

Salt Lake City

Office Q3 2022

	YoY Chg	12-Mo. Forecast
18.8% Vacancy Rate	▲	▼
-519K Net Absorption, SF	▼	▲
\$25.74 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
795.5K Salt Lake City Employment	▲	▲
2.1% Salt Lake City Unemployment Rate	▼	▲
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW

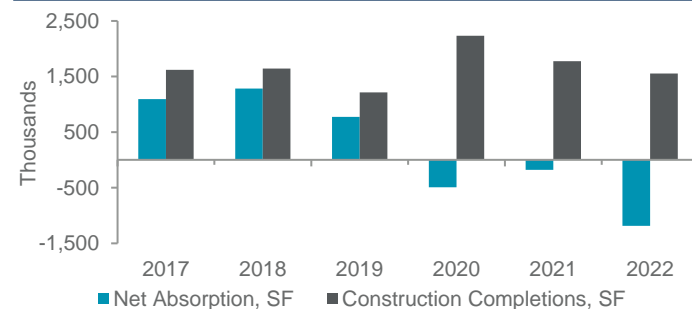
Nonfarm employment grew by 23,000 jobs or +3.0% year-over-year (YOY) from August 2021 through August 2022, with the service sector leading with 15,100 jobs added, while trade, transportation and utilities added 7,520 jobs YOY. During the same time, the monthly unemployment rate decreased from 2.7% to 2.1% YOY and is currently 140 basis points (bps) lower than the U.S. unemployment rate of 3.5%. All employment sectors are expected to grow at a rate of 2.4% in 2022, notably the information sector is forecasted to grow 11.2% and the construction sector 5.7%. Salt Lake City's economy of \$89.1 billion as measured by 2021 gross regional product is forecasted to grow 2.1% in 2022 and 3.1% in 2023, below its 10-year average of 3.2%.²

SUPPLY AND DEMAND

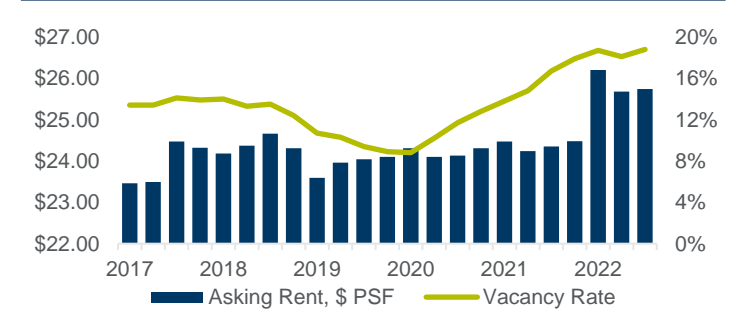
The overall vacancy rate, including sublease, increased 130 bps quarter-over-quarter (QOQ) and increased 530 bps YOY to 18.8% in Q3 2022. Class A vacancy increased 680 bps from 10.8% to 17.6% YOY, while Class B vacancy increased 410 bps from 17.9% to 22%. Tenants returned 579,810 square feet (sf) in Q3 2022 to the Periphery, Central East, Central West, North West, South East, Utah County North, and Utah County South submarkets. Tenants recorded 60,673 sf of occupancy growth to the Central Business District (CBD), North East, and South West submarkets. As of Q3 2022, sublease vacancy stands at 4.7% or 2.7 million square feet (msf) compared to 2.1% (1.1 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 916,281 sf of new space in Q3 2022 combined across 117 deals, excluding renewals, compared to 901,975 sf (124 deals) in Q2 2022 and 1.5 msf (153 deals) in Q1 2022. 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 2022, tenants leased the most space (334,177 sf or 36.5%) in Utah County North, followed by South East (23.7%) and Central East (13.3%). Class A leasing accounts for the highest share of new leasing (503,911 sf or 55%), followed by Class B (351,848 sf or 38.4%) and Class C (60,552 sf or 6.6%). The most active industries currently leasing space include law firms, professional services & engineering firms. Data supports the notion that tenants are seeking quality spaces with more luxurious amenities to encourage employees to return to the office. These amenities include conference centers, outdoor space, on-site fitness centers, and tenant lounges for informal client meetings.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



Salt Lake City

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Large leases signed this quarter included Clearlink, signing a lease for 134,000 sf at the Pluralsight building and TaxBit, Inc. renewing 47,000 sf at Wadsworth Business Park B. Tenants occupying this quarter include ReliaQuest, who has started to occupy 64,000 sf at Sandy Park Center 2 and Pura Scents, Inc. occupying 33,000 sf at Grove Tower. All office tenants at South Temple Tower, containing 217,000 sf of office space, are required to find new space in the market. The building is being converted into a 255-unit multifamily tower and has been removed from the CBD inventory.

