

BOISE MULTIFAMILY MARKET OVERVIEW

IDAHO APARTMENT ASSOCIATION
OCTOBER 9, 2018



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SENIOR ECONOMIST

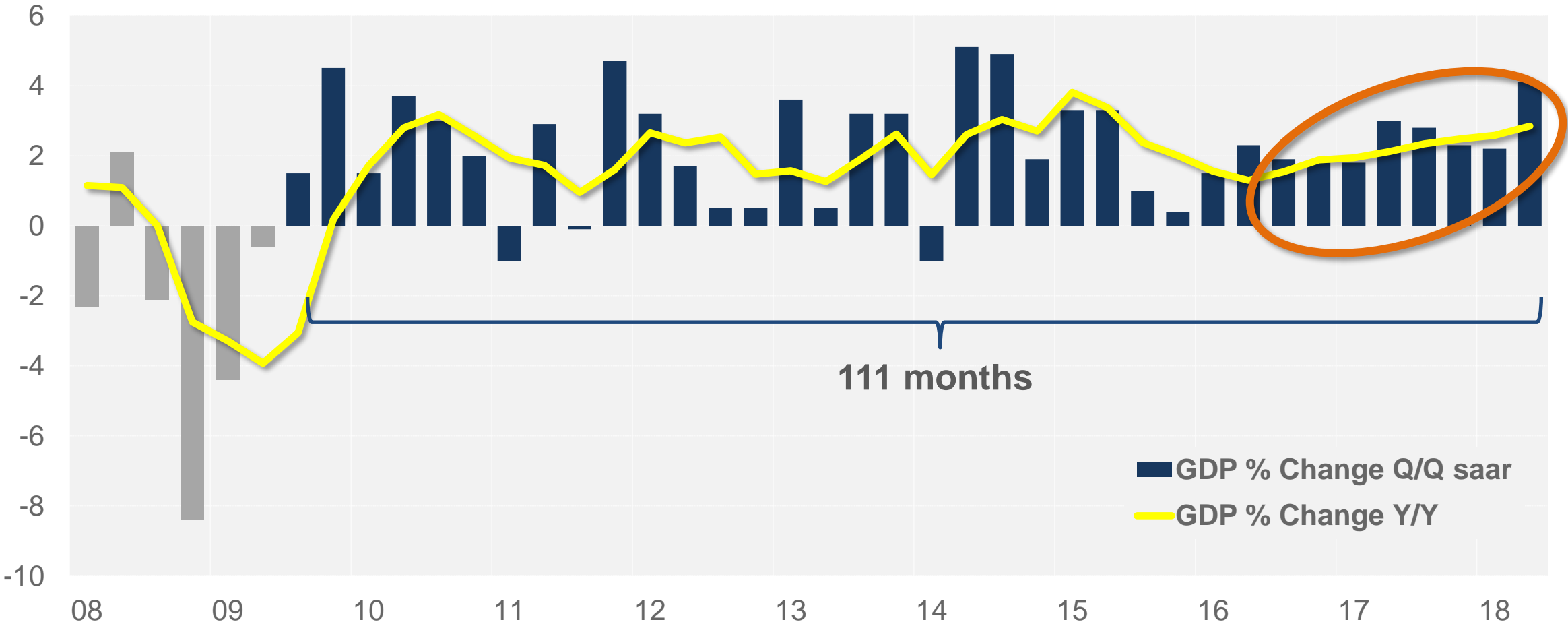
ECONOMIC BACKGROUND



Our Long and Steady Expansion



Annual % GDP Change
(seasonally-adjusted)

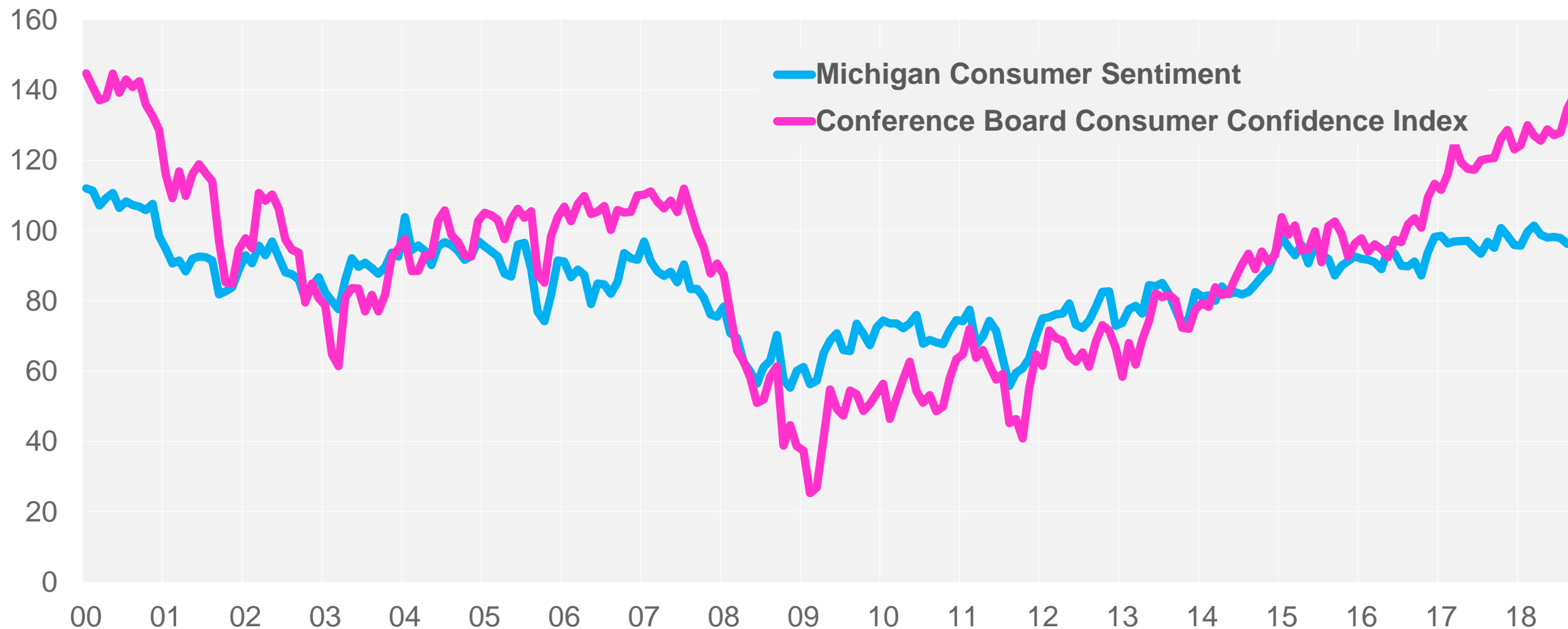


Source: Department of Commerce

Consumers Are Optimistic!

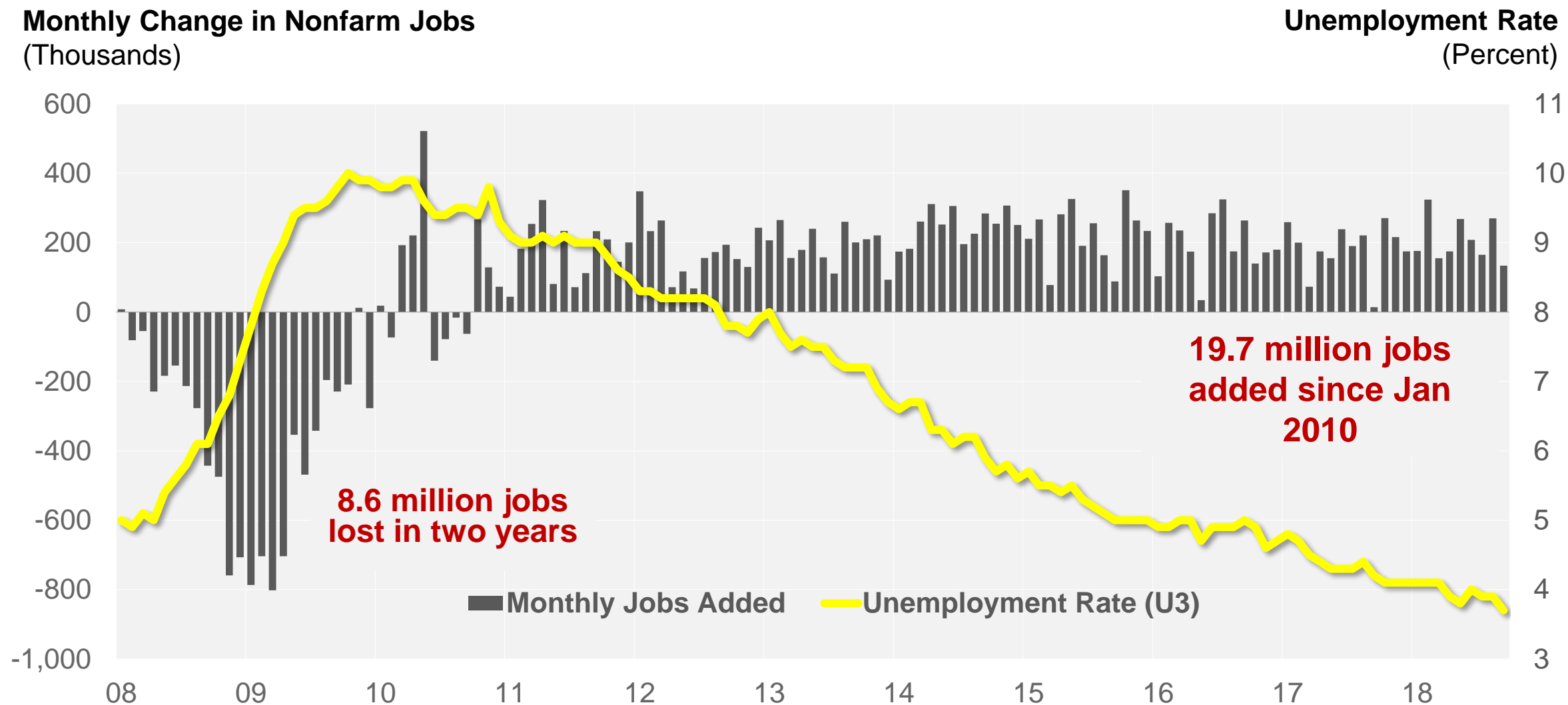


Consumer Confidence Indices



Sources: University of Michigan; Conference Board

Jobs Growth Is Steady; Unemployment Is Falling

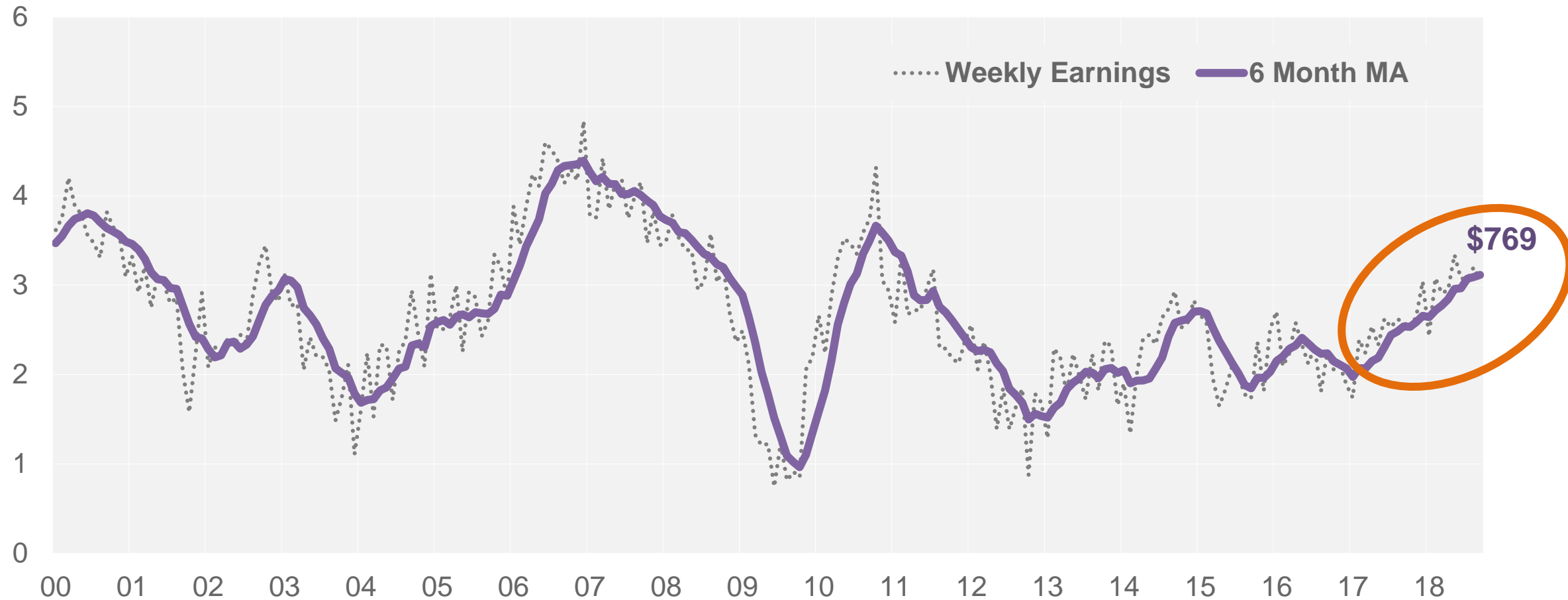


Source: BLS (10/5/2018)

Wage Growth May Finally Be Accelerating



Average Weekly Earnings
(Annual % change)

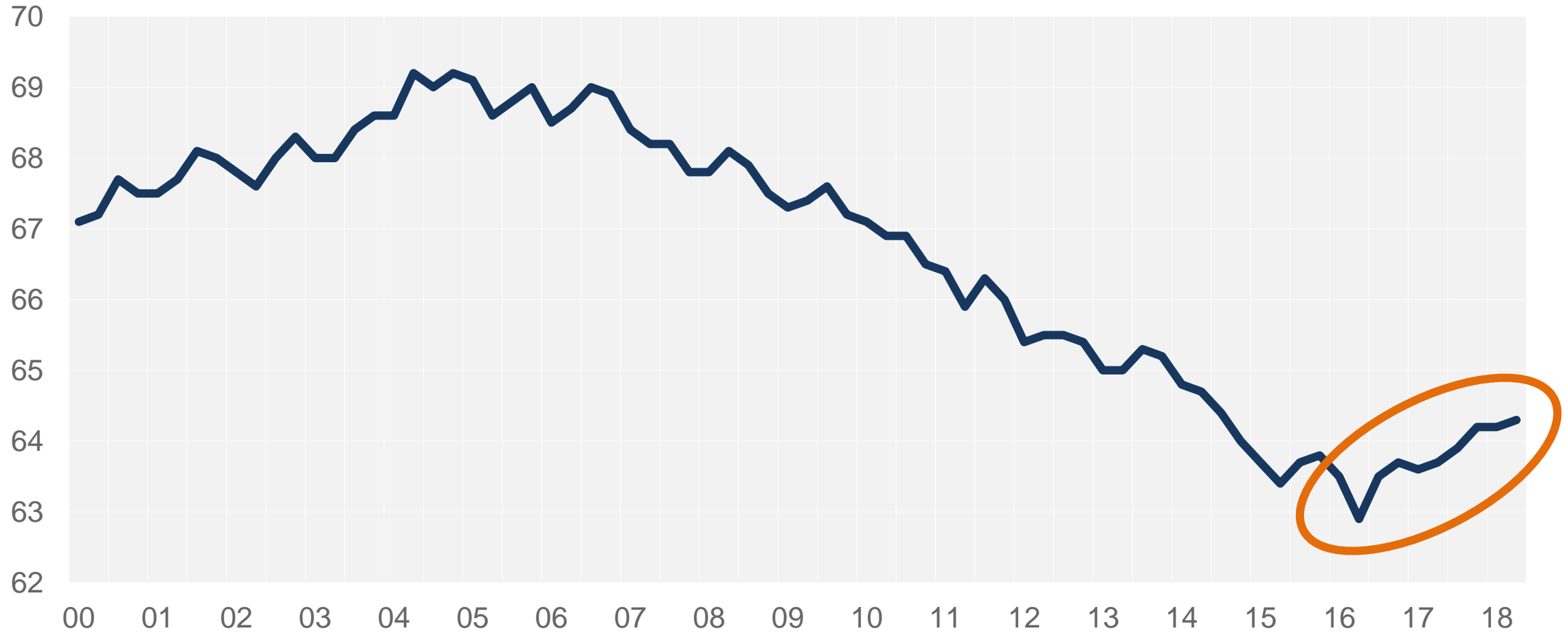


Source: BLS (10/5/2018)

The Decline in Homeownership May Be Over



U.S. Homeownership Rate (Not seasonally-adjusted)



Source: U.S. Census Bureau

But Some Upside Persists For the Rental Market



- ▶ Young adults are still living at home, waiting to move out
- ▶ When they do move out, they often share with others
- ▶ High levels of student debt leave little left for homeownership
- ▶ Family formation is occurring later in life, for many of the same reasons

NATIONAL APARTMENT MARKET OUTLOOK



CoStar Is a Big Data Company!



