

Commercial success abounds in county

Local expert's annual report points out opportunities for retailers

By Lee Vander Boegh - Idaho Press-Tribune

January 22, 2006

CANYON COUNTY — The secret is out: Businesses are recognizing the advantages of setting up shop in Canyon County.

With a population in excess of 167,000, national businesses have identified the county as an area of tremendous interest. Companies such as Costco and Best Buy have already committed to the area, and some of these large stores are expected to open as early as late this year.

The growth hasn't caught Jerry Gunstream, owner of Gunstream Commercial Real Estate in Nampa, completely off guard.

"I'm not surprised at the growth," he said. "But I am surprised at how much growth is happening all at once."

Each year Gunstream compiles a report on Canyon County's commercial real estate market. This year's Winter 2005/2006 Commercial Real Estate Update explores trends and expectations heading into 2006. The findings — gathered from 849 individual buildings and more than 14.3 million square feet — identify commercial growth as "vast and furious."

Since zooming past the 150,000 population threshold, the county has generated quite a buzz.

Population plays a significant role in large businesses looking to new areas. Industries view large population in terms of a bigger labor pool. Commercial offices recognize the quality-of-life advantages to larger cities. Retailers see a bigger customer base.

"It's (population) a critical way (for businesses) to begin looking at the market," Gunstream said.

And several national chains such as Target and Bed Bath & Beyond like what they see, as do smaller local businesses.

The commercial attraction to the area is evident in Gunstream's research.

"The rapid residential growth of Canyon County over the past several years has created tremendous opportunities for retailers," the report states. "As a result, 2005 was dominated by announcements of major retail developments and the start of construction for several neighborhood retail centers."

Gunstream's report measures the vacancy rate in commercial real estate as one barometer of the commercial climate. Vacancy rate, noted as a percentage, is a measure of vacant commercial space divided by total space available.

This year only 8.2 percent of the available 4,121,544 square feet of retail space sits vacant — an improvement from last year's 12.1 percent.

The report stated that the Karcher Mall accounted for a large portion of the vacancy. When excluded, the vacancy in retail space drops to 5 percent.

Office space holds at 1.1 percent vacancy, and industrial space registers at 10.6 percent.

Three large developments in Nampa will provide nearly 2 million square feet of additional retail space.

The Treasure Valley Marketplace, located north of the new Karcher Interchange, will provide more than 700,000 square feet of retail space. Costco, Target, Best Buy, Michael's, Bed Bath & Beyond and several other national businesses are ready to move in. Developers hope Costco can open this year, and the others in early 2007.

The Nampa Gateway Center, which broke ground in November, will add another 850,000 square feet.

Located on the south side of Interstate 84 with frontage on Garrity Boulevard, the center has caught the attention of retail tenants.

Further, a Super Wal-Mart, a Sam's Club and additional retail sites will eat up 339,000 square feet near the Idaho Center.

Retail isn't the only part of the commercial growth equation. Office use and industrial space figure in as well.

Several new office buildings sprang up in Nampa and Caldwell in response to the lack of space during the previous year. A combination of the 45,000-square-foot Title One/Premier building and several others ranging from 2,500 to 5,000 square feet added 63,000 square feet in Nampa. Development around the medical community near West Valley Medical Center ushered in 61,000 square feet in Caldwell.

However, the report stated minimal new space was available on the market, because a large chunk of the office construction was preleased.

Much of the 11.1 percent vacancy relates directly to older and outdated buildings, suggesting businesses are willing to pay more for quality structures, according to the report.

"As we enter 2006, we anticipate more commercial developers looking at Canyon County to build quality office structures," the report stated. "We would also anticipate that the revitalization efforts in Downtown Caldwell and Nampa will begin to create the change that is long overdue."

The industrial sector saw much smaller growth. 290,000 square feet of new industrial space resulted primarily from existing businesses' expansion. The Holman Trucking facility, United Hauling's new building and the Low's Ready Mix complex in Caldwell combined with the Nagel Beverage expansion in Nampa to provide the bulk of the new space.

According to the report, industrial growth takes longer to materialize than the other types, so substantial industrial growth can't be predicted for the next calendar year.

But the report does anticipate some new industrial space to surface. Businesses have already purchased land for industrial use at the 300-acre SkyRanch Business Park in Caldwell near Interstate 84 and highway 20/26.

The mixture of retail, office and industrial growth is coming just in time, according to the report.

"Due to the rapid residential growth in Canyon County, this commercial growth is needed to serve the population that already exists much less the population that continues to move into the area," the report said. "In many ways, this growth is overdue and as a result, it is taking place throughout the county at a very fast pace."

Cliff Long, Nampa's director of economic development, agrees.

"We've seen incredible population growth and a pent-up demand for businesses and retail," he said. "We're starting to see it catch up."

Long, the former economic development administrator for the Idaho department of Commerce and Labor, sees Gunstream's research as a tool for growth.

"It speaks to the tremendous opportunity for businesses to locate in Nampa or Canyon County," he said.

Businesses play an important role in any city, Long said. They provide goods and services to the community, but they also contribute to the tax base.

Caldwell area farmer Sid Freeman thinks that could reduce the tax burden placed on the agricultural industry.

Taxes have surged to provide services to the expanding population, Freeman said. Most residential properties create a net tax loss — meaning the services used by or because of that property cost more than the property taxes assessed on it. Agriculture has been footing the bill, he said.

"I welcome commercial," he said. "It will help support the residential growth along with agriculture."

Gunstream, Long and Freeman agree that the next step is attracting industry to the county.

"The thing we need most is industry," Gunstream said at a recent Nampa Chamber of Commerce breakfast. "Industries pay a higher proportional share of taxes. It's what we call 'The value of Industry.' "

Gunstream warned that big companies coming to the county could potentially harm existing businesses, "But that shouldn't be automatically assumed," he said. Instead, he stressed that established companies must find ways to make their products or services competitive.

Gina Christensen, owner of Scrapadoodles in Caldwell, shares the sentiment.

"We offer personal service, classes and that personal interaction that the big companies can't offer," she said.

Scrapadoodles, a store specializing in scrap book supplies and services, also offers many products unavailable in bigger stores. Christensen said she recently purchased specialty supplies from a small company in Star — something big stores are unable to do because of their demands for larger volumes.

Christensen said stores like Scrapadoodles will always have a place in Canyon County.

"We need small stores like us for that community connection," she said.

Some businesses actually look forward to the new construction. Mr. Formal, a tuxedo rental company located next to Edward's in Nampa, may see more business as a result of increased traffic. Its proximity to the new Interstate 84 interchange and the Treasure Valley Marketplace should generate more visibility.

"It (business) should pick up because the location is much more accessible," said Chuck Sacaglione, regional manager for Mr. Formal. "Our location certainly isn't going to hurt in any way."

Gunstream warns that vacancy rates are expected to increase as new developments are completed.

But that's not necessarily a bad thing. Overbuilding — one cause of increased vacancy — allows room for future expansion and as a matter of supply and demand can lead to lower lease rates for tenants. However, the lower lease rates could hinder developers' profitability and create a public perception of a poor economy.

On the other hand, the report specifically warns of dangerously high lease rates.

"Caution must be exercised by developers and retailers alike regarding the ability to support the anticipated lease rates for new projects," the report states. "Retailers should be conservative in projecting sales volume and profitability. If they don't, vacancy rates could rise for the wrong reasons."

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