



# Davis and Weber Counties Office Market

## Northern Wasatch Front Remains Resilient to Changing Economic Headwinds

### Current Conditions

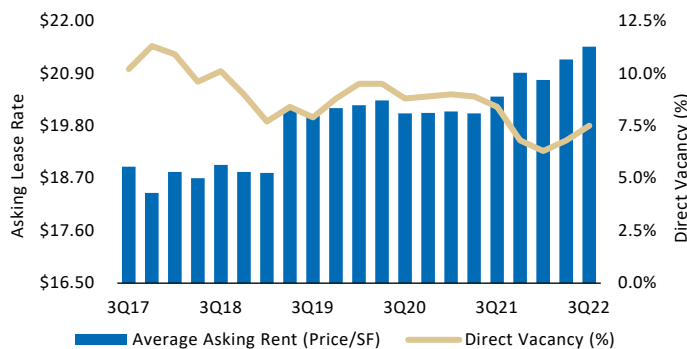
- Vacancy saw an uptick in the third quarter of 2022, moving upwards 70 basis points quarter-over-quarter due to some larger spaces becoming fully vacant after users finalized workplace plans. Although vacancy increased in third-quarter 2022, it is still well below third-quarter 2021, illustrating that year-over-year, the region remains a strong location for users along the northern Wasatch Front.
- Recent construction projects consist mainly of build-to-suit projects, such as the Roy Innovation Center for Northrop Grumman. Smaller speculative developments in North Salt Lake, Farmington and Clearfield are welcome but are still barring large users from being able to enter the market due to inaccessibility to large blocks of space. Reduced vacancy and subleases compared to Salt Lake and Utah counties should increase developer confidence in the resilience of the northern Wasatch Front office market.
- Overall leasing square footage volume is up 33.1% in third-quarter 2022 compared to third-quarter 2021 while asking lease rates rose 5.1% year-over-year. Healthcare and education users remain strong in transaction activity, with multi-tenant office buildings such as Gateway Tower and Clearwater Center managing to change hands despite rate hikes hitting the brakes for many investors nationwide.

### Market Summary

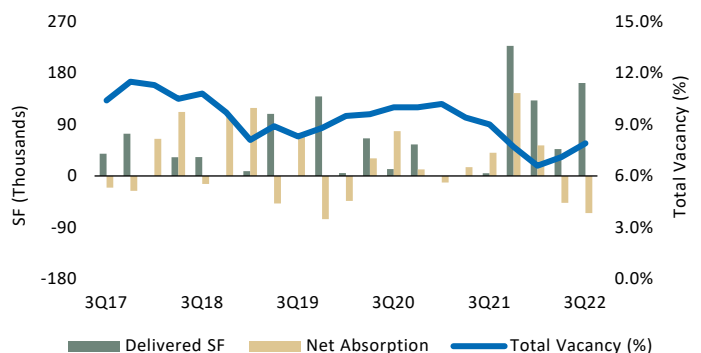
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Direct Vacancy Rate	7.5%	6.8%	8.9%	↔
Sublease Vacancy Rate	0.4%	0.3%	0.6%	↔
Quarterly Net Absorption	(64,849)	(47,275)	40,562	↑
Average Asking Rent/SF	\$21.46	\$21.16	\$20.41	↑
Under Construction SF	85,569	228,339	22,560	↔
Delivered SF	150,000	59,560	54,498	↓
Leased SF	94,257	211,479	70,793	↑
Average Achieved Rent/SF	\$23.22	\$24.52	\$21.65	↑

