

4Q25

Salt Lake Office Market Overview



Market Observations

Economy

- The Salt Lake City MSA continues to outperform the U.S., with unemployment running roughly 70 basis points below the national average and 1.5 percent year-over-year job growth, triple the national pace.
- Job growth remains concentrated in population-driven service sectors, led by education and health services (+5.0%), information (+4.3%), and business and professional services (+2.9%).
- Office-using employment now stands 11.3% above pre-pandemic levels, driven primarily by sustained expansion within professional and business services.
- Broad-based hiring and ongoing population growth reinforce the region's economic resilience, supporting long-term office demand fundamentals.

Major Transactions

- New leasing remains subdued as tariff volatility, AI-driven organizational shifts, and cautious capital spending delay decision-making.
- Transaction activity is concentrated in renewals and targeted relocations, with many tenants right-sizing footprints or opting to remain in place.
- Several large tenant departures in central and southern submarkets accounted for approximately 510,000 SF of occupancy loss, contributing to recent vacancy increases.
- Occupier strategy continues to favor flexibility and efficiency, limiting near-term absorption despite solid employment growth.

Leasing Market Fundamentals

- Leasing velocity moderated following a strong first quarter; however, total leasing volume is up 15.9% YOY and aligns with the 15-year average of approximately 2.8 million SF.
- Direct vacancy increased 160 basis points from year-end 2024 to year-end 2025, while sublease vacancy declined 70 basis points, resulting in total availability stabilizing near 21% throughout 2025.
- Landlords are holding asking rents largely flat as spaces sit longer on the market, instead competing through enhanced concession packages that include higher tenant improvement allowances and free rent.
- Leasing activity remains renewal-driven, with tenants prioritizing cost control and stability over expansion amid economic and capital market uncertainty.

Outlook

- An office recovery remains anticipated but is expected to unfold gradually as global tensions, tariff exposure, and technological disruption persist as headwinds.
- Development activity and new deliveries remain sharply constrained, limiting future supply and setting the stage for stabilization once demand improves.
- Downtown Salt Lake City office attendance has reached approximately 75% of pre-COVID levels for Class A buildings and nearly 60% for Class B assets. Return-to-office momentum has improved across the metro, with additional gains likely as corporate policies continue to evolve into 2026.

1. Economy
2. Leasing Market Fundamentals
3. Submarket Statistics

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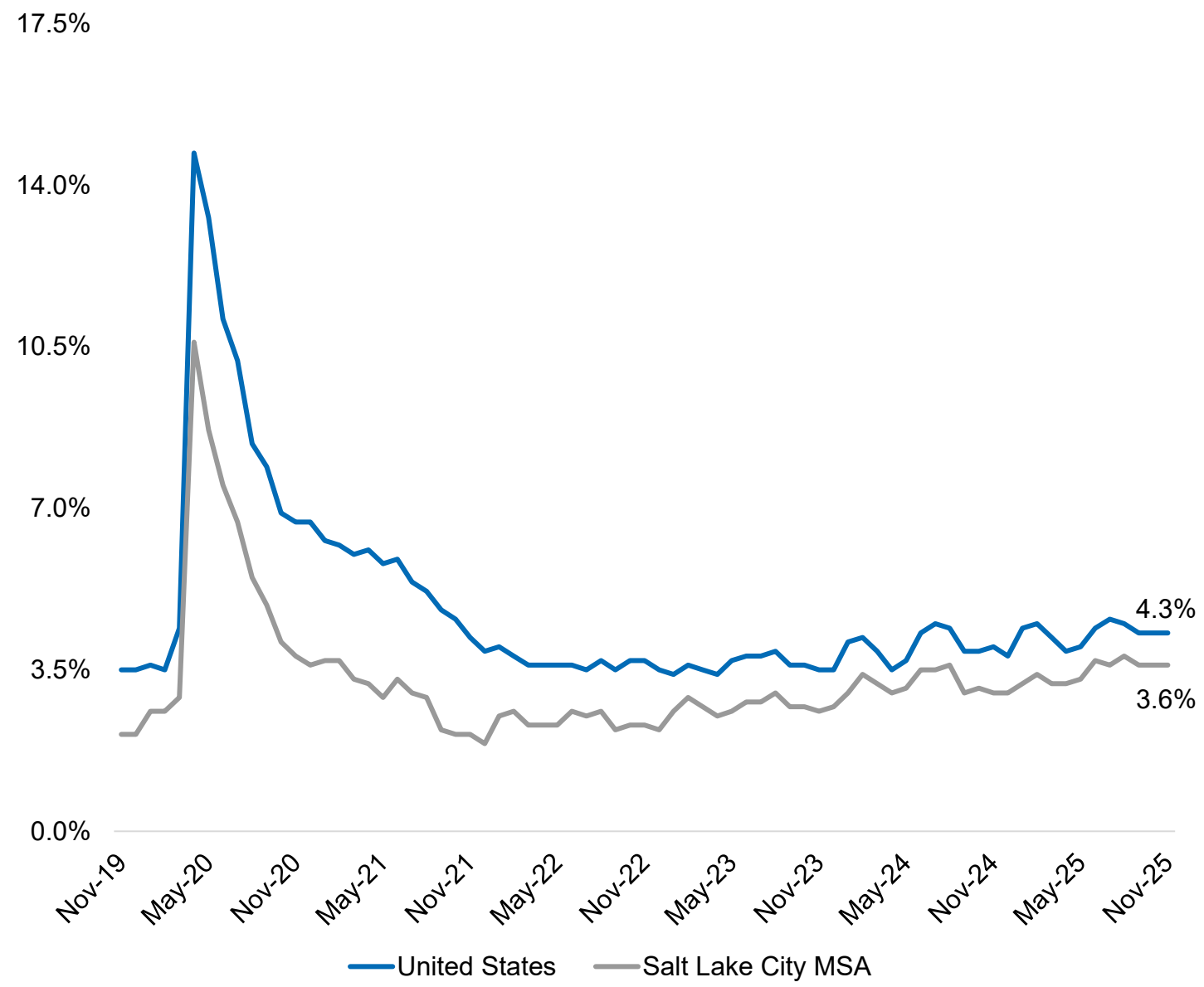
Economy



