COLORADO SPRINGS OFFICE OVERVIEW   FOURTH QUARTER 2010

INDEPENDENTLY OWNED AND OPERATED

Executive Overview

The Colorado Spring's Class A office market is comprised of approximately 10 million square feet in three distinct submarkets; North I-25 Corridor, Central Business District and Airport Area. Since mid 2008, all three submarkets have experienced increasing vacancy rates, limited lease activity, negative absorption, and a continuing erosion of lease rates.

As of the 4th Quarter 2010, the overall vacancy of the Class-A market sits at 30.14%; this is compared with 30.38% for the same period last year. Not a huge change year-over-year, but down significantly from its high at the end of the first quarter 2010 of 33.46%. We may look back at 2010 and see it as the year the market bottomed out and the recovery began! In order for that to occur we must see an increase in lease activity and positive absorption.

For year end 2010 the overall market registered 101,285 square feet of positive absorption, compared with negative 156,170 for year-end 2009. With negative absorption occurring in both the first and second quarter of the year we saw a correlation between vacancy rates, which peaked at the end of the first quarter, and the negative absorption which was the cause. Correspondingly, the positive absorption we have begun to experience in the last two quarters of 2010 is reflected in our overall market vacancy rates which have begun to recede from their high in early 2010. Should the trend of positive absorption continue we should see vacancy rates decline, and that will have an effect on lease rates.

Lease rates continued to fall through 2010 and now average $12.91 NNN, down from $13.32 NNN for year-end 2009, and down substantially from year-end 2008 where they averaged $14.80 NNN. Lease rates tend to be lagging indicators of the overall health of the market. Evidence of this can be seen when we look at year end 2008 where average lease rates remained high, despite an increase in the vacancy rate to over 20% and an astounding 288,690 square feet of negative absorption. This negative absorption drove vacancy rates higher and with limited velocity for tenant's seeking space landlords competed by offering ever lower lease rates and other incentives, including rent abatement and moving allowances. Vacancy rates remain high, and we do not predict any substantial changes in lease rates for 2011. Should lease activity pick up, and absorption remain positive, vacancy rates will come down and ultimately we will see an increase in lease rates.

As we begin 2011 it appears the foundation of a recovery are in place. The CBD market is the healthiest having registered close to 26,000 square feet of positive absorption and with a vacancy rate below 13%. This market should actually see lease rates begin to rebound. The North I-25 market remains soft and despite some positive absorption there remains a substantial amount of vacancy offering plentiful options for both small and large users. This scenario is even more-true in the Airport submarket, where vacancy rates exceed 41%. With such a dearth of vacancy, and very little demand, we do not anticipate any substantial change. However the encouraging news for all three submarkets is the positive absorption, which is fueled by demand for space, and that's the first good news we've had to report in some time!

