

# INVESTMENT FORECAST

Office  
Salt Lake City

IPA

INSTITUTIONAL  
PROPERTY  
ADVISORS

2022

## Absorption Trends Rapidly Move Toward 2019 Levels; Investment Activity Suggests Sustained Buyer Fervor

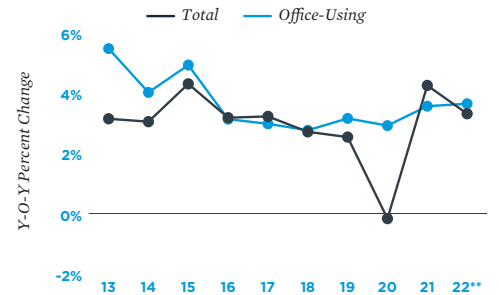
**Vacancy is descending more quickly than in many other metros.** Salt Lake City has been one of the most resilient employment markets in the country when faced with pandemic-related disruptions, aiding office fundamentals. The metro has progressed well below peak vacancy seen in early 2021, and has recorded rent growth in both 2020 and 2021, a trend that will accelerate in 2022. Tenant demand has been strongest in the metro's largest office submarkets, like Downtown Salt Lake City and north Utah County. The portion of Utah County known as the "Silicon Slopes" has seen steady leasing activity in recent quarters, highlighted by software firm Domo agreeing to fill an additional 150,000 square feet on top of the nearly 30,000 square feet it already occupied in the same American Fork business park. At the same time, net absorption has been consistently positive on a quarterly basis in the CBD since early 2021. While most new projects will be opening in these two locales, overall construction is down substantially, providing leverage for vacancy drops and stronger rent climbs in 2022.

**Investors rush back amid strong performance.** The transaction market has changed dramatically over the past decade, with institutions and out-of-state capital nearly doubling their presence during that 10-year span. Sturdy fundamentals were not enough to prevent a pandemic-era dip in trading volume; however, heading into 2022, investors have taken notice of Salt Lake City's resilience and growth. The largest rise in activity has been in the Silicon Slopes, north of Provo. This corridor sees high levels of Class A trades with cap rates recorded in the low-6 percent range. Class A assets can sell for almost double the metro mean price per square foot. Investors looking to pay below-average costs have targeted Class B and Class C assets in and near Ogden. Properties smaller than 40,000 square feet with overall entry costs below \$5 million are the most commonly traded assets here. Minimal new supply being added here will benefit existing properties.

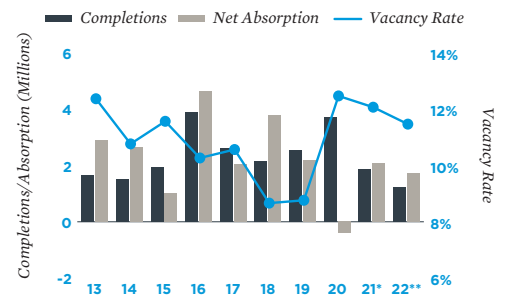
## 2022 Market Forecast

- Employment** up 3.3% Payrolls will expand by 45,000 spots this year. The pace of job growth will exceed the national average by 80 basis points.
- Construction** 1,230,000 sq. ft. Construction will decrease from last year's delivery of more than 1.8 million square feet. Much of the 2022 pipeline is opening in Downtown Salt Lake City and Lehi-Orem.
- Vacancy** down 60 bps Vacancy will retreat to 11.5 percent after reaching a pandemic-era peak of 13 percent early last year. This figure is still roughly 270 basis points above the 2019 tally, however.
- Rent** up 3.8% The average asking rent ascends to \$23.10 per square foot, improving on last year's 2.6 percent climb. This rate of growth is nearly double the national forecasted gain.
- Investment** As both Downtown and Silicon Slopes office properties are completed and filled, investors could increase acquisitions in the medial South Valley region, particularly cities like Draper.

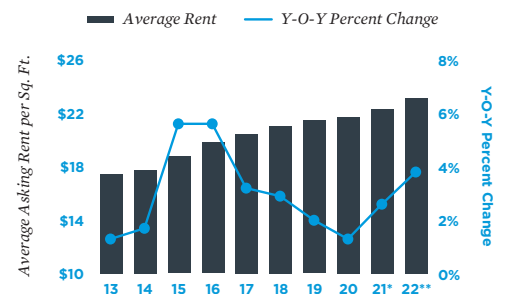
### Employment Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2021. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.