

OVERVIEW

The Treasure Valley industrial market took a slight hit in 2011 with vacancy rising from 10.9% year end of 2010 to 11.2% in the second quarter of 2011. The vacancy increase was predicted and is expected to fluctuate slightly through the remainder of 2011. Lease rates are stabilizing and asking rates are getting closer to actual deal rates. Landlords are still competing for tenants with leasing incentives being the differentiator: free rent, tenant improvements, gross leases, and purchase options. Industrial sales activity has increased as users and investors search for the motivated sellers. Industrial land activity continues to lag behind other rebounding sectors and will continue to do so into 2012. Financing continues to be challenging for buyers, with lending for bare land being especially difficult.

INVENTORY & VACANCY

Colliers tracks roughly 34.7 million square feet of industrial inventory in the Treasure Valley. The largest submarket is Nampa, with roughly 27% of the industrial inventory equaling 9.3 million square feet. The second largest submarket is Southeast Boise with 4.5 million square feet of inventory.

Vacancy slowly climbed up from 11.1% in Q1 2011 to 11.2% in Q2. Some bright spots included the Southeast and Southwest submarkets. The Southeast submarket declined from 5.0% in Q1 2011 to 4.7% and the Southwest submarket decreased from 19.4% Q1 to 18.9%. These two submarkets had the most positive tenant activity throughout the first half of 2011. Some notable transactions in Q2 2011 were BCC RPI Boise LLC taking a 60,252 square foot building in the West Bench; Cripe Distributing leasing 20,000 square feet of warehouse space in Kuna, and a 16,800 square foot building leasing off Braniff Street.

TRIPLE NET ASKING RATES & COMP RENTS

Asking lease rates and actual lease rents are starting to find equilibrium. Average asking rates for newer, class A, product is \$.44 - \$.54 cents per square foot NNN blended (based on improvements and other costs for tenanting), while second generation, class B & C, space is stabilizing at \$.29 - \$.36 cents per square foot NNN blended. With vacancy fluctuating, landlords are still offering rent concessions to attract prospective tenants. One month free or abated rent for every year committed is common. For three straight quarters actual rent comparables are averaging \$.33 cents per square foot NNN. Leases that are being signed have

2011 Mid-Year Industrial Submarket Statistics at a Glance

Submarket	Building Count	Inventory (SF)	Direct Vacant (SF)	Sublease Vacant (SF)	Total Vacant (SF)	Vacancy Rate	Absorption Mid-Year 2011	Avg. Asking Rates (NNN Monthly)
Airport	87	3,301,941	459,880	25,865	485,745	14.7%	-49,290	\$0.42
Central Bench	68	1,934,376	273,525	0	273,525	14.1%	22,822	\$0.60
Downtown Periphery	34	771,672	64,753	0	64,753	8.4%	0	\$0.43
Eagle	10	289,132	35,036	0	35,036	12.1%	-720	\$0.40
Garden City	103	1,543,803	188,759	0	188,759	12.2%	8,481	\$0.48
Meridian	134	3,274,162	420,928	0	420,928	12.9%	1,600	\$0.47
Southeast	77	4,589,294	203,840	9,690	213,530	4.7%	13,883	\$0.49
Southwest	86	1,456,825	233,048	41,814	274,862	18.9%	8,198	\$0.48
West Bench	149	3,802,392	623,466	52,920	676,386	17.8%	-27,035	\$0.49
Nampa	206	9,394,564	996,312	30689	1,027,001	10.9%	-20,138	\$0.44
Caldwell	135	4,361,299	224,056	0	224,056	5.1%	-1,500	\$0.51
Market Total	1089	34,719,460	3,723,603	160,978	3,884,581	11.2%	-43,699	\$0.48

an average term of about three years. Sublease rates are at or near direct rates because most sublandlords signed their leases during the peak of the market and are unable to justify lowering their lease rates below the current market rates.

