AMERIVEST PROPERTIES INC
Form 424B4
June 05, 2003
Table of Contents

Filed Pursuant to Rule 424(b)(4)

Registration No. 333-105183

PROSPECTUS

5,000,000 Shares

Common Stock

AmeriVest Properties Inc. is offering 5,000,000 shares of common stock.

Our common stock is listed on the American Stock Exchange under the symbol AMV. The last reported sale price of our common stock as reported on the American Stock Exchange on June 3, 2003 was $6.20 per share.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page 5 of this prospectus.

PRICE $6.20 PER SHARE

	Per Share	Total
Public offering price	$ 6.20	$ 31,000,000
Underwriting discount	$ 0.3565	$ 1,782,500
Proceeds, before expenses, to AmeriVest	$ 5.8435	$ 29,217,500

The underwriters may also purchase up to an additional 750,000 shares from AmeriVest Properties Inc. to cover overallotments, if any, at the public offering price, less the underwriting discount, following notice provided by the underwriters to AmeriVest within 30 days from the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares of common stock will be ready for delivery on or about June 9, 2003.

RBC Capital Markets **Ferris, Baker Watts**

Incorporated

BB&T Capital Markets

J.J.B. Hilliard, W.L. Lyons, Inc.

A PNC Company

Morgan Keegan & Company, Inc.

Stifel, Nicolaus & Company

Incorporated

June 3, 2003.

Table of Contents

Table of Contents

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

Table of Contents

PROSPECTUS SUMMARY

The following summary highlights information contained in this prospectus. You should read this entire prospectus carefully, including the Risk Factors section, the financial statements and the notes to the financial statements, before investing in shares of our common stock. Unless otherwise indicated, all information in this prospectus assumes that the underwriters will not exercise their overallotment option. Unless the context otherwise requires, all references to we, us, our company, the company or AmeriVest refer collectively to AmeriVest Properties Inc. and its subsidiaries, considered as a single enterprise.

The Company

We are a self-administered real estate investment trust, or REIT, that owns 27 office properties. We market and lease premium office space to small and medium size businesses, and the design, finish and amenities of our core properties are specifically tailored for this target market. Our current properties, which include an aggregate of 1,564,090 rentable square feet, are located in Colorado, Texas, Arizona and Indiana.

Our current management team assumed control of our day-to-day operations on January 1, 2000, at which time we owned a portfolio of diversified properties. Since that time, we have focused our efforts on the acquisition, rehabilitation and development of multi-tenant office buildings targeting tenants with office space needs between 2,000 and 4,000 square feet. We have sold our non-office building assets, and since August 2000, all our assets have been office buildings.

We are headquartered in our Sheridan Center property at 1780 South Bellaire Street, Suite 100, Denver, Colorado 80222. Our telephone number is (303) 297-1800. Our Web site address is www.amvproperties.com. Information at our Web site is not and should not be deemed to be part of this prospectus.

Business Strategy

We believe that office space for small to medium size businesses is a large and underserved market. According to data compiled by the Office of Advocacy of the U.S. Small Business Administration in 2000, 89% of all U.S. businesses employed fewer than 20 employees. As a result, we believe that many businesses have office space requirements of no more than 4,000 square feet.

Small to medium size businesses often have specific needs and limitations that are different than larger businesses. For example, small and medium size businesses cannot usually afford large corporate staffs to manage office leasing. Although these businesses have similar needs as larger firms, such as access to sophisticated technology, conference facilities, high quality telecommunications equipment and other amenities, they usually do not have a comparable budget to those firms. Our strategy is to focus on providing an office product targeted to this large market and its unmet needs in a cost effective manner. The key elements of our strategy include:

Provide a Superior, Consistent Product We seek to provide a level of amenities to the small and medium size tenant in our office properties that usually only larger companies would be able to obtain, such as keyless entry card system, use of conference rooms with the latest

1

Table of Contents

telecommunications and presentation equipment and the ability to access high speed voice and data service from multiple telecom providers.

Simplify the Leasing Process Our leasing process is designed to meet the unique needs of a small to medium size tenant base with limited staffing through our no hassle leasing philosophy which reduces the per lease cost for us and the tenant.

Provide a High Level of Service With our deliberate focus on small to medium size tenants, we have developed a positive, service-oriented approach specifically tailored for our customer base.

Target Select Cities We target cities that meet specific criteria where we hope to build meaningful multi-property portfolios over the near term.

As a result of our focused strategy, we believe that our properties provide office space that is particularly attractive for small to medium size tenants. By executing on our strategy, we believe we have been able to maintain high occupancy rates while still maintaining strong rent per square foot trends in our core markets as compared to the general office market.

Properties

We own 27 office buildings totaling 1,564,090 square feet of rentable space. These properties are located in Denver, Colorado, Dallas, Texas, Phoenix, Arizona, Indianapolis, Indiana, and in a number of smaller cities in Texas. The geographic distribution of our property portfolio by rentable square footage at March 31, 2003 was approximately 46% in Colorado, 26% in Texas, 20% in Arizona and 8% in Indiana. Our core properties are set forth in the table below.

Building Location	Year Acquired	Rentable Square Feet
Southwest Gas Building Phoenix, AZ	2003	147,660
Chateau Plaza Dallas, TX	2002	171,335
Centerra Denver, CO	2002	186,431
Parkway Centre II Plano, TX	2002	151,988
Kellogg Building Littleton, CO	2001	111,695
Arrowhead Fountains Peoria, AZ	2001	96,092
AmeriVest Plaza at Inverness Englewood, CO	2001	118,720
Sheridan Center Denver, CO	2000	141,008
Keystone Office Park Indianapolis, IN	1999	96,520
Total		1,221,449

Dividends

Since our initial public offering in November 1996, we have paid a cash dividend on our common stock each quarter. For the quarters ended September 30, 2002 through March 31, 2003, we paid a quarterly cash dividend of $0.13 per share.

Table of Contents

Recent Developments

From January 1, 2000 through December 31, 2001, all of our properties were managed under a Property Management and Advisory Agreement with Sheridan Realty Advisors, LLC, or SRA, which also managed our day-to-day operations and assisted and advised our Board of Directors on real estate acquisitions and investment opportunities. Certain of our executive officers and directors own SRA. Effective January 1, 2002, we acquired the administrative and property management and accounting services business of SRA and, effective November 1, 2002, we acquired the remaining service functions of SRA and terminated the Property Management and Advisory Agreement, completing the full employment of SRA s employees by our company. As a result of the foregoing, we are now a completely self-administered REIT.

In February 2003, we acquired the Southwest Gas Building in Phoenix, Arizona for $17 million. The Southwest Gas Building contains 147,660 rentable square feet on 7.38 acres of land. The principal tenant is Southwest Gas Corporation, which occupies approximately 41% of the building.

We are presently evaluating acquisition opportunities in Phoenix, Dallas and Denver; however, we have not entered into any binding agreements to acquire any additional property as of the date of this prospectus.

At our 2003 annual meeting, our stockholders approved the amendment and restatement of our Articles of Incorporation and adopted the AmeriVest Properties Inc. 2003 Long-Term Incentive Plan.

The Offering

Common Stock Offered	5,000,000 shares
Common Stock to be Outstanding after this Offering	16,565,534 shares (17,315,534 shares if the underwriters exercise their overallotment option in full).
Use of Proceeds	The net proceeds of this offering will be used to repay portions of our variable borrowings, which may include property-specific debt, a term loan and our line of credit and for general corporate purposes.
Dividend Policy	We intend to pay quarterly dividends, which will be at the discretion of our Board of Directors and will depend on a number of factors, including our operating results and financial condition. We cannot assure you that any dividends will be paid or that we will maintain our historical level of dividends.
AMEX Symbol	Our common stock trades on the American Stock Exchange under the symbol AMV.

Table of Contents

Summary Financial Data

You should read the following information together with Selected Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations, and our financial statements and the related notes included in this prospectus. Our historical results are not necessarily indicative of our results for any future period.

	Three Months Ended March 31, (unaudited)		Years Ended December 31,		
	2003	2002	2002	2001	2000
Statement of Operations Data:					
Real estate operating revenue	$ 6,814,528	$ 3,626,052	$ 16,385,965	$ 10,944,383	$ 7,222,437
Net income (loss)	$ 404,964	$ 390,962	$ (157,274)(a)	$ 1,488,493(b)	$ 2,676,724(c)
Weighted average diluted shares outstanding	11,203,104	6,863,423	9,501,117	4,801,307	2,495,919
Diluted net income (loss) per share	$ 0.04	$ 0.06	$ (0.02)	$ 0.31	$ 1.07
Dividends declared per share	$ 0.13	$ 0.125	$ 0.51	$ 0.50	$ 0.49
Other Data:					
Funds from Operations (FFO)(d):					
Net income (loss)	$ 404,964	$ 390,962	$ (157,274)	$ 1,488,493	$ 2,676,724
Depreciation and amortization expense	1,360,713	684,930	3,362,508	2,244,435	1,205,795
Share of depreciation of unconsolidated affiliates	19,935	6,562	46,087	29,634	59,635
Impairment of investment in real estate			275,000		
Gain on sale of real estate				(1,156,445)	(2,556,839)
FFO	$ 1,785,612	$ 1,082,454	$ 3,526,321	$ 2,606,117	$ 1,385,315

	March 31, (unaudited)		December 31,		
	2003	2002	2002	2001	2000
Balance Sheet Data:					
Net investment in real estate	$ 162,094,749	$ 81,214,727	$ 144,985,328	$ 80,841,027	$ 38,922,380
Total assets	175,763,526	88,550,769	157,183,587	88,002,488	42,363,797
Mortgage loans and notes payable	122,959,470	58,616,715	106,094,232	58,408,424	28,122,856
Stockholders equity	45,237,178	24,653,836	43,895,800	24,996,985	11,358,503

(a) Includes a charge of $1,367,380 ($0.14 per diluted share) representing advisory fees and capital project fees earned by our former advisor, Sheridan Realty Advisor, LLC. Prior to 2002, these fees had been capitalized. Also includes a charge of $275,000 ($0.03 per diluted share) representing an impairment in the value of our building in Clint, Texas.

(b) Includes a gain of $1,156,445 ($0.24 per diluted share) recognized on the sale of non-core office buildings in Appleton, Wisconsin and Odessa, Texas; a charge of $326,113 ($0.07 per diluted share) representing an impairment of deferred rents receivable from a former significant tenant; and a charge of $323,447 ($0.07 per diluted share) representing the accelerated amortization of a lease commission related to that same tenant.

(c) Includes a gain of $2,556,839 ($1.02 per diluted share) recognized on the sale of our four self-storage facilities; and a charge of $255,442 ($0.10 per diluted share) recognized in accordance with a separation agreement between a former officer and us.

(d) Funds from Operations (FFO) is calculated in accordance with the FFO definition from the National Association of Real Estate Investment Trust s (NAREIT) October 1999 White Paper (as amended in April 2002). See footnote (d) to the financial information set forth in Selected Financial Information for the complete definition of FFO and an explanation of its usefulness as a measurement of financial performance.

4

Table of Contents

RISK FACTORS

Before you invest in shares of our common stock, you should be aware that the occurrence of any of the events described in this risk factors section and elsewhere in this prospectus could have a material adverse effect on our business, financial condition and results of operations. You should carefully consider these risk factors, together with all other information included in this prospectus, before you decide to purchase shares of our common stock.

Our variable rate debt subjects us to interest rate risk.

At March 31, 2003, approximately $66.6 million, or 54%, of our total debt was at variable rates ranging from 195 to 500 basis points over LIBOR. Our current weighted-average interest rate on this variable rate debt is approximately 4%. Most of this debt is due in 2004 and 2005. Increases in interest rates could increase our interest expense, which would adversely affect net earnings and cash available for payment of our debt obligations and distributions to our stockholders.

We face a competitive market, which could limit our ability to lease our properties or secure attractive investment opportunities.

