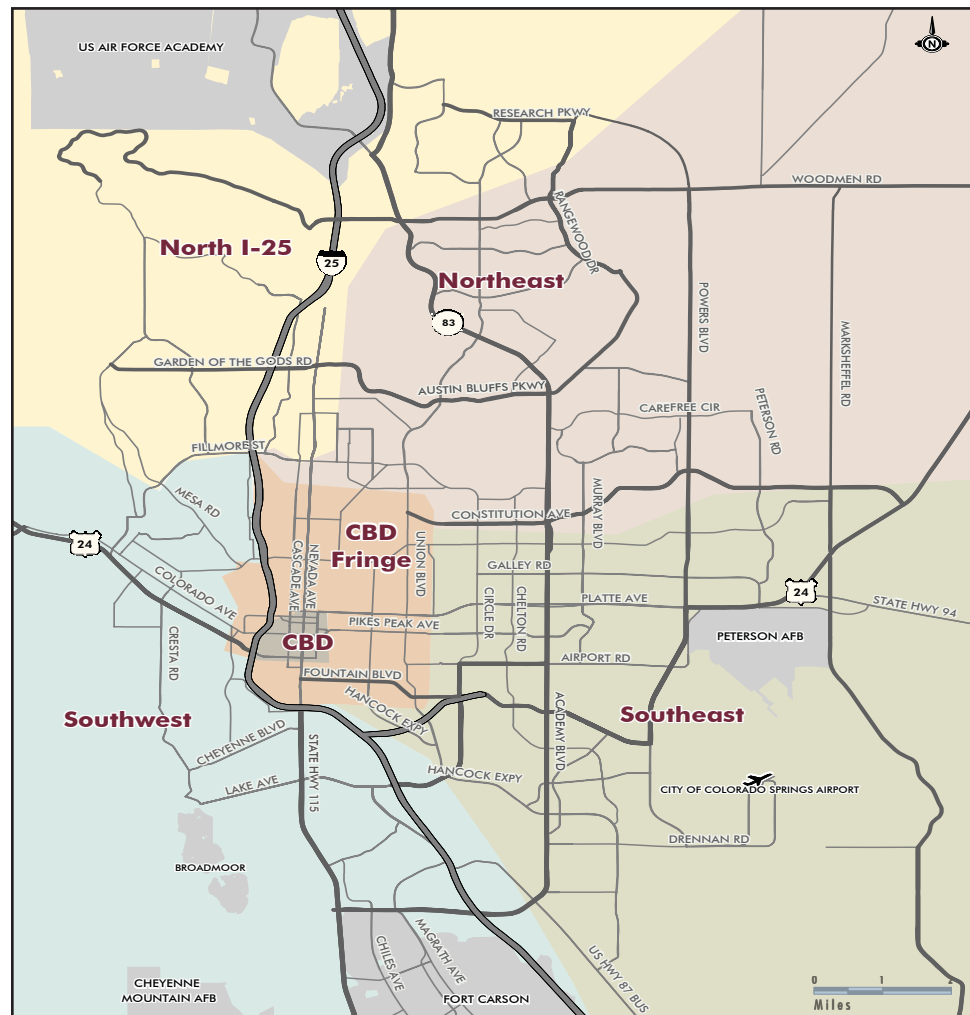


OFFICE INDUSTRIAL RETAIL

TOP COLORADO SPRINGS LEASE AND SALES TRANSACTIONS

Size (Sq. Ft.)	Tenant/Building	Address	Sale / Lease
65,960	Chapel Hills Executive Office	1271-1295 Kelly Johnson	Sale
38,667	Criterion Business Centre	8570 Criterion Dr.	Sale
28,970	ITT	655 Space Center Dr.	Lease
16,630	Summit Building	1287 Lake Plaza Dr.	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.  
102 S. Tejon, Suite 750  
Colorado Springs, Colorado 80903  
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www.sierracre.com



QUICK STATS

Category	Current	Change from last Year	Qtr.
Vacancy	14.03%	▲	▲
Lease Rates	\$12.32	▲	▲
Net Absorption	136,924	▲	▲
Lease Activity	1,210,496	▲	▲

HOT TOPICS

- The St. Francis Medical Center, a 350,000 square feet, 156-bed hospital, opens in Northeast Colorado Springs, at Woodmen Rd. & Powers Blvd. It is the second major hospital to open in the area in fourteen months.
- The new Austin Bluffs Pkwy. bridge opens over Union Blvd. in September, helping to relieve traffic gridlock at the city's busiest intersection.
- The Broadmoor Hotel hosts the United State's Golf Association's 2008 U.S. Senior Open, with an estimated \$30 million economic benefit to the city and roughly 150,000 fans attending.

