



COLDWELL
BANKER
COMMERCIAL

ADVISORS

UTAH MARKET REPORT

2016

OFFICE MARKET

UTAH OVERVIEW

The Utah office market continued to expand in 2016. Increased activity and record amounts of positive net absorption created a new commercial landscape across the Wasatch Front. The majority of 2016 leasing activity was a result of tenants occupying new space that was pre-leased during 2015. While sublease availability increased over each quarter, overall market indicators such as local population growth and continued economic development will remain strong into 2017. The office market will accommodate an increased supply of space now that new, large Class A office buildings offer tenants more options than what was available to them in 2015. This growing footprint brings a healthier balance to supply and demand in the office market.

2016

- ▲ VACANCY
- ▲ ABSORPTION
- ▲ LEASE RATES

BEST STATE

Forbes Rates Utah #1 Best State for Business.

PRO BUSINESS

Pollina Corporate Ranks Utah #1 Pro Business States

SALT LAKE COUNTY

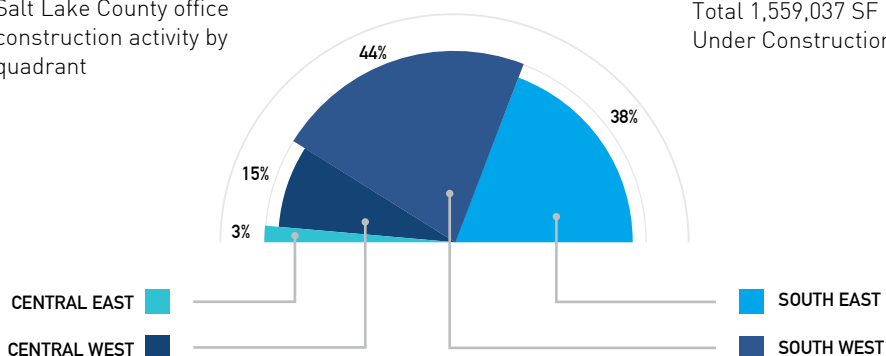
The South submarket experienced the majority of leasing activity during 2016.

This continued trend, proves that the suburban market was able to keep up demand for quality Class A space.

CONSTRUCTION

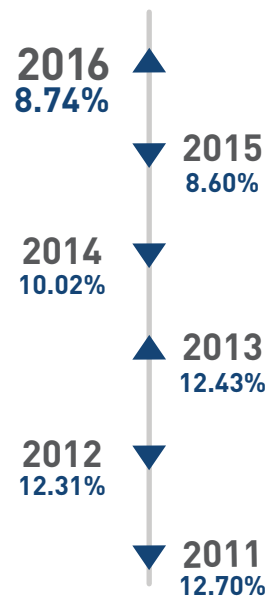
Salt Lake County office construction activity by quadrant

1.5M
Total 1,559,037 SF Under Construction



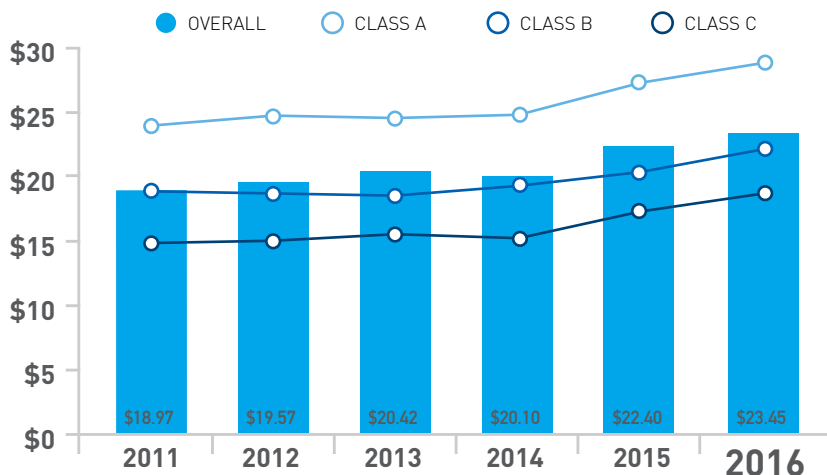
VACANCY RATES

Salt Lake County historic overall office vacancy



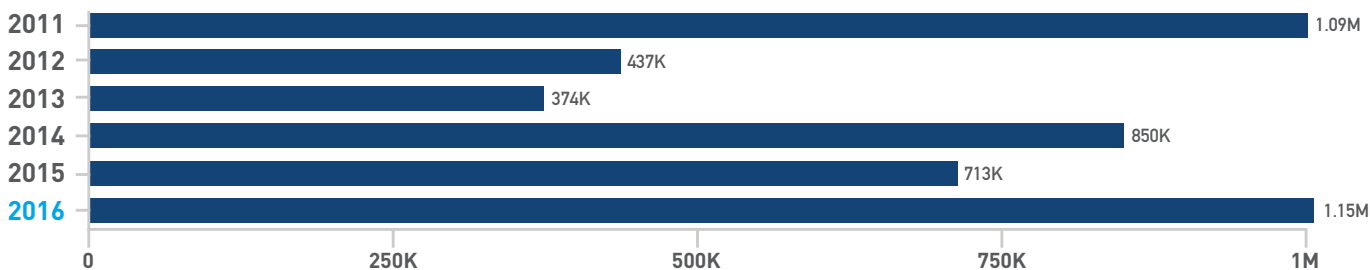
LEASE RATES (FS)

Salt Lake County historic overall lease rates



ABSORPTION RATES

Salt Lake County YTD overall absorption



LOOKING AHEAD

New construction is expected to slow during 2017, as landlords focus on filling the remainder of their newly completed Class A properties.

