

FIGURES | BOISE INDUSTRIAL & LOGISTICS | Q3 2024

# Construction activity reached its peak as available space climbed



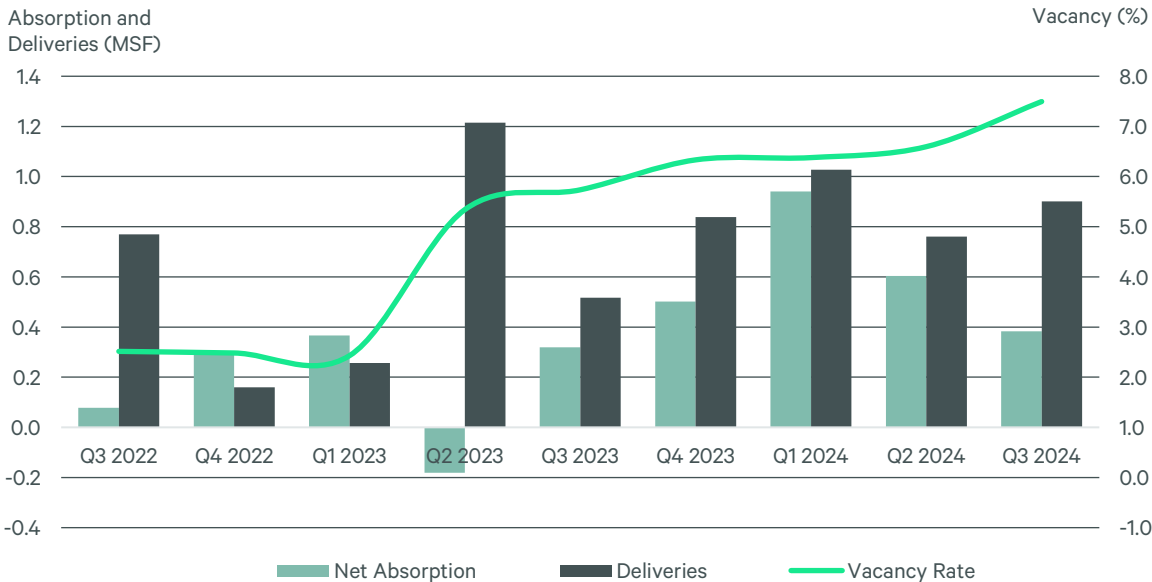
Note: Arrows indicate YOY Change.

HIGHLIGHTS

- Just over 380,000 sq. ft. of positive net absorption was recorded in Q3 2024, bringing the year-to-date total to just above 1.9 million sq. ft.
- The market wide average asking lease rate remained relatively stagnant, only decreasing by \$0.01 per sq. ft. per month NNN quarter-over-quarter.
- Construction activity peaked in Q3 2024 with the delivery of Red River Logistics. This brought total sq. ft. under construction to 220,376 sq. ft.
- The market wide availability rate increased by 110 basis-points quarter-over-quarter to 8.1%. This was driven in part by new construction delivering with some vacancy.
- Strong population growth and continued job growth, coupled with the smallest industrial space per capita in notable Northwest markets, highlighted the continual need for industrial space in Boise.



