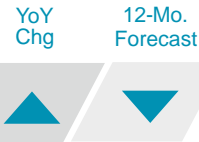


**8.8%**  
Vacancy Rate



**27K**  
Net Absorption, SF



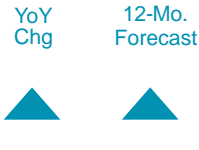
**\$22.39**  
Asking Rent, PSF



(Overall, All Property Classes)

**ECONOMIC INDICATORS  
Q4 2022**

**379K**  
Boise Employment



**2.8%**  
Boise Unemployment Rate



**3.7%**  
U.S. Unemployment Rate



Source: BLS

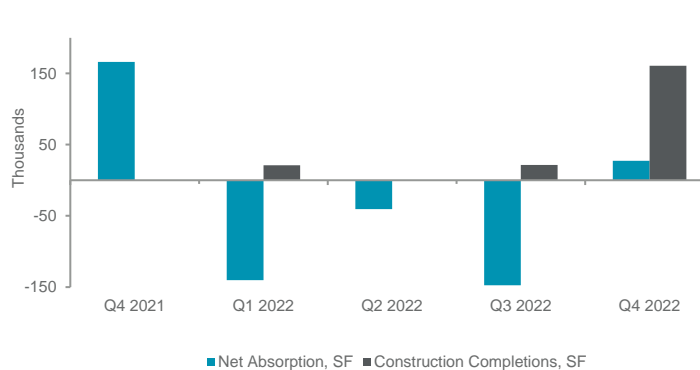
**ECONOMY: #1 Population Growth**

The Boise and Treasure Valley continued to have a strong fourth quarter in 2022. Boise once again was ranked #1 in annual population growth nationwide at 2.9% with a forecast increase, with Austin and Fort Myers/Naples following at a distant (2.1%). The Boise economy expanded at a rate of 2.3% year-over-year (YOY), an increase of 8,700 jobs. The median household income for Boise climbed to \$76,100 YOY, with a forecast increase. Boise unemployment fell 30 basis points (bps) YOY and is tied for the 8<sup>th</sup> lowest unemployment rate overall. For comparison, the U.S. showed 0.5% population growth, \$71,700 household income, and 3.7% unemployment. Many industries, from restaurants to construction, continued to have difficulty finding workers, which affected service and delivery times in all sectors.

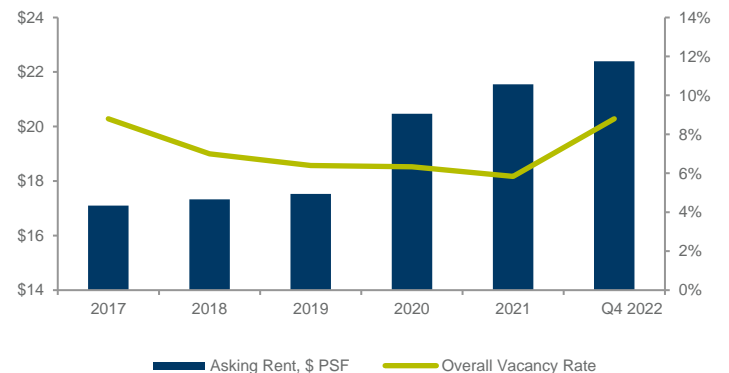
**SUPPLY & DEMAND: Class A Construction Dominates**

While the return-to-office has been measured as employers continue to evaluate in-person work, office demand has remained active in 2022 when tenants inked deals totaling over 1.1 million square feet (msf), up 25.7% compared to 2021. Overall vacancy increased in Q4 to 8.8%, up 76 bps quarter-over-quarter (QOQ) and 296 bps YOY. This compares very favorably with the majority of markets and well below the national vacancy rate of 18.2%. Available square feet (sf) increased in Q4 and jumped over 500,000 sf YOY. Available sublease space has steadily increased and nearly quadrupled YOY, with larger spaces available in West Boise, Boise Central Business District (CBD), Meridian, and Eagle. Class B buildings continue to comprise the most space available in the market. Leasing activity in Class A and B properties experienced approximately half a million sf of direct leasing each year-to-date. Tenant demand continued to soften, with leasing activity in Q4 dipping 65,000 sf and over 400,000 sf from Q2. The low number of new spec projects that have broken ground has aided in keeping overall vacancy in check and helped facilitate positive absorption in Q4 after three straight quarters of negative absorption. The strong demand for new Class A space has continued, with new construction showing 100% occupancy. In Meridian, nearly 300,000 sf in two Class A projects will be home to Power Engineers and Engineered Structures, Inc. (ESI). The strong lease-up in recent deliveries may indicate a decrease in availability and vacancy in the new year. Small office lots available for build-to-suits have been in high demand. Office requirements for 20,000 plus sf have been difficult to fill, and 50,000 plus sf has necessitated searching for strictly build-to-suit options.

