

1Q24

# Greater Salt Lake Industrial Market

## Overviews for Salt Lake, Davis, Weber and Utah Counties



**NEWMARK**



# Market Observations

## Economy

- Industrial sectors realized 12-month job losses as occupiers continued to reconfigure space needs and inventory models. Recent announcements from manufacturing companies entering and expanding within the region hint at job growth in the coming quarters.
- Loaded import volume at the Ports of Los Angeles and Long Beach collectively totaled 1.5 million containers in the first two months of 2024. This figure is on par with the same period in 2018, which ended up being a healthy year.
- There is a strong correlation between historical import traffic and demand for warehouse space across Southwest markets.

## Major Transactions

- Nearly 50% of all transaction square feet signed in the first quarter of 2024 occurred in buildings delivered since 2022.
- Private entities and owner-users were the quarter's most active buyers. Institutional capital remained on the sidelines.
- 3PLs and manufacturers continue to be active in the market. Several manufacturers are retrofitting non-manufacturing buildings to suit their needs.

## Leasing Market Fundamentals

- Net absorption surpassed construction deliveries in Salt Lake and Utah Counties, while absorption was nearly equal to deliveries in Davis and Weber Counties.
- Vacancy decreased across the entire region as construction starts slowed and tenants progressively lease new supply.
- Achieved first-year lease rates continue to experience strong growth.
- Other occupancy costs are rising alongside rent. Operating expenses are up amid inflation and the 4.0% annual lease escalation is more prevalent. Cost-conscious tenants are turning more to Class B and Class C spaces.

## Outlook

- The macroeconomic outlook remains cloudy, but leasing activity continues, albeit at a clip resembling pre-pandemic levels.
- Vacancy will likely hold steady over the next few quarters as demand sits in line with construction deliveries.
- Asking rents appear to be cooling after two consecutive years of heated growth. Achieved average first-year lease rates will fluctuate in each region based on whether leasing activity is occurring more in new construction or second-generation space; landlords are still leveraging concessions and tenant improvements.

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# Economy

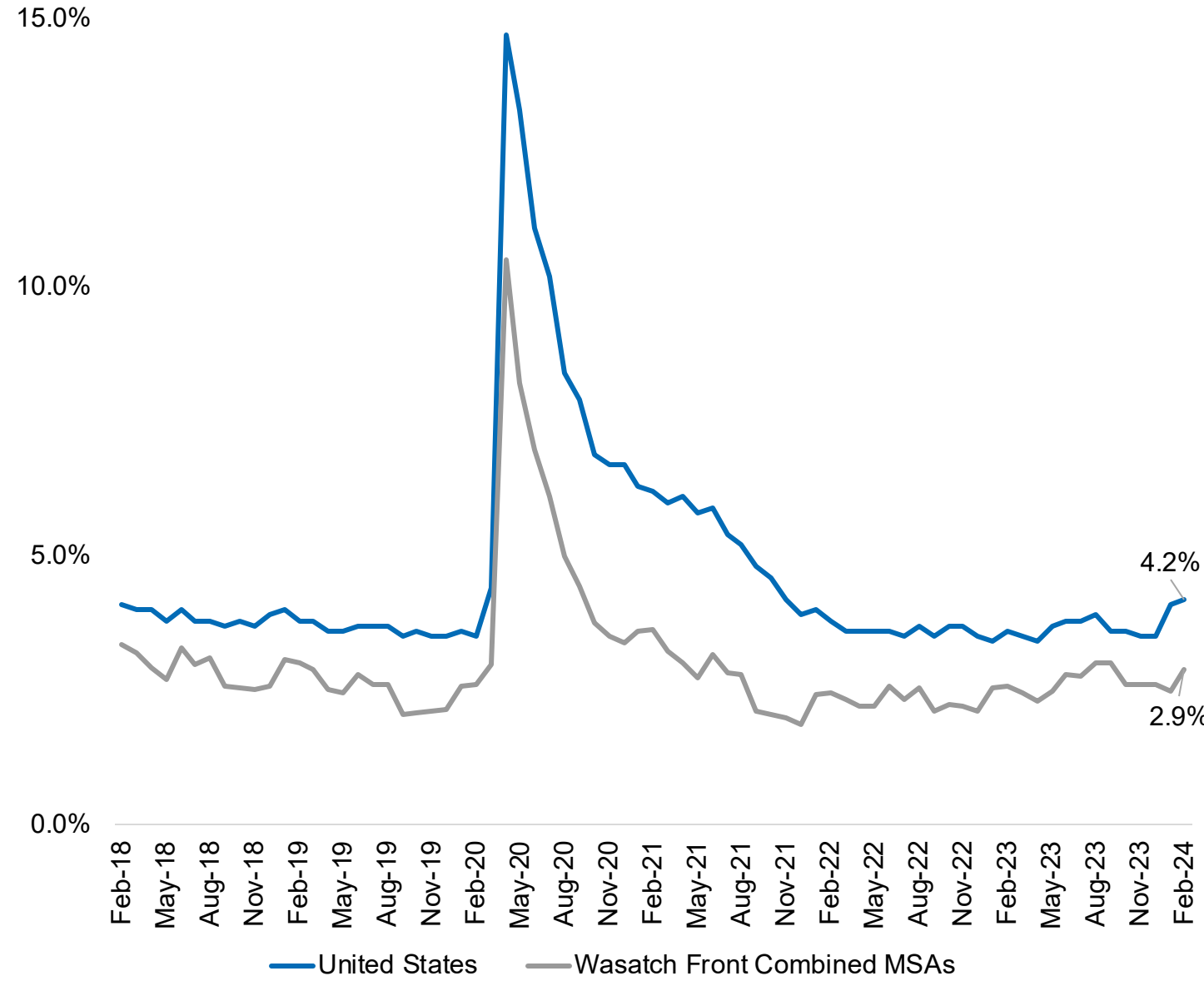




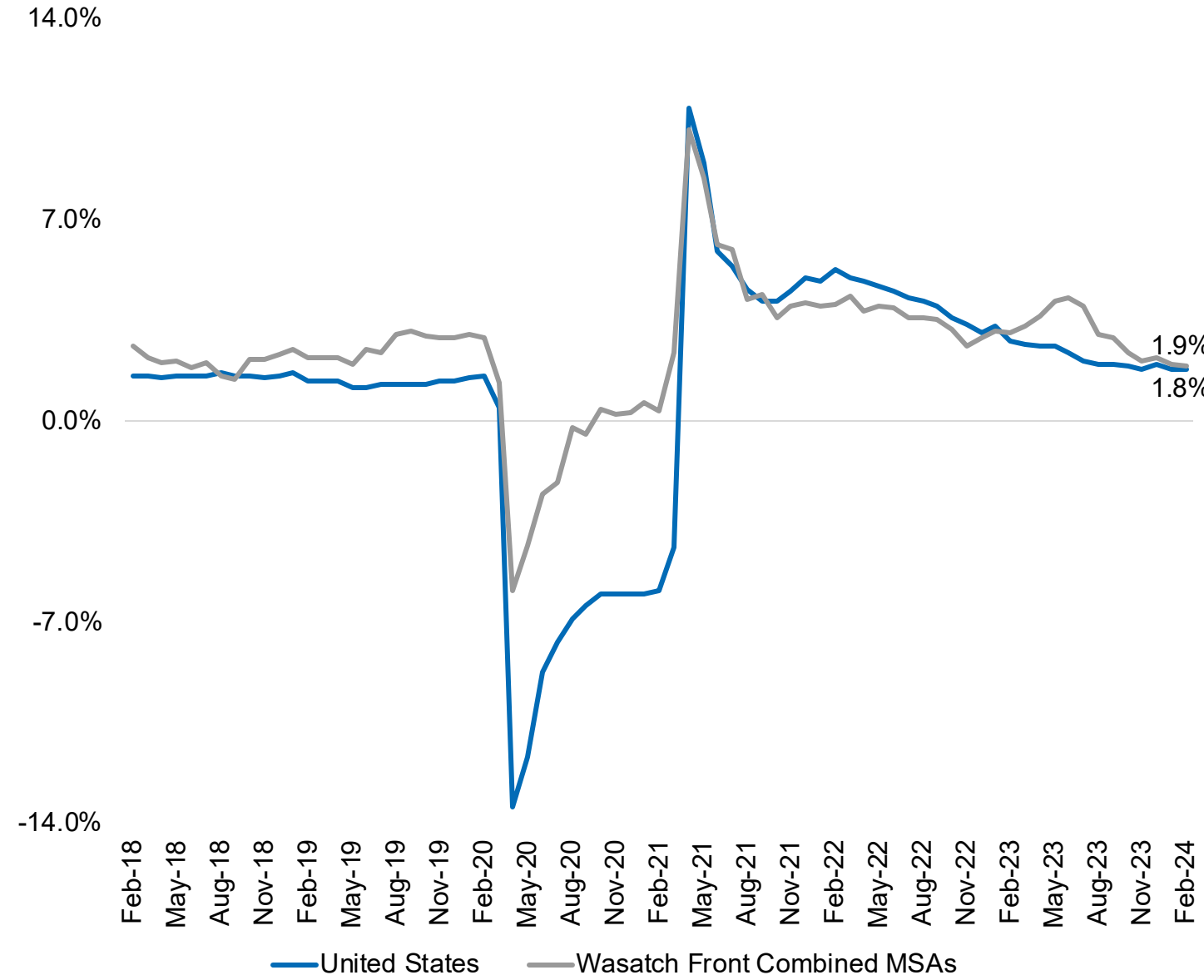
# Wasatch Front Labor Market Returns to Pre-Pandemic Trends

Local unemployment has historically remained significantly lower than the national average and has mirrored pre-pandemic rates for two years despite recent economic uncertainty. At the end of February 2024, Wasatch Front unemployment was 130 basis points lower than the national rate. Overall local job growth continues but has slowed and nearly matches the national average, with 1.9% in annual gains relative to 1.8% growth for the U.S.

