



Salt Lake County Industrial Market

Strong Leasing Activity from a Mix of Industries Leads to a Record Quarter for Net Absorption

Positive net absorption reached a quarterly historic high in the second quarter of 2021, with close to 3.9 million square feet being absorbed. Unlike in recent years, very little of the positive absorption in second-quarter 2021 is directly attributable to Amazon and included significant leases from a diverse array of manufacturers, logistics and fulfillment companies and omnichannel retailers. Direct vacancy fell below 3.0% to 2.7% and under construction square footage topped 10.0 million square feet amid the strong tenant demand. Both asking and achieved first-year average rates increased 16.4% and 2.6% year over year, respectively, and the average owner-user sale price is up 9.5% year over year, to \$133.85/SF. Industrial assets remain highly sought after, and the average square footage per transaction is increasing as investors look to acquire sizable footprints in the 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 57.8%. One of the larger projects currently under construction and set to deliver later this year, Freeport West ARA Building D, is fully pre-leased to Henkel and will deliver 800,000-plus square feet of positive net absorption. About 40% of the square footage under construction is pre-committed. Hamilton

Current Conditions

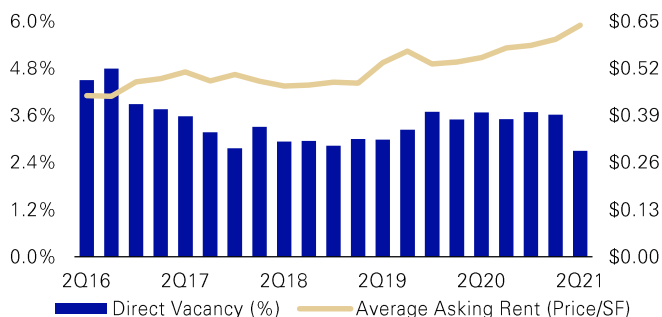
- Direct vacancy fell below the 3.0% mark for the first time since 2018.
- The total square footage under construction stayed above 10.0 million square feet for the second quarter in a row, with about 40% of that square footage pre-committed.
- Net absorption through the first half of 2021 measured 4.8 million square feet, which is 82.8% of the total for the record-setting 2020.

Market Summary

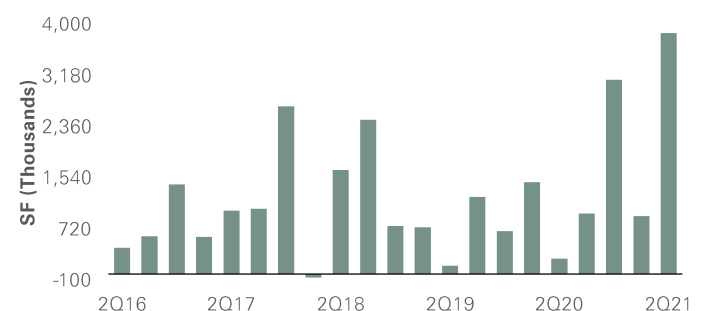
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Inventory	159.8 MSF	157.3 MSF	152.2 MSF	↑
Direct Vacancy Rate	2.7%	3.6%	3.7%	→
Quarterly Net Absorption (SF)	3.9 MSF	0.9 MSF	0.2 MSF	↑
Average Asking Rent PSF	\$0.64	\$0.60	\$0.55	↑
Under Construction (SF)	10.2 MSF	10.8 MSF	8.6 MSF	→
Deliveries (SF)	2.4 MSF	0.8 MSF	0.7 MSF	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH Q2 2021

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.

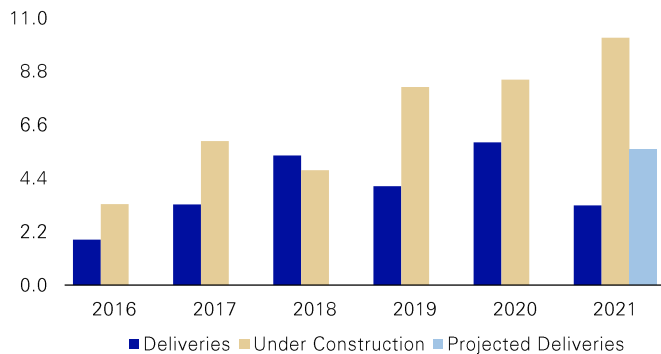
The overall achieved average first-year lease rate increased 2.6% year over year to \$0.50/SF in second-quarter 2020. Year-over-year rent growth by product type was mixed, with ranges from -5.2% to 26.8%. The flex product type continues to be a standout in terms of rent growth, with an increase of 16.2% year over year. Expect average lease rates to grow over the next few quarters with rising construction costs and low vacancy.

