



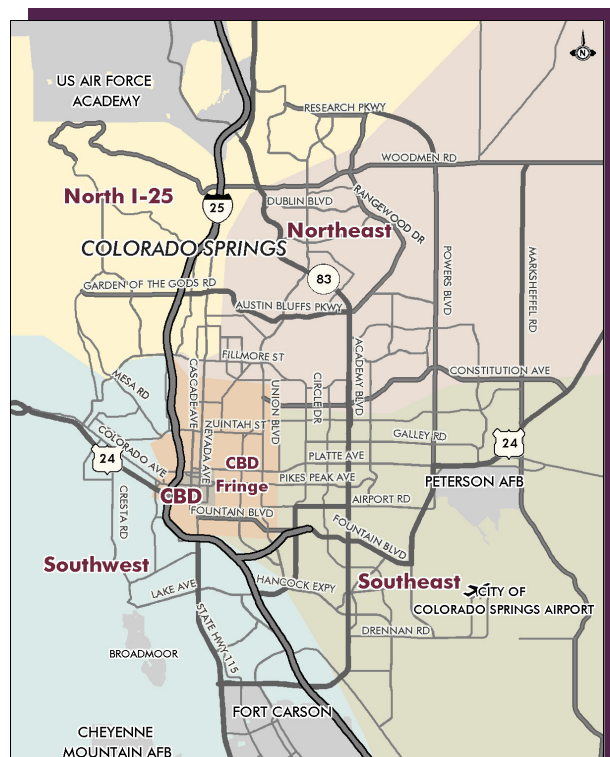
COLORADO SPRINGS OFFICE

FOURTH QUARTER 2004

TOP COLORADO SPRINGS LEASE TRANSACTIONS

Size (Sq. Ft.)	Tenant	Address
18,478	Xaware	5555 Tech Center Drive
21,500	Kaiser Foundation Health Plan	1975 Research Parkway
17,816	Pulte Homes	1975 Research Parkway
3,736	Boecore	90 South Cascade
2,772	Multimax	5575 Tech Center Drive

COLORADO SPRINGS OFFICE SUBMARKET MAP



OFFICE BROKERAGE SERVICES:

Kenton R. Mau, Senior Managing Director 719.955.2013 kmou@sierracre.com	Greg Phaneuf, Director 719.955.2014 gphaneuf@sierracre.com
Randy Miller, Managing Director 719.955.2015 rmiller@sierracre.com	Brian Wagner, Director 719.955.2016 bwagner@sierracre.com



AVERAGE ASKING LEASE RATE

Rate determined by multiplying the asking net lease rate for 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 office 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.

For more information regarding the Colorado Springs office market, please contact one of the office brokers listed.

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QUICK STATS

	Current	Yr.	Qtr.
Vacancy	11.68%	↑	↓
Lease Rates	\$10.60	↑	↓
Net Absorption	589,166	↑	↓
Construction YTD	222.4M	↓	↑

HOT TOPICS

- Colorado Springs ranked No. 15 among top metropolitan areas for high tech and software related employment
- Economic Development Corporation facilitates 2,000 new job announcements for 2004
- Wal-Mart Supercenter to build new store in northern El Paso County creating 300 new jobs

Market conditions reflect a year end vacancy rate of approximately 11.68% for the entire Colorado Springs office market, an increase from the 9.2% reported at year end 2003. This change is primarily the result of Sierra Commercial Real Estate changing the metro market database during the first quarter of 2004. Year end 2003 to year end 2004 comparison of the previous database used in Colorado Springs would show little change. In addition, the Class "A" market has shown an increase in vacancy from the previous year due to approximately 225,000 square feet of sublease space reverting back to landlord direct vacancy, along with Progressive Insurance vacating 188,000 square feet to consolidate into their 300,000 square foot campus and MCI WorldCom returning to landlords approximately 250,000 square feet through bankruptcy proceedings and contraction.

