

	YoY Chg	12-Mo. Forecast
10.9% Vacancy Rate	▲	▼
-12.6K Net Absorption, SF	▼	▲
\$23.39 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
401.3K Boise Employment	▲	▲
3.3% Boise Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate	▲	▲

Source: BLS

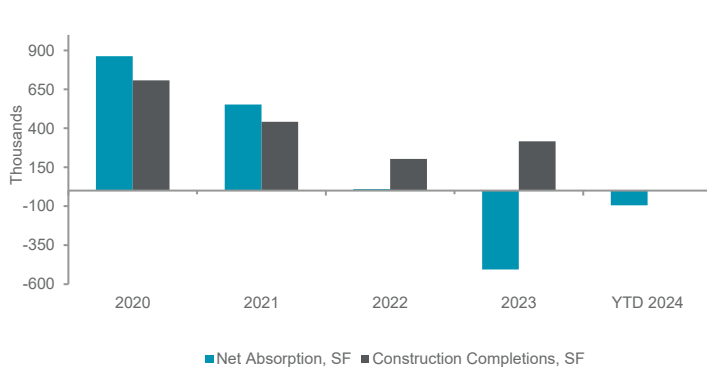
ECONOMY: Phenomenal Growth

Boise and the Treasure Valley continued to exhibit an impressive economic performance in the second quarter of 2024. Once again, Boise secured the second spot nationwide for annual population growth, boasting a robust 2.2% increase with further growth projected. The Boise economy expanded at a 2.4% year-over-year (YOY) rate, adding 9,500 nonfarm jobs to the local workforce. The median household income in Boise surged 3.0% YOY to \$89,900, with expectations of continued growth. Boise's unemployment rate experienced a 40 basis points (bps) jump YOY, reaching 3.3%, placing it among the 9 lowest rates nationwide. In comparison, the U.S. reported a 0.5% population growth, a median household income of \$82,400, and an unemployment rate of 4.1%. Despite challenges, Boise's economy remained resilient, with new nonfarm jobs declining by only 3.1% YOY, while real gross product increased by 100 bps YOY to 5.6%.

SUPPLY & DEMAND: Navigating Fluctuations and Outperforming National Trends

The Boise office market has experienced notable fluctuations over the past year, reflecting broader economic trends and local market dynamics. There has been a general upward trend across all office classes YOY. Overall, the market's vacancy rate increased from 8.9% to 10.9% YOY. Boise continued to outperform national trends with a relatively stable vacancy rate of 10.9% in Q2 2024, rising only 10 bps quarter-over-quarter (QOQ) and 200 bps YOY. Remarkably, Boise's vacancy rate remained well below the national average of 20.5%. Class C spaces experienced more volatility, falling 150 bps in Q1 2024 before rebounding 160 bps in Q2 2024. Direct vacant square feet decreased for the first time since Q3 2022, down 0.1% QOQ but up 27.0% YOY. Overall sublease space increased by 5.5% QOQ and 9.9% YOY, however, Class C sublease space actually dropped and suggests a potential shift in demand or leasing strategies for these lower-tier spaces. Leasing activity (excluding renewals) surged by 16.8% QOQ and 114.0% YOY. Key submarkets such as Downtown, South Meridian, Meridian, and Central Boise held the highest available square footage. Leasing activity in Class A properties soared by 124.0% QOQ, while Class B properties accounted for 63.1% of all leasing activity over the past five quarters. No new construction completions were reported, except for one mixed-use project currently under development. Increased demand in Boise significantly improved negative overall absorption in Q2, accounting for only 5.9% of the annual total. Overall, the Boise office market has experienced significant changes over the past year, with increasing vacancy and availability rates, stable rental rates, and a challenging leasing environment. These trends highlight the dynamic nature of the market and the need for strategic planning and adaptability for both landlords and tenants.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



RENTS: Boise Asking Rents Rise Despite Challenges

Following national trends, asking office rents continued to trend up despite rising vacancy rates, available sublease space, and rising defaults. Overall asking rents rose in Q1 2024 by \$0.15 per square foot (psf) QOQ to \$23.39 psf and nominally \$0.36 psf YOY. By comparison, the national average rent stands at \$37.99 psf, representing a substantial 62.4% premium over the Boise Metro market average. Class A rents increased by \$0.30 psf QOQ but declined by \$0.06 psf YOY, settling at \$25.38 psf. Class B rents rose by \$0.32 psf QOQ and jumped by \$0.30 psf YOY, reaching \$21.90 psf. Changing occupier preferences for premium space have driven suburban Class A asking rents to historic highs, with rates nearly reaching \$32.00 psf in Eagle. Notably, tenant improvement costs remain elevated due to rising construction material prices and labor shortages. Over the past year, rental rates across all classes showed minor fluctuations but generally remained stable. Overall asking rents have gradually increased, reflecting a relatively stable pricing environment despite the fluctuations in vacancy and availability.

