

EASTERN IDAHO

# 2024 MARKET OUTLOOK

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YOUR GUIDE TO **EASTERN IDAHO'S COMMERCIAL REAL ESTATE MARKET**

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# EASTERN IDAHO **2024** MARKET OUTLOOK

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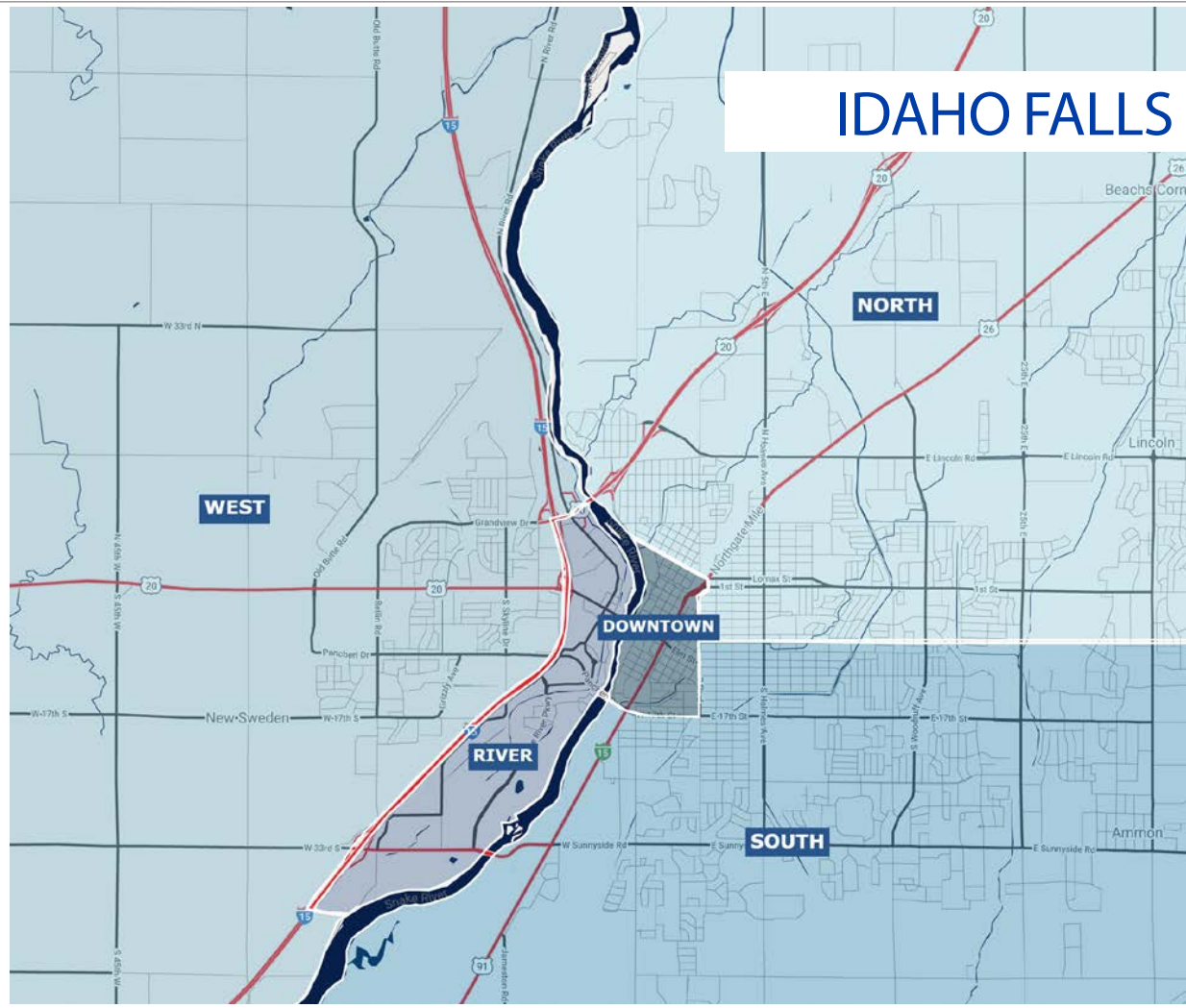
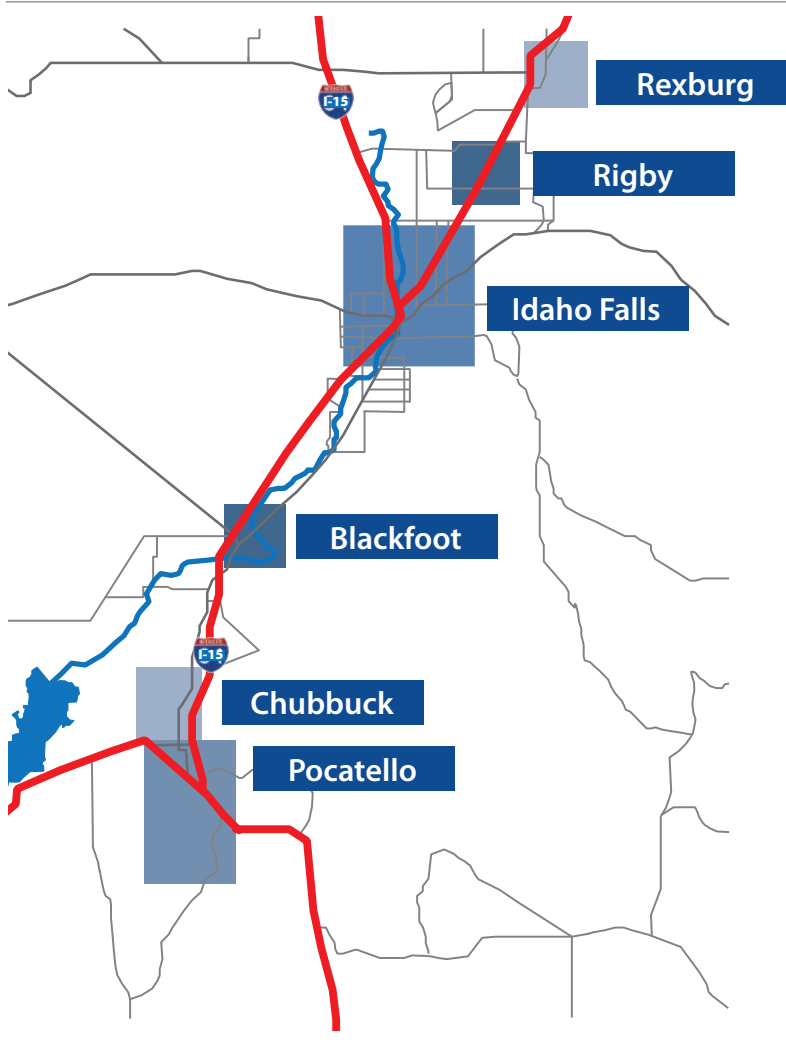
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## KEY FACTS

