

Industrial Snapshot 2Q 2016

Salt Lake City



SALT LAKE CITY

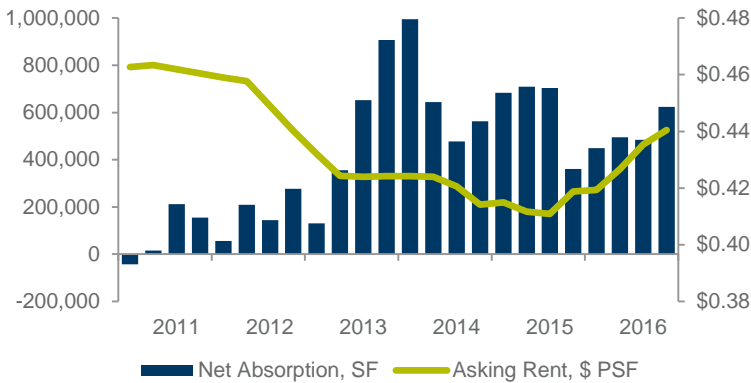
Economic Indicators

	2Q 15	2Q 16	12-Month Forecast
Salt Lake Employment	673k	694k	▲
Salt Lake Unemployment	3.4%	3.4%	■
U.S. Unemployment	5.4%	4.9%	▼

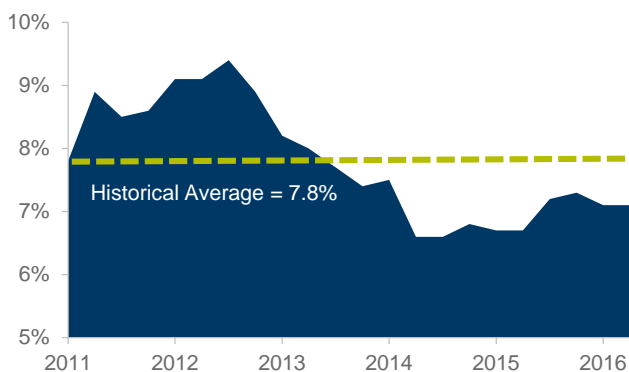
Market Indicators

	2Q 15	2Q 16	12-Month Forecast
Overall Vacancy	6.7%	7.0%	■
Net Absorption	36k	595k	▲
Under Construction	2.2M	2.2M	■
Overall Average Asking Rent	\$0.42	\$0.45	■

Net Absorption/Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

Job growth across the U.S. remained modest as year-to-date growth trailed the same period in 2015. This combined with light growth in GDP caused the Fed to once again hold off on pushing its benchmark interest rates any higher.

Utah added 44,400 net new jobs as job growth increased by 3.2% on a year-over-year basis. Although the unemployment rate increased to 3.8%, this was not the result of weakening in the job market but rather wage growth that has pulled people back into the labor market that were previously sitting on the sidelines.

Market Overview

Overall vacancy decreased from first quarter 2016 to an even 7.0%, while the overall average asking rate rose to \$0.45 NNN per square foot per month. Leasing activity increased in pace, exceeding 1.2 million square feet (MSF) during the second quarter alone, for a total of over 2.0 MSF leased year-to-date. The bulk of this activity has occurred within the 20,001 to 50,000 square feet (SF) and 50,001 to 100,000 SF size increments, which comprised approximately 60% of total leasing activity year-to-date. Demonstrating a renewed velocity in the market the number of completed transactions, in excess of 20,000 SF, more than doubled compared with first quarter 2016. Additionally, annual absorption surpassed 1.0 MSF – more than twice 2015’s mid-year total.

Construction was completed on one property, a 180,000-SF warehouse/distribution building located in the Southwest submarket. That leaves roughly 2.2 MSF of industrial product currently under construction in Salt Lake County with 2.0 MSF scheduled to finish by year-end. In addition, a sizeable backlog of construction projects have been planned to follow, indicating confidence in the future of the market.

