

COMMONWEALTH'S

COLORADO'S OLDEST APARTMENT FIRM

Number One in Sales Since 1975

“YEAR END 2010”

APARTMENT SALES REPORT

COLORADO SPRINGS, COLORADO

“Includes Data From 1990—2010”

Authors: The Spraggins Team

Ron Spraggins, CCIM, Founder-CEO

Shane Spraggins, President of Sales

Ryan Spraggins, President of Research

Commonwealth Two North Cascade Suite 1100

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WHY COLORADO SPRINGS



COLORADO SPRINGS BEST CITY IN 2009

“Outside Magazine” Picks the Springs as Number 1 City in the USA
(Out of the 100 Largest Cities in America)

And SALIDA, CO Was Voted NO. 1 In The Small Town Division
... Which is Only 96 miles From Colorado Springs.

Next was 2. Seattle 3. Atlanta 4. Austin 5. Boston

Excerpts From the Article:

“There's a reason 1.3 million people have rushed to Colorado's Front Range in the past two decades: With almost 300 annual days of sun, an ascendant, heavily tech-based economy, and quick access to nearly four million acres of Rocky Mountain wilderness and a dozen world-class ski resorts, it's simply a pretty awesome place to live. And while we love Denver's laid-back vibe, the Springs simply outscored it this year.

- 1. Scored extremely high in our education category**
- 2. The best weather of any city on our list**
- 3. Blew away the competition for average income to cost of living**
- 4. The city is experiencing something of a cultural resurgence, too.**

But you don't come to Colorado Springs for the music. You come for 14,117-foot Pikes Peak (directly above town); the Arkansas River's Class IV rapids (One hour west); world-class athletic facilities (Carmichael Training Systems is based here); and 260 miles of multisport trails available within a ten-mile radius. Sure, there are a few other towns with this many outdoor options, but they generally cost twice as much—or, require you to shave your legs”.

COLORADO SPRINGS NUMBER ONE IN STATE FOR GROWTH

GROWS 12,000 IN ONE YEAR

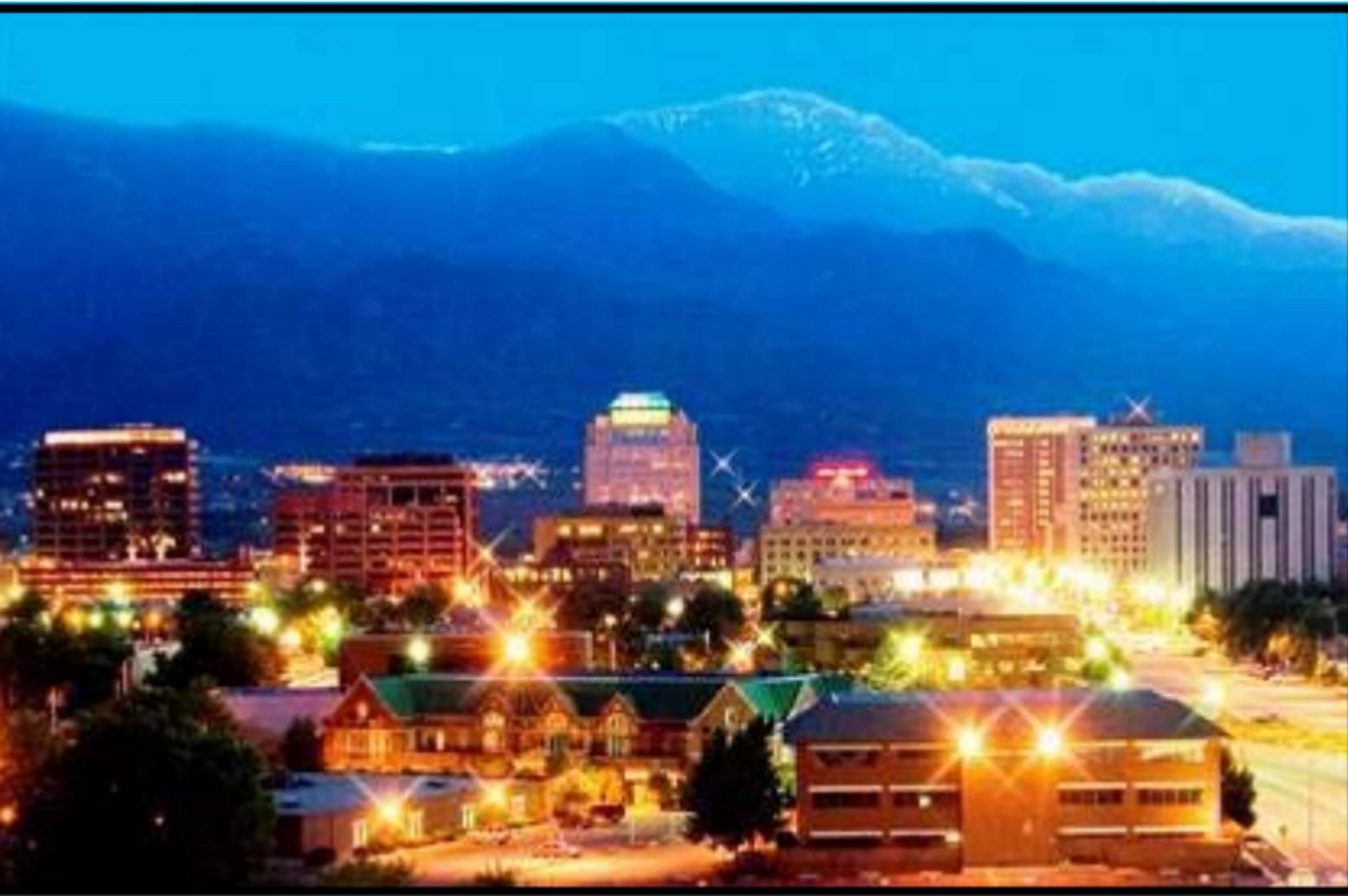
More coming, fewer going as El Paso County grows

By PERRY SWANSON THE GAZETTE

The number of people moving to El Paso County from other parts of the country rose sharply, contributing to an increase of 12,027 people in the county's population.

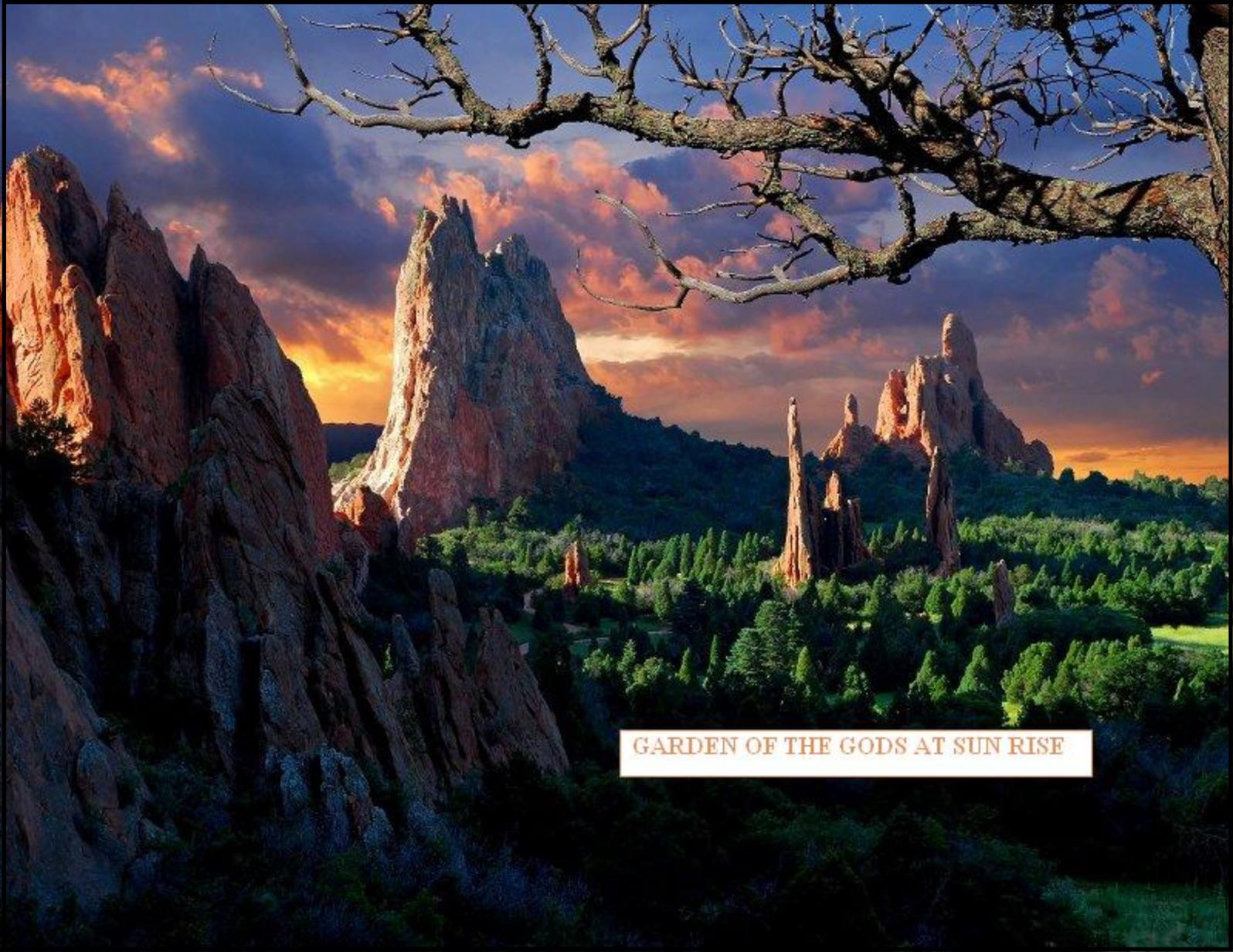
Most movers are drawn by strong demand for labor in certain industries, but many others come here for the climate or a relatively low cost of living.

“There's just a lot of people that are drawn to live in the shadow of that big hill,” referring to the 14,110 feet mountain, Pikes Peak, that looks over Colorado Springs.



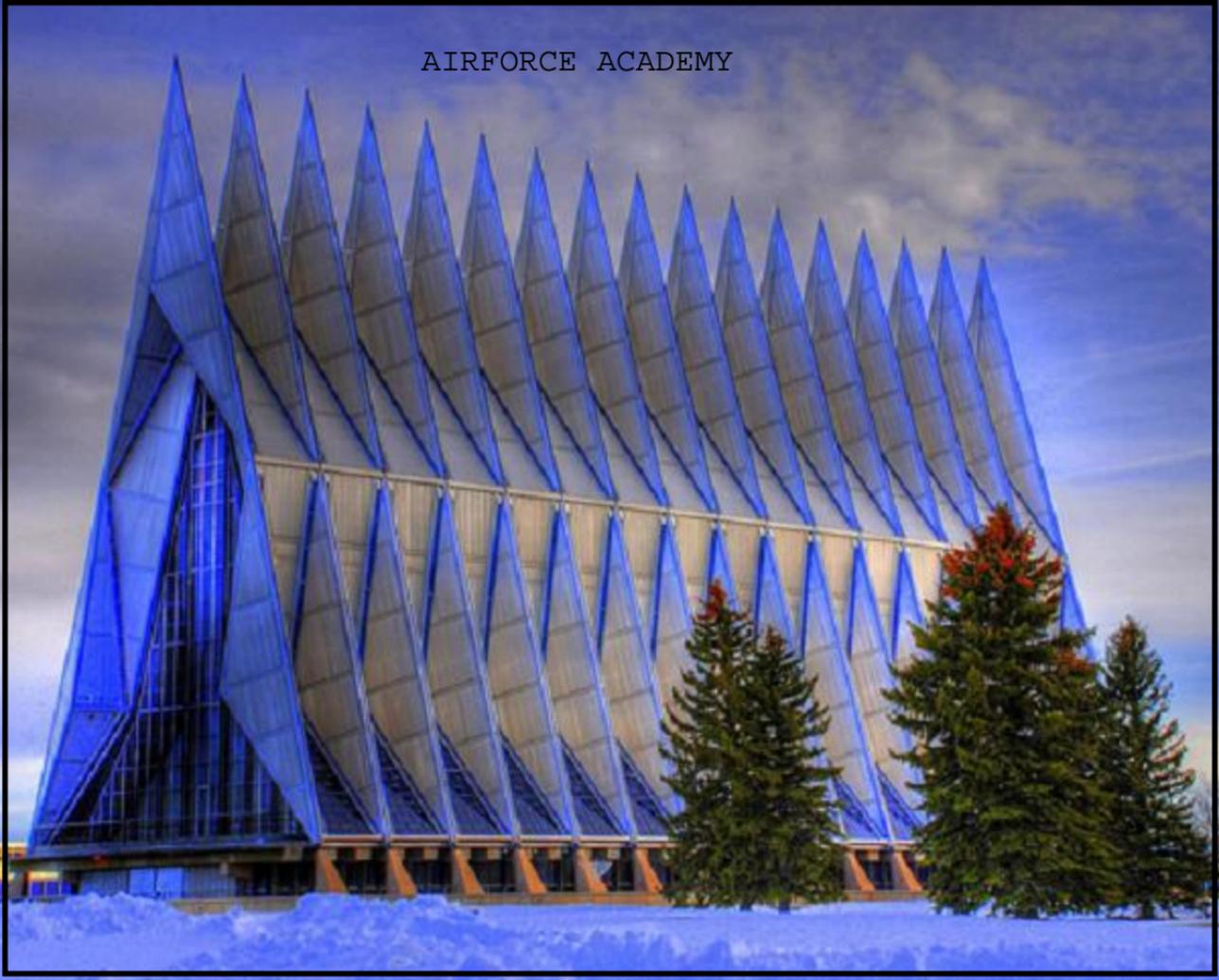


BROADMOOR HOTEL COMPLEX
COLORADO SPRINGS, COLORADO



GARDEN OF THE GODS AT SUN RISE

AIRFORCE ACADEMY



VIEW FROM PIKES PEAK-14,110 FEET



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“COMPANY INFORMATION”

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Ron@CommonwealthUSA.net

Our Locations

COMMONWEALTH
Holly Sugar Building
2 North Cascade Suite 1100
Colorado Springs CO 80903
719-685-0600



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 I-25 at North Academy

COMMONWEALTH

Colorado's Oldest Apartment Firm
Number One in Sales Since 1975

THIS PARAGRAPH SAYS IT ALL...

