

Greater Salt Lake Industrial Market

Overviews for Salt Lake, Davis, Weber and Utah Counties



Market Observations

Economy

- Industrial sectors experienced 12-month job gains, a welcome change from losses in recent quarters. Recent announcements from manufacturing companies entering and expanding within the region hint at job growth in the coming quarters.
- Loaded import volume at Southern California’s ports totaled 3.7 million containers in the first five months of 2024, up 17.0% from the same period in 2023.
- Ship attacks in the Red Sea, along with a potential strike by Gulf and East Coast dockworkers in the coming months, are causing more goods to be funneled in through western ports of entry, notably Los Angeles/Long Beach. A fair share of this rerouted traffic is being shipped by rail to eastern seaboard markets.

Major Transactions

- The Northwest Quadrant continues to attract industrial users across all industry sectors. It’s central location near the new Inland Port and proximity to the Salt Lake City International Airport makes it an ideal location.
- Private entities and owner-users were the quarter’s most active buyers. Institutional capital remained on the sidelines.
- 3PLs and manufacturers continue to be active in the market. Several manufacturers are retrofitting non-manufacturing buildings to suit their needs; a workaround to the dearth of available manufacturing space in the region.

Leasing Market Fundamentals

- Net absorption surpassed construction deliveries in Salt Lake Counties, while absorption was nearly equal to deliveries in Utah, Davis and Weber Counties.
- Construction starts have decreased across the entire region as debt sourcing is harder to obtain and developers monitor how new product is absorbed in the next coming quarters.
- Achieved first-year lease rates continue to experience strong growth.
- Other occupancy costs are rising alongside rent. Operating expenses are up amid inflation and the 4.0% annual lease escalation is more prevalent. Cost-conscious tenants are turning more to Class B and Class C spaces.

Outlook

- The macroeconomic outlook remains cloudy, but leasing activity continues, albeit at a clip resembling pre-pandemic levels.
- Vacancy will likely hold steady over the next few quarters as demand sits in line with construction deliveries.
- Asking rents appear to be cooling after two consecutive years of heated growth. Achieved average first-year lease rates will fluctuate in each region based on whether leasing activity is occurring more in new construction or second-generation space; landlords are still leveraging concessions and tenant improvements.

1. Economy
2. Salt Lake City Market Fundamentals
3. Additional Markets
 - Davis and Weber Counties
 - Utah County
4. Utah Capital Markets Overview
5. Appendix

2Q24

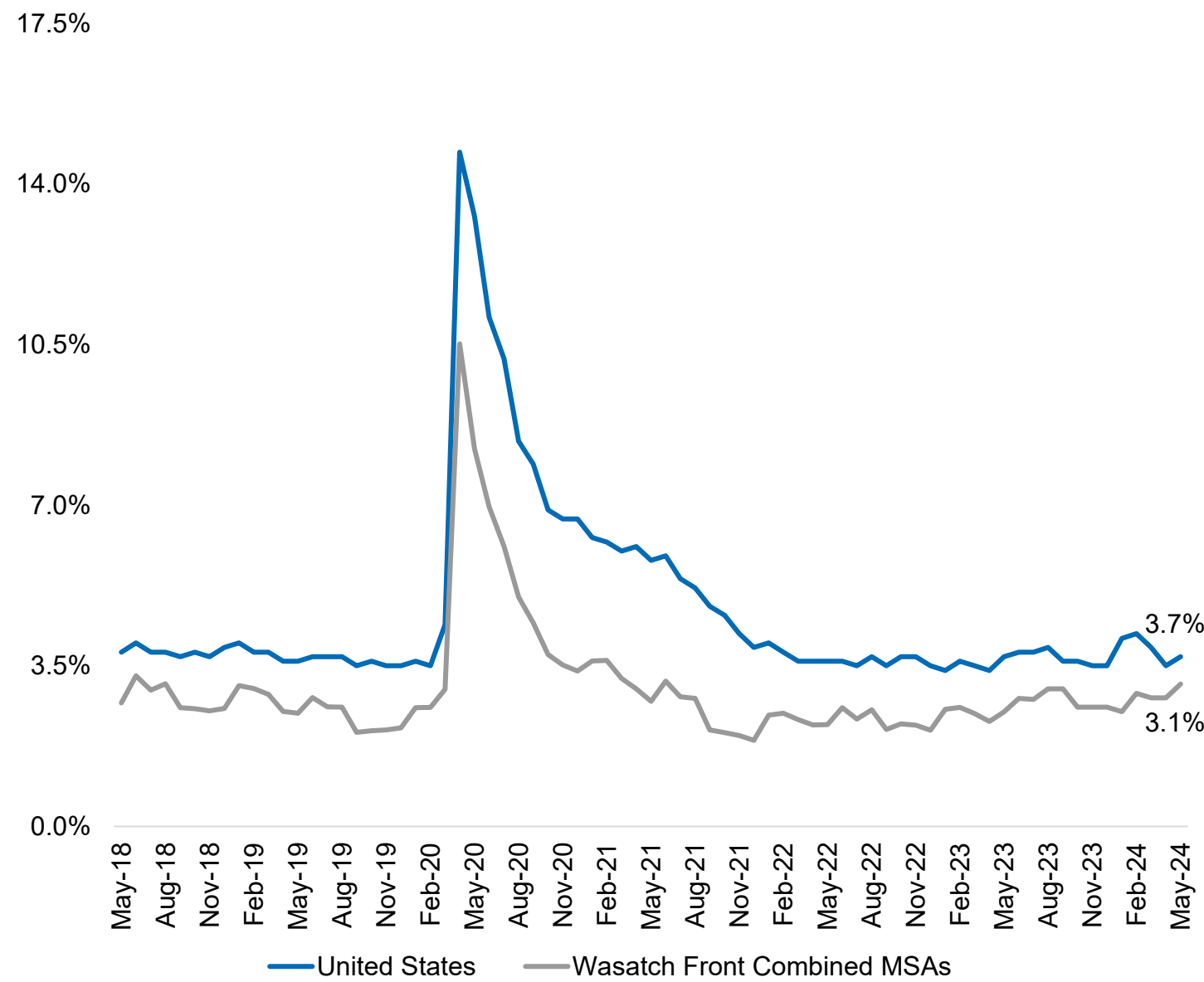
Economy



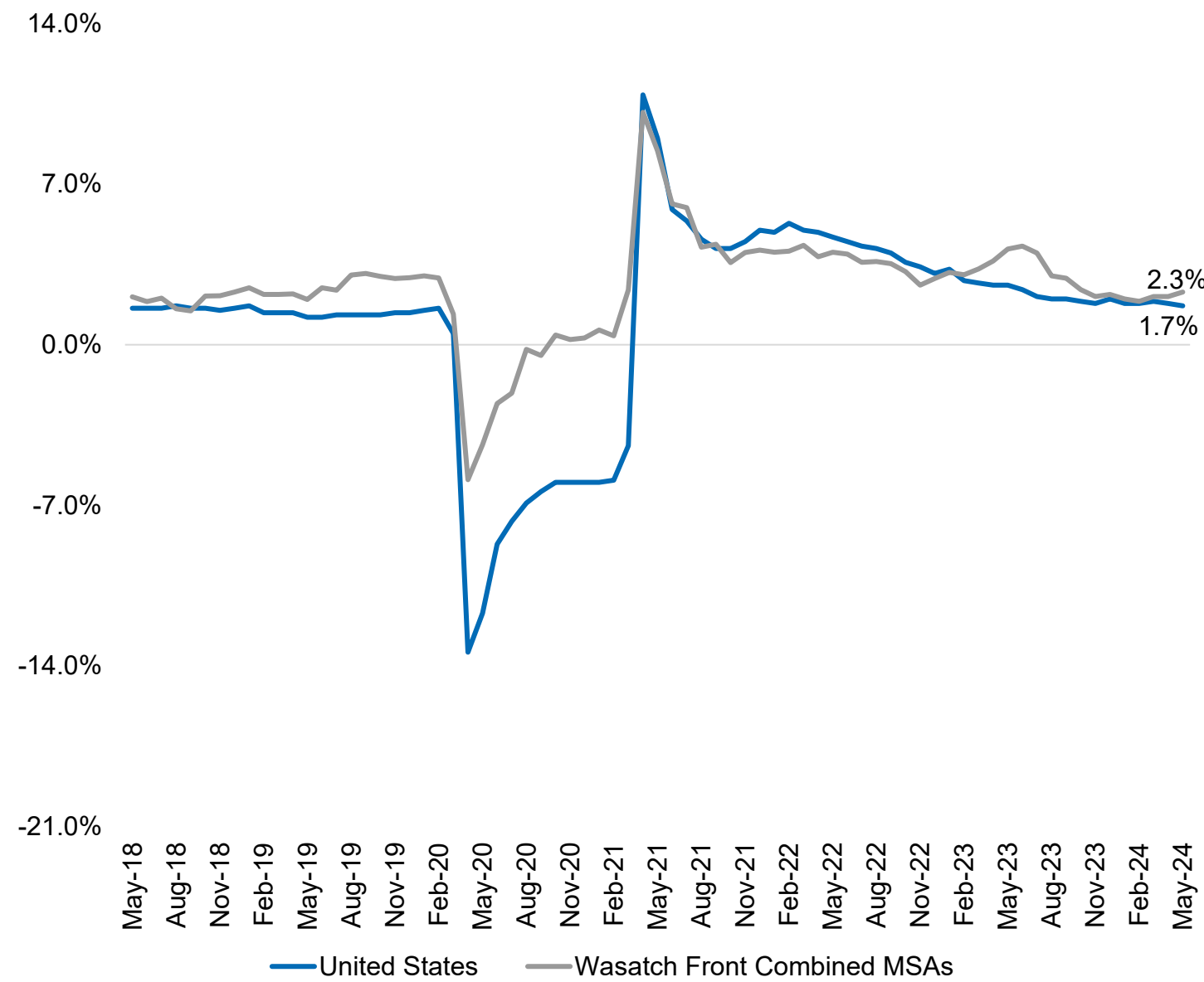
Wasatch Front Labor Market Outperforming National Trends

Local unemployment has historically remained significantly lower than the national average and has mirrored pre-pandemic rates for two years despite recent economic uncertainty. At the end of May 2024, Wasatch Front unemployment was 60 basis points lower than the national rate. Overall local job growth continues, with 2.3% in annual gains relative to 1.7% growth for the U.S.

