

3Q24

Greater Salt Lake Industrial Market

Overviews for Salt Lake, Davis, Weber and Utah Counties



Market Observations

Economy

- Industrial sectors experienced 12-month net job gains in manufacturing, but saw some losses in trade, transportation and utilities. Recent announcements from manufacturing companies entering and expanding within the region hint at job growth in the coming quarters.
- Gulf and East Coast dockworkers ended a 3-day strike after a tentative deal was reached with the United States Maritime Alliance. Gulf and East Coast distributors will continue to reroute cargo to other seaports until a new labor contract is signed.
- Loaded import volume at Southern California’s ports totaled 6.5 million containers in the first eight months of 2024, up 22.5% from the same period in 2023.
- A good portion of this cargo is being shipped eastward by rail to markets outside of the Southwest. Goods that are “just passing through” have a negligible impact on local market dynamics.

Major Transactions

- The Northwest Quadrant continues to attract industrial users across all industry sectors. It’s central location near the new Inland Port and proximity to the Salt Lake City International Airport makes it an ideal location.
- Overall leasing activity slowed significantly in the third quarter of 2024 as tenants, landlords, and investors hold on decisions amid the current election cycle and upcoming potential additional interest rate cuts.
- 3PLs and manufacturers continue to be active in the market. Several manufacturers are retrofitting non-manufacturing buildings to suit their needs; a workaround to the dearth of available manufacturing space in the region.

Leasing Market Fundamentals

- Year-to-date, net absorption gains surpassed construction deliveries along the entire Wasatch Front.
- Construction starts have decreased across the entire region as debt sourcing is harder to obtain and developers monitor how new product is absorbed in the next coming quarters.
- Achieved first-year lease rates have stalled in overall growth along the Wasatch Front; specialized and small spaces are performing well due to lack of supply.
- 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. Activity is expected to pick up moving into 2025.
- 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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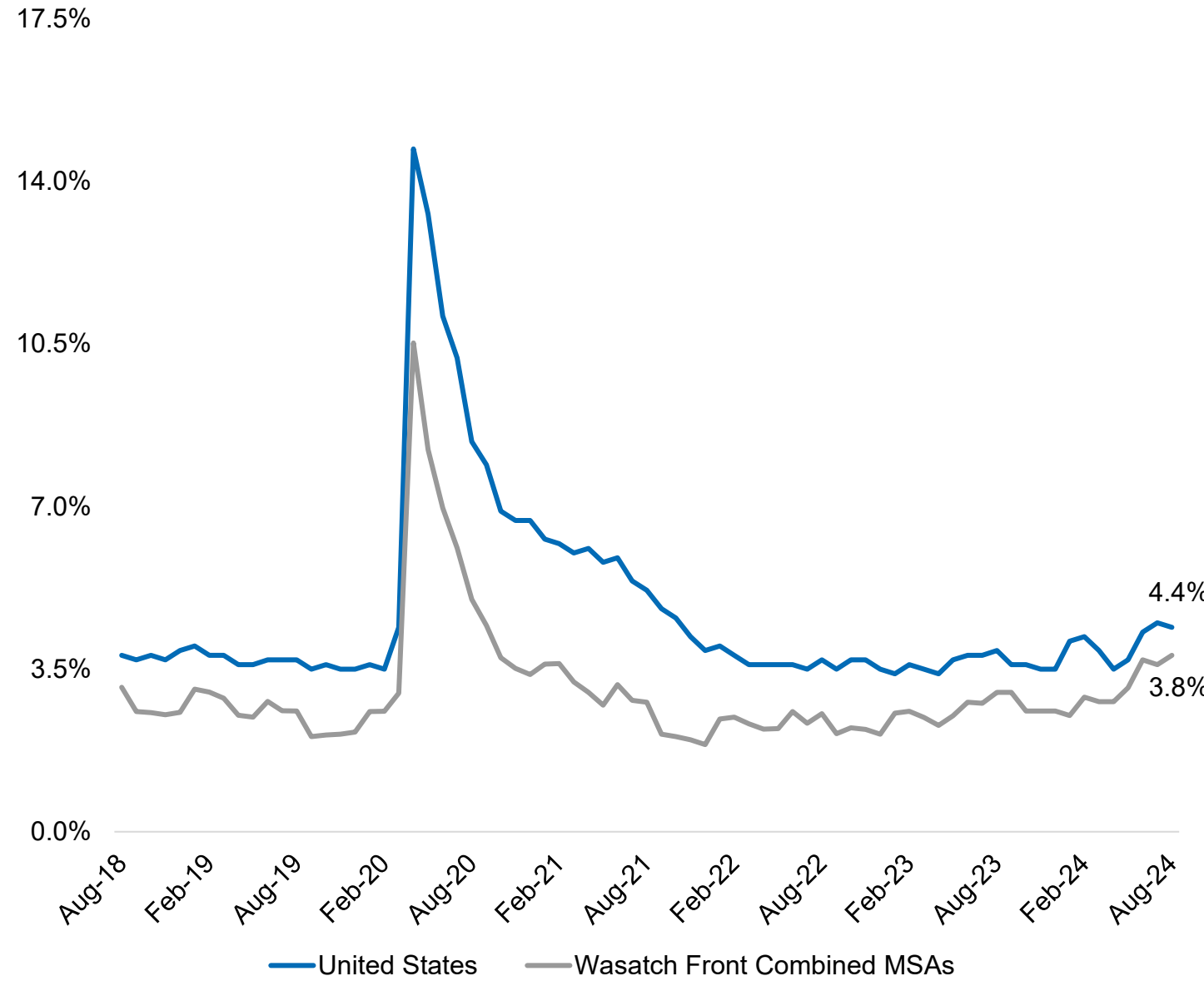
Economy



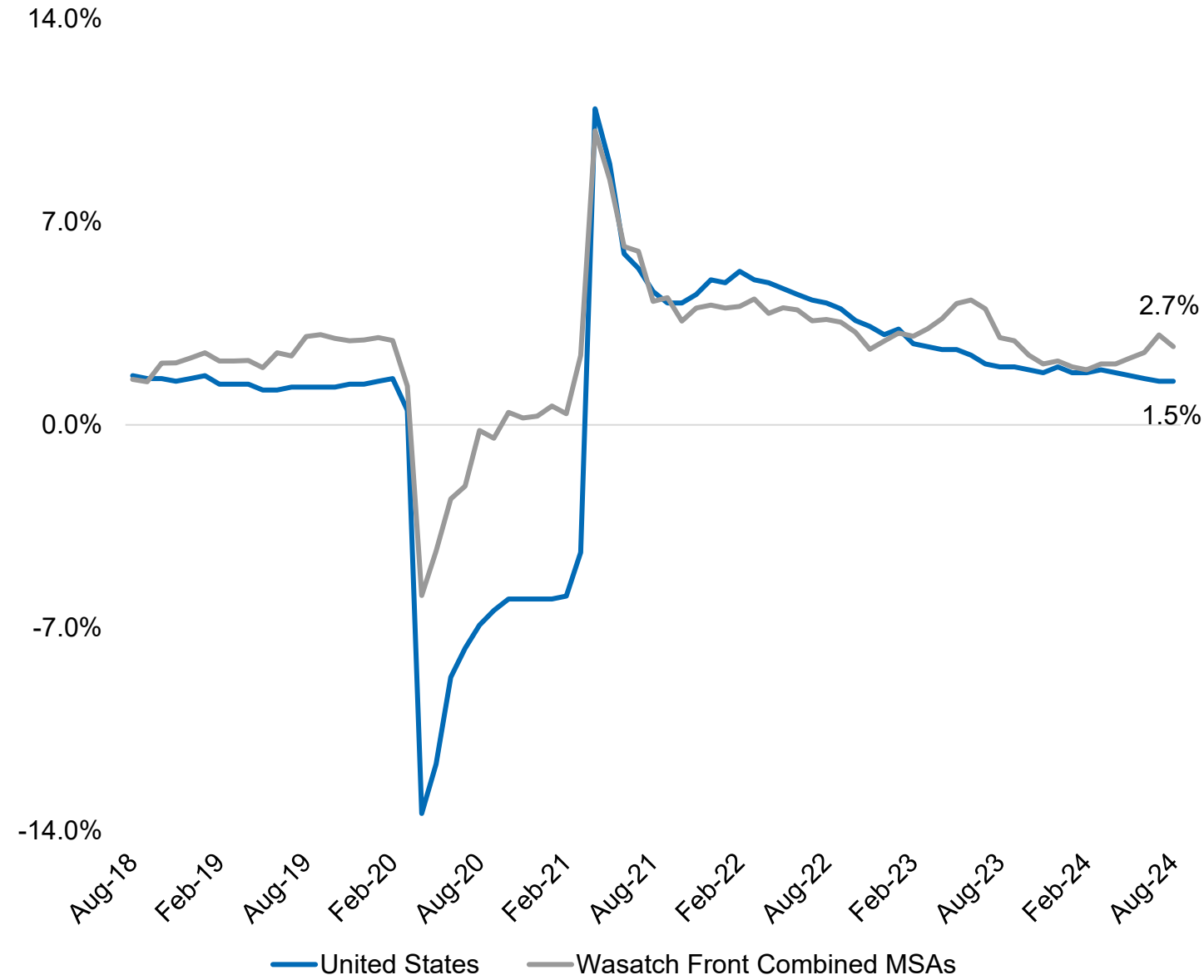
Wasatch Front Labor Market Outperforming National Trends

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 August 2024, Wasatch Front unemployment was 60 basis points lower than the national rate. Overall local job growth continues, with 2.7% in annual gains relative to 1.5% growth for the U.S.

