



STRATEGIC MULTIFAMILY ANALYSIS

NEW CASTLE APARTMENTS
NEW CASTLE, COLORADO

Prepared for R2 Partners
May 16, 2023

ABOUT RCLCO

Since 1967, RCLCO has been the “first call” for real estate developers, investors, the public sector, and non-real estate companies and organizations seeking strategic and tactical advice regarding property investment, planning, and development.

RCLCO leverages quantitative analytics and a strategic planning framework to provide end-to-end business planning and implementation solutions at an entity, portfolio, or project level. With the insights and experience gained over 50 years and thousands of projects—touching over \$5B of real estate activity each year—RCLCO brings success to all product types across the United States and around the world.

Learn more about RCLCO at www.RCLCO.com.

REPORT AUTHORS

Project Directors:

Erin Talkington, Managing Director

► P: (240) 396-2353 | E: ETALKINGTON@RCLCO.COM

Dana Schoewe, Principal

► P: (224) 234-1322 | E: DSCHOEWE@RCLCO.COM

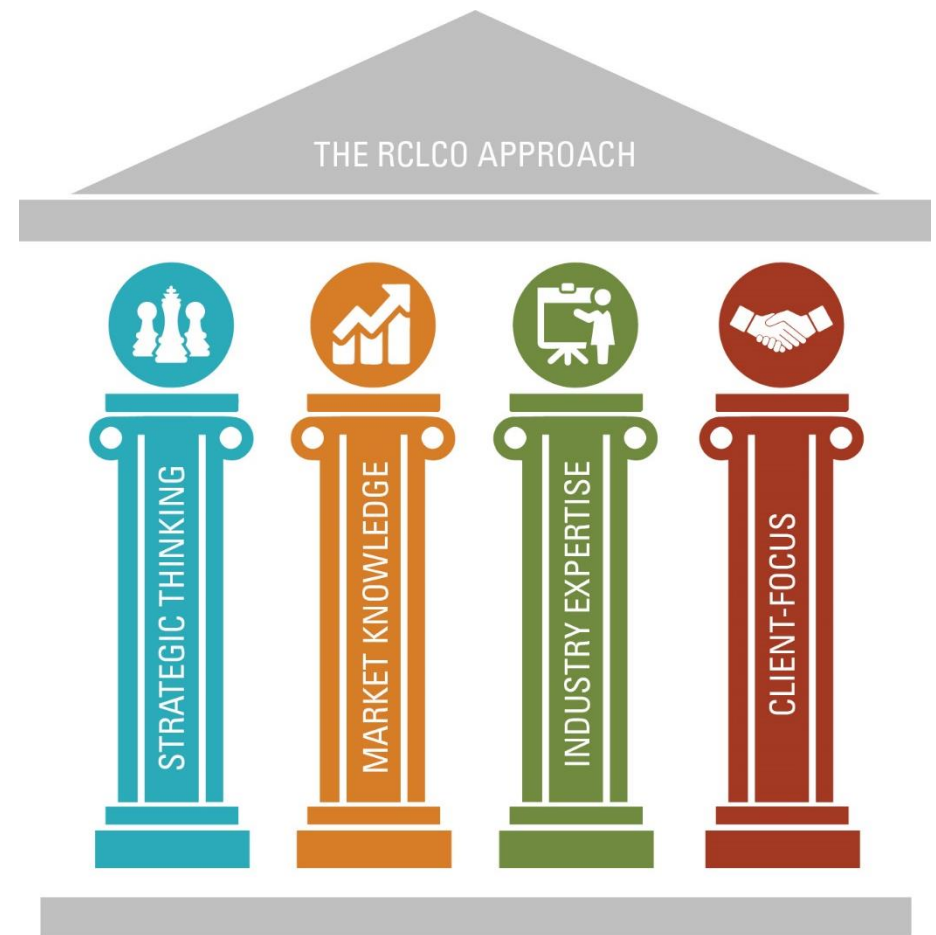
Project Manager:

Patricia Bacalao, Senior Associate

► P: (310) 750-0711 | E: PBACALAO@RCLCO.COM

Additional Authors:

Sarah Scandalios, Analyst



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KEY FINDINGS

- **Regional Market:** Though Roaring Fork Valley has seen substantial economic growth in the past decade, like many mountain markets, it lacks sufficient housing. While the Central Western Slope* has experienced a ramping up of deliveries in the past five years, amounting to a 35% increase in total inventory since 2018, vacancy remains low (3.5% as of May 2023). Further, the rental housing shortage has been exacerbated by the COVID-19 pandemic; as the short-term rental market soared, many conventional rental units were taken off the market to take advantage of elevated short-term rental rates, coupled with a rise in remote workers and part-time residents. The rental housing shortage is also demonstrated by increasing commute times, as workers are forced to commute further distances into communities such as New Castle, in order to find more affordable housing options. Overall, the Roaring Fork Valley has strong market fundamentals, demonstrated not only by low vacancy but strong rent growth of 6.1% from 2018 to 2022.
- **Site Context:** The subject site's location in New Castle, CO benefits from strong access to recreation, reputable schools, and regional hubs throughout the Western Slopes along I-70. Commercial and residential development in New Castle is growing, with a new retail center and grocer planned for near the subject site and additional phases of for-sale homes recently announced for Lakota Canyon Ranch. Against this backdrop, New Castle is primed for new high-end rentals appealing to families, empty nesters, and remote-capable professionals.
- **Competitive Set:** Given the lack of multifamily communities near the subject site in New Castle, RCLCO surveyed eight new communities; five in Glenwood Springs, one in Carbondale, and two in the Vail Valley. Given the anticipated quality and the unique segmentation strategy of the subject site, RCLCO anticipates that the subject site can achieve pricing near the top of the competitive set but at a discount to some well-executed communities located in high home-value areas such as Carbondale and the Vail Valley.

- **Market Depth and Segmentation:** The current program proposes a mix of one- and two-bedroom units with dens/home offices to appeal to young and mature professionals working from home, three-bedroom units tailored for families, and spacious one- and two-bedroom units at premium price points suited for downsizing empty nesters. RCLCO's demand analysis determined that, while there is sufficient market depth for this segmentation strategy, particularly given the dearth of supply in the multifamily and shadow market, a rebalancing of the program to allocate more units towards the live-work model and two-bedroom empty nester units will likely reduce absorption risk and better align with rental demand.
- **RCLCO Program Recommendations:** While RCLCO's empty nester rents are slightly lower than the client-proposed rents, a mix towards larger units and the higher proposed rents for the family and live-work units, where market depth is stronger, results in a higher average asking rent for the subject site. Under this program, RCLCO estimates that the subject site can lease up to 14 units per month and reach stabilization in roughly nine months. RCLCO also recommends exploring the possibility of replacing the three-bedroom family units with a small number (10-12 units) of townhomes sized between 1,600 SF and 1,800 SF, which RCLCO estimates can rent for between \$4,600 and \$5,000 per month.

RCLCO Recommended Unit Mix, Unit Sizes, and Rent Ranges (Q2 2023 \$) Subject Site; May 2023

FLOORPLAN	UNITS	MIX	UNIT SIZE SF	ASKING RENT	
				AVG.	AVG. \$/SF
Empty Nester - 1BR+Den	5	3.8%	800	\$2,905	\$3.63
Empty Nester - 2BR+Den	15	11.5%	1,400	\$4,260	\$3.04
Live-Work - 1BR+Den	34	26.2%	700	\$2,285	\$3.26
Live-Work - 2BR+Den	51	39.2%	1,100	\$3,085	\$2.80
Families - 3BR Multifamily	25	19.2%	1,500	\$4,000	\$2.67
TOTAL/AVG.	130	100.0%	1,095	\$3,180	\$2.90

*Defined here as Garfield, Pitkin, Summit, Eagle counties..

Source: RCLCO

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RECOMMENDED FEATURES AND AMENITIES

DESIGN FEATURES

RCLCO recommends the following unit finishes for the Live-Work and Family units, while the Empty Nesters units are expected to have a high level of quality (higher ceilings, bigger windows, upgraded appliances and surfaces):

- ▶ **Kitchen:** Wood cabinets; quartz countertops; kitchen islands in select units; stainless steel appliances; vinyl plank flooring; open floorplan to living room; glass tile backsplash; integrated lighting and designer light fixtures, USB outlets
- ▶ **Bathrooms:** Vinyl plank or tile flooring; glass-tile accents; quartz or other stone countertops
- ▶ **Bedrooms:** Vinyl plank flooring or carpet; walk-in closets in select units
- ▶ **Smart Home Technology:** Bluetooth sound system; electronic lock system; potential for Alexa and/or Google Home integration
- ▶ **Other:** 9' Ceilings; ceiling fans, in-unit washer/dryer; some balconies/patios if possible

COMMUNITY AMENITIES

- ▶ **Fitness:** Include cardio and weight equipment; spinning or yoga room; on demand fitness training.
- ▶ **Club Room:** Open-style lounge space adjacent to the leasing office; maintain high-quality finish of the building; Wi-Fi offered throughout common areas.
- ▶ **Outdoor Space:** Outdoor terrace with seating areas; grilling stations; fire pits
- ▶ **Storage:** Ski/snowboard storage; bicycle storage; extra on-site personal storage for \$50-\$65 monthly
- ▶ **Pet Amenities:** Pet friendly; dog wash room
- ▶ **Other Amenities:** Room or lockers allowing for 24/7 package pickup for online retail and grocery deliveries; possibly a children's playground or playroom.
- ▶ **Parking:** Free surface parking and/or \$50-\$75 monthly for additional covered or garage parking spaces.

