

Salt Lake City

Office Q3 2021



YoY Chg 12-Mo. Forecast

17.4%
Vacancy Rate



-1.1M
Net Absorption, SF



\$24.49
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

YoY Chg 12-Mo. Forecast

773.8K
Salt Lake City Employment



2.7%
Salt Lake City Unemployment Rate



5.2%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW

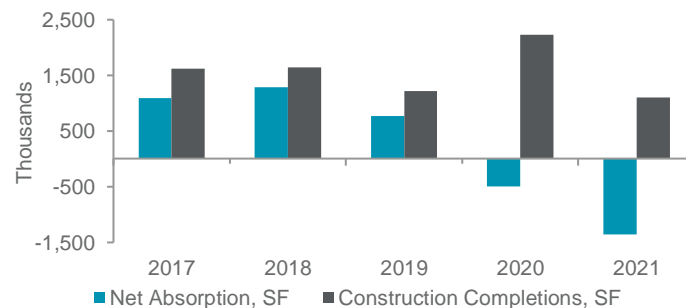
The Salt Lake City's nonfarm employment grew by 42,800 or +5.9% year-over-year (YOY) between August 2020 through August 2021, with the professional and business services accounting for 11,200 jobs added (+8.5% YOY). During the same time, the monthly unemployment rate decreased from 5.3% last year to 2.6% and is currently 150 basis points (bps) below the 30-year monthly average of 4.1% and in line with the Q3 2021 quarterly average of 2.7%.¹ All employment sectors are expected to grow at a combined rate of 4.6% in 2021 and 5.0% in 2022, while office-using sector is forecasted to grow 5.2% in 2021 and 4.4% in 2022. Salt Lake City's economy of \$82.9 billion as measured by 2020 gross regional product is forecasted to grow 6.4% in 2021 and 5.8% in 2022, above its 10-year average of 2.8%.²

SUPPLY AND DEMAND

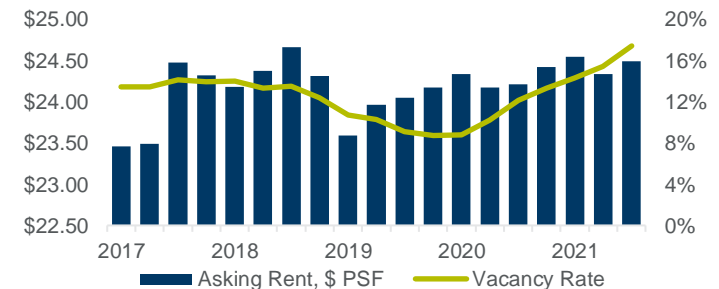
The overall vacancy rate, including sublease, increased 200 bps quarter-over-quarter (QOQ) and increased 530 bps YOY to 17.4% in Q3 2021. Class A vacancy increased 430 bps from 10.2% to 14.5% YOY, while Class B vacancy increased 710 bps from 14.8% to 21.90%. Vacancies have risen as tenants look to shrink their physical footprints to mitigate costs and risk as well as to keep their employees safe and healthy during the pandemic. Tenants returned 1.1 million square feet (msf) in Q3 2021, driven largely by 754,108 square feet (sf) returned to Class B inventory. Tenants returned space to all submarkets except for the North East, recording 18,002 sf of occupancy growth. As of Q3 2021, sublease vacancy stands at 3.3% or 1.8 msf compared to 2.4% (1.3 msf) a year ago. As large companies seek to decentralize from major metros, Salt Lake City is uniquely positioned to fill the void for office space with a combination of projects in the construction pipeline and available sublease space with attractive pricing.

