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Salt Lake County: Office Market Overview

1Q26

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U.S. Market Observations

Economy

- The Salt Lake City MSA continues to hold a meaningful edge over national averages on unemployment, running approximately 80 basis points below the U.S. rate as of January 2026. Payroll growth has moderated significantly for both the metro and the nation, with year-over-year gains converging near flat territory as broader economic headwinds took hold.
- As of January 2026, job growth is led by education and health services (+3.7%), business and professional services (+3.1%), and financial activities (+2.8%). Notably, the information sector reversed sharply, declining 7.8% year-over-year, a notable shift from the gains it posted just two months prior.
- Population growth and overall labor market advantages reinforce the region's economic resilience, providing a foundation for long-term office demand even as near-term growth moderates.

Leasing Market Fundamentals

- First-quarter leasing activity opened 2026 at a measured pace, with renewal transactions comprising the majority of deal volume as tenants continue to prioritize cost containment and stability.
- Direct vacancy declined in 1Q26, aided by owner-user sales that removed competitive inventory from the market and by steady renewal-driven occupancy.
- Total availability edged lower as sublease space continued to contract, with older sublease offerings expiring or reverting to landlord control.
- Asking rents remain largely flat, with landlords competing through enhanced concession packages including elevated TI allowances and extended free rent periods.

Major Transactions

- Owner-user sales were a defining feature of 1Q26, with several transactions converting formerly leased buildings to owner-occupied status and tightening measured vacancy.
- Renewal activity continues to dominate deal flow, with tenants opting to maintain existing footprints rather than pursue expansion amid tariff and macroeconomic uncertainty.
- New leasing remains measured, with tenants across most segments holding off on growth commitments amid tariff uncertainty and shifting headcount strategies.
- Select new commitments in the southern and central submarkets provided positive absorption, partially offsetting the renewal-heavy transaction mix.

Outlook

- The first-quarter vacancy decline marks an encouraging shift, though sustained recovery will depend on whether new leasing activity builds momentum beyond the renewal-heavy mix seen in 1Q26.
- With the construction pipeline near zero and no speculative starts underway, the market has limited new supply coming — a setup that favors landlords once expansion-driven demand returns.
- Return-to-office momentum continues to build across the metro, with downtown Class A attendance now approaching 75% of pre-COVID levels, a ground-level signal that the recovery has legs.

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Economy

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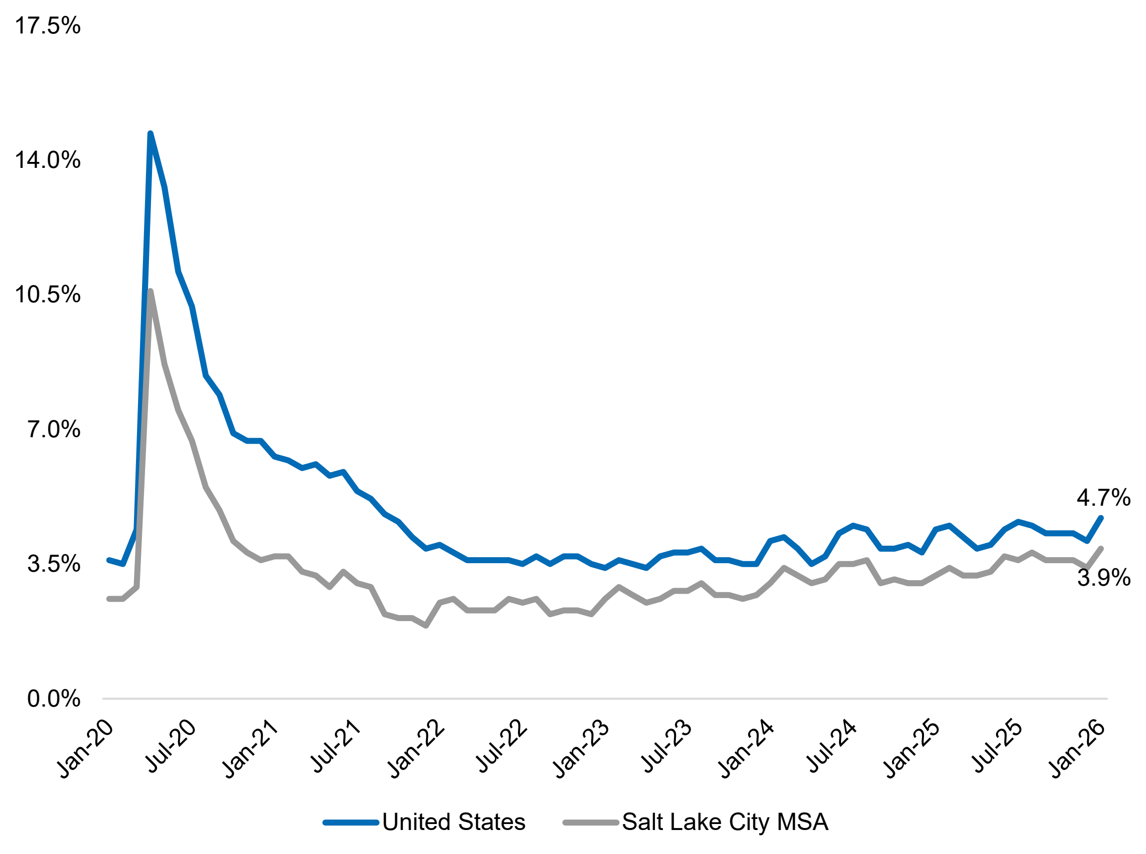
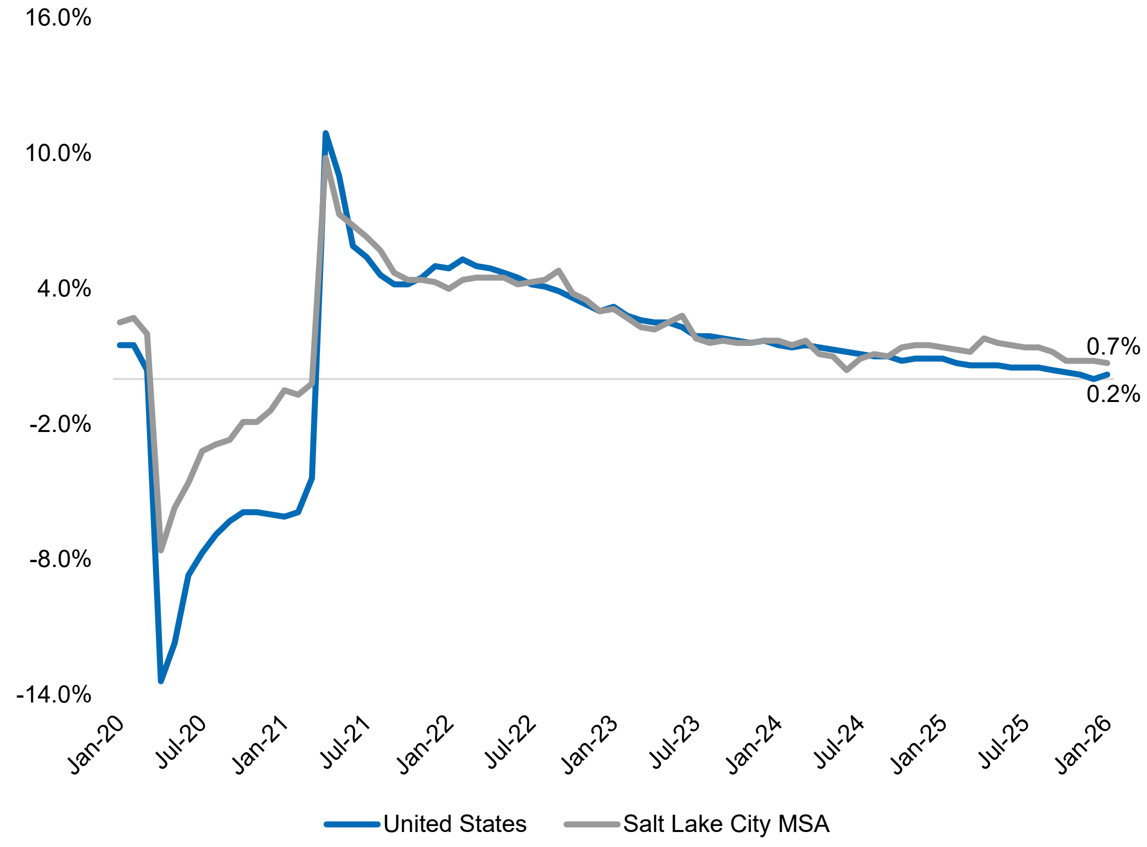
Salt Lake City Holds Its Labor Edge as National Hiring Slows

