

YoY Chg 12-Mo. Forecast

18.1%
Vacancy Rate



119K
Net Absorption, SF



\$25.68
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2022

YoY Chg 12-Mo. Forecast

787.3K
Salt Lake City Employment



2.0%
Salt Lake City Unemployment Rate



3.6%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW

Entering the midyear point of 2022, many offices in the Salt Lake City area continued remote or hybrid remote/in-person work, due to threats of COVID-19 variants and rising gas prices. Employees also want to continue a flexible working model. Salt Lake City's nonfarm employment grew by 23,200 or +3% year-over-year (YOY) between May 2021 through May 2022. During the same time, the monthly unemployment rate decreased from 3.0% last year to 2.0%. 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 \$89.2 billion as measured by 2021 gross domestic product is forecasted to grow 4.1% in 2022 and up another 4% in 2023, above its 10-year average of 3.1%.²

SUPPLY AND DEMAND

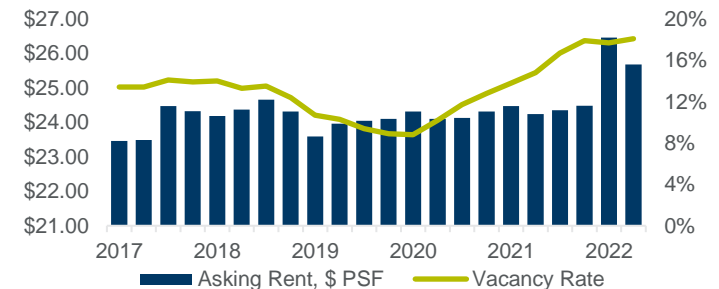
The overall vacancy rate, including sublease, increased 40 basis point (bps) quarter-over-quarter (QOQ) and increased 470 bps YOY to 18.1% in Q2 2022. Class A vacancy increased 530 bps from 11.8% to 17.1% YOY, while Class B vacancy increased 480 bps from 16.1% to 20.9%. Tenants returned 181,352 square feet (sf) in Q2 2022 to the North East, North West, Central West, and Utah County North submarkets, driven by Class C product. Tenants recorded 300,420 sf of occupancy growth to the Central Business District, Periphery, Central East, South East, South West, and Utah County South submarkets. As of Q2 2022, sublease vacancy stands at 4.3% or 2.4 million square feet (msf) compared to 2.3% (540k sf) 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 612,376 sf of new space in Q2 2022 combined across 88 deals, excluding renewals, compared to 1.4 msf (144 deals) in Q1 2022 and 915,666 sf (78 deals) in Q4 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 Q2 2022, tenants leased the most space (144,988 sf or 23%) in the Central Business District, followed by Central East (18%) and Utah County North (17%). Class A leasing accounts for the highest share of new leasing (348,125 sf or 56%), followed by Class B (210,236 sf or 34%) and Class C (54,015 sf or 8%). Data supports the notion that tenants are seeking quality spaces with more luxurious amenities in order to encourage employees to return to the office. Amenities such as conference centers, pet friendly, outdoor space, or a tenant lounge for informal client meetings to name a few. 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

Office Q2 2022



Tech tenants relocating and expanding in the region are Weave, L3Harris, Domo and Adobe. Adobe added 100,000 sf in its current campus in Lehi, nearly doubling its local workforce, making it Adobe's second largest U.S. office location. Since then, other firms have followed suit including Weave, who completed construction on their 180,000-sf building during the first quarter of 2021.

Large leases signed this quarter included Workday, who will be vacating their location of 10 years in the CBD submarket and moving to Cottonwood Corporate Center in Q1 2023 (Central East submarket).

PRICING

Despite an uptick in vacancy over the last year, the overall average asking rent for all classes increased \$1.37 or 5.4% YOY and decreased \$0.78 or 2.9% QOQ to \$25.68 per square foot (psf) on an annual full-service basis. The average rent for Class A increased 7.4% YOY to \$30.07 psf as the vacancy rate has significantly increased for Class A product over the last four quarters from 11.8% in Q2 2021 to 17.1% in Q2 2022. The jump in vacancy is primarily due to the Utah County North submarket, which has had consistent high vacancy rates. 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 422,000 sf of new inventory across three projects have been delivered year-to-date, highlighted by a Class A project in the Utah County North submarket. In the first quarter of 2022 significant pre-leasing included 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 651,269 sf of occupancy gains, meaning 43% pre-leasing of 1.5 msf delivered in 2022.

