3Q25

Salt Lake Office Market Overview

Market Observations

Economy

- The Salt Lake City MSA continues to outperform national averages, maintaining unemployment roughly 70 basis points below the U.S. rate and achieving 1.8% year-over-year job growth—more than double the national pace.
- Education and health services (+7.7%), information (+3.4%), and government (+2.9%) lead job gains as population growth fuels hiring amid persistent labor shortages.
- Office-using employment sits 10.6% above pre-pandemic levels, driven by professional and business services.
- Salt Lake City's labor market continues to outperform national benchmarks, underscoring the region's economic resilience. Job growth remains broad-based, supported by population gains and steady expansion in key service sectors.

Leasing Market Fundamentals

- After a strong Q1, leasing volume slowed in Q2 and Q3 2025, though total activity still exceeds 2023 levels and is on pace to surpass 2024 by year-end.
- Direct vacancy has climbed 130 basis points year-to-date, largely due to a handful of large move-outs, while sublease availability remains steady at 3.0% and expected to decline as expiring long-term leases transition back to landlords.
- With spaces sitting longer on the market, landlords are lowering asking rents—now averaging $26.82/SF—and offering increased concessions; sublease rates and Class A/B pricing continue trending downward amid softer demand.
- Leasing momentum moderated as tenants adopted a more cautious stance amid tariff and technology-related uncertainty. Even so, year-to-date leasing volume remains ahead of recent years, reflecting a stable base of renewals.

Major Transactions

- Most leasing activity remains renewal-driven, as tenants favor stability and cost control over expansion in the face of economic uncertainty.
- A few significant departures in central and southern submarkets accounted for roughly 535,000 SF of occupancy loss, driving a portion of the vacancy increase.
- New leasing remains subdued, with decision-making influenced by tariff volatility, AI-related business realignments, and cautious capital spending.
- Transaction activity remains concentrated among renewals and targeted relocations, as many tenants right-size footprints or remain in place amid macroeconomic uncertainty.

Outlook

- While an office recovery is still anticipated, growth will likely unfold slowly as tariff exposure, AI disruption, and potential government shutdowns create headwinds.
- Additional lease expirations from the 2016-2019 expansion cycle are expected to sustain elevated availability levels into 2026.
- Landlords are expected to maintain flexible terms and targeted rate reductions to capture tenants in an increasingly cost-sensitive market.
- Salt Lake City's office market remains structurally sound but is entering a more competitive phase characterized by pricing adjustments and measured leasing decisions.

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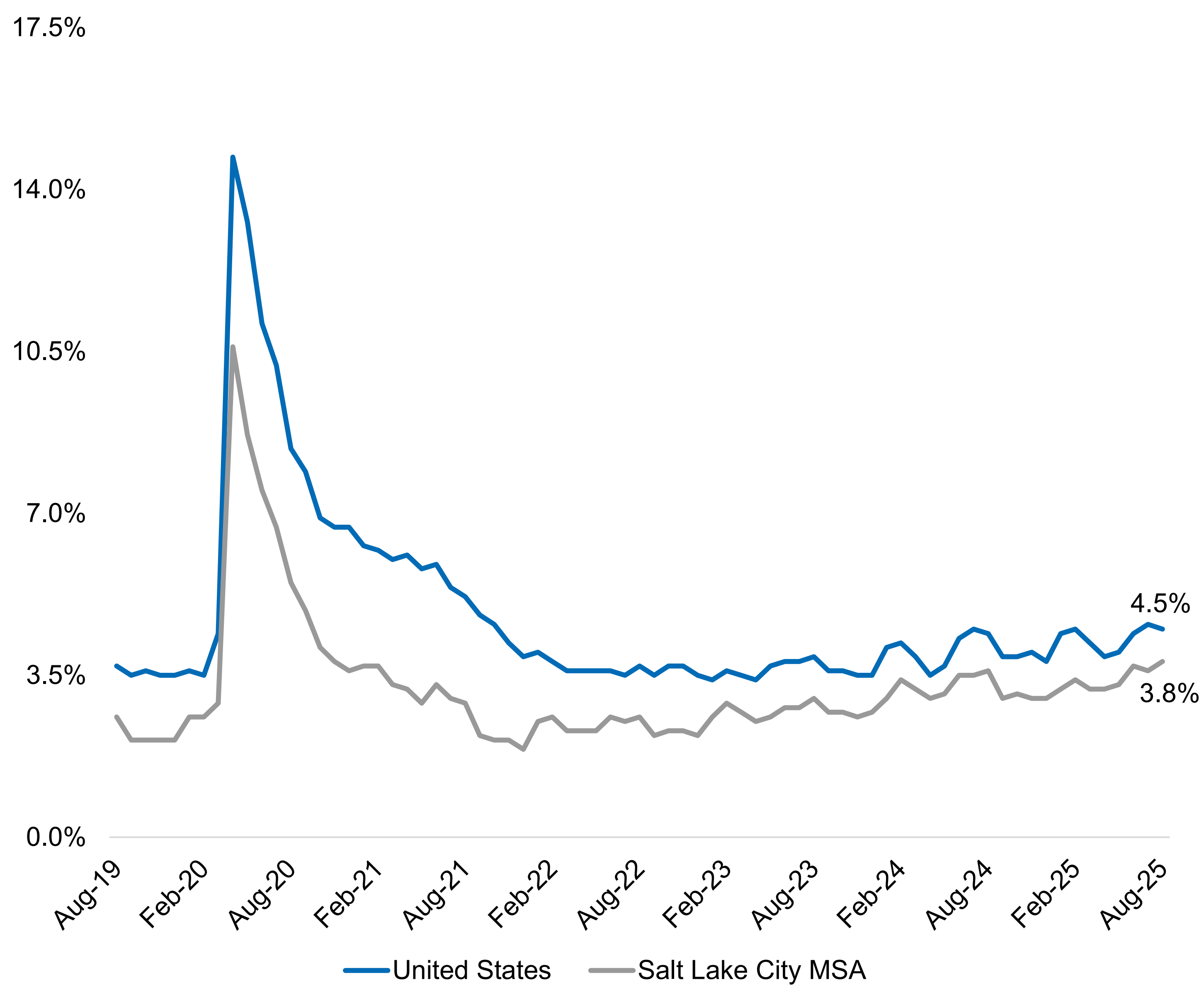
Economy

