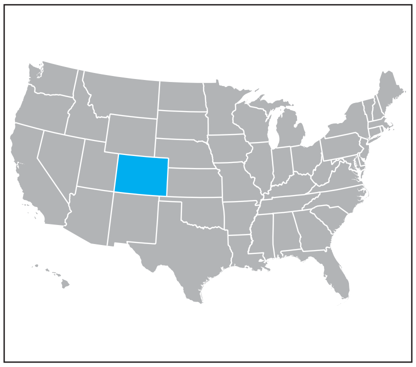
DENVER METRO AREA

MARKET REPORT



Office Demand Remains Positive

MARKET OVERVIEW

Optimism continues to resonate throughout the Denver office market, supported by nine consecutive quarters of occupancy gains. The healthy demand, along with limited new supply, has compressed the overall vacancy rate to 14.6 percent—the lowest that the office market has experienced in nearly three years. This positive demand, paired with the lack of new deliveries, has pressured asking rates upward throughout class A spaces; while rates remain relatively flat across class B and C spaces. These positive indicators encourage the optimistic outlook, as the Denver office market continues to push through the recovery stage of the real estate cycle.

This quarter's occupancy gains of 342,954 square feet compressed the overall vacancy rate to 14.6 percent, down from last quarter's 14.8 percent. Overall, full-service asking rates increased from $19.83 per square foot to $19.88 per square foot since the previous three-month period. Although down from the 2010 quarterly average of 2.85 million square feet, leasing activity remained steady from last quarter at 1.89 million square feet. There was one building delivered to the market, adding 30,067 square feet to total inventory.

ECONOMIC OVERVIEW

The announcement of Arrow Electronics' corporate relocation from New York to the Denver metro area reinforces the positive outlook for the local economy. Over the next five years, the company is expected to bring 1,250 new jobs to Colorado. This relocation, along with the 2010 announcement of DaVita's relocation from California to downtown Denver, should benefit the already declining unemployment rate in metro Denver. Increases in net employment gains will support the reduction of the current vacant inventory and bring speculative development back into the market. Strengthening market fundamentals have led to the first speculative office development within the Denver market in several quarters. Hines has begun construction on its 185,000 square foot class A multi-tenant office building in the Broomfield submarket—an encouraging display of confidence in a near-term market recovery.

MARKET INDICATORS*

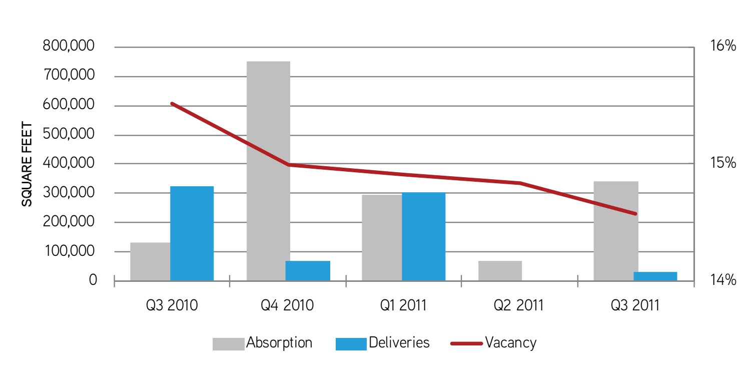
	Q3 2011	Projected Q4 2011
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↑	↓
RENTAL RATE	↑	↔

**Arrows compare current quarter to the previous quarter's historically adjusted figures.*

SUMMARY STATISTICS

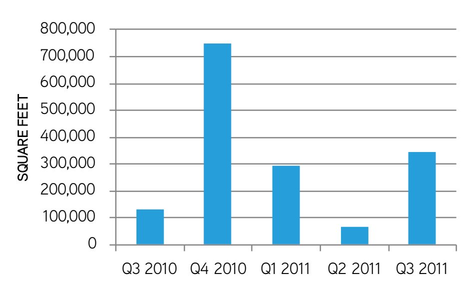
	Q3 2010	Q3 2011
VACANCY RATE	15.5%	14.6%
ABSORPTION YTD	939,911 SF	705,606 SF
DELIVERIES YTD	1,029,633 SF	334,883 SF
UNDER CONSTRUCTION	857,758 SF	455,000 SF
ASKING RENTS (FS)	$19.86/SF	$19.88/SF

DENVER OFFICE MARKET Q3 2010 - Q3 2011

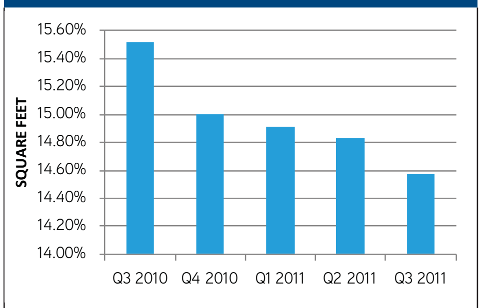


Occupancy gains have been tallied for the past nine consecutive quarters, which has driven the market out of the late-2009 trough.

