

MARKETBEAT OFFICE SNAPSHOT



SALT LAKE COUNTY

A Cushman & Wakefield Alliance Research Publication

Q3 2012

ECONOMIC OVERVIEW

While the U.S. economy continues to grow at a lack-luster pace, Utah remains at the forefront of the economic recovery with an unemployment rate of 5.8% compared to the nation's rate of 7.8%. Over the past 12 months, Utah's economy has experienced a net increase of 24,300 jobs. Most importantly, for the office market 9,500 of those jobs were within the Financial, Professional and Business Services sectors. To further emphasize the diversity of the recovery, all industrial sectors added jobs during the past month.

ABSORPTION

The third quarter Salt Lake City Metro Office Market absorption of 163,881 square feet (sf) reversed the trend of negative absorption which had occurred during the previous two quarters; however, not enough to bring year-to-date absorption into positive territory. Overall year-to-date market wide absorption remains negative at 79,776 sf. Although the downtown area showed slight positive absorption in the third quarter, the suburban market was much stronger absorbing 155,111 sf in the third quarter and 213,435 sf year-to-date. The Central East and North West suburban quadrants of Salt Lake County fared the best, increasing overall absorption by 126,175 sf and 66,756 sf respectively, year-to-date.

STATS ON THE GO

	CURRENT	CHANGE SINCE:	
		Q2 2012	Q3 2011
Direct Office Vacancy	14.8%	▼	▲
Sublease Vacancy	1.3%	▲	▼
Average Lease Rate	\$20.39	▲	▲
Completed Construction	267,496	▲	▲

VACANCY

The overall direct combined vacancy rate for all property classes in the Salt Lake City Metro Office Market ended the third quarter at 14.8%, a slight decrease of one tenth of a percentage point from mid-year 2012, but an increase of almost one percentage point from year-end 2011. Increased vacancy is largely a result of a 6.2% increase in the Central Business District (CBD) vacancy from year-end 2011, which currently stands at 20.4%. Overall suburban vacancy saw a modest decline.

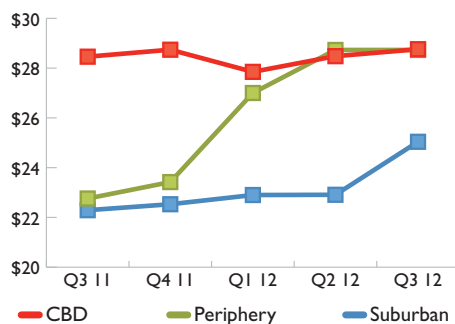
LEASE RATES

Overall full service direct lease rates were up this quarter by 2.6% to \$20.39 per square foot (psf) per year. The Central East quadrant experienced the most significant increase in class A average lease rates at \$28.77 psf which is mainly attributable to the completion of Old Mill Corporate Center IV. The Central East quadrant now represents the most expensive class A submarket in the state. This building sets a new high asking lease rate for the suburban office market at \$32 psf.

NEW CONSTRUCTION

The Salt Lake Market added 267,496 sf of newly completed office space in the third quarter, bringing the total amount of completed construction year-to-date 2012 to 543,946 sf. More than 60% of this space is pre-leased, highlighting a trend in tenants desiring to relocate to newer office buildings. There is still a lack of large contiguous blocks of office space in the south-end of the Salt Lake valley which has encouraged developers to build new office buildings. The suburban market expects to add an additional 176,972 sf to the south valley which includes the completion of The Pointe VI, a 118,972 sf building and a 58,000 sf building, that will be the new home for Hoopes Vision. These projects are expected to be completed by year-end.

