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Salt Lake County: Office Market Overview

2Q26

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Salt Lake County Market Observations

Economy

- Salt Lake City's labor market continued to pull ahead of the national benchmark through mid-2026, with unemployment holding at 3.4% in May against the national rate of 4.1%, a 70-basis-point advantage that has widened since the start of the year.
- Metro payroll growth tells the more significant story: the region posted 2.1% year-over-year growth while the nation barely moved at 0.2%, reinforcing the metro's position as one of the stronger labor markets in the country heading into the second half.
- Office-using sectors were broadly positive, with business and professional services leading at 4.4% and financial activities adding jobs at 1.8%; information sector employment declined 5.5%, though at roughly 3% of total metro employment, its market-level drag on office demand remains limited.

Leasing Market Fundamentals

- Second-quarter leasing reached 1.03 million SF, bringing the first-half total to approximately 1.58 million SF and marking a meaningful acceleration from the pace set at the start of the year.
- The deal mix continued to run heavily toward renewals and subleases, meaning active volume hasn't translated cleanly into vacant space removal; direct vacancy held at 15.6%, retreating from its 2025 peak as year-to-date net absorption turned positive at approximately 300,000 SF.
- Asking rents posted their first meaningful gain in an extended period, reaching $27.56/SF with 1.5% year-over-year growth, as the flat-rate trend that held through 2024 and into 2025 shows signs of breaking.
- Class dynamics shifted beneath the market-wide average: Class A rents eased to $29.91/SF while Class B climbed to $26.11, narrowing the tier spread to $3.80 from $5.85 as sublease space converting to direct listings pulled the Class B pool higher.

Major Transactions

- Deal sizes skewed notably larger than recent quarters, signaling that the lease footprint contraction many tenants worked through over the past several years may be finding its floor.
- Downtown anchored the quarter's largest deal, as Parsons Behle & Latimer renewed into 93,659 SF across five floors at 201 Tower, reaffirming the Central Business District's pull for established professional services tenants.
- Suburban activity ran through sublease conversions: BambooHR expanded into 92,126 SF at 42 Future Way in the Draper Tech Corridor, while Capital One absorbed 72,120 SF from PillPack at Lake Park.

Outlook

- Vacancy is retreating from its 2025 peak, the construction pipeline sits at zero, and asking rents are beginning to show upward movement, pointing to a structural setup that is as favorable for landlords as it has been in several years.
- Leasing volume has been strong through mid-year, but how much of it converts to new direct commitments will determine actual market progress in the second half.
- Class A and Class B rent convergence is worth watching, too; continued narrowing would mark a real shift away from the flight-to-quality dynamic that has defined the recovery.
- Composition remains the variable to watch as the year moves toward a close.

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Economy

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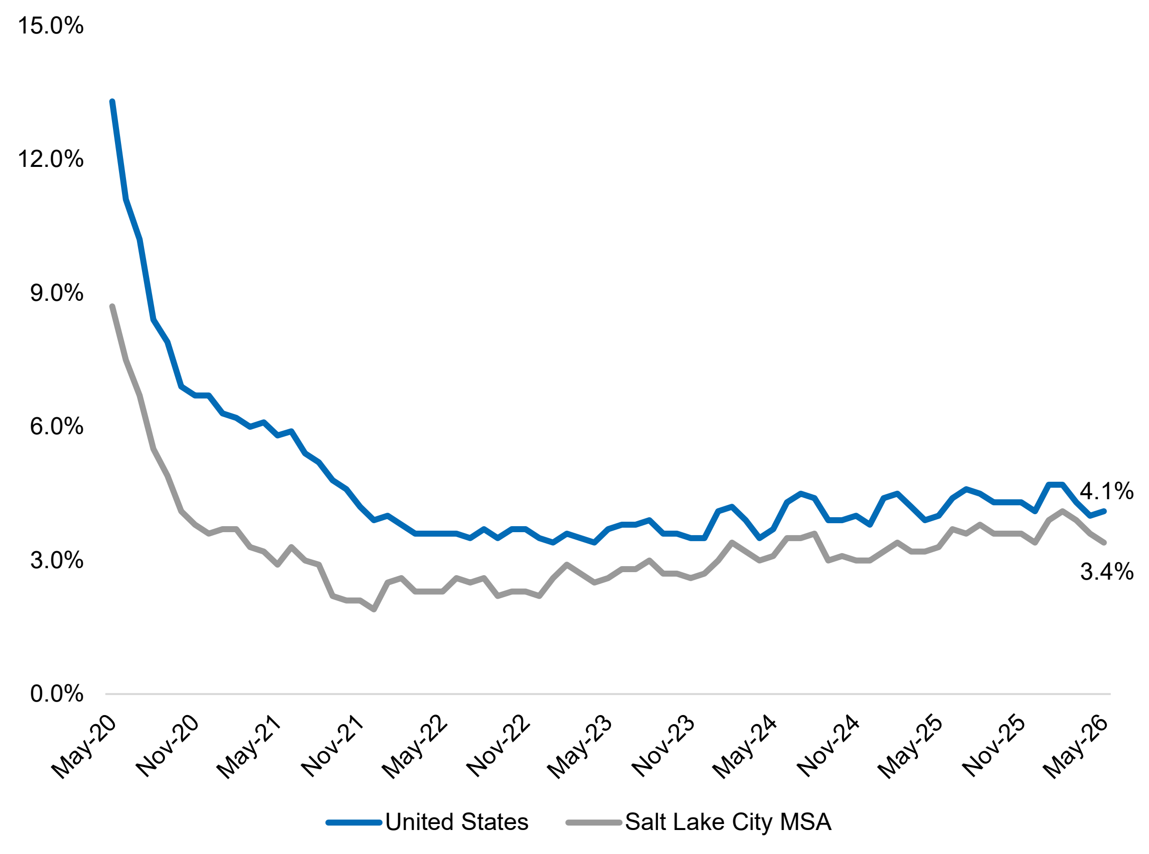
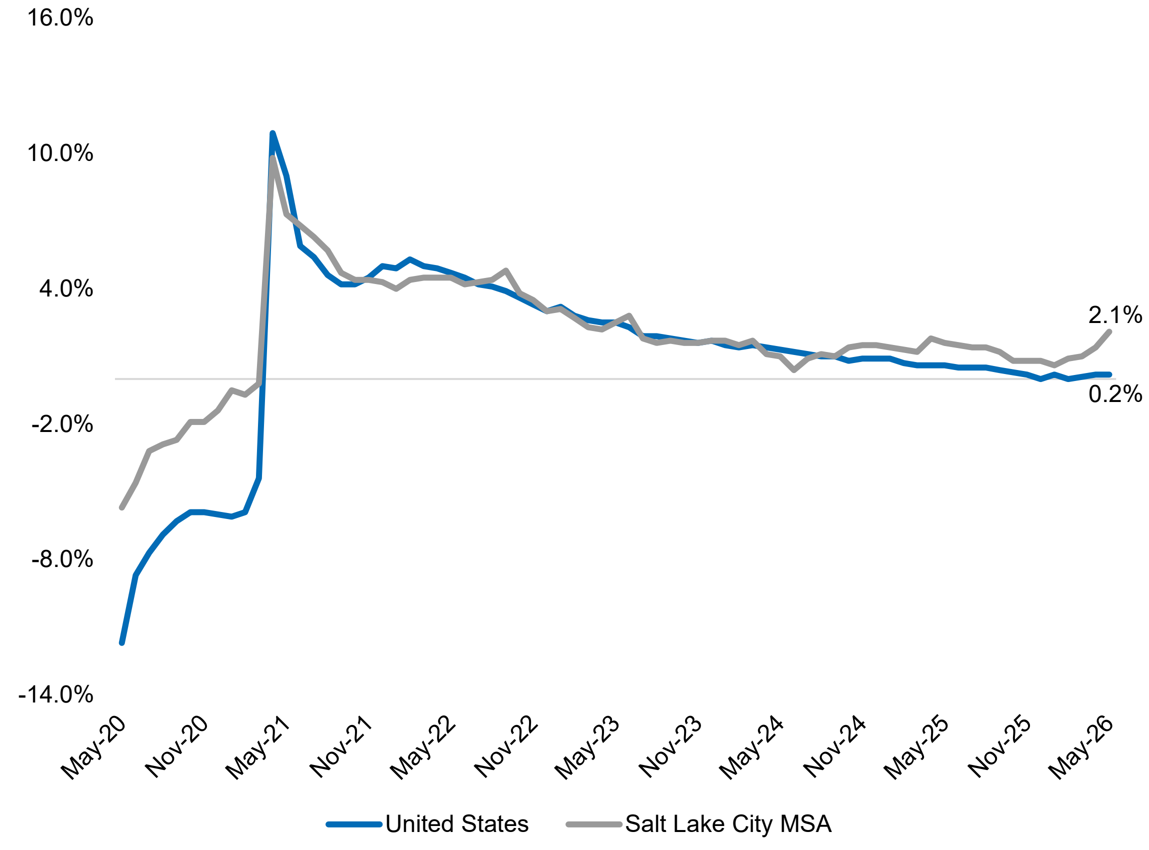
Labor Market Momentum Builds Through Mid-2026 as National Growth Lags

