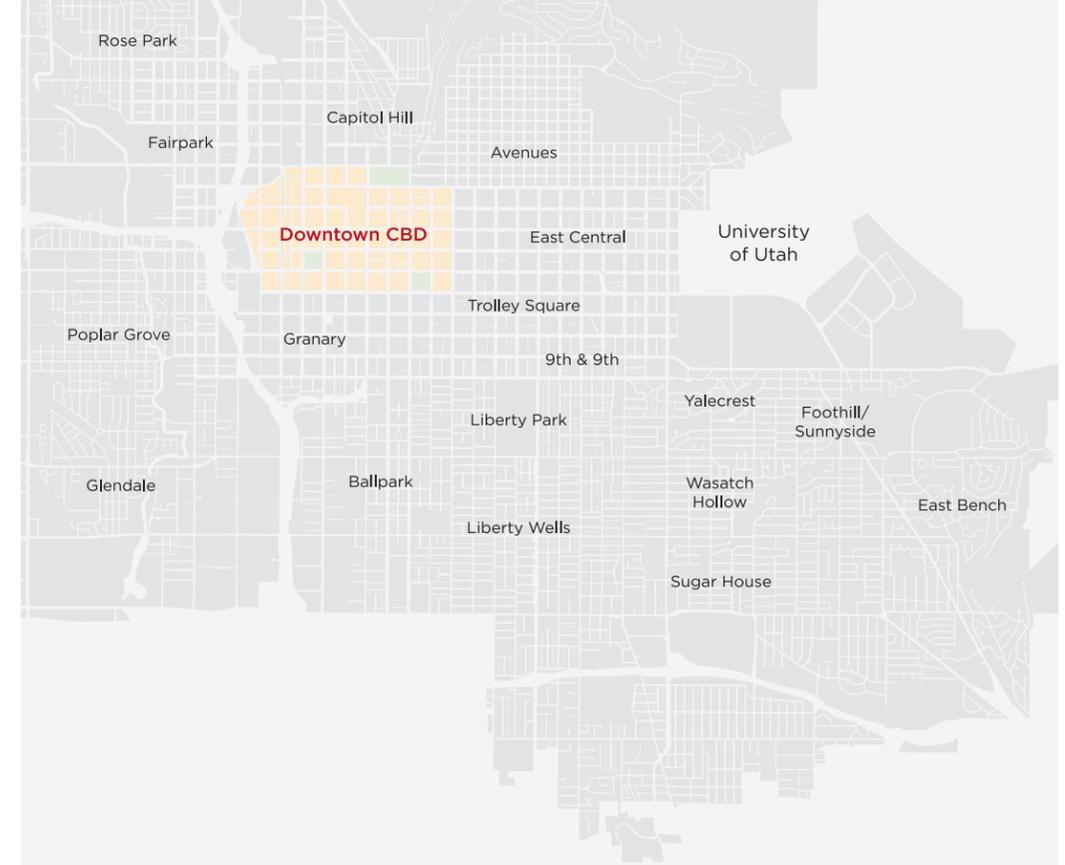




# 2015 STATE OF DOWNTOWN

2014-2015 Economic Benchmark Report

# 2015 STATE OF DOWNTOWN



## Purpose of the State of Downtown

The 2015 State of Downtown report offers a comprehensive analysis of the downtown economy to assist key stakeholders in making informed decisions. These include: property owners, investors, developers, retailers, brokers, policy makers and civic leaders.

This study collects historic data to highlight trends and compare Salt Lake's urban core to statewide and regional economic indicators. These comparisons are important to gauge opportunities for improvement and growth downtown.

The following economic indicators will be treated with detail: current and future development, downtown office market, restaurants and retail, employment hub, residential real estate, transportation and mobility, culture and entertainment and hospitality and tourism. For the purposes of this report, downtown refers to the area between North Temple, 400 South, I-15 and 300 East.



### In the Rankings THE WORD IS OUT

#### Hospitality and Tourism

A MAJOR DESTINATION FOR LOCAL, REGIONAL AND OUT-OF-STATE VISITORS

#### Culture and Entertainment

SALT LAKE CITY'S VIBRANT CULTURAL CENTER

#### Transportation and Mobility

EASY TO ACCESS

#### Residential Real Estate

MORE AND MORE PEOPLE ARE CHOOSING TO CALL DOWNTOWN HOME

#### Employment Hub

UTAH'S ECONOMIC CENTER

#### Restaurants and Retail

RESTAURANTS AND RETAIL OFFER SOMETHING FOR EVERYONE

#### Downtown Office Market

OFFICE MARKET SHOWS STRONG DEMAND AND GROWTH

#### Current and Future Development

DEVELOPMENT IS BOOMING

#### 2014 Year in Review

ECONOMIC PROFILE, HIGHLIGHTS AND OPPORTUNITIES

**Downtown  
2014 Economic  
Profile**

70,000  
Employees

\$3.1B  
Wages Paid

10.6M  
Office  
Square Feet

13.4%  
Office  
Vacancy Rate

\$800.9M  
Retail Sales

2.6M  
Retail  
Square Feet

66.2%  
Hotel  
Occupancy

226K  
Citywide  
Convention  
Delegates

\$210.5M  
Spending by  
Convention  
Attendees

33K  
Parking  
Spaces

\$6.1B  
Total Downtown  
Property Value\*

501  
Total Downtown  
Acreage

Source: Bureau of Economic and Business Research, University of Utah. CBRE, Visit Salt Lake, Utah State Tax Commission, Downtown Alliance, Bonneville Research, Department of Workforce Services.  
\* Includes commercial over 20,000 sq. ft., residential and exempt properties.

