

FIGURES | BOISE INDUSTRIAL & LOGISTICS | Q2 2023

Record-setting deliveries amid low-preleasing led to increase in vacancy

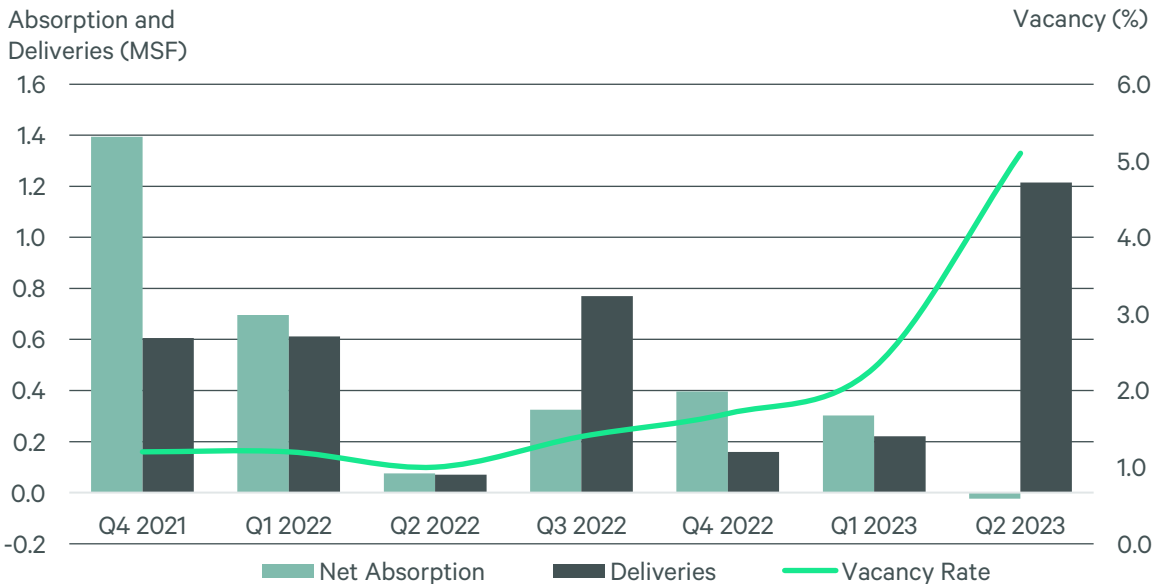


Note: Arrows indicate YOY Change.

HIGHLIGHTS

- Just over 240,000 sq. ft. was leased in Q2 2023, marking another strong quarter of leasing activity.
- A record-breaking 1.2 million sq. ft. was delivered in Q2 2023—much of that space not pre-leased. This caused the market vacancy rate to increase by 260 basis points, the largest quarter-over-quarter increase in market history.
- Asking rates experienced a \$0.03 increase quarter-over-quarter, which can be contributed to an influx of available Class A space from new construction.
- Robust population growth and Boise’s strong economy has led to sustained demand for industrial real estate.
- Micron Technology Inc.’s \$15 billion investment in the Boise area will spur demand for industrial space in the market. Notably, the development of a state-of-the-art semiconductor production laboratory will both directly and indirectly bring more than 15,000 new jobs to the Treasure Valley.