The Salt Lake City MSA's labor picture has improved substantially through the first half of 2026. Unemployment fell to 3.4% by May against a national rate of 4.1%, a 70-basis-point gap that has narrowed modestly from the 80 points recorded in January. The bigger story sits in payroll: Salt Lake City's year-over-year growth has accelerated to 2.1%, while the national rate has barely moved at 0.2%. Both markets improved on unemployment through the spring, though the metro's hiring momentum has pulled decidedly ahead on the employment front. The region's labor advantage is deepening, and that bodes well for office demand heading into the second half.

Unemployment Rate, Not Seasonally Adjusted



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

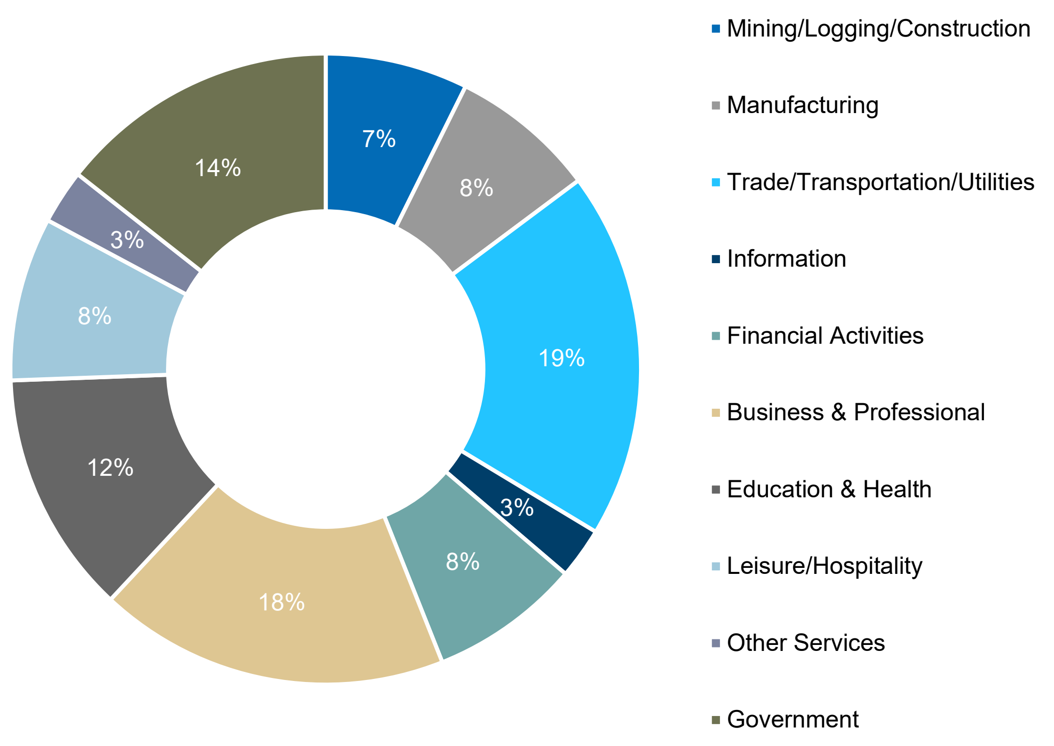


Source: U.S. Bureau of Labor Statistics. May 2026 data is preliminary.

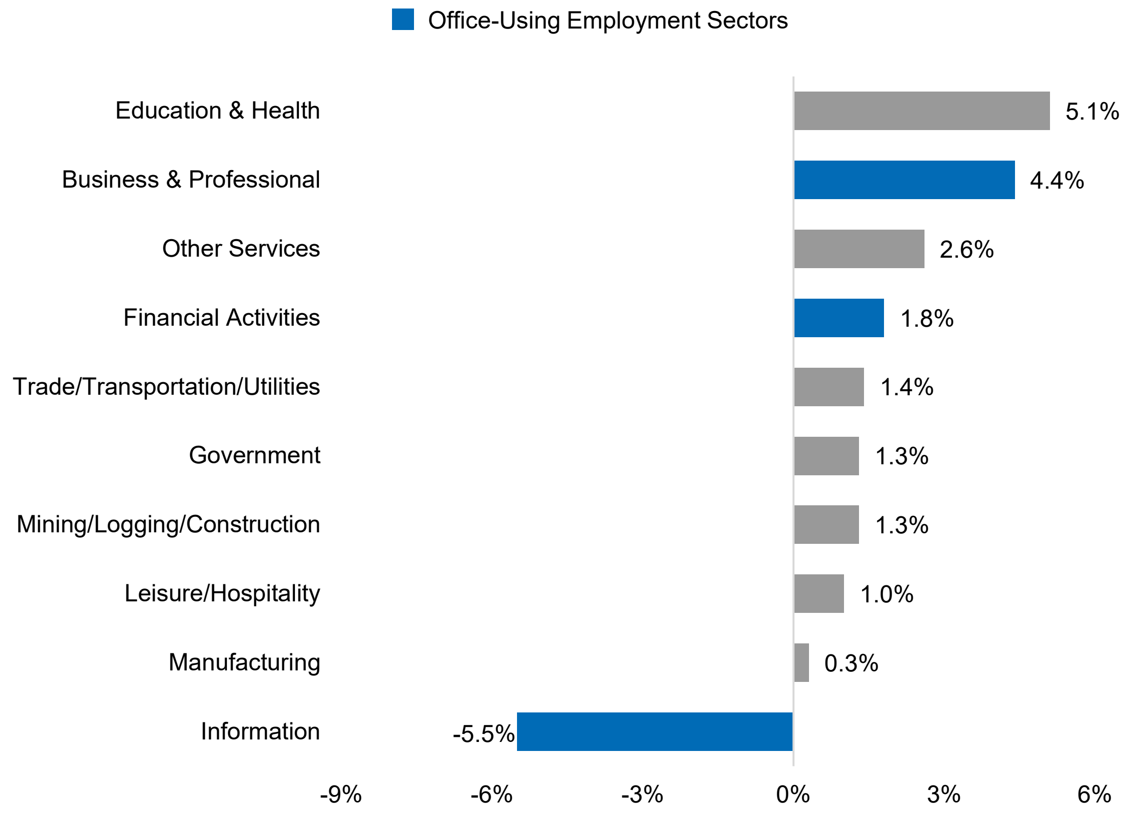
Service Sector Leads the Metro While Office-Using Employment Posts Mixed Results

As of May 2026, education and health services leads nonfarm employment growth in the Salt Lake MSA at 5.1%, reflecting the region's sustained population growth rather than office demand. Among office-using sectors, business and professional services posted the strongest gain at 4.4%, up from 3.1% in January, while financial activities continued adding jobs at a more modest 1.8%. Information sector employment fell 5.5% year-over-year, still the only office-using sector posting losses. AI-driven displacement is a likely contributor. With information representing roughly 3% of total metro employment, even modest headcount reductions produce amplified percentage readings.

