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.
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%. This significant growth in office users will strengthen the Salt Lake City office market and facilitate expansion for the near future.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Average</th>
<th>Class A</th>
<th>Class B</th>
<th>Class C</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$35.00</td>
<td>$29.33</td>
<td>$23.66</td>
<td>$18.81</td>
</tr>
<tr>
<td>2016</td>
<td>$30.00</td>
<td>$29.33</td>
<td>$22.83</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$25.00</td>
<td>$29.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018 Q1</td>
<td>$20.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

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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.
Retail in Salt Lake City is premiered 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.

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)

<table>
<thead>
<tr>
<th>Location</th>
<th>ASKING RATES (AVG, MIN/MAX)</th>
</tr>
</thead>
<tbody>
<tr>
<td>West/Central Downtown</td>
<td>$32.37, $28.94, $28.25, $25.10, $21.65, $20.22</td>
</tr>
<tr>
<td>Foothill Corridor</td>
<td>$32.37, $28.94, $28.25, $25.10, $21.65, $20.22</td>
</tr>
<tr>
<td>East Downtown</td>
<td>$32.37, $28.94, $28.25, $25.10, $21.65, $20.22</td>
</tr>
<tr>
<td>South City Corridor</td>
<td>$32.37, $28.94, $28.25, $25.10, $21.65, $20.22</td>
</tr>
<tr>
<td>Sugar House</td>
<td>$32.37, $28.94, $28.25, $25.10, $21.65, $20.22</td>
</tr>
<tr>
<td>North Temple/ Redwood</td>
<td>$32.37, $28.94, $28.25, $25.10, $21.65, $20.22</td>
</tr>
</tbody>
</table>

Source: CBRE Research, Q1 2018.

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

Salt Lake City Boundary Map

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

Active Residential Units Under Construction in SLC (Jan 2018)
Source: Ivory-Boyer Construction Database.

Median Household Income Growth (YoY, 2016)
Source: U.S. Census.
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.

<table>
<thead>
<tr>
<th>Complexes Under Construction with Over 100 Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed Construction (Units, 2011-Present)</td>
</tr>
<tr>
<td>Standard</td>
</tr>
<tr>
<td>3,892</td>
</tr>
<tr>
<td>$1.45</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Rental Rates by Unit Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
</tr>
<tr>
<td>Downtown Class A</td>
</tr>
<tr>
<td>Downtown Class B</td>
</tr>
<tr>
<td>County-wide Class A</td>
</tr>
<tr>
<td>County-wide Class B</td>
</tr>
<tr>
<td>County-wide Class C</td>
</tr>
</tbody>
</table>

2.7%
Vacancy Rate in Salt Lake City

6,704
Units in Salt Lake City Planned or Under Construction
### MULTIFAMILY DEMAND DRIVERS

**#10**
Best Places to Live (2017)

**1.9%/Yr.**
Utah Population Growth 3rd Fastest in the Nation (2017)

**2.5%**
Employment Growth Total Non-Farm (YoY, Mar 2018)

**30.6**
Utah Median Age Lowest in the Nation (2016)


### CONSTRUCTION BY LOCATION (NO. OF UNITS)

<table>
<thead>
<tr>
<th>Location</th>
<th>Completed since 2011</th>
<th>Under Construction</th>
<th>Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>N. Temple &amp; Redwood</td>
<td>145</td>
<td>576</td>
<td>146</td>
</tr>
<tr>
<td>West Downtown</td>
<td>1,694</td>
<td>1,227</td>
<td>1,113</td>
</tr>
<tr>
<td>CBD/East Downtown</td>
<td>1,862</td>
<td>766</td>
<td>1,444</td>
</tr>
<tr>
<td>South City Corridor</td>
<td>54</td>
<td>408</td>
<td>365</td>
</tr>
<tr>
<td>Sugar House</td>
<td>854</td>
<td>640</td>
<td>19</td>
</tr>
</tbody>
</table>

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

Source: U.S. Bureau of the Census.