Photos of Recommended Features and Amenities
Vail Valley and Glenwood Springs, 2023



Image Source: Community Websites

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SITE ASSESSMENT

STRENGTHS

- **Recreation Opportunities:** The subject site boasts high-quality recreation opportunities. Situated adjacent to the mountains, this development provides ample trails for hiking, biking, and exploring the surrounding nature. There is an expansive trail network on this 50-acre site that places potential residents in the heart of the natural amenities of New Castle.
- **Nearby Schools:** Providing great convenience for families, the subject site is located within a mile of the co-located Kathryn Senor Elementary School and Riverside Middle School, part of the reputable Garfield School District Re-2. The ability for parents to drop off their children at school in a short five-minute drive and have access to the school's playgrounds and sports fields will enhance the subject site's appeal among family renters.
- **Regional Access:** Providing excellent regional access, the subject site is only four minutes from I-70. Residents may conveniently travel to the East or West while also benefiting from the serenity of a home situated 1.5 miles off from the busy highway and nestled against the mountains. Via I-70, Highway 6, and Highway 82 residents have access to nearby employment hubs in Glenwood Springs, Snowmass and Aspen.

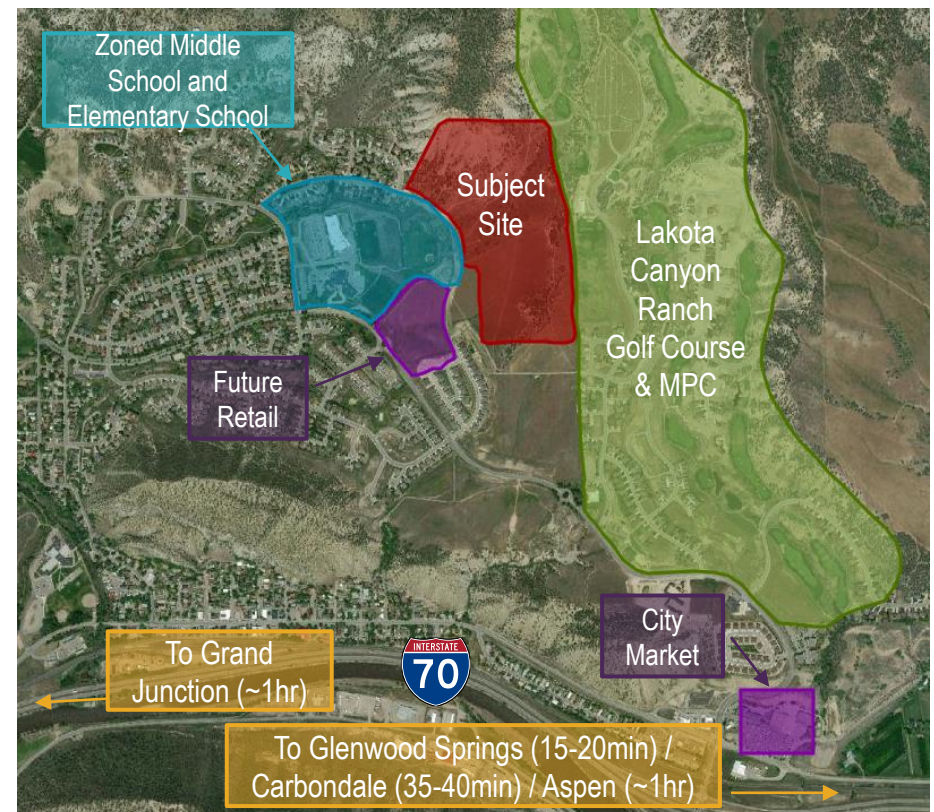
OPPORTUNITIES

- **Future Retail Next to Subject Site:** Due to the small-town character of New Castle, retail offerings are currently relatively limited. However, a retail center with a grocer is in development next to the subject site. Excellent access to new retail will help the subject site compete with other communities in the Roaring Fork Valley.
- **Nearby Development:** The subject site is adjacent to the Lakota Canyon Ranch MPC, home to a golf course and newly built homes. The new owners of this community are currently planning a new phase of 52,000 SF of commercial development and 183 residential units, primarily for-sale offerings. Residents at the subject site will benefit from this increased access to retail, and active for-sale development typically creates additional demand for rentals nearby as families move into the area or rent as they await construction on a new home.

WEAKNESSES

- **Commuting on I-70:** Although the subject site is conveniently located close to I-70, commutes to Glenwood Springs or Aspen are subject to traffic and congestion. Depending on the time of day, drivers may face increased congestion during their commutes. Given the strategic positioning of the subject site with larger units and home offices, any inconveniences from traffic will likely be mitigated by the living opportunities created specifically for remote and hybrid workers.

Aerial Map of the Subject Site



Source: Google Maps; RCLCO

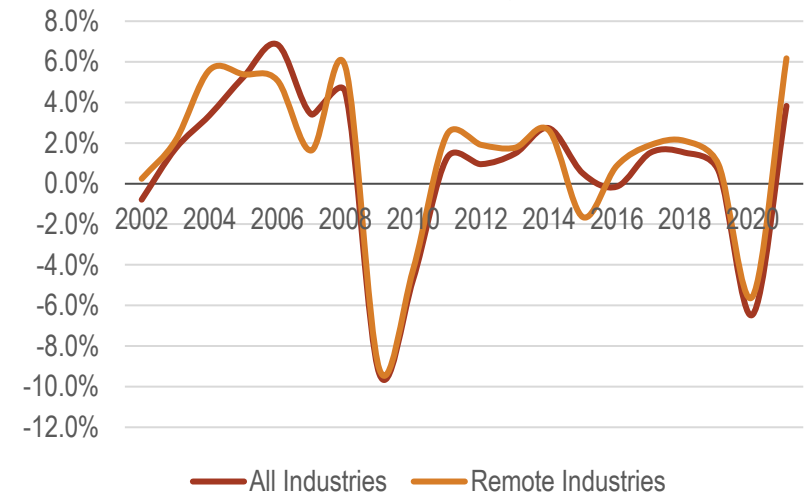
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EMPLOYMENT OVERVIEW

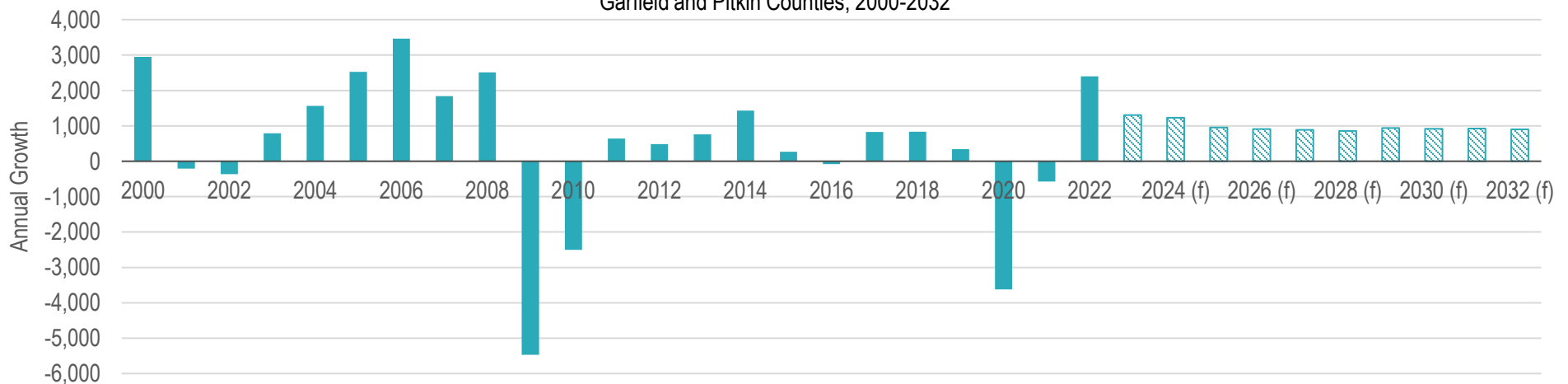
STEADY ECONOMIC GROWTH PROJECTED FOR THE NEXT TEN YEARS, LED BY REMOTE INDUSTRIES

- From 2022 to 2019, Garfield and Pitkin Counties have witnessed relatively steady employment growth, with an average of 612 new jobs added to the economy each year. Over this period the economy expanded by nearly 10%.
- Likely empowered by a shift to remote jobs, projections demonstrate promising and sustainable employment growth in the two counties moving forward. While employment growth in the two counties lagged the Denver MSA over the past ten years, growing at 0.5% compared to 2.4% in the MSA, the two counties are expected to outpace Denver growth over the next five years, with employment in the combined counties expected to grow at 1.9% compared to 1.4%.
- Industries with the capacity for remote work have outperformed the general local economy. In 2020, remote-capable industries proved more resilient to negative economic pressure. Additionally, within Garfield and Pitkin Counties in 2021, industries with the potential for remote work grew by a rate of 6.6%, outpacing the general growth rate of 3.8%. This growth of remote jobs in the region bodes well for the live-work component of the subject site.