"Commonwealth, Colorado's Oldest Apartment Firm, Has Closed More Colorado Springs Apartment Complexes Than All the Other Active Apartment Firms in Colorado Combined. . . Including the Majors From Denver"

Number One in Sales Since 1975

Commonwealth, area's oldest apartment firm, continues it's record-setting sales pace.

Ron Spraggins, CCIM and his two sons, Ryan & Shane, closed the largest sale of the decade with the 440-unit Grand River Canyon closing. The sale is also the second largest in history, only a sale in 1996 of 496 units is larger.

Ron and his sons represented both the buyer and the seller. The complex had previously been listed with a "national" firm with no success.

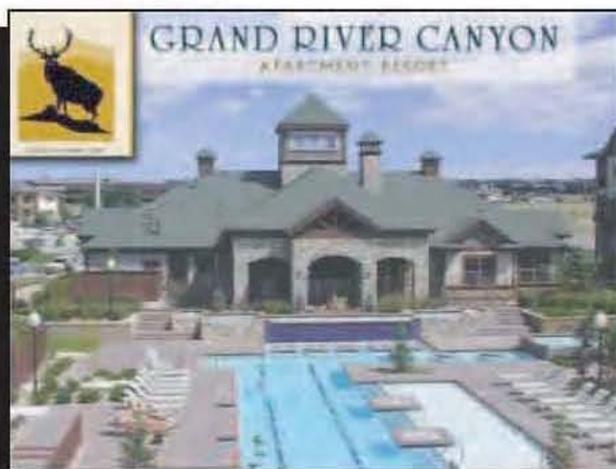
The Spraggins Team sold the project to a local client of theirs since 1990, proving once again that "REAL ESTATE IS A LOCAL MARKET."

The Spraggins Team also sold the Oasis Apartments, a 252-unit luxury complex next to Kissing Camels, and recently closed the Sunset Ridge complex – 240 units for \$21.6 million. Again, Commonwealth represented both the buyer and seller.

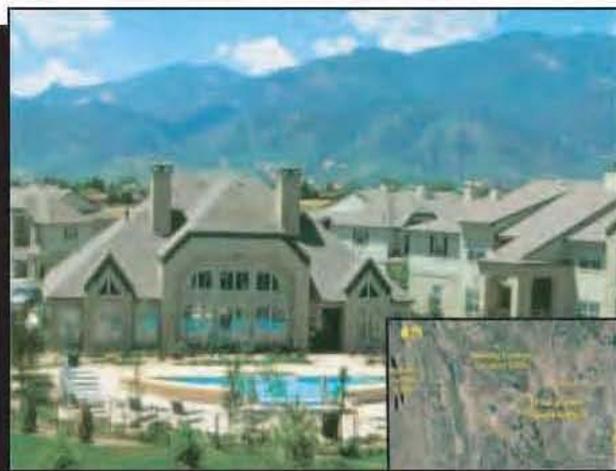
Commonwealth, formed in 1975 and the region's oldest apartment firm, has closed more Colorado Springs apartment sales than all other Colorado Springs apartment firms combined.

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), Timberland/Tanglewood (260 units), Oasis (252 units), Sunset Ridge (240 units), Normandy (206 units), Garden Terrace (196 units), Broadmoor Villa (102 units) sold three times, the award-winning Glen Pond apartments, etc.

We have over \$200 million in liquid funds for apartments. Call for quick price we would pay for fast closing!



**LARGEST SALE OF THE DECADE & 2ND LARGEST EVER!
GRAND RIVER CANYON - 440 UNITS - \$34 MILLION**



**THE OASIS APARTMENTS
252 UNITS - \$25 MILLION**



**SUNSET RIDGE APARTMENTS
240 UNITS - \$21.6 MILLION**

WHY THE COMPANY?

THIS PARAGRAPH SAYS IT ALL

***COMMONWEALTH, COLORADO'S OLDEST APARTMENT FIRM,
HAS CLOSED MORE COLORADO SPRINGS APARTMENT
COMPLEXES THAN ALL OTHER 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

First Bank Tower 2 North Cascade Suite 1100
Ph: 719-685-0600 www.CommonwealthUSA.net

Colorado Springs, CO 80903
Email: Ron@CommonwealthUSA.net

COMMONWEALTH SCORES 100% ON FORECASTS SINCE 1969!

This sentence says it all:

*“FORECASTS ON WHEN TO BUY & WHEN TO SELL HAVE BEEN
100% ACCURATE SINCE 1969.”*

SUGGESTED BUYING IN 1975: 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.

SUGGESTED SELLING IN 1983: We sold all partnership properties & advised clients to sell in 1983 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.

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

SUGGESTED SELLING IN 2000: Vacancy tripled from 3% to 9% in 2001, 12% in 2002, & peaked at a 16 year high at 15%!

We did not place one investor into an apartment complex from 2000 until summer of 2004!

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? *“Most brokers were putting investors into apartments in 2000 & predicting a strong future market since the Cap Rates were high & vacancies low. (The other apartment surveys also predicted a strong market)!”*

Many times we're too close to the trees to see the forest!

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.

Never forget that Real Estate is a Local Market.

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“BROKER INFORMATION”

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Number One in Sales Since 1975*

WHY THE BROKER?

RONALD F. SPRAGGINS, CCIM, FOUNDER-CEO 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 THE DECADE-2ND LARGEST IN HISTORY ***

GRAND RIVER CANYON - 440 UNITS - \$34 MILLION

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

SUNSET RIDGE - 240 UNITS

WILDRIDGE - 305 UNITS

NORMANDY - 207 UNITS

GARDEN TERRACE - 196 UNITS

BROADMOOR VILLA - 102 UNITS (SOLD 3 TIMES)

CHELTON MANOR - 95 UNITS

CASA VEGA - 83 UNITS

CASCADE PARK - 73 UNITS

WILLOWS - 220 UNITS

WINDMILL - 304 UNITS

TIMBERLAND/TANGLEWOOD - 260 UNITS

FIRESIDE MANOR - 108 UNITS

HOLIDAY TERRACE - 93 UNITS

SHADOWS - 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 THE SPRAGGINS TEAM AT COMMONWEALTH AND START PLANNING FOR A CLOSING!



COMMONWEALTH

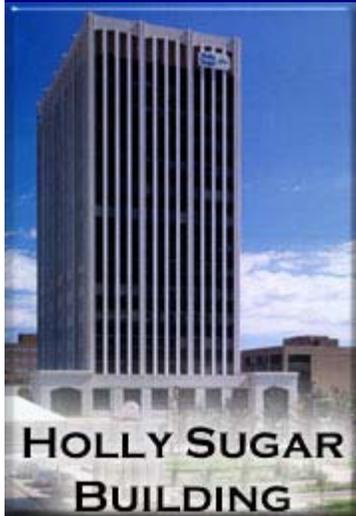
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ONLY MAJOR APARTMENT BROKER THAT RECOMMENDED SELLING IN 2000.
THE OTHERS MADE SOME OF THEIR LARGEST SALES IN 1999 & 2000!

Volume 20, Issue 240

Newsletter Date
OCTOBER 2000



HOLLY SUGAR BUILDING

OCTOBER 2000



COMMONWEALTH'S APARTMENT NEWS

COMMONWEALTH

AREAS OLDEST APARTMENT FIRM
HOLLY SUGAR BLDG SUITE 1100
NO. 1 IN SALES FOR ALMOST

OCTOBER 2000!!!

30

Sell Colorado Springs apts now?

"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 DURING 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?"

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.

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 COULD YOU 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.

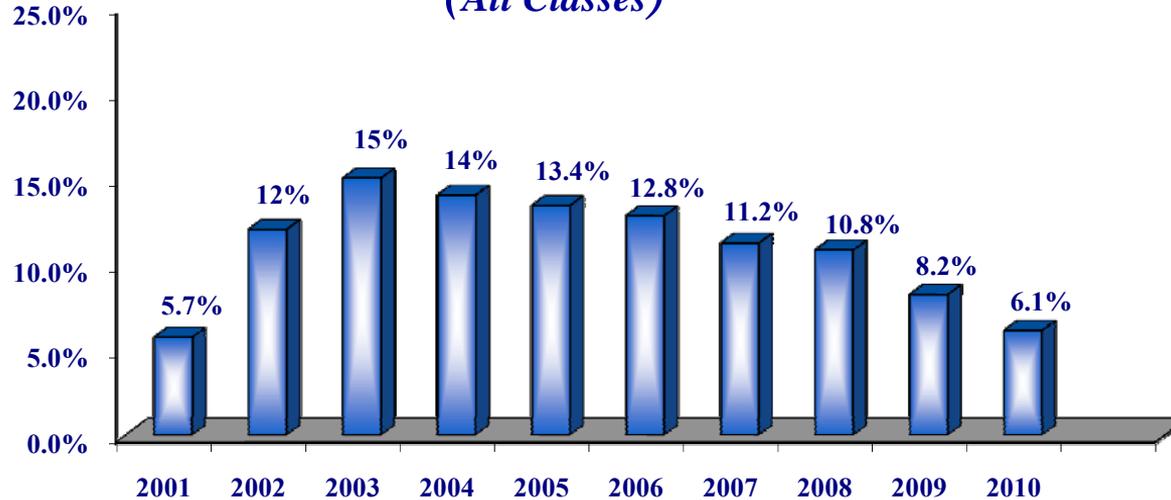
APARTMENT NEWS: I GUESS WE'LL HAVE TO WAIT & SEE IF YOU'RE RIGHT ... AGAIN.

VACANCY SUMMARY



COMMONWEALTH'S APARTMENT REPORT COLORADO SPRINGS

VACANCY 2001 - 2010 (All Classes)



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Source: Commonwealth

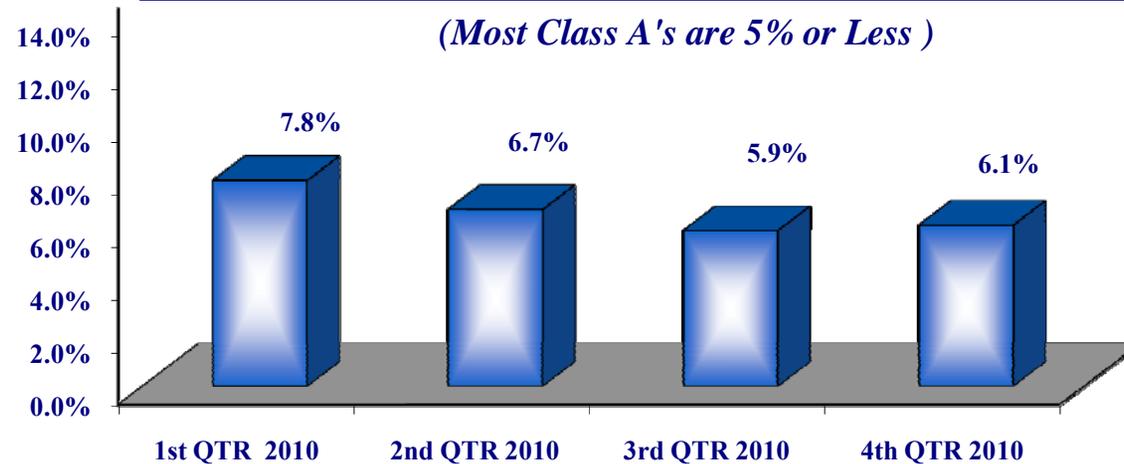
FOR DETAILED INFORMATION CONTACT:
RON SPRAGGINS, CCIM (719) 685-0600



COMMONWEALTH'S APARTMENT REPORT
4TH QUARTER 2010
COLORADO SPRINGS

TRAILING 12 MONTHS VACANCY - ALL CLASSES

(Most Class A's are 5% or Less)



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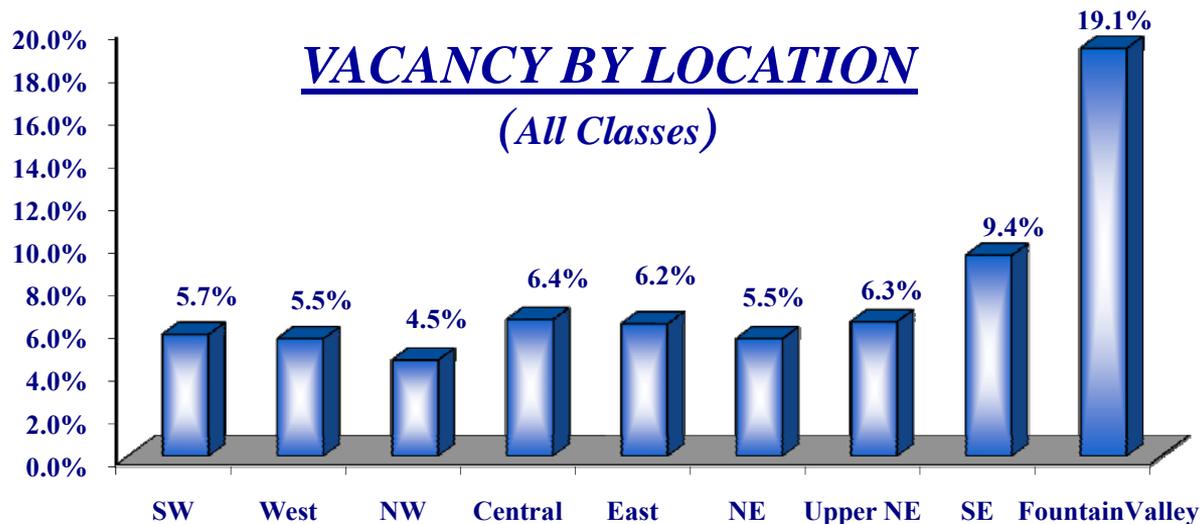
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COMMONWEALTH'S APARTMENT REPORT

4TH QUARTER 2010

Colorado Springs, Colorado



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“2010 APARTMENT SALES”

COLORADO SPRINGS

PLUS SALES DATA FROM 1990-2010

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COMMONWEALTH SURVEY

CLASS DESCRIPTIONS

CLASS A:

Includes the best complexes in terms of Location, Amenities, & Quality of Construction. Typically includes larger unit sizes, washer/dryer hook ups & garages/carports. Tenant Population is typically white-collar able to afford single family home, if desired.

