

MARKETBEAT

Salt Lake City

Retail Q1 2017



ECONOMIC INDICATORS

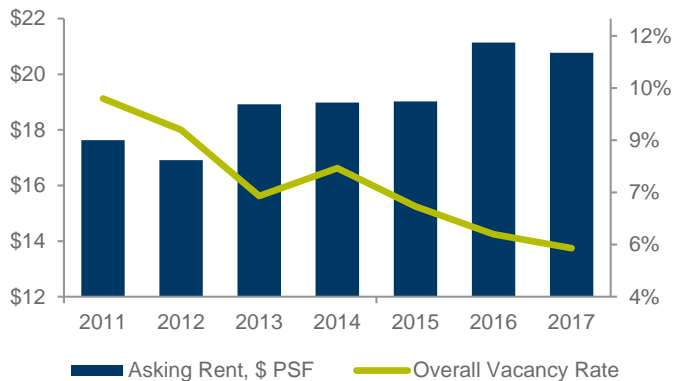
National	Q1 16	Q1 17	12-Month Forecast
GDP Growth	1.6%	2.0%*	▲
CPI Growth	1.1%	2.4%	▲
Consumer Spending Growth	2.4%	3.1%*	▼
Retail Sales Growth	2.5%	5.2%	■

* Based on Moody's baseline estimates

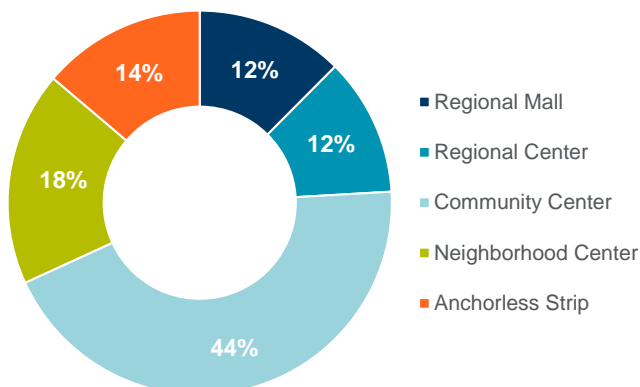
Regional	Q1 16	Q1 17	12-Month Forecast
Household Income	\$67,552	\$70,629	▲
Population Growth	1.3%	1.8%	▲
Unemployment	3.2%	2.9%	■

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Vacancy by Type



Economy

Salt Lake City's unemployment rate continued to fall to 2.9%, well below the national average. Job growth remained strong as roughly 26,000 jobs were added within the Salt Lake metropolitan area alone. Specifically, the growth rate within the retail trade employment sector was a surprising 5.3% year-over-year - more than two full percentage points above Salt Lake's overall job growth rate. Perhaps most notably, consumer confidence in Utah reached over 123 points during March, a new all-time high for the state.

Market Overview

Utah's retail market remained healthy despite several significant closures during Q1. Nearly 500,000 square feet (SF) of retail space either vacated or closed permanently in the beginning months of 2017, yet the market recorded less than 7,000 SF of net negative absorption. Substantial construction deliveries as well as strong leasing activity balanced out the closure of Macy's in Holladay, the repurposing of Dick's Sporting Goods' space at the Gateway, and the loss of another Kmart and Shopko, in addition to several smaller closures. Overall vacancy remained essentially untouched as well with the rate remaining flat year-over-year at 5.4%. Asking rates did drop slightly however, settling at \$20.77 PSF per year NNN - a decline of just under 2% from Q1 2016.

Development was robust to begin the year, topping 330,000 SF of completed construction and marking the highest Q1 total since the recovery began. Counter to national trends, Fashion Place in Murray - an indoor regional mall - added a new 160,000-SF Macy's anchor and roughly 51,000 SF of additional retail; the majority of which is already occupied. Also helping to offset Q1 closures was the opening of Utah's first ever Regal Theater in Taylorsville; continuing the national trend of expanding entertainment concepts in retail developments.

Outlook

With commercial and residential construction at all-time highs, and population growth that leads the nation, Utah is uniquely suited to withstand the recent changes affecting retail development across the globe. While national closures have certainly left sizeable pockets of vacancy within Salt Lake's market, growth elsewhere - particularly within the Central and Southwest submarkets - have largely offset those losses. Vacancy rates remain low, asking rates are expected to return gradually after falling for the first time since 2012, and construction is scheduled to begin on at least two major projects near the Mountain-View Corridor between South Jordan and Herriman.

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SUBMARKETS	INVENTORY	VACANCY RATE	YTD NET ABSORPTION	YTD CNSTR COMPLETIONS	ACHIEVED RENTS (NEW)		ACHIEVED RENTS (2 ND GEN)		AVERAGE ASKING RENTS
					MIDBOX	SHOPS	MIDBOX	SHOPS	
Northeast	5,537,619	6.2%	(83,434)	36,013	\$15.75	\$34.53	NA	\$24.36	\$24.01
Northwest	892,089	0.3%	1,225	0	NA	NA	NA	\$14.00	\$13.11
Central East	6,478,791	6.6%	7,904	212,634	NA	\$30.25	\$8.49	\$19.63	\$21.38
Central West	7,881,038	11.0%	14,194	65,933	\$12.50	\$30.40	\$8.00	\$20.54	\$19.50
Southeast	9,936,792	3.3%	9,773	0	NA	\$30.22	\$9.10	\$17.28	\$23.03
Southwest	9,597,288	2.4%	43,540	16,330	NA	\$28.98	NA	\$20.56	\$16.54
TYPES									
Regional Mall	4,106,950	6.7%	(70,176)	212,634	NA	NA	NA	\$34.47	\$29.77
Regional Center	7,029,972	3.6%	86,278	60,860	NA	\$35.31	NA	\$26.90	\$28.28
Community Center	16,328,814	5.9%	(146,298)	21,403	\$13.48	\$29.89	\$10.97	\$21.35	\$17.63
Neighborhood Center	8,041,053	4.9%	38,815	0	NA	\$30.76	\$7.19	\$16.95	\$19.93
Anchorless Strip	4,816,828	6.3%	84,583	36,013	NA	\$26.81	NA	\$15.90	\$17.47
TOTALS	40,323,617	5.4%	(6,798)	330,910	\$13.48	\$30.41	\$8.37	\$20.16	\$20.77