Annual Change in Job Growth in Remote Work-Capable Industries*
Garfield and Pitkin Counties, 2001-2021



Historical and Projected Employment Growth
Garfield and Pitkin Counties, 2000-2032



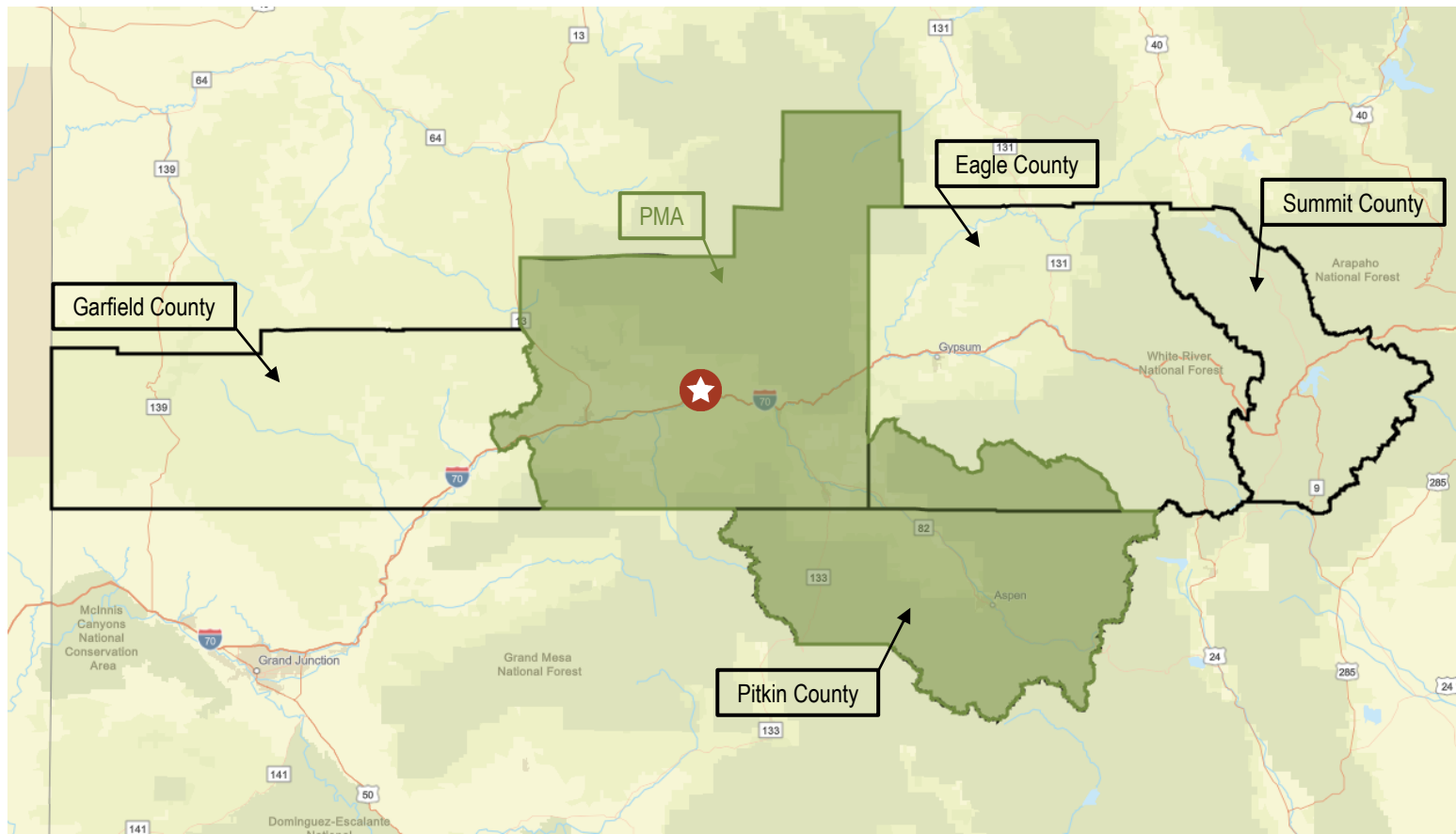
* Remote Work Industries are generally defined by the capability for work-for-home or hybrid schedules and includes the following sectors: Information, Financial Services, Real Estate, Professional Services, Arts/Entertainment, and Other Services

Source: Colorado State Demography Office; RCLCO

PRIMARY MARKET AREA

- The Primary Market Area, from which most demand is expected to emanate, encompasses the majority of the developed land in the Roaring Fork Valley, spanning from Rifle (West) to Glenwood Springs (East), along the I-70 corridor, and covers as far south as Aspen, along Route 82. This area mostly overlaps with the geography studied for the Greater Roaring Fork Regional Housing Study, excluding Gypsum/Eagle (east) and Parachute (west), neither of which feature notable daily commuting traffic to and from Glenwood Springs or Aspen, the area's major commuting cores.

Map of PMA and 4-County Region; CO 2023
Garfield, Pitkin, Eagle, and Summit Counties



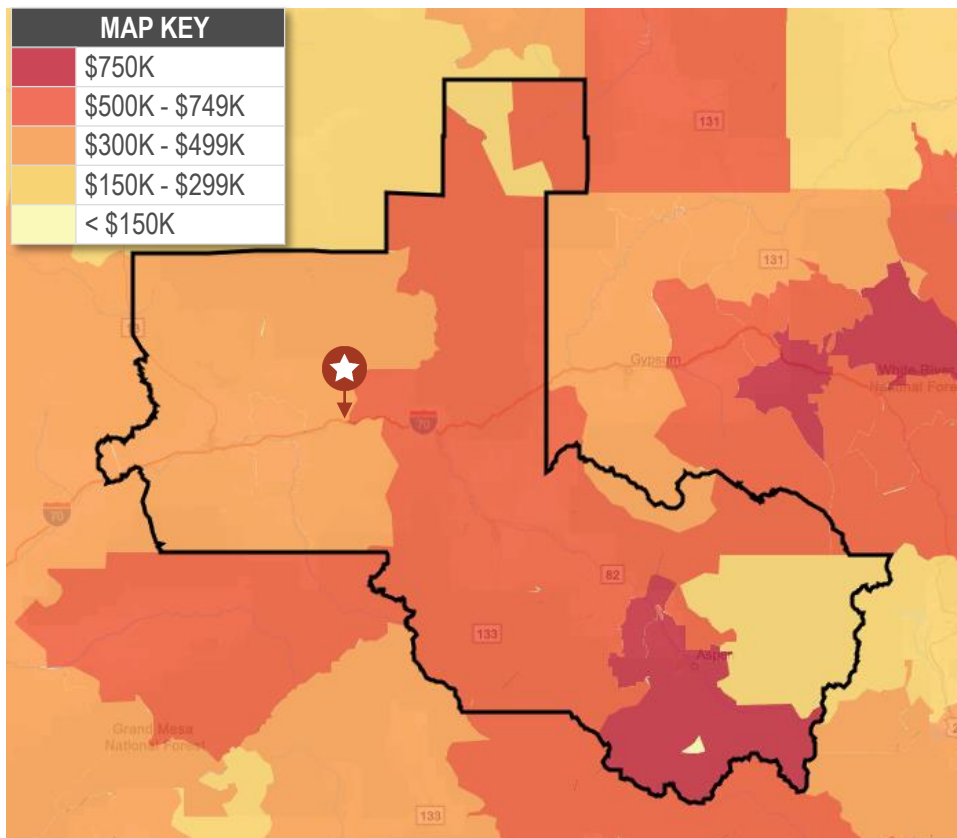
★ = Subject Site

REGIONAL HOME VALUES

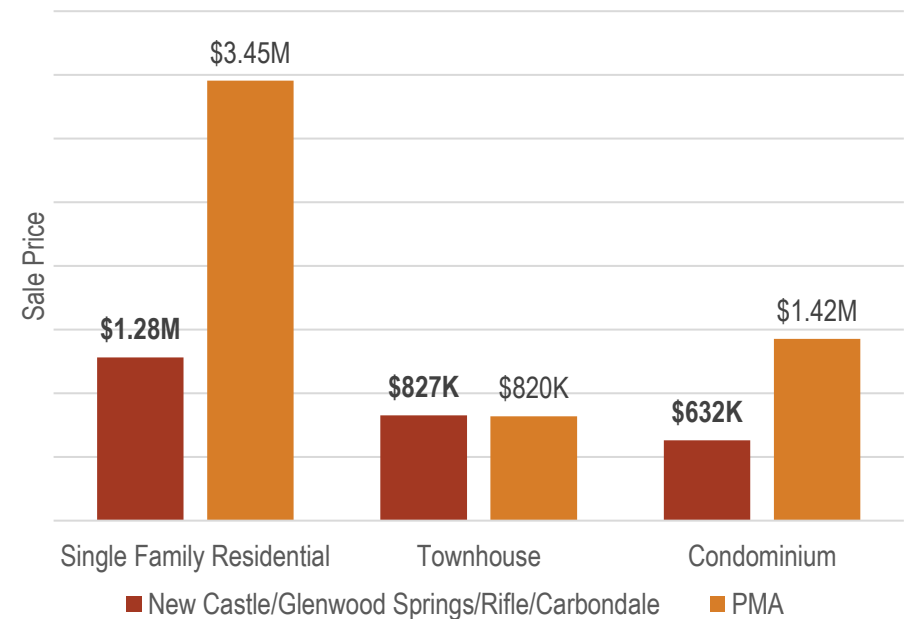
THE ROARING FORK VALLEY COMMANDS HIGH MEDIAN HOME VALUES, AMPLIFYING DEMAND AND CREATING A STRONG OPPORTUNITY TO SUCCESSFULLY DELIVER HIGH-END RENTAL PRODUCT TO THE MARKET

- The PMA and the local area both experience high home values, specifically, east of the subject site near Glenwood Springs and Aspen. Due to inflated home prices in tourist heavy towns such as Aspen, there is an excess of strong demand that extends to nearby areas as potential homeowners are priced out of the market, warranting increased inventory of high-quality rental product throughout the Roaring Fork Valley.

