

FIGURES | BOISE INDUSTRIAL & LOGISTICS | Q1 2024

# Strong leasing activity and deliveries led to uptick in net absorption



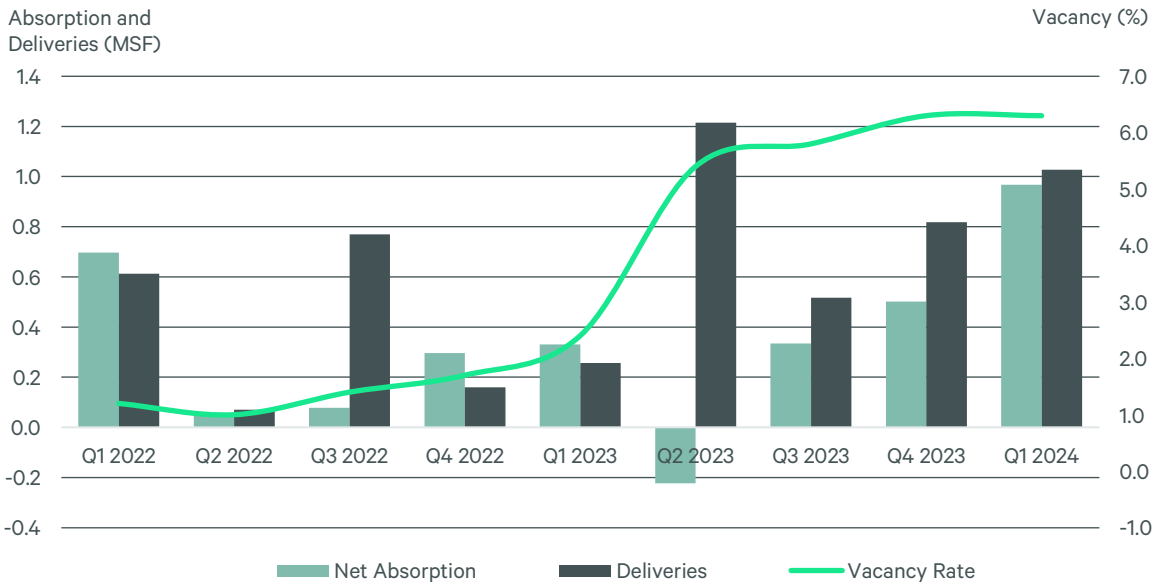
Note: Arrows indicate YOY Change.

HIGHLIGHTS

- Just over 1.0 million sq. ft. of positive net absorption was recorded in Q1 2024, the largest amount seen in a single quarter since Q4 2021.
- The average asking lease rate grew slightly to \$0.89 NNN, a \$0.04 quarter-over-quarter increase.
- Construction activity remained elevated in Q1 2024, with just over 1.0 million sq. ft. delivered, 53.5% of which was preleased.
- The market wide availability rate remained unchanged quarter-over-quarter at 6.6%.
- Strong population growth and continued job growth, coupled with the smallest industrial space per capita in notable Northwest markets, highlighted the need for industrial space in Boise.
- Micron Technology Inc.’s \$15 billion investment in the Boise area has continued to spur ancillary demand for industrial space in the market.



