



BOISE, ID

## PLUM LENDING MARKET SPOTLIGHT



PLUM LENDING MARKET SPOTLIGHTS ARE INTENDED TO GIVE INVESTORS AND BORROWERS A DETAILED OVERVIEW OF THE INFORMATION THAT IS ALLOWING PLUM TO PLACE COMMERCIAL REAL ESTATE DEBT IN GROWING MARKETS

# PLUM MARKET SPOTLIGHT - BOISE, ID

- The Boise, ID metro has a 2020 Census population of over 770,000, which is an increase of more than 150,000 from 2010 to 2020.
- Boise is the 3rd largest city in the Northwestern US (in terms of population), behind Seattle and Portland. From 2010 to 2019, net migration into the Boise metro ranked 4th, just behind Cape Coral-Fort Myers, FL. From 2015-2019, 53% of net migrants came from California, and 15% from other areas.
- Ranked within the top 12 of US News & World Report's (2021-2022) 150 best places to live. The median age for the MSA is 37 years, while the median household income in 2019 was \$66,466.
- Ranked by US News & World Report in 2021-2022 as the #7 safest place to live. The Boise MSA is a recreational lover's paradise, with over 180 miles of public trails, mountain biking, skiing/snowboarding, and water activities available to residents.
- The Boise MSA is continuing to attract companies. In November 2020, Amazon opened its 650,000 SF four-story fulfillment center in Nampa, the first city in Idaho to have an Amazon fulfillment center. Amazon is continuing to expand its presence in the MSA with a 250,000 SF sort center in the Boise Gateway Industrial Park (scheduled for open in late 2021) and a delivery station in Meridian that will span over 140,000 SF and is expected to open in early 2022.
- PWC's 2022 emerging trends in real estate report designated the Boise market as one of the supernovas, a market that has exploded into prominence or popularity, with tremendous and sustained population and job growth that is well above national averages.
- The city of Boise holds an AAA credit rating from Fitch.

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## MSA Overview:

The Boise MSA (also referred to as Treasure Valley or Boise Valley) makes up approximately 40% of Idaho's population, is classified by eight different areas, and is the third-largest metro area in the Pacific Northwest. The metro has recently experienced tremendous population and job growth that has been well above national averages, that PWC has designated the Boise MSA as one of the five supernovas. This growth has only continued during the pandemic and in 2020, the MSA's population increased by 2.7%. Some of the main draws for residents to the Boise metro are relatively affordable housing, shorter commute times, lower cost of living, and incredible access to recreation and the outdoors. Boise also benefits from Idaho's lower income tax rate, which is between 1% and 7%, and a sales tax rate of 6%. The median age for the MSA is 37 years. Boise has one of the largest Basque populations in the US, which has created the downtown Boise "Basque Block," as well as the largest Basque festival in the world (held every 5 years). Additionally, Boise has received an influx of refugees, which has started an abundance of small businesses and diversity in arts and culture. The MSA has been ranked by US News & World Report as the #7 safest place to live in its 2021-2022 report.

Residents in the metro are able to enjoy over 180 miles of public trails for hiking, mountain biking, and trail running. During the summer, residents can spend their day strolling along the Boise River or the Payette River north of the metro, or by exploring the nearby Boise National Forest. Skiing and snowboarding are also popular during the winter at the Bogus Basin Mountain Recreation Area, which is just 16 miles east of downtown Boise and offers 2,600 acres for outdoor activities. Other outdoor activities within the metro or nearby that are available to residents include rock climbing, fly fishing, kayaking, and whitewater rafting.

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## Economic Overview:

Boise has long been a hub for finance and trading for the mining, livestock and farming, and logging sectors. In 2018-2019, the MSA's workforce grew by 3.8%, which was almost 250% higher than the national average of 1.1%. Micron Technology Inc. (\$75.5 BN market cap on NASDAQ) has its headquarters in Boise and has been in the city since 1978, while HP and Hewlett Packard Enterprise have an established hub in Boise; but companies such as Clearwater Analytics, Cradlepoint, and Kount putting their headquarters in Boise are beginning to make the metro more notable for tech in the Northwest.

The Boise MSA has a diverse workforce throughout its eight different pockets, though ~69% of the metro's employment base are in service-oriented industries. Industries spread across the metro include food processing and agribusiness, manufacturing, professional services, and technology. Additionally, Boise has 14 institutes of higher education with a combined enrollment of 50,000+, including Boise State University, which landed in the top 50 of US News & World Report's Most Innovative Schools rankings.

Some of the major employers in the Boise MSA include St. Luke's Health System (6,000+ employees), Micron Technology, Inc. (5,000+ employees), Saint Alphonsus Health System (Trinity Health owned with 5,000+ employees), Albertsons (HQ in Boise and 3,000+ employees), and Walmart (3,000+ employees). The Boise MSA is continuing to attract companies and in November 2020, Amazon opened its 650,000 SF four-story fulfillment center in Nampa, the first city in Idaho to have an Amazon fulfillment center. Amazon is continuing to expand its presence in the MSA with a 250,000 SF sort center (the middle mile) in the Boise Gateway Industrial Park (scheduled for open in late 2021) and a delivery station (the last mile) in Meridian that will span over 140,000 SF and is expected to open in early 2022.

As of July 2021, the unemployment rate in the Boise metro is 3.0%. Home prices in the area have increased substantially in the past year by 38.5% (Intermountain MLS) when looking at July 2021 vs. July 2020, though they are still lower than major west coast markets.

