



Tech Corridor Office Market

Smaller, High-Quality Spaces in High Demand as Larger Blocks Remain Stagnant

Current Conditions

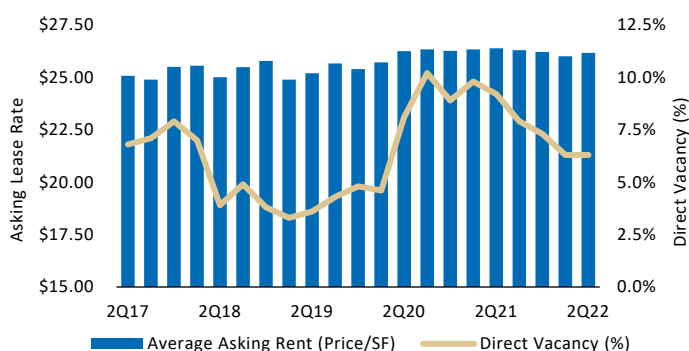
- Direct vacancy remained unchanged quarter-over-quarter; however, as anticipated, sublease vacancy increased by 200 basis points from first-quarter 2022 to second-quarter 2022 after larger subleases such as Pluralsight and HealthEquity entered the market.
- No new deliveries occurred this quarter with only one new development breaking ground, Baltic Pointe in Draper. Construction starts remain dampened due to supply chain issues, increased construction costs, and overall uncertainty regarding office workplace usage, especially on a larger scale.
- Leasing volume is down 4.1% year-over-year but increased 59.2% quarter-over-quarter. Asking rents have remained stagnant since the second quarter of 2020, with varying rates hovering at \$26/SF to \$26.40/SF for several quarters now. Achieved rental rates bumped up significantly in the second quarter of 2022 as numerous Class A deals closed in recently delivered buildings that are demanding watermark rates for the region.
- In a trend seen throughout the region, although leasing is up, the number of large transactions in regard to both square footage and term has gone down. Many users in the market are looking to reduce overall office footprint and larger blocks of space, both direct and sublet, are remaining on market longer than pre-pandemic trends while spaces smaller than 15,000 square feet enter and leave the market at a quicker pace in the current leasing landscape.

Market Summary

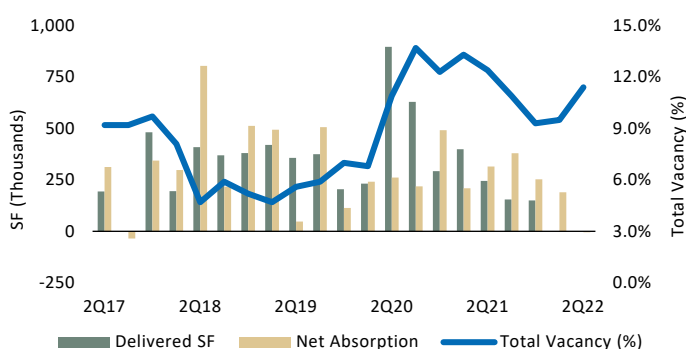
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Direct Vacancy Rate	6.3%	6.3%	9.2%	↔
Sublease Vacancy Rate	5.1%	3.1%	3.2%	↓
Quarterly Net Absorption	(4,300)	190,004	314,859	↑
Average Asking Rent/SF	\$26.16	\$26.00	\$26.38	↑
Under Construction SF	706,363	571,716	455,000	→
Delivered SF	0	0	244,920	↑
Leased SF	493,541	309,940	514,549	↔
Average Achieved Rent/SF	\$29.56	\$27.19	\$25.99	↑