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

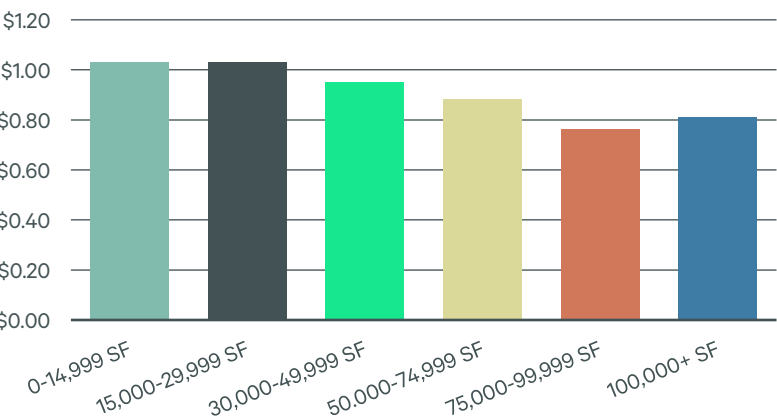


Source: CBRE Research, Q1 2024

## Market Overview

The first quarter of 2024 for Boise's Industrial market was characterized by robust construction and leasing activity. With over 1.0 million sq. ft. delivered and an additional 623,400 sq. ft. leased in Q1 2024, the first quarter of 2024 set a positive tone for the rest of the year. However, despite this, the market-wide availability rate remained static quarter-over-quarter at 6.6% due to the delivery of 476,980 sq. ft. of speculative space. The Nampa and Airport submarkets were at the forefront of industrial activity in Q1 2024, as they accounted for 60.1% of leasing activity and 98.5% of the quarter's delivered space. This trend is expected to persist throughout 2024 as these submarkets have seen considerable growth, and contractors working on the Micron expansion are seeking industrial space in the Airport submarket. Net absorption remained strong in Q1 2024, with nearly 1.0 million sq. ft. positively absorbed. Continued positive net absorption will be crucial to stabilize available space in the market and support ongoing growth. The Treasure Valley's robust economy and sustained population growth will continue to drive demand for industrial space in the region.

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



Source: CBRE Research, Q1 2024

FIGURE 3: Submarket Statistics

MARKET/SUBMARKET	Net Rentable Area (SF)	Availability Rate (%)	Vacancy Rate (%)	YTD Absorption (SF)	Asking Rent (\$/SF/MO NNN)	Under Construction (SF)	YTD Deliveries (SF)
Airport	6,534,563	9.7	9.7	92,880	0.87	900,981	187,000
Bench	1,894,698	7.6	4.9	27,852	0.77	-	-
Caldwell	5,249,000	7.5	7.5	(28,194)	0.90	396,480	14,400
Downtown	621,267	17.8	17.8	-	0.88	-	-
Eagle	257,357	0.0	0.0	-	-	-	-
Kuna	203,390	0.0	0.0	-	-	-	-
Meridian	6,090,379	0.9	0.9	2,152	1.05	-	-
Middleton	265,608	0.0	0.0	-	-	-	-
Nampa	13,997,064	11.7	11.5	831,275	0.88	364,190	825,918
North Boise	1,704,516	1.4	0.5	(1,770)	0.84	-	-
South Meridian	876,649	1.1	1.1	-	1.54	-	-
Southeast	4,287,732	0.5	0.5	27,604	1.31	-	-
Southwest	2,369,799	5.5	3.7	26,640	0.93	-	-
Star	58,076	0.0	0.0	-	-	-	-
West	3,572,338	2.0	2.0	(10,807)	0.93	-	-
West Canyon	1,089,102	0.0	0.0	-	-	-	-
Market Total	49,297,008	6.6	6.3	967,632	0.89	1,661,651	1,027,318

