

SALT LAKE CITY

2018 COMMERCIAL REAL ESTATE BENCHMARK

CBRE

INTRODUCTION

Often referred to as the ‘economy in a box,’ commercial real estate literally houses the organizations of commerce that move an economy. This report contains a brief overview of Salt Lake City’s local commercial markets (including office, retail, industrial, and multifamily properties). By extension, this information provides an invaluable perspective to gauge the past and future health of the local economy. Owners and occupiers of commercial real estate alike can leverage such knowledge to better position their businesses as Salt Lake City and the broader economic environment evolve.

As explored in greater detail throughout this report, Salt Lake City’s economy has undergone a significant and positive transformation over the last decade. For several years now, elevated development, high-profile tenancy, and increased capital deployments have been commonplace. While growth has been somewhat prolonged compared to prior cycles, the local commercial real estate market fundamentals remain healthy.

In terms of employment, the Salt Lake metro economy has been growing by about 3% annually for the last several years. However, with a very low unemployment rate (3.3% in March 2018), such growth has become increasingly dependent upon workforce participation and in-migration. The area’s ability to attract out-of-state workers with lifestyle and recreation, favorable cost of living, and a variety of amenities has been—and will continue to be—key to growth.

Looking ahead, the outlook for Salt Lake City’s economy is positive for the near term and the market is expected to continue to thrive. Salt Lake City’s inherent qualities—its workforce, geography, and pro-business environment—will continue to support growth. In addition, significant infrastructure investments (most notably the development of the Northwest Quadrant, as well as the Salt Lake City International Airport redevelopment) will provide a short-term boost and pay dividends well into the future.

This favorable forecast is underpinned by a currently stabilized global economy as well as positive local trends and conditions. While risks always remain on a national and global level, barring any unforeseen broader economic shocks or crises, the current business cycle has some room to run. As such, growth in Salt Lake City—in terms of real estate and the broader economy—will remain positive during the near term and business will continue to thrive across a variety of industries and markets.

An aerial photograph of a city at sunset. The sky is a gradient of yellow and orange, transitioning into a clear blue. In the background, a range of mountains is visible under the warm light. The city below is a mix of residential areas with green trees and commercial/industrial zones with larger buildings and parking lots. A highway with multiple lanes runs through the middle of the city, and a railway line with several trains is visible in the lower right. The foreground shows a grassy hillside with some scattered trees and a road.

MULTIFAMILY MARKET

| 07 |

RETAIL MARKET

| 05 |

INDUSTRIAL MARKET

| 03 |

OFFICE MARKET

| 01 |

SALT LAKE CITY OFFICE MARKET

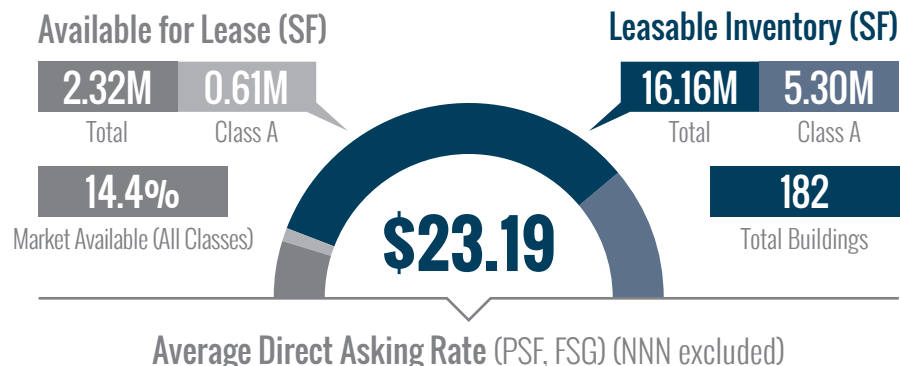
Salt Lake City's office market is comprised of 16.2 million sq. ft. of leasable office space with four major pockets: Downtown Salt Lake City; Sugar House, about 3 miles to the south; Research Park, at the University of Utah; and the International Center, west of the airport. Office users are drawn to Salt Lake City for its centrality, with major highways and public transit providing easy access to booming population centers in neighboring areas, as well as several universities and popular recreation areas.