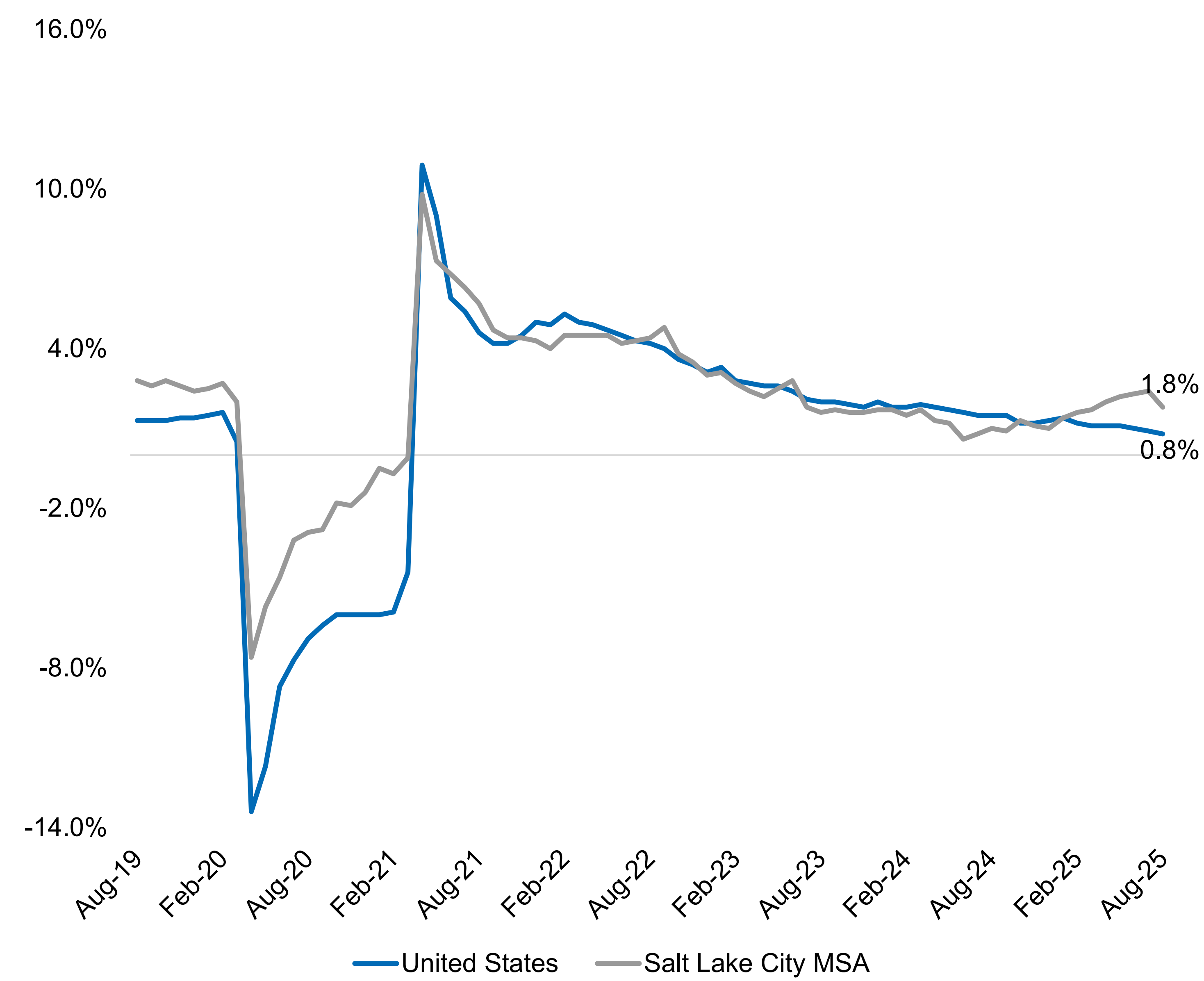
Salt Lake City Labor Market Defies National Slowdown

As of August 2025, the Salt Lake City MSA continues to outperform national labor trends, maintaining an unemployment rate roughly 70 basis points below the U.S. average. Even amid broader economic uncertainty, the region's labor market demonstrates remarkable durability. Employment expanded 1.8% year over year, more than twice the national growth rate of 0.8%, underscoring the metro's steady job creation and enduring economic momentum.

