

# Salt Lake City

## Industrial Q4 2021

	YoY Chg	12-Mo. Forecast
<b>2.2%</b> Vacancy Rate	▼	▼
<b>2.2M</b> Net Absorption, SF	▲	▲
<b>\$0.58</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
<b>781.4K</b> Salt Lake City Employment	▲	▲
<b>2.1%</b> Salt Lake City Unemployment Rate	▼	▼
<b>4.2%</b> U.S. Unemployment Rate	▼	▼

Source: BLS

### ECONOMIC OVERVIEW

Salt Lake City's nonfarm employment grew by 37,700 or +5.0% year-over-year (YOY) between November 2020 through November 2021, with the professional and business services accounting for 8,800 jobs added (+6.6% YOY). During the same time, the monthly unemployment rate decreased from 3.4% last year to 1.4% and is currently 260 basis points (bps) below the 30-year monthly average of 4.0% and 60 bps lower compared to the Q4 2021 quarterly average of 2.1%.<sup>1</sup> All employment sectors are expected to grow at a combined rate of 4.8% in 2022, while office employment is forecasted to grow 3.8% and high-tech employment 4.2%. Salt Lake City's economy of \$88.6 billion as measured by 2021 gross regional product is forecasted to grow 6.4% in 2022 and 4.2% in 2023, above its 10-year average of 3.1%.<sup>2</sup>

### SUPPLY AND DEMAND

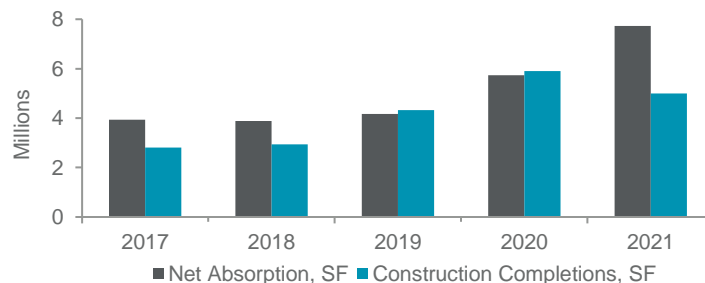
The overall vacancy rate, including sublease, decreased 50 bps quarter-over-quarter (QOQ), and decreased 210 bps YOY to 2.2% in Q4 2021. The current vacancy is modestly lower (-190 bps) than the five-year average of 4.1%, and well below the historical high of 8.9% recorded after the last recession in 2011. Vacancy continues to decrease despite a substantial amount of 5.0 million square feet (msf) of new product delivered since the beginning of 2021 as developers seek to meet robust demand for industrial space. Most, or over 90%, of new construction has been concentrated in warehouse and distribution (W/D) space over the last 10 years as well as in 2021 (92%). Note that 97.7 msf or 69% of the base industrial inventory (142.2 msf) in Salt Lake City is comprised of W/D product type.

Tenants absorbed 2.2 msf across all product types in Q4 2021 compared to 1.8 msf during Q3 2021 and 1.2 msf during Q4 2020. Most occupancy gains during the fourth quarter were recorded in the North West submarket, which saw 2.1 msf of positive net absorption. Occupancy growth of 7.7 msf in 2021 was the highest on record reported by Cushman & Wakefield. In comparison, the five-year average occupancy growth has been 5.1 msf (2017-2021).

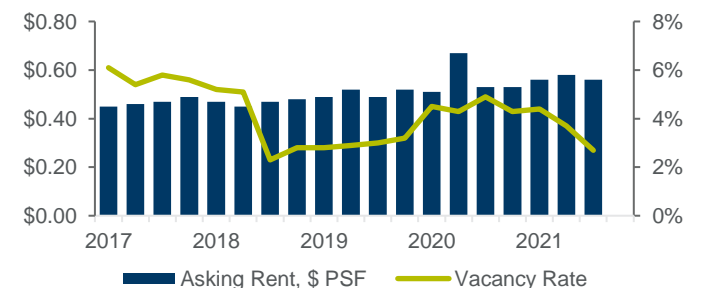
Leasing activity remained active during the fourth quarter at 2.8 msf (35 deals), excluding renewals, compared to 2.4 msf in Q3 2021 and 1.7 msf in Q4 2020. In 2021, tenants leased 11.1 msf (222 deals) compared to 10.0 msf (237 deals) in 2020. The North West submarket accounted for the most leasing or 9.9 msf (89%) in 2021 and 7.4 msf (74%) in 2020. This activity will boost future absorption as tenants occupy their space in Q1 2022.

