

2018 state
of

DOWNTOWN

2017-2018 Downtown Economic Benchmark Report

A comprehensive report produced by the
Downtown Alliance and CBRE.



CBRE

How to use this report

The 2018 State of Downtown report offers a comprehensive analysis of downtown Salt Lake City's economy to assist key stakeholders, such as property owners, investors, developers, retailers, brokers, policy makers and civic leaders make informed decisions. For the purposes of this report, downtown Salt Lake City's boundaries are defined as North Temple, 400 South, I-15 and 300 East.



Close Deals

Get the information you need about downtown Salt Lake City relevant to your career, industry and investments.



Start a Business

Make sure you have a clear understanding of technology, access to transportation, talent and tools to help your business thrive.



Be Street Smart

Stay up-to-date with all those cranes and discover what's on the horizon for downtown's changing skyline and economy.

Want more information?

Contact Jesse Dean at jesse@downtownslc.org or visit downtownslc.org/research.

table of **CONTENTS**

01 2017-2018 at a Glance + Planning Initiatives

03 Current + Future Development

05 Downtown Office Market

07 Workforce + Employment

09 Retail + Restaurants

11 Residential Real Estate

15 Transportation + Mobility

17 Hospitality + Tourism

19 Culture + Entertainment

21 Parks + Public Spaces



2017-2018 at a Glance



77,850
EMPLOYEES

11.9M

TOTAL
OFFICE
SQ. FT.



4.4M
RETAIL SQ. FT.

\$226 MILLION
annual spending by
convention attendees

84.2



vacant/underutilized acres

70.9%



HOTEL OCCUPANCY

\$3.6B



wages paid downtown

13.7%

downtown office vacancy

\$865.3 MILLION

downtown
retail sales



243K citywide
convention
delegates

\$7.2B

TOTAL DOWNTOWN PROPERTY VALUE

33K

parking
spaces

Planning Initiatives



Street Ambassador Program

In early 2017, The Downtown Alliance began exploring an ambassador program to increase safety downtown and provide additional resources for those visiting the city. The program, operated by StreetPlus, formally launched in February of 2018. The ambassadors add ears and eyes to downtown, and are out on the streets from 9:30 A.M. to 5:30 P.M. in the winter, with extended hours in the summer. The ambassadors will also connect those experiencing homelessness in the downtown area to social services resources.

Cultural Core Action Plan

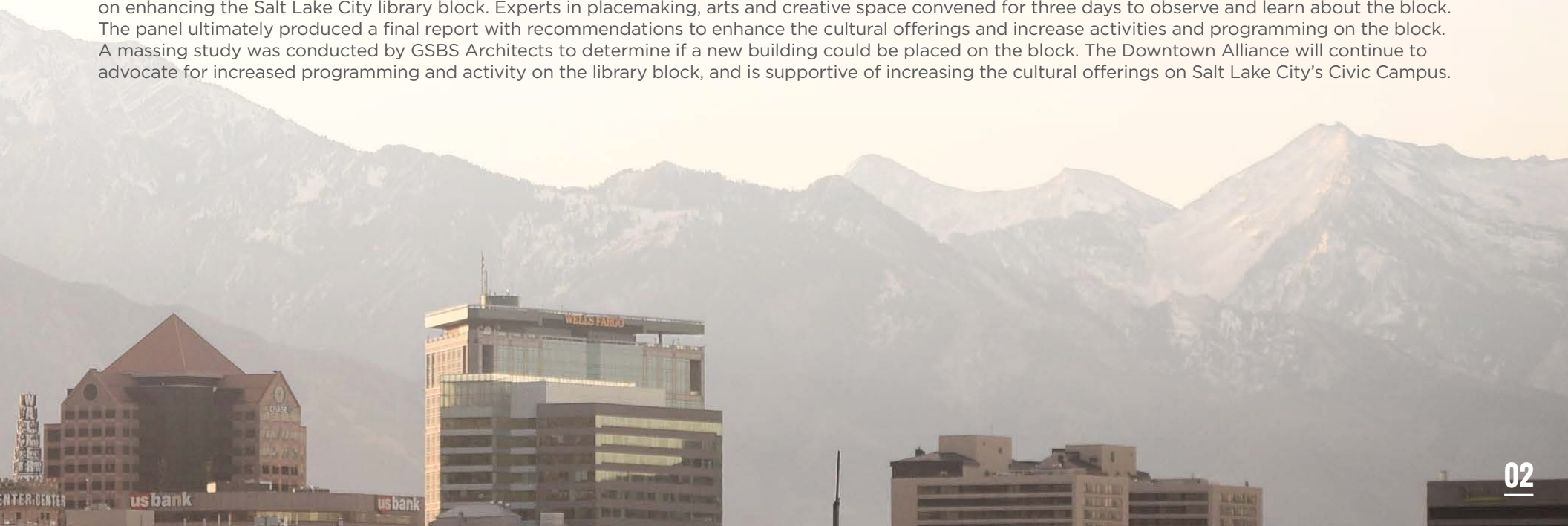
In July 2017, Downtown SLC Presents was selected to implement the five-year Cultural Core Action Plan developed by Salt Lake City and Salt Lake County. Downtown SLC Presents will oversee the marketing, branding, development and improvement of arts and cultural activities with the formal launch for the brand set for July 2018.