2014-2015 Downtown  
Economic Highlights



**Residential Development**

Demand for urban living and favorable market conditions are driving a residential development boom in downtown Salt Lake City. With a solid job market and a highly educated, young workforce which favors renting, the number of units will continue to grow. Future developments should focus on opportunities for all ages and income levels.



**Main Street's Success Continues**

111 Main and Eccles Theater broke ground in June 2014 on Main Street between 100 and 200 South with expected completions in the Fall of 2016. 111 Main is a 24-story, class A office development that is expected to accommodate between 3,000-4,000 new office jobs. The Eccles Theater is a \$117 million, 2,500-seat project directly south of the new office tower. The two projects coincide with the redevelopment of Regent Street just to the east. These improvements will provide heightened access and connectivity between Gallivan Center and City Creek Center, and are intended to catalyze small retail development along the corridor.



**Downtown's Sharing Economy**

Options are growing for entrepreneurs and small businesses looking for office space and support in downtown Salt Lake City. Coworking spaces have opened throughout the area—including Church & State, Impact Hub, Holodeck, Sustainable Startups, Work Hive and Office Evolution. These spaces plug startups into a community of mentors, business partners, investors and customers.



**Legislature Authorizes Local Option Sales and Use Tax Vote**

The Utah Legislature passed a bill during the 2015 general session which authorizes comprehensive transportation infrastructure funding. In Fall 2015, voters will consider whether the sales and use tax should be increased by .25 (one-quarter) percent on a county ballot—the equivalent of one penny for every four dollars spent—to pay for local transportation needs, including more walking and biking trails, road improvements, GREENbike and public transit service expansion.



**Expanded Homeless Services**

Concerns about a high concentration of homeless service providers, and the impact this has on homeless people and the surrounding neighborhood, has emerged as a top concern on downtown's west side. The concentration has created an unsafe environment for homeless people who are preyed upon by drug dealers and other criminals. Efforts to redesign, expand and build additional shelters and housing will focus on providing safety, dignity and opportunity for Utah's most vulnerable.



**Local Leadership**

The public sector plays an important role in building a dynamic downtown. Local ordinances should support flexible and creative projects that encourage entrepreneurship. Blunt impact fees, cumbersome demolition ordinances and inflexible zoning policies combined with a complacent bureaucracy threaten to undermine downtown's regional competitiveness as a residential and employment center.



**Nightlife Economy**

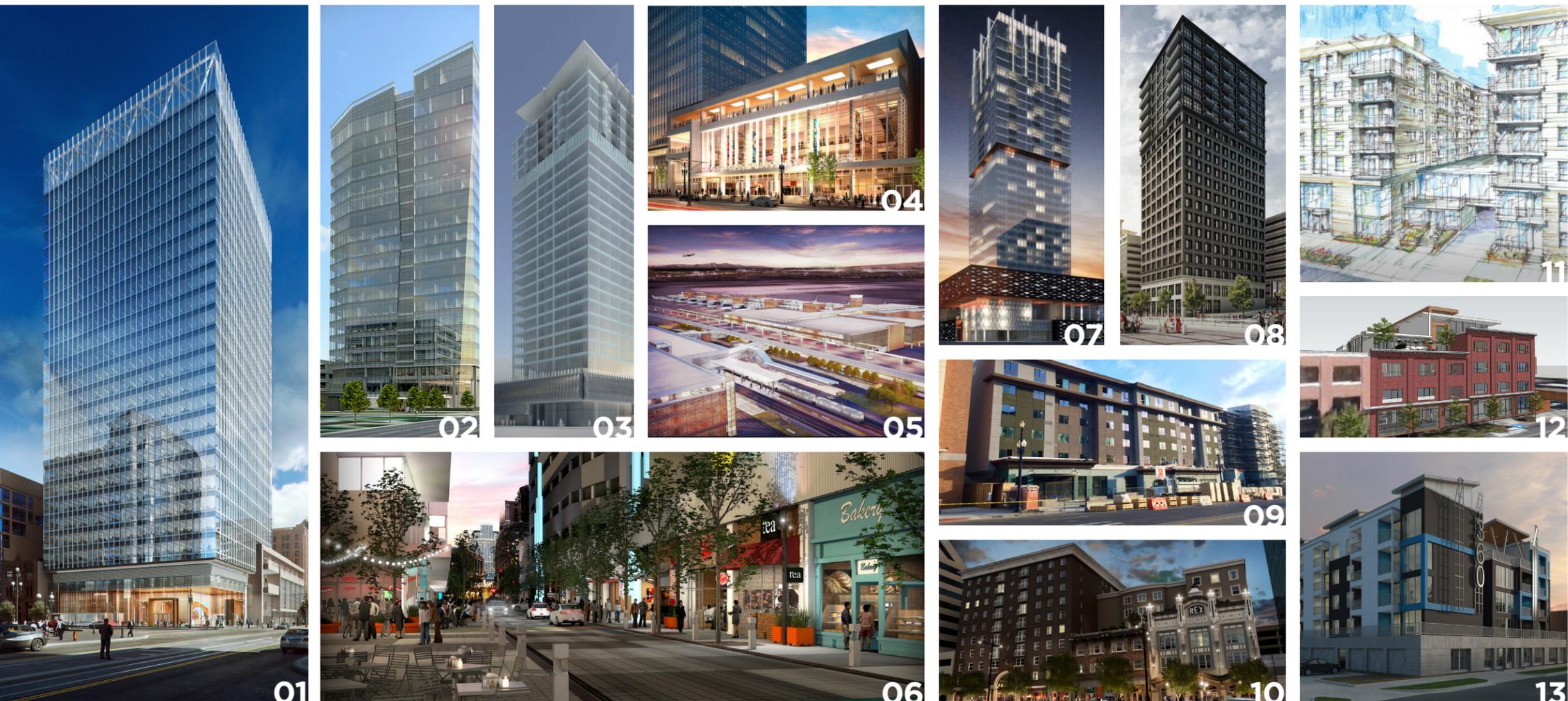
A vibrant nightlife is important to create a dynamic and diverse downtown that is welcoming to locals and visitors alike. While new restaurants and bars are opening doors downtown, state laws and perceptions impact tourism potential and additional development. Consensus-driven policies should address issues such as "the Zion curtain," intent to dine and the number of restaurant licenses for downtown.