370,765

Total Population

30.9

Median Age

2.8

Average Household Size

\$67,834

Median Household Income

## EDUCATION

7%

No High School Diploma



27%

High School Graduate



34%

Some College



32%

Bachelor's/Grad/Prof Degree

## BUSINESS



11,756

Total Businesses



134,035

Total Employees

## EMPLOYMENT



62%

White Collar



23%

Blue Collar



15%

Services

2.7%

Unemployment Rate

## INCOME



\$67,834

Median Household Income



\$31,426

Per Capita Income



\$157,113

Median Net Worth

## 2023 Households by income (Esri)

The largest group: \$50,000 - \$74,999 (20.0%)

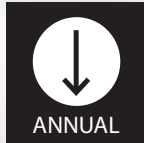
The smallest group: \$200,000+ (6.3%)

Indicator ▲	Value	Diff
<\$15,000	8.1%	+0.2%
\$15,000 - \$24,999	7.3%	+0.1%
\$25,000 - \$34,999	7.2%	-0.2%
\$35,000 - \$49,999	11.7%	+0.3%
\$50,000 - \$74,999	20.0%	+0.6%
\$75,000 - \$99,999	14.1%	-0.4%
\$100,000 - \$149,999	17.9%	+0.3%
\$150,000 - \$199,999	7.4%	0
\$200,000+	6.3%	-1.0%

Bars show deviation from Idaho



**OFFICE AT A GLANCE**



ANNUAL



QUARTERLY

**83,000 SQ. FEET**  
NET ABSORPTION



ANNUAL



QUARTERLY

**7.8%**  
MULTITENANT VACANCY



ANNUAL



QUARTERLY

**\$16.00**  
AVERAGE NNN LEASE RATE (ANNUALLY)

## OFFICE CONDITIONS

Transaction activity increased by almost 10 percent in 2023, with over 100 office deals recorded. The South Idaho Falls and North Idaho Falls submarkets saw the highest number of deals completed, while the South Idaho Falls submarket also boasted the highest net absorption with over 35,000 square feet absorbed. Overall vacancy decreased slightly from 4.5 percent at the end of 2022 to 4.1 percent. Multitenant vacancy rose to 7.8 percent in 2023, a rise from 5.8 percent at the end of 2022. This small jump in multitenant vacancy led to projected supply increasing from 11.5 months to almost 14 months by the end of the year.

Science, technology, and research related businesses continued to thrive in the Eastern Idaho region. The largest transaction for the office market fell under this category, with Walsh Engineering purchasing 24,600 square feet off of International Way. Additionally, medical and health related services performed well, with Pain & Spine Specialists occupying 12,500 square feet in their newly constructed building at 150 Vista Drive in Pocatello. Both of these deals represent organic growth of existing tenants.

As construction costs and uncertainty impacted developers' decisions to build, office development slowed slightly with 96,800 square feet of new construction delivering in Eastern Idaho in 2023. Almost 30 percent of this new space was speculative, offering tenants new options to lease or buy within the market.

## OFFICE OUTLOOK

The strong organic growth the area has seen will likely continue to drive the demand for future office space. Over half of transactions in 2023 were with tenants opening additional locations, expanding their space, or local tenants starting new businesses. Rudd & Company, for example, officially broke ground on their new building in the Snake River Landing area in 2023. Medical and health related services will continue to perform well, with medical office projects like 4742 Yellowstone Avenue in Chubbuck (5,200 square feet) slated to deliver in 2024.

The overall average lease rates for the office sector increased drastically, jumping 33 percent from this time last year. This trend is likely to continue as higher construction costs and newer space hitting the market keep lease rates on the rise. Currently, Class A rates are averaging \$19.80 per square foot (NNN, annually).

### TAKEAWAYS:

- **TRANSACTION VOLUME INCREASED FROM 2022 BUT NET ABSORPTION DECLINED SLIGHTLY WITH 83,000 SQUARE FEET ABSORBED.**
- **ORGANIC GROWTH WILL CONTINUE TO DRIVE LEASING ACTIVITY MOST NOTABLY AMONG SCIENCE, TECHNOLOGY, AND MEDICAL RELATED TENANTS.**

## NOTABLE ACTIVITY

**1935 INTERNATIONAL WAY**  
24,600 SF - IDAHO FALLS  
SOLD TO WALSH ENGINEERING



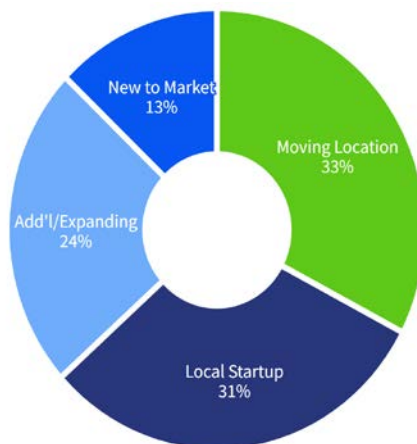
**150 VISTA DRIVE**  
12,500 SF - POCATELLO  
OCCUPIED BY PAIN & SPINE SPECIALISTS



