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2Q23

# Utah County Office Market Overview



**NEWMARK**

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# Economy

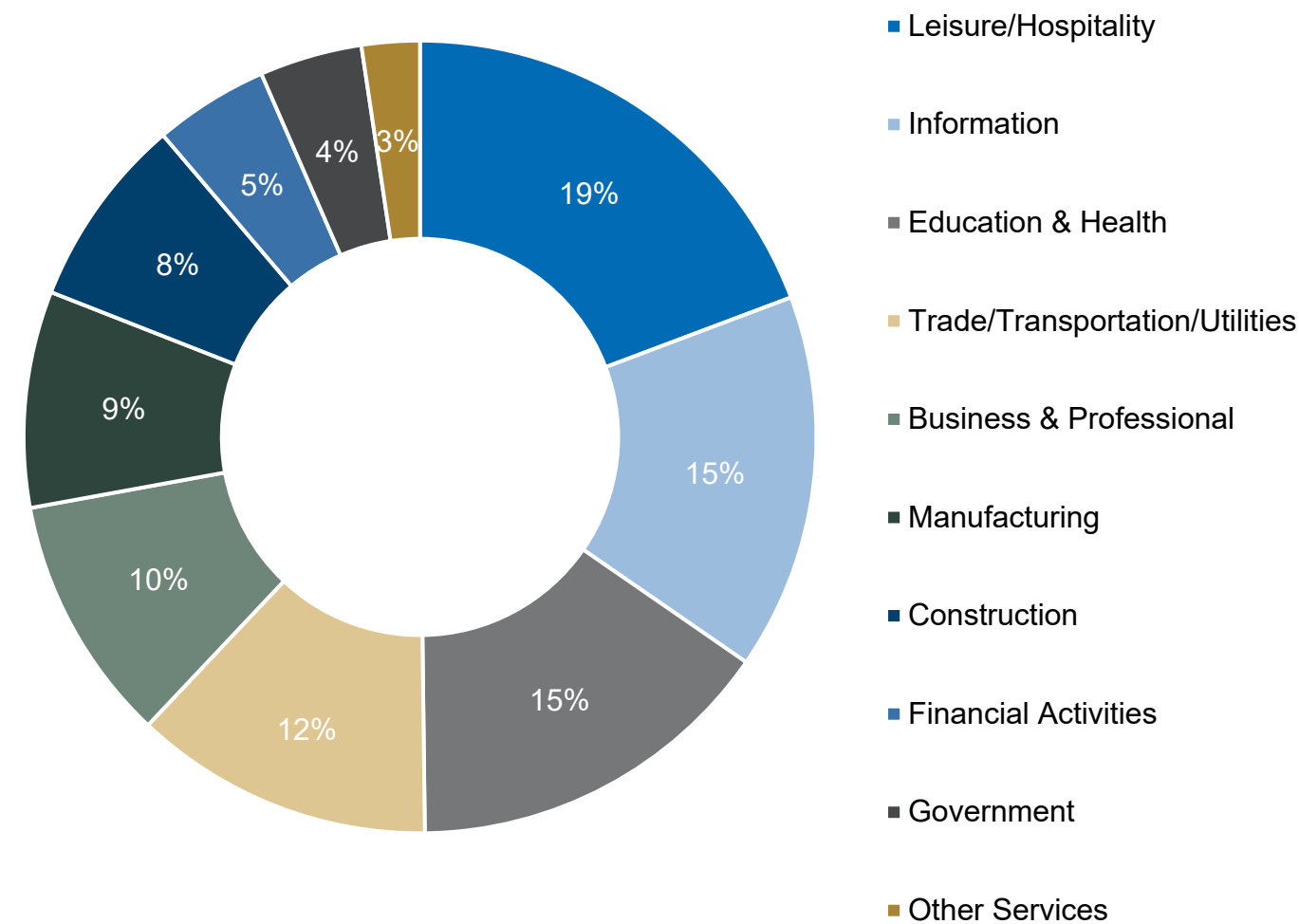




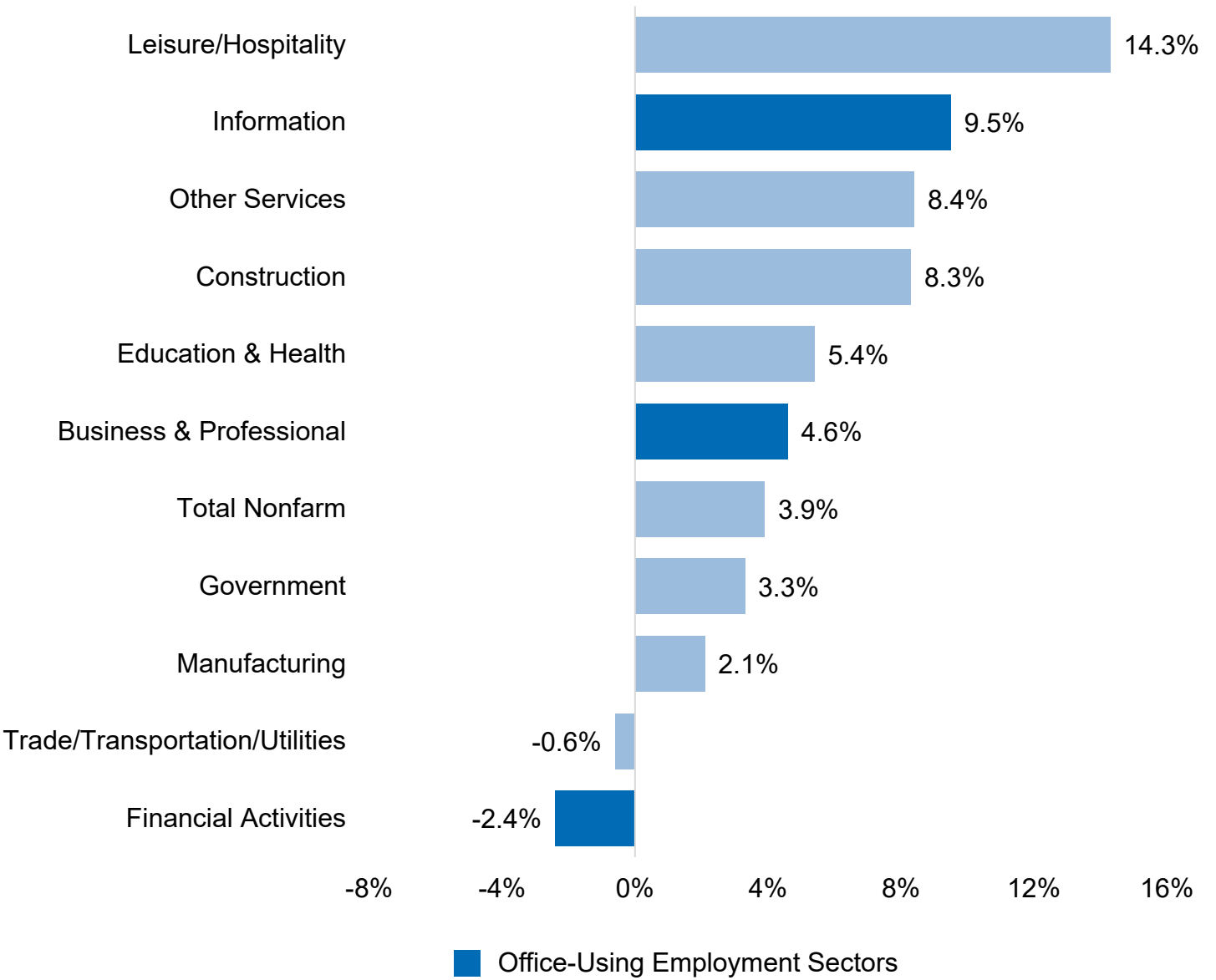
# Local Job Growth Partly Driven by Services Still Making Up for Pandemic Losses

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 on goods to services. Office-using employment sectors saw annual gains as well, focused on information and business and professional 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

