



Salt Lake County Industrial Market

Favorable Market Conditions Continue with Looming Economic Uncertainty

Conditions continue to favor landlords as rent continues to rise with numerous tenants jockeying for a dearth of available space. Many landlords are waiting to sign new leases and renewals to take advantage of strong rent growth and can afford to, given the bevy of tenants seeking space. Two of the most sought-after building types, bulk and medium distribution, experienced the largest quarter-over-quarter achieved average first-year lease rate growth. Headwinds and recessionary pressures cloud the outlook for late 2022 into 2023: 40-year high inflation, the Federal Reserve increasing interest rates to check surging inflation, the humanitarian crisis and economic effects from the Russian invasion of Ukraine and the potent effect on energy and food markets. Current market conditions and the long-term outlook are favorable. There is robust population growth from both natural increase and net migration; a young, dynamic workforce; the continued efforts of the Utah Inland Port Authority in planning and enhancing Utah’s logistics system; and Utah’s strategic location as the Crossroads of the West.

Square footage under construction remains at elevated levels, 11.5 million square feet at quarter-end, with 88.5% of the product consisting of speculative development. About 25% of the speculative development currently under construction is

Current Conditions

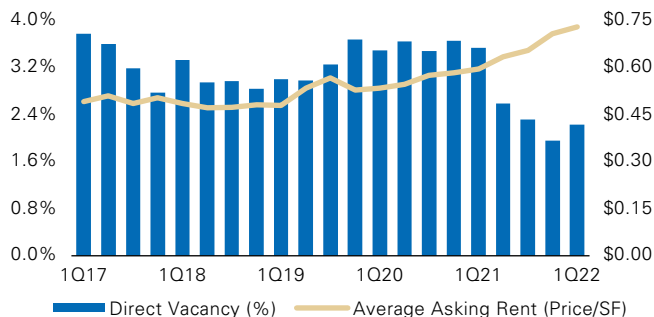
- Direct vacancy continues to hover near all-time lows, 2.2% for the quarter.
- Achieved average first-year lease rates for bulk and medium distribution buildings experienced strong quarter-over-quarter growth, 20.3% and 22.0%, respectively.
- Net absorption reached 2.3 million square feet for the quarter, which is the strongest first quarter in the last five years.

Market Summary

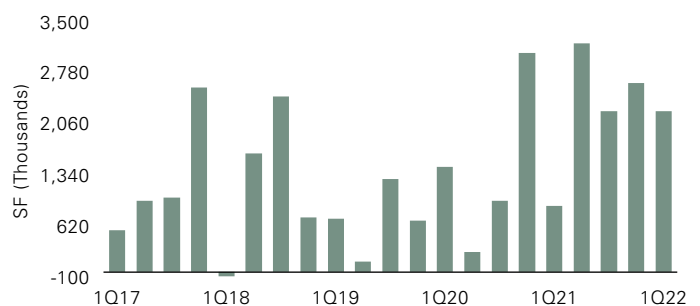
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	165.3 M	162.5 M	156.7 M	↑
Direct Vacancy Rate	2.2%	2.0%	3.5%	↑
Quarterly Net Absorption (SF)	2.3 M	2.7 M	0.9 M	↑
Average Asking Rent/SF	\$0.73	\$0.71	\$0.60	↑
Under Construction (SF)	11.5 M	12.3 M	10.8 M	↑
Deliveries (SF)	2.8 M	2.1 M	0.8 M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH Q1 2022

pre-committed, and this percentage holds with similar trends over recent quarters, when early pre-leasing was limited, with closer to 75% occupied. More than 83% of the speculative development delivered since 2020 is 100% occupied. With close to 12 million square feet expected to deliver in 2022 – almost twice the record market high – expect the direct vacancy rate to oscillate as new deliveries apply upward pressure and then quickly moderate as tenants lease space.

