Presented by:
Kevin Thomas
Senior Vice President
Frederick Ross Company
January 2003
Housing...Bust or Rust?
House Price Index:
YOY Quarterly Home Appreciation

Source: OFHEO
30 Year Mortgage Rates and Denver Job Growth

Source: Federal Reserve, BLS, Ross Research
Relative Business Cost by State

Source: Economy.com, Ross Research
Denver versus U.S.
Employment Growth
Year-Over-Year Percentage Growth by Quarter

Source: BLS, Ross Research
Percent Change in Employment - Denver MSA
November 02 over November 01

Source: BLS, Ross Research
Comparative Investment Performance
Various Asset Classes

- Lehman Gov't/Corp Bond Index
- NCREIF Property Index
- S&P 500 Index
- NAREIT Price Index

Source: NCREIF; JP Morgan; Lehman; Chase Securities
Investment Sale Volumes
Dollar Volume by Various Product Classes

Source: CoStar Group, Ross Research
10 Year Treasury Yields
Average 1980 - 2002

Historic Office Cap Rates

Source: NCREIF, Federal Reserve, Ross Research
National Office Market Balance

Source: Oncor, Ross Research
North American Office Market
1999 to 2001 - Change in Vacancy Rates

Source: Oncor, Ross Research
Tenant Hangover
Job Creation (demand) Vs.
New Office Construction (supply)

Source: Ross Research Services
Copyright 2002, Frederick Ross Company

Source: BLS, Oncor, Ross Research
Historical Sublease - Addition to Denver Metro Market

NEW SUBLEASE SPACE
(12 mo avg is 259,754 RSF)
(6 mo avg is 144,092 RSF)

Source: Ross Research
### Central Business District

<table>
<thead>
<tr>
<th></th>
<th>YE01</th>
<th>YE02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Rate</td>
<td>11.80%</td>
<td>16.70%</td>
</tr>
<tr>
<td>SF Vacant</td>
<td>2.7 Million</td>
<td>3.87 Million</td>
</tr>
<tr>
<td>Absorption</td>
<td>(1,300,000)</td>
<td>(1,100,000)</td>
</tr>
<tr>
<td>5 YR Avg. Absorption</td>
<td>534,000</td>
<td></td>
</tr>
<tr>
<td>New Construction U/C</td>
<td>285,000</td>
<td>285,000</td>
</tr>
<tr>
<td>Class A Rates</td>
<td>$26-$30</td>
<td>$22-$30</td>
</tr>
<tr>
<td>Sublease</td>
<td>1,200,000</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

Source: CoStar, Ross Research
## Northwest/Boulder Corridor

<table>
<thead>
<tr>
<th></th>
<th>YE01</th>
<th>YE02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Rate</td>
<td>35.2%</td>
<td>34.7%</td>
</tr>
<tr>
<td>SF Vacant</td>
<td>3.2 Million</td>
<td>3.5 Million</td>
</tr>
<tr>
<td>Absorption</td>
<td>60,000</td>
<td>85,000</td>
</tr>
<tr>
<td>5 YR Avg. Absorption</td>
<td>400,000</td>
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<tr>
<td>New Construction U/C</td>
<td>330,000</td>
<td>70,000</td>
</tr>
<tr>
<td>Class A Rates</td>
<td>$20-$24</td>
<td>$18-$24</td>
</tr>
<tr>
<td>Sublease</td>
<td>1,000,000</td>
<td>600,000</td>
</tr>
</tbody>
</table>

Source: CoStar, Ross Research
Southeast Suburban

<table>
<thead>
<tr>
<th></th>
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<th>YE02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Rate</td>
<td>23.4%</td>
<td>27.6%</td>
</tr>
<tr>
<td>SF Vacant</td>
<td>6.3 Million</td>
<td>7.7 Million</td>
</tr>
<tr>
<td>Absorption</td>
<td>(2,100,000)</td>
<td>(500,000)</td>
</tr>
<tr>
<td>5 YR Avg. Absorption</td>
<td>900,000</td>
<td></td>
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<tr>
<td>New Construction U/C</td>
<td>220,000</td>
<td>116,000</td>
</tr>
<tr>
<td>Class A Rates</td>
<td>$23-$28</td>
<td>$20-$26</td>
</tr>
<tr>
<td>Sublease</td>
<td>1,200,000</td>
<td>1,500,000</td>
</tr>
</tbody>
</table>

Source: CoStar, Ross Research
## Total Office Market

<table>
<thead>
<tr>
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<th>YE01</th>
<th>YE02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Rate</td>
<td>19.29%</td>
<td>22.80%</td>
</tr>
<tr>
<td>SF Vacant</td>
<td>15.8 Million</td>
<td>19.2 Million</td>
</tr>
<tr>
<td>Sublease</td>
<td>4 Million</td>
<td>3.7 Million</td>
</tr>
<tr>
<td>New Construction U/C</td>
<td>1.6 Million</td>
<td>720,0000</td>
</tr>
<tr>
<td>Absorption</td>
<td>(4.1 Million)</td>
<td>(1.9 Million)</td>
</tr>
<tr>
<td></td>
<td>8.4 million sf</td>
<td></td>
</tr>
<tr>
<td>2000 (Boom) Absorption</td>
<td>3.5 Million</td>
<td>3.0 Yrs</td>
</tr>
<tr>
<td>5 YR Median Absorption</td>
<td>2.4 Million</td>
<td>4.5 Yrs</td>
</tr>
</tbody>
</table>

Source: CoStar, Ross Research
Denver Market Balance: Retail

Projection 8.8%

Source: Ross Research.
Denver Market Balance: Industrial

Source: Ross Research.
Denver Market Balance: Office

Source: Ross Research.
Strong Earnings
High Production
High Consumption
High Job Growth
High Wages
Real Estate “Expands” (Development)

Fed Raises Interest Rates to Cool Economy and Curb Inflation

Earnings Decline
Investment Stalls
Layoffs Emerge
Consumption Declines
Real Estate “Contracts” (Sublet)

Profitability Emerges
Confidence Returns
Investment Returns
Consumption Grows
Real Estate “Emerges” (Absorption and Investment)

P&L’s Stabilize
Capacity and Demand Balance
Real Estate = “Efficiency” (Densification/Class Moves)

Earnings Negative
Job Losses Peak
Cost Cutting is King
Real Estate is “Cut” (Disposition)

Source: Ross Research.
Questions & Answers