



Utah Investment Market

Transaction Velocity Stalls as Rising Interest Rates Eat into Investor Yield

Current Conditions

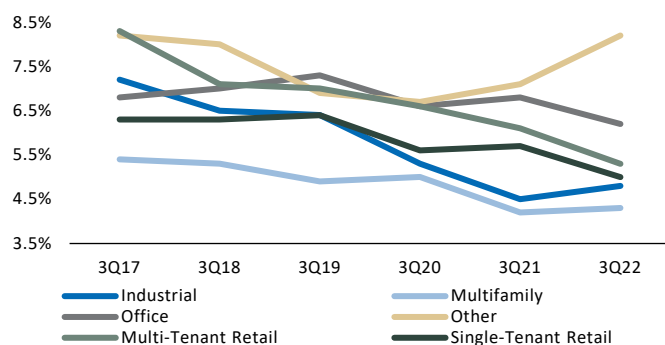
- After transaction volume in the second quarter of 2022 was buoyed up by deals at the end of the finish line closing despite rate hikes, third-quarter 2022 did not have a soft landing as rate hikes continued to occur. As expected, transaction volume decreased substantially quarter-over-quarter (73.7%) as both sellers and buyers pulled back. Some deals left the market completely while others re-evaluated financials before re-entering.
- With record low cap rates no longer viable due to interest rate hikes, overall price-weighted cap rates expectedly moved upwards 200 basis points. Price exploration for investments in this flux market is difficult for both sellers and buyers alike.
- Deals are expected to still enter the market in coming quarters with a higher concentration traded as 1031 exchanges or from sellers nearing loan maturity. Smaller and/or all cash deals will likely take up a larger portion of deals in the coming quarters as larger private or institutional players sit in a holding period.

2022 Quarterly Breakdown

Overall	Q1 2022	Q2 2022	Q3 2022
Transaction Volume	\$897.4 M	\$1,275.5 M	\$335.8 M
Price-Weighted Average Cap Rate	5.0%	4.2%	6.2%
Number of Transactions	56	56	28

Price-Weighted Average Cap Rates

BY ASSET TYPE



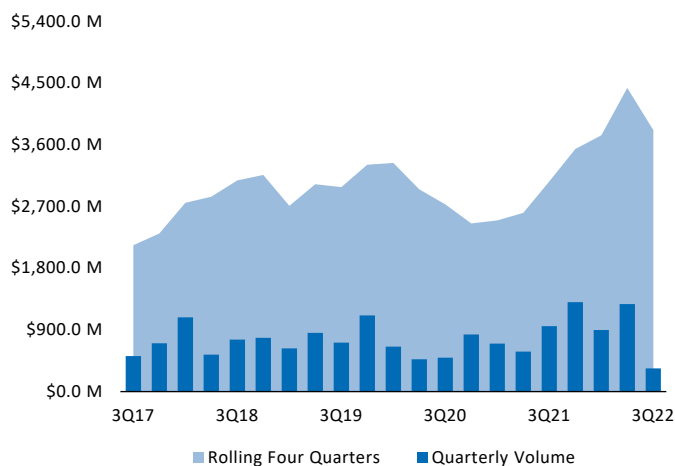
Trailing Four Quarters

Year-Over-Year Market Summary

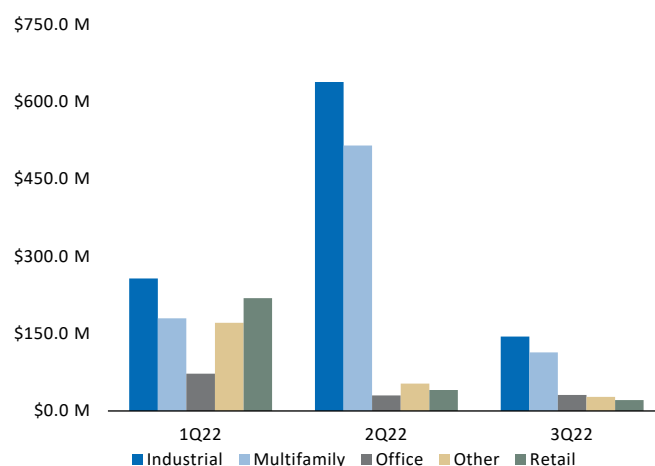
Overall	Recent Four Quarters	Previous Four Quarters	%/BPS Change	12-Month Forecast
Transaction Volume	\$3,812.6 M	\$3,065.7 M	24.4%	↓
Price-Weighted Average Cap Rate	5.1%	4.9%	20 BPS	↑
Number of Transactions	215	194	10.8%	↓
Industrial				
Transaction Volume	\$1,640.6 M	\$1,242.9 M	32.0%	↓
Price-Weighted Average Cap Rate	4.8%	4.5%	30 BPS	↑
Number of Transactions	69	67	3.0%	↓
Office				
Transaction Volume	\$505.1 M	\$556.1 M	-9.2%	↓
Price-Weighted Average Cap Rate	6.2%	6.8%	-60 BPS	↑
Number of Transactions	37	41	-9.8%	↓
Retail				
Transaction Volume	\$414.8 M	\$203.2 M	104.1%	↓
Price-Weighted Multi-Tenant Average Cap Rate	5.3%	6.1%	-80 BPS	↑
Price-Weighted Single-Tenant Average Cap Rate	5.0%	5.7%	-7 BPS	↑
Number of Transactions	56	45	-24.4	↓
Multifamily				
Transaction Volume	\$966.3 M	\$1,030.3 M	-6.2%	↓
Price-Weighted Average Cap Rate	4.3%	4.2%	10 BPS	↑
Number of Transactions	33	42	-21.4%	↓