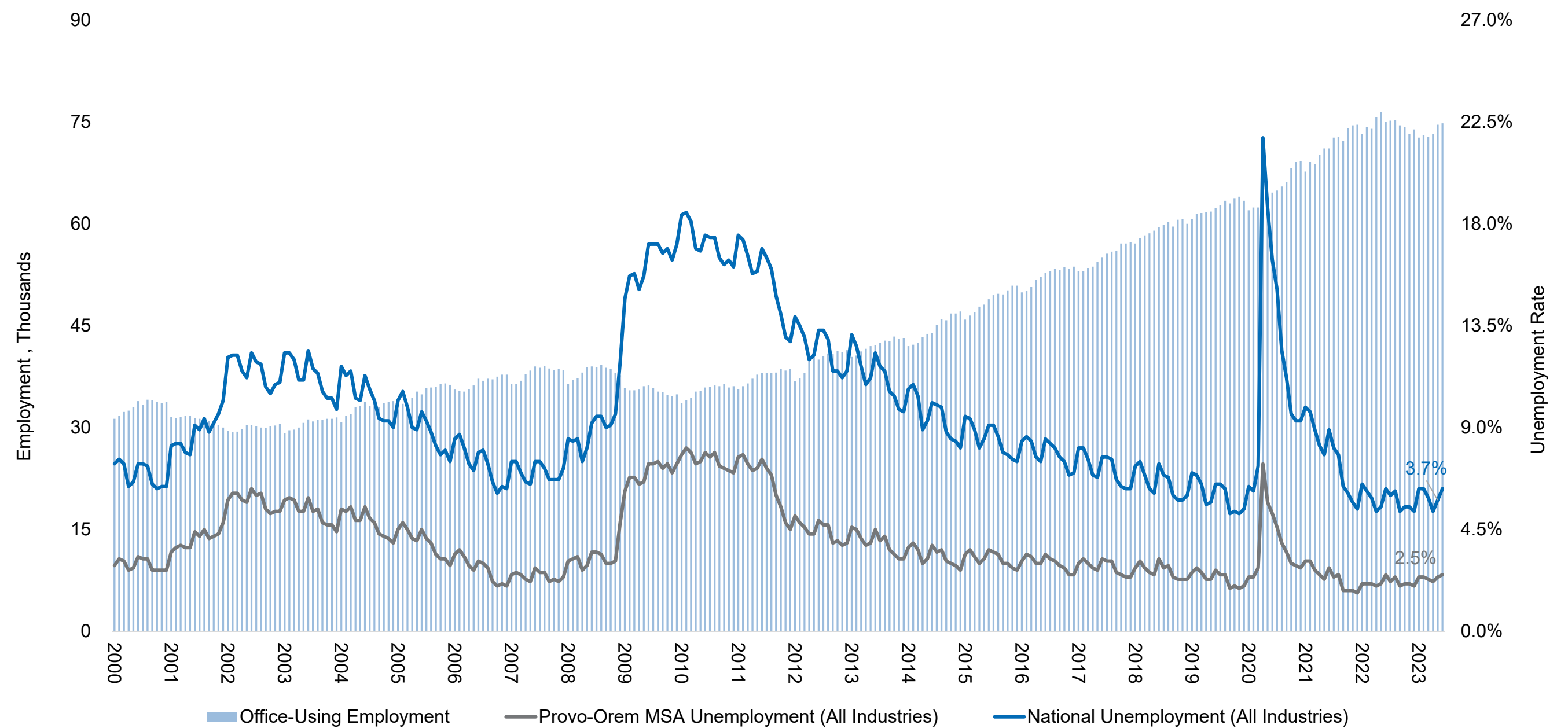


Source: U.S. Bureau of Labor Statistics, Provo-Orem MSA

# Overall Office-Using Employment Seeing Returns After 2022 Losses

Office employment in the Provo-Orem MSA 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 northern portion of 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, 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