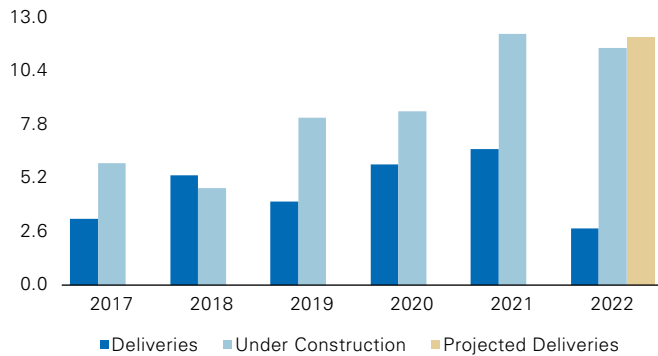
Net absorption measured 2.3 million square feet for the quarter. One building accounted for just under half of that total (1.0 million square feet), the Stitch Fix-occupied The Quadrant I. New deliveries continue to be the driver for net absorption in this low-vacancy market. With a significant amount of pre-committed space and continued strong leasing activity, the record of 9.0 million square feet of positive absorption in 2021 seems likely to

be surpassed in 2022.

Investment activity in the market remained strong, albeit down slightly from recent quarters. Thanks to the vibrant market dynamics, Salt Lake City continues to be a target for institutional investors and is seeing more and more interest from foreign investors as well. Through the first quarter of 2022, cap rates remain steady from 2021, with no more than 30 basis points of change for any class. The overall price-weighted cap rate stood at 4.3% for the quarter, up 10 basis points from 4.2% in 2021. Rising interest rates are and will continue to impact debt costs and challenge certain investors moving forward. This presents opportunities for investors with lower or no leverage and for institutional investors with favored borrowing status. Given the new and evolving interest rate environment, expect strong cap rate compression to moderate throughout 2022.

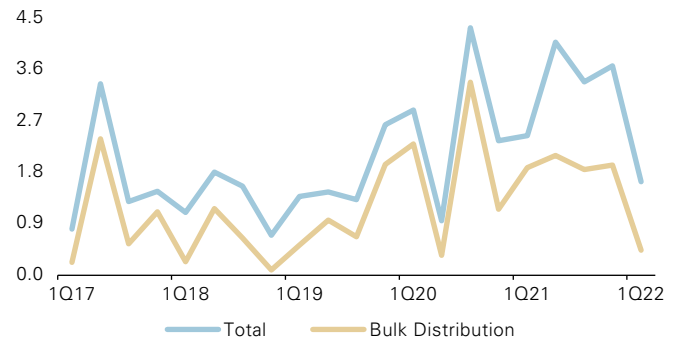
Construction and Deliveries

SQUARE FEET, MILLIONS



Leased Square Feet

SQUARE FEET, MILLIONS



Select Lease Transactions

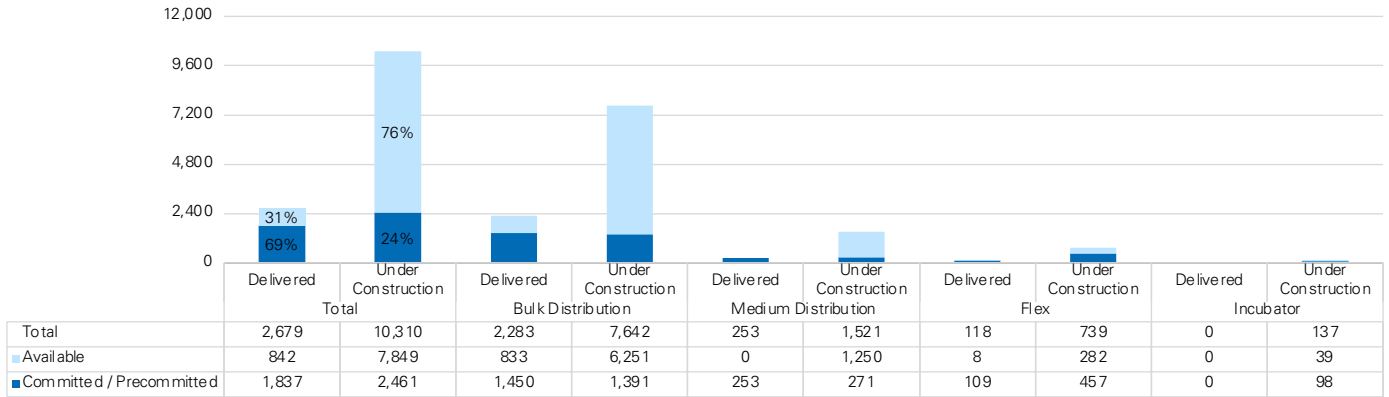
Tenant	Market	Building	Type	Square Feet
Confidential	California Avenue	Mountain View Industrial Park C	New	243,232
Red Stag Fulfillment	Airport	5350 W. Harold Gatty Dr.	Renewal	228,799
Closure Systems International	Airport	480 N. 5600 W.	Renewal	202,625
Keller Warehousing & Co-Packing	California Avenue	Summit Logistics Center 2	Sublease	150,000
Home Depot	West Valley	201 Commerce Center 5	New	129,245
Confidential	Bluffdale	Mountain Point Industrial 1	New	96,285

