

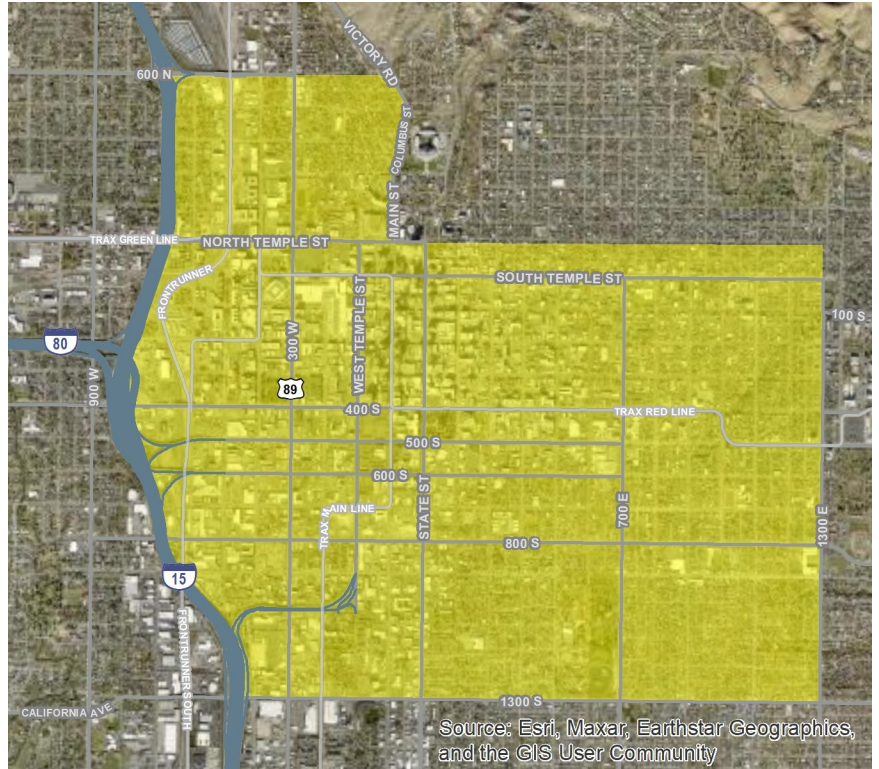


# THE EVOLUTION OF RETAIL SPACE IN DOWNTOWN SALT LAKE CITY

Retail space in greater downtown Salt Lake City is undergoing a metamorphosis as the city continues to densify. Since 2018, over 450,000 square feet of retail has been demolished, much of it one- and two-story buildings with an average year built of 1952. Two buildings, the former Sears on 800 South & State Street and the former Big Lots at 200 South & 400 East, account for 53.8% of the total retail square footage demolished. In the same timeframe, 293,680 square feet of new retail space has been added, with almost all of it (97.2%) in mixed-use developments. Another 30,560 square feet of retail space is under construction with 55.5% of that space in mixed use developments. This paradigm shift in retail space is experiencing varied success and this report will examine the outcomes thus far and what the future holds for retail space in greater downtown Salt Lake City.

## GROUND FLOOR RETAIL ACTIVATION

Until recently, ground-floor building activation (retail or internal multifamily uses) was only required in a few zones – Transit Station Area (TSA), D-1, D-2 and CSHBD-1 – with more stringent ground-floor retail requirements along Main Street in downtown and the Sugar House Business District. The ground-floor activation requirements are in place to help multi-story buildings engage with the fronting sidewalks and streets, create walkable and bicycle-friendly communities, serve the commercial and social needs of the public, as well as to mitigate windowless building walls from creating a walled corridor. Over the last several years, many developers opted to build internal multifamily uses (workspaces, live/work units, gyms, lobbies and mailrooms) rather than retail spaces into their developments to avoid management and financing of retail space within a multifamily development. Those that did include retail space in mixed-use developments are experiencing higher vacancies than the overall retail market. In fact, retail space delivered in the greater Salt Lake City Downtown area between 2018-2022 is experiencing 18.6% vacancy as of October 2023, compared to 4.5% vacancy for retail space delivered before 2018. Many factors contribute to higher vacancy, including location, lack of parking/difficult access, space not catering to numerous retail tenants or space requiring costly capital improvements for certain retail uses, unappealing space features, and tenant mix, to name a few. Some developers that were pressed to build ground-floor retail by the city assigned little to no value to the retail component, underwriting property income of the project strictly based on multifamily rents.



