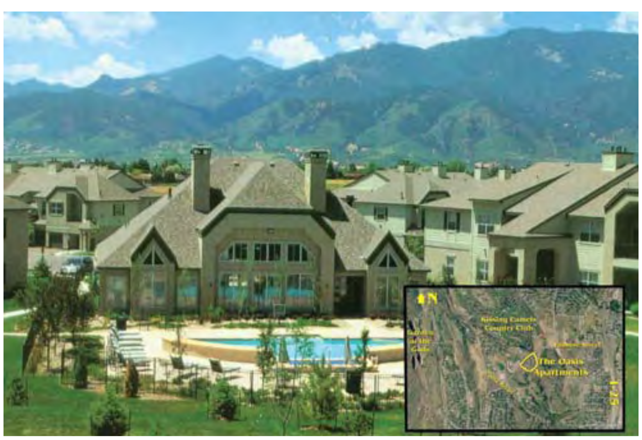
COMMONWEALTH INFORMATION

COMMONWEALTH
1 IN
APARTMENT SALES

"Ron Spraggins, CCIM, & President Of Commonwealth, Is Also The #1 Apartment Broker In Colorado Springs For 2004"

Grand River Canyon Apartments - 440 Units-$34 Million



The Oasis Apartments - 252 Units - $25 Million

Commonwealth, area's oldest apartment firm, is set to have a record sales year. The firm has closed approximately $60 million in apartment sales through the third quarter of this year & is poised to close over $100 million in 2004.

This sales volume is the highest in history for a Colorado Springs apartment brokerage firm.

Ron & his sons, Ryan & Shane, closed the largest apartment sale of 2004 with the Grand River Canyon sale which is 440 units.

The Grand River Canyon sale is also the 2nd largest sale in history, both in terms of sales price ($34 million) & in total units. Only Sterling Point Apartments, which sold in 1996, had more units (496). The Spraggins' team also closed the Oasis Apartments, 252 units, in September for $25 million.

Commonwealth, formed in 1975, has closed more Colorado Springs apartment sales than all other Colorado Springs apartment firms combined. Ron Spraggins, CCIM has personally closed over 120 apartment complexes, more than all other Colorado Springs apartment brokers combined. Notable sales by Spraggins include Grand River Canyon (440 units), Wildridge (305 units), Windmill (304 units), Timberlane/Tanglewood (260 units), Oasis (252units), Normandy (206 units), Garden Terrace (196 units), Broadmoor Villa (102 units) sold 3 times, the award winning Glen Pond apartments, etc.

COMMONWEALTH

REGIONS OLDEST APARTMENT FIRM • NO. 1 IN SALES FOR 30 YEARS

719-685-0600 • Holly Sugar Building • 2 N Cascade Suite 1100 • Colorado Springs, Co 80903

COMMONWEALTH

Serving Colorado Springs Since 1975

OUR LOCATIONS:

HOLLY SUGAR BUILDING
2 North Cascade, suite 1100
Located Downtown Colorado Springs

KEY BANK BUILDING
1115 Elkton Drive, Suite 300
Located north-west at Garden of the Gods

PRESIDIO BUILDING
1155 Kelly Johnson Blvd.
Located North off 1-25 at North Academy

WHY THE COMPANY?

COMMONWEALTH

THIS PARAGRAPH SAYS IT ALL . . . .

COMMONWEALTH, THE AREAS OLDEST APARTMENT FIRM, HAS CLOSED MORE COLORADO SPRINGS APARTMENT COMPLEXES THAN ALL OTHER COLORADO SPRINGS APARTMENT FIRMS COMBINED!

SELLING APARTMENTS IS ALL WE DO

COMMONWEALTH WAS FORMED IN 1975 TO MEET THE NEED FOR A "PURE" INVESTMENT REAL ESTATE FIRM. MOST REAL ESTATE FIRMS TRY TO SERVE MANY MASTERS, I.E. HOMES, COMMERCIAL, RANCHES, MANAGEMENT, ETC. AS IT HAS BEEN SAID, ONE CAN ONLY SERVE ONE MASTER . . . . AT COMMONWEALTH IT'S APARTMENT EXPERTISE. WE'VE BEEN NO. 1 IN SALES FOR ALMOST 30 YEARS!

WE SPECIALIZE IN SELLING APARTMENTS. THAT'S ALL WE DO. NO PROPERTY MANAGEMENT. NO BUILDING. NO HOMES, OFFICE BUILDINGS, OR SHOPPING CENTERS. NO ACTIVITIES THAT DIVERT OUR ATTENTION FROM SELLING YOUR APARTMENT COMPLEX.

KNOWLEDGE & SALES ABILITY

RON SPRAGGINS, CCIM, PRESIDENT OF COMMONWEALTH, IS A NATIONALLY RECOGNIZED EXPERT IN THE APARTMENT INDUSTRY. SPRAGGINS HAS PERSONALLY CLOSED MORE APARTMENT COMPLEXES THAN ALL OTHER COLORADO SPRINGS APARTMENT BROKERS COMBINED.

HE HAS BEEN A SENIOR INSTRUCTOR FOR THE CCIM PROGRAM FOR OVER 13 YEARS & ALSO AN INSTRUCTOR FOR ADVANCED REAL ESTATE COURSES FOR THE UNIVERSITY OF COLORADO & OKLAHOMA STATE UNIVERSITY. SPRAGGINS IS PAST PRESIDENT OF THE FOLLOWING: STATE OF COLORADO APARTMENT ASSOC., THE COLORADO SPRINGS APARTMENT ASSOC., AND THE COLORADO/WYOMING CCIM CHAPTER

THE REASONS ARE MANY FOR YOU TO CONTACT COMMONWEALTH WHEN YOU WANT TO BUY OR SELL APARTMENTS. WE'RE GEARED TO PERFORM. WE KNOW WHERE THE BUYERS & SELLERS ARE. PEOPLE WE CAN CALL ON YOUR BEHALF TODAY. PEOPLE WHO KNOW US & LISTEN TO US. WHEN YOU'RE BUYING OR SELLING, CALL US. THEN KEEP YOUR PHONE LINES OPEN!

COMMONWEALTH

Holly Sugar Bld 2 North Cascade Suite 1100 Colorado Springs, CO 80903
Ph: 719-685-0600 Email: spragginsccim@adelphia.net
Mailing address: 21 Via Piedras, Manitou Springs, CO 80829

COMMONWEALTH SCORES 100% ON FORECASTS SINCE 1969!

This sentence says is all:

"FORECASTS ON WHEN TO BUY & WHEN TO SELL HAVE BEEN 100% ACCURATE SINCE 1969."

<u>SUGGESTED BUYING IN 1975:</u> **We formed our first partnership in 1975, the worse market in history (over 22% vacancy). Average price was $5,000 per unit! Vacancies went down to 16% in 76 & continued downwardly to 6% in 79.**

<u>SUGGESTED SELLING IN 1983:</u> **We sold all partnership properties & advised clients to <u>sell in 1983</u> when vacancies were at 4%. Unit prices had risen to the $35-45,000 range. Vacancies soared to 12% in just one year (1984) & continued up to 15% in 1986.**

<u>SUGGESTED BUYING IN 1990:</u> **Our next buying cycle didn't occur until 1990. Vacancy was at 12% & the RTC had closed the savings & loans & many <u>local</u> investors thought the apartment market would never come back. <u>Vacancies plummeted down to 4% in 1992, & continued to a historical low of 1% in 1994!</u>**

<u>SUGGESTED SELLING IN 2000:</u> **Vacancy tripled from 3% to 9% in 2001, 12% in 2002, & peaked at a 16 year high at 15%! <u>We have not placed one investor into an apartment complex since 2000!</u> In Commonwealth's October, 2000 Apartment Newsletter we advised clients to sell their complexes, as we felt we were close to the top of the market (lowest vacancies & highest rents) & values would go down when the new product (supply) came on line. Since vacancies were at 3% & rents had been rising, many questioned our logic?**

"<u>Many brokers were putting investors into apartments in 2000 & predicting a strong future market (The other apartment surveys also predicted a strong market)!"</u>

<u>Many times we're too close to the trees to see the forest!</u>

Obviously, hours & hours are required to obtain & decipher the data found in the Commonwealth report to determine the right time to buy or sell . . . & also very important is the "GUT FEELING" about the market, economy, etc. ,which only comes from years of experience in that LOCAL MARKET.

<u>Never forget that real estate is a local market.</u>

EXPERIENCE

In the Investment Real Estate business INEXPERIENCE and RISK go hand-in-hand.

And risk is something we all want to minimize.

Commonwealth Investment Corporation specializes in Income Property Sales. That's all we do. No property management. No building. No single family homes. No activities that divert our attention from selling Income Property.

RESULT

COMMONWEALTH BROKERS HAVE CLOSED MORE COLORADO SPRINGS APARTMENT COMPLEXES THAN ALL OTHER COLORADO SPRINGS APARTMENT FIRMS COMBINED!!

. . . when you want to sell, you want to sell now at your price.

Quick action. Good price. We know that all sellers are looking for the same thing. We're geared to perform.

We know where the buyers are. Over 1,000 prospects for all kinds of property are in our files now, people we can call on your behalf today. People who know us. And listen to us.

When you're selling, call us. Then keep your phone lines open.

COMMONWEALTH INVESTMENT
CORPORATION

CONTACT: RON SPRAGGINS, CCIM
21 VIA PIEDRAS MANITOU SPRINGS, COLORADO 80829
PH: 719-685-4300 EMAIL: spragginsccim@adelphia.net

BROKER INFORMATION
RON SPRAGGINS, CCIM

COMMONWEALTH

REGIONS OLDEST APARTMENT FIRM
NO. 1 IN SALES FOR 30 YEARS

WHY THE BROKER?

RONALD F. SPRAGGINS, CCIM, PRESIDENT OF COMMONWEALTH

This paragraph says it all . . .

RON SPRAGGINS, CCIM, HAS CLOSED MORE APARTMENT SALES IN COLORADO SPRINGS THAN ALL OTHER APARTMENT BROKERS COMBINED! HE HAS PERSONALLY CLOSED OVER 120 COMPLEXES.

