

4Q24

Greater Salt Lake Office Market

Overviews for Salt Lake, Davis, Weber and Utah Counties and the Tech Corridor Region



NEWMARK

Market Observations

Economy

- The Wasatch Front maintained a strong labor market with a 3.1% unemployment rate in November 2024, well below the national average of 4.0%.
- Most super-sectors posted year-over-year job gains, except for leisure/hospitality and trade/transportation/utilities.
- Office-using employment remains above pre-pandemic levels, but growth is leveling off. Ogden-Clearfield and Salt Lake City MSAs led in overall job gains, while the Provo-Orem MSA saw notable job losses due to tech-sector layoffs.

Major Transactions

- New direct leases dominated activity in Northern Wasatch Front, while subleases and lease renewals were more common in Salt Lake and Utah Counties.
- Redevelopment of office assets remains active, with more projects anticipated in early 2025.
- Leasing activity in 2024 exceeded 2023 lows, driven by renewals and relocations, with tenants seeking cost-effective options or downsizing.
- Troubled loans have prompted an increase in for-sale listings and office transactions, with private buyers and owner-users leading recent acquisitions.

Leasing Market Fundamentals

- While 136,330 SF in quarterly net absorption gains were recorded across the Wasatch Front, the region posted 599,055 SF in overall losses for the year. Tenant contractions were heaviest in Salt Lake City and Provo-Orem MSAs, while Ogden-Clearfield MSA saw strong gains driven by activity around Hill Air Force Base.
- The office construction pipeline declined sharply from its 2019 peak of 3.7 MSF, with just over 450,000 SF underway at the end of 2024. Rising sublease availability and hybrid work models have curbed new starts.
- Stagnant rent growth reflects tenants' cost sensitivity and landlords' focus on retaining rental income. Increasing direct vacancy rates may prompt landlords to offer greater concessions and flexible terms to attract tenants.

Outlook

- Economic uncertainty will temper leasing and sales activity as occupiers and investors proceed with caution.
- Vacancy rates are expected to rise as leases expire and tenants renew or relocate with smaller footprints.
- Sublease space will continue transitioning to direct availability, prolonging absorption times and adding pressure on landlords. Competitive concessions and adaptive leasing strategies will be vital.

1. Economy
2. Market Fundamentals:
 - Salt Lake City
 - Davis and Weber Counties
 - Utah County
 - Tech Corridor
3. Utah Capital Markets Overview

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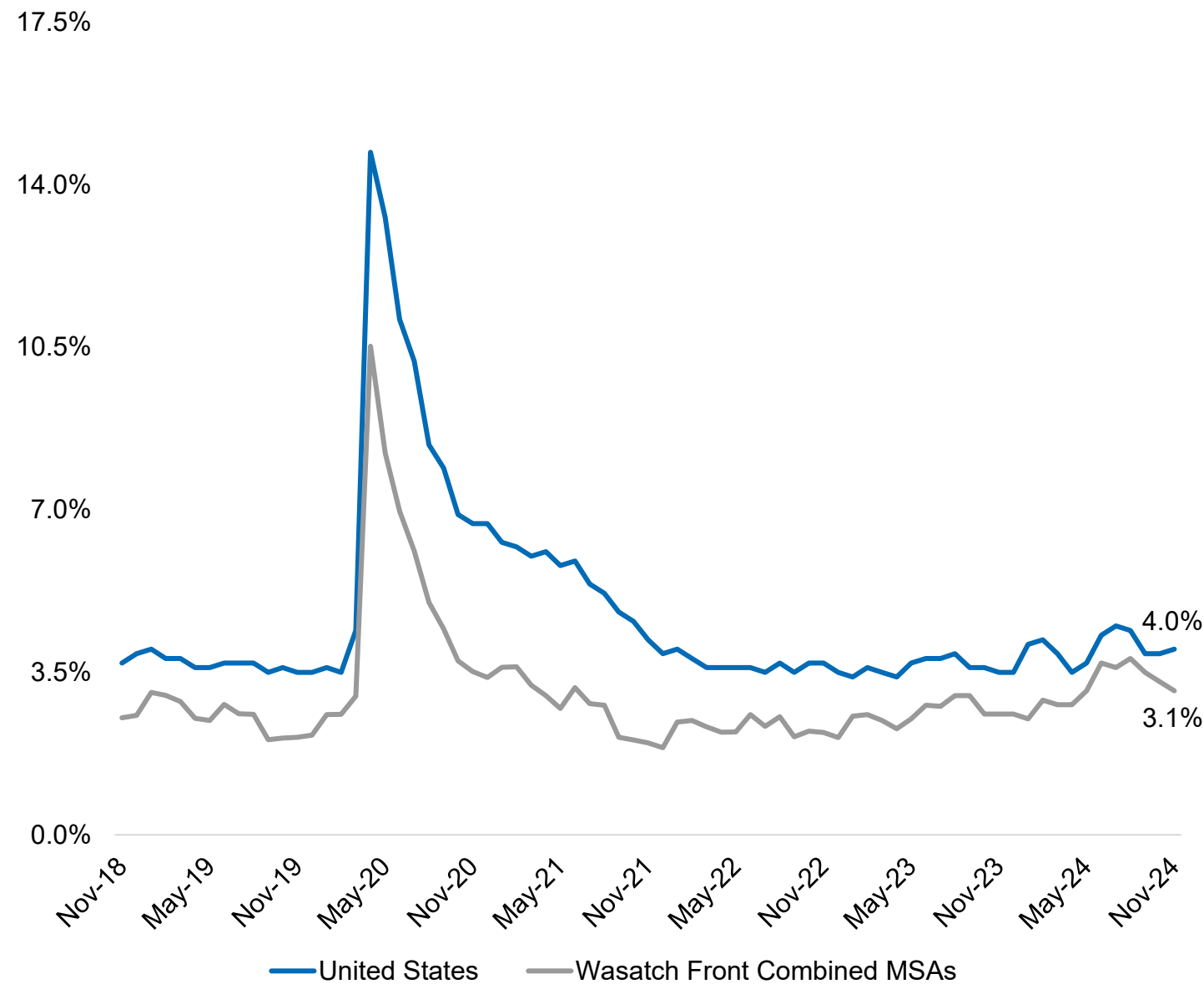
Economy



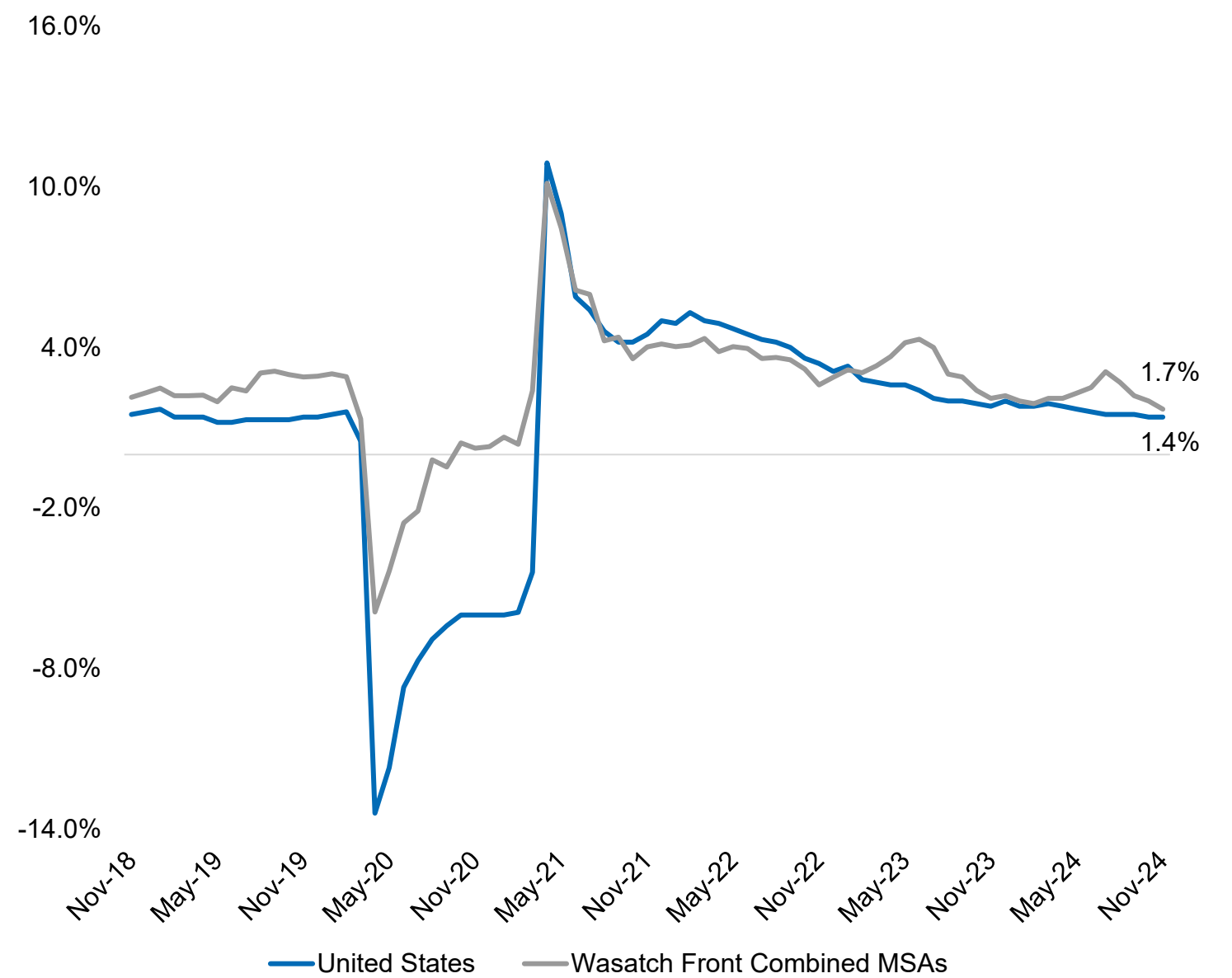
Wasatch Front Maintains Strong Employment Amid Slowing Growth

The Wasatch Front has historically maintained unemployment rates well below the national average and has aligned with pre-pandemic levels for the past two years, even amid economic uncertainty. As of November 2024, the region's unemployment rate was 90 basis points lower than the national figure. While local job growth slowed in the second half of 2024, it remained positive at 1.7% annually, outpacing the national growth rate of 1.4%.

