

## DAVIS COUNTY

### Economic Indicators

	Q2 15	Q2 16	12-Month Forecast
Davis County Employment	239.2k	250.0k	▲
Ogden-Clearfield MSA Unemployment	3.6%	3.6%	■
U.S. Unemployment	5.4%	4.9%	▼

### 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.

## OFFICE STATISTICS

### Market Indicators (All Classes, Overall)

	Q2 15	Q2 16	12-Month Forecast
Overall Vacancy	16.3%	12.8%	■
Net Absorption	102k	111k	■
Average Asking Rent	\$19.36	\$20.24	▲

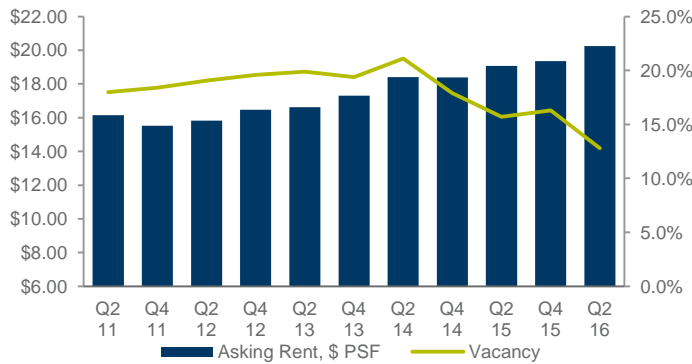
### Office Overview

So far in 2016, the office market has continued its strong trend of pushing vacancy lower and lower. Through mid-year 2016, the overall vacancy rate declined by 3.5 percentage points (pps). Positive absorption through the first half of the year is over 100,000 sf with almost all of that space being absorbed in the class A market.

Two major tenants took occupancy in Farmington and were the primary driver for the positive absorption. Pluralsight, an online education company moved into 43,500 sf at Station Park in April. Vista Outdoor, an outdoor sports and recreation company moved their headquarters into a 35,000 sf building in Farmington as well.

As vacancy has been on a steady decline since mid-2014, lease rates have in turn responded pushing to \$20.24 per square foot on a full service basis. This represents a 4.5% increase on a year-over-year basis.

### Vacancy/Asking Rent

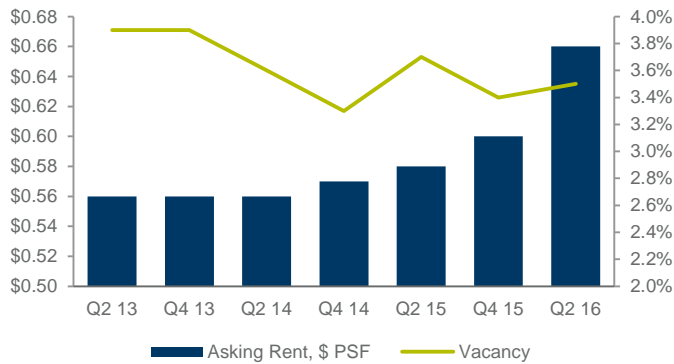


## INDUSTRIAL STATISTICS

### Market Indicators (All Classes, Overall)

	Q2 15	Q2 16	12-Month Forecast
Overall Vacancy	3.7%	3.5%	▲
Net Absorption	11k	-30k	▲
Average Asking Rent	\$0.58	\$0.66	▲

### Vacancy/Asking Rent



## Industrial Overview

The industrial market remained as strong as it has been in recent years with the overall vacancy rate at 3.5%. Very little new product has become available and the space that has been brought to the market has been absorbed quickly. With only a handful of properties that can provide contiguous space in excess of 50,000 sf, this segment has the lowest vacancy rate of just 2.9%. Lack of supply could push potential tenants in this segment into an already tight Weber County or market or down into Salt Lake County where the market is also tight but more options do exist.

