



THE LAST LOOK

2014 MID-YEAR SALT LAKE INDUSTRIAL REVIEW

IPG COMMERCIAL MARKET REPORT

AUGUST 2014



IPG

2014 Mid-Year Salt Lake Industrial Review

At IPG Commercial our sole focus is to assist owners and occupiers of industrial property in Utah, and across the country, make informed real estate decisions. In that regard, IPG synthesizes all industrial market data available for Salt Lake City from our internal research department and major competitors to provide a comprehensive and statistical "Last Look" at what's happening now, and projections for future trends.

At Mid-year 2014 our market is following a typical and healthy cycle of increased supply meeting strong demand. Vacancies continue to be comparatively low and lease rates for new space remain consistent across all increments.

For the third consecutive year, Utah has been recognized as the top pro-business state by Pollina Corporate based on 32 factors controlled by state government. With readily available product, we expect to see a strong second half of 2014.

Salt Lake City and Utah are leading the way in job growth, stable rental rates, balanced supply and demand, and above average net-absorption.

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PRESIDENT & MANAGING BROKER
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MARKET SNAPSHOT

VACANCY: 4.8%

NET ABSORPTION: APPROXIMATELY 1.03 MILLION SQUARE FEET

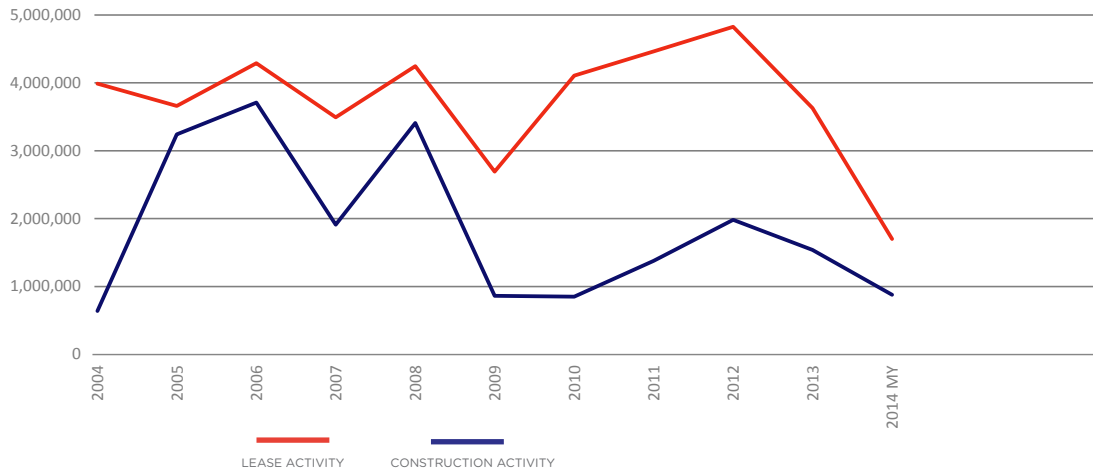
AVERAGE LEASE RATE: \$.37/SF/MONTH

COMPLETED CONSTRUCTION: 880,000 SQUARE FEET

AVERAGE CAPITALIZATION RATE: 7.48%



SALT LAKE COUNTY LEASE ACTIVITY & CONSTRUCTION COMPARISON



LEASING

- Strong second quarter made up for sluggish first quarter
- 1.7 million SF of activity at mid year (10,000 SF and up)
- Distribution space accounted for 45% of total lease activity

SALES

- 511,000 SF total activity (10,000 SF and up)
- Total sales volume remains constrained due to very limited supply
- No user sales over 100,000 SF so far in 2014
- Limited supply of user buildings restricted deals to just 14 versus 22 at this time last year

