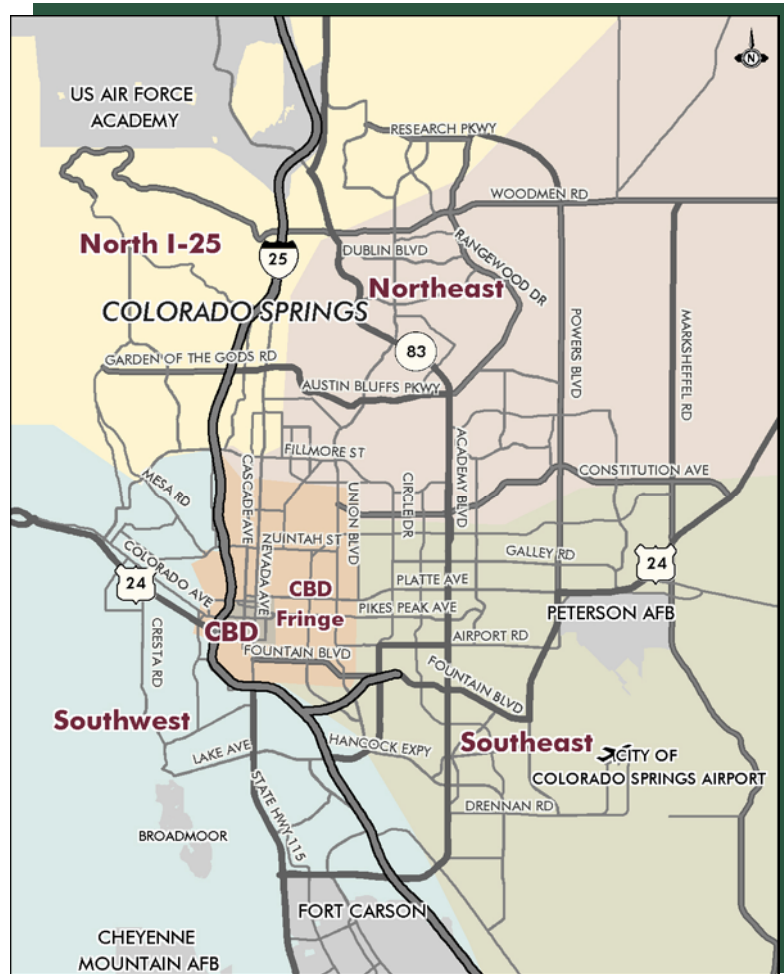




TOP COLORADO SPRINGS LEASE AND SALES TRANSACTIONS

Size (Sq. Ft.)	Tenant	Address	Sale / Lease
101,755	Woodmen Corporate Center	7150 Campus Dr.	Sale
24,805	Encoda Systems / Harris	8415 Explorer Dr.	Lease
16,000	Ferguson Enterprises	4860 Northpark Dr.	Lease
12,653	Innerwall	2060 Briargate Blvd.	Lease
10,552	RS Information Systems	7150 Campus Dr.	Lease

COLORADO SPRINGS OFFICE SUBMARKET MAP



OFFICE BROKERAGE SERVICES:
Kenton R. Mau, Senior Managing Director 719.955.2013 kmou@sierracre.com
Randy Miller, Managing Director 719.955.2015 rmiller@sierracre.com
Greg Phaneuf, Director 719.955.2014 gphaneuf@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.
 Sierra Commercial Real Estate, Inc.
 102 South Tejon, Suite 750
 Colorado Springs, Colorado 80903
 T. 719.955.2000 • F. 719.955.2019

QUICK STATS

	Change from last	
	Current	Yr. Qtr.
Vacancy	11.77%	↗ ↗
Lease Rates	\$10.25	↗ ↗
Net Absorption	186,947	↘ ↘

HOT TOPICS

- 12,000 additional troops to relocate to Fort Carson due to nationwide base closures and relocations.
- Banning Lewis Ranch "open for business" with 500 housing units coming on board in 2006.
- Phase One of \$150 million COSMIX I-25 improvements produces expanded Woodmen/I-25 interchange. Work begins on Nevada and Rockrimmon area.
- Referendum C & D gives voters a chance to modify Tabor Law.

