



Retail Market Report

Boise - ID (USA)

Overview

Boise Retail

12 Mo Deliveries in SF

140K

12 Mo Net Absorption in SF

194K

Vacancy Rate

3.3%

12 Mo Asking Rent Growth

4.7%

As of the first quarter of 2024, asking retail rents in Boise continue to push further into record territory, currently sitting near \$17.60/SF. This represents a year-over-year change of 4.7% and a ten-year change of 33.0%. While annual growth in rents could recalibrate given potential continued economic headwinds in coming quarters, space markets remain tight. Availabilities are currently trending to 3.3%, below the historical average of 6.3%, and move-outs in recent quarters as a whole have not been overwhelming.

At a high level, inflation continues to take a bite out of consumer purchasing power, but unemployment figures in Boise of 2.8% over the past year are well below the national average of 3.5%. This presents one hurdle for retail growth in Boise to clear, as developers and tenants

battle for available employees in a stubbornly tight labor market. While new retail development continues to work its way through the pipeline, activity remains well below prior construction cycle peaks in 2011 and 2020. Difficulties in obtaining construction financing could also hamper starts over the next year.

In regards to investment activity in recent quarters, current debt and equity options remain less than favorable as a result of tight monetary policy by the Federal Reserve. Given this dynamic, sales momentum has steadily slowed as widening bid-to-ask spreads create buyer and seller disconnect. Pricing appears to have reached a cycle peak, with cap rates showing upward momentum as a result.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	2,679,300	9.0%	\$17.58	9.1%	(4,975)	0	0
Power Center	2,584,713	5.7%	\$18.17	1.8%	7,328	0	0
Neighborhood Center	11,651,579	4.6%	\$18.49	4.5%	(15,527)	0	0
Strip Center	2,921,232	2.4%	\$17.89	2.7%	2,304	0	0
General Retail	23,243,349	1.9%	\$17.03	2.4%	9,695	11,154	465,759
Other	434,734	0.8%	\$18.44	0%	(1,640)	0	0
Market	43,514,907	3.3%	\$17.59	3.3%	(2,815)	11,154	465,759
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.2%	5.5%	3.4%	8.2%	2009 Q4	3.3%	2023 Q4
Net Absorption SF	194K	516,060	135,445	1,551,750	2012 Q4	(447,437)	2009 Q3
Deliveries SF	140K	500,369	152,684	1,641,766	2012 Q4	138,896	2023 Q1
Asking Rent Growth	4.7%	0.8%	2.4%	5.3%	2023 Q3	-6.8%	2009 Q4
Sales Volume	\$57.2M	\$69.6M	N/A	\$204.9M	2022 Q1	\$9.6M	2007 Q4

Despite a somewhat busy upcoming delivery schedule, a relatively light run of deliveries over the past few quarters has left little new space for tenants to absorb. This, coupled with one or two larger move-outs, has eroded net absorption. As of the first quarter of 2024, trailing four-quarter net absorption equates to 193,604 SF, with General Retail uses seeing the bulk of space absorbed during this period, offset by the Mall category performance of -84,818 SF.

Comparatively, around 490,000 SF of retail space per year was absorbed, on average, over the past decade. As more projects deliver in coming quarters, net absorption could be pressured to the upside as the new space is filled. These dynamics have resulted in retail vacancies trending to 3.3% over the past few quarters, but the market remains relatively tight, compared with the all time average of 5.5%. National vacancies currently sit at 4.1%, for reference. Boise's relatively attractive cost of living could continue to translate to a firm economic foundation for retail spending near-term and an appetite for businesses to cautiously expand.

