real Estate Appraisers.

2. DEFINITION OF MARKET VALUE. The following or equivalent shall be the definition of market value in the final report: "The most probable price in cash, terms equivalent to cash, or in other precisely revealed terms for which the appraised property will sell in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeable, and for self-interest, and assuming that neither is under undue duress."

3. AUTHORIZATION AND DATA TO BE FURNISHED. Client authorizes the Appraiser to inspect the Property and agrees to furnish Appraiser with all pertinent data, which Appraiser requests in connection with the Property. Client, if not owner of the Property, warrants that owner, or occupant, has been notified of this assignment and will be cooperative with the Appraiser unless otherwise noted herein. If special legal instructions are to be considered by Appraiser, the same are set forth above or are attached hereto and made a part hereof. The applicable statues or case law, which forms the basis for such instruction, shall be included herein or separately furnished to Appraiser.

4. COMPENSATION. Appraiser acknowledges receipt of the Retainer, the same to be credited against any and all amounts due Appraiser upon completion of this assignment. If the balance of compensation is to be paid by single payment, the same shall be available upon, or prior to, delivery of report. If the balance is to be payable on a periodic basis, the same shall be paid on submission of periodic statements, with final payment due upon, or prior to, delivery of the report. If compensation is to be paid on a periodic basis, Appraiser shall keep an accurate time record and furnish the same to client upon request. Appraiser's compensation is in no event contingent upon and shall in no event bear any relationship to the valuation to be reported.

5. COMPLETION TIME. Appraiser shall make all efforts to complete the report by the Delivery Date. The Delivery Date pertains solely to the report to be given to the Client and does not relate to any services pertaining to litigation. Completion time is specifically contingent upon Client supplying Appraiser with the items listed in this Appraisal Agreement. Any delay in providing these items shall extend the Delivery Date accordingly.

6. EXPENSES. If the property is outside Appraiser's normal operating area (Northern Colorado and Southern Wyoming), Client shall pay all reasonable business expenses incurred, including travel expenses, extraordinary job costs and reasonable subsistence costs. Said expenses shall be paid on submission of itemized statements therefore.

7. CANCELLATION. Client may at any time prior to the completion of Appraiser's services cancel this agreement by written notice to Appraiser. In such event client shall pay to Appraiser/Consultant, on presentation of a statement of work, compensation for all services rendered to the date of cancellation, together with all costs advanced in connection with said report prior to receipt of said notice.

8. ADDITIONAL REPORT COPIES. If the Client desires additional copies of the report, the same shall be furnished on payment of the $250 fee for additional copies.

9. **LITIGATION.** Litigation for the purpose of this agreement shall refer to all judicial, administrative and legislative proceedings and hearings, including pre-trial depositions, in which Appraiser may be required to testify, voluntarily or involuntarily, in relation to the above described property and appraisal services being rendered on account of this agreement. Appraiser shall participate in such proceedings and give such testimony providing client of the dates and times furnishes him with reasonable notice thereof. Appraiser shall be paid for the time or times of such testimony and for the time for the preparation for such testimony on an hourly basis. The terms of these litigation services will be set forth in a written agreement between Client and Appraiser prior to the performance of any services related to litigation. In addition, Appraiser shall be paid all reasonable expenses relating to the Litigation and the preparation for the same which takes place outside the Appraiser's normal operating area (Northern Colorado and Southern Wyoming). Client shall pay such expenses upon receipt of statements for the same, and said statements shall to include an itemization of expenses on Client's request and to be submitted at intervals of not less than one month.

10. **COLLECTION.** All statements for fees and expenses shall be due within 30 days of the completion of the work by the Appraiser and the forwarding of a statement to the Client for said fees and expenses. Should payment in full of the amount due, as reflected on the Appraiser's/ statement not be received within 30 days of the mailing of such statement, Client's account shall be deemed to be delinquent from date of billing. A late payment fee of 1.5% per month, or an ANNUAL PERCENTAGE RATE of 18%, with a $20.00 per month minimum, will be charged on all delinquent accounts. Should it be necessary for Appraiser to commence legal proceedings to the collection of the client's delinquent account, client agrees to submit to the jurisdiction of the Colorado Courts and Client agrees to pay Appraiser the actual costs of collection, plus reasonable attorney's fees incurred in connection with said collection proceedings. In addition, if Client is in default in payment of Appraiser's account, client agrees that Appraiser shall be entitled to a mechanic's lien upon the property made the subject of the appraisal. Such lien to be made, evidenced and enforced in the same manner as a mechanic's lien, all as provided in Article 22, Title 38, Colorado Revised Statutes.

11. **CONTINGENT AND LIMITING CONDITIONS OF THE REPORT.** Any and all findings, predictions, assumptions, conclusions and the like contained in the report shall be Appraiser's professional opinion and are not assurances that future events or circumstances set forth therein will necessarily occur. Appraiser shall retain ownership of all reports and all original documentation, field notes, memoranda, data and the like made/assembled in and about the preparation of the report. No one other than Client may rely on or utilize the report without Appraiser's express written consent.

12. **ENTITY.** If the property to be appraised is owned or is hereafter acquired by an entity or combination of persons in which Client owns an interest; Client represents to Appraiser that Client has the authority to sign this agreement on behalf of such entity or persons. In the event that the Client signing this Appraisal Agreement is a partnership, corporation or any entity other than a sole proprietorship, the person signing for each entity specifically accepts sole personal responsibility for the charges contracted for it same should not be made by said entity.

13. The limit of liability shall be no more than the remuneration received.

Assumptions and Limiting Conditions

The market value estimate provided in this appraisal report is subject to the following assumptions and limiting conditions and to other such specific and limiting conditions as may be set forth by the Appraiser/s in this report.

1. The appraisal report to which this Appraisal Agreement pertains is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Practice for a Summary Appraisal Report. As such, it may not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The Appraiser is not responsible for the unauthorized use of the report.

2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated and documented by the Client and provided to the Appraiser.

3. The property shall be appraised free and clear of any or all liens and encumbrances unless otherwise stated and documented by the Client and provided to the Appraiser.

4. Responsible ownership and competent management are assumed unless otherwise stated and documented by the Client and provided to the Appraiser.

5. All engineering is assumed to be correct. Any plot plans and illustrative material that will be included in the report are included only to assist the reader in visualizing the property. The Appraiser has made no survey of the property.

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

7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated and documented by the Client and provided to the Appraiser.

8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined and considered by the Client and provided to the Appraiser.

90. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national government, or private entity or organization have been or can be obtained or renewed for any use on which the value estimates to be included in the appraisal report are based.

10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated and documented by the Client and provided to the Appraiser.

11. Any distribution of the valuation in the appraisal report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

12. The Appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the Appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The Appraiser has no knowledge of the existence of such materials on or in the property; however, they are not qualified to detect such substances. The presence of potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The Client is urged to retain an expert in this field, if desired.

13. Unless otherwise stated in the Appraisal Agreement, the subject property is being appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communication barriers that are structural in nature and would restrict access by disabled individuals may adversely affect the property's value, marketability, and/or utility.

14. Possession of the appraisal report or a copy to which this Appraisal Agreement pertains does not imply right of publication nor use for any purpose by any other than the Client, without the written consent of the Appraiser. The Client shall indemnify the Appraiser against third party law suits.

15. Neither all nor any part of the contents of the appraisal report shall be conveyed to the public through advertising, public relations, news, sales or any other media, without the written consent and approval of Appraiser, particularly as to the valuation conclusions, the identity of the Appraiser, or any references to the Appraisal Institute.

16. On all appraisals subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a good workmanlike manner and a completion inspection by the Appraiser.

17. Satisfactory road maintenance agreements, condominium declarations, and other pertinent agreements are assumed to be recorded.

18. The Appraiser assumes that financing, as may be discussed in the report, is available for potential purchasers.

19. It should be understood that an appraisal report provides an Opinion of Value, based upon the data available to the Appraiser, not a guarantee or warranty of value.

APPRAISAL AGREEMENT

Certification Statement

The Appraiser certifies that to the best of his knowledge and belief:

1. The Appraiser has no unreported present or prospective interest in the property that is the subject of this Appraisal Agreement. Further, the Appraiser has no personal interest or bias with respect to the subject matter or the parties involved.
2. The Appraiser has __ or has not __ provided services as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
3. The Appraiser will personally inspect the property, both inside and out, and make an exterior inspection of all comparable sales in the appraisal report to which this Appraisal Agreement pertains. To the best of the Appraiser's knowledge and belief, all statements of fact and information to be included in the appraisal report are true and correct, and the Appraiser will not knowingly withhold any significant information, subject to the stated assumptions and limiting conditions.
4. The appraisal report analyses, opinions, and conclusions will be developed, and the appraisal report will be prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which includes the Uniform Standards of Professional Appraisal Practice.
5. The use of the appraisal report will be subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
6. All conclusions and opinions concerning the real estate set forth in the appraisal report, to which this Appraisal Agreement pertains, will be prepared by the Appraiser whose signature appears on this appraisal report, unless indicated as "Review Appraiser". No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.
7. The Appraiser's compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. Furthermore, the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
8. The analyses, opinions, and conclusions to be included in the appraisal report are limited only by the reported Assumptions and Limiting Conditions and will be the Appraiser's personal, unbiased professional analyses, opinions, and conclusions.
9. No one will provide significant professional assistance to the Appraiser signing the report (If there are exceptions, the name of each individual providing significant professional assistance will be stated.)
10. As of the date of this agreement, Donald J. Shannon, MAI, SRA has completed the continuing education program of the Appraisal Institute.
11. None of the appraisers or staff of Shannon and Associates, the preparers of this report, have been sued by a regulatory agency or financial institution for fraud or negligence involving an appraisal report.