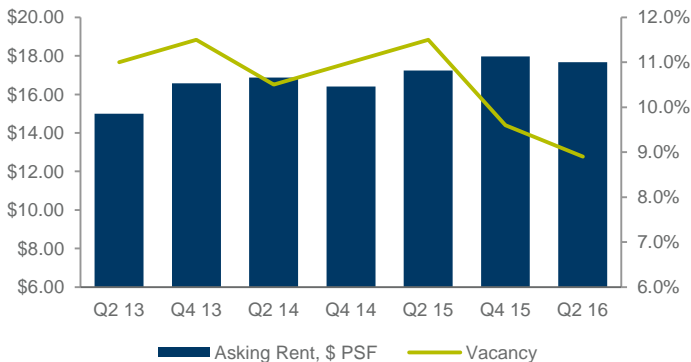
Due to lack of supply, average asking rental rates have seen solid growth. Over the past year rates increased by 13.8%. With limited supply expected to come online and construction costs increasing, it is unlikely that this pace of rent growth will slow down over the next year.

## RETAIL STATISTICS

### Market Indicators (All Classes, Overall)

	Q2 15	Q2 16	12-Month Forecast
Overall Vacancy	11.5%	8.9%	▼
Net Absorption	-181k	371k	▲
Average Asking Rent	\$17.24	\$17.67	▲

### Vacancy/Asking Rent



## Retail Overview

The retail market has proved to be one of the most dynamic parts of the real estate market over the past couple of years. Specifically in the last year the overall vacancy rate saw a 2.6 pps decline and the first half of 2016 saw positive absorption of 371,000 sf. Average asking lease rates increased by a modest 2.5% on a year-over-year basis.

New construction and tenants expanding were major sources of the positive absorption that occurred in the market. Cabelas opened its second Utah location in Farmington at Station Park. Layton was the beneficiary of Vasa Fitness opening a new location as well as the SeaQuest Interactive Aquarium. In Bountiful, Tuesday Morning opened as well as At Home, which has made a recent push to open in multiple locations within Utah. Smith's has been very active with projects either recently completed or under construction in West Point, Kaysville and Woods Cross. Other grocers are also under construction including WinCo in Layton and Lee's Marketplace in North Salt Lake.



## Key Lease Transactions 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	PROPERTY TYPE
Foxboro Commons	48,000	Lee's Marketplace	New Lease	Retail
Sports Group Building	43,872	Utah Soccer Arena	New Lease	Industrial
Packaging Plus Building	16,400	Manuels Mexican American Food	New	Industrial
5 <sup>th</sup> South Retail Building	7,020	Advance Auto Parts	New	Retail
1366 Legend Hills Dr	5,419	Black Turtle Services	New	Office
1366 Legend Hills Dr	4,893	Booz Allen Hamilton	Renewal	Office

## Key Sales Transactions 2016

PROPERTY	SF	BUYER/SELLER	PRICE	PROPERTY TYPE
Clearfield Distribution Center 1	615,000	Nearon Enterprises / ProLogis	\$19,400,000 / \$32	Industrial
Gateway Crossing	100,761	WBC Partners, LC / West Bountiful Property, LLC	\$9,550,000 / \$95	Retail
Twin Tree Apartments	43 Units	Standard Life & Casualty / Richard B. Rogers	\$4,750,000 / \$110,465	Apartment
Executive Office Building	19,309	LEO Holding Co / First National Bank of Layton	\$1,260,000 / \$65	Office

## Outlook

- Office vacancy is expected to continue downward as tenants continue to expand and Davis County seeks to attract tenants from other markets.
- Industrial will remain tight and could see the largest rental rate increases due to supply constraints in the market. New construction will be necessary to ensure that tenants are able to find space that meets their needs in the market.
- There is a lot of retail product under construction and it is largely accounted for which will push absorption higher through year-end. Lease rates should see modest growth but not on the same levels as industrial product.
- Population and job growth will continue to be strong components of the Davis County economy. Through the foreseeable future, this will remain one of the top performing counties in the state.

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