Economic Trends Relevant to Spring Valley, City of Eagle

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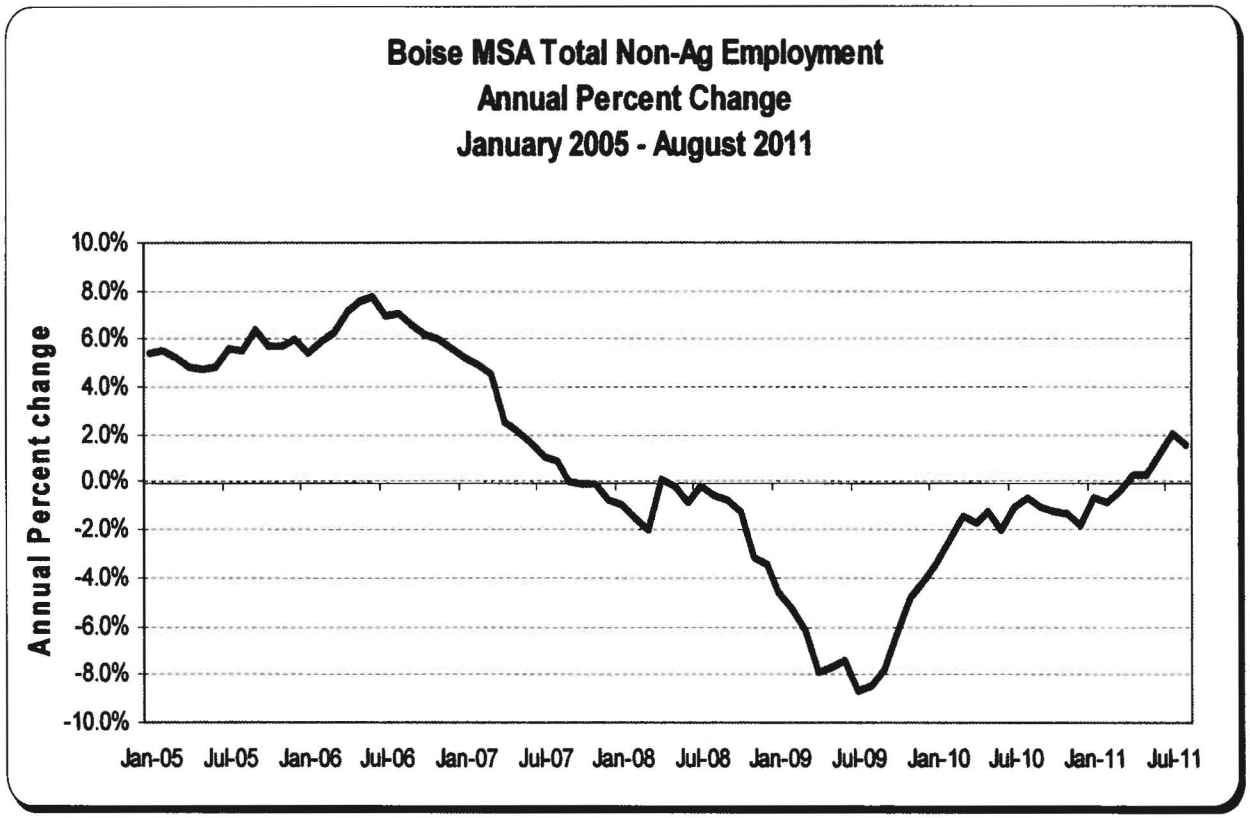
The Economy in the Boise MSA

The economy in Idaho and the Boise MSA has turned the corner and is moving out of the current economic malaise.

Non-Ag Employment in the Boise MSA has posted gains since the first of the year.

Monthly employment gains from year earlier levels have averaged 5,200 jobs in the first 8 months of 2011.

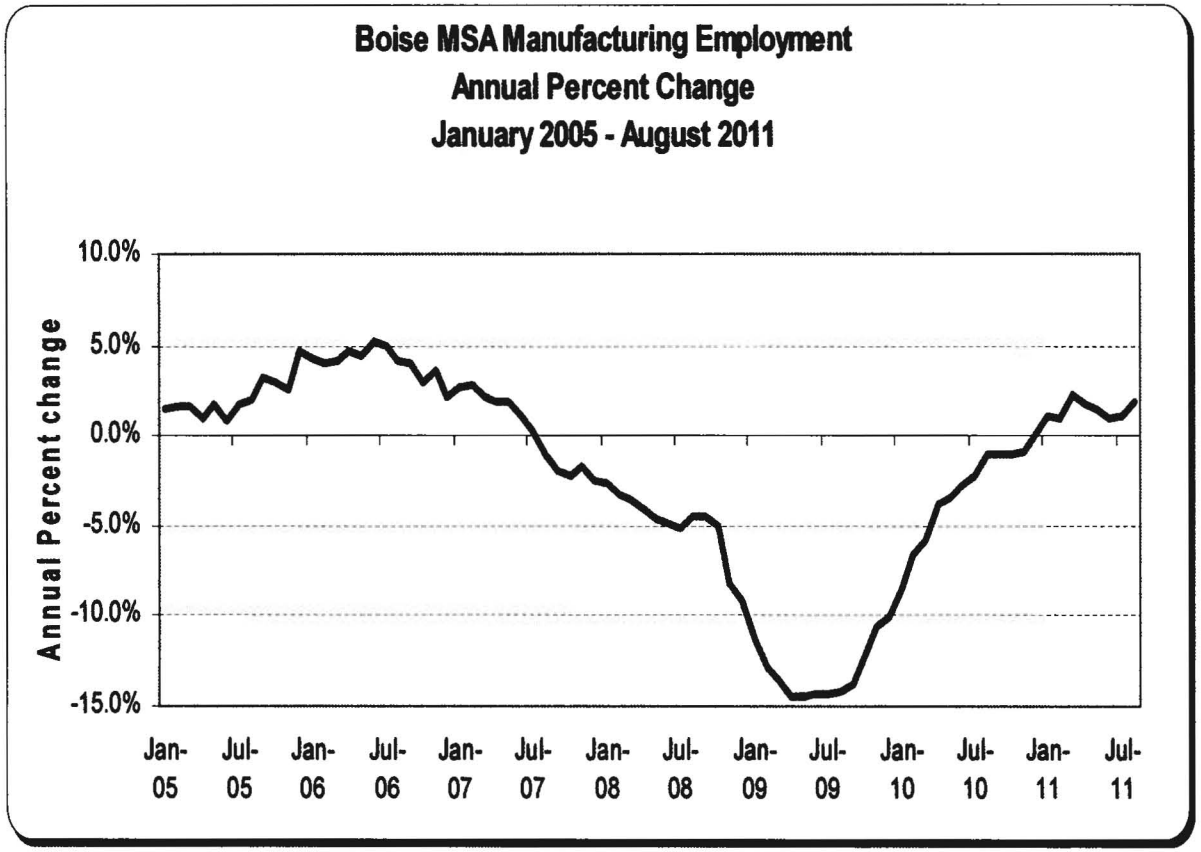


Source: U.S. Bureau of Labor Statistics

The Economy in the Boise MSA

Manufacturing employment has also posted gains during the first 8 months of 2011. This is a trend which is counter to that seen in the nation as a whole.

Manufacturing employment in the Boise MSA are, over the first 8 months of 2011, nearly 800 jobs higher than year earlier levels.