Donald J. Shannon

Donald J. Shannon, MAI, SRA　　Date 7-9-2015

Colorado-CG01313438: 12/31/2015, Wyoming-WY-78: 9/4/2015

APPRAISAL AGREEMENT

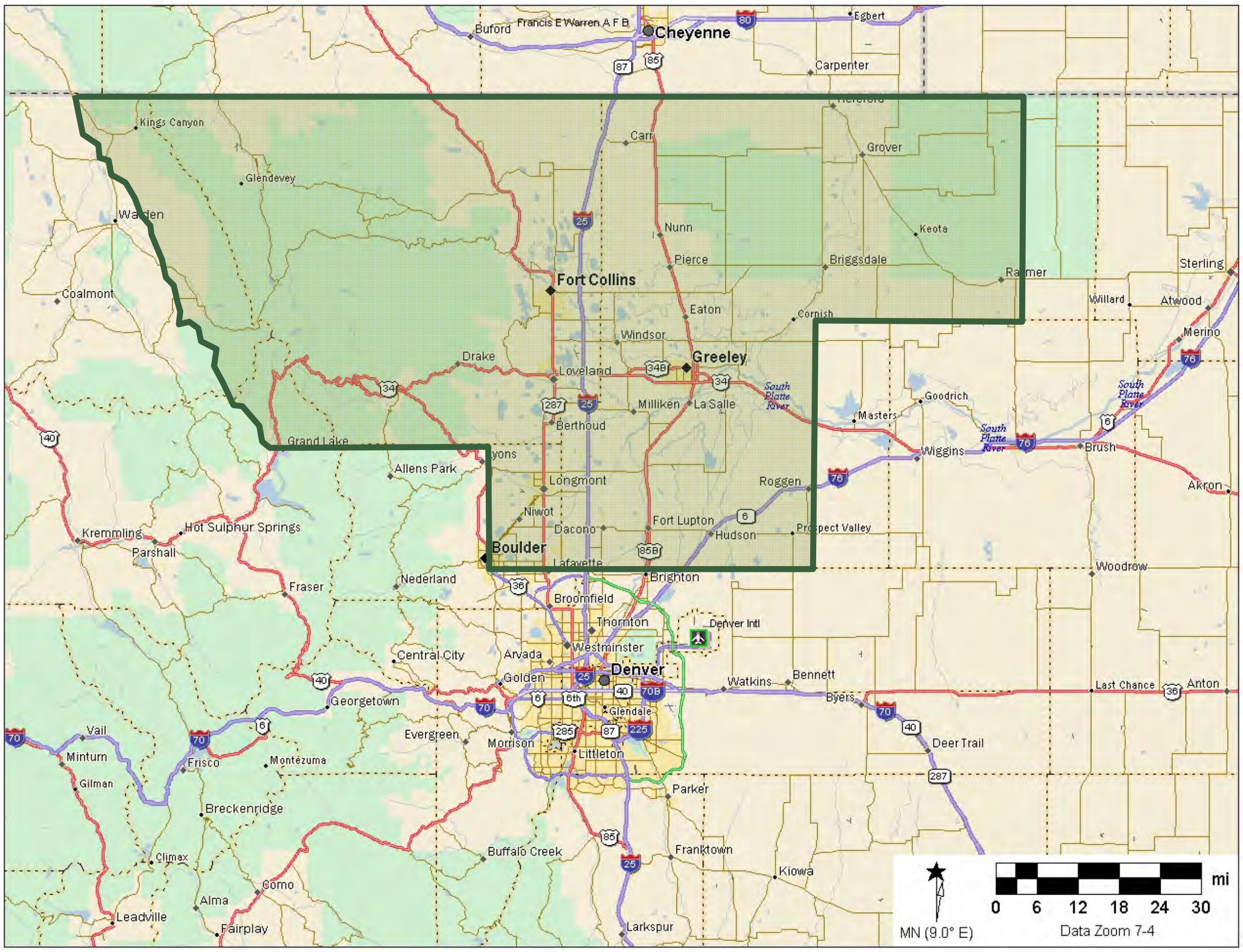
Client hereby agrees to engage and the Appraiser agrees to perform the services specified herein. Client agrees to furnish the information requested and pay the compensation described. The undersigned hereby understands, accepts and agrees to the attached Conditions, Assumptions and Limiting Conditions, and Certification which are herewith made part of this Appraisal Agreement.

Appraiser	**Client**
Donald J Shannon	
Signature	**Signature**
Donald J. Shannon, MAI, SRA	Rod Wensing, Asst. City Mgr.
Printed Name	**Printed Name**
July 9, 2015	7/10/15
Date	**Date**

City and Regional Data

Northern Colorado Regional Analysis

The subject property is influenced by market conditions in the Northern Colorado area, which includes Eastern Larimer and Western Weld Counties. The major cities within the region are Fort Collins, Loveland, Greeley and Windsor. There are two areas listed as the Fort Collins/Loveland Metropolitan Statistical Area (MSA) and the Greeley MSA by the federal government for ranking and statistical analysis purposes. Data was gathered from numerous sources and is updated through the 4th quarter of 2014 where possible.



Location

Northern Colorado is the area between Denver and Cheyenne bisected by Interstate 25. It is a growing area for all types of people.

The Fort Collins/Loveland and Greeley MSA's are located in north central Colorado, east of the Rocky Mountains. Fort Collins is the predominate business and economic hub, while Greeley is the agricultural and manufacturing hub. Loveland is known for attracting artists and tourists to the region. Tourists travel through Loveland to reach Rocky Mountain National Park and Estes Park utilizing Loveland's major highway, US 34. The area has easy access to the central portions of the state including Denver and the Rocky Mountains.

State Population

Colorado's population has been steadily increasing over the past fifteen years. According to the last national census the state has grown from a total of 4,301,261 residents in 2000 to 5,026,916 residents as of December 31, 2010.

Colorado's population growth rate is double the national average of 0.75 percent during the same period. The Census Bureau's estimate puts the state's population at 5,355,866, up from 5,272,086 on July 1, 2013.

The state Demography Office estimates that 60 percent of the state's population gains in 2013 came from net migration. Of those groups, about one in five was 18 to 24 years old and one in four was 25 to 34.

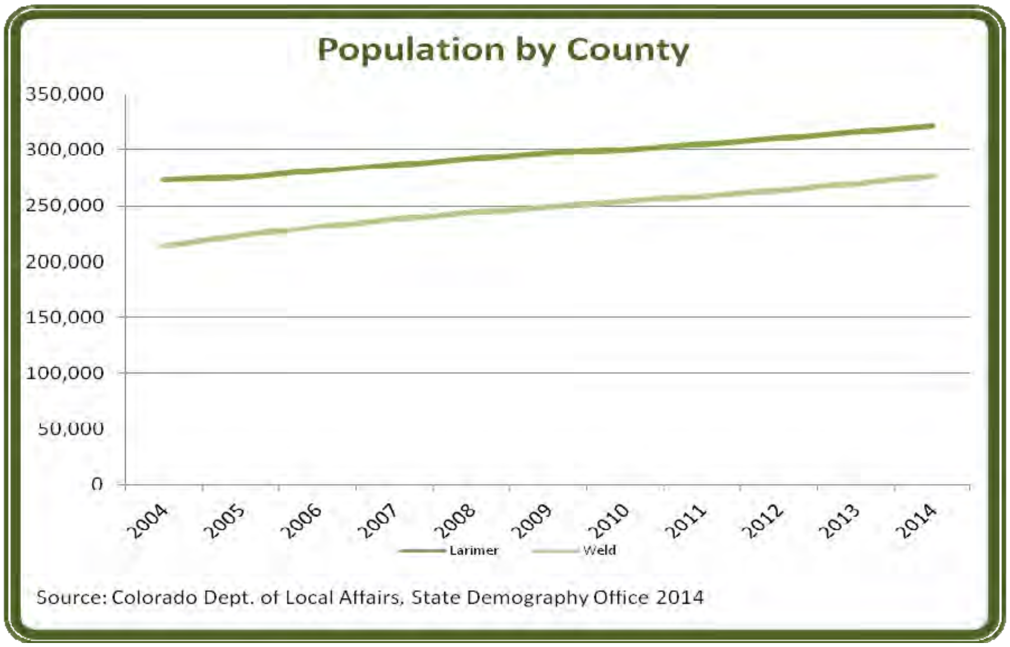
The office forecast the state population to increase 1.6 percent as of July 1, 2014, before ramping up to a 1.7 percent annual rate as of July 1, 2015, and as of July 1, 2016.

According to U.S. Census state population estimates for 2014, Colorado is the fourth fastest-growing state in the country. From July 1, 2013 to July 1, 2014, the state gained 83,780 residents, an increase of 1.59 percent from 2013. In terms of total population Colorado ranks 22nd, with a population of 5,355,866.

Northern Colorado Population

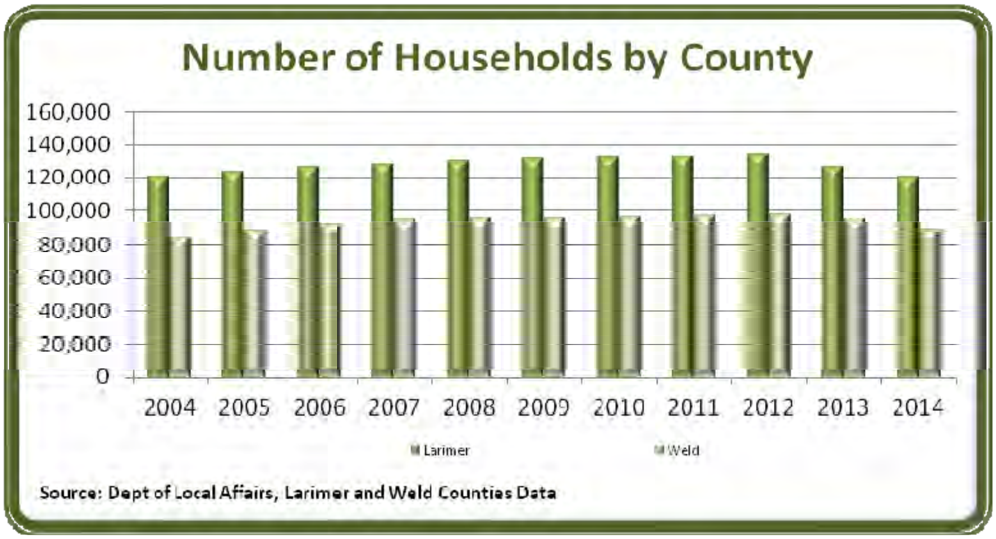
The population of Northern Colorado grew by more than 100,000 residents between 2000 and 2010, from 436,691 to 554,490, according to the most recent population census provided by the U.S. Census Bureau. That number is expected to grow to more than 775,000 by 2025, and to exceed 950,000 by 2035. As is with the state growth, the population in Northern Colorado has also increased over the last ten years and is likely to continue to grow.

