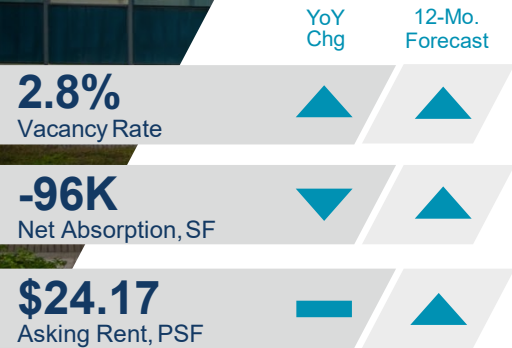


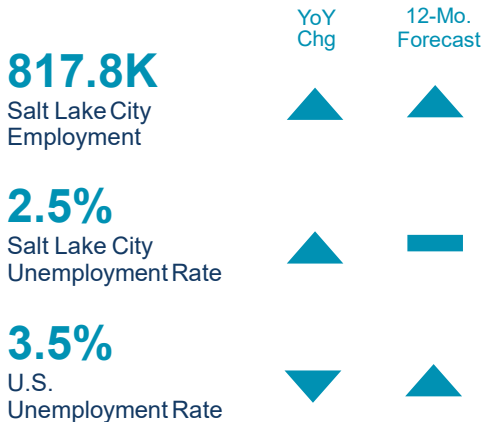
# Salt Lake City

## Medical Office Q2 2023



(Metro Salt Lake City, MOB)

### ECONOMIC INDICATORS Q2 2023



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%.<sup>1</sup> 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%.<sup>2</sup>

### VACANCY: On and Off Campus Vacancy Remains Stable

Salt Lake's on-campus medical office building (MOB) vacancy remained stable in the second quarter of 2023 at 2.6%. Vacancy rates for on-campus buildings have almost returned to pre-pandemic levels, which ranged from 1.5% to 2.5% at the end of 2019.

Off-campus MOBs also saw a stabilization in vacancy rates QOQ at 3.7%. Although rates have still not returned to pre-pandemic levels of approximately 2% to 3% seen in 2019, they are trending in the right direction, decreasing 80 basis points (bps) YOY.

### PRICING: Asking Rents Remain Positive

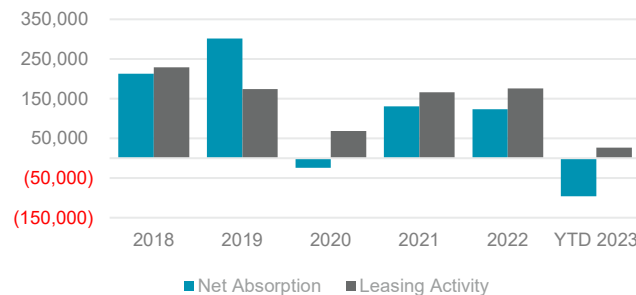
The average base asking rate for on-campus MOB product rose slightly to \$27.71 psf. The market continues to see a rise in these rates due to renovations, new construction, and medical tenants' reluctance to relocate.

Rates for off-campus MOBs remained fairly consistent with an average ask of \$22.58 psf. This stabilization can be credited to an increase in both supply (MOB product) and demand (volume of tenants). As the office market struggles to recover, certain landlords are converting traditional office space into medical use. Physician groups and other healthcare providers continue to grow and attract tenants.

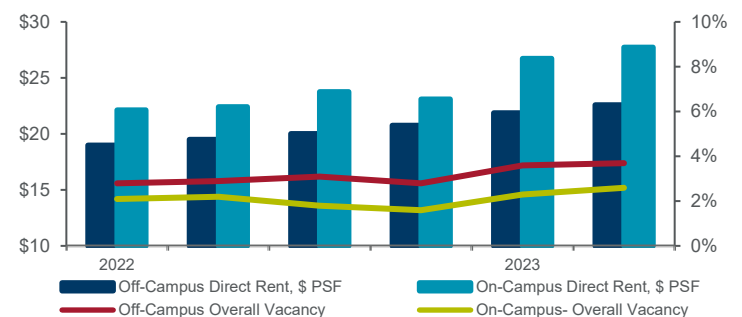
### UNDER CONSTRUCTION:

There are currently three MOBs under construction, all located within the Utah County North submarket, and only 22% preleased.