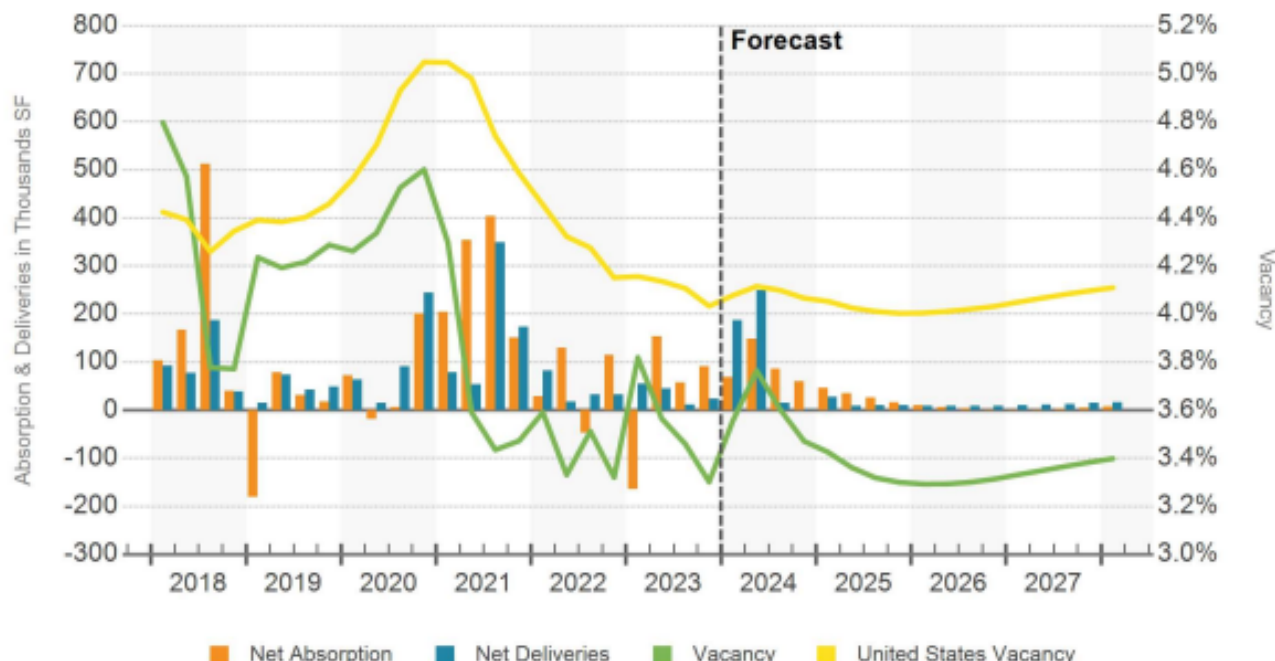
In addition, population growth has pushed a variety of services and entertainment needs, driving retail leasing

and fundamentals of late. Gyms and fitness centers have been popular plays of late, across different parts of the metro area. In Garden City, Iron Legacy Barbell took on 5,440 SF in 23Q2 at Glenwood City Centre for an asking rate of \$15/SF, NNN. Term was equal to two years and the exposure on the market was four months. Similarly, in 23Q3, Idaho Fitness Factory signed for a 10,000 SF suite at Five Mile Plaza in Southwest Boise.

Other market-moving deals in recent quarters include K1 Speed—an indoor go-kart racing company with locations throughout the United States—taking on 52,000 SF in Meridian. Lastly, in what will be another major commitment on the west side of the metro, Lego Group opened a store at The Village at Meridian in 23Q3. The location will be the Danish company's first in Idaho.

The region's two standout retail employers are Walmart and Albertsons, each with between 3,000 and 4,000 employees. This figure includes Albertsons' office workers at its Boise corporate headquarters. Walmart closed two Pacific Northwest stores in early 2023, but none of the Idaho locations were marked for closure. Albertson's, on the other hand, is in the midst of a potential merger with Kroger.

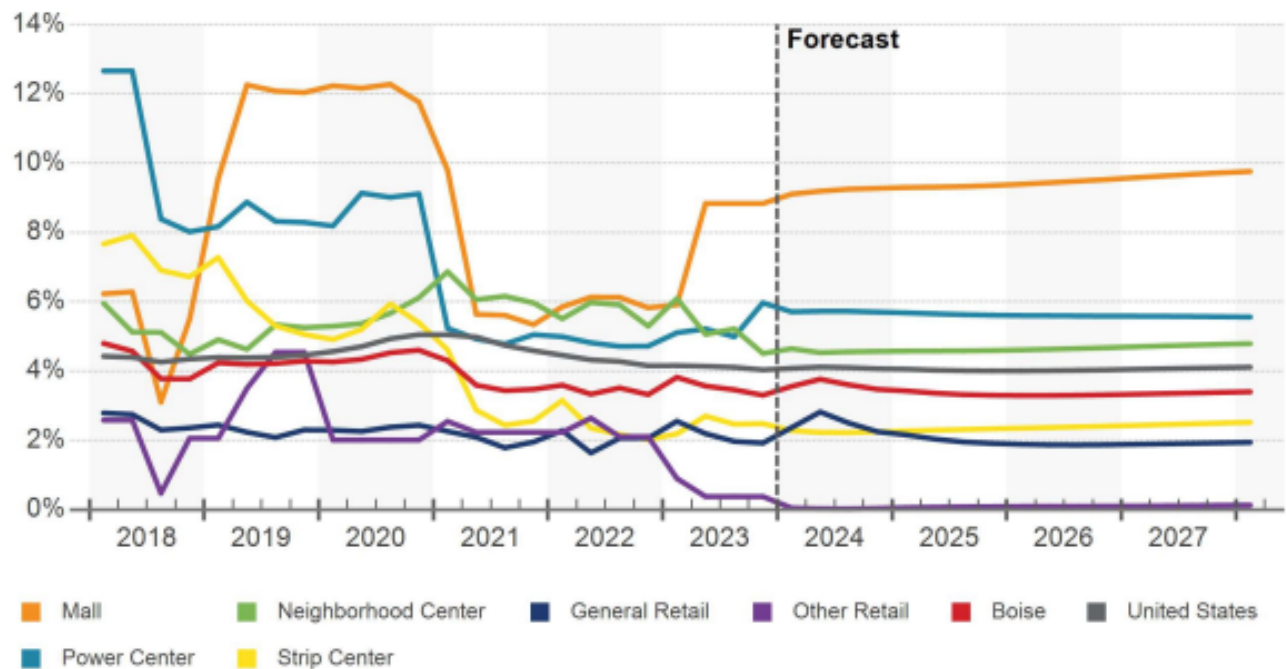
NET ABSORPTION, NET DELIVERIES & VACANCY



