



Salt Lake County Industrial Market

Dynamic Market Entering into Uncertain Economic Future

The industrial market continues to display dynamic fundamentals amid impending economic uncertainty. Strong rent growth, net absorption and tenant demand, combined with low vacancy and a sizable construction pipeline, characterize an enduringly robust market cycle. Construction delivery delays due to supply chain snarls, labor force shortages, entitlement delays and rising costs are creating a backlog for a supply-anemic market. Along the Wasatch Front, construction deliveries are taking 34.0% longer in 2022 compared to 2019. These delays kept net absorption at a lower level for the second quarter of 2022 relative to recent quarters but portends a strong finish to the year for this metric.

The market continues to favor landlords with sustained low vacancy and outside tenant demand. Vigorous rent growth continues to be the norm, with the overall achieved average first-year lease rate up an incredible 21.7% in 2022 versus 2021. Additionally, with rising costs due to inflationary pressures, there are an increasing number of leases signed with 3.5% to 4.0% annual escalations, whereas historically, 2.0% to 3.0% was more typical. Sustained high inflation and the Federal Reserve's pursuit to cool the economy through interest rate hikes are having a substantive effect on the market, which is likely to become more pronounced in the coming quarters.

Current Conditions

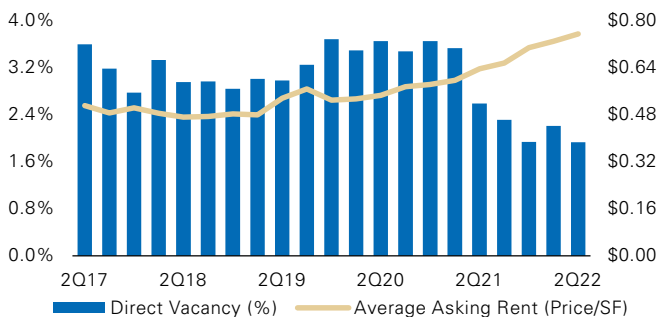
- Direct vacancy near all-time lows; 1.9% for the quarter.
- Achieved average first-year lease rates are up 21.7% from 2021 to the first half of 2022, with bulk distribution up 30.9%.
- Net absorption was down relative to recent quarters, which was largely due to a lack of construction deliveries.
- Due to inflationary pressures, an increasing number of leases with escalations at 3.5% to 4.0% are occurring.

Market Summary

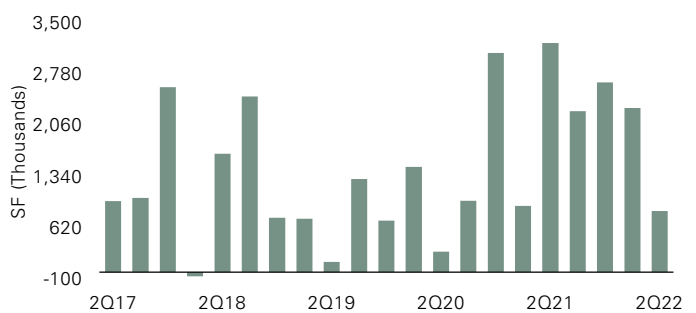
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	165.8 M	165.4 M	158.6 M	↑
Direct Vacancy Rate	1.9%	2.2%	2.6%	↑
Quarterly Net Absorption (SF)	0.9 M	2.3 M	3.2 M	↑
Average Asking Rent/SF	\$0.75	\$0.73	\$0.64	↑
Under Construction (SF)	13.6 M	11.4 M	10.5 M	→
Deliveries (SF)	0.7 M	1.6 M	3.0 M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH Q2 2022

Cracks are starting to appear in the national industrial market, which will undoubtedly affect all local markets. In the second quarter of 2022, Amazon announced that it was over-warehoused by several million square feet and will be subleasing. Numerous large retailers indicated that their warehouses were full of goods no longer coveted by consumers. Whatever the short- to medium-term inflationary and recessionary pressures, Utah is well poised for long-term prosperity thanks to strong population growth, a lower cost of doing business compared to other large Western metros and the emergence of the Utah Inland Port Authority in planning Utah's logistics future.