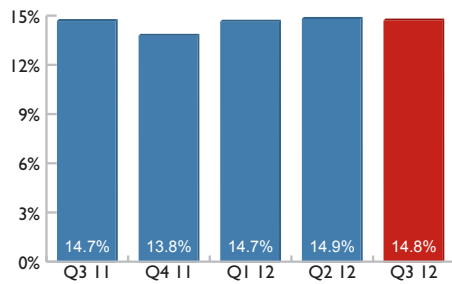
LEASE RATES BY SUB-MARKET



CLASS A QUOTED RENTS *

	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12
CBD	\$28.46	\$28.74	\$27.85	\$28.48	\$28.76
Periphery	\$22.76	\$23.42	\$27.00	\$28.73	\$28.73
Suburban	\$22.29	\$22.53	\$22.90	\$22.91	\$25.04

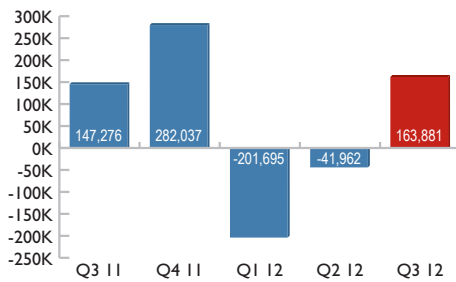
DIRECT MARKET VACANCY



OFFICE MARKET DIRECT VACANCY

	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12
CBD	14.7%	14.2%	18.5%	21.1%	20.4%
Periphery	10.9%	11.1%	11.6%	11.8%	11.3%
Suburban	15.4%	14.2%	13.8%	13.2%	13.4%
Overall	14.7%	13.8%	14.7%	14.9%	14.8%

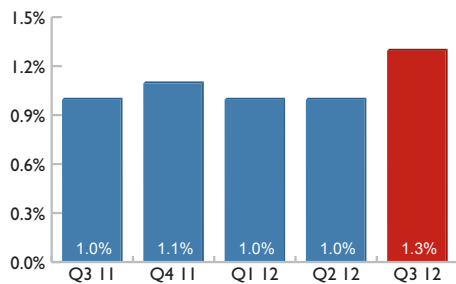
DIRECT MARKET ABSORPTION



OFFICE MARKET DIRECT ABSORPTION (SQUARE FEET) **

	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12
CBD	27,374	35,430	-169,449	-196,521	4,793
Periphery	-3,281	-46,621	-2,784	66,773	3,977
Suburban	123,183	293,228	-29,462	87,786	155,111
Overall	147,276	282,037	-201,695	-41,962	163,881

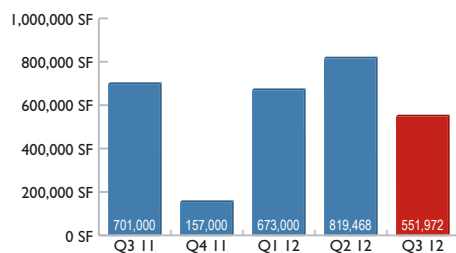
DIRECT MARKET SUBLEASE VACANCY



OFFICE MARKET SUBLEASE VACANCY

	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12
CBD	1.4%	1.5%	0.1%	1.1%	1.2%
Periphery	0.4%	0.5%	0.6%	0.3%	0.3%
Suburban	1.0%	1.1%	1.1%	1.1%	1.5%
Overall	1.0%	1.1%	1.0%	1.0%	1.3%

OFFICE MARKET UNDER CONSTRUCTION



Q3 2012 OFFICE MARKET UNDER CONSTRUCTION (SQUARE FEET)

	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12
CBD	206,000	32,000	0	0	0
Periphery	100,000	0	100,000	0	0
Suburban	395,000	125,000	573,000	819,468	551,972
Overall	701,000	157,000	673,000	819,468	551,972

NOTABLE THIRD QUARTER TRANSACTIONS

PROPERTY	TENANT	SIZE (SF)	CLASS
Riverpark XII	Hirevue	25,393	A
City Centre	WorkDay	17,904	A
Union Park IV	Pacific Western Equipment	15,732	B
Parkview Plaza I	CitiBank	13,516	B
136 E South Temple	Manning, Curtis, Bradshaw & Bednar	12,341	B

Notes:

* Weighted full service asking lease rates.

** Sublease space is not included in these figures.

Disclaimer: The enclosed information, while not guaranteed, has been secured from sources we believe to be reliable.

