



Industrial Market Report

Boise - ID (USA)

Overview

Boise Industrial

12 Mo Deliveries in SF

3.4M

12 Mo Net Absorption in SF

1.6M

Vacancy Rate

6.2%

12 Mo Asking Rent Growth

2.4%

As of the first quarter of 2024, increased inventory capacity in Boise's industrial sector is beginning to clash with a demand plateau. Leasing volume that drove vacancies to historic lows in 2022 was dialed back in 2023, despite a strong fourth quarter. As a result, trailing 12-month net absorption of 1.6 million SF fell slightly behind the three-year average pace of 1.8 million SF, as well as the all-time high mark of 2.7 million SF set in early 2022.

Upward pressure on the supply pipeline continues, with waves of deliveries expected over the next 18 months. The western portion of the metro in particular will see a heavy delivery schedule, especially the cities of Caldwell, Meridian, and Nampa along the I-84 corridor. Projects highlighting this new product include the Sky Ranch Logistics Center—an eventual 400,000-SF park that has proximity to Interstate 84 and direct access to Highway 26.

A resilient local economy gave developers confidence to

bring most of this product to the market without tenants in place, which placed sharp upward pressure on vacancies over the past two years. Nonetheless, several national players with a large distribution reach—like Amazon—have built up large footprints in the region and may not be done expanding. Amazon completed a 650,000-SF build-to-suit distribution center in Nampa, and also occupies a 141,000-SF warehouse in Meridian. Lastly, the e-commerce giant's 278,000-SF presence at a sort facility in the Airport Submarket puts them comfortably over 1 million SF regionally.

Amazon aside, otherwise steady fundamentals have pushed rents to new highs. However, the pace at which rents have increased has slowed noticeably from the 2022 cycle high mark of 7.8%. Current year-over-year growth amounts to 2.4% as of the first quarter of 2024, while nationally indexed industrial rents recorded 5.9% gains over the same period. An even lower ceiling to rent growth could form in the near term, as the current wave of new supply adds some competition for tenants.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	39,545,165	7.7%	\$10.05	18.1%	27,248	12,300	5,414,803
Specialized Industrial	13,444,171	3.5%	\$10.17	3.6%	(14,214)	0	62,940
Flex	5,298,011	1.8%	\$12.77	2.0%	21,380	0	32,300
Market	58,287,347	6.2%	\$10.30	13.7%	34,414	12,300	5,510,043

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	3.0%	4.9%	5.0%	7.9%	2009 Q2	1.4%	2021 Q4
Net Absorption SF	1.6M	852,258	2,614,226	2,712,936	2022 Q2	(1,051,826)	2009 Q2
Deliveries SF	3.4M	955,765	2,560,180	3,890,164	2023 Q4	114,324	2013 Q3
Asking Rent Growth	2.4%	3.3%	3.3%	7.8%	2022 Q2	-4.0%	2009 Q4
Sales Volume	\$104M	\$36.1M	N/A	\$152M	2022 Q2	\$4.8M	2012 Q3