CLASS B:

Includes complexes located in neighborhood settings. Amenities typically include pool & formal play area. Properties are better maintained & enjoy better curb appeal than Class C complexes. Tenant population includes young families & single parents. School District is often important.

CLASS C:

Includes complexes in transition areas between commercial sectors & residential neighborhoods. Often found in clusters with other apartment complexes. Amenities are similar to Class B complexes, but properties are not as well maintained. Tenant population is varied. Price often more important than location & amenities.

CLASS D:

Includes complexes that are generally more than 30 years old, in poor condition, have no or limited amenities, are in poor locations, and have poor curb appeal. They tend to have the lowest rents per unit, although per square foot rates may be high due to small units.

We assembled representatives from the leading Apartment Rental Agencies, Owners/Investors, & Resident Managers to determine geographic areas and descriptions to be used in classifying complexes by Class A, B,C, & D. The descriptions & geographic lines were arrived at after many hours of discussions by over 25 leaders in the apartment industry. These people deal directly with these items on a daily basis. They have firsthand knowledge of how tenants/owners view geographic lines & quality of complexes.

Apartment Name	Address	Sale Date	Class	Price	Units	\$/Unit	\$/SQ FT	YOC
1. Bellaire Ranch	1150 Murray Blvd	Jan/5/2010	B-82	\$18,640,000	240	\$79,167	\$87	2002
2. Circle East Manor	3005 Galley Rd	Mar/1/2010	D-62	\$671,700	35	\$19,191	\$25	1969
3. South Circle Arms	829 S Circle Dr	Mar/25/2010	D-61	\$3,080,000	112	\$27,500	\$29	1969
4. Aspen Court	1429 Potter Dr	June/4/2010	D-65	\$1,430,000	62	\$23,065	\$35	1967
5. Carriage House	3341 Fountain Blvd	July/2/2010	D-60	\$780,000	42	\$18,571	\$24	1968
6. Park Terrace	3210 N Chestnut	Aug/12/2010	D-63	\$2,900,000	115	\$25,217	\$37	1965-67
7. Exeter Arms	223 W Cheyenne Rd	Oct/8/2010	C-71	\$1,429,000	30	\$47,663	\$78	1963
8. Neighborhood	3502 Van Teylingen Dr	Nov/16/2010	C-75	\$11,500,000	192	\$59,896	\$55	1983

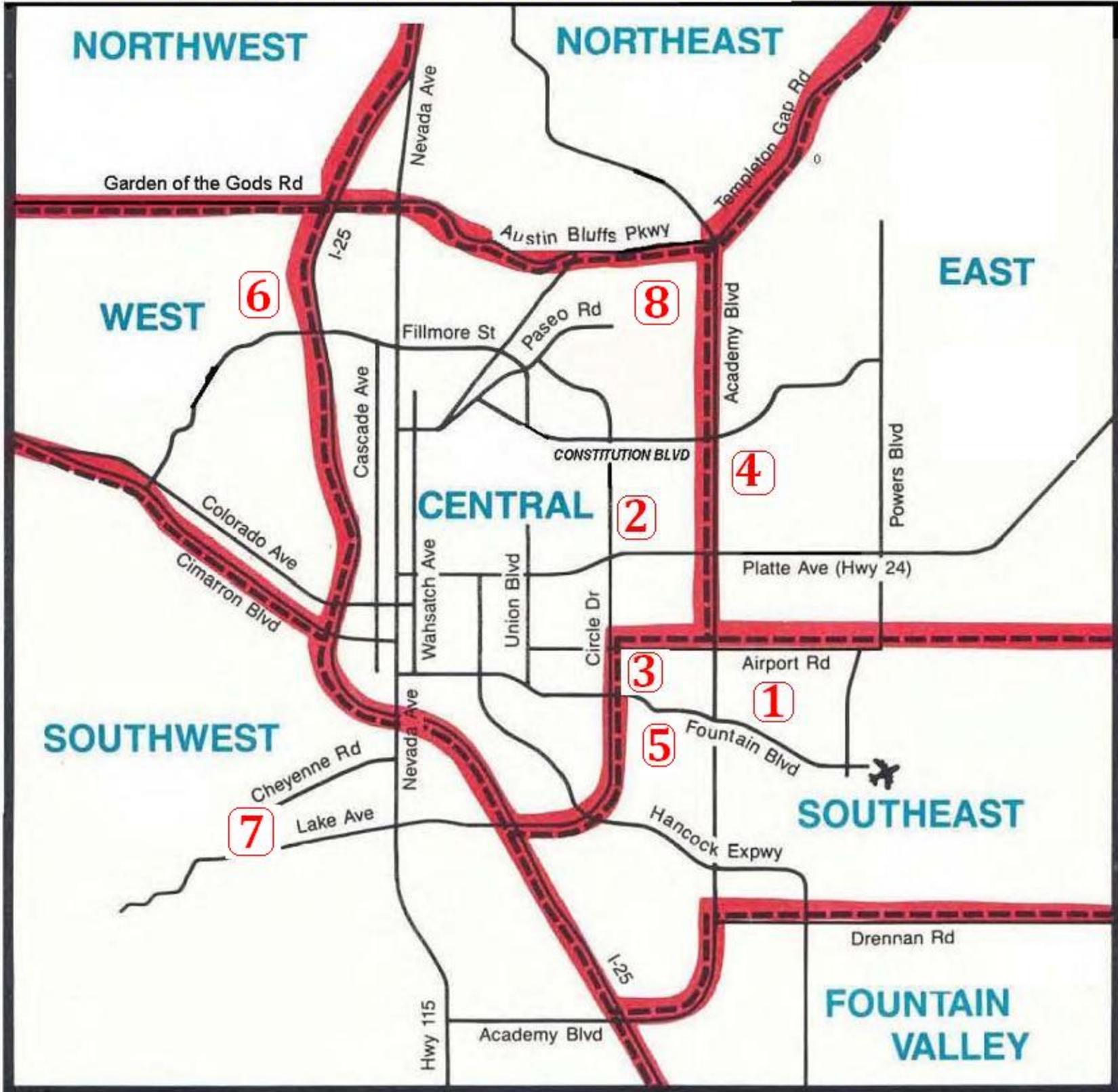


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2010 APARTMENT SALES BY DATE OF CLOSING.



GEOGRAPHIC AREAS

No Class A- Apartment Sales in 2 Years



*Senior CCIM Instructor for 13 years
First CCIM in Colorado Springs.*

*Past President of the State of Colorado Apartment Assoc.,
Colorado Springs Apartment Assoc. and the
Colorado/Wyoming CCIM Chapter.*

By: Ron Spraggins, CCIM
Founder & CEO of Commonwealth
Colorado's Oldest Apartment Firm

Commonwealth, Colorado's Oldest Apartment firm, recently released their 2010 Apartment Sales Report for Colorado Springs. The report includes all sales of complexes above 30 units.

There were no Class A sales in 2010 or 2009. 2010 saw the first Class B sale in 2 years. The lack of sales in these Classes has been due to the unrealistic Cap Rates of 8-9% demanded by buyers in the past. That has changed drastically in the last few months. Many of these buyers were looking in other markets that were not at the bottom and trying to buy Colorado product at the same Cap Rate . . . which hasn't worked.

We are currently representing several buyers for Class A & B complexes that will buy in the 5-6% Cap Rate range, which is quite a change from the unrealistic 8-9% Cap Rates buyers were requiring not long ago.

Colorado Springs has the highest occupancy rate since 2001 and most complexes have raised their rents in 2010, so there are no distressed deals to be found. The Springs is several years ahead of most other markets, as we went thru the overbuilding cycle in the early 2000's and have been improving each year since 2003, when the vacancy peaked in the 15% range.

Consequently, with only two Class A complexes built since 2003 and continued population/job growth, vacancies have gone down from over 12% in the first quarter of 2009 to just over 6% in the 4th quarter of 2010! There were also rent raises during this period.

There are no projects under construction in the entire city and none in the pipeline . . . consequently, the vacancies will continue to go down and with that rent increases which result in increased property values.

Colorado Springs may be one of the better apartment markets in the country.

The real world is you'll make more money buying 6% cap rate deals in good locations in Colorado than you will buying 8% product in Arizona, Vegas, Texas, or the other markets than haven't bottomed out yet.

"Don't forget; there's a reason you can get sellers to sell at an 8% cap rate in those markets"!

Net Present Value is a much better method to determine market value than Cap Rates. Cap Rates don't even consider the debt service and most complexes seem to have loans.

Total sales volume for 2010 was a recording setting low of \$40.8 Million, surpassing the 2009 low of \$48,775,000. This compares to the total sales volume of just under \$167 million for 2008, \$273 million for 2007, \$204 million in 2006 and \$150 million in 2005.

There were only 8 total sales that included another record low of 828 total units. This compares to 2,535 units sold in 2008, 4,008 total units closed in 2007, 2,849 units in 2006 and 2,151 units closed in 2005. The 8 total sales compares to 19 total sales in 2008 and 22 sales in 2007.

The size of the complexes sold, 30 units and greater, ranged from the Class C - 30 unit Exeter Arms apartments located in the demanded Cheyenne area, up to the Class B - 240 unit Bellaire Ranch complex that was built in 2002 and located in the southeast area on Murray Blvd..

All complexes sold were “1960’s Vintage”, with the exception of the Neighborhood Apartments, built in 1983 and Bellaire Ranch-2002 construction.

The purchase price of \$780,000 for the Carriage House sale was the lowest price per unit at \$18,571. It’s a Class D-61 complex. The complex was built in 1968 and located in a marginal area in the southeast part of the Springs. The Carriage house sold for \$24 a square foot for the lowest price per square foot of all sales.

The Bellaire Ranch apartments, built in 2002, brought the highest price per unit at \$77,667 and the highest price per square foot at \$87. Bellaire Ranch is located in the southeast on Murray Blvd just off Academy. We rate the project as Class B-82 due to the location.

Commonwealth’s reports are the only Colorado Springs apartment reports that separate the complexes into Class A, B, C, and D quality. We also rate each complex within its class, i.e. Class A’s are rated from 90 to 100, B’s 80-89, C’s 70-79, and D’s 60-69.

Separating complexes by the year of construction and/or mixing all classes together, as some reports do, makes no sense. There was junk built in the last building cycle and some of our best constructed and located complexes were built in the 60’s! Mixing Class D’s with Class A complexes and coming up with an average is useless to both Classes. The Average Rent would indicate to the Class D owner that he needs to raise his rents & the Class A owner would read it as having his rents too high! Since prices range from \$18k per unit for Class D and over \$130k for Class A complexes, mixing that wide of range of data points gives useless data. Rents for Class D can be in the high \$300 range, while Class A units are in the \$1,500+ area.

CLASS A SALES

There has been no Class A sales for two years. 1995 was the only other year that there was no Class A sales.

CLASS B – SALES

The sale of the Bellaire Ranch apartments was the first and only Class B sale since 2008. There have been Class B sales every year since data has been recorded other than 2009.

The 240 unit complex located just off South Academy on Murray Blvd was constructed in 2002. It sold for \$19 million or \$79,167 a door and \$87 per square foot.

CLASS C – APARTMENT SALES

There were two Class C sales totaling 222 units. The Neighborhood Apartments is a 192 unit complex built in 1983 and located just off North Academy/Village 7. The project sold for just under \$60,000 per unit, for a total price of \$11.5 million and a square foot price of \$55.

The only other sale was the 30 unit Exeter Arms, located on Cheyenne Rd in the lower Skyway area. It sold for \$47,633 per unit or a total price of \$1,429,000.

The complex was built in 1963 and commanded this unusually high price due to its location. Total sales volume was just under \$13 million.

These sales averaged \$58,239 per unit and \$57 per square foot.

In 2008 prices were just over \$44,500 a door and \$55 per square foot and \$32,000 per unit and \$49 a foot in 2004.

In 1990 the price per unit was \$7,000 and the square foot price was \$12 for Class C's!

There are a few Class C complexes on the market currently.

CLASS D – APARTMENT SALES

There were more Class D sales than any other Class for the first time in our data bank. There were five Class D sales totaling 366 units with a sales volume of just under \$9 million.

The Carriage House sale was the lowest price of all 2010 sales, both per unit and per square foot, at \$18,571 per unit and \$24 per square foot.

The highest price paid for this Class of product per unit was the South Circle Arms Apartments, a 112 unit complex located on South Circle Dr. It closed for \$27,500 per unit. It was constructed in 1969. The highest price per square foot at \$37 was paid for the Park Terrace units located at I-25 & Fillmore. It was built during 1965-67. The Skyway Village apartments sold, but due to being on a Land Lease that gives the improvements to the leaseholder at the end of the lease, we didn't include it in any sales data.

Average price per unit for Class D complexes was just over \$24,200 and the average square foot price was \$31.

REPLACEMENT COST: In 2006 a group of Colorado apartment builders got together and all bid the same average garden type complex. The average price per unit was in the \$146,000 range including land and all soft costs. The last complex completed in the Springs had a cost of over \$150,000 per unit, so the current market prices look attractive compared to a replacement cost . . . and with no construction in sight, who knows what the cost will be when this happens.

The facts show that the Colorado Springs apartment market may be one of the better markets in the country to buy apartments. Very few, if any, markets can say their vacancy went from 12% in the first quarter of 2009 to just over 6% in the 4th quarter of 2010, with rent increases and no construction.

