

	YoY Chg	12-Mo. Forecast
<b>3.0%</b> Vacancy Rate	▼	▼
<b>2.2M</b> Net Absorption, SF	▼	▲
<b>\$0.72</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
<b>795.5K</b> Salt Lake City Employment	▲	▲
<b>2.1%</b> Salt Lake City Unemployment Rate	▼	▲
<b>3.5%</b> U.S. Unemployment Rate	▼	▲

Source: BLS

### ECONOMIC OVERVIEW

Nonfarm employment grew by 23,000 jobs or +3.0% year-over-year (YOY) from August 2021 through August 2022, with the service producing sector accounting for 15,100 jobs added (+2.3% YOY), while trade, transportation and utilities added 7,520 jobs (+4.8%) YOY. During the same time, the monthly unemployment rate decreased from 2.7% last year to 2.1% and is currently 140 basis points (bps) lower than the U.S. unemployment rate of 3.5%. All employment sectors are expected to grow at a combined rate of 2.4% in 2022, notably the information sector is forecasted to grow 11.2% and the construction sector 5.7%. Salt Lake City's economy of \$89.1 billion as measured by 2021 gross regional product is forecasted to grow 2.1% in 2022 and 3.1% in 2023, below its 10-year average of 3.2%.<sup>2</sup>

### SUPPLY AND DEMAND

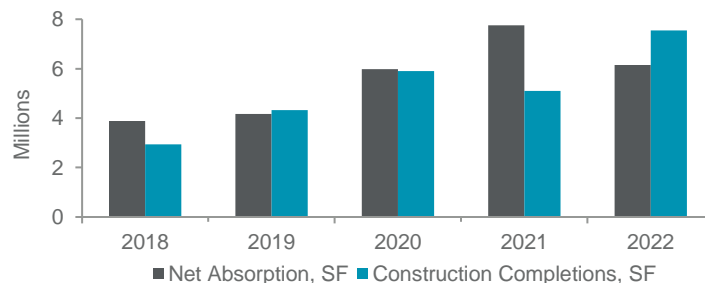
The overall vacancy rate, including sublease, increased 70 bps quarter-over-quarter (QOQ), and increased 50 bps YOY to 3.0% in Q3 2022. The current vacancy is modestly lower (-110 bps) than the five-year average of 4.1%, and well below the historical high of 8.9% recorded after the last recession in 2011. Vacancy is slated to decrease despite a substantial 7.5 million square feet (msf) of new product that delivered since the beginning of 2022 as developers seek to meet robust demand for industrial space. Most, or over 93%, of new construction has been concentrated in warehouse and distribution (W/D) space over the last 10 years and has continued throughout 2022. Note that 104.9 msf or 70% of the base industrial inventory (149.3 msf) in Salt Lake City is comprised of W/D product type.

Tenants absorbed 2.1 msf across all product types in Q3 2022 compared to 1.8 msf during Q2 2022. Most occupancy gains during the third quarter were recorded in the North West submarket, which saw 1.7 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 (2018-2022).

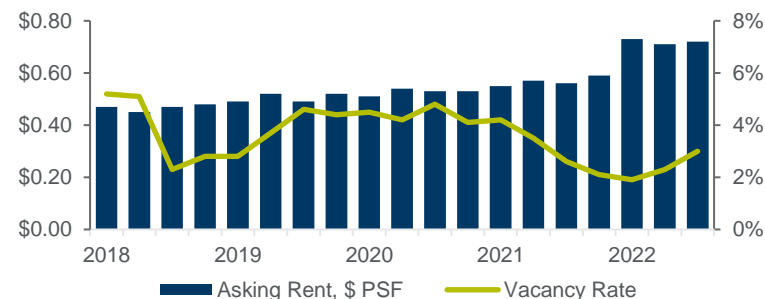
Leasing activity remained active during the third quarter at 2.4 msf (33 deals), excluding renewals, compared to 2.0 msf (43 deals) in Q2 2022 and 1.5 msf (49 deals) in Q1 2022. In the first three quarters of 2022, tenants leased 5.9 msf (125 deals) compared to 8.3 msf (189 deals) in the first three quarters of 2021. The North West submarket accounted for the most leasing or 2.1 msf (91%) in the third quarter of 2022 and 10.2 msf (90%) in all of 2021. This activity will boost future absorption as tenants occupy their space in the fourth quarter of 2022.

