

	YoY Chg	12-Mo. Forecast
19.3% Vacancy Rate	▲	▼
-349K Net Absorption, SF	▼	▲
\$25.80 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
791.3K Salt Lake City Employment	▲	▲
2.1% Salt Lake City Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW

Nonfarm employment grew by 14,100 jobs or +1.8% year-over-year (YOY) from December 2021 through December 2022, with the service-producing sector leading with 12,823 jobs added, while the construction sector added 5,772 jobs YOY. During the same time, the monthly unemployment rate decreased from 2.3% to 2.1% YOY and is currently 160 basis points (bps) lower than the U.S. unemployment rate of 3.7%.¹ Eleven of the twelve employment sectors are expected to grow at a rate of 1.5% in 2023, notably the leisure & hospitality sector is forecasted to grow 3.8% and the education & health services sector 3.1%. Salt Lake City's economy of \$94.6 billion as measured by 2022 gross regional product is forecasted to grow 2.2% in 2023 and 3.6% in 2024, which mirrors the 10-year average of 3.6%.²

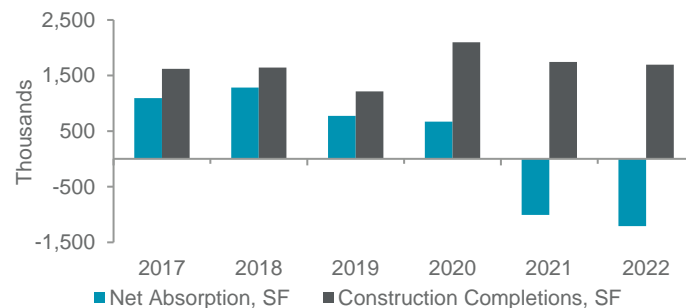
SUPPLY AND DEMAND

The overall vacancy rate, including sublease, increased 80 bps quarter-over-quarter (QOQ) and increased 140 bps YOY from 17.9% to 19.3% in Q4 2022. Over half of the spaces that came on the market in Q4 2022 were sublease spaces, totaling approximately 465,000 square feet (sf), compared to about 392,000 sf of direct space newly available. Class A vacancy increased 520 bps from 14.3% to 19.4% YOY, with 2.3 million square feet (msf) of additional inventory in 2022. Tenants recorded positive absorption in Q4 2022 in the Central Business District (CBD), North West, and Utah County South submarkets, however; it was outweighed by the space returned in all other submarkets, netting -348,705 sf. The positive absorption in the CBD was largely due to tenants occupying space at the newly constructed 95 State and will continue throughout the first half of 2023.

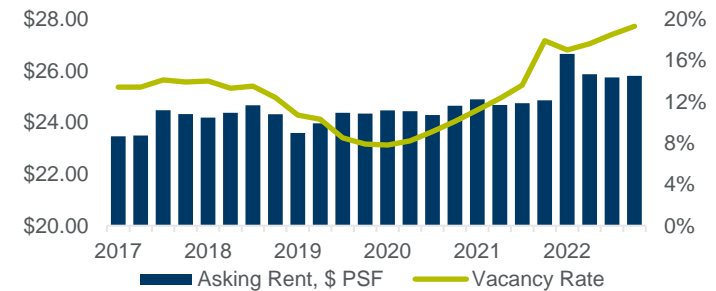
As of Q4 2022, sublease vacancy stands at 5.2% or 3.0 msf compared to 2.3% (1.3 msf) a year ago. Subleases had a significant impact on the year's overall negative absorption with tenants looking to downsize as they are taking a more cautious look at their real estate needs. The sublease market accounts for over 87 full floors in the market, clearly indicating this is a demand issue rather than a supply issue.

