

# VIEWPOINT



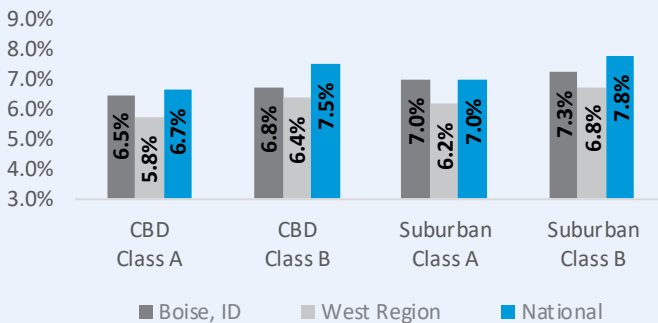
## 2020 BOISE, ID OFFICE ANNUAL REPORT

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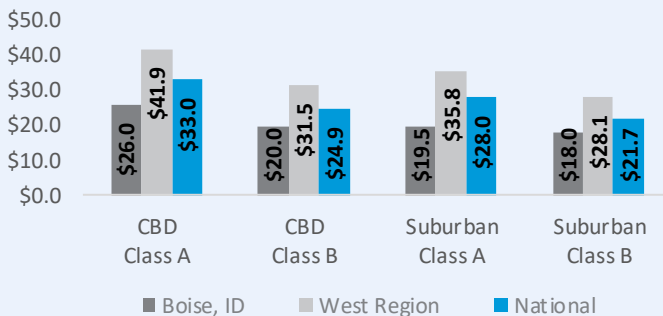
### Market Rate Indicators (Y/Y)

Categories	Suburban Class A	
	CBD Class A	A
Going In Cap Rate (%)	↔	↔
Asking Rent (\$/SF)	▲	↔
Vacancy Rate (%)	▼	▼

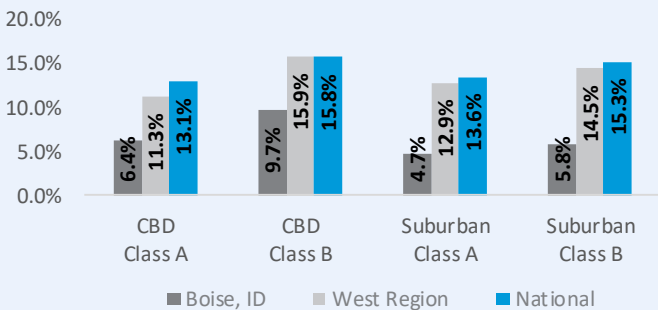
### Going In Cap Rate Comparisons (%)



### Asking Rents (\$/SF)



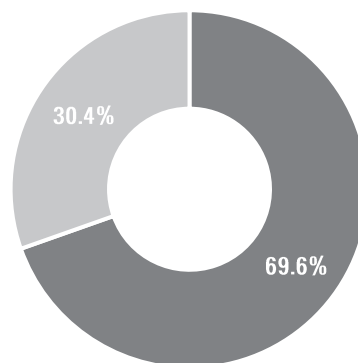
### Vacancy Rates (%)



### Boise, ID Office Market Overview

According to Thornton Oliver Keller Commercial Real Estate, overall office vacancy in the Boise MSA is holding at 6.3%, the lowest tracked level since 2002. Of that, multitenant space is reported at 9.6% vacancy. Overall supply is reported at 11.6 months, with 10 of 13 districts surveyed indicated to be in the healthy range of 6 to less than 18 months. One district, Eagle, reported less than 3 months of supply, another, Caldwell, reportedly closer to 20 months of supply, and one district, Airport, significantly exceeded the others (but it is a relatively small district overall). TOK reports that lease rates were up for both the quarter and year-to-date, vacancy was down year-to-date but flat for the most recent quarter, while both new construction and net absorption were down for both the quarter and year-to-date. CoStar reports an MSA vacancy of 5.0% overall, with rents flat from 2018. Most of the development activity has been build-to-suit, rather than speculative. CoStar indicates that 849,000 SF is under construction, with 570,000 SF of net absorption for the past 12 months. This source reports the average sale price at \$151 per square foot (as compared to \$315 per foot nationally), and an average cap rate of 8.4% (vs. 6.9% nationally). These transactional metrics are suspect, however, as Idaho is a non-disclosure state and a very small percentage of the total sale activity CoStar tracks has any price information associated with it. The Idaho Statesman had an article that touted four factors that are driving Boise's growth, and one of them was an evolving view of office space that local developers were capitalizing upon to foster a growing tech presence in the greater Boise MSA: "Firmware designers keep prototypes and gadgets on their desks; they want cubes with high walls, privacy and quiet. The marketing team wants cubes with low walls and an ease of communication so they can share information. Software designers want to sit at a big table. ...Office developers are seeking amenities such as gyms, espresso bars, restaurants and attractive surroundings to attract a millennial workforce. Millennials are more interested in experiences than previous generations... and such amenities encourage people to spend more time on work campuses."

### Distribution of Total Inventory



6,022,167 SF  
CBD Office Inventory  
1.66% - 12 Mo. Proj.  
Construction/Inventory

■ CBD Class A ■ CBD Class B

### Integra Realty Resources - Boise

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## Change In Value Next 12 Months



**2% - 3.9%**

CBD Class A



**2% - 3.9%**

Suburban Class A

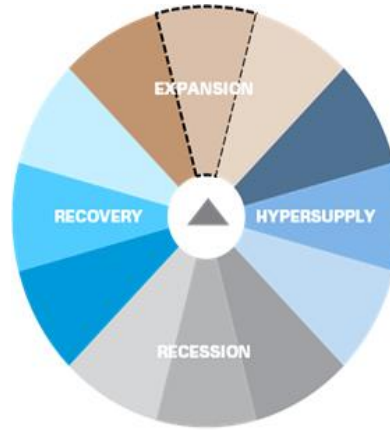
**2% - 3.9%**

CBD Class B

**2% - 3.9%**

Suburban Class B

## Market Cycle: Expansion Stage 2



- High Absorption
- Decreasing Vacancy Rates
- Moderate/High Employment Growth
- Med/High Rental Rate Growth
- Moderate/High New Construction

## Forecasts

### Boise, ID 12-Month Office Forecasts

Categories	CBD Class A	CBD Class B	Suburban Class A	Suburban Class B
Going-In Cap Rates	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change
Discount Rate	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change
Reversion Rate	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change
Construction (SF)	100,000		750,000	
Years to Balance	In Balance	1	In Balance	In Balance

### Boise, ID 36-Month Office Forecasts

Categories	CBD Class A	CBD Class B	Suburban Class A	Suburban Class B
Market Rent Change	2.50%	2.50%	2.50%	2.50%
Expense Rate Change	2.50%	2.50%	2.50%	2.50%
Change in Value	Increase 2% - 3.9%	Increase 2% - 3.9%	Increase 2% - 3.9%	Increase 2% - 3.9%
Annual Absorption (SF)	80,000	80,000	180,000	180,000

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