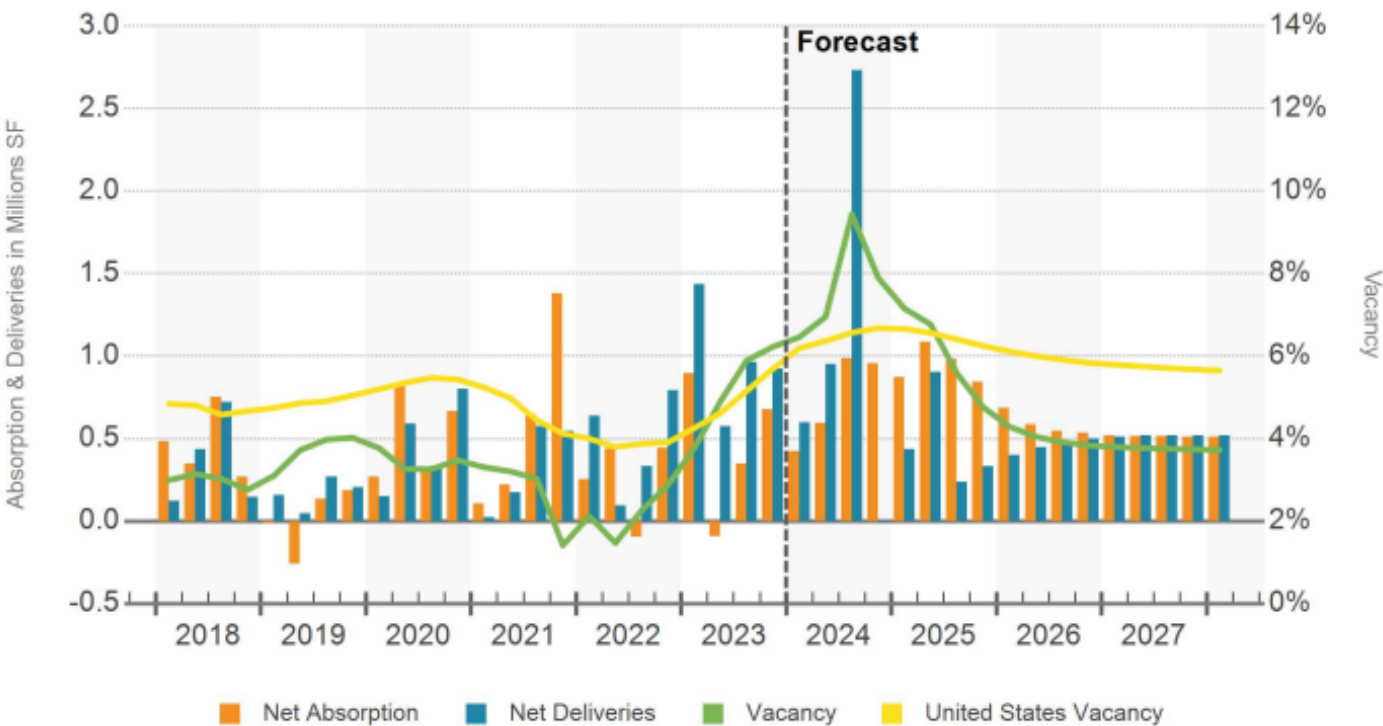
Net absorption over the previous 12 months in Boise equates to 1.6 million SF, a substantial correction from peak activity in 2022. Vacancies now reflect a year-over-year change of 3.0%, positioned near 6.2%, as of first quarter 2024. The market will face a challenging delivery schedule in the coming quarters, which could temporarily pressure vacancies further to the upside. Over the past 10 years, metro vacancies have averaged 3.9%.

Most of the largest signed deals of late are occurring in clusters along I-84 on the west and southeast sides of the metro. Western suburbs like Meridian, Nampa, and Caldwell have drawn attention from tenants given their rapidly growing population base and services sector expansion. In 23Q4, Diversified Fluid Solutions, LLC leased over 200,000 SF of space across two buildings in the Fuller84 Business Park. Earlier in the year, PepsiCo, Inc. also took nearly 100,000 SF at the park. During 23Q2, Builders First Source signed for just under 90,000 SF at the North Ranch Logistics Center in Caldwell. The asset features 32-foot clear heights and cross-dock functionality, with around 70 dock-high doors.

