



# MARKET ASSESSMENT

## Midvale Main Street Community Development Project Area

Salt Lake County | July 12, 2021



VISION  
ECONOMICS  
STRATEGY  
FINANCE  
IMPLEMENTATION










# MARKET ASSESSMENT

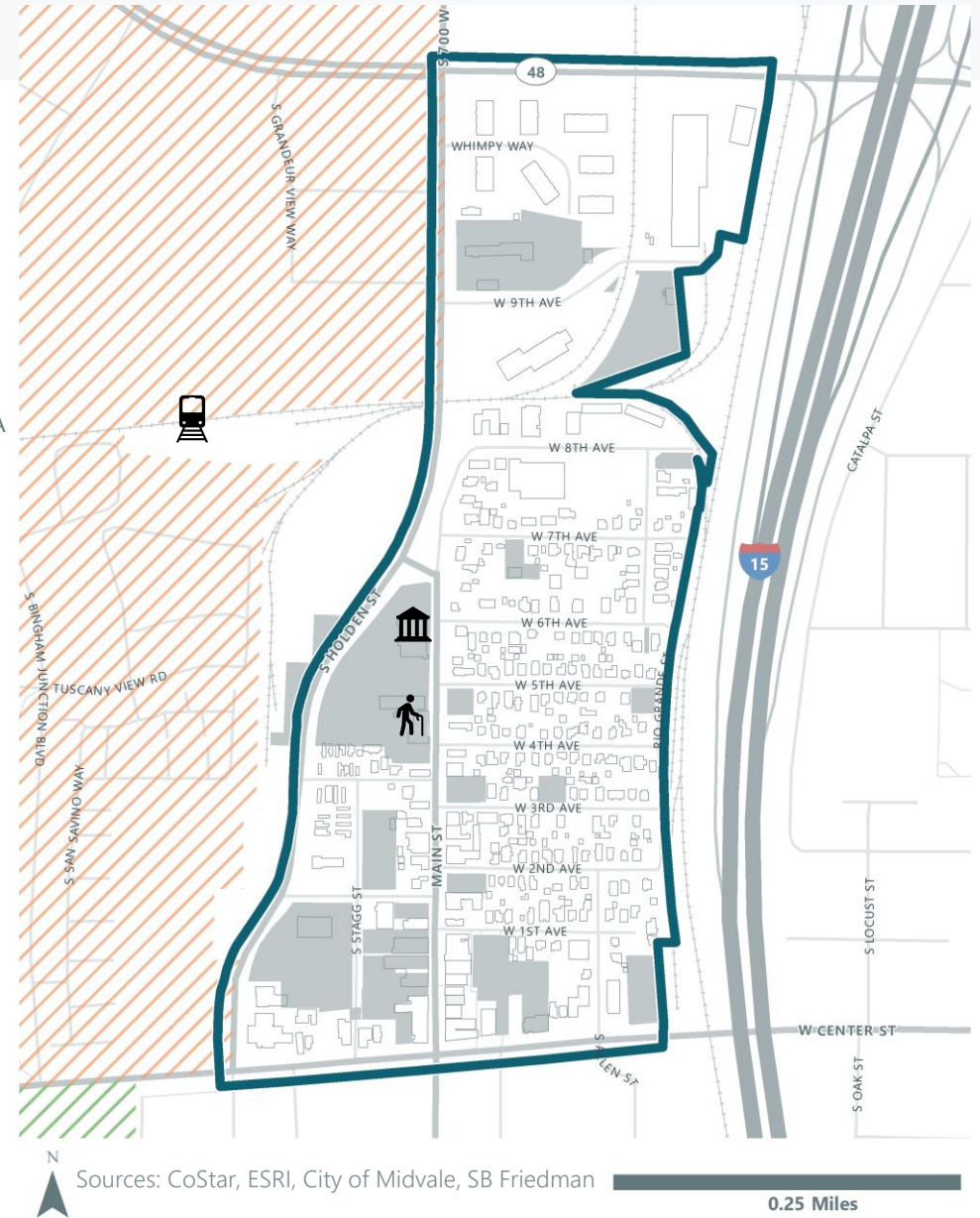
## Midvale Main Street Community Development Project Area

SB Friedman was engaged by Salt Lake County (the "County") to evaluate the real estate market conditions that may be impacting the Midvale Main Street Community Development Project Area (the "PA") and the ability of development to proceed "but-for" public assistance. Our work included:

- Outlining the assets and limitations of the PA;
- Assessing high-level retail, office, and multifamily trends; and
- Highlighting PA trends relative to the adjacent Market Area and County overall.

A summary of our findings is outlined in the following sections.

-  Transit Stations
-  Vacant/Underutilized Land
-  Project Area
-  Bingham Junction PA
-  Jordan Bluffs PA
-  City Hall
-  Senior Center