Unemployment Rate, Not Seasonally Adjusted



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

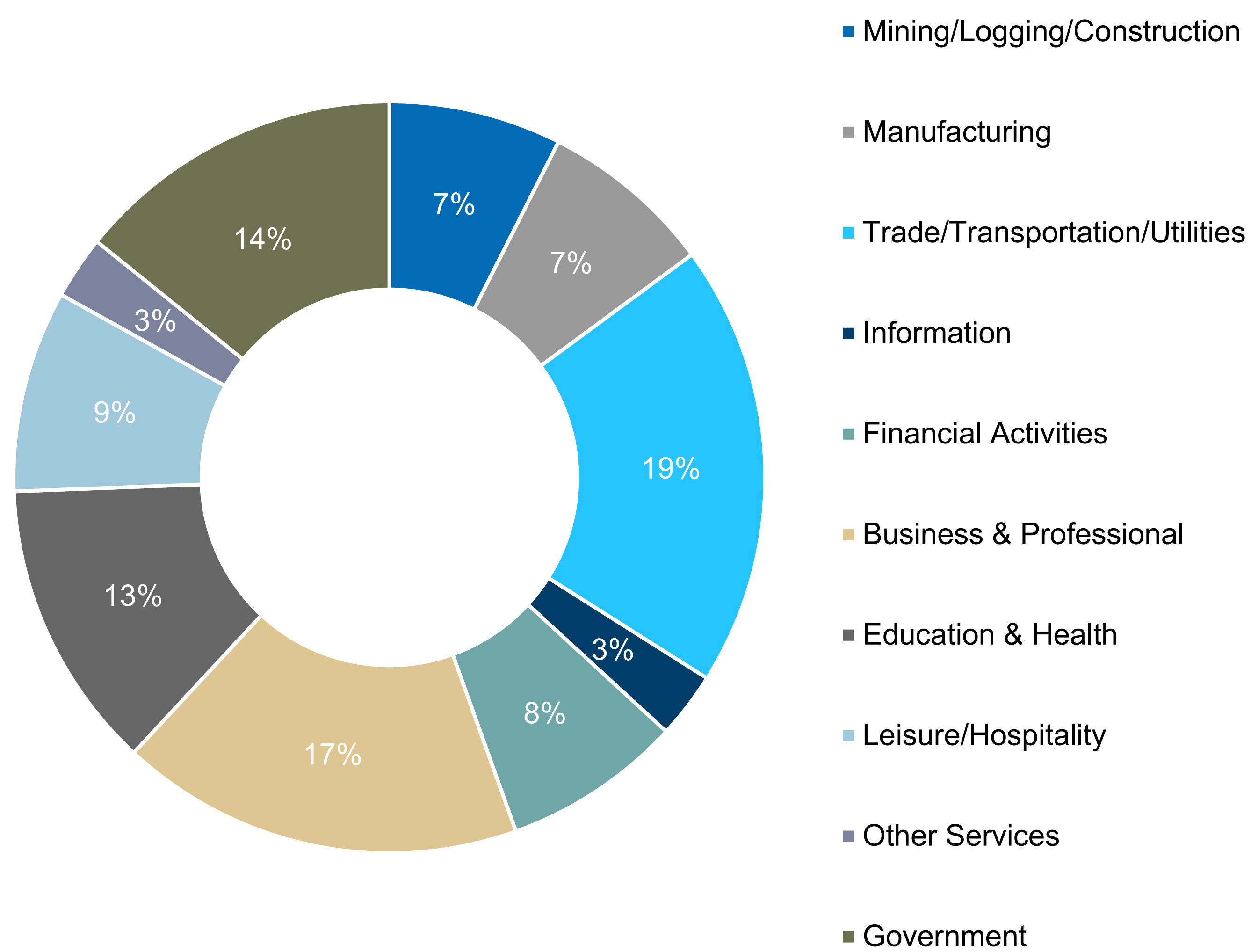


Source: U.S. Bureau of Labor Statistics
*

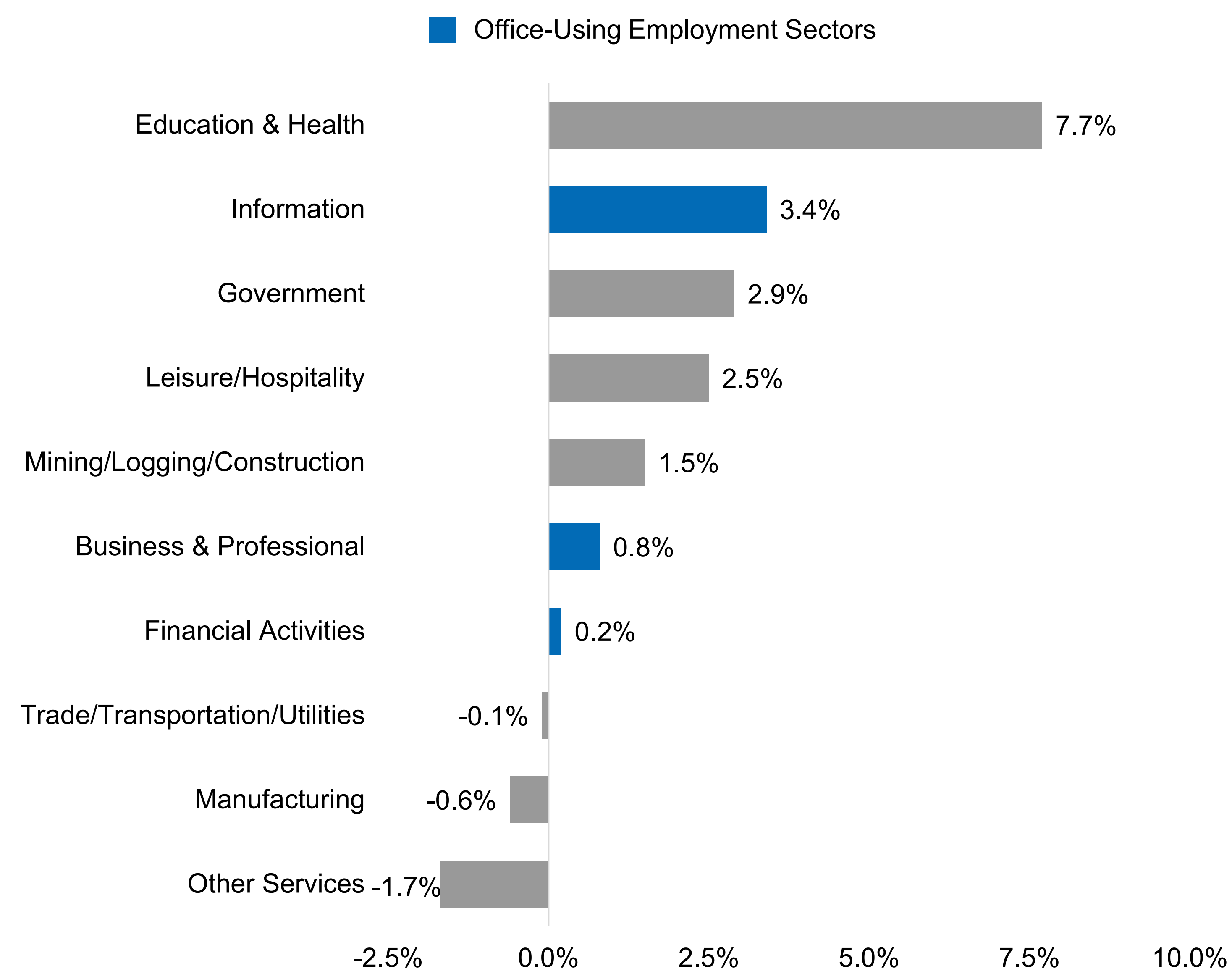
Population Growth Fuels Service-Sector Gains Amid Shifting Consumer Trends

Over the past year, nonfarm employment growth has been driven primarily by the education and health sector (+7.7%), followed by gains in information (+3.4%) and government (+2.9%). Rapid population increases continue to strain schools and healthcare systems, spurring employers to ramp up hiring to alleviate ongoing labor shortages. Meanwhile, employment in other services declined by 3.4%, signaling that inflation and tariff pressures are reshaping consumer spending habits. Although public and infrastructure-related sectors remain pillars of stability, the slowdown in discretionary service roles could temper the region's broader economic momentum in the months ahead.