Median Home Value by Zip Code
PMA; 2022



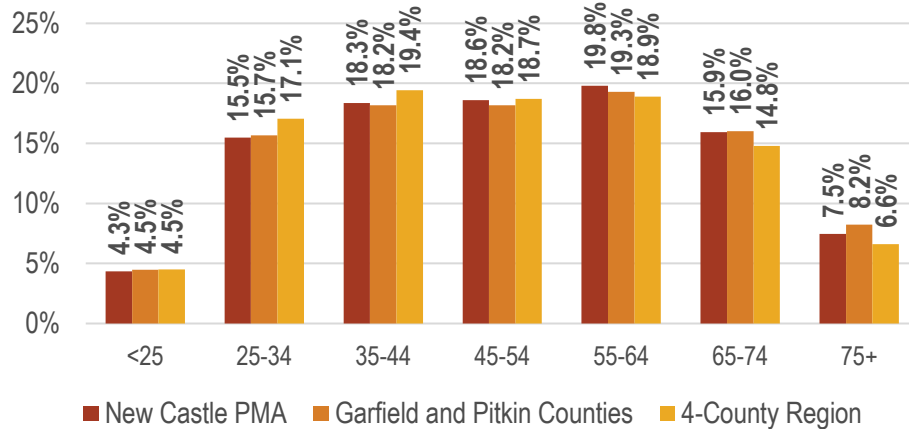
Average Sale Price
Local Area & PMA; May 2022-May 2023



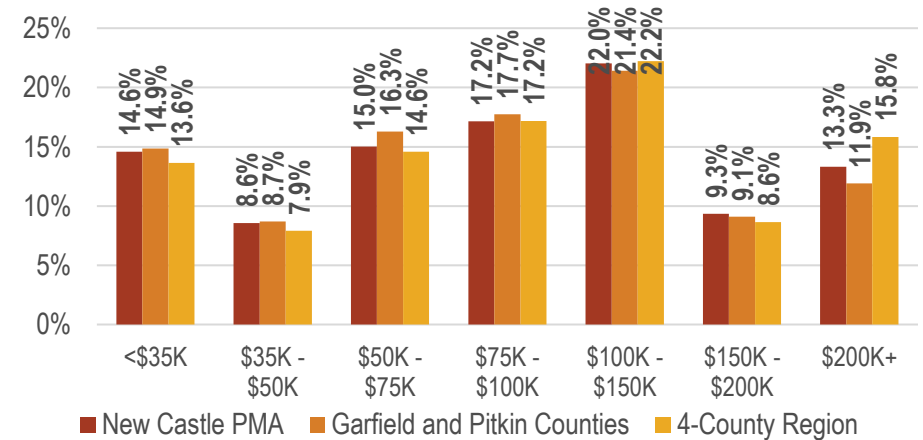
TARGET MARKET DEMOGRAPHICS

THE NEW CASTLE PMA EXHIBITS A DIVERSE AGE RANGE AND A BALANCED INCOME DISTRIBUTION IN LINE WITH REGIONAL TRENDS; LIKELY DUE TO RELATIVE AFFORDABILITY COMPARED TO THE 4-COUNTY REGION

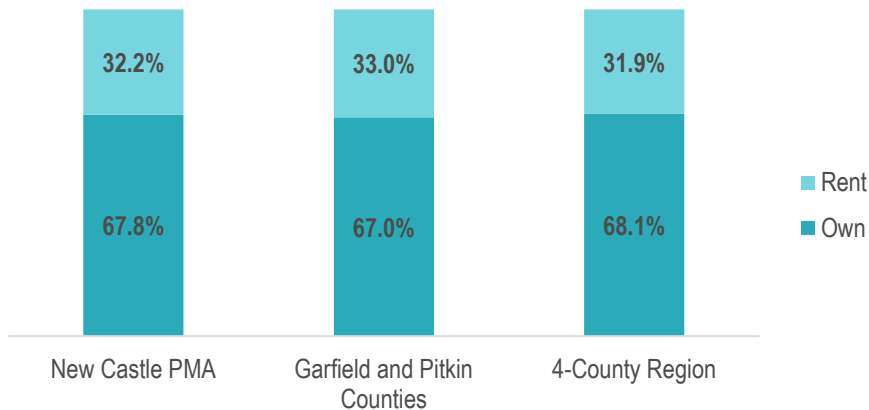
Distribution of Households by Age, 2022
PMA; Garfield and Pitkin Counties; 4-County Region



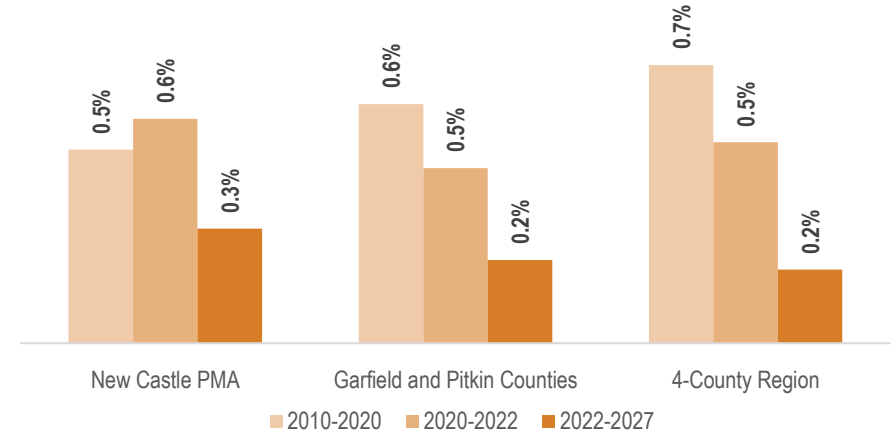
Distribution of Households by Income, 2022
PMA; Garfield and Pitkin Counties; 4-County Region



Tenure of Households, 2022
PMA; Garfield and Pitkin Counties; 4-County Region



Annual Household Growth Rate, 2010-2027*
PMA; Garfield and Pitkin Counties; 4-County Region

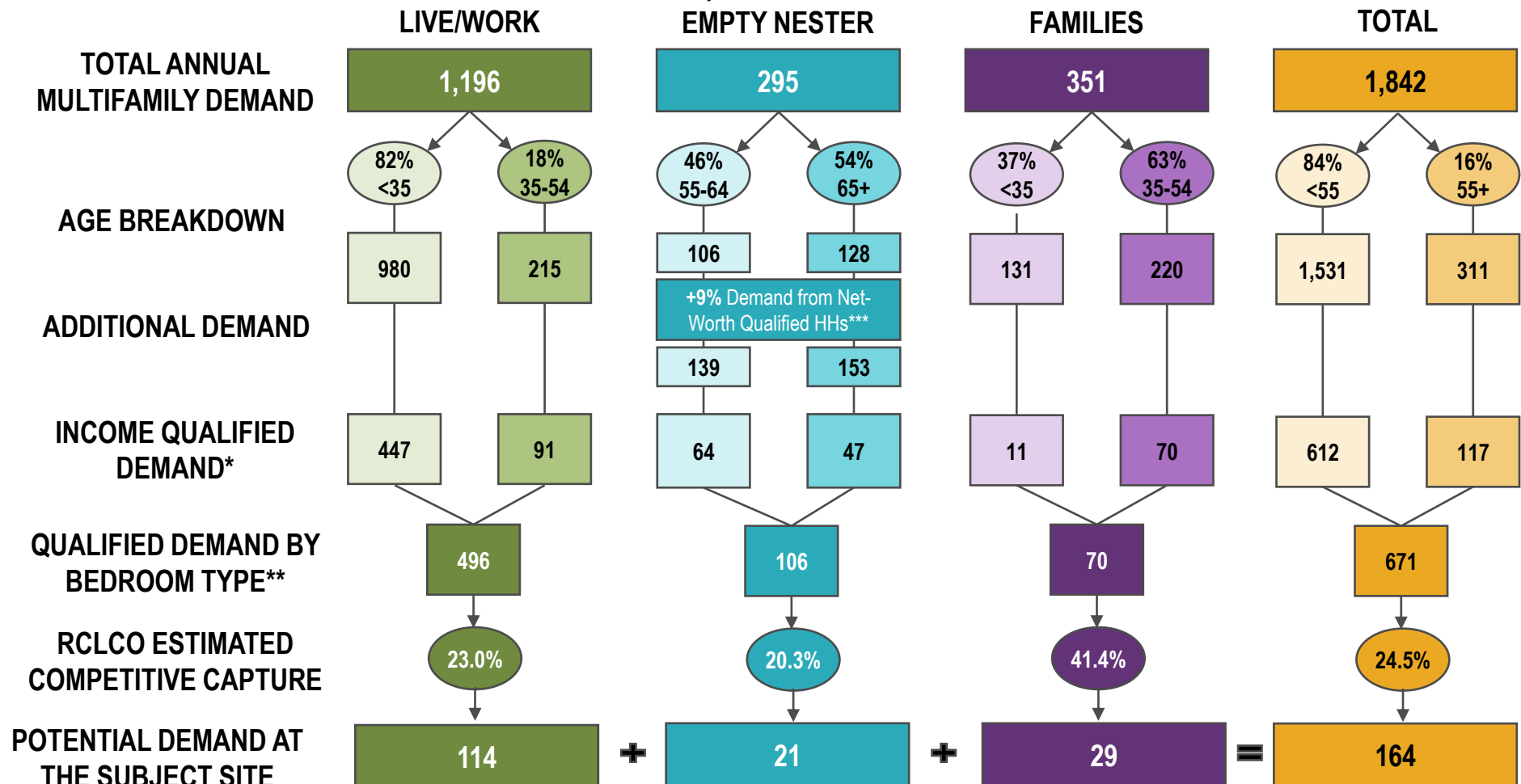


*Note that ESRI reflects lower household growth rates than the Colorado State demographer.
Source: American Community Surveys, Esri; RCLCO

CAPTURE & ABSORPTION POTENTIAL

RCLCO'S STATISTICAL DEMAND MODEL PROJECTS THE HIGHEST ABSORPTION WITH A HEAVY MIX OF LIVE/WORK AND FAMILY-ORIENTED UNITS, WHICH HAVE BEEN UNDERSERVED IN THE MARKET HISTORICALLY, AS WELL AS A SMALLER SHARE OF HIGH-END EMPTY NESTER UNITS

Summary of Capture and Absorption Analysis
Subject Site; 2023-2027



*Live-work units require \$75k income; family and empty nester units require \$100k income threshold; **Based on unit types by product/audience segment

***Incorporates demand from homeowners in turnover with home values over \$750K but earning less than \$100K that may also afford renting at the subject site

ANNUAL DEMAND FOR UNITS

RCLCO ESTIMATES THAT APPROXIMATELY 730 HOUSEHOLDS IN THE PMA WILL BE ABLE TO AFFORD RENTING AT THE SUBJECT SITE ANNUALLY, WITH HIGH CONCENTRATIONS OF YOUNG AND MATURE PROFESSIONAL HOUSEHOLDS

