

BOISE OFFICE

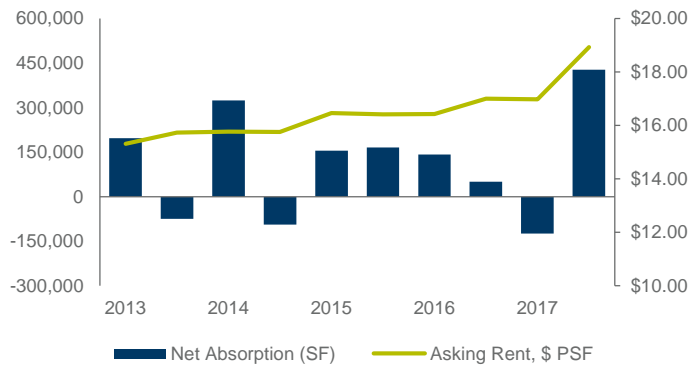
Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Boise Employment	311k	320k	▲
Boise Unemployment	3.6%	2.8%	▼
U.S. Unemployment	4.7%	4.1%	▼

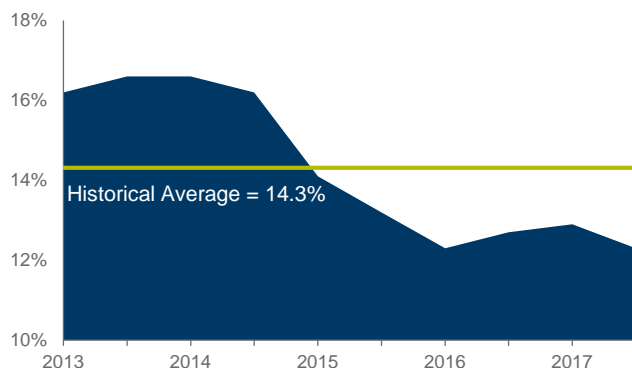
Market Indicators

	Q4 16	Q4 17	12-Month Forecast
Overall Vacancy	12.3%	12.3%	■
Net Absorption	142k	427k	▲
Under Construction	525k	395k	▼
Average Asking Rent	\$16.41	\$18.93	▲

Net Absorption/Asking Rent Semiannual Time Series



Overall Vacancy Semiannual Time Series



Economic Overview

The U.S. economy witnessed strong growth in the second half of 2017. With low inflation and a rising labor market, the national unemployment rate was below 5.0% for the eighth straight quarter. The Federal Reserve also raised its benchmark interest rate for the fourth time in 2017 to a range of 1.25% to 1.50%.

In the Boise City-Nampa Metropolitan Statistical Area (MSA), the unemployment rate decreased to 2.8%, down by 0.8 percentage points year-over-year. Boise City-Nampa MSA's population is one of the fastest growing cities in the U.S. and is expected to continue a 1.8% growth rate, compared to 0.7% for the U.S.

Market Overview

New and existing tenants in the market are pre-leasing Class A new construction assets and their vacated locations are leased quickly. Owners received multiple offers and competition for these spaces creating a trend toward a landlord market.

Lease rates increased \$2.52 per square foot (psf) to \$18.93 psf while vacancy rates remain unchanged in 2017 for the overall market. Class A assets reported just over a 6.5% increase in overall asking rent since Q2 2016.

Rising construction costs are contributing to the increased lease rates. Results of a study recently completed by Cushman & Wakefield Pacific found that construction costs range from \$175.00 to \$200.00+ psf for single story Class B office buildings (not including land costs).

Another contributing factor in the rise in lease rates is tenant improvement allowance given on second generation space. To be competitive with new construction coming to the market, landlords are offering \$20.00 to \$40.00+ psf in tenant improvement allowance.

The St. Luke's Health System's purchase of Washington Group Plaza (WGP) pushed the long-time WGP tenants to look for new locations in either Downtown Boise or in the downtown periphery.

The downtown Boise mixed-use development, Pioneer Crossing, is the only speculative office under construction and includes 130,000 square feet (sf) of office with 50% of the building pre-leased. New construction for owner-users has reported strong growth in South Meridian specifically in the El Dorado and Silverstone submarkets.

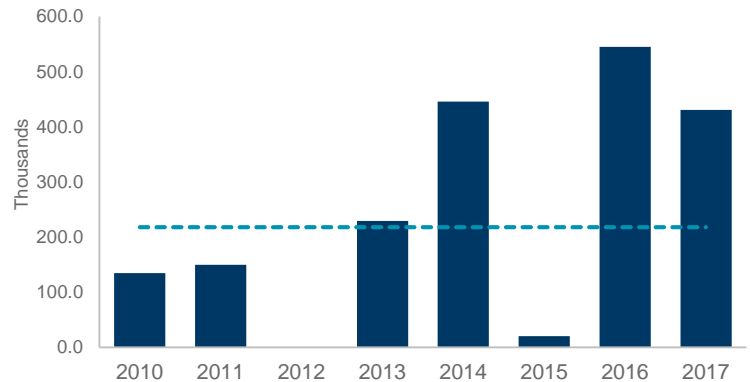
Ameriben/IEC relocated to their 75,000-sf building at Ten Mile Crossing in Meridian. Paylocity and Brighton Corporation will also open headquarters in this development in 2018. Ten Mile Crossing will continue to be developed to meet the demand of tenants looking for build-to suit options.

