

An aerial photograph of an industrial park in Salt Lake City, Utah. The image shows several large, rectangular industrial buildings with flat roofs, interspersed with parking lots, roads, and some greenery. The overall scene is a typical industrial development.

THE LAST LOOK

# 2016 MID-YEAR SALT LAKE CITY INDUSTRIAL REVIEW

IPG COMMERCIAL MARKET REPORT

AUGUST 2016



IPG

## 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  
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## MARKET SNAPSHOT

VACANCY: 5.31%

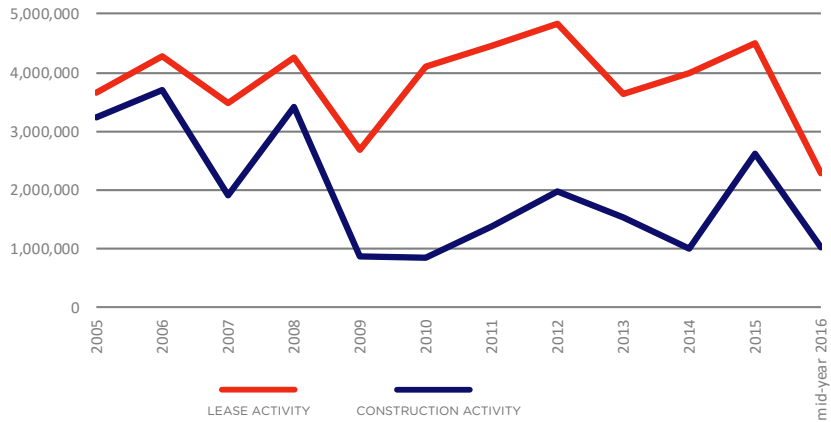
NET ABSORPTION: APPROXIMATELY 1.256  
MILLION SQUARE FEET

AVERAGE LEASE RATE: \$.41/SF/MONTH

COMPLETED CONSTRUCTION: 1,019,718  
SQUARE FEET

AVERAGE CAPITALIZATION RATE: 6.85%

## SALT LAKE COUNTY LEASE ACTIVITY & CONSTRUCTION COMPARISON



### 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

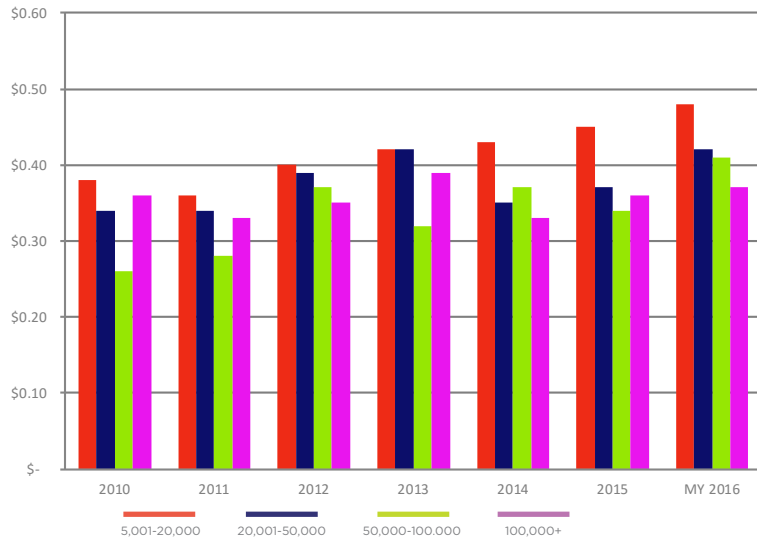
### ASKING RATES & ACHIEVED PRICES

- 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.