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

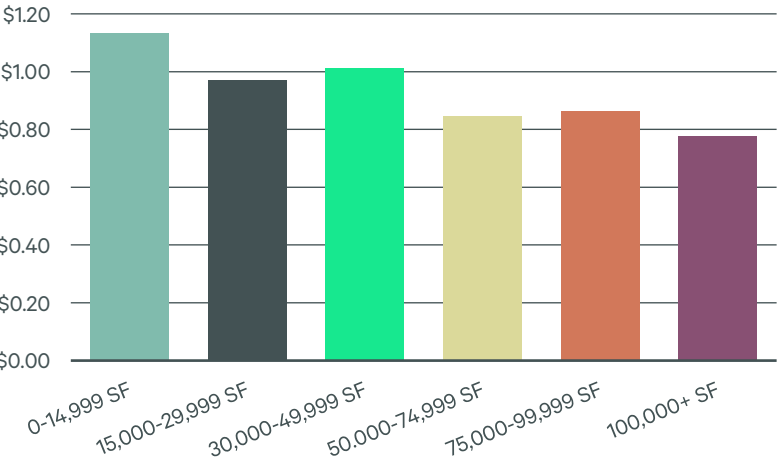


Source: CBRE Research, Q3 2024

Market Overview

The Boise industrial market experienced another strong quarter of leasing and construction activity in Q3 2024, as both metrics reached new peaks through the third quarter of the year. Despite this, the market wide availability rate grew by 110 basis points (bps) quarter-over-quarter to 8.1%, a new all-time high. This rapid increase can be directly contributed to the delivery of Red River Logistics, a 900,981 sq. ft. speculative building, that delivered completely vacant in Q3 2024. The Nampa and Airport submarkets continued to bear the lion share of industrial activity in Q3 2024, as these two submarkets accounted for 44.9% of Q3 2024’s leasing activity and 100% of the delivered space. These two submarkets are expected to continue to be the epicenter of industrial activity for the coming quarters, as these two submarkets also account for 72.2% of the markets total available space. Despite continued strong leasing activity, Q3 2024 marked the 6<sup>th</sup> straight quarter of an increase in available space. However, as construction activity reaches a new all-time low, demand is expected to begin to outpace new supply for the first time since 2022.

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



Source: CBRE Research, Q3 2024

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	7,435,544	16.08	15.95	441,362	0.87	-	1,087,981
Bench	1,894,698	3.68	3.68	73,519	0.96	-	-
Caldwell	5,645,480	13.56	12.30	66,664	0.83	-	410,880
Downtown	621,267	17.81	17.81	-	0.79	-	-
Eagle	257,357	-	-	-	-	-	-
Kuna	203,390	-	-	-	-	-	-
Meridian	6,090,379	0.72	0.13	49,934	1.39	132,236	-
Middleton	265,608	-	-	-	-	-	-
Nampa	14,361,254	12.51	11.10	1,210,563	-	-	1,190,108
North Boise	1,704,516	0.55	0.55	(3,230)	1.23	-	-
South Meridian	876,649	1.14	1.14	-	1.15	-	-
Southeast	4,287,732	0.65	0.65	20,974	1.08	-	-
Southwest	2,369,799	1.32	1.00	89,667	1.19	88,140	-
Star	58,076	-	-	-	-	-	-
West	3,572,338	2.46	2.39	(23,355)	1.10	-	-
West Canyon	1,089,102	-	-	-	-	-	-
Market Total	50,958,659	8.1	7.5	1,926,098	0.84	220,376	2,688,969

