

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

2013 YEAR-END SALT LAKE CITY INDUSTRIAL REVIEW

IPG COMMERCIAL MARKET REPORT

JANUARY 2014



IPG

2013 Year-End Utah Industrial Review

IPG Commercial is laser focused on Industrial Real Estate. We strive to provide a balanced reflection on ALL of the industrial market data from our major competitors, and additional sources, to give you the “Last Look” at current market trends and statistical analysis.

2013 proved to be another robust year for industrial real estate in Utah. At this time, like last year a quote from Warren Buffet is appropriate; “You only have to do a very few things right in your life so long as you don’t do too many things wrong.”

In Utah it appears we have seen the benefits of conservative and metered growth. So far in this industrial market recovery we have done everything right and not too much wrong. From some of the earliest speculative product to emerge in the nation in 2010, after the Great Recession, Utah has been leading the pack in job growth, rent growth, low vacancy, and increased net absorption. Our market is poised for great things ahead as we look towards a prosperous 2014.



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

MARKET SNAPSHOT

VACANCY: 4.96%

NET ABSORPTION: APPROXIMATELY 1.5
MILLION SQUARE FEET

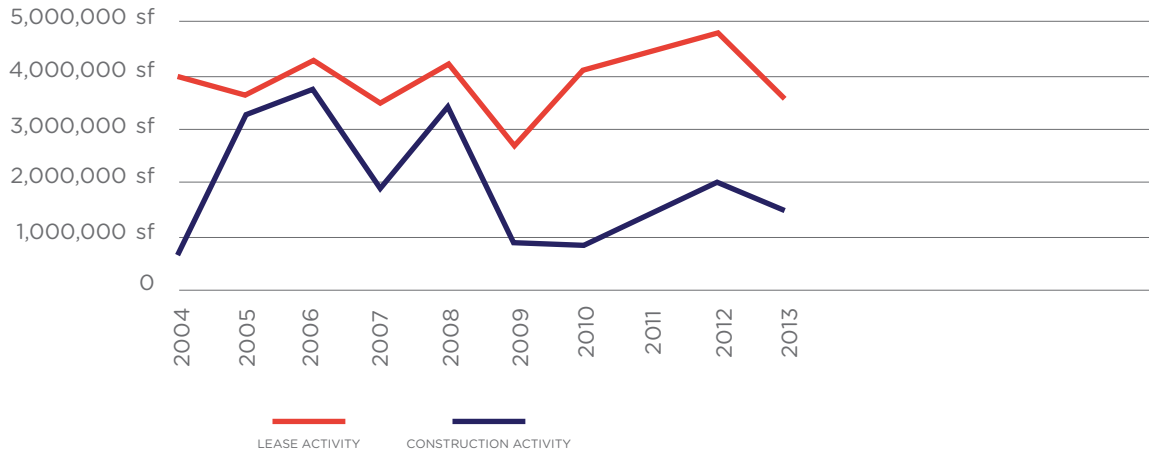
AVERAGE LEASE RATE: \$.40/SF/MONTH

COMPLETED CONSTRUCTION: 1.54 MILLION
SQUARE FEET

AVERAGE LAND PRICE: \$4.32/SQUARE FOOT

AVERAGE CAPITALIZATION RATE: 7.24%

SALT LAKE COUNTY LEASE ACTIVITY & CONSTRUCTION COMPARISON



LEASING

- Activity back to historic levels, creating equilibrium in the market
- 3.6 million SF total activity (10,000 SF and up)
- Bulk Distribution (100,000 SF and up) accounted for 26% of total lease activity
- Average bulk distribution deal was 185,000 SF

SALES

- 1.1 million SF total activity (10,000 SF and up)
- Sales activity was off last year's pace by 45% due to massive 850,000 SF sale to Boeing Corporation in 2012
- 54% of owner/user buildings sold to manufacturers/distributors

ASKING RATES & ACHIEVED PRICES

- Overall achieved lease rate of \$.40 up 8.1% from 2012
- 100,000 SF and up achieved lease rate of \$.39/SF is 14.7% better than 2012
- Weighted sale price on buildings between 20-100,000 SF up 30%
- Overall weighted average achieved sale price for owner/user buildings in Salt Lake County is \$55/SF

