

Salt Lake County Industrial Market

Occupier Demand Drives Historic Construction Levels

Occupier demand for new industrial space drove the square footage under construction to a market high of 9.5 million square feet in the first quarter of 2021, with just over 42.5% of this space already pre-committed. Net absorption measured just over 750,000 square feet for the quarter, which was the second-best first quarter for positive net absorption historically. The delivery of over 825,000 square feet of new industrial product in first-quarter 2021 did little to relieve the demand for space. The direct vacancy remained essentially flat between fourth-quarter 2020 and first-quarter 2021, ticking up just four basis points. Both asking and achieved first-year average rates posted substantial increases of 13.0% and 5.2% year over year, respectively, and the average owner-user sale price per square foot increased a precipitous 30.9% year over year, to \$133.58/SF. Investors continue to be bullish on the industrial asset type in Salt Lake County, and most of the larger sales are occurring off market.

With the amount of square footage currently under construction and expected to deliver in 2021, this year should easily eclipse the historic high of industrial construction deliveries set in 2020 by an incredible 47.8%. Two of the larger projects currently under construction and set to deliver later this year, Exeter Summit Logistics Center Building 1 and Freeport West ARA Building D, are pre-leased and will contribute 1.7 million square feet of

Current Conditions

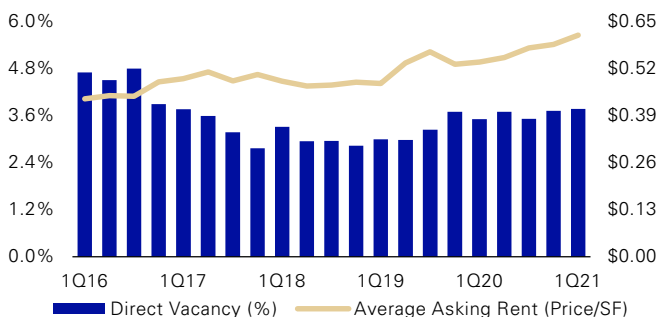
- Direct vacancy slightly increased by 4 bps in first-quarter 2021 to 3.8%, even with a significant amount of speculative development delivering.
- The total square footage under construction reached a market high of 9.5 million square feet in first-quarter 2021, equaling 6.0% of inventory.
- Achieved average first-year lease rates are up 5.2% year over year to \$0.50/SF for the year ending in first-quarter 2021.

Market Summary

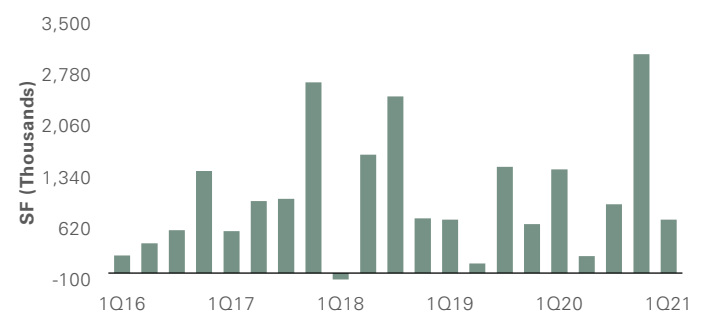
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Inventory	157.6 MSF	156.7 MSF	151.9 MSF	↑
Direct Vacancy Rate	3.8%	3.7%	3.5%	→
Quarterly Net Absorption (SF)	752,910	3,080,844	1,458,887	↑
Average Asking Rent PSF	\$0.61	\$0.59	\$0.54	↑
Under Construction (SF)	9,488,296	8,555,161	7,794,560	↑
Deliveries (SF)	826,142	3,526,925	965,533	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



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positive net absorption to the market. Hamilton Partners's I-215 Logistics Center C and D and SLC Global Logistics Buildings 4 and 5 are two of the larger developments that are currently fully available and will add 1.7 million square feet of distribution space to the market. Expect construction levels to remain elevated throughout 2021, with the direct vacancy rate staying low and various speculative development projects either permitted for construction or in the planning phase.