Leasing of W/D space accounted for 5.3 msf (103 deals) or 90% of 2022 annual total leasing activity and 11.4 msf (234 deals) or 99% of 2021 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



# Salt Lake City

Industrial Q3 2022

## PRICING / VACANCY

The average asking rent for all product types combined was \$0.72 per square foot (psf) per month on a triple net basis, a 1.4% increase QOQ and 25% 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's tightest product available is manufacturing space with overall vacancy at 0.5% in Q3 2022, down 160 bps from 2.1% a year ago. Vacancy for flex space now stands at 1.4%, down 10 bps from 1.5% one year ago. Warehouse/Distribution vacancy is at 3.9% as of Q3 2022, an increase of 90 bps since last year. Vacancy for all product types combined is up 40 bps from a year ago, but that number is expected to tick down as large tenants begin to occupy new spaces in the fourth quarter of 2022. Tenant demand is expected to remain strong for online retail and distribution tenants.

## DELIVERIES AND FUTURE INVENTORY

There were 16 industrial buildings completed in Q3 2022. Of these, seven are within the North West submarket highlighted by Pacific Summit Logistics Center, an 824,320-sf speculative (SPEC) project located at 885 N. John Cannon Dr. Other top deliveries included FedEx completing a 509,035-sf build-to-suit (BTS) located at 7595 W. 2500 S. and a SPEC building containing 314,175 sf located at 2550 S. Mountain View Corridor.

An additional six buildings totaling 531,128 sf were delivered in the South West submarket, two buildings totaling 106,133 sf located at 4701 W. 6200 S. in the Central West submarket, and a 148,056-sf building located at 13002 S. Pony Express Rd. in the South East submarket were also completed in Q3 2022, with 53% leased. These deals pushed Q3 leasing activity to 2.4 msf. Of the 3.3 msf projects completed in the third quarter of 2022, 37% has been leased to major tenants including Growve, Rentokil North America, ECA Medical Instruments, SMPL MFG, PROK Conveyor Equipment, Complete Packaging, and Snugz USA.

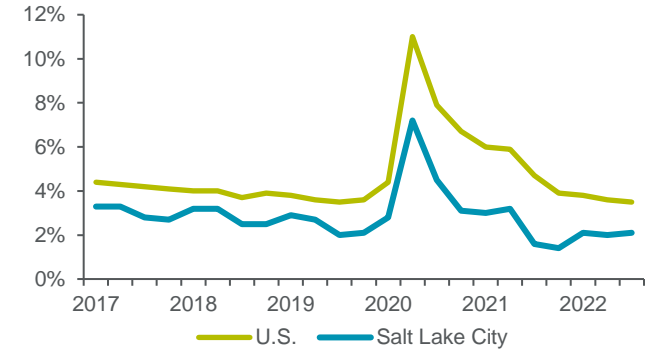
Salt Lake City's development pipeline remains active with 8.9 msf across 34 new projects currently under construction, 6% of projects are build-to-suit and 94% are SPEC, with 15 slated for delivery in the fourth quarter of 2022. The remaining projects totaling 5.9 msf are slated to deliver in 2023. Of the total 8.9 msf currently under construction, 2.6 msf, or 29% of inventory, has been pre-leased.

Sources: <sup>1</sup>[www.bls.gov](http://www.bls.gov) <sup>2</sup> Moody's Analytics economy.com 9/2022

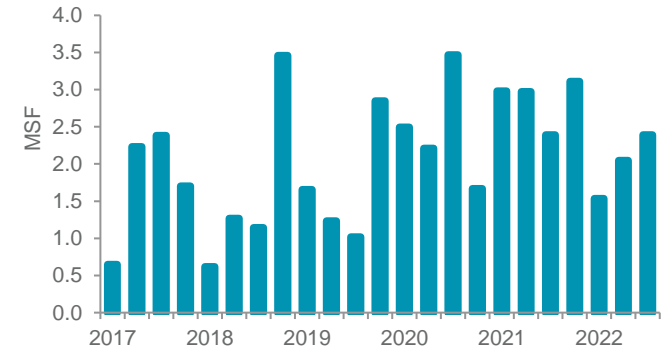
## OUTLOOK / TRENDS

- Salt Lake City's industrial market fundamentals remained strong throughout the first three quarters of 2022, boosted by outperforming local job and population growth in the region. Salt Lake City has weathered the pandemic-induced downturn better than most U.S. markets, and tenant demand for logistics and W/D space has substantially increased. The accelerating adoption of e-commerce led to numerous national tenants expanding their presence in the region. Tenant demand also remains high for additional trailer/yard space as the market is uniquely positioned within a day's drive of most major Western cities.
- As new construction continues to deliver over the next quarter, 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 stand apart from other markets.

