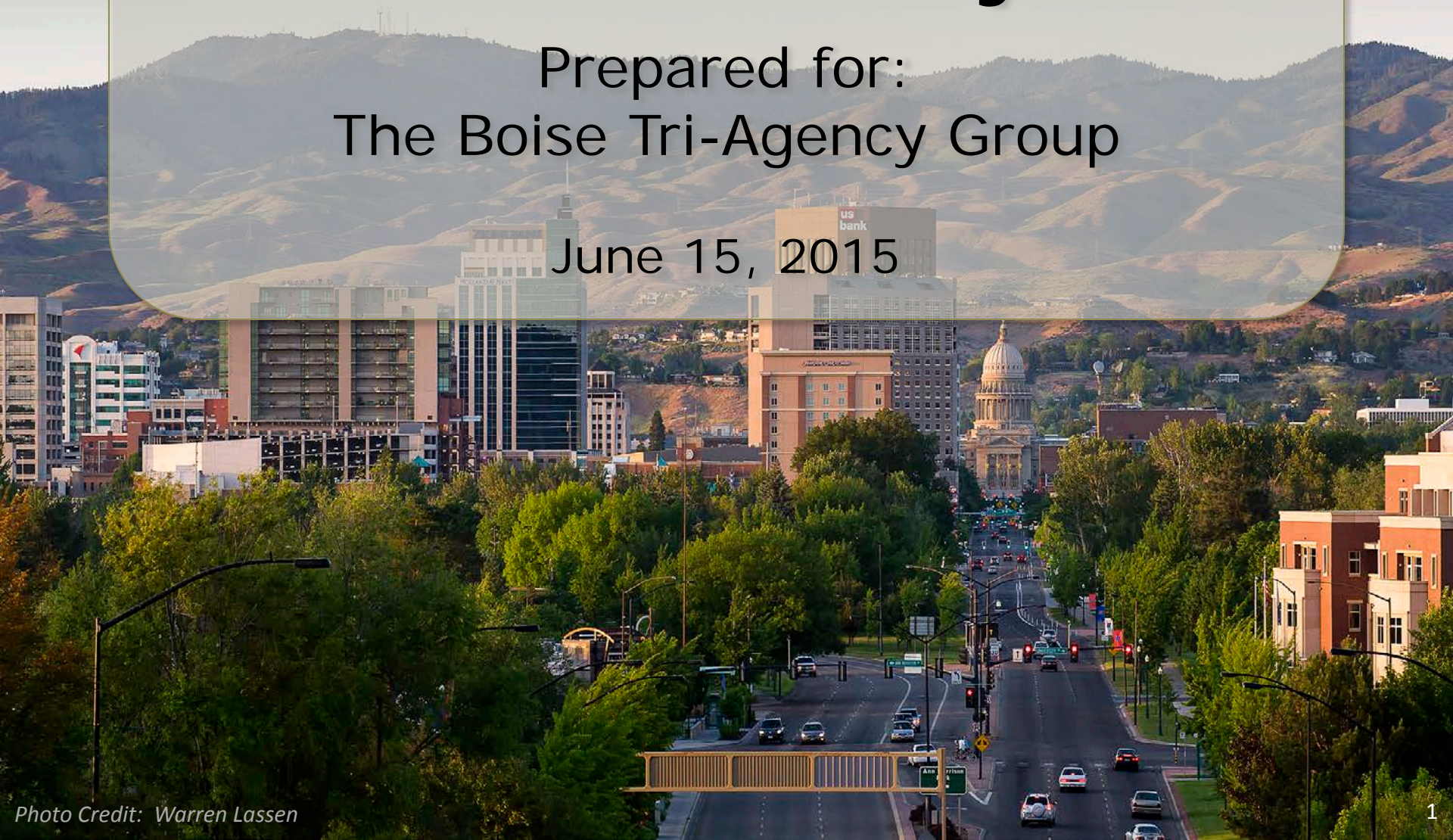


Downtown Boise Hotel Market Study

Prepared for:
The Boise Tri-Agency Group

June 15, 2015



Scope and Methodology

***In evaluating
the Downtown
Boise lodging
market we:***

Reviewed, identified, and quantified the current hotel offerings in the greater Boise downtown area and provided a survey summarizing the number and quality of rooms, broken into traditional hotel market segments;

Assessed the Downtown Boise lodging market based on the City of Boise's needs today;

Identified all lodging facilities currently under development within the downtown Boise market area;

Assessed the future Downtown Boise lodging market based on Downtown Boise's projected needs with regard to projected growth and the expansion of the downtown conference center; and

Compared Downtown Boise's hotel offerings as they exist today against the comparable cities, as specified by the Tri Agency Group.

Definitions

- **Chain Scales:** Chain Scale Segments are a method by which hotels are grouped based on the quality, and the actual average room rates achieved as defined by STR, Inc. The Chain Scale Segments used in this presentation are:

Condensed Chain Scale	Average Room Rate Position	Example
Economy	Lowest 40%	Budget Inn
Midscale (Incl. Midscale & Upper Midscale)	Lower Middle 30%	Red Lion (Midscale) or Hampton Inn & Suites (Upper Midscale)
Upscale (Incl. Upscale & Upper Upscale)	Upper Middle 30%	Residence Inn (Upscale) or The Grove (Upper Upscale)
Luxury	Top 15%	Conrad or Four Seasons

Definitions (cont.)