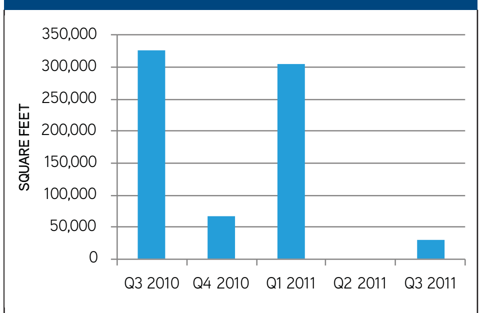
ABSORPTION



VACANCY



DELIVERIES



ABSORPTION

Net absorption throughout the Denver office market amounted to a positive 342,954 square feet in the third quarter of 2011 and accounted for approximately half of the year-to date's 705,606 square feet of space taken down. The 342,954 square feet of demand is the highest quarterly occupancy gain since fourth quarter of 2010. It was a large improvement over the second quarter's relatively compressed absorption of 67,849 square feet. Class A office space experienced the weakest demand this quarter, posting a negative 218,452 square feet. Occupancy gains were realized for class B spaces, tallying a positive 530,031 square feet—while class C space absorption netted to a positive 31,375 square feet.

VACANCY

The overall vacancy rate continues to trend downward, closing out the third quarter at 14.6 percent—which is down from the previous quarter's 14.8 percent. Class B space posted the largest occupancy gains relative to its market share and posted a reduced vacancy rate of 16.3 percent—down from the previous three-month period's rate of 17 percent. The vacancy rate for class A space increased from 12.7 percent to 13.1 percent, while class C office space decreased 20 basis points from 10.5 percent to 10.3 percent.

DELIVERIES & CONSTRUCTION

Garrison Station, a 30,067 square foot two-story office building in the West submarket, was the sole third quarter delivery. The class B property is a transit-oriented-development and was delivered 42 percent preleased. Year-to-date deliveries have totaled 286,029 square feet, with 455,000 square feet currently under construction. Ground was recently broken on the first speculative office building the market has seen in several quarters; located in the Broomfield submarket, the class A office building will total 185,000 square feet throughout four stories. The property, named Eos at Interlocken, will be LEED gold certified. So far, it is three percent preleased and is expected to be delivered in the fourth quarter of 2012. Also of note is the 270,000 square foot DaVita headquarters at 2000 16th Street in downtown Denver, expected to be completed in the third quarter of 2012.

RENTAL RATES

The average asking rental rate in the third quarter of 2011 was the highest seen throughout the past year at $19.88 per square foot, full service. In the previous quarter, overall rental rates averaged a slightly lower $19.83 per square foot. Class A rates rose this quarter to $23.81 per square foot, in comparison to the $23.61 per square foot during the second quarter of this year. Conversely, class B asking rates decreased slightly from $17.73 per square foot to $17.71 per square. Class C rates also saw a decrease, averaging $13.46 per square foot—down from the previous quarter's $13.51 per square foot average. Indicators are pointing towards relatively flat rental rates for the remainder of 2011, with consistent increases becoming apparent next year. *Continued on page 4*

RECENT TRANSACTIONS

SALES ACTIVITY

PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	PRICE/SF	BUYER	SELLER
4500 Cherry Creek Drive South	CO Blvd./Glendale	$13,000,000	238,357	$104.45	DPC/The ROC Fund	SITQ Immobilier
Orchard Pointe- 8480 E. Orchard Road	Southeast	$13,570,000	113,353	$119.71	TA Associates Realty	Means-Knaus Partners, LP
63 Inverness Drive East	Southeast	$2,699,000	31,600	$85.41	Tod Maleckar	American Humane Association

LEASING ACTIVITY

PROPERTY	SUBMARKET	LEASED SF	BUILDING CLASS	COMPANY
Republic Plaza	CBD	64,276	A	Wheeler Trigg
Colorado Center- Tower II	CO Blvd./I-25	51,139	A	Willis Insurance
Johns Manville Plaza	CBD	49,505	A	Service Source