UTAH FORECAST

Projections estimate that by year-end 2017 the market will settle into its expanded office inventory. Lease rates should remain relatively unchanged as new product and the remaining older generation of office space keep lease rates competitive. Landlords will be focused on filling the remainder of available space, possibly offering incentivized tenant improvement packages. Sublease space will continue to be an option for tenants throughout the year. Developers will need to upgrade Class B and C buildings to remain competitive in the market.

NOTABLE OFFICE LEASES

Sub Market	Comp SF	Tenant	Property Name
Sandy South Towne	83,925	Apollo Medical Extrusion Technologies	8760 S. Sandy Pkwy.
Sandy South Towne	75,000	Connexion Point	Sandy Commerce Office Park
Sandy South Towne	73,850	DealerTrack Systems, Inc.	RiverPark 3
Sandy South Towne	69,172	E*Trade Financial Corporation	South Towne Corporate Center 2
Central Valley East	63,175	Pharmaceutical Research Associates, Inc.	Evergreen Office Plaza
Sandy South Towne	62,706	InMoment	SoJo Station 1
Cottonwood	60,358	Healthcare Quality Catalyst	Millrock Park West
CBD	40,030	Workman Nydegger	World Trade Center
Cottonwood	37,009	Social Finance, Inc. dba SoFi	Cornerstone I
CBD	36,601	State of Utah Business Resource Center	Broadway Building
CBD	31,956	Dorsey	111 S Main
Utah County North	106,000	Entrata	Traverse Heights
Utah County Central	74,973	Imagine Learning, Inc.	Imagine Learning Bldg. (Former Qualtrics Bldg.)
Utah County North	65,172	Instructure, Inc.	Grove Tower
Utah County North	59,170	Young Living Essential Oils	Thanksgiving Point 1 - Young Living Essentials
Utah County North	51,785	Global Payments	Mountain Tech Center
Utah County Central	40,000	Clearlink (Sykes)	University Place
Utah County North	41,848	Horrocks Engineers, Inc.	Grove Creek 1
Utah County North	35,606	Bamboo HR, LLC	Canopy IV
Utah County Central	30,000	Northstar Alarm Services, LLC	University Place
Utah County North	20,000	Bodyguardz	Thanksgiving Station 4

NO. 2

Provo and Orem ranked No. 2 and Salt Lake City No. 5 by *Business Insider* for the 15 **U.S. Cities That Are Driving the Future.**

RANKED #1

Provo ranked **#1 for best downtowns** in country by *Livability*.

2ND BEST

Provo ranked the 2nd **best city for technology and business** by the *Milken Institute* with Salt Lake ranked as 5th.

RETAIL MARKET

UTAH OVERVIEW

The Utah retail market did not experience much change in market conditions in the fourth quarter of 2016. Quick-service restaurants continued to boom in Draper, the Point of the Mountain, Davis County, West Jordan and Holladay, following population growth and increased daytime traffic created by an influx of new office tenants. Mid-box tenants did not move as quickly as in 2014 and 2015, and lease rates decreased as select mid-box tenants closed their doors. Landlords of these vacant spaces began offering more competitive rates in the hopes of quickly filling space. Many shopping malls moved forward with plans for redevelopment along the Wasatch Front. New ownership of major Utah malls was a prominent trend in 2016 and will likely play a significant role in the 2017 retail landscape.

2016

- ▲ VACANCY
- ▼ ABSORPTION
- ▼ LEASE RATES

JOB GROWTH

Provo and Ogden ranked #1 and #2 for **Fastest Job Growth in the Nation**

TOP STATE

Utah is America's **Top State for Business** in 2016

SALT LAKE COUNTY

Salt Lake County quickly adapts to a changing retail market where consumer preferences dictate a need for multi-faceted environments.

COUNTY SUMMARY

Various mid-box tenants closed their doors in 2016, including K-Mart, Sports Authority and Shopko. Many experts believe that 2017 will most likely see similar announcements from mid-box retailers. But a quickly changing retail environment is not always a negative indicator. Consumer preferences have shifted since the recession, and many people would rather shop online or at discount stores. Migrating consumer preferences also show a desire to experience a more multi-faceted retail environment that offers quick-service restaurants, entertainment and a social atmosphere. Grocers continued to expand in Utah throughout 2016, opening several new locations across the Wasatch Front and now offering more healthy, pre-made meal options for busy consumers. E-commerce stores are opening local brick and mortar locations, including Sierra Trading Post, which opened a store in Cottonwood Heights.