### NET ABSORPTION VS. LEASING ACTIVITY



### OVERALL VACANCY & ASKING RENT



# Salt Lake City

## Medical Office Q2 2023

### Activity: Reported\* Leasing Activity Slows

After a low amount of reported leasing activity in the second quarter of 2023, both on and off campus, MOBs experienced a decrease in activity for the first half of 2023. The largest new direct deal was signed by Cook Orthodontics, leasing 11,000 sf at Riverbend Place. Notably, the Physician Group of Utah renewed their 7,000-sf space at the Salt Lake Regional Medical Center. Leasing activity for MOBs was concentrated primarily in smaller spaces below 5,000 sf.

\*Many lease transactions are undisclosed and unreported, therefore not used in the analysis. It should be assumed these figures are significantly lower than actual leases completed.

### Absorption: MOB Net Absorption Decreases

YTD overall absorption for both on and off-campus properties totaled -96,000 sf. On-campus totaled about -34,000 sf, while off-campus MOBs were almost double at -62,000 sf. Tracked off-campus product occasionally includes office tenants, which contributes larger negative absorption.

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)*
CBD	24,449	0	0	0%	0	0	0	0	N/A
Periphery	479,551	13,089	0	2.7%	0	-13,089	0	0	\$28.65
North East	495,695	9,966	0	2.0%	0	2,231	2,231	0	\$23.00
North West	397,889	4,954	0	1.2%	0	-4,954	0	0	\$22.00
Central East	785,814	24,856	0	3.2%	904	-18,639	7,452	0	\$19.65
Central West	412,636	4,685	0	1.1%	324	-4,685	1,189	0	\$21.12
South East	409,098	40,960	0	10.0%	-23,866	-40,960	2,560	0	\$24.63
South West	337,015	8,510	0	2.5%	0	-8,510	0	0	\$33.33
Utah County North***	286,239	0	0	0.0%	0	0	10,778	77,556	N/A
Utah County South***	614,811	12,157	0	2.0%	2,330	-7,448	2,330	0	\$21.56
<b>MARKET TOTALS</b>	<b>4,243,197</b>	<b>119,177</b>	<b>0</b>	<b>2.8%</b>	<b>-20,308</b>	<b>-96,054</b>	<b>26,540</b>	<b>77,556</b>	<b>\$24.17</b>
On-Campus Totals	1,313,007	33,782	0	2.6%	0	-33,782	0	0	\$27.71
Off-Campus Totals	2,930,190	85,395	0	3.7%	-20,308	-62,272	26,540	77,556	\$22.58
<b>MARKET TOTALS</b>	<b>4,243,197</b>	<b>119,177</b>	<b>0</b>	<b>2.8%</b>	<b>-20,308</b>	<b>-96,054</b>	<b>26,540</b>	<b>77,556</b>	<b>\$24.17</b>

\*Rental rates reflect full service asking

\*\*Renewals not included in leasing statistics

### KEY SALE TRANSACTIONS YTD

PROPERTY	SUBMARKET	BUYER / SELLER	RSF	SALE PRICE / PSF
Wasatch Renal Center	Central East	MedProperties Realty Advisors / Coaction Companies	51,591	\$28,915,000 / \$560
226 n. 1100 e.	Utah County North	Premier Family Medical / Michael L. Cosgrave	21,994	\$4,750,000 / \$216

