Top Markets 2008

1. Seattle
2. New York
3. Washington, DC
4. Los Angeles
5. San Francisco
6. Boston
7. San Diego
8. **Denver**
9. Phoenix
10. Houston

Top U.S. Office Property Buy Recommendations

- Seattle
- Los Angeles
- **Denver**
- San Francisco
- Boston

*Emerging Trends in Real Estate® 2008. ULI—the Urban Land Institute and PricewaterhouseCoopers LLP.*
Denver Office Vacancy vs. Lease Rate

DENVER OFFICE MARKET
Vacancy vs. Lease Rate

- Vacancy: 12.9%
- Lease Rate: $20.93

2Q07: 13.4%
3Q07: 13.4%
4Q07: 13.4%
1Q08: 13.4%
2Q08: 13.4%

$13
$14
$15
$16
$17
$18
$19
$20
$21
$22
## Changes In The Market

### $100,000,000 Deal

<table>
<thead>
<tr>
<th>2006</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> 10% Equity</td>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> 40% Equity</td>
</tr>
<tr>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> 90% loan at 5% IO, 10 yrs.</td>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> 60% loan at 6.5% IO, 2 yrs.</td>
</tr>
<tr>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> $5,000,000 NOI</td>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> $5,000,000 NOI</td>
</tr>
<tr>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> $4,500,000 DS</td>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> $3,315,000 DS</td>
</tr>
<tr>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> $500,000 Net Cash</td>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> $1,685,000 Net Cash</td>
</tr>
<tr>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> 5% Return on Equity – Year 1</td>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> 5% Return on Equity</td>
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<tr>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> $85,000,000</td>
<td><img src="https://via.placeholder.com/150" alt="Decision Support" /> $85,000,000</td>
</tr>
</tbody>
</table>

**Cap Rate Increase: 88 bps**  
**Change in Value: 15%**
High Profile Sales

There is a flight to quality: “The only thing that's trading is the good assets,” says Dan Fasulo, managing director at Real Capital Analytics.
### National Office Lease Rates

**Office Blues:** Companies rented less office space in the second quarter, causing rents to grow more slowly, or even drop, in some cities.

**Quarterly U.S. Office Vacancy Rate**

- **Effective Office Rents; Change from Previous Quarter**
  - **Houston:** 2.7%
  - **Denver:** 2.4%
  - **U.S. Average:** 0.7%
  - **New York:** 0.7%
  - **Chicago:** 0.4%
  - **San Diego:** 0.3%
  - **Orlando, Fla.:** -0.1%
  - **Orange County, Calif.:** -0.3%
  - **Long Island, N.Y.:** -0.3%
  - **Las Vegas:** -0.9%
  - **Phoenix:** -1.1%

**Source:** Reis
## Cap Rate Conversion

<table>
<thead>
<tr>
<th></th>
<th>Static Cap Rate</th>
<th>Price/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature Centre</td>
<td>5.64%</td>
<td>$200.00</td>
</tr>
<tr>
<td>Tamarac Plaza</td>
<td>5.54%</td>
<td>$115.00</td>
</tr>
<tr>
<td>44 Cook &amp; 55 Madison</td>
<td>4.18%</td>
<td>$215.00</td>
</tr>
<tr>
<td>The Citadel</td>
<td>4.24%</td>
<td>$243.01</td>
</tr>
<tr>
<td>Northrop Grumman</td>
<td>7.65%</td>
<td>$186.92</td>
</tr>
<tr>
<td>TIAA</td>
<td>6.28%</td>
<td>$174.57</td>
</tr>
</tbody>
</table>
Pipeline for 2008

1801 California

The Landmark

Harvest Junction

Willow Run
2008 Return To Fundamentals

- Tremendous amount of equity remaining in the market—cautious
- Credit markets will settle down, but perhaps not until mid-2009
- Return to a more normalized conditions—certainty of pricing on actual underlying fundamentals
- Frenzy is gone but the market remains healthy—at least in Denver
- Markets going “back to basics”—creating value at the property level
- Focus on markets with rental growth
- Flight to Quality: Best-of-class assets will continue to achieve strong values and attract bidders
- Vultures waiting for repricing of distressed assets