

AMERICAN REALTY ADVISORS®

**Lease-up/Market Recovery Strategy
*Office***



***A CASE STUDY FROM
AMERICAN REALTY ADVISORS®***

LOS ANGELES ♦ ATLANTA ♦ CHICAGO ♦ SAN FRANCISCO

INSTITUTIONAL REAL ESTATE INVESTMENT MANAGEMENT



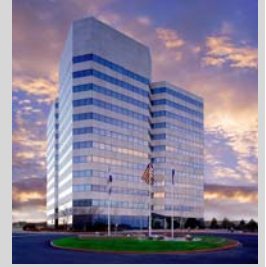
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REAL ESTATE ASSET ENHANCEMENT PROGRAM

OFFICE PROPERTY
GREENWOOD VILLAGE, CO



American Realty Advisors, as the manager of a value-added commingled fund, acquired a 240,627 square foot, 12-story, Class A-/B+ office building with an adjoining 947-space parking garage, located in Denver's largest and most prestigious office submarket, in the heart of the Denver Technological Center. American recognized the opportunity to create value through direct asset management, property enhancement and lease-up of the existing space that would allow it to reposition the asset into a stabilized income-producing core asset.

INVESTMENT BACKGROUND

At the time of the acquisition, the prior ownership of the property had no incentive to advance capital to the asset through tenant improvements or payment of leasing commissions, due to existing debt levels exceeding the property's market value. The property, which was approximately 83% leased at the time of acquisition, required various capital improvements to enhance the property's marketability to potential tenants, improve the overall operations of the asset and lower the effective age of the improvements. As a result of a comprehensive due diligence process, American's investment team recognized the substantial upside potential of the investment and proposed an extensive repositioning strategy with the goal of expanding tenants and stabilizing occupancy rates coupled with renovating the property over the proposed holding period.

Built in 1984, the property is well-situated on 7.6 acres in the Denver Technology Center (DTC), a master-planned business park in Southeast Denver, and benefits from its unobstructed mountain views and accessibility to public transportation, enhancing the property's marketability to prospective tenants. In addition, the property provides excellent access to nearby executive housing and local services.

A UNIQUE VALUE-ADDED OPPORTUNITY

The property presented American with an excellent opportunity to invest in a high-quality asset in a strategic office submarket. At the time of acquisition, American and the property's joint venture partner were able to negotiate with the lender and unwind existing debt on the asset, thus paying substantially less than what was currently owed on the loan. In addition to acquiring the asset at a significant discount to replacement costs, American anticipated that market conditions would continue to recover over the property's holding period, allowing the firm to capitalize on adding value through increases in rental rates, greater demand for space at DTC, and improvement in the Denver real estate market overall.



American's investment strategy for the property encompassed a well-defined capital plan to address deferred maintenance and aggressively market the vacant space at attractive terms to accelerate leasing and enhance the property's cash flow.

STRATEGY IMPLEMENTATION

Upon acquisition of the asset, American pursued an intensive asset management program, hiring the best local market experts, and executing a detailed marketing campaign designed to attract new tenants with long-term leases and accommodating pent-up demand from existing tenants. American's decision to invest in the property with a Denver-based joint venture partner allowed the property to benefit from the partner's local market expertise and contacts, and further assisted in the successful implementation of the strategy.



In addition, American executed a capital improvement strategy designed to address deferred and ordinary maintenance. Since the time of acquisition, several building improvements have been made including the selective renovation and upgrades of the common areas, fire life safety system, exterior curtain wall, landscaping, signage and elevator improvements.

SUMMARY

American's successful implementation of hands-on asset management, aggressive marketing campaigns and the firm's ability to advance capital to the asset, resulted in nearly 30,500 SF in newly scheduled tenancy and/or lease expansions within the first 20 months since acquisition and allowed the property to reach a nearly 92% occupancy rate. As a result, the office property was repositioned to a core asset, in alignment with the property's initial investment strategy. "By investing in assets that capitalize on attributes that provide a compelling opportunity not already recognized by the market, we have been able to create value and redeliver a stabilized, highly marketable asset back into the marketplace. We are quite pleased with the success of our strategy for this asset," commented Stanley L. Iezman, American's Chairman and CEO.



Institutional Real Estate Investment Management

Stanley L. Iezman

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AMERICAN REALTY ADVISORS

American Realty Advisors, a California corporation, is an SEC-registered investment advisor under the Investment Advisers Act of 1940, as amended, and a leading provider of real estate investment management services to institutional investors. The firm has provided innovative real estate solutions to institutional investors for over two decades utilizing core and value-added commingled funds and separate accounts since 1988.

American's portfolios include office, industrial, multi-family and retail properties nationwide. Additional information regarding American can be found online at www.americanreal.com.

In addition, American is a significant originator of debt financing for real estate investments utilizing various structures from senior debt to highly structured mezzanine or preferred equity formats, secured by mortgages or other interests in real estate. The combination of the firm's conservative cash flow underwriting, pro-active investment management and overall transaction structure has the ability to produce superior risk-adjusted returns on behalf of American's clients.

This case study is presented as an illustration of the methodologies utilized by American in connection with a property enhancement program. Some of the information included in this case study involves present or former clients of American. Such material has not been selected based on performance and it is not known whether the clients approved or disapproved of American or the advisory services provided.

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