Unemployment Rate, Not Seasonally Adjusted



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

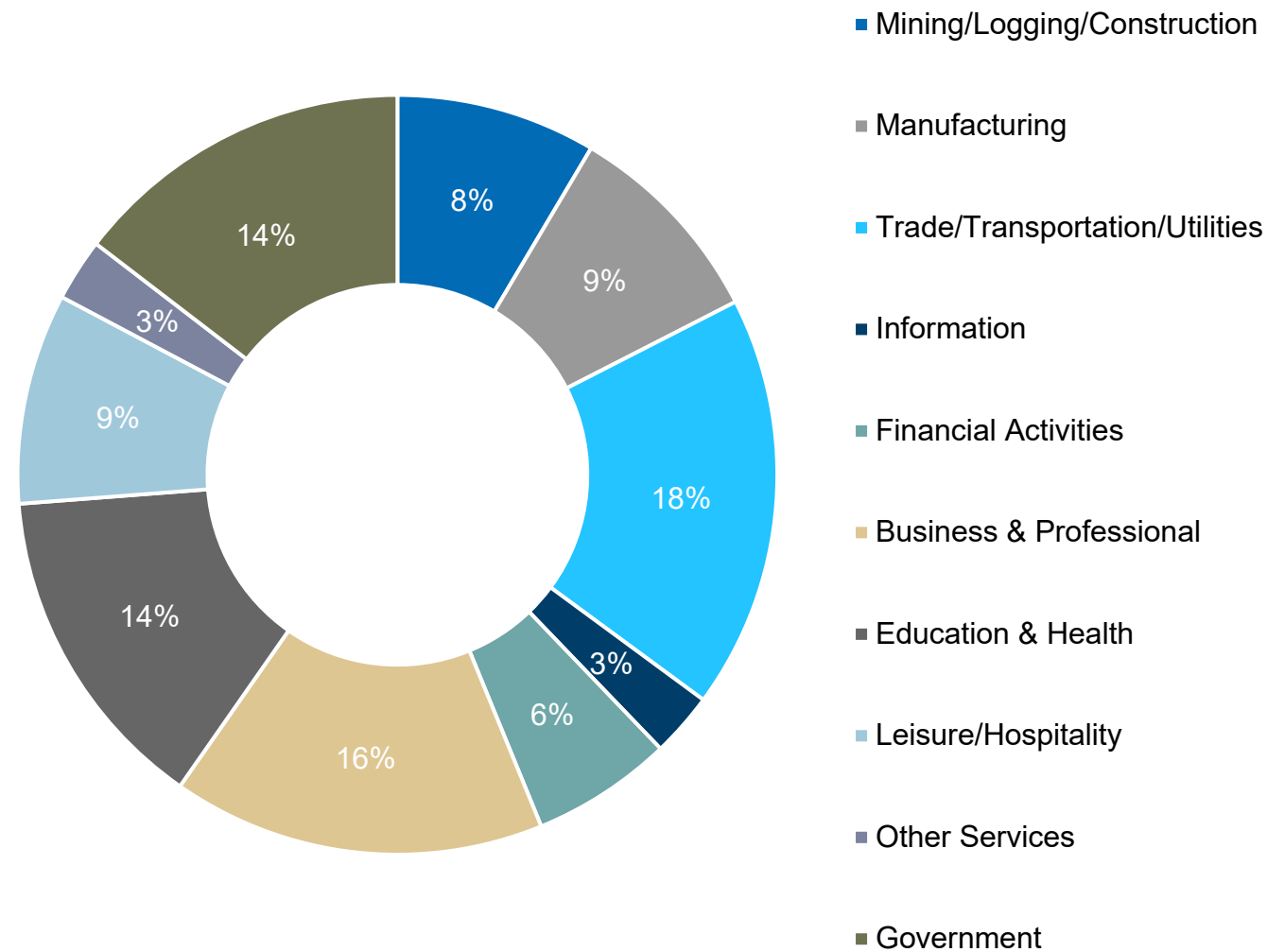


Source: U.S. Bureau of Labor Statistics
 *Wasatch Front Combined MSAs include: Salt Lake City MSA, Provo-Orem MSA and Ogden-Clearfield MSA

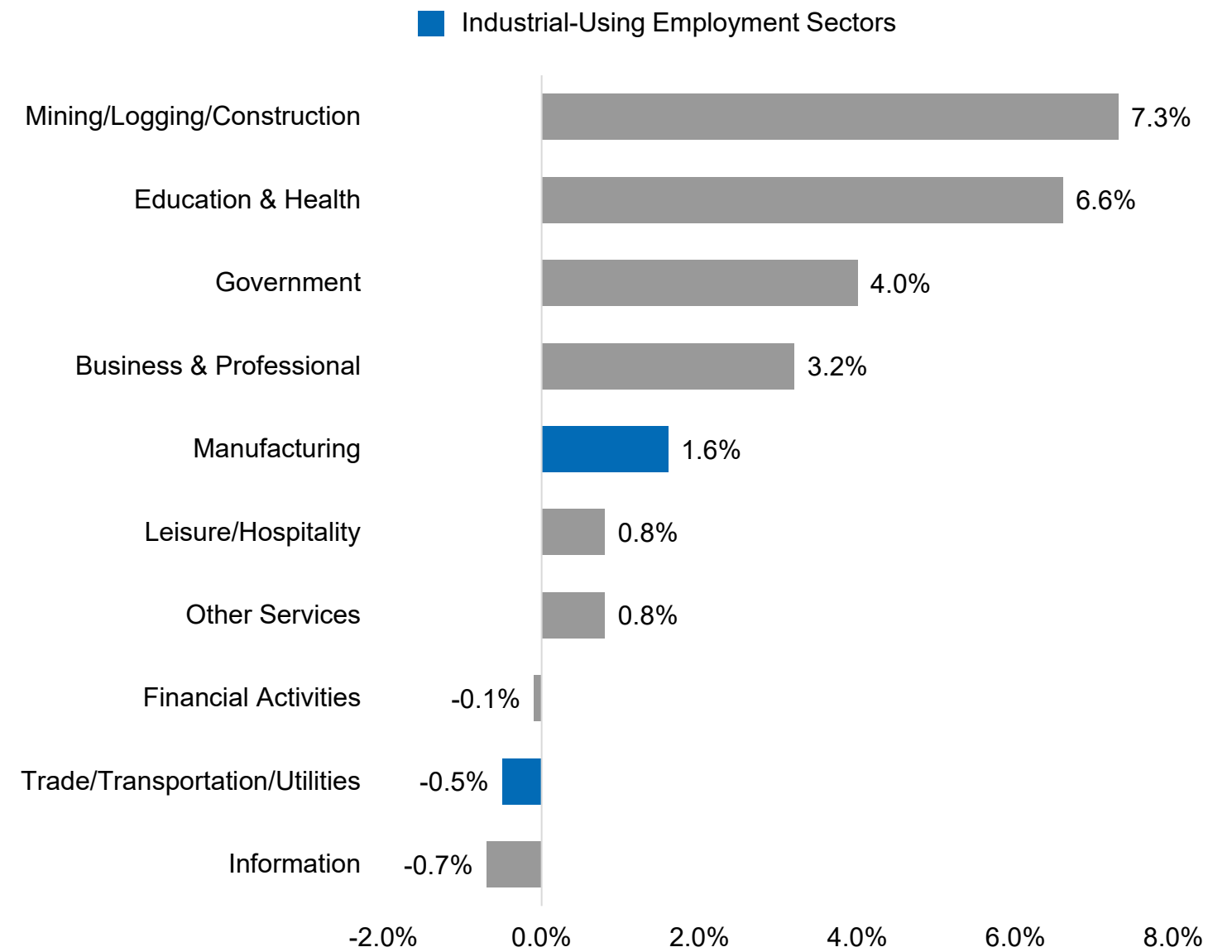
Job Growth Positive for Almost All Sectors Along Wasatch Front

Year-over-year gains in the mining/logging/construction (+7.3%), education and health (+6.6%) and government (+4.0%) industries buoyed up job growth for the Greater Salt Lake region. Information (-0.7%), trade/transportation/utilities (-0.5%) and financial activities (-0.1%) all saw small contractions over the last 12 months.