Operation Rio Grande

Operation Rio Grande launched August 14, 2017 in downtown's Rio Grande area. The operation consists of three phases that seek to 1) improve public safety and order by reducing crime rates in the area, 2) support people struggling with mental illness and drug addiction, and 3) prepare and connect individuals experiencing homelessness to income that supports housing.

Library Square + Civic Campus

In June 2017 The Downtown Alliance, in partnership with Salt Lake City and the Urban Land Institute of Utah, hosted a Technical Assistance Panel that focused on enhancing the Salt Lake City library block. Experts in placemaking, arts and creative space convened for three days to observe and learn about the block. The panel ultimately produced a final report with recommendations to enhance the cultural offerings and increase activities and programming on the block. A massing study was conducted by GSBS Architects to determine if a new building could be placed on the block. The Downtown Alliance will continue to advocate for increased programming and activity on the library block, and is supportive of increasing the cultural offerings on Salt Lake City's Civic Campus.



Current + Future Development

An aerial photograph of a city street intersection. In the foreground, there's a grassy area with some trees and a sidewalk. The street has several cars and traffic lights. In the background, there are various city buildings, including a prominent water tower, and a range of mountains under a clear blue sky.

Challenges

BUILDING REGULATIONS AND FEES

Demolition ordinances and inflexible zoning policies have the potential to undermine downtown's regional competitiveness as an employment and residential center.

Opportunities

EMPTY PARCELS + SURFACE LOTS

There are a significant number of investment opportunities located downtown and around its periphery. As downtown continues to grow, the use of these empty parcels and surface-level parking lots represent a significant opportunity for new office, residential and retail growth.



Planned Developments

- 01 THE WEST QUARTER
- 02 370 MILLENNIUM TOWER
- 03 VIOLIN SCHOOL COMMONS
- 04 THE EXCHANGE
- 05 650 MAIN
- 06 LIBERTY SKY
- 07 T8
- 08 PIERPONT APARTMENTS
- 09 PAPERBOX LOFTS
- 10 THE BIRDIE
- 11 WEST GATEWAY COMMONS
- 12 THE MORTON

2,079

planned residential units projected
to break ground in 2018-2019

84.21

acres of vacant land

449

hotel rooms completed or under
construction (2017-present)

2,592

residential units completed or under
construction (2017-present)

Source: Downtown Alliance.



01



02



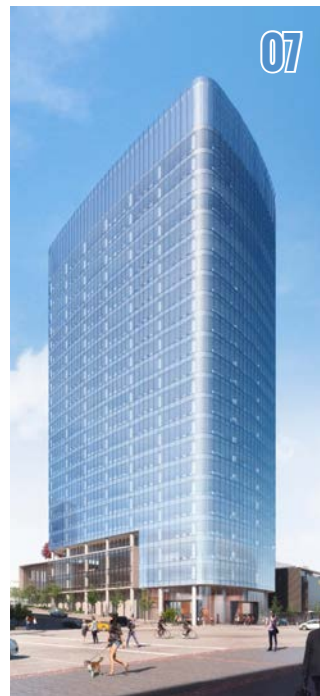
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07



08



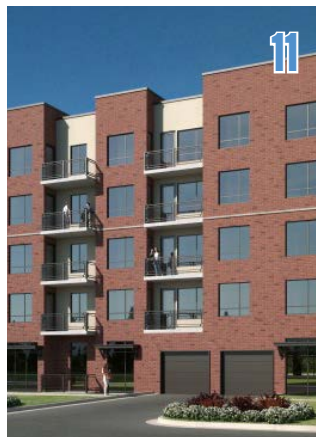
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09



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11



12



Downtown Office Market

Challenges

SUBURBAN COMPETITION

Downtown needs additional office investment to maintain its competitive advantage over rapidly expanding suburban areas with ample land supply.

Opportunities

INCREASED NEED

The need for office space continues to increase as more businesses and workers move downtown. In addition to new buildings like 111 Main, additional office space of all classes will be needed to accommodate the increased demand.