The Salt Lake City MSA entered 2026 with unemployment holding approximately 80 basis points below the national rate, a gap that persisted even as the U.S. reached 4.7% and payroll growth for both the metro and the nation converged near flat territory. Broader economic headwinds weighed on hiring through the end of 2025, narrowing the metro's earlier lead in job growth. Even so, the region's relative strength on unemployment bodes well for office-using employment — the foundation is intact, though the expansion that defined the post-pandemic period has clearly moderated.

Unemployment Rate, Not Seasonally Adjusted



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

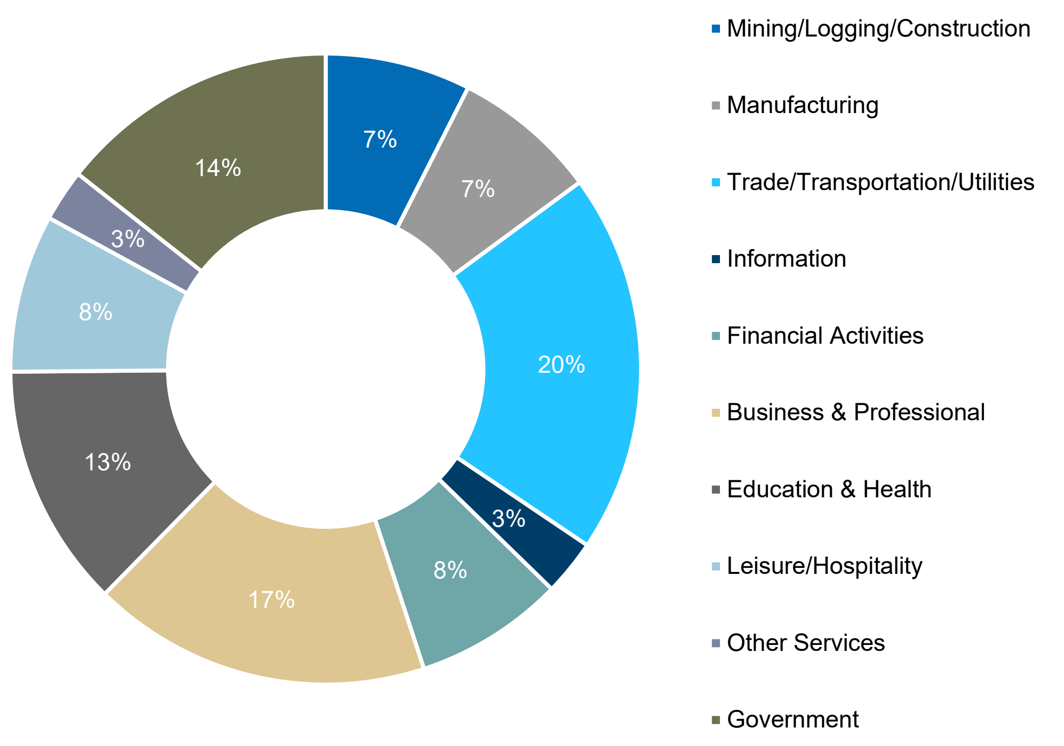


Source: U.S. Bureau of Labor Statistics. January 2026 data is preliminary.

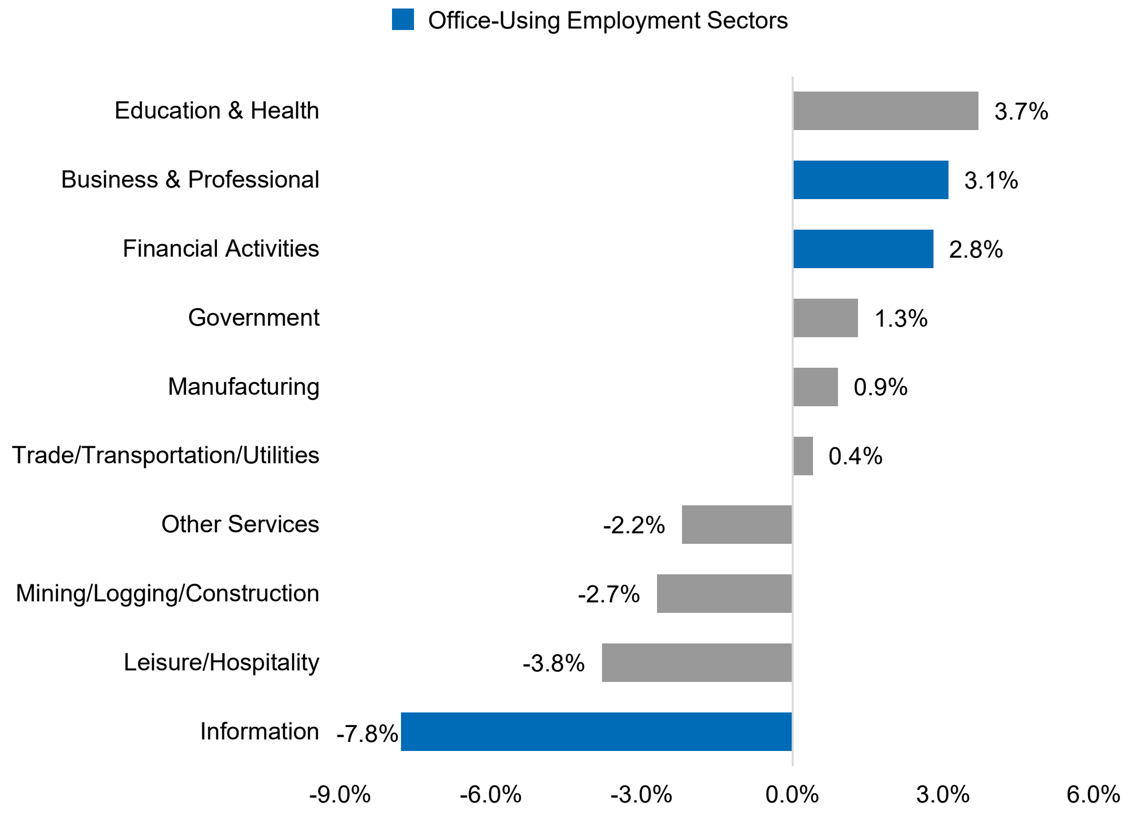
Population Pressure Drives Service-Sector Gains as Information Reverses

As of January 2026, education and health services leads nonfarm employment growth in the Salt Lake MSA at 3.7%, followed by business and professional services at 3.1% and financial activities at 2.8%. Two of those three sectors are office-using industries, which keeps the demand foundation for the market on reasonably solid ground. The outlier worth watching: the information sector reversed sharply, declining 7.8% year-over-year, the steepest drop of any industry and a significant departure from the gains it posted just two months prior.