Unemployment Rate, Not Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

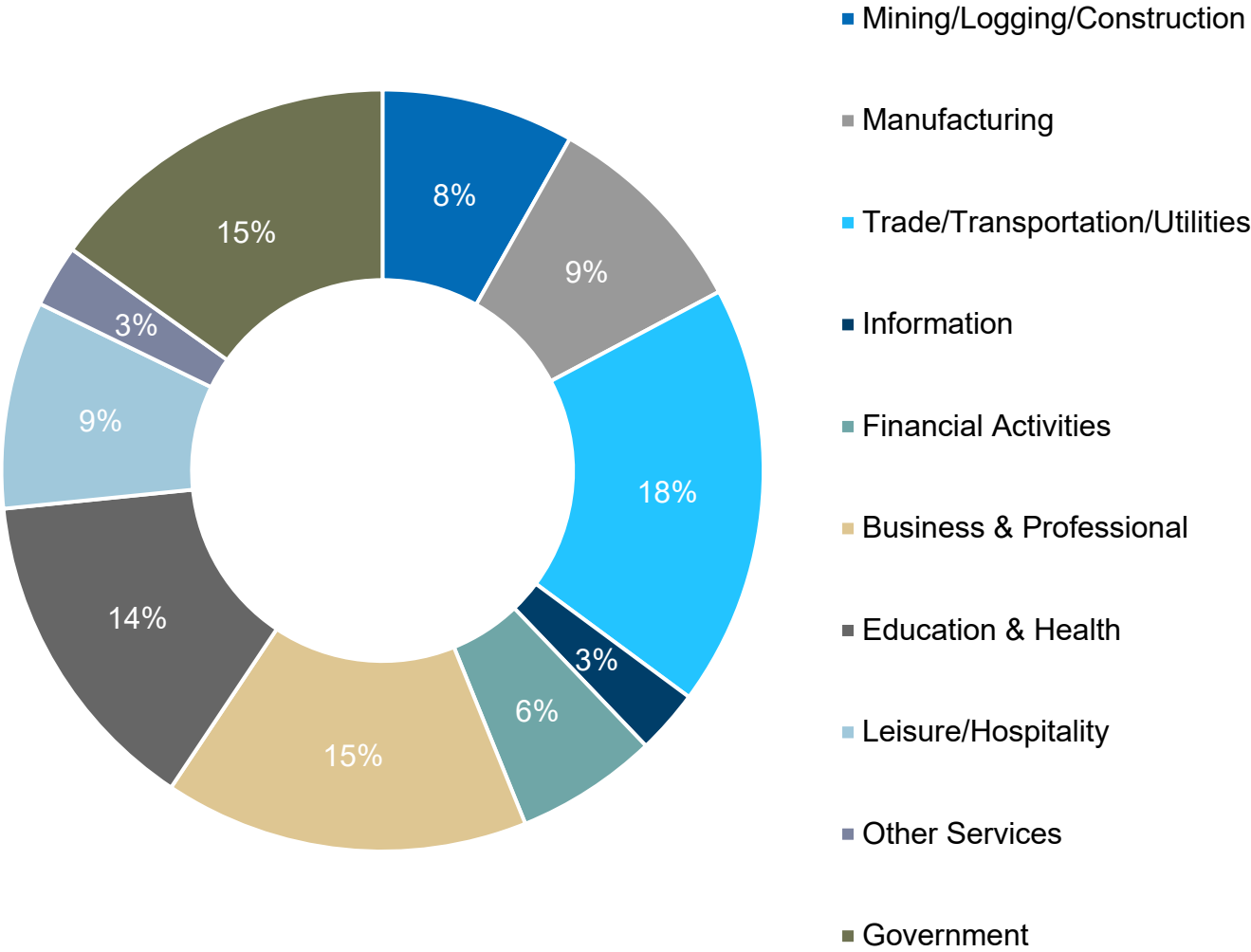


Source: U.S. Bureau of Labor Statistics
*Wasatch Front Combined MSAs include: Salt Lake City MSA, Provo-Orem MSA and Ogden-Clearfield MSA

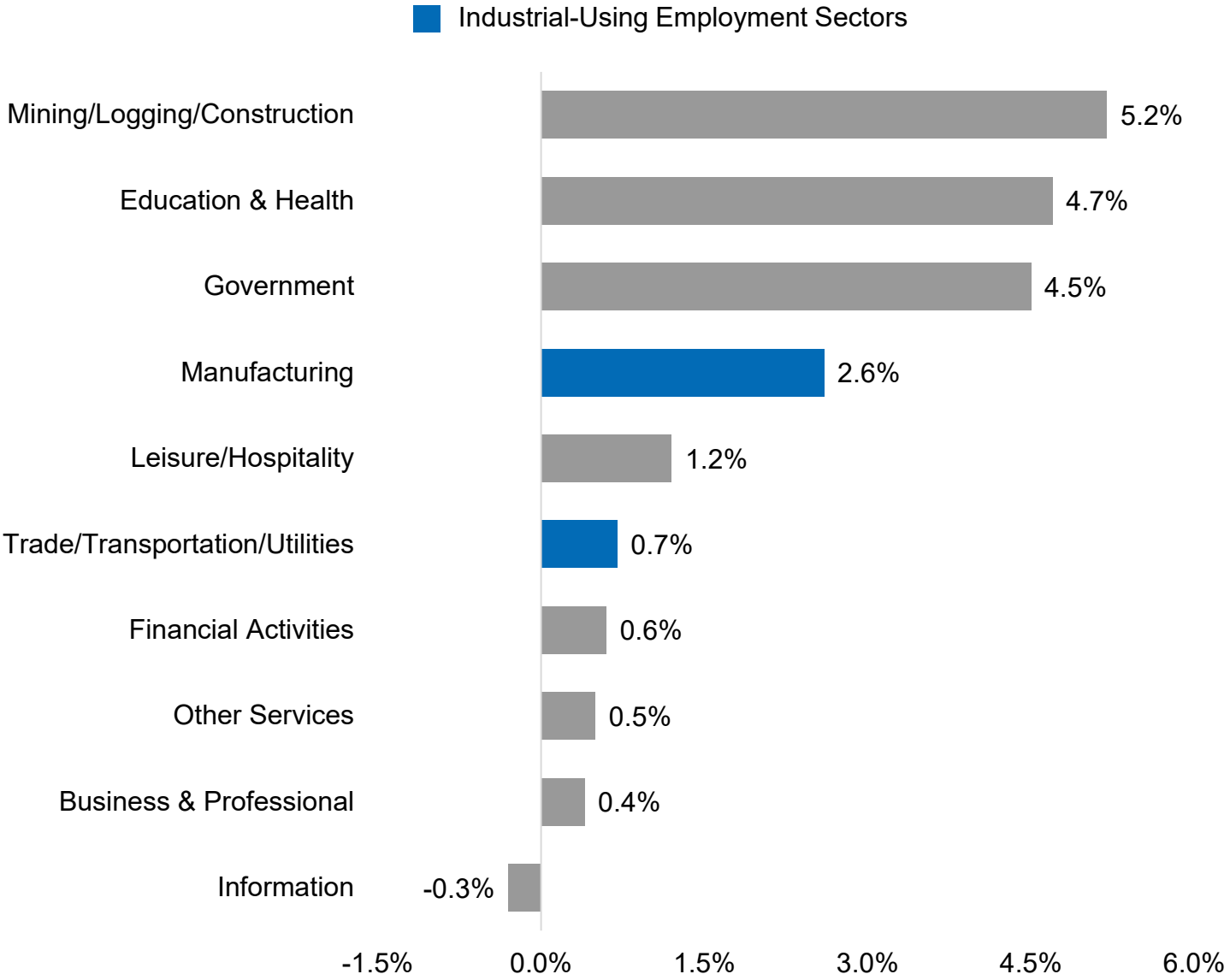
Job Growth Positive for Almost All Sectors Along Wasatch Front

Year-over-year gains in the mining/logging/construction (+5.2%), education and health (+4.7%) and government (+4.5%) industries buoyed up job growth for the Greater Salt Lake region. Information (-0.3%) was the only industry that contracted over the last 12 months.

Wasatch Front Employment by Industry, May 2024



Wasatch Front Employment Growth by Industry, 12-Month % Change, May 2024

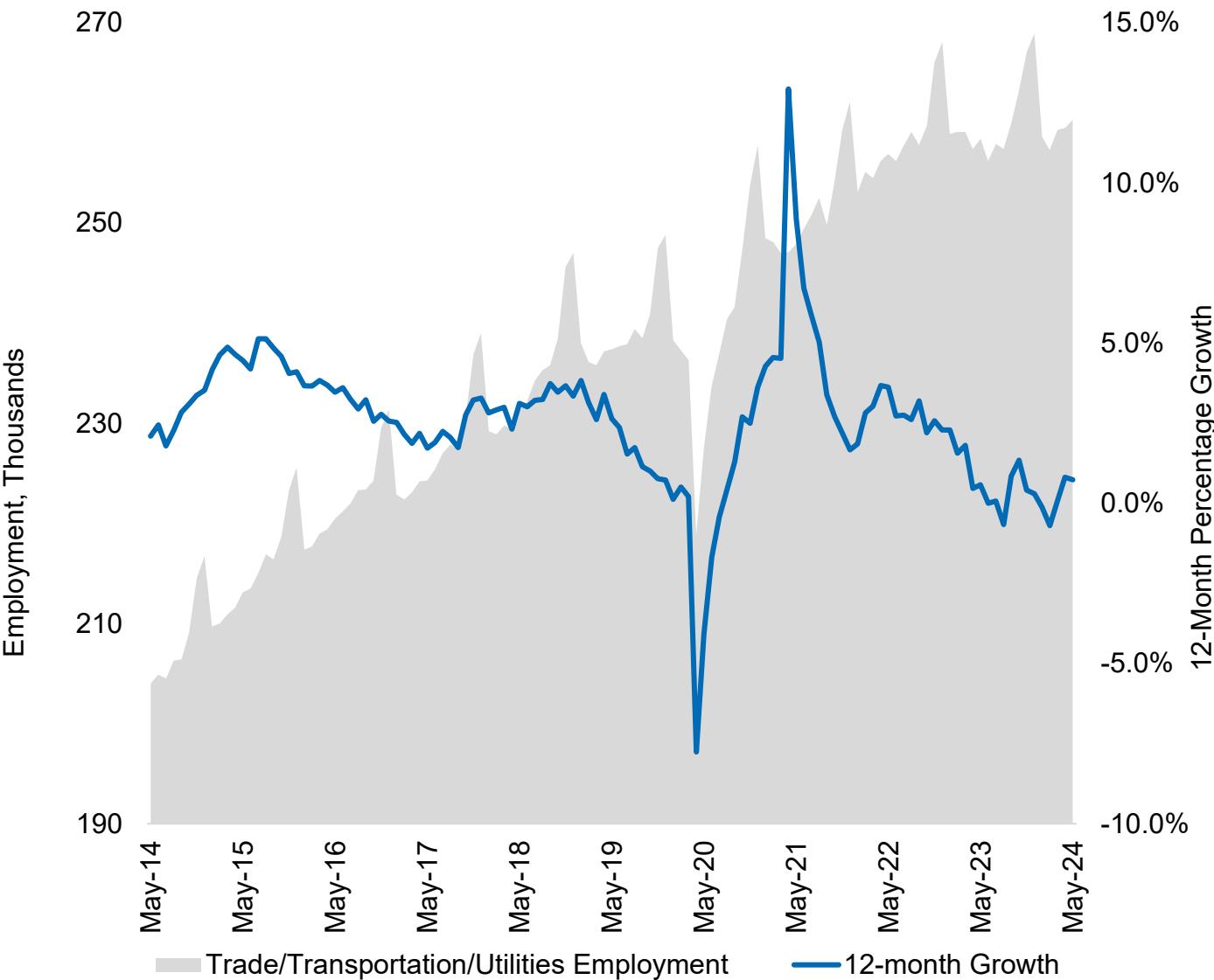


Source: U.S. Bureau of Labor Statistics
*Wasatch Front Combined MSAs include: Salt Lake City MSA, Provo-Orem MSA and Ogden-Clearfield MSA