Market Overview

Downtown's office market continues to thrive. As amenities, accessibility and lifestyle become increasingly important in the battle for new hires, downtown has been able to attract a diverse mix of office tenants. Recent office leasing has seen large tenants in industries ranging from finance to biotechnology. Despite growth, downtown remains affordable relative to neighboring markets in the region.

Though no office construction is currently underway downtown, several planned office developments have potential to break ground in the near future. Until that time, converted and renovated space, including under-utilized retail, will continue to diversify the office landscape and attract tenants seeking creative downtown space. As committed tenants finish build-outs and move in during the coming year, net absorption is expected to ramp up and vacancy tighten. More broadly, a positive economic forecast—including an extended national business cycle and strong local demographics—will support continued growth for Salt Lake City's downtown office market.



\$24.81
Asking Lease Rate



13.7%
Vacancy Rate



181K SF
Net Absorption*



11.8%
Three-Year Market Growth

Comparative Rents

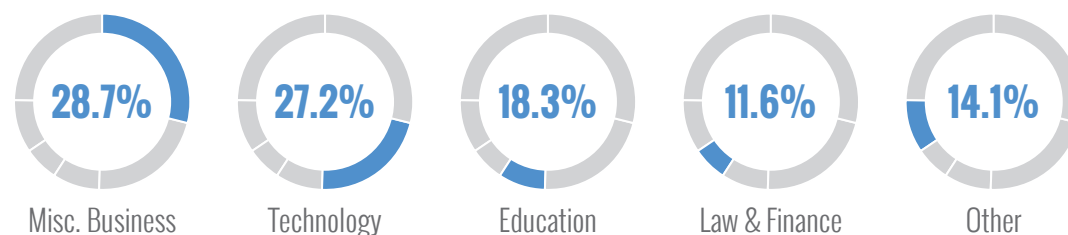
Downtown SLC vs. Other Downtowns

- #1** Salt Lake City (\$24.81)
- #2** Phoenix (\$24.95)
- #3** Las Vegas (\$29.76)
- #4** Portland (\$33.09)
- #5** Denver (\$34.62)
- #6** Los Angeles (\$42.60)
- #7** Seattle (\$43.18)
- #8** San Francisco (\$76.56)



Lease Activity by Industry

(top 50 new lease transactions since 2017)



Source: CBRE Research, Q1 2018.

*Net absorption spans 15-month period from 2017 through Q1 2018. Arrow indicates year-over-year trend, not negative growth.



Workforce + Employment

Challenges

UNDEREMPLOYMENT

Salt Lake City is home to the University of Utah, Salt Lake Community College and several other colleges with thousands of new graduates each year. As businesses continue to relocate to downtown from other areas, they will have access to a young, educated workforce.

Opportunities

AVAILABLE WORKFORCE

Much of Salt Lake City's workforce accept jobs below their skillset and desired pay grade because jobs of that caliber tend to be limited. As more companies with high-level jobs relocate to downtown, entry-level jobs should become more available since many currently occupying positions will shift upward to jobs that better match their skillset and education.