Salt Lake MSA Employment by Industry, January 2026



Salt Lake MSA Employment Growth by Industry, 12-Month % Change, January 2026

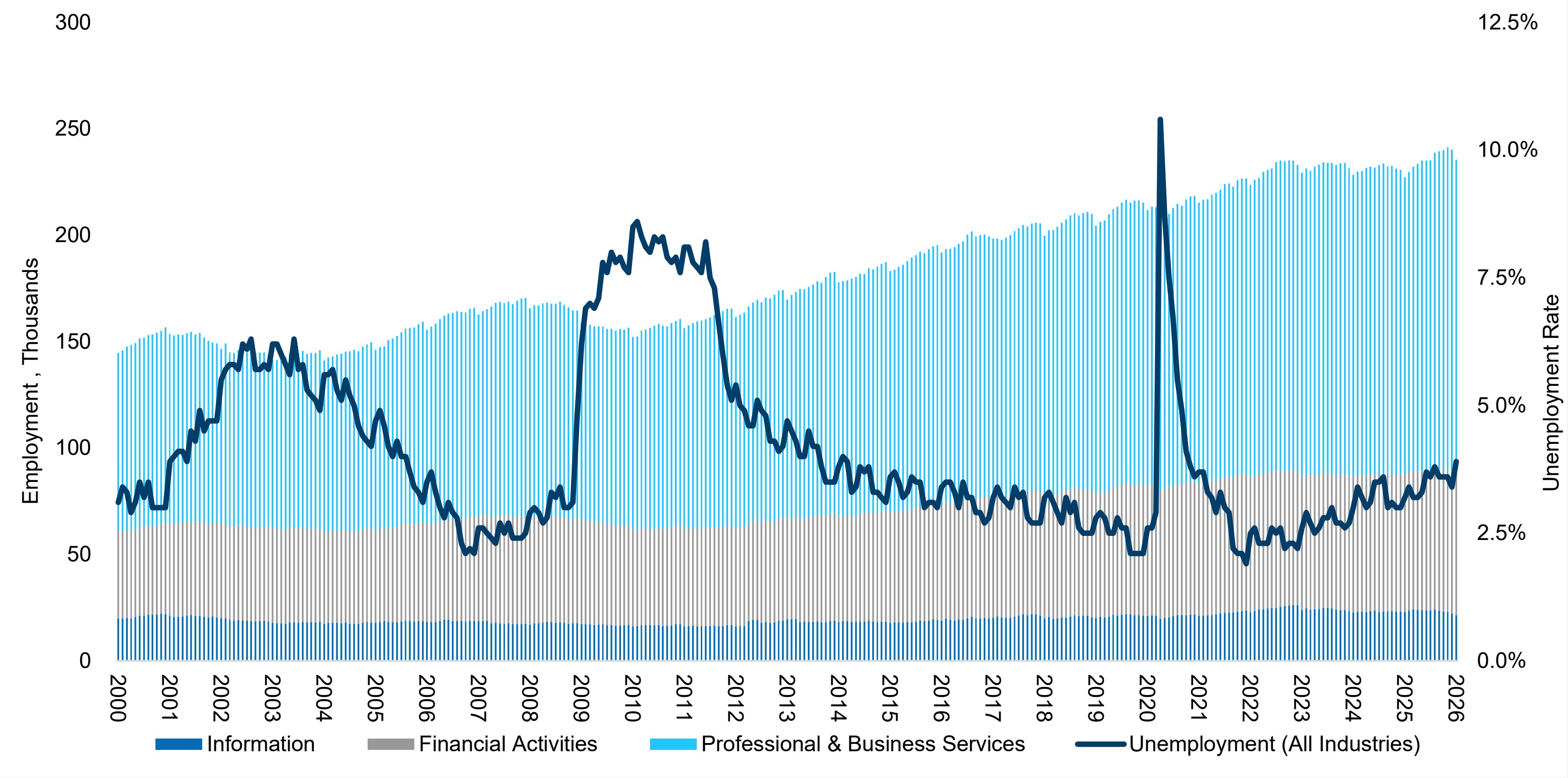


Source: U.S. Bureau of Labor Statistics. January 2026 data is preliminary.

White-Collar Employment Holds at Record Levels Heading Into 2026

Office-using employment in the Salt Lake City MSA sits 11.2% above pre-pandemic levels, driven by sustained growth among professional and business services firms — legal, engineering, and consulting in particular — with financial activities continuing to add jobs at a measured pace. Unemployment did tick upward through 2025, but the losses were concentrated outside the white-collar sectors, leaving the office-using employment base largely unaffected. Heading into 2026, that distinction matters: the broader labor market softened, but the industries that drive office demand held their footing.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics. January 2026 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

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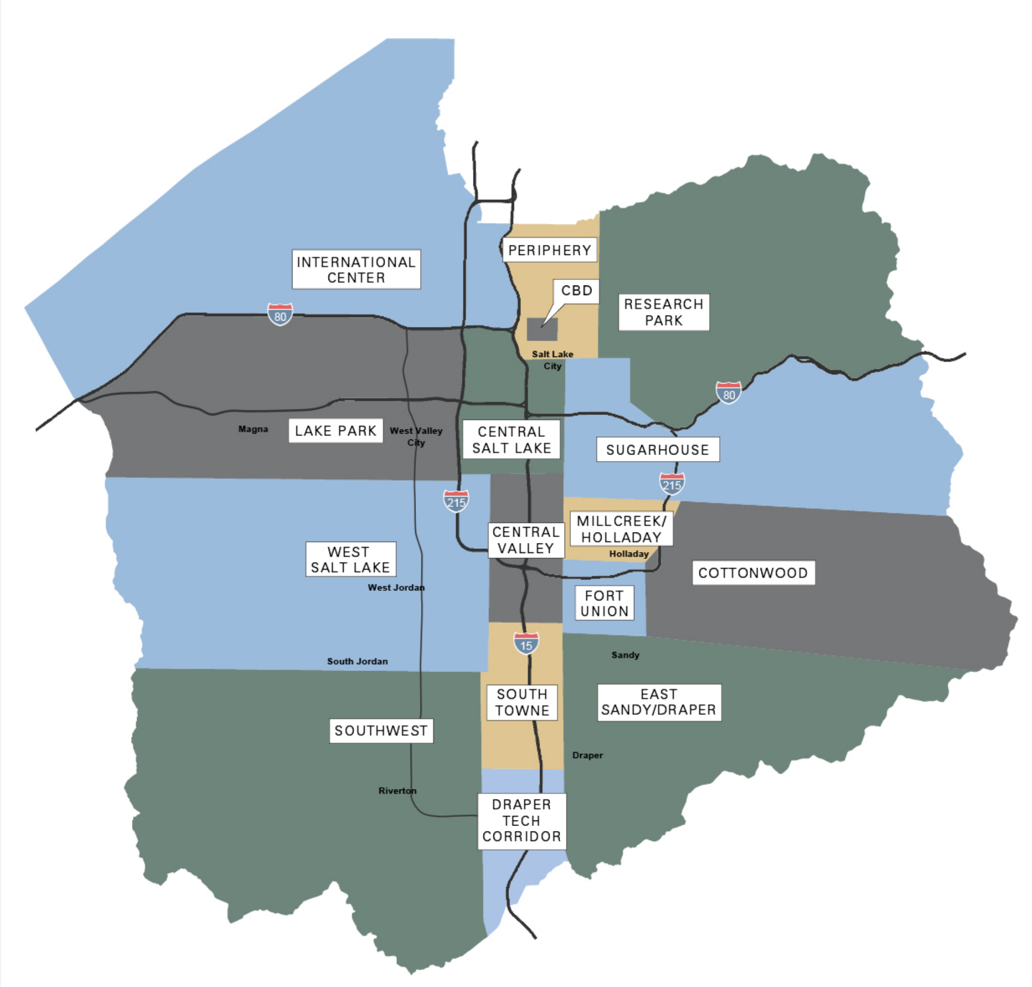
Salt Lake County Office Submarket Map and High-Level Statistics – 1Q26