OFFICE OVERVIEW

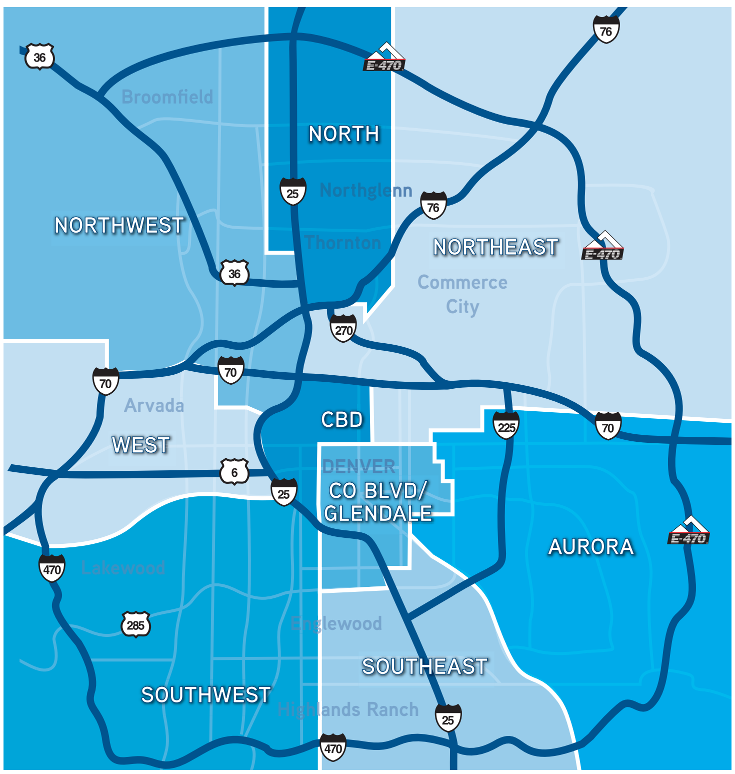
EXISTING PROPERTIES			VACANCY				ACTIVITY	ABSORPTION		CONSTRUCTION			RENTS
SUBMARKET /CLASS	BLDGS.	TOTAL INVENTORY SF	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR.	LEASING ACTIVITY SF	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	DELIVERIES CURRENT QTR. SF	DELIVERIES YTD SF	UNDER CONSTRUCTION SF	AVG. RENTAL RATE (FS)
DOWNTOWN													
CENTRAL BUSINESS DISTRICT													
A	44	20,569,013	11.9%	1.1%	13.0%	12.0%	459,345	(209,939)	(87,072)	-	-	270,000	$27.79
B	148	10,820,178	15.7%	0.2%	15.9%	17.6%	178,464	182,464	15,681	-	-	-	$20.98
C	35	1,416,255	2.8%	0.0%	2.8%	2.8%	2,200	670	2,619	-	-	-	$18.27
Total	227	32,805,446	12.8%	0.8%	13.5%	13.5%	640,009	(26,805)	(68,772)	-	-	270,000	$25.24
SUBURBAN													
AURORA													
A	12	1,824,412	14.5%	0.4%	14.8%	15.1%	5,256	5,256	252,250	-	168,029	-	$16.26
B	108	5,041,357	14.8%	0.9%	15.7%	15.9%	35,487	8,618	56,671	-	-	-	$16.19
C	37	903,870	14.0%	0.3%	14.3%	14.7%	500	4,290	5,038	-	-	-	$10.39
Total	157	7,769,639	14.6%	0.7%	15.3%	15.6%	41,243	18,164	313,959	-	168,029	-	$15.60
BROOMFIELD													
A	18	2,865,516	12.3%	1.7%	13.9%	14.3%	9,834	10,263	(26,044)	-	-	185,000	$27.77
B	44	2,832,645	11.3%	2.1%	13.4%	13.4%	69,664	(826)	2,803	-	18,787	-	$20.68
C	3	48,973	0.0%	0.0%	0.0%	0.0%	0	0	0	-	-	-	
Total	65	5,747,134	11.7%	1.9%	13.6%	13.7%	79,498	9,437	(23,241)	-	18,787	185,000	$24.80
COLORADO BOULEVARD/GLENDALE													
A	20	3,064,933	18.2%	0.0%	18.2%	13.6%	140,590	(139,531)	(132,586)	-	-	-	$20.07
B	138	7,365,918	16.6%	0.1%	16.7%	16.6%	65,806	(6,945)	81,510		-	-	$17.03
C	70	1,413,046	10.1%	0.0%	10.1%	8.9%	3,464	(16,763)	(33,345)	-	-	-	$15.26
Total	228	11,843,897	16.2%	0.1%	16.3%	14.9%	209,860	(163,239)	(84,421)	-	-	-	$17.73
NORTH/NORTHEAST													
A	9	778,237	16.4%	0.4%	16.8%	17.4%	5,478	4,500	15,135	-	-	-	$20.96
B	121	5,107,612	13.6%	0.7%	14.3%	14.3%	28,808	1,532	(20,584)	-	-	-	$17.71
C	40	935,288	8.4%	0.0%	8.4%	11.2%	4,260	26,350	21,553	-	-	-	$15.48
Total	170	6,821,137	13.2%	0.5%	13.8%	14.2%	38,546	32,382	16,104	-	-	-	$17.88
NORTHWEST													
A	19	2,015,265	14.2%	1.5%	15.7%	15.1%	23,459	(10,514)	62,160	-	-	-	$22.53
B	160	4,876,882	11.5%	0.3%	11.8%	12.8%	44,846	46,673	66,093	-	-	-	$17.87
C	56	1,091,518	11.9%	0.3%	12.1%	12.7%	13,260	6,135	12,167	-	-	-	$13.44