In recent years, new construction has created opportunities for office users who previously had limited options, opening the market with 14.4% available for lease across the city. Lease rates per sq. ft. range from \$12.00 FSG for older Class C properties up to \$37-\$39 for brand new Class A construction. Since the beginning of 2016, Class A office space in the city has grown more than 12% including the 111 Main office tower. 60 Park Ave, a 150,000-sq.-ft. Class A office property is currently under construction in Sugar House. Other large planned projects may break ground depending on tenant commitments.

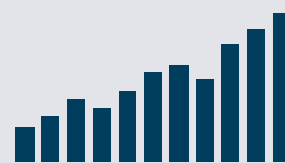
Local drivers of office demand are strong. Professional and business services jobs grew 2.5% year-over-year. In a ranking of the 20 hottest cities for tech jobs, Salt Lake City ranked no. 7 with a year-over-year growth in tech jobs of 117%.¹ This significant growth in office users will strengthen the Salt Lake City office market and facilitate expansion for the near future.

¹ ZipRecruiter, "The Fastest Growing Tech Towns in 2017." June 2017.

SALT LAKE CITY OFFICE AT A GLANCE



12.3%



CLASS A
INVENTORY
GROWTH
SINCE 2016

1.8M SF

Available Downtown

755K SF

Construction/Redevelopment
Since 2016

PROMINENT OFFICE TENANTS

Technology

- Clearlink
- Ernst & Young
- Google Fiber
- MRM // McCann
- Workday

Finance

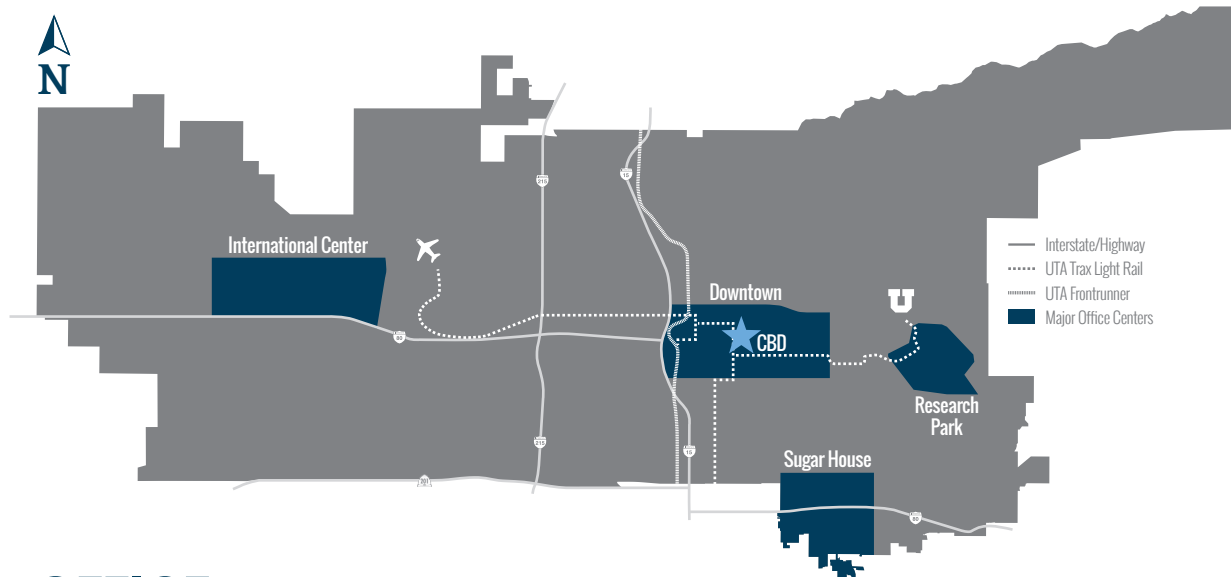
- Fidelity
- Goldman Sachs
- Merrill Lynch
- PWC
- Wells Fargo

Law

- Durham Jones & Pinegar
- Holland and Hart
- Kirton McConkie
- Parsons Behle Latimer
- Stool Rives

Life Sciences

- ARUP Laboratories
- BioFire
- Huntsman Cancer Institute
- Intermountain Healthcare
- Myriad Genetics



Salt Lake City Boundary Map



OFFICE DEMAND DRIVERS

37.0K

Bachelor's Degrees
Granted in 2016/2017
(5 Major Institutions)

Source: Utah System of
Higher Education.

33.9K

Net Migration
State of Utah
(2018 Projected)

Source: Kem C. Gardner
Policy Institute.