Outlook

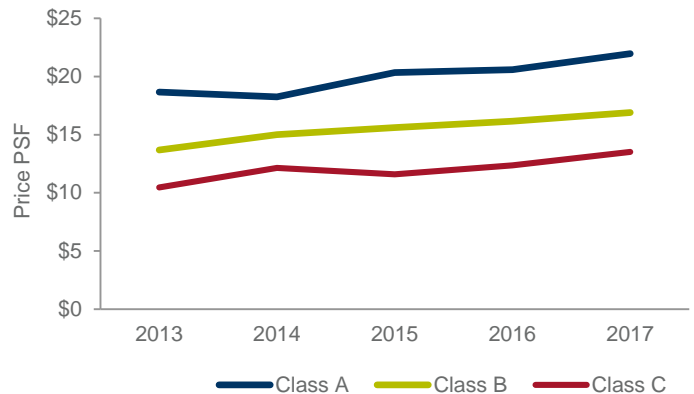
- Vacancy rates will continue to trend downward as inventory continues to diminish in the MSA.
- As reported in 2017, demand will dominate supply and average lease asking rates for new and quality assets will rise in 2018.
- Job growth, combined with population increasing at above the U.S. average, will fuel continued demand for office space.
- As large blocks of space have become more difficult to find, tenants in excess of 10,000 sf will have limited options. Growth will be in Downtown Boise, Meridian and locations close to the Interstate.

New Supply

NEW SUPPLY REMAINED BELOW ITS 5 YEAR AVERAGE



Asking Rent by Class Trend



Labor Market

THE UNEMPLOYMENT RATE CONTINUED TO DROP



MARKETBEAT

Boise

Office Q4 2017



SUBMARKET	TOTAL BLDGS	INVENTORY	TOTAL VACANT	VACANCY RATE	YTD NET ABSORPTION	COMPLETED CONSTRUCTION	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)
Airport	11	395,977	69,692	17.6%	-6,700	0	0	\$15.66
Central Boise	44	1,458,430	220,398	15.1%	53,200	0	0	\$14.92
Downtown Boise	64	4,438,347	525,629	11.8%	37,900	430,520	160,354	\$21.39
Eagle	17	484,485	54,809	11.3%	25,900	0	65,000	\$19.69
Meridian	37	1,429,848	175,679	12.3%	81,100	0	200,000	\$18.15
Nampa/Caldwell	29	1,037,072	100,921	9.7%	33,900	0	0	\$15.39
North Boise	16	390,998	50,990	13.0%	6,400	0	0	\$14.24
South Meridian	22	829,248	102,125	12.3%	1,200	0	0	\$19.96
Southeast Boise	29	1,504,023	142,980	9.5%	49,200	0	0	\$18.12
Southwest Boise	13	668,491	51,036	7.6%	39,900	0	0	\$17.28
West Boise	61	3,693,598	519,125	14.1%	99,200	0	0	\$20.11
TOTAL	343	16,330,517	2,013,384	12.3%	421,200	430,520	425,354	\$18.93

SUBMARKET	TOTAL BLDGS	INVENTORY	TOTAL VACANT	VACANCY RATE	YTD NET ABSORPTION	COMPLETED CONSTRUCTION	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT
Class A	45	6,083,527	604,658	9.9%	184,264	430,520	360,654	\$21.97
Class B	255	8,900,048	1,188,283	13.4%	101,860	0	65,000	\$16.90
Class C	43	1,346,942	220,443	16.4%	135,076	0	0	\$13.52
TOTAL	343	16,330,517	2,013,384	12.3%	421,200	430,520	425,354	\$18.93

Key Lease Transactions 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
River Quarry	31,000	PacificSource Health Plans	Renewal/Expansion	Southeast Boise
Central Plaza	20,500	Advantage Sales & Marketing	New Lease	Downtown Boise
Emerald Tech Center	12,000	Lion Bridge Tech	New Lease	Airport

Key Sales Transactions 2017

PROPERTY	SF	BUYER/SELLER	PRICE	SUBMARKET
Hillcrest Business Center	26,794	Rokan Ventures, LLC / Jordan Creek Investments	\$2,025,000 / \$76	Southwest Boise
8948 Barnes	11,476	Girl Scouts of Silver Sage / Hanigan Investments, LLC	\$1,470,000 / \$128	Southwest Boise