CoStar
tracks
16 million
units, worth
\$3 trillion,
across
390 markets

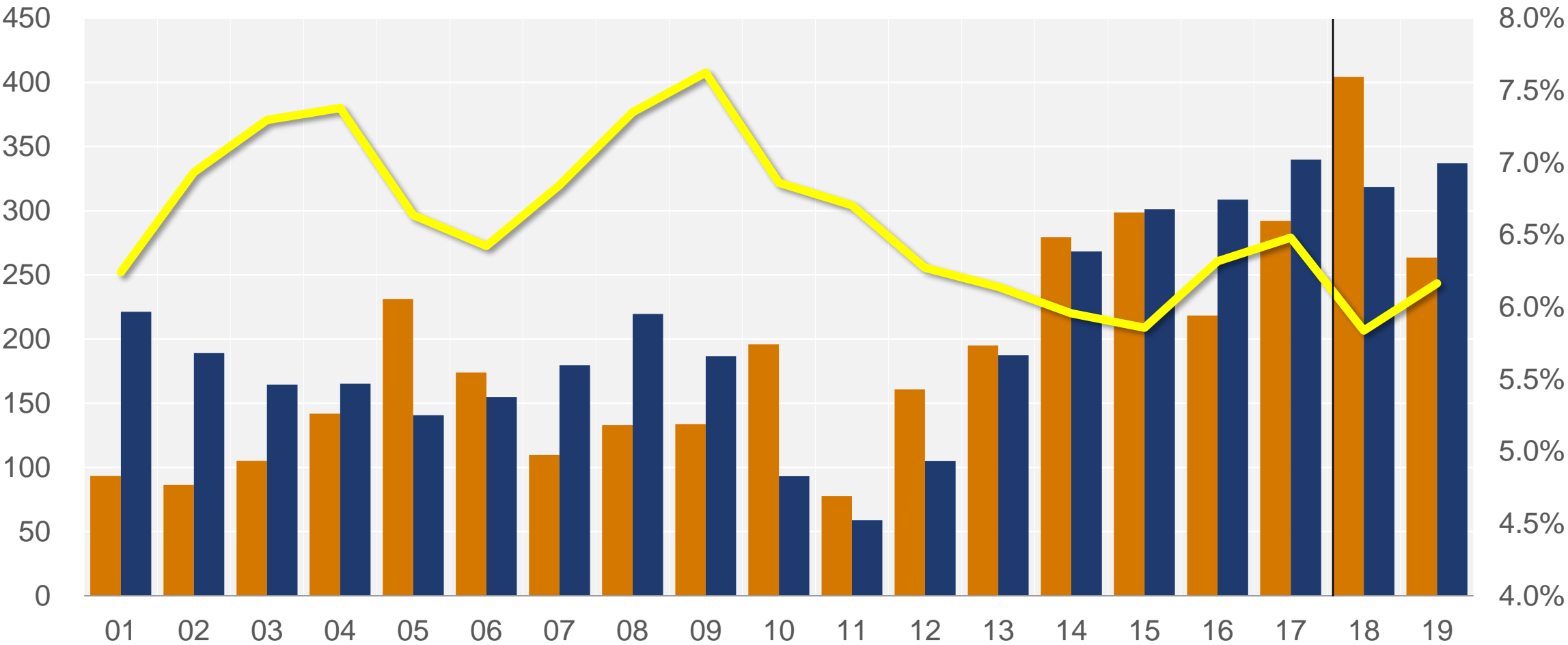


Fundamentals Outlook



Annual Change in Demand and Supply (000s of Units)

Vacancy



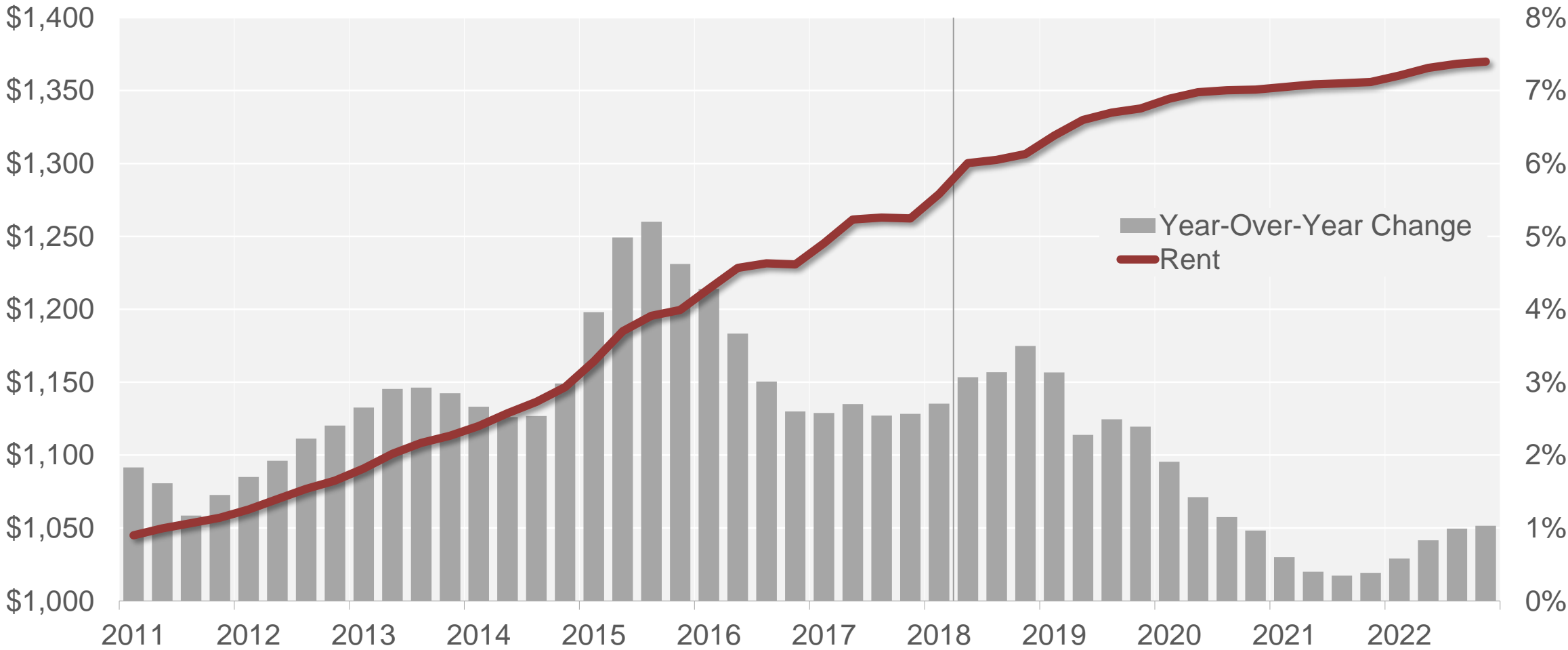
Source: CoStar

National Rent Trends



Same-Store Rent Level

Annual % Change

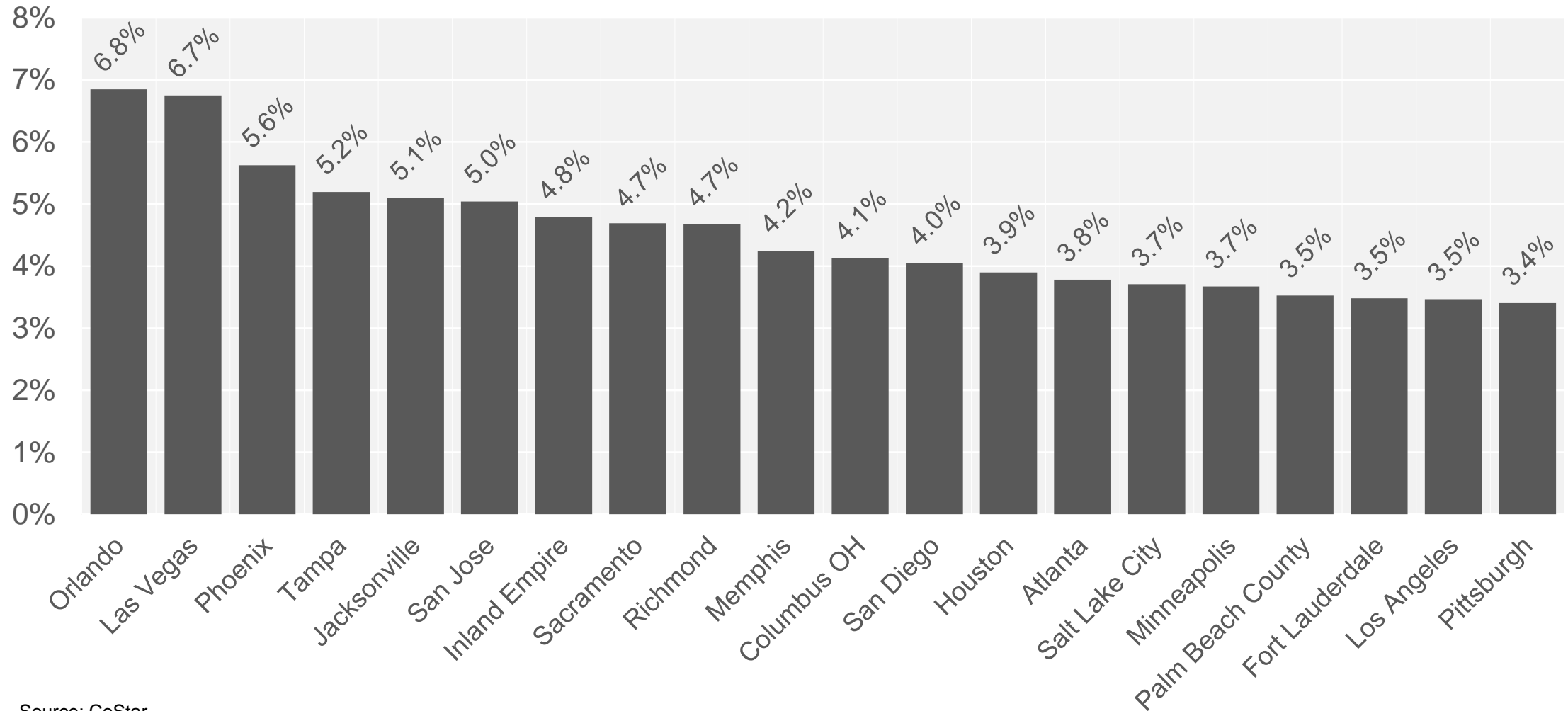


Source: CoStar

Top 20 Rent Growth Markets



Annual % Change in Same-Store Rent (2017Q2 to 2018Q2)

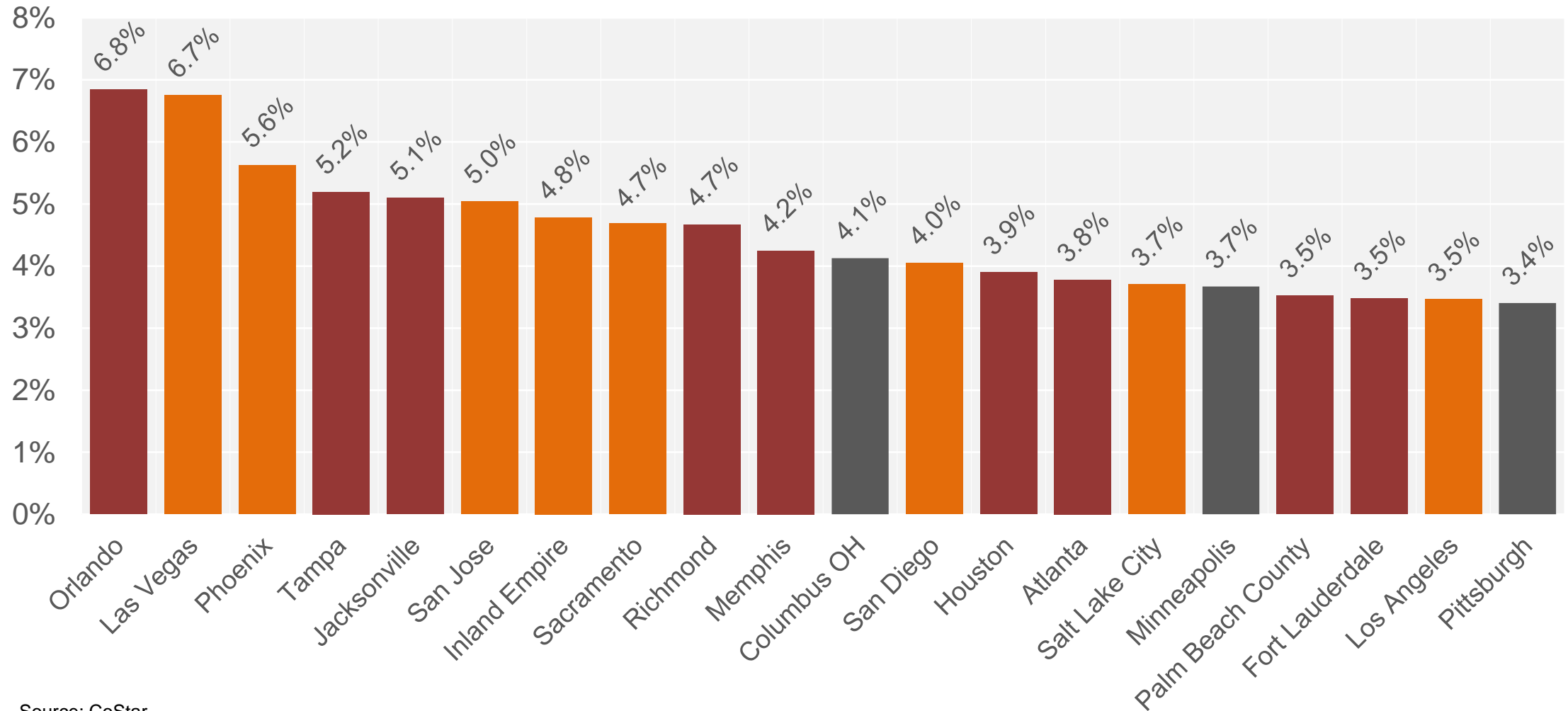


Source: CoStar

Top 20 Rent Growth Markets



Annual % Change in Same-Store Rent (2017Q2 to 2018Q2)

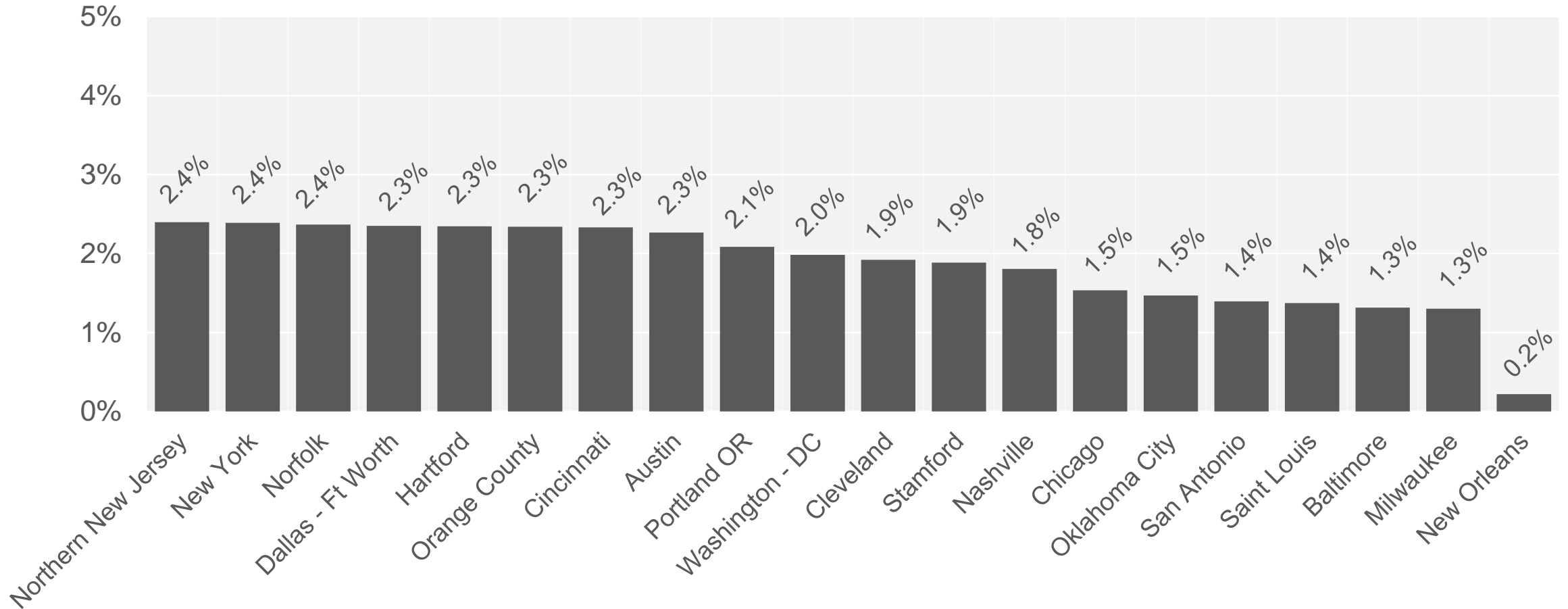


Source: CoStar

Bottom 20 Rent Growth Markets



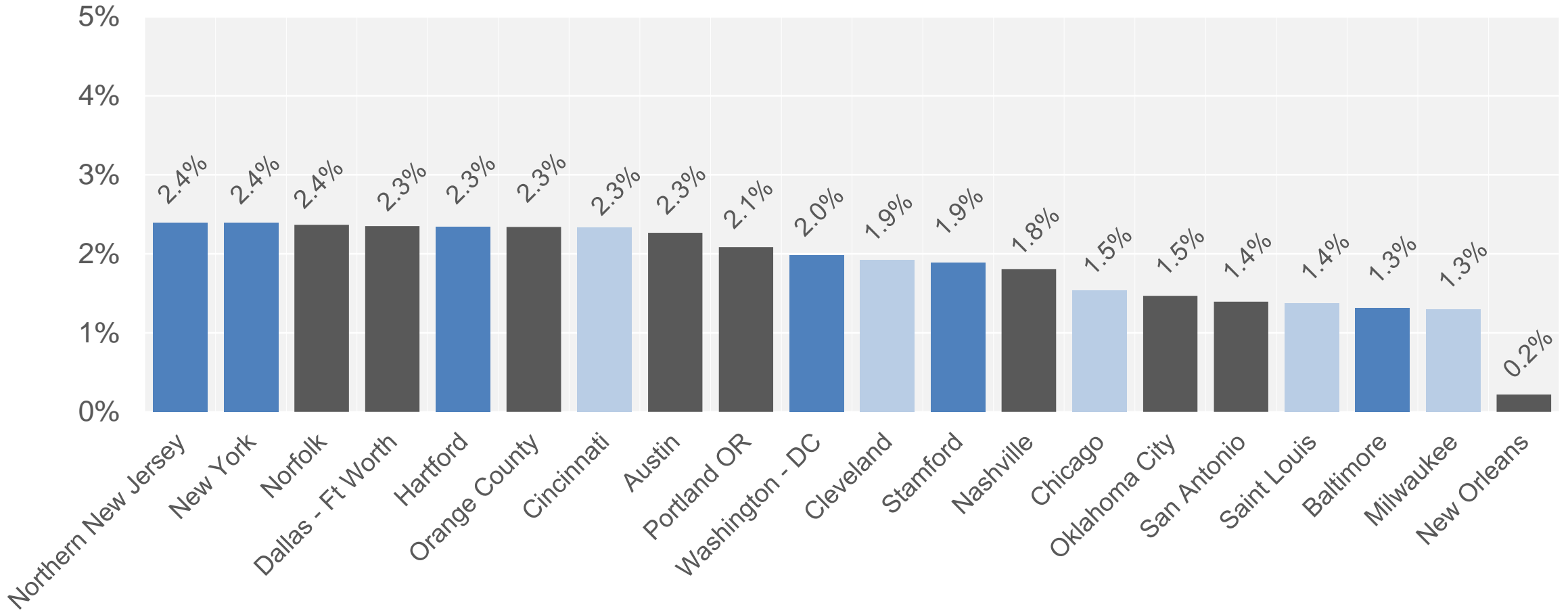
Annual % Change in Same-Store Rent (2017Q2 to 2018Q2)



