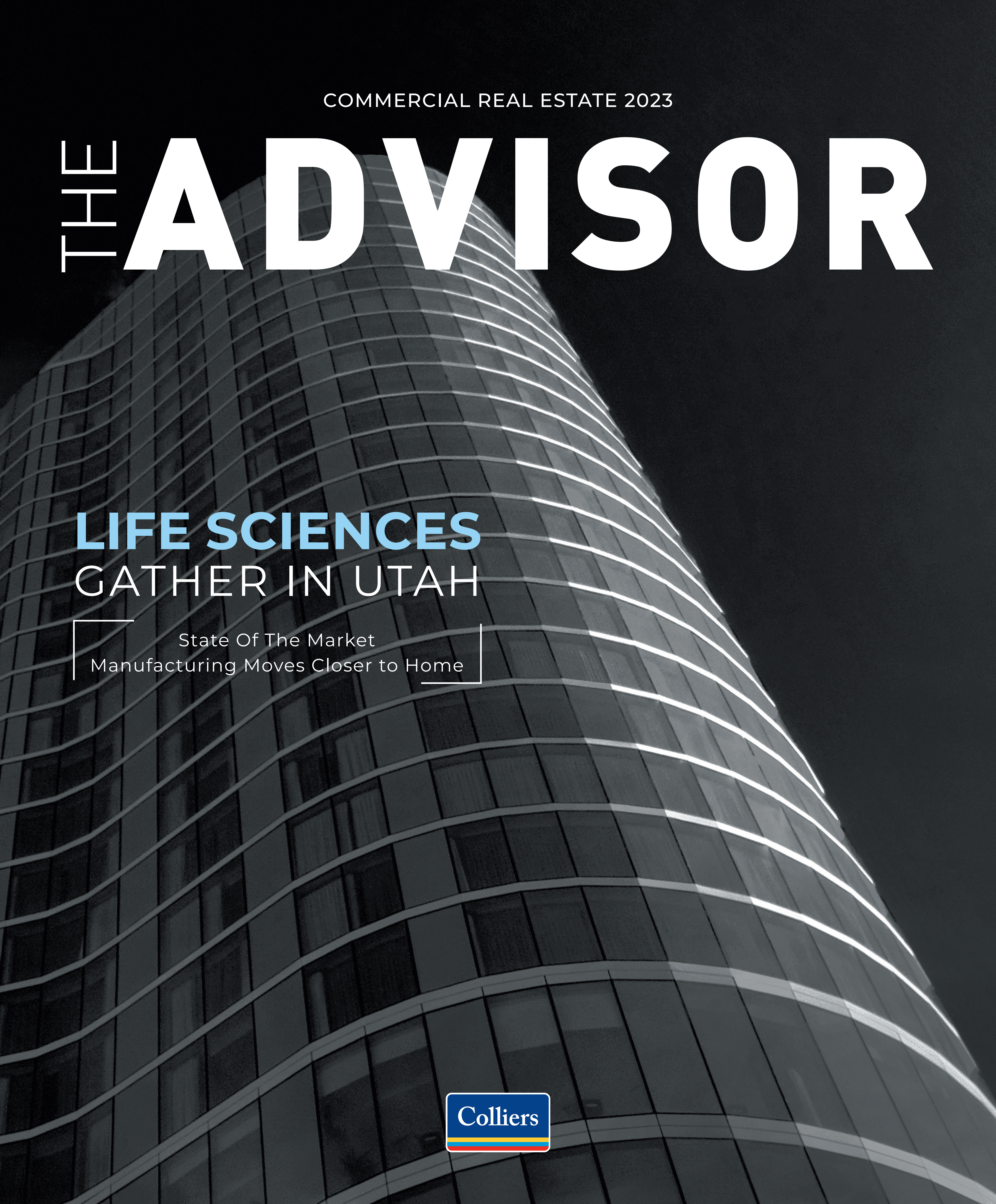
COMMERCIAL REAL ESTATE 2023

THE ADVISOR



LIFE SCIENCES GATHER IN UTAH

State Of The Market

Manufacturing Moves Closer to Home

Colliers

WELCOME

Our state is among the nation's leaders in navigating rocky economic challenges. These uncertain times demand that we all work together using tried and tested solutions, innovative new thinking and unprecedented collaborations.

At Colliers, we are excited to be at the intersection of these opportunities for Utah's expanding role in regional, national and international marketplaces. As Utah's visibility increases in numerous business, cultural and political sectors, Colliers is similarly growing its critical leadership in Utah's constantly changing business environment.

We are pleased to introduce this ninth annual edition of The Advisor, providing you with the most accurate market research and visionary thought leadership in the commercial real estate industry.

For our busy clients and many friends, we understand clearly that this continuing growth requires a heightened focus on providing you with insightful and actionable information. This latest Advisor issue addresses a wide range of topics, including supply chain challenges, life sciences expansion, metaverse opportunities and affordable housing options, all followed by our annual "State of the Market" with vital statistics detailing core Utah submarkets.

As your trusted advisor, Colliers is privileged to present our 2023 vision. We look forward to serving you in the years ahead and helping you prosper in your commercial real estate requirements. Please contact us for any questions, recommendations or ideas you wish to share.

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Colliers Utah Leadership Team

THE ADVISOR

COMMERCIAL REAL ESTATE 2023

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THE CASE FOR NEARSHORING

Could moving manufacturing to Mexico help solve Utah's supply chain problems?

In 1980, China was economically on the low end of the developing world, with a per capita GDP comparable to that of Sub-Saharan Africa. That's the year economic reforms calculated to capitalize on that country's over-abundance of labor, power and raw materials were launched. Among these reforms was one that would prove especially prescient: the designation of Special Economic Zones and specialized industrial clusters within them. These were designed to aggregate and leverage the skills and specialized facilities needed to mass-produce complex products designed by offshore innovators.

Dawson Westenskow, VP of product and operations at TETON Sports in Cedar Hills, Utah, says these industrial clusters made it easy to move production to China. "They already have the supply chain, the materials, the know-how, the specialized equipment—everything is ready to go. It's plug-and-play. China knows this makes it difficult to leave and they take advantage of that."

By 2010, those reforms provided China the tailwind it needed to overtake and sprint past the US, Japan and Germany—the longstanding incumbent industrial frontrunners—to assume the title of undisputed global manufacturing leader. A decade later, the pandemic hit, causing new societal cracks to emerge while exacerbating others previously unnoticed or ignored. Among those was the strain caused by the west's extreme over-reliance on cheap Chinese manufacturing.

"The pandemic definitely shone a light on the risk of this over-reliance [on China]," says Alicia Ingersoll, professor of supply chain management at Weber State University. "It showed there's risk involved in the supply chain where we really can't rely on it when something comes up. When we have lockdowns, when fuel prices spike, when we can't get containers to ship things—all of that dominoes into this really big ball of supply chain risk."

By the time the conversations on the theory of China supply chain risk had ended, the problem seemed to boil down to two insurmountable gulfs separating China and the US: the Pacific Ocean and geopolitics.

"Even before the pandemic, it became an unhealthy, codependent relationship. You've got two countries that would just as soon see the other one fail while knowing that would have enormous consequences for both economies," says Jarrod Hunt, EVP of industrial services at Colliers. "It's become like a bad marriage both parents want out of, but they've got six kids and are trying to make it work."

> The pandemic definitely shone a light on the risk of this over-reliance [on China]."
>
> Alicia Ingersoll, Professor, Weber State University

Nonetheless, confronted with untenable supply chain disruptions, the search for real alternatives to China heated up in 2021.

"It was late 2020 to early 2021 when open orders from our Asian facilities doubled and tripled, and the lead time to get stuff produced and on a ship was unknown," says Mason Niederhauser, VP of finance and profitability at Logan-based Malouf Companies.

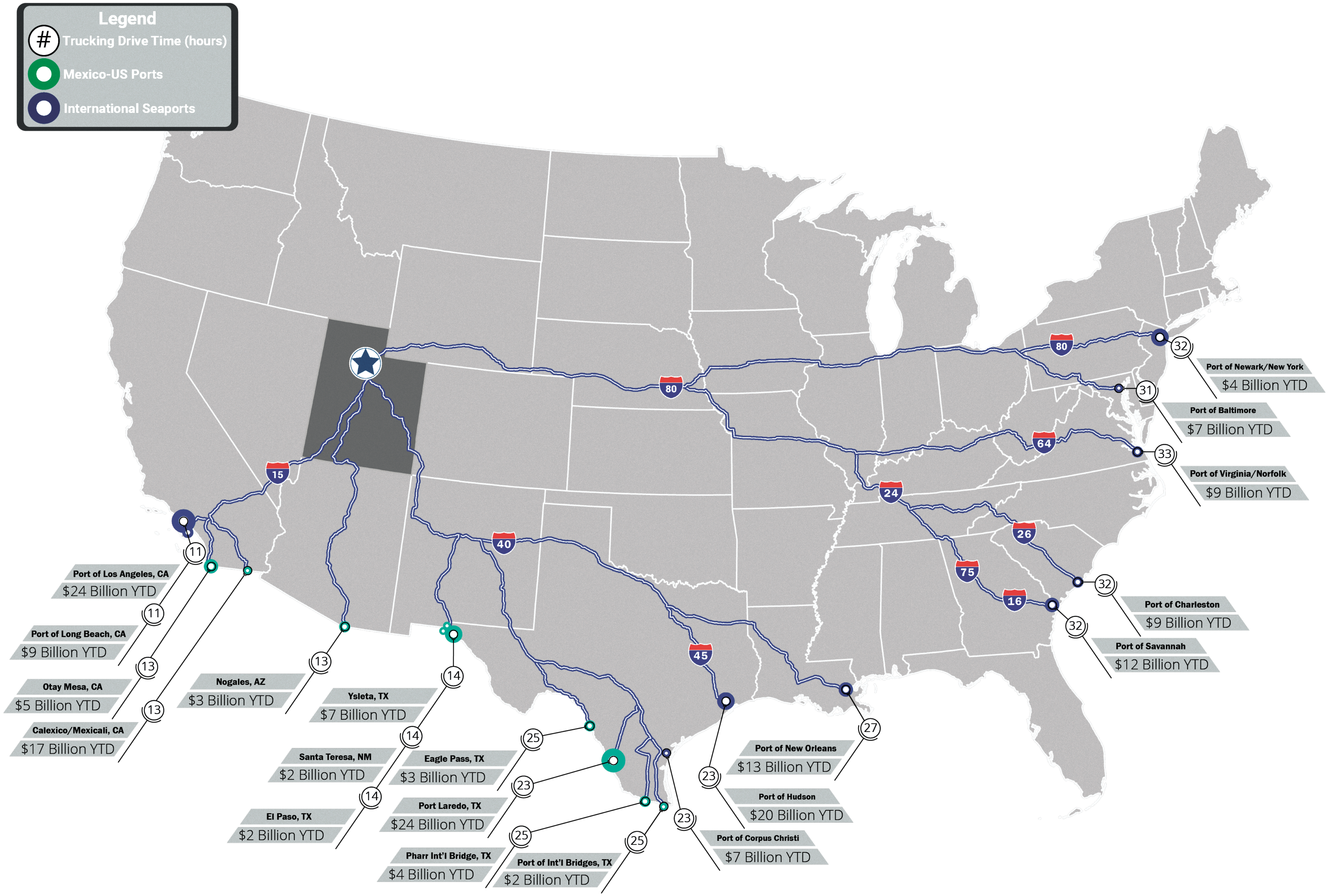
Westenskow recounts a 2022 seminar he attended, which included a session on managing China's increasingly dire supply chain challenges.

"One of the things asked in that venue was, 'How many brands were trying to get out of China?.' The answer was 100 percent," Westenskow says.

The search for low labor cost alternatives more closely aligned, both politically and geographically, with the US quickly pointed to Mexico—a strategic ally connected by robust overland infrastructure and a free trade agreement already in place. In the two years since the bottom fell out in 2020, exports from Mexico have grown 29 percent, compared with China's 19 percent. Indeed, given current growth trajectories, imports to the US from Mexico will likely overtake China within a few years.

Mexico's ability to take advantage of the pandemic's disruption is partly due to its following China's example of fostering specialized industrial clusters.

In Utah, the shift to moving manufacturing to Mexico or other nearshore locations presents multiple opportunities.



Comparing the Top US Import Locations

Source: Colliers Utah | Ernie Cottle

"Utah is the crossroads of the west, with three major freeways intersecting here. Much of what goes from Mexico to the western US and Canada passes through, making Utah an important shipping hub and logistics center for North American commerce," Hunt says, adding that as north-south transcontinental shipping increases, there will be a need for additional facilities built here to accommodate it.

But even more important is the opportunity for US firms seeking to take advantage of those sustainable manufacturing options with nearshore options like Mexico. Where China excels at leveraging its maturity in the space to make getting set up there as simple as "plug-and-play," as Westenkow says, outsourcing production to Mexico may require a little more hand-holding at this stage—something Colliers, with its international reach, can accommodate.

"Colliers has offices in 65 countries, including Mexico and Latin America. We have access to local industrial real estate experts with the knowledge to help identify the right opportunities," Hunt says. "If it's a local company wanting to explore a move to nearshore production, we'll connect them with the right Colliers experts in Mexico or whatever nearshore option makes sense and do the homework to figure what the right opportunity looks like in terms of labor rates, utility rates, transportation costs—everything that comprises a full cost profile."

In other words: provide your parameters, and the experts at Colliers will come back with a nearshore solution. Hunt expects this level of attention and local knowledge will help smooth the way for those seeking to quit enabling that uniquely codependent relationship with China.

One Utah company known for its robust supply chain is O.C. Tanner, where EVP Gary Peterson has long sought to minimize reliance on China, finding slightly higher production costs nearshore are made up for by greater reliability. While Peterson doesn't fault those who decided to stay with China, he too sees a wave of change coming.

"Everybody took advantage of the opportunity. I don't fault anybody for it, seeing that we would have two decades of incredibly low-cost products. I think that benefitted the whole world," Peterson says. "But it feels like that's done and has run its course. Perhaps we haven't moved fast enough to find alternatives. The Chinese invested heavily in themselves. It may be that other countries now need us to help them invest in themselves." ∎

MOUNTAIN VIEW VILLAGE WAS BUILT FOR SILICON SLOPES

The next generation of upscale, mixed-use development is here.

PHOTO COURTESY OF CENTERCAL PROPERTIES

MOUNTAIN VIEW VILLAGE
PHOTO COURTESY OF CENTERCAL PROPERTIES

A one-of-a-kind development in Salt Lake County, Mountain View Village is strategically located at 4500 West 13400 South in Riverton, Utah, between Bangerter Highway and Mountain View Corridor—one of the fastest-growing residential areas in the county.

The sprawling 85-acre, mixed-use development is located in the heart of Silicon Slopes. Its aesthetic and diverse amenities draw a young workforce, allowing tenants to offer an unmatched employee experience.

As Mountain View Village was designed, the location was considered in every stage of planning. The project's site was intentionally chosen to offer convenient access to major interstates and expressways, the Salt Lake International Airport and public transportation, making it the ideal location for tenants looking to recruit and retain top talent.

Mountain View Village is loved by the people who work in its Class A office space for its best-in-class amenities. More than 100 retail shops and over 45 restaurants are a short five-minute walk for residents of the Village Lofts. The office space features contemporary architecture and expansive windows to spotlight breathtaking mountain views.

Mountain View Village's Fountain Plaza features lawn areas for events and a state-of-the-art fountain show with coordinated music and lighting, a shaded patio and a children's play area—an iconic lifestyle destination for residents, locals, and visitors alike.

Looking to the future of the development, 4,000 homes/units have been planned around the project, and SALT Development is leading the way by building 282 high-end luxury condo units in Phase 3 called Village Lofts.

MOUNTAIN VIEW VILLAGE
PHOTO COURTESY OF CENTERCAL PROPERTIES

MOUNTAIN VIEW VILLAGE
PHOTO COURTESY OF CENTERCAL PROPERTIES

The project's team has spared no expense to create a community center that brings entertainment, shopping and food combined with a work and living space, explains Josh Smith, executive VP of office and investment at Colliers. The project is centered around a vibrant core that will serve as a space to host to live music events, holiday-themed activities and other family and community-driven events.

"I believe the developer, CenterCal Properties, LLC, has created a curated experience unrivaled in our market today at Mountain View Village," Smith says. "Mountain View Village has something for all ages, income levels and interests. In addition, the tax revenue generated will drive significant funds back into the community."

The location of Mountain View Village is strategic, says Stuart Thain, senior executive VP and partner retail of land and investment at Colliers. The first phase is loaded up with national mid-size box tenants anchored by a Harmons grocery store. The second phase is higher-end, with a Cinemark Theater and tenants like Bath & Body Works, Buckle, Lululemon, Sephora, Athleta, Anthropologie, XGolf, Nike Live and more, along with food concepts like Shake Shack, R&R BBQ, Wild Fin, Crack Shack, Via 313, Handel's, Zao Asian Café, Kona Grill, Dirty Bird, Chick-fil-A, Kokonut Island Grill and Sprinkles—a fantastic lineup for foodies.

"The team is working with several other fabulous new restaurants in the Utah market that will hopefully get finalized over the next few months," Thain says. "The addition of the SALT multi-family complex will be welcomed in this area with their higher-end project and a 177,000 square-foot office complex that is built and ready for occupancy."