Close to 85% of the square footage currently under construction is for speculative development, with a little less than 1/3 of the speculative development already pre-committed. With ongoing construction delays, economic uncertainty and the especially high development pipeline, developers appear to be cautiously moving

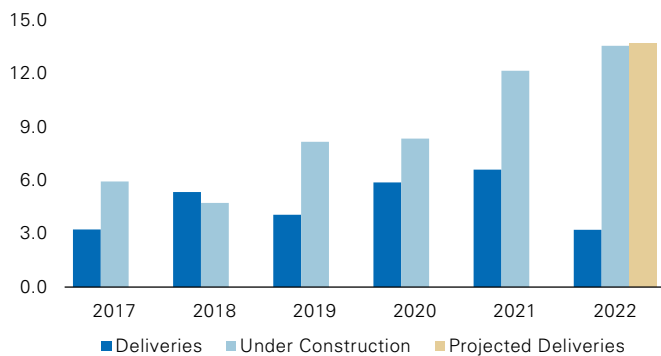
forward with planned speculative development as low vacancy and strong rent growth favor ongoing development.

Net absorption measured 0.9 million square feet for the quarter. This was the lowest quarterly net absorption total in the last two years and was really a function of delayed construction deliveries. If construction deliveries aren't delayed further, expect significant net absorption totals in the third and fourth quarters of 2022 of 2022, as 12 to 14 million square feet is projected to deliver by year end.

Investment activity continues to be strong. Through the first half of 2022, the accelerant cap rate compression of the last few years appears to have slowed. The overall cap rate compressed slightly to 4.1% from 2021 to the first half of 2022. It is hard to imagine cap rates compressing much further through the balance of the year in the new interest rate environment.

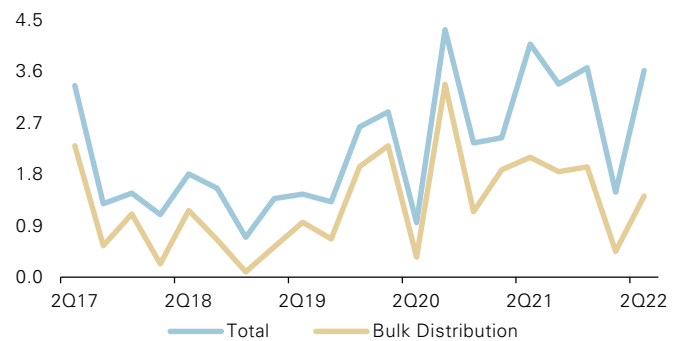
Construction and Deliveries

SQUARE FEET, MILLIONS



Leased Square Feet

SQUARE FEET, MILLIONS



Select Lease Transactions

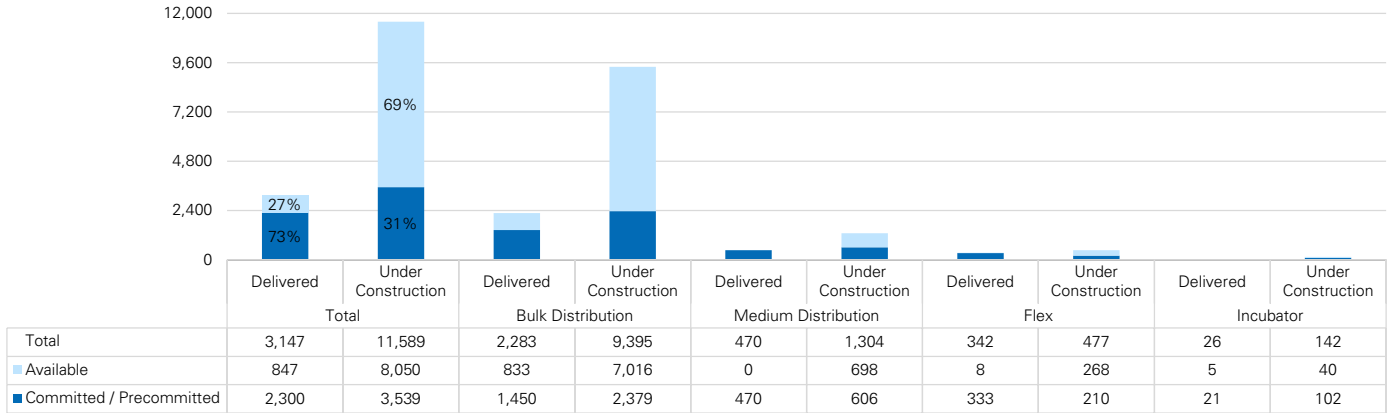
Tenant	Market	Building	Type	Square Feet
Confidential	California Avenue	Copper Crossing	New	654,000
Confidential	Airport	Ritchie The Quadrant II	New	300,000
KNS International	Draper	EQT Exeter Summit Commerce Center 2	New	253,825
Blue Chip Group	California Avenue	Meniscus Centennial Park	New	240,274
Confidential	California Avenue	West Valley Logistics Center 1	New	206,800
Ready Alliance Group	California Avenue	West Valley Logistics Center 2	New	198,000