Source: CBRE Research, Q3 2024

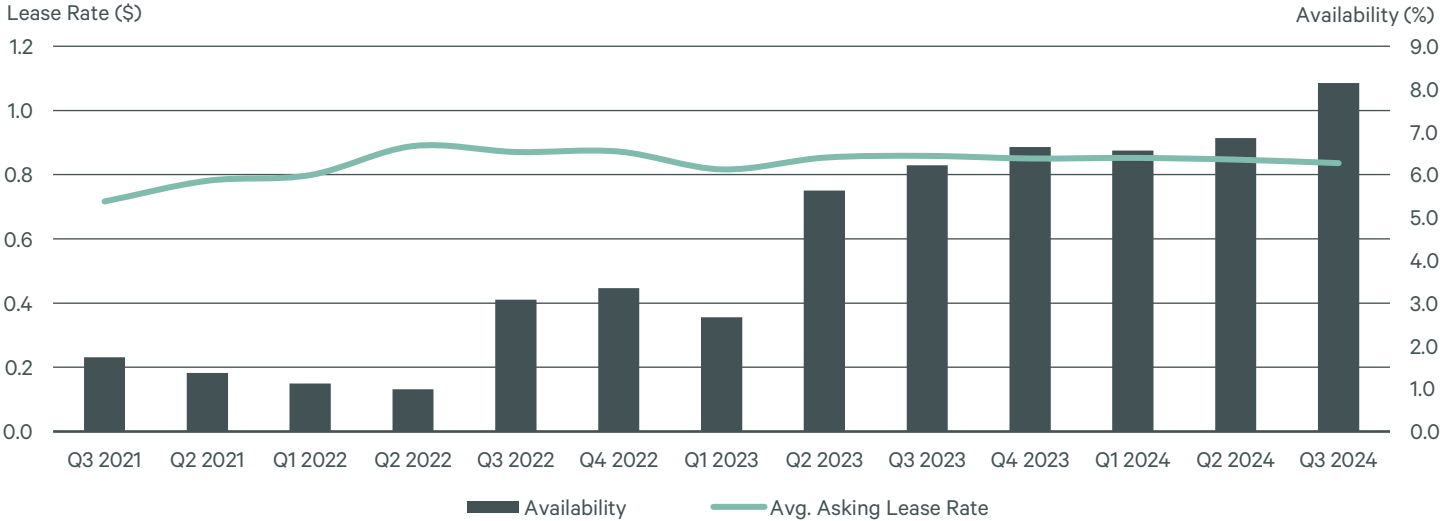
Leasing

Leasing activity remained strong in Q3 2024, with just over 570,000 sq. ft. leased. This brought the year-to-date total to 1,865,792 sq. ft., outpacing Q3 2023’s mark by over 500,000 sq. ft. The largest lease seen in Q3 2024 occurred at Boise Gateway Industrial Park – Building 3, a 187,000 sq. ft. class A industrial building that delivered in Q1 2024, where DHL Express leased the entire building. With the market wide availability rate reaching 8.1%, sustained hearty leasing activity will be necessary to stabilize this metric. Total net absorption in Q3 2024 totaled just over 380,000 sq. ft., this brought the year-to-date total to just over 1.9 million sq. ft. This is the largest amount of space ever absorbed through the third quarter of a year since CBRE began tracking the Boise industrial market. The increase in available space over the past 24 months is due to a surge in newly delivered properties, rather than an increase in new vacant listings, as demonstrated by the robust leasing activity and net absorption in 2024.

Sales

Industrial sale activity in the Boise market saw its strongest single quarter in terms of total sq. ft. sold since Q1 2023. The most notable industrial sale this quarter occurred in the Nampa submarket where Madison Logistics Center – Building C, a 115,008 sq. ft. fully occupied industrial building, was sold to an investor. This uptick in sales activity is a sign that the Federal Reserve’s decision to lower interest rates has brought investors off the sideline and into action. As the Federal Reserve continues to lower interest rates expect sales activity to begin to bounce back after 12 months of little to no activity.

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



Source: CBRE Research, Q3 2024

FIGURE 5: Q3 2024 Notable Lease Transactions

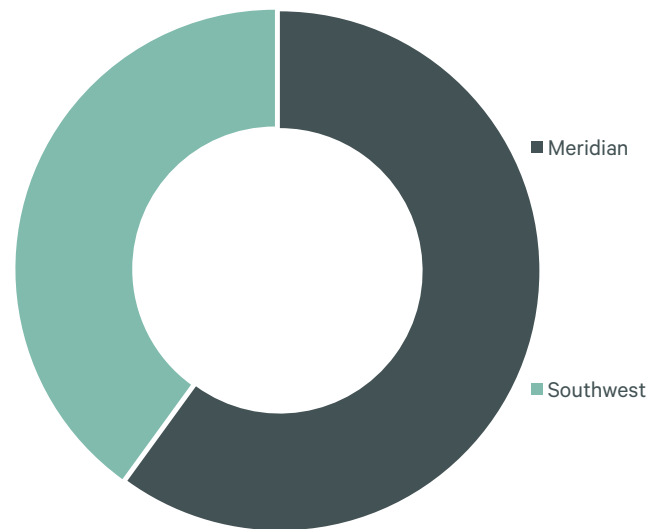
	Tenant	Lease Size (SF)	Submarket
PROPERTY NAME			
Boise Gateway Industrial Park Building 3	DHL Express	187,000	Airport
Sky Ranch - 4022 Challenger Way	Kaitech Automation	57,235	Caldwell
2545 S Fry Street	Black Market Gelato	39,750	Southwest
2860 S Vala Hala Rd	Foundations Building Materials	32,324	Southwest
Five Mile Warehouse	Gorilla Mind	30,112	West

Source: CBRE Research, Q3 2024

## Deliveries & Construction

Only one industrial building delivered in Q3 2024, Red River Logistics Center, a 900,981 speculative project that is now the single largest industrial building in Idaho. This brought year-to-date total sq. ft. delivered to just shy of 2.7 million sq. ft., outpacing Q3 2023's total by over 700,000 sq. ft. Despite this, 2024 is still expected to finish below the 2023's record completions mark as only 220,376 sq. ft. remained under construction at the end of Q3 2024. With only 220,376 sq. ft. currently under construction, space under construction has reached its lowest mark since 2020. With available industrial space in the Boise market reaching a new peak, industrial ground-breakings are expected to remain subdued for the foreseeable future until demand can catch up to the record amount of new supply that has been delivered over the last 24 months.

