

FIGURES | BOISE INDUSTRIAL & LOGISTICS | Q1 2023

# Demand for Boise industrial space remains robust despite headwinds

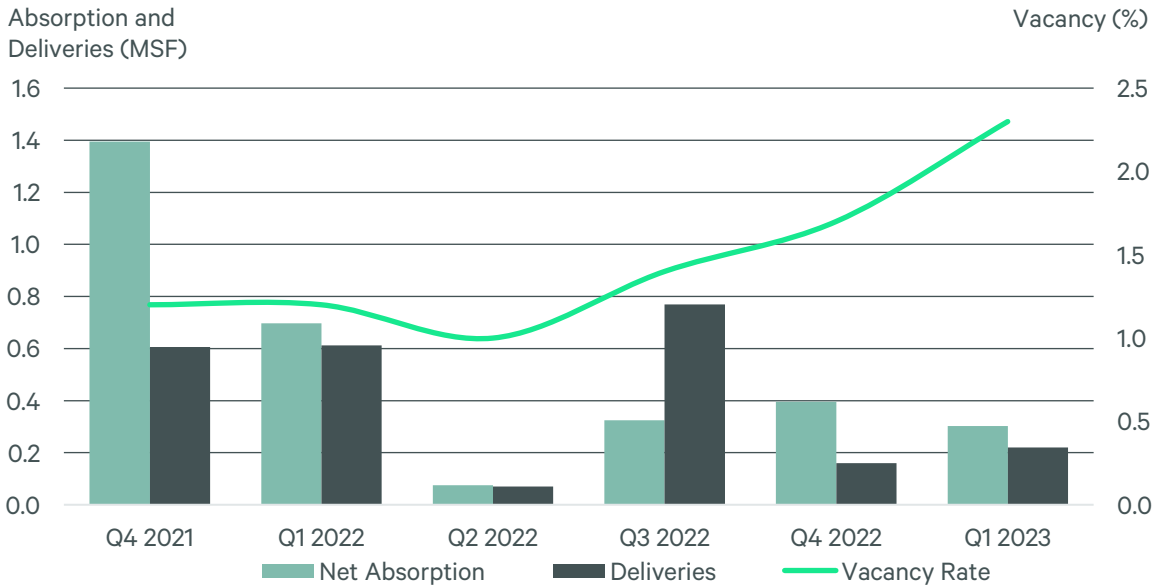


Note: Arrows indicate YOY Change.

HIGHLIGHTS

- 220,000 sq. ft. delivered in Q1 2023 alone. With 4.0 million sq. ft. set to deliver throughout the remainder of the year, 2023 will set a record for annual deliveries.
- Q1 2023 marked the eight straight quarter of positive absorption, with over 300,000 sq. ft. absorbed.
- 2023 began the year with over 300,000 sq. ft. leased—a strong start to the year and direct proof of continued demand in the area.
- Vacancy received some relief with a 60 basis-point (bps) increase.
- Robust industrial employment growth and shifting demographics have led to sustained high demand for industrial space.
- Micron Technology Inc. plans for a \$15 billion semiconductor production laboratory in the Treasure Valley is expected to drive continued economic growth in the area. This significant investment is forecasted to generate more than 15,000 new job opportunities in the region.

FIGURE 1: Net Absorption (SF), Deliveries (SF), and Vacancy Rate (%)