### Market Analysis

ASKING RENT AND DIRECT VACANCY RATE



NET ABSORPTION SF, DELIVERED SF AND TOTAL VACANCY RATE

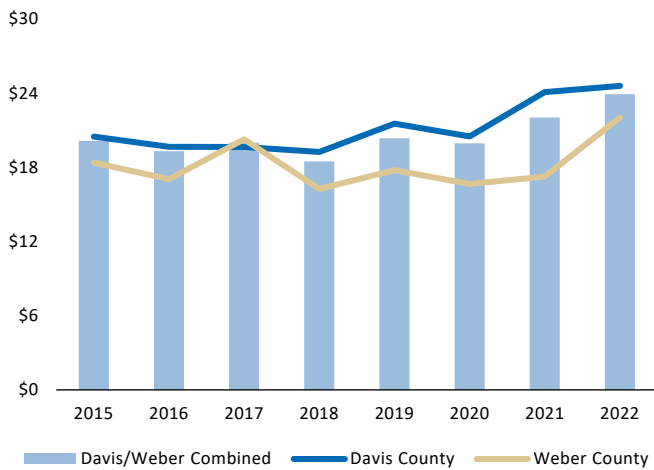


### 3Q22 Select Transactions

Tenant/Buyer	City	Building	Transaction Type	Square Feet
Vectra Management	Bountiful	Bountiful Gateway Tower	Investment Sale	53,126
Black Tie Real Estate	Bountiful	Bountiful Clearwater Center	Investment Sale	46,128
Utah Cancer Specialists	Bountiful	520 E. Medical Dr.	Renewal	7,704
Weber State University	Roy	5627 S. 3500 W.	Renewal	7,525
Neurobehavioral Center for Growth	South Ogden	South Ogden Fashion Pointe	Expansion/Extension	6,202
First American Title Company	South Ogden	South Ogden Fashion Pointe	Renewal	5,591

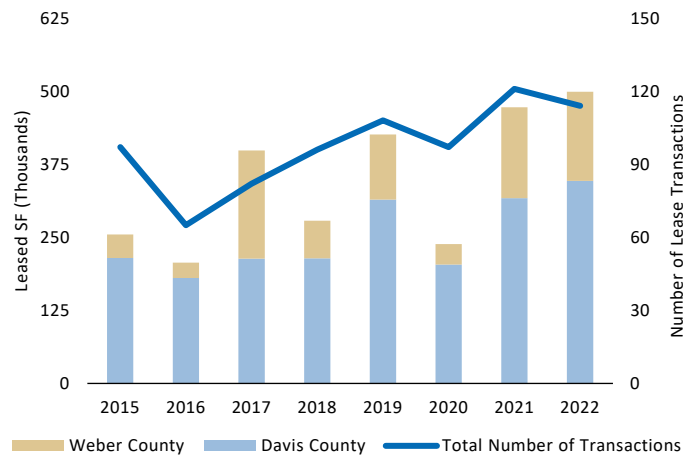
### Lease Transaction Analysis

ACHIEVED AVERAGE LEASE RATES PSF (F5)



