

Salt Lake City

Office Q3 2020



	YoY Chg	12-Mo. Forecast
14.3% Vacancy Rate	▲	▲
-253K Net Absorption, SF	▼	▲
\$24.79 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
722.8K Salt Lake City Employment	▼	▲
4.9% Salt Lake City Unemployment Rate	▲	▼
8.8% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMIC OVERVIEW

The Salt Lake City employment market has been significantly affected by COVID-19 stay-at-home orders, resulting in loss of 34,500 jobs or -4.6% year-over-year (YOY) through August 2020.¹ Of the 34,500 jobs lost, 12,100 (-18.6% YOY) or 35% of losses were in the leisure and hospitality sector. Professional and business services sector lost 11,300 jobs (-8.5% YOY), accounting for 33% of total jobs lost. During the same time period, the monthly unemployment rate increased from 2.6% last year to 4.7% and is currently 60 basis points (bps) above the 30-year average of 4.1% yet 20 bps below the Q3 2020 quarterly average of 4.9%. All employment sectors are expected to shrink at a combined rate of -3.2% in 2020 and return to growth of 0.9% in 2021. Salt Lake City's economy of \$82.8 billion as measured by gross regional product is forecasted to shrink by 4.2% in 2020 and return to growth of 3.8% in 2021, above its 10-year average of 3.1%.²

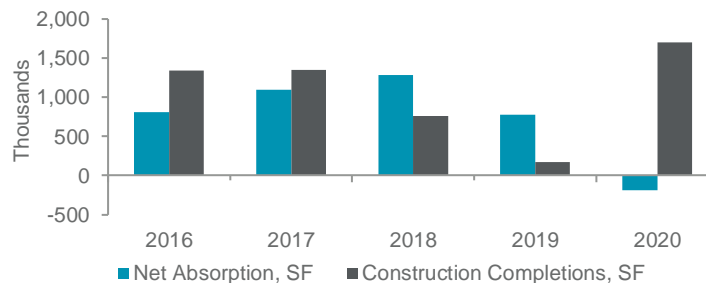
SUPPLY AND DEMAND

The overall vacancy, including sublease, increased 130 bps quarter-over-quarter (QOQ) and 380 bps YOY. Class A vacancy increased 400 bps from 9.0% to 13.6% YOY, while Class B vacancy increased 440 bps from 11.5% to 15.9%. 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.

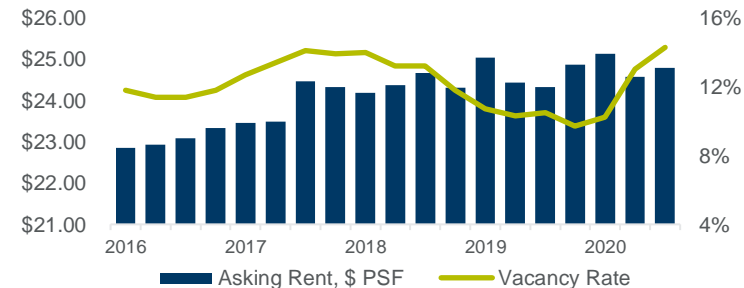
Tenants returned 253,000 square feet (sf) in Q3 2020 compared to 308,000 sf in Q2 2020, diminishing occupancy gains of 372,000 sf recorded in Q1 2020. Consequently, year-to-date (YTD) occupancy decreased by 188,600 sf market wide, with CBD and Central East submarkets recording the most losses. During Q3 2020, tenants returned space to most submarkets (combined -612,000 sf) except for the South East and North West submarkets (combined +358,700 sf). Leasing activity was noticeably slower in Q3 2020 at 187,047 sf, including renewals, compared to Q2 2020 at 977,680 sf and 591,721 sf in Q1 2020. Leasing stands at 1.8 million square feet (msf) YTD of which 1.3 msf are new leases and 470,000 sf are renewals.

