

Salt Lake City

Office Q4 2021



YoY Chg 12-Mo. Forecast

17.9%
Vacancy Rate



-178,661
Net Absorption, SF



\$24.48
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

YoY Chg 12-Mo. Forecast

781.4K
Salt Lake City Employment



2.1%
Salt Lake City Unemployment Rate



4.2%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW

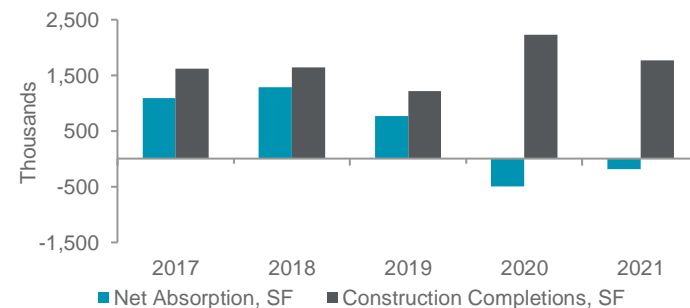
Salt Lake City's nonfarm employment grew by 37,700 or +5.0% year-over-year (YOY) between November 2020 through November 2021, with the professional and business services accounting for 8,800 jobs added (+6.6% YOY). During the same time, the monthly unemployment rate decreased from 3.4% last year to 1.4% and is currently 260 basis points (bps) below the 30-year monthly average of 4.0% and 60 bps lower compared to the Q4 2021 quarterly average of 2.1%.¹ All employment sectors are expected to grow at a combined rate of 4.8% in 2022, while office employment is forecasted to grow 3.8% and high-tech employment 4.2%. Salt Lake City's economy of \$88.6 billion as measured by 2021 gross regional product is forecasted to grow 6.4% in 2022 and 4.2% in 2023, above its 10-year average of 3.1%.²

SUPPLY AND DEMAND

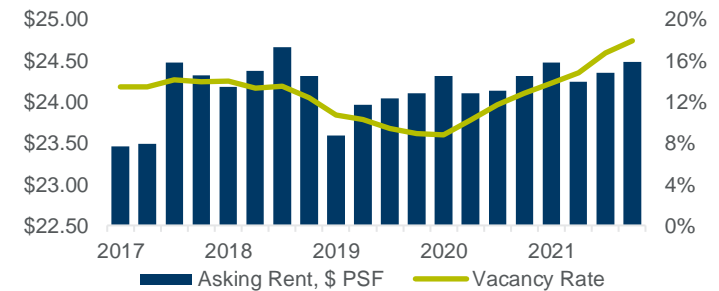
The overall vacancy rate, including sublease, increased 120 bps quarter-over-quarter (QOQ) and increased 510 bps YOY to 17.9% in Q4 2021. Class A vacancy increased 300 bps from 11.3% to 14.3% YOY, while Class B vacancy increased 780 bps from 15.1% to 22.9%. Vacancies have risen as tenants look to shrink their physical footprints to mitigate costs and risk as well as to keep their employees safe and healthy during the pandemic. Tenants returned 178,661 square feet (sf) in Q4 2021, driven largely by 369,891 (sf) returned to Class B inventory. Tenants returned space to all submarkets except for the North West, recording 248,287 sf of occupancy growth. As of Q4 2021, sublease vacancy stands at 3.4% or 1.9 msf compared to 2.2% (1.2 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 3.2 million square feet (msf) of new space in 2020 combined across 329 deals. Leasing activity decreased in Q4 2021 at 452,481 sf (54 deals), excluding renewals, compared to 1.2 msf (126 deals) in Q3 2021 and 882,542 sf (93 deals) in Q2 2021, bringing total 2021 annual leasing to 3.3 msf (366 deals). 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 Q4 2021, tenants leased the most space (112,170 sf or 25%) in the South East submarket, followed by Utah County North (24%) and South West (12%). In 2021, Utah County North (943,549 sf or 28%) accounted for the most space leased, followed by South East (19%) and Central East (14%). Class A leasing accounts for the highest share of new leasing (2.1 msf or 64%), followed by Class B (1.1 msf or 33%) and Class C (109,608 sf or 3%). 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 9.4% of total employment concentrated in the technology sector compared to 5.3% nationwide.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



Salt Lake City

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Tech tenants relocating and expanding in the region are Weave, L3 Technologies, Domo and Adobe. Adobe doubled its size in its 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, the overall average asking rent for all classes increased \$0.13 or 0.5% QOQ and increased \$0.17 or 0.7% YOY to \$24.48 per square foot (psf) on an annual full-service basis. The average rent for Class A decreased 2.0% YOY to \$28.24 as the vacancy rate has significantly increased for Class A product over the last four quarters from 11.3% in Q4 2020 to 14.3% in Q4 2021. 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 the new product delivers and conditions stabilize.

DELIVERIES AND FUTURE INVENTORY

Approximately 1.8 msf of new inventory across 15 projects were delivered during 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. Myriad 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 1.5 msf of occupancy gains, meaning 83% pre-leasing of 1.8 msf delivered.