Market Analysis

ASKING RENT AND DIRECT VACANCY RATE



NET ABSORPTION SF, DELIVERED SF AND TOTAL VACANCY RATE



Select Lease Transactions

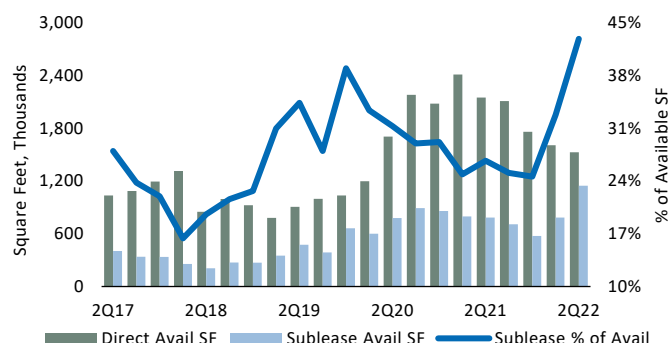
Tenant	City	Building	Type	Square Feet
Snap One	Lehi	Innovation Pointe 4	Direct New	94,983
NexHealth	Draper	Vista Station 4	Sublease	35,721
Nerd United DAO	Lehi	Thanksgiving Station 5	Direct New	30,500
Orbis Education Services	Sandy	South Towne Corporate Center 1	Direct New	26,863
Clean Energy Association	Draper	Minuteman Office Park 4	Direct New	22,903

Notable Under Construction Projects

Building	Address	City	Status	Square Feet
Wilson Tech 5	2745 W. 600 N.	Lindon	Under Construction	154,647
Innovation Pointe 4	1500 W. Innovation Way	Lehi	Under Construction	141,000
Baltic Pointe	14761 S. Future Way	Draper	Under Construction	130,000
Minuteman 6	13855 S. Minuteman Dr.	Draper	Under Construction	125,000

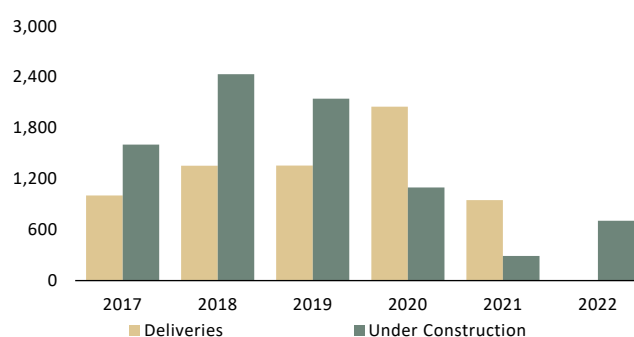
Availability Overview

SUBLEASE V DIRECT AVAILABLE SF AND SUBLEASE AS % OF AVAILABILITY



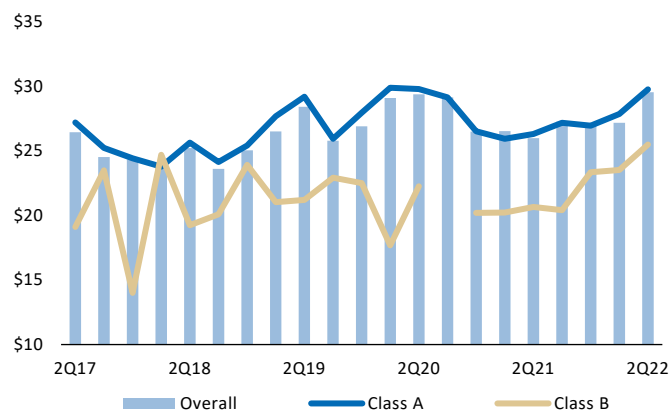
Construction and Deliveries

SQUARE FEET, THOUSANDS

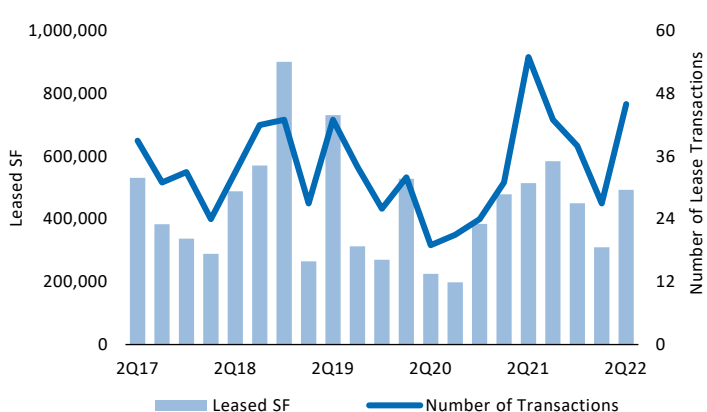


Transaction Analysis

ACHIEVED AVERAGE LEASE RATES PSF (FS)



