



Proposed State Street Urban Renewal District

Market Assessment

Prepared for the **CAPITAL CITY DEVELOPMENT CORPORATION**

Original January 2020 | Updated December 2020



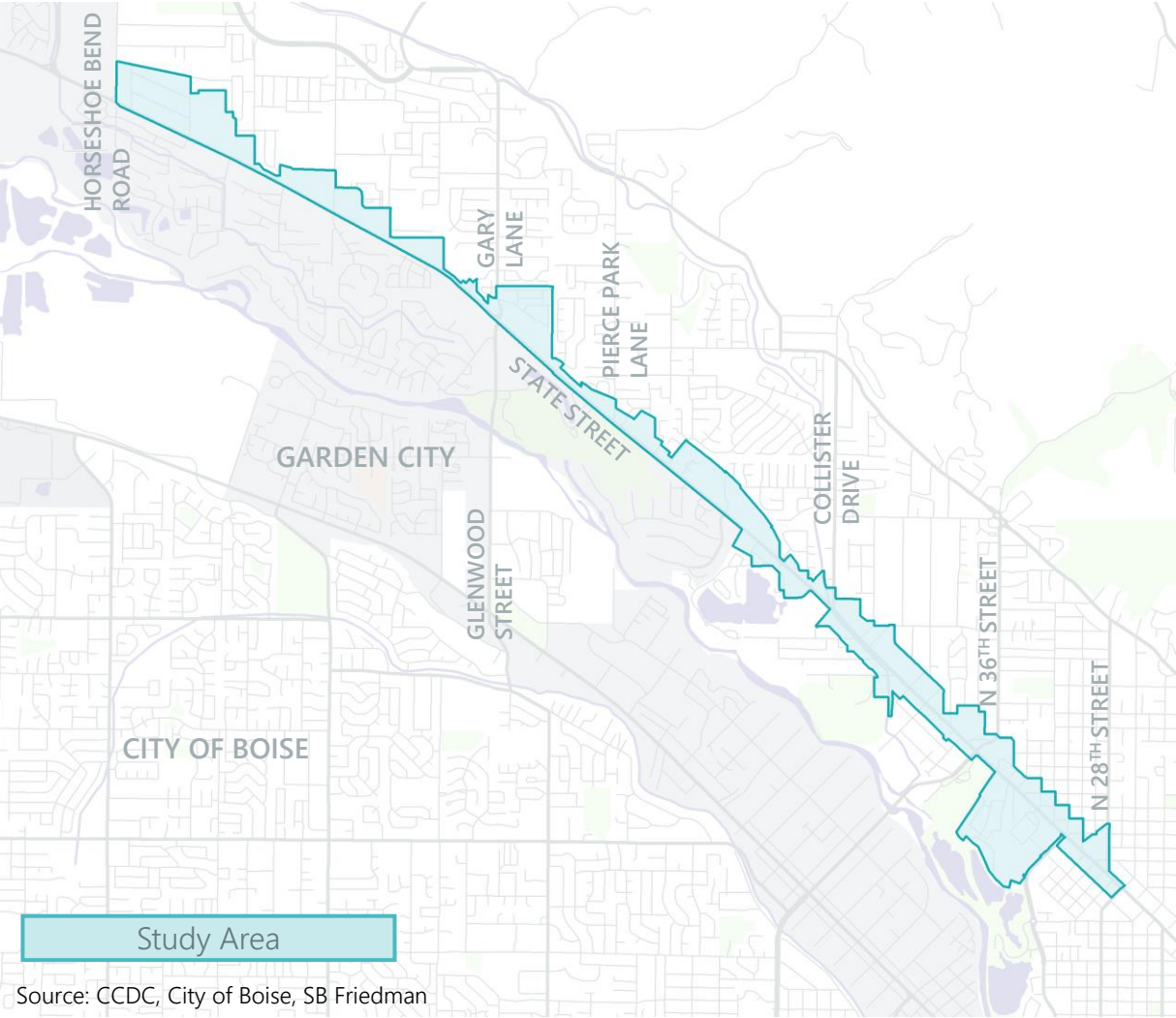
VISION
ECONOMICS
STRATEGY
FINANCE
IMPLEMENTATION

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00 Background & Methodology

Background: State Street Proposed Urban Renewal District



State Street progress to date:

- Eligibility Study approved May 2019 for an Urban Renewal District (the "District")
- District likely to support proposed transit-oriented development ("TOD"), infrastructure and transit investments

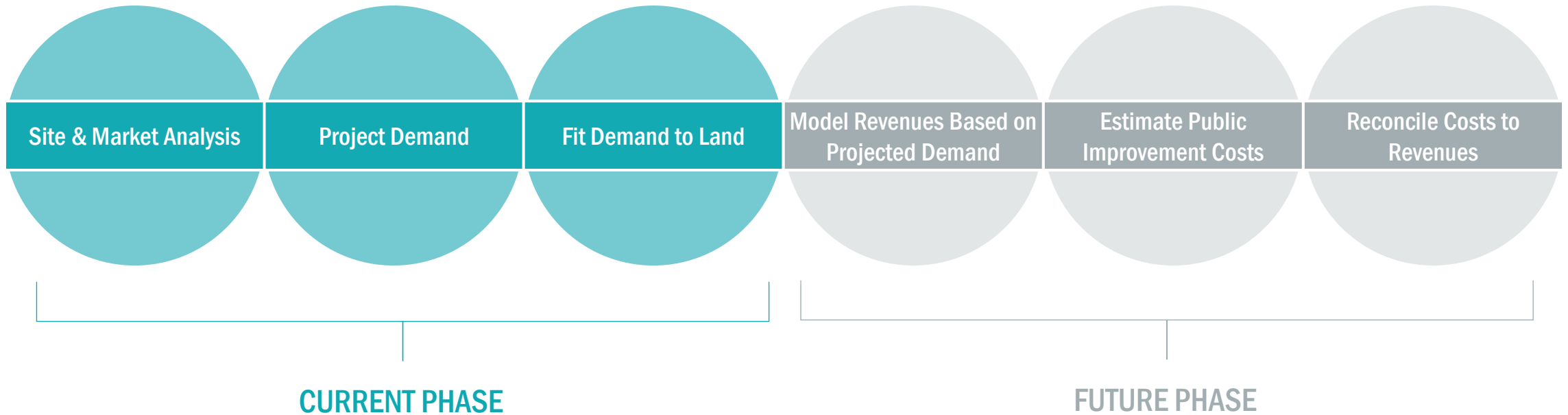
The 'Study Area' includes:

650
PARCELS
575
ACRES

\$255.8M
TAXABLE VALUE
5.5
LINEAR MILES

Background: Urban Renewal District Planning Process

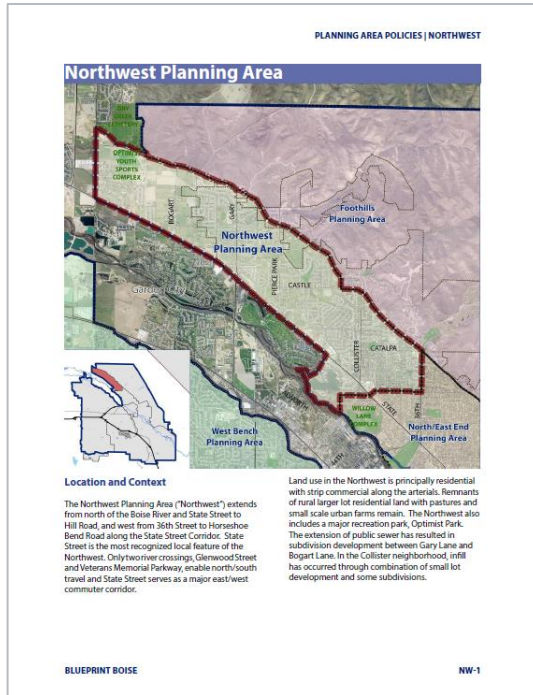
Urban Renewal Law requires a Feasibility Study to evaluate the feasibility of public improvements



Background: Existing State Street Plans

Two primary plans guide the vision for State Street: Blueprint Boise and the State Street Corridor TOD

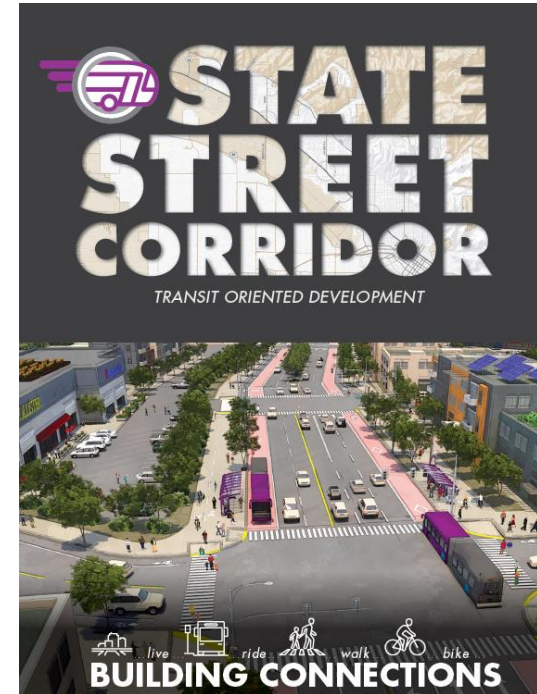
BLUEPRINT BOISE NOVEMBER 2011



Key concepts:

- References bus rapid transit planned for State Street
- Remnant pasture lands and parks occupy 7% of the land which could be preserved
- Goal to encourage mixed-use transit supportive densities in and around the intersections of activity centers (Glenwood, Collister and 36th)

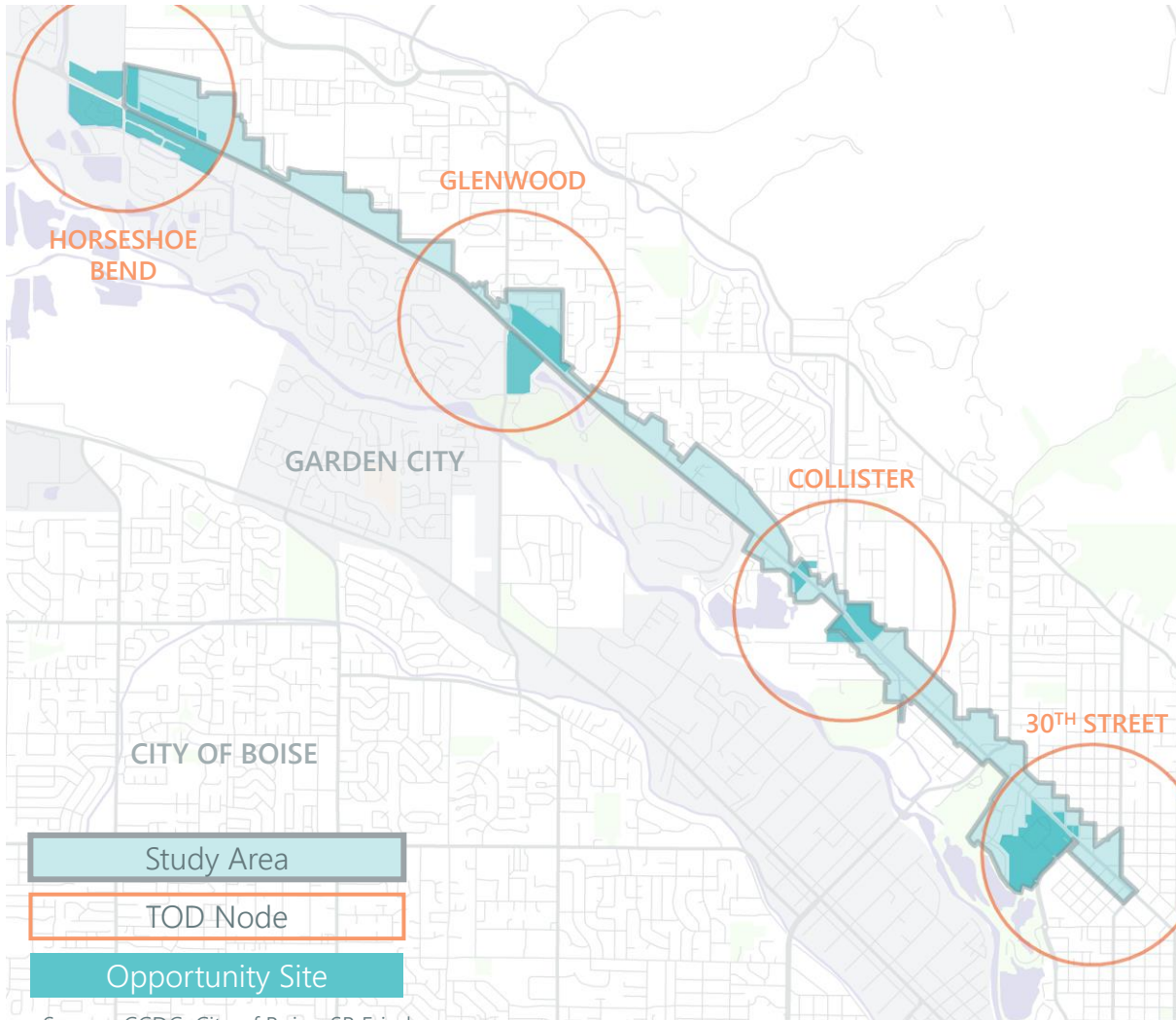
STATE STREET CORRIDOR TOD JUNE 2019



Key concepts:

- Strip commercial retail dominates State Street
- Existing low-density commercial development discourages pedestrian movement
- Identifies opportunities to develop underutilized land, improve connectivity to the trail system and redesign unnecessary right-of-way
- Identifies priority nodes for densification along State Street necessary to achieve desired transit ridership

Background: State Street TOD Nodes & Opportunity Sites



Source: CCDC, City of Boise, SB Friedman

SB Friedman Development Advisors

The State Street Corridor TOD Plan (the "TOD Plan") projected minimum and maximum future development demand scenarios within four 'TOD Nodes' along the State Street Corridor. Based on SB Friedman's market assessment, as further detailed by land use, SB Friedman incorporated the minimum development scenario into our market assessment to best align with area-wide demand projections.

The TOD Plan's demand projections are tied to 'Opportunity Sites' located within the TOD Nodes, some of which extend beyond the Study Area. For each land use, SB Friedman estimated the share of projected TOD Node demand that will be captured within the Study Area based on land availability and land use patterns.

Background: Projections by Land Use

Demand in the Study Area exists for residential, office, retail and hotel development by 2040



State Street
URD Demand

1,100
UNITS
SF RESIDENTIAL

2,600
UNITS
MF RESIDENTIAL

50,000
SF
OFFICE

362,000
SF
RETAIL

110-130
KEYS
HOTEL

0
SF
INDUSTRIAL

State Street
TOD Demand

N/A
UNITS

1,300
UNITS

40,000
SF

136,000
SF

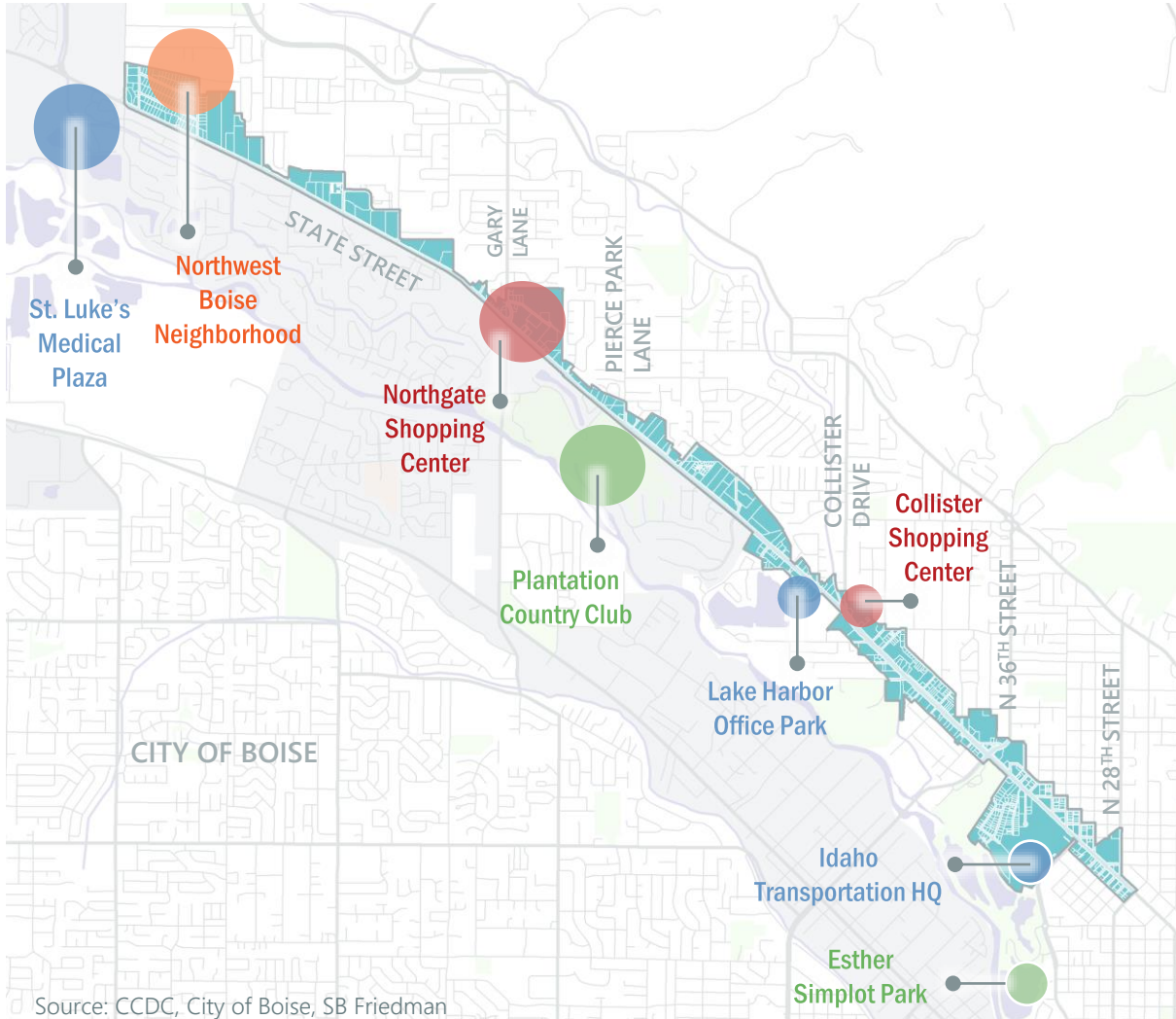
N/A
KEYS

0
SF

01 Existing Conditions

Existing Conditions: Context Map

The Study Area extends from the Idaho Transportation Department headquarters to Horseshoe Bend

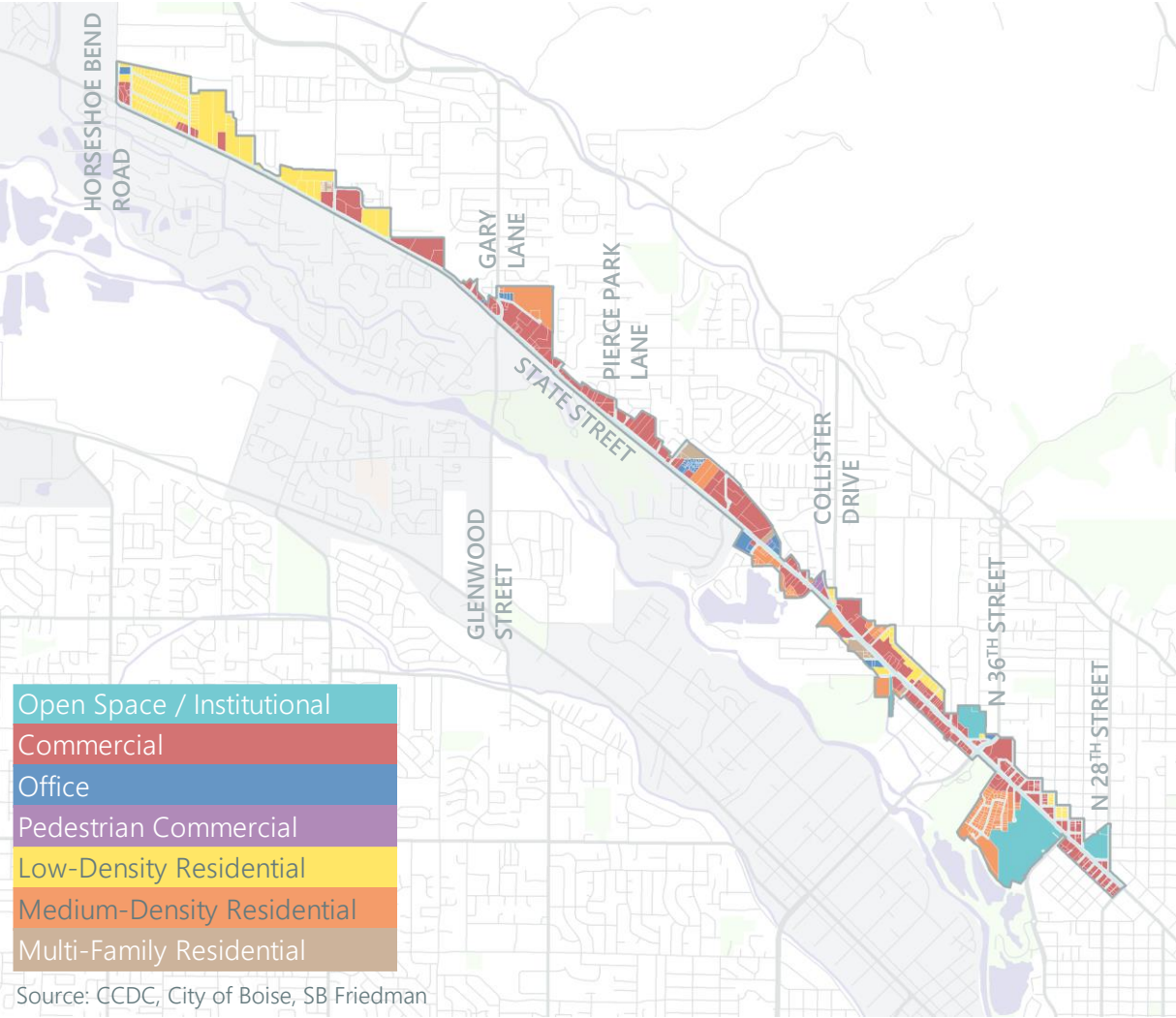


Major activity nodes within and near the Study Area include:

- Northgate Shopping Center;
- Collister Shopping Center;
- Lake Harbor Office Park; and
- Institutional anchors including the Idaho Transportation Department, several public schools and public parks.

