



Utah County Industrial Market

Low Vacancy and Construction Deliveries Causing Supply Issues

The Utah County market is continuing to suffer from a dearth of available space as direct vacancy measures 1.3% for the second quarter of 2022. Additionally, slowed construction deliveries due to lengthening entitlement periods, problems with sourcing building materials due to supply chain issues, labor shortages and increasing construction costs are exacerbating the space shortage. Along the Wasatch Front, construction deliveries are taking 34.0% longer in 2022 compared with 2019. Net absorption measured a seven-quarter low of 242,888 square feet due to low vacancy and construction deliveries of 290,453 square feet, which is well below the quarterly average of 527,869 square feet experienced since the first quarter of 2020. There appears to be some relief for occupiers over the coming quarters as construction deliveries are expected to sizably increase, just as weakening consumer spending is taking hold, potentially providing prospective tenants with more options for space.

Achieved average first-year lease rates are continuing to experience strong increases, with the overall rate rising 7.1% from 2021 to the first half of 2022. Almost all industrial building types experienced double-digit growth from 2021.

Current Conditions

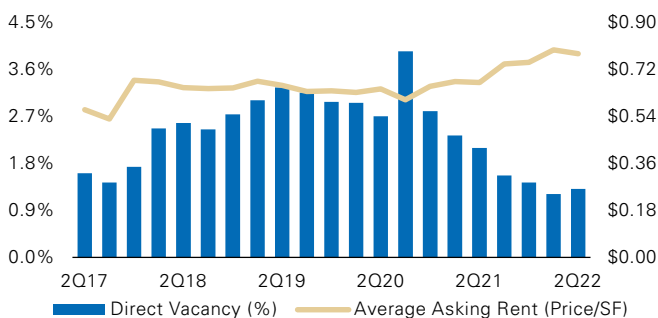
- Existing available space is almost nonexistent, with the direct vacancy rate near an all-time low of 1.3%.
- Construction delivery delays and low vacancy are forcing tenants to turn to pre-leasing to secure space.
- The overall achieved average first-year lease rate is up 7.1% from 2021 to the first half of 2022 to \$0.78/SF.

Market Summary

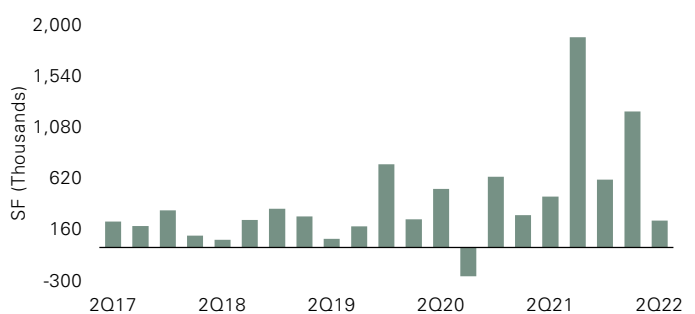
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	45.4 M	45.1 M	41.7 M	↑
Direct Vacancy Rate	1.3%	1.2%	2.1%	→
Quarterly Net Absorption (SF)	0.2 M	1.2 M	0.5 M	↑
Average Asking Rent/SF	\$0.78	\$0.79	\$0.67	↑
Under Construction (SF)	4.0 M	3.3 M	5.6 M	→
Deliveries (SF)	0.3 M	1.1 M	0.4 M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH Q2 2022

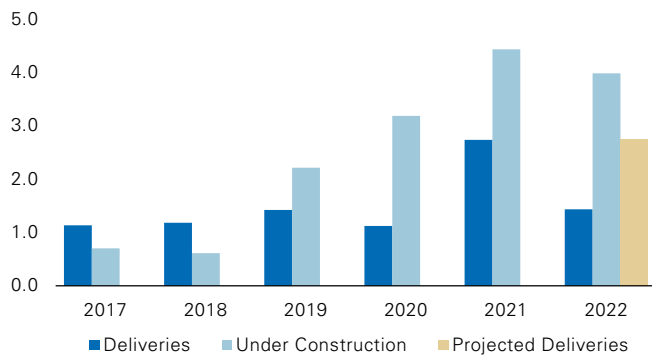
Strong demand for space and high land and construction prices will apply continued upward pressure on rents, but the explosive rent growth of the last two years is unlikely to continue due to weakening consumer demand, high inflation and increasing interest rates.