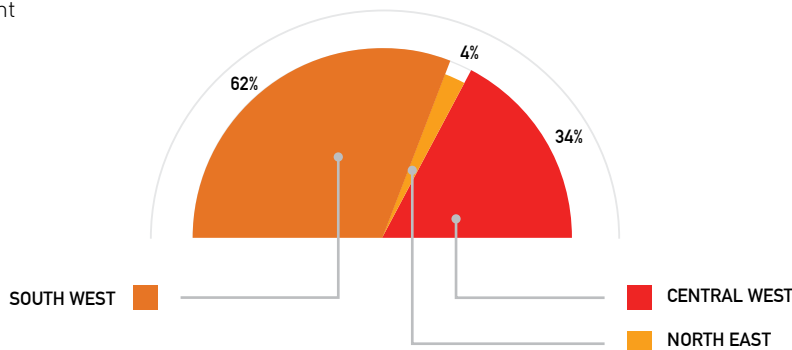
Overall asking lease rates decreased from \$20.68 NNN at the end of 2015 to \$19.94 at the end of 2016. In certain cases, tenants continued to pay top dollar for quality retail space. Areas like Draper, Sugarhouse, South Jordan, Sandy and downtown Salt Lake City achieved above-average asking lease rates ranging from \$25.00 to \$30.00 NNN. With only 374,398 square feet of retail space under construction in Salt Lake County at the end of 2016, the focus of retail construction was on redevelopment. Vacancy rates increased slightly in 2016 from 6.01 percent to 6.27 percent. Retail activity slowed in Salt Lake County with only 358,345 square feet of positive absorption year-to-date — roughly half the overall absorption rate of 2015.

CONSTRUCTION

Salt Lake County retail construction activity by quadrant

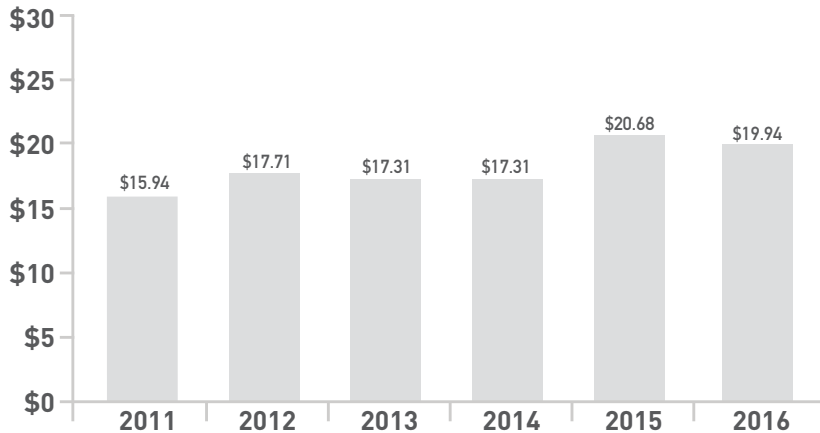
374K

Total 374,398 SF Under Construction



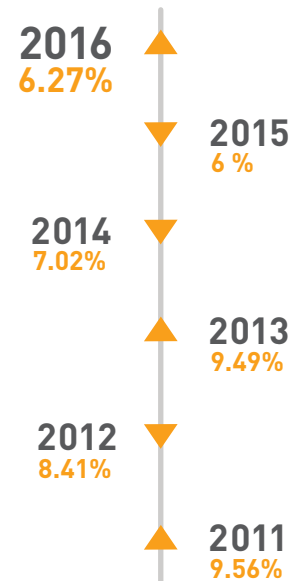
LEASE RATES (NNN)

Salt Lake County historic overall lease rates



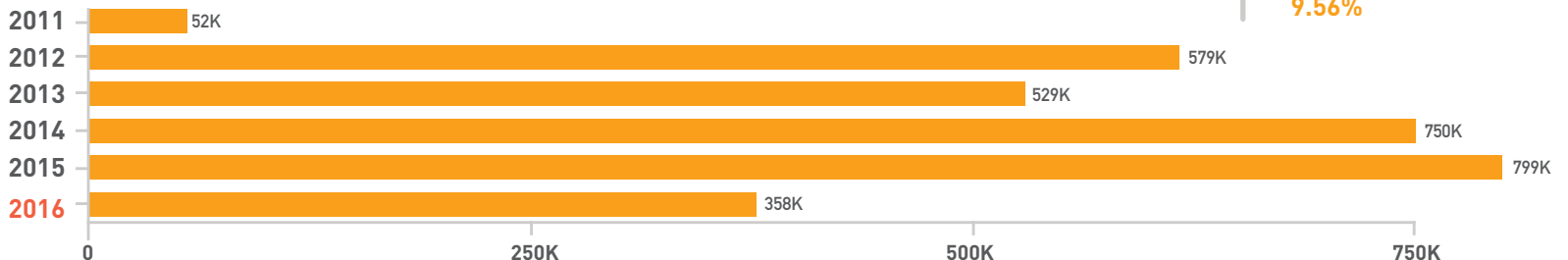
VACANCY RATES

Salt Lake County historic overall retail vacancy



ABSORPTION RATES

Salt Lake County YTD absorption by quadrant (Q4 2015)



LOOKING AHEAD

A focus on creating an all-day experience for shoppers is the new normal for retailers trying to stay competitive.

