

Salt Lake City

Industrial Q4 2022

2.6%
Vacancy Rate



2.4M
Net Absorption, SF



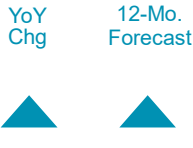
\$0.76
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2022

791.3K
Salt Lake City Employment



2.1%
Salt Lake City Unemployment Rate



3.7%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

Nonfarm employment grew by 14,100 jobs or +1.8% year-over-year (YOY) from December 2021 through December 2022, with the service-producing sector leading with 12,823 jobs added, while the construction sector added 5,772 jobs YOY. During the same time, the monthly unemployment rate decreased from 2.3% to 2.1% YOY and is currently 160 basis points (bps) lower than the U.S. unemployment rate of 3.7%.¹ Eleven of the 12 employment sectors are expected to grow at a rate of 1.5% in 2023, notably the leisure & hospitality sector is forecasted to rise by 3.8% and the education & health services sector is projected to increase by 3.1%. Salt Lake City's economy of \$94.6 billion as measured by 2022 gross regional product is anticipated to climb 2.2% in 2023 and 3.6% in 2024, with the 10-year average of 3.6%.²

SUPPLY AND DEMAND

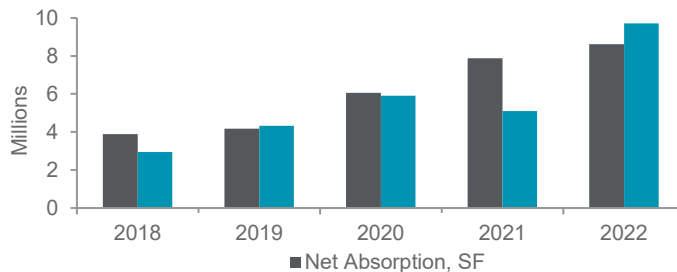
The overall vacancy rate, including sublease, decreased 20 bps quarter-over-quarter (QOQ), and increased 70 bps YOY to 2.6% in Q4 2022. The current vacancy is modestly lower (-150 bps) than the five-year average of 4.1%, and well below the historical high of 8.9% recorded after the last recession in 2011. Vacancy is slated to decrease despite a substantial 9.8 million square feet (msf) of new product that delivered since the beginning of 2022 due in part to substantial preleasing 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. Approximately 107.1 msf or 70% of the base industrial inventory (152.4 msf) in Salt Lake City is comprised of W/D product type.

Tenants absorbed 2.3 msf across all product types in Q4 2022 compared to 2.1 msf during Q3 2022. Most occupancy gains during the fourth quarter were recorded in the North West submarket, which yielded 2.1 msf of positive net absorption. In comparison, the five-year average occupancy growth has been 5.1 msf (2018-2022). Occupancy growth of 7.7 msf in 2021 was the highest on record reported by Cushman & Wakefield.

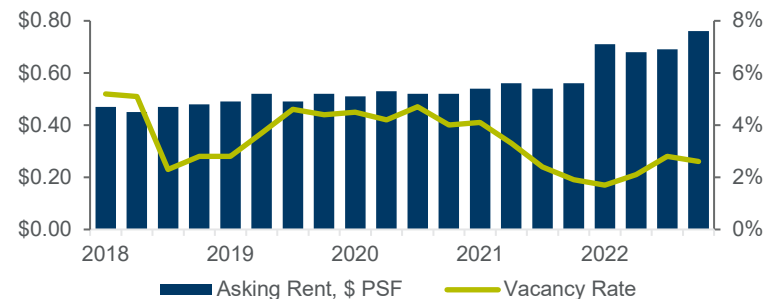
Leasing activity remained active during the fourth quarter at 1.6 msf (22 deals), excluding renewals, compared to 2.5 msf (48 deals) in Q3 2022 and 2.7 msf (45 deals) in Q2 2022. Throughout the year, tenants leased 8.4 msf (165 deals) compared to 11.6 msf (235 deals) in 2021. The North West submarket accounted for the most leasing or 7.1 msf (85%) in 2022 and 10.3 msf (89%) in all of 2021. The recent healthy activity will boost future absorption as tenants occupy their space in 2023.

