MARKET IN MINUTES
Savills Research

Q2 2022 - Office

Salt Lake County

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Transaction activity on the rise in Salt Lake County office market despite swelling supply, economic uncertainty

The overall fundamentals of Salt Lake County's office market were moderately softened in the second quarter, with availability continuing a steady climb that has continued for two years. While some of the rise in available options has been a result of new development, Salt Lake County has not been immune from the trend of companies drastically reducing their office footprints and future occupancy requirements. However, the market in 2022 year to date has shown signs of a modest revival. Leasing volumes have increased for three consecutive quarters, and transaction numbers were up 73.4% over the previous year. Meanwhile, the Salt Lake metro area has witnessed strong post-pandemic recovery among large markets, with strong labor market improvement and a comparatively low unemployment rate of 2.4%.

Several large leases boost deal volumes; tenant effective rents fall

A relative newcomer to the Salt Lake market, Kirkland & Ellis executed the largest deal of the second quarter, leasing approximately 75,000 square feet (sf) at 95 State. The firm is relocating from 60 East South Temple, where it first set up shop. Meanwhile, biotechnology company Perfect Day leased 60,000 sf at The Gateway, the firm's second U.S. location. Salt Lake County landlords continued to hold firm on pricing, while new development has exerted upward pressure on face rents. The overall asking rent this quarter rose to a record $27.10 per square foot (psf). In the CBD, asking rents stood at $30.40 psf. However, negotiated rents and concessions have been generous among deals being completed, pushing tenant effective rents lower.

Tenant favorable conditions expected to endure as demand remains uncertain, sublease options increase

Availability rates across Salt Lake County ranged widely by submarket, but both Utah County North (25.1%) and the CBD (23.9%) remained well above the market average. Both submarkets were impacted by large subleases coming to market in the second quarter. Among them, HealthEquity sought to sublease more than 184,000 sf of space at The Pointe in Draper. At the JCP Building in the CBD, more than 67,000 sf of sublease space came to market this period, with Zions Bank looking to offload space as it formally opened its new Midvale technology campus in July. Sublease supply across the market rose to 1.4 msf this period, well above the market's long-term average. In the current environment of heightened economic uncertainty, the Salt Lake County market is expected to remain tenant-favorable for the foreseeable future.

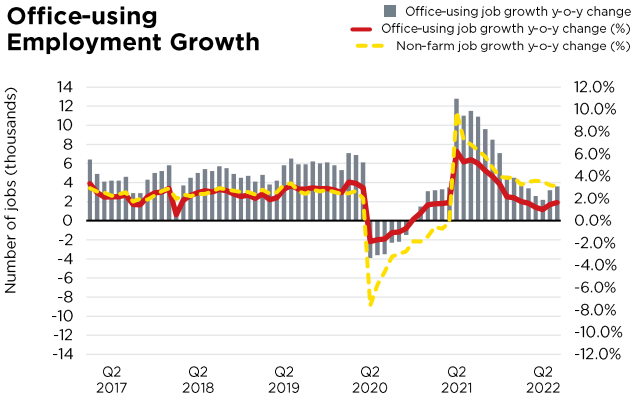
Outlook

- As market uncertainty intensifies due to continued high inflation, rising interest rates and other geopolitical factors, demand may be slacked in the near term as companies pause their decision-making
- As demand for space remains weakened and available options abound, occupiers should expect flexible terms and generous concessions in negotiations
- Sublease availability is expected to remain elevated in the near term as companies continue to shed space as they reevaluate their future occupancy requirements

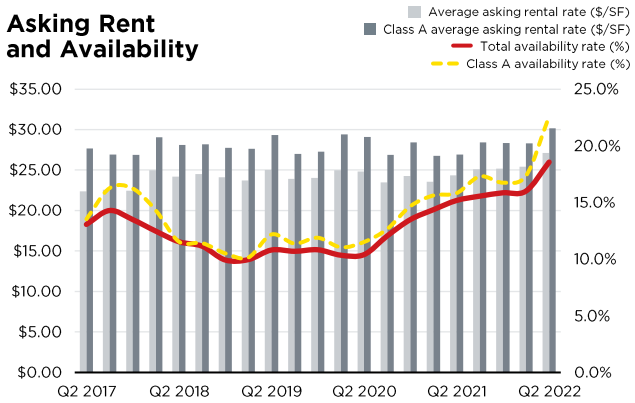
Key Statistics

	Q2 2021	Q2 2022	y-o-y Change
Inventory	41.3 MSF	42.2 MSF	▲
Availability Rate	15.2%	18.6%	▲
Asking Rental Rate	$24.34	$27.10	▲
Class A Asking Rental Rate	$26.90	$30.17	▲
Quarterly Leasing Activity	0.4 MSF	0.6 MSF	▲
Available Sublease Space	1.3 MSF	1.4 MSF	▲