**Unemployment Rate, Not Seasonally Adjusted**



**Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change**



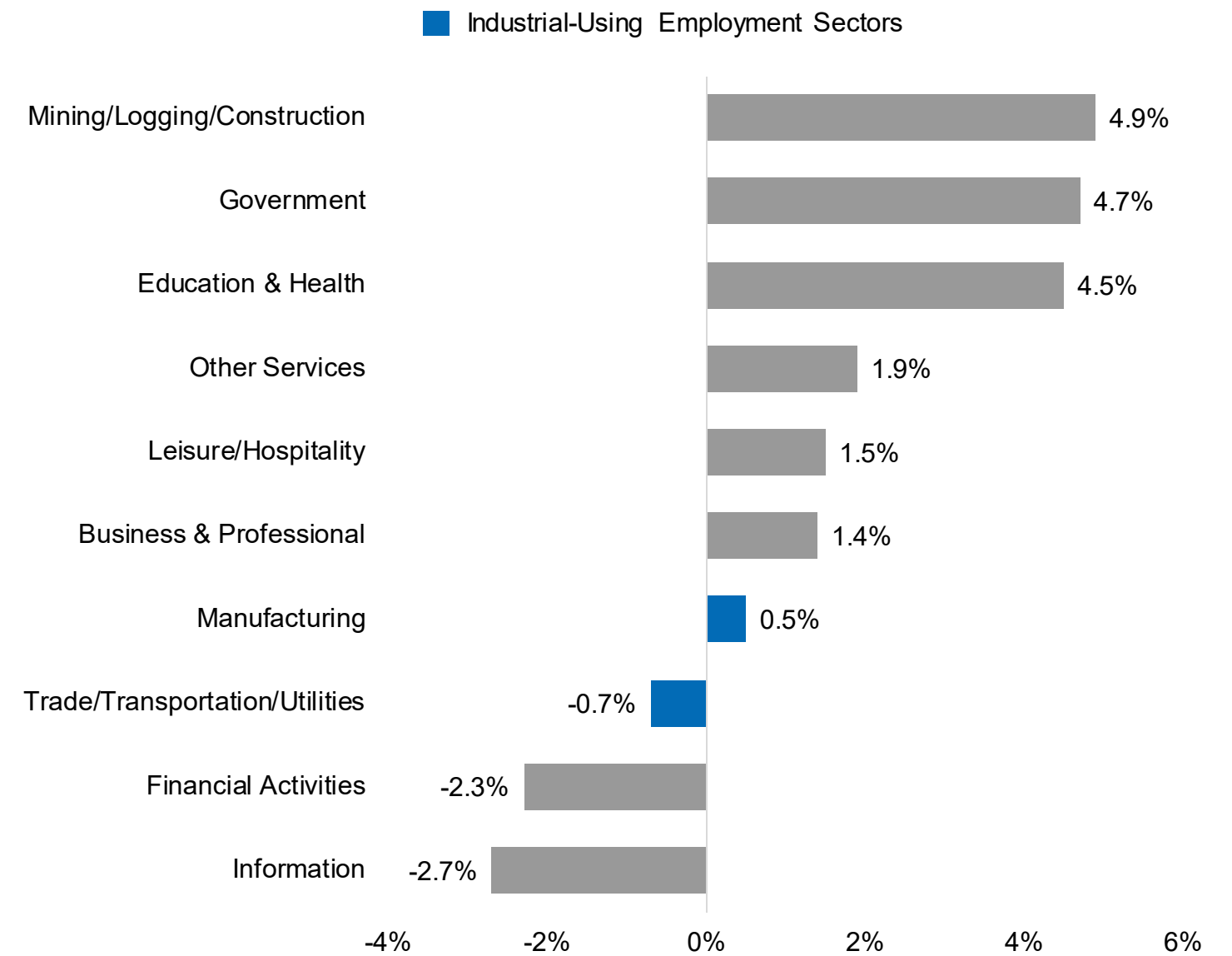
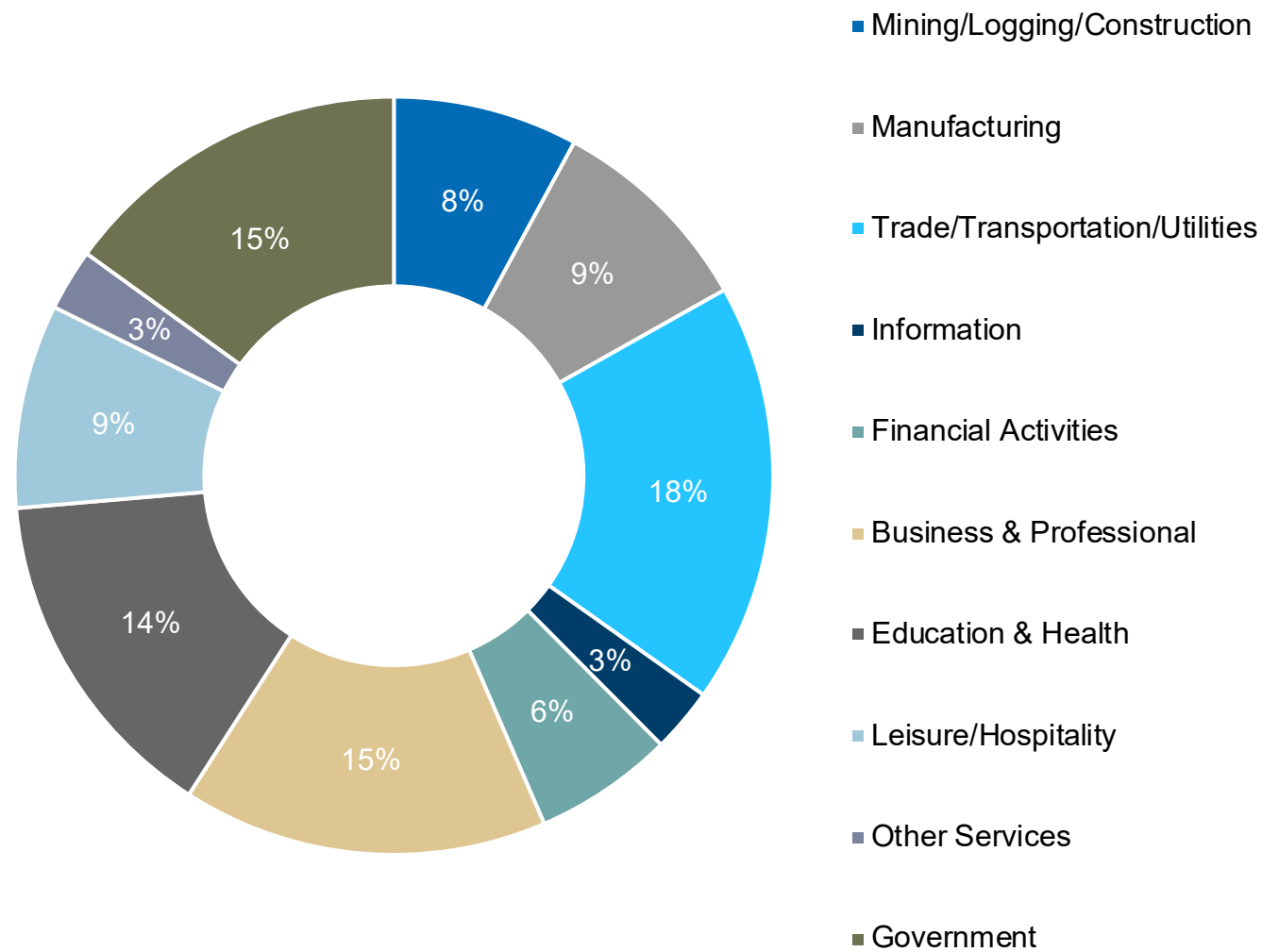
Source: U.S. Bureau of Labor Statistics  
 \*Wasatch Front Combined MSAs include: Salt Lake City MSA, Provo-Orem MSA and Ogden-Clearfield MSA

# Job Growth Outside of Office-Using Sectors Strong Along Wasatch Front

Year-over-year gains in the mining/logging/construction (+4.9%), government (+4.7%) and education/health (+4.5%) industries buoyed up job growth for the Greater Salt Lake region despite losses among the information (-2.7%) and financial activities (-2.3%) industries. The industrial sector experienced minimal movement amid cooling demand.

Wasatch Front Employment by Industry, February 2024

Wasatch Front Employment Growth by Industry, 12-Month % Change, February 2024

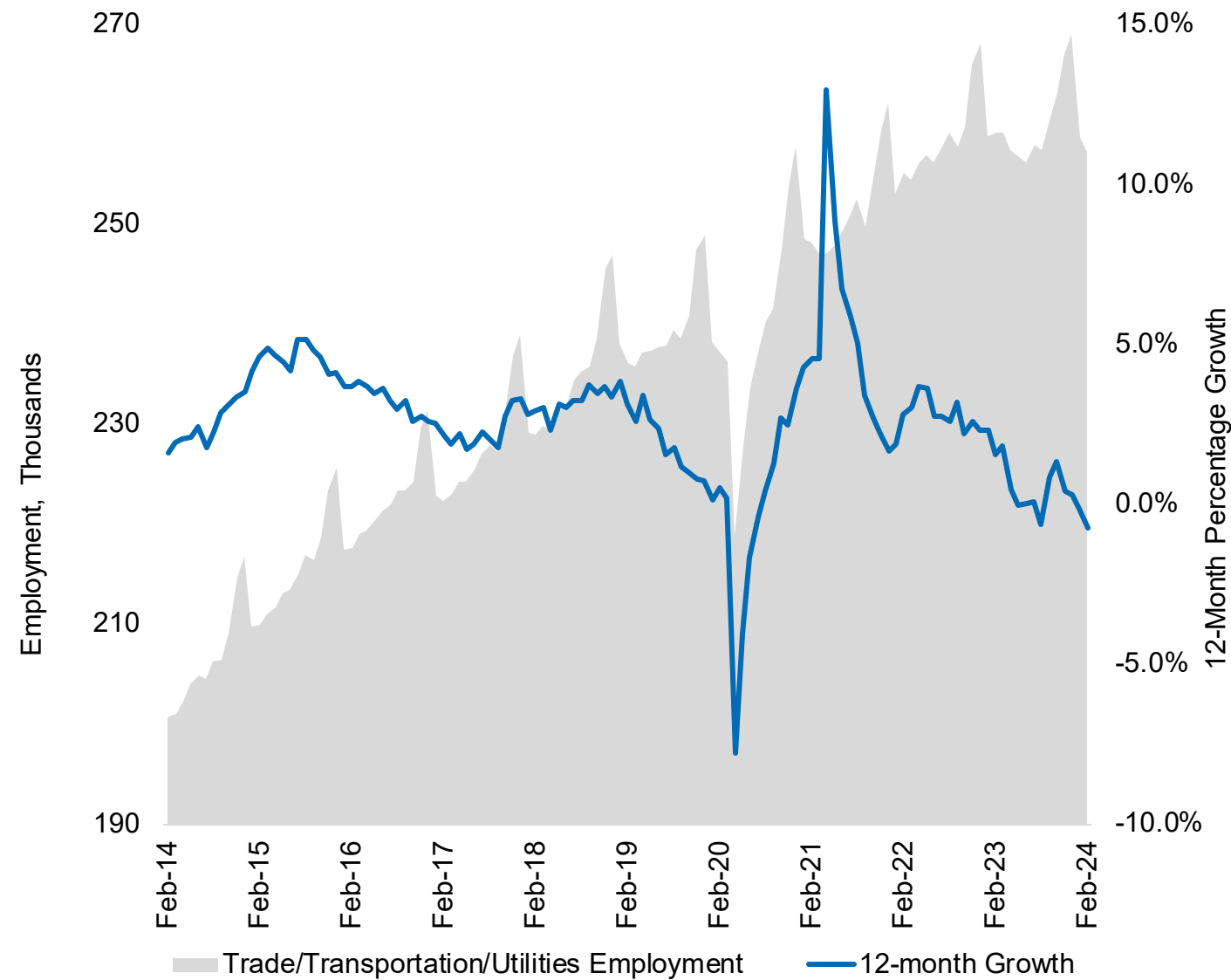


Source: U.S. Bureau of Labor Statistics  
 \*Wasatch Front Combined MSAs include: Salt Lake City MSA, Provo-Orem MSA and Ogden-Clearfield MSA

