

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 YEAR-END SALT LAKE CITY INDUSTRIAL REVIEW

IPG COMMERCIAL MARKET REPORT

JANUARY 2017

2016 Mid-Year Salt Lake Industrial Review

No one likes to admit to being wrong, but we were in 2016. And not by a little, by a lot! Our projection at Mid-Year 2016 was that our robust industrial market would start to see an easing off of the gas pedal and activity would temper. Not so. Last year net absorption increased by over 50% vs. 2015. The second half of the year exceeded all expectations for deal volume, rent growth and magnitude of deal types, sizes and sheer market impact. IPG Commercial was thrilled to be on the listing side of the massive 158 acre sale to UPS for their Mega West Coast sorting facility. And in late 2016 we partnered with an out of state broker to close the largest industrial build to suit ever in the state of Utah for Post Brands 903,000 square foot distribution center.

As we look back and look forward the landscape has been and will continue to be dynamic. Space is being added at a moderate clip and being taken up just a bit faster than it is being supplied. Perhaps our biggest constraint in the coming year will not be influences outside of the market but the nagging low unemployment rates employers' face when relocating or expanding here.

The positive attributes of our unique market will continue to drive business and we anticipate 2017 to be near or even exceed 2016 performance levels.

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

MARKET SNAPSHOT

VACANCY: 3.54%

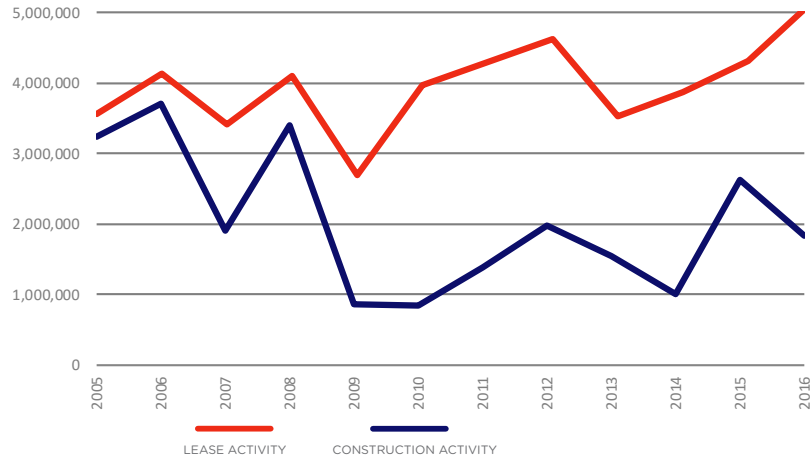
NET ABSORPTION: APPROXIMATELY 2.222
MILLION SQUARE FEET

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

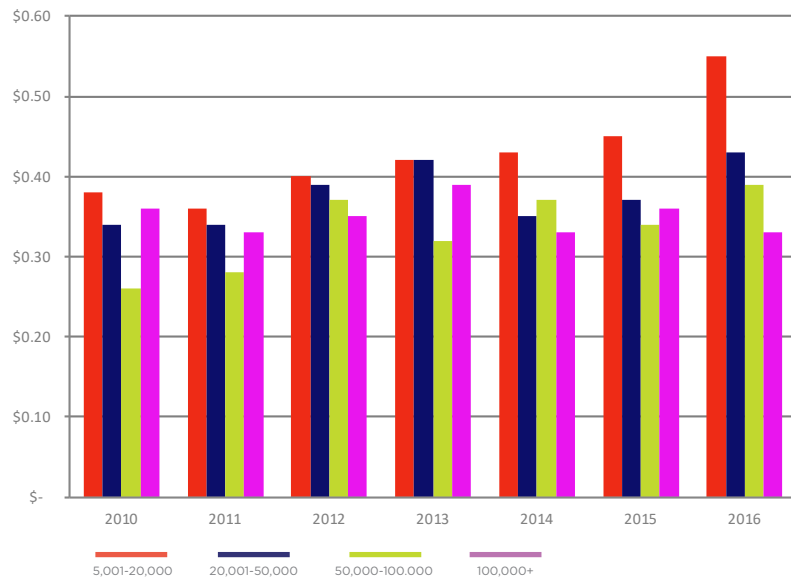
COMPLETED CONSTRUCTION: 1,846,000
SQUARE FEET

AVERAGE CAPITALIZATION RATE: 7.13%

SALT LAKE COUNTY LEASE ACTIVITY & CONSTRUCTION COMPARISON



HISTORICAL LEASE RATES



LEASING

- Leasing activity reached strongest levels since 2012 with over 5.41 Million Square Feet leased in 2016
- Whereas the first half of 2016 saw the highest leasing velocity occurring under 100K SF, Q4 2016 saw the signing of 4 leases which resulted in the highest leasing velocity over 100K SF by year end 2016.