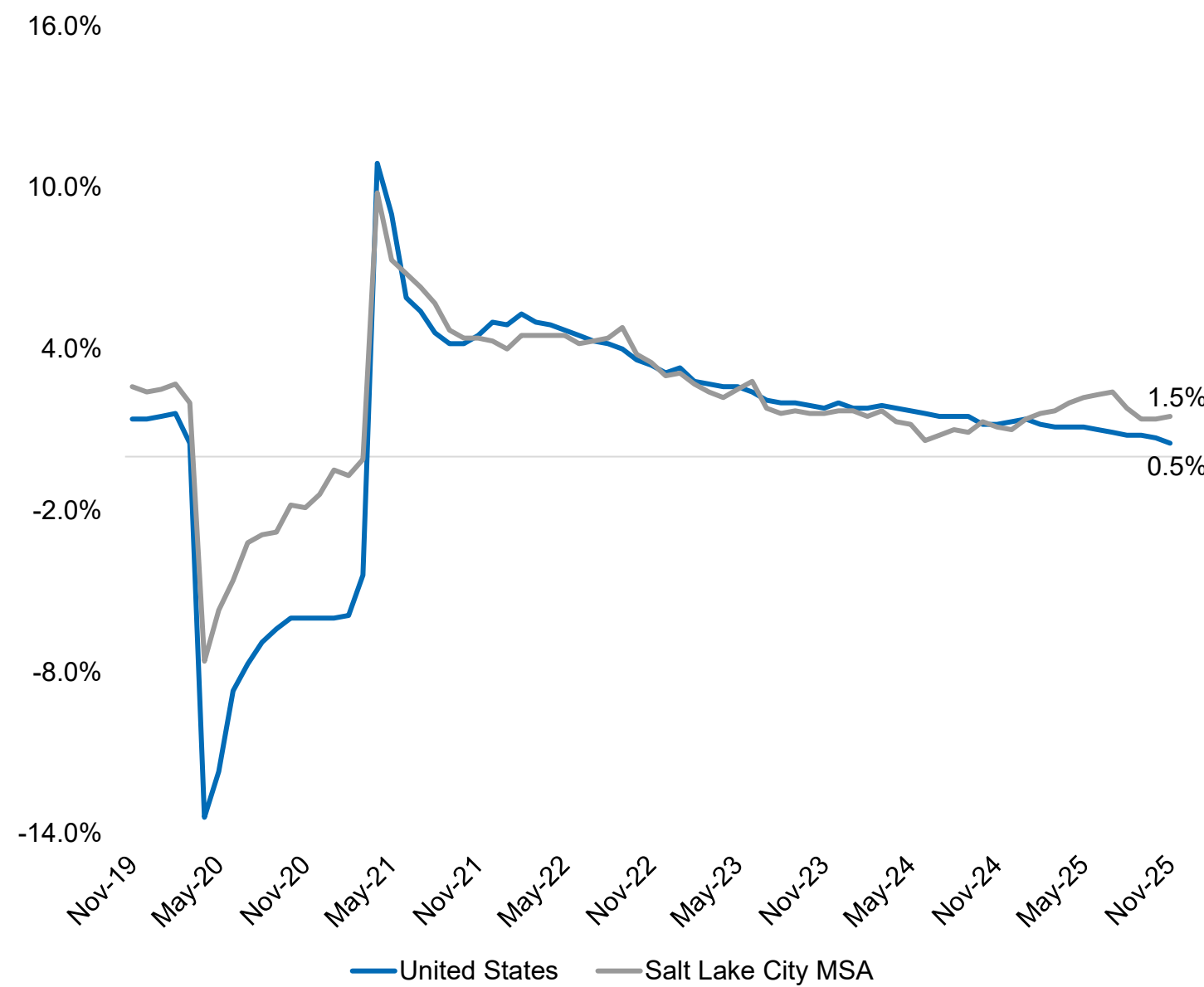
Salt Lake City Labor Market Outperforms Amid National Uncertainty

As of November 2025, the Salt Lake City MSA continues to separate itself from national labor trends. The metro’s unemployment rate remains approximately 70 basis points below the U.S. average, signaling sustained labor market strength despite broader economic volatility. Employment grew 1.5% YOY, tripling the national growth rate of 0.5%. This performance reflects consistent job creation and highlights the region’s ability to maintain economic momentum in an uneven national recovery.

Unemployment Rate, Not Seasonally Adjusted



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



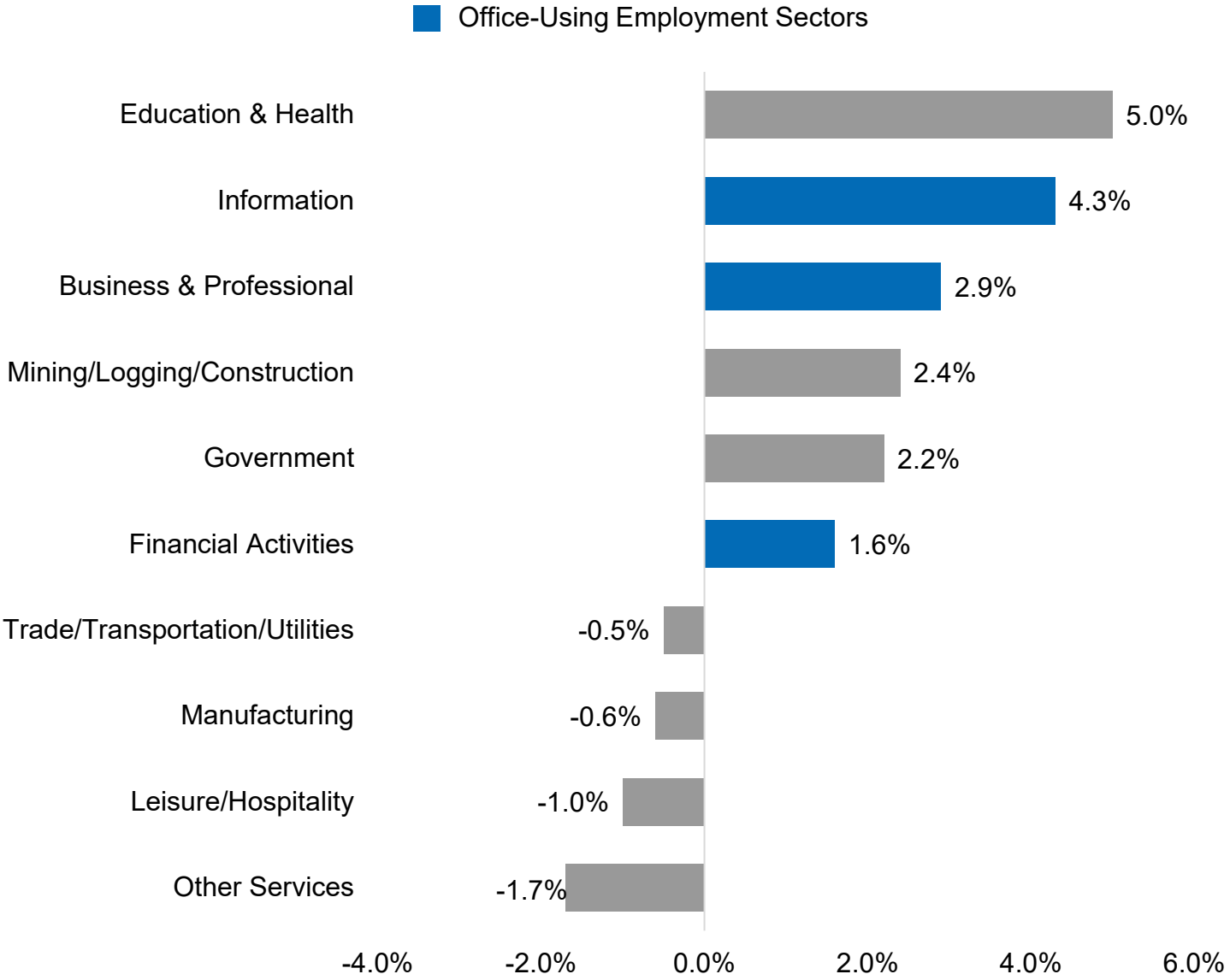
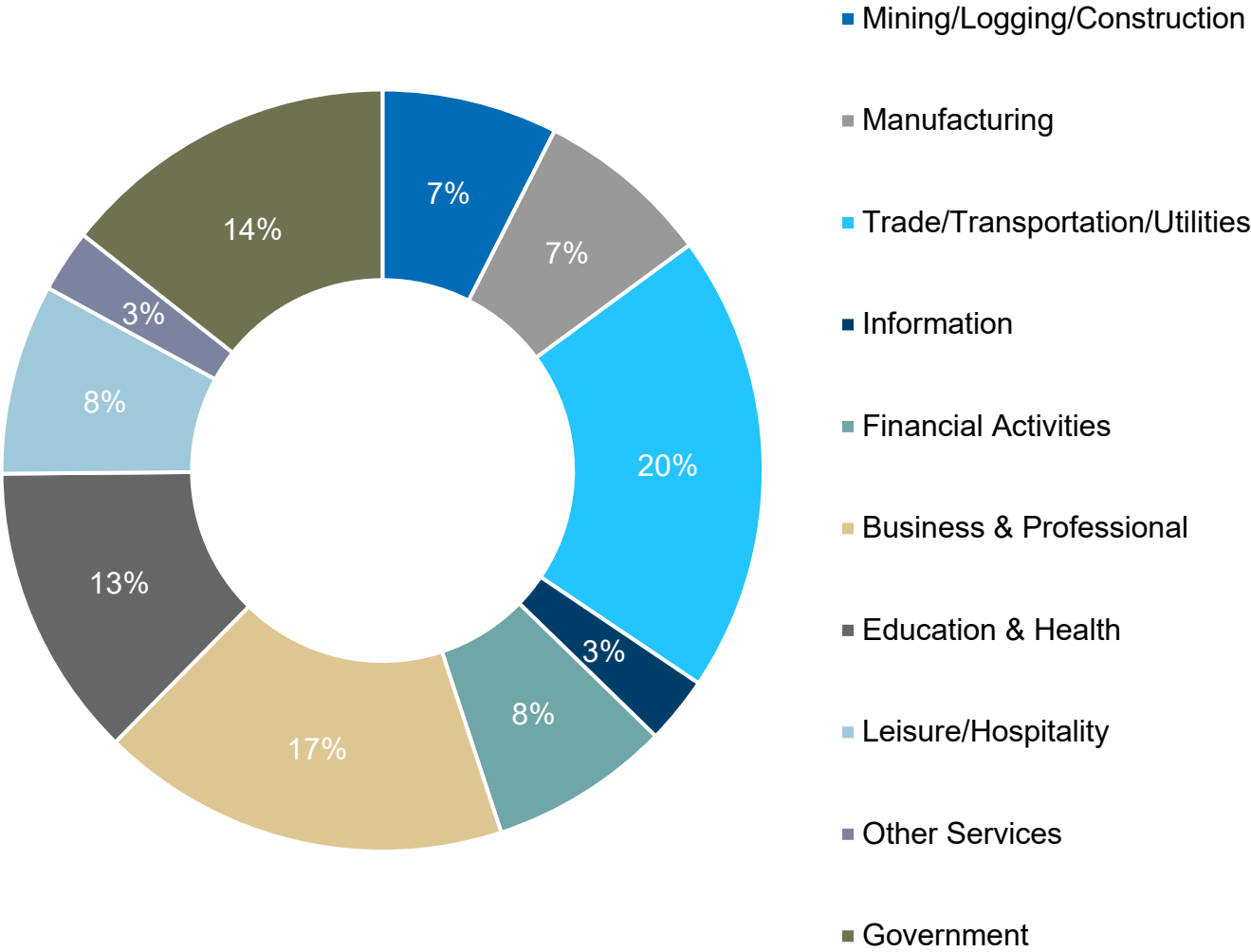
Source: U.S. Bureau of Labor Statistics
*