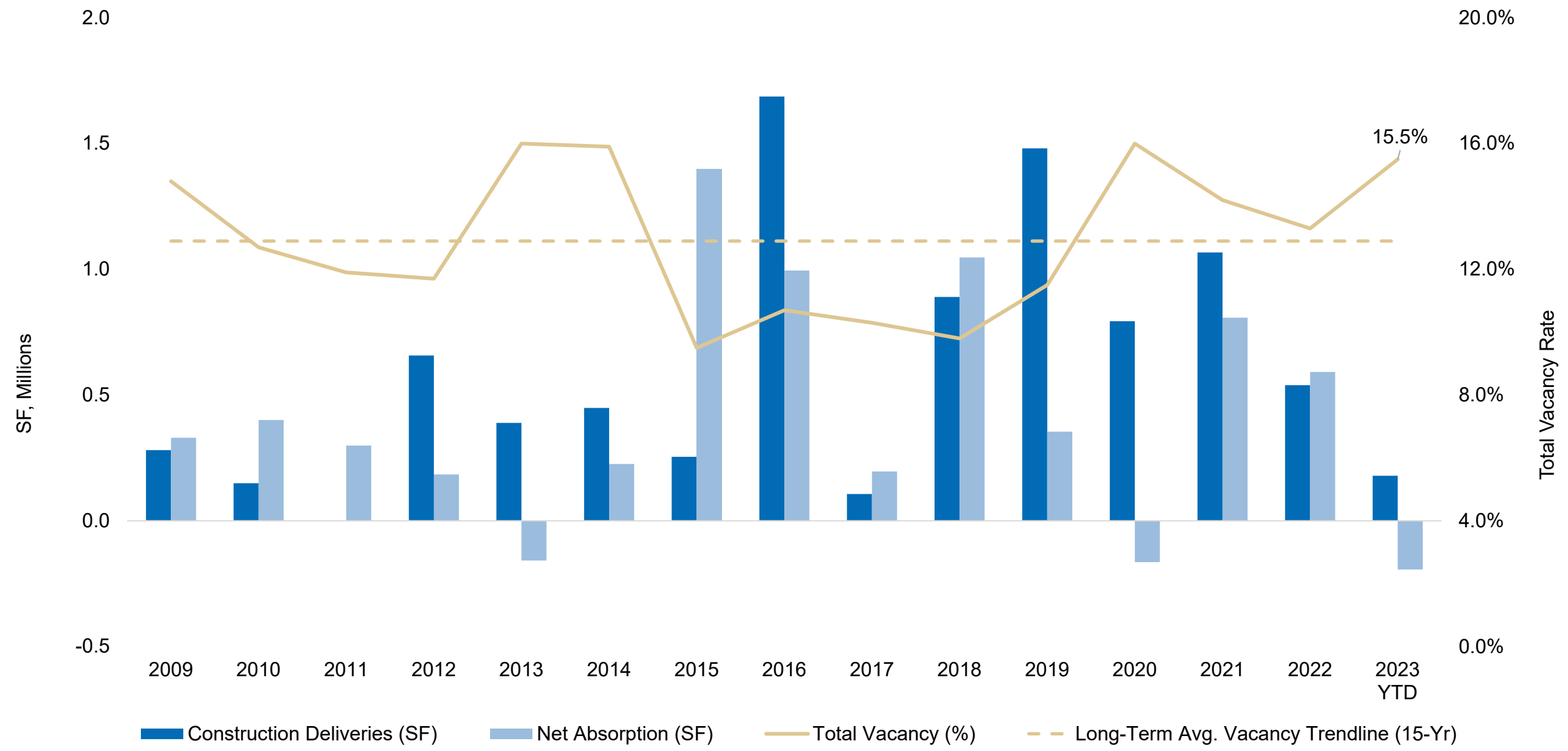




# Dwindling Construction and Increased Vacancy Lead to Occupancy Losses

Total vacancy increased by 220 basis points from the fourth quarter of 2022 to second quarter of 2023 with 179,116 square feet of new product delivered during that period. Tenants returned 193,479 square feet as users recalibrated office footprint needs and enacted cost-saving plans.