Leasing of W/D space accounted for 10.1 msf (156 deals) or 91% of 2021 annual total leasing activity and 9.1 msf (157 deals) or 91% of 2020 annual total 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



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## PRICING

The average asking rent for all product types combined was \$0.58 per square foot (psf) per month on a triple net basis, a 3.6% increase QOQ and 11.5% 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 1.6% in Q4 2021, down 30 bps from 1.9% a year ago. Vacancy for flex space now stands at 1.9%, up 30 bps from 1.6% one year ago. Distribution space has the highest vacancy at 2.3% as of Q4 2021, a decrease of 310 bps since last year. Vacancy for all product types combined is down 210 bps from a year ago, and that number is expected to tick further down as large tenants begin to occupy new spaces 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

Seven industrial buildings were completed in Q4 2021 in the North West submarket: a 1.0 msf speculative (SPEC) distribution building located at 990 N. 6550 W., which is leased by Walmart Fulfillment Services; a 438,047-sf SPEC project located at 6320 W. 700 S., which is leased by Armada Nutrition; a 325,040-sf distribution building on 5270 John Cannon Dr., which is leased by Studio McGee; a 164,924-sf warehouse at 6628 W. 700 N., which is partly leased by Western Peaks Logistics and Hajoca Corp.; a 154,825-sf warehouse at 906 S. 4400 W., which is partly leased by American Warehouse Services II and Nu Packaging; a 147,525-sf warehouse at 848 S. 4400 W., which is partly leased by CP Build Enterprises; and a 58,100-sf high technology facility at 2425 S. 900 W., which is partly leased to SCP Distributors. An additional three buildings totaling 193,415 sf in the South West submarket were completed in Q4 2021, which have all been fully leased. These deals bring Q4 leasing activity to 2.8 msf. Of the 4.9 msf projects completed in 2021, 92% has been leased.

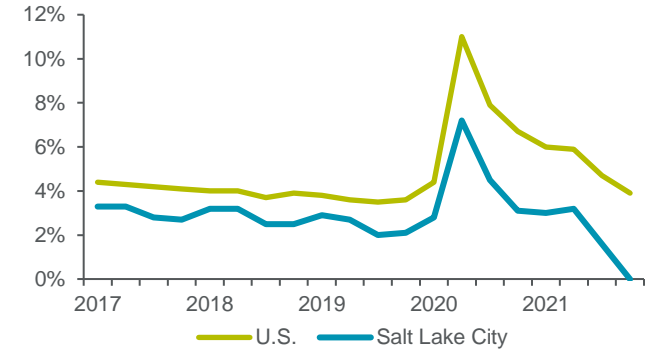
Salt Lake City's development pipeline remains active with 12.1 msf across 42 new projects currently under construction, 10% of projects are build-to-suit and 90% are SPEC, with 41 slated for delivery in 2022. Of the total 12.2 msf currently under construction, 3.5 msf, or 29% of inventory, has been pre-leased. The North West submarket will welcome most of the new inventory of approximately 10.1 msf.

Additionally, there are 11 projects, totaling 2.0 msf, in proposed inventory. Tenants and landlords continue to seek space in the North West as 96% of the proposed inventory (10 projects) are located in this submarket followed by South West.

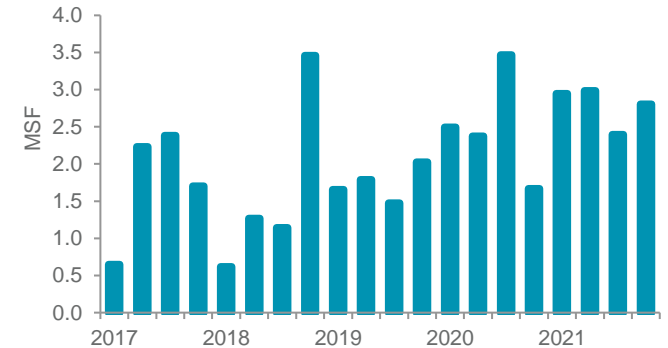
## OUTLOOK

- 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.