2.5%

Employment Growth
Total Non-Farm
(YoY, Mar 2018)

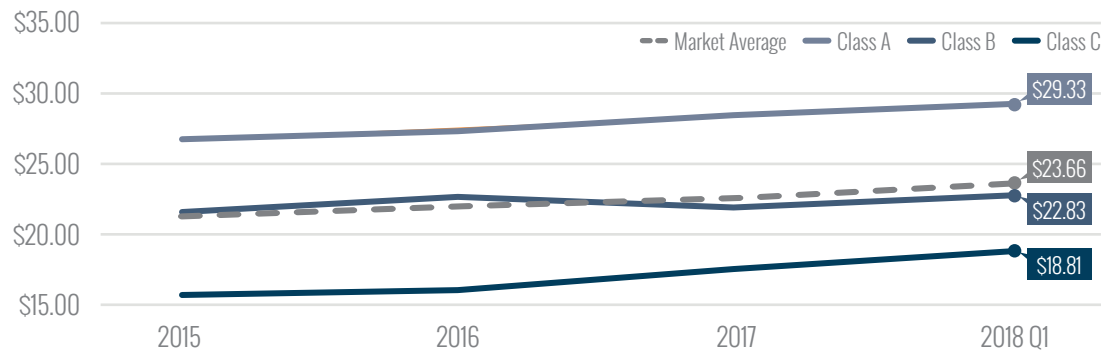
Source: BLS, Salt Lake City MSA.

3.5%

Employment Growth
Information Svcs.
(YoY, Mar 2018)

Source: BLS, Salt Lake City MSA.

AVERAGE LEASE RATES



Source: CBRE Research, Q1 2018.

DEVELOPMENT HIGHLIGHTS



NOTABLE RECENT OFFICE DEVELOPMENTS*

111 Main
CBD

439,661 SF total • 3.5% available

Station 41

Downtown

120,000 SF total • 16% available

School Improvement Network

Downtown

130,680 SF total • 50% available

FUTURE OFFICE DEVELOPMENTS

60 Park Ave

Sugar House • 150,000 SF • Under Construction

650 Main

Downtown • 320,000 SF • Planned

*includes newly developed office as well as re-purposed or heavily renovated office completed during the last 24 months.

SALT LAKE CITY INDUSTRIAL MARKET

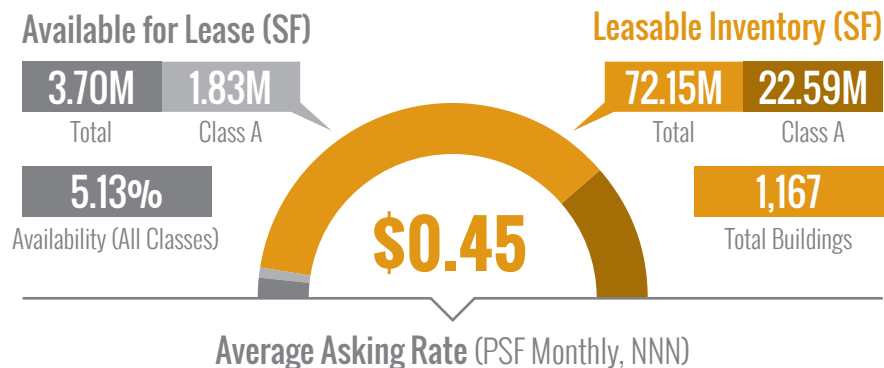
Home to one of the largest industrial submarkets in Utah (California Avenue), Salt Lake City hosts a strong and dynamic industrial market. There is over 72 million sq. ft. of industrial across the city, 22 million of which is Class A distribution. Salt Lake City ranks 2nd in the west for access to transportation (and 9th nationally)², providing direct routes to Denver, Los Angeles, San Francisco, Portland and Seattle via highway and rail. The city is also under review to receive an inland port designation. Together with infrastructure projects in the Northwest, this will open up over 3,000 acres of developable land.

Beyond its strategic location, Salt Lake City's low utility costs, competitive lease rates, and available land have spurred growth. Most activity is concentrated on the west side along I-80 and California Avenue. While growth has been predominantly big-box distribution and warehouse, other sizes and uses are strong as well. Production and manufacturing facilities are particularly active, with thriving sectors in composite materials, food and chemical production, packaging, and aerospace technology.