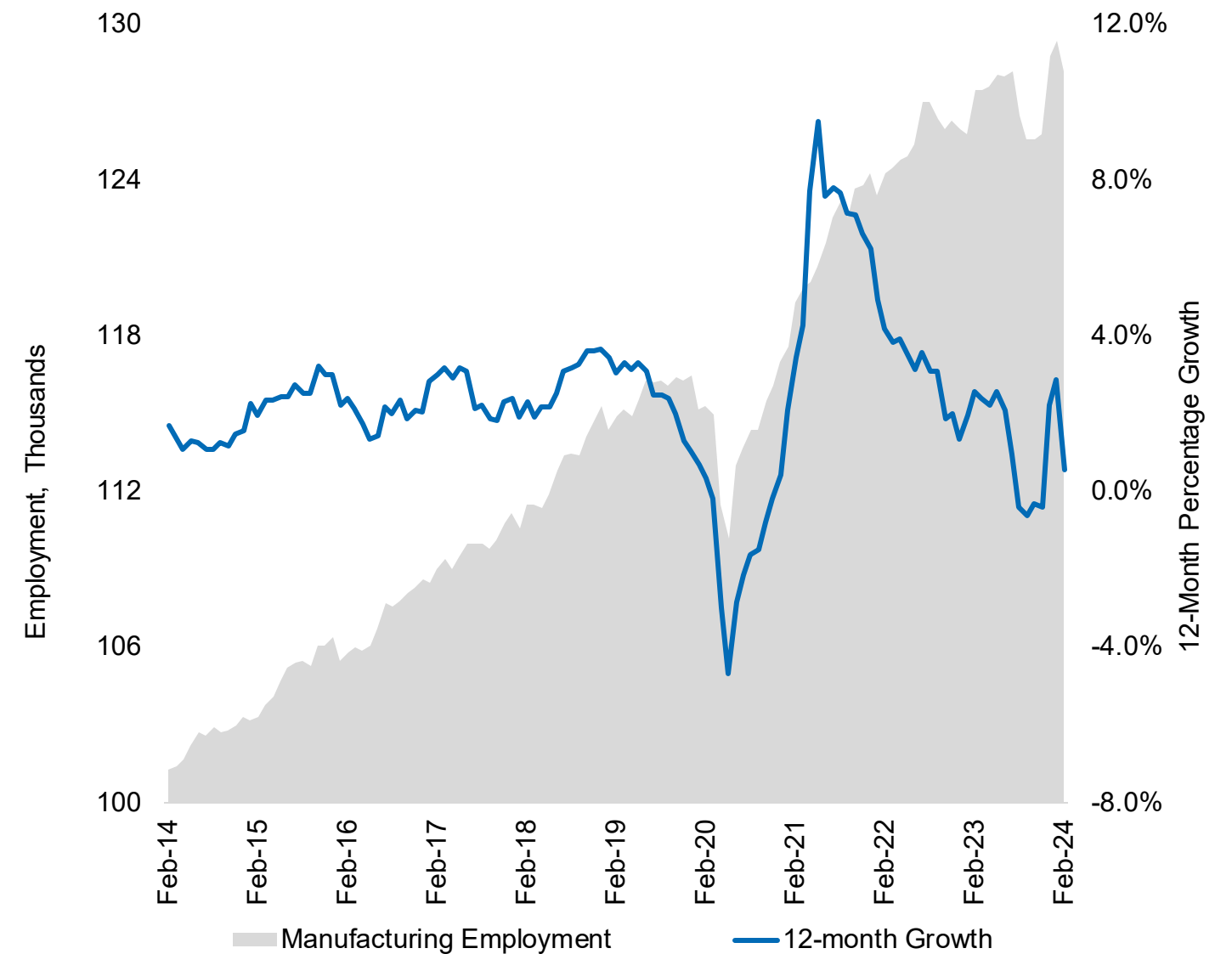
# Industrial Employment Growth Stabilizing Among Market Right-Sizing

After a robust three years of job growth, the trade/transportation/utilities employment sector is right-sizing amid more subdued demand for consumer goods. Manufacturing employment contracted for the last four months of 2023 but made expected small gains in 2024, based on recent announcements from Nature's Bakery, Tract, and Ya Ya Foods.

Wasatch Front Trade/Transportation/Utilities Employment and 12-Month Growth Rate



Wasatch Front Manufacturing Employment and 12-Month Growth Rate



Source: U.S. Bureau of Labor Statistics

\*Wasatch Front Combined MSAs include: Salt Lake City MSA, Provo-Orem MSA and Ogden-Clearfield MSA



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# Utah County Employment Struggles Compared to Rest of Wasatch Front

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## Population Has Increased Almost Three Times Over the Past Five Decades

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# Salt Lake City Market Fundamentals





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## Salt Lake City Submarket Map and High-Level Statistics | 1Q24

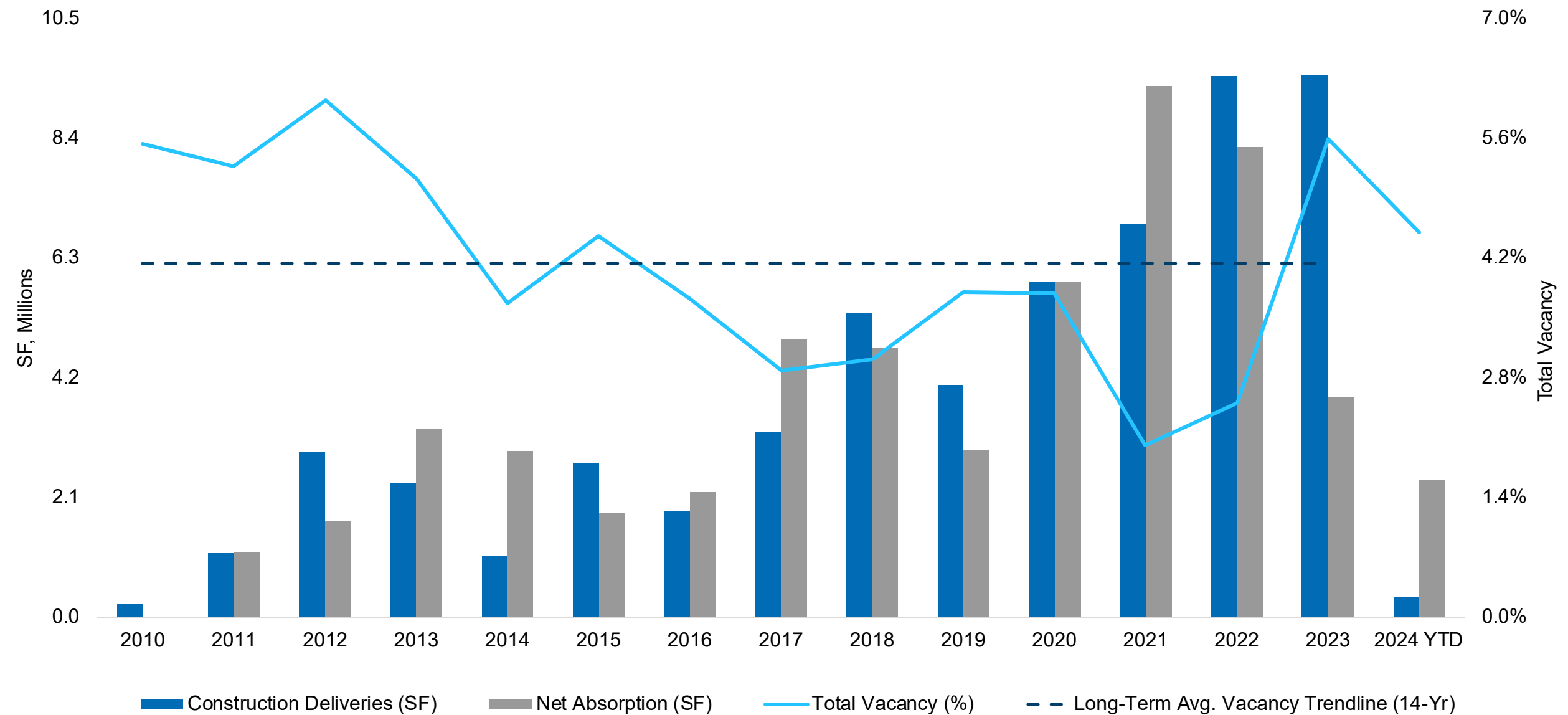
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# Vacancy Decreases as Recently Delivered Buildings Fill

Vacancy decreased 110 basis points from 5.6% in the fourth quarter of 2023 to 4.5% in the first quarter of 2024 and is closing in on the 14-year average of 4.1%. Record levels of construction deliveries in 2022 and 2023 brought an influx of space on the market that temporarily increased vacancy as demand lagged behind supply. A large portion of the space that was absorbed in the first quarter of 2024 occurred in buildings that have delivered in the last two years.

## Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research



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## Direct Vacancy Down as New Bulk and Medium Distribution Product Leases Up

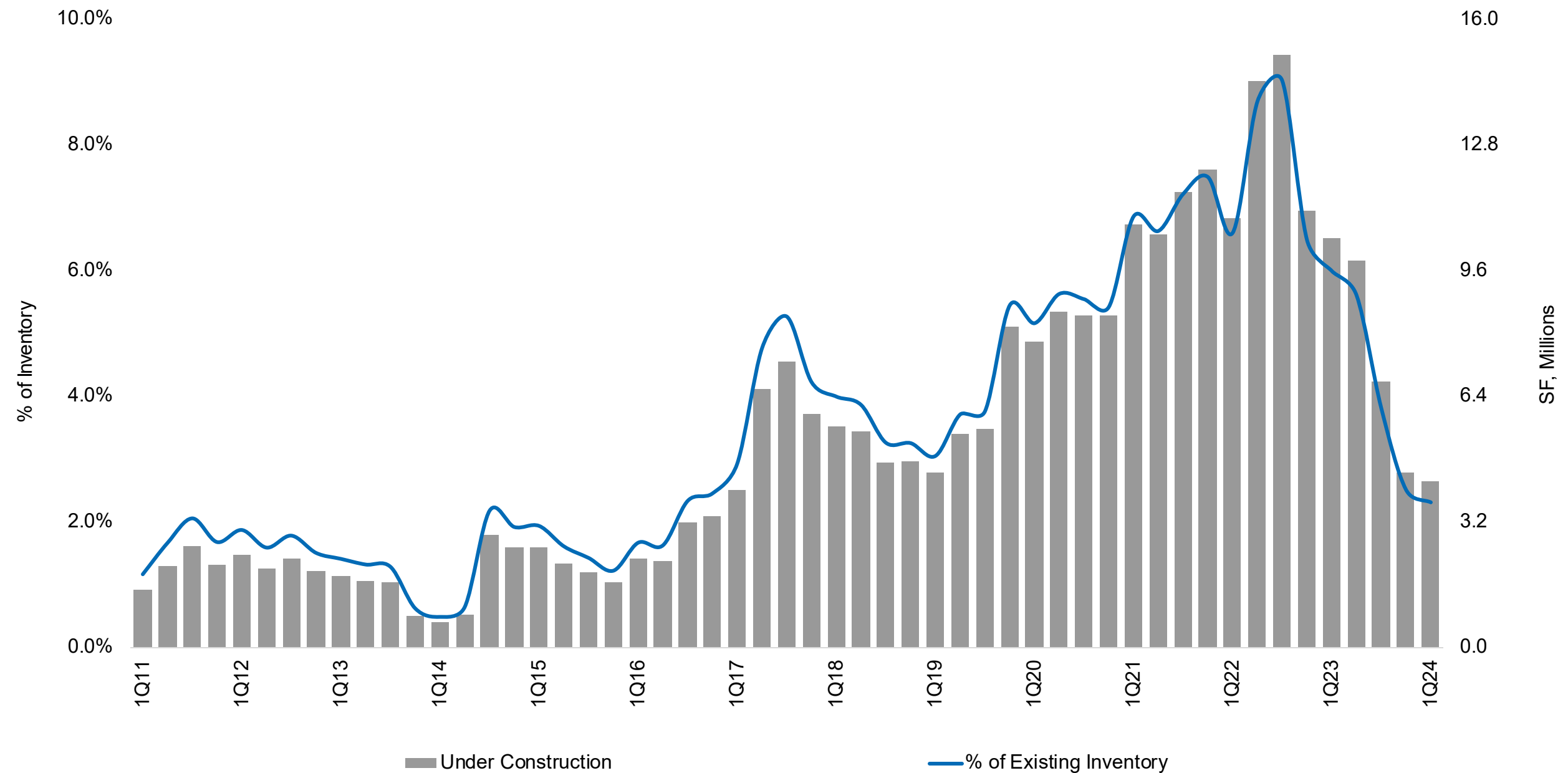
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# Industrial Supply Pipeline Eases as Construction Starts to Dwindle

Under-construction activity reached a record high of 15.1 MSF in 2020 and has been trending down since. Lowered demand and difficulty in sourcing construction debt are acting as deterrents to new construction starts with some developers choosing to exit land positions. This will provide opportunities for owner-users and strategic developers to acquire sought-after industrial land, with the possibility of potential supply constraints coming in late 2024 and 2025.