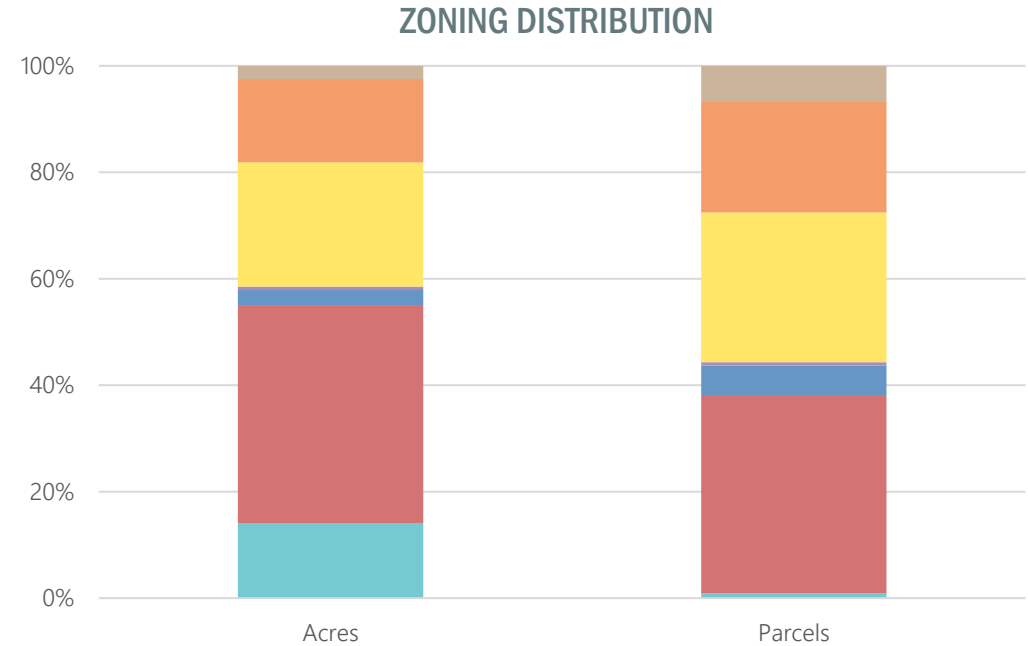
The Study Area runs parallel to Garden City, which is to the south and west of State Street (beginning west of Collister Drive). The Boise River Greenbelt spans much of the southern edge of the Study Area, nearly extending to Horseshoe Bend. The Study Area terminates at the Eagle municipal boundary to the northwest.

Existing Conditions: Existing Zoning

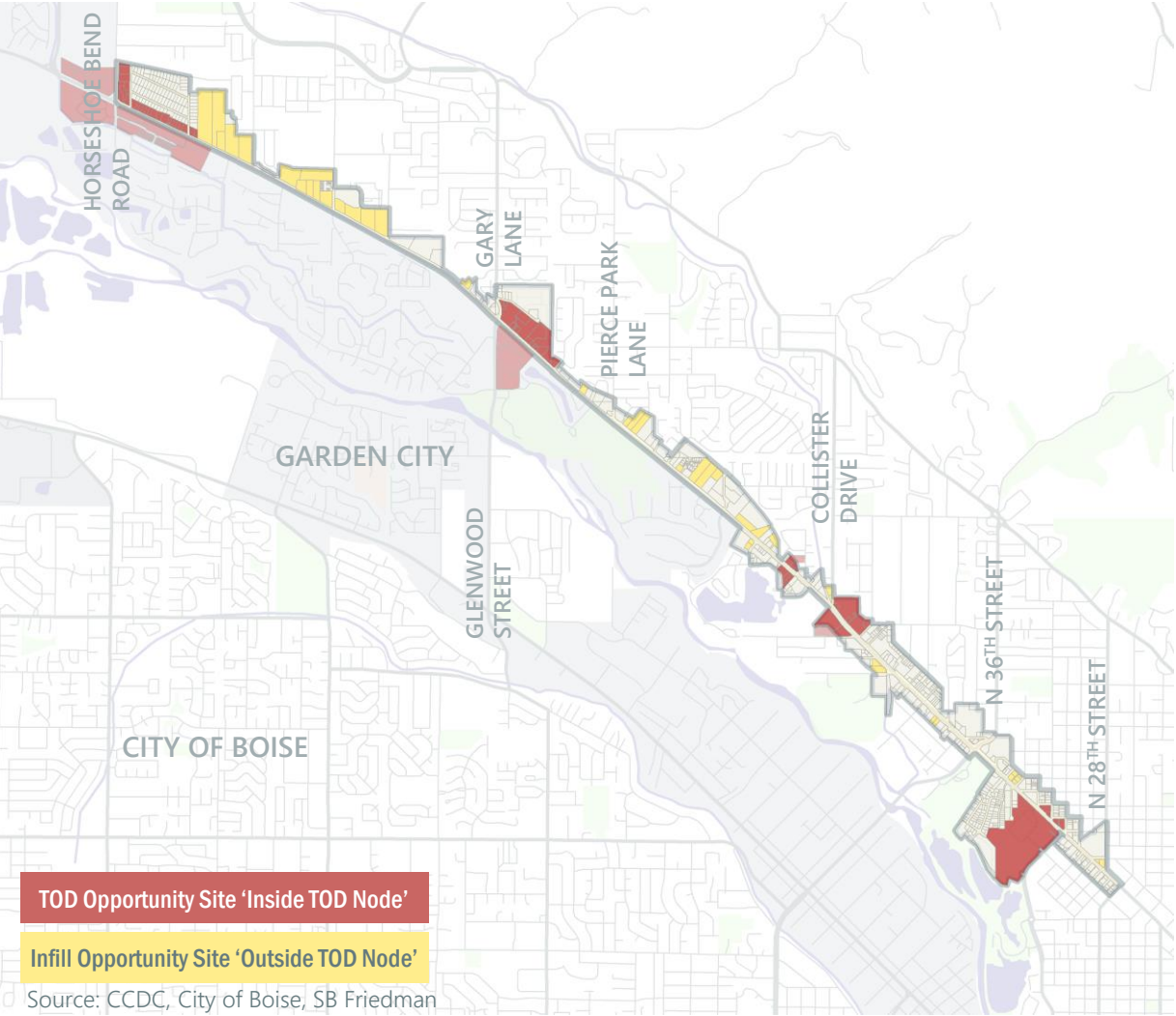


Key existing zoning characteristics include:

- The Study Area is predominately zoned commercial and low-density residential; and
- As-of-right density is the highest near the center of the Study Area, from Pierce Park Lane to North 36th Street



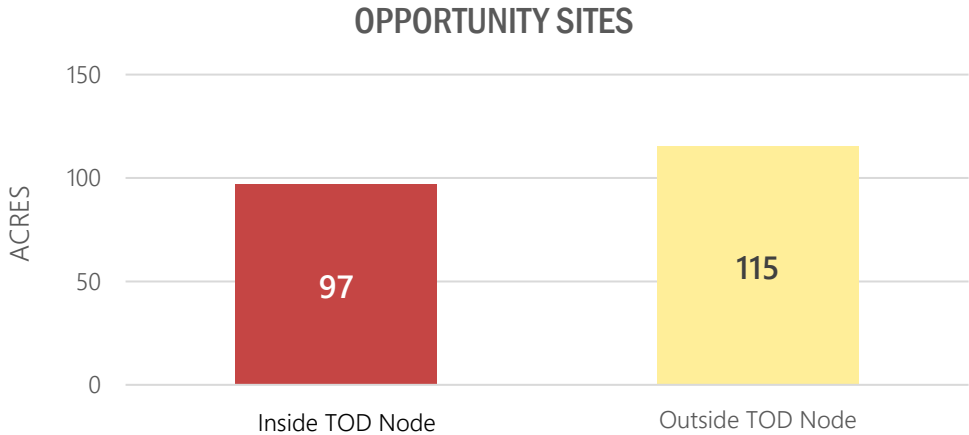
Existing Conditions: TOD Nodes & Sites Susceptible to Change



There are many underutilized parcels throughout the Study Area. SB Friedman classified these parcels in one of two ways:

- 1. **TOD Opportunity Site 'Inside TOD Node'** – land that was designated for densification during the State Street Corridor planning process and the TOD Plan
- 2. **Infill Opportunity Site 'Outside TOD Node'** – underutilized land currently listed for sale, vacant land, and/or low-density land available for redevelopment

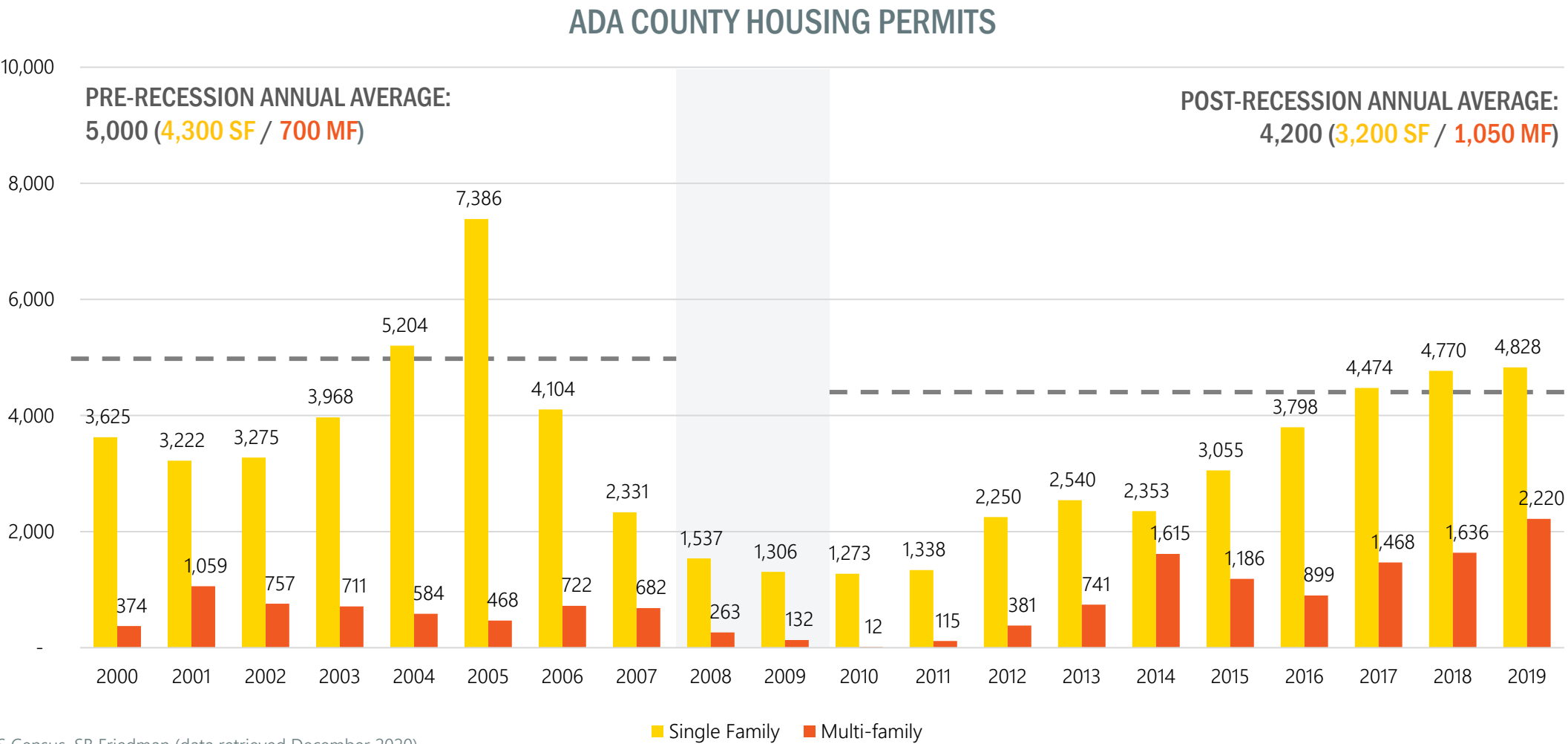
Parcels identified in the TOD Plan that are outside the Study Area, are excluded from the market demand projections for the Study Area.



02 Residential Analysis

Residential: Ada County Housing Profile

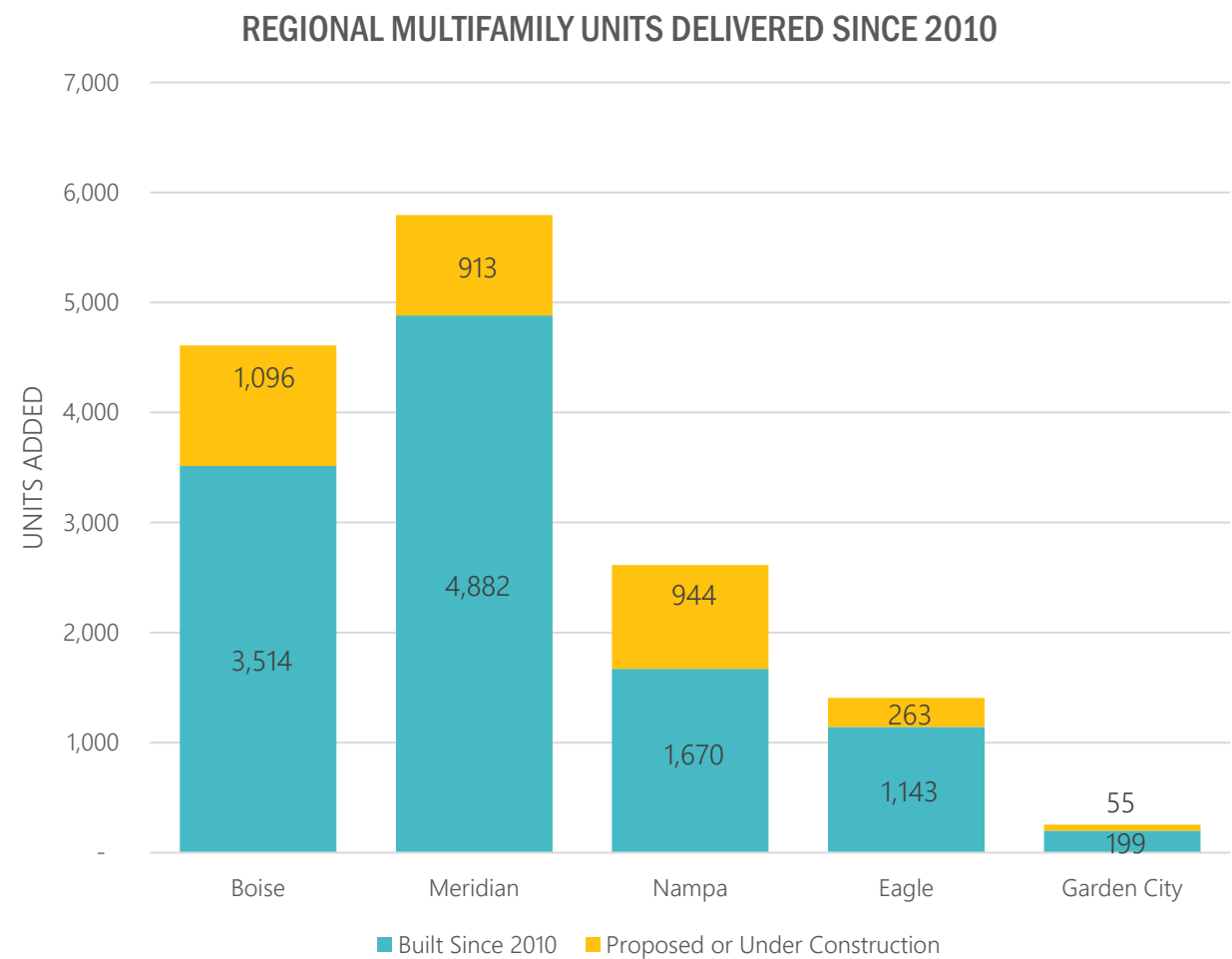
Annual multifamily permits in Ada County have recently been exceeding pre-Recession levels



Source: US Census, SB Friedman (data retrieved December 2020)
SB Friedman Development Advisors

Residential: Multifamily Deliveries Since 2010

New multifamily development has primarily occurred in Boise and Meridian

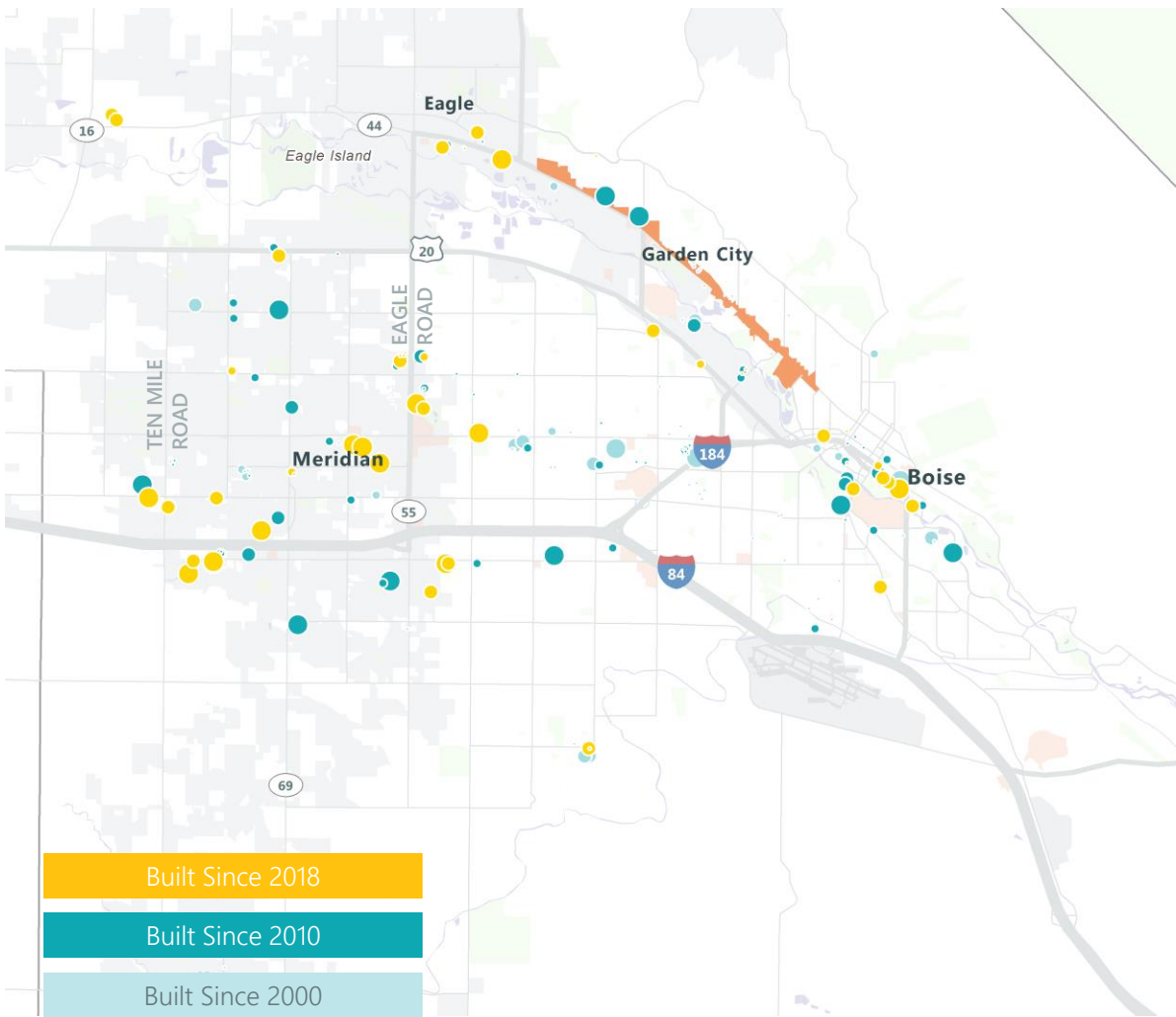


- Between 2010 and 2020, an average of 320 multifamily units delivered in the City of Boise (the “City”) per year.
- There are approximately 1,100 units currently proposed or under construction within the City.
- The cities of Eagle and Meridian have captured an increasing share of the regional multifamily growth over the last decade, accounting for 70% of the units delivered in the region in 2020.