Mountain View Village is Utah's most dynamic, experience-driven, mixed-use center according to Chris C. Byers, SVP of leasing for CenterCal Properties.

"The development opened in July 2022 and honors the deep-rooted history with its architecture, mature landscaping and thoughtful Americana sculptures and amenities," she says.

There isn't another center along the Wasatch Front with a restaurant and retail lineup like Mountain View Village except for Station Park in Farmington, Utah, which CenterCal also developed.

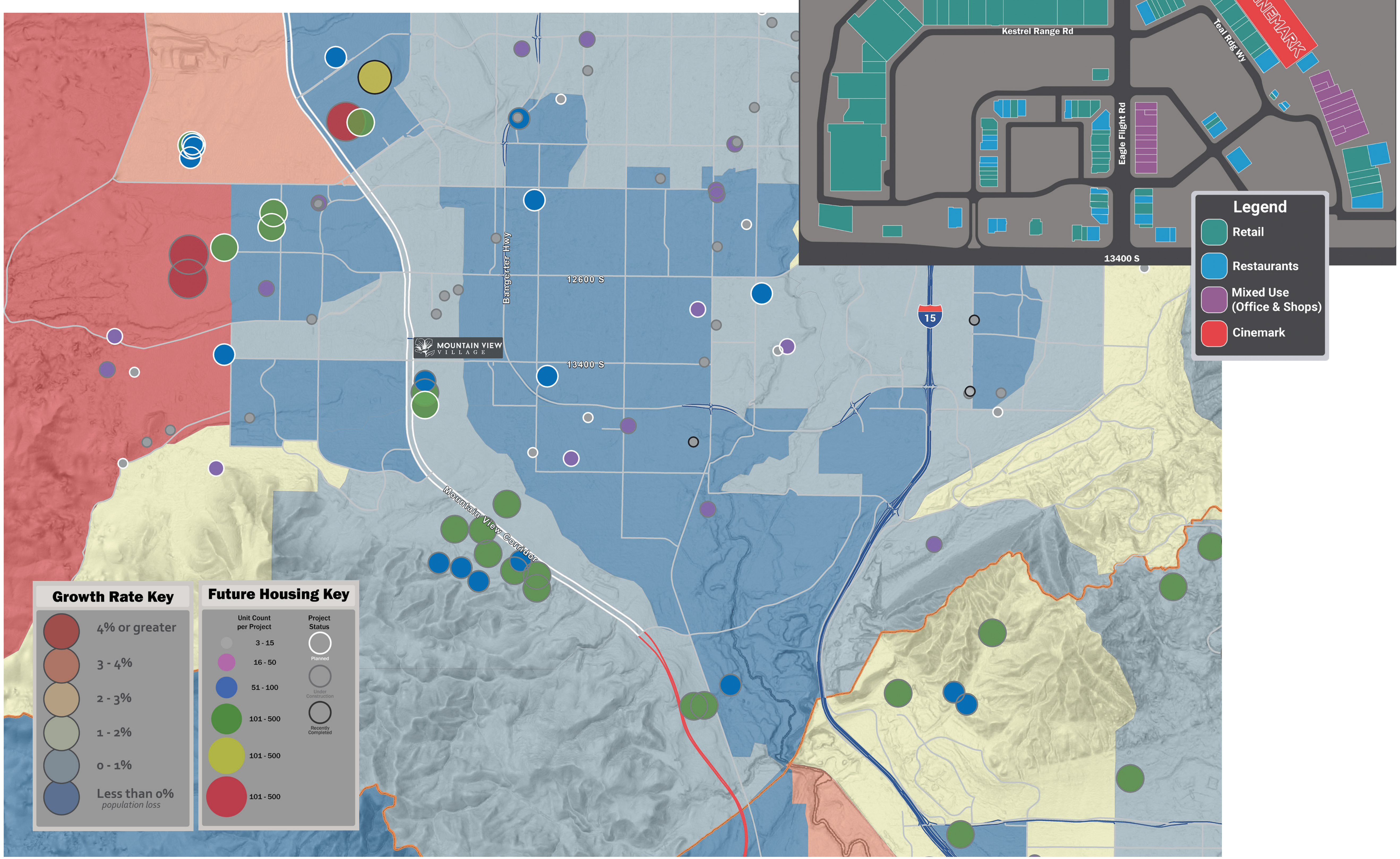
Mountain View Village is an outdoor center that brings the consumer to the center for every need of their life, Byers says. It is a true live-work-play environment that has the strongest restaurant offering in the market.

"Restaurants have become the new anchors in shopping centers, and when executed properly, provide great energy and traffic," Byers continues.

"The development opened in July 2022 and honors the deep-rooted history with its architecture, mature landscaping and thoughtful Americana sculptures and amenities."

Chris C. Byers, SVP of Leasing, CenterCal Properties

FUTURE HOUSING GROWTH



> "Employers that have offices at our mixed-use centers have really happy employees. Their employees love how they can show up to work in the morning and then dine, shop and work out—all without getting in their car."

Chris C. Byers, SVP of Leasing, CenterCal Properties

Source: Colliers Utah | Ernie Cottle

MOUNTAIN VIEW VILLAGE RESIDENTIAL
PHOTO COURTESY OF CENTERCAL PROPERTIES

"Restaurants have become the new anchors in shopping centers, and when executed properly, provide great energy and traffic."

Chris C. Byers, SVP of Leasing, CenterCal Properties

Mountain View Village is attractive to commercial tenants for multiple reasons, including the outdoor nature of the center paired with the art installations and water feature. Great access points off Bangerter Highway and Mountain View Corridor make it appealing to national, regional and local tenants alike. The center has been designed with access and visibility to every space.

The development is also a big draw for the community. The southwest corridor in the Salt Lake Valley has been in a hyper-growth mode for the past 10 years. Residential growth happened far ahead of commercial development, which has created a huge demand for a mixed-use area like Mountain View Village, Byers says.

"Residents can finally dine, shop and entertain in their own community," she continues. "It also creates a huge economic impact with sales tax revenue to the City of Riverton. We hear all the time that employers that have offices at our mixed-use centers have really happy employees. Their employees love how they can show up to work in the morning and then dine, shop and work out—all without getting in their car."

THE POINT: UTAH'S INNOVATION COMMUNITY

Construction of critical backbone infrastructure is scheduled to begin as early as 2024.

RIVER TO RANGE RENDERING

In 2018, the Utah State Legislature passed a law that would seek to redevelop 600 acres of state-owned land at the Point of the Mountain. On Nov. 29, 2022, the former towers of the Utah State Prison fell as a crowd of 150 people looked on. In its place, the state has planned to replace the former Draper facility with a 600-acre, sustainably constructed community called The Point.

The entity overseeing redevelopment of the site is the Point of the Mountain State Land Authority (Land Authority). After a months-long competitive selection process to identify a partner with demonstrable experience building large-scale, sustainable communities, the Land Authority selected Innovation Point Partners (IPP) to develop the first phase of The Point.

In December 2022, the Land Authority, in collaboration with IPP, released the Phase I Development Plans. Located at the heart of the site, the first phase of development encompasses approximately 100 acres—one-sixth of the overall site. Plans include world-class retail, shopping and entertainment venues; a people-focused main street with biking, walking and transit options called "The Promenade;" and a place for The Point's Innovation District efforts dubbed "Innovation Row."

This transformation of space from scratch has now begun its work in 2023 with several early-stage goals in mind, according to Abbey Ehman, VP at Lincoln Property Company, the lead developer on the IPP team.

"We have strong local partners and a national team of experts that are committed to building a socially responsible, sustainable development," Ehman says. "This represents one of the most significant development opportunities in the country in recent years and is an incredible opportunity to implement many of the cutting-edge solutions that positively benefit the local community."

Early needs are going to include thinking through issues like transit, innovation and attracting outsiders to move to Utah. In particular, Ehman says transit is a key way to ensure that the future community of more than 20,000 tech workers will be innovative.

"We actually have the ability to forecast our needs, think about transit and make an innovative city that embraces sustainability that is meant to be a catalyst for grand ideas," Ehman continues. "That's the grand vision, and for that, we are in a really good spot."

That "grand vision" goes beyond simply building a new, sustainable city. The Point, she says, aims to bring a mix of mainly tech workers from both inside and outside Utah. It will have a focus on diversity and creativity built into the community, and will connect two parts of the region currently separated by a great distance.

"We are not wasting any time building what Utahns want at The Point," says Alan Matheson, The Point's executive director. "The Phase I Development Plans reflect robust public feedback and will catalyze future development for many years to come."

On top of that, the idea is to ensure that diversity practices are baked into the program from day one. For example, Ehman says most Fortune 500 companies have strong diversity initiatives that are worthwhile to replicate and consider while building something new. She also points out that there are many different voices in the team developing the project, which shows diversity is a strong point of focus from the beginning.


CENTRAL PARK RENDERING

> "We are focused on creating a sustainable community with unprecedented economic potential that provides Utahns with world-class entertainment, innovative technology and recreational amenities."
>
> Abbey Ehman, VP, Lincoln Property Company

"We prioritize local hiring practices and also diversity in our projects," Ehman says. "[With three firms on the development team], there's a number of different voices on the project...that alone speaks to the importance of diversity."

In the 2023 General Session of the Utah State Legislature, lawmakers signaled strong support for The Point through generational investments in critical infrastructure and policies that will advance a future-focused, innovative and sustainable development. Legislators allocated $108 million for critical backbone infrastructure in addition to the $57 million they allocated in 2022.

The funds are a loan to the Point of the Mountain Revolving Loan Fund that will be paid back with future revenues generated from The Point. Coupled with over $2.3 billion in private-sector investment from IPP for Phase I, this historic investment will quite literally lay the groundwork for future development. Major infrastructure projects will extend Porter Rockwell Boulevard, construct major roadways, the "River-to-Range" regional trail and install major utilities.

In addition to the $165 million from the Legislature in 2022 and 2023, lawmakers invested $200 million to strategically

TASTE OF PLACE RENDERING


THE PROMENADE RENDERING

THE POINT TIMELINE

WE ARE HERE (2021)

2014	2015	2016	2018	2019	2020	2021	2022+
PRISON RELOCATION COMMISSION FORMED	NEW PRISON SITE IN SLC SELECTED	NEW UTAH CORRECTIONAL FACILITY BREAKS GROUND	THE POINT OF THE MOUNTAIN VISION RELEASED	EXECUTIVE DIRECTOR HIRED	REAL ESTATE ANALYSIS CONDUCTED	FRAMEWORK PLAN DEVELOPED	FRAMEWORK PLAN* IMPLEMENTED
		THE POINT OF THE MOUNTAIN DEVELOPMENT COMMISIONS FORMED	THE POINT OF THE MOUNTAIN STATE LAND AUTHORITY FORMED				

*Anticipated Future Work

double track FrontRunner and add a station at The Point. They also allocated $50 million to fund Convergence Hall, the building that will house The Point's Innovation District's work.

The Legislature clarified the Land Authority's oversight at The Point, created a new board position to be filled by an elected official from a neighboring community, codified measures to fund affordable housing and created the Utah Innovation Lab. The funding and the accompanying policies will provide a statewide benefit and catalyze development.

"We are taking a prudent approach to development that ensures we protect the public's investment at the site," Matheson says. "This investment from the Legislature demonstrates the state's commitment to support current and future development at The Point, address regional transportation needs, catalyze economic opportunity and maximize Utahns' return on investment."

In the coming months, the Land Authority will further refine the Phase I Development Plans, conduct preliminary engineering and oversee site preparation. Demolition of the decades-old prison facilities is scheduled to continue through 2023. Construction of critical backbone infrastructure, such as roads and utilities, is scheduled to start as early as 2024, with vertical buildings beginning in 2026.

"We are focused on creating a sustainable community with unprecedented economic potential that provides Utahns with world-class entertainment, innovative technology and recreational amenities," Ehman says. "Our team is collaborating with the Land Authority and community stakeholders to implement a shared, publicly supported vision for The Point. We are excited for what the future holds."

Many people love visiting Utah and dream about living in the Beehive State, Ehman says, claiming, "Part of the reason that they are not yet in Utah is that a place like [The Point] doesn't exist yet."

Soon, it will—a hub for innovation, sustainability and job opportunities built right into the community.

THE LARRY H. MILLER COMPANY IS INVESTING IN UTAH'S FUTURE

From Daybreak to Jordan Commons and more, LHM has pivoted from Jazz ownership to diversified community building.

PHOTO COURTESY OF THE LARRY H. MILLER COMPANY

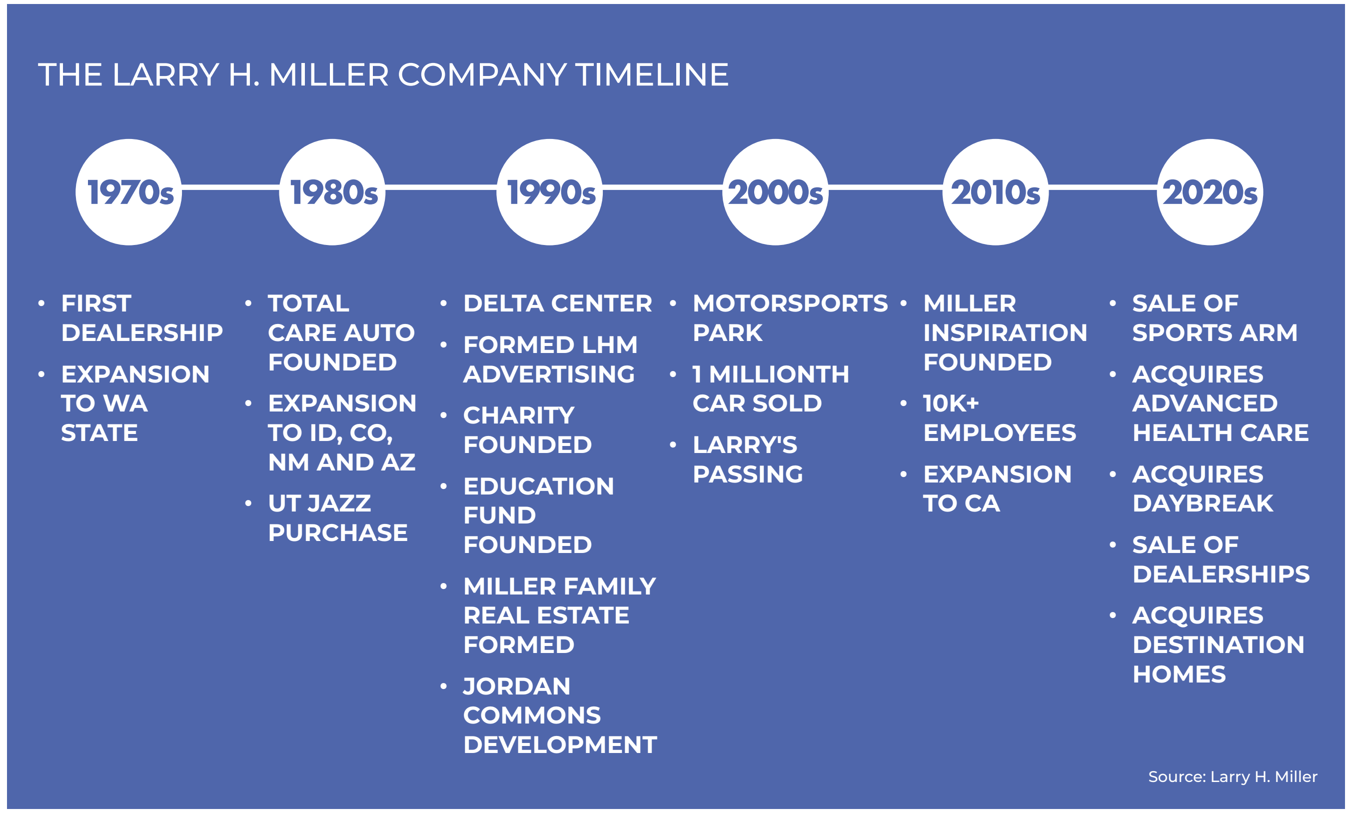



PHOTO COURTESY OF THE LARRY H. MILLER COMPANY

The Larry H. Miller Company (LHM), the longtime former owner of the Utah Jazz, is undoubtedly invested in Utah. But with the sale of its majority share in the Jazz in 2020 and the sale of its car dealerships in 2021, the direction of the business is taking a new course—and is increasingly becoming a real estate development company.

Steve Starks, CEO of the Larry H. Miller Company, says LHM is taking a long-term approach rather than a short-term, quarter-to-quarter mentality. The sale of those assets allows the company "to invest in and have opportunities to acquire other family-owned and founder-led companies that share a long-term view and are values-based," Starks says.

One of those value-based views is the importance of homes. "Our mission at the Larry H. Miller Company is to enrich lives," says Brad Holmes, president of Larry H. Miller Real Estate. "Purchasing or renting a home, and where you live and work, is a big part of your life. If we can [provide] that in a well-thought-out manner that preserves quality of life and allows people to invest in good real estate in a well planned and sustainable community, we're enriching lives," Holmes says.

LHM is driven to get involved in residential real estate because Utah is "seeing growth that leads the country," Holmes says. "It's important to not only plan well but to work well with local government, local developers and local landowners. We're excited to try and problem-solve and help Utah to be a leader in the country for how you handle and manage growth. Density and development done well, we think, is the answer to receiving and helping Utah grow the way it's going to grow."