Service-Sector Hiring Anchors Employment Growth

Over the past year, nonfarm employment growth has been led by education and health services, which expanded 5.0%, followed by information at 4.3% and business and professional services at 2.9%. Accelerating population growth continues to pressure schools and healthcare systems, prompting employers to increase hiring to address persistent labor shortages. While public and infrastructure-related sectors continue to provide a stabilizing base, slower growth in discretionary service roles introduces a potential drag on overall economic momentum in the near term.

Salt Lake MSA Employment by Industry, November 2025

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

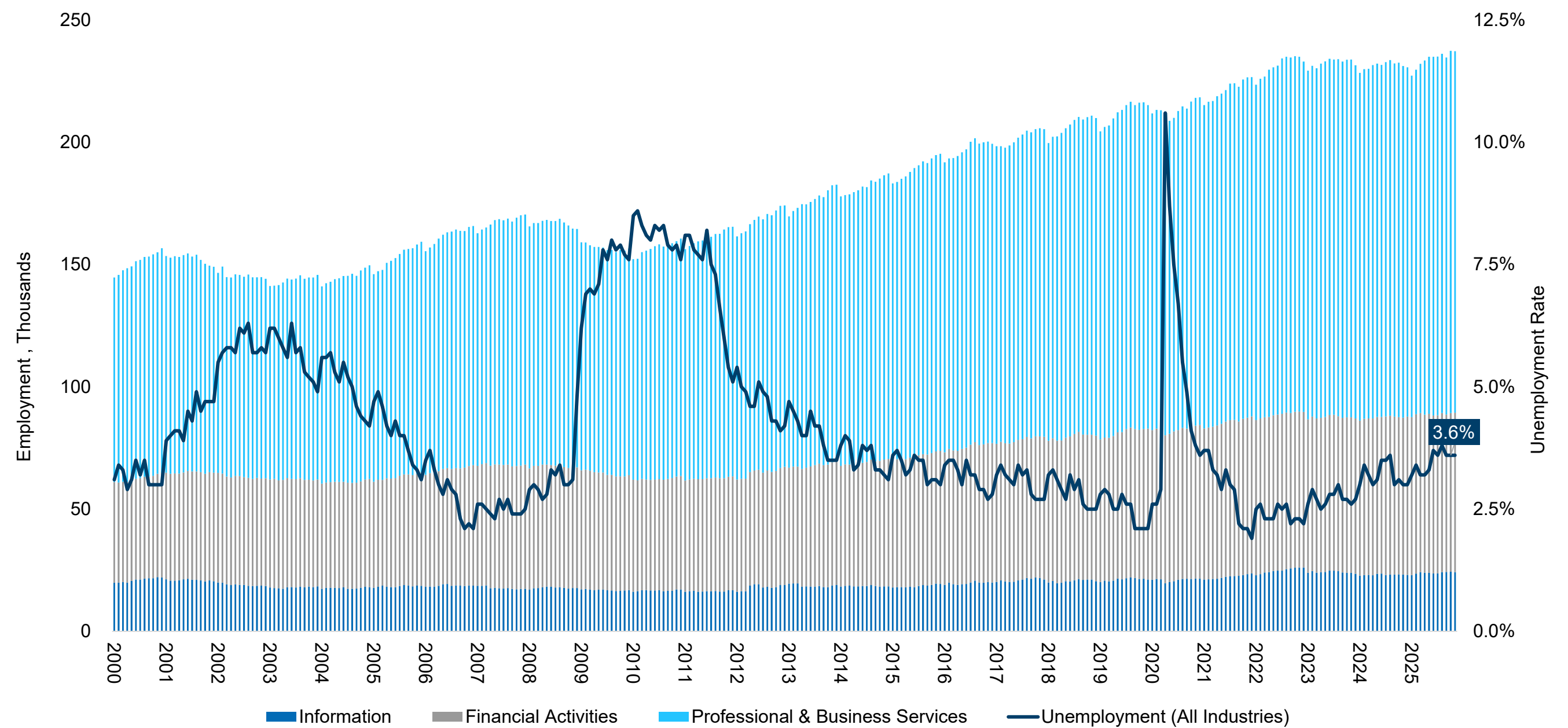


Source: U.S. Bureau of Labor Statistics

Office-Using Employment Reaches New Peak

Office-using employment in the Salt Lake City MSA has reached a record high, now sitting 11.2% above pre-pandemic levels. Growth has been concentrated in professional and business services, with legal, engineering, and consulting firms leading expansion, while information and financial activities recorded more measured gains. Although unemployment edged higher through 2025, job losses have largely occurred outside core office-using industries, allowing the region’s white-collar employment base to remain structurally sound.