Total	235	7,983,665	12.2%	0.6%	12.8%	13.3%	81,565	42,294	140,420	-	-	-	$18.93
SOUTHEAST													
A	129	20,272,474	12.3%	0.5%	12.8%	13.5%	376,334	146,393	366,636	-	-	-	$21.42
B	420	21,048,743	18.7%	0.4%	19.1%	20.2%	288,903	227,537	79,862	-	-	-	$16.75
C	78	1,619,664	13.6%	0.0%	13.6%	14.2%	10,624	8,426	(36,569)	-	-	-	$12.41
Total	627	42,940,881	15.5%	0.4%	15.9%	16.8%	675,861	382,356	409,929	-	-	-	$18.69
SOUTHWEST													
A	4	975,570	4.8%	1.7%	6.4%	5.2%	0	(11,890)	(11,587)	-	-	-	$23.83
B	160	5,862,817	15.7%	0.0%	15.7%	15.9%	36,120	14,139	12,629	-	-	-	$16.73
C	66	1,377,972	10.2%	0.0%	10.2%	9.4%	5,365	(11,502)	(80,766)	-	-	-	$12.56
Total	230	8,216,359	13.5%	0.2%	13.7%	13.6%	41,485	(9,253)	(79,724)	-	-	-	$16.54
WEST													
A	14	1,674,622	5.8%	0.4%	6.1%	5.3%	1,900	(12,990)	139,166	-	118,000	-	$20.91
B	204	8,551,668	14.5%	0.4%	15.0%	15.3%	81,491	56,839	(54,742)	30,067	30,067	-	$18.28
C	89	1,586,619	10.9%	0.0%	10.9%	11.8%	2,345	13,769	(3,072)	-	-	-	$13.62
Total	307	11,812,909	12.8%	0.4%	13.2%	13.4%	85,736	57,618	81,352	30,067	148,067	-	$18.01
SUBURBAN TOTAL													
A	225	33,471,029	12.6%	0.6%	13.2%	13.2%	562,851	(8,513)	665,130	-	286,029	185,000	$22.13
B	1,355	60,687,642	15.9%	16.4%	16.4%	16.9%	651,125	347,567	224,242	30,067	48,854	-	$17.48
C	439	8,976,950	11.3%	11.3%	11.3%	11.7%	39,818	30,705	(114,994)	-	-	-	$13.41
Total	2,019	103,135,621	14.4%	0.5%	14.9%	15.2%	1,253,794	369,759	774,378	30,067	334,883	185,000	$18.75
DENVER MARKET GRAND TOTAL													
A	269	54,040,042	12.3%	0.8%	13.1%	12.7%	1,022,196	(218,452)	578,058	-	286,029	455,000	$23.81
B	1,503	71,507,820	15.9%	0.4%	16.3%	17.0%	829,589	530,031	239,923	30,067	48,854	-	$17.71
C	474	10,393,205	10.1%	0.1%	10.2%	10.5%	42,018	31,375	(112,375)	-	-	-	$13.46
Total	2,246	135,941,067	14.0%	0.6%	14.6%	14.8%	1,893,803	342,954	705,606	30,067	334,883	455,000	$19.88
QUARTERLY COMPARISON													
Q3 11	2,246	135,941,067	14.0%	0.6%	14.6%	14.8%	1,893,803	342,954	705,606	30,067	334,883	455,000	$19.88
Q2 11	2,245	135,904,857	14.3%	0.6%	14.8%	14.9%	1,842,355	67,849	362,652	-	304,816	485,067	$19.83
Q1 11	2,246	135,942,138	14.2%	0.7%	14.9%	15.0%	2,448,336	294,803	294,803	304,816	304,816	485,067	$19.80
Q4 10	2,244	135,737,229	14.2%	0.8%	15.0%	15.5%	3,044,976	750,911	1,690,822	67,875	1,097,508	789,883	$19.64
Q3 10	2,242	135,682,354	14.7%	0.9%	15.5%	15.4%	2,906,762	133,478	939,911	325,940	1,029,633	857,758	$19.86

