



THE LAST LOOK

2014 YEAR-END SALT LAKE INDUSTRIAL REVIEW

IPG COMMERCIAL MARKET REPORT

JANUARY 2015



IPG

2014 Year-End Salt Lake Industrial Review

Our highest priority at IPG is to help clients make informed real estate decisions based on the most accurate market data available. Hence, we created “The Last Look”, a comprehensive and statistical market report that consolidates information from our internal research department as well as our major competitors.

2014 was one of those “stars and planets aligning” years for industrial real estate in Salt Lake City. At times the sluggish 3rd quarter threatened to hold us back from an otherwise stellar year. But in the end, the results speak for themselves and the last twelve months will be remembered fondly by most stakeholders in this dynamic industrial market place.

Following the market trend, IPG had an active and exciting year. The lack of clear business direction in the market was replaced with high velocity of occupier decisions, and a willingness to let loose the purse strings. Those affirmative decisions clearly added to our markets strong absorption, which is tracking fifteen consecutive quarters of positive net absorption.

Construction starts remained robust, but not approaching overbuilt, with a moderate supply of new Class A space to keep competition fair, but well within proforma targets.

As we start 2015, it seems as if almost everyone in our segment of the market is confident and shares a positive outlook for the year ahead.



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

MARKET SNAPSHOT

VACANCY: 6.26%

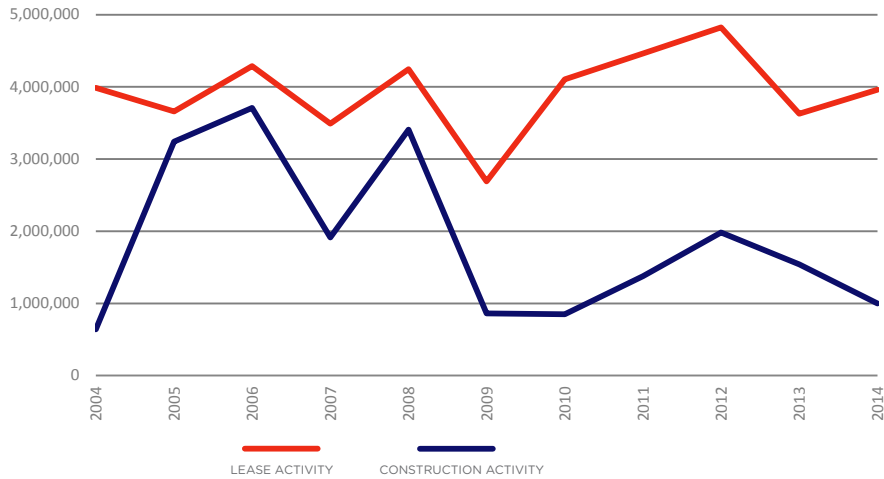
NET ABSORPTION: APPROXIMATELY 2.65
MILLION SQUARE FEET

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

COMPLETED CONSTRUCTION: 904,000
SQUARE FEET

AVERAGE CAPITALIZATION RATE: 7.66%

SALT LAKE COUNTY LEASE ACTIVITY & CONSTRUCTION COMPARISON



LEASING

- Near historical leasing activity at 3.96 million SF (10,000 SF and up)
- Bulk Distribution (100,000 SF and up) accounted for 1.14 million SF (28.8%) of total lease activity
- Average Bulk Distribution deal size was 143,000 SF

SALES

- 1 Million SF total activity (10,000 SF and up)
- Sales activity was off last year's pace by 10% due to a lack of supply.
- 66% of sales volume was for buildings greater than 50,000 SF.

ASKING RATES & ACHIEVED PRICES

- Overall achieved rate down \$0.02/SF from year end 2013 at \$0.38 due to a lack of new supply and several completed 2nd gen space deals.
- 80% of 100K + lease deals were done in buildings built prior to 2000, which brought the average lease rate down to \$0.33/SF in that segment.
- Overall weighted average achieved sale price for owner/user buildings was \$52/SF.