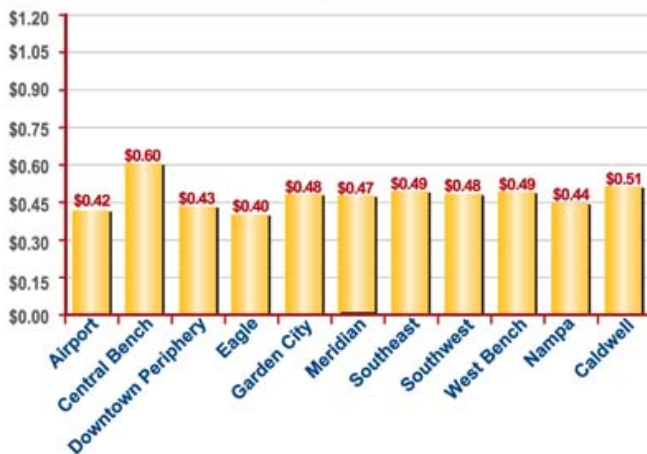
NET ABSORPTION

Absorption is at -43,699 square feet for the first half of 2011. The largest amount of negative absorption occurred in the Airport submarket with -49,290 square feet. The Central Bench had the most positive momentum with 22,822 square feet followed by the Southeast submarket with 13,883 square feet of positive absorption. Another positive sign is that 38% of all the leases signed in 2011 were larger than 4,000 square feet.

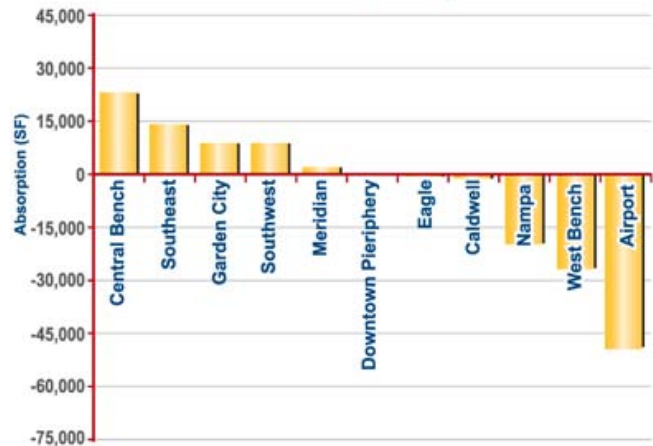
OUTLOOK

Looking forward, vacancy rates will continue to fluctuate near the 11% level. Leasing will remain active with deals still favoring tenants. Landlords will continue to make tough decisions on their properties. As more owners decide to put their property on the market, sales activity should increase as owner/users take advantage of the low interest rates and SBA financing opportunities. Investors will continue to slowly get back in the market, picking up distressed properties with opportunity. Industrial development will be limited, but specific industrial developers are constructing new projects to fill some gaps. There is a lack of Class A distribution space in the market, and they can provide space to expand current tenants within their portfolio while bringing additional speculative space to the market.

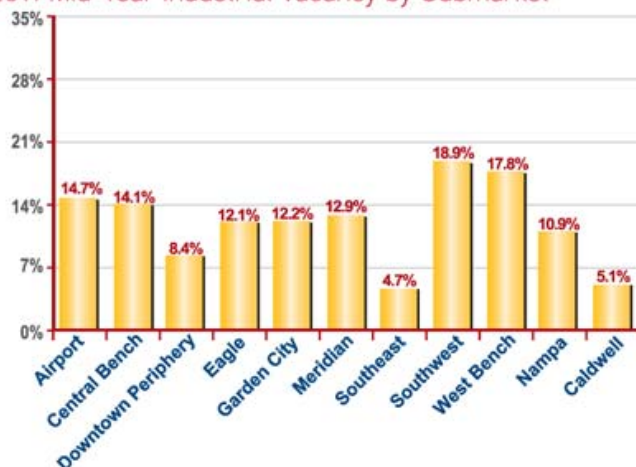
2011 Mid-Year Industrial Avg. NNN Direct Asking Rates