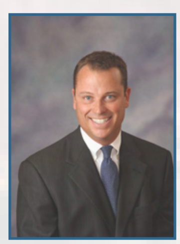
QUICK STATS – Class "A" Market

Vacancy: 30.14%
Lease Rates: $12.91 NNN
Net Absorption YTD: 101,285 square feet

2010 OFFICE MARKET OUTLOOK

Vacancy: →   Lease Rate: →

Net Absorption: ↗   Lease Activity: ↗



Greg Phaneuf
Principal

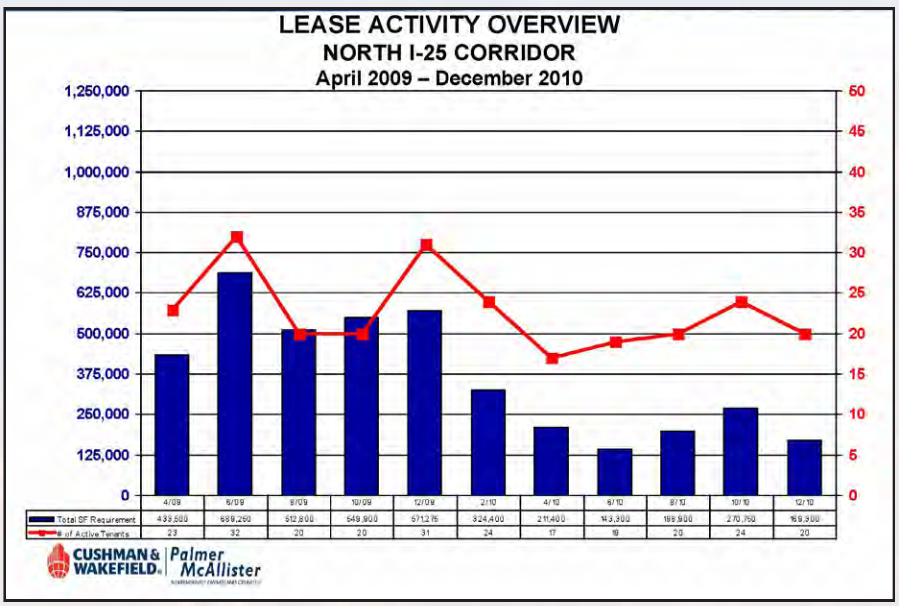
Peter Scoville
Principal

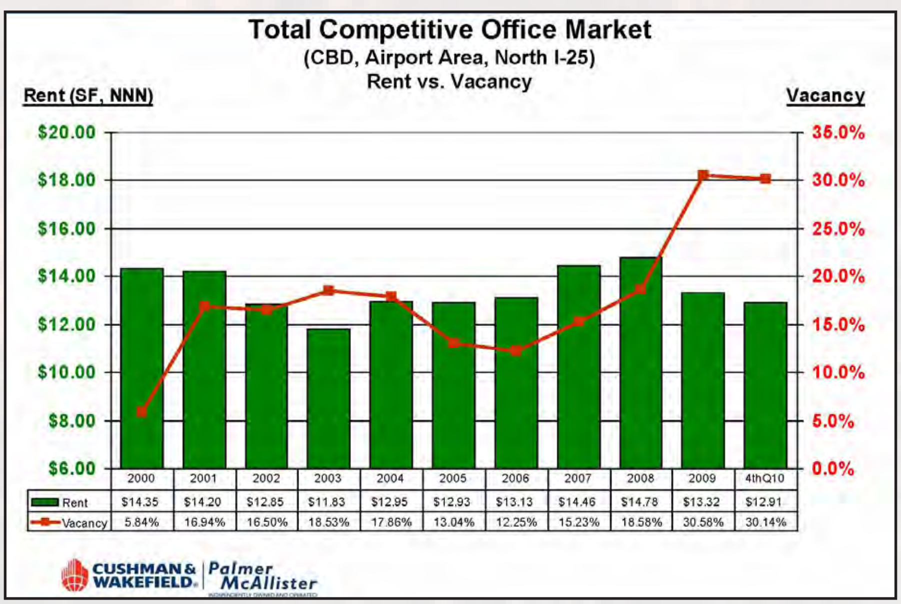
MARKET STATISTICS

COLORADO SPRINGS
CLASS-A OFFICE STATISTICS
YEAR END 2010

Office Submarket	Total Bldg. SF	Available SF	Sublease Space	Vacancy Rate	Absorption	Lease Rate	NNN Exp.
NORTH I-25 CORRIDOR:							
YEAR END 2010	6,631,353	2,095,463	100,448	31.60%	32,401	$11.70	$7.56
AIRPORT (SOUTHEAST) AREA:							
YEAR END 2010	1,551,490	685,306	0	41.17%	43,175	$12.41	$7.16
CENTRAL BUSINESS DISTRICT:							
YEAR END 2010	1,803,132	229,422	16,318	12.72%	25,709	$14.63	$8.28
TOTAL CLASS A MARKET							
TOTALS YEAR END 2010	9,985,975	3,010,191	116,766	30.14%	101,285	$12.91	$7.67

OVERALL - VACANCY RATE: 30.14%; AVAILABILITY RATE (includes sublease space): 31.31%





THE INSIDE TRACK

2010 Year End Review

With very few exceptions, the commercial real estate market in Colorado Springs in 2010 can be summarized by one word: Frustration. Building owners were frustrated at the declining value of their properties coupled with a decrease in lease rates. Tenants were frustrated they could not yet capitalize on a depressed market by “getting a steal” on lease rates/concessions. Many investors were unable to acquire assets at their mark-to-market pricing structures and lenders were frustrated at the lack of velocity in the market and their new lending requirements. The net result of all of this frustration is that there was a very limited amount of lease and sale transaction volume throughout the year.

In the three primary Class A/B office submarkets in Colorado Springs, there were a total of only 43 new lease transactions totaling 341,200 square feet (this takes into account a 65,000 square foot GSA lease and a 70,000 square foot lease to Everest College at the former Intel facility early in the year). Additionally, there were 44 lease renewal transactions ranging in size from 900 square feet to 87,000 square feet, totaling 437,100 square feet. This equates to total lease activity of approximately 778,000 square feet in a market that has over 3,000,000 square feet available of just under 10,000,000 square feet of total competitive product. Both lease activity and absorption (101,285 square feet total for year end 2010) are off approximately 30% to 40% from the “normalized” markets of 2005, 2006 and 2007.

While most of this information is of no surprise, it illustrates in numbers what the “feel” and environment has been. So what do we do with the information? None of us can create a market, but it remains our position that a detailed understanding of the market in all facets (tenant rep, investment sales, landlord rep, etc.) provides the best platform from which one can lead and react to the market. The bottom line in today’s challenging environment is that collaborative, aggressive and market sensitive organizations are the ones moving forward.

UNEMPLOYMENT RATE			
Colorado		Colorado Springs	
2009	2010	2009	2010
6.,9%	8.2%	8.2%	9.4%

SIGNIFICANT TRANSACTIONS

SIGNIFICANT SALE/LEASE TRANSACTIONS - 4TH Q 2010				
BUILDING NAME	ADDRESS	TENANT/BUYER	SQUARE FEET	LEASE/SALE
NORTH I-25				
NorthCare @ St. Francis	6071 East Woodmen Road	Healthcare Realty Trust	83,825	Sale / $19.5M
Lexington Center	7899 Lexington Drive	SESC	17,869	Lease
Interquest	9960 Federal Drive	DDN	2,000	Lease
ArrowsWest	4425 Arrowswest Drive	EDC/Grapevine	174,103	Sale /$2.9M
Powers Office Park	Powers Blvd & Briargate Pkwy	US Air Force	8,000	Lease
Corporate Pointe	1975 Research Parkway	Serena	4,000	Lease
CBD				
Wells Fargo Tower	90 South Cascade Avenue	Boecore	7,665	Lease
Alamo Corporate Center	102 South Tejon Street	Land Title	5,920	Lease

FEATURED PROPERTIES

Briargate Office
1755 Telstar Drive
22,737 SF For Lease (divisible)

Medical Pavilion at Briargate
4105-4125 Briargate Parkway
148,000 SF For Lease (divisible)

Briargate Tech
2375 Telstar & 8415 Explorer
79,072 SF For Lease (divisible)

Northpointe Atrium
6005 Delmonico Drive
10,944 SF For Lease (divisible)

Lexington Center
7899 Lexington Drive
37,599 SF For Lease (divisible)

Oracle
12320 Oracle Road
19,791 SF For Lease (divisible)