Office-Using Employment* and Unemployment Across All Industries



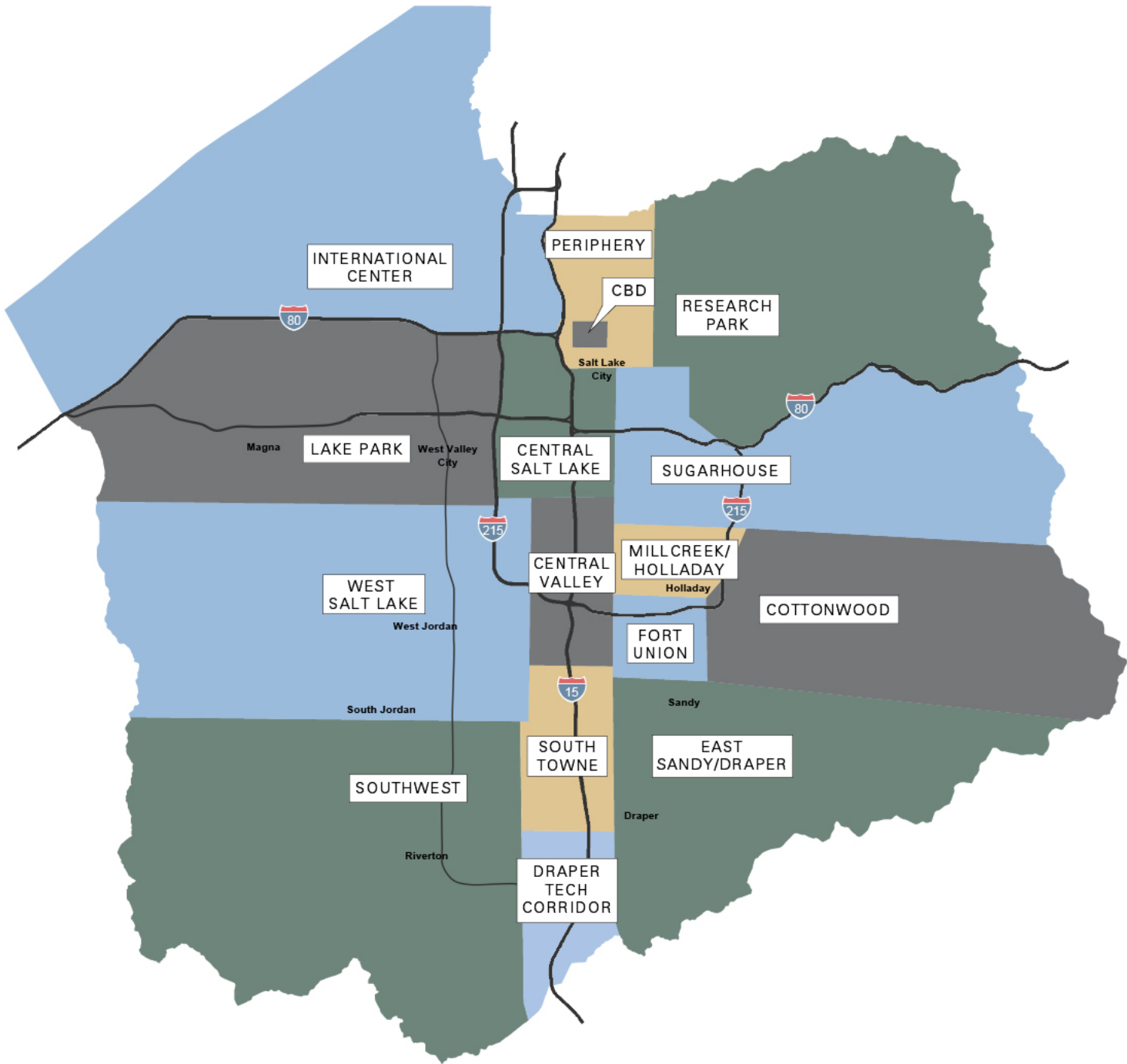
Source: U.S. Bureau of Labor Statistics
Note: November 2025 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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Leasing Market Fundamentals



Salt Lake County Office Submarket Map and High-Level Statistics – 4Q25



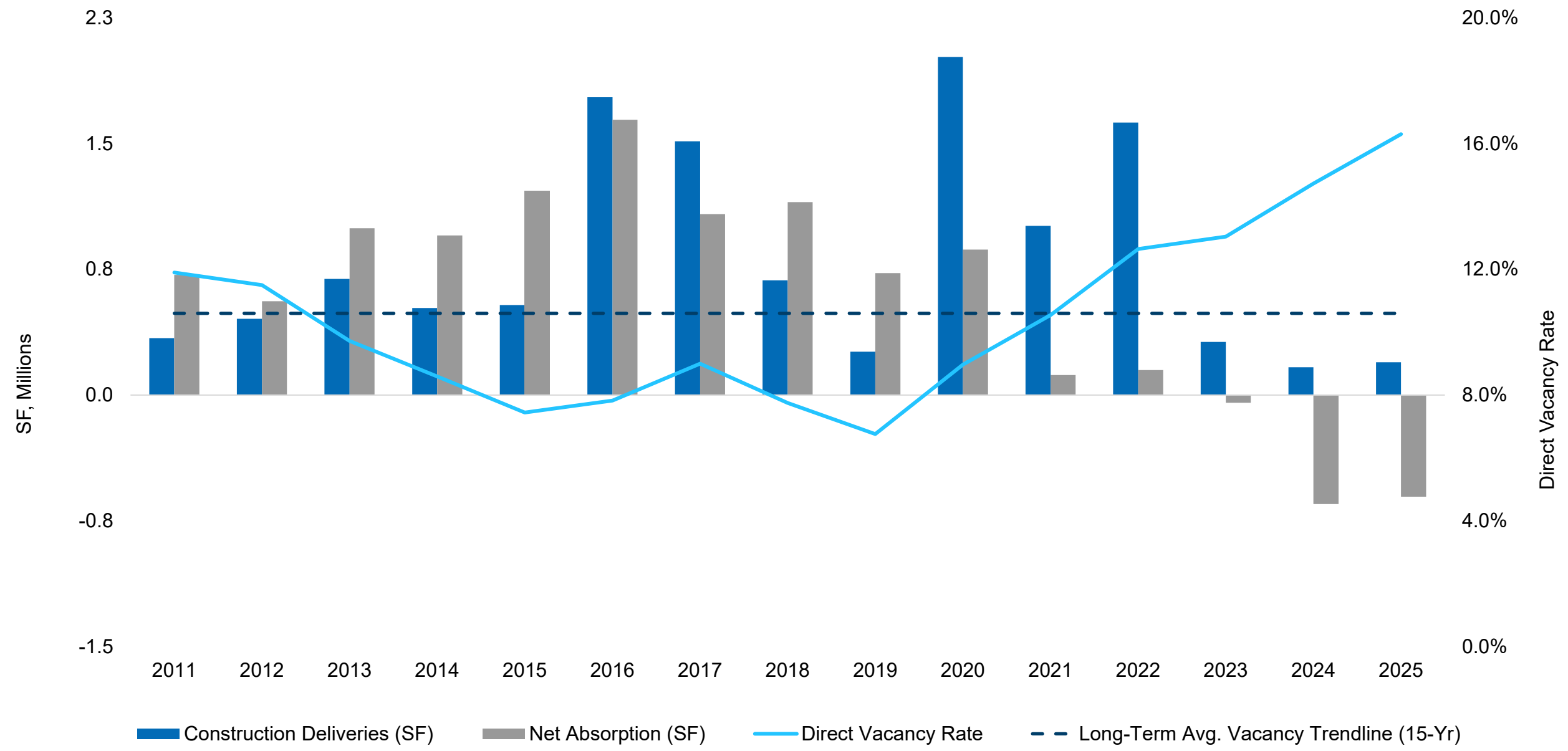
Market Summary				
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Direct Vacancy Rate	16.3%	16.0%	14.7%	→
Sublet Vacancy Rate	2.0%	2.4%	2.7%	→
Quarterly Net Absorption (SF)	(43,883)	(138,125)	142,597	↑
Average Asking Rent/SF	\$27.36	\$26.93	\$27.32	→
Under Construction (SF)	29,958	120,000	195,000	↓
Deliveries (SF)	120,000	0	47,000	↓

Source: Newmark Mountain West Research

Vacancy Rises as Renewals Dominate Leasing Activity

Direct vacancy increased by 160 basis points from year-end 2024 levels, sitting at 16.3% at year-end 2025. Leasing activity remains heavily renewal-driven, as most tenants choose to maintain existing footprints and minimize occupancy changes. Despite this stability, several large move-outs in the central and southern submarkets shifted market dynamics, resulting in an estimated 600,000 SF of net occupancy loss across the Salt Lake City MSA.