### KEY LEASE TRANSACTIONS YTD

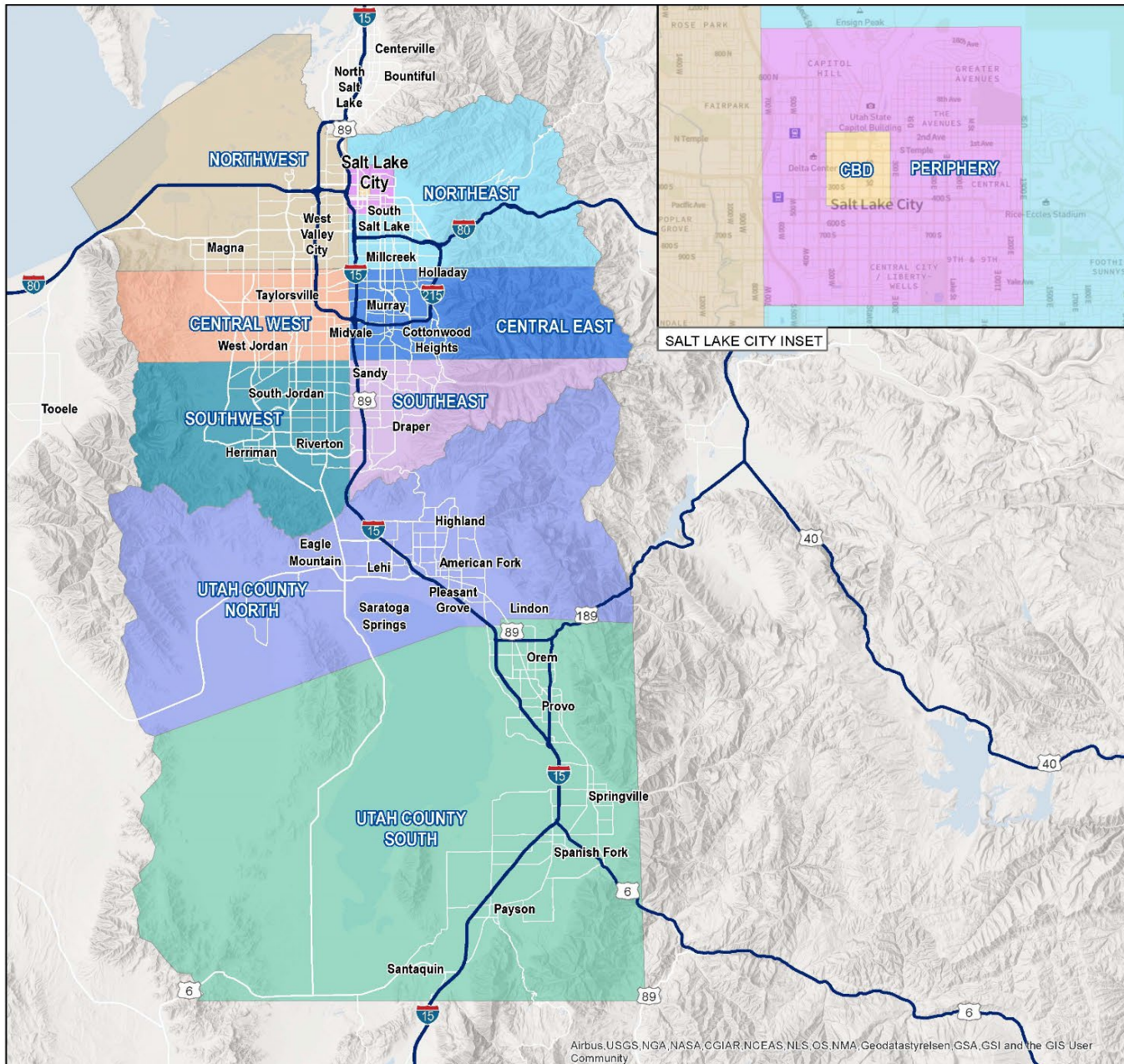
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Riverbend Place -- 2284 West Main St.	Utah County North	Cook Orthodontics	10,778	Direct
Salt Lake Regional Medical Center	Periphery	Physician Group of Utah	7,240	Renewal
Cottonwood Creek Center	Central East	Behavioral Health Practice Services	6,228	Direct

# Salt Lake City

## Medical Office Q2 2023



### MEDICAL OFFICE SUBMARKETS



**Rebecca Lloyd**  
 Research Manager  
 Tel: +1 801 303 5444  
[Rebecca.Lloyd@cushwake.com](mailto:Rebecca.Lloyd@cushwake.com)

### A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of \$10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com).

*©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.*

[cushmanwakefield.com](http://cushmanwakefield.com)