**66 MAIN STREET**  
11,200 SF - REXBURG  
LEASED TO STRONGMIND STUDENT SUCCESS CENTER

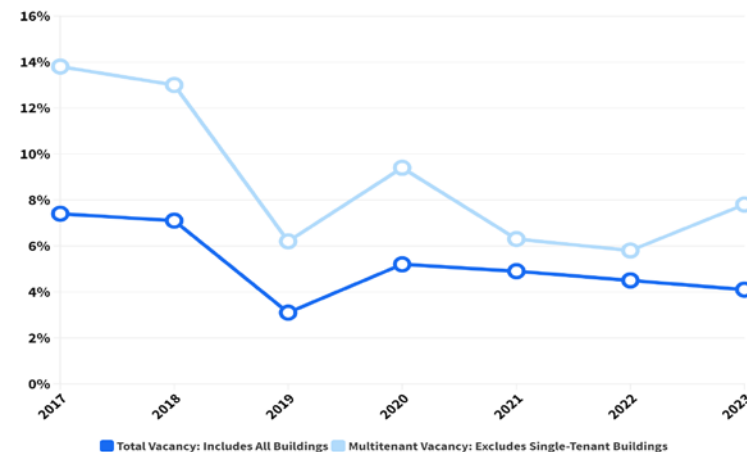


## TENANT ORIGIN



LOCAL STARTUPS and tenants opening ADDITIONAL LOCATIONS AND EXPANSIONS made up 55% of deals.

## VACANCY RATES



TOTAL VACANCY in MOST SUBMARKETS ended BELOW 10% in 2023.

**INDUSTRIAL AT A GLANCE**



ANNUAL



QUARTERLY

**460,000 SQ. FEET**  
NET ABSORPTION



ANNUAL



QUARTERLY

**9.0%**  
TOTAL VACANCY RATE



ANNUAL



QUARTERLY

**\$0.78**  
AVERAGE NNN LEASE RATE (MONTHLY)



## INDUSTRIAL CONDITIONS

2023 was another strong year for the Industrial market with net absorption reaching 460,000 square feet. Total number of transactions increased by 13 percent, with top deals including Amazon's new 110,000 square foot warehouse in the River submarket and Melaleuca leasing 84,000 square feet at Gem Lake Industrial Park in the West Idaho Falls submarket. The most sought after spaces continued to be in the 1,000 to 5,000 square foot range, with 55 percent of 2023 deals falling within those parameters. Compared to previous years however, interest in larger industrial space in Eastern Idaho has risen as well. The number of deals over 10,000 square feet more than doubled from 2022. Many of these larger industrial users are coming from out of state, with the majority of those deals (36 percent) being new to market in 2023.

More new industrial product was added to the Eastern Idaho market with 724,900 square feet of new construction delivered, up almost 60 percent from 2022. Of this new construction, speculative projects made up 57 percent. Two new buildings delivered at Gem Lake Industrial Park (280,000 square feet) in 2023, along with a new 22,000 square foot building at and Terrill Industrial Park in North Idaho Falls. Even with more spec space hitting the market, demand continues to heavily outweigh supply. Of the 411,000 square feet of new spec space delivered in 2023, over 63 percent has already been leased. New product has pushed Class A rates up to an average \$0.90 per square foot (NNN, Monthly), while overall asking lease rates are currently \$0.78 per square foot, a four percent increase from the previous year.

