Unique tenant mix helps reduce challenges posed by increased hybrid work

▶ 6.2 MSF
Net Rentable Area

▼ 8.1%
Vacancy Rate

▲ $22.19
FSG / Avg. Asking Lease Rate

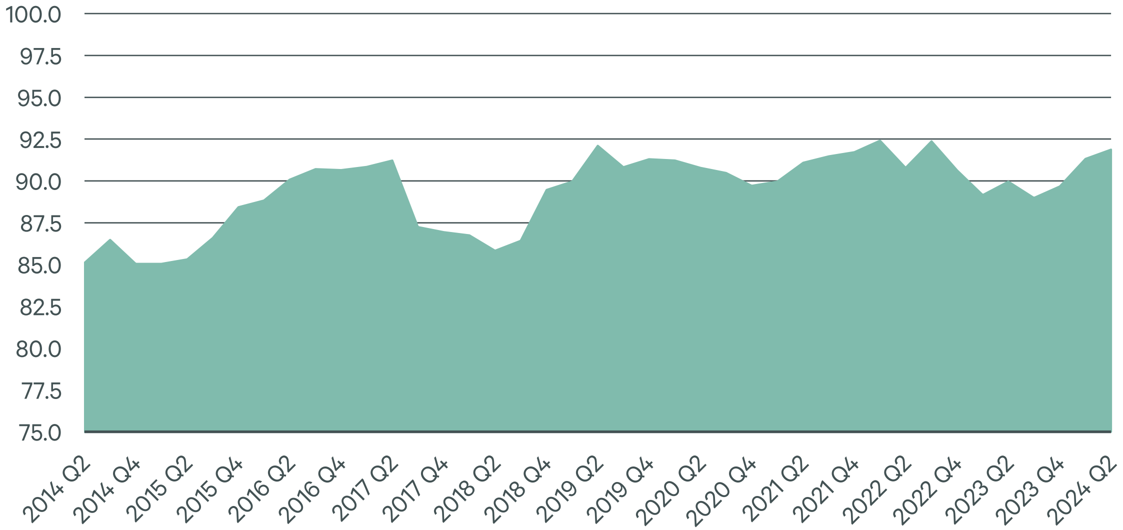
▶ 30K
SF Under Construction

Note: Arrows indicate change from previous quarter.

HIGHLIGHTS

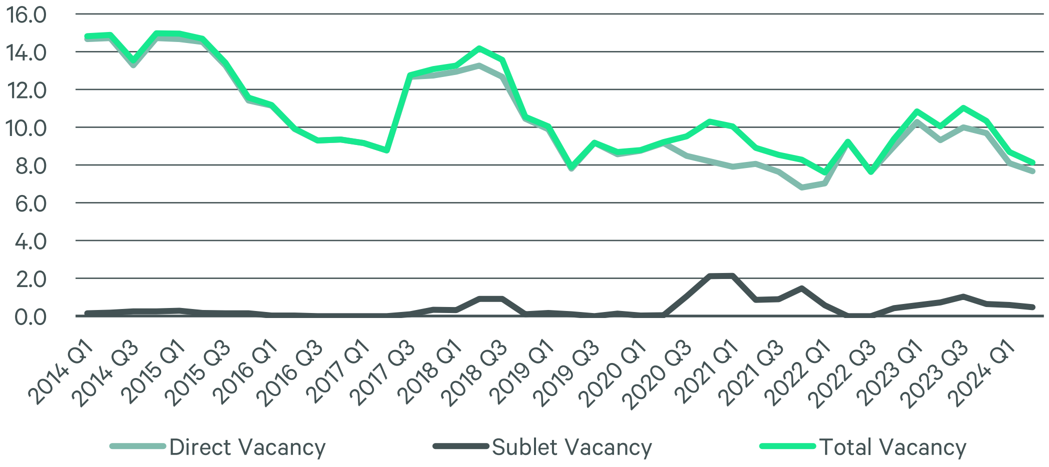
- The Ogden office market remained relatively stable with limited supply pressure in H1 2024 and maintained an occupancy rate of over 90%.
- The metropolitan area hosts less than 7 million sq. ft. of office space. In comparison, the Salt Lake-Provo Office market has more than 56.4 million sq. ft., with Salt Lake County hosting nearly 42.8 million sq. ft. and Utah County hosting 13.6 million sq. ft.
- Total office vacancies decreased for the third consecutive quarter in H1 2024, dropping by 220 basis points compared to H2 2023 and by 190 basis points from the same time last year. Direct vacancies also decreased, dipping 200 basis points since H2 2023 to 7.7%.
- The average asking rate rose by 1.7% year-over-year in H1 2024, reaching $22.19 FSG per sq. ft. Annual rent growth has averaged approximately 3.2% since H1 2016.
- Office development remained a minimal factor, with only 30,000 sq. ft. under construction in H1 2024, or about 0.5% of inventory—unchanged from H2 2023 and down 76.8% from the same time last year. One project is scheduled for delivery in the latter half of 2024, with no additional deliveries scheduled beyond year-end.

