

# Salt Lake City

## Industrial Q3 2021

	YoY Chg	12-Mo. Forecast
<b>2.6%</b> Vacancy Rate	▼	▼
<b>1.8M SF</b> Net Absorption, SF	▼	▲
<b>\$7.02</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
<b>773.8K</b> Salt Lake City Employment	▲	▲
<b>2.7%</b> Salt Lake City Unemployment Rate	▼	▼
<b>5.2%</b> U.S. Unemployment Rate	▼	▼

Source: BLS

### ECONOMIC OVERVIEW

The Salt Lake City's nonfarm employment grew by 42,800 or +5.9% year-over-year (YOY) between August 2020 through August 2021, with the professional and business services accounting for 11,200 jobs added (+8.5% YOY). During the same time, the monthly unemployment rate decreased from 5.3% last year to 2.6% and is currently 150 basis points (bps) below the 30-year monthly average of 4.1% and in line with the Q3 2021 quarterly average of 2.7%.<sup>1</sup> All employment sectors are expected to grow at a combined rate of 4.6% in 2021 and 5.0% in 2022, while office-using sector is forecasted to grow 5.2% in 2021 and 4.4% in 2022. Salt Lake City's economy of \$82.9 billion as measured by 2020 gross regional product is forecasted to grow 6.4% in 2021 and 5.8% in 2022, above its 10-year average of 2.8%.<sup>2</sup>

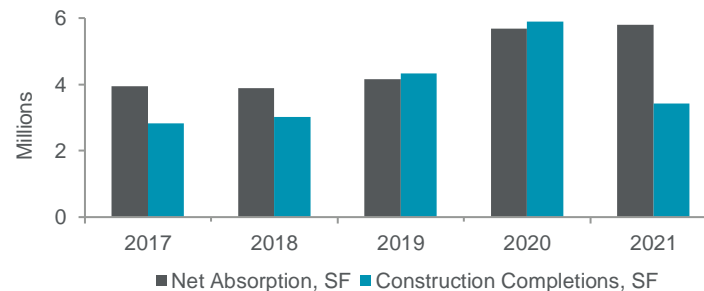
### SUPPLY AND DEMAND

The overall vacancy rate, including sublease, decreased 100 bps quarter-over-quarter (QOQ), and decreased 250 bps YOY to 2.6% in Q3 2021. Current vacancy is modestly lower than the five-year quarterly average of 4.3% and well below the historical high of 8.9% recorded after the last recession in Q2 2011. Current vacancy is at historic lows despite the substantial amount of 3.4 million square feet (msf) of new product delivered since the beginning of 2021 in addition to 5.9 msf delivered in 2020 as developers seek to meet robust demand for industrial space. More than 90% of new construction has been concentrated in warehouse and distribution (W/D) space over the last 10 years as well as in 2021 as 69% or 96.3 msf of the base industrial inventory in Salt Lake City is comprised of W/D product type.

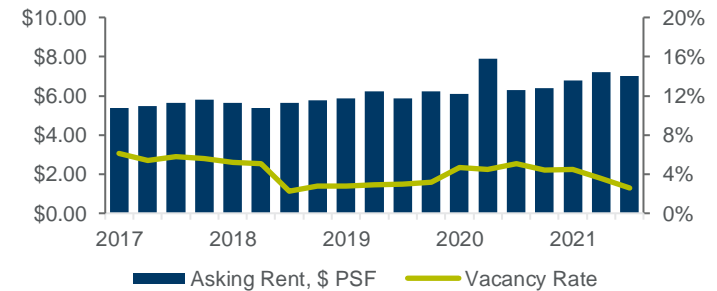
Tenants absorbed 1.8 million square feet (msf) across all product types in Q3 2021, compared to 3.0 msf during Q2 2021 and 3.0 msf during Q3 2020. The majority of occupancy gains during the third quarter were recorded in the North West submarket, which saw 1.5 msf of occupancy growth/positive net absorption.