Source: CBRE Research, Q1 2024

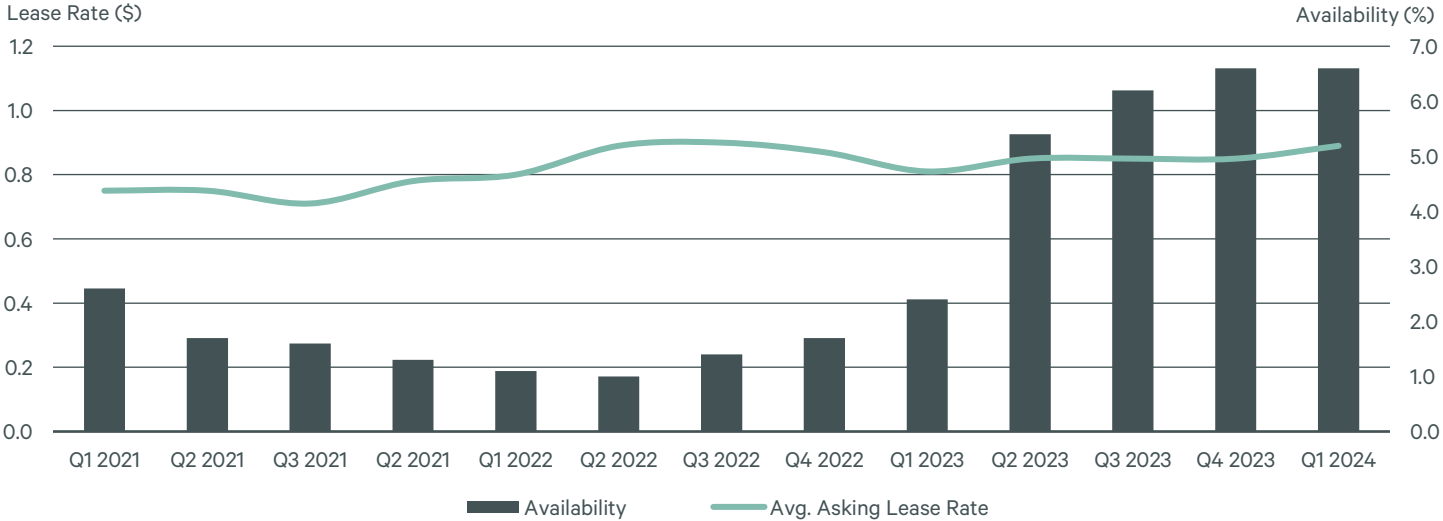
Leasing

Leasing activity remained robust in Q1 2024 with just over 600,000 sq. ft. leased. The most significant lease transaction in Q1 2024 occurred at Kings Road Commerce Center – Building 1, where a confidential tenant leased 150,735 sq. ft. Average asking lease rates showed minimal change quarter-over-quarter, growing by \$0.04 per sq. ft. The largest increase occurred in spaces over 100,000 sq. ft. reaching \$0.81 per sq. ft. NNN. In Q1 2024, nearly 1.0 million sq. ft. was positively absorbed, with the largest contribution coming from The Stow Company, which occupied a 539,538 sq. ft. build-to-suit project at Midland Industrial Park – Building 9. Moving forward, maintaining robust leasing activity will be crucial for continuous growth and positive investor sentiment throughout 2024, especially as the available square footage remains elevated.

Sales

Investor interest in the Boise Industrial market remained relatively strong in Q1 2024 due to a strong local economy and anticipated market growth in the Treasure Valley over the coming years. Just over 300,000 sq. ft. of industrial space sold in Q1 2024, with the largest sale taking place at 535 E Gowen Industrial, a 220,000 sq. ft. distribution and logistics building. As the Fed’s decision regarding lowering interest rates in 2024 becomes increasingly unclear, expect sales activity to remain relatively stagnant as investors wait on the sidelines. Despite this, investors are still committed to the Boise area evidenced by an increase in sales activity over the last two quarters.

FIGURE 4: Availability (%) and Average Asking Lease Rate (\$/SF/Mo NNN)



