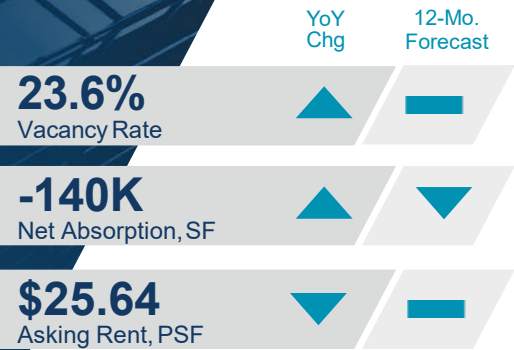


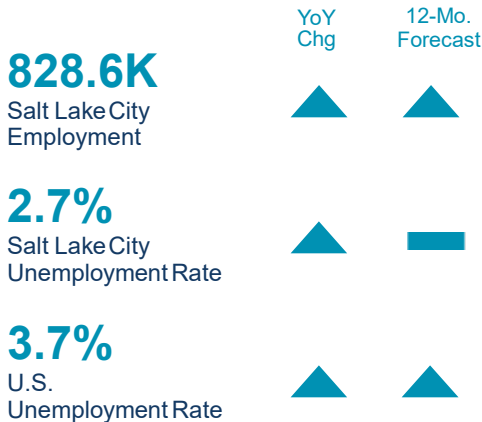
Salt Lake City

Office Q4 2023



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2023



ECONOMIC OVERVIEW

In Q4 2023, the Salt Lake City market recorded an employment level of 828,600 jobs and the unemployment rate increased from 2.4% in Q4 2022 to 2.7% in Q4 2023.¹ The metro area continues to record strong growth, as the number of households increased since 2020 by 5.0% to 448,536 in 2023. Wage growth continues to bring job seekers back into the labor market, as the median household income reached \$99,900 in Q4 2023, an increase of 4.9% year-over-year (YOY). The Salt Lake City economy of \$98.3 billion as measured by 2023 gross metro product is forecasted to climb to \$100.7 billion in 2024 and \$104.4 billion in 2025.²

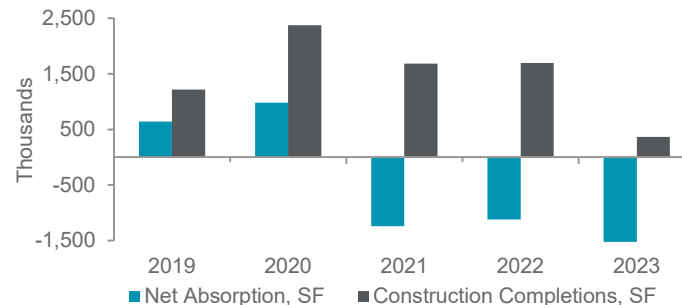
SUPPLY AND DEMAND

The overall vacancy rate, including sublease, increased 50 basis points (bps) quarter-over-quarter (QOQ) and increased 410 bps YOY from 19.5% to 23.6% in Q4 2023. Direct vacancy is currently at 17.4%, or 9.3 million square feet (msf), compared to 14.2% a year ago. As of Q4 2023, sublease vacancy stands at 6.2%, or 3.3 msf, compared to 5.2% in Q4 2022. Subleases had a significant impact on the overall negative absorption, as tenants looked to downsize amid reevaluating their real estate needs and hybrid work schedules. Landlords are helping tenants by upgrading common areas and adding amenities to create appealing work environments, encouraging employees to return to the office.

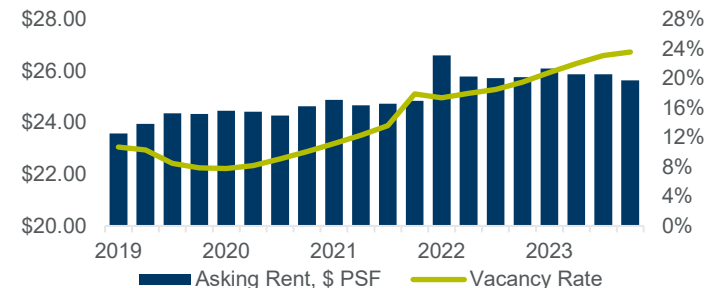
In the fourth quarter of 2023, tenants recorded positive net absorption in five of the ten submarkets. However, this was offset by the space vacated in the other five submarkets, resulting in an overall negative net absorption of 139,806 square feet (sf). This quarter, there were several large new sublet vacancies. These include 110,000 sf at Lehi Spectrum 2 in Utah County North; 31,000 sf on the top floor of Thanksgiving Station 5 in Utah County North; and 30,000 sf at Sandy Towers East in the Southeast submarket. These all attributed to the overall negative net absorption for the quarter.