Select Sale Transactions

Buyer	Market	Building	Type	Square Feet
Confidential	California Avenue	Mountain View Industrial Park A	Capital Markets	833,280
Confidential	Various	Amazon Delivery Station Portfolio	Capital Markets	552,047
DRA Advisors	West Valley	Decker Lake	Capital Markets	423,881
Walton Street Capital Et Al.	West Valley	A-3 Investment Portfolio	Capital Markets	417,617
Walton Street Capital Et Al.	Downtown SLC	514 W. Pickett Cir.	Capital Markets	104,212

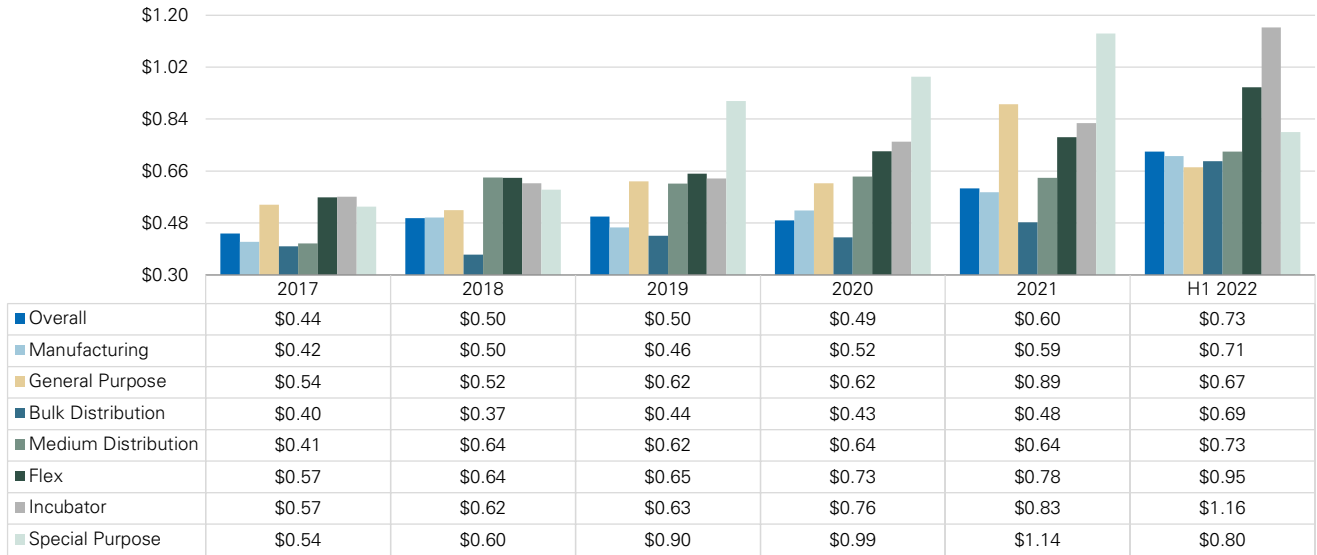
2022 Speculative Development – Delivered and Under Construction Square Feet Overview