Utah County has historically been a medium distribution/flex/incubator market, but developers are beginning to

construct more bulk distribution buildings in one of the fastest-growing counties in the fastest-growing state. With the availability of vacant industrial land in Northern Utah in short supply and more costly, developers are looking to Southern Utah County to build bulk distribution, which offers faster access to Las Vegas, Phoenix and the Southern California markets and skips much of the traffic congestion along the Wasatch Front.

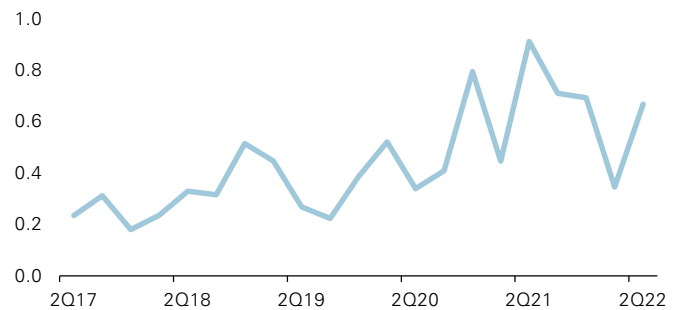
Construction and Deliveries

SQUARE FEET, MILLIONS



Leased Square Feet

SQUARE FEET, MILLIONS



Select Lease Transactions

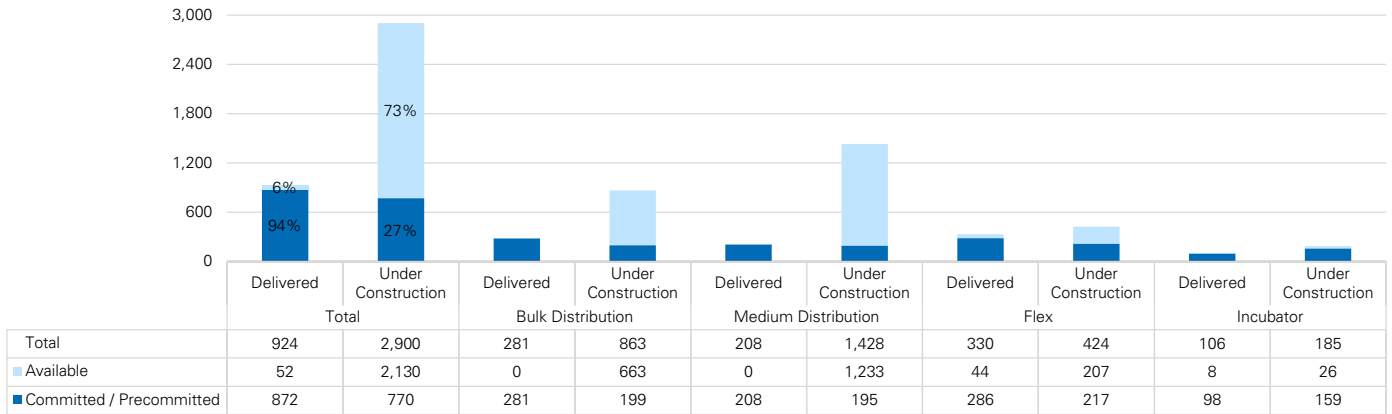
Tenant	Market	Building	Type	Square Feet
Confidential	Utah County South	Spanish Springs Industrial Park D	New	280,800
eSupplements	Orem	Eastlake Lot 5-B	Expansion	64,152
G2G Bar	Utah County North	East 15 1	New	44,914
H3 Plastics	Utah County South	1260 W. 1650 N., Springville	New	41,682
Pyvott	Utah County South	PowerHouse Industrial Park 1	New	38,172

Select Sale Transactions

Buyer	Market	Building	Type	Square Feet
Confidential	Various	Amazon Delivery Station Portfolio	Capital Markets	552,047
KMW Construction	Utah County South	422 N. 1100 W., Payson	Owner-User	12,038
University Collision	Provo	1771 S. East Bay Blvd., Provo	Owner-User	10,000