- **Compound Annual Growth Rate (CAGR):** The average year-over-year growth rate over a specified period of time.
- **Full-Service Hotel:** Full-service hotels are generally upper-priced, upper upscale, or luxury hotels with a restaurant, lounge facilities and meeting space, and offer extensive service levels, often including bell service and room service.
- **Limited-Service Hotel:** Limited-service hotels have rooms-only operations, (i.e. without food and beverage service) or offer a bedroom and bathroom for the night, but very few other services and amenities. These hotels are often in the budget, economy, or midscale group.
- **Average Daily Rate (ADR):** A measure of the average rate paid for rooms sold, calculated by dividing room revenue by rooms sold.
- **Occupancy:** Occupancy is the percentage of available rooms that were sold during a specified period of time. Occupancy is calculated by dividing the number of rooms sold by rooms available.
- **Flag or Brand:** The hotel company owning the rights to a given hotel chain, e.g. Marriott International, Hilton Worldwide.
- **Extended-Stay:** Extended Stay hotels are typically properties that attract 40 to 60 percent of their demand from hotel guests who stay for 5 or more nights. These properties quote weekly rates and offer fully furnished kitchenettes as part of the accommodations, e.g. Homewood Suites or Residence Inn.

City of Boise

Map of Hotels in Greater Downtown Area



Downtown Boise

Lodging Market Today

Current Lodging Inventory

Hotel	Number of Rooms	Year Opened	Affiliation	Target Market	Condensed Chain Scale/ Service	Number of Meeting Rooms	Amount of Meeting Space (SF)	Meeting Space per Guestroom (SF)
Budget Inn	44	1966	Independent	Business & leisure	Economy/ Limited Service	0	0	0
Red Lion Hotel Boise Downtowner	182	1968	Red Lion Hotels	Business, leisure & group	Midscale/ Limited Service	13	8,425	46
Safari Inn	103	1966	Independent	Business & leisure	Midscale/ Limited Service	0	0	0
Hampton Inn & Suites Downtown	186	2007	Hilton Worldwide	Business & leisure	Midscale/ Limited Service	7	2,900	16
TownePlace Suites Boise Downtown	121	2008	Marriott International	Business & leisure	Midscale/ Limited Service	1	900	7
Courtyard Boise Downtown	162	1996	Marriott International	Business & leisure	Upscale/ Limited Service	2	1,000	6
The Modern	41	1978	Independent	Leisure	Upscale/ Limited Service	0	0	0
Residence Inn Boise Downtown	104	1986	Marriott International	Business & leisure	Upscale/ Limited Service	1	460	4
Hotel 43	112	1978	Independent	Business & leisure	Upscale/ Full Service	2	1,757	16
The Grove	234	1997	Independent	Business, leisure & group/convention	Upscale/ Full Service	20	12,162	52
Total:	1,289	-	-	-	-	46	27,604	21
Average:	129	-	-	-	-	5	2,760	-

Downtown Boise

Current Lodging Market Summary

Summary of Downtown Boise Lodging Market

Number of Hotels	Total Available Guestrooms	Average Number of Guestrooms per Hotel	Largest Hotel	Hotel with Largest Meeting Capacity	Total Amount of Hotel Meeting Space (SF)	Meeting SF/ Guestroom
10	1,289	129	The Grove (234 Rooms)	The Grove (12,162 SF)	27,604	21

Number of Hotels by Chain Scale ¹

Economy	Midscale	Upscale	Luxury
1	4	5	0

¹ As defined by STR, Inc.

Hotel Type

Full-Service	Limited-Service
2	8

Hotel Branding

Branded	Independent
5	5

Downtown Boise

2014 Lodging Market Performance

Boise – 2014 Downtown Lodging Market Performance – All Hotels Combined

Estimated Occupancy ¹	Total Occupied Guestrooms	Total Available Guestrooms	Estimated Average Daily Rate	Estimated RevPAR
70%	329,340	470,485	\$105	\$75

¹ Hotel demand peaks during the summer and during mid-week (Tuesday through Thursday). During those times, hotels will be unable to accommodate additional guests, creating a shortage of rooms.

² Average Daily Rate represents a blended average of the yearly average rate of all of the downtown Boise hotels.

