

NORTH IDAHO

2025 MARKET OUTLOOK

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YOUR GUIDE TO NORTH IDAHO'S COMMERCIAL REAL ESTATE MARKET



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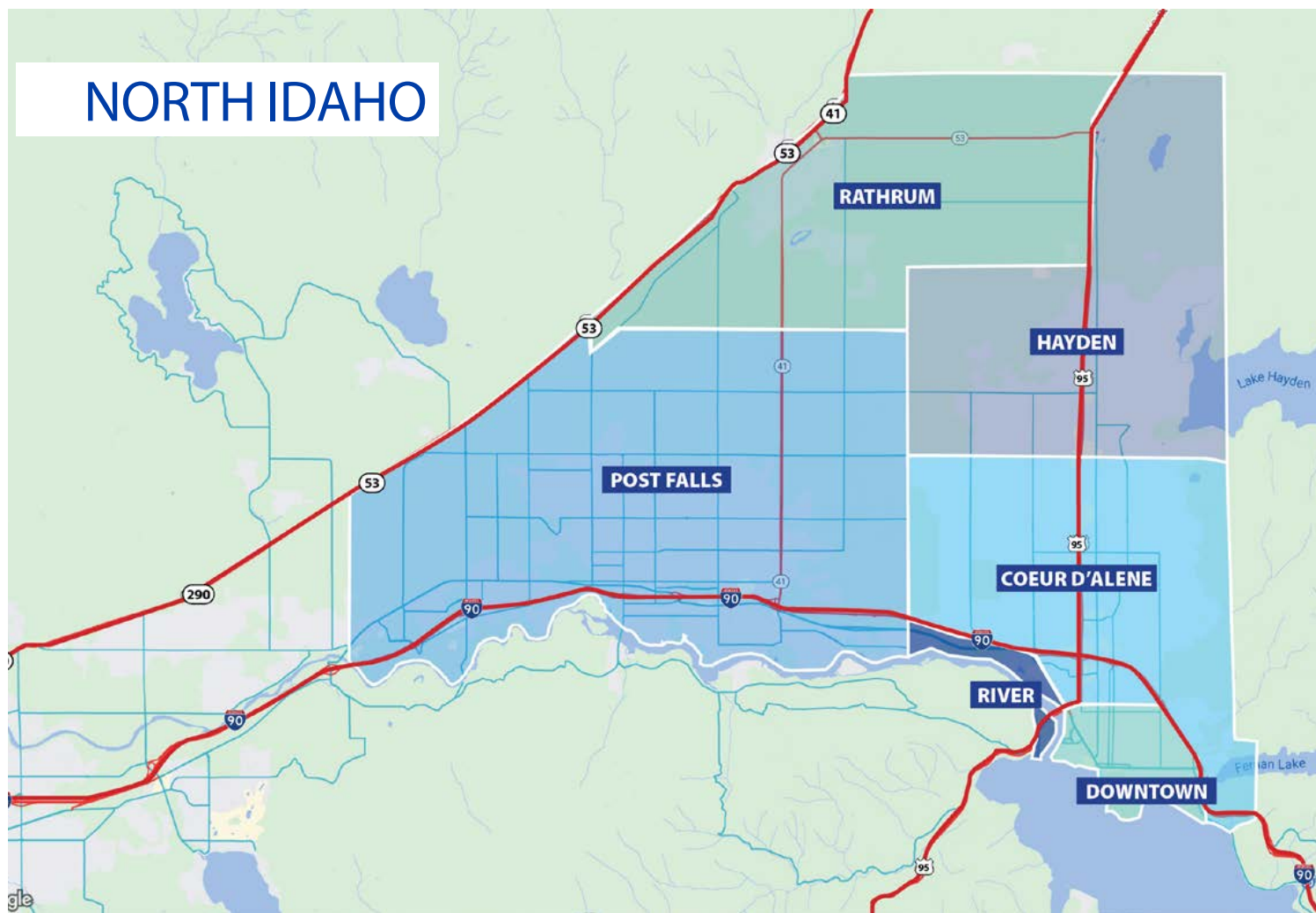
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To subscribe to TOK's North Idaho Market Outlook, email us: info@tokcommercial.com
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MARKET REPORTS: Interested in more information? Our free market update offers additional coverage of market movement and analysis. Email us for details, info@tokcommercial.com