The office market in Colorado Springs continues to show signs of improvement at the end of the third quarter 2005. Absorption levels, currently at 186,947 SF, have rebounded from a low of 54,756 SF at year end 2003. Vacancy rates in the office market are currently at 11.77%, with lease rates remaining stable from the previous quarter at \$10.25 SF NNN.

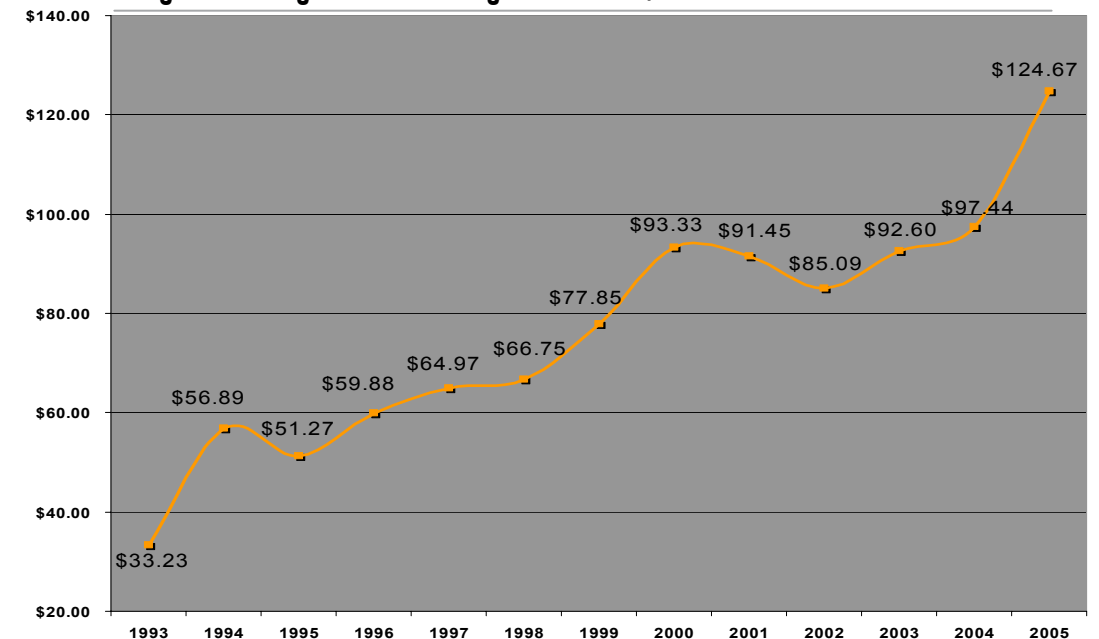
There have been several announcements during the 3rd quarter that will continue to improve conditions in the office market, particularly the Class "A" segment. Northrop Grumman Mission Systems was awarded a government contract worth up to \$2.5 billion over ten years. Barclays PLC has announced plans to open a call

Over the last ten years, the average office building sales price has increased approximately 143%.

center in Colorado Springs, bringing 450 jobs and an estimated \$80 million into the local economy during the next five years. In addition, Fort Carson plans to add an estimated 12,000 troops over the next three years.

Over the last ten years, the average office building sales price has increased approximately 143%. Limited supply along with elevated demand will keep sales prices close to record levels in the near term. Continued investment interest in all commercial sectors can be expected, largely due to the underperforming equity markets and the availability of institutional capital earmarked for real estate.

Weighted Average Office Building Sales Prices / SF



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	3,275,248	253,966	7.75%	9.51%	\$13.80	77,708	(6,016)
CBD Fringe	2,696,015	219,449	8.14%	8.55%	\$10.97	65,635	(38,683)
North I-25	10,153,811	1,483,805	14.61%	15.48%	\$9.90	502,610	148,977
Northeast	3,779,443	344,442	9.11%	9.30%	\$10.43	170,659	(8,468)
Southeast	3,520,100	501,479	14.25%	14.25%	\$9.18	204,996	31,836
Southwest	1,768,085	163,203	9.23%	9.23%	\$9.90	86,087	59,301
Total	25,192,702	2,966,344	11.77%	12.64%	\$10.25	1,107,695	186,947

The Former Progressive Building located in the North I-25 submarket is now owner occupied. It reflects absorption and lease activity of 119,350 SF.