SALES

- 1,559,717 SF total activity
- Slightly higher transaction volume than 2015 makes 2016 the all time high for transaction volume
- The limited increase in total sale activity in 2016 reflects the lack of newly developed inventory "for sale"

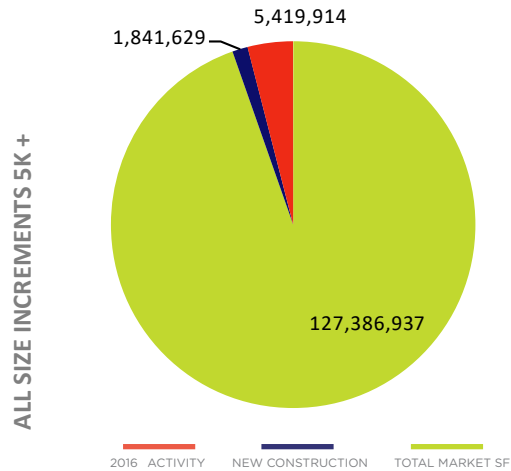
ASKING RATES & ACHIEVED PRICES

- Salt Lake County lease rates have remained firm through 2016 at \$0.41/SF/Month NNN
- Highest achieved lease rates are in South Valley in small-box buildings
- Small-box buildings have experienced continuous growth in the past five years with current lease rates 22% higher than 2012 rates
- This steady growth in small-box rates is sufficient to justify new speculative development
- Average building sale price for 2016 has risen to \$71.52 PSF from 2015 with a particularly dramatic increase in average Flex prices reaching \$90.57 PSF, an all time high

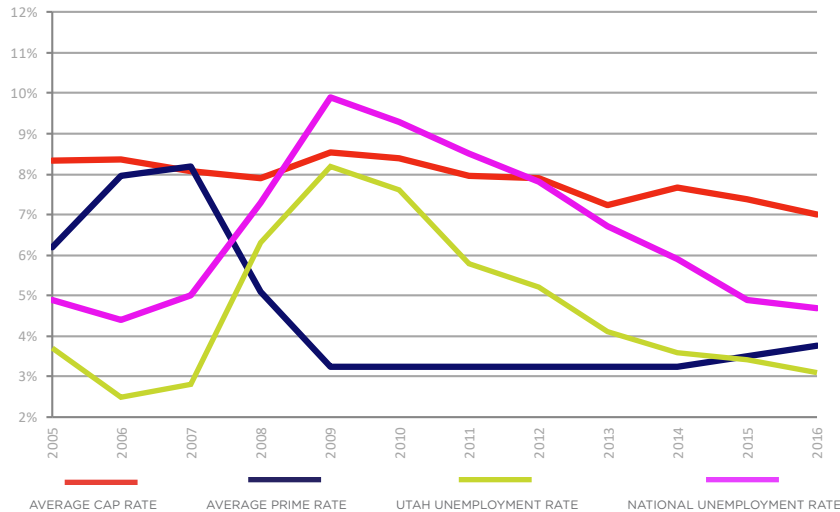
CONSTRUCTION & LAND ACTIVITY

- 2016 saw over 2.385 million square feet under construction with over 1.846 million square feet delivered by year end
- At the start of 2017 there is over 2 million square feet under construction scheduled to be complete within the next 12-19 months. Much of this new development is catered to small-box and mid-bay users

INVENTORY ANALYSIS



KEY PERFORMANCE INDICATORS



CONSTRUCTION & LAND ACTIVITY CONT.

- These impressive construction numbers are partly attributable to Salt Lake City's one-year moratorium on impact fees which expires in April 2017

INVENTORY & VACANCY RATES

- Vacancy rate slightly decreased from Q2 2016 to 3.54% at year end
- Low vacancy and rent growth in small-box buildings justifies the increase in construction activity
- Net absorption is considerably higher than YE 2015 at 2,222,000 SF

INVESTMENT ACTIVITY

- Salt Lake County average cap rates increased from mid-year 2016 to 7.13%
- A sizable decrease in investment dollar volume in medium distribution, general purpose, and flex buildings resulted in an average 2016 investment dollar volume that was smaller than 2015
- Despite a decreased overall investment dollar volume, manufacturing and bulk distribution buildings experienced a considerable increase in investment dollar volume from 2015

2017 FORECAST

- Asking rental rates are expected to rise gradually as the market tightens and tenants are willing to pay for modernized spaces
- Vacancy is anticipated to decrease despite significant added inventory
- 2016 saw an interest in the Salt Lake Market by large users and that interest is likely to heighten in 2017
- New development will remain strong with an impressive amount under construction at the start of 2017
- Land constraints will continue to push land values up until more land becomes available in the Northwest Quadrant

Market Opportunities

BTS LAND SITE
60 ACRES
50,000-500,000 SF
M-1 Zoned Land
\$.00/Sq. Ft.
Salt Lake City, UT



FOR SALE OR LEASE
222,292 SF
Manufacturing Whse
Negotiable
Salt Lake City, UT



INVESTMENT SALE
191,270 SF
Business Park
\$11,450,000
7.89% Cap
Salt Lake City, UT



FOR LEASE
60,000-503,000 SF
Distribution Whse
\$.38/SF/Mo
Salt Lake City, UT



INVESTMENT SALE
122,900 SF
Warehouse
Negotiable
Salt Lake City, UT



FOR LEASE
159,767 SF
Distribution Warehouse
\$.48/Sq. Ft.
Salt Lake City, UT



2016 Notable Transactions

BTS Lease
903,000 SF
Salt Lake City, UT
Lessee: Post Foods



BTS Lease
418,612 SF
Lessee: Enlinx
Salt Lake City, UT



Land Sale
158 Acres
Buyer: UPS
Salt Lake City, UT



Investment Sale
435,125 SF
Buyer: Blackstone
Salt Lake City, UT



Industrial Lease
240,274 SF
Lessee: Veritiv
Salt Lake City, UT



WWW.IPGCRE.COM

801.746.7295

*The Last Look Market Report is an amalgamation and interpretation of multiple sources of market data and information. The information is deemed to be accurate, IPG has not independently verified it and as such does not guarantee it's correctness. None of the information reported herein is taken directly from any one source, or reproduced verbatim, but is a consolidation of sources, including; Cushman Wakefield, Newmark Grubb Acres, and CBRE.



IPG