Tenants leased 2.9 million square feet (msf) of new space in 2020 combined across 325 deals. Leasing activity decreased in Q3 2021 at 518,977 sf (34 deals), excluding renewals, compared to leasing activity in Q2 2021 at 684,371 sf (75 deals) and 684,960 sf (86 deals) in Q1 2021, bringing total 2021 annual year-to-date (YTD) leasing to 1.9 msf (195 deals) as of September 30, 2021. This activity will boost future absorption as tenants occupy their space over the next 12 months. Large deals remain shelved, as executives reset their real estate strategy. In Q3 2021, tenants leased the most space (124,821 sf or 24%) in Southwest submarket, followed by North West (22%) and Utah County North (19%) submarkets. Utah County North (624,996 sf or 33%) accounted for the most space leased YTD, followed by South East (19%) and Central East (13%). Class A leasing account for the highest share of new leasing (1.1 msf sf or 58%) YTD, followed by Class B (722,628 sf or 38%) and Class C (71,155 sf or 4%). Leasing by tech tenants continues to drive positive absorption. Salt Lake City has established itself as one of the top 10 tech markets in the U.S. with 9.1% of total employment concentrated in the technology sector compared to 5.3% nationwide.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



Salt Lake City

Office Q3 2021



Tech tenants relocating and expanding in the region are Weave, L3 Technologies, Domo and Adobe. Adobe doubled their size in their current 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 Weave, who completed construction on their 180,000-sf building during the first quarter.

PRICING

Despite an uptick in vacancy over the last year, overall average asking rent for all classes increased modestly or 0.7% over the last three months and 1.2% YOY to \$24.49 per square foot (psf) on an annual full-service basis. Average rent for Class A decreased 1.8% YOY to \$28.22 as the vacancy rate has significantly increased for Class A product over the last four quarters. However, while landlords face increased exposure due to a softening market, tenant preference for well located, amenity-rich Class A product should drive rents upward as new product delivers and conditions stabilize.

DELIVERIES AND FUTURE INVENTORY

Approximately 1.1 msf of new inventory across 10 projects were delivered during the first three quarters of 2021, highlighted by several Class A projects in the Utah County North submarket, with significant pre-leasing including the Lehi Block Building, located at 1331 W. Powell Way. The 180,000-sf building was fully occupied by Weave upon completion. Utah Valley Tower, a five-story, 150,000-sf building located at 1050 S. 4850 W. was fully leased by Domo upon completion. Myraid Building VI, a 124,841-sf building located at 330 Wakara Way in the North East submarket delivered during the second quarter, fully leased by Myriad Genetics. Combined, newly completed projects accounted for 824,601 sf of occupancy gains, meaning 75% pre-leasing of 1.1. msf delivered.

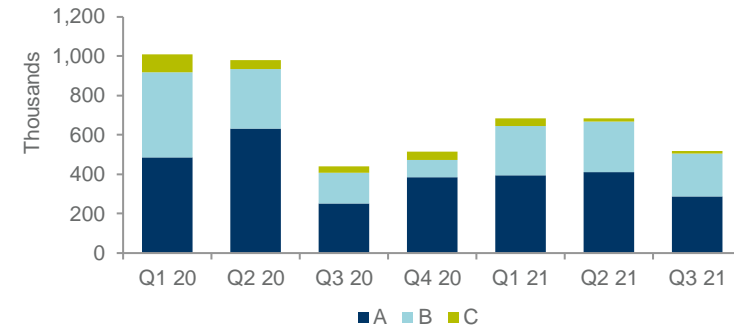
Salt Lake City's development pipeline remains active at 2.7 msf currently under construction across 15 projects, with 44% already pre-leased. The majority, or 75%, of inventory is speculative (SPEC) with the remaining 25% build-to-suit. The 95 State @ City Creek, a state-of-the-art 25-story tower and the largest SPEC project currently under construction, located in the CBD submarket is expected to deliver during Q4 2021. Along with 515,000-sf of office space, the highly amenitized trophy building is connected directly to City Creek Center through a renovated and expanded pedestrian tunnel.

Sources: ¹www.bls.gov ² GDP as of 2020. Moody's Analytics economy.com 9/2021

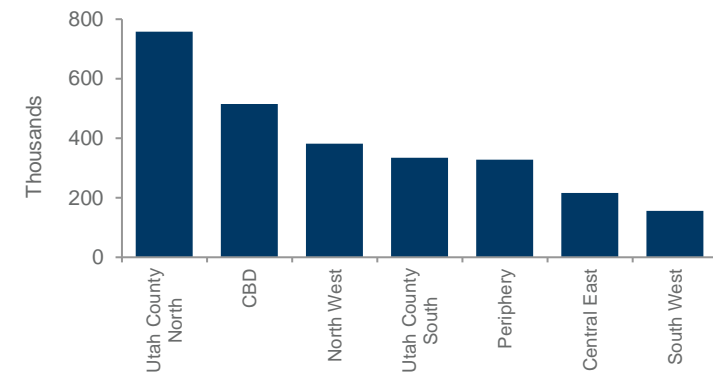
OUTLOOK

- Salt Lake City's office market fundamentals continued to soften in 2021, as the COVID-19 pandemic limited tenant movement and paused Utah's re-opening plans. 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 slowing in large block leasing among other sectors of the market.