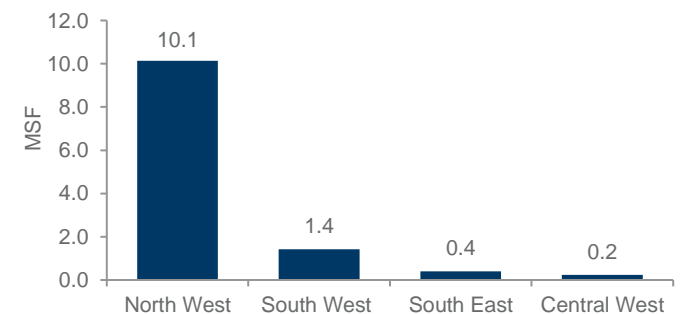
## UNEMPLOYMENT RATE IN COMPARISON



## NEW LEASING ACTIVITY - EXCLUDING RENEWALS



## UNDER CONSTRUCTION BY SUBMARKET



### MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	CURRENT QUARTER LEASING ACTIVITY (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)
North East	5,916,166	131,240	2.2%	0	43,450	0	0	0	\$0.75	N/A	\$0.74
North West	101,041,142	2,413,461	2.4%	2,057,066	6,953,552	2,585,741	10,135,863	4,093,035	\$0.52	\$0.50	\$0.55
Central East	5,019,584	90,591	1.8%	7,988	-11,510	7,988	0	0	\$0.47	\$0.50	\$0.42
Central West	16,496,643	142,353	0.9%	6,752	146,056	0	229,837	109,473	\$0.72	\$0.65	\$0.65
South East	3,041,588	30,098	1.0%	-1,145	-1,145	0	401,881	0	\$1.27	N/A	\$1.67
South West	10,716,778	260,425	2.4%	160,896	601,175	209,044	1,426,309	792,967	\$0.85	N/A	\$0.85
<b>TOTAL</b>	<b>142,231,901</b>	<b>3,068,168</b>	<b>2.2%</b>	<b>2,231,557</b>	<b>7,731,578</b>	<b>2,802,773</b>	<b>12,193,890</b>	<b>4,995,475</b>	<b>\$0.58</b>	<b>\$0.50</b>	<b>\$0.61</b>
OS/FX	24,770,274	467,215	1.9%	217,792	265,995	85,248	141,775	340,436	\$0.60		
MFG	19,713,080	314,430	1.6%	15,488	129,815	15,488	0	73,254	\$0.50	\$0.50	
W/D	97,748,547	2,286,523	2.3%	1,998,277	7,335,768	2,702,037	12,052,115	4,581,785	\$0.61		\$0.61
<b>TOTAL</b>	<b>142,231,901</b>	<b>3,068,168</b>	<b>2.2%</b>	<b>2,231,557</b>	<b>7,731,578</b>	<b>2,802,773</b>	<b>12,193,890</b>	<b>4,995,475</b>	<b>\$0.58</b>	<b>\$0.50</b>	<b>\$0.61</b>

\*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 Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
990 N. 6550 W.	North West	Walmart Fulfillment Services, LLC	1,032,248	New
1195 N. 6550 W.	North West	Undisclosed	301,521	New
1525 S. 5282 W.	North West	Bailey's Moving & Storage, LLC	140,914	New
265 W. 12388 S.	South West	Goal Zero, LLC	132,737	New
2302 S. Commerce Center Dr.	North West	Home Depot USA, Inc.	129,245	New

### KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
6162, 6252 & 6312 W. Beagley Rd.	North West	WVC Industrial, LLC   Walton Street Capital, LLC	628,580	\$109.6M   \$174
848-954 S. 4400 W.	North West	Phelan Development   Link Logistics	528,875	N/A   N/A
1675 S. Empire Rd.	North West	ICE Cold Empire SLC, LLC   Scout Cold Storage Salt Lake City, LLC	63,448	\$19M   \$298