SQUARE FEET, THOUSANDS



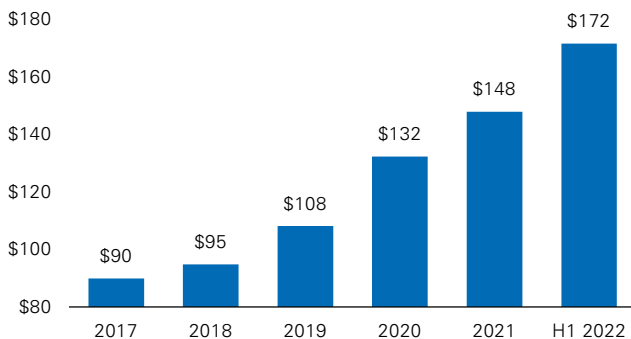
Achieved Average First-Year Lease Rates

MONTHLY PER SQUARE FOOT NNN



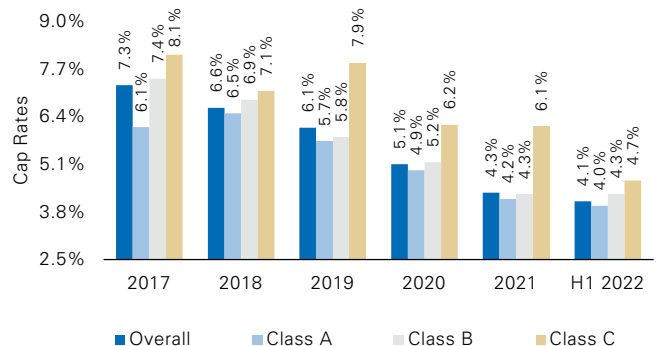
Achieved Average Owner-User Sales

PRICE PER SQUARE FOOT



Utah Industrial Capital Markets Sales

AVERAGE CAP RATES



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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	20,352,031	4,818,802	0.8%	6,693	987,894	\$0.68	\$0.80	\$0.71
Manufacturing	4,515,265	0	0.0%	0	11,856	\$-	\$-	\$-
General Purpose	2,086,384	0	0.1%	0	-1,900	\$1.58	\$-	\$1.58
Bulk Distribution	11,228,711	4,680,090	0.9%	0	914,360	\$0.65	\$-	\$0.65
Medium Distribution	376,212	138,712	9.0%	0	0	\$-	\$0.80	\$0.80
Flex	747,639	0	2.7%	9,159	66,044	\$0.74	\$-	\$0.74
Incubator	282,043	0	0.9%	-2,466	-2,466	\$-	\$-	\$-
Special Purpose	1,115,777	0	0.3%	0	0	\$-	\$-	\$-
Downtown SLC	10,497,828	132,892	3.7%	-166,386	-134,416	\$0.72	\$1.25	\$0.74
Manufacturing	2,462,740	0	1.4%	0	-1,400	\$0.87	\$-	\$0.87
General Purpose	5,148,158	0	1.8%	-11,386	24,738	\$0.79	\$1.25	\$0.88
Bulk Distribution	180,670	0	85.8%	-155,000	-155,000	\$0.54	\$-	\$0.54
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%	0	-2,754	\$1.47	\$-	\$1.47
California Ave	61,186,049	4,030,241	3.2%	559,711	1,495,920	\$0.69	\$1.06	\$0.75
Manufacturing	10,569,985	0	2.9%	-58,054	-27,688	\$0.65	\$1.06	\$0.74
General Purpose	12,302,911	897,232	1.3%	1,430	29,026	\$0.79	\$-	\$0.79
Bulk Distribution	23,313,693	2,508,532	4.6%	51,150	752,930	\$-	\$-	\$-
Medium Distribution	5,195,886	494,239	2.7%	555,358	626,565	\$0.65	\$1.10	\$0.81
Flex	3,753,894	69,251	2.6%	10,818	125,490	\$0.73	\$-	\$0.73
Incubator	1,474,125	0	3.5%	-991	-10,403	\$0.73	\$-	\$0.73
Special Purpose	4,492,507	60,987	2.3%	0	0	\$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	26,300,626	1,475,115	2.2%	123,845	319,261	\$0.85	\$-	\$0.85
Manufacturing	3,391,833	0	1.0%	50,247	50,247	\$0.76	\$-	\$0.76
General Purpose	6,012,063	509,035	3.4%	-23,260	1,909	\$0.90	\$-	\$0.90
Bulk Distribution	6,475,022	786,880	2.5%	83,415	212,660	\$-	\$-	\$-
Medium Distribution	3,163,491	179,200	2.8%	38,439	52,233	\$0.80	\$-	\$0.80
Flex	2,593,409	0	1.7%	-19,796	-2,296	\$0.73	\$-	\$0.73
Incubator	1,724,803	0	2.1%	-5,200	4,508	\$0.82	\$-	\$0.82
Special Purpose	2,940,005	0	0.0%	0	0	\$-	\$-	\$-
South Salt Lake	12,281,700	0	3.8%	-9,031	-11,968	\$0.71	\$0.75	\$0.71
Manufacturing	2,023,683	0	4.0%	0	-13,346	\$0.74	\$-	\$0.74
General Purpose	5,804,239	0	4.1%	16,117	16,117	\$0.73	\$-	\$0.73
Bulk Distribution	0	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	422,944	0	1.7%	-7,000	4,002	\$0.90	\$-	\$0.90
Flex	1,831,804	0	4.7%	-16,588	-23,431	\$0.75	\$0.75	\$0.75
Incubator	1,244,342	0	0.6%	-1,560	4,690	\$0.76	\$-	\$0.76
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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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)
Murray	5,439,481	0	2.2%	8,158	15,874	\$0.66	\$-	\$0.66
Manufacturing	411,212	0	6.6%	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	5.0%	8,158	8,158	\$0.57	\$-	\$0.57
Incubator	871,973	0	3.3%	0	7,716	\$0.81	\$-	\$0.81
Special Purpose	537,353	0	0.0%	0	0	\$-	\$-	\$-
West Jordan	13,289,480	1,973,609	3.5%	21,320	47,884	\$0.75	\$-	\$0.75
Manufacturing	4,283,170	0	1.9%	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	1,022,624	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	544,986	490,682	0.0%	0	0	\$-	\$-	\$-
Flex	922,138	45,817	9.0%	0	31,200	\$0.81	\$-	\$0.81
Incubator	600,350	6,240	6.3%	21,320	16,684	\$1.23	\$-	\$1.23
Special Purpose	1,170,491	380,000	20.8%	0	0	\$-	\$-	\$-
Sandy	6,566,966	0	1.0%	122,970	122,914	\$0.90	\$0.83	\$0.86
Manufacturing	1,273,383	0	2.9%	0	0	\$-	\$0.83	\$0.83
General Purpose	1,561,022	0	0.2%	2,008	-492	\$-	\$-	\$-
Bulk Distribution	120,800	0	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	636,662	0	0.0%	100,226	100,226	\$-	\$-	\$-
Flex	1,371,277	0	1.7%	20,736	20,736	\$0.89	\$-	\$0.89
Incubator	879,470	0	0.3%	0	2,444	\$0.97	\$-	\$0.97
Special Purpose	724,352	0	0.0%	0	0	\$-	\$-	\$-