SALT LAKE COUNTY RETAIL

North East	Inventory	Available SF	Vacancy %	Asking Rate
Anchorless Center	1,290,098	84,865	6.58%	\$19.12
Neighborhood Center	440,078	108,208	24.59%	\$25.58
Community Center	1,869,627	125,175	6.43%	\$21.95
Regional Center	1,202,227	151,749	12.62%	\$32.00
North East Total	4,802,030	469,997	9.68%	\$25.43
North West	Inventory	Available SF	Vacancy %	Asking Rate
Anchorless Center	344,508	0	0.00%	\$-
Neighborhood Center	463,647	0	0.00%	\$-
Community Center	649,060	132,554	20.42%	\$16.70
Regional Center	0	0	0.00%	\$-
North West Total	1,457,215	132,554	9.10%	\$16.70
Central East	Inventory	Available SF	Vacancy %	Asking Rate
Anchorless Center	1,323,143	21,821	1.65%	\$18.38
Neighborhood Center	1,405,734	81,071	5.77%	\$17.83
Community Center	1,892,554	141,469	7.26%	\$17.77
Regional Center	2,159,205	72,977	3.38%	\$30.44
Central East Total	6,780,636	317,338	4.68%	\$20.76
Central West	Inventory	Available SF	Vacancy %	Asking Rate
Anchorless Center	1,078,736	78,782	7.30%	\$15.45
Neighborhood Center	1,174,992	92,955	7.91%	\$16.71
Community Center	3,833,505	324,388	8.46%	\$11.71
Regional Center	1,583,503	83,018	5.24%	\$30.00
Central West Total	7,670,736	579,143	7.55%	\$20.83
South East	Inventory	Available SF	Vacancy %	Asking Rate
Anchorless Center	1,146,333	76,236	6.12%	\$16.38
Neighborhood Center	1,603,783	94,046	5.86%	\$21.21
Community Center	3,578,462	100,132	2.55%	\$19.80
Regional Center	804,319	74,039	9.21%	\$18.02
South East Total	7,132,897	344,453	4.62%	\$18.98
South West	Inventory	Available SF	Vacancy %	Asking Rate
Anchorless Center	1,062,693	87,166	6.88%	\$15.44
Neighborhood Center	1,551,888	83,528	5.31%	\$17.54
Community Center	2,267,485	52,438	2.31%	\$16.84
Regional Center	3,517,876	266,751	7.58%	\$28.83
South West Total	8,399,942	489,883	5.65%	\$20.83
Overall	Inventory	Available SF	Vacancy %	Asking Rate
Anchorless Center	6,245,511	348,870	5.26%	\$17.00
Neighborhood Center	6,640,122	459,808	6.82%	\$16.48
Community Center	14,090,693	876,156	5.98%	\$17.46
Regional Center	9,267,130	648,534	7.00%	\$27.50
Overall Total	36,243,456	2,333,368	6.27%	\$19.94

UTAH FORECAST

Omnichannel retailing has become and will continue to be a mainstream occurrence along the Wasatch Front as brick-and-mortar retailers look for new concepts to bring in consumers and focus on creating an all-day experience for shoppers. Retail redevelopments will be focused on staying competitive in the market, causing asking lease rates to remain relatively unchanged in 2017. Experts believe that vacancy rates will most likely increase as future mid-box tenants announce closings. Also, future construction announcements will remain minimal during 2017 as the retail market adjusts to meet consumer demands and landlords wait to see the effects of redevelopment in major malls along the Wasatch Front. Landlords of older-generation spaces will be forced to revitalize their properties or offer lower lease rates to incentivize tenants to occupy their locations.

UTAH COUNTY RETAIL

North Utah	Inventory	Available SF	Vacancy %	Asking Rate
Anchorless	840,448	34,648	3.64%	\$16.16
Neighborhood	1,317,049	26,020	1.98%	\$16.49
Community	1,781,051	37,700	2.12%	\$25.00
Regional	623,428	0	0.00%	\$-
North Utah Total	4,561,976	98,368	2.07%	\$16.51
Central Utah	Inventory	Available SF	Vacancy %	Asking Rate
Anchorless	1,917,732	157,882	8.23%	\$11.84
Neighborhood	1,678,278	230,102	13.71%	\$15.79
Community	2,936,026	118,682	4.04%	\$17.89
Regional	407,512	44,267	10.86%	\$23.00
Central Utah Total	6,939,548	550,933	7.94%	\$16.53
South Utah	Inventory	Available SF	Vacancy %	Asking Rate
Anchorless	705,396	18,901	2.68%	\$13.13
Neighborhood	387,051	5,592	1.44%	\$16.52
Community	979,896	8,226	0.84%	\$25.00
Regional	0	0	0.00%	\$-
South Utah Total	2,072,343	32,719	1.58%	\$16.51
West Utah	Inventory	Available SF	Vacancy %	Asking Rate
Anchorless	50,806	2,560	5.04%	\$21.92
Neighborhood	94,435	0	0.00%	\$-
Community	418,640	5,694	1.36%	\$18.14
Regional	0	0	0.00%	\$-
West Utah Total	563,881	8,254	1.46%	\$17.05
Overall	Inventory	Available SF	Vacancy %	Asking Rate
Anchorless	3,514,382	213,991	5.93%	\$12.85
Neighborhood	3,476,813	261,714	7.06%	\$15.84
Community	6,115,613	170,302	2.78%	\$19.82
Regional	1,030,940	44,267	0.00%	\$26.36
Overall Total	14,137,748	690,274	4.42%	\$16.48