The following table provides population estimates for Larimer and Weld Counties from 2004 through 2014:



Household Data

The total number of households in Larimer and Weld Counties has grown steadily from 2002 through 2014. According to the Colorado Department of Local Affairs' most recent information, the total number of households has grown from 204,848 in 2004 to 209,644 in 2014. This represents an average increase of 2.3% per year. The following chart shows growth in Larimer and Weld counties from 2004 through 2014.



Employment / Unemployment

According to the Bureau of Labor and Statistics, national, state, and local employment experienced gradual, consistent job growth from 2005 through 2007. In 2008/2009 there was a drop in the employment rate for all three areas. As of year-end 2014 employment is projected to continue expanding. Employment numbers are as shown in the following chart:

TOTAL EMPLOYMENT

	Colorado			Fort Collins/Loveland MSA			Greeley MSA		
	Employed	% Δ	Unemployment Rate	Employed	% Δ	Unemployment Rate	Employed	% Δ	Unemployment Rate
2005	2,464,903	2.9%	4.6%	158,791	1.6%	4.3%	106,269	3.1%	5.1%
2006	2,546,864	3.2%	3.8%	164,518	3.5%	3.3%	111,008	4.3%	4.0%
2007	2,581,945	1.4%	4.1%	165,911	0.8%	3.5%	112,590	1.4%	4.3%
2008	2,564,627	-0.7%	6.0%	166,629	0.4%	4.8%	111,893	-0.6%	6.1%
2009	2,477,274	-3.5%	8.3%	164,768	-1.1%	6.8%	107,911	-3.7%	9.4%
2010	2,479,608	0.1%	8.7%	164,321	-0.3%	7.3%	109,142	1.1%	10.0%
2011	2,528,276	1.9%	8.1%	168,778	2.6%	6.3%	113,292	3.7%	8.8%
2012	2,560,977	1.3%	7.2%	171,413	1.5%	5.7%	115,714	2.1%	7.9%
2013	2,608,558	3.1%	5.9%	175,033	3.6%	4.7%	120,959	6.3%	6.0%
2014*	2,699,250	5.1%	4.2%	179,627	4.6%	3.3%	129,961	11.0%	4.0%

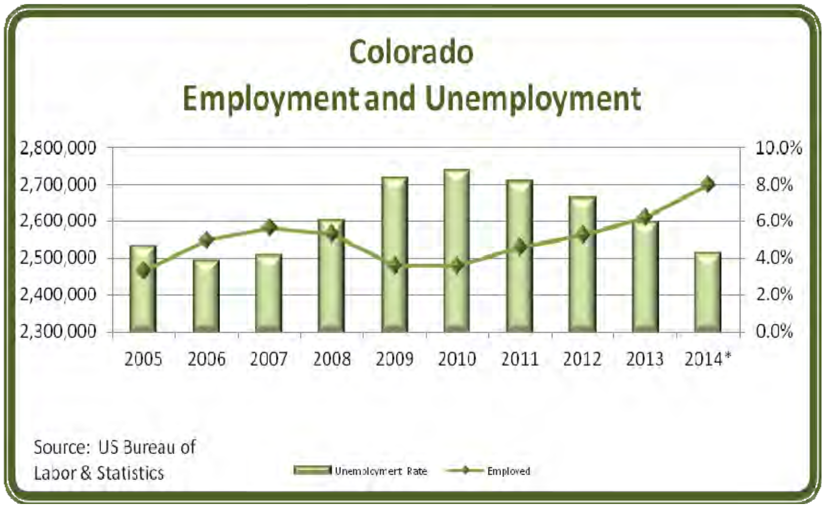
* As of December 2014 — Source: US Bureau of Labor and Statistics

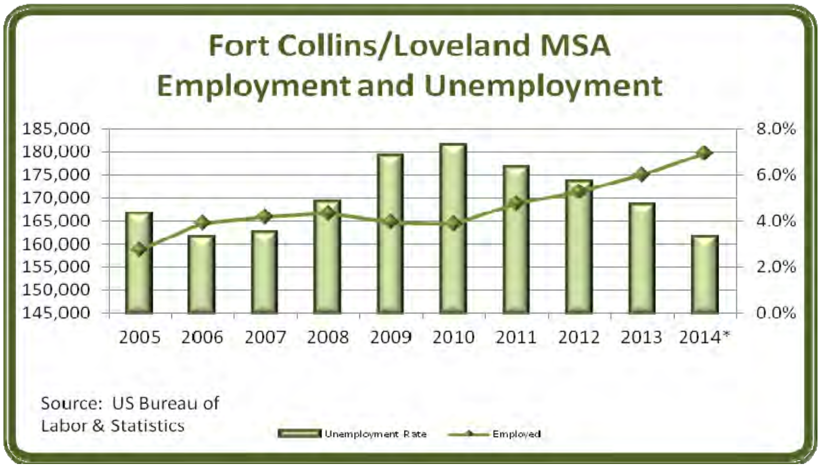
According to the Q2 2014 Colorado Secretary of State's business and economic report, national employment recorded a new peak in June 2014. Total nonfarm employment rose 1.8% yearly, and unemployment dropped to 6.1% in June 2014. Further growth in the national economy is expected, with gains in personal income and wealth (i.e., home prices and the S&P 500) mitigating less favorable business outlays. These include flat national wages and modest increases in prices.

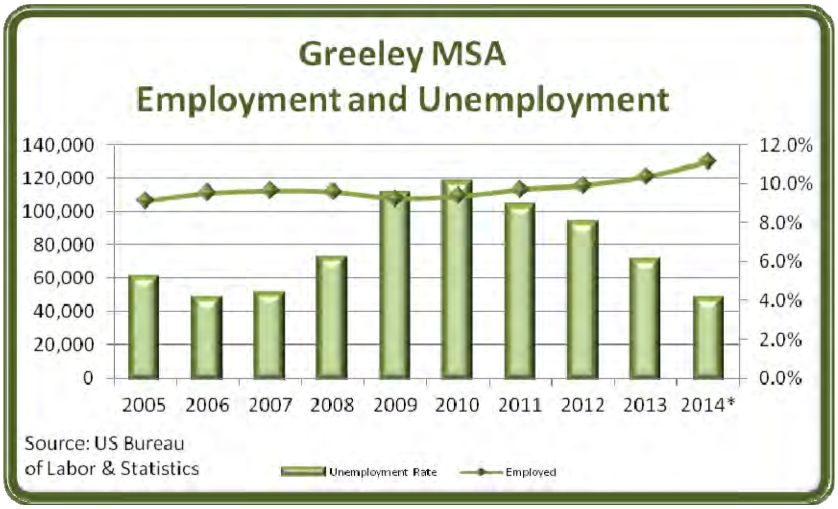
The state economy also recorded a new employment peak in 2014, with 66,300 seasonally adjusted jobs added year-over-year in June 2014. Aggressive building activity pushed building permits up 10.8% for the year and valuation to $6.1 billion in a 12-month trailing total. Home prices across the state expanded 9.3% yearly in Q2 2014 and 2.6% over Q1 2014.

Wages per employee in Colorado were $50,864 for Q2 2014 and have increased marginally since Q2 2013 (0.6%). State personal income recorded more substantial gains in this time period, increasing by 4.9% year-over-year. While foreclosure filings and sales increased measurably in Q2 2014 (15.4% and 4.1%, respectively), gains in employment, consumption, and income drove growth.

The following graphs illustrate the state and local trends in total employment and unemployment;







According to the Colorado Business Economic Outlook Report for 2015, the Colorado economy will continue to grow in 2015. Although the U.S. economy is still somewhat out of sorts, Larimer and Weld counties appear to have more than fully recovered by most broad economic measures. The region has more jobs than ever, and unemployment rates are lower than they were on the recession's eve. Indeed, the local press has been citing a mounting pile of anecdotal evidence about labor shortages across a variety of industries. One important result is that regional wages are finally starting to grow in some sectors after many stagnant years, helping boost household incomes.

Although both county economies are doing well, the driving forces are quite different. According to the Current Employment Statistics provided by the Colorado Department of Labor and Employment (CDLE), Weld County has added more than 9,000 nonfarm jobs over the past 24 months, a 10.7% change that exceeds the two year growth rates from previous expansions.

Much of this is propelled by traditional strengths in food processing, and oil and gas; the supply-chain effects for these two industries is also prominent. Agricultural producers continue to prosper, in part buoyed by higher commodity prices. At the same time, natural resource extraction has bolstered the construction and transportation industries.

Larimer County has added nearly 11,000 nonfarm jobs over the past two years, with much of the growth coming from service industries. Noteworthy expanding sectors reflecting the county's high-service orientation include Professional, Scientific and Technical Services; Health Care; and Education. A growing regional economy has also benefited retail development, with several new national merchants entering the market, including Costco, Sierra Trading Post, and Trader Joe's.

Northern Colorado's housing market is also strong. Over the past two years, Federal Housing Finance Association (FHFA) data show single-family housing price indices in Weld and Larimer counties have climbed 15.2% and 14.8%, respectively, in Q2 2014. Price appreciation has led to builders moving more dirt, with single-family building permits rising in both counties. The U.S. Census Bureau estimates 1,500 permits were issued in Weld County through September 2014, up nearly 500 from two years earlier. Larimer County saw about 400 more single-family permits through the time period than 24 months earlier.

