



THE LAST LOOK

2015 MID-YEAR SALT LAKE CITY INDUSTRIAL REVIEW

IPG COMMERCIAL MARKET REPORT

AUGUST 2015

## 2015 Mid-Year Salt Lake Industrial Review

IPG Commercial Real Estate is committed to creating meaningful and successful relationships with the entrepreneurs and businesses we serve. As a result, we strive to provide timely and concise market data to help clients make the best real estate decisions possible. "The Last Look", is a comprehensive and statistical market report that consolidates information from our internal research department as well as our major competitors.

So far, 2015 has been one of the strongest years of record for both the industrial and the investment market in Salt Lake City. Occupancy continues to increase amidst robust new construction. We are experiencing an increase of capital flowing into the market, and underwriting for both investors and owner/occupiers has loosened in the last 6 months. Landlords feel confident and tenants appear to be towing the line with fewer incentives being offered than in the last seven years.

The first half of 2015 marked a 10 year anniversary for IPG, and the timing was matched with a wave of activity that produced our strongest first half ever.

While it is important to be watchful of outside influences, like foreign economies, the stock market, and perhaps more importantly for our industry, a stagnant GDP, the immediate indication in Salt Lake City and Utah as a whole is for sustained moderate growth and prosperity. The state of Utah is one of the best places in the world to start and run a business. And our state has more than its' share of smart and talented people creating enduring success stories. In our opinion Salt Lake City is well positioned to finish out the second half of 2015 with a blue ribbon for market strength and overall performance.



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

## MARKET SNAPSHOT

VACANCY: 4.43%

NET ABSORPTION: APPROXIMATELY 1.01  
MILLION SQUARE FEET

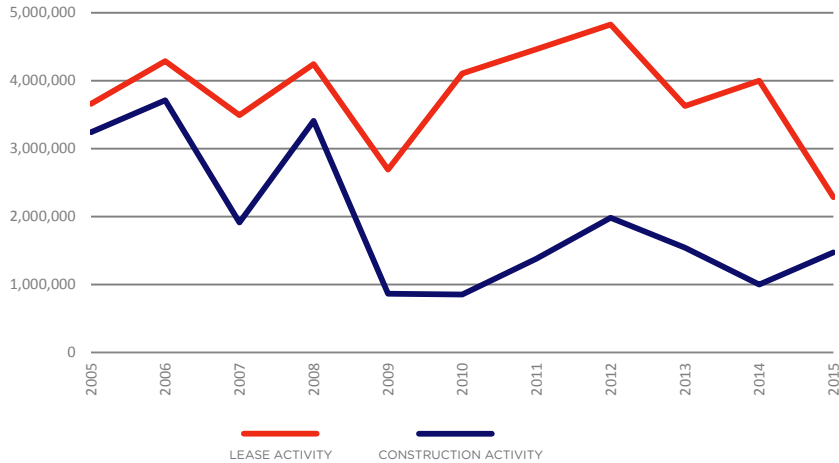
AVERAGE LEASE RATE: \$.38/SF/MONTH

COMPLETED CONSTRUCTION: 1,470,174  
SQUARE FEET

AVERAGE CAPITALIZATION RATE: 7.75%



## SALT LAKE COUNTY LEASE ACTIVITY & CONSTRUCTION COMPARISON



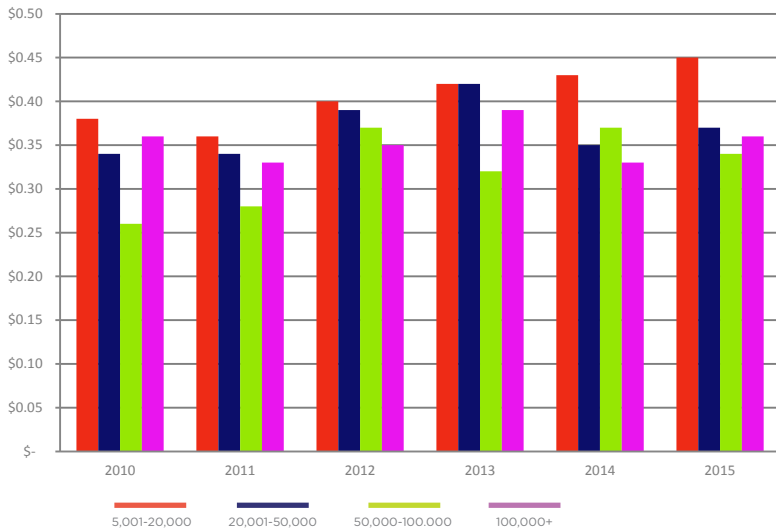
### LEASING

- Leasing activity remains strong and slightly higher than last year's activity at 2,282,000 SF Leased
- New construction bulk distribution (100,000 SF and up) accounted for 605,000 SF (27%) of total market activity
- New construction leasing activity indicates continued strong market demand
- Over 60% of leases were for 50,000 SF and above, compared to previous year averages in the 30% range

### SALES

- 578,875 SF total activity (10,000 SF and up)
- Sales activity continues to remain lower than past years due to lack of supply
- 50% of sales volume was for buildings greater than 50,000 SF