Salt Lake City passed the Downtown Heights and Street Activation Ordinance earlier this year, which addresses building heights in and outside of Downtown, as well as signaling the intent to see more retail space in ground floor buildings instead of internal building uses. The changes enacted opened additional zones in certain areas – FB-UN (Form-Based Urban Neighborhood), G-MU (Gateway Mixed Use) CG (General Commercial) – to ground-floor retail activation. Salt Lake City is making moves to entice additional pedestrian, bicycle and transit traffic. Prime examples include the recently finished 300 West between 900 South and 2100 South, where new bike lanes were added in addition to new sidewalks, 200 South’s first phase transformation (200 East to 900 East) into a transit priority corridor and complete street is early finished with the second phase (400 West to 200 East, 900 East to 1300 East) to begin soon, and the second phase of 900 South reconstruction (900 West to 300 West, West Temple to 900 East) including the 9-Line Trail corridor is creating a more pedestrian- and bicycle-friendly corridor connecting west and east

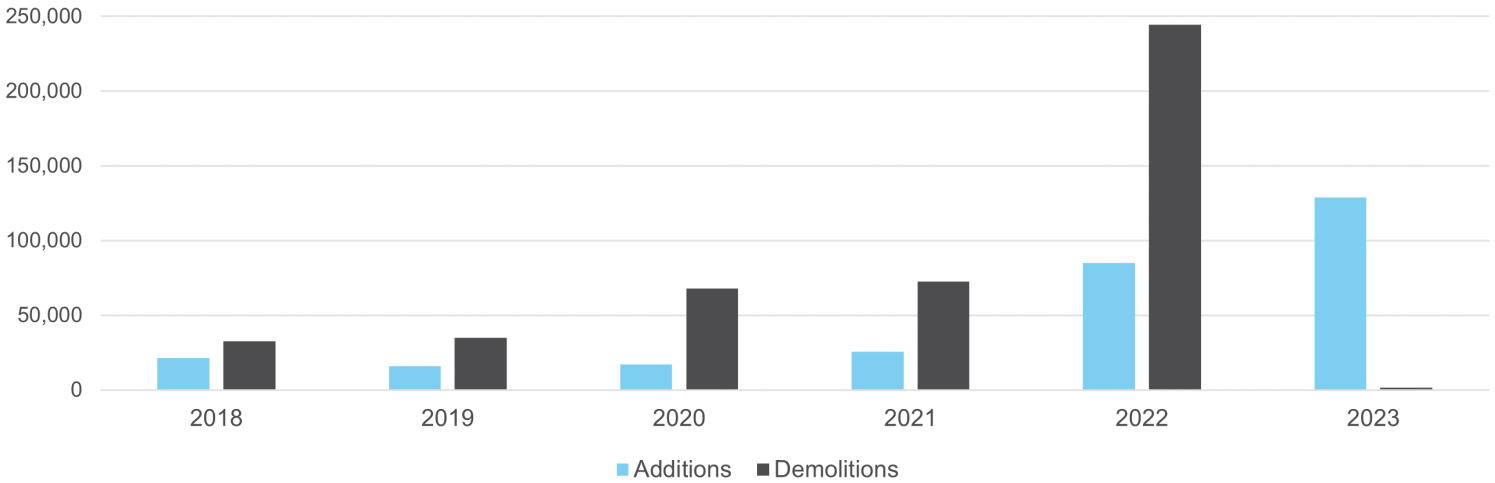
## VACANCY – OCTOBER 2023

RETAIL SPACE BUILT PRIOR TO 2018	RETAIL SPACE BUILT 2018-2022
Largely one- and two-story traditional retail	Almost exclusively mixed-use retail
<b>4.5%</b>	<b>18.6%</b>



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## RETAIL SF ADDITIONS AND DEMOLITIONS



Salt Lake City. Most of these street improvements are or will be adjacent to zones affected by the Downtown Heights and Street Activation Ordinance. While the concerted efforts of Salt Lake City officials push and plan for more Downtown densification, the automobile is and will continue to be a key factor in development decisions. Both Utah and the Salt Lake City Metro Area ranked near the middle in the U.S. in terms of the most car-dependent states and metro areas (#22 and #29, respectively), per a study by CompareCarInsurance.com, examining average annual miles per driver, average annual miles per vehicle, share of workers commuting by car and share of workers in households with two or more vehicles.