Market Summary

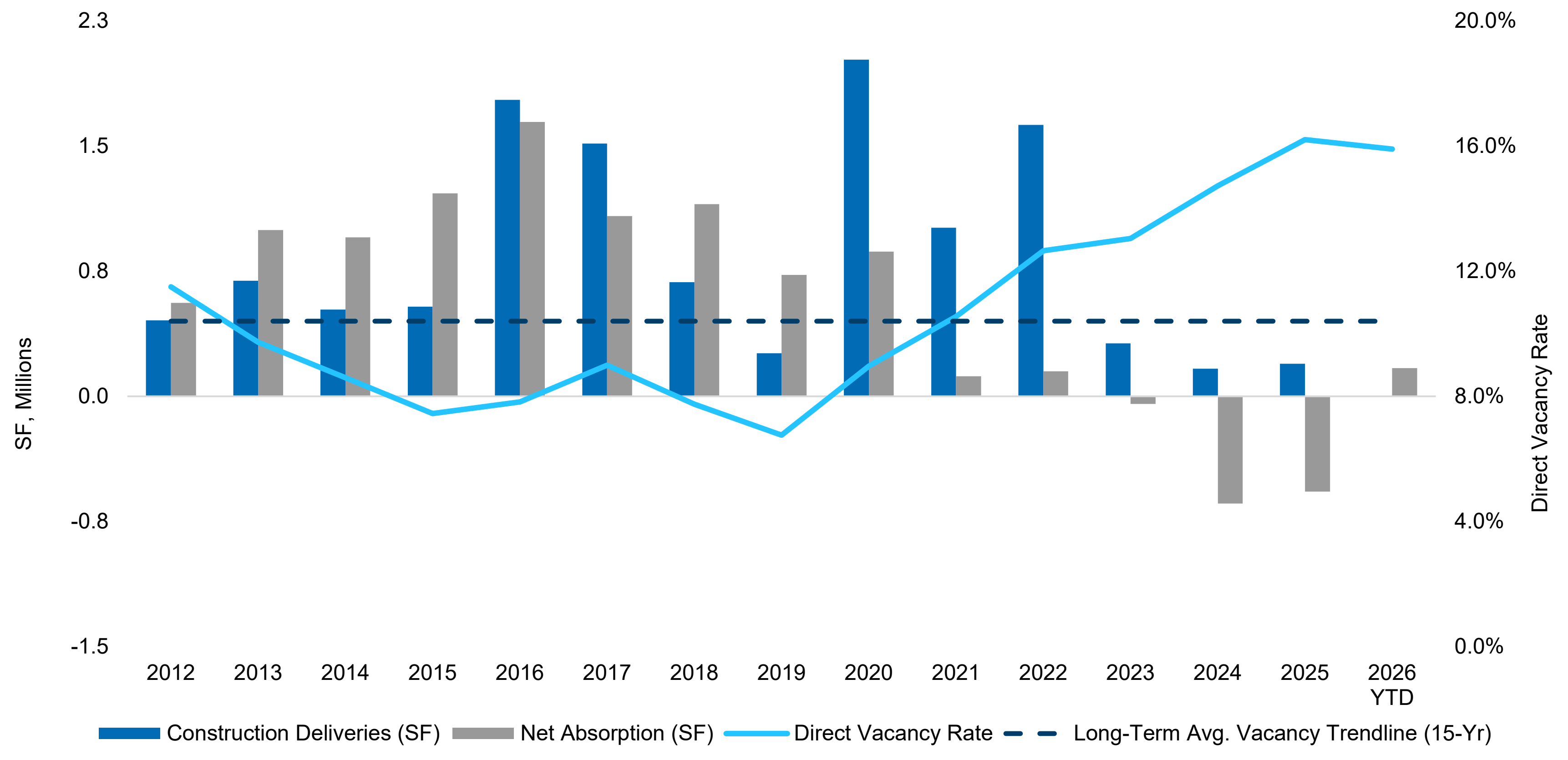
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Direct Vacancy Rate	15.9%	16.2%	15.0%	→
Sublet Vacancy Rate	1.6%	1.7%	2.6%	→
Quarterly Net Absorption (SF)	169,398	37,366	(112,113)	↓
Average Asking Rent/SF	$27.40	$27.10	$27.50	→
Under Construction (SF)	29,958	29,958	120,000	↓
Deliveries (SF)	0	120,000	75,000	↑

Source: Newmark Mountain West Research

Owner-User Sales and Steady Leasing Drive Vacancy Lower

Direct vacancy declined in the first quarter of 2026, the first meaningful improvement since the post-pandemic vacancy climb. Owner-user sales were a defining driver: several transactions converted formerly leased buildings to owner-occupied status, pulling that space from the competitive inventory and reducing measured vacancy directly. Renewal-driven leasing continued to anchor occupancy and select new commitments in the southern and central submarkets added to the positive absorption picture. Whether that momentum carries into expansion-driven leasing will determine how the market performs through the rest of 2026.