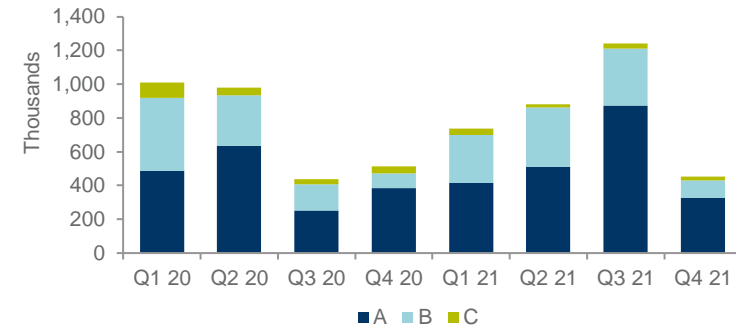
Salt Lake City's development pipeline remains active at 1.9 msf currently under construction across 11 projects, with 26% already pre-leased. The majority, or 89%, of inventory is speculative (SPEC) with the remaining 11% build-to-suit. The 95 State @ City Creek, a state-of-the-art 25-story tower and the largest SPEC project currently under construction, located in the CBD submarket is expected to deliver during Q1 2022. 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 Moody's Analytics economy.com 12/2021.

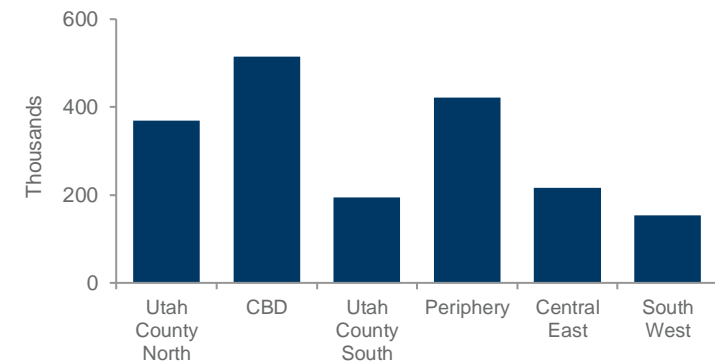
OUTLOOK

- 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.

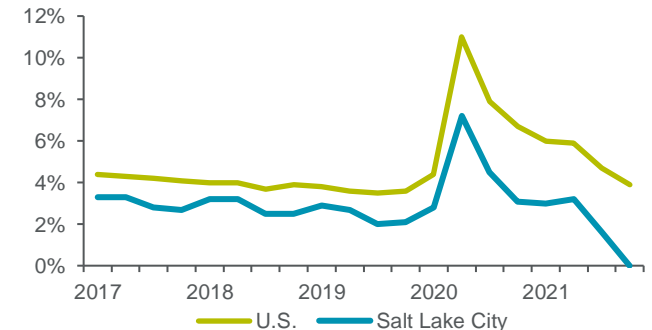
OVERALL NEW LEASING BY CLASS IN SF



UNDER CONSTRUCTION BY SUBMARKET IN SF



UNEMPLOYMENT RATE IN COMPARISON



Salt Lake City

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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	8,485,951	266,911	1,461,735	20.4%	-85,363	-457,673	145,775	515,000	\$27.36	\$30.49
Periphery	3,425,676	56,071	582,081	18.6%	-9,060	-123,008	86,053	421,180	\$25.64	\$31.22
North East	3,667,670	104,342	252,906	9.7%	-119,785	118,151	74,329	0	\$26.29	\$35.93
North West	4,680,042	381,506	939,713	28.2%	248,287	-103,117	194,853	0	\$20.16	\$26.61
Central East	8,203,615	90,388	1,278,792	16.7%	-170,979	-420,749	477,034	216,000	\$24.62	\$30.56
Central West	1,840,389	161,907	362,328	28.5%	-10,095	-80,131	113,601	0	\$23.41	\$28.50
South East	8,225,586	235,817	670,240	11.0%	-34,838	-316,940	615,961	0	\$24.88	\$26.41
South West	2,063,331	85,741	414,156	24.2%	34,377	56,146	290,585	154,274	\$25.76	\$25.90
Utah County North***	8,973,622	369,275	1,007,663	15.3%	56,526	292,075	943,549	369,145	\$24.67	\$26.12
Utah County South***	6,925,070	155,159	1,228,223	20.0%	-87,731	-275,119	371,033	194,000	\$21.32	\$21.28
MARKET TOTALS	56,490,952	1,907,117	8,197,837	17.9%	-178,661	-1,310,365	3,312,773	1,869,599	\$24.48	\$28.24
Class A	26,061,493	727,913	2,994,107	14.3%	315,991	741,434	2,124,690	1,774,599	\$29.48	\$28.24
Class B	23,114,713	979,509	4,322,714	22.9%	-369,891	-1,751,801	1,078,475	95,000	\$23.74	\$23.07
Class C	7,314,746	199,695	881,016	14.8%	-124,761	-299,998	109,608	0	\$18.90	\$18.79
MARKET TOTALS	56,490,952	1,907,117	8,197,837	17.9%	-178,661	-1,310,365	3,312,773	1,869,599	\$24.48	\$28.24