Salt Lake City has established itself as one of the top 10 tech markets in the U.S. as 9.6% of total employment is concentrated in the technology sector compared to 5.0% nationwide. A growing tech-savvy millennial population at 23% of total residents (vs.21% in U.S.) and an increase in venture capital in the region are positively affecting demand for office space. Over the last 10 years, tech employment in Salt Lake City has increased by 63% (vs. 23% in U.S.) and is forecasted to grow by 13% (vs. 11% in U.S.) between 2020 and 2025. Among tech tenants relocating and expanding in the region are eBay, Overstock.com, Qualtrics, L3 Technologies

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



Salt Lake City

Office Q3 2020



and Adobe. Adobe's expansion into its second Utah campus in Lehi, nearly doubling its local workforce, headlines the list of recent tech growth in the area. Since then, other firms have followed suit including Pluralsight, who completed construction on its new 348,000-sf headquarters in Draper during the third quarter.

PRICING

Despite an increase in vacancy, overall average asking rent for all classes combined increased 0.9% QOQ and 1.9% YOY. Average rent for Class A increased 2.7% YOY led by occupancy gains of 734,000 sf in Class A over the last four quarters. While landlords face increased exposure due to softening occupancy fundamentals, tenant preference for well located, amenity-rich Class A product continues to drive rents upward.

FUTURE INVENTORY

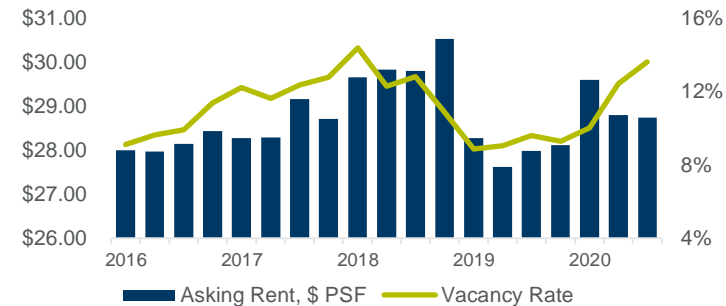
Over 1.7 msf of new inventory was delivered to the market during 2020, highlighted by several Class A suburban office developments, including Highline Station located at 65 E Highline Drive in the South East submarket. This four-story trophy building, accounting for the largest move-in of 348,000 sf in Q3 upon completion, will serve as the new worldwide headquarters for Pluralsight, an online educational technology company. Pluralsight plans to accommodate up to 2,000 team members, while fostering connectivity in an amenity rich environment with a fitness center, bike room, medical clinic and access to nearby trail system. Other 2020 noteworthy completions include two speculative (SPEC) buildings, a 180,000-sf Sojo Station II (South) and a 180,000-sf Irvine Office Park - Bldg. 1, 60 Park Avenue, a 150,000-sf development, in the North East submarket and 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.

Salt Lake City's development pipeline remains active at 1.3 msf currently under construction, with 355,000 sf expected to deliver before the end of 2020. A 380,000-sf build-to-suit (BTS) building located at 540 N 2200 West in North West submarket, will be fully occupied by L3 Communication Systems-West upon completion in Q1 2021. The Mill I, a 150,000-sf SPEC project in North East submarket is 83% pre-leased by GBS Benefits and PDQ.com with an estimated delivery in Q1 2021. The Myriad Building VI, a 125,000-sf BTS building located at 3330 Wakara Way in North East submarket also is 100% by Myriad Genetics and set to deliver in Q2 2021. All of these transactions will translate into positive absorption upon completion.

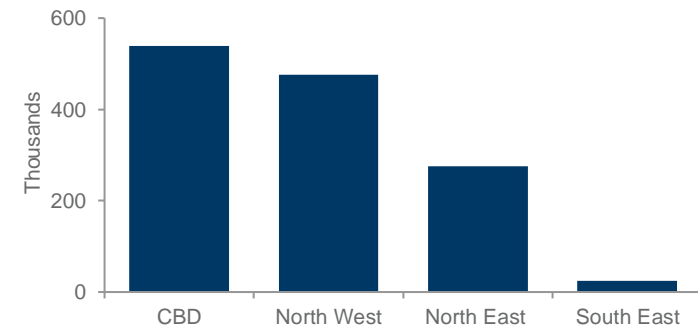
Outlook

- Following three years of record expansion, Salt Lake City's office market fundamentals have moderated in 2020, as rising positivity rates for COVID-19 have delayed Utah's re-opening plans. Leasing activity has cooled, resulting in elevated vacancy as tenants exercise caution amidst economic uncertainty. Despite significant headwinds, Salt Lake City is uniquely positioned to stabilize as the local economy continues to outperform many of its peer markets.
- Salt Lake City remains a popular destination for technology companies to relocate or expand, owing to a robust tech-educated millennial population and the relative affordability of office space. Tech firms seeking to mitigate costs as they reassess their office-leasing footprint will continue to target the region, helping to offset a slow in large block leasing among other sectors of the market.