Leasing activity remained active during the third quarter of 2021, at 2.1 msf (38 deals), excluding renewals, compared to 2.9 msf (54 deals) in Q2 2021 and 3.5 msf (58 deals) in Q3 2020. North West submarket accounted for 1.8 msf (87%) leased, followed by South East with 148,056 sf (7%) leased in Q3 2021. Leasing of W/D space accounted for 1.9 msf (29 deals) or 93% of total new leasing activity in Q3 2021 as the rapid growth of e-commerce and same-day delivery has created ever-greater demand for industrial space near major metropolitan areas. Year-to-date (YTD) as of September 30, 2021, 7.7 msf (151 deals) were leased, with North West accounting for the most activity or 6.9 msf (90%) leased, followed by South West submarket with 417,191 sf (5%) leased. Tenants leased the most space in W/D sector or 7.0 msf (92%) YTD. This activity will boost future absorption as tenants occupy their space over the next 12 months.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY / ASKING RENT



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## PRICING

Average asking rent for all product types combined was \$7.02 per square foot (psf) per year on a triple net basis, an 11.4% increase YOY. 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 0.6% in Q3 2021, down 140 bps from one year ago. Vacancy for flex space now stands at 0.8%, unchanged from a year ago. Distribution space has the highest vacancy at 3.1% as of Q3 2021, a decrease of 310 bps since last year. Vacancy for all product types combined is down 250 bps from a year ago, and that number is expected to tick further down as large tenants begin to occupy new product during the first half of 2022. 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

Two distribution buildings were completed in Q3 2021 in the North West submarket: a 118,120-sf speculative (SPEC) project located at 6650 W. 2100 S., which is partly leased by Ultradent Products, Inc., and a 79,920-sf warehouse on 1745 S. Pioneer Rd., which is partly leased by an unknown tenant. An additional three distribution buildings, totaling 281,523 sf, in the South West submarket were completed in Q3 2021, which have all been fully leased. In 2021 YTD, 3.4 msf across 17 projects have been added to the existing inventory of which 3.0 msf or 89% have already been leased.

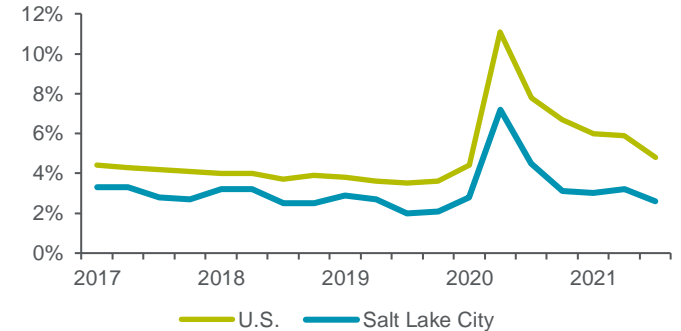
Salt Lake City's development pipeline remains active with 10.6 msf across 46 projects currently under construction, with majority of new inventory planned in W/D sector (10.1 msf or 40 projects). Nearly 3.2 msf across 17 projects are slated for delivery in Q4 2021. Of the total 10.6 msf currently under construction, 2.5 msf or 24% of inventory has been pre-leased. The majority or 90% of inventory is being built as speculative (SPEC), with the remaining 10% as build-to-suit (BTS). The North West submarket will welcome most of the new inventory or 7.9 msf (75%), followed by South West submarket (1.5 msf or 15%). Additionally, there are 11 projects, totaling 1.9 msf, in proposed inventory. Tenants and landlords continue to seek space in the North West as 80% of proposed inventory (9 projects) are in this submarket followed by one project in Central West and one in South West submarket.

Sources: <sup>1</sup>[www.bls.gov](http://www.bls.gov) <sup>2</sup> GDP as of 2020. Moody's Analytics economy.com 9/2021.

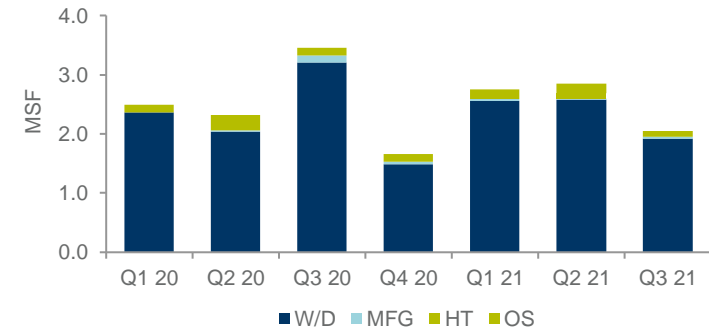
## OUTLOOK

- 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 W/D 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.

