MARKETBEAT

SALT LAKE CITY

MEDICAL OFFICE Q4 2024

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
3.7% Vacancy Rate	▲	▲
-57.7K Net Absorption, SF	▼	▼
$25.66 Asking Rent, PSF *(Overall, All Property Classes)*	▼	—

ECONOMIC INDICATORS

	YOY Chg	Outlook
82.6K Salt Lake City Healthcare Employment	▲	▲
22.8M U.S. Healthcare Employment	▲	▲
3,300 Salt Lake City New Healthcare Jobs	▼	▼
883.8K U.S. New Healthcare Jobs	▼	▼

Sources: [1]www.bls.gov [2] Moody's Analytics BOC

ECONOMIC OVERVIEW:

In Q4 2024, the Salt Lake City market recorded an employment level of 843,200 jobs and the unemployment rate increased year-over-year (YOY) from 2.8% to 3.6%. [1] Wage growth continues to bring job seekers back into the labor market, as the median household income reached $96,100 in Q4 2024, an increase of 1.8% YOY. The Salt Lake City economy of $117.1 billion, as measured by 2024 gross metro product, is forecasted to climb to $120.8 billion in 2025 and $124.5 billion in 2026. [2]

SUPPLY AND DEMAND:

In Q4 2024, the overall vacancy rate for medical office buildings (MOBs) in Salt Lake increased by 120 basis points (bps), rising from 2.5% in Q2 2024 to 3.7%. On-campus vacancy rates experienced a significant rise, climbing from 1.5% in Q2 2024 to 4.7%. Off-campus vacancy rates also saw an uptick, reaching 3.3%, up from 2.3% YOY. A key factor contributing to the rise in vacancy in the fourth quarter was due to 33,000 square feet (sf) available at Salt Lake Medical Center, located on-campus within the Periphery submarket. Overall absorption for both on-campus and off-campus properties was negative, totaling -57,700 sf, with on-campus accounting for -51,000 sf and off-campus at -6,700 sf.

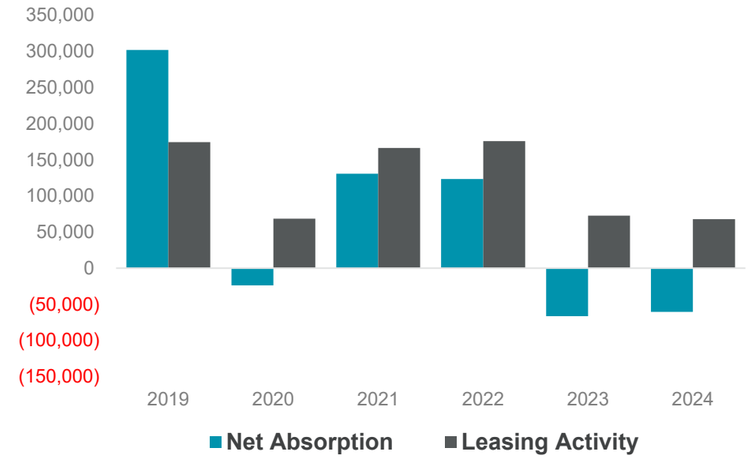
PRICING:

In Q4 2024, the overall asking rate for MOBs increased $3.51, or 16%, reaching $25.66 per square foot (psf) on an annual full-service basis, compared to Q2 2024. The average asking rate for on-campus properties rose to $27.52 psf, up from $24.75 psf in Q2 2024. Off-campus rates also saw an increase, with an average asking rate of $23.79 psf, up from $21.07 psf in Q2 2024. The Periphery submarket recorded the highest asking rate at $32.82 psf. During the fourth quarter, on-campus deals transacted at an average of $27.72 psf on a full-service basis while off-campus deals averaged $23.75 psf, closely aligning with the asking rates.