Source: CBRE Research, Q1 2024

FIGURE 5: Q1 2024 Notable Lease Transactions

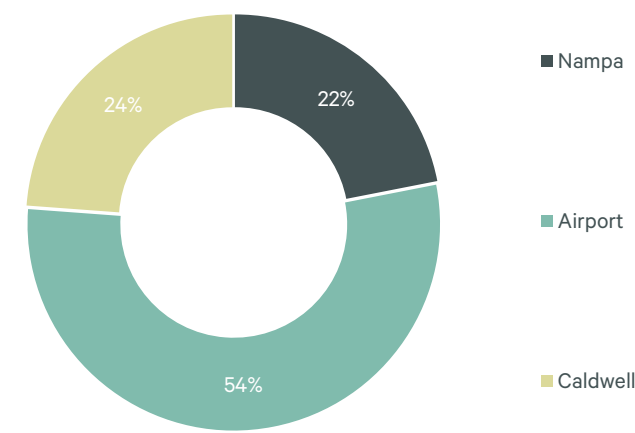
PROPERTY NAME			
Tenant		Lease Size (SF)	Submarket
Kings Road Commerce Center – Building 1		150,735	Nampa
Interstate Center		76,533	Nampa
Skyway Building		45,000	Caldwell
2100 Braniff St		36,591	Southeast
Red River Commerce Center – Building B		36,508	Airport

Source: CBRE Research, Q1 2024

## Deliveries & Construction

With just over 1.0 million sq. ft. delivered in Q1 2024, only 1.6 million sq. ft. under construction remains, the lowest amount since Q1 2021. Notable projects that delivered this quarter included Adler Midland Industrial Park – Building 9, a 539,538 sq. ft. build-to-suit project for The Stow Company, and buildings 1,2, and 4 at Park84 Industrial park. All remaining space currently under construction is projected to be completed in Q2 2024, indicating the need for new construction to add more space to the market. This slowdown in construction can be linked to the record-breaking amount of supply delivered in the last 24 months that have inflated the markets availability rate, and macroeconomic uncertainty that has made securing construction financing increasingly difficult. Given the area's growing population and strong local economy, maintaining a robust industrial pipeline is essential for supporting continued growth.

FIGURE 6: Active Construction by Submarket (%)



