Leasing activity slowed as available space increased

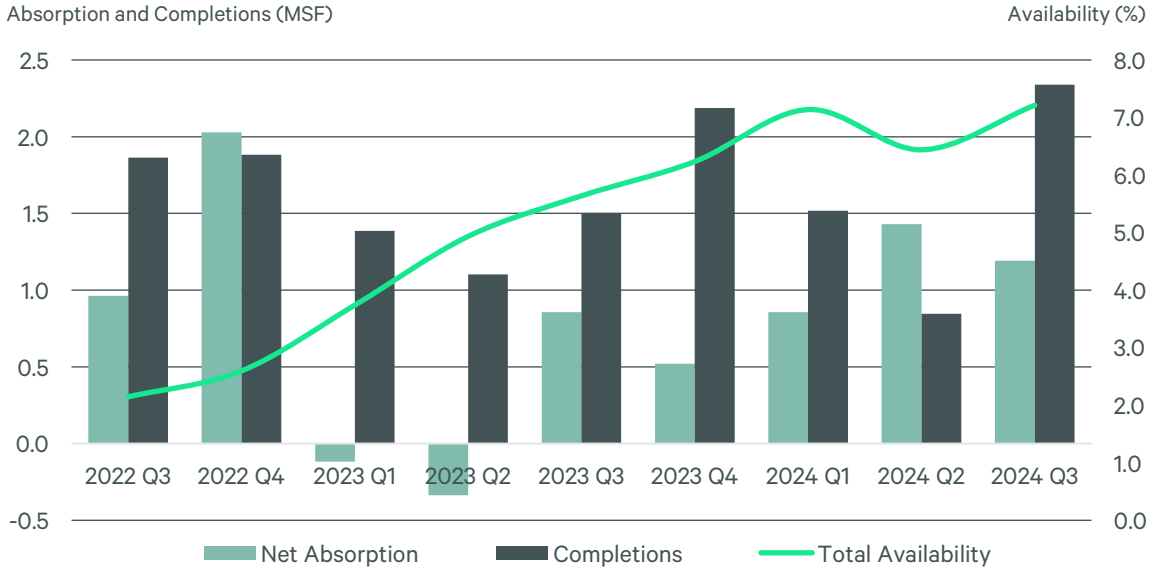
6.5 MSF	7.2%	$0.79 NNN	1.7 MSF	4.7 MSF
YTD Leasing Activity	Total Availability	Avg. Asking Lease Rate SF/Mo	Under Construction	YTD Deliveries

Note: Arrows indicate YOY change.

HIGHLIGHTS

- Q3 2024 saw the largest amount of delivered space in a single quarter since Q2 2022, with just over 2.2 million sq. ft. delivered.
- Available sublease space increased by 5.0% quarter-over-quarter and accounted for 22.7% of Q3 2024's total availability rate.
- Just over 1.1 million sq. ft. was positively absorbed in Q3 2024, causing year-to-date net absorption to reach just over 3.4 million sq. ft.
- Average achieved lease rates experienced no change quarter-over-quarter and remained at $0.80 per sq. ft. per month NNN.
- Year-to-date total leasing activity reached just over 6.5 million sq. ft., falling 2.8 million sq. ft. shy of Q3 2023's year-to-date total leasing activity.
- The availability rate increased by 80 basis points quarter-over-quarter to 7.2%, the highest point this metric has reached since CBRE began tracking availability rate in 2012.

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



Source: CBRE Research, Q3 2024

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Market Overview

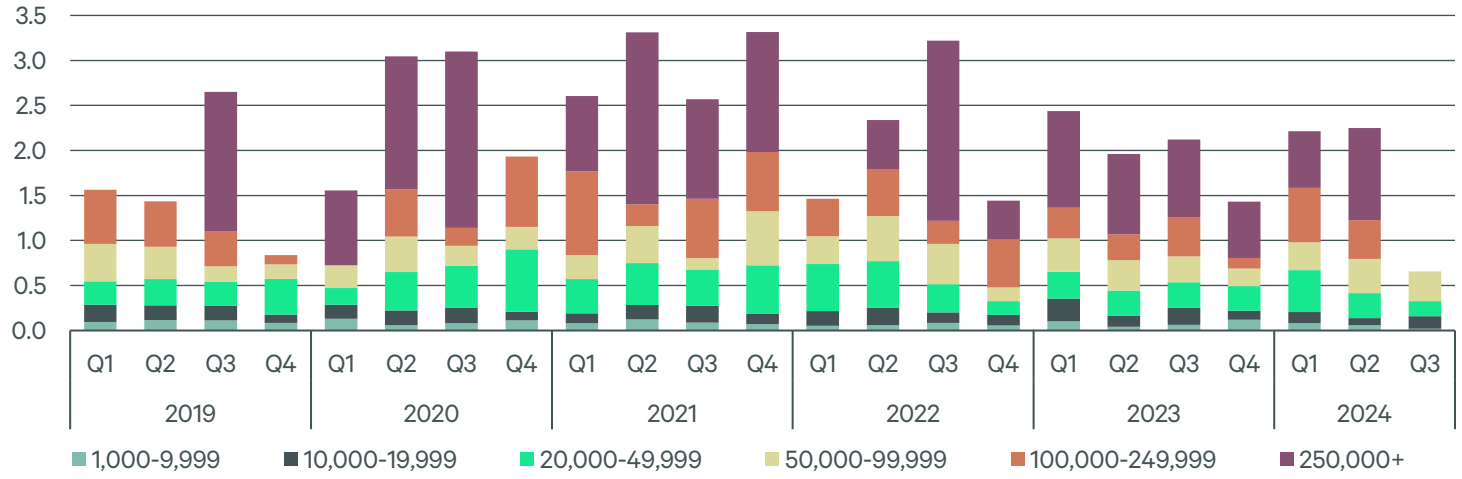
The Salt Lake County industrial market experienced a slowdown in Q3 2024 after a strong H1 2024. Total leasing activity reached just over 6.5 million sq. ft., with Q3 2024 accounting for just under 1.0 million sq. ft. of that total leasing activity. This slowdown has put 2024 on pace to finish as the slowest year in terms of total leasing activity since 2018. Despite this, a strong preleased percentage in properties delivered in Q3 2024 caused 1.1 million sq. ft. of positive net absorption this quarter. This brought the year-to-date total to 3.4 million sq. ft., outpacing Q3 2023's year-to-date total by 3.0 million sq. ft.