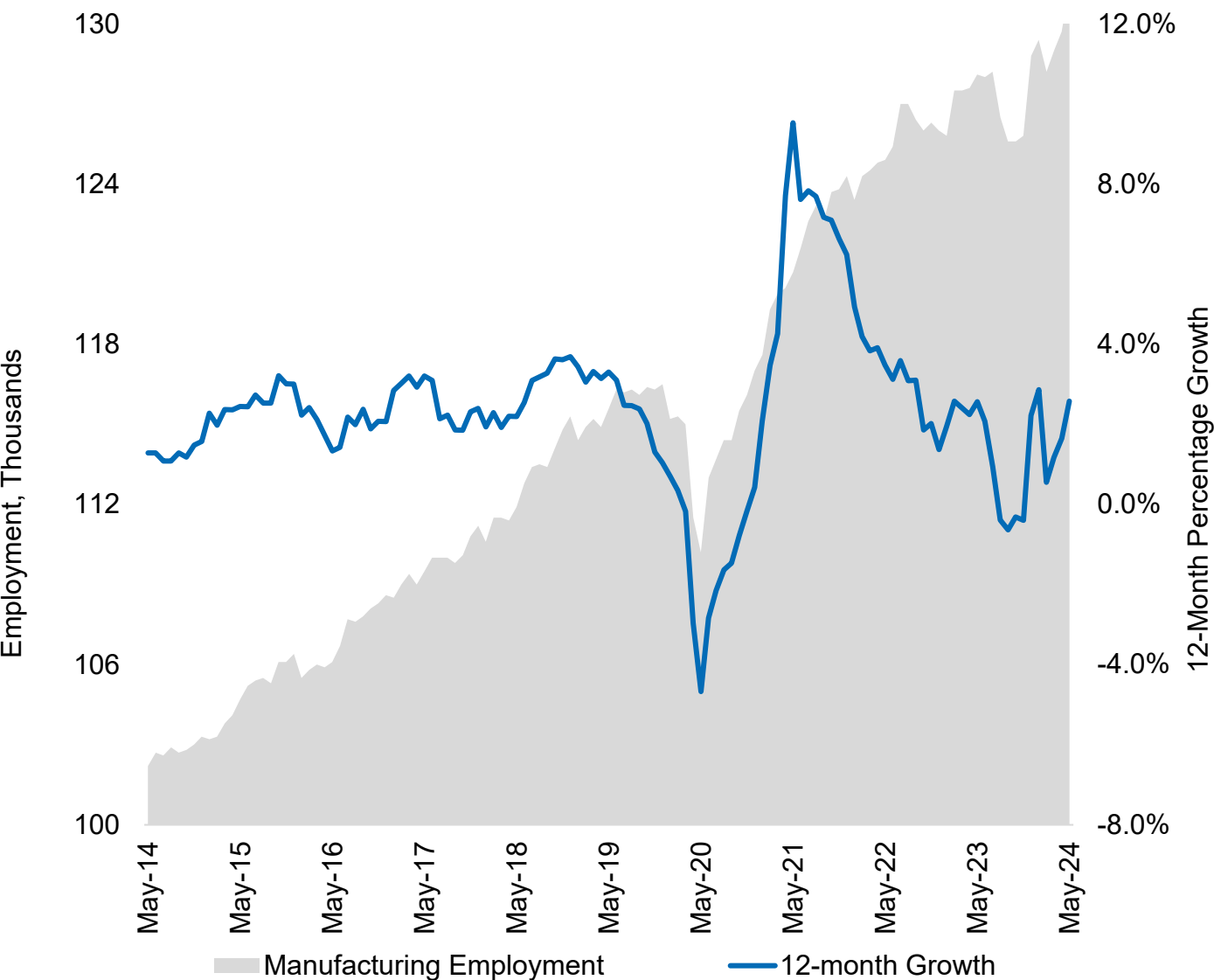
Industrial Employment Growth Stabilizing Among Market Right-Sizing

After a robust three years of job growth, the trade/transportation/utilities employment sector is right-sizing amid more subdued demand for consumer goods. Manufacturing employment contracted for the last four months of 2023 but made expected gains in 2024, based on recent announcements from Nature’s Bakery, Tract, and Ya Ya Foods.

Wasatch Front Trade/Transportation/Utilities Employment and 12-Month Growth Rate



Wasatch Front Manufacturing Employment and 12-Month Growth Rate



Source: U.S. Bureau of Labor Statistics
*Wasatch Front Combined MSAs include: Salt Lake City MSA, Provo-Orem MSA and Ogden-Clearfield MSA

Utah County Employment Struggles Compared to Rest of Wasatch Front



Please reach out to your
Newmark business contact for this information

2Q24

Salt Lake City Market Fundamentals



Salt Lake City Submarket Map and High-Level Statistics | 2Q24

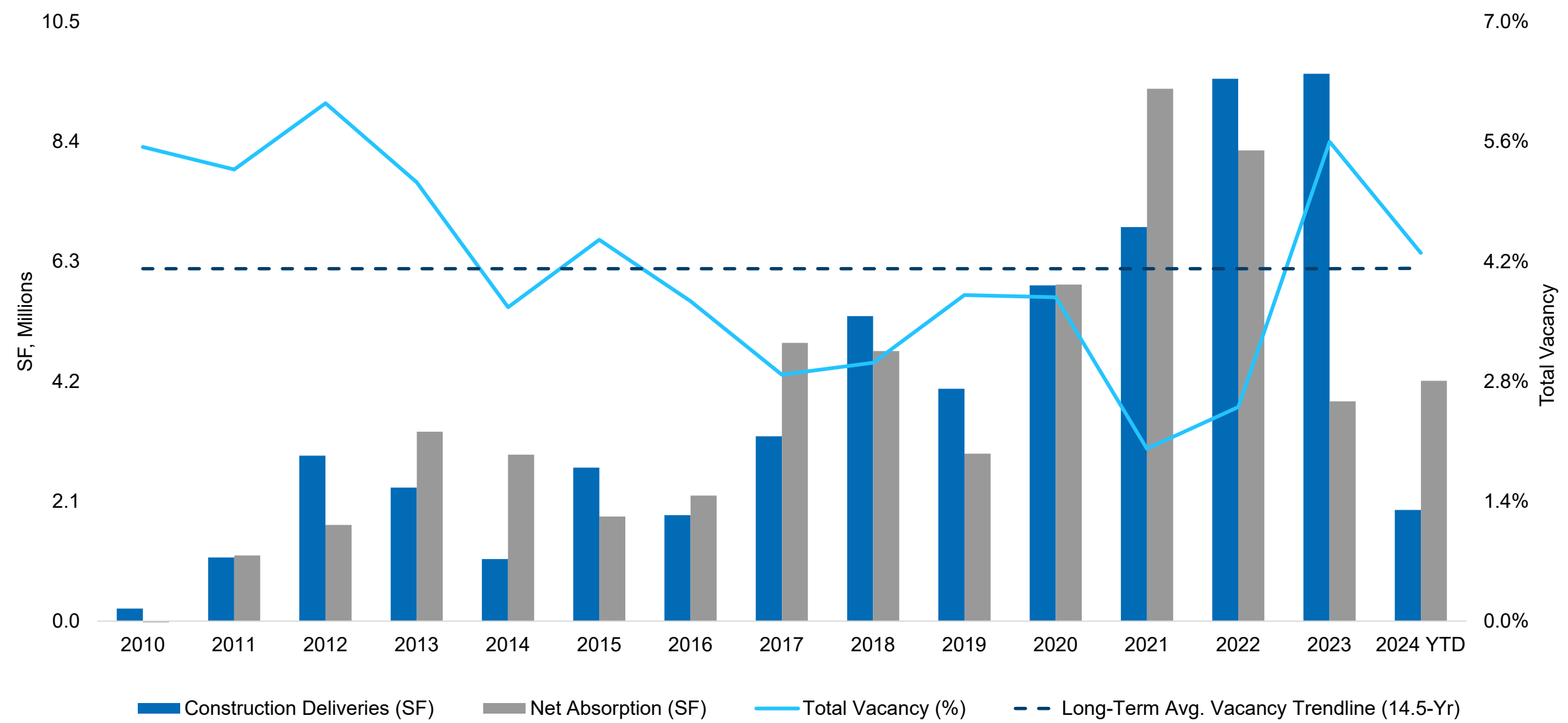


Please reach out to your
Newmark business contact for this information

Vacancy Decreases as Recently Delivered Buildings Fill

Current vacancy (4.3%) is down 130 basis points from year-end 2023 and is slightly higher than the 14.5-year average of 4.1%. Record levels of construction deliveries in 2022 and 2023 brought an influx of space on the market that temporarily increased vacancy as demand trailed this new supply. A large portion of the space absorbed in the first half of 2024 occurred in buildings that delivered over the last two years.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Direct Vacancy Down as New Bulk and Medium Distribution Product Leases Up

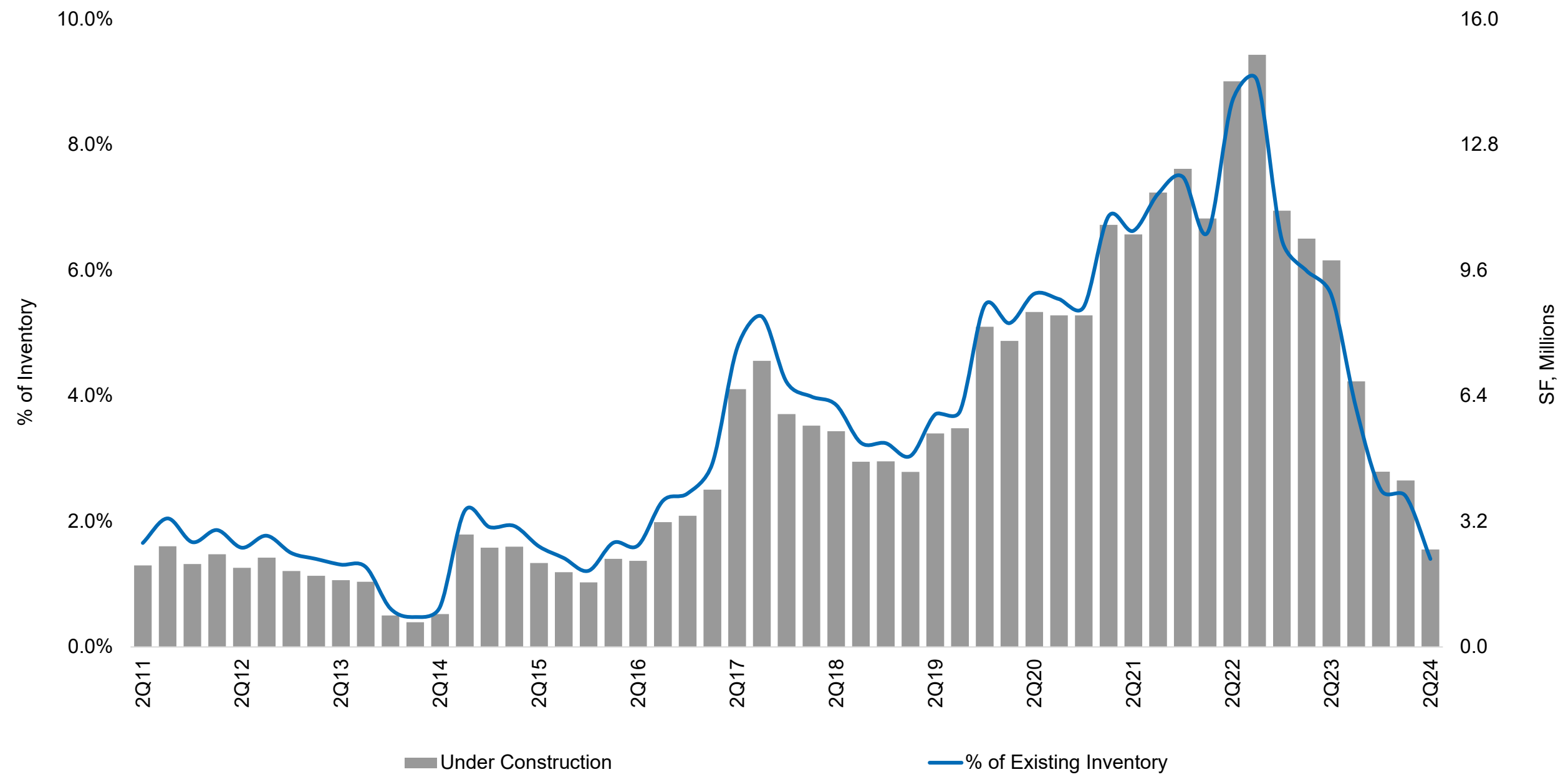


Please reach out to your
Newmark business contact for this information

Industrial Supply Pipeline Eases as Construction Starts to Dwindle

Under-construction activity reached a record high of 15.1 MSF in 2022 and has been trending down since. Lowered demand and difficulty in sourcing construction debt are acting as deterrents to new construction starts with some developers choosing to exit land positions. This will provide opportunities for owner-users and strategic developers to acquire sought-after industrial land, with the possibility of potential supply constraints coming in late 2024 and 2025.

