

# Salt Lake City

## Industrial Q2 2023

**3.8%**  
Vacancy Rate



**1.4M**  
Net Absorption, SF



**\$0.78**  
Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q2 2023

**828.7K**  
Salt Lake City Employment



**2.3%**  
Salt Lake City Unemployment Rate



**3.6%**  
U.S. Unemployment Rate



Source: BLS, Moody's Analytics

U.S. unemployment rate for Q2 2023 is average of April (3.4%) and May (3.7%)

### ECONOMIC OVERVIEW

Nonfarm employment grew by 31,700 jobs or +3.6% year-over-year (YOY) from May 2022 through May 2023, with the service-producing sector leading with 25,097 jobs added, while the office-using sector added 6,910 jobs YOY. During the same time, the monthly unemployment rate increased from 2.2% to 2.3% YOY and is currently 130 basis points (bps) lower than the U.S. unemployment rate of 3.6%.<sup>1</sup> Of the twelve employment sectors, eleven are expected to grow at a rate of 3.0% in 2023, notably the professional & business services sector is forecasted to climb 3.6% and the service-producing sector 2.9%. Salt Lake City's economy of \$95.4 billion as measured by 2022 gross regional product is forecasted to rise 3.5% in 2023 and 2.8% in 2024, below the 10-year average of 3.6%.<sup>2</sup>

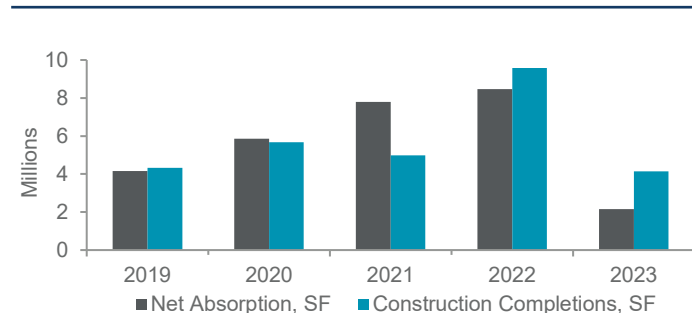
### VACANCY AND DEMAND

The overall vacancy rate, including sublease, increased 100 bps quarter-over-quarter (QOQ), and climbed 180 bps YOY to 3.8% in Q2 2023. The current vacancy is modestly lower (-30 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 4.1 million square feet (msf) of new product that delivered since the beginning of 2023 due in part to significant preleasing activity as developers seek to meet robust demand for industrial space. More than 93% of new construction has been concentrated in warehouse and distribution (W/D) space over the past 10 years, a trend which has continued through 2023. Approximately 111.2 msf or 72% of the base industrial inventory (155.2 msf) in Salt Lake City is comprised of W/D product type.

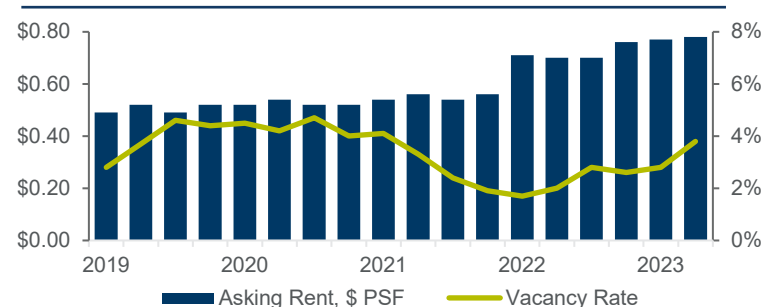
Across the region, the market's tightest product available is manufacturing space with overall vacancy at 0.1% in Q2 2023, unchanged from a year ago. Vacancy for flex space now stands at 4.9%, up 280 bps from 2.1% one year ago. Warehouse/Distribution vacancy is at 5.3% as of Q2 2023, an increase of 350 bps since last year. Vacancy for all product types combined is up 180 bps from a year ago, but that number is expected to tick down as large tenants begin to occupy new spaces in the second half of 2023.

Tenants absorbed 1.4 msf across all product types in Q2 2023 compared to 780,880 sf during Q1 2023. Most occupancy gains during the second quarter were recorded in the North West submarket, which yielded 1.0 msf of positive net absorption. In comparison, the five-year average (Q2 2018-Q2 2023) occupancy growth has been 5.1 msf. The occupancy growth of 7.7 msf recorded in 2021 was the highest on record reported by Cushman & Wakefield.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY / ASKING RENT



## PRICING / LEASING ACTIVITY

The average asking rent for all product types combined was \$0.78 per square foot (psf) per month on a triple net basis, a 1.2% increase QOQ and 11.4% annually. With stout demand for modern industrial distribution centers, average asking rents are expected to tick up led by newly delivered space.

