Bonneville Research

Meridian Idaho Downtown Redevelopment Plan

Absorption estimates for the Meridian Downtown:

Absorption is generally considered the rate at which rentable space is filled.

Gross absorption is a measure of the total square feet leased over a specified period with no consideration given to space vacated in the same geographic area during the same time period. Net absorption is equal to the amount occupied at the end of a period minus the amount occupied at the beginning of a period and takes into consideration space vacated during the period.

Overview:

Throughout 2009, the Treasure Valley and the Meridian Submarket continued to feel the effects of a weakened local and national economy. Unemployment within the Treasure Valley declined slightly to 9.5% and the office market as felt the impact through declining rental rates and increasing vacancy.

Boise/Meridian Market Area Employment

The Boise/Meridian Metro Area has experienced the following employment trends since the 2000's Recession.

- Between 1998 and 2008 the Boise/Meridian Metro area economy grew at an annual rate of 5.8% - 103rd fastest in the nation
- At $24.03 Billion, the Boise/Meridian Metro Area represents 45.6% of the Idaho Gross State Product (GSP)
- Employment peaked in the first quarter of 2007
- Since then 28,900 jobs have been lost
- These losses represent 10.4% of the workforce
- The employment peak reached in the first quarter of 2007 is expected to be reached again in the first quarter of 2013 - Three Years!
- It must be noted that due to growth in the workforce, reaching the employment peak of 2007 does not mean full employment in 2013!
- Unemployment in the Boise/Meridian Metro Area is expected to drop to 7.7% in 2011 and drop again to 6.1% in 2013.

Forecast:

Demand for commercial office space is driven by employment growth.

Therefore demand for new office space in Meridian will come from specialty areas that are experiencing employment growth. Currently that is coming from two areas - government, not for profits, businesses involved in alternative energy and medical.

Inventory - The Meridian submarket is the second largest with just over 1.1 million of Class A office space, and ranks #3 just behind the West Bench in total office space.

2009 Year-End Commercial Office Submarket	Building Count	Inventory SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate 2009 SF
Meridian	58	1,820,857	391,392	10,545	401,937	22.1%
West Bench	78	2,232,968	599,739	6,162	605,901	27.1%
Downtown	55	3,470,472	385,876	31,102	416,978	12.0%
Nampa	35	774,371	58,153	0	58,153	7.5%
Market Total	411	13,980,900	2,436,154	81,118	2,517,272	18.0%

Source: Colliers Paragon, Year-End Market Review, 2010

Net Absorption - Commercial Office - Silverstone Plaza, at 124,000 sq ft of Class A space, developed by the Sundance Company, helped Meridian achieve a net positive absorption of 56,724 sq ft in 2009.

If Meridian is able to maintain the positive absorption of 56,724 sq ft of office space per year, it will take it seven (7) years to absorb current vacant space.

2009 Year-End Commercial Office Submarket	Total Vacant SF	Vacancy Rate 2009 SF	Absorption 2009 SF	Years to Absorb Vacant Property @ 2009 Rate
Meridian	401,937	22.1%	+56,724	7 years
West Bench	605,901	27.1%	-231,862	
Downtown	416,978	12.0%	-83,465	
Nampa	58,153	7.5%	+13,834	4.2 years
Market Total	2,517,272	18.0%	-323,486	

Source: Colliers Paragon, Year-End Market Review, Calculations Bonneville Research, 2010

Rental Rates - Commercial Office - Throughout 2009 building owners reduced lease rates and offered other incentives to be competitive. The following chart presents Full Service Asking Rental Rates.

2009 Year-End Commercial Office	Average Full Service Asking Rates by Building Class			
Submarket	All Classes	Class A	Class B	Class C
Meridian	**$19.32**	**$19.62**	**$15.90**	**n/a**
West Bench	$14.93	$16.79	$13.57	$12.50
Downtown	$17.33	$19.20	$17.49	$13.08
Nampa	$15.61	$19.21	$12.62	$18.00
Market Total	$17.21	$18.83	$15.92	$13.37

Source: Colliers Paragon, Year-End Market Review, 2010

Commercial Office Opportunity:

Medical Office - Despite deep office-using job losses in recent years, healthcare jobs have posted steady gains through the recession. The combination of aging baby boomers and potential healthcare reform has increased demand and will draw more investors to this segment in the near term.

Notwithstanding any healthcare reform, the ongoing maturation of the U.S. population will continue to support the need for Medical Office space. Population growth in the 55-plus age population group alone will necessitate an additional space by the end of 2013, above and beyond normal absorption trends.

