MID-YEAR REAL ESTATE MARKET REVIEW

2003

COLLIERS INTERNATIONAL

Presented by Colliers International

Boise, Idaho

INDUSTRIAL

Overview

The present condition of the Treasure Valley industrial real estate market remains relatively unchanged since the beginning of the new year. Today's maligned economy, overseas tensions, and decline of consumer confidence have resulted in a market condition which can be defined as sluggish, at best. Leaner company payrolls and rising unemployment rates have also negatively impacted the Treasure Valley, subsequently resulting in a slow-down in business expansions and/or relocations.

Obviously, with no demand for new construction, and nominal speculative building, most transaction activity is comprised of tenants relocating from one existing building to another. In addition, the availability of sublease space is greater, creating added opportunities for those tenants in the market. Accordingly, we are seeing an increase in landlord concessions such as free rent, additional tenant improvement dollars for buildout, and more flexible rental schedules.

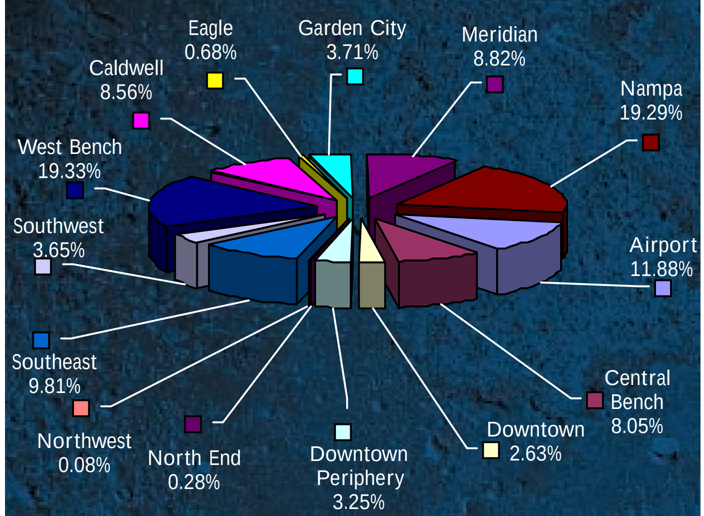
On a positive note, the decline in interest rates over the first half of the year has resulted in an increase in users considering owning their facilities, as opposed to leasing them, primarily amongst the smaller users in the 3,000 to 5,000 square foot range.

As reported in our last Market Overview, the West Boise and Meridian regions continue to attract the most interest from users contemplating a move. This is due to the westerly growth of Boise, specifically in the Eagle Road / Meridian corridor.

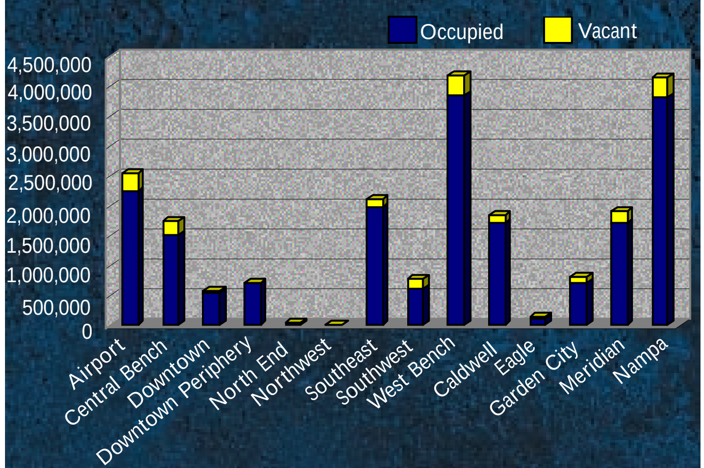
Vacancy

Colliers is presently tracking approximately 2,011,000 square feet of vacant industrial product comprised of warehouse, manufacturing, and flex type space. Due to the aforementioned lack of user demand, the industrial vacancy rate has increased the past six months, moving up from 7.71 percent in January to 9.32 percent today, an increase of 1.6 percent.

