
2Q23

Tech Corridor Office Market Overview



NEWMARK

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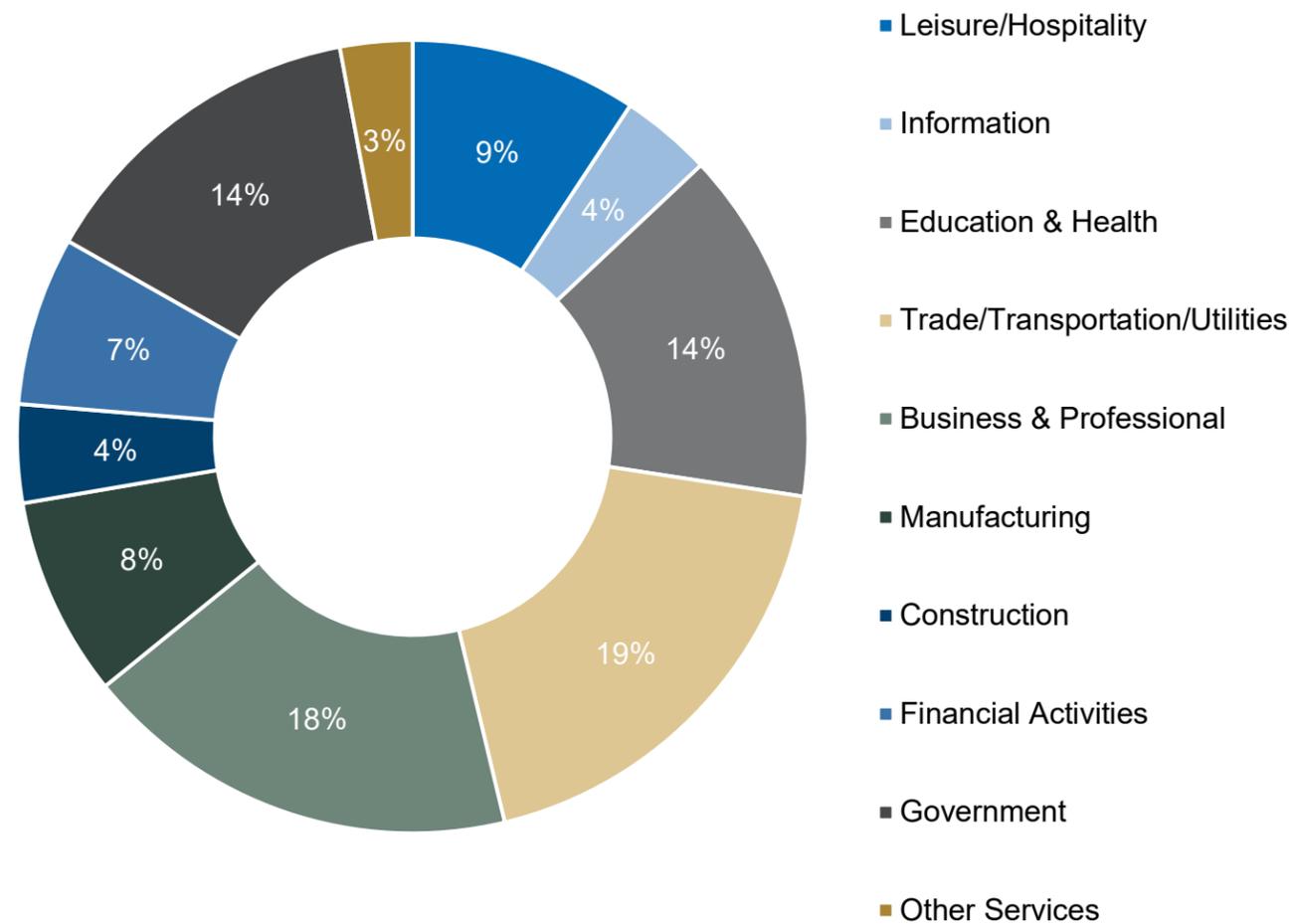
Economy