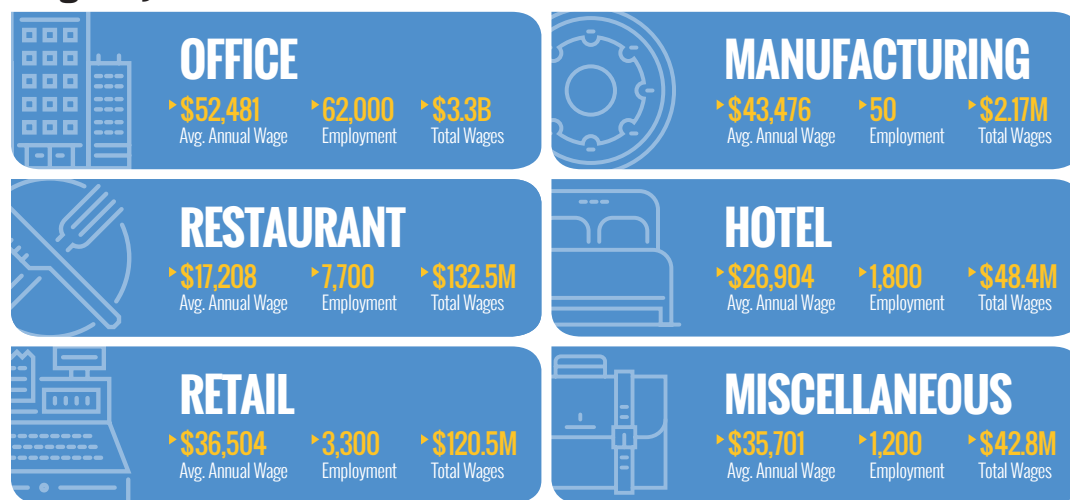


Estimated Employment by Sector in Downtown

Sector	1990	2005	2007	2013	2014	2015	2016	2017
Office	42,000	51,250	53,000	55,500	59,000	59,800	62,000	65,000
Restaurants	3,350	7,400	7,200	7,650	7,700	7,700	7,700	7,750
Retail	1,550	2,600	1,800	3,350	3,400	3,450	3,300	3,250
Hotels	1,250	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Manufacturing	500	450	50	50	50	50	50	50
Miscellaneous	500	1,100	1,100	1,050	1,050	1,050	1,200	1,250
Total	49,150	64,600	64,950	69,235	73,000	73,850	76,050	77,850

Source: Kem C. Gardner Policy Institute, University of Utah.

Wages by Sector in Downtown (2017)



Source: Utah Department of Workforce Services.



31,482 degrees
awarded in 2017
(all degrees)

155,330 total
higher education
enrollment in 2017

Utah has the
LOWEST student
debt in the country

Source: Utah System of Higher Education.

Retail + Restaurants

Challenges

LIQUOR LAWS

Downtown's restaurant and nightlife economy has experienced rapid growth over the past decade. While Utah's alcohol policies have improved to support this growing sector, additional reform must ensure public safety and discourage underage drinking while supporting economic growth.

Opportunities

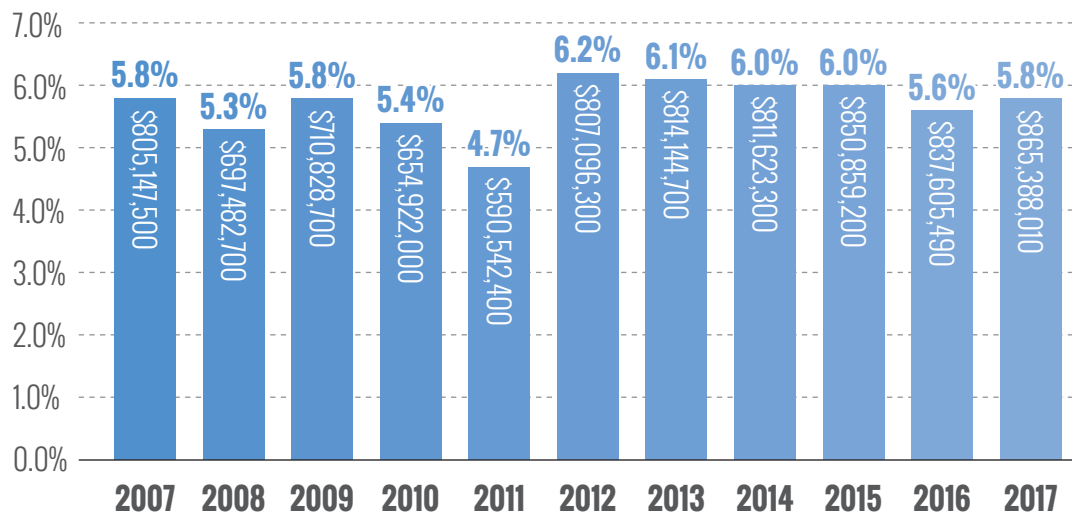
AVAILABLE SPACE

Downtown has an incredible opportunity to capitalize on vacant retail spaces—mostly concentrated at The Gateway and along Main Street. A recent 2017 trend of converting traditional retail space into technology startup offices and artist spaces will continue into 2018 as part of an innovative effort to fill the underutilized space.



Downtown Annual Share of County Retail Sales*

Zip Codes 84101 and 84111 (2017 dollars)