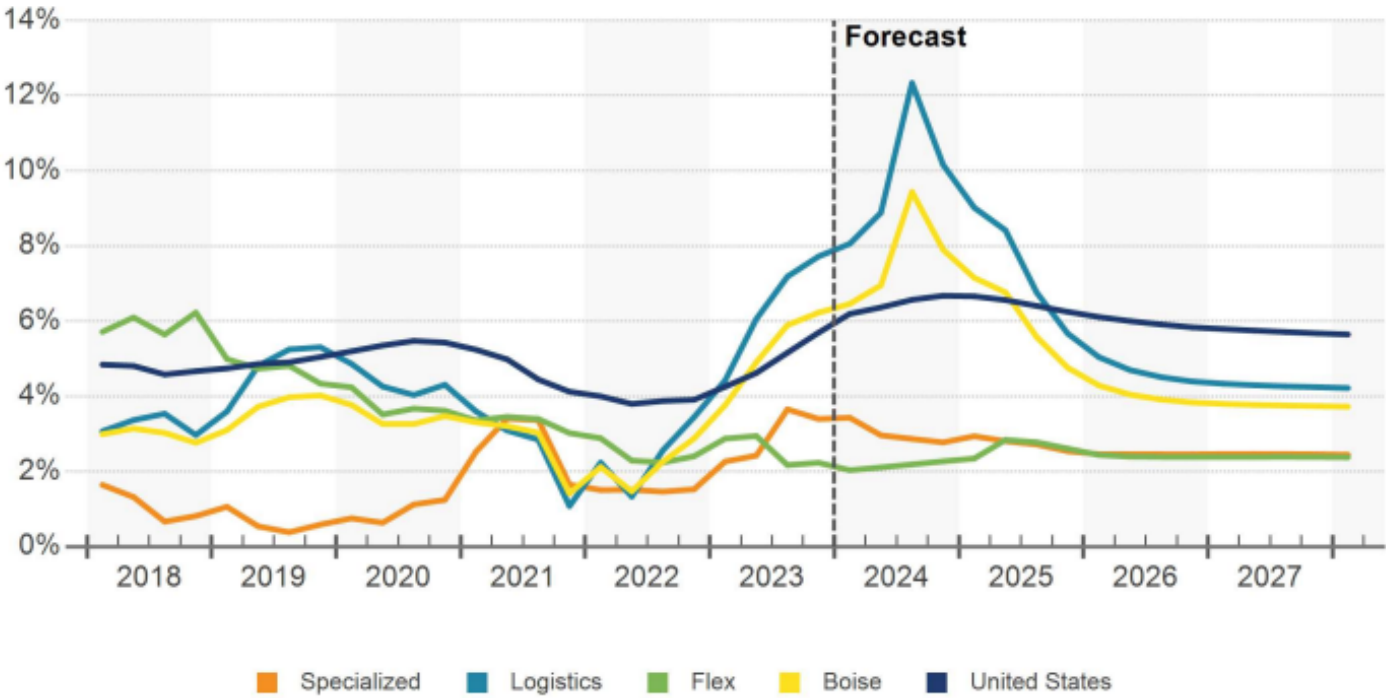
Elsewhere, Southeast Boise and Airport have benefited from growth at Micron, while WinCo Foods and FedEx have also set up facilities here. Linkage to the central core via Highway 26 also makes these submarkets prime locations for other service providers. United Rentals took on the entire 30,500-SF building at 6700 Business Way in the Airport Submarket. Asking rent equated to \$9.60/SF NNN. In addition, PODS took 73,000 SF at the Gowen Industrial Park.

Regionally, structural strength in manufacturing is anchored by big names such as Micron and food processor Simplot, who employ thousands in the region and are catalysts for other synergistic uses. Micron recently announced a \$15 billion investment in the region that includes the construction of a state-of-the-art manufacturing fab for memory devices. Micron's expanding presence regionally will drive channels for other operational support users that need additional warehouse space.

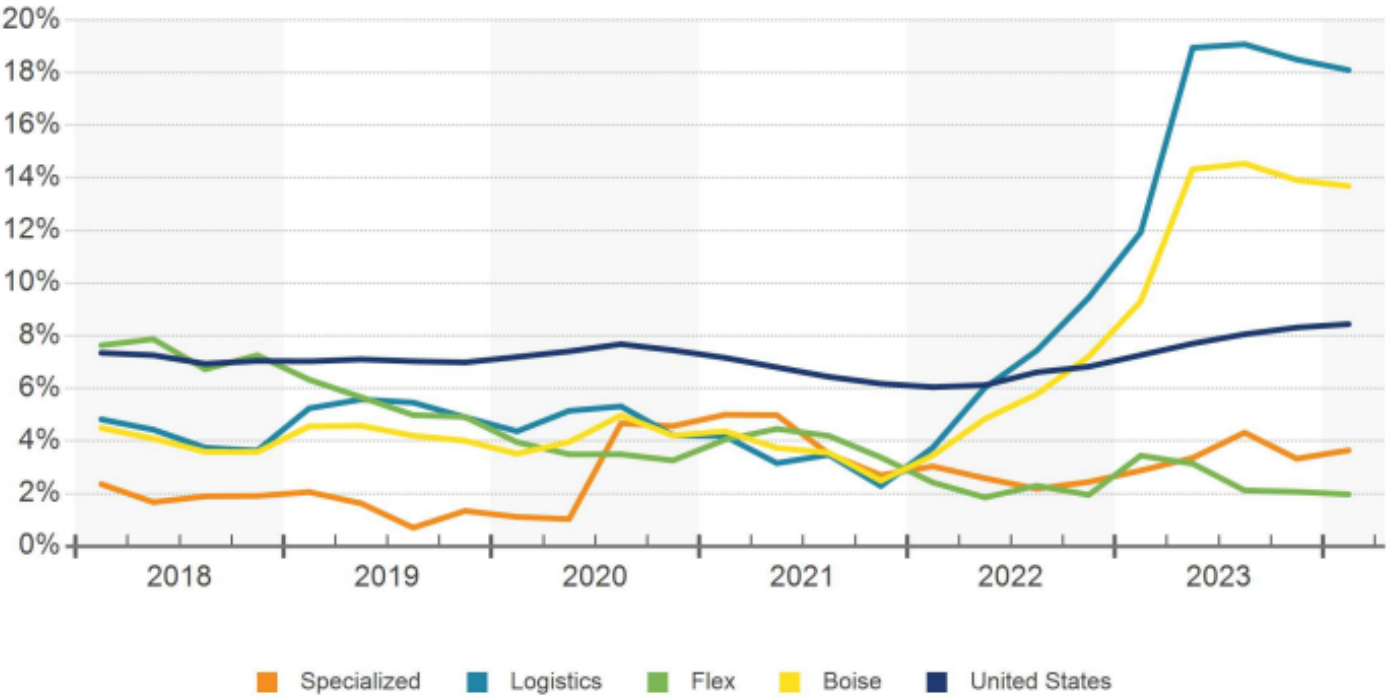
NET ABSORPTION, NET DELIVERIES & VACANCY