Industrial Under Construction and % of Existing Inventory



Source: Newmark Research

New Construction Product Commands Higher Rates Upwards of 10%

Please reach out to your
Newmark business contact for this information

Light Manufacturers Adapt to Utilize Distribution Buildings in SLC

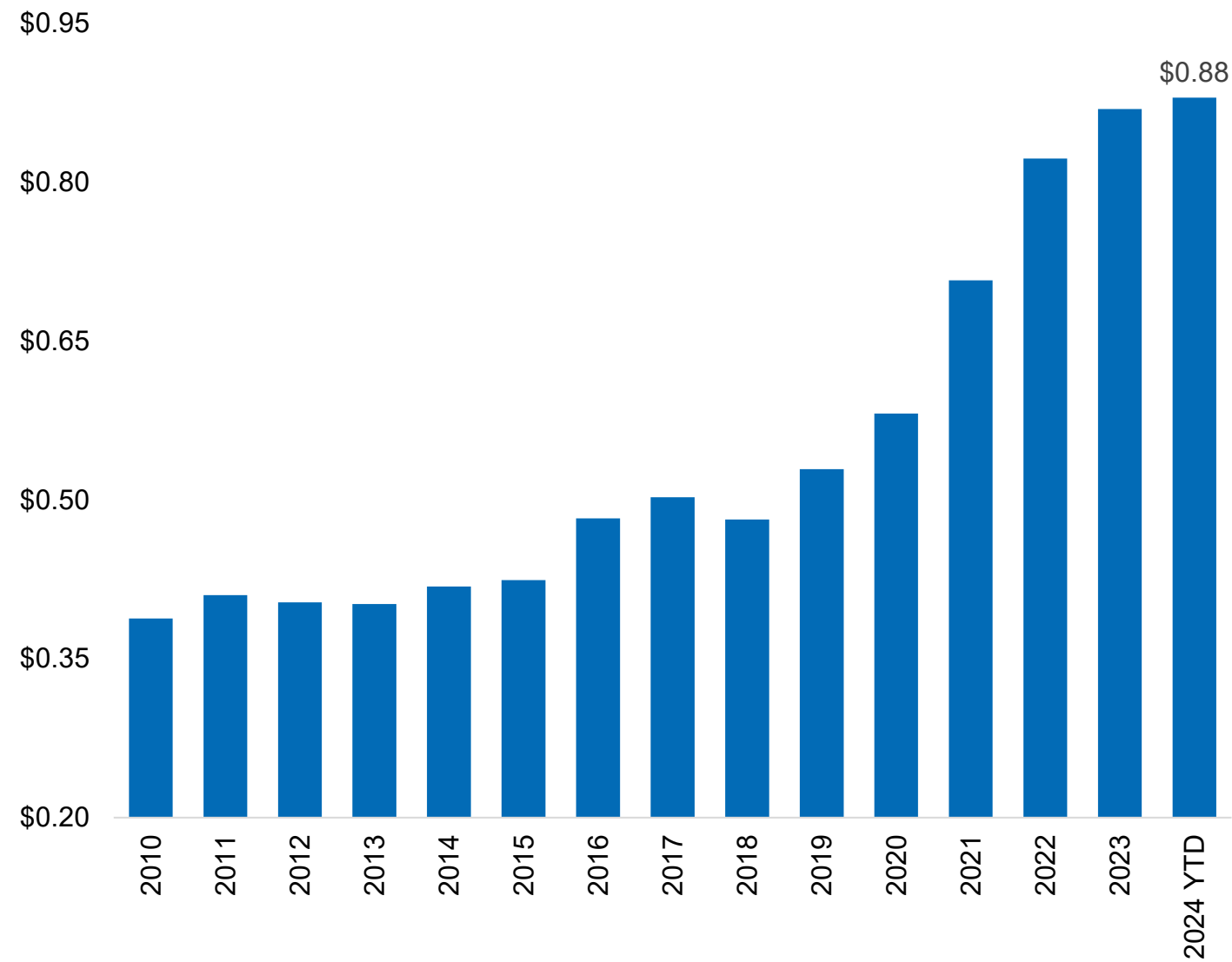


Please reach out to your
Newmark business contact for this information

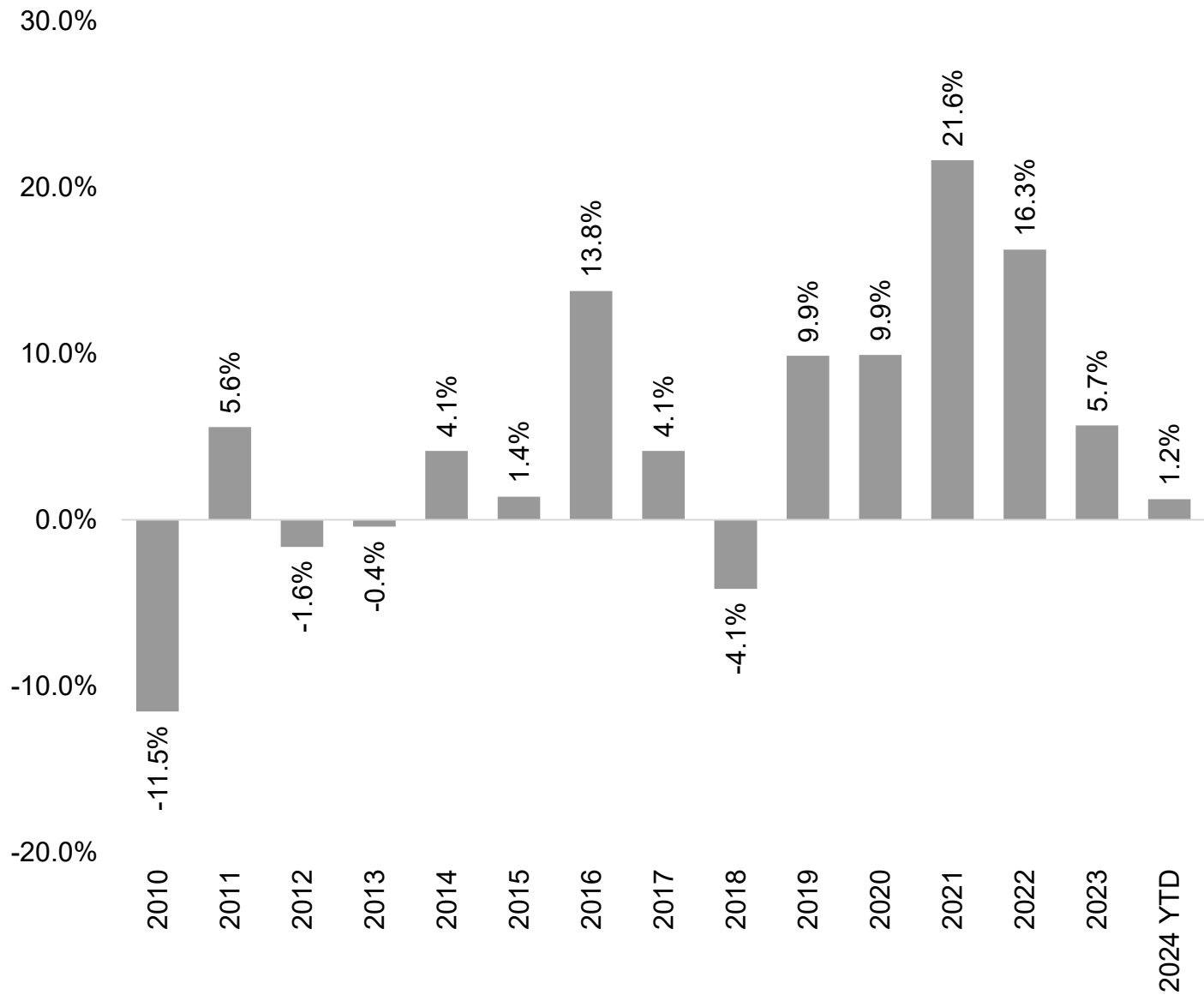
Industrial Asking Rent Growth Levels Out

Average asking rents increased by 5.7% from 2022 to 2023 after two consecutive years of growth above 15%. Moving into 2024, rates increased an additional 1.2% by the end of second quarter and have remained even quarter-over-quarter. This trend of measured growth is likely to continue for the next few quarters, based on a large construction pipeline and some right-sizing occupiers offering lower-priced sublease space. Potential supply constraints in 2024 and 2025 will apply upward pressure to rents.

Industrial Average Asking Rent, \$/SF/Month, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research

Overall Achieved Rent Growth Moves Upwards into 2024



Please reach out to your
Newmark business contact for this information

Notable 2Q24 Lease Transactions

Logistics companies dominated leasing throughout the region in both the Northwest Quadrant (Airport, California Avenue and West Valley submarkets) and in West Jordan.

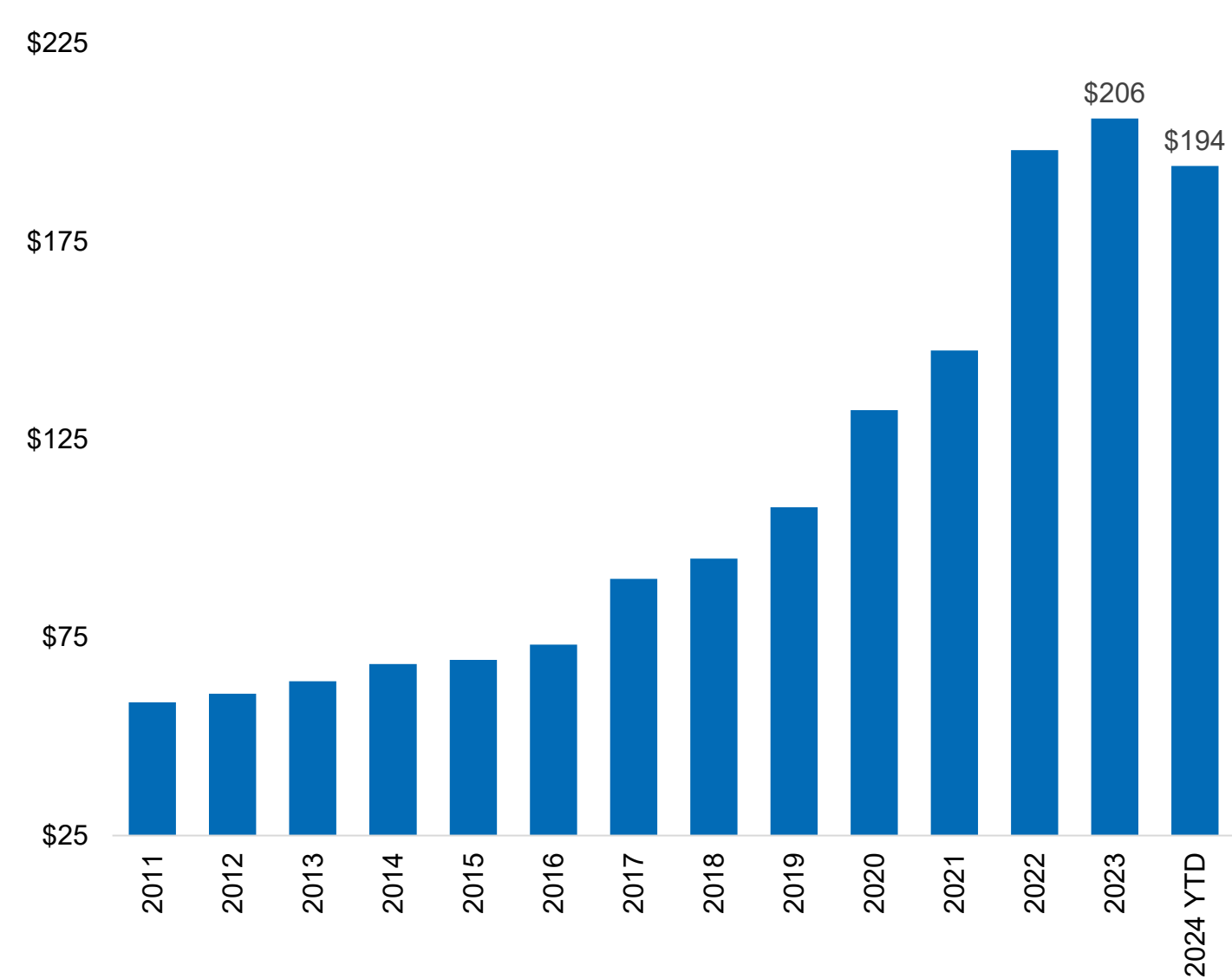
Select Lease Transactions				
Tenant	Building	Submarket	Lease Type	Square Feet
Kane Warehousing	111 Commerce Center – Building 1	West Jordan	Direct New	1,022,624
Delivered in 2023, Building 1 in West Jordan’s 111 Commerce Center was leased in it’s entirety by Kane Warehousing.				
McLane Global Logistics	5350 W Harold Gatty Dr	Airport	Sublease	228,800
Red Stag Fulfillment subleased 228,800 SF to another logistics company, McLane Global Logistics.				
Logisteed America, Inc	SLC Global Logistics Center 6	Airport	Direct New	173,613
The SLC Global Logistics Center welcomed Logisteed America to the new development during the second quarter of 2024.				
Interwest Transportation, Inc	Westport Distribution Center 2	California Avenue	Renewal	142,956
Interwest Transportation recommitted for another term at Westport Distribution Center 2.				
ProPak Logistics	Landmark 1	California Avenue	Renewal	114,919
Landmark 1 kept ProPak Logistics as a tenant in a renewal transaction.				