## INDUSTRIAL OUTLOOK

Spec development is expected to slow slightly with only a handful of projects slated to deliver in 2024. One notable construction project is Idaho Falls Business Park, where 122,600 square feet is expected to deliver. Supply chain issues continue to have a major impact on new construction by keeping building materials in short supply and material costs rising. Thus, new projects planned for 2024 may be delayed and ultimately keep inventory low. As more new product hits the market and the cost of materials and land keep pushing rates higher, lease rates are expected to rise into the \$0.85 to \$0.90 per square foot range.

While the majority of larger users continue to come from out of state, organic growth is expected to remain the main driver for small leasing activity. For space under 5,000 square feet, 42 percent of deals in 2023 were local startups and 29 percent were tenants opening an additional location or expanding their existing space.

### TAKEAWAYS:

- 2023 WAS A STRONG YEAR WITH **NET ABSORPTION REACHING 460,000 SQUARE FEET** AND **TOTAL NUMBER OF TRANSACTIONS INCREASING BY 13%**.
- **SPECULATIVE DEVELOPMENT IS EXPECTED TO SLOW SLIGHTLY** AS SUPPLY CHAIN ISSUES CONTINUE TO KEEP **MATERIAL COSTS RISING**.

## NOTABLE ACTIVITY

**3700 PIONEER DRIVE**  
110,000 SF - IDAHO FALLS  
LEASED TO AMAZON



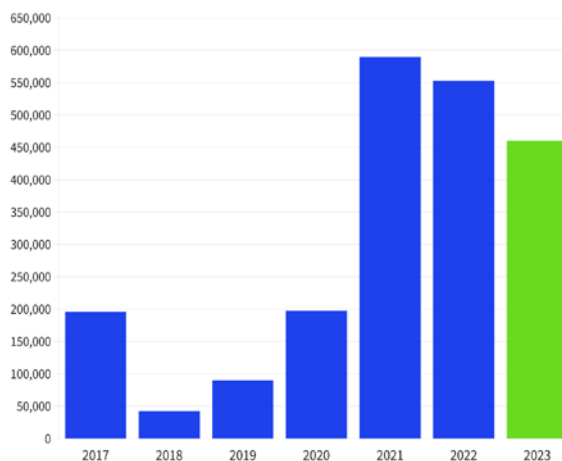
**GEM LAKE INDUSTRIAL PARK**  
84,000 SF - IDAHO FALLS  
LEASED TO MELALEUCA INC



**HEYREND INDUSTRIAL PARK**  
72,000 SF - IDAHO FALLS  
LEASED TO FRAZIER INDUSTRIAL COMPANY

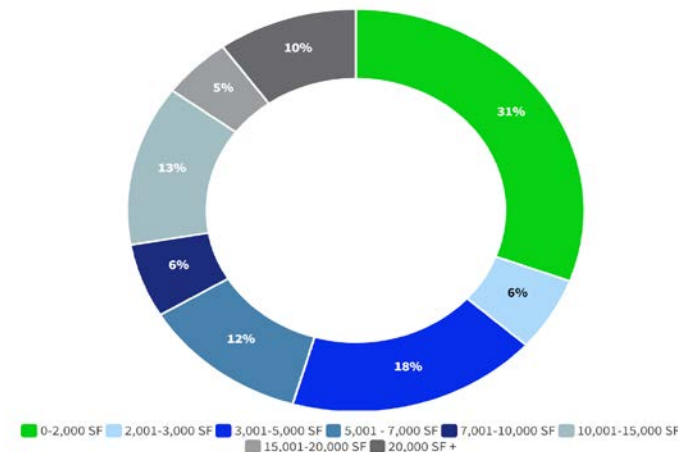


## NET ABSORPTION



ALL BUT ONE SUBMARKET ended 2023 at POSITIVE net absorption levels.

## TRANSACTIONS BY SQUARE FOOTAGE



TRANSACTIONS under 10,000 SF accounted for 73% of industrial deals in 2023.

