

# Salt Lake City

Office Q2 2020



	YoY Chg	12-Mo. Forecast
<b>13.0%</b> Vacancy Rate	▲	▲
<b>-357K</b> Net Absorption, SF	▼	▲
<b>\$24.57</b> Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2020

	YoY Chg	12-Mo. Forecast
<b>700.8K</b> Salt Lake City Employment	▼	▲
<b>10.3%</b> Salt Lake City Unemployment Rate	▲	▼
<b>13.0%</b> U.S. Unemployment Rate	▲	▼

Source: BLS

## ECONOMIC OVERVIEW

Employment market lost 47,500 jobs (-6.3%) year-over-year (YOY) through May 2020.<sup>1</sup> During the same time period, the monthly unemployment rate increased from 2.5% to 9.4%. Notably, the current monthly rate is more than double the 30-year average of 4.1% and 90 basis points (bps) below the Q2 2020 average of 10.3%. All employment sectors are expected to shrink at a combined rate of -6.6% in 2020 and grow 1.2% in 2021. Salt Lake City's economy of \$87.8 billion as measured by gross regional product is forecasted to shrink -4.2% in 2020 and grow 2.6% in 2021, below its 10-year average of 3.1%.<sup>2</sup>

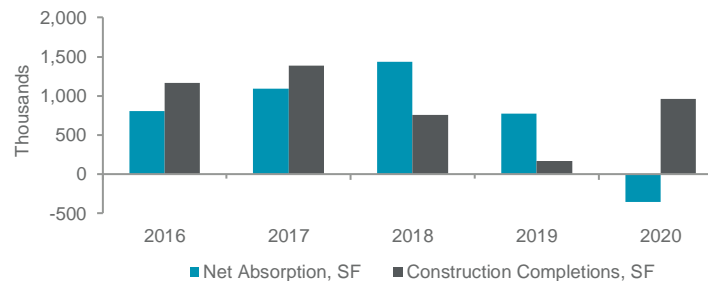
## MARKET OVERVIEW

The overall vacancy, including sublease, increased 280 bps quarter-over-quarter (QOQ) and 330 bps YOY. Class A vacancy increased 410 bps to 12.4% YOY, while Class B vacancy increased 290 bps to 14.5%. Vacancies are on the rise as office users look to shrink their physical footprints to mitigate costs and risk as well as to keep their employees safe and healthy during the pandemic. Tenants returned space to all except for North East submarket in Q2 - combined 357,000 square feet (sf) - bringing year-to-date (YTD) occupancy losses to 140,900 sf across all submarkets. Class A accounted for 47,500 sf of occupancy gains in Q2 and 354,100 sf YTD. However, tenants returned 493,000 sf to Class B inventory YTD, outpacing gains in Class A and resulting in an overall decrease in tenant footprint in 2020. Despite a lackluster Q2, average rental rate for Class A space increased 4.3% and for all classes a mere 0.5% YOY. Average rental rate for Class B decreased 1.9% YOY. This regression in asking rates is a direct result of landlords looking to backfill their vacancies as quickly as possible to mitigate their exposure in a softening market.

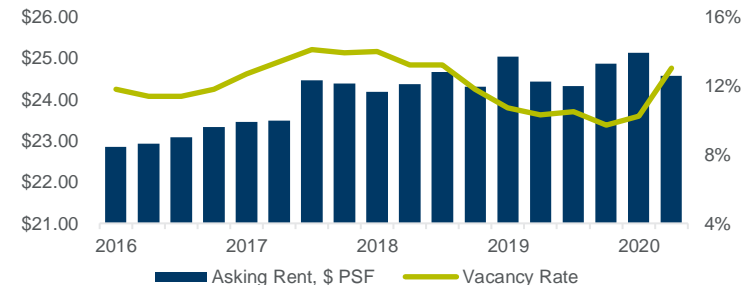
Over 950,000 sf of new inventory was added over the last two quarters, showcasing multiple suburban class A office developments, including two 180,000-sf speculative office (SPEC) projects - Sojo Station II (South) and Irvine Office Park Bldg. 1. Among other noteworthy completions are 60 Park Avenue, a 150,000-sf development in the North East submarket owned by Westport Capital with 35,000 sf leased to sPower as well as Minuteman V, a 125,000-sf project in the South East submarket where Acima Credit, LLC has leased three floors consisting of over 77,000 sf. More than 70% of new inventory is SPEC, and the timing of delivering that pent-up demand could result in negative consequences for the market due to the instability and uncertainty surrounding the current economic climate.

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## Salt Lake City

Office Q2 2020

## 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)	YTD LEASING ACTIVITY** (SF)	YTD CONSTR COMPLETIONS (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central Business District	8,723,867	170,998	1,160,995	15.3%	-77,839	-176,946	140,656	0	540,000	\$27.31	\$32.53
Periphery	3,435,602	93,585	427,894	15.2%	-8,668	35,262	136,173	150,000	0	\$23.35	\$25.22
North East	3,345,356	2,235	177,551	5.4%	7,687	49,922	52,663	150,000	274,841	\$29.62	\$40.00
North West	4,091,516	62,298	435,449	12.2%	-58,327	-97,649	3,593	0	475,691	\$21.63	\$23.00
Central East	8,141,101	185,176	911,677	13.5%	-119,004	-124,046	331,011	0	0	\$22.19	\$27.26
Central West	1,600,506	85,969	69,425	9.7%	-12,273	-6,606	34,890	0	235,274	\$16.99	\$25.50
South East	7,700,608	361,668	464,771	10.7%	-68,847	190,016	236,826	405,000	534,823	\$25.18	\$27.45
South West	1,961,699	158,590	291,136	22.9%	-19,402	-10,878	0	254,353	0	\$25.54	\$25.30
Class A	15,363,318	625,302	1,277,995	12.4%	47,535	354,067	591,355	885,000	2,036,629	\$28.79	
Class B	17,416,019	462,150	2,059,526	14.5%	-368,954	-492,551	262,234	74,353	24,000	\$23.27	
Class C	6,220,918	33,067	601,377	10.2%	-35,254	-2,441	82,223	0	0	\$18.06	
<b>TOTAL MARKET</b>	<b>39,000,255</b>	<b>1,120,519</b>	<b>3,938,898</b>	<b>13.0%</b>	<b>-356,673</b>	<b>-140,925</b>	<b>935,812</b>	<b>959,353</b>	<b>2,060,629</b>	<b>\$24.57</b>	<b>\$28.79</b>

\*Rental rates reflect full service asking. \*\*Renewals not included in leasing statistics.

## KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
12921 S Vista Station Blvd.	South East	United Health Group	112,034	Sublease
2650 S Decker Lake Blvd.	North West	Select Health	92,943	Renewal*
650 Main St.	Periphery	EnerBank USA	88,913	New
13907 S Minuteman Dr.	South East	Acima Credit, LLC	77,600	New
2835 S Decker Lake Dr.	North West	ADP, LLC	43,406	Renewal*

## KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Riverpark XI	South West	Layton Construction Co. / Roseman University	125,000	N/A
Towers @ 45 <sup>th</sup>	Central East	RBM 45 <sup>th</sup> Tower, LLC / JB 310 Tower, LLC	110,578	N/A
Cottonwood Crest	Central East	Synergy Development / Abbott Corporation	22,218	N/A

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