Estimated Mix of Demand

Leisure	Corporate	Group
25%	55%	20%
82,335	181,137	65,868

National Lodging Market Statistics – 2014

Occupancy	Average Daily Rate	Revenue Per Available Room
64.4%	\$115	\$74

Mid-Week & Seasonal Demand

Performance by Day of Week (2014/2015)

Day of Week	Occupancy	ADR	RevPAR
Sunday	48%	\$101	\$48
Monday	72%	\$111	\$80
Tuesday	80%	\$115	\$93
Wednesday	82%	\$116	\$94
Thursday	73%	\$110	\$81
Friday	71%	\$102	\$72
Saturday	66%	\$101	\$67

Performance by Month (2014)

Day of Week	Occupancy	ADR	RevPAR
January	52%	\$104	\$54
February	67%	\$108	\$72
March	66%	\$106	\$70
April	68%	\$106	\$72
May	70%	\$109	\$77
June	79%	\$110	\$86
July	79%	\$111	\$87
August	79%	\$108	\$85
September	77%	\$110	\$84
October	79%	\$111	\$88
November	61%	\$107	\$66
December	57%	\$109	\$62
Total Year	70%	\$105	\$75

Downtown Boise

Assessment of Lodging Market Needs Today

Finding #1	Assessment
<p>The most recent additions to the downtown Boise lodging market were the TownePlace Suites in 2008 and the Hampton Inn & Suites in 2007</p>	<ul style="list-style-type: none">• There have been no new hotels built in this market in the last seven years, resulting in a lack of hotel products designed to cater to the modern day traveler (e.g. lifestyle, boutique hotels and branded, full-service hotels)• 80% of the hotel inventory in downtown Boise is more than 18 years old.

Downtown Boise

Assessment of Lodging Market Needs Today

Finding #2

The independent, upscale, Grove Hotel is Boise's largest downtown Hotel

Assessment

- The Grove is an independent hotel and the majority of business and leisure travelers typically prefer to stay at branded hotels in order to earn "rewards points."
- The lack of a nationally brand may preclude travelers from finding the hotel.
- The Grove is of insufficient size to compete for large, in-house corporate group events or serve as the primary headquarter hotel for Boise Center convention business.

Downtown Boise

Assessment of Lodging Market Needs Today

Finding #3	Assessment
The majority of Boise's hotels (10) are economy, midscale, or upscale hotels	<ul style="list-style-type: none">• Downtown Boise lacks sufficient full-service, upscale or luxury hotels to cater to executive level independent business and leisure travelers and to mid or large sized corporate groups.

Downtown Boise

Assessment of Lodging Market Needs Today

Finding #4	Assessment
<p>High mid-week business and leisure demand creates a shortage of availability for group and convention demand.</p>	<ul style="list-style-type: none">• According to the Boise CVB, the majority of convention groups prefer room blocks (300 – 400) in one full-service, branded hotel• Convention business is currently being lost due to the lack of available group room blocks at a single, convention headquarter hotel.• Mid-week occupancy (Tuesday, Wednesday, and Thursday) is already at capacity (77%).

Boise Centre – Expected Completion: Summer 2016

An expansion project is underway at the Boise Centre to add the following to the facility:

- A 13,000 square foot ballroom
- 13,000 square feet of meeting space
- 8,000 square feet of pre-function space

This additional space will give the Boise Centre the capacity to:

- Host an additional 500 attendees on peak event days, for a total of 1,000 attendees.
- Host an additional 20 to 30 conventions per year, for a total of 60 to 70 events.
- Increase peak room night persons from 300 - 400 to 600 - 800.

Downtown Boise

Other Commercial Developments

Additional Developments

Jack's Urban Meeting Place (J.U.M.P.):

- Scheduled to open in the spring of 2016
- \$70 million development currently under construction
- Includes:
 - Amphitheater for live events with 1,200 seats
 - Three-acre urban park
 - Two large meeting and performance spaces

City Center Plaza:

- 206,000 square foot of Class A office and retail space in a nine-story building
- \$70 million development
- Scheduled to open in early to mid 2016

Parcel B:

- +/- 300 room hotel plus possible multi-use retail and office facility

Simplot Headquarters:

- 9-story office building near J.U.M.P. facility
- Will house 900 employees in downtown Boise
- Will be an international headquarters

Downtown Boise

Other Lodging Demand Indicators

- **Boise Airport (BOI):** BOI is the busiest in the State of Idaho. Passenger levels in 2014 represented a 5.0% increase over 2013 levels.
- **Boise State University:** This campus, located adjacent to downtown, is the largest university in Idaho with approximately 22,000 students. The University is home to the Boise State Broncos football team, that play on the famous blue turf field at BSU.
- **Employment:** As of March 2015, the unemployment rate for the City of Boise was 4.1 percent, compared to 5.5 percent for the Nation as of the same time period.
- **Office Statistics:** According the 2014 Year-End Real Estate Market Review by Colliers International, the Downtown Boise submarket contained approximately 4.2M square feet of net rentable commercial office space with a vacancy rate of 14.4 percent. Net absorption was 9,771 square feet in 2014 .

Downtown Boise

Historical Lodging Market Performance

Downtown Boise Lodging Market Historical Performance of the Competitive Market

Year	Annual Supply	Occupied Rooms	Percent Change	Market Occupancy
2000	358,430	258,070	-	72%
2001	358,430	250,901	-3%	70%
2002	358,430	258,070	3%	72%
2003	358,430	243,732	-6%	68%
2004	358,430	258,070	6%	72%
2005	358,430	250,901	-3%	70%
2006	358,430	250,901	0%	70%
2007	420,845	277,758	11%	66%
2008	463,185	273,279	-2%	59%
2009	470,485	263,472	-4%	56%
2010	470,485	301,110	14%	64%
2011	470,485	315,225	5%	67%
2012	470,485	329,340	4%	70%
2013	470,485	334,044	1%	71%
2014	470,485	329,340	-1%	70%
CAGR	2.0%	1.8%	-	-

**Occupied
Rooms CAGR**

2009-2014

4.6%

Source: STR, Inc.