NOTABLE APARTMENT SALES

BY RON SPRAGGINS, CCIM

****LARGEST SALE OF 2004****

GRAND RIVER CANYON – 440 UNITS - $34 MILLION
– 2ND LARGEST SALE IN HISTORY – BOTH IN TERMS OF TOTAL UNITS & SALES PRICE

THE OASIS – 252 UNITS - $25 MILLION – 3RD LARGEST SALE OF YEAR

WILDRIDGE – 305 UNITS	**WINDMILL – 304 UNITS**
NORMANDY – 207 UNITS	**TIMBERLAND/TANGLEWOOD – 260 UNITS**
GARDEN TERRACE – 196 UNITS	**FIRESIDE MANOR – 108 UNITS**
BROADMOOR VILLA – 102 UNITS (SOLD 3 TIMES)	
CHELTON MANOR – 95 UNITS	**HOLIDAY TERRACE – 93 UNITS**
CASA VEGA – 83 UNITS	**SHADOWS – 73 UNITS**
CASCADE PARK – 73 UNITS	**GLENPOND – 75 UNITS (VOTED BEST APARTMENT COMPLEX IN THE SPRINGS)**

. . AND OVER 100 MORE SALES.

RON IS A NATIONALLY RECOGNIZED EXPERT IN THE APARTMENT FIELD. HE WAS A SENIOR INSTRUCTOR FOR THE CCIM PROGRAM FOR 13 YEARS & ALSO AN INSTRUCTOR FOR ADVANCED REAL ESTATE COURSES FOR THE UNIVERSITY OF COLORADO & OKLAHOMA STATE UNIVERSITY. SPRAGGINS IS PAST PRESIDENT OF THE FOLLOWING: STATE OF COLORADO APARTMENT ASSOC., COLORADO SPRINGS APARTMENT ASSOC., AND THE COLORADO/WYOMING CCIM CHAPTER.

WHEN YOU'RE READY TO BUY OR SELL, CALL RON AT COMMONWEALTH AND START PLANNING FOR A CLOSING!

COMMONWEALTH

HOLLY SUGAR BLD 2 NORTH CASCADE SUITE 1100 COLORADO SPRINGS, CO 80903
PH: 719-685-0600 EMAIL: RON@COMMONWEALTH-REALESTATE.COM

RONALD F. SPRAGGINS, CCIM

SPECIAL ACHIEVEMENTS

- Closed more income property sales than any broker in Colorado Springs, Colorado (over 100 sales).
- Instructor for the FDIC regulatory agency (RTC) personnel courses through CCIM program.
- Senior Instructor for the National Association of Realtors' CCIM Courses;
  CI-101 "Fundamentals of Real Estate Investment & Taxation" and
  CI-102 "Fundamentals of Location and Market Analysis"
  Instructor for over 10 years.
- Holds the C.C.I.M. (Certified Commercial Investment Member) designation. Highest designation possible in the Investment Real Estate field. First one in Colorado Springs to receive the designation.
- Received "Owner-Operator of the Year" award from the Colorado Apartment Association.
- Member of the Faculty Committee (one of 9 instructors) for the CCIM program.
- Past President of Colorado/Wyoming Chapter of CCIM's (Certified Commercial Investment Member).
- Past President of the Colorado Apartment Association, Colorado Springs Chapter.
- Past President of the Colorado Apartment Association for the State of Colorado.
- Board of Directors Member for Colorado Apartment Association for 8 years.
- Listed in "Who's Who in Real Estate."
- Twice received the "Outstanding Sales" award for Colorado Springs, Colorado.
- Instructor for the University of Colorado's "Advanced Real Estate Investment" courses.
- Author of articles in nationally known "Real Estate Today", "Real Estate Observer", and CI Journal magazines.
- Instructor for Oklahoma State University's Commercial-Investment Real Estate Program.
- Past speaker for Colorado Association of Realtor's State Convention.
- Developed and marketed "Garden of the Gods Estates", an exclusive subdivision that borders the Garden of the Gods Park.
- Hold Commonwealth Investment Corporation's sales record.

RONALD F. SPRAGGINS, CCIM

EDUCATION

Bachelor of Science Degree from Eastern Illinois University in Business.

Graduate Work, from the University of Colorado, Colorado State University, Indiana State University, and San Fernando State, toward Master's Degree in Business Administration.

Advanced Real Estate Education:

- Richard Reno's "Real Estate Exchanging"
- Charles Chatham's "Real Estate Counseling"
- Considine's "Advanced Real Estate Taxation"
- The following CCIM courses through the Commercial-Investment Real Estate Council. Each one is 6 days in duration:

CI-101	"Real Estate Investment & Taxation"
CI-102	"Real Estate Development"
CI-103	"Advanced Real Estate Taxation" and "Marketing Tools for Investment Real Estate"
CI-104	"Case Studies in Commercial & Investment Real Estate Brokerage"
CI-105	"Counseling Clients in Investment Real Estate"

- "Real Estate Appraising" and "Real Estate Law" through the University of Colorado
- "Securities Course" through Investment Securities School & Jones Real Estate School to obtain a Broker/Dealer license through Securities Exchange Commission
- Real Estate Securities and Syndication Institute (RESSI)
  Course I (A Workshop in Real Estate Syndication);
  Course II (Advanced Techniques in Real Estate Syndication)
- Gene Chamberlain's "How to Rent and Manage Apartments"
- Ed Kelley's "How to Manage Apartments"

EXPERIENCE

- Four years teaching in Marketing, Economics, and Business Law including two years at Palmer High School, Colorado Springs, Colorado. Their Distributive Education Program was selected as second best in the State of Colorado during Spraggins' tenure.

  Wrestling and Football Coach for four years. Produced the area's first and only "High School All American Wrestler" while head varsity coach at Vandalia, Illinois.

- Entered the Real Estate field in 1969 with WEIDMAN & COMPANY and set a sales record with that firm during his first nine months in business.

- Director of Marketing & Sales for SCURR-MESSENGER INVESTMENTS (Colorado Springs' largest builder/developer) in 1970. Constructed 300-400 new single-family homes per year and approximately 2,000 apartment units. Responsible for all sales training and marketing functions, SMI had a record sales year in 1971.

- Owner and president of Commonwealth Investment Corporation, a Commercial and Investment Real Estate firm, and president of Commonwealth Securities Company from 1975-

- Spraggins has been active in income property sales/ownership/management since 1970.

SPRAGGINS OF COMMONWEALTH CLOSES $34 MILLION APARTMENT SALE
2ND LARGEST IN COLORADO SPRINGS HISTORY

Grand River Canyon- 440 units- Sold for $77,000 per unit

Ron Spraggins, CCIM, & President of Commonwealth, Colorado Springs oldest apartment brokerage/research firm, recently announced that their firm had closed the 2nd largest apartment sale in Colorado Springs history; both in terms of sales price ($34 million) & total units (440 units).

Ron & his sons, Ryan & Shane represented both the buyer & the seller in the Grand River Canyon sale.

Commonwealth, formed in 1975, has closed more Colorado Springs apartment sales than all other Colorado Springs apartment firms combined. Ron Spraggins, CCIM has personally closed over 120 apartment complexes, more than all other Colorado Springs apartment brokers combined. Notable sales by Spraggins include Grand River Canyon (440 units), Wildridge (305 units), Windmill (304 units), Timberlane/Tanglewood (260 units), Normandy (207 units), & the award winning Glen Pond apartments.

The Grand River Canyon sales price of $34 million is second only to the recent sale of the Champions of Norwood apartments which sold for $36 million. The Champions sale was also the highest price per unit ($109,187) ever paid by a buyer. Grand River sold for $77,000 per unit. Grand River Canyon has 440 units compared to Champions of Norwood's 332 units. The Grand River Canyon sale is also the 2nd largest sale in terms of total units, only the Sterling Point apartments, which sold in 1997, has more total units (496).

The seller was Specified Properties, Ltd from Dallas, TX. The buyers are Grand River Canyon, LLC, which is made up of local Colorado Springs partners & California investors.

Spraggins noted that, "These buyers are old clients of ours since 1991. We sold these buyers their first apartment complex in Colorado Springs at that time. We eventually sold them approximately 1,000 apartment units in the early 90's. These 4 projects were eventually sold for a gross profit of almost $11 million, just a few years after they were acquired!"

"Apartments still don't make economic sense if you just look at today's numbers or worse if you look at the 2003 actuals. The market has gone through the worse vacancy in 16 years; consequently, rents are still below 2001 actuals! The apartment buyer today is buying "future cash flows" & usually has long term holding periods, 7-10 years", according to Spraggins.