KEY FACTS

192,249

Population



2.5

Average Household Size

41.5

Median Age

\$81,376

Median Household Income

BUSINESS



7,451

Total Businesses



70,684

Total Employees

INCOME



\$81,376

Median Household Income



\$42,260

Per Capita Income



\$292,364

Median Net Worth

EDUCATION

5.3%

No High School Diploma



27.7%
High School Graduate



36.9%
Some College/
Associate's Degree



30.1%
Bachelor's/Grad/
Prof Degree

EMPLOYMENT



White Collar

59.6%



Blue Collar

21.9%



Services

18.4%

1.9%

Unemployment Rate

2024 Households by income (Esri)

The largest group: \$100,000 - \$149,999 (21.4%)

The smallest group: \$15,000 - \$24,999 (4.7%)

Indicator ▲	Value	Diff	
<\$15,000	6.0%	-0.6%	
\$15,000 - \$24,999	4.7%	-1.3%	
\$25,000 - \$34,999	6.6%	-0.3%	
\$35,000 - \$49,999	9.9%	-0.7%	
\$50,000 - \$74,999	17.7%	-0.6%	
\$75,000 - \$99,999	15.9%	+0.2%	
\$100,000 - \$149,999	21.4%	+2.0%	
\$150,000 - \$199,999	7.8%	-0.1%	
\$200,000+	10.0%	+1.3%	

Bars show deviation from Idaho

OFFICE AT A GLANCE



QUARTERLY

146,000 SQ. FEET

NET ABSORPTION



QUARTERLY

10.8%

MULTITENANT VACANCY



QUARTERLY

\$19.10

AVERAGE NNN LEASE RATE (ANNUALLY)



DEC 2024

3,380,000 SQ. FEET

OFFICE MARKET SIZE

OFFICE CONDITIONS

The North Idaho Office market experienced notable shifts over the past year, reflecting both increased vacancy and pockets of growth. Overall office vacancy climbed from 4.4 percent in December 2023 to 8.0 percent by December 2024 due mostly to new construction, while multitenant vacancy saw only a slight uptick from 10.7 percent to 10.8 percent. However, downtown Coeur d'Alene stood out as an exception, with overall vacancy dropping from 3.9 percent to 1.4 percent and multitenant vacancy falling from 5.4 percent to 3.5 percent. This trend reflects the limited availability of office space in the predominantly retail-focused downtown area, where asking rates have surged 20 percent since Q1 2024 to \$24.00 per square foot (NNN, annual).

Despite rising vacancies, leasing activity remains robust with 76 office deals recording for the market in 2024. The overall asking lease rate decreased from \$20.25 per square foot in Q1 2024 to \$19.10 per square foot in Q1 2025. Hayden continues to command the highest rates, averaging \$25.20 per square foot. Strong demand pushed net absorption to 146,000 square feet for 2024, with gross absorption reaching 373,000 square feet. Most of this growth occurred in Post Falls and Hayden, where development continues to be focused. Investor and tenant interest from outside the area remains strong, with 22 percent of deals involving new-to-market tenants. Healthcare-oriented tenants are particularly active, driven by the region's aging population.

OFFICE OUTLOOK

The Office market in the Coeur d'Alene region is expected to remain steady but supply-constrained due to high construction costs. While 163,000 square feet of new office space was delivered in 2024—36 percent of which was speculative—future speculative development is likely to be limited as developers remain cautious. Currently, only 45,000 square feet of office space is planned or under construction, with owner-users driving most new projects. In response, tenants are choosing to expand within their current spaces rather than relocate, further tightening supply.

Medical office users will continue to be a key demand driver. One notable future project is a two-story, 19,000 square foot medical building at 1651 Polston Ave, reinforcing healthcare's role in shaping the market. Demand from medical tenants and owner-users will likely keep the market active, even as new office supply remains limited. With speculative development constrained, lease rates may hold firm or increase, especially for well-located properties.