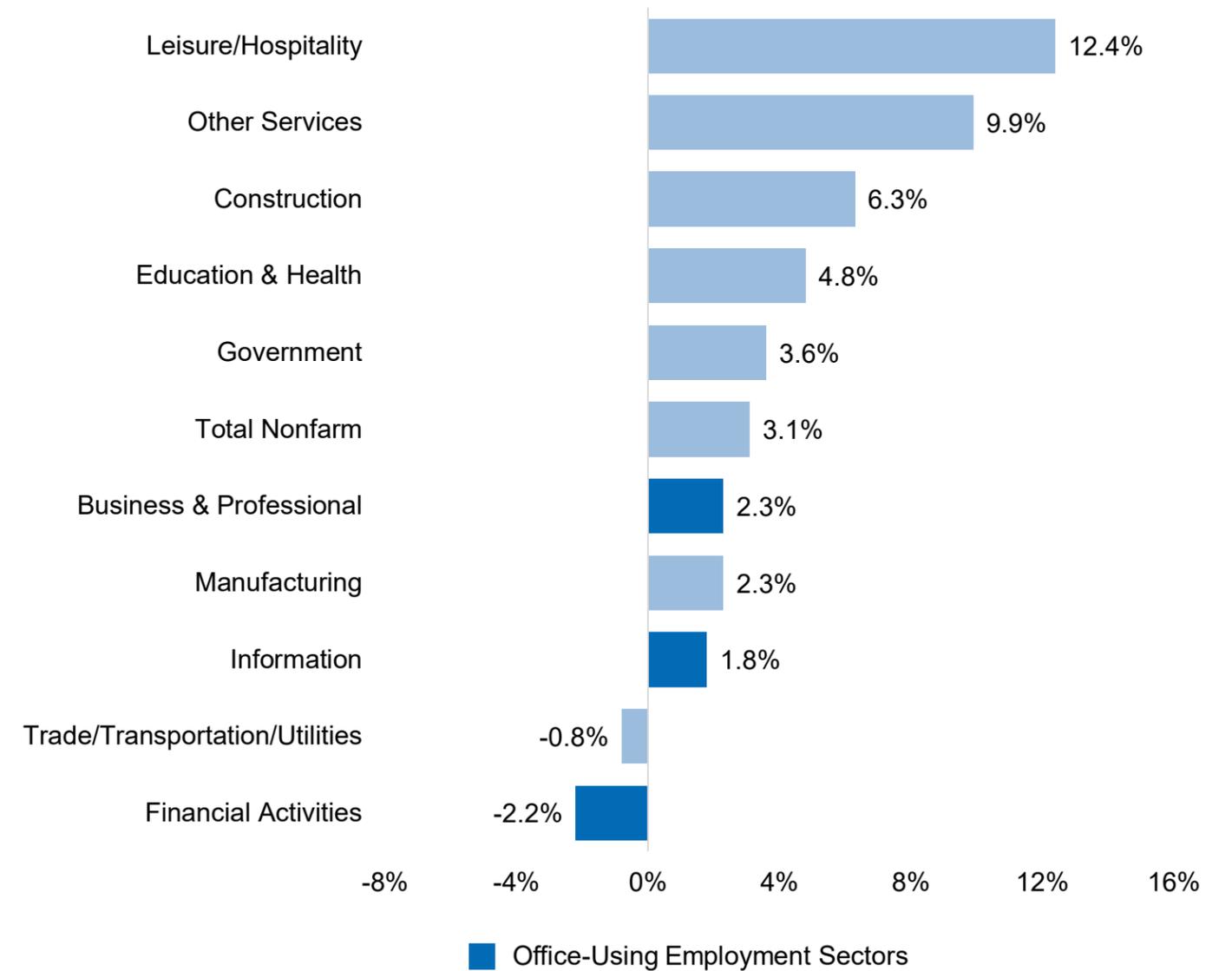
Local Job Growth Partly Driven by Services Still Making Up for Pandemic Losses

Leisure/hospitality led all other industries in annual job growth as the sector continues to backfill early pandemic losses and capitalize on the shift in consumer spending from goods to services. Office-using employment sectors saw annual gains as well, focused on information and business and professional services.