Our business strategy contemplates expansion through acquisition. The commercial real estate industry is highly competitive, and we compete with substantially larger companies, including substantially larger REITs, for the acquisition, development and operation of properties. Some of these companies are national or regional operators with far greater resources than we have. As a result, we may not be able or have the opportunity to make suitable investments on favorable terms in the future. Competition in a particular area also could adversely affect our ability to lease our properties or to increase or maintain rental rates. Thus, the presence of these competitors may impede the continuation and development of our business.

Our debt level may have a negative impact on our income and our ability to pay dividends.

We have incurred indebtedness in connection with the acquisition of our properties, and we may incur new indebtedness in the future in connection with our acquisition, development and operating activities. As of March 31, 2003, we had approximately $123 million of long-term indebtedness, approximately $9.9 million of which is due in 2003, and $59 million of which in the aggregate is due in 2004 and 2005. As a result of our use of debt, we are subject to the risks normally associated with debt financing, including:

- that our cash flow will be insufficient to make required payments of principal and interest;
- that we will be unable to refinance some or all of our indebtedness or that any refinancing will not be on terms as favorable as those of the existing indebtedness;

- that required payments on mortgages and on our other indebtedness are not reduced if the economic performance of any property declines;

- that debt service obligations will reduce funds available for distribution to our stockholders; and

- that any default on our indebtedness could result in acceleration of those obligations.

If the economic performance of any of our properties declines, our ability to make debt service payments would be adversely affected. If a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, we may lose that property to lender foreclosure with a consequent loss of income and asset value.

Table of Contents

We do not have a policy limiting the amount of debt that we may incur. Accordingly, our management and Board of Directors have discretion to increase the amount of our outstanding debt at any time. Our total liabilities to total market capitalization ratio was 64% at March 31, 2003. Our leverage levels may make it difficult to obtain any additional financing based on our current portfolio or to refinance existing debt on favorable terms or at all. Our leverage levels also may adversely affect the market value of our stock if we are perceived as more risky than our peers.

Some of our buildings are subject to special income tax considerations, which could result in substantial tax liability upon their sale.

If we sell any of our Sheridan Center buildings before 2006 (ten years after the original acquisition date of the property or the property exchanged for that property), we will be required to pay tax at the highest applicable corporate rate on the excess of the buildings fair market value at the effective time of our REIT election over its adjusted basis at such time (or, if lesser, the excess of the fair market value of the building at the time of the sale over its adjusted basis at the time of the sale).

Because we used proceeds from the sale of the Giltedge building in Wisconsin to purchase AmeriVest Plaza in an exchange qualifying under Section 1031 of the Internal Revenue Code, we may also be required to hold AmeriVest Plaza until 2006 in order to avoid corporate tax on the appreciation of the exchanged property as of the effective date of our REIT election. If we are subject to tax on any such gain at the highest corporate rate, the amount of this corporate tax could be substantial. We may not have sufficient cash available to pay the corporate taxes resulting from the sale of these properties.

New developments and acquisitions may fail to perform as we expect.

Over the last few years, we have focused our efforts on the acquisition and redevelopment of multi-tenant office buildings. We intend to continue to selectively develop and acquire office properties. In deciding whether to acquire or develop a particular property, we make assumptions regarding the expected future performance of that property. In particular, we estimate the return on our investment based on expected occupancy and rental rates. If the property is unable to achieve the expected occupancy and rental rates, it may fail to perform as we expected in analyzing our investment. When we acquire a property, we often reposition or redevelop that property with the goal of increasing profitability. Our estimate of the costs of repositioning or redeveloping an acquired property may prove inaccurate, which may result in our failure to meet our profitability goals. Additionally, we may acquire new properties not fully leased and the cash flow from existing operations may be insufficient to pay the operating expenses and debt service associated with that property until the property is fully leased. If one or more of these new properties do not perform as expected or we are unable to successfully integrate new properties into our existing operations, our financial performance may be adversely affected.

Development and construction risks could adversely affect our profitability.

We are currently improving several of our properties, have one property under development and may develop new properties in the future. Our renovation, redevelopment, development and related construction activities may subject us to the following risks:

We may be unable to obtain, or suffer delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, which could result in increased costs or our abandonment of these projects.

We may incur construction costs for a property which exceed our original estimates due to increased costs for materials or labor or other costs that we did not anticipate.

Table of Contents

- We may not be able to obtain financing on favorable terms, which may make us unable to proceed with our development activities.
- We may be unable to complete construction and lease-up of a property on schedule, which could result in increased debt service expense or construction costs.

Additionally, the time frame required for development, construction and lease-up of these properties means that we may have to wait years for a significant cash return. Because we are required to make cash distributions to our stockholders to maintain our REIT tax status, if the cash flow from operations or refinancing is not sufficient, we may be forced to borrow additional money to fund such distributions.

Failure to succeed in new markets may limit our growth.

We may make selected acquisitions outside our current market areas from time to time as appropriate opportunities arise. Our historical experience is in Colorado, Texas, Arizona and Indiana, and we may not be able to operate successfully in other market areas new to us. We may be exposed to a variety of risks if we choose to enter into new markets. These risks include:

- a lack of market knowledge and understanding of the local economies;
- an inability to identify acquisition or development opportunities;
- an inability to attract tenants to our properties in these new markets;
- an inability to obtain construction trades people; and
- an unfamiliarity with local government and permitting procedures.

Any of these factors could adversely affect the profitability of projects outside our current markets and limit the success of our acquisition, development and leasing strategy.

Real estate investments are inherently risky, which could adversely affect our profitability and our ability to make distributions to our stockholders.

Real estate investments are subject to varying degrees of risk. If we acquire or develop properties and they do not generate sufficient operating cash flow to meet operating expenses, including debt service, capital expenditures and tenant improvements, our income and ability to pay dividends to our stockholders will be adversely affected. Income from properties may be adversely affected by:

- decreases in rent and/or occupancy rates due to competition or other factors;
- increases in operating costs such as real estate taxes, insurance premiums, site maintenance and utilities;
- changes in interest rates and the availability of financing; and
- changes in laws and governmental regulations, including those governing real estate usage, zoning and taxes.

Future terrorist attacks in the United States and international hostilities may result in declining economic activity, which could reduce the demand for and the value of our properties.

Future terrorist attacks in the United States, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, and other acts of terrorism or war, whether in the United States or abroad, may result in declining economic activity and reduced demand for our properties. A decrease in

Table of Contents

demand would make it difficult for us to renew or re-lease our properties at lease rates equal to or above historical rates. Terrorist activities also could directly impact the value of our properties through damage, destruction or loss. To the extent that our tenants are impacted by future attacks, their businesses similarly could be adversely affected, including their ability to continue to honor obligations under their existing leases.

These types of events also may adversely affect the markets in which our securities trade. These acts may cause further erosion of business and consumer confidence and spending and may result in increased volatility in national and international financial markets and economies. Any one of these events may cause a decline in the demand for real estate, delay the time in which our new or renovated properties reach stable occupancy, increase our operating expenses due to increased physical security and insurance costs for our properties and limit our access to capital or increase our cost of raising capital.

General economic conditions may adversely affect our financial condition and results of operations.

Periods of economic slowdown or recession in the United States and in other countries, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults by our tenants under existing leases, which would adversely affect our financial position, results of operations and cash flow, as well as the trading price of our common stock and our ability to satisfy our debt service obligations and to make distributions to our stockholders.

Unfavorable changes in local market and economic conditions could hurt occupancy or rental rates.

Currently, our properties are located in Colorado, Texas, Arizona and Indiana. Economic conditions in our local markets may significantly affect occupancy and rental rates. Occupancy and rental rates, in turn, may significantly affect our profitability and our ability to satisfy our financial obligations. The economic condition of our local markets may depend on one or more industries and, therefore, an economic downturn in one of these industry sectors may adversely affect our performance in that market. Local real estate market conditions may include a large supply of competing space, and we compete for tenants based on rental rates, attractiveness and location of a property, and quality of maintenance and management services.

We are subject to the credit risk of our tenants, which could result in lease payments not being made and a significant decrease in our revenues.

We are subject to the credit risk of our tenants. Many of our tenants are small companies with nominal net worth. We cannot assure you that our tenants will not default on their leases and fail to make rental payments to us. In particular, local economic conditions and factors affecting the industries in which our tenants operate may affect our tenants ability to make lease payments to us. Moreover, we may be unable to locate a replacement tenant in a timely manner or on comparable or better terms if a tenant defaults on its lease. The loss of rental revenues from a number of our tenants may adversely affect our profitability and our ability to meet our financial obligations.

We may be unable to renew leases or re-lease space on a timely basis or on comparable or better terms, which could significantly decrease our revenues.

A significant number of our leases on our core properties, representing approximately 57% of our annualized lease revenue at March 31, 2003, expire on or before December 31, 2005. Current tenants may not renew their leases upon the expiration of their terms. Alternatively, current tenants may attempt to

8

terminate their leases prior to the expiration of their current terms. Many of our leases are for relatively short terms of a few years. If non-renewals or terminations occur, we may not be able to locate a qualified replacement tenant and, as a result, we would lose a source of revenue while remaining responsible for the payment of our obligations. Moreover, the terms of a renewal or new lease may be less favorable than current lease terms. This may cause affected properties to be impaired.

Loss of a significant tenant could lead to a substantial decrease in our cash flow and an impairment of the value of our real estate.

Although we target tenants seeking 2,000 to 4,000 square feet of office space, we may have several significant tenants from time to time, the loss of any of which could adversely affect our cash flow and may cause affected properties to be impaired.

Chateau Plaza in Dallas, Texas is approximately 70% (120,607 square feet) leased to a single tenant, Dean Foods Company, under a direct lease through December 2005. However, the tenant has the option to terminate the lease as early as December 2003, upon eight-months written notice. Should the tenant elect to terminate the lease early, it is obligated to pay a termination penalty equal to three months of the current base rent plus any unamortized tenant improvement and leasing costs. The loss of this tenant could adversely affect our cash flow until we are able to re-lease the vacated space. Our lease with Dean Foods Company accounts for approximately $2,776,000 of our annual revenue.

We have been notified by a tenant occupying 27,752 square feet, or approximately 19%, of the Southwest Gas building that the tenant will terminate its lease as of October 2003. We receive annual rent from this tenant of approximately $559,000. We cannot assure you that we will be able to re-lease this space in a timely manner, on favorable terms to us, or at all.

Currently, eleven of our office buildings are leased to various agencies of the State of Texas. Although each of these leases includes a specific termination date, the State of Texas may terminate a lease at any time state appropriated funds necessary to pay the required rents are unavailable or federally funded programs are curtailed. If the State of Texas were to terminate or fail to renew a lease, it may be difficult for us to locate another tenant on a timely basis or on comparable or better terms, especially for those buildings located in smaller cities and more remote locations. The State of Texas also may elect not to renew leases with us upon expiration. For the year ended December 31, 2002, leases with the State of Texas accounted for approximately $1,775,000 in revenue. In November 2001, the State vacated our Clint, Texas building, which accounted for $125,676 in annual revenue. In 2002, we recognized an impairment in the value of this building of $275,000 due to difficulties in finding a replacement tenant. The impairment charge decreases the net book value of this property to our best estimate of its current market value. In December 2002, the State vacated our Paris, Texas building, which accounted for $242,567 in annual revenue. During 2003, the leases for one of our two buildings in El Paso, Texas and our buildings in Bellville and Amarillo, Texas expire and it has yet to be determined if the State will renew its leases for those properties, which account for approximately $441,000 in aggregate annual revenue. The Clint, Texas building and Paris, Texas building remain vacant at the date of this prospectus.

Our uninsured and underinsured losses could result in loss of value of our properties.

There are certain types of losses, generally of a catastrophic nature, such as earthquakes and floods, that may be uninsurable or not economically insurable, as to which our facilities are at risk in their particular locations. Our management will use its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to obtaining appropriate insurance on our investments at a reasonable cost and on suitable terms. These decisions may result in our having insurance coverage that, in

9

the event of a substantial loss, would not be sufficient to repay us for the full current market value or current replacement cost. Also, due to inflation, changes in codes and ordinances, environmental considerations, and other factors, it may not be feasible to use insurance proceeds to replace a building after it has been damaged or destroyed.

