

UTAH'S Economy

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CITY CREEK AND DOWNTOWN RETAIL

The City Creek Center will bring retail back to Main Street and should add at least \$200 million in retail sales to the Salt Lake City's Central Business District (CBD).¹ Main Street retail is essential for a vibrant downtown and the completion of City Creek's 700,000 square feet will have positive spillover effects for downtown's entertainment, lodging, office and housing sectors.

For many years there was too much retail space on Main Street. Crossroads Mall (1980-2007) and ZCMI Center (1976-2007) had a combined million square feet of retail space, including over 300,000 square feet of department store space in ZCMI; clearly too much retail space particularly once Gateway was completed in 2001.

And just as Gateway challenged Crossroads and the ZCMI Center, City Creek now challenges Gateway. City Creek is stiff competition particularly for clothing stores. Gateway, with its 700,000 square feet of space, must adapt to be successful. Eating and entertainment establishments help distinguish Gateway from City Creek. Gateway has the hugely successful Megaplex theaters, Clark Planetarium, the Children's Museum and great proximity to entertainment at the Energy Solutions Arena, several sit-down restaurants and Sunday shopping. And Gateway also has its share of quality retailers (Apple, Barnes & Noble, Abercrombie and Fitch, Hollister and Dick's Sporting Goods).

For downtown retail to thrive it is essential to draw suburban dwellers downtown for shopping and entertainment. The surrounding residential and employment in the CBD is not sufficient to support the 1.4 million square feet of retail in the City Creek Center and Gateway plus the additional 400,000 square feet of free standing retail spread throughout downtown. City Creek must draw shoppers from the suburbs, which will benefit retail throughout downtown and push total retail spending to record levels within a few years.

The record for retail sales in the CBD was set in 2006 at \$618 million (inflation adjusted). In 2011 retail sales, hurt by the recession and downtown construction, had fallen to \$455 million. Although sales have weakened in the past few years the CBD has maintained its share of countywide retail sales. For

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¹ The Central Business District is defined as the 40 block area from 300 East to 500 West and North Temple to 400 South.

the past 10 years downtown retail has captured 10-12 percent of countywide retail sales, *Table 1*. Remarkably the CBD's share didn't fall off after the closure of the Crossroads Mall and the ZCMI Center in 2007. The CBD and county comparison includes only those categories relevant to downtown retail. For instance, retail sales of automobiles, gasoline, general merchandise, etc. were not included. These retail categories are confined almost exclusively to the suburbs. The broad retail categories used in the comparison were: clothing, furniture, fast food, food and eating, drinking, and specialty retail (books, stationary, gifts, luggage, sporting goods, hobbies, etc.)

City Creek will give a big boost to clothing sales in the CBD. Over the last several years eating and drinking have dominated retail sales with nearly 60 percent of the retail activity in 2011. Food sales at eating establishments totaled \$269 million in 2011, *Table 2*. Twenty years ago apparel and accessories

Table 1 Selected Retail Sales in Salt Lake County and Central Business District

Year	Salt Lake County	CBD Zip Codes 84111 & 84101	CBD Share of County
1996	\$3,796,588,770	\$526,396,211	13.86%
2000	\$4,162,498,453	\$451,693,065	10.85%
2005	\$4,523,187,125	\$508,011,098	11.23%
2006	\$5,057,339,059	\$618,083,283	12.22%
2007	\$5,263,686,685	\$608,265,659	11.56%
2008	\$4,746,408,986	\$523,820,975	11.04%
2009	\$4,635,772,599	\$492,576,541	10.63%
2010	\$4,580,484,721	\$479,428,636	10.47%
2011	\$3,922,336,488	\$455,930,560	11.62%

Source: Utah State Tax Commission.

accounted for as much as 45 percent of retail activity while eating and drinking captured less than 20 percent. The relatively recent shift to eating and entertainment has been one of the most distinctive features of downtown retail, but City Creek is bound to change the distribution of retail sales in downtown. Apparel's share will grow as some suburban spending on clothing shifts to downtown and specialty retail should show a similar pattern.

The CBD's retail sector (including restaurants) now has about 1.8 million square feet of retail space. Sales should exceed \$600 million within a year. Retail establishments employ nearly 9,000 workers. While retail activity accounts for 13 percent of the employment in the CBD it has only about 7 percent of the wages. Even after the completion of City Creek the economic base of the CBD will continue to be heavily dominated by the office sector (private and public). Of the 65,000 jobs in the CBD 80 percent are office workers ranging from CEOs to clerks. The wages of these office workers totals \$2.1 billion.



City Creek will continue to get most of the news coverage and deservedly so. The center will be the only major mixed used project to open in the U.S. in 2012. City Creek is an exciting and historic project for downtown adding 700,000 square feet of retail space, hundreds of millions in retail sales, 111 apartment units, 425 condominium units and over a thousand new residents to the CBD.

Table 2 Selected Retail Sales by Category in Salt Lake Central Business District - 2011

	Retail Sales	Share
Apparel & Accessories	\$ 80,192,858	17.6%
Furniture	\$ 22,533,168	4.9%
Eating & Drinking	\$268,099,653	58.8%
Specialty Retail*	\$ 85,104,881	18.7%
Total	\$455,930,560	100.0%

*Specialty stores, e.g. book stores, jewelry, sporting goods, etc.
Source: Utah State Tax Commission