VACANCY / PRICING

Notable and large direct spaces newly available this quarter include Airport Tech Park B (480 N. 2200 W.) with approximately 156,000 sf and 8475 S. Sandy Pkwy with approximately 132,000 sf. Notable large sublease spaces newly available this quarter include Mountain Tech Center South (2675 W. 600 N.) with approximately 70,000 sf and Lake Pointe Corporate 3 (2875 S. Decker Lake Dr.) with 54,000 sf. Despite an uptick in vacancy over the last year, the overall average asking rent for all classes increased \$1.04 or 4.1% YOY per square foot (psf) on an annual full-service basis. The overall average rent for Class A increased 3.8% YOY to \$29.52 psf as the vacancy rate has significantly increased for Class A product over the last four quarters from 10.8% in Q3 2021 to 17.6% in Q3 2022 primarily due to new product deliveries, such as 95 State and 650 Main. However, while Landlords face increased exposure due to a softening market, many tenants are willing to pay higher rent for well-located, amenity-rich Class A product.

DELIVERIES AND FUTURE INVENTORY

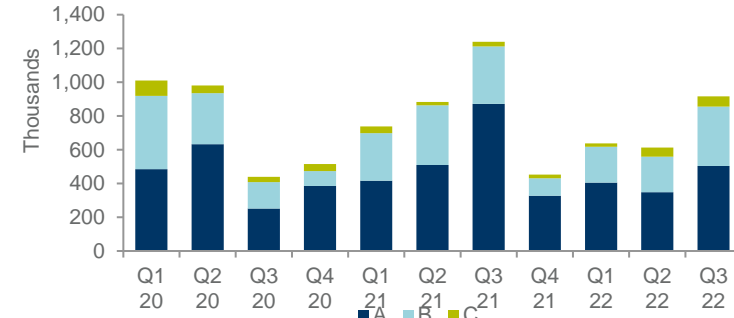
Approximately 178,000 sf of new inventory across two projects were delivered in the third quarter of 2022. The two buildings are within Mountain View Village located in the South West submarket, and both delivered with no pre-leasing activity. Year to date, newly completed projects accounted for 651,269 sf of occupancy gains, meaning 43% of the 1.5 msf delivered in 2022 has been pre-leased. Other than the recently built 95 State, there are minimal options for available high-end, highly ammenitized, Class A spaces within the CBD submarket. The office development pipeline remains active at 839,226 sf currently under construction across nine projects, with only 28% pre-leased. The majority, or 88%, of inventory is speculative (SPEC) with the remaining 12% build-to-suit.

Sources: ¹www.bls.gov ²Moody's Analytics economy.com 9/2022

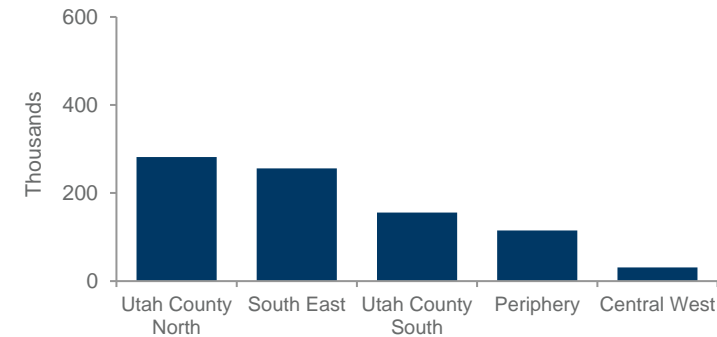
OUTLOOK / TRENDS

- Salt Lake City's office market fundamentals continued to soften in the third quarter of 2022, tenants are signing shorter leases and seeking smaller spaces in order to re-engage in future market conditions. Employers are still in pursuit of persuading their employees to return to the office. Leasing activity will most likely remain slow for the remainder of the year. Delays on receiving materials for buildouts is pushing back when tenants can occupy their leased space. This is aiding tenants in the market to seek out spaces that have already been built out, to avoid the hassle and the continued increase in cost. A wave of additional sublease spaces is 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.

