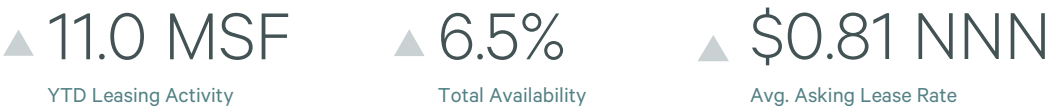


FIGURES | SALT LAKE INDUSTRIAL & LOGISTICS | Q4 2023

# Salt Lake industrial market finished 2023 strong despite mixed trends throughout the year

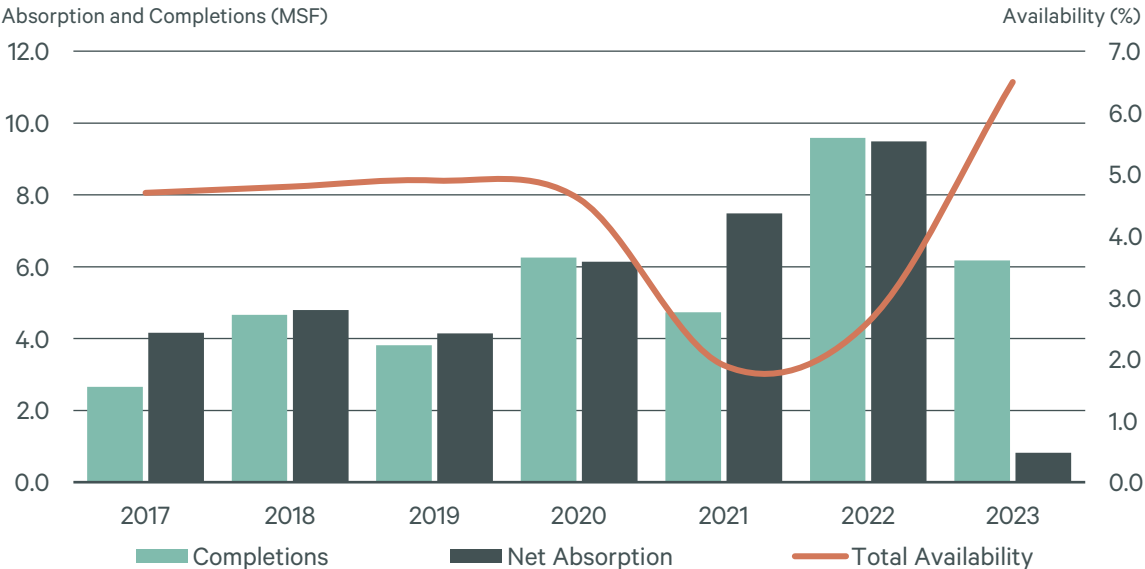


Note: Arrows indicate YOY change.

HIGHLIGHTS

- 823,916 sq. ft. was positively absorbed in 2023, the lowest amount since 2012.
- Just over 6.1 million sq. ft. delivered in 2023, 50.7% of the space is still available.
- Over 295,000 sq. ft. of new sublease space was added in Q4 2023, the lowest amount added in a quarter since Q3 2022.
- Weighted average achieved lease rates continued to increase for the 8<sup>th</sup> straight quarter to an all time high \$0.81 per sq. ft. NNN Mo.
- Over 11.0 million sq. ft. was leased in 2023, finishing 2.6% higher then 2022 in terms of total leasing activity.
- The market’s availability rate increased by 380 basis points year-over-year, the single largest year-over-year increase in market history.
- Sales activity remained relatively stagnant throughout 2023, however over 90.3% of the year’s total sales activity occurred in the second half of 2023.

FIGURE 1: Completions (MSF), Net Absorption (MSF), and Availability Rate (%)



