



Utah County Industrial Market

Pre-Leasing Driving Net Absorption as Supply Scarcity Continues

Low vacancy, strong net absorption and rising rents characterized the Utah County industrial market in the first quarter of 2022. The buildings that delivered in the first quarter of 2022 did little to help with supply, as all 600,000+ square feet delivered pre-committed, accounting for close to 85% of the positive net absorption for the quarter. Leasing activity decreased for the third consecutive quarter, which is due to lack of supply rather than a deceleration in market activity. There is not enough inventory delivering to the market vacant, illustrated by the strong pre-leasing in the market, to satisfy tenant demand. Delivered square footage is expected to reach a historic high of 3.0 million square feet in 2022, which will relieve some supply pressure. Given current tenant demand, vacancy will continue to be near historic lows for the foreseeable future.

Asking rents continued to rise rapidly, up 5.3% quarter-over-quarter and 17.9% year-over-year. Robust demand for space, in addition to rising costs for land, construction materials and labor, will continue to apply upward pressure on rents. Many landlords are waiting as long as possible to sign leases to take advantage of strong rent growth. Sales activity was down significantly from the fourth quarter of 2021, a trend observed nationally and generally

Current Conditions

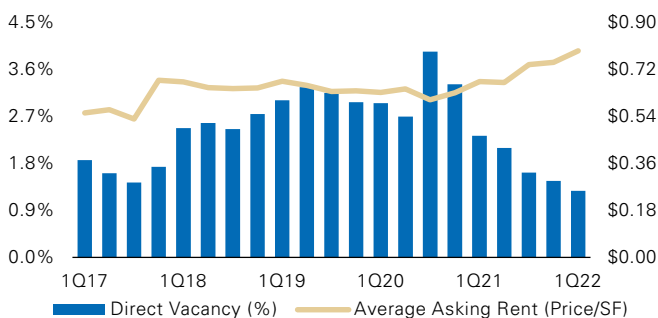
- Direct vacancy decreased 20 basis points from the fourth quarter of 2021 to 1.3%, a historic low.
- More than 600,000 square feet of speculative development delivered in the quarter, all of it pre-leased.
- Strong rent growth continues, up 5.3% quarter over quarter.

Market Summary

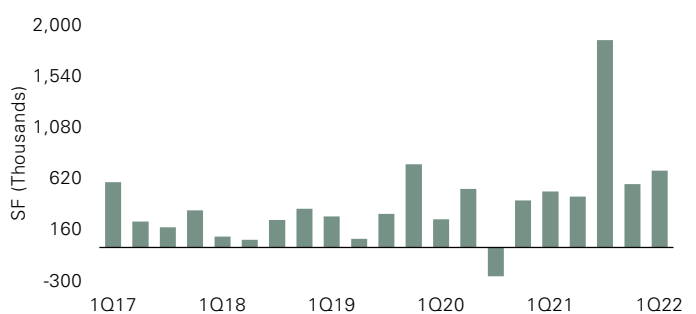
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	44.6 M	44.0 M	41.4 M	↑
Direct Vacancy Rate	1.3%	1.5%	2.3%	↓
Quarterly Net Absorption (SF)	0.7 M	0.6 M	0.5 M	↑
Average Asking Rent/SF	\$0.79	\$0.75	\$0.67	↑
Under Construction (SF)	4.1 M	4.4 M	5.0 M	↑
Deliveries (SF)	0.6 M	0.5 M	0.1 M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH Q1 2022

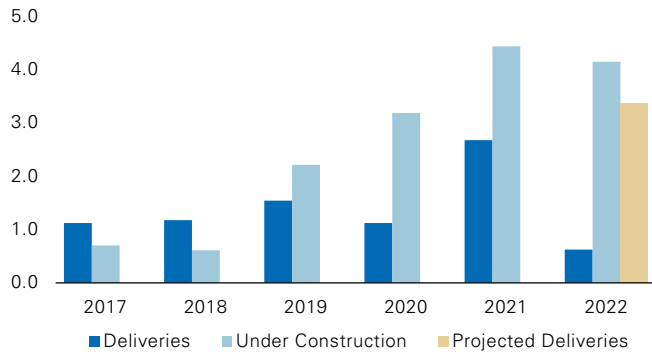
true of first quarters over the last few years.