Data includes buildings with over 10,000 SF RBA not including those where medical or government users are the primary owner and occupier. The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability. As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.

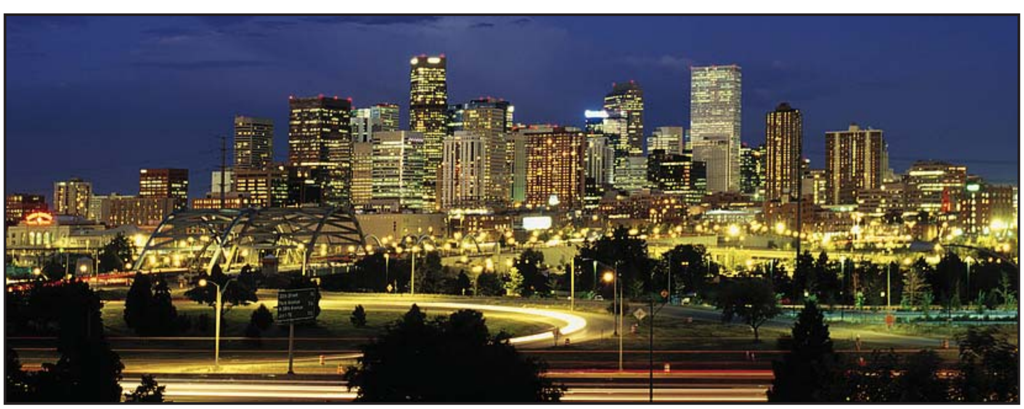
SALES ACTIVITY

The sale of Cherry Creek Corporate Center highlighted the third quarter's sales activity. Located in the Colorado Boulevard/Glendale Submarket, the four-property Class B portfolio consisted of 594,044 square feet and sold for approximately $62 million at $104.45 per square foot. DPC/The ROC Fund purchased the portfolio from SITQ Immobiler, of Quebec. The largest building in the portfolio, 4500 Cherry Creek Drive South, sold for an allocated $13 million dollars at $54.54 per square foot. At 60 percent occupied, 4500 Cherry Creek Drive South was the only building in the portfolio that was not fully leased. Another notable transaction involved the sale of Orchard Pointe, which sold for approximately $13.5 million at nearly $120 per square foot. The 113,353 square foot class B office building is located in the Southeast submarket and was purchased by TA Associates Realty from Means-Knaus Partners, LP.

Over the previous twelve months, the Denver Metro office market has experienced $1.11 billion in sales volume with an average transaction price of $164 per square foot. During the same period, there have been 40 properties sold, not counting sales less than five million dollars, with an average cap rate of 7.5 percent. While sales activity slowed slightly in the third quarter, partially due to national economic instability surrounding the US credit downgrade and the debt crisis, Denver is expected to continue moving forward with strong sales activity.



The Denver office market consists of approximately 136 million square feet of inventory throughout ten submarkets. The Central Business District and Southeast submarkets account for over half of the total inventory; while the Aurora, Broomfield, Colorado Boulevard/ Glendale, North, Northeast, Northwest, Southeast, Southwest and West submarkets comprise the remaining inventory.



512 offices in 61 countries on 6 continents

United States: 125
Canada: 38
Latin America: 18
Asia Pacific: 214
EMEA: 117

- $1.5 billion in annual revenue
- 979 million square feet under management
- Over 12,000 professionals

COLLIERS INTERNATIONAL DENVER OFFICE:

4643 South Ulster Street | Suite 1000
Denver, CO 80237
TEL +1 303 745 5800
FAX +1 303 745 5888

RESEARCHERS:

Tim Trauth, Senior Research Analyst
TEL +1 303 283 4590
FAX +1 303 309 6859
tim.trauth@colliers.com

Matthew Sanger, Research Analyst
TEL +1 720 833 4602
FAX +1 720 833 4603
matt.sanger@colliers.com

This report and other research materials may be found on our website at www.colliers.com/denver

Accelerating success.