

MARKETBEAT

Salt Lake

Investment Q2 2019



SALT LAKE INVESTMENT

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Salt Lake City Employment	730.9k	745.4k	▲
Salt Lake City Unemployment	3.0%	2.8%	▼
U.S. Unemployment	3.9%	3.6%	▼
U.S. GDP (quarterly)	2.9%	2.5%	▼
U.S. 10-year Treasury	2.92	2.47	▲

Market Indicators

	Q2 18	Q2 19	12-Month Forecast
Overall Cap Rate*	6.4%	6.1%	▼
Total Volume (USD)	\$530.9M	\$801.4M	▲
Total Properties	45	55	▲
Total SF (Excluding Multifamily)	3.1M	3.3M	▲
Total Units (Multifamily)	1,274	1,253	▲

Economy

Salt Lake City's economy is one of the hottest in the country. Employment remains at near capacity, with an unemployment rate 80 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 average of 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 for its high quality of life, low cost of living and recreation that rivals any market in the U.S.

Market Overview

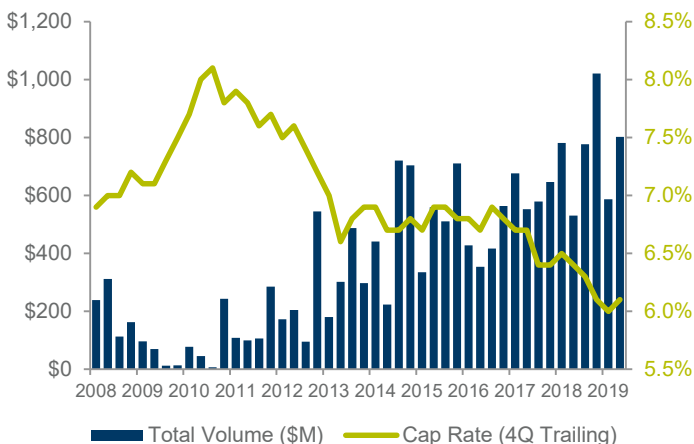
The Salt Lake market picked up velocity in Q2 2019 after a more sluggish start to the year. In fact, Q2 posted the second highest amount of investment activity on record with \$801.4 million (M) in total volume across the combined four major asset classes. The overall four-quarter trailing average cap rate continued to establish a historic floor, closing at 6.1% during the quarter and roughly 30 basis points (bps) lower than the a year ago. We anticipate cap rates to puncture through 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 during the quarter reached 55, 10 more than the previous quarter. Current activity is on par with preceding quarters with a market average of 53 trades over the past two years.

In terms of asset class performance, office accounted for most of the investment activity in the Salt Lake market during the quarter, closing with \$374.1M in total volume. Apartment was the next highest contributor at \$282.0M, followed by retail (\$80.5M) and industrial (\$65.3M). Cap rates registered below the 7% mark for each asset class, signifying the health of the market. Apartment and office held the lowest four-quarter average cap rates at 5.4% and 6.1%, respectively. Industrial and retail were not far behind at 6.4% and 6.8%, respectively.

Outlook

The Salt Lake market 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 country. Salt Lake'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 investors 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 investors 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*	\$/SF/UNIT	QTRLY CAP RATE*	4-QTR AVG CAP RATE*
Office	27	\$374,113,000	2,027,977	\$184.48	5.93%	6.09%
Industrial	5	\$65,260,000	774,602	\$84.25	6.14%	6.42%
Retail	12	\$80,496,307	455,216	\$176.83	6.82%	6.78%
Apartment	11	\$281,977,707	1,253	\$225,042	5.37%	5.36%
TOTAL	55	\$801,847,014	3,257,795	\$159.58	6.08%	6.12%

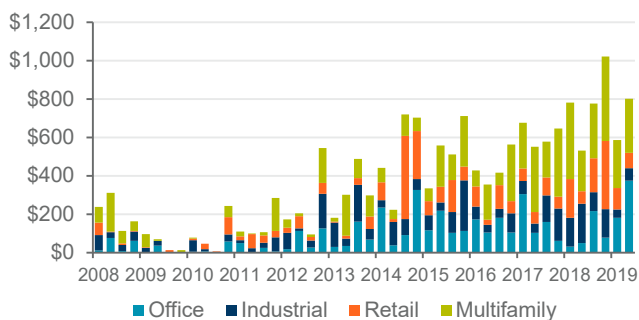
Sources: Real Capital Analytics, Cushman & Wakefield Research Services
 Closed transactions over \$2.5 million
 *SF includes office, industrial and retail
 **Four quarter trailing average

Significant Sales Q2 2019

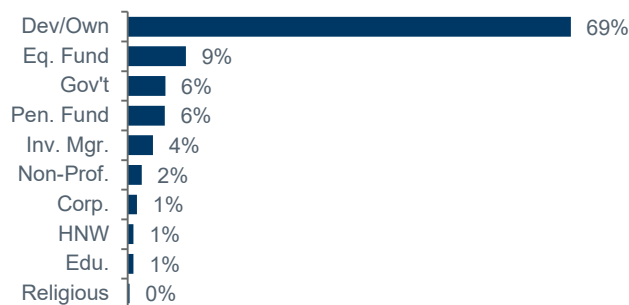
PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE / SF UNIT	CITY
4315 S 2700 W	Office	State of Utah	American Finance Trust	395,787 sf	\$30.0M	\$76 / sf	Taylorsville
57 E Segoe Lily Dr	Office	TIAA	Milrock Development	215,594 sf	Undisclosed		Sandy
2580 S Decker Ln	Industrial	Dakota Pacific	Spirit Realty Capital	406,101 sf	Undisclosed		West Valley City
430 West Bearcat Dr	Industrial	Blox Ventures	Woodbury Corp	231,393 sf	Undisclosed		South Salt Lake
1134 W Riverdale Rd	Retail	CCA Acquisitions Co	Cole MT Riverdale LLC	142,423 sf	Undisclosed		Riverdale
1475 W 9000 S	Retail	Sportsman Warehouse	Thomas J Richards	71,580 sf	\$5.6M	\$78 / sf	West Jordan
4th West Apartments	Apartment	Oakmont Propertie	Salt Development	493 units	Undisclosed		Salt Lake City
Seven65 Lofts	Apartment	De Anza Propertie	Hamilton Zanze & Co	128 units	Undisclosed		Salt Lake City

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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