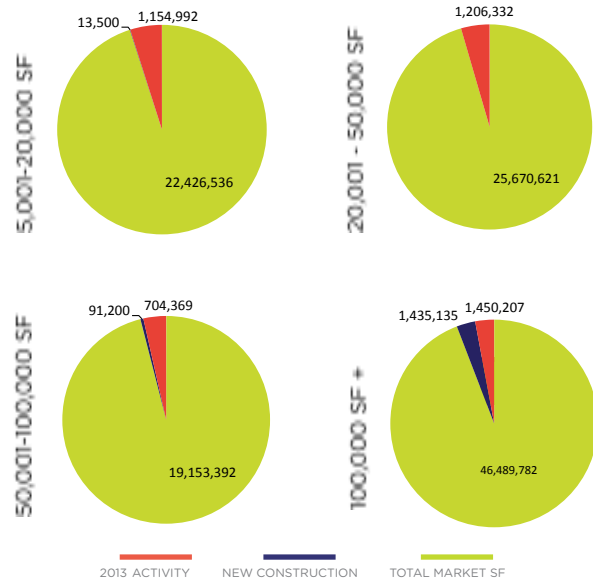
CONSTRUCTION & LAND ACTIVITY

- 1.54 million SF of space added to the market in 2013
- Another 1.1 million SF under construction for 2014 delivery
- 54% of under construction is pre-leased or owner/user
- 1.6 million SF of speculative space planned for 2014
- Land prices up dramatically versus last year at \$4.32/SF
- Several joint venture investors and developers will establish a presence here in 2014

HISTORICAL LEASE RATES



INVENTORY ANALYSIS



INVENTORY & VACANCY RATES

- Overall supply of product continues to tighten in most increments
- Inventory of all 100,000 SF and up buildings nearing 18 month supply
- Availability and vacancy continue downward trend with 7.42% total available space and 4.97% vacant
- Vacant space down 115 basis points (bps) from year end 2012
- Net absorption of approximately 1.5 million SF for 2013 was up 50% from 2012.

INVESTMENT ACTIVITY

- Total dollars invested in Utah industrial assets of \$141 million, decreased by 5% from 2012
- Utah weighted average industrial capitalization rate increased slightly by 22 bps to 8.02%
- Salt Lake County weighted average industrial capitalization rate settled at 7.24%
- Out of state and institutional buyers purchased the lion share of buildings traded

KEY PERFORMANCE INDICATORS



2014 FORECAST

- Owners of second generation bulk distribution space will aggressively court tenants in 2014. Expect incentives limited to this segment of the market. Rates will stay firm in Class A buildings.
- Several E-commerce and distribution companies will set their sights on Utah in the coming 24 months. Developers will continue to plan and construct even larger warehouse facilities to meet demand.
- Rising construction costs, increasing interest rates, and record land prices will demand rental rates to continue to climb.
- If current construction levels are not maintained expect vacancy rates below 4% by year end.
- Land constraints will push development North, West and possibly South. Expect the unexpected in Tooele County. (Yes we said Tooele County)
- Expect increased leasing activity in 2014, but flat sales activity. Capitalization rates will float upward with interest rates.

Newly Listed Properties

415,872SF
Distribution Whse
Under Construction
\$.35/SF/Mo
Salt Lake City, UT



251,612 SF
Industrial Whse
Under Construction
\$0.39/SF/Mo
Salt Lake City, UT



305,480 SF
Industrial Whse
Under Construction
\$.40/SF/Mo
West Valley City, UT



168,514 SF
Industrial Whse
Under Construction
Negotiable
Salt Lake City, UT



294,206 SF
Distribution Whse
\$0.35/SF/Mo
Salt Lake City, UT



122,028 SF
Industrial Whse
\$6,350,000
Salt Lake City, UT



2013 Notable Transactions

818,748 SF Sale
Westport DC
Buyer: IIT Acquisitions
Salt Lake City, UT

150,300 SF Sale
Rockefeller FTZ Bldg E
Buyer: Cole Real Estate Invest.
Salt Lake City, UT

145,889 SF Sale
McClane Bldg
Buyer: P&J Investments
Salt Lake City, UT

304,555 SF Leased
Industrial Road
Lessee: USPS
Salt Lake City, UT

207,838 SF Leased
Landmark 6
Lessee: Sportsmans Warehouse
Salt Lake City, UT

173,040 SF Leased
Landmark 2
Lessee: 1-800 Contacts
Salt Lake City, UT

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