

INVESTMENT FORECAST

Office
Salt Lake City Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2024

Nationally Tight Shopping Center Vacancy, Robust Single-Tenant Rent Growth Headline Momentum

Nearly every major submarket helping jolt performance. Salt Lake City entered this year with the tightest multi-tenant vacancy rate among major U.S. markets, made possible by extremely limited shopping center availability in practically every sizable retail area. Half of the 10 largest submarkets finished 2023 with local multi-tenant vacancy below 2 percent, including sub-1 percent rates in the CBD and South Valley. Salt Lake City's robust economic growth trends — with the market's population expanding by more than 160,000 new residents over the past five years — is spurring this level of tenant demand throughout the metro. That momentum is also influencing the single-tenant sector in a positive way, as Salt Lake City ranked in the top three markets nationally for segment rent growth last year. Notable gains occurred in the Central, East and West Valleys, as well as in Summit County. Strength in both the multi- and single-tenant sectors, meanwhile, should produce an overall vacancy rate that ranks as the nation's fifth tightest in 2024, accompanied by the sixth-fastest pace of rent growth.

Modest price appreciation could signal upside potential. Despite Salt Lake City's standing as one of just nine major markets with 3.4 percent vacancy or lower to start this year, and status as the country's leader in rent growth since 2019, local entry costs have not risen too dramatically. In 2023, the metro's average price per square foot stood roughly 3.0 percent above its pre-pandemic figure, about one-third the national gain. This askew dynamic and expectations for Salt Lake City to sustain positive momentum in 2024 may indicate upward pricing pressure is on the horizon, aided by interest rate stability that better allows for buyers and sellers to come to terms. Shopping centers with available space should be particularly compelling amid tight sector vacancy.

2024 MARKET FORECAST

+2.0%



EMPLOYMENT: Salt Lake City's workforce expands by over 2.0 percent for a fourth straight year, one of only nine major U.S. markets to achieve that. The metro headcount rises by 29,000 positions.

470,000
sq. ft.



CONSTRUCTION: The amount of new supply falls about 200,000 square feet shy of 2023's total and marks an 11-year low. Saratoga Springs and Spanish Fork in Utah County receive a notable share.

-20 bps



VACANCY: Declining development contributes to downward pressure on Salt Lake City's already tight vacancy rate. The metric dips to 3.2 percent, which is 150 basis points under the historic mean.

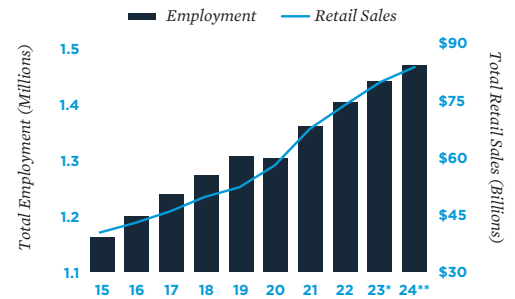
+3.9%



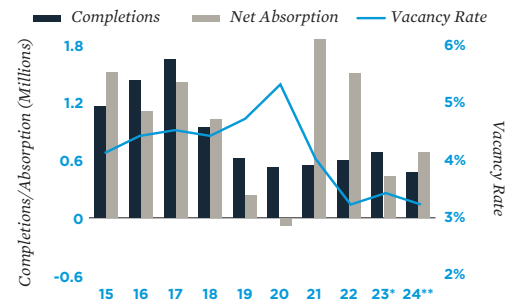
RENT: Vacant stock is about 1.2 million square feet short of the long-term average, allowing marketed space to command higher rents. The metro's mean asking rate rises to \$22.68 per square foot.

INVESTMENT: *South Valley and Utah County were two of just 16 submarkets in the U.S. with 15 million square feet of stock to have sub-3 percent vacancy and 5-plus percent rent growth last year, meriting buyer attention.*

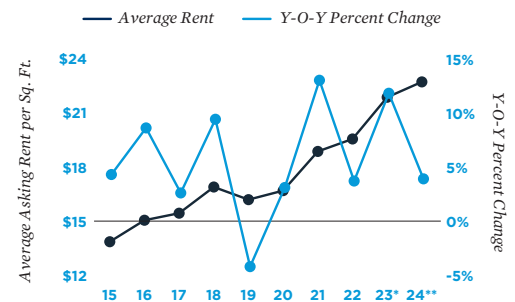
Economic Trends



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 January 3/2023. 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.