Bottom 20 Rent Growth Markets



Annual % Change in Same-Store Rent (2017Q2 to 2018Q2)





CONSTRUCTION

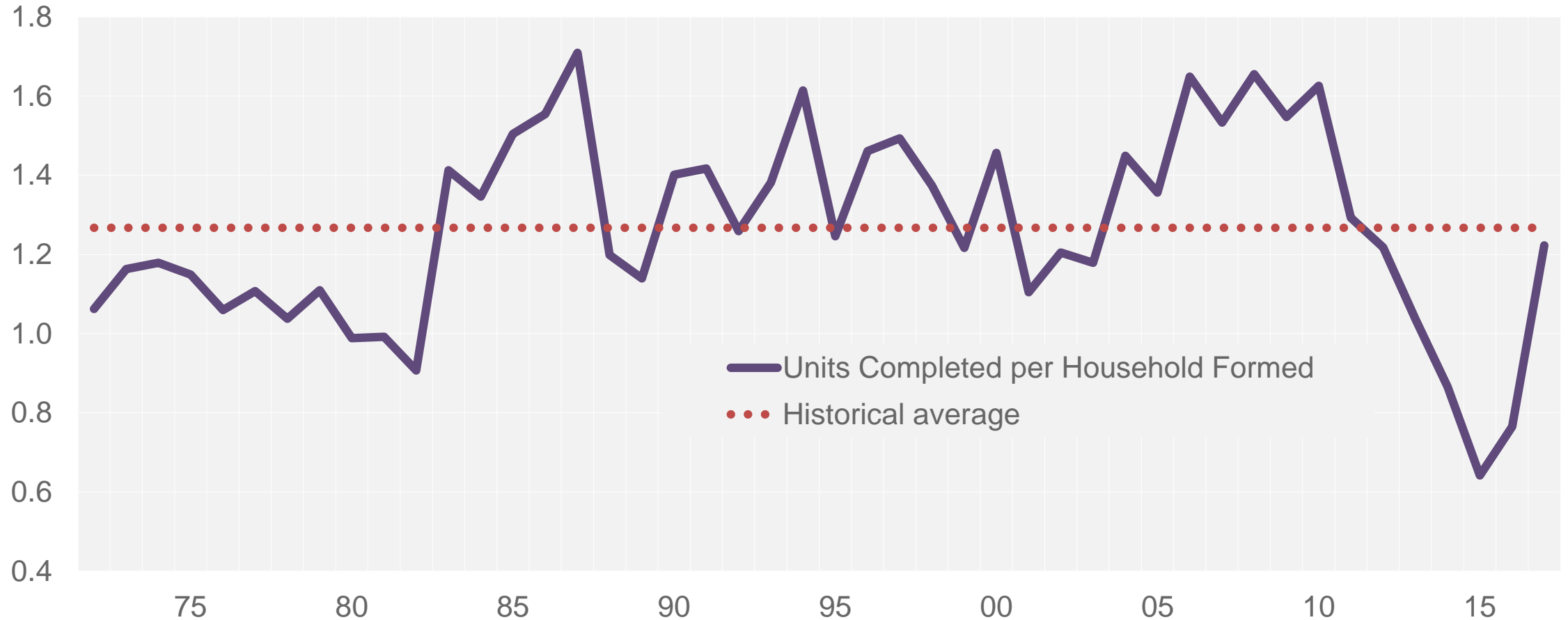


Too Much Supply? Just Getting Back to Normal



Units Completed

(Units per households formed; 5 Year MA)



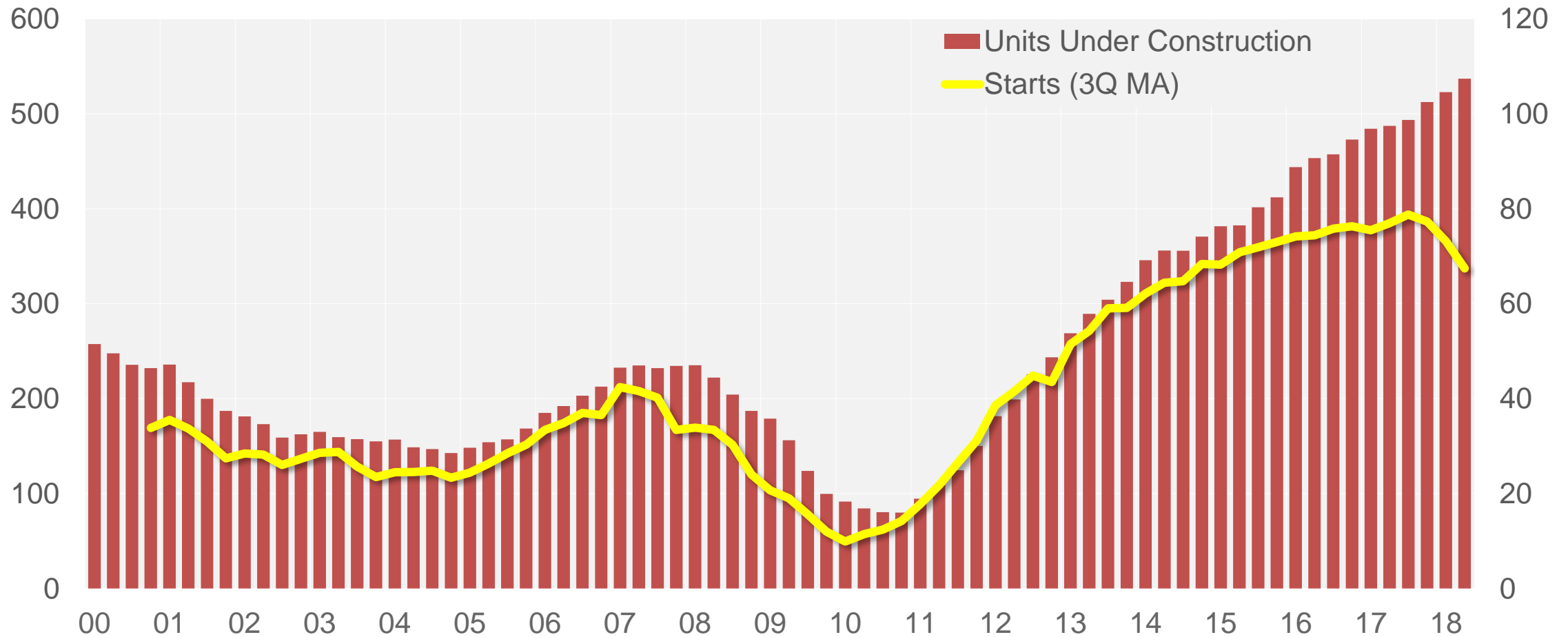
Source: U.S. Census Bureau

Apartment Construction Is Slowing



Units Under Construction
(000s of Units)

Quarterly Apartment Starts
(000s of Units)

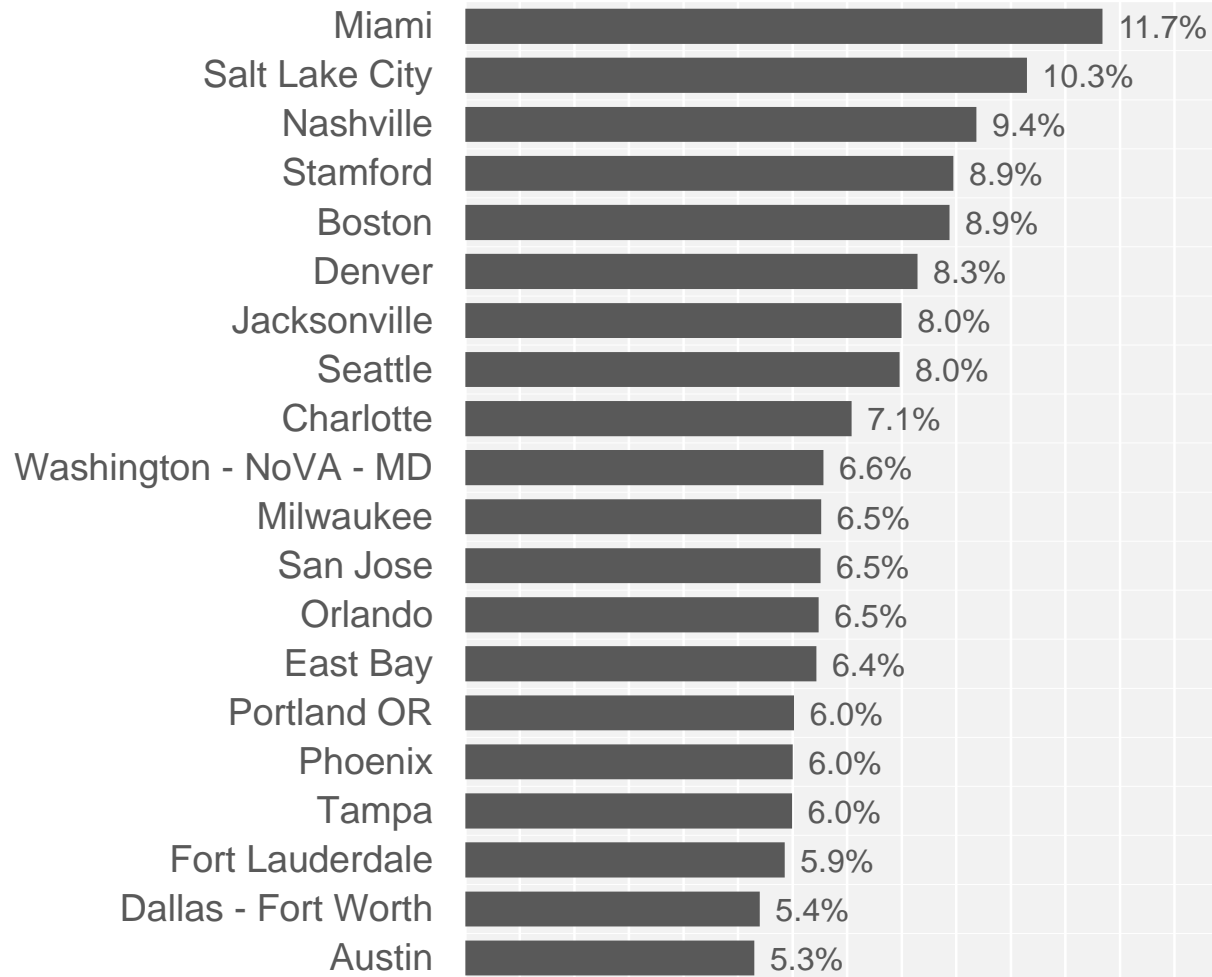


Source: CoStar

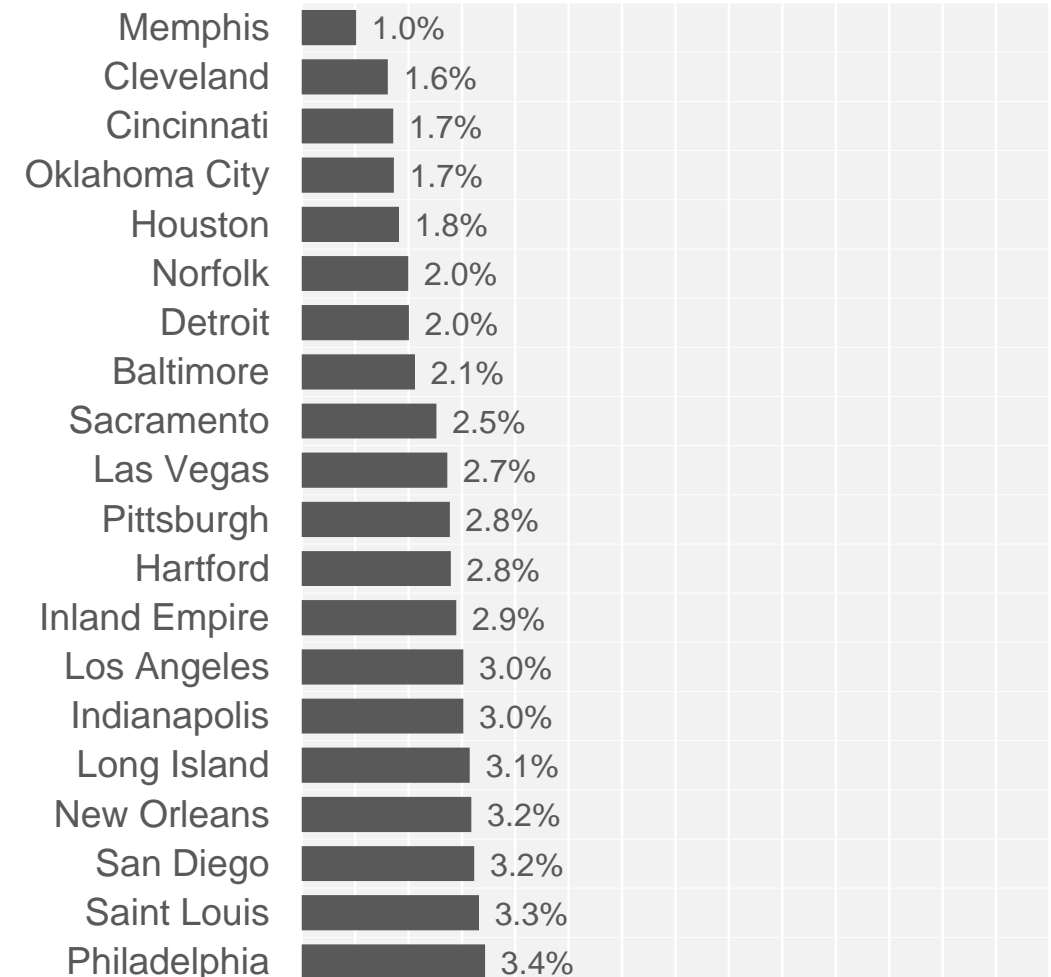
Under Construction by Market



Most Construction (% of Inventory)