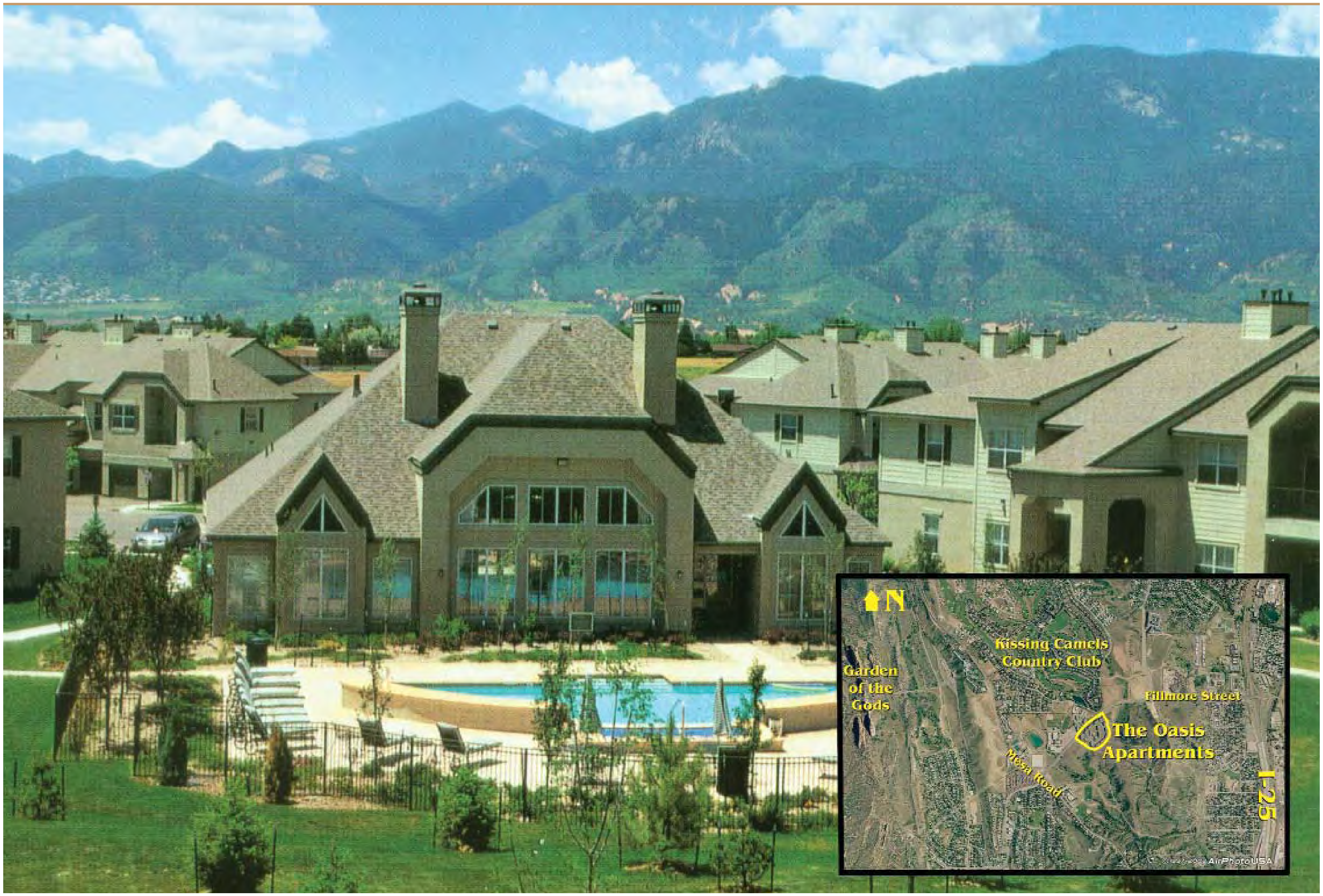
There are some active buyers in the market today for the first time in several years; Spraggins is currently working with 3 large buyers wanting to purchase 3,000 plus units. Commonwealth is currently under contract on another large apartment complex that will be the 3rd largest apartment sale in Colorado Springs & is scheduled to close in September.

"Class A complexes are in the mid 90's in occupancy now for the first time since 2001. Much of this occupancy has come at the detriment of the Class B complexes. When the Class A complexes lowered their rents & offered concessions in order to fill their vacant units, many tenants from Class B complexes found they could move up to better quality/amenities with little increase in rent", said Spraggins.

"We call this the "migration cycle" in the apartment industry. Many of the Class B complexes went from mid 90's occupancy to as low as the mid 60's during this cycle. The Class B complexes will now have to lower their rents to fill these vacancies that moved up to the Class A projects. In turn, the tenants living in Class C complexes will start moving up to Class B projects. After Class A complexes start running in the mid 90's for a period, the owners will then start raising rents & we'll start another cycle", commented Spraggins.

Commonwealth has recently published a detailed 35 page sales report on the Colorado Springs apartment market covering all sales above 20 units from 1990 to July 1, 2004. It breaks down sales by Class A, B, & C, price by square foot, price per unit, etc. Anyone interested in obtaining this report may contact Commonwealth at (719)685-0600.

SPRAGGINS TEAM OF COMMONWEALTH CLOSES $25 MILLION APARTMENT SALE



THE OASIS APARTMENTS   252 UNITS

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Ron & his sons, Ryan & Shane represented the buyer in the Oasis sale.

The Spraggins team now has their names on 2 of the 3 top apartment sales this year. They recently closed Grand River Canyon (440 units) for $34 million & represented both the buyer & seller in that sale.

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The Oasis sale price of $25 million is third only to the recent sales of the Champions of Norwood apartments which sold for $36 million and the Grand River Canyon apartments that sold for $34 million. Grand River Canyon has 440 units compared to Champions of Norwood's 332 units. The Grand River Canyon sale is also the 2nd largest sale in terms of total units, only the Sterling Point apartments, which sold in 1997, has more total units (496).

The seller was JBR Belbuck, LLC and Storey Oasis, LLC. The sellers were represented by Chris Fontane of Fuller & Company. The buyers are Oasis Holdings Company, LLC.

Spraggins noted that, "These buyers are old clients of ours since 1991. We sold these buyers their first apartment complex in Colorado Springs at that time. We eventually sold them approximately 1,000 apartment units in the early 90's. These 4 projects were eventually sold for a gross profit of almost $11 million, just a few years after they were acquired!"

"Apartments still don't make economic sense if you just look at today's numbers

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April 11, 2004

We Mean Business

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reason: landlords see the need to cater to a different tenant mix.

Multi-family specialist compiles market report

In other apartment news, Ron Spraggins, CCIM and owner of Commonwealth, an apartment brokerage, has compiled research on apartment rents, tenant profiles and sales figures. His work drew praise from one of the city's largest property management firms.

Steve Engle, president of Griffis-Blessing, cited Spraggin's work after reviewing the apartment broker's 2003 market report, which was completed in February.

"He confirms what we are seeing in our own properties," Engle said. "He delves not only into geographical data but into classes of property and concludes that better quality rental properties have filled up at the expense of lesser properties. That is consistent with what we're finding."

The Colorado Springs Business Journal

May 7, 2004

We Mean Business

Multifamily market trends key to successful investment

by Becky Hurley
05/07/2004

Some commercial and multifamily brokers derive pleasure from the sales process. Others enjoy crunching numbers to determine cap rates, internal rates of return or cash flow.

CSBJ Photo

In a special class, however, are the deal-makers who thrive on creating a "big win" environment for investors, based on pre-sale market analysis, on an examination of high-return investment opportunities and a working knowledge of market dynamics.

The latter, as Ron Spraggins, president of Commonwealth Investments has learned, comes from years of experience - his own began in the mid-1970s. As a contemporary of Colorado Springs' commercial real estate industry pioneers such as Steve Schuck, John Olive and Steve Engel, Spraggins founded the city's first multifamily brokerage in 1975.

He once owned Broadmoor Villa Apartments, Glen Pond and Country Club Gardens. Today the veteran broker is mentoring his sons, Shane and Ryan, on the intricacies of the multifamily market and on what constitutes a good investment.

To owners and property managers such as Steve Engel at Griffis-Blessing, this attention to the subtleties of the business pay off in increased profits. "In our business you have to pay attention not only to what year a property was built and the rents a one or two bedroom unit will generate, but to the quality of the structure - the 'class' of property you operate," he said. "You have to also figure in the cost of marketing and incentives."

Investors focus of data-rich report

Engel credits Spraggins and Commonwealth with providing some of the cleanest and most helpful data available in the Pikes Peak region apartment market. The Commonwealth 2004 Apartment Market Survey, compiled and published in January includes data from 313 apartment complexes of 20 or more units and encompasses more than 30,000 apartments.

Unlike other analysts, including the University of Denver's Gordon Von Stroh, who publishes the Pikes Peak Apartment Association's market status report, Spraggins' team breaks down rents and buildings, not just by quadrants of town, but into seven distinct neighborhoods.

"You can't say that an apartment near Old Colorado City falls in the same category with newer product near MCI in Mountain Shadows," he said. "And all buildings constructed pre-1980 are not alike. In Southwest Colorado Springs, you've got an older property like the Regency Towers Apartments which certainly qualifies as a Class A property. You can't lump it in with average units built in the 1950s off Cheyenne Road or Nevada Avenue."

The report defines Class A apartments as the "best" complexes in terms of location, amenities and quality of construction. Residents are typically white-collar and able to afford single family homes.

Class B units are in complexes surrounded by neighborhood settings. Amenities typically include a pool and formal play area. The properties are better maintained and have better curb appeal that Class C complexes. Tenants are described as young families and single parents who value school district location.

Class C properties are found in transition areas between commercial sectors and residential neighborhoods. They often are clustered with other apartment complexes, offer amenities similar to Class B complexes, but may not be as well-maintained. Tenant population is varied, and price, more often than location, is most important.

Commonwealth's team also divides multifamily rents into "street rents" and "economic rents" - differentiating what asking rents are for new tenants in contrast to street rents minus concessions.

"Since the 11,000 troops were deployed a year ago, we saw complexes giving away everything from one or two free months rent to washers and dryers or bicycles to attract new residents," he said. "Especially for investors who own 200 or 300 units, that cost mounts up and must be figured in to any P&L."

Engle said that Spraggins' analysis is "right on."

"Like him, we are seeing tenants migrate from Class C or B apartments to the amenities of Class A complexes," Engle said. "That has come about because low interest rates, a slow job market and troop deployments which created higher vacancies in all local properties. As a result, landlords have offered aggressive incentives and have lowered rents to attractive levels."

That trend may soon level off, however. Returning troops have swelled occupancy rates at properties such as Creekside at Palmer Park, a $20 million-plus new Class A complex completed by Griffis-Blessing for an investor in 2002. A spokesman for the 333-unit property said a $250 move-in incentive continues, but a four to five percent vacancy rate means tenants are willing to pay anywhere from $800 to $1200 per month (on a 12 to 15-month lease) for a one- or two-bedroom unit.

Reflecting on past highs and lows

An individualist who doesn't always subscribe to others' definition of a "hot market", Spraggins finds some top sales per unit statistics generated since 2000 to be contradictory. His office bases its work on the assumption that apartment investors like to buy low and sell high.

"Looking back, 2000 was the top of the market - the time to be selling, not buying," he said. "Almost all who bought earlier in the 90s made fantastic returns. Class A properties that sold in 2000 for $84,000 per unit won't see a positive return for years because the average price of Class A units sold in 2001 dropped to $71,000 and remain at that level in 2004. That means investors who have owned real estate for four years have not yet seen appreciation back to the price they paid in 2000."

Through four recessionary cycles, the broker has made an avocation of tracking "street rents", "economic rents" and tenant migration statistics, all of which are key to long-term investor gains.

In the preface to the January 2004 report, Spraggins included yearend 2003 migratory trends in the tenant population - noting that Class A vacancies were down to 12 percent while vacancies at Class B complexes soared to 17 percent. Perhaps surprisingly to those outside the industry, Class A complexes in good geographic areas were enjoying 90 to 98-percent occupancies.

Spraggins also notes that while "location, location, location" is an accepted real estate mantra, in the case of multifamily investment, "timing, timing, timing" may be more accurate. "I've seen investors lose money in a great location if they purchased at the wrong time," he said.