# MIDVALE vs MARKET AREA

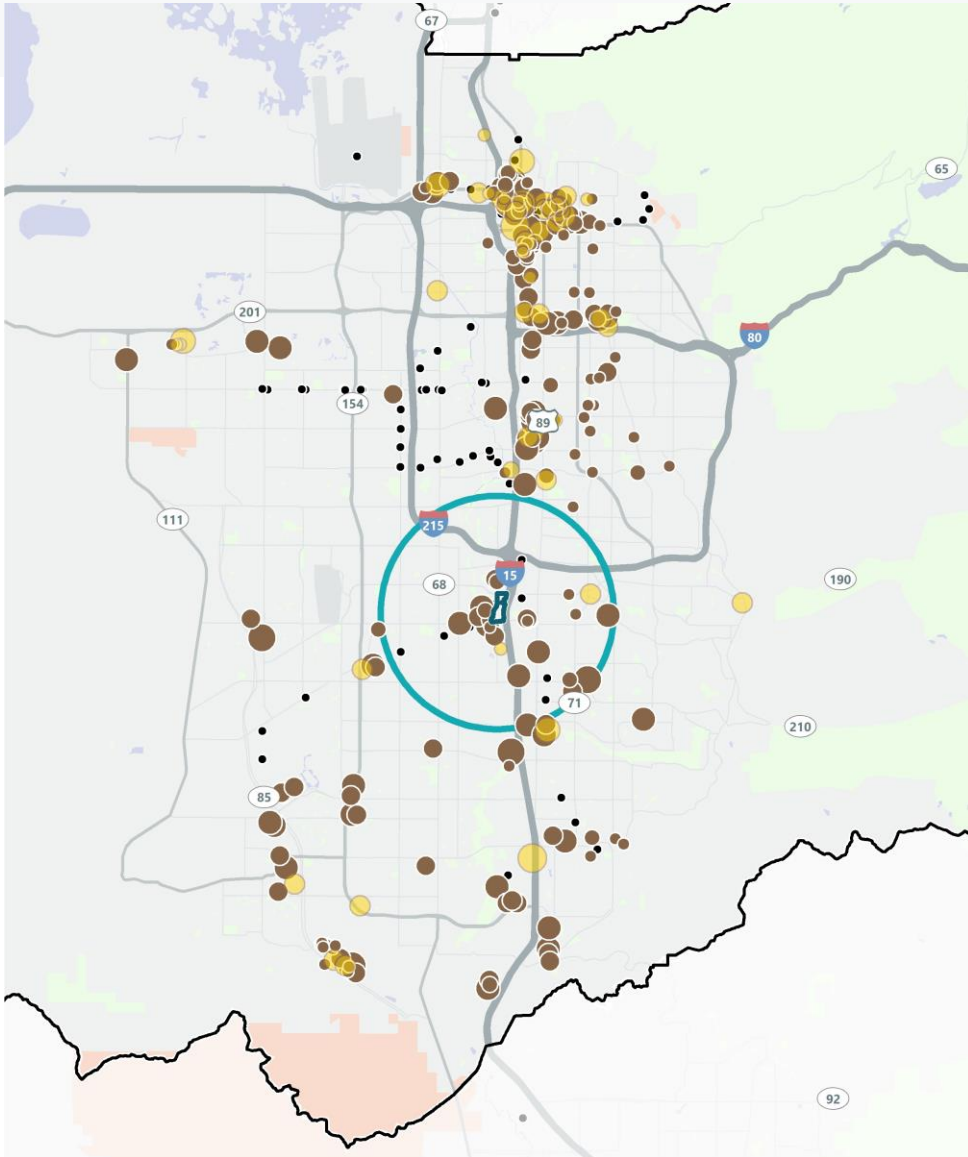


- Market Area strengths
  - Multiple station areas with potential for housing- or employer-driven TOD
  - Access to multiple interstates
  - Proximate to job centers in downtown Salt Lake City and along the interstates
- Recent development highlights
  - Bingham Junction TRAX station opened in 2011
  - Overstock Headquarters completed in 2016 (237,000 SF)
  - CHG Healthcare HQ completed in 2017 (282,000 SF)
  - Nearly 4,000 multifamily rental units completed in the Market Area since 2011

- Transit Stations
- 3 Mile Market Area
- Project Area
- Bingham Junction
- Jordan Bluffs

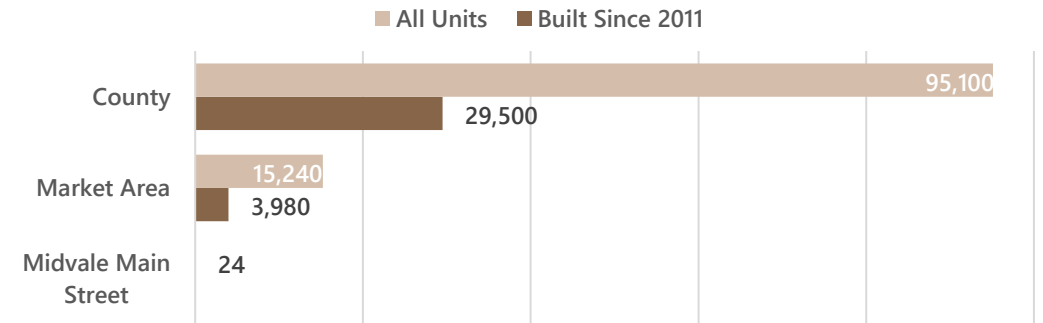
# MULTIFAMILY MARKET

# MIDVALE SUBMARKET vs REGIONAL MARKET



- Salt Lake County added 29,500 multifamily units since 2011 – an increase of 45%
- Development of new multifamily units has been spread throughout the County
- Proposed or under construction units are concentrated within Salt Lake City
- Market Area inventory increased by 26%, a rate lower than the County overall

## MULTIFAMILY UNIT COUNT (2021)

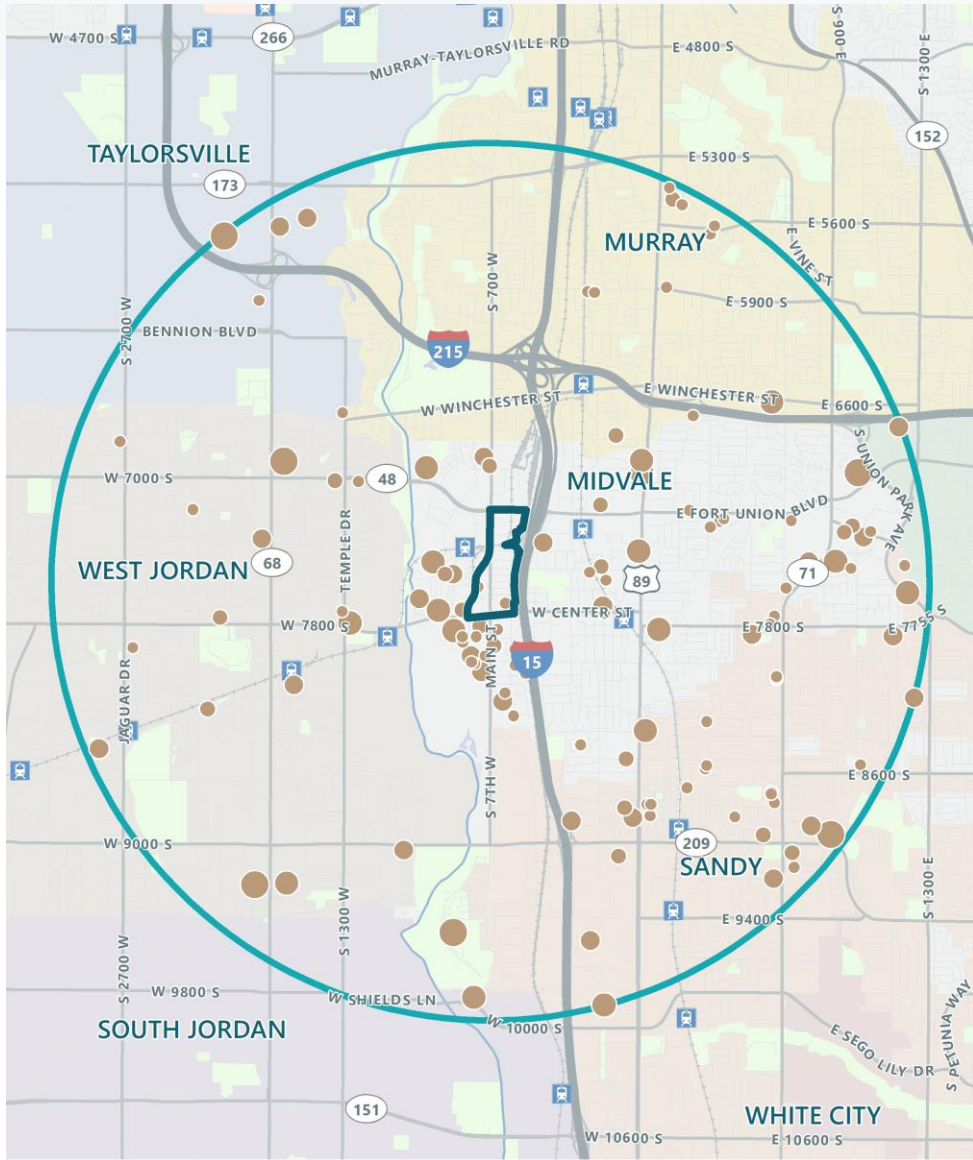


Sources: CoStar, ESRI, SB Friedman



3 Mile

# EXISTING MULTIFAMILY DEVELOPMENT



- PA contains 24 multifamily units with 3% vacancy
- Existing multifamily corridor borders the southwestern edge of the PA
- County vacancy rate is a result of rapid development