Salt Lake MSA Employment by Industry, May 2026



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

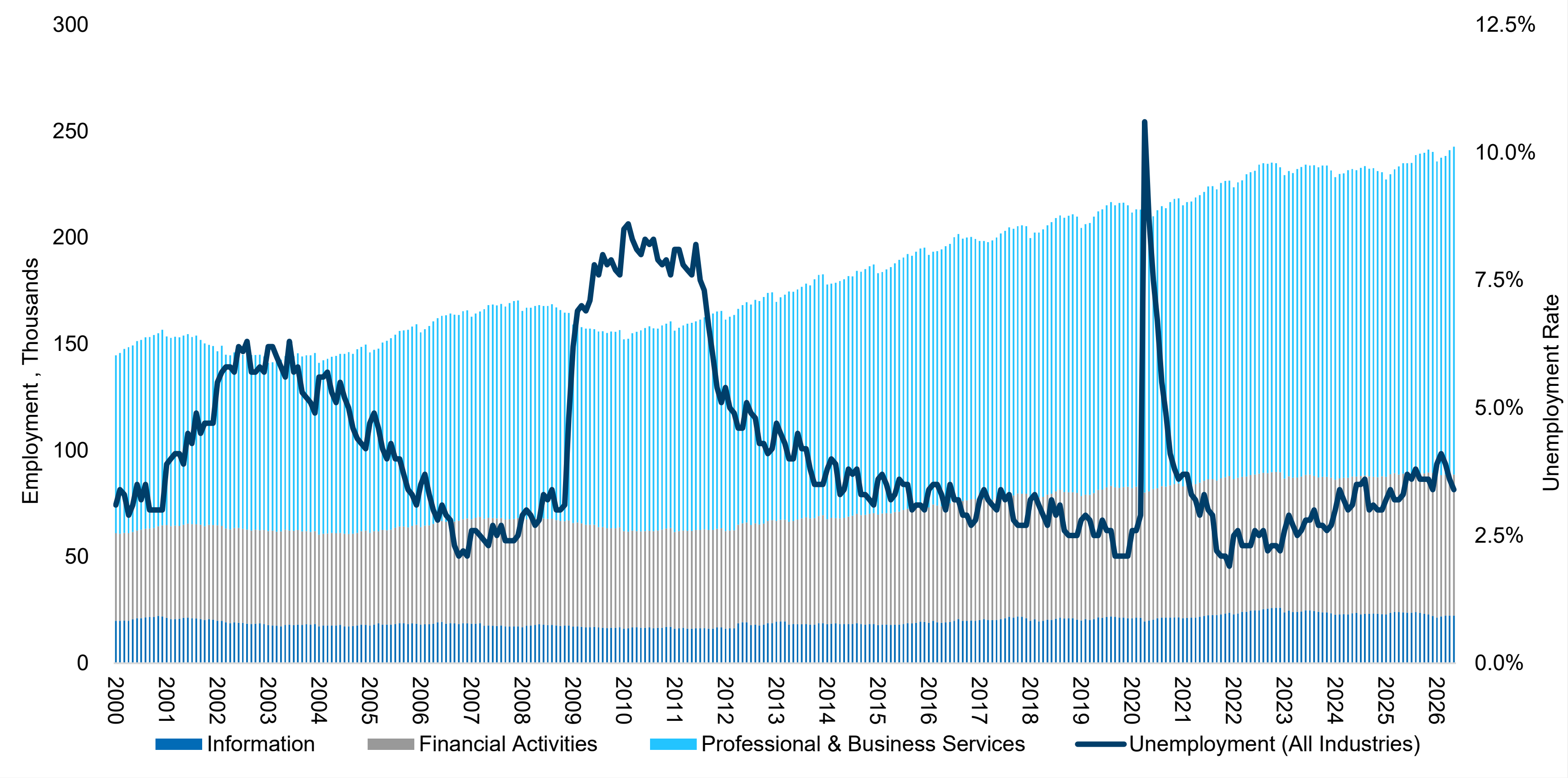


Source: U.S. Bureau of Labor Statistics. May 2026 data is preliminary.

White-Collar Employment Holds at Record Levels Through Mid-2026

Office-using employment in the Salt Lake City MSA remains 11.2% above pre-pandemic levels through mid-2026, with the sector growing approximately 0.7% from year-end 2025 to May. Professional and business services continue to lead the expansion, while financial activities and information have held relatively flat. Unemployment across all industries fell to 3.4% by May, down from 3.6% at year-end 2025. Despite the headwinds that weighed on the broader labor market through 2025, the industries that drive office demand have not given back their post-pandemic gains.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics. May 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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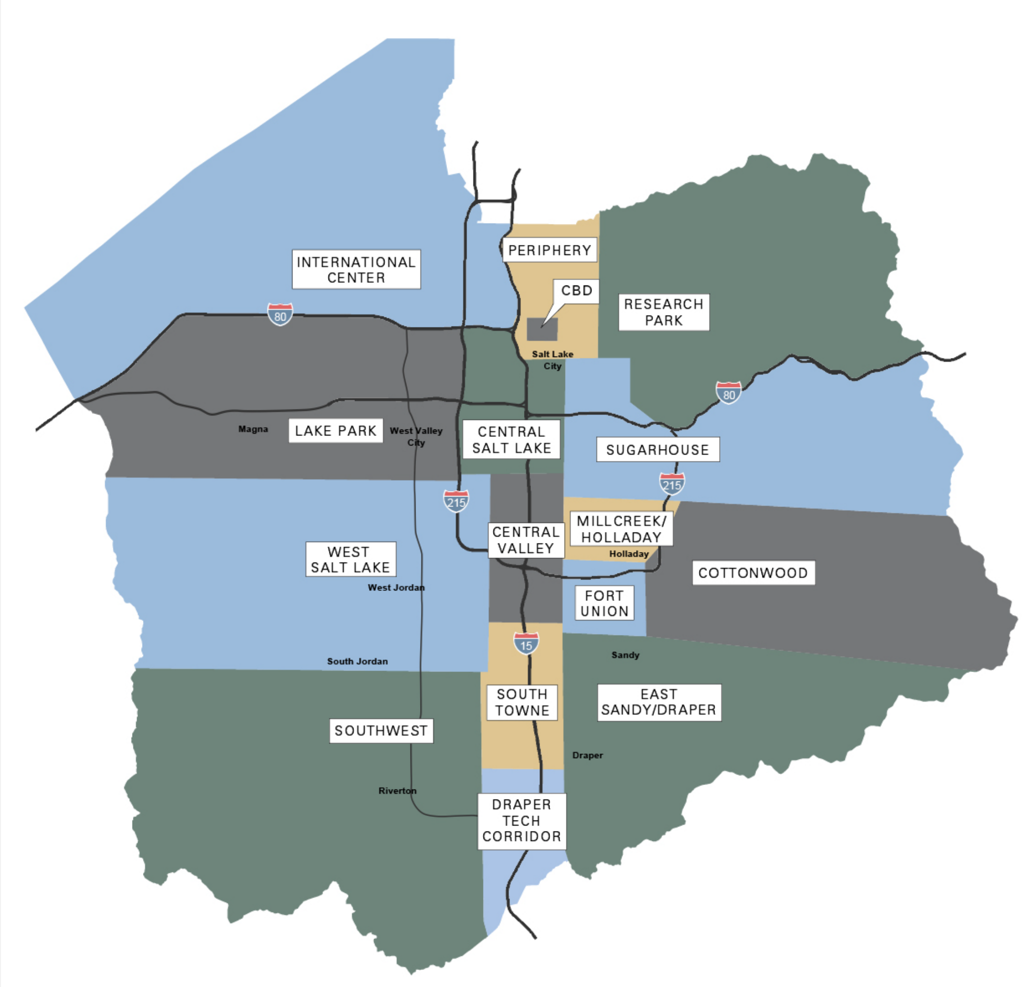
Salt Lake County Office Submarket Map and High-Level Statistics – 2Q26