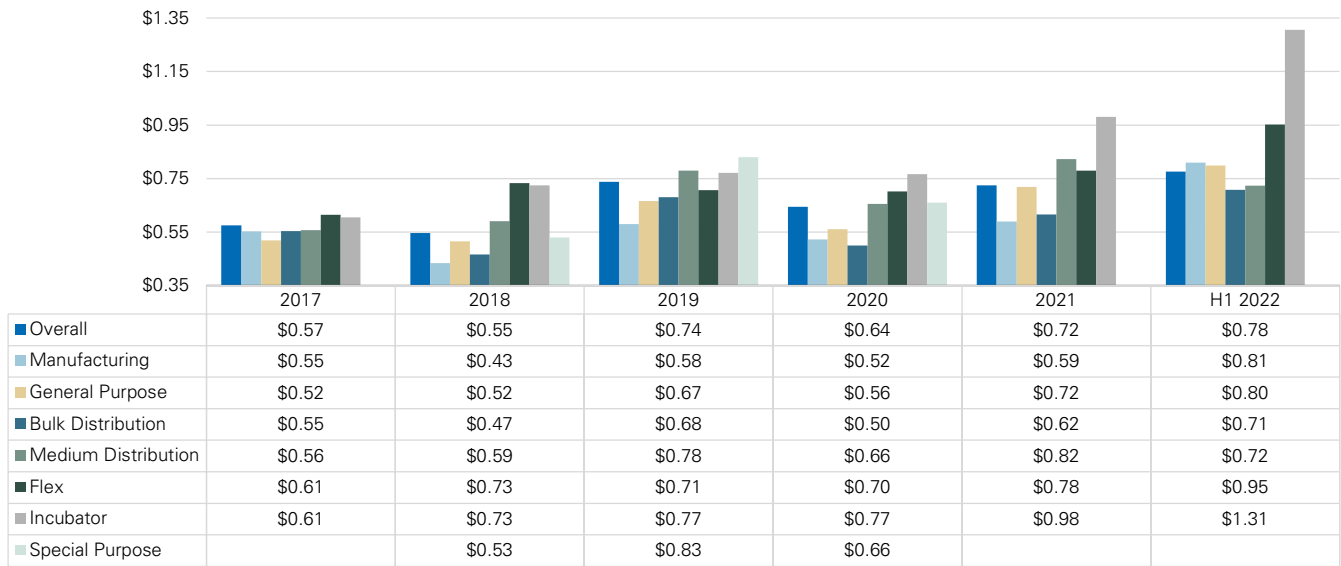
2022 Speculative Development – Delivered and Under Construction Square Feet Overview