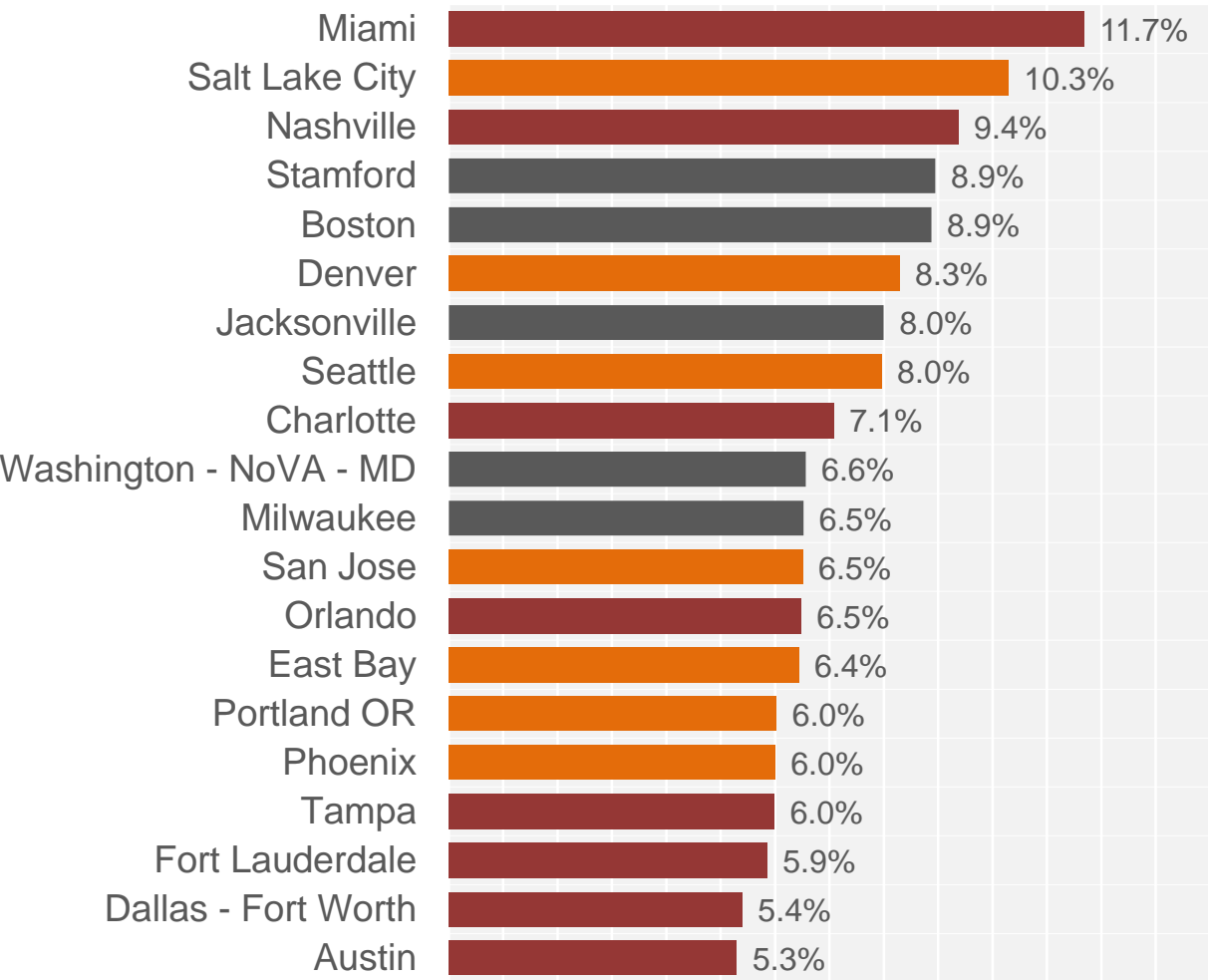
Least Construction



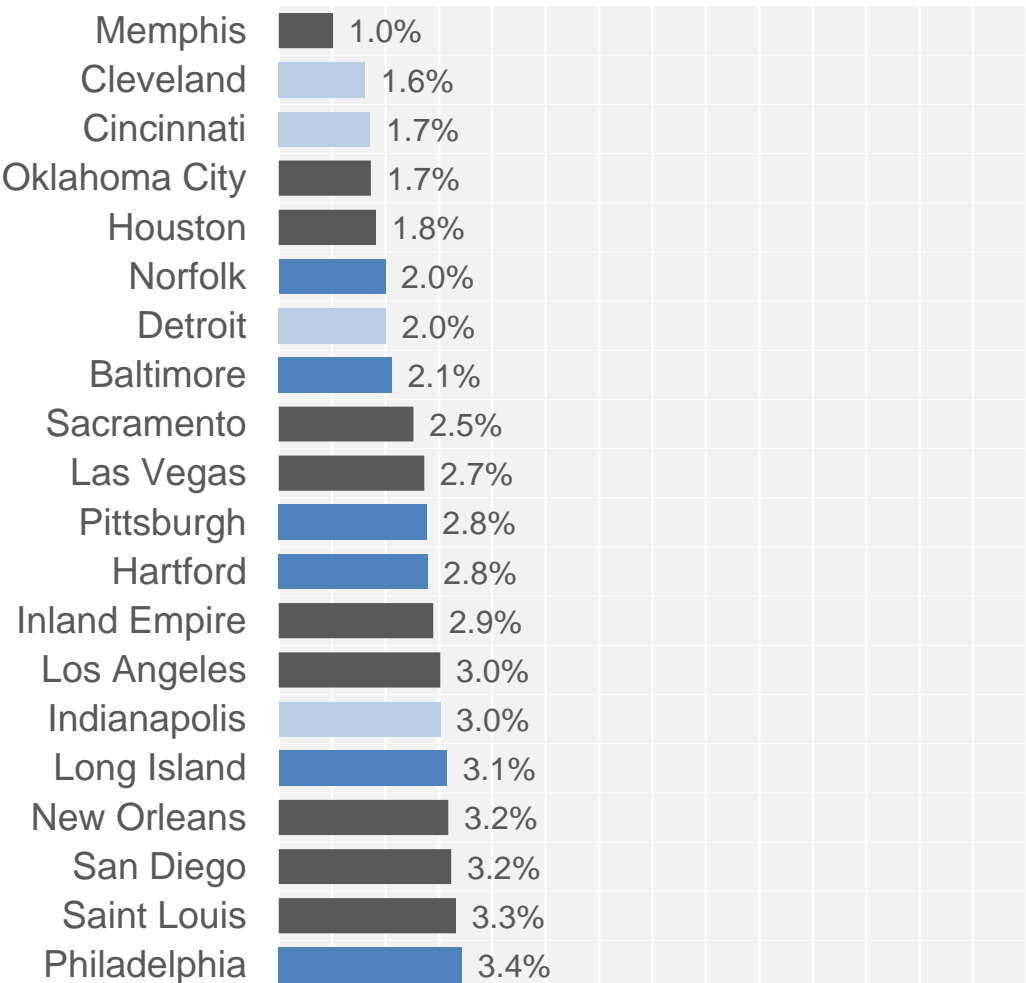
Under Construction by Market



Most Construction (% of Inventory)



Least Construction



INVESTMENT TRENDS



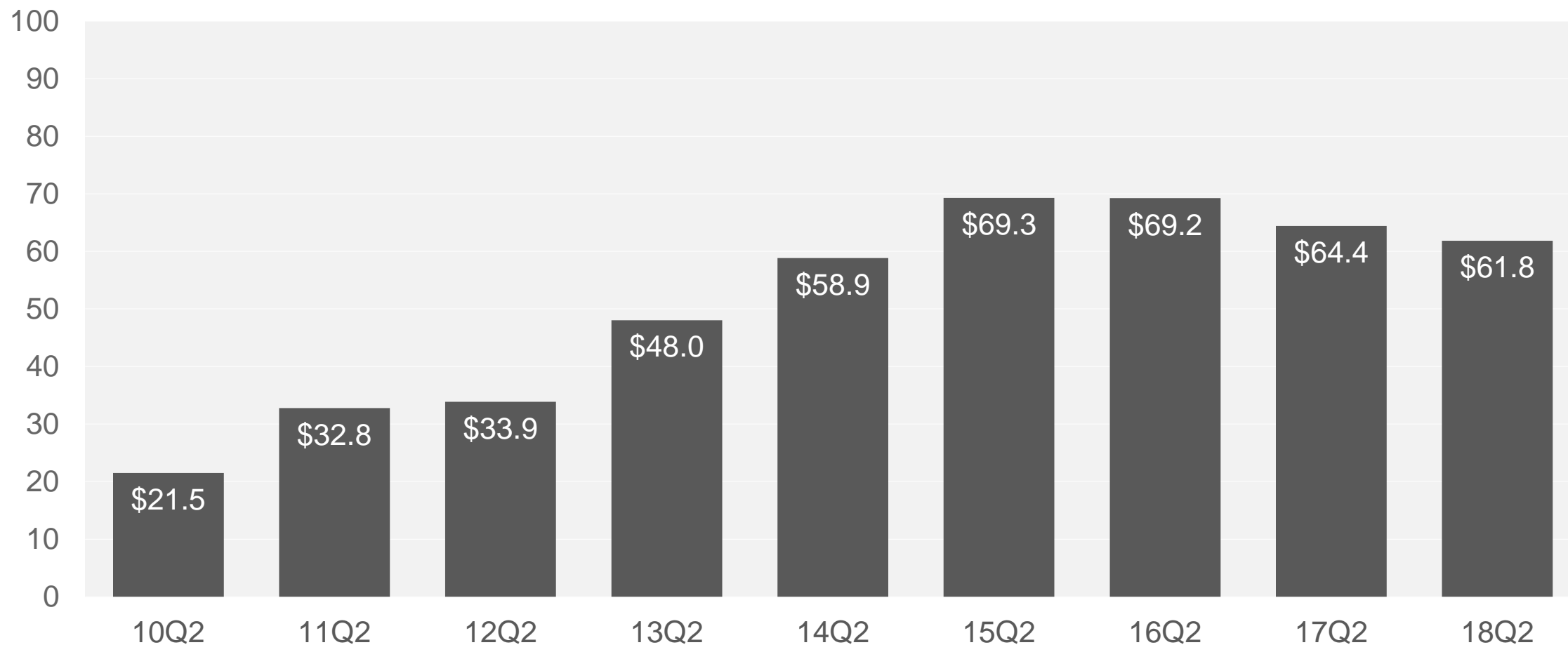
CoStar™

Non-Multifamily Deal Volume Slowing



Q2 Non-Multifamily Transaction Volume

(\$ Billions)



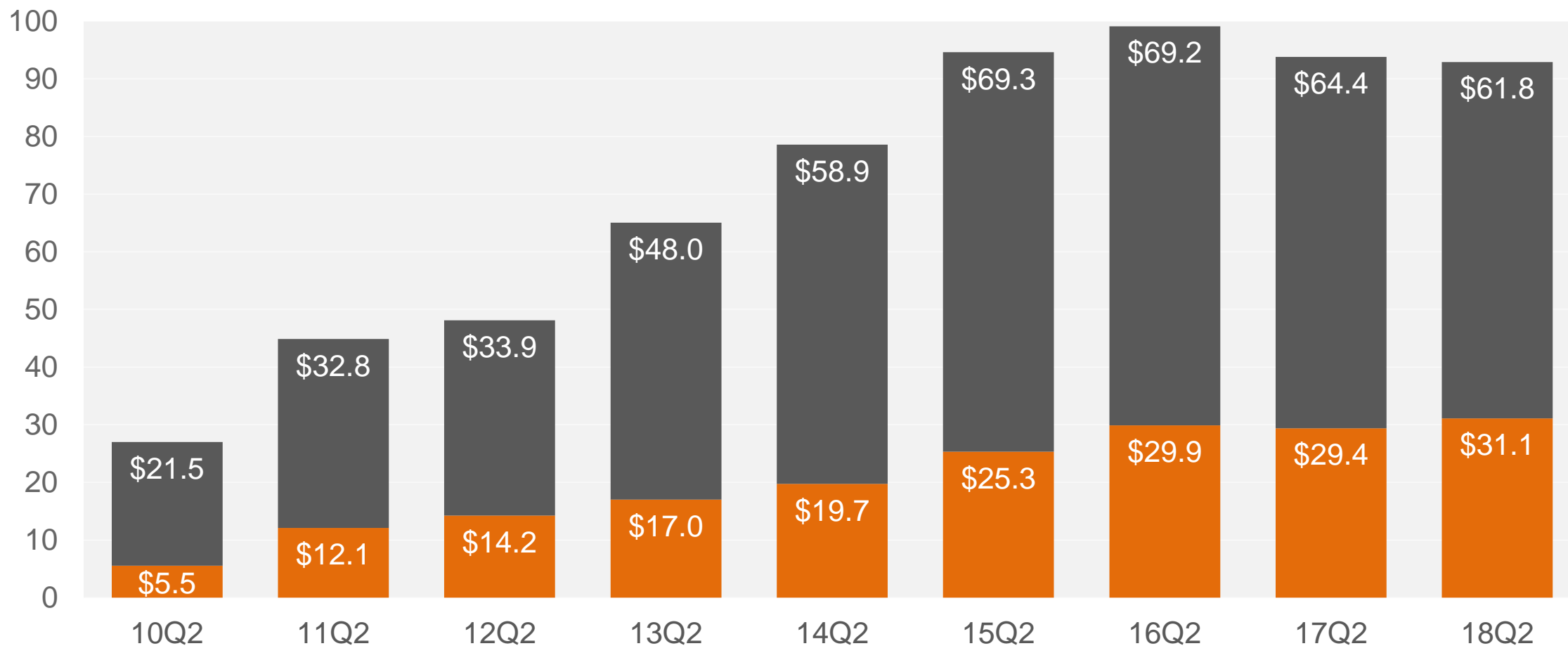
Source: CoStar

Appetite Remains for Multifamily Investment



Q2 Transaction Volume

(\$ Billions)



Source: CoStar

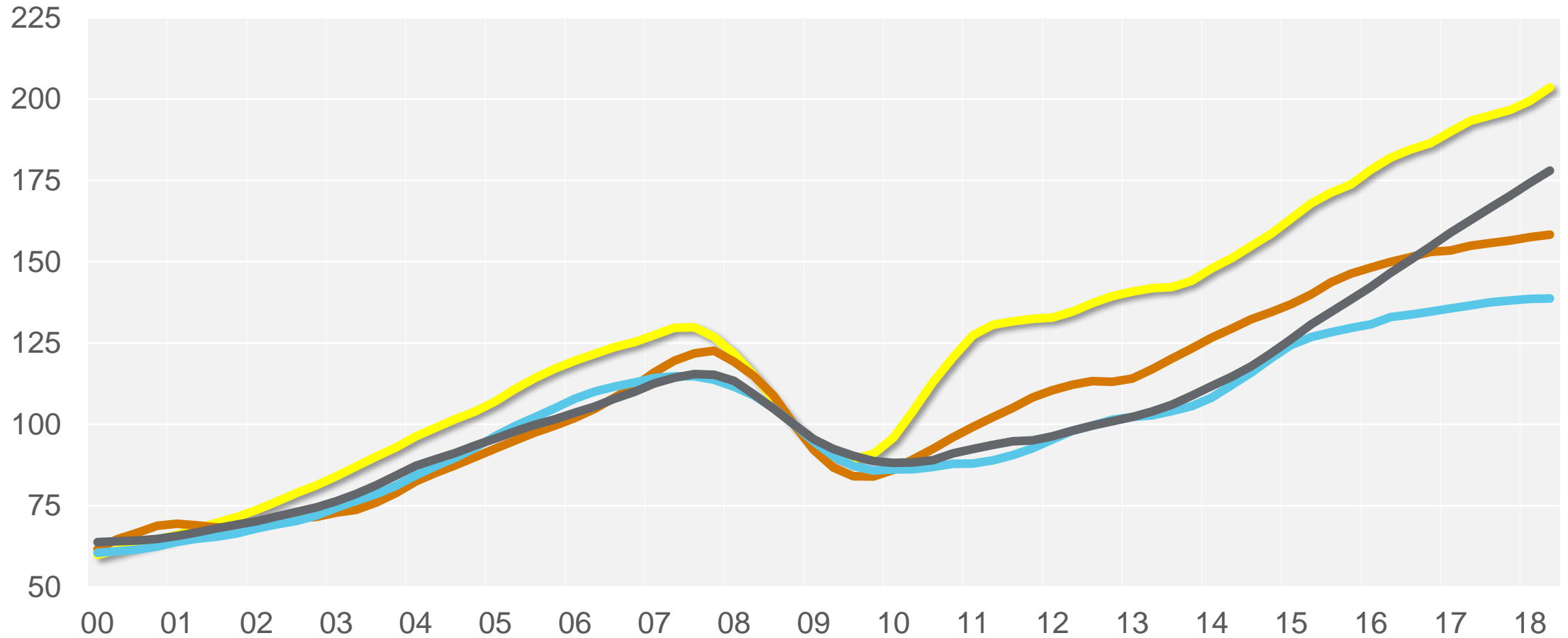
■ Multifamily Deal Volume

■ Non-Multifamily Deal Volume

Apartment Values Leading the Way



Price Index
(2009Q1=100)



Source: CoStar

— Apartment

— Office

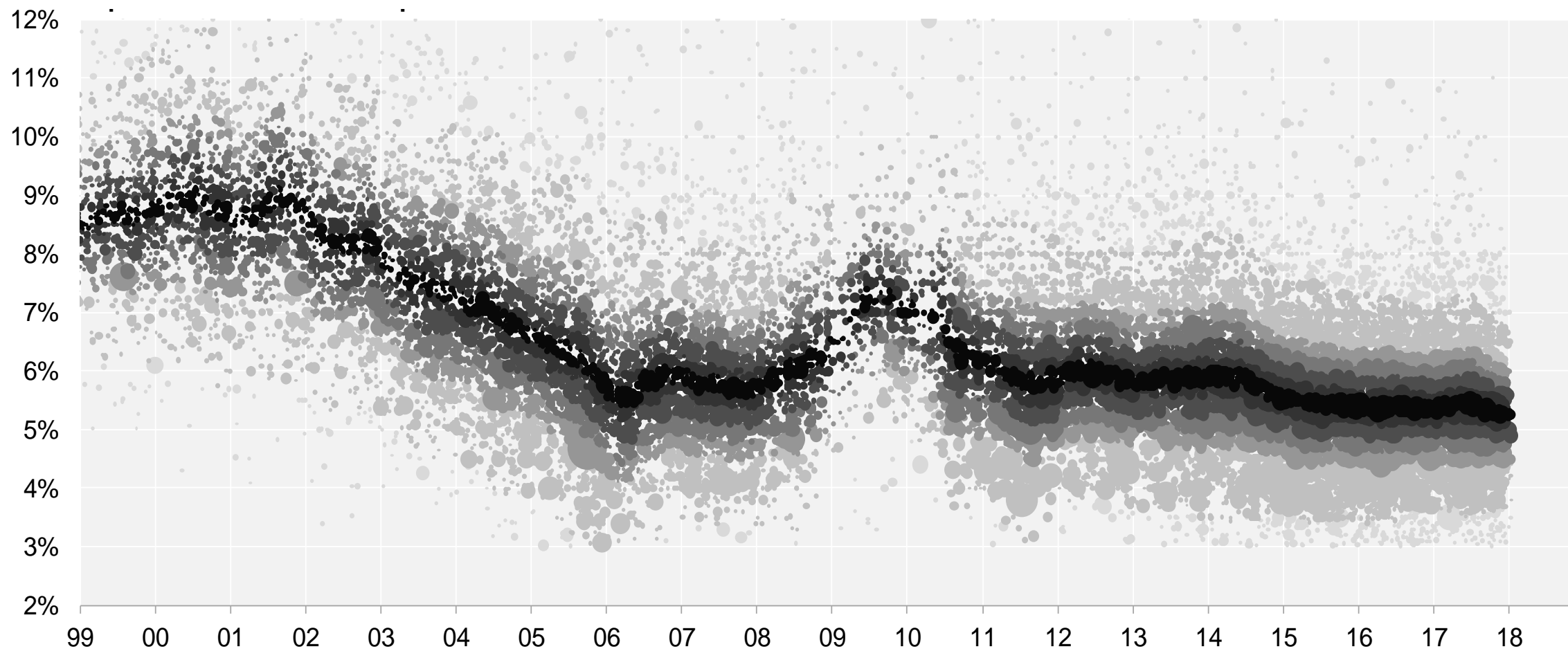
— Retail

— Industrial

National Cap Rates



National Multifamily Transaction Cap Rates



Source: CoStar Portfolio Strategy. Cap rates are shaded by distance from trailing average to identify trend.
Includes 2+ star-rated apartment assets selling for at least \$5 million.