To illustrate, he recalls advising his clients to buy in 1990 when vacancy rates hovered at 14 percent and had been higher than 12 percent since 1984. By 1994, vacancies had dropped to 1 percent. "The largest rent increases in our history occurred through 2000," Spraggins said. "Building values rose on some complexes from $10,000 per unit to over $50,000 per unit. Once again, the idea, like all investments, is to buy low and sell high."

Looking into

the crystal ball

~~While Spraggins enjoys recounting stories of past "big win" investments - including a 4,300-percent return on one client's $200,000 investment in the Wildridge Apartment complex, purchased for $4.6 million in 1991 and sold in 1993 for $8.6 million - he remains focused on the future.~~

"Our research indicates that the market will basically remain unchanged in 2004 unless new apartment households exceed the new units being added," he said. "When this happens the vacancy rate goes down, allowing rents to start escalating, which in return, increases the value of the apartment complex."

Commonwealth's research reports that 300 units will come on line in 2004, but notes that 440 more are "on hold," pending the return of a robust apartment market.

Spraggins sees the return of the troops as a boon to the market, but cautions that the privatization of Fort Carson's post family housing is well under way. He points to 840 new apartments units added in Phase I, with additional units planned for Phase II, according to GMH Military Housing estimates.

-Editorial@csbj.com

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WASHINGTON DC PAPER INTERVIEWS RON SPRAGGINS, CCIM & PRESIDENT OF COMMONWEALTH, AREAS OLDEST APARTMENT FIRM

RockyMountainNews.com

Rocky Mountain News (CO)

July 5, 2003 Section: **City Desk/Local** Edition: **Final** Page Number: **4A**

WAR COSTLY TO SPRINGS

M.E. Sprengelmeyer
ROCKY MOUNTAIN NEWS
Every day the troops are away in Iraq, the Colorado Springs economy keeps paying a steep ``cost of freedom.''

Four months into the deployment of about 11,000 soldiers from Fort Carson, the absence of the troops is taking a toll on local businesses, sales tax coffers, the housing market and even school district budgets.

Some economists say the financial effects are more severe than they had predicted, although things could have been much worse if El Paso County had not expanded other sectors of its economy in the past decade.

``Colorado Springs has a diverse economy, and the military and defense industry are just one part of that - albeit a large part,'' said economic consultant David Bamberger. ``Deployments are a bump in the road.''

That bump is slowing down the area's recovery from the downturn in the high-tech industry, Bamberger said.

Earlier this year, he projected that a one-year deployment would take $280 million out of the local economy. He has since revised the projection to $310 million.
How is that impact felt?

* In the housing market. The departure of soldiers' families has contributed to double-digit apartment vacancy rates that were already high because of a glut of new units. In southeast Colorado Springs, some complexes near Fort Carson reported losing 30 percent or more of their tenants overnight, and landlords have been forced to drop rents, said Ron Spraggins, president of Commonwealth, an apartment brokerage firm.

* In the job market. Bamberger estimates that 2,300 jobs have been lost in local businesses as an indirect result of the troop deployment, contributing to an unemployment rate still hovering around 6 percent.

The Colorado Springs Business Journal

May 1, 1993

Slowdown in real estate? No way. Apartment market booming

By RONALD F. SPRAGGINS

Although there has been turbulence in the real estate market in recent years, Colorado Springs' apartment market is now one of the favorite buying locations for investors from across the country.

This situation raises two interesting questions. First, why is this happening? Just a few years ago, one couldn't give an apartment away. And more important, what factors contributed to changing this attitude?

Several factors could be cited, but when all is said and done, it comes down to the basics. Astute investors know that *timing* is just as important as the magic real estate word, *location*. The question is, "When is the correct time?"

In dealing with the local market for 23 years, it's apparent that research of simple supply and demand is the key. Supply is obviously defined by looking at the existing units in the market and determining what new products are going to come available, to come on-line, in the future.

In the same way, demand is simply forecasting the increase in population and determining the average household size so you can determine how many new households will happen each year. A household is a unit that requires a dwelling unit.

Next, you have to forecast how many of these new households will go to apartments. Then, comparing supply to demand you can predict what will happen. (We've covered this in two paragraphs. Obviously, hours and hours are required to obtain and decipher these facts ... and also important is a "gut feeling" about the local market, economy, etc., which only comes from years of experience in that local market. Getting on the street and burning a lot of leather is necessary.) Increase in base jobs, those that bring in new dollars to the local economy, is a critical factor.

The following is why we experienced the overbuilding problem from the mid1980s: The vacancy rate in 1983 was estimated at 4%.

Year	New Apartment Construction (Supply)	Apartment Absorption (Demand)	Plus or Minus

1984 4,500 3,491 (1,009) 1985 4,000 353 (3,647) 1986 1,500 990 (510)

Since 1984, approximately 10,000 new apartment units were added to the supply side. The increase in demand for the same period, however, was only 4,834. It doesn't take much to see that this created some obvious vacancies. In fact, the vacancy rate went from 4% in 1984 to over 15% in 1986. Then con
resulted:

Year Vacancy 1987 13.6% 1988 11.5%
1989 13.7% 1990 13.6% 1991 12.4% 1992 4.0%

According to the Apartment Guide, a quarterly apartment survey provided by the Frederick Ross Company, vacancy was 3.6% as of March 1993. **Rent Increases**

Class A three-bedroom rents have increased approximately 20% during the last year. Two-bedroom rents are up 18%, and one-bedroom rents have increased 13%. Projections are for 10% to 15% increases during 1993. The average rent per square foot of approximately 60 cents, however, isn't much higher than 1984 levels! Overall rents for A complexes were $452 for a one-bedroom unit; $576 for a two-bedroom unit; and $752 for a three-bedroom unit (as of March 1993).

Sales Market

What follows is a summary of 1992 apartment sales for Colorado Springs, over 20 units:

	I Units	$ Value	$ per Unit
Class A	512	14,291,000	27,912
Class B	2,065	35,855,900	17,363
Class C	556	6,045,000	10,872
Totals	3,133	56,191,900	17,935

Comparing these figures to a summary of apartment sales '(per unit price) in Colorado Springs over 20 units is also revealing:

	1991	1992	% Change
Class A	23,272	27,912	20.0%
Class B	14,649	17,363	18.5%
Class C	8,655	10,872	25.6%

It should be noted that the above is an average of 1992 sales. Current market prices for Class A complexes is in the $30,000 to $35,000 per unit range. Class B is in the $20,000 to $25,000 per unit range, and Class C. is in the $13,000 to $15,000 per unit range.

Investors currently are looking at 9% to 10% returns on cash (cash-on-cash) for A buildings, 11% to 12% for Class B, and 13% to 15% for Class C. IRR's are from 18% to 22%. Look for these returns to go down 1% to 2% by year end.

These prices are still approximately 70% of replacement cost! New Construction

Don't look for a construction boom like we experienced in the past. This won't happen due to the following: The 1986 Tax Act changed the law on applying "paper losses" from apartment ownership to other income. New construction will have to make economic sense. The majority of the pre-1986 construction was fueled by tax losses-not cash

1993

Colorado Springs and the Southern Front Range *Focus*

Industry experts analyze Colorado Springs' real estate markets

Office market

Palmer McAllister Company

The Colorado Springs office vacancy rate has dropped to 14.9%, the lowest surveyed since 1983, and an impressive fall from the 18.5% level reported one year ago. Leasing activity is up 10.2% compared to one year ago, and absorption of office space has increased nearly ten fold during the same period. The northern and eastern market areas have accounted for the vast majority of activity, while the CBD and southern market areas have been relatively stagnant thus far in 1993. The average lease rate for available office space is virtually unchanged from the levels reported one year ago: $6.23 NNN versus $6.24 NNN.

OFFICE MARKET STATISTICS

AREA	NET RENTABLE	AVAILABLE	LEASING ACTIVITY	SPACE ABSORBED
CBD	2,414,454	547,156	9,291	(29,265)
Fringe	1,755,598	144,088	47,330	44,800
NW	2,426,815	447,995	31,805	1,798
NE	2,924,066	355,263	95,915	47,335
E	2,759,480	299,085	28,556	31,358
SE	375,330	145,575	8,852	8,861
SW	856,088	93,752	9,205	7,415
N	155,551	24,985	---	(1,315)
TOTAL	15,843,010	2,177,155	314,708	109,132

Industrial market

Palmer McAllister Company

Industrial market activity during the first quarter of 1993 is comparable to the levels reported one year ago. Leasing activity is down by 1.5%, and absorption was off 79.0% compared to the first quarter 1992. Vacancy rates have increased marginally during the past year, to 12.1% from 11.9%. The weighted average lease rate for vacant industrial space stands at $4.26 NNN. Strong leasing activity in light of minimal absorption is due to current industrial users moving from one building to another and, to a lesser degree, new companies taking space vacated by other firms leaving the area.

INDUSTRIAL MARKET STATISTICS

AREA	NET RENTABLE	AVAILABLE	LEASING ACTIVITY	SPACE ABSORBED
CBD	565,100	95,750	---	---
Fringe	1,894,458	550,348	31,049	(86,256)
NW	8,159,675	971,176	106,518	139,918
NE	3,944,459	431,813	27,515	35,382
E	5,333,797	816,229	47,536	(11,983)
SE	2,434,234	345,118	8,888	(54,670)
SW	1,375,334	99,939	12,819	(14,487)
N	228,058	13,000	---	(10,000)
Total	23,991,173	3,179,439	254,455	14,814

Shopping center market

Palmer McAllister Company

The local retail market continues to show great strength, fueled by strong job and population growth. Retail leasing activity and absorption are up 22.5% and 36.5%, respectively, compared to the first quarter of one year ago. Vacancy rates have dropped from 21.5% to 18.1% during this same period. Lease rates for available space have increased 1.4% since last year and now stand at $6.33 NNN, unchanged from year-end 1992.