FIGURE 1: Historical Occupancy Rate (%)



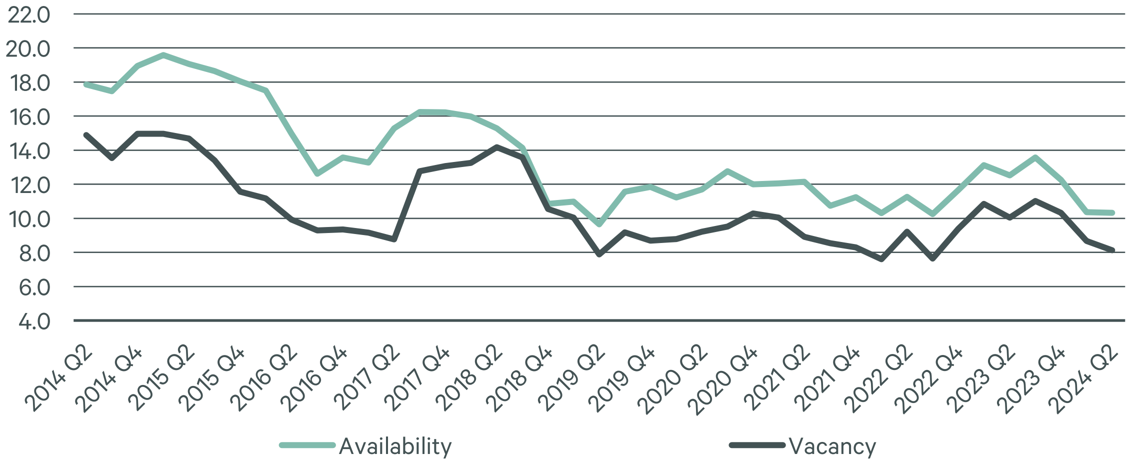
Source: CBRE Research, H1 2024

FIGURE 2: Historical Direct, Sublet & Total Vacancy Rate (%)