Wasatch Front Employment by Industry, August 2024



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



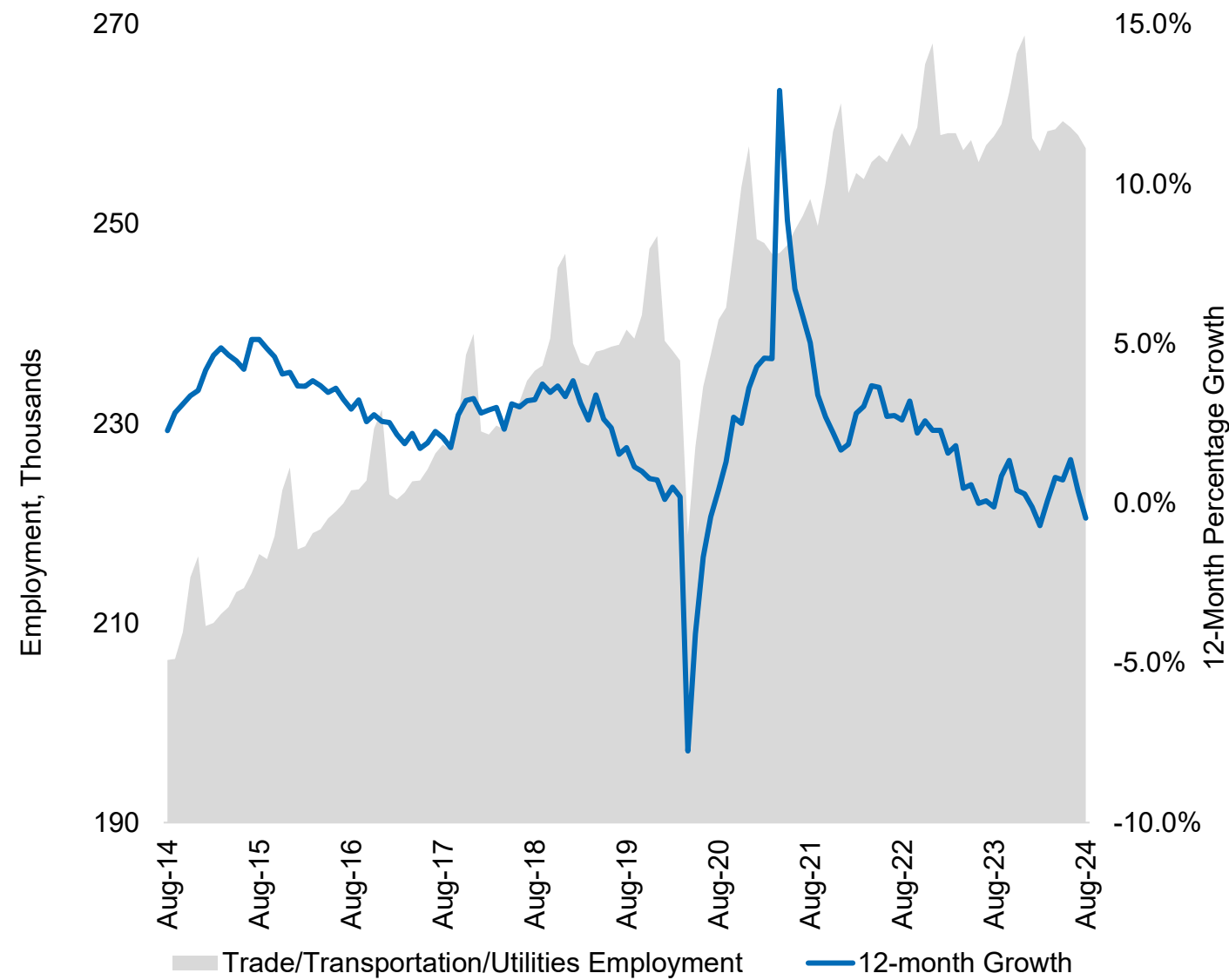
Source: U.S. Bureau of Labor Statistics

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

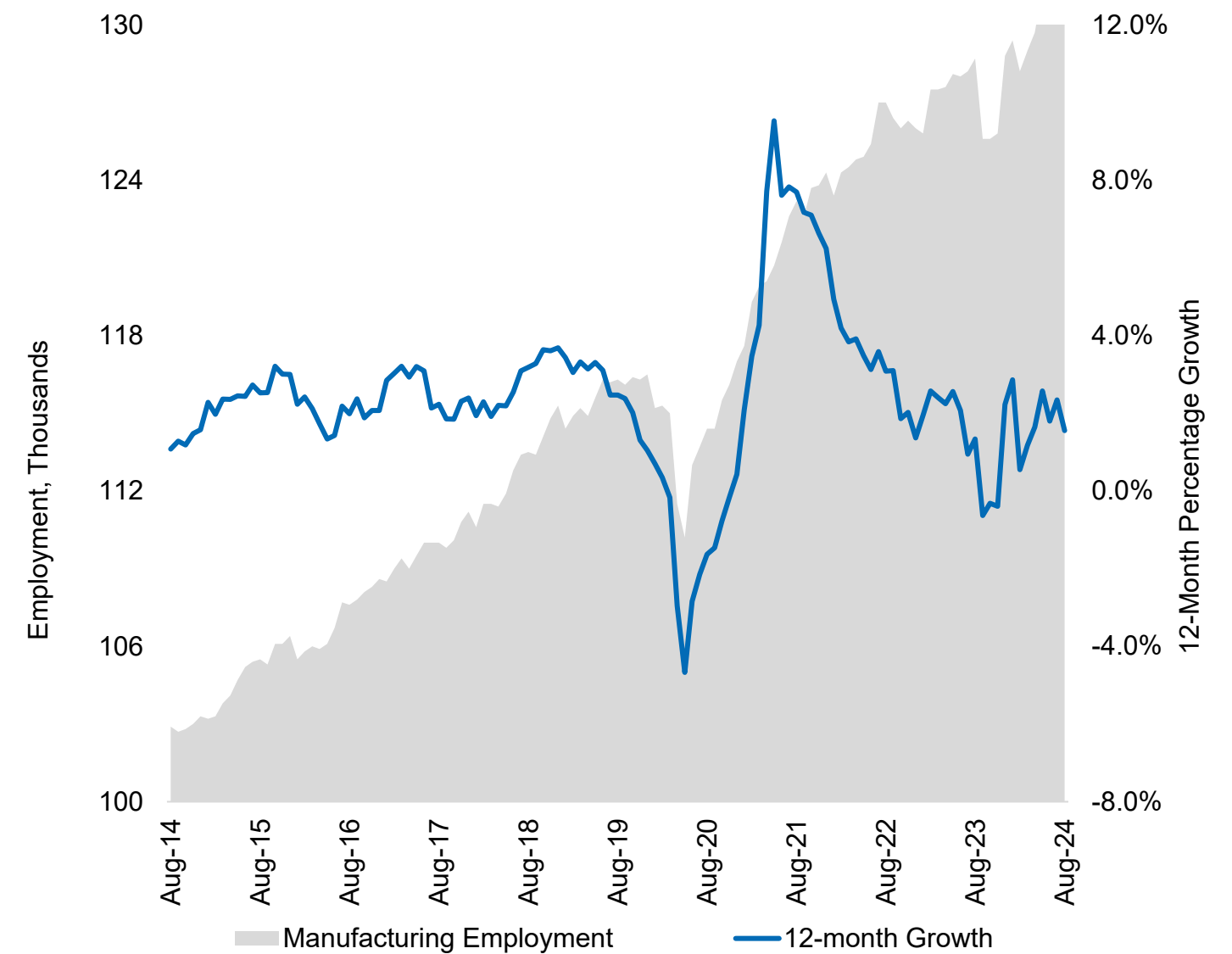
Industrial Employment Growth Stabilizing Among Market Right-Sizing

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 gains in 2024, based on recent manufacturing announcements.

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

Utah County Employment Struggles Compared to Rest of Wasatch Front

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Salt Lake City Market Fundamentals



Salt Lake City Submarket Map and High-Level Statistics | 3Q24

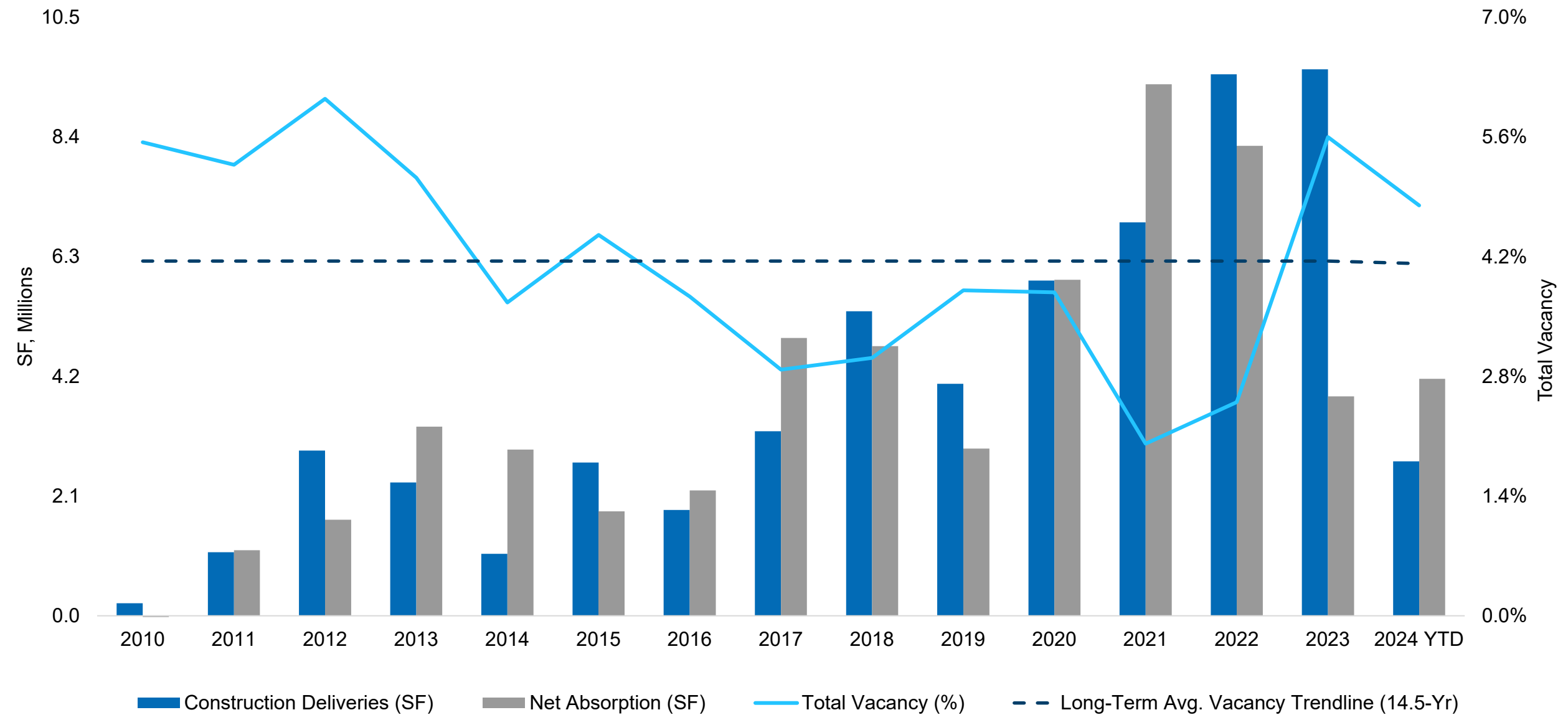


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Total Vacancy Decreases as Recently Delivered Buildings Fill

Total vacancy (4.8%) is down 80 basis points from year-end 2023 and is slightly higher than the 14.5-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 trailed this new supply. A slowdown in construction starts will aid in keeping vacancy from trending upwards.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

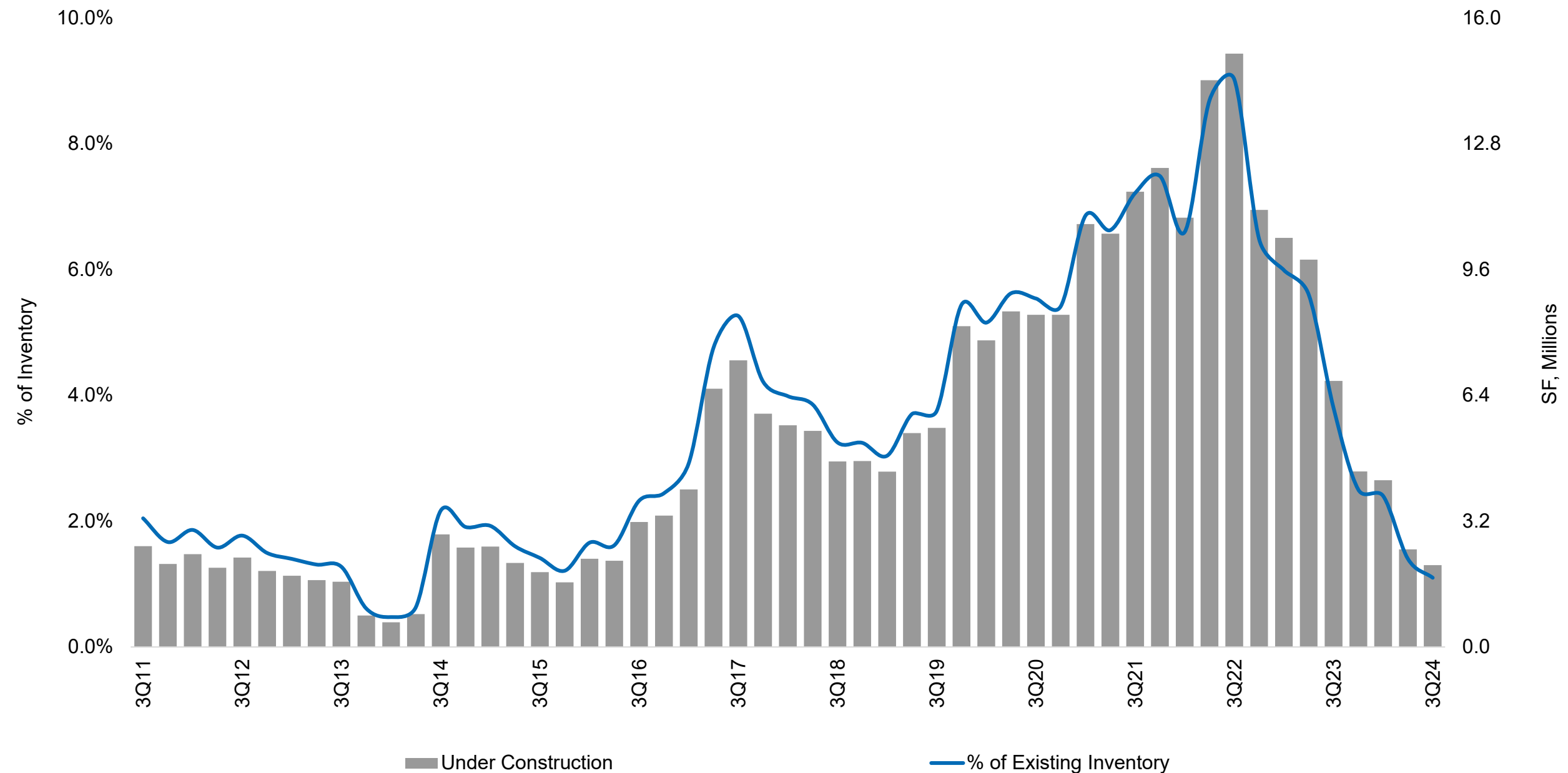
Direct Vacancy Down as New Bulk and Medium Distribution Product Leases Up

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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 2022 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