Unemployment Rate, Not Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

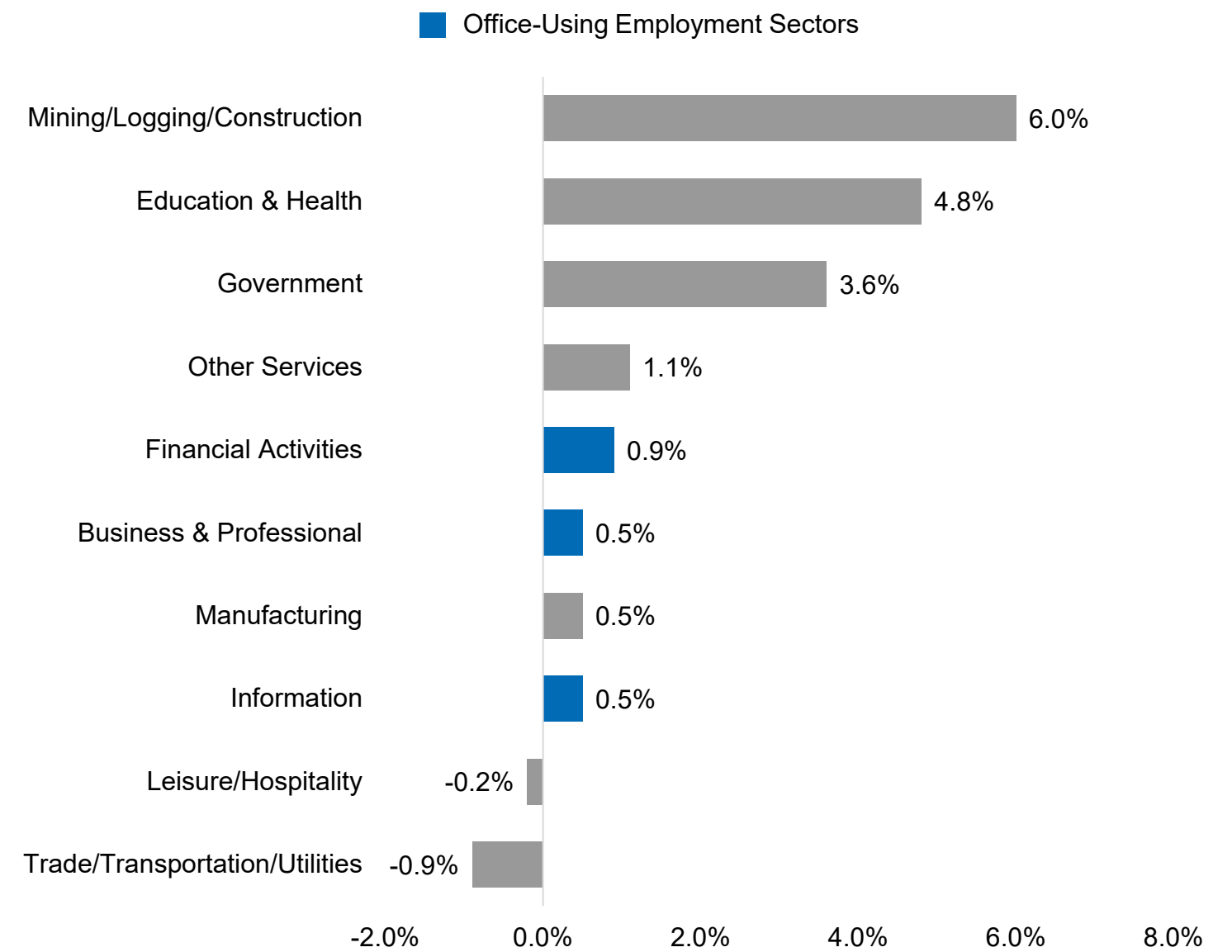
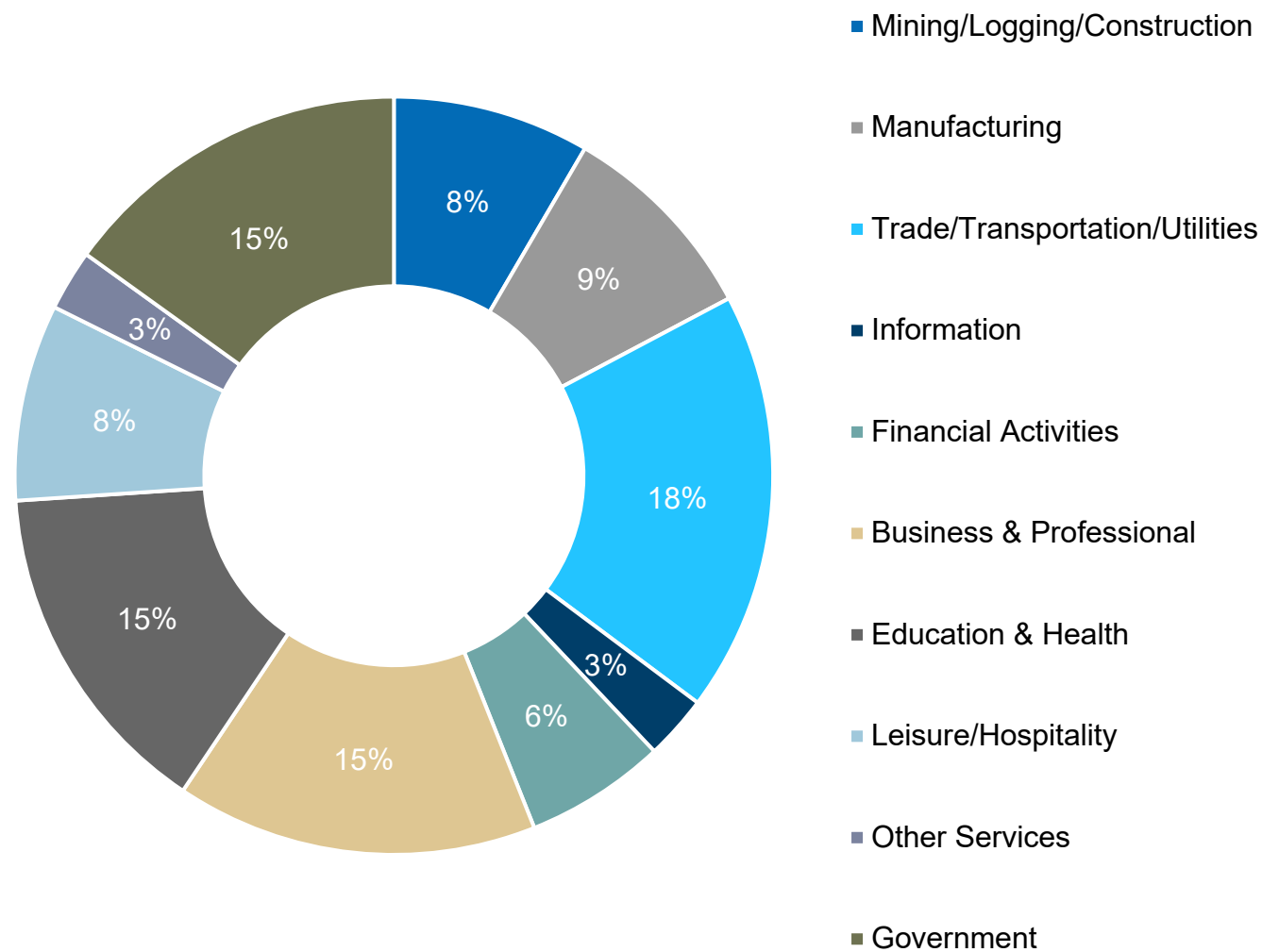
*Wasatch Front Combined MSAs include: Salt Lake City MSA, Provo-Orem MSA and Ogden-Clearfield MSA

Industry-Specific Gains Drive Wasatch Front Job Growth in 2024

Along the Wasatch Front, strong year-over-year job growth was led by the mining/logging/construction (+6.0%), education and health (+4.8%), and government (+3.6%) sectors, which supported overall employment gains. However, the trade/transportation/utilities (-0.9%) and leisure/hospitality (-0.2%) sectors saw slight contractions over the past 12 months, reflecting broader challenges in those industries.

Wasatch Front Employment by Industry, November 2024

Wasatch Front Employment Growth by Industry, 12-Month % Change, November 2024



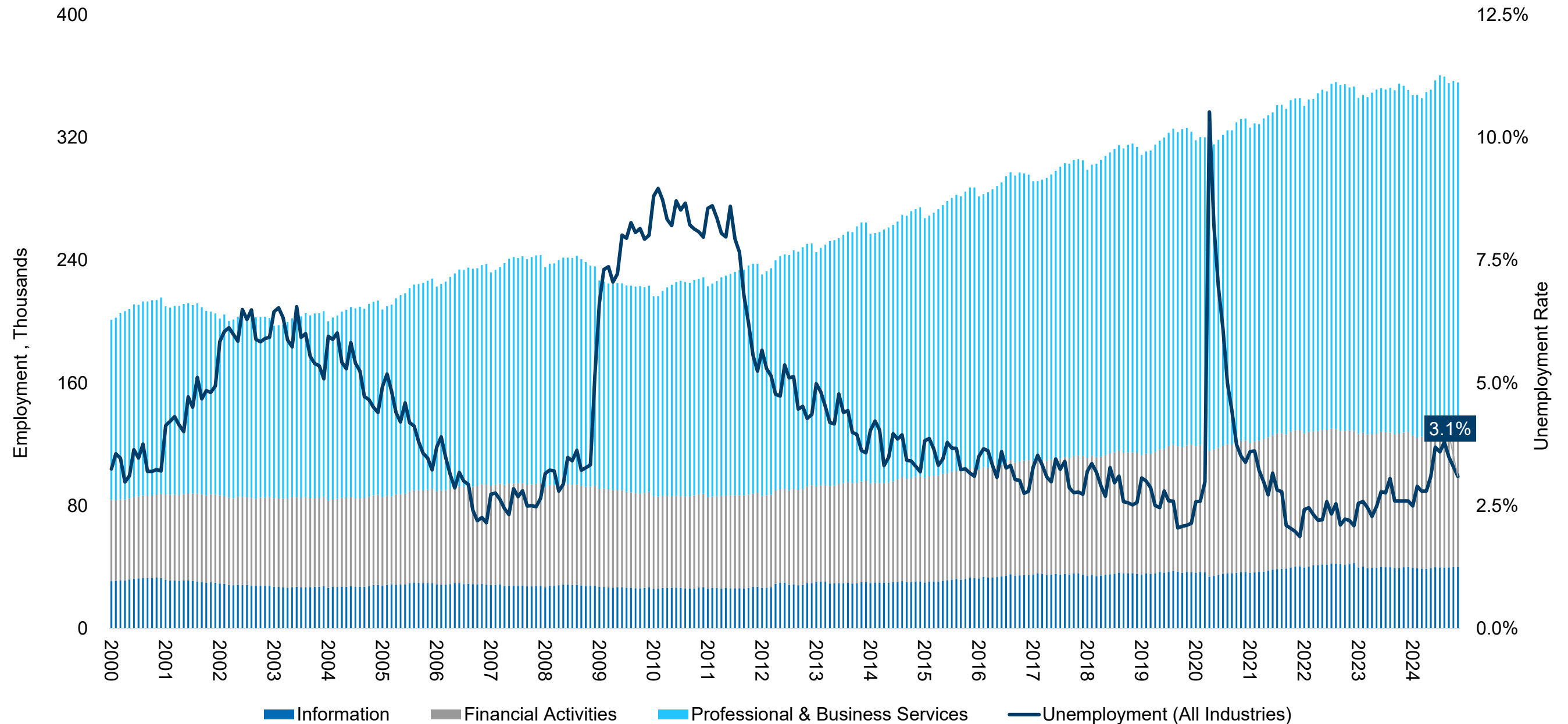
Source: U.S. Bureau of Labor Statistics

*Wasatch Front Combined MSAs include: Salt Lake City MSA, Provo-Orem MSA and Ogden-Clearfield MSA

Wasatch Front Office-Using Employment Remains Resilient

Defying national trends, office-using employment in the Wasatch Front experienced only a minor decline during the pandemic and has remained stable since mid-2022. While white-collar job contractions impacted the region in late 2024, they were less pronounced than in other markets, highlighting the metro's resilience. Notably, all three office-using industry sectors posted positive year-over-year job growth, reinforcing the strength of the local economy.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics
 Wasatch Front Combined MSAs include: Salt Lake City MSA, Provo-Orem MSA and Ogden-Clearfield MSA
 Note: November 2024 data is preliminary.
 *Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

Diverse Industry Growth Strengthens Wasatch Front, While Provo-Orem Faces Tech Sector Challenges



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Salt Lake City Market Fundamentals



Salt Lake County Office Submarket Map and High-Level Statistics – 4Q24



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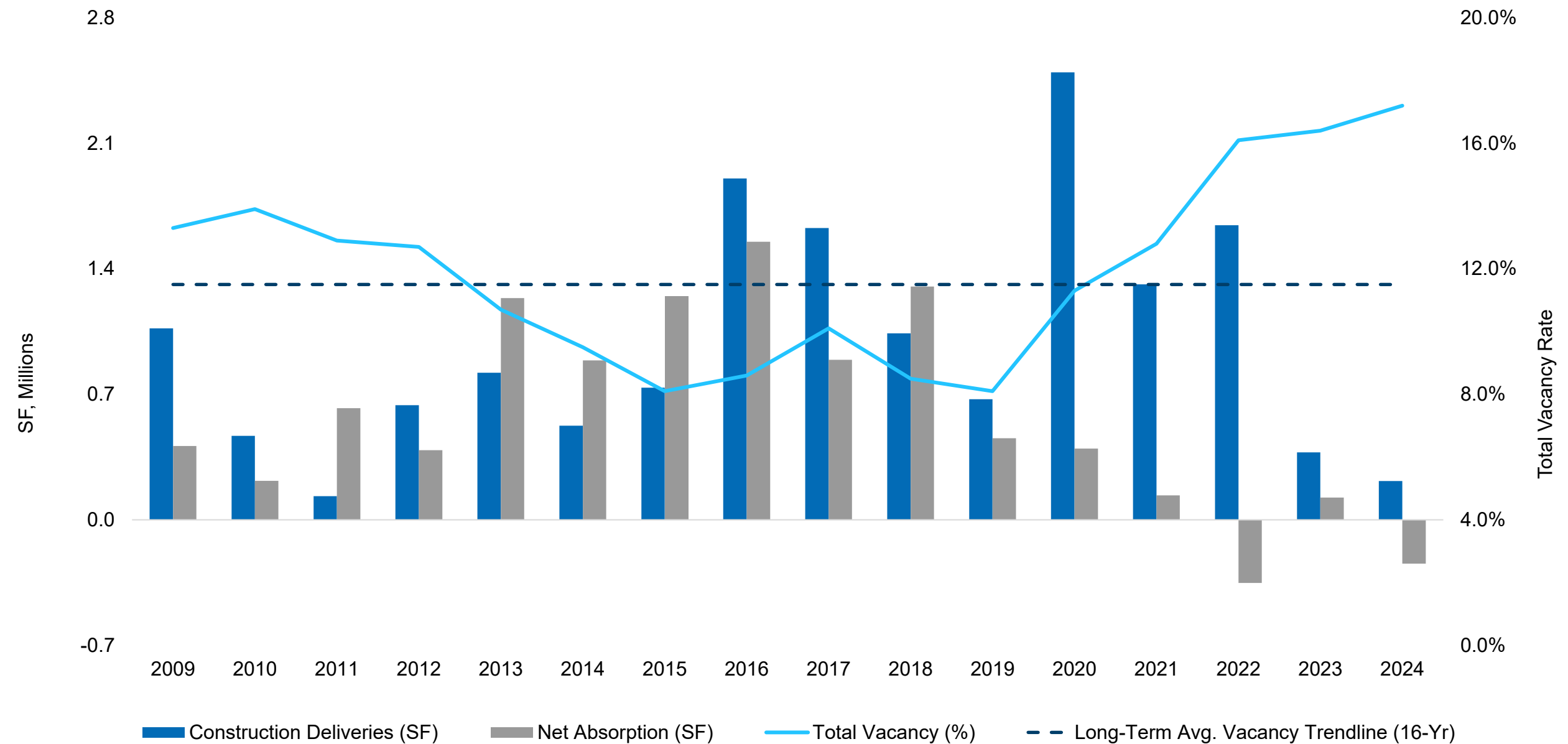
Return-to-Office Outlooks are Improving; Leasing Activity Stands to Benefit