*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 Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Sandy Park Center 2	South East	ReliaQuest - Utah	63,977	New Lease
Thanksgiving Park V	Utah County North	Straight Smile, LLC Byte	59,413	New Lease
Fairbourne Station	Central West	Undisclosed	53,654	New Lease

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Union Park III & IV	Central East	James Campbell Company / SRC Acquisitions	198,423	\$39.2M / \$197.4
Thanksgiving Point - SolutionReach	Utah County North	BG Electric Park 1, LC Arden Group Acquisition Co.	145,646	\$37.7M / \$259

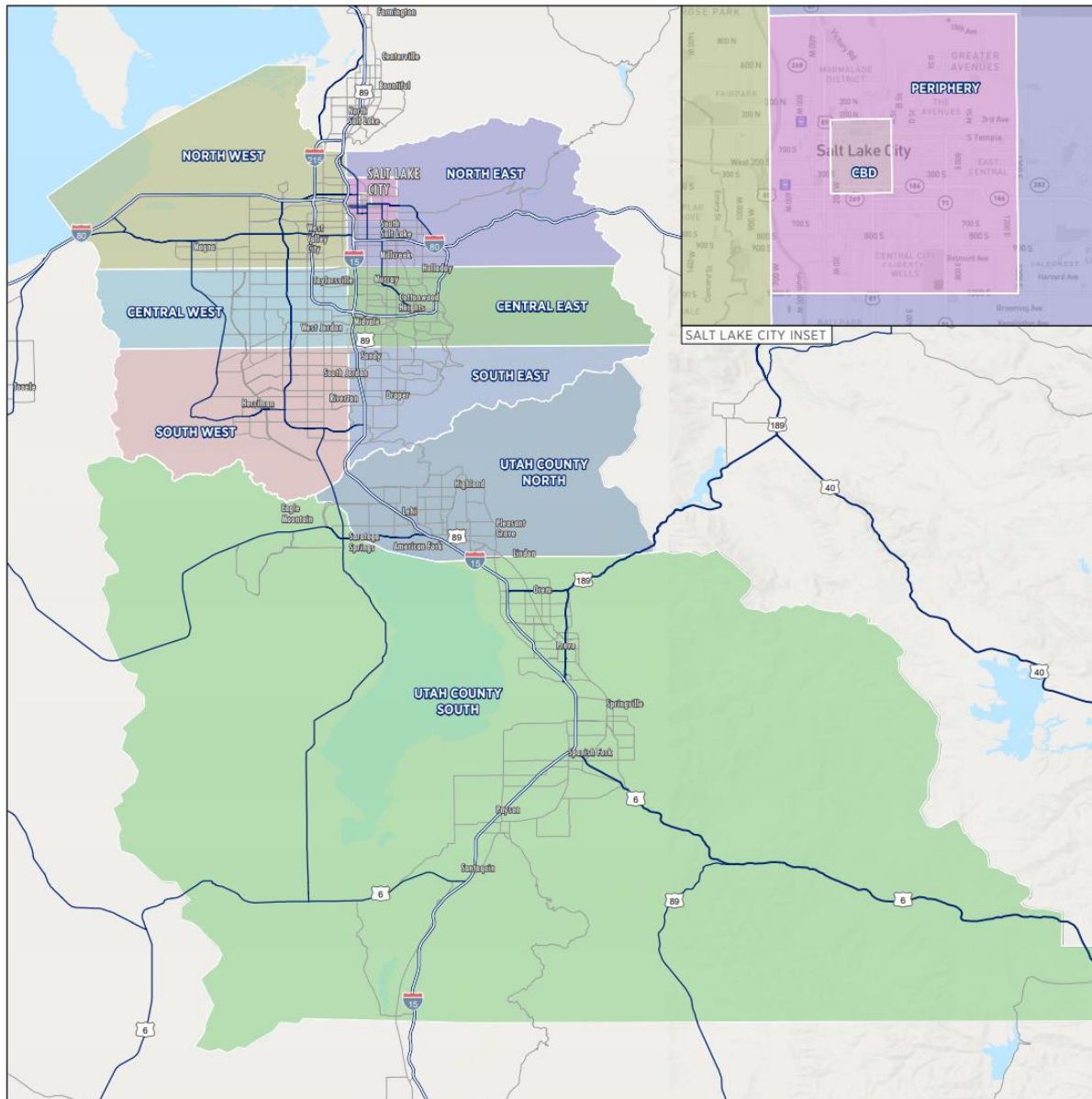
KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
L-3 Communications - Bldg. 540 G	North West	L-3 Communications	380,000	Drawbridge Realty Trust / Drawbridge
Lehi Block	Utah County North	N/A	180,000	N/A / N/A
Utah Valley Tower	Utah County North	DOMO	150,000	Woodbury Corporation / Woodbury Corporation

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OFFICE SUBMARKETS



Taylor Damm

Senior Research Analyst

Tel: +1 801 303 5400

taylor.damm@cushwake.com

JOLANTA CAMPION

Senior Director of Research

Nevada, Utah & San Diego

Tel: +1 858 625 5235

jolanta.campion@cushwake.com

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