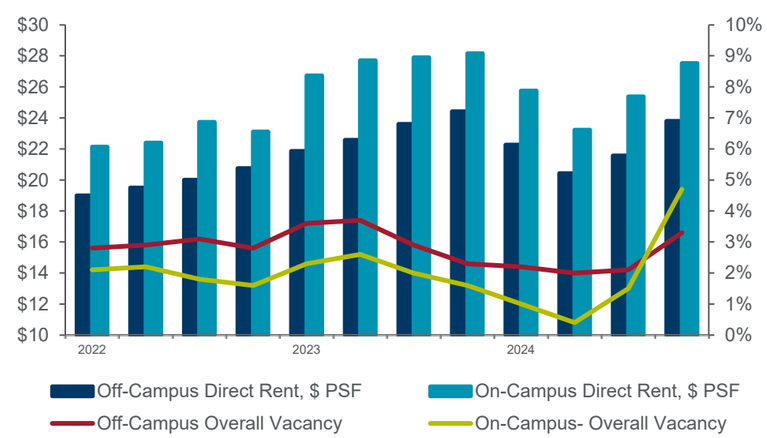
LEASING ACTIVITY:

During 2024, leasing activity for MOBs in Salt Lake City held steady at 67,700 sf, both on- and off-campus, slightly down from 72,800 sf leased in 2023. The largest lease signed during the year was a 14,300-sf expansion by Granger Medical Clinic at The Towers II at 45th, located off-campus in the Central East submarket. The top renewal for 2024 was Catholic Health Initiative Colorado, renewing 13,000 sf at Southridge in the Central West submarket, an on-campus property. Other notable leases included Discovery House Utah, which leased just over 6,000 sf at Southwood Office Plaza in the Southeast, as well as Highland Family Practice and Health Spot, both leasing 3,000 sf at Highland Springs in the Central East. The majority of leasing activity (89%) involved smaller spaces ranging from 3,000 to 5,000 sf.

NET ABSORPTION VS. LEASING ACTIVITY



OVERALL VACANCY & ASKING RENT



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	24,449	0	0	0.0%	0	0	0	0	N/A	N/A
Periphery	505,426	41,135	0	8.1%	-34,004	-34,004	7,356	0	$32.82	N/A
North East	495,695	9,966	0	2.0%	0	0	0	0	$23.00	N/A
North West	438,288	6,217	0	1.4%	-1,883	-1,263	0	0	$28.85	$34.50
Central East	918,976	62,999	4,000	7.3%	-7,807	-16,936	37,616	21,570	$20.08	N/A
Central West	412,636	15,608	0	3.8%	-1,701	-12,851	3,877	0	$19.00	N/A
South East	449,425	18,427	0	4.1%	-8,112	1,445	16,535	0	$28.63	N/A
South West	337,015	8,089	0	2.4%	-1,872	-4,166	2,294	0	$32.05	N/A
Utah County North	319,759	0	0	0.0%	0	0	0	24,000	N/A	N/A
Utah County South	673,083	2,325	0	0.4%	-2,325	7,453	0	0	$30.25	N/A
MARKET TOTALS	4,574,752	164,766	4,000	3.7%	-57,704	-60,322	67,678	45,570	$25.66	$34.50
Class A	541,597	1,334	0	0.3%	0	-1,334	0	0	$34.50	$34.50
Class B	3,525,395	120,919	4,000	3.5%	-44,967	-56,913	49,287	45,570	$27.87	
Class C	507,760	42,513	0	8.4%	-12,737	-2,075	18,391	0	$19.75	
MARKET TOTALS	**4,574,752**	**164,766**	**4,000**	**3.7%**	**-57,704**	**-60,322**	**67,678**	**45,570**	**$25.66**	**$34.50**
On-Campus Totals	1,336,782	63,039	0	4.7%	-50,929	-44,834	12,603	0	$27.52	
Off-Campus Totals	3,237,970	101,727	4,000	3.3%	-6,775	-15,488	55,075	45,570	$23.79	
MARKET TOTALS	**4,574,752**	**164,766**	**4,000**	**3.7%**	**-57,704**	**-60,322**	**67,678**	**45,570**	**$25.66**	**$34.50**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS YTD 2024

PROPERTY	SUBMARKET	TENANT	SF	QUARTER LEASED / TYPE
Towers II at 45th – 348 E. 4500 S.	Central East	Granger Medical Clinic P.C.	14,296	Q4 / Direct
Southridge – 3570 W. 9000 S.	Central West	Catholic Health Initiatives Colorado	12,852	Q2 / Renewal*
3179 S. Highland Drive	Central East	Undisclosed	7,190	Q1 / Direct
Southwood Office Plaza – 870-880 E. 9400 S.	South East	Discovery House Utah, Inc.	6,240	Q2 / Direct
Highland Springs – 4460 S. Highland Drive	Central East	Highland Family Practice	3,024	Q1 / Direct
Highland Springs – 4460 S. Highland Drive	Central East	Health Spot Inc.	3,024	Q2 / Direct