As of Q1 2018, the overall average achieved lease rate was \$0.40 per sq. ft., slightly lower than pre-recession due to increased availability of larger, more economical product. While lease rates are expected to gradually climb as availability—currently at 5.1%—remains tight, favorable local conditions (including a state-sponsored extension of infrastructure into the deep northwest) will negate any supply constraints that could compromise the favorable cost of doing business in Salt Lake. These trends, among others, will help pave the way for the next phase of industrial growth in Salt Lake City.

² CNBC, "America's Top States for Business 2017," July, 2017.

SALT LAKE CITY INDUSTRIAL AT A GLANCE



36.0%



**CLASS A WAREHOUSE
& DISTRIBUTION
INVENTORY GROWTH
SINCE 2012**

47.0M SF

Total Space in California Avenue

5.7M SF

Built or Under Construction Since
2017

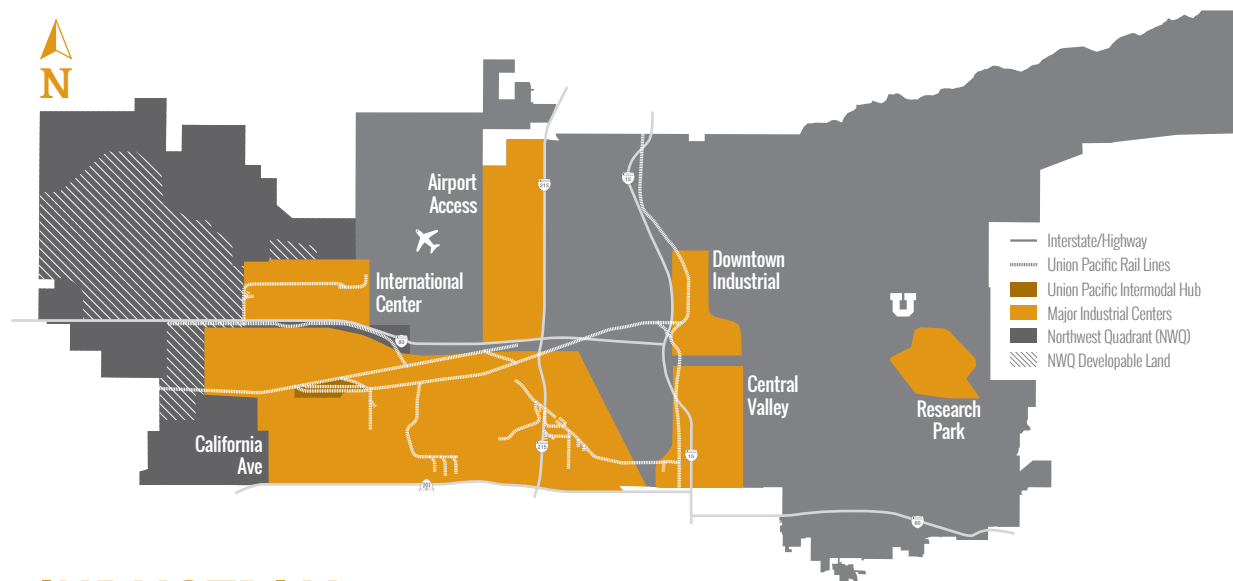
PROMINENT INDUSTRIAL OCCUPIERS

Consumer Goods

- Sun Products
- Boeing
- Keystone Auto (New 307,559 SF building)
- Post Foods (New 901,183 SF building)
- Schiff Nutrition

Logistics/Distribution Services

- Amazon (New 857,153 SF building)
- UPS (New 840,000 SF building)
- Exel
- Unisource
- ISPS



Salt Lake City Boundary Map



INDUSTRIAL DEMAND DRIVERS

3.0%

Employment Growth
Manufacturing
(YoY, Mar 2018)

Source: BLS, Salt Lake City MSA.

4.8%

Employment Growth
Trans./Whse./Utilities
(YoY, Mar 2018)

Source: BLS, Salt Lake City MSA.