Timing, timing, timing, not Cap Rates is how to make money in apartments.

NEVER FORGET THAT REAL ESTATE IS A LOCAL MARKET!

For the complete 100 page Sales Report that has data from 1970 -2010 contact:

THE SPRAGGINS TEAM at COMMONWEALTH
719-685-0600 Ron@CommonwealthUSA.net

[www. CommonwealthUSA.net](http://www.CommonwealthUSA.net)

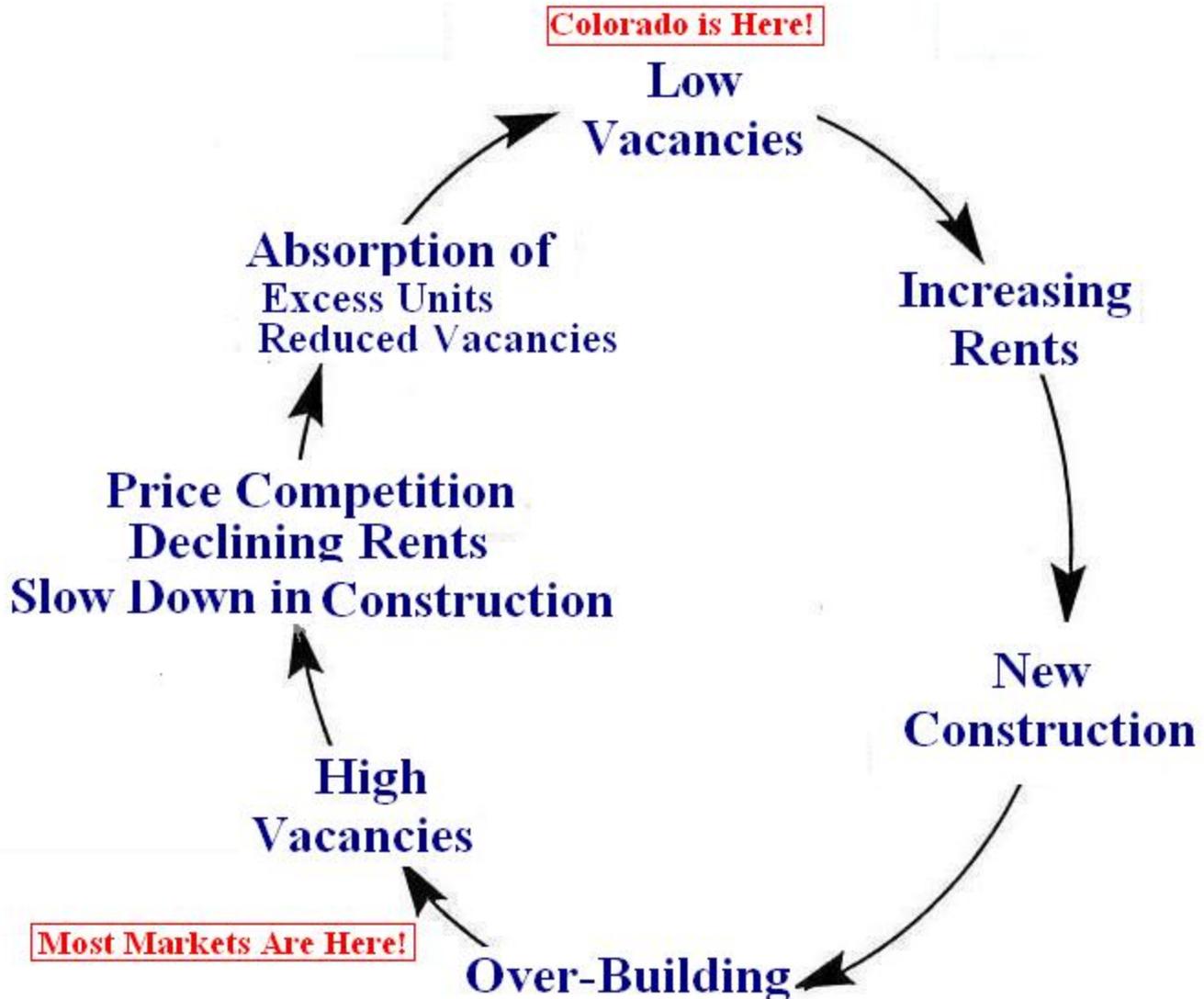


COMMONWEALTH

Colorado's Oldest Apartment Firm

Number One in Sales Since 1975

THE APARTMENT CYCLE





COMMONWEALTH

Colorado's Oldest Apartment Firm

Number One in Sales Since 1975

2010 Apartment Sales Report

COLORADO SPRINGS

(30 Units and Larger)

SUMMARY

Total Sales Volume:	\$40,790,700
Total Units Sold:	828
Complex Sizes:	From 30 to 240 Units
Price per Unit Range:	\$18,571 to \$79,167
Price per Square Foot Range:	\$24 to \$87

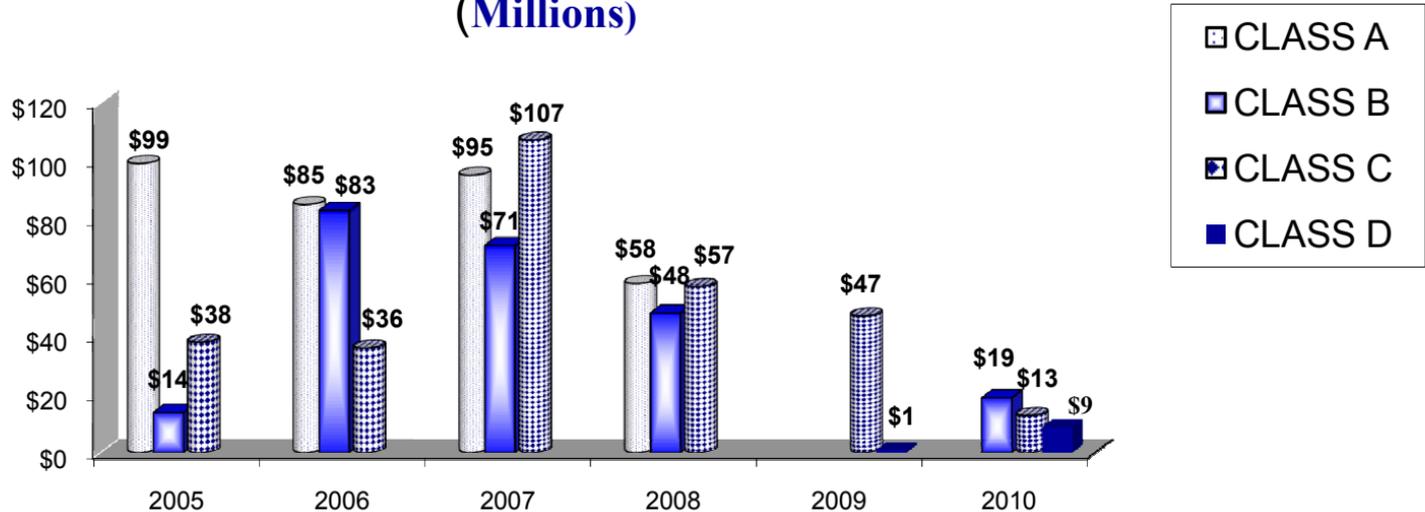
BY CLASS A-B-C-D QUALITY

	UNITS SOLD	SALES VOLUME	PRICE PER UNIT	PRICE PER SQ FT
Class A:	0			
Class B:	240	\$19,000,000	\$ 79,167	\$ 87
Class C:	705	\$12,929,000	\$ 58,239	\$ 57
Class D:	80	\$ 8,861,700	\$ 24,212	\$ 31
<u>TOTALS:</u>	<u>828</u>	<u>\$40,790,700</u>		

COMMONWEALTH'S APARTMENT SALES REPORT

2005-2010 SALES VOLUME

(Millions)



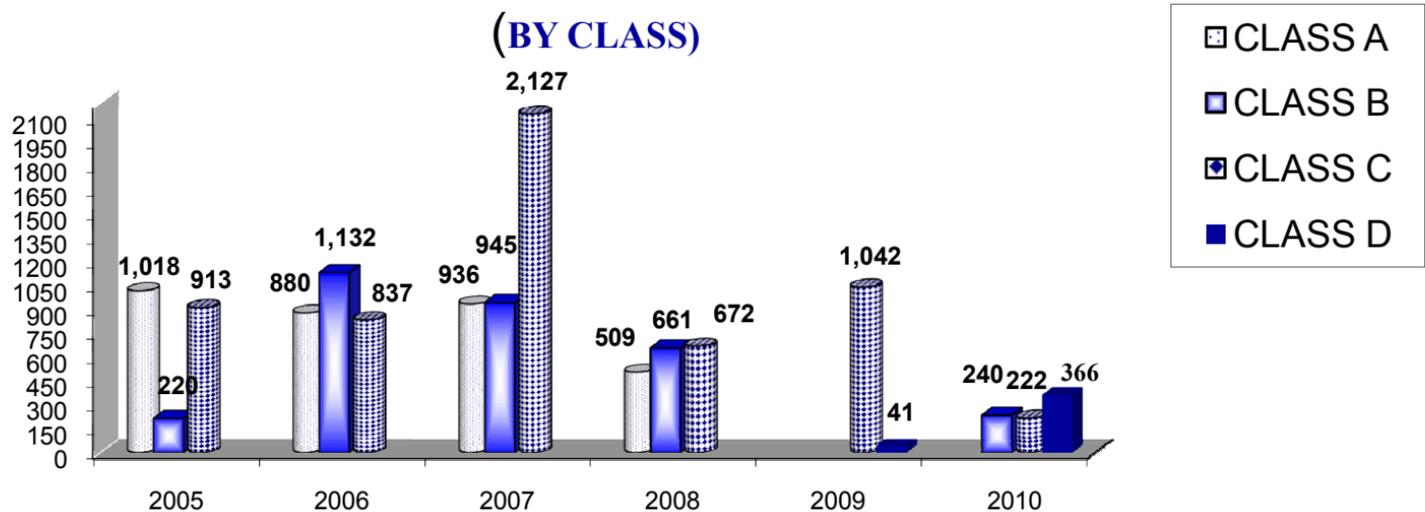
SOURCE: EL PASO COUNTY RECORDS

FOR DETAILED INFORMATION CONTACT:
RON SPRAGGINS, CCIM (719) 685-0600

COLORADO SPRINGS APARTMENT SALES

2005-2010 TOTAL UNITS SOLD

(BY CLASS)



COMMONWEALTH'S APARTMENT SALES REPORT

2010 Colorado Springs, Colorado

PRICE PER UNIT (Thousands)

	2004	2005	2006	2007	2008	2009	2010
CLASS A	\$93	\$97.4	\$96.8	\$101.7	\$113.3	None	None
CLASS B	\$54	\$62	\$73.6	\$75	\$73.3	None	\$79.2
CLASS C	\$32.2	\$41.4	\$42.8	\$50.3	\$44.5	\$45	\$58.2
CLASS D					\$16.5	\$23.8	\$24.2

PRICE PER SQUARE FOOT (Dollars)

	2004	2005	2006	2007	2008	2009	2010
CLASS A	\$91	\$95	\$95	\$113	\$111	None	None
CLASS B	\$61	\$80	\$84	\$83	\$73	None	\$87
CLASS C	\$49	\$53	\$55	\$64	\$55	\$51	\$57
CLASS D					\$17	\$28	\$31