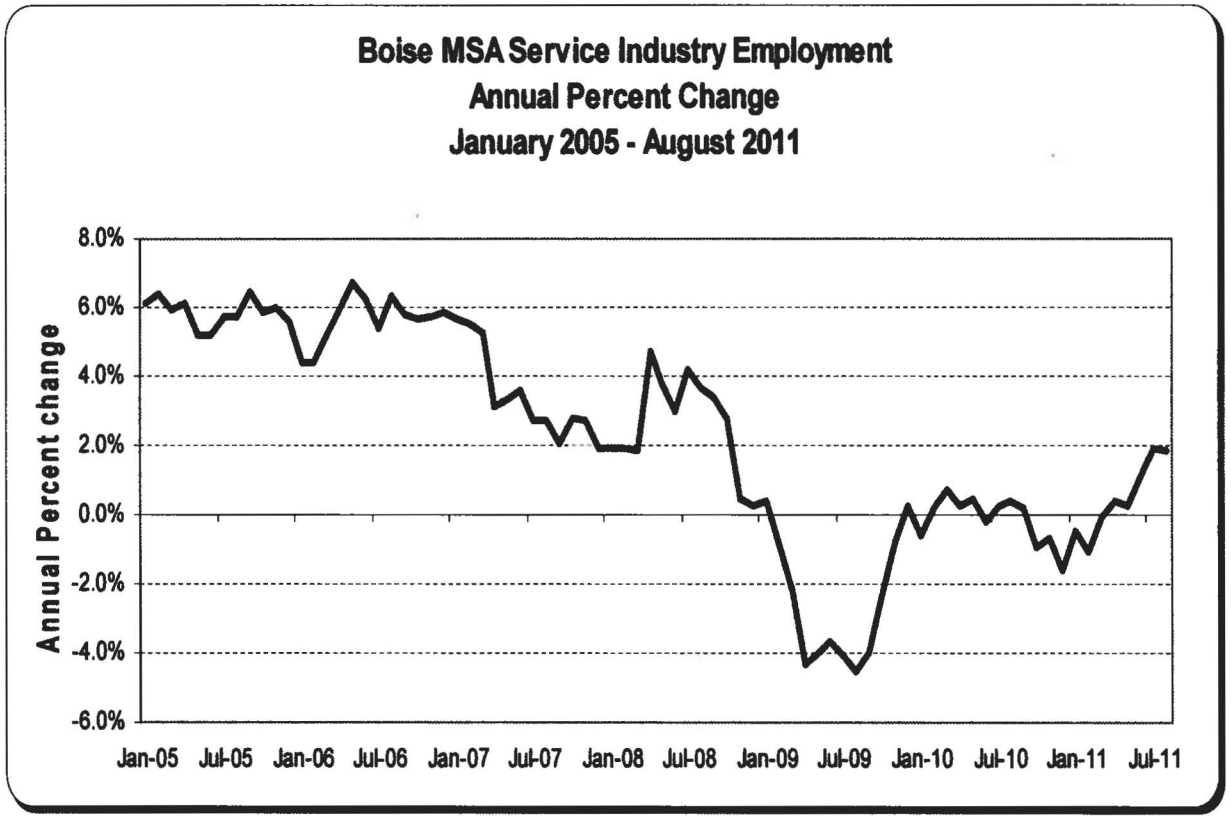


Source: U.S. Bureau of Labor Statistics

The Economy in the Boise MSA

The employment gains in the Boise MSA are broad based. The Service Industry in the Boise MSA has posted job gains over the last six months – an average of nearly 1,200 jobs over year earlier levels.

2010 was a U.S. Census year with a once a decade surge in federal jobs. Adjusting for the loss of those temporary census workers indicates that the Boise MSA economy is even stronger that the figures indicate.



Source: U.S. Bureau of Labor Statistics

The Economy in the Boise MSA

Employment is not the only area that indicates a renewed strength in the Boise MSA economy.

Class A office vacancy rates in Downtown Boise at mid-year 2011 stood at 5.75%, with downtown office vacancy rates for all office categories posting a rate of 11.6%, one of the lowest office vacancy rates in the West. In fact, it was ninth lowest out of the 71 MSA's surveyed nationwide in a 2011 Grubb & Ellis survey.

The vacancy rate for suburban Class A office space in the Boise MSA in mid-2011 was 23.7%. However, it was slightly lower than the 24.0% U.S. average vacancy rate for suburban Class A office space.

Even the vacancy rates for retail space in the Boise MSA has fallen to 11.4% in the second quarter of 2011 from its first quarter of 2010 peak of 14.3%.

Commercial construction activity also reflects renewed strength and confidence in the Boise area economy. The COMPASS 2010 Development Monitoring Report indicates that non-residential construction in Ada County surged with the addition of 3.5 million square feet of new non-residential building space. This is a sizeable turnaround from Ada County's non-residential additions of 1.7 million and 0.46 million square feet added in 2008 and 2009, respectively.

Sources: Thornton, Oliver, Keller., Market Watch Boise Commercial Real Estate Mid-Year 2011; Grubb Ellis, Office Market Trends Q1 2011 United States; Colliers International, Q2 2011 Office North American Highlights

The Economy in the Boise MSA

Population growth in Idaho slowed as the national economy went into recession. Nevertheless, Idaho's population has continued to increase at a rate faster than the State's natural rate of population growth, indicating an ongoing net in-migration of population into Idaho.

Forecasts of future economic growth in the State and the Boise MSA indicate that Idaho's population and employment will be among the fastest growing in the country over the next few years.

The national economic forecasting firm IHS Global Insight projected in their October 2010 US Regional Service Economic Outlook that Idaho would be the fastest growing state in the nation in terms of total non-ag employment gains over the 2010 – 2015 period. The Boise MSA (chart not shown) ranks highly in the IHS Global Insight estimates with non-ag employment gains of 2.8 percent per year over the 2010 – 2015 period (35th among the nearly 360 metropolitan areas in the nation).

IHS Global Insight - US Regional Service
Total Non-Agricultural Employment (Thousands)
States Ranked by 2010-2015 Average Annual Growth

Rank	State	2010	2015	Average Annual Growth 2010-2015
1	Idaho	606.2	682.3	2.4%
2	Texas	10,357.5	11,576.4	2.3%
3	Colorado	2,208.0	2,458.6	2.2%
4	Florida	7,213.9	8,014.9	2.1%
5	Arizona	2,401.6	2,664.7	2.1%
6	Georgia	3,819.2	4,226.5	2.0%
7	South Carolina	1,823.5	2,013.6	2.0%
8	California	13,882.8	15,316.0	2.0%
9	North Carolina	3,905.8	4,293.5	1.9%
10	Washington	2,805.8	3,081.4	1.9%

IHS Global Insight - US Regional Service
Total Population, (Thousands)
States Ranked by 2010-2015 Average Annual Growth

Rank	State	2010	2015	Average Annual Growth 2010-2015
1	Utah	2,849.9	3,157.5	2.1%
2	Arizona	6,711.6	7,388.6	1.9%
3	Nevada	2,679.0	2,931.3	1.8%
4	Texas	25,312.9	27,563.6	1.7%
5	Idaho	1,568.7	1,706.9	1.7%
6	Georgia	9,985.3	10,831.5	1.6%
7	Colorado	5,123.0	5,529.6	1.5%
8	North Carolina	9,530.2	10,195.1	1.4%
9	Washington	6,773.4	7,228.7	1.3%
10	South Carolina	4,626.9	4,928.1	1.3%