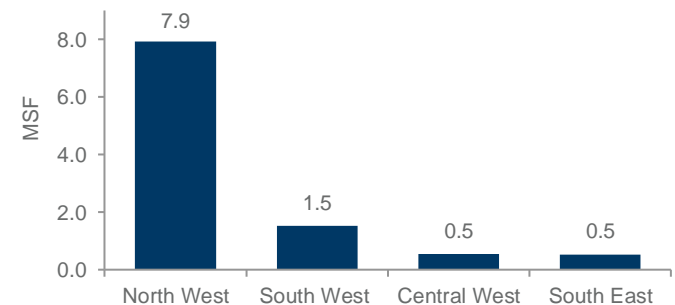
## UNEMPLOYMENT RATE IN COMPARISON



## OVERALL NEW LEASING BY CLASS 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)	OVERALL WEIGHTED AVG NET RENT (ALL TYPES)*	OVERALL WEIGHTED AVG NET RENT (MFG)	OVERALL WEIGHTED AVG NET RENT (W/D)
Central East	5,015,880	116,282	2.3%	17,360	-29,223	0	0	\$6.61	\$6.00	\$5.04
Central West	16,476,943	124,933	0.8%	3,473	130,448	544,012	89,195	\$8.00	\$7.80	\$8.95
North East	5,930,031	203,899	3.4%	0	43,450	0	0	\$6.21	N/A	\$6.00
North West	99,590,592	2,916,574	2.9%	1,465,255	5,198,327	7,935,381	2,731,320	\$6.87	\$7.15	\$6.87
South East	3,111,141	28,953	0.9%	0	0	535,824	0	\$13.21	N/A	N/A
South West	10,449,130	229,092	2.2%	352,269	449,766	1,537,372	599,552	\$9.24	\$9.00	\$9.37
<b>MARKET TOTALS</b>	<b>140,573,717</b>	<b>3,619,733</b>	<b>2.6%</b>	<b>1,838,357</b>	<b>5,792,768</b>	<b>10,552,589</b>	<b>3,420,067</b>	<b>\$7.02</b>		
OS	21,810,680	502,460	2.3%	69,916	128,025	71,549	141,229	\$7.32		
FLEX	2,765,321	20,943	0.8%	0	0	269,272	0	\$14.76		
MFG	19,671,896	123,508	0.6%	0	249,083	73,254	0	\$7.19	\$7.19	
W/D	96,325,820	2,972,822	3.1%	1,768,441	5,415,660	10,138,514	3,278,838	\$6.86		\$6.86
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\*Rental rates reflect weighted triple net asking \$psf/month. \*Renewals not included in leasing statistics.

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

### KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6320 W. 700 S.	North West	Armada Nutrition	438,047	New
1525 S. 5282 W.	North West	Veritiv Operating Company	342,279	New
1250 N. Flyer Way	North West	THI E-Commerce, LLC	234,991	New
13002 S. Pony Express Rd.	South East	Undisclosed	148,056	New
1635 S. 5070 W.	North West	United Radio, Inc.	147,730	New

### KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
5656 W. John Cannon Dr.	North West	CGGL XR INTERNATIONAL, LLC   Principal	457,320	N/A   N/A
6650 W. 2100 S.	North West	Kelez Cottonwood Heights, LLC   CheckerProp Utah 6620 W 2100 S, LLC	118,120	\$14.1M   \$119
12577 S. 265 W.	South East	Draper Investors, LLC   KBF Properties, LLC	102,607	\$15.5M   \$151