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Redevelopments and Reduced Supply Stabilize Salt Lake City Office Market

Total vacancy rose to 17.2% in 2024, an 80-basis-point increase driven by tenant contractions and space vacancies across the valley. Large redevelopment projects, such as the former eBay headquarters and City Centre in downtown Salt Lake City, are reshaping the office landscape and will continue to do so into early 2025. The market's shift away from new speculative developments has helped stabilize vacancy increases despite ongoing tenant downsizing.

Historical Construction Deliveries, Net Absorption, and Vacancy

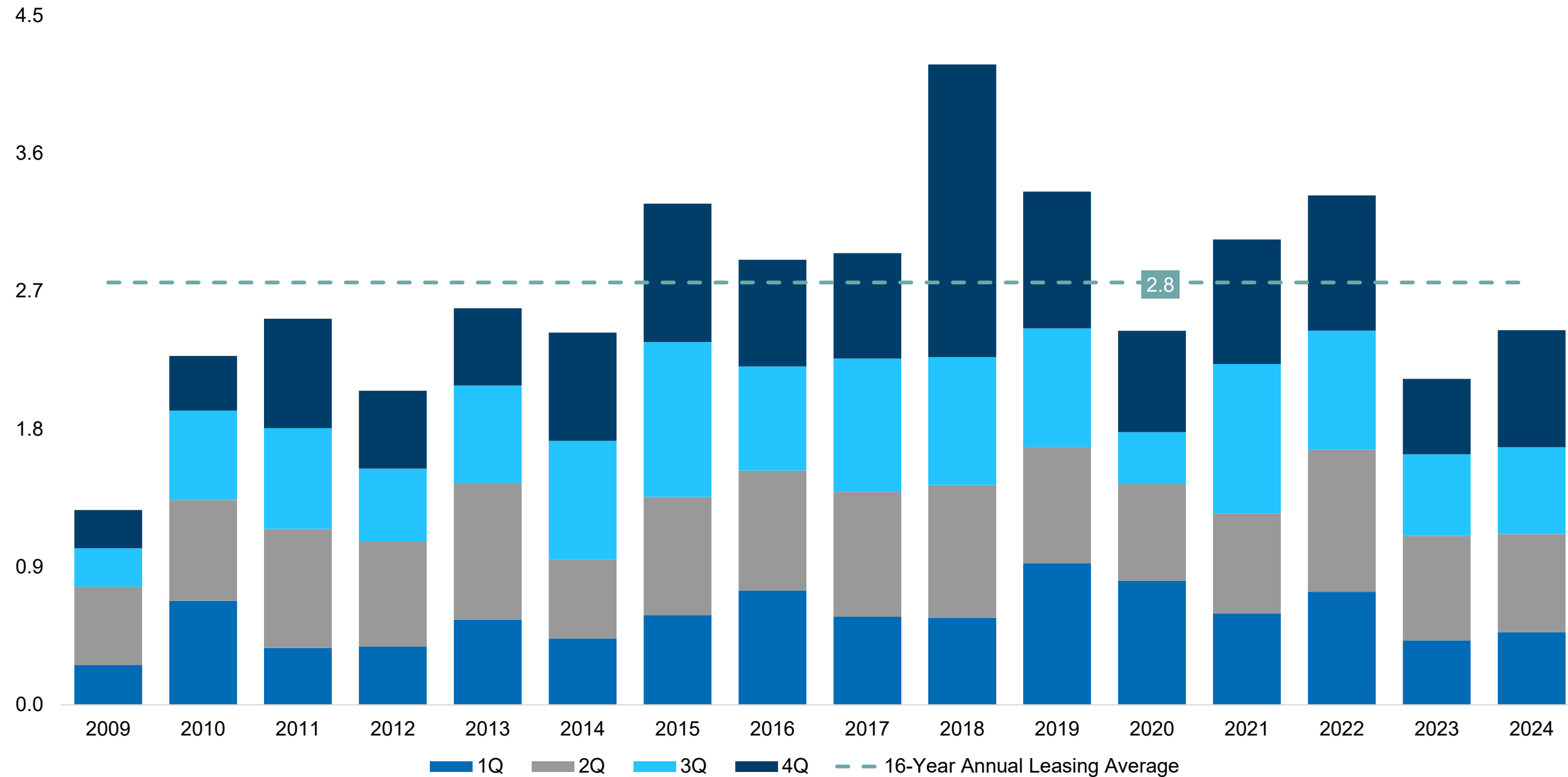


Source: Newmark Research

Leasing Activity Gains Momentum in Late 2024

Leasing activity in the first three quarters of 2024 mirrored the subdued levels of 2023, pointing to another year of restrained demand. However, the fourth quarter brought a notable uptick, driven primarily by lease renewals and relocations. Tenants showed a commitment to the Metro but remained cautious, opting to maintain or reduce their footprints or move to more cost-effective spaces.

Total Leasing Activity (MSF)



Source: Newmark Research

Shifting Lease Trends Reflect Tenant Stability and Caution

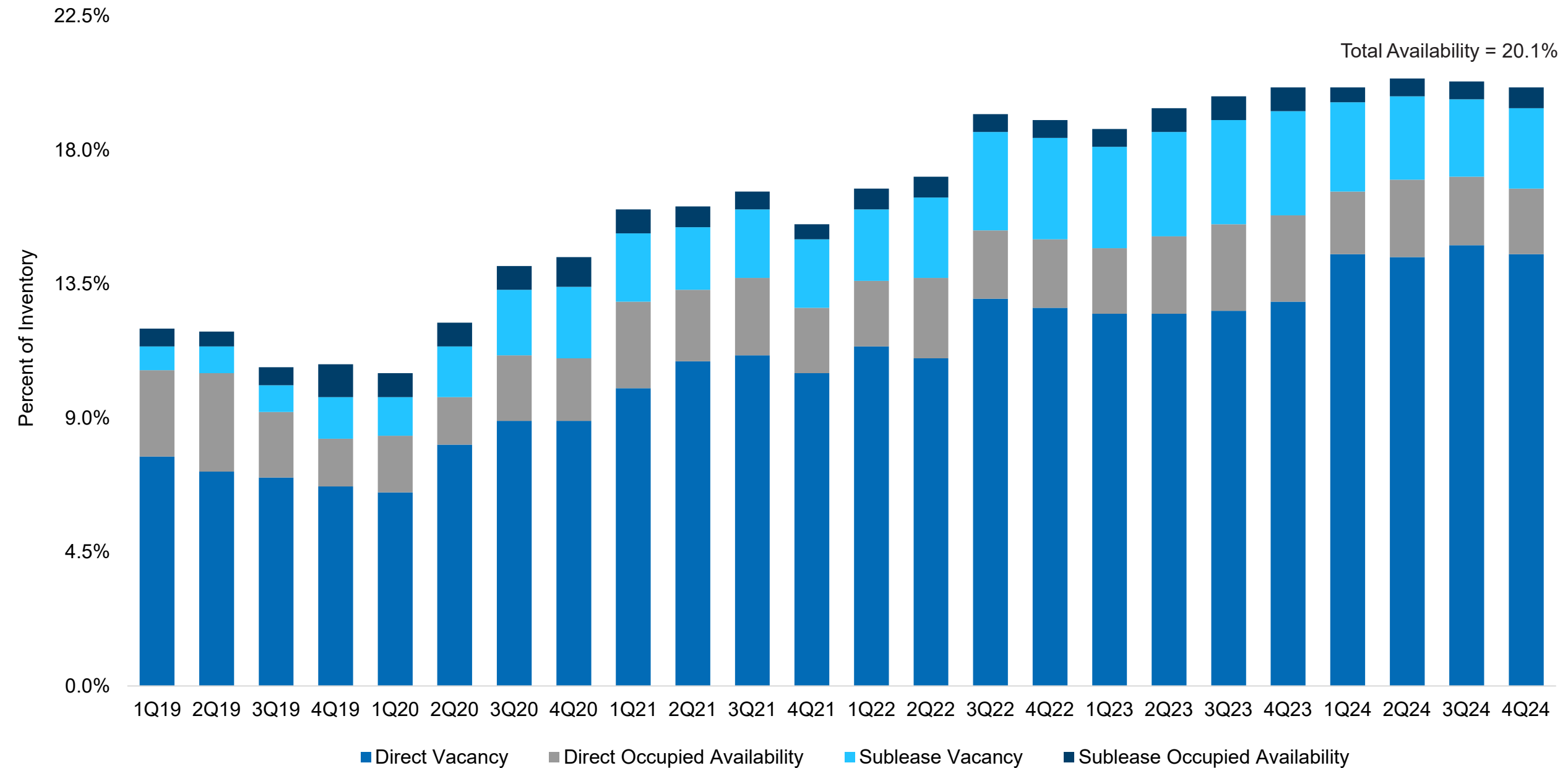


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Tenant Contraction Fuels Transition from Sublease to Direct Availability

The ongoing trend of tenants downsizing has driven increases in both sublease and direct availability since the pandemic began. Sublease availability currently stands at 3.4%, aligning with the five-year average. This signals a notable shift as expired subleases return to landlords and transition into direct availability. With a wave of lease expirations anticipated in 2025 and 2026 and tenants opting for smaller renewal or relocation footprints, this trend is expected to continue in the near term.