TAKEAWAYS:

- **DESPITE RISING OVERALL VACANCY, STRONG LEASING ACTIVITY PUSHED NET ABSORPTION TO 146,000 SQUARE FEET IN 2024.**
- **LIMITED NEW OFFICE CONSTRUCTION WILL KEEP SUPPLY TIGHT, WHILE STRONG DEMAND FROM HEALTHCARE PROVIDERS AND OWNER-USERS WILL LIKELY KEEP THE MARKET HEALTHY.**

NOTABLE ACTIVITY

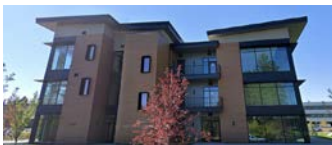
888 LOCHSA STREET

45,100 SF - POST FALLS
OCCUPIED BY WILD DEFENSE SYSTEMS



6485 MINERAL DRIVE

39,000 SF - COEUR D'ALENE
OCCUPIED BY ENVIRONMENT CONTROL

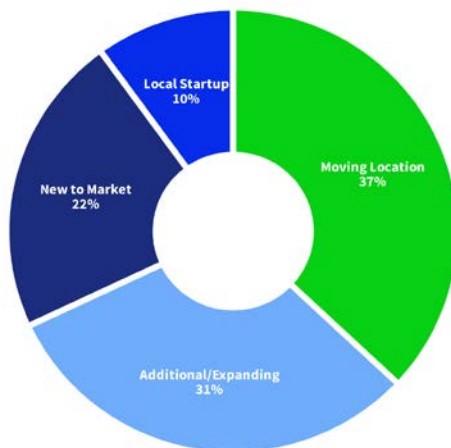


8552 GOVERNMENT WAY

26,500 SF - HAYDEN
LEASED TO HAYDEN SURGERY CENTER

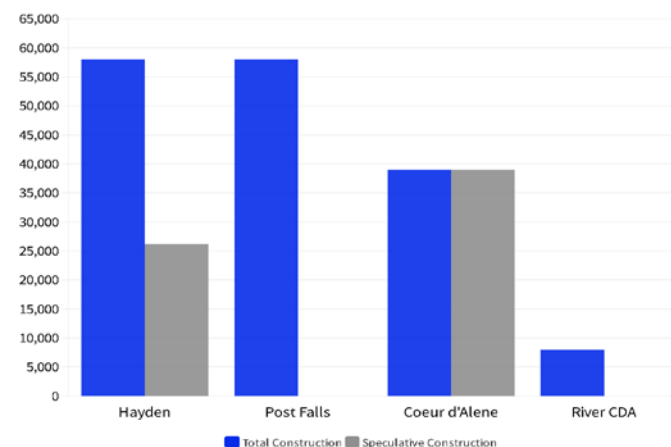


TENANT ORIGIN



22% of OFFICE DEALS in 2024 were with tenants NEW TO THE MARKET.

NEW CONSTRUCTION BY SUBMARKET



163,000 SF of NEW OFFICE CONSTRUCTION delivered in 2024.

INDUSTRIAL AT A GLANCE



QUARTERLY

234,000 SQ. FEET

NET ABSORPTION



QUARTERLY

19.0%

TOTAL VACANCY RATE



QUARTERLY

\$0.95

AVERAGE NNN LEASE RATE (MONTHLY)



DEC 2024

3,974,000 SQ. FEET

INDUSTRIAL MARKET SIZE

INDUSTRIAL CONDITIONS

The Industrial market in North Idaho experienced a substantial increase in vacancy in 2024, primarily due to a surge in new construction. Overall vacancy rose from 6.1 percent to 19.0 percent, while multitenant vacancy increased from 17.8 percent to 31.3 percent. This sharp rise coincided with the delivery of 775,000 square feet of new industrial space, with 616,000 square feet (80 percent) being speculative construction. Notable projects included two buildings at 140 & 150 Beck Rd (407,000 square feet) and 4818-4936 Expo Parkway (80,000 square feet). Even with a high level of new space hitting the market, over 417,000 square feet of industrial space is still currently planned or under construction.