In 2021, the Larry H. Miller Company acquired the mixed-use master-planned community of Daybreak, which includes over 1,300 acres of undeveloped land in the vibrant and fast-growing southwest quadrant of Salt Lake County. "As part of the Daybreak acquisition, we are fortunate to welcome an incredibly talented team to LHM that brings decades of experience designing and creating master-planned communities," Starks says.

Daybreak is a nationally recognized community that provides residents with a mixture of housing options, including apartments, condos, townhomes and larger single-family homes knit together in strong neighborhoods, according to Starks. The company also works with stakeholders to create a mixed-use commercial, retail and civic center called Downtown Daybreak. Downtown Daybreak is ideally situated along strong transportation infrastructure, including the TRAX line and Mountain View Corridor.

Starks says the Larry H. Miller Company is fortunate to partner with municipalities, landowners and other companies that have a shared commitment to enriching the community. One example is the new stadium for the Salt Lake Bees, Utah's AAA baseball team, which is slated to be built in the Daybreak community by 2025. "It'll be a great anchor for the community," Starks says.

LHM was also recently awarded the opportunity to design and develop a 1,000-plus-acre master-planned community in Utah County and several other community design and development projects throughout the Wasatch Front and in Summit County, according to Starks.

Amanda Covington, chief corporate affairs officer for LHM, says these projects speak to the company's desire and capability to understand growth demands. Projects are centered on providing density around transit and other infrastructure. "That way, we can start to address some of the affordability and inventory gaps that are here in our state, but also do so with an eye toward preserving the quality of life that we, here in Utah, have come to appreciate," Covington says.

Brandon Fugal, chairman of Colliers, currently represents Larry H. Miller Real Estate for projects that include Jordan Commons in Sandy, Utah. Originally constructed to house the tallest Class A office building in the suburbs at 10 stories, Jordan Commons is a dynamic, mixed-use office and entertainment complex in Sandy with a large Megaplex theater complex and on-site restaurants and services.

LHM is in the process of reimagining and programming the future of this dynamic landmark location, Fugal says. Preliminary plans are underway to develop new restaurant and retail public spaces, reconfigured theatres, new office space and more public spaces that are yet to be unveiled.

"As an established destination and transit-oriented development, Jordan Commons is a recognizable and


PHOTO COURTESY OF THE LARRY H. MILLER COMPANY

> "As an established destination and transit-oriented development, Jordan Commons is a recognizable and vital part of the South Valley ecosystem."
>
> Brandon Fugal, Chairman, Colliers

vital part of the South Valley ecosystem," Fugal says, adding that the company's master plan for Daybreak will have a transformational impact on the southwest quadrant forever.

In a recent Utah Business article, Starks said that as leaders in the community, it's important to resist the temptation to implement change simply for change's sake. "Wise leaders discern when and where to evolve and innovate while honoring the past and recognizing the values, guiding principles, and proven strategies that enable success," he continued.

That is what LHM has done through the years and will continue to do, Starks says. And above all, the company's direction and growth is guided by the values held at the core of the Larry H. & Gail Miller Family Foundation.

"It may have been tempting for Gail—who has been in the public arena nearly all her adult life—to sail into a quiet retirement," Starks says. "Rather than consuming the gains from [the sale of the Jazz], Gail has become one of Utah's most powerful forces for good. Her philanthropic leadership will leave an enduring legacy of enriching the community." ■


PHOTO COURTESY OF THE LARRY H. MILLER COMPANY

UTAH IS BECOMING A LIFE SCIENCES HUB

And existing buildings are being transformed into life sciences facilities to accommodate the demand.

6 SOUTH LIFE SCIENCE CENTER
(FORMER RED LION REDEVELOPMENT)
PHOTO COURTESY OF MCWHINNEY

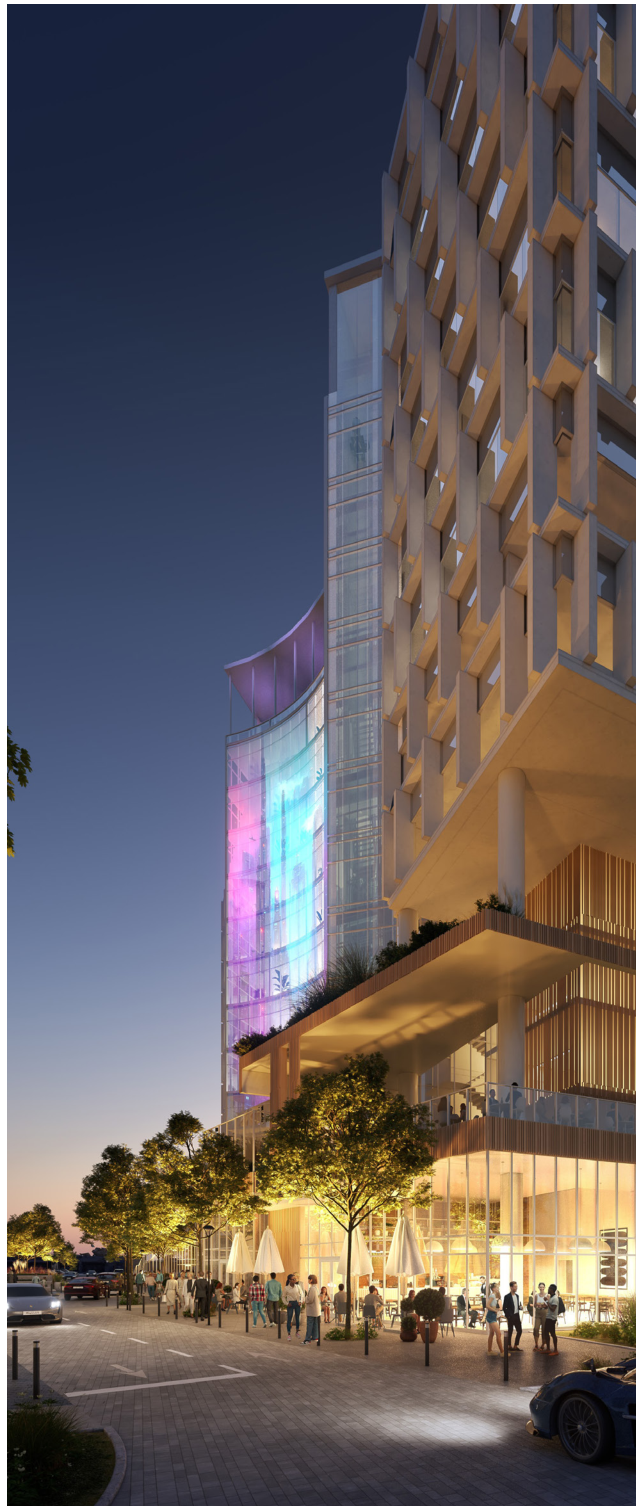


PHOTO COURTESY OF MCWHINNEY

Step aside, Boston and San Francisco. Utah's life sciences industry is booming—and it won't be slowing down anytime soon.

According to a 2022 report from the Kem C. Gardner Policy Institute, the number of jobs in Utah's life sciences industry increased by 7.2 percent in 2020. The rest of the nation had only 0.5 percent growth in this industry by comparison.

"High tech in Utah has grown by leaps and bounds in the past 20 years," says Richard Brown, dean of the University of Utah's College of Engineering. "Back in the year 2000, Mike Leavitt was the governor of Utah. He was interested in creating more high-paying jobs. He concluded that those high-paying jobs were in high-tech and started a program called the Engineering Initiative, which has funded our growth to educate engineers and computer scientists."

The tech boom created by Gov. Leavitt opened opportunities for the life sciences to spur. By 2007, life sciences growth was the leading work sector in all of Utah, according to a 2021 report from the Policy Institute.

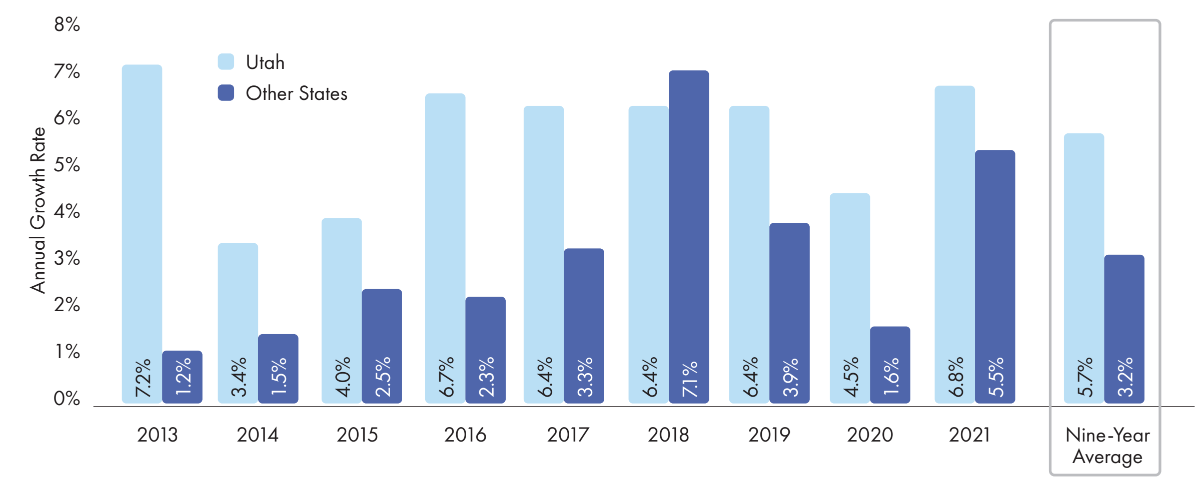
The resources of local universities have fed the boom, as well, such as the University of Utah's nanofabrication laboratory. This 23,000-square-foot lab contains some of the country's most expensive and rare equipment, including a scanning transmission electron microscope that can image materials at the atomic level. There are only a few in the whole country. "This lab has about 80 tools worth around $16 million," Brown says. "The Utah Nanofab is used by 70 companies."

One of those companies is Xenter, a software company that designs and develops semiconductors and silicon chips that are used inside ships, cars and medical devices.

"There's a rich history of successful companies here, which are sometimes moved to locations outside of Utah following their exit. Those exits bring capital to Utah," says Rich Linder, chairman and CEO of Xenter. "The more exits Utah experiences, the more likely [future companies] will stay and grow in Utah. In time, someone is going to begin building larger companies that never leave the state."

Since its founding during the rise of the pandemic, Linder and the team at Xenter has witnessed extraordinary growth for the company. "Our first medical devices launch in the United States in 2024," Linder says. "It typically takes 5-10 years of medical research to release a product. However, the regulatory pathways for our products do not require clinical trials. We have an extremely experienced team that knows how to do it and knows what to do."

ANNUAL PERCENT CHANGE IN EMPLOYMENT



Note: Single-year growth rates are calculated as percentage changes since the previous year; nine-year averages are compound annual growth rates since 2012. The life sciences industry in Utah provided 23,327 jobs in 2012 and 38,525 jobs in 2021, while in other states, the industry provided 1,316,933 jobs in 2012 and 1,747,100 jobs in 2021. Results include all employees (no self-employed workers) at life sciences companies (any occupation) in 17 NAICS industries considered to be 100% life sciences (no handpicked companies) where employment is disclosed. NAICS is the North American Industry Classification system.
Source: Kem C. Gardner Policy Institute analysis of data from the U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Linder plans to continue growing and operating Xenter in Utah. More and more companies will likely follow suit as the state becomes one of the leading hubs in the life sciences industry.

To accommodate these companies, real estate agents are acquiring existing buildings with the intent of transforming them into life sciences facilities. One of those buildings is the historic Red Lion Hotel in downtown Salt Lake City.

"Red Lion has been a fixture in Salt Lake. It's known from the skyline. People recognize it," says Lew Cramer, CEO of Colliers.

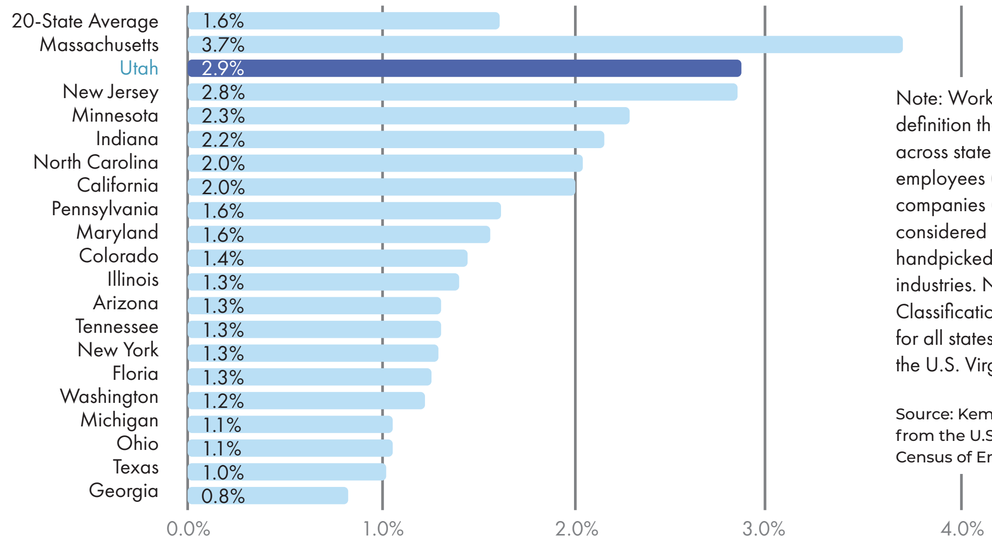
Chris Kirk, managing director of Colliers, says converting a building like the Red Lion brings a state-of-the-art property to growth in the life sciences industry. "Outside

"Because there's a rich history of successful companies here, which are sometimes moved to locations outside of Utah following their exit. Those exits bring capital to Utah."

Rich Linder, Chairman & CEO, Xenter

LIFE SCIENCES SHARE OF WORKFORCE IN LEADING STATES, 2021

(LIFE SCIENCES COMPANIES' SHARE OF TOTAL EMPLOYMENT; TOP 20 STATES BY EMPLOYMENT)

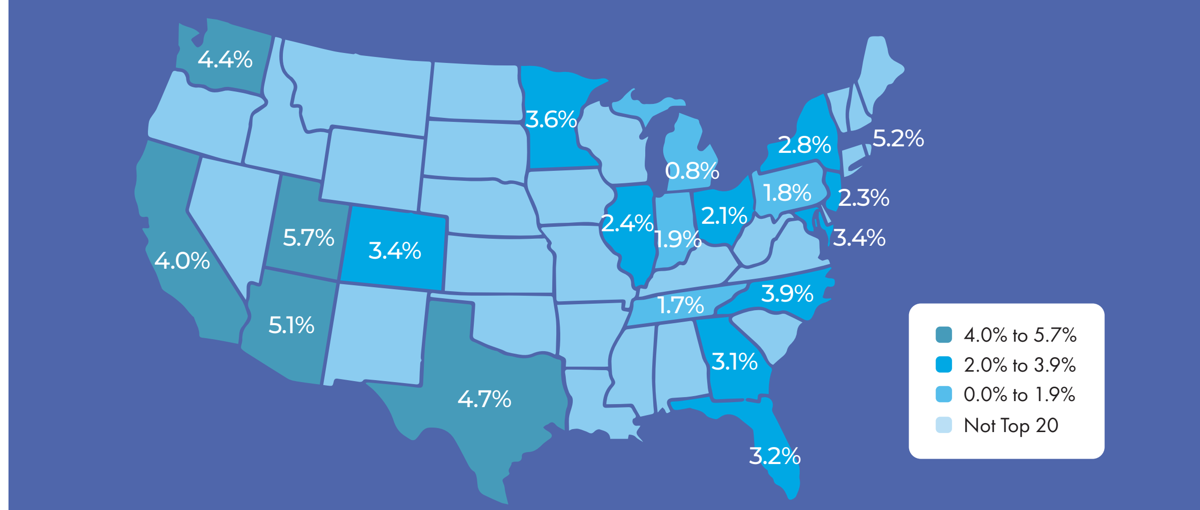


Note: Workforce shares reflect a life sciences industry definition that aligns with historical data availability across states. Employment shares represent all employees (no self-employed workers) at life sciences companies (any occupation) in 17 NAICS industries considered to be 100% life sciences, excluding handpicked life sciences companiesp in other NAICS industries. NAICS is the North American Industry Classification System. The national average was 1.5% for all states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Source: Kem C. Gardner Policy Institute analysis of data from the U.S. Bureaus of Labor Statistics, Quarterly Census of Employment and Wages

LIFE SCIENCES JOB GROWTH BY STATE, 2012 TO 2021

(NINE-YEAR AVERAGE ANNUAL PERCENT CHANGE IN EMPLOYMENT FOR 20 STATES WITH THE HIGHEST LIFE SCIENCES EMPLOYMENT IN 2021)



Note: Growth rates represent all employees (no self-employed workers) at life sciences companies (any occupation) in 17 NAICS industries that are 100% life sciences (no handpicked companies) where employment is disclosed. NAICS is the North American Industry Classification System.