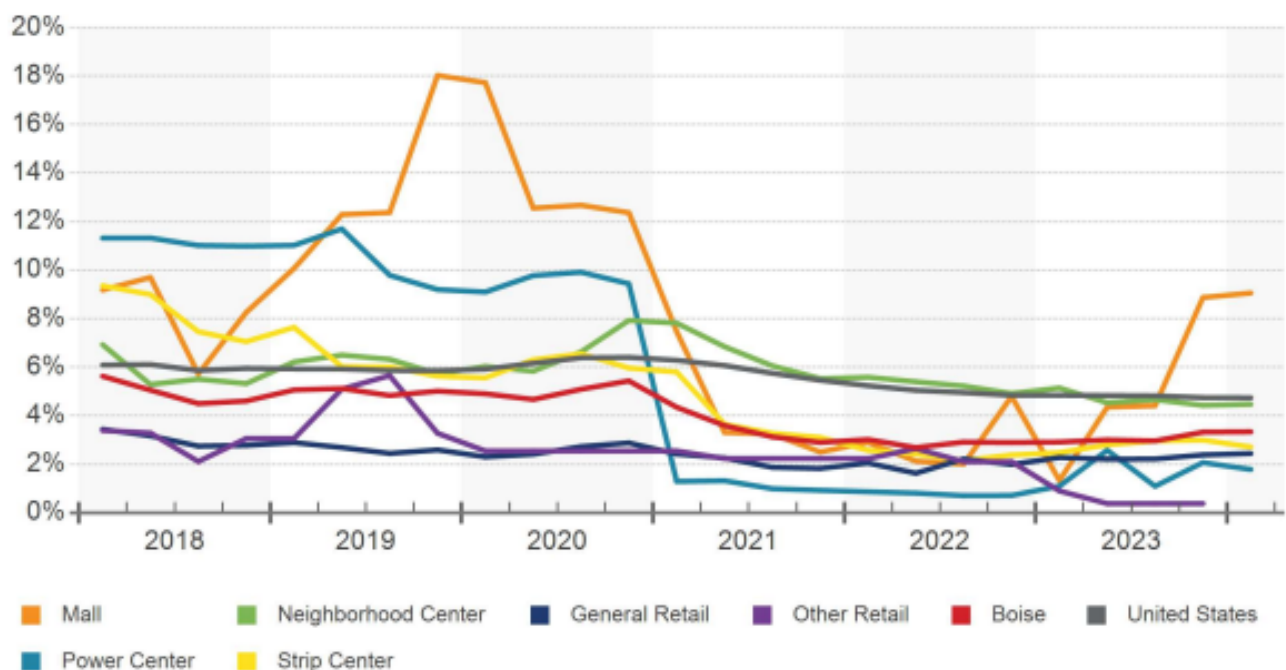
Leasing

Boise Retail

VACANCY RATE



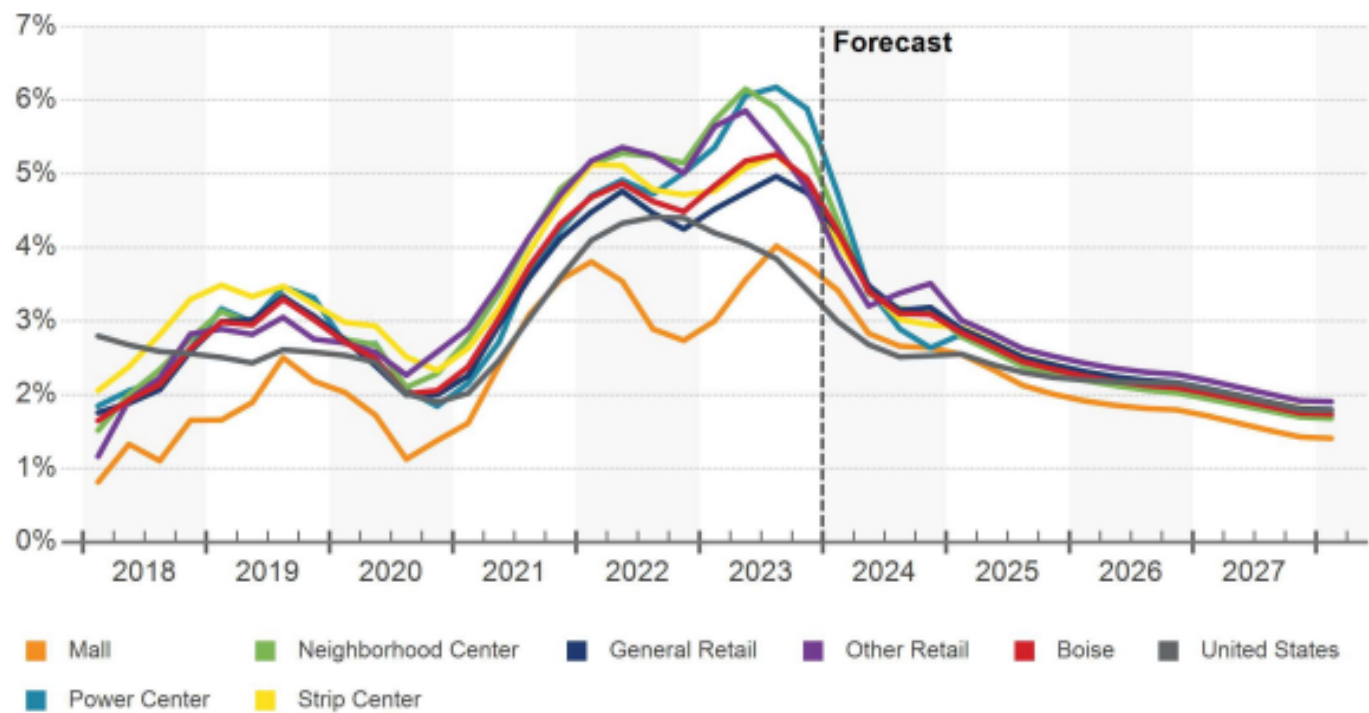
AVAILABILITY RATE



Boise retail rents have posted year-over-year gains of 4.7% as of the first quarter of 2024. This is above the historical average figure of 0.8%, but the growth trajectory is projected to cool substantially over the coming quarters, a result of macroeconomic headwinds. Comparatively, rents posted annual gains of 3.3% nationally. Boise's average asking rate of \$17.60/SF measures well below the overall national rate of \$25.00/SF.

Rent gains vary across the metro, but North Boise, Meridian, and Southwest Boise have all produced rent growth of between 50 and 100 basis points above metro averages. Consequently, these areas are seeing an influx of new supply, which could temper this growth in coming quarters. By property type, the power center and neighborhood center have led the way, posting 12-month rent growth figures of 5.4% and 5.1%, respectively.

MARKET ASKING RENT GROWTH (YOY)



Sales

Boise Retail

Idaho is a non-disclosure market, which makes available pricing data sporadic. Deal flow has slowed steadily since early 2022, and trailing-year sales volume now equates to \$51.2 million, compared with the 10-year average annual volume of \$92.5 million. Sales volume in the third quarter of 2023 was one of the lowest recorded since late 2020.

Deep-pocketed investors who remain active of late are targeting community centers with national credit tenant grocery anchors. In 23Q1, the mid-box portion of the Northgate Shopping Center sold for around \$4.4 million (\$104/SF). The 43,000-SF asset was occupied by Albertsons.

Standalone pad sites offer investors stable income with national credit tenants. A pad site occupied by Jared Galleria Of Jewelry, at 287 N Milwaukee St. in Westpark Towne Plaza closed in 23Q1. Asking price for the 6,000-SF asset was just under \$4 million.

Triple net investments, when available, also get scooped up quickly. In 23Q2, the single-tenant, 13,000-SF asset at 4940 N Elsinore Ave. sold for a reported \$3.6 million (\$277/SF) at a 6.38% cap rate. Idaho Fitness had nine years remaining on their lease, with 2.5% annual rent increases.

SALES VOLUME & MARKET SALE PRICE PER SF