The effect of these events within the Class "A" market segment has resulted in a vacancy rate of 19.76% for Class "A" product, with the Class "A" North

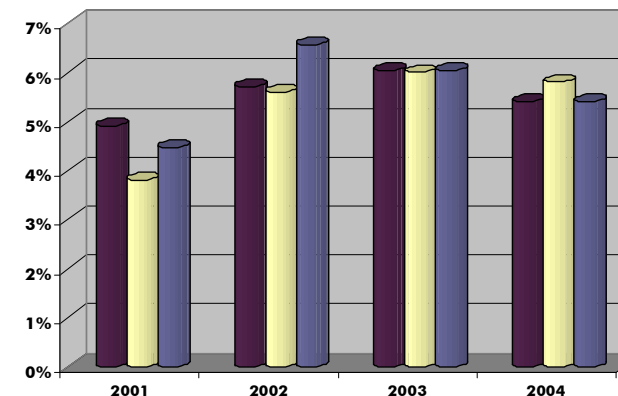
I-25 Class "A" corridor reporting a vacancy rate of approximately 24.14%. As such, negative absorption continues to be documented in 2004 within the Class "A" segment.

In spite of these factors, there are numerous bright spots in the metro market, including approximately 600,000 square feet of positive absorption being reported for year end 2004. Out of state relocation has begun to occur, with the most notable transaction being California State Automobile Association's 110,000 square foot lease along the I-25 corridor. In addition, Lockheed Martin leased 70,000 square feet of expansion space in northeast Colorado Springs. Department of Defense contractors, tied into Northern Command and Homeland Security, also continue to expand and bring new high paying jobs to the market.

Unemployment rates continue to drop in the metro area with approximately 2,000 net new jobs created in 2004.

UNEMPLOYMENT RATE

United States	5.4%
Colorado	5.8%
El Paso County	5.4%



METRO OFFICE STATISTICS

Office Submarket	Net Rentable Area	Vacant SF	Vacancy Rate %	Availability Rate %	Net Average Asking Lease Rate \$ SF/YR	YTD Leasing Activity	YTD Absorption SF
CBD	3,269,398	260,089	7.96%	10.25%	\$13.21	176,803	50,716
CBD Fringe	2,680,458	204,163	7.62%	7.94%	\$10.19	64,847	37,567
North I-25	9,717,359	1,350,509	13.90%	15.37%	\$10.29	891,447	338,337
Northeast	3,686,764	342,847	9.30%	9.45%	\$10.47	148,338	100,664
Southeast	3,513,915	530,568	15.10%	16.16%	\$10.68	112,679	17,164
Southwest	1,657,463	178,603	10.78%	10.78%	\$9.65	43,861	44,718
Total	24,525,357	2,866,779	11.68%	12.85%	\$10.60	1,437,975	589,166

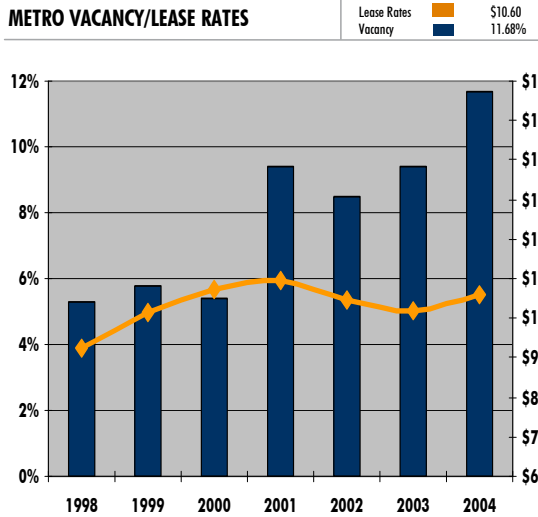
North I-25 submarket absorption and lease activity figures include the owner developed Progressive Insurance Campus of 323,576 sf.

CLASS "A" OFFICE STATISTICS

Office Submarket	Net Rentable Area	Vacant SF	Vacancy Rate %	Availability Rate %	Net Average Asking Lease Rate \$ SF/YR	YTD Leasing Activity	YTD Absorption SF
North I-25	4,285,204	1,034,335	24.14%	27.30%	\$9.98	305,865	(152,360)
CBD	1,766,482	147,794	8.37%	11.49%	\$15.27	124,491	62,473
Southeast	1,237,929	258,337	20.87%	20.87%	\$10.34	92,946	55,387
Total	7,289,615	1,440,466	19.76%	23.13%	\$10.58	523,302	(34,500)