The Economy in the Boise MSA

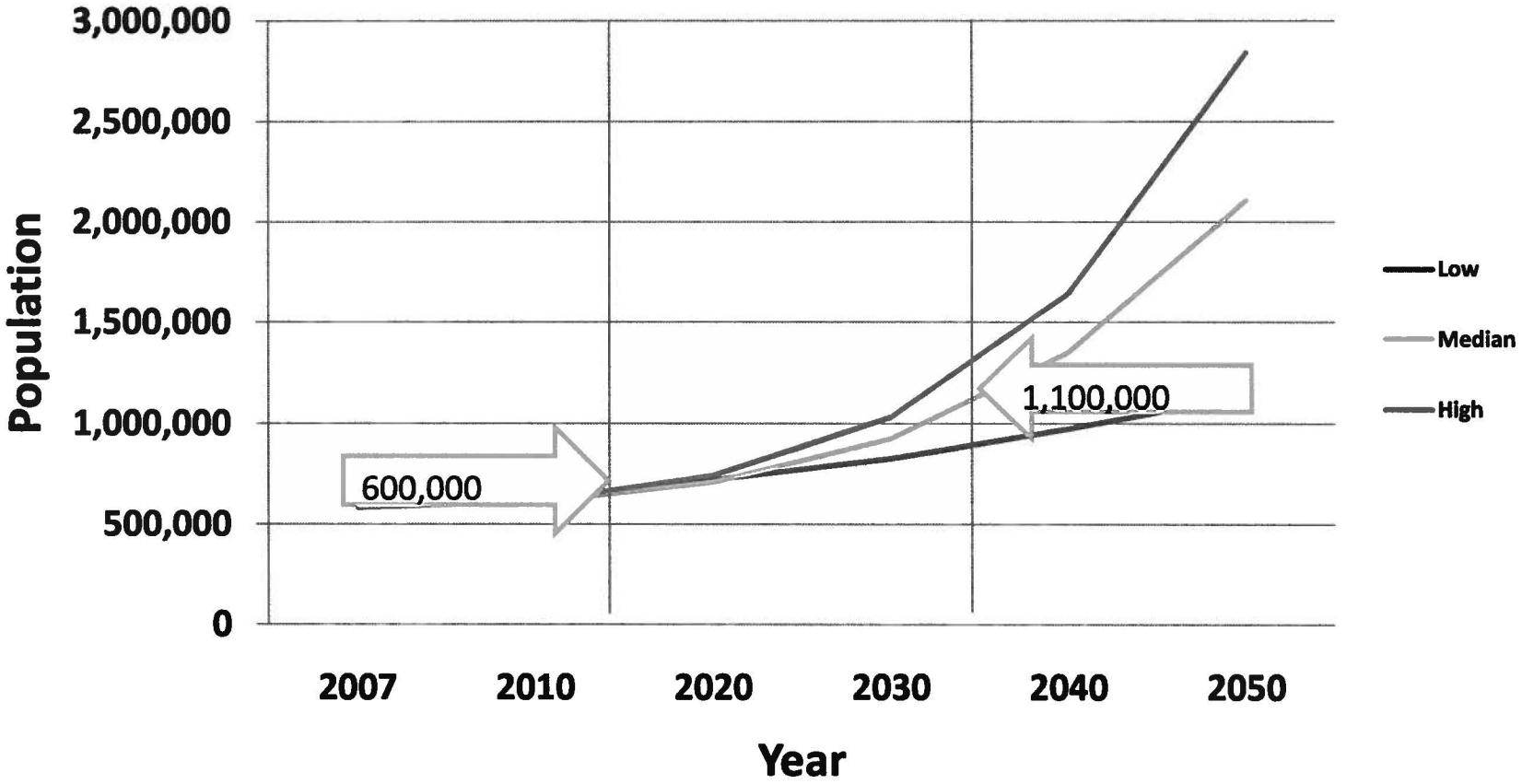
The forecast of future population and number of households compiled by the Community Planning Association of Southwest Idaho (COMPASS) reflects a strong economic outlook for the Boise MSA and Ada County.

The COMPASS March 2011 Community Choices forecast predicts that population in Ada and Canyon Counties will surpass 1.05 million with 388.4 thousand households by 2035. (See next slide.) This projects a somewhat slower growth rate than experienced in recent years; a simple extrapolation of the last 5 years of population and household growth would produce a Boise MSA population of 1.17 million and 427.2 thousand households in 2040.

The current COMPASS 2040 population and household figures represent an additional 599.8 thousand persons residing in an additional 215.3 thousand households Ada and Canyon Counties from the levels of the 2010 census.

The Economy in the Boise MSA

Ada/Canyon
Population Growth Projections



Note: Population in Ada County between 1980 and 2000 (which included a recession of the same magnitude that we have just experienced) grew by 74% or **3.7% per year**.

Source: COMPASS Community Choices Population Forecast, March 2011

The Economy in the Boise MSA

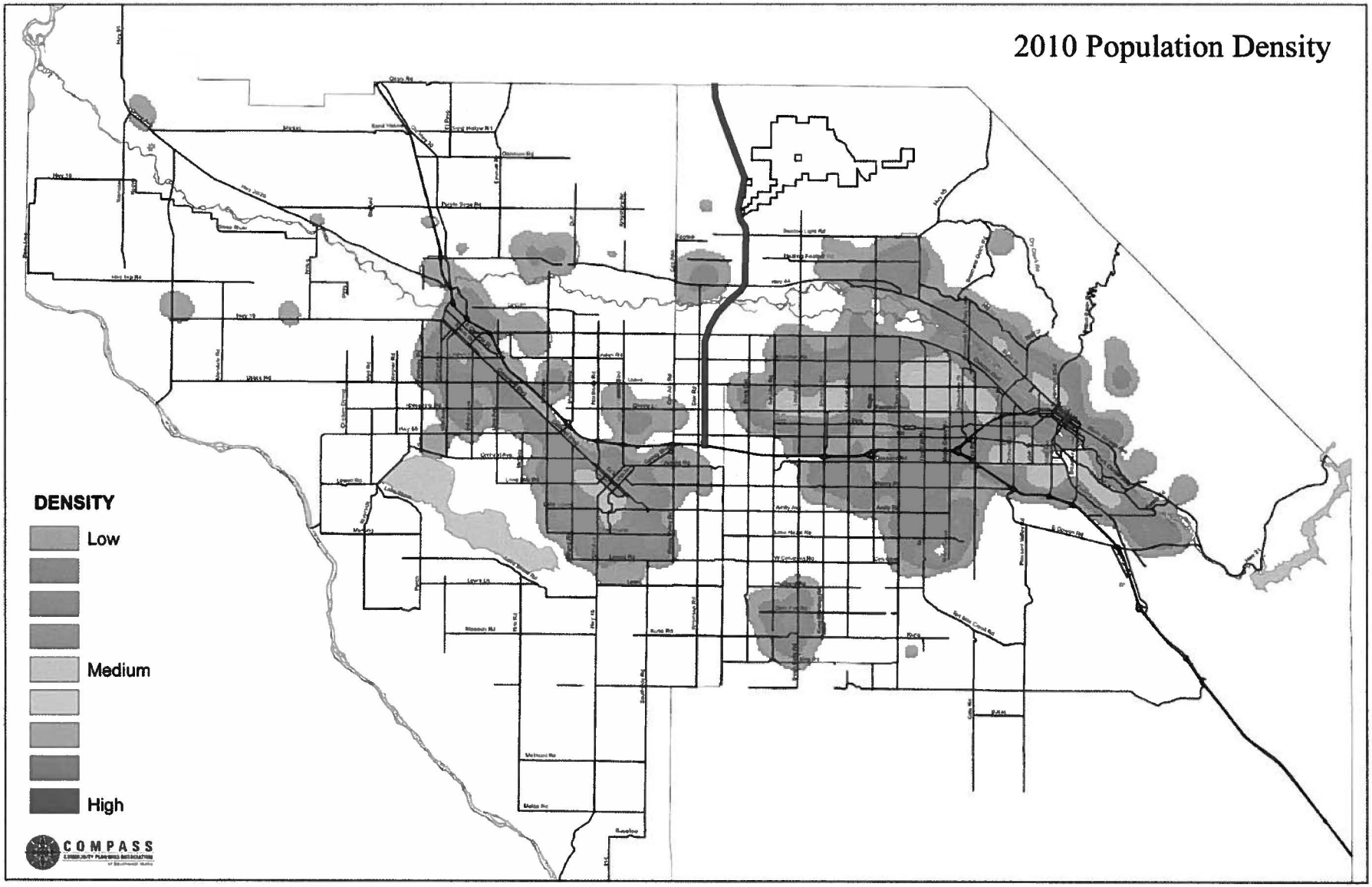
COMPASS forecast predicts an annual average population growth of 2.4 percent per year in the two-county region over the 2010 to 2035 period. This is a region-wide average; some areas will grow faster than 2.4 percent, a point graphically demonstrated in the colored maps that follow on the next slides, which show where in the Treasure Valley population is projected to be concentrated over time.