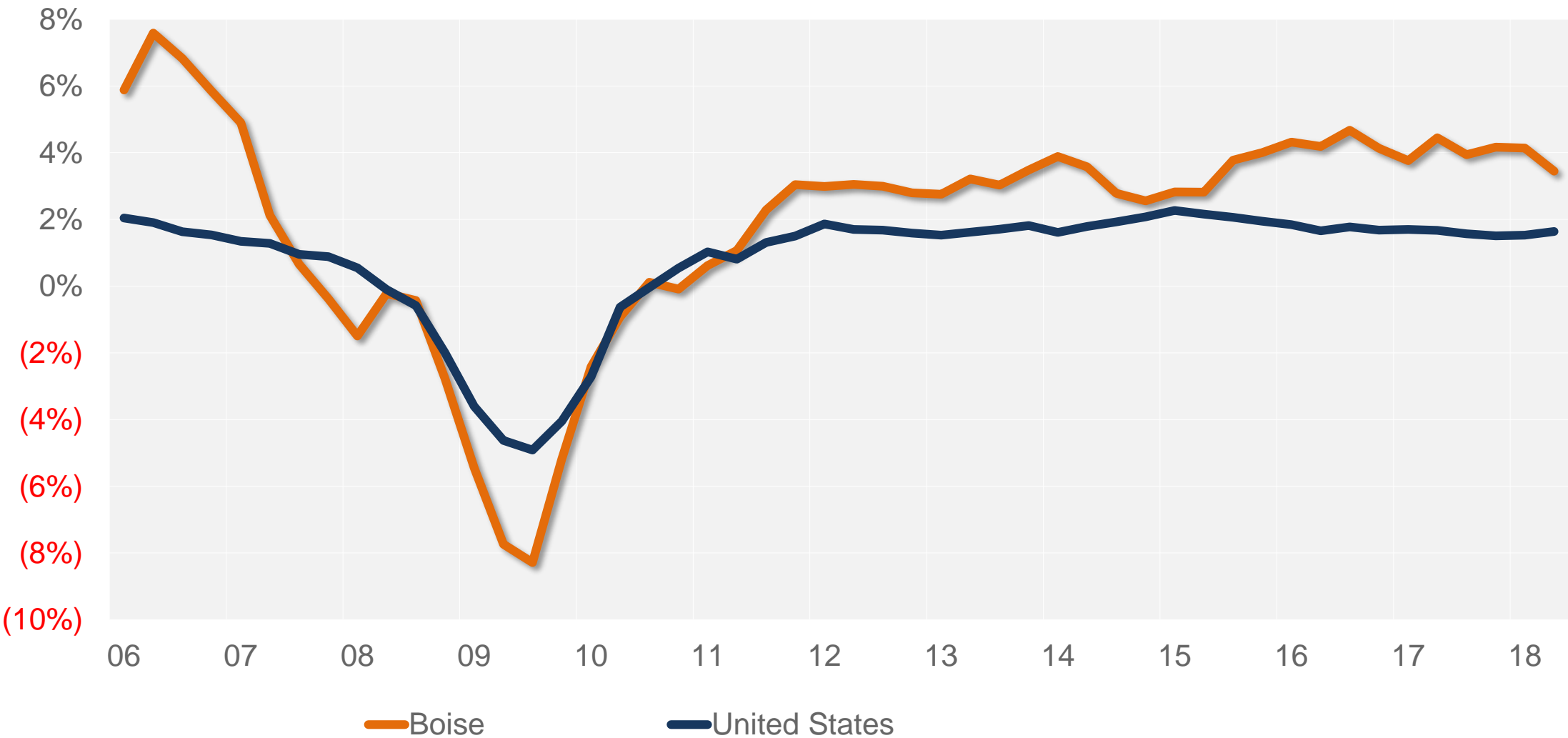
BOISE: ECONOMICS AND DEMOGRAPHICS



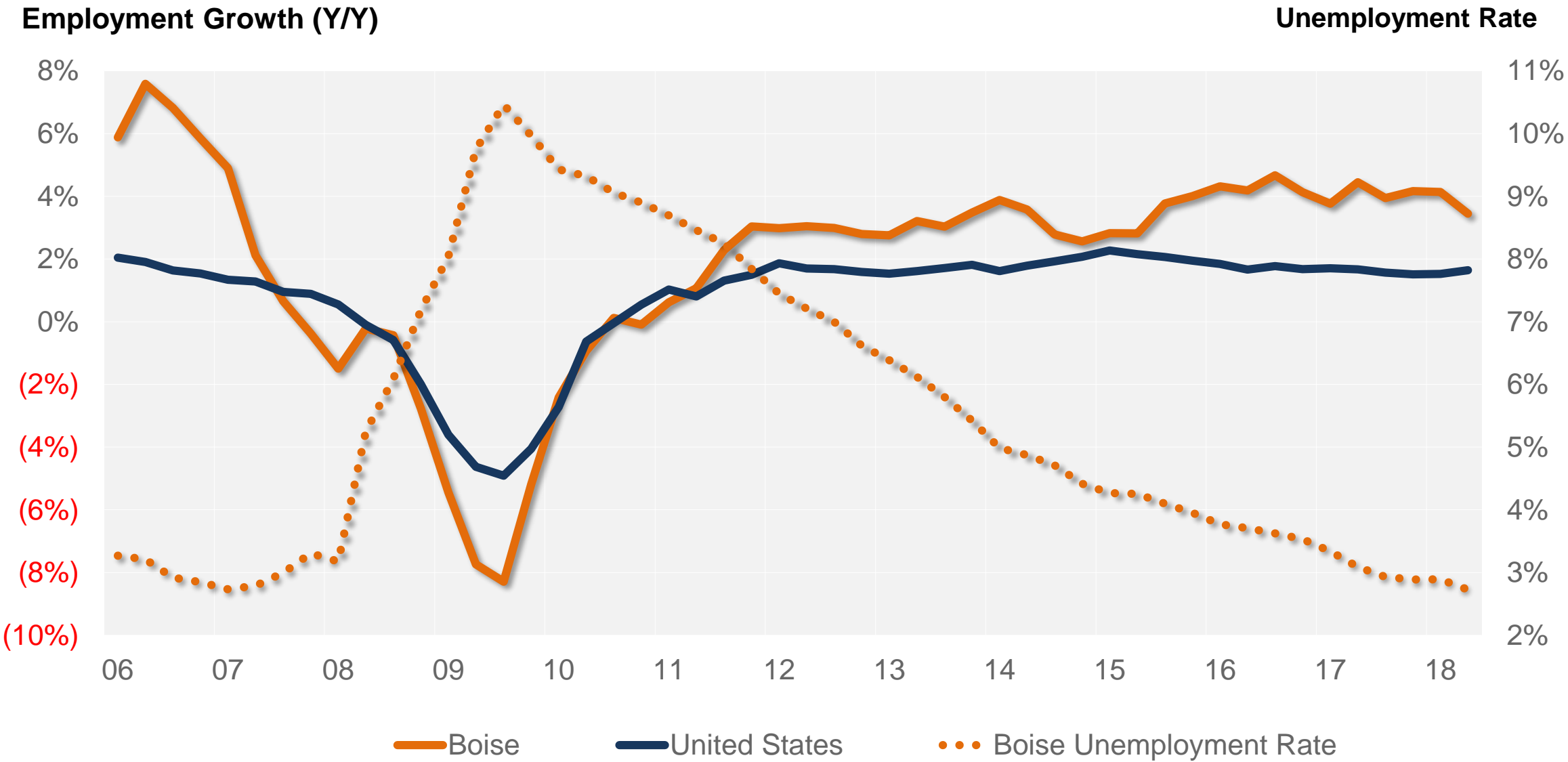
Boise Employment



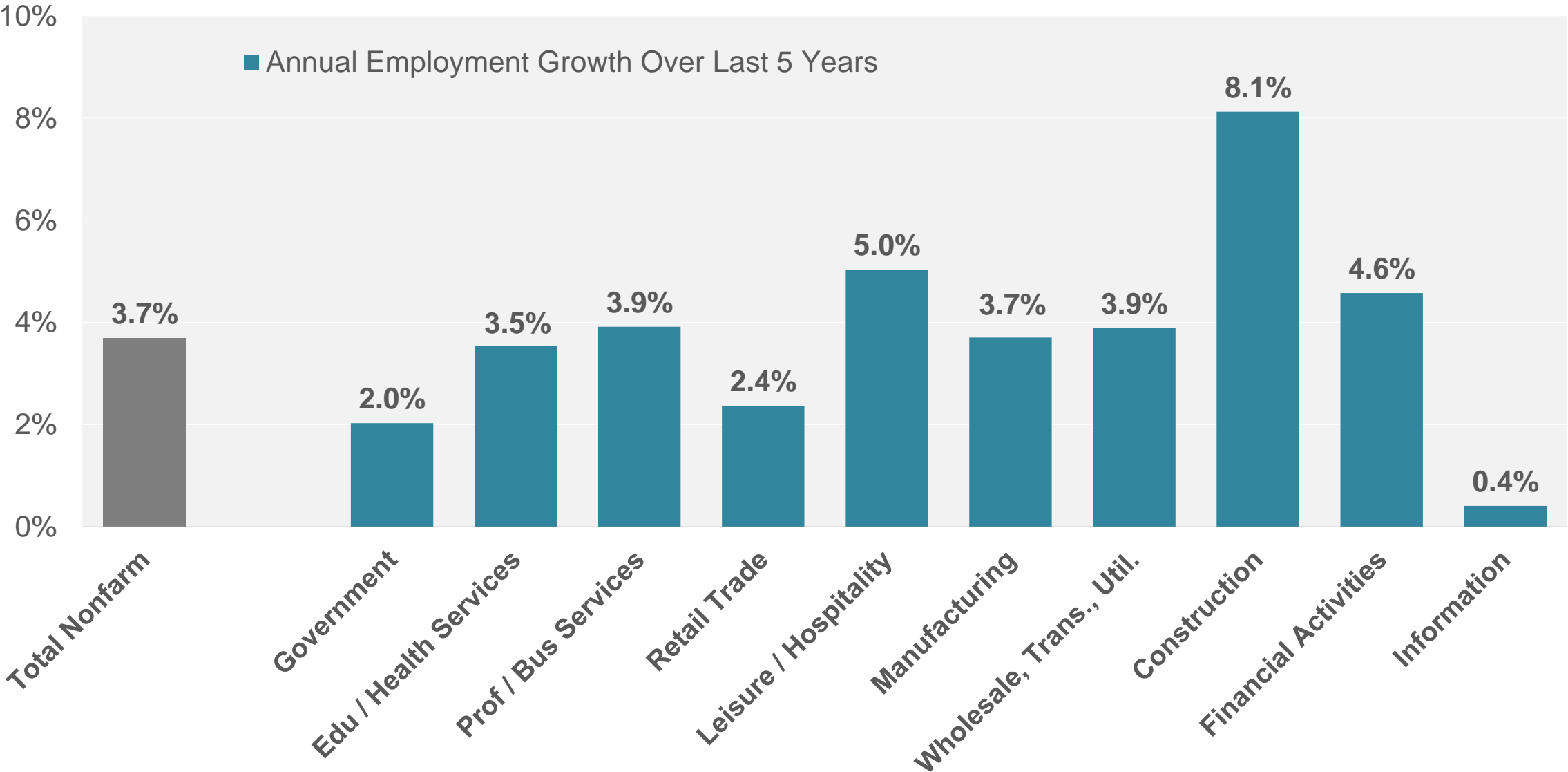
Employment Growth (Y/Y)



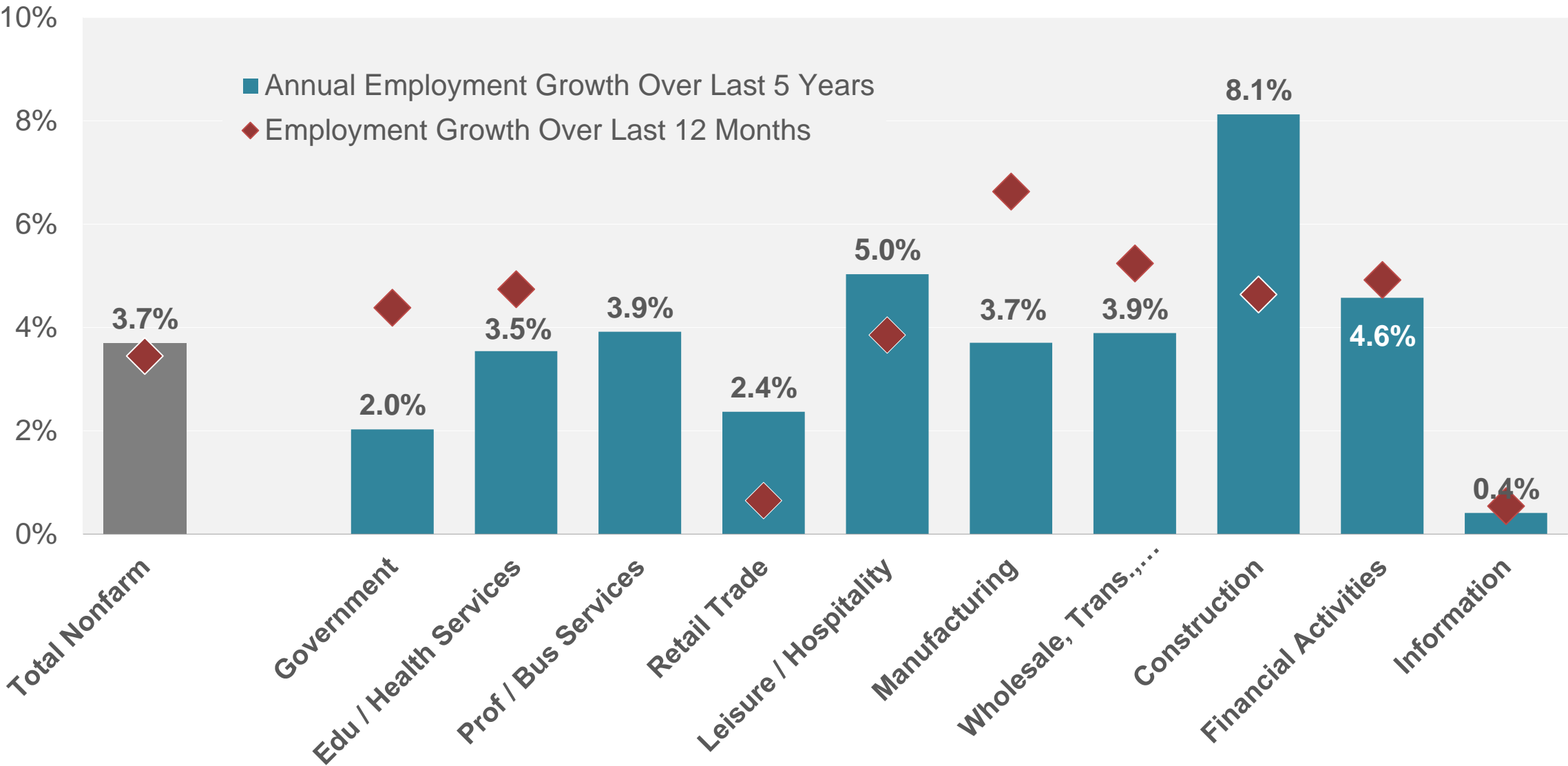
Boise Employment



Boise Employment Growth by Sector



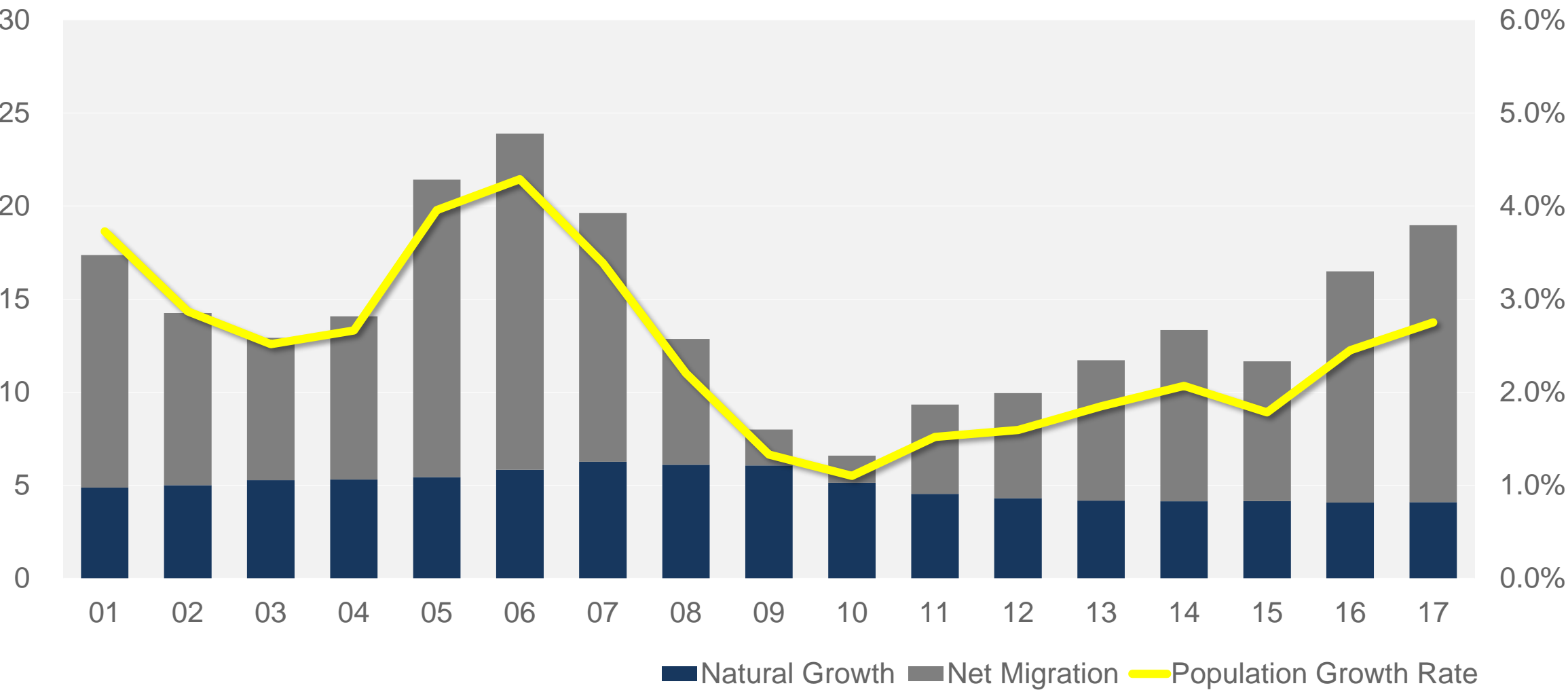
Boise Employment by Sector



Boise Population Growth



Components of Population Growth (000s)



Fastest Growing Metros by Population



Metro	2007-12 Annual Growth	2012-17 Annual Growth
Austin	3.0%	2.9%
Orlando	2.0%	2.4%
Raleigh	2.6%	2.3%
Houston	2.2%	2.2%
Boise	1.5%	2.2%
San Antonio	2.1%	2.0%
Las Vegas	1.7%	2.0%
Dallas-FW	2.0%	2.0%
Nashville	1.8%	2.0%
Charlotte	1.9%	1.9%
Phoenix	1.7%	1.9%
Jacksonville	1.4%	1.8%
Denver	1.8%	1.8%
Seattle	1.6%	1.7%
Tampa	1.3%	1.7%
Atlanta	1.5%	1.5%
Portland	1.4%	1.4%
United States	0.8%	0.7%