Key Projects Under Construction

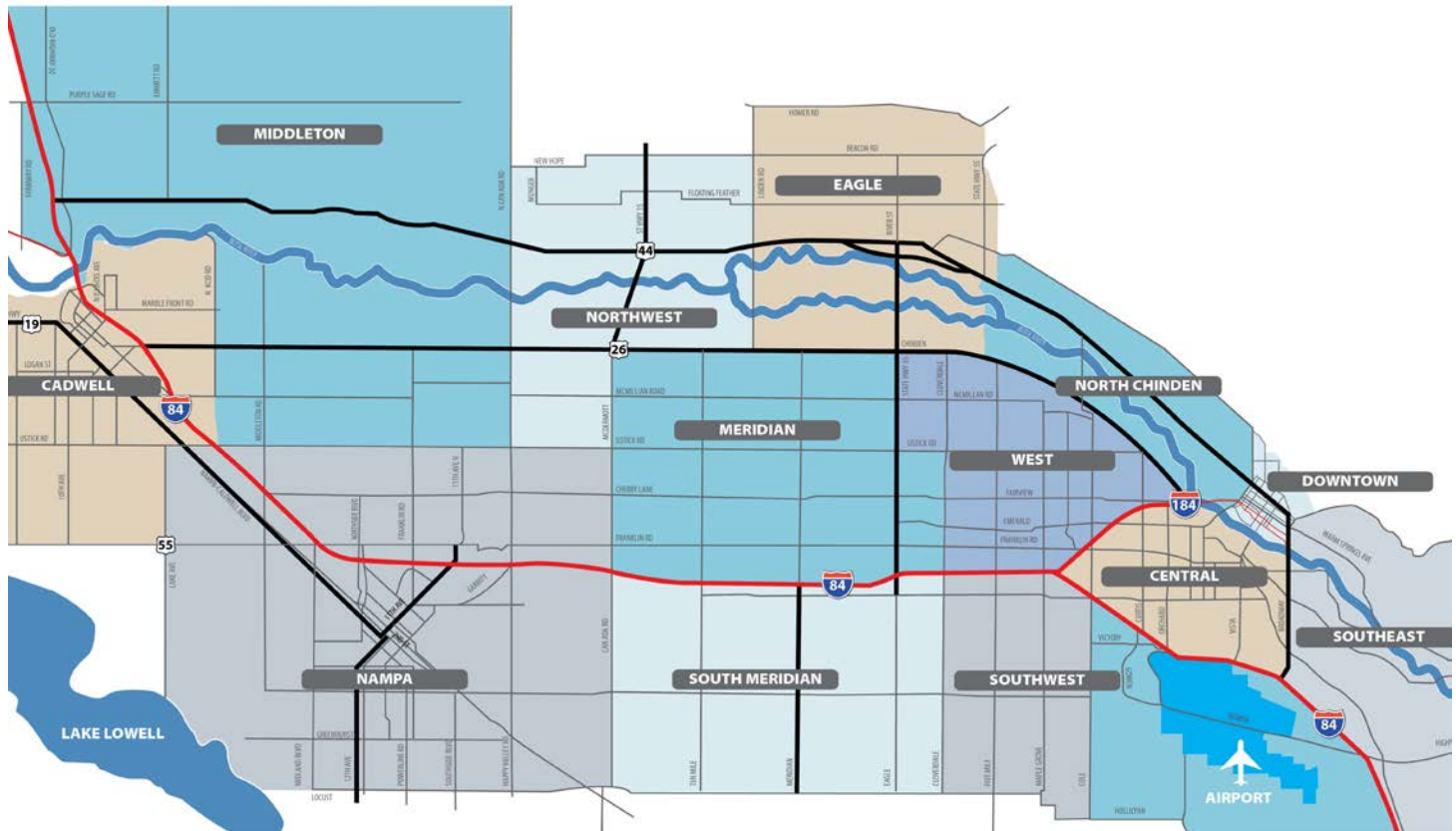
PROPERTY	SF	MAJOR TENANT	COMPLETION DATE	SUBMARKET
Pioneer Crossing	130,000	Boise Metro Chamber of Commerce	Q1 2018	Downtown Boise
Ten Mile Crossing	130,000	Brighton / Paylocity	2018	Meridian

Statistical Methodology:

Cushman & Wakefield Pacific tracks all properties in the market; however, only for-lease properties 15,000 square feet and larger are used for the provided statistics.

OFFICE SUBMARKETS

Boise



About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm with 45,000 employees in more than 70 countries helping occupiers and investors optimize the value of their real estate. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$6 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter..

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