Historically a medium distribution/flex/incubator market, developers are beginning to construct more bulk distribution buildings in one of the fast-growing counties in the fastest-growing state. With the availability of vacant industrial land in

Northern Utah in short supply, developers are primarily building bulk distribution buildings in Southern Utah County, which offers faster access to Las Vegas, Phoenix and the Southern California markets and skips much of the traffic congestion along the Wasatch Front.

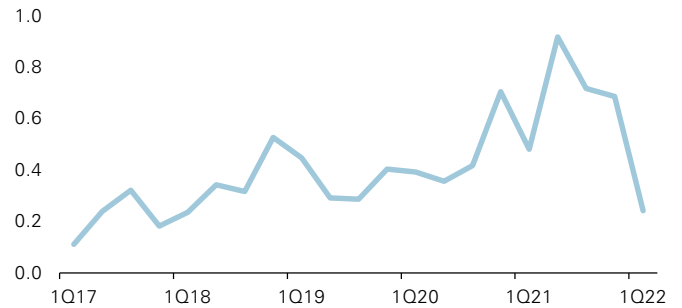
Construction and Deliveries

SQUARE FEET, MILLIONS



Leased Square Feet

SQUARE FEET, MILLIONS



Select Lease Transactions

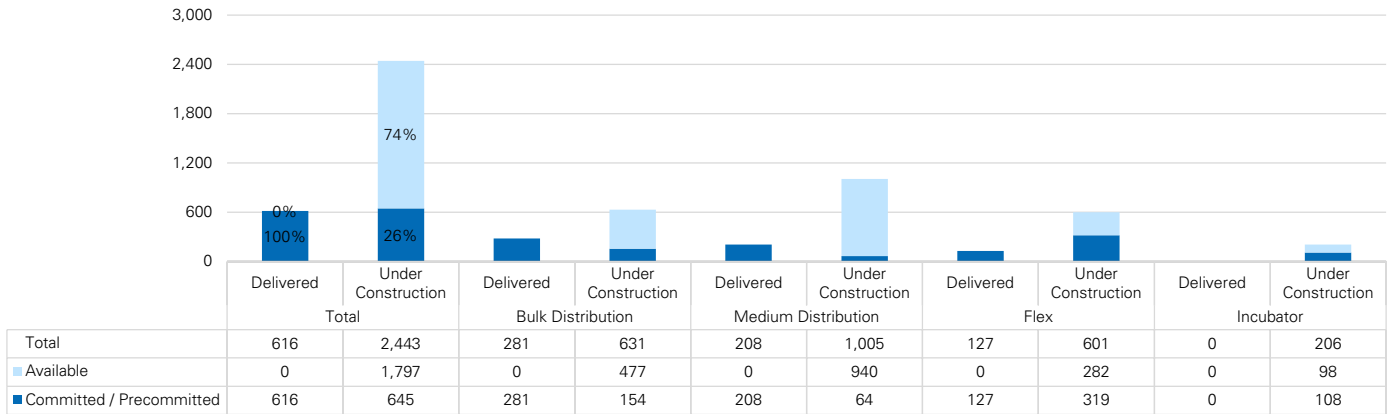
Tenant	Market	Building	Type	Square Feet
Confidential	Utah County South	Evans Legacy Park B	New	116,312
eSupplements	Orem	Eastlake Lot 5-C	Expansion	64,152
Confidential	Orem	Orem Tech Center 1	New	16,338
Total Comm, Inc.	Utah County South	3544 N. 300 W., Spanish Fork	New	16,177

Select Sale Transactions

Buyer	Market	Building	Type	Square Feet
Fritzi Realty	Utah County South	1350 S. Cal Pac Ave.	Capital Markets	221,951
Mission Belt	Orem	824 N. 1430 W., Orem	Owner-User	15,666