Source: CBRE Research, Q4 2023

## Market Overview

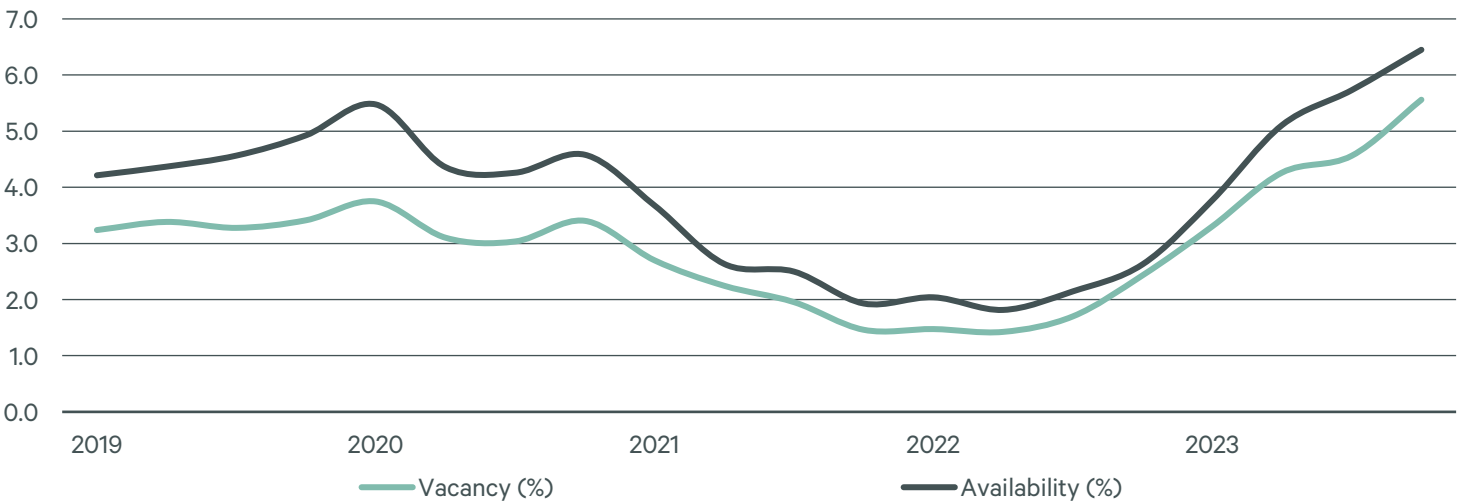
The Salt Lake County industrial market witnessed an unprecedented year. All time high sublease availability coupled with record breaking deliveries over the last 24-months led to a 380 basis-point (bps) increase in availability year-over-year, the largest year-over-year increase in market history. The year finished well behind 2022 in terms of net absorption, with just over 800,000 sq. ft. positively absorbed. The slower absorption activity was due to the large increase in available sublease space and some tenants choosing to downsize. Despite this, average achieved lease rates still grew by 8.6% year-over-year, and total leasing activity outpaced 2022, which was previously the second strongest year in market history. This growth in the face of adversity demonstrated the underlying strength of the Salt Lake County industrial market. The market’s resiliency and growth throughout 2023 has led professionals to be bullish about 2024.

Construction activity remained robust throughout 2023 with 6.2 million sq. ft. delivered and just over 4.0 million sq. ft. in ground breakings. Continued growth is vital to the health of the Salt Lake County industrial market to help fulfill demand and provide prospective tenants with more options.

The Northwest Quadrant (NWQ) continued to be a hotspot for industrial activity. The quadrant accounted for 79.3% of the market’s total leasing activity and 74.1% of total space delivered in 2023. This coupled with a 9.2% increase in achieved lease rates year-over-year continued to attract investors to the NWQ.

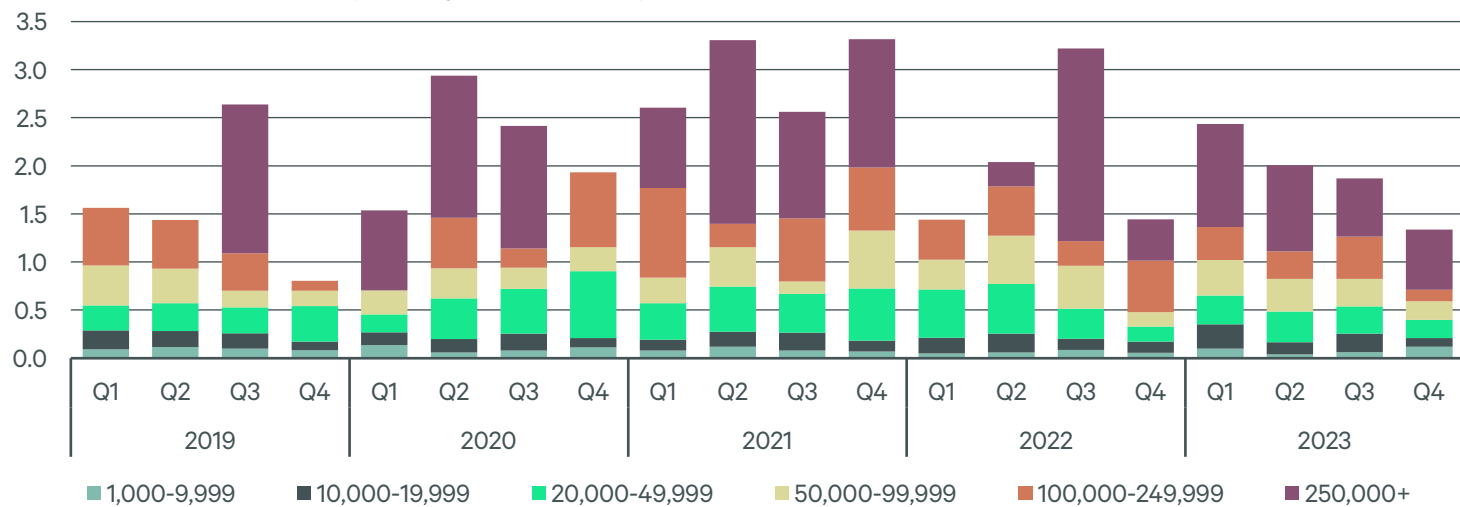
Salt Lake County’s geographical position, economical strength, and population growth will continue to spur demand for industrial space. As macroeconomic conditions begin to stabilize expect the Salt Lake County industrial real estate market to be a hop spot in the west.