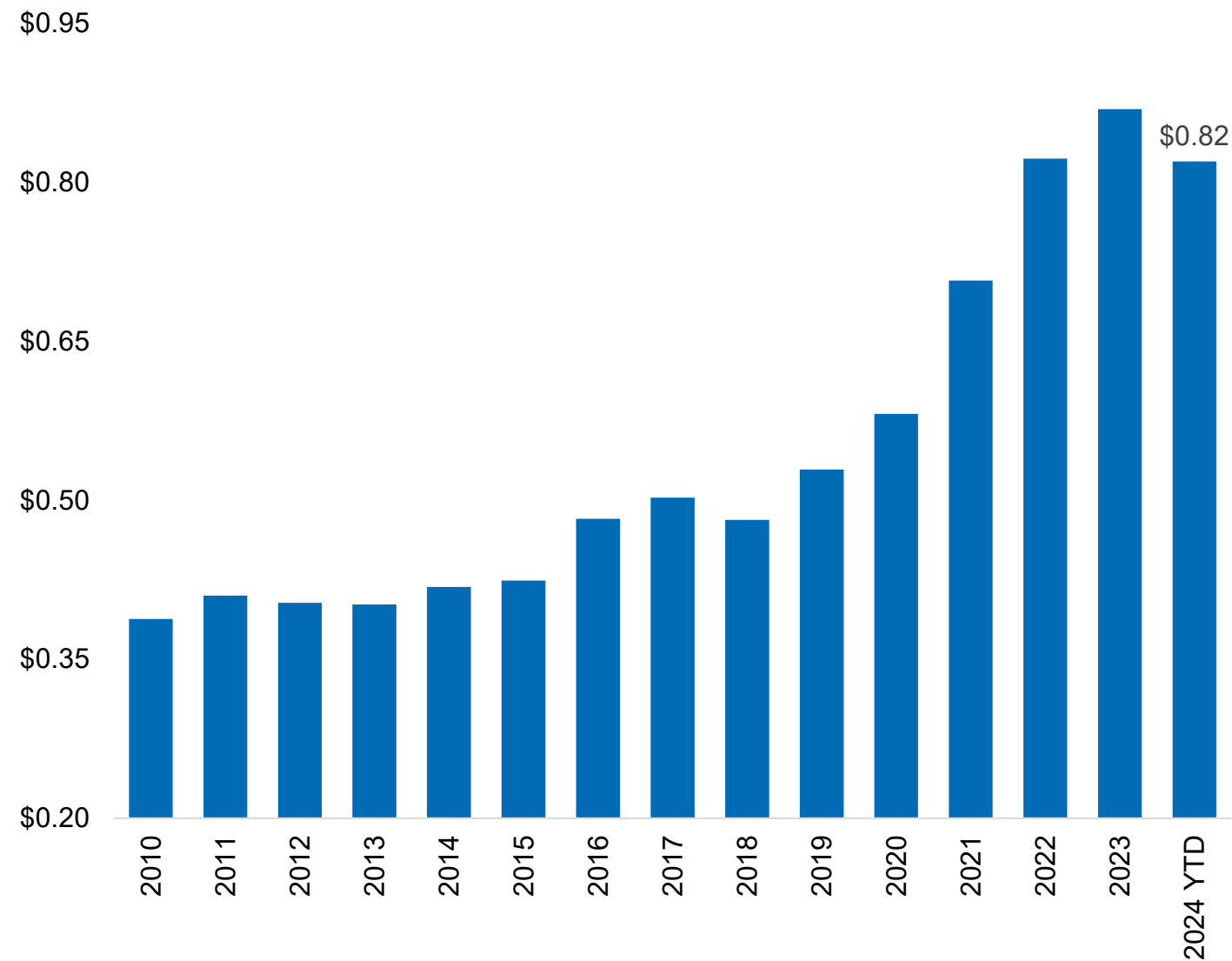


Source: Newmark Research

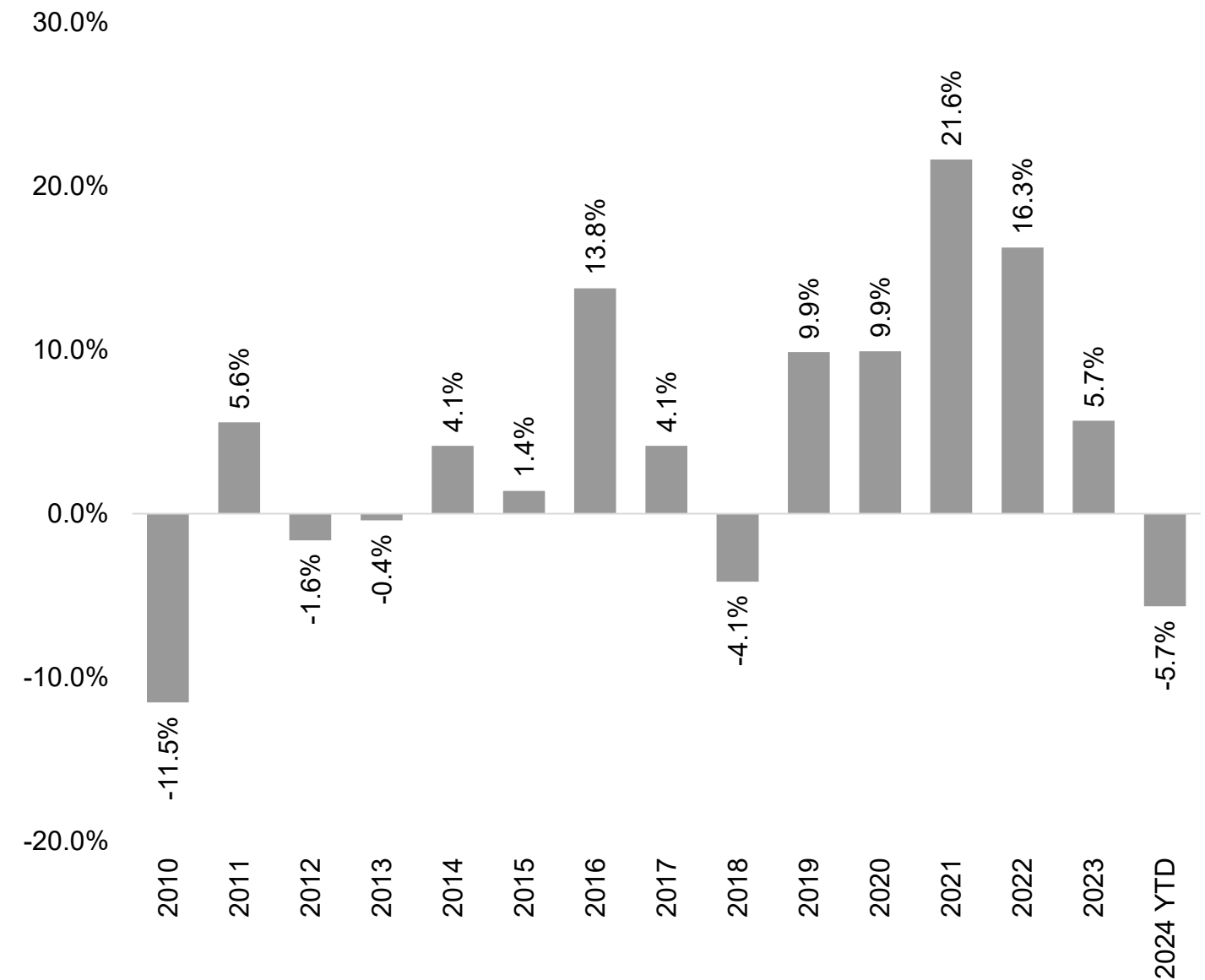
Industrial Asking Rent Growth Zeros Out to 2022 Levels

Average asking rents increased by 5.7% from 2022 to 2023 after two consecutive years of growth above 15%. Moving into 2024, rates have decreased by the same amount to match 2022 asking rates. This trend of measured growth is likely to continue for the next few quarters with some right-sizing occupiers offering lower-priced sublease space. Potential supply constraints in 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

Overall Achieved Rent Growth Moves Upwards into 2024

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Notable 3Q24 Lease Transactions

The Northwest Quadrant (Airport, California Avenue and West Valley submarkets) dominated leasing activity in Salt Lake County. Renewals and expansions were prominent in the third quarter of 2024.

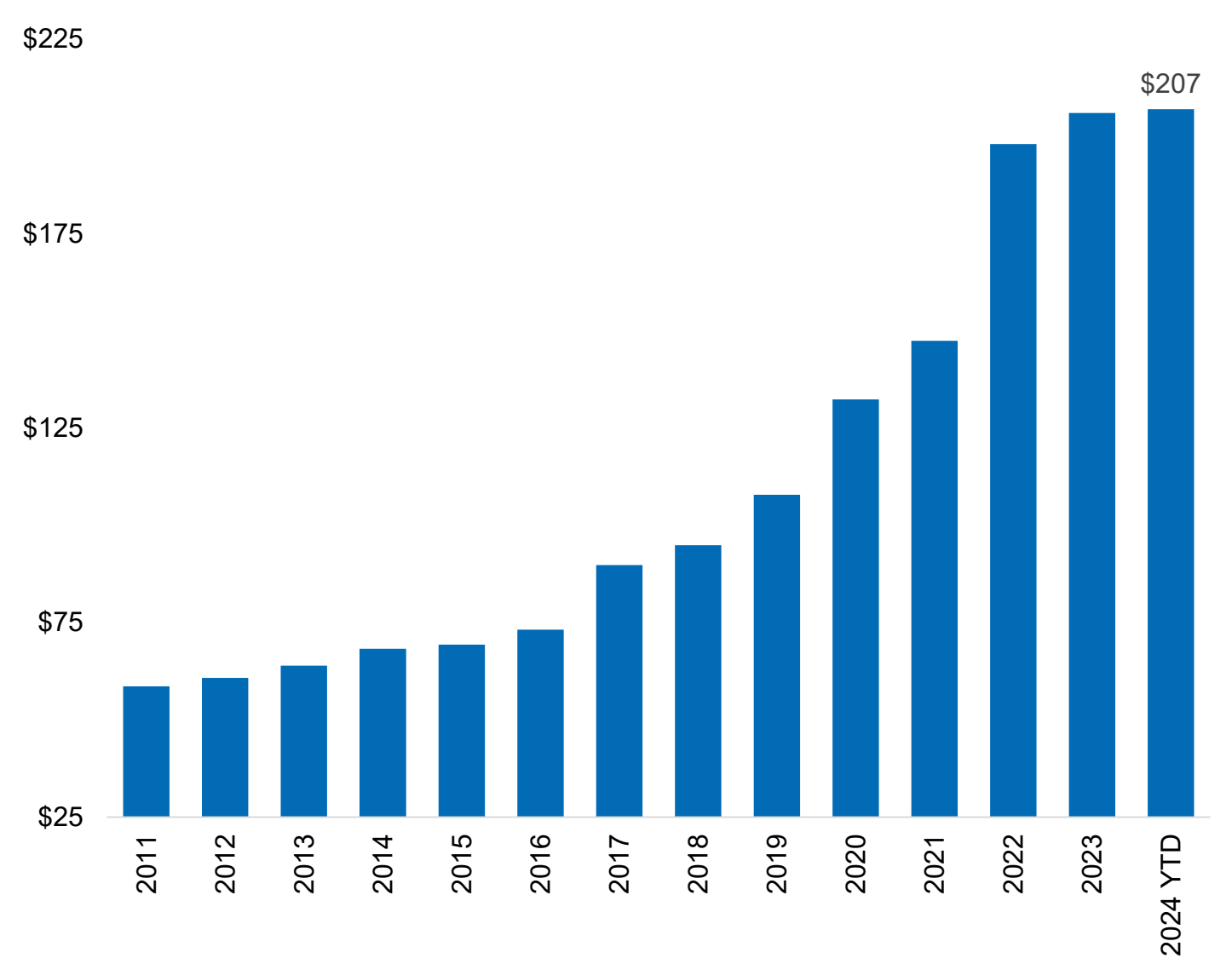
Select Lease Transactions

Tenant	Building	Submarket	Lease Type	Square Feet
Selery Fulfillment	Summit Distribution Center	California Avenue	Expansion	70,560
<i>E-commerce company, Selery Fulfillment, expanded by 70,560 SF in Summit Distribution Center.</i>				
Sundance Holdings Group	3865 W. 2400 S.	West Valley	Renewal	65,454
<i>After a purchase in Q2 2024 in a sale-leaseback transaction, Sundance Holdings renewed for another term for the entirety of the building footprint.</i>				
Alfwear	Landmark 2	California Avenue	Sublease	63,000
<i>Already a tenant within the building, Alfwear took over the 63,000 SF short-term sublease to add to the 60,000 SF the company already occupied.</i>				
ERCExpert.com	Parkland Industrial	Sandy	Expansion	56,725
<i>ERCExpert.com expanded by an additional 56,725 SF within Parkland Industrial; the tenant's new footprint totals 99,052 SF.</i>				
AmerisourceBergen Drug Corporation	1765 S. Fremont Dr.	California Avenue	Renewal	54,450
<i>Pioneer Business Center kept AmerisourceBergen Drug Corporation as a tenant in a renewal transaction.</i>				

