

MARKETBEAT

Salt Lake City

Industrial Q1 2017



SAL LAKE CITY INDUSTRIAL

Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
Salt Lake Employment	687k	713k	▲
Salt Lake Unemployment	3.1%	2.9%	■
U.S. Unemployment	4.9%	4.8%	■

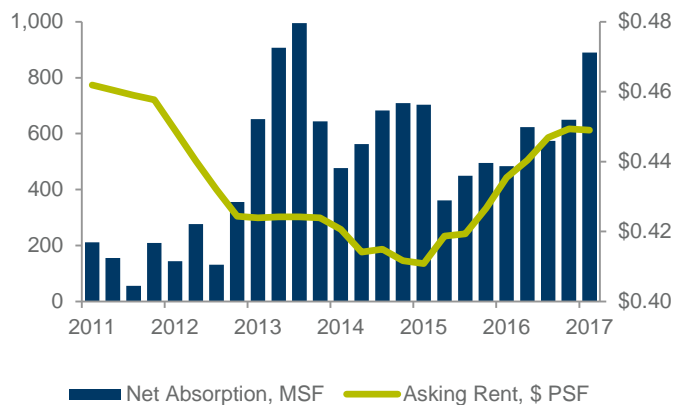
Market Indicators (Overall, All Property Types)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	7.1%	6.1%	▼
Net Absorption (sf)	411k	1.4M	▲
Under Construction (sf)	2.9M	2.7M	■
Average Asking Rent*	\$0.43	\$0.44	▲

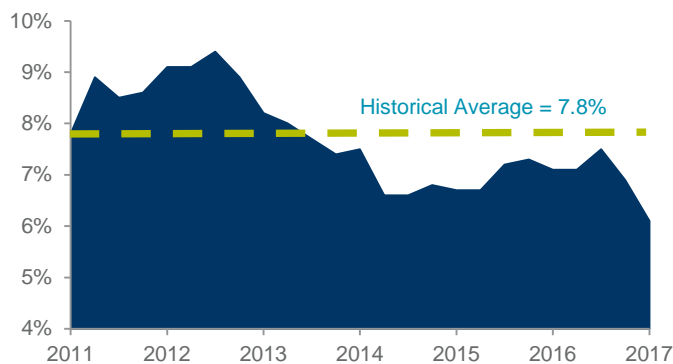
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Salt Lake City's unemployment rate continued to drop, settling well below the national average to 2.9%. Job growth remained strong as roughly 26,000 jobs were added within the Salt Lake metropolitan area alone. Additionally, growth rates within the manufacturing, wholesale trade, and transportation/warehousing/utilities employment sectors were all above the overall average growth rate of 3.1%. Lastly, consumer confidence in Utah surpassed 123 points during March, a new all-time high.

Market Overview

The overall availability rate fell to 6.1% during Q1 2017, down one full percentage point year-over-year. This was the result of strong absorption activity which reached nearly 1.4 million square feet (MSF), the highest Q1 total since 2013 and more than three times the absorption activity achieved in Q1 2016. Additionally, leasing and sales activity surpassed 1 MSF combined during Q1, which also marked the highest total recorded since 2013. Asking rates remained fairly steady at \$0.44 PSF per month NNN.

Roughly 438,000 SF of industrial space reached completion during Q1 2017, adding a steady mix of distribution and flex properties to the market. The Southeast quadrant, in particular, continued to expand with more than 174,000 SF of speculative warehouse/distribution product added, all within Draper. The amount of construction left ongoing is substantial, surpassing 2.7 MSF. The majority of these remaining projects are big-box distribution buildings being constructed within the Northwest quadrant. It is notable that the market does appear to be correcting itself after a recent period of near-historic growth. Projects are beginning to take longer to complete as developers wait for significant pre-leasing to occur on their pads prior to following through on construction.