A total of 105 new vacant spaces came on the market in Q4 2023, totaling approximately 1.42 msf. This includes 780,000 sf of direct space and 640,000 sf of sublease space. In comparison, leasing activity totaled 560,000 sf of space, across 53 deals completed in the quarter. Large transactions have slowed, as executives reset their real estate strategy. In Q4 2023, market activity was highest in North East (142,567 sf or 31%), followed by Central East (27%), and Utah County North (13%). Class A leasing accounts for the highest share of new deals (245,716 sf or 54%), followed by Class B (41%) and Class C (5%) reflecting the flight to quality.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



Sources: ¹www.bls.gov ² Moody's Analytics

Salt Lake City

Office Q4 2023



RATES

The overall average asking rent for all classes decreased by \$0.07 or 0.3% YOY per square foot (psf) to \$25.64 psf on an annual full-service basis. The overall average asking rent for Class A properties decreased 1.4% YOY to \$28.69 psf. The overall average asking rents were \$23.73 psf for Class B and \$21.29 psf for Class C properties. In the fourth quarter of 2023, direct deals transacted at an average of \$25.96 psf on a full-service basis, while sublet deals averaged \$23.40 psf. With ample sublet space available, sublease rates and concession packages are expected to become more competitive moving forward. Technology companies that had previously planned for growth are now downsizing their footprints, leading to increased sublease vacancies; this trend is especially pronounced in the Utah County North and South East submarkets, where sublet vacancies account for 11% of total vacant space, compared to 6.2% across the overall market.

INVENTORY

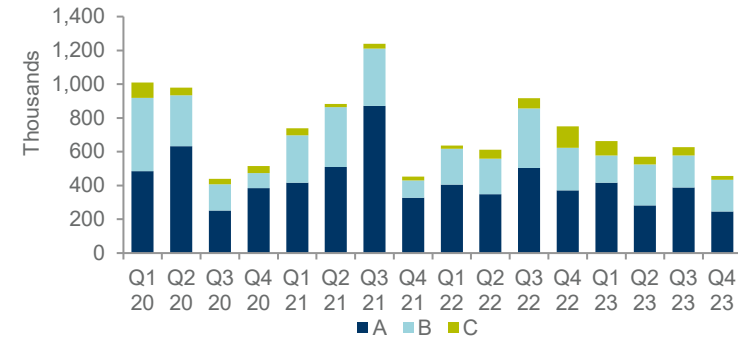
Three buildings delivered in Q4 2023, totaling 184,342 sf, with 64% pre-leased. The largest delivery was Baltic Pointe at 14761 S. Future Way, a 130,000-sf building located in the South East submarket. Pelion Ventures pre-leased 79,200 sf and Henriksen Butler pre-leased 23,110 sf at Baltic Pointe, for a combined pre-lease rate of 79%. Other deliveries include Beltway West – Bldg. 2 and Lone Peak Parkway. The office construction pipeline is slowing significantly, with only 377,357 sf of space currently under construction across four projects, 33% of which is currently pre-leased. Historically, the 10-year trailing average for new office construction has been around 1.2 msf going back to 2013. While electrical supplies and installation have taken longer, the overall cost of new construction has improved in recent months due to lower labor and material costs for tenant improvements.

A change of use is a notable trend in the office sector with 757,215 sf in six buildings that have been removed from the market and being repositioned as multi-family product. These buildings include: American Plaza 1, 220 S. 200 E., 675 E. 500 S. (Formerly Xerox bldg.), 1095 E. 2100 S. (Formerly Wells Fargo), 205 E. 200 S., and South Temple Tower.