Salt Lake MSA Employment by Industry, August 2025



Salt Lake MSA Employment Growth by Industry, 12-Month % Change, August 2025

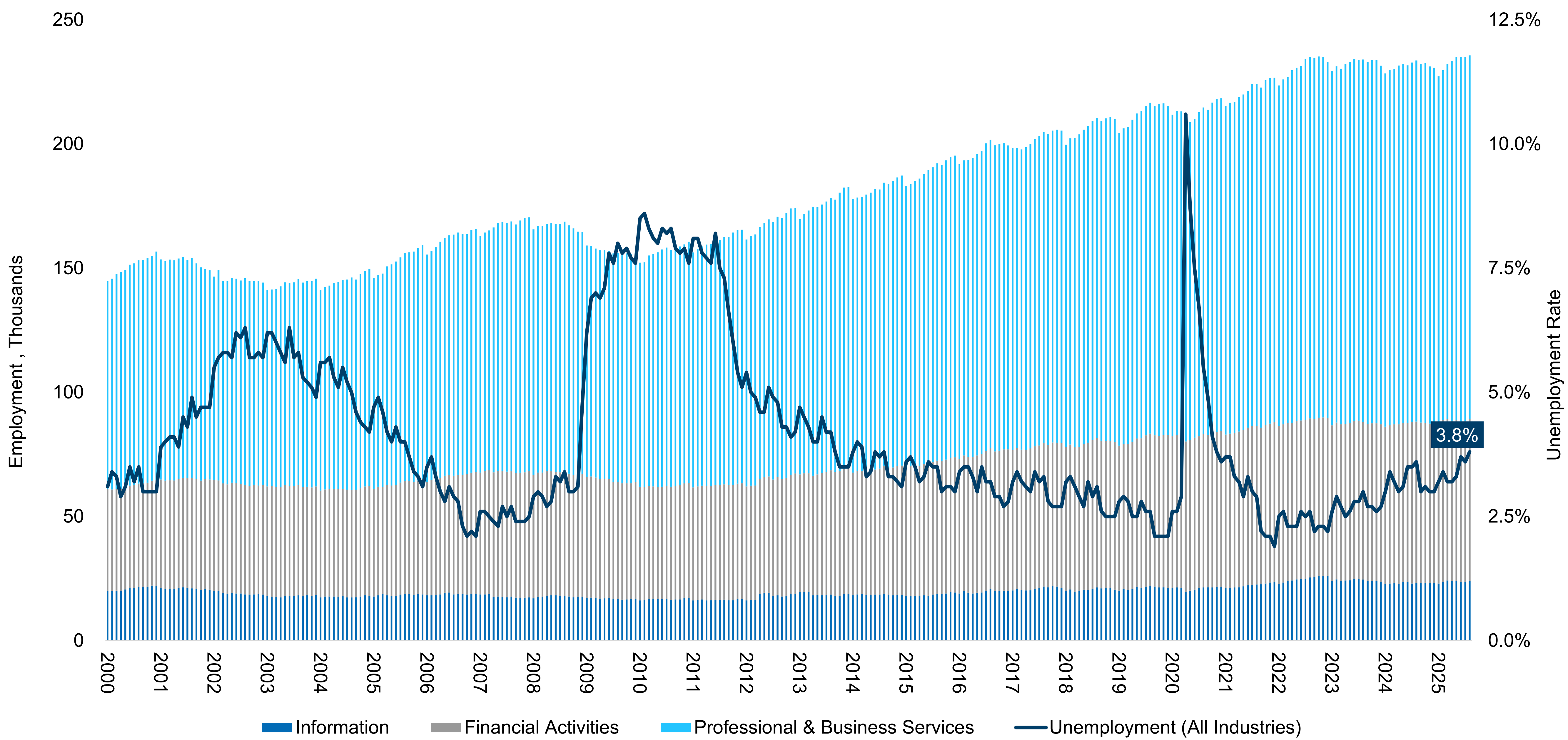


Source: U.S. Bureau of Labor Statistics

Office-Using Employment Reaches New Peak Despite Broader Labor Softening

Office-using employment stands at a record high, now 10.6% above pre-pandemic levels. Expansion has been strongest within professional and business services—particularly in legal, engineering, and consulting fields—while information and financial activities posted more moderate advances. Although overall unemployment has inched upward through 2025, job losses have largely occurred in industries outside the traditional office sphere, allowing the region's white-collar employment base to remain firmly intact.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics
Note: August 2025 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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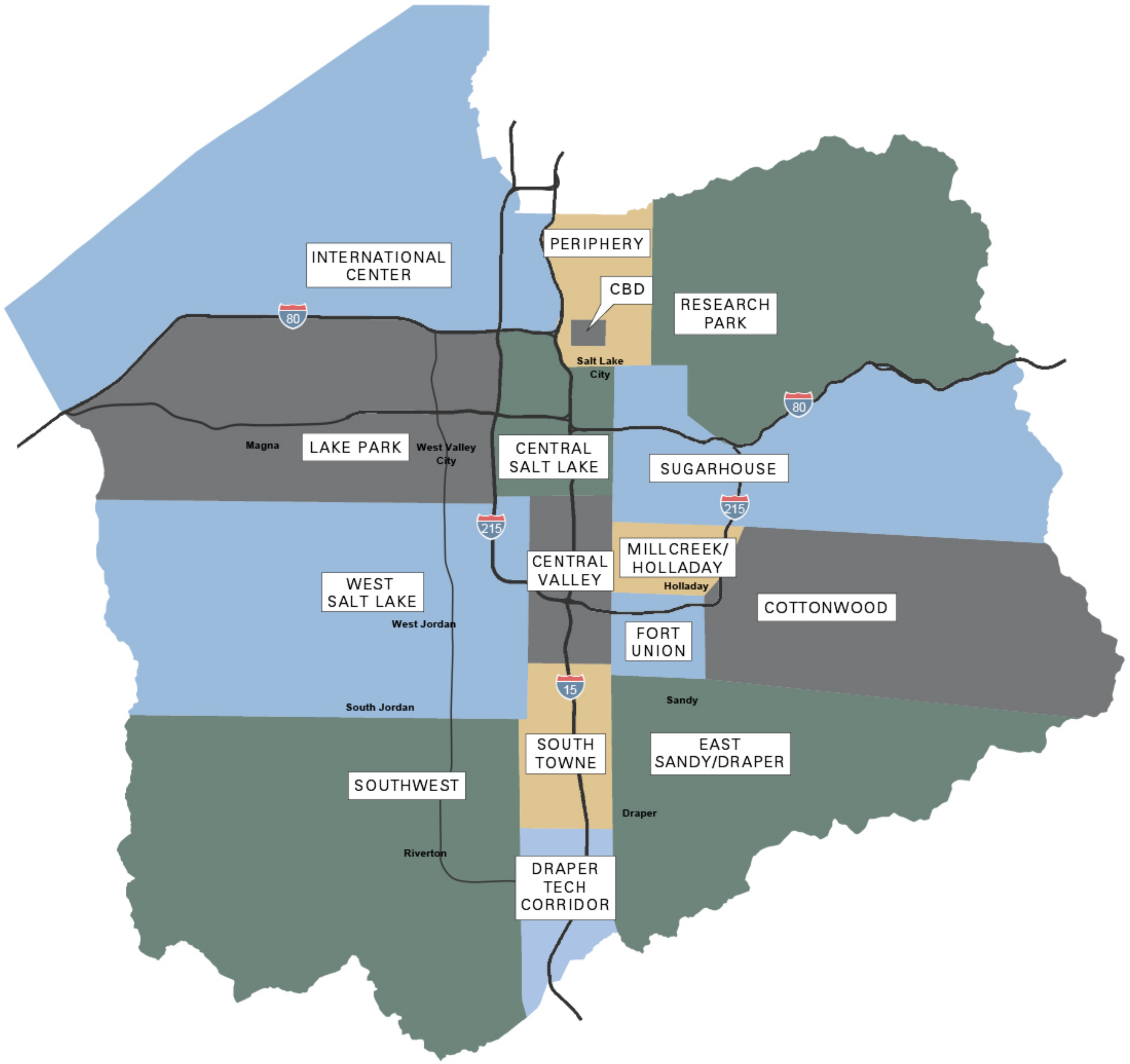
Leasing Market Fundamentals

Salt Lake County Office Submarket Map and High-Level Statistics – 3Q25



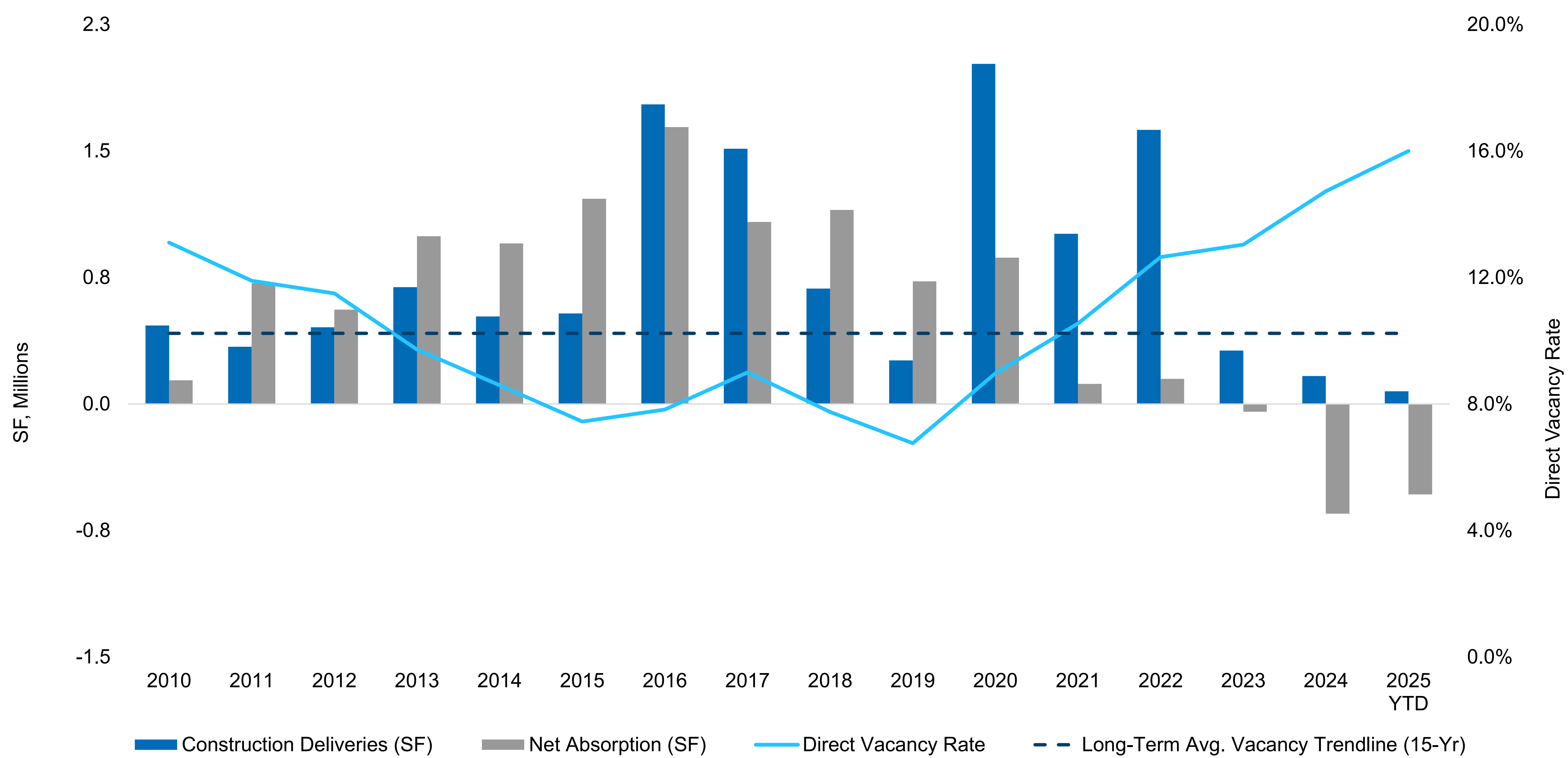
Market Summary				
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Direct Vacancy Rate	16.0%	15.8%	14.9%	↑
Sublet Vacancy Rate	2.4%	2.6%	2.6%	→
Quarterly Net Absorption (SF)	(104,660)	(318,843)	(178,433)	↑
Average Asking Rent/SF	$26.82	$27.24	$27.23	→
Under Construction (SF)	120,000	120,000	242,000	↓
Deliveries (SF)	0	0	0	↑

Source: Newmark Mountain West Research

Renewal-Heavy Leasing and Select Move-Outs Drive Vacancy Uptick

Through the first three quarters of 2025, direct vacancy has climbed 130 basis points from year-end 2024 levels. Leasing activity continues to be dominated by renewals, as most tenants opt to retain their current footprints, keeping net occupancy shifts minimal. However, several sizable departures within the central and southern submarkets have tipped the balance, resulting in a total occupancy decline of approximately 535,000 square feet.