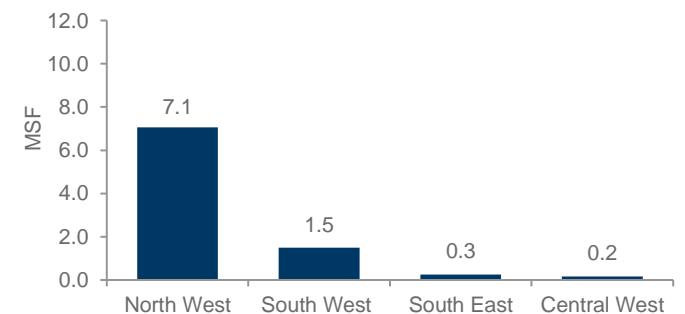
## UNEMPLOYMENT RATE IN COMPARISON



## 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	5,949,429	68,166	1.2%	0	16,869	0	0	0	\$0.76	N/A	\$0.71
North West	106,974,665	3,559,534	3.3%	1,731,346	5,448,466	2,167,174	7,054,306	6,360,446	\$0.69	\$0.68	\$0.64
Central East	5,127,513	61,453	1.2%	-13,400	4,186	0	0	0	\$0.82	N/A	\$0.48
Central West	16,601,047	159,100	1.0%	34,110	17,036	119,193	167,212	112,373	\$0.65	\$0.65	\$0.79
South East	3,007,882	145,367	4.8%	68,089	3,834	4,418	253,825	148,056	\$1.01	N/A	\$1.05
South West	11,659,905	489,038	4.2%	357,647	654,364	99,086	1,498,211	935,539	\$0.91	N/A	\$0.76
<b>TOTAL</b>	<b>149,320,441</b>	<b>4,482,658</b>	<b>3.0%</b>	<b>2,177,792</b>	<b>6,144,755</b>	<b>2,389,871</b>	<b>8,973,554</b>	<b>7,556,414</b>	<b>\$0.72</b>	<b>\$0.94</b>	<b>\$0.68</b>
OS/FX	24,774,011	302,650	1.4%	4,453	228,257	24,874	252,983	71,557	\$0.82		
MFG	19,608,974	96,996	0.5%	28,000	296,410	117,553	0	0	\$0.94	\$0.94	
W/D	104,937,456	4,083,012	3.9%	2,145,339	5,620,088	2,247,444	8,720,571	7,484,857	\$0.68		\$0.68
<b>TOTAL</b>	<b>149,320,441</b>	<b>4,482,658</b>	<b>3.0%</b>	<b>2,177,792</b>	<b>6,144,755</b>	<b>2,389,871</b>	<b>8,973,554</b>	<b>7,556,414</b>	<b>\$0.72</b>	<b>\$0.94</b>	<b>\$0.68</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 Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
264 S. 5750 W.	North West	Confidential	709,503	New
2260 N. 2200 W.	North West	Harvest Right	339,527	New
1815 - 1879 S. 4650 W.	North West	Inline Plastics Corp.	159,106	Renewal
2390 N. 2200 W.	North West	Living Spaces Furniture	138,712	New
2850 S. 900 W.	North West	Rugby Holdings	127,432	Renewal

### KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	INVESTMENT / OWNER / USER
1464 & 1568 S. 5500 W.	North West	GO Industrial & Crow Holdings / DWS Group	503,792	Investment
476 W. 600 N.	North West	MNA Properties / Six Bugs Holdings	28,020	Owner/User
9811 S. Audio Dr.	South West	Confidential	7,588	Investment

