

SALT LAKE COUNTY

Industrial Market

The Utah unemployment rate has remained at or below 4.0% for twelve consecutive quarters now, finishing the year 1.5 percentage points (PPS) below the national average. More than 25,000 jobs were added within the Salt Lake metro - roughly 42,000 throughout all of Utah - bringing the year-over-year growth rate to a healthy 3.7%. In addition, the rate of job growth within transportation and warehousing was 4.8%, a fact that is reflected in the recent surge of distribution-related construction.

Utah continued to receive accolades for its business-friendly environment and vibrant economy, which included being named *CNBC's* "Top State for Business" in 2016.

More than

5.8 million SF

of leasing activity occurred during 2016,
the highest total since the recovery began

Market Indicators

	Change Since		
	Current	Q4 15	Q2 16
Industrial Vacancy	6.9%	▲	▲
Average Actual Lease Rate (PSF/mo)	\$0.45	▼	—
Completed Construction (SF)	1,749,201	▲	▼

Arrows are indicators and do not represent a positive or negative value.

Market Trends

Salt Lake's industrial market is currently in the midst of significant growth and transformation. More than 5.8 million square feet (MSF) of industrial leasing activity occurred during 2016, which marked the highest total achieved since the recovery began. Construction activity has also been robust, with 1.7 MSF delivered throughout Salt Lake County. Strong leasing and construction activity combined to produce nearly 2.6 MSF of positive absorption; a 29% jump over 2015's total.

The Northwest Quadrant continues to be the center of industrial activity and development. This roughly 140 square-mile submarket, bordered by 300 West and 3300 South, was responsible for 77% - roughly 2.0 MSF - of all absorption activity during 2016. In addition, 85% of construction completions and 88% of under construction projects are located there. Moreover, the proximity to the Salt Lake International Airport, access to two major interstates, as well as the newly announced 3,500 acres of developable land all make the Northwest Quadrant of Salt Lake County uniquely suited to accommodate the continued growth of various industrial segments for years to come.

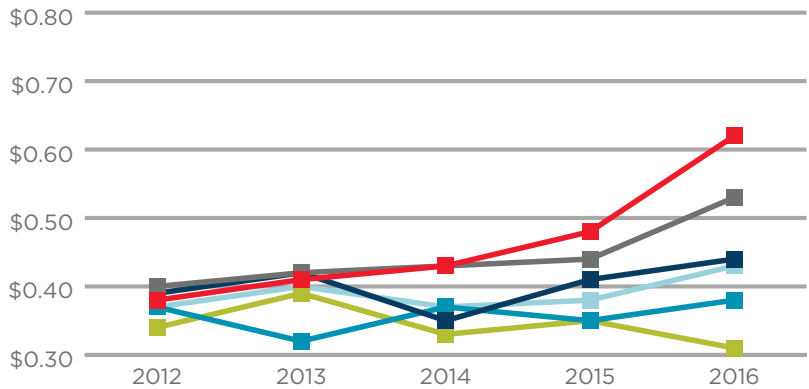
On the other hand, the Southwest submarket is expected to experience growth of its own as additional connections to the Mountain View Corridor are constructed. This will enhance transportation access significantly and make the area more attractive to industrial users.

Industrial Market Overview - 2016

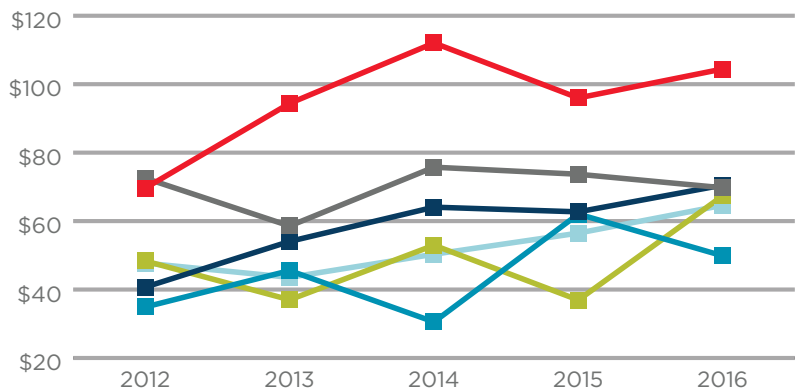
Building Size SF	New Construction SF	Rents*	Vacancy	Lease Activity SF	Sales Activity SF	Total Activity SF	Total Market SF
0-5,000	0	\$0.60	2.5%	205,007	28,380	233,387	887,649
5,001-20,000	0	\$0.55	4.1%	867,719	232,072	1,099,791	16,116,320
20,001-50,000	30,000	\$0.47	5.0%	1,424,707	304,843	1,729,550	25,653,040
50,001-100,000	291,850	\$0.47	7.2%	1,261,951	539,312	1,801,263	20,814,983
100,000+	1,427,351	\$0.41	8.3%	2,109,881	455,110	2,564,991	61,823,344
Total	1,749,201	\$0.45	6.9%	5,869,265	1,559,717	7,428,982	125,295,336

* Rents are actual, triple-net (NNN), per square foot, per month and include tenant build-out.