Select Sale Transactions

Buyer	Market	Building	Type	Square Feet
Link Logistics	California Avenue	Northwest Commerce Center A-C	Capital Markets	528,875
Link Logistics	California Avenue	1790 S. 5200 W.	Capital Markets	328,705
TPG Real Estate Finance Trust	Bluffdale	Bullfrog Spas International	Capital Markets	264,524
Western Avenue Capital	Airport	4867 W. Harold Gatty Dr.	Capital Markets	125,036
Huge Brands	Airport	4910 W. Amelia Earhart Dr.	Owner-User	90,712

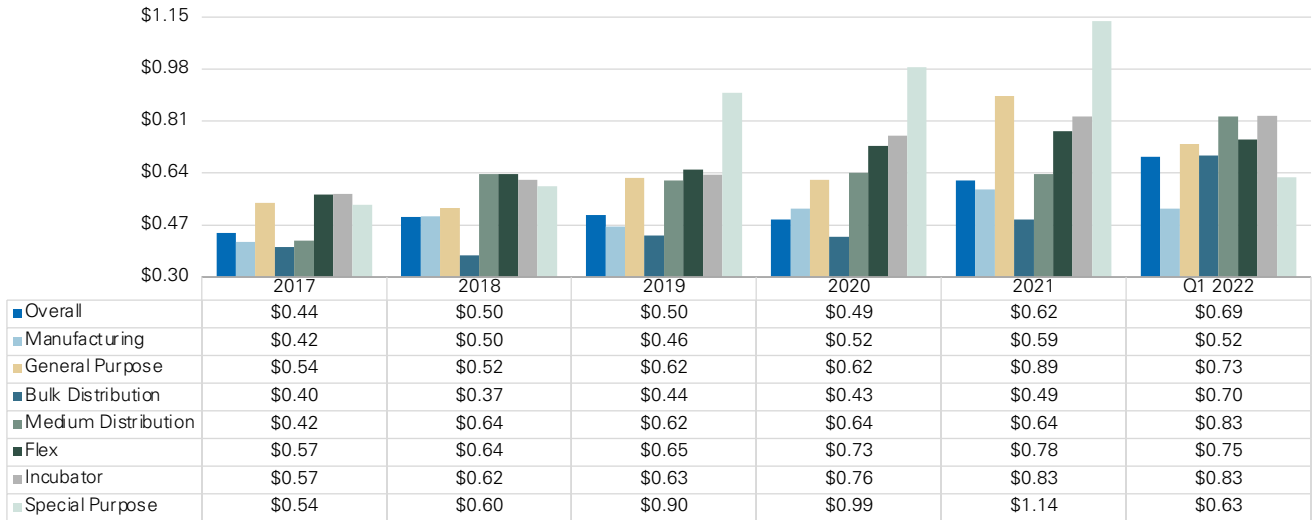
2022 Speculative Development – Delivered and Under Construction Square Feet Overview