2014 Estimated Mix of Demand

Leisure	Corporate	Group	Total
25%	55%	20%	100%
82,335	181,137	65,868	329,340

Downtown Boise

Supply & Demand

Historical Supply and Demand - Downtown Boise



Downtown Boise

Estimated Hotel Market Growth

Downtown Boise Lodging Market

Projected Performance of the Competitive Market – Assuming All Demand is Accommodated

Year	Available Rooms	Hypothetical Occupied Rooms				Percent Change	Hypothetical Market Occupancy ¹	Actual Occupancy ²	Actual Occupied Rooms	Unsatisfied Demand
		Leisure	Corporate	Group	Total					
2012 Actual	470,485	82,335	181,137	65,868	329,340	-	70%	70%	329,340	-
2013	470,485	86,450	190,190	69,160	345,800	5%	73%	71%	334,044	11,800
2014	470,485	90,775	199,705	72,620	363,100	5%	77%	70%	329,340	33,800
2015	470,485	95,325	209,715	76,260	381,300	5%	81%	70%	329,340	52,000
2016	470,485	100,100	220,220	80,080	400,400	5%	85%	70%	329,340	71,100
2017	470,485	106,100	233,420	84,880	424,400	6%	90%	70%	329,340	95,100
2018	470,485	111,400	245,080	89,120	445,600	5%	95%	70%	329,340	116,300
2019	470,485	115,850	254,870	92,680	463,400	4%	98%	70%	329,340	134,100
2020	470,485	119,325	262,515	95,460	477,300	3%	100%	70%	329,340	148,000
CAGR ('14 – '20)	0%	5%	5%	5%	5%	-	-	-	0%	-

Note: Future projections do not account for any potential additions to the local market supply

¹ Assumes 5% growth in 2013 and 2014

² Estimated peak occupancy given existing inventory and demand segmentation and seasonality

Market Growth Conclusions

- We anticipate lodging demand will increase by 148,000 rooms over the next six years
- Increase in demand of 148,000 rooms / 70% occupancy = 211,430 rooms per hotel per year (assume new hotels run 70%)
- 211,430 rooms per year / 365 days per year = **approximately 580 additional guestrooms needed in the local market**

- **Assuming hotels run approximately 70% occupancy, this results in a shortage of 580 rooms.**

Downtown Boise

Projected Hotel Supply Additions as of June 15, 2015

Boise, Idaho – Proposed New Hotels

Hotel	Number of Rooms	Expected Opening Date	Brand Affiliation	Target Market	Condensed Chain Scale/ Service	Location
Proposed Limited-Service	175	Mid-2016	Branded	Business & leisure	Upscale/ Limited Service	10 th & Bannock
Proposed Extended Stay	186	Late-2016	Branded	Business & leisure	Upscale/ Limited Service	410 S. Capitol
Proposed Boutique	104	Late 2016	Independent	Business & leisure	Upscale/ Full Service	500 South Capital
Proposed Full-Service	300	Early 2017	Branded	Business, leisure, & group	Upscale/ Full Service	Parcel B
Total Additional Guestrooms:	765					

Downtown Boise

Assessment of Future Lodging Market

Finding #1	Assessment
<p>765 new guestrooms have been proposed in the downtown Boise area to be completed by early 2017.</p>	<ul style="list-style-type: none">• As these are proposed hotels, it is unlikely that they will all be completed, thus suggesting that there may not be enough to rooms to meet forecasted demand over the next six years.• If all proposed hotels are built, the increase in hotel room inventory would be sufficient to meet the overall growth in lodging demand (765 new rooms vs. demand for 580 new rooms).• The largest proposed hotel (300 rooms) would represent an increase of 66 guestrooms over Boise's current largest hotel and, if branded and full-service, would better meet the growing need for a full-service, convention headquarter hotel. However, a hotel with closer to 350 to 450 rooms would better serve this need.

Downtown Boise

Assessment of Future Lodging Market

Finding #2

The expansion of the Boise Centre will increase the need for hotels in downtown Boise.

Assessment

- After the expansion, the Boise Centre will have the capacity to host an additional 500 people on peak event days and would require 400 to 500 guestrooms on a peak night. In order to capture the majority of these at one hotel, and therefore not lose conventions to competing cities, a new hotel with 350 to 450 rooms would be ideal.

Downtown Boise

Assessment of Future Lodging Market

Finding #3	Assessment
<p>Boise was listed by Forbes as one of the 15 fastest growing cities in 2013, with a growth rate of 1.8%.</p>	<ul style="list-style-type: none">• As previously mentioned, no new hotels have been built in Boise in the past seven years. The new proposed hotels will serve to address that deficiency and add new, high-quality guestrooms to the lodging market.• With population growth, all segments of lodging demand are projected to increase, creating additional demand for guestrooms downtown.

