

ECONOMIC INDICATORS

National

	2014	2015	12-Month Forecast
GDP Growth	2.4%	2.4%	▲
CPI Growth	1.6%	0.1%	▲
Consumer Spending Growth	2.7%	3.1%	▲
Retail Sales Growth	3.9%	2.2%	▲

Regional

	2014	2015	12-Month Forecast
Household Income	\$51,824	\$54,838	▲
Population Growth	2.1%	2.0%	▬
Unemployment	4.6%	3.7%	▼

Source: Moody's Analytics

National Economic Overview

The U.S. economy continued to post modest growth as evidenced by the Fed's recent decision to begin raising interest rates. A high dollar and lower global demand was a damper on manufacturing and exports, but construction spending in both residential and commercial properties reported healthy growth. The unemployment rate for the U.S. declined to 5.0% as job growth of 1.9% was realized.

The Census Bureau's Advance Retail Sales Report showed year-over-year growth of just 2.2%. Although some categories have struggled this year, there are a few bright spots as well. Furniture & home furnishings had the strongest gains in December, while restaurants performed very well also. Average hourly earnings were up by 2.5% over the past year. Although this growth has remained sluggish, stronger wage growth is expected to be an important economic driver for 2016.

Local Economic Overview

Idaho's annual job growth of 4.2% led the nation as 27,600 new jobs were added to the economy pushing the state's unemployment rate to just 3.9%. Job growth in Boise remained well above the U.S. average which continued to push the unemployment rate lower. The Boise-Nampa Metropolitan Statistical Area (MSA) is currently at full employment with a rate of just 3.7%.

Market Overview

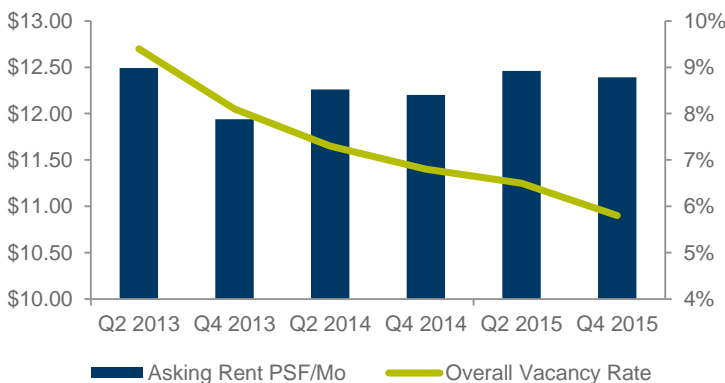
The retail market in Boise continued to strengthen as a result of an improving economy and sustained population growth. Leasing activity on the year was high as tenants continued to expand while some new tenants entered the market. Overall absorption of 500,717 square feet (sf) pushed the overall vacancy rate down by 1.0 percentage points (pp) to 5.8%. Average asking lease rates remained consistent at \$12.39 psf on a NNN basis.

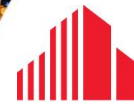
New tenants continue to evaluate the Boise market and some have made steps to become a part of the local scene. The Habit Burger entered the market, taking space at the Village in Meridian. Other tenants have also expanded such as Victoria's Secret and the Boise Co-Op at the Village. Smashburger, Panera Bread and Freddy's Steakhburgers are other active tenants in the quick serve category while larger tenants such as H&M and Wal-Mart continued to expand as well.

Retail Sales and Consumer Confidence Trends



Rental Rate vs. Overall Vacancy





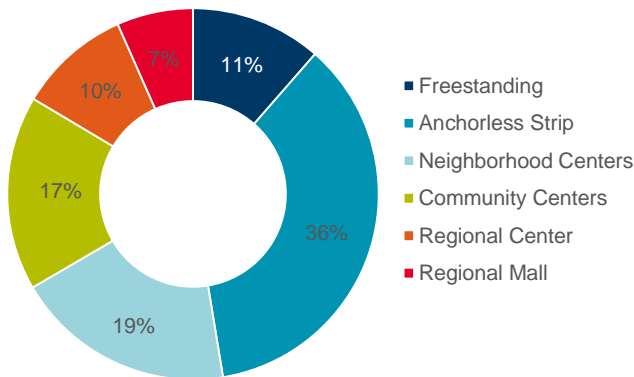
Downtown Boise continued to be at the center of development and redevelopment for Boise as it reached the 7th consecutive years with more openings than closings. Downtown Boise saw 24 new openings in 2015 for a net gain of 9. This trend is expected to continue into 2016 as 5 more openings are scheduled for the first part of the year. New developments will further bolster the area including City Center Plaza, Tenth & Main and Simplot Headquarters. This will bring an additional 53,000 sf of retail space to the market.