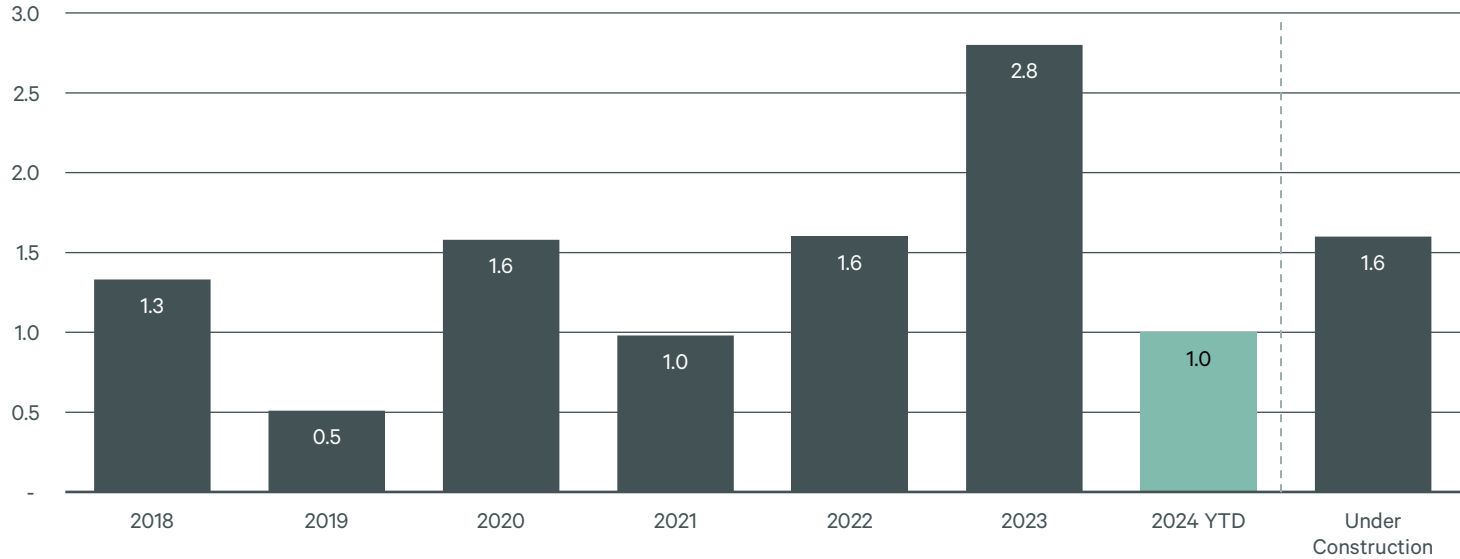
Source: CBRE Research, Q1 2024

FIGURE 7: Q1 2024 Notable Construction Completions

	Property Size (SF)	Submarket	Preleased % Upon Delivery	Spec/BTS
PROPERTY NAME				
Adler Midland Industrial Park – Building 9	539,538	Nampa	100%	BTS
Park84 Buildings 1,2,4	241,380	Nampa	0%	Spec
Boise Gateway Industrial Park– Building 3	187,000	Airport	0%	Spec
Cherry Lane Industrial Park – Building 1	45,000	Nampa	0%	Spec

Source: CBRE Research, Q1 2024

FIGURE 8: Historical Construction Completions (MSF)

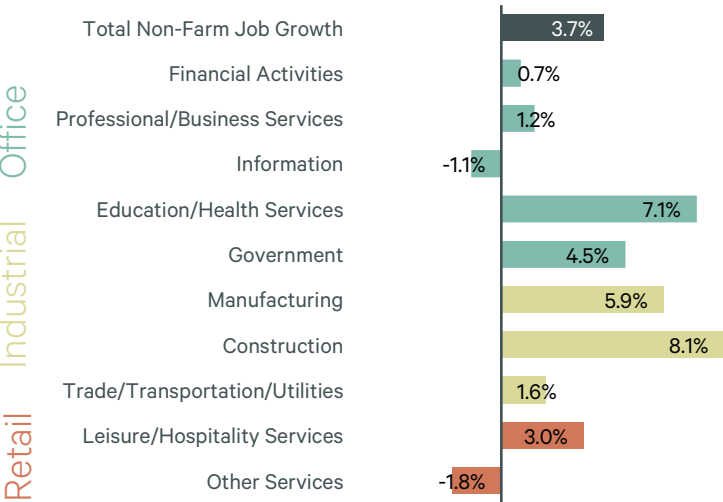


Source: CBRE Research, Q1 2024

## Local Economy Overview

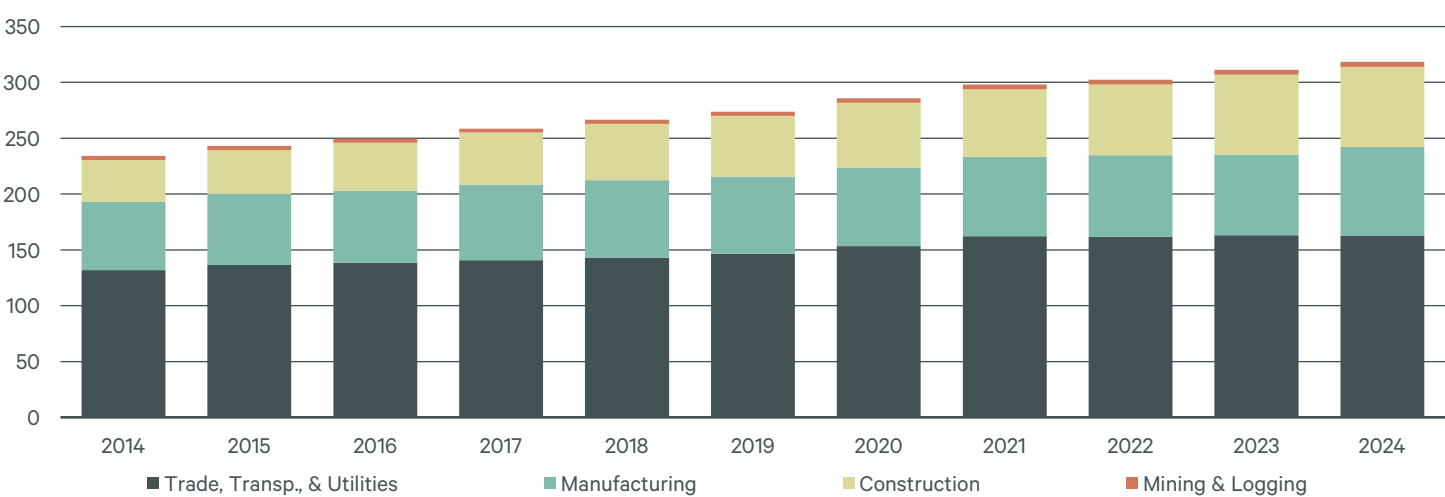
Idaho is poised to be one of the top economies in the United States in 2024, thanks to its ongoing economic strength and population growth. As of March, the state's unemployment rate held steady at 3.3%, which is 50 bps less than the national rate of 3.8%. Also, the nonfarm job sector demonstrated continued growth, with a 3.7% increase year-over-year in March, underscoring the strength of Idaho's job market. The Treasure Valley region has seen significant growth, welcoming over 11,000 new residents between July 2022 and July 2023. This population growth is anticipated to continue, fueled by a robust labor market, attractive natural landscapes, and sustained corporate investments. The industrial real estate market within the Treasure Valley plays a crucial role in supporting this growth. Given that the area has the least amount of industrial space per capita among significant northwest regions, sustained expansion is crucial to accommodate the flourishing local economy.