Market Summary

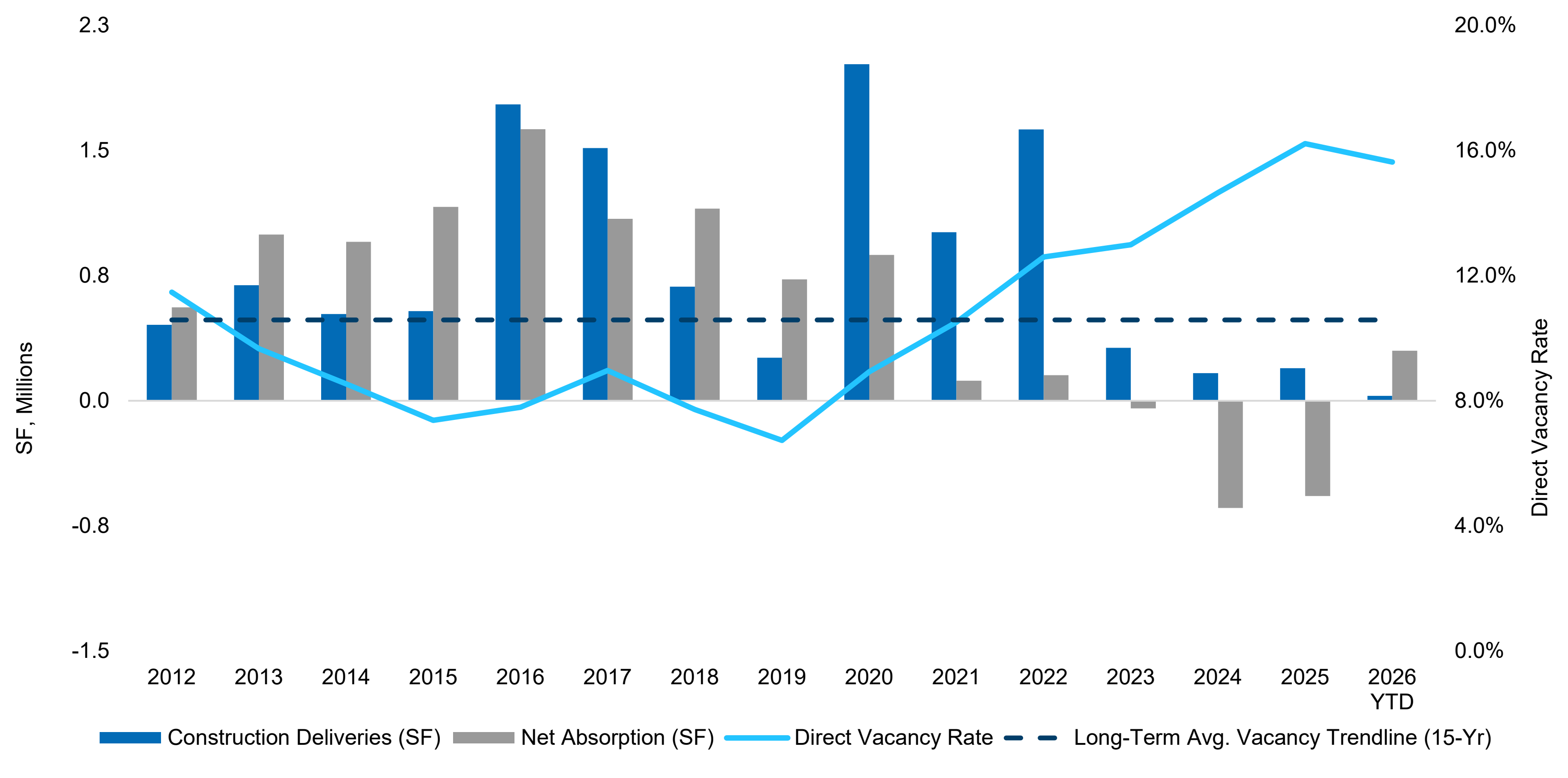
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Direct Vacancy Rate	15.6%	15.6%	15.7%	→
Sublet Vacancy Rate	1.6%	1.6%	2.6%	→
Quarterly Net Absorption (SF)	1,847	298,388	(318,843)	↓
Average Asking Rent/SF	$27.56	$27.40	$27.24	→
Under Construction (SF)	0	29,958	120,000	↑
Deliveries (SF)	29,958	0	0	↓

Source: Newmark Mountain West Research

Mid-Year Absorption Positive as Vacancy Retreats From Its 2025 Peak

Net absorption through the first half of 2026 sits at a positive 300,235 SF, a welcome shift from the cumulative losses posted in each of the prior two years. Vacancy retreated to 15.6% after peaking at 16.2% at year-end 2025, though two quarters remain before the full-year picture comes into focus. Renewals and subleases dominated deal volume through both quarters, meaning much of the activity recycled existing occupancy rather than pulling vacant space off the market. With no supply pipeline and no pre-leased deliveries on the horizon, any further absorption gains this year have to come from existing vacant product being committed to new tenants.