The success of our company depends on the continuing contributions of our key personnel.

We have a highly skilled management team and specialized workforce managing our properties. We do not have employment agreements with any of our executive officers or key employees and, thus, any executive officer or key employee may terminate his or her relationship with us at any time.

There is limited liquidity in our real estate investments, which could limit our flexibility.

Real estate investments are relatively illiquid. Our ability to vary our portfolio in response to changes in economic and other conditions will be limited. We may not be able to dispose of an investment when we find disposition advantageous or necessary, and the sale price of any disposition may not recoup or exceed the amount of our investment. In addition, federal tax laws limit our ability to sell properties that we have owned for fewer than four years, and this may affect our ability to sell properties without adversely affecting returns to our stockholders.

We may suffer environmental liabilities which could result in substantial costs.

Under various environmental laws, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances, including asbestos-containing materials that are located on or under the property. These laws often impose liability whether the owner or operator knew of, or was responsible for, the presence of those substances. In connection with our ownership and operation of properties, we may be liable for these costs, which could be substantial. Also, our ability to arrange for financing secured by that real property might be adversely affected because of the presence of hazardous or toxic substances or the failure to properly remediate any contamination. In addition, we may be subject to claims by third parties based on damages and costs resulting from environmental contamination at or emanating from our properties. In particular, two lawsuits have been filed against our AmeriVest Properties Texas Inc. subsidiary alleging that our Mission, Texas property is contaminated with airborne contaminants. Our insurance company is defending us in these lawsuits. These lawsuits, or similar lawsuits, if adversely determined, could have a material adverse effect on our business and financial condition, and we cannot assure you that other lawsuits will not be filed against us with respect to this building or our other buildings.

After the acquisition of the Sheridan Center buildings, we embarked on an asbestos remediation program in accordance with applicable federal and state requirements, using licensed contractors to remove, wherever accessible or otherwise required, asbestos-containing materials in the buildings, including ceiling tiles, drywall joint compound, wood and metal fire doors, wall texture, mudded pipe elbows and valves, thermal systems insulation, floor tile and mastic and boiler insulation. Most of the remediation has been completed, except for one building, which is expected to be completed over the next few years as tenants vacate spaces, allowing access to the asbestos materials.

Non-compliance with the Americans with Disabilities Act could result in compliance costs and fines.

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations are required to meet certain federal requirements related to physical access and use by disabled persons. While we believe we are in compliance with the ADA requirements, a determination that we are not in compliance with the ADA could require capital expenditures to remove access barriers and non-compliance could result

Table of Contents

in the imposition of fines or an award of damages to private litigants. If we were required to make modifications to comply with the ADA or other governmental rules and regulations, our ability to make expected distributions to our stockholders could be adversely affected.

The ability of our stockholders to control our policies or effect a change in control of our company is limited, which may not be in our stockholders best interests.

Charter and Bylaws Provisions. Some provisions of our charter and bylaws may delay or prevent a change in control of our company or other transactions that could provide our common stockholders with a premium over the then-prevailing market price of our common stock or that might otherwise be in the best interests of our stockholders. These provisions include:

Classified Board of Directors and size of Board fixed within range; removal of directors only for cause. Our Board of Directors is divided into three classes with staggered terms of office. The total number of directors is fixed by a majority vote of the Board of Directors within a range of a minimum of three and a maximum of nine. Directors may only be removed for cause. These provisions may make it more difficult for a third party to gain control of our Board of Directors. At least two annual meetings of stockholders, instead of one, generally would be required to effect a change in a majority of our Board of Directors, and the number of directors cannot be increased above the maximum number of directors specified in our charter without board and stockholder approvals.

Two-thirds stockholder vote required to approve some amendments to the charter. Some amendments to our charter must be approved by the affirmative vote of stockholders holding at least 66 2/3% of the outstanding shares of our common stock, voting together as a single class. These voting requirements may make amendments to our charter that stockholders believe desirable more difficult to effect.

Issuance of preferred stock without stockholder approval. Our Board of Directors has the ability to authorize the issuance of preferred stock without stockholder approval and to set or change the designation, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, or terms or conditions of redemption of the preferred stock. Our Board of Directors could therefore authorize series of preferred stock that may have voting provisions that could delay or prevent a change in control or other transaction that might involve a premium price or otherwise be in the best interests of our stockholders.

Ownership Limitation. In order to assist us in maintaining our qualification as a REIT, our Articles of Incorporation contain provisions generally limiting the ownership of shares of our capital stock by any single stockholder to 9% of our outstanding shares, unless waived by our Board of Directors. At our 2003 annual meeting, our stockholders approved the amendment and restatement of our Articles of Incorporation to include the ownership limitation provisions in our Articles of Incorporation. Prior to the 2003 annual meeting, these ownership limitation provisions were contained in our bylaws. These provisions could also delay or prevent an acquisition or change in control of our company that could benefit our stockholders. In 2000 and again in 2001, our Board granted one-time waivers of the ownership limitation to allow Jerry Tepper, a director who as of December 31, 2002 beneficially owned (as determined in accordance with the ownership limitation) approximately 4% of our outstanding shares, to acquire newly issued shares. In April 2002, our Board granted waivers allowing William T. Atkins and Alexander S. Hewitt, executive officers who beneficially owned (as determined in accordance with the ownership limitation) approximately 5% and 3%, respectively, of our outstanding shares as of December 31, 2002, to beneficially own up to 12% and 10%, respectively, of our outstanding shares. In connection with these waivers, our Board also reduced the ownership limitation from 9.8% to 9%, as described above, so as to assist us in our continued qualification as a REIT. Sheridan Investments, LLC has also been granted a waiver by our Board allowing it to beneficially own up to 19% (as determined in accordance with the ownership limitation) of our outstanding shares. For REIT qualification purposes, our outstanding shares that are owned by Sheridan Investments, LLC are treated as if such shares were owned by the members of Sheridan Investments, LLC in proportion to their respective membership interests. Sheridan Investments, LLC has represented to us that no individual will be treated as beneficially owning shares of our capital stock in excess of the 9% ownership limitation (except for Messrs. Atkins and Hewitt, who will not be treated as owning more than 12% and 10%, respectively, of our outstanding shares) as a result of Sheridan Investments, LLC owning up to 19% of our outstanding shares.

Maryland Business Statutes. As a Maryland corporation, we are subject to the provisions of the Maryland General Corporation Law. Maryland law imposes restrictions on some business combinations and requires compliance with statutory procedures before some mergers and acquisitions can occur. These provisions of Maryland law may have the effect of discouraging offers to acquire us even if the acquisition would be advantageous to our stockholders. These provisions include:

Unsolicited takeover provisions. Maryland law provides that the Board of Directors of a Maryland corporation is not subject to higher duties with regard to actions taken in a takeover context. These provisions may make it more difficult to effect an unsolicited takeover of a Maryland corporation. Maryland law also allows publicly held corporations with at least three independent directors to elect to be governed by all or any part of Maryland law provisions relating to extraordinary actions and unsolicited takeovers.

Business combination with interested stockholders. The Maryland Business Combination Act provides that, unless exempted, a Maryland corporation may not engage in business combinations, including mergers, dispositions of 10% or more of its assets, issuances of shares and other specified transactions, with an interested stockholder or its affiliates, for five years after the most recent date on which the interested stockholder became an interested stockholder and thereafter unless specified criteria are met.

Control share acquisition. The Maryland Control Shares Acquisition Act provides that shares acquired by any person over one-tenth, one-third and a majority of the voting power of a corporation do not have voting rights, except to the extent approved by the vote of two-thirds of the shares of common stock entitled to be cast on the matter.

Other constituencies. Maryland law expressly authorizes a Maryland corporation to include in its charter a provision that allows the Board of Directors to consider the effect of a potential acquisition of control on stockholders, employees, suppliers, customers, creditors and communities in which offices or other establishments of the corporation are located. Our current charter does not include a provision of this type. Maryland law also provides, however, that the inclusion or omission of this type of provision in the charter of a Maryland corporation does not create an inference concerning factors that may be considered by the Board of Directors regarding a potential acquisition of control. This law may allow our Board of Directors to reject an acquisition proposal even though the proposal is in the best interests of our stockholders.

Other Maryland laws. Maryland law also permits the Board of Directors of a REIT, without stockholder approval, and even if contrary to a company s bylaws or charter, to classify the Board of Directors, require a two-thirds vote for the removal of directors and give the Board of Directors sole power to fill Board vacancies occurring for any reason.

Table of Contents

There is a limited market for our common stock, which could hinder the ability of our stockholders to sell our shares.

Historically, there has been limited trading volume for our common stock. Our equity market capitalization places us at the low end of market capitalization among all REITs. Because of our small market capitalization, most of our investors are individuals. We cannot assure you that the market for our common stock will remain at current levels or expand. Due to our limited trading volume and small market capitalization, many investors may not be interested in owning our securities because of the inability to acquire or sell a substantial block of our stock at one time. This illiquidity could have an adverse effect on the market price of our common stock. In addition, a stockholder may not be able to borrow funds using our common stock as collateral because lenders may be unwilling to accept the pledge of securities having such a limited market. Any substantial sale of our securities could have a material adverse effect on the market price of our common stock.

We may not be able to pay dividends to our stockholders regularly.

Our ability to pay dividends in the future depends on our ability to operate profitably and to generate cash from our operations in excess of debt service obligations and required capital expenditures. The payment of dividends is in the sole discretion of our Board of Directors. We cannot assure you that we will be able to pay dividends consistently with historical payments.

We may incur tax liabilities if we fail to qualify as a REIT.

We believe that we have been organized and operated so as to qualify as a REIT under the Internal Revenue Code of 1986, as amended, since our taxable year ended December 31, 1996. However, we cannot assure you that we will continue to be qualified as a REIT. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In addition, legislation, new regulations, administrative interpretations or court decisions may significantly change the requirements for qualification as a REIT or the federal income tax consequences of that qualification.

In order to qualify as a REIT, at all times during the second half of each taxable year following our first taxable year, no more than 50% in value of our shares may be owned, directly or indirectly and by applying constructive ownership rules, by five or fewer individuals, including some tax-exempt entities. Our Articles of Incorporation provide restrictions regarding the transfer of shares, including a 9% limitation on the ownership of our shares by any stockholder, that are intended to assist us in continuing to satisfy this share ownership requirement.

If we were unable to qualify as a REIT in any taxable year, we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax on our taxable income at regular corporate rates and possibly to the alternative minimum tax. Unless we are entitled to relief under certain Internal Revenue Code provisions, we also would be disqualified from treatment as a REIT for the four taxable years following the year during which REIT qualification was lost. As a result, the funds available for distribution to our stockholders would be reduced for each of the years involved. In addition, we may have to incur substantial indebtedness or may have to liquidate substantial investments in order to pay the resulting federal income tax liabilities if differences in timing exist between the receipt of income and payment of our tax obligations. Although we currently intend to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause us to revoke our REIT election.

Table of Contents

We may have to borrow money to make required distributions to our stockholders.

In order to qualify as a REIT, we generally are required each year to distribute to our stockholders at least 90% of our REIT taxable income, excluding any net capital gains. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions paid by us with respect to any calendar year are less than the sum of 85% of our ordinary income for that year plus 95% of our capital gain net income for that year plus any undistributed taxable income from prior periods. We intend to make distributions to our stockholders to comply with the 90% distribution requirement and to avoid corporate income tax and the nondeductible excise tax. We may have to borrow funds on a short-term basis to meet the 90% distribution requirement and to avoid corporate income tax and the nondeductible excise tax if differences in timing between taxable income and cash available for distribution exist. Because we already have significant debt obligations and are highly leveraged, we may not be able to borrow these funds at favorable interest rates or at all.