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



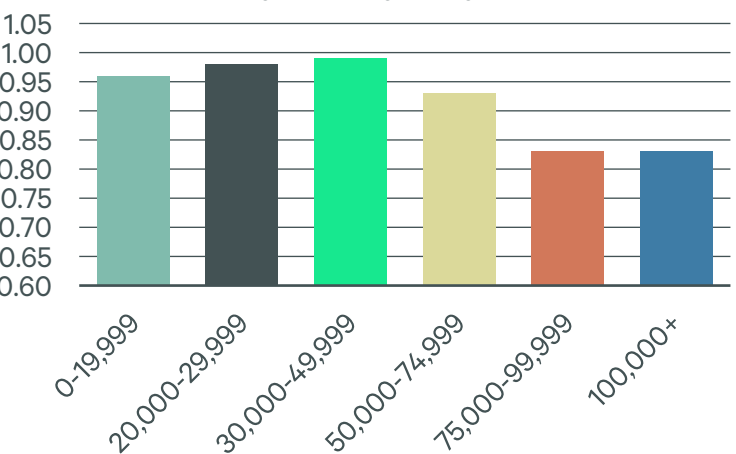
Source: CBRE Research, Q2 2023

Market Overview

Q2 2023 saw a record-breaking amount of delivered space in a single quarter, with 1,215,104 sq. ft delivered. These properties delivered mostly vacant, prompting the markets vacancy rate to increase 260 basis points (bps) quarter-over-quarter. A few large sublease listings also contributed to the rapid increase in vacancy rate. Despite this increase, Q2 2023 saw another quarter of strong leasing activity, a sign that demand in the area remains strong.

Average asking lease rates increased by \$0.03 quarter-over-quarter. This increase can be attributed to the increase in available Class A space that came onto the market in Q2 2023. Investment activity increased in Q2 2023, highlighted by the sale of Kings Road Commerce Center, a recently completed three-property speculative industrial complex. Lease activity also remained strong, with over 240,000 sq. ft. leased in Q2 2023. Boise’s robust local economy and geographical location will spur continued industrial growth.

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



Source: CBRE Research, Q2 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	5,955,501	2.5	2.5	67,543	1.04	1,480,043	220,160
Bench	1,894,698	5.2	5.2	(83,986)	0.77	-	-
Caldwell	5,197,591	6.0	6.0	83,244	0.73	396,480	-
Downtown	473,827	-	-	-	-	-	-
Eagle	257,357	4.4	4.4	2,760	1.40	-	14,087
Kuna	203,390	-	-	-	-	-	-
Meridian	6,066,079	1.8	1.4	11,729	0.79	24,300	-
Middleton	265,608	-	-	-	-	-	-
Nampa	12,344,690	12.7	11.8	266,365	0.86	932,386	1,146,717
North Boise	1,704,516	0.7	0.7	17,877	0.70	-	-
South Meridian	876,649	1.1	1.1	6,580	1.54	-	-
Southeast	4,287,732	1.1	1.1	37,420	1.19	-	-
Southwest	2,275,888	6.4	4.7	(51,309)	0.90	-	54,300
Star	58,076	-	-	-	-	-	-
West	3,572,338	2.2	1.9	(33,387)	0.92	-	-
West Canyon	1,089,102	-	-	-	-	-	-
Market Total	46,523,042	5.4	5.1	324,836	0.85	2,833,209	1,435,264