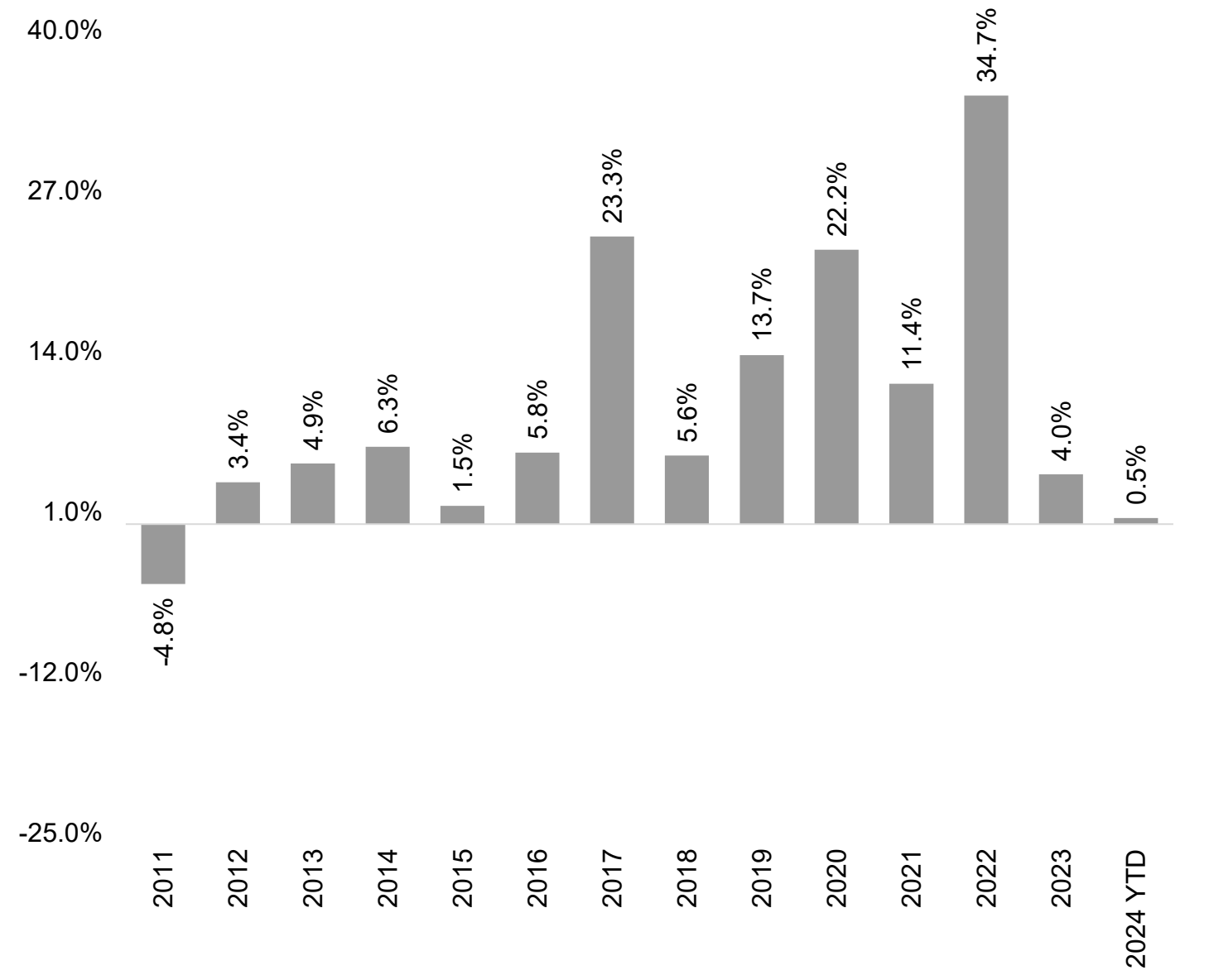
Achieved Owner-User Sale Price/SF Growth Stagnant as Older Product Trades

The owner-user sale price per square foot has held even from the end of 2023 into 2024 thus far as older buildings traded hands. Users are generally holding onto newer product. Buildings with fenced and paved yards, or the capability of creating yard space, still command a premium. Difficulty in gaining funding are locking out some potential buyers that would prefer to own over renting. Upcoming loan maturities may increase sales as more distressed sales enter the market.

Industrial Achieved Average Owner-User Sale Price PSF



Year-over-Year Owner-User Sale Price PSF % Change



Source: Newmark Research

Notable 2024 YTD 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>				
LBA Realty	Mountain View Industrial Park Building B	California Avenue	Investment	179,400
<i>Fully occupied by life science company, BioFire Diagnostics, LBA Realty purchased Building B in Mountain View Industrial Park from Gardner Batt.</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>				



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Additional Markets – Davis and Weber Counties



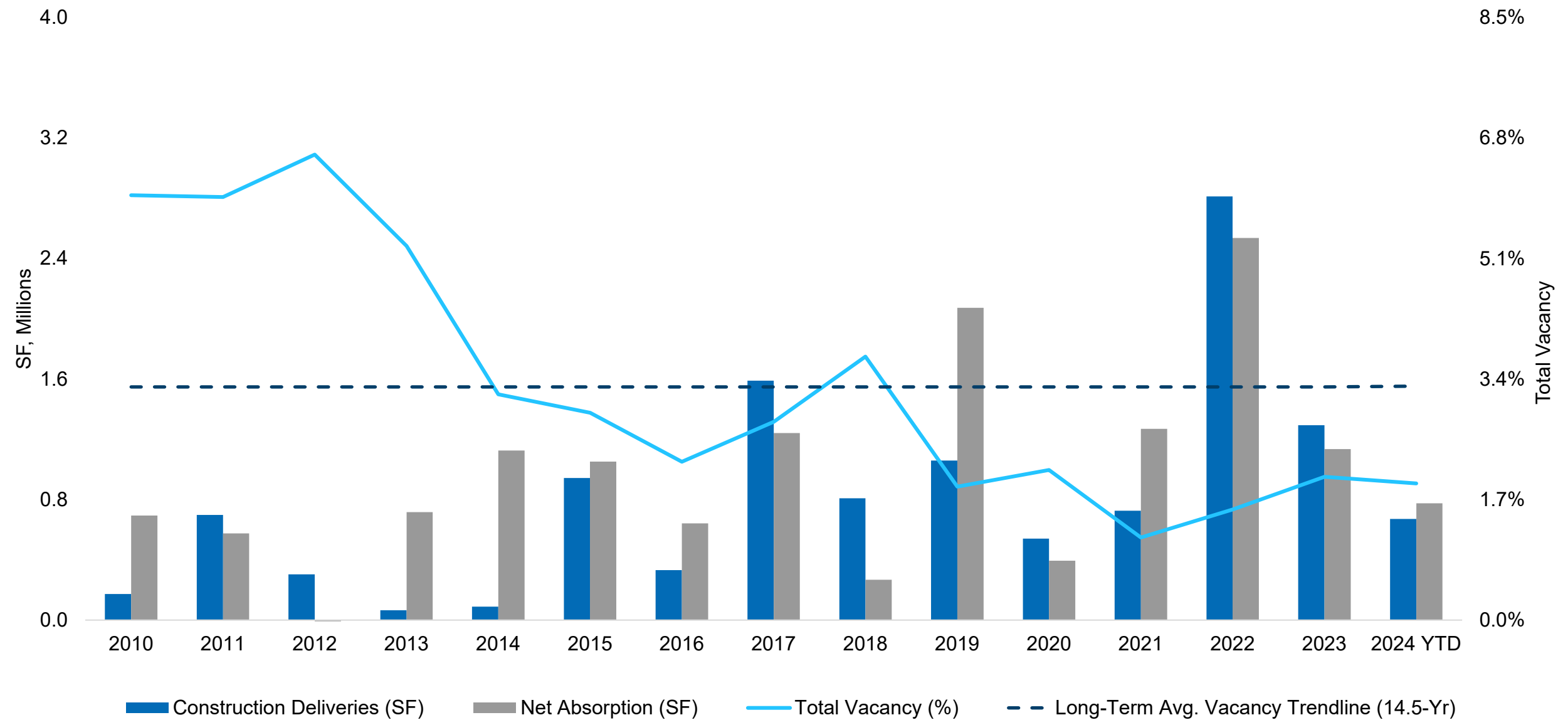


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Davis and Weber Counties Total Vacancy Lowest Among the Wasatch Front

Total vacancy (1.9%) marginally decreased by 10 basis points from year-end 2023 to the third quarter of 2024 and sits well below the 14.5-year average of 3.3%. Net absorption has surpassed construction deliveries by 15.4%. Vacancy will see minor fluctuations in the coming quarters as construction deliveries slow and occupiers continue to right-size operations to adapt to shifts in consumer spending.