Adverse legislative or regulatory tax changes may affect the tax treatment of us or our stockholders.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations thereof may take effect retroactively and could adversely affect our company or you, as a shareholder. On May 28, 2003, the President signed into law tax legislation that reduces the federal tax rate on both dividends and long-term capital gains for individuals to 15% until 2008. Because REITs generally are not subject to corporate income tax, this reduced tax rate generally does not apply to ordinary REIT dividends, which continue to be taxed at the higher tax rates applicable to ordinary income. The new 15% tax rate applies to:

- long-term capital gains recognized on the disposition of REIT shares;
- REIT capital gain distributions (except to the extent attributable to real estate depreciation, in which case such distributions continue to be subject to a 25% tax rate);
- REIT dividends attributable to dividends received by a REIT from non-REIT corporations, such as taxable REIT subsidiaries; and
- REIT dividends attributable to income that was subject to corporate income tax at the REIT level (e.g., to the extent that a REIT distributes less than 100% of its taxable income).

This new law could cause shares in non-REIT corporations to be a relatively more attractive investment to individual investors than shares in REITs. The legislation also could have an adverse effect on the market price of our common stock.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. All statements other than statements of historical facts included in this prospectus, including statements regarding our expected financial position, business strategy, plans and objectives of management for future operations, expected capital expenditures, expected funding sources, planned investments and forecasted dates, are forward-looking statements. These forward-looking statements are based on our current expectations, beliefs, assumptions, estimates and projections about the industry and markets in which we operate. Words such as expects, anticipates, intends, plans, believes, seeks, estimates and variations of such words and si expressions are often used to identify forward-looking statements. Although we believe that the expectations and assumptions reflected in the forward-looking statements are reasonable, these statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control, including but not limited to, those described in the Risk Factors section of this prospectus. Therefore, actual outcomes and results may differ materially from what is expressed, forecasted or implied in such forward-looking statements. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

USE OF PROCEEDS

The net proceeds to us from the sale of 5,000,000 shares of our common stock in this offering will be approximately $28.8 million, after deducting the underwriting discount and our estimated offering expenses. If the underwriters exercise their overallotment option in full, we estimate that our net proceeds will be approximately $33.2 million.

The net proceeds of this offering will be used primarily to repay portions of our variable rate borrowings, which include the loans secured by mortgages further described below under Business and Properties Mortgage Loans and Notes Payable Mortgage Loans Payable Variable Interest Rate and our term loan facility and line of credit, and for general corporate purposes. Repayment of our term loan facility and line of credit will create availability to draw upon these lines to acquire and refurbish additional properties and to make capital improvements to existing properties. Our term loan facility is with Fleet National Bank. At June 3, 2003, the outstanding principal balance of our term loan facility was $5.1 million. Our term loan facility bears interest at LIBOR plus 500 basis points (6.35% at March 31, 2003). Our term loan facility matures on August 6, 2003. We currently have $42 million in total borrowing capacity under our line of credit, with approximately $40.4 million outstanding and an available balance of approximately $1.6 million at June 3, 2003. Amounts repaid under the line of credit may be reborrowed. Our line of credit, which is provided by Fleet National Bank, bears interest at LIBOR plus 275 basis points (4.10% at March 31, 2003). The line of credit matures on November 12, 2005 and is secured by mortgages on some of our properties.

DIVIDEND POLICY

Since our initial public offering in November 1996, we have paid a dividend each quarter and we intend to pay quarterly dividends in the future. Future dividends will be at the discretion of our Board of Directors and will depend on a number of factors, including our operating results and financial condition. We cannot assure you that any dividends will be paid or that we will maintain our historical level of dividends.

Table of Contents

CAPITALIZATION

The following table sets forth (1) our capitalization as of March 31, 2003 and (2) our capitalization as of March 31, 2003 as adjusted to reflect the sale of 5,000,000 shares of common stock in this offering and the application of the net proceeds as set forth under Use of Proceeds. The following table should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and the related notes included in this prospectus.

	March 31, 2003	
	Actual	**As Adjusted**
Mortgage loans and notes payable	$ 122,959,470	$ 94,141,970
Stockholders equity:		
Preferred stock, $.001 par value; 5,000,000 shares authorized; none issued and outstanding		
Common stock, $.001 par value; 75,000,000 shares authorized; 11,542,713 shares issued and outstanding, actual; 16,542,713 shares issued and outstanding, as adjusted(a)	11,543	16,543
Capital in excess of par value	57,683,967	86,496,467
Distributions in excess of accumulated earnings	(12,458,332)	(12,458,332)
Total stockholders equity	45,237,178	74,054,678
Total capitalization	$ 168,196,648	$ 168,196,648

(a) Does not include 614,650 shares of common stock issuable upon the exercise of options and warrants with a weighted average exercise price of $5.23 per share that were outstanding as of March 31, 2003.

Table of Contents

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock has traded on the American Stock Exchange under the symbol AMV since January 27, 2000.

The following table presents the range of high and low sale prices for our common stock during each of the quarters indicated, as reported by the American Stock Exchange, and the dividends per share declared with respect to those quarters. Dividends are paid in the month following the quarter in which they were declared.

	Common Stock		
Quarter Ended	**High**	**Low**	**Dividend Per Share**
March 31, 2001	$ 5.95	$ 4.25	$ 0.125
June 30, 2001	6.20	4.85	0.125
September 30, 2001	6.20	5.20	0.125
December 31, 2001	6.00	5.05	0.125
March 31, 2002	6.55	5.45	0.125
June 30, 2002	6.45	5.56	0.125
September 30, 2002	6.30	5.40	0.130
December 31, 2002	6.29	5.00	0.130
March 31, 2003	6.55	5.66	0.130
Through June 3, 2003	6.65	6.08	

On June 3, 2003, the closing sale price for our common stock was $6.20 per share, as reported by the American Stock Exchange. On June 3, 2003, we had approximately 299 stockholders of record. We believe we have approximately 4,900 beneficial stockholders. The information concerning beneficial owners is based on information provided by brokers and depositories who hold shares in their names on behalf of others.

Table of Contents

SELECTED FINANCIAL INFORMATION

The selected consolidated financial data set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, our consolidated historical financial statements and the related notes, and the other information included in this prospectus. The selected financial data for each of the three years in the period ended December 31, 2002 is derived from the consolidated financial statements of AmeriVest, which have been audited by KPMG LLP for the year ended December 31, 2002 and by Arthur Andersen LLP for the years ended December 31, 2001 and 2000, each of whom are or were independent public accountants. The selected financial data for the three months ended March 31, 2003 and 2002 is derived from our unaudited consolidated financial statements. The selected data provided below is not necessarily indicative of the future results of operations or financial performance of AmeriVest and should be reviewed in conjunction with our consolidated financial statements, accompanying notes, and selected financial data presented elsewhere in this prospectus.

	Three Months Ended March 31, (unaudited)		Years Ended December 31,		
	2003	**2002**	**2002**	**2001**	**2000**
Statement of Operations Data:					
Real estate operating revenue	$ 6,814,528	$ 3,626,052	$ 16,385,965	$ 10,944,383	$ 7,222,437
Net income (loss)	$ 404,964	$ 390,962	$ (157,274)(a)	$ 1,488,493(b)	$ 2,676,724(c)
Weighted average diluted shares outstanding	11,203,104	6,863,423	9,501,117	4,801,307	2,495,919
Diluted net income (loss) per share	$ 0.04	$ 0.06	$ (0.02)	$ 0.31	$ 1.07
Dividends declared per share	$ 0.13	$ 0.125	$ 0.51	$ 0.50	$ 0.49
Other Data:					
Funds from Operations (FFO)(d):					
Net income (loss)	$ 404,964	$ 390,962	$ (157,274)	$ 1,488,493	$ 2,676,724
Depreciation and amortization expense	1,360,713	684,930	3,362,508	2,244,435	1,205,795
Share of depreciation of unconsolidated affiliates	19,935	6,562	46,087	29,634	59,635
Impairment of investment in real estate			275,000		
Gain on sale of real estate				(1,156,445)	(2,556,839)
FFO	$ 1,785,612	$ 1,082,454	$ 3,526,321	$ 2,606,117	$ 1,385,315
Net cash flow from operating activities	$ 1,983,951	$ 1,320,944	$ 5,427,045	$ 3,263,765	$ 2,517,784
Net cash flow from investing activities	(18,467,824)	(1,058,629)	(50,312,422)	(24,671,608)	(15,005,789)
Net cash flow from financing activities	16,924,771	(752,889)	46,084,588	21,480,222	13,076,645
Net change in cash and cash equivalents	$ 440,898	$ (490,574)	$ 1,199,211	$ 72,379	$ 588,640

	March 31, (unaudited)	December 31,

	2003	2002	2002	2001	2000
Balance Sheet Data:					
Net investment in real estate	$ 162,094,749	$ 81,214,727	$ 144,985,328	$ 80,841,027	$ 38,922,380
Total assets	175,763,526	88,550,769	157,183,587	88,002,488	42,363,797
Mortgage loans and notes payable	122,959,470	58,616,715	106,094,232	58,408,424	28,122,856
Stockholders equity	45,237,178	24,653,836	43,895,800	24,996,985	11,358,503

18

Table of Contents

(a) Includes a charge of $1,367,380 ($0.14 per diluted share) representing advisory fees and capital project fees earned by our former advisor, Sheridan Realty Advisor, LLC. Prior to 2002, these fees had been capitalized. Also includes a charge of $275,000 ($0.03 per diluted share) representing an impairment in the value of our building in Clint, Texas.

(b) Includes a gain of $1,156,445 ($0.24 per diluted share) recognized on the sale of non-core office buildings in Appleton, Wisconsin and Odessa, Texas; a charge of $326,113 ($0.07 per diluted share) representing an impairment of deferred rents receivable from a former significant tenant; and a charge of $323,447 ($0.07 per diluted share) representing the accelerated amortization of a lease commission related to that same tenant.

(c) Includes a gain of $2,556,839 ($1.02 per diluted share) recognized on the sale of our four self-storage facilities; and a charge of $255,442 ($0.10 per diluted share) recognized in accordance with a separation agreement between a former officer and us.

(d) Funds from Operations (FFO) is calculated in accordance with the FFO definition from NAREIT s October 1999 White Paper (as amended in April 2002). We consider FFO to be a key measure of a REIT s performance which should be considered along with, but not as an alternative to, net income or loss and cash flow as a measure of operating performance and liquidity. The White Paper on Funds From Operations approved by the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT) defines Funds From Operations as net income or loss (computed in accordance GAAP), excluding gains or losses from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. We believe that FFO is helpful to our investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of our ability to incur and service debt, to make capital expenditures and to fund other cash needs. Our FFO may not be comparable to FFO reported by other REITs that may or may not define the term in accordance with the NAREIT definition or that interpret the current NAREIT definition differently than we do. FFO does not represent cash generated from operating activities determined by GAAP and should not be considered as an alternative to net income or loss (determined in accordance with GAAP) as an indication of our financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions. FFO may include funds that may not be available for our management s discretionary use due to requirements to conserve funds for capital expenditures, debt repayment and property acquisitions and other commitments and uncertainties.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and comparison of the financial condition and results of operations of AmeriVest as of and for the quarters ended March 31, 2003 and 2002 and the years ended December 31, 2002, 2001 and 2000. These discussions should be read in conjunction with our consolidated financial statements and notes to consolidated financial statements.

Results of Operations

Comparison of the three months ended March 31, 2003 to the three months ended March 31, 2002:

	Three Months Ended March 31,		
	2003	2002	Change
Rental revenue	$ 6,814,528	$ 3,626,052	$ 3,188,476
Property operating expenses:			
Operating expenses	1,635,478	886,095	749,383
Real estate taxes	771,761	367,023	404,738
Management fees	43,477	28,062	15,415
General and administrative expenses	837,080	352,308	484,772
Interest expense	1,756,270	898,356	857,914
Depreciation and amortization expense	1,360,713	684,930	675,783
Total operating expenses	6,404,779	3,216,774	3,188,005
Other income(loss)			
Interest income	5,817	2,081	3,736
Equity in loss of unconsolidated affiliate	(10,602)	(20,397)	9,795
Total other income(loss)	(4,785)	(18,316)	13,531
Net income	$ 404,964	$ 390,962	$ 14,002

Rental revenue

The increase in rental revenue is primarily due to the inclusion of the operations of the late-2002 and early-2003 property acquisitions, Parkway Centre II (September 2002), Centerra (November 2002), Chateau Plaza (November 2002) and the Southwest Gas Building (February 2003).