*Rental rates reflect \$psf/year/NNN *Achieved rents are 12 month rolling averages *Shops – 5,000 sf and under, Midbox – 15,000 to 50,000 sf *New – recent construction with no previous tenants

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
Independence Square	46,500	Shephard's All Star Lanes	Neighborhood Center	Central West
Mister Car Wash	5,908	Mister Car Wash	Anchorless Strip	Central West
Southgate Shopping Center	4,530	Iglesia De Dios Ministerial	Neighborhood Center	Central East
Canyon Rim Shopping Center	4,300	Café Rio	Community Center	Central East
Dillman Square	4,250	Total Health & Fitness	Anchorless Strip	Southeast

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$ PSF	SUBMARKET
VASA Fitness Center	44,556	HD Riverton, LLC / RHRE Riverton, LLC	\$8,317,120 / \$186.67	Southwest
VASA Fitness Center	42,547	HD Magna, LLC / SCF Realty	\$7,231,000 / \$169.95	Central West
Draper Crossing II	10,015	Draper Crossing Associates II, LLC / FK Draper, LLC	\$3,500,000 / \$349.47	Southeast

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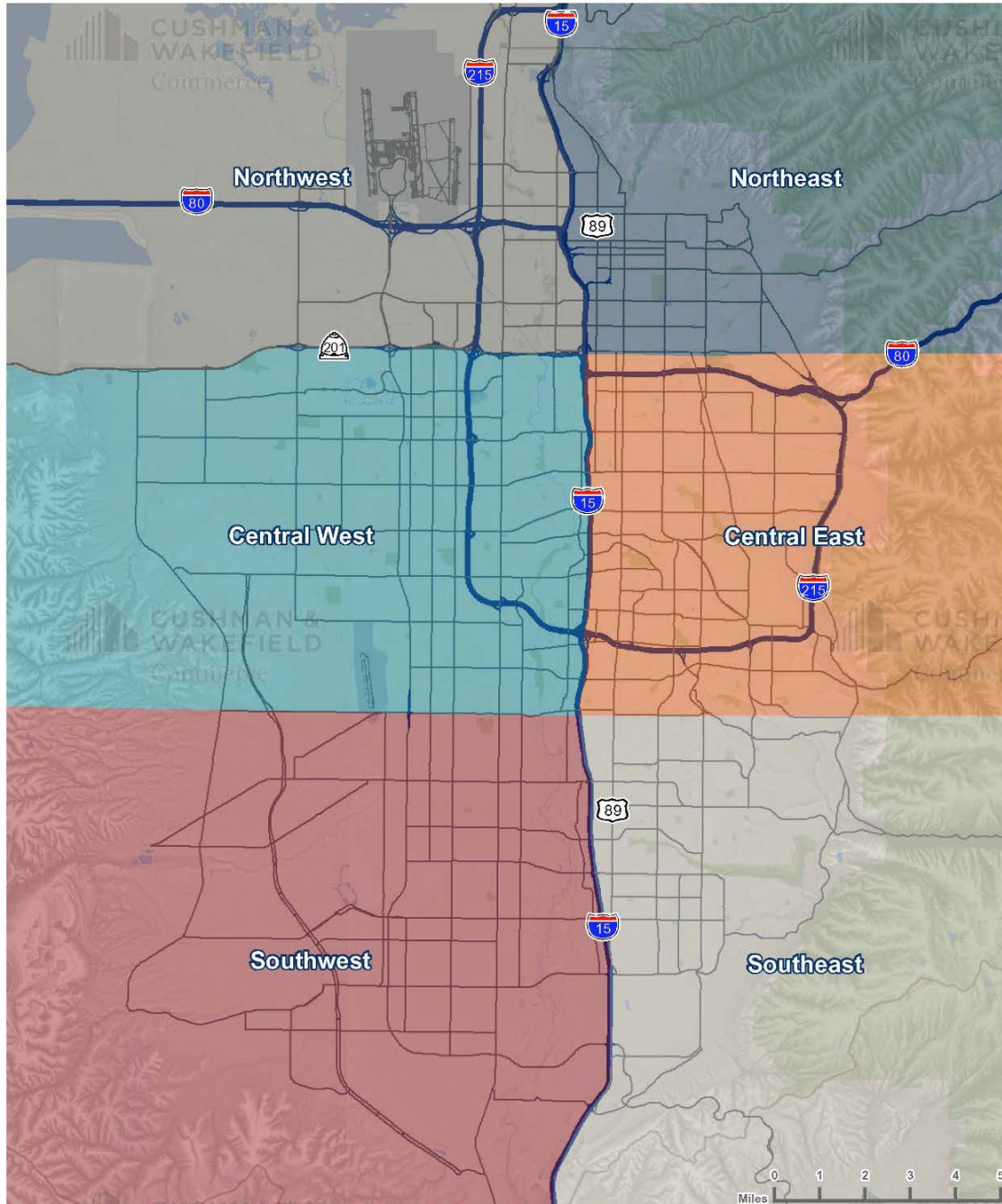
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RETAIL SUBMARKETS

SALT LAKE COUNTY



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