SOURCE: EL PASO COUNTY RECORDS

For Complete Report Contact:
RON SPRAGGINS, CCIM (719) 685-0600

PER UNIT PRICES

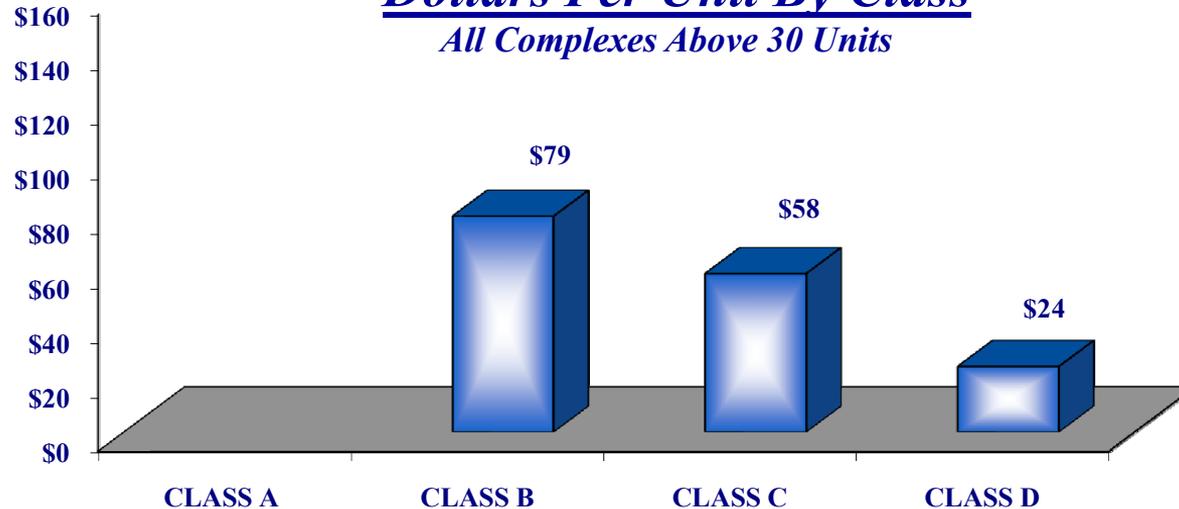
COMMONWEALTH'S APARTMENT SALES REPORT

Colorado Springs

2010

Dollars Per Unit By Class

All Complexes Above 30 Units



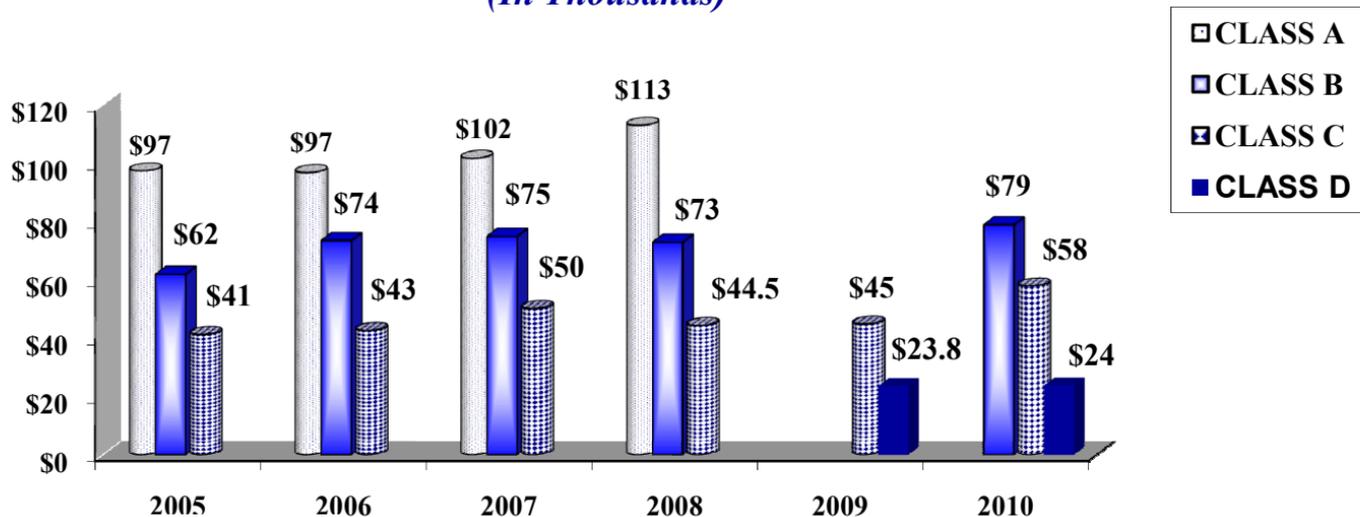
SOURCE: EL PASO COUNTY RECORDS

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COLORADO SPRINGS APARTMENT SALES

2005-2010 *DOLLARS PER UNIT BY CLASS*

(In Thousands)

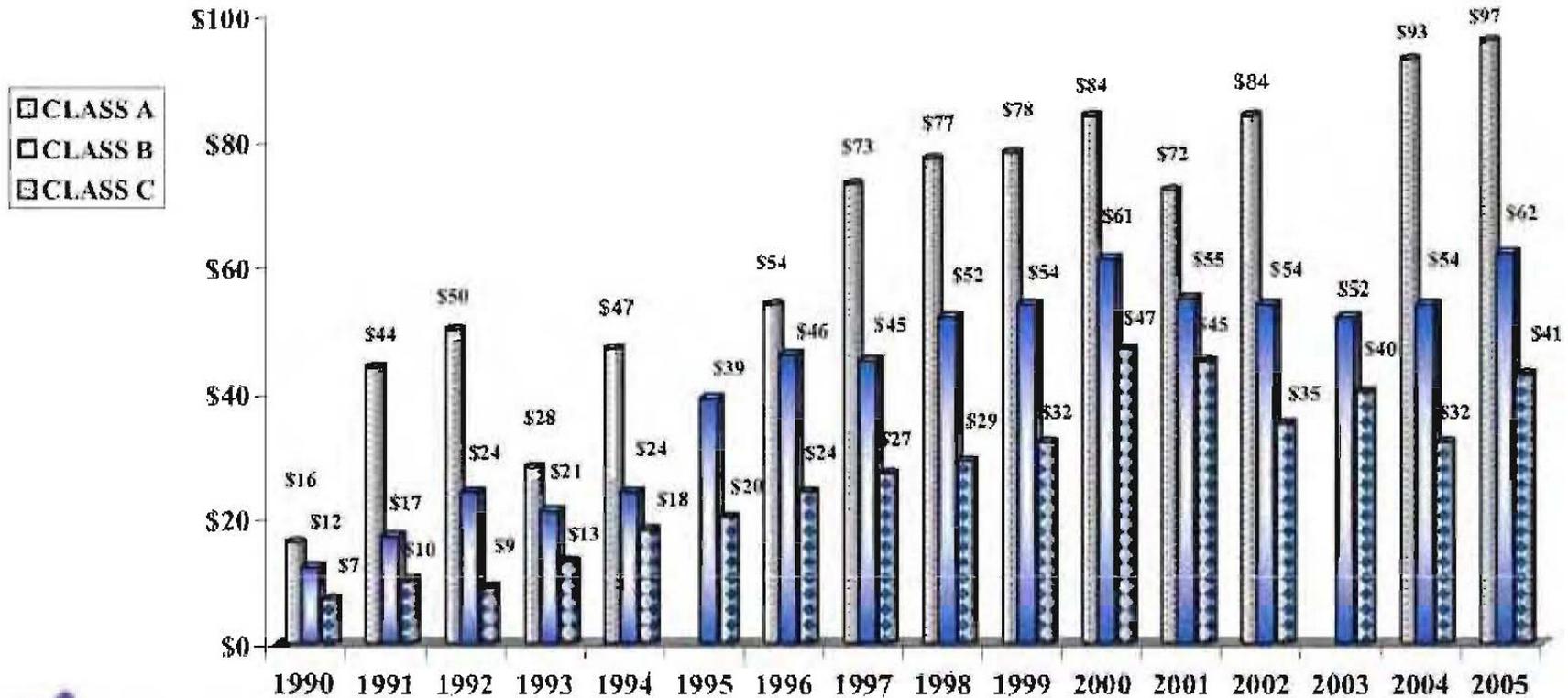


COLORADO SPRINGS APARTMENT SALES

1990-DECEMBER 2005

DOLLARS PER UNIT BY CLASS

(IN THOUSANDS OF DOLLARS)



SOURCE: EL PASO COUNTY RECORDS

FOR DETAILED INFORMATION CONTACT:
 RON SPRAGGINS, CCIM (719) 685-0600

PER SQUARE FOOT

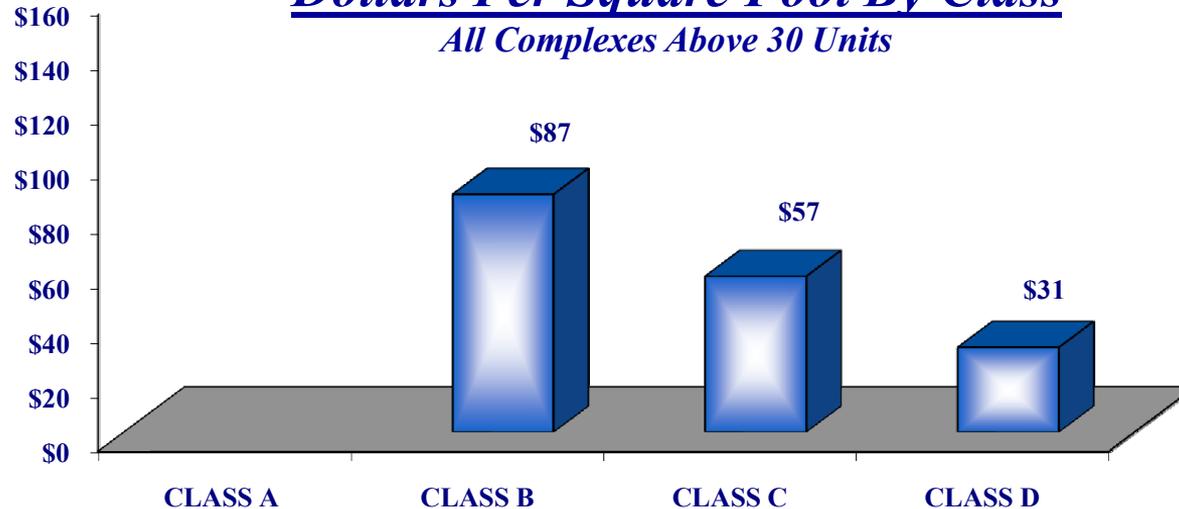
COMMONWEALTH'S APARTMENT SALES REPORT

Colorado Springs

2010

Dollars Per Square Foot By Class

All Complexes Above 30 Units

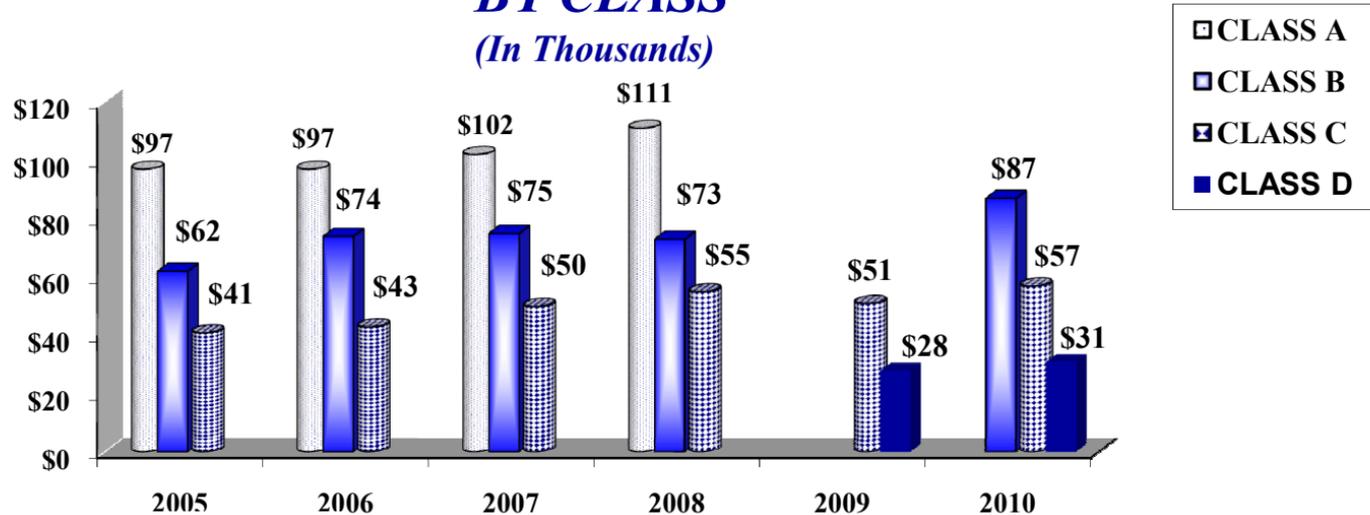


SOURCE: EL PASO COUNTY RECORDS

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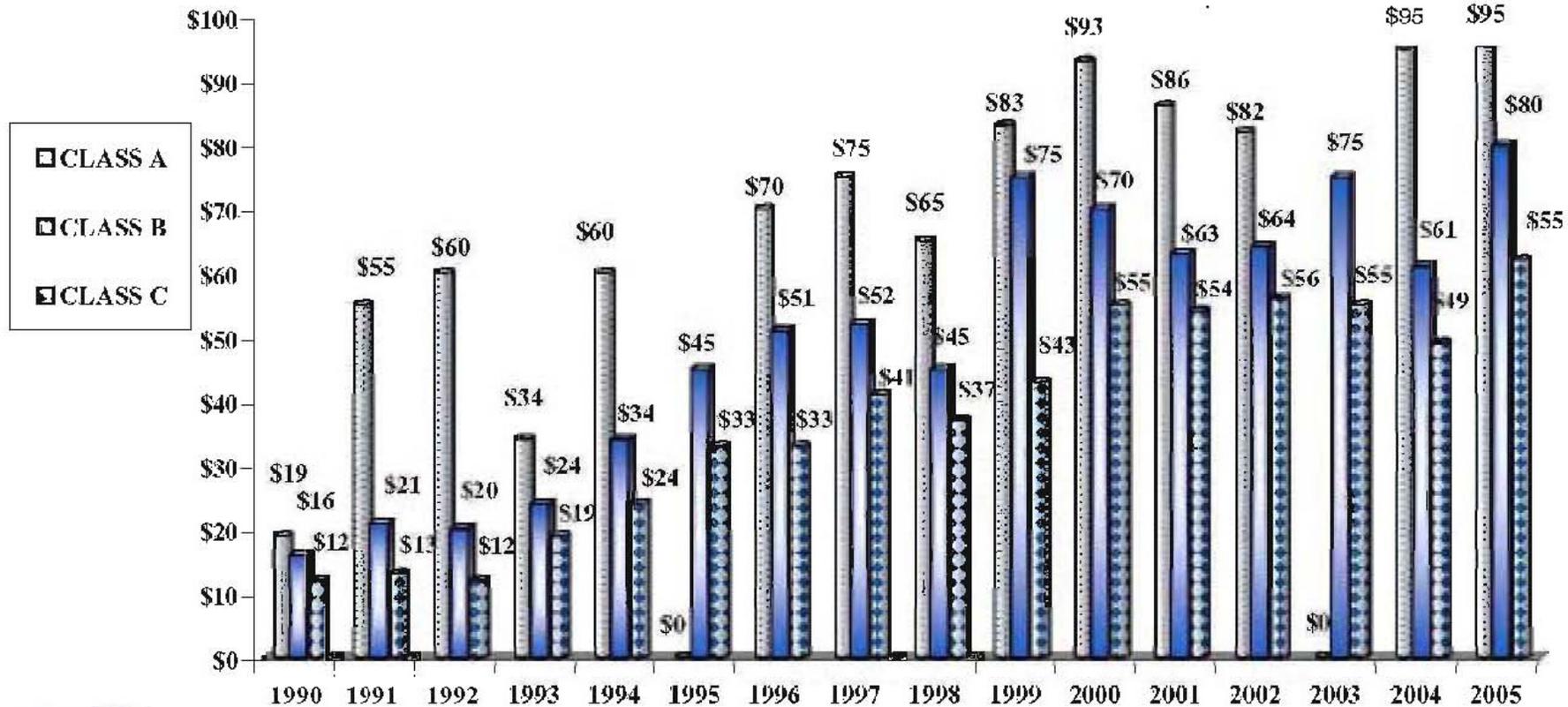
COLORADO SPRINGS APARTMENT SALES