Employment by Industry, May 2023



Employment Growth by Industry, 12-Month % Change, May 2023

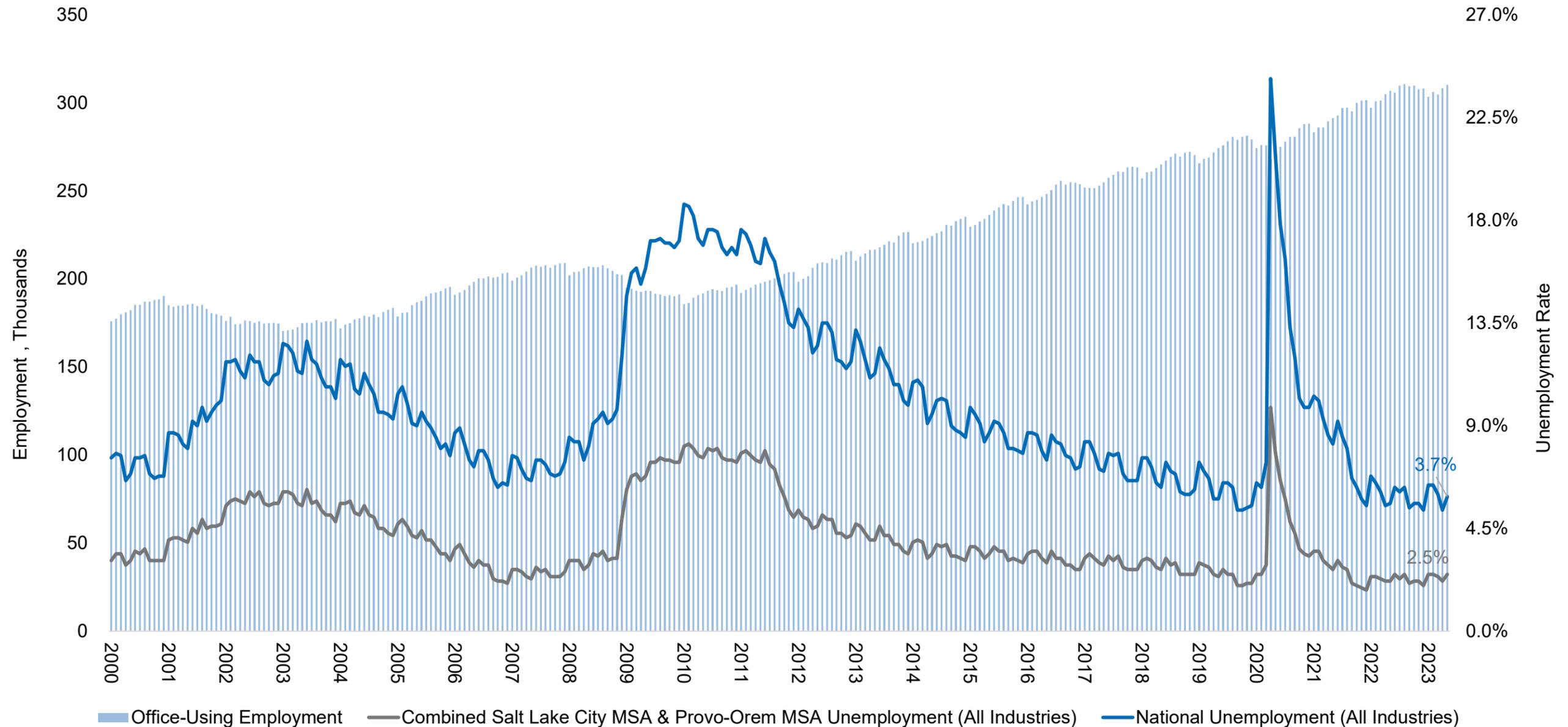


Source: U.S. Bureau of Labor Statistics, Provo-Orem MSA & Salt Lake City MSA

Overall Office-Using Employment Seeing Returns After 2022 Losses

Office employment has increased steadily since 2010, even with the disruption of the pandemic. The metro experienced some losses in 2022, linked strongly