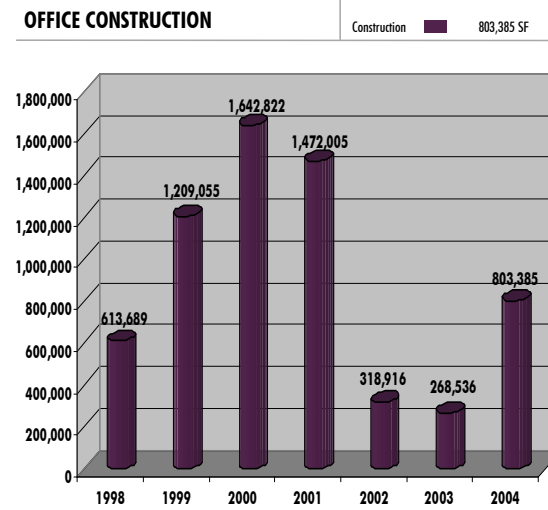
North I-25 submarket absorption and lease activity figures for Class "A" space DOES NOT include the owner developed Progressive Insurance Campus of 323,576 sf.

METRO VACANCY/LEASE RATES



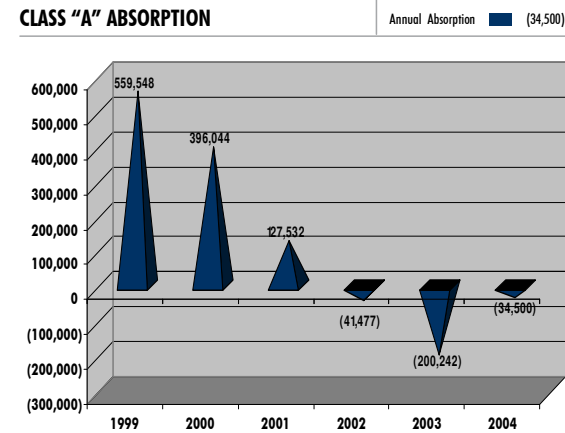
Vacancy rates and lease rates from the end of 2003 to the end of 2004 have increased, primarily due to Sierra Commercial Real Estate changing its metro market database. Vacancy rates are stabilizing and show minimal change in the last two quarters of 2004.

OFFICE CONSTRUCTION



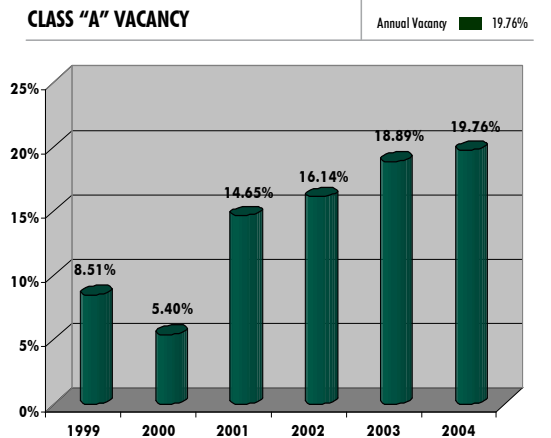
For the office market in 2004, construction increased throughout the year and ended the year with 803,385 SF completed. For all non-residential construction, a total of \$222.4 million dollars was committed in 2004. Some of the completed office projects are: Progressive Insurance totaling 323,576 SF, Pine Creek Village Center at 58,056 SF, Powers Professional I with 36,000 SF and the Pikes Peak Regional Building Department constructing 110,882 SF.

CLASS "A" ABSORPTION



Absorption for the Class "A" market has decreased YTD to (34,500) SF. Positive absorption of 86,176 square feet in the fourth quarter is a good sign for things to come in 2005.

CLASS "A" VACANCY



Vacancy rates for the Class "A" Market have increased over the course of 2004 with the year end number at 19.76%. The vacancy rate is expected to decline in 2005, as absorption moves towards a positive trend.

MARKET OUTLOOK FOR 2005

- Northern Command, in charge of Homeland Security, will continue to establish their headquarters in Colorado Springs, bringing additional primary jobs.
- The reassignment of approximately 3,000 soldiers to Fort Carson will be a positive impact on the local economy.
- Demand for additional space will increase among existing tenants within the market, reversing the contraction trend of the past three years.
- Reduced vacancy rates, along with fewer options in quality buildings, will increase rental rates. Landlord concessions will continue to diminish.
- Positive absorption should be reported in the Class "A" market segment for the first time since 2001.
- Vacancy rates decline for the first time since 2001.
- Medical market remains strong with development of two new multi-bed hospital facilities.
- Migration slows from Class "B" product to "A" product due to tightening market.
- Large single-story "A" product rebounds in 2005 with significant absorption occurring.
- Sublease space diminishes and becomes a non-factor in the marketplace.