Availability Breakdown



Source: Newmark Research

Office Availability Set to Increase as Subleases Expire



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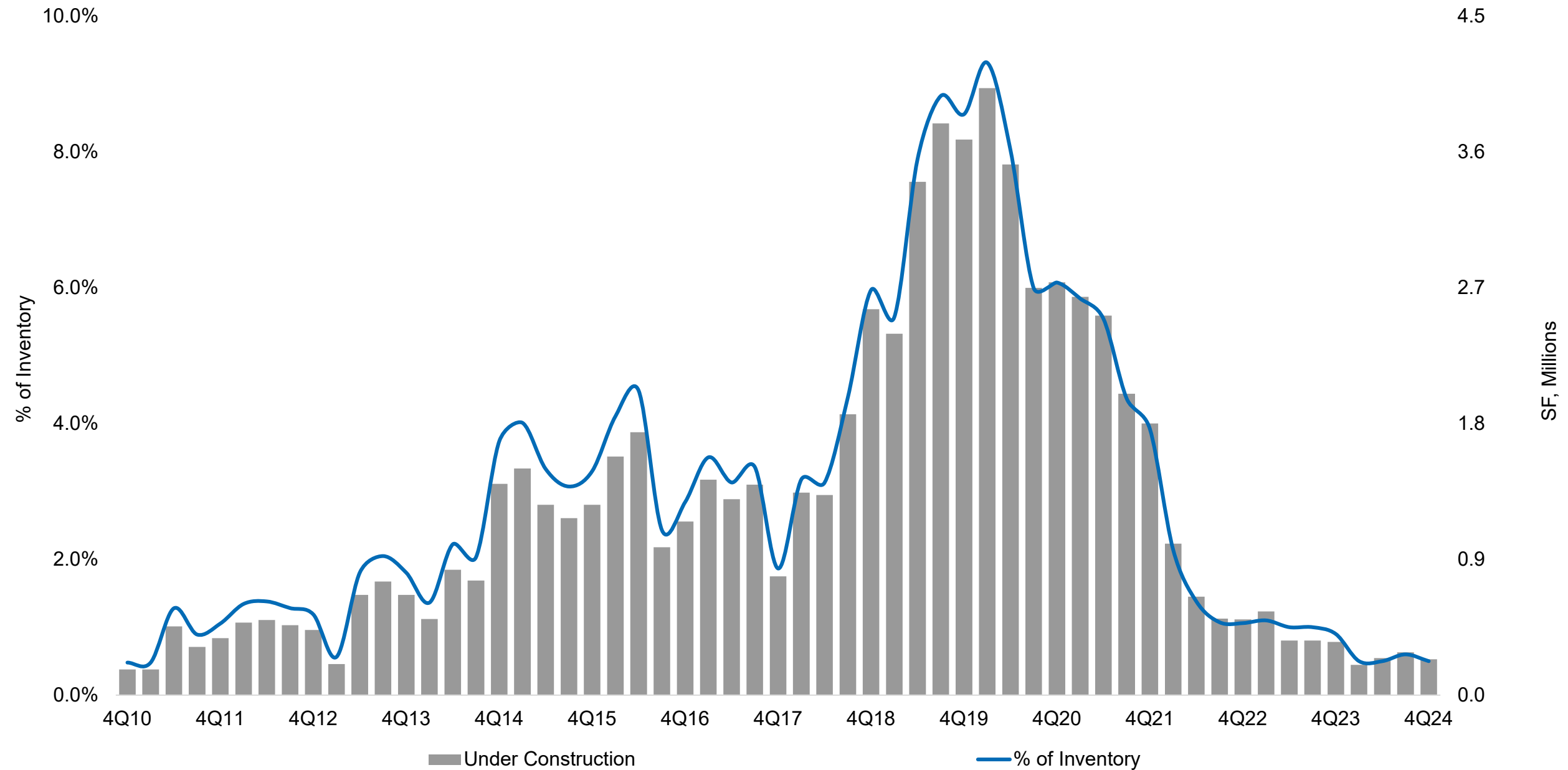
Sublease Availability Concentrated in Southern Submarkets

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Decline in Office Construction Activity Reflects Market Shift

Office construction activity has steadily declined since reaching a peak in 2020. In 2024, under-construction volume stabilized at approximately 250,000 SF, with new starts and deliveries maintaining balance. Current construction activity is predominantly driven by built-to-suit or owner-occupied projects, reflecting a demand for tailored solutions among committed occupiers, while speculative developers favor sectors with stronger absorption rates.

Office Under Construction and % of Inventory

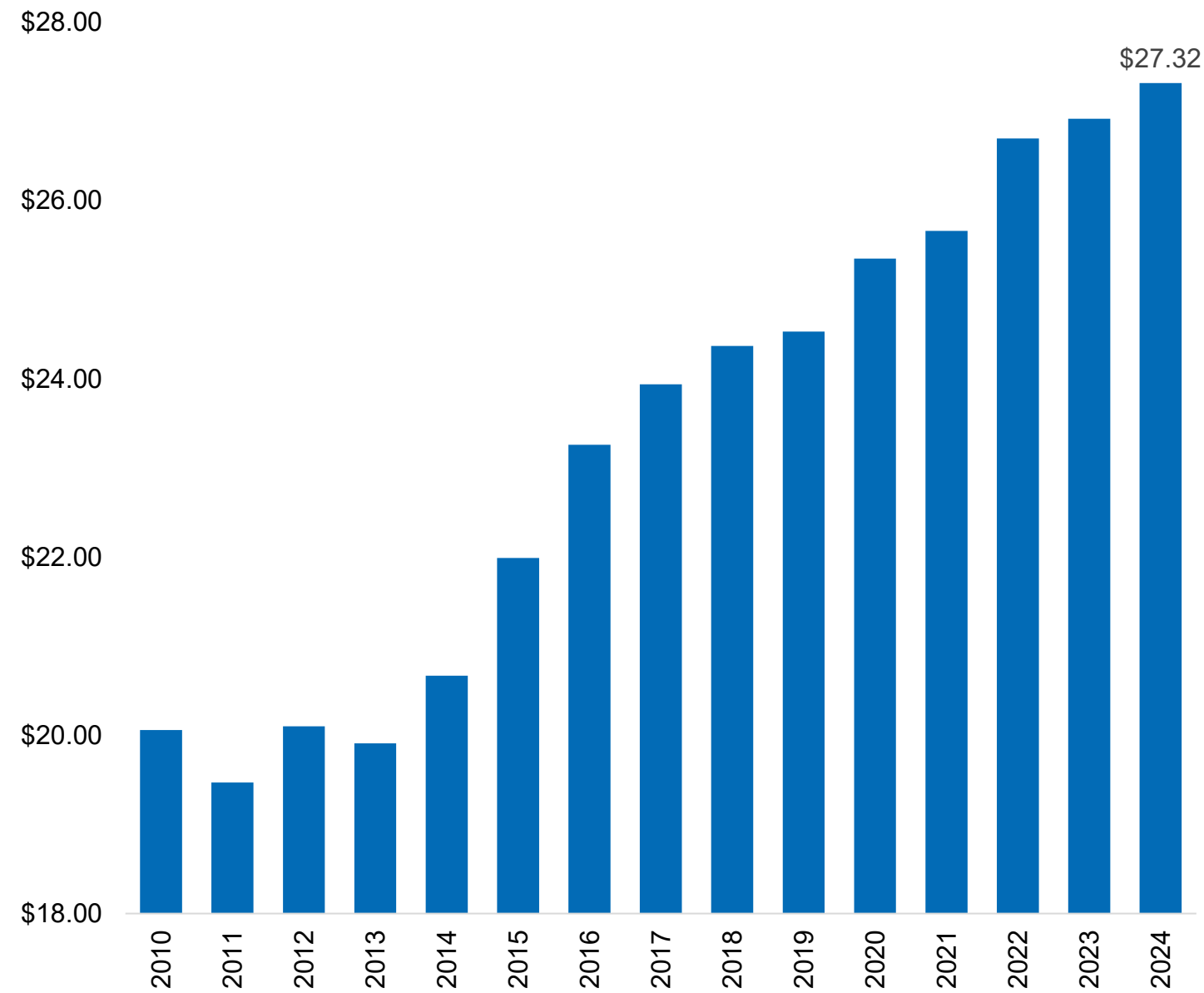


Source: Newmark Research

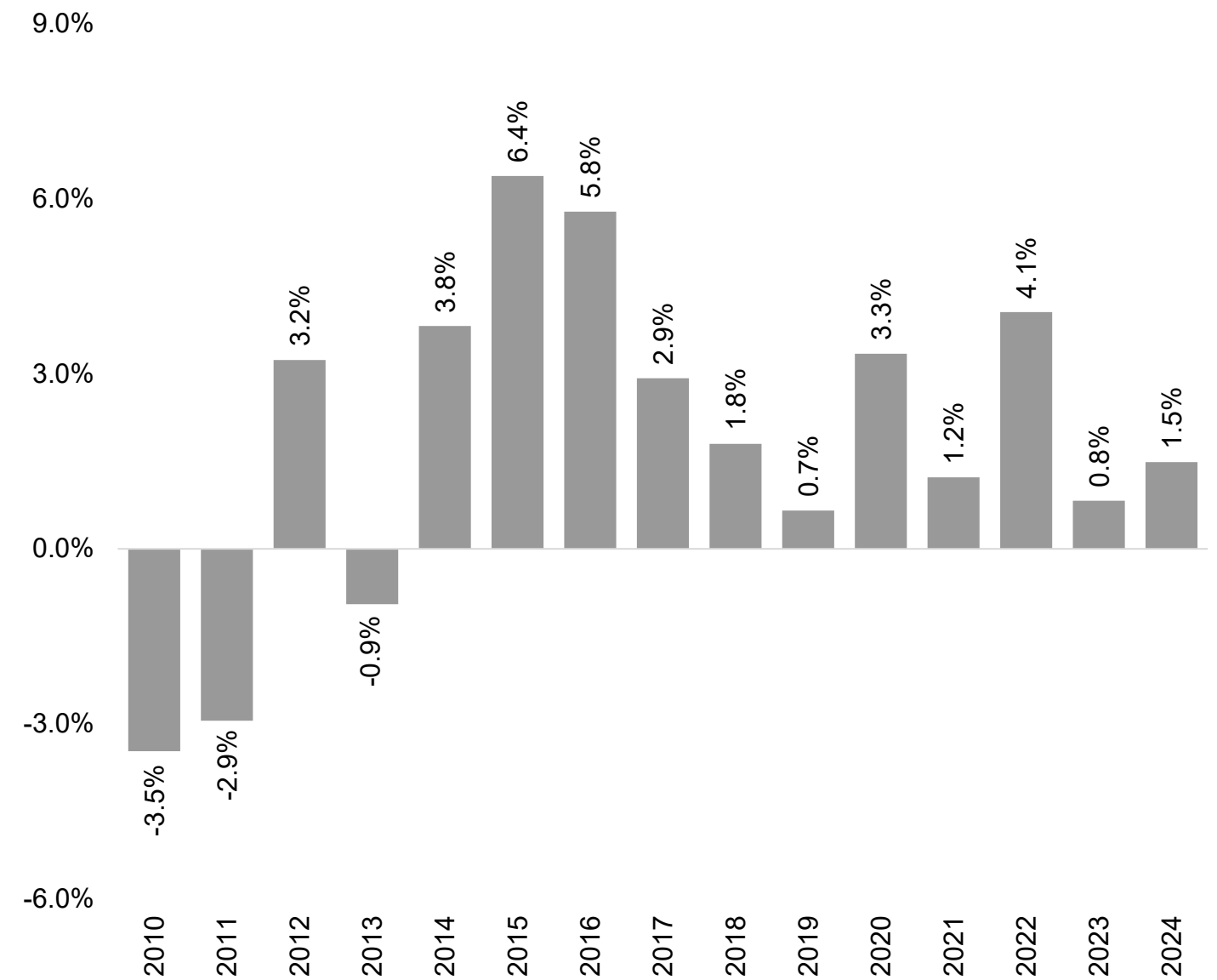
Rent Growth Slows Amid Rising Availability

Despite increasing availability, asking rents continued to grow, albeit at a subdued pace, staying below 2.0% year-over-year since 2022. Limited new office deliveries—typically commanding higher rents—and a rise in officially vacated spaces in 2024 are expected to constrain rent growth in the near term as the friction between tenants' cost sensitivity and landlord need to preserve a healthy rent roll lead to heightened competition to retain occupancy.

