

Salt Lake City

Office Q1 2023



| | YoY Chg | 12-Mo. Forecast |
|------------------------------------|---------|-----------------|
| 21.2% Vacancy Rate | ▲ | ▼ |
| -427K Net Absorption, SF | ▼ | ▲ |
| \$25.92 Asking Rent, PSF | ▼ | ▲ |

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

| | YoY Chg | 12-Mo. Forecast |
|---|---------|-----------------|
| 817.8K Salt Lake City Employment | ▲ | ▲ |
| 2.5% Salt Lake City Unemployment Rate | ▲ | ▬ |
| 3.5% U.S. Unemployment Rate | ▼ | ▲ |

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW

Nonfarm employment grew by 28,300 jobs or +3.6% year-over-year (YOY) from February 2022 through February 2023, with the service-producing sector leading with 22,879 jobs added, while the office-using sector added 6,357 jobs YOY. During the same time, the monthly unemployment rate increased from 2.2% to 2.5% YOY and is currently 100 basis points (bps) lower than the U.S. unemployment rate of 3.5%.¹ Eleven of the twelve employment sectors are expected to grow at a rate of 1.7% in 2023, notably the professional & business services sector is forecasted to grow 3.1% and the service-producing sector 1.7%. Salt Lake City's economy of \$94.5 billion as measured by 2022 gross regional product is forecasted to grow 2.7% in 2023 and 3.6% in 2024, which mirrors the 10-year average of 3.6%.²

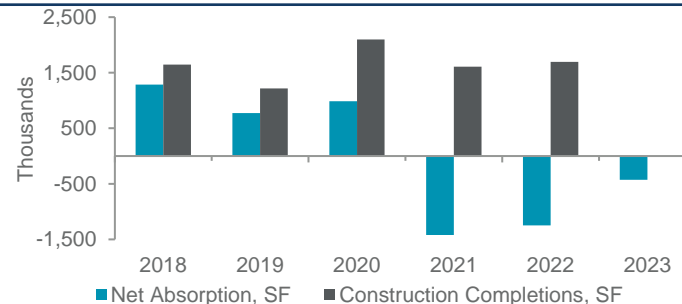
SUPPLY AND DEMAND

The overall vacancy rate, including sublease, increased 130 bps quarter-over-quarter (QOQ) and increased 380 bps YOY from 17.4% to 21.2% in Q1 2023. A total of 112 new vacant spaces came on the market in Q1 2023, totaling approximately 1,140,000 million square feet (msf). This includes 673,000 square feet (sf) of direct space and 467,000 sf of sublease space. As of Q1 2023, sublease vacancy stands at 5.6% or 3.0 msf compared to 3.3% (1.8 msf) a year ago. Subleases had a significant impact on the overall negative absorption with tenants looking to downsize as they are taking a more cautious look at their real estate needs. Tenants are struggling to make decisions because of the difficulty they've had getting employees back. Landlords are creating more amenities in their buildings to aid tenants in their efforts to encourage employees to return to the office.

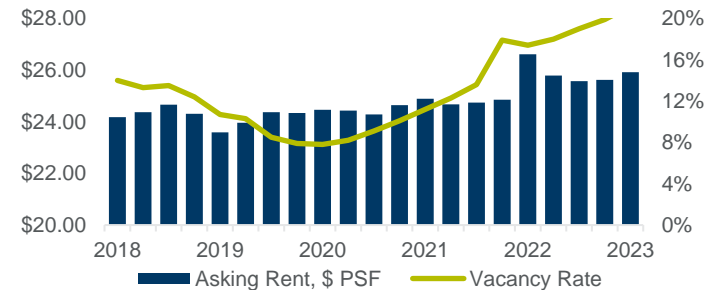
Tenants recorded positive absorption in Q1 2023 in the South West, Central East, and Utah County submarkets, however; it was outweighed by the space returned in all other submarkets, netting -427,459 sf. Even with 132,000 sf of positive absorption recorded at the newly constructed 95 State this quarter, it was outweighed largely due to additional vacant space at City Centre, 310 S. Main St., and 215 S. State St., totaling approximately 190,500 sf in the Central Business District (CBD). Other notable large vacancies include Airport Tech Park – Building B, with 156,000 sf in the North West submarket, Vista Station – Ebay Draper Campus, with 102,000 sf in the South East submarket, and Lone Peak Centers 4 & 5, totaling 106,000 sf, also located in the South East submarket. These are all attributing to the overall negative net absorption for the quarter.

