MARKETBEAT

Salt Lake City

Office Q1 2022

	YoY Chg	12-Mo. Forecast
18.7% Vacancy Rate	▲	▼
-238K Net Absorption, SF	▼	▲
$26.20 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
782.7K Salt Lake City Employment	▲	▲
2.1% Salt Lake City Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW

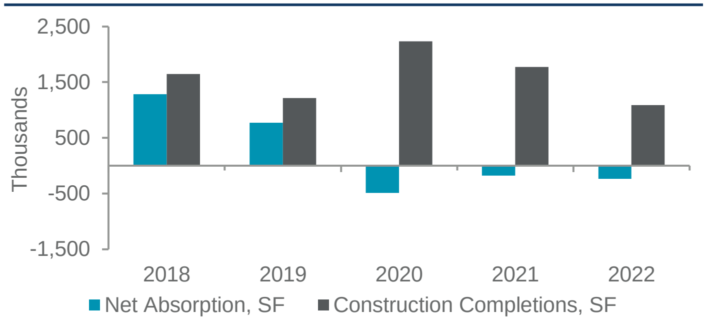
Salt Lake City's nonfarm employment grew by 25,200 or +3.3% year-over-year (YOY) between January 2021 through January 2022, with the professional and business services accounting for 8,800 jobs added (+6.6% YOY). During the same time, the monthly unemployment rate decreased from 3.1% last year to 2.1% and is currently 190 basis points (bps) below the 30-year monthly average of 4.0% and equal 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

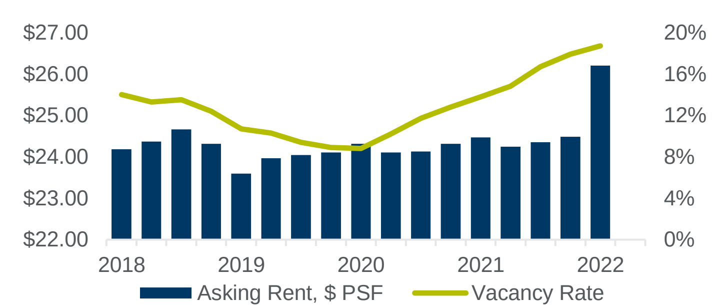
The overall vacancy rate, including sublease, increased 190 bps quarter-over-quarter (QOQ) and increased 500 bps YOY to 18.7% in Q1 2022. Class A vacancy increased 440 bps from 12.3% to 16.7% YOY, while Class B vacancy increased 630 bps from 16.4% to 22.7%. Vacancies have risen as tenants look to shrink their physical footprints to mitigate costs and risk as well as to keep their employees safe and healthy during the pandemic. Tenants returned 237,608 square feet (sf) in Q1 2022 to the North East, Central West, South East, and Utah County South submarkets, driven largely by 213,785 sf returned to Class B inventory. Tenants recorded 402,237 sf of occupancy growth to the Central Business District, Periphery, Central East, North West, South West, and Utah County North submarkets. As of Q1 2022, sublease vacancy stands at 4.0% or 2.3 million square feet (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 637,401 sf of new space in Q1 2022 combined across 93 deals, excluding renewals, compared to 925,932 sf (79 deals) in Q4 2021 and 1.5 msf (133 deals) in Q3 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 Q1 2022, tenants leased the most space (266,507 sf or 42%) in the Utah County North submarket, followed by South East (23%) and Central East (12%). Class A leasing accounts for the highest share of new leasing (404,959 sf or 64%), followed by Class B (212,586 sf or 33%) and Class C (19,856 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



MARKETBEAT

Salt Lake City

Office Q1 2022

Tech tenants relocating and expanding in the region are Weave, L3Harris, 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 of 2021.

PRICING

Despite an uptick in vacancy over the last year, the overall average asking rent for all classes increased $1.77 or 6.9% QOQ and increased $1.63 or 6.4% YOY to $26.20 per square foot (psf) on an annual full-service basis. The average rent for Class A increased 9.9% YOY to $30.92 psf as the vacancy rate has significantly increased for Class A product over the last four quarters from 15.6% in Q1 2021 to 16.7% in Q1 2022. 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.

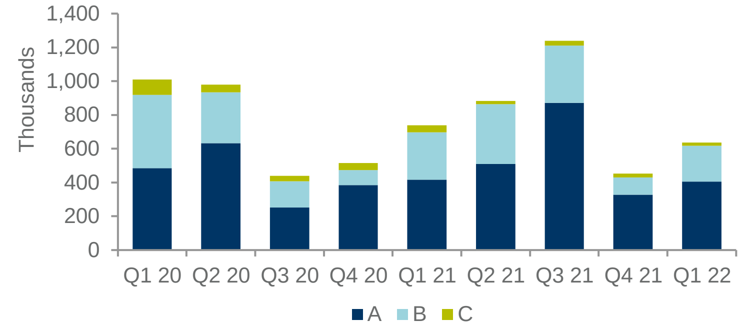
DELIVERIES AND FUTURE INVENTORY

Approximately 1.1 msf of new inventory across 4 projects were delivered in the first quarter of 2022, highlighted by a Class A project in the CBD submarket, with significant pre-leasing including 53rd Center - Bldg. II, located at 434 W. Ascension Way. The 216,000-sf building was fully occupied by Security National and R1 upon completion. The 95 State @ City Creek, a state-of-the-art 25-story, 515,000 sf tower and the largest SPEC project completed this year, located in the CBD is connected directly to City Creek Center through a renovated and expanded pedestrian tunnel. Combined, newly completed projects accounted for 497,994 sf of occupancy gains, meaning 46% pre-leasing of 1.1 msf delivered.