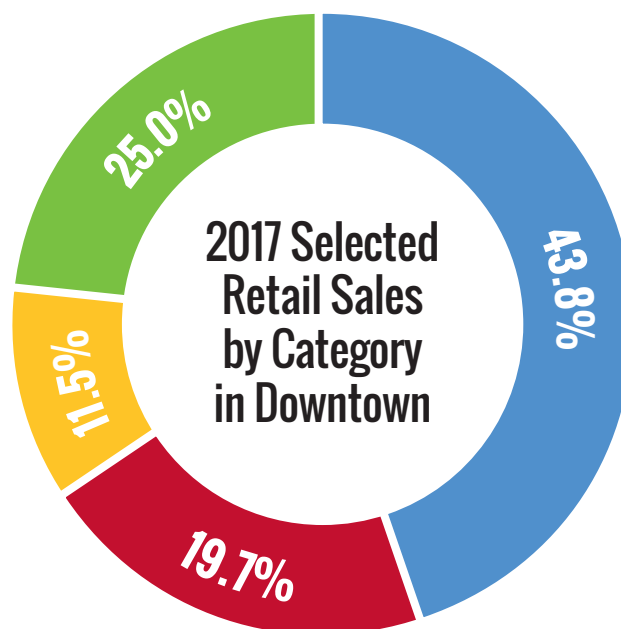


Eating & Drinking
\$388.7M

Clothing & Shoe Sales
\$180.8M

Department Store Sales
\$94.1M

Other Retail Sales
\$201.7M



2017 Selected
Retail Sales
by Category
in Downtown

Source: Utah State Tax Commission.

*Includes sales of food and drink

Market Overview

Downtown is defined in part by its historically strong retail and restaurant economy. From its two major shopping destinations, City Creek Center and The Gateway, to the eclectic restaurants and local retailers, downtown enjoys a dynamic mix of retail options for employees, residents and visitors alike. Retail sales totaled \$865.3 million in 2017—another record year for the urban center. The broad retail categories used in the 2017 selected retail sales categories were: clothing, furniture, restaurants (including fast food), drinking establishments, department stores, general merchandise and specialty retail (books, stationary, gifts, luggage, sporting goods, hobbies, etc.). Retail sales of automobiles, gasoline, building and garden were not included; these retail categories have little activity in the defined downtown area.

In 2017, The Gateway continued its resurgence with continued leasing activity. Notable new openings at The Gateway include La Barba and Dave and Buster's. Other notable Gateway openings include Recursion Pharmaceuticals, a biotechnology company in the 100,000-sq.-ft. former Dick's Sporting Goods space and Kiln, a co-working community.





Residential Real Estate

Challenges

AVAILABILITY

Residential growth has been the story of much of downtown's new real estate development since 2011. However, low vacancy rates persist and rents are continuing to climb. Downtown must continue to support initiatives and policies that allow residential development of all types to continue at a historic pace.

Opportunities

AFFORDABILITY

Public sector leaders from all levels have been working with the real estate development community to address Utah's growing housing affordability crisis. While Federal assistance programs are slowing out of Washington, state and local leaders are turning to innovative assistance programs that will translate into new housing options that support all income bracket ranges.



Affordability Gap Analysis

% of Area Median Income (AMI)	Average Income	Max Afford Rent	# of Households	# of Rental Units	Surplus/ Deficit
Salt Lake City					
30%	\$9,670.20	\$241.76	5,762	2,033	-3,729
50%	\$16,117.00	\$402.93	3,879	1,355	-2,524
80%	\$25,787.20	\$644.68	5,856	7,007	1,151
100%	\$32,234.00	\$805.85	3,728	6,896	3,168
125%	\$40,292.50	\$1,007.31	3,653	8,403	4,750
150%	\$48,351.00	\$1,208.78	16,191	12,416	-3,776
Salt Lake County					
30%	\$12,045.30	\$301.13	14,461	4,489	-9,972
50%	\$20,075.50	\$501.89	12,298	3,171	-9,127
80%	\$32,120.80	\$803.02	20,590	33,114	12,524
100%	\$40,151.00	\$1,003.78	11,777	21,507	9,730
125%	\$50,188.75	\$1,254.72	13,719	19,985	6,266
150%	\$60,226.50	\$1,505.66	47,069	33,640	-13,429
Utah					
30%	\$11,458.80	\$286.47	33,555	13,599	-19,956
50%	\$19,098.00	\$477.45	30,072	9,103	-20,969
80%	\$30,556.80	\$763.92	47,164	71,991	24,827
100%	\$38,196.00	\$954.90	27,633	51,282	23,649
125%	\$47,745.00	\$1,193.63	30,973	42,086	11,113
150%	\$57,294.00	\$1,432.35	110,204	77,923	-32,281

Sources: Census Bureau, ACS 2016.



