SIERRA
COMMERCIAL REAL ESTATE, INC

MarketView 2006: Q1
Colorado Springs

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QUICK STATS

	Current	Change from last Year	Change from last Qtr.
Vacancy	11.24%	↘	↘
Lease Rates	$6.67	↗	↗
Lease Activity	341,768	↘	↗
Net Absorption	52,882	↘	↗

TOP LEASE / SALES TRANSACTIONS

- Cushman & Wakefield Trust: Purchased 406,000 SF Quantum manufacturing facility on Federal Drive for $54.25 million.
- DpiX: Purchased 239,200 SF LSI Logic manufacturing facility at 1635 Aeroplaza Drive for $7.65 million.
- BMC: 54,000 SF lease at 615 Wooten Road.
- Xpedx: 43,000 SF lease at 1735 Jet Stream Drive.

HOT TOPICS

- The last of 5,200 soldiers from Fort Carson's 3rd Armored Cavalry Regiment arrives in Colorado Springs after a year of active duty in Iraq.
- The City of Colorado Springs and the Airport Authority begin development of the 1,000-acre Colorado Springs Airport Business Park, planned to include office buildings, manufacturing plants, and hotels.
- The Colorado Springs Metropolitan Interstate Expansion (COSMIX) project remains on schedule. The current primary focus is on frontage roads and bridges over Monument Creek, Mark Dabling Blvd., and the Union Pacific Railroad along the North Nevada/ Rockrimmon segment of I-25.

The industrial market in Colorado Springs continues to show overall improvement since the beginning of 2005, although the rate and speed of this progress is somewhat measured. Direct vacancy dropped in the first quarter of 2006 to 11.24%, down from 11.60% at the end of 2005. The current vacancy rate is the lowest in the Colorado Springs' industrial market since the end of 2004, when vacancy was at 11.20%.

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Absorption during the first quarter was a positive 52,882 SF. Though positive absorption is always desirable, the amount of absorption is still less than the 1st quarter of 2005 and the 4th quarter of 2005. While decreasing vacancy rates and positive absorption point to a healthier industrial market, the economic reality is that a true "shot in the arm" is lacking and the market recovery will continue to take time. Several recent and in-process transactions, along with continued growth in the defense sector, construction industry, and health care field will continue to support the industrial market recovery.

Lease rates remain stable in the overall industrial market, rising only a penny in the first quarter to $6.67 per square foot. With positive absorption continuing in the near term, and a relative lack of new industrial space scheduled to be delivered to the market, lease rates should continue to increase accordingly.

INDUSTRIAL STATISTICS by PROPERTY TYPE

Industrial Property Type	Net Rentable Area	Direct Vacant SF	Direct Vacancy Rate %	Combined Availability Rate %	Direct Asking Rate	Sublease Asking Rate	Average Asking Lease Rate
Office/ R&D	5,200,624	738,207	14.19%	14.35%	$8.83	$10.00	$8.68
Office/ Showroom	3,105,528	270,631	8.71%	8.79%	$7.72	$8.50	$7.69
Office/ Warehouse	6,612,093	1,074,539	16.25%	16.59%	$6.53	$6.00	$6.52
Manufacturing/ Assembly	8,460,065	926,982	10.96%	10.96%	$5.56	$0.00	$5.56
Warehouse/ Distribution	5,787,092	267,605	4.62%	4.72%	$4.35	$5.29	$4.37
Total	***29,165,402***	***3,277,964***	***11.24%***	***11.37%***	***$6.70***	***$6.89***	***$6.67***

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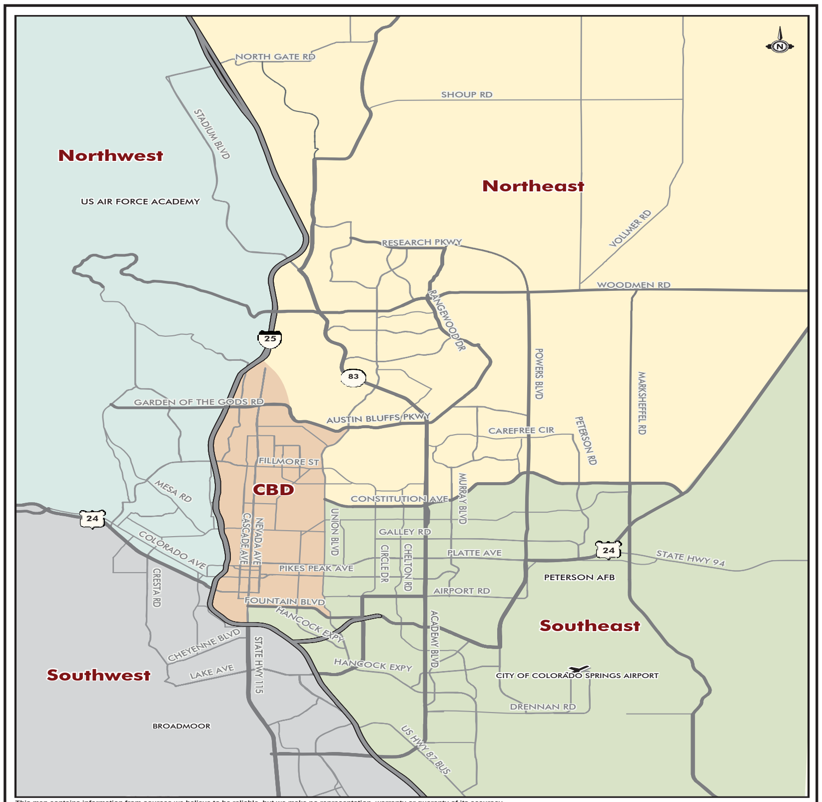
METRO INDUSTRIAL STATISTICS

Industrial Submarket	Net Rentable Area	Direct Vacant SF	Direct Vacancy Rate %	Combined Availability Rate %	Average Asking Lease Rate	Leasing Activity	Absorption SF
CBD	6,723,131	614,157	9.13%	9.13%	$6.06	78,645	13,538
Northwest	7,609,320	763,810	10.04%	10.07%	$7.51	51,135	-177
Northeast	3,142,604	384,658	12.24%	12.50%	$9.60	54,402	40,557
Southeast	10,286,143	1,490,751	14.49%	14.76%	$5.77	148,722	3,421
Southwest	1,404,204	24,588	1.75%	1.75%	$7.89	8,864	-4,457
Total	***29,165,402***	***3,277,964***	***11.24%***	***11.37%***	***$6.67***	***341,768***	***52,882***

COLORADO SPRINGS INDUSTRIAL SUBMARKET MAP



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DEFINITION OF TERMS

Average Asking Lease Rate
Rate determined by multiplying the asking net lease rate forr each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases
Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage
Includes all competitive industrial buildings 5,000 square feet and greater in size.

Net Absorption
The change in occupied square feet from one period to the next.

Net Rentable Area
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Square Feet
Building area not considered vacant.

Under Construction
Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Square Feet
Available Building Area which is either physically vacant or unoccupied, including sublease space.

Availability Rate
Available Square Feet divided by the Net Rentable Area. This calculation includes vacant and sublease space and is given as a percentage.

Vacant Square Feet
Existing Building Area which is physically vacant or immediately available and does not include sublease space.

Vacancy Rate
Vacant Building Feet divided by the Net Rentable Area. This calculation is given as a percentage and includes vacant space but does not include sublease space.

Normalization
Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

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For more information regarding the MarketView, please contact one of the industrial brokers listed.

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