Despite the influx of speculative development and rise in vacancy, leasing activity remained steady. Net absorption for 2024 was 234,000 square feet, while gross absorption reached 600,000 square feet. Local businesses continue to drive leasing activity, with many companies opting to expand their footprint or relocate within the region. 49 percent of transactions involved local startups or business expansions in 2024. Additionally, 18 percent of industrial transactions were from new-to-market tenants, while 33 percent involved companies relocating. Demand remains particularly strong for small to mid-sized industrial spaces between 1,000 to 10,000 square feet, which accounted for 76 percent of all industrial deals in 2024.

INDUSTRIAL OUTLOOK

North Idaho's Industrial market is expected to remain tenant-favorable as high vacancy levels are likely to put downward pressure on lease rates. Overall lease rates have dropped 3 percent, from \$1.00 per square foot to \$0.95 per square foot (NNN, monthly), with Post Falls seeing the lowest rates at \$0.93 per square foot, where vacancy remains an elevated 31.2 percent. While there is pent-up demand from local businesses looking to expand, high costs have made it difficult for tenants to grow. This trend suggests landlords are beginning to adjust pricing to secure deals.

Looking ahead, new construction is expected to decline. Most of the space currently being delivered was planned when pre-COVID vacancy rates were below 3 percent. Now, with vacancy high and construction costs still elevated, developers are likely to hold off on new projects. As leasing activity gradually absorbs available space, the market may rebalance over time, but in the short term, high vacancy and softening lease rates will define the industrial landscape.

TAKEAWAYS:

- **OVERALL INDUSTRIAL VACANCY ROSE FROM 6.1% TO 19.0%, AN INCREASE DRIVEN BY 616,000 SF OF SPECULATIVE CONSTRUCTION THAT DELIVERED IN 2024.**
- **THE INDUSTRIAL MARKET IS CURRENTLY TENANT-FAVORABLE, WITH HIGH VACANCY LEVELS LIKELY TO DRIVE LEASE RATES DOWN.**

NOTABLE ACTIVITY

140 BECK ROAD

83,400 SF - POST FALLS
LEASED TO SELKIRK SPORTS



4301 SELTICE WAY

50,000 SF - POST FALLS
OCCUPIED BY FARWEST STEEL

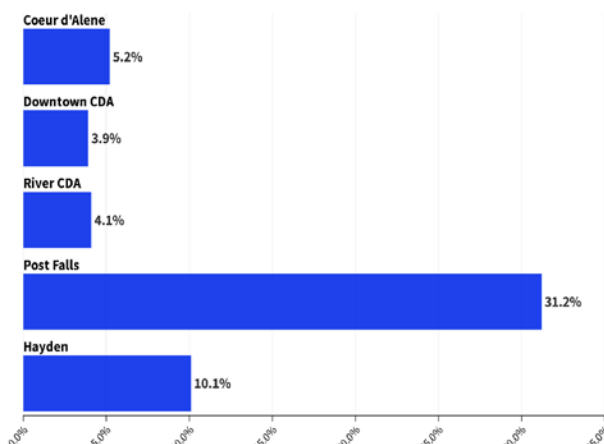


215 MOYIE STREET

35,300 SF - POST FALLS
LEASED TO DRAGON JACKET INSULATION

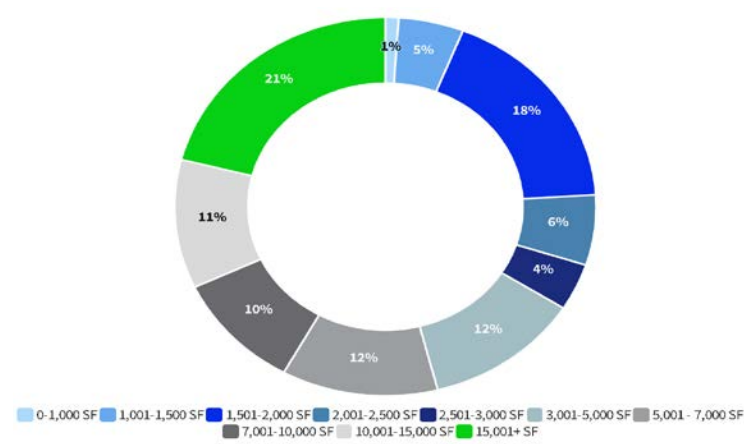


TOTAL VACANCY BY SUBMARKET



TOTAL VACANCY ended 2024 at 19.0%, an increase of 12.9% from 2023.

