



# Utah County Office Market

## Lehi and Provo Growth Evident in Increased Leasing Activity and Rents

### Current Conditions

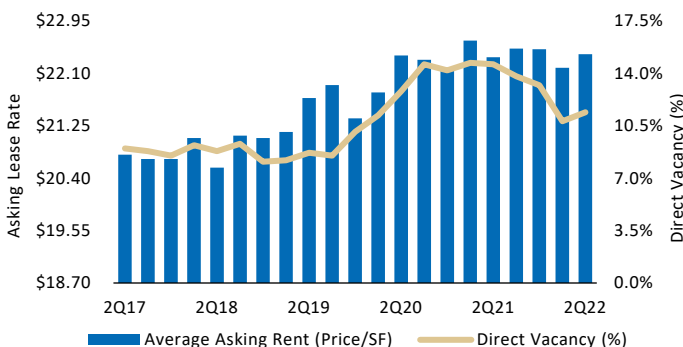
- Direct vacancy increased 60 basis points quarter-over-quarter but remained 320 basis points lower than where the market stood one year ago.
- Construction totals overall remain lower than pre-pandemic numbers; construction starts were limited to smaller condo projects while developers watch construction cost and supply chain availability. Freedom Commons delivered in Provo, bringing 124,000 square feet to the central portion of the county.
- Leasing increased 64.2% from first-quarter 2022 into second-quarter 2022 with a heavy concentration of the largest deals occurring in either Lehi or Provo.
- Overall asking rates have remained flat with marginal increases and decreases from quarter to quarter with achieved rates increasing as the flight to quality pushes for strong competition for tenants among Class A space. Achieved lease rates have increased 14.7% year-over-year and are expected to continue to rise, albeit at a more measured rate, due to rising inflation costs affecting construction and maintenance expenses.
- Net absorption dipped into the negative during the second quarter of 2022 with users returning 99,607 square feet back to the market.

### Market Summary

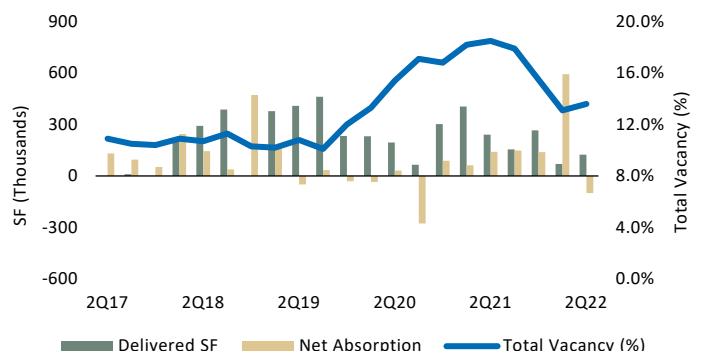
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Direct Vacancy Rate	11.4%	10.8%	14.6%	↔
Sublease Vacancy Rate	2.2%	2.3%	3.9%	↑
Quarterly Net Absorption	(99,607)	593,441	140,258	↑
Average Asking Rent/SF	\$22.41	\$22.19	\$22.36	↑
Under Construction SF	596,785	722,138	900,587	→
Delivered SF	69,411	266,165	405,183	↑
Leased SF	423,757	258,048	450,136	→
Average Achieved Rent/SF	\$28.62	\$25.56	\$24.96	↑

### Market Analysis

ASKING RENT AND DIRECT VACANCY RATE



NET ABSORPTION SF, DELIVERED SF AND TOTAL VACANCY RATE

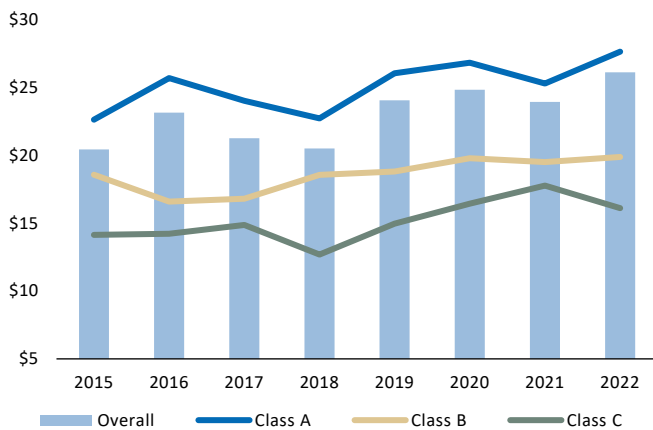


### 2Q22 Select Lease Transactions

Tenant	City	Building	Type	Square Feet
Snap One	Lehi	Innovation Pointe 4	Direct New	94,983
GT Medical	Provo	Timpanogos Tech Center D	Sublease	77,858
Nerd United DAO	Lehi	Thanksgiving Station	Sublease	30,500
Tranont	Lehi	Thanksgiving Park 5	Direct New	28,694
Serenity Healthcare	Provo	Freedom Commons 1	Direct New	20,000
Unicity International	Provo	Timpanogos Tech Center E	Direct New	13,950