The spatial distribution of the forecasted population in the COMPASS Community Choices Forecast favors development in the Eagle area, including the M3 Eagle (Spring Valley) portion of the City. COMPASS did not evaluate the M3 Eagle project itself, which projects faster absorption rates than the average for residential subdivisions (as we have seen in Hidden Springs and Harris Ranch) because it is a planned community designed to provide housing product in several categories of demand.

The planned improvement of Idaho SH-16 will spur development in and around its corridor. This will be further enhanced by its eventual connection to I-84. (The proposed improved SH-16 and the route of its interconnection with I-84 is depicted as a red line on the next four slides.)

To achieve full build-out of just over 7,100 units, Spring Valley need capture only a small portion of the 600,000 increase in population (and a 215,000 increase in households) COMPASS projects by 2040.

The Economy in the Boise MSA



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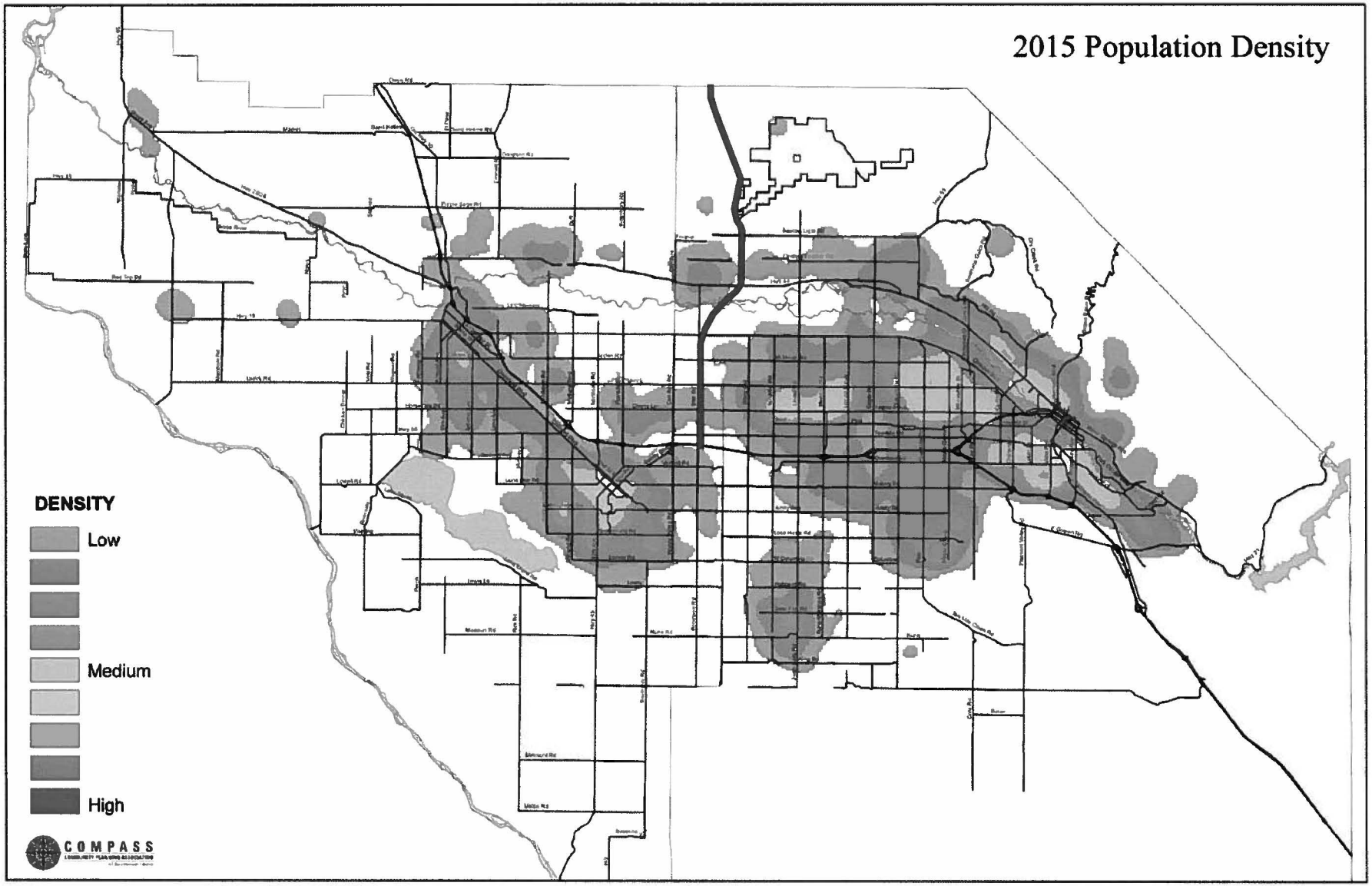