## Industrial Under Construction and % of Existing Inventory



Source: Newmark Research



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New Construction Product Demands Higher Rates Upwards of 10%

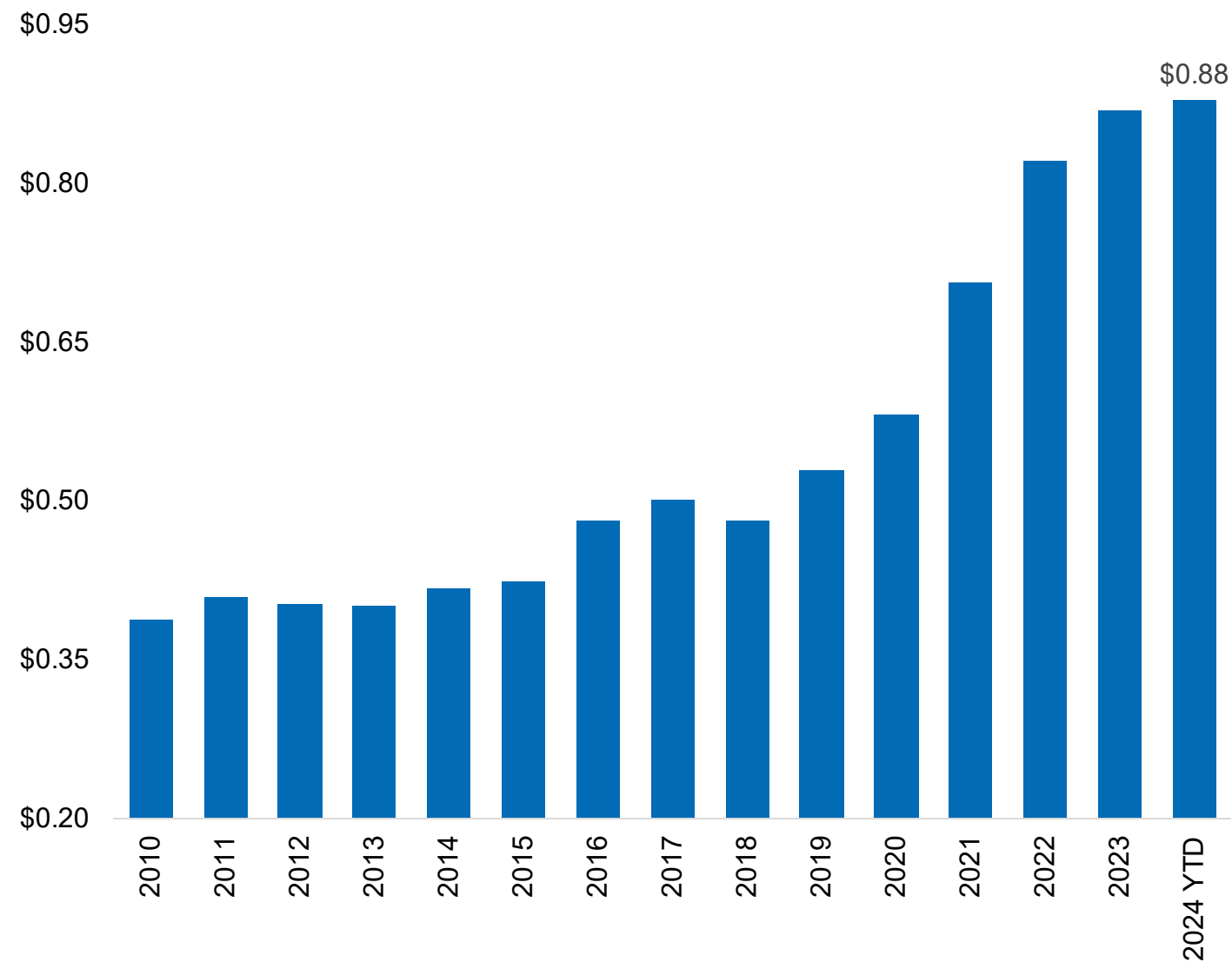
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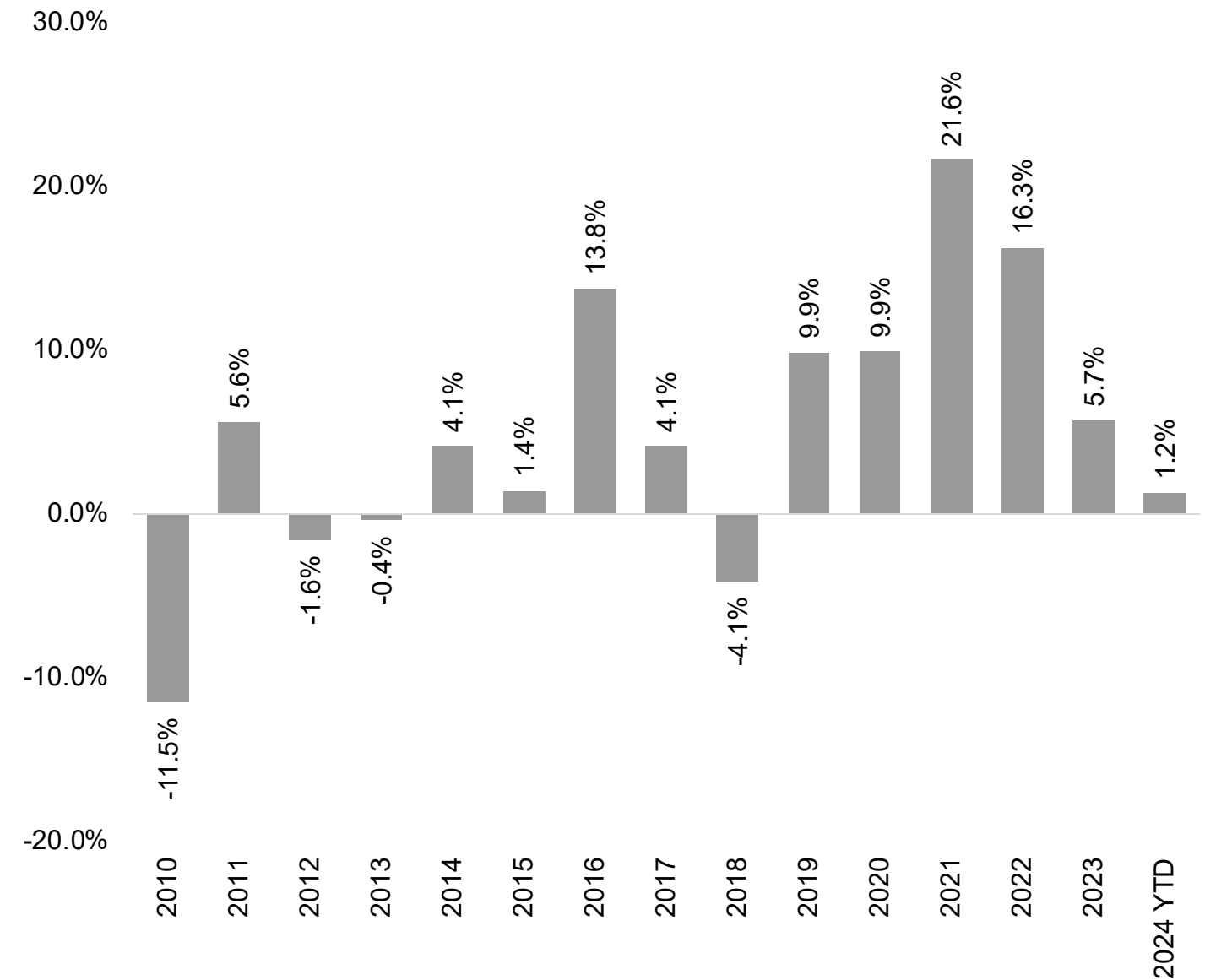
# Industrial Asking Rent Growth Levels Out

Average asking rents increased by 5.7% from 2022 to 2023 after two consecutive years of growth above 15%. Moving into 2024, rates increased an additional 1.2% by the end of first quarter. This trend of measured growth is likely to continue for the next few quarters, based on a large construction pipeline and some right-sizing occupiers offering lower-priced sublease space. Potential supply constraints in 2024 and 2025 will apply upward pressure to rents.

Industrial Average Asking Rent, \$/SF/Month, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research



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## Overall Achieved Rent Growth Moves Upwards into 2024

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# Notable 1Q24 Lease Transactions

The Northwest Quadrant, consisting of the Airport, California Avenue and West Valley submarkets, dominated the Salt Lake County industrial market in leasing activity during the first quarter of 2024, with numerous tenants leasing in recently delivered buildings.

## Select Lease Transactions

Tenant	Building	Submarket	Lease Type	Square Feet
Confidential	Ritchie The Quadrant 1	Airport	Direct New	353,939
<i>Delivered in 2022, Building 1 in the Ritchie Group's development, The Quadrant, welcomed a confidential tenant for 353,939 SF.</i>				
Confidential	Ritchie The Quadrant 2	Airport	Direct New	297,900
<i>The second building in The Quadrant delivered in the second half of 2023 and signed a tenant to take 274,517 SF in the first quarter of 2024.</i>				
Vobev	Wingpointe	California Avenue	Direct New	252,305
<i>Can manufacturer, Vobev, leased 252,305 SF in Wingpointe.</i>				
George Webb Sales Company	Landmark 2	California Avenue	Renewal	173,040
<i>The California Avenue submarket kept George Webb Sales Company as a tenant with another renewal.</i>				
CHEP Pallets	ViaWest 5 South Commerce Center	California Avenue	Direct New	172,845
<i>CHEP Pallets took the entire 172,845 SF buik distribution building in ViaWest 5 South Commerce Center.</i>				



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Achieved Owner-User Sale Price/SF Lowers Marginally as Older Product Trades

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# Notable 1Q24 Sale Transactions

Sale transactions continue to be sparse given the difficulty in sourcing debt, as well as the increased cost. The northwest region of the county continues to attract investors, particularly in well-performing single-tenant/sale-leaseback transactions.

