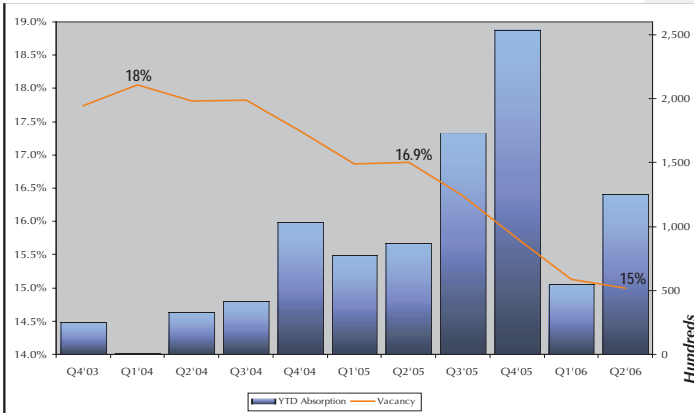


# OFFICE MARKET OVERVIEW

## DENVER METRO MARKET

Denver Metro area vacancy dropped by more than 1.3 million square feet in the first half of 2006, bringing the vacancy rate to 15%, down from the year end 2005 vacancy of 16.4%. Sublease vacancy has also declined by approximately 300,000 in 2006, to 1.5 million square feet overall. Job growth for the year is projected at 30,000-35,000 jobs, up from 26,000 in 2005.

DENVER METRO MARKET ABSORPTION/VACANCY COMPARISON



Net absorption for the second quarter of 2005 was approximately 725,000 s.f., an impressive increase from the prior quarter's 575,000 square feet. This marks the lowest vacancy rate in the Denver office market since 2001. The average gross rental rate during the second quarter was \$17.35/r.s.f., up slightly from last quarter's \$17.03/r.s.f. However average asking rates in the

Central Business District have risen to over \$20/rsf, with Class A rates topping \$20/rsf, as vacancies drop and market fundamentals continue to improve. Rental rates are expected to continue to climb throughout 2006, as rental concessions are reduced and as vacancies shrink.

Approximately 900,000 rsf of new projects are under construction in the Metro Area. The two largest, the EPA Building (292,000 rsf) and the Denver Newspaper Agency (280,100 rsf) are single user, build-to-suit projects. The Re/Max Tower project in the DTC area is approximately 229,000 rsf, which will also be owner occupied. Other than the proposed Signature Centre at Denver West (183,000 rsf), which is significantly pre-leased, no significant speculative development is occurring in the market.

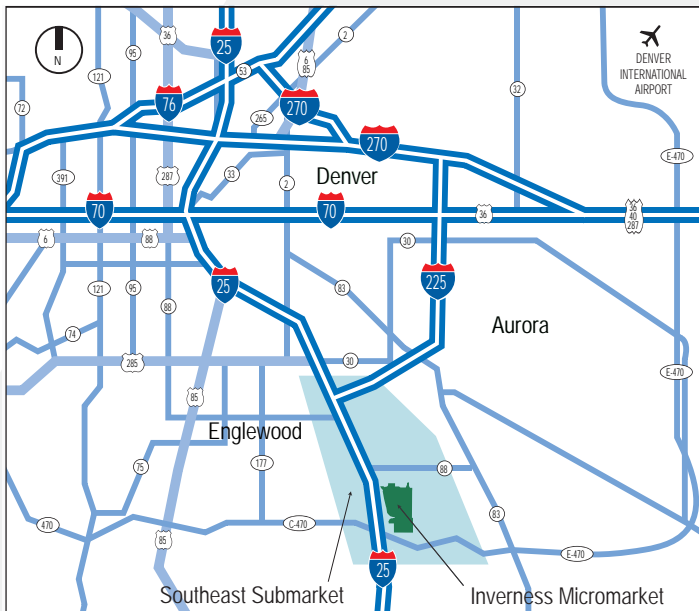
## SOUTHEAST SUBMARKET

The Southeast Submarket experienced the highest absorption in the Metro Area, with vacancies dropping by more than 400,000 square feet this quarter. The overall vacancy rate dropped to 18.0%, down from 20.1% at year end 2005. Sublease space also continued to decline.