Annual Potential Demand for All Multifamily Units
Primary Market Area; 2022-2027

ECONOMIC SEGMENT	LIFESTAGE					TOTAL
	POST-GRAD	YOUNG PROFESSIONAL	FAMILY	MATURE PROFESSIONAL	EMPTY NESTER	
AFFORDABLE	199	212	199	71	104	785
	11%	12%	11%	4%	6%	43%
WORKFORCE	42	81	71	53	80	327
	2%	4%	4%	3%	4%	18%
MARKET RATE	0	370	58	52	65	545
	0%	20%	3%	3%	4%	30%
LUXURY	0	77	23	39	46	185
	0%	4%	1%	2%	2%	10%
TOTAL	241	739	351	215	295	1,842
	13%	40%	19%	12%	16%	100%
TOTAL INCOME-QUALIFIED*	0	446	81	91	111	730
	0%	61%	11%	13%	15%	40%

*Live-work units require \$75k income; family and empty nester units require \$100k income threshold

Source: Esri: US Census Bureau, RCLCO
R7-15301.07 | May 16, 2023 | 12

INCOME-QUALIFIED DEMAND FOR UNITS BY AUDIENCE AND TYPE

RCLCO ESTIMATES THAT APPROXIMATELY 730 HOUSEHOLDS IN THE PMA WILL BE ABLE TO AFFORD RENTING AT THE SUBJECT SITE ANNUALLY, WITH HIGH CONCENTRATIONS OF YOUNG AND MATURE PROFESSIONAL HOUSEHOLDS

Annual Potential Demand for All Multifamily Units
Primary Market Area; 2022-2027

		AGE											
INCOME	HOUSEHOLD TYPE	UNDER 25		25-34		35-54		55-64		65+		TOTAL	
\$75,000 - \$99,999	Single	0%	0	6%	10	23%	18	36%	8	40%	7	17%	57
	Couple	32%	20	44%	67	15%	12	49%	11	45%	8	32%	107
	Roommates	68%	42	35%	54	0%	0	5%	1	10%	2	30%	99
	Family	0%	0	14%	21	63%	50	10%	2	5%	1	21%	71
\$100,000 - \$149,999	Single	0%	0	2%	2	16%	12	0%	0	0%	0	4%	15
	Couple	32%	13	38%	57	5%	4	42%	18	10%	3	28%	95
	Roommates	68%	27	53%	80	25%	19	42%	18	90%	27	51%	170
	Family	0%	0	7%	11	54%	40	15%	6	0%	0	17%	58
\$150,000 AND OVER	Single	0%	0	0%	0	21%	10	0%	0	20%	3	8%	14
	Couple	32%	3	51%	34	27%	14	100%	28	80%	14	54%	92
	Roommates	68%	5	49%	32	6%	3	0%	0	0%	0	24%	41
	Family	0%	0	0%	0	46%	23	0%	0	0%	0	14%	23
TOTAL INCOME & NET-WORTH QUALIFIED	Single	0%	0	3%	12	26%	41	0%	0	7%	3	8%	56
	Couple	32%	36	46%	158	19%	29	66%	46	35%	17	39%	286
	Roommates	68%	74	48%	166	14%	21	25%	18	57%	27	42%	307
	Family	0%	0	3%	11	41%	64	9%	6	0%	0	11%	81
	Total	15%	110	48%	347	21%	155	10%	70	6%	47	100%	730

Note: Green = Live/work demand, purple = family demand, yellow = empty nester demand segment

Source: Esri: US Census Bureau; RCLCO

PROGRAM RECOMMENDATIONS

RCLCO RECOMMENDS REBALANCING THE PROGRAM IN TERMS OF SEGMENTATION AND UNIT TYPE MIX TO ALIGN WITH THE SOURCES OF DEMAND IN THE MARKET

- In order to evaluate the optimal program, RCLCO analyzed the market capture needed to lease up in a year based on current levels of demand, relative to the market capture needed based on the program and existing levels of competition. From there, RCLCO modified the program based on demand by segment and unit type to optimize the mix, resulting in lower necessary captures (and captures below the project's fair share of competition) that cater to market demand and will likely result in a faster lease up timeline.
- Key program changes include a higher share of 2BRs in terms of Empty Nester units, as well as a stronger mix of Live-Work units given strong young professional market demand. RCLCO recommends a similar mix of 3BR family-oriented units.

Client-Provided Program

Subject Site; May 2023

			Mix			Count			Annual Income-Qualified Market Depth						Capture	
	Mix	Units	1BR	2BR	3BR	1BR	2BR	3BR	Studios	1BR	2BR	3BR	Total	Total In Program	Required Capture*	Competitive Share Capture**
Empty Nester	25%	32	50%	50%	0%	16	16	0	1	29	77	4	111	106	38.4%	28.9%
Families (MF)	25%	33	0%	0%	100%	0	0	33	0	0	11	70	81	70	47.3%	48.2%
Live-Work	50%	65	75%	25%	0%	49	16	0	18	160	336	24	538	496	24.1%	18.6%
Total	100%	130				65	32	33	19	188	424	98	730	671	28.8%	23.3%

RCLCO Revised Program

Subject Site; May 2023

			Mix			Count			Annual Income-Qualified Market Depth						Capture	
	Mix	Units	1BR	2BR	3BR	1BR	2BR	3BR	Studios	1BR	2BR	3BR	Total	Total In Program	Required Capture*	Competitive Share Capture**
Empty Nester	15%	20	25%	75%	0%	5	15	0	1	29	77	4	111	106	18.5%	20.3%
Families (MF)	20%	25	0%	0%	100%	0	0	25	0	0	11	70	81	70	35.8%	41.4%
Live-Work	65%	85	40%	60%	0%	34	51	0	18	160	336	24	538	496	17.6%	23.0%
Total	100%	130				39	66	25	19	188	424	98	730	671	19.7%	24.5%

*Assumes a one-year lease-up period, the equivalent of 11 to 12 units per month

** Competitive Share Capture is the estimated capture of the subject site units of all rental units in the PMA in turnover available at these rent levels by unit type. It also includes any pipeline communities that may be leasing up within a similar timeframe – there are currently approximately 296 units under construction and 240 units planned

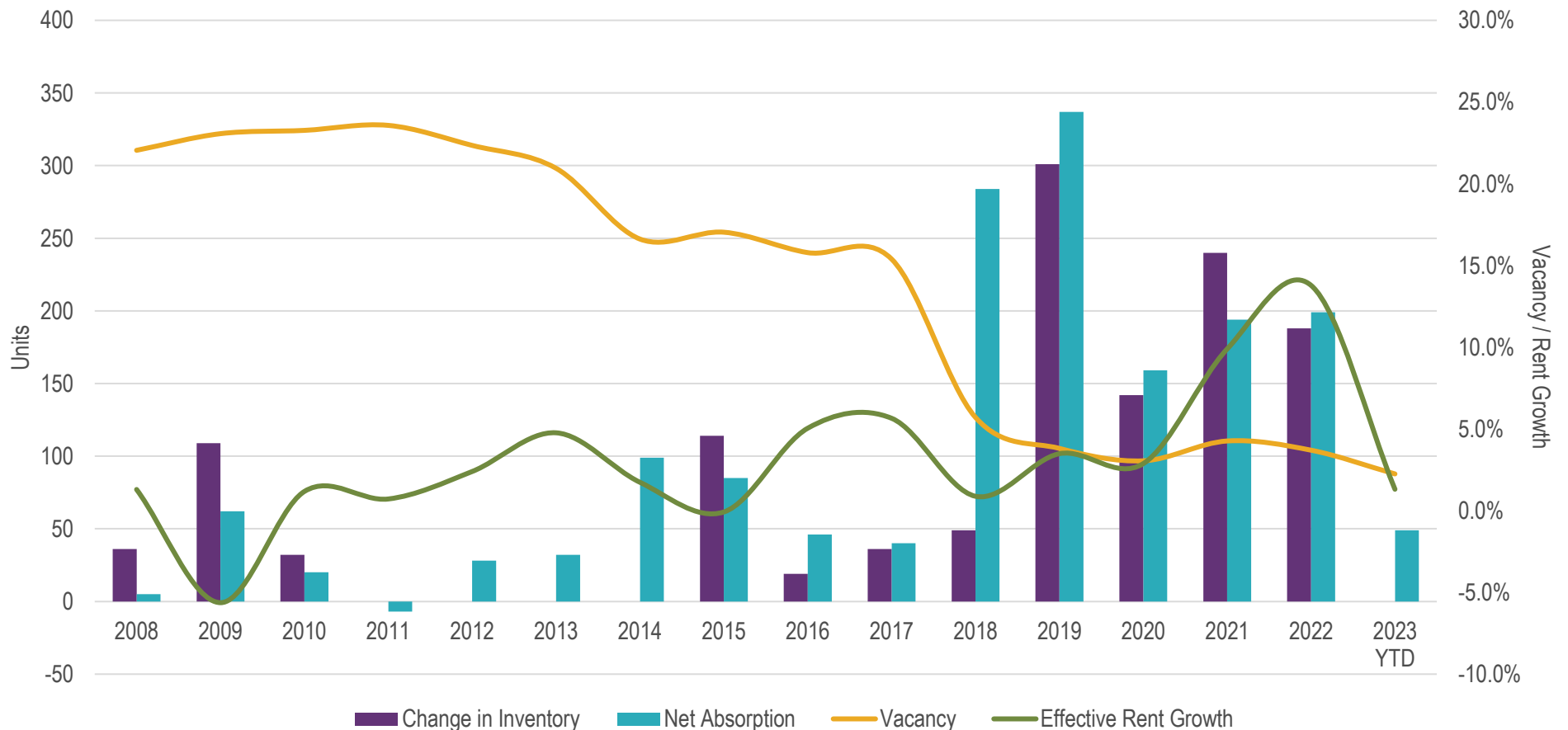
Source: Costar; RCLCO

REGIONAL MULTIFAMILY TRENDS

WITH NET ABSORPTION OUTPACING DELIVERIES, STRUCTURAL DEMAND FOR MULTIFAMILY UNITS IN THE REGION HAS VASTLY EXCEEDED SUPPLY, RESULTING IN LOW VACANCY RATES AND STRONG RENT GROWTH

- **Significant market expansion starting in 2018:** From 2018 to 2022 there were a total of 920 units delivered to the market with an average of 184 new units per year. In this same time frame, 1,173 units were absorbed into the market, averaging 235 units per year. Due to demand outpacing supply, the additional 250 units absorbed into the market during this timeframe was captured by existing inventory. Strong market dynamics and particularly high demand beyond historical absorption levels signals a need for new rental product in the region.

