

4Q24

Greater Salt Lake Industrial Market

Overviews for Salt Lake, Davis, Weber and Utah Counties



Market Observations

Economy

- The Wasatch Front maintained a strong labor market, with a 3.1% unemployment rate in November 2024. Most super-sectors posted year-over-year job gains.
- Gulf and East Coast dockworkers ended a 3-day strike, in October, returning to the bargaining table with the United States Maritime Alliance. Both sides eventually reached a tentative agreement for a new six-year master contract in early January.
- Loaded import volume at Southern California’s ports totaled 9.2 million containers in the first 11 months of 2024, up 22.1% from the same period in 2023. A good portion of this cargo was shipped eastward by rail to markets outside of the Southwest.
- Once the contract is ratified, Eastern U.S. distributors will slow cargo reroutes to other seaports. Southern California will see lower TEU volume in 2025.

Major Transactions

- The Northwest Quadrant remains a key location for industrial users across various sectors. Its strategic proximity to the Inland Port and Salt Lake City International Airport enhances its appeal.
- Overall leasing activity was subdued but saw an uptick in Q4 2024 as "election paralysis" eased.
- Third-party logistics providers (3PLs) and manufacturers are highly active, with some manufacturers retrofitting non-industrial buildings to address the lack of manufacturing space.

Leasing Market Fundamentals

- Net absorption in 2024 exceeded construction deliveries across the Wasatch Front, except in Utah County.
- Achieved first-year lease rates experienced steady growth in most areas, with specialized and small spaces commanding a premium due to limited supply.
- Salt Lake County lagged in lease rate growth compared to other regions.
- Rising operating expenses, driven by inflation and 4.0% annual lease escalations, are pushing cost-conscious tenants toward Class B and C spaces.

Outlook

- The macroeconomic outlook remains uncertain, but leasing activity continues at pre-pandemic levels. Activity is expected to pick up further in 2025.
- Vacancy is likely to stabilize as supply and demand balance out in the coming quarters.
- Asking rents are cooling after two years of rapid growth but achieved lease rates will fluctuate due to activity in new construction versus second-generation spaces.
- Landlords continue to use concessions and tenant improvements to attract tenants.

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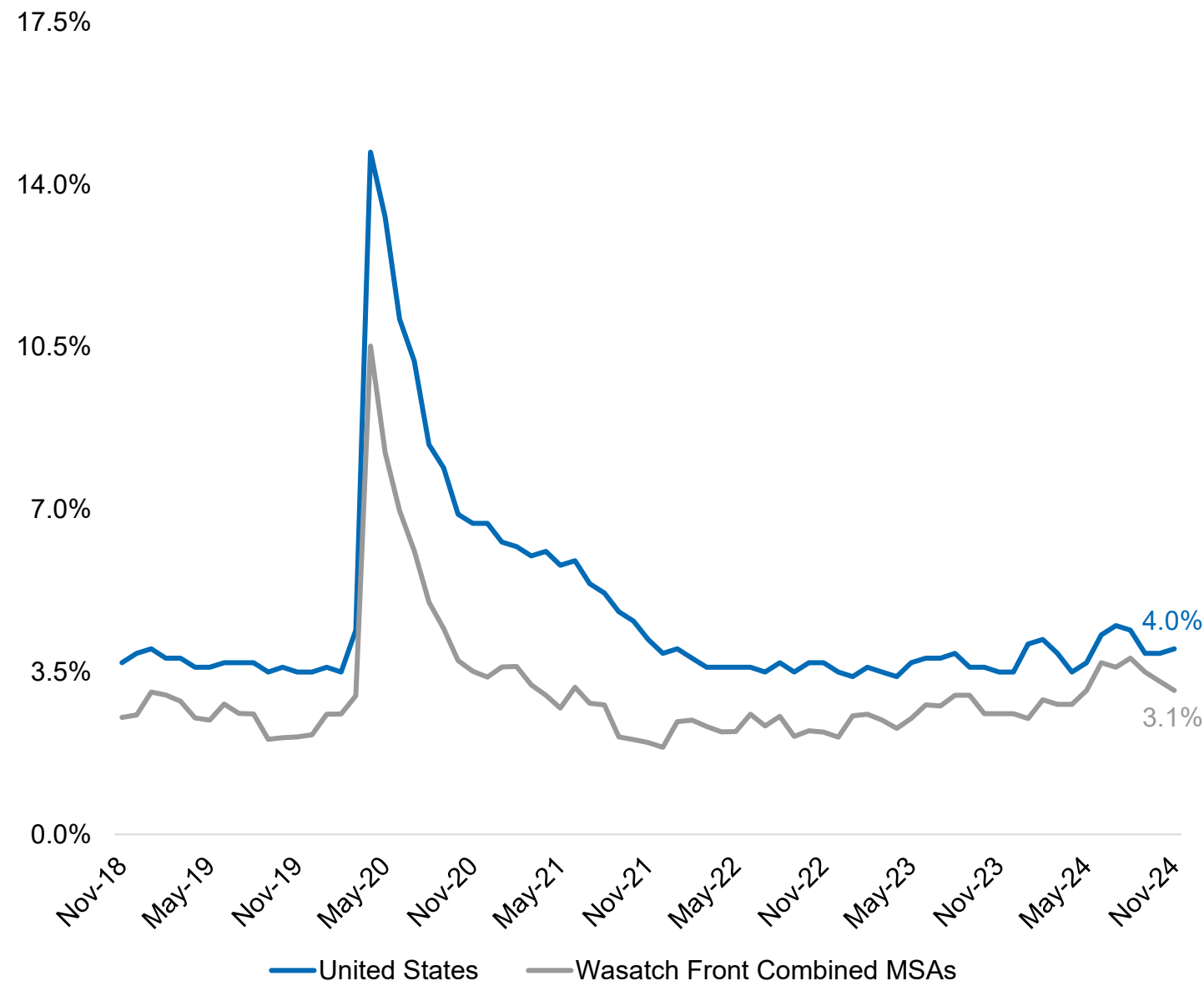
Economy



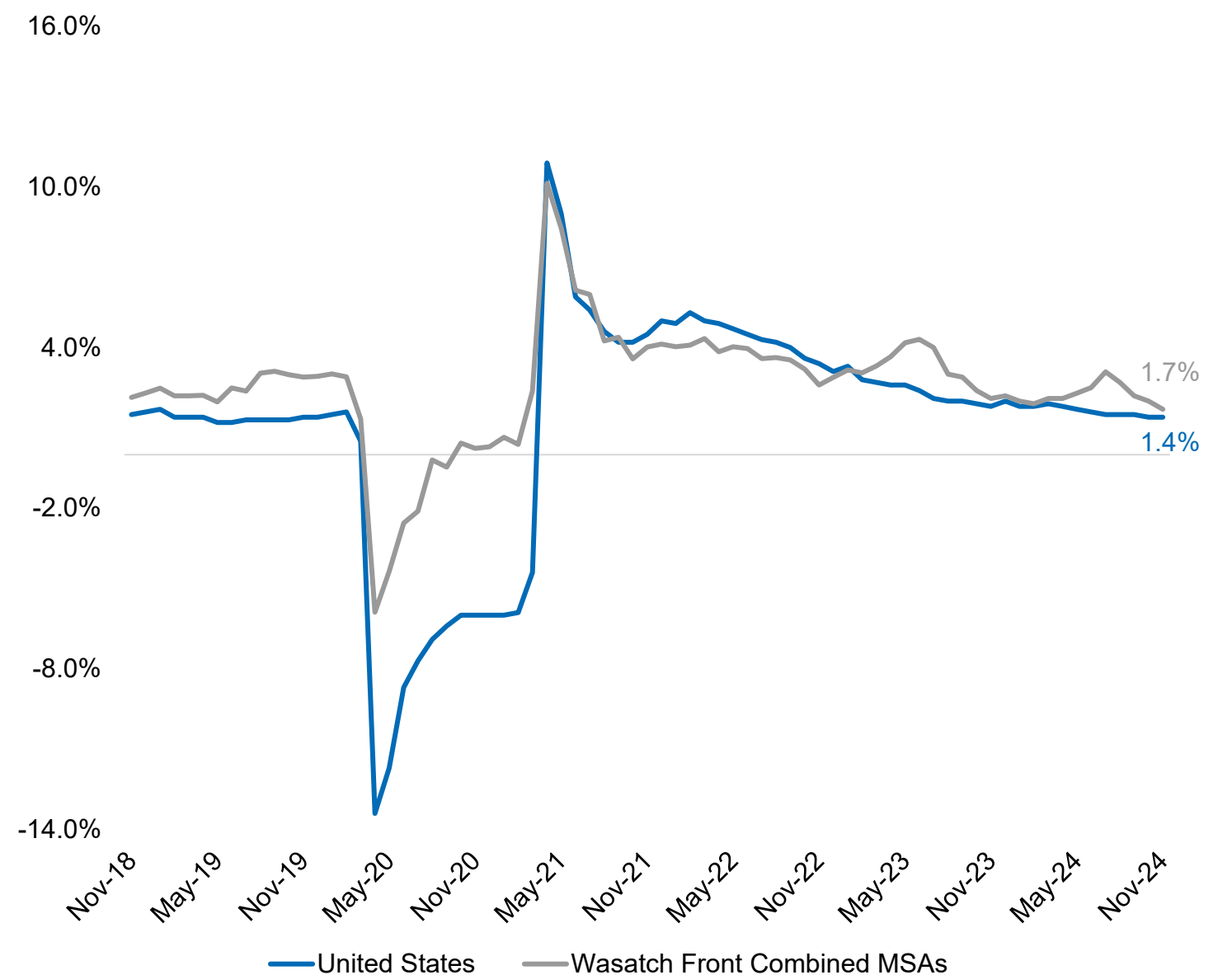
Wasatch Front Maintains Strong Employment Amid Slowing Growth

The Wasatch Front has historically maintained unemployment rates well below the national average and has aligned with pre-pandemic levels for the past two years, even amid economic uncertainty. As of November 2024, the region's unemployment rate was 90 basis points lower than the national figure. While local job growth slowed in the second half of 2024, it remained positive at 1.7% annually, outpacing the national growth rate of 1.4%.