SQUARE FEET, THOUSANDS



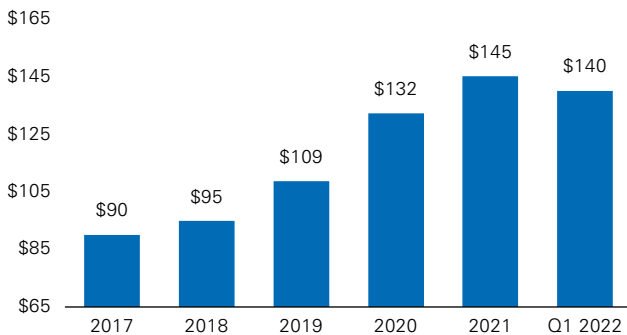
Achieved Average First-Year Lease Rates

MONTHLY PER SQUARE FOOT NNN



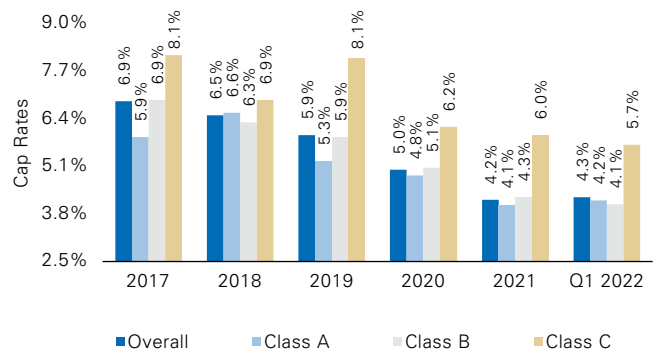
Achieved Average Owner-User Sales

PRICE PER SQUARE FOOT



Utah Industrial Capital Markets Sales

AVERAGE CAP RATES



RESEARCH Q1 2022

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	20,292,186	4,404,087	1.0%	921,316	921,316	\$0.65	\$0.80	\$0.68
Manufacturing	4,515,265	0	0.0%	11,856	11,856	\$-	\$-	\$-
General Purpose	2,086,424	0	0.1%	-1,900	-1,900	\$1.58	\$-	\$1.58
Bulk Distribution	11,228,711	4,205,490	1.2%	914,360	914,360	\$0.65	\$-	\$0.65
Medium Distribution	376,212	138,712	9.0%	0	0	\$-	\$0.80	\$0.80
Flex	687,754	59,885	4.2%	-3,000	-3,000	\$0.58	\$-	\$0.58
Incubator	282,043	0	0.0%	0	0	\$-	\$-	\$-
Special Purpose	1,115,777	0	0.0%	0	0	\$-	\$-	\$-
Downtown SLC	10,527,206	132,892	3.4%	31,970	31,970	\$0.88	\$1.25	\$0.92
Manufacturing	2,462,740	0	0.1%	-1,400	-1,400	\$-	\$-	\$-
General Purpose	5,177,536	0	1.9%	36,124	36,124	\$0.74	\$1.25	\$0.90
Bulk Distribution	180,670	0	85.8%	0	0	\$-	\$-	\$-
Medium Distribution	432,427	0	13.6%	0	0	\$0.70	\$-	\$0.70
Flex	892,000	0	1.0%	0	0	\$0.65	\$-	\$0.65
Incubator	418,796	0	1.5%	0	0	\$0.75	\$-	\$0.75
Special Purpose	963,037	132,892	3.2%	-2,754	-2,754	\$1.47	\$-	\$1.47
California Ave	61,186,049	3,286,802	4.5%	984,317	984,317	\$0.75	\$0.48	\$0.72
Manufacturing	10,569,985	0	2.5%	30,366	30,366	\$0.72	\$0.48	\$0.62
General Purpose	12,302,911	243,232	1.6%	27,596	27,596	\$1.24	\$-	\$1.24
Bulk Distribution	23,401,693	2,508,532	6.3%	664,930	664,930	\$0.50	\$-	\$0.50
Medium Distribution	5,107,886	404,800	10.3%	159,207	159,207	\$0.75	\$-	\$0.75
Flex	3,753,894	69,251	2.9%	111,630	111,630	\$0.77	\$-	\$0.77
Incubator	1,474,125	0	3.3%	-9,412	-9,412	\$0.77	\$-	\$0.77
Special Purpose	4,492,507	60,987	2.3%	0	0	\$1.00	\$-	\$1.00

