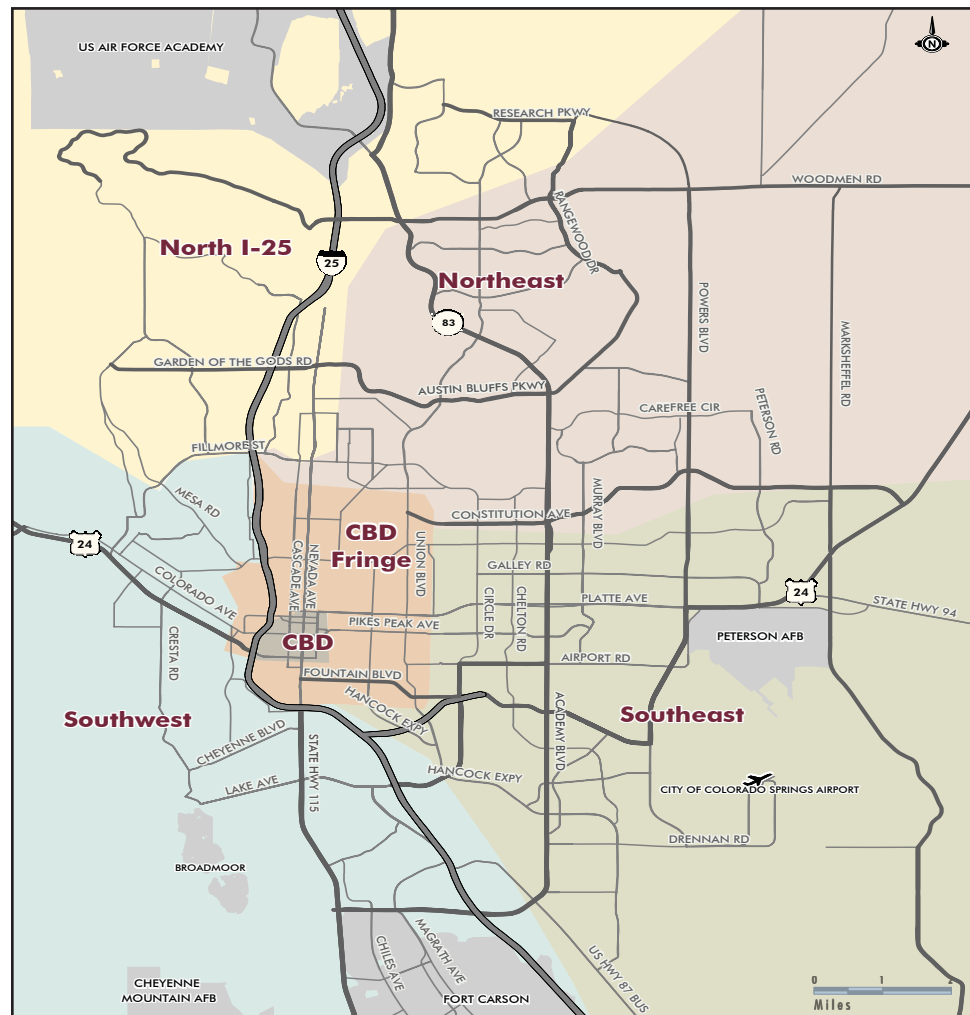


OFFICE INDUSTRIAL RETAIL

TOP COLORADO SPRINGS LEASE AND SALES TRANSACTIONS

Size (Sq. Ft.)	Tenant/Building	Address	Sale / Lease
155,815	Briargate Research Center	2025-2075 Reserach	Sale
124,305	Northrop Grumman	3535 Northrop Grumman	Lease
122,531	California Casualty Center	1650 Telstar Dr.	Sale
23,680	Plaza Office Building	1785 N. Academy	Sale

COLORADO SPRINGS OFFICE SUBMARKET MAP



OFFICE BROKERAGE SERVICES:

Kenton R. Mau, Senior Managing Director 719.955.2013 kmau@sierracre.com	Mark G. O'Donnell, Jr., Broker Associate 719.955-2017 modonnell@sierracre.com
Randy Miller, Managing Director 719.955.2015 rmiller@sierracre.com	Nicola Myers-Murty, Broker Associate 719.955.2021 nmyersmurty@sierracre.com
Brian Wagner, Managing Director 719.955.2016 bwagner@sierracre.com	Amanda Gaden, Broker Associate 719.955.2003 agaden@sierracre.com

DEFINITION OF TERMS

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 MarketView, please contact one of the office brokers listed.
Sierra Commercial Real Estate, Inc.
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Colorado Springs, Colorado 80903
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www.sierracre.com