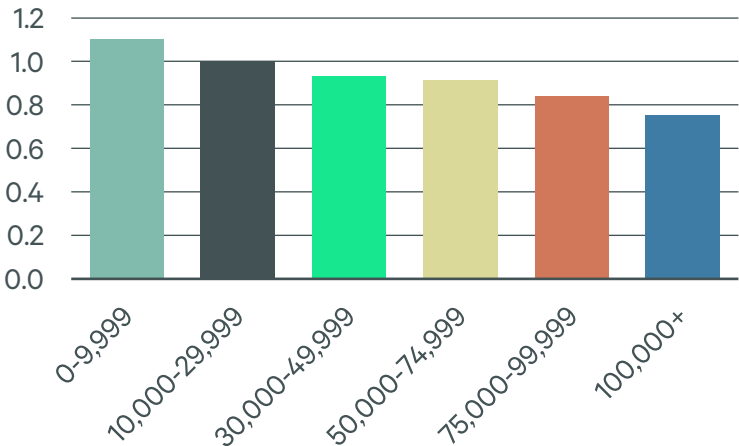
Source: CBRE Research, Q1 2023

## Market Overview

Strong market fundamentals coupled with sustained demand for space in the Boise industrial market has positioned the market to continue to grow despite macroeconomic headwinds. Vacancy and availability rates increased by over 60 basis points quarter-over-quarter in Q1 2023, and with large amounts of space set to deliver throughout the rest of the year, these metrics are expected to continue to experience relief in future quarters. Leasing activity remained strong in Q1 2023, which helped spur another quarter of positive absorption.

Q1 2023 also saw the delivery of the AI Gowen Industrial Park, a 220,160 sq. ft. speculative (spec) project that was fully leased upon delivery, and another contributor to the positive absorption seen this quarter. While large amounts of available spec space are set to deliver in 2023, the time it takes to fill these spaces will determine groundbreakings of future projects. Boise’s strategic location in the West and strong market fundamentals will continue to drive growth in 2023.

FIGURE 2: Available Size Range and Average Asking Lease Rate (\$/SF/Mo NNN)



Source: CBRE Research, Q1 2023

FIGURE 3: Submarket Statistics

	Net Rentable Area (SF)	Availability Rate (%)	Vacancy Rate (%)	YTD Absorption (SF)	Asking Rent (\$/SF/Mo NNN)	Under Construction (SF)	YTD Deliveries (SF)
MARKET/SUBMARKET							
Airport	5,790,501	0.5	0.1	214,100	1.10	1,480,043	220,160
Bench	1,894,698	0.9	0.8	(1,090)	1.07	-	-
Caldwell	5,137,591	6.7	6.3	72,300	0.74	396,480	-
Downtown	473,827	0.0	0.0	-	-	-	-
Eagle	243,270	1.1	1.1	(2,605)	-	14,087	-
Kuna	203,390	0.7	0.0	-	1.10	-	-
Meridian	6,029,979	1.4	1.4	(36,907)	0.80	-	-
Middleton	265,608	0.0	0.0	-	-	-	-
Nampa	11,181,183	4.2	3.7	45,187	0.80	2,079,103	-
North Boise	1,704,516	0.8	0.8	15,739	0.75	-	-
South Meridian	876,649	1.1	1.1	-	1.54	-	-
Southeast	4,287,732	1.0	1.0	43,434	1.54	-	-
Southwest	2,238,188	2.2	1.7	(38,601)	0.79	54,300	-
Star	58,076	0.0	0.0	-	-	-	-
West	3,572,338	0.9	0.9	(9,454)	1.17	-	-
West Canyon	1,089,102	0.0	0.0	-	-	-	-
Market Total	45,046,648	2.4	2.2	302,103	0.82	4,024,013	220,160