RESEARCH Q1 2022

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	26,277,366	1,234,119	3.3%	200,004	200,004	\$0.69	\$-	\$0.69
Manufacturing	3,391,833	0	2.3%	0	0	\$0.75	\$-	\$0.75
General Purpose	5,988,803	509,035	3.1%	29,757	29,757	\$0.82	\$-	\$0.82
Bulk Distribution	6,475,022	531,455	6.7%	129,245	129,245	\$0.62	\$-	\$0.62
Medium Distribution	3,163,491	179,200	3.5%	13,794	13,794	\$0.55	\$-	\$0.55
Flex	2,593,409	0	0.8%	17,500	17,500	\$0.68	\$-	\$0.68
Incubator	1,724,803	14,429	1.6%	9,708	9,708	\$0.80	\$-	\$0.80
Special Purpose	2,940,005	0	0.0%	0	0	\$-	\$-	\$-
South Salt Lake	12,281,433	0	3.4%	-2,937	-2,937	\$0.70	\$0.75	\$0.70
Manufacturing	2,023,183	0	4.0%	-13,346	-13,346	\$0.74	\$-	\$0.74
General Purpose	5,804,472	0	3.7%	0	0	\$0.72	\$-	\$0.72
Bulk Distribution	0	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	422,944	0	0.0%	11,002	11,002	\$-	\$-	\$-
Flex	1,831,804	0	3.7%	-6,843	-6,843	\$0.74	\$0.75	\$0.74
Incubator	1,244,342	0	0.5%	6,250	6,250	\$0.74	\$-	\$0.74
Special Purpose	954,688	0	5.1%	0	0	\$0.53	\$-	\$0.53
Central West	2,520,580	0	4.0%	0	0	\$-	\$-	\$-
Manufacturing	1,788,845	0	5.6%	0	0	\$-	\$-	\$-
General Purpose	468,503	0	0.0%	0	0	\$-	\$-	\$-
Bulk Distribution	84,853	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	34,157	0	0.0%	0	0	\$-	\$-	\$-
Flex	0	0	0.0%	0	0	\$-	\$-	\$-
Incubator	0	0	0.0%	0	0	\$-	\$-	\$-
Special Purpose	144,222	0	0.0%	0	0	\$-	\$-	\$-

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Murray	5,439,481	0	2.3%	-11,117	-11,117	\$0.65	\$-	\$0.65
Manufacturing	411,212	0	1.7%	0	0	\$-	\$-	\$-
General Purpose	2,428,282	0	0.4%	0	0	\$0.97	\$-	\$0.97
Bulk Distribution	0	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	47,512	0	0.0%	0	0	\$-	\$-	\$-
Flex	1,143,149	0	6.8%	0	0	\$0.57	\$-	\$0.57
Incubator	871,973	0	3.3%	-11,117	-11,117	\$0.81	\$-	\$0.81
Special Purpose	537,353	0	0.0%	0	0	\$-	\$-	\$-
West Jordan	13,263,120	977,345	3.4%	26,564	26,564	\$0.73	\$-	\$0.73
Manufacturing	4,283,170	0	1.7%	0	0	\$0.56	\$-	\$0.56
General Purpose	3,330,366	28,246	0.6%	0	0	\$0.85	\$-	\$0.85
Bulk Distribution	2,437,979	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	544,986	490,682	0.0%	0	0	\$-	\$-	\$-
Flex	922,138	45,817	9.0%	31,200	31,200	\$0.81	\$-	\$0.81
Incubator	573,990	32,600	5.8%	-4,636	-4,636	\$1.09	\$-	\$1.09
Special Purpose	1,170,491	380,000	20.8%	0	0	\$-	\$-	\$-
Sandy	6,445,340	120,962	1.0%	-56	-56	\$0.89	\$0.83	\$0.85
Manufacturing	1,273,383	0	2.9%	0	0	\$-	\$0.83	\$0.83
General Purpose	1,560,358	0	0.3%	-2,500	-2,500	\$0.70	\$-	\$0.70
Bulk Distribution	120,800	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	536,436	100,226	0.0%	0	0	\$-	\$-	\$-
Flex	1,350,541	20,736	1.7%	0	0	\$0.89	\$-	\$0.89
Incubator	879,470	0	0.3%	2,444	2,444	\$0.97	\$-	\$0.97
Special Purpose	724,352	0	0.0%	0	0	\$-	\$-	\$-

