

## Industrial Q3 2023

**4.1%**  
Vacancy Rate



**1.3M**  
Net Absorption, SF



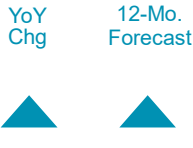
**\$0.79**  
Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q3 2023

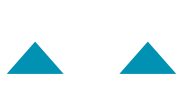
**830.6K**  
Salt Lake City Employment



**2.5%**  
Salt Lake City Unemployment Rate



**3.7%**  
U.S. Unemployment Rate



Source: BLS, Moody's Analytics

U.S. unemployment rate for Q3 2023 is average of July (3.5%) and August (3.8%)

### ECONOMIC OVERVIEW

Nonfarm employment grew by 21,500 jobs or +2.7% year-over-year (YOY) from August 2022 through August 2023. During the same time, the monthly unemployment rate increased 10 basis points (bps) to 2.5% and is currently 120 basis points (bps) lower than the U.S. unemployment rate of 3.7%.<sup>1</sup> Of the 12 employment sectors, 11 are expected to grow at a combined rate of 2.9% in 2023, notably the education and health services sector is forecasted to rise 6.1% and the service-producing sector is forecasted to grow 3.2%. The Salt Lake City economy of \$95.4 billion as measured by 2022 gross regional product is forecasted to climb 3.5% in 2023 and 2.6% in 2024, below its 10-year average of 3.6%.<sup>2</sup>

### VACANCY AND DEMAND

The overall vacancy rate, including sublease, increased 10 bps quarter-over-quarter (QOQ), and climbed 130 bps YOY to 4.1% in Q3 2023. The current vacancy is equal to 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 5.6 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 112.6 msf or 72% of the base industrial inventory (156.8 msf) in Salt Lake City is comprised of W/D product type.

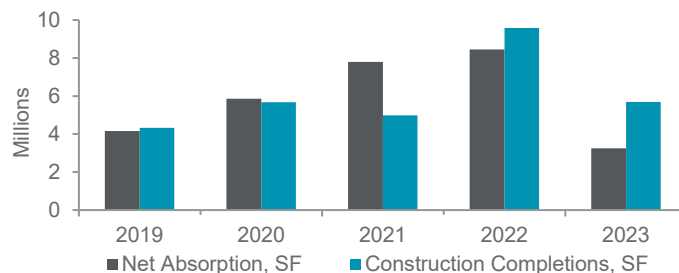
Across the region, the market's tightest product available is office service/flex space with overall vacancy at 0.1% in Q3 2023, down 70 bps since Q3 2022. Vacancy for manufacturing now stands at 0.5%, up 10 bps from Q3 2022 at 0.4%.

Warehouse/Distribution vacancy is at 5.6% as of Q3 2023, an increase of 300 bps since last year. Vacancy for all product types combined is up 130 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 2023.

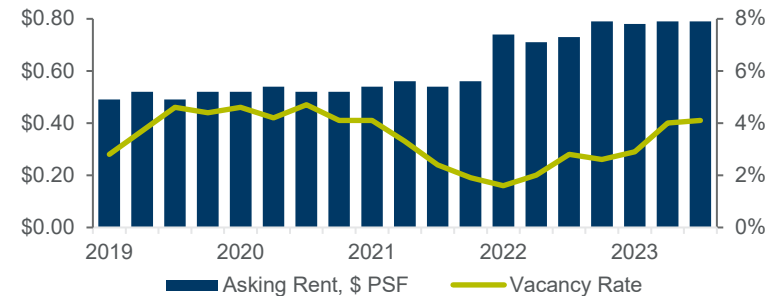
Salt Lake City's industrial market has seen a rise in sublet availabilities, with 2.2 msf currently available. Notable large sublease spaces that became available this quarter include: 271,000 sf at 2499 S. 6755 W., 228,000 sf at 5350 W. Harold Gatty Dr., 87,000 sf at 350 N. John Glenn Rd., and 83,000 sf at 6162 W. Beagley Rd., all located in the North West submarket.