INVESTMENT: Federal Reserve’s Inflation Control Measures Continue

The Federal Reserve’s ongoing efforts to control the 40-year high inflation that began in the second half of 2022 have continued to significantly impact the commercial real estate office investment market through Q2 2024. Inflation has slowed by 20 bps to 3.3% as of May 2024, and Federal Reserve officials have signaled that they now expect only one interest rate cut in 2024. This cautious approach to monetary policy has influenced investment transaction levels, which have decreased both QOQ and YOY.

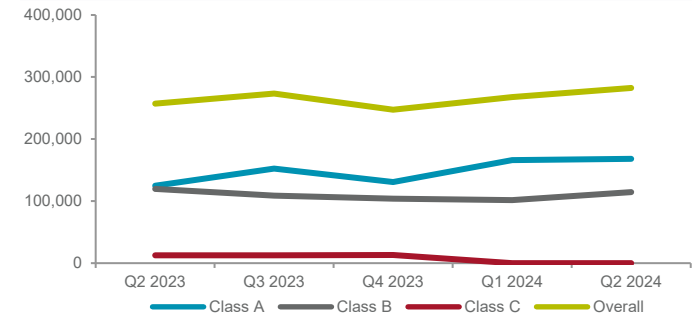
Interest rates remain a critical factor in the commercial real estate market. The Federal Reserve’s rate hikes over the past two years have increased borrowing costs, making it more challenging for investors to finance new acquisitions. As a result, weighted capitalization rates (cap rates) have expanded to approximately 7.0%.

Despite these challenges, Boise continues to attract private investors seeking quality core real estate and solid economic fundamentals. The city’s strong economic performance, coupled with its relatively low vacancy rates and stable rental prices, makes it an appealing destination for investment. Additionally, the broader economic conditions, such as the slowing inflation and the anticipated stabilization of interest rates, provide a more predictable environment for investors to navigate.

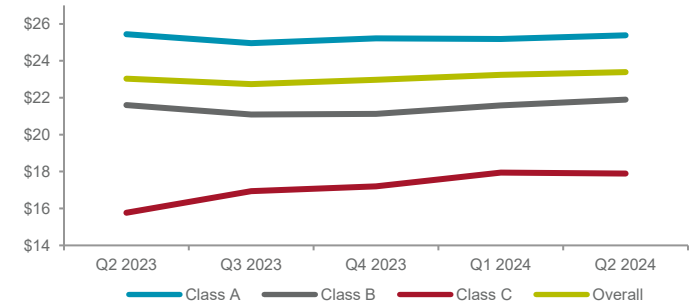
Outlook

- The trend of growing sublease space may subside into the second half of 2024.
- Leasing activity is projected to remain strong, with minimal upcoming projects.
- Landlords may need to continue offering additional concessions to attract tenants.
- The Federal Reserve may cut the interest rate in late 2024.
- Net absorption may become positive in the second half of 2024
- Falling Class A availability may continue to place upward pressure on Class A rents

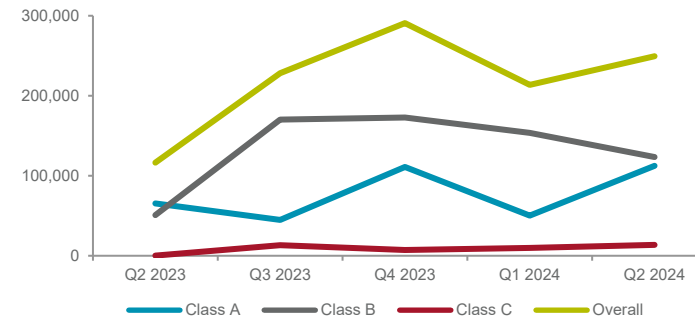
VACANT SUBLEASE



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	6,293	0	17.9%	0	-6,293	0	0	\$22.00	N/A
Caldwell	248,189	50,462	0	20.3%	-31,436	-33,457	3,071	0	\$24.23	\$28.14
Central Boise	1,614,448	126,261	0	7.8%	-26,308	-28,128	76,641	0	\$20.02	N/A
Downtown	3,875,189	596,949	71,110	17.2%	8,346	-34,832	139,650	119,625	\$22.80	\$24.07
Eagle	633,230	35,750	71,363	16.9%	772	904	7,192	0	\$29.45	\$30.82
Meridian	2,179,774	101,594	36,627	6.3%	18,232	16,037	49,116	0	\$24.65	\$27.49
Nampa	672,488	8,832	0	1.3%	-686	26,857	6,395	0	\$20.73	\$24.00
North Boise	444,741	32,218	3,379	8.0%	-3,394	534	2,781	0	\$19.29	\$23.51
South Meridian	1,924,666	421,366	0	21.9%	24,014	-35,518	75,148	0	\$24.57	\$26.70
Southeast Boise	1,326,575	43,339	20,076	4.8%	-13,529	16,304	24,189	0	\$22.03	\$19.66
Southwest Boise	763,369	52,239	15,973	8.9%	3,085	-12,243	22,277	0	\$22.97	\$24.56
West Boise	3,534,318	115,524	63,932	5.1%	8,227	-4,787	56,349	0	\$18.80	\$19.77
TOTALS	17,252,177	1,590,827	282,460	10.9%	-12,677	-94,622	462,809	119,625	\$23.39	\$25.38