## MULTIFAMILY VACANCY RATE (2021)



Sources: CoStar, ESRI, SB Friedman



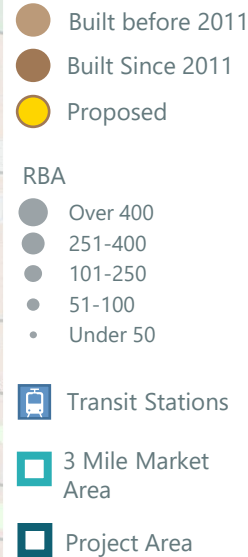
1 Mile



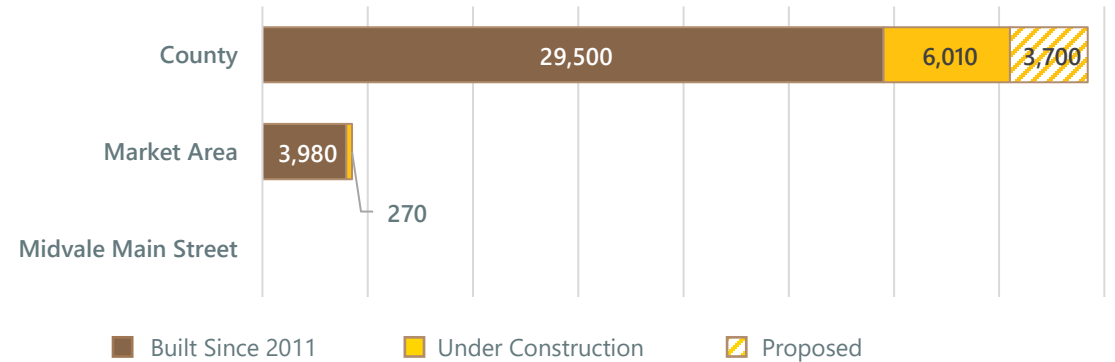
# NEW MULTIFAMILY DEVELOPMENT



- PA has had no new multifamily development in the last 10 years
- Bingham Junction and Jordan Bluffs PAs spurred a significant share of new units in the Market Area since 2011
- Unit count in the Market Area has increased by 35% / 3,700 units since 2011