## Select Sale Transactions

Buyer	Building	Submarket	Sale Type	Square Feet
Nature's Bakery	Airport Industrial Building 1	Airport	Owner-User	339,394
<i>Food manufacturer, Nature's Bakery, purchased Airport Industrial Building 1 from Perry Commercial to occupy.</i>				
Nuveen	Mountain View Industrial Park Building C	California Avenue	Investment	262,708
<i>Chicago-based investment manager, Nuveen, purchased Building C in Mountain View Industrial Park.</i>				
Standard Plumbing	1987 S. 3700 W.	California Avenue	Owner-User	177,258
<i>Melcon Investments sold 1987 S. 3700 W. to Standard Plumbing in an owner-user sale.</i>				
Confidential	Essendant Distribution Center	California Avenue	Investment	113,302
<i>Utah Paper Box Company sold the Essendant Distribution Center to a confidential buyer.</i>				





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## Additional Markets – Davis and Weber Counties





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# Davis and Weber Counties Submarket Map and High-Level Statistics | 1Q24



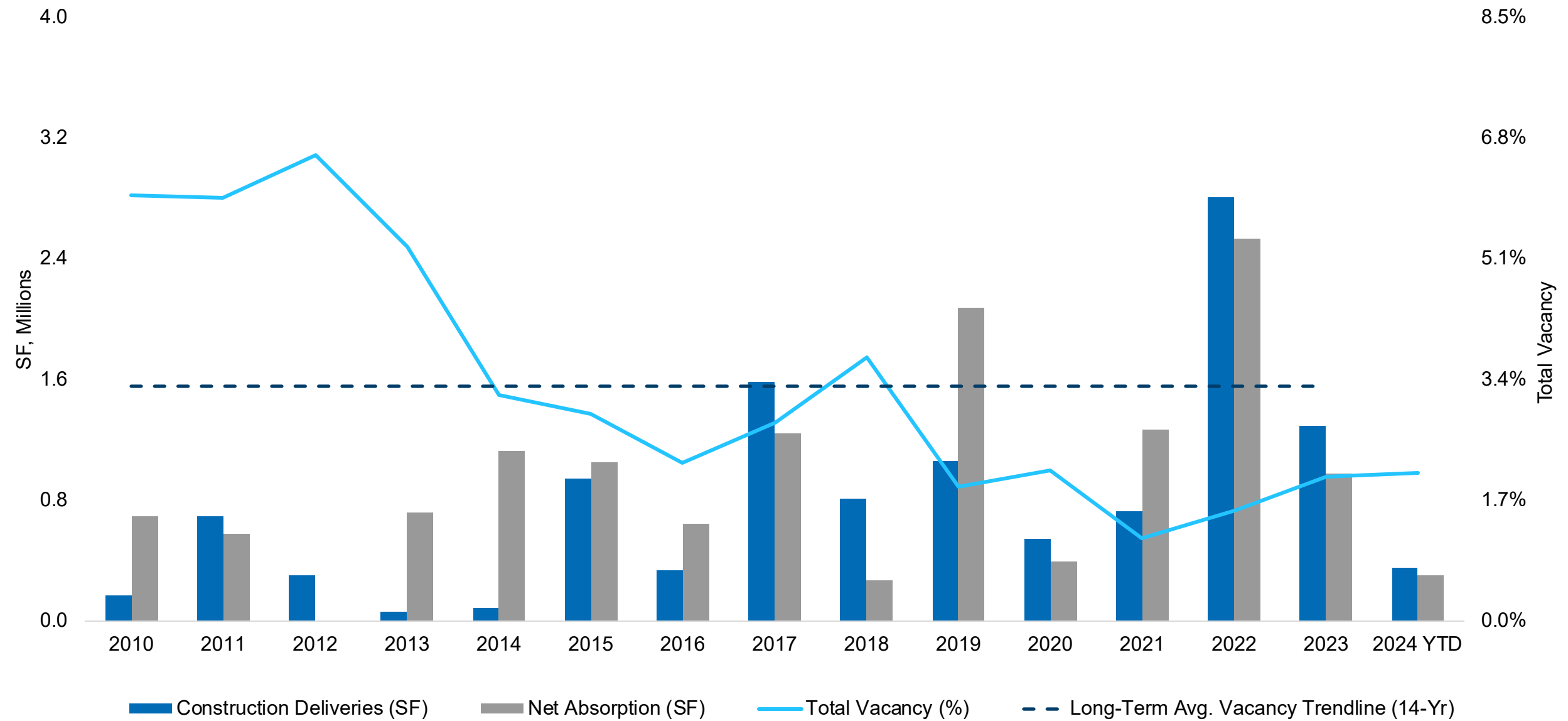
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# Vacancy Holds Steady As the Lowest Among the Wasatch Front

Vacancy marginally rose by 10 basis points in the first quarter of 2024 and sits 120 basis points below the 14-year average of 3.3%. This quarter's net absorption trailed construction deliveries by 13.8%. Vacancy will hold steady as construction deliveries slow juxtaposed with occupiers continue to right-size operations to adapt to shifts in consumer spending.

## Historical Construction Deliveries, Net Absorption, and Vacancy



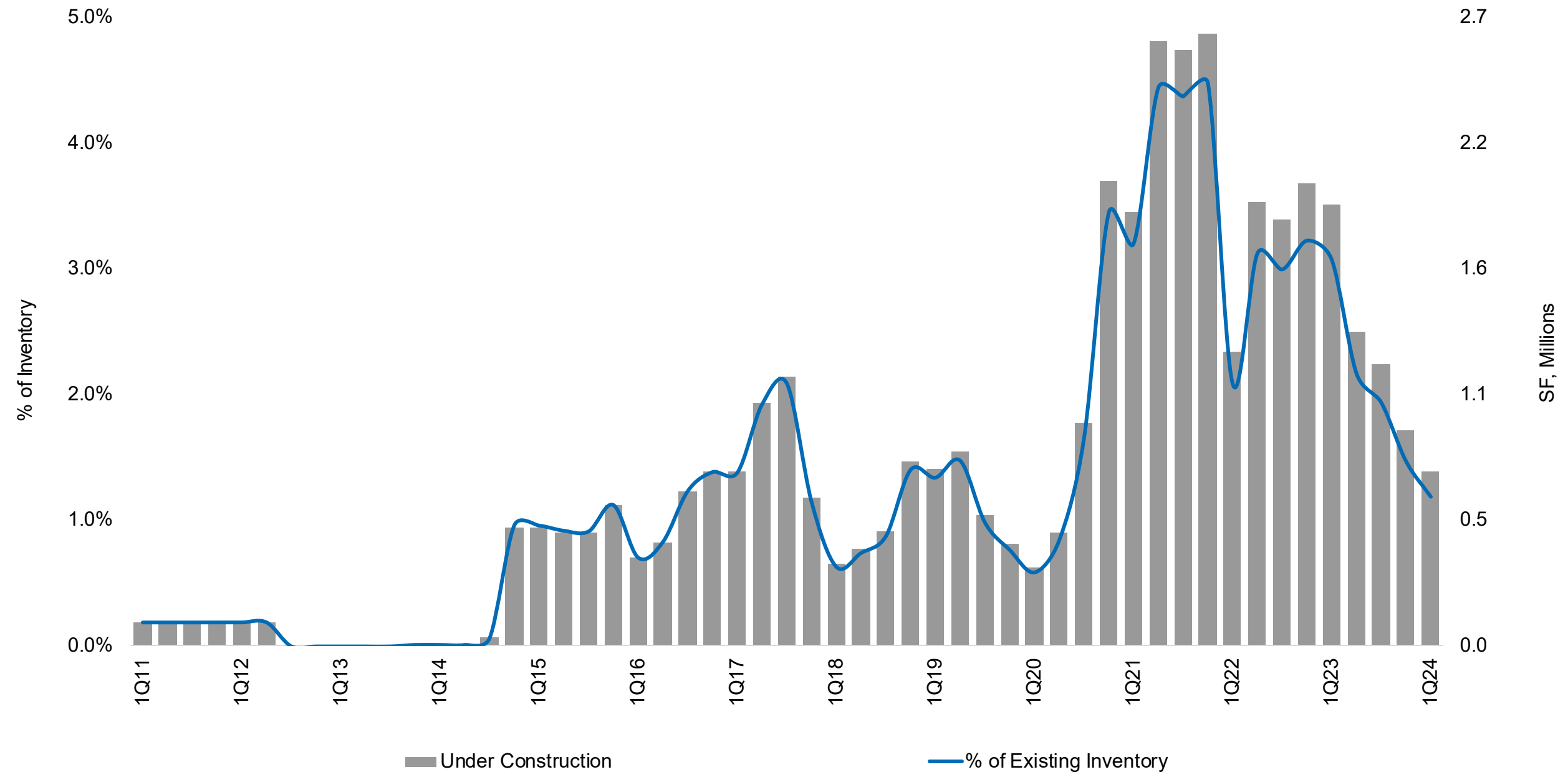
Source: Newmark Research



# Industrial Supply Pipeline Diminishes Amid Right-Sizing and Interest Hikes

The construction pipeline tightened another quarter after reaching 2.6 MSF in the fourth quarter of 2021. Although still elevated compared with pre-pandemic levels, the under-construction-total will further decrease due to funding difficulties. This could lead to potential supply constraints in 2024 and 2025 after right-sizing stabilizes.

## Industrial Under Construction and % of Existing Inventory



Source: Newmark Research



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## Distribution Buildings See No Preleasing; Manufacturing and Special Purpose Full



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## Achieved Rental Growth Contracts as Older Space Fills