Unemployment Rate, Not Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

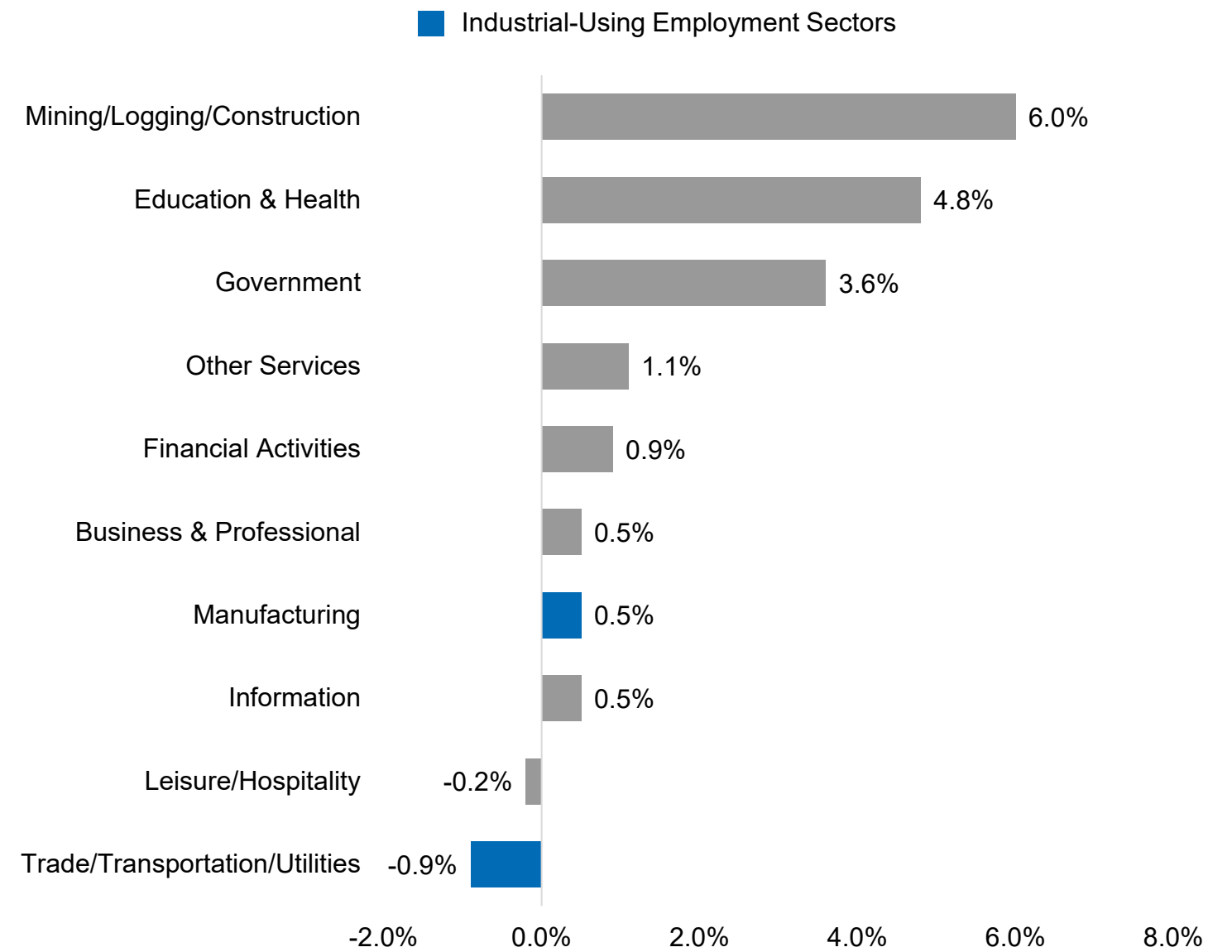
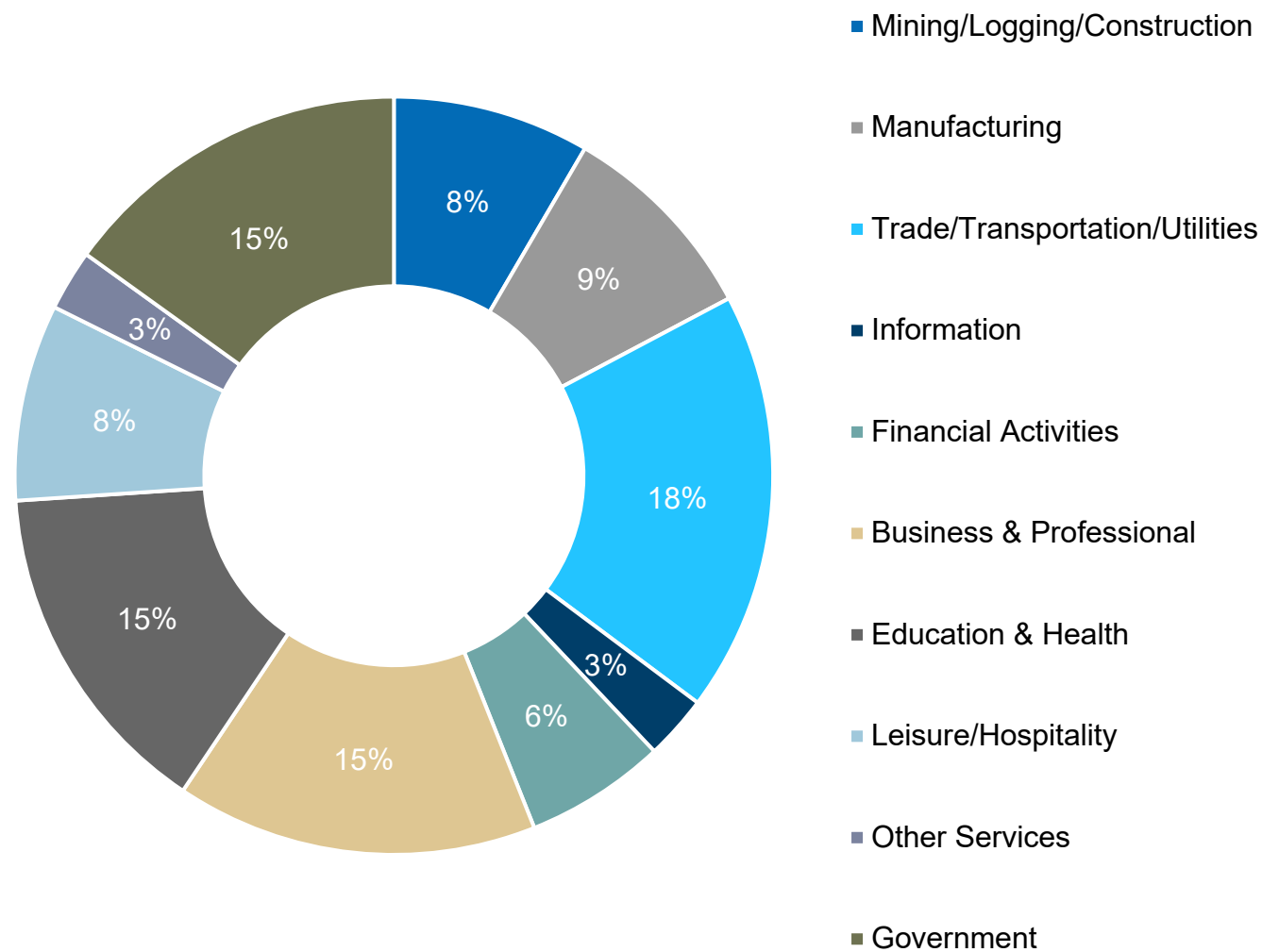
*Wasatch Front Combined MSAs include: Salt Lake City MSA, Provo-Orem MSA and Ogden-Clearfield MSA

Industry-Specific Gains Drive Wasatch Front Job Growth in 2024

Along the Wasatch Front, strong year-over-year job growth was led by the mining/logging/construction (+6.0%), education and health (+4.8%), and government (+3.6%) sectors, which supported overall employment gains. However, the trade/transportation/utilities (-0.9%) and leisure/hospitality (-0.2%) sectors saw slight contractions over the past 12 months, reflecting broader challenges in those industries.

Wasatch Front Employment by Industry, November 2024

Wasatch Front Employment Growth by Industry, 12-Month % Change, November 2024



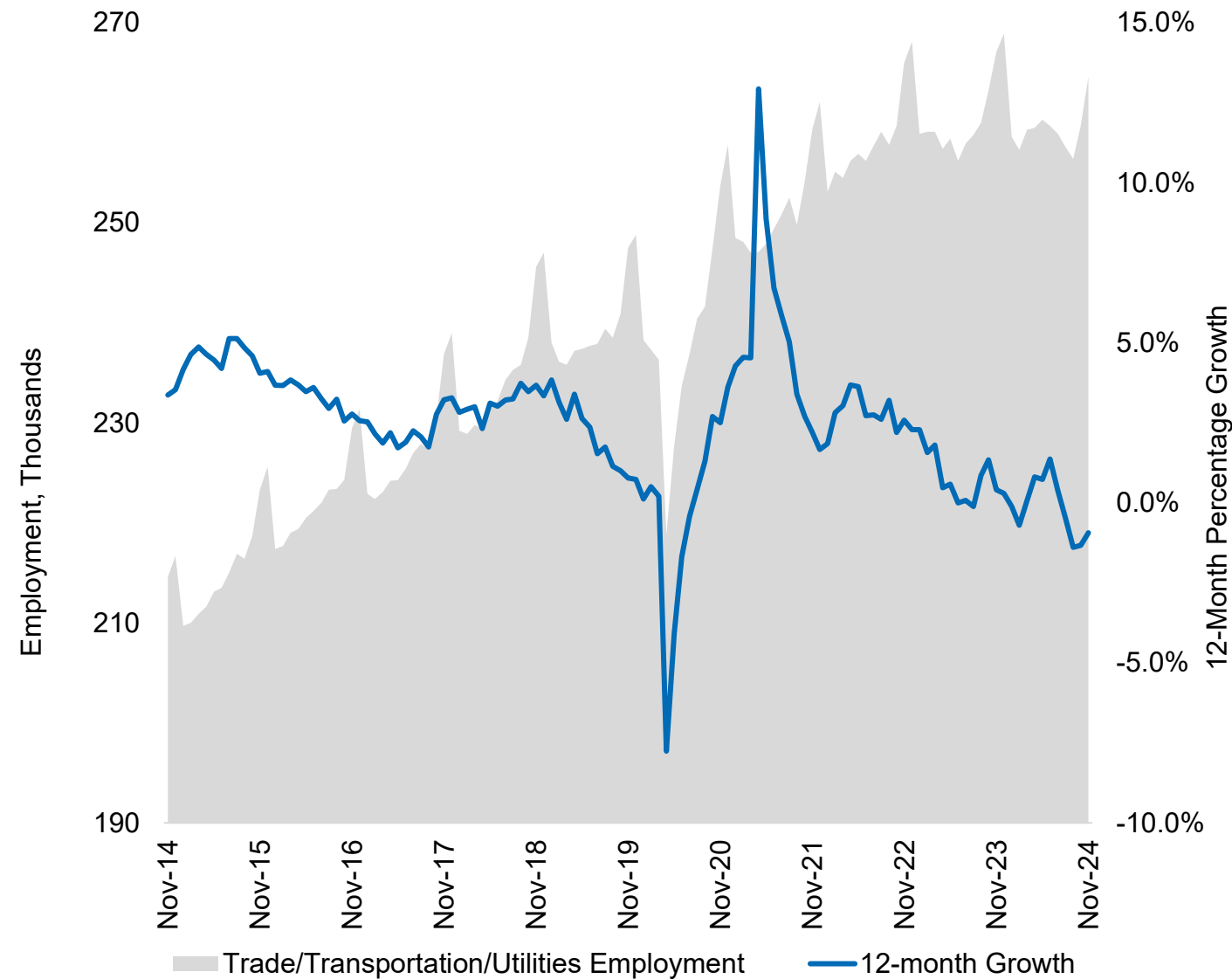
Source: U.S. Bureau of Labor Statistics

*Wasatch Front Combined MSAs include: Salt Lake City MSA, Provo-Orem MSA and Ogden-Clearfield MSA