SQUARE FEET, THOUSANDS



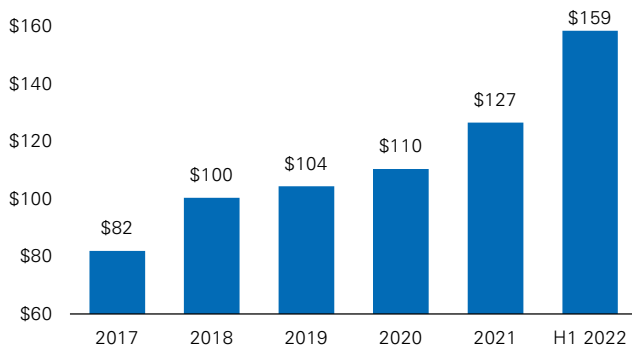
Achieved Average First-Year Lease Rates

MONTHLY PER SQUARE FOOT NNN



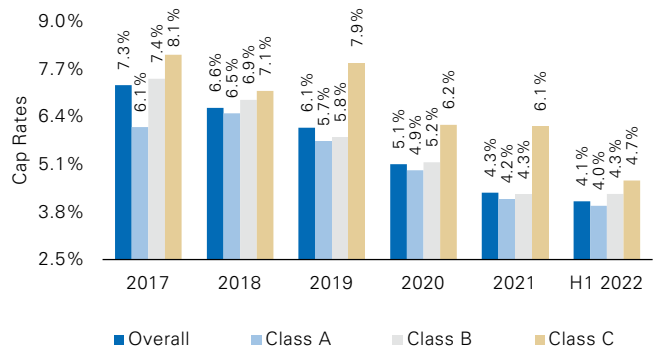
Achieved Average Owner-User Sales

PRICE PER SQUARE FOOT



Utah Industrial Capital Markets Sales

AVERAGE CAP RATES

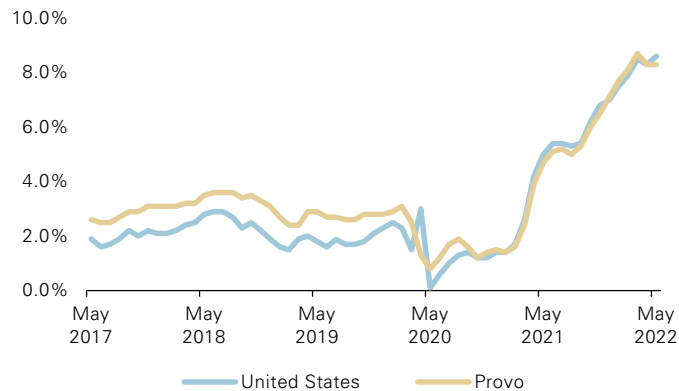


Economic Overview

Utah experienced the highest overall employment growth (33.1%) between the Great Recession and the COVID-19 recession, with most of the growth along the Wasatch Front. With a young, highly educated population base, the Provo-Orem Metro continues to demonstrate dynamism as job growth is outpacing both the U.S. and the Salt Lake City Metro and unemployment is at 2.0%. Employment growth continued across most industries with the mining, logging and construction, information and leisure and hospitality sectors posting year-over-year increases of 10% or more. The Provo-Orem tech sector is facing a serious headwind as rate-sensitive venture capital funding is navigating increasing interest rates, as the Federal Reserve moves to tamp 40-year-high inflation that is weakening consumer spending. Even with uncertainty ahead, the Provo-Orem Metro is poised for a bright future thanks to strong population growth, the presence of two large universities and an entrepreneurial spirit fostered by the tech industry.

Consumer Price Index (CPI)

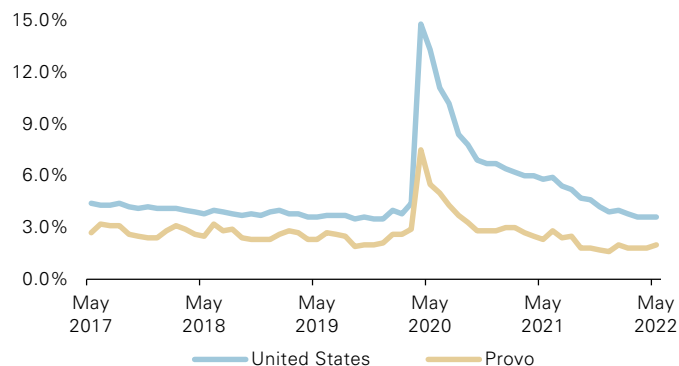
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

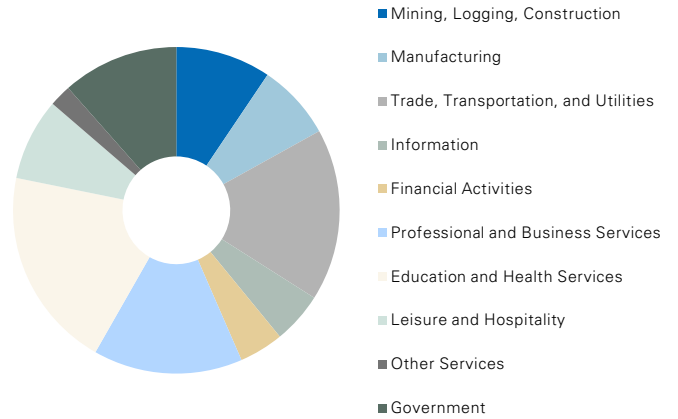
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment by Industry

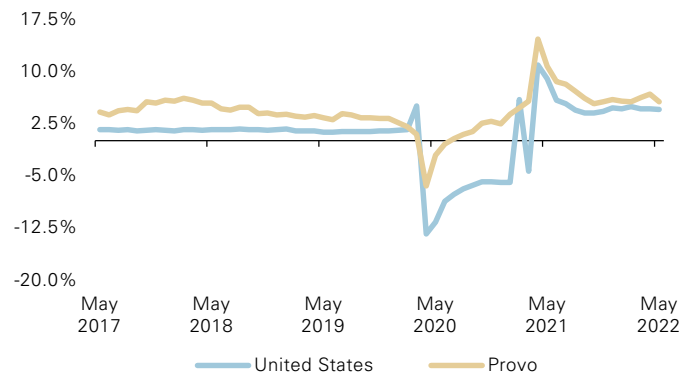
PROVO-OREM METRO, 2021 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