Historical Construction Deliveries, Net Absorption, and Vacancy

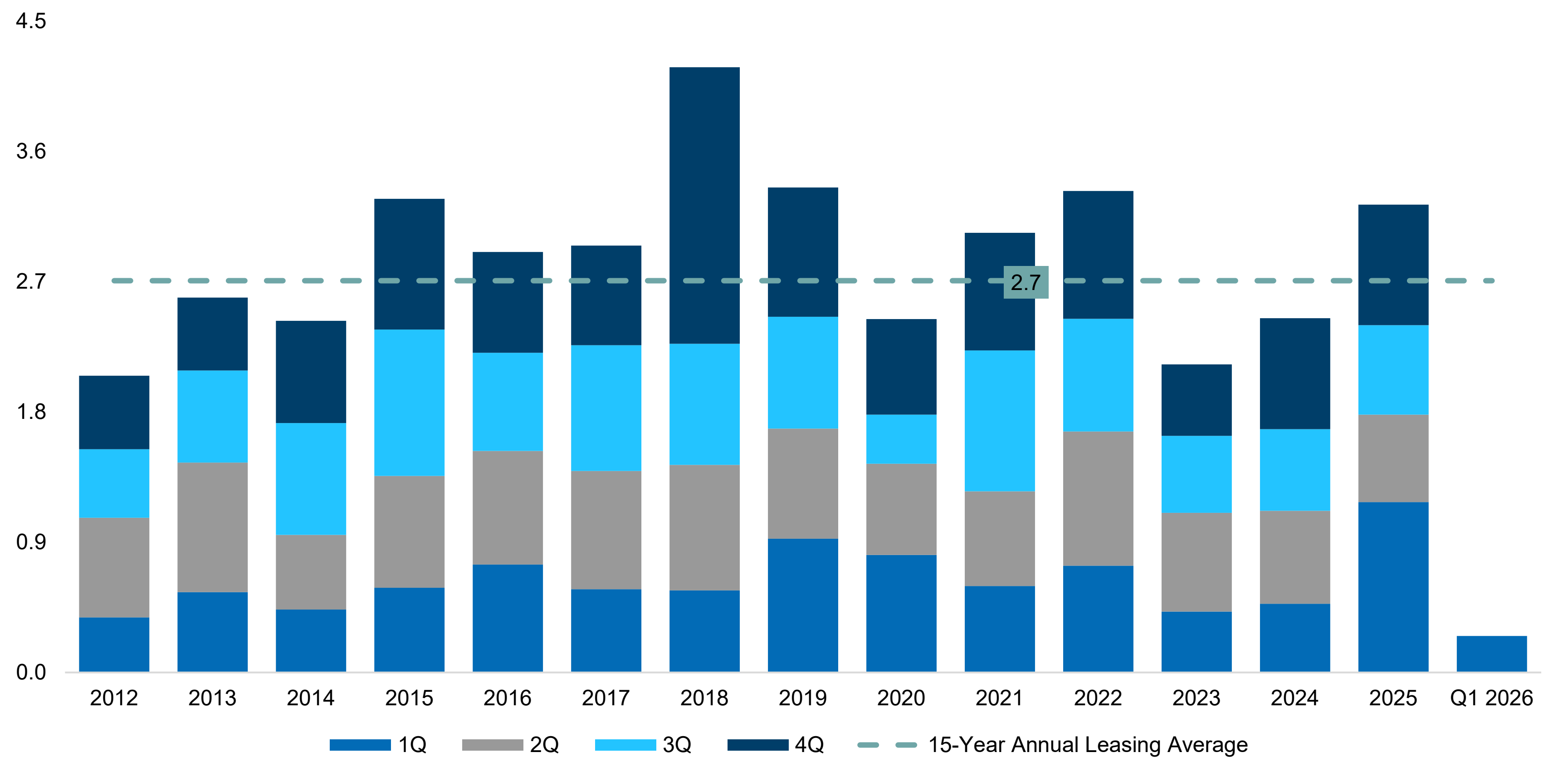


Source: Newmark Mountain West Research

Leasing Activity Opens 2026 at a Measured Pace

First-quarter leasing came in just over 250,000 SF, a measured opening to 2026 that tracks with typical seasonal patterns. Renewals dominated the mix, with tenants across most size ranges opting to hold their current footprints rather than commit to new space amid ongoing tariff uncertainty and shifting workplace headcounts. The improving vacancy trend and a visible pipeline of active tenant requirements suggest leasing activity could build from here, though how quickly depends on whether those requirements convert before the year loses momentum.

Total Leasing Activity (MSF)

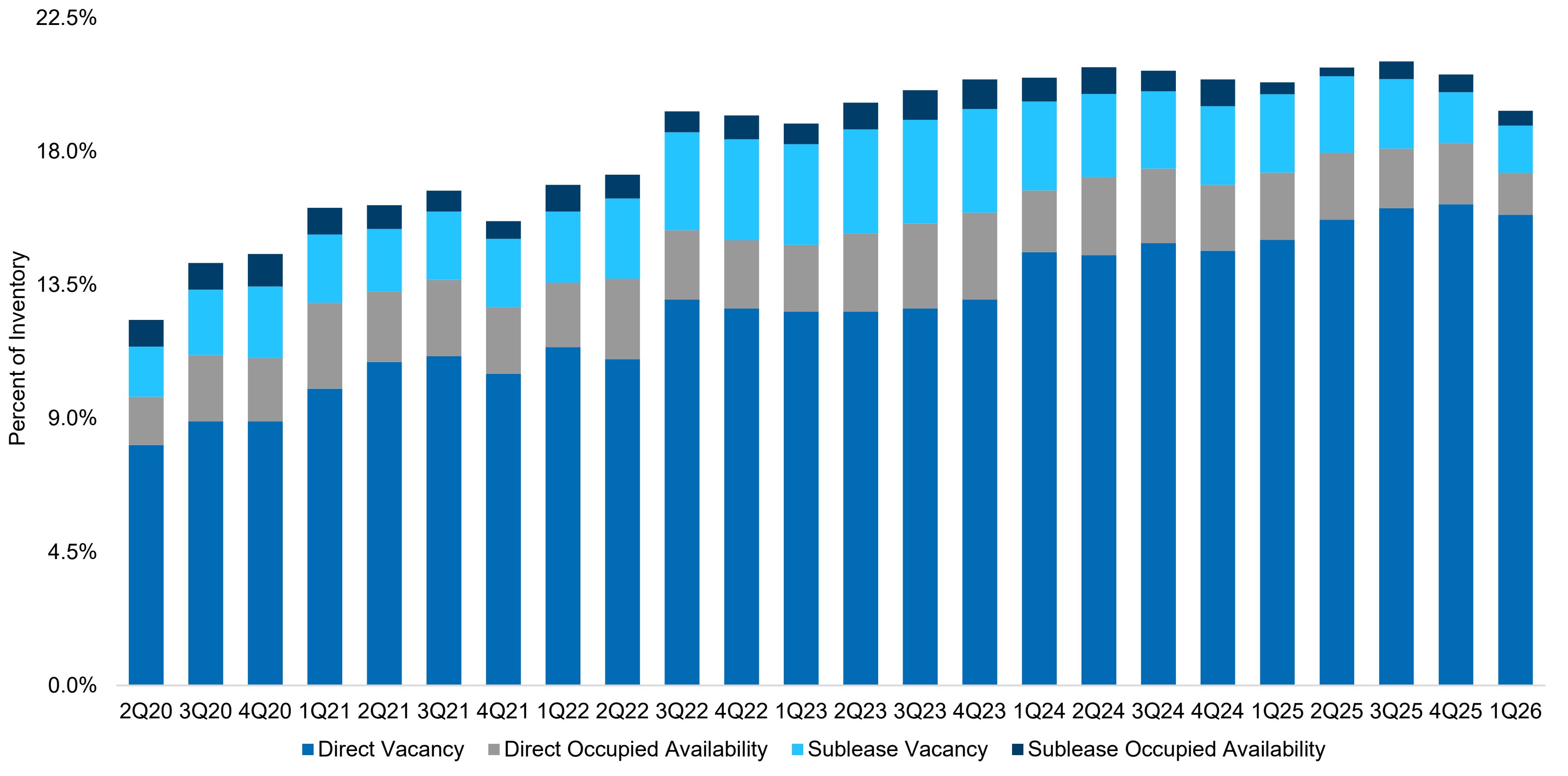


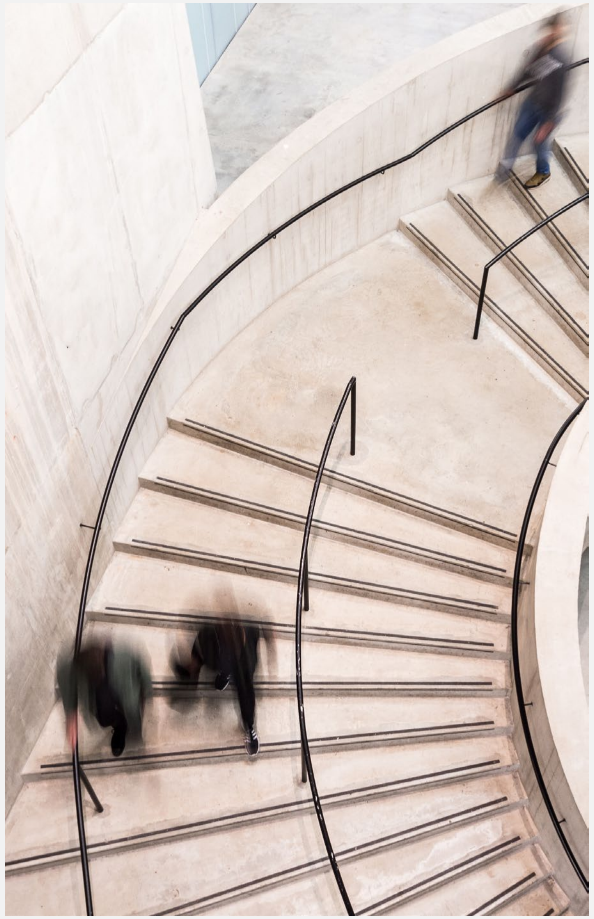
Source: Newmark Mountain West Research

Owner-User Conversions Tighten Availability Picture

Total availability declined to 19.4% in 1Q26, pulled lower by owner-user sales that removed previously marketed buildings from the competitive inventory. Direct availability edged down as that reclassified space exited the market, while sublease availability continued its gradual retreat, falling to 1.9% of total inventory as legacy listings expired or reverted to landlord control. Both measures narrowing in the same quarter is a constructive sign, though the picture will only improve meaningfully if new tenant demand starts to fill the gap left by renewals.