**Downtown Innovation District**

A dynamic economy requires new research and development facilities to foster additional growth. Downtown is a distinct urban environment that nurtures ingenuity, collaboration and proximity not found in the traditional suburban office environment. The development of an innovation district on downtown's west side—where leading-edge anchor institutions and companies cluster and connect with start-ups, business incubators and accelerators—will further downtown's ability to grow in ways that align with disruptive forces in the economy.

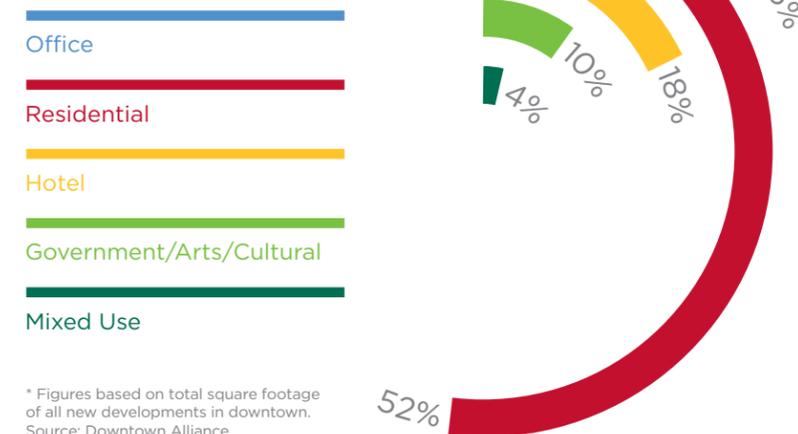
# Current and Future DEVELOPMENT



- 01 .....111 Main
- 02 .....151 State
- 03 .. Proposed Arrow Press Square
- 04 ..... Eccles Theater
- 05 ..... Salt Lake Intl. Airport
- 06 ..... Regent Street
- 07 ..... Air Urban Center
- 08 .. Proposed Regent Street Hotel
- 09 .....Courtyard by Marriott
- 10 ..... Plaza at State Street
- 11 ..... Liberty Crest Apartments
- 12 ..... Paragon Station
- 13 .....360 Apartments

Continued development is vital to the future success and vibrancy of downtown Salt Lake City. New office, residential, hotel and arts & entertainment developments are redefining the city's growing skyline and bringing additional employees, residents, visitors and wealth into the district. The influx of residents, patrons and millennials drives demand for commercial development. Residents also live, work and play downtown. To that end, retail uses, particularly food-service-related businesses, show growth. New construction reflects this trend with office and multifamily developments including street-level retail.

## New Developments By Percentage\*



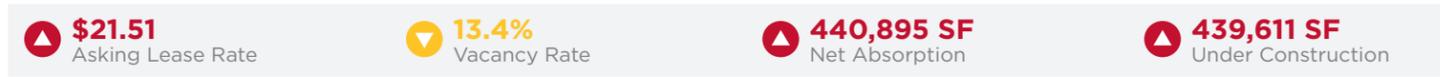
\* Figures based on total square footage of all new developments in downtown. Source: Downtown Alliance

- 
**583,611**  
 New office space completed or under construction (sq. ft.) (2014-present)
- 
**25.8%**  
 Increase in total commercial valuation (2013-present)
- 
**1,804\*\***  
 New residential units completed, under construction or planned (2014-present)
- 
**14**  
 New restaurants in downtown Salt Lake City (2014-present)
- 
**1,334\*\*\***  
 New hotel rooms completed, under construction or planned (2014-present)
- 
**2,500**  
 Seats in the new Broadway-style theater
- 
**291,322**  
 Available retail space (sq. ft.) (as of Q2 2015)

\*\* CBD or periphery  
 \*\*\* Includes 1,000 room convention center hotel  
 Source: Downtown Alliance, CBRE Research Q1 2015



# Downtown OFFICE MARKET



Downtown Salt Lake City's office market posted considerable gains in 2014. In fact, the comeback of this area's office market was a notable story for the year. This is significant, because the data began to confirm that factors which have long been expected to boost demand for downtown commercial real estate are beginning to positively influence the market. Such factors include a generational shift, availability of space, amenities and access to unrivaled transportation.