INDUSTRIAL MARKET

UTAH OVERVIEW

The Utah industrial market has already seen a significant decline in vacancy, with vacant space at its lowest level in over a decade. With continued economic strength, the Utah industrial market was able to sustain increased market activity. Asking lease rates increased as availability decreased, and new construction costs are on the rise due to continued land constraints. The most significant trend in the industrial market is the continued demand for big-box space. There is still an influx of new construction in the Salt Lake County market and minimal new industrial development in Utah County. The massive structures that reached completion in 2016 in Salt Lake County met the strong demand for state-of-the-art distribution facilities that offer excess clear heights, increased power, larger bays, yard space and additional parking. Even with the influx of new construction, increased demand should further decrease vacancy rates throughout 2017. Most leasing activity was found in Salt Lake County's Northwest Quadrant with tenants occupying space at a consistent pace.

2016

- ▼ VACANCY
- ▲ ABSORPTION
- ▲ LEASE RATES

TECHNOLOGY

Utah Gets "A" Digital Grade –
GovTech Magazine

JOB GROWTH

Utah County **No. 2** nationally
for job growth

SALT LAKE COUNTY

State-of-the-art industrial product keeps prices competitive while new tenants occupy space at a consistent pace.

COUNTY SUMMARY

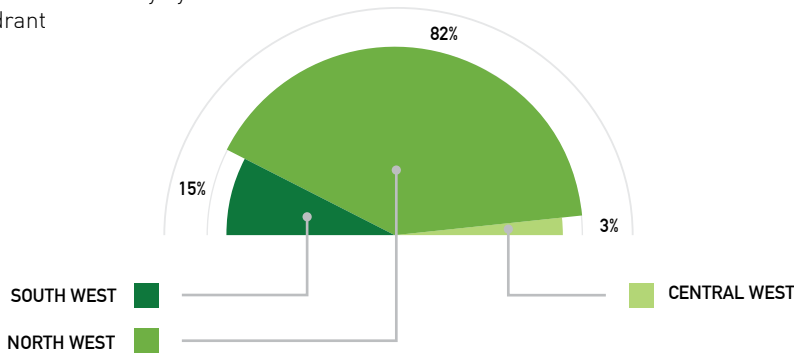
Lease rates in the Salt Lake County industrial market increased from \$.45 NNN at the end of 2015 to \$.47 at the end of 2016. Vacancy rate trends continued to decline from 6.85 percent in 2015 to 5.08 percent the following year. Surprisingly, vacancy rates did not increase once the 1,813,793 square feet of new construction was completed, as Salt Lake tenants expanded into new industrial space at a consistent pace. At the end of 2016, the Salt Lake County market had 2,041,600 square feet of space scheduled for completion by year-end 2017, with 82 percent of the industrial space under construction located in the Northwest quadrant. Fortunately, new industrial product is focused on offering state-of-the-art industrial space with higher ceilings, efficient loading and racking designs, and easy access to major corridors. Notably, owners and users who purchased industrial space achieved sale prices that increased from \$83.21 per square foot in 2015 to \$88.13 in 2016, a trend that should continue into 2017. Landlords of newly completed industrial product stayed competitive, offering lease rates just slightly higher than the overall market average.

CONSTRUCTION

Salt Lake County current construction activity by quadrant

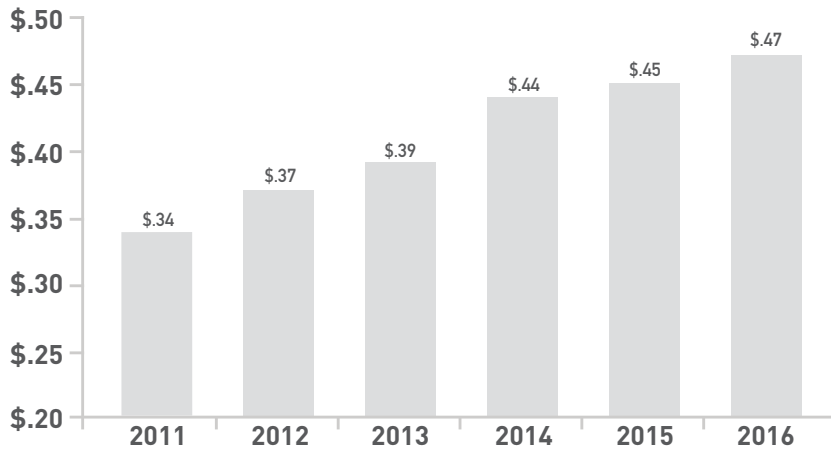
2.04M

Total 2,041,991 SF Under Construction



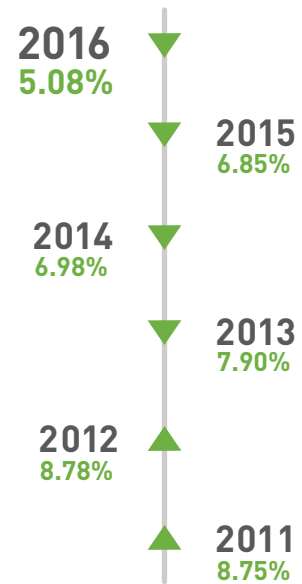
LEASE RATES (NNN)