Larger new direct leases in second-quarter 2021 included Orbit Irrigation Products signing a 484,500-square-foot lease at Landmark 7A, Quality Distribution expanding its footprint in the market by inking a 358,400-square-foot lease at the under-construction City Creek Industrial Building C and Red Stag Fulfillment taking 353,720 square feet at XR1.

Second-quarter investment transaction dollar volume was down quarter over quarter from the record high experienced in first-quarter 2021 but was still the second highest second-quarter volume in the last five years. Two of the larger transactions of the quarter included Link Industrial Properties acquiring the 765,880-square-foot Majestic Airport Center 1-5 portfolio and Berkeley Partners acquiring Decker Business Center, a 191,270 square-foot property.

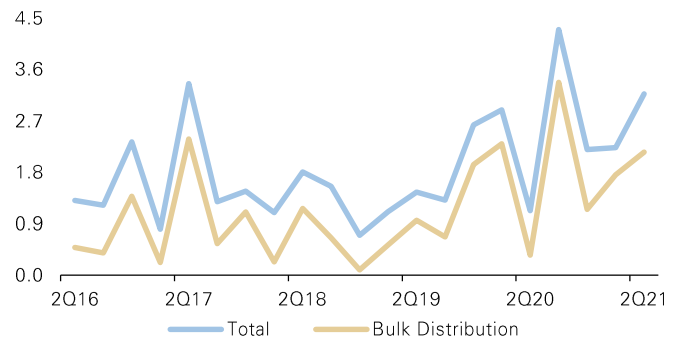
Construction and Deliveries

SQUARE FEET, MILLIONS



Leased Square Feet

SQUARE FEET, MILLIONS



Select Lease Transactions

Tenant	Market	Building	Type	Square Feet
Orbit Irrigation Products	California Avenue	Landmark 7A	New	484,500
Quality Distribution	California Avenue	City Creek Industrial Building C	New	358,400
Red Stag Fulfillment	Airport	XR1	New	353,720
My Patriot Supply	California Avenue	Meridian Commerce Center 3	Expansion	324,503
Duluth Trading Co.	West Valley	201 Mountain View Park Building 4	New	228,800
Amazon	Airport	SLC Global Logistics Center Building 2	New	133,056

Select Sale Transactions

Buyer	Market	Building	Type	Square Feet
Link Industrial Properties (Blackstone)	California Avenue	Majestic Airport Center 1-5	Capital Markets	765,880
Berkeley Partners	West Valley	Decker Business Center	Capital Markets	191,270
NPS Store	Airport	634 N. Challenger Rd.	Owner-User	140,752
Aligned Energy	West Valley	201 Mountain View Park Building 1	Owner-User	99,216
Exeter Property Group	West Valley	Metro Annex 7-9, 12	Capital Markets	90,366

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	3,427,300	3.7%	654,886	654,886	\$0.54	\$0.55	\$0.54
Manufacturing	4,515,265	0	0.3%	0	0	\$0.50	\$-	\$0.50
General Purpose	2,063,640	18,600	2.1%	140,752	140,752	\$0.47	\$-	\$0.47
Bulk Distribution	9,726,862	3,121,310	5.7%	486,776	486,776	\$0.53	\$0.55	\$0.54
Medium Distribution	376,212	226,910	8.4%	0	0	\$0.75	\$-	\$0.75
Flex	687,754	60,480	6.8%	27,358	27,358	\$0.50	\$-	\$0.50
Incubator	282,043	0	0.0%	0	0	\$-	\$-	\$-
Special Purpose	1,140,711	0	0.0%	0	0	\$-	\$-	\$-
Downtown SLC	11,016,451	132,892	5.4%	181,629	181,629	\$0.67	\$1.25	\$0.69
Manufacturing	2,633,194	0	3.4%	38,433	38,433	\$0.40	\$-	\$0.40
General Purpose	5,406,568	0	2.9%	36,882	36,882	\$0.72	\$1.25	\$0.78
Bulk Distribution	180,670	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	502,846	0	43.8%	33,663	33,663	\$0.69	\$-	\$0.69
Flex	892,000	0	7.8%	-10,599	-10,599	\$0.53	\$-	\$0.53
Incubator	418,796	0	3.6%	3,250	3,250	\$0.73	\$-	\$0.73
Special Purpose	982,377	132,892	4.5%	80,000	80,000	\$1.31	\$-	\$1.31
California Ave	58,553,407	3,249,523	3.0%	1,754,789	1,754,789	\$0.62	\$0.44	\$0.60
Manufacturing	10,525,406	41,184	2.6%	-11,946	-11,946	\$0.56	\$0.40	\$0.48
General Purpose	12,412,134	0	2.1%	32,292	32,292	\$0.88	\$-	\$0.88
Bulk Distribution	21,929,599	1,611,970	3.4%	1,678,892	1,678,892	\$0.47	\$-	\$0.47
Medium Distribution	4,234,677	1,384,627	5.3%	2,400	2,400	\$0.65	\$0.55	\$0.65
Flex	3,511,959	157,742	3.7%	40,599	40,599	\$0.70	\$0.78	\$0.71
Incubator	1,427,525	54,000	1.9%	2,472	2,472	\$0.80	\$-	\$0.80
Special Purpose	4,429,059	0	2.3%	10,080	10,080	\$1.00	\$-	\$1.00