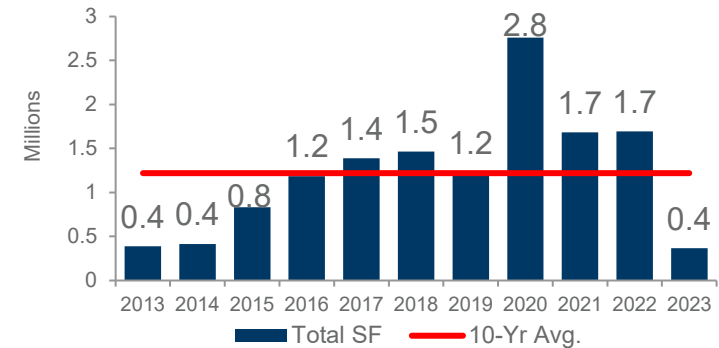
OUTLOOK / TRENDS

- Leasing activity will most likely remain flat through the first half of 2024. Employers are having to redefine the new hybrid work week by comparing headcount vs. in-office employee ratio. Landlords who take the hospitality approach by having amenities such as conference centers with a large training room, lounge spaces, outside patio areas, and fitness facilities are going to be more successful at attracting tenants. Given the trend of tenants seeking smaller spaces and the significant full-floor vacancies, Landlords will continue to divide those spaces into smaller, built-out spec suites. Additional sublease spaces are expected to increase in 2024. New office construction starts have stalled until office demand, interest rates, and difficult 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.

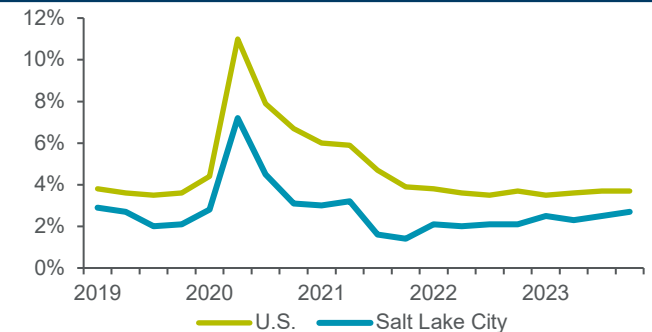
OVERALL NEW LEASING BY CLASS IN SF



CONSTRUCTION COMPLETIONS BY YEAR 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	9,039,276	1,872,095	194,861	22.9%	-67,851	-261,172	264,671	0	\$29.61	\$34.01
Periphery	3,021,780	648,775	52,688	23.2%	22,948	29,880	215,156	0	\$29.85	\$35.56
North East	2,352,912	173,513	98,086	11.5%	143,172	7,084	186,704	0	\$25.94	\$33.61
North West	4,299,699	1,057,410	455,634	35.2%	-46,503	-425,219	88,866	0	\$21.89	\$21.96
Central East	7,507,747	1,266,056	178,360	19.2%	-68,401	-145,424	432,757	125,000	\$25.52	\$32.41
Central West	1,928,734	529,007	79,180	31.5%	-50,080	-70,418	70,954	30,842	\$23.40	\$29.97
South East	9,034,706	1,334,381	896,576	24.7%	12,613	-256,578	459,456	75,000	\$26.43	\$27.47
South West	1,774,112	384,356	67,162	25.5%	9,231	3,706	98,514	0	\$26.75	\$26.71
Utah County North***	8,928,256	741,952	1,024,832	19.8%	-132,880	-161,177	487,428	146,515	\$24.91	\$26.81
Utah County South***	5,359,614	1,283,405	236,696	28.4%	37,945	-302,846	136,982	0	\$22.23	\$24.76
MARKET TOTALS	53,246,836	9,290,950	3,284,075	23.6%	-139,806	-1,582,164	2,441,488	377,357	\$25.64	\$28.69
Class A	26,161,534	3,510,124	2,033,894	21.2%	85,780	-193,209	1,372,653	146,515	\$28.69	\$28.69
Class B	20,531,730	4,790,518	1,127,514	28.8%	-203,103	-1,246,453	829,433	230,842	\$23.73	
Class C	6,553,572	990,308	122,667	17.0%	-22,483	-142,502	239,402	0	\$21.29	
MARKET TOTALS	53,246,836	9,290,950	3,284,075	23.6%	-139,806	-1,582,164	2,441,488	377,357	\$25.64	\$28.69

*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. ****Inventory was revised due to Life Science buildings with >40% lab/cGMP space.

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Myriad Campus VI – 303 S. Chipeta Way	North East	University of Utah	125,555	Sublease
Aztech Building – 5272 S. College Drive	Central East	State of Utah, Div. of Facilities Construction	45,305	Renewal
SoJo Station North – 10355 S. Jordan Gateway	South East	Strider Technologies	31,441	Sublease
324 S. State Street	CBD	Mortenson Company	22,441	Direct
Cornerstone II – 2800 E. Cottonwood Pkwy	Central East	Aumni, Inc.	21,148	Renewal

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
The Clift Building – 10 W. Broadway	CBD	Fortress Investment Group / Newport National Corporation	104,549	Undisclosed
Lake Pointe Corporate 2 – 2835 S. Decker Lake Dr.	North West	7 F Properties / Lake Pointe II LLC	98,812	Undisclosed