Leasing of W/D space accounted for 7.6 msf (125 deals) or 90.3% of 2022 annual total leasing activity and 10.5 msf (165 deals) or 91% in all of 2021 as the rapid growth of e-commerce and same-day delivery has created ever-greater demand for industrial space near major metropolitan areas. Tenant demand is expected to remain steady for online retail and distribution tenants.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



Salt Lake City

Industrial Q4 2022

PRICING / VACANCY

The average asking rent for all product types combined was \$0.76 per square foot (psf) per month on a triple net basis, an 11% increase QOQ and 37% 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 markets tightest product available is manufacturing space with overall vacancy at 0.2% in Q4 2022, down 170 bps from 1.9% a year ago. Vacancy for flex space now stands at 1.0%, down 10 bps from 1.1% one year ago. Warehouse/Distribution vacancy is at 3.5% as of Q4 2022, an increase of 140 bps since last year. Vacancy for all product types combined is up 70 bps from a year ago, but that number is expected to tick down as large tenants begin to occupy new spaces in the first quarter of 2023.

DELIVERIES AND FUTURE INVENTORY

There were 10 industrial buildings completed in Q4 2022. Of these, six are within the North West submarket highlighted by City Creek Industrial – Bldg. A, a 709,503-sf speculative (SPEC) project located at 264 S. 5750 W. Other top deliveries included a 243,232-sf build-to-suit (BTS) for a confidential tenant located at 150 S. 5930 W. and a SPEC building containing 339,527 sf located at 2260 N. 2200 W.

An additional three SPEC buildings totaling 251,044 sf in the South West submarket, and a 77,773-sf SPEC building located at 4687 W. 6200 S. in the Central West submarket, were also completed in Q4 2022, with 45% leased. Of the 2.1 msf projects completed in the fourth quarter of 2022, 79% has been leased to major tenants including Harvest Right, Living Spaces Furniture, Global Mail, Novo Recycling, and Smalley & Company.

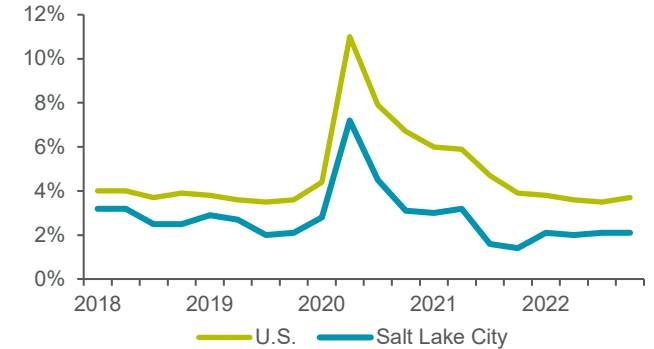
Salt Lake City's development pipeline remains active with 8.7 msf across 29 new projects currently under construction, 96% of which are on a speculative basis, with 13 slated for delivery in the first quarter of 2023. The remaining projects totaling 6.6 msf are slated to throughout the remainder of 2023. Of the total 8.7 msf currently under construction, 1.6 msf, or 19% of inventory, has been pre-leased.

Sources: ¹www.bls.gov ² Moody's Analytics economy.com 12/2022

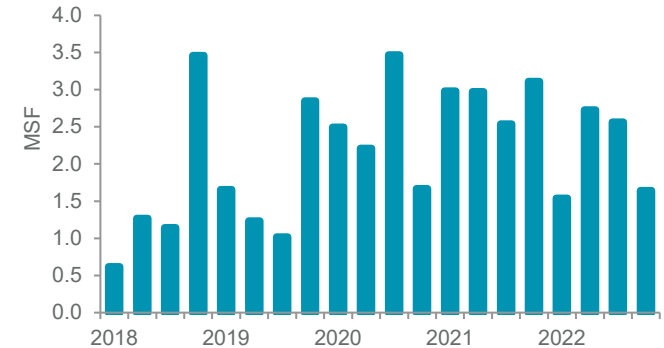
OUTLOOK / TRENDS

- Salt Lake City's industrial market fundamentals remained strong throughout 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 first quarter of 2023, absorption is expected to remain steady, 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 allows Salt Lake City to stand apart from other markets.

