

MARKETBEAT

Salt Lake

Investment Q3 2019



SALT LAKE INVESTMENT

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Salt Lake City Employment	737.9K	751.4	▲
Salt Lake City Unemployment	3.1%	2.8%	▼
U.S. Unemployment	3.8%	3.7%	■
U.S. GDP (quarterly)	3.1%	2.1%	■
U.S. 10-year Treasury	2.93%	1.85%	▲

Market Indicators

	Q3 18	Q3 19	12-Month Forecast
Overall Cap Rate*	6.2%	6.1%	▼
Total Volume (USD)	\$772.2M	\$672.2M	▲
Total Properties	55	58	▲
Total SF (Excluding Multifamily)	3.3M	4.2M	▲
Total Units (Multifamily)	1,957	1,328	▲

Economy

The Salt Lake City economy continued to outperform the national economy across multiple key economic indicators through Q3 2019. The Salt Lake City unemployment rate remained one of the lowest in the country at 2.8%, 90 basis points (bps) below the national unemployment rate of 3.7%. Job growth also remained steady as Salt Lake City added 13,500 new jobs since Q3 2018, a growth rate of 1.8% and 45 bps above the national job growth rate of 1.3%. Salt Lake City's Gross Domestic Product (GDP) grew on par with the national GDP at 2.2%, with the state of Utah recording total GDP growth of 4.2%, ranked 4th best in the country. Low unemployment combined with positive job and GDP growth, spur an economy that is primed for continued economic expansion into 2020.

Market Overview

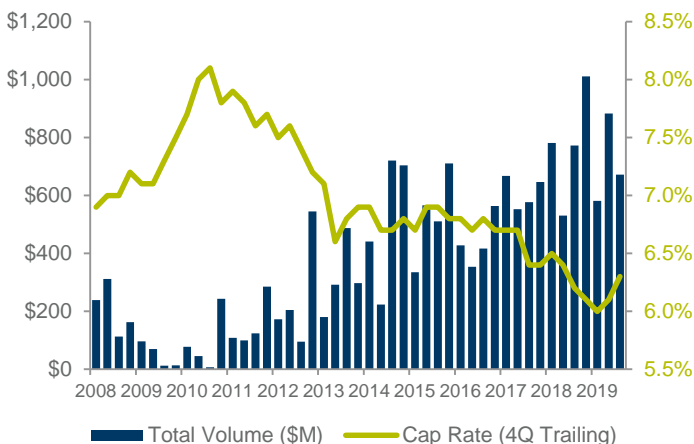
The Salt Lake market carried its strong momentum through Q3 2019 and is on track for another significant year. Investment activity in Q3 totaled \$672.2 million (M) across the four major asset classes, down 16.1% quarter-over-quarter (QoQ) following the second highest amount of investment activity on record of \$801.4M in Q2. The overall four-quarter trailing average cap rate remained flat QoQ at 6.1% but dropped roughly 10 basis points year-over-year (YoY). As the Fed continues to ease its monetary policy, having already cut rates twice in 2019 with a third rate cut anticipated in October, we expect cap rates to drop below the 6% mark heading into 2020. The total number of properties traded in Q3 reached 58; on par with preceding quarters with a market average of 55 property trades over the past 2 years.

In terms of individual asset class performance, industrial product saw the most investment activity in the Salt Lake market during Q3, accounting for over 44% of the total dollar volume with \$301.7M traded throughout the quarter. Apartment came in a close second, contributing \$255.5M followed by retail (\$67.5M) and office (\$47.5M). Cap rates across each individual asset class remained below the 7% mark through Q3, further confirming the strength of the Salt Lake market. Apartment held the lowest four-quarter trailing average cap rate at 5.3%, down 30 basis points (bps) YoY. Both industrial and office closed out Q3 at 6.1% followed by retail reporting the highest cap rate in the market at 6.8%.

Outlook

Although economic uncertainty continues to be the focal point of conversation in recent months, driven by the 2-year and 10-year Treasury note yield inversion and further fed rate cuts, the Salt Lake market investment activity continues to flourish with no signs of slowing down. Salt Lakes thriving economy, led by continued growth in the large core of high-skill, high-wage industries such as finance, technology, and business services, will continue to fuel investment activity from a wide array of investors in search of stable 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 private investors in search for 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	11	\$47,547,788	326,228	\$145.75	7.12%	6.29%
Industrial	20	\$301,735,057	3,521,541	\$85.68	6.14%	6.21%
Retail	13	\$67,461,199	378,286	\$178.33	6.88%	6.81%
Apartment	14	\$255,500,742	1,328	\$192,395.14	5.25%	5.29%
TOTAL	58	672,244,786	4,226,055	\$98.61	6.26%	6.11%

Sources: Real Capital Analytics, Cushman & Wakefield Research Services

Closed transactions over \$2.5 million

*SF includes office, industrial and retail

**Four quarter trailing average

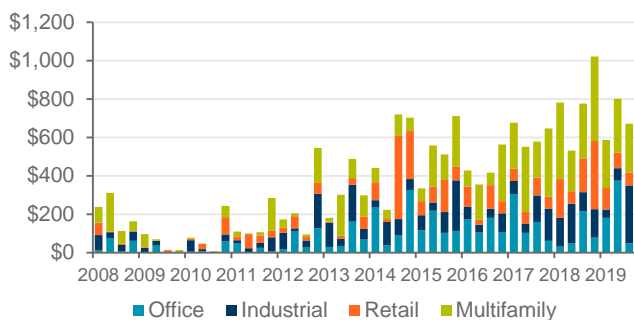
Significant Sales Q3 2019

PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE / SF UNIT	CITY
Union Heights	Office	Raddon Brothers Construction	WCF Union Heights, LLC	141,000	Undisclosed		Draper
Brickyard Tower	Office	Sandlot Holdings	The Ritchie Group	92,964	\$13.7M	\$147 / sf	Salt Lake City
Westport Distribution I & II	Industrial	Blackstone	GLP (Nesta)	750,000	\$74.7M	\$100 / sf	Salt Lake City
XR International I & II	Industrial	CGGL XR International, LLC	Boyer NW Quadrant, LLC	991,200	Undisclosed		Salt Lake City
Shopko	Retail	Brad E Bonham	AXS Opportunity Fund	94,230	Undisclosed		West Jordan
21 st Plaza	Retail	Powder Park Holdings IV	Jacksons Food Stores	16,240	\$3.2M	\$199 / sf	Salt Lake City
The Zeller	Apartment	Goldman Sachs	Watt Investment / Westport	293	Undisclosed		Salt Lake City
Promenade At The District	Apartment	Olympus Properties	Bryson D. Garbett	170	\$41.8M	\$245,882	South Jordan

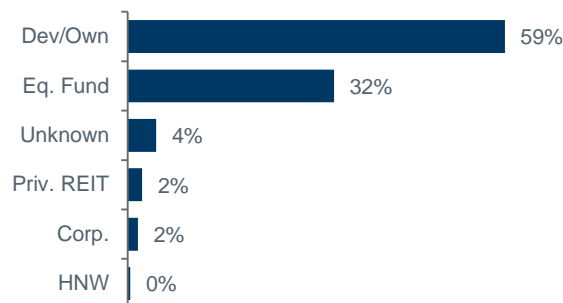
Sources: Real Capital Analytics, Cushman & Wakefield Research Services

*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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