Outlook

Salt Lake's industrial market is poised for another noteworthy year. Absorption activity, which started strong, is expected to build steadily throughout 2017. Construction completions are projected to surpass 1.5 MSF for the third straight year but development activity may taper towards the end of 2017 and into 2018. On the other hand, a tempering of construction activity is likely to compress vacancy rates across the market and perhaps even drive a slight uptick in asking rents. National trends remain favorable to industrial growth as the surge of e-commerce drives retailers to invest in distribution facilities across all markets in order to be closer to consumers.

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SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	DIRECT VACANCY RATE	OVERALL AVAILABILITY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)	OVERALL WEIGHTED AVG. NET RENT (ALL)
Central East	5,037,527	3,240	58,125	1.8%	3.5%	215,774	0	NA	\$0.75	\$0.53	\$0.60
Central West	15,174,809	65,945	50,406	1.4%	5.1%	12,967	0	NA	\$0.62	\$0.54	\$0.58
Northeast	5,489,532	0	16,676	0.5%	1.1%	59,947	0	NA	\$0.65	\$0.62	\$0.63
Northwest	89,869,578	417,186	294,677	5.5%	7.2%	787,240	2,609,789	\$0.39	\$0.62	\$0.40	\$0.42
Southeast	2,492,801	75,562	0	1.3%	1.6%	313,599	113,117	NA	\$0.55	\$0.65	\$0.57
Southwest	7,666,941	87,511	0	2.1%	2.3%	(16,586)	0	\$0.43	\$0.59	\$0.57	\$0.54
SIZE INCREMENTS											
0 to 5,000 SF	887,649	41,243	0	1.3%	1.8%	6,291	0	NA	\$0.66	\$0.54	\$0.63
5,001 to 20,000 SF	16,142,173	117,258	97,507	2.6%	3.1%	185,305	14,353	\$0.43	\$0.61	\$0.50	\$0.54
20,001 to 50,000 SF	25,833,121	283,813	114,357	3.1%	5.4%	89,073	33,876	\$0.47	\$0.57	\$0.51	\$0.52
50,001 to 100,000 SF	20,943,142	207,130	63,700	3.3%	4.9%	606,142	368,497	\$0.29	\$0.59	\$0.44	\$0.48
100,001 SF and Above	61,925,103	0	144,320	5.6%	7.7%	486,130	2,306,180	\$0.31	NA	\$0.40	\$0.38
SALT LAKE TOTALS	125,731,188	649,444	419,884	4.3%	6.1%	1,372,941	2,722,906	\$0.40	\$0.60	\$0.42	\$0.44

*Rental rates reflect asking \$psf/year **Availability rates – all currently marketed space regardless of occupancy ***MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

	TOTAL BLDGS	INVENTORY (SF)	YTD USER LEASE ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL AVAILABILITY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (Q1 2017)	OVERALL WEIGHTED AVG. NET RENT (Q1 2016)	OVERALL WEIGHTED AVG. NET RENT (Q1 2015)
Warehouse/Distribution	1,688	81,410,603	478,984	296,014	6.0%	791,778	2,674,677	\$0.42	\$0.42	\$0.39
Manufacturing	252	18,831,617	35,580	40,198	7.5%	62,509	0	\$0.40	\$0.38	\$0.43
Office Service/Flex	1,048	21,738,067	130,605	83,672	5.0%	463,254	48,229	\$0.60	\$0.59	\$0.56

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Landmark at SLC	159,995	Alpha Plastics	Renewal	North West
Arka Distribution	134,306	Updike Distribution Logistics	Renewal	North West
Price Gladiola A	76,998	Aspen Press Company	New	North West
Willow Building	75,562	KNS International	New	South East

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Nellson	144,320	ADCOMP, LLC / P. Radman, JL Radman	\$11,300,000 / \$79	North West
Wright Brothers Plaza #4	87,535	B.H. Management Inc. / Westcore II	\$7,150,000 / \$82	North West

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