Availability Breakdown



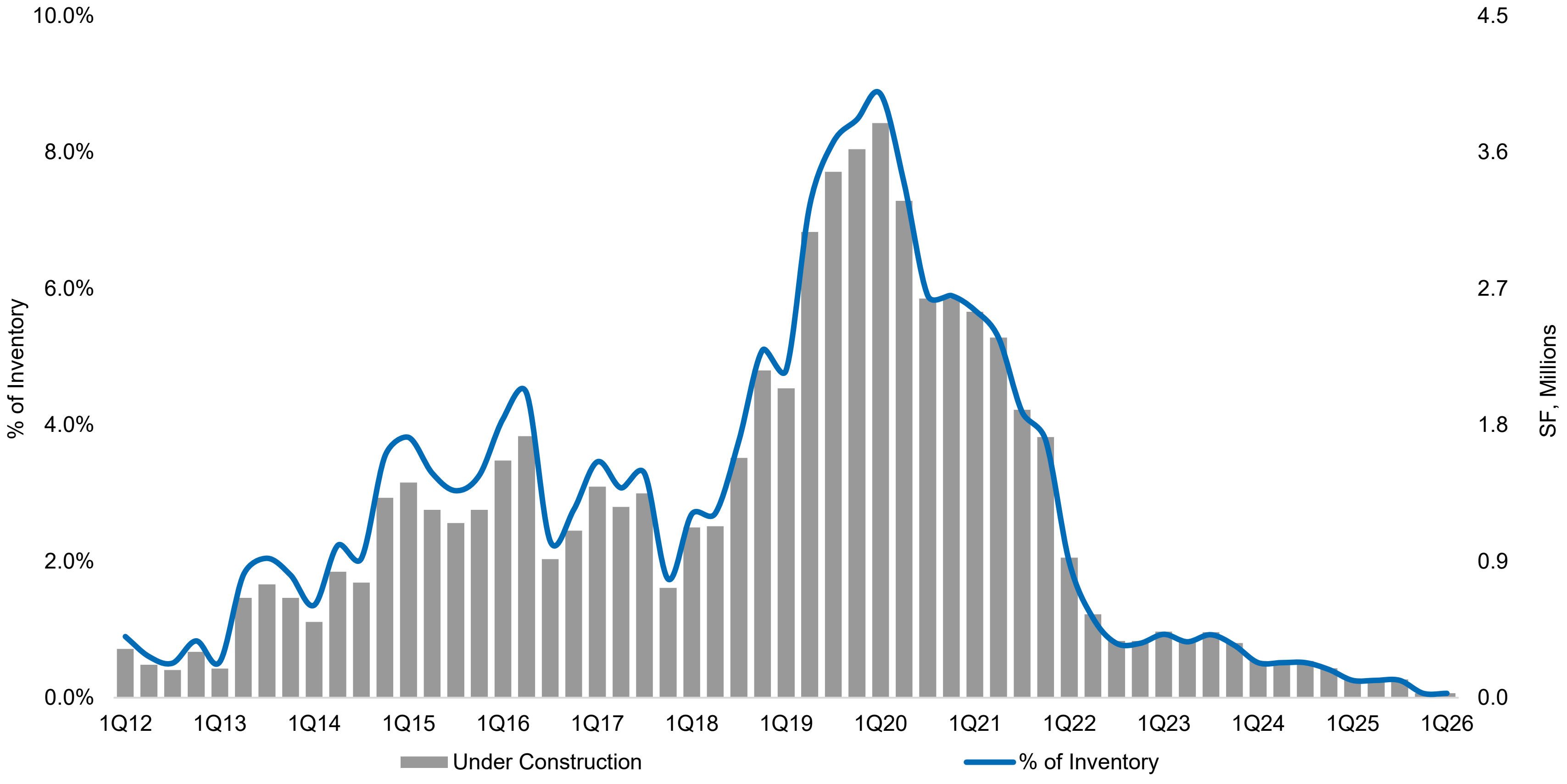


Source: Newmark Mountain West Research

Near-Zero Construction Pipeline Positions Market for Future Tightening

Office construction in 1Q26 remained at historically low levels, with active development accounting for just 0.1% of total inventory. The pipeline is almost exclusively build-to-suit and owner-occupied work. No speculative starts are underway, and none appear imminent given elevated costs, tightened lending, and the demand uncertainty that has kept developers on the sidelines. Vacancy is now trending lower with virtually no new supply entering the market. If tenant demand broadens to include new commitments as the year progresses, the supply-demand setup becomes increasingly favorable for landlords.