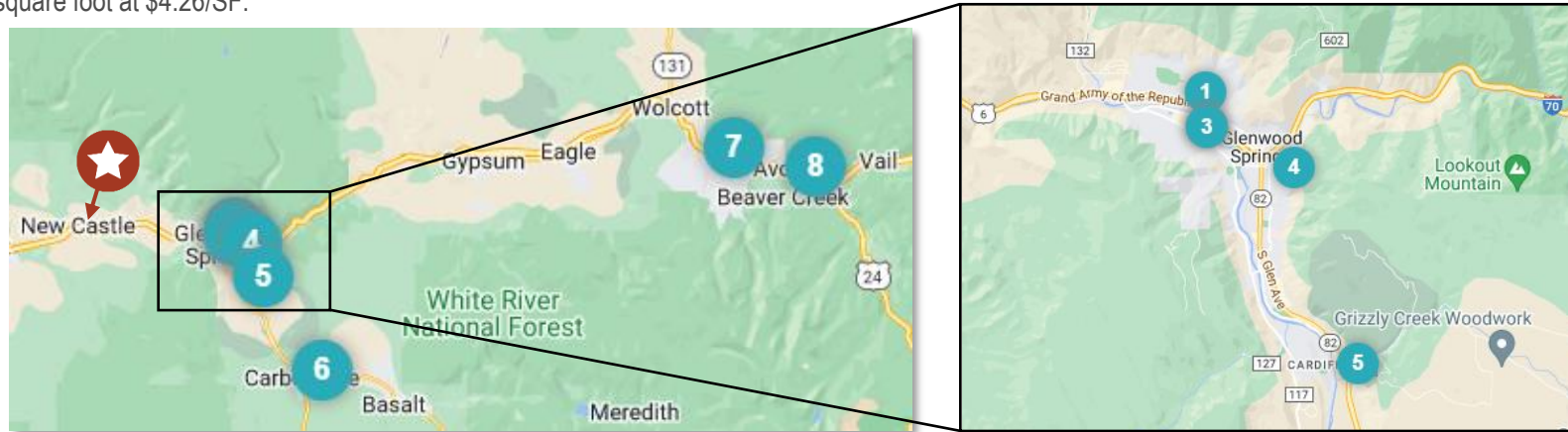
Completions, Absorption, Vacancy, and Rent Growth
Primary Market Area: 2008-2023



REGIONAL COMPETITIVE SUPPLY

THE SUBJECT SITE'S PROPOSED RENTS ARE IN LINE WITH NEW MULTIFAMILY COMMUNITIES IN THE BROADER REGION

- RCLCO evaluated a competitive set of eight other properties in the four-county region* to understand market dynamics and pricing. These communities were completed between 2019 and 2022 and range in size from 27 to 240 units. The average asking rent among the set is \$2,546, which equates to \$3.28/SF. The Piedmont garners the highest rent per square foot at \$4.26/SF.



MAP KEY	COMMUNITY NAME	YEAR BUILT	NUMBER OF STORIES	MARKET RATE UNITS	OCC. RATE	AVG. SIZE (SF)	AVG. ASKING RENT	AVG. ASKING \$/SF
1	Six Canyon	2019	4	116	99%	837	\$2,405	\$2.87
2	L3 at Green Leaf Lofts	2022	4	88	100%	548	\$2,009	\$3.66
3	Green Leaf Lofts	2019	4	181	100%	821	\$2,467	\$3.01
4	Altitude Apartments	2022	3	100	98%	790	\$2,121	\$2.68
5	Buffalo Valley	2021	4	54	100%	913	\$2,515	\$2.75
6	Hayden Place	2021	3	27	21%	846	\$3,336	\$3.94
7	6 West	2019	3	120	100%	826	\$2,264	\$2.74
8	The Piedmont	2021	4	240	99%	729	\$3,106	\$4.26
AVERAGE		2021	4	116	97%	777	\$2,546	\$3.28

*Pitkin, Garfield, Summit and Eagle counties.
Source: Axiometrics; Costar; RCLCO

COMPARABLE PROPERTY PRICING FACTORS RANKING

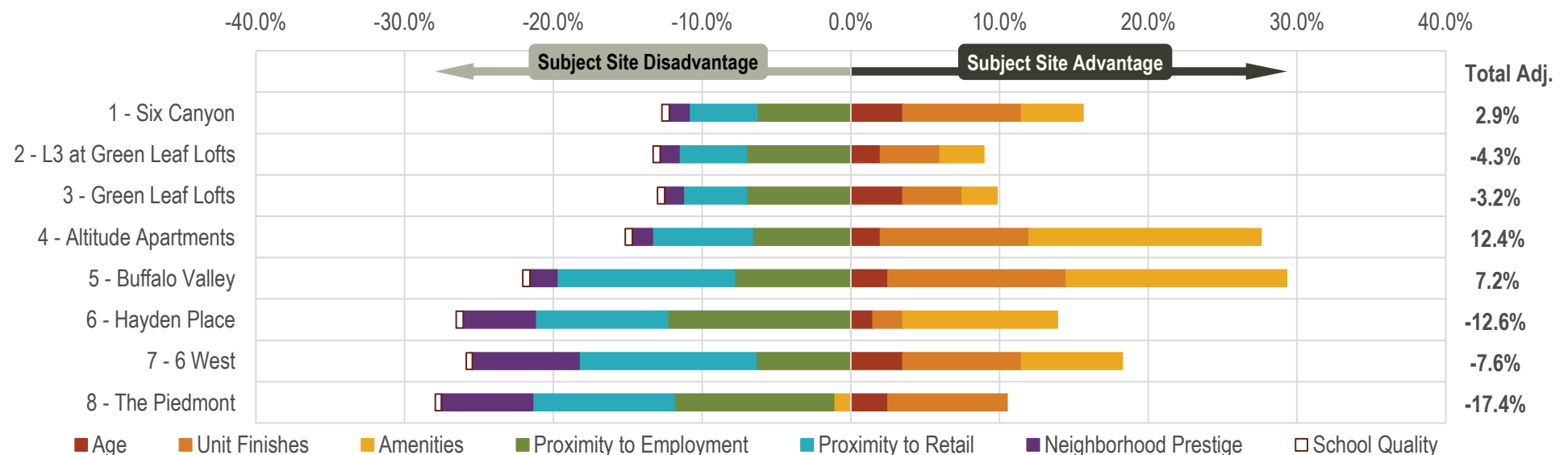
RCLCO COMPARED THE EIGHT COMPETITIVE COMMUNITIES FOR THEIR STRENGTHS AND WEAKNESSES RELATIVE TO THE SUBJECT SITE. THE GRAPH BELOW CONVEYS THE QUANTITATIVE ADJUSTMENTS MADE TO EACH COMMUNITY RELATIVE TO THE ANTICIPATED EXECUTION OF THE SUBJECT SITE

- **Age:** The subject site will attain a premium for its new construction relative to all communities in the set.
- **Unit Finishes:** RCLCO anticipates that the subject site will offer unit finishes superior to most properties in the competitive set to varying degrees. The Empty Nester units will have exceptional finishes not currently found in the market, garnering those units a 15% premium above its base pricing.
- **Community Amenities:** Pricing adjustments assume the subject site will offer a community amenity package significantly better than most properties in the competitive set, with the exception of the Piedmont, which can support more amenities due to its size.
- **Proximity to Employment & Retail:** RCLCO measures the number of employees working within a 45-minute commute of each community and the

value of retail trade and food and beverage sales within a 10-minute drive to adjust for access to employment and retail. As these communities are in Glenwood Springs, Carbondale, and Eagle County, they benefit from better proximity to existing concentrations of employment and retail than the site.

- **Neighborhood Prestige:** To account for locational differences, RCLCO used nearby home values as a proxy for neighborhood prestige. While homes values are rising in New Castle, the area is still priced at a discount to Carbondale and Eagle County.
- **School Quality:** While most zoned school districts are of similar quality, the subject site's Garfield County schools This quality is only factored into the pricing for the family-targeted townhome units, where school quality will likely be a more important factor.