Source: Kem C. Gardner Policy Institute analysis of data from the U.S. Bureaus of Labor Statistics, Quarterly Census of Employment and Wages

MAJOR HIGHLIGHTS OF THE REPORTS INCLUDE

- **UTAH LEADS THE NATION IN JOB GROWTH IN THE LIFE SCIENCES INDUSTRY**
- **MORE THAN 1,000 LIFE SCIENCES COMPANIES IN UTAH PROVIDE 50,000+ JOBS, PAYING A COMBINED TOTAL OF OVER $3 BILLION IN EMPLOYEE COMPENSATION**
- **UTAH LIFE SCIENCES COMPANIES PRODUCE $13B IN GDP**
- **INVESTMENT IN UTAH'S LIFE SCIENCES INCREASED FROM $3.2B IN 2010 TO $5.2B IN 2016**

companies will see Utah as a life sciences hub outside of Boston, Raleigh-Durham and San Francisco," Kirk continues. "The future tenant would be new in the market in a way that would solidify Salt Lake in this sector."

According to a press release in 2021, real estate investment firm McWhinney partnered with RL Group and Sage Hospitality Group with a plan to redevelop the Red Lion Hotel towers, a project that was expected to be finished by the end of 2022. With Colliers' acquisition of the towers, which are located in the Granary District, Kirk hopes to create a thriving community for employees and companies in the area. "We have a need for research and development space than we ever had in the past," Cramer says.

While the boom may be relatively new, Utah has a long history of medical technology in Utah, Kirk says. "We have a strong foundation in history and close proximity to universities," he continues. "The Red Lion has a great location being ten minutes from the international airport, which accesses six continents." The site itself is state-of-the-art, with housing directly adjacent to the hotel in the form of a 36-story residential tower.

The Red Lion project is just one of many that will help revitalize Salt Lake City's downtown area. The expected changes of this and other life sciences conversion projects will influence the community for years to come.

"When you combine a very health-oriented state with the access of incredible technology, it kind of incubates the environment needed for producing the life sciences," Cramer says. "People don't realize there are a lot of unicorns built in Salt Lake."

It's true. More companies like Xenter are building unique companies that address niche gaps in the life sciences industry. Companies like Dynatronics Corporation, ARUP Laboratories, Recursion and more are filling unmet needs in the sector. And most importantly, Linder says, "All of that expansion is happening here in Utah."

> When you combine a very health-oriented state with the access of incredible technology, it kind of incubates the environment needed for producing the life sciences."
>
> Lew Cramer, CEO, Colliers

COMMERCIAL REAL ESTATE IN THE METAVERSE

Virtual properties are easy to create, experiment with and upgrade—and the market is booming.

For much of industrialized history, real estate has been a tangible, in-person affair. Its purpose is made clear in the name—it's "real," something that takes up physical space around you. But as technology moves forward and the digital world becomes an accessible space of its own, companies are starting to question how to adapt to the new possibilities in front of them.

These questions became more relevant after Facebook rebranded itself as Meta in late 2021 with the goal of highlighting its new product, Metaverse. Through this VR social platform, users would have the chance to connect to a digital world via an avatar and interact with others.

Tech companies are exploring a brand new frontier in digital connectivity that has been likened to the early days of the internet when many saw the possibilities involved even if they hadn't been realized yet. And while this VR world is still being built, the real estate market is already very real and growing each year. One report produced by global research firm Technavio found that the real estate market in the metaverse would grow to $5 billion by 2026.

Now, companies need to be proactive about major digital changes as they take place and keep an eye on future opportunities. Colliers, one of the largest international leaders in real estate services, has been tracking these kinds of questions for years.

"Without a doubt, the metaverse is going to take off," said Colliers' managing director of occupier services in Asia, Abhishek Bajpai, in a video posted by the company last year. "The exact direction it takes will remain undetermined, but the possibilities are endless."

Hannah Jeong, Colliers' head of valuation and advisory services in Hong Kong, put a finer point on just what is offered to companies: a chance to explore and grow their businesses digitally in conjunction with what they offer in real life. In the same video, Jeong said clients are asking her why the metaverse is special and what it has to do with their business.

"It's a place where, no matter who or what you are, you can do just about anything," she said. "Because virtual properties are easy to create, experiment with and upgrade, whether you're a developer, landlord or occupier, you can explore the metaverse to complement whatever you offer in the physical world."

But the process of creating an online digital world that can function as an entirely parallel universe—complete with commerce, social interactions and real estate—existed before the metaverse.

Second Life, for example, is a program by Linden Lab that has run since 2003 and offers users the chance to create entire digital personas, build shops in town squares and sell digital assets for real-life money. While this has fallen more into the gaming category over the long run (despite the creators insisting that it is not a game because it has no "manufactured conflict"), it has failed to reach widespread appeal and acceptance.

Once Facebook's parent company, Meta, made its announcement in 2021, the business world took note of this change. One key difference is that Second Life and many other virtual reality worlds like it are more or less managed by one player, a digital space created and set up by one company. The metaverse will be something different—Meta is attempting to build it, but it will be more akin to the internet itself: an interconnected space inhabited by many users and companies. Roblox and Microsoft, among others, have announced plans to also join in this vision.

"It's a future beyond any one company that will be made by all of us," said Facebook CEO Mark Zuckerberg in his keynote address on the topic.

Colliers' national research manager for retail services, Nicole Larson, laid out in a study why companies need to be strategic about paying attention to these changes and the impacts they could have on business.

"Property owners who embrace the virtual world will enjoy new revenue streams, while those who choose to ignore it could potentially see their real estate assets depreciate in value," Larson wrote. "The global billboard business is a billion-dollar industry. With augmented reality, any building in the world can become a canvas for media and host outdoor advertisements without being subject to permitting restrictions."

She went on to note major international brands that are taking advantage of this kind of shift, including Nike, Ralph Lauren, Louis Vuitton, Tommy Hilfiger and many more. Even restaurants, she noted—though visiting one is traditionally an in-person experience—are exploring how to build their brands on the platform.

The underlying takeaway across the real estate industry is that the metaverse is neither irrelevant nor a threat to business in the real world. Instead, Colliers' staff members argue, it has major implications for the future and opportunities to increase revenue for companies. For their clients, this can mean expanding their footprint by embracing digital sales online if they are a retailer or by building advertisements for their real-world offerings. Either way, companies should not be turning a blind eye to the opportunities available.

Anjee Solanki, national director for retail and practice groups at Colliers, wrote in a 2021 study that the metaverse would be a prime location for companies to expand their advertising, real estate and retail offerings.

"As the technology advances, retail developers partnering with their digital counterparts may expand their offering, replicating physical assets into the transactional-based immersive environment," she wrote.

In a podcast on the subject with MIT real estate technology expert Steve Weikal, Solanki underscored the potential opportunities involved.

"There's a whole economy around developing the real estate—you actually acquire the digital real estate in the town, whether it's a fanciful made-up town or an actual digital version of, say, Manhattan," Weikal told Solkani. "But there's a system, a mechanism for you to acquire the land and to do the development. The same process that you do in the real world."

Exemplifying the importance of metaverse opportunities for all kinds of businesses, Solkani noted the takeaway for retail brands in particular, envisioning a shopping environment that integrates our real-world malls with the convenience of online shopping.

"There's an endless amount of virtual square footage to be created for all of us shopping fans to go into these shopping centers and malls and essentially shop 24/7," she said. ■

> Virtual properties are easy to create, experiment with and upgrade, whether you're a developer, landlord or occupier, you can explore the metaverse to complement whatever you offer in the physical world."
>
> Hannah Jeong, Head of Valuation and Advisory Services in Hong Kong, Colliers

THE RISE OF SAVORY FUND

For Andrew and Shauna Smith, it pays to invest in retail.

SAVORY BRANDS' NATIONWIDE EXPANSION

Source: Colliers Utah | Ernie Cottle

The Savory Fund, an innovative private equity firm that invests in emerging restaurant concepts, is catapulting up-and-coming restaurants into rapid expansion with capital investment and a deep knowledge of restaurant operational efficiency.

Led by food and beverage veterans Andrew and Shauna Smith, the Lehi-based fund owns and operates 145 restaurants in 11 states comprising nine brands. Over the last 15 years, the Smiths have grown a total of 320 restaurants, Andrew says. Savory is currently expanding in Florida, Texas, Southern California, Arizona, Idaho and across the Midwest.

In 2022, Savory hired more than 6,100 employees across its brands. This year, Savory plans to hire 11,000 employees, including more than 100 corporate positions across its portfolio, the company announced in a press release.

Savory closed its first $100 million fund in 2020, with a second $100 million closing in early 2021, Andrew says. The company will be launching its third round in the third quarter of this year and will be looking to find "another amazing five, six or seven brands" to help scale.

Andrew, who describes himself as "a recovering tech CEO," says his wife Shauna was the impetus for their ventures into the restaurant industry 15 years ago.

"I'm from the south, so hospitality has been in my DNA for as long as I can remember," Shauna says. "My belief was a restaurant could be run successfully like any business could be. I didn't know much about it, but I think that actually served me well. I just went in learning."

In 2009, the Smiths opened a Kneaders Bakery & Cafe franchise to provide a comforting place for people to have their French toast by the fire in the morning, Shauna says. Now, she's the CEO of an explosive company. "I still think of myself as an operator," she adds. "I try very hard to find my way into the restaurants when I can."

What makes Savory so successful? "It's having the money players, real estate players, operating players and even the concept players all on one team," Andrew says. "Normally these are disparate parties, but for us, we've included it all into one. We're also the team—we operate those businesses and scale them. We have the playbook and the experience of knowing when to grow them, how to grow them, how fast to grow them and where to grow them."

Another key factor, Andrew says, is having the founders involved. Savory believes the founders carry the tribal knowledge around the uniqueness that has energized early success and is essential to future growth.

"We have learned a lot in 15 years—so much—and some of it has been learning things the hard way of what not to do or how to do it better," Shauna says. "We've curated [our team] for 15 years. Some of these people have been with us from the beginning. These are industry leaders—they're brilliant, effective and so good at what they do. It's not just about what we do, and it's not just our playbook, but it's the people who are really implementing all of that."

Ultimately, real estate is the pinnacle, Andrew says. "Real estate is the way that you organically scale and grow that brand to becoming a regional—and then national—player on the stage of [food and beverage]."

Tyson Moore, a VP at Colliers specializing in retail tenant and landlord representation, has been working with the Smiths since their earliest days and handling all their real estate needs.

"I think Savory is the gold standard for Utah's restaurateurs," Moore says. He has watched hundreds of food and beverage brands approach Savory each year for engagement, but only a few are chosen.

Moore says the vast majority of Savory's deals are leases, and the hardest part is finding locations with a drive-thru. These locations are at a premium since

Covid. Another obstacle is just negotiating a fair market rent.

"Right now, it's definitely a landlord-favored market," Moore says. "In Utah, our biggest challenges are high construction costs and inflation issues. Rents have gone up over the last few years dramatically."

Sometimes Savory seeks to buy property, depending on the brand. "When these markets are hot like they are, it's hard to get landowners to sell the property you want," Moore says. "Every deal is so unique and different, and you're dealing with different personalities every time, so it keeps things exciting."

So what advice do the Smiths have for Utah's restaurateurs?

"I would say to partner with the right people, the right real estate agents, the right vendors, the right employees and the right team. Build a good team around you so that you can execute your plan really well and do everything you can to stand above your peers," Shauna says.

Andrew's advice is to not skip steps or place a high priority on moving fast. "Make sure each restaurant that you open is a success before you add another," he adds. "Focus first on your one iron in the fire and get it white-hot."

Given that the Utah market is among the highest growing in the country, Moore believes the future of restaurant expansion in Utah is bright. "We've got the combination of creative restaurant innovators that are coming up with new concepts. We're getting an influx of other brands out of other states and national brands that are really interested in coming to Utah."

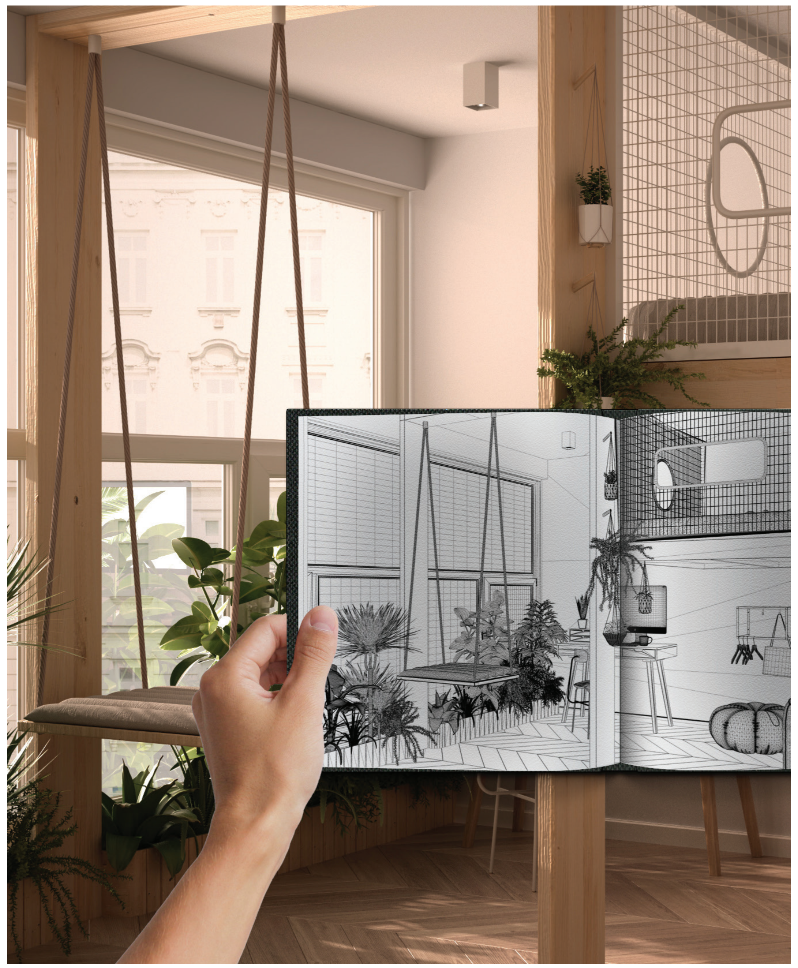
The Smiths agree.

"We're committed to Utah," Shauna says. "Selfishly, we want to bring everything to Utah because we want our brands in our backyard."

SHAUNA SMITH
PHOTO COURTESY OF MANICPROJECT

MULTIFAMILY CONVERSION AND UTAH'S STAGGERING GROWTH

When affordable housing calls, multifamily conversion projects answer.



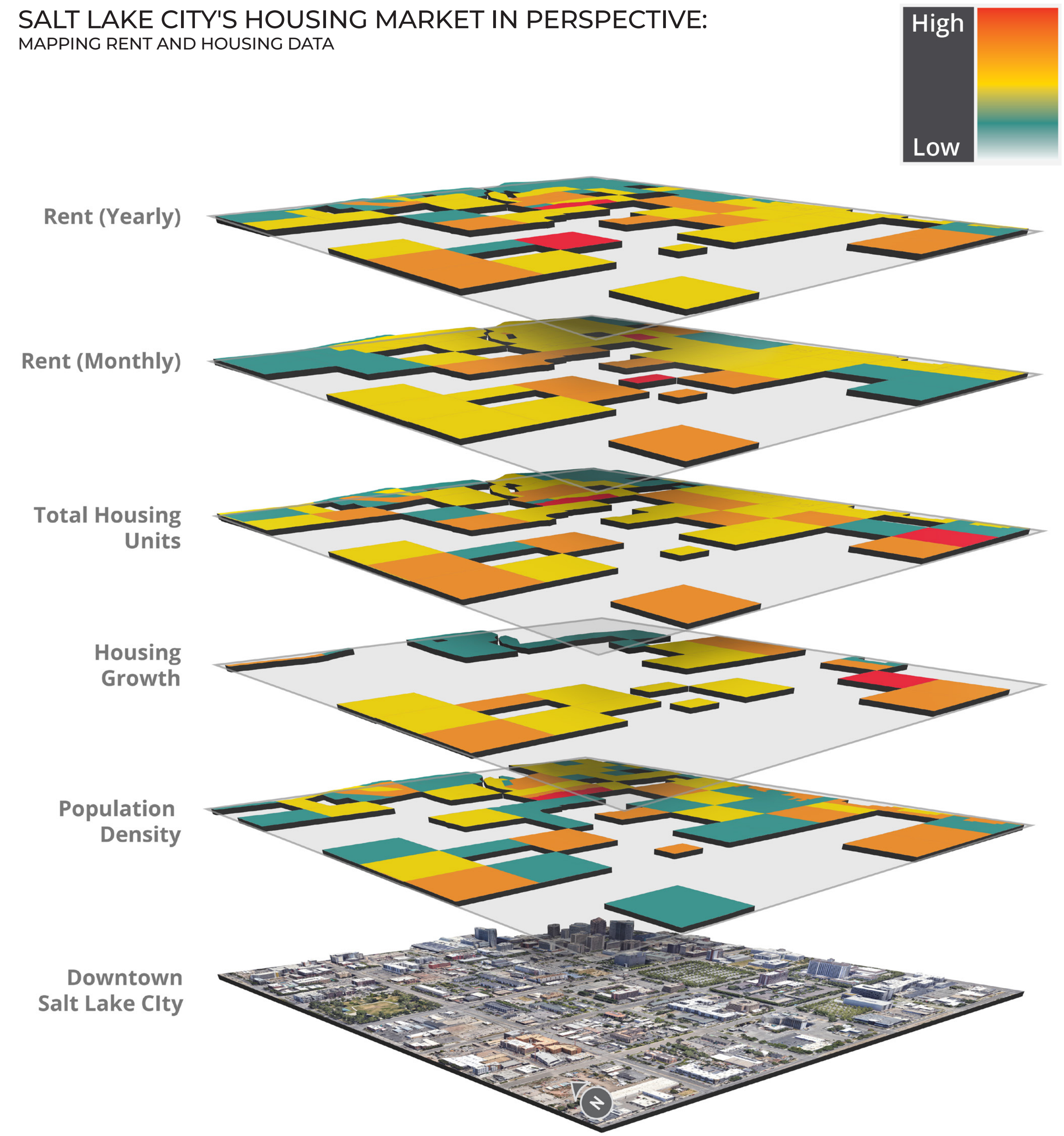
Due to high interest rates, construction costs, lack of products, inflated pricing and urbanization, Utah's residential real estate industry is facing challenges—and it's becoming considerably harder for the middle class to afford new homes. With median home prices averaging more than $1 million in 2022, according to the Utah Association of REALTORS, traditional single-family homes are outpacing what Utahns are earning.