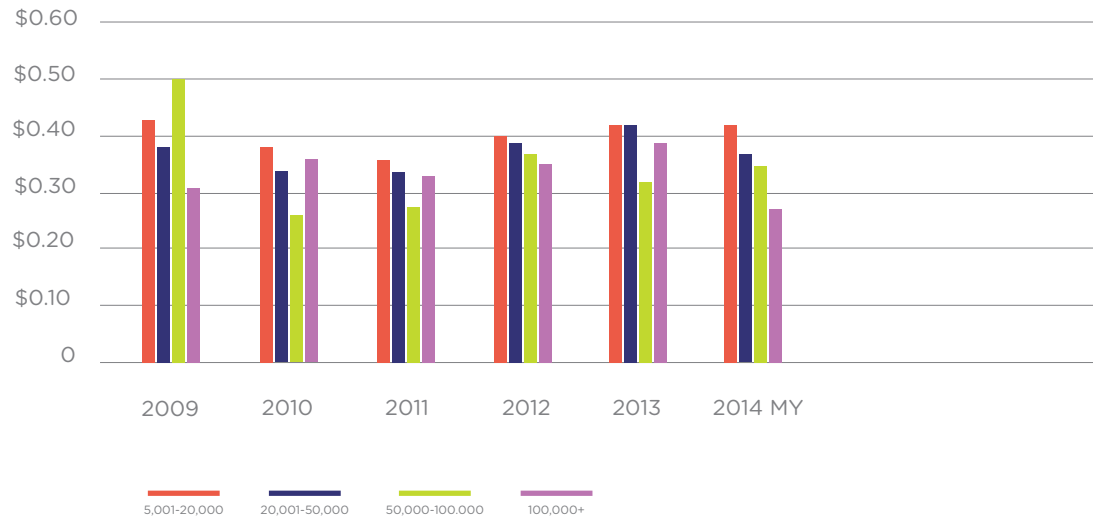
ASKING RATES & ACHIEVED PRICES

- Overall achieved lease rate of \$.37/SF/month down 7.5% from 2013 due to large increment second generation activity
- 50-100,000 SF increment achieved lease rate of \$.35 is up 9.4% from 2013
- Midyear weighted average sales price dropped 2% to \$54/SF.

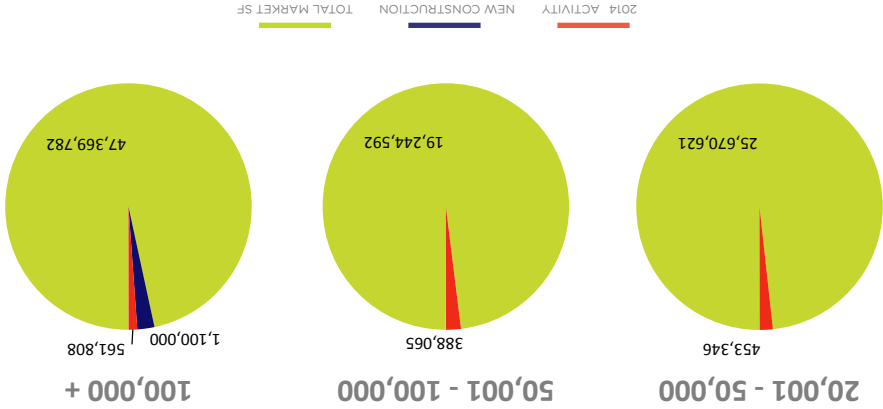
CONSTRUCTION & LAND ACTIVITY

- 880,000 SF of space added to the market so far in 2014
- Another 1.1 million SF under construction for delivery over the next 9 months
- Vast majority of space under construction is speculative
- Another 1 million SF of speculative space planned for 2014 delivery
- Constrained land market is pushing development into surrounding counties

HISTORICAL LEASE RATES



INVENTORY ANALYSIS



INVENTORY & VACANCY RATES

- Availability and vacancy remain consistent with year end 2013 levels at 7.5% total available space and 4.8% vacant
- Vacant space down slightly by 10 basis points (bps) from year end 2013
- Increments below 100,000 SF continue to tighten
- Net absorption of approximately 1,030,000 SF at mid-year 2014 is above historic norm