## HISTORICAL LEASE RATES



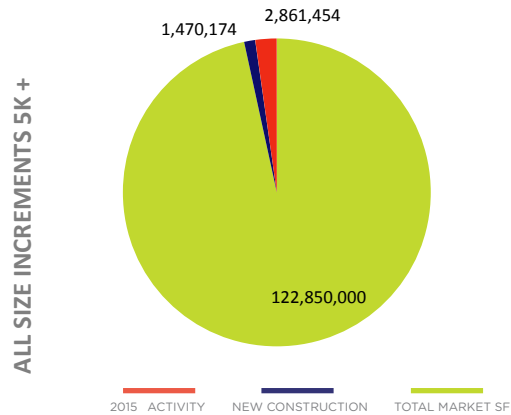
### ASKING RATES & ACHIEVED PRICES

- Overall achieved rates remain firm at \$0.38
- Due to the large number of new construction leases, overall achieved lease rates in increments over 100K SF increased to \$0.36/SF from last years average of \$0.33
- Overall weighted average achieved sale price for owner/user buildings is 25% higher than 2014 at \$67/SF.

### CONSTRUCTION & LAND ACTIVITY

- 1,470,174 Square Feet of space added to the market so far in 2015 (Record activity!)
- Another 1.7 million SF still under construction
- Constrained land market continues to push development into surrounding counties

## INVENTORY ANALYSIS



### INVENTORY & VACANCY RATES

- Vacancy rate (4.43%) has dropped 37 bps. year over year
- Increments below 100,000 SF tightest. Small space (under 15,000 SF) in very short supply.
- Net absorption of approximately 1,010,159 was less than construction deliveries.
- The first half of 2015 has been the strongest year start since 2012

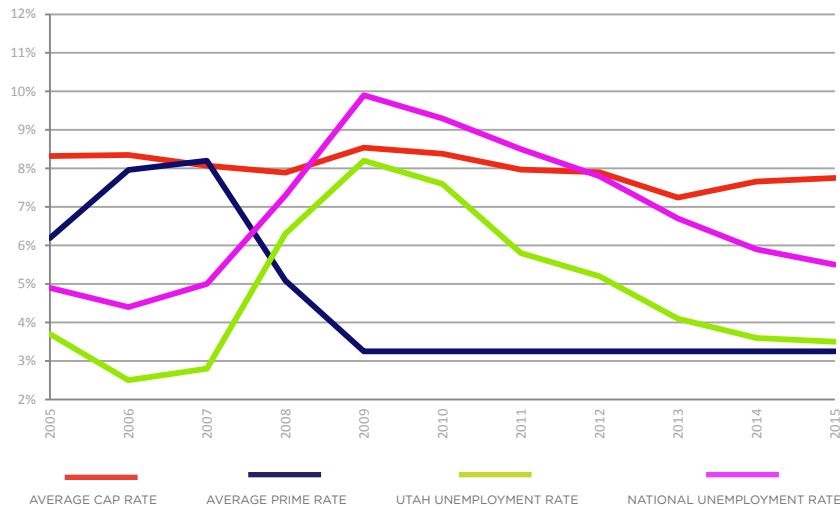
### INVESTMENT ACTIVITY

- Utah Industrial sales volume up 15% year over year at \$144 million.
- Utah average industrial capitalization rate increased 9 bps from year end at 7.75%.
- Strongest investment activity on the boards in nearly 4 years

### 2015 FORECAST

- Lack of For Sale product will continue to spur owner/user construction activity
- Increased big box availability and strong demand could make 2015 a record leasing year
- As predicted, the vacancy rate has lowered, but will remain steady
- Constraint in land, small box product and buildings for sale will push prices upward in these areas

## KEY PERFORMANCE INDICATORS



# Newly Listed Properties

FOR LEASE  
50,000 - 500,000 SF  
Distribution Whse  
Construction ETA 2016  
\$.38/SF/Mo  
Salt Lake City, UT



FOR LEASE  
186,000 SF  
Distribution Whse  
Under Construction  
Negotiable  
Salt Lake City, UT



FOR LEASE  
497,000 SF  
Distribution Whse  
Negotiable Rate  
Salt Lake City, UT



FOR LEASE  
192,170 SF  
Office/Warehouse  
Negotiable Rate  
Draper, UTze



FOR SALE  
25,000 - 100,000 SF  
Distribution Whse  
Negotiable Rate & Price  
Salt Lake City, UT



FOR SALE  
363 ACRES  
M-1 Zoned Land  
\$.50/Sq. Ft.  
Salt Lake City, UT



# 2015 Notable Transactions

215,375 SF Sale  
Compeq  
Buyer: BH Properties  
Salt Lake City, UT



195,055 SF Sale  
Redwood & Broadbent Bus Pk  
Buyer: WLA Investments  
Broadbent, WVC/SLC, UT



154,601 SF Lease  
Price Bangerter  
Lessee: Haemonetics  
Salt Lake City, UT



134,500 SF Sale  
Former Xpedx  
Buyer: Melcon Investments  
Salt Lake City, UT



134,000 SF Sale  
Pac Landing A & B  
Buyer: Pac Landing Venture  
Salt Lake City, UT



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