Downtown Boise

Summary of Comparable Cities and Competing Conference Cities

Summary of Competing Conference Cities

City	Number of Downtown Hotels	Number of Rooms	Largest Hotel	Largest Hotel Number of Rooms	Condensed Chain Scale			
					Budget	Midscale	Upscale	Luxury
Boise, ID	10	1,289	The Grove Hotel	234	1	4	5	0
Competing Conference Cities								
Portland, OR	51	8,268	Hilton Portland & Executive Tower	782	8	13	24	6
Sacramento, CA	30	3,862	Sheraton/Hyatt Regency	503	7	15	6	2
Salt Lake City, UT	31	7,074	Little America at Salt Lake City	850	7	8	16	0
Spokane, WA	19	2,745	Red Lion Hotel at The Park	400 ¹	5	9	5	0
Average:	28	4,648	-	554	6	10	11	2

Note: Downtown hotels were selected based on proximity to each cities' central business district (CBD) and convention center

¹ A 716-room hotel will be opening in Spokane this summer making it the largest hotel in downtown Spokane.

Downtown Boise

Summary of Comparable Cities and Competing Conference Cities

Summary of Comparable Cities

City	Number of Downtown Hotels	Number of Rooms	Largest Hotel	Largest Hotel Number of Rooms	Condensed Chain Scale			
					Budget	Midscale	Upscale	Luxury
Boise, ID	10	1,289	The Grove Hotel	234	1	4	5	0
Comparable Cities								
Albuquerque, NM	49	5,100	Hyatt Regency Albuquerque	395	7	21	20	1
Greenville, SC	19	3,023	Hyatt Regency Greenville	327	0	8	11	0
Little Rock, AR	14	2,314	Marriott Little Rock	418	1	5	7	1
Madison, WI	18	2,547	Madison Concourse Hotel (Independent)	367	0	8	7	3
Tucson, AZ	57	6,052	JW Marriott Tucson	575	14	23	17	3
Tulsa, OK	11	1,794	Hyatt Regency Tulsa	454	1	3	7	0
Average:	25	3,160	-	396	3	10	11	1

Note: Downtown hotels were selected based on proximity to each cities' central business district (CBD) and convention center

Comparable/Competing Cities

Convention Center Data

Boise, Idaho – Comparable/Competing Cities – Convention Center Data

City	Convention Center	Exhibit Space (SF)	Meeting Space (SF)	Total Convention Center Space (SF)	Convention Center Meeting SF/ Guestroom
Sacramento, CA	Sacramento Convention Center	137,000	31,400	168,400	8
Albuquerque, NM	Albuquerque Convention Center	167,000	50,000	217,000	10
Tucson, AZ	Tucson Convention Center	113,940	60,324	174,264	10
Little Rock, AR	Statehouse Convention Center	80,000	33,400	113,400	14
Madison, WI	Monona Terrace	55,800	36,500	92,300	14
Portland, OR	Oregon Convention Center	255,000	111,732	366,732	14
Greenville, SC	TD Convention Center	280,000	60,000	340,000	20
Salt Lake City, UT	Salt Palace Convention Center	515,000	164,000	679,000	23
Boise, ID	Boise Centre (Today)	N/A	50,000	50,000	39
	Boise Centre (2016)	25,000	56,600	81,600	43
Tulsa, OK	Cox Business Center	102,600	80,000	182,600	45
Spokane, WA ¹	Spokane Convention Center	100,200	203,340	303,540	74
Average:	-	164,231	80,063	244,294	26

¹ New 716-room downtown hotel will significantly decrease Meeting SF/Guestroom statistic for Downtown Portland

Comparable/Competing Cities

Key Statistics

Comparable/Competing Cities

City	MSA Population	Rooms/1,000 Persons	Population CAGR Since 2010	Current Rentable Commercial Office Q1-2015 (SF)	Office SF/ Guestroom	Airport Passengers (2014)
Sacramento, CA	2,215,770	1.74	0.9%	10.60M	2,745	8.39M
Tulsa, OK	961,531	1.87	0.5%	8.79M ¹	4,900	2.65M
Boise, ID	650,288	1.98	1.3%	4.2M¹	2,503	2.62M
Little Rock, AR	724,385	3.19	0.6%	-	-	2.09M
Greenville, SC	850,965	3.55	1.1%	3.65M	1,207	1.90M
Madison, WI	627,431	4.06	1.3%	3.52M ¹	1,382	1.62M
Portland, OR	2,314,554	5.12	1.4%	21.81M	2,638	14.51M
Albuquerque, NM	902,797	5.65	0.6%	3.02M	592	4.87M
Tucson, AZ	996,554	6.07	0.3%	0.98M ¹	162	3.13M
Salt Lake City, UT	1,140,483	6.20	0.8%	10.63M	1,503	18.98M (Hub)
Spokane, WA	535,724	13.03	0.2%	-	-	2.84M
Average:	1,083,680	3.91	0.8%	7.47M	2,043	5.78M