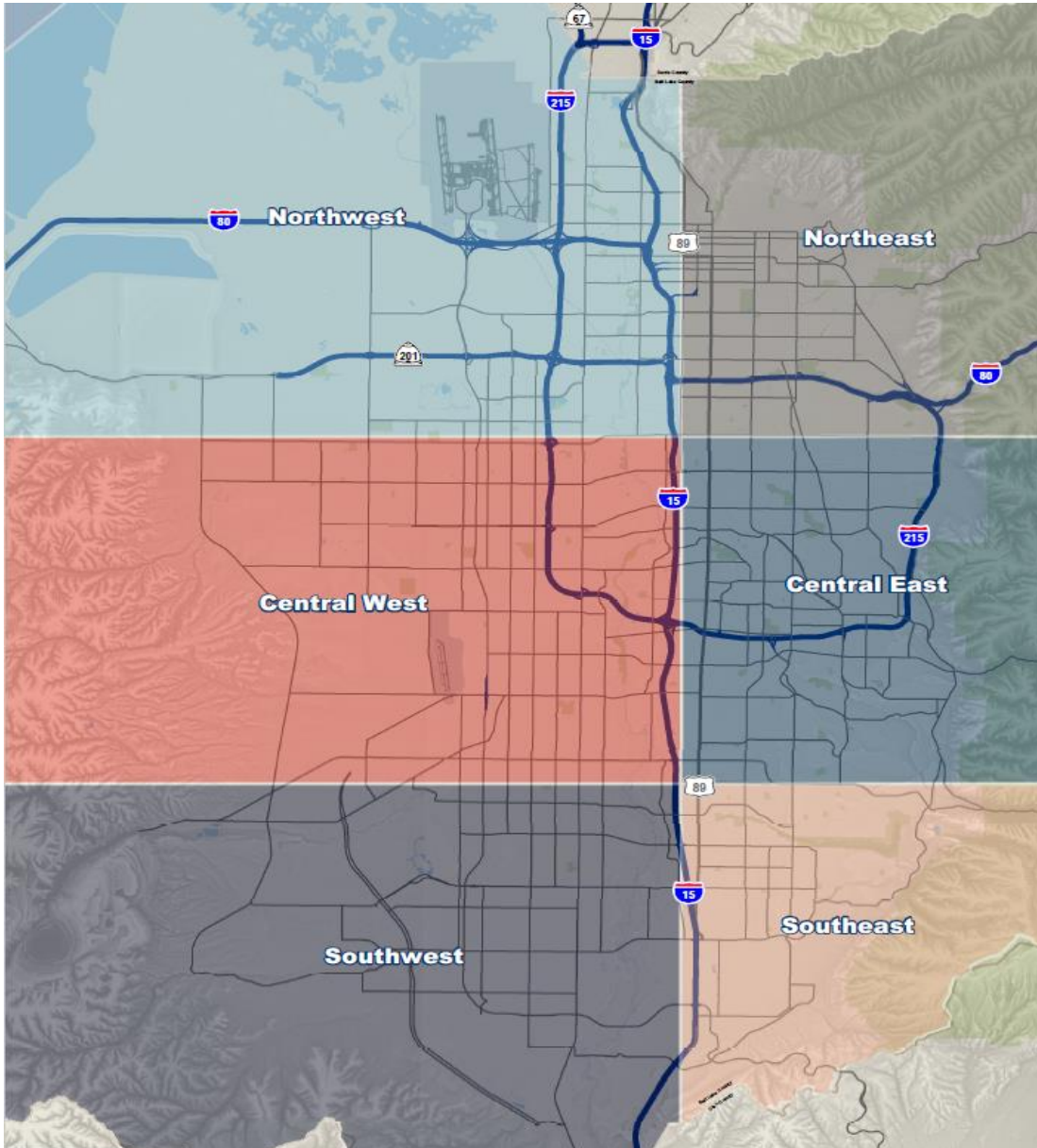
### KEY CONSTRUCTION COMPLETIONS 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
5454 W. 150 S.	North West	Gateway Plastics	843,078	Exeter Property Group   Exeter Property Group
6555 W. 2100 S.	North West	Henkel	832,096	Freeport West   Freeport West

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## INDUSTRIAL SUBMARKETS



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