Property operating expenses

Operating expenses and real estate taxes increased as a result of the above-mentioned transactions.

Management fees are paid to third-party providers for the property management of Parkway Centre II, the Bank of America Buildings and the State of Texas Buildings. The increase in management fees is due to the acquisition of Parkway Centre II.

General and administrative expenses

The increase in general and administrative expenses is primarily due to the termination of the Advisory Agreement with our former advisor, Sheridan Realty Advisors, LLC, or SRA, effective November 1, 2002,

Table of Contents

whereby all of the remaining employees of Sheridan Realty Advisors became employees of the Company. Additionally, approximately $200,000 in legal, accounting, investor relations, shareholder services and travel expenses related to the preparation and mailing of the 2002 Annual Report and proxy statement and first quarter investor relations initiatives. Such expenses increased over the prior year quarter due to a significantly larger stockholder base. Also, during the quarter the Company began to accrue approximately $36,000 per quarter for non-cash long-term stock compensation for certain of the Company s executive officers as provided by the 2003 Long-Term Incentive Plan, which was recently approved by our stockholders at our 2003 annual meeting. It is anticipated that general and administrative expenses will continue to increase as the Company acquires additional assets.

Interest expense

The increase in interest expense is due to the increase in the outstanding mortgage debt resulting from the above-mentioned transactions.

Depreciation and amortization expense

The increase in depreciation and amortization expense is due to the overall increase in depreciable assets resulting from the above-mentioned transactions.

Interest income

Interest income increased due to higher average outstanding cash balances in interest bearing accounts in 2003.

Equity in loss of unconsolidated affiliates

The equity in loss of unconsolidated affiliate represents the Company s share of the net loss of Panorama Falls. The Company sold 80% of its interest in Panorama Falls in December 2001, retaining its current 20% interest. The net loss of Panorama Falls has decreased due to improved property operations resulting from the lease up of the property from approximately 16% in December 2001 to approximately 71% at March 31, 2003.

Table of Contents

Comparison of the year ended December 31, 2002 to the year ended December 31, 2001:

	Year Ended December 31,		
	2002	2001	Change
Rental revenue	$ 16,385,965	$ 10,944,383	$ 5,441,582
Property operating expenses			
Operating expenses	3,935,774	2,643,448	1,292,326
Real estate taxes	1,628,455	1,132,819	495,636
Management fees	173,011	523,687	(350,676)
General and administrative expenses	1,755,104	677,845	1,077,259
Advisory and capital project fees	1,367,380		1,367,380
Impairment of investment in real estate	275,000		275,000
Impairment of deferred rents receivable		326,113	(326,113)
Interest expense	4,144,231	3,181,697	962,534
Depreciation and amortization expense	3,362,508	2,244,435	1,118,073
	16,641,463	10,730,044	5,911,419
Other income/(loss)			
Interest income	164,519	135,075	29,444
Equity in loss of unconsolidated affiliates	(66,295)	(17,366)	(48,929)
	98,224	117,709	(19,485)
(Loss) income before gain on sales of real estate	(157,274)	332,048	(489,322)
Gain on sales of real estate		1,156,445	(1,156,445)
Net (loss) income	$ (157,274)	$ 1,488,493	$ (1,645,767)

Rental revenue

The increase in rental revenue is due primarily to the inclusion of the operations of AmeriVest Plaza (acquired in April 2001), Arrowhead Fountains (acquired in November 2001) and the Kellogg Building (acquired in December 2001) for the entire year of 2002. The increase is also reflective of the partial year contribution of the 2002 acquisitions, including Parkway Centre II (acquired in September 2002), Centerra (acquired in November 2002) and Chateau Plaza (acquired in November 2002).

Property operating expenses

Operating expenses and real estate taxes increased primarily as a result of the above-mentioned transactions.

The decrease in management fees is due to our acquisition of SRA s administrative and property management and accounting services business, along with the elimination of those related fees, effective January 1, 2002. Subsequent to January 1, 2002, management fees decreased and general and administrative expenses increased due to us being internally managed versus externally managed in 2001.

General and administrative expenses

The increase in general and administrative expenses is due to the above-mentioned acquisition of SRA s administrative and property management and accounting services business, together with an increase

Table of Contents

in corporate office staff necessary to manage our continued growth. Furthermore, effective November 1, 2002, we terminated the Advisory Agreement with SRA and all remaining SRA employees became our employees. Although general and administrative expenses may continue to increase over the near-term, it is anticipated that these expenses will begin to decline as a percentage of revenue as we acquire additional properties.

Advisory and capital project fees

The expense recognized in 2002 represents the advisory and capital project fees earned by SRA, in accordance with the Advisory Agreement, for 2002 property acquisitions and as provided for in the Termination of Advisory Agreement we executed with SRA. Effective January 1, 2002, the Advisory Agreement was amended whereby certain SRA employees became our employees and as a result, the advisory and capital project fees were expensed. Prior to January 1, 2002, these fees were capitalized. Additionally, due to the termination of the Advisory Agreement effective November 1, 2002 whereby all remaining SRA employees became our employees, these fees have been eliminated.

Impairment of investment in real estate

The charge recognized represents an impairment in the value of our building in Clint, TX. The building is currently vacant and was previously leased to an agency of the State of Texas.

Impairment of deferred rents receivable

During the second quarter of 2001, we recorded an impairment of deferred rents receivable from a significant tenant, Rhythms NetConnections, Inc., which filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. We reached an agreement with Rhythms to terminate its lease effective November 1, 2001.

Interest expense

The increase in interest expense is due to an increase in the average outstanding debt balance for the year of 2002 by approximately 67% over the prior year. The effect of the increase in debt level is partially offset by a decrease in interest rates, which resulted in lower interest costs on our variable rate debt.

Depreciation and amortization expense

The increase in depreciation and amortization expense is due to the overall increase in depreciable assets resulting from the previously mentioned transactions.

Additionally, a portion of the increase is due to our adoption of SFAS No. 141, Business Combinations effective July 1, 2001, which requires that a portion of the purchase price of a property, representing the value of leasing costs of the in-place leases at the time of acquisition, must be allocated and amortized over the remaining lease terms. This results in the accelerated amortization of certain costs of properties acquired subsequent to July 1, 2001. Such costs were previously allocated to building and improvements and depreciated over 40 years. This will have a significant impact on our depreciation and amortization expense as long as we continue to acquire properties.

Interest income

Interest income increased due to higher average outstanding cash balances in interest bearing accounts in 2002 as compared to 2001.

Table of Contents

Equity in loss of unconsolidated affiliates

The equity in loss of unconsolidated affiliates recognized in 2002 represents our share of the net loss of Panorama Falls. We sold 80% of our interest in Panorama Falls in December 2001, retaining our current 20% interest.

The amount recognized in 2001 represents our share of the net losses of Sheridan Investments, LLC (which owned Sheridan Plaza at Inverness, LLC) and Panorama Falls. The original 9.639% interest in Sheridan Investments, LLC was acquired in September 2000. This interest was then used as partial consideration for the acquisition of 100% of Sheridan Plaza at Inverness, LLC in April 2001.

Gain on sales of real estate

The gain recognized in 2001 was a result of the sales of the Giltedge building in the amount of $1,143,698 and the building in Odessa, Texas in the amount of $12,747.

Comparison of the year ended December 31, 2001 to the year ended December 31, 2000:

	Year Ended December 31,		
	2001	**2000**	**Change**
Rental revenue	$ 10,944,383	$ 7,222,437	$ 3,721,946
Property operating expenses			
Operating expenses	2,643,448	1,946,633	696,815
Real estate taxes	1,132,819	668,224	464,595
Management fees	523,687	344,636	179,051
General and administrative expenses	677,845	517,019	160,826
Impairment of deferred rents receivable	326,113		326,113
Severance expense		255,442	(255,442)
Interest expense	3,181,697	2,167,869	1,013,828
Depreciation and amortization expense	2,244,435	1,205,795	1,038,640
	10,730,044	7,105,618	3,624,426
Other income/(loss)			
Interest income	135,075	55,874	79,201
Equity in loss of unconsolidated affiliates	(17,366)	(52,808)	35,442
	117,709	3,066	114,643

Income before gain on sales of real estate	332,048	119,885	212,163
Gain on sales of real estate	1,156,445	2,556,839	(1,400,394)
Net income	$ 1,488,493	$ 2,676,724	$ (1,188,231)

Rental revenue

The increase in rental revenue is due primarily to the inclusion of the operations of Sheridan Center (acquired in August 2000) and AmeriVest Plaza, offset by the exclusion of the operations of the four self-storage facilities (sold in August 2000) and the Giltedge building (sold in June 2001). The acquisition of Arrowhead Fountains and the Kellogg Building, offset by the sale of the 80% interest in Panorama Falls

Table of Contents

(December 2001), also contributed to the net increase in rental revenue. Rental revenue for 2001 also included approximately $285,000 attributable to increased property taxes at AmeriVest Plaza, which were passed through to the tenants in accordance with their leases.

Property operating expenses

Operating expenses, real estate taxes and management fees increased primarily as a result of the above-mentioned transactions. Operating expenses also increased in 2001 due to planned maintenance projects, increased utility costs and increased property taxes at AmeriVest Plaza.

General and administrative expenses

The increase in general and administrative expenses is due to the above-mentioned transactions as well as costs related to our continued growth.

Impairment of deferred rents receivable

The charge recognized in 2001 represents an impairment of a deferred rent receivable from Rhythms.

Severance expense

The severance expense recognized in 2000 was in accordance with a separation agreement between a former officer and us.

Interest expense

The increase in interest expense is due to an increase in the average outstanding debt balance for the year of 2001 by approximately 66% from the prior year. The effect of the increase in debt level is partially offset by a decrease in interest rates, which results in lower interest costs on our floating rate debt.

Depreciation and amortization expense

The increase in depreciation and amortization is due to the overall increase in depreciable assets due to the previously mentioned transactions and the continued redevelopment of Sheridan Center. The 2001 amount also includes the accelerated amortization of a lease commission related to the Rhythms lease that was recorded in the second quarter in the amount of $323,447.

Interest income

Interest income increased due to higher average outstanding cash balances in interest bearing accounts in 2001 as compared to 2000.

Equity in loss of unconsolidated affiliates

The equity in loss of unconsolidated affiliates recognized in 2001 represents our share of the net losses of Sheridan Investments, LLC and Panorama Falls. The amount recognized in 2000 solely relates to Sheridan Investments, LLC.

Gain on sales of real estate

The gain recognized in 2001 was a result of the sales of the Giltedge and Odessa, Texas buildings. The gain recognized in 2000 resulted from the sale of the four self-storage facilities.

Table of Contents

Liquidity and Capital Resources

Operating Activities

Our net cash provided by operating activities was approximately $1,984,000 for the three-month period ended March 31, 2003, an increase of approximately $663,000 from the prior year period. This increase is primarily due to the inclusion of the operations of the late-2002 and early-2003 property acquisitions. This is the primary source to fund dividend payments, debt service and capital expenditures. Our management believes that the cash flow from our existing properties will be sufficient to meet our working capital needs for the foreseeable future.

Investing and Financing Activities

Our net cash used in investing activities was approximately $18,468,000 for the three-month period ended March 31, 2003, of which $17,000,000 represents the acquisition of the Southwest Gas Building. The remainder represents recurring capital improvement, tenant improvement and leasing commission costs.