Pricing Adjustments

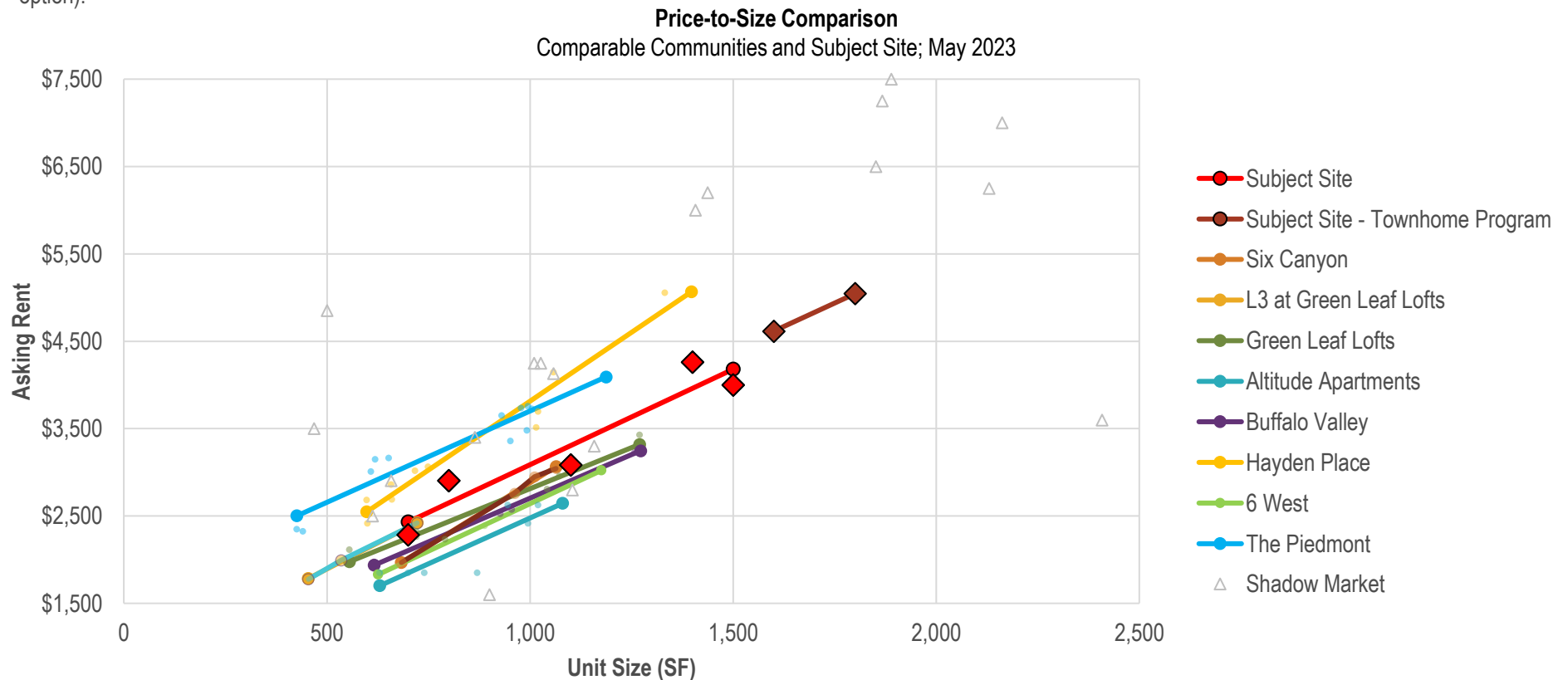


Source: RCLCO

RENT AND SIZE COMPARISON

THE SUBJECT SITE WILL BE POSITIONED NEAR THE TOP OF THE LOCAL MARKET ON AN ABSOLUTE BASIS, GIVEN THE LARGER UNIT SIZES AND ANTICIPATED QUALITY OF FINISHES AND EXECUTION

- The price-to-size chart compares unit sizes and prices at the subject site with those at the comparable communities, as well as the shadow market (Zillow listings), which is dominated by larger, expensive homes today. The chart reveals the typical slope of pricing for various unit sizes in the market and which communities are achieving top of market rents by unit type.
- RCLCO expects the subject site to achieve market rents near the top of the market in the competitive set, below only Hayden Place and The Piedmont, which benefit from their location in high home-value areas. Pricing power at the subject site is driven by the anticipated quality of finishes and community execution, in addition to the dearth of available institutional-quality rental product in the market. The townhome alternate can push pricing beyond the multifamily units at the subject site, given the premium this product type commands on the shadow market relative to multifamily, while providing an option for an underserved segment of the market (see the following page for more on the townhome option).

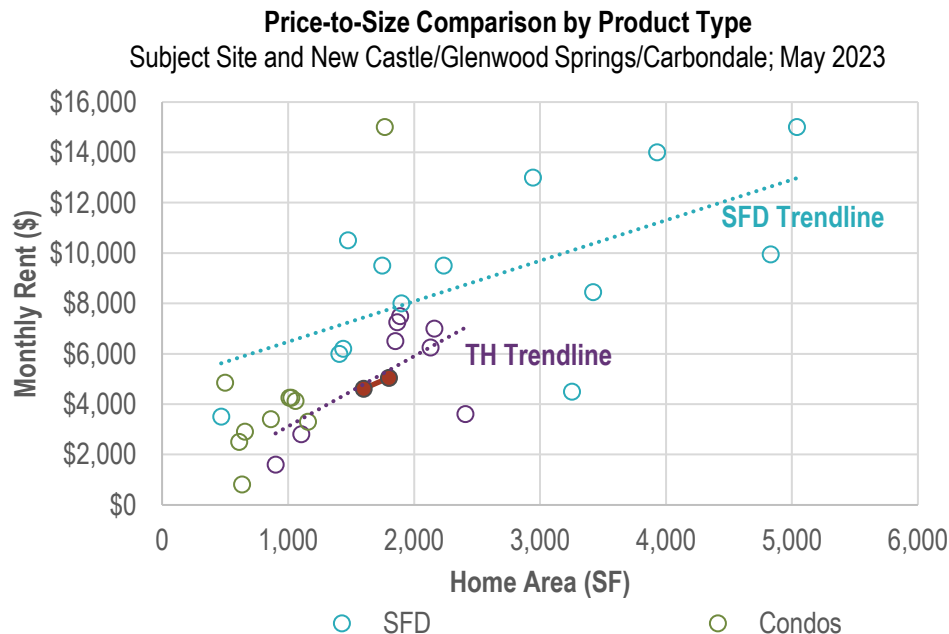


Source: Leasing agent interviews; Property website; AxioMetrics; Zillow; CoStar; RCLCO

TOWNHOME ALTERNATIVE

BASED ON THE PERFORMANCE OF TOWNHOMES IN THE SHADOW MARKET, THE 3BR TOWNHOME OPTION IS LIKELY TO GARNER A ROUGHLY 9% PREMIUM OVER 3BR MULTIFAMILY UNITS IN THE MARKET

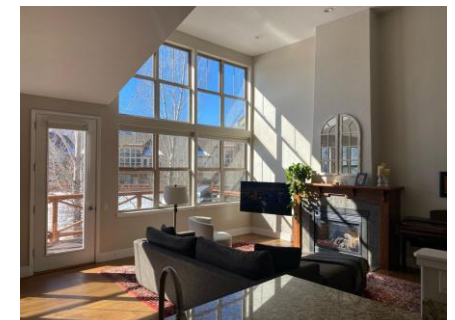
- In addition to the competitive set, RCLCO examined the shadow rental market in the New Castle/Glenwood Springs/Carbondale area, which includes listings for individual single-family homes, townhomes, and condominiums. RCLCO focused on this smaller subset of the PMA to exclude high-priced listings in Aspen and Snowman that typically target a seasonal or short-term renter. At the time of RCLCO's survey in May, there were 32 active shadow market rental listings on Zillow, including 29 listings for units with one to four bedrooms that may be more competitive to the subject site.
- While the majority of the inventory is concentrated in Carbondale and Basalt, which can partially explain their high pricing, the three-bedroom homes in the shadow market command rents significantly higher than three-bedroom multifamily units in market on both an absolute and price per square foot basis. When focusing on three-bedroom townhomes in the shadow market, the price per square foot for these units garners a roughly 9% premium over three-bedroom multifamily units. This is a higher premium than RCLCO normally sees for BFR units and indicates high demand and undersupply for townhomes and single-family detached rentals in this market in particular, which are more spacious and livable for families than multifamily units.
- The subject site offers a promising opportunity to introduce a small number (10-12 units) of townhomes sized between 1,600 SF and 1,800 SF. After integrating 9% townhome premium, RCLCO estimates that these townhomes can rent for between \$4,600 and \$5,000 per month.



Shadow Market Summary (All Product Types)
New Castle/Glenwood Springs/Carbondale; May 2023

UNIT TYPE	QUANTITY	AVG. SIZE	AVG. PRICE	AVG. PRICE / SF
1BR	7	662	\$2,795	\$4.22
2BR	6	1,184	\$4,705	\$3.97
3BR	14	2,015	\$9,379	\$4.65
4BR	2	4,126	\$9,200	\$2.23
TOTAL / WTD. AVG.	29	1,662	\$6,810	\$4.10

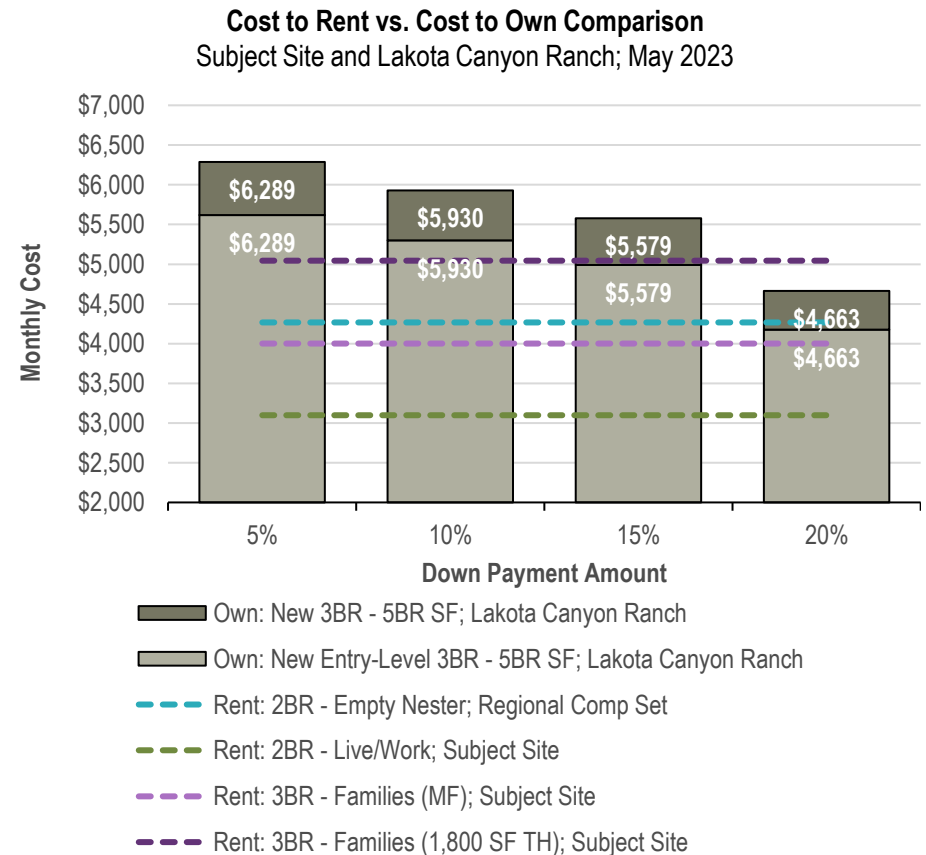
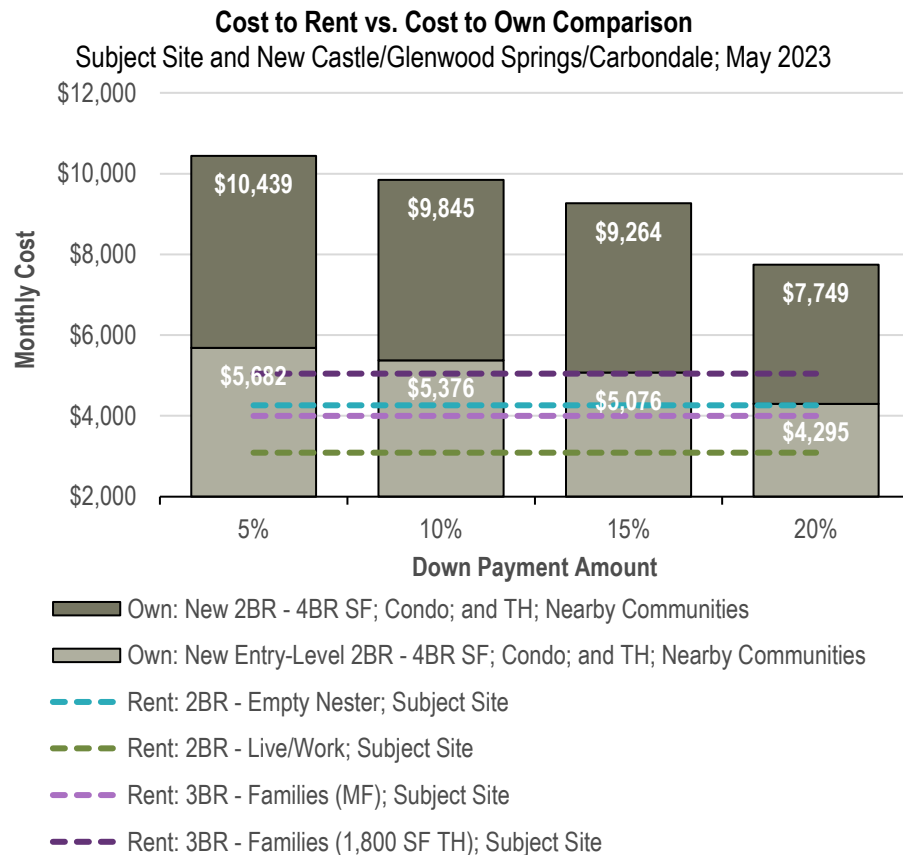
Example of Shadow Market Townhome: 3BR; 1,851SF; \$6,500/month; Basalt, CO