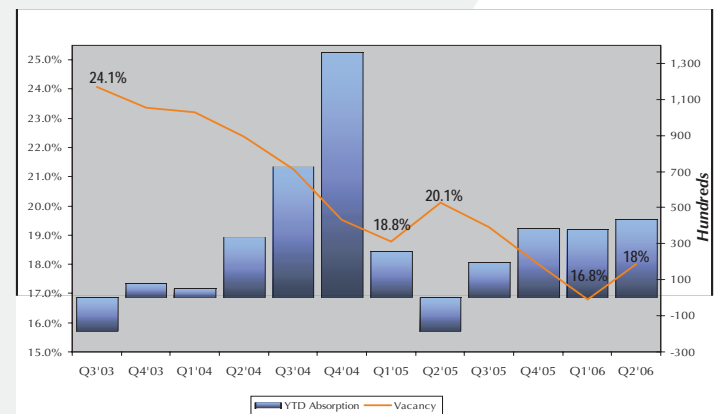
Average rental rates for the Southeast Submarket again improved, at \$17.53, up from \$16.45/r.s.f. at year-end 2005.

## INVERNESS BUSINESS PARK MICROMARKET

During the second quarter of 2006, the overall vacancy rate in the Inverness Business Park decreased by more than 2.8%, from 19.35% to 16.53%. Sublease vacancy in the Park increased slightly by 42,794 s.f. in the same time frame, accounting for .78% of the vacant space in



SOUTHEAST SUBMARKET ABSORPTION/VACANCY COMPARISON





### INVERNESS BUSINESS PARK THIRD QUARTER 2005 SUMMARY

#### OFFICE

Total Buildings	54	
Total Square Feet	2,283,765	
Total Vacant	559,031	23.45%
Total Sublease	23,084	0.97%
Total Available	582,115	24.42%
Quarterly Absorption	251,493	
YTD Absorption	212,023	

#### R&D

Total Buildings	36	
Total Square Feet	1,179,131	
Total Vacant	378,584	32.11%
Total Sublease	28,710	2.43%
Total Available	407,294	34.54%
Quarterly Absorption	2,798	
YTD Absorption	16,849	

#### SINGLE TENANT / OWNER OCCUPIED

Total Buildings	71	
Total Square Feet	3,062,727	
Total Vacant	106,055	3.46%
Total Sublease	0	0.00%
Total Available	106,055	3.46%
Quarterly Absorption	34,510	
YTD Absorption	(41,384)	

#### Total Inverness Business Park Summary (Office, R&D and Single Tenant/Owner Occupied)

Total Buildings	161	
Total Square Feet	6,625,623	
Total Vacant	1,043,670	15.75%
Total Sublease	51,794	0.78%
Total Available	1,095,464	16.53%
Quarterly Absorption	288,801	
YTD Absorption	187,488	

the Park. The Inverness Business Park currently has 1,095,464 s.f. of its 6.6 million square feet available for lease or sublease. Of the 1.09 million square feet vacant, multi-tenant office space accounts for 582,115 s.f., office/flex accounts for 407,294 square feet, and single-tenant/owner-occupied vacancies account for the remaining 106,055 s.f. The overall absorption in the Park during the quarter was 288,801 rsf. This was primarily due to the DirecTV lease signed at 161 Inverness Drive East, for 256,767 s.f.

The net absorption numbers for Inverness Business Park reflect an ever improving economy and a related increase in leasing activity. Overall occupancy in the multi-tenant properties improved, with over a 5% increase in office buildings, a 1.32% increase in office/flex properties. Without the reclassification this quarter of the DirecTV building to a single tenant leased property, the multi-tenant office occupancy actually improved almost 8%.

According to CoStar, the average rental rate in the second quarter was \$18.86/s.f. Rental rates within the submarket are expected to continue to move up through the remainder of 2006.

The only office construction project underway within the Park is Phase II of the Office Court on Inverness, a popular small-user condominium project that recently delivered seven new buildings totaling 45,000 s.f.

#### OUTLOOK

The Denver Metro area continues to show signs of an improving economy, as reflected in the broad recovery of the commercial real estate sector. Improving job growth is fueling demand for office space, but speculative development seems to be held in check, by significant increases in construction costs and rising interest rates. The southeast submarket has led all markets in net absorption, as it continues to offer tenants a broad variety of properties to choose from. As the Central Business District's rental rates rise, due to improving fundamentals, it will cause the other submarket rents to increase, as tenant's options for high quality, well located properties diminish.

Investment activity throughout the Denver area has been on record pace, with over \$1.3 Billion in sales recorded in the first half of the year. This volume is over 76% of the volume achieved in all of 2005 and is expected to surpass the prior year's activity, by a significant margin.

Recent significant sales transactions within the Inverness Business Park, completed since the beginning of the year, have included the sale of 198 Inverness Drive West (\$21M or \$129.75/rsf); 383-385 Inverness Drive South (\$15.5M or \$129.23/rsf) and 116 Inverness Drive East (\$27M or \$126/s.f.).



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