Office Average Asking Rent, \$/SF/Year, FS



Year-over-Year Asking Rent Growth Rate

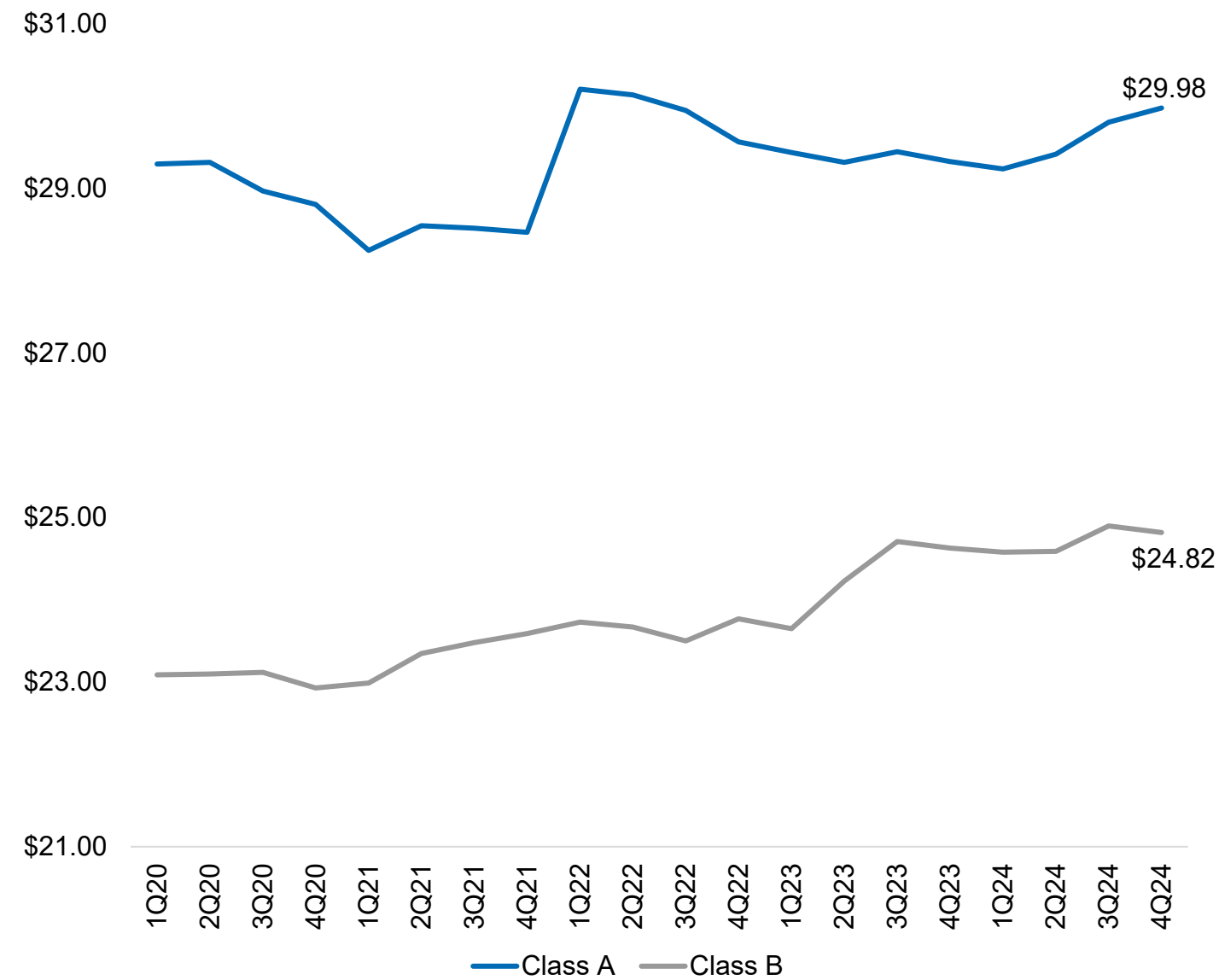


Source: Newmark Research

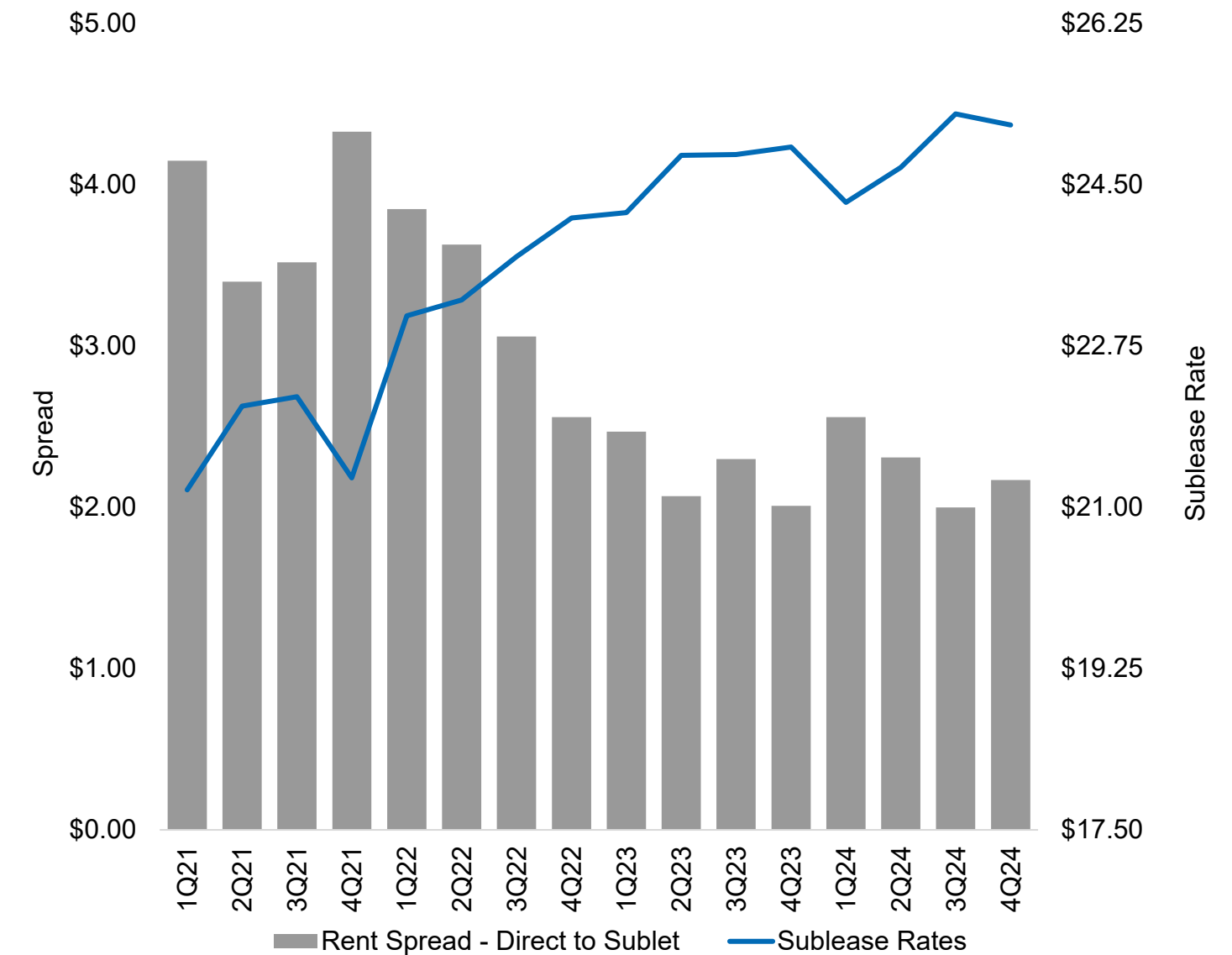
Direct-Sublet Rent Spread Narrows Amid Evolving Market Dynamics

The rent gap between direct and sublease space narrowed throughout 2024, closing at \$2.17/SF by year-end after marginally diverging this quarter. This trend reflects competition among sublessors and landlords to attract tenants in a market facing elevated vacancy and muted demand for large spaces.

Class A and Class B Asking Rents



Sublease Asking Rates



Source: Newmark Research

Divergent Leasing Trends Across Salt Lake County

In Downtown Salt Lake City, large tenants primarily opted for short-term renewals, reflecting a cautious approach to space commitments. Meanwhile, the southern part of Salt Lake County experienced robust sublease activity. Suburban markets continued to face challenges with larger blocks of space, as most lease transactions in 2024 involved footprints of 10,000 SF or less.

2024 Notable Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Goldman Sachs	222 S. Main St.	Central Business District	Lease Renewal	89,445
<i>Goldman Sachs renewed a total of 89,445 SF in 222 S Main in downtown Salt Lake City.</i>				
BambooHR	Pluralsight Headquarters	Draper Tech Corridor	Sublease	61,615
<i>BambooHR took the remaining portion of Pluralsight's sublease on the first and second floors during the second quarter of 2024.</i>				
Bureau of Land Management	Three Gateway	Central Business District	Lease Renewal	59,596
<i>Three Gateway kept the Bureau of Land Management as a tenant for another term.</i>				
Acima Credit	Minuteman 1	Draper Tech Corridor	New Lease/Relocation	54,000
<i>Previously in Building 5 of the Minuteman Office Park, Acima Credit relocated out of 77,600 SF to fully occupy Building 1 as the sole tenant.</i>				
Sutter Health	Legacy at Lake Park 2	Lake Park	Lease Renewal	48,799
<i>Sutter Health signed on for another term in Stoltz's Legacy at Lake Park.</i>				



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Davis and Weber Counties Market Fundamentals



Davis and Weber Counties Office Map and High-Level Statistics – 4Q24

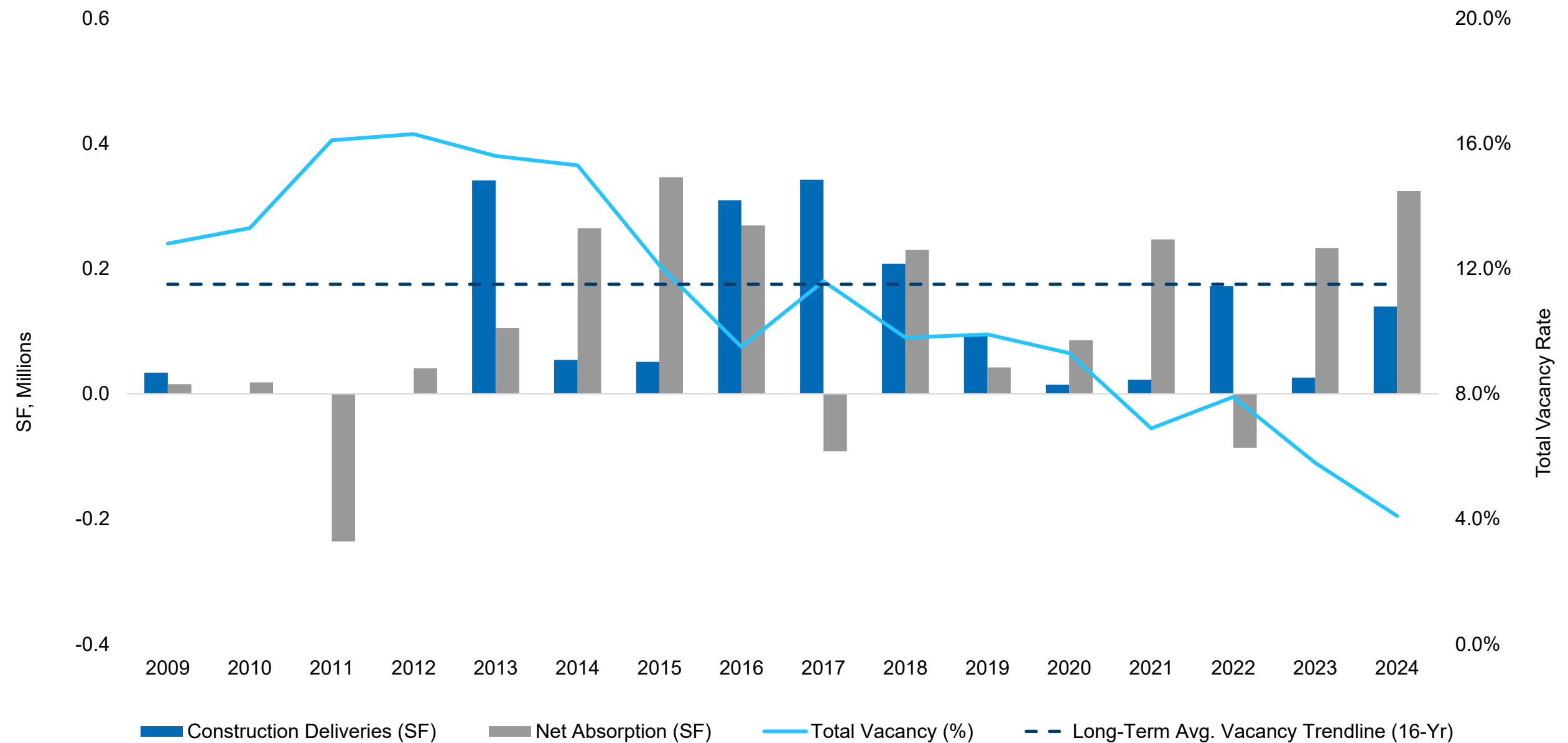


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Low Vacancy and Demand for Trophy Office Space Drive Market Expansion

Fourth-quarter 2024 office vacancy in Davis and Weber Counties stood at 3.7% where the strong employment base at Hill Air Force Base and limited new office development have contributed to sustained low vacancy levels. However, the scarcity of Class A product has prompted some tenants to explore alternative markets or settle for lower-tier spaces. Recent announcements of new office developments underscore the growing demand for high-quality, trophy office space and signal future expansion within the market.