The overall achieved average first-year lease rate increased 5.2% year over year to \$0.50/SF triple net in first-quarter 2020. Rent growth in bulk and medium distribution buildings, two of the larger building sizes, experienced minimal increases, 0.7% and 1.3%, respectively. Manufacturing, general purpose, flex and incubator buildings all posted rent growth increases of 4.5%-plus year over year, with flex buildings posting an increase of over 14.0%. While direct vacancy remains low market-wide,

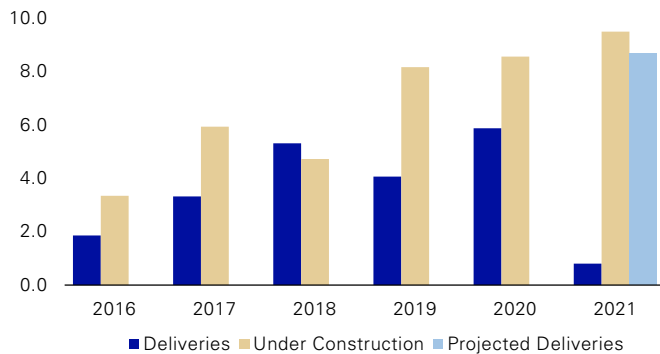
manufacturing, general purpose, flex and incubator buildings all have direct vacancy rates at or below the market direct vacancy rate.

Larger new direct leases in first-quarter 2021 included Blue Chip Group expanding at Freeport West ARA Building C and meal-service company Tovala and fulfillment company FB Flurry both signing leases at recently completed Lake Park Commerce Center Building 1.

In first-quarter 2021, three 450,000-plus-square-foot off-market portfolio transactions occurred: Westcore purchased I-80 Logistics Center I-III from USAA; Nuveen expanded its footprint by purchasing Pacific Landing V 1-3 from a local investor; and Starwood Capital Group purchased 10 properties from EJM Development Company. All three of these portfolios traded at a sub-5.0% cap rate.

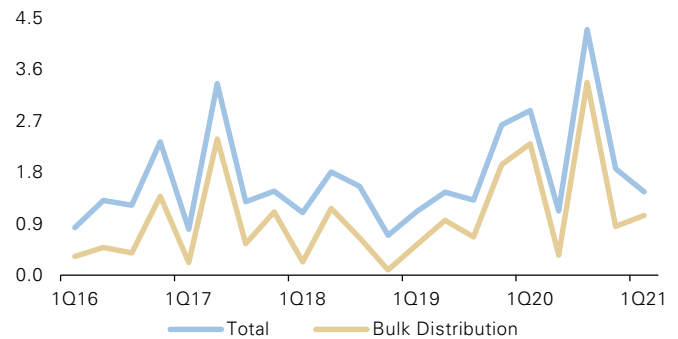
Construction and Deliveries

SQUARE FEET, MILLIONS



Leased Square Feet

SQUARE FEET, MILLIONS



Select Lease Transactions

Tenant	Market	Building	Type	Square Feet
Tovala	West Valley	Lake Park Commerce Center Building 1	New	230,517
FB Flurry	West Valley	Lake Park Commerce Center Building 1	New	208,622
IDS	California Avenue	Ninigret VII	Renewal	207,490
Carter Distribution	Airport	I-215 Commerce Center B	New	166,450
Blue Chip Group, Inc.	West Valley	ARA Building C	Expansion	113,055
Diversified Transfer & Storage, Inc.	California Avenue	Intermountain Space Center	Renewal	93,730

Select Sale Transactions

Buyer	Market	Building	Type	Square Feet
Westcore	Airport	I-80 Logistics Center I-III	Capital Markets	1,095,885
Nuveen	Airport	Pacific Landing V Buildings 1-3	Capital Markets	521,515
Starwood Capital Group	California Avenue	EJM Development Company Portfolio	Capital Markets	489,356
Spectrum Real Estate Investments	California Avenue	Hatch/Manka	Capital Markets	75,344
Industrial Outdoor Ventures	California Avenue	Standlee	Capital Markets	66,685