Historical Construction Deliveries, Net Absorption, and Vacancy

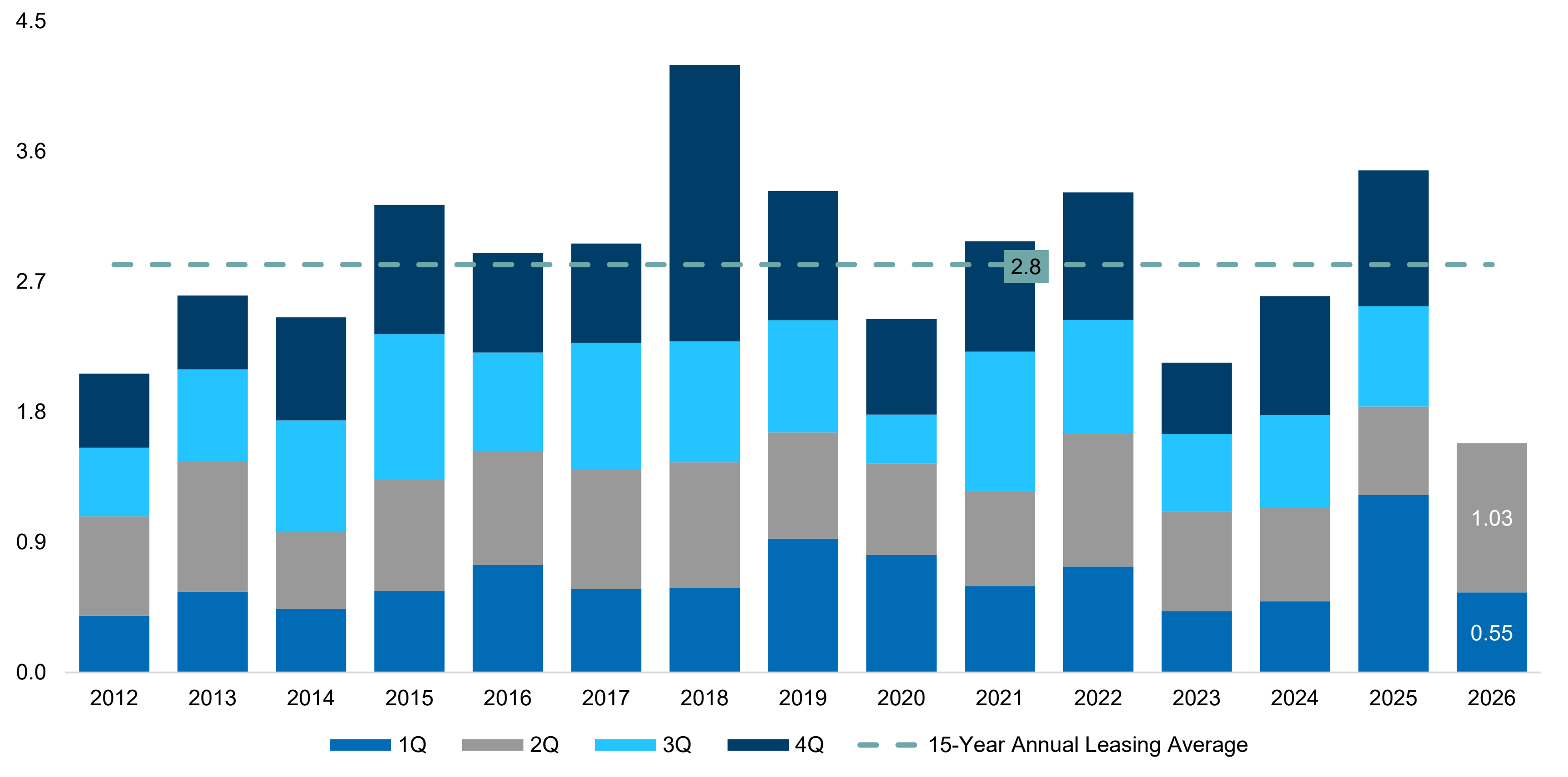


Source: Newmark Mountain West Research

Strong Mid-Year Leasing Volume Masks a Renewal-Heavy Deal Mix

Second-quarter leasing reached approximately 1.03 million SF, the strongest quarterly volume in several years, bringing the first-half total to nearly 1.58 million SF. That pace puts the market on track to approach the 15-year annual average of 2.8 million SF if momentum holds through the second half. Underneath those numbers, renewals and subleases accounted for the bulk of activity, with tenants across size ranges opting to hold existing footprints or absorb available sublease space rather than commit to new direct leases. The market is transacting at a healthy clip. Until new direct leasing picks up, though, volume gains are unlikely to translate into meaningful vacancy improvement.

Total Leasing Activity (MSF)

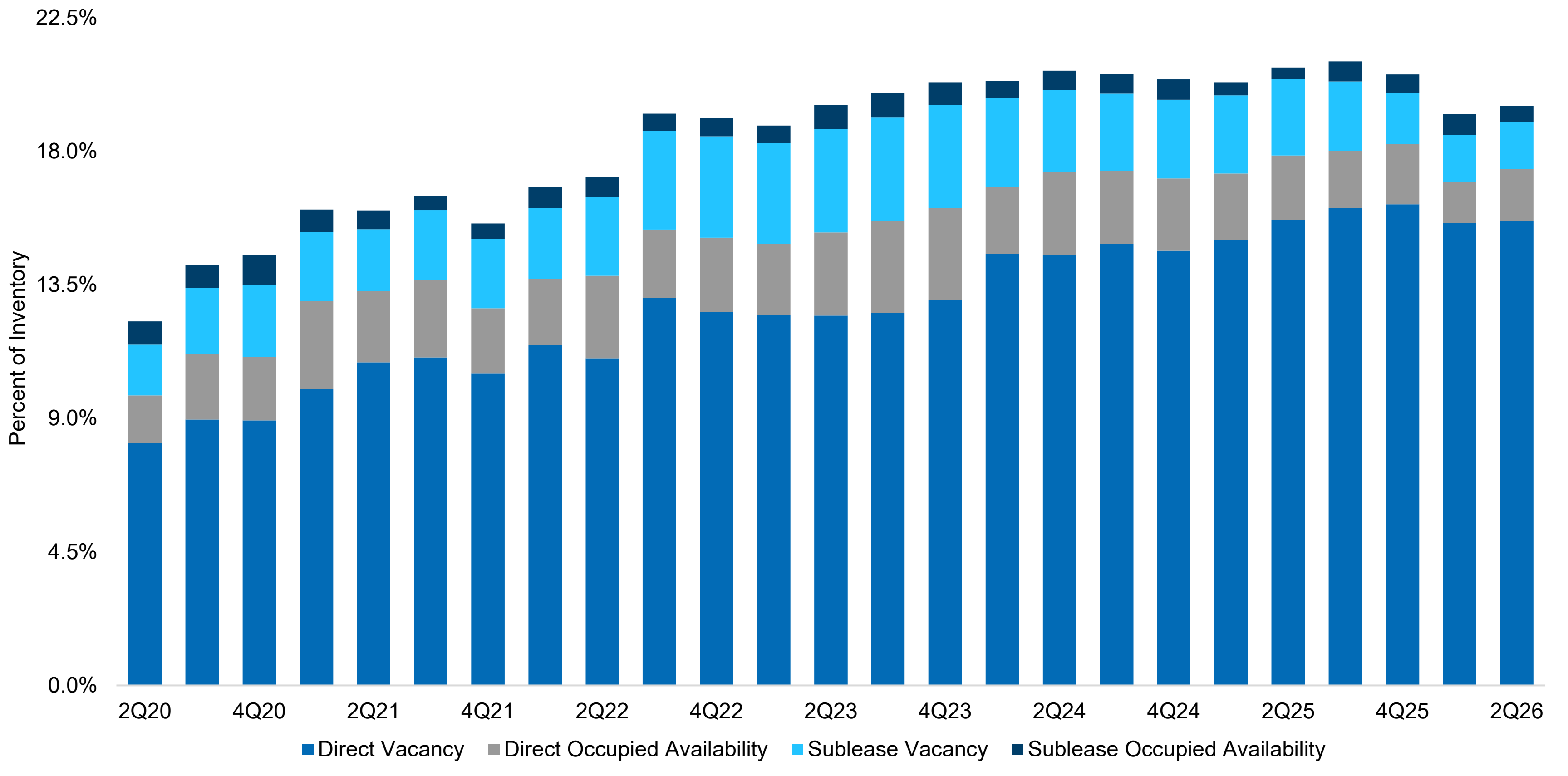


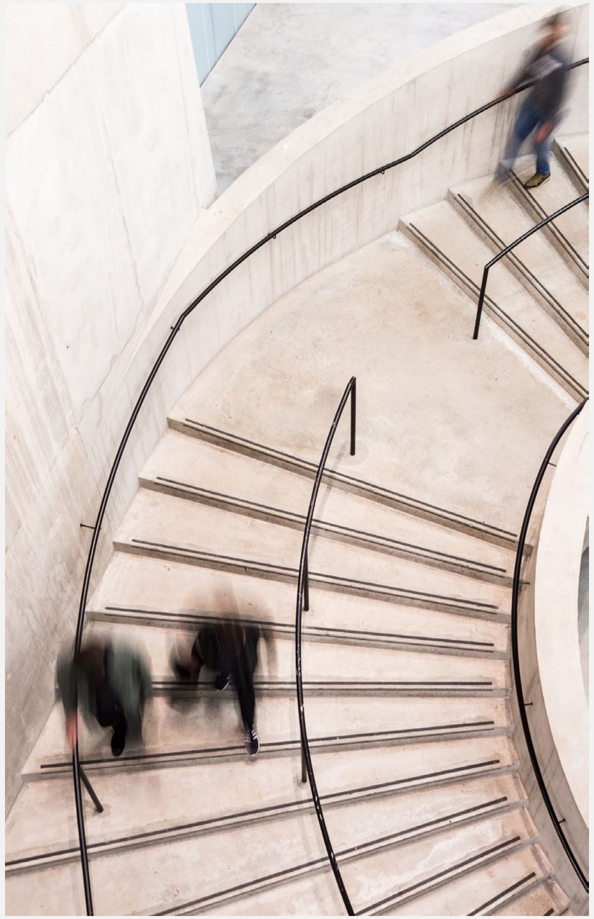
Source: Newmark Mountain West Research

Modest Availability Uptick Reflects Landlord Repositioning Ahead of Lease Expirations

Total availability edged up roughly 20 basis points to 19.5% in the second quarter, a modest move that reflects landlord strategy more than softening demand. The uptick was driven almost entirely by direct occupied availability, as landlords brought space to market ahead of lease expirations to shorten the gap between departure and re-leasing. Sublease availability fell approximately 20 basis points while direct occupied availability rose 40. Direct vacancy held flat at 15.6%. Landlords are getting ahead of turnover. The underlying occupancy picture hasn't moved.