¹ Reflects 2014 year-end data

Comparable/Competing Cities

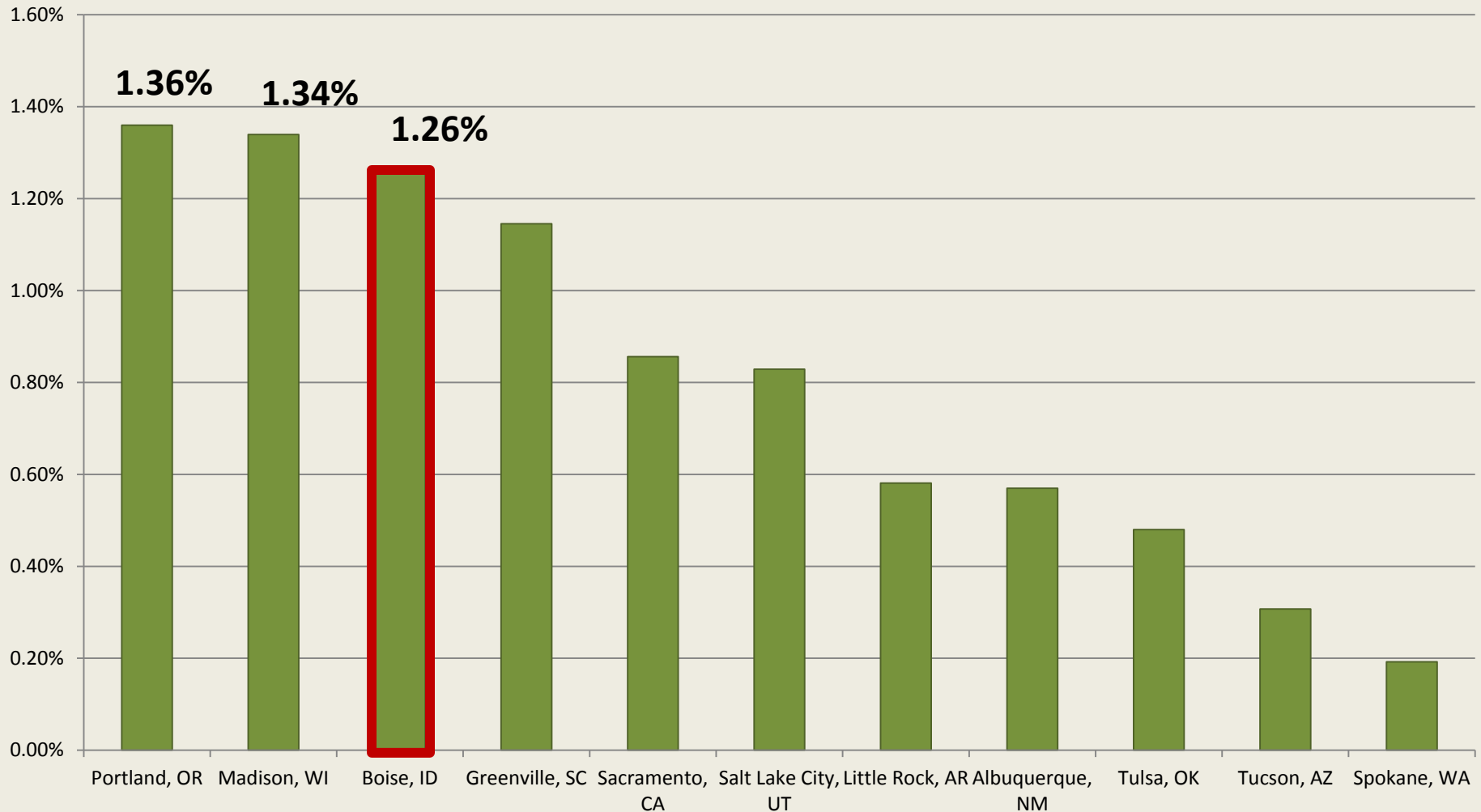
Summary

Comparable/Competing Cities					
City	MSA Population	Largest Hotel # of Rooms	Meeting SF/ Guestroom	Rooms/1,000 persons	Population Growth CAGR
Boise, ID	650,288	234	38.79	1.98	1.26%
Spokane	535,724	400	74.08	5.12	0.19%
Madison, WI	627,431	367	14.33	4.06	1.34%
Little Rock, AR	724,385	418	14.43	3.19	0.58%
Greenville, SC	850,965	327	19.85	3.55	1.15%
Albuquerque, NM	902,797	395	9.80	5.65	0.57%
Tulsa, OK	961,531	454	44.59	1.87	0.48%
Tucson, AZ	996,554	575	9.97	6.07	0.31%
Salt Lake City	1,140,483	850	23.18	6.20	0.83%
Sacramento	2,215,770	503	8.13	1.74	0.86%
Portland	2,314,554	782	13.51	3.57	1.36%
Average:	1,083,680	482	24.61	3.91	0.81%