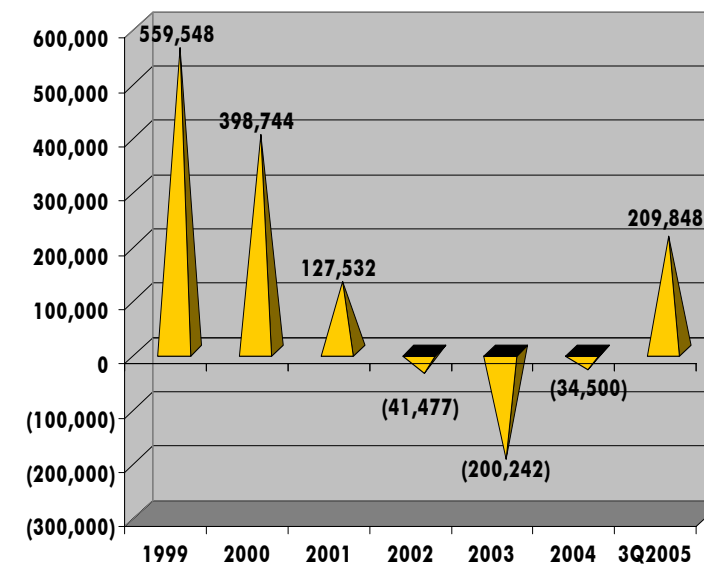
CLASS "A" OFFICE STATISTICS

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	880,463	20.55%	22.38%	\$9.87	297,357	197,772
CBD	1,766,482	133,332	7.55%	9.49%	\$15.47	42,857	7,569
Southeast	1,306,157	288,357	22.08%	23.56%	\$9.54	81,692	4,507
Total	7,357,843	1,302,152	17.70%	19.49%	\$10.38	421,906	209,848

The Former Progressive Building located in the North I-25 submarket is now owner occupied. It reflects absorption and lease activity of 119,350 SF.

CLASS "A" ABSORPTION

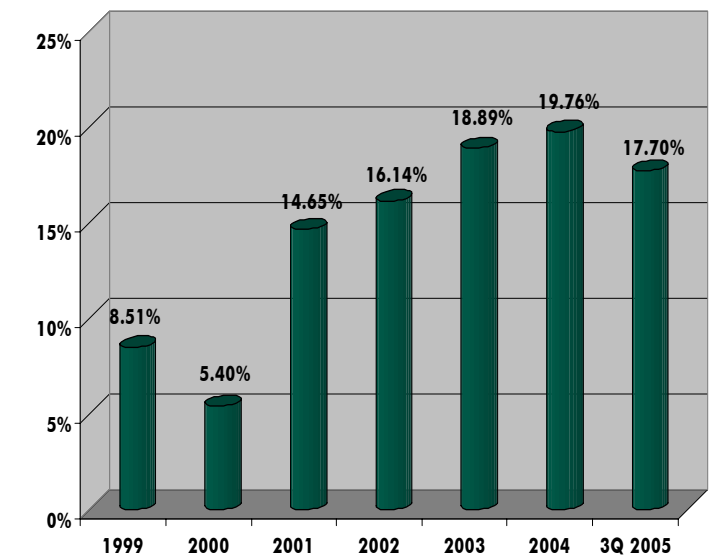
Annual Absorption 209,848



Absorption for the Class "A" market is continuing to improve after the first three quarters of 2005. Activity has been strongest in the North I-25 submarket, where 95% of the Class "A" absorption has occurred in 2005.