2nd

in Western U.S. for
access to transportation
(2017)

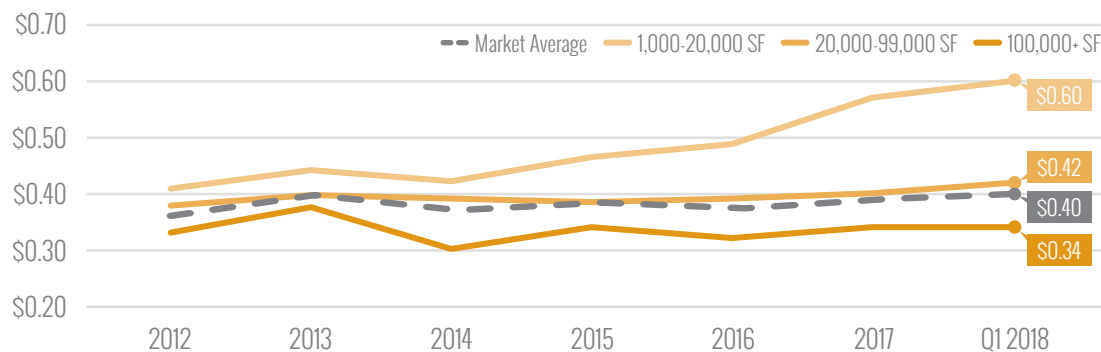
Source: CNBC Top States
for Business.

6.23 ¢/kWh

Industrial Electricity Price
(Feb 2018)

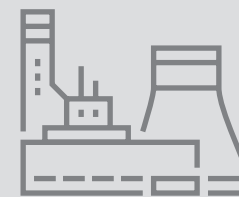
Source: Energy Information Administration.

ACHIEVED LEASE RATES (BY SPACE SIZE)



Source: CBRE Research, Q1 2018.

DEVELOPMENT HIGHLIGHTS



NOTABLE RECENT INDUSTRIAL DEVELOPMENTS*

I-80 Logistics Center 3

International Center • Completed
503,249 SF total • 40% available

I-215 Commerce Center Building B

Airport Access • Under Construction
371,602 SF total • 100% available

Meridian Commerce Center II

California Ave • Under Construction
261,302 SF total • 32% available

RWK Legacy Logistics Center

California Ave • Under Construction
214,391 SF total • 100% available

Gladiola Distribution Center A

California Ave • Completed
156,750 SF total • 79% available

*comprised of the top five largest speculative projects either under construction or completed since 2017.

SALT LAKE CITY RETAIL MARKET

Retail in Salt Lake City is premised by three major downtown malls—City Creek, The Gateway and historic Trolley Square. An additional 93 community, neighborhood and strip centers dot the eastern half of the city. Street retail lines downtown's business district and stretches along major transit arteries towards the airport, the University of Utah, and cities to the south, with significant pocketing in Sugar House, the Foothill Corridor and along 200 West.

With 9.1% of retail shopping center space available for lease, retail leasing opportunities have increased from prior years. Lease rates range from \$12 PSF for larger or older spaces to \$40 or more for prime Class A suites. Development is active across the city, with a focus on redevelopment areas. This has resulted in numerous planned or recently completed mixed-use and high-image retail projects—one example is Regent Street in the heart of downtown. Major improvements and expansions are also occurring at both the Gateway Mall and Trolley Square, both downtown.

Salt Lake City retailers benefit from burgeoning consumer confidence among a growing local and peripheral residential base, along with 240,000 daytime workers. Multifamily projects abound, with over 3,600 new residential units actively under construction in January 2018. The county's population growth is projected to average 1.6% annually over the next five years; as such, Salt Lake City retail is well positioned to continue thriving.

SALT LAKE CITY RETAIL AT A GLANCE

Shopping Centers (SF)

6.37M **0.58M**
Total For Lease

9.1%
Shopping Center
Availability

Street Retail (SF)

5.49M **0.24M**
Total For Lease

96
Shopping Centers

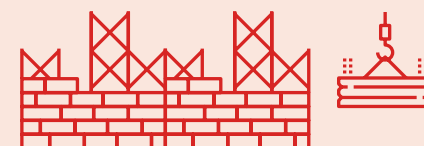
\$25.23

Shopping Center Asking Rate (PSF, NNN)