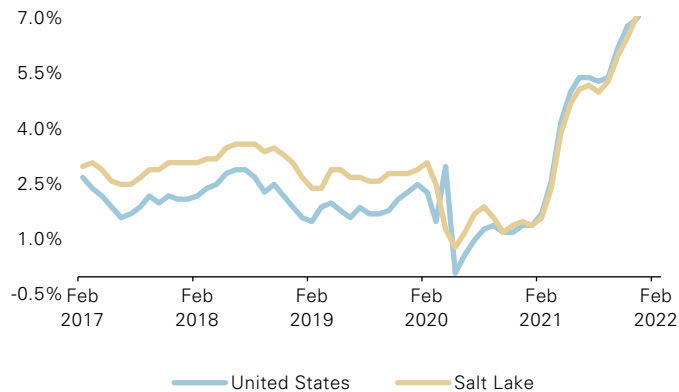
Submarket Statistics								
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Bluffdale	2,376,313	583,668	1.5%	106,258	106,258	\$0.73	\$-	\$0.73
Manufacturing	841,301	0	0.0%	0	0	\$-	\$-	\$-
General Purpose	296,165	0	0.0%	76,160	76,160	\$-	\$-	\$-
Bulk Distribution	0	142,688	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	0	207,685	0.0%	0	0	\$-	\$-	\$-
Flex	892,403	143,170	2.3%	25,262	25,262	\$0.85	\$-	\$0.85
Incubator	281,908	90,125	5.7%	4,836	4,836	\$0.57	\$-	\$0.57
Special Purpose	64,536	0	0.0%	0	0	\$-	\$-	\$-
Draper	4,694,736	801,568	1.3%	5,256	5,256	\$1.10	\$-	\$1.10
Manufacturing	1,346,724	0	2.8%	0	0	\$-	\$-	\$-
General Purpose	656,152	148,056	0.0%	11,386	11,386	\$-	\$-	\$-
Bulk Distribution	159,889	253,825	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	508,652	0	0.0%	0	0	\$-	\$-	\$-
Flex	1,744,198	399,687	1.3%	-6,130	-6,130	\$1.05	\$-	\$1.05
Incubator	179,779	0	1.2%	0	0	\$1.46	\$-	\$1.46
Special Purpose	99,342	0	0.0%	0	0	\$-	\$-	\$-
Market	165,303,810	11,541,443	3.3%	2,261,575	2,261,575	\$0.73	\$0.69	\$0.73
Manufacturing	32,907,641	0	2.1%	27,476	27,476	\$0.69	\$0.59	\$0.66
General Purpose	40,099,972	928,569	1.8%	176,623	176,623	\$0.93	\$1.25	\$0.93
Bulk Distribution	44,089,617	7,641,990	5.0%	1,708,535	1,708,535	\$0.57	\$-	\$0.57
Medium Distribution	11,174,703	1,521,305	6.6%	184,003	184,003	\$0.64	\$0.80	\$0.67
Flex	15,811,290	738,546	2.9%	169,619	169,619	\$0.75	\$0.75	\$0.75
Incubator	7,931,229	137,154	2.2%	-1,927	-1,927	\$0.80	\$-	\$0.80
Special Purpose	13,206,310	573,879	3.2%	-2,754	-2,754	\$0.91	\$-	\$0.91

