

VIEWPOINT



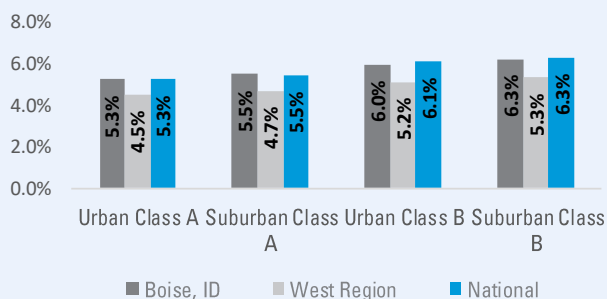
2018 BOISE, ID MULTIFAMILY ANNUAL REPORT

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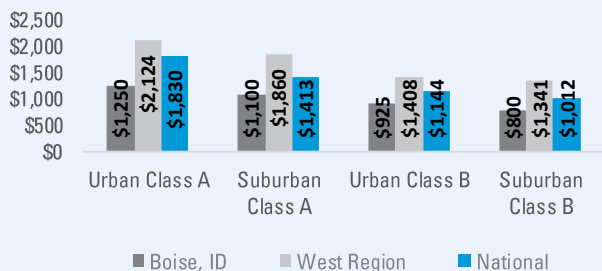
Market Rate Indicators (Y/Y)

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

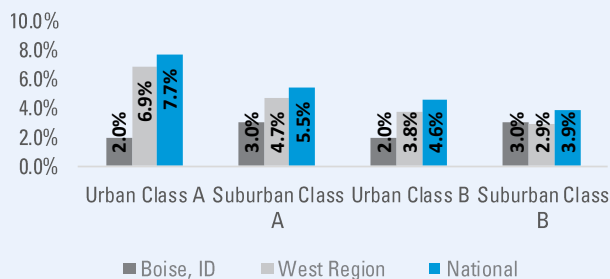
Going In Cap Rate Comparisons (%)



Asking Rents (\$/Unit)



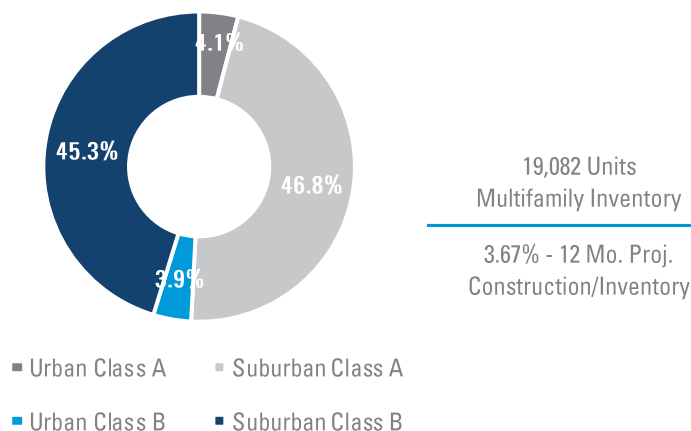
Vacancy Rates (%)



Boise, ID Multifamily Market Overview

The Boise metro area multifamily market continues to defy expectations, with record-low vacancy rates and record-high rental rates, despite unprecedented levels of new construction over the last five years. For 2017, Ada County is on pace to issue permits for over 1,000 new multifamily units for the fifth consecutive year. Prior to 2014, there had never been more than 1,000 multifamily permits issued in a single year. Yet, vacancy rates have dipped below 2.0% overall, the lowest on record. Due to the volume of recent development, the inventory of newer/Class A product is now slightly higher than the inventory of older/Class B & C product. The market is being driven by strong fundamentals, primarily job growth. Boise is beginning to attract larger employers, eager to tap the local labor market, which is well-educated but has lower salary expectations than larger metro areas. In addition, most recent and planned development has been in underserved areas, the largest of which is Meridian. The suburb of Meridian has been one of the region's fastest growing cities, approaching 100,000 residents, yet had virtually no post-1990s apartment product until about 5 years ago. Another underserved area is Downtown Boise, where two new projects are wrapping up construction and in lease-up (Water Cooler Lofts and Fowler). A third multifamily project recently went under construction, and is projected to be completed in 2019 (5th & Idaho). These Downtown projects are setting a new standard for rents, at over \$2.00/SF, but thus far have been well-received, and are still perceived as a bargain compared to urban Class A apartments in bigger metro areas. Looking ahead, the pace of apartment development is expected to moderate, as investors and lenders grow more cautious. With the economic expansion widely expected to accelerate, and with interest rates remaining stable, vacancy rates should remain in the low-single digits, with rental rates continuing to climb to new highs, for the foreseeable future.

Distribution of Total Inventory





Change In Value Next 12 Months



4%+

Urban Class A

2% - 3.9%

Urban Class B



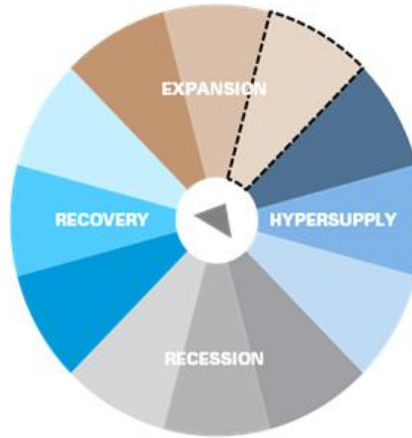
2% - 3.9%

Suburban Class A

.1% - 1.9%

Suburban Class B

Market Cycle: Expansion Stage 3



- High Absorption
- Moderate/High New Construction
- 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)	700			
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	3.00%	3.00%	3.00%	3.00%
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)	100	-	750	-

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