Source: Newmark Research

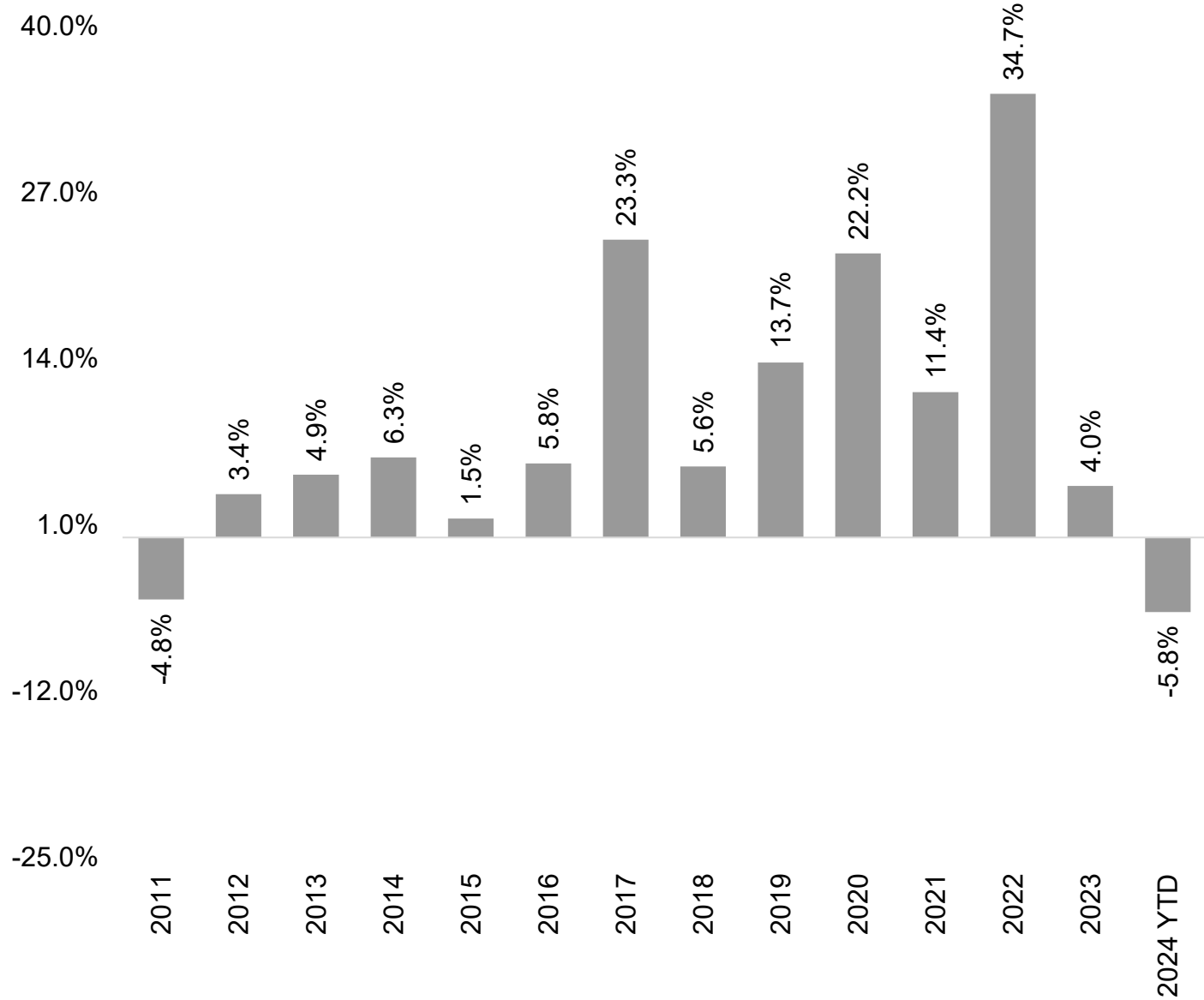
Achieved Owner-User Sale Price/SF Lowers Marginally as Older Product Trades

The owner-user sale price per square foot decreased by 5.8% from the end of 2023 into the first half of 2024 as older buildings traded hands. Users are generally holding onto newer product. Buildings with fenced and paved yards, or the capability of creating yard space, still command a premium. Difficulty in gaining funding are locking out some potential buyers that would prefer to own over renting. Upcoming loan maturities may increase sales as more distressed sales enter the market.

Industrial Achieved Average Owner-User Sale Price PSF



Year-over-Year Owner-User Sale Price PSF % Change



Source: Newmark Research

Notable 2024 YTD Sale Transactions

Sale transactions continue to be sparse given the difficulty in sourcing debt, as well as the increased cost. The northwest region of the county continues to attract investors, particularly in well-performing single-tenant/sale-leaseback transactions.

Select Sale Transactions				
Buyer	Building	Submarket	Sale Type	Square Feet
Nature’s Bakery	Airport Industrial Building 1	Airport	Owner-User	339,394
Food manufacturer, Nature’s Bakery, purchased Airport Industrial Building 1 from Perry Commercial to occupy.				
Nuveen	Mountain View Industrial Park Building C	California Avenue	Investment	262,708
Chicago-based investment manager, Nuveen, purchased Building C in Mountain View Industrial Park.				
LBA Realty	Mountain View Industrial Park Building B	California Avenue	Investment	179,400
Fully occupied by life science company, BioFire Diagnostics, LBA Realty purchased Building B in Mountain View Industrial Park from Gardner Batt.				
Standard Plumbing	1987 S. 3700 W.	California Avenue	Owner-User	177,258
Melcon Investments sold 1987 S. 3700 W. to Standard Plumbing in an owner-user sale.				



Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information

2Q24

Additional Markets – Davis and Weber Counties



Davis and Weber Counties Submarket Map and High-Level Statistics | 2Q24

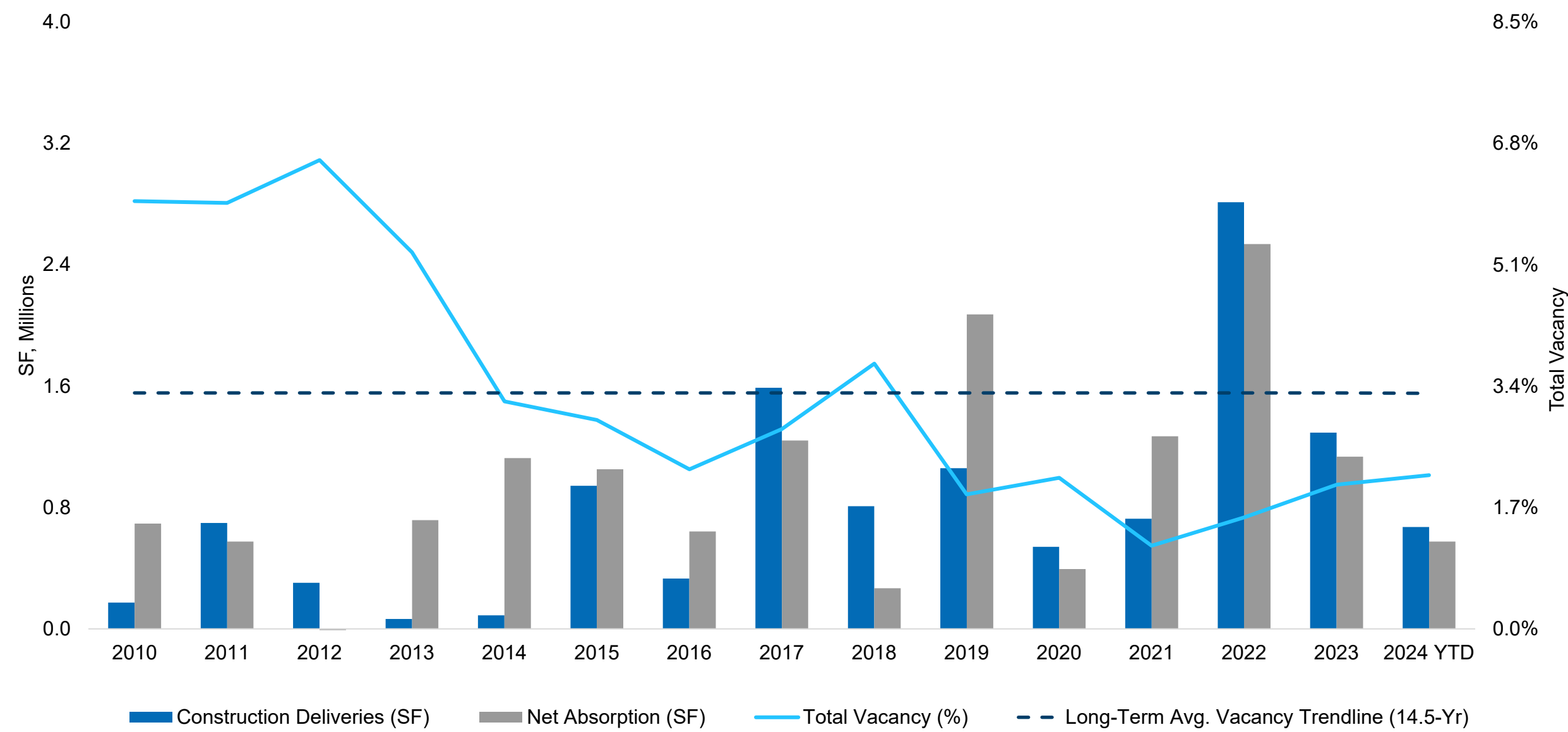


Please reach out to your
Newmark business contact for this information

Vacancy Holds Steady As the Lowest Among the Wasatch Front

Vacancy (2.2%) marginally rose by 20 basis points in the second quarter of 2024 from year-end 2023 and sits 110 basis points below the 14.5-year average of 3.3%. Net absorption in the first half of 2024 trailed construction deliveries by 14.4%. Vacancy will see minor fluctuations in the coming quarters as construction deliveries slow and occupiers continue to right-size operations to adapt to shifts in consumer spending.