2005-2010 *DOLLARS PER SQ. FT* *BY CLASS* *(In Thousands)*



APARTMENT SALES 1990-DECEMBER 2005

COLORADO SPRINGS DOLLARS PER SQUARE FOOT BY CLASS



 **COMMONWEALTH**
REGION'S OLDEST APARTMENT FIRM
NO. 1 IN SALES FOR 31 YEARS

SOURCE: EL PASO COUNTY RECORDS

FOR DETAILED INFORMATION CONTACT:
RON SPRAGGINS, CCIM (719) 685-0600

COMMONWEALTH'S

COLORADO'S OLDEST APARTMENT FIRM

Number One in Sales Since 1975

“CLASS B SALES”

2010

Commonwealth Two North Cascade Suite 1100

Colorado Springs, CO 80903 (719) 685-4300

www.CommonwealthUSA.net

Ron@CommonwealthUSA.net

COMMONWEALTH'S

COLORADO'S OLDEST APARTMENT FIRM

Number One in Sales Since 1975

“CLASS C SALES”

2010

Commonwealth Two North Cascade Suite 1100

Colorado Springs, CO 80903 (719) 685-4300

www.CommonwealthUSA.net

Ron@CommonwealthUSA.net

Apartment Sale



COMMONWEALTH

*Colorado's Oldest Apartment Firm
Number One in Sales Since 1975*

**EXETER ARMS APARTMENTS
223 WEST CHEYENNE RD
Colorado Springs, CO 80906**

Sale Details

Sale date: 10/8/2010
Sale price: \$1,429,000
Units: 30
Price/unit: \$47,633
Price/foot: \$78



Property Details

Building Class: C-71	Sq. ft.: 18,314
Location: SW	Lot size: 34,156
Yr. built: 1963	Parcel: 6430216011

Notes

For more information contact The SPRAGGINS TEAM at COMMONWEALTH (719)685-0600:

Ron Spraggins, CCIM
Ron@CommonwealthUSA.net

Shane Spraggins
Shane@CommonwealthUSA.net

Ryan Spraggins
Ryan@CommonwealthUSA.net

The information above has been obtained from sources believed reliable. We do not doubt its accuracy but have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions, or estimates used are for example only and do not represent the current or future performance of the property. You should conduct an individual evaluation with your own advisors as to the suitability of this property.

COMMONWEALTH'S

COLORADO'S OLDEST APARTMENT FIRM

Number One in Sales Since 1975

“CLASS D SALES”

2010

Commonwealth Two North Cascade Suite 1100

Colorado Springs, CO 80903 (719) 685-4300

www.CommonwealthUSA.net

Ron@CommonwealthUSA.net

Apartment Sale



COMMONWEALTH

*Colorado's Oldest Apartment Firm
Number One in Sales Since 1975*

**CIRCLE EAST MANOR
3005 Galley Rd
Colorado Springs, CO 80909**

Sale Details

Sale date: 3/1/2010
Sale price: \$671,700
Units: 35
Price/unit: \$19,191
Price/foot: \$25



Property Details

Building Class: D-64 **Sq. ft.:** 26,602
Location: Central **Lot size:** 35,006
Yr. built: 1969 **Parcel:** 6410306013

Sale Unit Mix

<u>Unit type</u>	<u>Units</u>	<u>Square Feet</u>
1Br/1Ba	16	570 - 570
2Br/1Ba	16	850 - 850
3Br/1Ba	3	1,000 - 1,000

Notes

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Apartment Sale



COMMONWEALTH

*Colorado's Oldest Apartment Firm
Number One in Sales Since 1975*

**ASPEN COURT APARTMENTS
1429 Potter Dr
Colorado Springs, CO 80909**

Sale Details

Sale date: 6/4/2010
Sale price: \$1,430,000
Units: 61
Price/unit: \$23,443
Price/foot: \$35



Property Details

Building Class: D-67 **Sq. ft.:** 40,677
Location: EA **Lot size:** 54,450
Yr. built: 1967 **Parcel:** 6411203036

Sale Unit Mix

<u>Unit type</u>	<u>Units</u>	<u>Square Feet</u>
1Br/1Ba	22	560 - 560
2Br/1Ba	39	690 - 690

Notes

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Apartment Sale



COMMONWEALTH

*Colorado's Oldest Apartment Firm
Number One in Sales Since 1975*

**PARK TERRACE APARTMENTS
3210-3214 NORTH CHESTNUT
Colorado Springs, CO 80907**

Sale Details

Sale date: 8/12/2010
Sale price: \$2,900,000
Units: 115
Price/unit: \$25,217
Price/foot: \$40



Property Details

Building Class: D-63 **Sq. ft.:** 72,748
Location: W **Lot size:** 203,295
Yr. built: 1967 **Parcel:** 7336100011

Sale Unit Mix

<u>Unit type</u>	<u>Units</u>	<u>Square Feet</u>
1Br/1Ba	60	653 - 653
2Br/1Ba	32	817 - 817
Studios	23	408 - 408

Notes

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CONSTRUCTION DATA

(New Supply)

MARKET OVERVIEW

Colorado Springs Development Activity

Communities Built Since 2003

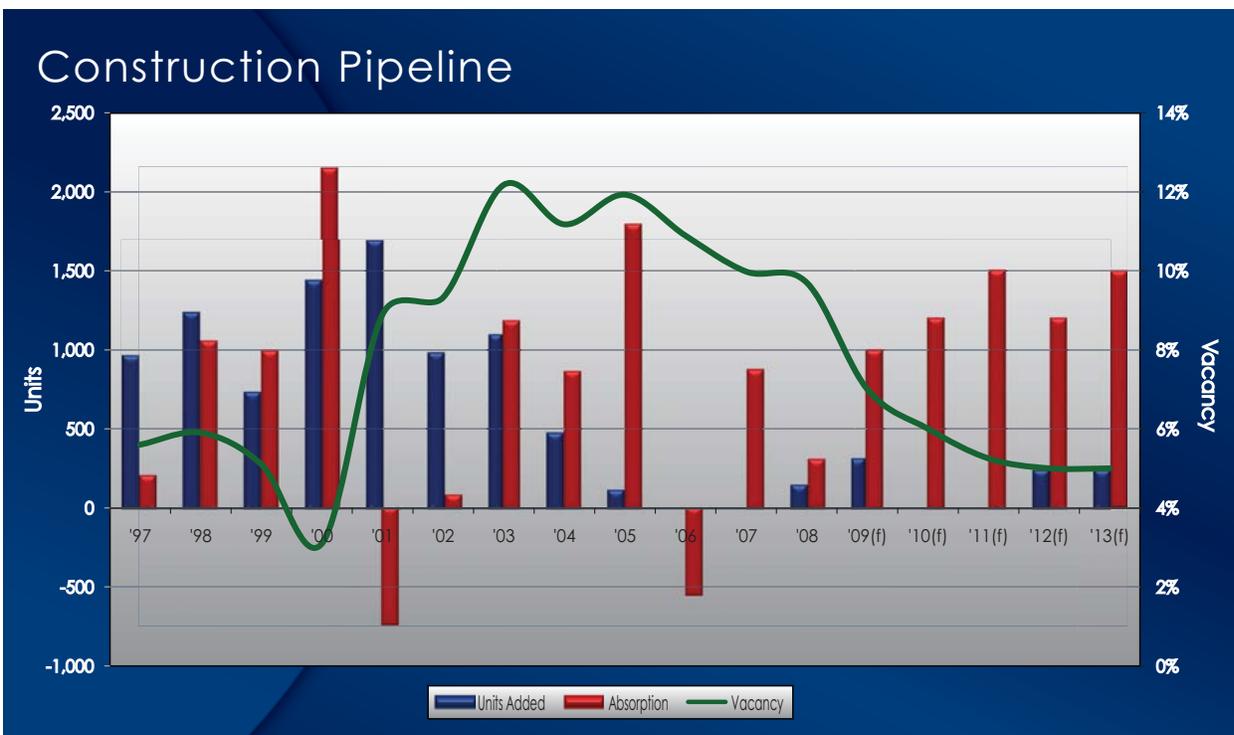
#	Property Name	Units	Location	Mkt Area	Owner	YOC
1	Talon Hill	276	1640 Peregrine Vista Hts	NOR	Raia Properties Corp.	2005
Total		276				

Communities Completed and Leased to 90% in Record Times, 30-40 Leases a Month.

#	Property Name	Units	Location	Mkt Area	Developer	Status
1	Alexan at Briargate	322	4610 Nautilus Peak View	NOR	Trammell Crow Residential	94% Leased
Total		322				

ON HOLD: Proposed Communities

#	Property Name	Units	Location	Mkt Area	Developer	Status
1	Broodmoor View	252	SWC of Union & Hancock	SOC	Land Co.	Zoning Approval Received
2	Mesa Ridge	240	Hwy 85 & S. Mesa Ridge Pkwy	SWF	Nor'Wood Development	Zoning Approval Received
Total		492				



Source: Apartment Realty Advisors

COMMONWEALTH'S

COLORADO'S OLDEST APARTMENT FIRM

Number One in Sales Since 1975

“PAST SALES DATA”