LEASED SF AND NUMBER OF LEASE TRANSACTIONS

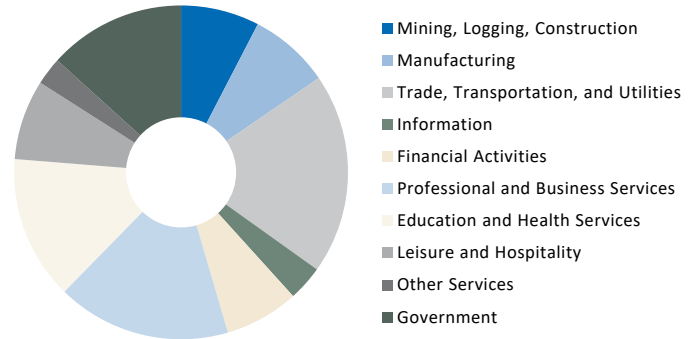


Economic Overview

Before the COVID-19 recession, Utah had the highest overall employment growth (33.1%) between the Great Recession and the onset of the pandemic. Although the state was not immune to the disruption that the pandemic caused globally, it was one of the quickest to recover. With the Salt Lake City and Provo Metros combined unemployment coming in at 2.1% in May 2022, the region is one of the fastest recovering in terms of employment rate. Positive job growth across almost all industries coupled with more employees returning to work, the region now faces the struggle of finding employees for open positions. With rising inflation costs that match those experienced across the nation, both employers and employees are more mindful than ever about where money is going and watching for ways to cut unnecessary expenses.

Employment by Industry

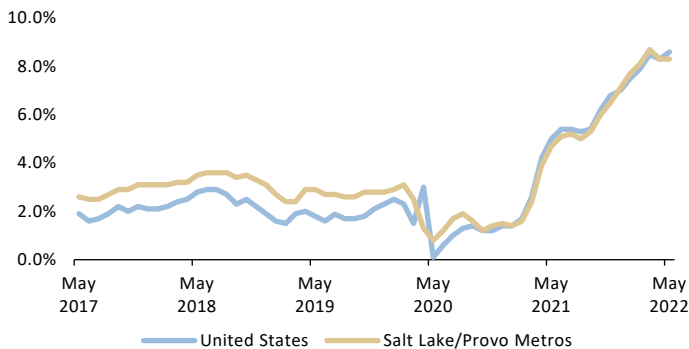
SALT LAKE AND PROVO METROS COMBINED, 2021 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

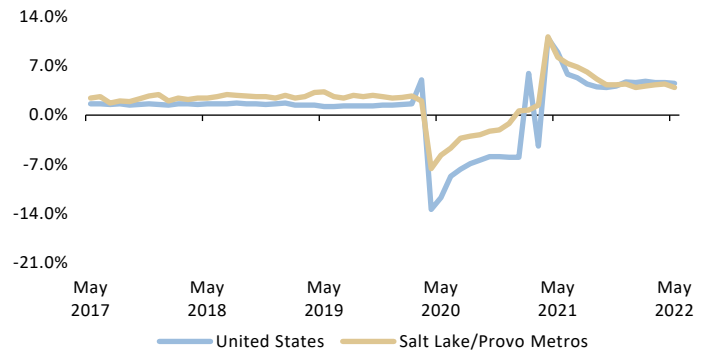
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Payroll Employment

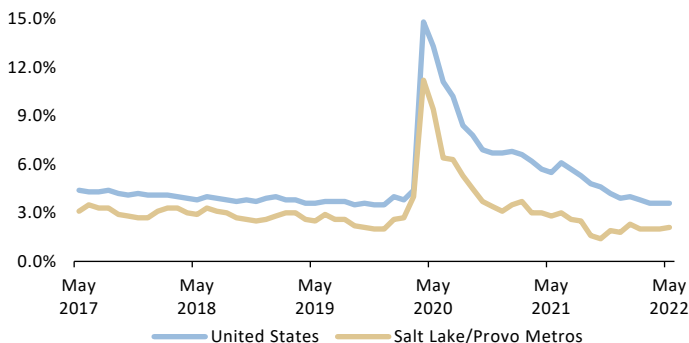
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