CLASS "A" VACANCY

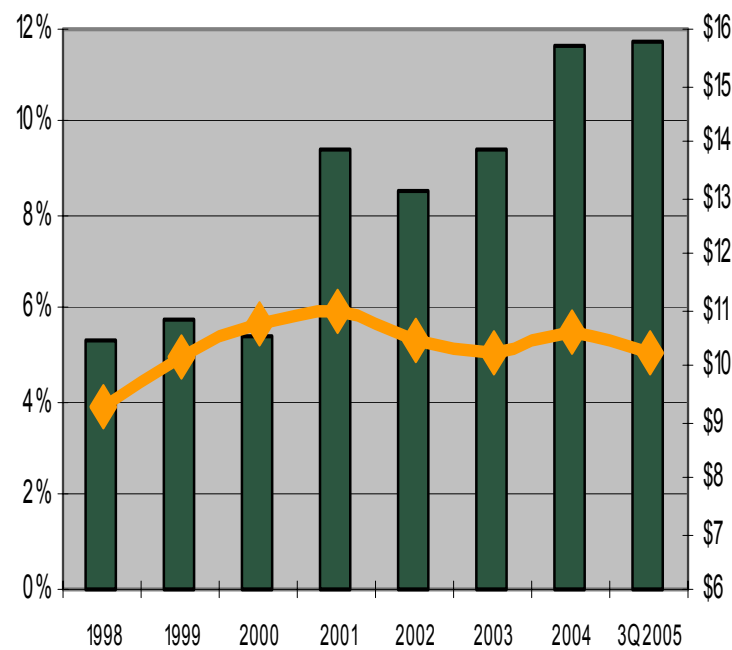
Annual Vacancy 17.70%



Class "A" vacancy rates continue to decrease, dropping from 19.76% at the end of 2004 to 17.70% at the end of the 3rd quarter 2005. The decreased supply in available Class "A" office space has caused rents to climb to a current level of \$10.38 SF NNN.

METRO VACANCY/LEASE RATES

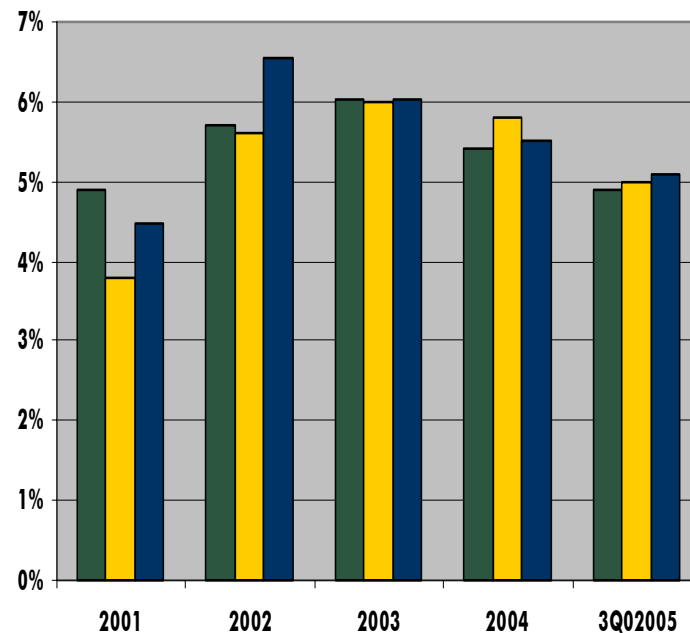
Lease Rates \$10.25
Vacancy 11.77%



3rd quarter metro vacancy rates of 11.77% remain in the vicinity of year end 2004 levels. Lease rates have also experienced little change from the 2nd quarter, increasing slightly to a current average rate of \$10.25.

UNEMPLOYMENT

United States 4.90%
Colorado 5.00%
El Paso County 5.10%



The unemployment rate has fallen across the board in the 3rd quarter compared to the 2nd quarter 2005. This drop is most notable in El Paso County, where the rate has moved from 5.6% to 5.1%.

MARKET OUTLOOK FOR 2005

We are pleasantly surprised by continued absorption in the North I-25 Class "A" market, which showed a YTD gain of 197,772 SF at the end of the third quarter, primarily due to the Juniper Bank deal at Northcreek (70,000 SF). There are several significant comments about this event: 1) This is the first positive result in four years, 2) It signals job growth of almost 800 jobs on the north end office market alone, and 3) It further reflects a healthier economy.

In addition, the activity in the investment market demonstrates that investors have confidence about the resiliency of the office market. Two very significant office investments have gone under contract this quarter and we hope to report on these as sales in our 4th quarter report. Capitalization rates continue to be driven down.