Salt Lake County historic overall asking lease rates



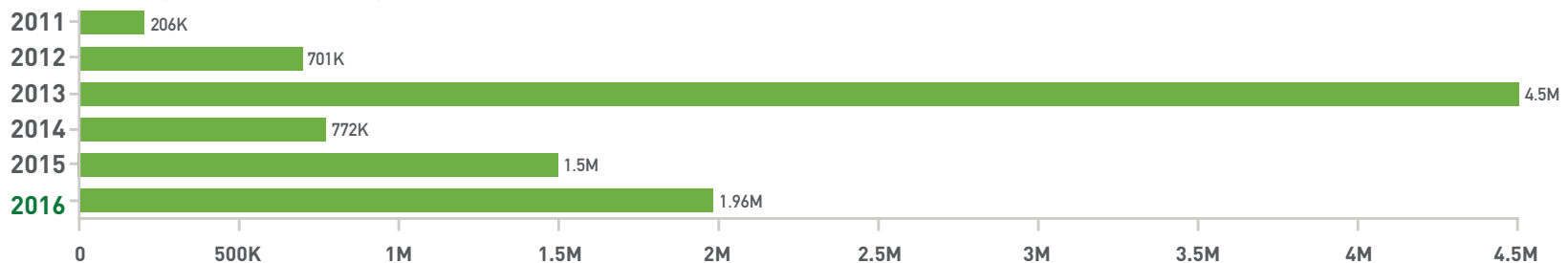
VACANCY RATES

Salt Lake County historic overall industrial vacancy



ABSORPTION RATES

Salt Lake County historical YTD absorption trends



LOOKING AHEAD

With continued growth and increased market activity, experts believe that 2017 will see additional positive industrial trends.

UTAH FORECAST

As available space along the Wasatch Front continues to decrease due to escalated activity, expect to see vacancy rates decrease slightly, painting a more accurate picture of continued growth in Utah. Construction rates will remain strong in the Northwest quadrant of Salt Lake County, especially with the redevelopment of the Salt Lake airport. Industrial space in Salt Lake County will continue to be taken off the market almost as quickly as it is completed. As Utah County continues to face limited space, tenants should expect and plan for longer timeframes for expansion or relocation. As Forbes' No. 1 State for Business six out of the past seven years, Utah is a force to be reckoned with regionally, nationally and internationally. The industrial market will continue to be strong and see steady increases in asking lease rates.

SALT LAKE COUNTY INDUSTRIAL

Building By Size	Inventory	Vacancy %	Absorption	Lease Rates	Sale Price
0-5K	4,680,738	2.99%	59,495	\$0.59	\$108.22
5,001-20K	22,365,726	4.31%	332,463	\$0.53	\$102.99
20,001-50K	29,759,120	4.17%	480,944	\$0.46	\$77.24
50,001-100K	20,323,120	6.69%	-17,859	\$0.45	\$89.87
100K+	61,178,088	5.42%	1,112,026	\$0.30	\$62.32
Overall	138,306,792	5.08%	1,967,069	\$0.47	\$88.13

UTAH COUNTY INDUSTRIAL

Submarket	# Bldgs	Total SF	For Lease	SubLease	Available %	Vacancy %	Absorption
Utah County Central	488	12,491,965	291,947	6,680	3.30%	3.17%	183,700
Utah County North	311	11,461,850	783,599	0	5.40%	4.70%	152,587
Utah County South	225	12,595,532	397,465	6,750	3.35%	2.57%	226,308
Overall	1,024	36,549,347	1,473,011	13,430	3.98%	3.44%	562,595

Building By Size	# Bldgs	Total SF	For Lease	Sublease	Available %	Vacancy %	Absorption
0-5K	88	276,328	3,132	0	1.13%	0.00%	-643
5,001-20K	474	5,586,254	86,965	6,750	1.84%	1.26%	38,930
20,001-50K	320	9,610,064	253,011	6,680	3.14%	1.46%	12,964
50,001-100K	97	6,637,530	248,015	0	4.95%	4.95%	233,116
100K+	45	14,439,171	881,888	0	4.97%	4.97%	278,228
Overall	1,024	36,549,347	1,473,011	13,430	3.98%	3.44%	562,595

JOBS

Utah **surpasses** pre-recession industrial employment levels.

ECONOMY

Utah is the **economic blueprint** for the United States.

RANKED #1

Economic performance study calls Utah '**most fundamentally sound state.**'

INVESTMENT MARKET

OVERVIEW

According to Real Capital Analytics, velocity, compression and financing sources have begun to tap the brakes on underwriting developments and acquisitions across major property types. This most likely reflects the early stages of a “market reset.” As much as this may cause pause to many in the industry, it is rather a healthy sign that investors will be in a better position to take advantage of the future possibilities in the dynamic commercial investment marketplace.