Leasing activity remained active during the second quarter at 1.9 msf, excluding renewals, compared to 1.1 msf in Q1 2023, with the highest activity in the North West submarket, leasing over 1.7 msf (88%). This was highlighted by Specialized Bicycle Components signing a 583,000-sf lease at SLC Global Logistics Center – Bldg. 6 (currently under construction). The North West submarket has 72% of Salt Lake City’s industrial inventory, followed by Central West at 11%. The recent healthy activity will boost future absorption as tenants occupy their space the second half of 2023. Leasing of W/D space accounted for 1.8 msf, or 95%, of Q2 2023 total leasing activity and 8.5 msf, or 91%, in all of 2022 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. Notable tenant move-ins in the second quarter include East Penn Manufacturing Co., Cotopaxi, Updike Distribution Logistics, and Quality Electrical Systems which are all contributing to the 1.4 msf of positive absorption.

## DELIVERIES AND FUTURE INVENTORY

There were seven industrial buildings totaling 3.0 msf completed in Q2 2023, all located within the North West submarket, highlighted by The Quadrant II, a 1.0-msf speculative (SPEC) project located at 1195 N. 6550 W. Of the 3.0-msf projects completed, 44% has been pre-leased to major tenants including McLane Global Logistics, Pitney Bowes, CEVA Freight, and Western Cargo Services.

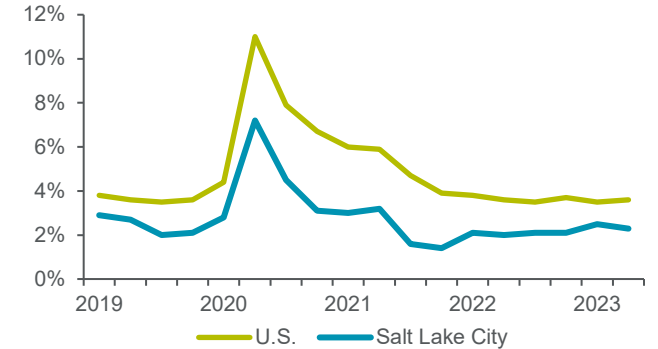
Salt Lake City’s development pipeline remains active with 6.8 msf across 22 new projects currently under construction, mostly in the North West submarket, 91% of which are SPEC buildings, with 19 slated for delivery in the second half of 2023. The remaining 2.2 msf, are set to deliver in 2024. Of the total 6.8 msf currently under construction, 2.6 msf, or 38%, has been pre-leased to Firestone, New Balance, IDF, and Congo Brands, among others.

Sources: <sup>1</sup>[www.bls.gov](http://www.bls.gov) <sup>2</sup>Moody’s Analytics economy.com 5/2023

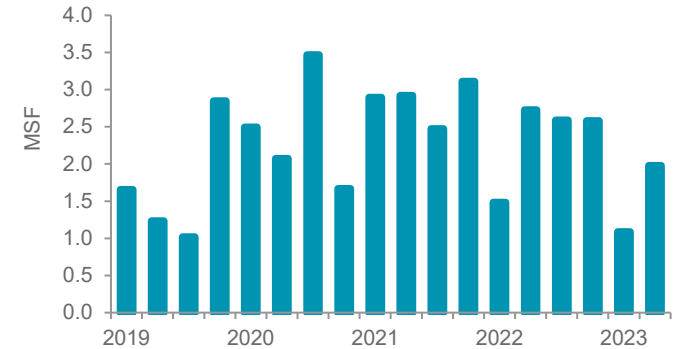
## OUTLOOK / TRENDS

- Leasing activity will likely remain strong throughout the remainder of the year. Tenant demand for W/D and Manufacturing space has substantially increased, especially in the 5-10k range. E-commerce continues to attract national tenants that are expanding their presence in the region. Tenant demand also remains high for outdoor storage and trailer/yard spaces, as the market is uniquely positioned within a day’s drive of most major Western cities. Rates are expected to continue their trend upward, industrial land rates are stabilizing, and the lack of inventory in core markets is pushing developers to look at outlying areas. New construction starts are expected to be delayed until capital markets, inflation, and lending conditions begin to see an improvement.
- As new construction continues to deliver through the second half 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.