In response to this home ownership crisis, multifamily conversion is one of the few but growing trends of transitional projects in the state to convert office space into multifamily homes.

One of these projects is the South Temple Tower in Salt Lake City, which was acquired in June 2022 by Hines. This project will transform the 217,000-square-foot office building into an apartment complex with 225 homes within this tower. Construction begins early this year.

Multifamily conversion is taking place with other types of buildings as well, says Mark Jensen, EVP of investments at Colliers. "We're seeing a lot of hotels converting into studio apartment units with incredible amenities," he continues. "It's a recognized opportunity in the market to provide additional housing but will only be a drop in the bucket for affordable housing."

SALT LAKE CITY'S HOUSING MARKET IN PERSPECTIVE:
MAPPING RENT AND HOUSING DATA



Source: Colliers Utah | Samantha Kight

There are some obstacles to overcome with this real estate model. Converting office spaces into apartments requires fundamentally restructuring the basic plumbing and electricity of these spaces. Emergency exits are quicker to move through in office spaces, but in apartment units, this is not quite the case.

"It takes an experienced developer to deal with delays, design changes and extra costs mid-stream," Jensen says. "You almost have to deconstruct it and then reconstruct it for multifamily homes. It's a higher risk and more intensive time process. It requires a unique skill set. Certainly, people who are more entrepreneurial and understand the risks that come with conversion."

Real estate firms like Hines still see the value in these types of investments. The South Temple Tower, for example, was analyzed considerably before the company concluded it would be ideal for the "walkability, natural light, shape of the building, number of potential units and overall floor plan," according to a Hines press release.

Studios and one- and two-bedroom apartments will be the feature highlights of this apartment complex.

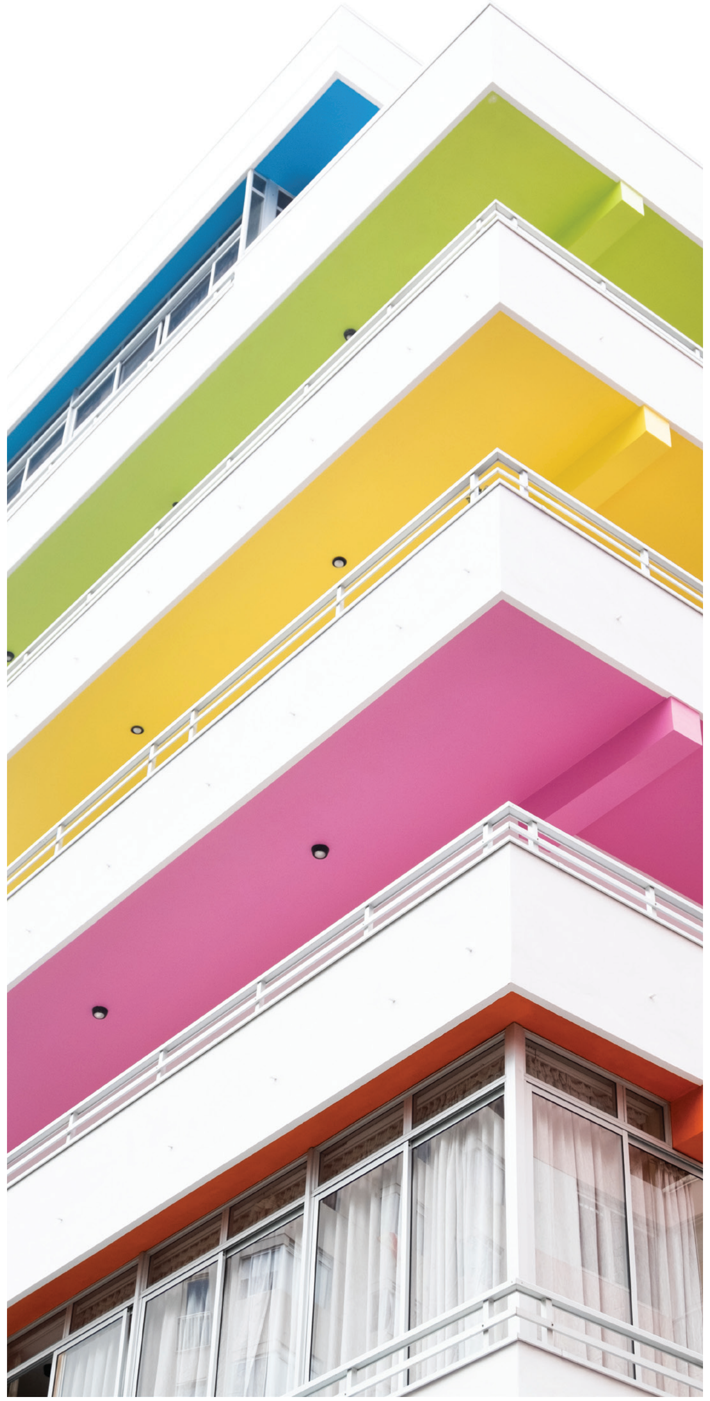
"Downtown Salt Lake City is experiencing immense growth, with Utah having the second-highest population growth in the country over the last decade," says Dusty Harris, senior managing director of Hines, in the press release. Utah has historically had fewer housing opportunities than the market demands.

"[The team at Hines] recognized that [the South Temple Tower] was a unique design and met market needs," Jensen says. "I think it sends a message that we can meet the demands of the people here. We also haven't seen a lot of development outside of downtown, so it's going to offer a new, unique product type and location."

> We're seeing a lot of hotels converting into studio apartment units with incredible amenities."
>
> Mark Jensen, EVP of Investments, Colliers

While these multifamily conversion projects might not be scalable trends, they might be a kickstart for others to do the same, Jensen explains.

Multifamily conversion projects could hypothetically solve issues beyond the affordable housing crisis, as well. By providing downtown workers with more sustainable living options, Utah residents will have shorter commute times—helping remedy urban sprawl and the state's poor air quality.



NOTABLE EXPANSION: BRANDLESS & CLEARLINK

A look at some of Utah's new top HQs.

CLEARLINK OFFICE
PHOTO COURTESY OF PLURALSIGHT

The office property sector is still evolving after being entirely reshaped by the Covid work-from-home era and significant commercial uncertainty into 2023. However, some companies are still making significant moves to position their operations for strategic advantages and future expansion.

Brandless in Lindon, Utah

Brandless, one of the world's fastest-growing omnichannel commerce platforms, combines beloved and carefully curated products within the Brandless Innovation Portfolio. This portfolio is a collection of brands that share the Brandless vision and are joining the platform to accelerate growth, expand reach and achieve a shared mission, the company says.

Under the leadership of CEO Cydni Tetro, Brandless achieved 6,700 percent company growth and 7,600 percent revenue growth last year. In Aug. 2021, Brandless announced it had raised $118 million in equity and debt financing, one of the largest funding rounds led by a female CEO to date.

The round was led by Clarke Capital Partners and included other strategic corporate and institutional investors. Keystone National Group provided a senior debt facility. Brandless raised these funds to accelerate growth and its acquisition of mission-driven digitally native brands.

"Brandless is, unapologetically, a brand," Tetro says. "And what we really think about is how you help people brand less and live more."

According to Tetro, the Brandless mission is to help people take better care of themselves, their families and the planet by bringing them together on the platform. This dovetails with Tetro's mission to expand opportunities for those she leads—and part of that is to encourage more women to pursue careers in technology. Currently, only 25 percent of the tech workforce are women, with only 5 percent of leadership in tech belonging to women, she says.

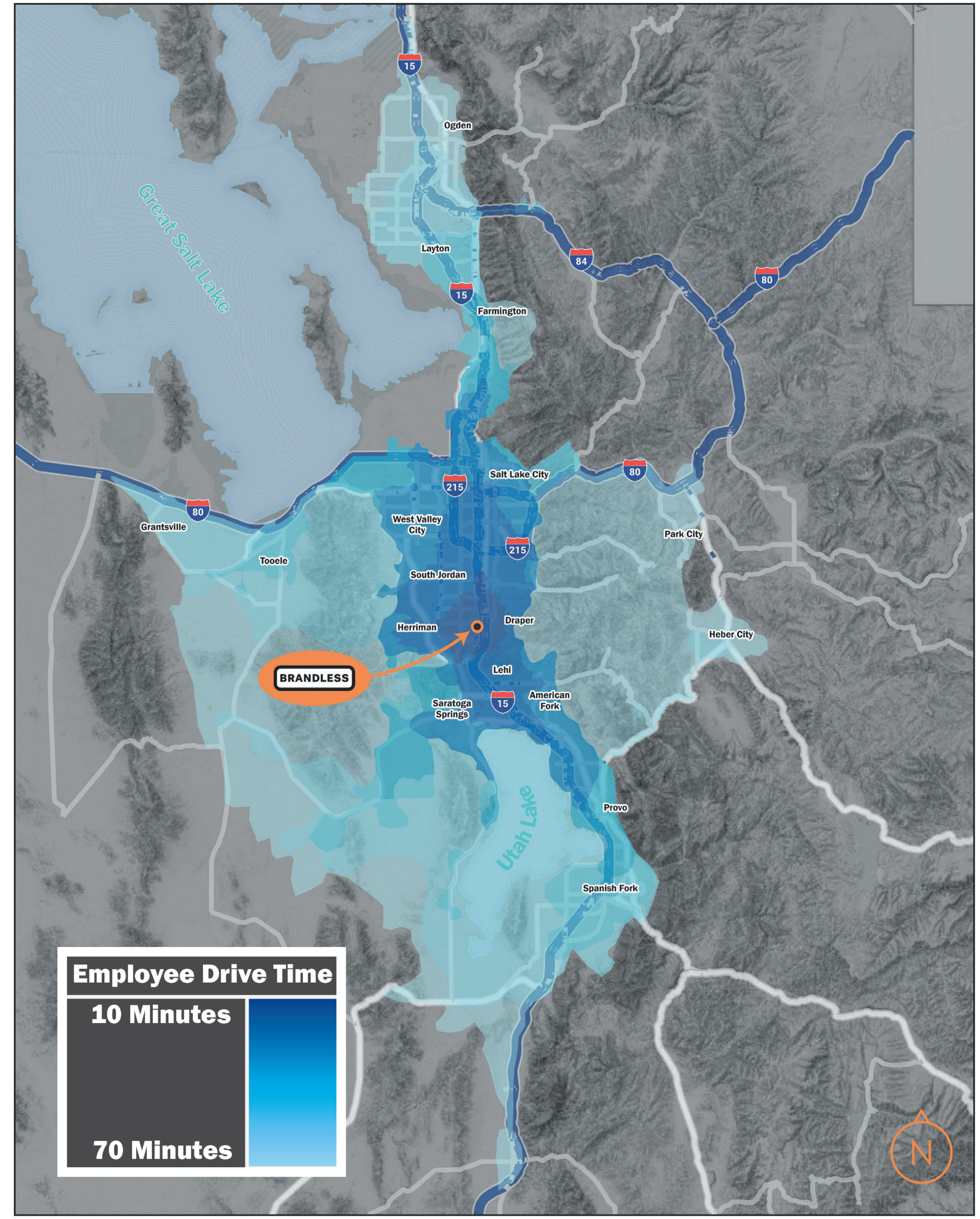
Overall, Tetro strongly believes in collaboration, and the company thrives on it. So, in this post-Covid era, Brandless sought out a new headquarters to support its growth and vision. The company has been in its new headquarters for one year and has roughly 120 Utah-based employees. The company's 80 additional employees are located in California and Florida.

One of the key features of the leased headquarters in Lindon, Utah, is its 21 conference rooms and open workspace—no offices. "We basically set it up so that it was fully based on collaboration," Tetro says. "We wanted a space that allowed that to be intentional and also creative."

It was important to have a headquarters right off the freeway, Tetro says. Some team members travel as far as 70 miles one way to work. "We needed a place that was accessible when they were coming in and also interesting and collaborative enough for them to show up," she continues.

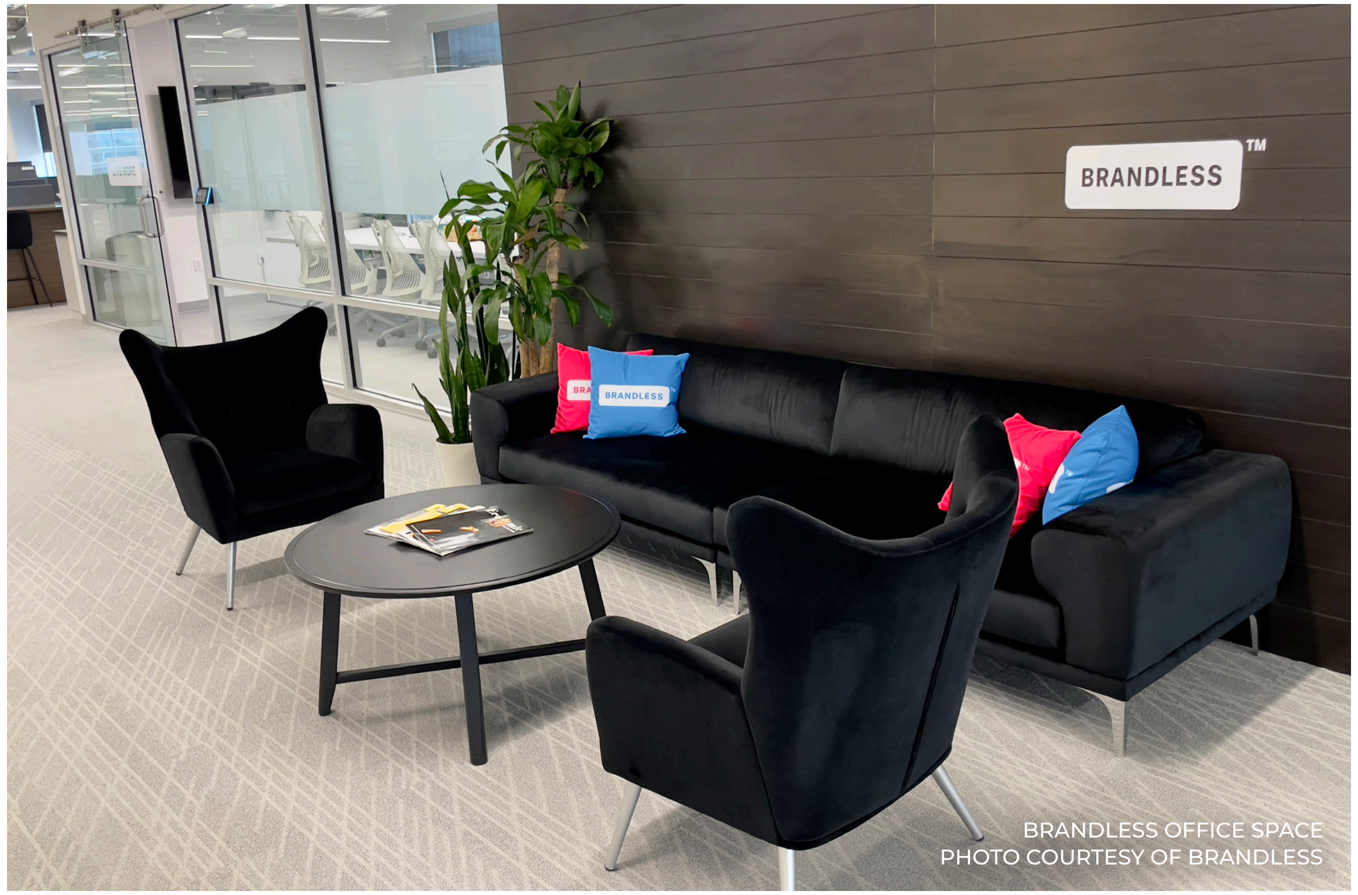
The company operates on a hybrid work schedule, with mutual days for attending the office to allow for in-person collaboration, Tetro says.

Tetro feels the new headquarters is an interesting reflection of how commercial real estate is changing. "Really, in the last



Source: Colliers Utah | Samantha Kight

CLEARLINK OFFICE SPACE
PHOTO COURTESY OF CLEARLINK



BRANDLESS OFFICE SPACE
PHOTO COURTESY OF BRANDLESS

two years, what we need from commercial real estate is now different. You really do need buildings that accommodate this new way that we're working," she says. "Finding the right balance in that is the current challenge of everyone running a company—to make your space work for what intentionally helps your people do better."