**SPACE DEMAND / DELIVERIES**



**OVERALL VACANCY & ASKING RENT**



### RENTS: Demand Slows Rent Growth

Overall asking rents are up nearly \$1.00 per square foot (psf) YOY, but have softened nominally in all classes QOQ to \$22.39 psf. By comparison, the national average of \$37.15 psf represents a 67% premium over the Boise Metro market average. Class A and Class B rents rose \$1.10 psf and \$0.83 YOY respectively. Falling demand helped push Class C property rents down \$1.30 psf YOY. The market has responded to the lower leasing activity that began in Q2. Changing occupier demands to premium space has pushed suburban asking rents to historic highs reaching \$30.00 psf. Eagle asking rents averaged \$29.83 psf, representing a 33% premium over the market average. 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 2023.

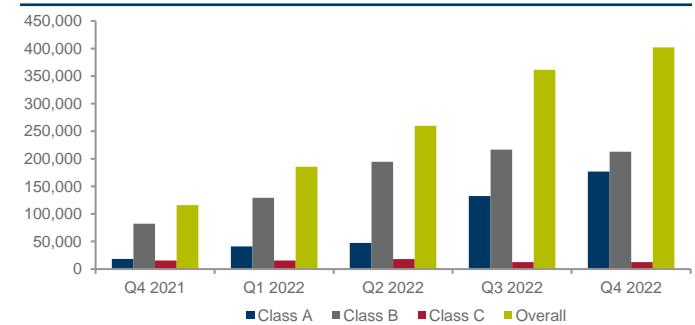
### INVESTMENT: Changes Afoot

Like other markets, changes are afoot in office investment. After five years of cap rate compression and rising prices, sales activity has slowed significantly and deals closed at lower prices QOQ and YOY. User sale prices are also down QOQ but remain flat YOY. Cap rates in Q4 remained flat YOY after showing expansion in Q2. Rates on available properties have crept between 25-50 bps higher, at or near six percent. Economic factors like rate hikes by the Fed to curb 40-year high inflation, small inventory, and uncertainty over the 1031 exchange policies may all be contributing factors for less activity in the market.

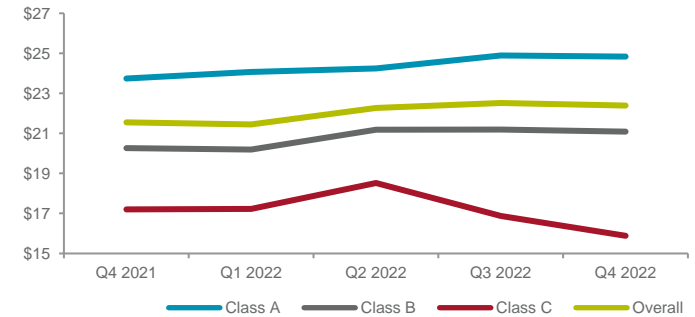
### Outlook

- 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.

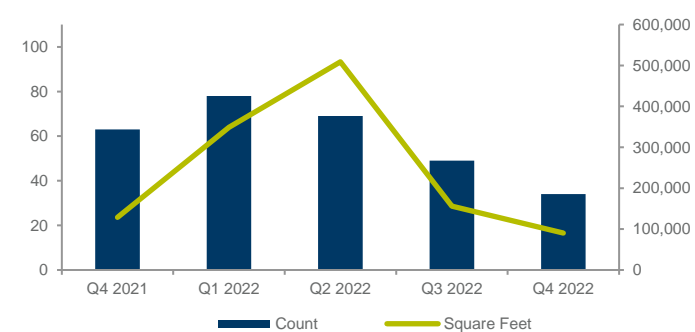
### VACANT SUBLEASE



### 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	20,073	0	7.7%	-1,376	4,486	11,445	0	\$26.43	\$26.43
Central Boise	1,627,248	166,543	0	10.2%	-29,470	-108,849	28,157	0	\$19.25	N/A
Downtown	3,880,645	363,134	156,773	13.4%	-100,675	-252,342	222,213	0	\$21.92	\$23.86
Eagle	633,230	20,764	71,836	14.6%	6,195	-56,704	37,484	0	\$29.83	\$30.33
Meridian	2,087,899	136,016	58,216	9.30%	5,956	12,033	187,375	75,000	\$22.47	\$24.82
Nampa	671,197	9,441	0	1.4%	-3,649	13,686	31,930	0	\$16.06	\$20.00
North Boise	443,512	46,314	0	10.4%	5,396	-34,903	38,522	0	\$18.36	N/A
South Meridian	1,538,428	153,955	2,170	10.2%	145,495	173,107	286,659	221,173	\$26.51	\$24.93
Southeast Boise	1,326,575	21,027	4,972	2.0%	8,526	1,030	27,184	11,501	\$21.70	\$19.61
Southwest Boise	746,869	21,434	0	2.9%	1,164	11,010	16,331	0	\$20.72	\$21.45
West Boise	3,544,800	110,078	108,107	6.2%	-10,368	-63,870	216,788	0	\$18.84	\$21.00
<b>TOTALS</b>	<b>16,795,545</b>	<b>1,068,779</b>	<b>402,074</b>	<b>8.8%</b>	<b>27,194</b>	<b>-301,316</b>	<b>1,104,088</b>	<b>307,674</b>	<b>\$22.39</b>	<b>\$24.84</b>

