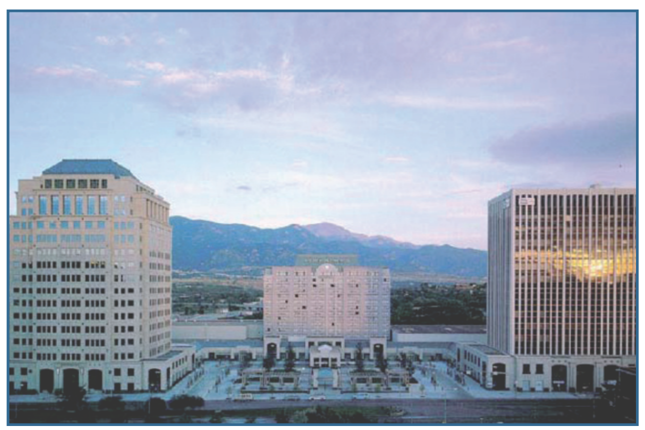
FEATURED PROPERTIES

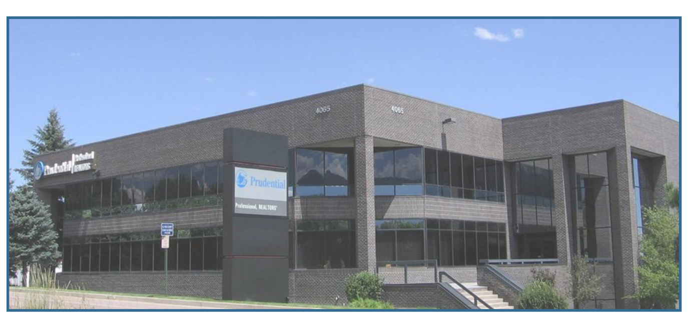
The Plaza at Northgate
555 Middle Creek Parkway
61,183 SF For Lease

Corporate Center at Briargate
2060 Briargate Parkway
22,758 SF For Lease (divisible)



Palmer Center
2 North & 90 South Cascade Avenue
49,005 SF For Lease (divisible)

Market Center at the Garden
1466 Garden of the Gods Road
1,200 - 6,000 SF For Lease



Nor'Tec
4065 Sinton Road
30,134 SF For Sale or Lease (divisible)

615 Wooten Road
18,825 SF For Lease

Palmer McAllister

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COLORADO SPRINGS OFFICE OVERVIEW

FOURTH QUARTER 2009

Executive Overview

The Colorado Spring's Class A office market is comprised of approximately 9.5 million square feet in three distinct submarkets. Since mid 2008, all three submarkets have seen increasing vacancy, decreasing lease activity and absorption, and downward pressure on lease rates. At the end of the 4th Quarter 2009, the overall vacancy of the Class A market sits at 30.38%, up from 18.58% in the 4th Quarter 2008, with year-to-date absorption of negative 156,170 square feet. Lease rates continued their year long slide and now average $13.32 psf, NNN, down from $14.78 in the 4th Quarter 2008. It is important to note, however, that the lease rate numbers contained herein are "asking rates" and are not wholly reflective of the "transaction rates" which we are seeing 10% to 20% lower and inclusive of concessions such as free rent, moving allowances, and healthy TI packages. The majority of activity in the market for the past 12 to 18 months has been tenants already in the market looking to take advantage of depressed lease rates and/or upgrade quality, image and location for comparable dollars. All indicators point to "more of the same" as we enter into 2010.

Looking into 2010, we anticipate a new dynamic entering the picture that will have an effect on the overall activity and health of the market: Commercial Foreclosures. When buildings do trade hands, the reduction in basis juxtaposed to competitive properties will allow "new" owners in the market to undercut lease rates and consequently drive the "market" lower. Additionally, the sale of the former Intel Plant will bring approximately 500,000 square feet of space to the market. We are optimistic that lease activity will increase in 2010, but likely not before the market drops further.

