

Salt Lake City

Investment Mid-Year 2023



	YoY Chg	12-Mo. Forecast
6.25% Blended Cap Rate	▲	▲
5.25% Multifamily Cap Rate	▲	▲
8.00% Office Cap Rate	▲	▲
5.25% Industrial Cap Rate	▲	▲
6.75% Retail Cap Rate	▲	▬

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%.¹ Eleven of the twelve employment sectors are expected to grow at a rate of 3.0% in 2023, notably the professional & business services sector is forecasted to grow 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 grow 3.5% in 2023 and 2.8% in 2024, below the 10-year average of 3.6%.²

INVESTMENT OVERVIEW

The Salt Lake City Investment market continued to soften in 2023, totaling \$517 million (M) year-to-date (YTD) traded across the four major asset classes, down 78% from mid-year 2022 at \$2.3 billion (B), in terms of total dollar volume. Contrary to last year where the highest activity was in the multi-family asset class, the bulk of the volume this year was seen in the industrial sector, with \$242M, reflecting a continual demand for warehouse/distribution centers primarily due to e-commerce users, making it a desirable asset type to place capital for investors. Like multi-family, currently at \$113M, office assets have cooled to \$120M YTD, trading only \$38M in volume for Q2 2023, down 46% from Q1 2023. Vacancy in the office market has increased as tenants are taking a more cautious look at their real estate needs with the difficulty of getting employees to return to the office. Retail saw the lowest activity, with only \$41M in total volume for the first half of 2023.

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
828.7K Salt Lake City Employment	▲	▲
2.3% Salt Lake City Unemployment Rate	▲	▲
3.6% U.S. Unemployment Rate	▬	▲
4.0% U.S. 10-Yr Treasury Yield	▲	▬

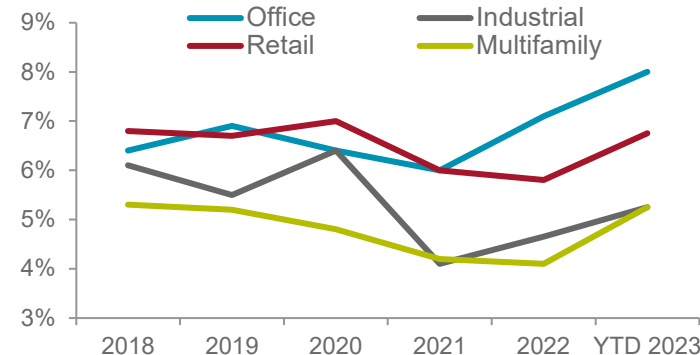
Source: BLS

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

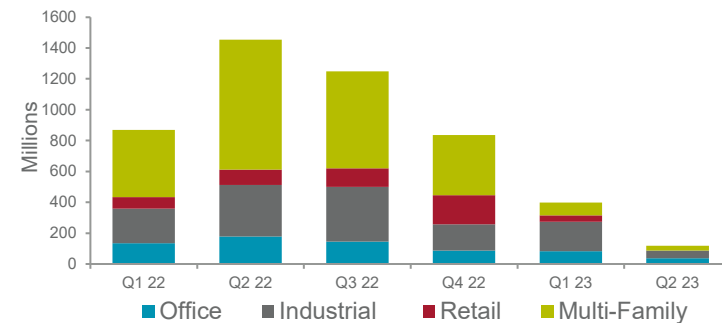
CAP RATES

The overall weighted average cap rate rose year-over-year (YOY) ticking up 145 basis points to 6.25% from 4.8%. All four asset classes experienced cap rate expansion throughout the first half of the year. Salt Lake City will continue to be an attractive haven for private and institutional investors in search of core real estate quality and economic fundamentals without the core market premium.

CAP RATE TREND



INVESTMENT SALES VOLUME BY PROPERTY TYPE



Source: Real Capital Analytics

Salt Lake City

Investment Mid-Year 2023



DEBT / CAPITAL MARKETS

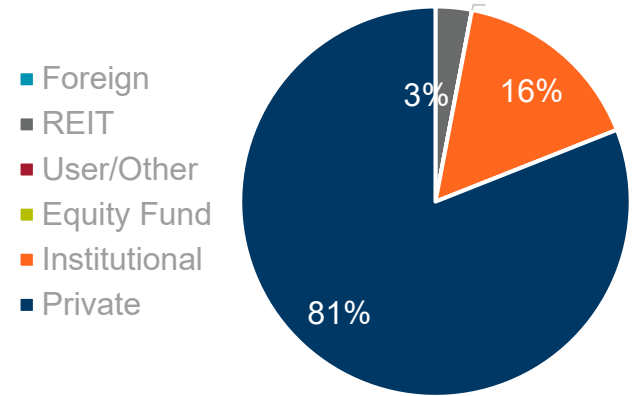
Commercial lending is expected to remain unstable due to slower growth, hybrid/remote work and e-commerce. The Private Capital Sector is dominating investment sales, accounting for \$320M, or 81%, across all asset purchases in the first half of 2023.