FIGURE 2: Historical Vacancy (%) and Availability (%)



Source: CBRE Research, Q4 2023

FIGURE 3: Historical Area Leased Only Including New Leases and Expansions (MSF)



Source: CBRE Research, Q4 2023

## Net Absorption

For the first time since 2012, the year began with two straight quarters of negative net absorption. However, after a strong second half of the year, 2023 finished with just over 800,000 sq. ft. of positive net absorption. Although this figure fell short of the 2022 total, over 5.2 million sq. ft. of vacant space was listed in 2023, so 2023 finishing with positive net absorption highlights the strength of the market. Specialized Bicycle’s-583,000-sq.-ft. lease in SLC Global Logistics Center Building 6 was the largest contributor to positive absorption this year, followed closely by Wingpointe Logistics, a speculative project that was occupied in Q4 2023. With over 7.0 million sq. ft. currently vacant, 2024 will need to see strong positive net absorption to fill that space.

## Sublease Activity

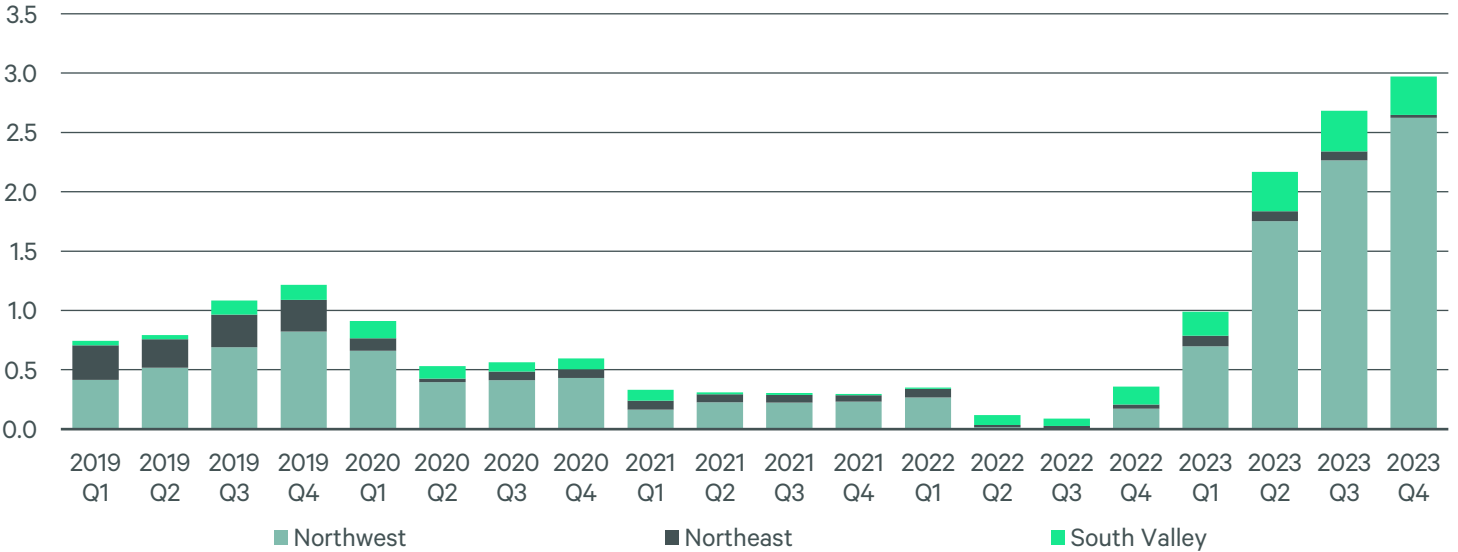
This year saw the largest amount of sublease space listed in a single year in market history. Over 3.7 million sq. ft. was listed for sublease with 2.9 million sq. ft. still available. However, new sublease listings have begun to slow with just under 300,000 sq. ft. listed in Q4 2023, the smallest amount listed in a quarter since Q3 2022. This downward trend is a sign that tenants are beginning to slow downsizing efforts as macro-economical conditions stabilize. Landlords have also begun to allow tenants out of their lease and relist the space directly, as evidence by Freeport ARA – Building, C a 113,000 sq. ft. space that was originally listed for sublease but switched to direct in Q4 2023. The rate at which the available sublease space fills as new listings slow will be a strong indicator of the health of the market. As 2024 approaches, sublease activity will be a key trend to follow throughout the year to help gauge demand for industrial space in Salt Lake County.