THREE



MALLS/
REGIONAL
CENTERS



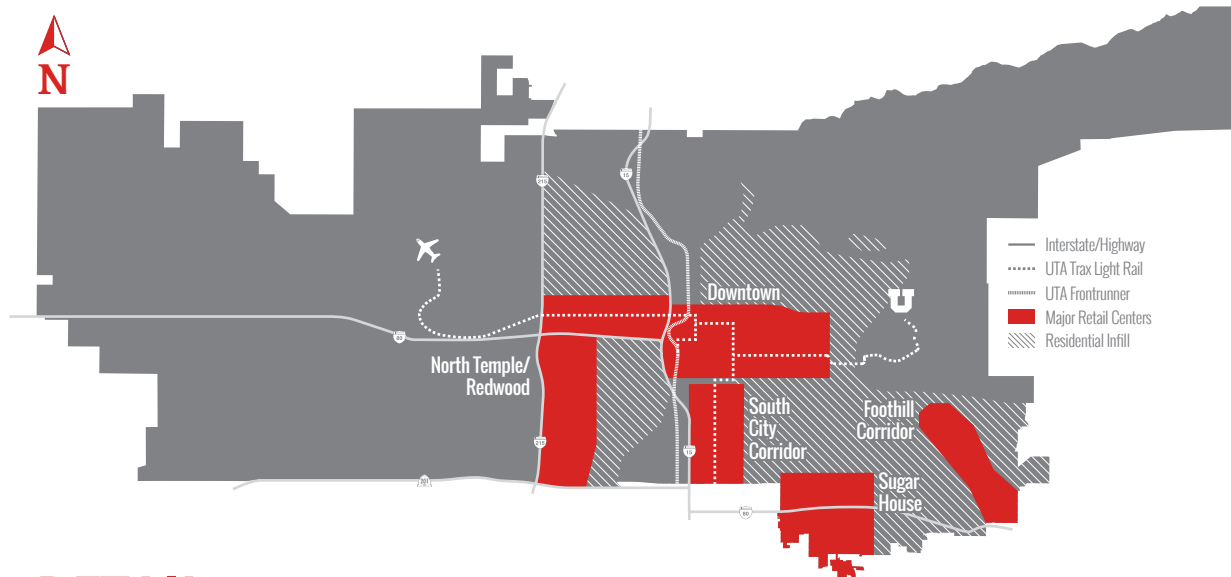
\$130 MILLION

Recent/Planned Retail
Capital Improvements

2017 RETAIL SALES BY CATEGORY

Eating & Drinking	\$830M ▲ 4.4%
Grocery & Convenience	\$518M ▲ 1.0%
Home, Furniture & Garden	\$395M ▲ 10.6%
Clothing & Accessories	\$267M ► 0.0%
Specialty (Electronics/Books/etc)	\$216M ▼ 3.2%
Arts, Entertainment & Recreation	\$155M ▲ 16.5%
Other Retail	\$589M ▲ 6.5%

Source: Utah State Tax Commission, 2018.



Salt Lake City Boundary Map



RETAIL DEMAND DRIVERS

↑6.6%

Median Household Income Growth (YoY, 2016)

Source: U.S. Census.

1.9%

Utah Population Growth - 3rd Fastest in the Nation (2017)

Source: U.S. Bureau of the Census.

3,617

Active Residential Units Under Construction in SLC (Jan 2018)

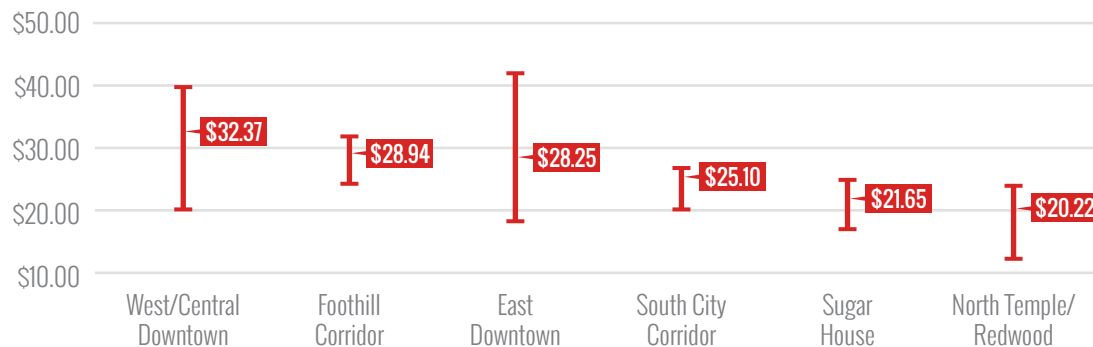
Source: Ivory-Boyer Construction Database.

129.5

All-time High Consumer Attitude Index (March 2018)

Source: Cicero Group for Zions Bank.