SHOPPING CENTER MARKET STATISTICS

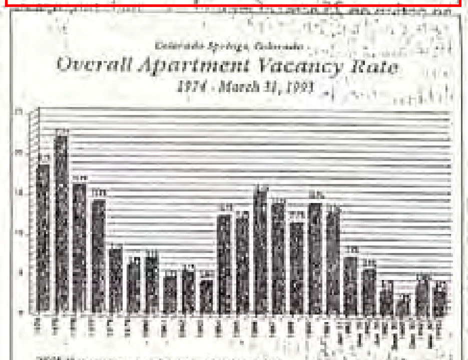
AREA	NET RENTABLE	AVAILABLE	LEASING ACTIVITY	SPACE ABSORBED
CBD	85,415	31,441	---	---
Fringe	182,384	7,574	3,000	(1300)
NW	558,987	219,810	13,718	25,785
NE	4,478,335	633,748	55,771	38,221
E	4,024,447	792,957	47,450	(48,294)
SE	1,099,471	309,431	33,814	30,754
SW	888,800	619,428	28,334	5,665
N	500,120	43,821	722	(868)
TOTAL	11,742,874	2,553,183	202,325	55,434

Apartment market

Apartment Guide and Frederick Ross Company

The information provided in *The Colorado Springs Quarterly Apartment Survey* is the largest compilation of apartment data in Colorado Springs, Colorado. It has been taken from the Colorado Apartment Guide, Inc., data bank as of March 1993. The majority of all apartment complexes consisting of 20 or more units have been included in this survey. The data bank consists of 378 complexes, representing over 26,000 apartments. The data contained in this report is maintained through daily interaction with apartment resident managers and their leasing agents.

Source: Ron Spraggins, CCIM, Frederick Ross Company



RTC sales

Source: Turner Commercial Research

The Resolution Trust Corporation (RTC) controls approximately 40% – approximately 8.5 million s/f – of the area's foreclosed property. The remaining 60% is in the hands of federal banks, insurance companies, the Small Business Administration and

(continued on page 27)

APRIL 2003

APRIL 2003

COMMONWEALTH'S *APARTMENT NEWSLETTER*

Holly Sugar Building

COMMONWEALTH

HOLLY SUGAR BLDING SUITE 1100
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AREAS OLDEST APARTMENT FIRM
NO. 1 IN SALES FOR 30 YEARS
CCIM

COLORADO SPRINGS APARTMENT VACANCY AT 16 YEAR HIGH!

BUILDERS BUILDING IN OVER-BUILT MARKET: "SUPPLY WILL GROW TO MEET AVAILABLE CAPITAL"

NORTHEAST HAS HIGHEST VACANCY AT 21%

NORTHWEST NEXT AT 15%

SOUTHWEST HAS LOWEST AT 10%

OVERALL AT 15%, HIGHEST SINCE 1986!

9,000 NEW UNITS WILL BE ADDED TO SUPPLY, PLUS HUNDREDS IN PLANNING STAGES

NEW UNITS STILL COMING ON LINE

ABSORPTION NEGATIVE

ADD 3,000 NEW SINGLE-FAMILY HOMES TO SUPPLY IN 2003 (MGRS REPORT LOSING 85% OF TENANTS TO HOME PURCHASES) & IT APPEARS 2003 WILL NOT GET BETTER, PROBABLY WORSE!

Commonwealth, the areas oldest apartment brokerage/research firm, recently released their April 2003 Apartment Market Survey. The main difference between this survey & typical surveys is the comparison of STREET RENTS to true ECONOMIC RENTS (street rents minus giveaways). Economic rent is 20-30% less in most cases! Absorption was basically "0" or negative in some areas. Complexes are merely TRADING TENANTS. Importance of PROPER APARTMENT MANAGEMENT was clearly shown. Complexes in same area had vacancy rates from 3% to 24%. Almost 9,000 units will have been added to supply, with several hundred more in the planning stages. Add 3,000 single-family homes estimated for 2003 & it appears 2003 will have no absorption or negative. Many complexes report losing up to 85% of their tenants to home purchases! Low interest rates, declining home values, over supply, all indicate the apartment market will continue to soften thru 2003 & continue until new household growth exceeds new units coming on line. Vacanies will go down, rents go up, apartment values increase. We return to 5% & just when you can relax . . . THEY'RE BACK!! The hammer & nails start pounding again, we build too many units, vacancies rise, rents go down, cash flow becomes like hen's teeth, and it all starts over again. Oh well, that's life in the apartment world.

RON SPRAGGINS, CCIM
PRESIDENT OF COMMONWEALTH

Spraggins is a nationally recognized expert in the apartment field. He has personally closed more Colorado Springs apartment complexes than all other area apartment brokers combined. Ron has closed over 120 sales. He is past President of the following: State of Colorado Apartment Assoc., Colorado Springs Apartment Assoc., and the Colorado/Wyoming CCIM Chapter. Ron was a Senior CCIM Instructor for 13 years and the first person in Colorado Springs to receive the coveted CCIM designation.

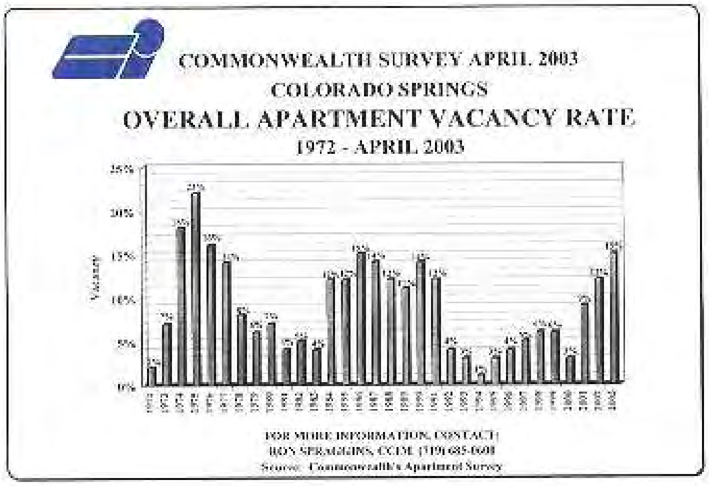
APARTMENT NEWS: RON, IN OUR OCTOBER 2000 NEWSLETTER YOU SUGGESTED SELLING; EVEN THOUGH THE VACANCY WAS AT 3% & RENTS RISING. HISTORY NOW SHOWS VACANCY JUMPED TO 9%IN 2001, 12% END OF 2002, & NOW 15%! IT APPEARS THAT 2000 WAS THE TOP OF THE MARKET.

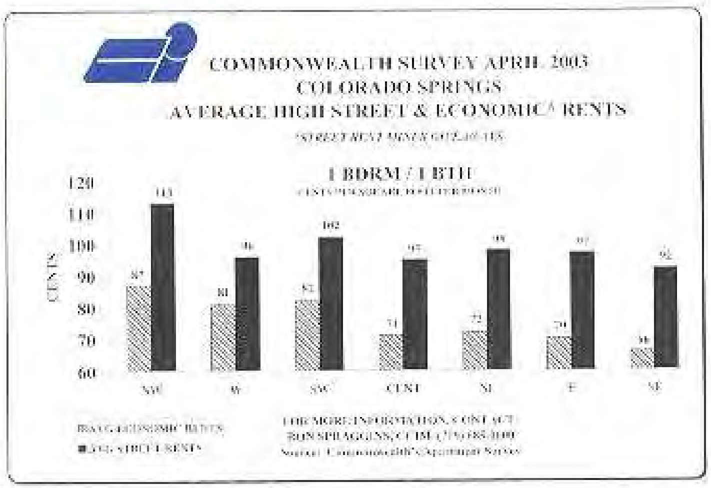
PLEASE SEE REAR FOR DETAILED GRAPHS FROM COMMONWEALTH'S APARTMENT SURVEY APRIL 2003

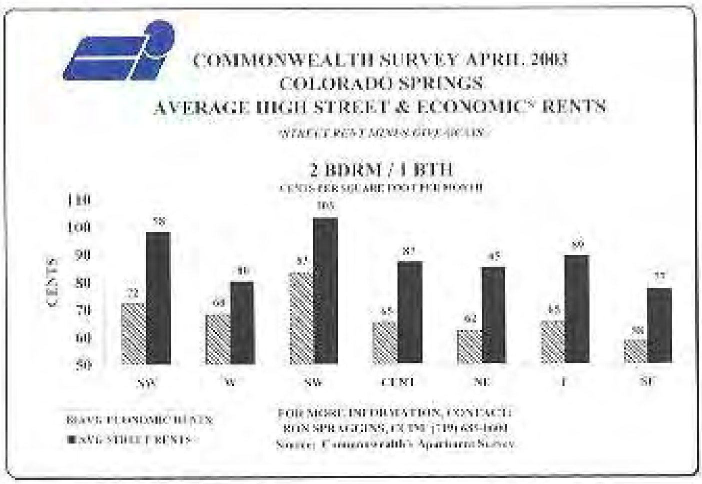
FOR MORE DETAILED INFORMATION CONTACT COMMONWEALTH

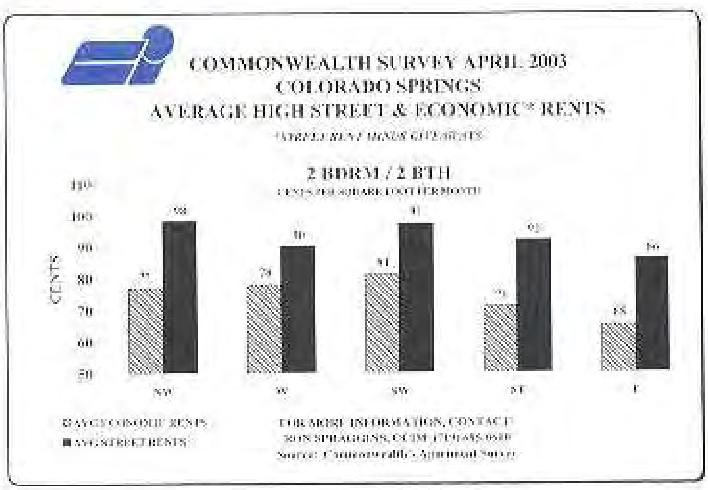
APRIL 2003

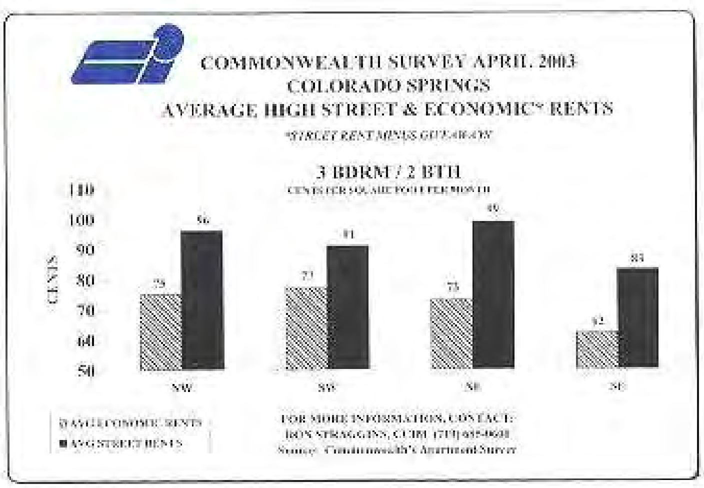
The information in the survey comes from one of the largest compilations of apartment data in Colorado Springs. The data bank includes the majority of all apartment complexes consisting of 20 or more units, encompassing over 300 complexes representing over 27,000 units. Commonwealth has compiled this information over a 28 year period.











