

MARKETBEAT

Salt Lake City

Office Q3 2016



SALT LAKE CITY OFFICE

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Salt Lake Employment	681k	697k	▲
Salt Lake Unemployment	3.3%	3.7%	■
U.S. Unemployment	5.2%	4.9%	▼

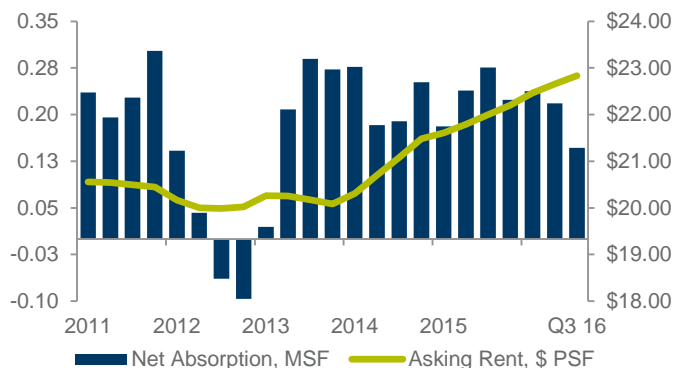
Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	11.5%	11.4%	▲
Net Absorption (sf)	419k	132k	▲
Under Construction (sf)	1.4M	1.4M	■
Average Asking Rent*	\$22.38	\$23.09	▲

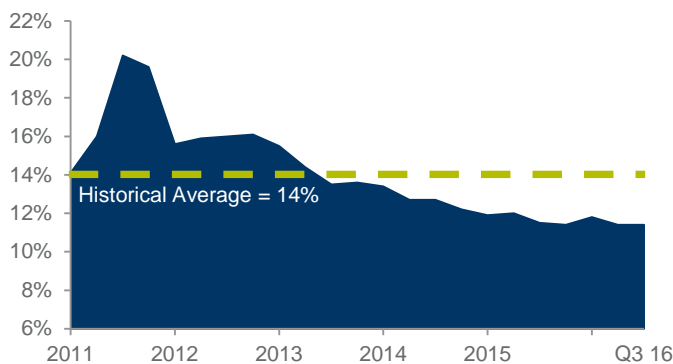
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Salt Lake City's economic growth remained strong with more than 16,000 jobs added over the past year. Additionally, the local quarterly unemployment rate of 3.7% was 1.2 percentage points (PP) below the national average, although it increased slightly from 3.3% year-over-year. This jump is primarily due to new entrants into the labor pool and not an economic slowdown.

Market Overview

The overall 11.4% vacancy rate remained unchanged since Q2 2016, when it reached an eight year low. More than 131,000 square feet (SF) were absorbed during Q3 2016 bringing the year-to-date total to 472,279 SF. In addition, the overall average asking rate rose to \$23.09 FS – up 3.2% year-over-year.

Two construction completions hit the market; Vista Station 7 and The Point I, both located in Draper. Together, they added 200,000 SF of Class A office space to the Southeast submarket and were more than 60% pre-leased upon completion. This leaves 1.4 million square feet (MSF) still under construction with 840,000 SF scheduled to finish by year-end 2016. The most notable project remains the 440,452-SF 111 Main, which is expected to receive its certificate of occupancy early Q4 2016. Although the property is more than 80% pre-leased, occupancy will take place in stages over the next six to nine months causing a temporary spike in vacancy.

Trends to note: Class C product reported negative absorption of 150,000 SF year-to-date, while Class A and B absorption was positive and exceeded 350,000 SF and 270,000 SF respectively. This signals that the market is in a secure position as tenants are able to migrate towards higher-quality space at higher rents. Another trend: direct vacancy fell 0.7 PP year-over-year while sublease availability jumped 0.6 PP, due in part to large tenants that leased beyond their immediate needs in order to control future expansion.

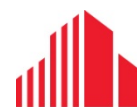
Outlook

Salt Lake's office market is on the cusp of significant change approaching year-end 2016. Construction completions, primarily the above-mentioned 111 Main, will add several hundred-thousand SF of unoccupied space to the market beginning Q4 2016. As a result, the vacancy rate is projected to exceed 15% within the CBD and 12% throughout the valley before tenants are able to build-out and occupy new inventory. By mid-year 2017 however, vacancy should have normalized with new or expanding tenancy driving strong absorption figures. Suburban submarkets, especially the Southeast, will then lead new development in the near term. Finally, asking rates are anticipated to climb steadily throughout Salt Lake County.

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CUSHMAN & WAKEFIELD
Commerce

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	55	7,531,575	117,642	717,267	11.1%	135,124	233,906	440,452	\$26.43	\$31.21
Periphery	45	3,406,681	103,885	394,748	14.6%	-72,287	-62,365	0	\$22.01	\$26.08
Northeast	57	3,330,770	15,000	273,450	8.7%	-16,616	-46,038	0	\$21.81	\$27.69
Northwest	64	4,272,289	52,351	470,896	12.2%	7,155	-22,481	0	\$18.12	\$21.42
Central East	135	7,666,854	117,507	655,599	10.1%	40,089	86,549	96,000	\$23.28	\$33.75
Central West	23	1,301,630	29,284	270,497	23.0%	-19,303	49,384	281,663	\$21.83	\$25.52
Southeast	89	5,556,045	242,980	437,511	12.2%	70,309	217,773	580,000	\$23.29	\$25.62
Southwest	18	1,654,990	30,449	28,128	3.5%	-12,883	15,551	0	\$24.99	\$25.53
Utah County North**	107	4,894,028	222,975	329,635	11.3%	-51,098	469,477	355,326	\$22.85	\$25.36
SALT LAKE CITY TOTALS	486	34,720,834	709,098	3,248,096	11.4%	131,588	472,279	1,398,115	\$23.09	\$28.14

*Rental rates reflect gross asking \$psf/year

**Utah County North is not included in total stats

	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	3Q 2015 AVERAGE ASKING RENT*	3Q 2016 AVERAGE ASKING RENT*
Class A	99	14,089,040	335,018	1,059,950	9.9%	63,674	351,764	1,398,115	\$27.56	\$28.14
Class B	217	13,849,456	296,438	992,504	9.3%	184,731	270,147	0	\$21.13	\$21.59
Class C	170	6,782,338	77,642	1,195,642	18.8%	-116,817	-149,632	0	\$15.21	\$15.68

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
South Towne Corporate Center II	84,619	E-Trade	Renewal/Expansion	Southeast
Evergreen Office Plaza	63,175	Pharmaceuticals Research	Lease	Northeast
Lone Peak Center 6	24,529	Synchrony Bank	Renewal	Southeast

Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Cottonwood Corporate Center	490,030	CommonWealth/Hines	\$140,148,580/\$286	Central East
Ravarino Building	60,768	Ravarino/CMJC Health	\$6,300,000/\$104	Northeast

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