**RETAIL AT A GLANCE**

 ANNUAL  QUARTERLY **168,000 SQ. FEET**  
NET ABSORPTION

 ANNUAL  QUARTERLY **3.2%**  
TOTAL VACANCY RATE

 ANNUAL  QUARTERLY **\$32.00**  
CLASS A NNN LEASE RATE (ANNUALLY)

## RETAIL CONDITIONS

With strong leasing activity, the Eastern Idaho Retail market ended 2023 with another banner year. Over 100 transactions were completed, up nearly 40 percent from 2022 and is the highest level of transaction volume seen on record. Net absorption was down slightly from 2022 ending the year at 169,000 square feet. However, Q4 of 2023 was the 10th consecutive quarter that net absorption has remained at a positive level. Top deals for the year included Romaine Mattress King's new 30,000 square foot store in North Idaho Falls and AutoZone backfilling the former Office Max space (24,500 square feet) at Country Club Mall.

Organic growth remained the top driver behind leasing activity with 44 percent of deals being tenants expanding into larger spaces or opening additional locations in 2023. In addition, many new retailers opened their first store front locations with local start-ups accounting for 25 percent of deals. However, Eastern Idaho has also seen strong interest from regional and national retailers considering new to market transactions increased 50 percent from 2022. Notable tenants that entered the market include Chip Cookies, Club Pilates, and Milan Laser Hair Removal.

High demand ultimately kept vacancy low throughout the year. Total vacancy declined from 4.5 percent to 3.2 percent from the end of 2022. Unanchored vacancy ended the year even lower at 2.6 percent. In addition, overall vacancy for the largest retail submarket, South Idaho Falls, ended at 1.1 percent vacancy.

## RETAIL OUTLOOK

Retail demand is anticipated to remain high with supply limited, though more product did come online in 2023 compared to 2022. Nearly 95,000 square feet delivered with speculative space accounting for 20 percent. Top spec projects included a 2nd building at Kingwood Plaza in South Idaho Falls and a 5,200 square foot center at 544 Benton Street in Pocatello. Many of the spaces in these spec developments leased before building completion resulting in vacancy staying low. Of the new spec space delivered in 2023, only five percent of space is still available.

The Retail market has the foundation to continue grow most notably at new retail corridors such as Jackson Hole Park on Sunnyside Road and Riviera Park across from Costco in Idaho Falls. However rising construction costs will remain a major challenge and will likely keep many projects on hold in 2024. Limited supply will ultimately keep lease rates on the rise. Overall asking lease rates are currently \$13.85 per square foot (NNN, annual), with rates in some submarkets averaging as high as \$27.00 per square foot. In addition, average Class A rates are \$32.00 per square foot, up 45 percent over the past 12 months.

### TAKEAWAYS:

- ➔ **RETAIL DEMAND WAS STRONG WITH VACANCY STAYING CONSISTENTLY LOW AND A RECORD NUMBER OF DEALS RECORDED.**
- ➔ **MORE SUPPLY CAME ONLINE IN 2023, HOWEVER HIGH CONSTRUCTION COSTS WILL REMAIN A CHALLENGE IN 2024 AND LIKELY KEEP SOME PROJECTS ON HOLD.**