Payroll Employment

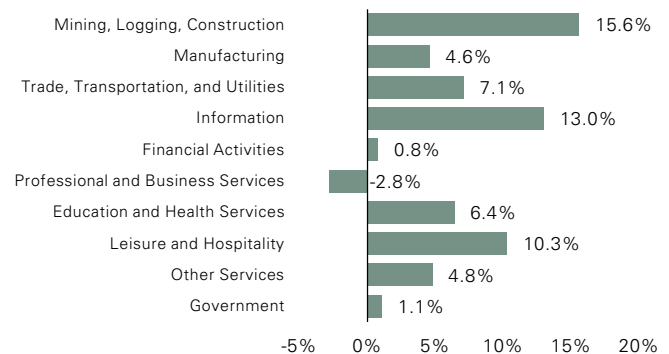
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

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



Source: U.S. Bureau of Labor Statistics

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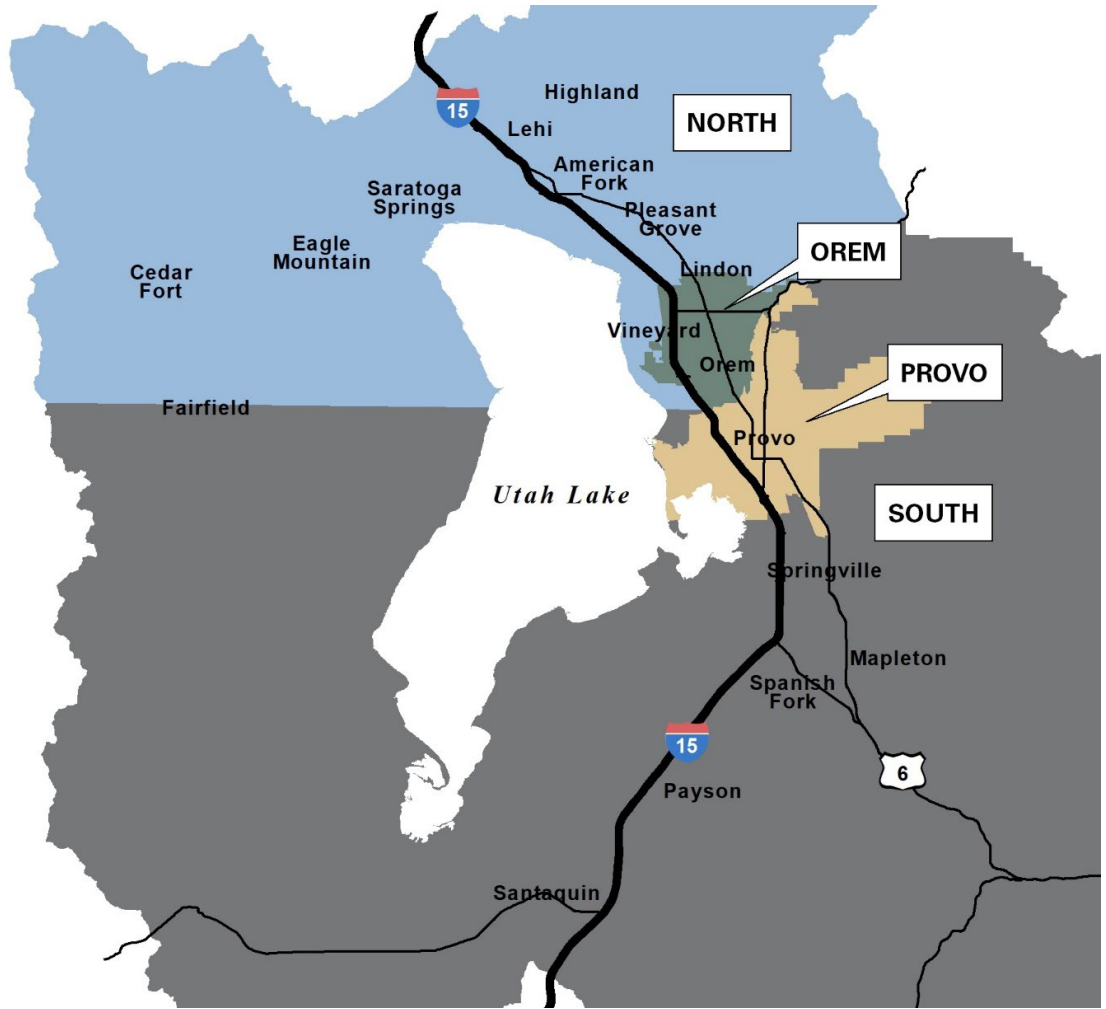
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