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	25,342,064	915,367	4.3%	634,953	634,953	\$0.64	\$0.79	\$0.64
Manufacturing	3,340,265	0	0.9%	4,173	4,173	\$-	\$-	\$-
General Purpose	5,991,684	25,169	3.8%	0	0	\$0.75	\$-	\$0.75
Bulk Distribution	5,648,142	832,096	7.9%	228,800	228,800	\$0.57	\$-	\$0.57
Medium Distribution	3,105,389	58,102	5.9%	356,268	356,268	\$0.63	\$-	\$0.63
Flex	2,593,409	0	4.8%	-4,330	-4,330	\$0.66	\$0.79	\$0.69
Incubator	1,723,170	0	4.0%	-1,740	-1,740	\$0.76	\$-	\$0.76
Special Purpose	2,940,005	0	0.0%	51,782	51,782	\$-	\$-	\$-
South Salt Lake	12,240,105	0	4.0%	86,500	86,500	\$0.67	\$-	\$0.67
Manufacturing	2,023,183	0	5.6%	71,600	71,600	\$0.65	\$-	\$0.65
General Purpose	5,764,222	0	3.8%	0	0	\$0.66	\$-	\$0.66
Bulk Distribution	0	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	423,244	0	7.2%	0	0	\$0.85	\$-	\$0.85
Flex	1,831,804	0	3.3%	14,900	14,900	\$0.74	\$-	\$0.74
Incubator	1,244,342	0	2.8%	0	0	\$0.64	\$-	\$0.64
Special Purpose	953,310	0	2.7%	0	0	\$0.40	\$-	\$0.40
Taylorsville	3,534,757	154,752	8.4%	260,768	260,768	\$0.70	\$-	\$0.70
Manufacturing	1,919,334	0	0.7%	0	0	\$-	\$-	\$-
General Purpose	882,414	0	1.1%	195,000	195,000	\$-	\$-	\$-
Bulk Distribution	84,853	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	34,157	154,752	0.0%	0	0	\$-	\$-	\$-
Flex	407,047	0	67.4%	65,768	65,768	\$0.70	\$-	\$0.70
Incubator	62,730	0	0.0%	0	0	\$-	\$-	\$-
Special Purpose	144,222	0	0.0%	0	0	\$-	\$-	\$-

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Murray	5,435,349	0	4.0%	49,908	49,908	\$0.60	\$0.28	\$0.48
Manufacturing	411,212	0	2.4%	0	0	\$0.81	\$-	\$0.81
General Purpose	2,427,582	0	3.6%	59,518	59,518	\$0.50	\$0.28	\$0.35
Bulk Distribution	0	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	47,512	0	0.0%	0	0	\$-	\$-	\$-
Flex	1,143,149	0	8.2%	-12,000	-12,000	\$0.58	\$-	\$0.58
Incubator	868,541	0	2.8%	2,390	2,390	\$0.78	\$-	\$0.78
Special Purpose	537,353	0	0.0%	0	0	\$-	\$-	\$-
West Jordan	11,527,754	1,096,645	4.4%	67,770	67,770	\$0.66	\$-	\$0.66
Manufacturing	4,172,868	0	3.1%	0	0	\$0.48	\$-	\$0.48
General Purpose	2,525,935	256,325	1.9%	0	0	\$-	\$-	\$-
Bulk Distribution	2,241,509	200,000	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	411,930	233,960	2.8%	22,988	22,988	\$0.60	\$-	\$0.60
Flex	515,091	0	3.5%	0	0	\$0.72	\$-	\$0.72
Incubator	489,930	26,360	10.3%	4,782	4,782	\$0.86	\$-	\$0.86
Special Purpose	1,170,491	380,000	20.8%	40,000	40,000	\$-	\$-	\$-
Sandy	6,356,890	109,186	4.3%	-1,319	-1,319	\$0.77	\$0.70	\$0.74
Manufacturing	1,273,383	0	11.2%	-21,680	-21,680	\$0.67	\$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	1,262,091	109,186	6.2%	23,305	23,305	\$0.99	\$0.49	\$0.75
Incubator	879,470	0	5.5%	-2,944	-2,944	\$0.75	\$1.54	\$0.79
Special Purpose	724,352	0	0.0%	0	0	\$-	\$-	\$-