Comparable/Competing Cities

Population Growth Since 2010

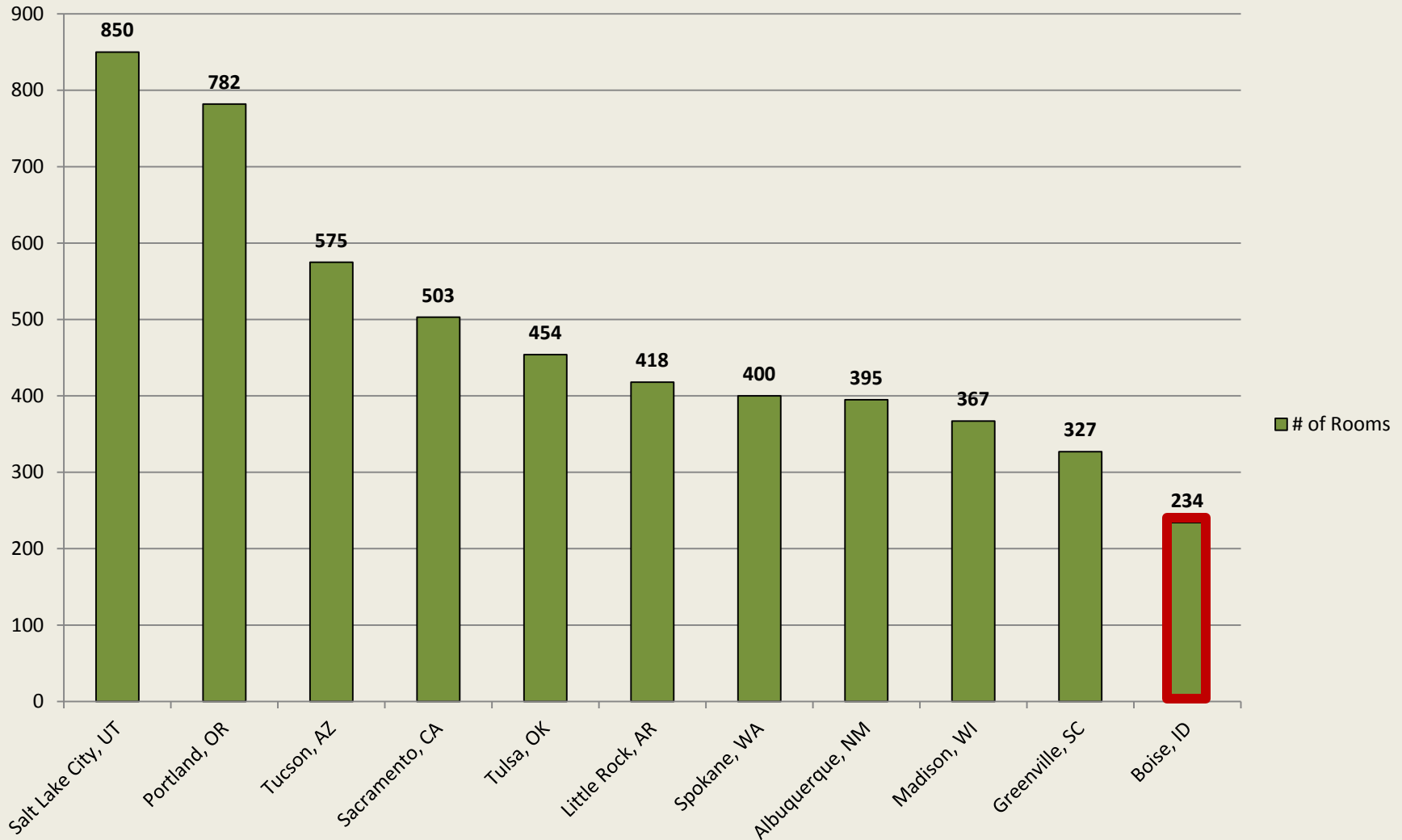
Population Compound Annual Growth Rate Since 2010