Historical Construction Deliveries, Net Absorption, and Vacancy

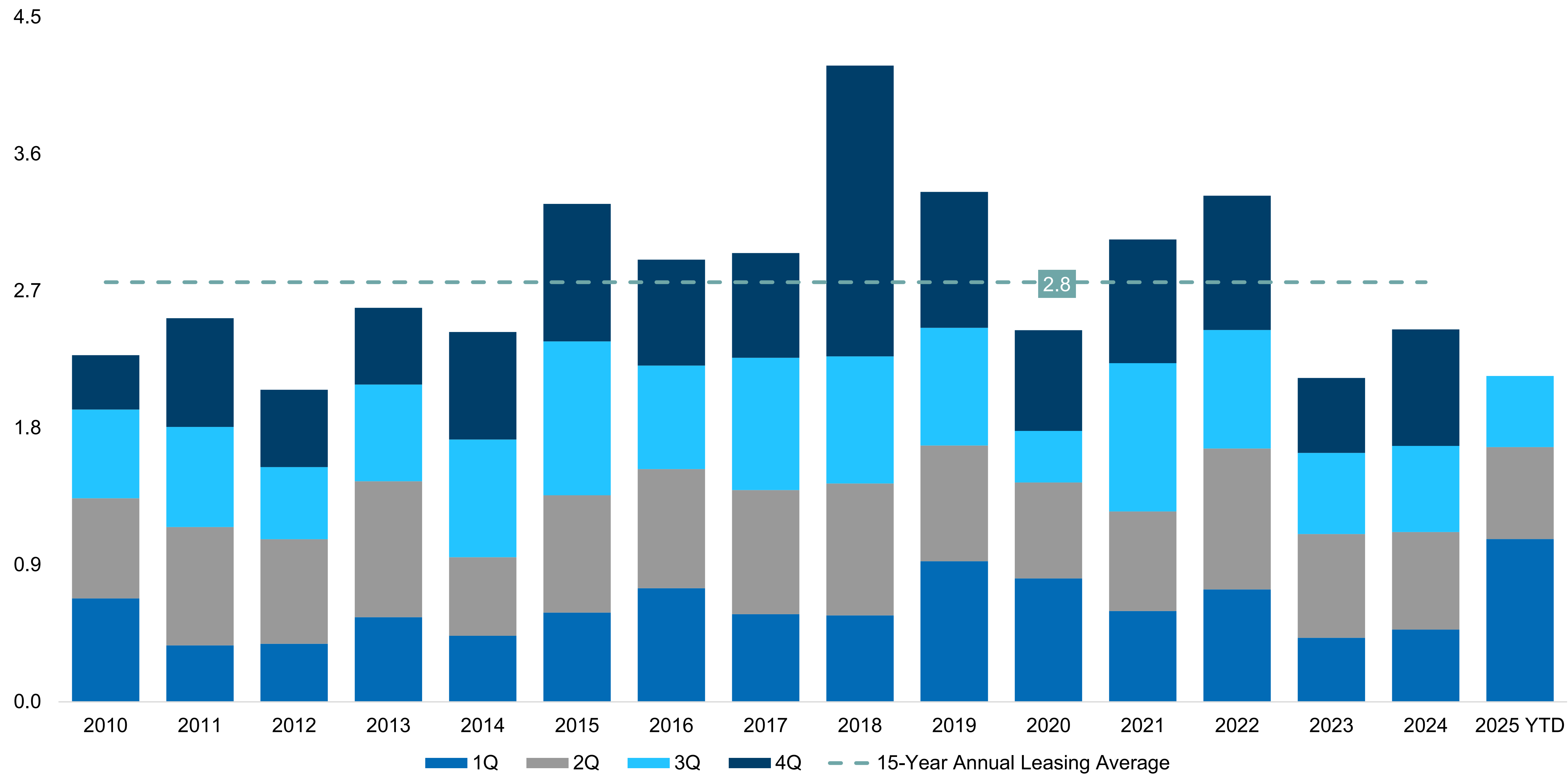


Source: Newmark Mountain West Research

Leasing Momentum Eases Amid Tariff Uncertainty and AI Disruption

After a robust start to the year, leasing activity slowed across both the second and third quarters of 2025. Even so, overall volume has already outpaced 2023 levels and remains on track to exceed 2024 by year-end. Industries more vulnerable to tariff volatility and the disruptive influence of artificial intelligence have pulled back on expansions, softening transaction activity. While an office market recovery is still expected, progress is likely to be gradual, as potential government shutdowns and trade-related headwinds create lingering drag in the quarters ahead.

Total Leasing Activity (MSF)

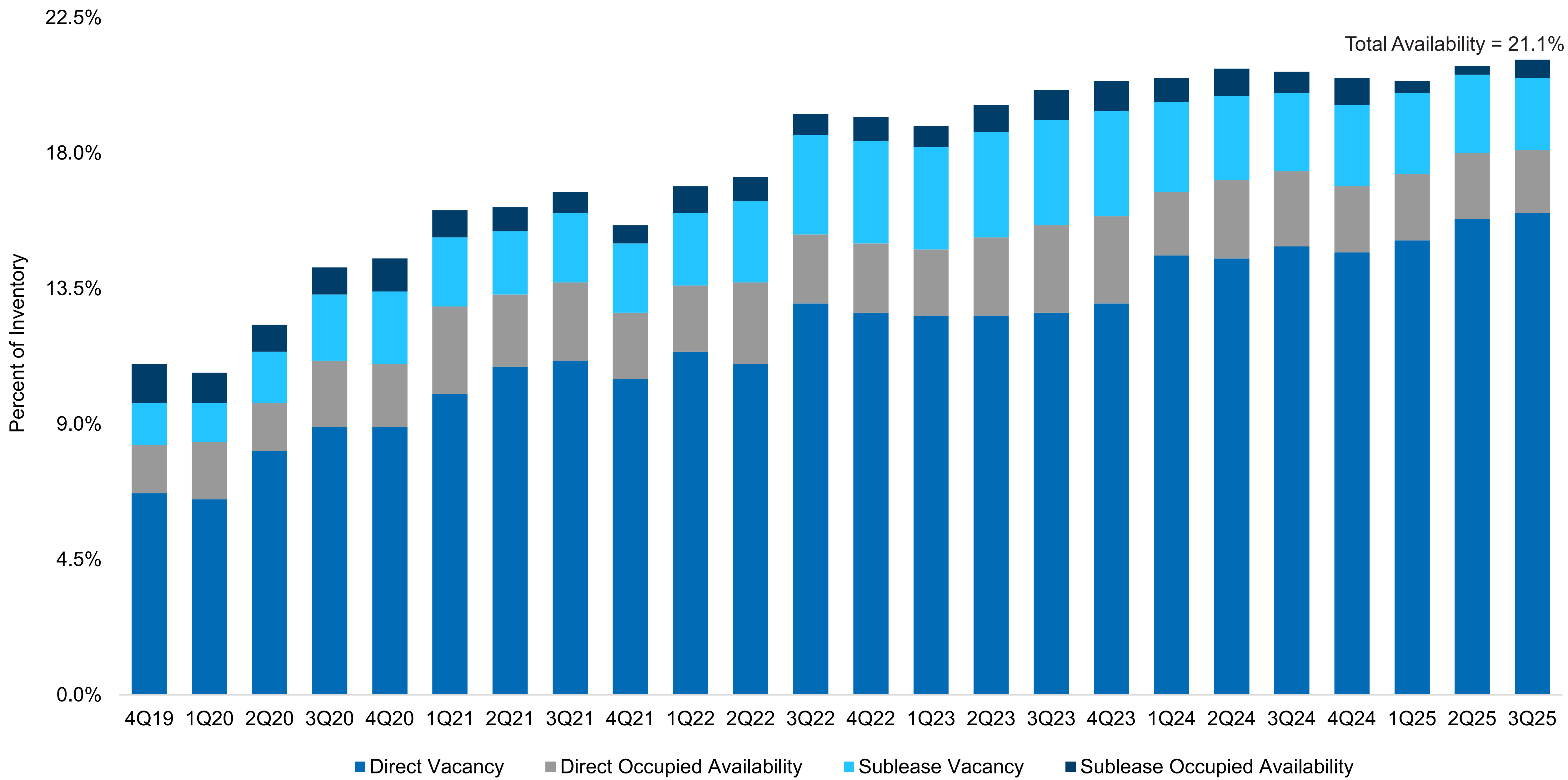


Source: Newmark Mountain West Research

Wave of Lease Expirations Fuels Rise in Available Space

Tenant downsizing has pushed both sublease and direct availabilities higher across the market. Sublease space currently represents 3.0% of total inventory—consistent with the five-year average—but much of it is shifting back to landlords as older leases roll. Many of these agreements, signed during the 2016–2019 leasing surge when tenants committed to longer terms, are now expiring, prompting occupiers to consolidate or relocate into smaller footprints. This transition will persist in the near term as more legacy leases reach maturity.