Our net cash provided by financing activities was approximately $16,925,000 for the three-month period ended March 31, 2003, of which $17,000,000 represents the loan proceeds used to acquire the Southwest Gas Building.

The following summarizes the significant debt financing transactions that occurred during 2002 and 2003:

In September 2002, we acquired Parkway Centre II and assumed the existing loan with a principal balance of $17,000,000 from J.P. Morgan Chase Commercial Mortgage Securities Corporation. This loan bears interest at LIBOR plus 195 basis points, matures on August 10, 2004 and is secured by the property.

In November 2002, we obtained the $30,000,000 Fleet Facility. The borrowings were used to acquire Centerra and Chateau Plaza. Outstanding balances bear interest at LIBOR plus 275 basis points, mature on November 12, 2005 and are secured by mortgages on the acquired properties. In February 2003, the available credit under this facility was increased to $42,000,000 and was utilized to fund a portion of the purchase price for the Southwest Gas Building.

In December 2002, we borrowed $29,700,000 from Teachers Insurance and Annuity Association of America. The proceeds were used to repay (i) two loans from US Bank National Association secured by Sheridan Center and the Kellogg Building, respectively, and (ii) a loan from Nationwide Life Insurance Company secured by Arrowhead Fountains. This loan bears interest at a fixed rate of 7.4%, matures on January 1, 2013 and is secured by mortgages on Arrowhead Fountains, the Kellogg Building and Sheridan Center. This loan allowed us to fix the interest rate on a large portion of our variable rate debt.

In February 2003, we obtained a $5,100,000 short-term loan from Fleet National Bank. The proceeds, together with proceeds from the Fleet Facility, were used to acquire the Southwest Gas Building. This loan bears interest at LIBOR plus 500 basis points and is due on August 6, 2003.

We desire to acquire additional properties. In order to do so, we will need to raise additional debt or equity capital. We also intend to obtain credit facilities for short and long-term borrowing with commercial banks or other financial institutions. The issuance of such securities or increase in debt to acquire additional properties could adversely affect the amount of cash available to pay dividends to stockholders.

Table of Contents

Scheduled Debt Maturities and Interest Rate Information

The following table details the scheduled maturities of mortgage loans and notes payable outstanding as of March 31, 2003:

2003	$	9,899,292
2004		17,931,655
2005		41,364,912
2006		15,139,761
2007		969,752
Thereafter		37,654,098
Total	$	122,959,470

Of the 2003 maturities, $4,111,884 represents the outstanding balance on the mortgage loan on Panorama Falls and $5,100,000 represents the outstanding balance on the short-term loan with Fleet National Bank. The Panorama Falls loan is due on June 1, 2003 and we are currently working on a refinancing of that loan. The short-term loan with Fleet National Bank is due on August 6, 2003 and we intend to pay down or refinance this loan. We cannot assure you that we will be able to refinance this loan before maturity on favorable terms to us, or at all.

Although we have sold 80% of our interest in Panorama Falls, we have retained 100% of the loan balance on our balance sheet due to our continued obligation. As an offset, we have recorded a receivable for 80% of this amount as due from a related party, with the remaining 20% included in the investment in unconsolidated affiliate balance.

As of March 31, 2003, approximately 46% of the total mortgage loans outstanding (including the Panorama Falls loan) are fixed rate loans with a weighted-average interest rate of approximately 7.7% and 54% are variable rate loans with a weighted-average interest rate of approximately 4.1%. The decrease in the proportion of fixed rate debt from 53% at December 31, 2002 to 46% at March 31, 2003 is attributable to the acquisition of the Southwest Gas Building using variable rate debt. We intend to refinance some of our variable rate debt to fixed rate debt upon stabilization of the underlying mortgaged properties.

Inflation

Management believes that inflation should not have a material adverse effect on our operations. Our office leases require the tenants to pay increases in operating expenses should any inflationary pressures materialize.

New Accounting Principles

In April 2002, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 145 Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. We were required to adopt SFAS No. 145 on January 1, 2003. SFAS No. 145 significantly limits the treatment of losses associated with early extinguishment of debt as an extraordinary item. Upon adoption, early extinguishments will not continue to qualify for extraordinary item treatment. Our adoption of SFAS No. 145 did not have a material impact on our financial position, results of operations or cash flows.

In July 2002, the FASB issued SFAS No. 146 Accounting for Costs Associated with Exit or Disposal Activities. We were required to adopt SFAS No. 146 on January 1, 2003. SFAS No. 146 requires that certain expenses associated with restructuring charges be accrued as liabilities in the period in which the liability is incurred. Our adoption of SFAS No. 146 did not have a material impact on our financial position, results of operations or cash flows.

In November 2002, the FASB issued Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002. The disclosure requirements are effective immediately. Our adoption of Interpretation No. 45 did not have a material impact on our financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148 Accounting for Stock-Based Compensation Transition and Disclosure, an amendment of FASB Statement No. 123. We were required to adopt SFAS No. 148 for financial statements for fiscal years ending after December 15, 2002. Our adoption of SFAS No. 148 did not have a material impact on our financial position, results of operations or cash flows.

In January 2003, the FASB issued Interpretation No. 46 Consolidation of Variable Interest Entities. We were required to adopt the Interpretation for financial statements for the fiscal year or interim period beginning after June 15, 2003. This Interpretation clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, and requires the consolidation of results of variable interest entities in which we have a majority variable interest. Our adoption of Interpretation No. 46 did not have a material impact on our financial position, results of operations or cash flows.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements required us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, which would potentially result in materially different results under different assumptions and conditions. We believe that our critical accounting policies are limited to those described below.

Investment in Real Estate

Upon acquisition, the purchase price of a property is allocated to land, building, leasing commissions and other intangible assets and associated liabilities as required by SFAS No. 141 Business Combinations. The allocation to land is based on our estimate of its fair value based on all available information including appraisals. The allocation to leasing commissions, as required by SFAS No. 141, represents the value associated with the in-place leases, including leasing commission, legal and other related costs. Also required by SFAS No. 141, is the creation of an intangible asset or liability resulting

Table of Contents

from in-place leases being above or below the market rental rates on the date of acquisition. This asset or liability is amortized over the life of the remaining in-place leases as an adjustment to revenue.

Investment in real estate is stated at cost. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives as follows:

Description	Estimated Useful Lives
Land	Not depreciated
Buildings and improvements	20 to 40 years
Furniture, fixtures and equipment	5 to 7 years
Tenant improvements and leasing commissions	Term of related lease

Maintenance and repairs are expensed as incurred and improvements are capitalized. The cost of assets sold or retired and the related accumulated depreciation and/or amortization are removed from the accounts and the resulting gain or loss is reflected in operations in the period in which such sale or retirement occurs. Allocating the purchase price of a property to the different components of investment in real estate, determining whether expenditures meet the criteria for capitalization and assigning depreciable lives is considered to be critical because it requires management to exercise significant judgment.

Valuation of Real Estate Assets

Long-lived assets to be held and used by us are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We continually evaluate the recoverability of our long-lived assets based on estimated future cash flows from and the estimated liquidation value of such long-lived assets, and provide for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived asset. Valuation of real estate assets is considered to be critical because the evaluation of impairment and the determination of fair values involve management s assumptions relating to future economic events that could materially affect the determination of the fair value, and therefore the carrying amounts of our real estate.

Revenue Recognition

Certain leases provide for tenant occupancy during periods for which no rent is due or where minimum rent payments increase during the term of the lease. We record rental revenue for the full term of each lease on a straight-line basis. Accordingly, we record a receivable from tenants for rents that we expect to collect over the remaining lease term as deferred rents receivable in the accompanying balance sheets. When we acquire a property, the term of the existing leases is considered to commence as of the acquisition date for the purposes of this calculation. Revenue recognition is considered to be critical because the evaluation of the realizability of such deferred rents receivable involves management s assumptions relating to such tenant s viability.

Table of Contents

BUSINESS AND PROPERTIES

AmeriVest Properties Inc. is incorporated under the laws of the State of Maryland and operates as a self-administered and self-managed real estate investment trust (REIT). We were incorporated in the State of Delaware in 1993 and re-incorporated in Maryland in 1999. We primarily invest in and operate commercial office buildings in selective markets and lease the commercial office buildings to small and medium size tenants. As of March 31, 2003, we owned 27 properties, which include an aggregate of 1,564,090 rentable square feet, located in Colorado, Texas, Arizona and Indiana.

We are a fully-integrated self-managed REIT. From January 2000, when our current management team was formed, until January 2002, our properties were managed under a Property Management and Advisory Agreement with Sheridan Realty Advisors, LLC, or SRA, which also managed our day-to-day operations and assisted and advised our Board of Directors with respect to real estate acquisitions and investment opportunities. Effective as of January 1, 2002, we purchased the administrative and property management and accounting services business from SRA for the sum of $100 plus the book value of the furniture, fixtures and equipment at December 31, 2001, which was approximately $50,000.

Throughout 2002, SRA continued as an outside advisor to us in connection with our capital market activities, real estate acquisitions and dispositions and major capital projects and continued to earn an advisory and capital project fee for those services under the terms of our Advisory Agreement with them. Effective November 1, 2002, we terminated the Advisory Agreement and all fees earned by SRA under the Advisory Agreement were accrued for as of December 31, 2002. This amounted to $1,051,390 and was settled in 2003. SRA is owned by two of our executive officers, William T. Atkins, who is also a director, and Alexander S. Hewitt.

Business Strategy

Since 1999, we have focused our efforts on the acquisition, rehabilitation and development of multi-tenant office buildings with an average tenant size of between 2,000 and 4,000 square feet in select cities.

We believe that office space for small to medium size businesses is a large and underserved market. According to data compiled by the Office of Advocacy of the U.S. Small Business Administration in 2000, 89% of all U.S. businesses employed fewer than 20 employees. As a result, we believe that many businesses have office space requirements of no more than 4,000 square feet.

Small to medium size businesses often have specific needs and limitations that are different from larger businesses. For example, small and medium size businesses cannot usually afford large corporate staffs to manage office leasing. These businesses have similar needs as larger firms, such as access to cutting edge technology, conference facilities, high quality telecommunications equipment and other amenities, but usually do not have a comparable budget to those firms. Our strategy is to focus on providing an office product targeted to this large market and its unmet needs in a cost effective manner. The key elements of our strategy include:

Provide a Superior, Consistent Product

We seek to provide a level of amenities to the small and medium size businesses in our office properties that usually only larger companies would be able to obtain. We accomplish this through new development, such as AmeriVest Plaza, redevelopment of existing properties, such as Sheridan Center, Panorama Falls and Centerra, and improved management with a focus on customer service. For example, tenants in many of our core buildings enjoy a keyless entry card system to allow secure access 24 hours a day to their individual suites, as well as use of common area conference rooms with the latest telecommunications and presentation equipment. Entry lobbies feature touchpad electronic directories and, where possible, our buildings are engineered to provide control of heating and air conditioning in individual tenant suites. Signage for each tenant suite allows for the tenant s individual logo to be incorporated on a common background. Each property is wired to offer high speed voice and data service from multiple telcom providers, and in some buildings tenants can elect to use the building s centralized server and local area network as their own computer system, with 24 hour, seven days a week support from third party providers.

Simplify the Leasing Process

We provide our clients with a leasing policy that is designed to meet the unique needs of a small to medium size tenant base with limited staffing. We operate our multi-tenant buildings under a no-hassle leasing philosophy, using a standard simplified lease that has been designed for fairness to both tenant and landlord. For every property, our lease rates are dictated by our rate matrix, a standardized menu of set rental rates based on lease terms that are tied to the market rates for our submarkets. This rate matrix reduces negotiating time and provides for fairness and consistency to our tenants. We also incorporate a turnkey tenant finish package, greatly reducing the time to design and build out finished space. Our streamlined system greatly reduces negotiation and space planning time and allows the tenant to move into its space earlier and with less aggravation than is usual in the leasing process, reducing the per lease cost for us and the tenant.