Source: CBRE Research, Q2 2023

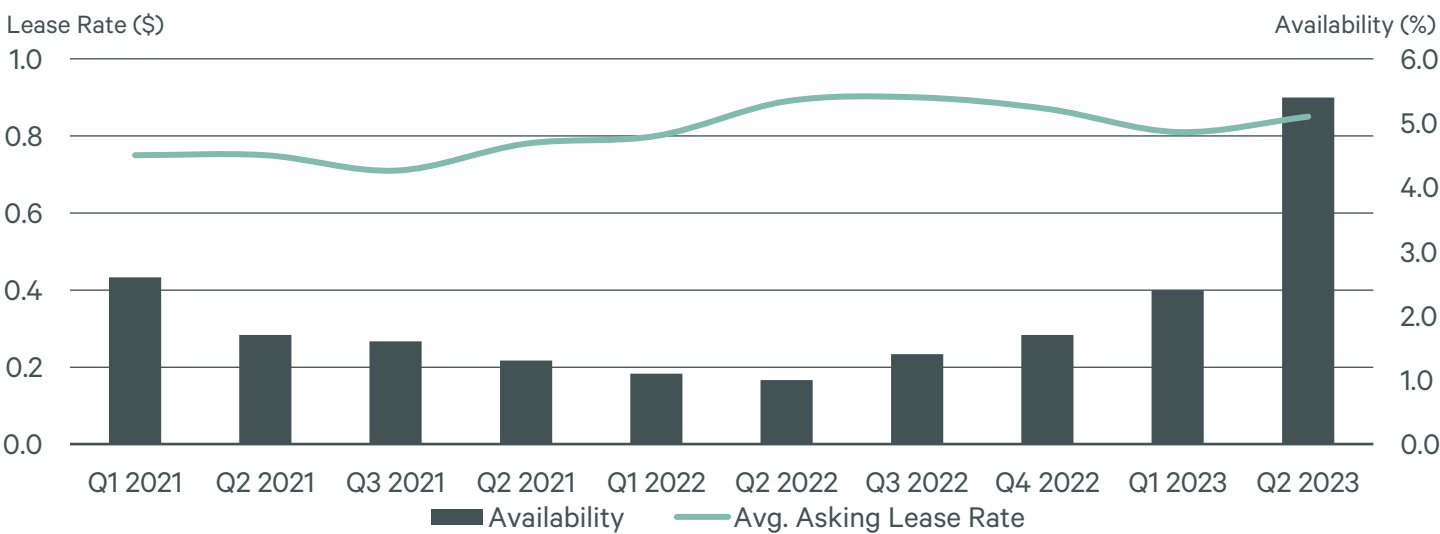
Leasing

The average asking lease rate increased by \$0.03 quarter-over-quarter, due primarily to an increase in available Class A space on the market. As more tenant options come onto the market, landlords are increasingly offering concessions, including free rent and tenant improvements. Leasing activity maintained its strong trajectory in Q2 2023 due to sustained demand for industrial space in the Treasure Valley. Q2 2023 leasing activity was highlighted by the 88,965 sq. ft. Builders First Source lease signed in North Ranch Logistics Building 1. Looking forward, there are several factors that will contribute to growing demand for industrial space in the market, notably the \$15 billion investment announced by Micron in September 2022. This investment will include construction of a new leading-edge manufacturing fab, which will spur leasing activity as the project’s developers begin to fill industrial space in the area.

Industrial Sales

Despite difficult macroeconomic conditions and hesitant lenders, Q2 2023 saw multiple notable industrial sales, highlighted by the sale of Kings Road Commerce Center, a three-property speculative project that was delivered in Q2 2023. This investment sale is an example of continued interest in industrial investment opportunities in the Treasure Valley due to the area’s robust population growth and thriving economy. However, 15-year high interest rates and macroeconomic uncertainty are expected cause sales activity to return to a dormant state.

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



Source: CBRE Research, Q2 2023

FIGURE 5: Q2 2023 Notable Sale Transactions

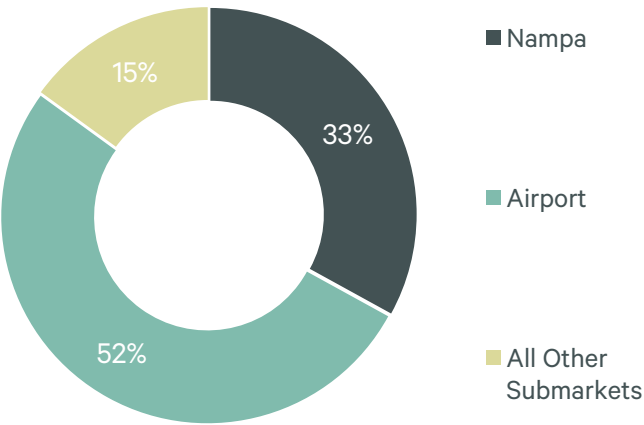
Property	Sale Size (SF)	Submarket	Property Type
Kings Road Commerce Center	362,000	Nampa	Distribution/Logistics
304 S Americana Blvd	51,253	Downtown	Cold Storage
7225 W Bethel St	22,500	Bench	Distribution/Logistics