Despite the strong net absorption seen this year, the market wide availability rate reached a new all-time peak in Q3 2024 at 7.2%. A spike in available sublease space coupled with over 25.2 million sq. ft. of new industrial space delivered since Q1 2021 in Salt Lake County has directly led to this peak. With slowing construction activity, a decrease in new sublease listings, and an increase in sublease lease activity, this metric is expected to stabilize and potentially decrease over the next 12 months.

This recent rise in available space coupled with a challenging lending market has made securing funding for speculative construction projects increasingly difficult. In turn, this caused new groundbreakings to come to a halt with no new projects breaking ground in Q3 2024. Because of this, industrial space under construction in Salt Lake County has reached its lowest point since Q3 2016. Without a steady new supply of industrial space, recently delivered available space will begin to rapidly fill, which will cause the availability rate to stabilize.

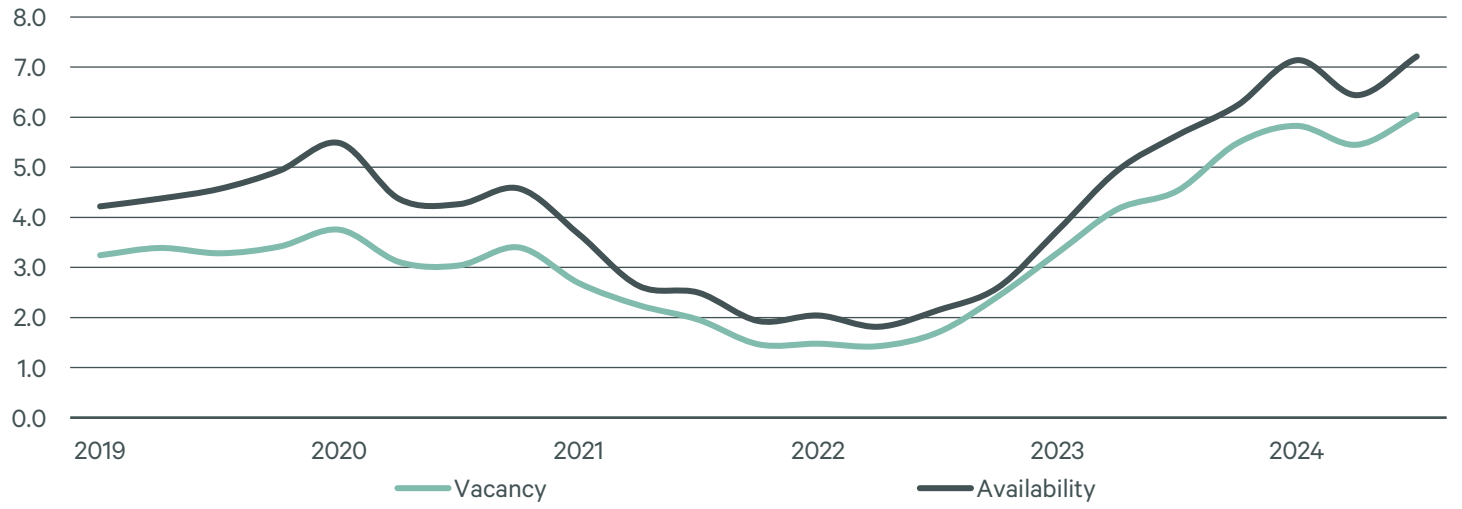
Salt Lake County's strategic position in the northwest, coupled with its growing population and one of the strongest economies in the country, will continue to drive demand for industrial space in the area.