Source: CoStar, SB Friedman (data retrieved December 2020)

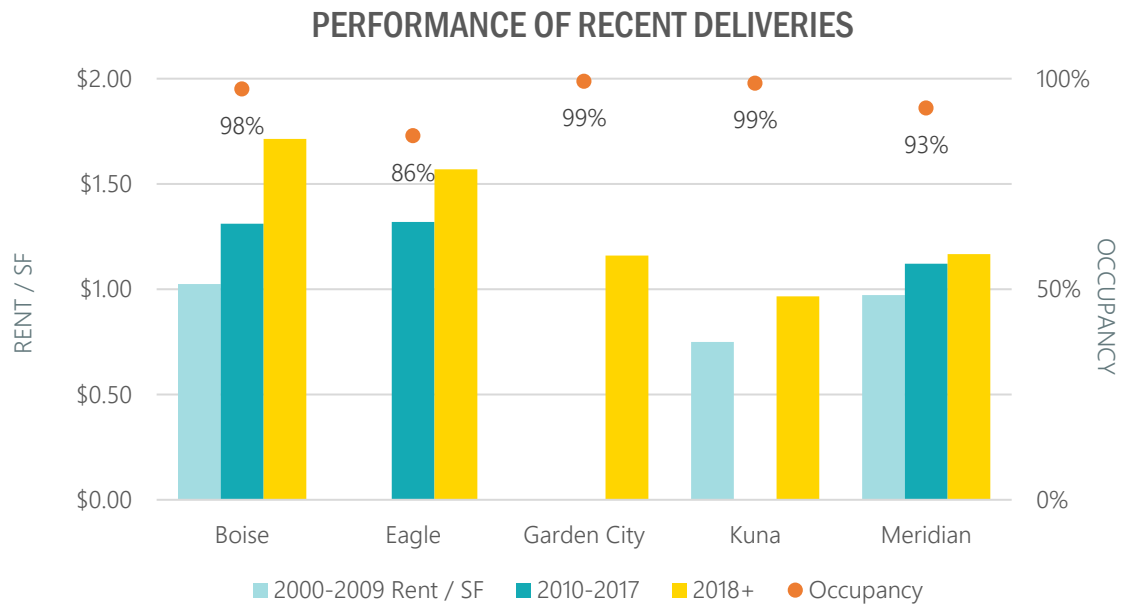
Residential: Regional Multifamily Inventory

Newer Boise multifamily product commands a rent premium over other newer regional inventory



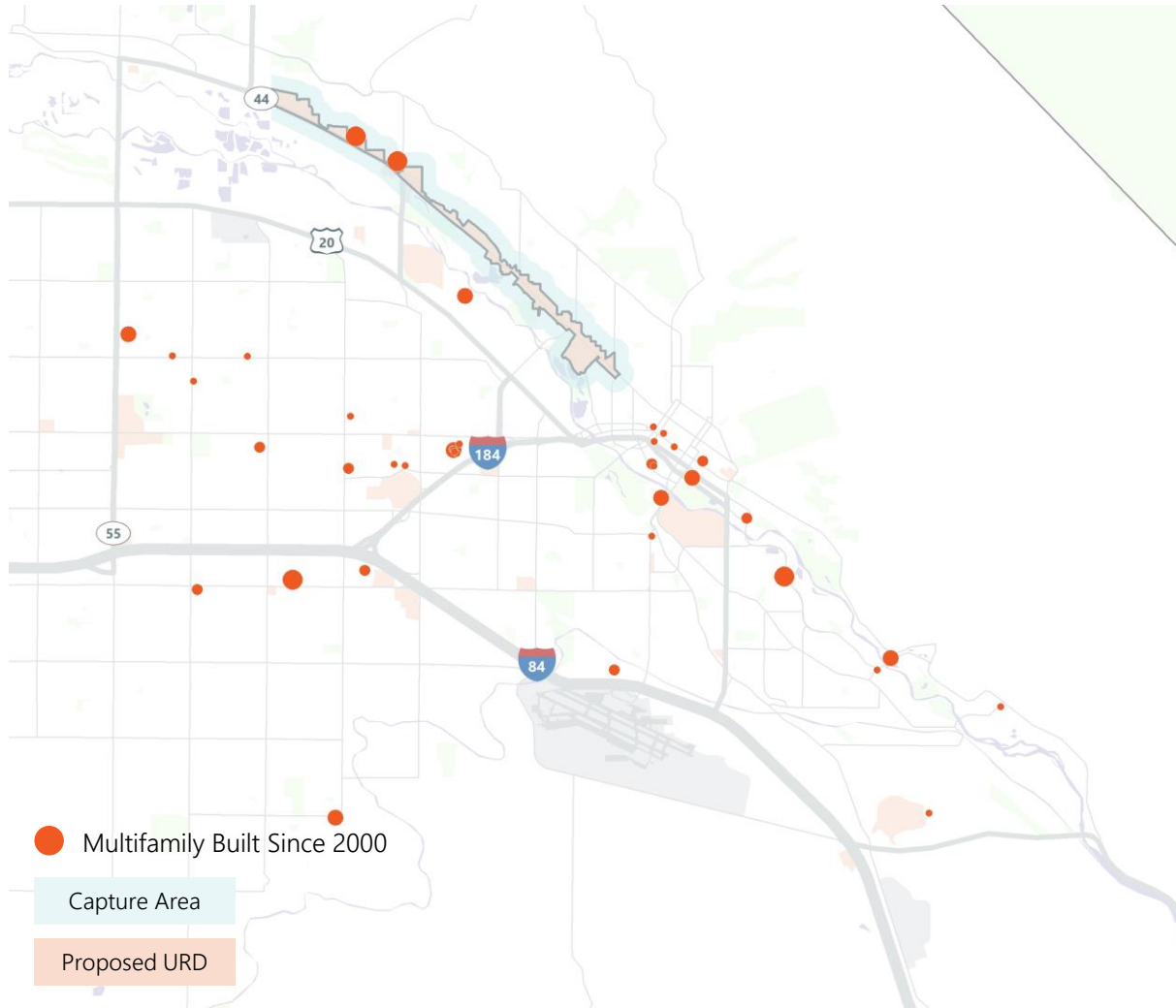
Source: ESRI, CoStar, SB Friedman (data retrieved December 2019)
SB Friedman Development Advisors

- Large scale multifamily construction has predominately occurred in the following clusters; [1] Downtown Boise, [2] Ten Mile Road in Meridian and [3] Eagle Road in Meridian.
- Smaller projects (under 50 units) have been delivered throughout the County.
- Recent multifamily development in Boise commands the highest rents and continues to have relatively low vacancy.



Residential: Capture of Citywide Multifamily Development

The Capture Area accounts for 20% of all City multifamily growth from 2010-2019

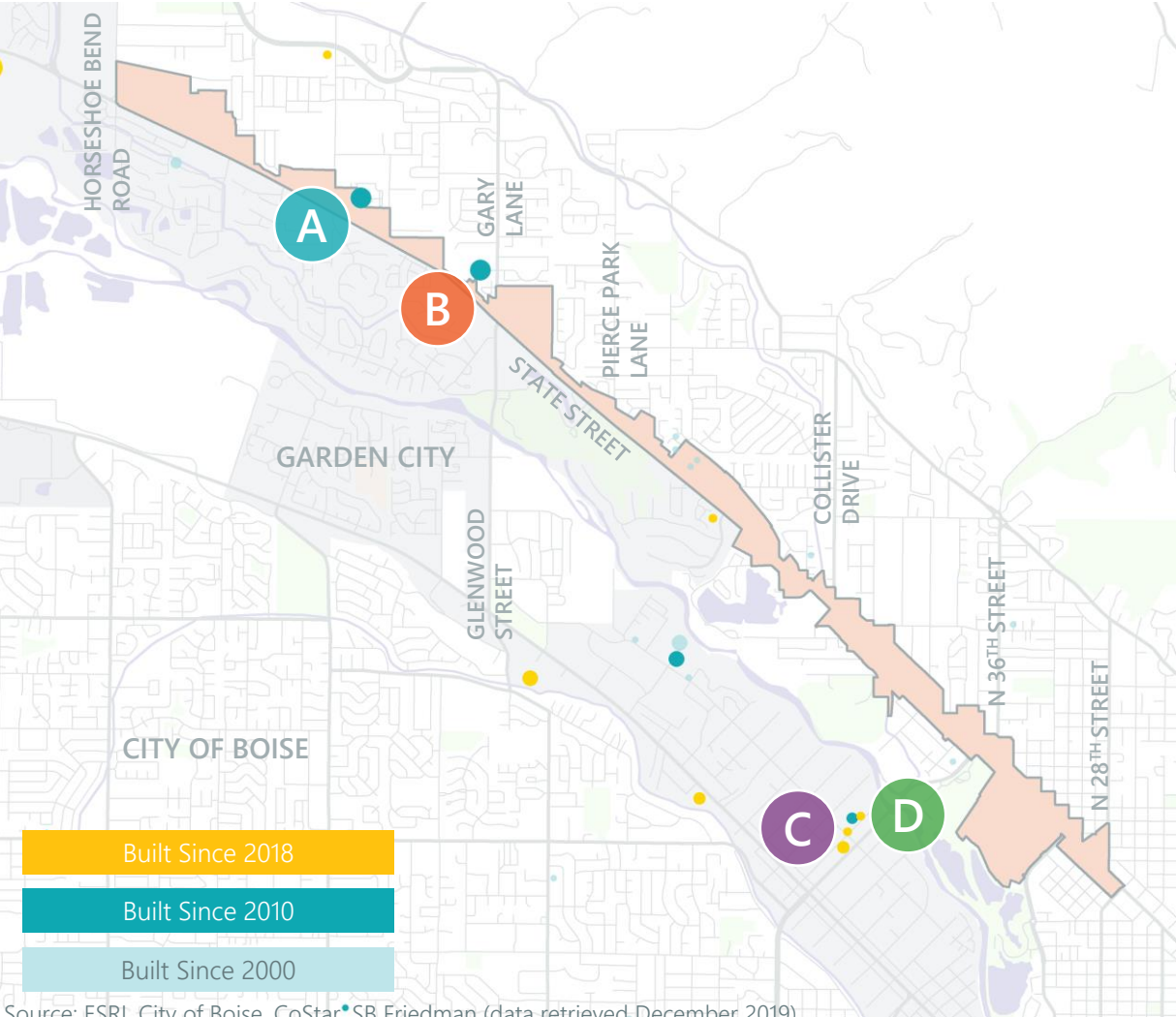


- SB Friedman defined a 'Capture Area' for residential market analysis based on a 1,000-foot buffer surrounding the Study Area.
- Two new multifamily projects have been developed in the Capture Area since 2010:
 - Retreat at Silver Cloud; and
 - Kensington at North Pointe.
- The combined projects account for approximately 20% of citywide multifamily deliveries over the same period.

Source: ESRI, Business Analyst Online, ACS, City of Boise, CoStar, SB Friedman (data retrieved December 2019)

Residential: Boise North Multifamily Residential Development

New construction near the Study Area is predominately 3-4 stories and ranges from 100-300 units



Source: ESRI, City of Boise, CoStar, SB Friedman (data retrieved December 2019)

SB Friedman Development Advisors



Retreat at Silvercloud
Units: 236
Year Built: 2012
Rent: \$1.20 / SF
Style: Garden Apartments



Kensington at North Pointe
Units: 323
Year Built: 2016
Rent: \$1.16 / SF
Style: Garden Apartments



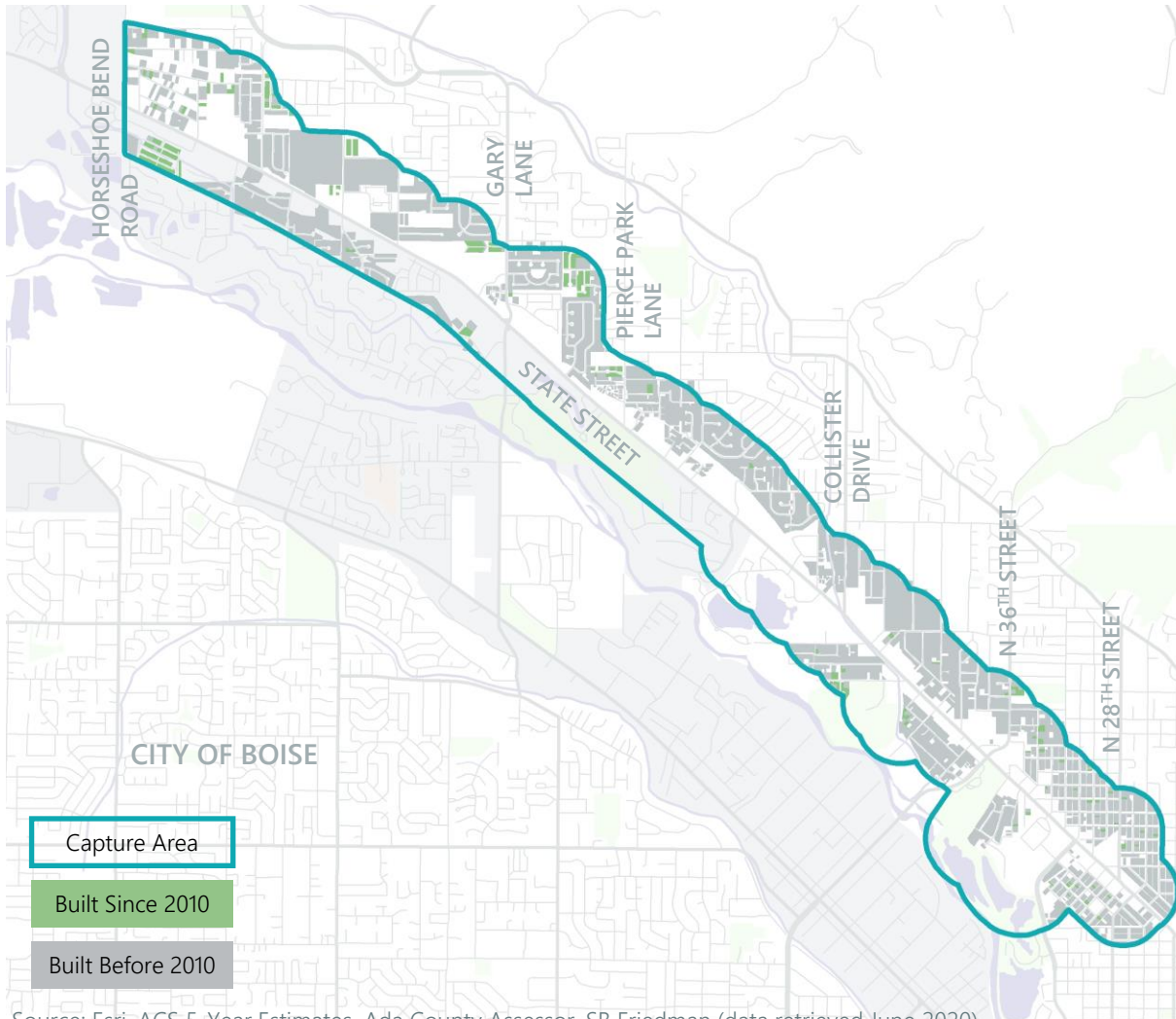
Legacy at 50th Street Apts
Units: 108
Year Built: 2016
Rent: \$1.18 / SF
Style: Garden Apartments



Parkway Station
Units: 80
Year Built: 2015
Rent: \$1.11 / SF
Style: Low-Rise Apartments

Residential: Owner Occupied New Construction

7% of the citywide owner-occupied residential development occurred in the Capture Area since 2010



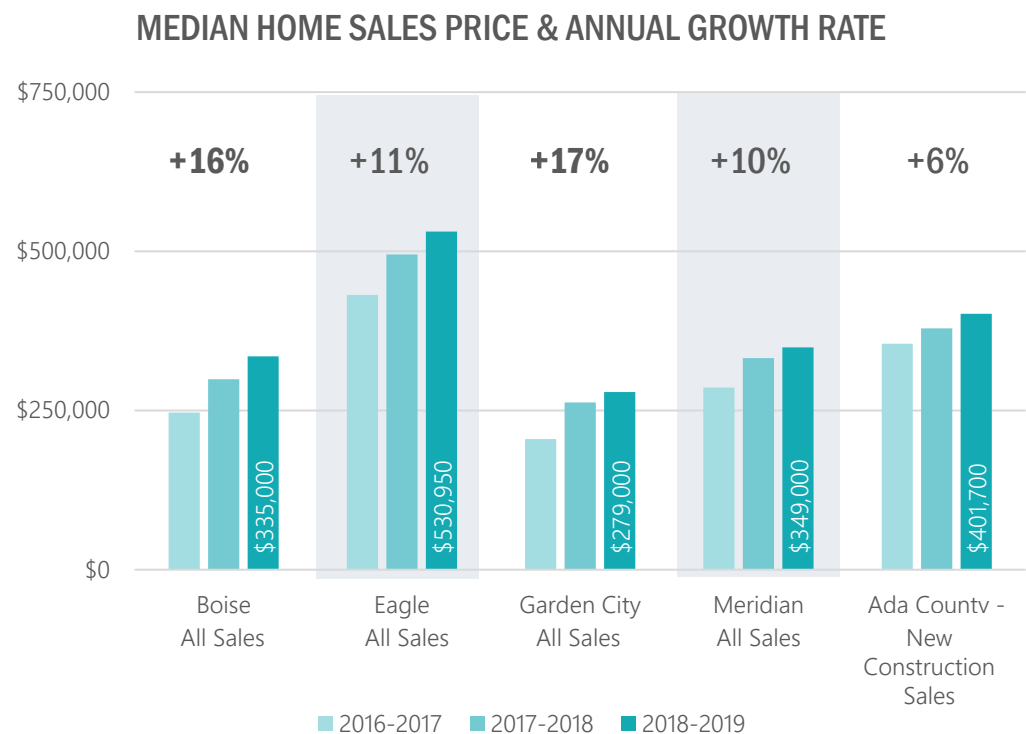
Most of the development of owner-occupied structures in the region since 2010 has occurred in previously undeveloped areas on the County periphery.

In Boise, according to County Assessor data, nearly 5,300 owner-occupied units were built between 2010 and 2018. The Capture Area had 352 units built over the same period, or 6.7% of the citywide total new-owner occupied units. The northwest end of the Study Area and the surrounding area, which overlaps with the Northwest Boise City neighborhood, had the most development within the Study Area. New large-scale planned subdivisions including Stans Homeplace II and Roe Street Townhomes accounted for most of the growth.

Source: Esri, ACS 5-Year Estimates, Ada County Assessor, SB Friedman (data retrieved June 2020)

Residential: For-Sale Market Performance

The cost of for-sale housing has been increasing rapidly in the Boise market

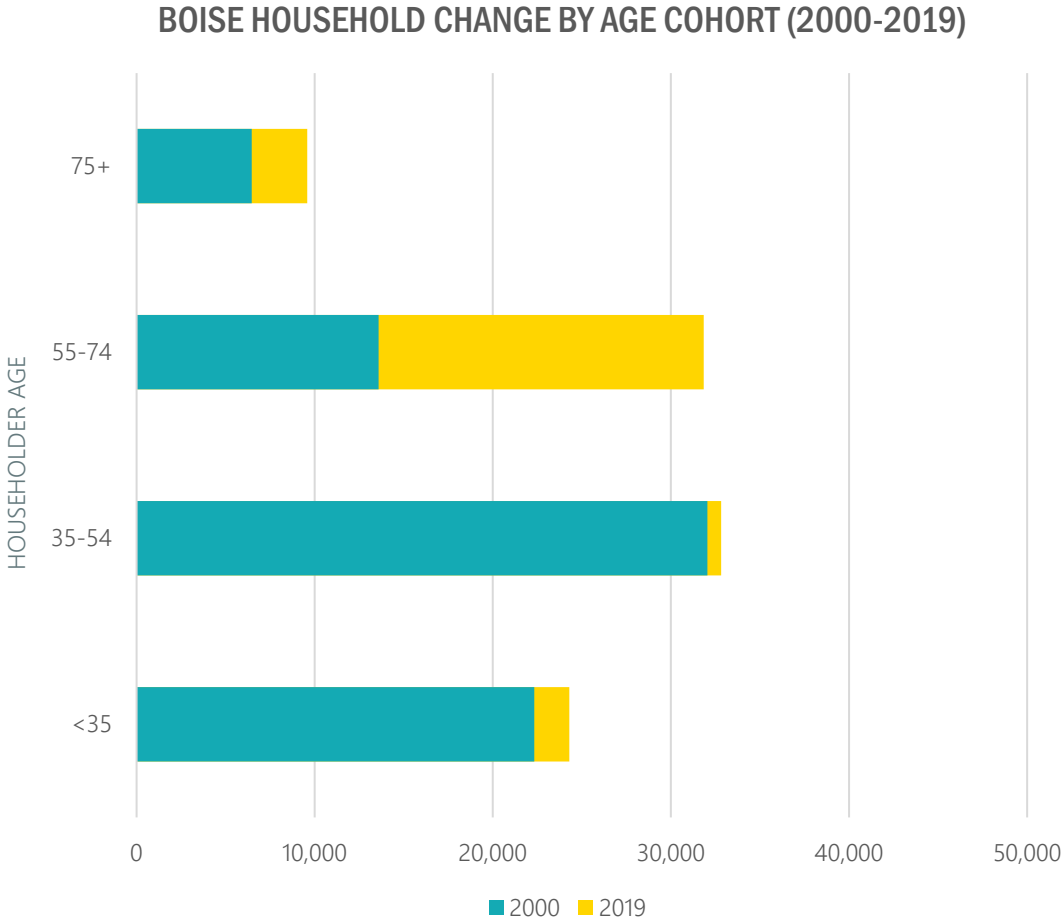


Home prices in Ada County for new, for-sale construction are increasing on an annual basis. Ada County new construction home prices increased 6% annually on average over the last 3 years. Boise and Garden City have higher than average increases in the median home price of all sales, at 16% and 17% respectively.

Resale home prices in all cities except Garden City are approaching or exceeding the median home price of new construction in Ada County.

Residential: Historic Household Change

The City experienced a 24,000-household increase between 2000 and 2019

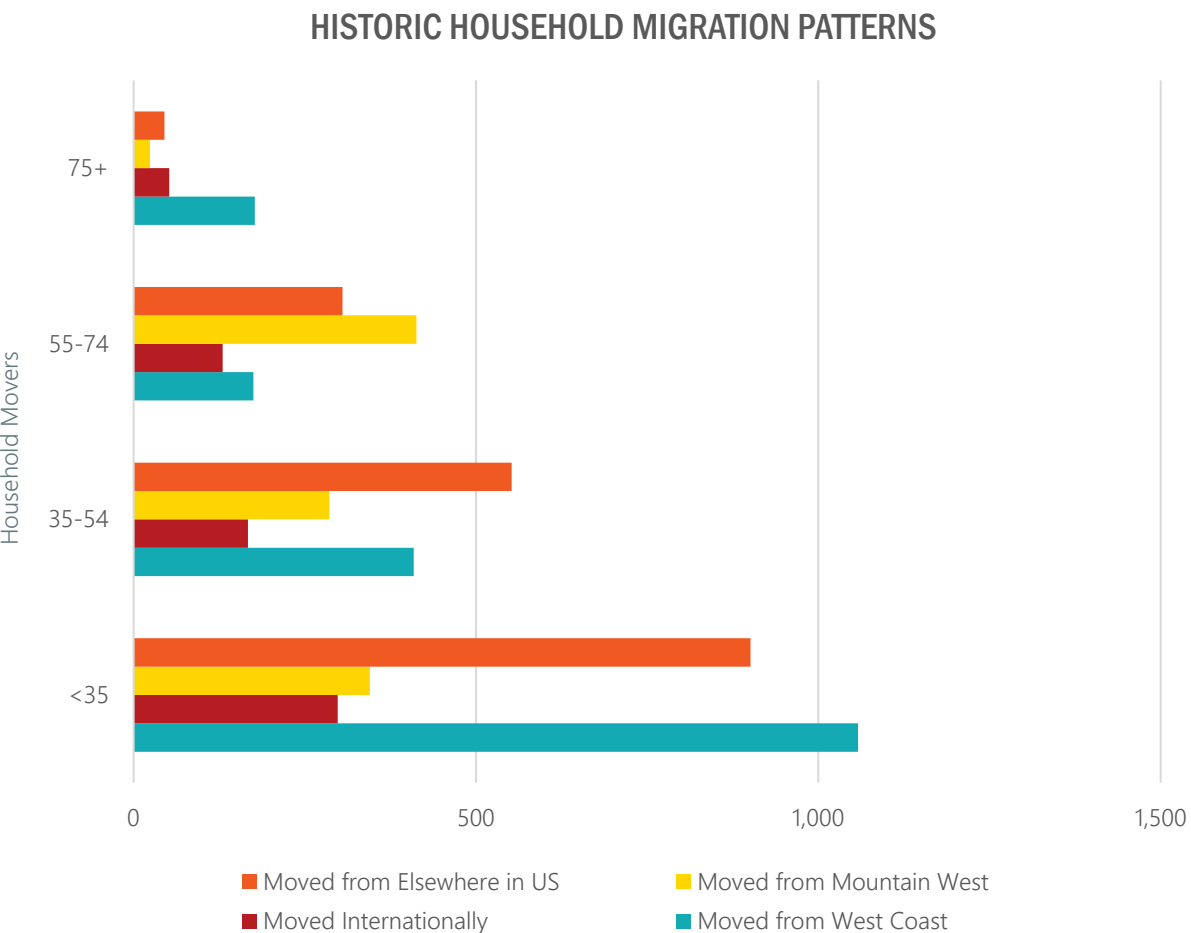


The fastest growing age cohort between 2000 and 2019 was the ‘Young Seniors & Empty Nesters’ age cohort, households with a householder aged between 55 and 74 years old. That age cohort saw a 18,200-household net increase over the 20-year period which accounted for over 75% of the citywide household growth.