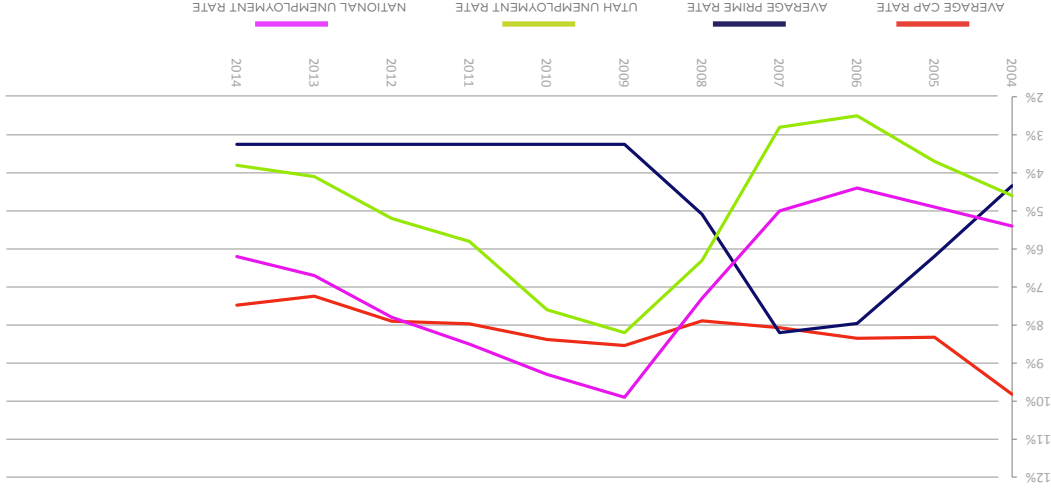
INVESTMENT ACTIVITY

- Total dollars invested in Utah industrial assets of \$122 million is 87% of total 2013 activity.
- Utah weighted average industrial capitalization rate increased slightly by 11 bps to 8.11%
- Salt Lake County weighted average industrial capitalization rate increased 24 bps to 7.48% due to lack of quality product

2014 FORECAST

- Incentives for tenants in increments less than 50,000 SF will disappear this year. Rates will stay firm or rise slightly
- New bulk distribution product and pro business climate will drive large distributors to open new facilities in Utah over the next 18 months.
- Increased yield pressure on developers as construction costs and competition increase along the wasatch front
- New developments in outlying counties will provide some relief to tenants seeking alternative locations
- Anticipate substantial leasing activity during second half for large increment space over 100,000 SF
- Institutional capital will seek placement in the market at record low yields as class A development or acquisition opportunities become available

KEY PERFORMANCE INDICATORS



Newly Listed Properties

305,760 SF
Distribution Whse
Under Construction
\$.38/SF/Mo
Salt Lake City, UT



231,830 SF
Distribution Whse
Under Construction
Negotiable Rate
Salt Lake City, UT



105,086 SF
Distribution Whse
Negotiable Rate
Salt Lake City, UT



100,000 SF
Distribution Whse
\$0.65/SF/Mo
Bluffdale, UT



418,092 SF
Distribution Whse
\$16,900,000
Salt Lake City, UT



261,000 SF
Manufacturing Whse
\$9,100,000
West Jordan, UT



2014 Notable Transactions

384,304 SF Sale
Interchange Business Park
Buyer: Harrison Properties
Salt Lake City, UT



345,686 SF Sale
Pacific Landing III
Buyer: Exeter Property Group
Salt Lake City, UT



275,080 SF Sale
Summit Distribution Center
Buyer: Cobalt Capital Partners
Salt Lake City, UT



158,083 SF Leased
Freeport West Empire Road
Lessee: Downeast Outfitters
Salt Lake City, UT



135,400 SF Leased
Sorenson Tech Park
Lessee: 3form
Salt Lake City, UT



52,700 SF Leased
Crossroads Corporate Park
Lessee: Otto Bock
Salt Lake City, UT



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