

MARKETBEAT

Salt Lake City

Investment Q1 2019



SALT LAKE CITY INVESTMENT

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Salt Lake City Employment	724.6k	741.3k	▲
Salt Lake City Unemployment	3.0%	2.9%	▼
U.S. Unemployment	4.1%	3.8%	▼
U.S. GDP (quarterly)	2.2%	3.2%	■
U.S. 10-year Treasury	2.72	2.41	■

Market Indicators

	Q1 18	Q1 19	12-Month Forecast
Overall Cap Rate*	6.6%	6.0%	▼
Total Volume (USD)	\$781.1M	\$582.4M	▲
Total Properties	52	44	▼
Total SF (Excluding Multifamily)	4.7M	2.2M	▲
Total Units (Multifamily)	2,674	1,563	▲

Economy

Salt Lake City's economy is one of the hottest in the country. Employment remains at near capacity, with an unemployment rate 90 basis points below the U.S. average. Salt Lake City boasts a younger population as 23.7% are 20-34 years old versus the national 20.8% and a highly skilled labor force with 43.0% holding a college degree (40.2% U.S. average). Moreover, Salt Lake City is recognized by its high quality of life, low cost of living and recreation that rivals any market in the U.S.

Market Overview

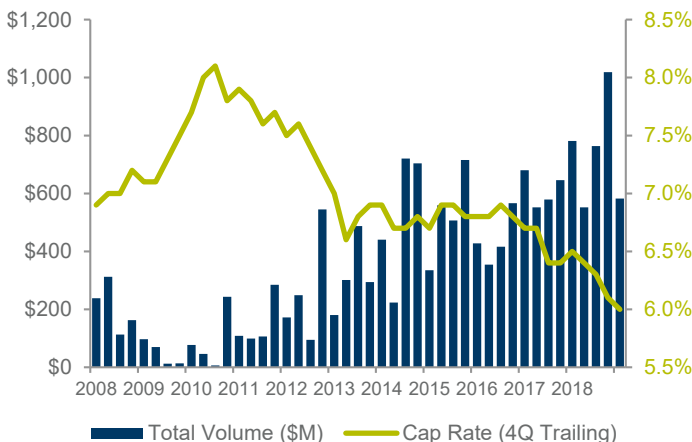
After setting both quarterly (Q4) and annual records in dollar volume this past year (\$1B and \$3.1B, respectively), 2019 was ushered in with sustained momentum, having transacted \$582 million (M) across the combined four major asset classes. The overall four-quarter trailing average cap rate continued to establish a historic floor and reached 6.0% in Q1 2019. We anticipate cap rates to drop further below the 6% mark heading into the balance of this year as the Fed has given recent signs of easing its monetary policy. The number of properties traded quarter over quarter declined from 63 to 44. This was due to seasonality rather than a market slowdown given the flurry of trades that typically close by year-end.

In terms of asset class performance, apartments accounted for most of the investment activity in Salt Lake City during the quarter, closing with \$250.6M in total volume. Office was the next highest contributor at \$181.9M, followed by retail (\$111.0M) and industrial (\$38.9M). Apartment and office held the lowest cap rates at 5.3% and 5.8%, respectively. Given the level of interest and perceived low risk of these two classes, we anticipate rates to further decline through the course of the year. Industrial and retail were not far behind with respective investment returns of 6.1% and 6.7%.

Outlook

Salt Lake City has seen great momentum coming out of the great recession and into one of the longest expansion cycles in U.S. history. We expect investment volume to hold its recent pace fueled by continued economic prosperity throughout the region and U.S. Salt Lake City's thriving economy, led by one of the hottest job markets in the country, will continue to fuel investment activity from a wide array of buyers in search of sound investment opportunities. With core markets across the West Coast dominated by institutional and REIT investors, pushing sub 4% cap rates, Salt Lake City will continue to be attractive and a haven for buyers in search of core real estate quality and economic fundamentals without the core market premium.

Total Dollar Volume and Cap Rate Trend
(Dollar Volume in Millions)



*Four quarter trailing average
Footnote: Based on quarterly investment figures across office, industrial, retail and multifamily sectors.

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MARKET	PROPERTIES TRADES	TOTAL DOLLAR VOLUME	TOTAL SF APARTMENT UNITS	PRICE/SF /UNIT	CAP RATE**
Office	12	\$181,879,500	872,101	\$208.55	5.8%
Industrial	7	\$38,850,000	362,961	\$107.04	6.1%
Retail	9	\$111,039,000	1,004,458	\$110.55	6.7%
Apartment	16	\$250,647,484	1,563	\$160,363	5.3%
TOTAL	44	\$582,415,984	2,239,520*	\$148.14	6.0%

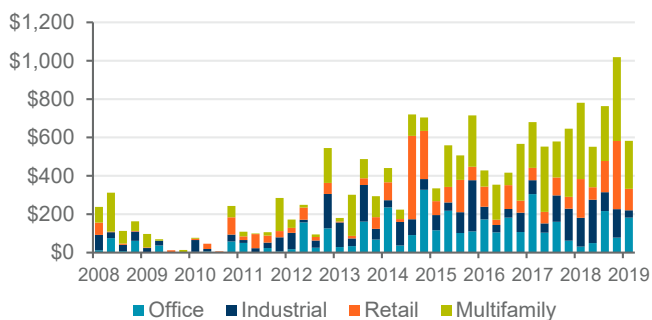
Sources: Real Capital Analytics, Cushman & Wakefield Research Services
 Closed transactions over \$2.5 million
 *SF includes office, industrial and retail
 **Four quarter trailing average

Significant Sales Q1 2019

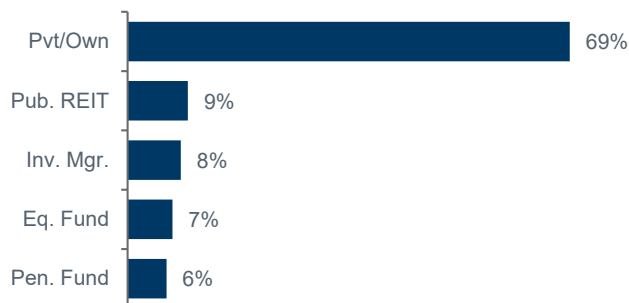
PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE / SF UNIT	CITY
75 Town Ridge Parkway	Office	Sterling Realty	WCF Insurance	250,962 sf	\$86.4M	\$344 / sf	Sandy
Draper Park	Office	Draper LLC	Wasatch Group	152,624 sf	\$21.4M	\$140 / sf	Draper
Intermountain Trailer	Industrial	Prime Trailer	CR England	66,702 sf	Undisclosed		West Valley City
158 East 4500 South	Industrial	Chihan Kim; Haisoon Kim	John Gardner	40,424 sf	Undisclosed		Murray
Family Center at Riverdale	Retail	Acadia Realty	CIM Group	427,828 sf	\$48.4M	\$113 / sf	Riverdale
900 W Riverdale Road	Retail	Garff Properties	Petersen Investment	163,989 sf	\$13.0M	\$79 / sf	Riverdale
Herriman Towne Center	Apartment	M&C Properties LLC	Bach Homes	306 units	\$65.0M	\$212.4k / unit	Herriman
Overlook At Sunset Point	Apartment	Capital RE	Hamilton Zanze & Co	430 units	\$41.1M	\$95.5k / unit	Layton

Sources: Real Capital Analytics, Cushman & Wakefield Research Services
 *Approximate allocation based on purchase price or appraisal

Total Dollar Volume by Property Trend
 (Dollar Volume in Millions)



Total Acquisitions by Capital Sector
 (by Total Dollar Volume)



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