Tenants leased 750,785 sf of new space in Q4 2022, combined across 139 deals, excluding renewals, compared to 817,044 sf (120 deals) in Q3 2022. This activity will boost future absorption as tenants occupy their space over the next 12 months. Large deals remain on pause, as executives reset their real estate strategy. In Q4 2022, market activity was highest in Central East (133,941 sf or 17.8%), followed by CBD (17%) and Utah County North (14.5%). Class A leasing accounts for the highest share of new leasing (372,041 sf or 49.6%), followed by Class B (251,389 sf or 33.5%) and Class C (127,355 sf or 17%) reflecting the flight to quality. The most active industries include law firms, professional services & engineering firms.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



Salt Lake City

Office Q4 2022



SIGNED LEASES / OCCUPIED SPACES

Large leases signed this quarter included Snell & Wilmer, renewing their 49,000-sf space at Gateway Tower West and Galen Nursing signing a new direct deal for just over 34,000 sf at Irvine Office Park. Tenants occupying this quarter include Rocky Mountain University of Health Professionals, occupying 122,000 sf at Novell Tower and TaxBit, Inc. occupying 47,000 sf at Wadsworth Business Park B.

RATES

Despite an uptick in vacancy over the last year, the overall average asking rent for all classes increased \$0.95 or 3.7% YOY per square foot (psf) on an annual full-service basis. The overall average rent for Class A increased 3.2% YOY to \$29.16 psf. Sublease deals are transacting at an average rate of \$25.11 on a full-service basis in Q4 2022. Sublease rates and concession packages are anticipated to become more competitive with the large amount of inventory available.

INVENTORY

Innovation Pointe IV with approximately 141,000 sf of new inventory was delivered in the fourth quarter of 2022, located in the Utah County North submarket and was 100% preleased prior to completion. Of the 1.6 msf new product delivered in 2022, 50.5% of it was pre-leased.

Office development is slowing with 729,076 sf currently under construction across nine projects, with only 20.9% pre-leased, which is significantly lower than 2021 and 2022. The majority, or 88%, of inventory is speculative (SPEC) with the remaining 12% build-to-suit.

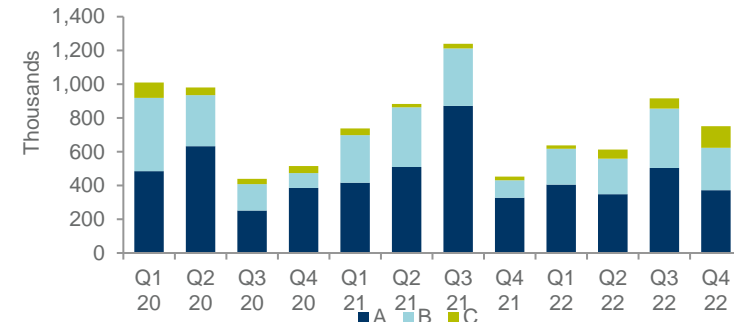
A change of use is a notable trend in the office sector with 407,664 sf in four buildings that have been removed from the market and being repositioned as multi-family product. These include: American Plaza 1, 200 S. 200 E., 675 E. 500 S., and South Temple Tower.

Sources: ¹www.bls.gov ² Moody's Analytics economy.com 12/2022

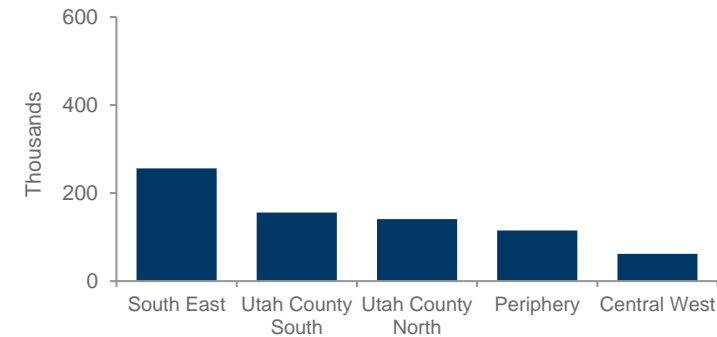
OUTLOOK / TRENDS

- Salt Lake City's office market fundamentals continued to soften in the fourth quarter of 2022. Tenants are signing shorter lease terms and seeking smaller spaces to re-engage in future market conditions. Employers are still in pursuit of persuading their employees to return to the office. In return, tenants are demanding increased amenities such as fitness facilities, conference centers, lounge spaces, to name a few. Leasing activity will most likely remain slow entering 2023 with the expectation of an increase in activity later in the year. Delays on receiving materials for buildouts and labor is increasing the time when tenants can occupy their leased space. Tenant in the market seek out spaces that have already been built out, to avoid the hassle and the continued increase in cost. Additional sublease spaces are expected to increase in 2023. Despite these significant headwinds, Salt Lake City is uniquely positioned to stabilize as the local economy continues to outperform many of its peer markets. With continued positive net in-migration and a general push within the workforce for a well-nourished work-life balance, Salt Lake City remains a highly desirable market for office users.