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Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Airport	18,792,487	2,146,170	7.8%	272,915	272,915	\$0.50	\$0.33	\$0.50
Manufacturing	4,515,265	0	0.3%	0	0	\$0.50	\$-	\$0.50
General Purpose	2,063,640	0	8.9%	0	0	\$0.38	\$-	\$0.38
Bulk Distribution	9,726,862	1,858,780	11.0%	264,958	264,958	\$0.50	\$0.33	\$0.49
Medium Distribution	376,212	226,910	19.8%	0	0	\$0.69	\$-	\$0.69
Flex	687,754	60,480	17.5%	-2,324	-2,324	\$0.57	\$-	\$0.57
Incubator	282,043	0	0.0%	10,281	10,281	\$-	\$-	\$-
Special Purpose	1,140,711	0	0.0%	0	0	\$-	\$-	\$-
Downtown SLC	11,205,368	23,000	6.1%	-80,290	-80,290	\$0.67	\$-	\$0.67
Manufacturing	2,889,516	23,000	3.6%	0	0	\$0.39	\$-	\$0.39
General Purpose	5,419,163	0	3.8%	-32,090	-32,090	\$0.71	\$-	\$0.71
Bulk Distribution	180,670	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	502,846	0	50.5%	-48,200	-48,200	\$0.69	\$-	\$0.69
Flex	892,000	0	6.6%	0	0	\$0.51	\$-	\$0.51
Incubator	418,796	0	4.4%	0	0	\$0.84	\$-	\$0.84
Special Purpose	902,377	0	4.8%	0	0	\$1.31	\$-	\$1.31
California Ave	57,381,035	3,616,411	3.4%	76,675	76,675	\$0.64	\$0.44	\$0.62
Manufacturing	10,525,406	41,184	2.5%	2,828	2,828	\$0.56	\$0.40	\$0.48
General Purpose	12,382,274	198,040	2.5%	68,796	68,796	\$0.82	\$-	\$0.82
Bulk Distribution	20,787,087	2,754,482	3.6%	-5,750	-5,750	\$0.51	\$-	\$0.51
Medium Distribution	4,234,677	528,875	5.6%	-10,936	-10,936	\$0.65	\$0.55	\$0.65
Flex	3,511,959	39,830	5.0%	25,828	25,828	\$0.65	\$0.78	\$0.66
Incubator	1,427,525	54,000	2.3%	-7,631	-7,631	\$0.72	\$-	\$0.72
Special Purpose	4,429,059	0	5.0%	3,540	3,540	\$1.30	\$-	\$1.30

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Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
West Valley	25,141,754	1,090,470	6.4%	560,952	560,952	\$0.61	\$0.79	\$0.61
Manufacturing	3,340,265	0	1.0%	0	0	\$0.83	\$-	\$0.83
General Purpose	5,991,684	0	4.9%	0	0	\$0.74	\$-	\$0.74
Bulk Distribution	5,447,870	1,032,368	8.7%	459,538	459,538	\$0.50	\$-	\$0.50
Medium Distribution	3,105,389	58,102	17.0%	32,646	32,646	\$0.60	\$-	\$0.60
Flex	2,593,409	0	5.6%	4,576	4,576	\$0.65	\$0.79	\$0.68
Incubator	1,723,299	0	4.4%	0	0	\$0.75	\$-	\$0.75
Special Purpose	2,939,838	0	1.8%	64,192	64,192	\$0.53	\$-	\$0.53
South Salt Lake	12,239,559	0	4.4%	57,905	57,905	\$0.63	\$-	\$0.63
Manufacturing	2,023,183	0	9.1%	0	0	\$0.58	\$-	\$0.58
General Purpose	5,764,142	0	3.5%	31,716	31,716	\$0.67	\$-	\$0.67
Bulk Distribution	0	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	423,244	0	7.2%	32,439	32,439	\$0.85	\$-	\$0.85
Flex	1,831,804	0	3.6%	0	0	\$0.64	\$-	\$0.64
Incubator	1,244,342	0	2.8%	-6,250	-6,250	\$0.64	\$-	\$0.64
Special Purpose	952,844	0	2.7%	0	0	\$0.40	\$-	\$0.40
Taylorsville	3,010,729	521,800	1.1%	0	0	\$0.74	\$-	\$0.74
Manufacturing	1,919,334	0	0.7%	0	0	\$-	\$-	\$-
General Purpose	687,414	195,000	1.4%	0	0	\$-	\$-	\$-
Bulk Distribution	84,853	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	34,157	0	0.0%	0	0	\$-	\$-	\$-
Flex	78,019	326,800	14.2%	0	0	\$0.74	\$-	\$0.74
Incubator	62,730	0	0.0%	0	0	\$-	\$-	\$-
Special Purpose	144,222	0	0.0%	0	0	\$-	\$-	\$-