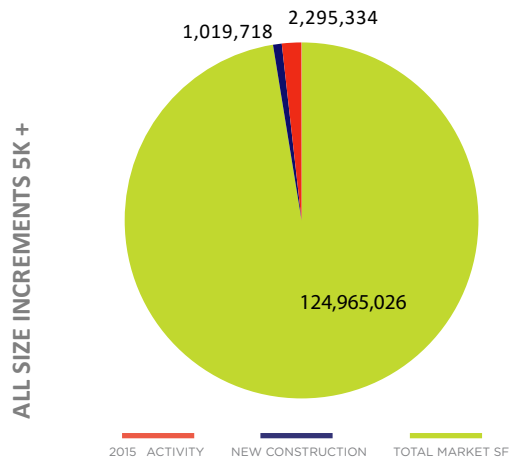
### CONSTRUCTION & LAND ACTIVITY

- 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.

## HISTORICAL LEASE RATES



## INVENTORY ANALYSIS



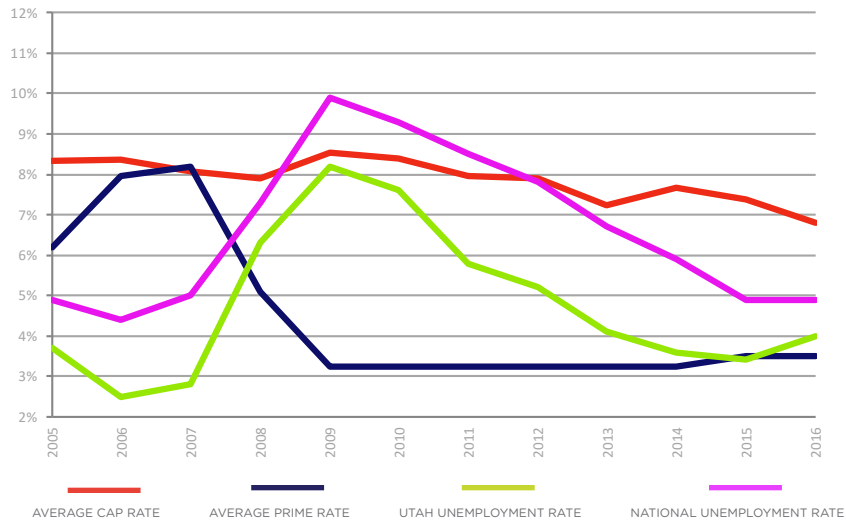
### INVENTORY & VACANCY RATES

- 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

## KEY PERFORMANCE INDICATORS



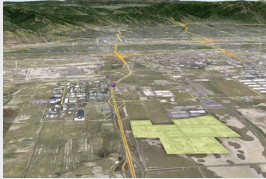
### 2016 FORECAST

- 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

BTS LAND SITE  
305 ACRES  
50,000-500,000 SF  
M-1 Zoned Land  
\$5.00/Sq. Ft.  
Salt Lake City, UT



FOR LEASE  
17,000-77,887 SF  
Distribution Whse  
\$0.65/SF/Mo  
Salt Lake City, UT



FOR SALE OR LEASE  
32,100 SF  
Office/Warehouse  
\$3,530,000  
\$0.45 Whse \$0.85 Office  
Salt Lake City, UT



FOR LEASE  
60,000-502,000 SF  
Distribution Whse  
\$0.38/SF/Mo  
Salt Lake City, UT



FOR LEASE  
194,824 SF  
Distribution Whse  
\$0.65/SF  
Salt Lake City, UT



FOR LEASE  
55,395 SF  
Distribution Warehouse  
\$.60-1.10/Sq. Ft.  
Salt Lake City, UT



# 2016 Notable Transactions

Sale/Leaseback  
98,585 SF  
Hudson Printing  
Buyer: PRC/CD  
West Valley City, UT



124,800 SF Lease  
Bonnevile Distribution Ctr  
Lessee: Quality Distribution  
Salt Lake City, UT



56,000 SF Sale  
Dannon Way  
Buyer: Wasatch Trans  
West Jordan, UT



204,008 SF Lease  
ARA Industrial Ctr, Bldg B  
Lessee: Enlinx  
Salt Lake City, UT



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