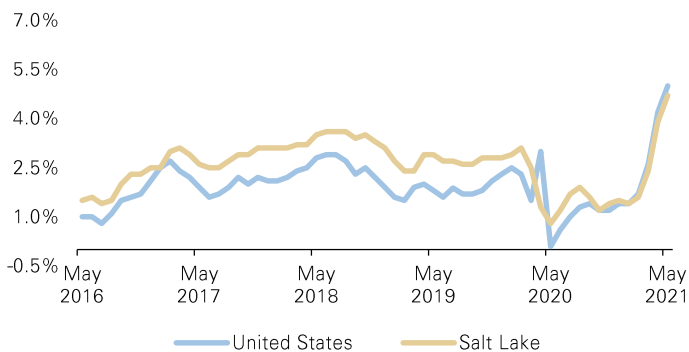
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Bluffdale	2,300,153	452,347	5.1%	160,146	160,146	\$0.84	\$0.78	\$0.83
Manufacturing	841,301	0	0.0%	0	0	\$-	\$-	\$-
General Purpose	220,005	76,160	3.5%	0	0	\$-	\$0.85	\$0.85
Bulk Distribution	0	142,688	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	0	90,329	0.0%	0	0	\$-	\$-	\$-
Flex	892,403	143,170	8.4%	131,440	131,440	\$0.81	\$0.73	\$0.80
Incubator	281,908	0	12.4%	28,706	28,706	\$0.88	\$-	\$0.88
Special Purpose	64,536	0	0.0%	0	0	\$-	\$-	\$-
Draper	4,712,525	650,913	0.5%	12,806	12,806	\$0.87	\$-	\$0.87
Manufacturing	1,432,437	0	0.0%	0	0	\$-	\$-	\$-
General Purpose	656,152	159,600	0.0%	0	0	\$-	\$-	\$-
Bulk Distribution	159,889	253,825	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	508,652	0	0.0%	0	0	\$-	\$-	\$-
Flex	1,676,274	237,488	1.4%	4,796	4,796	\$0.87	\$-	\$0.85
Incubator	179,779	0	0.0%	8,010	8,010	\$-	\$-	\$-
Special Purpose	99,342	0	0.0%	0	0	\$-	\$-	\$-
Market	159,811,942	10,188,925	3.8%	3,862,836	3,862,836	\$0.64	\$0.55	\$0.63

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, Salt Lake City has continued to stay below the national average throughout 2020 and into 2021 by a significant amount, coming in at 2.8% in May 2021, compared with the national rate of 5.8%, coming in 300 basis points lower than the national rate and is the lowest in the nation for large metros. Job growth has bounced back well, with a total net increase of 68,000 jobs added back to the market since April 2020, with positive job growth year over year across all industry sectors. The industrial-occupying industries continue to build on the strong job growth achieved throughout the pandemic. After the leisure and hospitality industry, the trade, transportation, and utilities industry experienced the highest job growth year over year, at 9.4%. With the unemployment rate so low, labor shortage will be an issue for the foreseeable future.

Consumer Price Index (CPI)

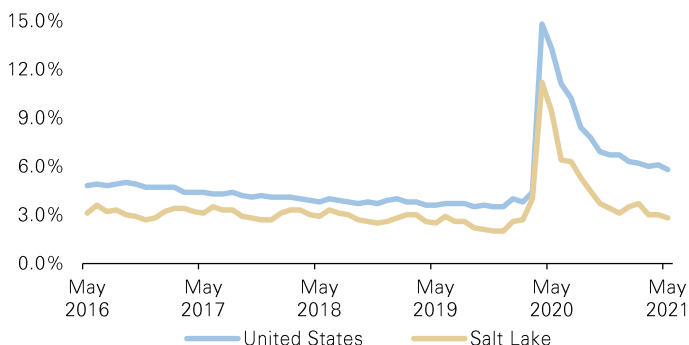
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