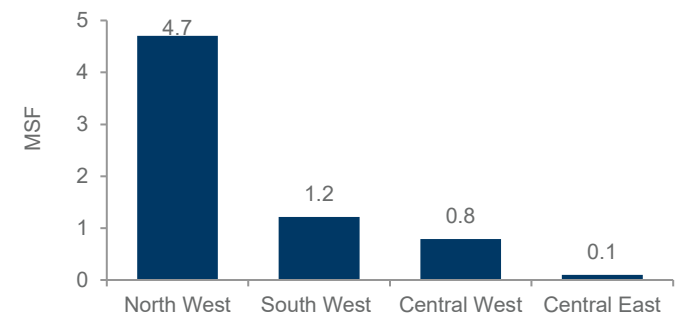
## UNEMPLOYMENT RATE IN COMPARISON



## 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 AVAILABLE INCLUDING U/C (SF)	OVERALL WEIGHTED AVG NET RENT (ALL TYPES)*	DIRECT WEIGHTED AVG NET RENT (ALL TYPES)*
North East	5,947,749	10,000	0.2%	0	14,790	0	0	0	26,753	\$1.20	\$1.20
North West	112,140,254	5,623,495	5.0%	1,023,583	1,356,960	1,737,697	4,752,997	3,859,611	7,297,819	\$0.78	\$0.79
Central East	5,208,479	36,207	0.7%	1,872	1,872	62,377	98,619	0	52,527	\$1.05	\$1.05
Central West	16,669,394	16,235	0.1%	106,133	106,358	81,807	785,860	0	161,223	\$0.79	\$0.79
South East	2,755,240	25,742	0.9%	-2,633	307,597	28,672	0	253,825	77,742	\$1.05	\$1.05
South West	12,457,675	181,057	1.5%	254,347	376,605	69,423	1,215,123	32,044	215,078	\$1.09	\$1.10
<b>TOTAL</b>	<b>155,178,791</b>	<b>5,892,736</b>	<b>3.8%</b>	<b>1,383,302</b>	<b>2,164,182</b>	<b>1,979,976</b>	<b>6,852,599</b>	<b>4,145,480</b>	<b>7,831,142</b>	<b>\$0.78</b>	<b>\$0.80</b>
OS/FX	24,269,663	45,197	4.9%	28,661	34,798	62,516	117,767	0	126,229	\$1.00	\$1.04
MFG	19,742,844	10,595	0.1%	0	-886	28,136	0	0	397,889	\$1.05	\$0.93
W/D	111,166,284	5,836,944	5.3%	1,354,641	2,130,270	1,889,324	6,734,832	4,145,480	7,307,024	\$0.77	\$0.80
<b>TOTAL</b>	<b>155,178,791</b>	<b>5,892,736</b>	<b>3.8%</b>	<b>1,383,302</b>	<b>2,164,182</b>	<b>1,979,976</b>	<b>6,852,599</b>	<b>4,145,480</b>	<b>7,831,142</b>	<b>\$0.78</b>	<b>\$0.80</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 Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE	RENT (PER MONTH)
821 N. 6550 W.	North West	Specialized Bicycle Components, Inc.	583,308	New – Direct	\$0.73 NNN
6075 W. 300 S.	North West	Sephora USA, Inc.	350,892	Renewal	\$0.67 NNN
6320 W. 300 S.	North West	Confidential	309,409	New – Direct	Confidential
150 S. 6020 W.	North West	Confidential	179,400	New – Direct	Confidential

## KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	INVESTMENT / OWNER - USER	PRICE / \$PSF
5950 W. Amelia Earhart Dr.	North West	Tosca Services, LLC / Amelia Earhart Industrial, LLC	42,767	Investment	\$7.7M   \$180
2475 S. Decker Lake Blvd.	North West	Amigos Holdings, LLC / N/A	27,407	Owner-User	\$7M   \$255
1730 S. 4453 W.	North West	Charles Williams / US Top Homes, LLC	5,908	Owner-User	\$1.3M   \$225

## KEY CONSTRUCTION COMPLETIONS Q2 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1195 N. 6550 W.	North West	Confidential	1,067,000	The Ritchie Group
264 S. 5750 W.	North West	Confidential	709,503	Property Reserve, Inc.
8080 W. 1400 N.	North West	Vacant	474,600	Hamilton Partners