Historical Construction Deliveries, Net Absorption, and Vacancy

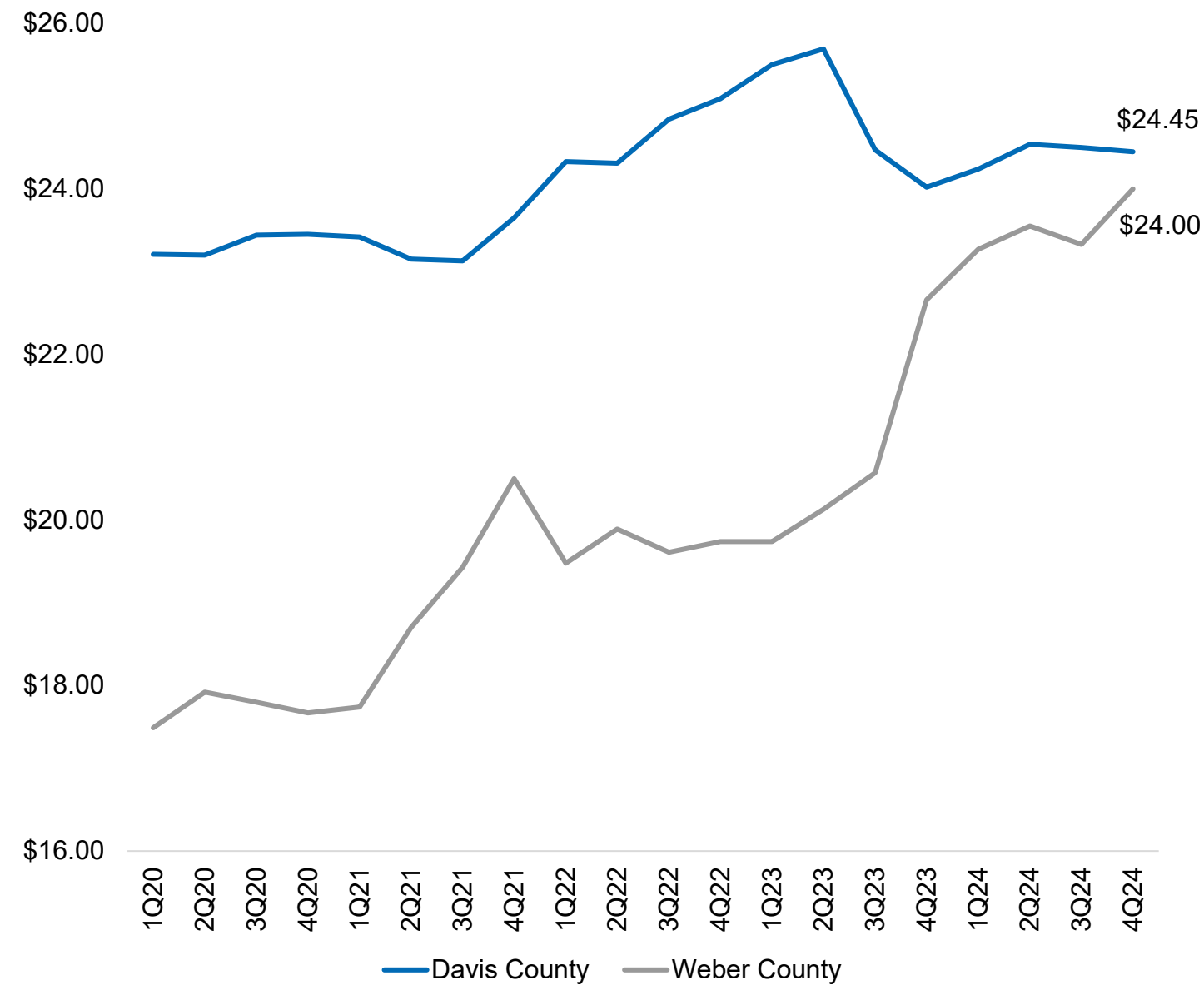


Source: Newmark Research

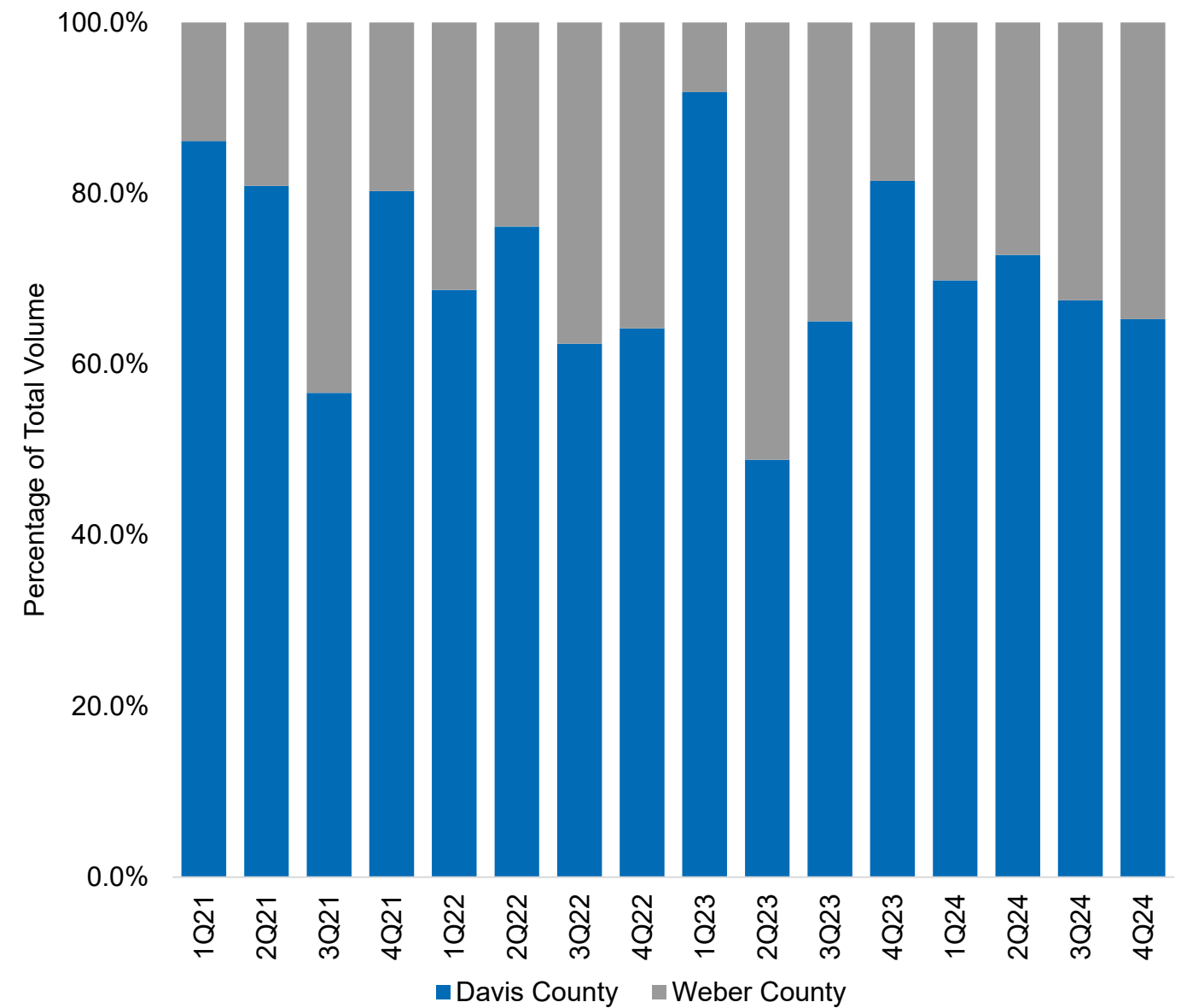
Davis County Outpaces Weber County in Office Transactions and Rates

The limited availability of Class A office space in Davis County compared to Weber County has narrowed the asking rate gap between the two markets. Davis County continues to lead in transaction volume, driven by strong demand from tenants connected to Hill Air Force Base. The steady demand in Davis County highlights the importance of Hill Air Force Base as an economic anchor, supporting leasing activity despite supply constraints.

Davis and Weber Counties Asking Rents



Total Leasing Activity



Source: Newmark Research

Medical Tenants Drive Leasing Momentum in Northern Wasatch Front

Medical and medical-adjacent companies have been key drivers of leasing activity in Davis and Weber Counties over the past year. This trend underscores the region's strong market fundamentals, bolstered by robust population growth and a thriving economy.

2024 Notable Transactions

Tenant	Building(s)	City	Type	Square Feet
HDR Engineering	Centerville Legacy Crossing 1	Centerville	Lease Renewal	16,256
<i>HDR Engineering committed to another term in Legacy Crossing.</i>				
Mountain Orthopedic	Bountiful Renaissance Tower	Bountiful	Direct Lease	15,318
<i>Mountain Orthopedic moved into Bountiful's Renaissance Tower in the third quarter of 2024.</i>				
Catholic Health Initiatives of Colorado	1580 W. Antelope Dr.	Layton	Lease Renewal	11,222
<i>Layton retained Catholic Health Initiatives of Colorado as a tenant win the region for another lease term.</i>				
Wellness Fertility	Crossroads Landing	South Ogden	Direct Lease	9,103
<i>Crossroads Landings welcomed medical tenant, Wellness Fertility, for 9,103 SF.</i>				
Providence Group	Farmington Station F	Farmington	Direct Lease	7,404
<i>Management company, Providence Group, leased 7,404 SF in Farmington Station.</i>				

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Utah County Market Fundamentals



Utah County Office Map and High-Level Statistics – 4Q24

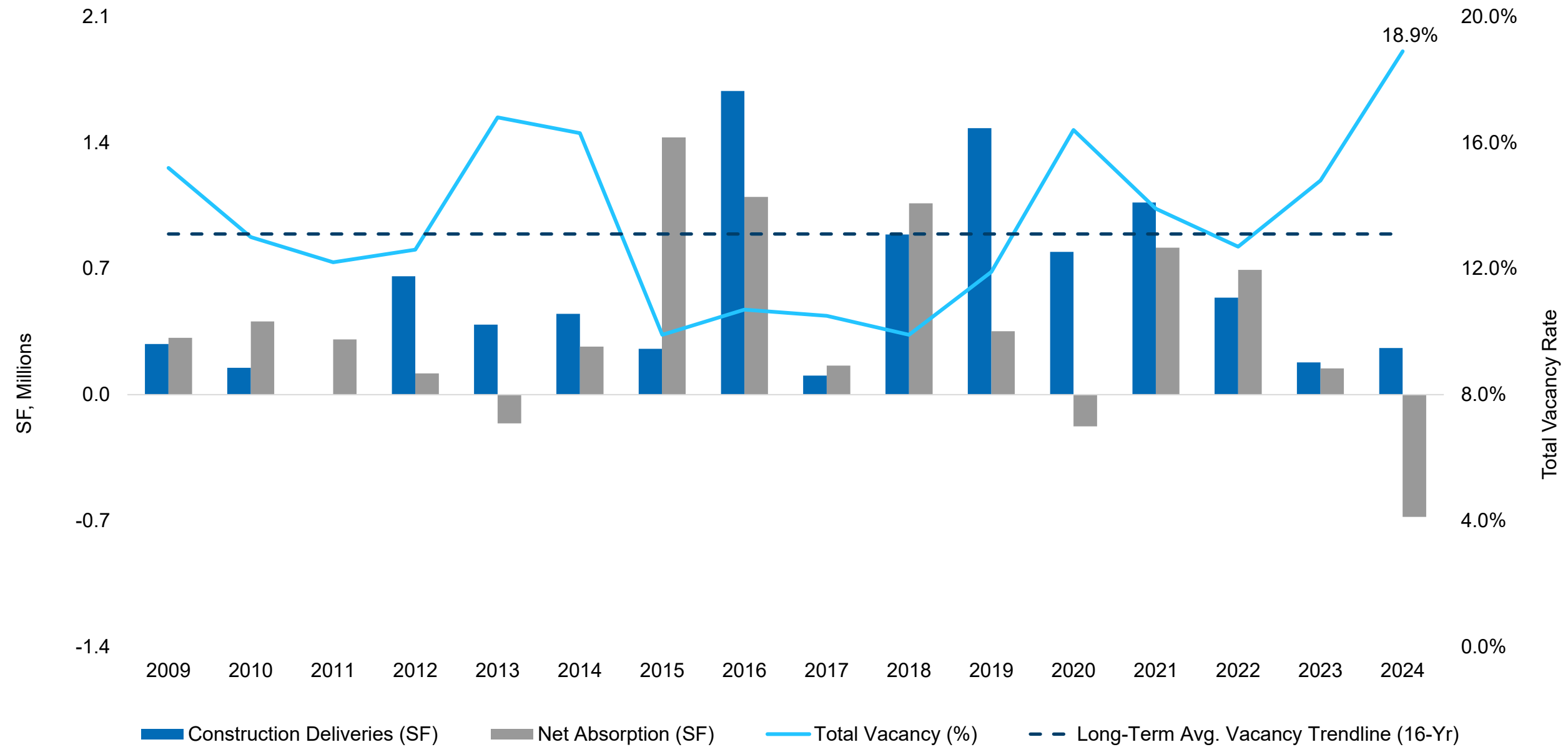


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Vacancy Rises Amid Limited Deliveries and Tech Sector Contractions

Total vacancy increased by 410 basis points year-over-year in 2024, driven by tenant contractions totaling 678,823 SF and minimal construction deliveries of 259,444 SF. The northern portion of the county experienced significant occupancy losses, largely attributed to the high concentration of tech companies currently facing challenges. While constrained development has prevented a more dramatic spike in vacancy, the tech sector's volatility remains a key risk factor for the region.