	2017 (000s)	2007-12 Annual Growth	2012-17 Annual Growth
Boise	710	1.5%	2.2%
Coeur d'Alene	158	1.4%	2.1%
Idaho Falls	146	1.9%	1.4%
Spokane	564	0.8%	1.2%
Lewiston	63	0.5%	0.5%
Pocatello	85	1.1%	0.4%

Local Metros

Fastest Growing Metros by Population



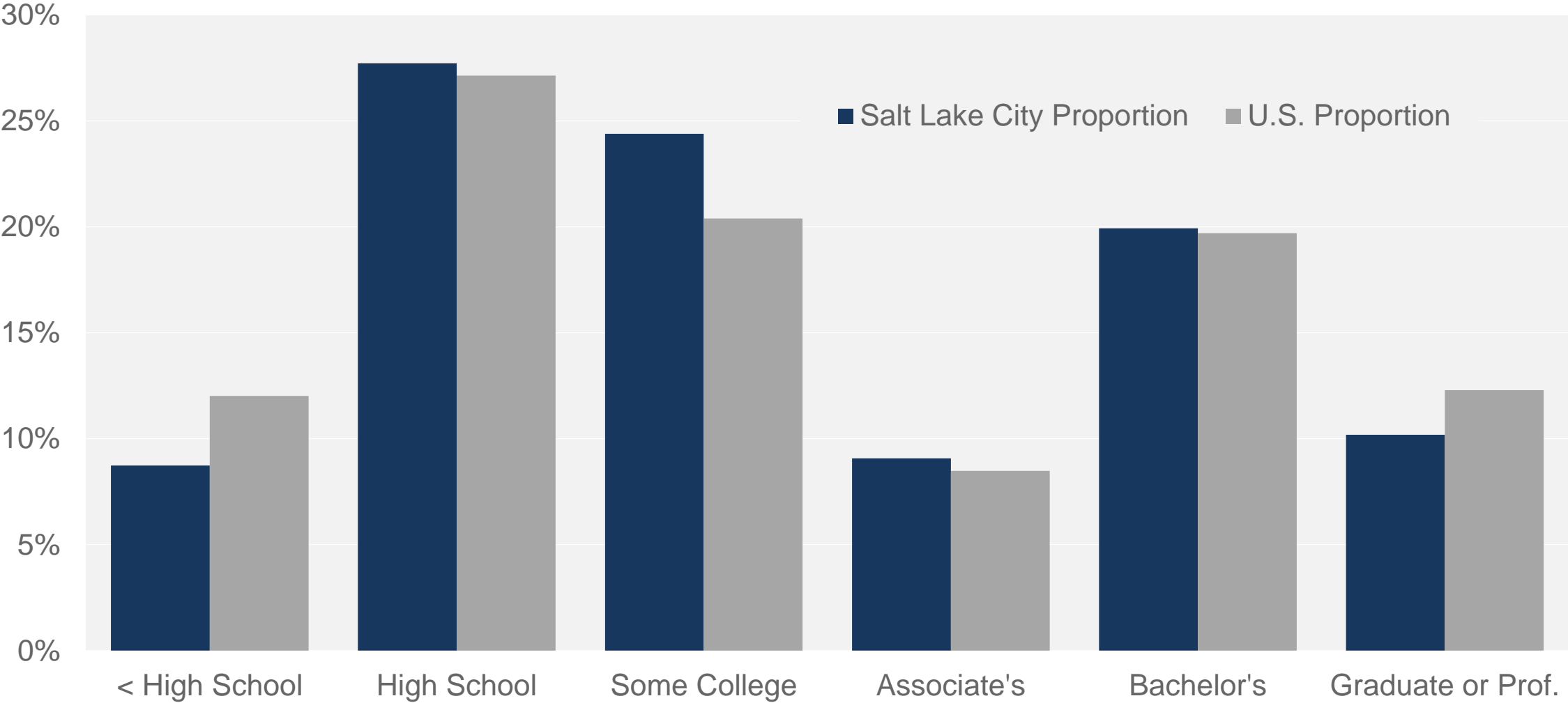
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Local Metros

Population 1M+ and Boise

Boise Population by Education



BOISE MULTIFAMILY MARKET

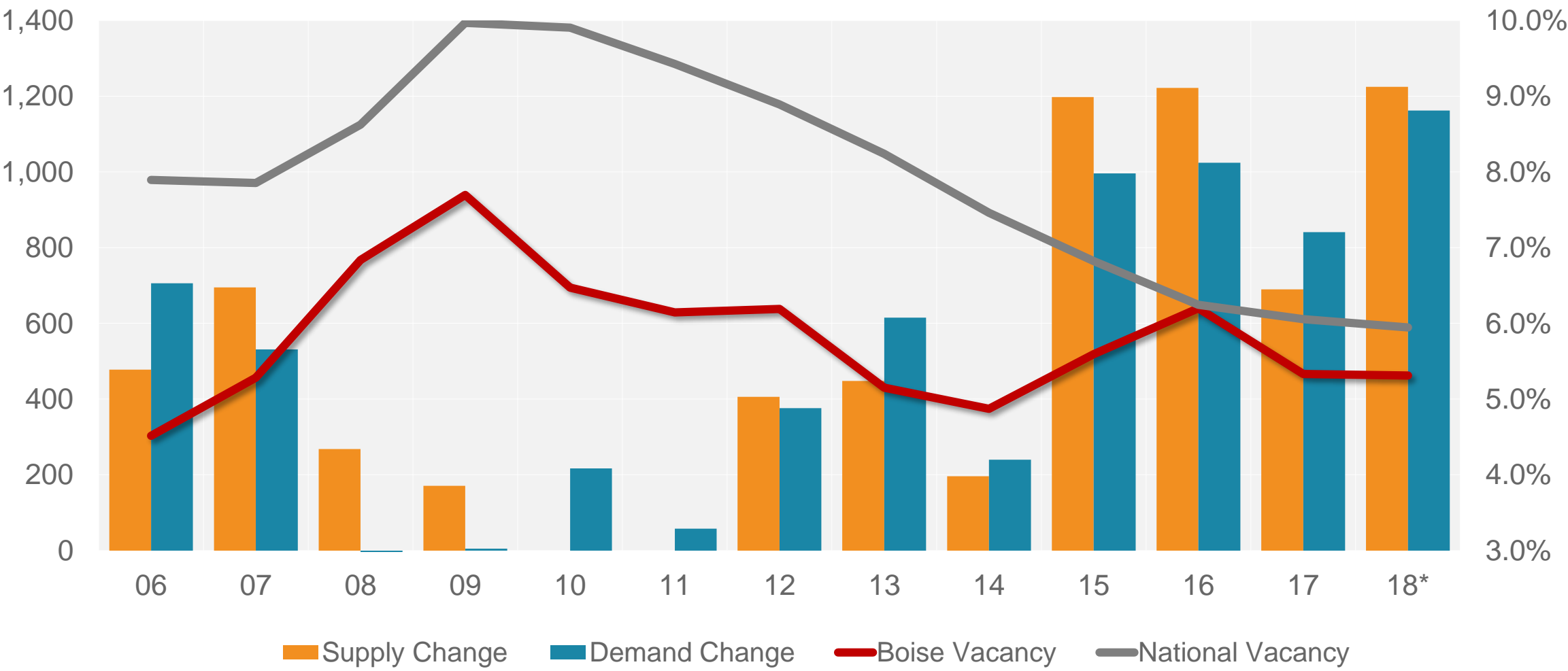


Boise Apartment Fundamentals

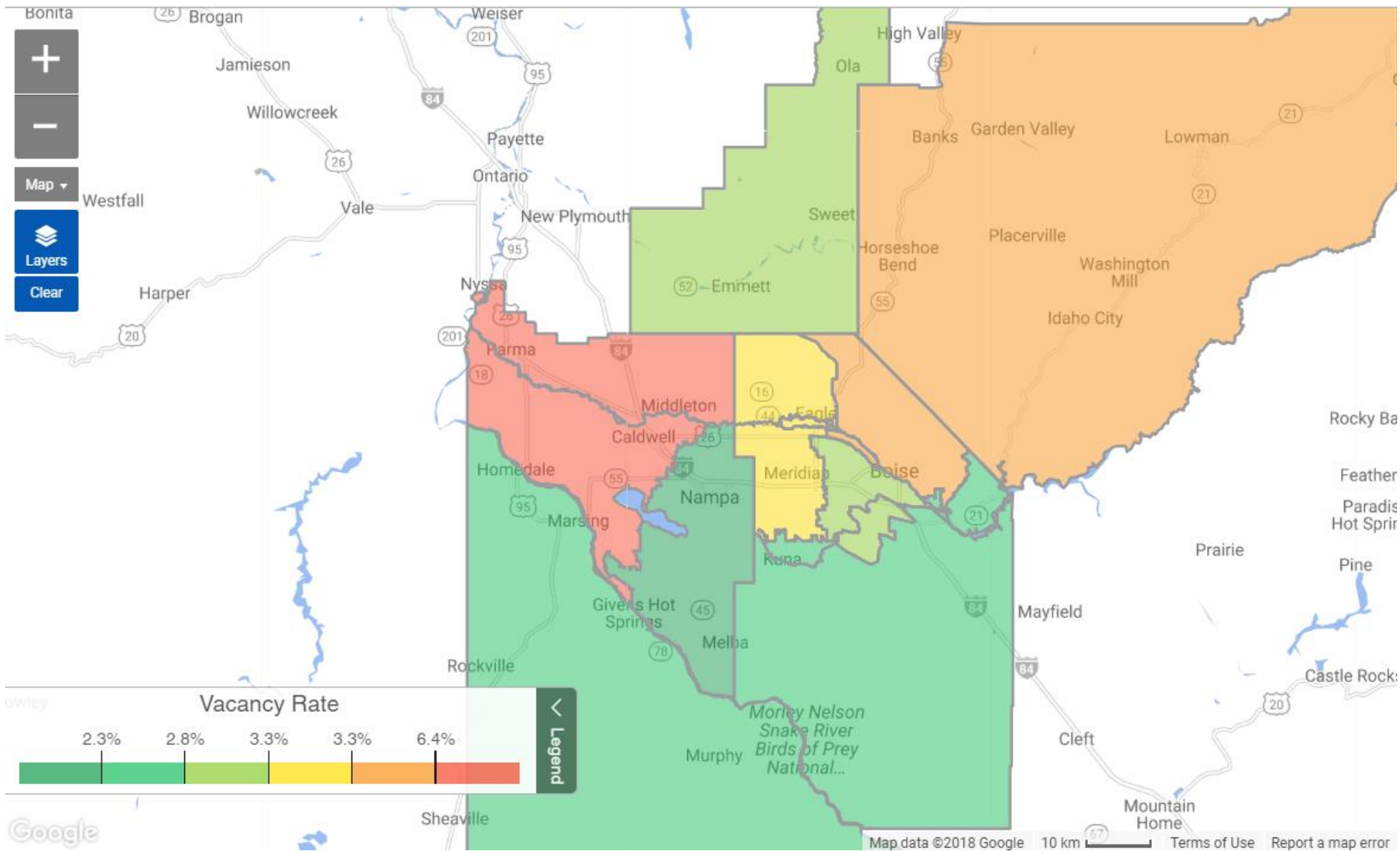


Demand & Supply (Units)