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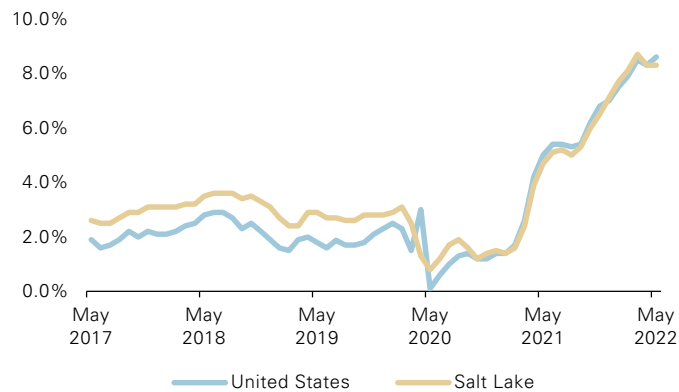
Submarket Statistics								
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Bluffdale	2,636,839	464,101	1.2%	265,271	343,067	\$0.87	\$-	\$0.87
Manufacturing	841,301	0	0.0%	0	0	\$-	\$-	\$-
General Purpose	296,165	0	0.0%	0	76,160	\$-	\$-	\$-
Bulk Distribution	0	142,688	0.0%	0	0	\$-	\$-	\$-
Medium Distribution	117,356	90,329	0.0%	117,356	117,356	\$-	\$-	\$-
Flex	1,035,573	95,247	2.0%	143,170	139,970	\$0.85	\$-	\$0.85
Incubator	281,908	135,837	4.0%	4,745	9,581	\$0.91	\$-	\$0.91
Special Purpose	64,536	0	0.0%	0	0	\$-	\$-	\$-
Draper	4,694,736	668,696	2.9%	-18,531	-13,275	\$1.14	\$-	\$1.14
Manufacturing	1,346,724	0	2.8%	0	0	\$-	\$-	\$-
General Purpose	656,152	148,056	0.0%	0	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	266,815	5.1%	-18,531	-24,661	\$1.12	\$-	\$1.12
Incubator	179,779	0	5.7%	0	0	\$1.30	\$-	\$1.30
Special Purpose	99,342	0	0.0%	0	0	\$-	\$-	\$-
Market	165,766,316	13,563,456	2.7%	914,020	3,173,155	\$0.75	\$0.97	\$0.77
Manufacturing	32,908,141	0	2.3%	-7,807	19,669	\$0.67	\$0.98	\$0.73
General Purpose	40,094,245	1,582,569	1.8%	-15,091	156,944	\$0.83	\$1.25	\$0.84
Bulk Distribution	44,001,617	9,394,639	3.4%	-20,435	1,724,950	\$0.58	\$-	\$0.58
Medium Distribution	11,480,285	1,393,162	2.9%	804,379	900,382	\$0.74	\$0.88	\$0.77
Flex	16,035,081	477,130	3.3%	137,126	341,210	\$0.80	\$0.75	\$0.80
Incubator	7,957,589	142,077	2.5%	15,848	32,754	\$0.88	\$-	\$0.88
Special Purpose	13,206,310	573,879	3.2%	0	-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 Salt Lake City Metro unemployment coming in at 2.2% in May 2022, the Metro is one of the fastest recovering in terms of employment rate. With positive job growth across almost 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. With rising inflation costs that match those experienced across the nation, both employers and employees are more mindful than ever about where money is going and watching for ways to cut unnecessary expenses.