A tight housing market means rents are also increasing. Recent figures from the Colorado Department of Local Affairs show the median rental rates for a two bedroom, two-bath apartment is $1,002 in Greeley and $1,246 in Fort Collins–Loveland. The increase over the past two years is 14.9% in Greeley and 11.1% in Fort Collins–Loveland.

The overall strong performance over the past year is especially remarkable given the damage caused by the September 2013 floods. In last year's regional outlook great concern was expressed about the potentially adverse impacts of substantial infrastructure damage. The impacts on the Town of Estes Park and its tourism-based economy, which bore significant damage to most access roads, were especially concerning.

Due to a very focused and intense recovery effort, however, most of the negative effects were short-lived. Although comprehensive data are still scarce, recovery efforts injected millions of new dollars into the economy, and the *Estes Park Trail Gazette* recently reported that sales tax collections are up 6.7% over the same period last year.

Still, there may have been some negative effects. National Park Service data show Rocky Mountain National Park visitor numbers for the first eight months of 2014 were down more than 3% from the same period in 2012, although the "cause" for this decline is very difficult to discern.

Despite mostly positive news, it is important to remember that many local households are still not enjoying the prosperity. For example, the 2013 poverty rates in Weld and Larimer counties were 14.4% and 13.7%, respectively, firmly placing both counties above the state rate of 12.9%.

To better understand why growth is not helping every household, it is useful to take a closer look at specific industries and the wages that they pay. Doing so reveals that much of the regional job growth is concentrated in industries that pay below-average wages.

This is especially true for Larimer County, where CDLE data indicate 56% of the job growth between Q1 2011 and Q1 2014 was in industries that pay less than the average wage. As a result, the average weekly wage in the county, adjusted for inflation, grew less than 2% over that timeframe. For Larimer County, the point is that despite many signs of a robust economy, there is much work to be done.

Wage growth is not nearly as tepid in Weld County. Due to strong job growth in Construction and Natural Resources—two sectors with above-average wages—62% of the recent employment gains have been in industries paying above-average wages. Adjusting for inflation, average weekly wages grew by about 12% between Q1 2011 and Q1 2014. Despite this increase, Weld County wages average only about 83% of the state average.

Looking forward, there is little reason to think things will change dramatically in 2015. Models predict that employment will continue to grow in both counties, and the industry mix will be consistent with recent history. The Construction Sector, which has seen a recent spurt in both residential and nonresidential projects, is expected to further strengthen in 2015.

In 2015, the job growth rate is expected to continue to outpace the state average, further lowering the local unemployment rate. One important consequence will be increased wages, which should help households across the income spectrum. Yet, concerns remain that wage gains for lower-income households will fail to keep pace with rising housing prices.

Contributor: *Martin Shields, Colorado State University*

Northern Colorado Municipal Employment Drivers

The City of Fort Collins

Fort Collins is fueled by a highly educated workforce (40% of residents hold a college degree and 14% hold a doctoral degree), a major research institution and a variety of federal laboratories. The city hosts operations of some of the largest technology companies in the United States, including Avago Technologies Inc., Agilent Technologies, Advanced Micro Devices Inc. and LSI Logic Inc., among others.

Other major employers include Advanced Energy Industries Inc. (a Fort Collins-birthed company) and Woodward Co. Otterbox is one of Fort Collins' most recent and most profitable success stories. Otterbox makes a protective hand-held device protectors. It started as a small venture in 1998 and is now one the fastest growing privately owned companies in the U.S.

CSU is another principal driver of the economy in Fort Collins. CSU provides programs in engineering, energy research, business, veterinary sciences, bio-science and other disciplines. The CSU Veterinary Teaching Hospital was developed and is funded by four surrounding states and it is regarded as one of the top such programs in the nation.

The City of Loveland

The City of Loveland is known for a culture largely driven by the arts. The city and its population have poured finances and efforts into renovating the downtown, supporting local business and convincing Rocky Mountain National Park tourists that it is worth the time to stop and admire the city, and all the amenities it has to offer.

Loveland's fastest growing industry is retail and healthcare, with McKee Medical Center and the Medical Center of the Rockies topping the city's employment charts. The Centerra shopping center provides the largest retail employment opportunity in Northern Colorado. The promise of more development along the I-25 corridor also has given Loveland momentum.

Greeley

Greeley is the largest city in Weld County. The city has long expanded beyond its farming and ranching roots, developing its way into industries including manufacturing, health care and most notably in recent years, energy. Growth in the oil and gas sector has rippled throughout the larger economy in Greeley, bringing in more consumers.

According to the Greeley Chamber of Commerce, with the help of industry giants like Noble Energy and Anadarko Petroleum Corp., oil and natural gas contribute more than $625 million to Weld County's economy, and provide some of the highest-paying jobs in the region.

Agribusiness, however is still the city's largest sector. With more than 31% of local employment related to agriculture in one way or another, agribusiness contributes more than $1 billion to the local economy. Weld County ranks in the nation's top five for agricultural products sold, and is No. 1 in livestock, lamb and poultry.

Greeley is home to the North American Corporate Headquarters for JBS USA. JBS is the world's largest protein provider. Over the years the company has shown consistent growth, mergers and acquisitions that have boosted the region's economy. Another major contributor to the region's economy is its most recent manufacturing addition. Leprino Foods recently spent $250 million on a new 800,000 square foot cheese and whey factory. This factory is the world's largest mozzarella cheese provider.

The Town of Windsor

The Town of Windsor in recent years has become the region's boomtown, doubling its population in the last decade and projected to double again in the next decade. Although the town has a solid base of small local businesses, much of the growth is a result of several larger corporation's decisions to set down roots in this central Northern Colorado town. Vestas Blades, a wind turbine manufacturer, is the largest employer in Windsor with more than 700 employees, followed by Owens Brockway Glass Container Inc., a glass manufacturer. Tenneco Packaging, University Photo Products and ICON industries have all found a home here, paving the way for other businesses in need of solid local infrastructure.

Major Employers in Northern Colorado

Northern Colorado is home to a variety of large employers in numerous business sectors. These companies are drawn to the area due to the highly educated population base. Some of the largest employers are detailed below.

Major Larimer & Weld County Employers	
Employer	**No of Employees**
Colorado State University	6475
University of Colorado Health (formally PVH)	5522
JBS Swift and Company	4500
Banner Health: North Colorado Medical Cente	4112
Banner Health: McKee Medical Center	4112
Poudre School District	3289
Weld County School District 6	2300
Thompson School District R2J	2036
Hewlett Packard	2000
University of Northern Colorado	1658
Larimer County	1539
Woodward	1475
Columbine Health	1450
Walmart Distribution Center	1350
Center Partners	1300
Weld County Government	1282
City of Fort Collins	1200
State Farm Insurance	1188
City of Loveland	958

Data obtained from the Northern Colorado Economic Development Corporation

Employees by Business Sector	Larimer		Weld	
	No. of Employees	Percentage of Employed	No. of Employees	Percentage of Employed
Agriculture, Forestry, Fishing, Hunting	946	0.66%	3,663	4.28%
Construction	7,851	5.48%	7,408	8.65%
Manufacturing	11,469	8.00%	11,456	13.38%
Wholesale Trade	3,435	2.40%	3,529	4.12%
Retail Trade	17,197	11.99%	8,178	9.55%
Transportation/Warehousing	2,603	1.82%	3,126	3.65%
Finance/Insurance	3,231	2.25%	3,010	3.52%
Real Estate/Rental/Leasing	2,355	1.64%	1,012	1.18%
Professional, Scientific, Technical Services	9,027	6.30%	2,209	2.58%
Administrative, Support, Waste Management	8,712	6.08%	4,731	5.52%
Educational Services	15,092	10.52%	8,000	9.34%
Health Care/Social Assistance	17,676	12.33%	8,206	9.58%
Arts/Entertainment/Recreation	2,833	1.98%	1,038	1.21%
Accommodation/Food Services	16,821	11.73%	6,319	7.38%

Source: Colorado Employment and Wages, Local Employment Dynamics, Average Quarterly Employment

Larimer County's Health Care & Social Assistance sector employed the most people (17,676). The Retail sector had the second highest employment numbers at 17,197 followed by Accommodation & Food Services at 16,821. The Educational Services ranked fourth with 15,092 and the Manufacturing sector ranked fifth at 11,469.

The predominance of the Retail sector in the number of establishments and the number of employees is reflected in statewide numbers as well, with 18,357 Colorado retail businesses employing 242,477 people. Retail business accounted for 11.99% of the employees and 13.0% of all establishments in Larimer County, compared to 12.3% of employees and 12.2% of establishments statewide.

Weld County primary employers represent every industry sector, from basic manufacturing to business services to high tech. Access to suppliers, workforce, transportation resources, quality healthcare, business support organizations and educational institutions support local companies as they compete within their markets. The diversity of these companies enhances the inherent strength of the local economy, and offers the potential of even stronger job growth into the future.

The manufacturing sector is the largest sector in Weld County and includes a wealth of companies producing a wide variety of products focused primarily in food manufacturing, wood products, chemical manufacturing, plastics/rubber products, fabricated metal products, machinery manufacturing, electrical equipment/components, transportation equipment and miscellaneous manufacturing.

Single Family Housing

While rising home prices continue to make headlines, the fact is homes in Northern Colorado are even more affordable than they were 10 years ago. Thanks primarily to falling interest rates, the monthly payment for an average-priced home during 2014 was actually lower in each of the local markets than it was in 2005.

The driving forces behind this affordability trend is a mortgage interest rate that's hovered close to 4 percent over the past year, compared to 6 percent or higher in the mid-200s. Combine that lower rate with increasing family incomes, and the cost of ownership comes down.

Rising rents and falling interest rates made 2014 the best investor market in memory. In addition, Colorado's condo defects law limited condo construction causing many potential first time buyers to rent apartments rather than own.

New lot development costs, rising material prices, and labor shortages caused new home prices to rise significantly in 2014.

