

Salt Lake City

Office Q4 2019

CUSHMAN &
WAKEFIELDYoY
Chg 12-Mo.
Forecast

9.7%

Vacancy Rate



774K

YTD Net Absorption, SF



\$24.43

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS
Q4 2019YoY
Chg 12-Mo.
Forecast

755.6K

Salt Lake City
Employment

2.5%

Salt Lake City
Unemployment Rate

3.6%

U.S.
Unemployment Rate

Source: BLS

ECONOMY: Salt Lake City Outperforming National Economy

The Salt Lake economy continued to outperform the national economy across multiple key indicators through Q4 2019. Salt Lake City's unemployment rate remains one of the lowest in the country at 2.5%, 110 basis points (bps) below the national average of 3.6%. Job growth has also continued at an incredible pace as Salt Lake City added 16,100 new jobs since Q4 of 2018, a growth rate of 2.3%.

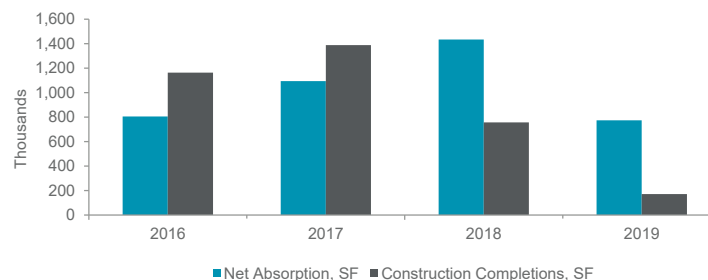
SUPPLY AND DEMAND: Leasing Remains Strong as Vacancy Reaches 10-Year Low

The Salt Lake City office market closed out the decade on a healthy note after a sluggish start during first half of this year. Leasing activity for the quarter totaled 847,900 square feet (sf) bringing the year-to-date (YTD) total to 2.5 msf (million square feet), on-par with previous years. Overall office vacancy reached a near 10-year low, dropping 270 bps year-over-year (YoY) to 9.7%, further spotlighting the continued demand for office space throughout the valley. Net absorption also rebounded in the fourth quarter, recording 309,300 sf for the quarter, bringing our YTD total to 773,800 sf. Although net absorption is down year-over-year, it does not signify a decline in market demand or oversupply, but rather, an off year in construction deliveries resulting in a lack of new Class A product throughout Salt Lake County as the market saw only 170,239 sf of new construction get delivered in 2019. Over the past two years, the Salt Lake City office market has reported record absorption numbers, closing out both 2017 and 2018 with over 1.0 msf of annual net absorption, a mark that has only been achieved three times in the history of the market. The bulk of that positive absorption was the due to construction deliveries of 1.4 msf in 2017 at 63% preleased and 756,000 sf in 2018 at 74% preleased. As the Salt Lake City office market looks to bounce back after this year's construction slump, 2020 looks primed to do just that. There is nearly 3.1 msf of office product currently under construction with at least 2.3 msf slated to be delivered in 2020 at a current prelease rate of 45%.

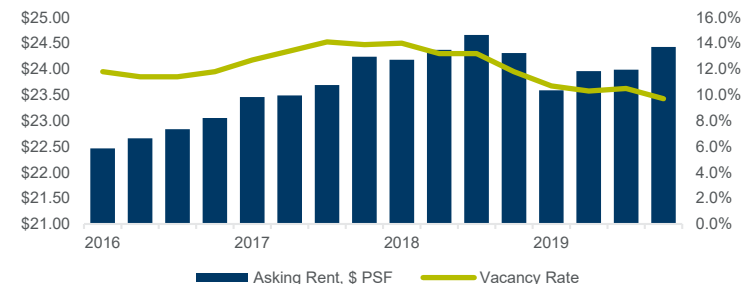
PRICING: Asking Rents Increase Slightly Year-Over-Year

Overall average asking rates for the Salt Lake City office market ticked up 1.0% YoY to \$24.43 per square foot (psf) with direct average asking rates also increasing slightly to \$24.86 psf. Class A product saw the largest increase in direct rental rates of 1.2%, asking an average of \$30.89/PSF with Class B and C product asking an average of \$24.42 psf and \$18.01 psf, respectively. Although rental rate growth seemed to slow in comparison to previous years, it is important to note that there was no new product delivered in 2019 that would drive up average rates in the market. Also, as companies continue to lease up top shelf space at market rate premiums, the average asking rate for the market will decline.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	DIRECT AVG ASKING RENT (ALL CLASSES)*	DIRECT AVG ASKING RENT (CLASS A)*
CBD	8,439,412	40,479	976,563	12.05%	70,972	232,775	497,658	\$27.62	\$32.57
Periphery	3,285,602	31,661	304,686	10.24%	33,508	174,291	150,000	\$23.74	\$30.00
North East	3,201,444	12,261	101,800	3.56%	11,422	32,157	424,841	\$20.15	\$31.89
North West	4,154,621	5,541	367,895	8.99%	28,006	-26,816	475,691	\$21.52	\$23.50
Central East	8,190,022	114,753	786,235	11.00%	156,551	307,756	0	\$24.12	\$31.41
Central West	1,573,838	86,131	61,142	9.36%	-54,893	-30,946	235,274	\$17.90	N/A
South East	7,267,837	227,456	319,252	7.52%	17,982	105,713	979,337	\$25.50	\$27.41
South West	1,717,562	147,520	96,798	14.22%	45,724	-21,115	266,000	\$26.39	\$27.00
SALT LAKE CITY TOTALS	37,830,338	665,802	3,014,371	9.73%	309,272	773,815	3,028,801	\$24.86	\$30.89
Class A	14,384,258	480,258	851,601	9.26%	48,859	85,645	2,945,287	\$30.89	
Class B	17,164,325	166,545	1,512,890	9.78%	149,928	427,640	83,514	\$24.42	
Class C	6,281,755	18,999	649,880	10.65%	110,485	260,530	0	\$18.01	
SALT LAKE CITY TOTALS	37,830,338	665,802	3,014,371	9.73%	309,272	773,815	3,028,801	\$24.86	

*Rental rates reflect full service asking

*Statistics inclusive of Salt Lake County

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
General Dynamics Building	Central East	Maximus Federal Services	130,000	Renewal
Olympus Building	Periphery	Salt Lake Defenders	47,874	Direct
U.S. Bank Building	CBD	Quickbase Inc	35,370	Direct
Timpanogos Tech Center 1	Utah County South	Cricut, Inc	33,240	Direct
Sorenson 7	Central West	PillPack	29,284	Direct

*Renewals not included in leasing statistics

*Utah County not included in leasing statistics

KEY SALES TRANSACTIONS 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Vista Station Portfolio	South East	Gardner Co. / Nuveen	396,000	\$110.6M / \$279
AmEx Travel - Taylorsville, UT	Central East	American Finance Income Trust / State of Utah	395,787	\$30.0M / \$76
75 West Towne Ridge Parkway	Central East	WCF Insurance / Sterling Realty	250,962	\$86.4M / \$345
Sandy Towers East	Central East	Millrock Development / Nuveen	215,594	\$44.2M / \$320
Clift Building & Felt Building	CBD	Phipps Family / Fortress	179,496	\$40.4M / \$225

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