## MULTIFAMILY UNITS (2021)



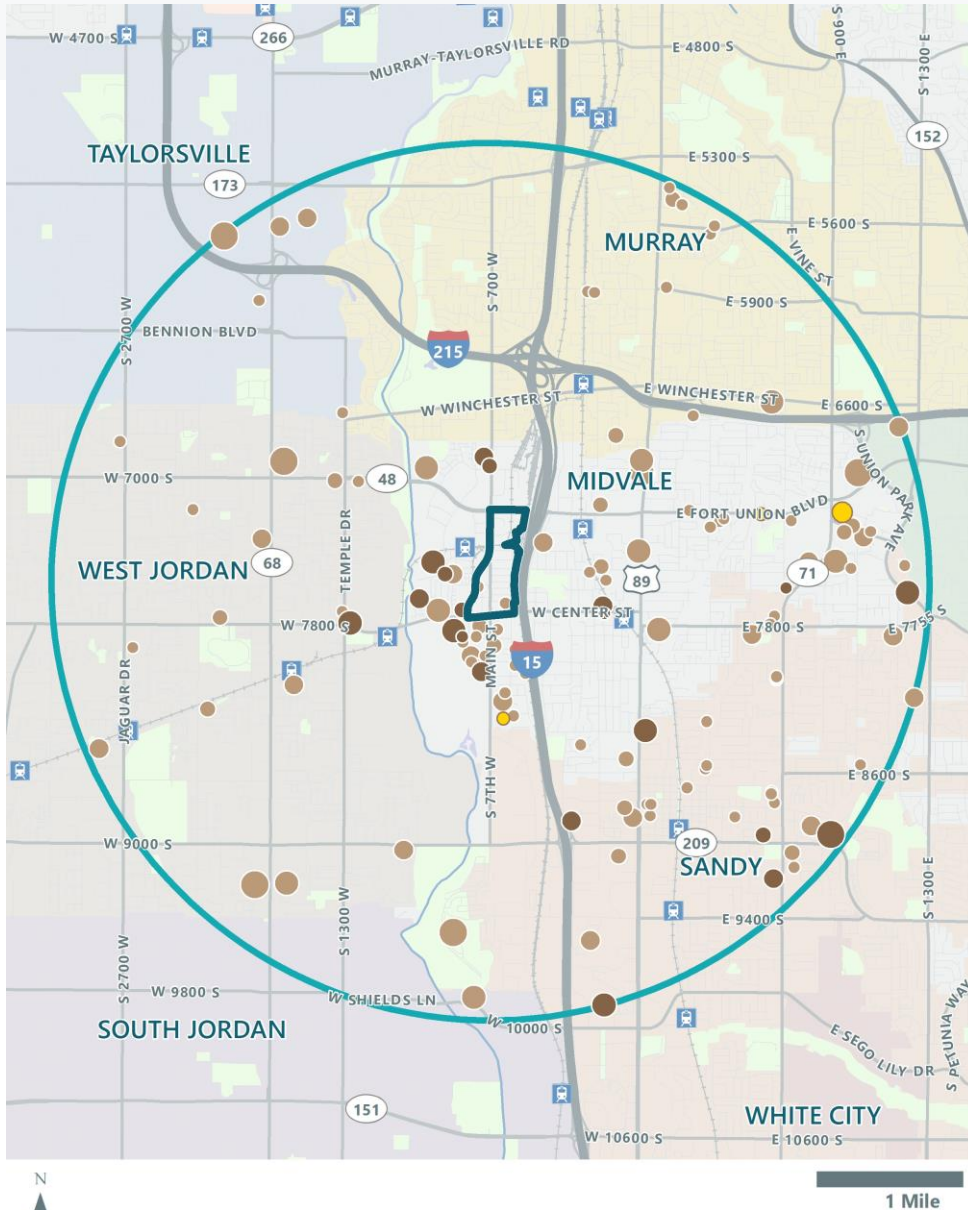
Sources: CoStar, ESRI, SB Friedman



1 Mile

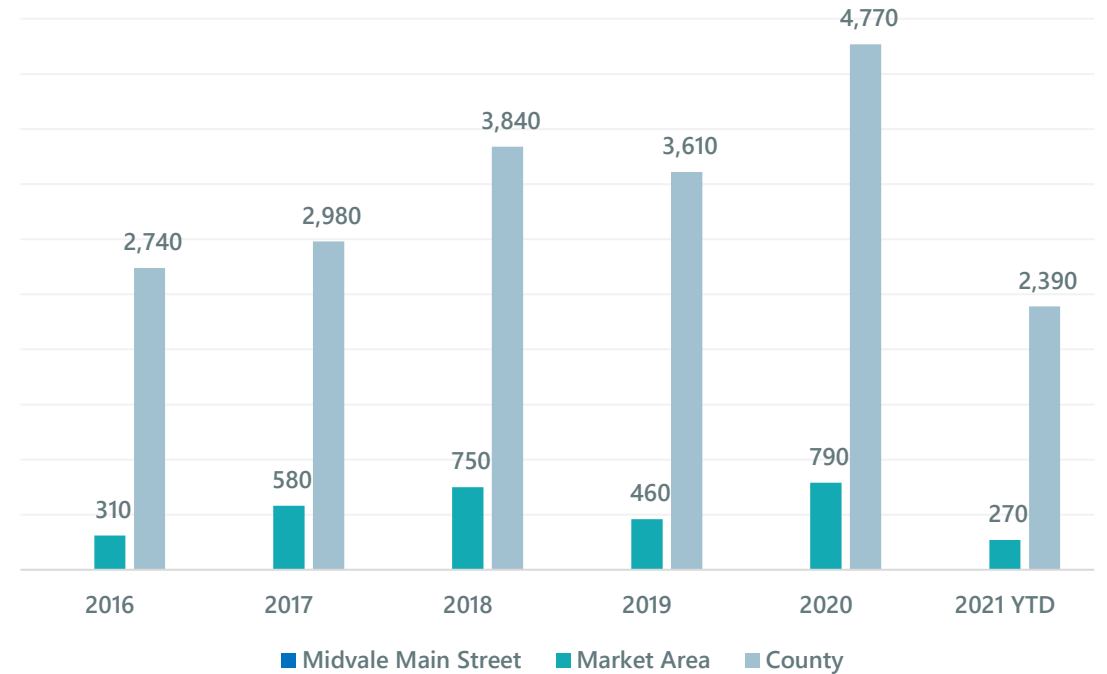


# NEW MULTIFAMILY DEVELOPMENT



- Absorption has kept pace with development
- County net absorption since 2016 = 16,700 units
- Market Area net absorption since 2016 = 3,000 units

ANNUAL NET ABSORPTION OF MULTIFAMILY UNITS DEVELOPED SINCE 2011



Sources: CoStar, ESRI, SB Friedman

# MULTIFAMILY EFFECTIVE RENT

- Midvale Main Street (all units):
  - Lower rents per square foot and overall, due to unit age, size, and amenities
  - 650 square foot units are significantly smaller than market area average
  - Average annual effective rent growth of 1.0% since 2016
- Market Area (units built after 2011):
  - Market area rents of \$1.40 per SF for new development are approaching County-wide rents of \$1.55 per SF
  - Average annual effective rent growth of 3.0% since 2016; exceeds County average of 2.6%

AVERAGE EFFECTIVE RENT BY SUBMARKET PER SQUARE FOOT AND UNIT (2021)

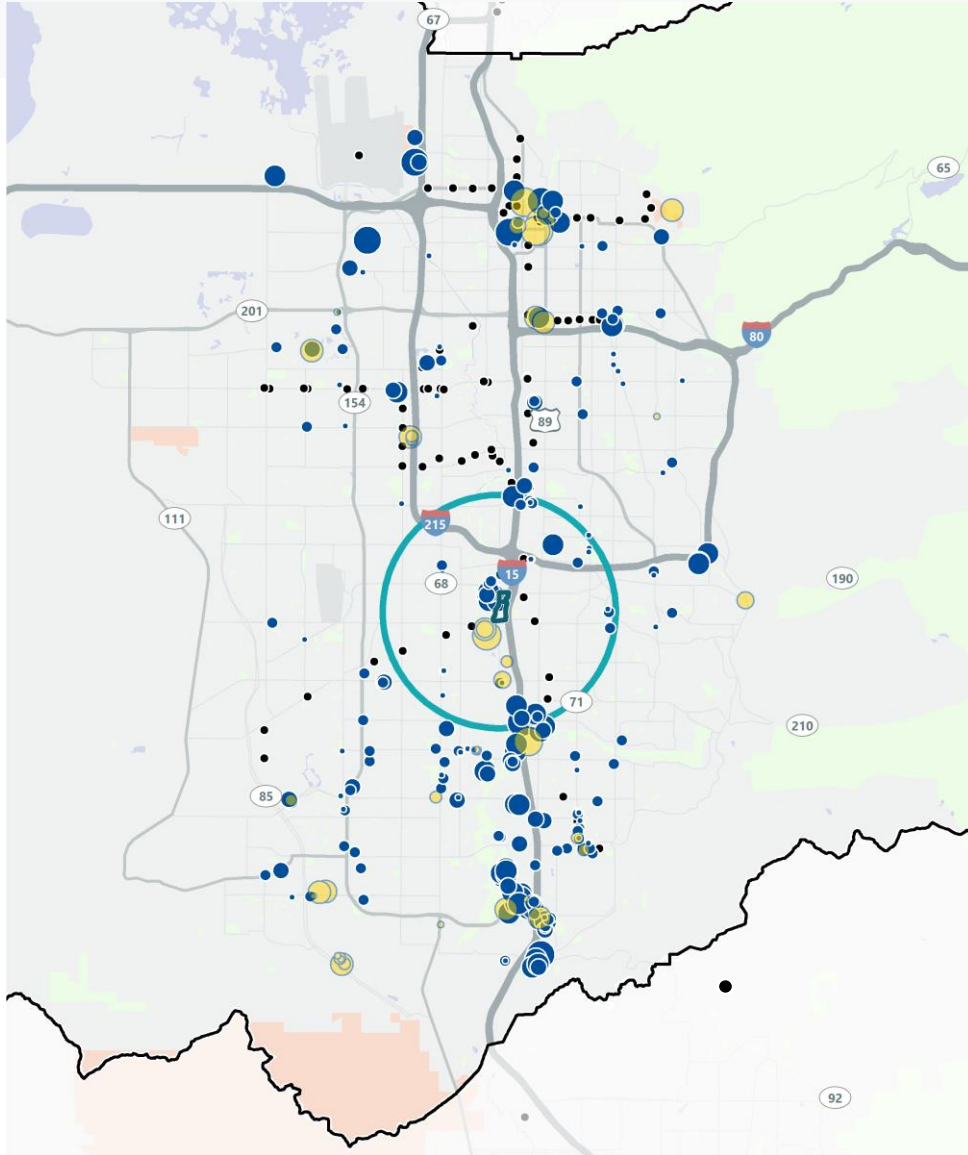


Source: CoStar; SB Friedman



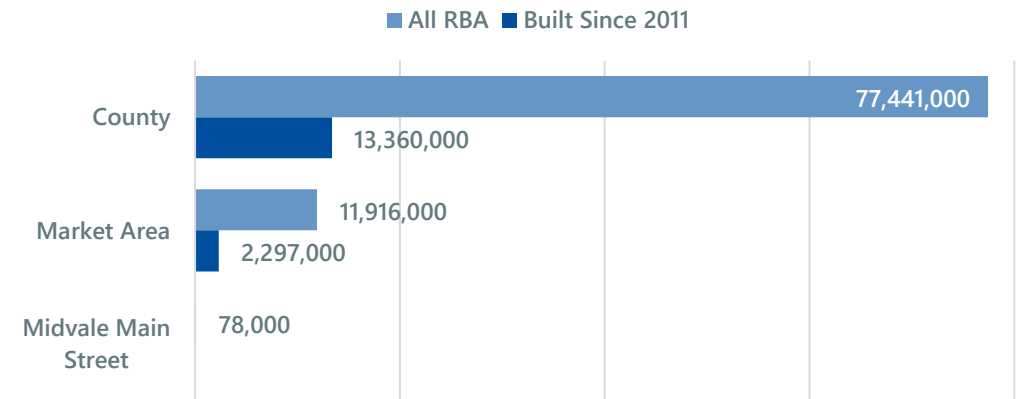
# OFFICE MARKET

# MIDVALE SUBMARKET vs REGIONAL MARKET



- Countywide office inventory has increased 19% since 2011 while rents have increased 43%
- Market Area inventory has increased by 22% since 2011 while rents have increased by 36%
- New development has concentrated on expressway corridors