Historical Construction Deliveries, Net Absorption, and Vacancy

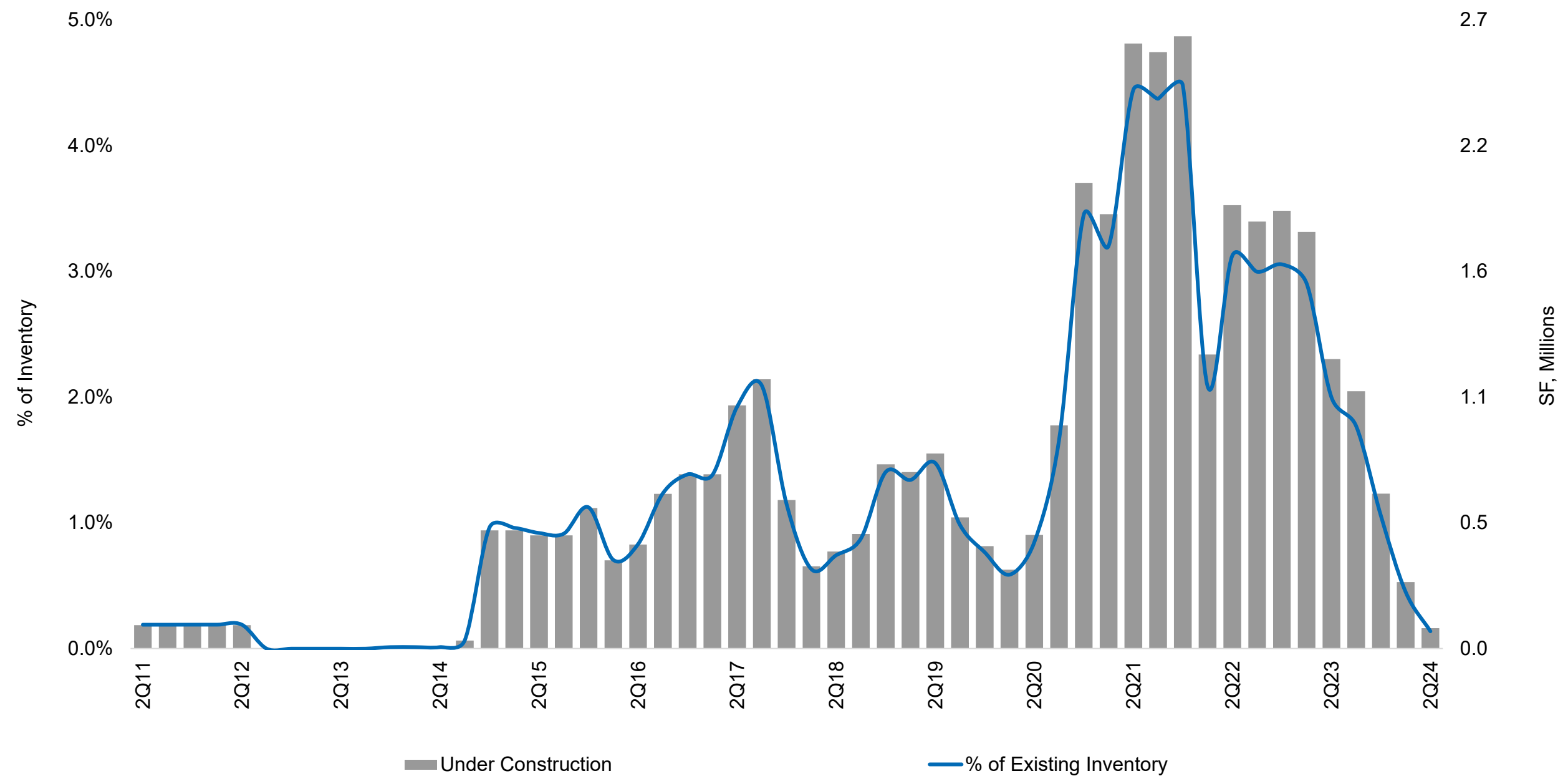


Source: Newmark Research

Industrial Supply Pipeline Diminishes Amid Right-Sizing and Higher Interest Rates

The construction pipeline has been steadily falling since the fourth quarter of 2021 (when 2.6 MSF was underway) and inched closer to zero this quarter. Today's total marks a new low the region has not seen since 2012 and will likely stay at dampened levels due to funding difficulties. There could be potential supply constraints once occupier right-sizing stabilizes.

Industrial Under Construction and % of Existing Inventory



Source: Newmark Research

Achieved Rental Growth Contracts as Older Space Fills

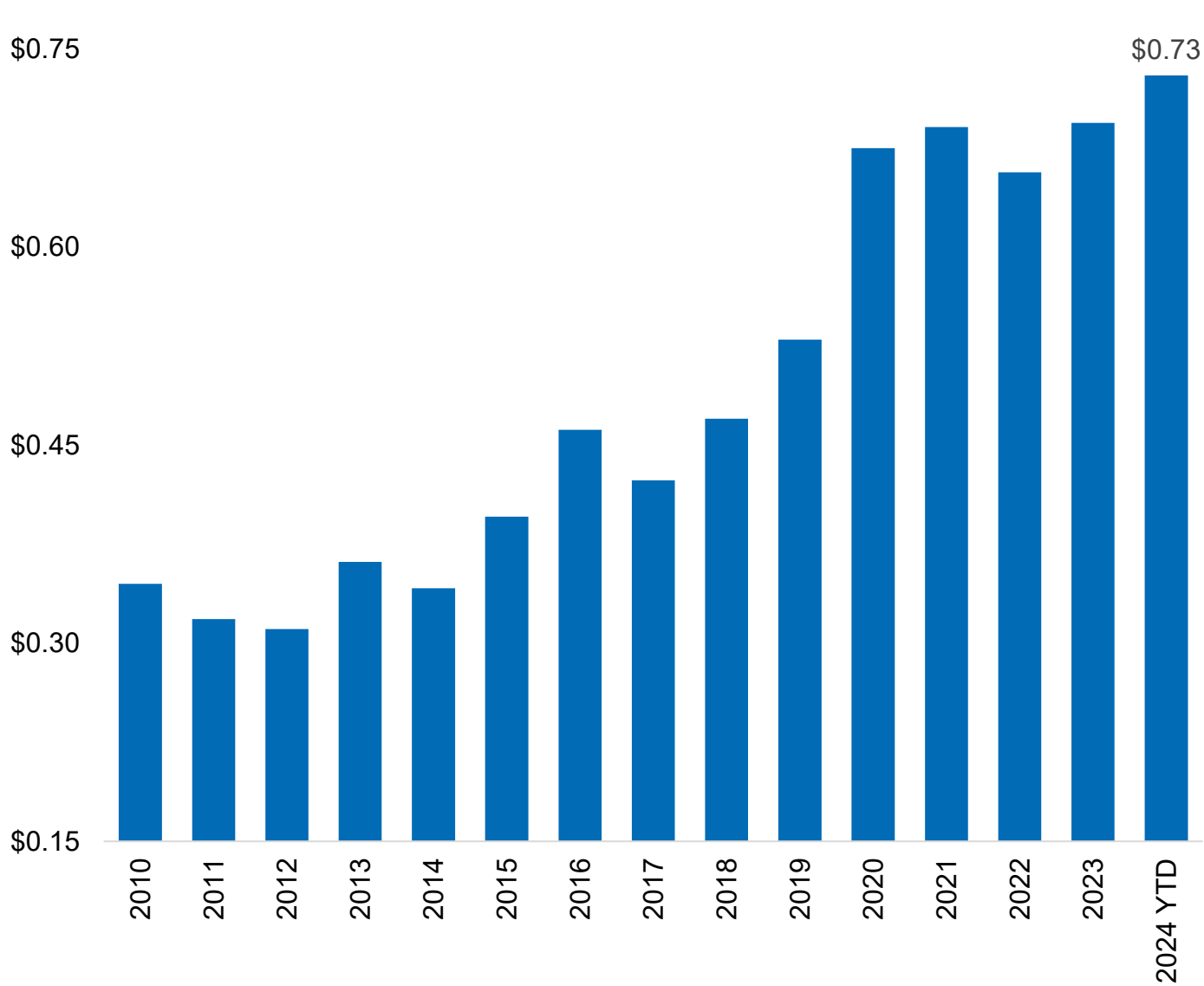


Please reach out to your
Newmark business contact for this information

Northern Wasatch Front Industrial Asking Rent Growth Moderates

After contracting in 2022, average asking rents have since recovered and now sit at \$0.73/SF. While asking rent growth is expected to level out over the next few quarters, potential supply constraints later this year and into 2025 will apply upward pressure to rents in an already low vacancy region.

Industrial Average Asking Rent, \$/SF/Month, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research

Notable Davis and Weber Counties Transactions

Buoyed by BDO Ogden and Hill Air Force Base, Davis and Weber Counties welcomed a diverse range of tenants to the region over the last 12 months.

Select Transactions – Last 12 Months				
Buyer/Tenant	Building	Submarket	Transaction Type	Square Feet
Barnes Aerospace	1025 S. Depot Dr.	BDO	Lease Renewal	172,500
The Business Depot Ogden kept Barnes Aerospace for another term.				
Confidential	East Gate Bldg – 2	North Davis	Direct New Lease	131,548
A confidential user leased 131,548 SF at East Gate in the North Davis submarket.				
Confidential	BDO 934	BDO	Direct New Lease	125,735
A confidential tenant signed for a portion of the newly delivered building.				
Paul Davis Restoration	The Steelworks 1	South Davis	Direct New Lease	113,437
Currently under construction, Paul Davis Restoration leased the entire first building in Centerville’s The Steelworks.				
NutraSelf	3804 S. Airport Rd.	West Weber	Direct New Lease	62,624
Supplement company, NutraSelf, leased 62,624 SF at 3804 S. Airport Rd. in Ogden.				

2Q24

Additional Markets – Utah County



Utah County Submarket Map and High-Level Statistics | 2Q24

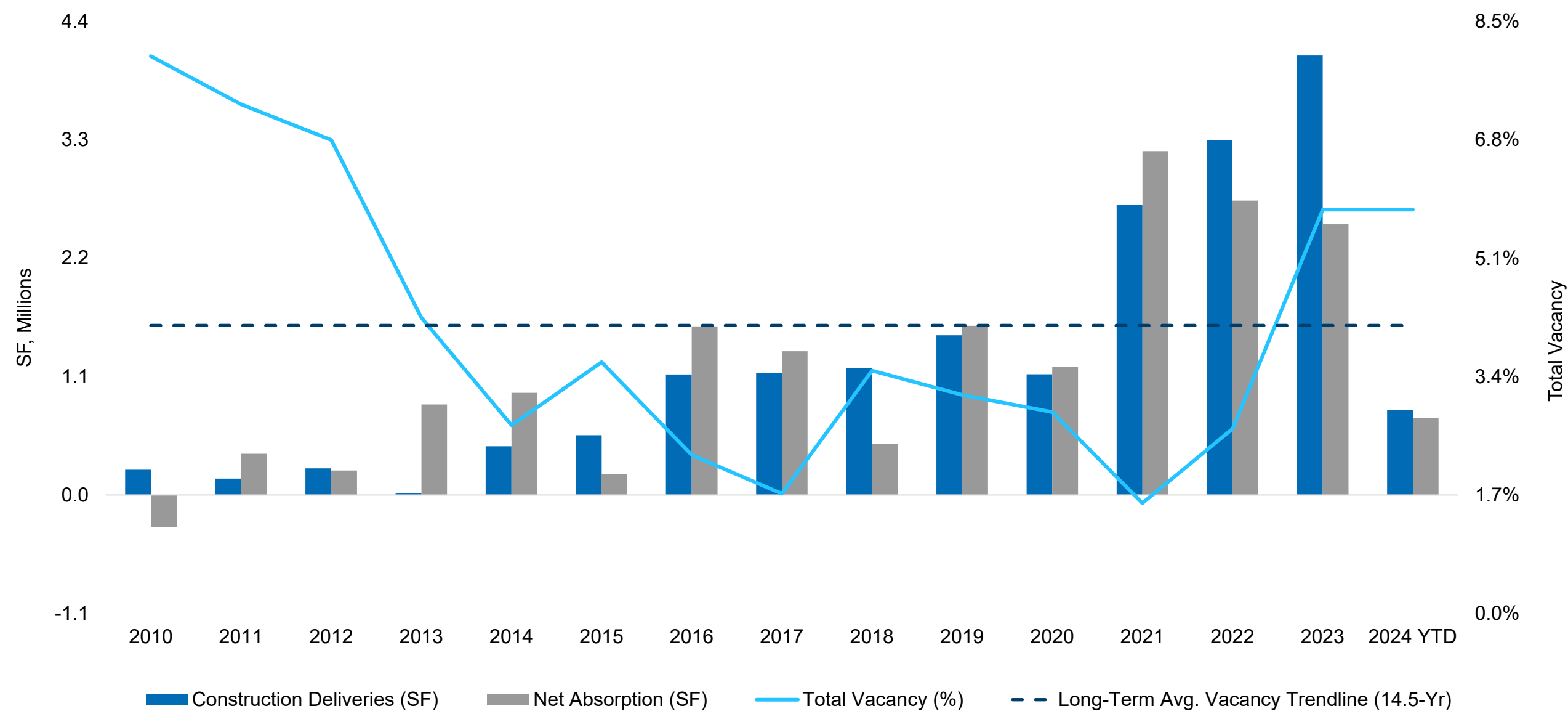


Please reach out to your
Newmark business contact for this information

Vacancy Holds Steady with Deliveries and Absorption Even at 2Q24

Current vacancy (5.8%) is flat relative to year-end 2023’s average after net absorption in the first half of 2024 nearly achieved parity with construction deliveries. Although vacancy still sits above the 14.5-year historical average of 4.1%, the slowdown of construction starts, coupled with pre-leased buildings expected to come online, will temper vacancy swings in 2024.

