

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

# 2015 YEAR-END SALT LAKE CITY INDUSTRIAL REVIEW

IPG COMMERCIAL MARKET REPORT

MARCH 2016



IPG

## 2015 Year-End Salt Lake Industrial Review

IPG Commercial Real Estate is proud to finish our 10th year serving owners and occupiers of industrial and commercial property in Utah, and across the country. 2015 marked both a milestone anniversary and a record year for IPG in terms of production and clients served. The Last Look newsletter continues to provide the most balanced industrial market data available for Salt Lake City. Utilizing our internal research and a synthesis of our major competitors data, our report strives to provide a comprehensive and statistical “Last Look” at what’s happening now, and forecasts of potential trends in the market.

At mid-year 2015 IPG projected “Utah will end the year with a blue ribbon for market strength and overall performance.” That came true according to the following reports.

Utah #1 State For Business - 24/7 Wall St.

Utah #1 State For Business - Forbes

Utah #1 For Economic Outlook - ALEC

And by all accounts from the Salt Lake City industrial real estate market we achieved a strong first place finish. Construction starts were up, along with lease rates, while vacancy went down. All music to the ears of lenders, developers and investors alike. Tenants did not seem to mind paying more, as they had more new Class A buildings to choose from, and choose they did! Large scale leasing over 100,000 SF increments saw more activity than any year in the last three.

While we remain watchful for “chinks in the armor”, we are confident that supply and demand are in balance and the health of our industrial real estate market is assured for the foreseeable future.



MICHAEL JEPPESE SIOR, CCIM, LEED AP  
PRESIDENT & MANAGING BROKER

## MARKET SNAPSHOT

VACANCY: 4.81%

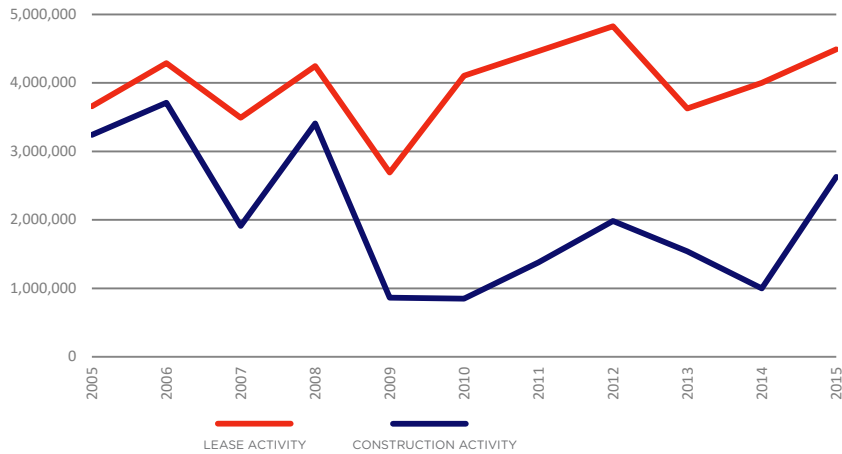
NET ABSORPTION: APPROXIMATELY 1.6  
MILLION SQUARE FEET

AVERAGE LEASE RATE: \$.39/SF/MONTH

COMPLETED CONSTRUCTION: 2,626,517  
SQUARE FEET

AVERAGE CAPITALIZATION RATE: 7.37%

## SALT LAKE COUNTY LEASE ACTIVITY & CONSTRUCTION COMPARISON



### LEASING

- 2.6 million square feet of new construction in 2015 propelled leasing activity to strongest levels since 2012
- Nearly 4.5 million SF total activity (10,000 SF and up)
- Average lease size up with over 60% of all lease deals over 50,000 SF

### SALES

- 1,273,732 SF total activity (10,000 SF and up)
- Highest transaction volume in six years
- Sellers realized that pricing and demand created the perfect storm for selling in second half of 2015

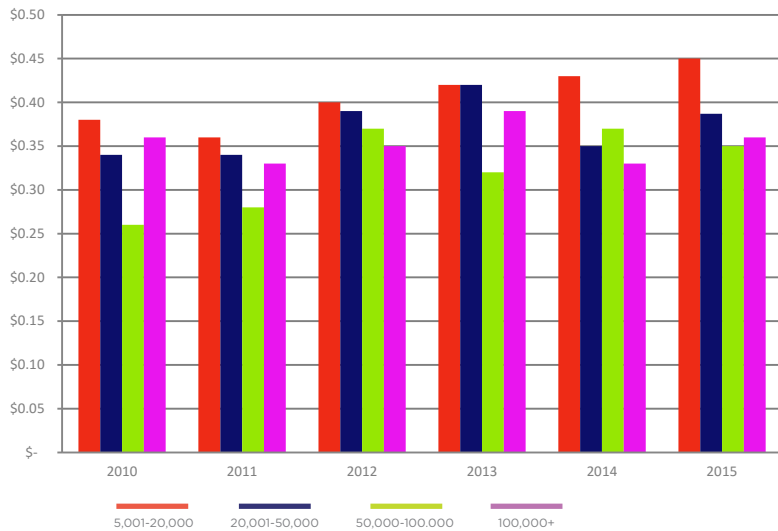
### ASKING RATES & ACHIEVED PRICES

- Overall achieved rates increased 2.5% to \$0.39
- New construction leasing activity buoyed asking and achieved rates. Average asking rate is \$0.43
- Overall weighted average sale price for owner/user buildings up 22.6% from, 2014 at \$63.76/SF