Downtown's vacancy rate fell by 370 basis points (bps) in 2014 and settled at 13.4% at year-end. Demand in class A and B properties, along with limited new supply, is primarily responsible for this drop in vacancy. The average asking lease rate increased by \$0.17 to \$21.51 per sq. ft. FSG over the 12-month period ending in December of 2014.

The downtown office market accounts for one-third of the net rentable area (NRA) in Salt Lake's office market. In 2014, the area outperformed its share of the market when looking at net absorption as a percentage of NRA. In the last quarter of 2014, downtown accounted for 43% of Salt Lake's net absorption. The same area was responsible for nearly 40% of market net absorption for all of 2014. Compare this to year-end 2013, when this market only accounted for approximately 16% of positive net absorption for the year.

Elevated interest in downtown locations from the state's expanding tech sector gives reason to believe that downtown's resurgent office market will be able to maintain some momentum. The market is well positioned to meet demand with available space. In 2014, 111 Main—a 439,611 sq. ft. office tower—broke ground. This project is expected to reach completion sometime in 2016 and will further enable growth in Utah's economy.

Overall, the outlook for downtown remains positive. The case for a strong downtown office market rests on factors mentioned previously (generational shift, availability of space, amenities and access to transportation), which will continue to support office market demand. Demographics are particularly important as millennial preferences translate into economic trends corresponding with the group's growing size and clout. While there are questions surrounding the degree of similarity between Utah millennials and their national counterparts, what data there is tends to be favorable.

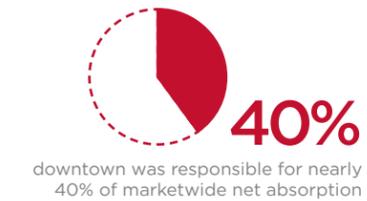
From a commercial real estate perspective demand trends are telling, as many businesses now view real estate as an area of competitive advantage when recruiting new talent. The fact that businesses are staking their success on downtown locations is an important vote of confidence in the area.

\* Tickers represent year-over-year change, net absorption is a 2014 annual total  
Source: CBRE Research Q4 2014

## Office Market Highlights



## Demand Drivers



## Regional Downtown Average Lease Rate Comparison



Source: CBRE Research Q1 2015

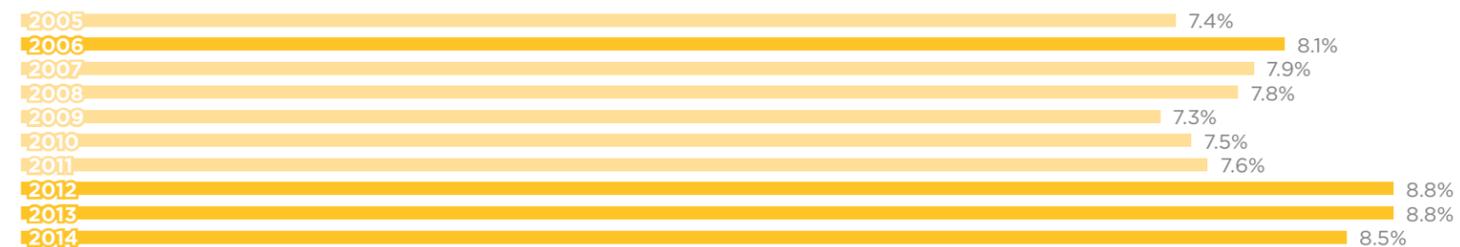
# Restaurants and RETAIL



Downtown is the premiere regional destination for shopping and dining with over 500 establishments classified as "retail." The broad retail categories used in the 2014 retail sales analysis 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 downtown.

Downtown retail sales eclipsed the previously record-setting 2013 totals of \$800.3 million with a modest bump to \$800.9 million in 2014. Sales in Salt Lake County continue to improve with favorable economic conditions translating to increased consumer spending. This is particularly noticeable in the eating and drinking category. Eating and drinking are booming in Salt Lake City with \$330.4 million in sales; this accounts for nearly 41.3% of 2014's retail total. This is over \$20 million higher than in 2013. Clothing-related sales totaled \$165.3 million in 2014. This is up from 2013, when clothing sales totaled \$157.5 million.

## Downtown Annual Share of County Retail Sales



Source: Utah State Tax Commission

## Downtown Share of 2014 County-wide Retail Sales



Source: Utah State Tax Commission



Downtown experienced modest job growth in 2014. Notable new tenants and office expansions include the following tech-sector businesses: InsideSales, Disney, Workday and Reddit. Total employment in downtown is estimated to be 70,000 with an average annual wage of \$44,887. The restaurant and retail sectors have seen the most significant employment growth over the last two decades. Office employment growth has been steady and is expected to increase with the anticipated completion of 111 Main in 2016. The 439,611-square-foot office tower will accommodate 3,000-4,000 new office jobs. Downtown remains the regional center for commerce and employment, but it should be noted there is significant regional competition in South Salt Lake, Draper, Lehi, Provo and Ogden.

The most significant area of growth in wages paid in downtown is in restaurant and retail categories. Restaurants have seen a 20.8% change in growth between 2007-2014, with retail seeing an increase of 101.5% within the same time frame. Expect all sectors to grow as the economy continues to improve. New restaurant growth will be dependent on several variables—most importantly, availability of spaces and liquor permits. Downtown restaurant growth is outpacing statewide procedural quotas for liquor permits with demand exceeding the current supply.