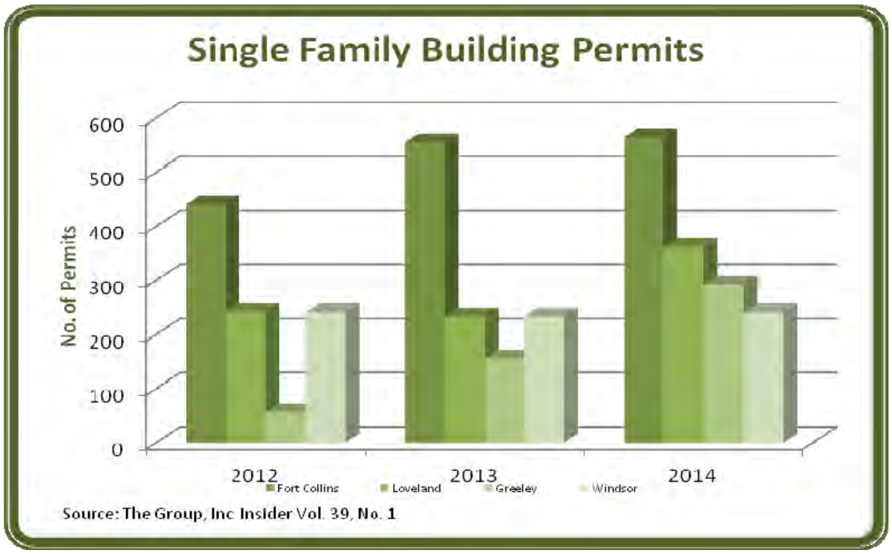
There is an undersupply of resale homes and single-family homes for rent. Residential lots are quickly being absorbed by the large builders who have moved into our market. Interest rates continue to be at historic lows, providing additional buying power to buyers. As a result, local buyers are finding average monthly payments at levels below 2005, even as prices have increased.

The National Association of Realtors predicts that first-time buyers will slowly return to the market as new mortgage products are available that feature low down payments and private mortgage insurance. Single-family homes to rent will continue to be difficult to find and rents will continue at an all-time high.

Northern Colorado has proven to be one of the very best places to own investment real estate based on low vacancy rates, low unemployment, a diverse economy, and real estate prices that have appreciated over the long term.

2015 will be another positive year in the Northern Colorado real estate market. Our growing population and robust economy will continue to drive the housing market. Prices, transaction, and new home starts will all continue their strong upward trend. The fundamentals of our region continue to make Northern Colorado a smart place to own real estate.

The data for the following graphs was obtained from the cities' planning departments:



MULTIPLE LISTING SERVICE DATA FORT COLLINS

YEAR	SINGLE-FAMILY			CONDOMINIUM/TOWNHOME		
	NUMBER OF UNITS SOLD	MEDIAN SALE PRICE	ANNUAL PRICE CHANGE	NUMBER OF UNITS SOLD	MEDIAN SALE PRICE	ANNUAL PRICE CHANGE
2004	3,072	$220,000	1.0%	967	$157,900	5.0%
2005	3,066	$229,900	5.0%	883	$157,281	0.0%
2006	2,888	$230,000	0.0%	775	$156,000	-1.0%
2007	2,842	$235,000	2.0%	731	$155,000	-1.0%
2008	2,421	$243,000	-1.0%	666	$151,000	-3.0%
2009	2,270	$226,000	-3.0%	627	$150,000	-1.0%
2010	2,289	$232,000	3.0%	555	$153,000	2.0%
2011	2,303	$237,000	2.0%	558	$154,791	1.0%
2012	2,765	$246,000	4.0%	693	$154,700	0.0%
2013	3,204	$261,000	6.0%	734	$170,000	10.0%
2014	3,156	$281,000	8.0%	822	$185,000	9.0%

Sources: IRES Multiple Listing Service.

MULTIPLE LISTING SERVICE DATA GREELEY

YEAR	SINGLE-FAMILY			CONDOMINIUM/TOWNHOME		
	NUMBER OF UNITS SOLD	MEDIAN SALE PRICE	ANNUAL PRICE CHANGE	NUMBER OF UNITS SOLD	MEDIAN SALE PRICE	ANNUAL PRICE CHANGE
2004	3,895	$185,500	4.0%	486	$141,225	1.0%
2005	3,909	$190,000	2.0%	382	$149,300	6.0%
2006	3,585	$195,000	3.0%	390	$155,500	4.0%
2007	3,460	$189,900	-3.0%	347	$145,000	-7.0%
2008	3,302	$171,900	-9.0%	229	$132,904	-8.0%
2009	3,130	$169,500	-1.0%	269	$110,000	-17.0%
2010	2,965	$174,000	3.0%	233	$115,900	5.0%
2011	3,134	$172,000	-1.0%	250	$109,900	-5.0%
2012	3,439	$192,450	12.0%	277	$117,625	7.0%
2013	4,146	$210,000	9.0%	367	$137,751	17.0%
2014	4,624	$233,500	11.0%	496	$149,250	8.0%

MULTIPLE LISTING SERVICE DATA LOVELAND

YEAR	SINGLE-FAMILY			CONDOMINIUM/TOWNHOME		
	NUMBER OF UNITS SOLD	MEDIAN SALE PRICE	ANNUAL PRICE CHANGE	NUMBER OF UNITS SOLD	MEDIAN SALE PRICE	ANNUAL PRICE CHANGE
2004	2,036	$220,500	8.0%	264	$161,900	-2.0%
2005	2,038	$232,900	6.0%	274	$164,500	2.0%
2006	1,778	$239,419	3.0%	228	$157,900	-4.0%
2007	1,579	$227,600	-5.0%	191	$153,627	-3.0%
2008	1,415	$217,000	-5.0%	160	$146,000	-5.0%
2009	1,323	$205,000	-6.0%	166	$150,000	3.0%
2010	1,357	$215,000	5.0%	171	$153,000	2.0%
2011	1,423	$215,000	0.0%	170	$146,650	-4.0%
2012	1,759	$229,547	7.0%	241	$152,714	4.0%
2013	2,057	$249,825	9.0%	301	$167,000	9.0%
2014	2,015	$275,000	10.0%	306	$175,556	5.0%
Sources: IRES Multiple Listing Service.						

Home Sales Activity by Market

Fort Collins/Wellington/Timnath

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
2009	2,923	-3.0%	$699,252,210	-11.0%	$239,223	-5.0%
2010	2,783	-5.0%	$696,823,184	-2.0%	$250,386	+5.0%
2011	2,736	-2.0%	$693,885,165	0.0%	$253,613	+1.0%
2012	3,374	+23.0%	$879,448,133	+27.0%	$260,654	+3.0%
2013	3,878	+15.0%	$1,082,193,812	+23.0%	$279,111	+7.0%
2014	**3,816**	**-2.0%**	**$1,146,193,050**	**+6.0%**	**$300,365**	**+8.0%**

Loveland/Berthoud

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
2009	1,335	-4.0%	$301,738,889	-10.0%	$226,021	-6.0%
2010	1,363	+2.0%	$315,371,969	+5.0%	$231,381	+2.0%
2011	1,381	+1.0%	$322,535,668	+2.0%	$233,552	+1.0%
2012	1,681	+22.0%	$412,216,976	+28.0%	$245,221	+5.0%
2013	2,002	+19.0%	$517,210,506	+25.0%	$258,347	+5.0%
2014	**1,977**	**-1.0%**	**$556,336,704**	**+8.0%**	**$281,405**	**+9.0%**

Greeley/Evans

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
2009	1,671	+0.5%	$232,955,393	-7.0%	$139,411	-8.0%
2010	1,532	-8.0%	$218,002,039	-6.0%	$142,299	+2.0%
2011	1,465	-4.0%	$208,237,058	-4.0%	$142,141	0.0%
2012	1,493	+2.0%	$241,807,019	+16.0%	$161,960	+14.0%
2013	1,944	+30.0%	$344,461,436	+42.0%	$177,192	+9.0%
2014	**2,280**	**+17.0**	**$461,049,659**	**+34.0%**	**$202,215**	**+14.0%**

Windsor/Severance

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
2009	495	+0.5%	$141,649,327	-5.0%	$286,160	-8.0%
2010	501	+1.0%	$150,282,988	+14.0%	$308,208	+5.0%
2011	557	+11.0%	$161,958,496	-9.0%	$297,490	-3.0%
2012	728	+31.0%	$218,991,979	+37.0%	$305,525	+3.0%
2013	819	+13.0%	$260,621,098	+13.0%	$327,021	+6.0%
2014	**787**	**-4.0%**	**$273,390,928**	**+5.0%**	**$347,384**	**+9.0%**

Ault/Eaton/Johnstown/Kersey/Milliken/Mead/LaSalle

Year	# of Homes Sold	% Change	Dollar Value	% Change	Average Sales Price	% Change
2009	532	-19.0%	$100,097,095	-23.0%	$188,152	-6.0%
2010	535	+1.0%	$104,919,874	+5.0%	$196,112	+4.0%
2011	698	+30.0%	$134,601,026	+28.0%	$192,838	-2.0%
2012	896	+28.0%	$187,164,073	+39.0%	$208,888	+8.0%
2013	1,053	+18.0%	$245,284,496	+31.0%	$232,939	+12.0%
2014	**1,279**	**+21.0%**	**$334,731,851**	**+36.0%**	**$261,714**	**+12.0%**

Data obtained from the February 2015 Group Real Estate Insider Vol. 39, No.1

The number of "homes sold" is defined as "purchased dwelling units" and includes both new and resale single-family homes, town homes, condominiums, and patio homes. Change in average sales price is not the same as appreciation/depreciation.