FIGURE 4: Q4 2023 Notable Current Sublease Listings

	Available SF	Location	Sublessor	Industry
Building Name				
The Quadrant I	655,460	Airport	Stich Fix/USPS	Clothing/Logistics
City Creek Industrial – Building A	303,156	California Ave	Medline	Manufacturing
Dannon Way Industrial Park	290,973	West Jordan	Misfits Market	Grocery
Mountain View Industrial Park – Building C	243,232	California Ave	ABF Freight Systems	3PL
5350 W Harold Gatty Dr	228,800	Airport	Red Stag Fulfilment	3PL

Source: CBRE Research, Q4 2023

FIGURE 5: Sublease Availabilities (MSF) by Quadrant

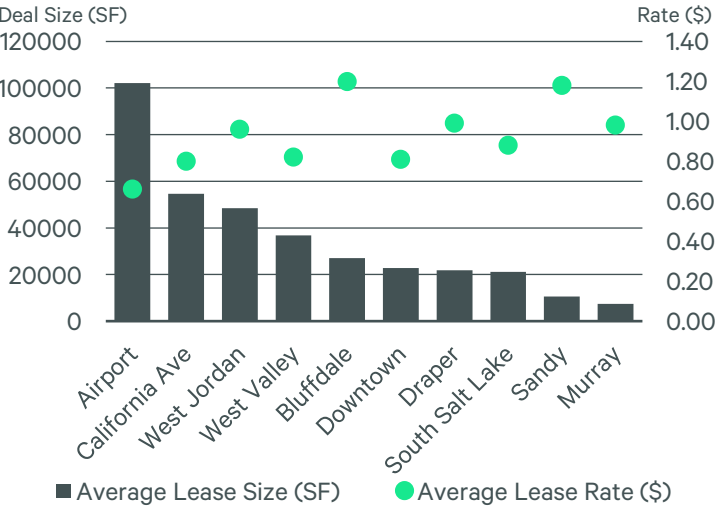


Source: CBRE Research, Q4 2023

## Submarket Performance

A rapid increase in available space in the market was a key metric followed throughout 2023. Availability across the market grew by 380 bps year-over-year due to record-breaking construction deliveries and all-time high sublease availability. Available sq. ft. in the South Valley quadrant grew by 370 bps quarter-over-quarter mainly due to the delivery of 111 Commerce Center – Building A, a 1.0-million-sq.-ft. speculative project delivered in Q4 2023. This, coupled with a handful of new sublease listings in the NWQ caused market wide availability to increase by 70 bps quarter-over-quarter. Despite this, achieved lease rates and leasing activity continued to grow in the NWQ with over 1.5 million sq. ft. leased in Q4 2023, and a 9.2% annual increase in average achieved lease rates. The NWQ submarket is expected to be a hotspot for industrial activity heading into 2024.