Historical Construction Deliveries, Net Absorption, and Vacancy

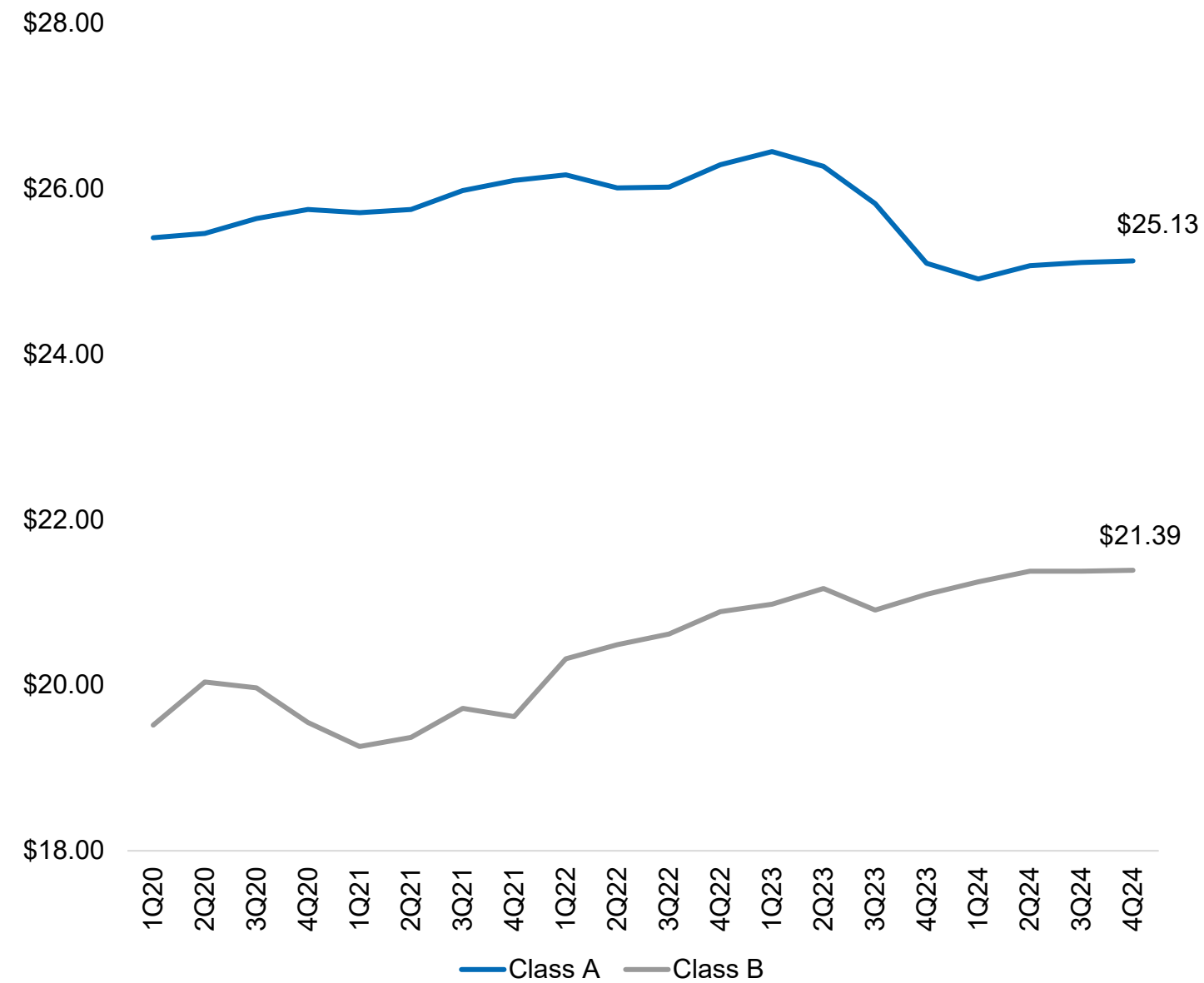


Source: Newmark Research

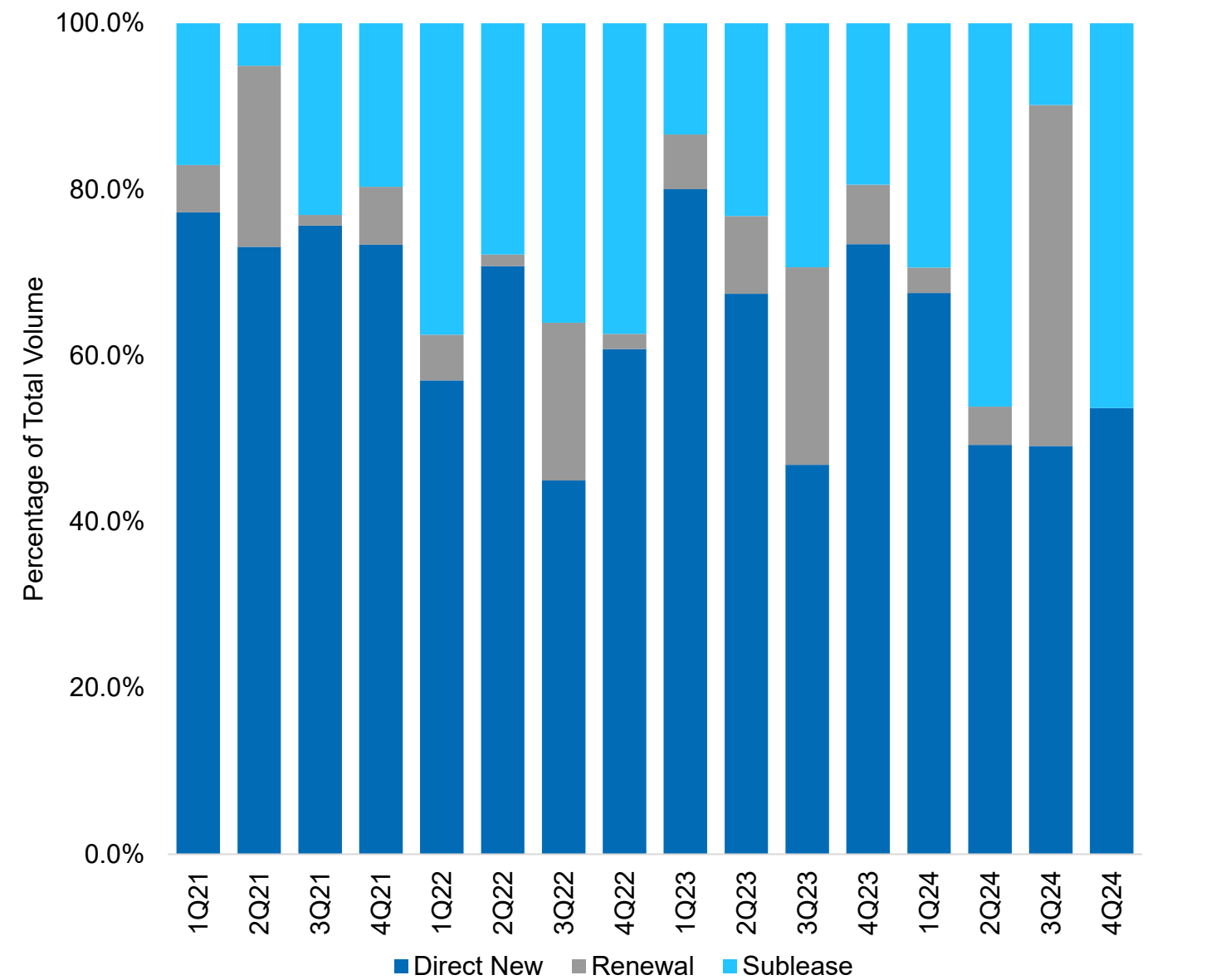
Flat Asking Rates Persist Amidst Rising Leasing Activity

Average asking rates remained flat across all building classes in 2024 as landlords maintain current pricing to attract tenants. The flat rate environment reflects a competitive market where landlords prioritize occupancy over rental growth. Leasing activity increased by 7.4% year-over-year, with cost-sensitive tenants driving nearly a third of all transactions through lower-rate sublease deals.

Class A and Class B Asking Rents



Transaction Leasing Volume Overview



Source: Newmark Research

Sublease Dominance Drives Activity in Northern Utah County

Despite elevated vacancy in both direct and sublet spaces, the northern portion of Utah County remains active. Larger transactions are primarily concentrated in sublease deals, which offer cost-effective, plug-and-play solutions at lower rates compared to direct leases.

2024 Notable Transactions

Tenant	Building(s)	City	Type	Square Feet
Vivint	Thanksgiving Center	Lehi	Lease Renewal	127,741
<i>Vivint renewed its lease in Thanksgiving Center at the same footprint for another term.</i>				
nCino	SolutionReach Building	Lehi	Sublease	50,411
<i>Software company, nCino, subleased the 4th and 5th floors from SolutionReach for a total of 50,411 SF.</i>				
Agility Holdings	Innovation Pointe 2	Lehi	Direct New Lease	31,749
<i>Lehi's Innovation Pointe office park welcomed Agility Holdings for 31,749 SF.</i>				
Perkcity	Traverse Mountain 3 & 4	Lehi	Sublease	25,090
<i>Perkcity subleased 25,090 SF within the Traverse Mountain office park.</i>				
Integrity Insurance Services	3400 W. Mayflower Ave.	Lehi	Sublease	25,000
<i>Integrity Insurance Services subleased 25,000 SF from Younique Products.</i>				

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Tech Corridor Market Fundamentals



Tech Corridor Office Map and High-Level Statistics – 4Q24

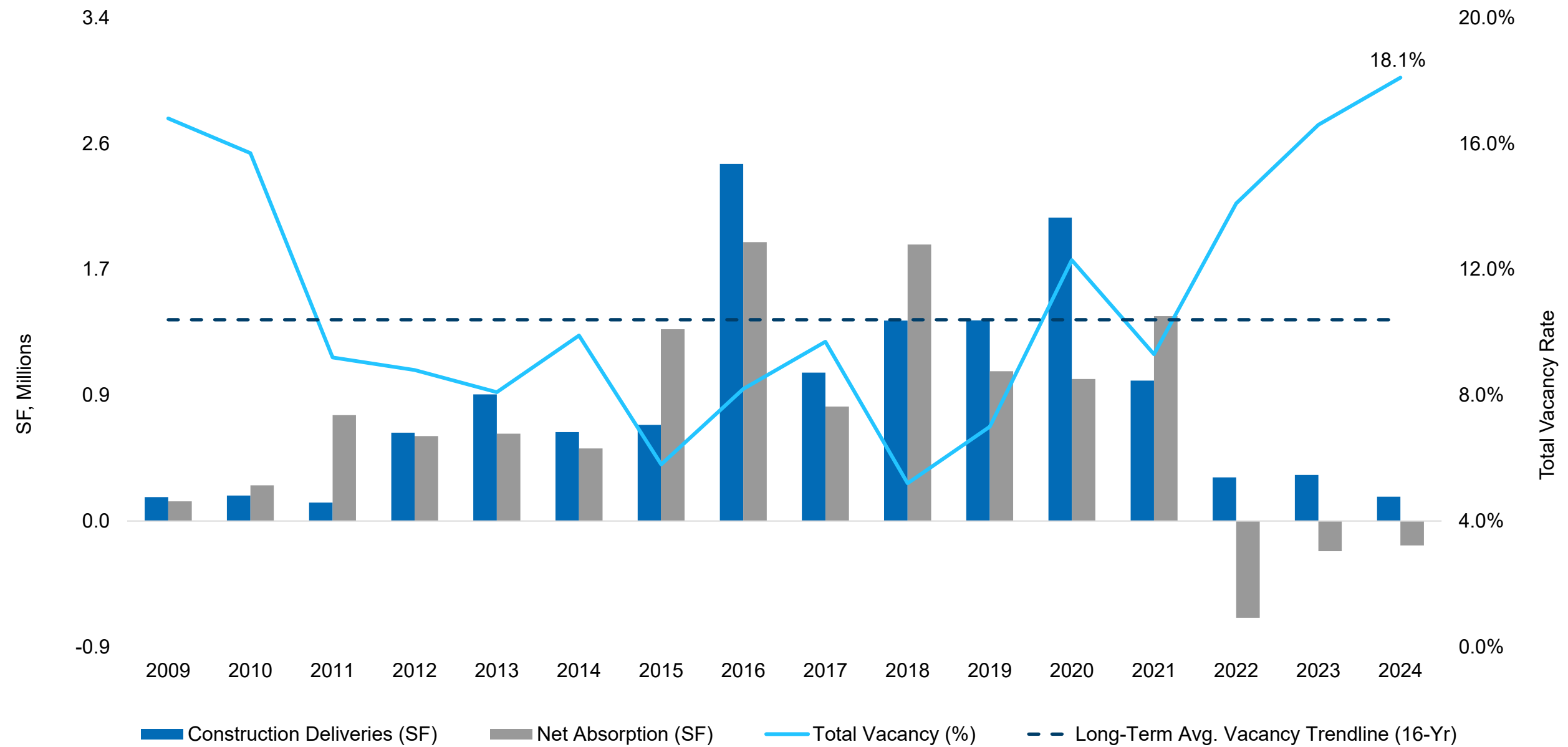


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Rising Vacancy Amid Stalled Office Development

In 2024, 164,268 SF in construction deliveries were offset by 165,328 SF in net occupancy losses, driving vacancy rates higher. The absence of new construction starts or deliveries for traditional office properties in recent quarters signals developer caution, as they await clearer trends in absorption and rental growth before moving forward.