Apartments

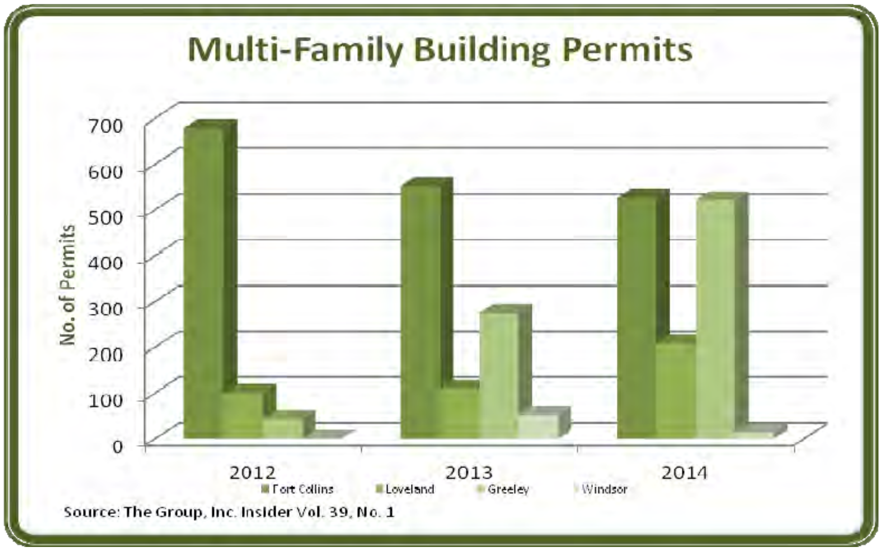
Apartment rents soared in Northern Colorado with the average rent rising 17.2 percent, year over year, in Ft. Collins and 12.6 percent in Greeley. Ft. Collins/Loveland area's vacancy rate dropped to a thirteen-year low of 1.7 percent.

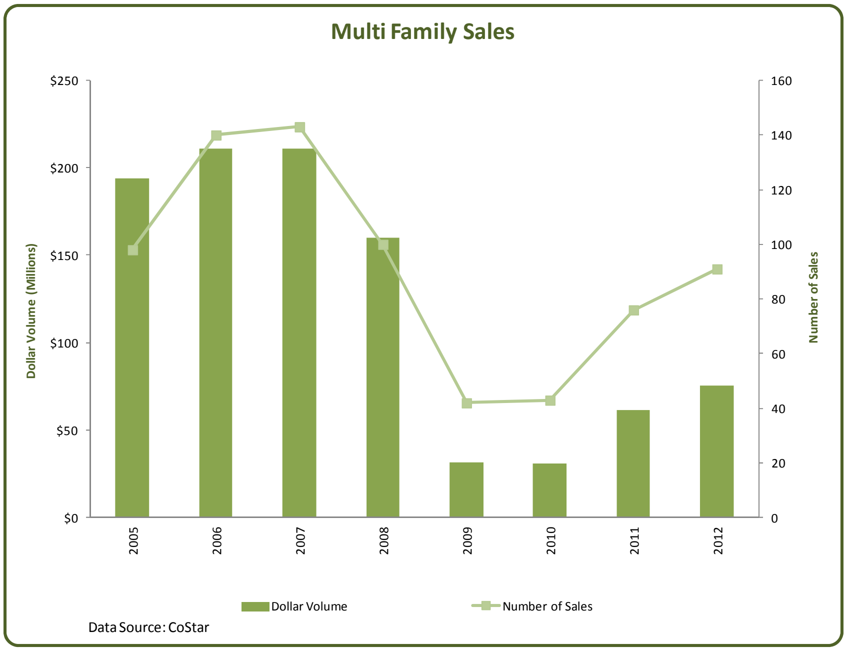
In the June 11, 2014 Colorado Department of Local Affairs' Vacancy and Rent Survey, their economist, Ryan McMaken stated "Greeley is one of those places where brand-new buildings in the process of lease-up have increased the vacancy rate, with Greeley's rate rising to 4.4 percent."

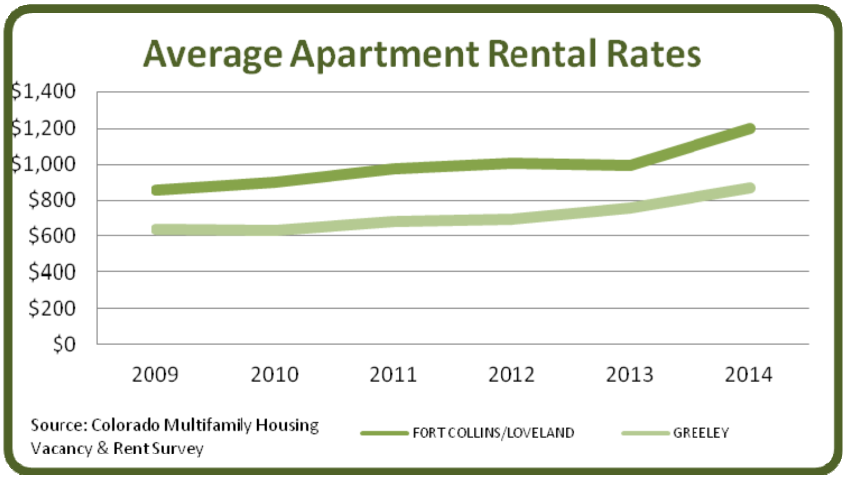
The multifamily market in Northern Colorado continued its strong performance through the third and fourth quarters of 2014, experiencing two more quarters of economic growth and development. Although there were some lulls seen in growth, Northern Colorado still expanded its workforce by nearly 5,000 workers in 2014. As the economy and market flourish, the influx of people is compressing vacancies to staggeringly low average rates of 1.4% across the market.

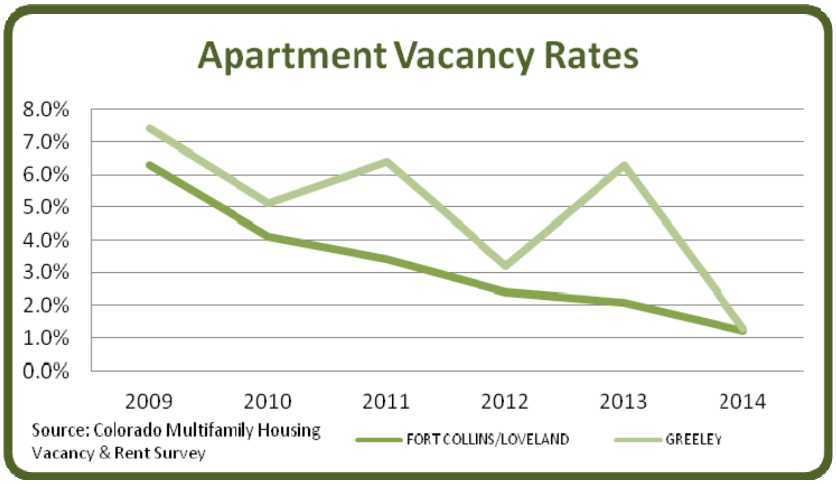
Asking rents in Northern Colorado for multifamily units have been on an upward trend for the last five years, and that trend continued to close out the year in 2014. In Larimer county, average rents rose to an average of nearly $1,200/month/unit, and an average sales price of nearly $152,000/unit. In Weld County, rentals rates climbed to nearly $870/month/unit. Although recently there have been steady rental rate increases across all markets, this trend is expected to start plateauing due to the substantial amount of development currently underway.

As expanding and diversified economy, along with favorable market conditions continue to harbor an environment of robust investment activity, and a high level of new development in Northern Colorado. The number of new and planned units will drastically add to the supply of inventory available to potential lessees, which may alleviate some stress on vacancy and rental rates. However, given the economic expansion of the Northern Colorado market, demand will likely remain very high.


Multi-Family Building Permits
No. of Permits
700
600
500
400
300
200
100
0
2012
2013
2014
Fort Collins
Loveland
Greeley
Windsor
Source: The Group, Inc. Insider Vol. 39, No. 1


Multi Family Sales
Dollar Volume (Millions)
$250
$200
$150
$100
$50
$0
Number of Sales
160
140
120
100
80
60
40
20
0
2005
2006
2007
2008
2009
2010
2011
2012
Dollar Volume
Number of Sales
Data Source: CoStar





NORTHERN COLORADO METROPOLITAN APARTMENT DATA

	FORT COLLINS/LOVELAND			GREELEY		
YEAR	VACANCY RATE	AVERAGE RENT	PERCENTAGE CHANGE	VACANCY RATE	AVERAGE RENT	PERCENTAGE CHANGE
2009	6.3%	$854	3.6%	7.4%	$637	0.0%
2010	4.1%	$901	5.5%	5.1%	$633	-0.6%
2011	3.4%	$974	8.1%	6.4%	$678	7.1%
2012	2.4%	$1,008	11.9%	3.2%	$692	9.3%
2013	2.1%	$997	10.7%	6.3%	$756	19.4%
2014	1.2%	$1,203	23.5%	1.3%	$869	28.2%
Source: Colorado Multifamily Housing Vacancy and Rent Survey, 4th Quarter 2014.						