Clearlink in Draper, Utah

Last year, Clarke Capital Partners announced it had joined forces with Sitel Group, one of the largest global providers of customer experience (CX) products and solutions, to drive the growth of Clearlink as a tech-enabled, omnichannel platform that empowers customers to make well-informed decisions around daily purchases.

Under the terms of the partnership, Clarke Capital bought a significant interest in Clearlink and assumed management of the company. Founded in 2001 in Salt Lake City, Clearlink is committed to creating the best possible online experiences, the company's website says.

This February, Clearlink signed a lease on a 135,000 square-foot headquarters in Draper. The company is bringing employees back into the workplace following the pandemic and has made the quality of the workspace experience a priority, it said in an announcement.

"The decision to move to 42 Future Way is the ultimate game changer for our company", says James Clarke, founder and CEO of Clearlink. "Planting Clearlink's technology flag in the heart of Silicon Slopes strengthens our ability to recruit, our visibility in the community, and is a newfound competitive edge with our clients."

By moving into the new Class A office campus originally designed for Pluralsight in Draper, the team at Clearlink says it was able to take advantage of a plug-and-play space with new furniture systems, fixtures and conference facilities. Those benefits, coupled with access to onsite amenities, drove the decision to consolidate the former headquarters at the Salt Lake International Center and Utah County offices into a new centrally located headquarters.

Brandon Fugal, chairman of Colliers, represented Clearlink in the landmark transaction. "This new headquarters will provide unmatched onsite amenities and services for Clearlink employees and clients—including conference facilities, a world-class cafeteria and fitness facilities—all with immediate freeway access at the Point of the Mountain," he says.

According to Clarke, in a world where virtual has become the norm, augmenting the company's physical environment has already yielded a myriad of dividends. "We are incredibly grateful for Brandon and his team for their herculean efforts involved with executing and completing an extremely complicated transaction," he says.

> "In the last two years, what we need from commercial real estate is now different. You really do need buildings that accommodate this new way that we're working."
>
> Cydni Tetro, CEO, Brandless

STATE OF THE MARKET

Property Sectors

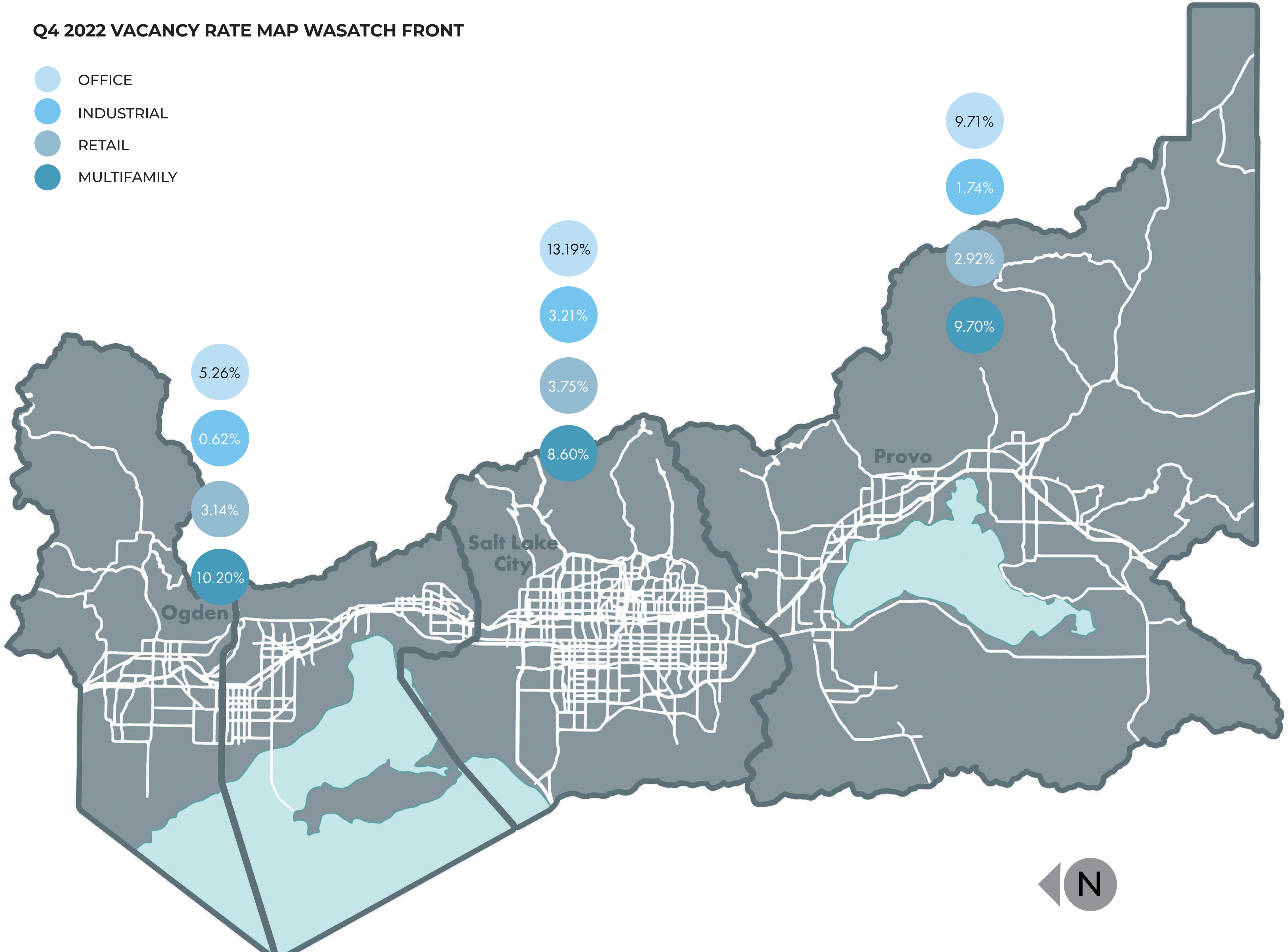
- Office
- Retail
- Industrial
- Investment
- Multifamily
- Mergers & Aquisitions

Colliers

Accelerating sucess.

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 65 countries, our 18,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 28 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of approximately 20% for shareholders. With annual revenues of $4.5 billion and $98 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people.

Q4 2022 VACANCY RATE MAP WASATCH FRONT



The Wasatch Front Vacancy

RATES

Utah's economy is rebounding after the pandemic, and has been recognized as one of the best states in the US to bounce back from the crisis. The Bureau of Economic Analysis (BEA) ranks Utah as the top state in the US for largest growth in GDP in 2021, with a growth rate of 19.1%. In terms of the real estate market, the office market has the highest vacancy rates throughout the Wasatch Front, with Salt Lake County having a vacancy rate of 12.6%. Meanwhile, the industrial market has the lowest vacancy rates, with the Davis and Weber County area having a vacancy rate below 1%.

OFFICE

Davis/Weber Counties:

The limited availability of high-quality office spaces in Davis and Weber Counties and an overall growth in demand have increased asking lease rates from $16.71 to $19.50 YoY.

Vacancy rates in Davis and Weber Counties have seen an increase from 4.76 to 5.26 percent over a year. Some companies adopting remote work policies has reduced the need for physical office space.

Due to labor and product shortages, the commercial real estate market is experiencing a significant slowdown in construction. Only 150,000 square feet are currently under construction, with 48,000 square feet of new product delivered in 2022.

Salt Lake County:

This market experienced growth in 2022 with positive absorption and an increase in average asking rates.

Construction is declining, with only 626,552 square feet under construction compared to 1,424,120 square feet in Q4 2021, mainly in Draper and Union Park submarkets.

At the end of 2021, overall average asking lease rates were recorded at $25.32 full-service gross (FSG), $1.68 less than the $27.00 FSG at year-end 2022. Class A rates continue to skyrocket with a new record high of $31.71 FSG.

This market experienced an increase in year-to-date absorption, with 536,787 square feet compared to 40,290 square feet in 2021. The CBD saw the most absorption with the delivery of the Class A building, 95 S State.

Vacancy increased from 12.77 percent to 13.19 percent at year-end, with the highest vacancies found in the Airport/Intl, South West Valley and West Valley/Lake Park submarkets. Class B product has the highest vacancy rate of 17.65 percent.

Sublease availability increased to 2.0 million square feet at year-end from 1.8 million square feet in the previous quarter. Time Square 5, Jordan Valley Tech Center I, and SoJo Station 1 are the largest spaces contributing to sublease availability.

The average asking lease rate for buildings under construction is $30.60 FSG. Minuteman VI and Baltic Pointe in Draper are among the largest buildings under construction, asking $31.85 FSG and $36.00 FSG, respectively.

Utah County:

All office projects currently under construction are located in the North quadrant, with 13.86 percent pre-leased. Valley Grove III and Traverse Heights make up 91.08 percent of the construction, with Valley Grove III asking $33.00 FSG and Traverse Heights asking $34.00 FSG.

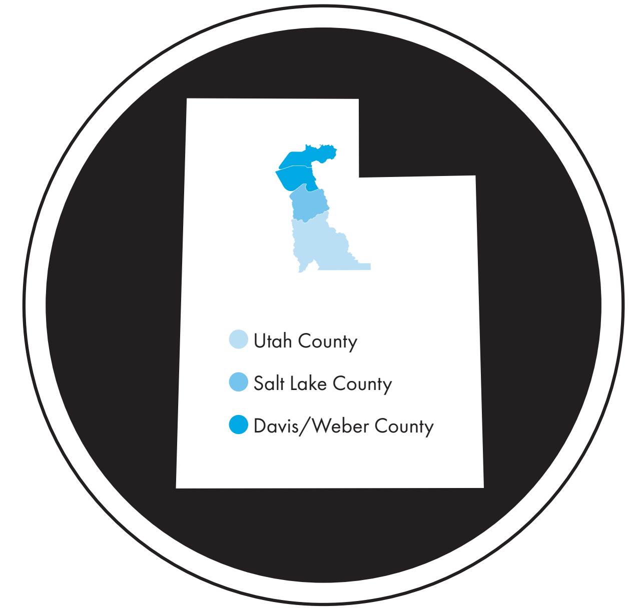
At year-end 2022, average asking lease rates were $23.58 FSG, slightly down from $23.35 in 2021. The highest rates are found in Class A product in Utah County's North quadrant, with Traverse Mountain Corporate 1 & 2, Grovecrest Center, and Grove Tower asking $33.00, $32.35, and $32.00 FSG, respectively.

Year-to-date absorption decreased from 2021 but was still positive at 396,282 square feet. The completion of Innovation Pointe 4 and AwardCo's purchase of Grove Technology Center accounted for the majority of absorption.

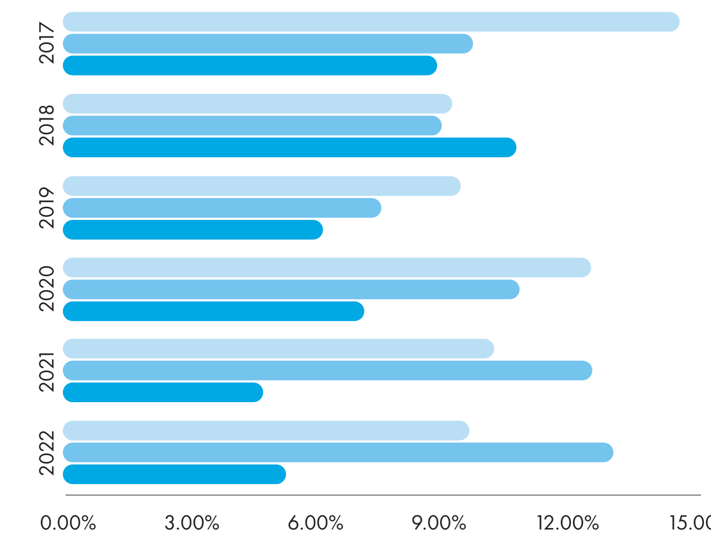
The overall vacancy rate decreased by 0.54 basis points YoY and increased by 0.66 basis points from the third to the fourth quarter. Class B product in the Central and North quadrants has the most vacancy.

The amount of sublease space available in Utah County increased from 516,756 square feet in Q4 2021 to 968,767 square feet in 2022. The North quadrant has the most sublease space available, with 825,470 square feet. Mountain Tech South Office Building 2 and Grove Technology Center have the largest Class A availabilities.

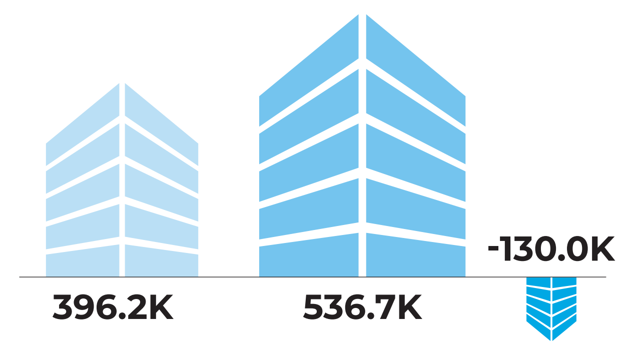
Average asking lease rates for buildings under construction are rising with increasing construction costs, with an overall rate of $32.58 FSG. This is $1.14 higher than the previous quarter and $4.18 higher YoY.



OVERALL VACANCY RATES
(BY COUNTY)



ABSORPTION RATES
(BY COUNTY)



CONSTRUCTION

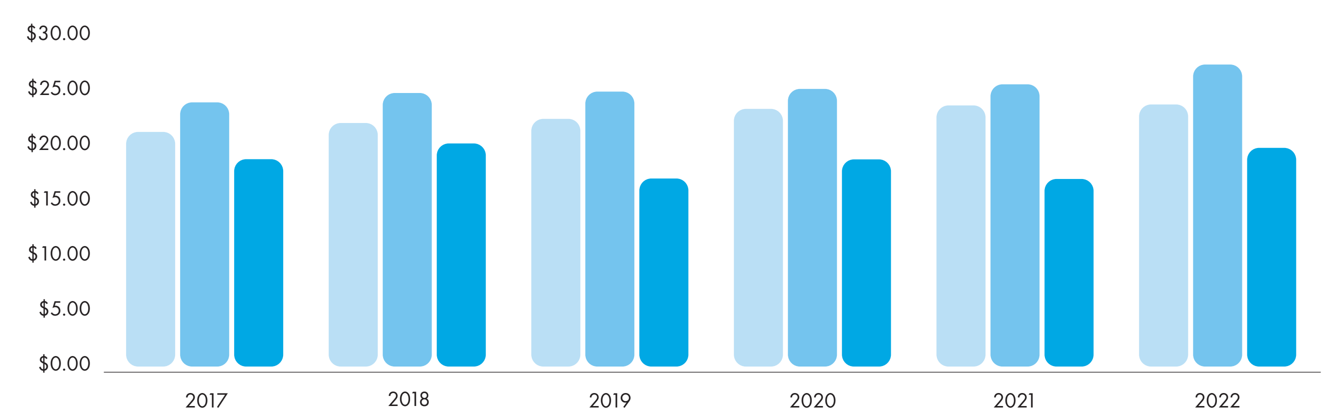
COMPLETED CONSTRUCTION

567.6K	1.4M	48.0K
Current SF Utah County	Current SF Salt Lake County	Current SF Davis/Weber Counties

UNDER CONSTRUCTION

222.0K	626.5K	150.0K
Current SF Utah County	Current SF Salt Lake County	Current SF Davis/Weber Counties

OVERALL LEASE RATES
(BY COUNTY)



Source: Colliers

RETAIL

Davis/Weber Counties

In recent years, the economic development of Davis and Weber counties has been bolstered by robust employment expansion.

The retail market is showing signs of growth as vacancy rates decreased from 3.55 to 3.14 percent. This decrease, paired with an increase in leasing activity, makes for a positive outlook in the retail sector. The Davis County Station Park development continues to attract new tenants, including Whole Foods and a Shake Shack. The opening of the Marketplace at Tech Ridge in Weber County features a large Smith's Marketplace and other retailers.

Salt Lake County

During Q4 2022, vacancy rates and asking lease rates in the retail market experienced a slight decrease. Despite this, construction rates declined as interest rates continued to rise, and many developers put projects on hold.

Retail construction increased from 471,000 square feet in the third quarter of 2022 to 575,000 square feet currently. Notably, 69 percent of construction projects are located in the South West submarket. Three projects were completed in the fourth quarter, adding 15,000 square feet to the base. Pre-leasing went down from 74.70 percent to 69.44 percent.

Average asking lease rates increased by 0.882 percentage points YoY to $20.57 triple net. The highest asking lease rates were in the Central East submarket, ranging from $19.69 to $27.78 triple net and reaching $25.33 overall. Neighborhood centers increased from $17.13 to $17.44 YoY while other center types decreased slightly.

The current absorption rate decreased to 421,841 square feet, compared to 623,188 square feet at the end of 2021. Demand for retail space remains strong and existing product is challenging to find.

Vacancy rates continued to decrease from 4.85 percent in the fourth quarter of 2021 to 3.75 percent at year-end. Community centers have the lowest vacancy rates in the market due to limited options. Vacancy has also decreased in locations that offer drive-thru service.