AVAILABLE SPACE BY SQUARE FOOTAGE



TRANSACTIONS under 7,000 SF accounted for 60% of industrial deals in 2024.

RETAIL AT A GLANCE



QUARTERLY

111,000 SQ. FEET

NET ABSORPTION



QUARTERLY

2.1%

TOTAL VACANCY RATE



QUARTERLY

\$21.00

AVERAGE NNN LEASE RATE (ANNUALLY)



DEC 2024

4,332,000 SQ. FEET

RETAIL MARKET SIZE

RETAIL CONDITIONS

The North Idaho retail market remained strong, with net absorption totaling 111,000 square feet. In addition, all submarkets finished 2024 with positive net absorption. Coeur d'Alene led the way in leasing activity, representing 42 percent of all transactions. The top deal of the year was Sierra Trading Post leasing 20,200 square feet near Silver Lake Mall.

A positive development in North Idaho's retail market is the ongoing growth of local businesses and startups. Local startups made up an impressive 42 percent of retail transactions, highlighting the entrepreneurial spirit in North Idaho market and the growing number of small businesses opening retail locations. While activity from new-to-market retailers was limited, the top two deals of 2024 were notable, with Trader Joe's and Sierra Trading Post both entering the North Idaho market.

There was 75,100 square feet of new construction delivered in 2024, with Post Falls leading the region, accounting for 67 percent of the total development. The most notable projects were restaurant pad sites, including new locations for Starbucks, Chipotle, and Taco Bell in Post Falls. Speculative space was limited, representing only 13 percent of the total construction.

RETAIL OUTLOOK

The lack of new inventory resulted in an overall vacancy rate of 2.1 percent at the close of 2024, while unanchored vacancy decreased from 4.1 to 3.4 percent year over year. Demand in the retail sector is expected to remain healthy; however, the ongoing shortage of supply is likely to keep lease rates elevated throughout 2025, potentially creating challenges for local retailers. The average asking lease rate is currently \$21.00 per square foot (NNN, annual), with Class A spaces averaging \$24.50 per square foot, with some properties asking as much as \$35.00 per square foot.

There are big box closures on the horizon in 2025, as both Joann's and Big Lots have filed for Chapter 11 bankruptcy. Big Lots will vacate its location at 101 Appleway Avenue, and Joann's is closing its storefront at Silver Lake Mall in Coeur d'Alene. These closures will bring over 50,000 square feet of retail space back to the market.

TAKEAWAYS:

- 2024 SAW **HEALTHY LEASING ACTIVITY WITH NET ABSORPTION REACHING 111,000 SQUARE FEET AND 84 TRANSACTIONS** RECORDING.
- **THE RETAIL SECTOR WILL CONTINUE TO SEE HIGH LEASE RATES DUE TO LIMITED SUPPLY, WHILE UPCOMING BIG-BOX CLOSURES WILL ADD OVER 50,000 SQUARE FEET TO THE MARKET.**