Transaction Analysis

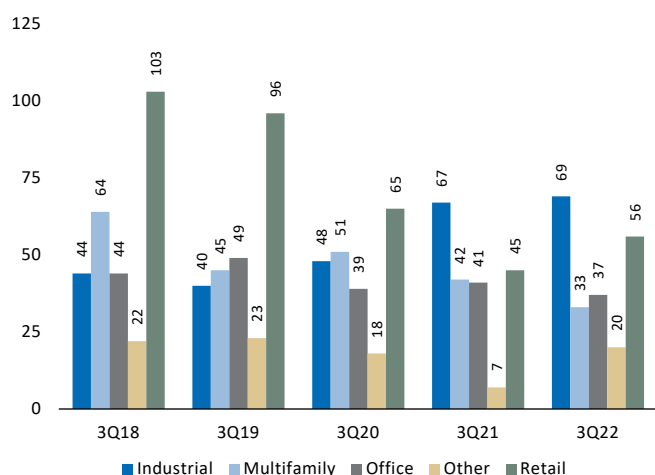
TRANSACTION DOLLAR VOLUME



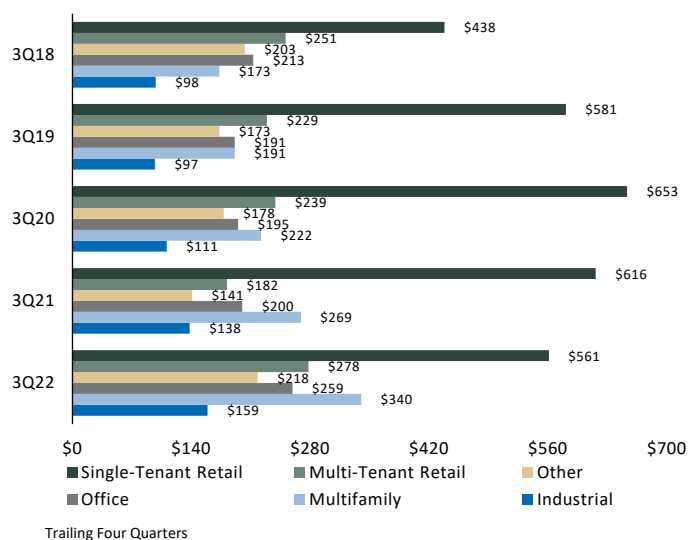
2022 QUARTERLY TRANSACTION VOLUME BREAKDOWN BY ASSET TYPE



NUMBER OF INVESTMENT TRANSACTIONS BY ASSET TYPE



ACHIEVED AVERAGE SALE PRICES PSF BY ASSET TYPE



Q3 2022 Select Sale Transactions

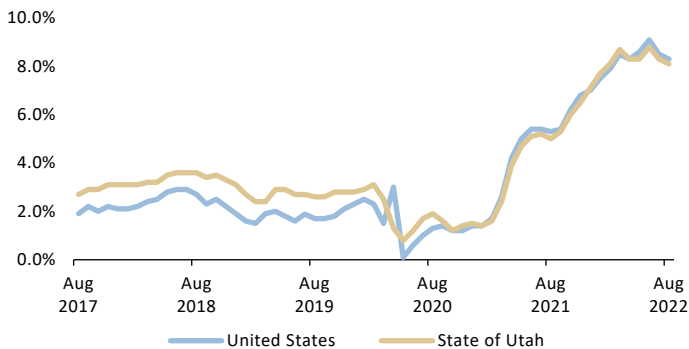
Property Name	Asset Type	City	Transaction Square Feet/Units/Rooms
GO Industrial 5600 Logistics Buildings A & B	Industrial	Salt Lake City	505,692 SF
Western Distribution Center	Industrial	Spanish Fork	1,071,125 SF
Overlook Apartments	Multifamily	West Valley City	304 Units
District North Apartments	Multifamily	Salt Lake City	148 Units
Holiday Inn Express & Suites	Hospitality	Murray	66,963 SF
Bountiful Gateway Tower	Office	Bountiful	53,126 SF
Macey's Anchored Center	Retail	South Ogden	73,390 SF