Office Under Construction and % of Inventory

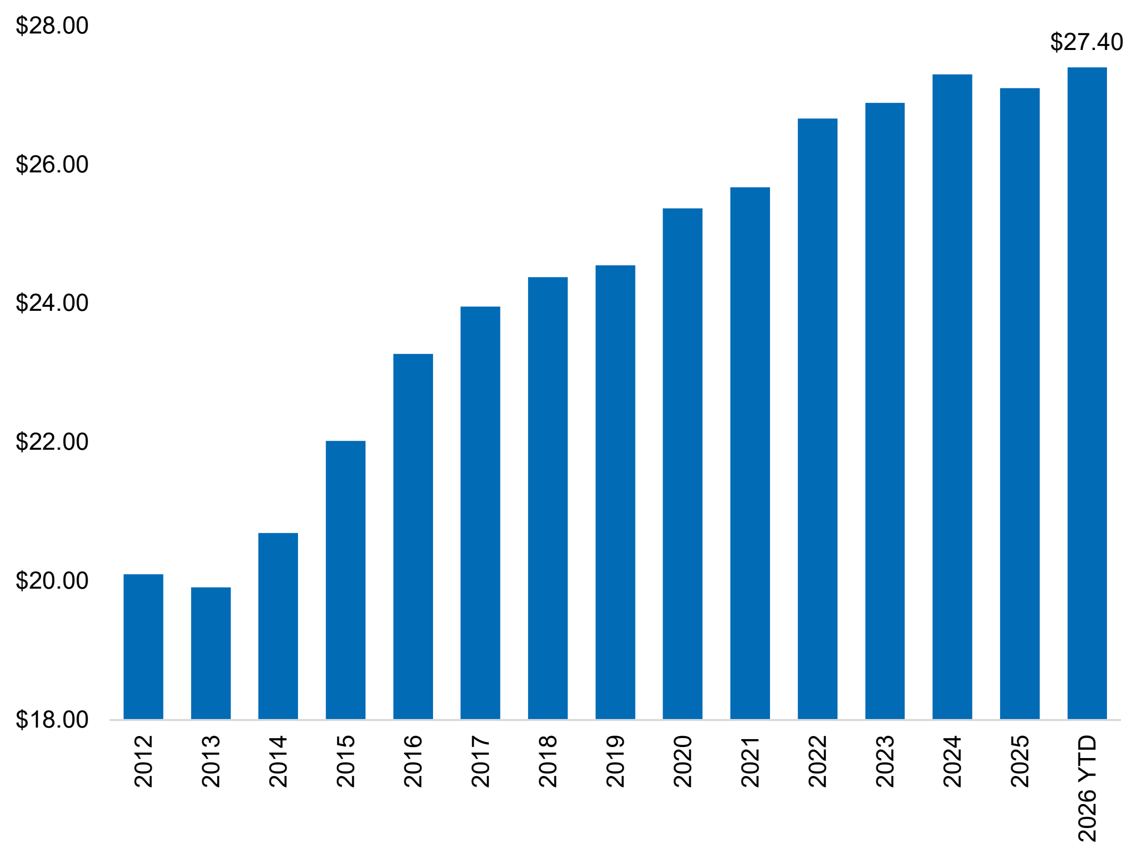


Source: Newmark Mountain West Research

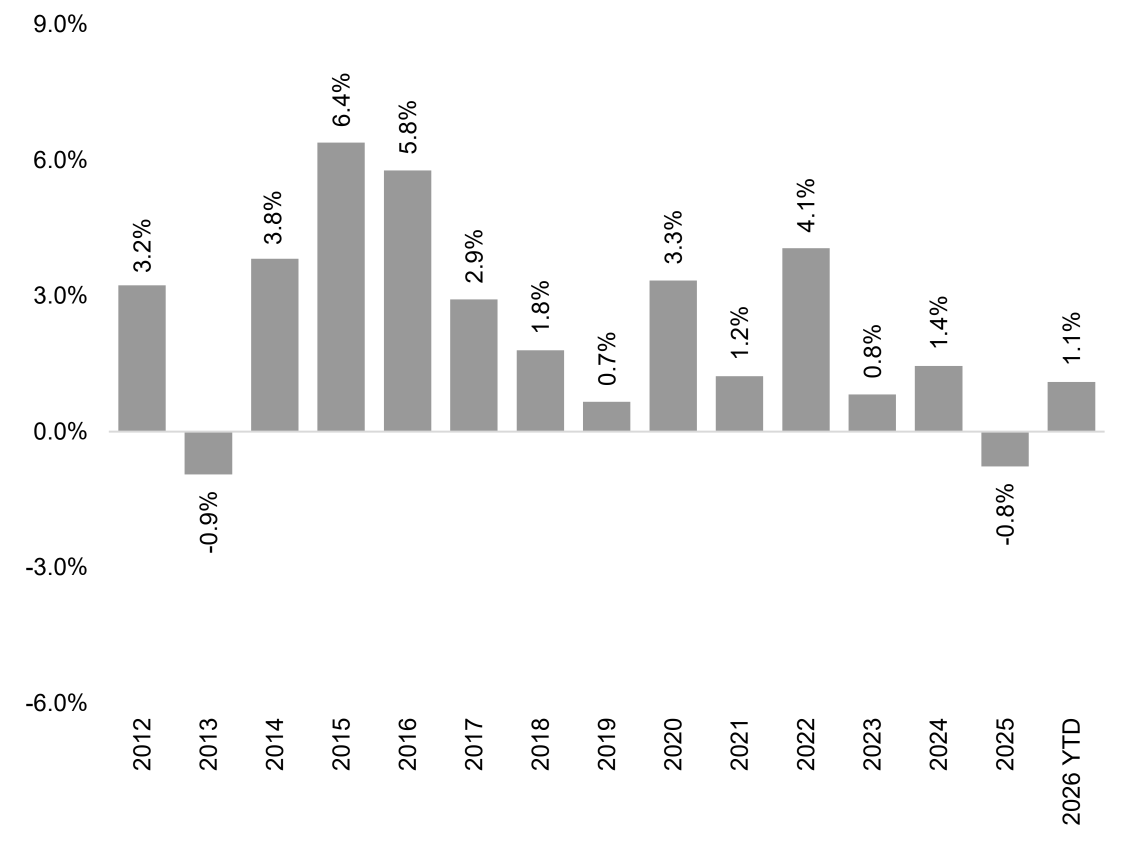
Asking Rents Remain Flat as Concessions Do the Heavy Lifting

Average office asking rents held largely flat in 1Q26, continuing the sideways trend that has persisted since mid-2024. Year-over-year growth remained near zero, though the headline rate obscures the real story: concessions have escalated considerably, with landlords competing through elevated TI allowances, extended free rent periods, and flexible lease structures to attract a limited pool of active tenants. With vacancy now declining and virtually no new supply coming to market, face rates appear to be approaching a floor. Modest upward pressure on asking rents is a reasonable expectation as availability continues to tighten.