Consumer Price Index (CPI)

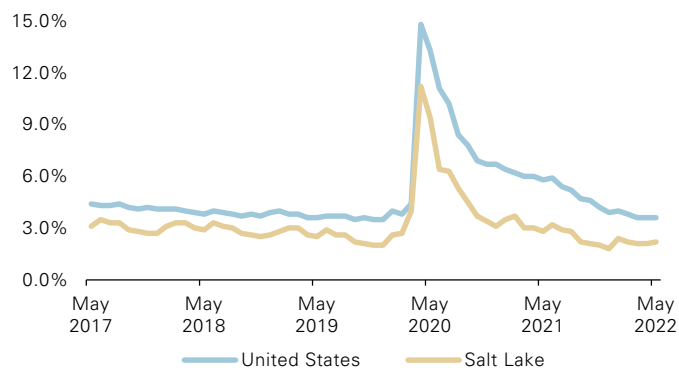
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

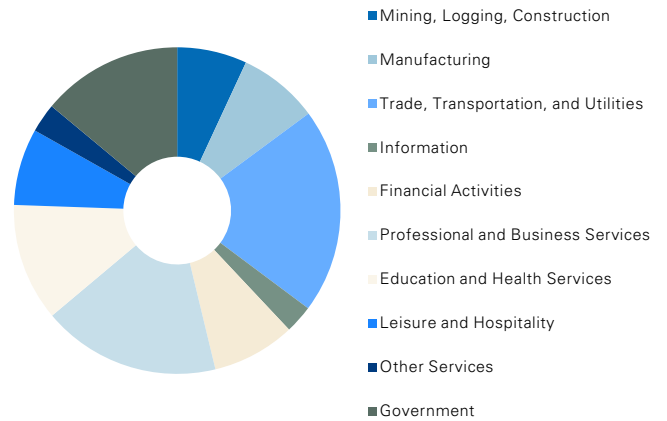
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment by Industry

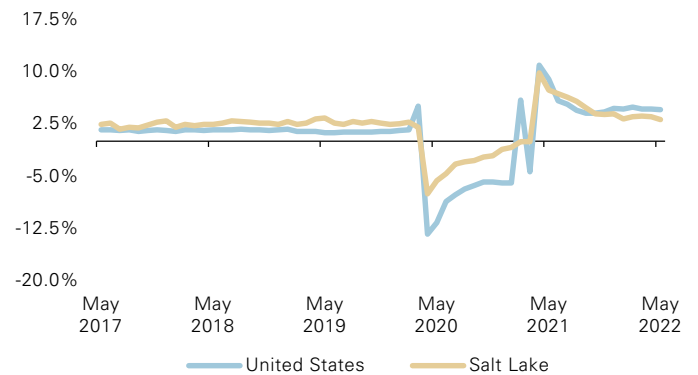
SALT LAKE, 2021 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