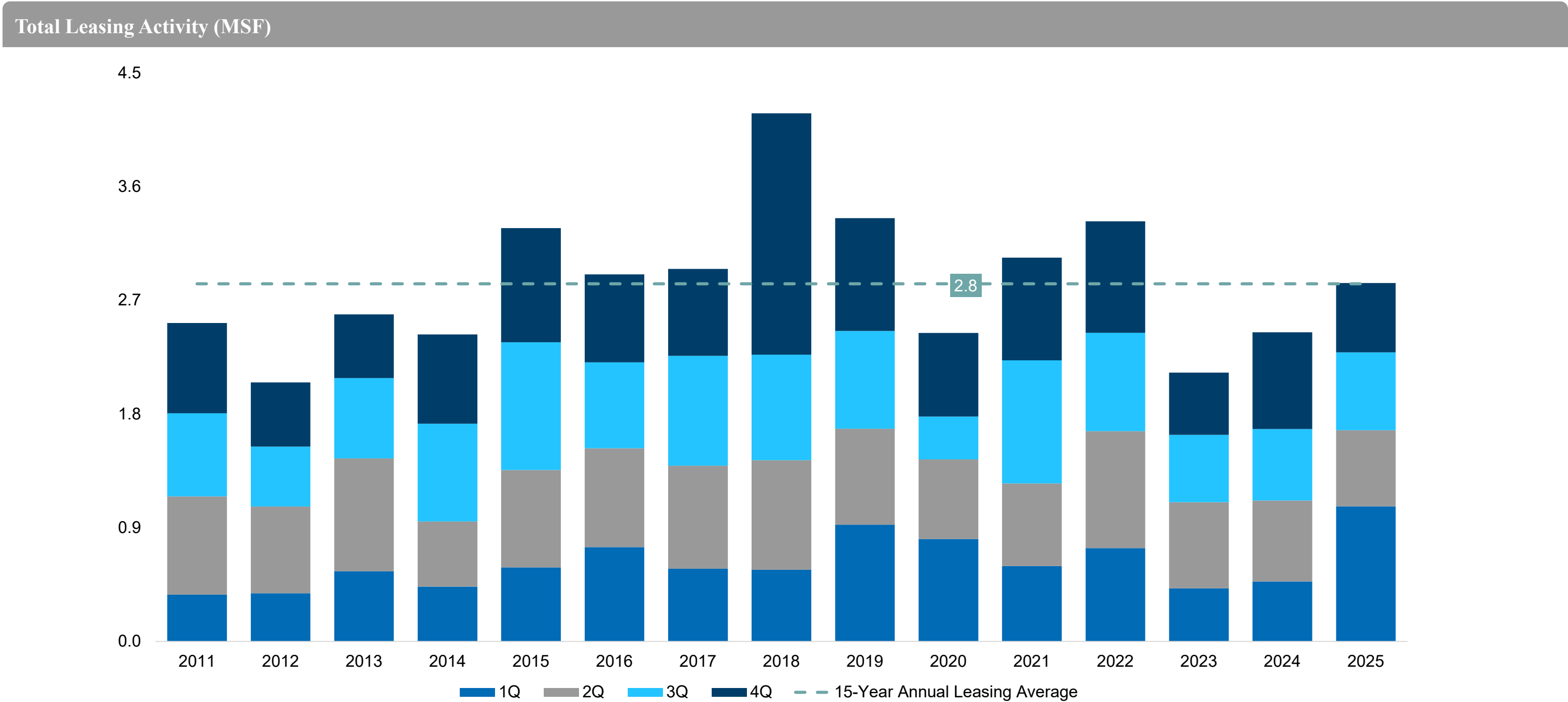
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Mountain West Research

Leasing Normalizes as Economic Headwinds Temper Expansion

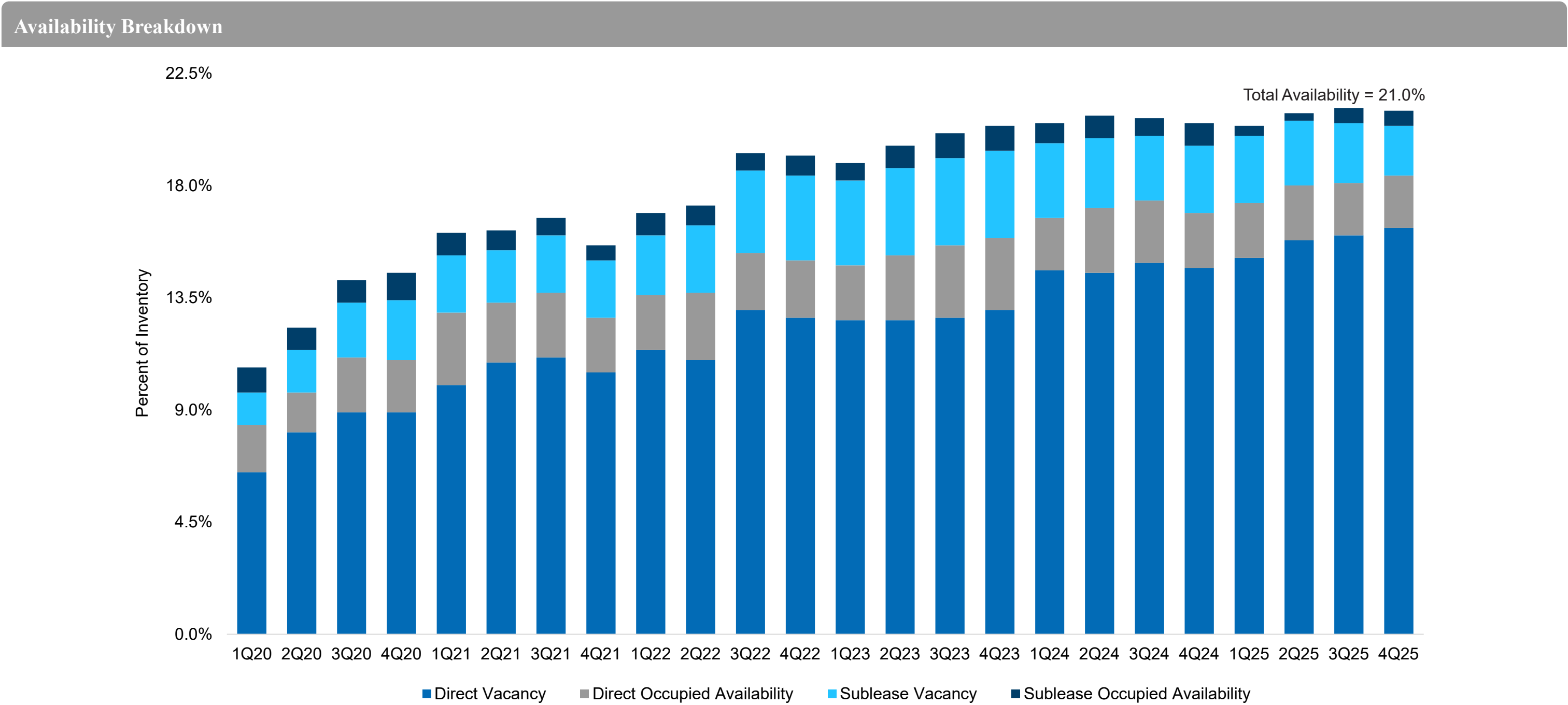
After a strong start, leasing activity settled into a steady pace, averaging roughly 600,000 SF per quarter through the remainder of 2025. Total leasing finished in line with the 15-year average of 2.8 million SF and exceeded 2024 volume by 15.9% YOY. Expansion activity slowed as industries exposed to tariff volatility and AI-driven disruption delayed growth decisions. While an office recovery remains expected, progress is likely to be gradual as trade uncertainty, geopolitical tensions, and technological change continue to restrain occupier confidence.



