

CAVAN

Real Estate Investments



Times and Your Money

Jan/Feb/Mar/Apr 2006

In

this issue

Platte Airpark Enjoys
Strong Market
Performance

Seven Canyons at Your
Fingertips

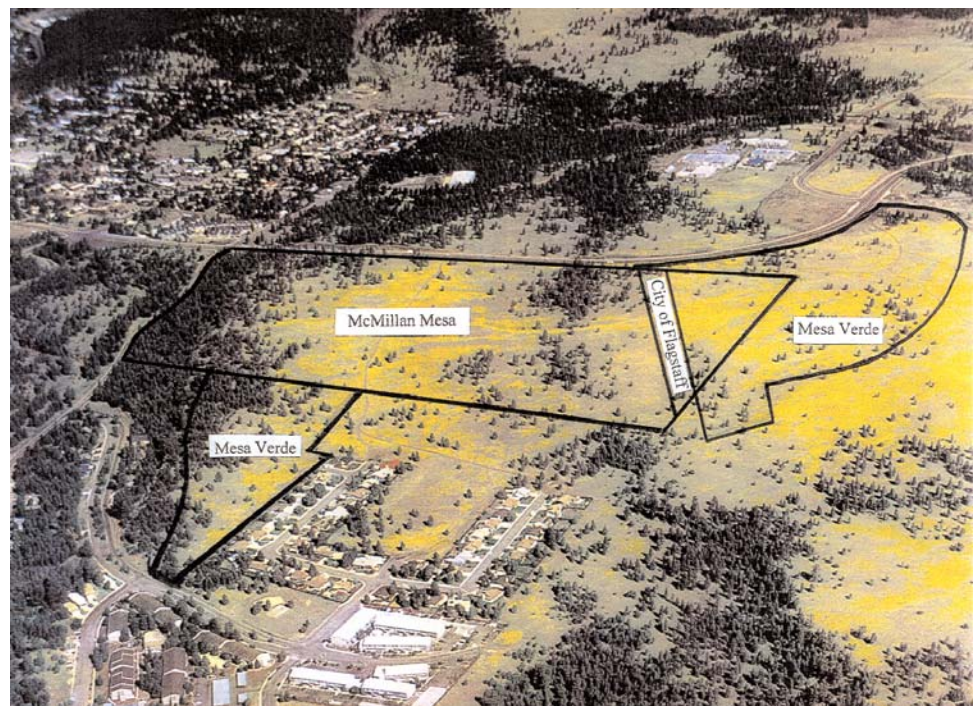
Raintree Corporate
Center Continues to
Shine

CAVAN OPPORTUNITY FUND ADDS TWO NEW PROPERTIES TO THE PORTFOLIO

The purchase contract for the 61 acre Flagstaff McMillan Mesa property was finalized in late March. Located on the southeast corner of Forest Avenue and Turquoise Drive in Flagstaff, Arizona, this property has underlying zoning for commercial, residential, and business park uses. The portion of the site zoned residential is ideal for apartments and town homes which could house more than 330 families. The section zoned commercial and business park would allow for development of 225,000 square feet of office and retail space. Pre-development team engineers are looking at several options for developing the property, and working closely with the city of Flagstaff to set the framework for

future development to enhance the current value of the project. One of these plans involves the Mesa Verde property currently under contract in the Opportunity Fund.

The Mesa Verde property consists of 44 acres of undeveloped land made up of two parcels bordering the McMillan Mesa property. Currently under contract, this property is expected to close in late June. With the acquisition of this property, Cavan seeks to implement a master plan for the entire 105-acre McMillan Mesa Village. The development of McMillan Mesa Village lays the foundation for incorporating New Urbanism concepts to create a functional, aesthetically integrated development



Aerial of Flagstaff McMillan Mesa Property

In
the know

Seven Canyons was rated as the 99th best golf course in the Top 100 Modern Courses Category in the March 11, 2006 issue of Golfweek. There have been 6,385 golf facilities opened in the United States since 1960 (the criteria for modern courses), according to the National Golf Foundation.

O-FUND CONTINUED

including residential, office, commercial, business park, open space and recreational components within a homogeneous neighborhood.