Historical Construction Deliveries, Net Absorption, and Vacancy

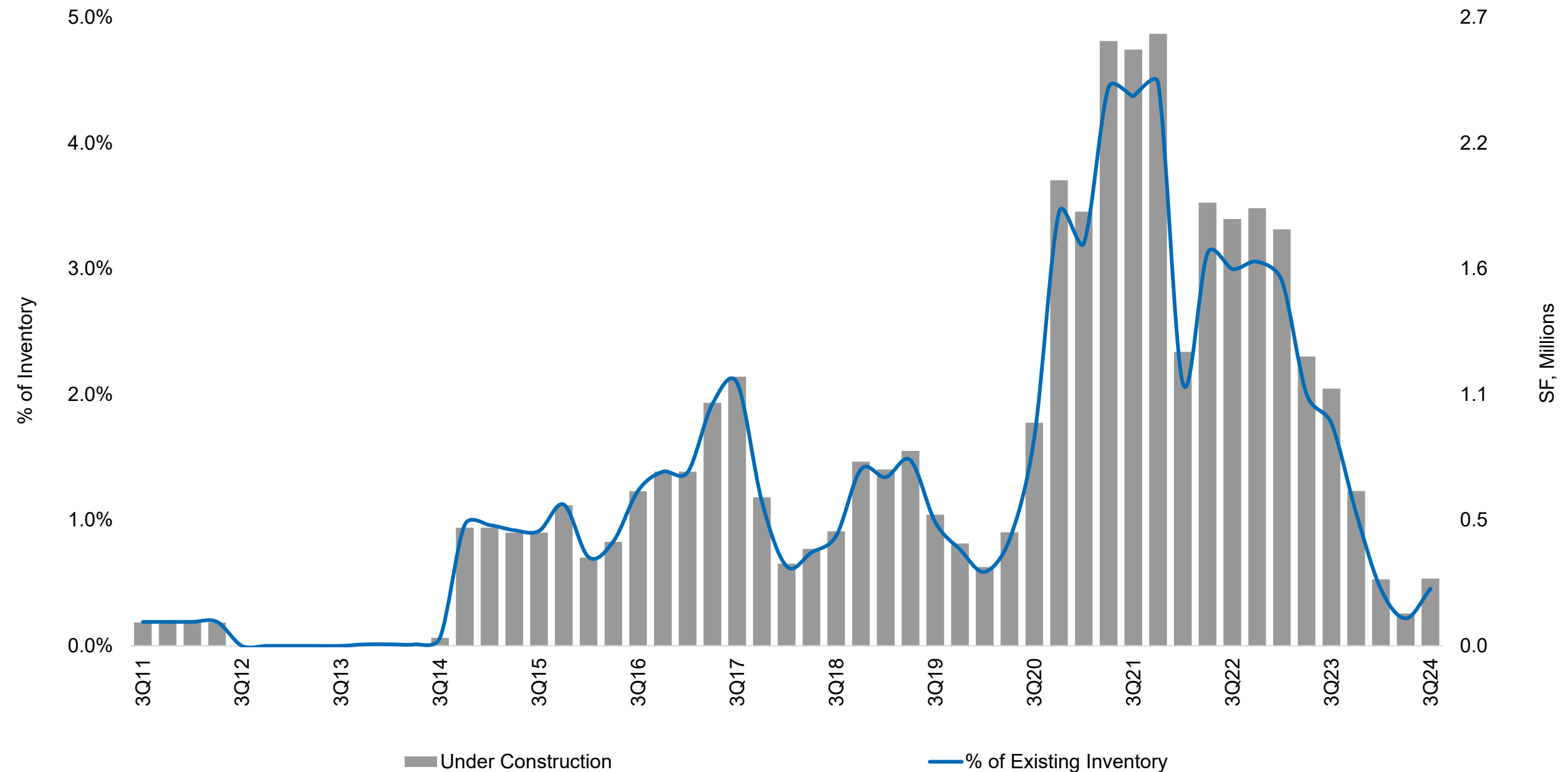


Source: Newmark Research

Industrial Supply Pipeline Constrained Amid Right-Sizing and Higher Interest Rates

The construction pipeline has been steadily falling since the fourth quarter of 2021 (when 2.6 MSF was underway). As of quarter-end, the construction pipeline made up only 0.5% of the current inventory base. 2024's totals are the lowest the region has seen since 2012 and will likely stay at dampened levels due to funding difficulties. There could be potential supply constraints once occupier right-sizing stabilizes.

Industrial Under Construction and % of Existing Inventory



Source: Newmark Research

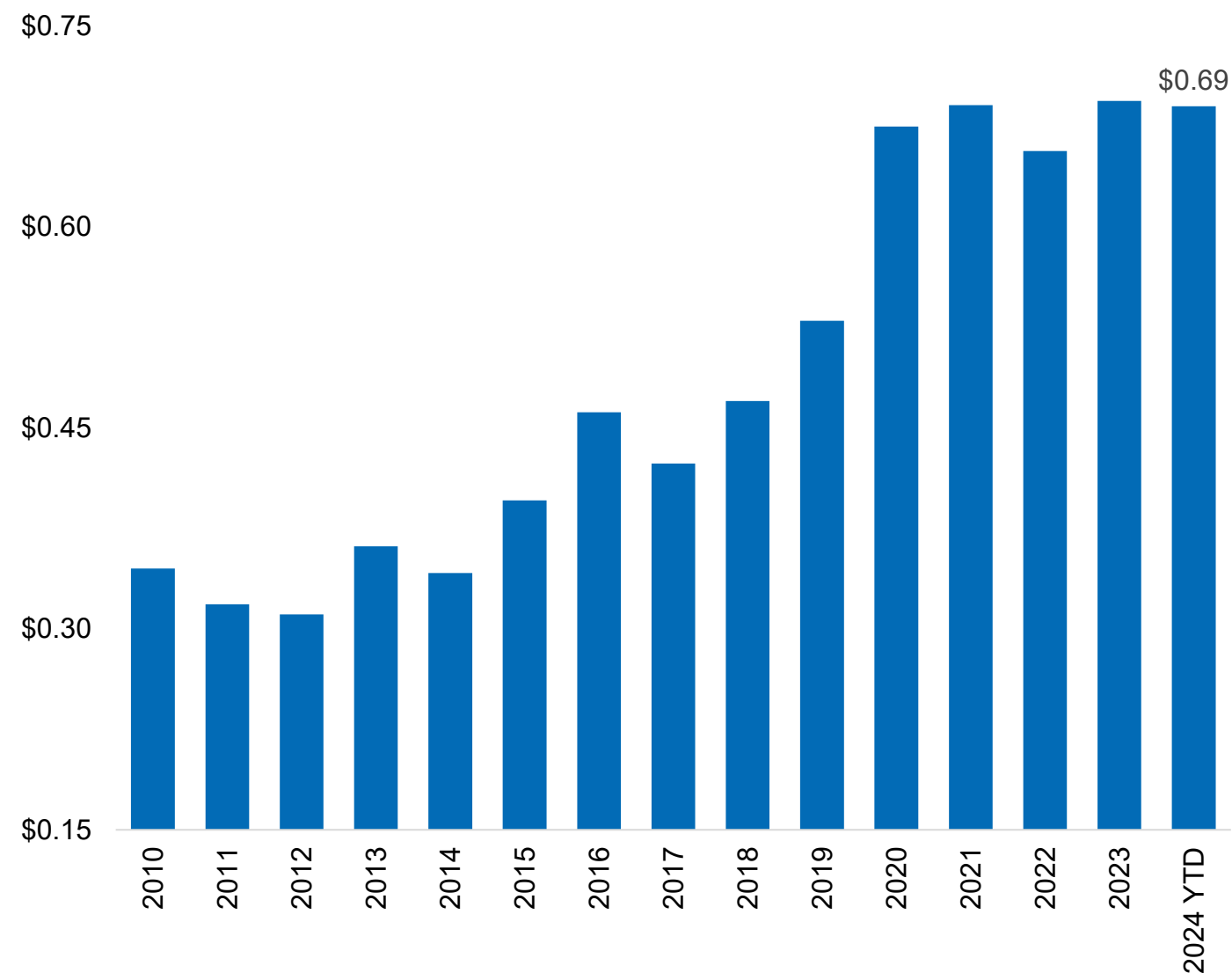
Achieved Rental Growth Contracts as Older Space Fills

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Northern Wasatch Front Industrial Asking Rent Growth Moderates

After contracting in 2022, average asking rents rose to \$0.69/SF in 2023 and have held steady since. While asking rent growth is expected to level out over the next few quarters, potential supply constraints 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 tenants to the region in the first nine months of 2024.

Select 2024 YTD Transactions

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>				
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>				
Process Curiosity	215 W. 500 N.	South Davis	Direct New Lease	44,279
<i>Design and fabrication company, Process Curiosity, leased 44,279 SF in North Salt Lake.</i>				
Airline Transport Professionals	Kemp Gateway South 2	South Weber	Direct New Lease	35,312
<i>Airline Transport Professionals leased 35,312 SF at Kemp Gateway in Ogden.</i>				

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Additional Markets – Utah County



Utah County Submarket Map and High-Level Statistics | 3Q24

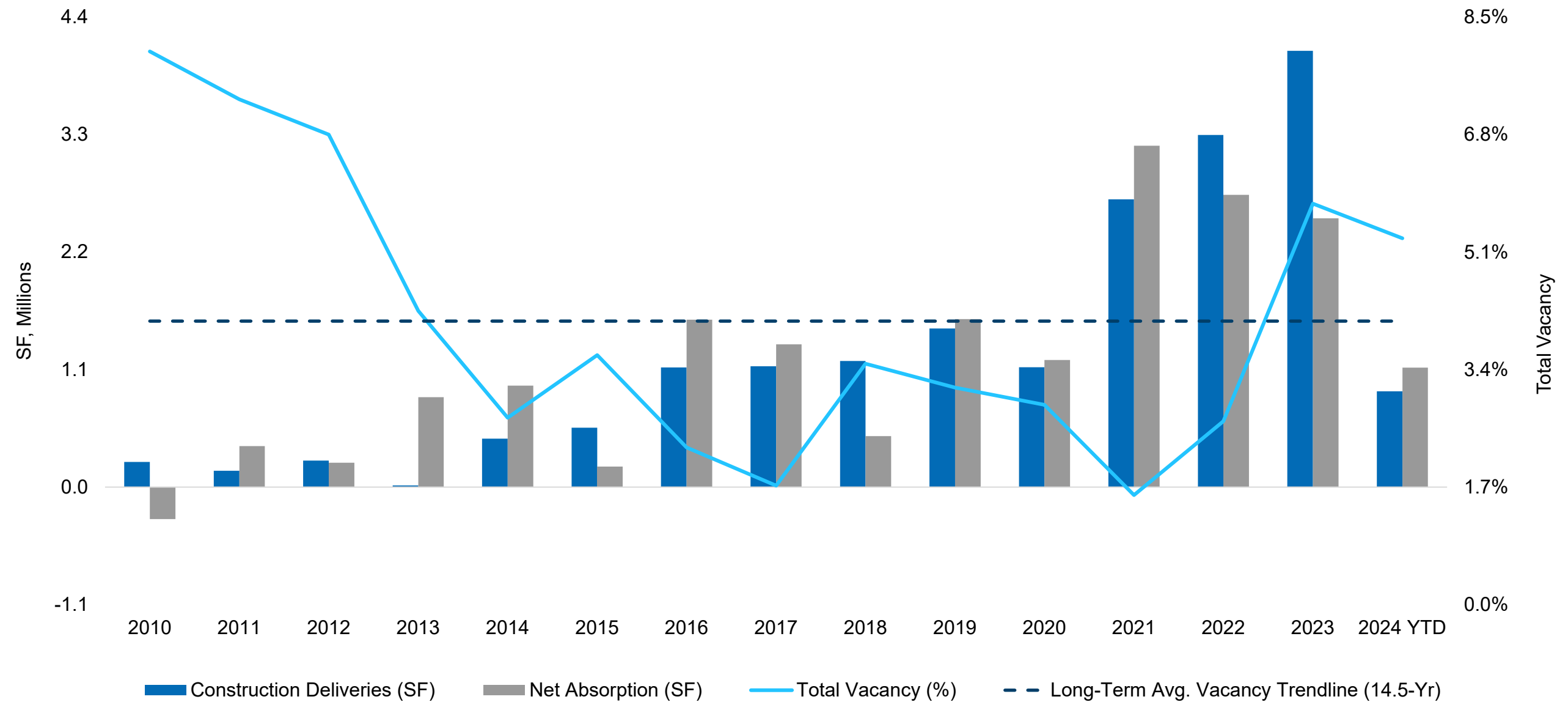


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Total Vacancy Down as Absorption Passes Deliveries at 3Q24

Total vacancy (5.3%) is down 50 basis points relative to year-end 2023, buoyed by net absorption surpassing construction deliveries in the first three quarters of 2024. Although total vacancy still sits above the 14.5-year historical average of 4.1%, the slowdown of construction starts, coupled with pre-leased buildings expected to come online in upcoming quarters, vacancy swings will be tempered moving into 2025.

