

# A New Gold Rush Lures Development

New residents are flocking to the region anchored by Idaho's capital city of Boise, lured in part by the modern-day equivalent of the gold that brought settlers in the 1800s—affordable housing.

In the southwestern corner of Idaho near the borders of Oregon and Nevada, the Boise metropolitan area's population jumped about 16% to 544,021 last year from its July 2000 level, one of the nation's largest metro-area percentage gains, according to the U.S. Census Bureau. Boise's mountain vistas and fast-growing, diversified economy are draws, but population growth also has been fed by its proximity to pricey West Coast markets. The third-quarter median home price in Ada County, including Boise, was \$242,500. That compares with second-quarter levels of \$283,400 in the Portland, Ore., region and \$751,900 in the San Francisco metropolitan area, according to the Intermountain Multiple Listing Service Inc. and the National Association of Realtors. The median household income for the Boise metropolitan area as of the second quarter of 2006 was about \$52,010 compared with the U.S. median household income of \$48,731, according to Moody's Economy.com

"Boise's one of the nation's top-10 undiscovered markets that's now being discovered," says Kenneth T. Rosen, chairman of the Fisher Center for Real Estate and Urban Economics at the University of California, Berkeley, who compares it with other smaller hip and affordable cities such as Madison, Wis.

The construction of houses and places to shop and work has fueled an expanding commercial real-estate market and driven a robust recovery in the local economy following the tech bust. Employment in October rose 4.9% from the year-earlier month, more than triple the national rate of 1.4%, according to the Bureau of Labor Statistics. Construction is the main driver, but companies such as **Micron Technology** Inc. have been hiring and investing in the region again. For example, Micron earlier this year



Philip McClain/Baldorf Canton von Eichensberg Architects

*The mixed-use BoDo project is bringing new retail and offices to downtown Boise.*

purchased a wafer-fabrication facility in Nampa, Idaho, for about \$5 million.

Both the suburbs and downtown Boise have attracted development. Over the summer tenants began moving into the 11-story Banner Bank Building, billed as downtown Boise's first new high-end office building since 1999. In addition, last year the city gained a \$60 million mixed-use project called BoDo, a name derived from Boise downtown and inspired in part by Denver's revitalized LoDo, or lower downtown, neighborhood. Boise's BoDo includes about 500,000 square feet of office and retail, located partly in rehabilitated red-brick buildings, according to Mark Rivers, principal of **BoDo Development LLC**.

Some worry commercial developers are overshooting demand. The recent surge in construction has forced some owners of older retail and office space to lower rents to compete for tenants, according to Tim Reid of Grubb & Ellis|Idaho Commercial Group. At the same time, rents in some new office space in such sought-after submarkets as suburban Eagle have climbed above the previous ceiling of \$20 a square foot, Mr. Reid says. Of course smaller markets such as Boise—with an overall estimated office inventory of about 11.4 million square feet, equivalent to less than three of Chicago's Sears Towers—tend to be more vola-

## By the Numbers

CATEGORY	— THIRD QUARTER —	
	2006	2005
<b>Office</b> vacancy rate	<b>11.6%</b>	9.2%
Avg. rent per sq. ft.	<b>\$16.68</b>	\$19.85
<b>Warehouse</b> vacancy rate	<b>8.2%</b>	7.3%
Avg. rent per sq. ft.	<b>\$5.56</b>	\$5.16
<b>Retail</b> vacancy rate	<b>8.2%</b>	8.2%
Avg. rent per sq. ft.	<b>\$15.64</b>	\$25.45
<b>Median single-family home price</b>		
Ada County	<b>\$242,500</b>	\$196,922
Canyon County	<b>\$165,000</b>	\$131,559

Note: Commercial statistics are for the Treasure Valley area comprised of Ada (which includes the city of Boise) and Canyon counties.

Sources: Grubb & Ellis|Idaho Commercial Group; Intermountain Multiple Listing Service

tile because smaller movements can produce dramatic statistical shifts.

At the same time, some signs of a cooling housing market suggest Idaho's construction-dependent economy could see a slowdown in job growth, says Shayna Olesiuk, an economist with the Federal Deposit Insurance Corp.'s San Francisco regional office. If that doesn't happen, others say Boise will need to take steps to manage growing traffic and potential pollution problems that threaten the small-town charm that attracted many residents and businesses to the region. "At what point does growth start to weigh it down?" asks Mr. Rivers of BoDo Development.

—Maura Webber Sadovi