The other age cohorts combined only accounted for an increase of approximately 6,000 households.

Residential: Migration Patterns

The largest share of out-of-state movers are households under 35 moving from the West Coast



According to historic Public Use Microdata^[1] for the 2013-2017 5-Year average period, the largest share of movers to the western portion of Boise from out-of-state were households under 35. The ‘Young Professionals’ age cohort mover group accounted for over 50% of all out-of-state movers. The majority of movers from the Young Professionals cohort moved from a West Coast state (California, Oregon or Washington). Out-of-state movers for the 55-74 age cohort were predominately from elsewhere in the Mountain West (Colorado, Nevada, Utah, Wyoming and Montana).

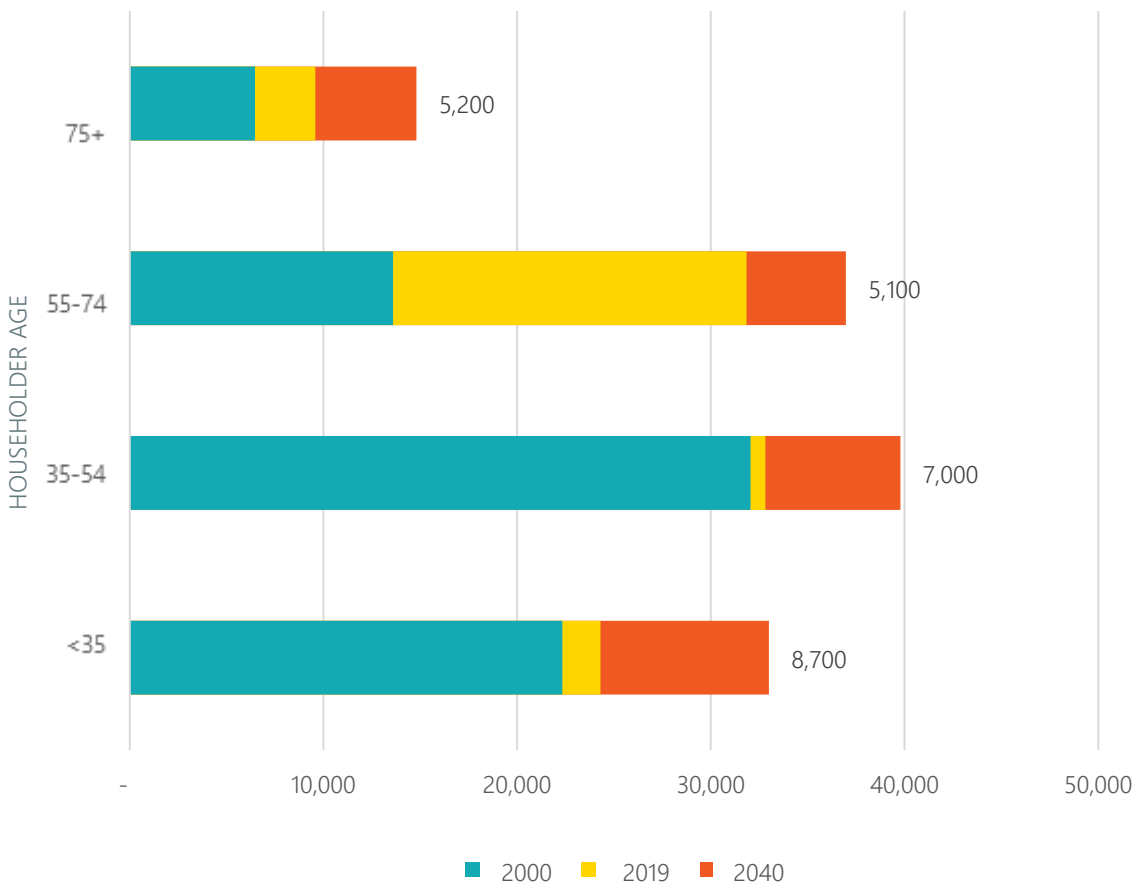
While historic household formation has occurred in the 55-74 age cohort, the uptick in Young Professionals moving from out-of-state is projected to account for a larger share of the growth moving forward.

[1] Historic migration patterns are based on the Public Use Microdata Area (PUMA) overlapping the Study Area, which includes most of western Boise (west of downtown) and Garden City (PUMA 16 00702). Source: PUMs Census, SB Friedman (data retrieved December 2019)

Residential: Historic & Projected Household Change

The City is projected to increase by 26,000 households between 2020 and 2040

HOUSEHOLD CHANGE BY AGE COHORT (2019-2040)



According to the Community Planning Association of Southwest Idaho (“COMPASS”) projections, the City is projected to increase by approximately 26,000 households by 2040.

SB Friedman adjusted age cohort growth rates to account for projected migration trends. Given the shifting demographics, the Young Adults (Under 35) are expected to have the largest increase in households, followed by the 35-54 age cohort.

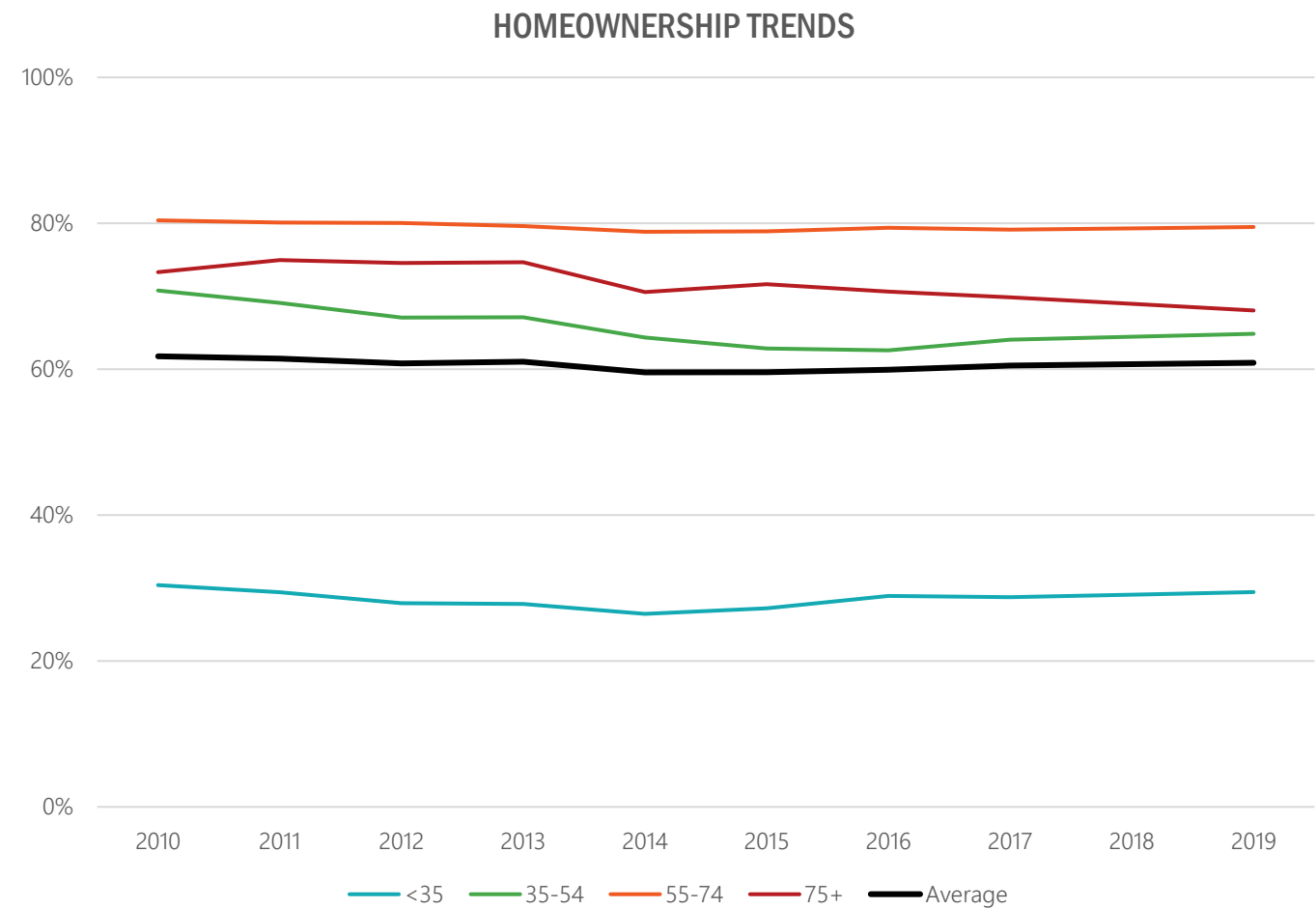
Source: ACS, Census, COMPASS, SB Friedman (data retrieved December 2019)

Residential: Homeownership Trends

The Young Adult homeownership rate is significantly below all other age cohorts

In order to convert projected household growth to housing units, historic homeownership rates were analyzed to identify trends by age cohort:

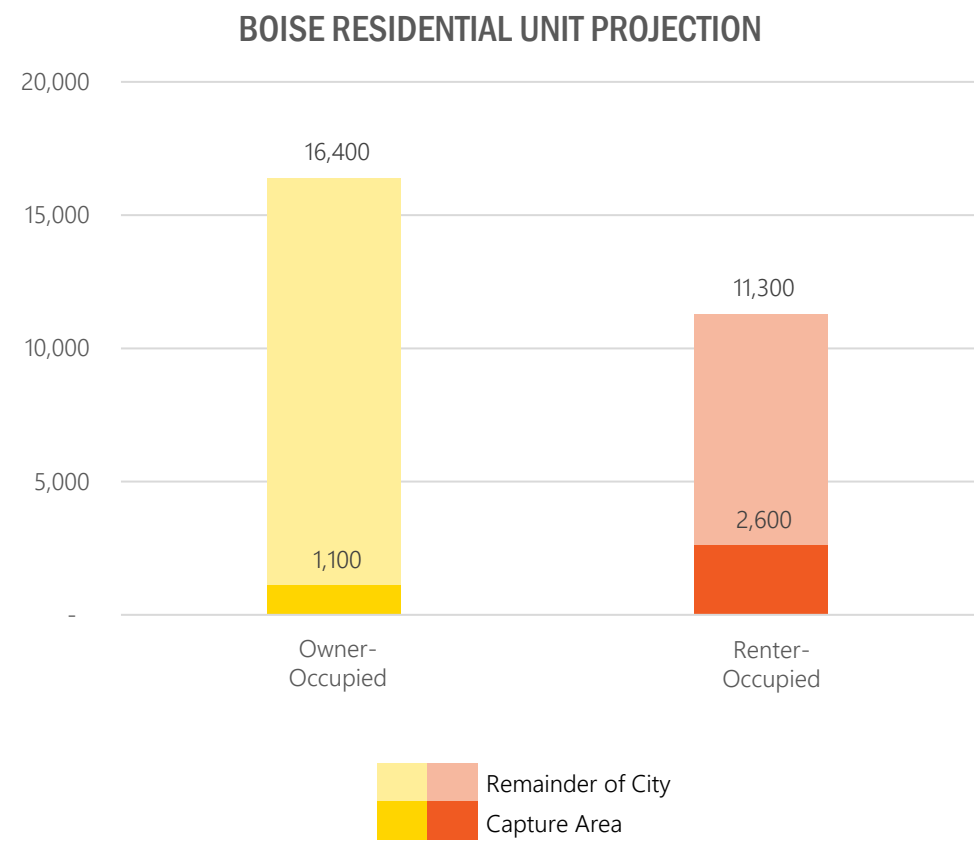
- Homeownership trends have remained relatively constant by age cohort over the last 10 years.
- Households under 35 are the least likely to own homes, however the homeownership rate did marginally increase over the last three years - from 26.5% in 2014 to 29.4% in 2019.
- Across all age cohorts, 60.9% of households are living in owner-occupied housing. Preference for owner-occupied housing has remained constant over the last four years but the Boise homeownership rate is below the national average of 64.1%.



Source: ACS, Census, SB Friedman (data retrieved December 2020)

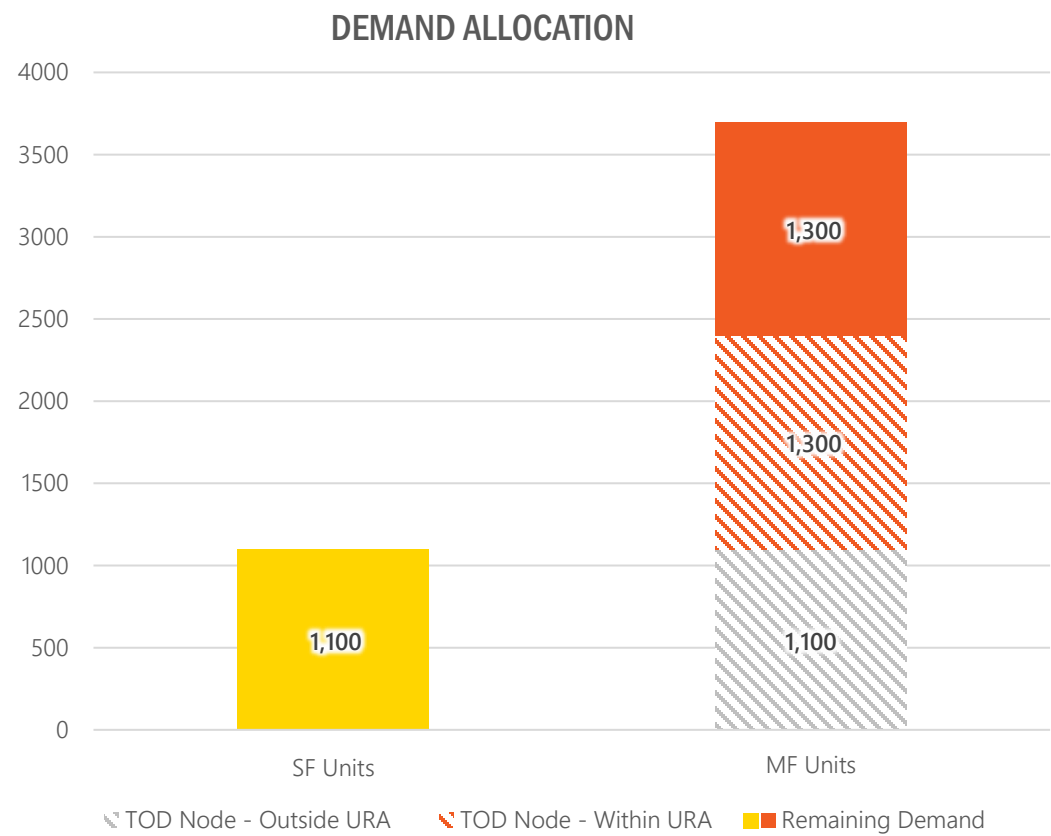
Residential: Housing Unit Projection

SB Friedman projects the Capture Area will increase by 3,700 residential units by 2040



- Converting household growth to housing units results in a combined single-family and multifamily housing unit increase of nearly 28,000 units Citywide.
- The market typically overbuilds in comparison to household growth due to expected ongoing vacancy in the housing market. SB Friedman projections therefore assume 5% vacancy for new single-family housing units and 7.5% vacancy for multifamily housing units.
- Using historic capture rates of Citywide development since 2010 (adjusted to reflect an increase associated with the impact of transit), 3,700 new housing units are projected to be developed in the Study Area by 2040.

Residential: Demand Allocation



SB Friedman projects demand within the URD for 1,100 owner-occupied single-family units, all of which are assumed to be developed outside the TOD Nodes.

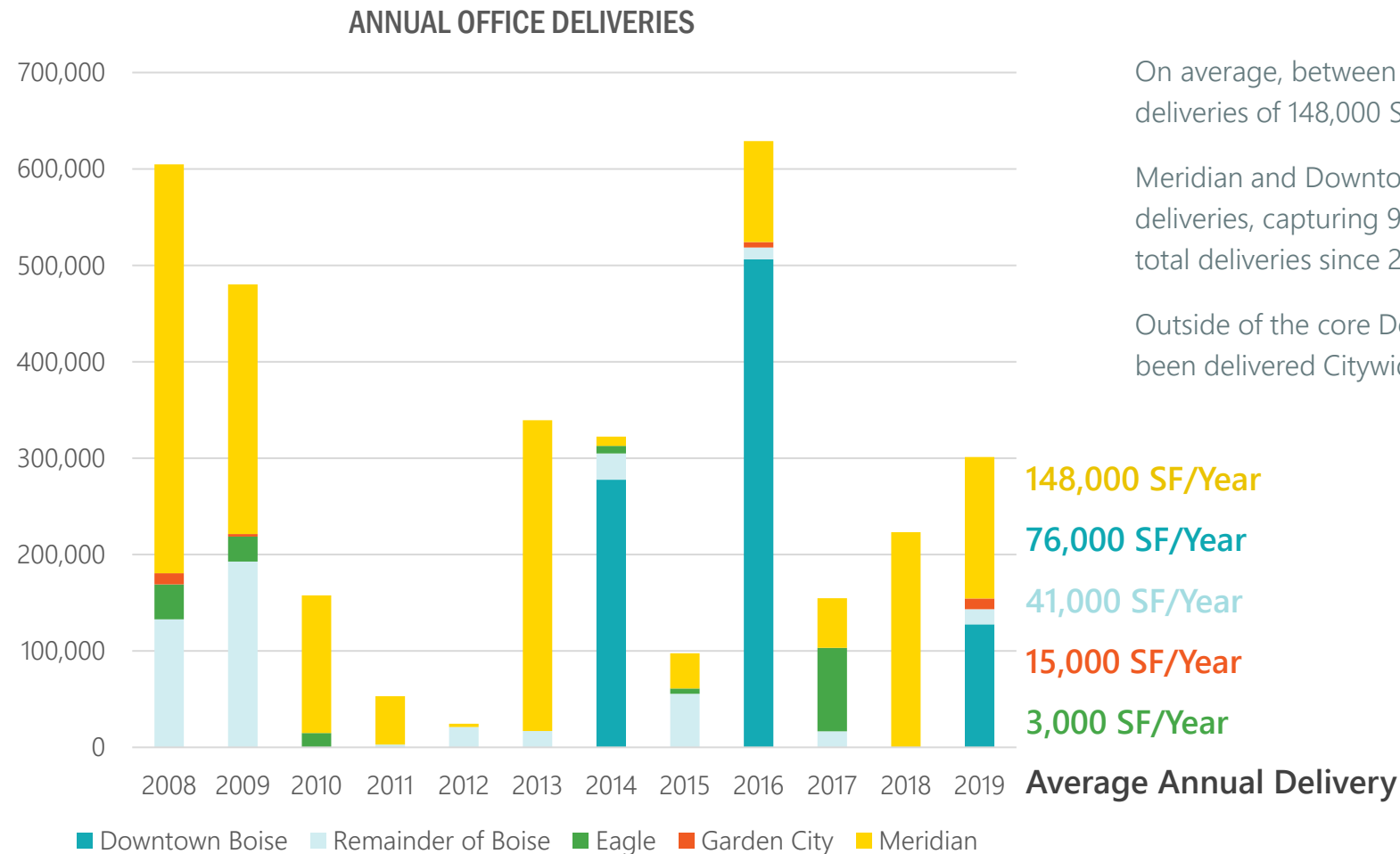
Of the projected demand for 2,600 multifamily units within the Capture Area:

- The State Street TOD Plan accounts for 2,400 multifamily units total, however SB Friedman assumes:
 - 1,300 multifamily units are located in Opportunity Sites within the Capture Area (absorb a portion of the Study Area demand)
 - 1,100 units are located outside the Study Area and outside Boise City limits (do not absorb demand)
- The remaining demand, 1,300 multifamily units, is assumed to develop outside the TOD Nodes but within the Study Area

03 Office Analysis

Office: Office Deliveries Since 2008

Meridian and Downtown Boise have the highest annual average delivery of office space since 2008



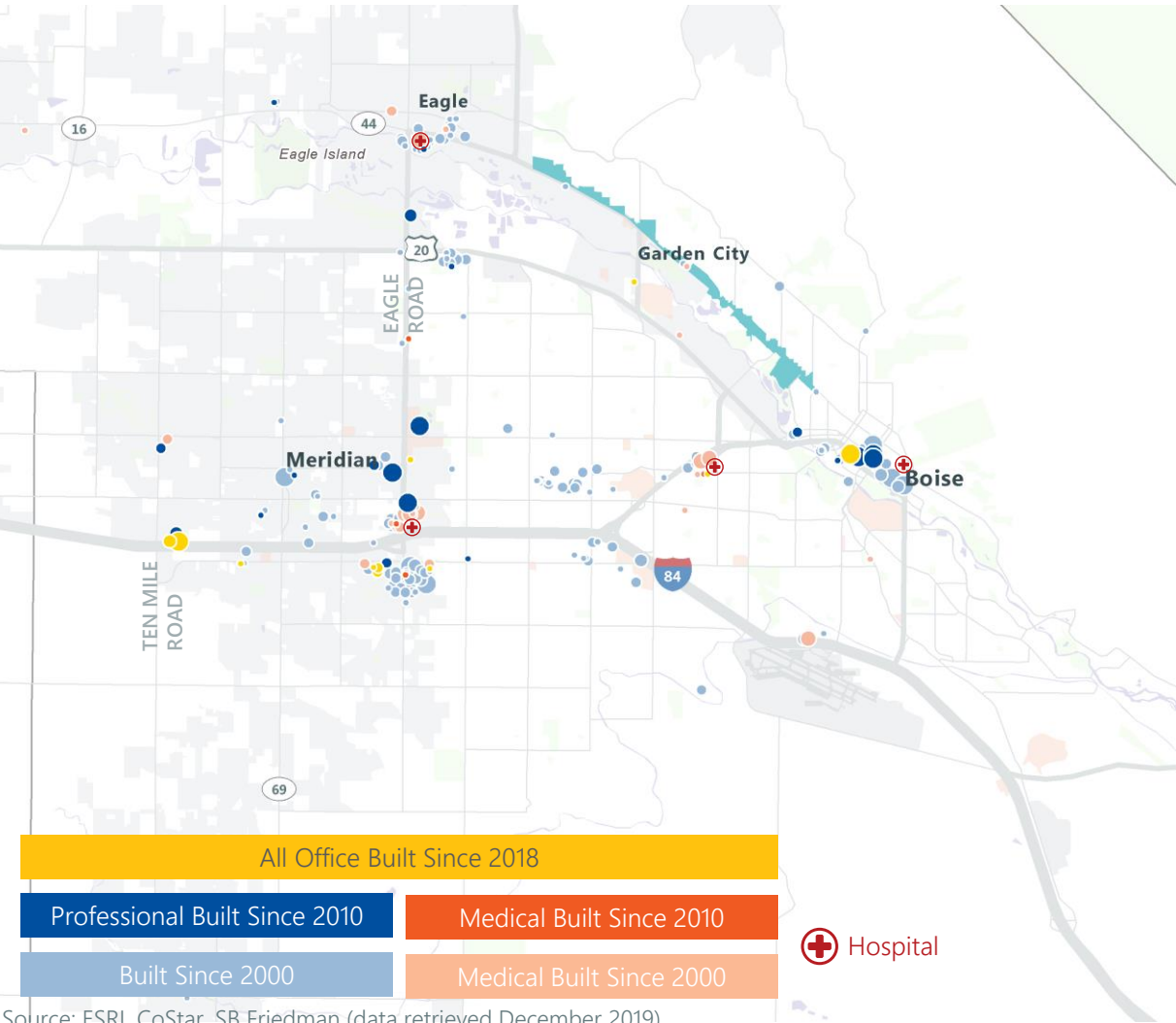
On average, between 2008 and 2019, Meridian and Downtown Boise saw annual deliveries of 148,000 SF and 76,000 SF of new office space, respectively.