Historical Construction Deliveries, Net Absorption, and Vacancy

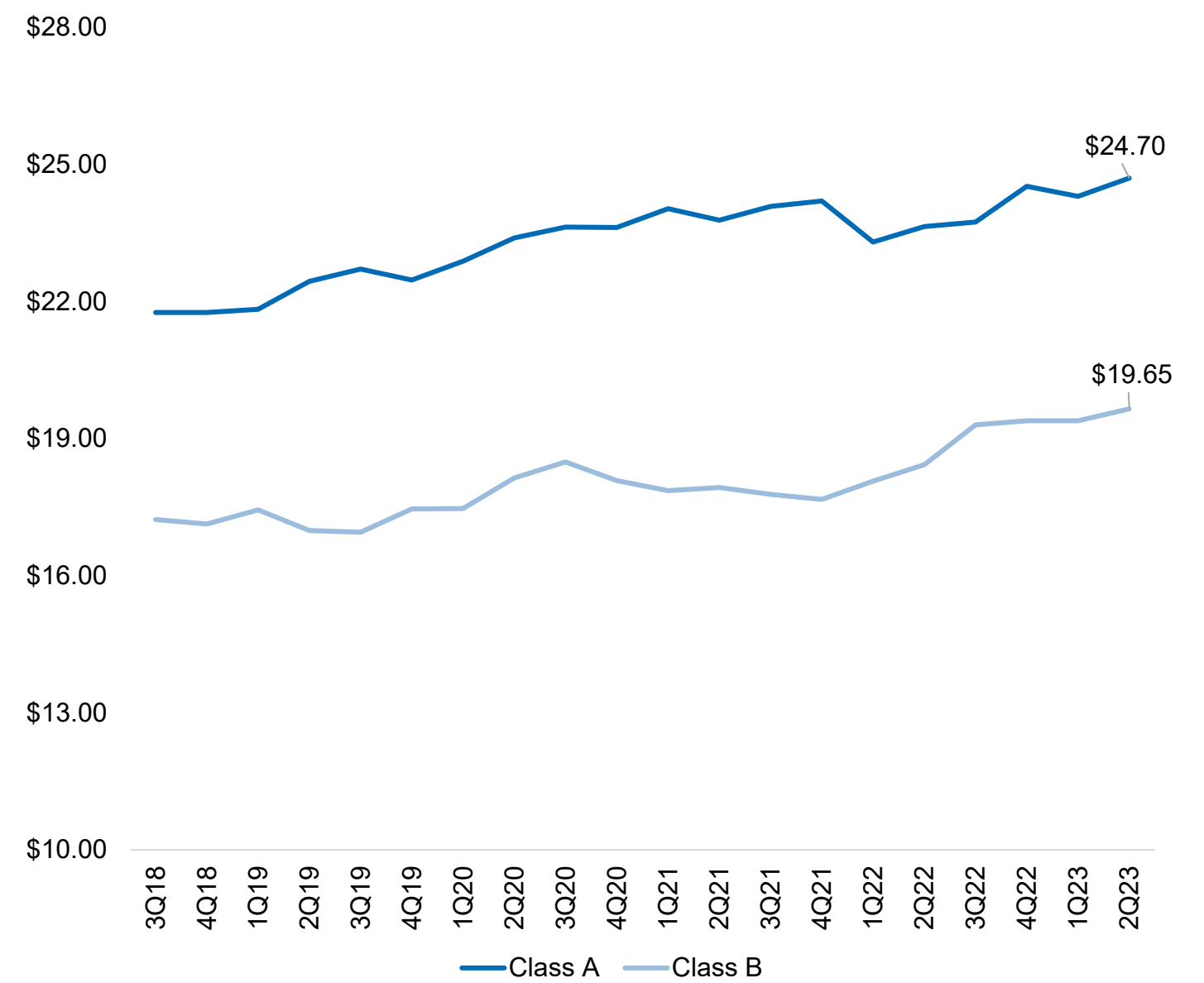


Source: Newmark Research

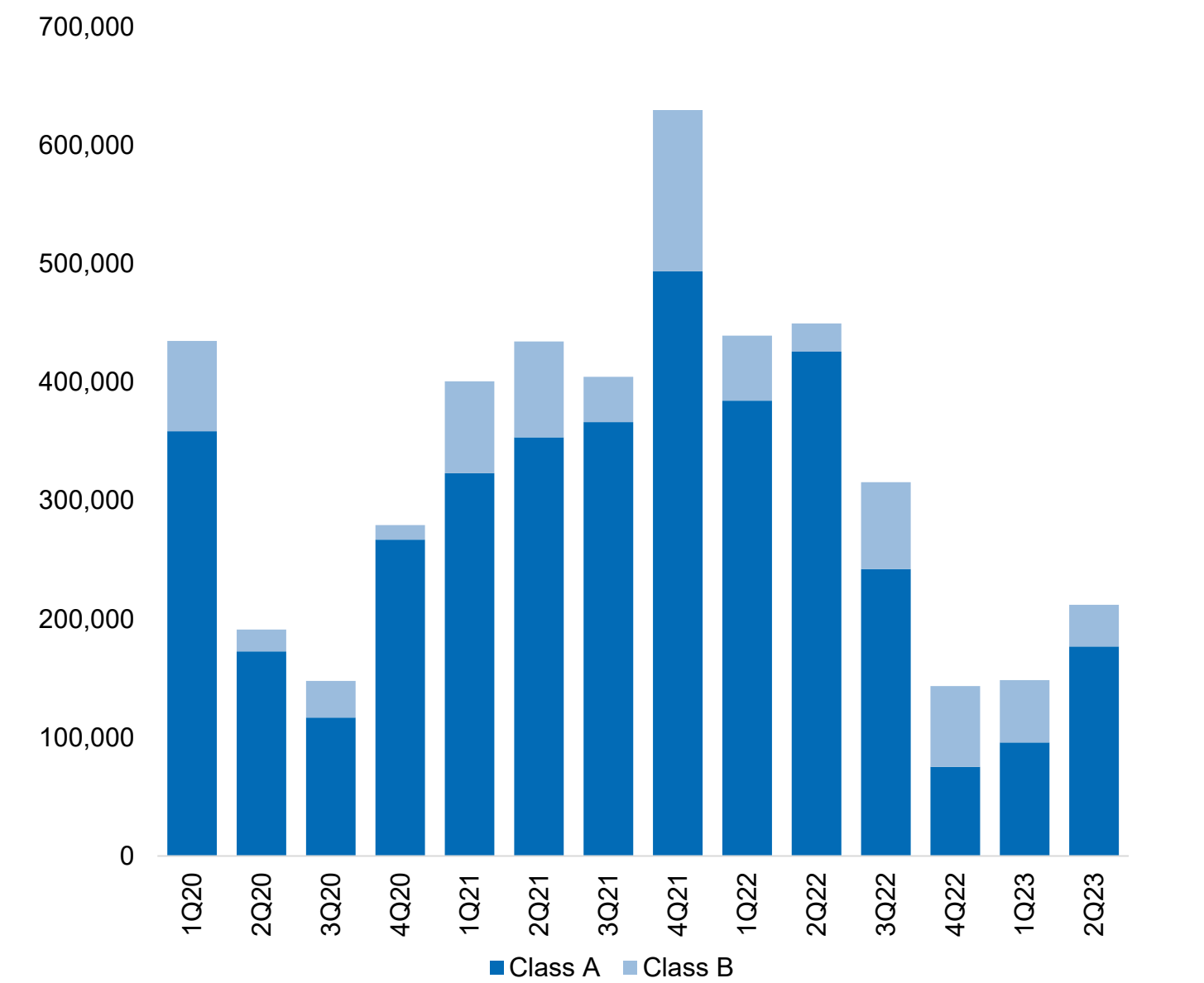
# Asking Rents March On

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 20.1% increase in SF volume quarter-over-quarter.

Class A and Class B Asking Rents



Total Leasing Activity SF



Source: Newmark Research



# Leasing in Northern Utah County Dominates Transaction Activity

Despite being hit heavily with increased vacancy in both direct and sublet space, the northern portion of the county is still where many deals are occurring 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
Henry Schein One recommitted to 72,809 square feet in North Pointe Building E.				
Smith Health	Lehi Block Office 1	Lehi	Sublease	30,965
Smith Health took half of the Weave sublease in the Lehi Block Office Park.				
Avetta	Traverse Ridge Center 3	Lehi	Direct Lease	27,718
Software company, Avetta, leased the Penthouse Suite in Traverse Ridge Center 3.				
ShipEx	2912 W. Executive Pkwy.	Lehi	Direct Lease	16,771
ShipEx expanded its footprint in Utah County by 16,771 square feet in Lehi.				
Clyde Companies	387 S. 520 W.	Lindon	Direct Lease	15,994
Lindon welcomed Clyde Companies as a tenant for 15,994 square feet.				