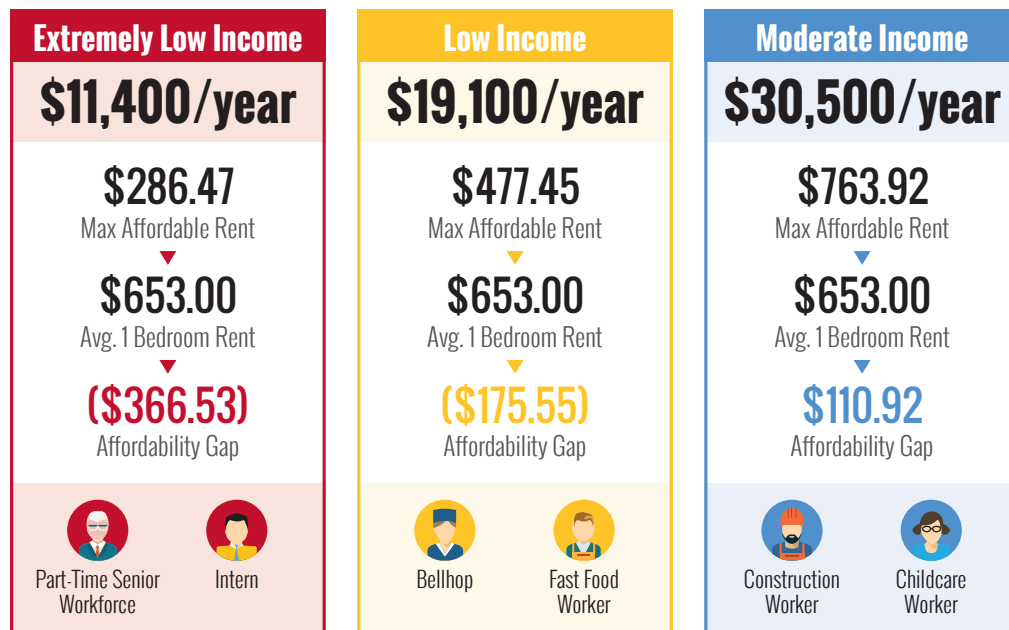
Market Overview

While still relatively affordable compared to other downtowns across the country, downtown Salt Lake City is beginning to feel the growing pains of a rapidly expanding urban center. Vacancy rates continue to trend downward as supply struggles to meet demand. Downtown needs continued housing development in all income bracket ranges to keep up with the rising demand.

There has been a significant amount of market rate development in downtown and throughout Salt Lake City. However, there is still a deficit of around 3,776 units at 150% of the Area Median Income (AMI). At 50% and below there is a deficit of 6,253 units. Contrasting market rate development, affordable housing growth has remained sluggish due to a complex system of financial, political and regulatory requirements that creates constraints on the development side. While Federal tax credits are changing, Salt Lake City's Redevelopment Agency has refocused much of its efforts to assisting affordable housing growth at all income levels. Continued regulatory zoning changes at the local level will also help to stimulate new residential growth.



Affordable Housing by Area Median Income



Sources: Census Bureau, ACS 2016.

Median Two Bedroom Apartment Rents Salt Lake City vs. Other Metros (2017)

1. Phoenix	\$1,040	6. Seattle	\$1,640
2. Salt Lake City	\$1,060	7. Los Angeles	\$1,740
3. Las Vegas	\$1,130	8. San Diego	\$2,010
4. Denver	\$1,330	9. San Jose	\$2,600
4. Portland	\$1,330	10. San Francisco	\$3,070

\$1,695
Regional Average

● below regional average
● above regional average

Source: Apartmentlist.com, June 2018.



Multi-Family

1. Sky House
2. West Gateway Commons
3. Liberty at Gateway
4. Alta Gateway
5. Paperbox Development
6. Paragon Station
7. Pierpont Apartments

8. Broadway Park Lofts
9. 360 Apartments
10. Milagro Apartments
11. Patrick Lofts
12. 99 West
13. Richards Court
14. The Regent

15. Liberty Crest
16. The Morton
17. Providence Place
18. Hardison Apartments
19. Moda Boneville
20. Encore Apartments
21. 4th and 4th Apartments

22. Seasons on the Boulevard
23. 600 Lofts
24. The Birdie
25. Garden Lofts
26. John Florez Manor
27. Liberty Sky
28. Macaroni Flats by Artspace

Residential/Mixed Use

29. Hardware Village
30. The Exchange
31. Station Center
32. The West Quarter
33. Regent Street Hotel
34. Violin School Commons



Source: Downtown Alliance.



Transportation + Mobility

Challenges

ACCESSIBILITY AND FREQUENCY

Downtown's employees, visitors and residents have access to high-quality regional transportation options from commuter rail to last-mile connections. However, accessibility and frequency of service continue to be top issues for transit users.