From 1990—2009

Commonwealth Two North Cascade Suite 1100

Colorado Springs, CO 80903 (719) 685-4300

www.CommonwealthUSA.net

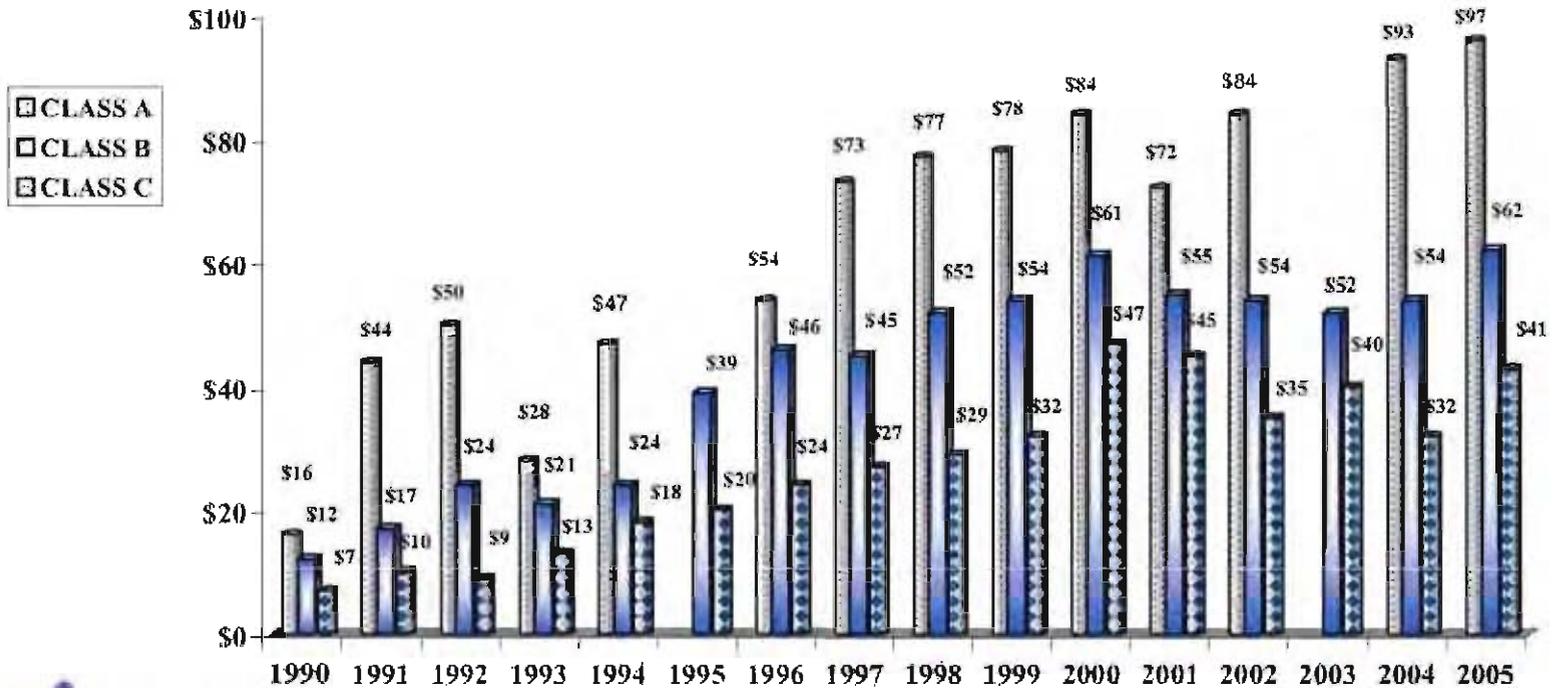
Ron@CommonwealthUSA.net

COLORADO SPRINGS APARTMENT SALES

1990-DECEMBER 2005

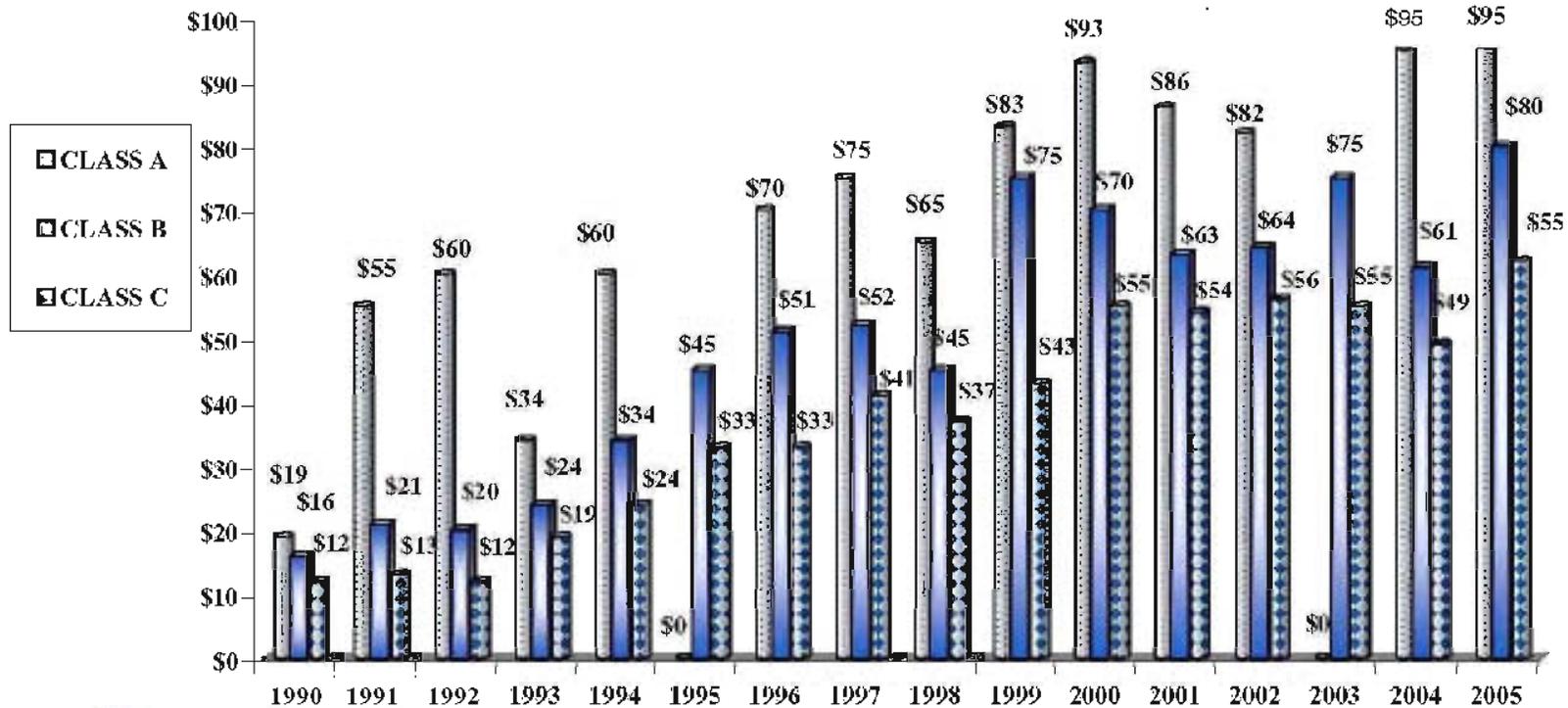
DOLLARS PER UNIT BY CLASS

(IN THOUSANDS OF DOLLARS)



APARTMENT SALES 1990-DECEMBER 2005

COLORADO SPRINGS DOLLARS PER SQUARE FOOT BY CLASS



SOURCE: EL PASO COUNTY RECORDS

FOR DETAILED INFORMATION CONTACT:
RON SPRAGGINS, CCIM (719) 685-0600

COLORADO SPRINGS APARTMENT SALES

2004-2009 *DOLLARS PER UNIT BY CLASS*

(In Thousands)



COLORADO SPRINGS APARTMENT SALES

2004-2009 *DOLLARS PER SQUARE FOOT*

BY CLASS

(In Thousands)



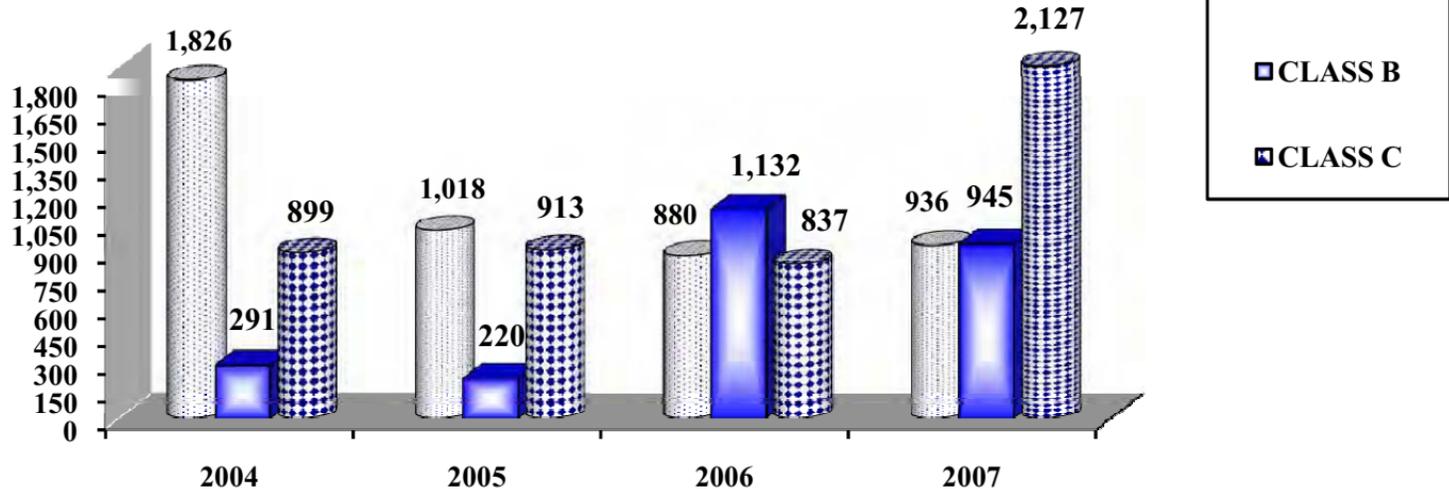
SOURCE: EL PASO COUNTY RECORDS

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COLORADO SPRINGS APARTMENT SALES

Years 2004 - 2007

TOTAL UNITS SOLD

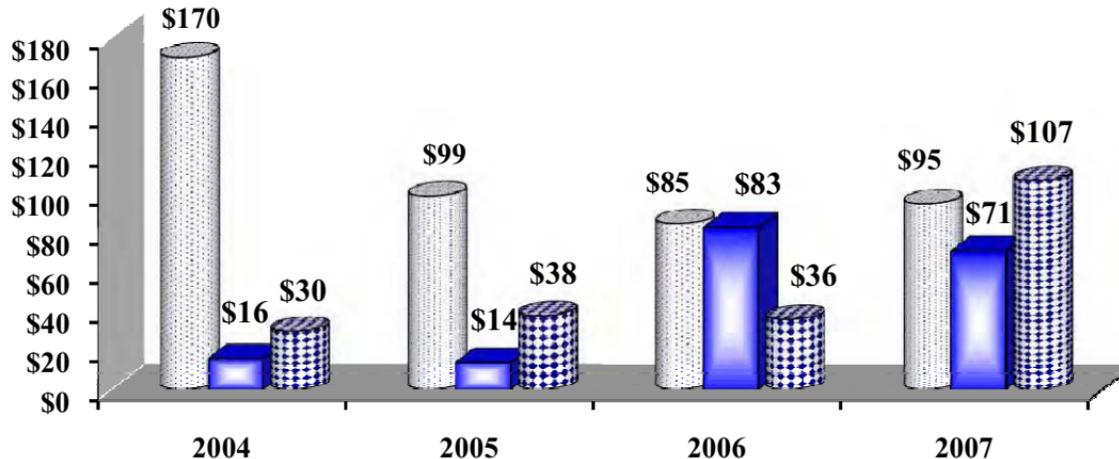


SOURCE: EL PASO COUNTY RECORDS

COLORADO SPRINGS APARTMENT SALES

Years 2004 - 2007

SALES VOLUME (Millions)



- CLASS A
- CLASS B
- CLASS C

SOURCE: EL PASO COUNTY RECORDS



COMMONWEALTH

Colorado's Oldest Apartment Firm
Number One in Sales Since 1975

APARTMENT SALES REPORT COLORADO SPRINGS (30 Units and Larger) 2008 Year-End Sales REPORT

SUMMARY

Total Sales Volume:	\$166,800,112
Total Units Sold:	2,535
Complex Sizes:	From 32 to 314 Units
Price per Unit Range:	\$14,103 TO \$117,454
Price per Square Foot Range:	\$15 TO \$119

BY CLASS A-B-C-D QUALITY

	UNITS SOLD	SALES VOLUME	PRICE PER UNIT	PRICE PER SQ FT
Class A:	509	\$57,685,000	\$113,330	\$111
Class B:	661	\$48,300,000	\$ 72,071	\$ 73
Class C:	672	\$56,600,112	\$ 44,567	\$ 54
<i>* Boulder Crescent</i>	<i>33</i>	<i>\$ 2,400,000</i>	<i>\$ 72,727</i>	<i>\$ 99</i>
Foreclosed:	110	\$ 1,815,000	\$ 16,500	\$ 19
TOTALS:	2,535	\$166,800,112	(\$ 65,798	\$ 73)
			Overall Average	

*Sale not included in Class C averages due to distorting numbers.



COMMONWEALTH

*Colorado's Oldest Apartment Firm
Number One in Sales Since 1975*

APARTMENT SALES REPORT COLORADO SPRINGS (30 Units and Larger) YEAR END REPORT 2009

SUMMARY

Total Sales Volume:	\$48,775,000
Total Units Sold:	1,123
Complex Sizes:	From 40 to 328 Units
Price per Unit Range:	\$20,000 to \$52,500
Price per Square Foot Range:	\$28 to \$64

BY CLASS A-B-C-D QUALITY

UNITS SOLD	SALES VOLUME	PRICE PER UNIT	PRICE PER SQ FT
------------	--------------	----------------	-----------------

Class A:	0	N/A	NA	NA
Class B:	0	NA	NA	NA
Class C:	1,042	\$ 47,000,000	\$ 45,106	\$ 51
Class D:	41	\$ 975,000	\$ 23,780	\$ 28
Bank Sale:	40	\$ 800,000	\$ 20,000	\$ 35
TOTALS:	1,123	\$ 48,775,000	NA	NA

DANGERS OF CAP RATES

The following graphs show the *Dangers of Using Cap Rates to Determine Value and/or When to Buy and When to Sell.*

The Cap Rates were High in 1999-2000 and Most Brokers Made Some of their Largest Sales During these Years.

Class A Complexes Sold for \$84,000 a Door in 2000 . . . Down to \$72,000 Per Unit in 2001 and Didn't Exceed 2000 Prices Until 2004!

***CAP RATES DON'T TELL YOU ABOUT THE FUTURE MARKET . . .
IT'S HARD TO SPEND PAST CASH FLOWS.***

The Facts Show that 2000, the Year of the High Caps, was the Last Year to Sell at the Proper Time . . . NOT BUYING.

It Takes a Local Brokerage Firm, Knowledgeable on the Market, to Understand where the Market is in the Cycle. We Knew of over 9,000 Units That were Going to be Built Before it Became Public Knowledge, Consequently, We Recommended Selling in 1999-2000.

NEVER FORGET THAT REAL ESTATE IS A LOCAL MARKET



COLORADO REAL ESTATE JOURNAL

THE COMMUNICATION CHANNEL OF THE COMMERCIAL REAL ESTATE COMMUNITY

AUGUST 19, 2009 – SEPTEMBER 2, 2009

Cap rates don't tell whole story; look to future cash flow

After 40 years in the apartment business and more than 120 personal closings, one thing stands out: I've seen more investors lose money by using the cap rate method to value property than any other method – other than using a gross rent multiplier!

It seems that the majority of buyers have read the same article, which told them to buy deals that had a 7 percent to 9 percent cap rate based on the previous 12 months of actuals. Most of these buyers also are looking in Las Vegas, California, Texas and some even in Michigan. Many will lose a lot of money using this advice.

The cap rate is merely a "snapshot" of how a property is doing at that one point in time or, worse, how it has done in the past. It's just a step above GRM.

Since the cap rate is a function of net operating income, it *doesn't* consider the debt service, principal reduction, future vacancies/rents/expenses and future sales proceeds. Since almost all deals have loans, this reason alone is enough to do further analysis. The main weakness is that it *doesn't* consider what the future market holds for the property. We also know that the sales proceeds usually are the largest of the cash flows produced by the property, so not looking at this cash flow doesn't make any sense.

A 10 percent cap rate in Michigan is probably a worse deal than a 5 percent cap deal in the Front Range. Since most investors buy a complex to hold for several years, how can you determine your true yield if you

Ron Spraggins,
CCIM
Founder and
president,
Commonwealth,
Colorado Springs

I've seen more money made from investments that had little or negative cash flow in the previous 12 months. The idea remains buy low and sell high.

In 2000, most apartment brokers made some of their largest sales in Colorado Springs, as the cap rates were high. Vacancies were in the 3 percent or lower range and rents had been rising in the teens for the previous few years, so the "trailing 12 months" of actuals looked great. Bad news was that the vacancy tripled to more than 9 percent in 2001, 12 percent in 2002, and peaked at a 16-year high of more than 16 percent in 2003! Guess what the cap rates were for the next few years? Many projects that sold for high cap rates in 2000 went down in value and took several years to even get back to the price paid in 2000. For example, Class C product went from \$47,000 per unit in 2000 down to \$32,000 per unit in 2004. We suggested selling in 1999 and 2000, as we were aware of more than 9,000 units that were going to be built before it became public knowledge, and that is when it's too late!

The year 2000 clearly was the last year to be selling, not buying, even though the cap rate on actuals said buy.

The opposite of this occurred in the early 1990s market of the Resolution Trust Corp. era. Cap rates were negative or very low; however, Class A units went

don't look at the future cash flows but instead use the past 12 months as your guide?

from \$16,000 per unit in 1990 to \$44,000 in 1991, \$50,000 in 1992, and peaked at \$84,000 a door in 2000. If you used the "magic 8 percent cap," you didn't buy anything and probably bought in 2000 when the cap rates were high.

We believe the three most important words in investment real estate are "timing, timing, timing," not "location, location, location." I've seen investors lose money in the best location if they bought at the wrong time. The idea is to buy in the best location at the proper time.