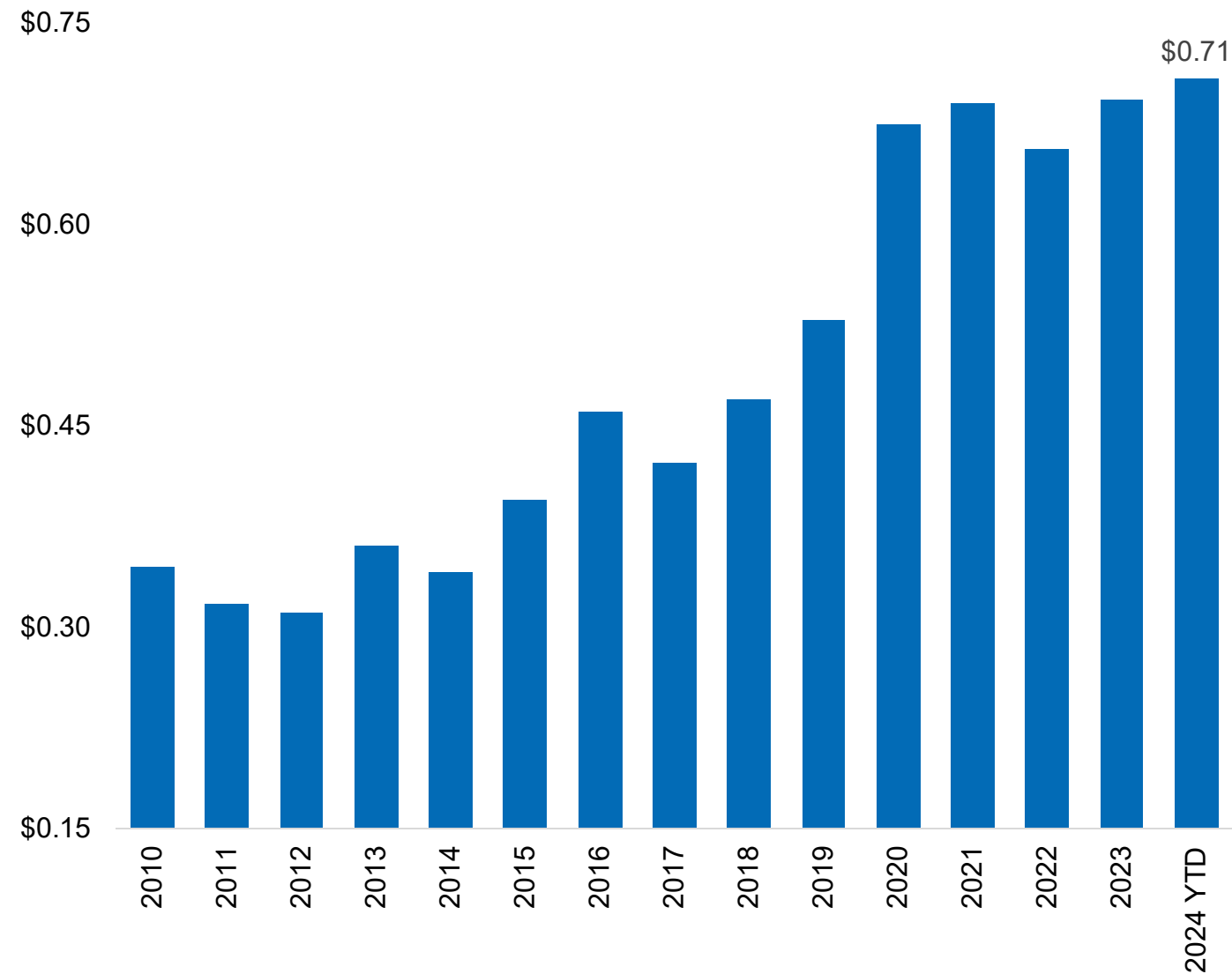
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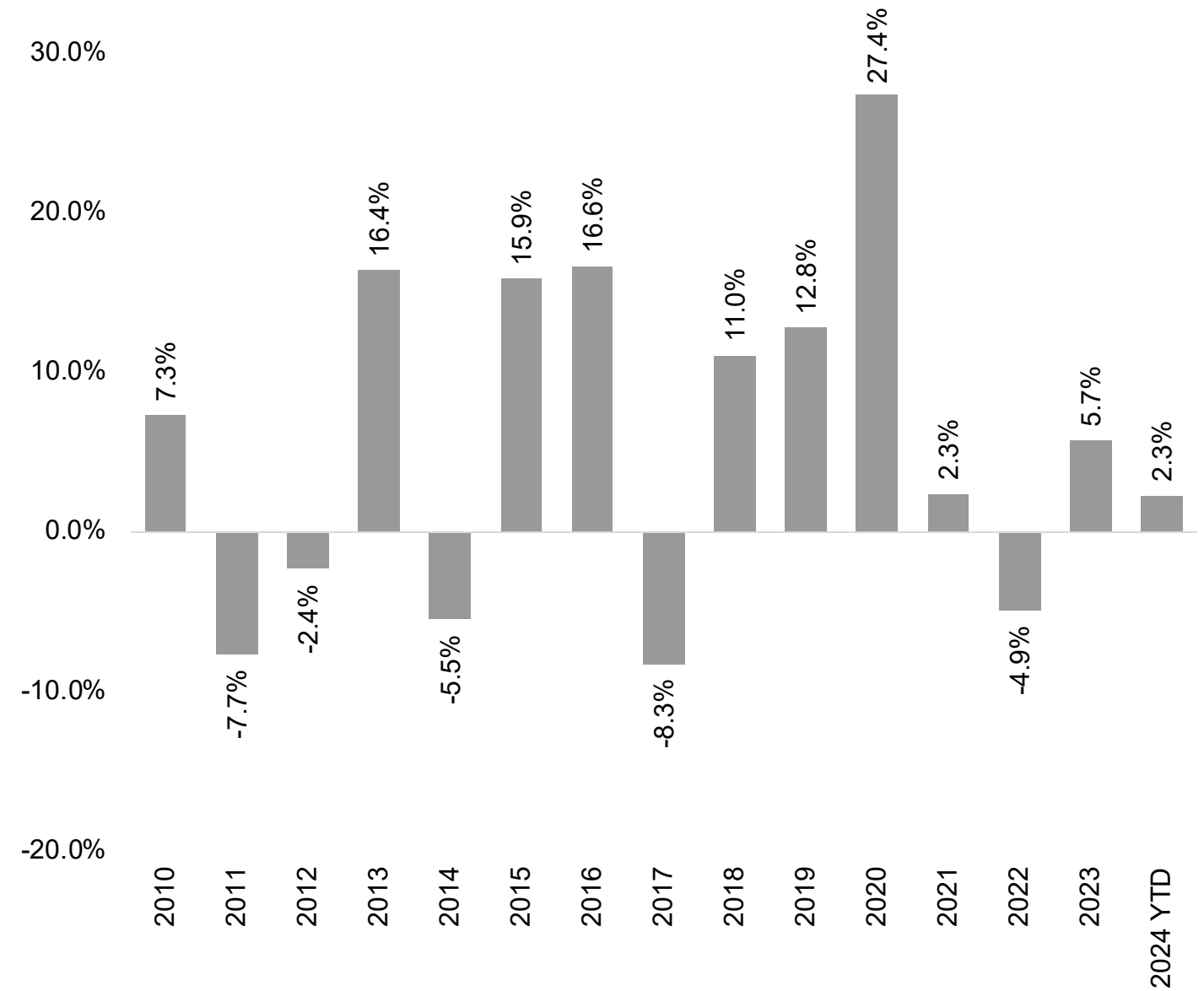
# Northern Wasatch Front Industrial Asking Rent Growth Moderates

After contracting in 2022, average asking rents have since recovered and now sit at \$0.71/SF. While asking rent growth is expected to level out over the next few quarters, potential supply constraints in 2024 and 2025 will apply upward pressure to rents in an already low vacancy region.

Industrial Average Asking Rent, \$/SF/Month, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research



# Notable Davis and Weber Counties Transactions

Buoyed by BDO Ogden and Hill Air Force Base, Davis and Weber Counties welcomed a diverse range of users and investors to the region over the last 12 months.

## Select Transactions – Last 12 Months

Buyer/Tenant	Building	Submarket	Transaction Type	Square Feet
Barnes Aerospace	1025 S. Depot Dr.	BDO	Lease Renewal	172,500
<i>The Business Depot Ogden kept Barnes Aerospace for another term.</i>				
Confidential	East Gate Bldg – 2	North Davis	Direct New Lease	131,548
<i>A confidential user leased 131,548 SF at East Gate in the North Davis submarket.</i>				
Confidential	BDO 934	BDO	Direct New Lease	125,735
<i>A confidential tenant signed for a portion of the newly delivered building.</i>				
Paul Davis Restoration	The Steelworks 1	South Davis	Direct New Lease	113,437
<i>Currently under construction, Paul Davis Restoration leased the entire first building in Centerville's The Steelworks.</i>				
NutraSelf	3804 S. Airport Rd.	West Weber	Direct New Lease	62,624
<i>Supplement company, NutraSelf, leased 62,624 SF at 3804 S. Airport Rd. in Ogden.</i>				



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## Additional Markets – Utah County





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# Utah County Submarket Map and High-Level Statistics | 1Q24

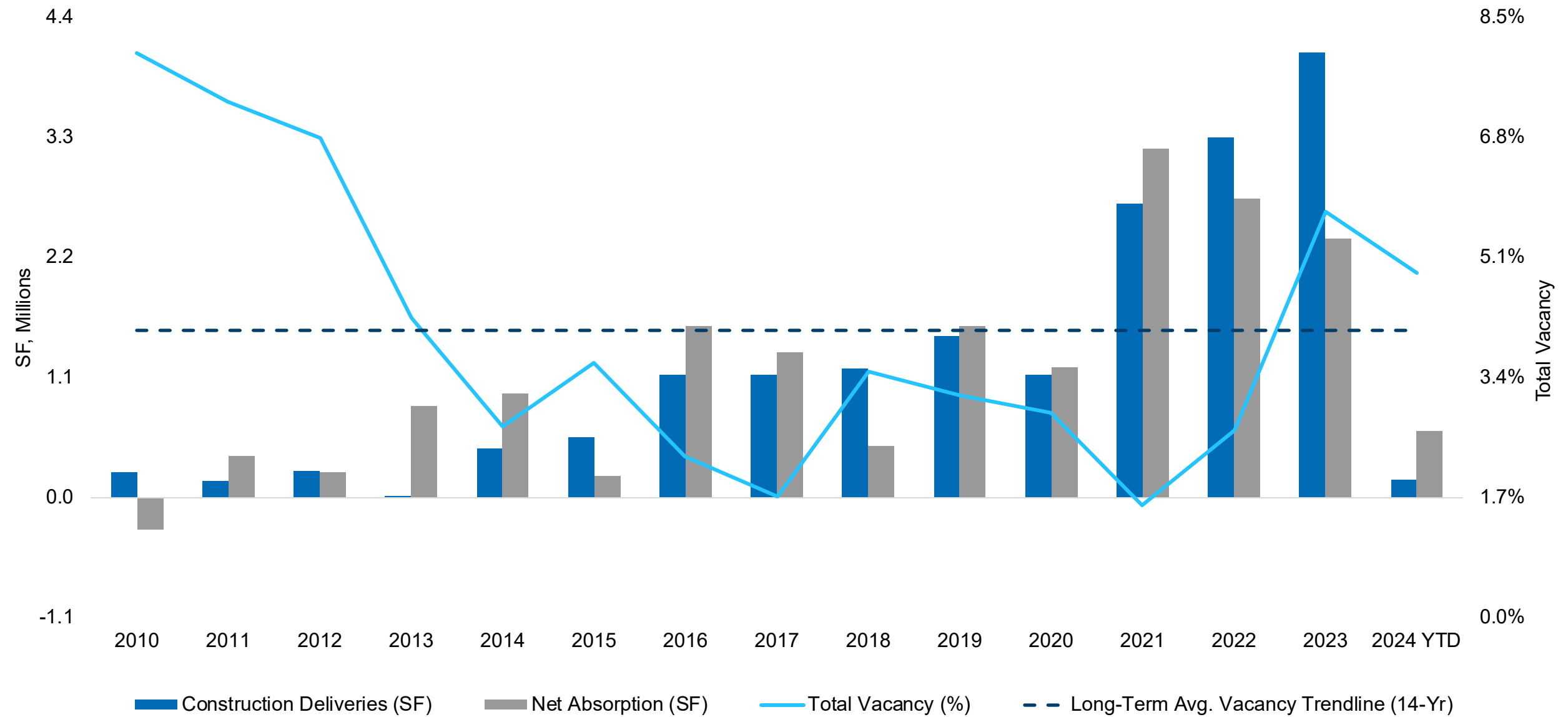
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# Net Absorption Blows Past Construction Deliveries in 1Q24

Vacancy decreased 90 basis points from year-end 2023 as tenants absorbed over 600,000 SF in the first quarter of 2024. Although vacancy still sits above the 14-year historical average of 4.1%, the slowdown of construction starts, coupled with preleased buildings expected to come online, will temper vacancy swings in 2024.