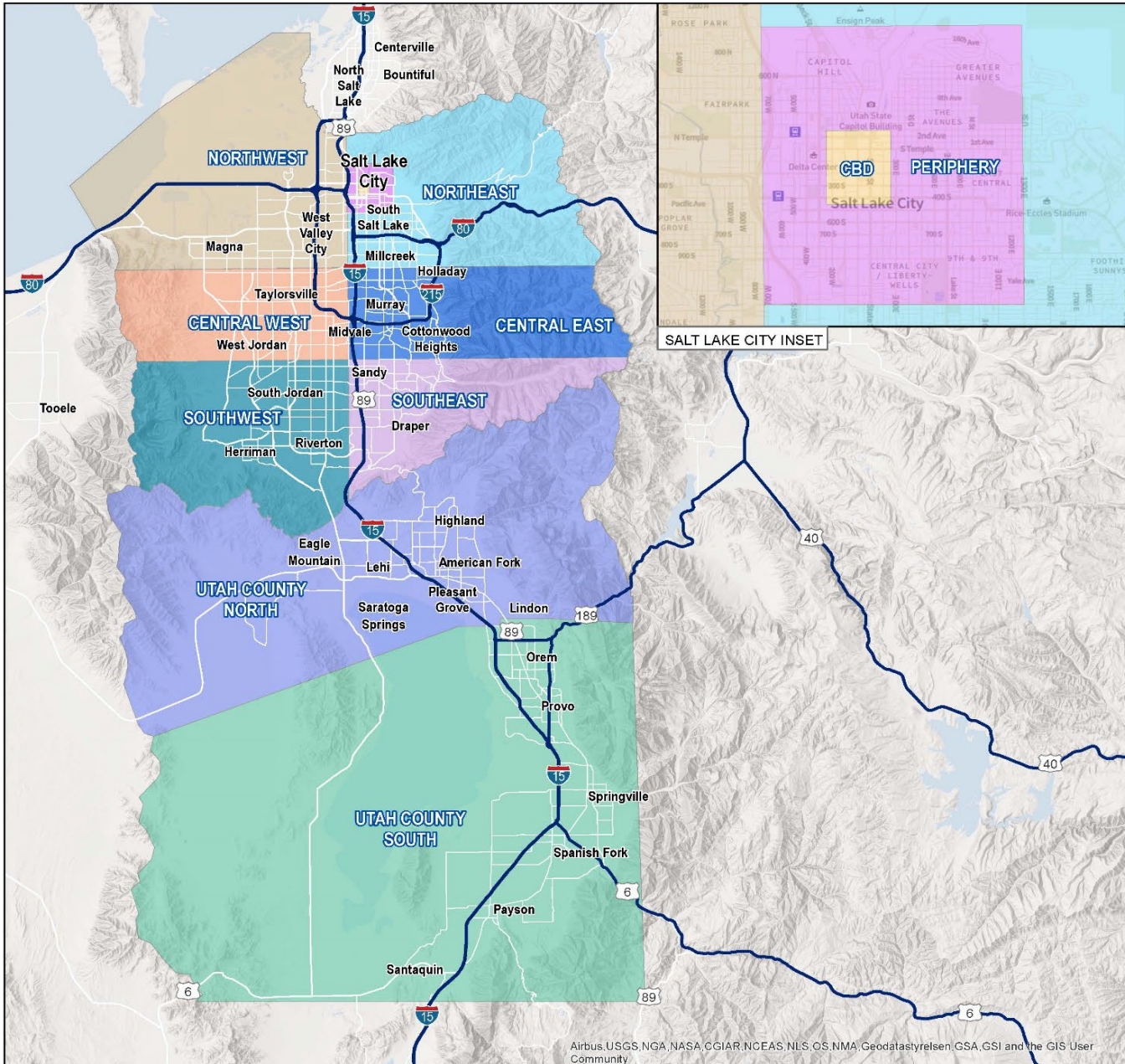
KEY BUILDINGS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	EXPECTED DELIVER DATE	BUILDING SF / AVAILABLE SF	OWNER / DEVELOPER
Valley Grove III – 1333 S. Valley Grove Way	Utah County North	March 2024	146,515 / 146,515	St. John Properties
The Royce / Holladay Hills – 1915 E. Rodeo Walk Dr.	Central East	December 2024	125,000 / 60,000	Millrock Park Management
Highpointe Office Center – 14658 S. Bangerter Pkwy.	South East	June 2024	75,000 / 15,800	Thrive Development

Salt Lake City

Office Q4 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

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