

MARKETBEAT

OFFICE SNAPSHOT

BOISE, ID

A Cushman & Wakefield Alliance Research Publication

Q4 2013

ECONOMIC OVERVIEW



The U.S. economy gained some steam through the latter part of the year with Q3 13 GDP raised to 4.1% and initial Q4 13 GDP at 3.2%. Additionally, job growth expanded with just over 2.0 million jobs added over the last 12 months. These improvements have pushed the U.S.

unemployment rate down to 6.7%, the lowest it has been since 2008. The Boise Metropolitan Statistical Area (MSA) continues to outperform the overall U.S. economy with an unemployment rate of 5.9%, representing a 0.4 percentage point (pps) decline over the prior year and 0.2 pps better than what was forecast for the year.

Additional job growth looks promising as Boise continues to maintain a competitive edge on cost of doing business. Despite strong job growth, the unemployment numbers include a relatively high number of part-time workers who would prefer full-time work.

STATS ON THE GO

	Q4 2013	12 MONTH FORECAST
Overall Vacancy	16.6%	▲
Overall Weighted Average Asking Rents (psf/yr)	\$15.73	▲

BOISE OFFICE MARKET

As expected the vacancy rate for office product ticked up slightly through the latter half of the year as the Village at Meridian completed the office portion of this project. This trend will continue in the short term as additional product comes online. Despite this uptick, both class B and C vacancy rates decreased as they were unaffected by the new product. Although the overall vacancy rate increased slightly, the average asking price increased by 2.7% over the last 6 months. Additionally, concessions such as free rent and tenant improvements are decreasing.

The 253,000 sf Eighth & Main project in downtown Boise continued to move forward and tenants are expected to begin moving in during Q1 14. The office portion of the property is approximately 85% pre-leased. Several tenants in the building are relocating from other properties in the downtown area which will affect the leasing dynamics over the first part of 2014 as large blocks of space will now be available. Owyhee Plaza is



currently being renovated and will include 36 apartments and 60,000 sf of office and retail space. The historic building was constructed in 1910 and has been a downtown icon.

Meridian saw the highest level of completions in the latter half of 2013 as the office portion of the Village at Meridian was completed. The office portion includes approximately 140,000 sf of class A office space. Its proximity to the Village provides excellent amenities. Scentsy completed its 6-story, 168,000 sf office tower and has moved into that space. This is an owner-user building and is not included in our survey of buildings. Approximately 66,000 sf was vacated by Scentsy at the Portico Building as they relocated to their new building.

Several other projects are also underway across the Treasure Valley. Involta announced plans to build a 34,000 sf data center by year-end and have already leased space to St. Luke's Regional Medical Center and WinCo. NexCore Group broke ground on the Garrity Medical Office Building which will include approximately 67,000 sf of medical office space located on the existing Saint Alphonsus Nampa Campus. The hospital will occupy 30,000 sf while the remaining space is available for lease. The property is expected to be completed in Q2 2014

OUTLOOK

Job Growth will continue through 2014 and recently constructed space and new space coming online will begin to see leasing activity. Despite relatively strong job growth and office expansions, absorption in 2014 will not be able to keep up with the new inventory that has or will be coming online. Vacancy rates are expected to tick upward through the beginning of the year and will start to ease down gradually after that. Class A space is expected to see the highest levels of absorption.

	Inventory		Vacancy		Average Asking Lease Rate	Construction Completions	Under Construction
	No. of Bldgs.	Existing SF	Overall Vacancy SF	Rate			
Airport	11	382,846	50,374	13.2%	\$14.35		
Central Boise	39	1,322,473	237,384	18.0%	\$12.71		
Downtown Boise	55	3,330,758	394,153	11.8%	\$17.49		313,000
Eagle	16	475,469	82,196	17.3%	\$18.54		
Meridian	28	1,083,962	274,323	25.3%	\$16.04	137,561	
Nampa/Caldwell	23	734,514	86,821	11.8%	\$15.00		80,000
North Boise	15	392,389	18,998	4.8%	\$13.12		
South Meridian	23	869,097	154,658	17.8%	\$17.59		
Southeast Boise	24	1,395,849	237,614	17.0%	\$17.03		
Southwest Boise	12	559,462	92,118	16.5%	\$17.05		
West Boise	52	1,431,005	363,348	25.4%	\$13.46		
TOTAL	298	11,977,824	1,991,987	16.6%	\$15.73	137,561	393,000
Class A	36	2,994,774	535,210	17.9%	\$18.19	137,561	373,000
Class B	224	7,828,046	1,270,283	16.2%	\$15.27		20,000
Class C	38	1,155,004	186,494	16.1%	\$11.87		
TOTAL	298	12,010,116	1,991,987	16.6%	\$15.73	137,561	393,000

MARKET HIGHLIGHTS

Significant 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Shoreline Center	Downtown	St. Lukes	B	27,804
Eighth & Main	Downtown	Parsons Behle & Latimer	A	15,000
6223 N. Discovery Way	West Boise	Paksense	B	13,304
Significant 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Washington Group Plaza	Southeast Boise	SCCP Boise G.P. Inc	Not Disclosed	556,105
US Bank Plaza	Downtown	Gardner	\$43,000,000 / \$161	266,708
3449 E Copper Point	South Meridian	3449 E Copper Point, LLC	\$4,200,000 / \$164	25,592
River Run Office Building		Ronald & Mary Nahas	\$4,200,000 / \$64	65,933
Significant 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
The Village at Meridian	Meridian		Q4 2013	137,561
Scentsy Office Tower (Owner-User)	Meridian	Scentsy	Q4 2013	168,000
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Eighth & Main	Downtown	Zions Bank	Q1 2014	253,000
Owyhee Plaza	Downtown		Q2 2014	60,000
Garrity Medical Office Building	Nampa	St Alphonsus	Q3 2014	60,000

Statistical Methodology:

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