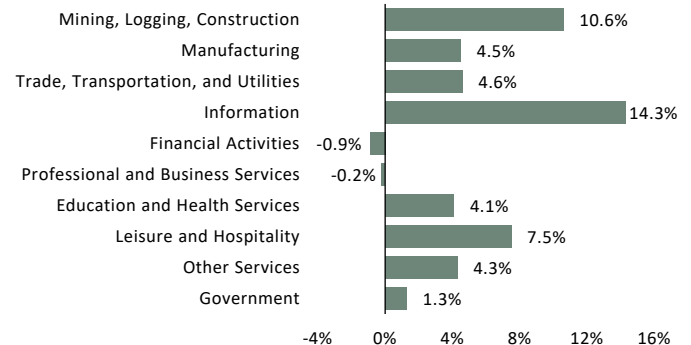
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

SALT LAKE AND PROVO METROS COMBINED, MAY 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

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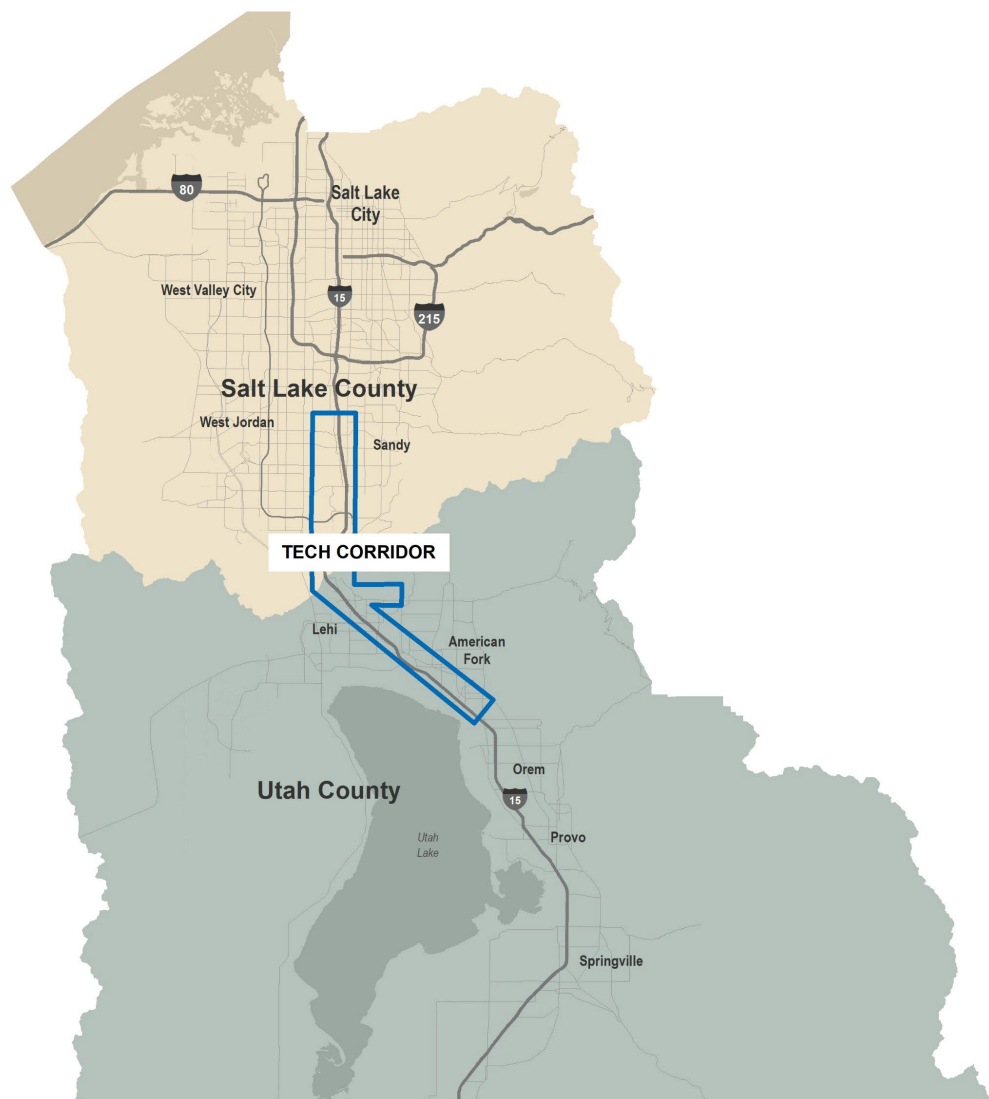
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