FIGURE 6: Annual Average Deal Size (SF) and Weighted Average Achieved Lease Rate by Submarket (\$/SF/Mo NNN)



Source: CBRE Research, Q4 2023

FIGURE 7: Market Summary

	Net Rentable Area (SF)	Total Available (%)	Total Vacancy (%)	YTD Lease Activity (SF)	YTD Net Absorption (SF)	Avg. Ask. Rent (\$/SF/Mo NNN)	Weighted Average Achieved Rent (\$/SF/Mo NNN)	Under Construction (SF)	Completions YTD (SF)
Market Total	165,140,624	6.4	5.6	11,065,852	823,916	0.81	0.80	5,966,543	6,177,280
NORTHWEST	103,160,431	7.7	6.7	8,775,703	860,717	0.79	0.76	4,642,220	4,579,247
Airport	23,454,519	10.6	10.5	3,062,783	26,341	0.75	0.66	3,400,440	1,987,909
California Ave	56,863,998	7.9	6.6	4,534,980	529,357	0.82	0.80	1,222,180	2,359,802
West Valley	22,841,914	4.5	3.1	1,177,940	305,019	0.72	0.82	19,600	231,536
NORTHEAST	36,615,127	1.9	0.8	1,162,065	(355,179)	0.79	0.87	-	-
Downtown	15,160,006	1.8	1.8	388,299	(183,353)	0.74	0.81	-	-
Murray	3,885,648	3.6	0.3	95,872	5,913	0.73	0.98	-	-
South Salt Lake	17,569,473	1.7	1.3	677,894	(177,739)	0.87	0.88	-	-
SOUTH VALLEY	25,365,066	7.6	6.9	1,128,084	318,378	0.89	1.04	1,324,323	1,598,033
Bluffdale	2,596,660	7.2	7.2	216,624	212,862	1.07	1.20	232,239	317,190
Draper	4,797,767	4.6	2.2	283,216	153,785	1.22	0.99	-	159,600
Sandy	5,767,033	2.9	2.4	95,357	(28,256)	1.01	1.18	-	98,619
West Jordan	12,203,606	11.1	10.8	532,887	(20,013)	0.78	0.96	1,092,084	1,022,624

Source: CBRE Research, Q4 2023

Lease Activity

Total leasing activity reached just over 11.0 million sq. ft. in 2023, finishing slightly above the 2022 year-end total. Another year of strong leasing activity highlighted the continued demand for industrial space in Salt Lake County. The NWQ remained the strongest performing quadrant as it accounted for 79.3% of total leasing activity due to the nature of the quadrant, and a surge in available space in the area. Leases signed in buildings delivered since 2022 accounted for 42.2% of total leasing activity. This substantial representation can be contributed to the fact that buildings built since 2022 also account for 48.9% of the total market's vacancy. With available space at an all-time high, leasing activity is expected to remain strong throughout 2024 as tenants have a multitude of options compared to just 12 months ago.

Lease Rates

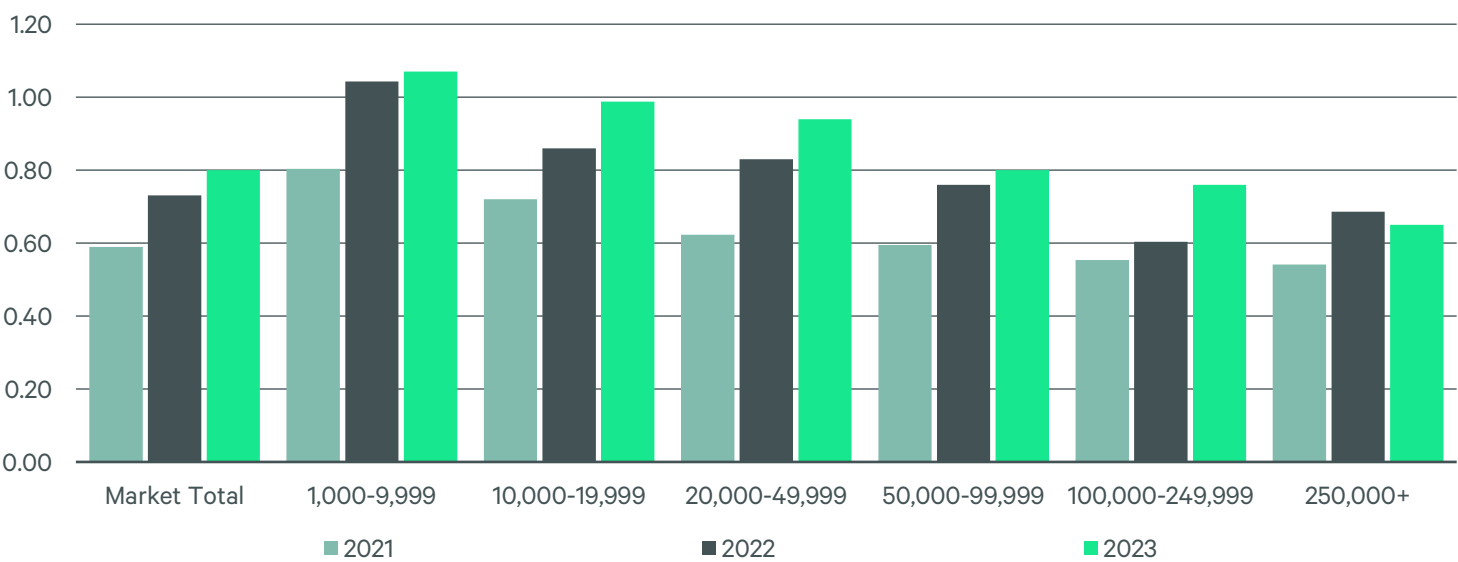
The market wide average achieved weighted lease rate grew by 8.6% year-over-year, more than double the all-time average increase of 3.9%. Since year-end 2020, average achieved lease rates have surged by 35%, a key factor behind Salt Lake City being listed as a market to watch in CBRE's U.S. Real Estate Market Outlook 2024. This unprecedented growth underscores the sustained demand for space across the market despite increased vacancy. In contrast, the Airport submarket experienced a 4.2% decline in its average achieved lease rate, primarily attributed to a rapid increase in available sublease space. The average weighted achieved lease rate for leases signed between 100,000 and 249,999 sq. ft. increased by \$0.16 year-over-year, marking the largest such increase in a single size range in market history. Achieved lease rate growth is expected to stabilize in 2024 as available sq. ft. reached an all-time high in Q4 2023.