Availability Breakdown



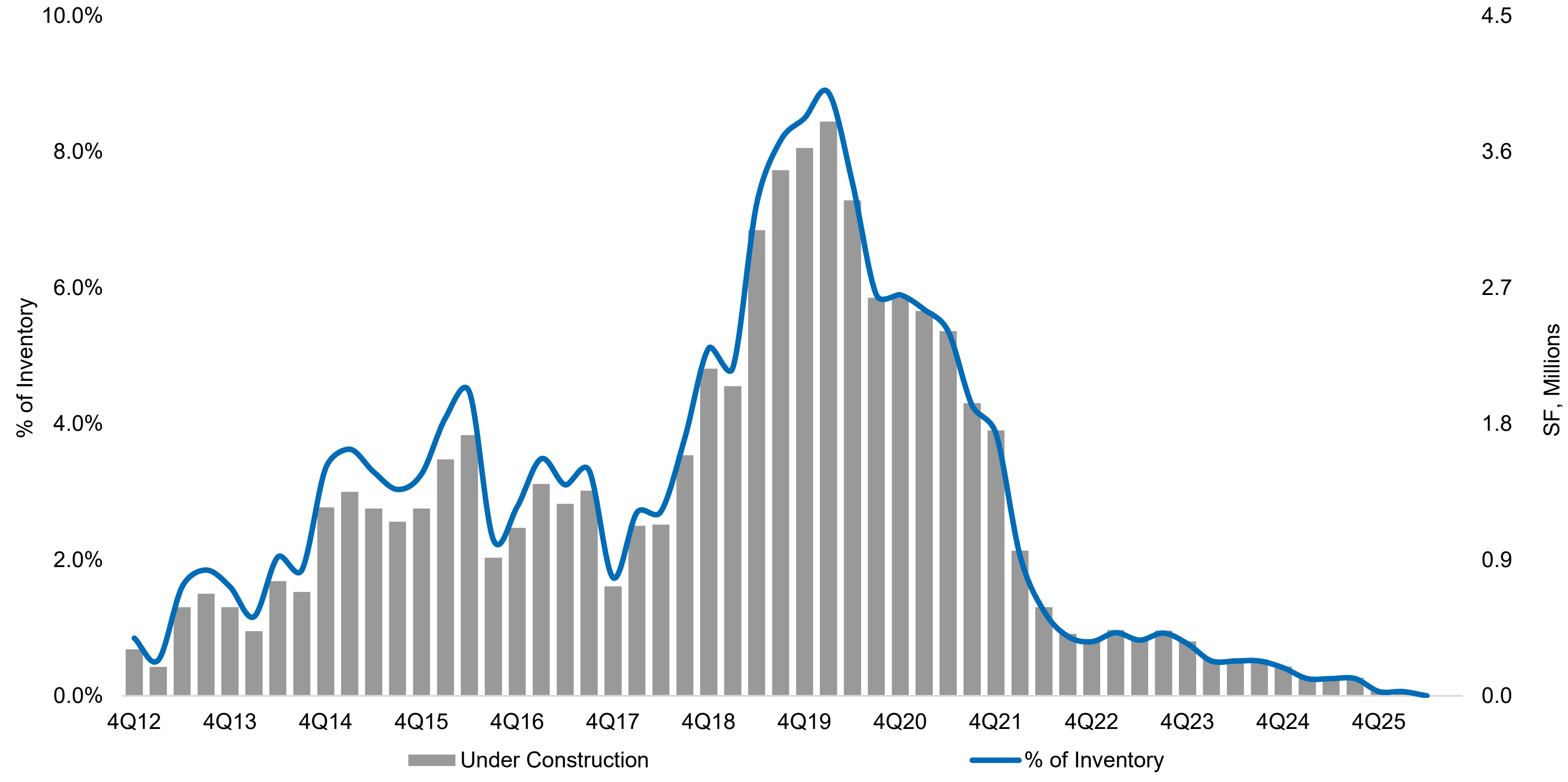


Source: Newmark Mountain West Research

An Empty Pipeline Puts Recovery Squarely in Demand's Court

The final traditional office project in Salt Lake County delivered in the second quarter, leaving the pipeline at zero. Medical office construction continues in the region but operates under different demand drivers and falls outside the scope of this report. With no speculative starts underway and elevated costs keeping new projects off the table, supply is no longer a variable. Vacancy and availability from here will be determined entirely by demand. If new direct commitments emerge in the second half, landlords are looking at one of the most favorable supply-demand setups in years.