The recently acquired Green property in the Prescott Valley area consists of about 2 acres bordering the Carey-Dishon parcels previously purchased by the Opportunity Fund. These three parcels make up a 21-acre site which will be annexed by the city of Prescott Valley and will have an underlying zoning for commercial use. The Green property was a strategic purchase which not only adds frontage along State Highway 69 but also increases available development options on the property. With this acquisition, there is an increased possibility of adding a traffic signal to State Highway 69 which will allow better access to the property. Currently Dunivin

Road cuts through the Carey-Dishon property but with the Green acquisition we now have the possibility of re-routing or abandoning Dunivin road all together thus increasing the value of the assemblage by removing an easement in the path of development.

As the Cavan Opportunity Fund continues to grow we are actively searching Arizona for projects in which allowable pre-development activities will produce enough value to warrant addition to the portfolio. Currently, the Opportunity Fund has properties in the Flagstaff and Prescott Valley areas included in the portfolio. We have also identified several properties of interest in the Phoenix Metropolitan area that will be analyzed to determine if they meet the strict criteria for addition to the fund.

PLATTE AIRPARK ENJOYS STRONG MARKET PERFORMANCE

During the first quarter 2006 Colorado Springs edged out Denver in new job creation. The city's economic development efforts were successful in developing one new job for every 150 residents, equating to more than 2400 new jobs. In the first quarter 2006, the city has generated 125 new jobs from the expansion of Palo Alto, California based dpiX and 100 new jobs from Bal Seal Engineering in there new manufacturing plant. Northrop Grumman Corp. is also expected to



announce the addition of more jobs to the area this year. Much of this growth has been spurred by the military's announcement of plans to add 12,000 new troops to nearby Fort Carson over the next three years. This new job growth leads to a need

for more office space which has been driving down vacancies in the area during the first quarter.

Class A vacancy has dropped from 17.01% at the end of 2005 to 16.74% at the end of first quarter 2006, while the vacancy rate for the Southeast sub-market came in at 22.48%. Absorption in the office market remains positive after the first quarter, with approximately 52,915 square feet. Platte Airpark Center contin-

ues to outperform both the Colorado Springs office market and the Southeast sub-market in both vacancy rate and average rental rate. The property is currently fully leased with no leases expiring before 2007, while operating very efficiently with minimal expenses.

SEVEN CANYONS AT YOUR FINGERTIPS

Seven Canyons debuted a redesigned website on February 8, 2006 which featured an updated “look and feel” along with added functionality. During the most recent quarter, the new website has been instrumental in increasing site traffic. Monthly unique visitors, someone who visits a website for the first time, have increased from an average of 2800 per month prior to the launch to approximately 5600 per month after the redesign. Additionally the redesign includes Search Engine Optimization, which involves targeted listings or “Pay Per Click” listings on sites such as Google, Yahoo and MSN. The site is also using “Organic Optimization” which involves listings on relevant sites that will improve the placement of Seven Canyons when someone searches the web. With an updated website, web visitors are able to see what our construction team is creating as they improve on an already breathtaking place.

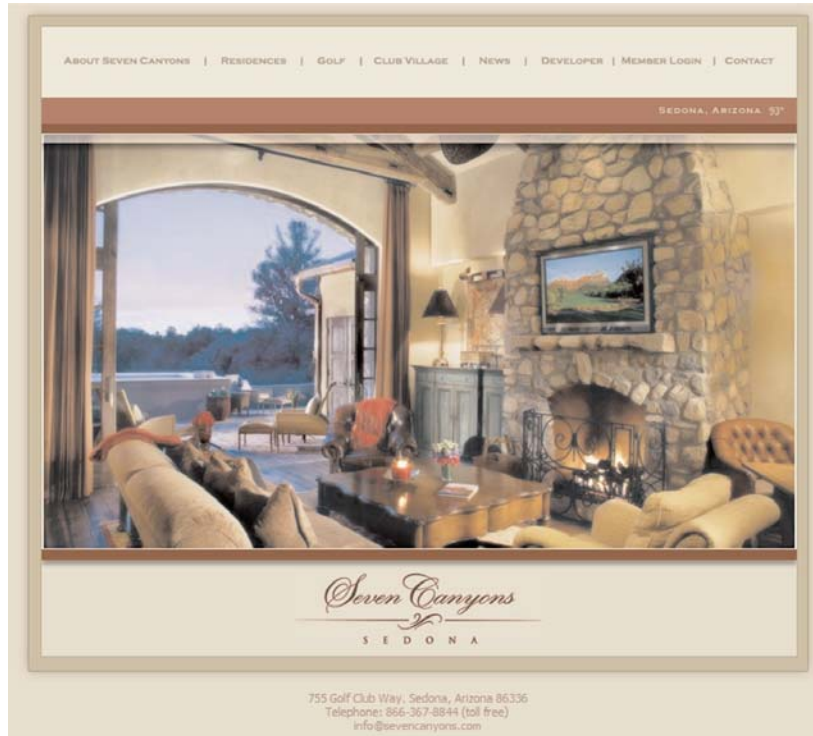
Construction on the second phase of villas, Parcel A, is moving along on schedule as the first five villas have been completed and the roadways have all been paved. There are another twenty villas in Parcel A still under construction; six of those should be complete by the beginning of September

