

Davis and Weber Counties Industrial Market

Despite Construction Delays, Annual Construction Deliveries Reach Historic High with One Quarter Remaining

Aside from the lack of supply due to construction delivery delays and strong tenant demand, the market continues to demonstrate strong market fundamentals. Direct vacancy remains historically low at 1.5%, down 30 basis points from the previous quarter, and net absorption and construction deliveries are balanced, both near 2.1 million square feet year to date. As with the other markets along the Wasatch Front, tenants continue to prefer to wait until construction is complete or almost complete before executing leases. To underscore this point, 87.0% of the speculative development delivered year to date is committed, while the reverse is true for the under-construction square footage. Only 7.0% of the speculative under-construction square footage is precommitted. The market has already reached a new historical record for annual construction deliveries, 2.1 million square feet through the third guarter of 2022, with an additional 700,000 square feet expected to deliver in the fourth quarter of 2022.

Rents continue to see strong growth. The overall average achieved lease rate is up 11.5% from 2021 to \$0.73/SF, with rents up across every product type. Medium distribution and general purpose buildings are leading the way in terms of rent growth, at 64.7% and 55.5%, respectively.

Current Conditions

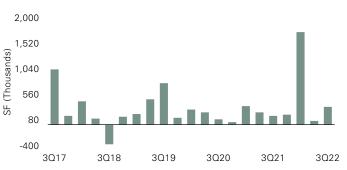
- Direct vacancy remained below 2.0% for the 13th straight quarter.
- Tenants are waiting to execute leases closer to building completion, with 87.0% of the speculative development delivered in 2022 already leased.
- Strong overall achieved average lease rate growth continued, up 11.5% in 2022 from 2021.

Market Summary							
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast			
Total Inventory (SF)	60.5 M	60.3 M	58.0 M	1			
Direct Vacancy Rate	1.5%	1.7%	1.3%	1			
Quarterly Net Absorption (SF)	0.3 M	0.1 M	0.2 M	1			
Average Asking Rent/SF	\$0.64	\$0.64	\$0.71	1			
Under Construction (SF)	1.5 M	1.5 M	2.5 M	→			
Deliveries (SF)	0.2 M	0.4 M	0.1 M	1			

Market Analysis



NET ABSORPTION





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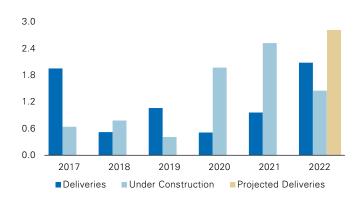
Buildings with paved and fenced yards are at a premium and commanding an average lease rate of \$1.06/SF year to date.

Hill Air Force Base continues to be an important market driver. In September of 2020, Northrop Grumman was awarded the \$13.3-billion contract by The United States Air Force to develop the Ground Based Strategic Deterrent (GBSD) intercontinental

ballistic missile. Northrop Grumman's GBSD operations is headquartered near Hill Air Force Base and is expected to bring thousands of high-paying jobs to the market during the length of the contract. The newly built 900,000-square-foot industrial and office Roy Innovation Center was developed to support this endeavor.

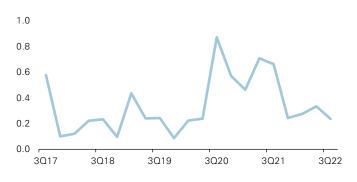
Construction and Deliveries

SQUARE FEET, MILLIONS



Leased Square Feet

SQUARE FEET, MILLIONS

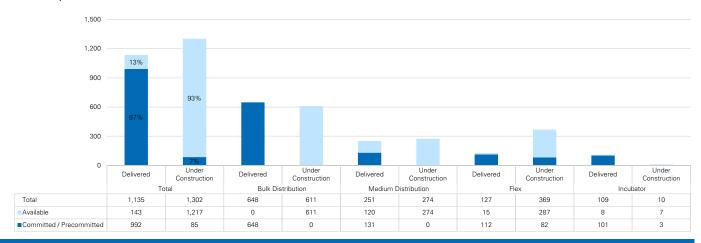


Select Lease Transactions						
Tenant	Market	Building	Type	Square Feet		
Confidential	South Weber	Levolor Building B	New	97,362		
TJ Chapman Automotive	South Davis	Former Dream World Design	New	44,279		
Associated Business Technologies	South Davis	360 N. 700 W., North Salt Lake	New	16,292		