FIGURE 6: Active Construction by Submarket (%)



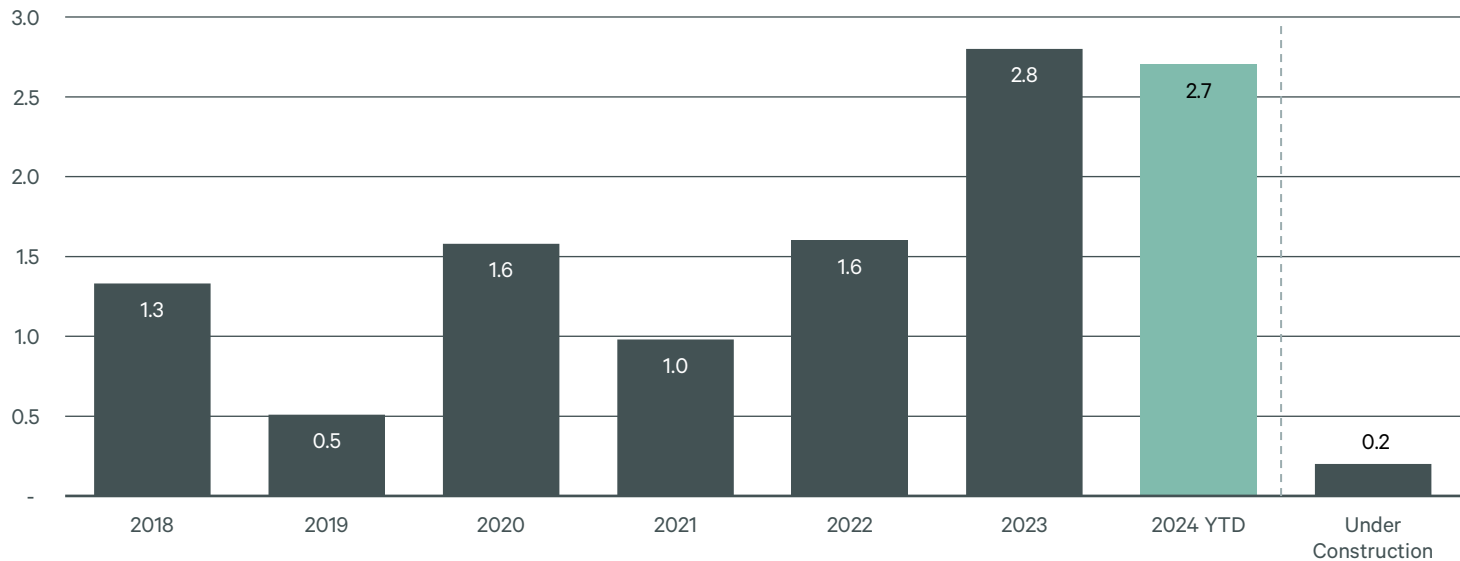
Source: CBRE Research, Q3 2024

FIGURE 7: 2024 Notable Construction Completions

	Property Size (SF)	Submarket	Preleased % Upon Delivery	Spec/BTS
PROPERTY NAME				
Red River Logistics Center	900,981	Airport	0%	Spec
Park84 – Buildings 1-7	605,570	Nampa	18%	Spec
Adler Midland Industrial Park – Building 9	539,538	Nampa	100%	BTS
Sky Ranch Logistics – Buildings 1&2	396,480	Caldwell	0%	Spec

Source: CBRE Research, Q3 2024

FIGURE 8: Historical Construction Completions (MSF)