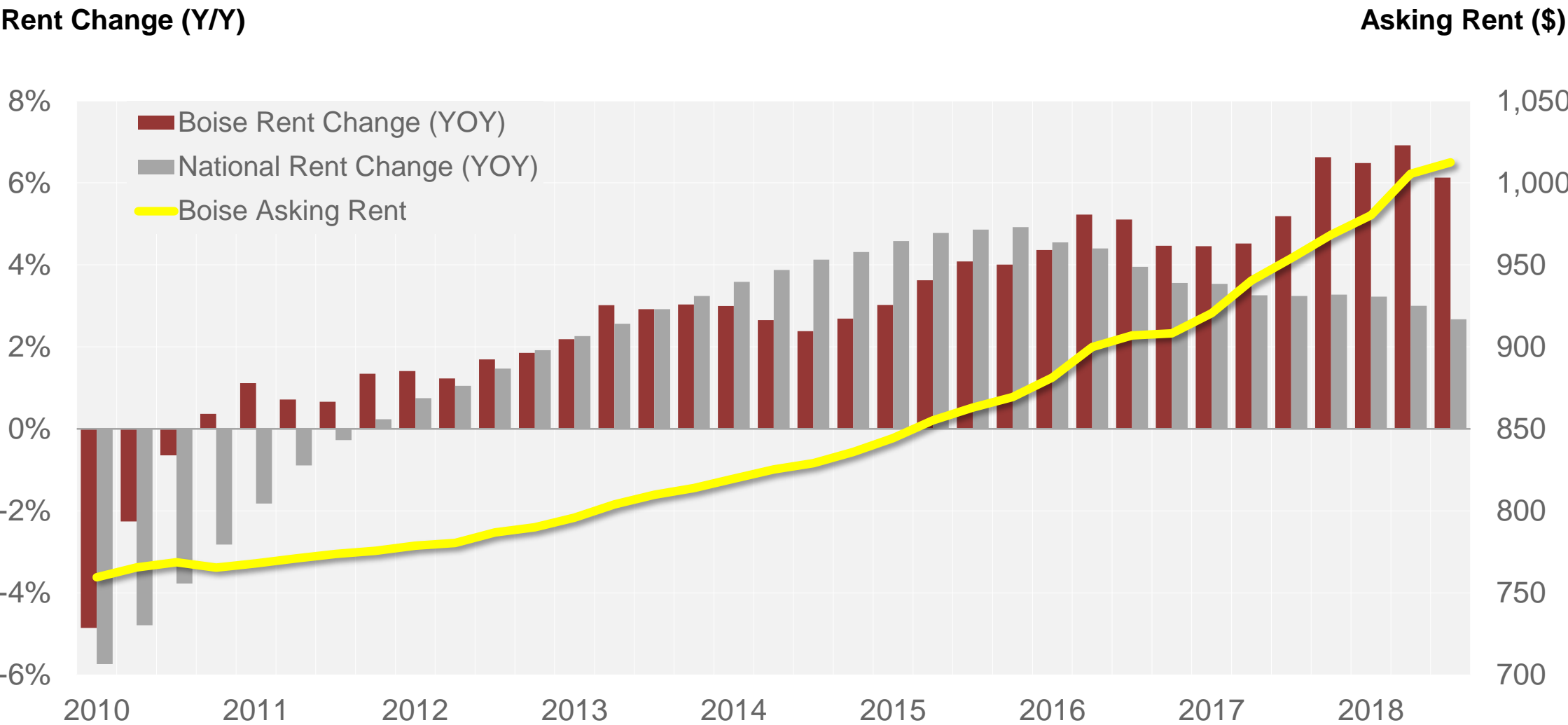
Vacancy



Boise Apartment Vacancy



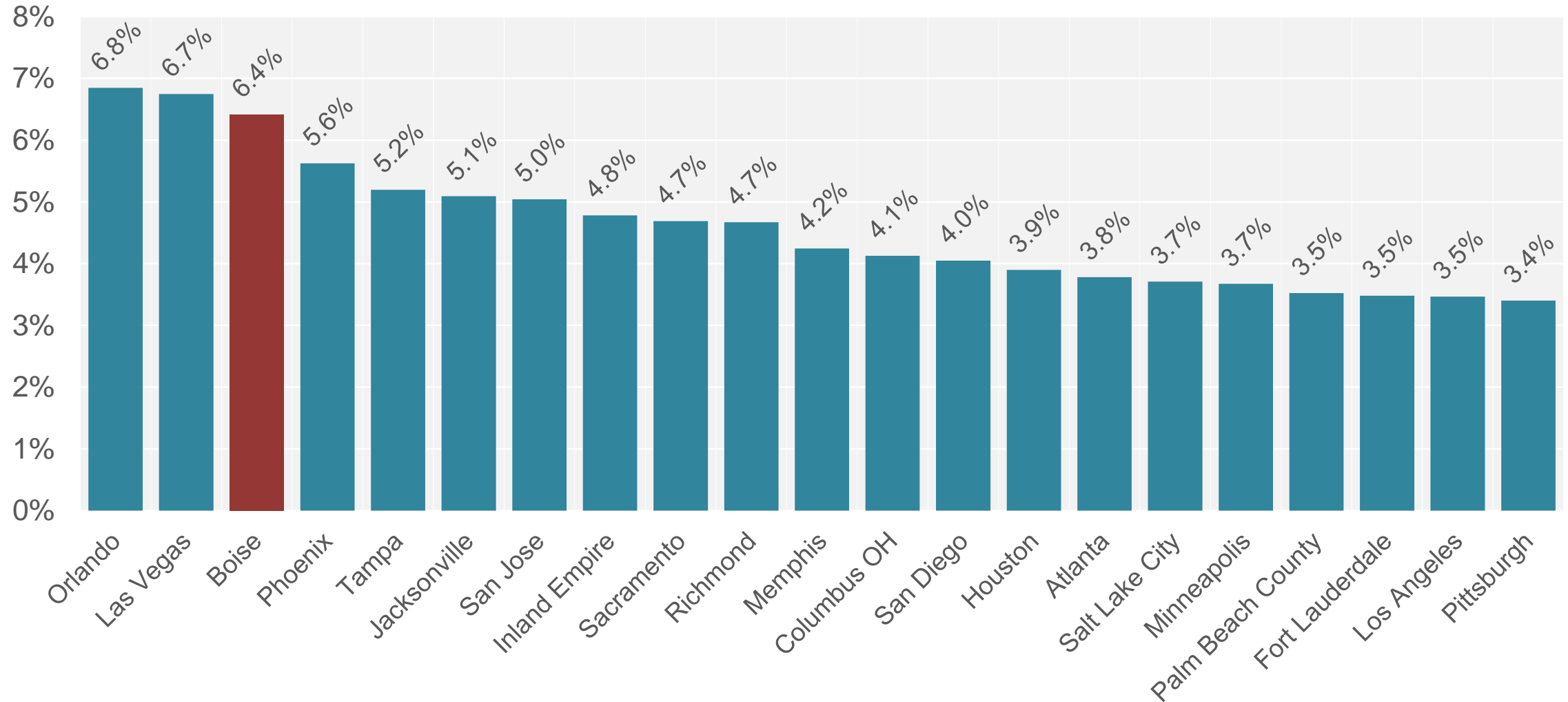
Boise Apartment Rents



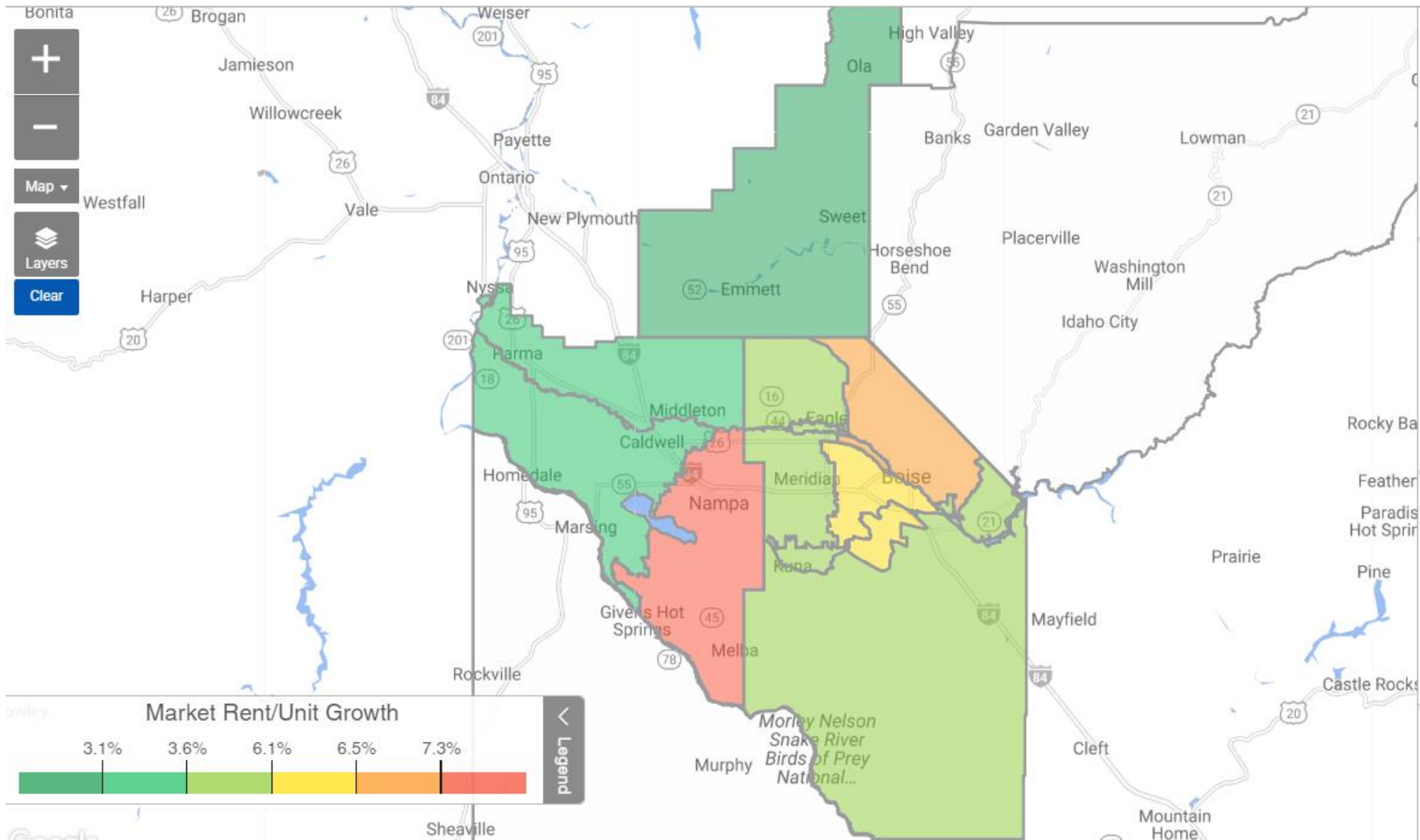
Top 20 Rent Growth Markets



Annual % Change in Same-Store Rent
(2017Q2 to 2018Q2)



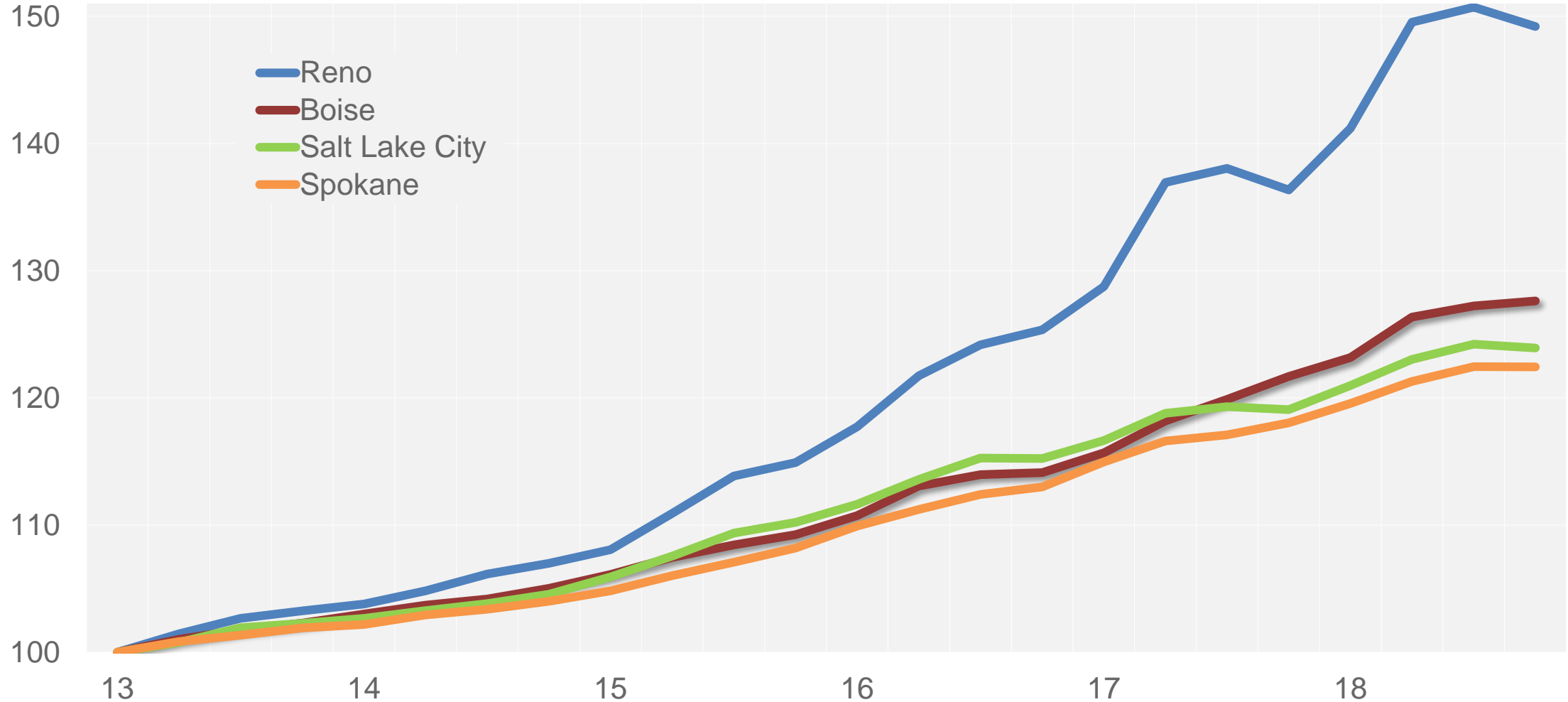
Boise Apartment Rent Growth



Apartment Rent Growth by Metro



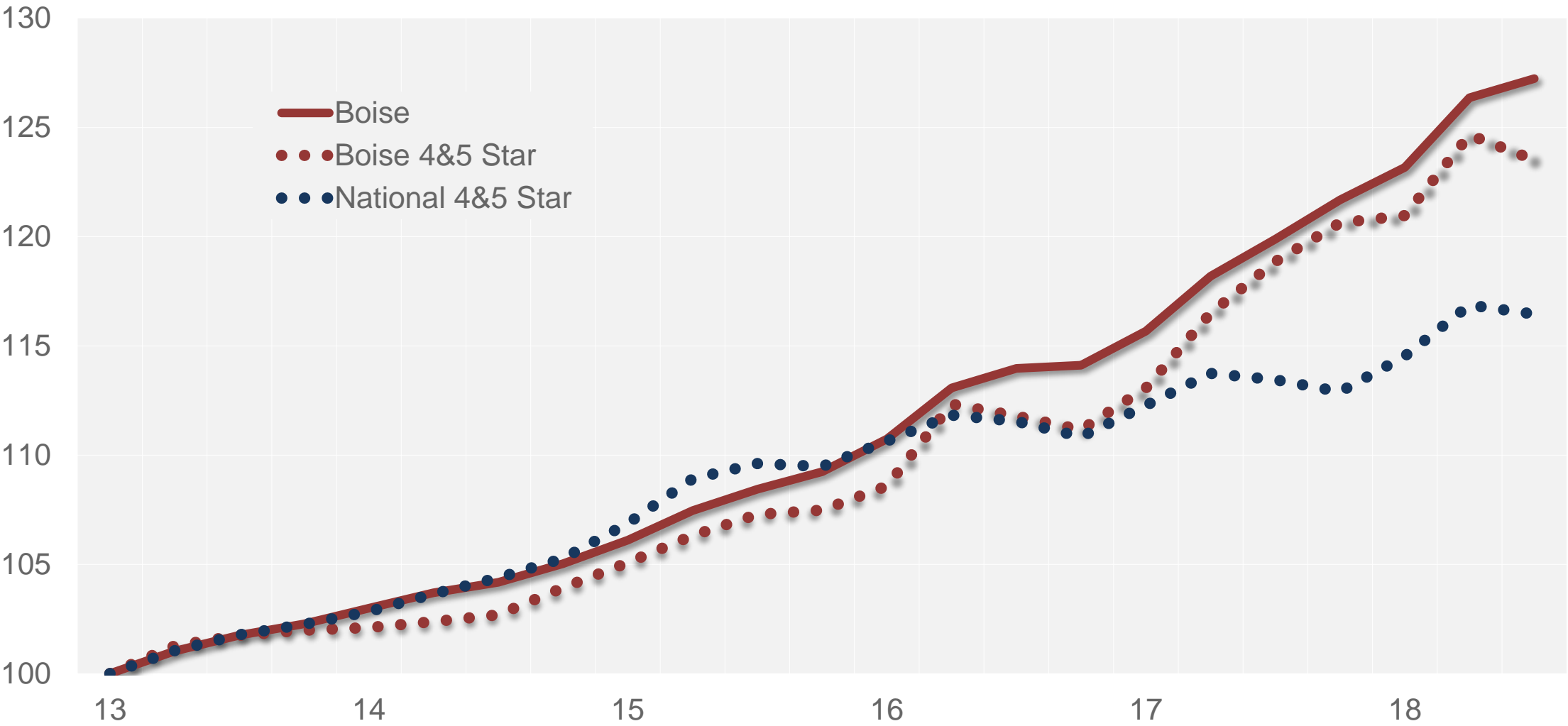
Cumulative Rent Growth Since 13Q1



Apartment Rent Growth by Star Rating



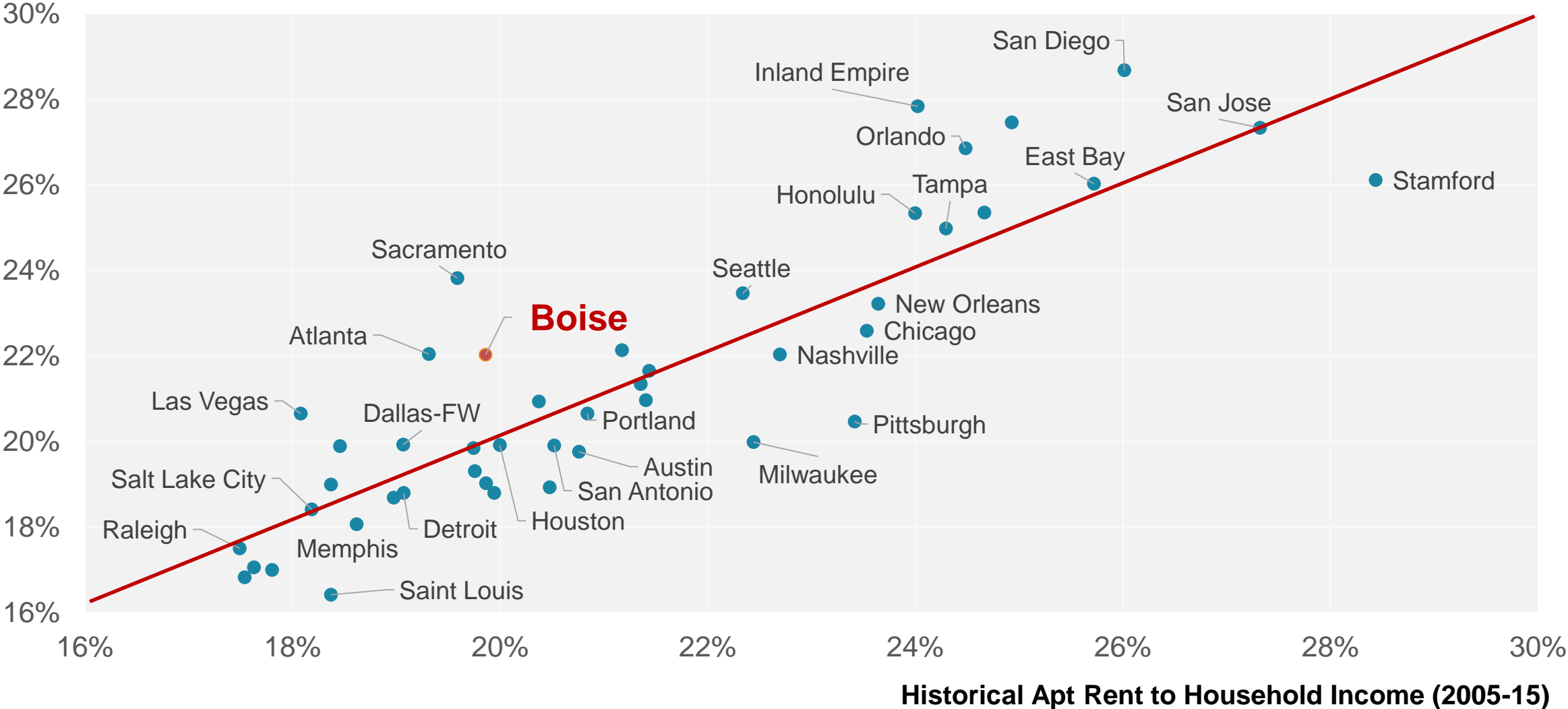
Cumulative Rent Growth Since 13Q1



Apartment Rent Affordability



Current Apt Rent to Household Income (18Q2)

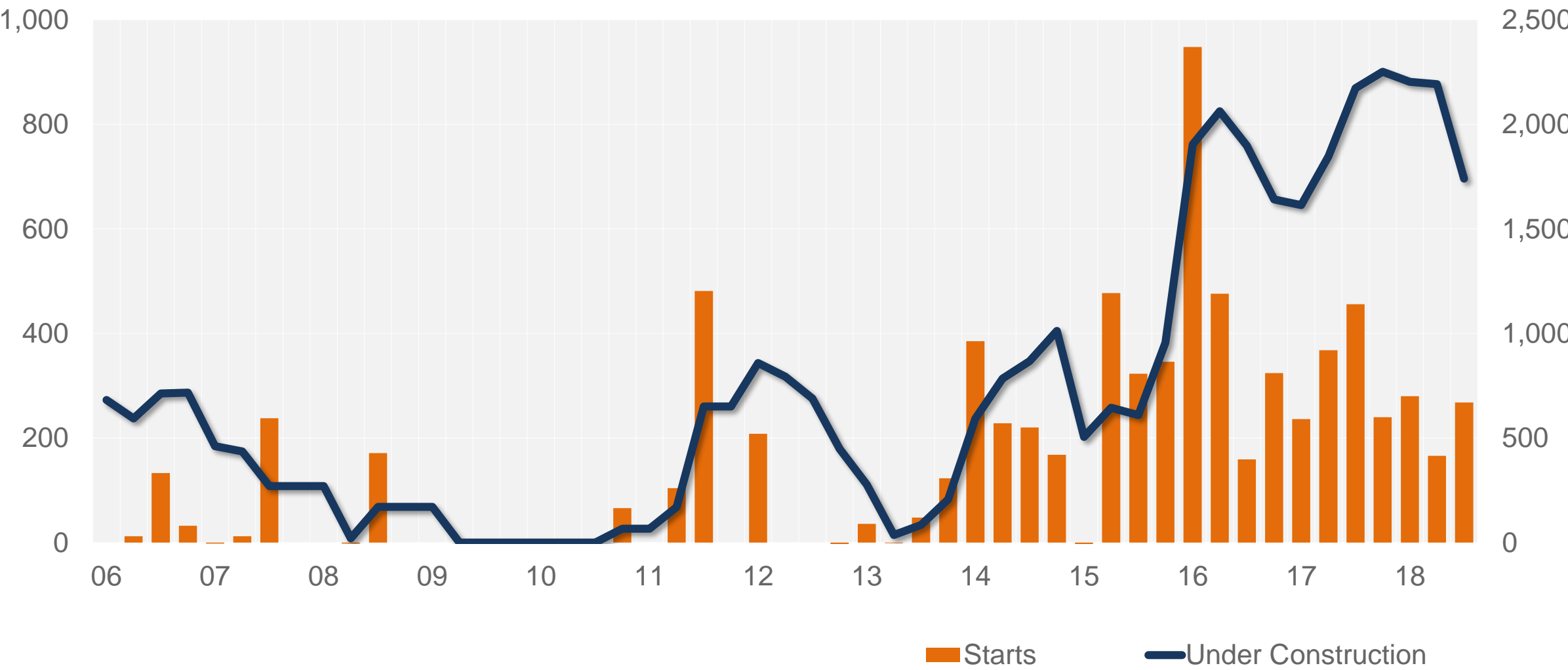


Boise Apartment Construction



Starts (Units)