Economic Overview

Before the COVID-19 recession, Utah had the highest overall employment growth (33.1%) between the Great Recession and the onset of the pandemic. Although the state was not immune to the disruption that the pandemic caused globally, it was one of the quickest to recover. With the Salt Lake City Metro unemployment coming in at 2.2% in February 2022, the Metro is one of the fastest recovering in terms of employment rate, although the labor participation rate is lagging with February 2022 at 67.4% compared to 68.5% pre-pandemic. With positive job growth across all industries and more employees returning to work, the Salt Lake Metro now faces the struggle of finding employees for open positions. Currently facing a high labor shortage, companies are competing for quality candidates across all industries and will need to work hard to attract and retain talent.

Consumer Price Index (CPI)

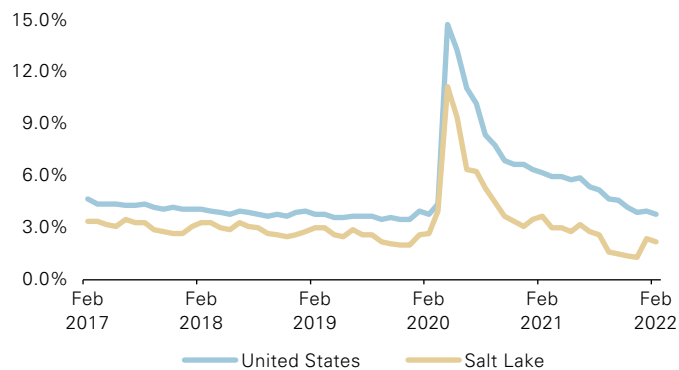
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

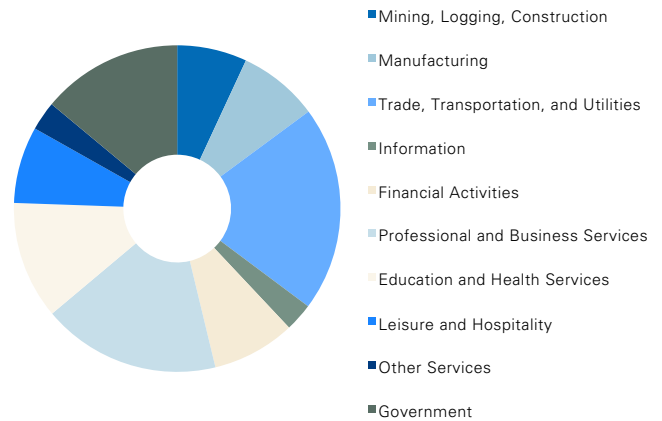
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment by Industry

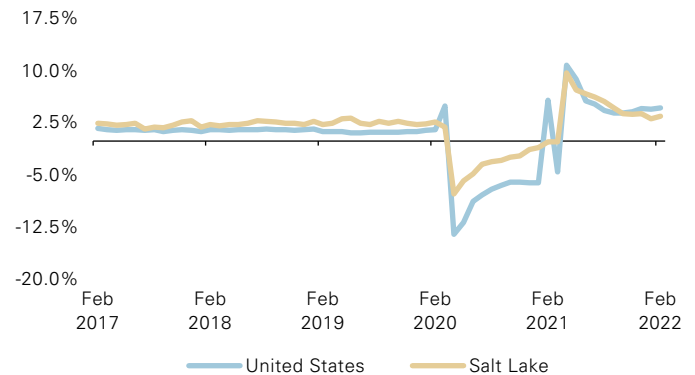
SALT LAKE, 2021 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

