

YoY Chg      12-Mo. Forecast

**8.3%**

Vacancy Rate



**-152K**

Net Absorption, SF



**\$22.51**

Asking Rent, PSF



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q3 2022

YoY Chg      12-Mo. Forecast

**378K**

Boise Employment



**2.5%**

Boise Unemployment Rate



**3.5%**

U.S. Unemployment Rate



Source: BLS

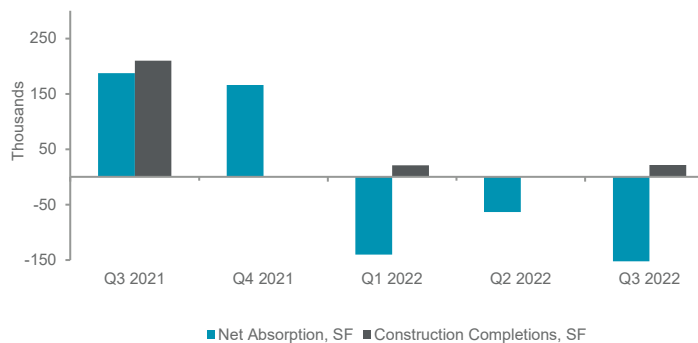
### ECONOMY

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.

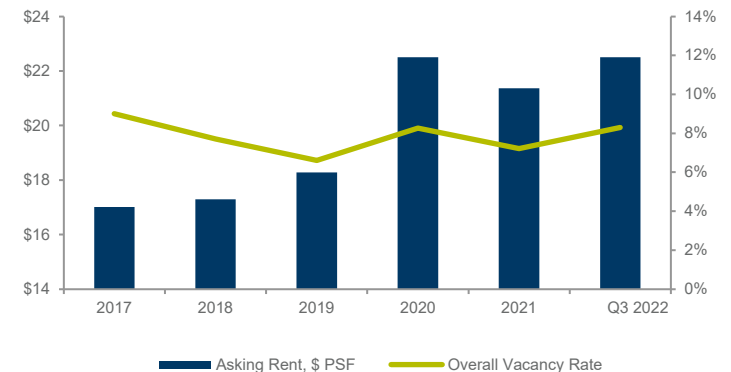
### SUPPLY & DEMAND

Tenant demand saw a dramatic decrease, with leasing activity in Q3 dipping 350,000 square feet (sf). Both direct and sublease available sf rose dramatically, up over 450,000 sf YOY. Sublease space sf has quadrupled YOY, with larger spaces available in West Boise, Boise CBD, Meridian, and Eagle. This influx of sublease space has helped push the overall vacancy rate to 8.3%, up 139 bps YOY. Class B buildings continue to comprise the most direct and sublease space available in the market. The low number of new spec projects that have broken ground has kept overall absorption in check. Two spec completions in Nampa are showing healthy lease-up with 37% vacancy, and several spec projects in Meridian are 50% vacant. Tenants include Power Engineers, 24 Hour Veterinary Clinic, Health Insurance Associates, Capital 11, Ocean Network Express, BVA Development, Venture Title & Escrow, Coldwell Banker, and Fidelity National Title. Several projects in Meridian's Eagle View Landing reflect the strong demand for new Class A space. Two Meridian five-story buildings which total nearly 300,000 sf will be home to Power Engineers and Engineered Structures, Inc. (ESI). In downtown Boise, a 200,000-sf Class A project completed last year shows 0% office vacancy. The slowdown in recent deliveries may indicate a decrease in availability and vacancy by year's end. Small office lots available for build-to-suits are in high demand. Office requirements for 50,000 plus sf are having to look at strictly build-to-suit options.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



**PRICING**

Rents remain strong, with Class A, Class B, and overall rents up quarter-over-quarter (QOQ) and YOY. Despite higher availability and lower leasing activity, only Class C rents showed rents dropping QOQ to \$16.87 per square feet (psf). Class A showed the largest jump in rents QOQ, jumping \$0.60 psf to \$24.84 psf. Class B rents rose to \$21.20 psf, and helped push overall rents to \$22.51 psf. The strong demand for Class A space has pushed suburban asking rents to historic highs to \$30.00 psf. We continue to see higher tenant improvement costs due to the cost of construction materials and labor shortages. We expect rents to continue to increase through the end of 2022.