**Renewals not included in leasing statistics*

KEY SALE TRANSACTIONS YTD 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
Pioneer Medical Arts – 3336 W. Pioneer Pkwy.	North West	Sagamore Capital Management / UDLR Partners	63,399	Undisclosed

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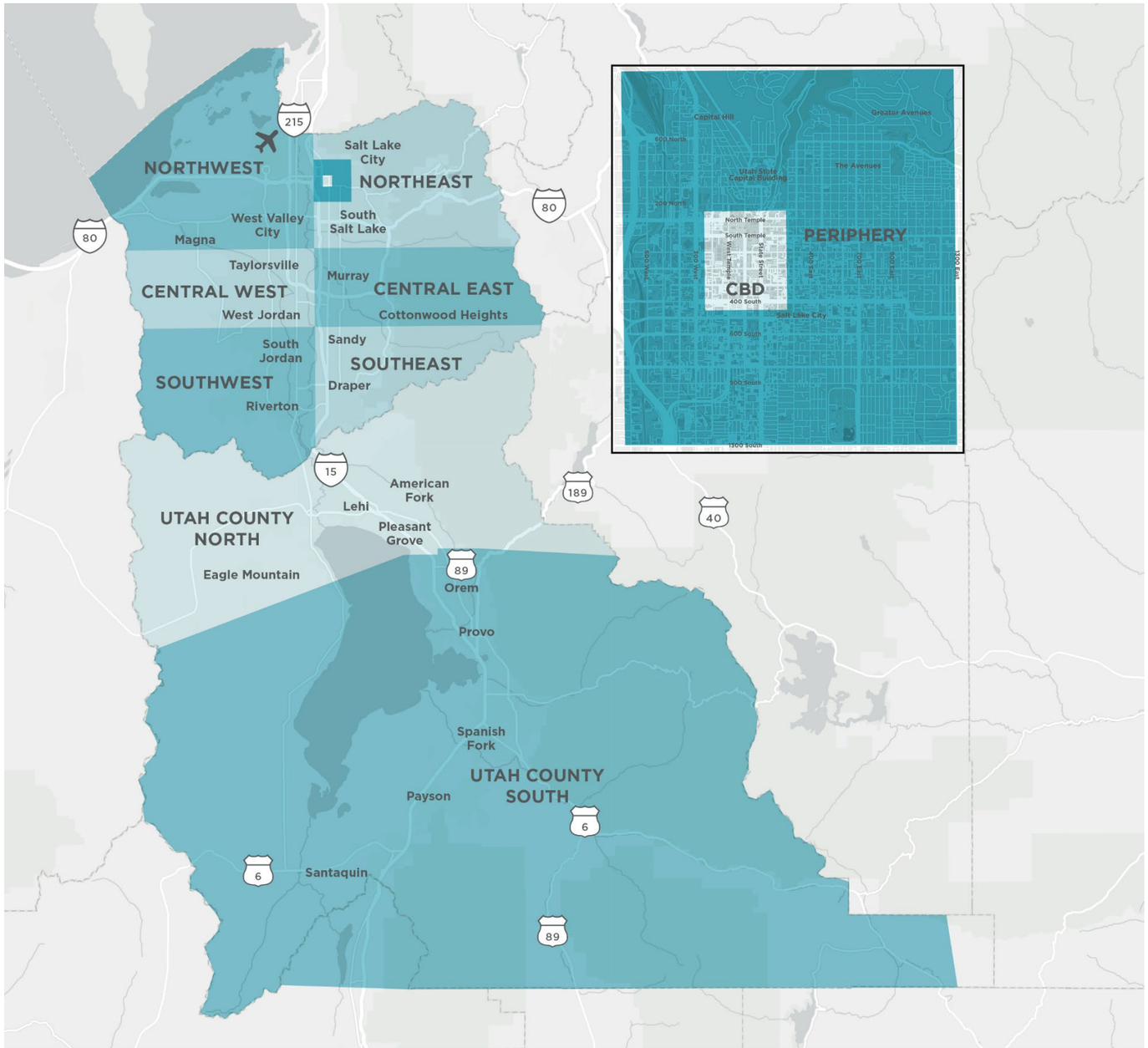
MEDICAL OFFICE SUBMARKETS



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