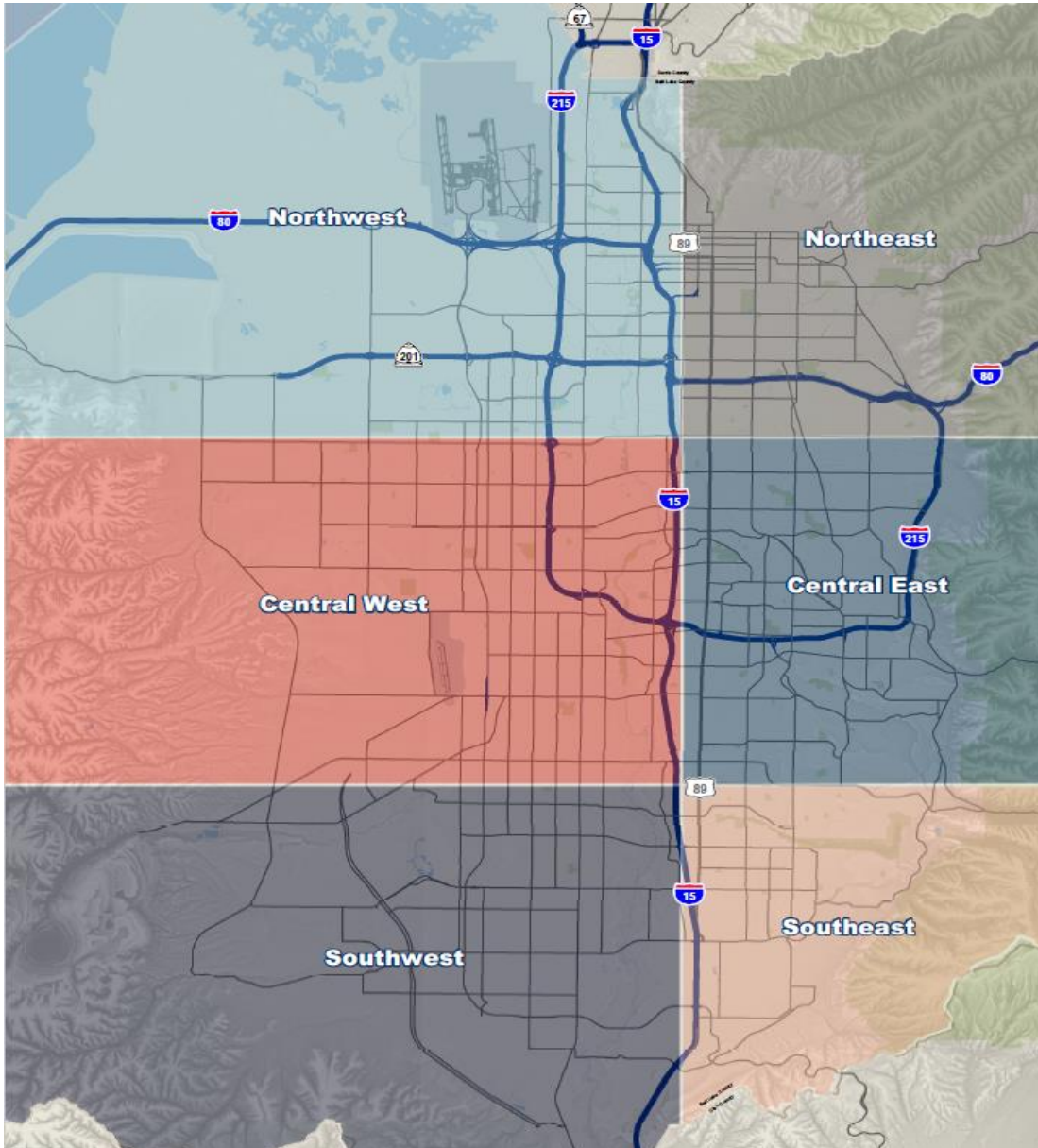
### KEY CONSTRUCTION COMPLETIONS Q3 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
885 N. John Cannon Dr.	North West	N/A	824,320	Pacific Industrial   Gardner Batt/BCG Holdings
7595 W. 2500 S.	North West	FedEx	509,035	7600 West Center, LLC   Scannell Properties/Dave Layton

# Salt Lake City

Industrial Q3 2022

## INDUSTRIAL SUBMARKETS



### Taylor Damm

Senior Research Analyst

Tel: +1 801 303 5400

[Taylor.Damm@cushwake.com](mailto:Taylor.Damm@cushwake.com)

### Rebecca Lloyd

Research Manager

Tel: +1 801 303 5444

[Rebecca.Lloyd@cushwake.com](mailto:Rebecca.Lloyd@cushwake.com)

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