QUICK STATS

	Current	Year	Qtr.
Vacancy	13.41%	▲	▲
Lease Rates	\$11.17	▲	▲
Net Absorption	40,327	▲	▲
Lease Activity	899,559	▲	▲

HOT TOPICS

- Colorado Springs was ranked as one of the ten best places to live, work and play in the June issue of Kiplinger's Personal Finance magazine.
- Hewlett-Packard Co. announces plans to close its customer service center in Colorado Springs, resulting in the laying off or transfer of 800 employees.
- The Cimarron Street bridge, which was closed for six months due to structural issues, reopens, allowing traffic to resume flowing from the central business district to Highway 24.
- Frontier Airlines puts plans for a 225 employee maintenance hangar at the Colorado Springs Airport on hold after filing for bankruptcy protection.

During the second quarter of 2008, the Colorado Springs metro office market experienced a rise in vacancy rates to a current level of 13.41%. While absorption has been positive for the year, currently at 40,327 square feet, several new office buildings have come online during the second quarter that have not been fully leased, driving the vacancy rate up. Additionally, over 700,000 square feet of speculative office and medical space is currently under construction.

...nearly 400,000 square feet of Class A office space is scheduled to be delivered in the coming months.

As a result of the increased amount of available space on the market, metro office asking lease rates dropped during the second quarter, currently averaging \$11.17/SF NNN.

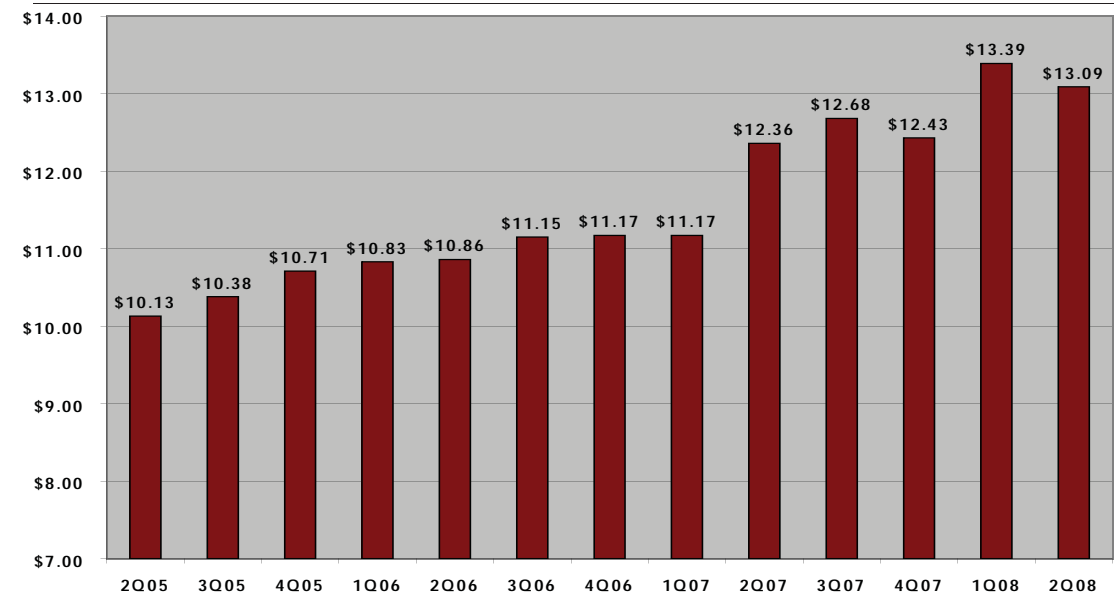
Performance in the Class A segment of

the office market has also slowed during the first half of 2008. Absorption for the year is currently negative at 189,889 square feet, causing vacancy rates to rise to 18.05%, the highest level since 2004. Several Class A tenants, including Northrop Grumman, have recently moved

out of speculative Class A space into owner-user or non-speculative office buildings. Furthermore, with construction underway on several Class A buildings, including InterQuest Hybrid I & II,

InterQuest Epic One, and Patriot Park VII, nearly 400,000 square feet of Class A office space is scheduled to be delivered in the coming months. This additional space will place further downward pressure on lease rates and keep vacancy rates inflated until significant absorption occurs.