The office market in Colorado Springs experienced an increase in vacancy rate to 14.03% at the end of the third quarter of 2008, up from 13.41% at the end of the second quarter, despite positive absorption year to date of 136,924 square feet. Average asking lease rates have increased significantly to \$12.32/SF NNN, primarily due to the addition of over 150,000 square feet of unleased medical office space with high asking lease rates.

Vacancies are on the rise in the office market due to growing unemployment in the area as well as a significant amount of new office product being delivered to the market with little or no preleasing.

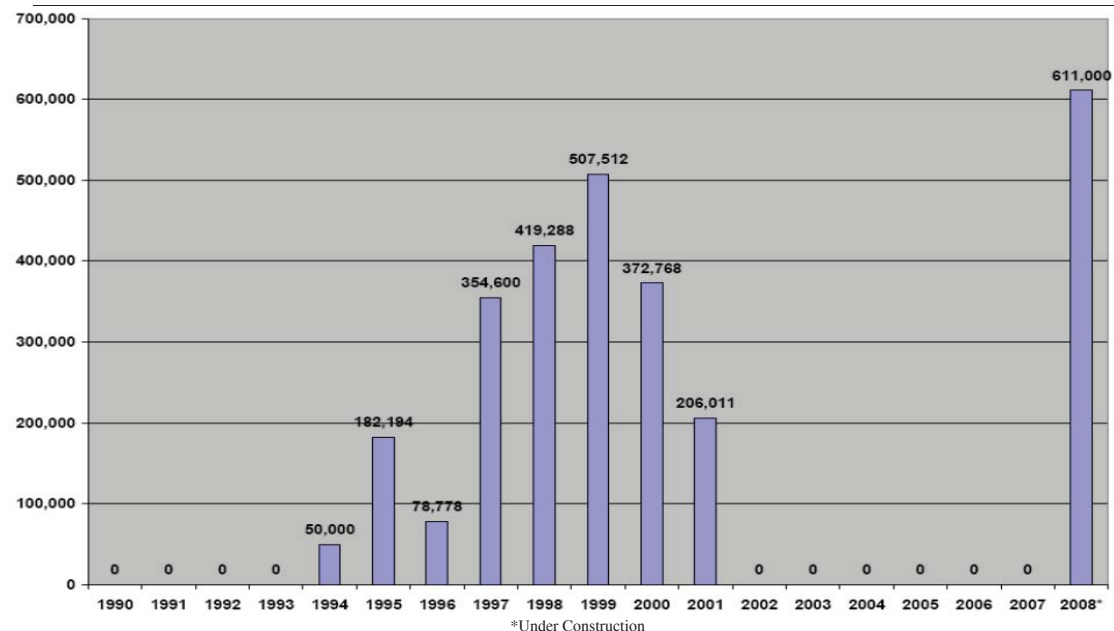
As seen in the graph below, over 600,000 square feet of speculative Class A office construction is occurring in the North I-25 submarket, with only 100,000 square feet of preleasing activity in these buildings.

When employment begins to recover and credit begins to flow more easily to businesses, the office market will have a surplus of available space ready to be absorbed. It is difficult to predict when employment conditions will

improve locally, but with the availability of high quality space, the office market will be in the position to allow businesses to move and expand into more suitable space quickly when the recovery begins.

...over 600,000 square feet of speculative Class A office construction is occurring in the North I-25 submarket...

NORTH I-25 CLASS A OFFICE CONSTRUCTION



SIERRA COMMERCIAL REAL ESTATE, INC.  
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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
<b>CBD</b>	3,308,992	435,562	13.16%	13.31%	\$12.40	114,871	(21,066)
<b>CBD Fringe</b>	2,681,648	196,075	7.31%	7.63%	\$10.35	52,995	(30,348)
<b>North I-25</b>	11,437,497	1,754,455	15.34%	17.52%	\$13.71	431,599	30,150
<b>Northeast</b>	3,458,509	448,619	12.97%	13.55%	\$11.44	220,159	27,587
<b>Southeast</b>	4,271,429	712,769	16.69%	17.90%	\$10.24	316,154	161,716
<b>Southwest</b>	1,711,723	222,072	12.97%	12.97%	\$11.36	74,718	(31,115)
<b>Total</b>	<b>26,869,798</b>	<b>3,769,552</b>	<b>14.03%</b>	<b>15.27%</b>	<b>\$12.32</b>	<b>1,210,496</b>	<b>136,924</b>