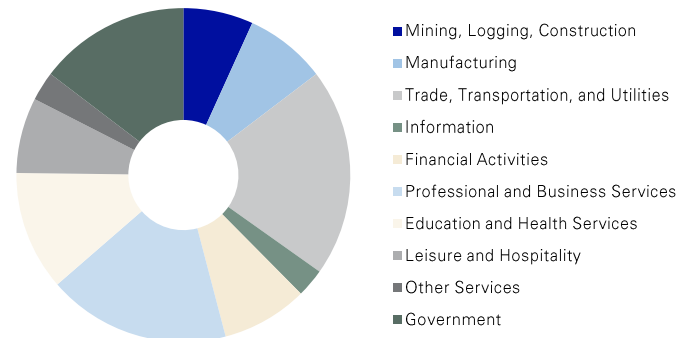
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment by Industry

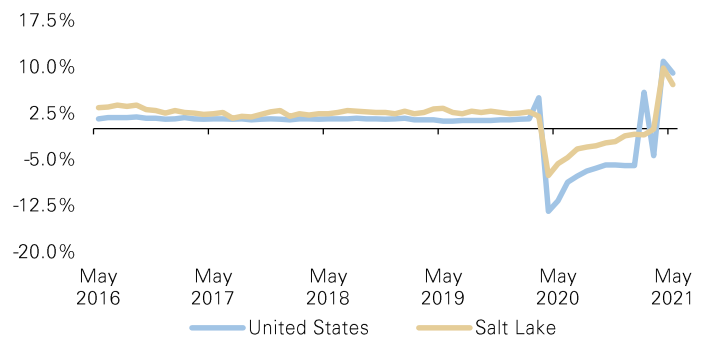
SALT LAKE, 2020 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

Payroll Employment

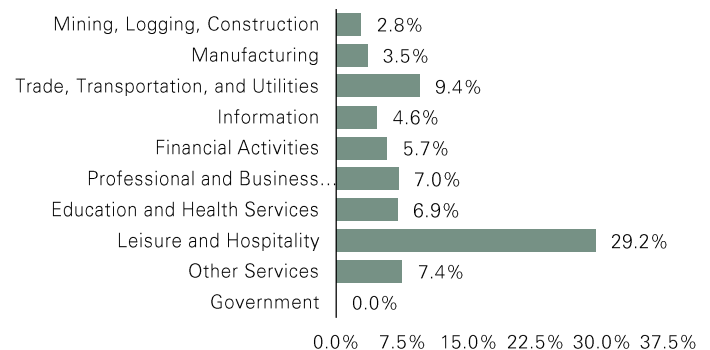
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



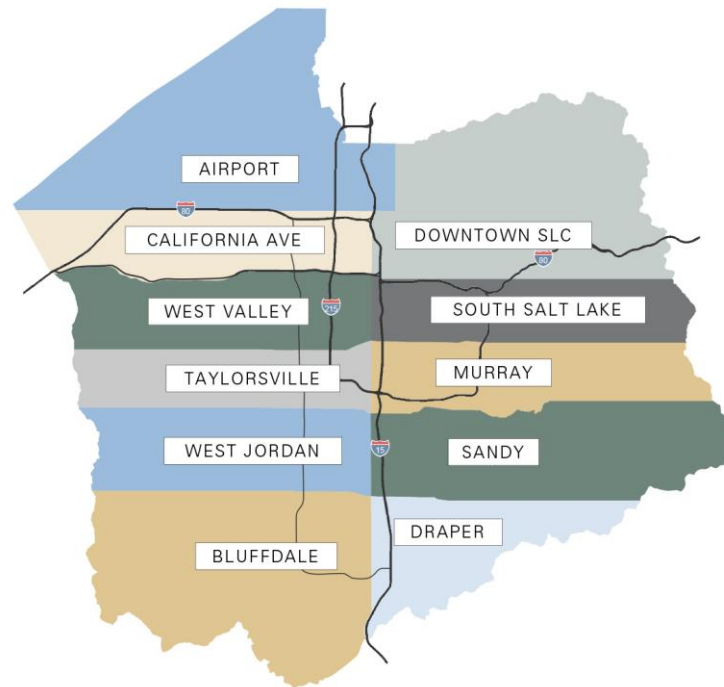
Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

SALT LAKE, MAY 2021, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics



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