DEVELOPMENT PIPELINE

New construction starts are expected to be delayed until capital markets, inflation, and lending conditions begin to improve. Current economic conditions don't warrant new construction starts which will create tight occupancy levels in the future. The office sector is seeing a notable trend with buildings being repositioned as multi-family product. These include: American Plaza I, South Temple Tower, HK Tower, and 675 E. 500 S. Salt Lake County currently has 44 apartment projects with a total of 9,683 units under construction. Sixty-two percent of these units (5,995 units) are located in Salt Lake City. Additionally, there are 30 proposed apartment developments (6,850 units) in the county, with 56% percent of those units (3,838 units) located in Salt Lake City.

Sources: Real Capital Analytics, Cushman & Wakefield Research
 *SF includes office, industrial and retail. Unit calculation for apartment only
¹www.bls.gov ²Moody's Analytics economy.com 5/2023

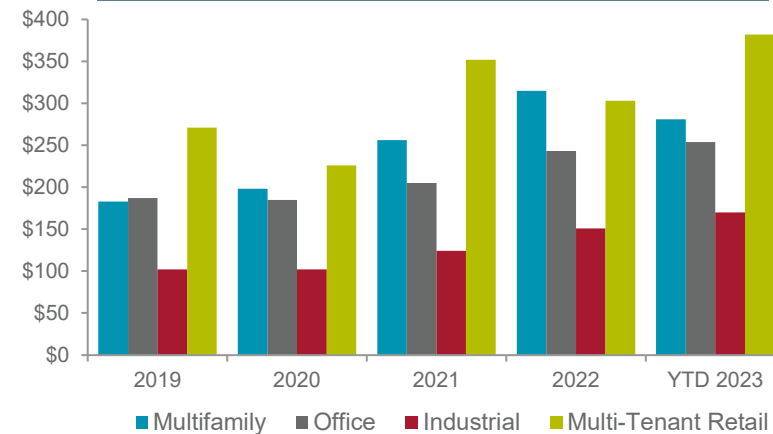
TOTAL YTD ACQUISITIONS BY CAPITAL SECTOR



TOP ACTIVE LISTINGS

PROPERTY NAME	TYPE	SELLER	TOTAL SF / UNITS	PURCHASE PRICE / PSF	CAP RATE	MARKET
Daybreak Corporate Center	Office	Stoltz Real Estate Partners	177,000	\$46,650,000 / \$264	7.4%	South West
Hilltop Towers	Multi-family	TEC Management	199,000 / 141	\$46,000,000 / \$326,241 - Unit	4.7%	Weber County
Highbury at Lake Park	Retail	Arbor / Gardner	119,366	\$32,541,000 / \$273	6.48%	North West
Desert Village Townhomes	Multi-family	CW Urban	287,105	\$71,000,000 / \$383,280 Unit	5.5%	St. George
2525 Lake Park Blvd.	Office	Colleen Cortese	125,130	\$20,000,000 / \$160	Vacant	North West
The Clara Apartments	Multi-Family	CW Urban	41,780 / 46	\$15,574,340 / \$338,573 - Unit	5.0%	Davis County