Retail:

Inventory - The Meridian submarket is the fourth largest retail center with almost 3 million square feet of retail space.

2009 Year-End Retail Submarket	Building Count	Inventory SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate 2009 SF
Meridian	61	2,981,101	189,818	0	189,818	6.4%
West Bench	62	3,255,980	441,145	32,056	437,201	14.5%
Central Bench	31	1,222,345	236,850	40,224	277,074	22.7%
Nampa	86	4,137,553	657,863	3,000	660,863	16.0%
Market Total	345	16,295,688	2,059,952	78,800	2,138,752	13.1%

Source: Colliers Paragon, Year-End Market Review, 2010

Net Absorption - Retail - The Eagle Road Corridor absorption jumped from 13,992 sq ft in 2008 to 97,562 sq ft in 2009.

If Meridian is able to maintain the positive absorption of 97,562 sq ft of retail space per year, it will take it two (2) years to absorb current vacant space. At the 2008 absorption rate of 13,992 it will take 13.5 years.

2009 Year-End Retail Submarket	Total Vacant SF	Vacancy Rate 2009 SF	Absorption 2009 SF	Years to Absorb Vacant Property @ 2009 Rate	Years to Absorb Vacant Property @ 2008 Rate
Meridian	189,818	6.4%	+97,562	2 years	13.5 years
West Bench	437,201	14.5%	-157,316		
Central Bench	277,074	22.7%	-34,551		
Nampa	660,863	16.0%	-15,399		
Market Total	2,138,752	13.1%	-323,486		

Source: Colliers Paragon, Year-End Market Review, Calculations Bonneville Research, 2010

Previous analysis reported the following:

Downtown Meridian Retail Mix

Bonneville Research estimates the potential capture rate of each individual store (there will always be some leakage due to travel, internet, mail-order, and other sales. Using sales per square foot estimates from ICSC and information on typical store sizes the number of potential new retail stores and the retail mix is then estimated.

Neighborhood Shopping Market Area Industry Summary – Five Minute Drive Time - 2010	Meridian Marketplace Retail Potential	Potential Capture Rate	Sales per Sq Ft (ICSC)	Potential Store Size	Typical Store Size	# Potential Retail Stores
Motor Vehicle & Parts Dealer	$48,700,000		n/a	n/a		
Food and Drink	$57,900,000	50%	$650	44,538	3,500	13
Apparel & Services	$7,900,000	30%	$425	5,576	3,500	2
Health & Personal Care	$2,521,889	70%	$550	3,210	1,500	2
Grocery Store	$50,500,000	50%	$850	29,706	45,000	1
Specialty Food	$6,600,000	70%	$550	8,400	3,500	2

Source: ESRI, ICSC*, Bonneville Research 2010.*

Off Street Parking

One of the issues that seemed to be voiced frequently during the Charrette process was the lack of off-street parking in downtown Meridian. Bonneville Research therefore has prepared estimates the likely off street parking required for each individual store that likely may be supported in the Meridian Downtown.

Because of the limited availability of public transportation in Meridian, no allowance was made for shoppers that use other transportation than a vehicle. Using parking standard of 3 stalls per 1,000 sq ft of retail space estimates for the number of potential new retail stores and the retail mix is then derived.

Meridian Downtown Marketplace Retail Parking Requirements - 2010

Meridian Marketplace Total Retail Expenditures - 2010	Potential Store Size	Potential Retail Stores	Parking Standard @ 3 per 1,000 sq ft	**Parking Requirements**
Food and Drink	44,538	13	0.003	**134**
Apparel & Services	5,576	2	0.003	**17**
Health & Personal Care	3,210	2	0.003	**10**
Grocery Store	29,706	1	0.003	**89**
Specialty Food	8,400	2	0.003	**25**
Drinking Places	9,722	3	0.003	**29**
Beer, Wine & Liquor	13,556	0.33	0.003	**41**

Source: ESRI, ICSC*, Bonneville Research 2010.*

Apartments - Resumed economic expansion and accelerating household growth in 2011 and 2012 should set the stage for a healthy rebound in apartment fundamentals.

Since 2007, severe job losses and credit issues reduced demand for housing, but because fewer families could qualify for single family homes, demand for rental units has grown.

By 2013 Boise/Meridian Metro employers will begin to add to payrolls, spurring renter demand and moderating vacancy rises in most submarkets.