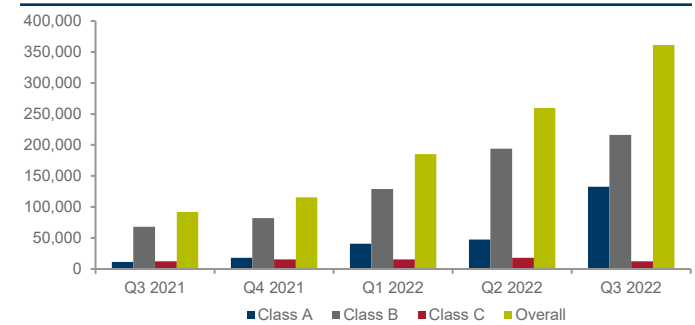
**INVESTMENT**

Office investment sales activity has slowed YOY, with roughly 60% of Q3 2021 transactions. Deals are closing at lower prices QOQ, but are nearly flat YOY. User sale prices are also down QOQ, but higher YOY. Cap rates in Q3 remained flat after showing some expansion for the first time in Q2 following a five-year compression cycle. Rates are creeping toward 6% and are showing more signs of expansion based on active listing price adjustments in Q3. Global economic factors, small inventory, and uncertainty over the 1031 exchange policies may all be contributing factors for less activity in the market.

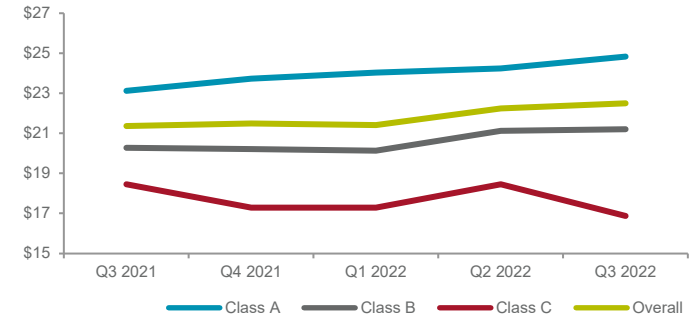
**Outlook**

- Downtown Class A and suburban Class A are achieving prices never seen before in our market and longer terms are being necessitated by high tenant improvement costs.
- Pricing is expected to remain steady to slightly increase as sublease space on the market caused by COVID-19 is absorbed.
- Construction of new product may continue to see a slowdown in reaction to increases in construction costs.
- Sales volume is likely to maintain its slower pace and cap rates should see continued expansion.

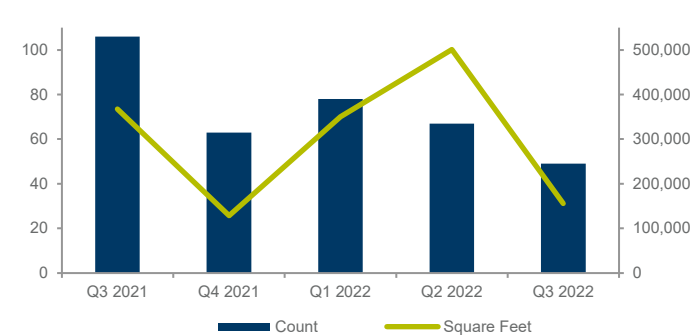
**VACANT SUBLEASE**



**ASKING RENTS**



**DIRECT LEASING**



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)**	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Airport	35,190	0	0	0.0%	0	0	0	0	N/A	N/A
Caldwell	259,952	18,697	0	7.2%	3,926	5,862	8,044	0	\$25.06	\$26.43
Central Boise	1,627,248	136,196	0	8.4%	-23,378	-77,509	27,507	0	\$19.95	N/A
Downtown	3,880,645	308,350	116,504	11.0%	-103,303	-154,210	183,716	0	\$21.70	\$23.62
Eagle	619,069	20,764	65,340	13.9%	-60,124	-64,369	37,484	14,161	\$29.38	\$30.73
Meridian	2,087,899	152,460	48,222	9.6%	-24,122	8,906	180,764	75,000	\$22.71	\$25.20
Nampa	671,197	9,769	0	1.5%	13,381	13,358	30,031	0	\$28.00	N/A
North Boise	443,512	44,041	12,000	12.6%	-4,782	-41,692	32,654	0	\$16.91	N/A
South Meridian	1,391,778	171,830	2,170	12.5%	43,131	8,582	262,533	367,823	\$26.54	\$25.56
Southeast Boise	1,326,575	30,032	6,745	2.8%	-13,813	-11,192	19,711	0	\$21.26	\$19.11
Southwest Boise	746,869	22,598	0	3.0%	-6,693	9,846	16,331	0	\$20.72	\$21.45
West Boise	3,544,800	97,495	110,101	5.9%	23,617	-53,281	208,541	0	\$18.77	\$21.00
<b>TOTALS</b>	<b>16,634,734</b>	<b>1,012,232</b>	<b>361,082</b>	<b>8.3%</b>	<b>-152,160</b>	<b>-355,699</b>	<b>1,007,316</b>	<b>456,984</b>	<b>\$22.51</b>	<b>\$24.84</b>