VACANCY RATE



AVAILABILITY RATE



Market asking rents in Boise should continue to grow, however, the plethora of space in the pipeline will test landlords' abilities to push rents aggressively over the coming months. On a trailing 12-month basis, rent gains stand at 2.4%, a recalibration from the average annual performance over the past decade of 5.6%. Cumulative rent gains in Boise amount to 71.7% over the past decade, compared with the national growth rate of 88.9% over the same period of time.

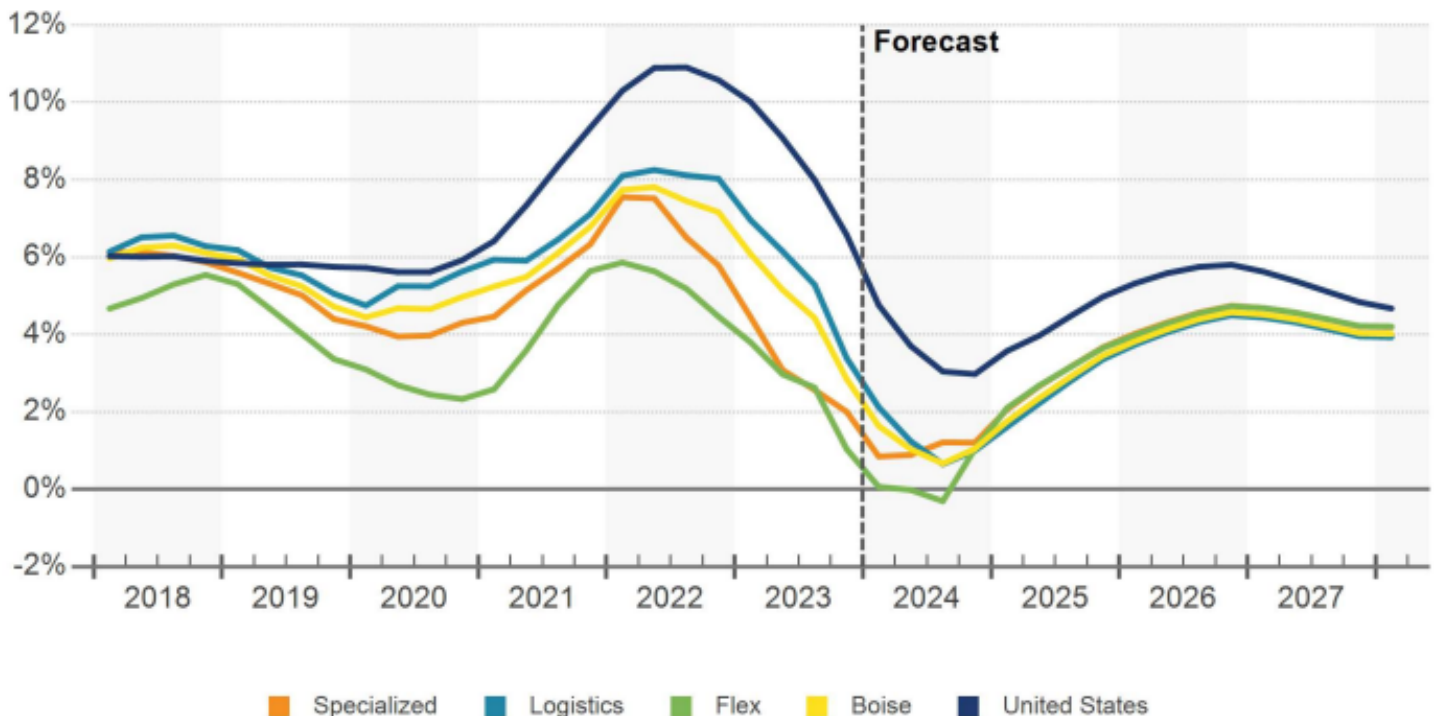
Industrial rates in Boise are trending to \$10.30/SF, versus the national rate of \$11.90/SF. Thus, tenants and owner/users looking to expand national or regional operations tend to find the Boise metro area attractive in terms of relative affordability. For instance, at the Linden Building, delivered recently in the Caldwell Submarket, Ryder leased the entirety of the 70,000-SF facility. Listed rent of \$8.04/SF stood just below the submarket average, representing a value play for the national

