

OVERVIEW / NATIONAL SALES ACTIVITY

The U.S. economy has experienced another year of modest growth, with the Dow Jones Industrial Average (DJIA) Index surpassing the 12,000 mark in late 2010 and sustaining that level to the second quarter of 2011. Despite these modest gains, there are many obstacles to future growth, including a national deficit that, according to the Federal Reserve and credit rating agencies is “unsustainable,” a housing market that is still looking for bottom, and too few new jobs to drive a recovery. Despite those obstacles in the national economy, commercial investment transactions have been on the rise.

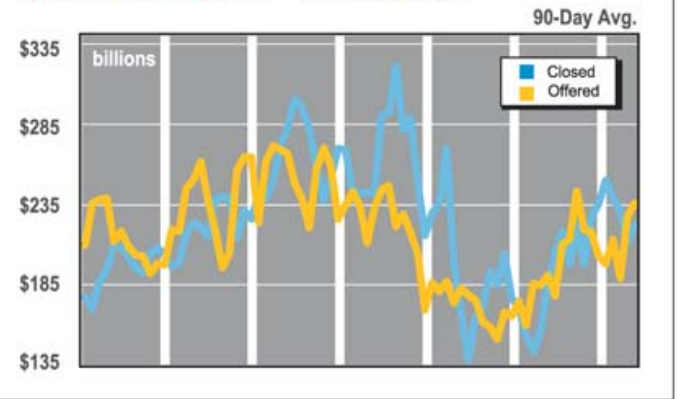
The first and second quarters of 2011 have seen an increase in sales volume over the same period as last year. Citing data aggregated from Real Capital Analytic’s \$3.1 billion in sales transactions, the first quarter of 2011 represents a 69% increase over 2010. The increase was led by significant gains for central business district office buildings and full-service hotel sales during the quarter. Another positive trend that continued into the first half of 2011 is the reduction of distressed properties in the market, at just \$14.9 billion, the lowest quarterly total since the third quarter of 2008.

Major markets disproportionately contributed to the first quarter’s rise in sales, with large year-over-year volume gains in San Francisco and Washington, DC benefiting core office sales among other property types.

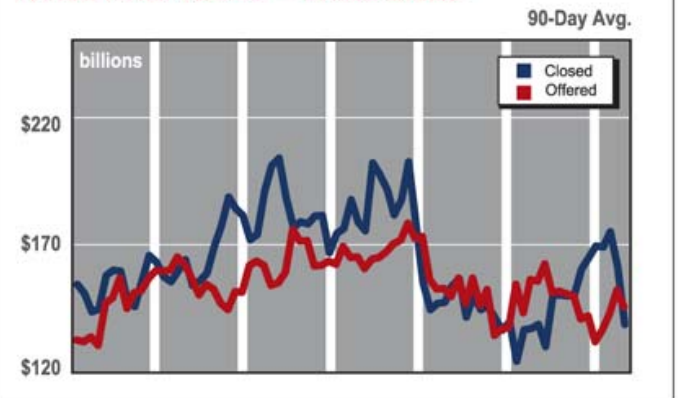
Well-leased properties and trophy assets have been a huge draw for investors over the past year in the major markets. Capitalization rates have fallen as low as 5.1 percent in the fourth quarter in New York and Washington, DC, where cap rates averaged 4.8 percent during the same period.

During the first quarter of 2011, 33 percent of national sales were classified as “value-add”. Smaller investors looking for higher yield and riskier opportunities looked for properties outside of the primary markets. These properties included class B apartments, distressed acquisitions and real estate that required renovation to increase cash flow. Yet the story of investment real estate in the first half of 2011 has been institutional investors purchasing marquee properties in major markets.

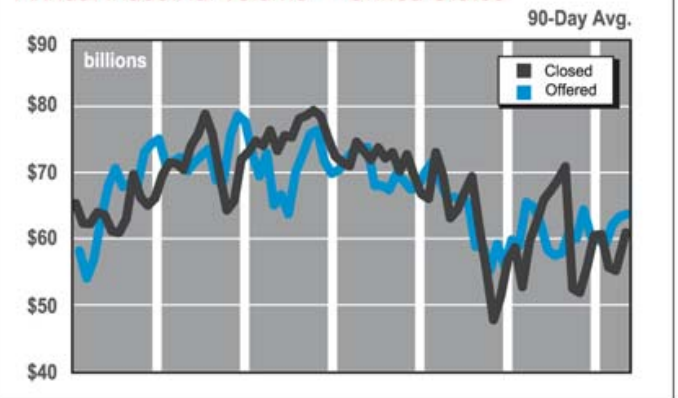
Annual Office Volume — United States



Annual Retail Volume — United States



Annual Industrial Volume — United States



THE LOCAL MARKET

Boise has seen modest improvements over last year. Manufacturing has been performing well and services such as healthcare and retail are starting to experience job growth.

The housing market and construction sectors are still sluggish. Permitting and new start housing are slow, which has continued to cause construction payrolls to shrink. In-migration isn't as strong as in the recent past, yet Ada County growth in 2011 has outpaced the U.S. average. As the economy improves, in-migration will once again support growth in the local economy.

There have been few investment transactions during the first half of 2011. The inventory of investment grade property is thin, which has kept investors on the side lines. The majority of sale transactions have been user related, distressed assets or bank REO's.

Office Capitalization Rate Comparisons



* 2009 Boise Data is put in to make the graph complete. In reality there was not enough data to come up with a cap rate in 2009.

Industrial Capitalization Rate Comparisons



OUTLOOK

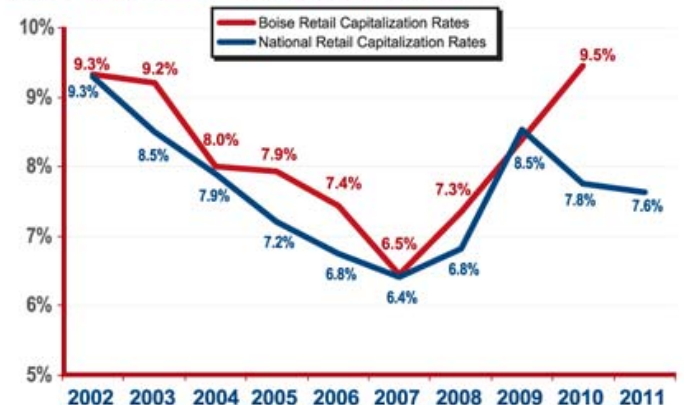
The second half of 2011 will continue to be a year of repositioning. Lenders will continue to dispose of distressed assets and focus on projects with strong fundamentals. Properties located near core trading areas will continue to weather the storm and find stability in all product types such as retail, office, apartments and industrial while properties located outside these trade areas will continue to struggle. Look for multi-family projects to trade in the second half of 2011. Several factors play into this product type as national investors have been bullish due to strong financing options, low vacancies and continued high demand.

The Boise commercial investment environment will see incremental improvement as the economy slowly lifts and jobs increase. Investors are still waiting for deals with stability and reasonable returns. More of these opportunities will be available as we move forward.

Multi-Family Capitalization Rate Comparisons



Retail Capitalization Rate Comparisons



* 2009 Boise Data is put in to make the graph complete. In reality there was not enough data to come up with a cap rate in 2009.