Knowing when to buy and when to sell requires a wealth of research and understanding that this market is controlled by *supply and demand*.

Supply includes not only existing units but also, and more importantly, new product and when it's going to come on line. You also must keep track of single-family/condos, as these become rentals if that market softens. Many Class A complexes report losing as many as 70 percent of their tenants to single-family homes when interest rates, payments, etc., compete with rents.

Demand is forecasting the increase/decrease in population, average household size, etc., to determine how many "new households" moving into the area will go to apartments. You may then compare the supply number with the demand and get some idea of the result.

Dealing exclusively in apartments since 1969, we've seen several cycles. Other than the RTC-era of the early 1990s, all of the cycles have been created by overbuilding (supply), i.e.,

too many units built for the increased demand from new households (tenants).

In order to look at future cash flows we must look at population growth and, if nothing else, keep track of job growth. The weakness of using the cap rate is that it doesn't consider these factors. For example, the Colorado economy is growing. The state had more than 2 percent population growth in 2008 and job growth for the first quarter of 2009 showed Denver at 2.5 percent, Colorado Springs at 2.26 percent, and the state at 2.11 percent. Many of the buyers are trying to buy Colorado property at the same cap rate as markets that still haven't hit the bottom, i.e., Texas, Las Vegas, California, etc.

Colorado already has gone through the overbuilding cycle and has been improving since 2004 due to growth and little to no construction. Due to the current banking situation, the next building cycle will be several years longer than normal, so when the units hit the 95 percent range, and with the upcoming inflation (government spending), rents will rise as will values.

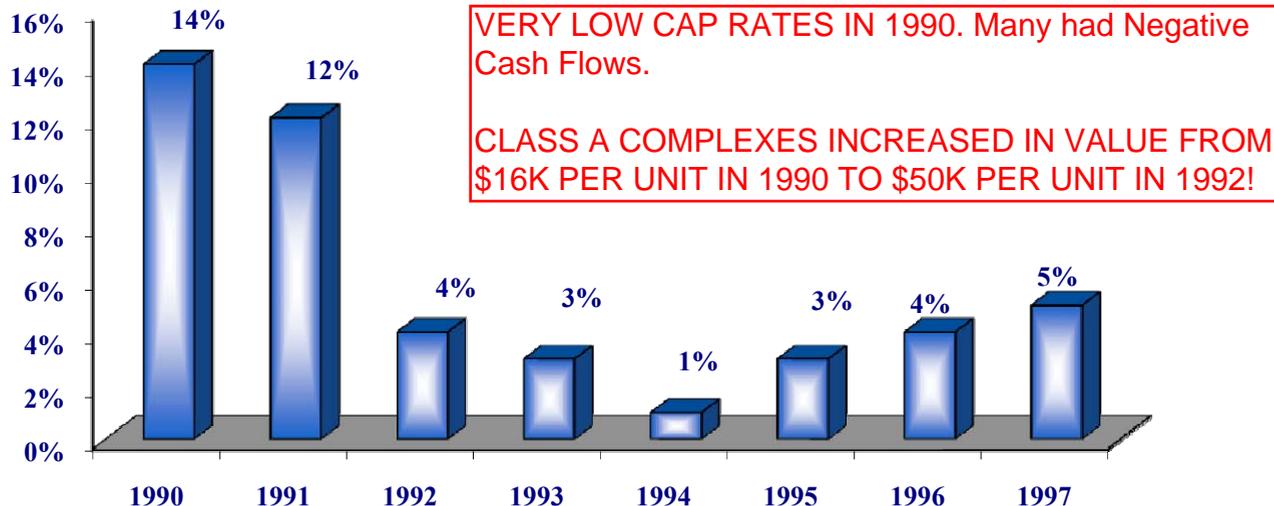
In conclusion, apartments in Colorado still do not make economic sense if one looks only at "today's data" or, worse, examines the last couple of year's actual income/expenses. However, check back in on the values in a few years. The 6 percent to 7 percent cap deals in Colorado will do very well in the future, and they will outperform most of the 8 percent deals in markets that don't have the upside that Colorado offers.▲



COMMONWEALTH'S APARTMENT REPORT 2009

Colorado Springs, Colorado

OVERALL VACANCY 1990-1997 (All Classes)



COMMONWEALTH

Colorado's Oldest Apartment Firm
Number One in Sales Since 1975

Source: Commonwealth

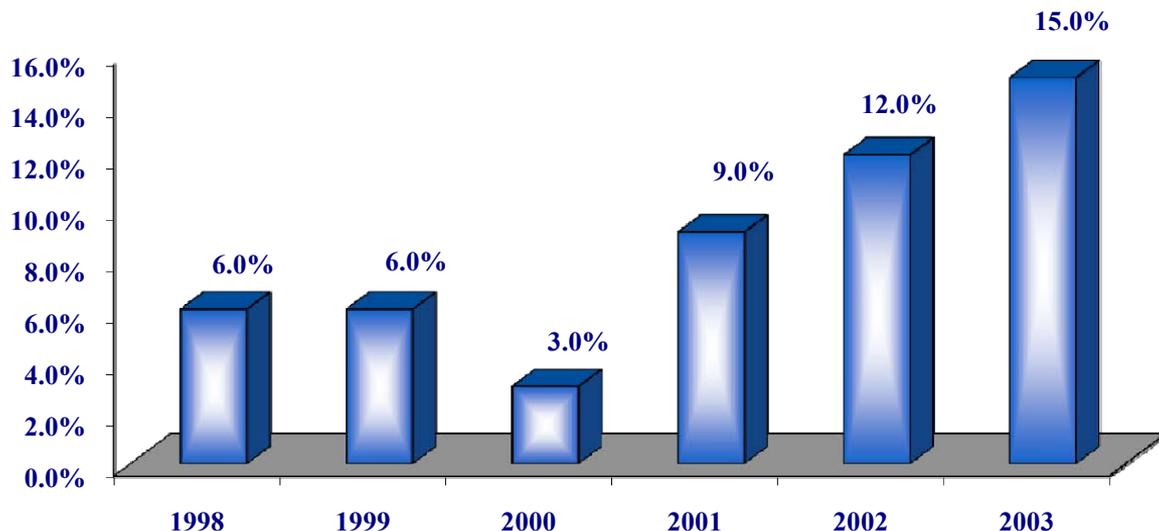
FOR DETAILED INFORMATION CONTACT:
RON SPRAGGINS, CCIM (719) 685-0600



COMMONWEALTH'S APARTMENT REPORT 2009

Colorado Springs, Colorado

OVERALL VACANCY 1998-2003 (All Classes)



HIGH CAP RATES IN YEAR 2000!!! CLASS A COMPLEXES SOLD FOR \$84K A DOOR IN 2000 DOWN TO \$72K A UNIT IN 2001 & DIDN'T EXCEED 2000 VALUE UNTIL 2004! TIMING, TIMING, TIMING . . .

See Following Graph on Where Prices Went After the High Cap Buys of 2000.



COMMONWEALTH

Colorado's Oldest Apartment Firm
Number One in Sales Since 1975

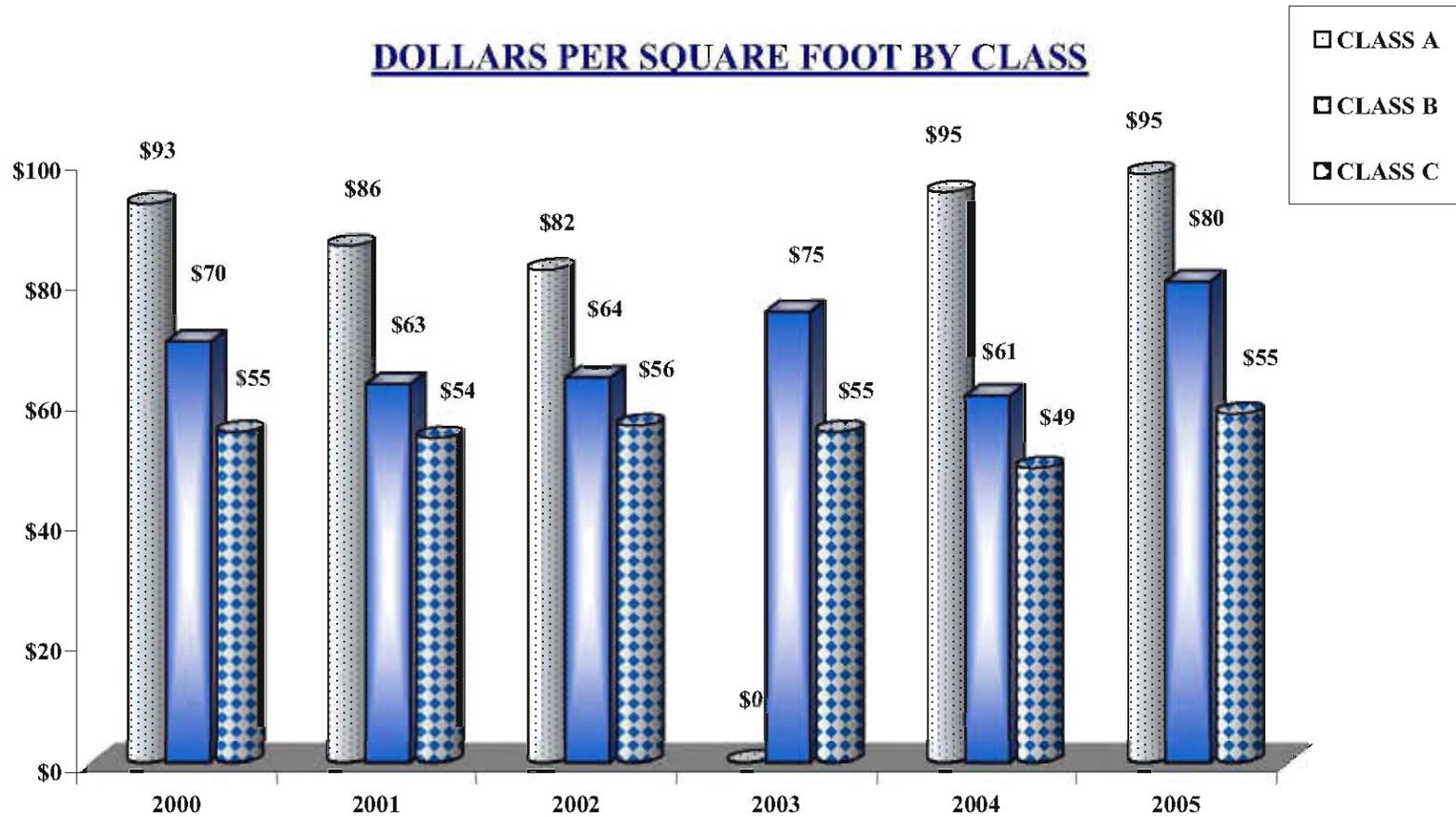
Source: Commonwealth

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COLORADO SPRINGS APARTMENT SALES

YEAR 2000 - DECEMBER 2005

DOLLARS PER SQUARE FOOT BY CLASS



SOURCE: EL PASO COUNTY RECORDS

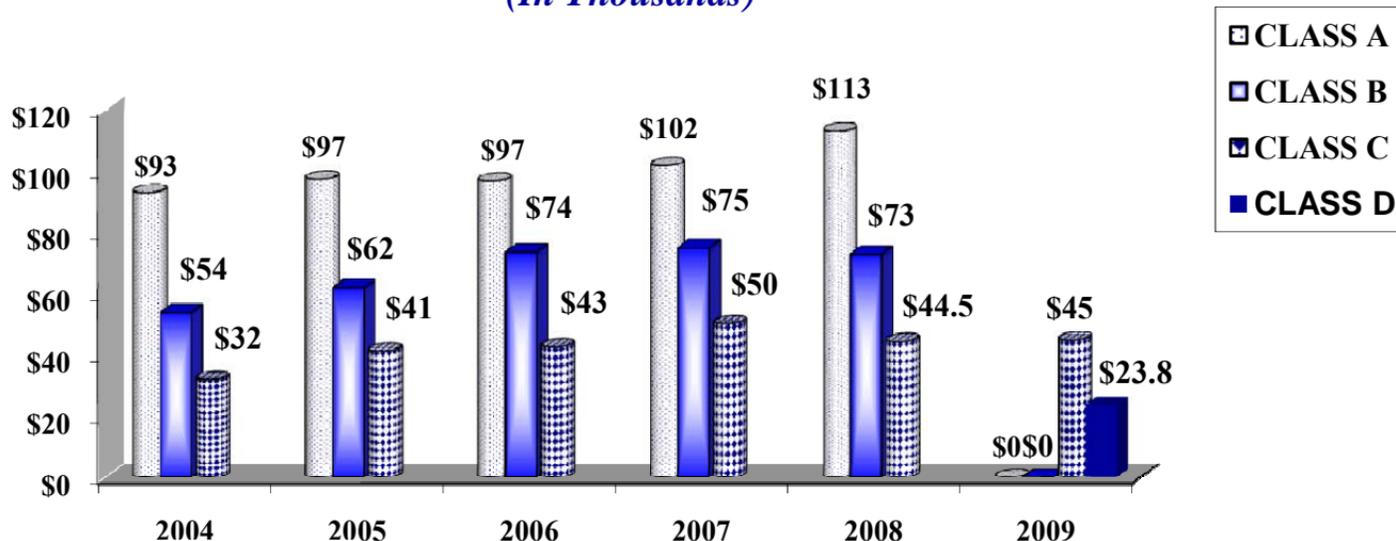
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COLORADO SPRINGS APARTMENT SALES

Low Caps and Many Negative Cash Flows in 2004. We Sold 2 Deals in 2004 that Were Sold 2 Years Later for \$7 Million More than the 2004 Price . . . Timing, Timing, Timing.

2004-2009 *DOLLARS PER UNIT BY CLASS*

(In Thousands)



COLORADO SPRINGS APARTMENT SALES

2004-2009 *DOLLARS PER SQUARE FOOT*

BY CLASS

(In Thousands)