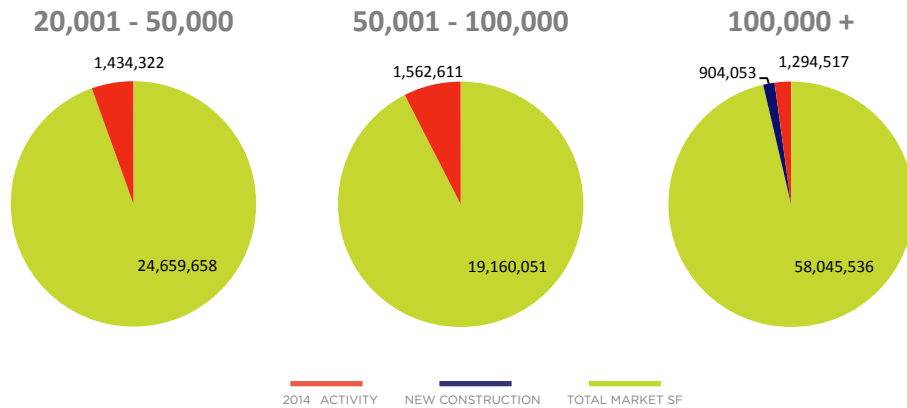
CONSTRUCTION & LAND ACTIVITY

- Completed construction off 42% from 2013 activity level to 904,053 SF.
- Speculative construction underway still well below 10 year high of 3.7 million (in 2006) currently at 2,563,793 SF.
- All speculative space delivered to the market in 2014 was absorbed by year end.

HISTORICAL LEASE RATES



INVENTORY ANALYSIS



INVENTORY & VACANCY RATES

- Vacancy is at an optimum rate of 6.26% allowing for market fluidity.
- Increments below 100,000 SF tightest. Small space (under 15,000 SF) in very short supply.
- Net absorption of approximately 2,650,000 SF out paced construction deliveries.

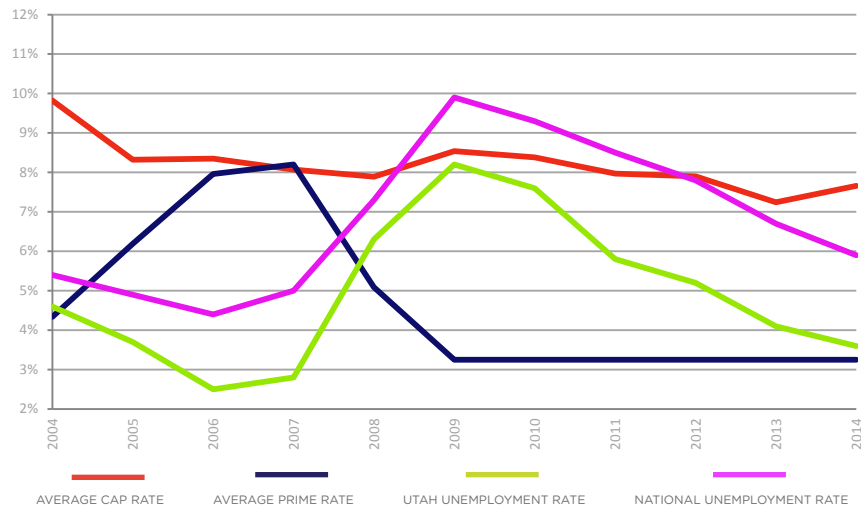
INVESTMENT ACTIVITY

- Total dollars invested in Utah Industrial Assets eclipsed 2013 volume by 30% coming in at \$183 million.
- Utah average industrial capitalization rate dropped 36 bps to 7.66%.
- Salt Lake County weighted average industrial capitalization rate settled at 7.56%
- Out of state investors still dominating the acquisition opportunities.

2015 FORECAST

- New construction activity will temporarily increase vacancy, but expect to see the market absorb the new space within 12-18 months of delivery.
- Lack of available industrial investment opportunities will cause cap rate compression as buyers compete for limited opportunities.
- Pent up demand for quality owner/user buildings will spur construction activity on behalf of business owners.
- Land prices will continue to strengthen on pressure from limited supply of available land, especially for big box distribution opportunities.

KEY PERFORMANCE INDICATORS



Newly Listed Properties

590,000 SF (2 bldgs)
Distribution Whse
Under Construction
\$.38/SF/Mo
Salt Lake City, UT



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



497,602 SF
Distribution Whse
Negotiable Rate
Salt Lake City, UT



134,000 SF
Office/Warehouse
\$6,295,000
\$0.38 /SF/MO
Salt Lake City, UT



307,000 SF
Distribution Whse
\$0.39/SF/Mo
Salt Lake City, UT



79,000 SF
Distribution Whse
\$0.45/SF/Mo
Salt Lake City, UT



2014 Notable Transactions

418,092 SF Sale
Sun Products
Buyer: 3490 West, LLC
Salt Lake City, UT



416,634 SF Sale
Reckitt Benckiser
Buyer: GI Partners
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



195,055 SF Sale
Redwood & Broadbent Bus Park
Buyer: IC BP III Redwood
Broadbent, WVC/SLC, UT



136,373 SF Leased
Sorensen Tech
Lessee: 3form
Salt Lake City, UT



2014 IPG BLOG HIGHLIGHTS

“IPG helps complete Phase II of a 275,000 SF expansion and consolidation for 3form, including the expansion and lease renewal of 3form’s 150,000 SF headquarters and 100,000 SF manufacturing facility, and consolidated two more production/fabrication/warehouse facilities into 125,400 SF at the former Overstock.com building in Salt Lake City.”