Source: CBRE Research, Q1 2023

Leasing

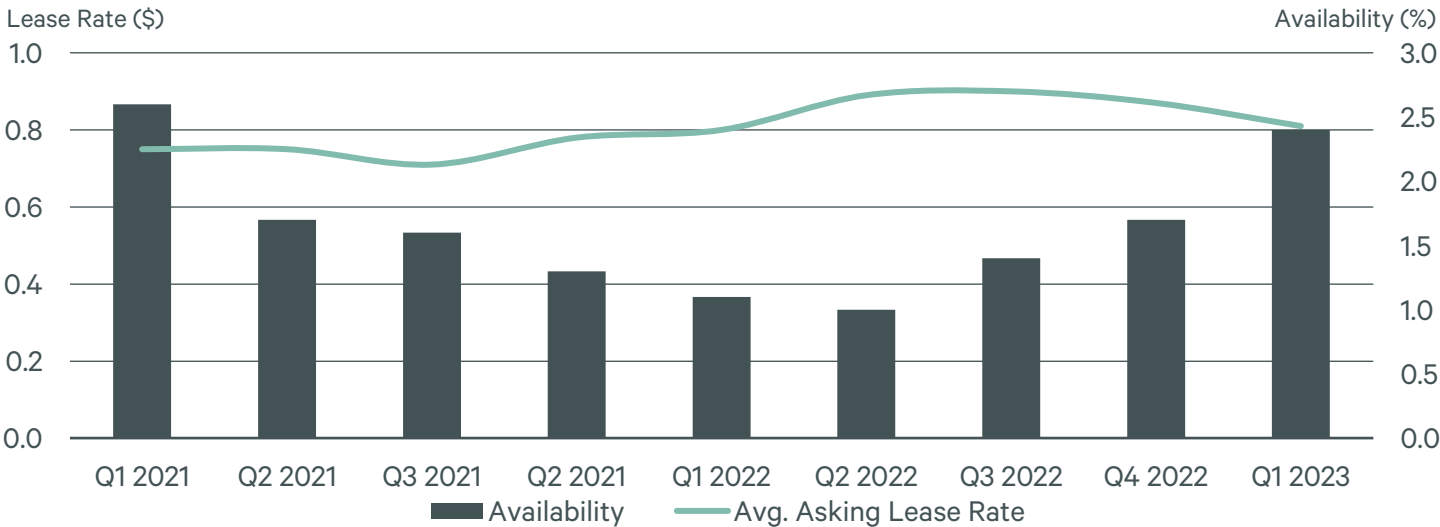
Leasing activity remained strong in Q1 2023, with over 370,000 sq. ft. leased. The West submarket led total leasing activity across submarkets with 107,649 sq. ft. leased. This strong performance demonstrates that demand for industrial space in the Boise area remains robust despite macroeconomic headwinds. Q1 2023 leasing activity was highlighted by the 88,000 sq. ft. lease of North Ranch Logistics Building 1, a newly delivered speculative space in the Caldwell submarket.

The average achieved lease rate continued to rise as available space remains scarce and demand remains robust. Unlike previous quarters, Q1 2023 leasing activity was heavily concentrated in existing space, as only one lease was signed in a property under construction. Leasing activity will be an important measure to track throughout 2023 to keep a pulse on demand. Boise remains a desirable location in the West due to comparatively cheap space and one-day drive times to key locations.

Industrial Sales

Industrial sales remained relatively stagnant in Q1 2023 due to macroeconomic pressures and high interest rates. Despite these conditions, 291,126 sq. ft. of industrial space was sold in Q1 2023, highlighted by the owner-user sale of 9224 S Lake Shore Dr, a 79,000 sq. ft. property in the Nampa submarket. Sale activity is expected to remain stagnant as investors interested in purchasing space wait to see what the rest of 2023 has in store for the nation’s economy.

FIGURE 7: Availability (%) and Average Asking Lease Rate (\$/SF/Mo NNN)



Source: CBRE Research, Q1 2023

FIGURE 8: Q1 2023 Notable Sale Transactions

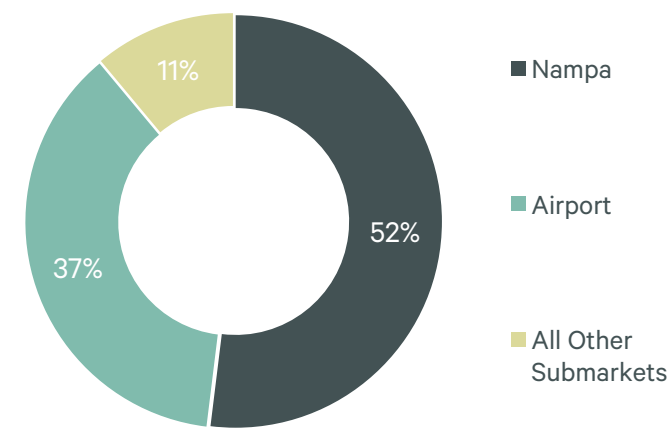
Property	Sale Size (SF)	Submarket	Property Type
9224 Lake Shore Drive	79,000	Nampa	Warehouse/Distribution
9700 W Bethel Ct	60,252	West	Data Center
910 E Fargo Ave	52,000	Nampa	Warehouse/Distribution