For the 7th year in a row, Downtown Boise retail openings exceeded closings with 24 openings in 2015.

Investment activity remained strong in the market with several significant transactions occurring throughout the year. Northgate Shopping Center, comprising 159,434 sf was the largest sale of the year. Treasure Valley Crossing (112,259 sf) was acquired by Inland REIT and Collister Shopping Center (93,374 sf) was acquired by Argonaut Investments.

Availability by Type



Leasing activity was also strong as tenants continued to expand and take additional space. Mor Furniture for Less signed a lease at the Karcher Mall for 60,340 sf. Auto Ranch Outlet signed a lease at the Auto Sales Service Facility in Meridian for 20,300 sf as well.

With land prices going up and demand increasing for space, retooling of existing space is also starting to take place. George's Cycle on Front Street is upgrading existing warehouse space for a retail store while Trailhead, the new Creative Tech Center opened in a formerly underutilized space at 8th & Myrtle Street. The former downtown Macy's will be the Athlos Charter School's new Boise training center, giving an old vacant retail building a new lease on life.

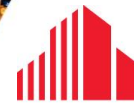
Outlook

- Downtown Boise will continue to flourish as 5 new hotels have been proposed while City Center Plaza, Tenth & Main and the Simplot Headquarters will be delivered in 2016, adding 53,000 sf of retail space.
- Absorption is expected to keep pace with absorption keeping vacancy rates similar to where they are today.
- With tight inventory, landlords will have more say in tenants they are willing to accept in their centers, expect achieved lease rates to increase while concessions decreased.
- Interest rates are expected to rise which will likely put some upward pressure on cap rates. Increases in cap rates and interest rates will have some effect on the owner-user and investment sales market, but demand is expected to remain very strong.

MARKETBEAT

Retail Snapshot Year-End 2015

Boise



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SUBMARKET	TOTAL BLDGS	INVENTORY	VACANCY RATE	YTD NET ABSORPTION	UNDER CNSTR	COMPLETIONS	AVERAGE ASKING RENT (NNN)
Boise	240	12,560,733	6.3%	130,056	0	0	\$12.33
Eagle	12	912,752	8.2%	4,524	0	0	\$12.35
Meridian	64	4,316,545	4.4%	130,391	0	25,000	\$14.15
Nampa/Caldwell	111	6,244,509	5.5%	341,148	0	21,100	\$11.57
"MARKET NAME" TOTALS	427	24,034,539	5.8%	248,787	0	25,000	\$12.39

Statistics are for buildings 15,000 sf and larger

SUBMARKET	TOTAL BLDGS	INVENTORY	VACANCY RATE	YTD NET ABSORPTION	UNDER CNSTR	COMPLETIONS	AVERAGE ASKING RENT (NNN)
Freestanding	113	5,182,758	3.1%	64,646	0	0	\$12.04
Anchorless Strip	204	5,298,227	9.5%	78,520	0	0	\$12.62
Neighborhood Center	57	4,006,233	6.7%	5,294	0	0	\$11.02
Community Center	35	4,441,548	5.4%	46,414	0	0	\$16.19
Regional Center	16	3,485,614	3.9%	59,880	0	46,100	\$13.95
Regional Mall	2	1,620,159	5.7%	93,118	0	0	NA

Key Lease Transactions 2015

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
Karcher Mall	60,340	Mor Furniture For Less	Regional Mall	Nampa/Caldwell
Auto Sales Service Facility	20,300	Auto Ranch Outlet	Auto Dealership	Meridian
Overland Park Center	14,600	Grocery Outlet	Neighborhood Center	Boise

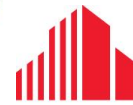
Key Sales Transactions 2015

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
Northgate Shopping Center	159,434	DBSI Group/Rosen-Harbbottle CRE	Confidential	Boise
Treasure Valley Crossing	112,259	Kimco/Inland REIT	\$15,200,000 / \$135	Nampa/Caldwell
Collister Shopping Center	93,374	White Construction/Argonaut Investments	\$9,700,000 / \$103	Boise
Dick's Sporting Goods	44,283	CenterCal Properties/Powell Valley Apartments	\$9,200,000 / \$207	Boise

