

# MARKETBEAT RETAIL SNAPSHOT

## SALT LAKE CITY, UTAH

A Cushman & Wakefield Alliance Research Publication

Q1 2015



### ECONOMIC OVERVIEW

The U.S. economy continued to add jobs at a high rate as job growth expanded by 2.4% over the last year, pushing the unemployment rate to just 5.5%. Even with stronger employment numbers, wage pressure remained moderate,

mainly occurring in specialized jobs.

Utah continued to outpace the overall economy, adding jobs at a rate of 4.2%, with employment gains occurring in nine out of ten categories. With this job growth, the unemployment rate remained at 3.4%, which has caused job shortages in specific industries and occupations. For 2015, Utah is expected to see job growth of 2.8%, which would result in 37,200 new jobs.

Since mid-2009, hourly earnings have only increased by 2.0%, while consumer prices have risen by 1.6% year. The resulting inflation adjusted earnings of 0.4% has been hardly enough to push consumer spending. With healthy unemployment numbers in both Utah and nationally and with the highest number of job openings posted since 2001, wages are expected to start increasing at a higher rate. Wage growth will push consumer spending which will positively impact retail real estate.

### RETAIL MARKET OVERVIEW

The retail market showed its strength as 162,003 square feet (sf) of space was absorbed during Q1 2015. This strong absorption pushed the overall vacancy rate down by 0.5 percentage points (pps) on a year-over-year basis to just 6.6%. During this same period, the average asking lease rates increased by 1.7% to \$19.02 per square foot (psf) NNN.

Trader Joe's opened its second Utah store in Cottonwood Heights in February showing its continued interest in the Salt Lake market. Construction moved forward on the shop space at The Highlands while Dillard's new space at Fashion Place Mall and their relocation should be completed during Q2 2015.

The grocery market continued to be hot as a few grocers aggressively push for expansion. Wal-Mart opened two new Neighborhood Markets, one in Riverton and another in Herriman. Smith's has also been active in the market looking for new locations. Higher quality services, combined with this market expansion will certainly put pressure on other grocers to improve quality or become obsolete.

### OUTLOOK

Wage growth is expected to become more of a factor as an already tight job market continues to see jobs added at a rapid pace.

Throughout 2015, consumer spending will increase in conjunction with wage growth pushing consumer's buying power.

As new construction takes place for expanding grocers, new shop space will be added as well, increasing inventory. With more options at grocery anchored centers, tenants in unanchored centers are expected to relocate, increasing the vacancy rate in these unanchored centers.

### ECONOMIC INDICATORS

NATIONAL	2014	2015F	2016F
GDP Growth	2.4%	3.1%	3.5%
CPI Growth	1.6%	0.6%	2.6%
Consumer Spending Growth	2.5%	3.6%	4.2%
Retail Sales Growth	4.0%	2.8%	6.0%
REGIONAL	2014	2015F	2016F
Household Income	\$64,321	\$67,402	\$70,355
Population Growth	1.2%	1.0%	1.3%
Unemployment	3.6%	3.6%	3.8%

Source: Moody's Analytics

### OVERALL RENTAL VS. VACANCY RATES



Source: Commerce Research Department