

What's Happening In... Boise?



Those who keep up with PwC/ULI's "Emerging Trends in Real Estate" reports will know that Boise has been named a "Supernova metro" twice in recent years, a category "Emerging Trends" describes as: "markets with superior investor appeal and exceptional growth prospects."

So how has this star city fared and what's the outlook for 2024?

Growth and Challenges

According to the most recent "Emerging Trends" report Boise, though still considered a "supernova" has seen some slowdown in its explosive growth the last two years. The city has slipped down to number 41 in the report's "overall real estate prospects" category after two years in the Top 20.

"Emerging Trends" notes that "supernova" metros in general: "appear to be suffering some growing pains," adding that infrastructure pains and high living costs are taking their toll on these cities' growth.

But, as the report also points out: "These are problems that city leaders and real estate professionals in most other markets would love to have: these are still some of the fastest-growing and strongest economies in the nation, and little on the horizon seems likely to change that."

Economic and Employment Drivers

That sentiment is strongly reflected in recent economic data from the broader Idaho State area, which has seen booming growth in recent years. Top industries in the area, including construction, health services, education, tourism and hospitality have consistently performed better than national averages and have outstripped economic projections.

Boise itself is known for being an innovation hub and garnered one of the top spots in a recent Commercial Café report on metros with a high percentage of "future-proof" startup companies. Commercial Café notes that a combination of high-profile investment from companies, like HP and "local success stories" like 5G pioneers Cradlepoint, have added to the city's appeal for workers.

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CRE Outlook

Naturally, all that activity translates into a robust commercial real estate (CRE) environment. Recent data from the National Association of Realtors (NAR) shows that demand across all major sectors was still stronger than nationwide as of Q3 2023, though the market has shown some signs of loosening. Specifically, NAR notes that:

- Office rent growth has slowed since 2022, and the vacancy rate has climbed from 4.5% in Q3 2022 to 7.0% in 2023,
- Multifamily properties have seen a drop in rent growth and vacancies have climbed to 10.8% (from 7.4%),
- Retail properties have experienced stronger rent growth than elsewhere in the US and the vacancy rate has remained at just 3.5%, and
- Industrial vacancies have climbed from 2.3% to 6.1%, while rent growth and transaction volumes have slowed.

Despite these dips, however, there's still plenty of commercial and investor interest in Boise. Some of the bigger projects currently underway in the city include a 600,000 square-foot chipmaking facility for tech giant Micron and the ongoing \$340 million transformation of downtown Boise.

The downtown Boise project will add hospitality, mixed-use residential and new public amenity areas to the city, as part of the metro's ongoing commitment to creating commuter- and community-friendly spaces.

Investing in Boise

As these figures show, despite some "growing pains" and planning hiccups, the city of Boise is still poised to live up to its "supernova" potential in the coming years. With that said, economic headwinds and the general market difficulties are still set to play a role in how things shape up for this scenic city.

For interested investors and CRE professionals, we recommend reaching out to our local office at NAI Select for up-to-the-minute advice on the best prospects in the Boise market.