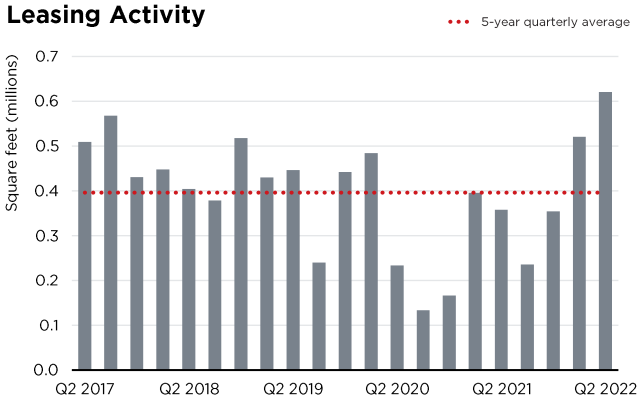
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

2.4%
Salt Lake City MSA unemployment rate (as of June 2022)

1.6%
Office-using employment growth year-over-year (as of June 2022)

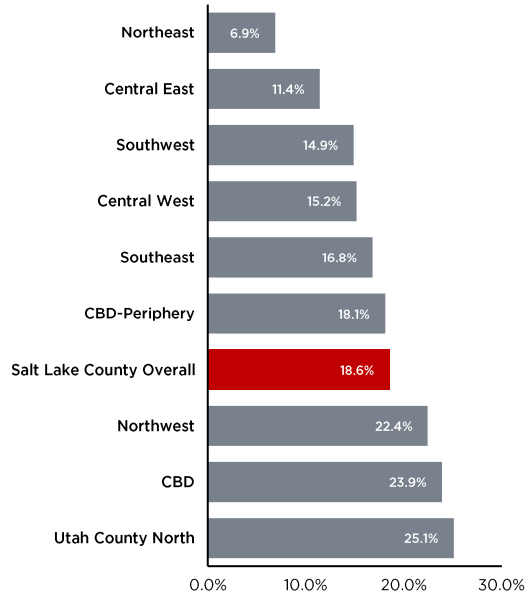
0.6 msf
Office space currently under construction

Top Transactions

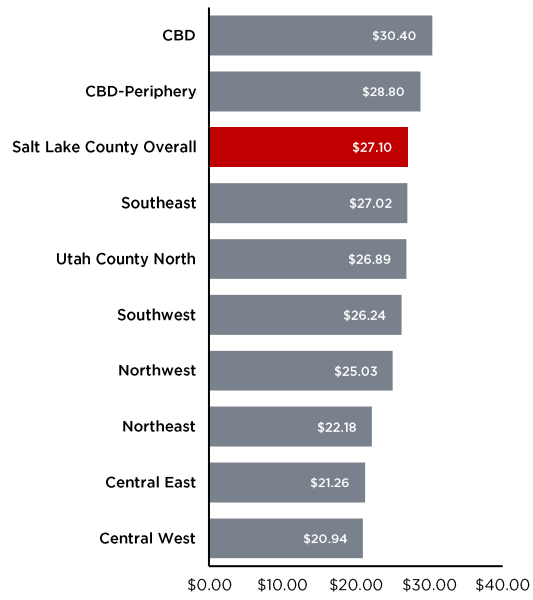
Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Kirkland & Ellis	75,000	95 S State Street	Relocation	CBD	Legal Services
Workday	68,559	2855 E Cottonwood Parkway	Relocation	Southeast	TAMI
Perfect Day	60,000	41 S Rio Grande Street	New Location	CBD	Biotechnology
NexHealth	35,000	12936 S Frontrunner Boulevard	New Location	Utah County North	TAMI
Orbis Education	27,000	150 W Civic Center Drive	New Location	Southeast	Consulting
Pelion Venture Partners	26,760	14761 S Future Way	Relocation	Utah County North	Venture Capital
Arena Communications	25,510	1260 E Stringham Avenue	Expansion	Northeast	Marketing
USA Clean Energy	22,903	13937 S Sprague Lane	New Location	Utah County North	Energy
Bynrm Healthcare	22,422	645 E 4500 South	Renewal	Central East	Medical Supplies
Ensign Engineering & Land Surveying	18,534	45 W 10000 South	Renewal and Expansion	Southeast	Engineering

Source: Savills Research

Availability Rate Comparison (%)
Salt Lake County Submarkets



Rental Rate Comparison ($/SF)
Salt Lake County Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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