and the remaining 14 are in various stages of construction but are expected to be complete by the end of the year.

Parcel D villa owners have been having a wonderful time relaxing in their new villas and experiencing the comforts Seven Canyons has to offer. Situated in the middle of a national forest, these new villa owners are finding out just how beautiful Seven Canyons is, from the bright green nationally ranked golf course to the red rocks that surround them.

The villa owners will soon have even more to enjoy as the range house and the Club Village start to take shape. Still in the early development stages, site programming for the Club Village has been completed and the focus has been shifted to the design development stage which will detail the plans for the Club Village. Construction of the tennis courts is expected to commence

this summer while construction on the range house will begin once the proper permits and bids have been accepted. The Club Village and range house are exciting additions to the Seven Canyons property and we anxiously await there completion currently projected for 2008.



Seven Canyons website: www.sevencanyons.com



Artists' rendering of the proposed Club Village.

In
the know

When complete, the parking structure for RC3 & RC4 will have roughly 30,000 square feet more surface space than the Transamerica Pyramid in San Francisco, one of the tallest buildings in the world.

RAINTREE CORPORATE CENTER CONTINUES TO SHINE

Raintree Corporate Center continues its bench mark performance through the first four months of 2006 maintaining 100% occupancy in both buildings. Raintree Corporate Center I (RC1) is fully leased through 2012 with a few leases coming due in 2006, but current tenants are interested in expanding to fill the space as it becomes available. Raintree Corporate Center II (RC2) remains fully leased with long term leases not set to expire until 2012.

According to the Metropolitan Phoenix Market Analysis prepared by Lee & Associates, Phoenix's overall vacancy rate closed the first quarter 2006 at 11.47%, the lowest since 2000, while posting the highest absorption rate in the past six years.

\$23.42 per square foot to \$ 23.72 per square foot with a vacancy rate of 8.4% and 1,806,000 square feet of new office space scheduled to be available before the end of 2007.

Construction on RC3 and the shared parking garage is about 60% complete with final construction scheduled to end in the third quarter 2006. The floors and roof of RC3 are complete and exterior work has begun. While the floor forms were finishing, the crews started setting the tilt walls for the parking structure. As the first quarter came to a close, the pre-cast T's were shipped to the site and prepared for installation. As RC3 starts to take shape and leasing activities commence, Summit, the general



Throughout the valley, 672,140 square feet of new office space was completed in the first quarter 2006. In the overall phoenix market, rental rates have also begun to climb with a \$1.02 increase pushing the market rent to \$20.62. There are presently 21 buildings under construction in the valley including Raintree Corporate Center III (RC3) in the North Scottsdale sub market.

The North Scottsdale sub-market has continued to see positive activity in the first quarter. Net absorption for the three-month period was 225,857 square feet, more than three times the average absorption in the area, all of which was in the Class A market. The average rental rate has risen from

contractor, is in the early stages of preparation for construction on Raintree Corporate Center IV (RC4), with the current scheduled construction start date this fall. RC3 and RC4 along with the parking structure will be spectacular additions to the Raintree Corporate Center as construction finishes and tenants start to move in over the next several months.



is published by
Cavan Real Estate Investments
15333 North Pima Road
Suite 305
Scottsdale, AZ 85260
480-627-7000 PHONE
480-627-7010 FAX
www.cavan.net

To be added to the FYI electronic distribution list, please send an email to fyi@cavan.net.