## Historical Construction Deliveries, Net Absorption, and Vacancy



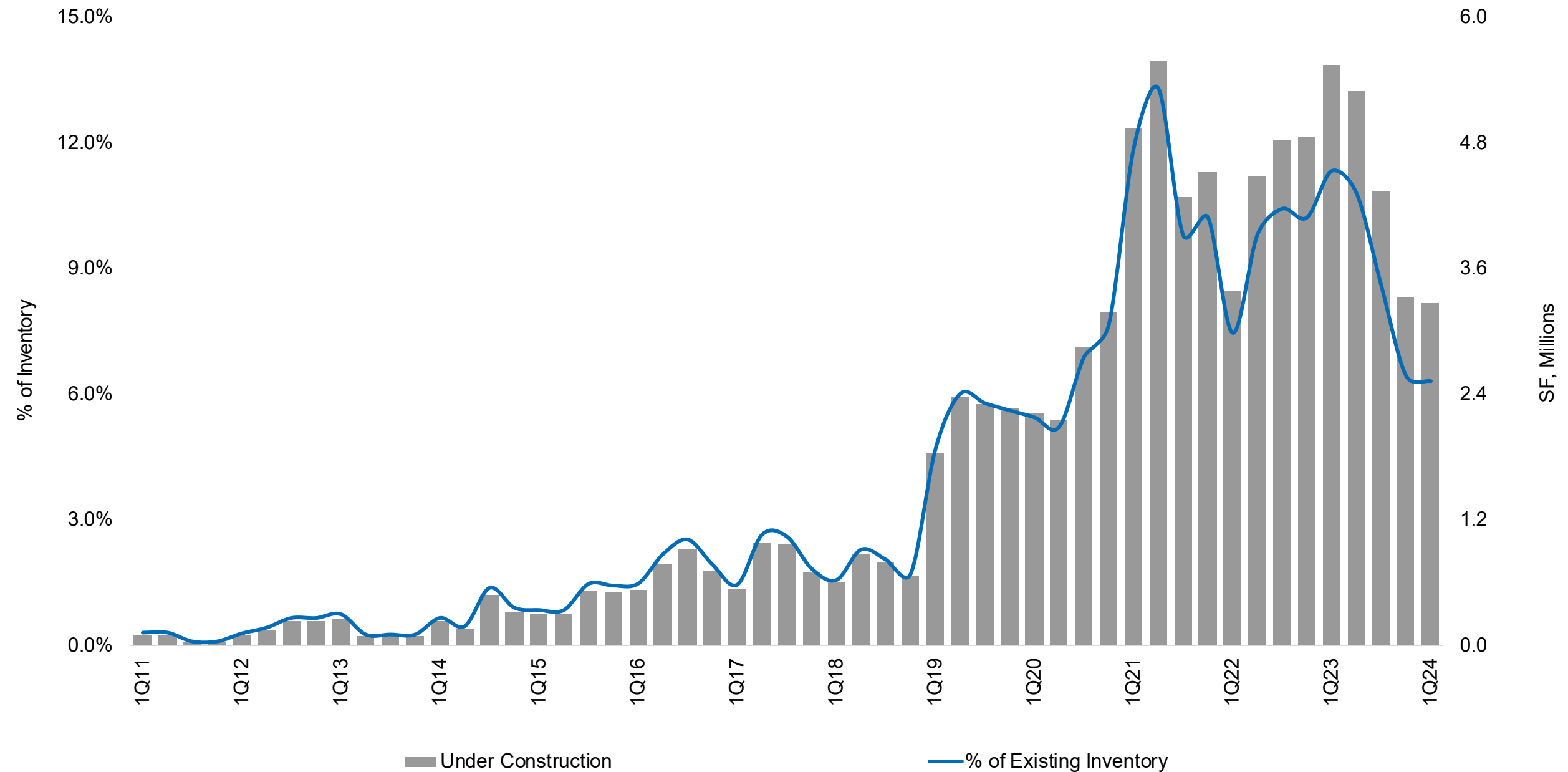
Source: Newmark Research



# Utah County Industrial Supply Pipeline Already Over 80% Pre-Committed by Users

Of the 3.3 MSF under construction, the fourth building at the Facebook Data Campus accounts for 2.0 MSF (or, 61.1% of the total pipeline). New construction starts have slowed, especially for speculative product, but overall construction numbers remain elevated and will likely not contribute as much to vacancy increases since 84.8% of current construction has pre-commitments.

## Industrial Under Construction and % of Existing Inventory



Source: Newmark Research



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## New Construction Asking Rates Highest in Utah County



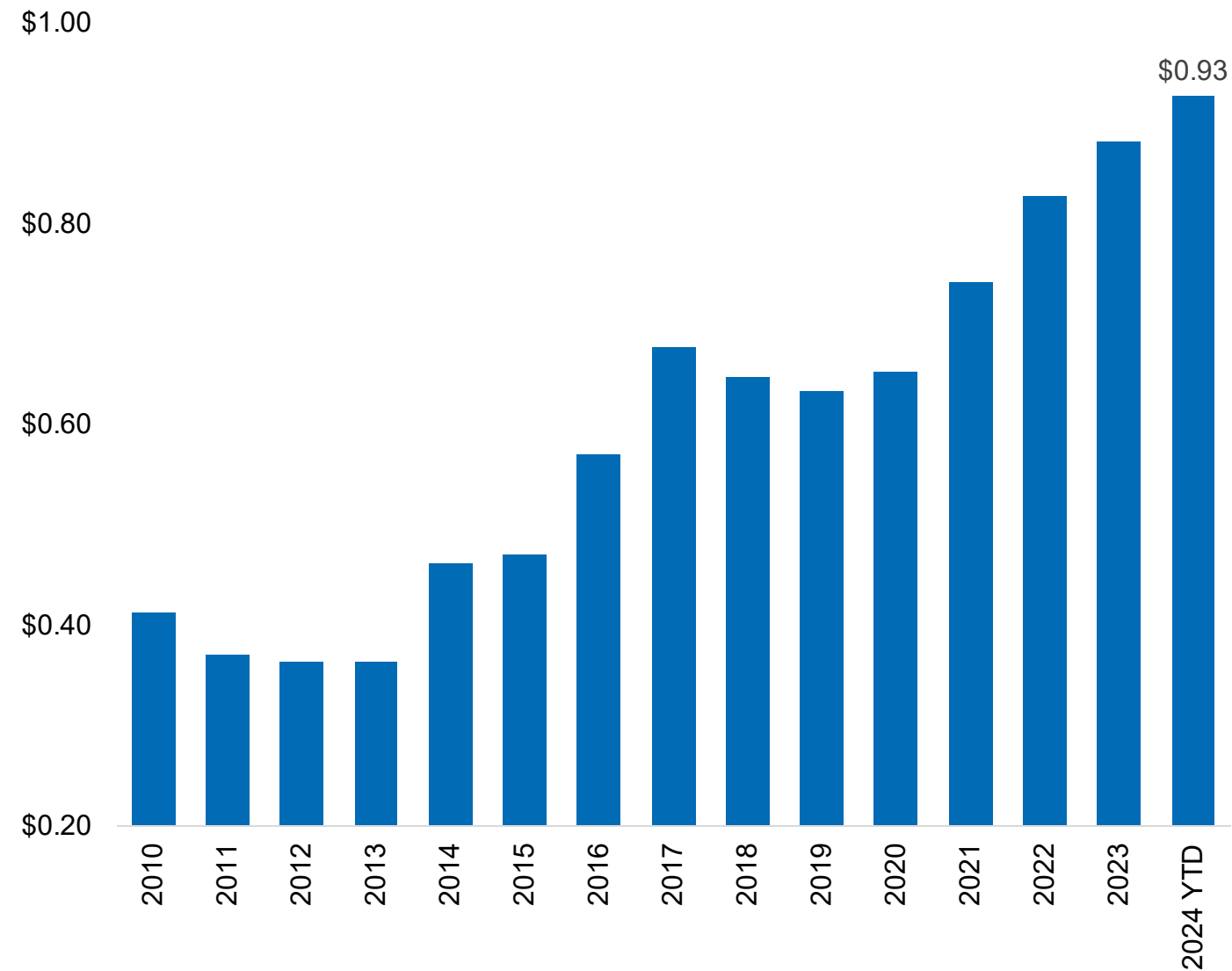
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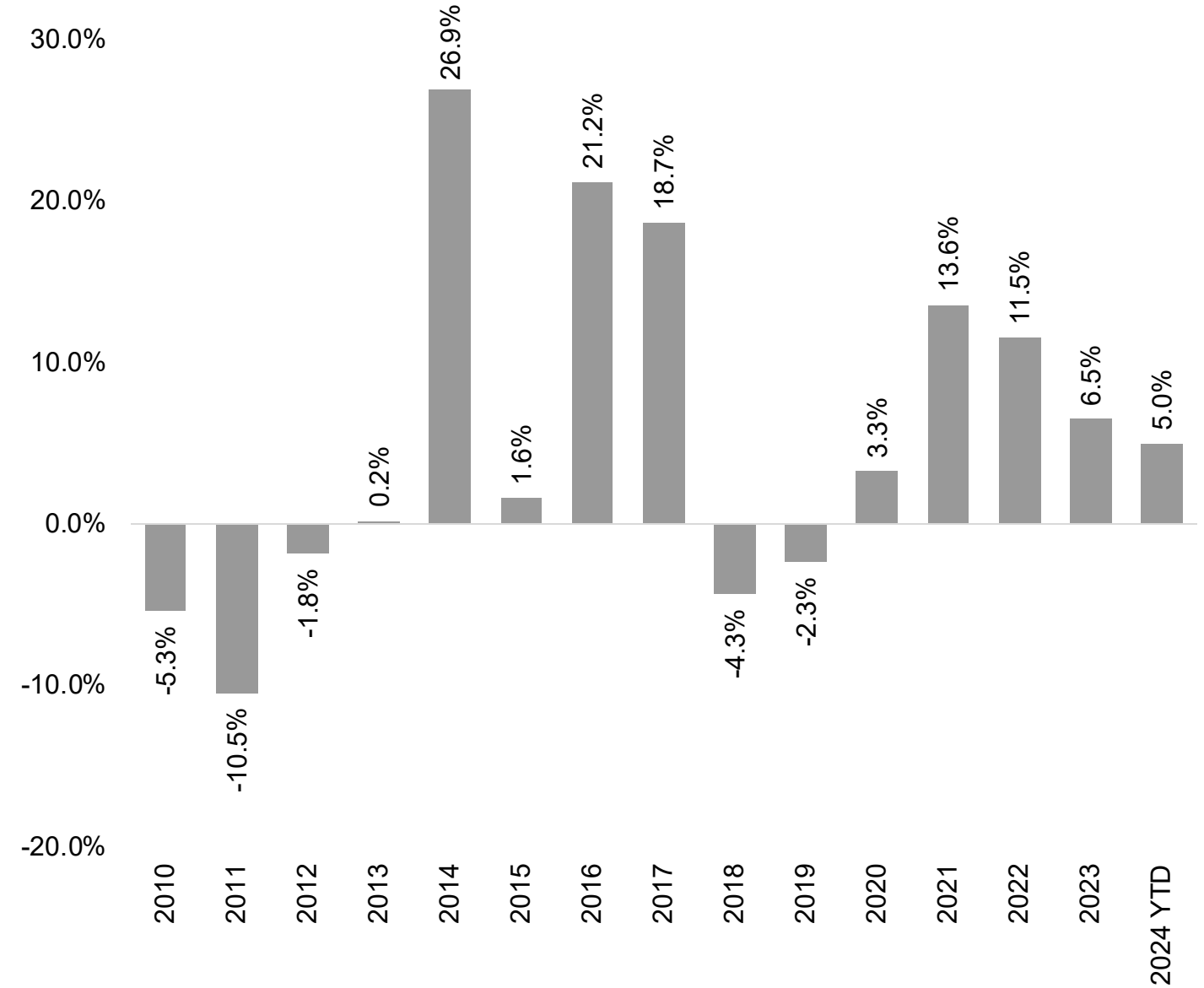
# Industrial Asking Rent Growth Still Elevated but Stabilizing

Utah County asking rents experienced the highest growth in the first quarter of 2024, up 5.0% from year-end 2023. Under-construction speculative space is becoming even more limited, and most has pre-leased, leaving little room for rental pressure from new projects.

Industrial Average Asking Rent, \$/SF/Month, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research



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## Strong Achieved Rents Continues for Utah County Industrial

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# Notable Utah County Transactions

Utah County had strong sales activity over the last 12 months, spread across the entire region.