FIGURE 2: Historical Area Leased Only Including New Leases and Expansions (MSF)



Source: CBRE Research, Q3 2024

FIGURE 3: Historical Vacancy (%) and Availability (%)



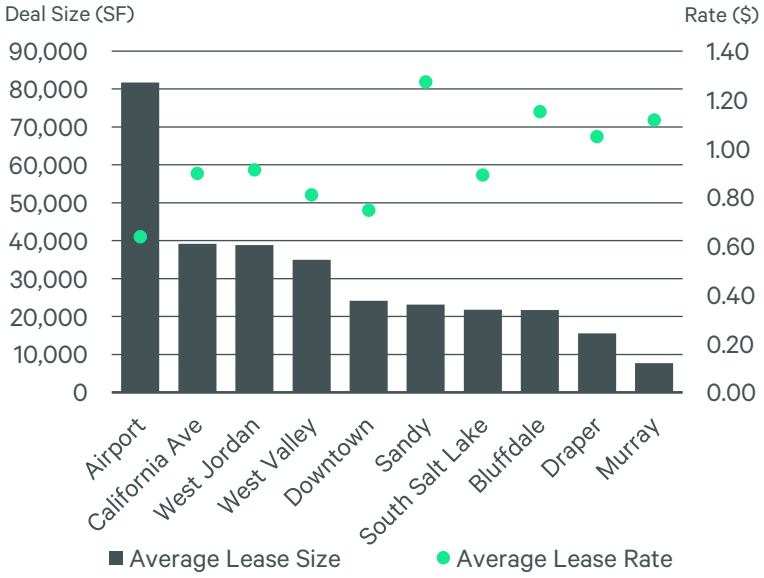
Source: CBRE Research, Q3 2024

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Market Performance

Industrial activity in the Salt Lake County industrial market remained concentrated in the Northwest Quadrant (NWQ). The NWQ has accounted for 67.7% of 2024 YTD's total leasing activity and 67.0% of the year-to-date total net absorption. However, thanks to a 1.1 million sq. ft. deal signed in the West Jordan submarket, South Valley has accounted for 22.4% of 2024's YTD total leasing activity, the highest this metric has been through the third quarter of the year in market history. Availability remained concentrated in the NWQ as this area accounted for 75.4% of the market wide availability. Available space is expected to remain largely concentrated in the NWQ, which accounted for 76.6% of newly delivered space since 2021.

FIGURE 4: Annual Average Deal Size (SF) and Weighted Average Achieved Lease Rate by Submarket ($/SF/Mo NNN)



Source: CBRE Research, Q3 2024 * indicates an outlier was removed to keep data accurate

FIGURE 5: Market Summary

	Net Rentable Area (SF)	Total Available (%)	Total Vacancy (%)*	YTD Lease Activity (SF)	YTD Net Absorption (SF)	Avg. Ask. Rent ($/SF/Mo NNN)	Avg. Ach. Rent ($/SF/Mo NNN)	Under Construction (SF)	Completions YTD (SF)
MARKET TOTAL	**169,824,577**	**7.2**	**6.0**	**6,515,329**	**3,477,642**	**0.79**	**0.80**	**1,749,884**	**4,704,255**
NORTHWEST	**106,666,607**	**8.7**	**7.5**	**4,415,280**	**2,332,962**	**0.76**	**0.80**	**1,465,155**	**3,542,910**
Airport	26,211,844	10.7	9.8	1,471,655	2,723,335	0.72	0.64	554,130	2,846,310
California Ave	57,557,243	8.8	7.9	2,349,026	(127,466)	0.80	0.90	911,025	677,000
West Valley	22,897,520	5.9	4.0	594,599	(262,907)	0.74	0.81	-	19,600
NORTHEAST	**36,615,127**	**2.2**	**1.9**	**638,685**	**(185,541)**	**0.77**	**0.88**	**-**	**-**
Downtown	15,160,006	2.0	2.0	120,980	647	0.77	0.75	-	-
Murray	3,885,648	4.7	3.4	38,479	(118,334)	0.69	1.12	-	-
South Salt Lake	17,569,473	1.7	1.4	479,226	(67,854)	0.82	0.89	-	-
SOUTH VALLEY	**26,542,843**	**8.4**	**5.9**	**1,461,364**	**1,330,221**	**0.91**	**0.78**	**284,729**	**1,161,345**
Bluffdale	2,596,660	4.3	4.1	43,428	57,250	1.03	1.15	284,729	-
Draper	4,797,767	4.9	3.4	124,309	(59,808)	1.19	1.05	-	-
Sandy	5,767,033	2.0	1.1	115,592	89,219	1.01	1.27	-	-
West Jordan	13,381,383	13.2	9.2	1,178,035	1,243,560	0.85	0.68	-	1,161,345