Source: CBRE Research, Q1 2023

## Deliveries & Construction

Construction activity remained vital to the continued growth of the Boise industrial market. In Q1 2023, only one property delivered: AI Gowen Industrial park, a 220,160 sq. ft. space that was fully leased upon delivery. Construction activity remains heavily concentrated in the Airport and Nampa submarkets, accounting for 89% of total sq. ft. under construction in the market. 4.0 million sq. ft. is set to deliver in 2023, which will cause vacancy to increase and hopefully spur new leasing activity. The rate at which these spaces lease will play a critical role in the groundbreaking of new speculative space. With profitability projections for new construction projects dwindling due to increasing interest rates, investors will be keeping a close eye on this metric to determine whether they break ground in 2023. No new projects broke ground in Q1 2023, and if this trend continues, vacancy will start to constrict in 2024 amid robust demand for space in the area.

FIGURE 4: Active Construction by Submarket (%)



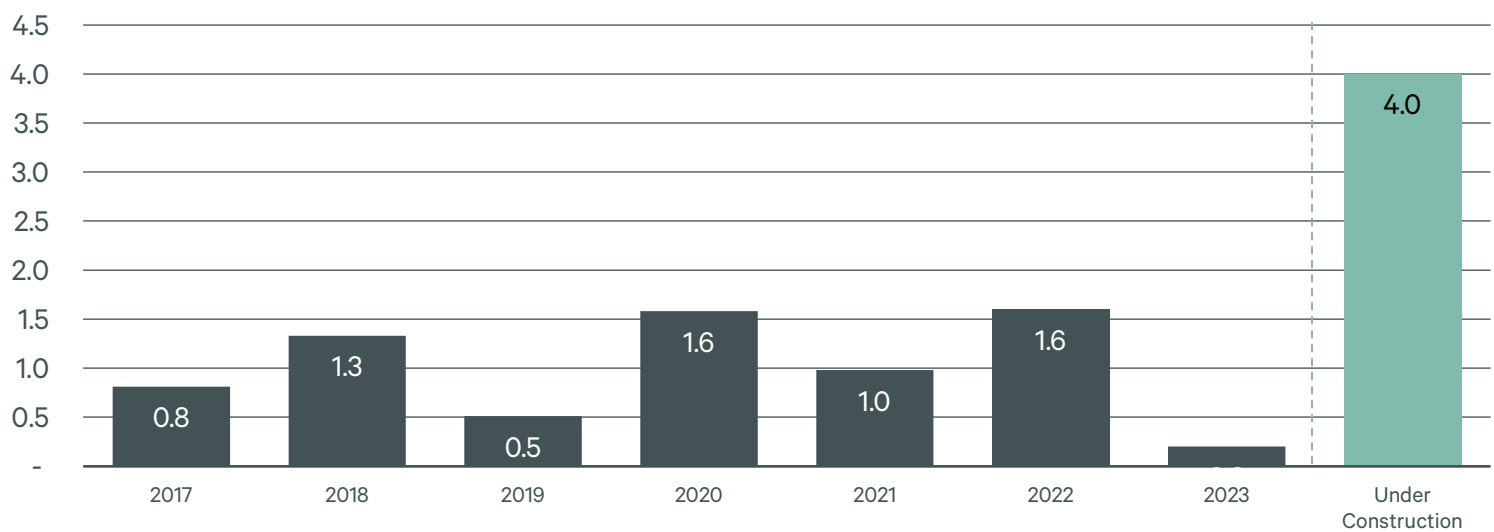
Source: CBRE Research, Q1 2023

FIGURE 5: Notable Construction Projects

	Property Size (SF)	Submarket	Developer	Spec/BTS
PROPERTY NAME				
Red River Logistics Center	900,981	Airport	Flint Development	Spec
Park84	605,570	Nampa	Bow River Capital	Spec
Fuller84 Phase II	439,600	Nampa	Bow River Capital	Spec
Red River Commerce Center	392,062	Airport	Flint Development	Spec
Kings Road Commerce	362,093	Nampa	LBA Logistics	Spec