Tenants absorbed 1.3 msf across all product types in Q3 2023 compared to 1.2 msf during Q2 2023. Most occupancy gains during the third quarter were also recorded in the North West submarket, which yielded 1.2 msf of positive net absorption. In comparison, the five-year average (Q3 2018-Q3 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



# Salt Lake City

Industrial Q3 2023

## PRICING / LEASING ACTIVITY

The average asking rent for all product types combined was \$0.79 per square foot (psf) per month on a triple net basis, unchanged QOQ and an 8.2% increase annually. With stout demand for modern industrial distribution centers, average asking rents are expected to tick up fueled by new construction deliveries priced at a premium.

Leasing activity remained active during the third quarter at 1.3 msf, excluding renewals, compared to 2.1 msf in Q2 2023, with the strongest activity in the North West submarket, leasing over 1.2 msf (94%). This was highlighted by a confidential tenant signing a 252,223-sf lease at Wingpointe Logistics. The North West submarket has 73% 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 in the fourth quarter of 2023. Leasing of W/D space accounted for 1.0 msf, or 78%, of Q3 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 third quarter include Dura-Line, McLane Global Logistics, Imagine Supply Chain, and Cameron Ashley Building Products, which are all contributing to the 1.3 msf of positive absorption.

## DELIVERIES AND FUTURE INVENTORY

There were 10 industrial buildings totaling 1.2 msf completed in Q3 2023, located within the North West and South West submarkets, highlighted by Airport Industrial S, a 340,000-sf speculative (SPEC) project located at 2307-2401 N. 2200 W. Of the 5.4 msf projects completed in the first three quarters of 2023, 56% has been pre-leased to major tenants including Kane Warehousing, KNS International, Wier Group, and Western Cargo Services.

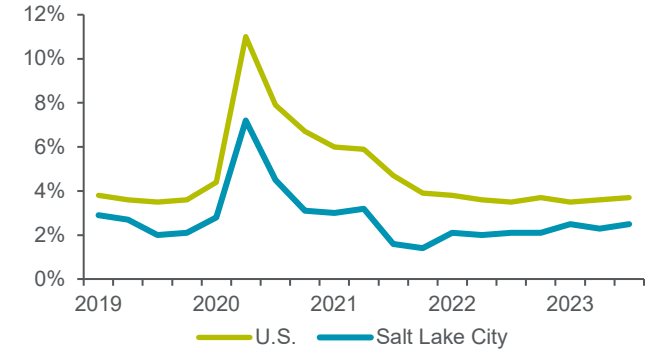
Salt Lake City's development pipeline remains active with 6.4 msf across 16 new projects currently under construction, mostly in the North West submarket, 94% of which are SPEC buildings, with eight slated for delivery in the fourth quarter. The remaining 3.5 msf, are set to deliver in 2024. Of the total 6.4 msf currently under construction, 2.5 msf, or 40%, 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 8/2023

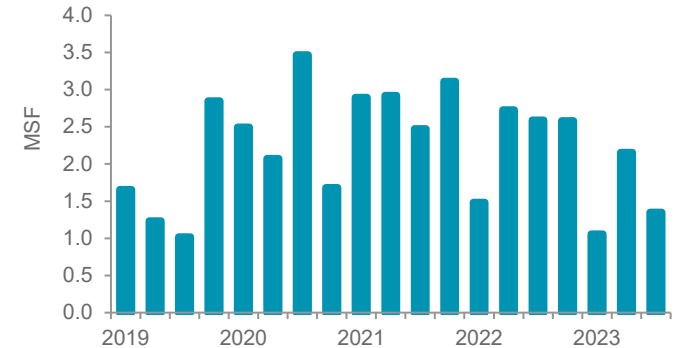
## OUTLOOK / TRENDS

- Leasing activity will likely remain stable throughout the remainder of the year. Healthy tenant demand for W/D and Manufacturing spaces persists, especially in the 30-40k range. 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. Industrial land values 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.
- With the slowdown of new industrial product delivering/breaking ground in 2024, absorption is expected to remain steady and average asking rents will continue to trend upward. Vacancy is also anticipated to decrease as large tenants occupy current developments, putting pressure on an already tight market.
- Salt Lake City is uniquely positioned to stabilize as the local economy continues to outperform many of its peer markets. With continued positive net in-migration and a general push within the workforce for a well-nourished work-life balance, Salt Lake City remains a highly desirable market for industrial users and favorable for new businesses.