Tenants leased 384,723 sf of new space in Q1 2023, combined across 90 deals. Including renewals, there was a total of 117 transactions, totaling 604,728 sf, signed in Q1 2023. Out of those, 105 deals, or 90%, are below 10,000 sf with an average deal size of 5,213 sf. Large deals remain on pause, as executives reset their real estate strategy. Out of the top twelve deals signed this quarter, half of them are renewals. In Q1 2023, market activity was highest in South East (77,960 sf or 20.3%), followed by Utah County North (17.7%) and CBD (3.6%). Class A leasing accounts for the highest share of new leasing (196,622 sf or 51.1%), followed by Class B (113,038 sf or 29.4%) and Class C (75,063 sf or 19.5%) reflecting the flight to quality.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



Salt Lake City

Office Q1 2023



SIGNED LEASES / OCCUPIED SPACES

Large leases signed this quarter included Xenter, Inc., renewing their 30,000-sf space at Irvine Office Park I, Credit Corp Solutions Inc., renewing their 27,000-sf of space at Wasatch Corporate Center 16, and the University of Utah renewing their 26,000-sf space at One Sandy Center. The top new direct deal was signed by Avetta, LLC, for just under 26,000 sf at Traverse Ridge Center III. Notable tenants occupying this quarter include Clearlink, occupying 134,000 sf at 42 E. Future Way and Snap One, occupying 95,000 sf at Innovation Point IV.

RATES

With the uptick in vacancy over the last year, the overall average asking rent for all classes decreased \$0.69 or 2.6% YOY per square foot (psf) to \$25.92 psf on an annual full-service basis. However, the overall average rent for Class A increased 2.7% YOY to \$29.20 psf. Sublease deals are transacting at an average rate of \$24.47 psf on a full-service basis in Q1 2023, decreasing \$0.64 from Q4 2022. Sublease rates and concession packages are anticipated to become more competitive with the large amount of inventory available.

INVENTORY

Office development is slowing, partly due to tightening lending conditions, with 629,076 sf currently under construction across eight projects, with only 28% pre-leased. The majority, or 85%, of inventory is speculative (SPEC) with the remaining 15% build-to-suit. This is significantly lower compared to the first quarters of 2021 and 2022 that had an average of 1.8 msf under construction.

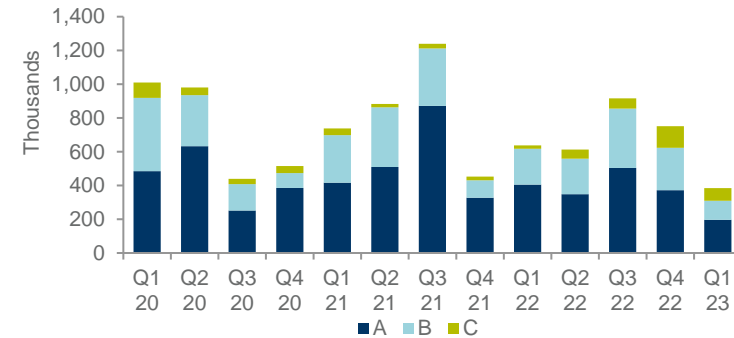
A change of use is a notable trend in the office sector with 451,429 sf in five buildings that have been removed from the market and being repositioned as multi-family product. These include: American Plaza 1, 220 S. 200 E., 675 E. 500 S., 1095 E. 2100 S., and South Temple Tower.

Sources: ¹www.bls.gov ²Moody's Analytics economy.com 2/2023

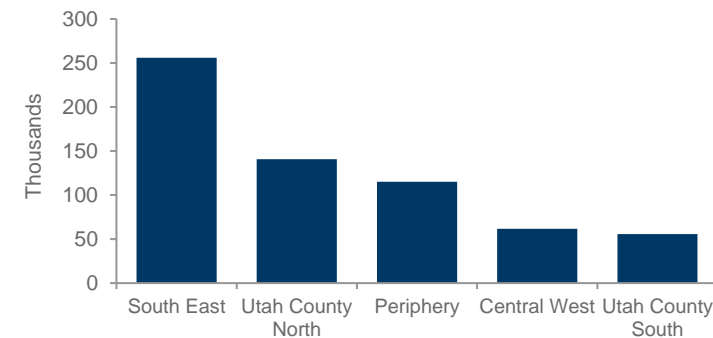
OUTLOOK / TRENDS

- Salt Lake City's office market fundamentals continued to soften in the first quarter of 2023. 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 conference centers with a large training room, lounge spaces, outside patio area, fitness facilities, to name a few. With tenants in pursuit of smaller, built out spaces, landlords are having to divide full floors into smaller SPEC suites that are ready for occupancy. Additional sublease spaces are expected to increase in 2023. Leasing activity will most likely remain slow the first half of 2023 with the expectation of an increase in activity later in the year. New office construction starts are expected to be delayed until market and lending conditions begin to see an improvement. 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 and favorable for new businesses.