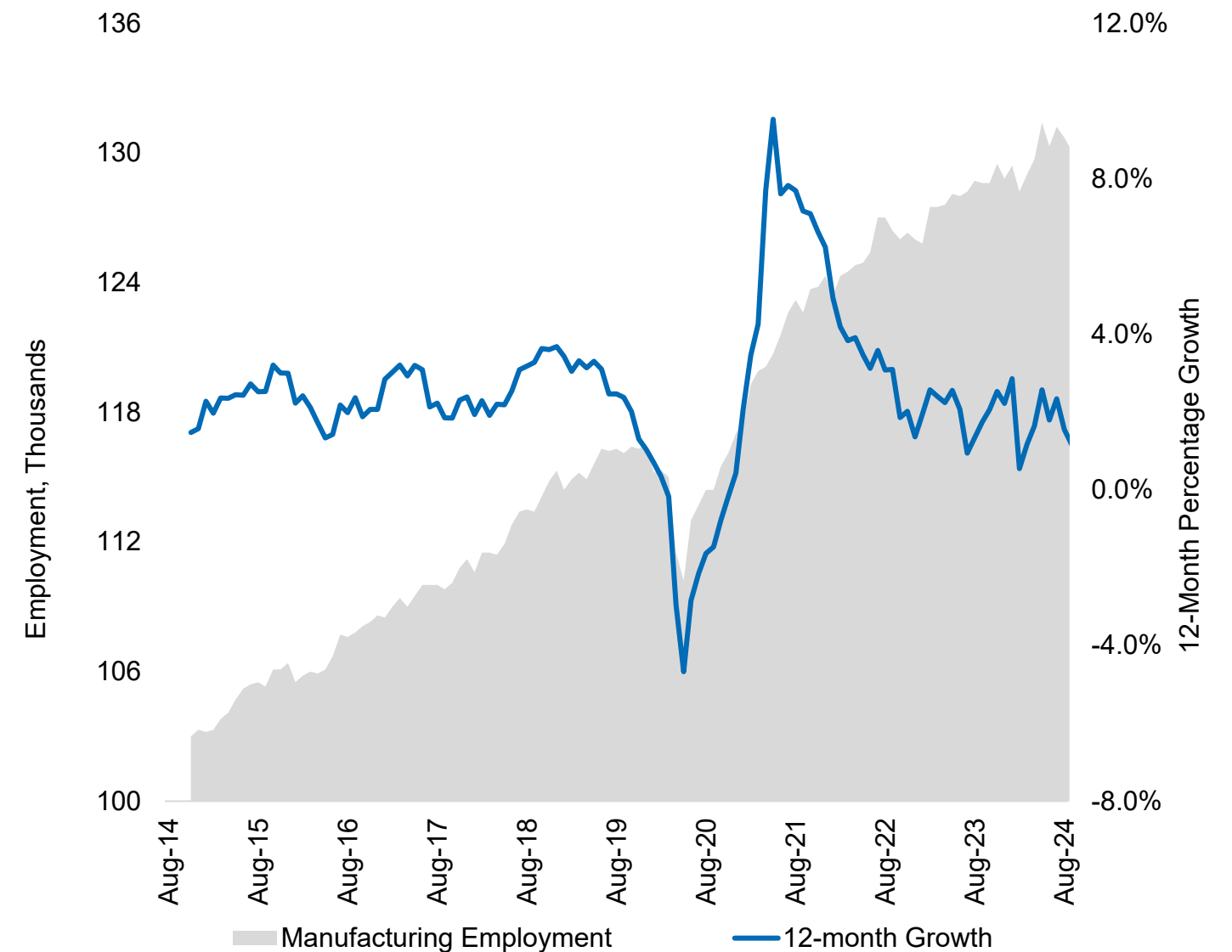
Industrial Employment Growth Stabilizing Among Market Right-Sizing

After three years of strong growth, the trade/transportation/utilities sector is stabilizing in response to softer demand for consumer goods. Manufacturing employment contracted during the final four months of 2023 but rebounded as anticipated in 2024, driven by recent announcements of new manufacturing projects. This sector's recovery highlights the region's capacity for industrial growth, bolstered by strategic investments and sustained demand for high-value production.

Wasatch Front Trade/Transportation/Utilities Employment and 12-Month Growth Rate



Wasatch Front Manufacturing Employment and 12-Month Growth Rate



Source: U.S. Bureau of Labor Statistics

*Wasatch Front Combined MSAs include: Salt Lake City MSA, Provo-Orem MSA and Ogden-Clearfield MSA

Diverse Industry Growth Strengthens Wasatch Front, While Provo-Orem Faces Tech Sector Challenges



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Salt Lake City Market Fundamentals



Salt Lake City Submarket Map and High-Level Statistics | 4Q24

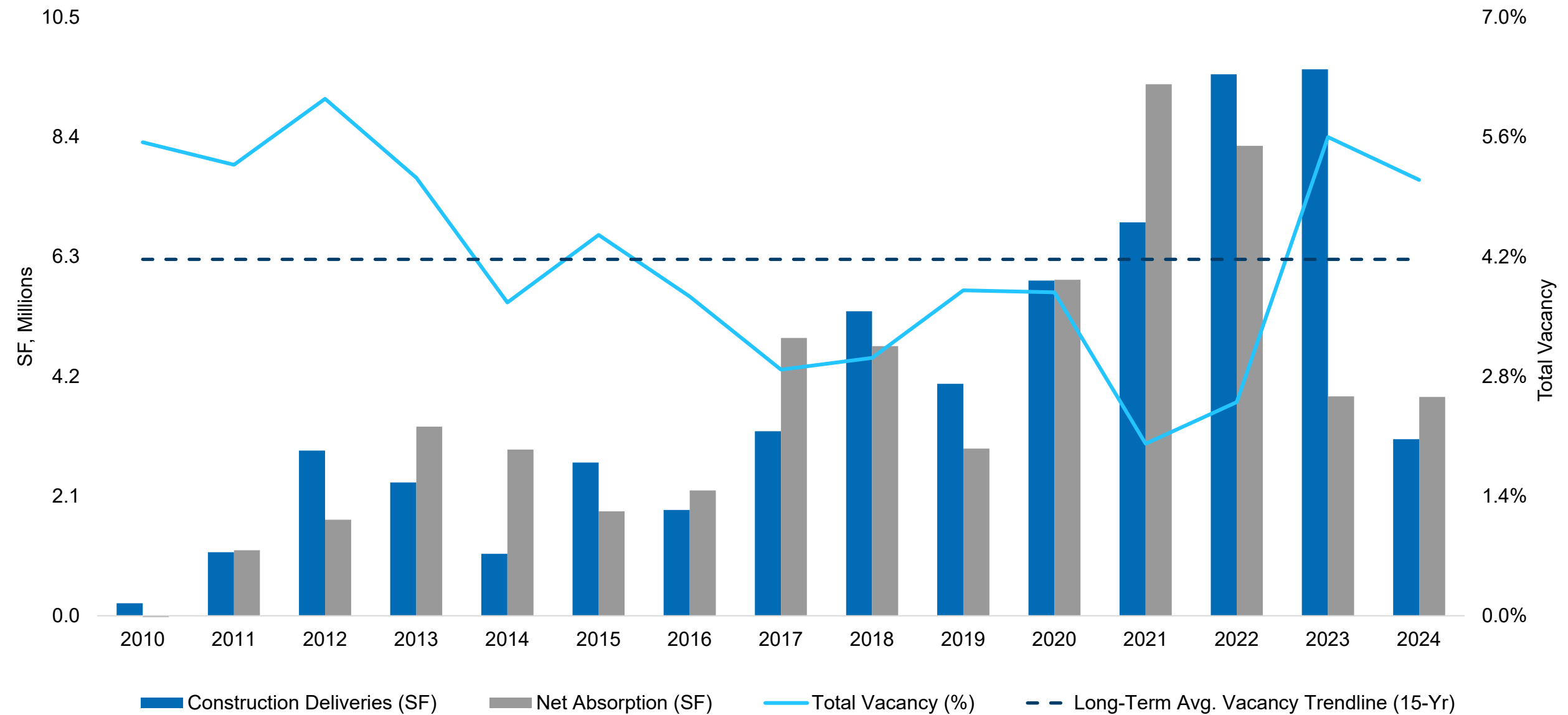


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Vacancy Declines Amid Rebounding Demand

Total vacancy at year-end 2024 declined to 5.1%, a 50-basis-point decrease from the previous year but still above the 15-year average of 4.1%. The elevated vacancy in prior years was driven by record construction deliveries in 2022 and 2023, which temporarily outpaced demand. However, 2024 marked a turning point as net absorption surpassed construction deliveries for the first time since 2021. This shift illustrates a strengthening demand that is likely to outpace supply into 2025.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Bulk Distribution Drives Vacancy Decline in 2024

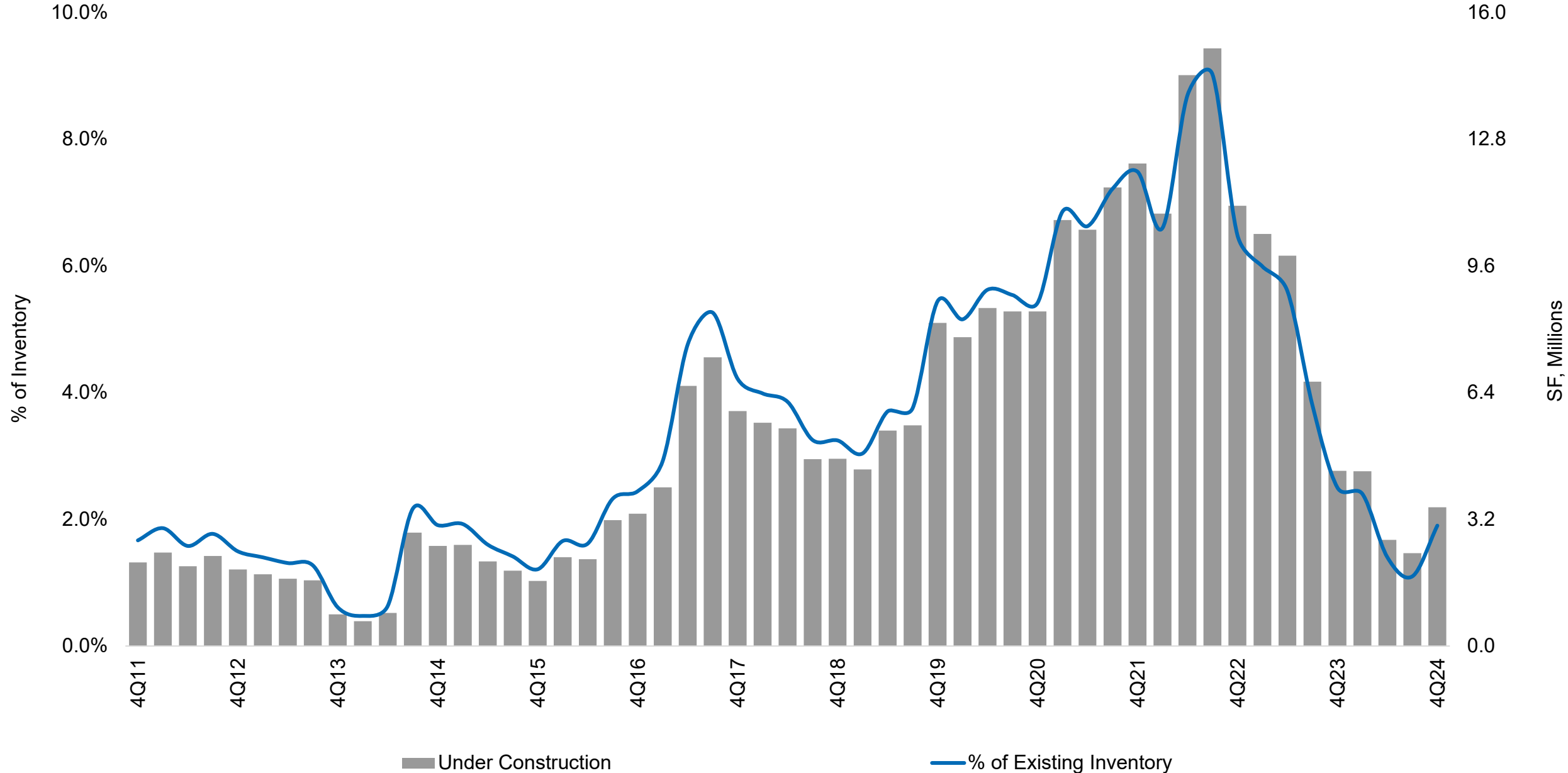


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Speculative Development Pushes Construction Totals Upward

After peaking at 15.1 MSF in 2022, under-construction activity trended downward until late 2024, when Ritchie Group's groundbreaking of a 1.2 million SF speculative building reversed the decline. This project marked the only 1 million SF+ speculative start in the second half of 2024 across the entire nation, reflecting developer confidence in meeting future demand in the Salt Lake market, in particular. With demand outpacing new supply in 2024, speculative development signals a strategic effort to address potential supply constraints.