Source: CBRE Research, Q3 2024

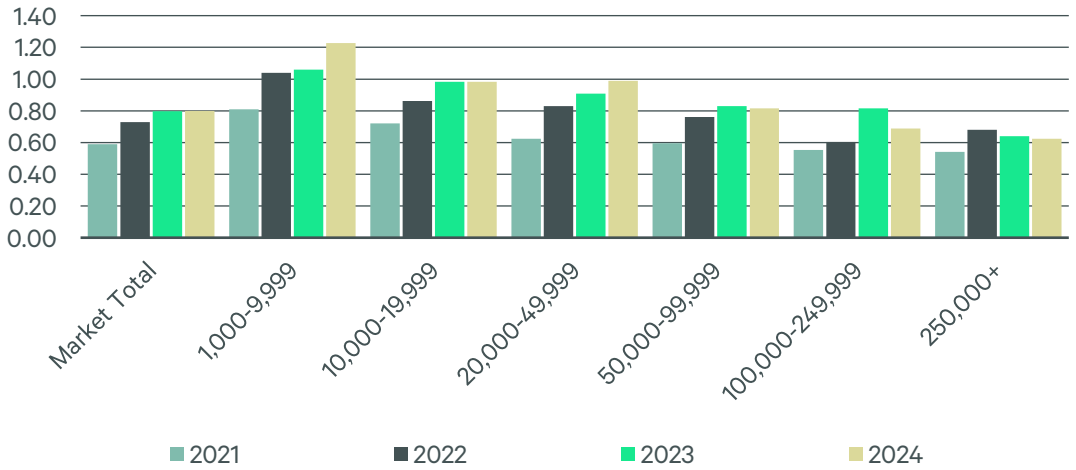
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Market Activity

Leasing activity in the Salt Lake County industrial market slowed considerably in Q3 2024, as only 957,838 sq. ft. was leased. With just under 1.0 million sq. ft. leased, Q3 2024 saw the least amount of leasing activity in a single quarter since Q1 2014. Historically the third quarter of every year has been the weakest in terms of leasing activity, seeing 9.6% less activity compared to the rest of the year. However, this slowdown outpaced the historical average with Q3 2024 falling 62.8% short of Q1 2024 and Q2 2024's total leasing activity. This dramatic decrease is not a trend but more of an outlier as demand for industrial space in Salt Lake County remained strong. The weighted average achieved lease rate experienced no change quarter-over-quarter, remaining at $0.80 SF/Mo/NNN. This is the second straight quarter that this metric has experienced a decrease or no change, a trend that is expected to continue as lease rates begin to stabilize in the short term after increasing by 35.6% since 2021.

Sales activity remained stagnant in Q3 2024 with 357,864 sq. ft. sold. However, for the first time since March 2020, the Federal Reserve decreased interest rates by half a point. This decrease is expected to stimulate industrial sales activity in Salt Lake County in the coming quarters.

FIGURE 6: Weighted Average Achieved Lease Rates ($/SF/Mo NNN)



Source: CBRE Research, Q3 2024

FIGURE 7: Notable 2024 Lease Transactions

Tenant	Transaction Size (SF)	Location	Industry	Lease Type
ID Logistics	1,022,624	West Jordan	3PL	New Lease
Albany Industries	353,764	Airport	Furniture	New Lease
Cirkul	274,517	Airport	Beverage	New Lease
Logisteed America	173,613	Airport	3PL	New Lease
Confidential Tenant	172,640	California Ave	Logistics	New Lease

Source: CBRE Research, Q3 2024

FIGURE 8: Notable 2024 Sales Transactions

Property Name	Transaction Size (SF)	Location	Sale Type
Mountain View Industrial Park – Building B	179,400	California Ave	Investor
Former DAS	176,638	California Ave	Owner-User
Ninigret IX	113,302	California Ave	Investor
Haemonetics Corp	101,351	Draper	Investor
3510 W Directors Row	74,139	California Ave	Owner-User