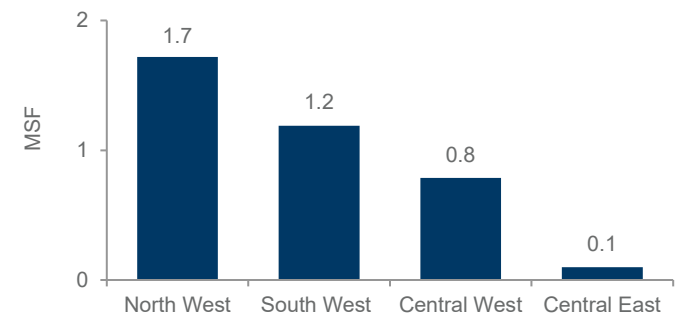
## UNEMPLOYMENT RATE IN COMPARISON



## 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	5,951,029	10,000	0.2%	0	14,790	0	0	0	30,033	\$1.20	\$1.20
North West	113,818,453	6,049,139	5.3%	1,256,743	2,422,786	1,266,394	4,038,993	5,375,406	10,278,264	\$0.79	\$0.79
Central East	5,209,027	6,244	0.1%	29,963	31,835	26,137	98,619	0	146,450	\$0.85	\$1.05
Central West	16,670,360	77,257	0.5%	-11,867	94,491	24,350	785,860	0	955,250	\$0.79	\$0.79
South East	2,755,240	7,174	0.3%	0	326,165	0	0	253,825	72,363	\$1.14	\$1.05
South West	12,482,751	226,739	1.8%	24,423	355,999	34,304	1,190,050	57,120	1,419,874	\$1.10	\$1.10
<b>TOTAL</b>	<b>156,886,860</b>	<b>6,376,553</b>	<b>4.1%</b>	<b>1,299,262</b>	<b>3,246,066</b>	<b>1,351,185</b>	<b>6,113,522</b>	<b>5,686,351</b>	<b>12,902,234</b>	<b>\$0.79</b>	<b>\$0.81</b>
OS/FX	24,317,938	21,686	0.1%	27,511	58,309	48,199	117,767	0	275,552	\$0.62	\$1.04
MFG	19,911,642	90,628	0.5%	2,274	-80,919	247,061	0	0	305,538	\$1.05	\$0.93
W/D	112,657,280	6,264,239	5.6%	1,269,477	3,268,676	1,055,925	5,995,755	5,686,351	12,321,144	\$0.79	\$0.80
<b>TOTAL</b>	<b>156,886,860</b>	<b>6,376,553</b>	<b>4.1%</b>	<b>1,299,262</b>	<b>3,246,066</b>	<b>1,351,185</b>	<b>6,113,522</b>	<b>5,686,351</b>	<b>12,902,234</b>	<b>\$0.79</b>	<b>\$0.81</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 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE	RENT (PER MONTH)
4951 W. 150 S.	North West	Kane Warehousing	252,223	New – Direct	\$0.80 NNN
1195 N. 6550 W.	North West	Confidential	166,250	Sublease	Confidential
5354 W. 700 S.	North West	Confidential	160,162	New – Direct	Confidential
1568 S. 5500 W.	North West	HD Supply Facilities Maintenance	151,231	New – Direct	\$0.88 NNN

### KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	INVESTMENT / OWNER - USER	PRICE / \$PSF
2455 S. 3600 W.	North West	Pacific Landing, II   WSL - West Valley SLC Industrial	293,895	Investment	Undisclosed
1085-1095 Winding River Cove	North West	Sports Complex at Riverbend, LLC   N/A	82,307	Investment	Undisclosed
2230 S. 2000 W.	North West	Farmer Bros Co.   West Redwood, LLC	10,080	Investment	\$1.5M   \$146