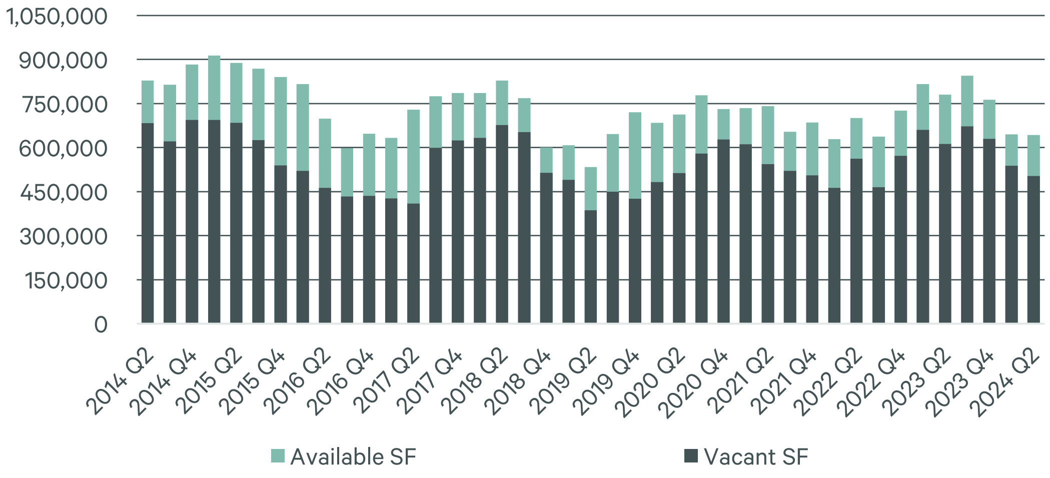
Source: CBRE Research, H1 2024

FIGURE 4: Historical Total Availability Rate and Total Vacancy Rate (%)



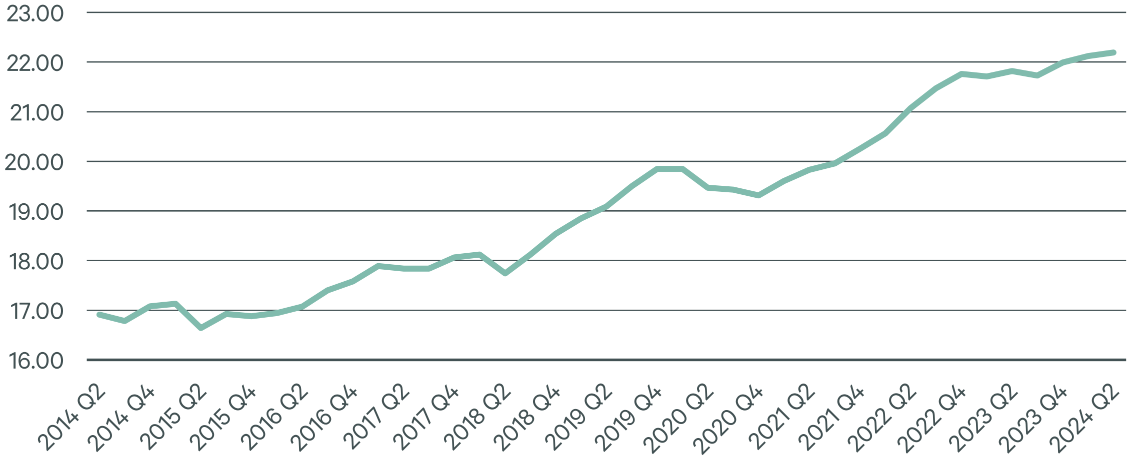
Source: CBRE Research, H1 2024

FIGURE 3: Historical Available and Vacant Sq. Ft.



Source: CBRE Research, H1 2024

FIGURE 5: Historical Average Asking Lease Rates ($/SF/Yr FSG)



Source: CBRE Research, H1 2024

Local Economic Overview

Utah's seasonally adjusted unemployment rate increased by 3.6% after remaining unchanged for eight consecutive quarters, reaching 2.9% in June 2024—1.2% below the national unemployment rate of 4.1%. Strong job gains in manufacturing and construction, along with hiring in the public sector, had pushed Utah's nonfarm payroll employment up an estimated 2.2% over the past 12 months. During this period, eight of the ten major private-sector industry groups experienced year-over-year job gains. Education and health services led the way with 10,600 jobs, followed by construction (6,500 jobs) and manufacturing (4,000 jobs). The financial activities (-100 jobs) and information (-100 jobs) sectors were the only ones to record year-over-year job losses.