## Select Transactions – Last 12 Months

Buyer/Tenant	Building	Submarket	Transaction Type	Square Feet
Confidential	Young Living Distribution Center	Utah County South	Investment Sale	280,800
<i>The Young Living Distribution Center was purchased by a confidential buyer in the third quarter of 2023.</i>				
IntegraCRE	1206 S. 1680 W.	Orem	Investment Sale	267,759
<i>Wasatch Group sold the 267,759 SF manufacturing building to IntegraCRE.</i>				
Confidential	Holbrook Industrial Park 4	Utah County North	Direct New Lease	247,078
<i>A confidential tenant signed a lease to take Building 4 in the Holbrook Industrial Park as it was close to completion.</i>				
Boyer Company	151 E. 3450 N.	Utah County South	Investment Sale	212,685
<i>The Spanish Fork bulk distribution building sold in the first quarter of 2024.</i>				
US Cabinet Depot	Holbrook Industrial Park 3	Utah County North	Direct New Lease	87,438
<i>A cabinet supplier user signed a lease in Holbrook Industrial Park complex.</i>				



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# Utah Capital Markets Overview





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## Price-Weighted Average Cap Rates Up Across All Product Types

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## Private and Institutional Buyers Are Active for Industrial Product

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# Utah Capital Markets Transactions

Overall sales activity was slow over the last year, with fewer sale-offerings and closings compared to previous years. The Fed's anticipated interest rate cuts throughout 2024 will likely increase property sales volume. That, as well as more distressed or bank-owned assets entering the market.

## Select Transactions – Last 12 Months

Building(s)	City	Type	Closing Quarter	Square Feet
I-215 Logistics Center Buildings C & D	Salt Lake City	Industrial	Q4 2023	478,239
<i>Hamilton Partners sold buildings C &amp; D in the I-215 Logistics Center in a portfolio sale totaling 478,239 SF.</i>				
Brennan Raceway Commerce Center Buildings A & B	West Valley City	Industrial	Q2 2023	397,894
<i>Westcore purchased Buildings A &amp; B in a forward sale for a total of 397,894 SF.</i>				
Sandy Commerce Park	Sandy	Office	Q4 2023	120,958
<i>Idaho-based investment company, Alturas Capital Partners, purchased Sandy Commerce Park from Nuveen.</i>				
Highbury Centre	West Valley City	Retail	Q3 2023	119,366
<i>X Development purchased Highbury Centre in West Valley City from the Gardner Company.</i>				
Park Station Apartments	Midvale	Multifamily	Q2 2023	83,370
<i>Peak Capital Partners purchased the 96-Unit multifamily development from California-based investors, Benedict Canyon Equities.</i>				



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# Appendix

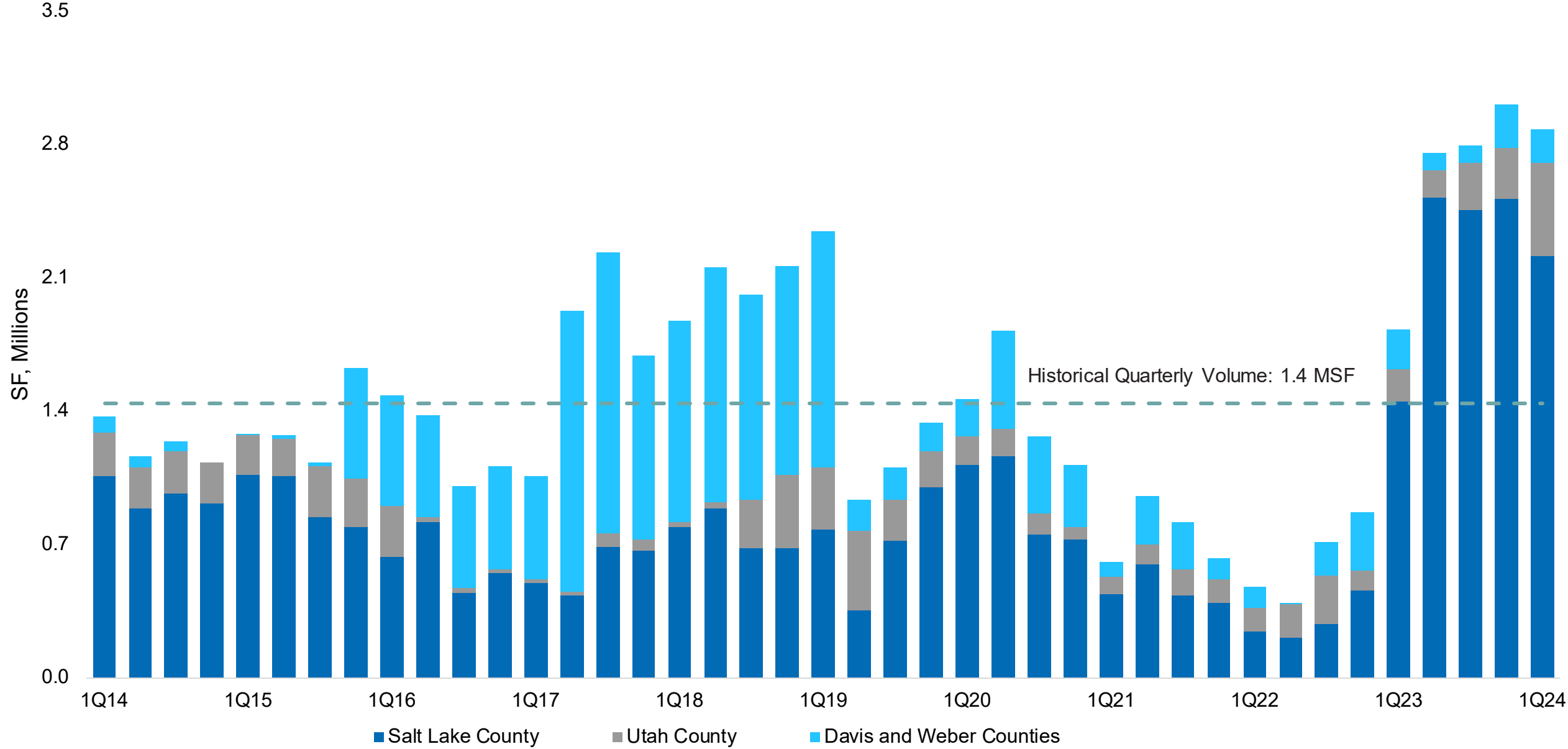




# Wasatch Front Industrial Sublease Availability Spikes Level Out

Sublease availability dropped by a small amount quarter over quarter but remains two times higher than the historical average of 1.4 MSF. Unsurprisingly, as the largest market within the region, Salt Lake County alone accounts for 76.9% of this total. After steep increases throughout 2022 into 2023, sublet availability plateaued over the last 12 months, suggesting right-sizes may have stabilized. How quickly sublease space is absorbed by users in 2024 will influence direct availability as expiration dates arrive.

Available Industrial Sublease Volume (MSF)



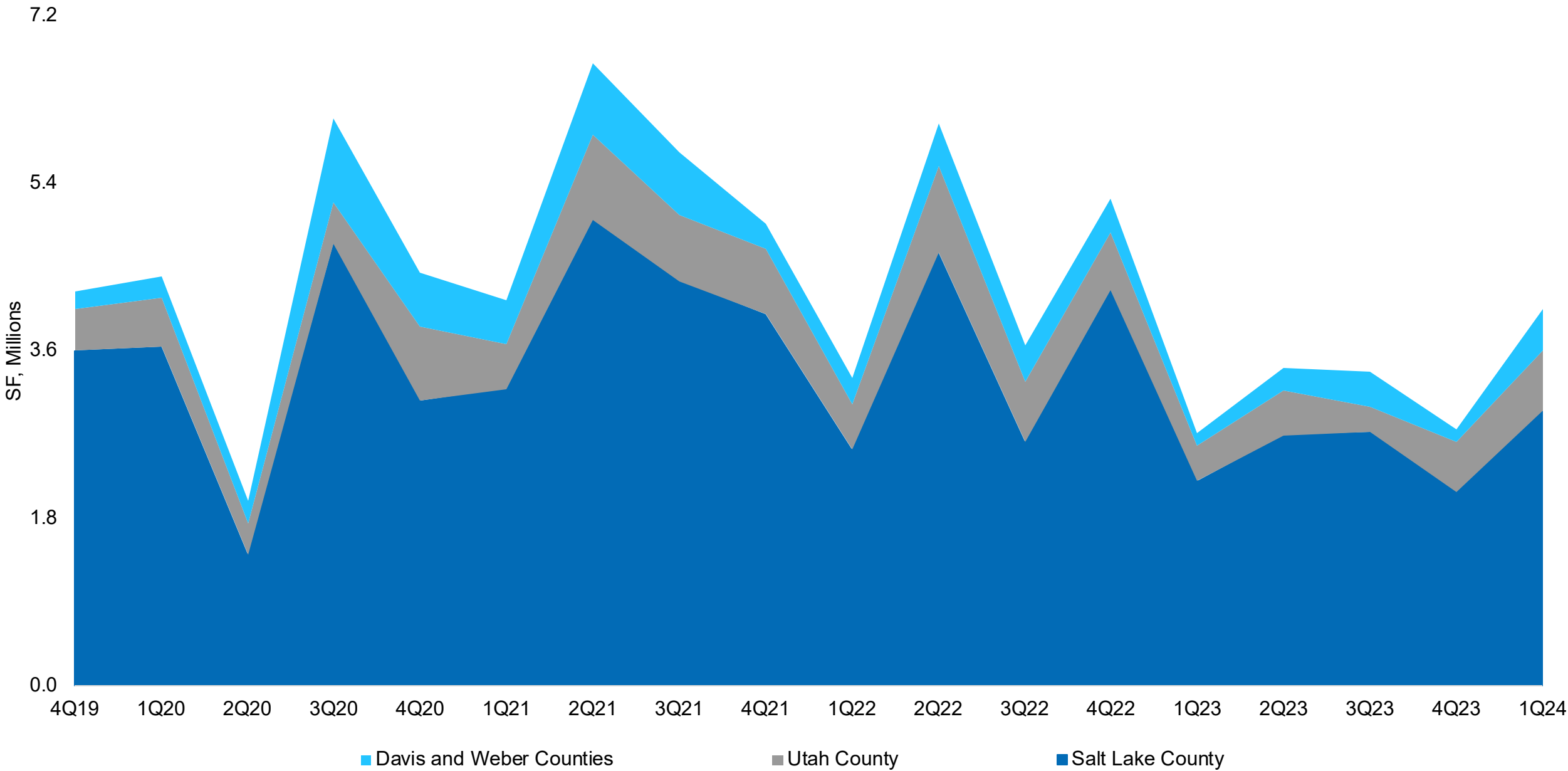
Source: Newmark Research



# Strong Start to 2024 Leasing After A Slowdown in 2023

In 2023, although demand for industrial space was strong, it was a marked difference from what the region experienced 2020-2022. Pre-leasing activity has slowed, with many tenants waiting to sign leases after buildings deliver. This quarter, for instance, 48.4% of leasing activity on a square footage basis came from buildings constructed since 2022. This will likely continue as buildings deliver throughout 2024 and tenants sign within a couple quarters of completion.

**Total Leasing Activity (SF)**



Source: Newmark Research



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Loaded Imports in the First Two Months of 2024 Were Higher Than the Same Period in 2018

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West Coast Dockworkers Signed a New Contract in 2023; Their Eastern Counterparts are Next Up...

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## Import Traffic Has Jumped in Recent Months at Los Angeles-Long Beach

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# The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates

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