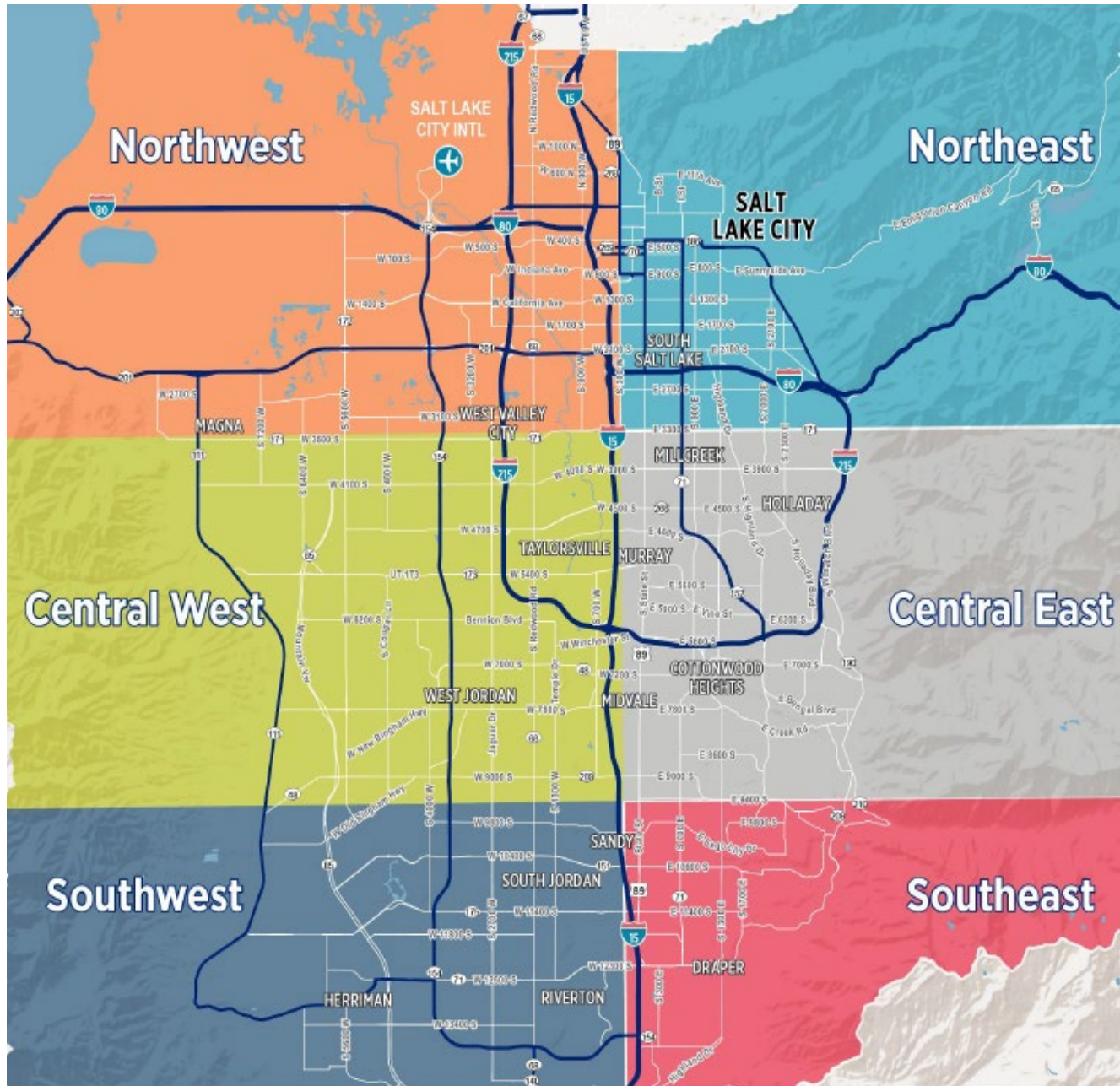
### KEY CONSTRUCTION COMPLETIONS Q3 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
2307-2401 N. 2200 W.	North West	Vacant	339,394	Perry Commercial
2215 - 2217 S. 7200 W.	North West	Vacant	328,000	Invesco
1510 S. Gustin Rd.	North West	Vacant	207,180	Price Realty Group

# Salt Lake City

Industrial Q3 2023

## 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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