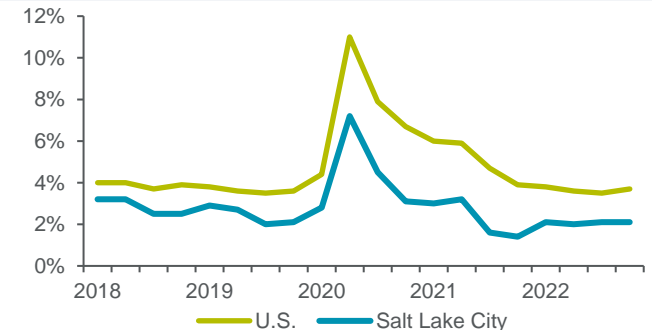
OVERALL NEW LEASING BY CLASS IN SF



UNDER CONSTRUCTION BY SUBMARKET IN SF



UNEMPLOYMENT RATE IN COMPARISON



Salt Lake City

Office Q4 2022

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	8,713,586	1,554,155	318,716	21.5%	103,398	171,268	523,449	0	\$29.94	\$34.17
Periphery	3,724,825	717,133	67,077	21.1%	-37,171	-13,287	150,807	115,000	\$29.04	\$36.62
North East	3,700,049	270,605	180,749	12.2%	-52,974	-164,237	147,143	0	\$28.28	\$38.43
North West	4,537,460	872,341	228,301	24.3%	9,003	-71,096	330,823	0	\$22.20	\$22.79
Central East	8,504,253	1,279,949	171,208	17.1%	-56,646	-154,979	516,421	0	\$24.99	\$30.37
Central West	1,828,225	429,584	92,065	28.5%	-28,596	-73,181	114,355	61,700	\$23.30	\$25.27
South East	8,252,142	802,185	862,268	20.2%	-129,033	-656,094	710,799	256,000	\$26.59	\$27.46
South West	2,237,782	502,550	96,465	26.8%	-59,917	-76,035	129,207	0	\$26.29	\$26.60
Utah County North***	9,620,904	777,617	805,050	16.5%	-187,901	-281,795	1,107,350	140,768	\$25.31	\$27.45
Utah County South***	7,029,760	1,033,529	174,712	17.2%	91,132	111,003	407,030	155,608	\$21.63	\$23.46
MARKET TOTALS	58,148,986	8,239,648	2,996,611	19.3%	-348,705	-1,208,433	4,137,384	729,076	\$25.80	\$29.16
Class A	28,344,903	3,420,716	2,086,266	19.4%	-175,120	-531,733	2,207,490	583,226	\$31.18	\$29.16
Class B	22,300,766	4,157,558	751,953	22.0%	-169,257	-575,208	1,381,116	145,850	\$23.89	
Class C	7,503,317	661,374	158,392	10.9%	-4,328	-101,492	548,778	0	\$18.52	
MARKET TOTALS	58,148,986	8,239,648	2,996,611	19.3%	-348,705	-1,208,433	4,137,384	729,076	\$25.80	\$29.16

*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 YTD 2022

PROPERTY	SUBMARKET	TENANT / QUARTER LEASED	SF	TYPE
Airport Technology Center – Building C	North West	Confidential / Q1-2022	231,841	New - Direct
42 E. Future Way – Pluralsight Building	South East	Clearlink / Q3-2022	134,014	Sublease
Innovation Pointe IV	Utah County North	Snap One / Q1-2022	94,983	New - Direct

KEY SALES TRANSACTIONS YTD 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Grove Technology Center	Utah County North	Thyme Global / Awardco, Inc.	191,497	\$42.5M / \$221.9
East Creek Office Center – 1225-1275 E. Fort Union Blvd.	Central East	Union Park Office Building SLC LP / FSP6 Fort Union, LLC	108,191	\$18.4M / \$170.8
2889 N. Ashton Blvd.	Utah County North	Lehi 175, LLC / Utah Valley University (UVU)	103,052	\$21.25M / \$206.2