Commercial Building Permits

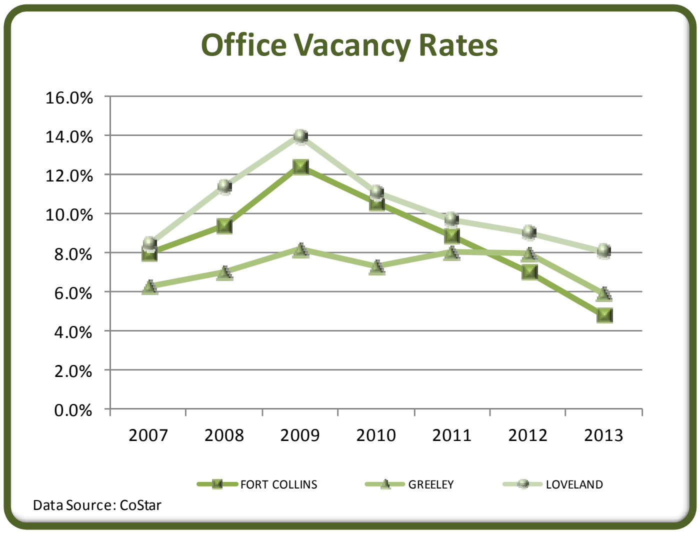
The recovering economy has brought about some new construction as shown in the following graph:

	2009	2010	2011	2012	2013	2014
Fort Collins	12	15	23	21	59	48
Loveland	17	8	14	8	19	37
Greeley	10	7	17	9	16	37
Windsor	8	3	2	4	27	10

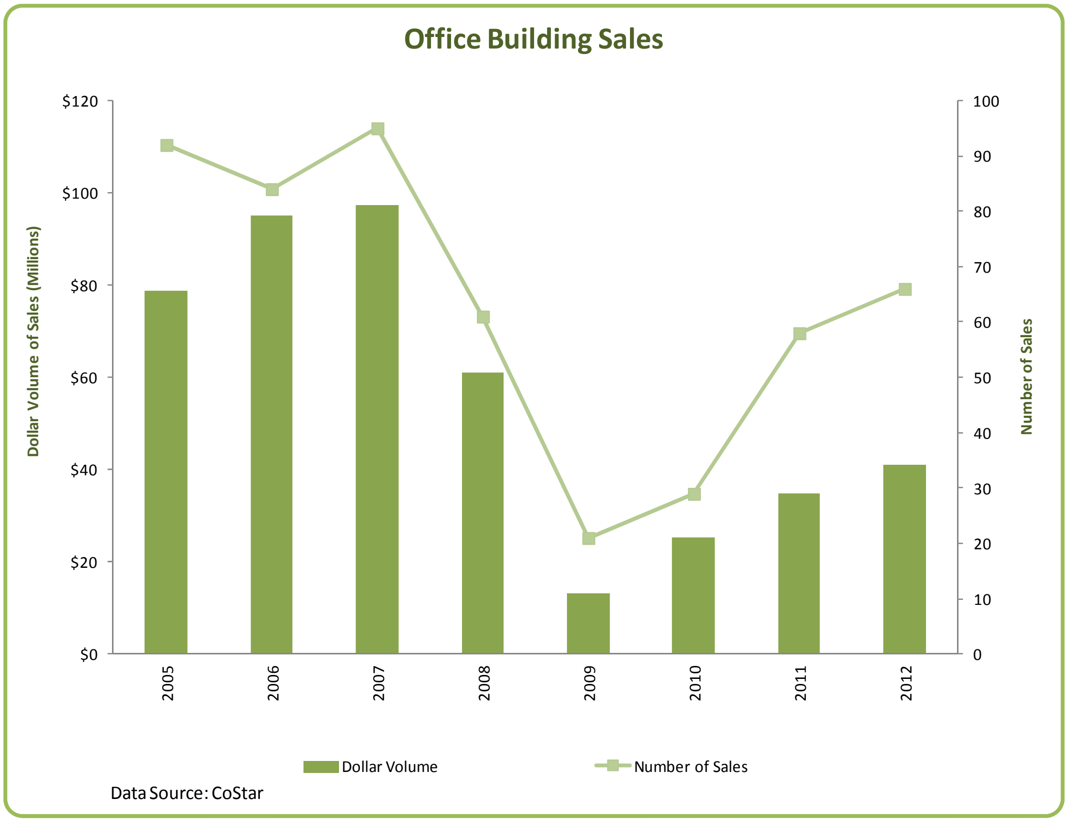
The graph shows growth in new construction especially in Fort Collins. Also Loveland and Greely's growth has risen considerably since 2009.

Office Market

Northern Colorado's office market is currently overbuilt as a result of the real estate boom in the early 2000s. This excessive supply resulted in increased vacancies and declining rental rates through 2009. The graphs below show some recovery in the office market since 2009.

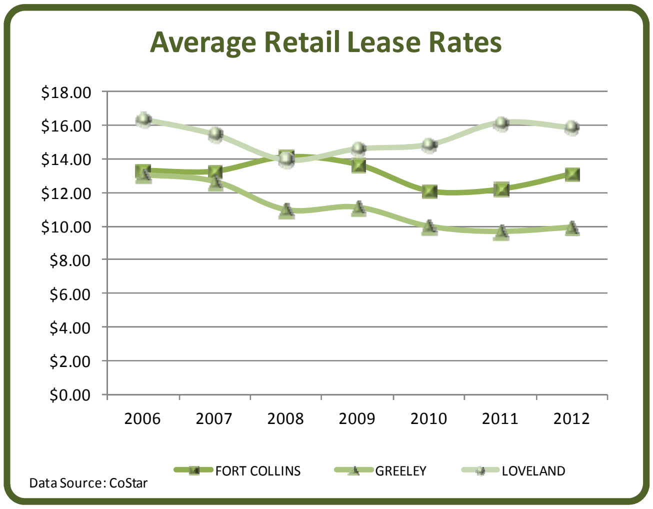


Office building sales have also declined since 2008. This is the result both of oversupply and new lending requirements imposed by banks beginning in 2007. As of 2012 the office market has seen modest gains.

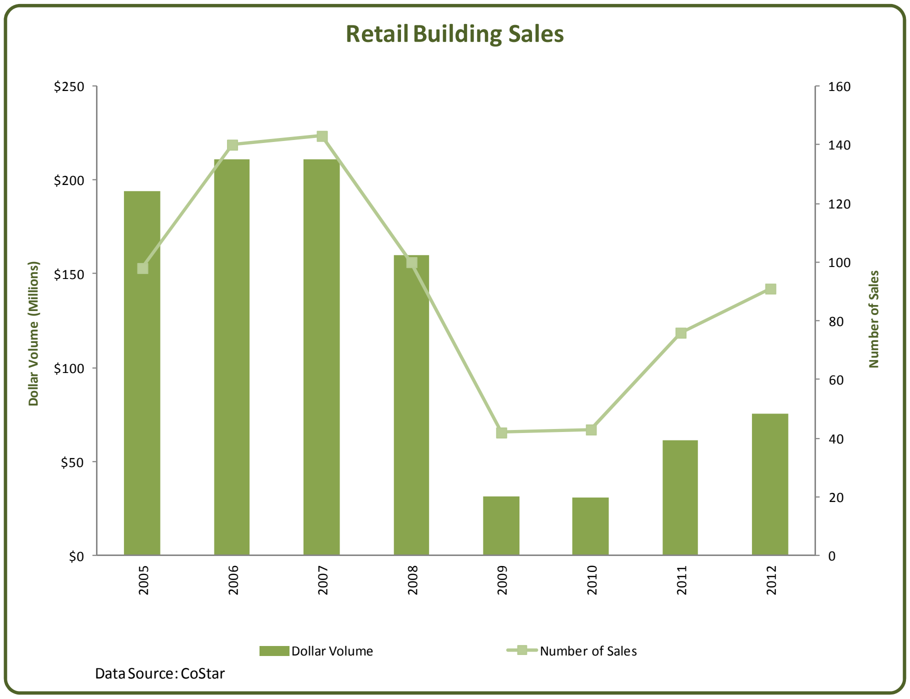


Retail Market

Northern Colorado's retail market experienced the same growth in the early 2000s as the other market sectors. The oversupply of space was reflected in the vacancy rates in 2008, due to the decline in the economy, languishing retail industry, and overabundance of retail space. Retail lease rates were generally increasing through 2006 resulting from the influx of new, high quality space. However, lease rates steadily declined from 2007 through about 2009 and have remained relatively flat then 2012. Over the last two years the market seems to be stabilizing as rent rates are slowly increasing and vacancy rates are flat.

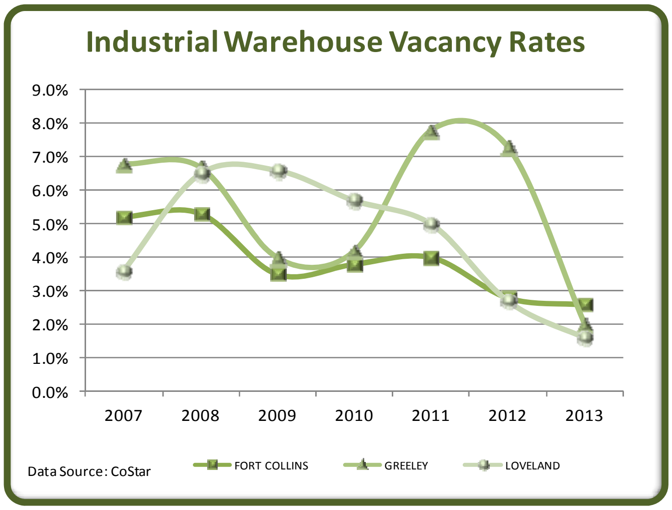


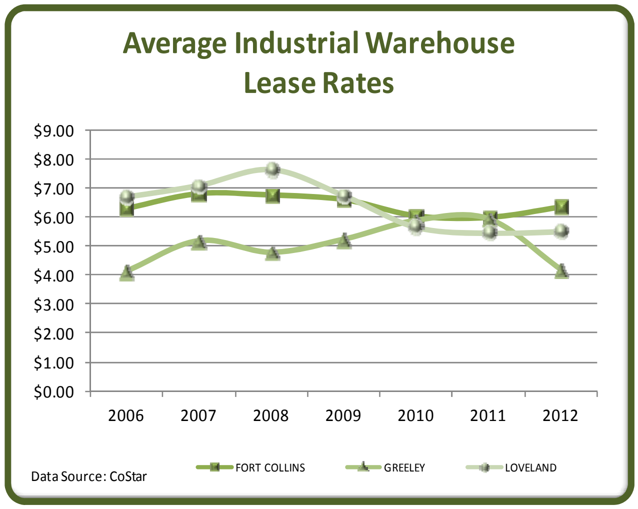
Retail building sales and sale prices also declined. Sales and sale prices declined in 2008, and as of 2012 the market has shown modest gains.