APRIL 2003

COMMONWEALTH'S APARTMENT SURVEY HAS VACANCY AT 16 YEAR HIGH

By: Ron Spraggins, CCIM, and President of Commonwealth

Spraggins is a nationally recognized expert in the apartment industry. He has personally closed more Colorado Springs apartment complexes than all other area apartment brokers combined. He has closed over 120 sales. Ron is the past President of the following: State of Colorado Apartment Assoc., Colorado Springs Apartment Assoc, and the Colorado/Wyoming CCIM Chapter. He was a Senior CCIM Instructor for 13 years and the first person in Colorado Springs to receive the coveted CCIM designation.

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The survey shows the overall average apartment vacancy in Colorado Springs skyrocketed 25% during the last quarter to over 15% in April. This is the highest number since 1986, when over 10,000 units were added to the apartment supply during that construction cycle. After 1986, you have to go back to 1976 to find the vacancy rate as high (See Vacancy Graph). A more meaningful figure is the vacancy rate by geographic area. The northeast had the highest rate at over 21%. The northwest follows with 15%. The southwest stood with the lowest vacancy at 10%. The high rate in the northeast can be attributed to the over-building of new complexes in that region and job layoffs. The first in, first out rule applied to the new employees that were brought into that area. Many of them were apartment renters. The northwest is also still feeling the effects of job layoffs in the Garden of the Gods Rd corridor (SEE GRAPH FOR ALL GEOGRAPHIC AREAS). Vacancy however is not the real important number.

The main difference between this survey and typical surveys is the comparison of street rents (asking rent for new tenants) to true economic rents (street rents minus giveaways). The number investors and managers should be concerned with is the true economic rent. I'd rather collect $30,000 at 80% occupancy than $20,000 and have 95% occupancy! The majority of all complexes in all geographic areas are offering some type of giveaways. These range from $175 to $250 off each months rent for a year lease! Others are offering; 1-3 months free rent, $99 total move in cost, free washer/dryer, etc. When you do the math on these giveaways, the economic rent is 20% to 30% less than the asking street rent! Reports that state $1.00 per square foot per month as average rent are stating street rents. In most areas, the true economic rent is $.75, not $1.00. If an investor uses the $1.00 figure to analyze future cash-flows in order to arrive at a true market value, his values are going to be way off. If you take this further, the true economic vacancy rate of your project isn't the physical occupancy if you're doing giveaways.

Street Rent (In dollars per square foot per month) ranged from a low of $.77 for a southeast 2 bedroom/1 bath unit to a high of $1.24 for a studio unit in the northeast. The real story is that economic rents range from a low of $.58 for a 2 bedroom/1 bath unit in the southeast to a high of $.93 for a northeast studio unit. THE AVERAGE ECONOMIC RENTS FALL IN THE $.75 TO $.80 RANGE (SEE GRAPHS FOR EACH TYPE OF UNIT & GEOGRAPHIC AREA). Rents have declined in all areas.

Pets are being taken by most complexes in all geographic areas. Pet deposits, in addition to the normal damage deposit, range from $150 to $600 per animal. Many are not refundable. Some owners think this is a source of income, however, when replaced carpet, resodding, etc. is all considered, I think it's a losing proposition. Interestingly, the few projects who don't accept pets have higher occupancy than their competition who accepts pets? There are many tenants who prefer not to rent in a complex that takes animals . . . for obvious reasons.

ABSORPTION was basically "0" or in some areas, negative. The majority of the apartment communities are merely trading tenants. It should be noted that this report clearly shows the IMPORTANCE OF PROPER APARTMENT MANAGEMENT. Complexes in the same neighborhood had vacancies ranging

from 24% to 3%, depending mainly on the quality of management and their marketing programs. Since there are several hundred more units (supply) to still come on line, it appears that there will probably be negative absorption during the rest of 2003. Construction far exceeds any reasonable net migration (demand) that will probably occur. That being the case, the vacancy rate will probably continue to rise through 2003 and a further reduction of rental rates is expected. It's possible we may see some lowering during the summer months as seasonal workers usually increase demand. However, from September through December the scale usually evens.

Too much Apartment construction has been a major factor in the current over-built situation. What usually happens is that there are marketing studies that show the need for, let's say 1,000 units. Then 10 different builders built them or 10,000 total units. Another reason for BUILDERS BUILDING IN AN OVER-BUILT MARKET IS: "SUPPLY WILL ALWAYS GROW TO MEET AVAILABLE CAPITAL", ha. We're close to adding almost 9,000 units to the supply side in this building cycle; with several hundred more in the planning stages (some have wisely put their plans on hold). This number is almost the same as the 10,000 new apartments that were added in the last building cycle of 1984-86. During that cycle the vacancy rate remained above 12% from 1984 thru 1991. This high rate remained longer than normal due the wisdom of the RTC (Resolution Trust Corp). When all the new apartment construction is finished, we could add over 2,000 more units in 2003. This is far more than normal absorption numbers can handle.

Single family homes also play a major factor. Many complexes report as high as 85% of tenant move-outs have purchased a home! Another 3,000 single family are estimated to be built in 2003. Many investors don't track the single family market. With historic low interest rates, the monthly payments on a new home compare favorably with the monthly rent for a new 3 bedroom apartment. NET OF INFLATION, THE AVERAGE PRICE PER HOME IN COLORADO SPRINGS DECLINED FROM 2002 TO 2003. This means that market is also softening. Lower prices, over-supply, all lead to lower monthly mortgage payments which will cut deeper into the apartments. Builders & owners, who can't sell their homes, end up doing lease/options or renting, which also competes with the apartment market.

Commonwealth's Apartment Newsletter of October 2000 suggested "now may be the time to sell Colorado Springs apartments, even though the vacancy rate is at 3% and rents are rising". History now shows the vacancy rate jumped from 3% in 2000 to 9% by the end of 2001, 12% the end of 2002, and now 15% in April 2003. It appears October of 2000 would've been close to the top of the market. We're now seeing prices $3-5 million less for the same complex today compared to the market price of 2000. WE'VE ALL HEARD THE 3 MOST IMPORTANT WORDS IN REAL ESTATE ARE LOCATION, LOCATION, LOCATION. This is partially true, however, I feel TIMING, TIMING, TIMING IS MORE IMPORTANT. I've seen investors lose money in a great location if they purchased at the wrong time. We also advised selling in 1972 when vacancies were at 1%. Vacancies climbed to 7% in 1973 and shot to over 22% in the next 3 years. In 1976 when vacancies were over 16%, Commonwealth suggested buying apartments. The vacancy went steadily downward to 6% by 1979. Commonwealth suggested selling in 1983 when the vacancy was at 4%. The rate rose to over 12% in 1984 and peaked at 15% in 1986. The firm then strongly suggested buying in 1990 when the vacancy rate was at 14% and had been over 12% since 1984. The 14% vacancy of 1990 went to 12% in 1991, 4% in 1992 to 1% in 1994. The largest rent increases in history occurred over these years through 2000. Building values rose on some complexes from $10,000 per unit to over $50,000 per unit. The idea, like all investments, is to buy low and sell high.

This indicates the market will continue to soften until new apartment households (demand) moving into the area exceeds the new units being added (supply), which will lower the vacancy rate, allow rents to start escalating, which in turn increases the value of the apartment complex. We then return to 5% or less vacancy and just when you think you can relax . . . THEY'RE BACK!! The hammer and nails start pounding again, we build too many units, vacancies rise, rents go down, cash flow is like hen's teeth, and it all starts over again. Oh, well, that's life in the apartment world.

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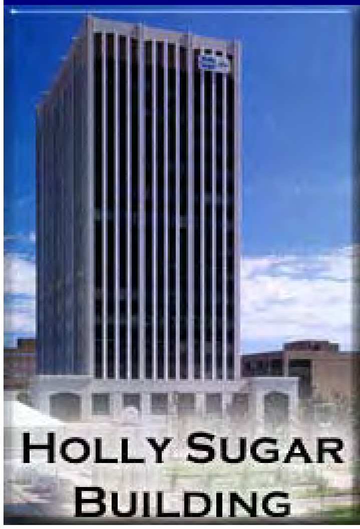


OCTOBER 2000

COMMONWEALTH'S *APARTMENT NEWS*

COMMONWEALTH
AREAS OLDEST APARTMENT FIRM
HOLLY SUGAR BLDING SUITE 1100
NO. 1 IN SALES FOR ALMOST **30**

OCTOBER 2000!!!

Sell Colorado Springs apts now?

In a recent APARTMENT NEWS interview with Ron SPRAGGINS, CCIM, President of Commonwealth, he suggested that now may be the opportune time to sell your apartment complex. Ron is a nationally recognized expert in the apartment industry. He has personally closed more Colorado Springs apartment complexes than all other area apartment brokers combined (over 120 closed sales). During his 31-year career he has been President of the State of Colorado Apartment Assoc., President of the Colorado Springs Apartment Assoc., and President of the Colorado/Wyoming CCIM Chapter. Ron was a Senior CCIM Instructor for 13 years and supplied the information for the Apartment Section for the

RON SPRAGGINS, CCIM
PRESIDENT OF COMMONWEALTH

CCIM Course on Marketing Research. He was the first person in Colorado Springs to receive the coveted CCIM Designation. Commonwealth is Colorado Springs oldest apartment brokerage firm, serving Colorado for over 27 years. Members of the firm have closed more apartment sales than any commercial real estate firm in Colorado Springs.