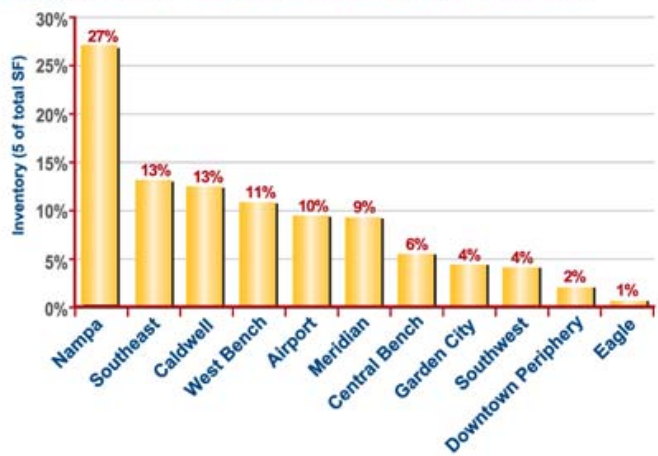
2011 Mid-Year Industrial Absorption by Submarket



2011 Mid-Year Industrial Vacancy by Submarket



2011 Mid-Year Industrial Inventory by Submarket



Industrial Statistics

Class	Building Count	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant	Sublease Vacancy Rate	Total Vacant SF	Vacancy Rate Q2 '11	Vacancy Rate Q4 '10	Net Absorption Q1-Q2 SF	Net New Supply 2010 SF	Under Construction SF	Proposed SF	Avg. NNN Monthly Rents
Treasure Valley Industrial Market														
Airport														
Industrial / Manufacturing	35	788,674	53,816	6.8%	25,865	3.3%	79,681	10.1%	14.7%	n/a	0	0	0	\$0.47
Warehouse / Bulk Space	42	2,276,781	346,601	15.2%	0	0.0%	346,601	15.2%	15.0%	n/a	0	0	160,000	\$0.36
Flex Space	10	236,486	59,463	25.1%	0	0.0%	59,463	25.1%	25.5%	n/a	0	0	0	\$0.51
All	87	3,301,941	459,880	13.9%	25,865	0.8%	485,745	14.7%	15.7%	-49,290	0	0	160,000	\$0.42
Central Bench														
Industrial / Manufacturing	18	341,279	23,588	6.9%	0	0.0%	23,588	6.9%	5.8%	n/a	0	0	0	\$0.48
Warehouse / Bulk Space	31	1,172,084	104,125	8.9%	0	0.0%	104,125	8.9%	9.9%	n/a	0	0	0	\$0.38
Flex Space	19	421,013	145,812	34.6%	0	0.0%	145,812	34.6%	30.8%	n/a	0	0	0	\$0.67
All	68	1,934,376	273,525	14.1%	0	0.0%	273,525	14.1%	13.7%	22,822	0	0	0	\$0.60
Downtown Periphery														
Industrial / Manufacturing	14	347,753	36,742	10.6%	0	0.0%	36,742	10.6%	10.8%	n/a	0	0	0	\$0.46
Warehouse / Bulk Space	12	325,975	24,877	7.6%	0	0.0%	24,877	7.6%	8.2%	n/a	0	0	0	\$0.35
Flex Space	8	97,944	3,134	3.2%	0	0.0%	3,134	3.2%	0.0%	n/a	0	0	0	n/a
All	34	771,672	64,753	8.4%	0	0.0%	64,753	8.4%	8.9%	0	0	0	0	\$0.43
Eagle														
Industrial / Manufacturing	1	52,800	14,040	26.6%	0	0.0%	14,040	26.6%	30.7%	n/a	0	0	0	n/a
Warehouse / Bulk Space	4	163,832	4,406	2.7%	0	0.0%	4,406	2.7%	2.7%	n/a	0	0	0	n/a
Flex Space	5	72,500	16,590	22.9%	0	0.0%	16,590	22.9%	27.8%	n/a	0	0	0	\$0.40
All	10	289,132	35,036	12.1%	0	0.0%	35,036	12.1%	14.3%	-720	0	0	0	\$0.40
Garden City														
Industrial / Manufacturing	60	718,634	64,829	9.0%	0	0.0%	64,829	9.0%	9.0%	n/a	0	0	15,000	\$0.53
Warehouse / Bulk Space	27	577,149	48,135	8.3%	0	0.0%	48,135	8.3%	12.4%	n/a	0	0	0	\$0.34
Flex Space	17	254,020	75,795	29.8%	0	0.0%	75,795	29.8%	34.8%	n/a	0	0	0	\$0.48
All	104	1,549,803	188,759	12.2%	0	0.0%	188,759	12.2%	13.8%	8,481	0	0	15,000	\$0.48