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 Utah unemployment coming in at 2.1% in August 2022, the metro is one of the fastest recovering in terms of employment rate. Positive job growth across almost all industries excepting financial activities and professional and business sectors coupled with more employees returning to work, the region now faces the struggle of finding employees for open positions. 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)

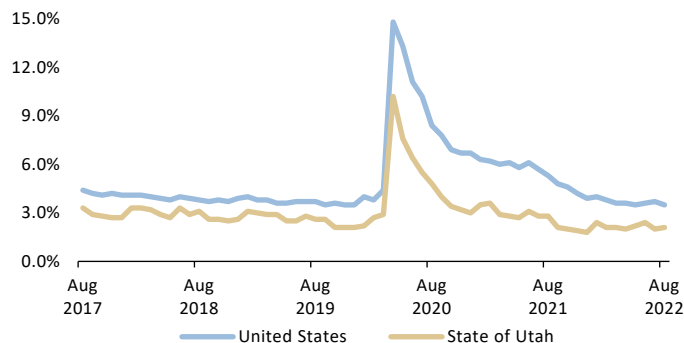
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

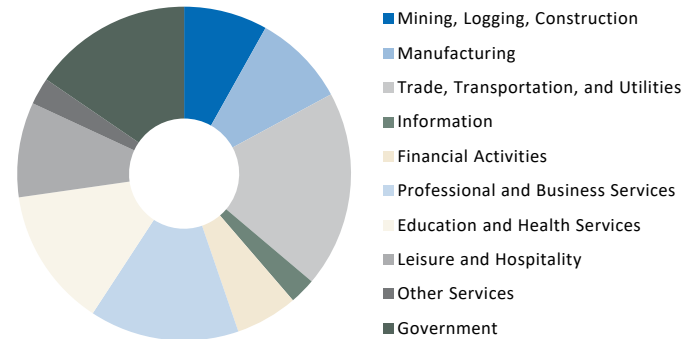
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment by Industry

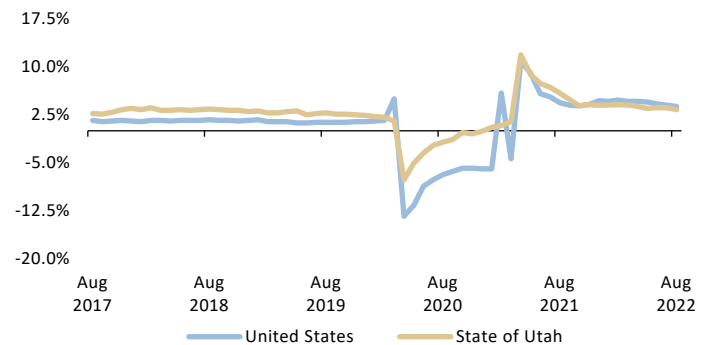
STATE OF UTAH, 2021 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

Payroll Employment

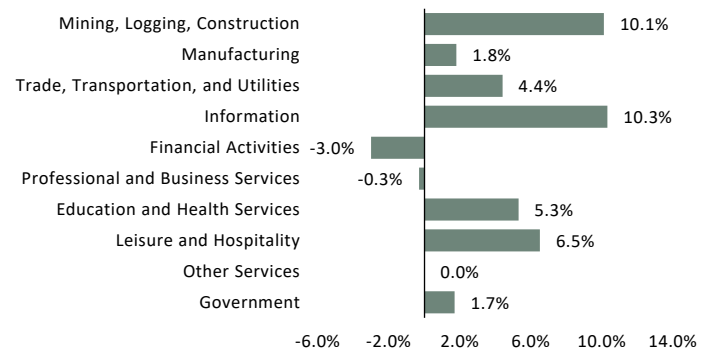
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

STATE OF UTAH, AUGUST 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

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