"WHY NOT HOLD YOUR PROPERTY UNTIL THE MARKET RETURNS TO LOW VACANCIES & MARKET VALUES ARE HIGHER?"

"30 YEARS OF CYCLES SHOW IT TAKES 6-8 YEARS FOR HIGH VACANCIES TO GO DOWN TO 5% AND "0" APPRECIATION DURIING THIS PERIOD"

"OWNER'S HAVE TO ASK THEMSELVES TWO QUESTIONS.

CAN YOU SUPPORT THE COMPEX IF THE CASH FLOW BECOMES NEGATIVE AND IS THAT GOOD MONEY FOLLOWING BAD MONEY?

WHAT COULD YOU DO WITH THE EQUITY IF YOU SOLD & PLACED THE DOLLARS IN SOMETHING ELSE?"

APARTMENT NEWS:
RON, YOU'VE SUCCESSFULLY PREDICTED THE UPS & DOWNS OF THE MARKET SINCE 1969.

IN 1972 YOU ADVISED SELLING WHEN THE VACANCY WAS AT 1% & RISING RENTS. IN 1976 YOU URGED CLIENTS TO BUY WHEN THE VACANCY WAS A RECORD HIGH 22%. THE 22% WENT DOWN TO 4% IN 1983 & YOU RECOMMENDED SELLING. IN 1990 THE VACANCY WAS 14%, YOU STRONGLY SUGGESTED BUYING.

THE MARKET IS AT 4% & RENTS RISING, WHY SELL NOW?

SPRAGGINS: WE'VE ALL HEARD THE 3 MOST IMPORTANT WORDS IN REAL ESTATE ARE LOCATION, LOCATION, LOCATION. THIS IS PARTIALLY TRUE, HOWEVER, I FEEL TIMING, TIMING, TIMING IS MORE IMPORTANT. I'VE SEEN INVESTORS LOSE MONEY IN A GREAT LOCATION IF THEY PURCHASED AT THE WRONG TIME. LIKE ALL INVESTMENTS, THE IDEA IS TO BUY LOW AND SELL HIGH.

THE HARD PART IS DETERMINING WHERE THE MARKET IS ON THE **APARTMENT CYCLE.** PREDICTING THE MARKET IS A MATTER OF CONSTANTLY DOING A LOT OF RESEARCH & UNDERSTANDING THAT THE MARKET IS CONTROLLED BY **SUPPLY & DEMAND.**

APARTMENT NEWS: HOW DID YOU DETERMINE THAT LATE 1990-91 WAS AN IDEAL TIME TO START BUYING APARTMENTS WHEN THE VACANCY WAS AT 14%?

SPRAGGINS: YOU START WITH CURRENT VACANCIES. NEXT STEP IS FORECASTING THE INCREASE IN POPULATION TO ARRIVE AT HOW MANY NEW **HOUSEHOLDS (DEMAND)** WILL BE ADDED EACH YEAR. YOU NEXT HAVE TO DETERMINE HOW MANY OF THESE HOUSEHOLDS WILL RENT APARTMENTS. YOU NOW HAVE AN ANNUAL ABSORPTION NUMBER TO APPLY TO THE CURRENT VACANCIES. DON'T FORGET FUTURE APARTMENT & NEW HOME CONSTRUCTION (**SUPPLY).** WE'VE COVERED THIS IN A PARAGRAPH, OBVIOUSLY, HOURS & HOURS ARE REQUIRED TO OBTAIN & DECIPHER THESE FACTS. ALSO IMPORTANT IS A **"GUT FEELING"** ABOUT THE **LOCAL MARKET, ECONOMY, ETC. WHICH ONLY COMES FROM YEARS OF EXPERIENCE IN THAT LOCAL MARKET. REAL ESTATE IS A LOCAL MARKET** (THAT'S THE REASON WE'VE SEEN OUT OF STATE BUILDERS GET BURNED BADLY IN THE PAST). INCREASES IN **BASE JOBS** IS ALSO A CRITICAL FACTOR. **THERE IS NO SUBSTITUTE FOR GETTING ON THE STREET & BURNING A LOT OF SHOE LEATHER.**

APARTMENT NEWS: WHERE ARE WE ON THE APARTMENT CYCLE TODAY?

SPRAGGINS: WE'RE SOMEWHERE BETWEEN THE **ACCELERATED NEW CONSTRUCTION & OVER-BUILDING** PHASE. **IF ALL OF THE NEW PROPOSED CONSTRUCTION HAPPENS, WE WILL GO INTO THE "HIGH VACANCY"** PHASE OF THE CYCLE! I'VE VISITED WITH SEVERAL RESIDENT MANAGERS & OVER 50% OF THE COMPLEXES ARE OFFERING INCENTIVES. WHEN I SEE **"PETS OK"** IN ADS, I KNOW THE MARKET IS SOFTING UP. INCREASE IN RENTAL RATES ARE AT THE LOWEST % IN MANY YEARS. **MOST OF THE NEW COMPLEXES ARE TARGETING THE SAME MARKET, WHICH IS THE SAME MARKET THE SINGLE-FAMILY HOME BUILDERS ARE SEEKING.**

APARTMENT NEWS: WHY NOT JUST HOLD YOUR PROPERTY UNTIL THE CYCLE GOES BACK TO THE "INCREASING RENTS" PHASE?

SPRAGGINS: IN OBSERVING OVER 30 YEARS OF CYCLES, I'VE FOUND THAT THE CYCLE TAKES SEVERAL YEARS TO CORRECT ITSELF. IN 1975 THE 22% VACANCY TOOK OVER 8 YEARS TO GO DOWN TO 4% IN 1983. **OVER-BUILDING HAPPENS MUCH FASTER.** BY THE END OF 1984 THE VACANCY HAD RISEN FROM 4% TO OVER 12%. IT TOOK 6 YEARS TO GO DOWN TO 5%. **AS AN OWNER YOU HAVE TO ANSWER TWO QUESTIONS: CAN YOU SUPPORT THE INVESTMENT IF THE CASH FLOW BECOMES NEGATIVE? SECONDLY, WHAT COULDYOU DO WITH YOUR EQUITY IF YOU HAD SOLD THE COMPLEX & PLACED THE DOLLARS IN SOMETHING ELSE?** IN A SOFT MARKET THE RETURN ON YOUR INVESTMENT IS EXTREMELY LOW OR NEGATIVE. MARKET VALUES ARE SLOW TO INCREASE COMING OUT OF AN OVER-BUILT MARKET. THE MARKET VALUE OF APARTMENTS IN 1984 WENT DOWN TO A LEVEL THAT TOOK US UNTIL ALMOST 1994 TO GET BACK TO 1984 VALUES. IN ESSENCE, THESE PROPERTIES HAD "0" APPRECIATION FOR 10 YEARS! FOR EXAMPLE, WE SOLD THE WILDRIDGE APARTMENTS (305 UNITS) FOR $4.6 MILLION IN 1991. THESE INVESTORS SOLD IT FOR $8.6 MILLION TWO YEARS LATER! NOT A BAD RETURN FOR A $400,000 DOWNPAYMENT. THIS COMPLEX HAD SOLD FOR ALMOST $10 MILLION IN 1984, PRIOR TO THE OVER-BUILT MARKET. THIS COMPLEX IS WORTH OVER $15 MILLION TODAY. WE SOLD THE WINDMILL APARTMENTS (304 UNITS) FOR JUST OVER $3 MILLION IN 1991. THE PROJECT SOLD 8 YEARS LATER FOR OVER $12 MILLION! IT'S VALUE TODAY IS IN THE $15 MILLION RANGE. THESE TYPES OF RETURNS DON'T HAPPEN UNLESS YOU ARE BUYING NEAR THE BOTTOM OF THE MARKET. **MOST SELLERS WAIT FOR THE LAST DOLLAR OF APPRECIATION & ARE FORCED TO SELL AT THE WORSE TIME.** IN LATE 1983 THERE WERE MORE BUYERS THAN PROPERTIES AVAILABLE. IN JUST ONE YEAR YOU COULDN'T FIND A BUYER FOR APARTMENTS IN OUR AREA & THIS LASTED 6 YEARS, UNTIL 1991.

APARTMENT NEWS: I GUESS WE'LL HAVE TO WAIT & SEE IF YOU'RE RIGHT . . . AGAIN.

1976!!

Spraggins First in Springs To Get CCIM Designation

Reprint from the Gazette-Telegraph

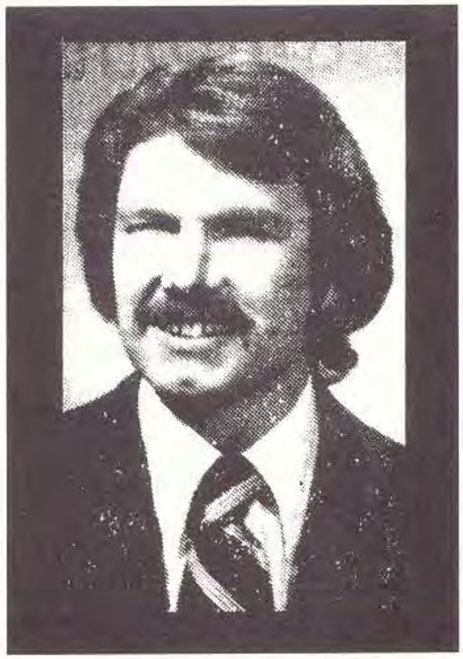
CHICAGO — Ronald F. Spraggins has been designated the coveted CCIM (Certified Commercial-Investment Member) designation by the Realtors National Marketing Institute (formerly the National Institute of Real Estate Brokers), part of the National Association of Realtors.

Spraggins is the first person in the history of Colorado Springs to receive the designation, which is the highest designation in the field of commercial-investment real estate. Designees are commonly referred to as the Ph.D.'s of investment real estate.

In announcing the award, Marketing Institute President Byron W. Trerice Jr. Noted that there are only approximately 680 C.C.I.M.'s in the entire United States out of 440,238 members of the National Association of Realtors.

Spraggins is one of the owners of Commonwealth Investment Corp., 12 N. Meade Ave., which deals exclusively in commercial and investment real estate brokerage.

In order to become a CCIM designee, a candidate must complete successfully more than 360 hours of classroom instruction in "Real Estate Investment & Taxation," "Real Estate Development," "Advanced Real Estate Taxation," "Case Studies in Commercial-Investment Real Estate," and "Real Estate Counseling." In addition, credits are given for a college degree, 7 years real estate experience and real estate education at accredited universities. The candidate also must have his resume of "Consummated Commercial-Investment Transactions" for the past 3 years approved. As a guideline, the candidate must be able to document closed transactions of not less than $750,000 annual sales volume average over the preceding three years.