## NOTABLE ACTIVITY

### 563 S. 25TH E. ST

30,000 SF - IDAHO FALLS  
OCCUPIED BY ROMAINE'S MATTRESS KING



### COUNTRY CLUB MALL

24,500 SF - IDAHO FALLS  
LEASED TO AUTOZONE

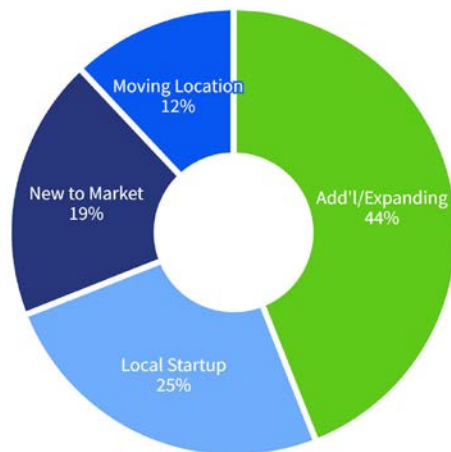


### RIVERSIDE PLAZA

19,000 SF - BLACK FOOT  
LEASED TO REVOLUTION SPORTS CENTER

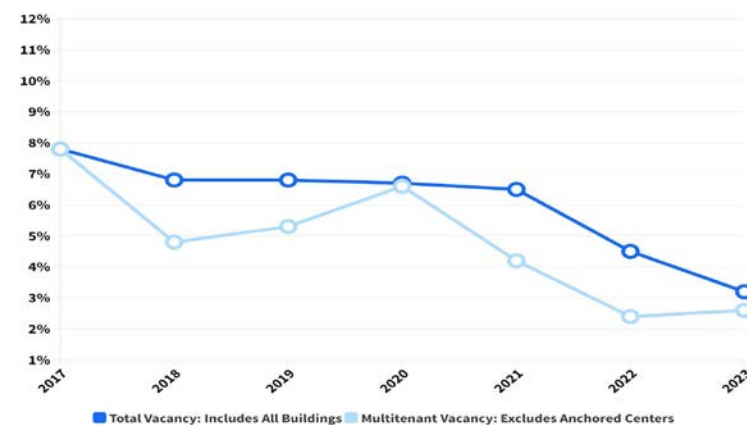


## TENANT ORIGIN



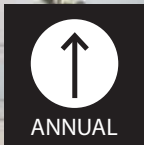
FOOD RELATED TENANTS made up 58% of NEW TO MARKET DEALS.

## VACANCY RATES



UNANCHORED VACANCY ended BELOW 5.5% in ALL SUBMARKETS.

**INVESTMENT AT A GLANCE**



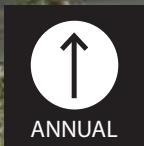
ANNUAL



QUARTERLY

**6.7%**

OFFICE: AVERAGE NATIONAL CAP RATE



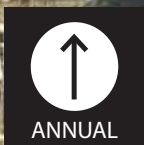
ANNUAL



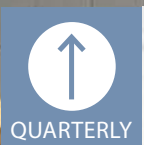
QUARTERLY

**5.2%**

INDUSTRIAL: AVERAGE NATIONAL CAP RATE



ANNUAL



QUARTERLY

**7.5%**

RETAIL: AVERAGE NATIONAL CAP RATE

## INVESTMENT CONDITIONS

Rising interest rates and high economic uncertainty resulted in the Eastern Idaho Investment market seeing a continued downward trend in sales activity in 2023. Based on disclosed transactions, sales volume ended the year at \$77 million. This is down 36 percent from 2022, however this is not nearly as significant as the decline seen in other markets such as Boise and the Magic Valley.

Similar to sales volume, number of disclosed transactions also declined from 2022, down 37 percent. However there are likely more off market deals that have occurred and are not reflected in the year's total. With healthy fundamentals such as low vacancy and a record number of leases completed in 2023, retail remained the top sector for investments, accounting for 38 percent of deals and over 50 percent of sales volume. Following retail both the office and industrial sector saw the same number of deals trade, however industrial was second in sales volume with nearly \$20 million traded.

After reaching record lows in 2021 and 2022, capitalization rates began to rise in 2023. Nationally, capitalization rates rose across all sectors. The retail sector saw rates rise slightly from 7.3 to 7.5 percent over the past 12 months, while office rose from 6.0 to 6.7 percent. Industrial and multifamily saw the most significant change in cap rates from 2022. Industrial rose 70 basis points while multifamily increased 80 basis points.

## INVESTMENT OUTLOOK

Since March 2022, the Federal Reserve raised its benchmark rate 11 times in an effort to cool inflation. However March was the fifth consecutive meeting that resulted in a rate-hike pause, keeping the benchmark interest rate range between 5.25 and 5.5 percent. Inflation still remains above the Fed's target range, however latest economic data shows that inflation is slowing and the economy is stabilizing. Based on this, Fed officials are indicating three rate cuts are coming in 2024, though rates will likely not return to historic lows.