Source: Newmark Research



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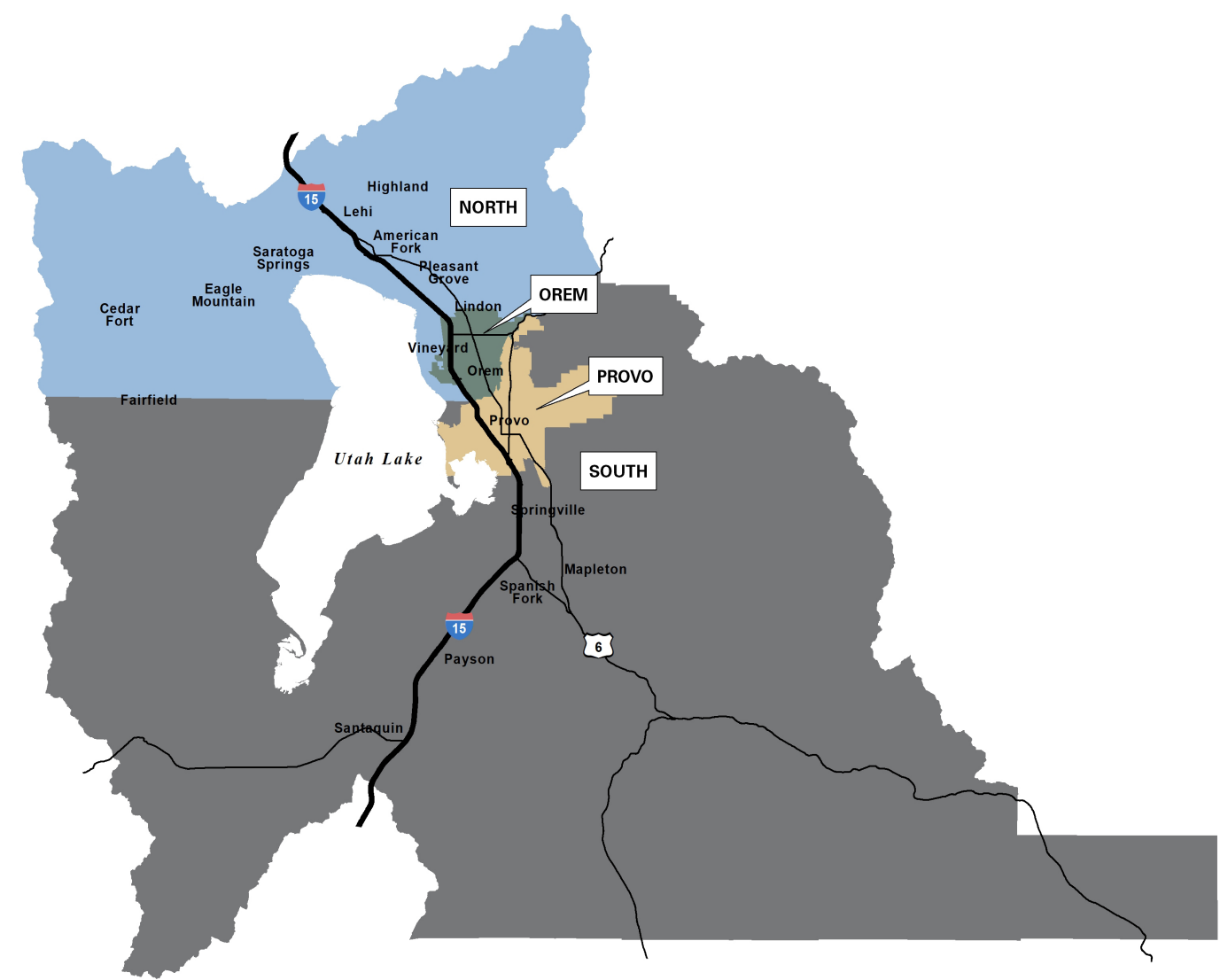
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# Appendix





# Utah County Office Map and High-Level Statistics – 2Q23



Market Summary				
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Direct Vacancy Rate	11.0%	9.6%	9.9%	→
Sublease Vacancy Rate	4.5%	4.5%	2.1%	→
Quarterly Net Absorption	(202,579)	9,090	(42,570)	→
Average Asking Rent/SF	\$22.89	\$22.31	\$22.44	→
Under Construction SF	216,768	380,484	471,363	↓
Delivered SF	155,716	23,400	132,000	↓
Leased SF	216,909	180,541	467,245	→
Average Achieved Rent/SF	\$24.03	\$22.09	\$27.46	→

Source: Newmark Research

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