Meridian and Downtown Boise have captured the greatest share of office deliveries, capturing 95% of the regional deliveries from 2018-2019 and 72% of the total deliveries since 2008.

Outside of the core Downtown Boise market, only 41,000 SF of office space has been delivered Citywide on average annually.

Office: Recent Regional Class A Office Clusters

Regional office development has been limited outside of clusters in Meridian and Downtown Boise

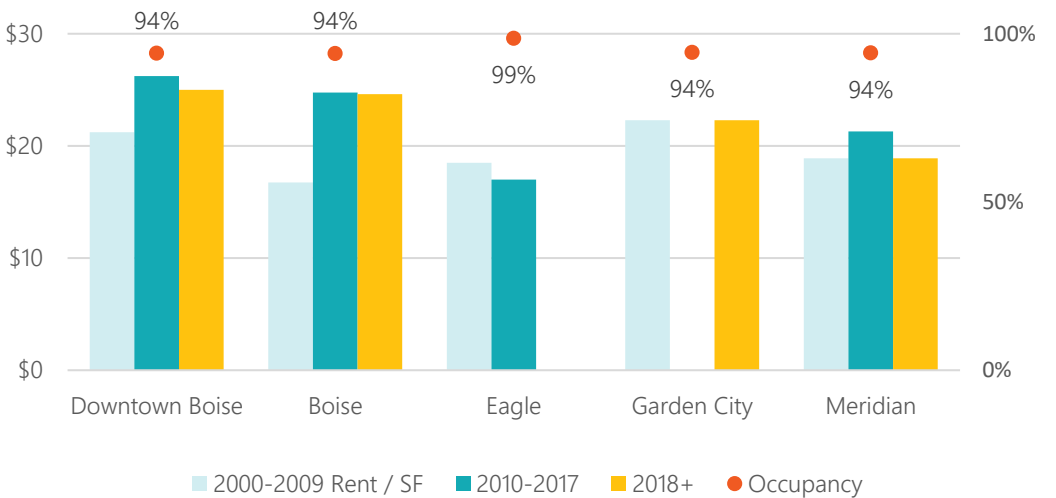


Over 11.0 million SF of office space has been built in Ada County since 2000, including professional and medical office space. Approximately 79,000 SF, or 0.7%, has been built in the Study Area since 2000. New office development has been concentrated in the following areas:

- Downtown Boise
- Eagle Road in Meridian

Recent development projects in Downtown Boise are achieving slightly higher rents than the rest of the region. Product built since 2018 is likely still in lease-up.

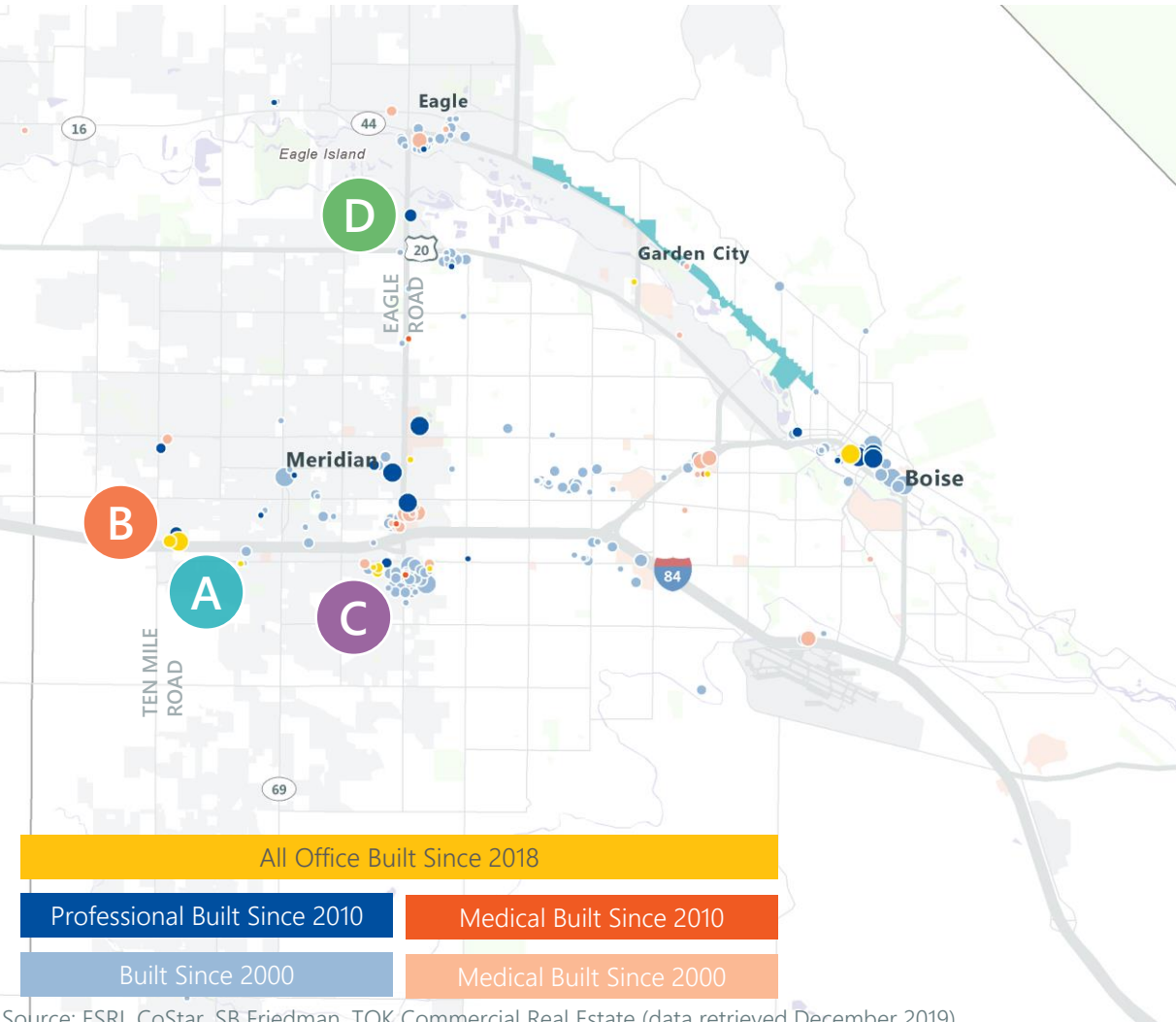
PERFORMANCE OF RECENT DELIVERIES



Source: ESRI, CoStar, SB Friedman (data retrieved December 2019)

Office: Prototypical Development

New office construction outside of Downtown Boise ranges from 2-4 stories and 30,000-150,000 SF



The largest new office buildings are located off Ten Mile Road in Meridian, while smaller product is found throughout the region.



BRIGHTON BUILDING

SF: 83,400
 Year Built: 2019
 Rent: \$18 / SF NNN
 Parking Ratio: 6/1,000 SF



PAYLOCITY BUILDING

SF: 125,000
 Year Built: 2018
 Rent: \$17 / SF NNN
 Parking Ratio: 6/1,000 SF



GRAMERCY PLAZA

SF: 29,400
 Year Built: 2019
 Rent: \$22 / SF MG
 Parking Ratio: 4/1,000 SF



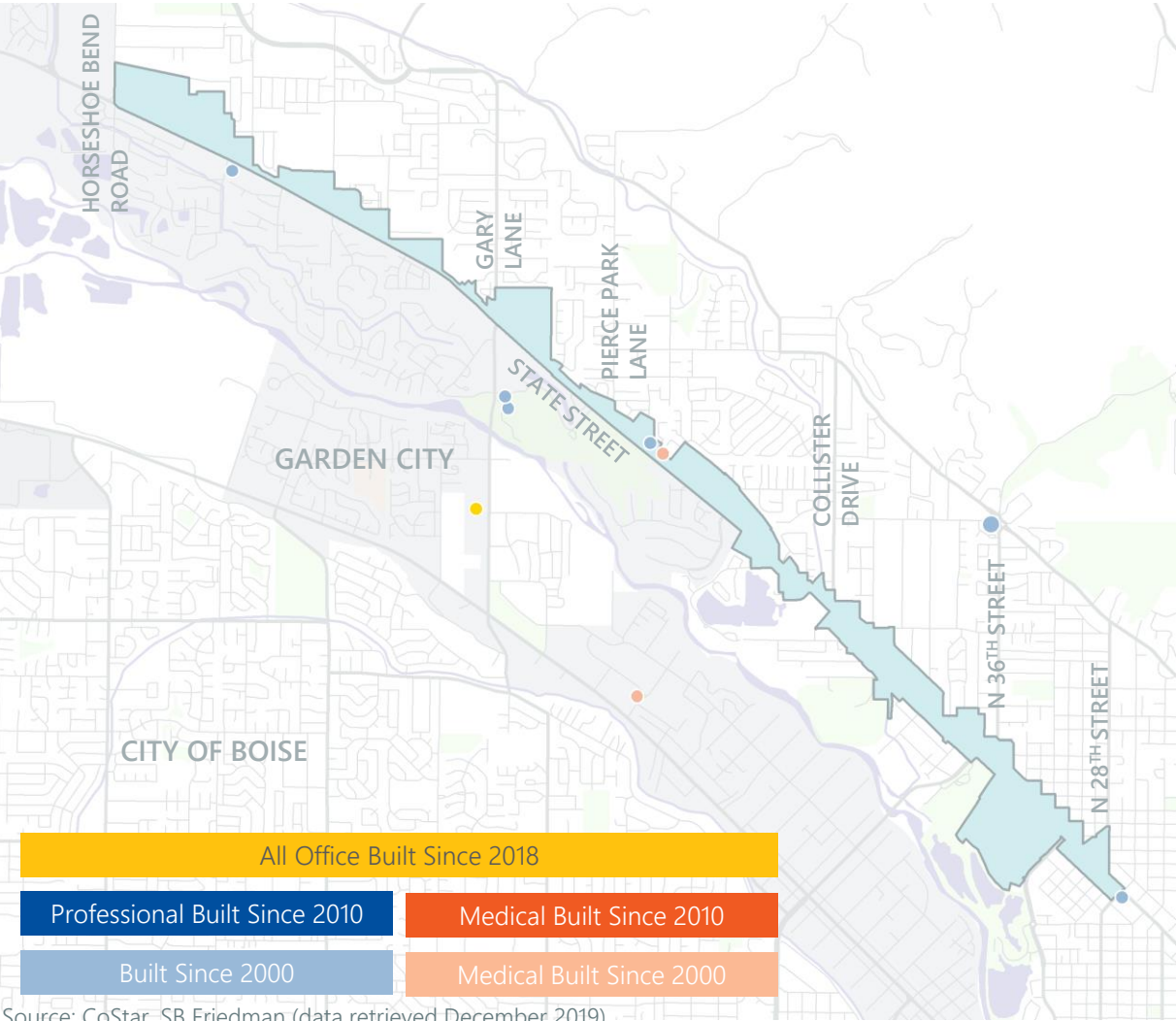
T-SHEETS

SF: 65,000
 Year Built: 2017
 Rent: \$20-25 / SF MG (CoStar Estimate)
 Parking Ratio: NA

Source: ESRI, CoStar, SB Friedman, TOK Commercial Real Estate (data retrieved December 2019)

Office: Boise North Office Nodes

Historic office development in the Boise North submarket has been primarily small scale, professional office



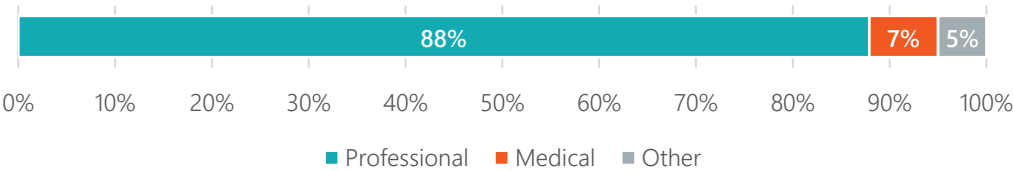
Source: CoStar, SB Friedman (data retrieved December 2019)

SB Friedman Development Advisors

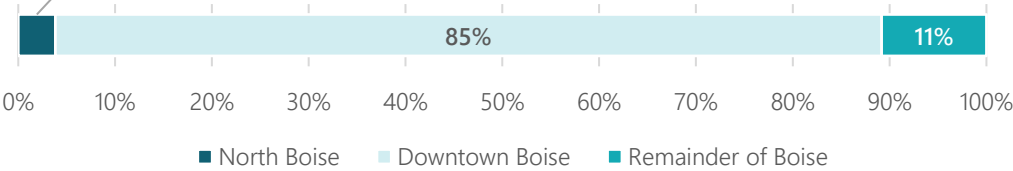
Most of the existing and the recently developed office product in the North Boise submarket consists of professional office space. Only three office buildings (or approximately 34,000 SF) have been delivered in the Boise North submarket since 2010. These projects were located outside the Study Area.

Total net absorption since 2015 in North Boise has been approximately 4% of the citywide total absorption over the same period.

NORTH BOISE INVENTORY COMPOSITION

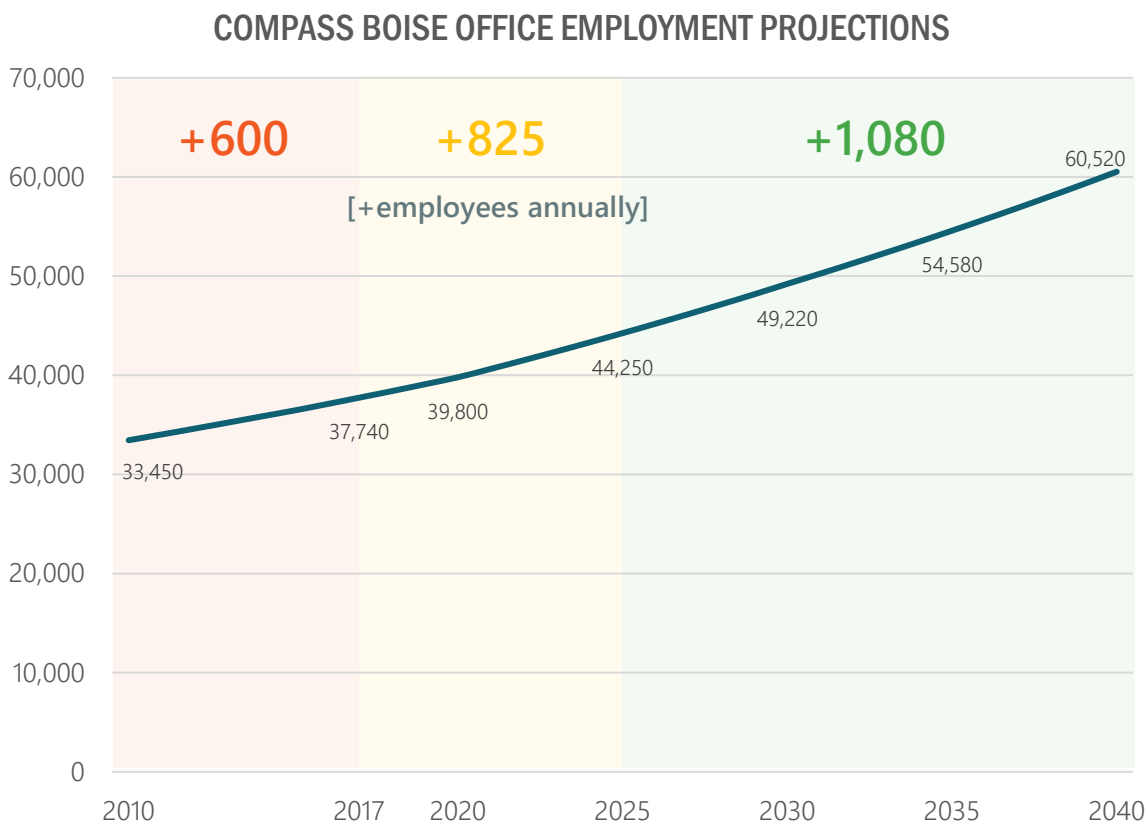


HISTORIC 5-YEAR OFFICE ABSORPTION



Office: Forecasted Employment

Boise’s annual average office employment growth is forecasted to nearly double by 2040



COMPASS projects office employment in the City will grow by approximately 22,800 jobs between 2017 and 2040, or nearly 1,000 employees on average annually.

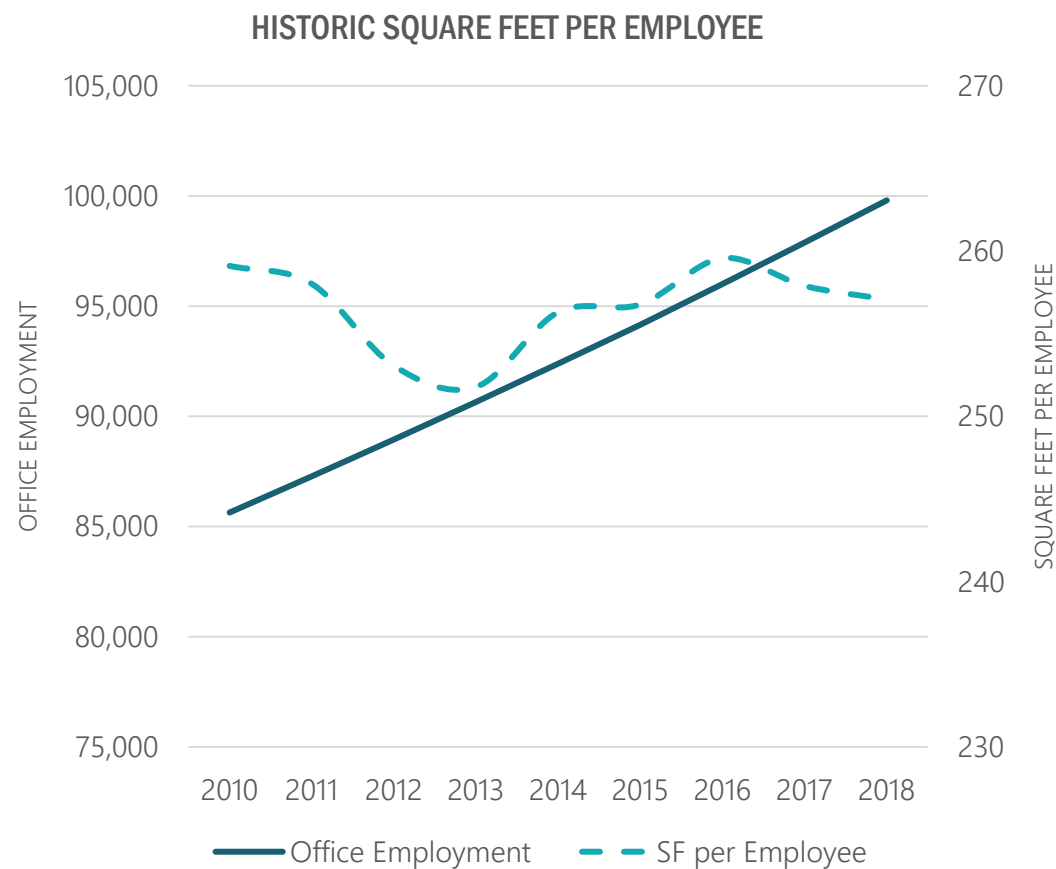
The average annual change in employees is projected to increase marginally in the near term (825-employees annually from 2017-2025) but then increase by another 30% in the long term: with a projected 1,080 new employees per year on average from 2025-2040.