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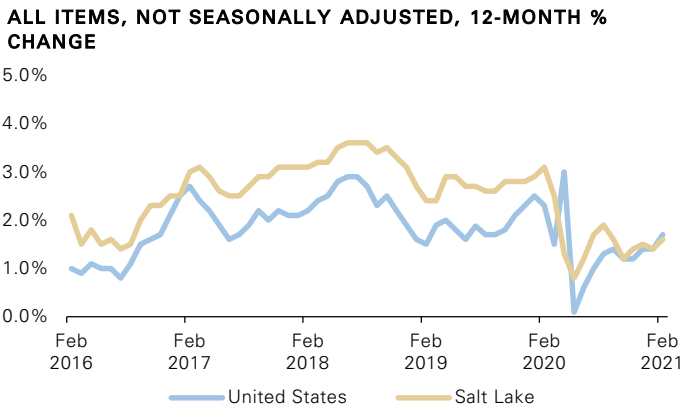
Submarket Statistics								
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Murray	5,431,875	0	5.5%	-11,580	-11,580	\$0.62	\$0.42	\$0.54
Manufacturing	411,212	0	3.9%	0	0	\$0.88	\$-	\$0.88
General Purpose	2,424,642	0	6.6%	0	0	\$0.50	\$0.35	\$0.40
Bulk Distribution	0	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	47,512	0	28.2%	0	0	\$-	\$0.72	\$0.72
Flex	1,142,615	0	7.2%	-11,580	-11,580	\$0.54	\$-	\$0.54
Incubator	868,541	0	3.3%	0	0	\$0.87	\$-	\$0.87
Special Purpose	537,353	0	0.0%	0	0	\$-	\$-	\$-
West Jordan	11,266,153	1,331,231	3.1%	-64,165	-64,165	\$0.61	\$-	\$0.61
Manufacturing	4,172,267	0	3.1%	-46,961	-46,961	\$0.48	\$-	\$0.48
General Purpose	2,525,935	357,175	2.8%	5,326	5,326	\$-	\$-	\$-
Bulk Distribution	2,241,509	200,000	0.9%	0	0	\$-	\$-	\$-
Medium Distribution	411,930	133,056	8.4%	-22,988	-22,988	\$0.60	\$-	\$0.60
Flex	515,091	0	3.5%	0	0	\$0.72	\$-	\$0.72
Incubator	468,930	21,000	7.3%	458	458	\$0.76	\$-	\$0.76
Special Purpose	930,491	620,000	4.7%	0	0	\$-	\$-	\$-
Sandy	6,325,788	116,555	4.1%	-32,234	-32,234	\$0.76	\$0.67	\$0.73
Manufacturing	1,273,383	0	11.5%	0	0	\$0.68	\$0.79	\$0.72
General Purpose	1,560,358	0	0.4%	0	0	\$0.92	\$-	\$0.92
Bulk Distribution	120,800	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	536,436	0	0.0%	0	0	\$-	\$-	\$-
Flex	1,230,989	116,555	5.2%	-11,164	-11,164	\$1.04	\$0.49	\$0.74
Incubator	879,470	0	4.9%	-21,070	-21,070	\$0.75	\$-	\$0.75
Special Purpose	724,352	0	0.0%	0	0	\$-	\$-	\$-