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

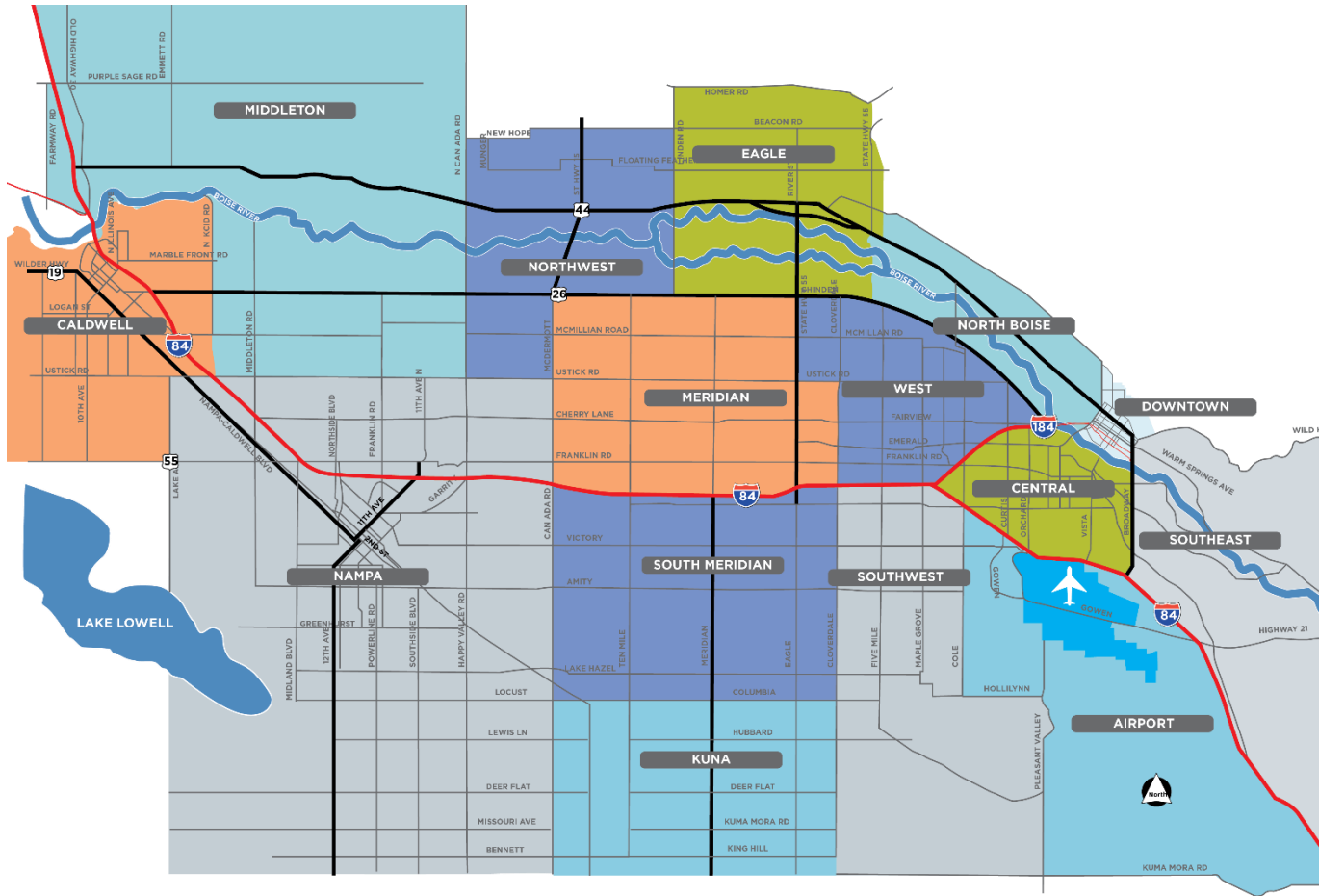
## KEY LEASE TRANSACTIONS YTD 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1032 S Silverstone Way	South Meridian	Power Engineers	118,400	Direct
7808 W Fairview Avenue	West Boise	Idaho Dept of Health and Welfare	73,400	Direct
1100 W Idaho Street	Downtown	Cradlepoint	71,000	Direct
1860 N Westgate Drive	West Boise	Idaho Dept of Health and Welfare	29,939	Direct
651 S Stratford Drive	Meridian	Bish's RV Inc.	26,400	Direct
2512 W Navigator Drive	Meridian	Capital 11	25,300	Direct

## KEY SALES TRANSACTIONS YTD 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Elder Street Properties	Central Bench	Kilmainham Sirport Plaza LLC / Hepworth Family Landholdings LLC	76,000
499 E Corporate	Meridian	Armstrong Meridian LLC / Greenlaw Partners LLC	72,800
235 E Colchester Drive	Eagle	GRH Lakemoor LLC / Eagle Landing LLC	65,100
9465 Emerald Street	West Boise	Vision Buildings LC / R Pfannmuller & Son LLC	39,100

## OFFICE SUBMARKETS



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