

2003

MID-YEAR REAL ESTATE MARKET REVIEW

COLLIERS
INTERNATIONAL

Presented by Colliers International

Boise, Idaho

OFFICE

Overview

Halfway through 2003, the Treasure Valley commercial office market reflected a sluggish recovery from the recession, with higher unemployment and an increase in the overall vacancy rate. Leaner payrolls have led to moderate increases in productivity, leading most state economists to declare the recession is almost over. However, until the job market recovers, the effect on the office properties market will continue to perform accordingly. State economists forecast a continued slow recovery of new jobs in the area as we emerge from the recession over the next 6-12 months. As a result, our forecast for the demand in commercial office space will also lag in the return towards healthy levels.

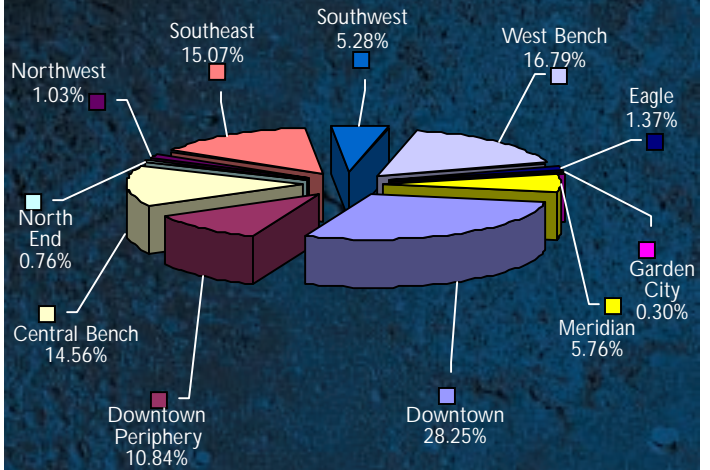
As interest rates have fallen over the first half of the year, we have seen an increase in office building sales, while leasing activity has slowed. Similar to the residential market, declining interest rates make it more attractive to purchase real estate rather than rent for first-time commercial building buyers. This has translated into strong demand of buyers in the small office segment of 2,500 to 5,000 square feet.

Colliers International expects a continued slow recovery for the remainder of 2003 and into 2004, as companies remain cautious about committing resources to expanding operations and/or adding new employees. Vacancy rates will likely remain fairly stable, with a continued reduction in both speculative construction and sublease space by the end of 2003.

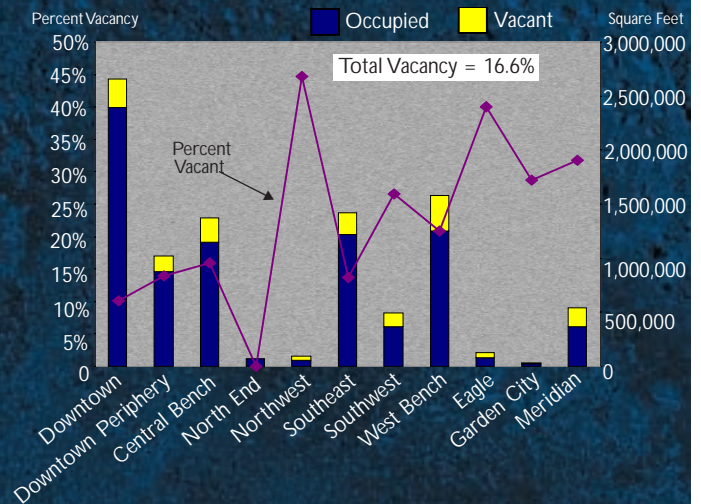
New Construction

New construction completions in the first half of 2003 delivered four multi-tenant buildings totaling 73,796 square feet. This represents a 68 percent decrease from the 232,479 square feet of office space added in 2002. Significant office projects currently being developed include Silverstone Corporate Center (Southwest), El Dorado Business Campus (Meridian), Eagle River (Eagle), and Civic Plaza (Downtown). Presently, Colliers International is tracking nine multi-tenant complexes under construction with expected completion dates during 2003. These new developments will introduce approximately 227,911 square feet of space to the office inventory. In addition to projects under construction, Colliers International is tracking approximately 1,926,115 square feet of planned office construction.

