

Salt Lake City

Industrial Q3 2020

	YoY Chg	12-Mo. Forecast
4.8% Vacancy Rate	▲	▼
2.6M Net Absorption, SF	▲	▲
\$0.52 Asking Rent, PSF	▲	▬

Overall, Net Asking Rent

ECONOMIC OVERVIEW

The Salt Lake City employment market has been significantly affected by COVID-19 stay-at-home orders, resulting in loss of 34,500 jobs or -4.6% year-over-year (YOY) through August 2020.¹ Of the 34,500 jobs lost, 12,100 (-18.6% YOY) or 35% of losses were in the leisure and hospitality sector. Professional and business services sector lost 11,300 jobs (-8.5% YOY), accounting for 33% of total jobs lost. During the same time period, the monthly unemployment rate increased from 2.6% last year to 4.7% and is currently 60 basis points (bps) above the 30-year average of 4.1% yet 20 bps below the Q3 2020 quarterly average of 4.9%. All employment sectors are expected to shrink at a combined rate of -3.2% in 2020 and return to growth of 0.9% in 2021. Salt Lake City's economy of \$82.8 billion as measured by gross regional product is forecasted to shrink by 4.2% in 2020 and return to growth of 3.8% in 2021, above its 10-year average of 3.1%.²

SUPPLY AND DEMAND

Industrial vacancy, including sublease, increased 130 bps from last quarter and 180 bps YOY to 4.8% in Q3 2020. Current vacancy is in line with a five year quarterly average of 4.8% and well below the historical high of 8.9% recorded after the last recession in 2011. This uptick in vacancy can be attributed to a substantial amount or 10.1 million square feet (msf) of new product delivered over the last 24 months, as developers seek to meet robust demand for industrial space. In 2019, 4.4 msf were delivered followed by 5.7 msf in 2020, more than double compared to a 10-year annual average of 2.1 msf. Most or over 90% of new construction has been concentrated in warehouse and distribution (W/D) space over the last 10 years and this year as 70% or 95 msf of the base industrial inventory in Salt Lake City is comprised of W/D product type.

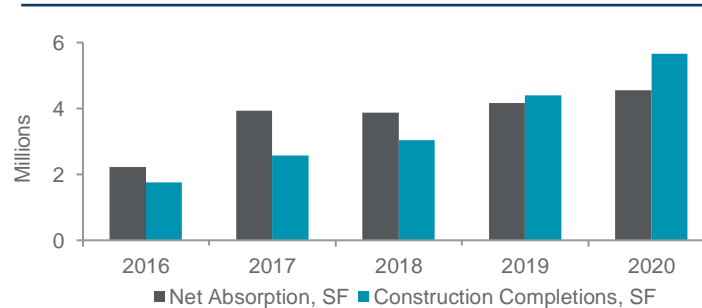
ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
722.8K Salt Lake City Employment	▼	▲
4.9% Salt Lake City Unemployment Rate	▲	▼
8.8% U.S. Unemployment Rate	▲	▼

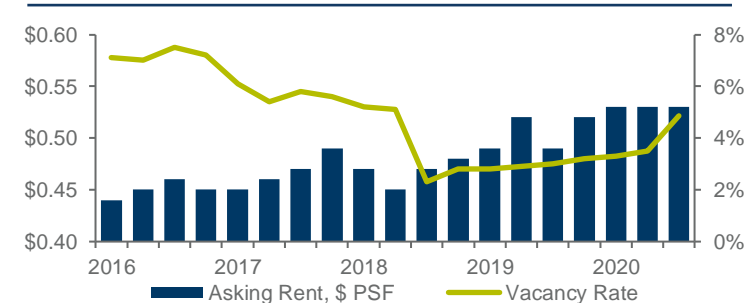
Tenants absorbed 2.6 msf across all product types in Q3 2020, bringing year-to-date (YTD) occupancy gains to 4.6 msf, compared to 2.6 msf growth through the first nine months of 2019 and 1.6 msf during the same time in 2018. The highest occupancy gains were recorded in two submarkets: in North West, the largest industrial submarket with 100 msf of base inventory, and in South West, the third largest submarket with 10 msf of base inventory. Tenants absorbed 2.6 msf in Q3 2020 and 4.9 msf YTD in these two submarkets combined.