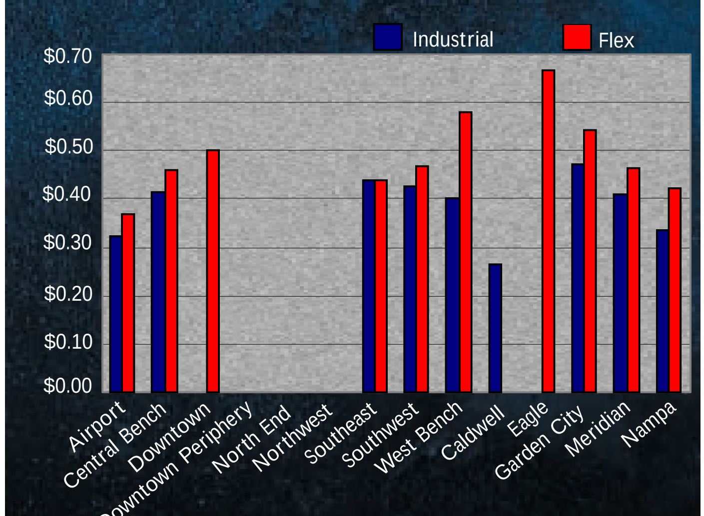
Industrial Inventory By Submarket



Industrial Vacancy / Occupancy Rate by Submarket



Average Industrial Asking Rates by Type



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July 2003 Industrial Statistics At A Glance

Submarket	Inventory SF	Vacancy SF	Vacancy %	6-Month Change	Average Rent	6-Month Change	Absorption SF
Airport	2,564,046	322,888	12.59%	2.36%	$0.35	-$0.01	-69,905
Central Bench	1,737,544	222,926	12.83%	-0.93%	$0.44	$0.00	16,925
Downtown	567,407	10,858	1.91%	1.91%	$0.50	NA	-10,858
Downtown Periphery	700,803	0	0.00%	0.00%	NA	NA	0
North End	60,186	0	0.00%	0.00%	NA	NA	0
Northwest	18,252	0	0.00%	0.00%	NA	NA	0
Southeast	2,117,676	139,832	6.60%	2.89%	$0.44	-$0.11	-60,054
Southwest	787,157	157,183	19.97%	9.56%	$0.45	-$0.01	-78,829
West Bench	4,172,733	337,109	8.08%	1.06%	$0.49	-$0.01	-55,081
Caldwell	1,848,074	135,600	7.34%	0.00%	$0.26	-$0.02	0
Eagle	146,252	41,944	28.68%	10.35%	$0.67	$0.17	-18,439
Garden City	801,300	96,250	12.01%	-3.82%	$0.51	$0.04	32,348
Meridian	1,903,073	199,031	10.46%	0.36%	$0.44	-$0.01	-11,836
Nampa	4,164,223	347,728	8.35%	2.85%	$0.38	$0.00	-114,622
Total:	**21,588,726**	**2,011,349**	**9.32%**	**1.61%**	**$0.45**	**$0.01**	**-370,351**

Contributing significantly to the increase in vacancy is the addition of a 255,000 square foot distribution facility recently vacated and placed on the market in southeast Boise. Any user activity which may exist in the market is coming from the light manufacturing or distribution sector, while interest in flex space continues to idle along. Hopefully, however, should a recent prediction by Idaho's top economist prove correct, the "high-tech" sector may be in for a rebound (August, 2003 *Idaho Statesman*).

Asking Rates

Despite the decline in leasing activity in the Treasure Valley, average asking rates for industrial buildings remain consistent with those six months ago. Average asking rates are approximately $.39 NNN on the warehouse portion of the building, and $.85 NNN on the office portion. Once again, sublease rates will always undercut direct lease rates, and those companies seeking space from a "cheapest deal" perspective will find these opportunities to be of most interest. Colliers does not anticipate any significant fluctuations in industrial asking lease rates.

New Construction

There is limited to zero speculative industrial construction in the Treasure Valley at this time. Weak user demand and an abundance of available industrial product leads us to conclude that this will remain the case throughout 2003 and well into 2004.

Outlook

So, when might we realize a turnaround in the Treasure Valley industrial market? Factors such as an upturn in consumer confidence, increased manufacturing orders, and corresponding job growth will lead the way. User demand will result in a healthier industrial market. Lower interest rates, cheaper labor costs, and overall quality of life position the Treasure Valley as an attractive location for not only local businesses to be here, but are also substantial reasons for out-of-state companies to locate here.

The recent renovation of the Boise Airport, the probability of a new convention center, and the abundance of industrial land should also enhance the perception of the Treasure Valley as a viable place to conduct industrial business.

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