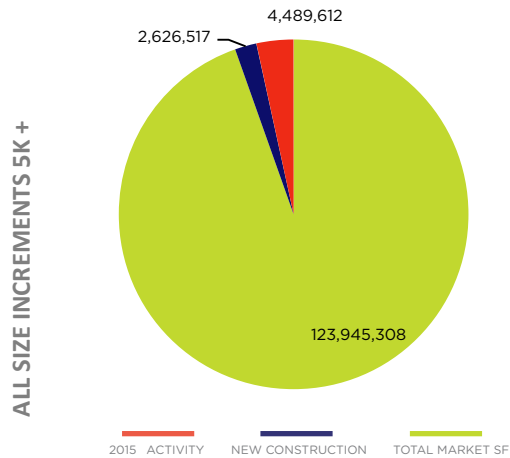
### CONSTRUCTION & LAND ACTIVITY

- Completed construction up nearly 190% from year end 2014
- Still 1.07 million square feet below record new construction year of 2006
- Historical demand for industrial land pushing asking prices for improved Salt Lake County Sites near the \$5/SF mark

## HISTORICAL LEASE RATES



## INVENTORY ANALYSIS



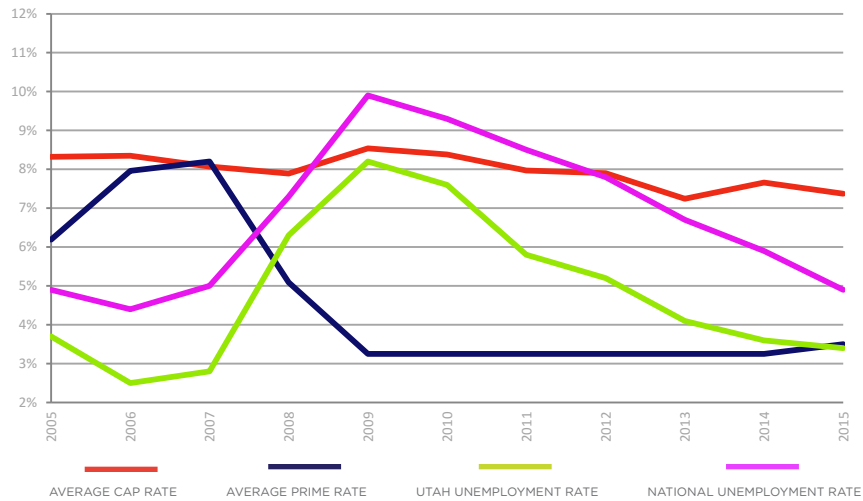
### INVENTORY & VACANCY RATES

- Vacancy rate (4.81%) has dropped 145 bps. year over year
- Increments below 100,000 SF in tight supply. Extremely low supply in increments below 20,000 SF
- Net absorption of approximately 1,600,000 square feet, 40% lower than year end 2014, but remains in line with new construction
- 2015 finished another very strong year of activity, especially large bulk distribution over 100,000 SF increments

### INVESTMENT ACTIVITY

- Compressing cap rates did not slow investment activity - 22% higher industrial sales volume than 2014 at \$225 million
- Utah average industrial capitalization rate dropped 38 bps to 7.37%
- Out of state and foreign investors spurred activity and secured more than half of all deals consummated

## KEY PERFORMANCE INDICATORS



### 2015 FORECAST

- 2016 will see increased land activity throughout the state with investors staying close to the Wasatch Front and large manufacturers considering sites from Tremonton to St. George.
- Rising construction costs and labor constraints will put the burden on tenants in the form of increased lease and sale prices
- Expect some of the languishing second generation product and Class B first generation product to offer unusual incentives to gain occupancy in 2016

## Newly Listed Properties

FOR LEASE  
30,000-116,000 SF  
Distribution Whse  
Construction ETA 2016  
\$0.48/SF/Mo  
Salt Lake City, UT



FOR LEASE  
17,000-111,000 SF  
Distribution Whse  
\$0.65/SF/Mo  
Salt Lake City, UT



FOR LEASE  
186,188 SF  
Distribution Whse  
\$0.45-0.55/SF/Mo  
Salt Lake City, UT



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



FOR SALE OR LEASE  
59,000 SF  
Manufacturing Whse  
\$4,500,000 or \$0.43/SF  
Salt Lake City, UT



FOR SALE  
363 ACRES  
M-1 Zoned Land  
\$5.00/Sq. Ft.  
Salt Lake City, UT



## 2015 Notable Transactions

240,605 SF Investment Sale  
Rio Tinto  
Buyer: Meniscus Group  
West Valley City, UT



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



134,500 SF Sale  
Former Xpedx  
Buyer: DCT Properties  
Salt Lake City, UT



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



102,930 SF Sale  
Americold  
Buyer: Frozen Food Express  
Salt Lake City, UT



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