# EMPLOYMENT HUB



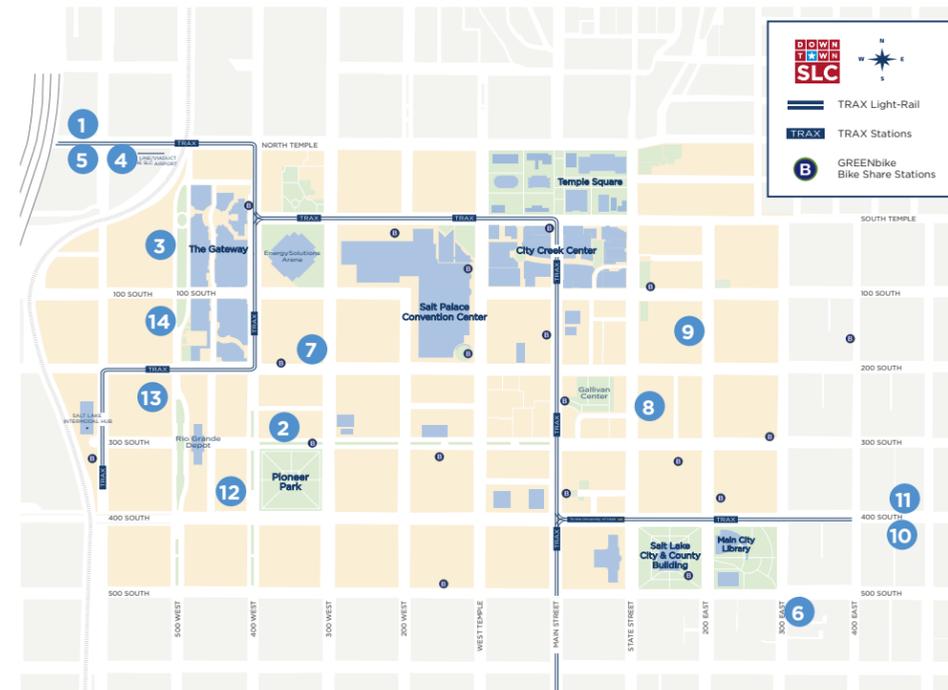
Source: Utah Department of Workforce Services and Bureau of Economic and Business Research, University of Utah

# Residential REAL ESTATE



Downtown is in the midst of a residential development boom, primarily driven by increased demand, availability of capital and low interest rates. Currently, demand is outpacing the supply of market-rate rental apartment availability in Salt Lake County, with the overall vacancy rate sitting at 3.0% at the end of 2014. In the downtown area, 1,800 new units were completed, under construction or planned as of June 2015. This is part of a nationwide trend, with many urban areas growing at a faster rate than their surrounding suburbs.

One of the biggest concerns in Salt Lake City is the affordability of new apartment units. Downtown offers affordable housing based off of very low and low Area Median Incomes (AMI), but there is a significant gap missing for moderate income or “workforce” families. Most new apartment developments include improved amenities and high-end finishes, targeting wealthier buyers for top-dollar returns.



## Newly Completed, Under Construction and Planned Apartment Projects

#	Name	Units	Year Built
1	664 City Station	132	2013
2	Broadway Park Lofts	82	2014
3	Liberty at Gateway	160	2014
4	North Sixth	115	2014
5	Bridges At Citifront	91	2014
6	Seasons at Library Square	119	2015
7	Paragon Station	38	U/C
8	Plaza At State Street	180	U/C
9	Liberty Crest Apartments	177	U/C
10	Seasons at Denver	92	U/C
11	Encore Apartments	189	U/C
12	360 Apartments	151	U/C
13	Beehive Brick/Artspace	13	U/C
14	Alta Gateway	265	Planned

Source: Downtown Alliance

There are two significant concerns that could impact future residential growth:

### Local Regulations and Fees

Impact fees continue to threaten additional needed housing investments downtown. These fees are designed to compensate a community for the cost of extending infrastructure required to support new development. Impact fees are assessed to new developments as a condition of development approval, and are calculated to cover a proportionate share of the capital costs needed to serve the proposed development.

In 2012, parks impact fees for multifamily dwellings increased from \$681 per unit to \$3,999 in Salt Lake City, a 391% increase. After pushback from the development community, the Salt Lake City Council voted to set the parks fee at \$2,875 per unit for two years, with the fee returning to \$3,999 at the end of the two-year period.

While the reduction in fees to \$2,875 per residential unit helped developers in the short term, a return to the original amount of \$3,999 in 2015 will significantly impact future development projects. Low interest rates, combined with growing demand, have allowed developers to continue to invest in residential projects. If either dynamic changes significantly, or impact fees increase, margins will not allow development to continue at the rate needed to accommodate demand. City policy should focus on long-term fee structures, combined with incentives for sustainable building and workforce housing, to foster a more stable residential development environment in the urban core.

### Oversaturation of Apartment Units

With development continuing at unprecedented rates, developers are weary about the Salt Lake County market’s ability to absorb the new units. If demand, vacancy rates, availability of capital or the economy experience significant changes, there is potential for future instability in the market. However, Salt Lake County’s projected growth and multi-generational demand for urban living helps to assuage some concerns.