Until interest rates decline, investment activity is anticipated to stay slow throughout the first half of 2024. In addition, with this year being an election year, there is an added likelihood of volatility in the overall economy. Buyers will remain cautious when deciding where to place their capital, but Eastern Idaho's strong market fundamentals will keep the area top of mind for investors. Most notably Idaho Falls which has been ranked #1 best-performing small city economy by Milken Institute for two consecutive years.

### TAKEAWAYS:

→ **INVESTMENT SALES VOLUME WAS DOWN FROM 2022 BUT DID NOT DECLINE AS SIGNIFICANTLY AS OTHER IDAHO MARKETS.**

→ **SALES ACTIVITY WILL LIKELY REMAIN SLOW FOR THE FIRST HALF OF 2024 UNTIL INTEREST RATES DECLINE.**

## NOTABLE ACTIVITY

### POCATELLO SQUARE

139,100 SF - POCATELLO  
RETAIL SOLD



### 901 PIER VIEW DRIVE

44,200 SF - IDAHO FALLS  
OFFICE SOLD

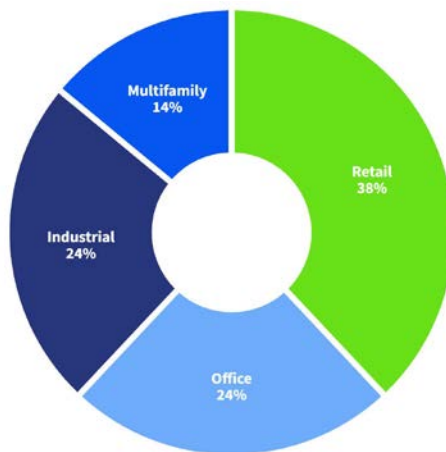


### 1160 BOND AVENUE

20,300 SF - REXBURG  
INDUSTRIAL SOLD

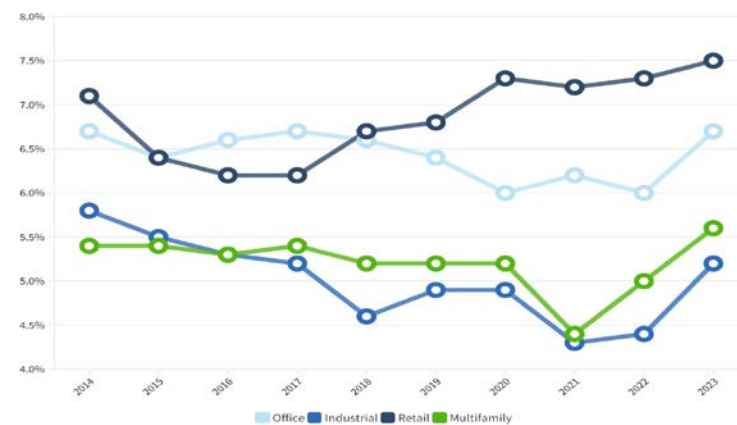


## DEALS BY PROPERTY TYPE



TOTAL transactions DECLINED 37% from 2022.

## NATIONAL CAP RATES



CAP RATES ROSE across all SECTORS with RETAIL seeing the SMALLEST SHIFT.

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## MARKET INSIGHT

**+157 MILLION** SQUARE FEET TRACKED REAL TIME ACROSS IDAHO MARKETS



## RESULTS

**20,000 SQUARE FEET** LEASED OR SOLD PER BUSINESS DAY (2023)



## REACH

AS IDAHO'S LARGEST CRE FIRM, WE CAN COVER REQUIREMENTS ACROSS THE STATE

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The background of the entire page is a light blue, semi-transparent map of Idaho Falls, Idaho. The map shows a grid of streets, a river (likely the Snake River) winding through the city, and various landmarks. The map is centered and covers the entire background.

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