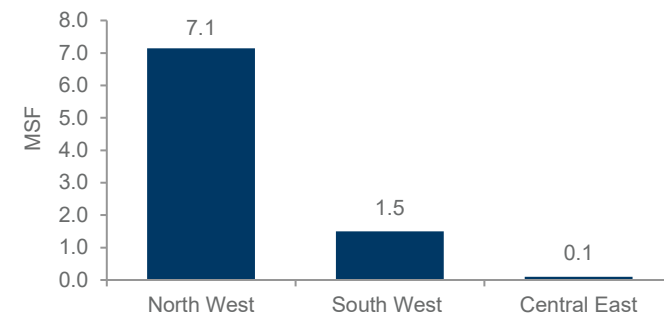
UNEMPLOYMENT RATE IN COMPARISON



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	5,947,749	69,090	1.2%	-37,000	-20,131	0	0	0	\$0.67	N/A	\$0.70
North West	108,804,997	3,038,489	2.8%	2,186,909	7,703,061	1,523,278	7,140,832	8,189,314	\$0.68	\$0.65	\$0.66
Central East	5,126,563	73,023	1.4%	-11,570	-7,384	0	98,619	0	\$0.82	N/A	\$0.82
Central West	16,676,317	230,693	1.4%	6,180	23,216	49,008	0	190,146	\$0.65	N/A	\$0.70
South East	3,007,403	98,710	3.3%	38,303	50,491	4,418	253,825	148,056	\$0.96	N/A	\$0.90
South West	12,910,001	474,202	3.7%	187,859	863,030	65,192	1,247,167	1,186,569	\$1.15	N/A	\$1.15
TOTAL	152,473,030	3,984,207	2.6%	2,370,681	8,612,283	1,641,896	8,740,443	9,714,085	\$0.76	\$0.65	\$0.77
OS/FX	25,764,748	222,276	1.0%	148,740	378,857	81,223	182,757	141,783	\$0.74		
MFG	19,608,974	40,158	0.2%	68,996	325,248	73,396	0	0	\$0.65	\$0.65	
W/D	107,099,308	3,721,773	3.5%	2,152,945	7,908,178	1,487,277	8,557,686	9,572,302	\$0.77		\$0.77
TOTAL	152,473,030	3,984,207	2.6%	2,370,681	8,612,283	1,641,896	8,740,443	9,714,085	\$0.76	\$0.65	\$0.77

*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 2022

PROPERTY	SUBMARKET	Tenant	SF	TYPE
2691 N. 2200 W.	North West	New Balance	805,000	New - Direct
885 N. John Cannon Dr.	North West	Confidential	429,549	New - Direct
4625 W. 1730 S.	North West	Essendant	113,302	Renewal
485 N. Jimmy Doolittle Rd.	North West	Cubework.com, Inc.	89,296	New - Direct

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	INVESTMENT / OWNER / USER
885 N. John Cannon Dr.	North West	Confidential	824,320	Investment
4701 W. 6200 S.	Central West	Boyer 6200 West Jordan, LC / Dalfen Industrial, LLC	183,906	Investment
1960 S. 4250 W.	North West	AdComp, LLC / 1960 South 4250 West, LLC	178,528	Owner / User