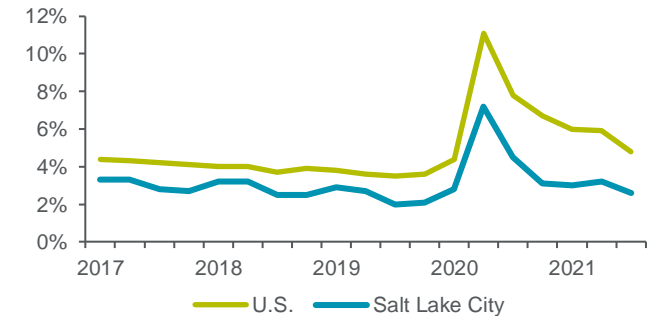
OVERALL NEW LEASING BY CLASS IN SF



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	8,484,515	287,021	1,382,769	19.7%	-93,054	-394,494	66,631	515,000	\$27.33	\$30.63
Periphery	3,441,777	93,872	598,049	20.1%	-29,516	-121,036	50,800	326,180	\$25.32	\$31.76
North East	3,588,196	24,868	247,379	7.6%	18,002	229,907	48,088	0	\$28.06	\$35.11
North West	4,300,260	169,893	874,102	24.3%	-71,050	-234,151	166,681	380,000	\$20.87	\$26.61
Central East	8,203,615	114,953	1,150,432	15.4%	-152,830	-291,229	251,859	216,000	\$23.46	\$31.62
Central West	1,840,389	157,983	356,157	27.9%	-15,564	-70,036	48,221	0	\$22.40	\$28.50
South East	8,332,258	242,148	734,726	11.7%	-116,754	-252,446	349,590	0	\$25.22	\$27.17
South West	2,055,131	125,370	414,566	26.3%	-11,288	21,769	228,345	154,274	\$25.76	\$25.91
Utah County North***	8,731,976	424,111	994,994	16.3%	-314,646	74,142	624,996	758,165	\$23.97	\$25.71
Utah County South***	7,043,442	208,697	1,169,306	19.6%	-264,223	-320,108	53,097	334,000	\$22.17	\$23.66
MARKET TOTALS	56,021,559	1,848,916	7,922,480	17.4%	-1,050,923	-1,357,682	1,888,308	2,683,619	\$24.49	\$28.22
Class A	25,554,355	864,004	2,845,381	14.5%	-151,353	251,095	1,094,525	2,650,619	\$28.22	\$28.22
Class B	23,197,324	867,115	4,207,747	21.9%	-724,456	-1,377,316	722,628	33,000	\$22.86	
Class C	7,269,880	117,797	869,352	13.6%	-175,114	-231,461	71,155	0	\$18.71	
MARKET TOTALS	56,021,559	1,848,916	7,922,480	17.4%	-1,050,923	-1,357,682	1,888,308	2,683,619	\$24.49	\$28.22

*Rental rates reflect full service asking \$psf/year. **Renewals not included in leasing statistics. ***Due to corrections made to historical statistics, YTD not reflective of submarket activity.

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Irvine Office Park - Bldg. 1	South West	Undisclosed	69,085	New Lease
CentrePointe Business Park D	North West	EVOQ Nano	64,990	New Lease
SoJo Station 2 (South)	South East	CMT	62,620	Sublease

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Vista Station (4, 7, 8,10)	South East	Boyer Company / Sterling Realty	540,342	\$170.4M / \$314.9
Evergreen Office Plaza	North East	Rockworth Companies/ TIAA-CREF	66,319	Undisclosed