CLASS A OFFICE AVERAGE ASKING LEASE RATES



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METRO OFFICE STATISTICS

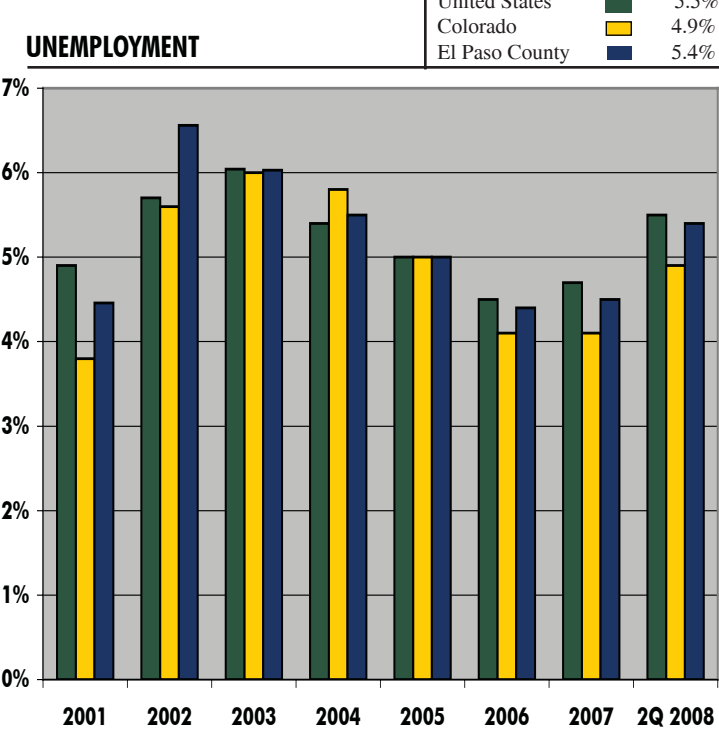
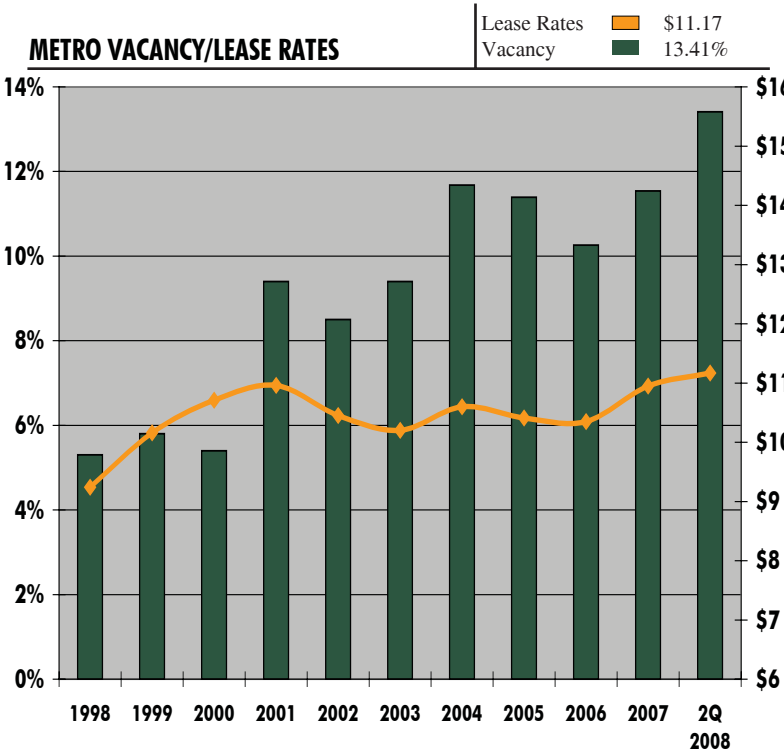
Office Submarket	Net Rentable Area	Vacant SF	Vacancy Rate %	Availability Rate %	Net Average Asking Lease Rate \$ SF/YR	YTD Leasing Activity	YTD Absorption SF
CBD	3,308,992	420,998	12.72%	13.25%	\$13.06	84,564	(6,502)
CBD Fringe	2,710,199	177,046	6.53%	6.84%	\$10.32	34,567	(21,642)
North I-25	11,087,895	1,554,300	14.02%	14.90%	\$11.89	361,576	29,993
Northeast	3,361,277	429,897	12.79%	13.01%	\$11.46	91,632	(51,371)
Southeast	4,271,429	747,891	17.51%	18.70%	\$8.73	264,571	115,725
Southwest	1,713,979	216,833	12.65%	13.20%	\$10.83	62,649	(25,876)
Total	26,453,771	3,546,965	13.41%	14.13%	\$11.17	899,559	40,327

* 500,000 SF at 2424 Garden of the Gods is currently being marketed, but is not yet vacant. Therefore, it will be reflected in the data during the 3rd quarter of 2008