Utah County

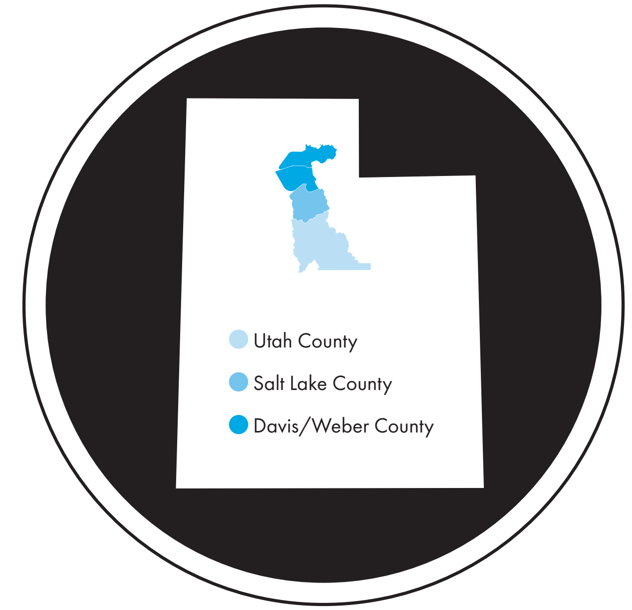
National retailers have maintained their interest in Utah County. Although vacancy is still low throughout Utah, tenants are willing to prelease unfinished space or look at areas they wouldn't normally have considered.

Retail construction decreased significantly from 435,000 square feet at the end of 2021 to 117,000 square feet at the end of 2022. Preleasing increased substantially from 26.91 percent this time last year to 69.58 percent at the end of the fourth quarter. With a lack of available space, tenants are preleasing well in advance to secure space. As demand persists, preleasing will continue to increase, guaranteeing future space for tenants looking to expand or move into the Utah market.

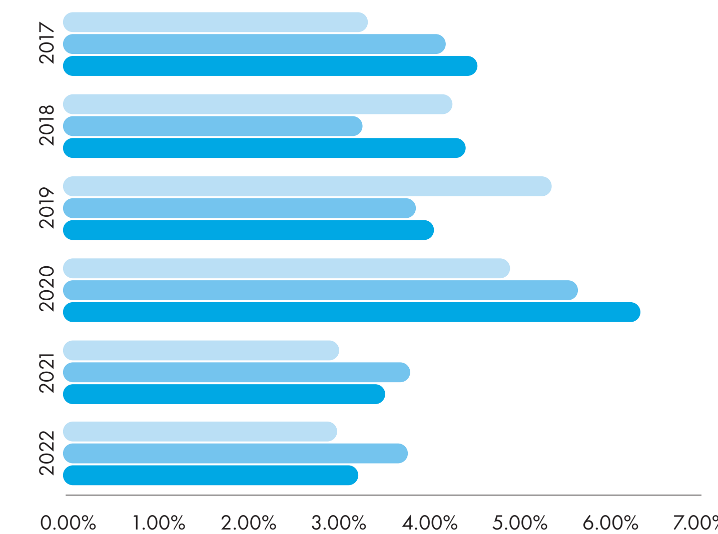
The average asking lease rate decreased by 2.81 percentage points to $22.82 triple net YoY. The highest asking lease rates are in the South quadrant with some regional centers asking $40.00 per square foot, followed closely by anchorless centers in the West quadrant at $35.68.

The absorption rate was recorded at 260,000 square feet at year-end, significantly lower than the 509,000 square feet recorded in the fourth quarter of 2021. With land costs still at an all-time high, construction costs fluctuating and interest rates rising, developers continue to be weary of starting new developments.

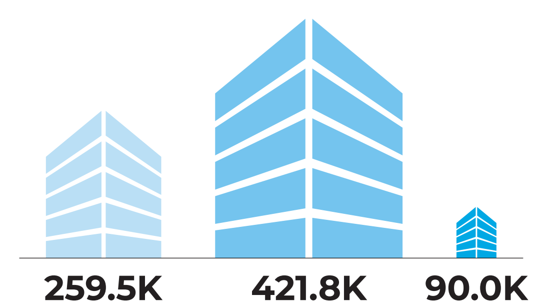
Vacancy rates continued to decrease from 3.00 percent in the fourth quarter of 2021 to 2.92 percent at the end of 2022. The South quadrant saw the most significant decrease in vacancy from 1.80 percent to 1.05 percent YoY, followed closely by the North quadrant, which saw a 0.36 percent decrease YoY. Low vacancy rates have not curbed the demand for retail space.



OVERALL VACANCY RATES
(BY COUNTY)



ABSORPTION RATES
(BY COUNTY)



CONSTRUCTION

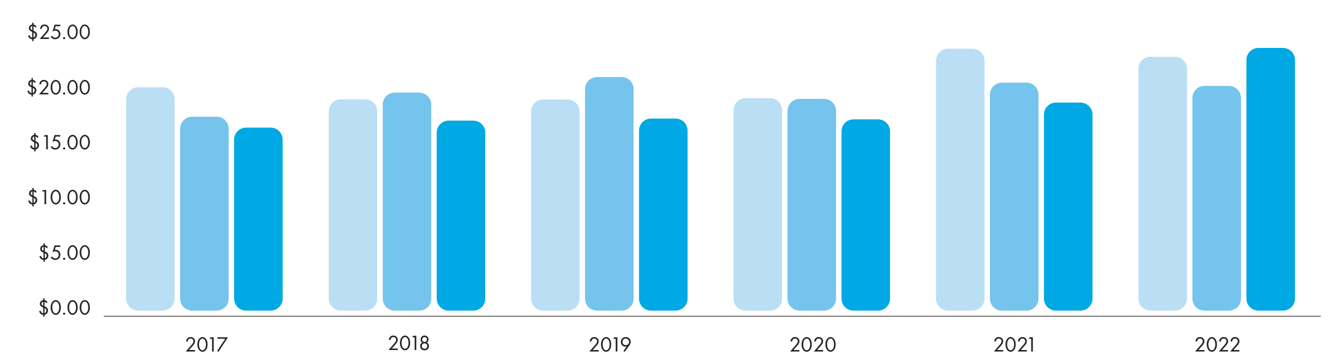
COMPLETED CONSTRUCTION

305.6K	481.9K	28.0K
Current SF Utah County	Current SF Salt Lake County	Current SF Davis/Weber Counties

UNDER CONSTRUCTION

116.8K	574.5K	0K
Current SF Utah County	Current SF Salt Lake County	Current SF Davis/Weber Counties

OVERALL LEASE RATES
(BY COUNTY)



Source: Colliers

INDUSTRIAL

Davis/Weber Counties

Vacancy rates decreased from 0.90 percent at the end of 2021 to 0.62 percent in 2022. Demand for industrial space in both counties remains high.

Lease rates went from $0.68 triple net in 2021 to $0.71 the following year. With tenants willing to pay higher rates to secure space for their company, landlords can set higher-than-average rates.

Salt Lake County

This county saw a total of 10.7 million square feet of new inventory for the year. Demand for industrial space remained strong, with a positive 8.3 million square feet of absorption in Salt Lake County. Vacancy rates inched upward, allowing industrial tenants to explore more options.

New construction decreased in 2022 compared to the record 9.4 million square feet from 2021.

The overall asking lease rate decreased from $0.85 triple net in the third quarter of 2022 to $0.78 at year-end. An additional 2.4 million square feet of new construction hit the North West submarket, enabling more competitive pricing. Lease rates for buildings in the 20,000–50,000 square-foot range increased by roughly $0.10 triple net YoY.

Absorption rose from 5.9 million in the third quarter of 2022 to 8.2 million at year-end. The North West submarket saw the majority of activity, with 25 deals totaling 2.4 million square feet in the fourth quarter.

The vacancy rate increased from 2.49 percent in the third quarter of 2022 to 3.21 percent at year-end as 2.6 million square feet of new industrial space came online. Only 350,000 square feet were preleased.

The average asking sales price per square foot increased from the third to the fourth quarter of 2022 to $153.70. There are no spaces under 5,000 square feet or over 100,000 square feet available for sale.

Sale prices for industrial space in Salt Lake County increased from $209.54 per square foot in the third quarter of the year to $222.79 at year-end.

The North West submarket is home to the majority of current industrial construction. Of the 4.6 million square feet currently under construction, only 6.7 percent is owner/user space while 93 percent is speculative.

Utah County

Demand for industrial space in Utah County still outpaces supply, with year-to-date absorption reaching almost 3 million square feet. While 943,180 square feet of new product came online this quarter, 23.22 percent is preleased.

The number of new developments under construction decreased throughout 2022 but is likely to reverse with some developers ready to start new projects in the spring.

The average monthly asking lease rate from the third to the fourth quarter of 2022 was $0.87 triple net. Eight new buildings were completed with lease rates ranging from $0.85 to $0.95 triple net. Ongoing demand and limited inventory are likely to push climbing lease rates throughout 2023.

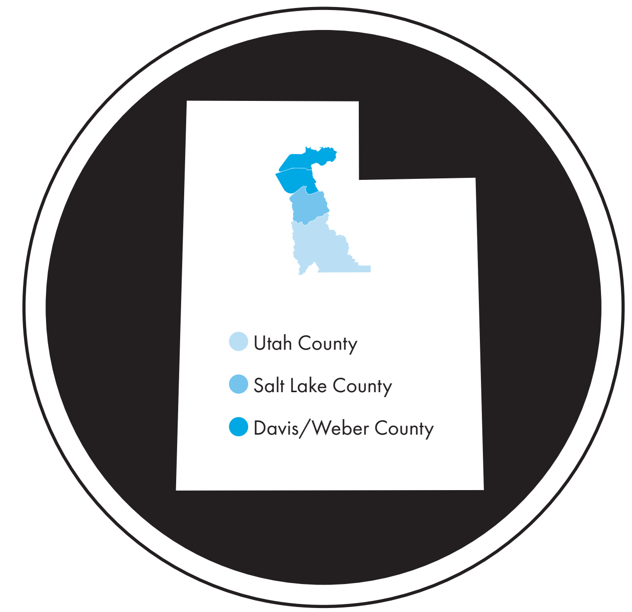
Absorption in Utah County increased by approximately 32 percent from the third to the fourth quarter of 2022, with year-to-date absorption reaching a positive 3,232,513 square feet.

Overall vacancy in Utah County increased from 1.33 percent in the third quarter of 2022 to 1.74 percent at year-end. Roughly 23 percent of the over 1 million square feet of new industrial developments that reached completion was pre-leased. There is almost no vacancy in buildings under 100,000 square feet.

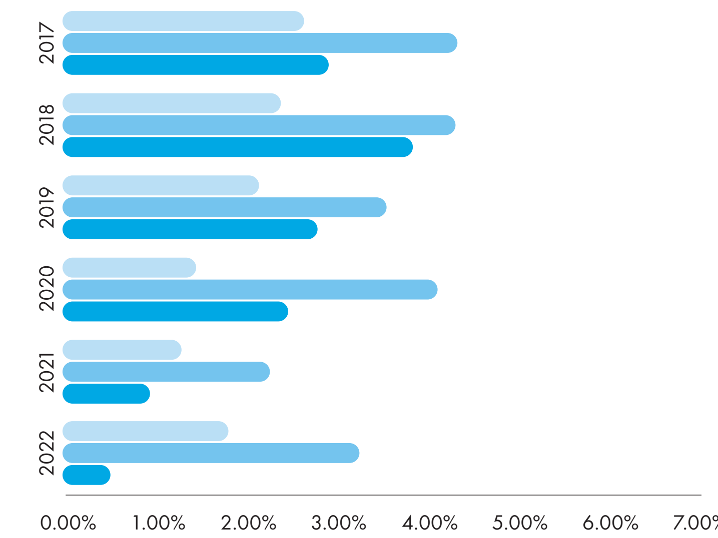
A limited supply of industrial space in Utah County has generated high investor demand, with asking sales prices ranging from $120 to $235 per square foot.

The average overall achieved sales price in Utah County reached $220 per square foot in the fourth quarter of the year.

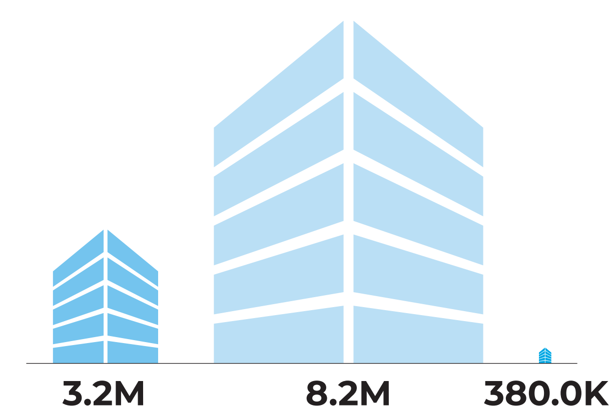
Over 91 percent of projects that are under construction in Utah County are speculative, leaving just 9 percent (two buildings) classified as owner/user.



OVERALL VACANCY RATES
(BY COUNTY)



ABSORPTION RATES
(BY COUNTY)



CONSTRUCTION

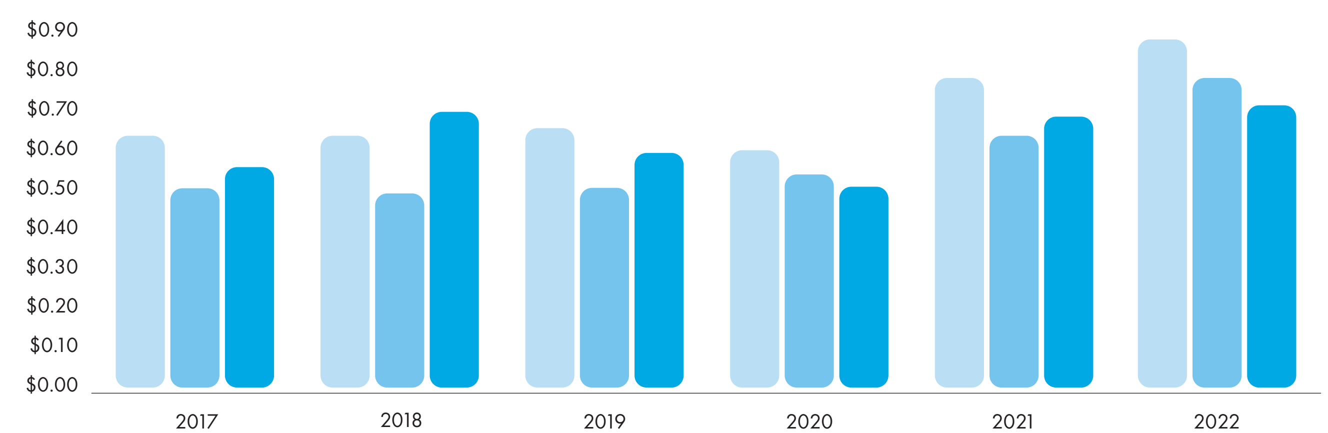
COMPLETED CONSTRUCTION

3.3M	10.7M	1.0M
Current SF Utah County	Current SF Salt Lake County	Current SF Davis/Weber Counties

UNDER CONSTRUCTION

2.8M	4.6M	0K
Current SF Utah County	Current SF Salt Lake County	Current SF Davis/Weber Counties

OVERALL LEASE RATES
(BY COUNTY)



Source: Colliers

2022 Utah Report

INVESTMENT

Cap rates for all property types along the Wasatch Front rose from 5.95 percent at the end of 2020 to 6.1 percent at the same time this year.

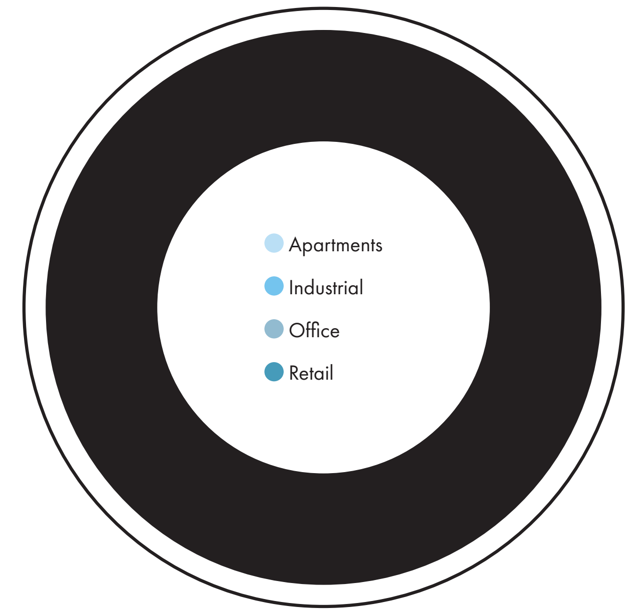
At the end of 2022, the overall cap rate for office investments in Utah stood at 7.7 percent, an increase from the previous year's rate of 6.50 percent. Despite the rise, the Utah office market continues to show resilience, attracting new investors due to its strong fundamentals and high demand for quality office space. The increase in cap rates is mainly attributed to rising interest rates and inflationary pressures in the market. As such, investors are advised to remain cautious and conduct thorough due diligence before investing in the Utah office market.

The retail investment market in Utah experienced a slight drop in overall cap rates, going from 6.41 percent at the end of 2021 to 6.4 percent at the end of 2022. Despite this decrease, the market remains strong and stable, with high demand for retail space and steady leasing activity. Retail centers located in desirable submarkets continue to command high asking lease rates, making them attractive investments for landlords and developers.