Industrial Under Construction and % of Existing Inventory

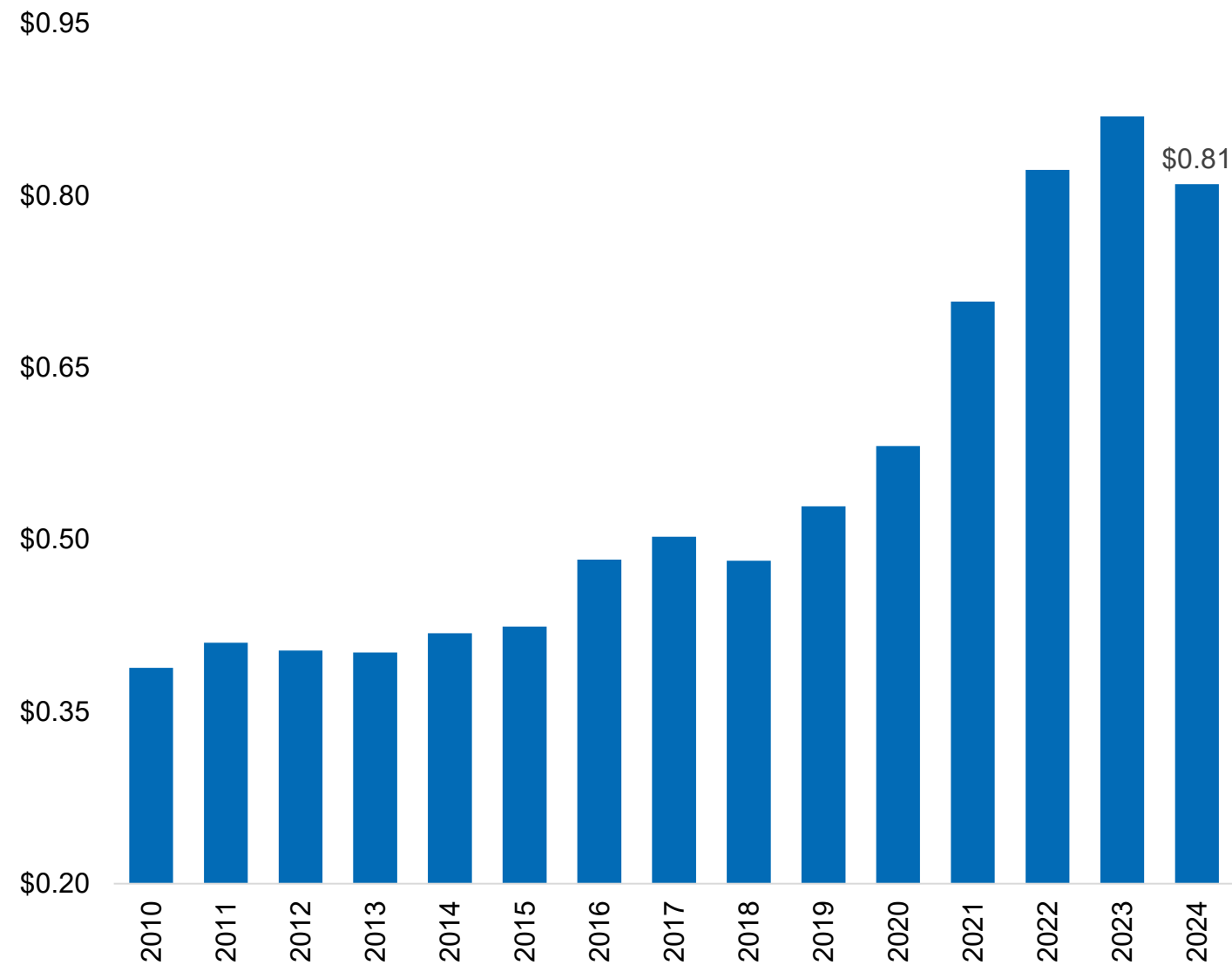


Source: Newmark Research

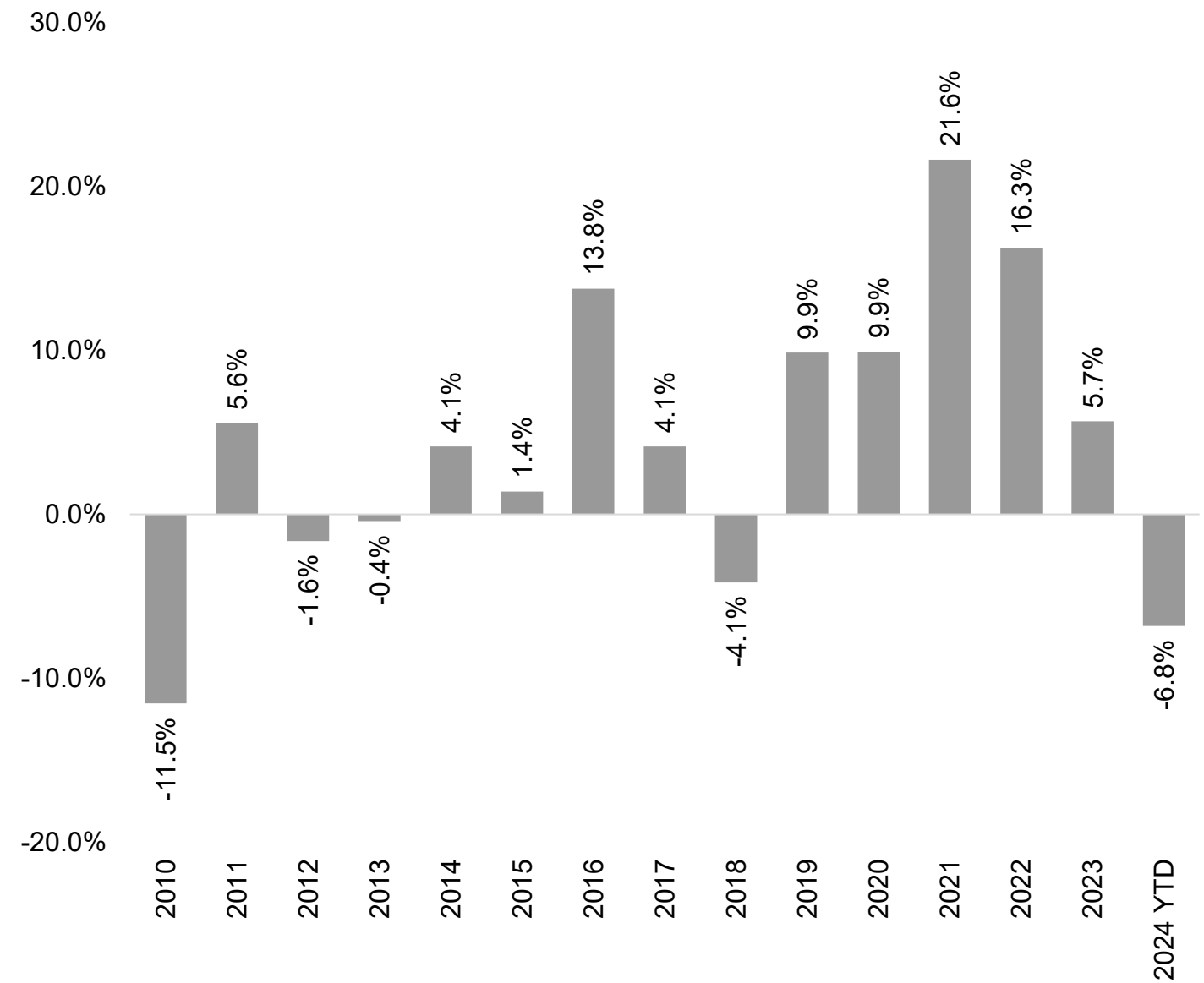
Shifting Rent Changes Reflect Market Adjustments

After two years of rapid rent growth exceeding 15%, average asking rents rose a modest 5.7% from 2022 to 2023 before declining 6.8% in 2024, returning to just below 2022 levels. This recalibration reflects the market's response to occupier right-sizing and the influx of lower-priced sublease options. However, with demand now outpacing supply, tenant competition for available space may support rent stabilization or moderate increases as landlords adopt a bullish stance on pricing in the coming quarters.

Industrial Average Asking Rent, \$/SF/Month, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research

Achieved Rents Outpace Asking Rates Amid Sector-Specific Gains

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Notable 4Q24 Lease Transactions

The Northwest Quadrant (Airport, California Avenue and West Valley submarkets) dominated leasing activity in Salt Lake County. Renewals and expansions were prominent in the fourth quarter of 2024.

Select Lease Transactions

Tenant	Building	Submarket	Lease Type	Square Feet
Western Partitions	5742 W. Harold Gatty Dr	Airport	Direct New	216,027
<i>Construction contractor, Western Partitions, leased the entire building in the Airport submarket.</i>				
ESM Inc	Gladiola Distribution Center B	California Avenue	Lease Renewal	156,750
<i>ESM Inc recommitted to occupying the entire building within the Gladiola Distribution Center for another term.</i>				
Rise Exhibits and Environments	Freeport West – West Valley #1	West Valley	Direct New	90,333
<i>Local exhibition planner company took 90,333 SF in West Valley's Freeport West.</i>				
Cache Valley Electric Company	Price California IV	California Avenue	Lease Renewal	65,667
<i>Price California IV kept Cache Valley Electric Company as a tenant in the fourth quarter.</i>				
Lotus Lifestyle	Daybreak South 4	Bluffdale	Direct New	60,959
<i>Daybreak South welcomed energy drink company, Lotus Lifestyle, for a total of 60,959 SF.</i>				

Achieved Owner-User Sale Price/SF Growth Stagnant as Older Product Trades

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Notable 2024 Sale Transactions

Sale transactions continue to be sparse given the difficulty in sourcing debt, as well as the increased cost. The northwest region of the county continues to attract investors, particularly in well-performing single-tenant/sale-leaseback transactions.