FIGURE 8: 2023 Top 5 Leases

	Transaction Size (SF)	Location	Industry	Lease Type
TENANT				
New Balance	806,661	Airport	Clothing	New Lease
Specialized Bicycle	583,308	Airport	Cycling	New Lease
Pacific Flyway	507,007	California Ave	Logistics	New Lease
Confidential Tenant	374,360	Airport	Logistics	New Lease
Sephora	350,892	California Ave	Beauty	Renewal

Source: CBRE Research, Q4 2023

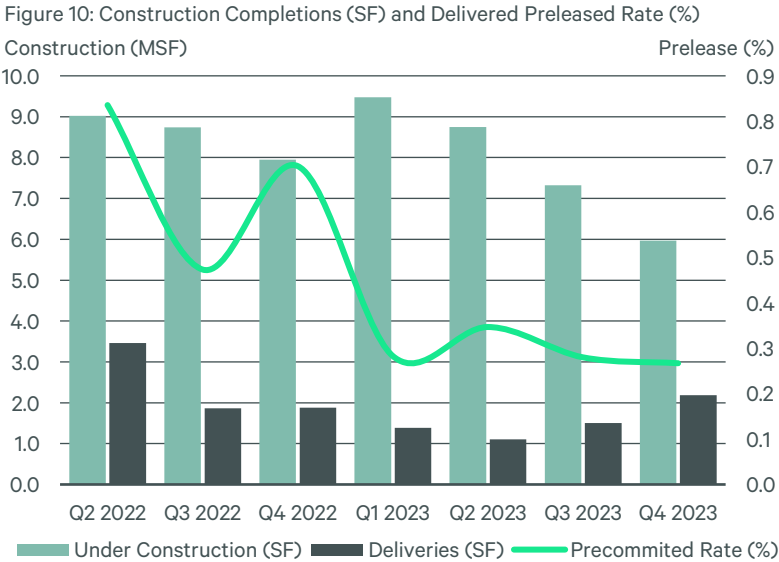
FIGURE 9: Weighted Average Achieved Lease Rates (\$/SF/Mo NNN)