Source: CBRE Research, Q3 2024

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Sublease Activity

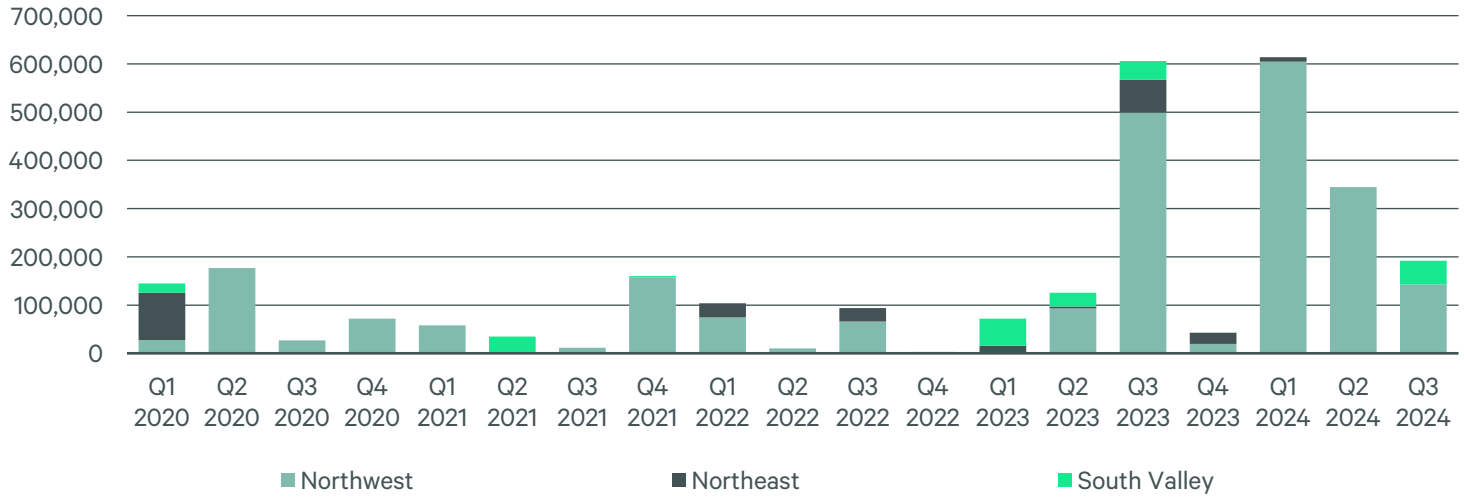
Available sublease space increased to just under 2.8 million sq. ft. in Q3 2024 but remained below Q1 2024's peak. This 2.8 million sq. ft. of sublease space accounted for 22.7% of Q3 2024's market-wide availability. Seven new spaces were listed for sublease in Q3 2024; however none of these new listings were above 45,000 sq. ft., making Q3 2024 the first quarter since Q4 2022 that a new sublease listing over 100,000 sq. ft. was not added to the market. Of the quarters that have experienced an increase in available sublease space since sublease activity began to ramp up in Q1 2023, Q3 2024 experienced the smallest quarter-over-quarter increase only increasing by 5.0%. This slowdown in new available sublease space, coupled with 2024 seeing the largest amount of sublease lease activity in market history, will cause sublease space to gradually decrease over the coming quarters.

FIGURE 9: Notable Sublease Listings

Building Name	Available SF	Location	Sublessor Industry
6077 W Wells Park Rd	363,996	West Jordan	3PL
City Creek Industrial – Building A	303,156	California Ave	Manufacturing
Dannon Way Industrial Park	290,973	West Jordan	Grocery
Freeport West Landmark 5	235,881	California Ave	Sporting Goods
391 S Orange St	185,554	California Ave	Food and Beverage

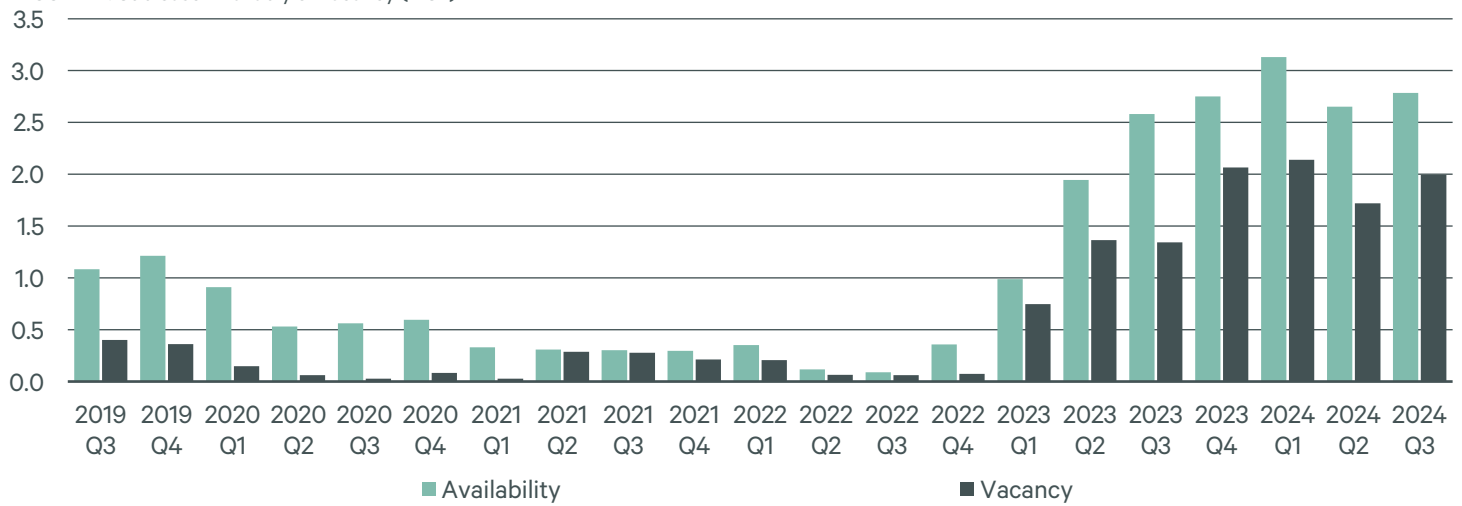
Source: CBRE Research, Q3 2024

FIGURE 10: Sublease Lease Activity (SF) by Quadrant



Source: CBRE Research, Q3 2024

FIGURE 11: Sublease Availably & Vacancy (MSF)



