Overview

Similar to the first half of 2006, there were limited commercial real estate investment transactions in the Boise market with only 19 transactions monitored through various data sources. The average trade value across all products types increase from $93 in 2006 to $141 per square foot in 2007. The increased values can be attributed to downward pressure on capitalization rates and the sale of higher-quality buildings.

Office and industrial capitalization rates (see Appendix for Glossary of Terms) actually rose in the first half of 2007 while rates in retail and multi-family continued a downward trend, falling along with national rates. While demand continues to exceed the supply of available investment properties, rising interest rates may cause investors to look at non-real estate opportunities unless capitalization rates improve.

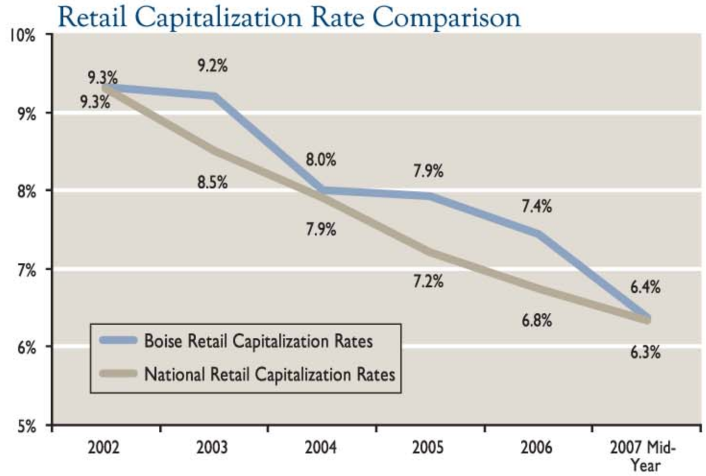
Supply and Demand of Investment Properties

There is a consistent shortage of available investment properties relative to the flow of capital from local and national sources into the Boise market, especially amongst office and industrial buildings.

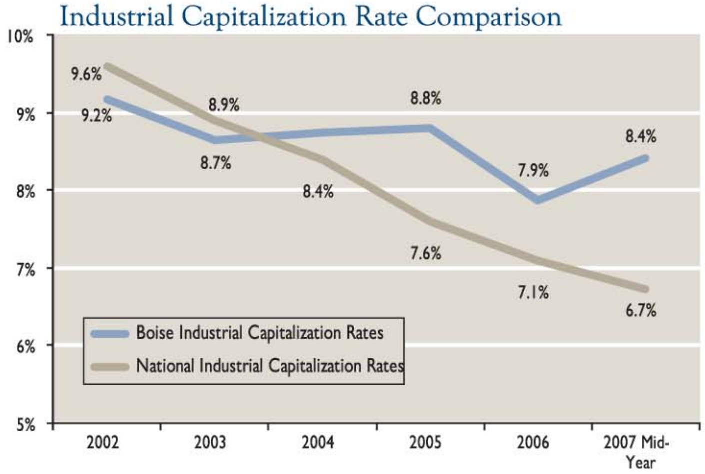
Multi-family properties are currently the most aggressively sought-after product in the Investment Property Category. Investors see the opportunity to diversify investments by placing money into multi-family housing where vacancies have been shrinking due to the increase in housing costs and the constriction of available debt for housing purchases. With prices in Boise well behind regional and national averages in capitalization rate, price per unit, and price per foot, there is the potential for appreciation in the multi family area.

Office Capitalization Rate Comparison

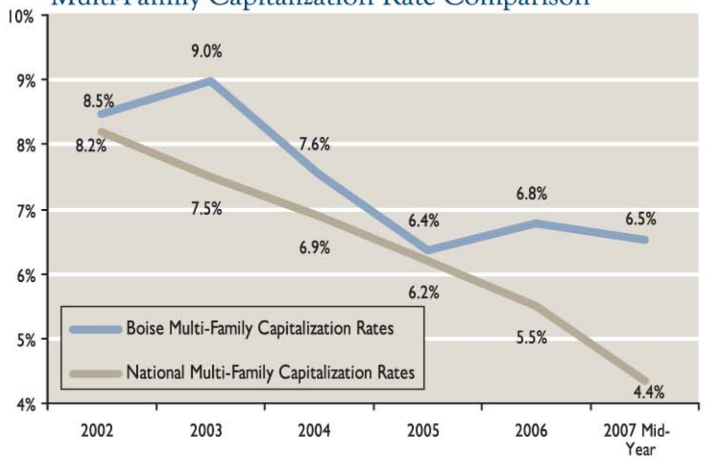
Retail Capitalization Rate Comparison



Industrial Capitalization Rate Comparison



Multi-Family Capitalization Rate Comparison



Capitalization Rates

Capitalization rates have been the highest for industrial properties during the first half of 2007 (8.4%) and over the last year with limited transactions occurring in the market. Multi-family capitalization rates have plummeted to 4.4% nationally in the first half of 2007 while rates in the Boise market have remained above national averages at 6.5%. Retail capitalization rates declined in 2007 in Boise with high price per square foot transactions including the sale of BoDo, the downtown Boise lifestyle center. Office capitalization rates also climbed to 8.1% on average compared with the year-end 2006 average of 6.9%. Prominent office transactions of note in the first half of 2007 in the downtown Boise sub-market included One Front Street Center and the Pioneer Plaza Buildings.

Outlook

Expect capitalization rates to increase due to rising interest rates. Premier properties will continue to trade at aggressive capitalization rates. Investors will seek to purchase properties that are priced below replacement costs to hedge against the effects of high construction costs and inflationary pressures. Multi-family and well-located retail will continue to demand higher prices at low capitalization rates.

Due to the quantity of capital currently existing in the marketplace, demand will continue to remain strong for investment properties located throughout the Treasure Valley.

Ranked Capitalization Rates for Regional Cities

Office		Retail		Industrial		Multi-Family	
Boise	8.1%	**Denver**	6.8%	**Boise**	8.4%	**Boise**	6.5%
Austin	8.0%	**Salt Lake City**	6.6%	**Salt Lake City**	7.8%	**Salt Lake City**	6.4%
Salt Lake City	7.2%	**Phoenix**	6.6%	**Denver**	7.0%	**Denver**	5.9%
Phoenix	6.3%	**Austin**	6.5%	**Phoenix**	6.9%	**Austin**	5.8%
Denver	6.0%	**Boise**	6.4%	**Portland**	6.8%	**Seattle**	5.4%
Seattle	5.6%	**Seattle**	6.3%	**Seattle**	6.5%	**Phoenix**	5.4%
Portland	5.5%	**Portland**	6.2%	**San Diego**	5.7%	**Portland**	5.3%
San Diego	5.5%	**San Diego**	5.8%	**Austin**	5.5%	**San Diego**	5.2%

Source: RC Analytics, Colliers International

Mid-Year 2007 Investment Summary

Sample	Type	Average Sq. Ft.	Average Selling Price	Average Selling Price/SF	Average Cap Rate	Average Cap Rate (Weighted)	Six Month Change
4	Office	49,177	$8,280,000	$168	8.26%	8.13%	1.19
4	Retail	86,093	$14,442,181	$168	7.04%	6.38%	-1.06
6	Industrial	22,573	$2,115,833	$94	7.76%	8.41%	0.54
5	Multi-Family	25,329	$1,886,980	$74	6.25%	6.52%	-0.27
19	**Total**	**42,272**	**$5,948,349**	**$141**	**7.32%**	**7.17%**	**-0.03**

Source: Colliers International, Langston & Associates
Additional thanks to H. Scott Calhoun