Historically, the Study Area saw an average increase of only 40 office employees annually.

Source: COMPASS, LEHD and SB Friedman (data retrieved December 2019)

Office: Square Feet per Employee Ratio

Ada County averaged 260 square feet of office per employee since 2010



Employee growth is converted to office square feet using a square feet per employment ratio. Since 2010, Ada County had a 14,000-office employee increase. Over the same period, the occupied office square feet per employee ranged between 250-260 SF per employee annually, 257 SF on average.

Source: COMPASS, CoStar and SB Friedman (data retrieved December 2019)

Office: Forecasted Demand

SB Friedman projects Study Area Opportunity Sites will capture over 50% of the corridor-wide growth

Using the COMPASS projected employment change, historic employment density ratios and vacancy assumptions, SB Friedman projects demand for approximately 7.0 million SF of office within the City over the next 20 years.

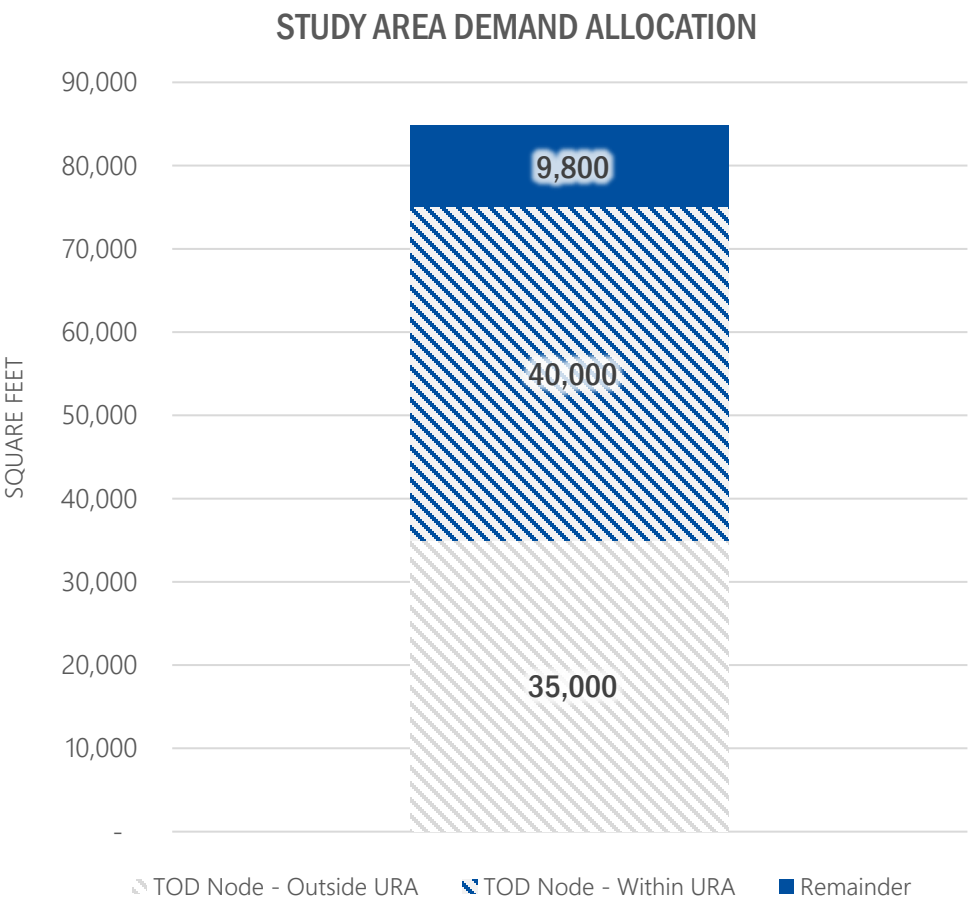
Assuming a 0.7% capture rate of the new office product within the Study Area (based on the capture rate of existing office product), SB Friedman projects demand for approximately 50,000 SF of office by 2040.

The TOD Plan projects demand for approximately 75,000 SF of office within the TOD nodes^[1]. Based on land acreage and existing land use patterns, SB Friedman allocated 40,000 SF of the office demand from the TOD Plan to the Study Area.

The remaining demand, 9,800 SF, is projected to develop within the Study Area outside the TOD nodes.

Based on prototypical developments across the region, SB Friedman estimates this will likely result in 1-2 office development projects in the Study Area by 2040.

While residential performance is anticipated to be impacted in the near-term by the COVID-19 pandemic and the associated federal eviction ban, SB Friedman has assumed there will not be an impact on the residential projections in the long-term.



Source: State Street TOD Plan, SB Friedman
^[1] SB Friedman assumed office accounts for 25% of 'Commercial' demand

04 Retail Analysis

Retail: Typologies

SB Friedman's analysis focuses on the potential for community & neighborhood retail center development

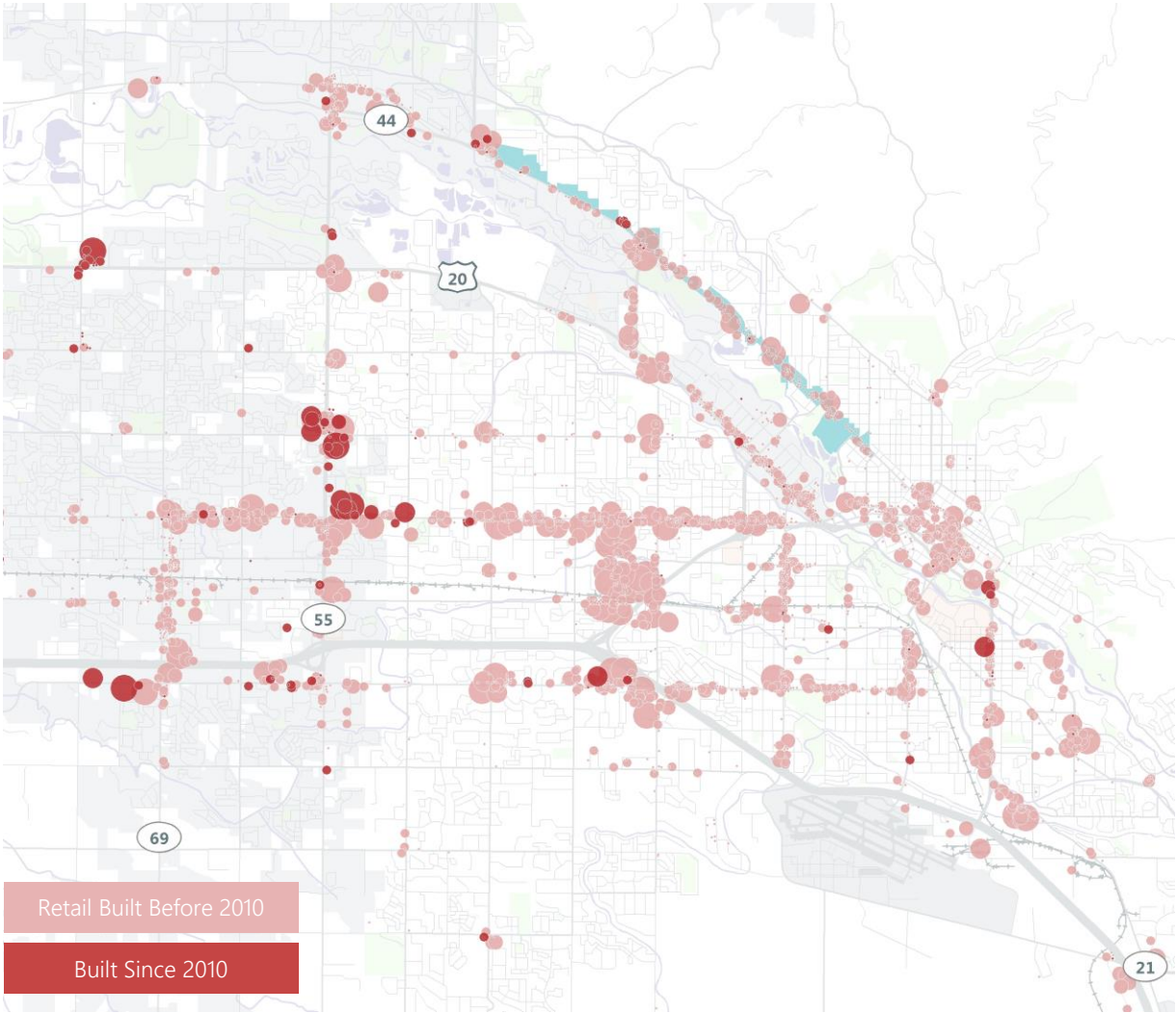


Retail: Existing Inventory

Ada County has over 26.4 million square feet of retail. The Study Area currently includes approximately 4% of the total retail inventory, or 1.0 million square feet. Overall, occupancy rates are relatively high for both Ada County and the Study Area, both of which are at 98%.

However, the Study Area has captured a decreasing share of the overall retail deliveries since 2010. Despite having 4% of the overall retail product, the Study Area has only captured 2% of the newer retail square footage. From 2010-2019, the Study Area delivered 4,500 SF of retail on average annually compared to 290,000 SF countywide.

	Ada County	Study Area	Study Area Share
Total Inventory, 2019 (SF)	26,400,000	1,000,000	4%
Occupancy, 2019 (SF)	98%	98%	
Total New Space Delivered, 2010-2019	2,600,000	40,000	2%
Occupancy, 2010-2019 Product	94%	85%	
Annual Average Deliveries (2010-2019)	290,000	4,500	



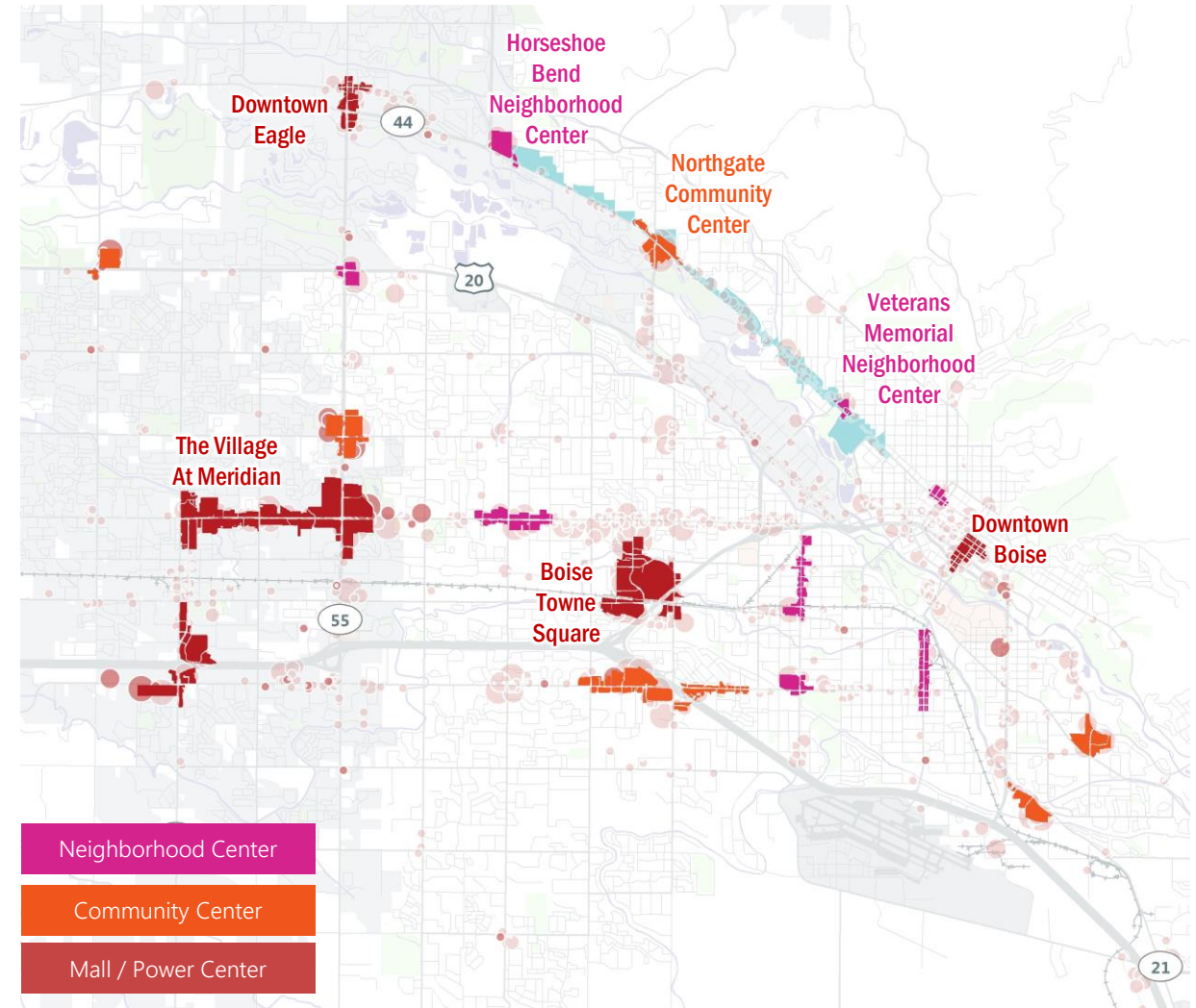
Source: CoStar, ESRI, SB Friedman (data retrieved December 2019)

Retail: Regional Retail Structure

As retail developments tend to co-locate near existing clusters, it is important to consider where there are existing concentrations of retail within the region.

The largest retail centers in Ada County are the Village at Meridian and the Boise Towne Square Shopping Mall. Retail in the Study Area is made up of smaller centers designed to serve primarily local consumer needs. There are three primary retail clusters within the Study Area:

- Horseshoe Bend Neighborhood Center
- Northgate Community Center
- Veterans Memorial Neighborhood Center

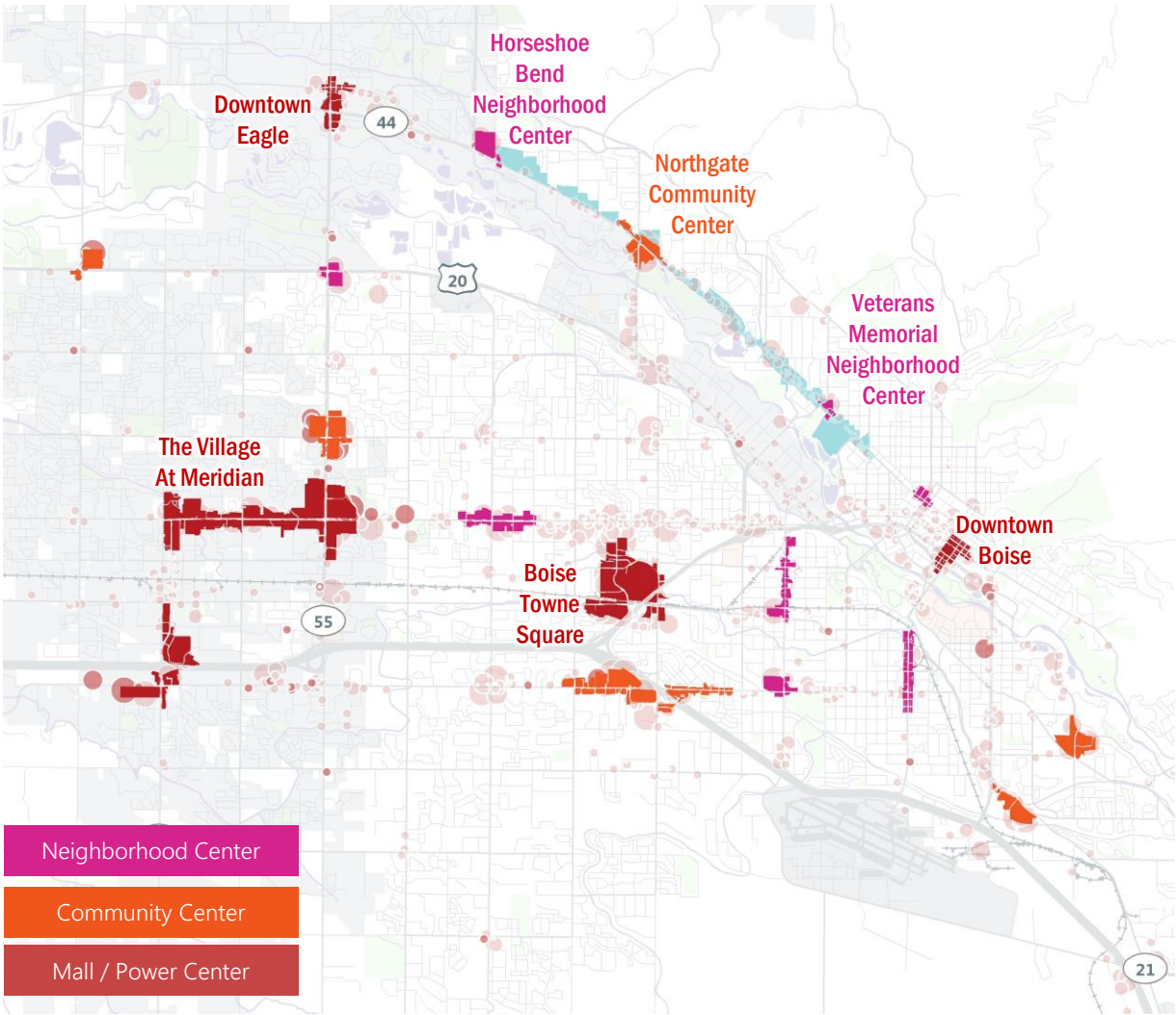
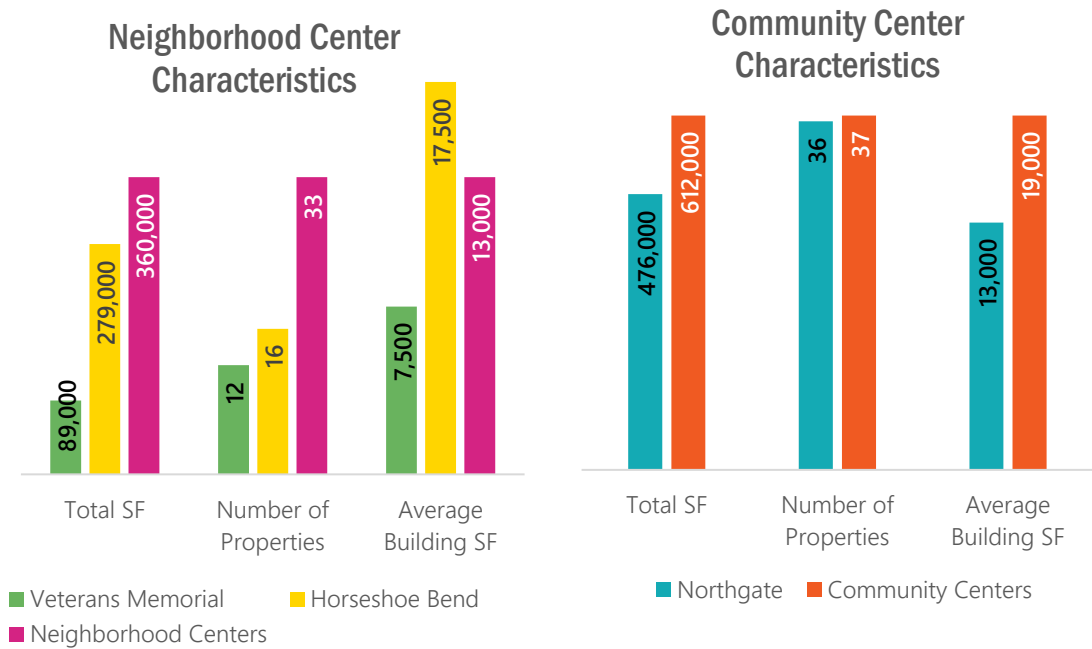


Source: CoStar, ESRI, SB Friedman (data retrieved December 2019)

Retail: Regional Retail Structure

Retail centers intersecting the Study Area are relatively smaller than comparable regional centers

SB Friedman evaluated the size of each retail node relative to comparable retail centers in Ada County. The neighborhood retail centers (Veterans Memorial and Horseshoe Bend) are both smaller than comparable centers. The Northgate Community Center is similar in size and scale to other Community Centers.