Office Under Construction and % of Inventory

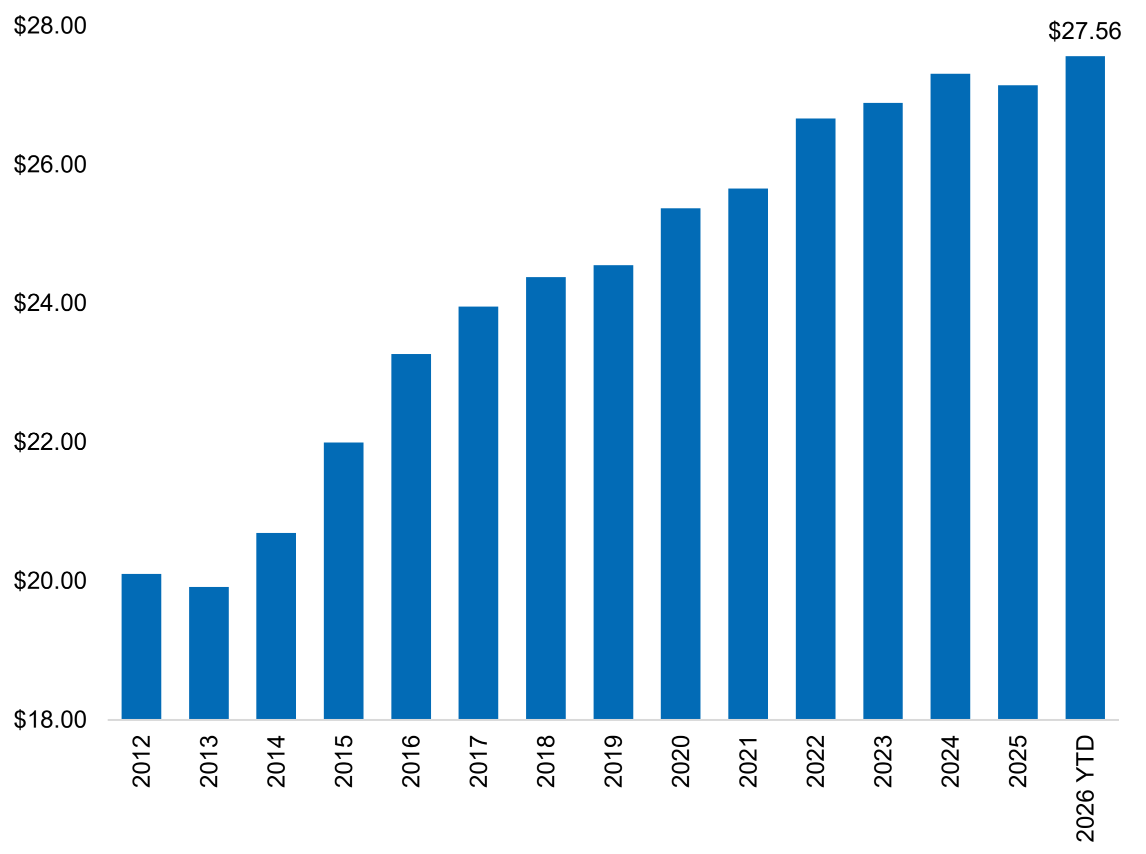


Source: Newmark Mountain West Research

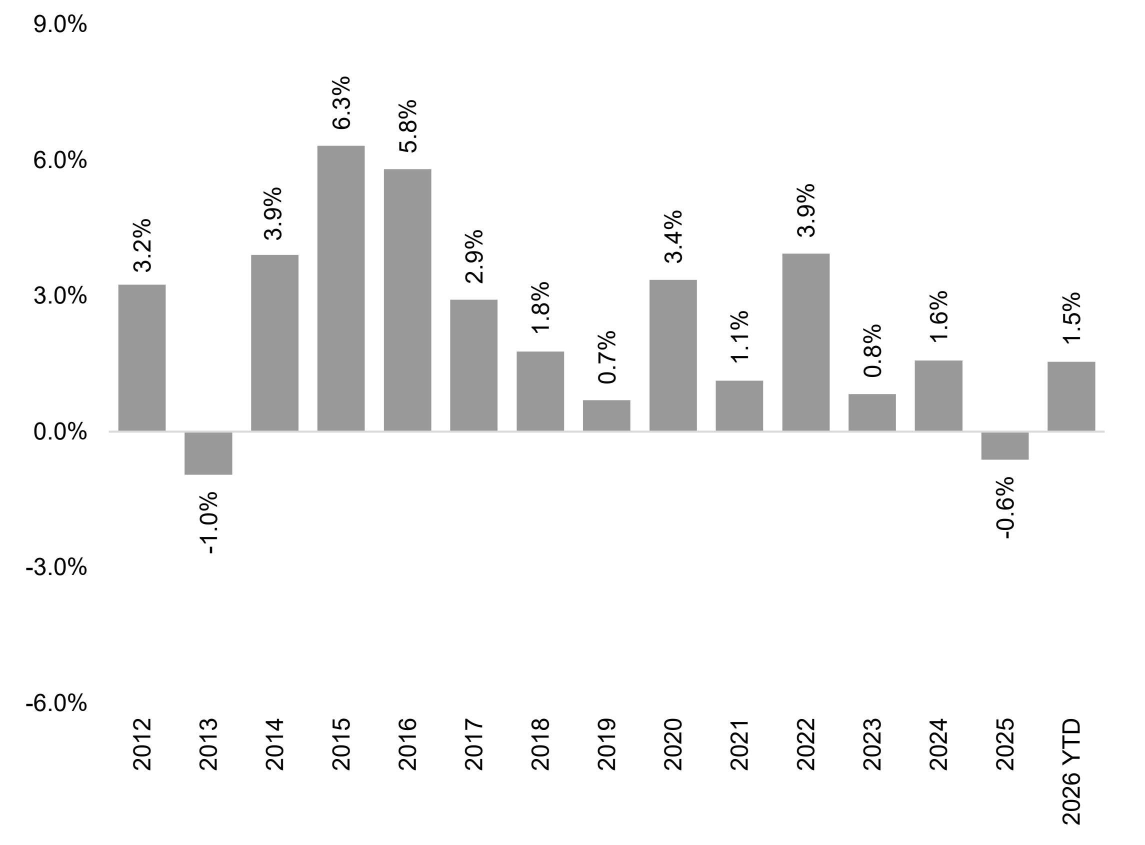
Rents Show Modest Appreciation at Mid-Year While Concessions Remain Part of the Deal

Average office asking rents reached $27.56 per square foot through mid-2026, a 1.5% year-over-year gain that marks a departure from the essentially flat trajectory that held through most of 2024 and 2025. Behind the headline, concessions remain elevated, with landlords continuing to compete through TI allowances and free rent periods that keep effective rents well below face value. With vacancy holding near recent lows and the construction pipeline empty, the setup for continued face rate appreciation is in place. Whether concession packages begin to compress alongside rent growth will be the more telling indicator of how much pricing power landlords are actually recovering.