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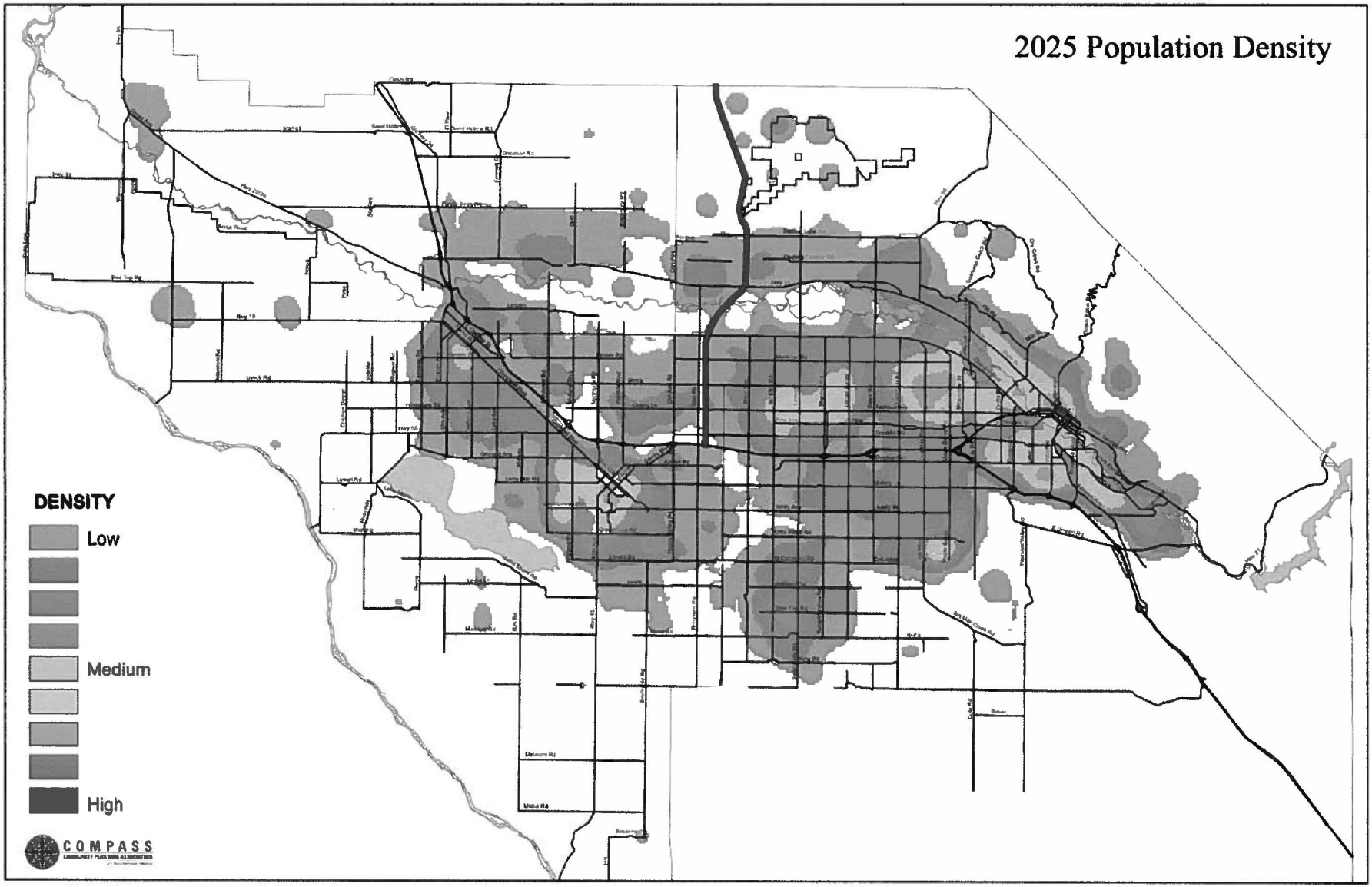

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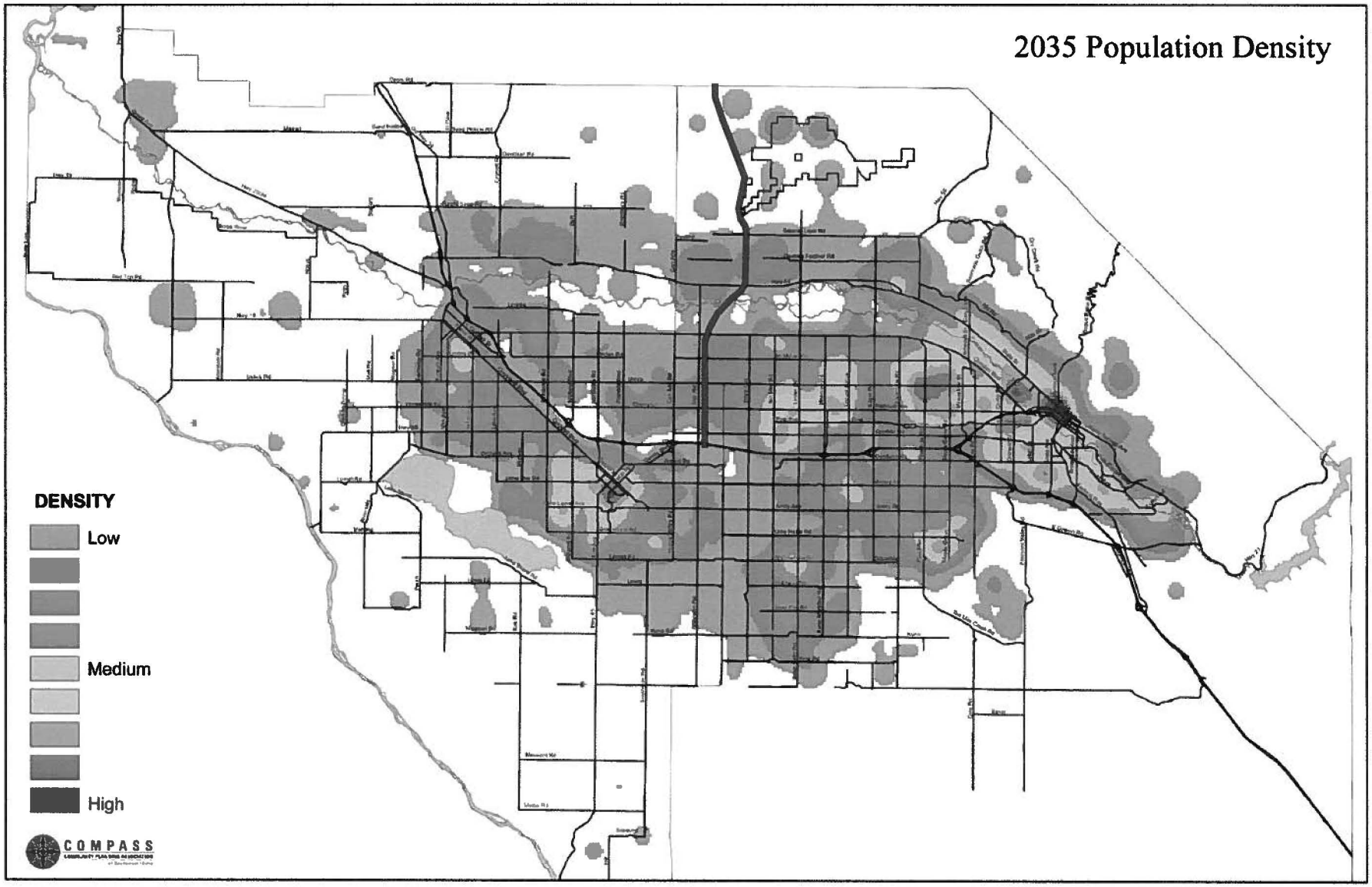
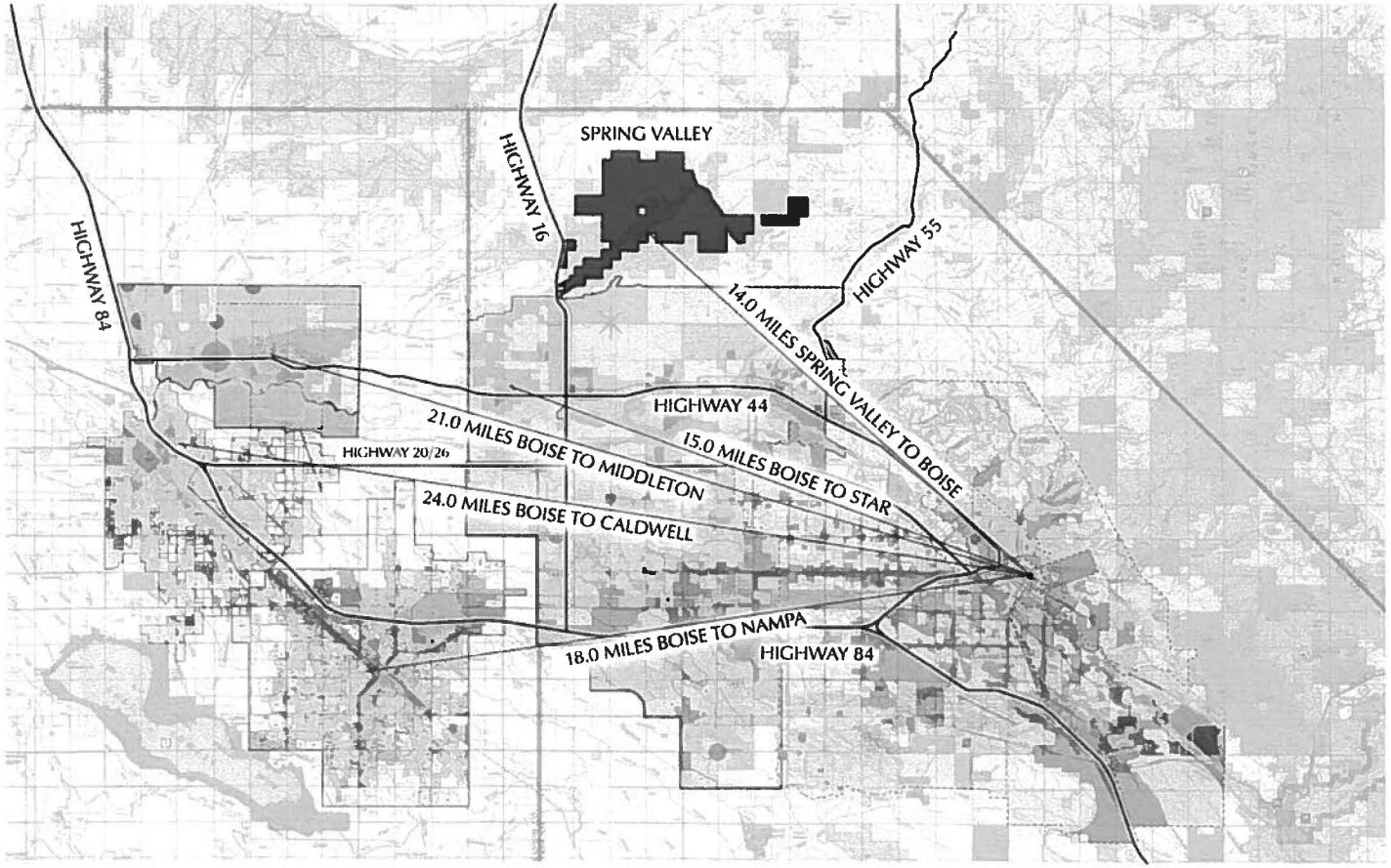