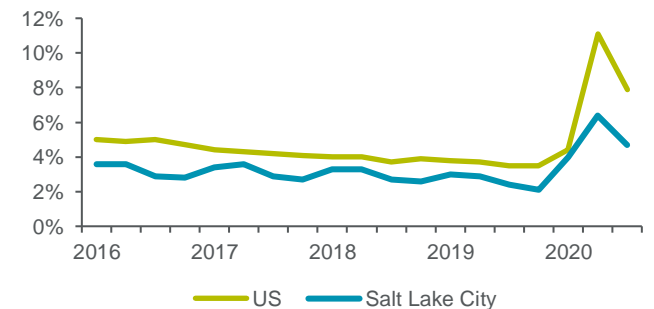
OVERALL VACANCY / ASKING RENT – CLASS A



UNDER CONSTRUCTION BY SUBMARKET IN SF



UNEMPLOYMENT RATE IN COMPARISON



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	8,623,449	202,482	1,172,735	15.9%	-212,808	-292,313	146,805	540,000	\$26.33	\$31.12
Periphery	3,435,602	84,362	464,947	16.0%	-104,940	-36,007	146,126	0	\$25.42	\$32.67
North East	3,311,036	2,235	241,386	7.4%	-63,169	-8,227	74,116	274,841	\$27.93	\$35.44
North West	4,023,682	67,841	391,969	11.4%	37,937	-59,712	46,999	475,691	\$21.61	\$23.00
Central East	8,120,721	195,188	964,344	14.3%	-115,452	-218,610	421,744	0	\$22.82	\$28.34
Central West	1,836,761	77,870	330,441	22.2%	-13,838	-30,161	38,255	0	\$23.59	\$28.50
South East	8,211,431	395,793	555,707	11.6%	320,759	551,765	413,256	24,000	\$25.23	\$27.80
South West	1,961,699	208,590	313,133	26.6%	-101,130	-95,297	0	0	\$25.19	\$24.81
Class A	16,107,652	655,982	1,537,624	13.6%	175,713	685,374	728,247	1,290,532	\$28.73	\$28.73
Class B	17,327,361	549,507	2,207,997	15.9%	-355,191	-798,227	427,875	24,000	\$23.35	
Class C	6,089,368	28,872	689,041	11.8%	-73,163	-75,709	131,179	0	\$17.89	
TOTAL Market	39,524,381	1,234,361	4,434,662	14.3%	-252,641	-188,562	1,287,301	1,314,532	\$24.79	\$28.73

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

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
7090 S Union Park Ave.	Central East	Michael Baker International	24,873	Renewal*
4021 S 700 E	Central East	Undisclosed	13,507	Renewal*
11990 S 700 E	South East	Sorenson Forensics	12,375	New
6510 S Millrock Dr.	Central East	Morgan Stanley Smith Barney	9,098	Renewal*
6451 S 3000 E	Central East	Alumni Inc.	7,014	Sublease

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
102 Tower	CBD	University of Utah / The Boyer Company	235,362	\$52.1M/\$221
The 324	CBD	Hamilton Partners / M.A. Mortenson Company	224,400	\$35.4M/\$158
175 South West Temple	CBD	Stoltz Real Estate Partners / BV Management Services	151,382	\$33.1M/\$218