Source: CBRE Research, Q2 2023

Deliveries & Construction

Q2 2023 saw the largest amount of delivered space in a single quarter in the market's history, at 1,215,104 sq. ft. Of this delivered space, 12.0% was occupied upon delivery, meaning over 1.0 million sq. ft. of vacant space was brought onto the market in a single quarter. Deliveries were highlighted by Fuller84 Phase II and Kings Road Commerce Center, two speculative projects that accounted for over 800,000 sq. ft. of delivered space. An important metric to watch throughout the remainder of 2023 will be the rate at which newly delivered space is leased. If the space sits vacant for a significant amount of time, future construction groundbreakings will halt due to large amounts of vacant space and macroeconomic conditions. With over 2.0 million sq. ft. still expected to deliver in 2023, both vacancy and tenant options will increase, putting pressure on landlords to fill space.

FIGURE 6: Active Construction by Submarket (%)



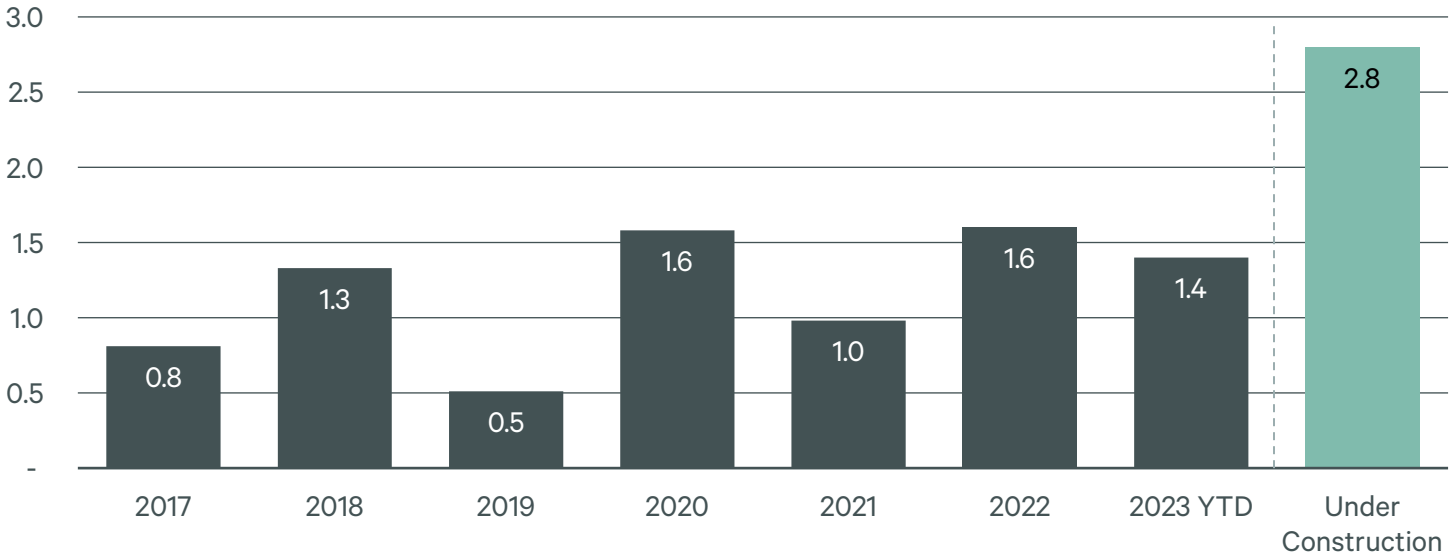
Source: CBRE Research, Q2 2023

FIGURE 7: Q2 2023 Notable Construction Completions

	Property Size (SF)	Submarket	Pre-leased % Upon Delivery	Spec/BTS
PROPERTY NAME				
Fuller84 Phase II	439,600	Nampa	14.8%	Spec
Kings Road Commerce Center	362,093	Nampa	0.0%	Spec
Madison Logistics Center	345,024	Nampa	23.3%	Spec
6406 W Gowen Rd	54,300	Southwest	0.0%	Spec