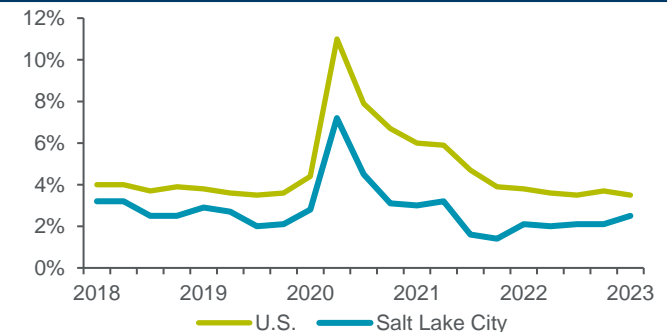
OVERALL NEW LEASING BY CLASS IN SF



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 | 9,048,496 | 1,628,423 | 381,038 | 22.2% | -107,674 | -107,674 | 40,223 | 0 | \$29.58 | \$33.97 |
| Periphery | 3,278,394 | 820,609 | 46,600 | 26.5% | -86,062 | -86,062 | 30,913 | 115,000 | \$30.00 | \$36.05 |
| North East | 2,248,029 | 212,338 | 85,338 | 13.2% | -11,270 | -11,270 | 22,248 | 0 | \$25.50 | \$34.57 |
| North West | 4,328,870 | 952,111 | 411,785 | 31.5% | -190,312 | -190,312 | 2,284 | 0 | \$22.20 | \$22.79 |
| Central East | 7,876,862 | 1,186,275 | 169,268 | 17.2% | 10,512 | 10,512 | 82,306 | 0 | \$25.69 | \$33.05 |
| Central West | 1,837,820 | 437,349 | 79,180 | 28.1% | -7,765 | -7,765 | 4,644 | 61,700 | \$23.89 | \$29.50 |
| South East | 8,521,208 | 1,007,287 | 764,106 | 20.8% | -89,787 | -89,787 | 89,591 | 256,000 | \$26.71 | \$27.30 |
| South West | 1,954,112 | 374,244 | 56,780 | 22.1% | 37,960 | 37,960 | 10,768 | 0 | \$26.70 | \$27.30 |
| Utah County North*** | 8,840,019 | 750,010 | 876,703 | 18.4% | 14,475 | 14,475 | 77,804 | 140,768 | \$25.24 | \$26.94 |
| Utah County South*** | 6,081,895 | 1,053,348 | 177,069 | 20.2% | 2,464 | 2,464 | 23,942 | 55,608 | \$22.28 | \$25.24 |
| MARKET TOTALS | 54,015,705 | 8,421,994 | 3,047,867 | 21.2% | -427,459 | -427,459 | 384,723 | 629,076 | \$25.92 | \$29.20 |
| Class A | 26,686,199 | 3,282,352 | 1,838,800 | 19.2% | 34,269 | 34,269 | 196,622 | 483,226 | \$29.20 | \$29.20 |
| Class B | 20,216,146 | 4,136,242 | 1,099,216 | 25.9% | -343,515 | -343,515 | 113,038 | 145,850 | \$23.70 | |
| Class C | 7,113,360 | 1,003,400 | 109,851 | 15.7% | -118,213 | -118,213 | 75,063 | 0 | \$21.51 | |
| MARKET TOTALS | 54,015,705 | 8,421,994 | 3,047,867 | 21.2% | -427,459 | -427,459 | 384,723 | 629,076 | \$25.92 | \$29.20 |

*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 2023

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|------------------------------|-------------------|----------------------------|--------|--------------|
| Irvine Office Park - Bldg. 1 | South West | Xenter, Inc. | 30,135 | Renewal |
| Wasatch Corporate Center 16 | South East | Credit Corp Solutions Inc. | 26,839 | Renewal |
| One Sandy Center | South East | University of Utah | 26,179 | Renewal |
| Traverse Ridge Center III | Utah County North | AVETTA, LLC | 25,837 | New - Direct |

KEY SALES TRANSACTIONS Q1 2023

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE / \$ PSF |
|----------------|--------------|--|---------|----------------|
| 170 South Main | CBD | UBS Asset Management Fort Street Partners | 255,255 | N/A N/A |
| Sorenson 12 | Central West | Vectra Management Group Geneva Rock Products, Inc. | 98,105 | N/A N/A |

