

MARKET REPORT

Retail
Salt Lake City Metro Area

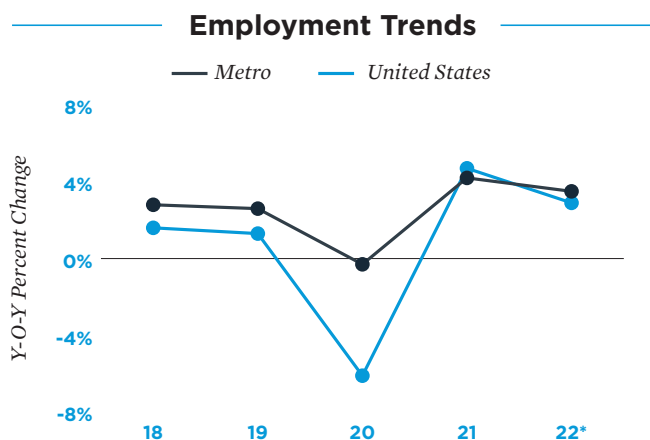
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2Q/22

Nation's Lowest Unemployment Rate and Tight Vacancy Fortify Local Retail Sector

Household incomes ascend amid growing economy. The Salt Lake City metro entered April with a 1.9 percent unemployment rate and a total job count well beyond the pre-pandemic mark. Despite the minimal volume of available labor, workforce expansion will persist at an above-average pace in the coming quarters. Expanding financial, tech and other professional services firms will play a substantial role in this job creation, recruiting from outside the metro to fill skilled positions. The near-term influx of traditional office positions that results will support an annual pace of wage growth that exceeds the national rate of increase, elevating the metro's year-end median household income to \$87,000. The lift in earnings is poised to aid households' discretionary budgets and overall retail sales, potentially encouraging local vendor expansions.

New rentals expand downtown consumer base. Retail vacancy across the Wasatch Front is at its lowest rate since at least 2007, with single- and multi-tenant availability comparably tight. Still, vacancy in several submarkets sits at or above 5 percent. Retailer demand in these locales, however, may improve as a near-term wave of apartments are completed. Home to the metro's highest retail vacancy rate, 7.1 percent, the CBD is slated to account for roughly one-third of the 7,600 rentals set for completion this year. The new residents these rentals bring to the area should bolster spending at nearby necessity-based stores and restaurants, potentially lifting vendor demand for available space amid a dearth of retail supply additions.



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**48,000
JOBS**
will be created

EMPLOYMENT:

The Salt Lake City metro entered the second quarter with the lowest unemployment rate among major U.S. markets. Despite the sparse pool of available labor, the metro is on pace to record a 3.5 percent annual rate of employment growth during 2022.



**715,000
SQ. FT.**
will be completed

CONSTRUCTION:

Delivery volume reaches a four-year high during 2022, as developers expand retail inventory by 0.7 percent. The increase in supply additions is largely driven by two 100,000-square-foot-plus centers in Saratoga Springs and Eagle Mountain.



**50
BASIS POINT**
decrease in vacancy

VACANCY:

Household income growth that exceeds the national rate of increase and continual population gains heighten the outlook for local retail properties, bolstering demand for available space. By year-end, metro vacancy will fall to 3.7 percent.

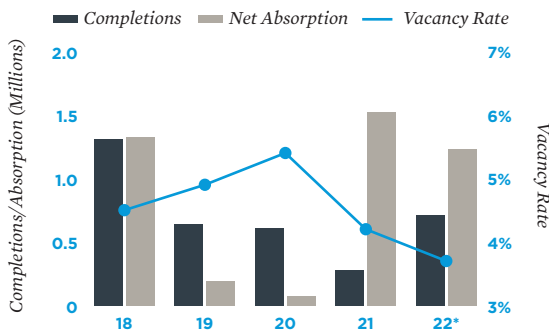


**7.0%
INCREASE**
in asking rent

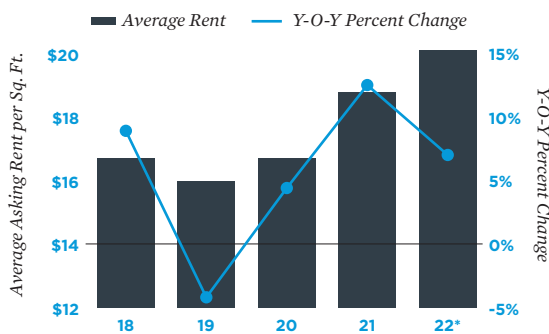
RENT:

As retailers expand local footprints, tight conditions across both retail segments warrant a second straight year of historically strong rent growth. This pushes the average asking rate up to a record mark of \$20.10 per square foot.

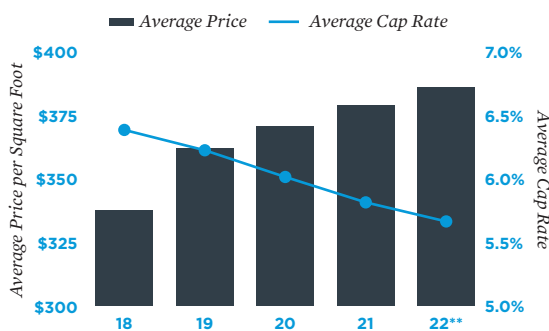
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

173,000 sq. ft. completed

- The volume of space completed over the 12-month stretch ended in March was the lowest delivery total for a four-quarter period since at least 2007, with only Utah County adding more than 100,000 square feet.
- Construction remains concentrated in Utah County, as projects in the area account for 60 percent of the metro's active pipeline.



VACANCY

130 basis point decrease in vacancy Y-O-Y

- Retail availability sat at 3.8 percent entering April, as vendors absorbed more than 1.5 million square feet of space over the past year. Single-tenant lease executions accounted for approximately 70 percent of this total.
- Davis-Weber Counties, Utah County and South Valley – the largest submarkets by stock – each recorded compression of at least 100 basis points.



RENT

12.9% increase in the average asking rent Y-O-Y

- The double-digit increase in average asking rent registered over the past 12 months exceeded the gain recorded during the prior three years combined, elevating the mean marketed rate to \$19.07 per square foot.
- Rent growth was most pronounced in the single-tenant segment, where the average asking rate rose 14.2 percent to \$18.63 per square foot.

Investment Highlights

- Home to the lowest retail vacancy rate among major Southwest and Mountain metros, Salt Lake City assets are attractive to a growing contingent of out-of-state investors. Confident that the market's strong economy and high proportion of well-paying jobs will preserve strong property fundamentals moving forward, these buyers and locally-based investors acquired properties with increased frequency over the past 12 months ended in March, translating to a more than 20 percent jump in deal flow.
- The recent increase in sales activity was highlighted by a more pronounced rise in multi-tenant trades, which accounted for nearly half of all closings. Neighborhood and smaller community centers in growing suburbs and the periphery of the CBD are coveted, with pricing averaging around \$275 per square foot and cap rates often in the high-6 percent range.
- Competition is also robust for post-2000-built, single-tenant properties in Utah County and Southwest Valley, locales with some of the tightest vacancy rates among metro submarkets. Here, drug stores, fast-food establishments and restaurants of relatively newer vintage change hands at first-year returns in the 4 percent band.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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