Trailing Four Quarters

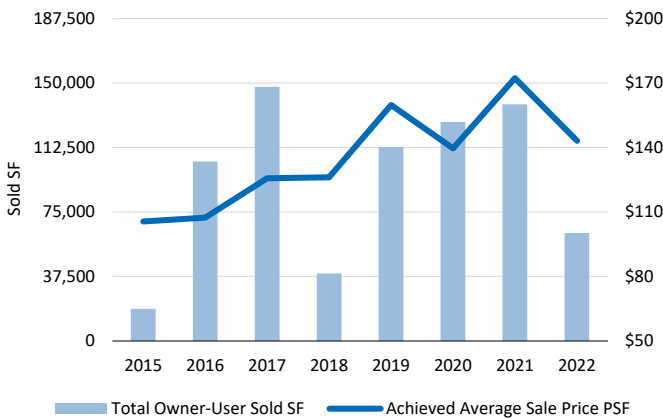
LEASED SF AND NUMBER OF LEASE TRANSACTIONS



Trailing Four Quarters

### Owner-User Sale Overview

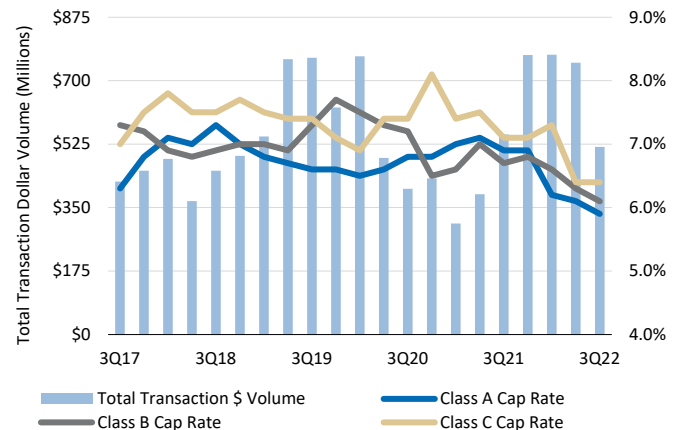
OWNER-USER SOLD SF & ACHIEVED AVERAGE OWNER USER SALE PRICE PSF



Trailing Four Quarters

### Utah Office Investment Sale Overview

TRANSACTION DOLLAR VOLUME & PRICE-WEIGHTED AVERAGE CAP RATES



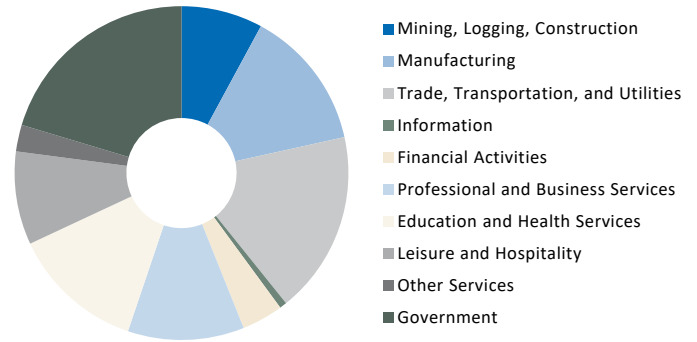
Trailing Four Quarters

### 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. With the Ogden-Clearfield Metro unemployment coming in at 2.1% in August 2022, the metro is one of the fastest recovering in terms of employment rate. Increased job activity and creation among the office sector is much higher than surrounding metros, largely attributed to new government contracts around Hill Air Force Base. Currently facing a high labor shortage, companies are competing for quality candidates across all industries and will need to work hard to attract and retain talent. 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

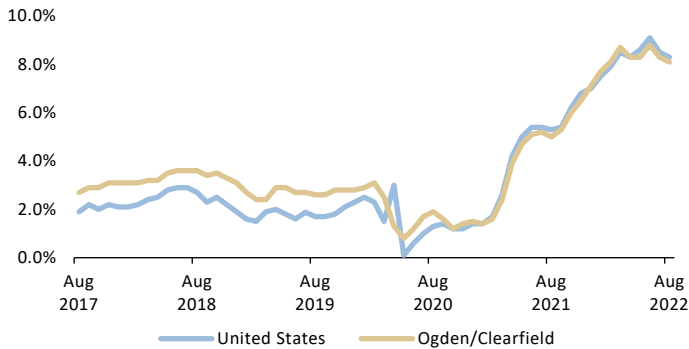
OGDEN-CLEARFIELD METRO, 2021 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

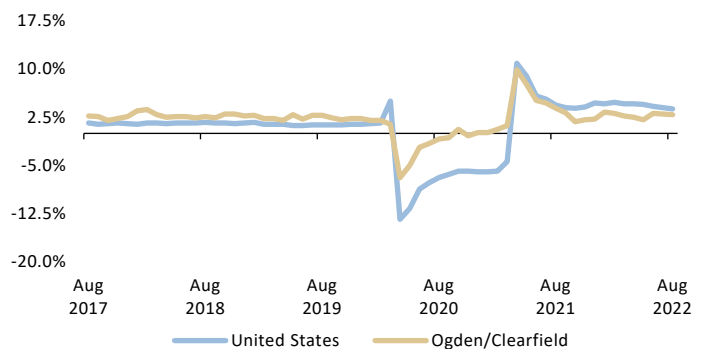
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

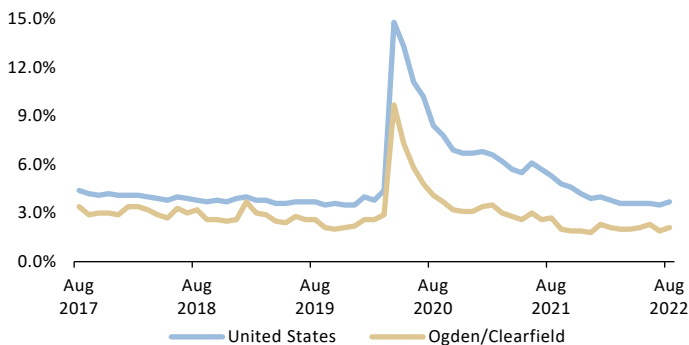
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Unemployment Rate