trucking company.

There are significant differences in rental rates by submarket. The Eagle Submarket, among the most expensive, has rates nearly three times higher than one of the least expensive, the Boise County Submarket, though both areas are outliers with fairly low amounts of inventory. Despite heavy construction, rents in areas like the Nampa, Caldwell, and Airport submarkets continue to rise at an above-average clip, mostly given the quality of the modern distribution centers coming on line.

Additionally, spaces catering to smaller users are also witnessing strong demand. Snake River Fabrication leased a 10,000-SF industrial building located at 2530 E. Comstock Avenue in Nampa with an asking rate of \$11.04/SF triple net, inclusive of the warehouse shell. The office had a surcharge of \$16.44/SF. The 2021-built structure has 24-foot clear heights.

MARKET ASKING RENT GROWTH (YOY)



Idaho is a non-disclosure state, which means sale price figures are not always available. Nonetheless, as of the first quarter of 2024, recorded and confirmed deals have trailing 12-month investment volume trending to \$98.3 million. Historically, industrial sales volume has produced around \$35.3 million per year, on average, with the average annual volume over the past three years equating to \$91.2 million. A strong fourth quarter in 2023 was pushed by two outsized deals.

In 23Q4, the 164,640-SF warehouse located at 16680 Northside Boulevard sold for \$27 million (\$164/SF) on a 5.5% cap rate to Sierra Pacific Industries. The property was reportedly fully leased at the time of sale to Ferguson Plumbing, which was on a 10-year term. Additionally, the 220,000-SF asset at 535 E Gowen Road traded hands for \$31.5 million (\$143/SF). The tenancy mix included Hensel-Phelps Construction Company, PODS, and Cupertino Electric. Investors placing premiums on strong occupancy drove pricing on these deals.

The remainder of assets typically trade between locally based buyers, often in owner/user transactions, and frequently involve individual investors. The most recent examples include a 21,000-SF warehouse located at 5307 N Glenwood St., which sold for a reported \$4.2 million (\$196/SF) in an owner/user deal at the end of 23Q1. The 1996-built asset features abundant office space, a warehouse, and a dock loading bay. In addition, earlier in 23Q1, a 60,000-SF industrial facility located at 9700 W Bethel Court in the West Boise Submarket sold for \$9.9 million (\$164/SF). It was purchased by a local individual investor, Sierra Pacific Industries.

Bid-ask spreads in capital markets remain wide, as tight monetary policy by the Central Bank to fight inflation has largely reduced liquidity. Considering the pace of increases over the past year, rates are likely to remain elevated, even if the current hiking cycle ends soon. Market pricing of \$121/SF appears to have reached a cycle peak as a result, showing some erosion from the prior high mark of \$130/SF reached in mid-2022.

SALES VOLUME & MARKET SALE PRICE PER SF