with tech company layoffs that occurred in the region. Unemployment is 120 basis points lower than the national average as of May 2023.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Salt Lake City MSA, Provo-Orem MSA

Note: May 2023 data is preliminary.

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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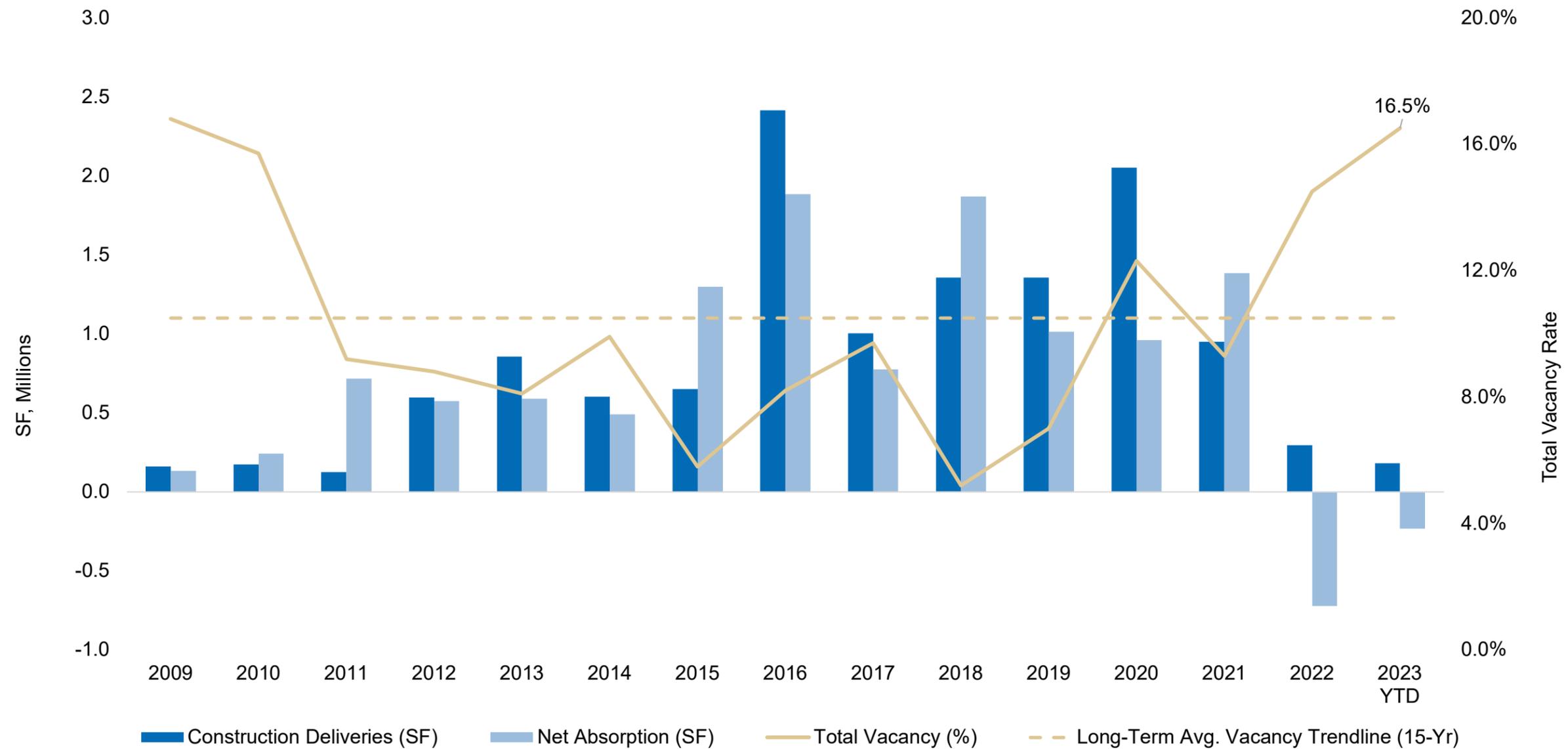
Leasing Market Fundamentals