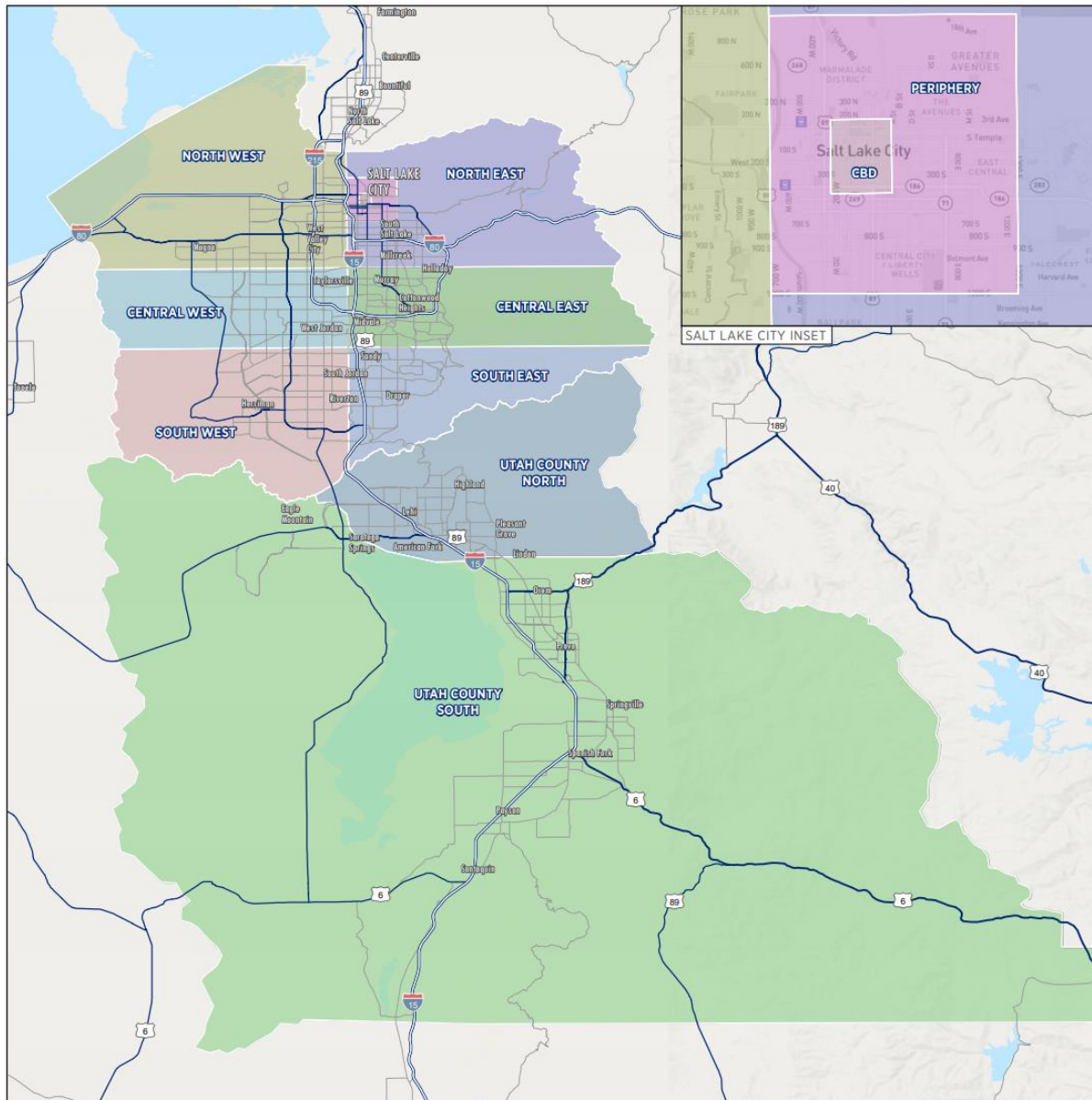
KEY BUILDINGS UNDER CONSTRUCTION

| PROPERTY | SUBMARKET | EXPECTED DELIVER DATE | SF | OWNER / DEVELOPER |
|---|-------------------|-----------------------|---------|------------------------------|
| Valley Grove III - 1333 S. Valley Grove Way | Utah County North | December 2023 | 140,768 | St. John Properties |
| Baltic Pointe - 14761 S. Future Way | South East | September 2023 | 130,000 | Gardner/Staker |
| Minuteman Office Plaza - Building VI | South East | July 2023 | 126,000 | LD Bowerman Investments, LLC |

Salt Lake City

Office Q1 2023

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

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 52,000 employees in 400 offices and 60 countries. In 2022, the firm had revenue of \$10.1 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.

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.