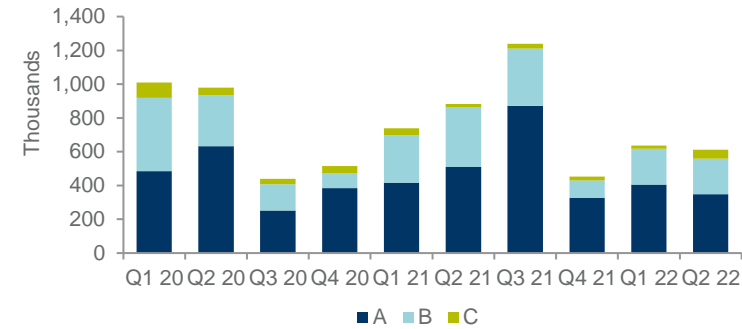
Salt Lake City's development pipeline remains active at 606,214 sf currently under construction across six projects, with 52% already pre-leased. The majority, or 83%, of inventory is speculative (SPEC) with the remaining 17% build-to-suit.

Sources: ¹www.bls.gov ²Moody's Analytics economy.com 7/2022.

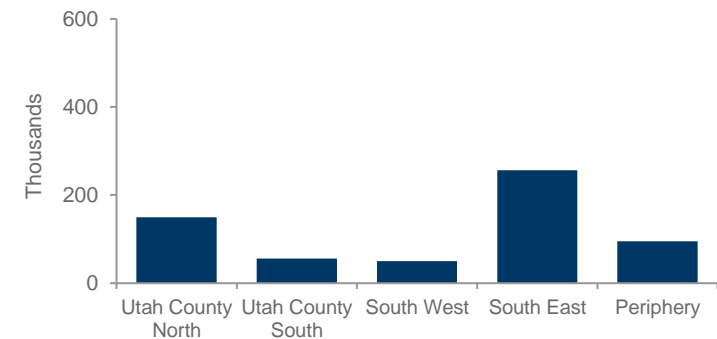
OUTLOOK

- Salt Lake City's office market fundamentals continued to soften in the second quarter of 2022, tenants are signing shorter leases in order to re-engage in future market conditions. Leasing activity is slowing with talks of a recession and employers in pursuit of persuading their employees to return to the office; however, tenant interest remains high. A wave of additional sublease spaces are expected to continue throughout the end of the year. Despite these 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.

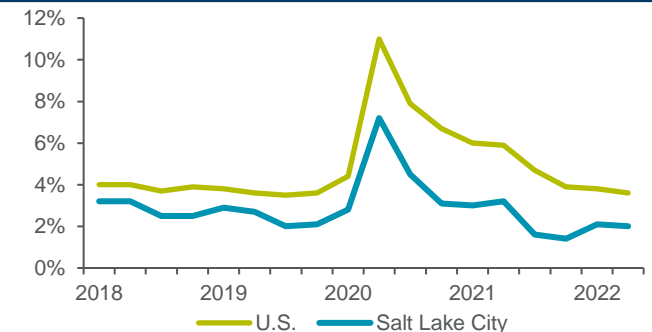
OVERALL NEW LEASING BY CLASS IN SF



UNDER CONSTRUCTION BY SUBMARKET IN SF



UNEMPLOYMENT RATE IN COMPARISON



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET 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	9,031,064	1,799,843	275,533	23.0%	82,939	112,381	207,649	0	\$29.95	\$35.66
Periphery	3,751,364	706,652	41,981	20.0%	14,705	57,425	103,284	95,000	\$29.26	\$37.43
North East	3,694,076	211,577	164,885	10.2%	-1,434	-113,468	91,791	0	\$28.60	\$37.35
North West	4,800,832	747,049	225,876	20.3%	-18,490	-37,797	260,494	0	\$21.48	\$23.55
Central East	8,482,692	1,211,571	69,970	15.1%	8,285	132,894	208,151	0	\$24.28	\$31.11
Central West	1,866,661	337,113	231,605	30.5%	-61,814	-61,544	35,925	0	\$22.86	\$25.39
South East	8,255,732	664,448	727,627	16.9%	18,413	-491,616	353,993	256,000	\$27.07	\$28.25
South West	2,193,803	382,989	108,307	22.4%	8,403	49,436	18,025	49,837	\$25.66	\$25.80
Utah County North***	9,307,959	796,187	503,108	14.0%	-99,614	42,099	561,868	149,769	\$24.34	\$27.05
Utah County South***	7,180,636	1,228,254	140,835	19.1%	167,675	62,288	181,068	55,608	\$21.79	\$25.10
MARKET TOTALS	58,564,819	8,085,683	2,489,727	18.1%	119,068	-247,902	2,022,248	606,214	\$25.68	\$30.07
Class A	27,997,053	3,255,531	1,543,514	17.1%	43,786	34,014	1,043,638	511,214	\$31.77	\$30.07
Class B	22,908,503	3,993,146	791,470	20.9%	90,836	-198,777	634,791	95,000	\$23.51	
Class C	7,659,263	837,006	154,743	13.0%	-15,554	-83,139	343,819	0	\$18.74	
MARKET TOTALS	58,564,819	8,085,683	2,489,727	18.1%	119,068	-247,902	2,022,248	606,214	\$25.68	\$30.07