Meridian														
Industrial / Manufacturing	51	1,043,062	104,812	10.0%	0	0.0%	104,812	10.0%	14.5%	n/a	0	0	124,949	\$0.43
Warehouse / Bulk Space	47	1,592,133	200,290	12.6%	0	0.0%	200,290	12.6%	15.0%	n/a	0	105,000	22,500	\$0.47
Flex Space	36	638,967	115,826	18.1%	0	0.0%	115,826	18.1%	17.8%	n/a	0	0	0	\$0.49
All	134	3,274,162	420,928	12.9%	0	0.0%	420,928	12.9%	15.3%	1,600	0	105,000	147,449	\$0.47
Southeast														
Industrial / Manufacturing	32	637,288	33,080	5.2%	9,690	1.5%	42,770	6.7%	5.9%	n/a	0	0	466,528	\$0.56
Warehouse / Bulk Space	32	2,020,081	93,716	4.6%	0	0.0%	93,716	4.6%	5.8%	n/a	0	0	0	\$0.32
Flex Space	13	1,931,925	77,044	4.0%	0	0.0%	77,044	4.0%	2.4%	n/a	0	0	0	\$0.48
All	77	4,589,294	203,840	4.4%	9,690	0.2%	213,530	4.7%	4.3%	13,883	0	0	466,528	\$0.49
Southwest														
Industrial / Manufacturing	37	505,242	76,496	15.1%	0	0.0%	76,496	15.1%	14.3%	n/a	0	0	11,925	\$0.54
Warehouse / Bulk Space	22	515,873	97,444	18.9%	41,814	8.1%	139,258	27.0%	31.0%	n/a	0	0	0	\$0.45
Flex Space	26	430,020	59,108	13.7%	0	0.0%	59,108	13.7%	11.0%	n/a	0	0	0	\$0.45
All	85	1,451,135	233,048	16.1%	41,814	2.9%	274,862	18.9%	19.9%	8,198	0	0	11,925	\$0.48
West Bench / Mall														
Industrial / Manufacturing	42	782,951	124,316	15.9%	27,000	3.4%	151,316	19.3%	23.6%	n/a	0	0	0	\$0.22
Warehouse / Bulk Space	45	1,540,956	202,547	13.1%	25,920	1.7%	228,467	14.8%	14.5%	n/a	0	0	0	\$0.42
Flex Space	62	1,478,485	296,603	20.1%	0	0.0%	296,603	20.1%	20.2%	n/a	0	0	0	\$0.56
All	149	3,802,392	623,466	16.4%	52,920	1.4%	676,386	17.8%	18.4%	-27,035	0	0	0	\$0.49
Nampa	206	9,394,564	996,312	10.6%	30,689	0.3%	1,027,001	10.9%	0.0%	-20,138	0	0	0	\$0.44
Caldwell	135	4,361,299	224,056	5.1%	0	0.0%	224,056	5.1%	0.0%	-1,500	0	0	0	\$0.51
Market Totals														
Industrial / Manufacturing	290	5,217,683	531,719	10.2%	62,555	1.2%	594,274	11.4%	13.5%	n/a	0	0	618,402	\$0.50
Warehouse / Bulk Space	262	10,184,864	1,122,141	11.0%	67,734	0.7%	1,189,875	11.7%	12.7%	n/a	0	105,000	182,500	\$0.41
Flex Space	196	5,561,360	849,375	15.3%	0	0.0%	849,375	15.3%	13.8%	n/a	0	0	0	\$0.53
Nampa	206	9,394,564	996,312	10.6%	30,689	0.3%	1,027,001	10.9%	8.7%	n/a	0	0	0	\$0.44
Caldwell	135	4,361,299	224,056	5.1%	0	0.0%	224,056	5.1%	4.9%	n/a	0	0	0	\$0.51
All	1089	34,719,770	3,723,603	10.7%	160,978	0.5%	3,884,561	11.2%	10.9%	-43,699	0	105,000	800,902	\$0.48