The Economy in the Boise MSA

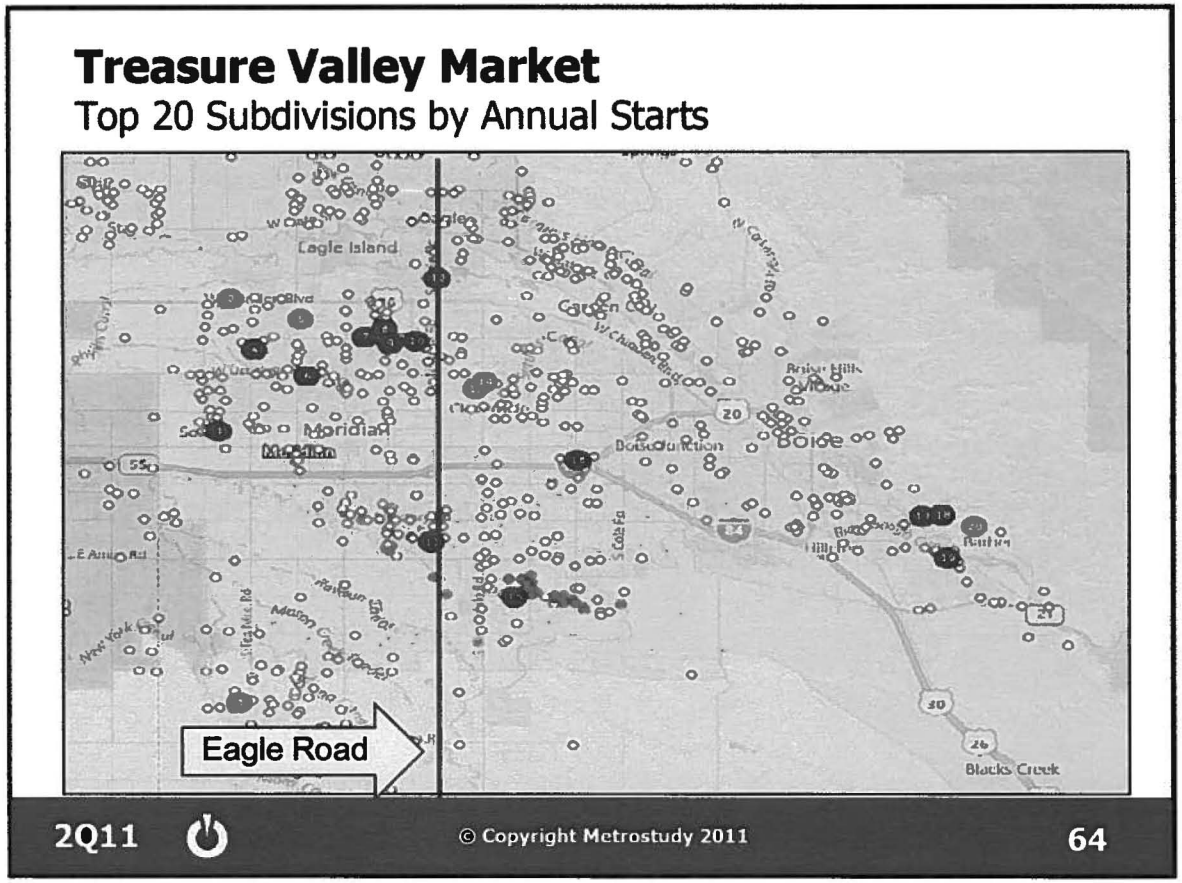
Spring Valley is situated in this same area, and also has good access (excellent access with the Hwy 16 connection) to the region's employment center.



The proximity of Spring Valley to the region's employment center, Boise, provides the development with a comparative advantage over many other communities in the Valley

The Economy in the Boise MSA

Ongoing trends of population growth in Treasure Valley over the last twenty years demonstrate that the bulk of the population and household growth has occurred in Western Ada County and Eastern Canyon County.



The proximity of Spring Valley to the region's employment center is confirmed by the fact that 16 of the 20 fastest growing subdivisions in the Treasure Valley are in Ada County west of Five Mile Road.

The Economy in the Boise MSA

The indications suggest that the time is right for a planned community in the Eagle area that proposes to begin construction in the 2012-2013 period.