Historical Construction Deliveries, Net Absorption, and Vacancy

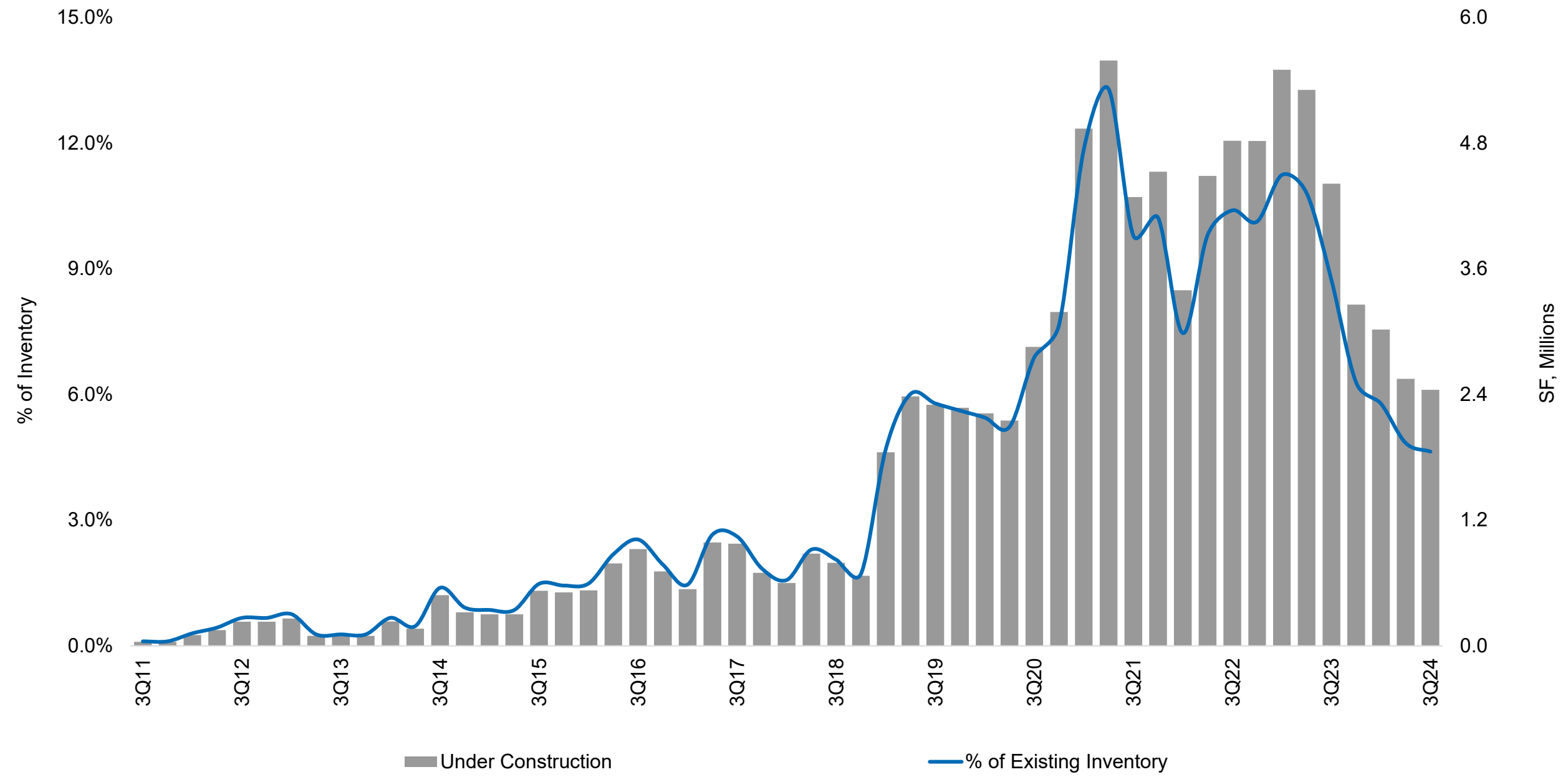


Source: Newmark Research

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

Of the 2.4 MSF under construction, the fourth building at the Facebook Data Campus accounts for 2.0 MSF (or, 81.8% of the total pipeline). New construction starts have slowed, especially for speculative product, and today's pipeline will likely not contribute to rises in vacancy since 88.4% of underway product has pre-commitments in place.

Industrial Under Construction and % of Existing Inventory

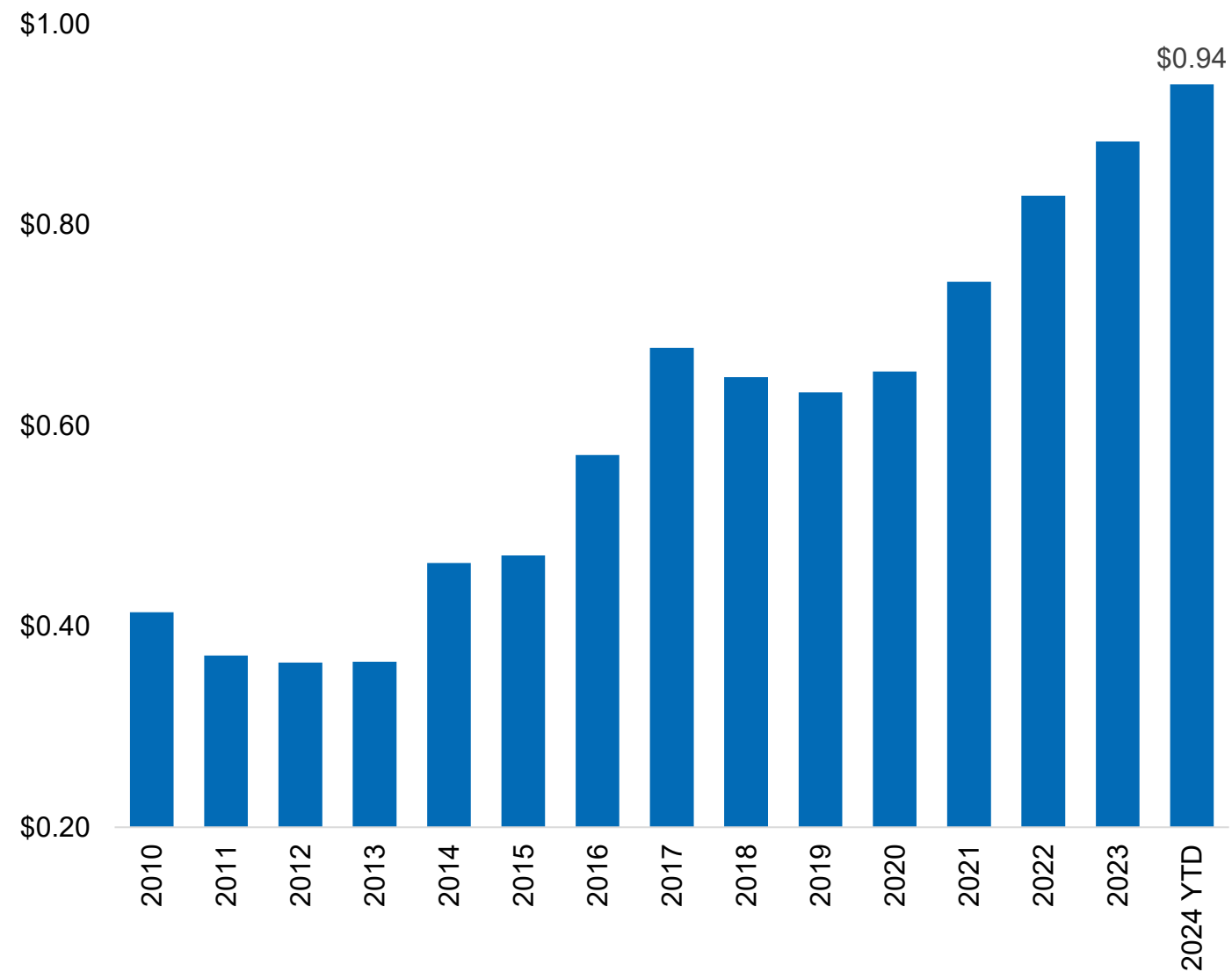


Source: Newmark Research

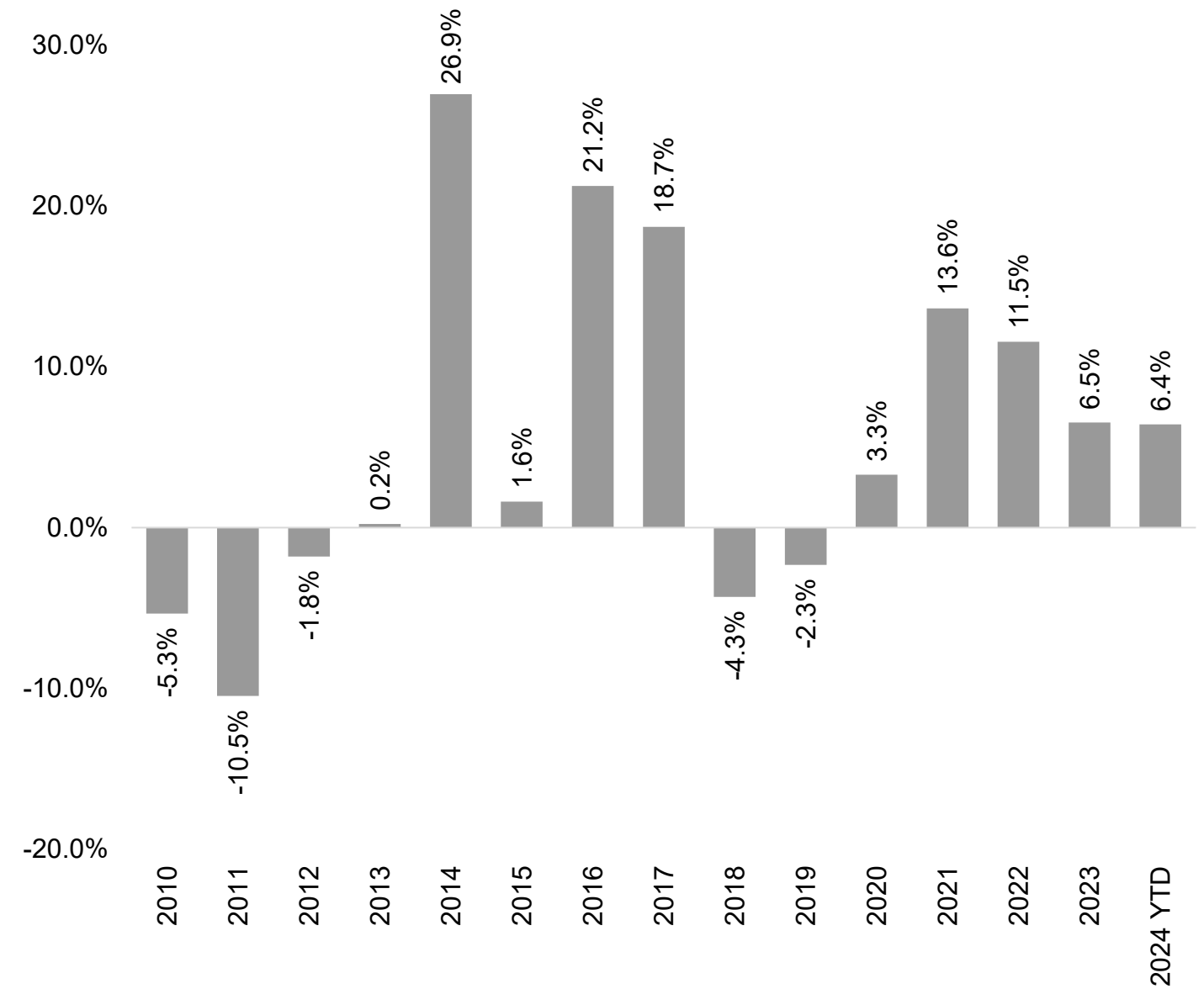
Industrial Asking Rent Growth Still Elevated but Stabilizing

Along the Wasatch Front, Utah County is where asking rents are still experiencing growth in 2024, up 6.4% 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

Achieved Rents Down Slightly for Utah County Industrial

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Notable Utah County Transactions

Utah County has attracted investors in 2024 as the county experiences strong growth and tenancy in recent years.

