

CONFIDENTIAL INVESTMENT SUMMARY



Durant Mall Condominium Buildings

710 – 720 Durant Ave.

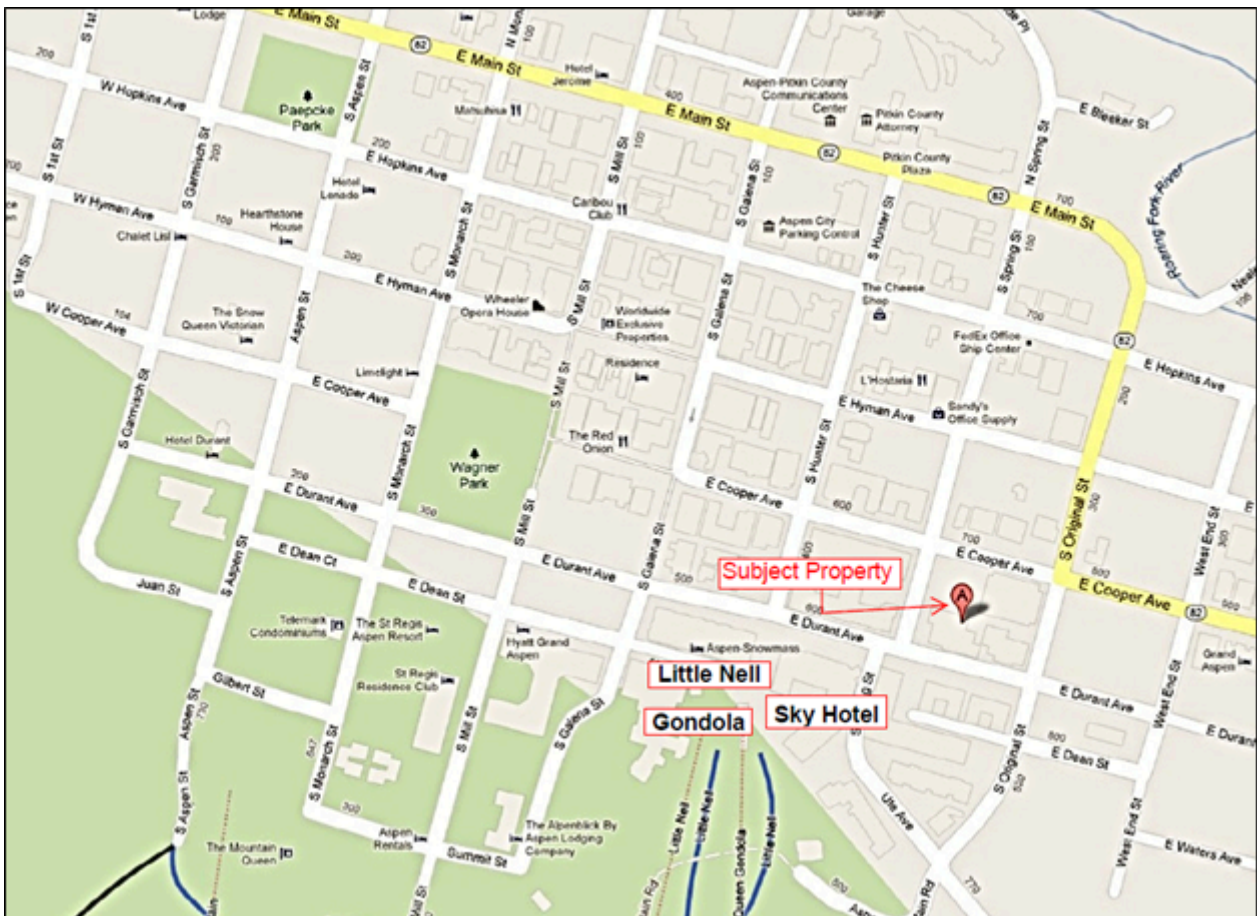
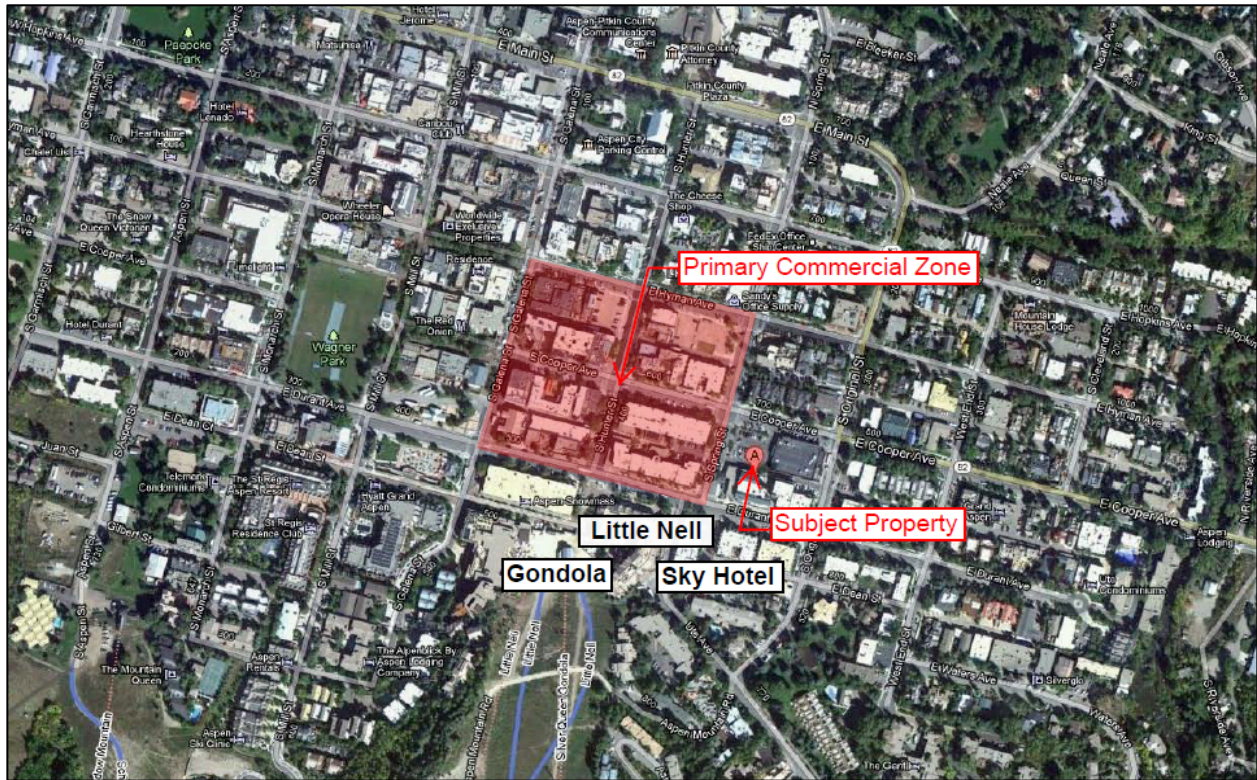
Aspen, CO 81611