Opportunities

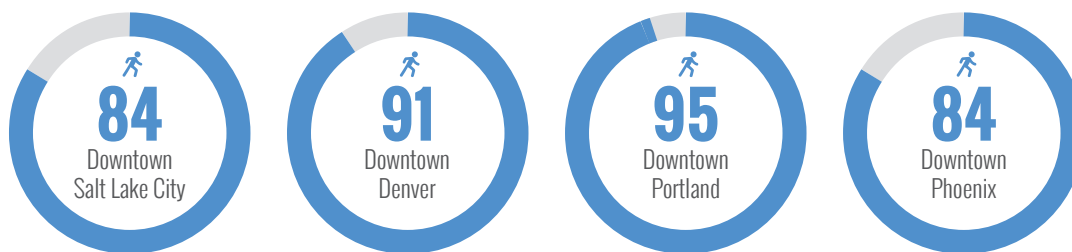
INCREASED FUNDING

In April 2018, Salt Lake City passed a 0.5% sales tax increase projected to generate around \$33 million a year in ongoing funding. Of the \$33 million a year, \$6 million will be dedicated to increasing frequency of transit service, provide service on new east-west routes and improve the quality of transit stops, and \$7 million will be dedicated to street maintenance.



Source: GreenBIKE.
*VM=vehicle miles

2017 Metro Walkscores



Source: Walkscore.com.



Downtown Salt Lake City Commuter Statistics (2017)

9.9%
of residents commute by bike
(84111 and 84101 zip codes)

21.0%
of residents commute by walking
(84111 and 84101 zip codes)

Salt Lake is ranked **54th** out of 73
cities for transit-based affordability.

\$23,289
median income of commuters who
bike or walk to work

\$83.75
average monthly cost for services

4.3%
percentage of income spent on
commuting

Source: ValuePenguin.





Hospitality + Tourism

Challenges

CONVENTION CENTER HOTEL

Downtown lacks a single headquarters convention hotel adjacent to the Salt Palace Convention Center, which limits growth in the convention industry. Negotiations continue between Salt Lake County and private developer DDRM for an 800- to 1,200-room convention center hotel. The hotel will be an important asset in attracting new convention business and activity throughout downtown.

Opportunities

NEW CONVENTION BUSINESS

After a 22-year run in Salt Lake City, the Outdoor Retailer Convention concluded its final year in Salt Lake City in 2017. While a significant loss for the convention industry, Visit Salt Lake and the greater hospitality community have energized and re-focused efforts to attract new convention business.

2017 Convention and Hospitality Overview

64

Citywide
Conventions

243K

Total Citywide
Delegates

736K

Room Nights Booked
in 2017

136K

Room Nights Booked in 2017
for 2017

600K

Room Nights Booked in 2017
for Future Years

\$226M

Total Spending by
Convention Delegates

70.9%

Average
Hotel Occupancy

\$137.59

Average Daily
Room Rate

\$234.8M

2017 Room
Revenue

\$135.8M

Wages
Supported

5,029

Jobs
Supported

2017 Statewide Visitor Statistics



4,145,321

Total Skier Days



5,690,677

State Park Visitors



11,003,572

National Park Visitors



6,260,967

National Monument, Historic
Site & Recreation Area Visitors

Sources: Visit Salt Lake, Smith Travel Research Analytics.



Salt Lake City International Airport Highlights (2017)



24,198,816

SALT LAKE AIRPORT PASSENGERS



Busiest airport
in the nation



Best large-sized
airport in customer
satisfaction



Most reliable
airports

Sources: www.slcairport.com; J.D. Power, 2017; Business Review, 2017.





Culture + Entertainment

Challenges

PERMITTING

The complexities of permitting can be challenging for artists and event organizers. Downtown could benefit from streamlining and simplifying the permitting process for artistic works, sculptures, temporary and permanent installations and the variety of events.

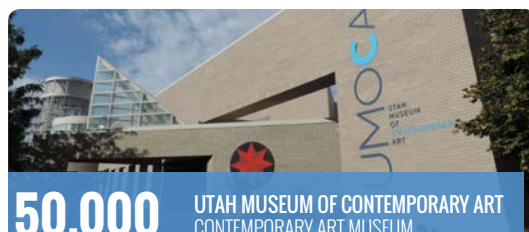
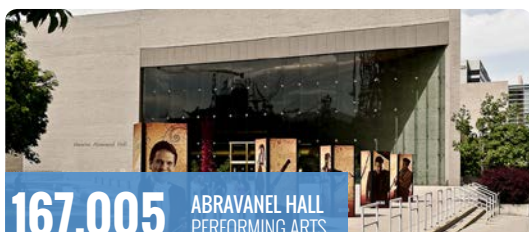
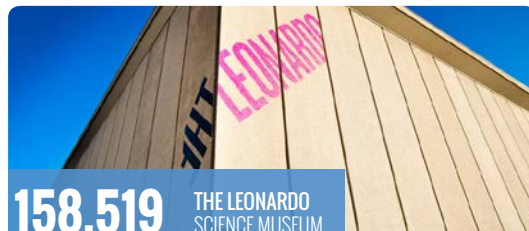
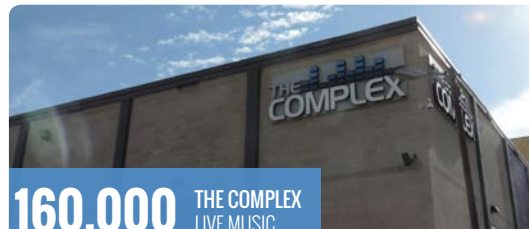
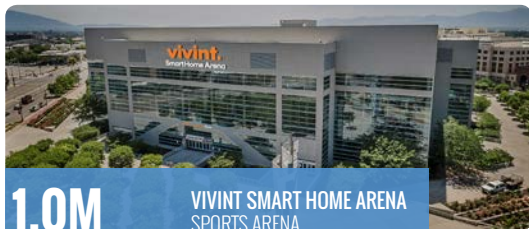
Opportunities