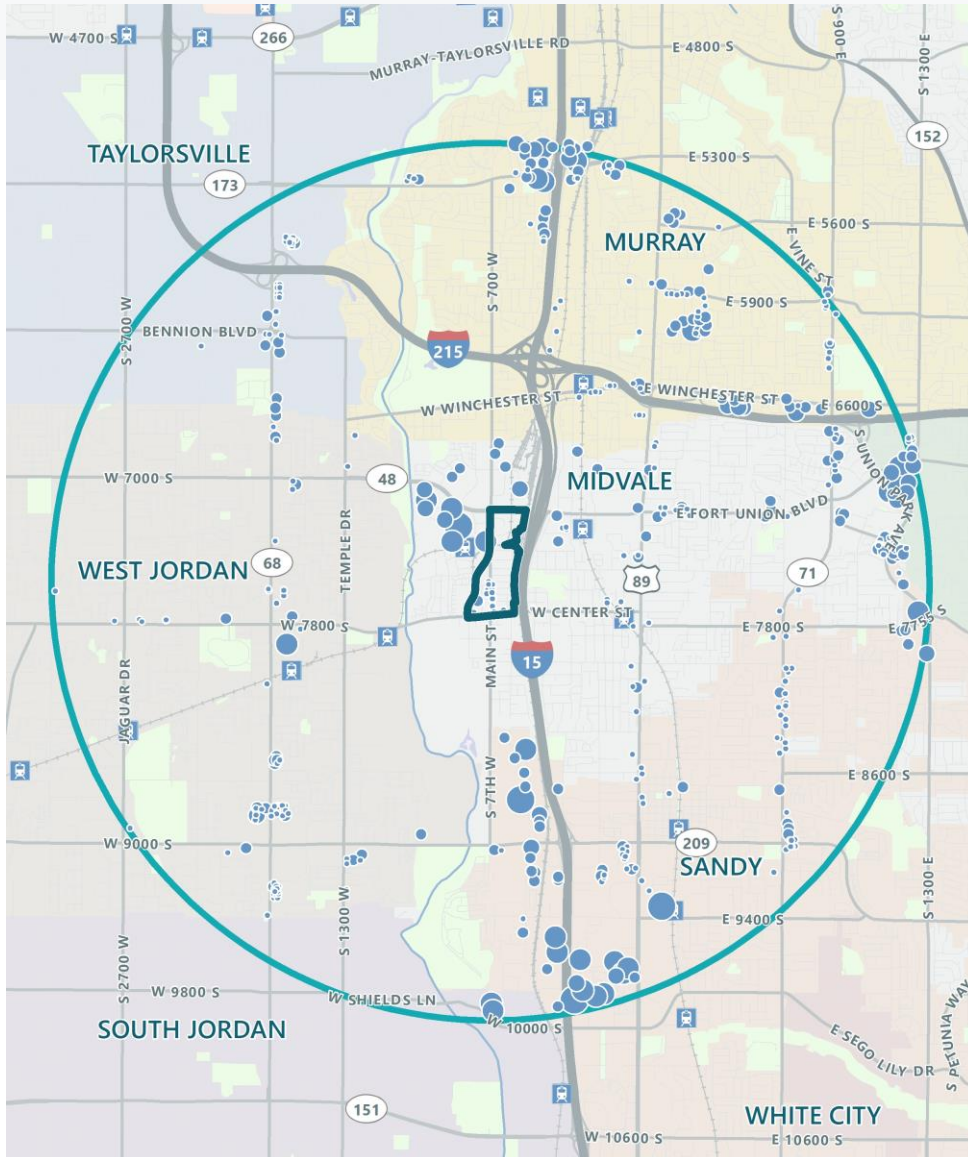
## OFFICE RENTABLE BUILDING AREA - ALL PROPERTIES (2021)



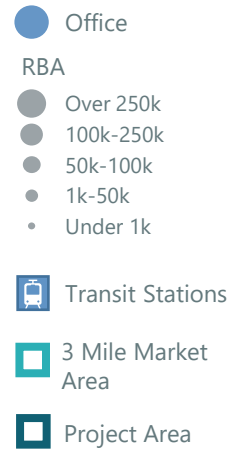
Source: CoStar; Esri; SB Friedman



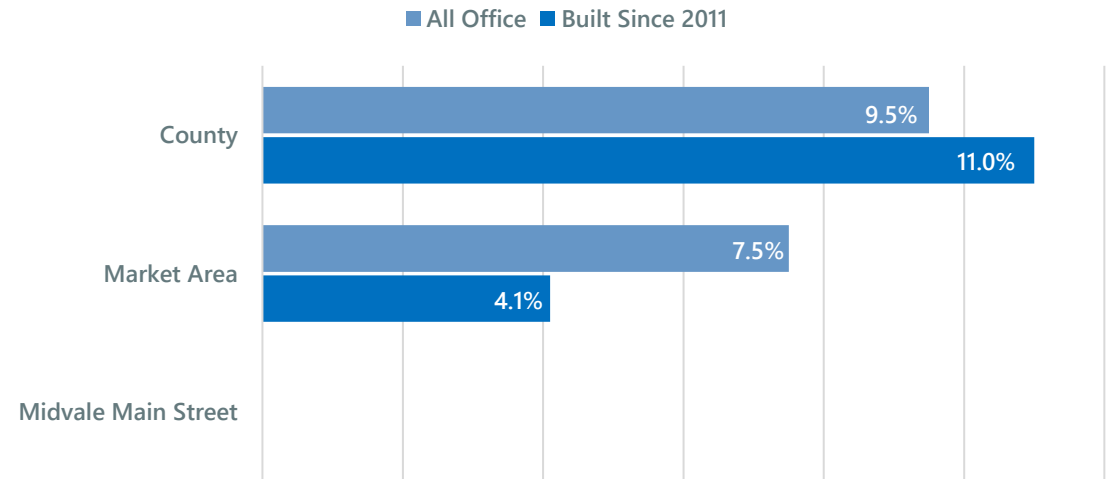
# MIDVALE MAIN STREET AND MARKET AREA



- PA includes 78,000 SF across 21 spaces with limited vacancy
- High County vacancy rates are driven by slow absorption of developments delivering in 2020