Leasing activity was higher in Q3 2020 at 2.4 msf, excluding renewals, compared to 1.9 msf in Q2 2020 and 2.3 msf in Q1 2020. Year-to-date leasing stands at 6.6 msf across 147 leases market wide, with the North West submarket accounting for 4.6 msf across 93 leases or 70% of the total YTD leasing. Leasing of W/D space accounted for 6.2 msf across 100 leases or 92% of total YTD leasing activity as the rapid growth of e-commerce and same-day delivery has created ever-greater demand for industrial space near major metropolitan areas.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



Source: BLS

Salt Lake City

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PRICING

Average asking rent for all product types combined was \$0.52 per square foot (psf) per month on a triple net basis, unchanged from \$0.52 psf last quarter yet up 8.2% from \$0.49 psf a year ago. With stout demand for modern industrial distribution centers, average asking rents are expected to tick up led by newly delivered space.

Across the region, the market is the tightest for manufacturing space with overall vacancy at 2.5% in Q3 2020, 110 bps higher than a year ago. Vacancy for flex space now stands at 3.2%, up 70 bps from one year ago. Warehousing and distribution space has the highest vacancy at 5.8% as of Q3 2020, an increase of 220 bps since last year. Though vacancy for all product types combined is up 180 bps from a year ago, that number is expected to tick down as large tenants begin to occupy new product starting in the fourth quarter of the year. Tenant demand is expected to persist from online retail and distribution tenants as the COVID-19 pandemic continues to discourage in-person shopping.

FUTURE INVENTORY

Salt Lake City's industrial market saw a robust amount of new space come to market as 12 industrial buildings, totaling 3.9 msf, were delivered in Q3 2020. 6802 W Old Bingham Road, a 1,330,843-sf built-to-suit warehouse in the Southwest submarket delivered during the third quarter and was fully occupied by a large e-commerce company, significantly contributing to occupancy gains. Another notable delivery during the quarter was 808 N 6550 W in the Northwest submarket. The 585,912-sf industrial warehouse was 100% pre-leased at completion by a large e-commerce company.

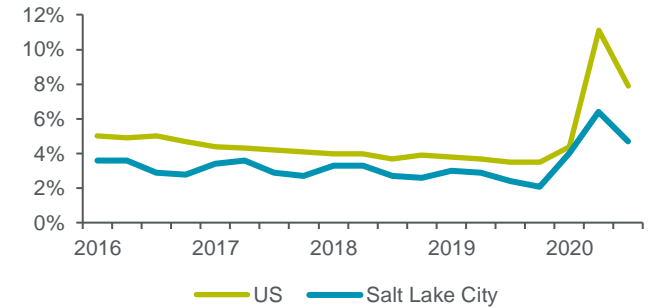
Salt Lake City's development pipeline remains active at 4.1 msf currently under construction, with 1.8 msf expected to deliver before the end of 2020. 5550 W 150 S, an 843,078-sf building in the North West submarket, will be fully occupied by Gateway Plastics upon completion in Q1 2021. 6555 W 2100 S, an 832,096-sf built-to-suit project in the West submarket will also be fully occupied by Henkel upon completion in Q1 2021. These transactions will translate into positive absorption during the first quarter of 2021.