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

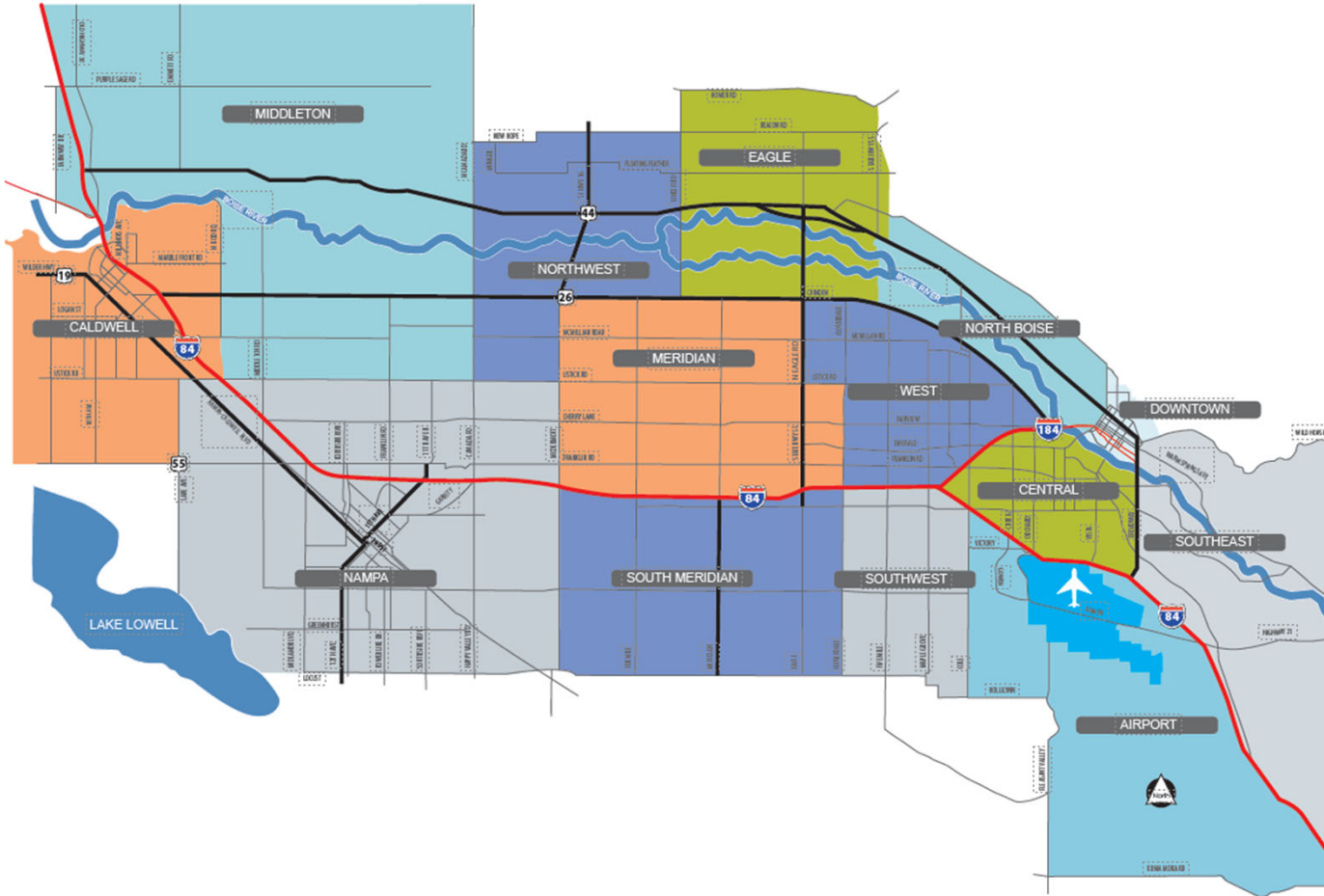
KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3501 Elder Street	Central Bench	Jannus, Inc.	27,279	Direct
1450 S Eagle Flight Way	Southwest Boise	College of Western Idaho	13,060	Direct
999 W Main Street	Downtown	Balsam Brands Inc.	10,798	Sublease
101 S Capitol Boulevard	Downtown	Dorsey & Whitney LLP	10,542	Direct
6074 N Discovery Way	West Boise	Pathways Management Group, Inc.	10,478	Direct
2487 W Navigator Drive	Meridian	Undisclosed	8,532	Direct
1023 N Horton Street	Nampa	Undisclosed	7,922	Direct

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF
9777 W Chinden Boulevard	West Boise	Castnet LLC / Family Advocate Program Inc	11,700
314-318 2 nd Street S	Nampa	G & M Investment Enterprises LLC / Kajoba Ventures LLC	10,000
6291 N Fox Run Way	Meridian	Mordeau Properties LLC / Ksg Properties LLC	9,460
1820 Caldwell Boulevard	Nampa	Mjq Dublin LLC / Ph Karcher LLC	8,425

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