MARKETBEAT

Retail Snapshot Year-End 2015

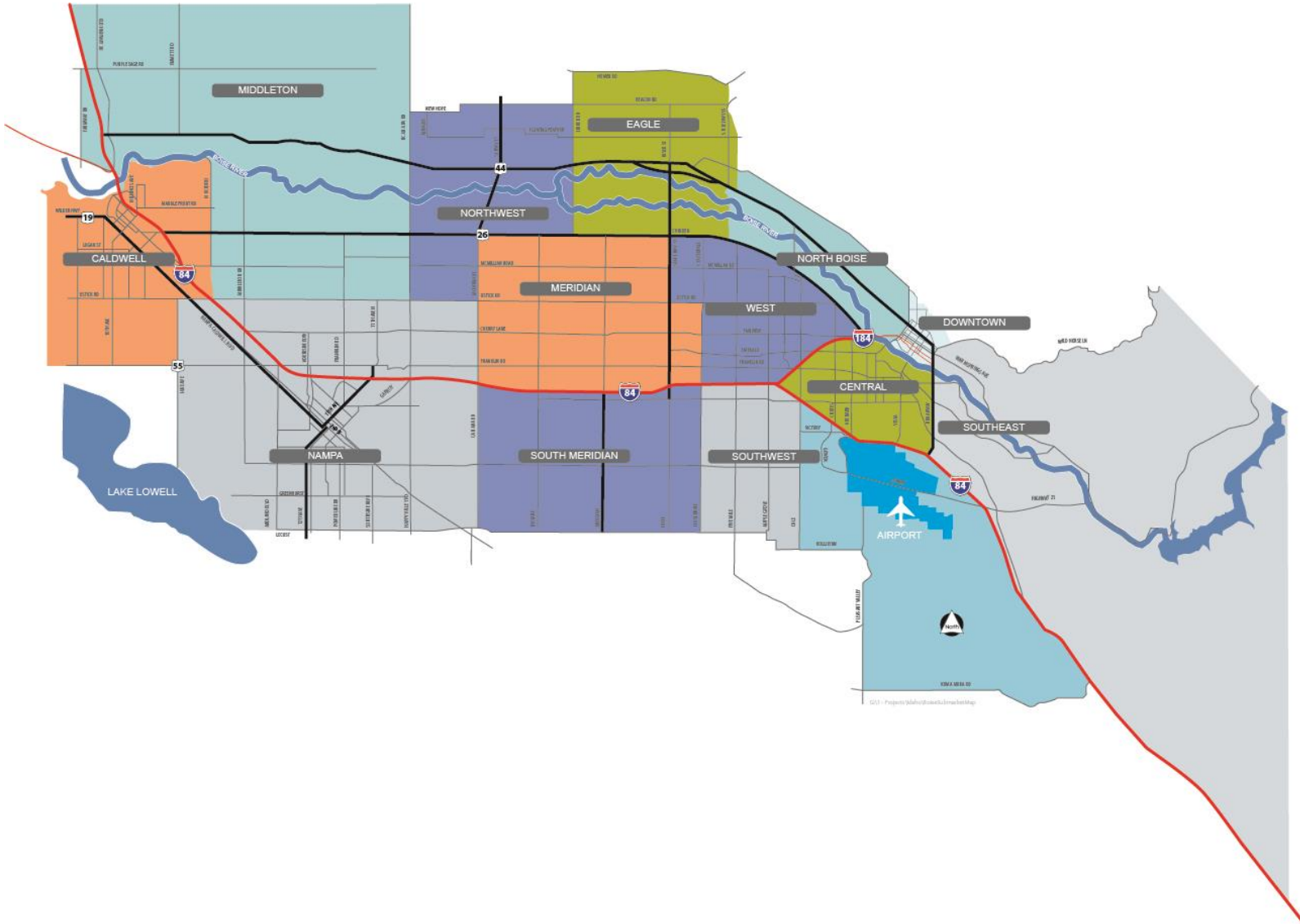
Boise



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SUBMARKETS

CITY/COUNTY



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