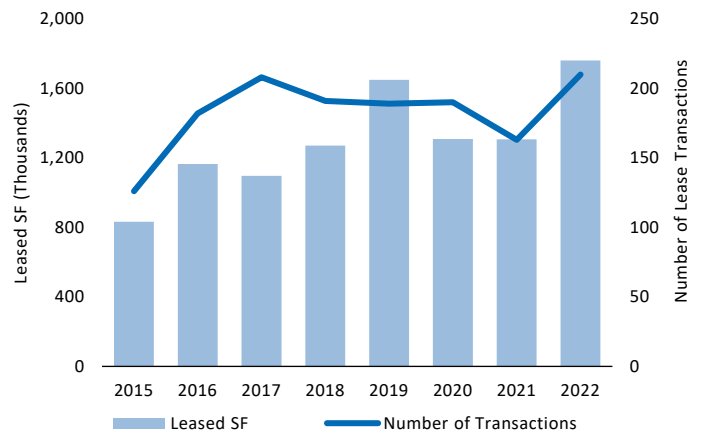
### Lease Transaction Analysis

ACHIEVED AVERAGE LEASE RATES PSF (FS)



Trailing Four Quarters

LEASED SF AND NUMBER OF LEASE TRANSACTIONS



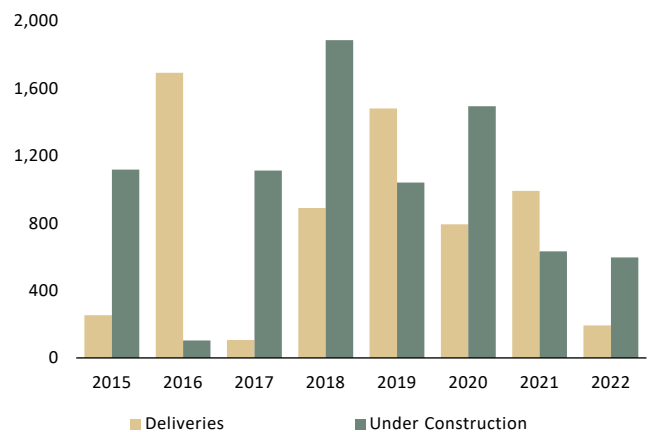
Trailing Four Quarters

### Notable Under Construction and Delivered Projects

Building	City	Status	Square Feet
Wilson Tech 5	Lindon	Under Construction	156,647
Innovation Pointe 4	Lehi	Under Construction	141,000
North Pointe F	American Fork	Under Construction	100,000
University Place 2	Orem	Under Construction	100,000
Freedom Commons 1	Provo	Delivered	124,000
62 E. Thrive Dr.	Saratoga Springs	Delivered	57,411

### Construction and Deliveries

SQUARE FEET, THOUSANDS

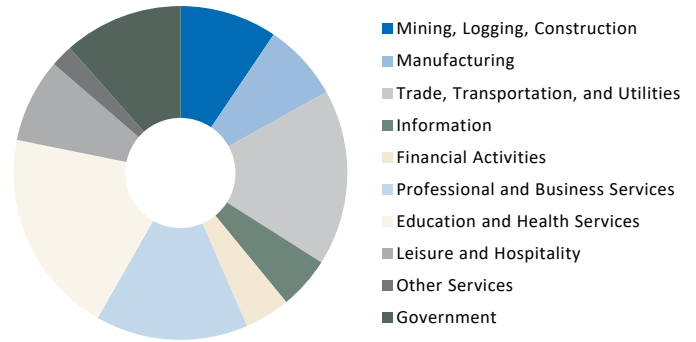


### Economic Overview

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 Provo-Orem Metro unemployment coming in at 2.0% in May 2022, the metro 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

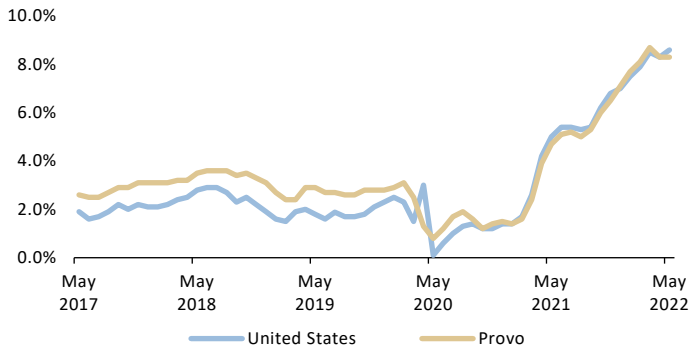
PROVO-OREM METRO, 2021 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