Availability Breakdown

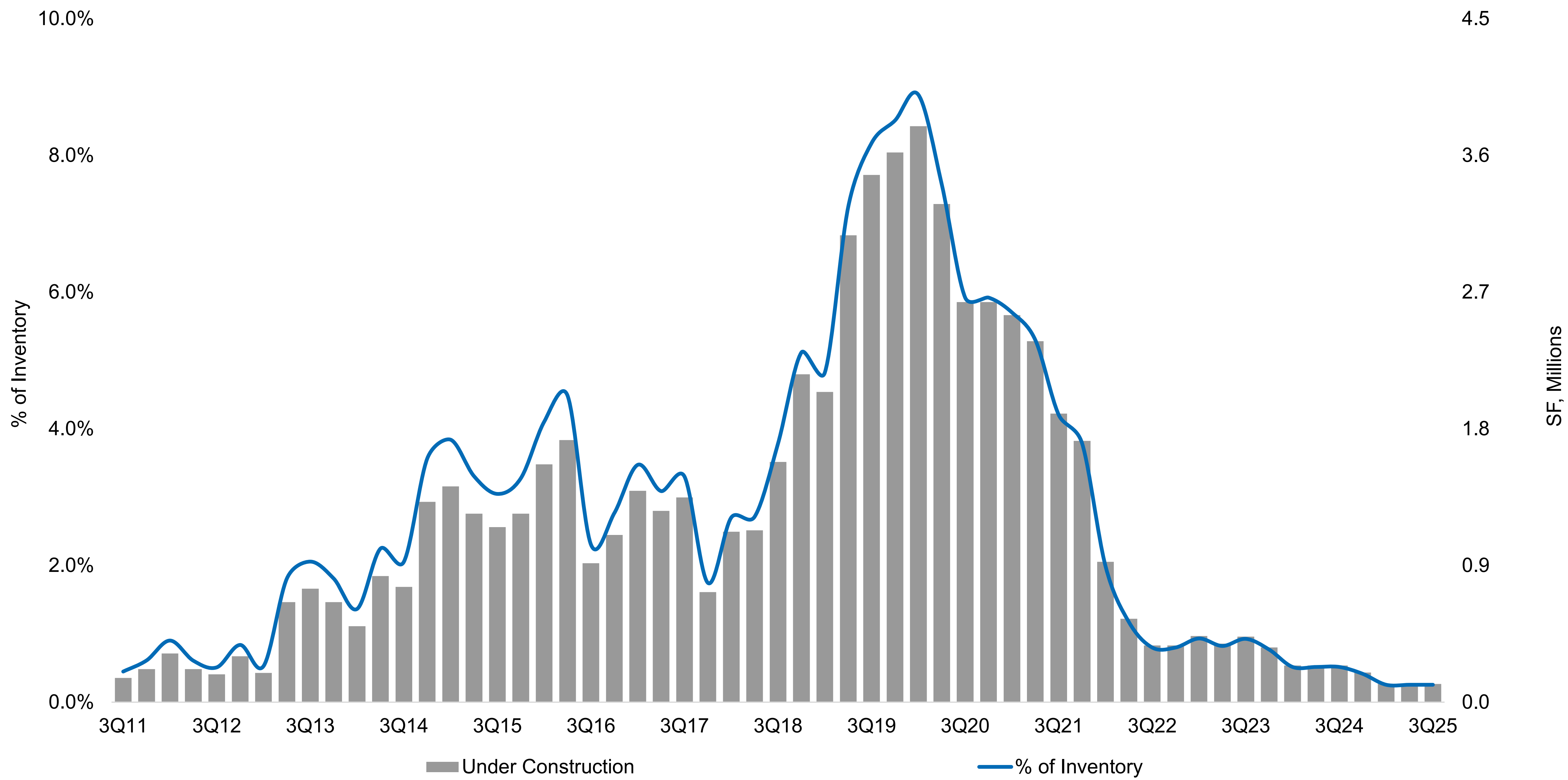


Source: Newmark Mountain West Research

Office Development Levels Off as Focus Shifts to Built-to-Suit

Office construction has steadily declined since its 2020 peak and now holds at just 0.3% of total inventory. Current activity is largely driven by built-to-suit and owner-occupied projects, reflecting demand for tailored, long-term space solutions. Speculative development remains limited, and with tariffs potentially impacting construction costs, future activity is expected to remain constrained.