Source: CBRE Research, Q1 2023

FIGURE 6: Historical Construction Completions (MSF)

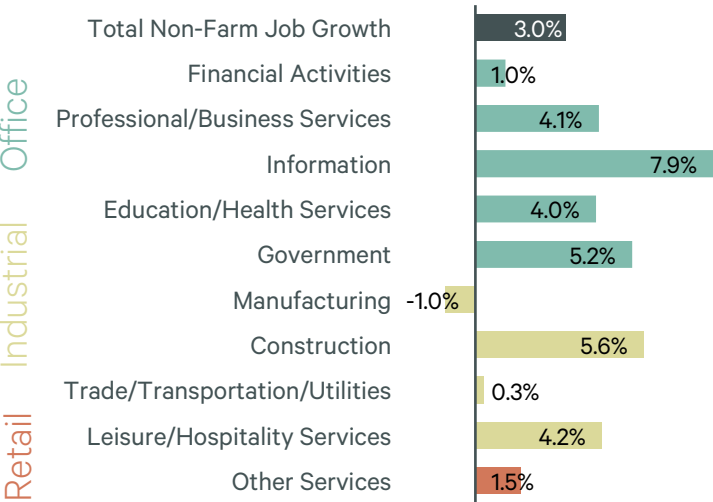


Source: CBRE Research, Q1 2023

## Local Economy Overview

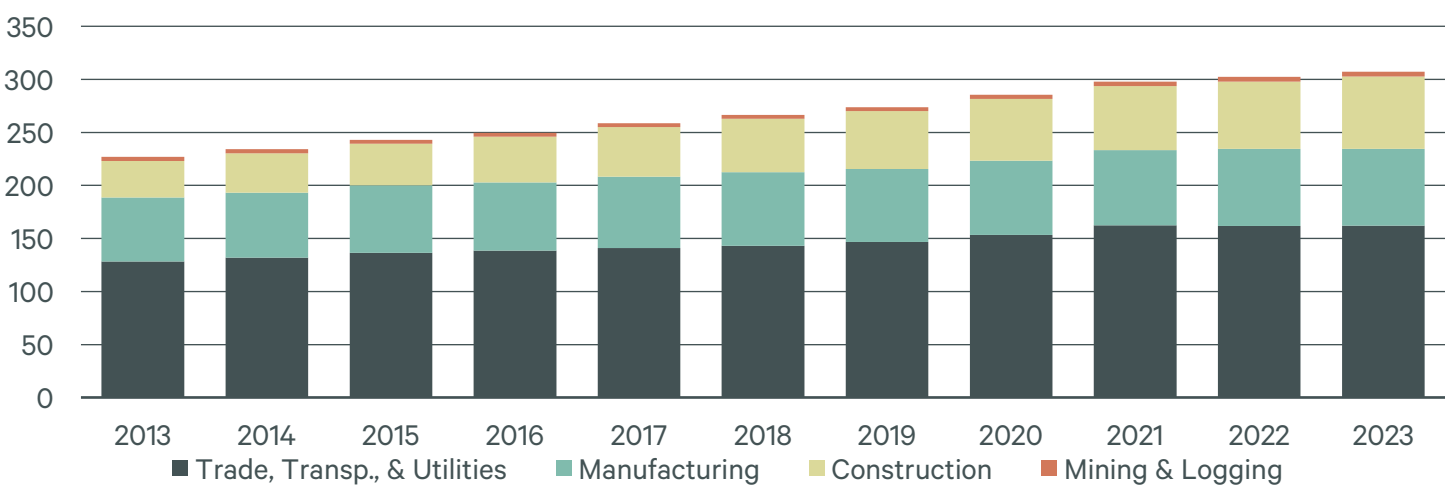
Idaho's economy remains strong, with an unemployment rate of 2.6%—lower than the national average of 3.6%. However, during Q1 2023, the state experienced a decline in commercial real estate investment volume due to interest rate hikes implemented by the Federal Reserve to curb inflation. This decline has contributed to an environment of uncertainty and amplified challenges associated with financing growth, causing occupants to exercise caution amid economic volatility and an emerging credit crunch. Despite these challenges, Boise displays positive indicators. Job growth in the region increased by 2.7% in the past year, with a notable 17.1% rise in information technology job growth. Moreover, the Consumer Price Index for the Mountain States region experienced a modest decline in February 2023, indicating a slight drop in the prices of consumer goods and services.