Historical Construction Deliveries, Net Absorption, and Vacancy

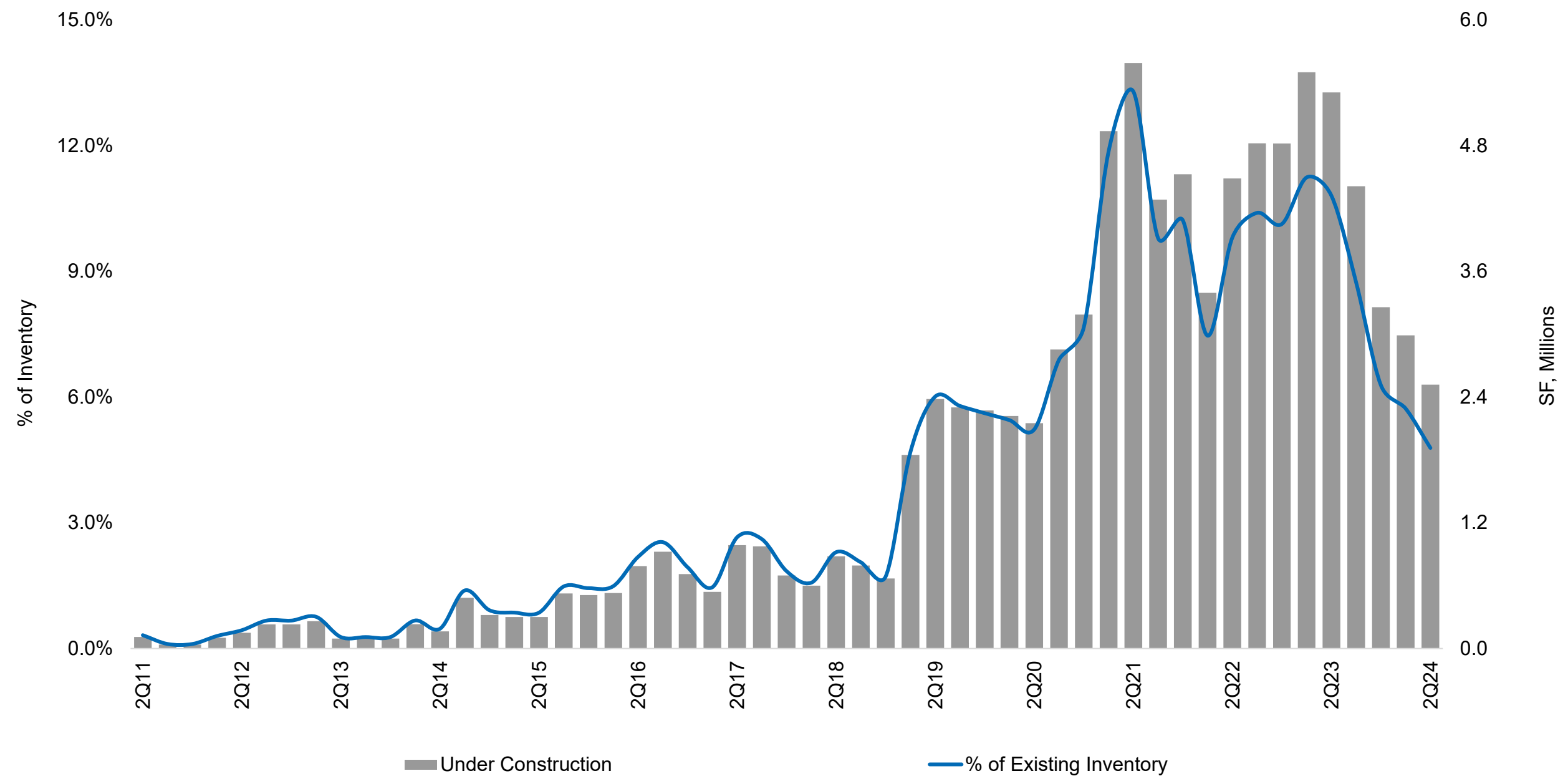


Source: Newmark Research

Utah County Industrial Supply Pipeline Already Over 80% Pre-Committed by Users

Of the 2.5 MSF under construction, the fourth building at the Facebook Data Campus accounts for 2.0 MSF (or, 79.4% of the total pipeline). New construction starts have slowed, especially for speculative product, and today's pipeline will likely not contribute to rises in vacancy since 86.2% of underway product has pre-commitments in place.

Industrial Under Construction and % of Existing Inventory

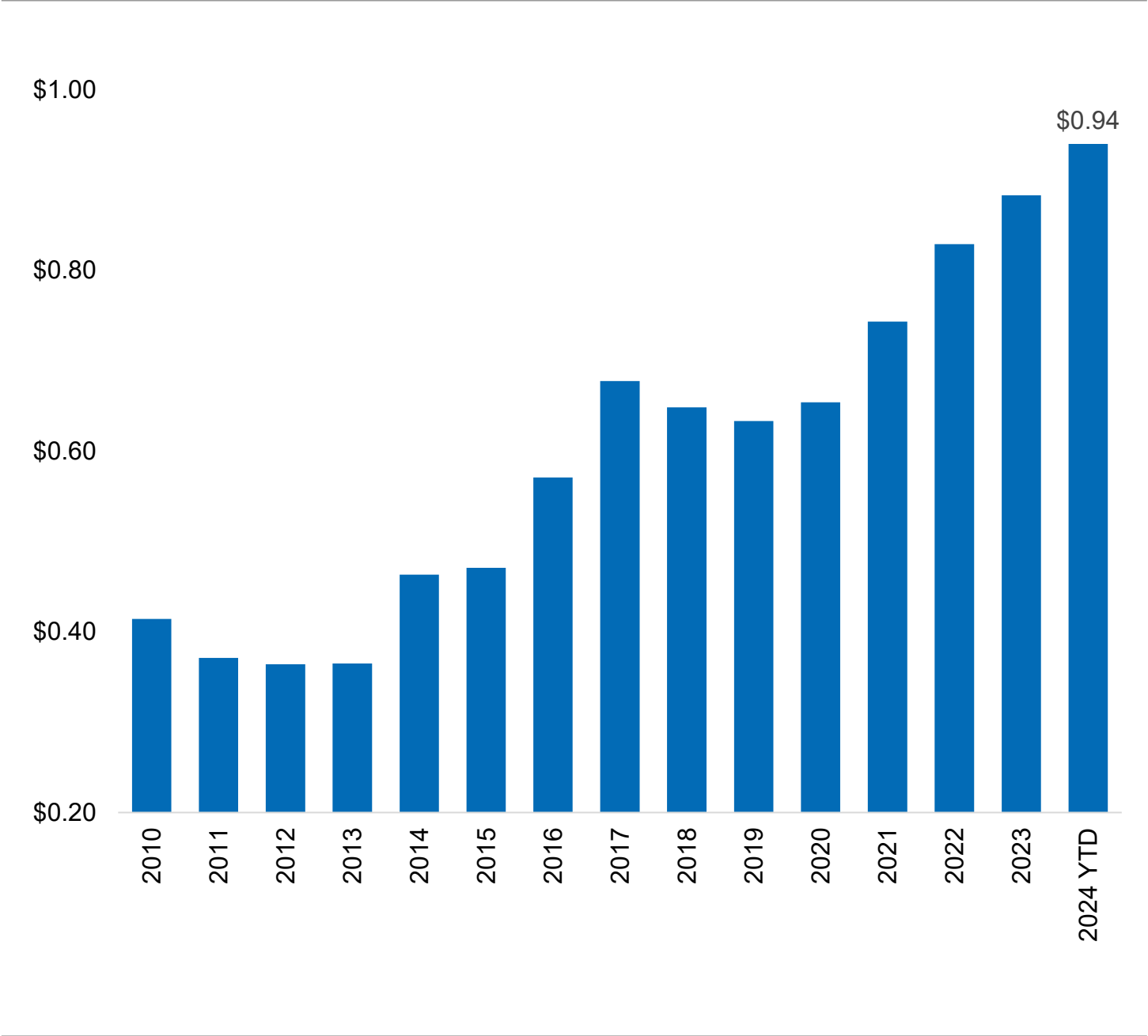


Source: Newmark Research

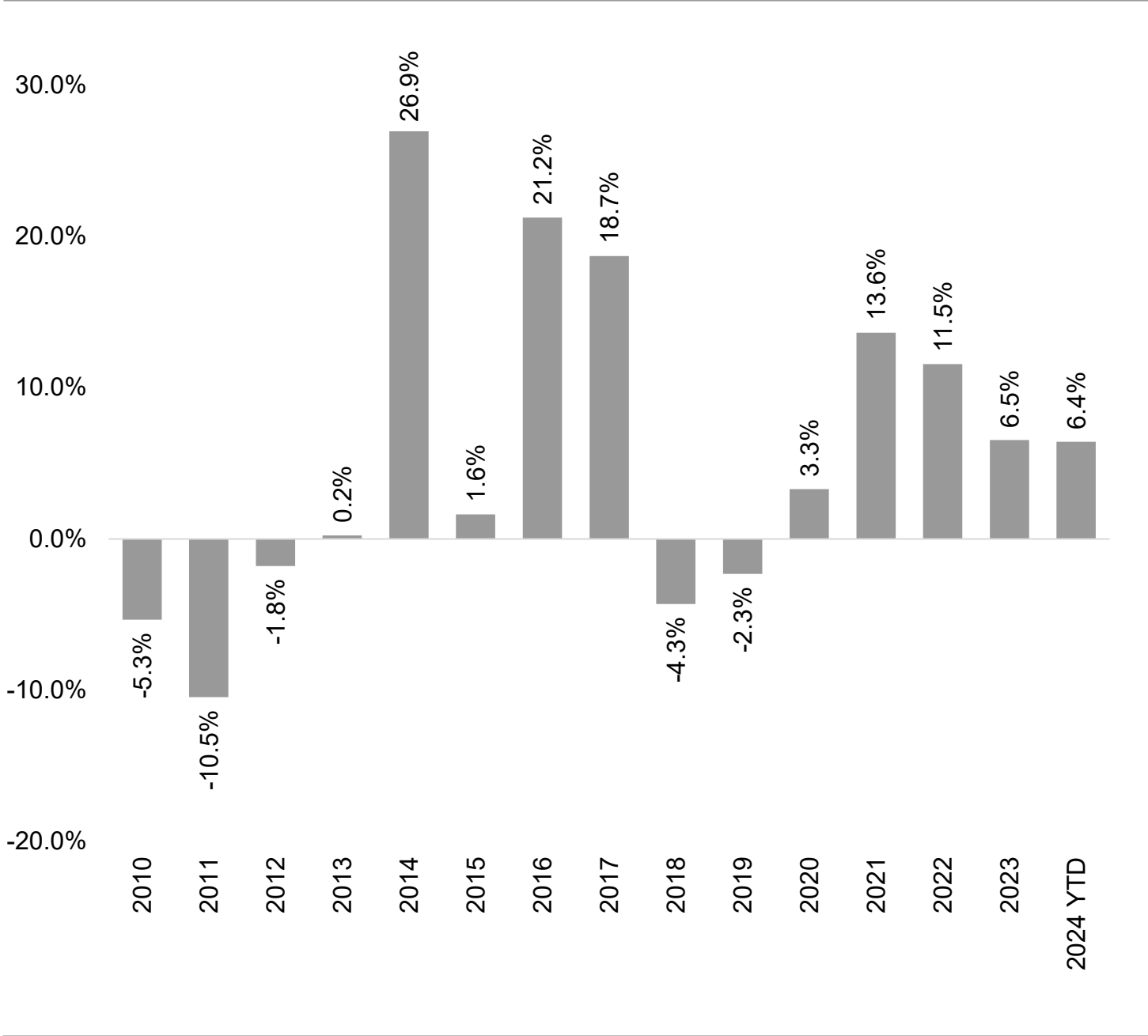
Industrial Asking Rent Growth Still Elevated but Stabilizing

Utah County asking rents experienced the highest growth in the first half of 2024, up 6.4% from year-end 2023. Under-construction speculative space is becoming even more limited, and most has pre-leased, leaving little room for rental pressure from new projects.