*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 Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
95 State @ City Creek	Central Business District	Confidential	73,680	New Lease
Cottonwood Corporate 11	Central East	Workday	68,559	New Lease
14761 S. Future Way	South East	Pelion Ventures	26,760	New Lease

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Towne Ridge Center III – 115 W Towne Ridge Pkwy.	South East	WCF Mutual Insurance / Sterling Realty Organization	100,000	Undisclosed
Resource Management – 510 South 200 West	Periphery	K&D Larsen 1st, LLC / Cerco Development –SLC 510	32,097	\$8.85M / \$275.7

KEY CONSTRUCTION COMPLETIONS YTD 2022

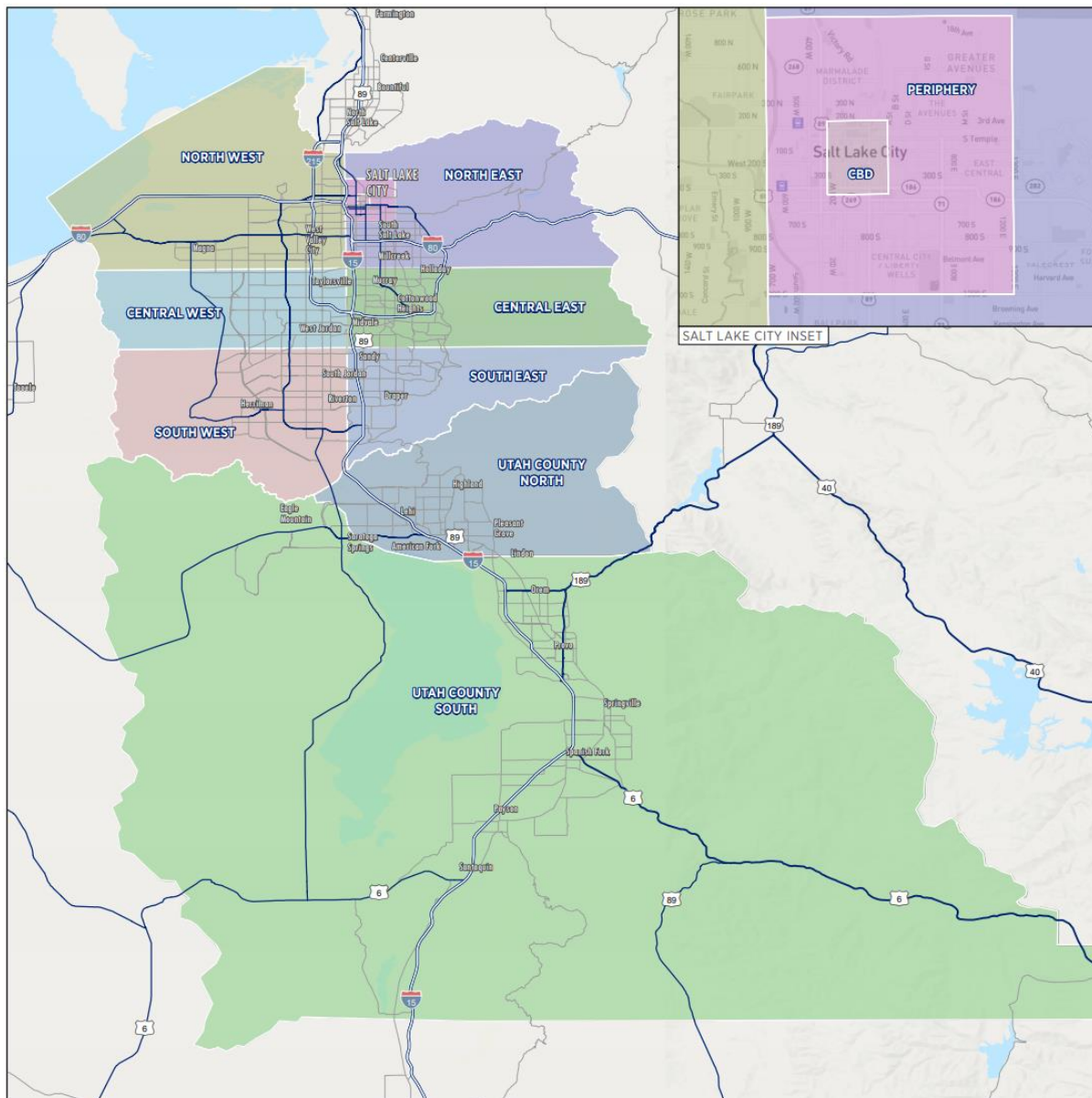
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
95 State @ City Creek	Central Business District	Confidential	515,000	City Creek Reserve / City Creek Reserve
650 Main	Periphery	Regions / EnerBank USA	326,180	USAA / Patrinely Group
53rd Center - Bldg. II	Central East	Security National / R1	216,000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

Salt Lake City

Office Q2 2022



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