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



Year-over-Year Asking Rent Growth Rate

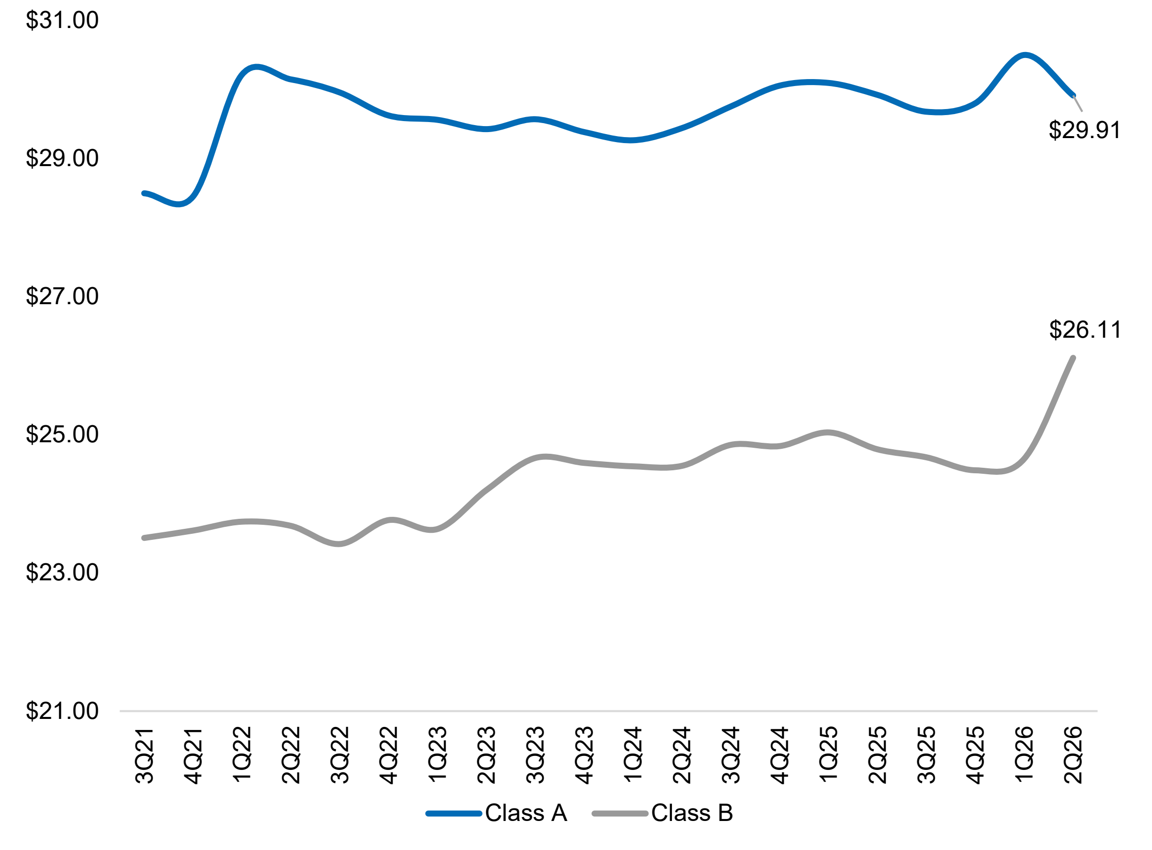


Source: Newmark Mountain West Research

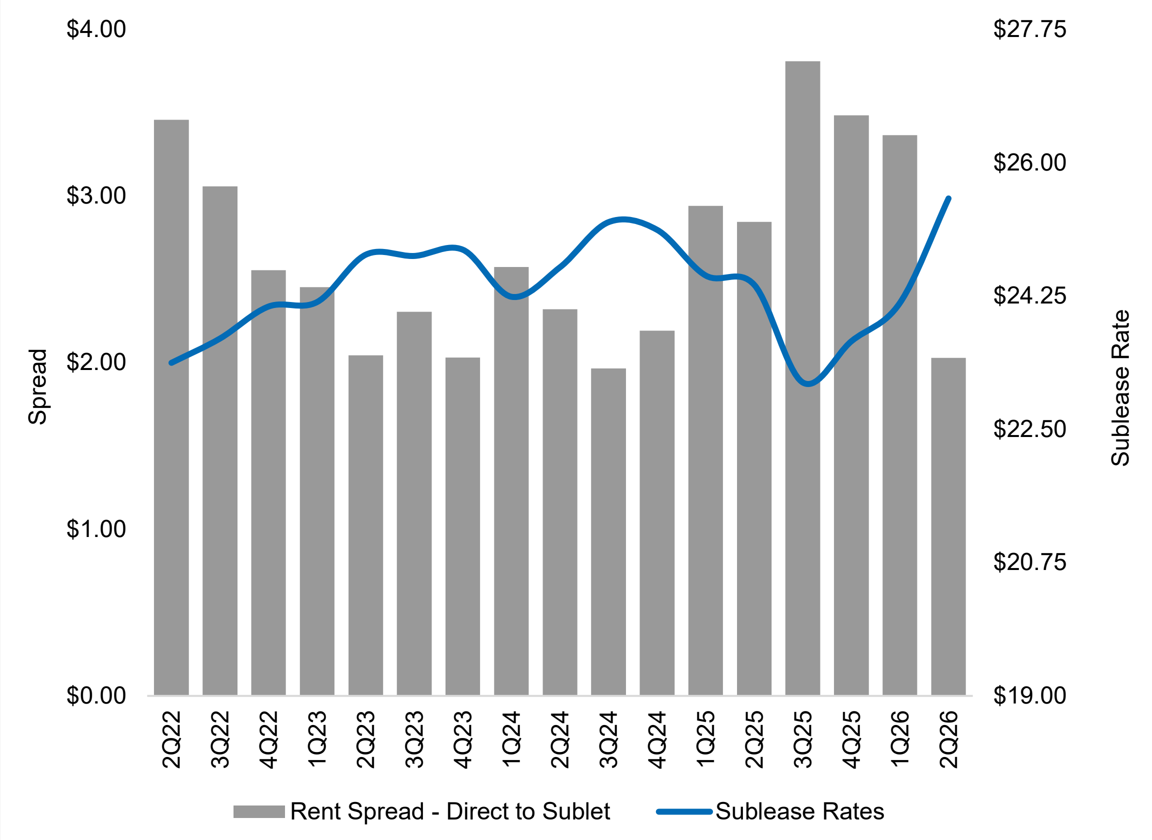
Rent Dynamics Shift in 2Q26: Class B Gains Ground as Class A Rates Ease

Class A asking rents softened in 2Q26, pulling back to $29.91 per square foot from $30.50 in the prior quarter, while Class B moved in the opposite direction, rising to $26.11 from $24.65. The resulting spread between the two tiers narrowed from $5.85 to $3.80, compressing the gap that had widened steadily as Class A rates climbed in prior years. As sublease space converts to direct listings, the inventory mix shifts, pulling the average Class B rate higher. Sublease asking rents also increased, reaching $25.53 per square foot, while the direct-to-sublease spread compressed to $2.03 from $3.36. Taken together, the rent picture is considerably more dynamic than the market-wide average suggests.

Class A and Class B Asking Rents



Sublease Asking Rates



Source: Newmark Mountain West Research

Renewals and Subleases Dominate as New Demand Stays Selective

The quarter's deal composition mirrors the region's broader employment picture. Professional and legal services, among Salt Lake City's strongest-performing sectors, anchor the renewal activity, tracking their mid-year payroll momentum. BambooHR expanded via sublease even as that sector continues shedding jobs regionally. These transactions also skew large relative to recent quarters, a signal that lease size contraction may be easing as tenants commit at a scale reflecting their longer-term footprints.

Tenant	Building(s)	Submarket	Type	Square Feet
Parsons, Behle & Latimer	201 Tower	Central Business District	Renewal	93,659
Legal firm, Parsons, Behle & Latimer, renewed to take the 15th through the 19th floors in downtown Salt Lake City.				
BambooHR	42 Future Way	Draper Tech Corridor	Sublease	92,126
Expanding once again within the sublease, BambooHR took an additional 92,126 on the third floor from Pluralsight.				
E Trade Financial	South Towne Corporate Center 2	Southtowne	Renewal	88,338
Another large renewal occurred further down the valley in the Southtowne submarket with E Trade Financial for 88,338 SF.				
Capital One	2727 S Corporate Park Dr	Lake Park	Sublease	72,120
PillPack subleased 72,120 SF to Capital One in the second quarter of 2026.				
Utah Housing Corporation	Soleil Technology Park 2	Lake Park	Direct New	44,408
Utah Housing Corporation took 44,408 SF at Soleil Technology Park 2.				

Source: Newmark Mountain West Research

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Submarket Statistics

2Q26

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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	-	16.7%	1.1%	17.8%	21,977	166,789	$33.69	$32.63	$31.28
Periphery	-	14.8%	1.1%	15.8%	(7,022)	(5,900)	$37.55	$21.81	$25.18
Downtown Total	**-**	**16.4%**	**1.1%**	**17.5%**	**14,955**	**160,889**	**$35.62**	**$27.22**	**$28.23**
Cottonwood	-	14.3%	4.6%	18.9%	(31,624)	(55,514)	$33.88	$27.00	$33.86
Central Salt Lake	-	28.0%	0.7%	28.7%	(13,725)	(80,643)	$24.00	$22.52	$21.74
Central Valley	-	10.1%	2.0%	12.1%	16,344	(4,516)	$28.85	$20.44	$23.12
Draper Tech Corridor	-	9.5%	3.9%	13.3%	17,852	(1,615)	$27.81	$27.41	$27.74
East Sandy/Draper	-	1.6%	0.0%	1.6%	4,548	7,682	-	$22.61	$22.28
Fort Union	-	13.4%	3.4%	16.8%	(6,365)	19,746	$27.03	$24.31	$26.63
International Center	-	12.9%	2.6%	15.5%	(7,862)	112,709	-	$22.52	$22.04

Source: Newmark Mountain West Research

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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)
Lake Park	-	42.4%	0.0%	42.4%	60,061	242,806	$23.30	$22.02	$22.81
Millcreek/Holladay	-	10.4%	0.0%	10.4%	(7,258)	4,118	$36.00	$21.57	$28.87
Research Park	-	8.1%	1.7%	9.8%	(9,526)	(61,074)	-	$25.69	$25.50
Sugarhouse	-	5.6%	0.0%	5.6%	3,457	16,003	$31.68	$21.76	$23.24
Southwest	-	19.7%	0.0%	19.7%	-	8,545	$29.57	-	$29.57
Southtowne	-	17.9%	1.0%	18.9%	(28,238)	(58,129)	$27.81	$24.51	$26.19
West Salt Lake	-	4.0%	0.0%	4.0%	(10,772)	(10,772)	-	$28.53	$28.53
Suburban Total	**-**	**15.3%**	**1.8%**	**17.1%**	**(13,108)**	**139,346**	**$28.99**	**$23.72**	**$25.90**
Salt Lake County Market	**-**	**15.6%**	**1.6%**	**17.2%**	**1,847**	**300,235**	**$29.91**	**$26.11**	**$27.32**

Source: Newmark Mountain West Research

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