Source: CoStar, ESRI, SB Friedman (data retrieved December 2019)

Retail: Northgate Community Center

The Northgate Community Center has the highest concentration of retail within the Study Area



North Pointe Center
30,000+ SF
\$17-\$21 NNN (Asking) Rent (CoStar Estimate)
26% Vacancy
2017 Year Built



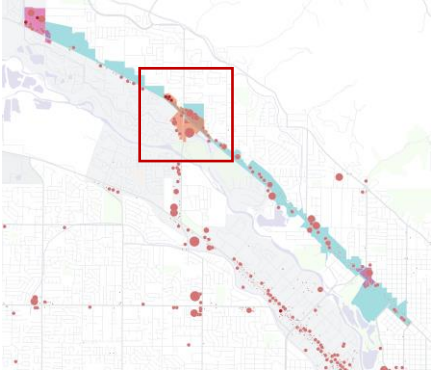
Northgate Shopping Center
93,000 SF
\$7-\$15 NNN (Asking) Rent
9% Vacancy
2000 Year Built



Walmart
223,000 SF
N/A Rent
0% Vacancy



Plantation Shopping Center
104,000 SF
\$14 NNN (Asking) Rent
3% Vacancy
1980 Year Built



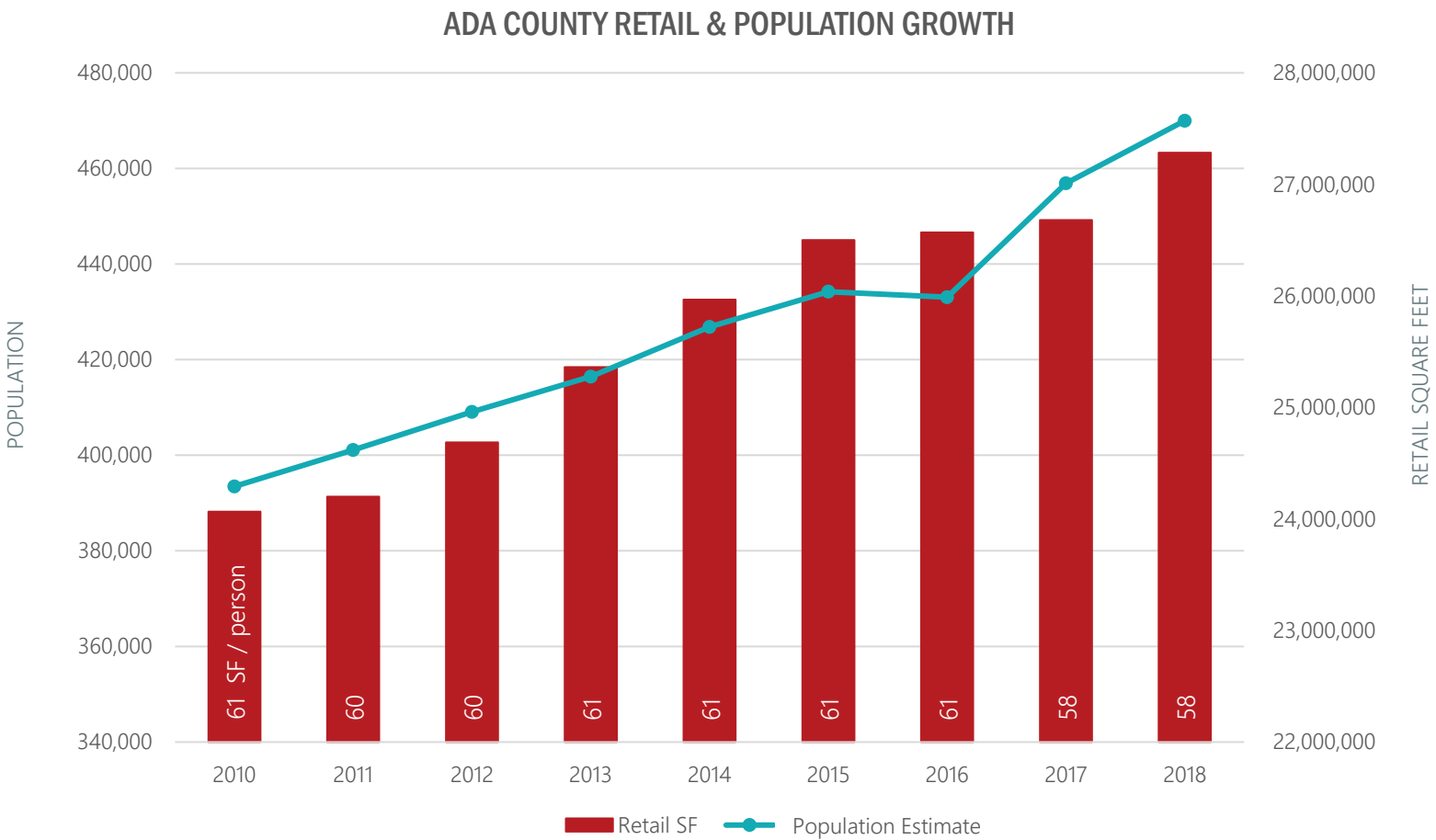
Retail: Retail Square Feet and Population Growth

Retail and population growth have occurred at similar rates since 2010

Over the last 9 years, the Ada County population grew by over 75,000 people. Over the same period, the countywide regional occupied retail inventory increased by 3.2 million square feet.

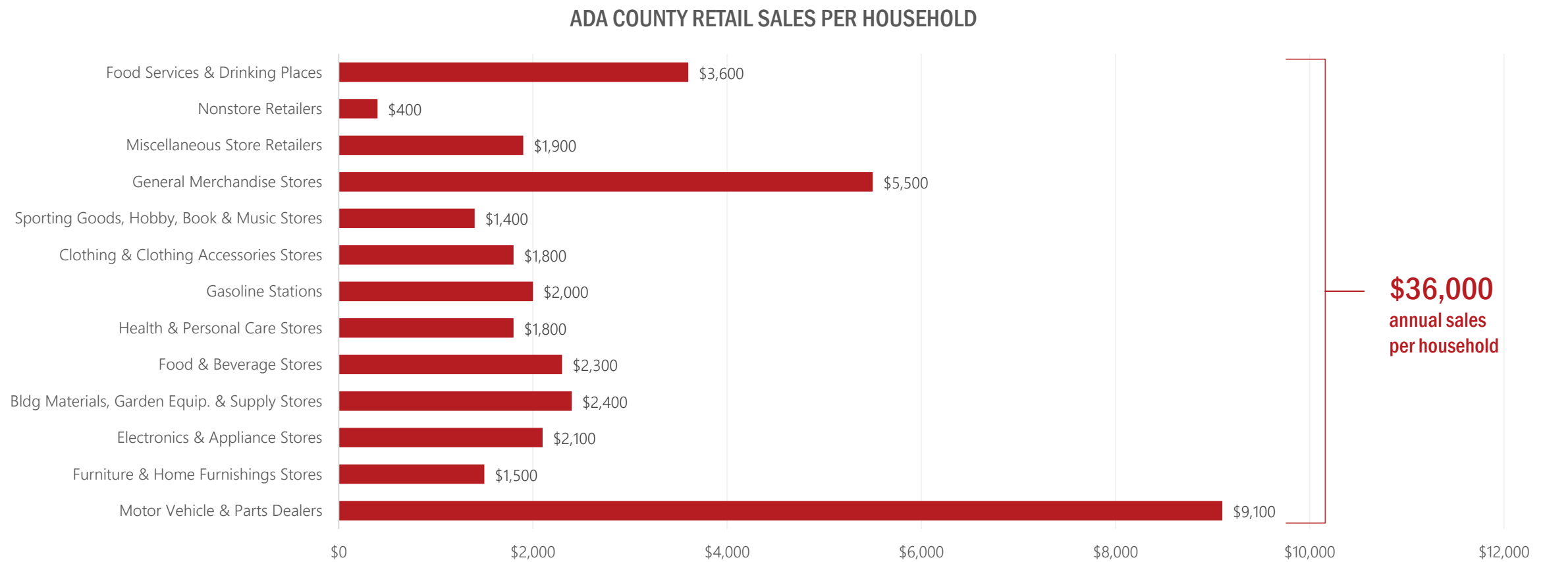
Despite national trends indicating a decline in the retail market, Countywide occupied retail square feet continued to closely track with the total population; at 61 square feet per capita in 2010 and 58 square feet per capita in 2018.

Overall retail vacancy decreased from a high of 8.4% countywide in 2009 to 3.1% in 2019. The high utilization of retail space is another indicator of market strength despite national trends.



Retail: Retail Expenditures Per Household

On average, Ada County households spend approximately \$36,000 annually on retail expenditures. Most household retail spending is in the following categories: Motor Vehicle & Parts Dealers, General Merchandise Stores, and Food Services & Drinking Places.



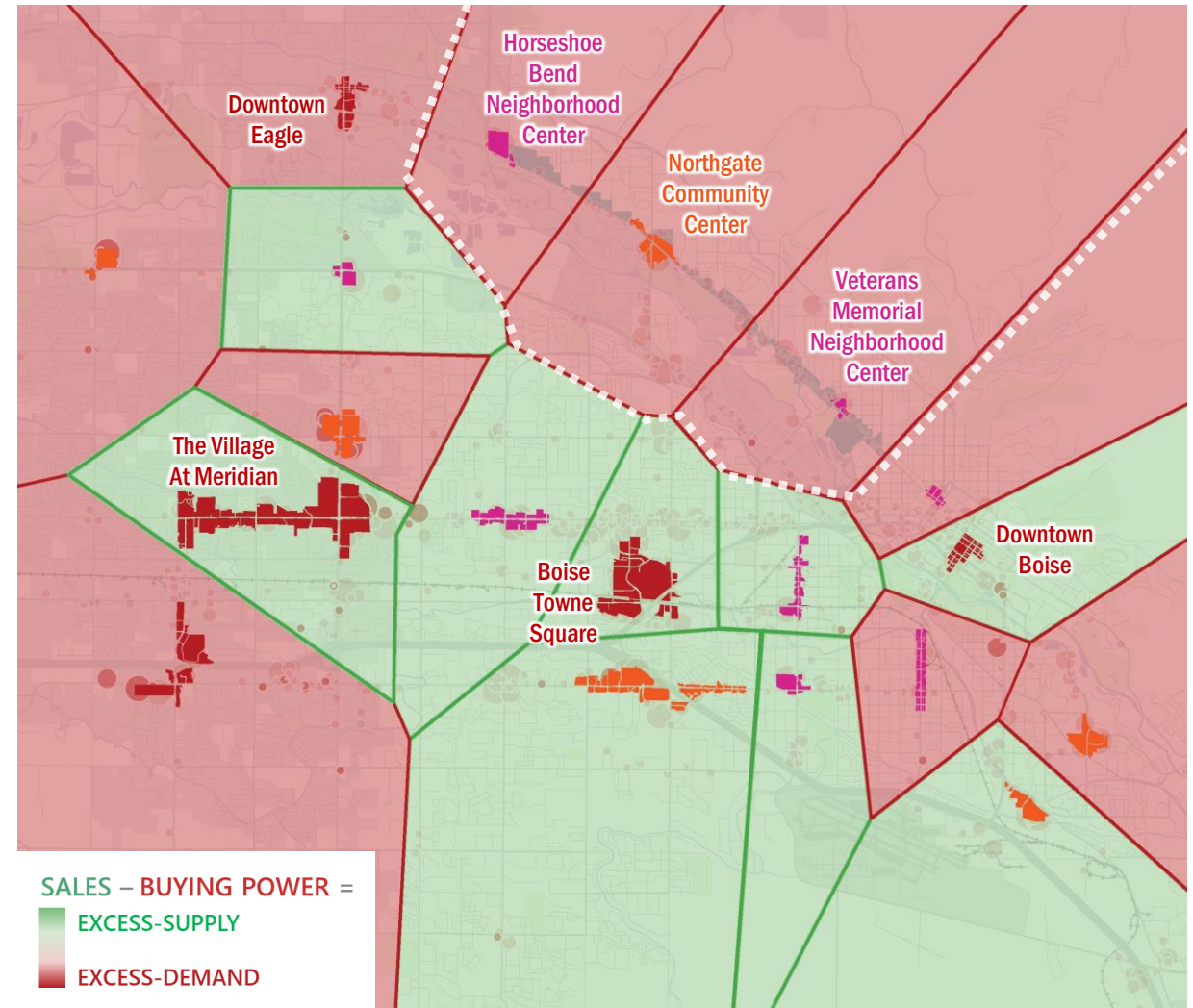
Source: ESRI Business Analyst, SB Friedman (data retrieved December 2019)

Retail: Regional Retail Flow of Sales

Leakage reports indicate sales potential in the local Trade Areas leaks, in part, to surrounding areas

While the average Ada County household spends approximately \$36,000 annually in retail sales, distribution of sales across retail centers is not equal.

To analyze retail sales spatially, trade areas were established around each major retail node. Trade areas, for comparative purposes, are established based on the equidistant areas between shopping centers. A trade area leakage analysis for the County indicates that sales gravitate toward larger retail power centers and malls. Smaller shopping center trade areas, including those intersecting the Study Area are assumed to 'leak' a portion of the local household buying power to surrounding larger shopping centers.



Retail: Sales per Household

There are three trade areas that overlap the Study Area, which collectively include 3.1 million square feet of retail. Businesses in the three trade areas report sales of approximately \$23,000 per household despite a projected demand of \$35,400^[1]. The difference between retail sales of stores in the trade areas and consumer buying power in the trade areas is due to sales leakage to the malls, online shopping and other non-local retail options.

As a result, Trade Areas not overlapping the Study Area are projected to have a higher sales per household ratio than the average countywide.

Sectors with substantial leakage to other trade areas which indicates potential include:

- Food Services & Drinking Places; and
- Food & Beverage Stores



Source: CoStar, ESRI, SB Friedman (data retrieved December 2019)
^[1]Variation from Countywide sales per household due to differences in local demographics
SB Friedman Development Advisors

Retail: Trade Area Demand Indicators

The ratios of sales per household and sales per retail square foot are used to project demand

TRADE AREAS OVERLAPPING THE STUDY AREA

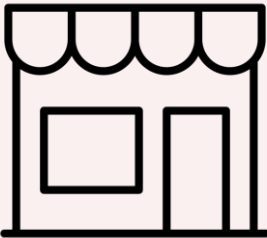


25,300
HOUSEHOLDS

Trade Area retail businesses capture approximately **\$23,000** in sales per household in the Trade Area



\$573.8 M
RETAIL SALES



3.1 M
SF OF RETAIL

There are **\$187** in sales per square foot of retail within the combined Trade Areas

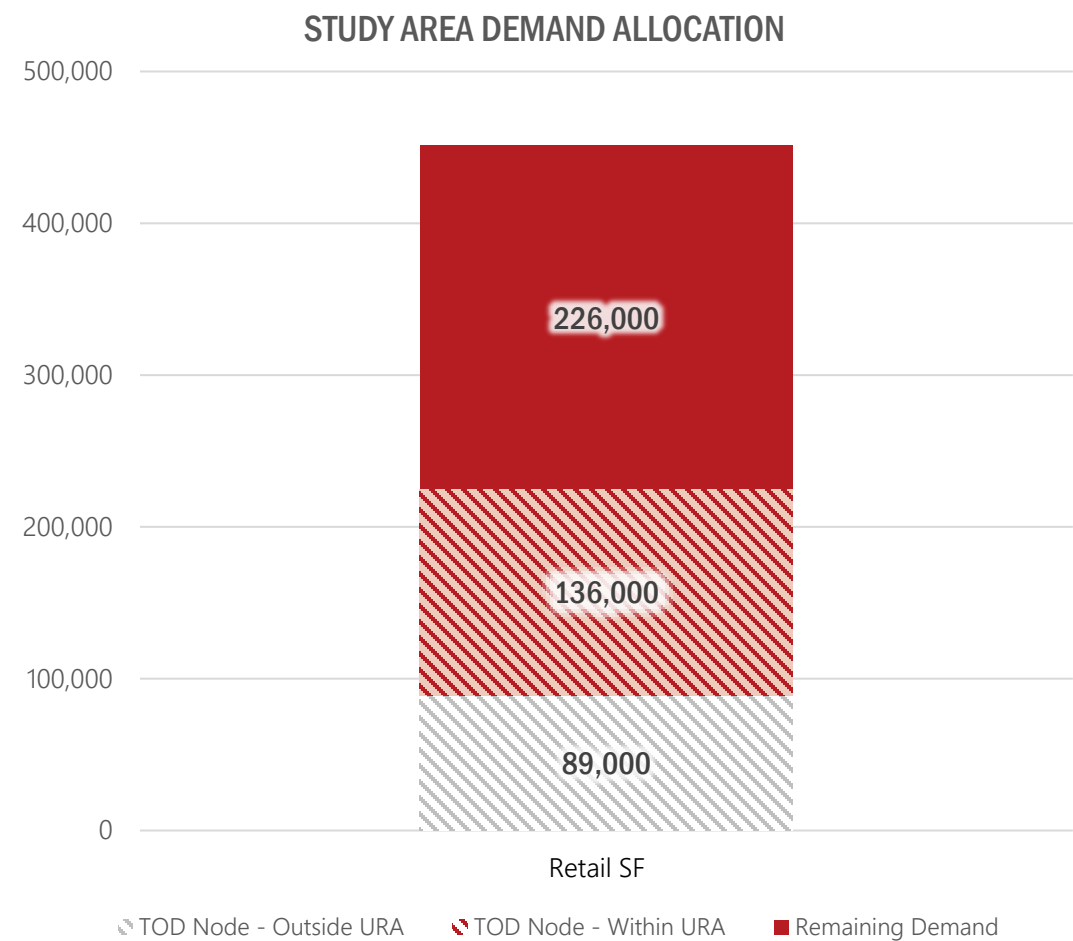
Retail: Demand Projection

SB Friedman projects demand for approximately 451,000 SF of retail in the Capture Area

Based on the projected 3,700 household increase in the Capture Area, SB Friedman projects demand for an additional 451,000 SF of retail. Projections assume 100% of the of the retail square feet projected will be captured within the TOD Nodes or remainder of the Study Area.

The TOD Plan projected demand for approximately 225,000 SF of retail within the TOD Nodes, excluding commercial space SB Friedman allocated to office. Based on land acreage and existing land use patterns, SB Friedman allocated 136,000 SF of the retail demand from the TOD Plan to the portions of the TOD Nodes that are in the Study Area.

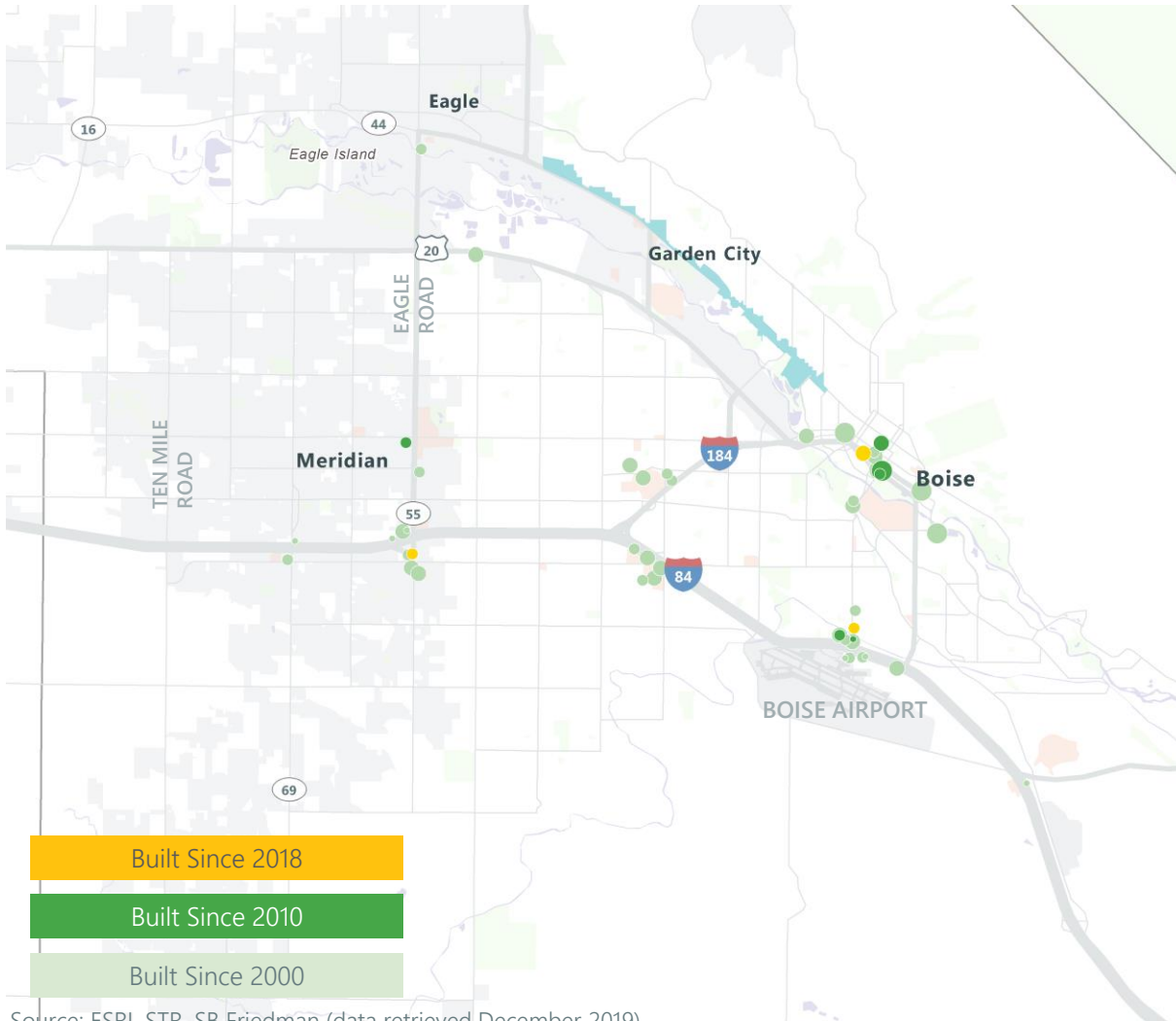
After accounting for demand associated with the TOD Plan, 226,000 SF of demand remains to be allocated across the remainder of the Study Area. The combined demand within the Study Area (excluding the TOD Node share outside the Study Area) is 362,000 SF.



