

# MARKETBEAT

## RETAIL 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.

Economic indicators continued to show strong growth as Retail Sales grew by 4.2% in 2013 and are expected to continue into 2014 with forecasted growth of 4.1%. The Consumer Price Index continued to remain low at just 1.5%, indicating that sales growth largely occurred as a result of an expansion of purchases rather than just increased pricing.

#### STATS ON THE GO

	Q2 2013	Q2 2014	12 MONTH FORECAST
Overall Vacancy	9.4%	7.3%	▼
Overall Weighted Average Asking Rents (psf/yr)	\$12.49	\$12.26	▲

#### BOISE RETAIL MARKET

The retail market in Boise continued to impress by adding inventory and decreasing in vacancy. The overall vacancy rate trended downward by 2.1 pps on a year-over-year basis. Despite a downward trend in the vacancy rate, leases rates actually drifted slightly lower by 1.8%. This is not indicative of a weakening retail market, but rather the result of higher quality space leasing faster than lower quality space.

Several grocery anchored centers were completed through the first part of the year. In downtown, the first Trader Joe's in the states opened its doors. Wal-Mart continued to be an aggressive player in the market with new construction completed and they continue to look at additional sites, specifically for their Neighborhood Markets. Shop space in newly constructed retail centers are commanding much higher rents than older centers.

#### ECONOMIC INDICATORS

NATIONAL	2013	2014F	2015F
GDP Growth	1.9%	1.7%	3.7%
CPI Growth	1.5%	1.9%	2.2%
Consumer Spending Growth	2.0%	2.4%	3.8%
Retail Sales Growth	4.2%	4.1%	5.8%
REGIONAL	2013	2014F	2015F
Household Income	\$51,074	\$51,893	\$53,485
Population Growth	2.0%	1.6%	1.6%
Unemployment	6.0%	5.1%	5.1%

Source: Moody's Analytics

The trend of new tenants or tenant expansion within the market also continued through the first part of 2014. Freddy's Frozen Custard and Steakburgers has their first Idaho location under construction with plans for four additional locations in the Treasure Valley. Café Zupas opened its first retail location at the Village. Also at the Village the Corner Bakery and Toby Keith's Bar and Grill are under construction. Additionally, Boise Co-Op will open its second location in 25,000 sf space at the Village.

Although The Village continued to grab major headlines, other large centers have performed well. The Treasure Valley Marketplace is adding several new tenants including a Dick's Sporting Goods, Hobby Lobby, Cracker Barrel, PetSmart and Panera Bread. Two new projects are also underway. In Caldwell, The Caldwell Commons project is a 70,000 sf grocery anchored property. The Gardner Company broke ground on City Centre Plaza in downtown Boise which will include an expansion of the Boise Convention Center, a new transportation hub as well as additional retail and restaurant space.

#### OUTLOOK

Incomes are expected to continue growing in the Boise market while job growth remains strong. The resulting inflow of money to spend will continue to fuel retail growth in the market. At a vacancy rate of 7.3%, it seems likely that new development will continue and lease rates on this newer product will be able to support construction costs. Expect to continue to see new entrants in the market as more of the national firms realize the strength of the Boise economy.

	Inventory		Vacancy		Average Asking Lease Rate	Construction Completions	Under Construction
	No. of Bldgs.	Existing SF	Overall Vacancy SF	Rate			
Boise	237	12,609,705	912,810	7.2%	\$11.24	39,069	
Eagle	11	551,040	27,660	5.0%	\$12.40		
Meridian	60	4,053,808	234,456	5.8%	\$14.13	21,360	14,000
Nampa/Caldwell	103	5,959,765	504,313	8.5%	\$10.57		70,000
<b>TOTAL</b>	<b>411</b>	<b>23,144,318</b>	<b>1,679,239</b>	<b>7.3%</b>	<b>\$12.26</b>	<b>60,429</b>	<b>84,000</b>
Freestanding	100	4,719,434	270,005	5.7%	\$10.08	10,000	
Anchorless Strip	206	5,334,903	645,885	12.1%	\$11.72	29,069	
Neighborhood Center	59	3,864,838	282,938	7.3%	\$11.08		70,000
Community Center	37	4,738,277	235,190	5.0%	\$13.99		
Regional Center	4	2,866,707	111,385	3.9%	\$19.98	21,360	14,000
Regional Mall	2	1,620,159	133,836	8.3%	NA		
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\* Average asking lease rates for Meridian or Regional Center do not include the new Village at Meridian

## MARKET HIGHLIGHTS

Significant 2014 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Treasure Valley Crossing	Nampa/Caldwell	Hobby Lobby	Regional Center	55,000
Collister Shopping Center	Boise	Habitat for Humanity	Neighborhood Center	11,683
Significant 2014 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Walgreens	Boise	Not Disclosed	\$6,100,000 / \$439	13,905
2970 E St Luke's Rd	Meridian	Mountain West Bank	\$1,355,000 / \$244	5,558
Significant 2014 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Eighth & Main	Boise	Ruth's Chris	Q1 2014	29,069
Trader Joes	Boise	Trader Joes	Q4 2013	10,000
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Caldwell Commons	Nampa/Caldwell		Q1 2015	70,000
City Centre Plaza	Boise		Q1 2016	22,000
Treasure Valley Crossing	Nampa/Caldwell	Dick's, Hobby Lobby, Petsmart	Q4 2014	261,922

## Statistical Methodology:

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