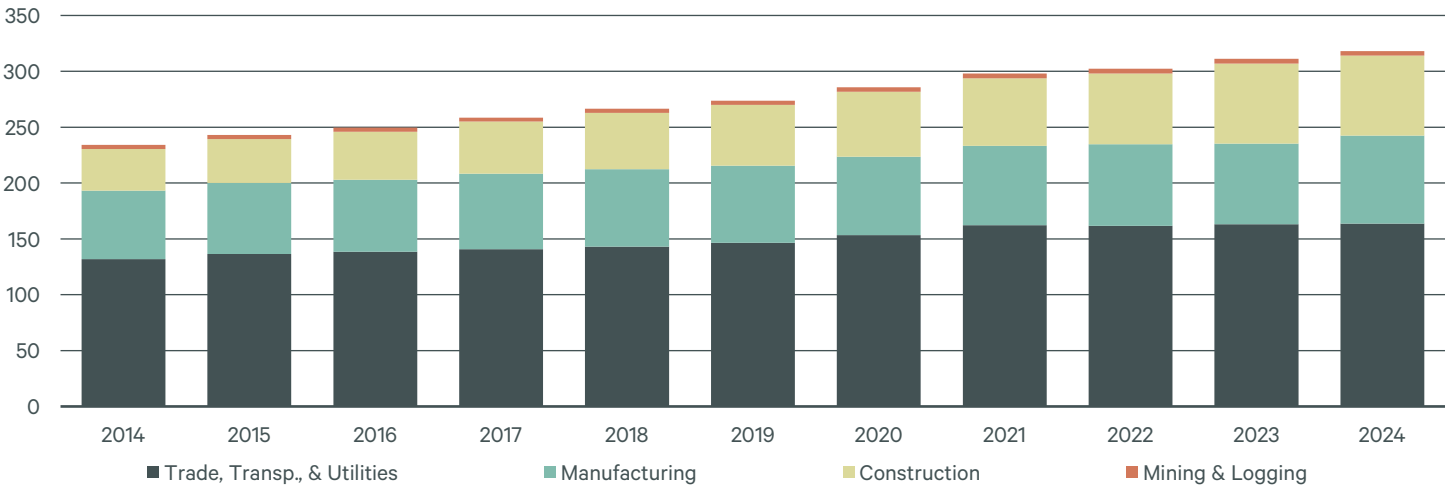
Source: CBRE Research, Q3 2024

## National Economic Overview

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand, companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

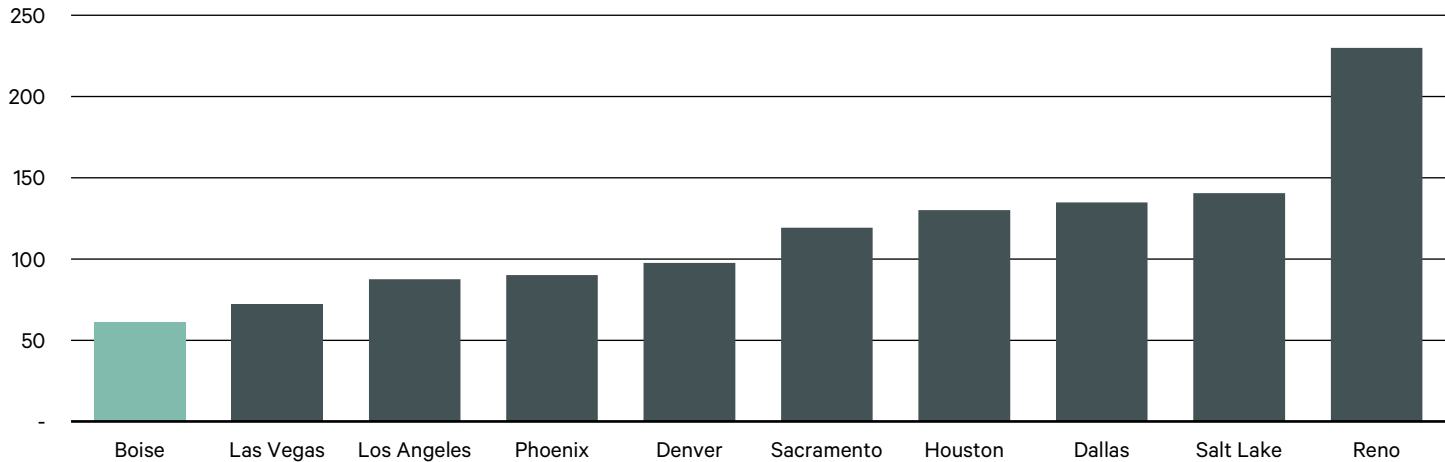
While many are focused on November’s election the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transaction markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