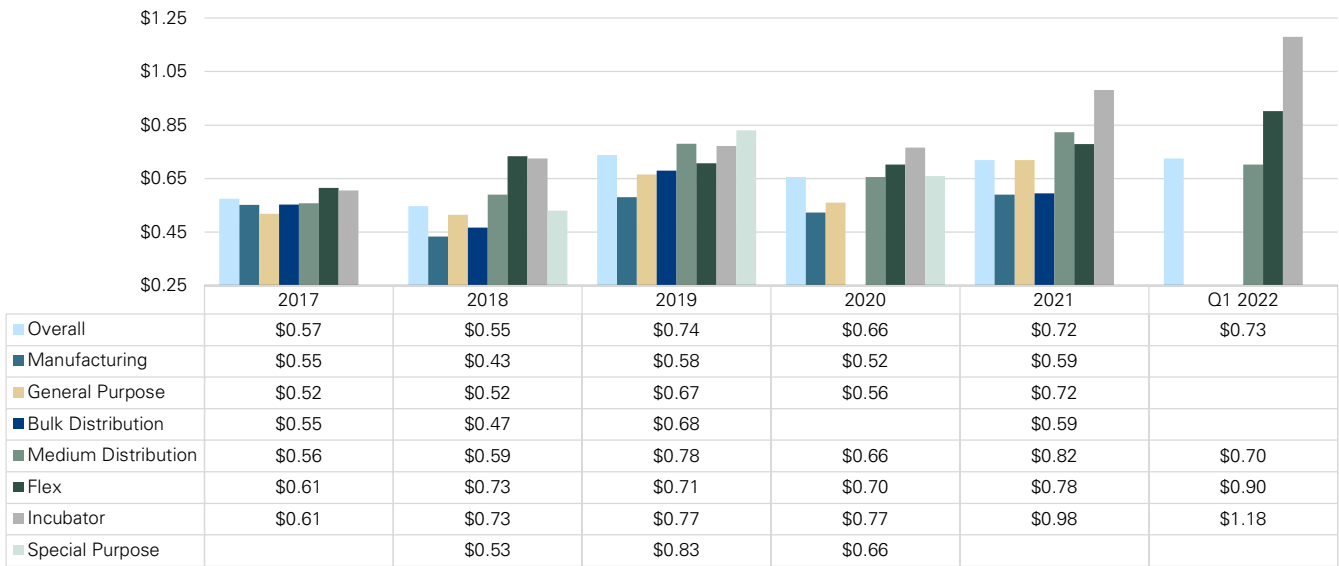
2022 Speculative Development – Delivered and Under Construction Square Feet Overview

SQUARE FEET, THOUSANDS



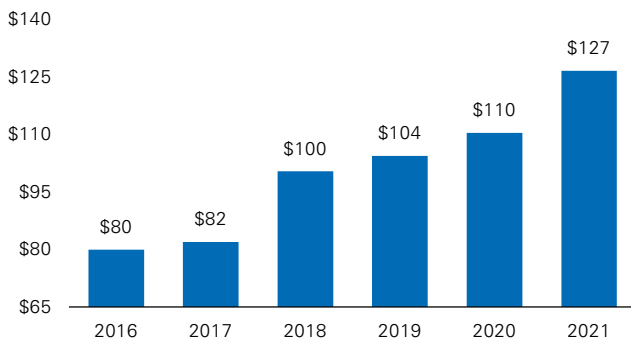
Achieved Average First-Year Lease Rates

MONTHLY PER SQUARE FOOT NNN



Achieved Average Owner-User Sales

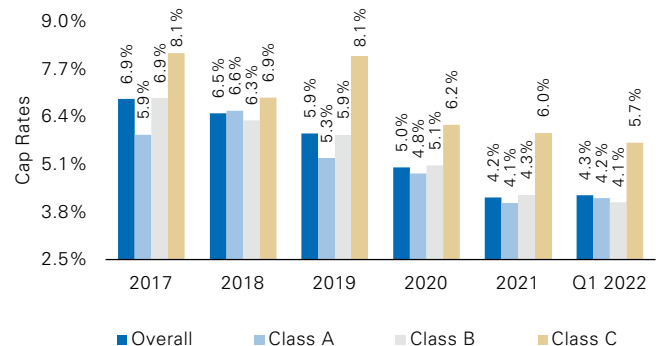
PRICE PER SQUARE FOOT



Too few sales occurred in first-quarter 2022 to supply a reliable average sale price.