Office Under Construction and % of Inventory

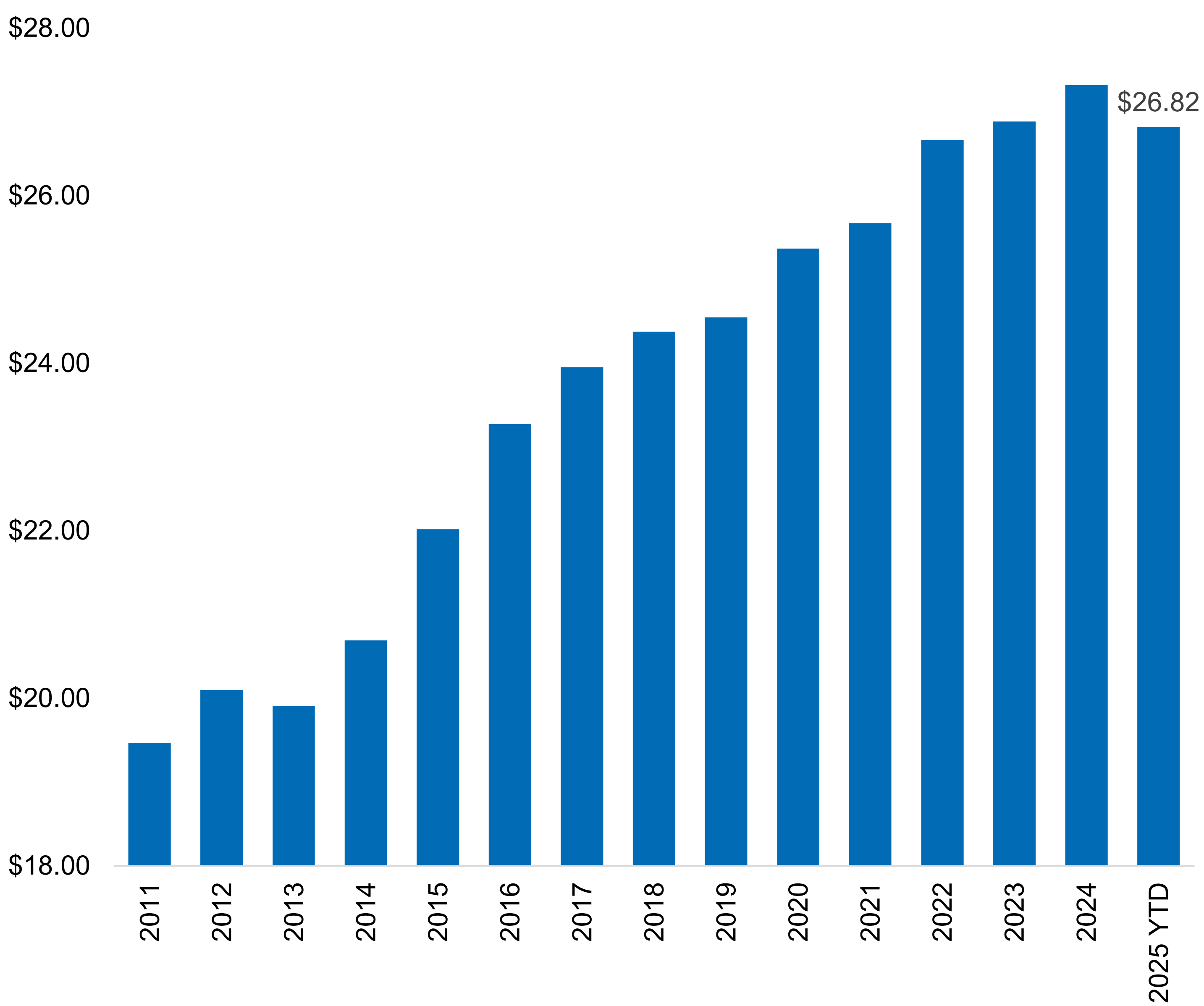


Source: Newmark Mountain West Research

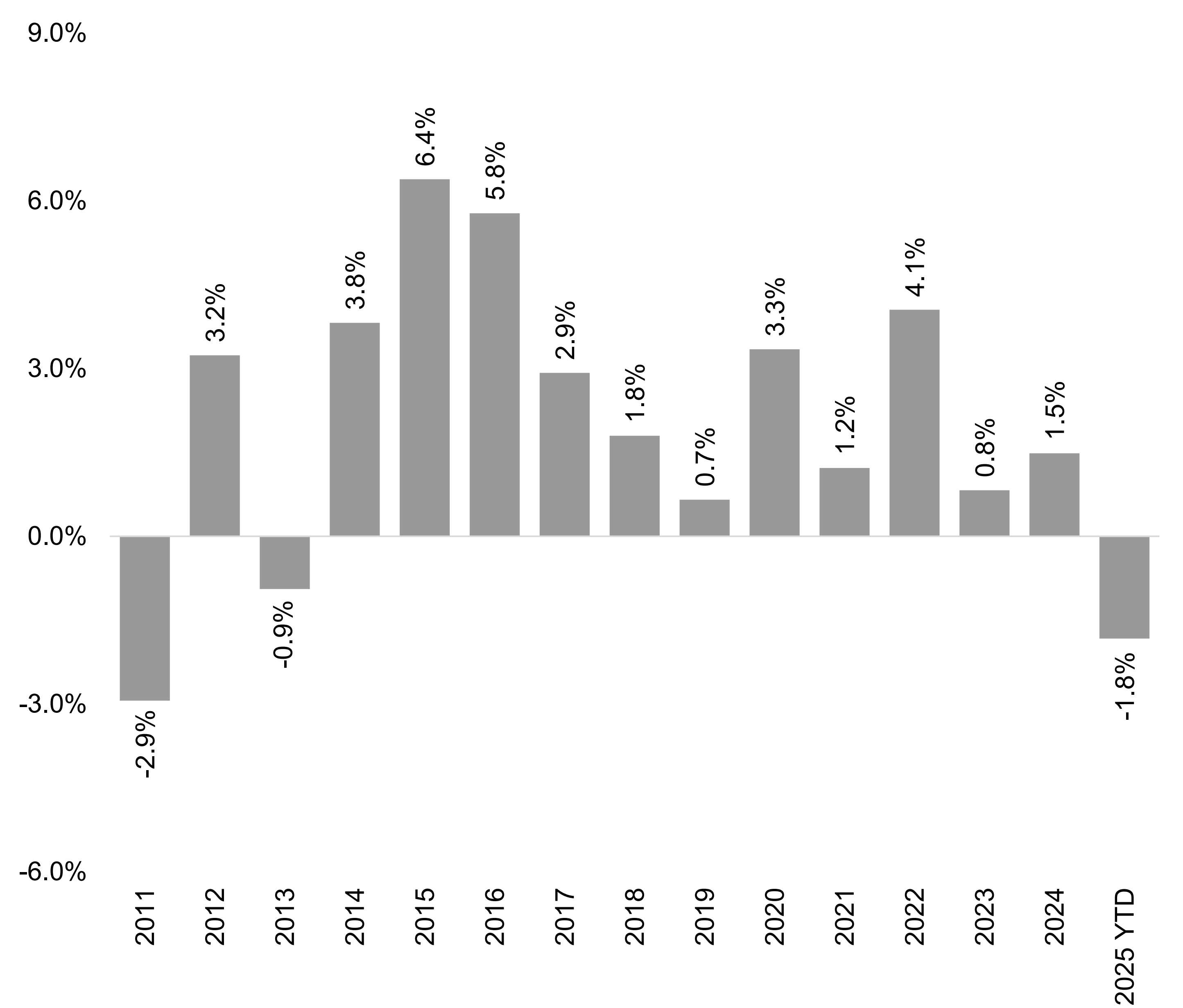
Prolonged Vacancies Prompt Rent Adjustments Across the Market

With listings lingering on the market for extended periods, landlords have begun recalibrating lease rates to attract prospective tenants. Average asking rents across the metro have edged down to $26.82/SF as owners work to regain momentum. Cost-conscious tenants remain selective, prompting landlords to offer greater flexibility—whether through reduced rates or enhanced concessions—to close the distance between prolonged vacancy and executed leases.