Select Sale Transactions

Buyer	Building	Submarket	Sale Type	Square Feet
Nature's Bakery	Airport Industrial Building 1	Airport	Owner-User	339,394
<i>Food manufacturer, Nature's Bakery, purchased Airport Industrial Building 1 from Perry Commercial to occupy.</i>				
Nuveen	Mountain View Industrial Park Building C	California Avenue	Investment	262,708
<i>Chicago-based investment manager, Nuveen, purchased Building C in Mountain View Industrial Park.</i>				
LBA Realty	Mountain View Industrial Park Building B	California Avenue	Investment	179,400
<i>Fully occupied by life science company, BioFire Diagnostics, LBA Realty purchased Building B in Mountain View Industrial Park from Gardner Batt.</i>				
Standard Plumbing	1987 S. 3700 W.	California Avenue	Owner-User	177,258
<i>Melcon Investments sold 1987 S. 3700 W. to Standard Plumbing in an owner-user sale.</i>				

Utah Inland Port: Development and Expansion Overview



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Additional Markets – Davis and Weber Counties



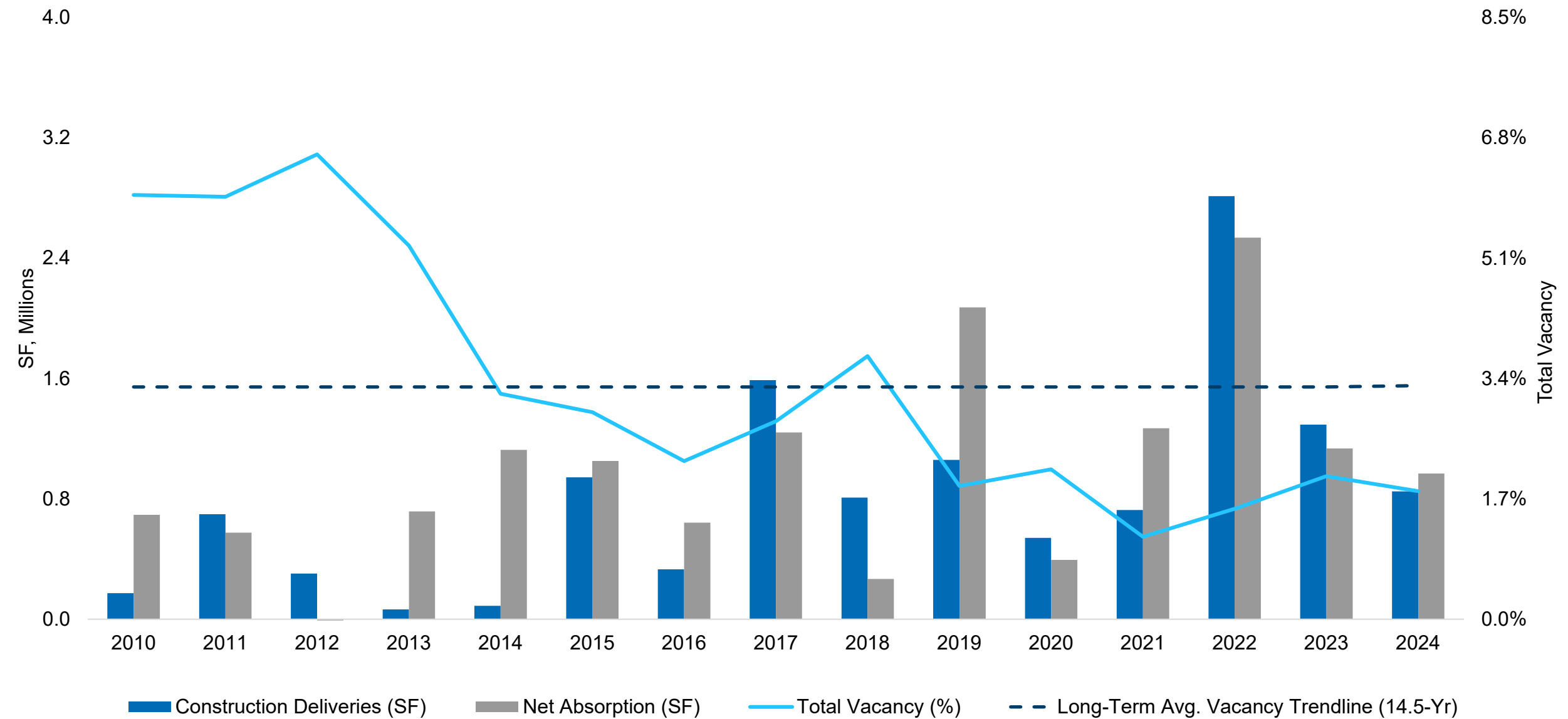


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Sustained Vacancy Decline Amid Right-Sizing Trends

Total vacancy decreased to 1.8%, 20 basis points lower year-over-year and significantly below the 14.5-year average of 3.3%. Net absorption exceeded construction deliveries by 14%, signaling a continued demand shift. Vacancy is expected to experience minor fluctuations in the near term as construction activity slows and occupiers right-size operations in response to evolving consumer spending patterns.

Historical Construction Deliveries, Net Absorption, and Vacancy

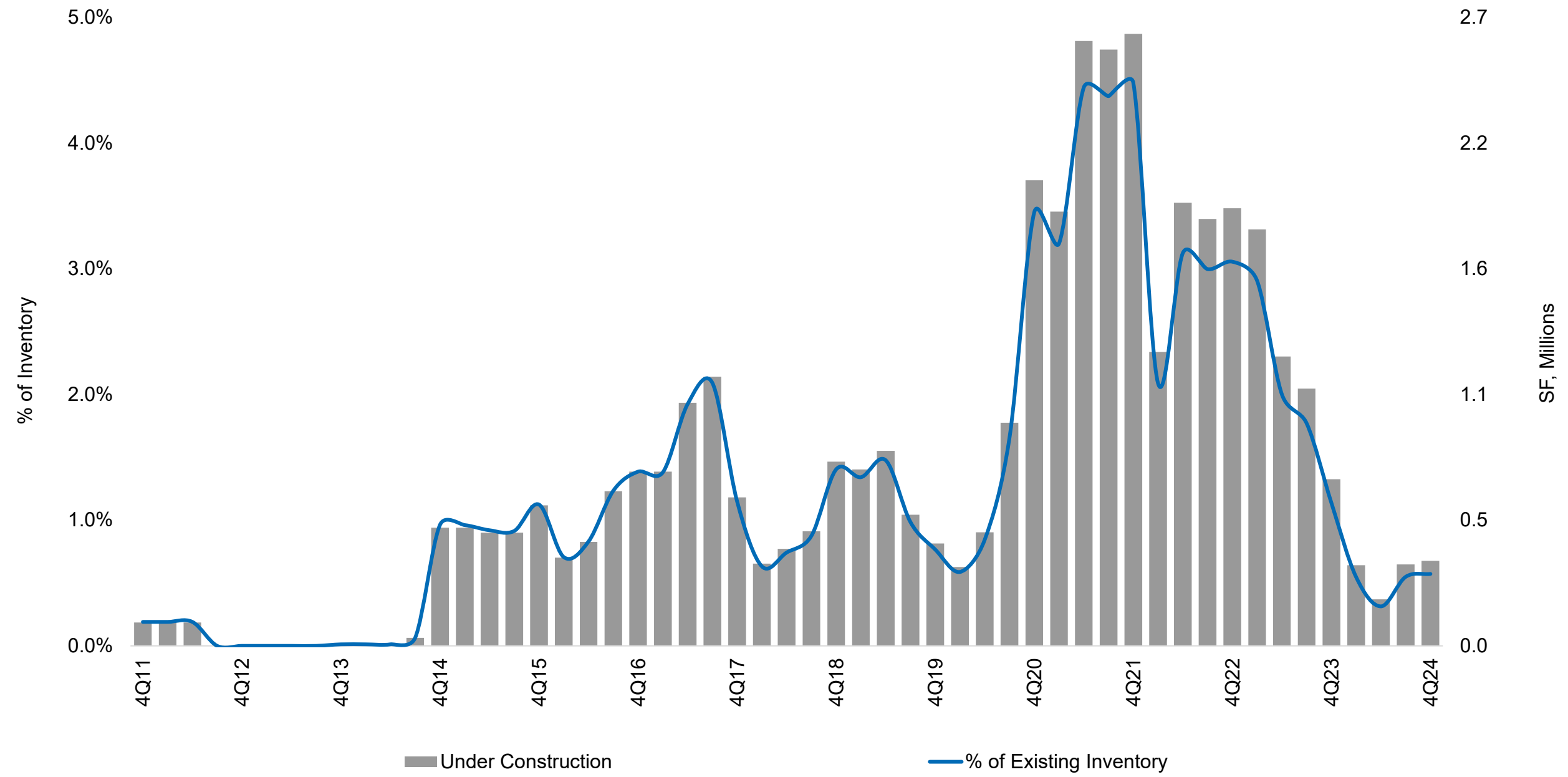


Source: Newmark Research

Declining Construction Pipeline Signals Potential Future Supply Constraints

The construction pipeline has steadily declined since Q4 2021, when 2.6 MSF was underway, now representing just 0.6% of the total inventory base. By year-end 2024, the pipeline reached its lowest level since 2012, reflecting ongoing funding challenges. If occupier right-sizing stabilizes, the region could face potential supply constraints, particularly as demand begins to align with limited new development.