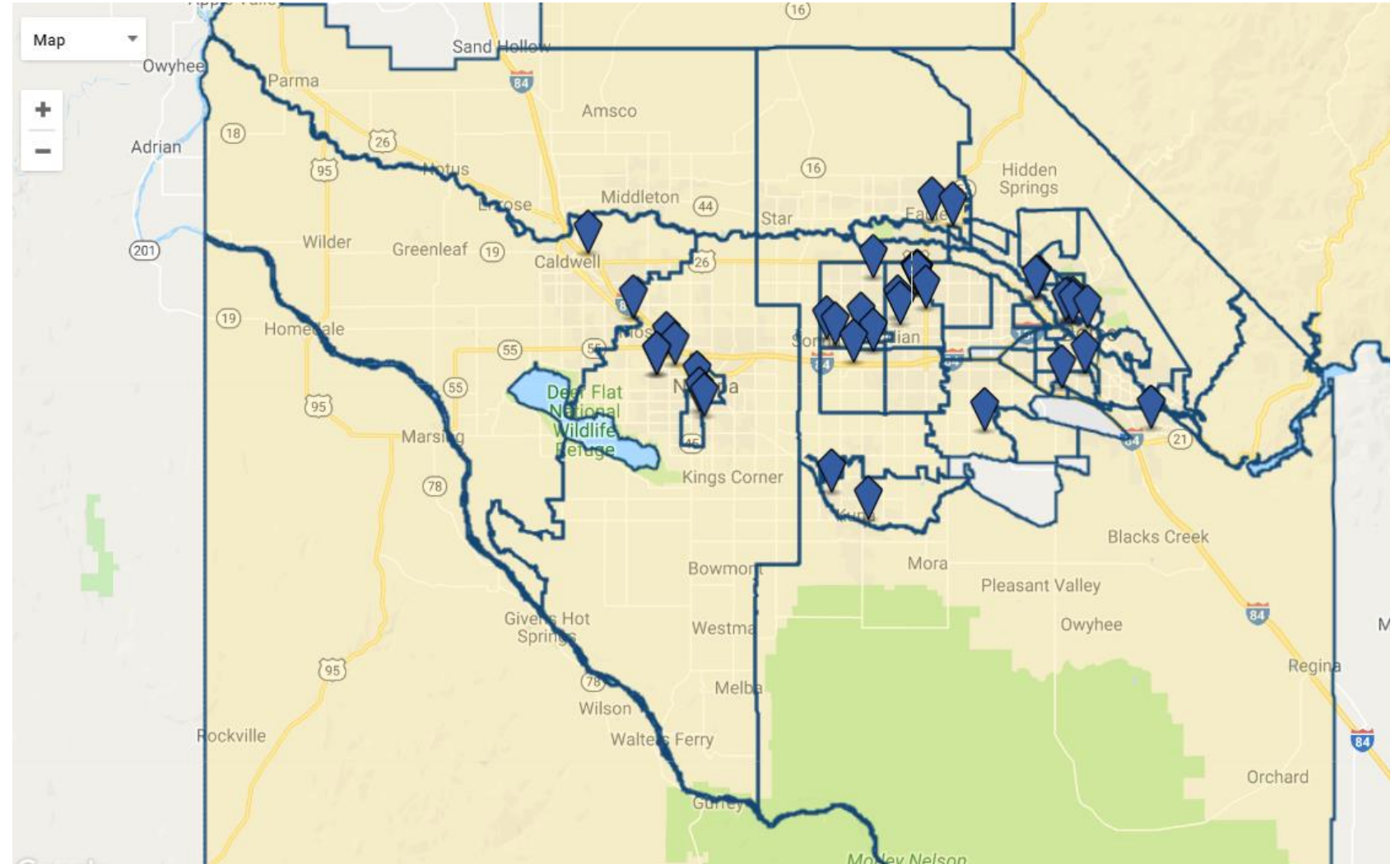
Under Construction (Units)



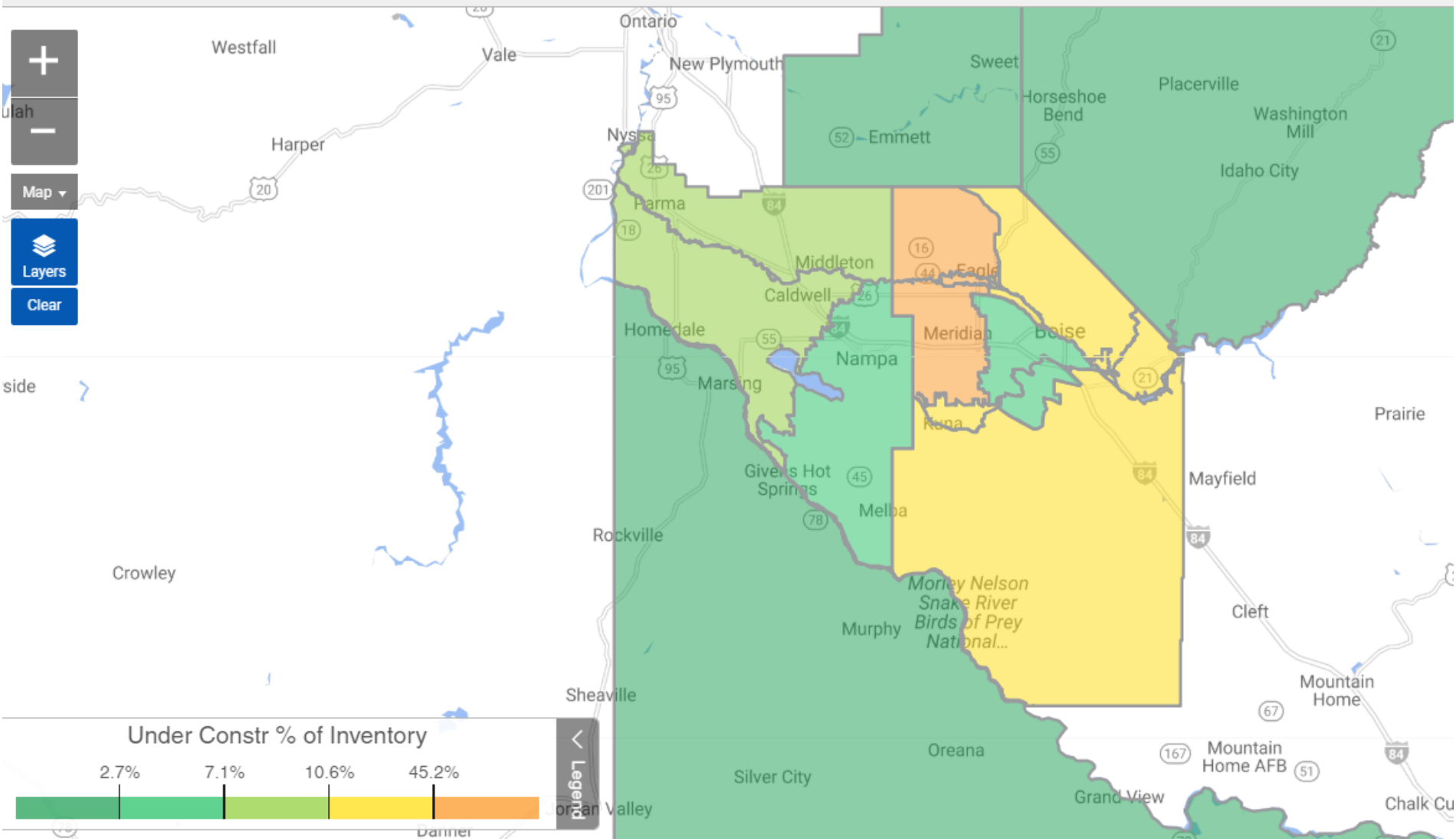
Boise Apartment Construction



Currently,
there are
more than
2,000 units
under
construction
in Boise



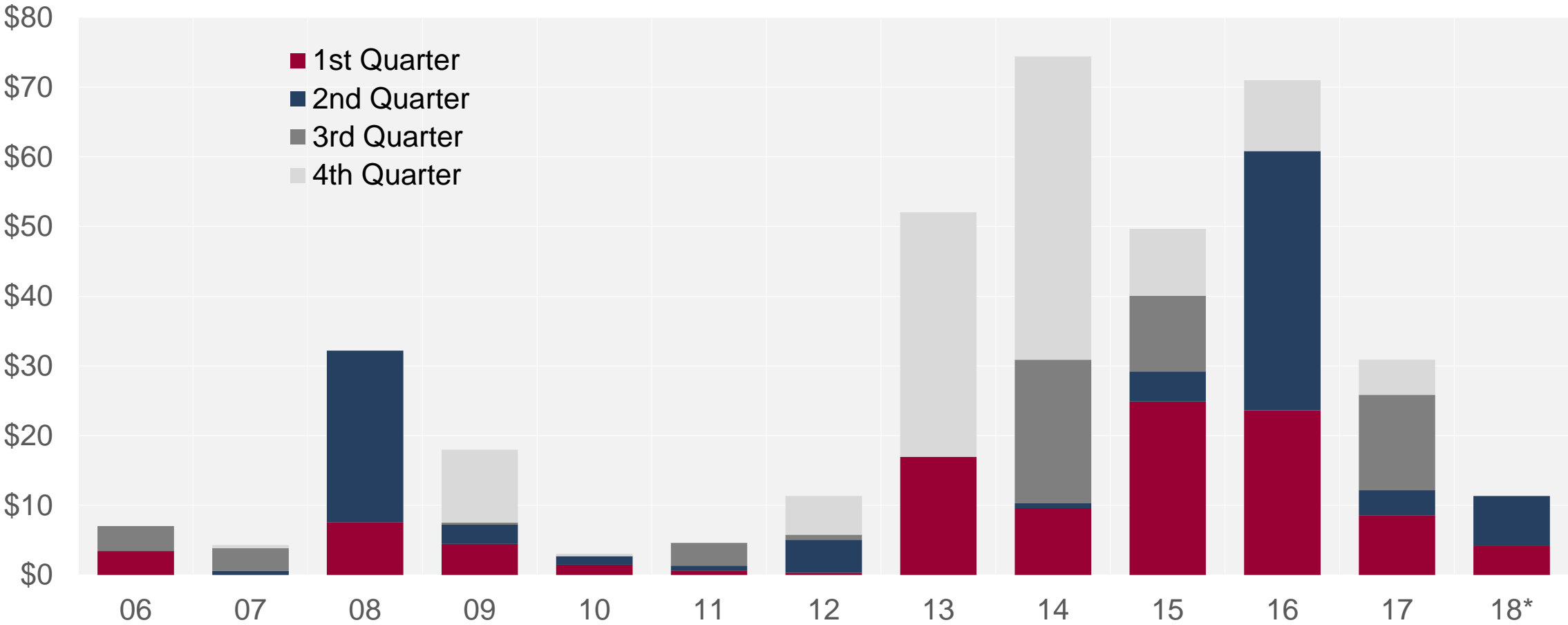
Boise Apartment Construction



Boise Sales Volume



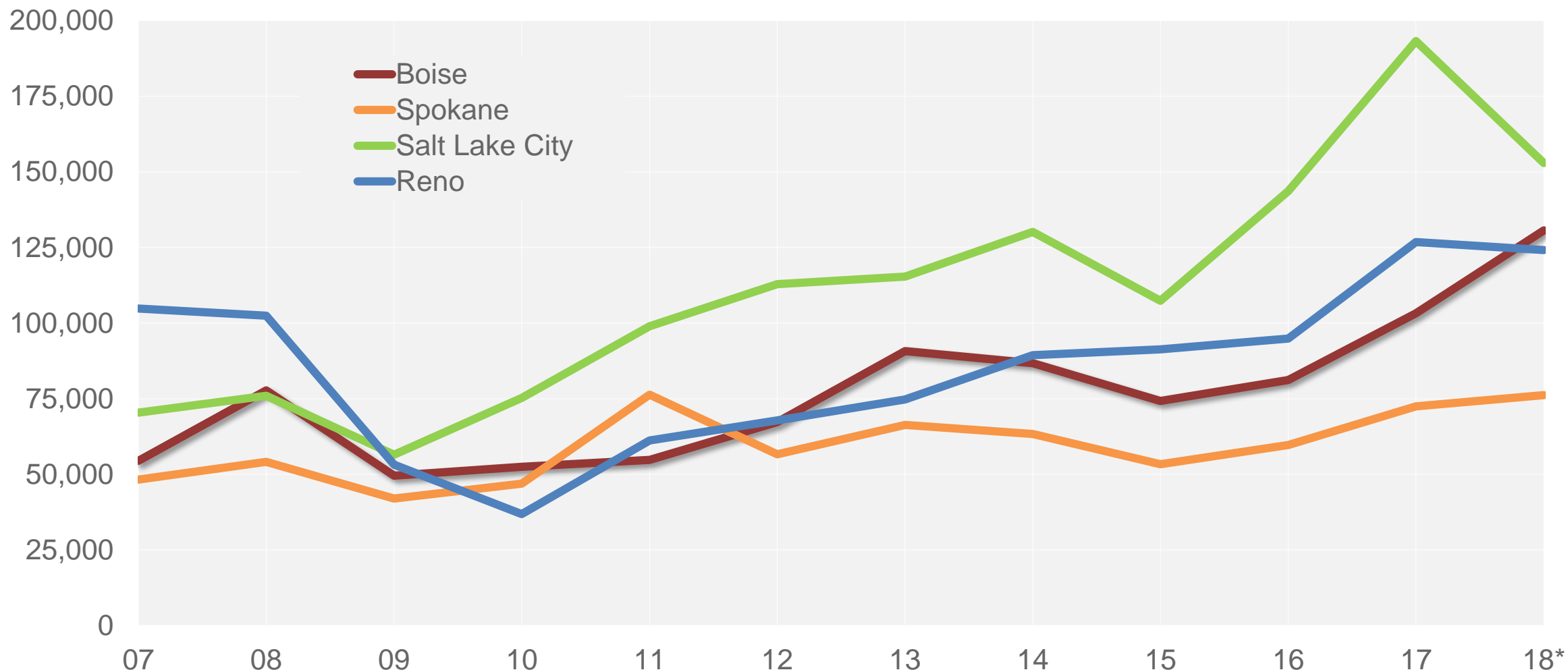
Millions



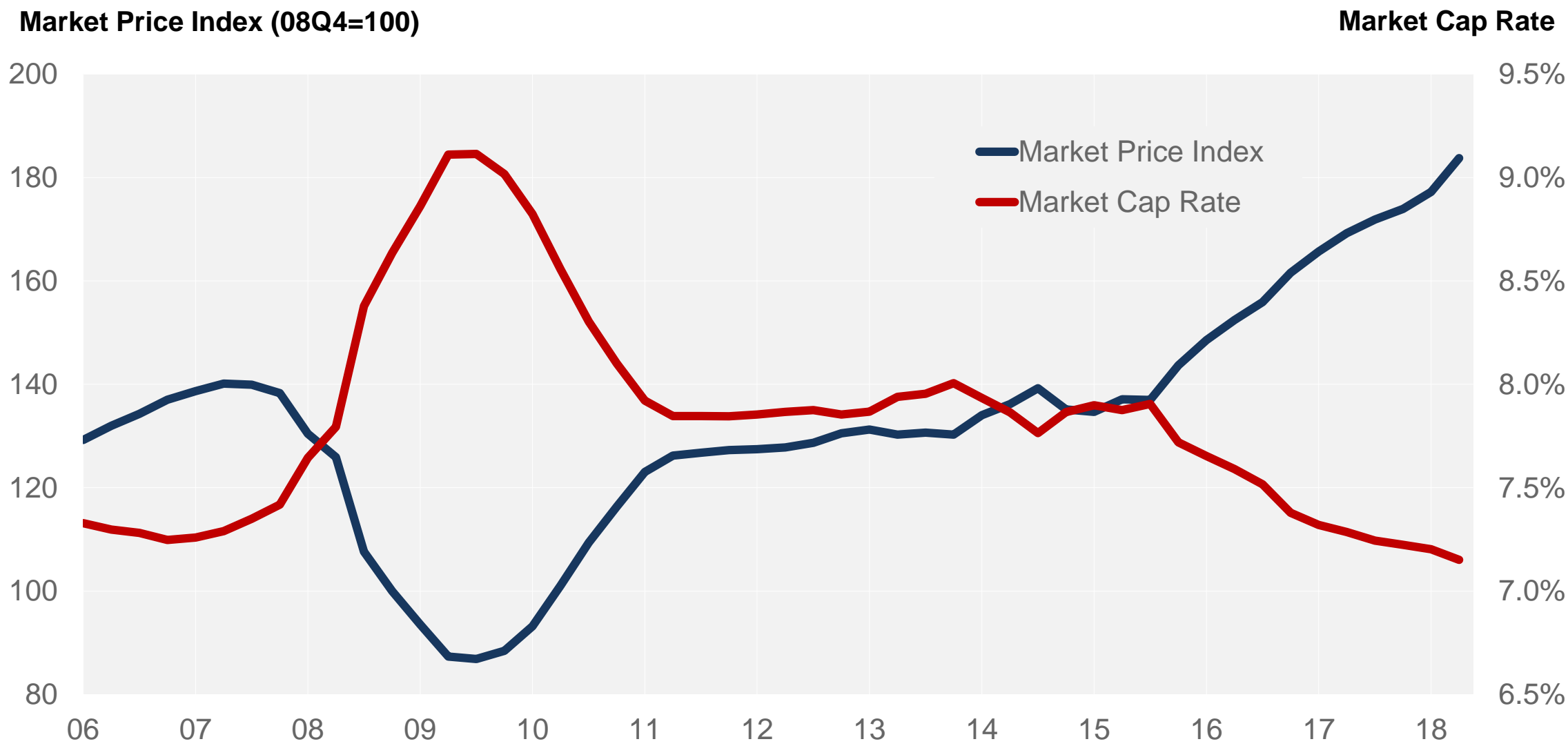
Apartment Median Sales Price by Metro



Median Price (\$/Unit)



Boise Apartment Price and Cap Rate





- ▶ The economy has accelerated, with most sectors doing well – especially consumers, supported by a strong labor market.
 - ▶ BUT – Expect a slowdown after the sugar rush fades.
- ▶ The CRE cycle seems to have peaked: heavy supply pipeline; rent growth is slowing; transaction volume moderating.
- ▶ In Boise, rent growth is still healthy, vacancies are low, but a full pipeline carries some risk.

THANK YOU!



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