## OFFICE VACANCY RATE (2021)

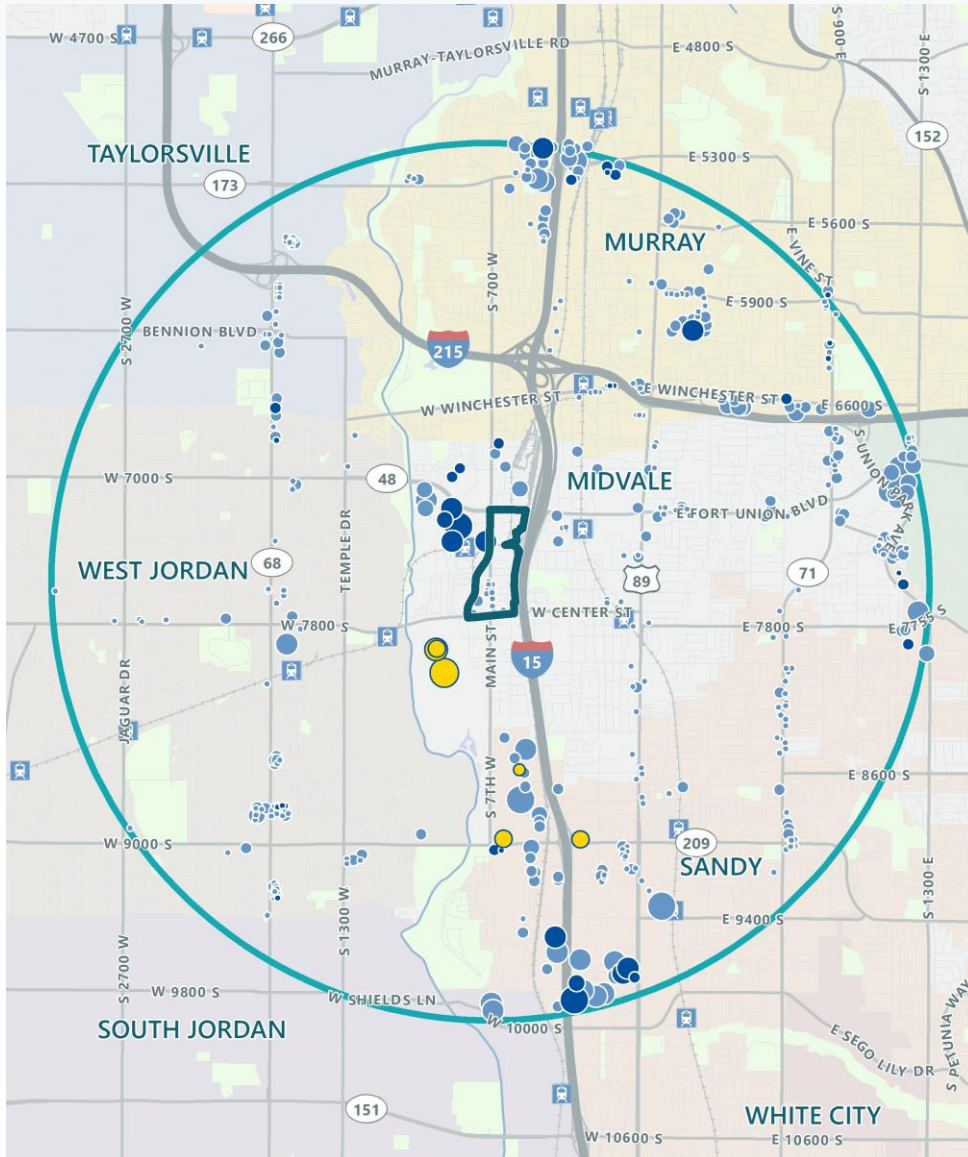


Source: CoStar; Esri; SB Friedman

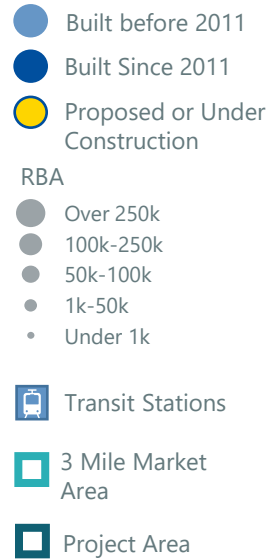


1 Mile

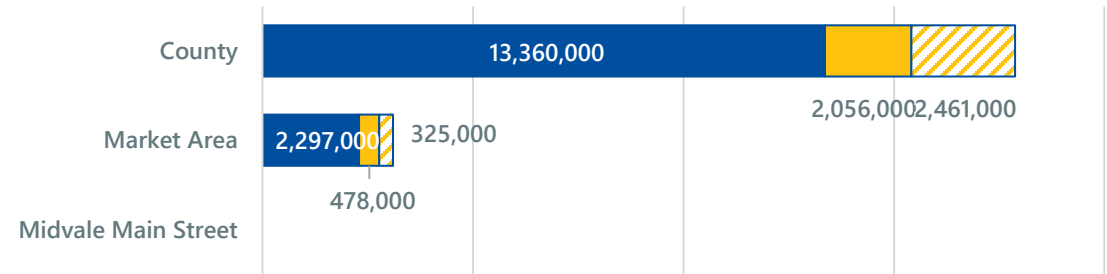
# NEW OFFICE DEVELOPMENT



- PA has not experienced new development in the last 10 years
- Bingham Junction has attracted new office and HQs
- Other Market Area office development has concentrated in Sandy and Murray near the interstate