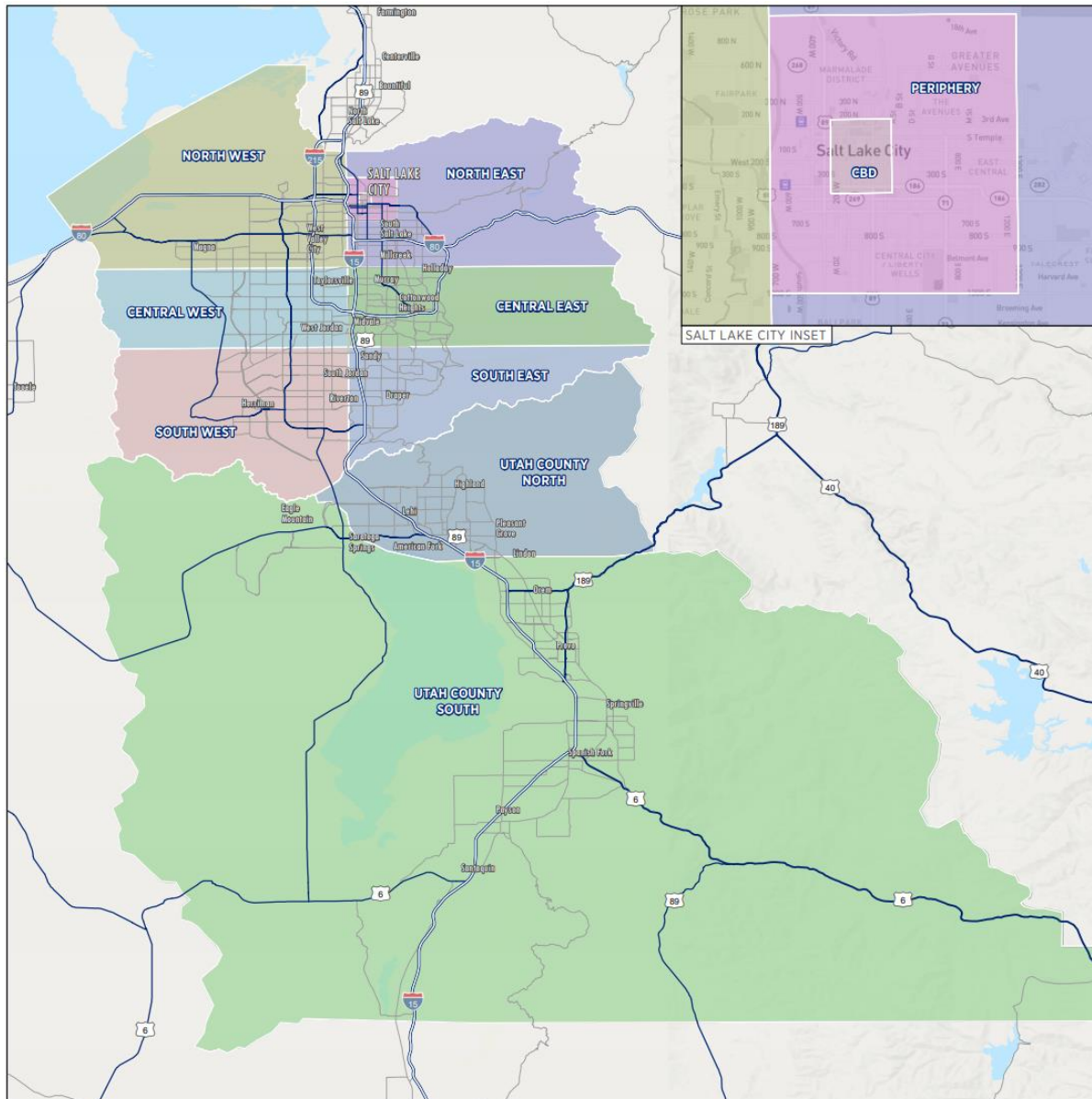
KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Lehi Block	Utah County North	Weave	180,000	Boyer/Gardner / Boyer/Gardner
Utah Valley Tower	Utah County North	DOMO	150,000	Woodbury Corporation / Woodbury Corporation
Soleil Technology Park - Stonebridge - Bldg. 2	North West	N/A	124,410	Wasatch Group / Wasatch Development Group

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OFFICE SUBMARKETS



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