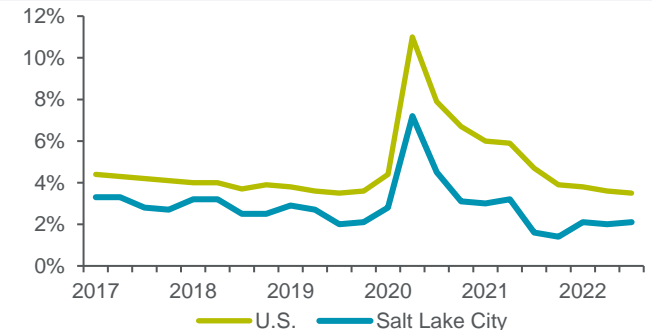
OVERALL NEW LEASING BY CLASS IN SF



UNDER CONSTRUCTION BY SUBMARKET IN SF



UNEMPLOYMENT RATE IN COMPARISON



Salt Lake City

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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	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	8,814,088	1,596,087	378,105	22.4%	21,918	-32,572	367,792	0	\$29.91	\$34.01
Periphery	3,727,300	679,097	52,902	19.6%	-24,410	6,962	111,751	115,000	\$29.41	\$36.76
North East	3,700,068	217,631	170,749	10.5%	2,205	-111,263	99,398	0	\$28.37	\$37.91
North West	4,548,706	1,035,351	386,735	31.3%	-193,345	-301,403	320,403	0	\$22.57	\$22.79
Central East	8,505,579	1,305,550	107,662	16.6%	-189,662	-105,977	378,090	0	\$25.15	\$30.98
Central West	1,839,985	427,678	92,065	28.3%	-17,243	-88,309	54,653	30,850	\$23.47	\$25.82
South East	8,269,031	799,522	804,067	19.4%	-88,872	-590,977	641,537	256,000	\$26.49	\$27.60
South West	2,240,420	317,935	70,090	17.3%	36,550	90,992	22,098	0	\$26.57	\$27.24
Utah County North***	9,486,291	660,536	507,806	12.3%	-20,201	-87,011	1,015,560	281,768	\$24.72	\$27.60
Utah County South***	6,980,558	1,161,265	139,935	18.6%	-46,077	33,293	290,224	155,608	\$21.69	\$23.63
MARKET TOTALS	58,112,026	8,200,652	2,710,116	18.8%	-519,137	-1,186,265	3,301,506	839,226	\$25.74	\$29.52
Class A	28,203,922	3,203,879	1,747,050	17.6%	-252,379	-339,752	1,784,196	724,226	\$31.37	\$29.52
Class B	22,284,841	4,101,745	805,697	22.0%	-107,642	-520,401	1,096,834	115,000	\$23.71	
Class C	7,623,263	895,028	157,369	13.8%	-159,116	-326,112	420,476	0	\$20.96	
MARKET TOTALS	58,112,026	8,200,652	2,710,116	18.8%	-519,137	-1,186,265	3,301,506	839,226	\$25.74	\$29.52

*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 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Pluralsight	South East	Clearlink	134,014	Sublease
Wadsworth Business Park B	South East	TaxBit, Inc.	46,955	Renewal
Utah Valley Business Park – Building 5	Utah County North	Dish Technologies, LLC	39,335	Renewal

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Oquirrh Place	Periphery	The Children's Center / John Adams, LLC	46,562	\$8.7M / \$186.8
2159 S. 700 E.	North East	All Group, LLC / Intermountain Legal	11,325	\$2.75M / \$242.8