Source: CBRE Research, Q3 2024

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Construction

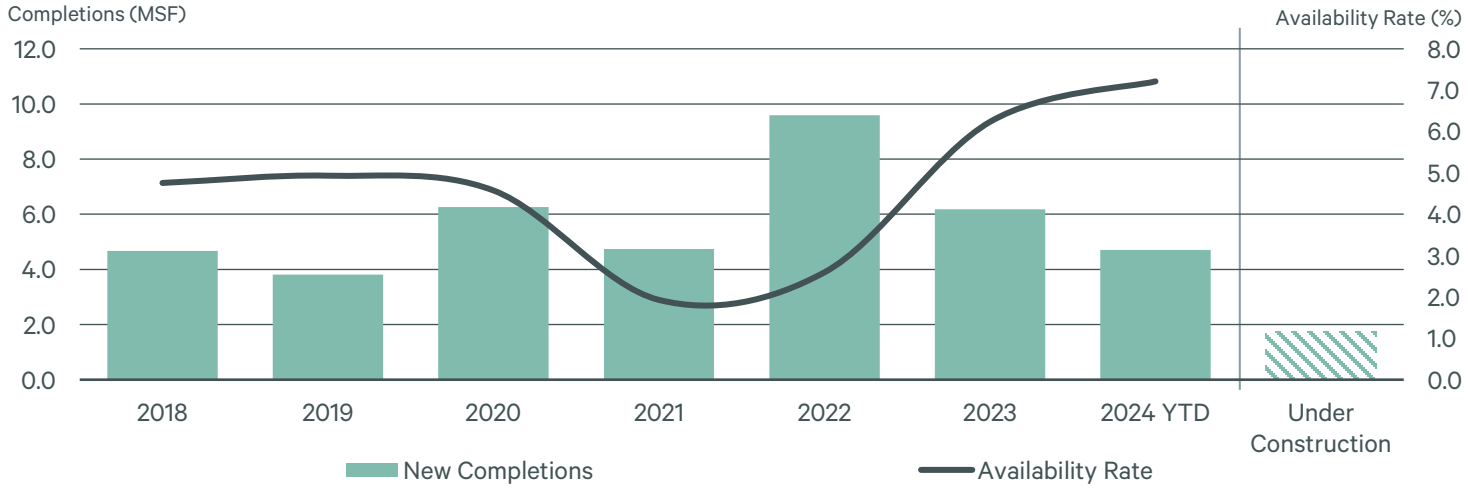
Just over 2.3 million sq. ft. delivered this quarter, making Q3 2024 the strongest quarter in terms of completions since Q2 2022. This brought total sq. ft. under construction to its lowest point in seven years, at 1,749,884 sq. ft. With 47.4% of the remaining space under construction set to deliver by the end of the year, 2024 is set to finish the year with the lowest amount of sq. ft. under construction since 2013. Of the 2.3 million sq. ft. delivered in Q3 2024 74.9% of the space was leased upon delivery, the highest point this metric has seen since Q2 2022. In Q3 2024, no new buildings broke ground for the first time since Q4 2021. Record breaking deliveries seen over the last 3 years have inflated the market-wide availability rate, but if construction activity comes to a halt, demand will quickly outpace supply and cause the Salt Lake County industrial market to become undersupplied.

FIGURE 12: 2024 Notable Construction Completions

Property Name	Property Size (SF)	Submarket	Preleased (%)
Scannell Logistics – Building 2	1,111,970	Airport	72.5
The Quadrant II	1,067,000	Airport	53.8
Copper Crossing – Building 7 (Firestone)	677,000	California Ave	100.0
Scannell Logistics – Building 3	462,000	Airport	57.4