Sources: ¹www.bls.gov ² GDP as of 2019. Moody's Analytics economy.com 9/2020

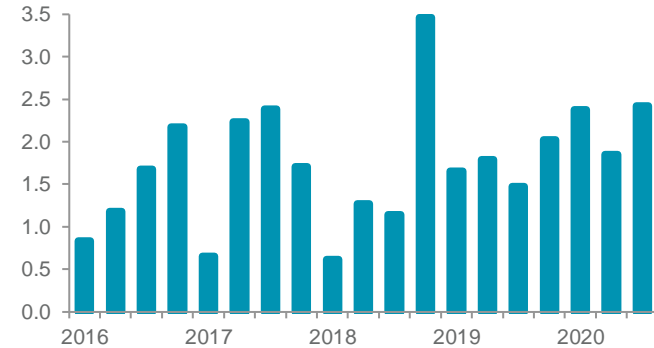
OUTLOOK

- Despite economic uncertainty caused by the COVID-19 pandemic, Salt Lake City's industrial market fundamentals remain strong, significantly outperforming all other property types. Statewide stay-at-home orders have increased the level of digital sales, accelerating demand for e-commerce leasing as well as third-party logistics providers that occupy warehouse/distribution space.
- As new construction continues to deliver over the next 24 months, absorption is expected to remain stout while average asking rents tick up. Vacancy is expected to decrease as large tenants occupy developments accompanied by strong pre-leasing. Longer term, solid demographics and a business-friendly climate will allow Salt Lake City to shine.

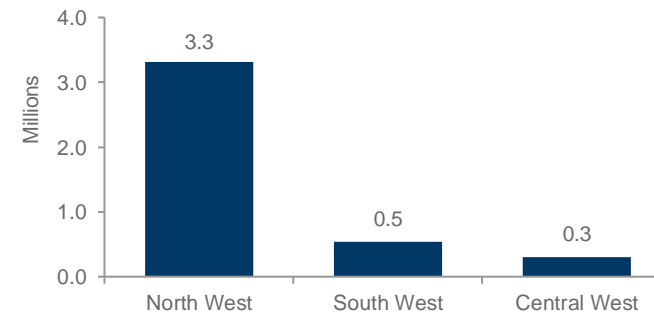
UNEMPLOYMENT RATE IN COMPARISON



LEASING ACTIVITY BY QUARTER IN SF



UNDER CONSTRUCTION BY SUBMARKET IN SF



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	AVERAGE ASKING DIRECT RENT (ALL TYPES)*	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
North East	6,234,618	182,588	2.9%	-80,196	-122,191	0	0	\$0.55	\$0.50	\$0.56
North West	99,884,836	5,749,388	5.8%	1,500,468	3,020,364	3,311,123	3,799,102	\$0.51	\$0.62	\$0.50
Central East	5,753,298	396,034	6.9%	-68,400	-111,643	0	0	\$0.55	\$0.70	\$0.45
Central West	16,859,948	275,812	1.6%	-100,096	-80,419	301,158	0	\$0.59	\$0.63	\$0.68
South East	3,008,846	52,149	1.7%	6,801	2,801	0	0	\$1.00	\$1.17	\$0.76
South West	9,807,314	162,337	1.7%	1,321,673	1,851,846	539,275	1,859,293	\$0.67	\$0.76	\$0.72
TOTAL	141,548,860	6,818,308	4.8%	2,580,250	4,560,758	4,151,556	5,658,395	\$0.52	\$0.64	\$0.51
OS/FX	26,493,803	843,215	3.2%	-137,406	97,991	381,304	222,800	\$0.64	\$0.64	
MFG	20,101,624	510,522	2.5%	-50,962	185,414	0	410,129	\$0.51		
W/D	94,953,433	5,464,571	5.8%	2,768,618	4,277,353	3,770,252	5,025,466	\$0.51		\$0.51
TOTAL	141,548,860	6,818,308	4.8%	2,580,250	4,560,758	4,151,556	5,658,395	\$0.52	\$0.64	\$0.51

*Rental rates reflect weighted triple net asking \$psf/month. *Renewals not included in leasing statistics. Statistics not reflective of U.S. MarketBeat Tables.

*MFG= Manufacturing, OS/FX = Office Service/Flex, W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1862 S 4800 W	North West	Undisclosed	686,865	New Lease
808 N 6550 W	North West	Undisclosed	585,912	New Lease
3845 - 3907 W Ninigret Dr.	North West	Metro Logistics	426,866	Renewal*
1175 S Meridian Park Rd.	North West	Undisclosed	104,351	New Lease

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
I-215 Commerce Center	North West	Hamilton Partners / LBA Realty	476,581	\$50.7M / \$106
Pacific Landing Buildings A & B	North West	Pacific Landing Venture / Lincoln Property Company	134,000	N/A / N/A
Iron Horse	North West	Iron Horse 5700, LLC / Hawthorne Capital	46,094	\$6.7M/\$145