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



Year-over-Year Asking Rent Growth Rate

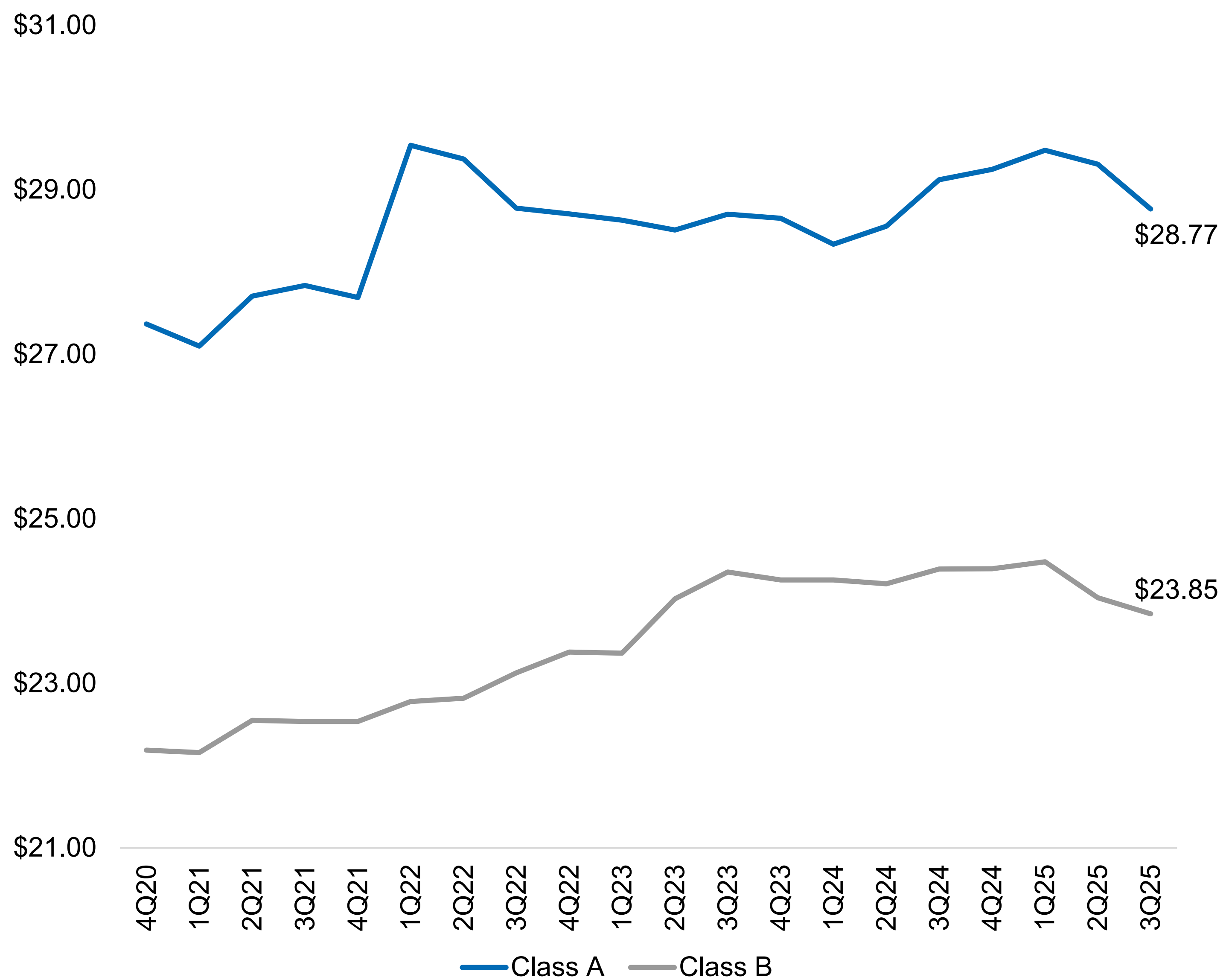


Source: Newmark Mountain West Research

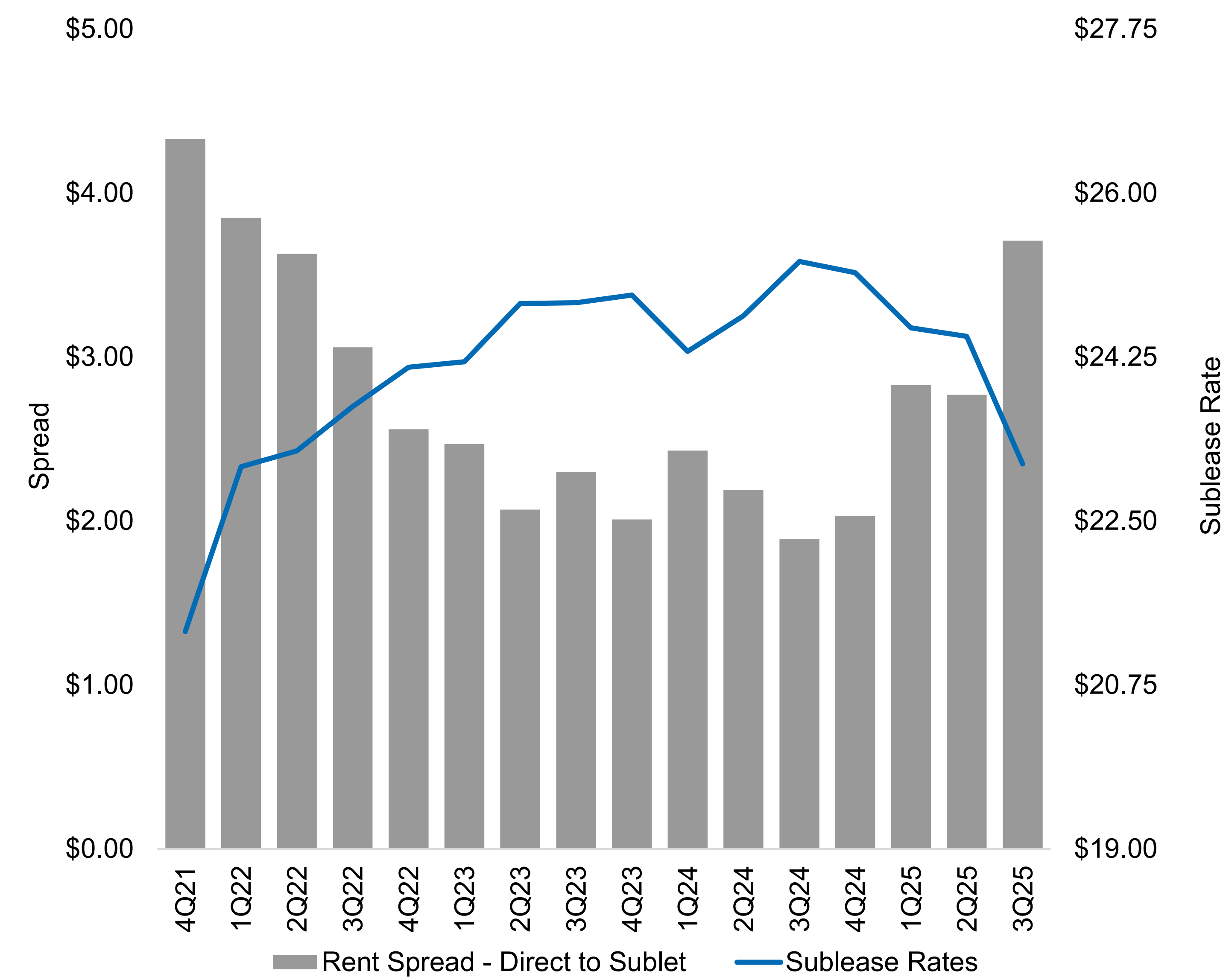
Sublease Pricing Softens as Competition and Limited Demand Weigh on Rents

Since the third quarter of 2024, sublease rates have steadily declined as sublessors adjust pricing to stay competitive with traditional landlords, many of whom are also reducing rates to backfill vacant space. Both Class A and Class B asking rents are trending downward, underscoring weaker demand for large contiguous blocks—particularly within higher-end product—where availability remains most concentrated.

Class A and Class B Asking Rents



Sublease Asking Rates



Source: Newmark Mountain West Research

Q3 Notable Lease Transactions

3Q25 Notable Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Institutional Capital Network	650 South Main Street	Periphery	Direct New	31,273
Institutional Capital Network leased 31,273 SF in Patrinely's 650 South Main.				
Backcountry.com	Cottonwood Corporate Center 11	Cottonwood	Sublease	22,830
Workday subleased a portion of their space to Backcountry.com.				
First Electric Bank	Park View Plaza 2	Sugarhouse	Direct New	19,827
Park View Plaza 2 welcomed First Electric Bank as a tenant during the third quarter of 2025.				
SSA Containers	Lone Peak Center 3	Southtowne	Lease Renewal	19,799
SSA Containers renewed for another term at the same footprint within Lone Peak Center 3.				
New Strategy	170 South Main	Central Business District	Direct New	16,959
Sales company, New Strategy, took 16,959 SF in Fort Street Partners' 170 South Main.				

Source: Newmark Mountain West Research

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Submarket Statistics

Salt Lake County Office Submarket Statistics – 3Q25 (Page 1 of 2)

Submarket Statistics

	Under Construction (SF)	Direct Vacancy Rate	Sublease Vacancy Rate	Total Availability Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
CBD	0	17.5%	1.3%	22.6%	94,957	(9,193)	$33.55	$26.54	$29.82
Periphery	0	13.1%	0.7%	16.4%	(28,340)	33,603	$38.44	$21.74	$25.59
Downtown Total	**0**	**16.8%**	**1.2%**	**21.6%**	**66,617**	**24,410**	**$33.80**	**$25.46**	**$29.34**
Cottonwood	0	11.8%	3.1%	25.1%	98,255	76,179	$32.65	-	$32.56
Central Salt Lake	0	17.0%	4.9%	24.2%	(3,823)	(57,884)	-	$19.66	$19.61
Central Valley	0	9.8%	2.0%	14.2%	(112,901)	(100,427)	$26.28	$21.07	$21.64
Draper Tech Corridor	0	13.0%	5.8%	22.8%	(75,163)	(87,775)	$27.66	$27.63	$27.59
East Sandy/Draper	0	3.1%	-	5.5%	13,583	20,623	-	$24.40	$22.81
Fort Union	0	15.2%	3.6%	22.0%	(37,238)	(112,009)	$27.88	$23.24	$26.52
International Center	0	17.8%	4.2%	22.2%	(46,674)	(15,249)	-	$26.42	$24.56

Source: Newmark Mountain West Research

Salt Lake County Office Submarket Statistics Cont. –3Q25 (Page 2 of 2)

Submarket Statistics

	Under Construction (SF)	Direct Vacancy Rate	Sublease Vacancy Rate	Total Availability Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Lake Park	0	47.1%	2.9%	51.3%	(35,030)	(140,800)	$24.21	$22.02	$24.00
Millcreek/Holladay	120,000	5.8%	-	6.3%	16,087	21,108	-	$21.89	$19.90
Research Park	0	7.7%	-	7.7%	(1,847)	(15,999)	-	$24.38	$23.80
Sugarhouse	0	6.3%	0.8%	8.1%	74,738	111,010	$33.50	$21.77	$25.21
Southwest	0	21.1%	-	22.1%	6,526	(13,769)	$29.59	-	$29.59
Southtowne	0	17.5%	2.5%	22.1%	(67,790)	(284,147)	$26.81	$24.69	$25.61
West Salt Lake	0	5.1%	-	5.1%	0	39,113	-	-	-
Suburban Total	**120,000**	**15.7%**	**2.8%**	**21.0%**	**(171,277)**	**(560,026)**	**$27.52**	**$24.01**	**$25.47**
Salt Lake County Market	**120,000**	**16.0%**	**2.4%**	**21.1%**	**(104,660)**	**(535,616)**	**$29.65**	**$24.53**	**$26.82**

Source: Newmark Mountain West Research

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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