SHOP SPACE* ASKING RATES (AVG, MIN/MAX)



Source: CBRE Research, Q1 2018.

*Retail spaces less than 5,000 SF in Salt Lake City shopping centers.

RETAIL CENTER HIGHLIGHTS



MAJOR RETAIL SHOPPING CENTERS

City Creek Center
Central Downtown • Mall
774,000 SF total • 3.9% available

The Gateway
West Downtown • Mall
537,086 SF total • 22.3% available

Trolley Square
East Downtown • Mall
310,136 SF total • 35.2% available

Brickyard Plaza
Sugar House • Community Center
322,610 SF total • 2.6% available

Foothill Village
Foothill Corridor • Community Center
258,571 SF • 17.9% available

SALT LAKE CITY MULTI-FAMILY MARKET

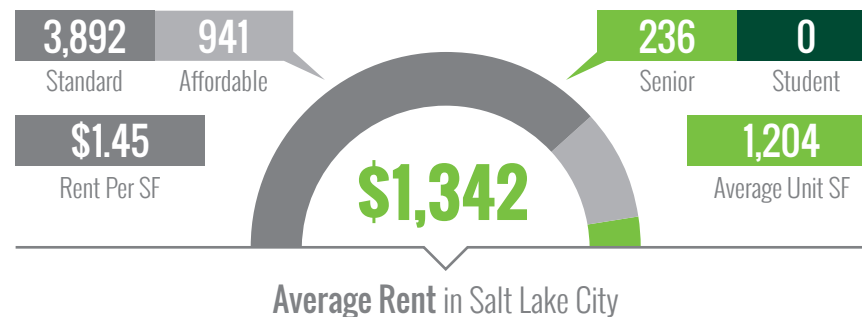
Spurred by a growing populace and workforce, multifamily development has been central to Salt Lake City's recent urban renaissance. Over 5,000 new units have been completed since 2011 and another 6,700 are planned or under construction. The majority of growth is centered downtown, with additional major growth areas along commuter routes south of downtown and west toward the airport, as well as in population-booming Sugar House.

Walkability, public transit, and access to community amenities continue to be major drivers for tenants; as such, new development is highly concentrated in the Salt Lake City CBD. Demand for resort-style apartment living has influenced the design of many of these projects, which have been known to include features such as roof-top pools, massage rooms, outside game areas, dog parks, jumbo sized hot tubs, and on-site bike or ski workshops.

Vacancies remain at or below typical industry standard levels, despite new supply. Rents continue to climb, but remain competitive with other major markets in the region. While the market is expected to slow somewhat, with population growth nearly double the national average, lease-up of new product in Salt Lake is swift, and fundamentals for the multifamily market remain sound.

SALT LAKE CITY MULTIFAMILY AT A GLANCE

Completed Construction (Units, 2011-Present)