Provide a High Level of Service

We have developed and employ a positive, service-oriented mentality to our tenants. Our core buildings feature a regional Tenant Relations Advocate whose job description is to interface regularly with all tenants and maximize tenant retention. The Tenant Relations Advocate, unlike a conventional property manager, does not have responsibility for the physical operation of a building, but rather is dedicated to tenant issues with a singular focus on tenant retention. The Tenant Relations Advocate personifies our service-oriented mentality and is available to resolve minor tenant service complaints before they develop into major issues.

Our Tenant Relations Advocates work with team leaders for each region, who in turn report to a senior manager in our Denver headquarters, providing direct and regular feedback on tenant concerns. We believe that our customer-focused management will improve our tenant retention rates.

Target Select Cities

We have focused on employing our strategy in buildings or projects containing at least 100,000 square feet, within select cities where we hope to build meaningful multi-property portfolios. We target cities that possess enough total office square footage to offer the possibility of multiple acquisitions and liquidity in the event of a desired sale, a healthy number of small businesses and positive growth dynamics. Historically, in order to maximize management efficiencies, we have focused on markets in relatively close proximity to our headquarters in Denver. As we grow, we plan to expand our radius to include cities within the United States and Canada that possess our desired characteristics. In the near term, we plan to focus our acquisition activities in the following cities:

1. Dallas, TX
2. Denver, CO
3. Indianapolis, IN

4. Phoenix, AZ
5. San Francisco, CA

Table of Contents

Based on acquisition opportunities and general market conditions, we may add cities to and eliminate others from this list from time to time.

As a result of our focused strategy, we believe that our properties provide office space that is particularly attractive for small to medium size tenants. By executing on our strategy we believe we have been able to maintain high occupancy rates while still maintaining strong rent per square foot trends in our core markets compared to the general office market.

Acquisitions and Dispositions

2003

Southwest Gas Acquisition

On February 6, 2003, we acquired the Southwest Gas Building. The Southwest Gas Building is located in Phoenix, Arizona and contains 147,660 rentable square feet on 7.38 acres of land. The purchase price for the Southwest Gas Building was $17,000,000, which was paid with $11,900,000 from a revolving credit facility with Fleet National Bank (the Fleet Facility), and the balance from a term loan, also from Fleet National Bank.

2002

Chateau Plaza Acquisition

On November 25, 2002, we acquired the Chateau Plaza office building. Chateau Plaza is located in Dallas, Texas and contains 171,335 rentable square feet on one acre of land. The purchase price for Chateau Plaza was $22,000,000, which was paid with $15,400,000 from the Fleet Facility and the balance paid in cash from a portion of the proceeds of our May 2002 public offering.

Centerra Acquisition

On November 12, 2002, we acquired the Centerra office building. Centerra is located in Denver, Colorado and contains 186,431 rentable square feet on 1.15 acres of land. The purchase price for Centerra was $18,658,300, which was paid with $13,057,660 from the Fleet Facility and the balance paid in cash from a portion of the proceeds of our May 2002 public offering.

Keystone Land Acquisition

On September 6, 2002, we acquired 2.55 acres of undeveloped land, adjacent to Keystone Office Park in Indianapolis, Indiana, from Sheridan Realty Partners, L.P., an affiliate, for $320,000. The purchase price was determined by an independent appraisal and was paid through the issuance of 52,893 shares of our common stock ($6.05 per share). In late 2002, we commenced construction of a 18,000 square foot building on this land.

Parkway Centre II Acquisition

On September 5, 2002, we acquired the Parkway Centre II office building. Parkway Centre II is located in Plano, Texas and contains 151,988 rentable square feet on 6.4 acres of land. The purchase price for Parkway Centre II was $22,000,000, which was paid with $17,000,000 from the assumption of the existing loan from J.P. Morgan Chase Commercial Mortgage Securities Corp. and the balance paid in cash from a portion of the proceeds of our May 2002 public offering.

Table of Contents

2001

Kellogg Building Acquisition

On December 21, 2001, we acquired the Kellogg Building. The Kellogg Building is located in Littleton, Colorado and contains 111,695 rentable square feet on five acres of land. The purchase price for the Kellogg Building was $13,550,000, which was paid with $9,500,000 from the proceeds of a loan from US Bank National Association and the balance from a portion of the proceeds from our 2001 public offering.

Panorama Falls Sale

On December 6, 2001, we sold an 80% tenancy in common interest in the Panorama Falls building to a long-term investor affiliated with a large shareholder. Panorama Falls is a three-story office building with 60,004 rentable square feet on six acres of land located in Englewood, Colorado. The sales price for the interest in Panorama Falls was $4,880,000 payable as follows:

- $2,180,000 to KeyBank National Association to pay down a portion of the mortgage loan;
- the assumption of $2,395,732 of the mortgage loan, which was 80% of the remaining mortgage loan; and
- the remainder of $304,268 in cash, less closing costs.

Arrowhead Fountains Acquisition

On November 19, 2001, we acquired the Arrowhead Fountains office building. Arrowhead Fountains is located in suburban Phoenix, Arizona and contains 96,092 rentable square feet on five acres of land. The purchase price for Arrowhead Fountains was $12,750,000, which was paid by the assumption of the mortgage loan from Nationwide Life Insurance Company with a principal balance of $9,300,000 and the balance from a portion of the proceeds from the 2001 public offering.

Odessa Sale

On October 23, 2001, we sold our office building in Odessa, Texas for $132,500. The sale resulted in a gain on sale of $12,747.

Giltedge Sale

On June 1, 2001, we sold our Giltedge building in Appleton, Wisconsin for $3,650,000. The sale resulted in a gain on sale of $1,143,698. The cash proceeds from this transaction of $458,030 were used to complete a tax-deferred exchange under Section 1031 of the Internal Revenue Code.

AmeriVest Plaza at Inverness (f/k/a Sheridan Plaza at Inverness) Acquisition

On April 1, 2001, we purchased from Sheridan Investments, LLC, an affiliate, 100% of the ownership interests of Sheridan Plaza at Inverness, LLC. Sheridan Plaza at Inverness, LLC owns two office buildings (which are known as AmeriVest Plaza at Inverness) located in Englewood, Colorado consisting of 118,720 rentable square feet on 6.7 acres of land with 405 total parking spaces, including 80 underground parking spaces. The purchase price was $22,895,067 and consisted of:

- $705,135 for our 9.639% preferred membership interest in Sheridan Investments, LLC, the owner of all of the membership interests in Sheridan Plaza at Inverness LLC, which was transferred back to Sheridan Investments, LLC;

Table of Contents

$6,474,329 paid with (1) 1,057,346 shares of our common stock, at a price of $5.69 per share (based on an average market price of the shares over a period of several days before and after the date of the announcement of the acquisition) and (2) cash proceeds of $458,030 from the sale of the Giltedge building;

assumption of the mortgage loan in the amount of $14,954,425; and

assumption of other liabilities in the amount of $761,178.

The acquisition was structured as a tax-deferred exchange of the Giltedge building under Section 1031 of the Internal Revenue Code. Due to the related party nature of this transaction, accounting principles generally accepted in the United States require us to record this acquisition at its historical net book value. The difference between the purchase price and the historical net book value was $4,507,557 and has been recorded as a non-cash dividend during 2001.

2000

Sheridan Investments, LLC Membership Interest Acquisition

On September 29, 2000, we acquired a 9.639% preferred membership interest in Sheridan Investments, LLC, the sole owner of Sheridan Plaza at Inverness, LLC. The purchase price for the interest was $658,918, which we paid by issuing 131,784 shares of common stock and 65,892 common stock purchase warrants at $5.00 per share. This interest was transferred back to Sheridan Investments, LLC in April 2001 as partial consideration for the remaining interest in Sheridan Plaza at Inverness, LLC.

Sheridan Center Acquisition

On August 31, 2000, we acquired Sheridan Center, a three-building office complex in southeast Denver, Colorado, for $9,600,000. The buildings contain 141,008 square feet on 3.74 acres of land. Funds for closing included approximately $1,818,000 held in escrow and on deposit as part of the tax-deferred exchange under Section 1031 of the Internal Revenue Code from the sale of the self-storage facilities, together with mortgage financing and a portion of the proceeds from our 2000 public offering.

Self-Storage Sale

On August 25, 2000, we sold four self-storage facilities in the metropolitan Denver, Colorado area for $8,400,000. This sale resulted in a gain on sale of approximately $2,557,000. The net proceeds of approximately $1,818,000 were used to complete a tax-deferred exchange under Section 1031 of the Internal Revenue Code for office building assets.

Panorama Falls Acquisition

On May 25, 2000, we acquired Panorama Falls for $5,900,000. Funds for closing included approximately $514,000 being held in escrow and on deposit as part of the tax-deferred exchange under Section 1031 of the Internal Revenue Code from the sale of the Broadway Property completed in December 1999, together with mortgage financing and short-term financing, which was partially repaid in August 2000 with proceeds from our 2000 public offering.

Table of Contents

Properties

We own and operate 27 office properties in Colorado, Texas, Arizona and Indiana. Other than as described under Description of Specific Properties below, we have no plans to renovate our office properties other than for routine capital maintenance. Given access to capital, we believe we will continue to be able to identify and complete acquisition and development opportunities.

The following table provides certain information about each of our office properties owned at March 31, 2003:

Building Location	Year Acquired	Square Feet of Rentable Area(a)	Percentage Occupancy at March 31, 2003(b)	Average Rent Per Square Foot(c)
Core Properties:				
Southwest Gas Building Phoenix, AZ	2003	147,660	97.4%	$ 21.59
Chateau Plaza Dallas, TX	2002	171,335	97.6%	$ 22.79
Centerra Denver, CO	2002	186,431	70.0%	$ 20.30
Parkway Centre II Plano, TX	2002	151,988	95.7%	$ 20.83
Kellogg Building Littleton, CO	2001	111,695	98.6%	$ 21.96
Arrowhead Fountains Peoria, AZ	2001	96,092	100.0%	$ 21.39
AmeriVest Plaza at Inverness Englewood, CO (d)	2001	118,720	91.3%	$ 23.44
Sheridan Center Denver, CO	2000	141,008	82.0%	$ 15.94
Keystone Office Park Indianapolis, IN (e)	1999	96,520	95.8%	$ 17.46
Total Core Properties		1,221,449	90.8%	$ 20.79
Non-Core Properties:				
Panorama Falls Englewood, CO (f)	2000	60,004	70.8%	$ 19.02
Bank of America Buildings (g) Clifton, Georgetown, Henderson and Mineral Wells, TX	1998	60,095	97.4%	$ 16.00
State of Texas Buildings (h) Lubbock, El Paso (2), Clint, Temple, Bellville, Columbus, Hempstead, Mission, Arlington, Marshall, Amarillo and Paris, TX	1997-98	222,542	77.7%	$ 9.05
Total Non-Core Properties		342,641	80.0%	$ 12.08
Total Properties		1,564,090	88.5%	$ 19.06

(a) Includes office space but excludes storage, telecommunications and garage space.
(b) Includes space leased but not yet occupied.
(c) Annualized base rent divided by leased rentable area. Annualized base rent is base rent plus contractual increases, but excludes percentage rent, operating expense reimbursements and parking.
(d) Formerly known as Sheridan Plaza at Inverness.

(e) Does not include a fourth building currently under construction consisting of approximately 18,000 rentable square feet.
(f) 20% of the property is owned by AmeriVest and 80% of the property is owned by Freemark Abbey Panorama, LLC as tenants in common.

Table of Contents

(g) Buildings leased approximately 63% to Bank of America, with the remainder leased to a number of small and medium size tenants.
(h) Eleven of 13 buildings are leased primarily to various agencies of the State of Texas. The Clint, Texas and Paris, Texas buildings are currently vacant.

The following charts illustrate the approximate geographic distribution of our 100%-owned core properties[(1)] by square footage at March 31, 2003 and by our 2002 revenues:

Figure 1 Geographic Distribution by Square Footage at March 31, 2003

Figure 2 Geographic Distribution by 2002 Revenues

(1) Does not include Bank of America Buildings, State of Texas Buildings or Panorama Falls.

