

## Industrial Q3 2022

**1.5%**  
Vacancy Rate

YoY  
Chg12-Mo.  
Forecast

**122K**  
Net Absorption, SF

**\$0.95**  
Asking Rent, PSF

Overall, Net Asking Rent (Monthly)

### ECONOMIC INDICATORS Q3 2022

**378K**  
Boise  
Employment

**2.5%**  
Boise  
Unemployment Rate

**3.5%**  
U.S.  
Unemployment Rate

Source: BLS

### ECONOMY

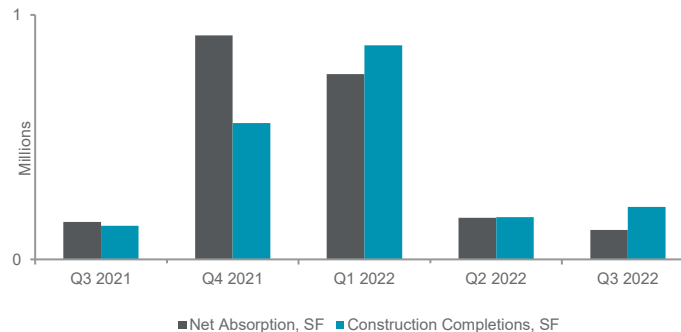
The Boise and Treasure Valley continued to have a strong third quarter in 2022. Boise once again is #1 in annual population growth nationwide at 2.3% with a forecast increase, tied with Austin and followed by Fort Myers/Naples (2.2%) and Las Vegas (2.0%). The median household income for Boise rose to \$76,800 in the third quarter with a forecast increase. Boise unemployment dropped to 2.5%, down 90 basis points (bps) year-over-year (YOY) and is tied for the 5<sup>th</sup> lowest unemployment rate overall. For comparison, the U.S. is showing 0.6% population growth, \$71,300 household income, and 3.6% unemployment. Many industries, from restaurants to construction, continue to have difficulty finding workers, which is affecting service and delivery times in all sectors.

### SUPPLY & DEMAND

The Idaho industrial market continued its high velocity growth pattern, with nearly 1.3 million square feet (msf) of total new construction year-to-date (YTD), 1.5 msf of under construction speculative (spec) square feet (sf) to-be-completed in Q4, and 3.4-msf of under construction spec space to be completed in 2023. There will be many more options for new tenants with 2.4-msf available of the 4-msf of spec currently under construction. In addition to spec projects, there are currently over 1.6-msf of build-to-suit projects currently under construction, bringing the total under construction square feet to 5.5-msf. Warehouse/Distribution dominates construction type claiming 90% of new product YTD and 85% of spec projects currently under construction. There are currently nearly 15-msf of proposed spec projects, with more to surely come.

The supply pipeline is being filled by both local and, more recently, national developers that are now including the Treasure Valley in their footprint. Logistics, distribution, manufacturing, building material, and storage tenants dominated the tenant mix in Q3. Some larger tenants included Amazon.com Services, House of Design, PODS, Cradlepoint, Coast Aluminum, Inc, Gruma Corp, Scout Distribution Idaho, Consentino, Rivian, Advanced Marble & Granite, Acme Construction, Cosmos Granite, Rock Solid Enterprises, Rodda Paint, and Agency Arms. Leasing activity exploded in Q3 to nearly 1 msf and is up 700,000 sf YOY. The high demand created an average of 700,000 sf of direct leasing in the last twelve months, which will raise absorption numbers significantly compared to Q2 and Q3. Despite the pent-up demand, supply and demand have remained in the last fifteen months. Vacancy rose slightly to 1.5% and availability to 1.8% in Q3. Office Service/Flex witnessed the most dramatic shift in vacancy, dropping 373 bps YOY. We should experience a steady increase in vacancy as supply begins to gradually outpace demand.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## PRICING

Huge leasing activity, and possibly a small price correction, caused rents to dip slightly quarter-over-quarter (QOQ) to \$0.95 per square foot (psf) per month triple net (NNN). Overall rents have witnessed historically rapid growth over the last year, with overall average net rents growing \$0.11 psf YOY. Office Service/Flex rents experienced the largest QOQ price correction dropping \$0.09 psf, but ultimately rose \$0.12 psf YOY. Warehouse/Distribution rents fell only \$0.02 psf QOQ and have risen a staggering \$0.24 psf YOY. Manufacturing is the exception this quarter, jumping \$0.08 psf QOQ and rising \$0.11 YOY. Investment activity, as in other markets, has seen sales volume decrease dramatically QOQ. The limited supply pushed the average psf slightly up QOQ to just over \$200 psf, and up dramatically from \$133 psf YOY. Cap rates continued to expand for the second straight quarter to 5.0%, following a long period of compression.