North I-25 Corridor

Of the three submarkets, the North I-25 Corridor is the largest and most diverse totaling approximately 6 million square feet. Corporate users tend to gravitate to this suburban market as it offers larger floor plate buildings, higher parking ratios, and proximity to a large employee base in both Colorado Springs and Denver. This market has historically seen the largest fluctuations in vacancies and rental rates, and this is being realized in today's market conditions. Vacancy rates have settled in at 31% for year end, and there was approximately 167,000 sf of negative absorption for the year. This number was aided by an 87,000 sf lease at Verizon's Campus. Quoted lease rates have softened and now average $11.88 NNN per RSF - down from $14.06 a year ago. The health of this market will trend with the national economy and we predict the market will remain anemic with limited leasing activity and absorption in the first half of 2010, and will begin to strength in the second half of the year.

Central Business District

At 1.8 million square feet the Central Business District is historically the most stable of the three submarkets. Six towers of approximately 15 floors each comprise the majority of the market, with the balance made up of smaller three to six story properties. Vacancy rates have increased over the last year from 11.8% to 13.79%. The CBD experienced positive absorption year-to-date of 13,081 square feet and is the only submarket in Colorado Springs with stability. However, it should be noted the largest new transaction of approximately 15,000 sf was completed at well below market rates and there was potential for losing downtown's largest tenant, CIG, which would have flooded the market with over 200,000 sf of office space. Overall the lease rates remain stable; however, the average rate has fallen to $15.05 NNN per square foot, down from $16.50 a year ago. We anticipate continued softening in the submarket through the first half of 2010.

Airport / Southeast Area

Home to many Department of Defense contractors the airport submarket, with proximity to both Peterson and Shriver Air Force Bases, totals approximately 1.5 million square feet. While this has historically been a stable market with very limited vacancy rates, the dynamics have changed as companies have sought a "flight to quality" and pursued build to suit and owner occupied alternatives. This has resulted in large blocks of vacancies in older, mid 1980's properties with second and third generation space. The result is a staggering vacancy rated now exceeding 45%! Lease rates, buoyed by new construction fueled by the flight to quality, average $13.04 NNN per rentable square foot. However, many properties will complete a transaction in the $10.00 to $11.00 range. Absorption registered a negative 52,334 square feet for the year and we don't see anything occurring to reverse this slide in 2010.

QUICK STATS – Class "A" Market

Vacancy: 30.38%
Lease Rates: $13.32 NNN
Net Absorption: (156,170) square feet

2009 OFFICE MARKET OUTLOOK

Vacancy: ↑ Lease Rate: ↘

Net Absorption: ↘ Lease Activity: ↘

Palmer McAllister, a Cushman & Wakefield Alliance *719-630-2222* *www.palmer-mcallister.com*

MARKET STATISTICS

COLORADO SPRINGS
CLASS-A OFFICE STATISTICS
4TH QUARTER 2009

Office Submarket	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
NORTH I-25 CORRIDOR:							
4TH Q 2009	6,216,822	1,929,170	73,217	31.03%	85,066	$11.88	$7.47
YEAR END 2009					(116,917)		
AIRPORT (SOUTHEAST) AREA:							
4TH Q 2009	1,474,485	666,654	20,930	45.21%	(19,037)	$13.04	$7.04
YEAR END 2009					(52,334)		
CENTRAL BUSINESS DISTRICT:							
4TH Q 2009	1,803,132	248,578	16,318	13.79%	(27,932)	$15.05	$7.95
YEAR END 2009					13,081		
TOTAL CLASS A MARKET							
TOTALS FOR 4TH Q 2009	9,494,439	2,844,402	110,465	30.38%	38,097	$13.32	$7.49
TOTALS YEAR END 2009					(156,170)		

OVERALL - VACANCY RATE: 30.38%; AVAILABILITY RATE (includes sublease space): 31.12%