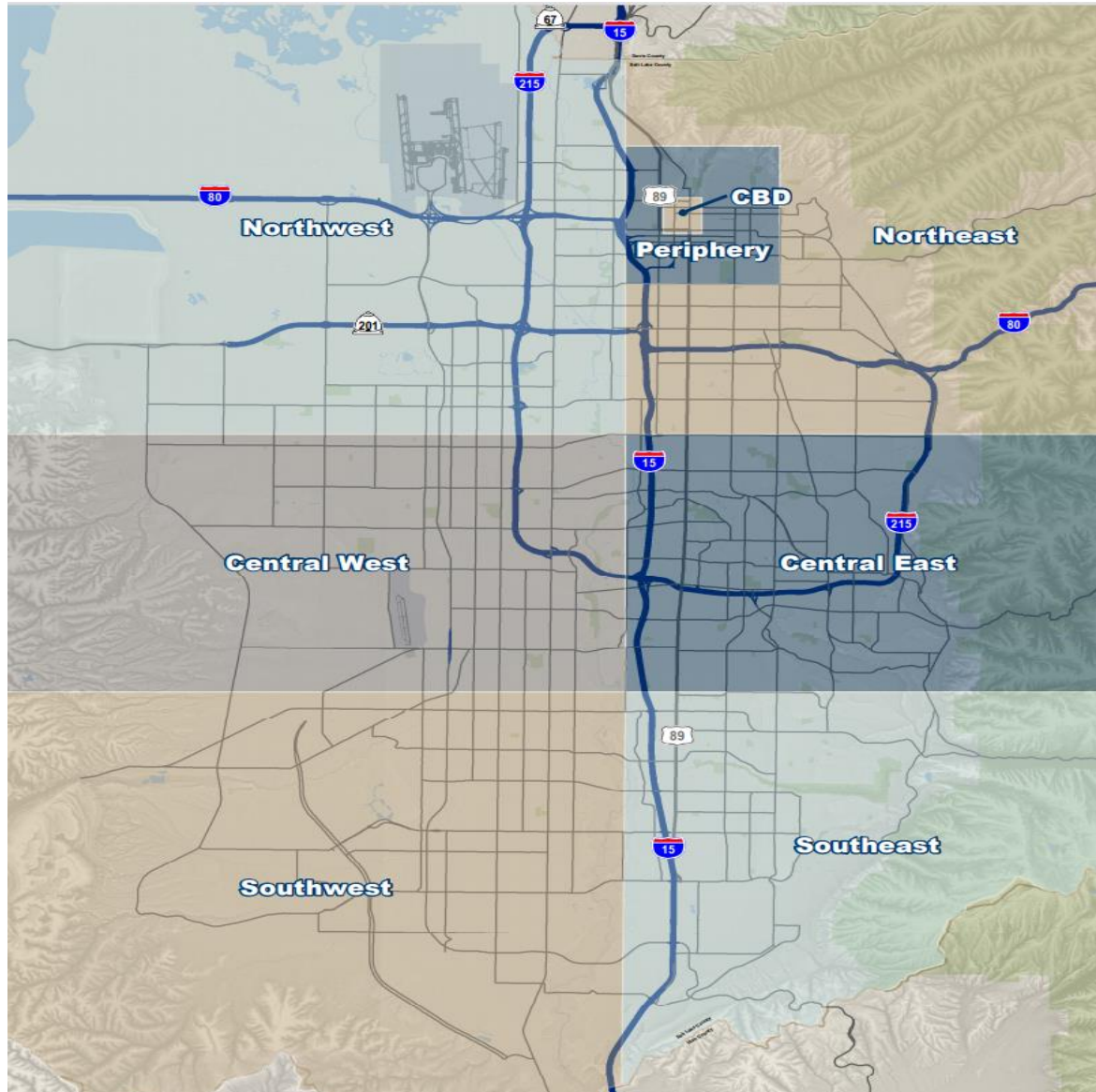
KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Highline Station	South East	Pluralsight	348,000	Gardner Company
Minuteman V	South East	Acima Credit, LLC	125,000	Westport Capital Partners

Salt Lake City

Office Q3 2020

OFFICE SUBMARKETS

**NICK SCHLANGER***Senior Research Analyst*

Tel: +1 801 303 5403

Nick.Schlanger@cushwake.com**JOLANTA CAMPION***Director of Research**Nevada, Utah & San Diego*

Tel: +1 858 625 5235

jolanta.campion@cushwake.com**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com