RENT VS. OWN ANALYSIS

MULTIFAMILY UNITS AT THE SUBJECT SITE ARE SIGNIFICANTLY CHEAPER TO RENT FOR FAMILIES AND PROFESSIONAL HOUSEHOLDS THAN OWNING A HOME IN THE AREA (INCLUDING LAKOTA CANYON RANCH), AND SIMILARLY AFFORDABLE FOR EMPTY NESTERS EXCEPT FOR THOSE WITH HIGH DOWN PAYMENTS

- At over \$5,000/month to rent, the three-bedroom family townhomes at the site are priced similarly to the monthly cost of owning an entry-level home in the PMA and homes in the nearby, family-oriented Lakota Canyon Ranch. RCLCO believes this rent may be supportable because of the limited number of units and the fact that young families are less likely to have saved a significant down payment, as well as those that may rent as they await construction on a new home or explore the area before purchasing a home.



Historical sales data from May 2022 to May 2023 per Redfin. Data includes 2BR - 4BR SF; Condo; and TH built since 2010.

Monthly ownership cost assumes: 30-year fixed-rate mortgage at 5.750% to 6.125% APR; \$340/mo HOA; \$125/mo home insurance; a property tax rate of 0.43%; home maintenance of \$150/mo; and PMI of 1.0% below 20% down.

Source: Redfin; RCLCO

COMPETITIVE SUPPLY BY UNIT TYPE

THE SUBJECT SITE'S PROPOSED UNIT SIZES ARE IN LINE WITH NEW MULTIFAMILY COMMUNITIES IN THE REGION; RCLCO PROPOSES A MIX THAT SKEWS MORE TOWARDS 3BR'S THAN THE COMPETITIVE SET, AND SLIGHTLY MORE TOWARDS 2 BR'S

MAP KEY	1	2	3	4	5	6	7	8	TOTAL/ WTD. AVG.	SHADOW MARKET	SUBJECT SITE
COMMUNITY	Six Canyon	L3 at Green	Green Leaf	Altitude	Buffalo Valley	Hayden Place	6 West	The Piedmont			RCLCO Program
YEAR BUILT	2019	2022	2019	2022	2021	2023	2019	2021			
NUMBER OF STORIES	4	4	4	3	4	3	3	4			
OCCUPANCY %	99%	100%	100%	98%	100%	21%	100%	99%			
MARKET RATE UNITS											
Studio		41	25			6		35	107		
1BR	56	47	99	64	10	11	48	110	445	7	
1BR+											39
2BR	60		49	36	38	6	54	89	332	6	
2BR+											66
3BR			8		6	4	18	6	42	14	25
Total	116	88	181	100	54	27	120	240	926	27	130
UNIT MIX											
Studio		47%	14%			22%		15%	12%		
1BR	48%	53%	55%	64%	19%	41%	40%	46%	48%	26%	
1BR+											30%
2BR	52%		27%	36%	70%	22%	45%	37%	36%	22%	
2BR+											51%
3BR			4%		11%	15%	15%	3%	5%	52%	19%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
AVERAGE SIZE (SF)											
Studio		454	555			630		435	481		
1BR	683	630	736	665	616	674	626	615	662	662	
1BR+											713
2BR	981		1,054	1,013	936	1,031	888	954	969	1,184	
2BR+											1,168
3BR			1,270		1,265	1,365	1,176	1,187	1,226	2,015	1,500
Total	837	548	821	790	913	846	826	729	777	1,480	1,095

Source: Axiometrics; Costar; Zillow; RCLCO

COMPETITIVE SUPPLY BY UNIT TYPE

WHILE THE SITE WILL PUSH RENTS FOR SOME UNIT TYPES, SUCH AS THE EMPTY NESTER UNITS WITH ELEVATED FINISHES, THESE ARE A SMALL SHARE OF THE PROGRAM AND MOST UNIT TYPES ARE IN LINE WITH THE COMPETITIVE MARKET

MAP KEY	1	2	3	4	5	6	7	8	TOTAL/ WTD. AVG.	SHADOW MARKET	SUBJECT SITE
COMMUNITY	Six Canyon	L3 at Green Leaf Lofts	Green Leaf Lofts	Altitude Apartments	Buffalo Valley	Hayden Place	6 West	The Piedmont			Client Program
YEAR BUILT	2019	2022	2019	2022	2021	2023	2019	2021			
NUMBER OF STORIES	4	4	4	3	4	3	3	4			
OCCUPANCY %	99%	100%	100%	98%	100%	21%	100%	99%			
AVERAGE SIZE (SF)											
Studio		454	555			630		435	481		
1BR	683	630	736	665	616	674	626	615	662	662	
1BR+											713
2BR	981		1,054	1,013	936	1,031	888	954	969	1,184	
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Total	837	548	821	790	913	846	826	729	777	1,480	1,095
AVERAGE ASKING RENT											
Studio		\$1,776	\$2,115			\$2,553		\$2,336	\$2,082		
1BR	\$1,967	\$2,212	\$2,281	\$1,850	\$1,975	\$2,892	\$1,837	\$3,036	\$2,319	\$2,795	
1BR+											\$2,365
2BR	\$2,814		\$2,866	\$2,602	\$2,541	\$3,786	\$2,389	\$3,429	\$2,881	\$4,705	
2BR+											\$3,350
3BR			\$3,428		\$3,250	\$5,055	\$3,026	\$4,083	\$3,479	\$9,379	\$4,000
Total	\$2,405	\$2,009	\$2,467	\$2,121	\$2,515	\$3,336	\$2,264	\$3,106	\$2,546	\$6,633	\$3,180
AVERAGE ASKING \$/SF											
Studio		\$3.91	\$3.81			\$4.05		\$5.37	\$4.33		
1BR	\$2.88	\$3.51	\$3.10	\$2.78	\$3.21	\$4.29	\$2.93	\$4.93	\$3.50	\$4.22	
1BR+											\$3.32
2BR	\$2.87		\$2.72	\$2.57	\$2.71	\$3.67	\$2.69	\$3.59	\$2.97	\$3.97	
2BR+											\$2.87
3BR			\$2.70		\$2.57	\$3.70	\$2.57	\$3.44	\$2.84	\$4.65	\$2.67
Total	\$2.87	\$3.66	\$3.01	\$2.68	\$2.75	\$3.94	\$2.74	\$4.26	\$3.28	\$4.48	\$2.90

Source: Axiometrics; Costar; Zillow; RCLCO

DISCLAIMERS

CRITICAL ASSUMPTIONS

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

We assume that the economy and real estate markets will continue to recover, albeit at a moderating pace over the next 12 to 24 months. However, stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when an economic and real estate expansion will end. With the above in mind, we assume that the long-term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not consider the potential impact of future economic shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that the following will occur in accordance with current expectations:

- ▶ COVID-19 pandemic continues to ease and does not require re-imposition of lockdown measures that could materially impact consumer confidence and the economy
- ▶ GDP, employment, and household growth and other key demographic and economic patterns
- ▶ The cost of development and construction
- ▶ Tax laws, monetary policy, and other major legislation (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- ▶ Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- ▶ Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand
- ▶ Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.





AUSTIN

100 Congress Avenue, Suite 2000
Austin, TX 78701

LOS ANGELES

11601 Wilshire Boulevard, Suite 1650
Los Angeles, CA 90025

ORLANDO

964 Lake Baldwin Lane, Suite 100
Orlando, FL 32814

WASHINGTON, DC

7200 Wisconsin Avenue, Suite 1110
Bethesda, MD 20814