Payroll Employment

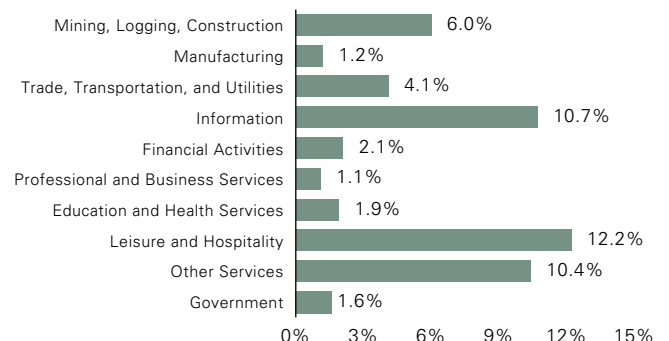
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

SALT LAKE, FEBRUARY 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

For more information:

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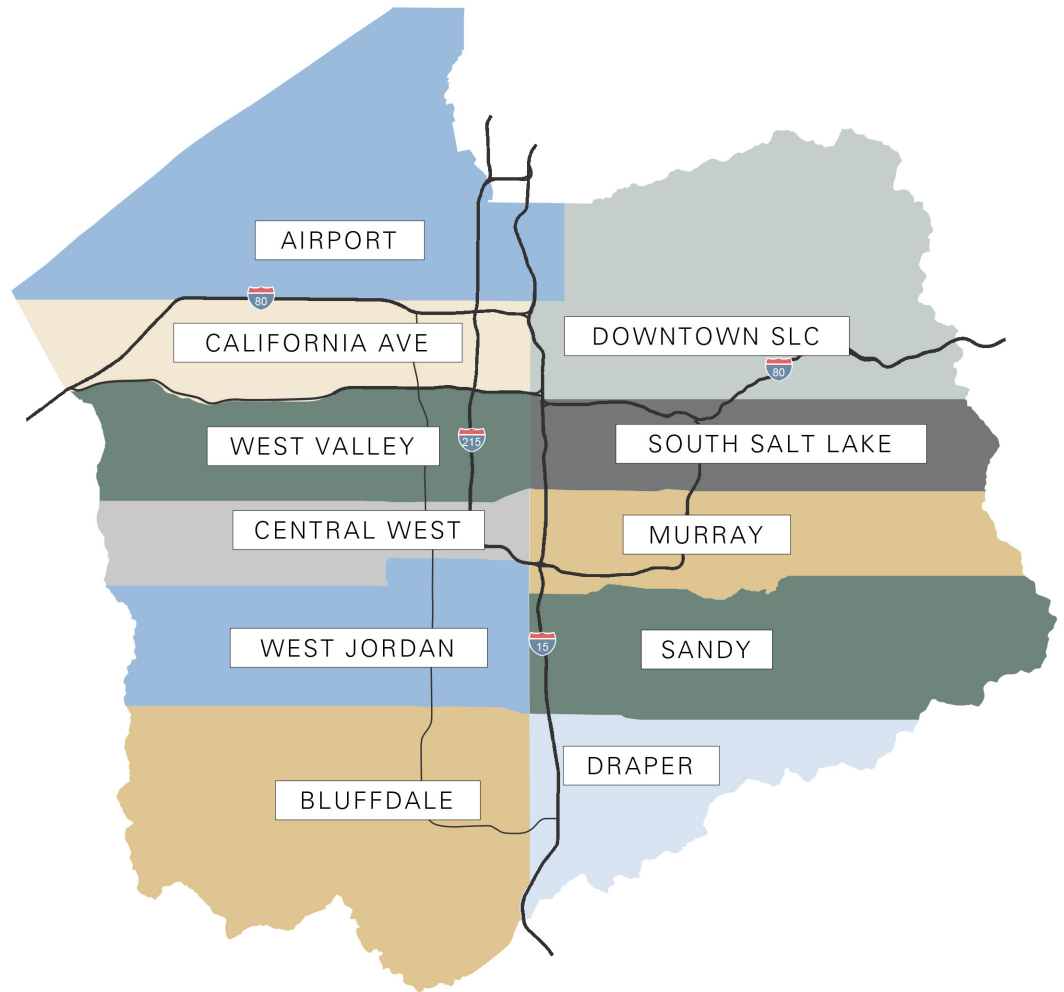
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective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

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