

Treasure Valley office space retains strength despite COVID

By: Catie Clark February 11, 2021 0

There is no getting around the fact that the Treasure Valley is the economic anchor of the state. Its position in Idaho's economy drives the local demand for office space. People want to do business in and around Boise and are willing to pay for the space to do that.

While many left their offices to work at home during the pandemic, the effect this has had on the amount of vacant office space has been muted compared with the rest of the country. The pandemic made a modest impact on office vacancy rates, but nowhere near as much as in other areas. Many Treasure Valley workers are still going to the office if Treasure Valley vacancy trends are any indication.

According to research studies of office space by Statista and the National Association of Realtors, the average office vacancy rate for the entire country before the pandemic was around 10%. Vacancy peaked at 15% during the second quarter of 2020, an increase of 5%. Since then, vacancy has stayed high in most of the nation. Before the pandemic, overall office vacancies rates had been in a gradual downward trend since the recession of 2008-2010.

In comparison, as reported almost a year ago in the Idaho Business Review, office space in Boise had a vacancy rate of 5.9% at the beginning of March 2020. Numbers like this reflect the high demand for space in the Treasure Valley. Different submarkets in the Treasure Valley have different vacancy rates and vacancy statistics will vary from firm to firm. The point here is that before the pandemic, most reported vacancy rates were well under 10%.

The surprise is that vacancy rates haven't changed that much despite the arrival of COVID-19. Though most Ada and Canyon county submarkets have seen modest vacancy rate increases, almost all are still well under 10%.

According to research provided by Colliers, one of the largest commercial real estate brokerages in Idaho, the downtown office vacancy rate going into 2021 was 6.7%, an increase of 2.4% from the previous quarter. Another prominent CRE firm, TOK Commercial, reported a similar increase in downtown vacancy from the previous quarter of approximately 2%. This increase is a lot lower than the national increase in office vacancy of 5%. When compared with a current 15.2% office vacancy rate for Manhattan and 14% for the Loop and Magic Mile in Chicago, Boise is doing well.

Even though vacancy is up, the local market is still healthy. TOK reported the regional office vacancy rate at 7.3% and Colliers reported 5.7%. Those statistics are healthy numbers even when compared to the national averages before the pandemic. The numbers are different because the two firms compile their statistics differently.

Despite the movement toward working at home, the market for office space in the Treasure Valley is still doing well. Office brokerage specialist Oliver Maron from Colliers' Boise office explained the current market conditions as follows: "Idahoans are resilient, our market is resilient and we bounced back relatively quickly and got back to work relatively quickly, especially when compared to the coastal cities (e.g. Seattle or New York)."

Maron pointed out a lot of reasons why a lot of people will be going back to their offices when it's safe to do so. Those reasons centered on the need for collaboration and building company culture, both of which are best achieved in a shared office space: "Offices are essential for most businesses. While some people will continue to work remotely, there's a symbiosis between the tenant experience of shared office space and being innovative. Businesses depend on innovation ... and you need to be physically located together to collaborate and be innovative."

Maron expects that vacancy rates will continue to stay low in Idaho and that the recent increases in vacancy will go back down as the pandemic abates and demand due to growth continues: "From a commercial real estate perspective, (the vacancy rate increase) was much more a blip here than it was in other markets (outside of Idaho). Vacancy has increased but we should be clear that we're still healthy in terms of office vacancy in our market. We're not too high and we're not too low ... Both landlords and tenants should feel good about the health of our market."

Treasure Valley office space retains strength despite COVID

👤 By: Catie Clark ⌚ February 11, 2021 💬 0

Maron also shared an insight on the increase in office vacancy rates: "Part of the reason vacancy increased is because of new office space added over the last year. For example, the 11th and Idaho project was delivered to market, which increased vacancy rates downtown." Maron was referring to the fourth-quarter completion of the new office building developed by the Boise firm of Rafanelli and Nahas at the corner of 11th and Idaho Streets, one block south of the Boise Plaza Building.

In addition to downtown, several office buildings have also come onto the market in Meridian in 2020. Despite these additions, vacancy has remained in the healthy range and robust compared to other markets. "Office vacancy (locally) is doing better than other (CRE) markets like retail," Mahon noted.