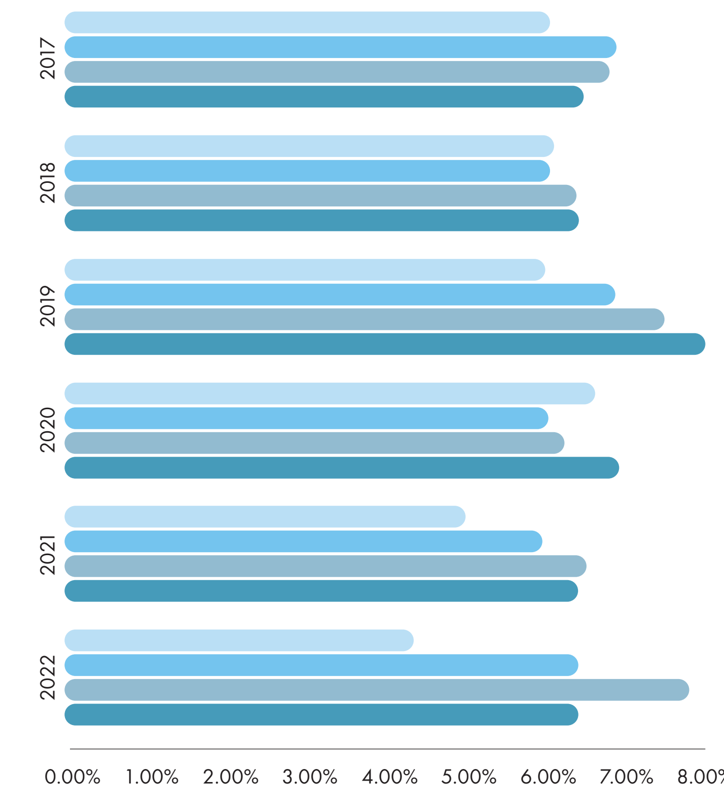
In Utah, the industrial sector's cap rates have increased from 5.90% at the end of 2021 to 6.40% at the end of 2022. As a result, the market has become more attractive to investors, who have shown a strong interest in purchasing industrial properties throughout the state. Despite increased cap rates, demand for industrial space continues to be high, with many tenants eager to secure space for their businesses.

Multifamily investment in Utah saw a decrease in overall cap rates from 4.98 percent at the end of 2021 to 4.30 percent at the end of 2022. Despite this decrease, Utah continues to offer strong investment opportunities in the multifamily sector with its growing population and stable job market. However, the rise in interest rates could pose a challenge for developers and investors in the coming year. Despite this, the multifamily market in Utah remains highly competitive, and demand for rental housing is expected to remain strong.

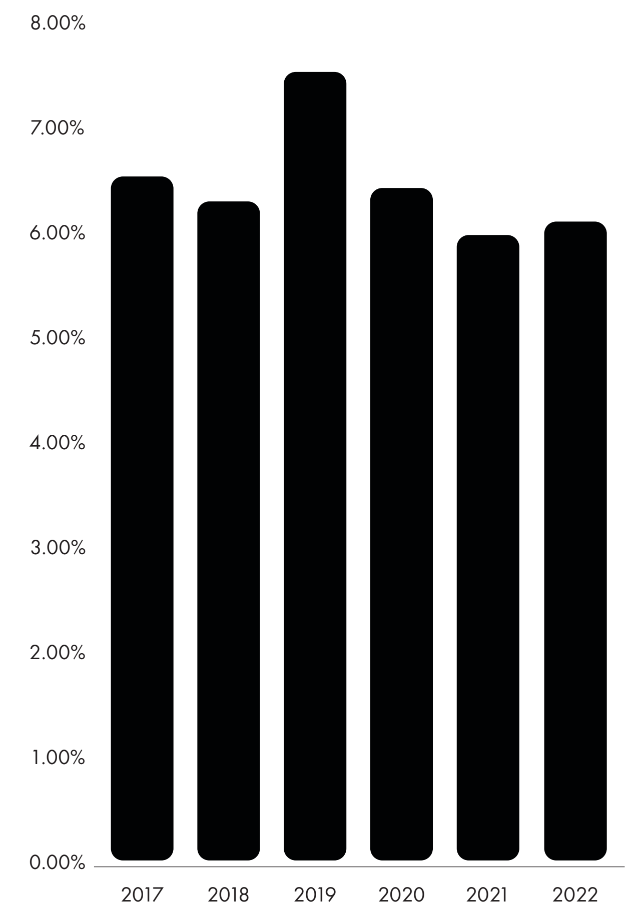
Utah's investment market remains active, with strong demand for real estate assets across all property types. While interest rates have risen, they remain low compared to historical averages, which continues to fuel investment activity. The industrial sector continues to perform well, with e-commerce growth driving demand for logistics space. The retail sector has also shown resilience, despite challenges from the pandemic, as Utah's population and economy continue to grow. The multifamily sector has seen strong demand, although supply remains limited, leading to a competitive market for investors. Overall, the Utah investment market remains attractive to both domestic and foreign investors, with strong fundamentals and a positive outlook for growth.



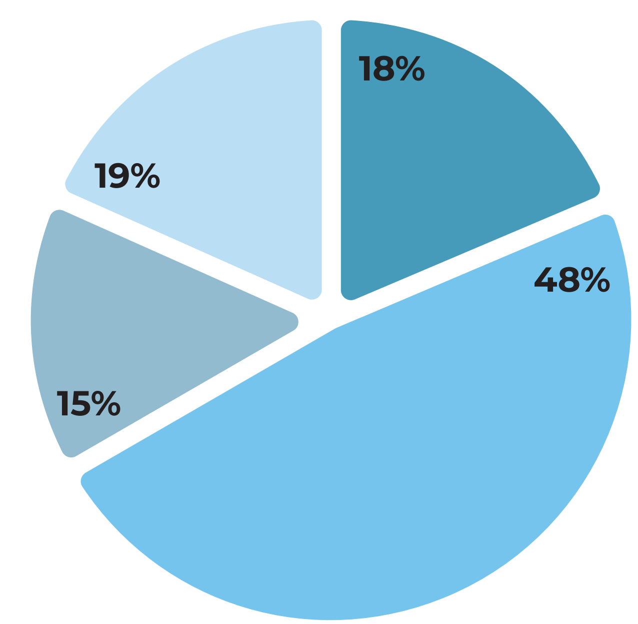
CAP RATES BY TYPE
(WASATCH FRONT)



ALL PROPERTY TYPES
(WASATCH FRONT)



INVESTMENT VOLUME
(WASATCH FRONT)



Source: Costar + Real Capital Analytics + our database

MULTIFAMILY

Davis/Weber Counties

The multifamily market experienced mixed performance in 2022. While 3,370 units were completed, the vacancy rate increased to 10.2 percent. There are currently 1,635 units under construction. Despite the elevated vacancy rate, the strong pipeline of new construction indicates developers' faith in the market, which may result in increased absorption rates.

The average asking rent per unit in these counties is currently $1,438, a moderate increase from the previous year. Property owners may find it increasingly challenging to command higher rents. However, with the area's strong job growth and a large portion of the population choosing to rent, the outlook for the multifamily market remains positive. With interest rates remaining relatively low, there is potential for developers to continue to build and improve the market.

Looking ahead, developers may need to be cautious as rising interest rates could increase borrowing costs and impact profitability. The potential for increased competition from new construction projects may further exacerbate the elevated vacancy rates in the short term.

Salt Lake County

The multifamily market remains active with an 8.6 percent vacancy rate as of the end of 2022. The construction industry added 5,509 units to the market in 2022, with an additional 9,771 units under construction as of the end of the year. Despite the significant amount of new construction, demand for multifamily housing in the area remains strong.

The average asking rent per unit in Salt Lake County was $1,531 at of the end of 2022, reflecting a slight increase from the previous year. The market for luxury apartments continues to grow, with new developments targeting high-end renters with high-quality amenities and upscale finishes. However, more affordable options remain available for those seeking multifamily housing in Salt Lake County.

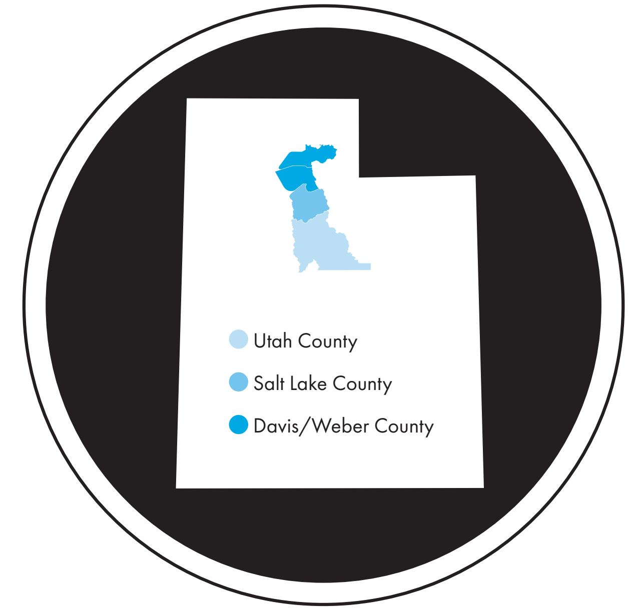
As the population of Salt Lake County continues to grow, the demand for multifamily housing is likely to increase. The county's strong job market and relatively low cost of living have made it an attractive destination for young professionals and families alike, with many seeking the convenience and flexibility that comes with renting a multifamily unit.

Utah County

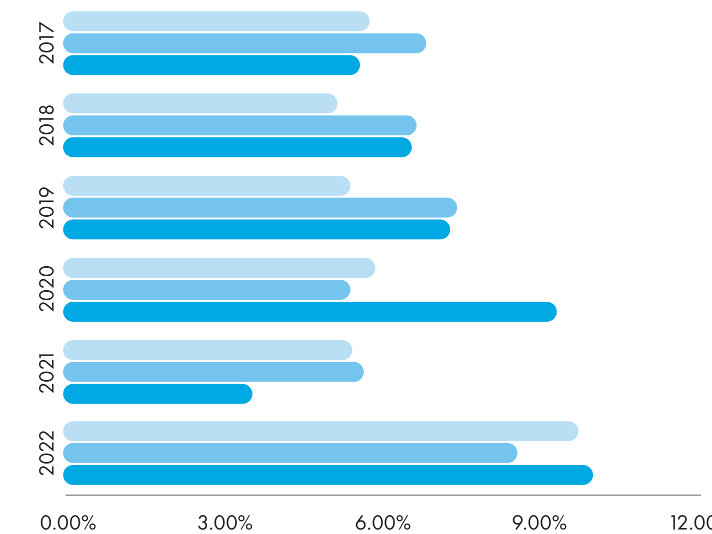
The multifamily market remains strong despite a slight increase in the vacancy rate to 9.7 percent. In 2022, the market saw 2,523 new units completed, while 2,321 units remained under construction at year-end, indicating continued growth. The average asking rent per unit in Utah County is $1,536, reflecting a steady increase over the past few years.

Much of the new development in Utah County is centered around the tech industry, with companies such as Adobe and Qualtrics bringing in high-paying jobs and driving demand for new housing. The Provo-Orem area has seen a surge in development and population growth, making it one of the fastest-growing metropolitan areas in the country. Developers are eagerly pursuing new projects in the area, with many targeting the upscale and luxury segments of the market.

While the multifamily market in Utah County is facing challenges like rising construction costs and the ongoing pandemic, the overall outlook remains positive.



OVERALL VACANCY RATES
(BY COUNTY)



CONSTRUCTION

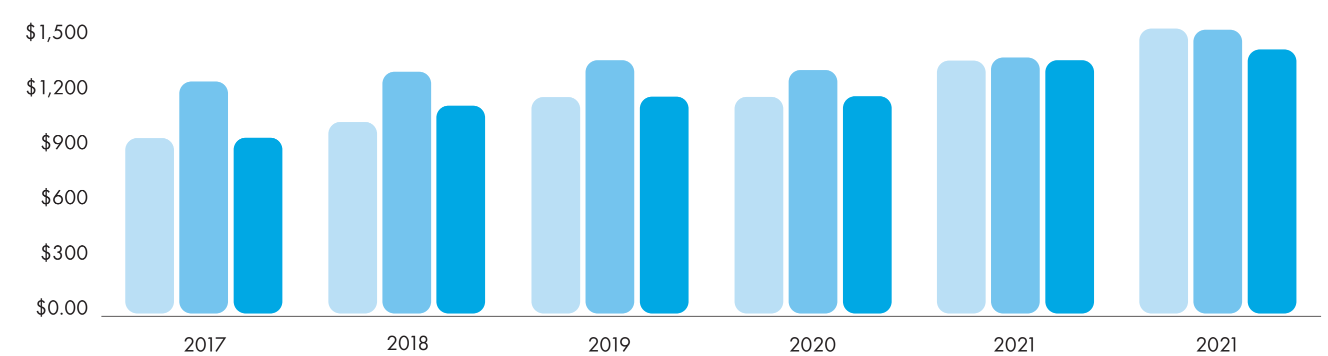
COMPLETED CONSTRUCTION

2.5K	5.5K	3.3K
Current Units Utah County	Current Units Salt Lake County	Current Units Davis/Weber Counties

UNDER CONSTRUCTION

2.3K	9.7K	1.6K
Current Units Utah County	Current Units Salt Lake County	Current Units Davis/Weber Counties

DAILY ASKING RENT
(BY COUNTY)



Source Costar + Integra Realty Resources + Real Capital Analytics

MERGERS & ACQUISITIONS

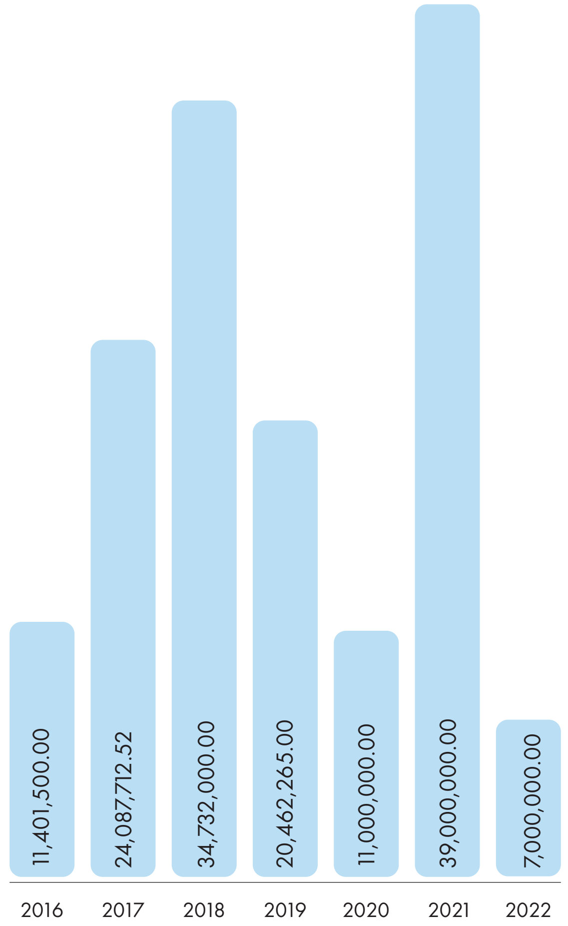
2022 saw strong North American M&A activity despite tightening capital markets, slowing global growth, and continued economic uncertainty. Overall deal value was down from 2021, although transaction volume increased, driven by a decline in $1 billion+ transactions.

Transactions for small and lower-midmarket businesses showed modest growth, with closed transactions up 4.7% over the previous year, representing a 19% gain since 2020, when many small businesses faced Covid lockdowns, yet still 7% below 2019's pre-pandemic levels. The first half of the year experienced strong YoY gains, but as inflation surged and interest rate hikes took effect, momentum slowed in the second half.

In 2023, buyers are expected to continue to be on the lookout for strong acquisition opportunities, and retirement will remain the top reason owners want to sell. As interest rates and inflation create economic headwinds, seller financing becomes more important and the market favors buyers.

Colliers' mergers & acquisitions group activity reflects the lingering Covid "hangover" with lower overall transaction value and volume. Deals covered a variety of industries, including healthcare, business and personal services, transportation, and recreation. 2023 is off to a strong start, with transaction value in the first half expected to exceed 2022 totals.

TOTAL VALUE



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Colliers is defined by a spirit of enterprise.

That mindset is part of everything we do. We take the initiative. We innovate. We navigate the commercial real estate process from Southern to Northern Utah as the state's largest and top-performing full-service brokerage. Our professionals actively seek opportunities to strengthen and improve Utah communities while delivering market-leading client results because enterprise and caring are our very nature.

Colliers | **Utah**

SALT LAKE CITY
COTTONWOOD HEIGHTS
PLEASANT GROVE
ST. GEORGE

196 PROFESSIONALS

$2.58 B TRANSACTION VOLUME

1,428 TRANSACTIONS

1,084 CRE LISTINGS

Top Economic Engine in Utah
Utah Valley Business Q

CEO of The Year
Utah Business

Business of the Year
Utah Valley Chamber

Fastest Growing Brokerage
Real Estate Forum

Fast 50
Utah Business

Top 25 Brokerage
National Real Estate Investor

Utah 100
Mountain West Capital Network

Landlord Representation | Tenant Representation | Market Research & Location Intelligence | Project Management Capital Markets | Corporate Solutions | Property Positioning & Marketing Real Estate Investment | Valuation & Advisory

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