Industrial Under Construction and % of Existing Inventory



Source: Newmark Research

Achieved Lease Rates Dip Amid Shift to Older Product

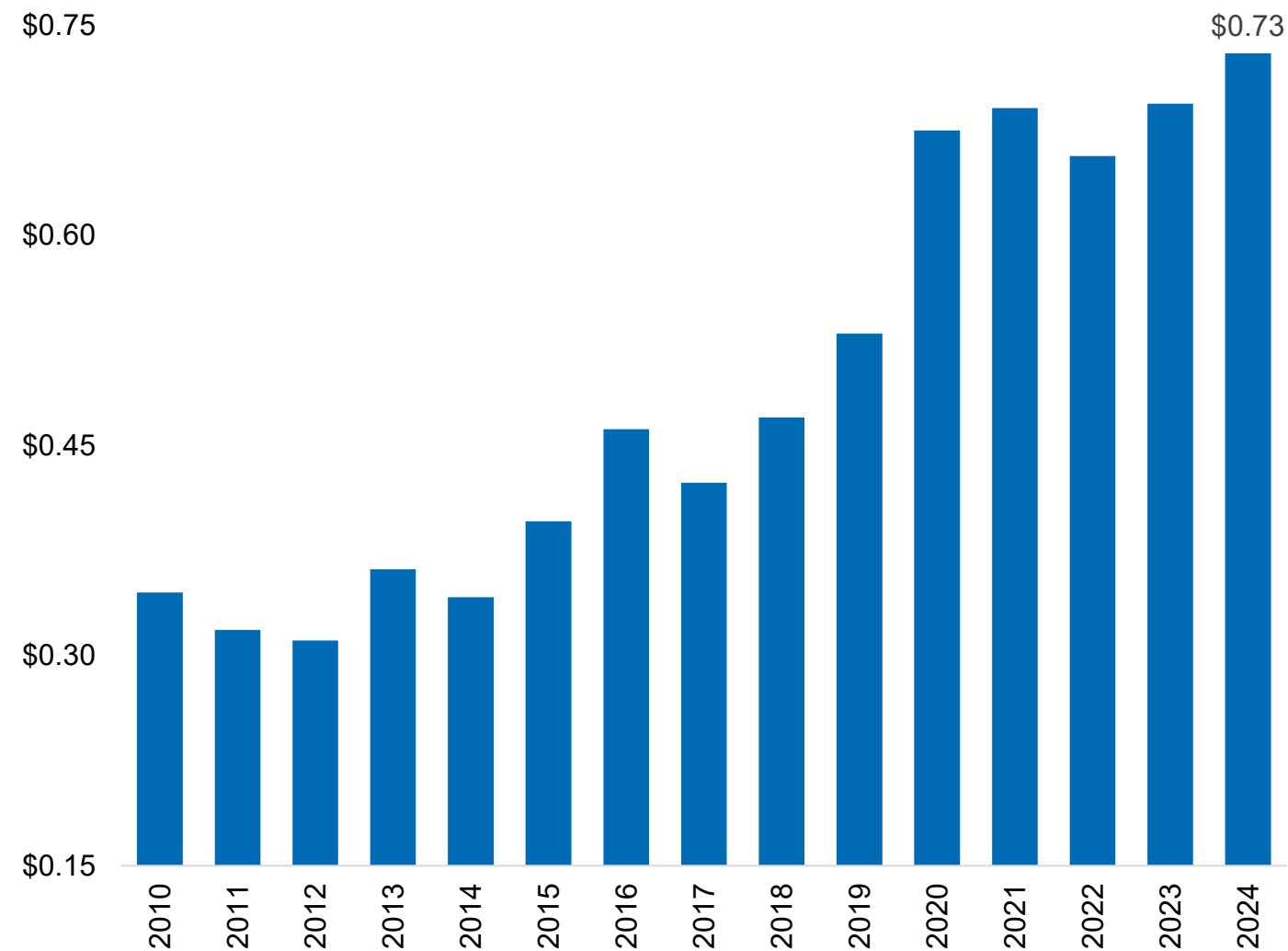


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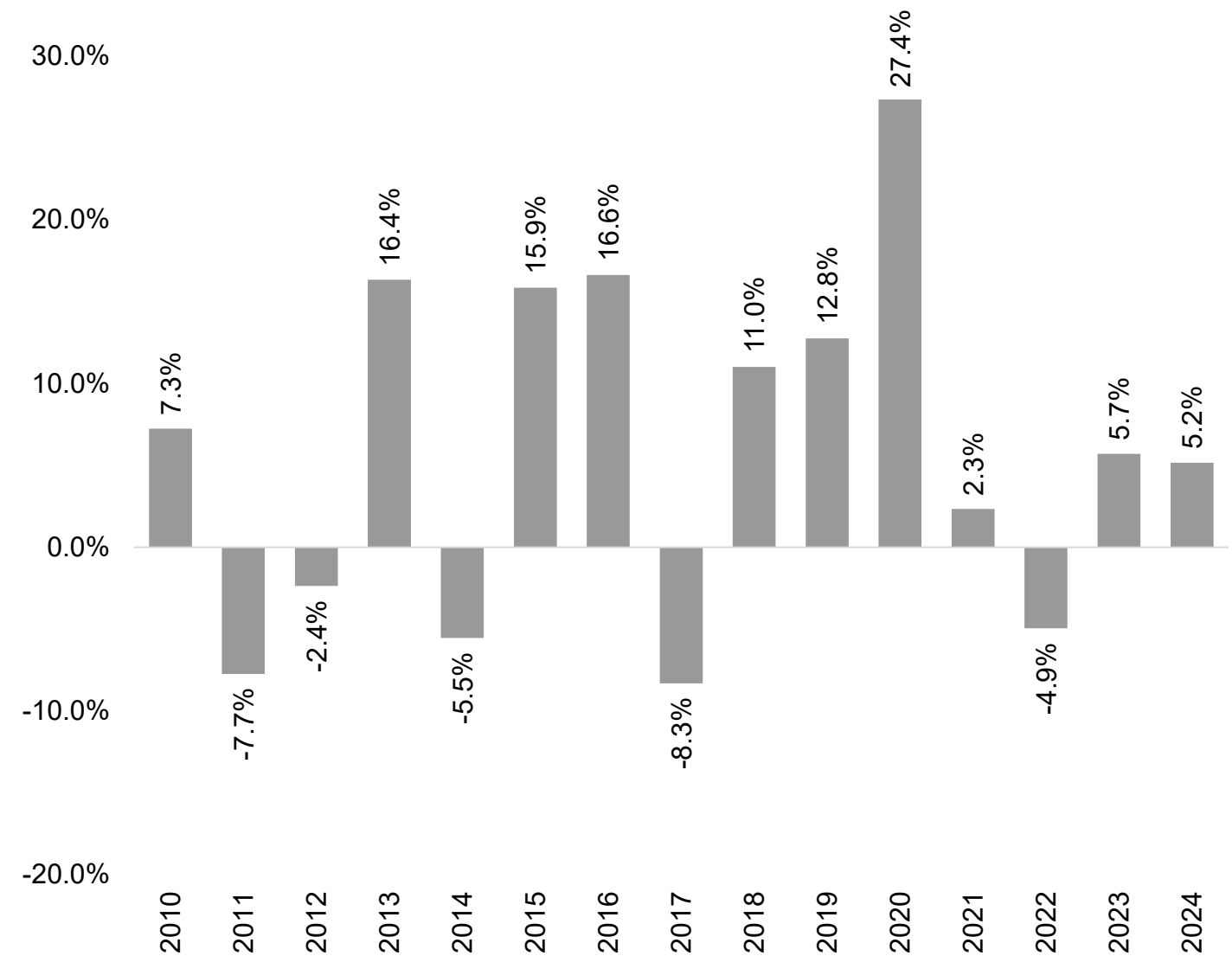
Steady Rent Growth with Upward Pressure Looming

After declining in 2022, average asking rents grew by over 5% in both 2023 and 2024. While growth is expected to stabilize in the near term, potential supply constraints in this low-vacancy market could drive further upward pressure on rents.

Industrial Average Asking Rent, \$/SF/Month, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research

Notable Davis and Weber Counties Transactions

Buoyed by BDO Ogden and Hill Air Force Base, Davis and Weber Counties welcomed activity from a diverse range of tenants in 2024.

Select 2024 Transactions

Buyer/Tenant	Building	Submarket	Transaction Type	Square Feet
Barnes Aerospace	1025 S. Depot Dr	BDO	Lease Renewal	172,500
<i>The Business Depot Ogden kept Barnes Aerospace for another term.</i>				
Paul Davis Restoration	The Steelworks 1	South Davis	Direct New Lease	113,437
<i>Currently under construction, Paul Davis Restoration leased the entire first building in Centerville's The Steelworks.</i>				
Systemic Formulas	626 W. Stockman Way	South Weber	Property Sale	89,850
<i>BlackPine Group sold Building 1 in the Ogden Business Exchange to nutraceutical company, Systemic Formulas.</i>				
Veritiv	Business Depot Ogden 14A	BDO	Lease Renewal	89,180
<i>Veritiv signed on for another lease term within the Business Depot Ogden.</i>				
NutraSelf	3804 S. Airport Rd	West Weber	Direct New Lease	62,624
<i>Supplement company, NutraSelf, leased 62,624 SF at 3804 S. Airport Rd. in Ogden.</i>				

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Additional Markets – Utah County



Utah County Submarket Map and High-Level Statistics | 4Q24

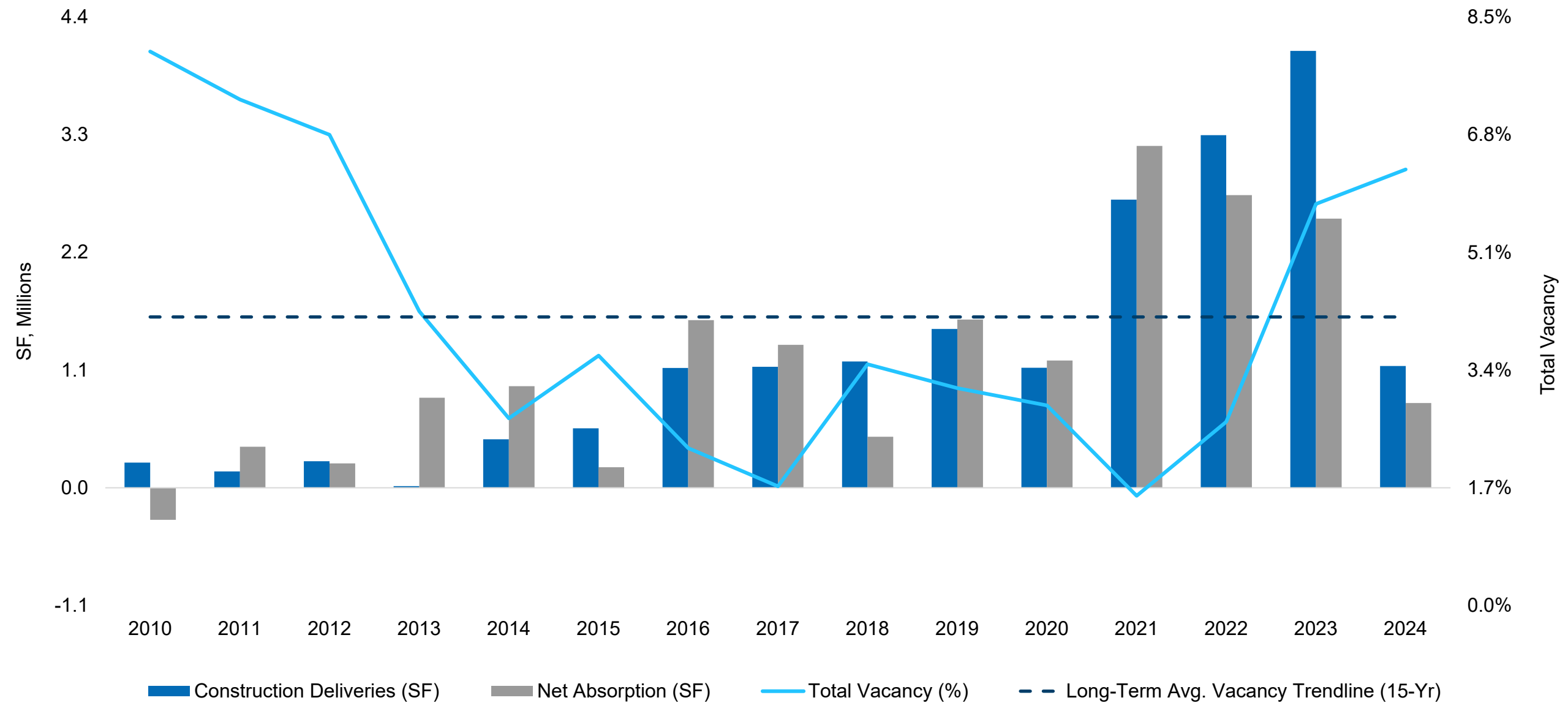


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Rising Vacancy Velocity Stabilizes in 2024

Total vacancy reached 6.3% at year-end 2024, up 50 basis points from 2023 and above the 15-year average of 4.2%. For the third consecutive year, construction deliveries outpaced net absorption. However, the pipeline of large construction starts has slowed, and pre-leased projects expected to deliver in the coming quarters will help temper vacancy fluctuations as the market transitions into 2025.