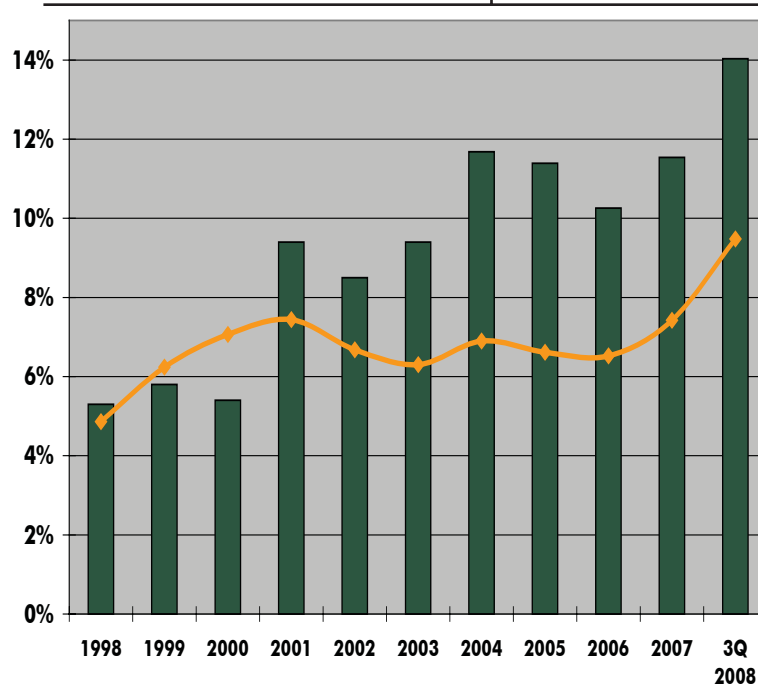
### CLASS "A" OFFICE STATISTICS

Office Submarket	Net Rentable Area	Vacant SF	Vacancy Rate %	Net Average Asking Lease Rate \$ SF/YR	YTD Leasing Activity	YTD Absorption SF
<b>North I-25</b>	4,585,119	1,003,301	21.88%	\$14.21	149,911	(159,981)
<b>CBD</b>	1,766,482	153,511	8.69%	\$15.89	53,872	8,452
<b>Southeast</b>	1,318,896	308,095	23.36%	\$12.38	131,398	19,391
<b>Total</b>	<b>7,670,497</b>	<b>1,464,907</b>	<b>19.10%</b>	<b>\$14.00</b>	<b>335,181</b>	<b>(132,138)</b>

\* 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

#### METRO VACANCY/LEASE RATES

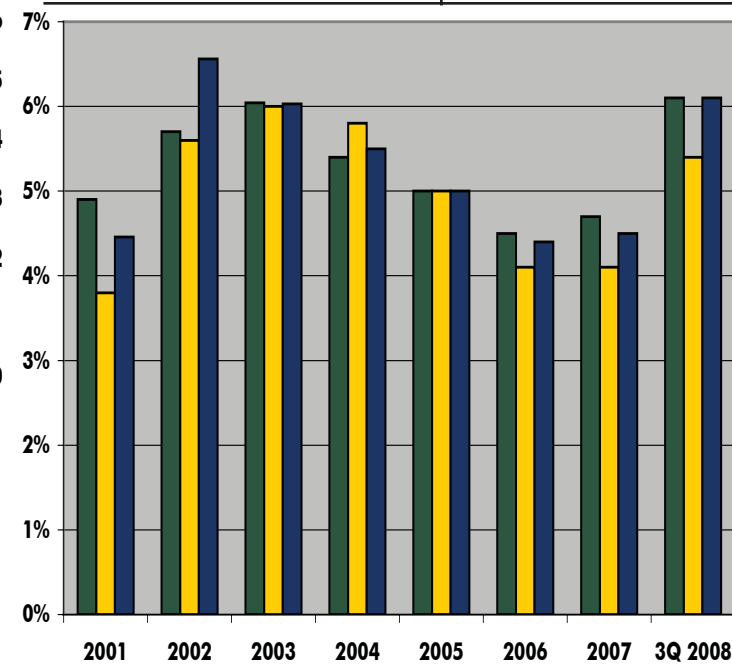
Lease Rates \$12.32  
Vacancy 14.03%



Vacancy rates in the third quarter of 2008 have risen from year end 2007, currently at 14.03%. Lease rates have also risen during the first half of 2008, currently at \$12.32.