05 Hospitality Analysis

Hospitality: Recent Regional Hotel Development

Recent hotel development has been concentrated in Downtown Boise & near the airport and retail clusters



Source: ESRI, STR, SB Friedman (data retrieved December 2019)

SB Friedman Development Advisors

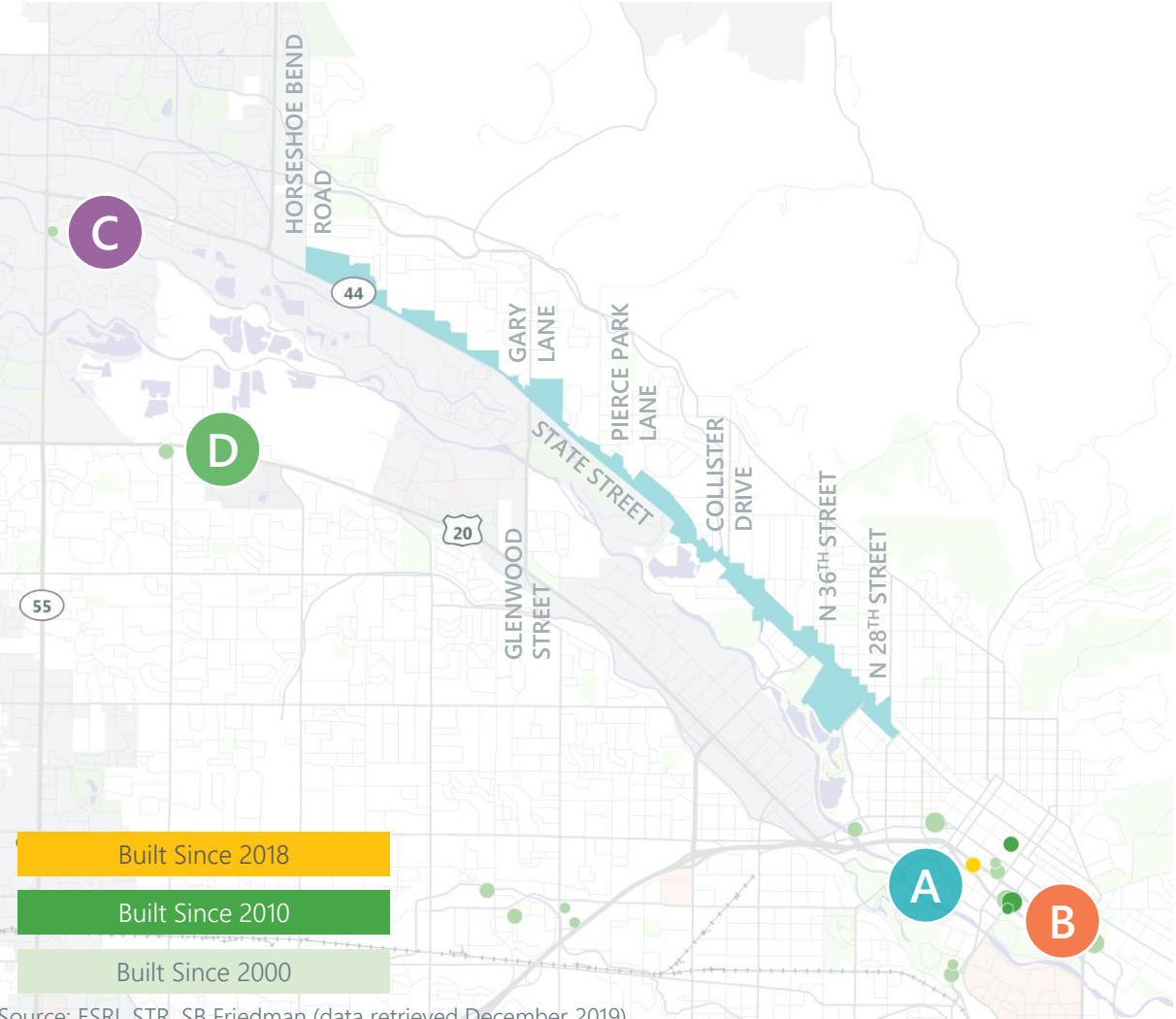
Ada County has approximately 5,700 hotel keys. There are no hotels currently in the Study Area.

Hotel development typically occurs near existing office and retail clusters and the Interstate; it is also tied to population and tourism growth. Accordingly, recent hotel development has been concentrated in and/or located adjacent to:

- Downtown Boise
- Eagle Road in Meridian
- Boise Airport

Hospitality: Prototypical Development

New downtown hotels are targeting different service levels than those located near the Study Area



Source: ESRI, STR, SB Friedman (data retrieved December 2019)

SB Friedman Development Advisors

A



HILTON GARDEN INN BOISE DOWNTOWN

Keys: 132
RBA (SF): 132,000
Year Built: 2018
Parking Ratio: NA

B



RESIDENCE INN BOISE DOWNTOWN/CITY CENTER

Keys: 185
RBA (SF): 100,000
Year Built: 2017
Parking Ratio: NA

C



HILTON GARDEN INN EAGLE

Keys: 98
RBA (SF): 83,500
Year Built: 2003
Parking Ratio: 2.4/1000 SF

D

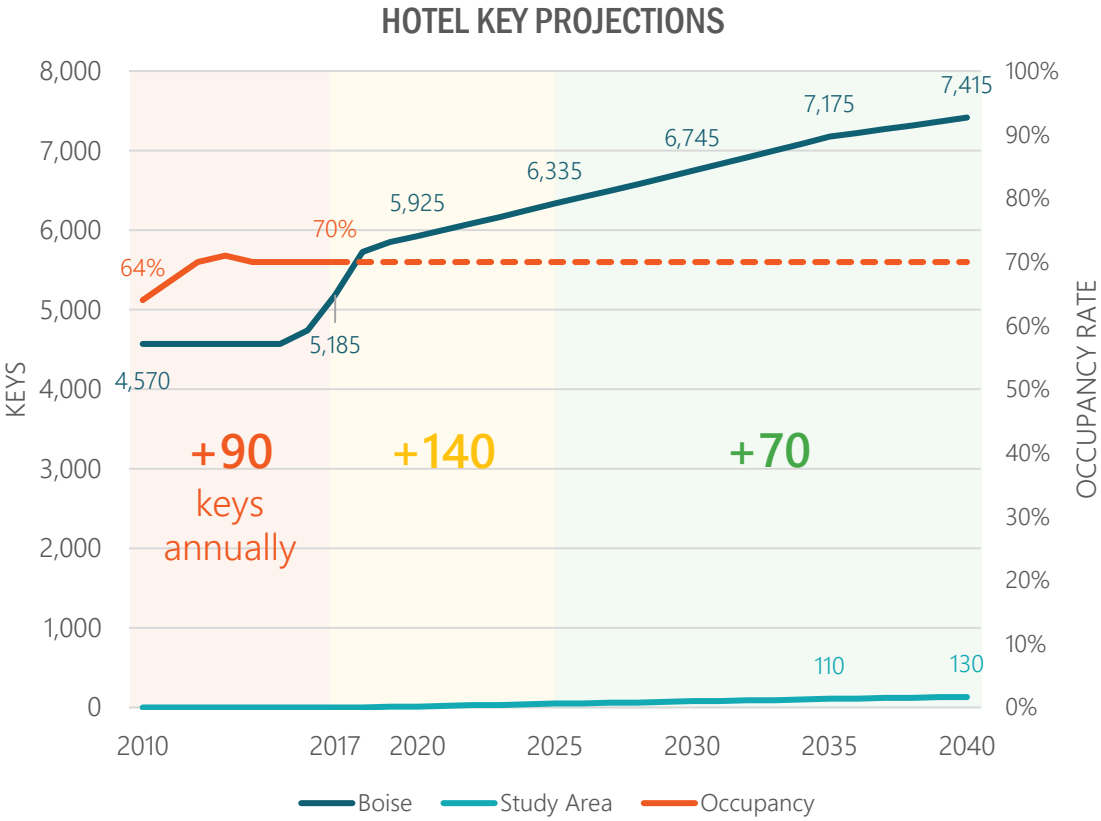


SPRINGHILL SUITES BOISE

Keys: 119
RBA (SF): 85,000
Year Built: 2005
Parking Ratio: 1.4/1000 SF

Hospitality: Demand Projection

Boise's annual hotel occupancy is projected to remain at 70%, creating strong regional hotel demand



On average, between 2007 and 2017, approximately 100 hotel rooms were built in the City per year. Using household forecasts, SB Friedman projects this trend will continue; adding approximately 2,200 hotel rooms Citywide between 2017 and 2040.

The Study Area lacks the proximity to existing office clusters and the Interstate which are often key adjacencies for new hotel development. However, the increased population and activity associated with improved transit facilities and transit-oriented development would help support future hotel development.

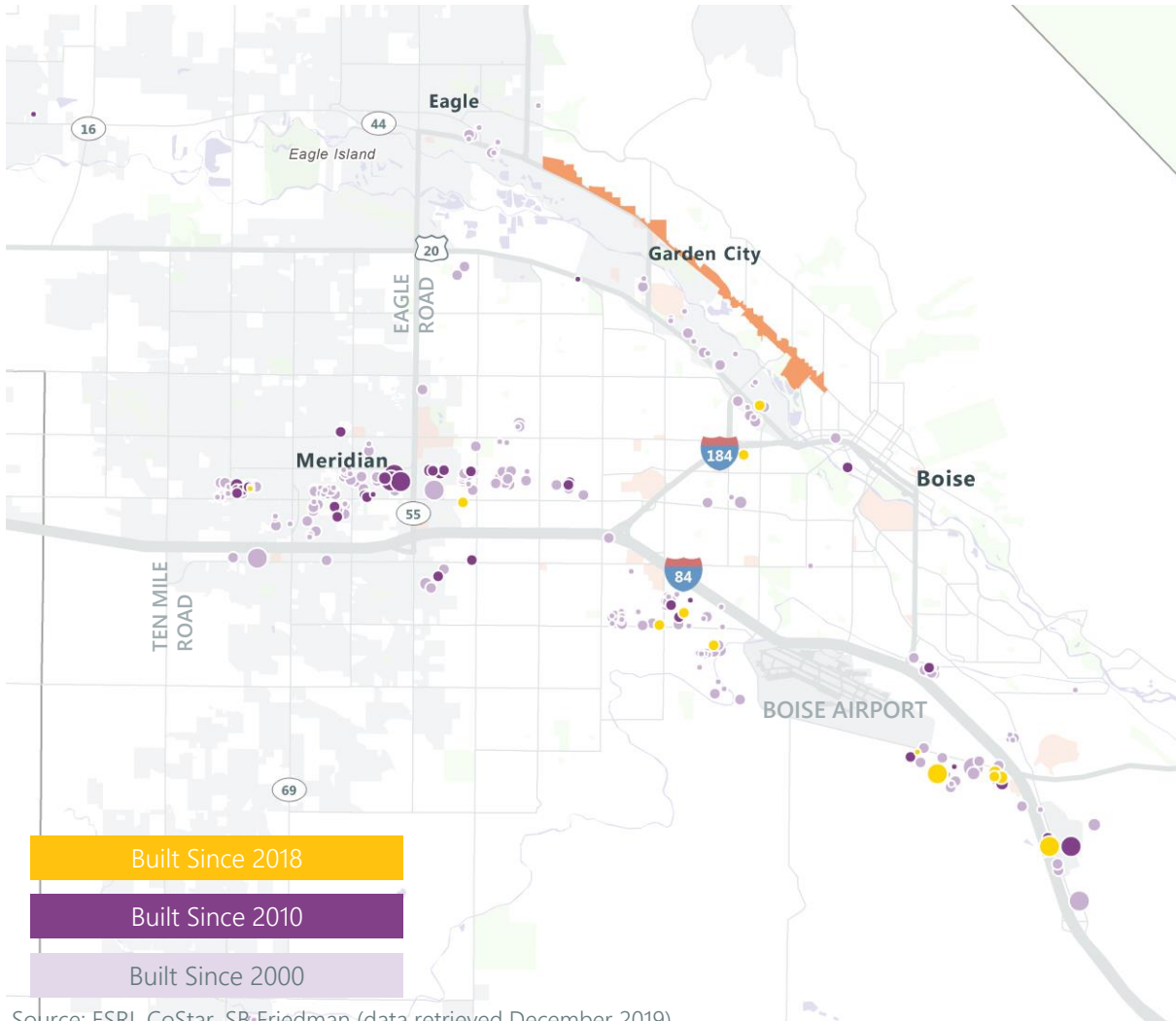
Over time, as population in the Study Area increases, the TOD environment matures, and access to downtown improves via transit, SB Friedman projects there may be demand for one hotel (110-130 keys).

Source: COMPASS, LEHD and SB Friedman (data retrieved December 2019)

06 Industrial Analysis

Industrial: Recent Regional Industrial Clusters

No recent regional industrial development has occurred in the Study Area



Approximately 6.2 million SF of industrial space has been built in Ada County since 2000. New industrial development has been concentrated in the following areas:

- Gateway East & Boise Airport
- Eagle Road in Meridian

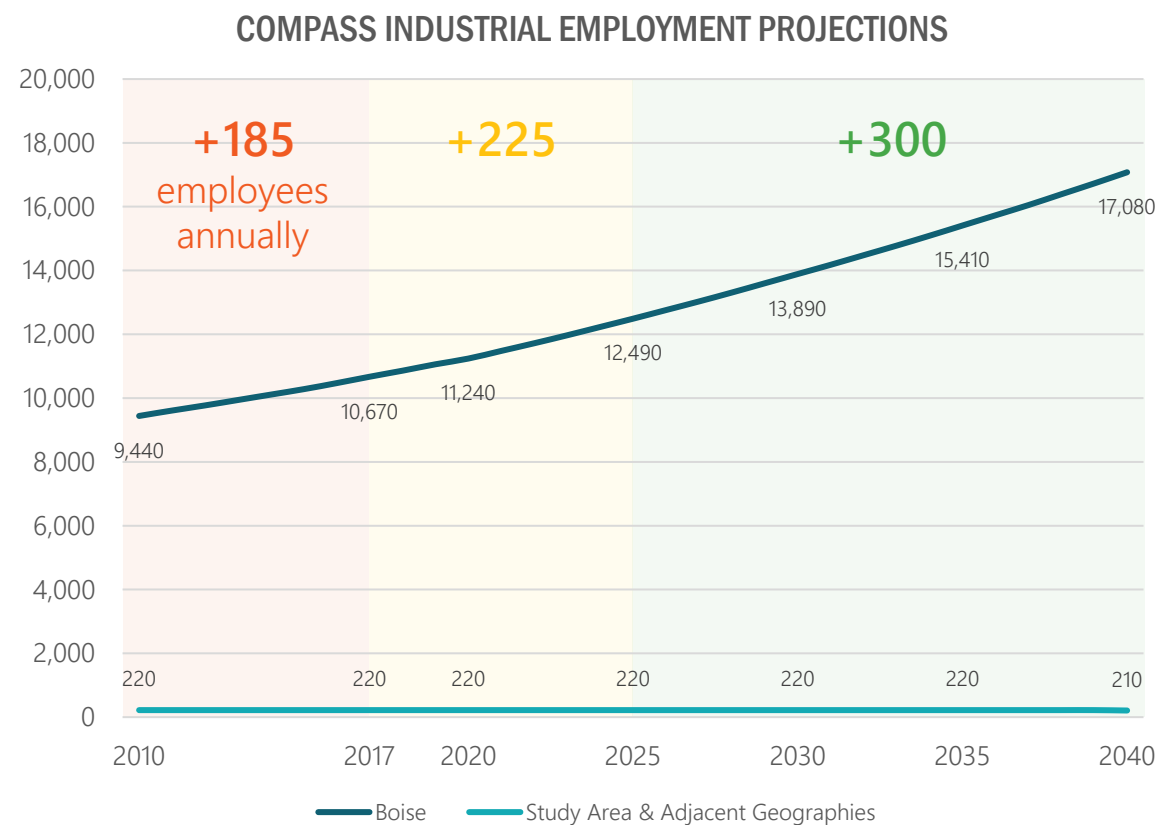
No industrial development since 2000 has occurred in the Study Area and very little nearby. It is therefore unlikely that future development will occur.

Source: ESRI, CoStar, SB-Friedman (data retrieved December 2019)

SB Friedman Development Advisors

Industrial: Forecasted Employment

While Citywide industrial employment is projected to grow, SB Friedman projects no Study Area growth



COMPASS projects industrial employment in Boise will grow by approximately 6,400 employees between 2017 and 2040, or approximately 280 employees on average annually. However, the Study Area and adjacent geographies account for just 2% of the current citywide industrial employment and no future employment growth is projected.

Further, neither the TOD Plan or Blueprint Boise include a vision for industrial development along the State Street Corridor, and current zoning does not allow for industrial within the Study Area.

When combined, locational characteristics, employment trends, policy guidelines, and overall market forces do not support the establishment of an industrial market in the Study Area. Therefore, SB Friedman projects no industrial demand within the URD.

07 COVID-19

COVID-19: Considerations by Land Use

Boise is anticipated to rebound from temporary declines associated with the pandemic

Overall

- Boise identified early as one of the top 100 metros likely to have the best COVID-19 recovery
- Boise recently ranked as the 19th best 'Market to Watch' by the Urban Land Institute (ULI)

Multifamily & Single Family Residential

- Top mid-sized market to watch according to Zillow
- Boise to experience 2% annual household growth as projected by ULI
- Business Insider reported that Idaho had the highest rate of net migration into the state (194%) during the pandemic

Retail

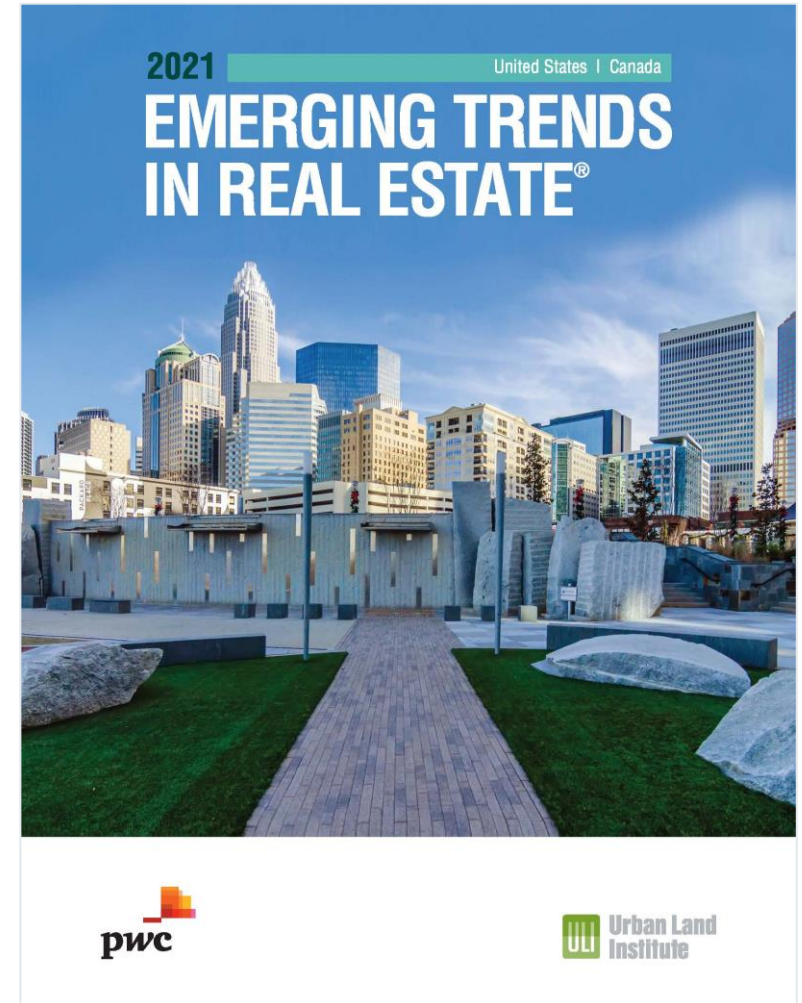
- ~10k SF decline in retail absorption in the Study Area this year
- 8% decline consumer spending growth

Office

- No significant change in leasing or vacancy in the Study Area in 2020
- 750k SF of office currently under development in the region

Hospitality

- Remains a long-term development opportunity



Source: Colliers, CoStar, Cushman & Wakefield, Forbes, TOK Commercial, Urban Land Institute, Zillow (data retrieved December 2020)

SB Friedman Development Advisors

COVID-19: Employment Impact

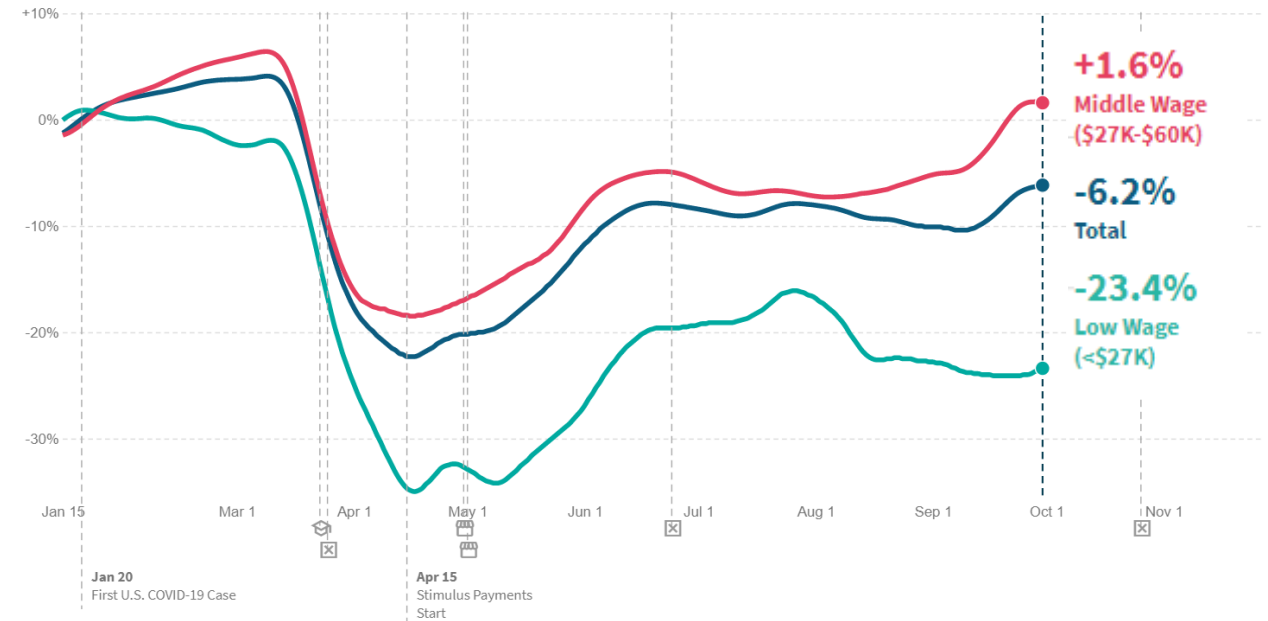
Real estate recovery aside, the region is struggling to recover low wage jobs

As of September 2020, Ada County employment for middle-wage earners had slightly exceeded January 2020 levels with a year-to-date growth rate of 1.6%. Meanwhile, employment for low-wage earners has declined by nearly 25%. Therefore, despite some recoveries in employment since the largest declines occurred in Spring 2020 and optimism regarding the region's overall recovery, the actual implications remain unknown.

Total employment in Ada County has declined by 6% since the beginning of the year and will likely not recover by the end of the year, resulting in a no-growth year for the region. This will impact real estate development in the near-term, as will persistent unemployment and pandemic-related shutdowns which are anticipated to have continued implications for the economy overall.

PERCENT CHANGE IN EMPLOYMENT

In Ada, as of September 30 2020, employment rates decreased by 6.2% compared to January 2020 (not seasonally adjusted).



08 Conclusions

Conclusions: Projections by Land Use

Demand in the Study Area exists for residential, office, retail and hotel development



1,100
UNITS
SF RESIDENTIAL



2,600
UNITS
MF RESIDENTIAL



50,000
SF
OFFICE



362,000
SF
RETAIL



110-130
KEYS
HOTEL



0
SF
INDUSTRIAL



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