Source: Newmark Mountain West Research

Lease Rollovers Drive Availability Shifts

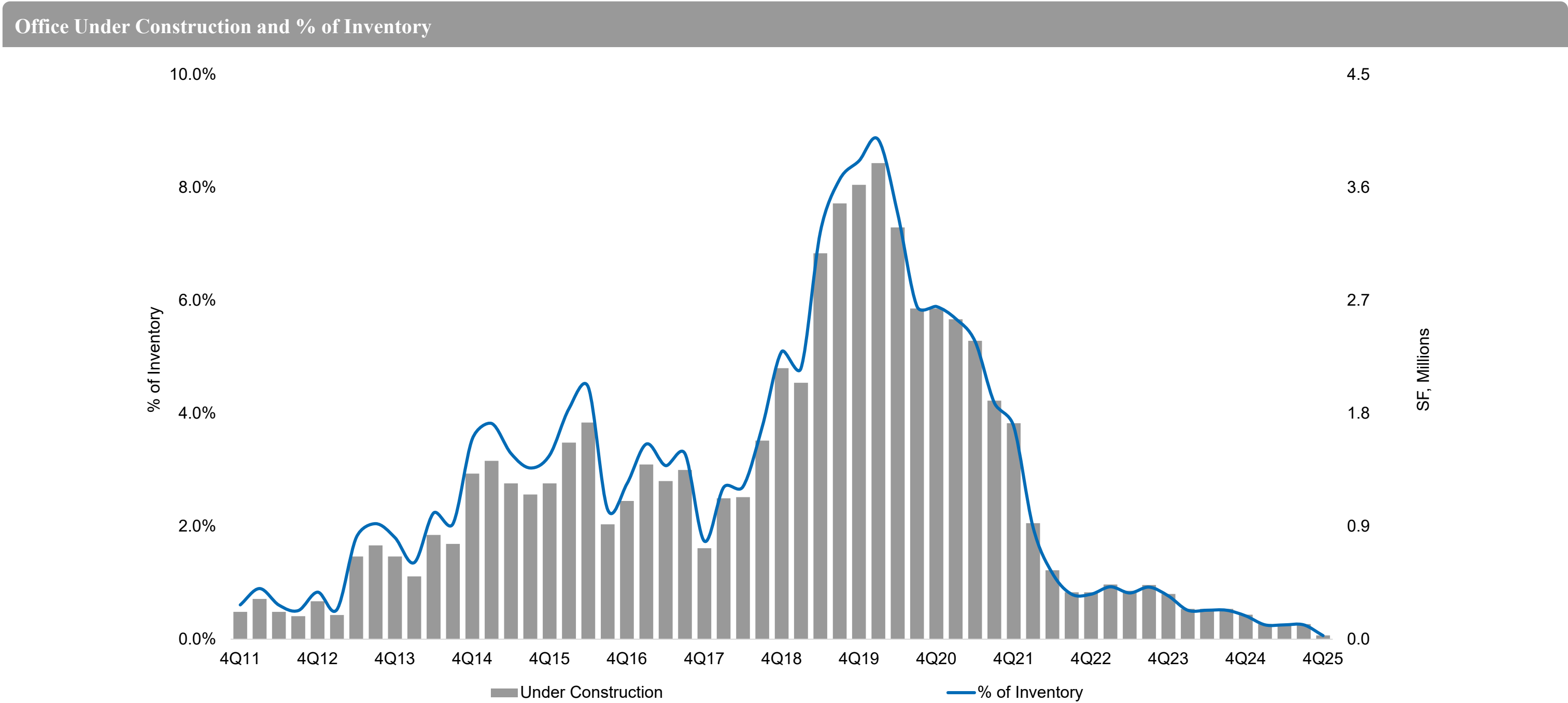
Tenant downsizing continues to push both direct and sublease availability higher across the market. Sublease space now accounts for 2.6% of total inventory, sitting 90 basis points below the five-year average of 3.5% as expiring subleases revert to landlord control. Many of these leases originated during the 2016–2019 expansion cycle, when tenants locked in longer-term commitments. As those agreements roll, occupiers are consolidating or relocating into smaller footprints, a dynamic expected to persist as legacy leases reach maturity.



Source: Newmark Mountain West Research

Office Development Remains Severely Constrained

Office construction has fallen sharply from its 2020 peak and now represents just 0.1% of total inventory. Active projects are predominantly built-to-suit or owner-occupied, signaling demand for customized, long-term space rather than speculative investment. Elevated construction costs and limited risk tolerance continue to suppress new starts, suggesting development activity will remain constrained until broader market conditions improve.