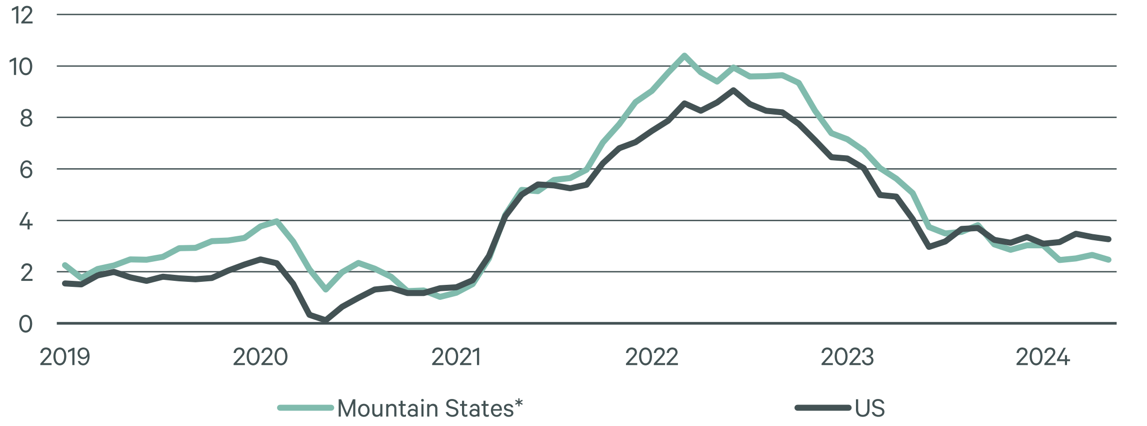
National Economic Outlook

Following a year of expectation-busting growth and high interest rates, an anticipated "soft landing" is expected in the latter half of 2024. The previous expansion, likely fueled by substantial fiscal stimulus exceeding that of other Western nations, is now waning. Consumers are feeling the impact of diminishing stimulus effects and sustained high interest rates, which is evident in rising delinquency rates and slowing credit growth. This deceleration signals a potential slowdown in consumption, a key driver of GDP growth.

The labor market is softening, with declining job openings and hours worked. Job growth remains concentrated in sectors resilient to high interest rates and bolstered by public funding, such as education, healthcare, and government jobs. Leisure and hospitality are also slowing, indicating a soft landing in consumption and hiring, which will contribute to further disinflation.

Disinflation is anticipated to pave the way for long-awaited Federal Reserve rate cuts, benefiting the commercial real estate sector. Currently strained by high financing costs and devaluations, the industry may see reduced rate volatility, slightly lower cap rates, and improved ease of agreements between buyers and sellers in the latter half of 2024 and into 2025.

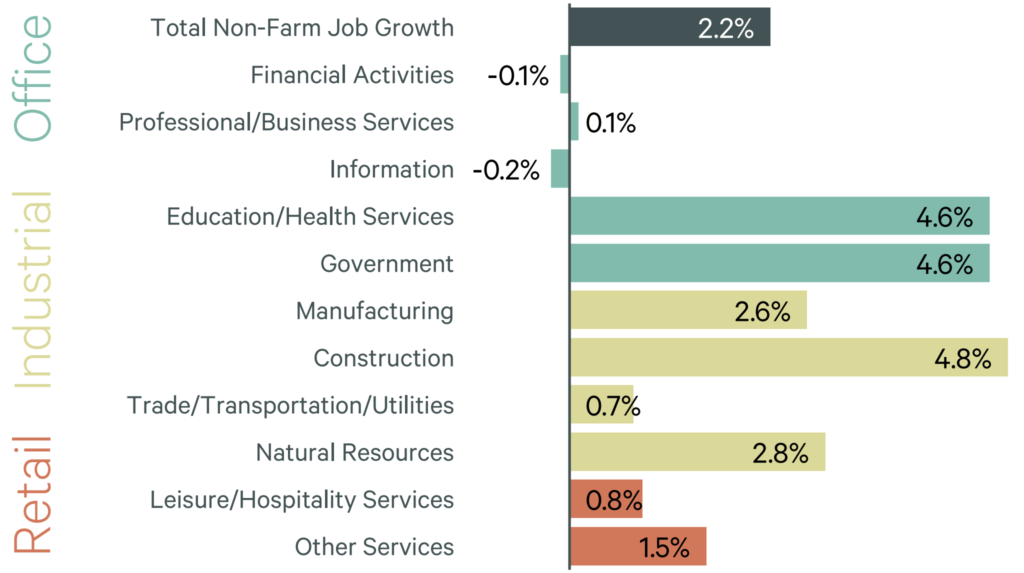
FIGURE 14: 12-month Change in Consumer Price Index for Mountain States and U.S. (%)