Comparable/Competing Cities

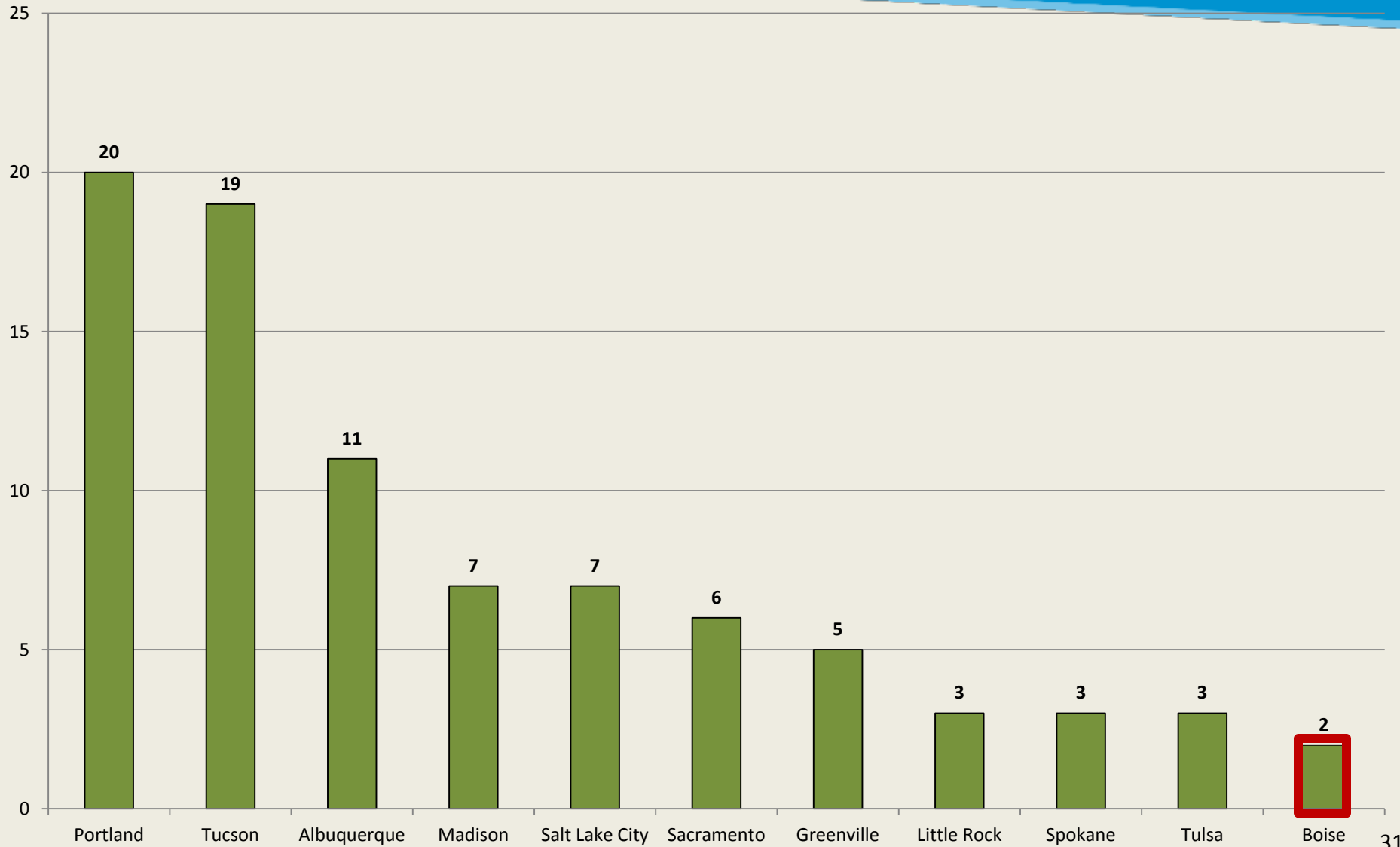
Comparison of Largest Individual Hotel Size (Guestrooms)

Largest Hotel Number of Rooms and City Population



Comparable/Competing Cities

Number of Downtown Full-Service Hotels



Comparable Market Conclusions

- Relative to the comparable markets, downtown Boise has the second fewest downtown hotels, fewest downtown guestrooms, and the fewest number of upscale/luxury hotels.
- With the exception of Spokane and Tulsa, Boise has the fewest guestrooms per square foot of convention center meeting space.
- Boise is the third fastest growing city among the surveyed cities, yet no new hotels have been built in downtown Boise since 2008.
- Boise's largest downtown hotel has fewer guestrooms than all of the comparable cities by between 93 and 616 guestrooms.
- Boise has the fewest full-service hotels and guestrooms downtown relative to all the comparable cities.

Downtown Boise

Summary of Conclusions

Final Study Conclusions

Assessment of downtown Boise's current lodging market needs:

- Boise's current downtown lodging inventory consists of many older, midscale, limited-service hotels and does not fully meet the transient and group demand requirements that exist in the market today.
- Boise's market runs approximately 80 percent occupancy on Tuesday through Thursday. The new supply would only serve that current mid-week unsatisfied demand.

Assessment of downtown Boise's projected lodging market needs:

- While the proposed new hotel rooms would be sufficient to meet projected lodging demand over the next six years, we recommend at least one, full-service, branded hotel be developed that contains between 350 and 450 hotel rooms.
- While there are 4 hotels proposed representing 765 rooms, they likely will not all be built thus suggesting that the Boise market will be undersupplied over the next five to six years. Furthermore, these hotels are mainly designed to cater to transient, mid-week business and leisure demand and do not satisfy the need for one large hotel to accommodate convention group demand

Assessment of downtown Boise relative to selected comparable and competitive cities:

- Boise contains an older downtown lodging inventory with fewer available hotels and guestrooms when compared to all of the comparable cities.
- The largest hotel in Boise (The Grove) is considerably smaller than the largest hotel in other competing markets.
- Boise's inventory of quality, branded, full-service hotels is considerably below the average of comparable markets.

New Supply

How does the new supply address Boise's needs?

Assessment of New Supply

Hotel	Full-Service?	Over 350 Rooms?	Branded?	Downtown Location?	Chain Scale?	Target Market?
Proposed Limited-Service			✓	✓	Upscale	Transient – Business & Leisure
Proposed Extended Stay			✓	✓	Upscale	Extended Stay – Business & Leisure
Proposed Boutique	✓			✓	Upscale	Transient – Business & Leisure
Proposed Full-Service	✓		✓	✓	Upscale	Transient – Business, Leisure, & Group