Historical Construction Deliveries, Net Absorption, and Vacancy

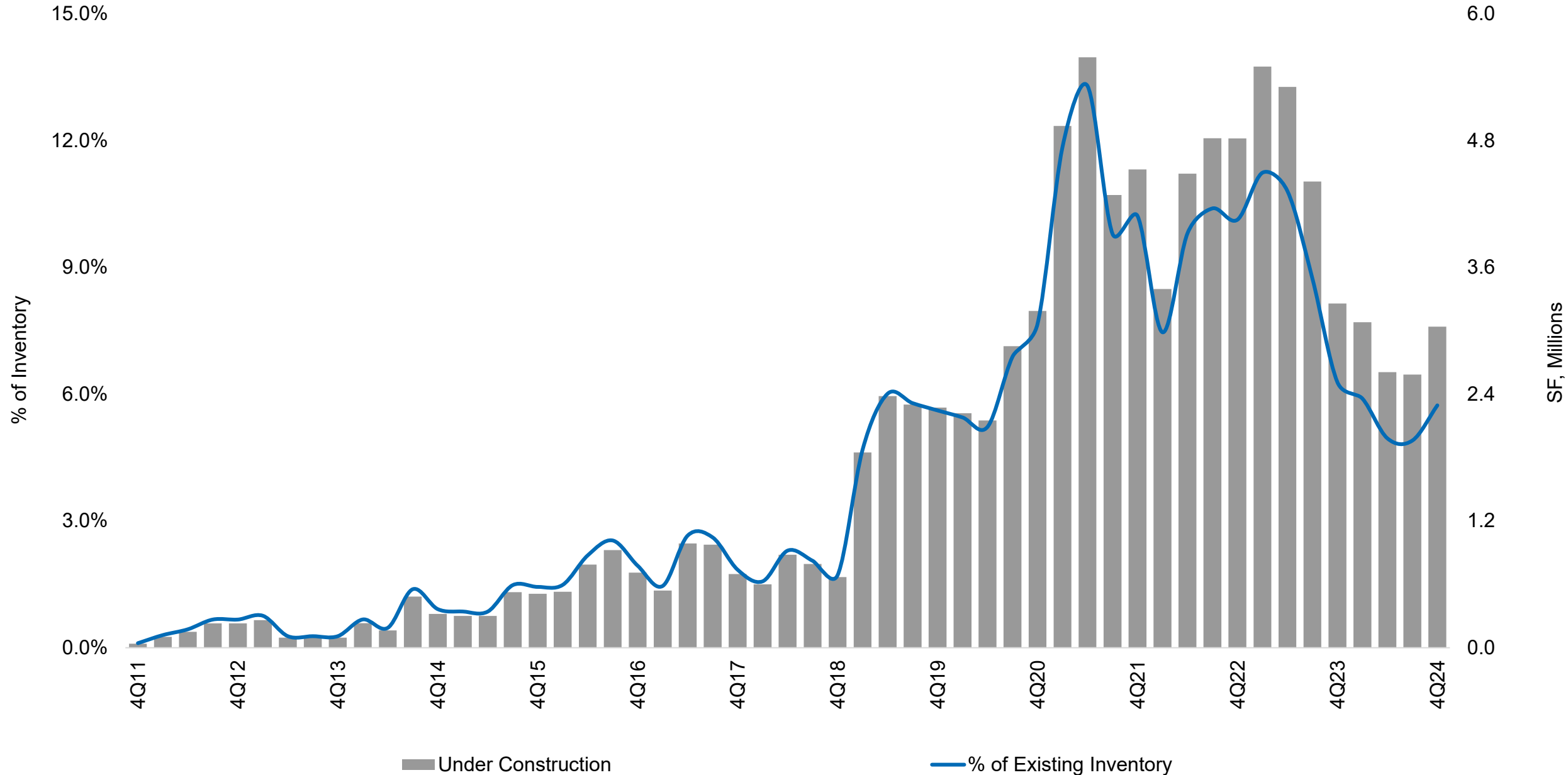


Source: Newmark Research

Shifts in Construction Activity Reflect Demand for Small-Bay Product

Of the 3.0 MSF under construction, the fourth building at the Facebook Data Campus dominates the pipeline, accounting for 2.0 MSF (65.8% of the total). New construction starts have slowed, particularly for large speculative projects, compared to the higher volumes seen between 2020 and 2022. However, demand for small-bay product surged in 2024, with over half of the active projects featuring footprints below 50,000 SF and multiple bay configurations.

Industrial Under Construction and % of Existing Inventory

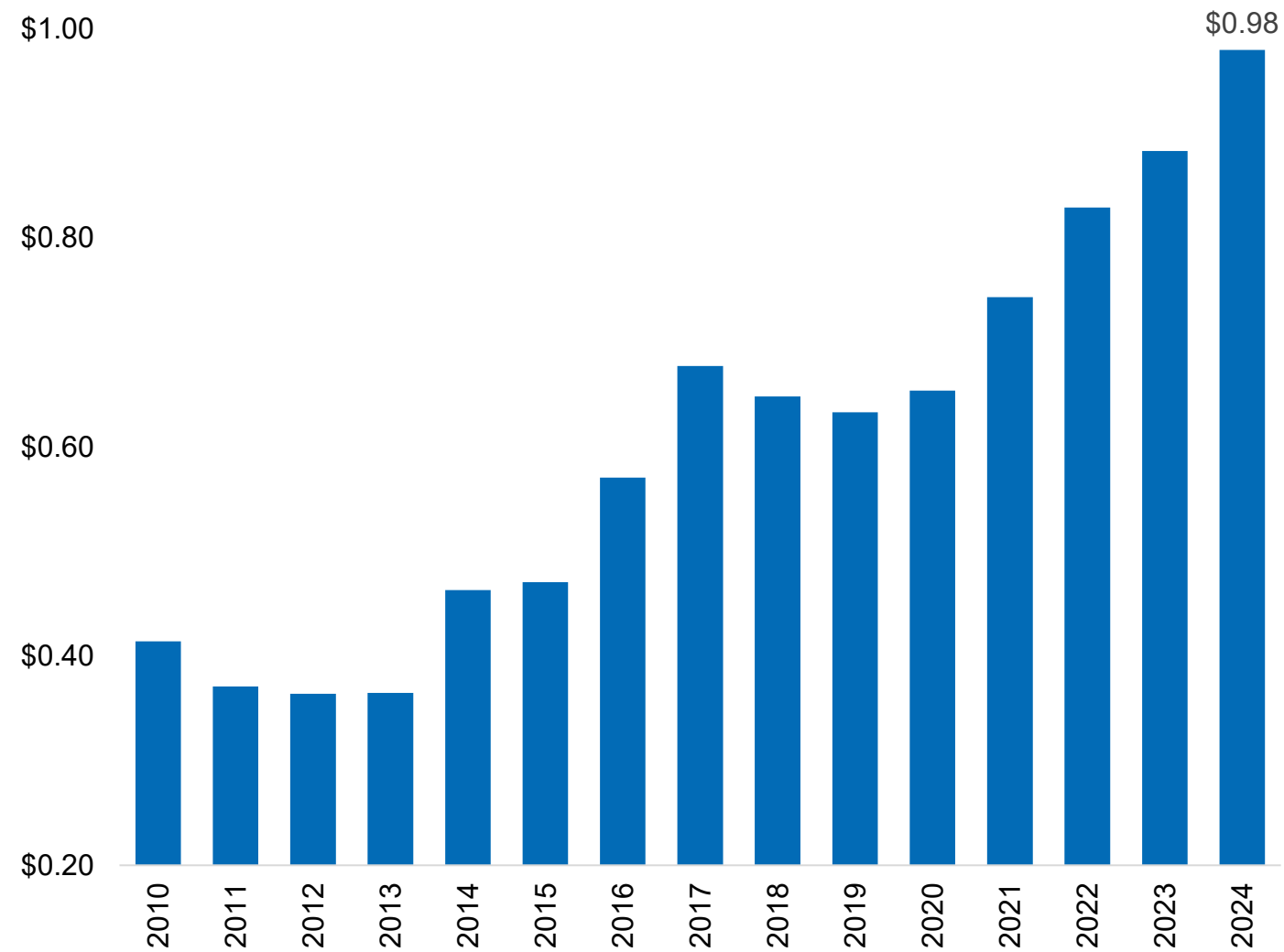


Source: Newmark Research

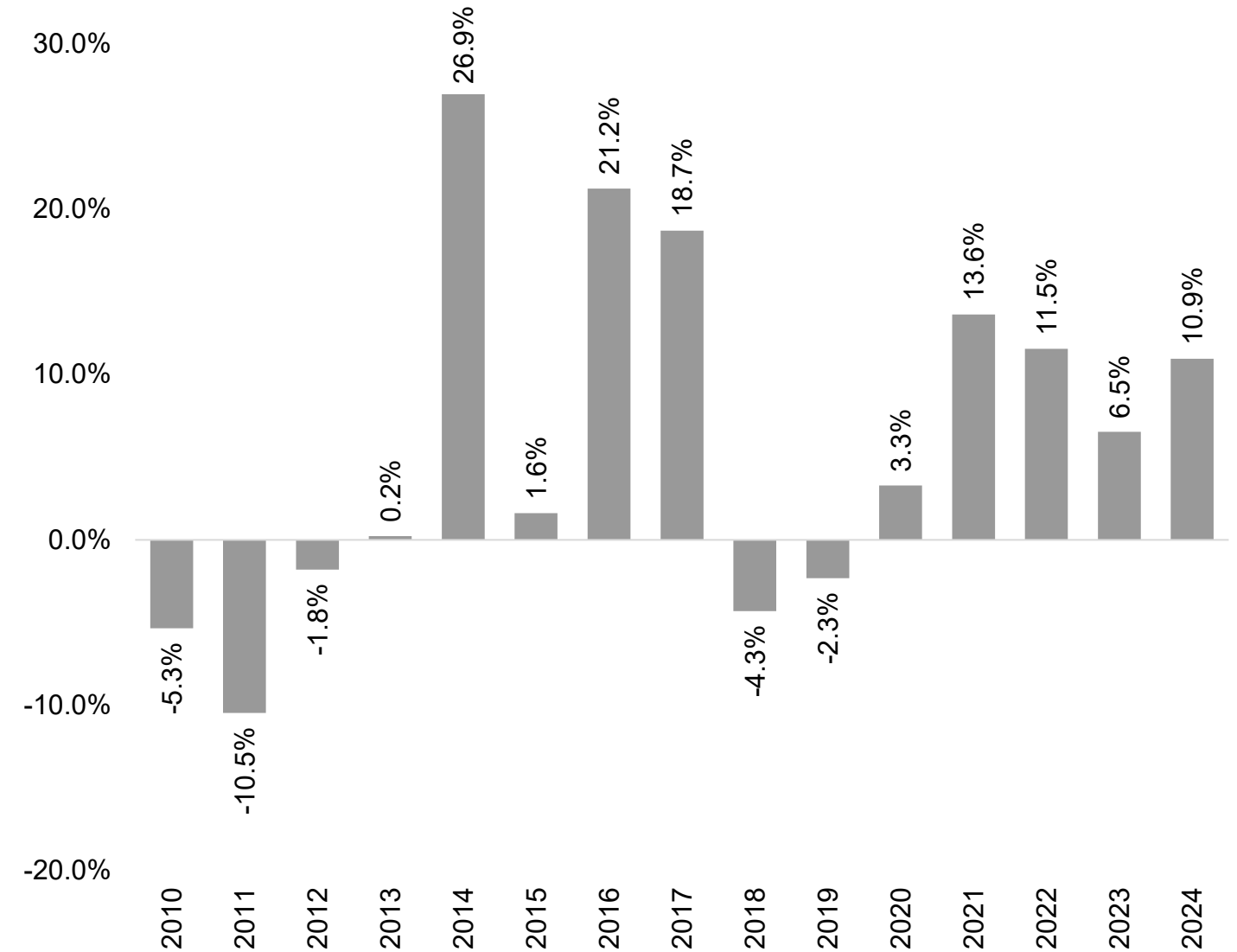
Utah County Leads Rent Growth Due to Specialized Tenant Demand

Utah County posted the highest asking rent growth along the Wasatch Front in 2024, rising 10.9% year-over-year. Strong demand for specialized flex and incubator spaces has driven landlords to maintain bullish pricing strategies. Limited speculative construction, with most projects already pre-leased, has constrained new supply, sustaining upward pressure on rental rates.

Industrial Average Asking Rent, \$/SF/Month, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research

Achieved Lease Rates Steady with Notable Gains in High-Demand Segments

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Notable Utah County Transactions

Utah County has attracted investors in 2024 as the county experiences strong growth and tenancy in recent years.