Table of Contents

The following table categorizes the area leased to tenants of our 100%-owned core properties[1] by industry at March 31, 2003:

Industry	Percentage of Area
Wholesale trade and manufacturing	16.0%
Real estate	10.4%
Financial services insurance	9.8%
Consulting and business services	9.4%
Health care	8.3%
Legal	7.5%
Financial services advisement and brokerage	6.8%
Energy	6.1%
Other	5.6%
Financial services mortgage	4.6%
Telecommunications	4.5%
Computer systems and software	3.8%
Accounting	3.0%
Travel, entertainment and food service	1.8%
Engineering	1.2%
Financial services banking	0.8%
Advertising and marketing	0.4%

(1) Does not include Bank of America Buildings, State of Texas Buildings or Panorama Falls.

Lease Expirations

The following is a schedule of lease expirations[1] for our 100%-owned core properties[2] over the next ten years:

Year	Number of Expiring Leases	Total Area of Expiring Leases	Annual Revenue from Expiring Leases	Percentage of Annual Revenue from Expiring Leases
2003	59	161,324	$3,184,701	14.3%
2004	80	200,651	$4,140,685	18.6%
2005	79	379,265	$8,201,801	36.8%
2006	44	106,932	$2,074,917	9.3%
2007	20	88,684	$1,811,806	8.1%
2008	12	39,315	$ 793,991	3.5%
2009	2	67,997	$1,487,983	6.7%
2010	1	17,150	$ 347,287	1.6%
2011	1	2,400	$ 40,200	0.2%
2012	1	8,466	$ 203,184	0.9%

(1) Does not include leases of the Kellogg Building s executive suites or month-to-month leases.
(2) Does not include Bank of America Buildings, State of Texas Buildings or Panorama Falls.

Table of Contents

Description of Specific Properties

The following six properties had book values greater than or equal to 10% of our consolidated assets as of March 31, 2003: Southwest Gas, Chateau Plaza, Centerra, Parkway Centre II, AmeriVest Plaza at Inverness and Sheridan Center. Set forth below is a description of each of these properties.

Southwest Gas

On February 6, 2003, we acquired the Southwest Gas office building in Phoenix, Arizona. The eight-story building contains 147,660 rentable square feet on 7.38 acres of land. Site improvements include parking for approximately 620 cars. The building was built in 1987.

The property is located in central Northwest Phoenix in the Grove at Black Canyon business park at the intersection of Peoria Avenue and I-17 (the Black Canyon Highway).

Southwest Gas competes with several smaller and larger buildings in the area, including buildings that lease to small and medium size businesses.

Southwest Gas is leased to 12 tenants at base rental rates ranging from $18.25 to $23.02 per rentable square foot. The average effective annual rent per square foot for the quarter ended March 31, 2003 was $21.59.

The occupancy rate for Southwest Gas was 97% at March 31, 2003 and 92% at December 31, 2002. Occupancy information for prior years is not available. Southwest Gas Corporation, a regional utility company, occupies 60,046 rentable square feet, or approximately 41% of the building, under a direct lease through August 2009.

The following is a schedule of lease expirations for Southwest Gas:

Year (1)	Number of Expiring Leases	Total Area of Expiring Leases	Annual Revenue from Expiring Leases	Percentage of Annual Revenue from Expiring Leases
2003	1	27,752	$ 559,144	18.0%
2004	4	19,752	$ 423,045	13.7%
2005	4	22,373	$ 476,504	15.4%
2006	1	1,413	$ 31,793	1.0%

2007	1	12,462	$ 285,504	9.2%
2008				
2009	1	60,046	$1,321,012	42.7%

(1) At March 31, 2003, there were no leases in effect with an expiration date after 2009.

For 2002, the real estate taxes for Southwest Gas were $381,884, which is equal to 13.8% of the assessed value of the property for real estate tax purposes as determined by the Maricopa County Assessors Office.

Chateau Plaza

On November 25, 2002, we purchased the Chateau Plaza office building in Dallas, Texas. The 18-story building contains 171,335 rentable square feet and a 7-story parking garage on one acre of land. The parking garage contains approximately 500 spaces. The building was built in 1986.

Table of Contents

Chateau Plaza is located within Dallas Turtle Creek/Uptown District. The property s highly visible location at the northwest corner of McKinney Avenue and Fairmount Street, offers tenants quick access to numerous freeways and the McKinney Avenue trolley line.

Chateau Plaza is leased to 10 tenants at base rental rates ranging from $22.00 to $26.40 per rentable square foot. The average effective annual rent per square foot for the quarter ended March 31, 2003 was $22.79.

The occupancy rate for Chateau Plaza was 98% at March 31, 2003, 98% at December 31, 2002, 89% at December 31, 2001, 89% at December 31, 2000, and 76% at December 31, 1999. Occupancy information for prior years is not available. Dean Foods Company, a specialty foods producer, occupies 120,607 rentable square feet, or approximately 70% of the building, under a direct lease through December 2005. However the tenant has the option to terminate the lease as early as December 2003. Should the tenant elect to terminate the lease early, it is obligated to pay a termination penalty equal to three months of the current base rent plus any unamortized tenant improvement and leasing costs.

The following is a schedule of lease expirations for Chateau Plaza over the next ten years:

Year	Number of Expiring Leases	Total Area of Expiring Leases	Annual Revenue from Expiring Leases	Percentage of Annual Revenue from Expiring Leases
2003	1	6,528	$ 150,144	4.0%
2004				
2005	5	140,536	$3,161,723	83.3%
2006	1	3,648	$ 87,552	2.3%
2007				
2008	2	8,101	$ 192,825	5.1%
2009				
2010				
2011				
2012	1	8,466	$ 203,184	5.3%

For 2002, the real estate taxes for Chateau Plaza were $602,741, which is equal to 2.8% of the assessed value of the property for real estate tax purposes as determined by the Dallas County Assessors Office.

Centerra

On November 12, 2002, we purchased the Centerra office building in Denver, Colorado. The 17-story building contains 186,431 rentable square feet and a 7-story parking garage on 1.15 acres of land. The parking garage contains 587 spaces. The building was built in 1982.

Centerra is located in a central location between downtown Denver and the southeast suburbs along Interstate 25 at Colorado Boulevard, adjacent to Sheridan Center. The Colorado Department of Transportation and the Regional Transportation District have commenced construction of a light-rail system and highway expansion project on Interstate 25, or I-25. The project, which is scheduled to continue through June 2008, has disrupted traffic on I-25 due to lane closures and massive construction along 19 miles of the Interstate adjacent to Centerra, Sheridan Center and near our AmeriVest Plaza and Panorama

Table of Contents

Falls buildings. Centerra is located north of I-25 on the other side of most of the construction, which allows for alternative access from most metropolitan Denver locations. We believe that the central location of Centerra, together with our focus on tenants whose employees have more flexible work schedules than employees of larger companies, should minimize the adverse impact of the highway construction on occupancy levels and leasing activity at this project.

Centerra is leased to 34 tenants at base rental rates ranging from $14.00 to $23.65 per rentable square foot. The average effective annual rent per square foot for the quarter ended March 31, 2003 was $20.30.

The occupancy rate for Centerra was 70% at March 31, 2003, 68% at December 31, 2002 and 82% at December 31, 2001. Occupancy information for prior years is not available. There are no tenants occupying 10% or more of the rentable area.

The following is a schedule of lease expirations for Centerra:

Year (1)	Number of Expiring Leases	Total Area of Expiring Leases	Annual Revenue from Expiring Leases	Percentage of Annual Revenue from Expiring Leases
2003	9	26,546	$547,459	21.0%
2004	5	18,940	$395,688	15.2%
2005	8	28,038	$597,211	22.9%
2006	1	2,432	$ 49,856	1.9%
2007	4	23,034	$474,306	18.2%
2008	7	27,909	$543,167	20.8%

(1) At March 31, 2003, there were no leases in effect with an expiration date after 2008.

For 2002, the real estate taxes for Centerra were $340,150, which is equal to 6% of the assessed value of the property for real estate tax purposes as determined by the Denver County Assessors Office.

Parkway Centre II

On September 5, 2002, we purchased the Parkway Centre II office building in Plano, Texas. The 6-story building contains 151,988 rentable square feet on 6.4 acres of land. There is a parking structure containing 225 spaces and an additional 309 surface parking spaces, of which 84 are covered spaces. The building was built in 1999.

Parkway Centre II is located along the North Dallas Tollway, just south of Parker Road and north of the Willow Bend Fashion Mall in Plano, one of the fastest growing areas in Metropolitan Dallas.

Parkway Centre II is leased to 24 tenants at base rental rates ranging from $13.50 to $23.75 per rentable square foot. The average effective annual rent per square foot for the quarter ended March 31, 2003 was $20.83.

The occupancy rate for Parkway Centre II was 96% at March 31, 2003, 98% at December 31, 2002, 100% at December 31, 2001, 100% at December 31, 2000 and 24% at December 31, 1999. One tenant, an insurance company, occupies 10% or more of the rentable space. The tenant occupies 25,757 rentable square feet or approximately 17% of the building, under a direct lease through December 2004.

Table of Contents

The following is a schedule of lease expirations for Parkway Centre II:

Year (1)	Number of Expiring Leases	Total Area of Expiring Leases	Annual Revenue from Expiring Leases	Percentage of Annual Revenue from Expiring Leases
2003	5	15,272	$ 304,814	10.2%
2004	5	37,877	$ 745,407	25.0%
2005	7	48,968	$1,031,404	34.5%
2006	4	15,957	$ 329,249	11.0%
2007	3	27,295	$ 576,717	19.3%

(1) At March 31, 2003, there were no leases in effect with an expiration date after 2007.

For 2002, the real estate taxes for Parkway Centre II were $470,510, which is equal to 2.5% of the assessed value of the property for real estate tax purposes as determined by the Collin County Assessors Office.

AmeriVest Plaza at Inverness

On April 1, 2001, we purchased 100% of the ownership interests of Sheridan Plaza at Inverness, LLC. The primary assets of this entity are two multi-tenant office buildings, together known as AmeriVest Plaza at Inverness (f/k/a Sheridan Plaza at Inverness) located in Englewood, Colorado. These two office buildings contain 118,720 square feet on approximately 6.7 acres of land with 405 total parking spaces, including 80 underground parking spaces. The buildings were built in 1998 and 1999.

AmeriVest Plaza is located within the Inverness Business Park just east of I-25 at County Line Road. We believe that the location of AmeriVest Plaza near the southern end of the highway project described above under Centerra could be an advantage in leasing during the highway construction period. AmeriVest Plaza is at the southern end of the construction activity and is easily accessible from all southeast and east metro Denver residential areas. The property must compete with several medium size office buildings in the area, including buildings leased to small and medium size businesses and including buildings owned by CarrAmerica and Mack Cali, but there is no dominant owner or building.

AmeriVest Plaza is leased to 33 tenants at base rental rates ranging from $20.00 to $26.21 per rentable square foot. The average effective annual rent per square foot for the quarter ended March 31, 2003 was $23.44.

The occupancy rate for AmeriVest Plaza was 91% at March 31, 2003, 99% at December 31, 2002, 100% at December 31, 2001, 100% at December 31, 2000 and 61% at December 31, 1999. One tenant, a local law firm, occupies 10% or more of the rentable space. The tenant occupies 19,502 rentable square feet under a direct lease through September 2005. The tenant is responsible for its pro-rata share of operating expenses and the lease contains annual base rent escalation provisions.

41

Table of Contents

The following is a schedule of lease expirations for AmeriVest Plaza:

Year (1)	Number of Expiring Leases	Total Area of Expiring Leases	Annual Revenue from Expiring Leases	Percentage of Annual Revenue from Expiring Leases
2003	1	678	$ 17,269	0.7%
2004	13	35,091	$ 849,318	34.3%
2005	17	65,941	$1,541,244	62.1%
2006	1	2,012	$ 40,240	