Industrial Lease Rates by Building Size - Five Year History					
	2012	2013	2014	2015	2016
0-5,000 SF	\$0.38	\$0.41	\$0.43	\$0.48	\$0.62
5,001-20,000 SF	\$0.40	\$0.42	\$0.43	\$0.44	\$0.53
20,001-50,000 SF	\$0.39	\$0.42	\$0.35	\$0.41	\$0.44
50,001-100,000 SF	\$0.37	\$0.32	\$0.37	\$0.35	\$0.38
100,001+ SF	\$0.34	\$0.39	\$0.33	\$0.35	\$0.31
Overall	\$0.37	\$0.40	\$0.37	\$0.38	\$0.43



Industrial Sale Prices by Building Size (Per Square Foot) - Five Year History					
	2012	2013	2014	2015	2016
0-5,000 SF	\$69.64	\$94.40	\$112.05	\$95.98	\$104.44
5,001-20,000 SF	\$72.53	\$58.57	\$75.75	\$73.69	\$69.74
20,001-50,000 SF	\$40.71	\$54.06	\$64.07	\$62.70	\$70.51
50,001-100,000 SF	\$34.90	\$45.54	\$30.54	\$62.05	\$49.85
100,001+ SF	\$48.34	\$37.00	\$52.95	\$36.93	\$67.37
Overall	\$47.71	\$43.56	\$50.32	\$56.49	\$64.61



Sales

Notable deals during 2016 included a 900,000 SF lease signed by Post Cereal. This substantial transaction was a pre-lease of under construction speculative development that reserved Post an entire building within the Northwest Quadrant for their distribution operation. Beyond that, one 300,000 SF, and three 200,000 SF-plus leases were signed for existing product. Finally, UPS purchased 150 acres of land in the Northwest Quadrant where they plan to construct a 250,000 SF regional distribution hub.

E-commerce continues to drive demand for new distribution centers. Consumers are purchasing more through the internet than ever before and companies are being forced to adapt. Additionally, the need for shortened delivery times is driving targeted growth throughout multiple markets, especially centrally-located and emerging markets like Salt Lake City. In fact, Utah is centered between three of the top ten fastest-growing states in the nation, while Utah itself is currently growing at the fifth fastest rate.

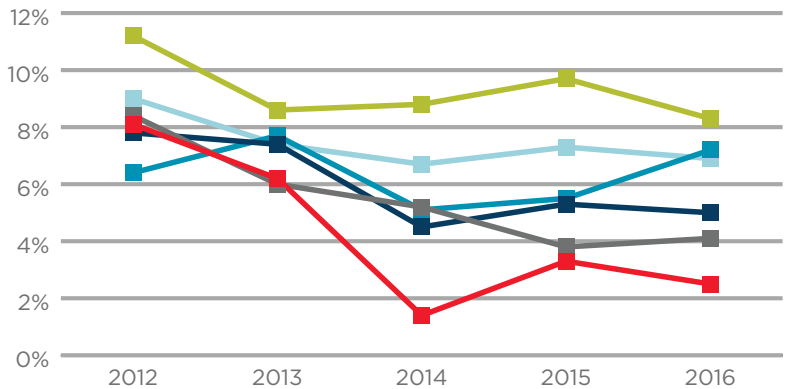
Strong absorption figures will carry over

into 2017

Market Forecast

- Asking rental rates are expected to rise gradually as the market tightens
- New development remains strong with 2.7 MSF of construction in the pipeline
- Vacancy is anticipated to tick down despite significant added inventory
- Strong absorption figures will carry over into 2017
- Pre-leasing of speculative construction is expected to strengthen as the Class A warehouse/distribution market continues to tighten

Industrial Vacancy by Building Size - Five Year History					
	2012	2013	2014	2015	2016
0-5,000 SF	8.1%	6.2%	1.4%	3.3%	2.5%
5,001-20,000 SF	8.4%	6.0%	5.2%	3.8%	4.1%
20,001-50,000 SF	7.8%	7.4%	4.5%	5.3%	5.0%
50,001-100,000 SF	6.4%	7.7%	5.1%	5.5%	7.2%
100,001+ SF	11.2%	8.6%	8.8%	9.7%	8.3%
Overall	9.0%	7.4%	6.7%	7.3%	6.9%



Industrial Construction by Building Size - Five Year History					
	2012	2013	2014	2015	2016
0-5,000 SF	0	0	0	0	0
5,001-20,000 SF	11,900	13,500	0	0	0
20,001-50,000 SF	0	0	0	0	30,000
50,001-100,000 SF	208,347	91,200	0	175,678	291,850
100,001+ SF	1,761,813	1,435,135	904,053	2,362,671	1,427,351
Overall	1,982,060	1,539,835	904,053	2,538,349	1,749,201