Submarket Statistics								
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Bluffdale	2,042,731	525,143	2.4%	5,000	5,000	\$0.85	\$0.73	\$0.82
Manufacturing	841,301	0	0.0%	0	0	\$-	\$-	\$-
General Purpose	212,205	76,160	0.0%	0	0	\$-	\$-	\$-
Bulk Distribution	0	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	0	0	0.0%	0	0	\$-	\$-	\$-
Flex	720,345	405,542	4.8%	5,000	5,000	\$0.85	\$0.73	\$0.80
Incubator	204,344	43,441	7.3%	0	0	\$0.85	\$-	\$0.85
Special Purpose	64,536	0	0.0%	0	0	\$-	\$-	\$-
Draper	4,712,525	117,516	2.3%	0	0	\$1.04	\$0.95	\$1.04
Manufacturing	1,432,437	0	0.0%	0	0	\$-	\$-	\$-
General Purpose	656,152	0	0.0%	0	0	\$-	\$-	\$-
Bulk Distribution	159,889	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	508,652	0	3.4%	0	0	\$0.55	\$-	\$0.55
Flex	1,676,274	104,616	4.6%	0	0	\$1.04	\$0.95	\$1.03
Incubator	179,779	12,900	4.5%	0	0	\$0.90	\$-	\$0.90
Special Purpose	99,342	0	4.6%	0	0	\$3.18	\$-	\$3.18
Market	157,550,004	9,488,296	4.7%	752,910	752,910	\$0.61	\$0.51	\$0.60

Economic Overview

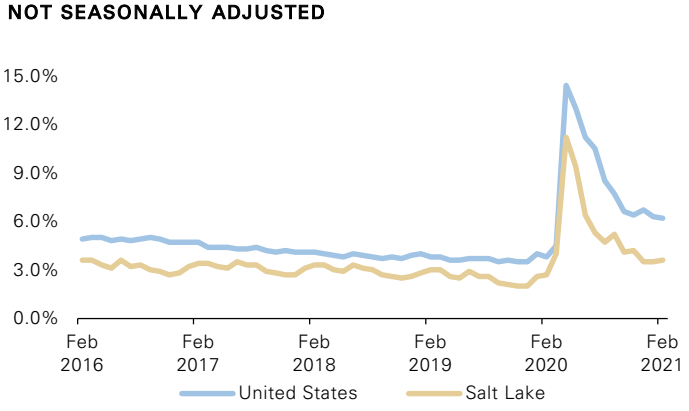
The unemployment rate for the Salt Lake City Metro has historically stayed below the national average by a full 1.0% to 2.0% for the past decade. Despite the unemployment rate increasing dramatically due to COVID-19 back in April 2020, the Salt Lake City metro area continued to stay below the national average throughout 2020 and into 2021 by a significant amount, coming in at 3.5% in January 2021, compared to the national rate of 6.3%. Job growth has bounced back well, with a total net increase of 67,183 jobs added back to the market since April 2020, with financial activities, professional and business services and trade, transportation and utilities seeing the highest job growth year over year. Since February 2020, only four industry sectors posted year-over-year job growth, two of which have ties to the industrial asset type. The trade, transportation, and utilities industry—a sector that largely occupies industrial real estate—posted the second largest positive job growth thanks in part to consumers shifting their spending to ecommerce. The mining, logging, and construction sector also posted positive job growth.

Consumer Price Index (CPI)