**DIRECT INQUIRIES TO:
AMERICAN FULL HOUSE, LLC
ROHIT PRAKASH
+1-512-947-9909
ROHIT@AMERICANFULLHOUSE.COM**

DISCLAIMER:

The attached information is for informational purposes only and does not constitute an investment offer or solicitation. Do not rely on the accuracy or completeness of the information contained herein. This material is merely designed to summarize the project and gauge prospective interest in this potential transaction. Please keep this information confidential. Upon request, we will provide additional information about the project for review.

INVESTMENT SUMMARY – DURANT MALL CONDOMINIUM BUILDINGS – ASPEN, CO



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Name:	Durant Mall Condominiums (“Durant Mall” or the “Subject”)		
Address:	710 – 720 Durant Avenue Aspen, CO 81611		
Overview:	Rare Opportunity to purchase a 37.15% Interest in the Durant Mall Condominium Buildings located one block from the Little Nell Hotel and Silver Queen Gondola in Downtown Aspen, CO. The 37.15% Interest consists of 17 commercial units, comprised of approximately 8,766 SF of Office/Retail Space, 765 SF of Patio Space and 9 below-grade parking spaces.		
Purchase Price:	<u>\$3,615,000</u> (\$379/SF) based on Gross Purchase Price, which includes the HOA’s Special Assessment of approximately \$350,000. This results in a 40% discount to the Seller’s original asking price of \$6,000,000 (\$630/SF) and also includes 9 below-grade, heated parking spaces. Each parking space has a conservative fair market value of \$100,000/space, or \$900,000 (high: \$150,000/space; low: \$90,000/space; the low sale occurred 4Q2012 while the record high sale occurred 3Q13). <u>As such, the effective purchase price of \$2,750,000 (or \$285/RSF) represents a 55% discount to original asking price.</u>		
		<u>Total</u>	<u>\$PRSF</u>
	Initial Asking Price	\$6,000,000	\$630
	Purchase Price	\$3,265,000	\$343
	<u>HOA Assessment</u>	<u>\$350,000</u>	<u>\$37</u>
	Total	\$3,615,000	\$379
In-place NOI:	\$165,781		
Cap Rate:	<u>4.76%</u> going-in cap rate, based on gross purchase price. Note that this return is low because the property is only 74% leased and has been mismanaged by Seller who is suffering from dementia.		
Property Type:	Built in 1975, Durant Mall is a mixed-used commercial and residential building situated on a one-half city block in downtown Aspen, CO. The 3-story condominium complex comprises luxury, residential condos on		

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the top floor, commercial office space on the 2nd floor, ground-floor retail space and secured, structured parking on the below-grade level.

Zoning: Neighborhood Commercial (NC).

Size/Acres: 9,531 RSF / 0.3788 Acres

Parking: 9 of 26 below-grade, heated, private parking spaces, (0.94/1,000 SF)

Location: Durant Mall's exceptional location allows tenants the opportunity to live, eat and shop within a close proximity to work in the heart of downtown Aspen, CO only two blocks from the Silver Queen Gondola, directly adjacent to Aspen's primary commercial core.