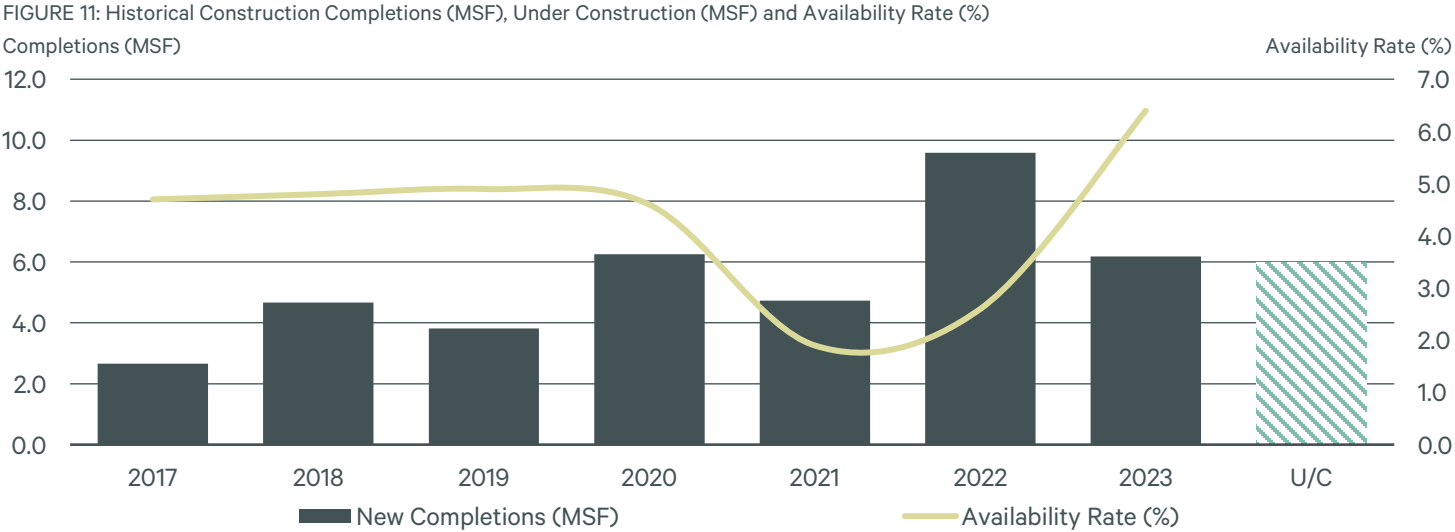
Source: CBRE Research, Q4 2023

Construction

Just over 6 million sq. ft. delivered in Salt Lake County this year, the third largest amount delivered in a single year in market history. 50.7% of delivered space in 2023 remained vacant heading into 2024. This has directly slowed new groundbreakings as 2023 finished the year with the lowest amount of product under construction since Q3 2019. 111 Commerce Center Building A was the most prominent project delivered in Q4 2023 at just over 1.0 million sq. ft. This project is the first large speculative distribution center in the West Jordan submarket and the pace at which this space fills will be an important indicator for the demand for large distribution space in the South Valley quadrant. Expect construction activity to become relatively stagnant in 2024, as newly delivered space slowly begins to absorb throughout the year.



Source: CBRE Research, Q4 2023



Source: CBRE Research, Q4 2023

FIGURE 12: Q4 2023 Notable Construction Completions

	Property Size (SF)	Submarket	Preleased (%)	Spec/BTS
PROPERTY NAME				
111 Commerce Center A	1,022,624	West Jordan	0%	Spec
SLC Global Logistics Center – Building 6	874,657	Airport	66.7%	Spec
5 South Commerce Center	172,845	California Ave	0%	Spec
Mountain Point Business Center – Building 2	117,354	Bluffdale	0%	Spec

Source: CBRE Research, Q4 2023

Sales Trends

The Federal Reserve’s decision to rapidly increase interest rates in 2023 coupled with economic uncertainty caused sale activity to stall. However, the latter part of 2023 witnessed a rebound in investor engagement, driven by diminishing concerns of an impending recession and a pause in interest rate increases. The standout transaction of the year was the 478,239-sq.-ft. two-property investor portfolio sale of I-215 Logistics Center – Buildings C & D. These recently completed structures, featuring stable long-term tenants at prevailing market rates, swiftly attracted investor attention. In Q4 2023, the most significant sale was Airport Industrial – Building 1, purchased vacant by an owner-user intending to establish it as a distribution hub for a renowned granola bar manufacturer. With the prospect of decreasing interest rates in 2024, a resurgence in sales activity is anticipated, as investors who have been on the sidelines are poised to act.