## Comparative Rents Year-End 2014 Salt Lake City vs. Other Metros\*



Regional Average: \$1,698

■ above regional average    ■ below regional average

\* For Salt Lake City Metro Area  
Source: CBRE Research Q1 2015

# Transportation and MOBILITY



Downtown Salt Lake City's transportation infrastructure provides unparalleled access from all parts of the Wasatch Front. At the core of this infrastructure are well-maintained roads, bicycle lanes and sidewalks, along with one of the nation's fastest-growing public transit networks.

Multiple transportation options play a role in attracting more businesses, residents and visitors to downtown Salt Lake City. While the automobile still prevails as the most common mode of transportation in the area, public transit, biking and walking are all growing in popularity.

Significant investments and new opportunities continue to enhance downtown's position as the regional transportation hub.

**Parking:** New and improved parking technology made its way into downtown in late 2014 with a full upgrade of the paid street parking system. All new technology was installed into the meters and usage complaints have dropped significantly. The new technology includes a pay-by-phone system branded specifically for Salt Lake City called ParkSLC.

**New Infrastructure:** The city is focusing on making downtown safe and comfortable for all modes of transportation. During 2014, there were 14 new pedestrian safety signals installed at mid-block locations to help increase visibility and safety. A new pedestrian signal that stops traffic to allow safe crossing was installed at Market Street and West Temple. In addition, separated bike lanes on 300 South, and soon to be on 200 West, provide additional protection for bicyclists. The downtown streetcar project is gaining momentum as the city examines additional funding mechanisms.

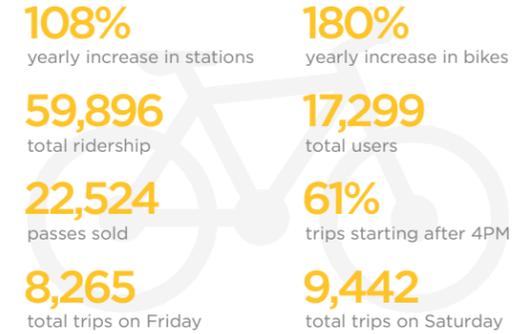
**Local Option Sales and Use Tax:** The Utah Legislature passed a bill during the 2015 general session which authorizes comprehensive transportation infrastructure funding. In Fall 2015, voters will consider whether the sales and use tax should be increased by .25 (one-quarter) percent on a county ballot—the equivalent of one penny for every four dollars spent—to pay for local transportation needs, including more walking and biking trails, road improvements, GREENbike and public transit service expansion.

Estimated increases in UTA service if local option passes:



Source: Utah Transit Authority (UTA)