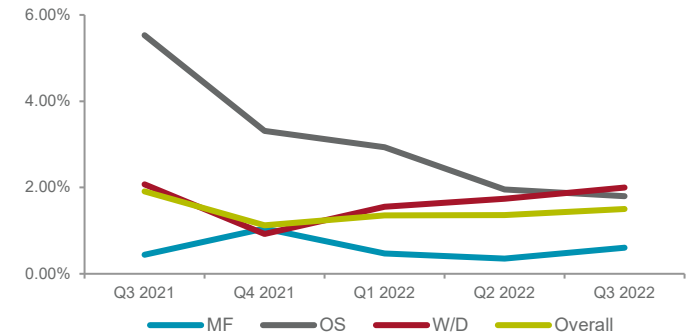
## PIPELINE

The scrambling by prospective tenants jockeying for available space, which has been the norm for most of the year, has been remedied somewhat by spec development across the Treasure Valley. Fueled by Boise's attractive pricing and low labor costs compared with much of the country, many industrial parks have broken ground with plans for future buildings. Meta Data Center's 960,000-sf project in Kuna was scheduled to break ground in September. Several recent completions in Q3 include the 95,000-sf Five Mile Warehouse in West Boise, 21,000-sf Ralstin Flex Space in Meridian, and 25,000-sf Phil Horton Building #2 in Nampa.

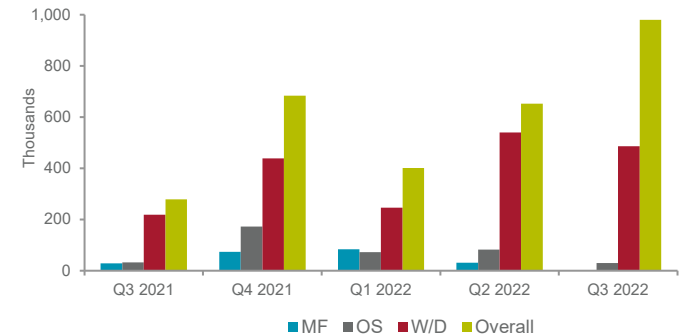
## Outlook

- We expect businesses to continue choosing the Boise MSA due to its strategic location along I-84, pro-business climate, and relative affordability.
- Mirroring national trends, Boise anticipates more strong construction activity to keep pace with strong demand.
- Rents are expected to increase in the foreseeable future due to strong demand and limited supply in the market.
- Capitalization rates are likely to see continued expansion.

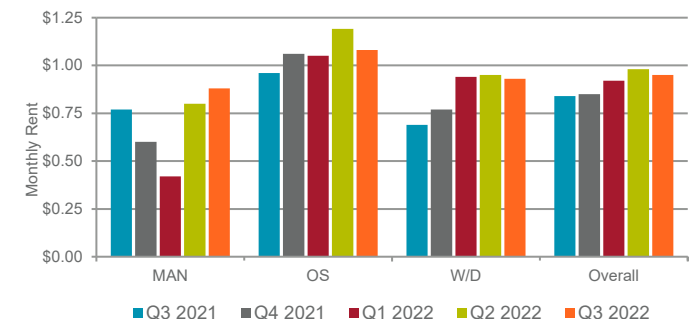
## VACANCY BY QUARTER



## DIRECT LEASING ACTIVITY



## RENTS TRENDS



# MARKETBEAT BOISE

## Industrial Q3 2022



### MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT
Airport	7,209,164	155,089	2.2%	-18,047	-121,731	1,638,998	0	\$1.21	\$1.12	\$1.06
Caldwell	5,640,811	84,795	1.5%	26,864	353,195	565,990	373,200	\$0.71	\$0.78	\$0.77
Central Boise	2,050,112	0	0	4,789	79,874	0	0	N/A	N/A	N/A
Downtown	477,277	60,021	12.6%	0	-60,021	0	0	N/A	N/A	N/A
Eagle	235,860	6,240	2.7%	-6,240	1,408	13,999	0	\$1.25	N/A	\$1.25
Meridian	6,099,829	116,409	1.9%	-7,005	361,106	405,266	469,915	N/A	\$1.00	\$0.95
Middleton	365,076	0	0	0	16,000	0	16,000	N/A	N/A	N/A
Nampa	12,985,303	96,331	0.7%	47,301	239,051	2,753,543	185,967	\$0.85	\$0.81	\$0.87
North Boise	1,669,436	57,000	3.4%	-12,075	-27,976	32,114	0	\$1.00	\$0.80	\$0.86
Northwest	58,297	0	0	0	0	0	0	N/A	N/A	N/A
South Meridian	800,180	32,546	4.1%	12,766	20,915	36,000	12,766	\$1.18	N/A	\$1.18
Southeast Boise	5,801,588	89,692	1.6%	-17,022	30,401	70,021	0	N/A	\$0.88	\$0.88
Southwest Boise	764,728	0	0	0	0	0	0	N/A	N/A	N/A
West Boise	3,703,393	39,633	1.1%	90,242	158,353	67,500	94,640	\$1.05	\$0.90	\$0.92
<b>TOTALS</b>	<b>47,861,054</b>	<b>737,756</b>	<b>1.5%</b>	<b>121,573</b>	<b>1,050,575</b>	<b>5,583,431</b>	<b>1,152,488</b>	<b>\$1.08</b>	<b>\$0.93</b>	<b>\$0.95</b>