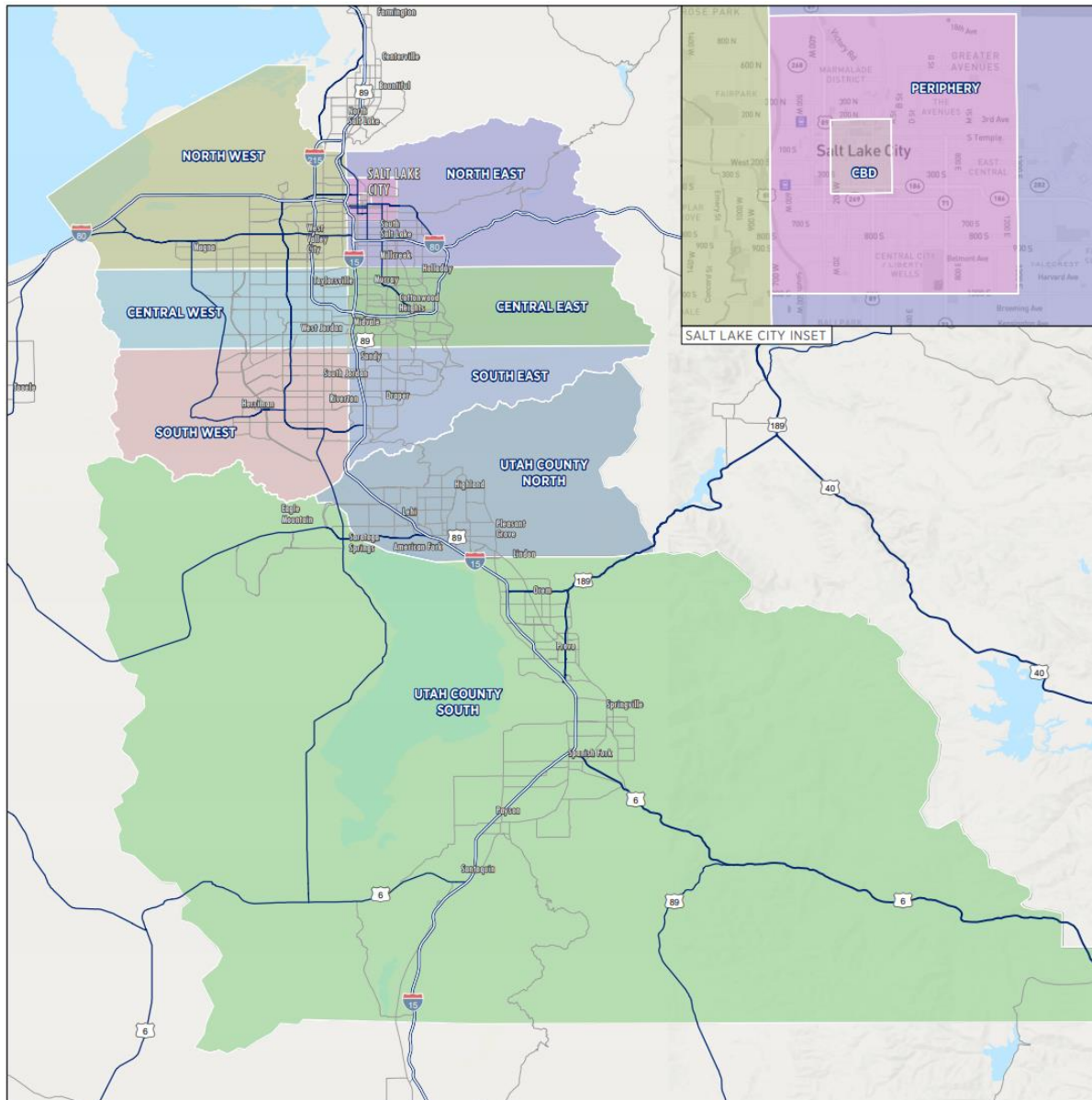
KEY CONSTRUCTION COMPLETIONS YTD 2022

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

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OFFICE SUBMARKETS



Taylor Damm

Senior Research Analyst

Tel: +1 801 303 5400

Taylor.Damm@cushwake.com

Rebecca Lloyd

Research Manager

Tel: +1 801 303 5444

Rebecca.Lloyd@cushwake.com

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