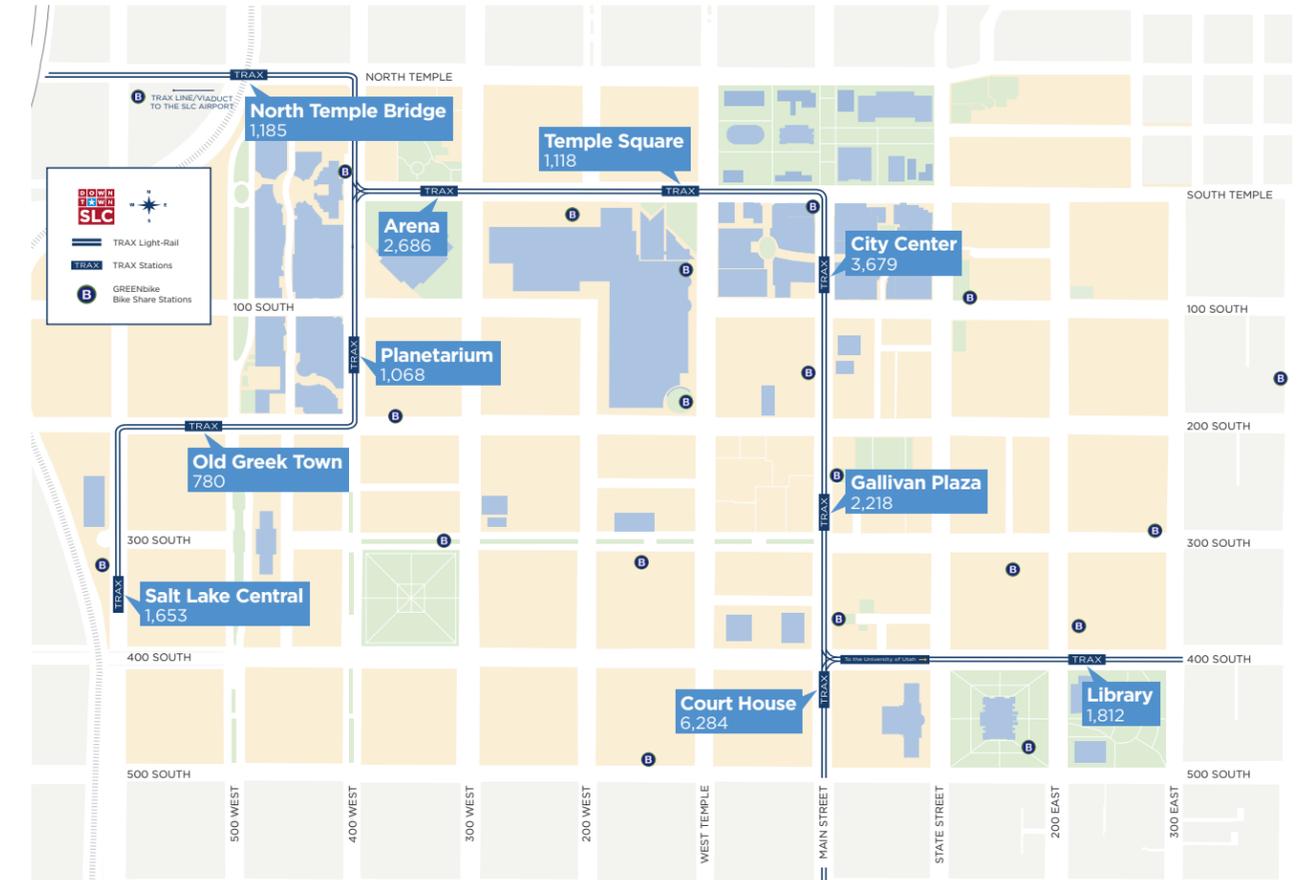
## 2014 GREENbike Data



Source (above): GREENbike (SLC Bike Share)  
 Source (right): Utah Transit Authority



## 2014 Weekday Average Downtown UTA TRAX Boardings



22,637 average weekday UTA ridership

# Culture and ENTERTAINMENT



Home to museums, performing arts and music theaters, a professional sports arena and large community spaces, downtown Salt Lake City is the cultural and entertainment center of the region, and a premier destination in the Intermountain West.

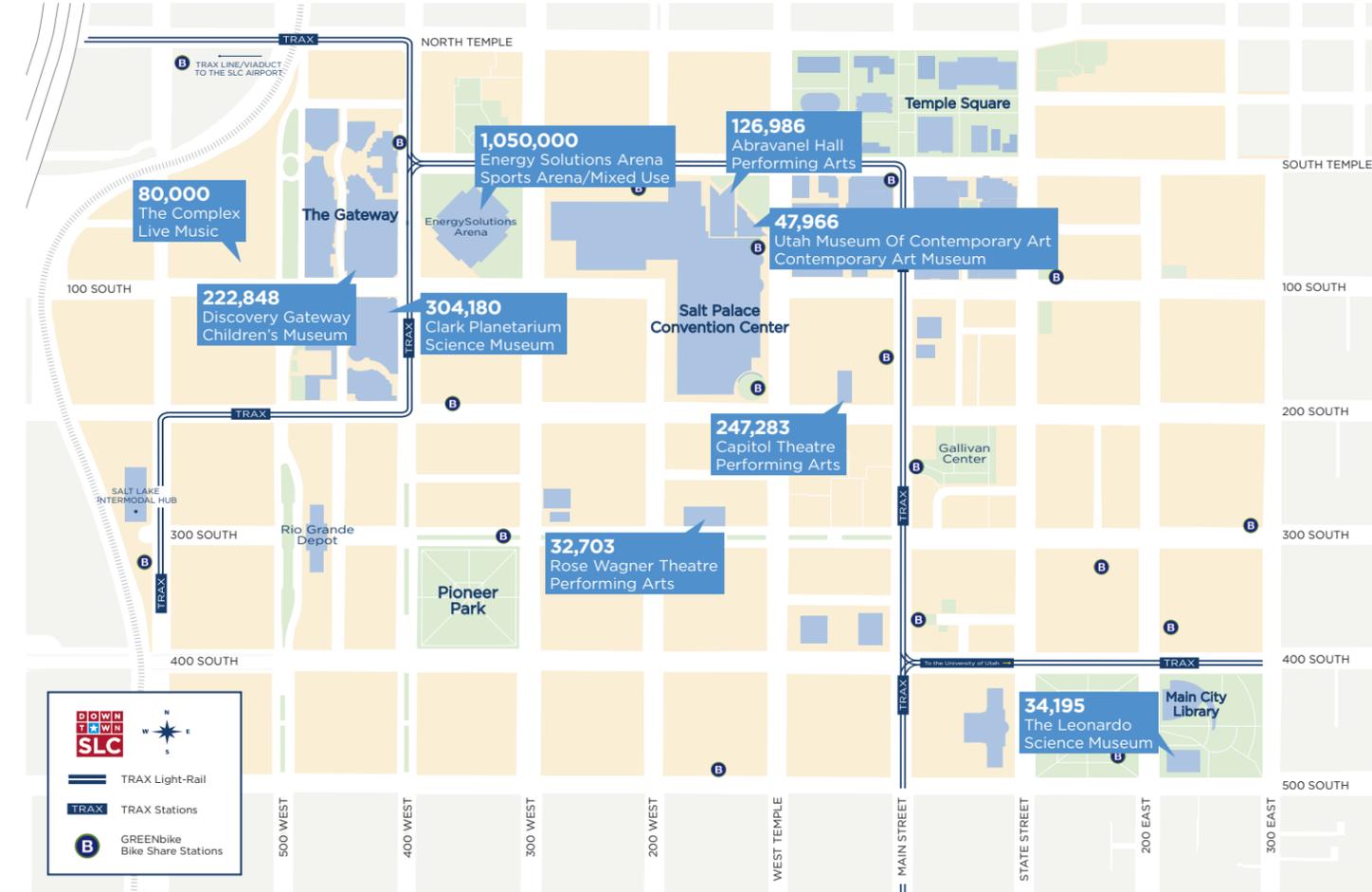
The city's urban core continues to offer an array of cultural and entertainment venues and attractions for residents and visitors, drawing sports fans, concert-goers, food lovers and more. These venues play an important role in employment and generate sales tax revenue from various activities such as shopping, dining and parking.