\*Rental rates reflect weighted net asking \$psf/month \*Renewals not included in leasing statistics \*10,000+ Square Feet

OS = Office Service/Flex W/D = Warehouse/Distribution

### KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2660 Fred Smith	Meridian	Amazon.com Services, LLC	141,000	Direct
1406 N Galleria Drive	Nampa	House of Design	103,000	Direct
535 E Gowen Road	Airport	PODS	72,928	Direct

### KEY SALES TRANSACTIONS Q3 2022

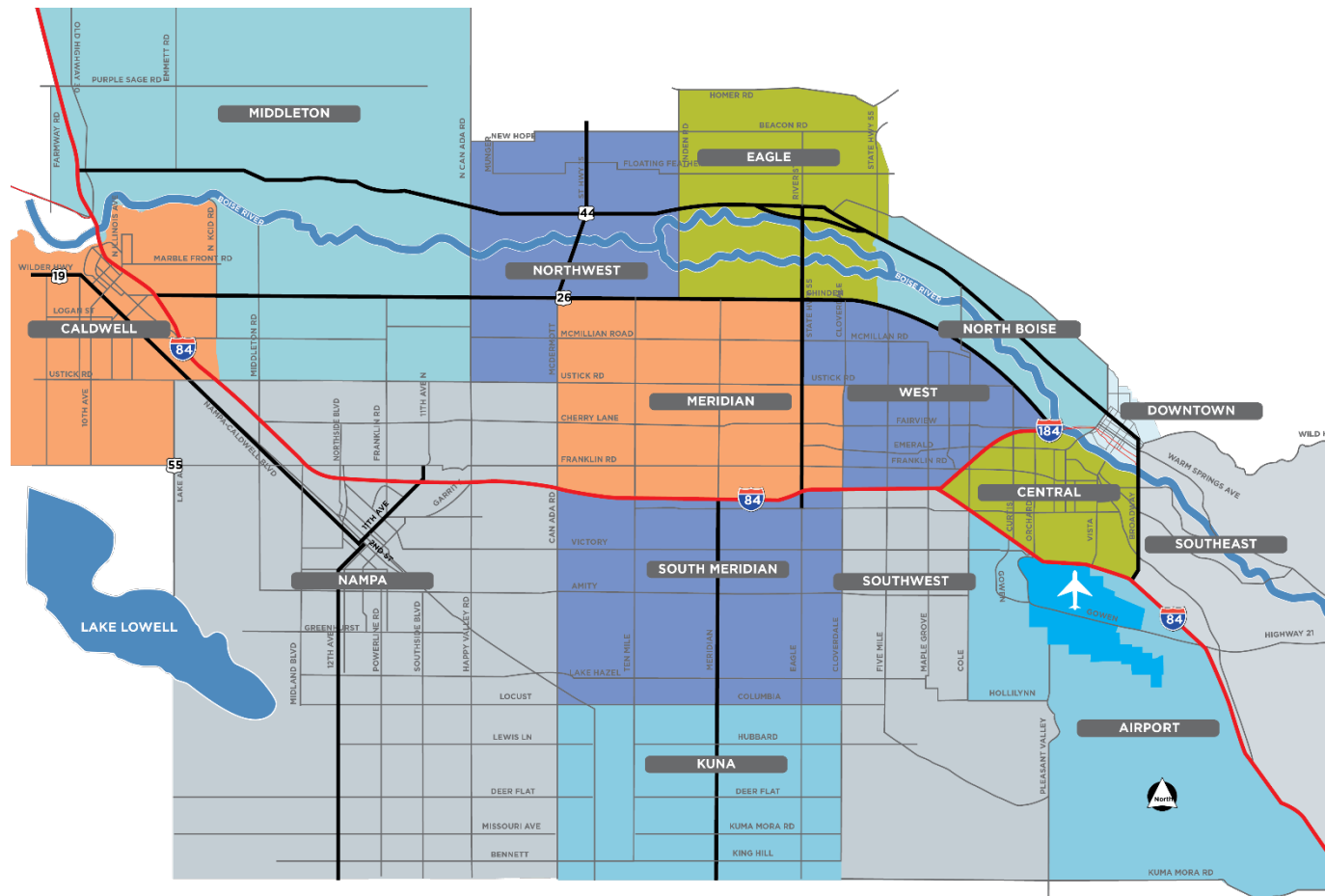
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
6700 Business Way	Airport	Amcan Partners LLC/Business Way Investments LLC	30,540	Inquire
21817 Cobalt Avenue	Middleton	TLM LLC, TLM Middleton LLC/The Brian W Hicks Rec Trust	26,700	Inquire
960 E Franklin Road	Meridian	Anneker Leasing LLC/Rm Buildings LLC	19,305	Inquire

# MARKETBEAT BOISE

Industrial Q3 2022



## INDUSTRIAL SUBMARKETS



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