Utah Industrial Capital Markets Sales

AVERAGE CAP RATES

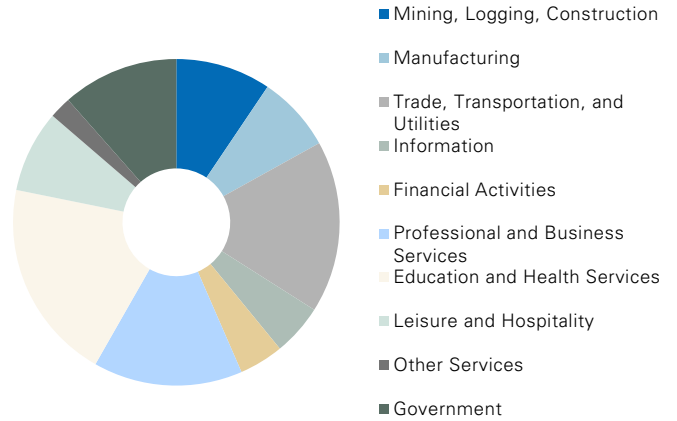


Economic Overview

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 Provo-Orem Metro unemployment coming in at 1.8% in February 2022, the metro is one of the fastest recovering in terms of employment rate. With positive job growth across all industries and more employees returning to work, the Provo 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.

Employment by Industry

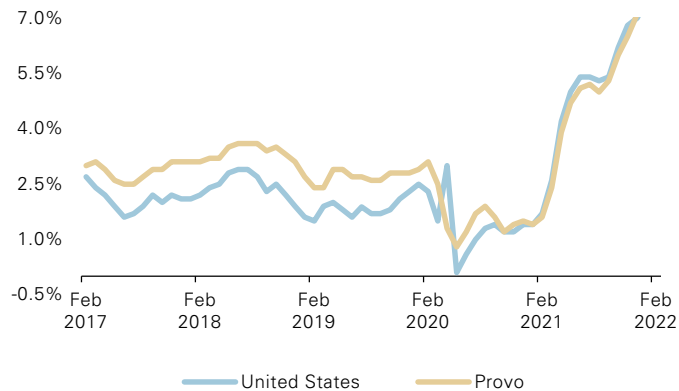
PROVO-OREM METRO, 2021 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

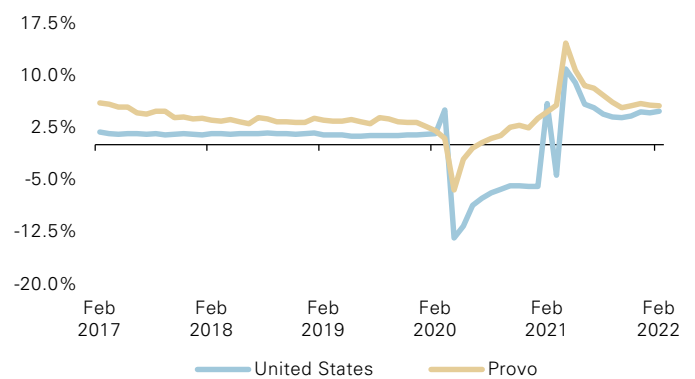
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Payroll Employment

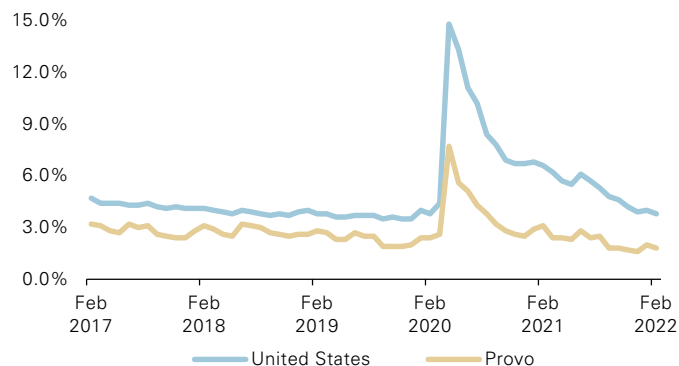
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