## OFFICE RENTABLE BUILDING AREA (2021)



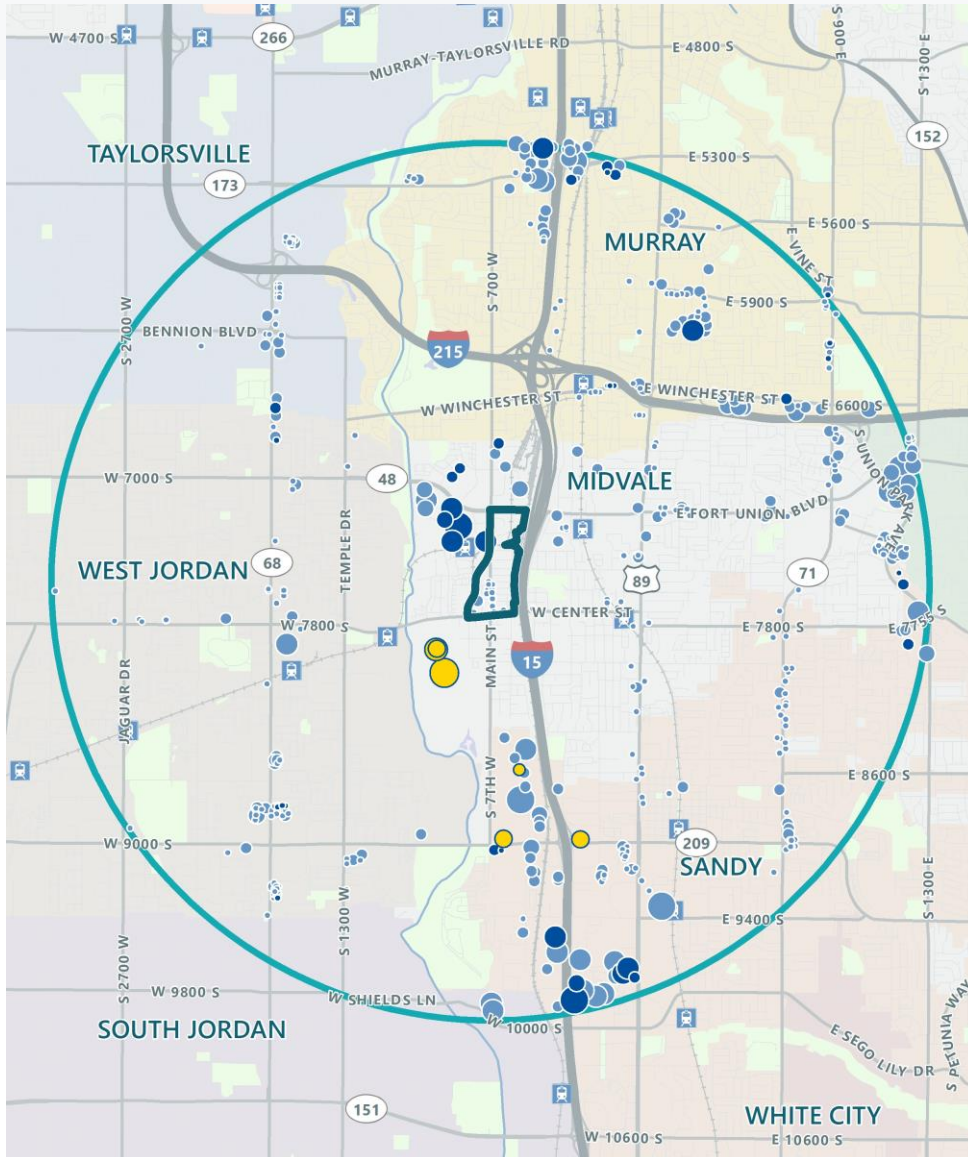
Source: CoStar; Esri; SB Friedman



1 Mile



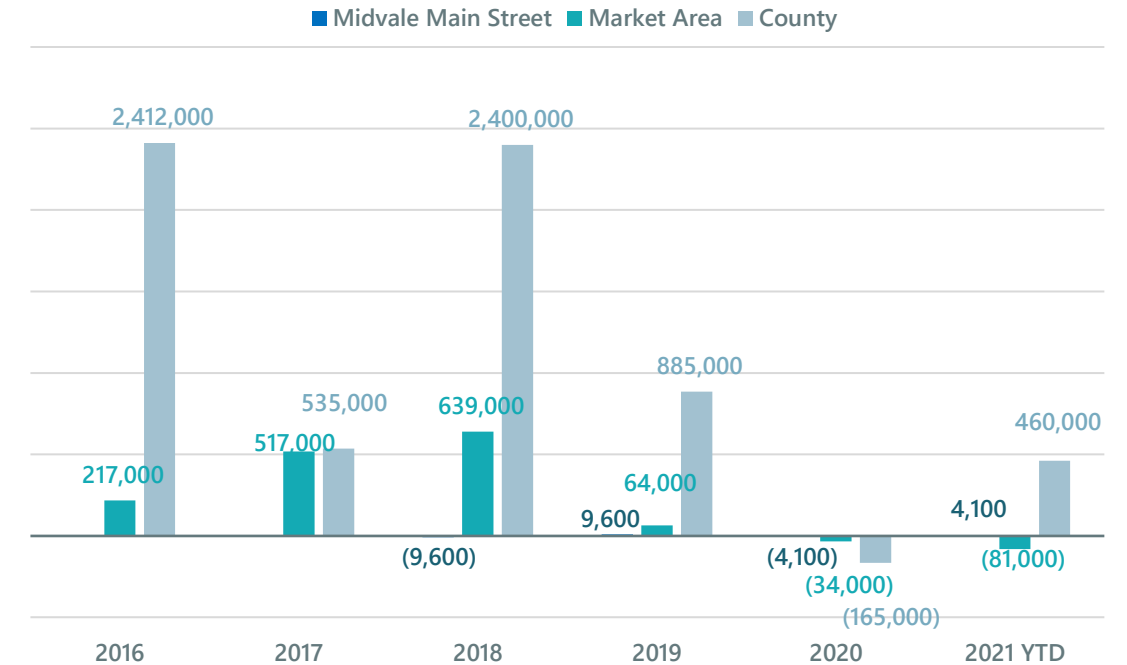
# NEW OFFICE DEVELOPMENT



- PA has experienced slow absorption of vacant product
- COVID has slowed absorption in the County and Market Area

- Built before 2011
- Built Since 2011
- Proposed or Under Construction
- RBA
  - Over 250k
  - 100k-250k
  - 50k-100k
  - 1k-50k
  - Under 1k
- 🚏 Transit Stations
- 📏 3 Mile Market Area
- 📐 Project Area