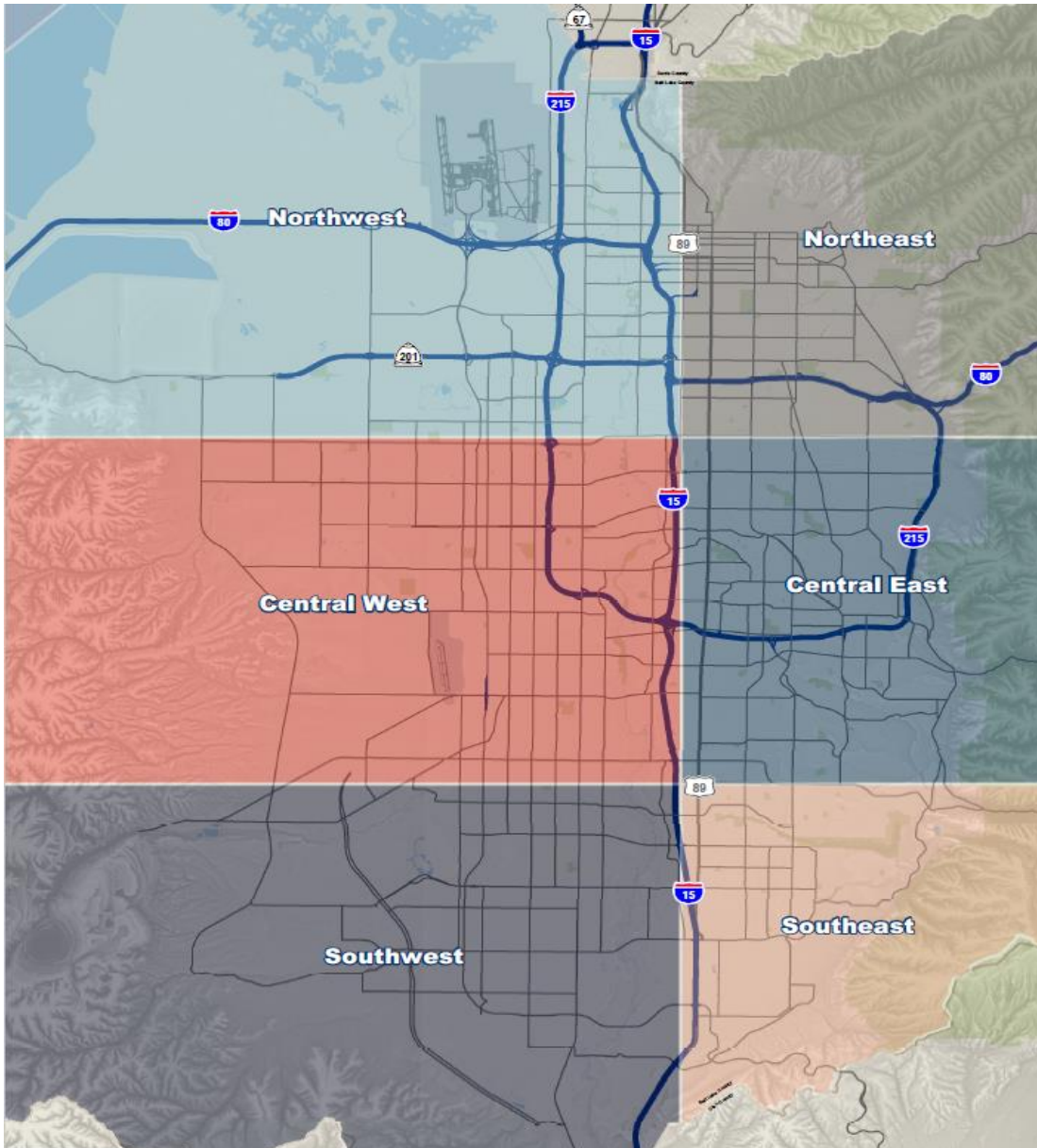
KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
6802 W Old Bingham Rd.	South West	Undisclosed	1,330,843	Seefried Industrial Properties / Seefried Industrial Properties
808 N 6550 W	North West	Undisclosed	585,912	Colmena Group & Wadsworth Investment

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INDUSTRIAL SUBMARKETS



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