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BOMA speakers look beyond the boom

By: Steve Sinovic February 19, 2019 0

At BOMA, Jeff Sayer, a businessman who once ran the state Department of Commerce, discussed how Idaho can grow its economy. Photo by Liz Patterson Harbauer.

Idaho will have to compete with surrounding states for talented workers in the coming years, and the Gem State is at a disadvantage because it lacks funding mechanisms for local governments to fuel growth, such as school bonds and local option taxation capabilities, Jeff Sayer, a businessman who once ran the state Department of Commerce, told the crowd at the annual Building Owners and Managers Association's symposium.

Sayer was keynote speaker at the Feb. 12 event, which drew several hundred attendees to the Boise Centre. This year's BOMA theme, "Beyond the Boom," asked participants to share what Idaho company owners, investors, managers, developers and those who service commercial buildings are doing besides just accommodating the state's breakneck growth, which ultimately affects occupancy and rates, as well as revenues, for property owners.

Sayer told the crowd that Idaho won't grow its economy with the lower taxes lure. He said talent and capital are the winning formula to enhance the livelihoods of Idahoans.

"Skills, not degrees," is the mantra of many employers these days as many drop college degree requirements from their recruiting filters and look for the best job candidates, he said.

He warned that Idaho will have to go to war for talent, most notably with Utah, which has set aside millions in a fund to produce computer science graduates and has "figured out how to use debt to their own advantage."

On the flip side, "Idaho lawmakers have wrapped themselves up in an ideology of not taking on (good) debt," not realizing that borrowing is a good vehicle for funding infrastructure improvements and growing the economy even more, said Sayer.

Because the Idaho constitution forbids general long-term debt, the state lacks an AAA score from the major credit rating agencies

"When you have a (AAA) credit rating, the costs of borrowing go down," said Sayer, who encouraged BOMA members to take the conversation of assuming more debt to grow the economy to state lawmakers.

"Anytime a business leader shows up, they listen and pay attention."

Other BOMA experts focused on industry trends and offered snapshots of where different markets – office, retail and the investment sector – may be headed in 2019, primarily in the Boise metro area, and how other forces in the economy will affect this growth.

Big picture topics like population growth, the labor market, traffic congestion, insufficient infrastructure, housing costs and shifts in consumer behavior figured prominently in their presentations.

"You can't grow jobs without growing housing," said Boise Mayor Dave Bieter in his address to the group.

Bieter discussed a $20 million proposed housing land trust to build affordable residences; moves to enact denser zoning of residential units to keep pace with demand; and lower fees for developers who bring affordable housing projects to town.

In terms of the competitive landscape, Boise, which is seeing its office supply tighten, still offers good value to businesses setting up shop, said Al Marino, an office specialist with Thornton Oliver Keller. He drew a contrast between Boise and other capital cities in the West. Compared to Salt Lake City, Sacramento and Austin, the City of Trees may not have as much commercial real estate in its total universe of space (roughly 25 million square feet), but it is seeing pretty good absorption by tenants with an office vacancy of 7.2 percent. The vacancy rates are 10.3 percent in Salt Lake; 9.6 percent in Austin; and 11 percent in Sacramento, respectively.

Most of the office users of tomorrow will be predominately millenials, the generation born in the early 1980s to early 2000s. Indeed, 75 percent of the U.S. workforce by 2025 will be comprised of these 80-million-plus citizens, a fact that is exciting and daunting at the same time for employers and landlords, noted Marino.

From a design standpoint, collaborative work spaces will increasingly be the norm, and landlords are engaged in "an amenities arms race" to lure quality, long-term tenants eager to keep their workers engaged and happy, said Marino.

He also highlighted the growing coworking trend, a phenomenon that has taken off in many large urban markets, such as New York City. WeWork, a national coworking company, is now the largest occupier of space in Manhattan.

A franchise operator called Office Evolution recently leased 6,000 square feet in the One Capital Center building in Downtown Boise, a place where gig workers, entrepreneurs and startup firms can sublease small offices or splash down temporarily at an assigned desk.

Looking at the investment market, Clay Anderson of Colliers International continues to see very healthy transaction volume from buyers looking to acquire apartment buildings in the Treasure Valley or expand their current holdings. Demand for well-located and well-kept buildings brings in a host of offers, said Anderson.

The same goes for single-family homes. In some markets across the U.S., real estate investment trusts are acquiring entire subdivisions for single-family rentals, Anderson said.

In Idaho's largest population centers, the construction pipeline of multifamily units is barely keeping pace, with apartments seemingly "going up on every corner," said Anderson.

He said the new rental stock in the metro area rose 83 percent from 2010 to 2018, and he expects this trend to continue through 2019. Rising rental costs are concerning, especially for young people with student debt, a development that has resulted in the creation of co-living facilities in larger cities, such as Seattle, the Bay Area and New York City, said Anderson. These consist of tenants renting a private bedroom and bathroom, while sharing other common areas, like the kitchen, with fellow residents.

Regarding retail, Sara Shropshire of Cushman & Wakefield Pacific, discussed shopping trends and the demise of former big-box behemoths like Sears, Macy's, Kmart and Shopko. In the latter case, nearly 300,000 square feet of Shopko retail space will soon be hitting the market, and will likely be backfilled by users who are hungry for these well-located retail spaces, said Shropshire. These businesses include deep discounters like Big Lots and Tuesday Morning, storage unit providers, gyms and fitness centers, trampoline parks and go-kart operators.

It can be challenging to help out-of-town retailers, including restaurant chains, find the kinds of spaces that work best for them.

"They have tried-and-true concepts" that they want to replicate in new markets, she said. These include certain demographic targets, traffic patterns or, "God forbid, a drive-thru," said Shropshire.

But don't say goodbye to the neighborhood grocer anytime soon, despite the popularity of online shopping.

"Albertsons is doing an amazing job of offering online shopping and beautiful, in-store experiences," said Shropshire, pointing to the company's next-gen brick-and-mortar locations on Broadway and Fairview and Eagle Road.

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