RONALD F. SPRAGGINS

In addition, Spraggins had to successfully go through a comprehensive personal interview in Chicago conducted by specialists in the field of commercial-investment real estate.

Spraggins is one of only 246 brokers in the United States listed in "Who's Who in Real Estate." He was graduated from Eastern Illinois University with a B.S. degree in marketing & sales and has done extensive graduate work at several universities, including the University of Colorado. He has been football and wrestling coach and high school teacher of various business subjects.

Spraggins also has authored articles for the nationally acclaimed "Real Estate Today" and "Real Estate Observer" magazines on estate planning. He entered the real estate field seven years ago and during his first nine months, consummated over $1 million in sales. He is an instructor for the University of Colorado for "Advanced Real Estate Taxation and Exchanging" and "How to Invest in Real Estate."

Spraggins has consummated over $3 million in commercial-investment real estate sales during the last 12 months. He's a member of the Military Affairs Committee for the Colorado Springs Chamber of Commerce, secretary for the Realtors Commercial-Industrial Society and active on the education committee for the local Colorado Springs Board of Realtors Inc.

His real estate specialties are sales and tax-deferred exchanges of income-producing property, estate building and professional counseling.

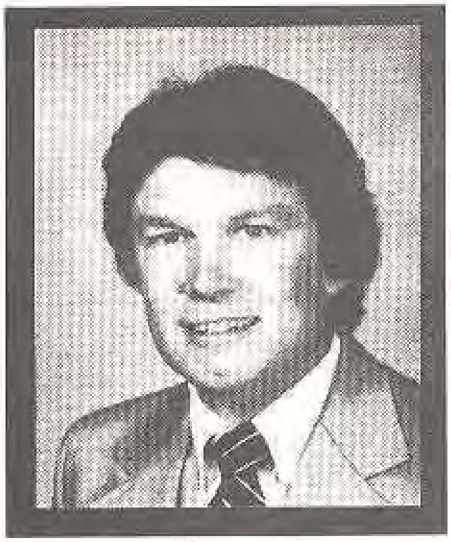
Spraggins Has 39 Closings In One Year

Reprinted from the Gazette Telegraph

Commonwealth Investment Corporation recently announced that Ron Spraggins, CCIM, has set a new corporation sales record by closing over 39 income property sales in one year. The company feels the sales value may also be a Colorado Springs Record.

The majority of the sales were apartment complexes, which is Spraggins' specialty. Included in the sales were: Ambassador House, Winston Manor and Fountain Bleau (sold 2 times), The Shadows, Normandy (207 units), Village 7 Shopping Center (sold 2 times), and the Plaza Office Building (40,000 square feet, sold 2 times). The company has closed over 40 apartment complexes and 27 other income producing properties in the last 18 months.

Spraggins was the first person in Colorado Springs to receive the coveted CCIM, (Certified Commercial Investment Member) designation. CCIM's are known as the "PHD's" in investment real estate. There are only approximately 680 CCIM's in the entire United States out of 440,238 members of the National Association of Realtors. In order to become a CCIM designee, a candidate must complete successfully



more than 300 hours of classroom instruction in "Real Estate Investment & Taxation," "Real Estate Development," "Advanced Real Estate Taxation", "Case Studies in Commercial-Investment Real Estate," and "Real Estate Counseling." In addition, credits are given for a college degree, 7 years real estate experience and real estate education at accredited universities. The candidate also must have his resume of "Consummated Commercial Investment Transactions" for the past 3 years approved. In addition, Spraggins had to successfully g o through a comprehensive personal interview in Chicago conducted by specialists in the field of commercial-investment real estate.

He was voted the "Outstanding Salesman of Colorado Springs two years in a row.

Spraggins is one of only 246 brokers in the United States listed in "Who's Who is Real Estate." He graduated from Eastern Illinois University with a B.S. degree in marketing and sales and has done extensive graduate work at several universities, including the University of Colorado. He has been a football and wrestling coach and high school teacher of various business subjects. Spraggins also has authored articles for the nationally acclaimed "Real Estate Today" and "Real Estate Observer" magazines.

Spraggins is also an instructor for the University of Colorado for advanced investment real estate courses and Oklahoma State's G.R.I. program. He was recently approved to teach in the Realtors National Marketing Institute's CCIM courses, which are given nationwide. He was a featured speaker at the Colorado Realtors Association State Convention.

He is currently president of the Pikes Peak Apartment Association.

Spraggins and his family reside on the Ponderosa Ranch, 5 miles north of Woodland Park.

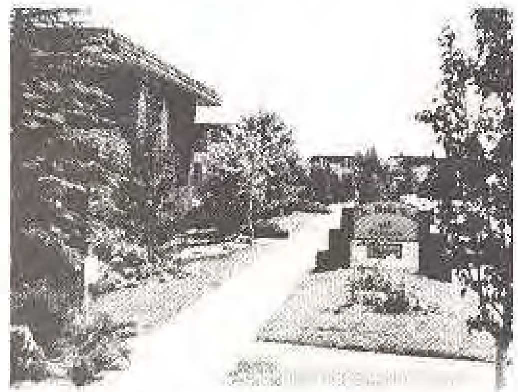
Spraggins currently owns, or has owned and managed the following properties:

Glen Pond Apartments (75 Units
    1700 Lorraine
Broadmoor Villa Apartments (102 Units)
    25 East Sommerlyn Road
The Glen Apartments (54 Units)
    1224 Delaware Drive
Country Club Gardens Apartments (45 Units)
    3110 Mallard Drive
Lakeshore Apartments (30 Units)
    915 Teal Court
Spring Run Apartments (47 Units)
    2005 South El Paso
Westwind Apartments (43 Units)
    1935 Carmel Drive
Eastbrook Terrace & Corona Court Apartments (51 Units)
    319+432 East Brookside
Cascade Park Apartments (78 Units)
    610+624 North Cascade (Didn't manage)
Village 7 Shopping Center (Shoppette with offices)
    3315 West Carefree
120 Acres in Rockrimmon
Developed Garden of the Gods Estates-25 acres
The Bluffs West Apartments (55 Units)
    4339 North Chestnut
Plaza Office Building (50,000 Square Feet)
    830 North Tejon
The Valkyrie Apartments (48 Units)
    129 North Bonfoy
Casa Vega Apartments (83 Units)
    2001 Carmel Drive
San Marcus Apartments (26 Units)
    2915 North Arcadia (Didn't manage)

Spraggins Upgrages

Chestnut North — Before

Ron Spraggins



Bluffs West — After

All of it looks so easy when you see the finished product — new paint, wallpaper, floor tile, carpet — certainly these things can be accomplished with a minimum amount of time and effort! It's now been eight months since the total redecorating and refurbishing of The Bluffs West Apartments (formerly known as Chestnut North) began and everything is near completion at this point and it was with no "little time and effort."

First were the decorating decisions themselves. The Bluffs West is fortunate to be owned by Ron Spraggins which entitles him to the decorating services of his wife, Linda. Linda selected fantastic, decorator color carpeting and tile and then went about finding the appropriate wallpapers to continue her color-coordinating throughout the apartments. There are three distinct color schemes available at the apartments and each offers designer wallpapers in the living room, kitchen and master bedroom with the paint color complementing these patterns. Here we can see several items which were more time consuming than expected—you order the wallpapers for all the apartments at once and they must be in the same run or you risk [illegible] halfway through a wall and discovering a color variance; the same with the floor tile and carpeting. So estimates must be made as to the total quantity required to complete the job, bids must be [illegible] to get the best prices, workers must be hired to actually set [illegible] the painting, papering and flooring installations. The bid [illegible], supervision and organization were handled by Lorna Souther of Commonwealth. Another crucial factor in the accomplishment of the end product—scheduling. If the painter doesn't show up one day you find people stacking on top of each other trying to get their assigned tasks done. And this is assuming that the painter used the right color paint when he gained access to the apartment—each apartment was decorated according to the color of the appliances. Thus, an apartment with white appliances was decorated in the blue color scheme; yellow appliances required decorating in a dark rusty shade; and brown appliances were then decorated in beige and brown tones. The painter had to get the color right to begin with or the remainder of the decorating would be incorrect!

While all of this activity was going on inside the building much was happening outside as well. The building were painted, new porch covers were built, extensive landscaping with sprinkler system, lighting and the creation of a park in the center of the complex with gas bar-b-que and a hot tub and the installation of numerous new signs all were underway. Residents now can relax in a private park while their steaks sizzle on the grill or they may choose to enjoy the hot tub with a waterfall which tumbles into the steamy water.

During all the decorating—inside and out—several new units were constructed where there was once a game room and two large laundry rooms. These apartments are now model apartments for prospective residents to see along with the model/office. These three apartments will be available to show as models until the complex is completely rented.

The economics of the project are as follows:

1.	Wallpapering all units	$20,000
2.	Painting all units and hallways	12,000
3.	Exterior painting	5,000
4.	Tile for all kitchens, baths and entry foyers	15,000
5.	Carpeting for all units and hallways	39,000
6.	New drapes	5,000
7.	Miscellaneous labor and materials	9,000
8.	New signs	3,000
9.	Paint, repair and new fence around swimming pool	3,000
10.	Window repairs and screens	5,000
11.	New water heater	1,600
12.	Roof repairs	3,600
13.	Landscaping, sprinkler system, hot tub, bar-b-que and exterior lighting	41,000
14.	Entry porch covers	2,500
15.	Construction of new units and re-do laundry rooms	80,000
16.	Chimney cleaning	600
17.	Fireplace screens, new steps, fire extinguishers	1,800
18.	Detail finish work throughout	2,000
19.	Negative cash flow and interest costs construction time	55,000
	Total	$304,100

The Gross Annual Income prior to the renovation was $156,000. The current Gross Annual Income after the renovation is $241,160. The project contains 55 units, made up of 29 two-bedroom units, 24 one-bedroom units and 2 efficiencies. Twenty-nine of the units have fireplaces.

The residents seem to enjoy their new surroundings and appreciate living with fashionable colors instead of the typical white walls and drab carpeting so many apartment complexes are afflicted with.