2016

▼ **SINGLE ASSETS**
down 18%

▼ **TRANSACTIONS**
Portfolio transactions down 43%

= **CAP RATES**
Cap rates have largely flattened across major property types

DIVERSITY

Utah Cities Among Best in Nation for Minority-Owned Businesses

SILICON SLOPES

Move Over Silicon Valley: Utah Has Arrived

INVESTMENT MARKET

Investors hold a positive outlook for the CRE industry for the near term despite the potential of interest rate hikes, market corrections and the need for thorough due diligence.

SUMMARY

On a national basis, there has been much discussion about the ability of the commercial real estate (CRE) industry to sustain its current cycle. While investors' opinions remain diverse with regard to the industry's current cycle and future direction, their investment objectives appear too narrow for existing assets — that is, to maintain values on the properties they currently own.

Indications of a peak in commercial valuations have made some investors prepare for a market reset. As a result, there is a consensus, on a national level, to begin firming up assets by locking in long-term leases and completing some renovations in lieu of looking for new acquisitions.

Many investors are focusing on "value preservation" as more of a reflection of core assets with frothy valuations and modest yields.

Even though rental lease rates are expected to increase in 2017, it is getting more challenging to buy into the current overall cycle and enjoy strong valuation appreciation going forward.

Part of the discussion about the intensity of the next market correction involves more of an anticipation of price corrections

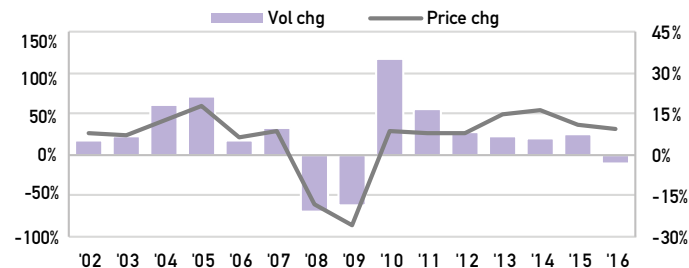
rather than a significant decline. This of course would be a healthy reset to the overall CRE market rather than a long-term contraction.

Looking forward, investors hold a positive outlook for the CRE industry for the near term. They are cognizant of the potential of interest rate hikes, market corrections and the need for thorough due diligence.

Sellers continue to dictate investment pricing with some exceptions throughout the U.S. As a result, real estate cycles vary across markets and geographic areas, as well as within specific markets and locations based on property type — office, retail, industrial and multi-family. This means that national cycles can and do differ for the same property type across individual local markets.

As a result, it is important to recognize where we are in the overall national property cycle to understand the sentiment for developing financing and acquisitions to better determine which geographic areas and property types reflect a divergence and therefore an opportunity to invest.

YEAR OVER YEAR CHANGE



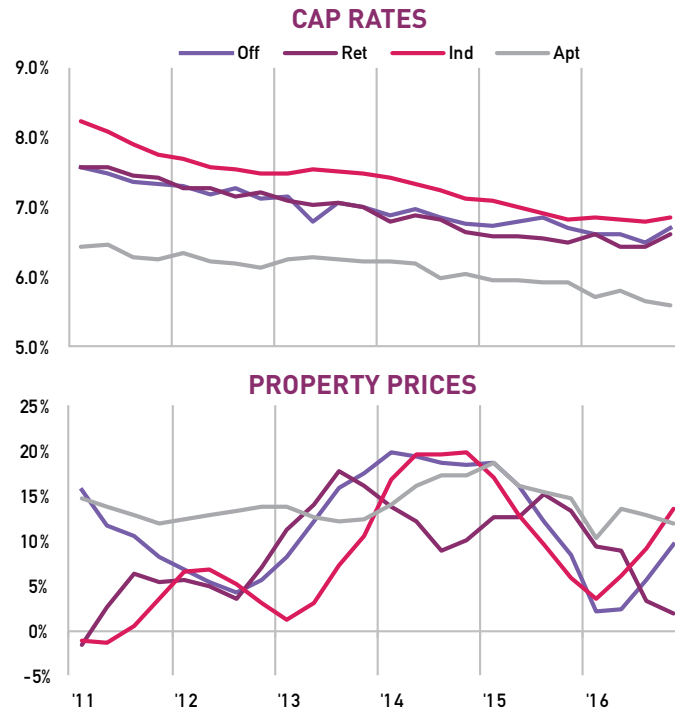
WESTERN MARKET CLOSED TRANSACTIONS BY PROPERTY TYPE

	OFFICE		INDUSTRIAL		RETAIL		APARTMENT	
	Vol (\$M)	\$SF	Vol (\$M)	\$SF	Vol (\$M)	\$SF	Vol (\$M)	\$unit
DENVER	2228.0	207	1,004.4	91	1,399.7	247	6,728.4	202,161
LAS VEGAS	435.2	186	540.9	94	4261.7	1,033	2492.1	104,124
LOS ANGELES	11288.5	412	43830.0	145	4345.1	354	6976.5	262,474
PHOENIX	2058.8	168	1348.1	73	1987.0	190	5209.8	109,242
SALT LAKE CITY	546.5	216	304.2	58	312.5	117	627.7	143,042

Figures in **bold orange** denote that record highs were set in 2016. \$/sf (or \$/unit) in the chart below shows average \$/sf (or \$/unit), not the record high.