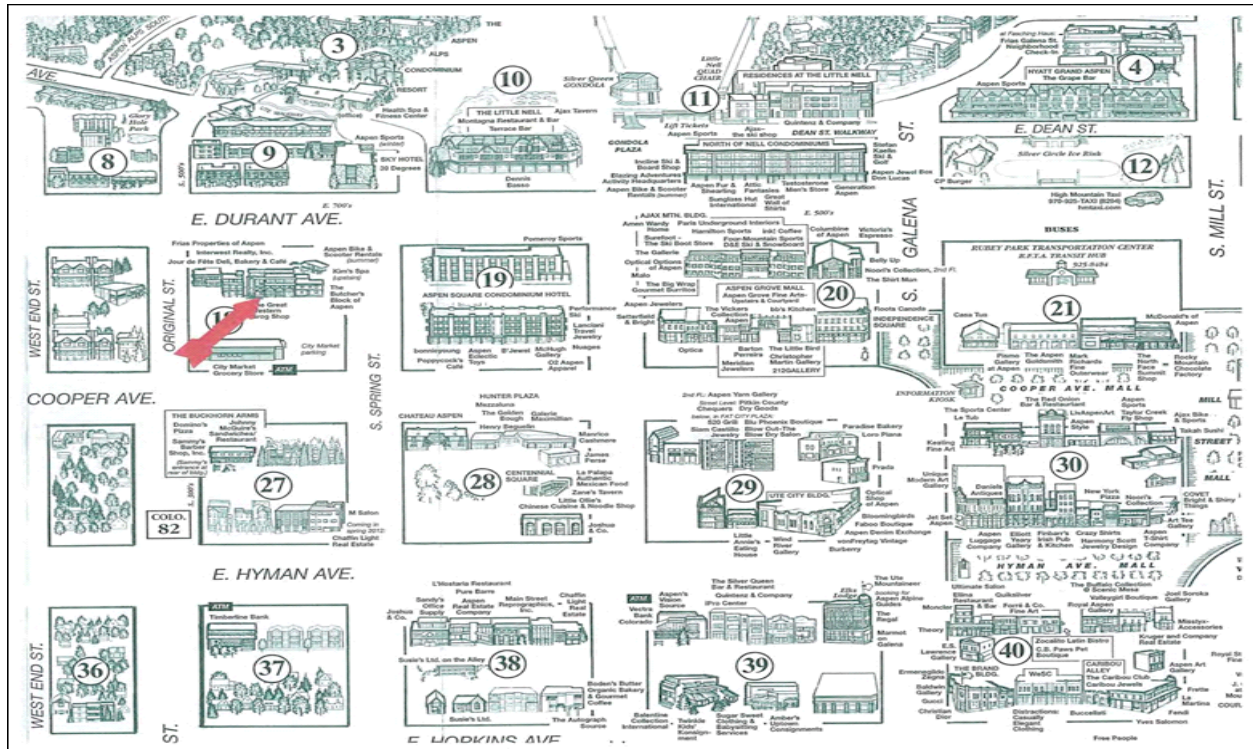
Occupancy: The Subject Property is currently 74% leased, consisting of several small, month-to-month tenants paying below-market rents and several long-standing, credit family-office tenants paying market rents. Opportunity exists to add significant value through market rate leases of the month-to-month tenants, capitalizing on the resurgence of the Aspen office market and continued retail boom.

Asset Quality: Built in 1975, Durant Mall is in good base condition and needs only minimal capital improvement dollars. The Subject Property has high visibility, lots of foot traffic, large windows and is adjacent to Aspen Mountain (formerly known as Ajax). Unfortunately, the Subject has been mismanaged by previous ownership, allowing tenants to occupy space without written lease agreements and at below-market rents.

Seller/History: The Subject was built as a mixed-use commercial building, consisting of residential, office and retail space, just 2 blocks from Aspen Mountain. The Seller is "Block 106 Associates, LLLP", which is a syndicate of local investors. The Subject has been mismanaged by the Managing Partner who developed dementia over the years, according to Seller's broker, and neglected to enforce lease terms and/or charge market rental rates.

**Block 106 Associates:
(HOA Assessment)** April 2013 the association board approved a special assessment to fund four phases of capital improvement projects, including maintenance, repair and replacement of gutters, downspouts, concrete, drain pipes, other piping, lighting, beams, tees, stucco, insulation, trim, timbers, railings, heat tape, boiler room valves/fittings, a boiler expansion tank, certain carpets, and a fire sprinkler system. The total amount of the 2013 special assessment for the entire Durant Mall is \$1,160,000, after value engineering the costs down from \$1,457,500. The total amount of the special assessment represented by the units is \$430,940, to be paid in installments due June 2013, July 2013, Aug. 2014, and Nov. 2014.

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Market Overview:

Aspen real estate has ranked high for the last few decades as one of the premier luxury resorts in the World. Real estate prices have followed this trend. For the last twelve months, Aspen Colorado real estate has been especially strong in the commercial sector. At the end of 2012 alone, four significant sales took place in Aspen's downtown core, with the total Aspen commercial real estate sales for 2012 coming in at \$71.5M. Sales in 2012/13 averaged \$1,084/SF (high: \$1,778/SF; low: \$236/SF). In March 2013, Johnny McGuire's building located in the Buckhorn Arms building just one block to the north of Subject Property at 730 East Cooper Avenue, Aspen, CO 81611 sold for \$1.5M (\$236/SF), another strong indicator of continued investor interest in Aspen's Central Urban Core. Below are the most recent sales:

Sold Listings	Type	Address	Asking Price	SF	\$PSF
Mountain Plaza/ Bidwell building	Ret/Off	434 E. Cooper Avenue	\$22,000,000	16,954	\$1,298
Johnny McGuire's /Buckhorn Arms	Retail	730 E. Cooper Avenue	\$1,500,000	6,356	\$236
Gap building	Retail	204 S. Galena Street	\$13,250,000	9,000	\$1,472
Taylor Building	Ret/Off	602 E. Hyman Avenue	\$6,700,000	6,000	\$1,117
Volk Plaza/ Paradise Bakery	Ret/Off	500 E. Cooper Avenue	\$17,250,000	9,700	\$1,778
Mother Lode Building	Retail	314 E. Hyman Avenue	\$3,200,000	3,000	\$1,067
Amelia's Building	Ret/Off	407 E. Hyman Avenue	\$3,200,000	3,570	\$896
Elli's Building	Retail	101 S. Mill Street	\$12,000,000	14,811	\$810

Current/For Sale	Type	Address	Asking Price	SF	\$PSF
Hampel Building	Retail	410 East Hyman Avenue	\$11,500,000	5,663	\$2,031
Durant Mall - Under Contract	Ret/Off	710-720 East Durant	\$3,265,000	9,531	\$343
Reide's City Bakery Building	Retail	413 East Hyman Avenue	\$3,300,000	1,628	\$2,027
Park Central West	Office	210 East Hyman Avenue	\$1,495,000	1,563	\$956

With such high investor demand, the rental rates are on the rise. Per CoStar, the 3Q2013 Aspen market statistics are:

- Office: 91% Occ. @ \$52.64/SF FSG avg asking
- Retail: 96% Occ. @ \$76.09/SF NNN avg asking

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Tenant Demand:	Seller's broker is experiencing unprecedented leasing velocity from potential office tenants since we have had Subject under contract.
Potential Master Lease:	We have a signed Letter of Intent to Master Lease the entire 37.15% interest for \$305,000/Yr (NNN), equating to a 9.34% cap rate, to a liquor store owner/operator. We do not plan to pursue this opportunity.
Investment Strategy:	Post-closing, we will aggressively market the property for lease to both small and medium sized office tenants. We will deploy capital improvement dollars for the minimal deferred maintenance and cosmetic upgrades required to convert Subject suitable to market to a broader group of tenants. We firmly believe this asset will lease given its irreplaceable urban core location in downtown Aspen.
Capitalization:	We are seeking to raise \$1,800,000 with 18 limited partnership shares of \$100,000, half shares of \$50,000 and quarter shares of \$25,000. The partnership is structured with an 8% preferred return and a 50/50 LP/GP split of profits above the 8%. <u>Funds will need to be in no later than Monday October 28.</u>
Estimated Returns:	Using conservative assumptions <u>12% unleveraged asset level IRR</u> over a 4-year holding period (19.3% leveraged IRR).
Conclusion:	<p>Durant Mall represents a compelling investment opportunity for the following reasons:</p> <ul style="list-style-type: none">• Quality asset in the commercial Urban Core of Aspen, CO;• Attractive basis of \$3,265,000 (\$379/SF) compares favorably to recent sales' average price of \$1,084/SF;• 46% discount to initial asking price (\$6,000,000 vs. \$3,265,000);• In-place cash flow to offset minimal capital improvement & lease-up costs;• Conservative estimate +/-12% unleveraged IRR (+/-19% leveraged IRR) over a 4 year holding period.• 2 years to stabilize property• Strong market fundamentals with local office market at 9% overall vacancy rate.

Loan Request: Sponsor is seeking the following loan from a local bank:

Loan Amount:	\$2,400,000
Term:	7-10 Years
Rate:	TBD Fixed
Amort:	25-30 Years

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