### IMPORTANT CONSIDERATIONS FOR DEVELOPERS BUILDING MIXED-USE RETAIL

- Be proactive about building out space, keeping prospective tenants needs top of mind.
- Address parking and vehicle access up front.
- Look for complementary/synergistic retail tenants for multi-tenant spaces.
- Determine how you will drive retail traffic to the site if not near other retail spaces.
- Analyze surrounding area retail needs and the type of retailer prospective multifamily tenants are likely to

### MIXED-USE RETAIL SUCCESSES

While not replicable everywhere, developments with a rich mix of diverse retail tenants – particularly restaurant and bar occupiers – with high multifamily density within a walkable distance and availability of on-site and/or street parking are experiencing strong lease-up. One such project is Post District, near Salt Lake City’s burgeoning Granary District, which transformed an entire city block from a collection of former industrial buildings into a multifamily-dense development with various food and beverage concepts and will be home to the new headquarters for Traeger. The development, when fully built out, will have 580 apartment units with 56,162 square feet of retail. Retail parking was an important consideration made by the developers, BCG Holdings and Lowe Property Group, to drive traffic to the retail within the development. In addition to the street parking available around the periphery of the development, there are 144 retail parking stalls.

All the tenants taking space in the Post District to this point are food- and beverage-oriented, and is proving to be a successful use for mixed-use retail.

For all the retail square footage added since 2018, food and beverage users account for 58.6% of the total leased space. Spending on restaurants and bars continues to be strong despite lingering inflation after consumers spent multiple years largely at home spending on consumer goods rather than services. Data from the U.S. Census Bureau for September 2023 shows that year-over-year monthly sales spending growth in the food services & drinking places outpaced all other categories, growing 9.2% compared to 3.8% for all retail categories



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for the U.S. The growth of food and beverage leasing is likely to continue to be strong as downtown continues to densify, attracting more working professionals attracted to Salt Lake City to live, work and play.

With food and beverage users being one of the top options for mixed-use retail spaces, it is important to consider specific space build-out aspects for this tenant type. In addition to access and parking for customers, the developer should consider access for delivery drivers for online orders, as well as a loading area for food distributors. Building hood venting all the way to the roof and grease traps are also important in the construction of the project, and more costly to install retroactively. Additional features that would set a food and beverage space apart are taller ceilings and glass storefronts to optimize natural light. Patios are another highly desired feature of food and beverage users and there is a myriad of ways to implement effective patio space. Locating the patio as far off-street is important to avoid the noise and pollution of vehicle traffic, as is partially enclosing the patio space or installing sunshades, awnings, umbrellas and heaters to extend the utilization of the patio. The recently rebuilt Manoli's space at 402 East 900 South took what was an outdoor patio space and enclosed it with large sliding windows that can fully open in nicer weather, and completely close the space to be climate-controlled in the dead of winter or the heat of summer, adding a significant amount of versatile square footage to the restaurant's operations.

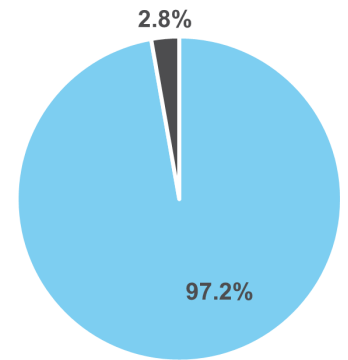


View of Post District from 500 South looking southeast

### LOOKING FORWARD

Salt Lake City will continue to densify, and residential skyscrapers once unheard of in this market will become more commonplace. This will add a new wrinkle to the transformation of retail space in the city. It is imperative that city leaders and developers collaborate to accommodate this density and attendant mixed-use retail space to serve the city of the future while ensuring access and space for vehicles to continue to welcome all those visiting and living in downtown Salt Lake City.

### RETAIL SF ADDITIONS SINCE 2018



■ Mixed-Use Retail ■ Traditional Retail

Sources: Mountain West Research, CoStar, Crexi, Building Salt Lake, Salt Lake County Assessor, Salt Lake City, CompareCarInsurance.com, U.S. Census Bureau

### PREPARED BY:

**ANDY MOFFITT**

amoffitt@mtwest.com  
direct 801.456.8811

[View Profile](#)

**RICH LACHOWSKY**

rlachowsky@mtwest.com  
direct 801.788.4682

[View Profile](#)

**SAUNDRA FIFE**

sfife@mtwest.com  
direct 801.692.6899

[View Profile](#)

312 East South Temple | Salt Lake City, Utah 84111 | Office 801.456.8800 | [www.mtnwest.com](http://www.mtnwest.com)

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