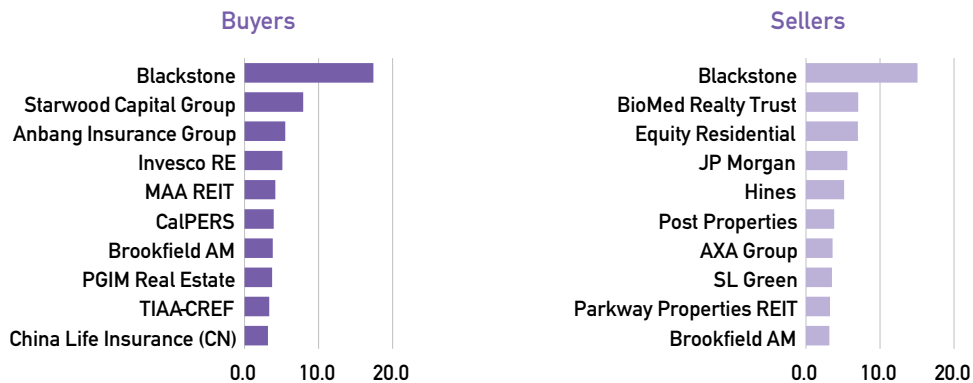
INVESTMENT MARKET

TRENDS OF 2016



TOP BUYERS AND SELLERS OF 2016

BY INVESTMENT VOLUME (\$B)



BY NUMBER OF PROPERTIES



MERGERS & ACQUISITIONS

Capital raised in 2016 should drive investments upwards in 2017 while business and personal services saw the most deal activity in the Utah market.

SUMMARY

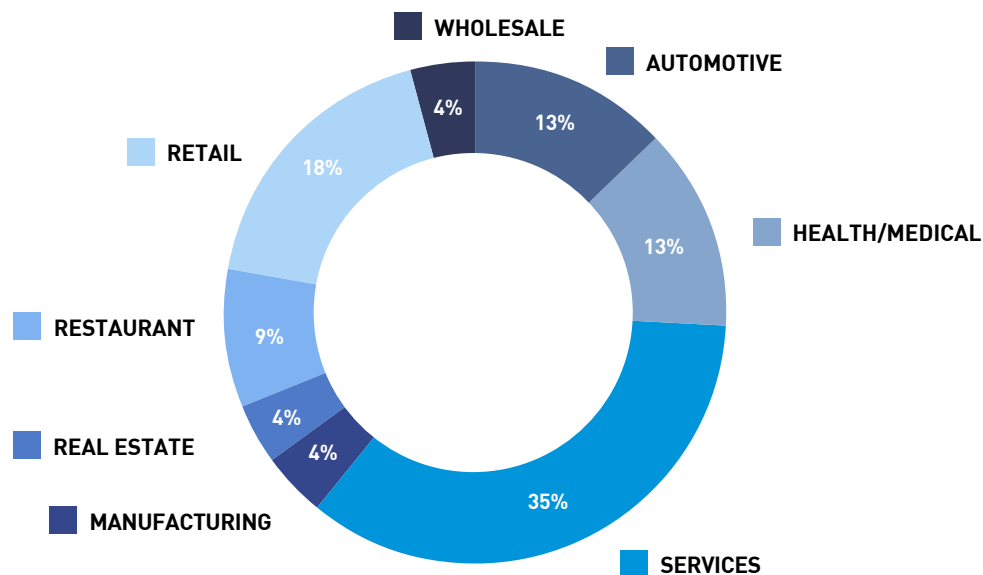
2016 saw a decrease in both deal volume and aggregate deal value from 2015, although several sectors like energy, transportation, and communications, saw stronger activity. Investors continued, however, to raise capital and some predict it will burn a hole in their pockets—driving investments upward in 2017. At the lower end of the market (businesses valued \$50-40 million), recapitalization is replacing 100% buyouts as business owners explore partnerships that minimize risk and allow more lucrative, strategic exits. Sellers continue to enjoy some leverage in this end of the market, as quality companies command a premium. Multiples have remained high, and private equity firms focused more on add-on than buy-out activity in 2016.

For the smallest market sector (up to \$2 million in value), it is still a buyers' market. The buyers are attracted to an improving small business market and are optimistic about the future economic climate.

CBC Advisors' mergers & acquisitions department saw a record year in the number of businesses listed as well as an uptick in both total deal value and total gross commissions. The services sector, including both business and personal services, was strong, as were health/medical and automotive.

2017 is starting off with strong deal volume, value and a promising pipeline of deals to come.

2016 DEAL ACTIVITY BY SECTOR



HOW TO MAKE YOUR SMALL BUSINESS CONSIDERABLY LESS SMALL.

Transform your small business into the next big thing. Visit our website or one of 14 Business Resource Centers for transforming your raw idea to reality. Existing businesses can learn how to grow, get funding as well as expand nationally and internationally. To help start or build your company, visit business.utah.gov/start.

LIFE
UTAH
ELEVATED



Utah Governor's Office of
Economic Development
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