FIGURE 13: Idaho Non-Farm Job Growth YOY by Industry (%)



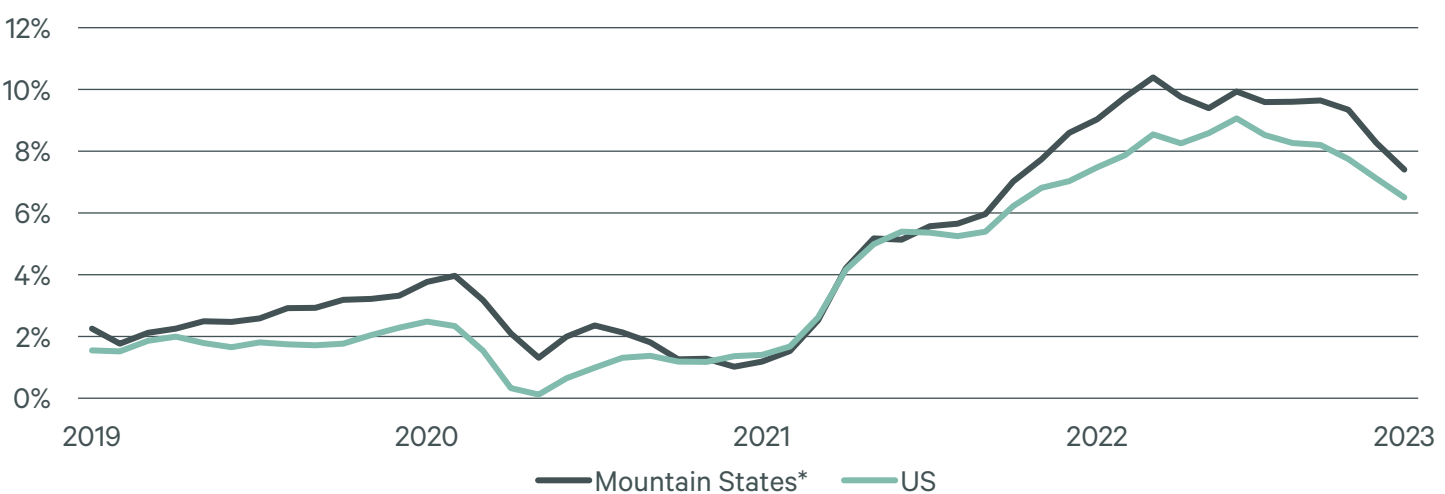
Source: Idaho Workforce Services, March 2023

FIGURE 14: Idaho Industrial-Using Employment (000s)



