

MARKET REVIEW & OUTLOOK

WINTER 2009



Photo courtesy of George Perks

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KOOTENAI COUNTY MARKET

Information Provided by Casey Brazil

CURRENT MARKET CONDITIONS

Kootenai County's commercial real estate market experienced mixed results in 2008. The dramatic downturn of the nation's economy created problems for all sectors. A significant portion of the economic decline occurred in the fourth quarter of 2008; therefore results are not reflected in the Fall 2008 Survey and will be published in the Mid-Year Market Update.

Contributing factors to survey results include additional office space in Coeur d'Alene at Riverstone III, Riverview Tower, Northwest Place and Global Credit Union Financial Center. The region's Retail Market has seen additional space at Riverstone Plaza and Sportsman Plaza. Retail vacancy in Post Falls remains high, mainly due to vacancy at the Post Falls Outlet Mall.

Many tenants have postponed relocation or expansion plans and are waiting for the economy to rebound. Current market conditions favor tenants, and to

fill vacancies, some landlords have begun to offer rent abatements for two to four months, numerous tenant improvement allowances, and / or rent reductions.

MARKET FORECAST

The market will continue to struggle in 2009 and the main question everyone is asking is "how long will the struggle continue?". Expect to see a minimal amount of new construction throughout most areas of commercial real estate. The current trend of low rent and high vacancy will continue.

Landlords should anticipate reduced rents, possible tenant downsizing and sluggish rent payments during the year. The key



Riverstone Building

to completing successful transactions in 2009 is "be creative." Many tenants will renew for short periods of time while they continue to watch the economy. Tenants hoping to move will do so, but will want short-term leases with many options to extend and lower rental rates.

OFFICE MARKET BREAKDOWN	Coeur d'Alene	Post Falls	Rathdrum	Hayden	Totals
2008 Average Vacancy Rates	10.0% ↑	2.7% ↑	0.0% ↓	0.0% ↓	6.3% ↑
2007 Average Vacancy Rates	2.4%	2.1%	5.8%	1.7%	2.4%

RETAIL MARKET BREAKDOWN	Coeur d'Alene	Post Falls	Rathdrum	Hayden	Totals
2008 Average Vacancy Rates	5.8% ↑	12.5% ↓	10.7% ↓	6.0% ↓	8.6% ↑
2007 Average Vacancy Rates	3.5%	12.7%	13.0%	8.6%	8.0%

INDUSTRIAL MARKET BREAKDOWN	Coeur d'Alene	Post Falls	Rathdrum	Hayden	Totals
2008 Average Vacancy Rates	4.9% ↓	0.7% ↓	6.5% ↑	6.8% ↑	3.3% ↓
2007 Average Vacancy Rates	6.0%	3.3%	3.7%	1.7%	3.8%

Data Source: Auble, Joliceour & Gentry

FOR MORE INFORMATION REGARDING THIS REPORT OR AREA LISTINGS, PLEASE CONTACT CASEY BRAZIL AT 208.770.2595 OR CASEY.BRAZIL@KHCO.COM