

# INVESTMENT FORECAST

Retail  
Salt Lake City

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2022

## Salt Lake City Retail Moves Beyond Recovery Phase; More Outside Investors Venture to the Wasatch Front

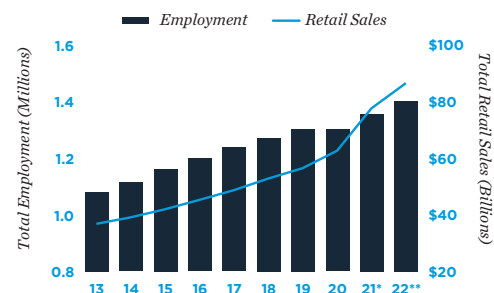
**Vacancy notably below other Mountain metros.** Fueled by standout job creation and strong in-migration, Salt Lake City's retail sector has weathered the health crisis better than most U.S. markets. From the onset of 2020 through 2021, vacancy compressed 40 basis points, and the average asking rent elevated by double digits. During that span, the number of jobs across the Wasatch Front climbed 55,000 positions beyond the pre-pandemic mark, and the local populace rose by 66,000 residents, as the metro's horde of tech and financial employers bolstered headcounts. Recently inked office leases by these firms signal a continued increase in higher-paying job creation that will lift the median household income to nearly \$90,000 this year. The boost in earnings bodes well for area retailers as consumers' discretionary incomes are likely to elevate at a time when housing costs remain relatively affordable. Expectations for strong rates of household formation over the next five years will further enhance retailers' confidence and encourage local expansions. Vendors focused on near-term market growth will pick from existing floorplans as 85 percent of the space slated for 2022 delivery was accounted for entering this year.

**Regional capital accounts for larger slice of deal flow.** Vacancy in Salt Lake City has held in the low-4 percent to low-5 percent range during the past 10 years, a metric that has attracted stability-seeking investors during the health crisis. Bullish near-term projections for population and job growth are poised to further diversify the buyer pool this year, specifically if fluctuations in pricing and cap rates are nominal. Historically low multi-tenant availability and strong rent growth are drawing out-of-state attention to the segment. Neighborhood and strip centers in Salt Lake City proper and southern suburbs are available at 6 percent to 8 percent returns, with maximum pricing around \$300 per square foot. Competition for single-tenant assets in the CBD and locales proximate to universities is also robust, with minimum returns in the 4 percent to 5 percent band.

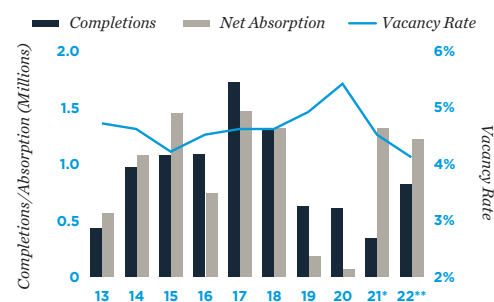
### 2022 Market Forecast

- Employment** ↗  
 up 3.3%  
 The metro's headcount will exceed the pre-pandemic total by 100,000 positions at year-end, as 45,000 jobs are added in 2022.
- Construction** ↗  
 820,000 sq. ft.  
 Delivery volume is the highest in the past four years; retail inventory, however, increases by just 0.8 percent, with completions concentrated in Utah County.
- Vacancy** ↘  
 down 40 bps  
 Net absorption surpasses the 1 million-square-foot mark for a second straight year, lowering vacancy to 4.1 percent. This rate is 70 basis points below the metro's trailing five-year average.
- Rent** ↗  
 up 4.8%  
 Tight vacancy enables the pace of rent growth to mirror last year's gain, lifting the average marketed rate to \$18.60 per square foot in 2022.
- Investment** ●  
 Nearly 2,000 apartments are slated for delivery in Central Salt Lake City this year, a circumstance that may heighten retail investment activity near new builds.

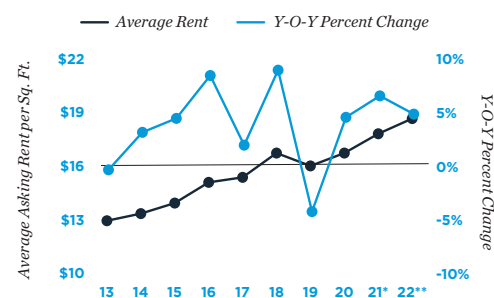
### Economic Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast

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

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. 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. Forecasts for employment and retail data are made during the first 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 guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.