Source: Bureau of Labor Statistics, March 2023

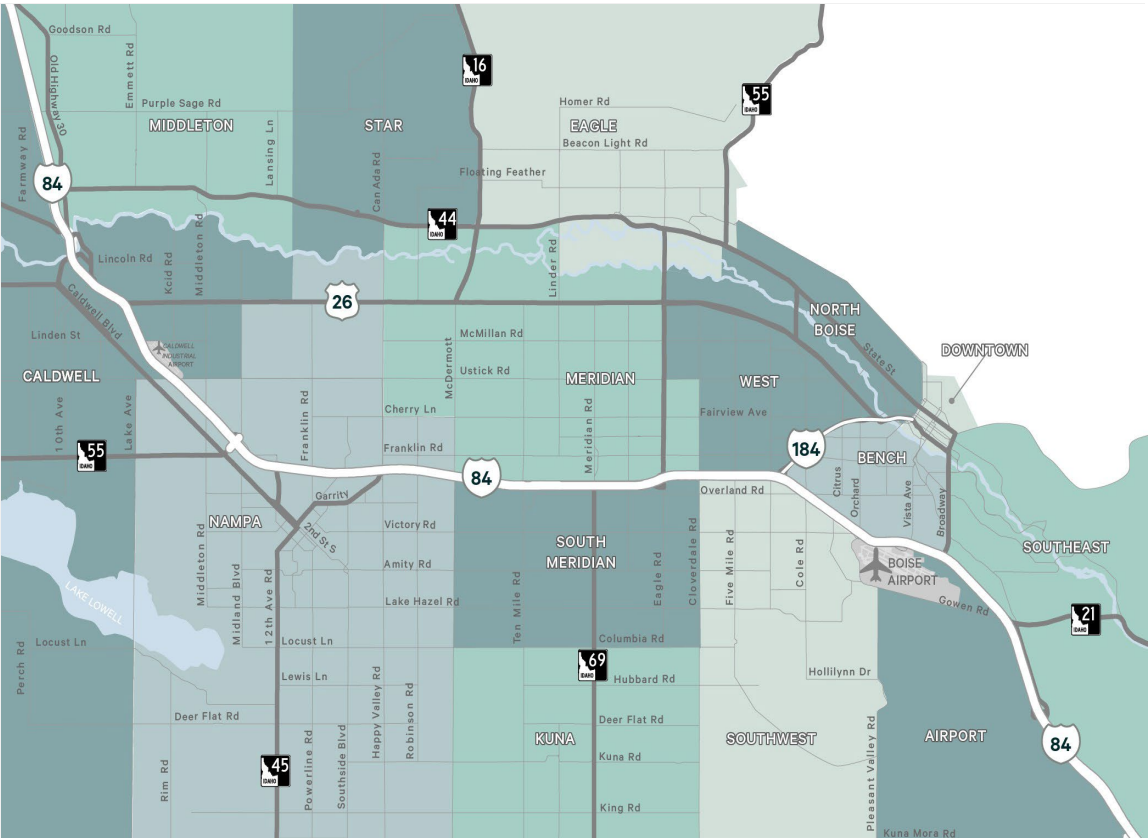
Figure 15: 12-month Change in Consumer Price Index for Mountain States and U.S. (%)



Source: Bureau of Labor Statistics, March 2023

\*Mountain States includes AZ, CO, ID, NV, NM, UT, WY

Market Area Overview



National Economic Outlook

Downstream consequences of the Fed’s tightening program are surfacing and signaling slower growth ahead. Specifically, trouble in the banking sector will likely weigh on even the strongest feature of the economy—the consumer—as banks limit lending to increase their own liquidity. This will erode demand for big-ticket items, such as housing and autos, but could also impede spending on services, which has been a key driver of job growth in recent months.

The impact on commercial real estate will be two-pronged—a weaker economy will slow NOI growth and tighter bank lending will limit investment activity. The silver lining is that a faster slowdown in the economy will reduce inflation pressure later this year and allow the Fed to ease monetary policy, providing greater clarity to the real estate sector.

Survey Criteria

Includes all existing industrial properties over 10,000 sq. ft. in Ada and Canyon County. Leasing activity includes renewals, new leases, and extensions. Property must fit within a subtype. Property may be owner-user. Buildings which have begun construction are evidenced by site excavation or foundation work. Only existing buildings are included in vacancy and availability rate calculations. Data in previous publications is subject to change.

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