Payroll Employment

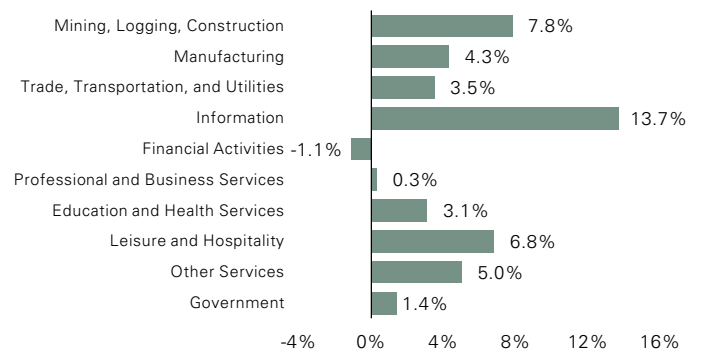
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

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



Source: U.S. Bureau of Labor Statistics

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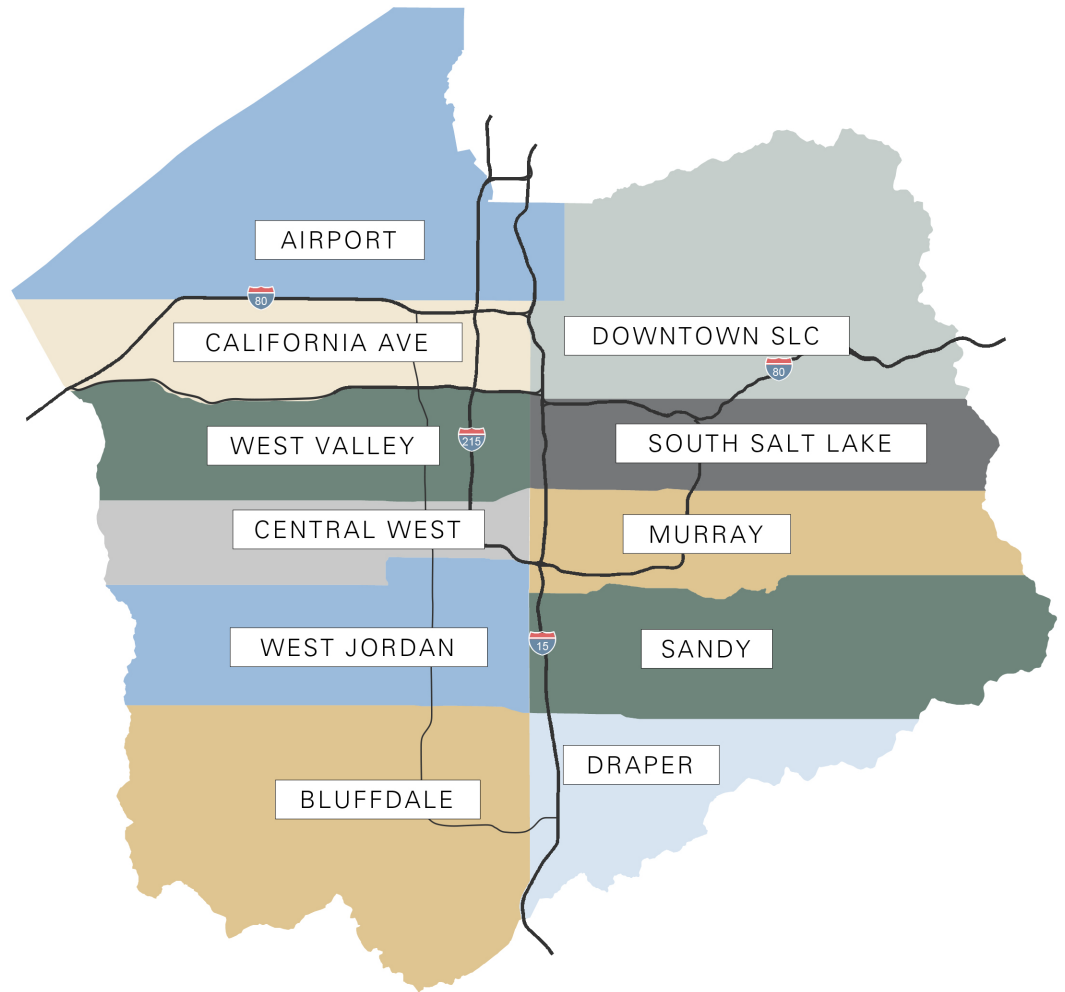
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective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

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