Source: CBRE Research, Q2 2023

FIGURE 8: Historical Construction Completions (MSF)

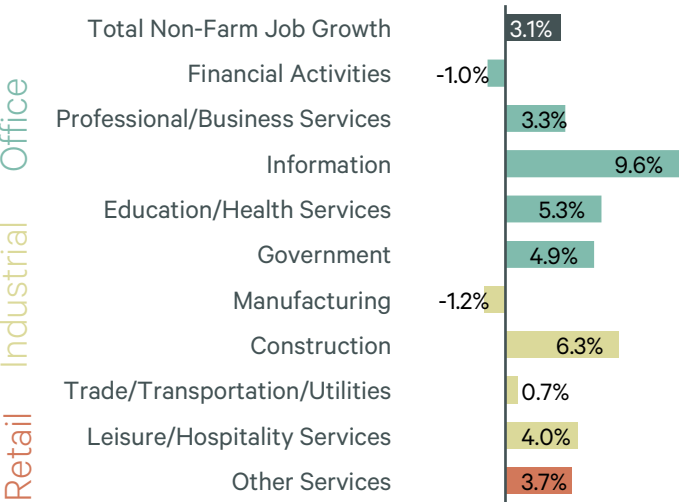


Source: CBRE Research, Q2 2023

Local Economy Overview

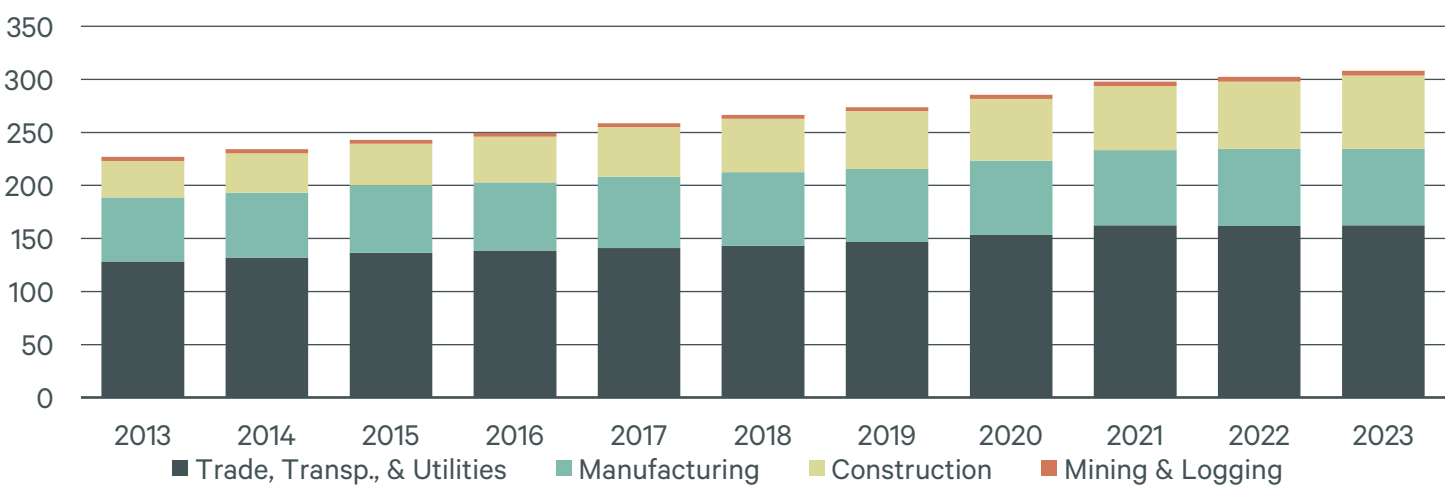
Idaho bolsters one of the strongest economies in the U.S., proven by an unemployment rate of 2.6%—lower than the 3.6% national rate. This strong employment coupled with being one of the fastest growing states in the country has positioned Idaho to withstand adverse macroeconomic conditions. However, the state has experienced a decline in commercial real estate investment activity due to interest rate hikes implemented by the Federal Reserve. Despite this setback, Idaho continues to experience job growth which has seen a 12 month increase of 3.1%. Micron Technology Inc.’s announcement of a \$15 billion dollar investment in the area will continue to drive job and population growth and is expected to add 15,000 jobs directly and indirectly to the Treasure Valley. Idaho’s local economy is well positioned to withstand recessionary pressures from the Federal Government, and continued growth will spur the commercial real estate market in the region.