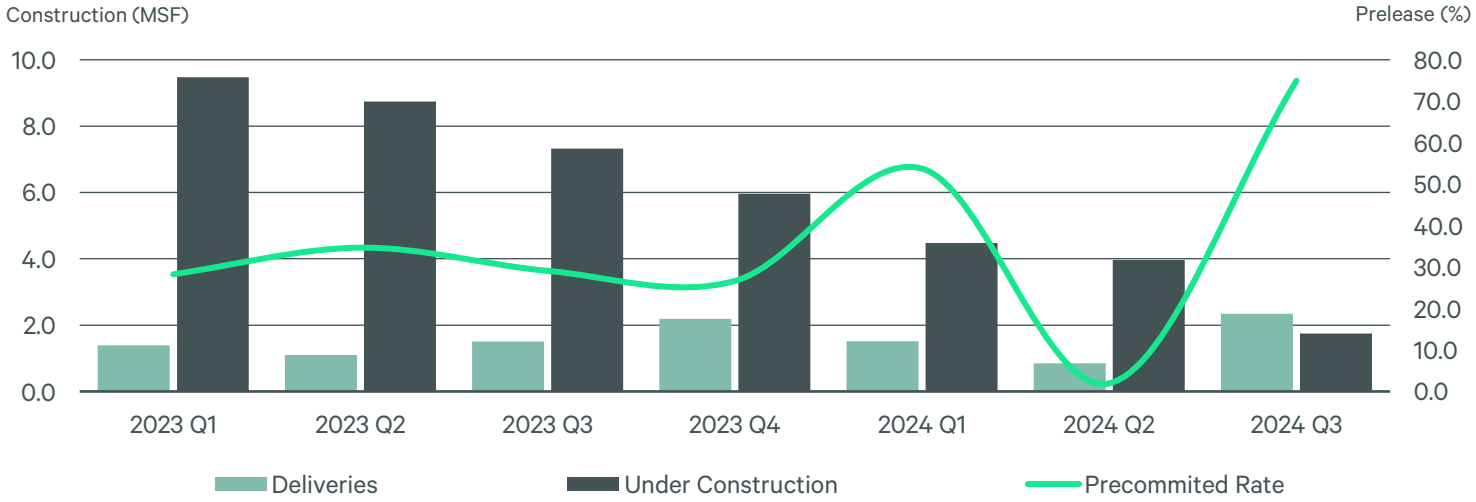
Source: CBRE Research, Q3 2024

FIGURE 13: Historical Construction Completions (MSF), Under Construction (MSF) and Availability Rate (%)



Source: CBRE Research, Q3 2024

Figure 14: Construction Completions (SF) and Delivered Preleased Rate (%)



Source: CBRE Research, Q3 2024

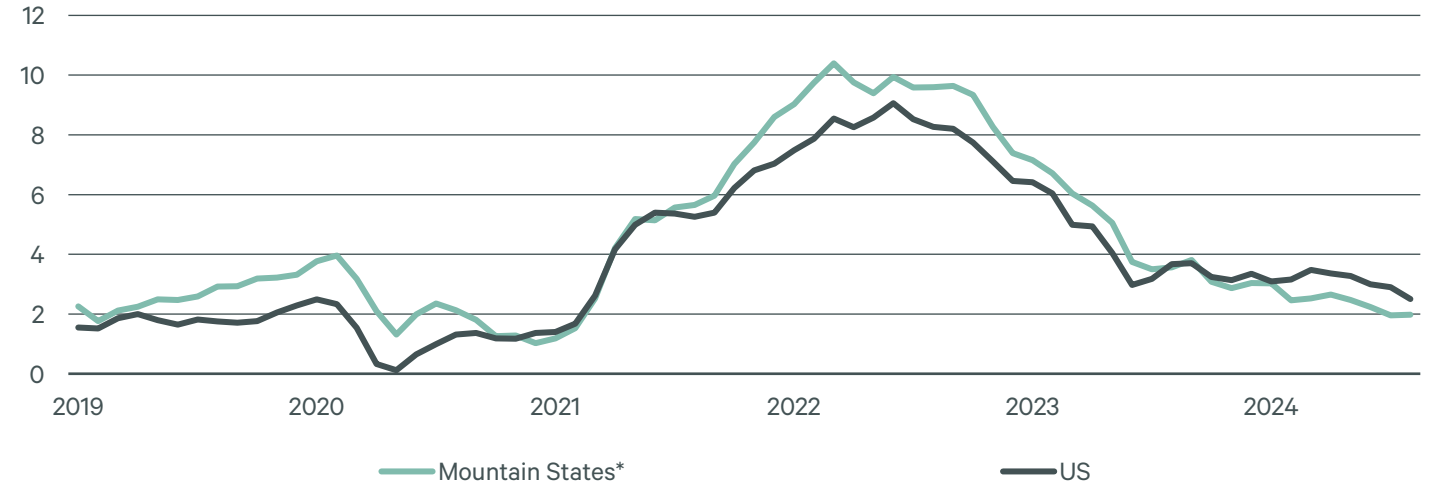
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National Economic Overview

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand, companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

While many are focused on November's election the most consequential policy lever has already been pulled via the FOMC's 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transaction markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

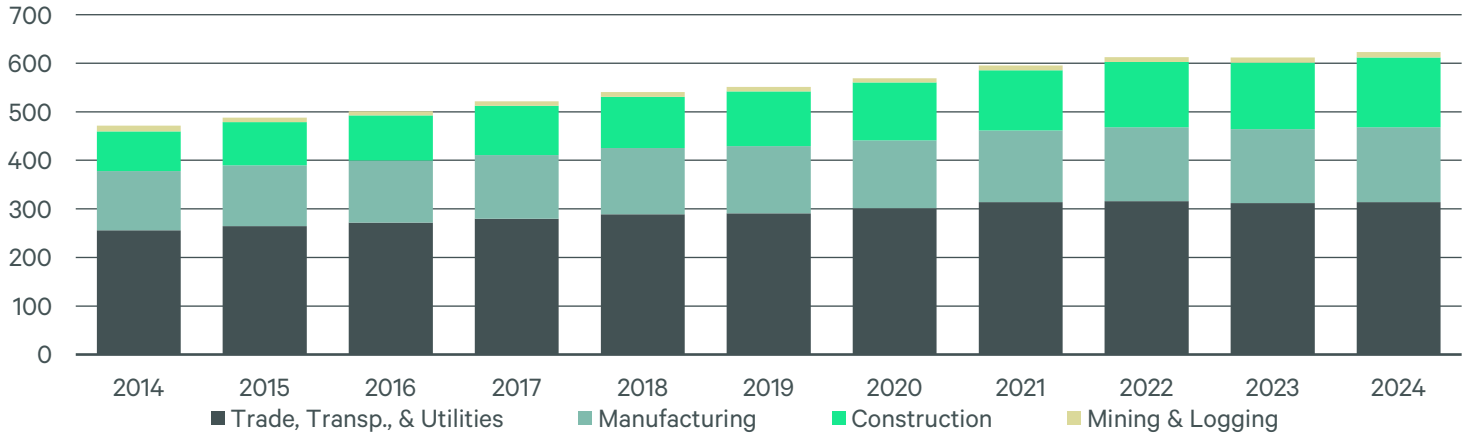
FIGURE 15: 12-month Change in Consumer Price Index for Mountain States and U.S. (%)