Dwindling Construction and Increased Vacancy Lead to Occupancy Losses

Total vacancy increased by 200 basis points from the fourth quarter of 2022 to second quarter of 2023 with 180,716 square feet of new product delivered during that period. Tenants returned 234,184 square feet as tenants recalibrated office footprint needs and enacted cost-saving plans. With sublease vacancy (8.6%) outpacing direct vacancy (7.9%) within the region, developers have halted new construction starts as they wait to see how the influx of new space is absorbed and the affect it may have on rents.

Historical Construction Deliveries, Net Absorption, and Vacancy

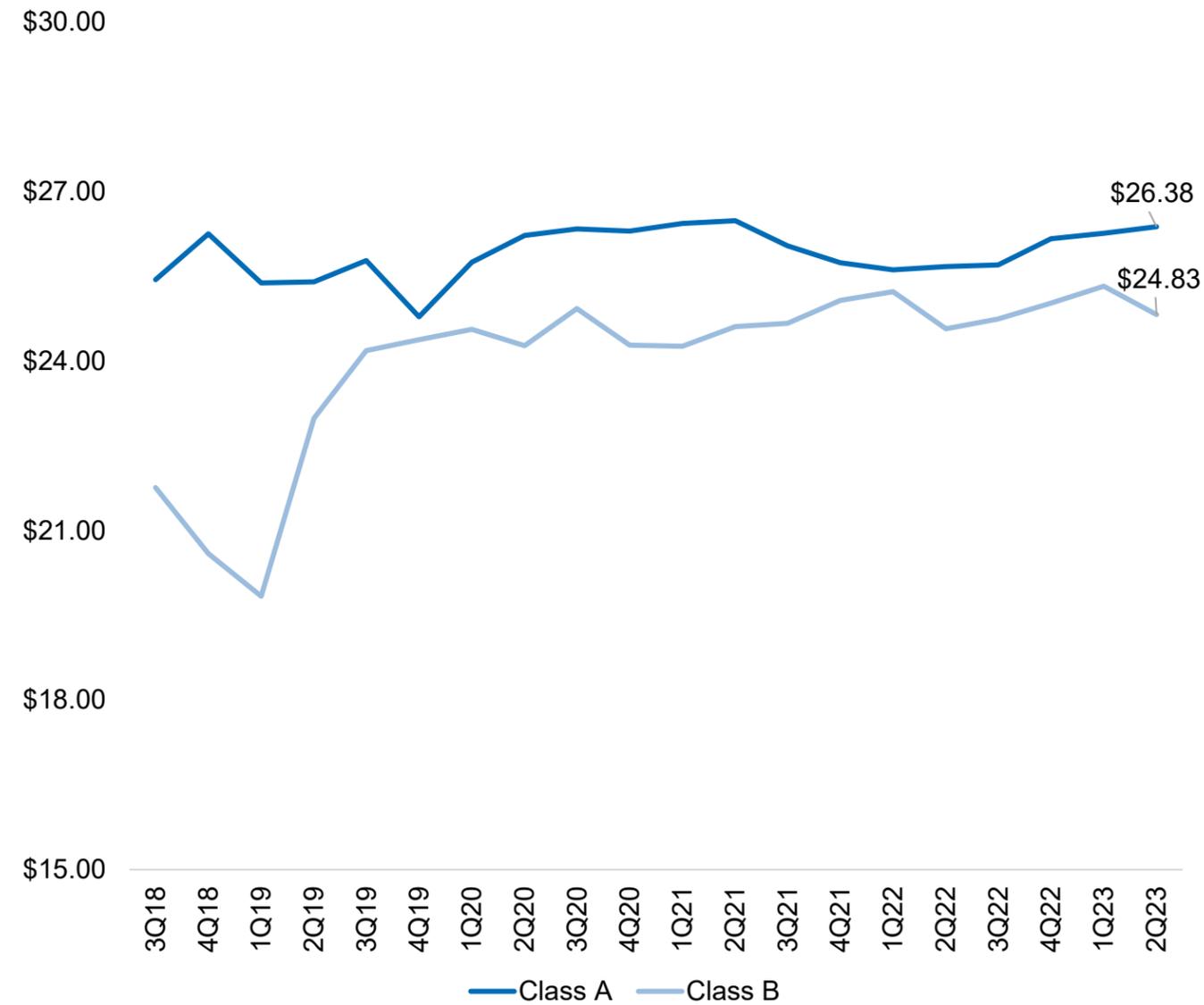


Source: Newmark Research

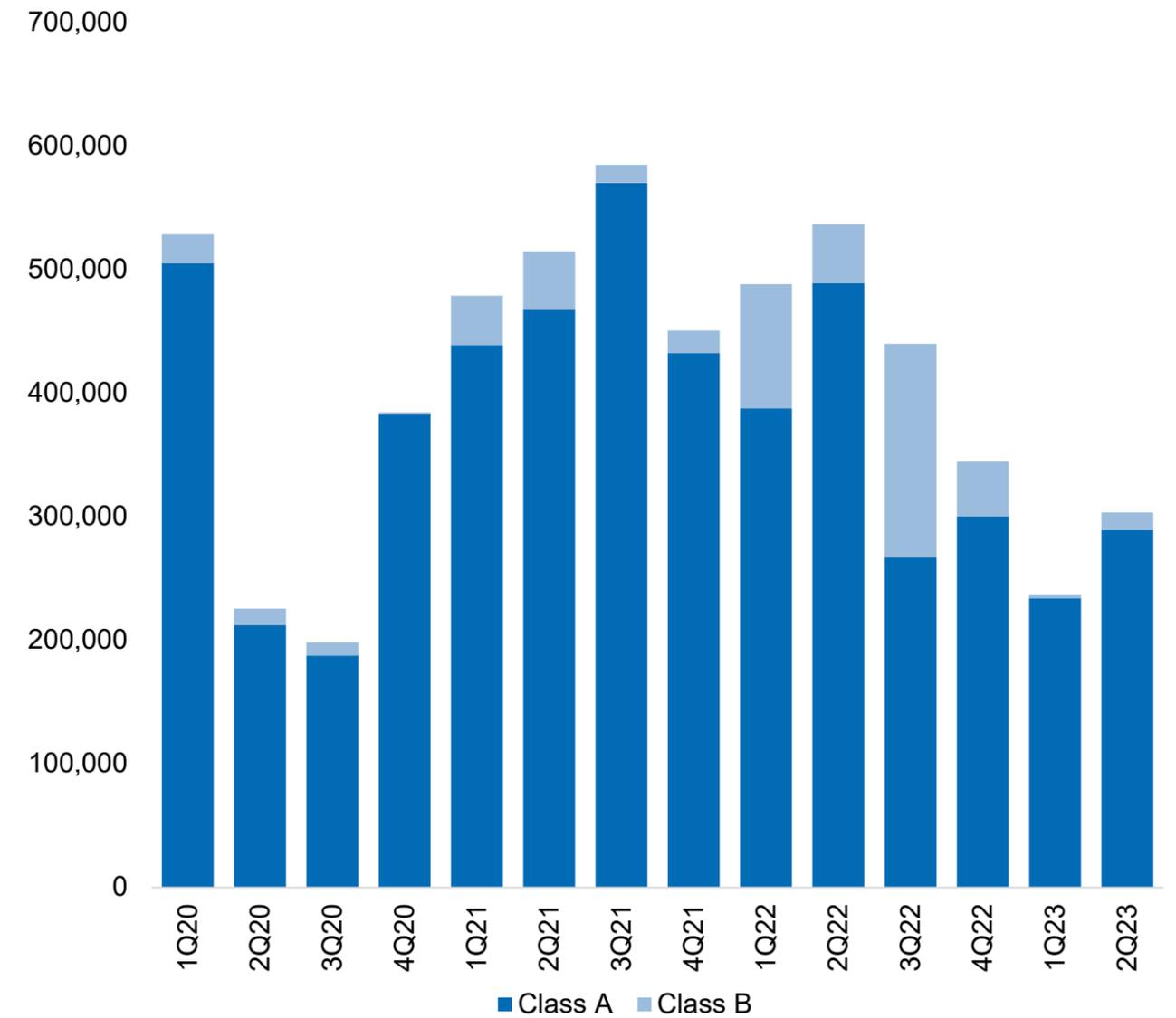
Asking Rents March On

In past cycles, direct asking rents trended down to account for depressed demand. This has not been the general case since the onset of the pandemic. Landlords are more willing to offer concessions and generous tenant improvement allowances to get leases signed without lowering rents. Leasing is still dampened compared to 2021 and 2022, but the second quarter of 2023 welcomed a 27.8% increase in SF volume quarter-over-quarter.

Class A and Class B Asking Rents



Total Leasing Activity SF



Source: Newmark Research

Notable First Half 2023 Transactions – Tech Corridor

Despite being hit heavily with increased vacancy in both direct and sublet space, several tenants across diverse industries signed deals thus far in 2023.