FIGURE 9: Idaho Non-Farm Job Growth YOY by Industry (%)



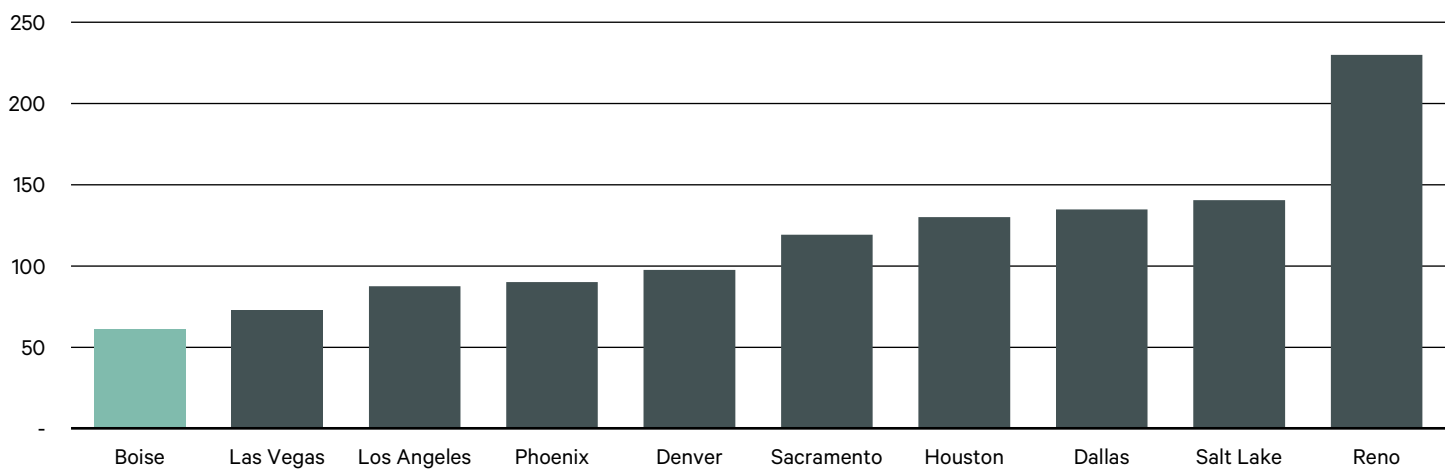
Source: Idaho Workforce Services, March 2024

FIGURE 10: Idaho Industrial-Using Employment (000s)