Local Economy Overview

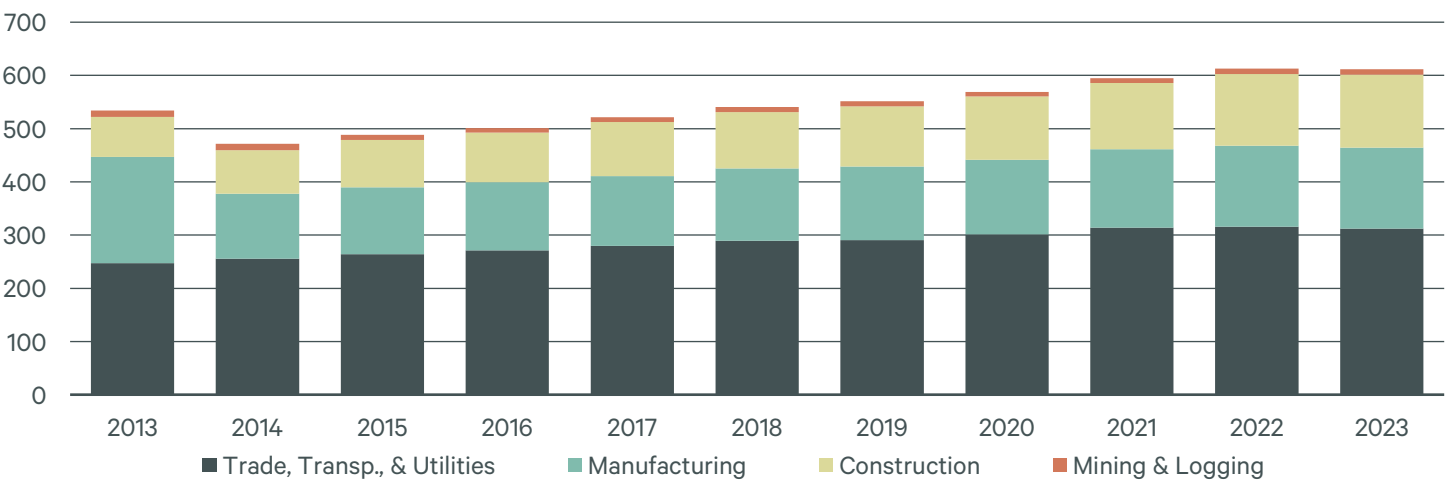
Utah bolstered the strongest economy in the United States in 2023 as evidenced by ranking as the #1 economy and the #1 state overall in the 2023 U.S. News report. Low unemployment rate, continued employment growth, and strong labor force participation rates are part of what made Utah the strongest economy in 2023. This coupled with the state’s continued population growth and diverse climate have continued to attract investors, young professionals, and businesses to the Beehive state. Utah’s strong economy and geographical advantages is another contributing factor to increased industrial demand in Salt Lake County.

FIGURE 13: 2023 Notable Sale Transactions

	Transaction Size (SF)	Location	Usage Subtype	Sale Type
PROPERTY NAME				
I-215 Logistics Center – Buildings C&D	478,239	Airport	Manufacturing	Investor
Raceway Commerce Center	397,894	West Valley	Distribution/Logistics	Investor
Airport Industrial – Building 1	339,394	Airport	Distribution/Logistics	Owner-User
2215 Logistics Center	328,000	California Ave	Distribution/Logistics	Investor
201 Commerce Center – Building 6	307,940	West Valley	Distribution/Logistics	Investor

Source: CBRE Research, Q4 2023

FIGURE 14: Utah Industrial-Using Employment (000s)



Source: Bureau of Labor Statistics, November 2023



## National Economic Overview

The combination of continued economic momentum with a likelihood that the Fed’s dramatic tightening cycle is now complete makes a ‘soft landing’ appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters. Foremost, lower and middle-income households no longer have the luxury of excess savings and the pace of wage growth, while remaining elevated, is slowing. This nuance with wage growth is important. Higher wages are helping to maintain higher, albeit decelerating, core inflation. This backdrop will likely translate into the Fed only slowly lowering its target rate in 2024. (CBRE expects 75 to 100 basis points worth of rate cuts in 2024.) This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets. Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.

## Survey Criteria

Includes all existing industrial properties over 10,000 sq. ft. in Salt Lake County. Leasing activity includes renewals, new leases, and extensions. Property must fit within a subtype. Property may be owner-user. Buildings which have begun construction are evidenced by site excavation or foundation work. Positive net absorption is calculated by lease signed date. Only existing buildings are included in vacancy and availability rate calculations. Data in previous publications is subject to change.

## Contacts

### DOWNTOWN SALT LAKE CITY

222 South Main Street, 4<sup>th</sup> Floor  
Salt Lake City, UT 84101

### Jared Elroy

Field Research Analyst  
+1 208 906 4533  
jared.elroy@cbre.com

### Sierra Hoffer

Research Manager  
+1 801 869 8022  
sierra.hoffer@cbre.com

© Copyright 2023 All rights reserved. Information contained herein, including projections, has been obtained from sources believed to be reliable, but has not been verified for accuracy or completeness. CBRE, Inc. makes no guarantee, warranty or representation about it. Any reliance on such information is solely at your own risk. This information is exclusively for use by CBRE clients and professionals and may not be reproduced without the prior written permission of CBRE’s Global Chief Economist.