Source: Bureau of Labor Statistics, July 2024

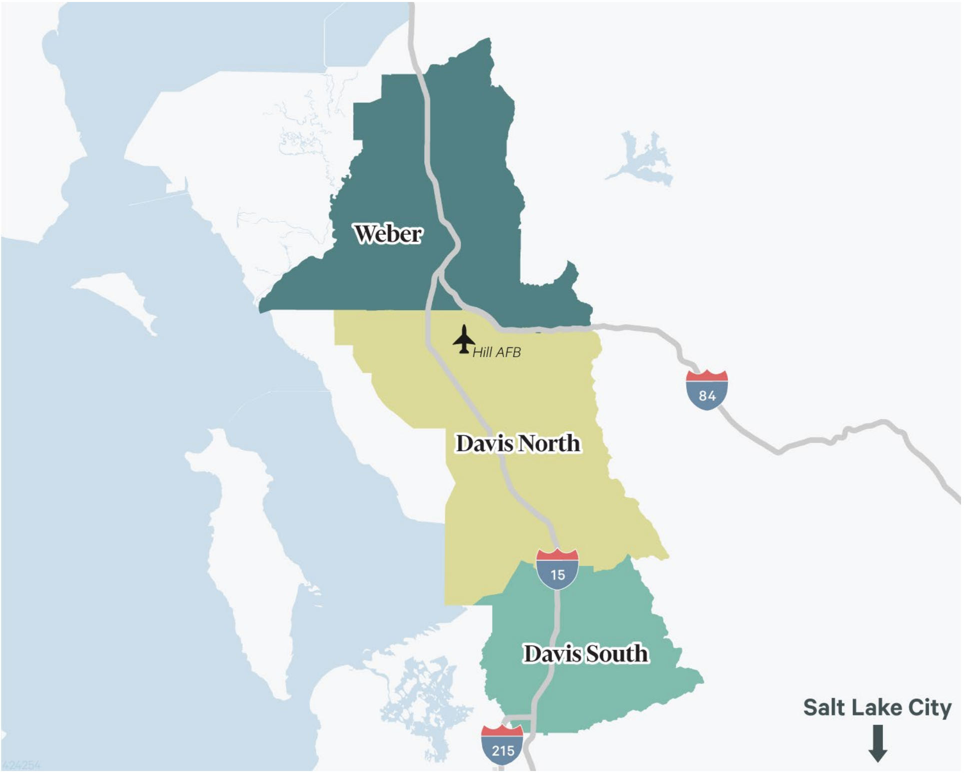
*Mountain States includes AZ, CO, ID, NV, NM, UT, WY

FIGURE 15: Utah Non-Farm Job Growth YOY by Industry (%)



Source: Utah Workforce Services, July 2024

Market Area Overview



CBRE Offices

Downtown Salt Lake City
222 South Main Street, 4th Floor
Salt Lake City, UT 84101

Lehi Tech Center
3300 North Triumph Blvd, Suite 360
Lehi, UT 84043

Survey Criteria

The Ogden office market includes Davis and Weber County. The property survey criteria cover all existing office buildings that are 10,000 sq. ft. and larger, excluding owner-user and medical offices. Buildings under construction are evidenced by site excavation or foundation work.

Methodology

Lease rates are calculated using weighted average of asking lease rates for existing product with availability. Sublease space can be vacant or occupied. Lease activity is the sum of the square footage of leases signed during a designated time period. Data in previous publications is subject to change.

Contacts

Matthew Smith
Field Research Analyst
+1 801 930 6135
matthew.smith3@cbre.com

Sierra Hoffer
Field Research Manager
+1 801 869 8022
sierra.hoffer@cbre.com