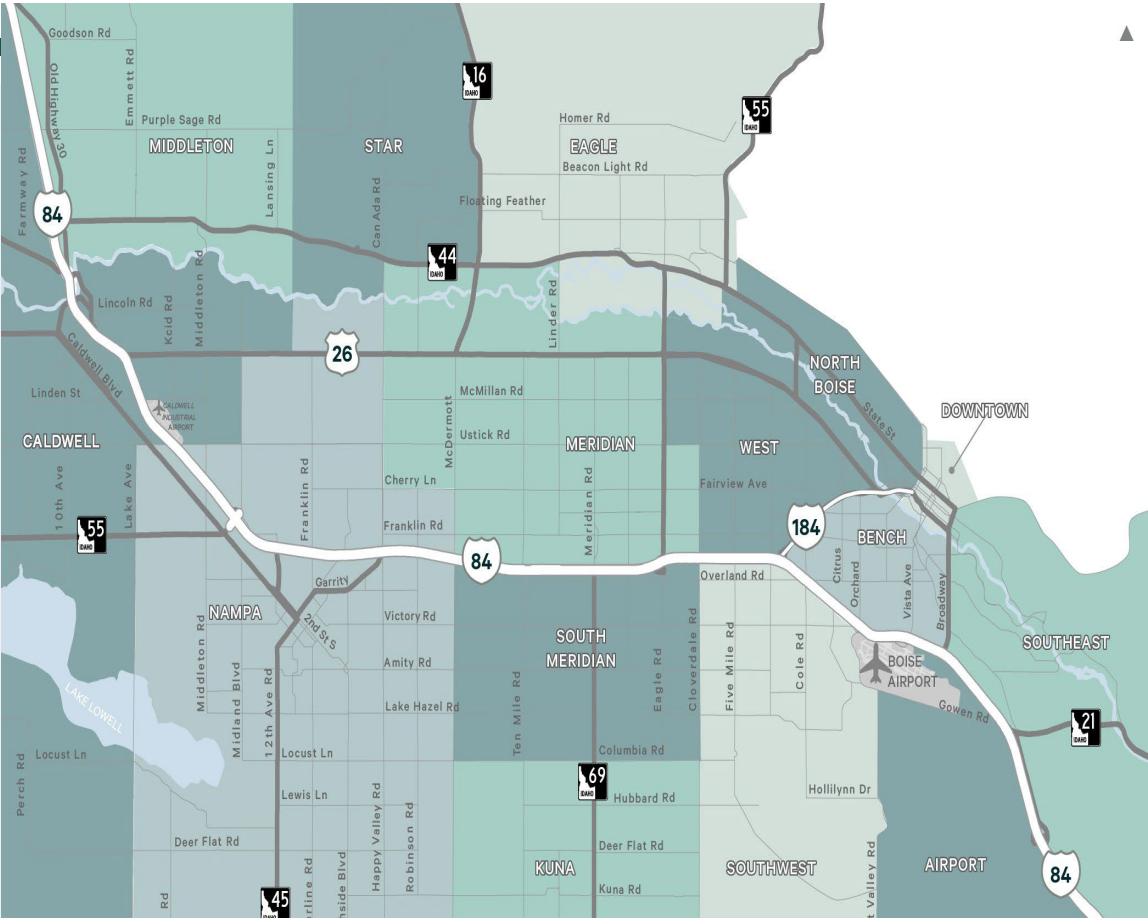


Source: Bureau of Labor Statistics, March 2024

Figure 11: Industrial Space per Capita (sq. ft.)



Source: CBRE Research, Q1 2024 US Census July 2023



## ▲ National Economic Outlook

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a ‘soft landing’. GDP growth should be less than half 2023’s pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity.

The Fed will likely make three, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is actually delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

## 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. Positive net absorption is calculated based on lease signed date. Only existing buildings are included in vacancy and availability rate calculations. Data in previous publications is subject to change.

## Contacts

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