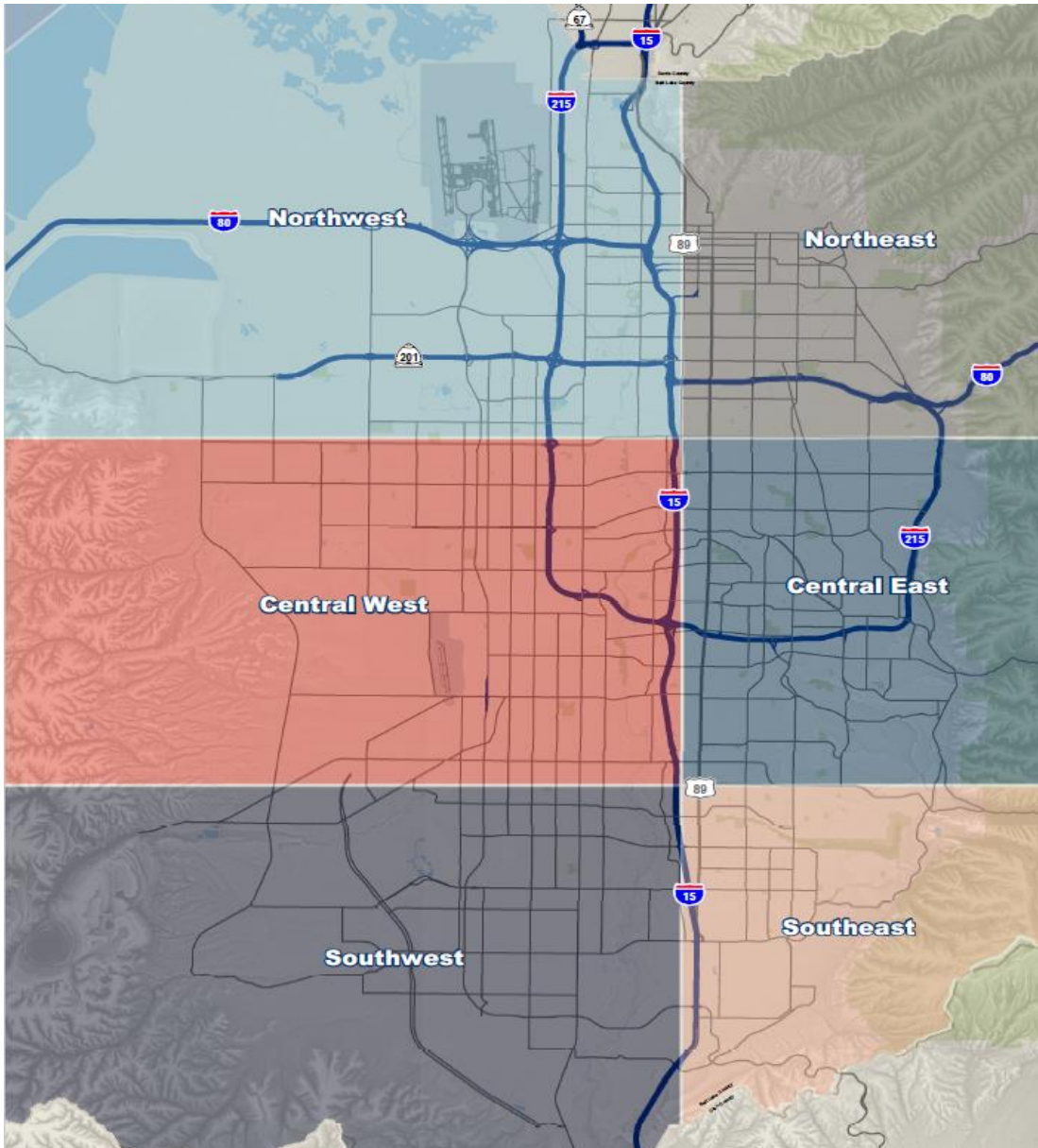
### KEY CONSTRUCTION COMPLETIONS 2021YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
7001 New Bingham Hwy.	South West	Undisclosed	201,110	GB WJ Industrial, LLC
6650 W. 2100 S.	North West	Ultradent Products, Inc.	118,120	CheckerProp Utah 6620 W 2100 S, LLC   RWK

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## INDUSTRIAL SUBMARKETS



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