#### UNEMPLOYMENT

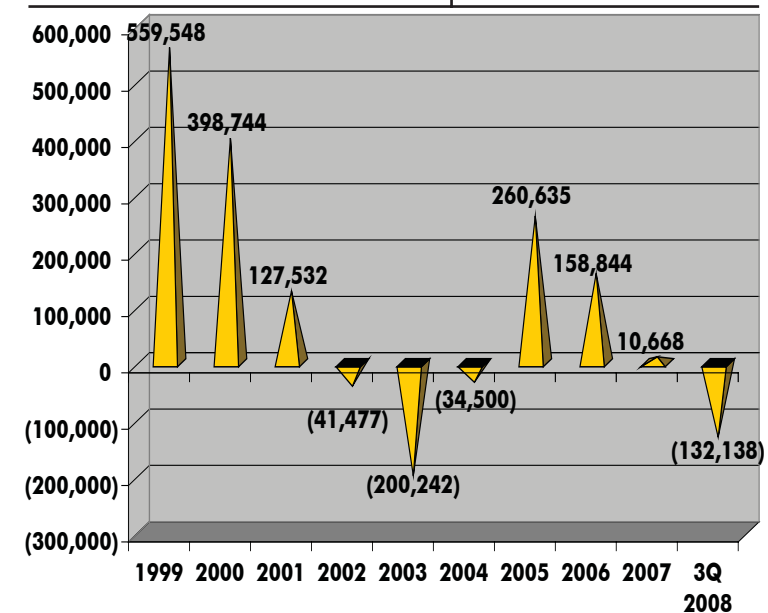
United States 6.1%  
Colorado 5.4%  
El Paso County 6.1%



The unemployment rate in El Paso County has risen during 2008, from 4.5% to 6.1%. Unemployment rates both locally and nationally have been increasing steadily since 2006.

#### CLASS "A" ABSORPTION

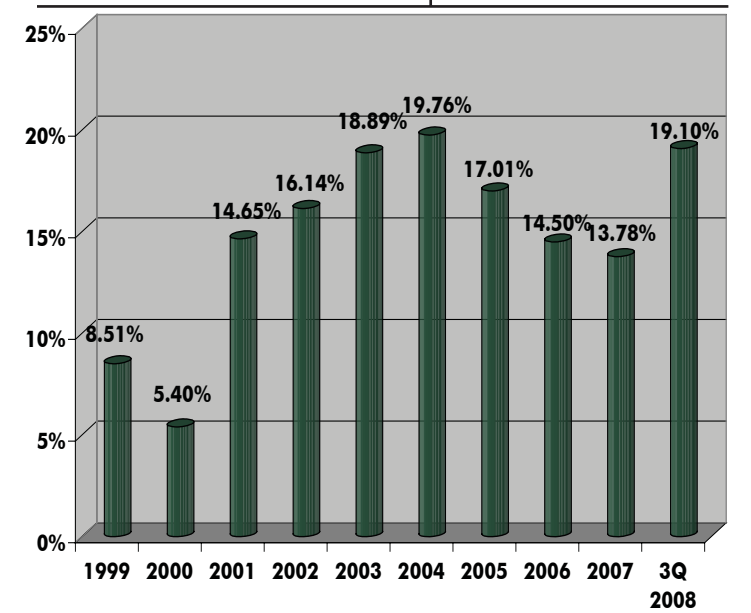
Annual Absorption (132,138)



Absorption in the Class "A" market was negative during the first three quarters of 2008. Total Class "A" absorption year to date is negative 132,138 SF.

#### CLASS "A" VACANCY

Annual Vacancy 19.10%



Class "A" vacancy rates have increased since the end of 2007, currently at 19.10%. Rental rates increased during the third quarter to a current rate of \$14.00 SF NNN.

### MARKET OUTLOOK FOR 2008

The Class A office market is beginning to show signs of restoration. The North I-25 submarket has suffered from the residential market fallout and shows 159,000 square feet of negative absorption year to date; however, the rate of decline is slowing. The CBD and the Southeast submarkets are exhibiting positive year to date absorption. While this is good news, our office economy remains in a tentative position and favorable national economic news is needed. During the eighteen months succeeding the previous election (2004), this real estate market benefitted from significant absorption.