NOTABLE ACTIVITY

SILVERLAKE AT 95

20,200 SF - COEUR D'ALENE
LEASED TO SIERRA TRADING POST



303 SPOKANE AVENUE

19,400 SF - DOWNTOWN CDA
LEASED TRADER JOE'S

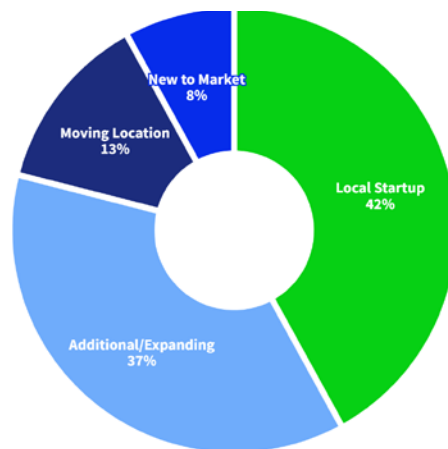


851 4TH AVENUE

14,000 SF - POST FALLS
LEASED TO KINDRED & COMPANY

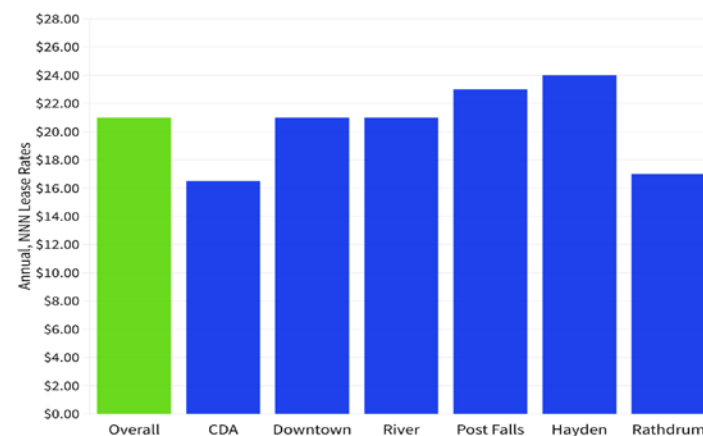


TENANT ORIGIN



The TOP 2 DEALS of 2024 were **NEW TO MARKET**.

LEASE RATES BY SUBMARKET



Overall **ASKING RATES** averaged **ABOVE \$20** throughout 2024.

TOK NORTH IDAHO INVESTMENT MARKET

INVESTMENT AT A GLANCE



QUARTERLY

\$45 MILLION

TRANSACTION VOLUME



QUARTERLY

7.8 %

OFFICE: AVERAGE NATIONAL CAP RATE



QUARTERLY

5.3%

INDUSTRIAL: AVERAGE NATIONAL CAP RATE



QUARTERLY

7.3%

RETAIL: AVERAGE NATIONAL CAP RATE



QUARTERLY

5.2%

MULTIFAMILY: AVERAGE NATIONAL CAP RATE

INVESTMENT CONDITIONS

In 2024, the North Idaho investment market experienced a continued decline in sales activity, largely driven by high interest rates and economic uncertainty. Based on disclosed transactions, the total sales volume for the year reached \$45 million. The retail sector accounted for 55 percent of this transaction volume.

Sales activity in North Idaho was limited, with only 18 transactions recorded at the end of 2024. However, it's likely that off-market transactions took place and are not reflected in the year-end total. Similar to sales volume, the retail sector led in terms of deal count, representing 56 percent of all transactions. The office sector followed as the second most active, accounting for 28 percent of transactions, with industrial and multifamily properties following behind.

Locally capitalization rates have remained elevated, with most property types averaging between 6 to 8 percent. On a national scale, capitalization rates rose in both the industrial and office sectors, with the office sector seeing the most significant increase—rising from 6.7 to 7.8 percent. The industrial sector's cap rates grew by 100 basis points. Meanwhile, the retail and multifamily sectors experienced modest declines, with retail cap rates falling from 7.5 to 7.3 percent, and multifamily cap rates dropping from 5.6 to 5.2 percent year over year.

INVESTMENT OUTLOOK

As of March 2025, the Federal Reserve has kept the federal funds rate at 4.25 to 4.5 percent. This decision comes after a series of three rate cuts in late 2024, which included a 50 basis point reduction in September and two 25 basis point cuts in November and December. Most experts predict that the Fed will hold rates steady through the first half of the year, as inflation has slowed but not enough to justify significant rate cuts. Overall, there remains a level of uncertainty around inflation and economic growth, keeping investors cautious.