Notable 1H23 Lease Transactions

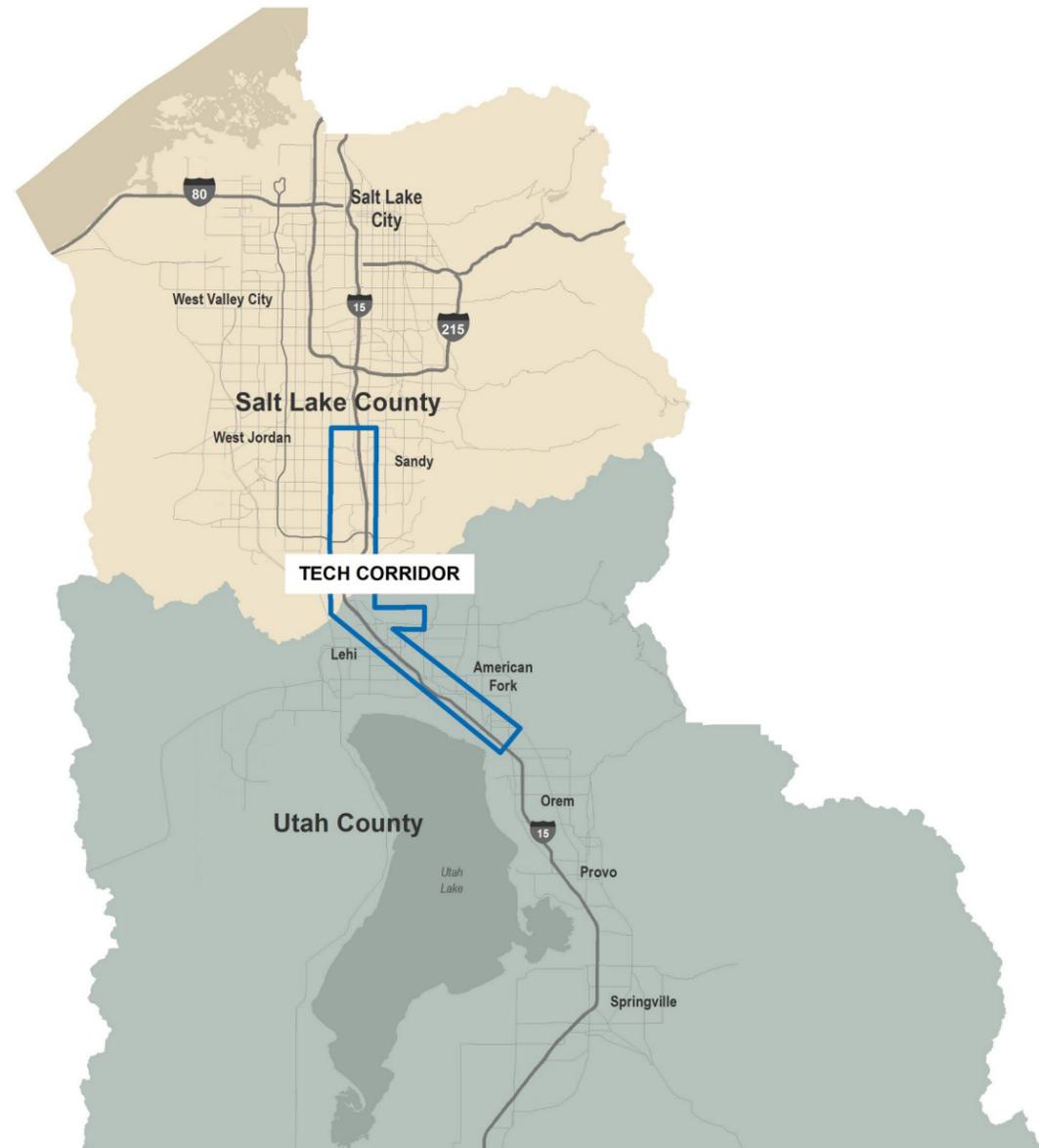
Tenant	Building(s)	City	Type	Square Feet
Henry Schein One	North Pointe Building E	American Fork	Lease Renewal	72,809
<i>Henry Schein One recommitted to 72,809 square feet in North Pointe Building E.</i>				
Smith Health	Lehi Block Office 1	Lehi	Sublease	30,965
<i>Smith Health took half of the Weave sublease in the Lehi Block Office Park.</i>				
Xenter	Irvine Office Park 1	Draper	Direct Lease	30,135
<i>Medical technology company, Xenter, signed for a full floor in Draper's Irvine Office Park.</i>				
Avetta	Traverse Ridge Center 3	Lehi	Direct Lease	27,718
<i>Software company, Avetta, leased the Penthouse Suite in Traverse Ridge Center 3.</i>				
Credit Corp Services	Wasatch Corporate Center 16	Draper	Lease Renewal	26,839
<i>Wasatch Corporate Center 16 resigned with Credit Corp Services as a tenant for 26,839 square feet.</i>				

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Appendix



Tech Corridor Office Map and High-Level Statistics – 2Q23



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Direct Vacancy Rate	7.9%	6.4%	6.4%	↑
Sublease Vacancy Rate	8.6%	7.6%	5.1%	→
Quarterly Net Absorption	(320,944)	86,760	(378,834)	→
Average Asking Rent/SF	\$26.00	\$26.02	\$25.38	→
Under Construction SF	270,768	451,484	606,363	↓
Delivered SF	180,716	0	0	↓
Leased SF	303,620	237,430	536,312	→
Average Achieved Rent/SF	\$28.37	\$27.34	\$29.41	→

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