

MARKETBEAT RETAIL SNAPSHOT

SALT LAKE CITY, UTAH

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ECONOMIC OVERVIEW

Economic expansion continued through the first half of 2013 with the U.S. unemployment rate continuing to decline to the current 7.6% resulting from an added average of just over 170,000 jobs per month each month for 2013.

Although the U.S. economy is improving, the overall Utah market showed even stronger results. With a current unemployment rate of just 4.6%, Utah's labor force grew at a rate of 2.6% per year, a full 1.0 percentage point (pp) above the U.S. average. All sectors have added jobs over the last year with the exception of Government.

Economic indicators show promising results for the retail market with personal income continuing to expand posting a 2.4% year-over-year increase. As a result of increased income, consumer spending increased over the same period by 3.0%. Despite an increase in consumer spending, the inflation as measured by the Consumer Price Index, registered a year-over-year gain of only 1.6%, ensuring that a portion of the gains in consumer spending are in the form of new goods. Finally, consumer confidence reached its highest level since January of 2009, which will positively impact spending.

RETAIL MARKET OVERVIEW

Utah's strong economic position was amplified by a national retail recovery, which continued to push vacancy rates down and average asking rents up. The overall vacancy rate decreased by a 0.8 pp to 8.0% the lowest rate in the market since 2009. Average asking rents increased by 2.5%, year to date, to \$17.34 per square foot per year (psf/yr) on a triple net (NNN) basis. Construction remained constrained with only 74,493 square feet (sf) added to the market while positive absorption of 326,228 sf put downward pressure on vacancy rates.

The Sugar House area continued to receive attention with its push towards a truly walkable community. Several new projects recently completed or are underway, which will improve an already great location. Woodbury's Wilmington Garden is a mixed-use development that will include approximately 50,000 sf of retail/restaurant space and 35,000 sf of office space. It also includes 100 apartment units and 7 townhomes. The Pit, or Sugar Hole, will include 200 apartments and 53,000 sf of retail. The old Granite Furniture Building was recently renovated and is now 100% leased. Cowboy Partners announced plans to add 171 apartments at Liberty Village. In addition to new product on the market, plans are in place for the new Trolley Car, which will help connect Sugar House to

downtown and a tunnel is planned to connect portions of the retail with Sugar House Park.

OUTLOOK

Although there is some new product under construction, it is not enough to outpace the positive absorption in the market in the near future. As vacancy rates continue to dip, landlords will continue pushing lease rates.

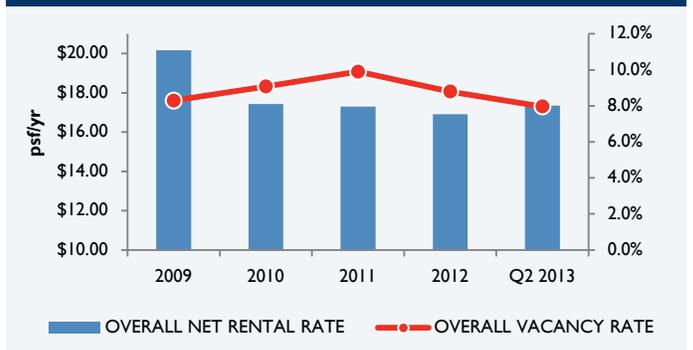
Developers continue to look at land opportunities in anticipation of future growth by local and national retail tenants. Expansion into the market from other locations is expected and some firms such as CVS have already taken this step and are underway with their first stores in Utah. Other new stores such as Trader Joe's and Dunkin' Donuts are also expected to expand their presence after recent strong sales.

ECONOMIC INDICATORS

NATIONAL	2012	2013F	2014F
GDP Growth	2.2%	2.2%	3.4%
CPI Growth	2.1%	2.0%	2.1%
Consumer Spending Growth	1.9%	2.2%	3.6%
Retail Sales Growth	5.0%	4.2%	4.4%
REGIONAL	2012	2013F	2014F
Household Income	\$60,410	\$62,117	\$64,437
Population Growth	1.5%	1.5%	1.5%
Unemployment	5.5%	4.9%	4.8%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



Source: Commerce Research Department