

INVESTMENT FORECAST

Office
Salt Lake City Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Sparse Deliveries and Medical Office Momentum Propel Salt Lake City Toward a Stronger 2025

Late-year momentum brightens the outlook for local office performance. The Salt Lake City market concluded 2024 on an upswing. Net absorption surpassed 1 million square feet during the fourth quarter of last year - the highest total since 2021 - lowering vacancy 80 basis points to 13.8 percent, the third-lowest rate among major metros west of Colorado. High-profile expansions by CleanJoule and Strider have buoyed demand, while office-to-multifamily conversions removed some existing buildings from stock. Although sublease listings reverting to direct availability are nudging landlords toward more flexible terms, only 500,000 square feet of new deliveries are slated for 2025 – the smallest tally since at least 2007. This pullback in construction may steer more prospective tenants to existing properties, a dynamic that is expected to fuel stronger rent growth and drive vacancy even lower by end of year.

Private investors and owner-users anchor a shifting transaction landscape. Several large-user acquisitions in late 2024 punctuated an otherwise subdued 12 months for office investment, as the transactions finished the year 25 percent below 2023's total. Tighter lending standards and pricing gaps curtailed activity, even as distressed and bank-owned assets entered the market. Strong in-migration – led by newcomers aged 55 and older – also reinforced medical office as an attractive investment option. Listings in Davis and Weber counties are receiving attention as the area's sub-6 percent vacancy, and tenant base anchored by Hill Air Force Base, reduces future risk for investors. Heading into 2025, private investors and owner-users looking to secure below-peak valuations could increase competition for listings, particularly well-positioned properties that cater to Salt Lake County's evolving demographics.

2025 MARKET FORECAST

+1.4%



EMPLOYMENT: After last year's notable hiring slowdown, job creation will ebb further in 2025. The loss of 1,000 roles in traditionally office-using fields will constrain overall growth to 20,000 positions.

500,000
sq. ft.



CONSTRUCTION: The 2025 supply addition will be less than a quarter of 2024's total, marking the lowest amount on record. Over 25 percent of the new space was fully pre-leased entering January.

-100 bps



VACANCY: Salt Lake City will see its first calendar year of vacancy compression since 2021, though the year-end rate of 12.8 percent will remain 110 basis points over the long-term average.

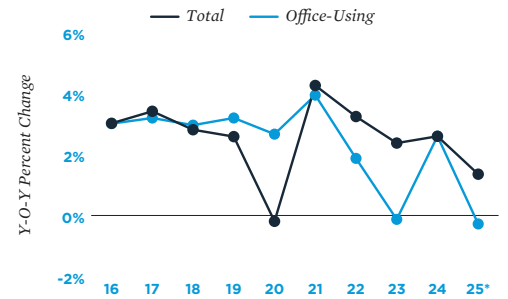
+1.5%



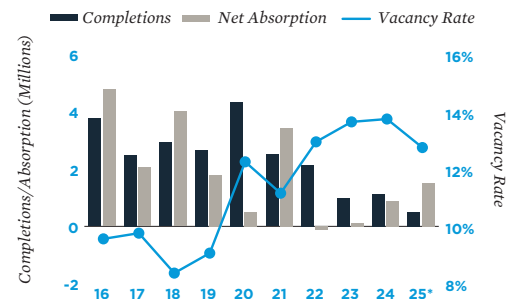
RENT: The average asking rent rises to \$24.51 per square foot. Despite maintaining an upward rent trajectory, this year's growth will trail the long-term annual average of roughly 2 percent.

INVESTMENT: *Even with a slowdown in trading activity, recently encouraging net absorption and sizable in-place lease commitments may motivate some investors to stay active in the South Valley.*

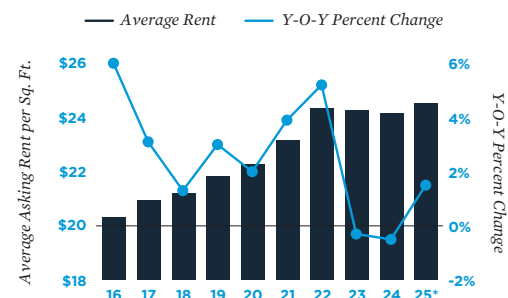
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Salt Lake City Office:

Kent Guerin

Senior Vice President, Regional Manager

95 South State St, Suite 1280

Salt Lake City, UT 84111

Tel: (801) 736-2600 | kent.guerin@marcusmillichap.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.