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

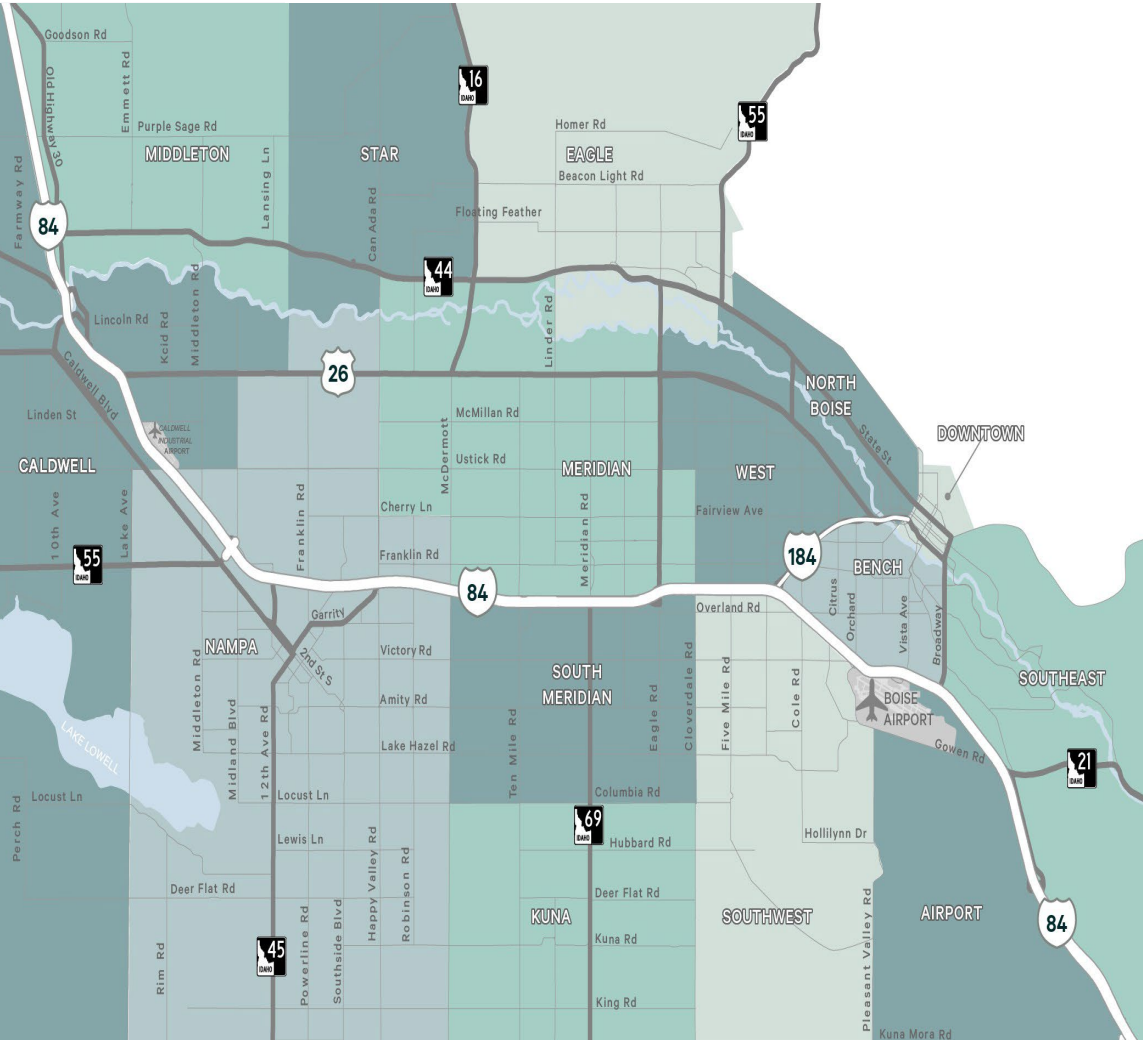


Source: Bureau of Labor Statistics, July 2024

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



Source: CBRE Research, Q3 2024 US Census Oct 2024



### CBRE Offices

#### Downtown Boise

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### 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 by lease signed date. Only existing buildings are included in vacancy and availability rate calculations.

### Methodology

Positive absorption is based on the date the lease is signed. Achieved lease rates are calculated from base monthly rent for transacted deals, weighted by size/SF of deal. Sublease space can be vacant or occupied. Total Vacancy includes both direct and sublease. Lease activity is the sum of the square footage of leases signed during a designated time period. Data in previous publications is subject to change.

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