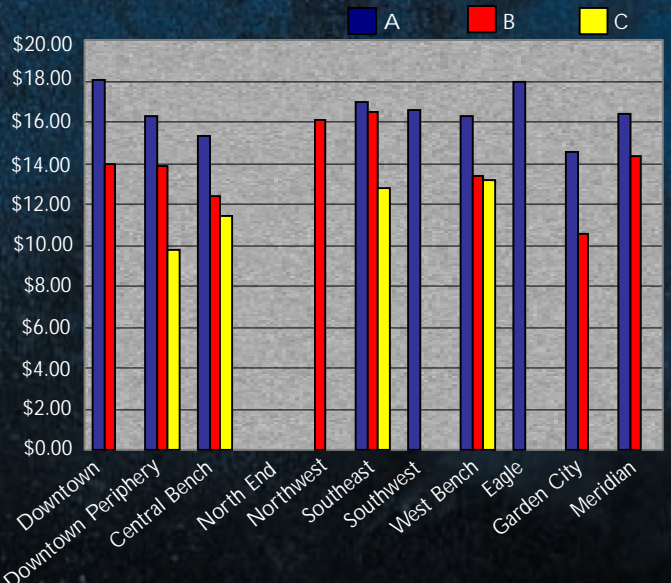
Office Inventory By Submarket



Office Vacancy / Occupancy by Submarket



Average Office Asking Rates By Class



VACANCY BY SUBMARKET

| Submarket | Inventory SF | Direct Vacant | Sublease Vacant | Total Vacant | Building Count | Vacancy % |
|--------------------|------------------|------------------|-----------------|------------------|----------------|---------------|
| Downtown | 2,659,503 | 256,705 | 11,010 | 267,715 | 55 | 10.07% |
| Downtown Periphery | 1,020,278 | 120,216 | 22,664 | 142,880 | 57 | 14.00% |
| Central Bench | 1,370,505 | 198,529 | 19,278 | 217,807 | 69 | 15.89% |
| North End | 71,736 | 0 | 0 | 0 | 8 | 0.00% |
| Northwest | 96,677 | 43,226 | 0 | 43,226 | 2 | 44.71% |
| Southeast | 1,418,722 | 160,411 | 34,744 | 195,155 | 39 | 13.76% |
| Southwest | 497,479 | 130,573 | 1,454 | 132,027 | 20 | 26.54% |
| West Bench | 1,581,089 | 314,180 | 16,947 | 331,127 | 95 | 20.94% |
| Eagle | 129,046 | 51,595 | 0 | 51,595 | 8 | 39.98% |
| Garden City | 28,354 | 8,134 | 0 | 8,134 | 4 | 28.69% |
| Meridian | 542,236 | 169,364 | 3,275 | 172,639 | 25 | 31.84% |
| Total: | 9,415,625 | 1,452,933 | 109,372 | 1,562,305 | 382 | 16.59% |

Vacancy Rates

With the rise in unemployment, combined with continued speculative office construction, the market experienced a sharp 3 percent increase in the overall vacancy rate, jumping to 16.59 percent by mid-year. While slightly higher than the national average, this rate is low compared to other regional cities: Seattle, Portland, Salt Lake City, and San Francisco.

By mid-year 2003, the eleven-submarket survey of multi-tenant office buildings revealed 1,562,305 square feet of space available, which includes approximately 109,372 square feet of sublease space on the market.

Asking Rates

This year, average annual full-service asking rates remained relatively stable during the first six months, ending at \$14.05 per square foot. The range in asking rates averaged \$11.80 for Class C buildings, \$13.88 for Class B, and Class A buildings with a high of \$16.48 per square foot. Many building owners have adopted a full-service asking rate that does not include janitorial service, which distorts the price down by approximately \$0.80 per square foot. The Boise market has historically been unable to exceed a \$20.00 full-service asking lease rate, even for the top Class A buildings.

Submarkets

Tenants continued the trend of steady leasing activity in the Eagle, Meridian, and Southwest submarkets. As was the case throughout 2002, the Eagle Road Corridor, stretching from the city of Meridian to the city

of Eagle, continued to be the axis of commercial activity, with significant construction and leasing activity so far this year. The survey at mid-year for the Downtown and Downtown Periphery submarkets finished with a combined 410,595 square feet of available office space, representing an increase of 31.58 percent from the end of 2002. Leasing activity remained sluggish downtown, as tenants chose the convenience of a non-commute work-week and the economics of free parking available in the suburban office environment.

Outlook for 2003 and Beyond

As the national economy continues a slow recovery and due to development of unrest abroad, Colliers International expects to continue a protracted and volatile recovery of the Treasure Valley commercial market throughout 2003 and into 2004. Offering lower interest rates, lower operational costs, and excellent quality of life, the Treasure Valley is poised to emerge from this current downturn in the economic cycle and attract national tenants, corporate facilities, and expansions.

The completion of the Boise Air Terminal and the potential for a new convention center will serve to increase our economic development potential over the next several years. While the Treasure Valley has benefited from the rapidly expanding technology sector in the past, Colliers International expects to see an ongoing shift in demand towards medical and healthcare related tenants, financial and legal services, call-centers, and agricultural companies.

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