

VIEWPOINT



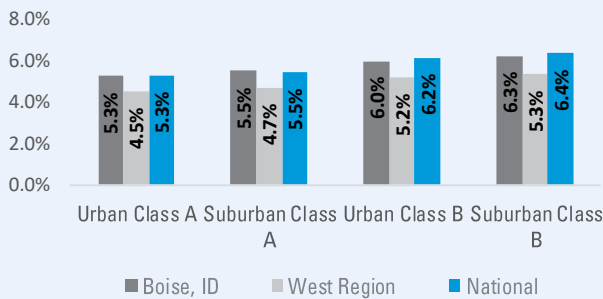
2017 BOISE, ID MULTIFAMILY MID-YEAR REPORT

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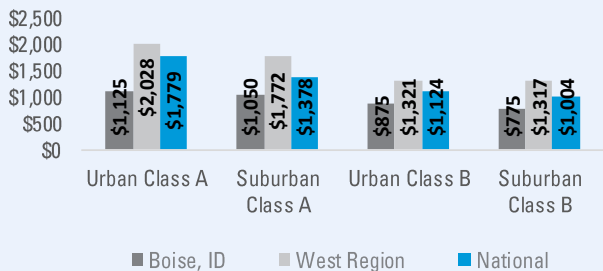
Market Rate Indicators (Y/Y)

Categories	Urban Class A	Suburban Class A
Going In Cap Rate (%)	▼	▼
Asking Rent (\$/Unit)	▲	▲
Vacancy Rate (%)	◄►	▲

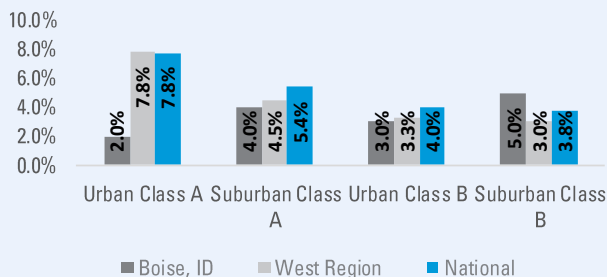
Going In Cap Rate Comparisons (%)



Asking Rents (\$/Unit)



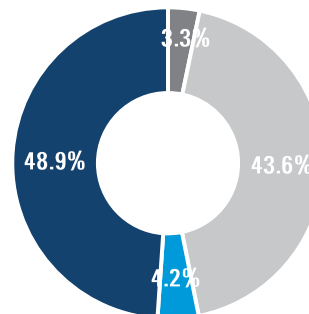
Vacancy Rates (%)



Boise, ID Multifamily Market Overview

The multifamily market has persistently low vacancy and high net absorption, despite multiple years of record-setting construction. Apartment construction has exceeded 1,000 units in each of the last three years (and was 1,500+ units in two of the last three years), more than any previous year on record. As a result, the complexion of the local market has changed noticeably. Meridian, one of the metro area's fastest growing suburbs, previously had only a handful of apartment complexes, most of them 20+ years old. Now Meridian has over a dozen large, upscale projects with amenities and rents in excess of \$1,000 per month. In addition, the expansion is moving outward to other suburbs, such as Eagle and Nampa, and to infill sites in Boise. Notably, Downtown Boise has two apartment projects under construction, one with 36 units and one with 160 units. Vacancy rates have increased slightly - from the 2.5% range to the 5.0% range - but remain relatively low considering the volume of supply growth. New projects continue to fully pre-lease, with buildings fully occupied within ±30 days of completion (the constraint being how long it takes to sign leases and move in residents). As the economic recovery accelerates, many new households are being formed who cannot afford to buy a house. The monthly mortgage payment may be affordable, but they cannot come up with the down payment, or have insufficient credit and/or too much debt (lenders are still far more conservative than prior to the Great Recession). In addition, millennials are putting off getting married and having children, rites of passage that usually precede homeownership, further supporting record levels of apartment demand. Lastly, the Boise MSA is one of the fastest growing metro areas in the country, which obviously helps apartment demand. Our analysis suggests that the market can most likely support the new supply that is under construction and planned. However, the market cannot continue to absorb 1,000+ new units per year indefinitely. At some point, a correction (defined as vacancy rising to 7-10% and rents flattening out) will hit, and will lead to a moderation in supply growth.

Distribution of Total Inventory



17,652 Units
Multifamily Inventory

8.44% - 12 Mo. Proj.
Construction/Inventory

- Urban Class A
- Suburban Class A
- Urban Class B
- Suburban Class B



Change In Value Next 12 Months



4%+

Urban Class A

2% - 3.9%

Urban Class B



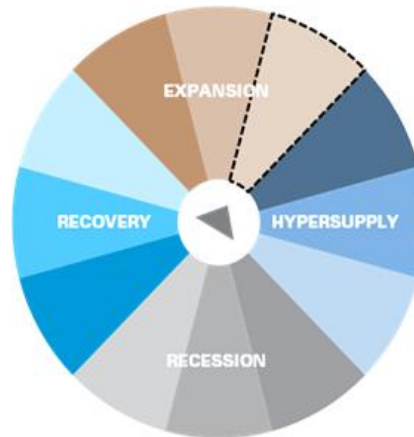
.1% - 1.9%

Suburban Class A

.1% - 1.9%

Suburban Class B

Market Cycle: Expansion Stage 3



- Moderate/High New Construction
- High Absorption
- Moderate/High Employment Growth
- Med/High Rental Rate Growth
- Decreasing Vacancy Rates

Forecasts

Boise, ID 12-Month Multifamily Forecasts

Categories	Urban Class A	Urban Class B	Suburban Class A	Suburban Class B
Going-In Cap Rates	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps
Discount Rate	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps
Reversion Rate	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps
Construction (Units)	1,490			
Years to Balance	In Balance	In Balance	In Balance	In Balance

Boise, ID 36-Month Multifamily Forecasts

Categories	Urban Class A	Urban Class B	Suburban Class A	Suburban Class B
Market Rent Change	2.50%	2.50%	2.50%	2.50%
Expense Rate Change	3.00%	3.00%	3.00%	3.00%
Change in Value	Increase 2% - 3.9%	Increase .1% - 1.9%	Increase .1% - 1.9%	Increase .1% - 1.9%
Annual Absorption (Units)	200	-	850	-

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