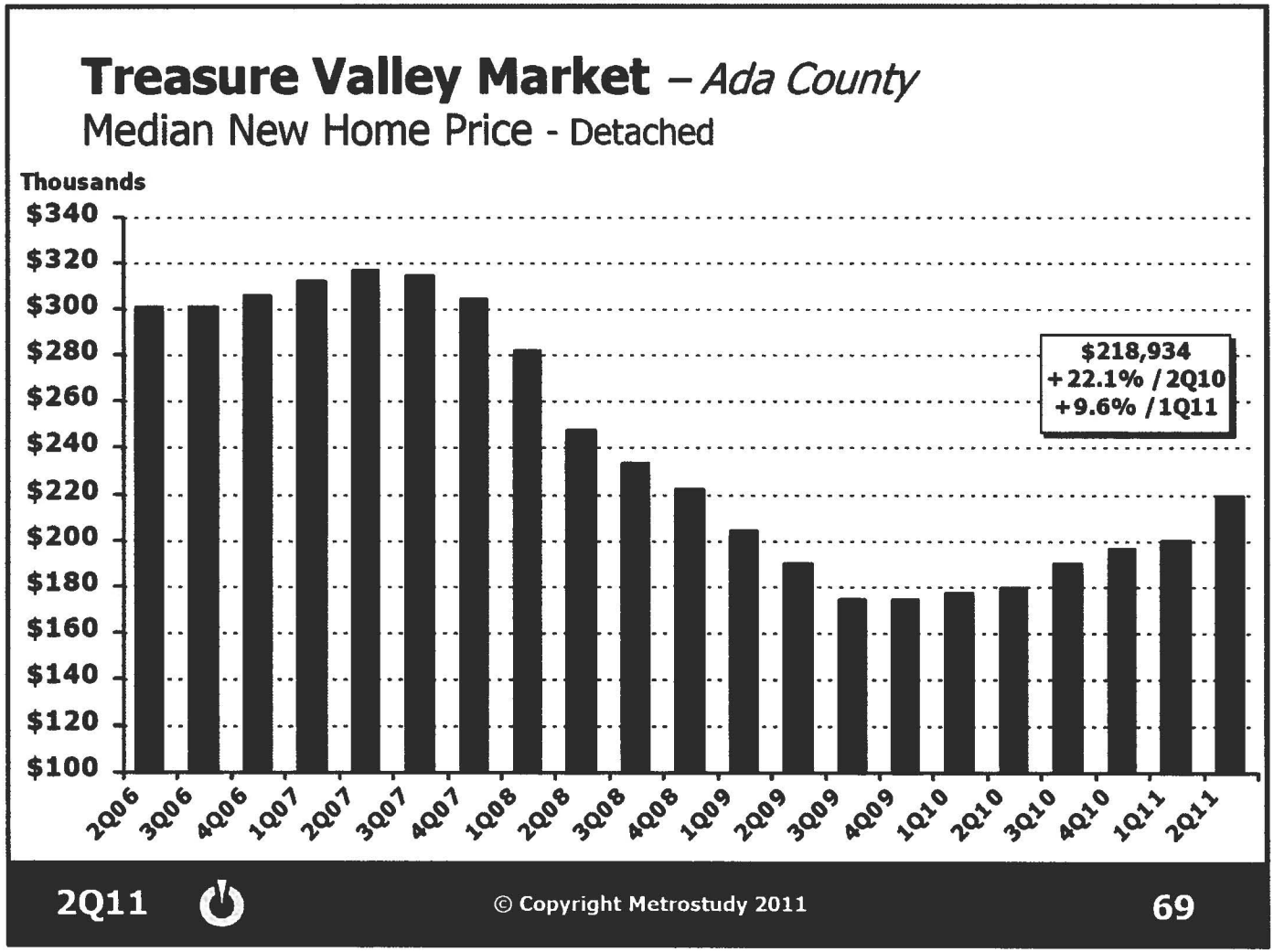
The second quarter 2011 median new home price in Ada County has increased by nearly 22.1% over levels seen in the second quarter of 2010. (See next slide.)

In addition, the inventory of Vacant Developed Residential Building Lots (VDLs) of Type A and Type B (those with utilities and roads in place) has declined to only 12.0% of the total residential building lot inventory in Ada County and 5% in Canyon County. (See slide after next.)

Spring Valley is a planned community development that will provide residential housing choices at many price points in the market. Accordingly, Spring Valley can succeed with a relatively small share of the future residential housing additions across a broader spectrum of price points in the residential housing market.

Source: *Metrostudy, Boise/Treasure Valley Market Area, Second Quarter 2011.*

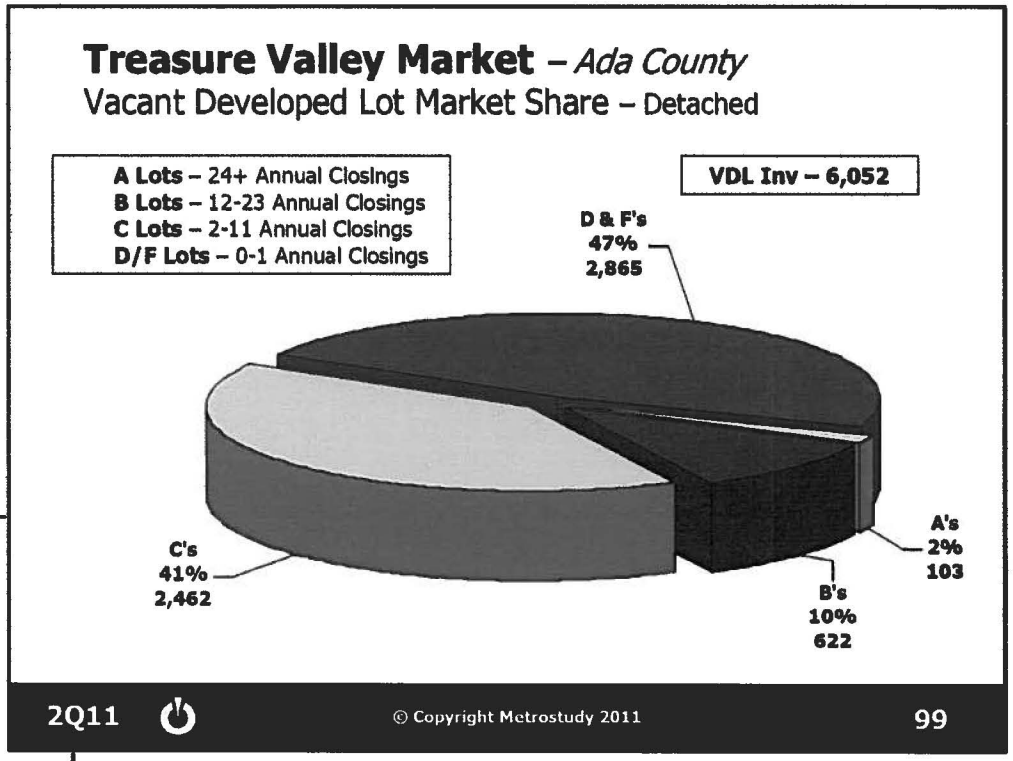
The Economy in the Boise MSA

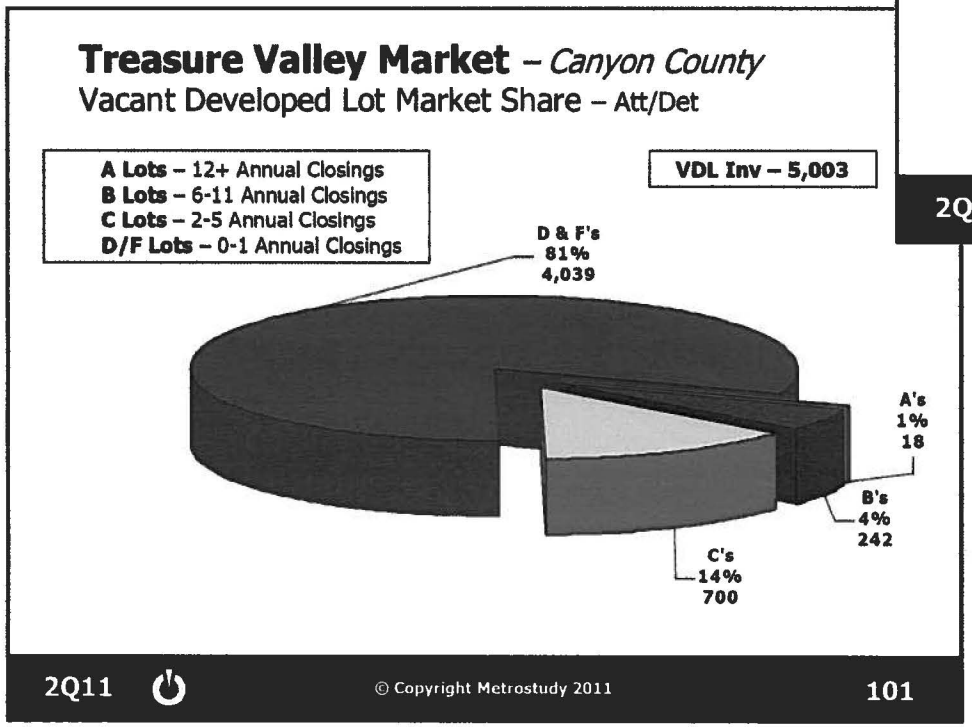


Median new home prices in Ada County are on the upswing—Q2 2011 was up 22.1% over the same quarter in 2010. This shows the housing market is rebounding.