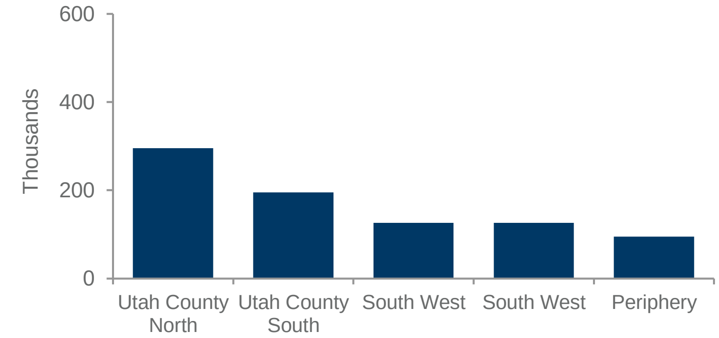
Salt Lake City's development pipeline remains active at 873,693 sf currently under construction across eight projects, with 28% already pre-leased. The majority, or 75%, of inventory is speculative (SPEC) with the remaining 25% build-to-suit.

Sources: [1]www.bls.gov [2] Moody's Analytics economy.com 3/2022.

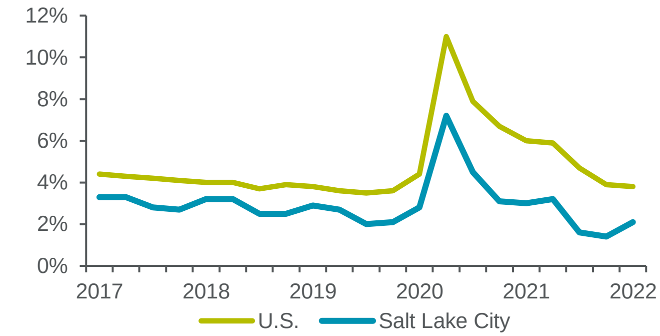
OVERALL NEW LEASING BY CLASS IN SF



UNDER CONSTRUCTION BY SUBMARKET IN SF



UNEMPLOYMENT RATE IN COMPARISON



OUTLOOK

- Salt Lake City's office market fundamentals continued to soften in the first quarter of 2022, 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.

MARKETBEAT

Salt Lake City

Office Q1 2022

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	9,000,252	289,075	1,984,177	25.3%	14,112	14,112	45,708	0	$30.01	$35.46
Periphery	3,751,856	60,677	843,715	24.1%	55,692	55,692	6,846	95,000	$30.11	$36.80
North East	3,680,630	164,885	227,762	10.7%	-115,321	-115,321	34,018	0	$28.31	$37.44
North West	4,684,073	361,426	826,217	25.4%	10,821	10,821	18,021	0	$21.01	$26.61
Central East	8,448,867	56,777	1,265,154	15.7%	149,341	149,341	73,591	0	$24.52	$31.75
Central West	1,848,789	161,907	365,982	28.6%	-3,654	-3,654	15,950	0	$23.63	$28.50
South East	8,229,157	595,214	566,377	14.1%	-427,728	-427,728	143,661	126,000	$26.79	$27.89
South West	2,063,331	83,749	278,122	17.5%	71,059	71,059	9,941	126,244	$25.45	$25.50
Utah County North***	8,913,622	329,929	894,223	13.7%	101,212	101,212	266,507	295,647	$24.32	$26.07
Utah County South***	6,979,070	176,224	1,259,930	20.6%	-93,142	-93,142	23,158	195,608	$21.92	$21.82
MARKET TOTALS	**57,599,647**	**2,279,863**	**8,511,659**	**18.7%**	**-237,608**	**-237,608**	**637,401**	**838,499**	**$26.20**	**$30.92**
Class A	27,360,524	1,171,783	3,388,897	16.7%	37,043	37,043	404,959	743,499	$32.48	$30.92
Class B	22,810,108	928,832	4,249,902	22.7%	-213,785	-213,785	212,586	95,000	$24.00	
Class C	7,429,015	179,248	872,860	14.2%	-60,866	-60,866	19,856	0	$18.88	
MARKET TOTALS	**57,599,647**	**2,279,863**	**8,511,659**	**18.7%**	**-237,608**	**-237,608**	**637,401**	**838,499**	**$26.20**	**$30.92**

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 Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Airport Tech Park D	North West	Undisclosed	231,841	New Lease
Traverse Mountain Office	Utah County North	Clozd, LLC	50,180	Sublease
60 Park Avenue	North East	Summit Peak Realty	32,644	New Lease