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



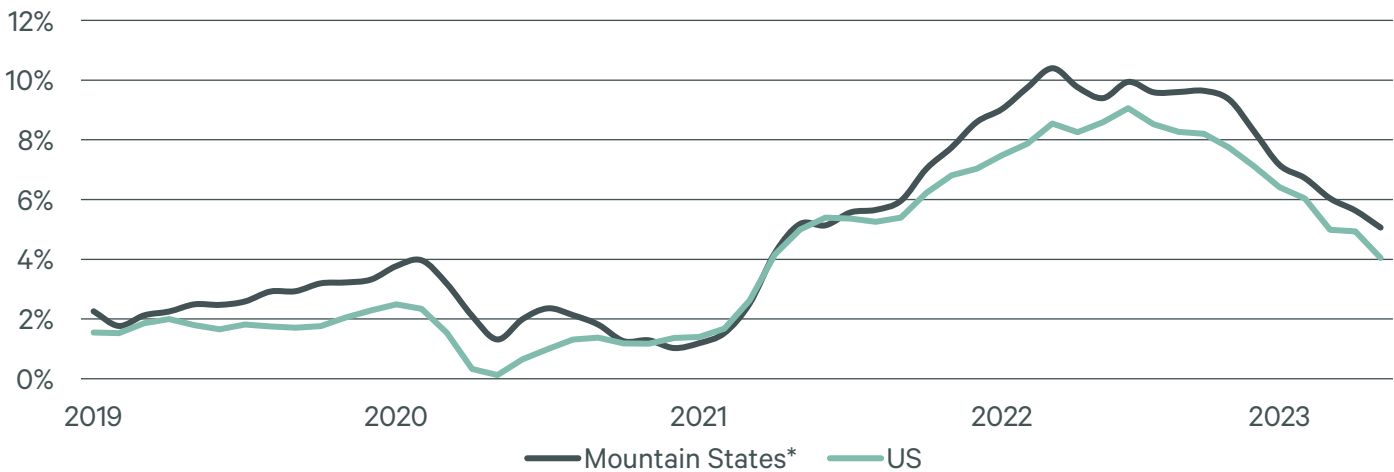
Source: Idaho Workforce Services, May 2023