\*Rental rates reflect full service asking \*\*10,000+ Multi-Tenant

## KEY LEASE TRANSACTIONS Q3 2022

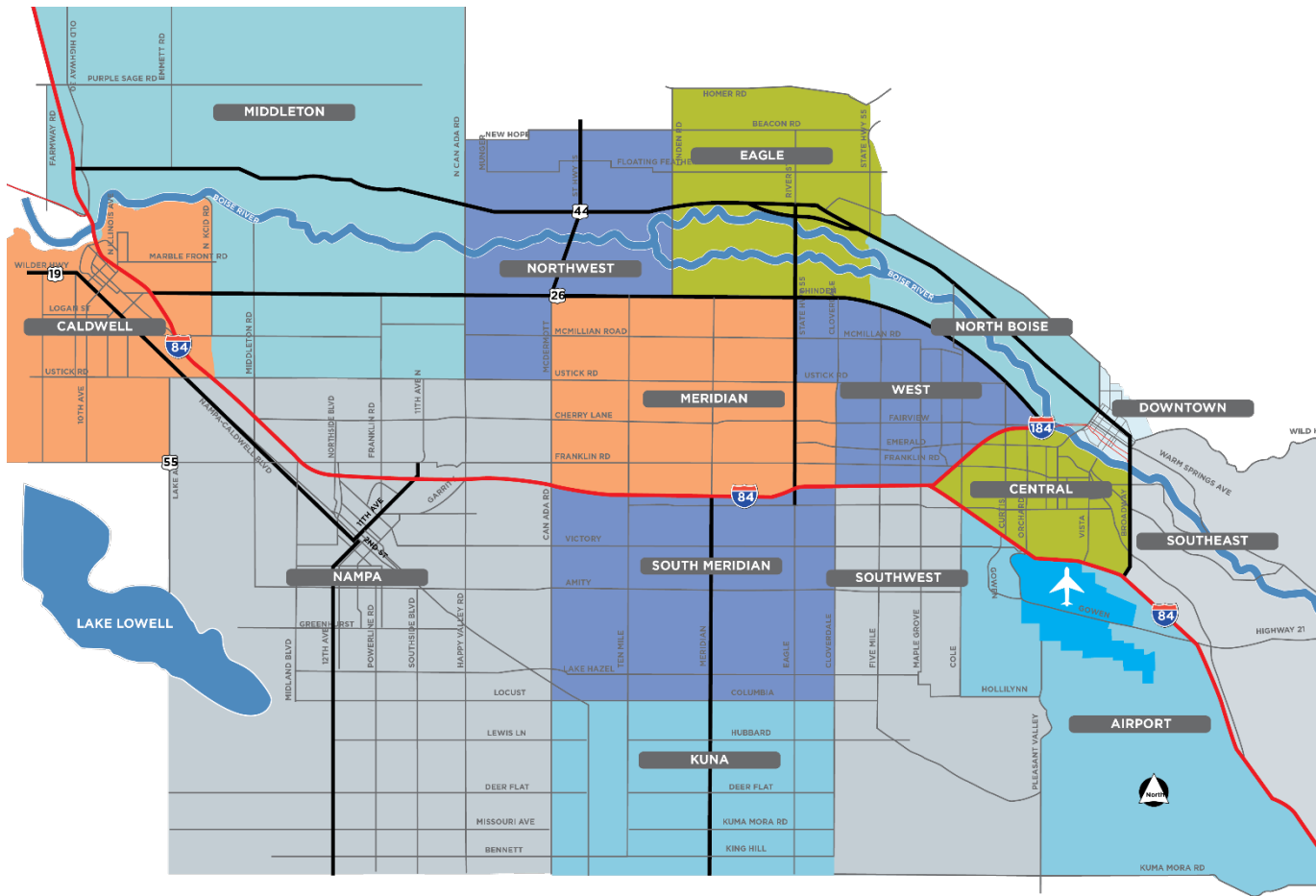
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Cottonwood Plaza	West Boise	Bartlett Homes & Roofing LLC	17,000	Sublease
Veranda Plaza	South Meridian	Venture Title & Escrow Company	13,000	Direct
Grove Park	North Boise	Undisclosed	12,000	Sublease
3520 E Louise Drive	Meridian	OB/GYN Associates, P.A.	12,000	Direct
Eagles View	Eagle	Undisclosed	11,000	Direct
Blackstone Office Building	South Meridian	Undisclosed	10,000	Direct

## KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF
3056,3160,3220,3264 Elder	Central Bench	Kilmainham Airport Plaza / Hepworth Family Landholdings LLC	76,000
410 S Orchard	Central Bench	Montego Properties LLC / Orchard Holdings	36,000
5700 E Franklin Road	Nampa	Legend Holding 187 LLC / Dirt Road RE LLC	34,000
5257 W Fairview Ave	West Boise	Zelham Holding 187 LLC / Fairview Plaza Seven LLC	33,000



## OFFICE SUBMARKETS



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