AVERAGE SALE PRICE PSF BY ASSET TYPE



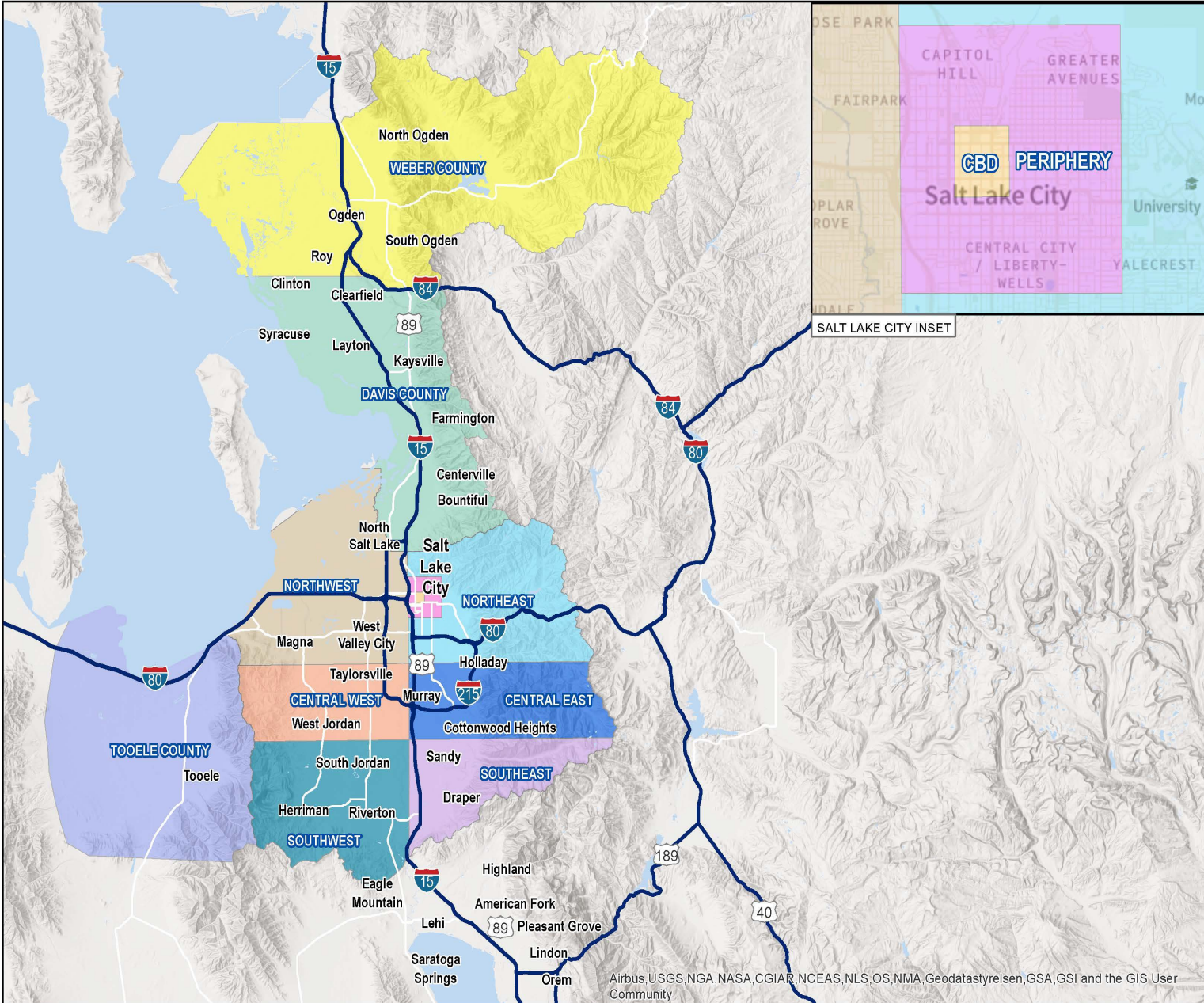
SIGNIFICANT SALES - YTD

PROPERTY NAME / ADDRESS	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE / UNIT (\$ PSF)	CAP RATE	MARKET
Ascend Apartments	Multi-family	Milburn & Company	DHI Communities	230 Units	\$77,500,000	\$336,957 - Unit	5.0%	Utah County North
Raceway Commerce Center	Industrial	Westcore Properties	Brennan Investment Group	397,894	\$52,220,000	\$131	Confidential	North West
170 South Main Street	Office	Fortstreet Partners	UBS Asset Management	255,255	\$44,200,000	\$173	Confidential	North East
Gordon Lane Apartments	Multi-family	Millburn & Company	Richard C. Workman	124 Units	\$30,592,057	\$246,710 - Unit	4.9%	Central East
6399 West 700 South	Industrial	SLC Marine, LLC and SLC Leadbetter, LLC	Pure Tread SLC	160,230	\$28,810,587	\$180	5.2%	North West
Park Station	Multi-family	Peak Capital Partners	Benedict Canyon Equities	84,550	\$21,750,000	\$257	Confidential	Central East

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INVESTMENT SUBMARKETS



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