The Economy in the Boise MSA

Ada and Canyon Counties have very little inventory of Type "A" Lots—the type of lots that will be available at Spring Valley.





Robert Charles Lesser Evaluation of Spring Valley

- Robert Charles Lesser "RLCO" completed a market study for Spring Valley in January 2008.
- Reviewed 1) primary family, 2) active adult, and 3) luxury residential market.
- The estimated "fair share" at 4% of market for primary family doubled when including active adult and luxury residential segments.
- 260 units/yr = 4% average locally generated demand; additional 300+ active adult and 100 luxury = 660+ per year based on historical averages.

SOURCE OF DEMAND	SUBJECT CAPTURE ASSUMPTION	EST. ANNUAL ABSORPTION
Scenario 1		
Locally-generated demand: 5,900 annual units	Fair-share: ~4%, reflecting anticipated competition by price range	**260 units** (at the beginning)
Scenario 2		
Locally-generated demand: 5,900 annual units	Fair-share: ~4%, reflecting anticipated competition by price range	260 units (at the beginning)
+ Higher than anticipated migration from California	Higher than fair-share	To be determined
+ "Active Adult" demand	Higher than fair-share, reflects minimum volume for a typical active adult community	300+ units
+ Luxury/resort-oriented demand	Higher than fair-share, reflects creation of a unique environment to attract resort buyers	100 units
=	**Total capture**	**660+ units**

Source: Robert Charles Lesser & Co., *Market Study and Financial Optimization Analysis for a 6,000-Acre Master Planned Community, Eagle, Idaho* (January 29, 2008).

Spring Valley Buildout

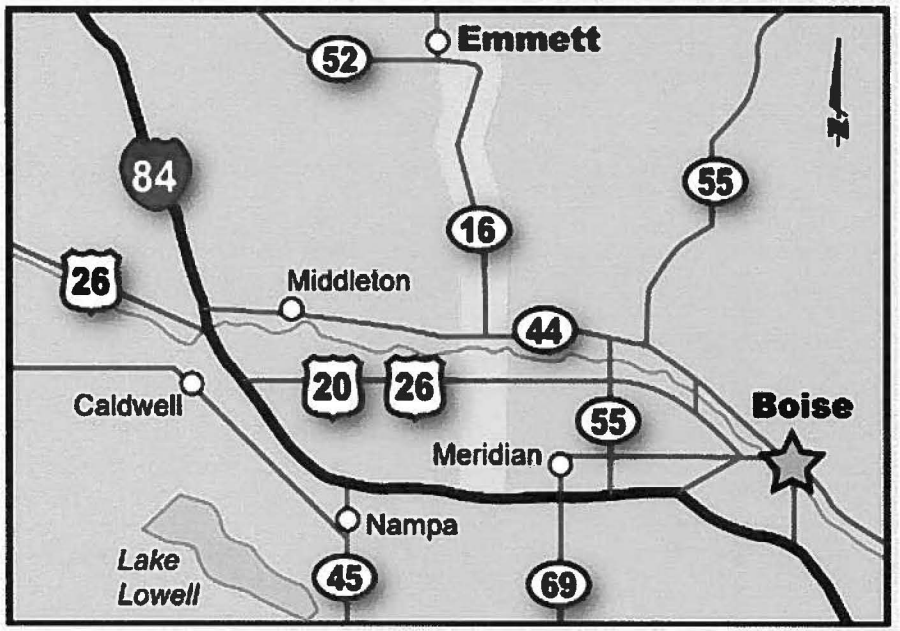
Demographics

- Spring Valley's 7,153 residential units are projected to be home to over 17,000 Eagle residents, including 4,290 children of school age
- Build out is projected over 20 to 30 years
  - 20 year build out is 350 units per year
  - 30 year build out is 238 units per year
  - Based upon RCLO estimate, it would take approximately 12 to 27 years to achieve full build-out Product diversification, if included in a planned community, is an important factor in predicting absorption rates. Spring Valley proposes to provide this diversification and as a result will experience higher absorption rates than those that may be projected for ordinary subdivision development.
- Treasure Valley's population will increase by approximately 550,000 people over 25 years or approximately 220,000 units; Spring Valley reasonably can be projected to absorb 3.25% of that total.
- Since planning began in 2006 on Spring Valley, approximately 18,000 new housing units have been built in the Treasure Valley; had Spring Valley been under development it would have captured 585 or more of these units.
- Based on historical growth patterns, by 2035 the Treasure Valley will require
  - 100,000 acres at 2 density units per acre (156 sections of land), OR
  - 66,000 acres at 3 density units per acre (103 sections of land).
  - The Highway 16 corridor has the potential to meet a significant share of this demand.

Sources: Idaho Economics; COMPASS; M3 Eagle LLC

Highway 16
The "Central Valley Expressway"

- "As western Ada and eastern Canyon counties develop, the ability to move north-south traffic is a primary concern. The project will provide a vital north-south link in the Treasure Valley." (ITD 2011)
- To accommodate the 550,000 new residents of the Treasure Valley over the next 25 years, design is underway to enlarge Highway 16 and bridge the river. Construction is expected to begin in March 2012. (ITD 2011)



Other indicators of the importance of Highway 16 to economic development and job growth

- A group known as the Central Valley Expressway Coalition ("CVEC") has been formed to promote the funding and development of State Highway 16.
- The SH16 corridor can be expected to create significant economic development opportunities in Ada, Canyon, and Gem Counties, as well as in Caldwell, Eagle, Emmett, Meridian, Middleton, Nampa, and Star. In addition, Boise itself should see significant economic effects from the corridor because it will improve access and lower commuting times from these areas to employment centers in Boise and points south and west of Boise.
- Estimated cost to improve the 21.5 miles of SH16 from I-84 to Emmett is $490M; $70M Garvee bonds will fund the start of construction in 2012; construction of the bridge crossing between SH44 and SH20/26 also will begin in 2012.
- In the 10th year the SH16 corridor is projected to have created 3,990 jobs and $121 million in annual income. By the 40th year it is projected to have created 9,460 additional jobs, $287 million in annual income, and $622 million in additional tax revenue to the State, along with approximately 42,000 housing units and 31 million square feet of commercial uses with a property tax value in today's dollars of $9.4 billion.
- The SH16 corridor provides an economic development corridor capable of attracting national employment and economic development opportunities for Idaho and the Treasure Valley
- The COMPASS projections discussed above recognize that the Eagle area will be a fast growing portion of the valley, but do not specifically consider the Highway 16 expansion and what effect on economic development and population growth it will have.

Sources: Idaho Economics; Central Valley Expressway Coalition