SPORTS AND ENTERTAINMENT DISTRICT

Downtown has an unprecedented opportunity to capitalize on renewed investments at the Vivint Smart Home Arena, The Gateway and new development at The West Quarter (formerly Block 67). This district needs special branding and placemaking initiatives that can help to expand regional audiences, increase spending on retail, food and beverages, and positively impact sales tax revenues.



Downtown Salt Lake City Venues (2017 Attendance)



Source: Downtown Alliance.



Market Overview

Downtown Salt Lake City is the region's cultural and entertainment center, attracting millions to its museums, performing arts and music theaters, professional NBA sports arena and more. Notable openings include The Eccles Theater, which posted its full first year of operation in 2017 and attracted just under 350,000 attendees in over 533 events.

Home to the NBA's Utah Jazz, The Vivint Smart Home Arena underwent a \$125 million renovation in 2017 to improve the arena's structure and amenities. Since 1990, the arena has played an important role in downtown's west side and continued investment and renovation preserve and enhance its importance to the downtown entertainment economy.



Parks + Public Spaces

Challenges

MANAGEMENT

Despite historic residential growth, downtown's public spaces are underfunded and underutilized. Dedicated programming, safety and maintenance will enhance public spaces for the growing number of residents, employees and visitors in the urban center.

Opportunities

PIONEER PARK

Named for Mormon settlers who established Salt Lake City, Pioneer Park is a 10-acre green space that has been a key public space in the community since the 19th century. Plans for infrastructure improvements and a public-private management structure will make this park one of Utah's finest green spaces.



Venue Event Summary (2017)

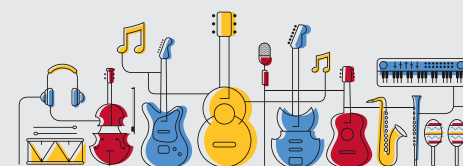
WASHINGTON SQUARE	21 special events	15 days activated	166K annual participants
LIBRARY SQUARE	31 special events	28 days activated	28K annual participants
PIONEER PARK*	23 special events	30 days activated	168K annual participants
GALLIVAN PLAZA	9 special events	365 days activated	200K annual participants
TEMPLE SQUARE	0 special events	365 days activated	5M annual participants
THE GATEWAY	76 special events	365 days activated	135K annual participants
OTHER CITY EVENTS	80 special events	20 days activated	55K annual participants

Sources: Salt Lake City Special Events Permitting, Downtown Alliance, Salt Lake County, The Church of Jesus Christ of Latter-day Saints, Salt Lake City Arts Council. This does not include free expression permits or film permits.

*Excludes Downtown Farmers Market and Twilight Concert Series.



2017 Events and Festivals



51
festivals in Salt Lake City

282
days of events downtown

417,820
participants in downtown events

Sources: Salt Lake City Special Events Permitting, Downtown Alliance.

*This data only includes ticketed events and festivals

Salt Lake City + Rankings



Pro Business State
Pollina Corporate



Best Economies
Wallet Hub



Best State
U.S. News



Real Estate Investment
Urban Land Institute



Best Place to Find a Job
Business Insider



Most Fiscally Fit Cities
State Farm and BestPlaces



Where Young People
Want to Be
Realtor.com



2018 Top Housing
Markets
Realtor.com



Poised to Become
Tomorrow's Tech Meccas
Forbes



America's Fastest
Growing Cities
Forbes



Friendliest Cities
Travel and Leisure Magazine



World's Most Hipster
Cities
Movehub







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Salt Lake City Housing and Neighborhood Development
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Utah Transit Authority
Value Penguin Inc.
Visit Salt Lake
Vivint Smart Home Arena
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Wright Development Group