Industrial Average Asking Rent, \$/SF/Month, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research

Strong Achieved Rents Continues for Utah County Industrial

A low-angle, upward-looking shot of a modern building's steel framework. The image shows a complex network of dark steel beams and girders forming a grid-like structure. The perspective is from below, looking up towards the sky, which is a clear, pale blue. The steel beams create a series of diagonal and horizontal lines that converge towards the top of the frame, giving a sense of height and industrial scale. The lighting is bright, suggesting a sunny day.

Please reach out to your
Newmark business contact for this information

Notable Utah County Transactions

Utah County had strong sales activity over the last 12 months, spread across the entire region.

Select Transactions – Last 12 Months

Buyer/Tenant	Building	Submarket	Transaction Type	Square Feet
Exeter	Spanish Springs	Utah County South	Investment Sale	451,497
Exeter purchased the Spanish Springs two-building portfolio for a total of 451,497 SF.				
Confidential	Young Living Distribution Center	Utah County South	Investment Sale	280,800
The Young Living Distribution Center was purchased by a confidential buyer in the third quarter of 2023.				
IntegraCRE	1206 S. 1680 W.	Orem	Investment Sale	267,759
Wasatch Group sold the 267,759 SF manufacturing building to IntegraCRE.				
Boyer Company	151 E. 3450 N.	Utah County South	Investment Sale	212,685
The Spanish Fork bulk distribution building sold in the first quarter of 2024.				
Confidential	Catalyst Business Park	Utah County North	Direct New Lease	168,291
A confidential tenant signed as the sole tenant in the recently delivered building in Catalyst Business Park.				

Source: Newmark Research

2Q24

Utah Capital Markets Overview



Price-Weighted Average Cap Rates Up Across All Product Types



Please reach out to your
Newmark business contact for this information

Private and Institutional Buyers Are Active for Industrial Product



Please reach out to your
Newmark business contact for this information

Utah Capital Markets Transactions

Overall sales activity was slow over the last year, with fewer sale-offerings and closings compared to prior years. The Fed’s future interest rate cuts will likely favor future property sales volume. That, as well as more distressed or bank-owned assets entering the market.

Select Transactions – Last 12 Months				
Building(s)	City	Type	Closing Quarter	Square Feet
I-215 Logistics Center Buildings C & D	Salt Lake City	Industrial	Q4 2023	478,239
Hamilton Partners sold buildings C & D in the I-215 Logistics Center in a portfolio sale totaling 478,239 SF.				
Spanish Springs	Spanish Fork	Industrial	Q2 2024	451,497
Exeter purchased the Spanish Springs two-building portfolio for a toral of 451,497 SF.				
Sandy Commerce Park	Sandy	Office	Q4 2023	120,958
Idaho-based investment company, Alturas Capital Partners, purchased Sandy Commerce Park from Nuveen.				
Lake Pointe Corporate Center 2	West Valley City	Office	Q4 2023	91,705
Partially vacant, Lake Pointe Corporate Center 2 was sold at the end of 2023 to 7F Properties.				
Highbury Centre	West Valley City	Retail	Q3 2023	119,366
X Development purchased Highbury Centre in West Valley City from the Gardner Company.				

Source: Newmark Research

2Q24

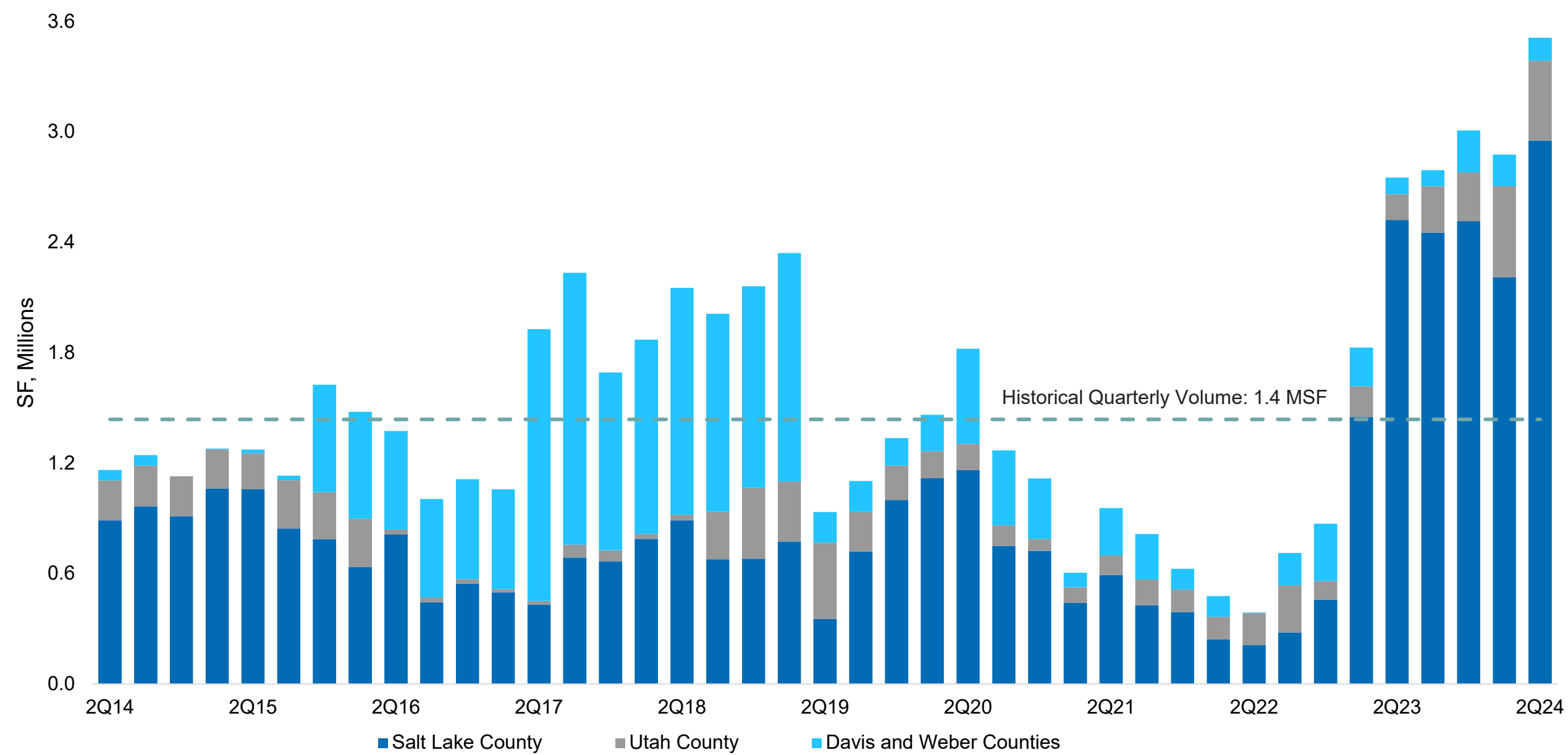
Appendix



Wasatch Front Industrial Sublease Availability Sees Another Increase in 2Q24

Available sublease space increased by 22.1% quarter-over-quarter and is now 2.5 times higher than the historical average of 1.4 MSF. Unsurprisingly, as the largest market within the region, Salt Lake County alone accounts for 85.7% of this total. How quickly sublease space is absorbed by users in 2024 will influence direct availability as expiration dates arrive.

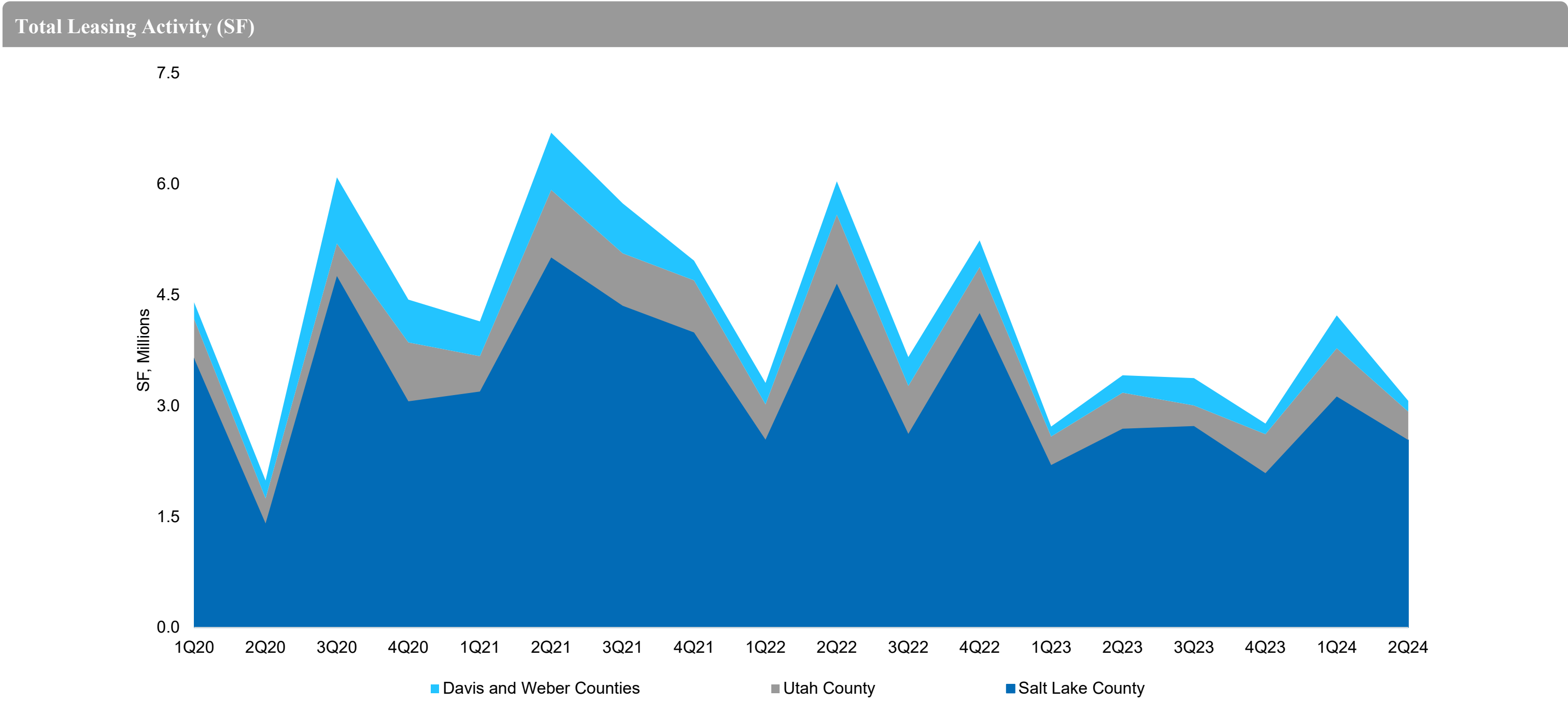
Available Industrial Sublease Volume (MSF)



Source: Newmark Research

2Q24 Leasing Dropped Quarter Over Quarter But Remains Above 2023 Average

Although tenant demand for industrial space was strong in 2023, it was lower than 2020-2022. Pre-leasing activity has slowed, with many tenants waiting to sign leases after buildings deliver. Although leasing activity dropped in the second quarter of 2024 relative to the first quarter, current activity remains above 2023’s quarterly averages.



Source: Newmark Research

Loaded Imports in the First Five Months of 2024 Were Stronger Than the Same Periods in 2018 and 2019



Please reach out to your
Newmark business contact for this information

West Coast Dockworkers Signed a New Contract in 2023; Their Eastern Counterparts are Next Up...



Please reach out to your
Newmark business contact for this information

The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates



Please reach out to your
Newmark business contact for this information

The World's Top 20 Containerized Cargo Seaports



Please reach out to your
Newmark business contact for this information

For more information:

Amelia Yates
Research Manager
Salt Lake City, Phoenix, Las Vegas
amelia.yates@nmrk.com

Veronika Perea
Research Coordinator
Salt Lake City
veronika.perea@nmrk.com

Dain Fedora
Head of Research
Southwest
dain.fedora@nmrk.com

Salt Lake City Office
376 E. 400 S., Suite 120
Salt Lake City, UT 84111
t 801-578-5555

Clearfield Office
1755 E. 1450 S., Suite 100
Clearfield, UT 84015
t 801-927-2000

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

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 nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