CLASS "A" OFFICE STATISTICS

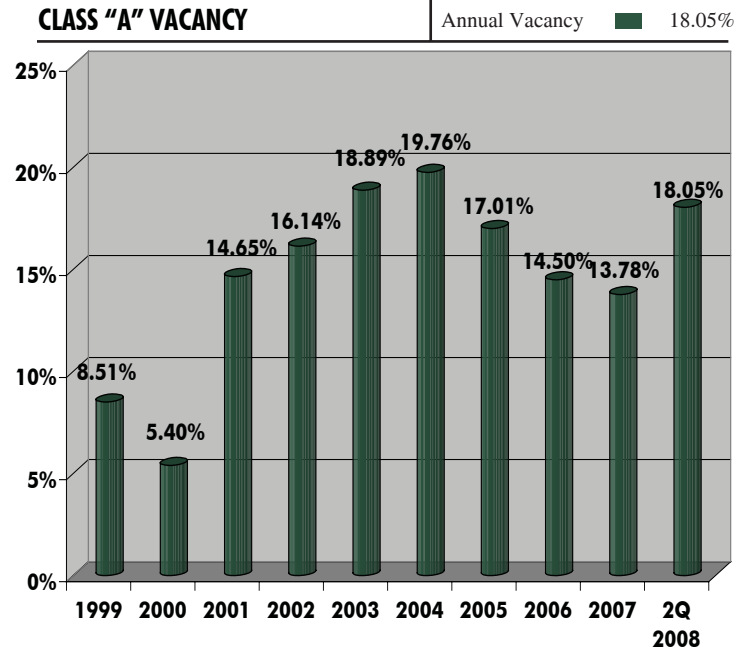
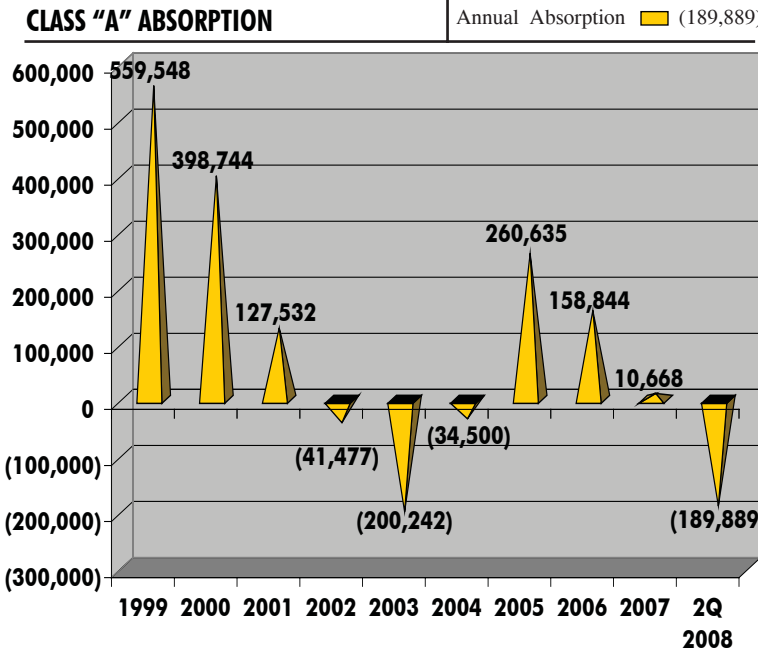
Office Submarket	Net Rentable Area	Vacant SF	Vacancy Rate %	Net Average Asking Lease Rate \$ SF/YR	YTD Leasing Activity	YTD Absorption SF
North I-25	4,416,609	826,436	18.71%	\$12.77	118,375	(151,626)
CBD	1,766,482	175,552	9.94%	\$16.39	23,565	(13,589)
Southeast	1,318,896	352,160	26.70%	\$12.18	87,333	(24,674)
Total	7,501,987	1,354,148	18.05%	\$13.09	229,273	(189,889)

* The 50,000 SF Former Gateway Computer facility at 980 Elkton Drive was added to the Class A subset during the 2nd quarter of 2008



Vacancy rates in the second quarter of 2008 have risen from year end 2007, currently at 13.41%. Lease rates have risen slightly during the first half of 2008, currently at \$11.17.

The unemployment rate in El Paso County has risen in the first half of 2008, from 4.5% to 5.4%. Unemployment rates both locally and nationally have been increasing since 2006.



Absorption in the Class "A" market was negative during the first two quarters of 2008. Total Class "A" absorption year to date is negative 189,889 SF.

Class "A" vacancy rates have increased since the end of 2007, currently at 18.05%. Rental rates dropped during the second quarter to a current rate of \$13.09 SF NNN.

MARKET OUTLOOK FOR 2008

As anticipated, the Class A market is exhibiting softness with negative absorption and increasing vacancy rates. Rents are holding in this segment at the end of the second quarter, but can be expected to decline if demand does not strengthen.

The primary reason for this trend is the contraction of service providers to the residential industry. The investment market has been negatively impacted by current conditions and little change is anticipated until 2009.