Select 2024 Transactions

Buyer/Tenant	Building	Submarket	Transaction Type	Square Feet
Exeter	Spanish Springs	Utah County South	Investment Sale	451,497
<i>Exeter purchased the Spanish Springs two-building portfolio for a total of 451,497 SF.</i>				
Exeter	East 15 Commerce Park – 1 & 2	Utah County North	Investment Sale	427,620
<i>Exeter also purchased buildings 1 & 2 of East 15 Commerce Park in Pleasant Grove.</i>				
eSupplements	PowerHouse Industrial 2	Utah County South	Direct New Lease	292,761
<i>Expanding within the region, eSupplements took the entirety of the recently delivered PowerHouse Industrial 2 building for 292,761 SF.</i>				
IntegraCRE	1206 S. 1680 W.	Orem	Investment Sale	267,759
<i>Wasatch Group sold the 267,759 SF manufacturing building to IntegraCRE.</i>				
EZARC	Holbrook Industrial Park 4	Utah County North	Sublease	247,078
<i>The Pegasus Logistics Group full-building sublease was taken over by construction company, EZARC.</i>				

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Utah Capital Markets Overview



Cap Rate Trends Reflect Market Shifts Across Product Types

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Industrial and Multifamily Dominate 2024 Sales, Office and Retail Show Nuanced Recovery



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Investor Activity Trends Amid High-Cost Debt Environment



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Year-End Sales Activity Shows Signs of Recovery

Sales activity in 2024 remained subdued compared to historical levels but concluded on a strong note, with total volume up 3.3% from 2023. A prolonged disconnect between buyer and seller expectations limited transactions earlier in the year. However, recent Federal Reserve interest rate cuts in late 2024 are expected to support increased property sales in 2025, particularly as more distressed or bank-owned assets enter the market. These factors could signal a gradual improvement in transaction activity moving forward.

2024 Notable Transactions

Building(s)	City	Type	Closing Quarter	Square Feet
Spanish Springs	Spanish Fork	Industrial	Q2 2024	451,497
<i>Exeter purchased the Spanish Springs two-building portfolio for a total of 451,497 SF.</i>				
East 15 Commerce Park 1 & 2	Pleasant Grove	Industrial	Q3 2024	427,620
<i>Dakota Pacific sold buildings 1 & 2 in the East 15 Commerce Park in a portfolio sale totaling 427,620 SF.</i>				
Bountiful Renaissance Tower	Bountiful	Office	Q4 2024	120,000
<i>Healthcare Trust of America sold Bountiful Renaissance Tower in the fourth quarter of 2024.</i>				
121 W. Election Dr.	Draper	Office	Q2 2024	78,330
<i>JourneyTeam purchased the 78,330-SF building in Draper with plans to occupy a portion of the building and lease out the remaining space.</i>				
Jordan Landing	West Jordan	Retail	Q3 2024	203,278
<i>With three strong anchors, a portion of the 1.6 million SF power center was sold to Transnational Investments.</i>				

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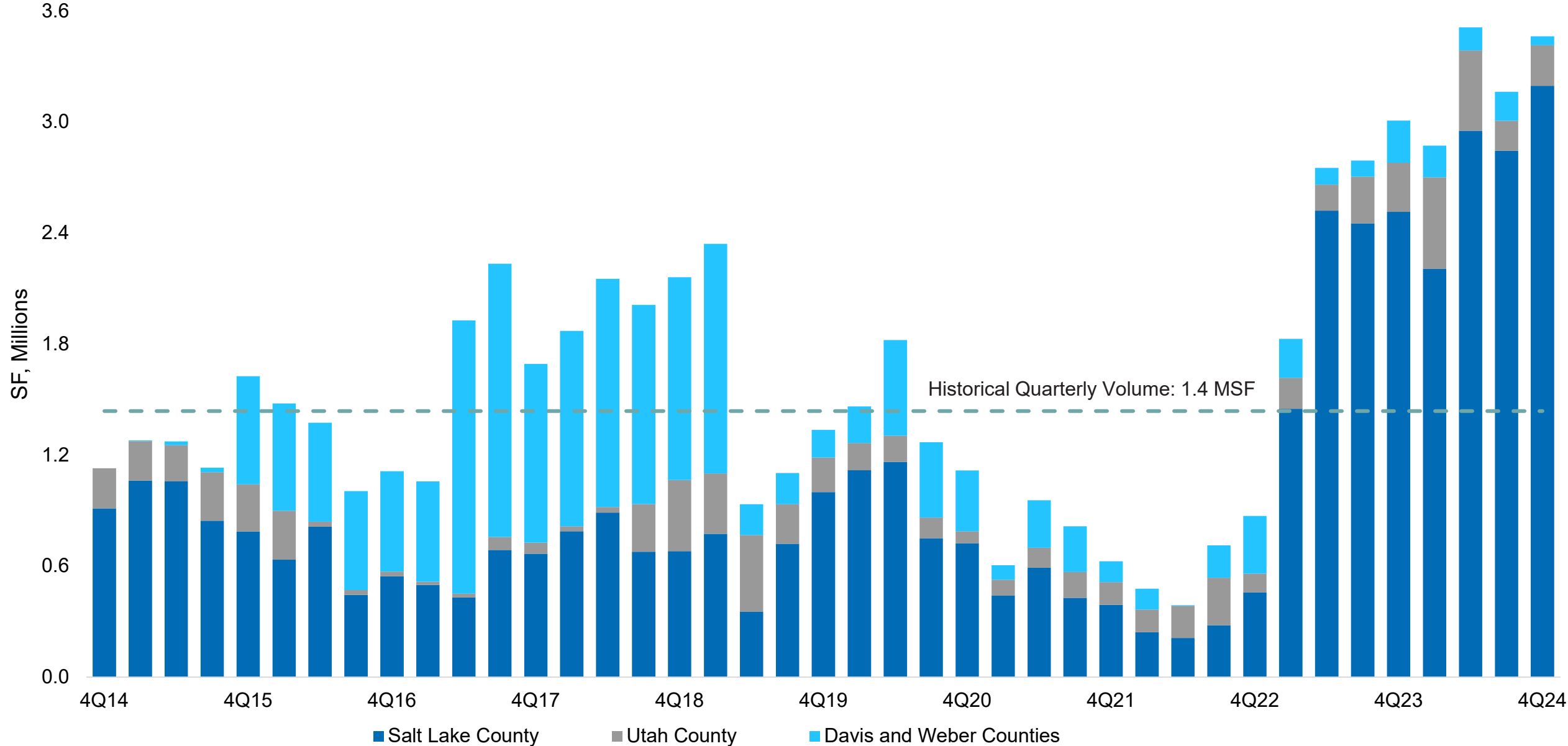
Appendix



Sublease Space Remains Elevated

Available sublease space rose 15.1% year-over-year and exceeds the historical average of 1.4 MSF by two-fold. Utah County experienced the largest reduction in sublease availability during 2024, while Salt Lake County continues to hold the majority of sublease inventory, driven by large users right-sizing their footprints. The absorption rate of sublease space in the coming quarters will play a critical role in shaping direct availability as expiration dates approach. This may exert downward pressure on achieved rents in the near term.

Available Industrial Sublease Volume (MSF)

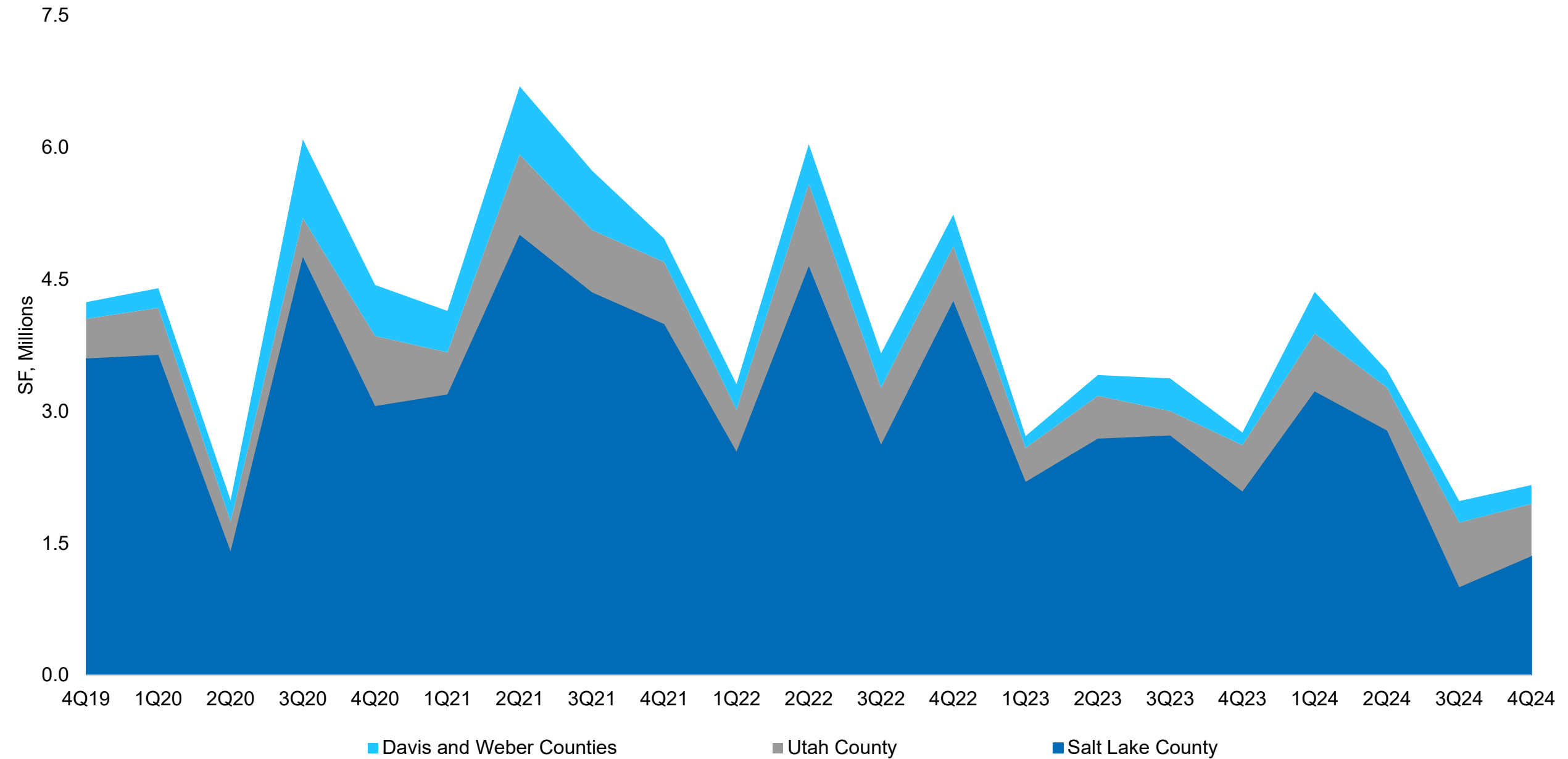


Source: Newmark Research

Industrial Demand Stabilizes Amid Slower Pre-Leasing Trends

While tenant demand for industrial space remained solid in 2023, it moderated compared to the robust activity seen from 2020 to 2022. Pre-leasing activity slowed as many tenants opted to wait for buildings to deliver before committing. The third quarter of 2024 saw a notable dip in transaction volume as both landlords and tenants paused to assess potential economic impacts tied to the election cycle. However, market activity rebounded in the final quarter, suggesting renewed confidence and momentum heading into 2025.

Total Leasing Activity (SF)



Source: Newmark Research

2024 Will Be the Second Busiest Year on Record Once December's Numbers are In

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West Coast Dockworkers Signed a New Contract in 2023; Their Eastern Counterparts are Next Up...



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Ocean Container Spot Rates Far Higher Than Two Years Ago

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Import Traffic Has Jumped Since Late 2023 at Los Angeles/Long Beach

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Retail Sales (an Indicator of Warehouse Demand) Continue to Moderate

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The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates

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