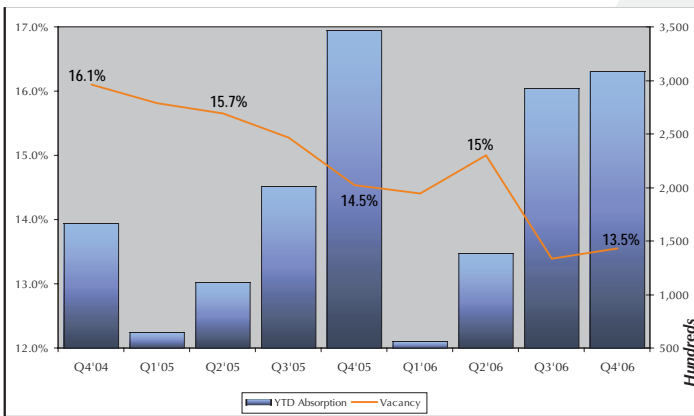


OFFICE MARKET OVERVIEW

DENVER METRO MARKET

Denver Metro area vacancy dropped from second quarter's 15% to a year-end 2006 vacancy rate of 13.5%. Sublease vacancy increased slightly from mid-year by approximately 50,000, to 1.5 million square feet overall. Job growth for the Denver area increased by 22,200 jobs over the 12 months ending in October 2006. The unemployment rate fell to 4.2% in October 2006, down from 4.5% one year earlier and below the national rate of 4.4%.

DENVER METRO MARKET ABSORPTION/VACANCY COMPARISON



Net absorption for the fourth quarter of 2006 was approximately 450,000 s.f., and Year-to-Date absorption for 2006 was just over 3 million square feet. This marks the lowest vacancy rate in the Denver office market since 2001 and the eleventh consecutive quarter of positive absorption. While all submarkets boasted positive

absorption at year end, the Downtown and Southeast Suburban Submarkets were the leaders in 2006, with absorption rates at near record levels.

Rental rates for the fourth quarter were an average of \$18.21/s.f., up from the mid-year rate of \$17.47/s.f. Four of Denver's submarkets saw increase of more than \$1.00/r.s.f. with average asking rates in the Central Business District rising to over \$22.00/r.s.f. for Class A properties. Rental rates are expected to continue this trend as vacancy rates drop and strong investor activity continues.

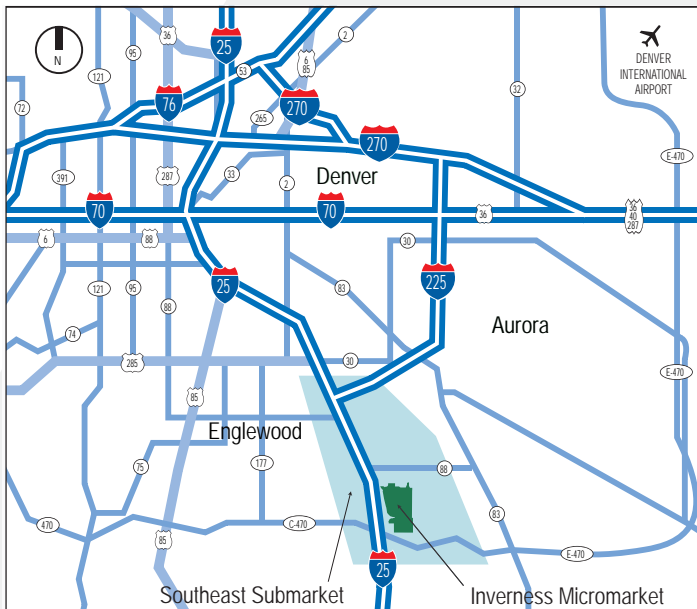
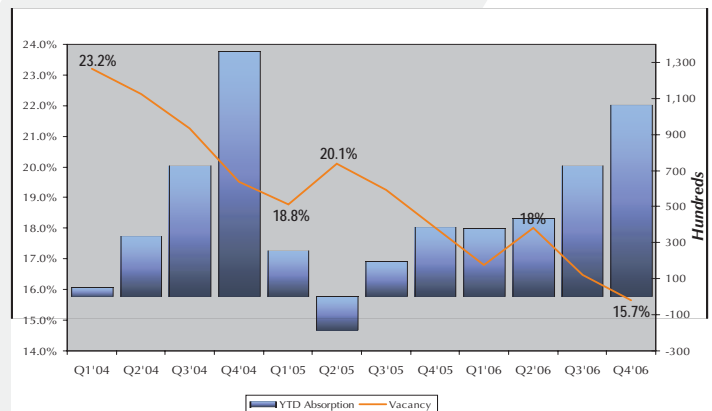
Approximately 900,000 rsf of new projects were under construction in the fourth quarter in the Metro Area. The EPA Building (292,000 rsf) is the largest project still under construction. Several speculative projects have been announced for 2007, with five being centered in downtown Denver. Multiple projects are planned along the Interstate 25 corridor, including a number of mixed use projects that have a significant office component, as well as multi-family and retail uses. Most of these projects are centered around the recently opened Southeast Light Rail transit system and related stops.

SOUTHEAST SUBMARKET

The Southeast Suburban Submarket experienced the highest absorption in the Metro Area year-to-date, with vacancies dropping by more than 1 million square feet. The overall vacancy rate dropped from 18.0% at mid-year to 16.7% at year-end 2006. Sublease space also continued its steady decline from a high in Q'3 2004 to its current 500,000 s.f.