Select Sale Transactions						
Buyer	Market	Building	Type	Square Feet		
Confidential	South Davis	Level 9 Industrial	Capital Markets	66,010		
Scott E. Pelichoff	North Davis	Kaysville Business Campus I & II	Capital Markets	54,630		
Superchill Properties	South Davis	210-290 N. Redwood Rd., North Salt Lake	Capital Markets	41,406		

2022 Speculative Development - Delivered and Under Construction Square Feet Overview

SQUARE FEET, THOUSANDS



Achieved Average First-Year Lease Rates

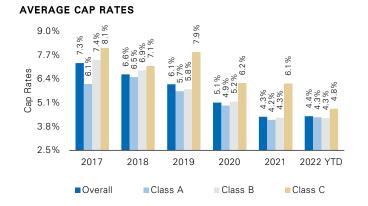
MONTHLY PER SQUARE FOOT NNN



Achieved Average Owner-User Sales

PRICE PER SQUARE FOOT \$160 \$153 \$143 \$126 \$111 \$103 \$109 \$97 \$87 \$86 \$92 \$75 2017 2022 YTD 2018 2019 2020 2021

Utah Industrial Capital Markets Sales

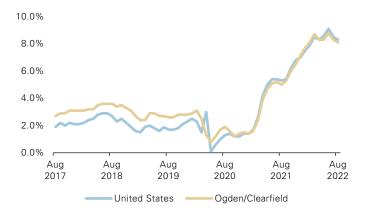


Economic Overview

Before the COVID-19 recession, Utah had the highest overall employment growth (33.1%) between the Great Recession and the onset of the pandemic. With the Ogden-Clearfield Metro unemployment coming in at 2.1% in August 2022, the metro is one of the fastest recovering in terms of employment rate. Increased job activity and creation among the office sector is much higher than surrounding metros, largely attributed to new government contracts around Hill Air Force Base. 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)

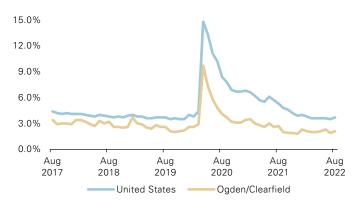
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment by Industry

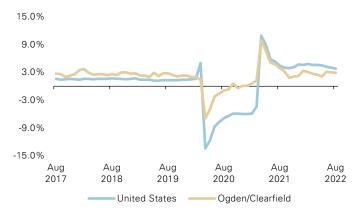
OGDEN-CLEARFIELD METRO, 2021 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

Payroll Employment

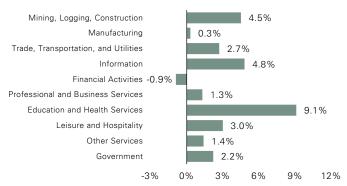
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

OGDEN-CLEARFIELD METRO, AUGUST 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

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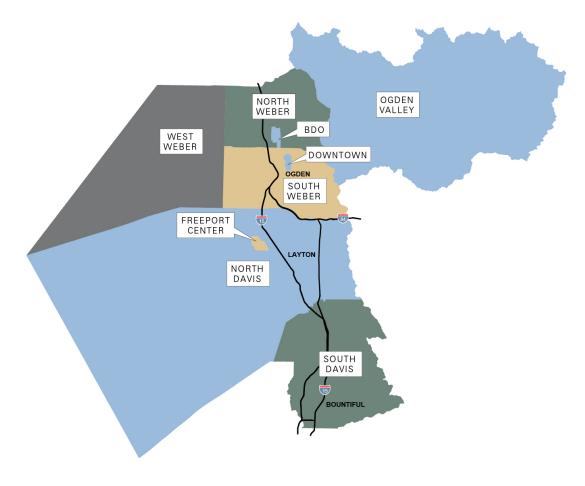
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