Select 2024 YTD Transactions

Buyer/Tenant	Building	Submarket	Transaction Type	Square Feet
Exeter	Spanish Springs	Utah County South	Investment Sale	451,497
<i>Exeter purchased the Spanish Springs two-building portfolio for a total of 451,497 SF.</i>				
Exeter	East 15 Commerce Park – 1 & 2	Utah County North	Investment Sale	427,620
<i>Exeter also purchased buildings 1 & 2 of East 15 Commerce Park in Pleasant Grove.</i>				
eSupplements	PowerHouse Industrial 2	Utah County South	Direct New Lease	292,761
<i>Expanding within the region, eSupplements took the entirety of the recently delivered PowerHouse Industrial 2 building for 292,761 SF.</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	Catalyst Business Park 4	Utah County North	Lease	168,291
<i>A confidential tenant signed a lease to occupy all of Catalyst Business Park 4 for 168,291 SF.</i>				

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Utah Capital Markets Overview



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 prior years. The Fed's recent interest rate cut (with more to come) will likely favor future 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
Spanish Springs	Spanish Fork	Industrial	Q2 2024	451,497
<i>Exeter purchased the Spanish Springs two-building portfolio for a total of 451,497 SF.</i>				
East 15 Commerce Park 1 & 2	Pleasant Grove	Industrial	Q3 2024	427,620
<i>Dakota Pacific sold buildings 1 & 2 in the East 15 Commerce Park in a portfolio sale totaling 427,620 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>				
121 W. Election Dr.	Draper	Office	Q2 2024	78,330
<i>JourneyTeam purchased the 78,330-square-foot-building in Draper with plans to occupy a portion of the building and lease out the remaining space.</i>				
Alta View Shopping Center – EoS	Sandy	Retail	Q2 2024	49,680
<i>EoS Fitness in Sandy's Alta View Shopping Center was sold to TPA Capital.</i>				

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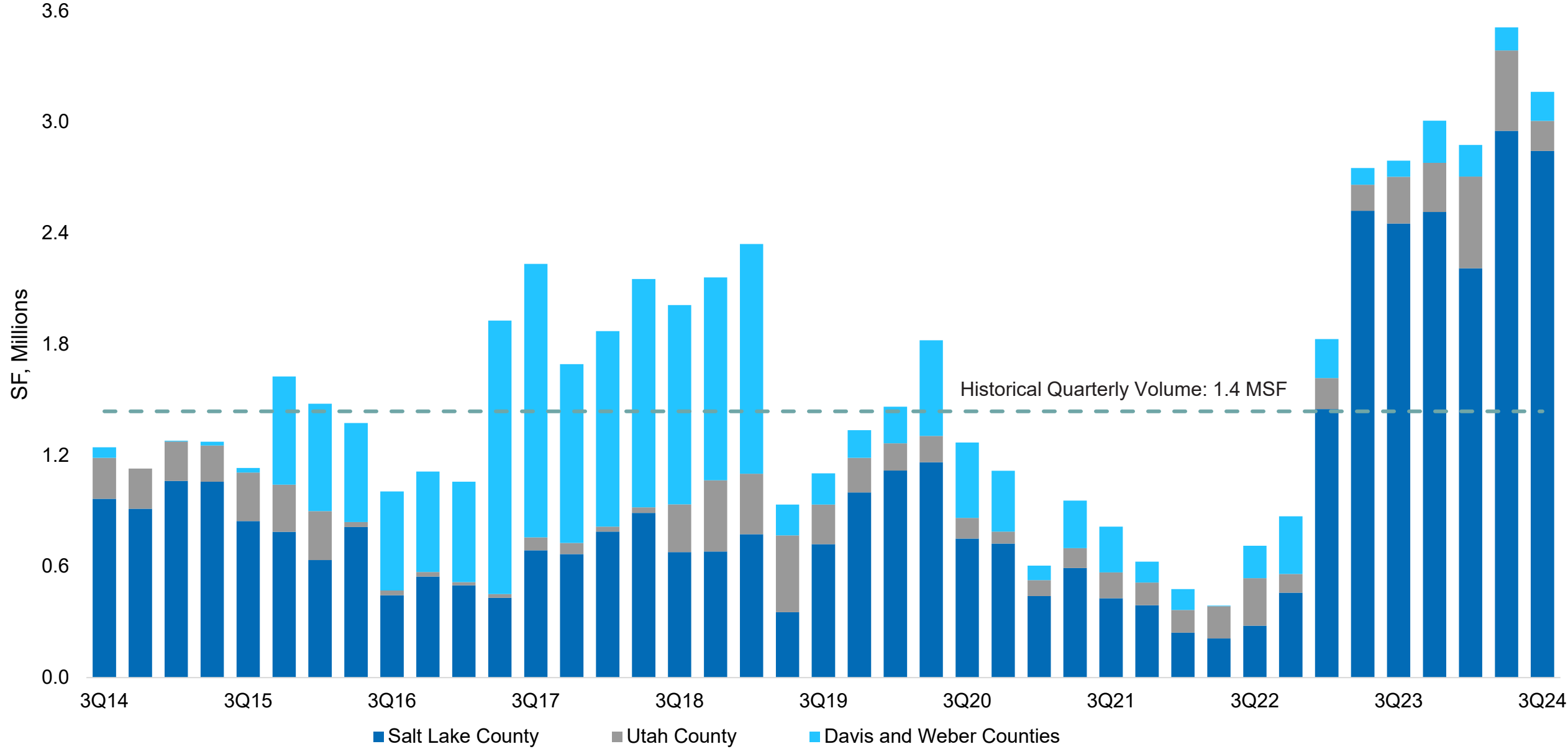
Appendix



Wasatch Front Industrial Sublease Availability Decreases in 3Q24

Available sublease space decreased by 3.7% quarter-over-quarter, a welcome change but still nearly two times higher than the historical average of 1.4 MSF. Utah County saw the largest drop in sublease availability, decreasing by 62.5% quarter-over-quarter. How quickly sublease space is absorbed by users in the coming quarters will influence direct availability as expiration dates arrive.

Available Industrial Sublease Volume (MSF)

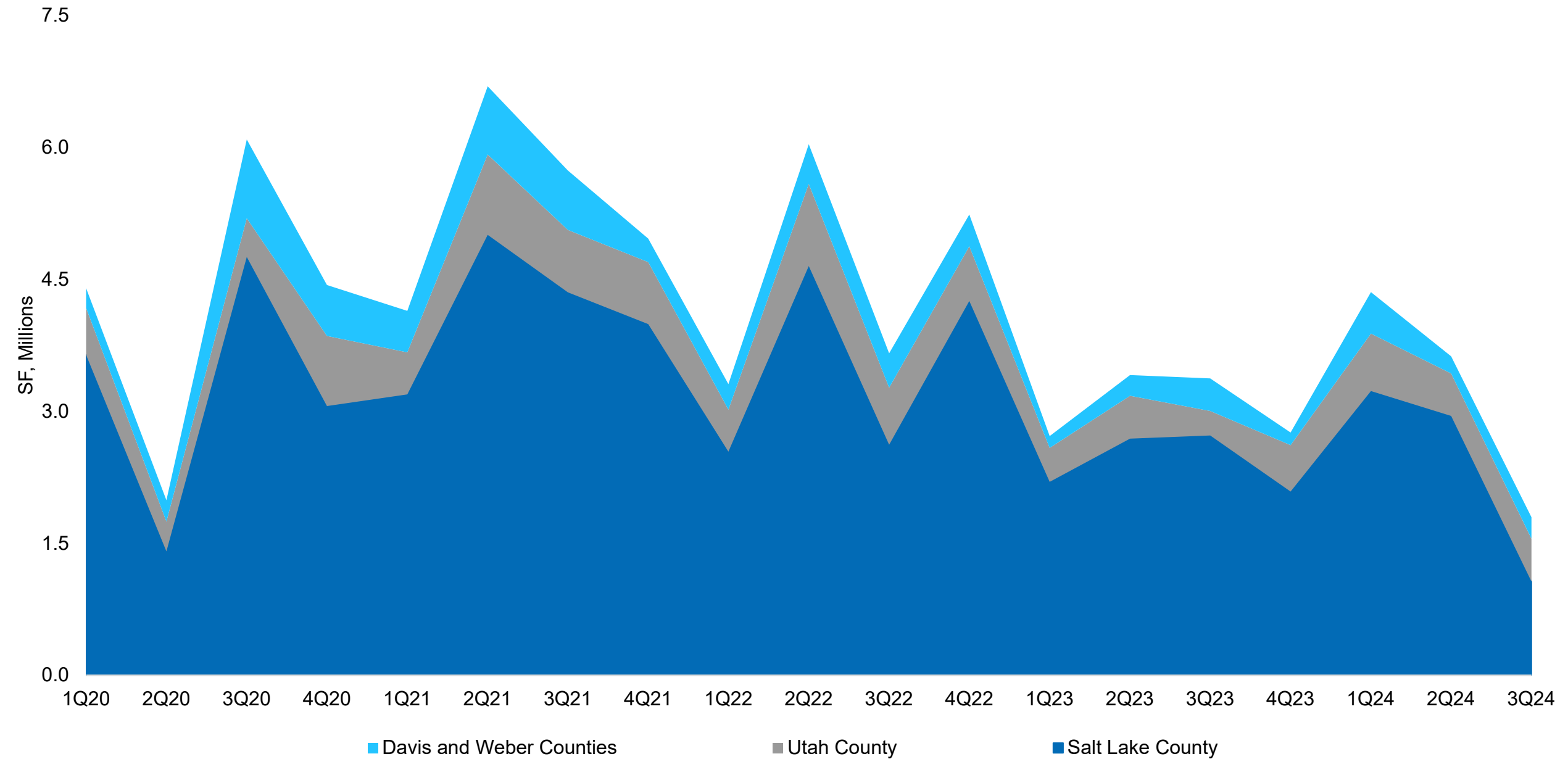


Source: Newmark Research

3Q24 Leasing Down Significantly As 2024 Election Looms

Although tenant demand for industrial space was strong in 2023, it was lower than 2020-2022. Pre-leasing activity has slowed, with many tenants waiting to sign leases after buildings deliver. The third quarter of 2024 brought a new element into the mix with many landlords and tenants alike sit in what many are terming “election paralysis” as they wait to see how the election results in November may affect the economic climate.

Total Leasing Activity (SF)



Source: Newmark Research

Loaded Imports in the First Eight Months of 2024 Third Busiest Compared to Same Period of Prior Years



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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 Since Late 2023 at Los Angeles/Long Beach

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Retail Sales (an Indicator of Warehouse Demand) Continue to Moderate

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The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates

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