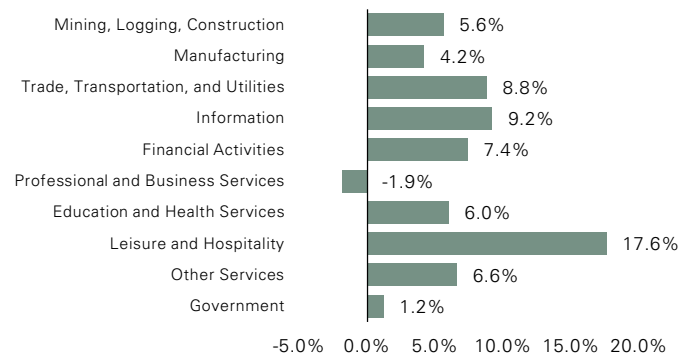
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

PROVO-OREM METRO, FEBRUARY 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

For more information:

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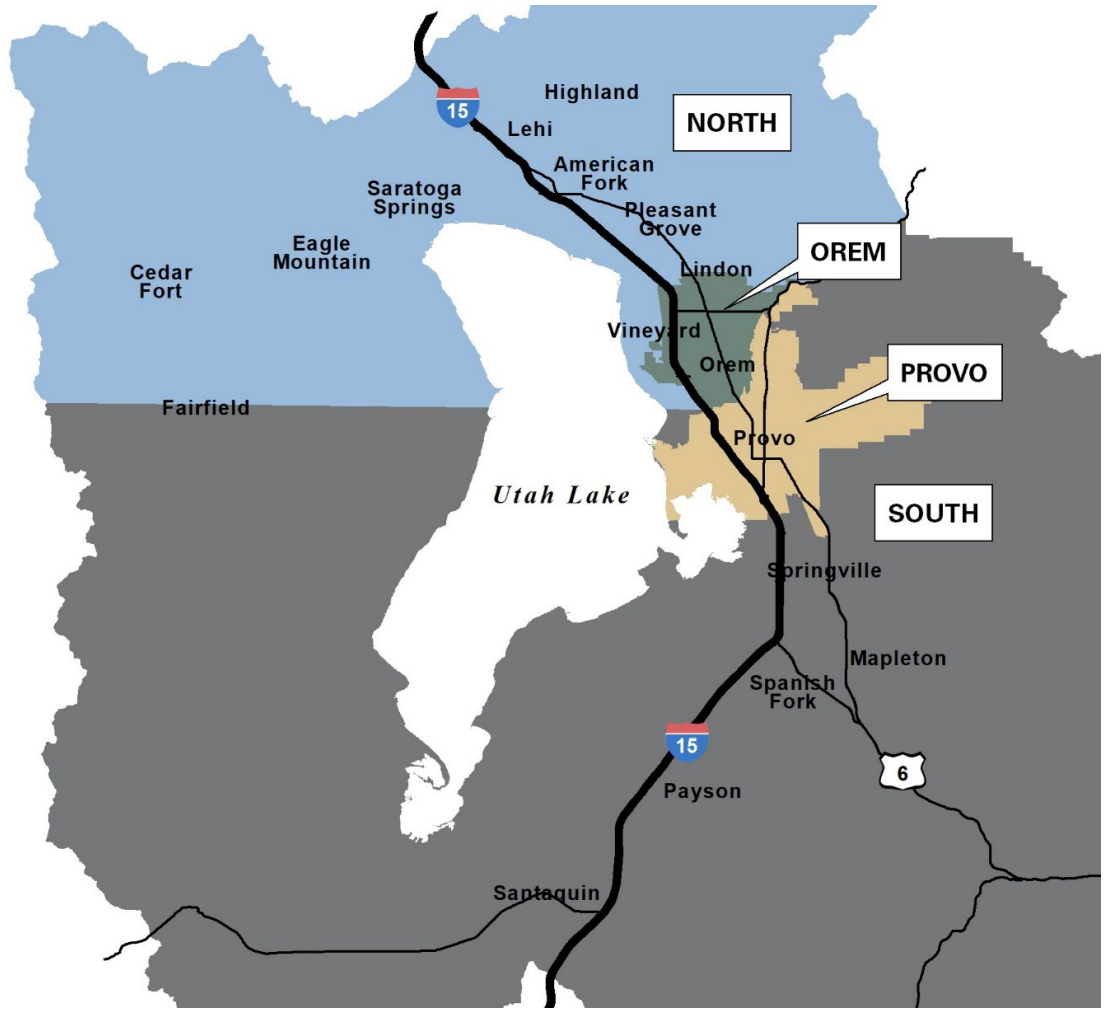
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