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



Year-over-Year Asking Rent Growth Rate

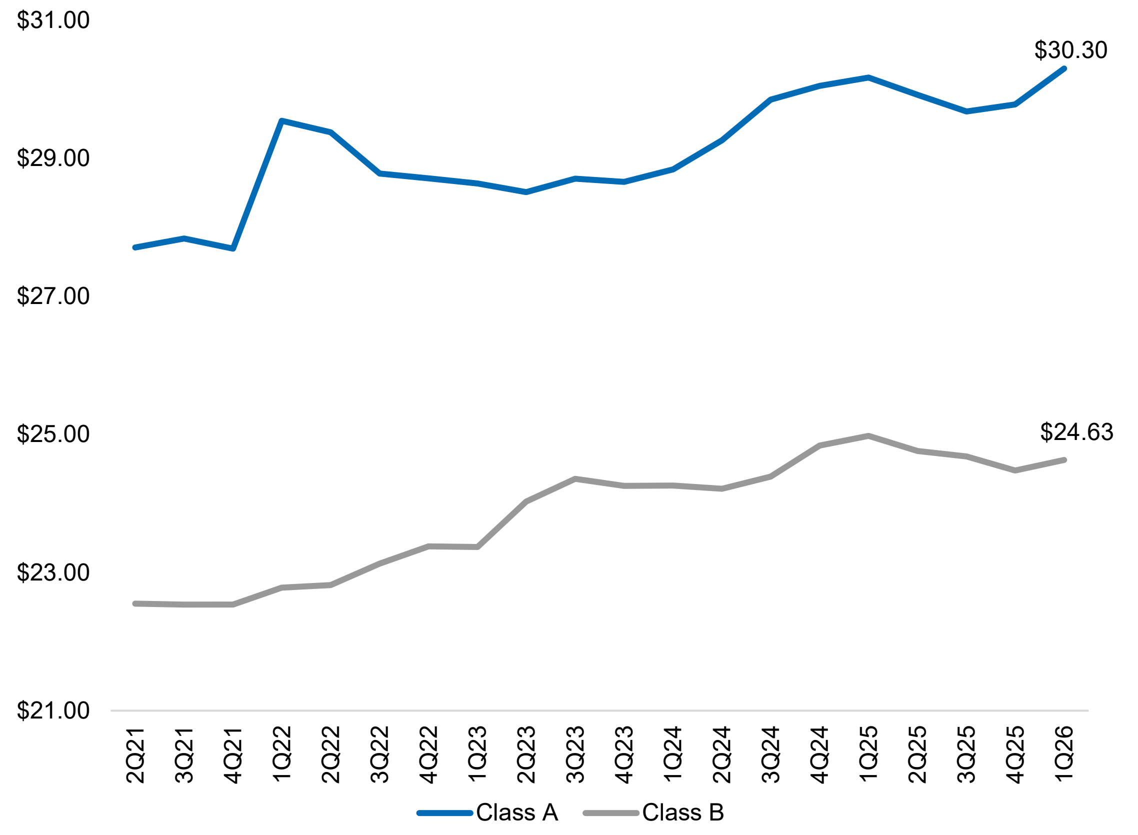


Source: Newmark Mountain West Research

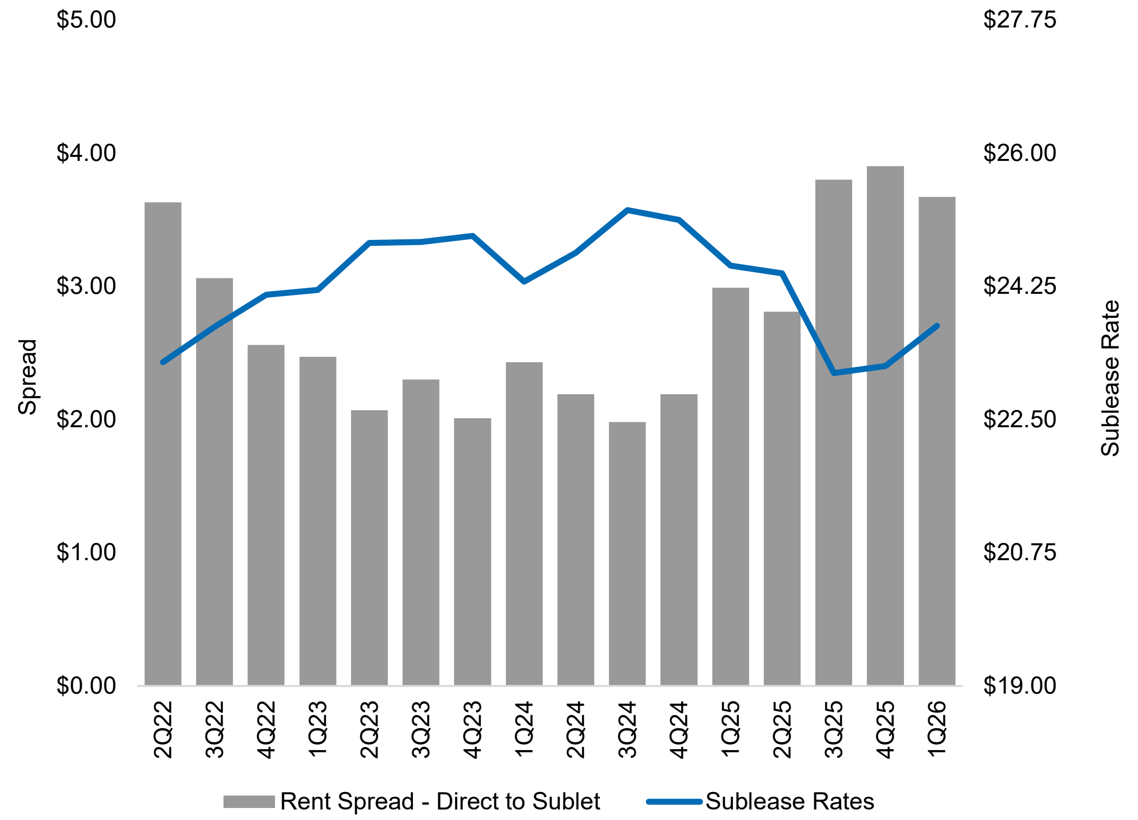
Class A Pulls Further Ahead as the Sublease Discount Continues to Narrow

The pricing gap between Class A and Class B assets continued to widen in 1Q26, with Class A asking rents edging higher while Class B rates extended their gradual decline. Sublease asking rates rose modestly, narrowing the direct-to-sublease spread to approximately $3.70 per SF. Higher-quality sublease offerings continue to draw cost-conscious tenants who want well-finished space at below-market rates, keeping direct landlords of comparable product in an uncomfortable position. The gap between Class A and everything else is unlikely to close anytime soon: tenants with options are chasing quality, and those without are staying put.

Class A and Class B Asking Rents



Sublease Asking Rates



Source: Newmark Mountain West Research

Tech Sector Reshuffling Drives Draper Activity as Information Employment Contracts

The information sector's 7.8% year-over-year employment decline didn't disappear from the leasing data — it showed up in the deal composition. The two largest transactions this quarter were both sublease deals in the Draper Tech Corridor: Pluralsight's former space absorbed by BambooHR, and ServiceTitan's footprint picked up by AI company Elementum. The sector isn't abandoning the market so much as restructuring within it, with established players shedding space and emerging tech firms moving in to fill it.

Tenant	Building(s)	Submarket	Type	Square Feet
BambooHR	42 Future Way	Draper Tech Corridor	Sublease	29,482
BambooHR subleased an additional 29,482 SF from Pluralsight, expanding their full footprint to 91,097 SF within the building.				
Elementum AI	Irvine Office Park 1	Draper Tech Corridor	Sublease	29,389
ServiceTitan subleased 29,389 SF to AI company, Elementum at Irvine Office Park.				
Michael Baker International	Union Woods	Fort Union	Renewal/Contraction	17,757
Union Woods kept Michael Baker International as a tenant for another term, but in a small contraction of nearly 30%.				
Thatcher Company	Metro Business Park E	Central Salt Lake	Renewal/Expansion	16,298
Thatcher Company expanded to take a total of 16,298 SF in Metro Business Park.				
Intermountain Home Services	Sandy Towers East	Southtowne	Direct New	14,353
Intermountain Home Services took 14,353 SF in the Southtowne submarket.				

Source: Newmark Mountain West Research

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Submarket Statistics

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Submarket Statistics

	Under Construction (SF)	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate	Qtr Net Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
CBD	0	16.9%	1.2%	18.1%	70,244	$33.87	$27.97	$30.39
Periphery	0	14.4%	1.1%	15.5%	15,678	$39.02	$21.68	$26.63
Downtown Total	**0**	**16.5%**	**1.1%**	**17.7%**	**85,922**	**$34.25**	**$26.49**	**$29.92**
Cottonwood	0	14.1%	3.4%	17.4%	(42,186)	$33.83	-	$33.83
Central Salt Lake	0	27.1%	0.9%	28.0%	(72,782)	$24.00	$22.52	$22.06
Central Valley	0	10.9%	1.8%	12.7%	(35,651)	$29.04	$21.04	$22.28
Draper Tech Corridor	29,958	9.3%	3.0%	12.2%	83,698	$28.95	$26.27	$28.62
East Sandy/Draper	0	2.9%	-	2.9%	3,134	-	$23.28	$22.80
Fort Union	0	13.1%	3.4%	16.5%	17,453	$27.87	$23.68	$27.36
International Center	0	12.9%	3.0%	15.9%	91,785	-	$25.17	$23.48

Source: Newmark Mountain West Research

Salt Lake County Office Submarket Statistics – 1Q26 (Page 2 of 2)

Submarket Statistics

	Under Construction (SF)	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate	Qtr Net Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Lake Park	0	45.2%	2.9%	48.2%	101,373	$24.33	$22.02	$24.07
Millcreek/Holladay	0	9.9%	-	9.9%	9,471	$36.00	$21.58	$29.05
Research Park	0	7.9%	1.3%	9.2%	(51,548)	-	$24.38	$24.12
Sugarhouse	0	5.6%	0.2%	5.8%	12,546	$32.39	$21.72	$22.56
Southwest	0	19.7%	-	19.7%	8,545	$29.56	-	$29.56
Southtowne	0	18.4%	0.7%	19.1%	(42,362)	$27.79	$24.87	$26.24
West Salt Lake	0	3.2%	-	3.2%	-	-	$30.74	$30.74
Suburban Total	**29,958**	**15.6%**	**1.7%**	**17.4%**	**83,476**	**$28.52**	**$23.46**	**$26.09**
Salt Lake County Market	**120,000**	**15.9%**	**1.6%**	**17.5%**	**169,398**	**$30.30**	**$24.63**	**$27.40**

Source: Newmark Mountain West Research

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