Average rental rates for the Southeast Suburban Submarket again increased, at \$19.04, up significantly from \$17.72/r.s.f. at mid-year 2006.

SOUTHEAST SUBMARKET ABSORPTION/VACANCY COMPARISON





INVERNESS BUSINESS PARK FOURTH QUARTER 2006 SUMMARY

OFFICE			
Total Buildings	54		
Total Square Feet	2,351,514		
Total Vacant	426,676	18.14%	
Total Sublease	29,044	1.24%	
Total Available	455,720	19.38%	
Quarterly Absorption	(22,450)		
YTD Absorption	338,418		
R&D			
Total Buildings	36		
Total Square Feet	1,333,195		
Total Vacant	353,569	26.52%	
Total Sublease	-	- %	
Total Available	353,569	26.52%	
Quarterly Absorption	30,333		
YTD Absorption	70,574		
SINGLE TENANT / OWNER OCCUPIED			
Total Buildings	53		
Total Square Feet	2,968,590		
Total Vacant	64,689	2.18%	
Total Sublease	-	- %	
Total Available	64,689	2.18%	
Quarterly Absorption	41,413		
YTD Absorption	(18)		
Total Inverness Business Park Summary (Office, R&D and Single Tenant/Owner Occupied)			
Total Buildings	143		
Total Square Feet	6,653,299		
Total Vacant	844,934	12.70%	
Total Sublease	29,044	0.44%	
Total Available	873,978	13.14%	
Quarterly Absorption	49,396		
YTD Absorption	408,974		

INVERNESS BUSINESS PARK MICROMARKET

2006 net absorption in Inverness was over 400,000 s.f., reflecting an improving economy and related increases in leasing activity. Though the overall vacancy in the Park was up slightly in the fourth quarter of 2006, due to the addition of a 42,000 s.f. partially leased building (155 Inverness) that was formerly classified as a single-tenant, owner occupied building. Office sublease vacancy in the Park increased slightly by 15,000 s.f. in the same quarter, accounting for 1.24% of the overall vacancy in the Park.

The Inverness Business Park currently has 873,978 s.f. of its 6.6 million square feet available for lease or sublease. Multi-tenant office space accounts for 455,720 s.f., office/flex and industrial accounts for 353,569 square feet, and single-tenant/owner-occupied vacancies account for the remaining 64,689 s.f. The overall absorption in the Park during the 4th quarter was 49,396 r.s.f. According to CoStar, the average rental rate in the fourth quarter was \$19.91/s.f., up from \$18.96/r.s.f. at the beginning of 2006. Rental rates within the submarket are expected to continue to increase throughout 2007.

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

OUTLOOK

The outlook for Denver for 2007 continues to be positive as office vacancies drop and as out of state investors continue to acquire properties that are perceived to be available at bargain prices, compared to other primary markets within the US. Upside potential, combined with prices well below replacement costs will continue to drive demand for high quality, multi-tenant office properties. Increased leasing demand, driven by organic growth in the energy sector businesses, as well as by an improving economy will continue to put upward pressure on rental rates. Increasing rents will also help buyers rationalize aggressive buying tendencies in a compressed capitalization rate environment and very competitive acquisition marketplace.

Job growth is expected to match '06 levels and the unemployment levels are expected to remain constant, but outpace the national average. Some concerns about a slow down in the national economy may begin to affect Denver's economic outlook. However, Colorado is poised to experience the fourth fastest population growth in 2007, as job seekers, retirees and businesses continue to be attracted by its overall quality of life and cost of living advantages. Investors will continue to flock to Denver, seeking buying opportunities in all classes of commercial real estate, as the market perceives this area as offering solid opportunities for short term value appreciation, at below replacement costs prices.



INVERNESS PROPERTIES, LLC

2 INVERNESS DRIVE EAST, SUITE 200
ENGLEWOOD, COLORADO 80112
303.799.9500

PETER COAKLEY 720.274.8359
SCOTT BEASLEY 720.274.8368
CHARLIE DAVIS 720.274.8394
BILL WOODWARD 720.274.8313



OFFICE MARKET OVERVIEW

RECENT SALES TRANSACTIONS

Sales transactions within Inverness in 2006 included the following sample buildings and sites.

BUILDING SALES

Name/Address	Total RSF	YOC	Sales Date	Sales Price	Price/RSF	Occupancy at Sale	Comments
1. 98 Inverness Drive East Englewood, CO 80112	37,569	1981	12/19/06	\$4,000,000	\$106.79	100%	Class B multi-tenant property.
2. 116 Inverness Drive East Englewood, CO 80112	213,534	1982	7/27/06	\$27,012,000	\$126.49	60%	Purchased by Legacy Partners and has recently been renovated.

LAND SALES

Buyer/Address	Acres	Use	Sales Date	Price/SF	Comments	Occupancy at Sale	Comments
1. OPUS Northwest 349 Inverness Drive South	5.49	Speculative Office	12/22/06	\$4.28	Spec office development planned.	100%	Class B multi-tenant property.
2. Century Communities 300 Inverness Way South	4.47	Multi-Family Condos	12/8/06	\$7.50	Planning Avalon at Inverness, a condominium project.	60%	Purchased by Legacy Partners and has recently been renovated.
3. Metropolitan Homes Inverness Drive West	23.4	Multi-Family Condos	9/15/06	\$11.00	Multi-family development planned, similar to the 400+ units currently under construction.		
4. Metropolitan Homes Inverness Drive West	9.04	Multi-Family Condos	6/15/06	\$9.15	Condo units under construction for 400+ units.		