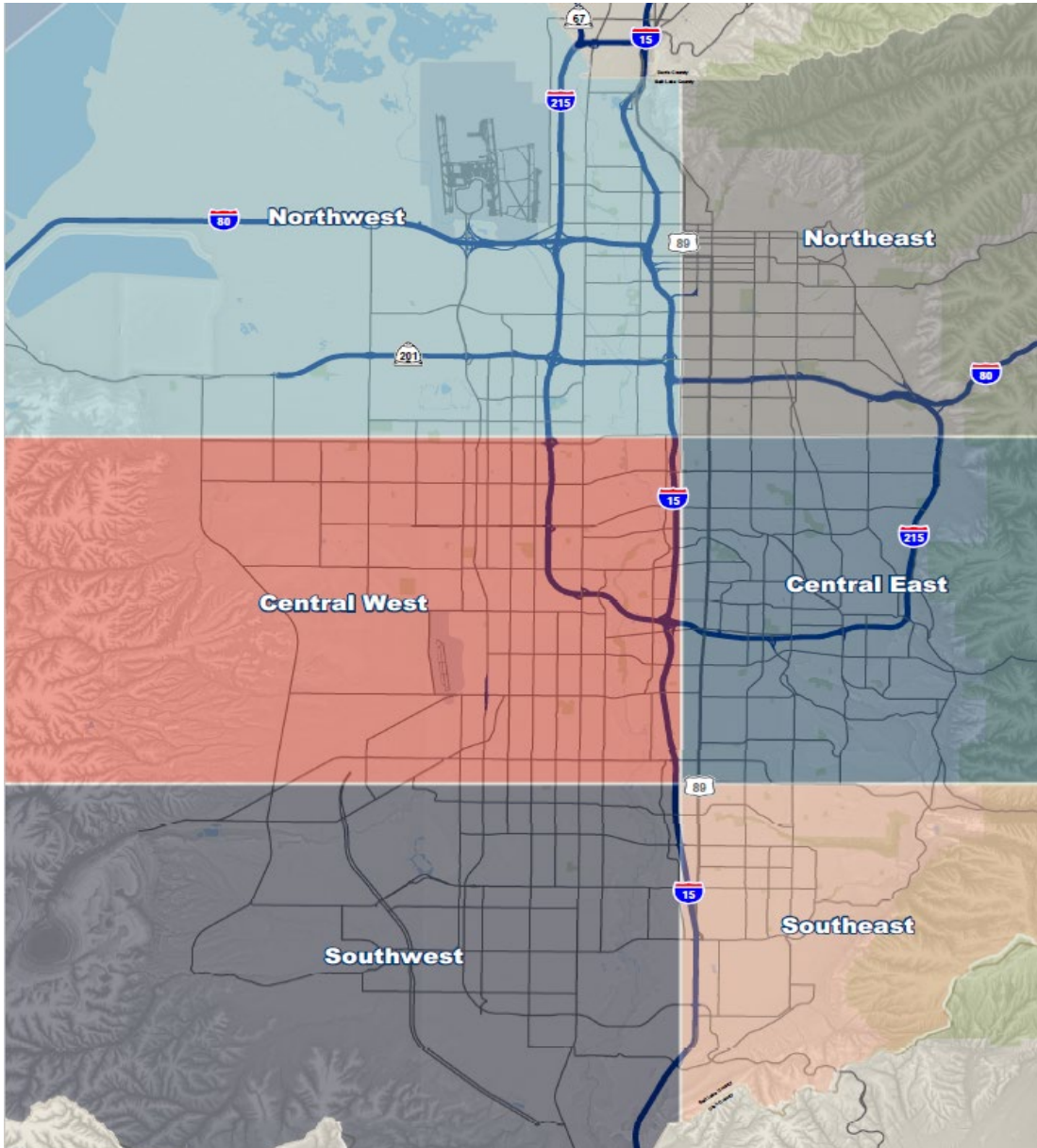
KEY CONSTRUCTION COMPLETIONS Q4 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
264 S. 5750 W.	North West	Confidential	709,503	Property Reserve, Inc.
2260 N. 2200 W.	North West	Harvest Right	339,527	Hamilton Partners

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INDUSTRIAL SUBMARKETS



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