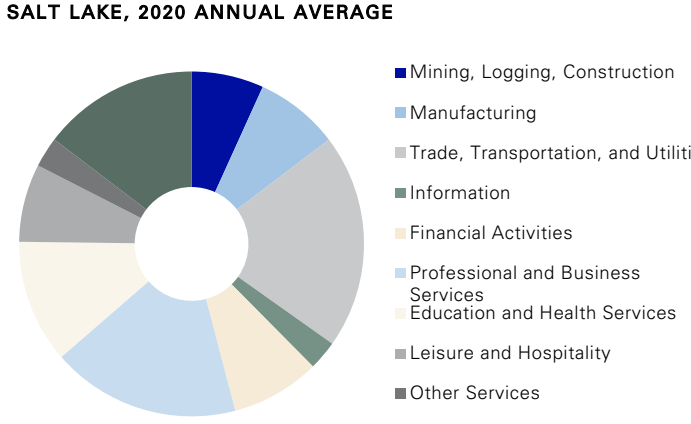
Source: U.S. Bureau of Labor Statistics

Unemployment Rate



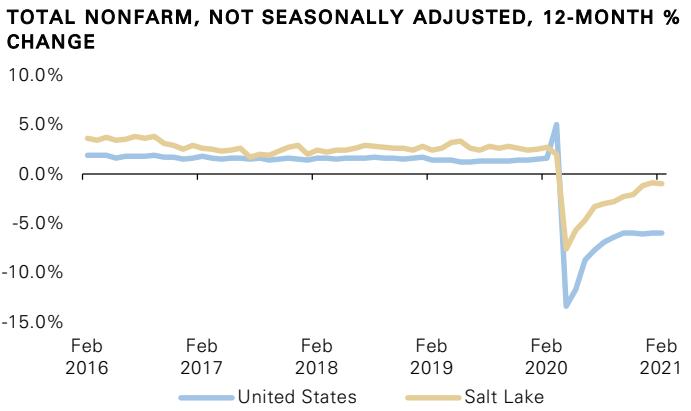
Source: U.S. Bureau of Labor Statistics

Employment by Industry



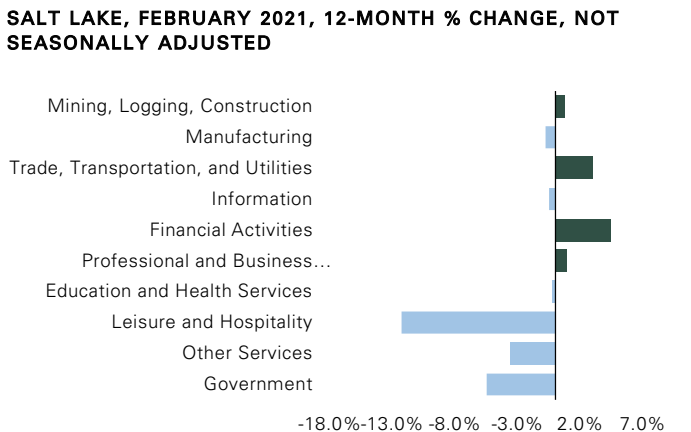
Source: U.S. Bureau of Labor Statistics

Payroll Employment

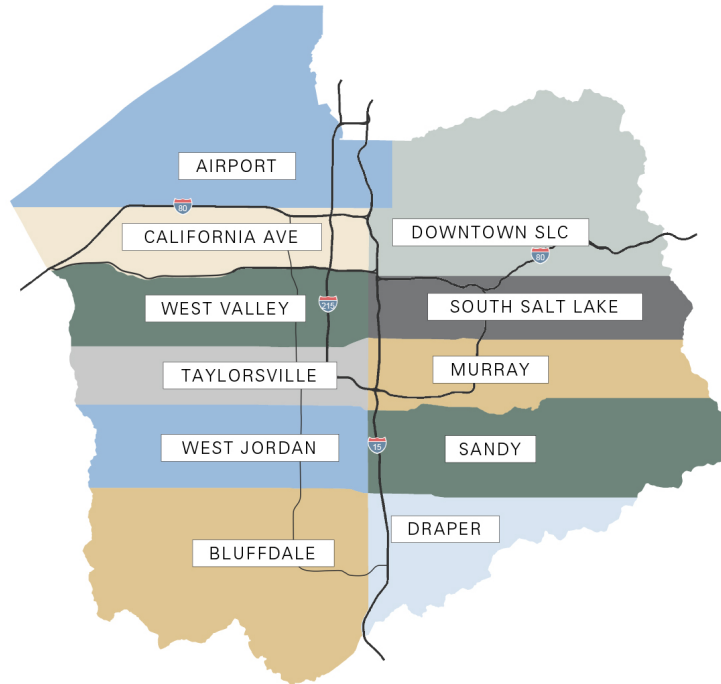


Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry



Source: U.S. Bureau of Labor Statistics



For more information:

Utah Office

376 E. 400 S., Ste. 120
Salt Lake City, UT 84111
t 801-578-555

Rich Lachowsky

Director of Operations/Research
rich.lachowsky@ngkf.com

Amelia Yates

Research Manager
amelia.yates@ngkf.com

nmrk.com

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

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