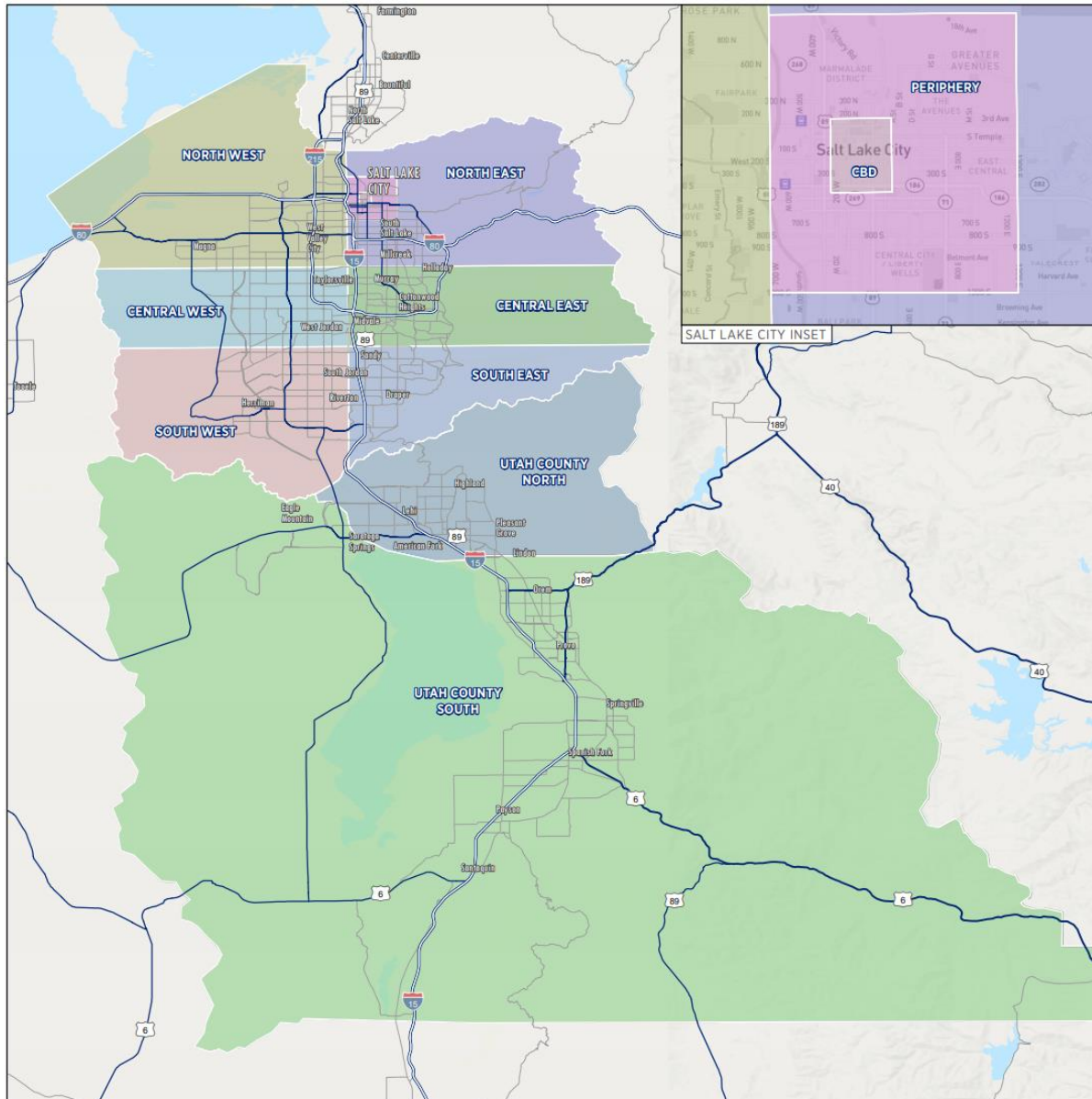
KEY CONSTRUCTION COMPLETIONS YTD 2022

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

Salt Lake City

Office Q4 2022

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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