Source: Bureau of Labor Statistics, Sept 2024

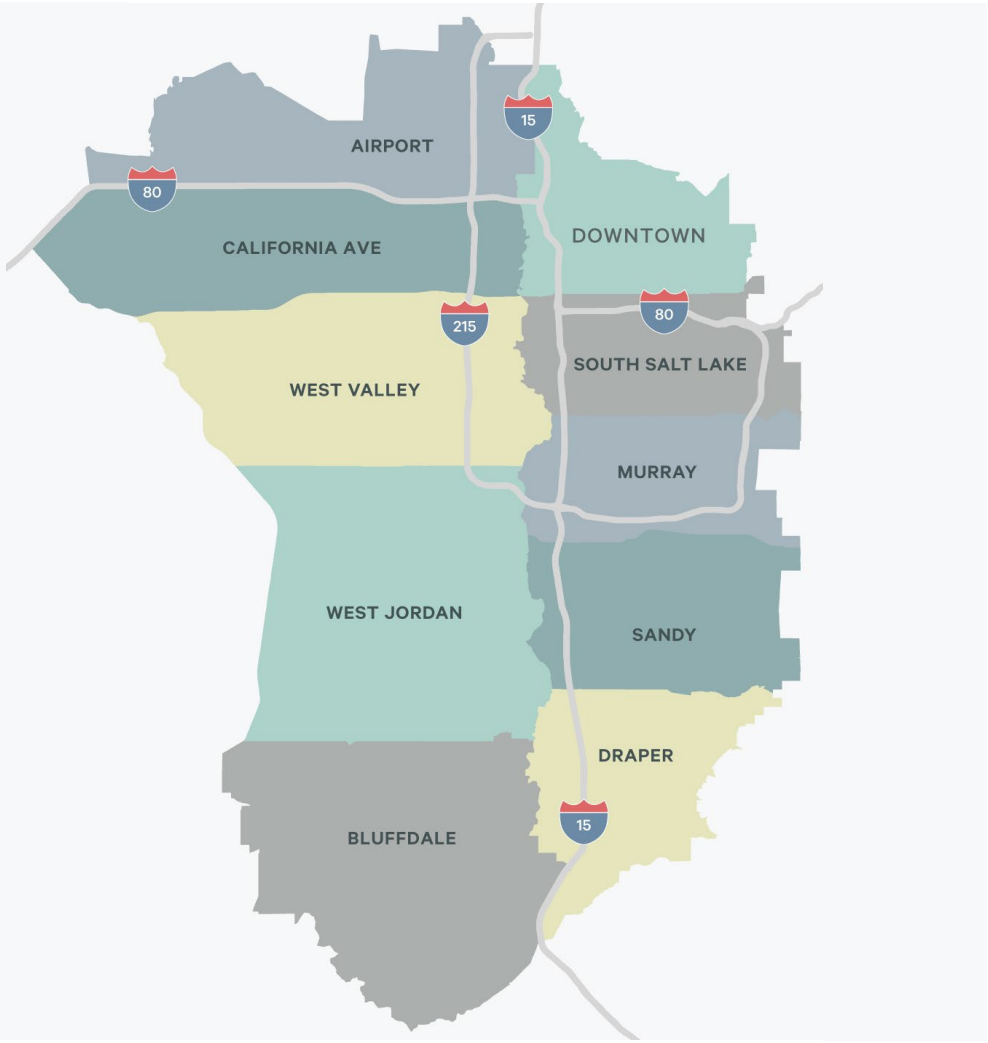
*Mountain States includes AZ, CO, ID, NV, NM, UT, WY

FIGURE 16: Utah Industrial-Using Employment (000s)



Source: Bureau of Labor Statistics, Sept 2024

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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.

Methodology

Positive absorption is based on the date the lease is signed. Achieved lease rates are calculated from base monthly rent for transacted deals, weighted by size/SF of deal. Sublease space can be vacant or occupied. Total Vacancy includes both direct and sublease. Lease activity is the sum of the square footage of leases signed during a designated time period. Data in previous publications is subject to change.

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