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/$ PSF
Hilltop Professional Building	Utah County South	Nancy Young Aird Living Trust / Manila Creek Capital	9,604	$2.95M / $307.2
Grove Technology Center	Utah County North	Thyme Global / Awardco, Inc.	196,197	$42.5M / $216.6

KEY CONSTRUCTION COMPLETIONS YTD 2022

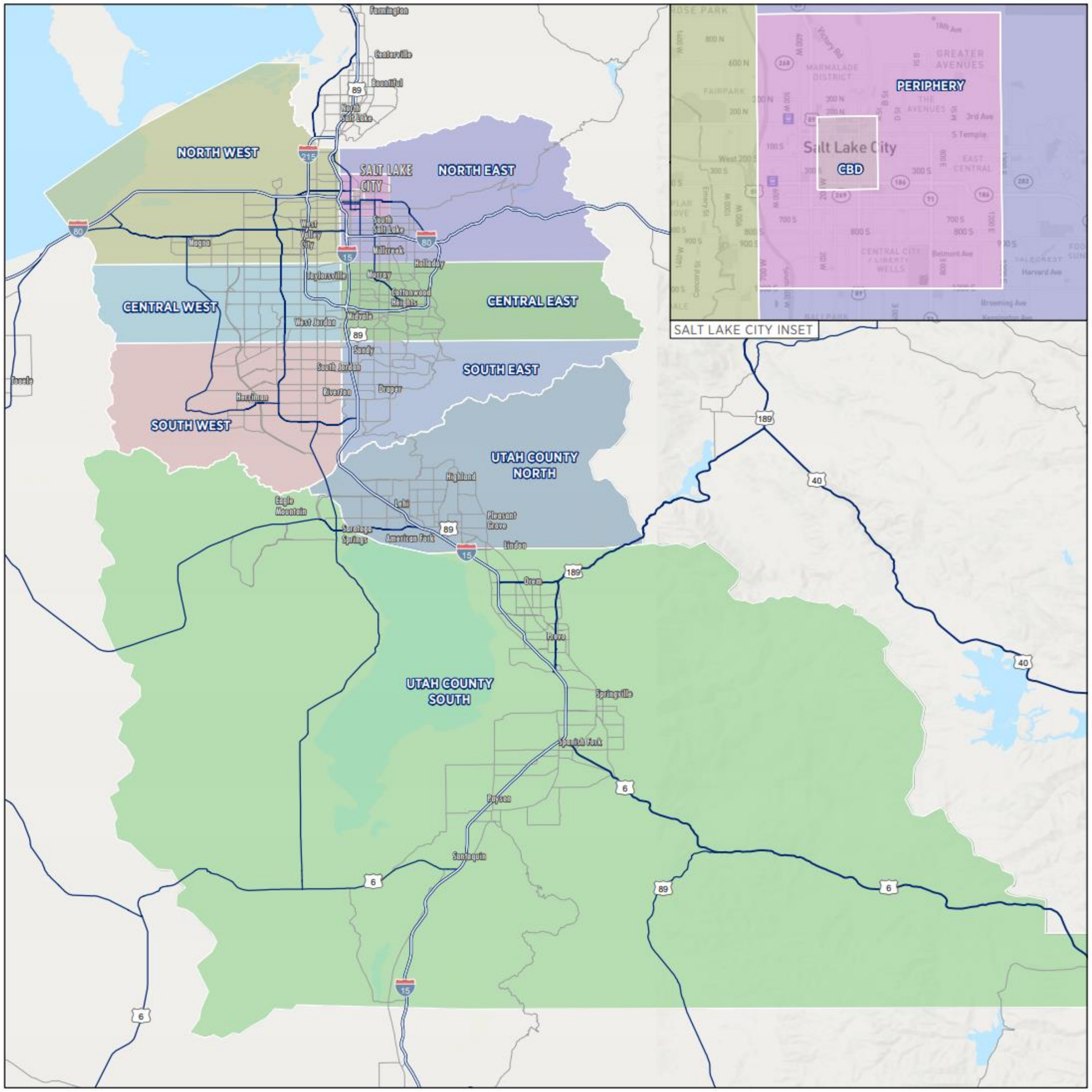
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
95 State @ City Creek	Central Business District	Undisclosed	515,000	City Creek Reserve / City Creek Reserve
650 Main	Periphery	Regions / EnerBank USA	326,180	USAA / Patrinely Group
53rd Center - Bldg. II	Central East	Security National / R1	216,000	5300 Development / Security National

MARKETBEAT

Salt Lake City

Office Q1 2022

OFFICE SUBMARKETS



Taylor Damm
Senior Research Analyst
Tel: +1 801 303 5400
taylor.damm@cushwake.com

Jeff Cooledge
Research Manager
Arizona, Nevada, Utah
Tel: +1 602 224 4448
jeff.cooledge@cushwawke.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 50,000 employees in 400 offices and 60 countries. In 2021, the firm had revenue of $9.4 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.

cushmanwakefield.com