VACANCY **LEASE RATES** **ABSORPTION**

SIGNIFICANT TRANSACTIONS

SIGNIFICANT NEW LEASE TRANSACTIONS - 3RD-4TH Q 2009

BUILDING NAME	ADDRESS	TENANT	SQUARE FEET	SUBMARKET
Oracle	12320 Oracle Road	Alta/Westwood	15,082	North I-25
Epic I	10807 New Allegiance	Rimrock	8,309	North I-25
Medical Pavilion	4105 & 4125 Briargate Parkway	Kaiser	16,500	North I-25
Briargate Tech	2375 Telstar & 8415 Explorer	Heartland	9,920	North I-25
PrimeCenter at Briargate	2315-2355 Briargate Parkway	Wells Fargo	41,375	North I-25
PrimeCenter at Briargate	2315-2355 Briargate Parkway	T-Mobile	69,856	North I-25
Corporate Pointe	1975 Research Parkway	Jaxon	10,522	North I-25
Chapel Hills Atrium	1125 Kelly Johnson Blvd.	Weston Solutions	5,326	North I-25
Research Corporate Center	8610 Explorer Drive	BAE	6,549	North I-25
Pikes Peak Research Park	5475 Mark Dabling	EM Micro	7,609	North I-25
Garden of the Gods Office Campus	2424 Garden of the Gods Road	ACS	32,000	North I-25
Garden of the Gods Office Campus	2424 Garden of the Gods Road	American Teleconferencing	87,000	North I-25
1st Bank Building	2 North Cascade Avenue	Executive Systems	8,826	CBD
Colorado Square	2 North Nevada Avenue	Colorado Square	220,000	CBD
Patriot Park I	985 Space Center Drive	MTSI	4,500	Airport

THE INSIDE TRACK

2009 is a year that will be marked in the history books as one of significance in the Colorado Springs office real estate market. The story is not in the numbers, as virtually all US markets have the same story for the past 18 months (vacancy up, lease activity down, lease rates down). The unique aspects of our local market are two fold:

First, this current downturn is unlike the last one that occurred in 2001-2002, where a substantial amount of sublease space came to market as corporate America downsized and where there was limited leasing activity. The confluence of those events resulted in building owner reducing their lease rates substantially to compete with sublease spaced which was offered at 50% of the underlying lease payment. While lease activity has been modest in 2009, and as most owners have secured a new tenant only to lose an existing one, it has been sufficient enough to keep vacancy rates from skyrocketing and from lease rates plummeting

Those most adversely affected are building owners, especially those who purchased in the last two years. The tightening capital markets and reduced rental rates have eroded building values. A growing number of properties will likely become bank-owned in 2010, opening the door for investors who have been waiting on the sideline for deals. The implications of this are not clear, but there will be tremendous opportunities in real estate over the next year.

The second is the addition of approximately 500,000 square feet of competitive space being added to the market wit the sale of the former Intel facility in Garden of the Gods to Industrial Realty Group in the 4th Quarter 2009. The total property consists of 1.3 million square foot of which approximately 700,000 is currently "clean room" and former fabrication space that requires significant retrofit. This addition of space that has not been historically available has the effect of instantly adding 500,000 + square feet of negative absorption in 1st Quarter 2010 into a submarket that totals 6.2 million square feet. This space will appeal to users seeking in excess of 50,000 square feet and, as such, won't compete with most of the competitive Class A office properties in the market. The impact of this massive influx of inventory has yet to be recognized, but we will feel its effect in the coming months.

We anticipate an exciting and ever changing 2010 and one in which the savvy investors and tenants and those with guidance will reap considerable rewards.

ABOUT PALMER McALLISTER
a Cushman & Wakefield Alliance

Palmer McAllister, a Cushman & Wakefield Alliance, continues the legacy of vision, integrity and professionalism that began over one hundred and twenty years ago. Civil War hero, railroad man and city builder, General William Jackson Palmer, teamed up with Major Henry McAllister, the city's first real estate professional, to develop and market the City of Colorado Springs. Palmer McAllister is proud to carry on their tradition of excellence.

Starting in 2009, Palmer McAllister became a member of the Cushman & Wakefield Alliance program, which allows the company to be independently owned and operated, while benefiting from all of the resources of an operation with over 15,000 employees in 220+ worldwide locations.

Dedicated exclusively to commercial real estate services, Palmer McAllister is comprised of three principals/brokers, and a professional support staff who possess a genuine commitment and unsurpassed knowledge of the industry.

Areas of specialization and expertise include office, industrial, retail and investment brokerage services; financial analysis, planning & development consulting and asset management.

The combination of superior local knowledge and extensive experience, combined with the international reach and state-of-the-art resources and relationships provided through Cushman & Wakefield, allow our brokers to serve their clients exceptionally.

Greg Phaneuf
Principal

Peter Scoville
Principal

Gary Hollenbeck
Principal