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



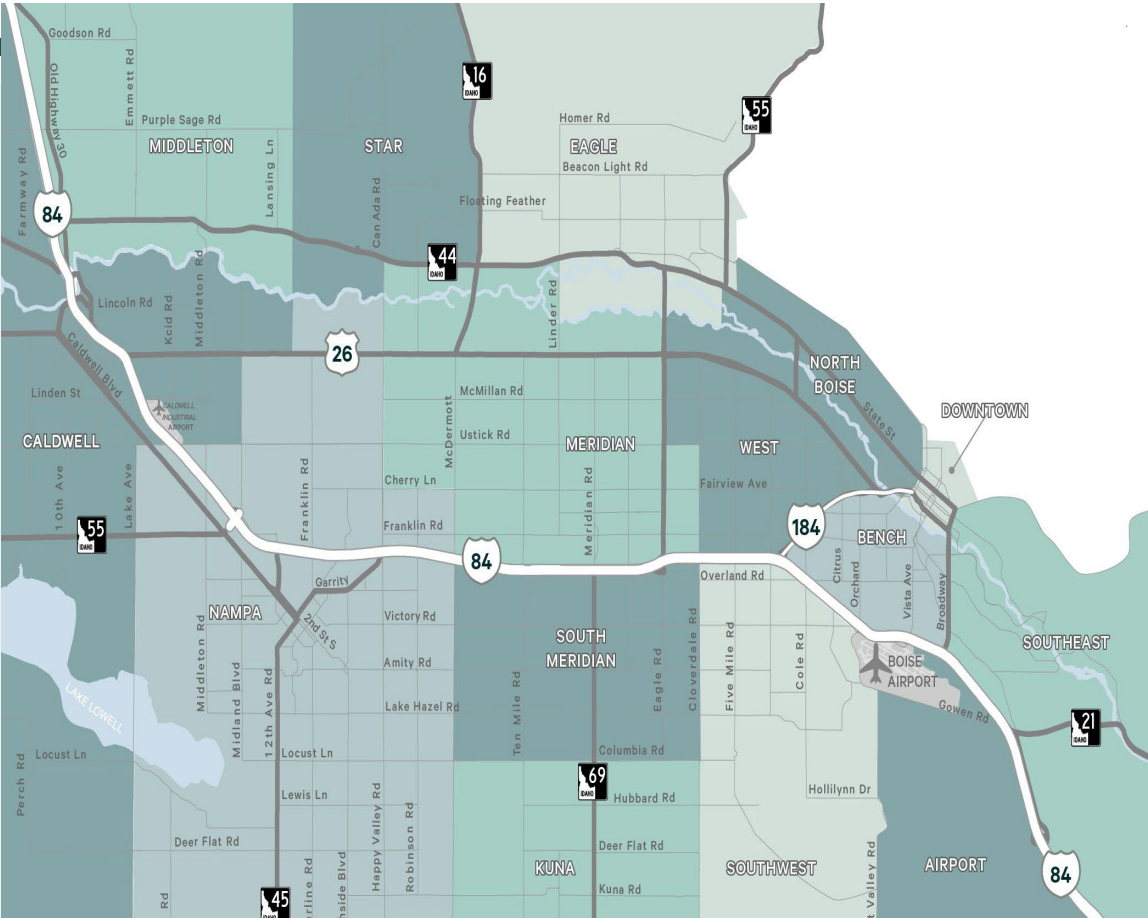
Source: Bureau of Labor Statistics, May 2023

Figure 11: 12-month Change in Consumer Price Index for Mountain States and U.S. (%)



Source: Bureau of Labor Statistics, June 2023

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



National Economic Outlook

For the last six months the consensus amongst economists has been that H2 would bring the United States to the brink of recession and possibly push it over the edge. Recently, this narrative has been challenged by a surprisingly resilient consumer and labor market. Indeed, GDP growth in Q2 2023 is poised to hit the mid-2% range (p.a.). Beneath this veneer of health lies a fragile economy, which will probably lapse into recession, albeit a little later than previously expected.

Perhaps the key question is: Will the inflation slow fast enough to avert further rate hikes? CBRE's baseline view is that there is no need for further rate hikes because inflation is coming under control, but because of strong recent data the Fed will make one more rate hike, just to make sure the job is done. This will slightly exacerbate the coming slowdown and lead the Fed to begin cutting rates at the end of the year. The long-expected slowdown in the U.S. economy is still on track but will start in earnest at the end of Q3 2023 and last through to the end of Q1 2024, by which time inflation will have slowed and rates will be falling.

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.

Contacts

CBRE BOISE OFFICE

877 W. Main Street, Suite 600
Boise, ID 83702

Jared Elroy

Field Research Analyst
+1 801 869 8015
jared.elroy@cbre.com

Sierra Hoffer

Field Research Manager
+1 801 869 8022
sierra.hoffer@cbre.com