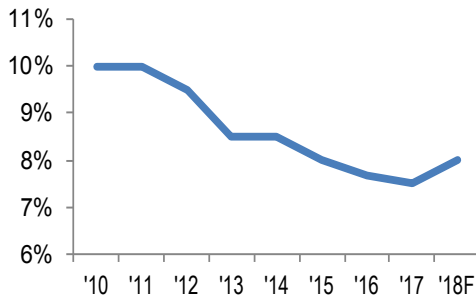


Investment

Average Capitalization Rates

Closed Sales

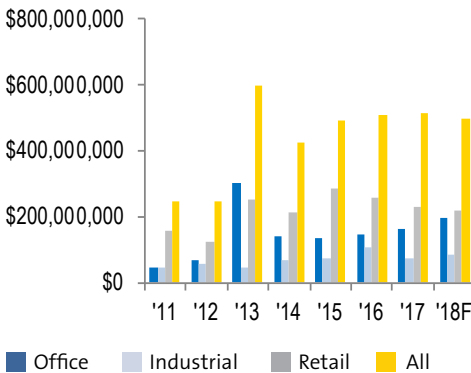


With strong economic conditions and continued job growth, there is nothing in the foreseeable future that would negatively impact sales and values of commercial real estate in Colorado Springs.

Investment activity was strong in 2017 and will continue in 2018 as buyers perceive Colorado Springs as an opportunity to invest in better returns when compared with properties in other Front Range cities.

Springs. U-Haul recently acquired Tiffany Square, a 184,219-square foot office/retail property located at I-25 and Corporate Drive. Plans are to convert vacant space for U-Haul's use. 360 Command View, located in the southeast market, sold for use as a charter school. The property was built in 2005 for SAIC, a major defense contractor in Colorado Springs. The southeast office market has experienced office vacancies of over 30% as defense contractors maintained a cautious outlook for defense spending. There is new confidence that more office space will be absorbed in 2018 as the current administration looks to increase defense spending.

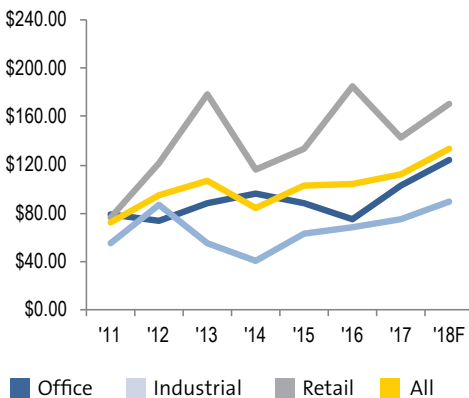
Property Sales Volume



The multi-family market boasted another record setting year for sales in 2017. Competitive bidding was the norm for investors seeking to acquire apartments in Colorado Springs as vacancies continue to average approximately 6%. Class B and C multi-family properties that are candidates for renovation and upgrades have been particularly attractive to buyers looking to increase value by completing significant upgrades that result in increased rental income. Despite an uptick in construction of apartment projects, vacancies are predicted to hold relatively steady in 2018. Continued job growth and rising home prices will continue to support apartment demand.

Capital markets will remain healthy with solid economic data and the forecast for gradual interest rate increases. Experts are not predicting a major pullback in debt or equity financing. This will provide investors with continued opportunity for growth and investment in real estate.

Price Per Square Foot



There has been a noticeable increase in investors acquiring older, well located commercial properties. Investors are acquiring assets at heavily discounted prices and completing major upgrades to attract new tenants. With the escalating cost of new construction, the opportunity to acquire older, well located properties will continue to be attractive to investors.

Capitalization rates will remain steady for well located, stabilized commercial properties. Single tenant investments with national credit tenants on long-term leases command the most aggressive cap rates. Cap rates for office investments are subject to location, percent leased and age and condition of property. Larger Class A and B assets in prime locations are trading at average cap rates of 8.0 to 8.5%.

The trend continues to "repurpose" existing buildings in Colorado

Source: CoStar

Key Transactions 2017

Buyer	Seller	Address	Price	Size (SF)
Unico Properties	Centrefund Development	2 N Nevada Ave	\$34,600,000	246,241
Dennis & Klathleen Esch	Tech II, LLC	5555 Tech Center Dr	\$19,150,000	146,215
U-Haul	RAIT Financial Trust	6805 Corporate Drive	\$11,594,152	184,219

* Transaction Represented by QCG