Median Household Income has increased from \$49,583 in 2013 to \$66,466 in 2019, representing an increase of 34%, or a compound annual growth rate (CAGR) of 5.0%

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## Commercial Real Estate Trends:

**Retail:** Asking rents in Boise have yet to reach their pre-great recession peak of roughly \$15.25/SF, but as of Q3 2021, rents have eclipsed \$15/SF for the first time since 2008. Cap Rates are at record lows across the metro, and the market sale price per SF is above \$200. There is little supply-side pressure in the near term, with the current construction pipeline representing less than 0.5% of total inventory.

**Office:** Unlike many other metros in the country, the Boise office market has performed well throughout the past two years due to its rapidly growing population and expanding labor force. As of last quarter, market rent sits at an all-time high at approximately \$20/SF. Market vacancy is currently just above 5%, having recovered from its pandemic high of 6% in Q1. Cap rates in the market range typically range from 6% (class A product with long-term leases in place) to 8.75%, depending on asset characteristics.

**Industrial:** The Boise Industrial market continues to see rent growth of approximately 5% per year, a trend that began in 2014. Vacancy sits at around 3%, and despite over 1 million SF of the industrial product under construction in the market, vacancies are expected to remain compressed due to the area's surging demand.

**Multi-Family:** Apartment rent growth in Boise was the second strongest in the country for metros with at least 500,000 residents. Rent growth year-over-year as of Q3 2021 was approximately 15%. Over 2,500 units are currently underway in Boise, which represents over 8% of the market's total inventory. Rapid lease-up across newly opened properties has confirmed renter demand for high-end apartments in the market.

## BOISE CRE Updates:

- Apartment rent growth in Boise was the 2nd strongest in the country for metros with at least 500,000 residents.
- Aspen Apartments sold for \$4,650,000 or approximately \$103,333/Unit.
- P.F. Chang's signed a 5-year NNN lease at 398 S 9th St at a rental rate of approximately \$34/SF.

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## Development Activity:

**Industrial:** In July 2021, construction began on a master-planned business park that will span over 60 acres and be completed in two phases. Located across the street from Amazon's fulfillment center in Nampa that opened in Q4 2020, the first phase will consist of 460,000 SF. In addition, to dock high and grade level doors, the park will have electric vehicle trucks and car charging. The expected occupancy dates will be in Spring 2022.

**Mixed-Use:** Gramercy district in Meridian is being redeveloped by Intermountain Pacific. Components include office, retail, single-family, and multi-family residential projects, and age-restricted living. The most recent planned project is the 164-unit, age-restricted Gramercy Commons.

**Office:** In Q4 2020, the 191,000 SF, 10-story 11th & Idaho project in downtown Boise was completed by Rafanelli & Nahas and as of Q3 2021, was leasing up the last portions of its space.

**Multi-Family:** Due to the increase in the population of residents to Boise over the recent years, Boise has become one of the hottest markets in the country for multi-family construction. Notable projects that are in the planning stages include the Oppenheimer Development Corporation's 27-story, a 297-unit luxury apartment building (estimated to break ground in summer 2022 and would become the tallest building in Idaho), the 600+ unit development in downtown Boise by Edlen & Co., the 209-unit (\$60MM) ovation project by Hovde Properties, and the 358-unit development at 27th and Fairview. Additionally, Kennedy Wilson acquired the Dovetail development site as part of a three-property, \$143 MM transaction. The opportunity zone site is fully entitled for 240 units. The project is expected to be completed in 2023 in partnership with Roundhouse, with a forecasted construction cost of \$60 MM.

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## Sales Activity:

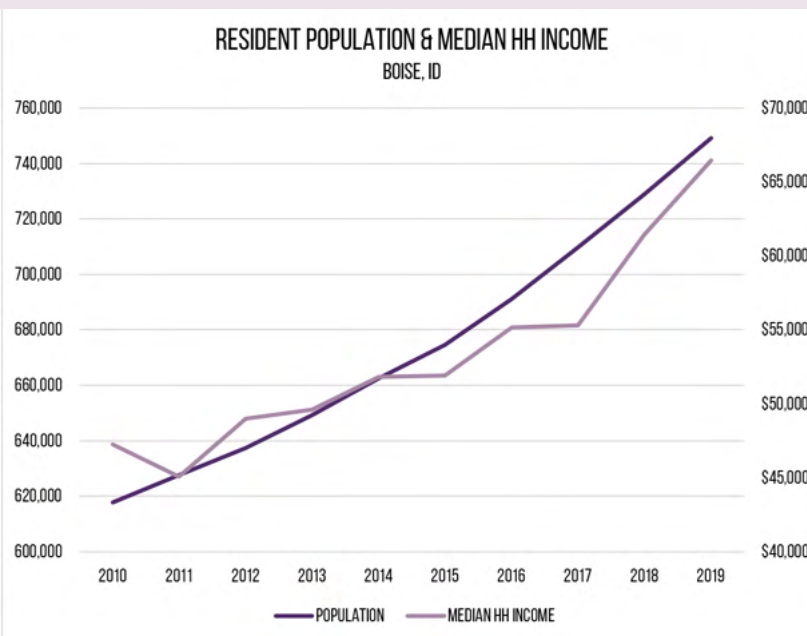
In Q3 2021, Aspen Apartments sold for \$4,650,000 or approximately \$103,333/Unit. The 40-unit, class C apartment complex was built in 1964. Aspen Apartments previously sold for \$3,650,000 in 2017.

On September 7th, the retail strip center located at 2475 Apple St sold for \$6,400,000 or approximately \$247/SF. Current tenants at the property include Lulu's Pizza & Sushi, Boise Ballet Academy, and more.

## Lease Activity:

In October 2021, P.F. Chang's signed a 5-year NNN lease at 398 S 9th St. The Asian restaurant chain will occupy roughly 6,300 SF at a rental rate of approximately \$34/SF.

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