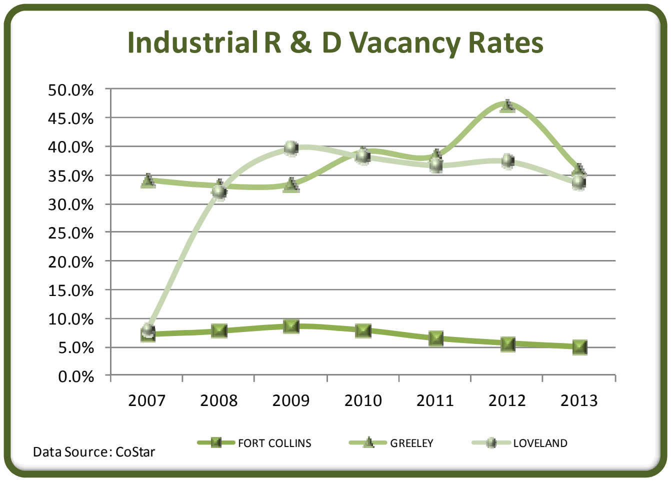


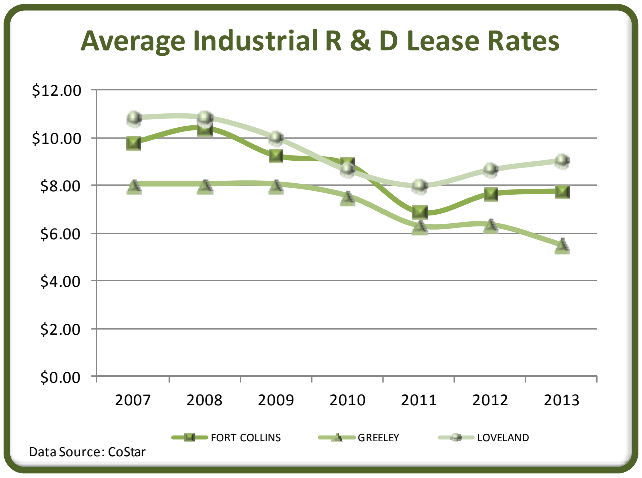
Industrial Market

In Fort Collins the city was not over-built and rental rates remained relatively consistent. In Loveland the office warehouse market was over-built in 2008 and 2009 creating a high vacancy into 2011. Most recently, with significantly more supply than demand, Greeley has very high industrial vacancy rates, and low industrial lease rates. With the exception of Greeley, as of year-end 2011 the industrial market has shown signs of recovery. The vacancy rates and average lease rates for the warehouse and R&D building are as follows:

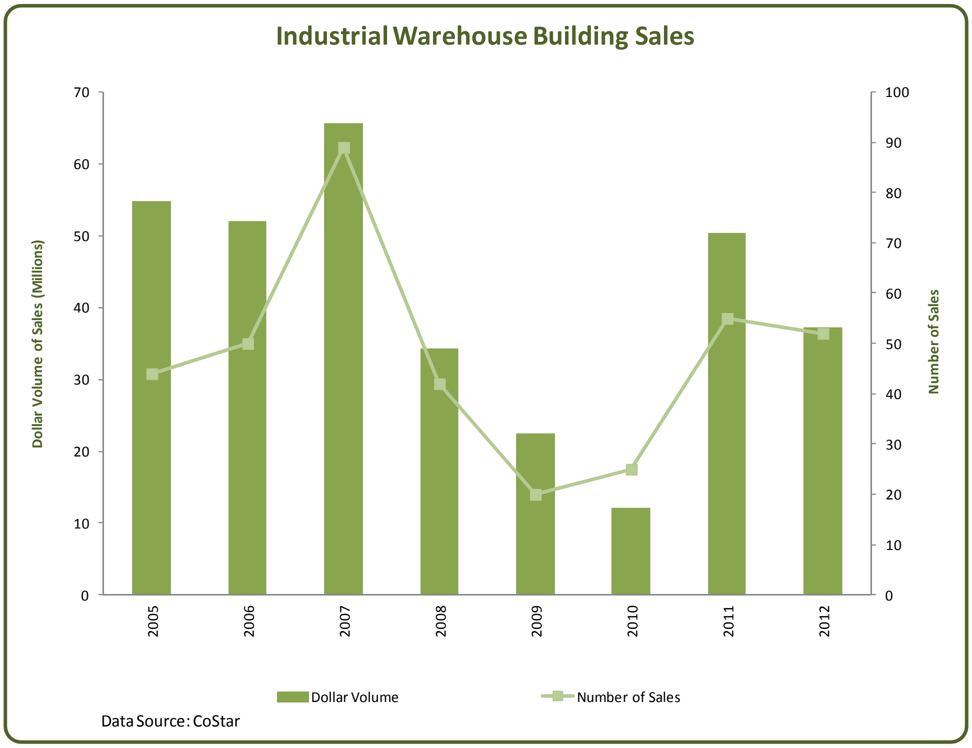


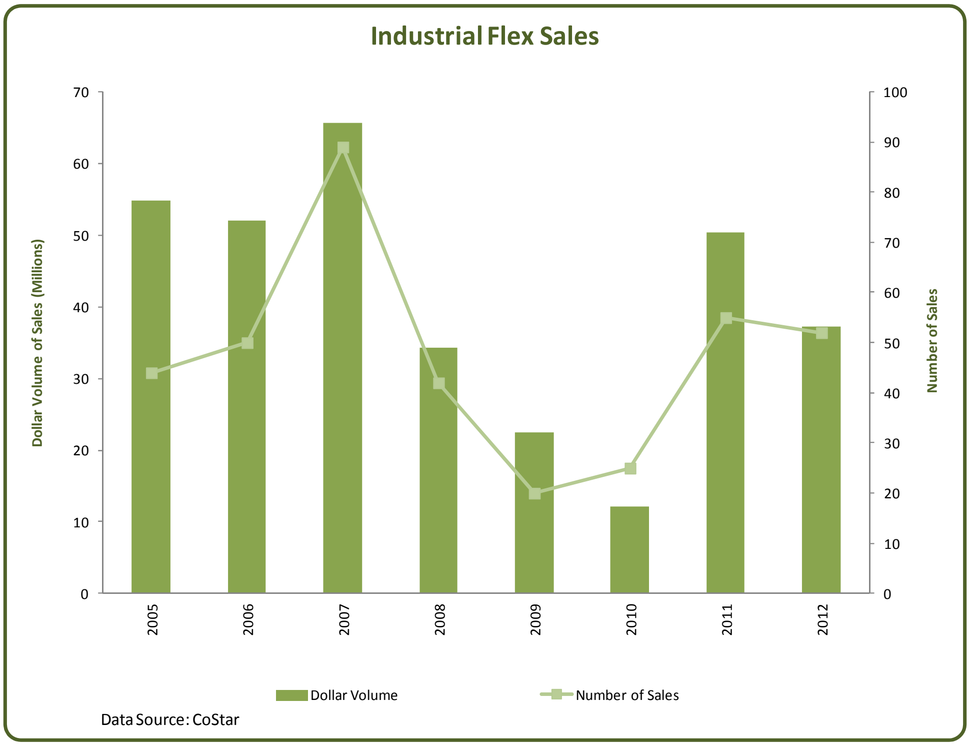






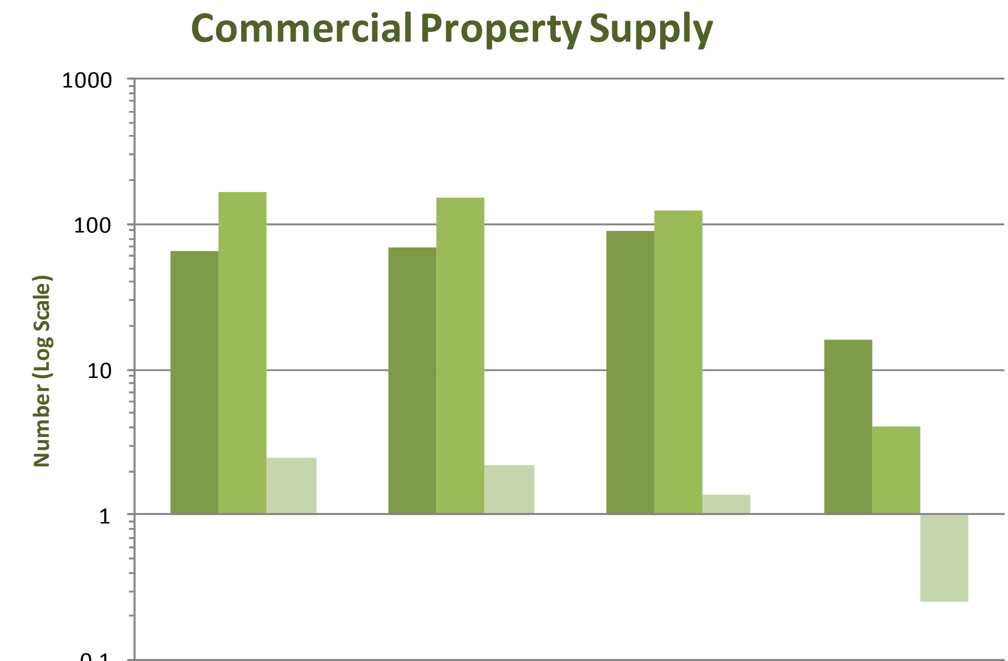
As with the other commercial markets, industrial building sales also declined significantly in 2008. In 2011 and 2012 sales increased in both the industrial/warehouse and R & D sectors.





Summary

Northern Colorado experienced significant growth in terms of population, employment, and new business opportunities through 2008 until the most recent recession hit. The real estate market was over-developed, resulting in high vacancy rates and lower lease rates and fewer sales through 2012. As of year-end 2011 commercial absorption rates were estimated anywhere from 3.5 to 8 years depending on the sector. As of year-end 2012 there was a significant decline in absorption indicating a healthier commercial market.



	Office	Industrial	Retail	Multi Family
Sales	66	69	91	16
Number of Listings*	164	153	125	4
Supply (Years)	2.5	2.2	1.4	0.3

*As of February 2013

Data Source CoStar

The Northern Colorado commercial market experienced a significant hit from the most recent recession in 2008 with languishing market fundamentals in all commercial sectors lasting though 2011. As of year-end 2012, the regional commercial markets are showing signs of recovery including an increase in sales and rental activity and decreases in the absorption and vacancy rates. The overall outlook of the Northern Colorado commercial market is favorable.