Outlook

Salt Lake’s industrial market is well positioned for a strong finish to 2016 construction completions slated to begin piling up over the next several months. Once completed, the addition of new inventory is expected to drive absorption beyond the 2.0 MSF mark, as much of the space has already been leased. Asking rates are likely to report incremental increases due to the quality of new development as well as continued market demand. Leasing activity is on track to surpass 4.0 MSF for the third straight year. Vacancy will fluctuate due to added inventory but increases are likely to be temporary in nature.

MARKETBEAT

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SUBMARKETS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD ABSORP	UNDER CNSTR	YTD CNSTR COMPLETIONS	AVERAGE ASKING RENTS (FLEX)	AVERAGE ASKING RENTS (MANF)	AVERAGE ASKING RENTS (R&D)	AVERAGE ASKING RENTS (WHS/DSTR)	AVERAGE ASKING RENTS (OVERALL)
Central East	5,037,527	45,985	4,900	4.8%	39,090	0	0	\$0.49	NA	NA	\$0.46	\$0.48
Central West	15,163,309	90,643	210,185	6.7%	270,821	0	0	\$0.52	\$0.55	NA	\$0.46	\$0.48
Northeast	5,489,532	4,000	11,276	1.5%	23,221	0	0	\$0.45	NA	NA	\$0.56	\$0.51
Northwest	88,165,727	1,718,981	239,594	8.0%	454,121	1,775,818	0	\$0.57	\$0.33	\$1.11	\$0.42	\$0.43
Southeast	2,227,747	95,685	0	5.8%	90,640	384,340	0	\$0.61	NA	\$0.60	\$0.65	\$0.62
Southwest	7,641,965	59,605	0	1.3%	127,540	0	180,000	\$0.57	NA	NA	\$0.55	\$0.57
SIZE INCREMENTS												
0 to 5,000 SF	887,649	111,998	21,685	2.3%	14,259	0	0	\$0.54	\$0.38	NA	\$0.64	\$0.58
5,001 to 20,000 SF	16,116,320	431,897	80,490	3.3%	276,941	28,706	0	\$0.60	\$0.42	\$0.86	\$0.51	\$0.54
20,001 to 50,000 SF	25,622,712	647,329	116,068	4.7%	384,056	221,981	0	\$0.47	\$0.39	\$0.49	\$0.45	\$0.46
50,001 to 100,000 SF	20,523,133	619,667	134,312	5.5%	213,462	277,780	0	\$0.62	\$0.29	\$1.42	\$0.42	\$0.54
100,001 SF and Above	60,575,993	204,008	113,400	9.5%	116,716	1,631,691	180,000	\$0.70	\$0.31	NA	\$0.42	\$0.43
SALT LAKE TOTALS	123,725,807	2,014,899	465,955	7.0%	1,005,434	2,160,158	180,000	\$0.57	\$0.33	\$1.07	\$0.43	\$0.45

*Rental rates reflect asking \$psf/month/NNN *Investment sales not included in sale activity numbers *FLEX=Office Services/Flex, MANF=Manufacturing, R&D=Research/Lab, WHS/DSTR=Warehouse/Distribution

Key Lease Transactions 2Q 2016

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
ARA-B	204,008	Enlinx, LLC	Warehouse/Distribution	Northwest
I-80 Logistics Center	87,745	South Shore USA, Inc.	Warehouse/Distribution	Northwest
2455 West 1500 South	86,511	Intermountain Farmers Assoc.	Warehouse/Distribution	Northwest
Freeport West Landmark 1	84,000	Propak Logistics, Inc.	Warehouse/Distribution	Northwest

Key Sales Transactions 2Q 2016

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE / \$ PSF	SUBMARKET
Landmark II	213,333	Bond Commercial / Nearon Enterprises	Warehouse/Distribution	Confidential	Northwest
4080 W. Farm Rd.	113,400	Penco Products / Holding, LLC	Manufacturing	\$4,860,00 / \$43	Central West

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