The Investment market is expected to remain subdued, with buyers staying cautious in their decisions. There is a noticeable gap between buyer and seller expectations, especially in relation to cap rates. This has created an added layer of uncertainty in negotiations, as sellers are holding firm to the historically low cap rates seen in 2021, while buyers are looking for terms that reflect current market conditions. In addition, securing high-quality investment opportunities will be difficult, as many sellers are taking a wait-and-see stance, leading to a limited number of available listings. Only 7 investment properties have been listed in the past 90 days.

TAKEAWAYS:

→ DRIVEN BY **HIGH INTEREST RATES AND ECONOMIC UNCERTAINTY**, SALES ACTIVITY REMAINED **SLOW IN 2024**, ENDING WITH A TOTAL **SALES VOLUME OF \$45 MILLION AND 18 DISCLOSED TRANSACTIONS**.

→ THE ONGOING **GAP BETWEEN BUYER AND SELLER EXPECTATIONS**, COUPLED WITH **LIMITED SUPPLY**, WILL CONTINUE TO POSE **CHALLENGES** FOR THE INVESTMENT MARKET.

NOTABLE ACTIVITY

HAYDEN CREEK PLAZA

27,900 SF - HAYDEN
RETAIL SOLD



630 CAPSTONE COURT

7,400 SF - HAYDEN
OFFICE SOLD

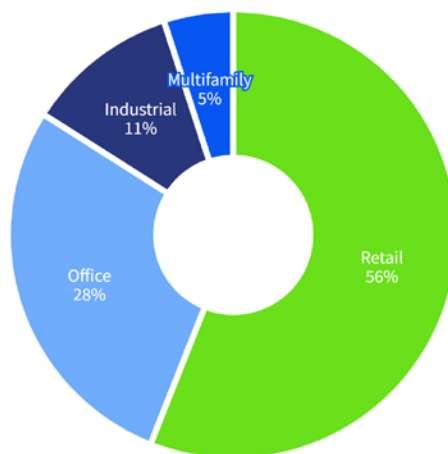


3833 INDUSTRIAL LOOP

18,000 SF - COEUR D'ALENE
INDUSTRIAL SOLD

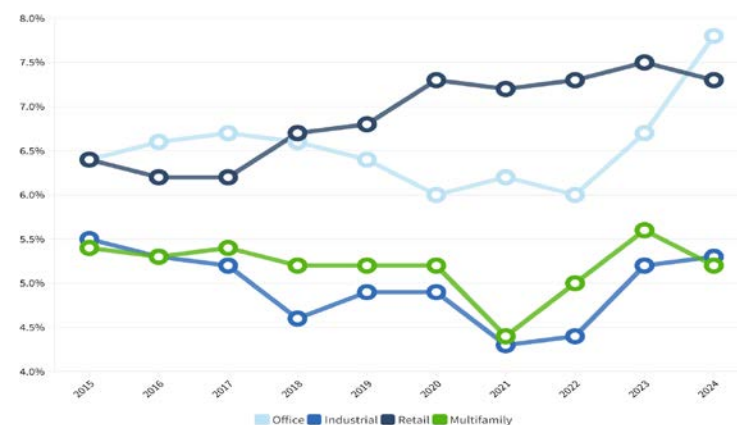


DEALS BY PROPERTY TYPE



70% of RETAIL SALES traded for OVER \$2 MILLION.

NATIONAL CAP RATES



CAP RATES across ALL SECTORS are averaging ABOVE 5%.



Our commercial brokerage expertise is your advantage.



REACH

AS **THE REGION'S LEADING CRE FIRM**, WE CAN COVER REQUIREMENTS ACROSS THE STATE



RESULTS

20,000 SQUARE FEET LEASED OR SOLD PER BUSINESS DAY (2024)



MARKET INSIGHT

+157 MILLION SQUARE FEET TRACKED REAL TIME ACROSS MARKETS



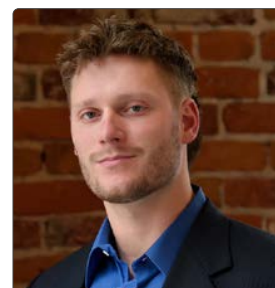
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