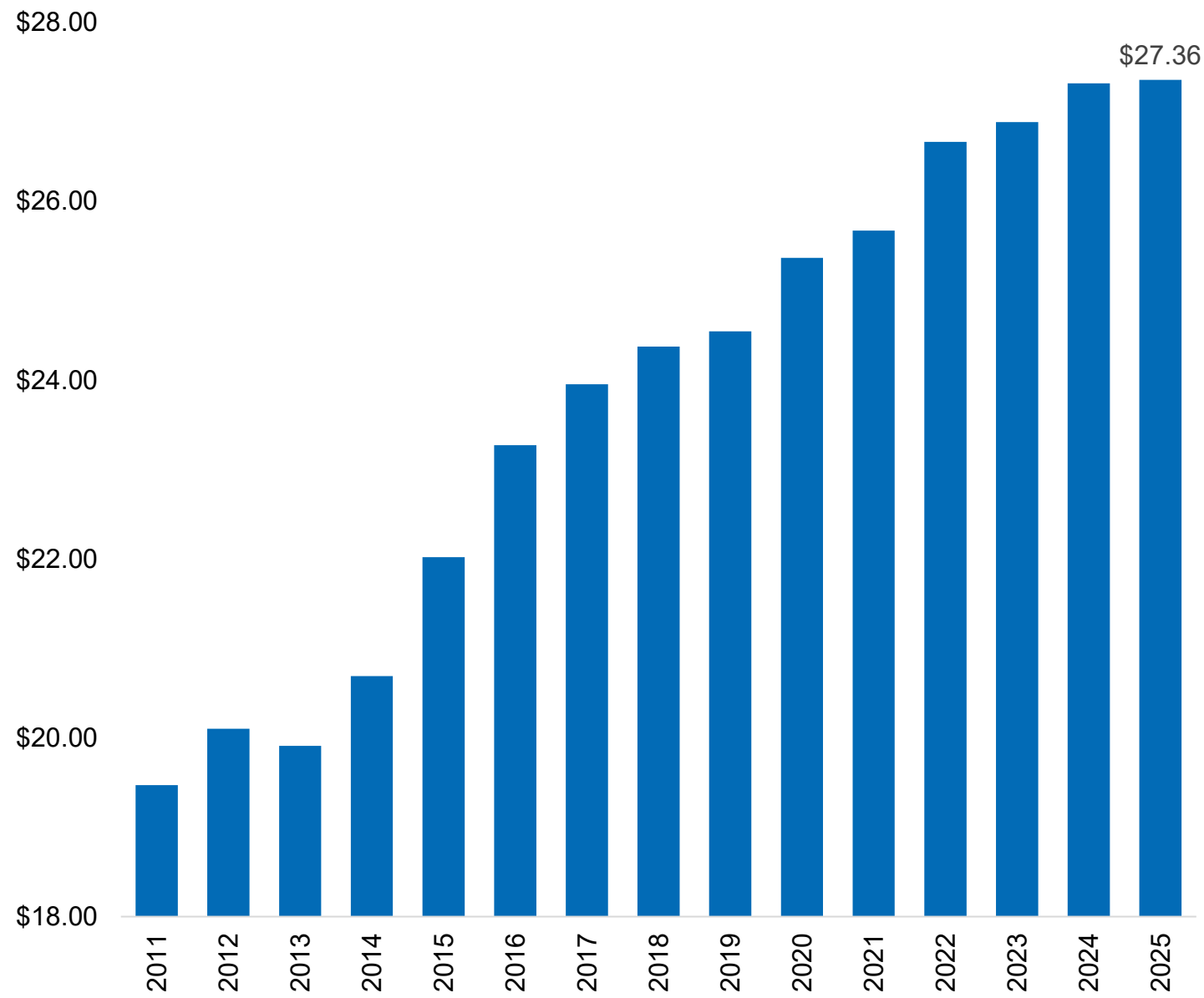


Source: Newmark Mountain West Research

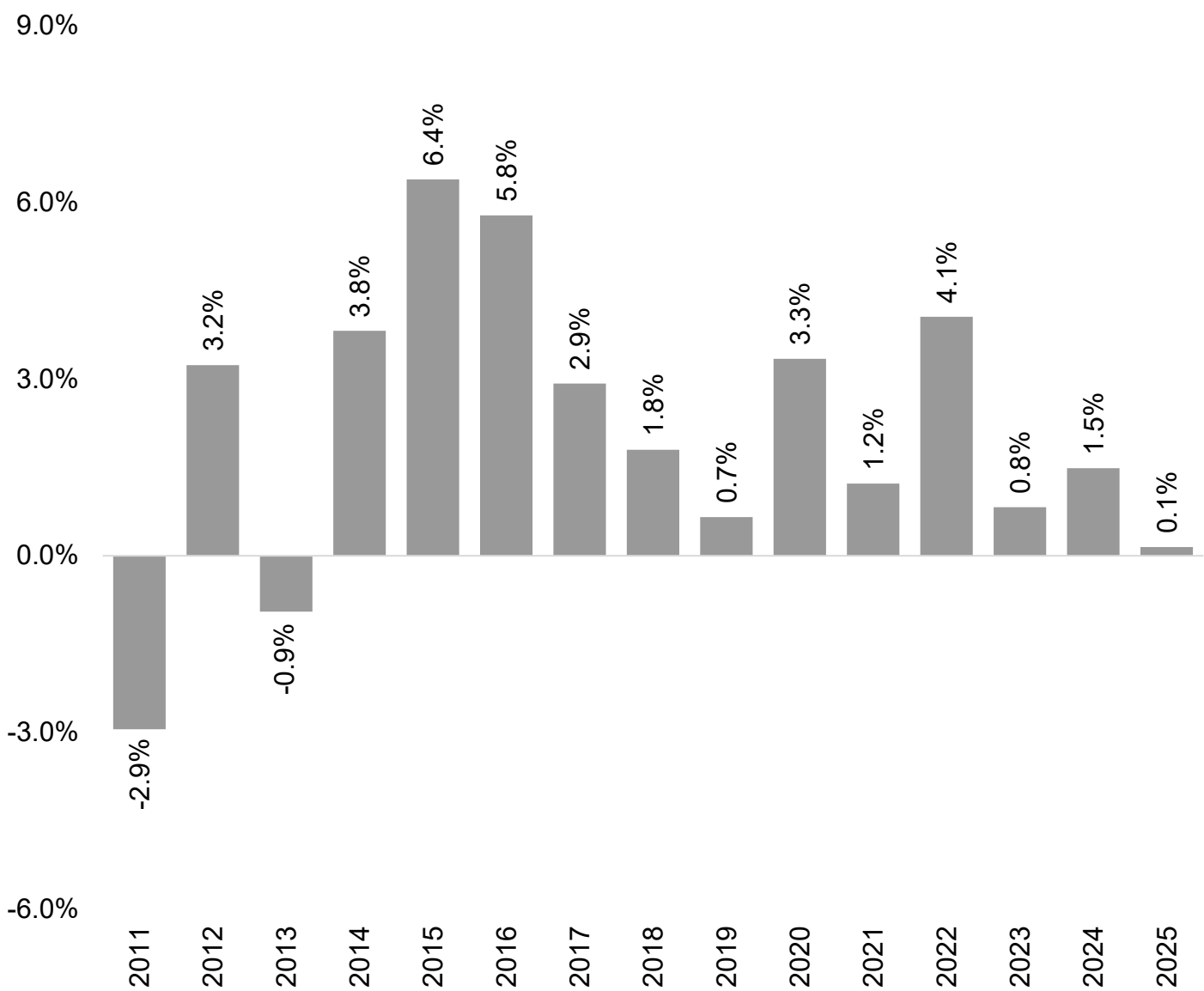
Landlords Compete Through Concessions as Rents Hold Steady

As listings remain on the market longer, landlords are adjusting strategies to capture tenant interest. Average asking rents have held flat, reflecting largely unchanged availability conditions across the office market. In response to cost-sensitive tenant demand, owners are leaning more heavily on enhanced concessions and flexible lease structures to bridge the gap between extended vacancy and completed deals.

