2016 Mid-Year Salt Lake Industrial Review

2016 marks a historic benchmark in the last 25 years, and perhaps longer, for sustained new speculative construction, rent and sales value increases, positive net absorption, decreasing capitalization rates, and overall wealth creation.

The Last Look seeks to provide a balanced and concise view of the Salt Lake Industrial Market. By utilizing our internal research and a comprehensive review of our competitors data, we are able to provide a thorough, and validated report on what is happening now, and project impacts in the market effecting those we serve.

Just like Elon Musk with Tesla’s “Ludicrous Mode”, the Salt Lake City Industrial Market has been “Launched” into a new realm of market activity. In terms of deal sizes, rental rates, sale prices, etc., everything in the industrial sector has grown, with the exception being mining/natural resource production, upon which our state depends heavily.

We anticipate an easing off the gas pedal slightly through 2016, with the presidential election and uncertainties abroad. So long as no cataclysmic events happen, we feel the Salt Lake City Industrial market will remain strong and balanced on the supply side, as new companies to the state rush to take advantage of all that Utah and Salt Lake City has to offer.

MICHAEL JEPPESEN SIOR, CCIM, LEED AP
PRESIDENT & MANAGING BROKER
IPG COMMERCIAL REAL ESTATE

MARKET SNAPSHOT

VACANCY: 5.31%

NET ABSORPTION: APPROXIMATELY 1.256 MILLION SQUARE FEET

AVERAGE LEASE RATE: $.41/SF/MONTH

COMPLETED CONSTRUCTION: 1,019,718 SQUARE FEET

AVERAGE CAPITALIZATION RATE: 6.85%
LEASING
- Leasing activity on pace for another banner year with 2.3 million leased YTD
- Average lease transaction size dips with highest transaction velocity occurring under 100K SF

SALES
- 1,482,409 SF total activity (10,000 SF and up)
- Sale transaction volume already exceeds total transaction volume for all of 2015
- Limited inventory of owner/user “for sale” buildings

ASKING RATES & ACHIEVED PRICES
- Salt Lake County lease rates are up across the board with the average rate at $0.41/SF NNN
- Highest achieved lease rates are south valley and in small and mid-box buildings.
- Small and Mid-Box lease rates rise enough to justify new speculative development
- Average building sale price rises to $71.91 bolstered by flex product comps.

CONSTRUCTION & LAND ACTIVITY
- Prime development land more and more constrained forcing land prices up.
- Construction activity expected near 2015 levels as Salt Lake City impact fee moratorium motivates third quarter construction starts.
INVENTORY & VACANCY RATES
- Vacancy rate slightly increases to 5.31% from year end 4.81%
- Tight supply of spaces under 20,000 SF spurred new construction activity
- Net absorption ahead of mid year 2015 at 1,256,000 absorbed YTD

INVESTMENT ACTIVITY
- Utah average cap rates continue to decline with average cap rate at 6.85%
- Bulk Distribution buildings achieved the lowest cap rates so far this year
- Investment volume on pace with 2015 mid year levels at $126 million YTD
- Building values on the rise as cap rates drop and lease rates rise amid favorable interest rate environment

2016 FORECAST
- Prime land sites will be in high demand and land prices are expected to rise as build to suit developers and owner users compete for well located sites
- Increasing land prices and labor constrained construction costs will continue to put pressure on lease rates to rise
- Lower cap rates, rising lease rates, continued historically low interest rates, and abundant motivated capital will continue to push investors to compete hard for investment opportunities
- Fever pitch construction activity and a constrained labor pool are expected to push construction costs up.
### Market Opportunities

<table>
<thead>
<tr>
<th>BTS LAND SITE</th>
<th>FOR LEASE</th>
<th>2016 Notable Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>305 ACRES</td>
<td>17,000-77,887 SF Distribution Whse $0.65/SF/Mo</td>
<td>Sale/Leaseback 98,585 SF Hudson Printing Buyer: PRC/CD West Valley City, UT</td>
</tr>
<tr>
<td>50,000-500,000 SF M-1 Zoned Land $5.00/Sq. Ft.</td>
<td>Salt Lake City, UT</td>
<td>124,800 SF Lease Bonneville Distribution Ctr Lessee: Quality Distribution Salt Lake City, UT</td>
</tr>
<tr>
<td>Salt Lake City, UT</td>
<td>FOR SALE OR LEASE 32,100 SF Office/Warehouse $3,530,000 $0.45 Whse $0.85 Office</td>
<td>56,000 SF Sale Dannon Way Buyer: Wasatch Trans West Jordan, UT</td>
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<tr>
<td>Salt Lake City, UT</td>
<td>FOR LEASE 60,000-502,000 SF Distribution Whse $0.38/SF/Mo</td>
<td>204,008 SF Lease ARA Industrial Ctr, Bldg B Lessee: Enlinx Salt Lake City, UT</td>
</tr>
<tr>
<td>FOR LEASE 194,824 SF Distribution Whse $0.65/SF</td>
<td>Salt Lake City, UT</td>
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<tr>
<td>FOR LEASE 55,395 SF Distribution Warehouse $.60-1.10/Sq. Ft.</td>
<td>Salt Lake City, UT</td>
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