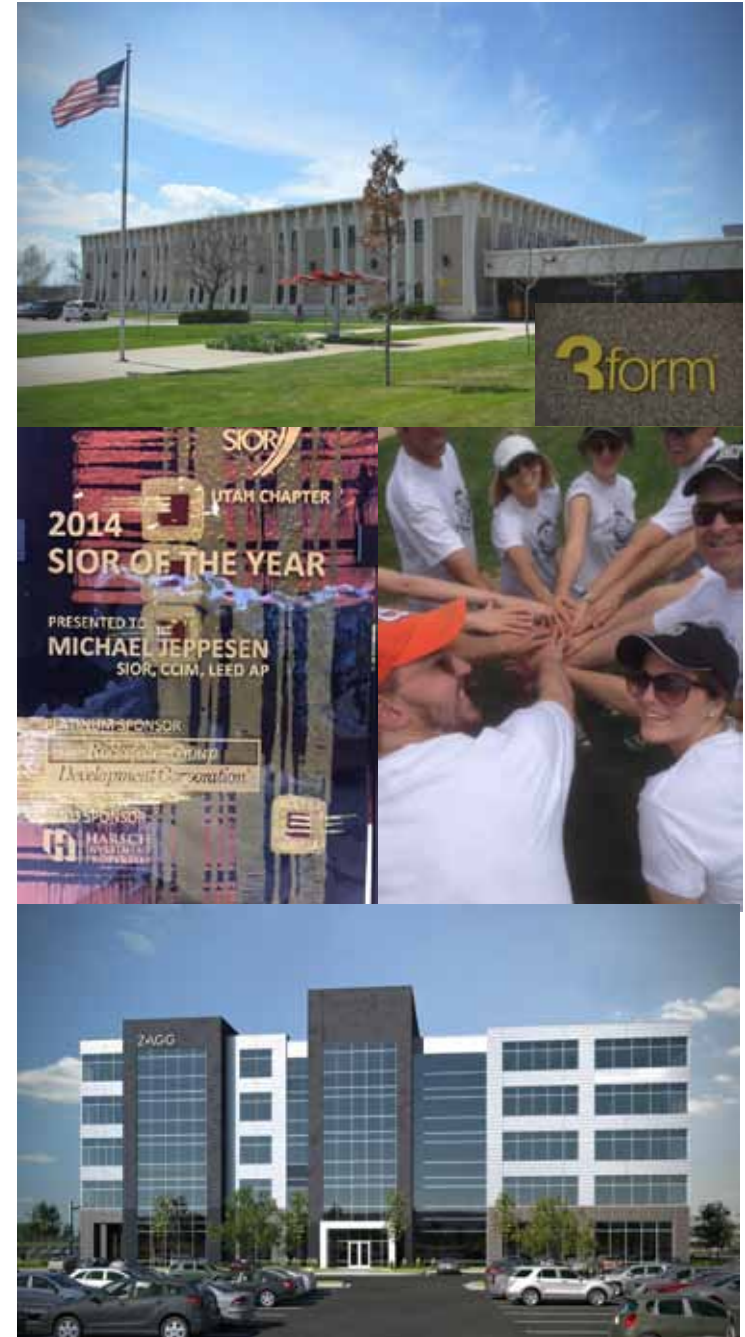
“IPG Softball Challenge and Service Project. The IPG’ers donned their official 2014 Softball Challenge Jerseys and made a day of it at Sugarhouse park followed by volunteer work at Deseret Bakery. We helped slice, bag, and load over 500 loaves of bread. PB&J never tasted so good!”

“Jeremy Jensen visited Washington DC on behalf of CCIM Utah Chapter and our affiliation with the National Association of Realtors to meet with our state legislative representatives in the House and the Senate. He met with Representatives Matheson and Bishop in person and met with staff from Representative Stewart and Senators Hatch and Lee’s offices. ”

“IPG represented ZAGG, Inc., on a 50,000 SF Office Build to Suit lease at the new View at 72 Office Towers in Midvale. The lease was completed in record time, and occupancy is targeted for early 2016. ZAGG will occupy the top 2 floors of the View at 72 building. Neighbors include the Overstock Facility, Savage, and FL Smidth.”

“On Friday, December 5th, the Utah SIOR (Society of Industrial and Office Realtors) Chapter held their annual awards luncheon. With fierce competition, we are pleased to announce that IPG President and Managing Broker, Michael Jeppesen, took home the award for SIOR of the Year!”

A HUGE THANK YOU TO EVERYONE WHO HELPED MAKE 2014 AN AWESOME YEAR!



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