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



Year-over-Year Asking Rent Growth Rate

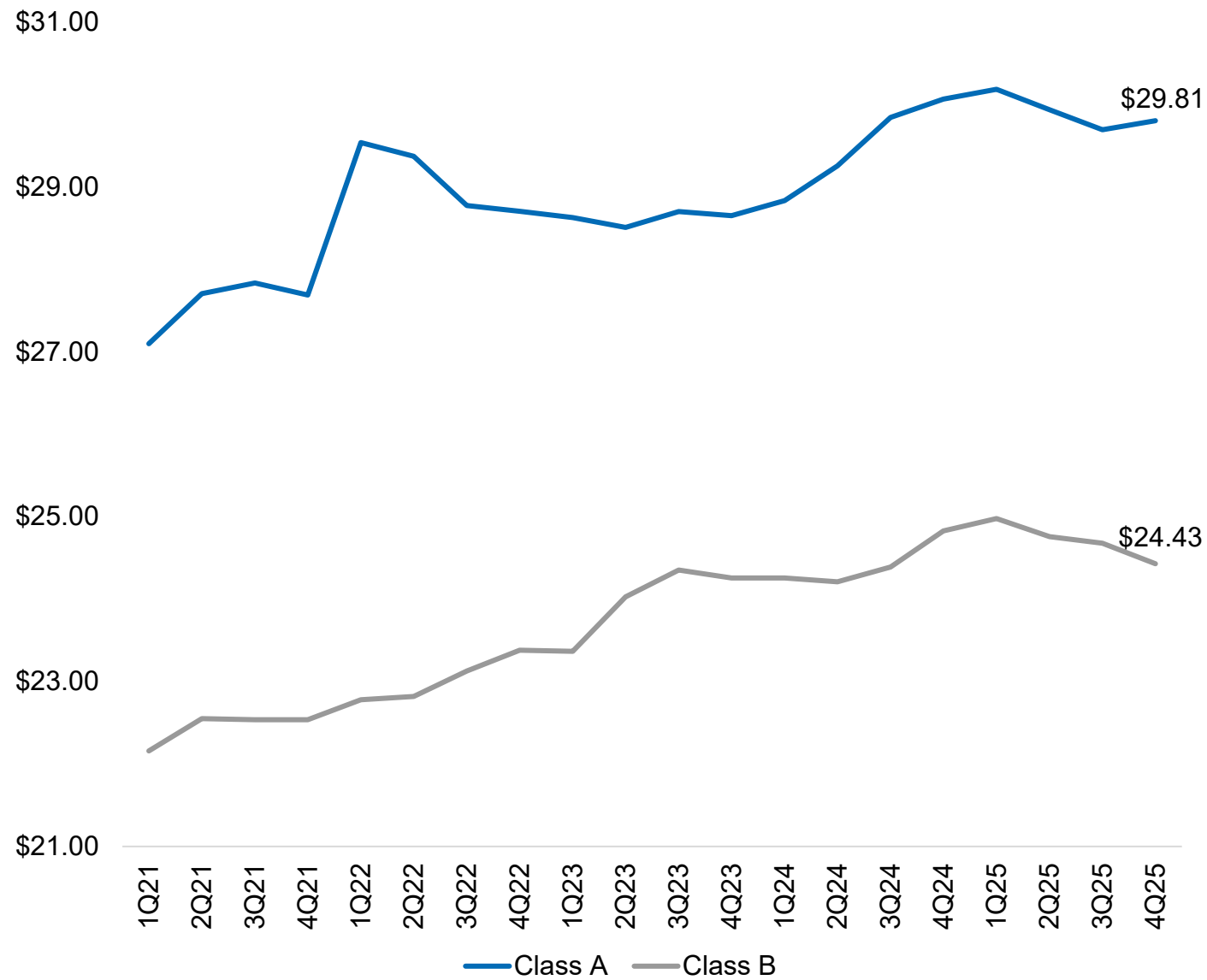


Source: Newmark Mountain West Research

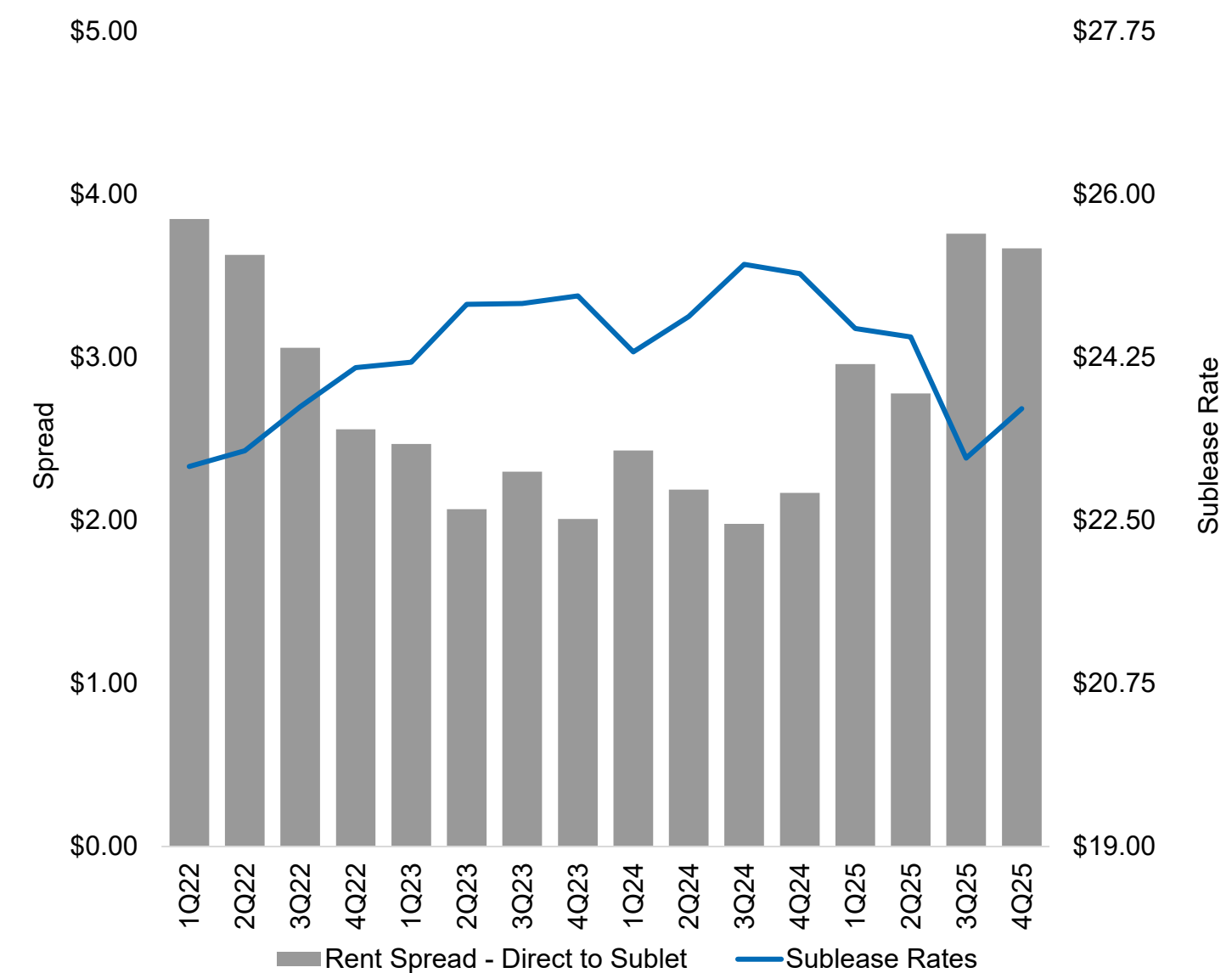
Sublease Pricing Gains Traction as Quality Space Enters the Market

Sublease asking rates edged higher in the fourth quarter of 2025 following the introduction of several high-quality Class A offerings. Despite this uptick, sublease rents remain approximately \$3.60/SF below direct asking rates, reinforcing sublease space as an appealing alternative for cost-conscious tenants. Class A rates posted a modest rebound, while Class B rates continued the downward trend that began in early 2025, reflecting ongoing bifurcation in tenant demand and pricing power across asset classes.

Class A and Class B Asking Rents



Sublease Asking Rates



Source: Newmark Mountain West Research

Q4 Notable Lease Transactions

4Q25 Notable Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Ancestry.com	42 Future Way	Draper Tech Corridor	Sublease	97,470
Ancestry.com subleased 97,470 SF from Pluralsight on the fourth floor of 42 Future Way.				
SoFi	Cornerstone 1	Cottonwood	Lease Renewal	61,880
Cornerstone 1 retained SoFi as a prominent tenant for another term.				
Bridge Investment Group	Sandy Towers East	Southtowne	Lease Renewal	60,416
Bridge Investment Group remained on the fourth and fifth floors of Sandy Towers East.				
ADP	Lake Pointe Corporate Centre 2	Central Salt Lake	Lease Renewal	43,406
ADP signed on to stay at Lake Pointe Corporate Centre 2 for another term.				
American Homes 4 Rent	Minuteman 2	Draper Tech Corridor	Direct New	19,320
American Homes 4 Rent took 19,320 SF in the Draper Tech Corridor submarket.				

Source: Newmark Mountain West Research

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Submarket Statistics



Salt Lake County Office Submarket Statistics – 4Q25 (Page 1 of 2)

Submarket Statistics

	Under Construction (SF)	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy 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	17.6%	1.5%	19.1%	58,525	(22,214)	\$33.72	\$27.65	\$30.27
Periphery	0	15.2%	0.4%	15.6%	(36,252)	(12,506)	\$38.93	\$21.74	\$26.60
Downtown Total	0	17.2%	1.3%	18.5%	22,273	(34,720)	\$34.04	\$26.08	\$29.43
Cottonwood	0	12.4%	4.3%	16.7%	(22,034)	62,718	\$32.82	-	\$32.72
Central Salt Lake	0	22.0%	1.1%	23.2%	(111,740)	(169,624)	\$25.00	\$18.94	\$21.35
Central Valley	0	10.2%	2.0%	12.2%	(18,794)	(119,221)	\$26.51	\$21.24	\$21.93
Draper Tech Corridor	29,958	11.3%	3.6%	14.9%	24,927	(15,935)	\$28.20	\$26.63	\$27.82
East Sandy/Draper	0	3.7%	-	3.7%	(2,507)	18,116	-	\$24.56	\$23.05
Fort Union	0	17.8%	3.8%	21.6%	(54,188)	(159,734)	\$27.81	\$22.95	\$25.99
International Center	0	15.9%	3.3%	19.1%	60,715	45,466	-	\$25.14	\$23.49

Source: Newmark Mountain West Research

Salt Lake County Office Submarket Statistics Cont. – 4Q25 (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	48.2%	2.9%	51.2%	(28,487)	(169,287)	\$24.24	\$22.02	\$24.03
Millcreek/Holladay	0	10.7%	-	10.7%	56,496	77,604	\$36.00	\$21.77	\$28.72
Research Park	0	6.6%	1.3%	7.9%	5,787	(10,212)	-	\$24.38	\$23.80
Sugarhouse	0	6.8%	0.8%	7.6%	(6,260)	102,547	\$33.98	\$21.68	\$23.80
Southwest	0	21.1%	-	21.1%	-	(13,769)	\$29.59	-	\$29.59
Southtowne	0	17.4%	2.1%	19.6%	6,453	(282,876)	\$26.83	\$24.68	\$25.63
West Salt Lake	0	3.2%	-	3.2%	23,476	62,589	-	\$30.74	\$30.74
Suburban Total	29,958	15.9%	2.3%	18.2%	(66,156)	(571,618)	\$27.16	\$22.74	\$25.16
Salt Lake County Market	120,000	16.3%	2.0%	18.3%	(43,883)	(606,338)	\$29.81	\$24.43	\$27.36

Source: Newmark Mountain West Research

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