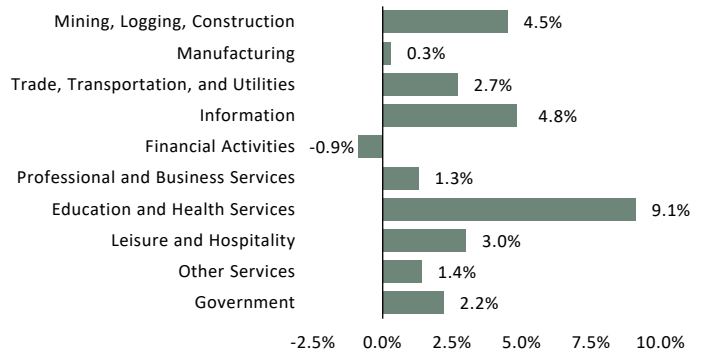
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Employment Growth by Industry

OGDEN-CLEARFIELD METRO, AUGUST 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

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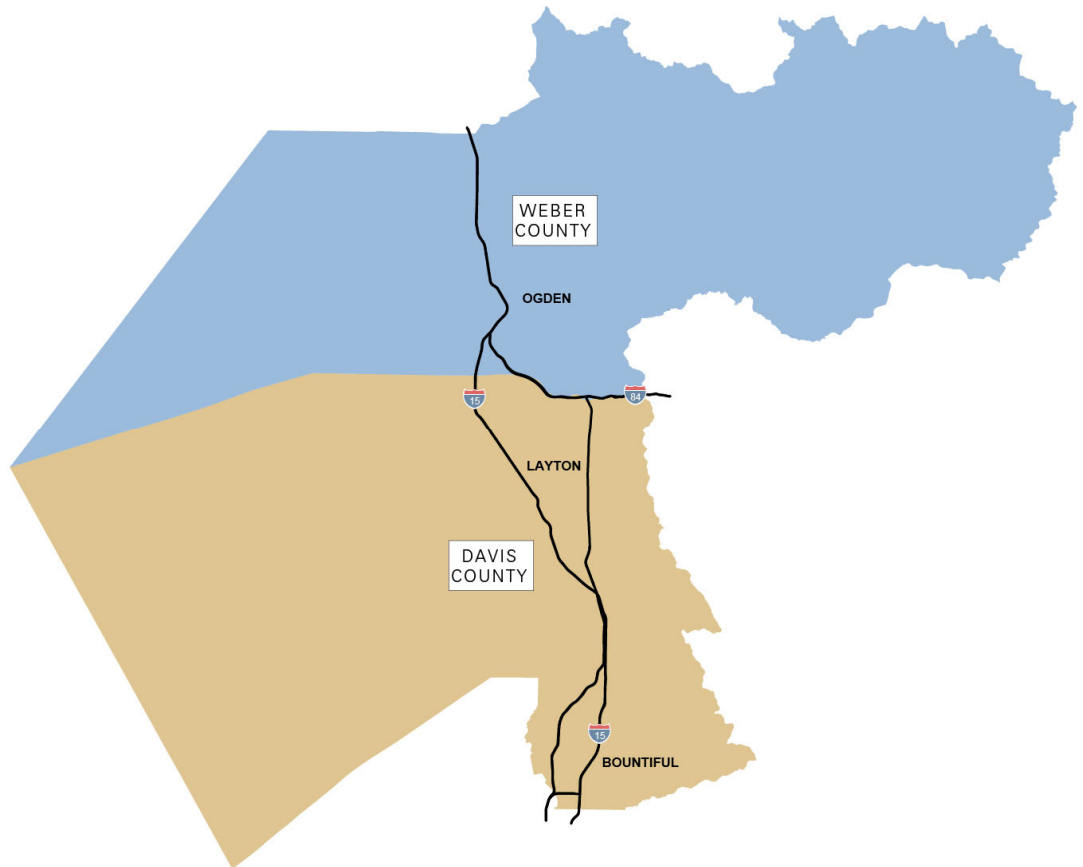
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