14 
COMPLEXES UNDER
CONSTRUCTION WITH
OVER 100 UNITS

2.7%

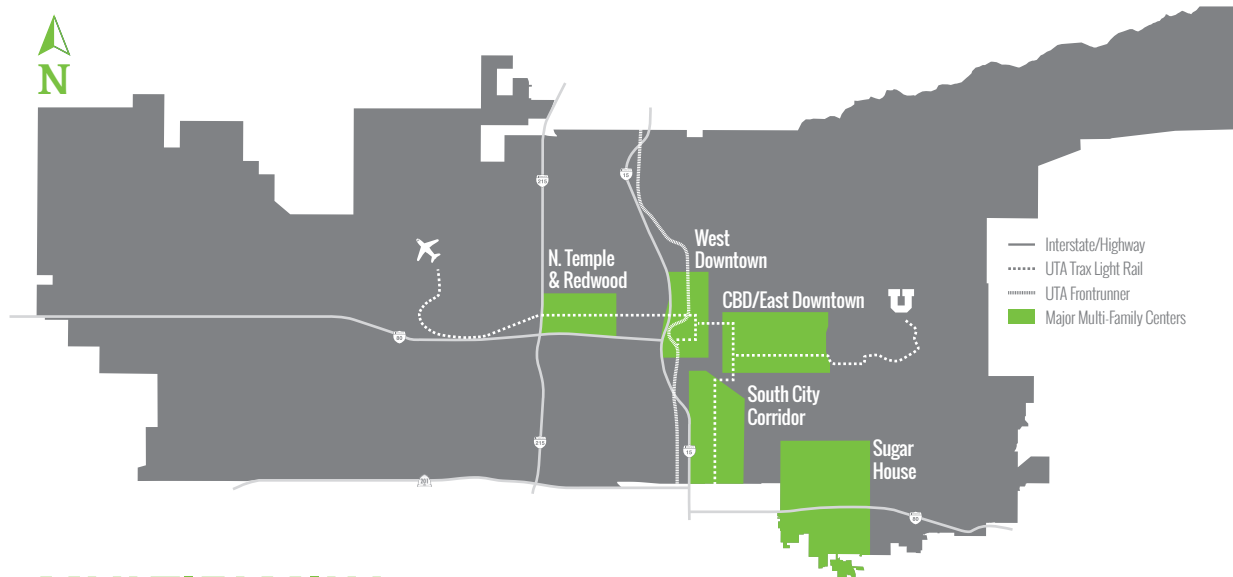
Vacancy Rate in Salt Lake City

6,704

Units in Salt Lake City Planned or Under Construction

RENTAL RATES BY UNIT TYPE

	Studio	1Bed/1Bath	2Bed/1Bath	2Bed/2Bath	3Bed	Overall
Downtown Class A	\$1,395	\$1,327	\$1,563	\$1,614	\$1,494	\$1,446
Downtown Class B	\$776	\$987	\$1,074	\$1,364	\$1,273	\$1,023
County-wide Class A	\$1,076	\$1,096	\$1,125	\$1,333	\$1,544	\$1,234
County-wide Class B	\$748	\$905	\$1,013	\$1,167	\$1,297	\$1,047
County-wide Class C	\$745	\$825	\$963	\$877	\$1,118	\$907



Salt Lake City Boundary Map



MULTIFAMILY DEMAND DRIVERS

#10

Best Places to Live
(2017)

Source: U.S. News.

1.9%/Yr.

Utah Population Growth
3rd Fastest in the Nation
(2017)

Source: U.S. Bureau of the Census.

2.5%

Employment Growth
Total Non-Farm
(YoY, Mar 2018)

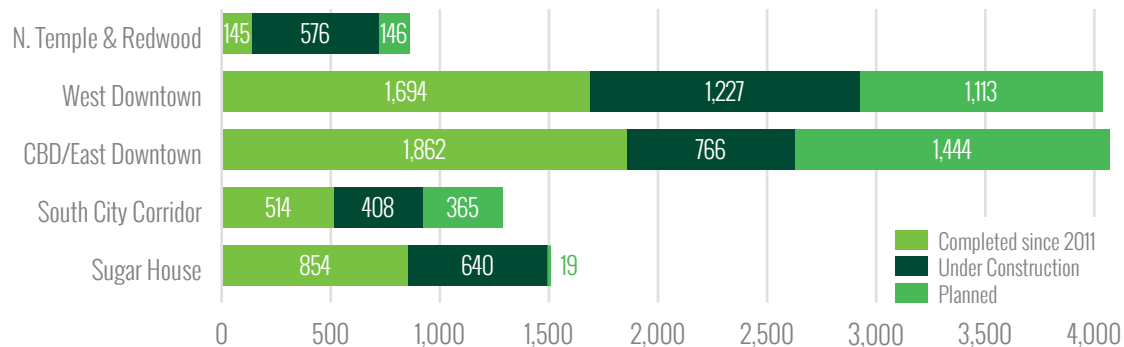
Source: BLS, Salt Lake City MSA.

30.6

Utah Median Age
Lowest in the Nation
(2016)

Source: U.S. Bureau of the Census.

CONSTRUCTION BY LOCATION (NO. OF UNITS)



Source: CBRE Research, CBRE Research. Western States, Jan 2018.

DEVELOPMENT HIGHLIGHTS



RECENT COMPLETED PROJECTS

4th West Apartments
West Downtown
274 units

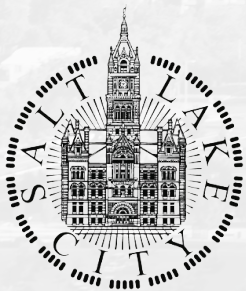
Alta Gateway
West Downtown
264 units

UNDER CONSTRUCTION

Meridian
N. Temple & Redwood
263 units

Hardware Station
West Downtown
462 units

Sugarmont
Sugar House
352 units



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