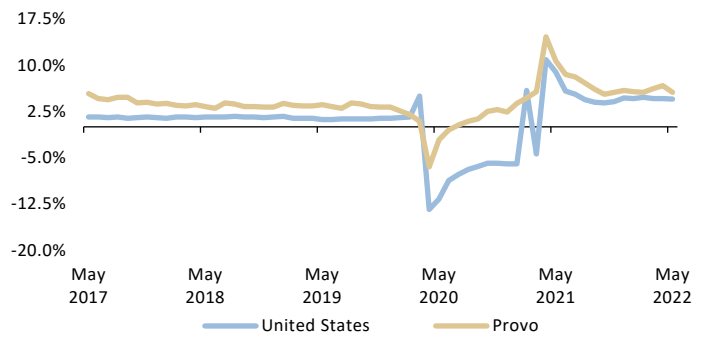
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

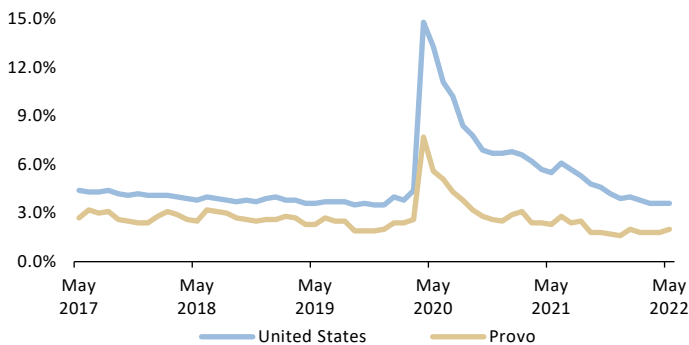
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Unemployment Rate

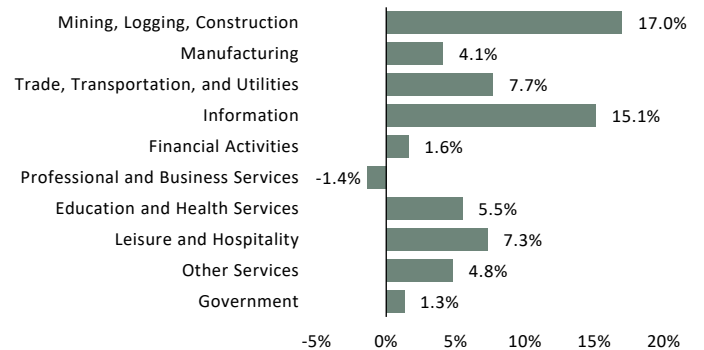
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Employment Growth by Industry

PROVO-OREM METRO, MAY 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

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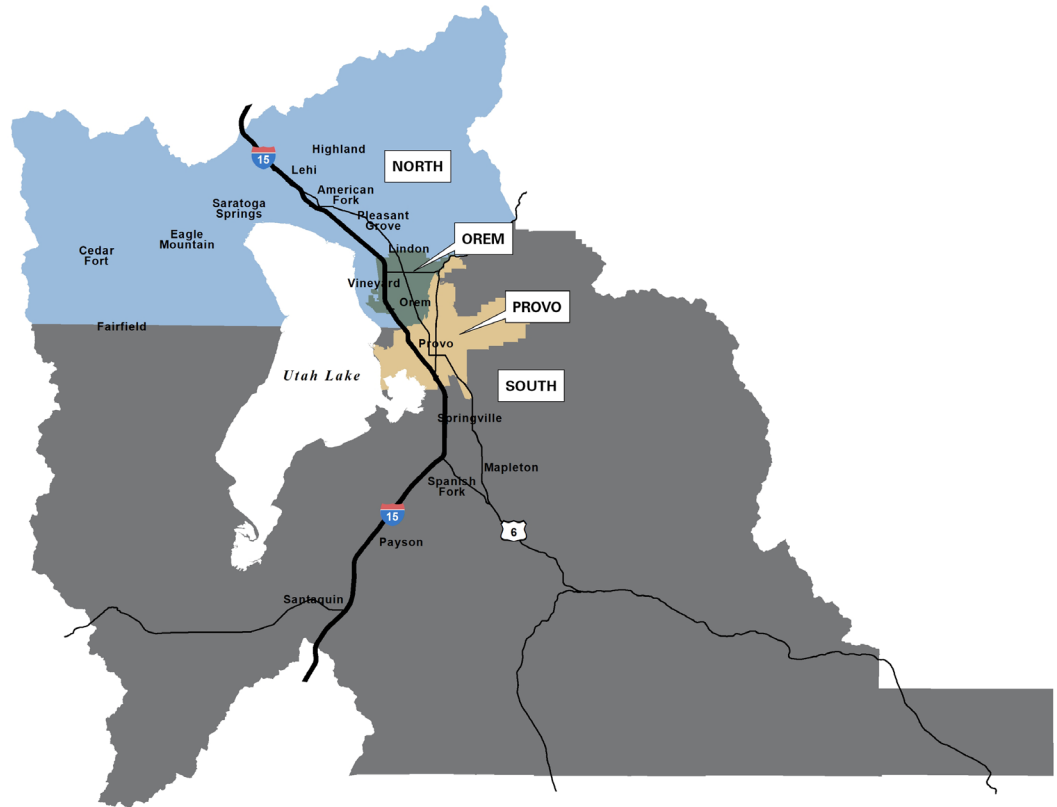
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