While physical brick-and-mortar developments are important to urban centers, signature events and festivals define what it means to be a great city and create emotional connections between a community's population and urban centers. They showcase a city's physical and cultural identity, creating a sense of ownership and pride for residents and visitors alike. Some of the biggest signature events include the Twilight Concert Series, Downtown Farmers Market, Dine O' Round, EVE, Holiday Lights, Utah Arts Festival, Greek Festival, Living Traditions Festival, Craft Lake City, Pride Festival, Tastemakers, Gallery Stroll, Days of '47 Parade and Rodeo, Urban Arts Fest, and Urban Flea Market.

## 2014 Large Event Attendance (000's)



## 2014 Venue Attendance\*



\* Many facilities also have event space for special events.  
Source: Salt Lake County for the Arts, Clark Planetarium, Larry Miller Sports Properties, United Concerts, Discovery Gateway, Downtown Alliance



# Hospitality and TOURISM



Utah's world-class outdoor recreation and tourism opportunities help fuel the state's economy and enhance the quality of life for its residents. More than 21 million passengers arrived at Salt Lake International Airport in 2014. Despite a below-average snow season, statewide skier visits during the 2014-2015 season remained healthy for Utah's ski resorts.

The Salt Palace Convention Center is the driving force in Salt Lake City's convention industry. However, surrounding convention district hotels also attract a diverse convention business. The conventions held in hotel meeting spaces are smaller than the citywide conventions located at the Salt Palace, but still contribute significantly to downtown's economy.

In 2015, the Utah State Legislature approved legislation that modified a tax credit process for a private owner of a new "qualified convention hotel" in Salt Lake City. Criteria for a developer and hotel to qualify for the tax credit are as follows:

- Hotel must include at least 85 sq. ft. of convention meeting space per guest room
- Hotel must be a full-service operation built after July 1, 2014
- Hotel will be located within 1,000 feet of a convention center
- Total project investment includes a minimum of \$200 million in private money
- The incentive may only be used for the construction of convention, exhibit or meeting space within the qualified hotel, and the acquisition or construction of related amenities, fixtures or other improvements

Through a competitive RFP process, Salt Lake County has selected Omni Hotels & Resorts to build and manage the convention center hotel. Omni—a company with \$3 billion of book value—recently developed similar convention hotel projects adjacent to convention centers in Nashville, Dallas and Ft. Worth. The company was also selected to develop a convention hotel in Louisville, Kentucky.

Salt Lake County is currently in talks with Omni to determine the best sites for the hotel as well as public incentives. Formal announcements regarding the site and construction timeline are expected in 2015.

## 2014 Citywide Conventions

<b>55</b> citywide conventions	<b>\$930</b> average daily spending per convention delegate
<b>226,342</b> total convention delegates	<b>\$210.5M</b> total spending by convention delegates
<b>66.15%</b> average occupancy	<b>2.2%</b> change in average occupancy from 2013
<b>\$117.99</b> average daily room rate	<b>\$80.17</b> revenue per available room

Source Visit Salt Lake, Smith Travel Research



# In the RANKINGS

- 1<sup>st</sup>** Highest Job Creation Index Score\*  
Source: Gallup Daily
- 4<sup>th</sup>** Best Cities for Tech Jobs  
Source: Forbes Magazine
- 8<sup>th</sup>** Best Places for Business and Careers  
Source: Forbes Magazine
- 1<sup>st</sup>** Best Statewide Economic Outlook  
Source: American Legislative Exchange Council
- 1<sup>st</sup>** Least Stressed Cities  
Source: CNN Money
- 5<sup>th</sup>** 50 Cities in America with the Happiest Employees  
Source: Glassdoor
- 7<sup>th</sup>** 19 Best Cities for Millennials  
Source: Business Insider
- 6<sup>th</sup>** America's 25 Best-Performing Cities  
Source: Forbes Magazine
- 7<sup>th</sup>** Top 10 Cities Stealing Jobs from Wall Street  
Source: Forbes Magazine
- 8<sup>th</sup>** 12 Cities Leading the Way in Sustainability  
Source: Moyers and Company
- 6<sup>th</sup>** 10 Best Cities for Public Transportation  
Source: US News

\* Based on percentage of workers in each metro area who say their employer is hiring workers and expanding the size of its workforce.

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Business Insider  
CBRE  
City Creek Center  
Clark Planetarium  
ClearWater Homes  
The Complex  
Cowboy Partners  
CRSA Architecture  
Cushman & Wakefield  
Discovery Gateway  
Downtown Alliance  
Forbes Magazine  
FORM Development  
Garbett Homes  
GREENbike SLC

Hamilton Partners  
HKS Architects  
Isaac Riddle  
Larry Miller Sports Properties  
Salt Lake Arts Council  
Salt Lake City Community and Economic Development  
Salt Lake City Transportation  
Salt Lake City Redevelopment Agency  
Salt Lake County Center for the Arts  
Smith Travel Research  
Strategic Advisory Group  
United Concerts  
Utah Department of Workforce Services  
Utah League of Cities and Towns  
Utah Office of Tourism  
Utah Transit Authority  
Visit Salt Lake  
Wasatch Advisors



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