Historical Construction Deliveries, Net Absorption, and Vacancy

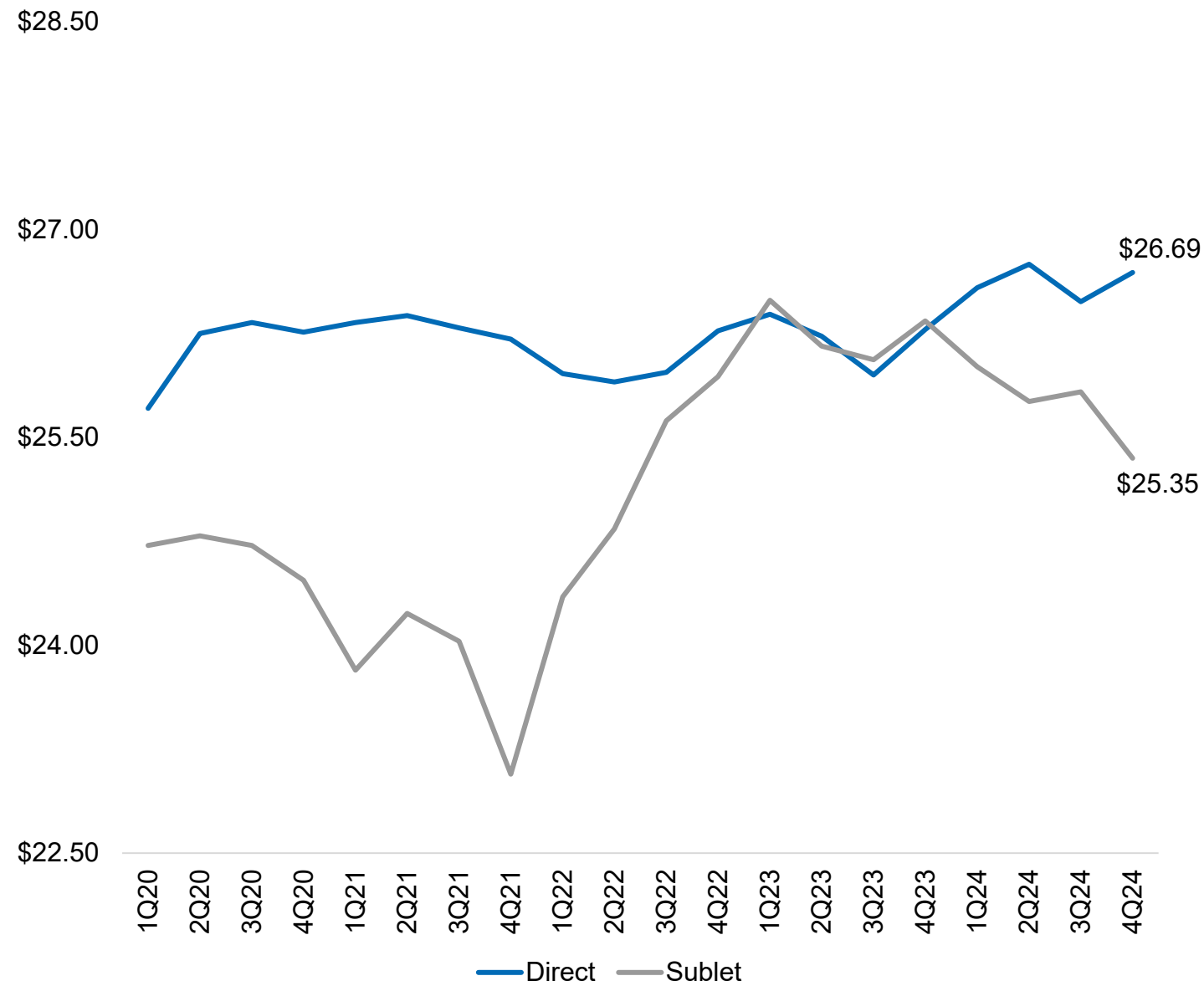


Source: Newmark Research

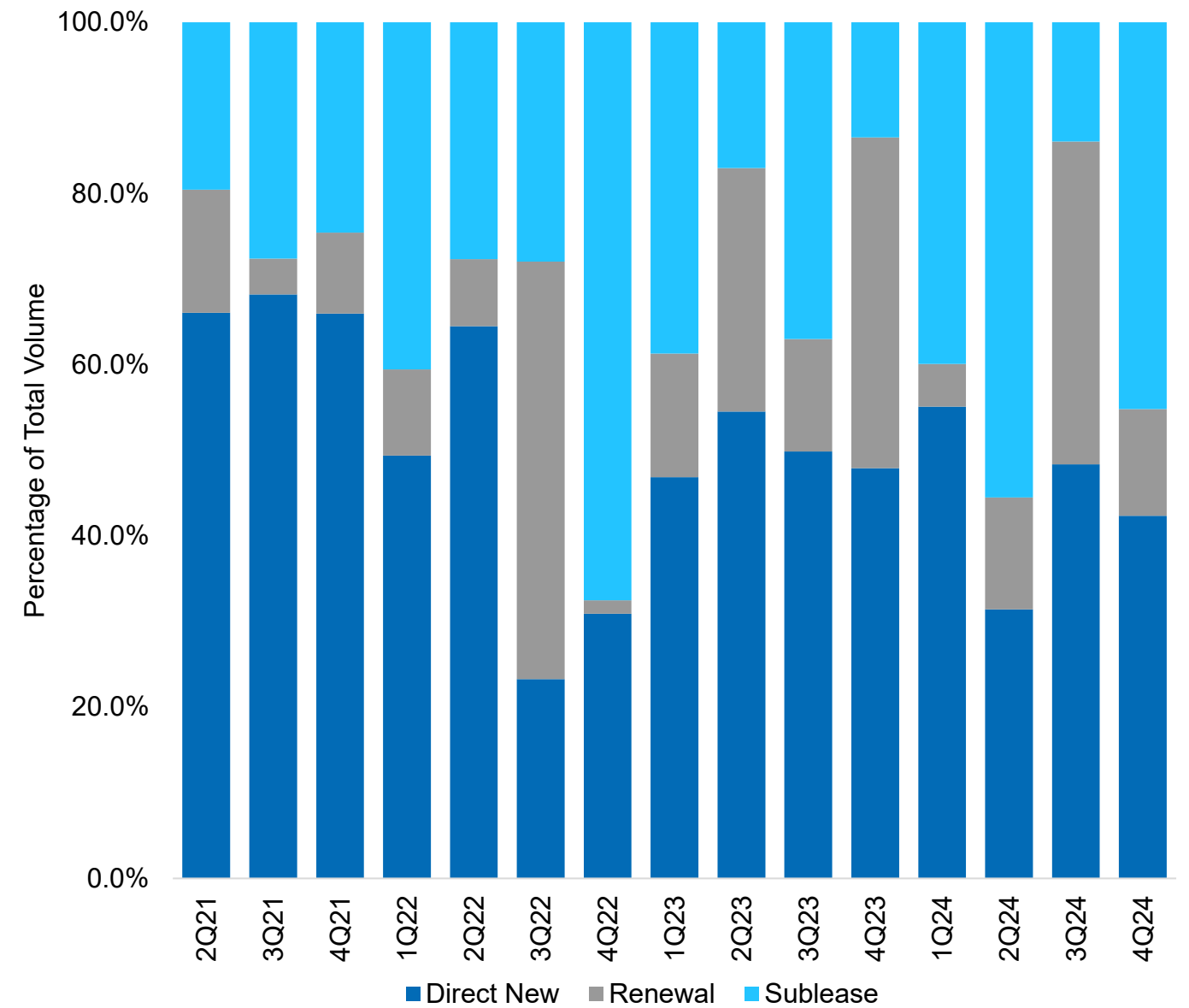
Sublessors Become Bullish in Competition for Tenants

To compete with direct options, sublessors have lowered rates, leading to increased sublease activity. Leasing activity increased by 21.3% year-over-year, with subleases and renewals comprising a growing share of recent square footage volume. The region, with its higher concentration of tech companies, remains vulnerable to additional space givebacks as occupiers downsize due to cost-saving measures and remote work adoption.

Direct and Sublet Asking Rents



Transaction Leasing Volume Overview



Source: Newmark Research

Tech Corridor Leasing Trends Since 2021



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Ownership and Subleasing Trends Drive Growth in Northern Tech Corridor

Top regional transactions highlight a dual trend among office users: a preference for ownership through purchasing office space and a focus on cost reduction via lower-cost sublease options. The northern section of Salt Lake County's Tech Corridor experienced notable transaction growth throughout 2024, reflecting its increasing appeal to occupiers compared to the Utah County portion to the South.

2024 Notable Transactions

Tenant/Buyer	Building(s)	City	Type	Square Feet
Vivint	Thanksgiving Center	Lehi	Lease Renewal	127,741
<i>Vivint renewed its lease in Thanksgiving Center at the same footprint for another term.</i>				
Onset Financial	Vista Station 1	Draper	Property Sale	125,000
<i>Vista Station 1 was purchased from Nuveen by Onset Financial.</i>				
Holiday Oil Company	Lone Peak Center	Draper	Property Sale	84,285
<i>Holiday Oil purchased the entire building and will occupy the second floor.</i>				
Journey Team	121 Election Drive	Draper	Property Sale	78,330
<i>Already existing tenant, Journey Team, purchased the 78,330-square-foot-building with plans to expand within the building.</i>				
BambooHR	Pluralsight Headquarters	Draper	Sublease	61,615
<i>BambooHR took the remaining portion of Pluarlsight's sublease on the first and second floors during the second quarter of 2024.</i>				

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Utah Capital Markets Overview



Cap Rate Trends Reflect Market Shifts Across Product Types



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Industrial and Multifamily Dominate 2024 Sales, Office and Retail Show Nuanced Recovery



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Private and User Buyers Are Active



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Year-End Sales Activity Shows Signs of Recovery

Sales activity in 2024 remained subdued compared to historical levels but concluded on a strong note, with total volume up 3.3% from 2023. A prolonged disconnect between buyer and seller expectations limited transactions earlier in the year. However, recent Federal Reserve interest rate cuts in late 2024 are expected to support increased property sales in 2025, particularly as more distressed or bank-owned assets enter the market. These factors could signal a gradual improvement in transaction activity moving forward.

2024 Notable Transactions

Building(s)	City	Type	Closing Quarter	Square Feet
Spanish Springs	Spanish Fork	Industrial	Q2 2024	451,497
<i>Exeter purchased the Spanish Springs two-building portfolio for a total of 451,497 SF.</i>				
East 15 Commerce Park 1 & 2	Pleasant Grove	Industrial	Q3 2024	427,620
<i>Dakota Pacific sold buildings 1 & 2 in the East 15 Commerce Park in a portfolio sale totaling 427,620 SF.</i>				
Bountiful Renaissance Tower	Bountiful	Office	Q4 2024	120,000
<i>Healthcare Trust of America sold Bountiful Renaissance Tower in the fourth quarter of 2024.</i>				
121 W. Election Dr.	Draper	Office	Q2 2024	78,330
<i>JourneyTeam purchased the 78,330-square-foot-building in Draper with plans to occupy a portion of the building and lease out the remaining space.</i>				
Jordan Landing	West Jordan	Retail	Q3 2024	203,278
<i>With three strong anchors, a portion of the 1.6 million SF power center was sold to Transnational Investments.</i>				

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