

MARKETBEAT

OFFICE SNAPSHOT

BOISE, ID

A Cushman & Wakefield Alliance Research Publication

Q2 2014

ECONOMIC OVERVIEW



The overall U.S. economy gave mixed signals through the first part of the year with GDP for Q1 being lowered to a negative 2.9%, the first decline since Q1 2011. Much of this decline was attributed to a harsh winter across the U.S. Despite negative growth, jobs continued to rebound with 1.3 million jobs added over the first half of 2014.

The Boise Metropolitan Statistical Area (MSA) continued to outperform the overall U.S. economy with an unemployment rate of 4.5%, representing a 1.6 percentage point (pps) decline over the prior year.

STATS ON THE GO

	Q2 2013	Q2 2014	12 MONTH FORECAST
Overall Vacancy	16.2%	16.6%	◀▶
Overall Weighted Average Asking Rents (psf/yr)	\$15.31	\$15.77	▲

BOISE OFFICE MARKET

The office vacancy rated continued to climb slightly, increasing by 0.4 pps on a year-over-year basis. This is largely the result of tenants relocating to the new 8th and Main project in downtown Boise from surrounding buildings. 8th and Main opened on and tenants moved during the first part of the year. Gardner Company, the owner of this landmark property has additional plans downtown as it acquired U.S. Bank Plaza in 2013. The Gardner Company has plans to build two additional buildings with space for office and retail. Additionally, Gardner is planning on building a 40,000 sf public transportation hub in conjunction with valley's bus system.

Other projects are also underway with Owyhee Plaza having its grand opening on July 9th. This property includes apartments, office space and ground level retail. The Key Bank building is being renovated and the lobby is expected to be completed by year-end. Construction on individual floors will occur as leases are signed. Both the Garrity Medical Office Building (60,000 sf) and 30th and Main (20,000 sf) are expected to be available in the second half of 2014.

Larger tenants continued to show interest in Boise due to its educated work force, high quality of life and low cost to do



business. Despite this interest, no large tenants have announced moving to the market as of yet. Sage International School of Boise took 31,000 square feet in the former Park Center Mall and is expected to open in Q3 14.

Growth continued to be fairly geographically segmented. The bench area continued to struggle in finding new tenants while downtown Boise and Eagle Road continued to see strong activity. This is largely due to the number and style of amenities available to tenants.

OUTLOOK

Job growth is expected to continue as companies expand and perhaps one or two large tenants move in to the state. There are a number of workers that have been out of the workforce for some time that are looking to re-enter which will keep the unemployment rate from dropping too far. Nevertheless the job growth and demand for additional office space will continue. Boise has a strong segment of technology related jobs which typically requires office space.

There are still a number of project under construction that will need to absorb space in order to keep the vacancy rate from increasing. Although absorption is expected to be positive through year-end, vacancy will not make any major downward leaps due to this new construction. Certain submarkets such as Downtown and Eagle will start to see some rental rate appreciation due to relatively low vacancy rates. Additionally some of the neighboring submarkets will likely see their vacancy rates decline as higher rates from demand in Downtown and Eagle push these tenants to look at more affordable options.

	Inventory		Vacancy		Average Asking Lease Rate	Construction Completions	Under Construction
	No. of Bldgs.	Existing SF	Overall Vacancy SF	Rate			
Airport	11	382,846	56,094	14.7%	\$15.58		
Central Boise	41	1,384,470	201,700	14.6%	\$12.46		
Downtown Boise	56	3,372,687	418,436	12.4%	\$17.51	253,000	60,000
Eagle	16	465,112	40,466	8.7%	\$18.61		
Meridian	31	1,202,736	330,322	27.5%	\$16.76		
Nampa/Caldwell	23	734,256	85,386	11.6%	\$12.43		80,000
North Boise	14	374,150	20,268	5.4%	\$13.75		
South Meridian	23	848,383	160,533	18.9%	\$18.07		
Southeast Boise	26	1,440,088	263,703	18.3%	\$17.22		
Southwest Boise	12	565,288	104,670	18.5%	\$16.41		
West Boise	54	1,591,263	370,057	23.3%	\$13.11		
TOTAL	307	12,361,256	2,051,635	16.6%	\$15.77	253,000	140,000
Class A	41	3,107,056	557,913	18.0%	\$18.26	253,000	60,000
Class B	232	8,058,016	1,276,855	15.8%	\$15.00		80,000
Class C	40	1,269,111	225,916	17.8%	\$12.13		
TOTAL	307	12,361,256	2,051,635	16.6%	\$15.77	253,000	140,000

MARKET HIGHLIGHTS

Significant 2014 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Parkcenter Mall	Southeast Boise	Sage School		30,000
9314 Overland Sundance	West Boise	College of Western Idaho		6,039
Significant 2014 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Key Financial Center	Downtown	Raganelli & Nahas	Not Disclosed	108,000
1005 W. Main St	Downtown	Swing Down, LLC	Not Disclosed	53,030
Front 5 West	Downtown	Not Disclosed	\$3,500,000 / \$169	20,680
Significant 2014 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Eighth & Main	Downtown	Zions Bank	Q1 2014	253,000
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Owyhee Plaza	Downtown		Q3 2014	60,000
Garrity Medical Office Building	Nampa	St Alphonsus	Q3 2014	60,000
30 th and Main	Downtown		Q3 2014	20,000

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.