## ANNUAL NET ABSORPTION OF OFFICE SQUARE FOOTAGE



Source: CoStar; Esri; SB Friedman

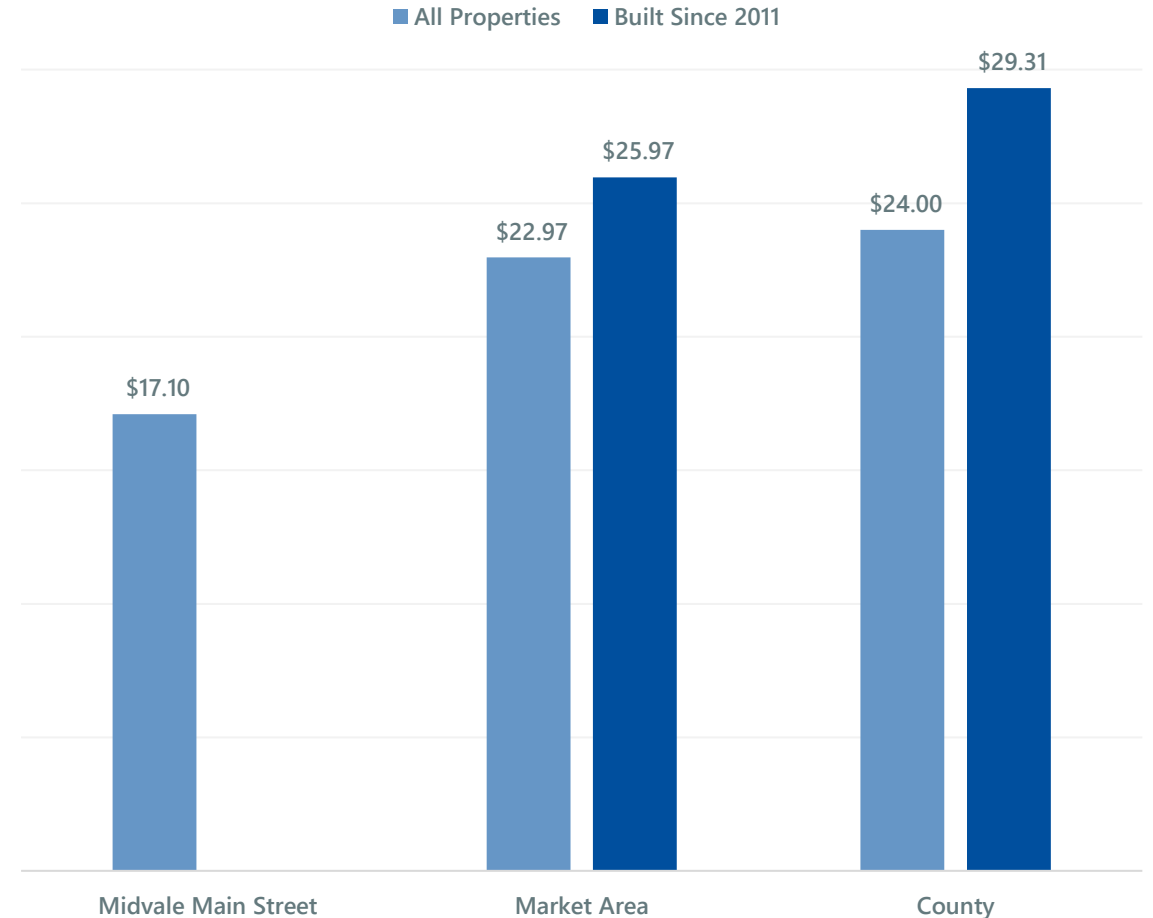


1 Mile

# OFFICE NET EFFECTIVE RENT

- PA rents of \$17.10 are significantly lower than Market Area and County averages
- While older product in the Market Area rents at rates similar to County averages, new product rents at \$5/SF below County averages
- Higher rents across all users are concentrated near Downtown Salt Lake City
- Medical office in suburbs such as Riverton, Holladay, and Cottonwood also generates rents in the range of \$25-\$30/SF

AVERAGE RENT PER SQUARE FOOT BY MARKET (2021)

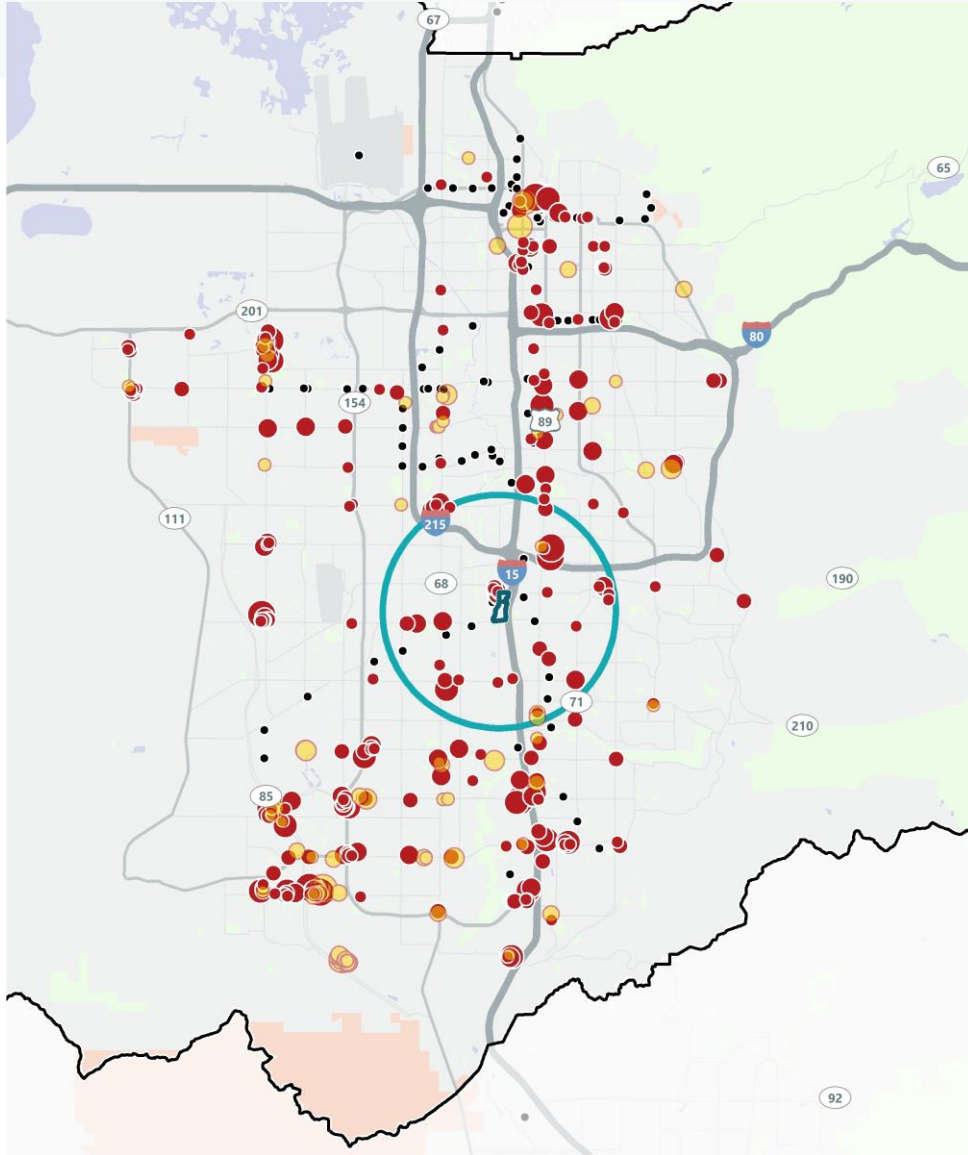


Source: CoStar; Esri; SB Friedman



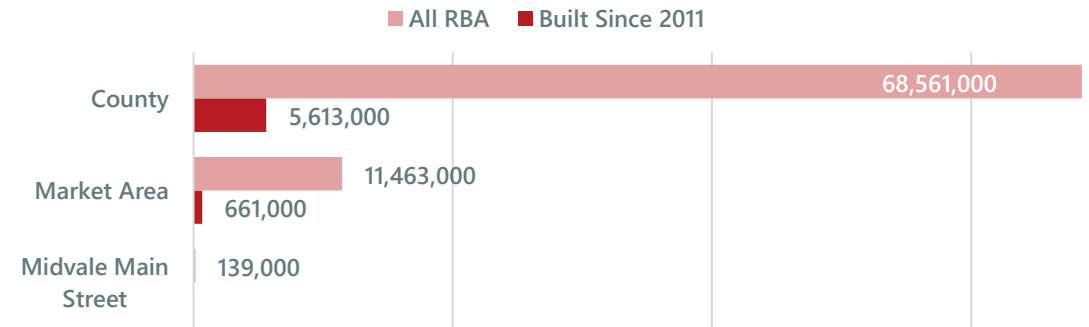
# RETAIL MARKET

# MIDVALE SUBMARKET vs REGIONAL MARKET



- Countywide retail inventory grew 5.5% from 2011-21 while rents increased 28%
- Inventory in the Market Area grew 1.4% while rents increased 36%
- New retail has been scattered throughout the County along major arterials

## RETAIL RENTABLE BUILDING AREA - ALL PROPERTIES (2021)

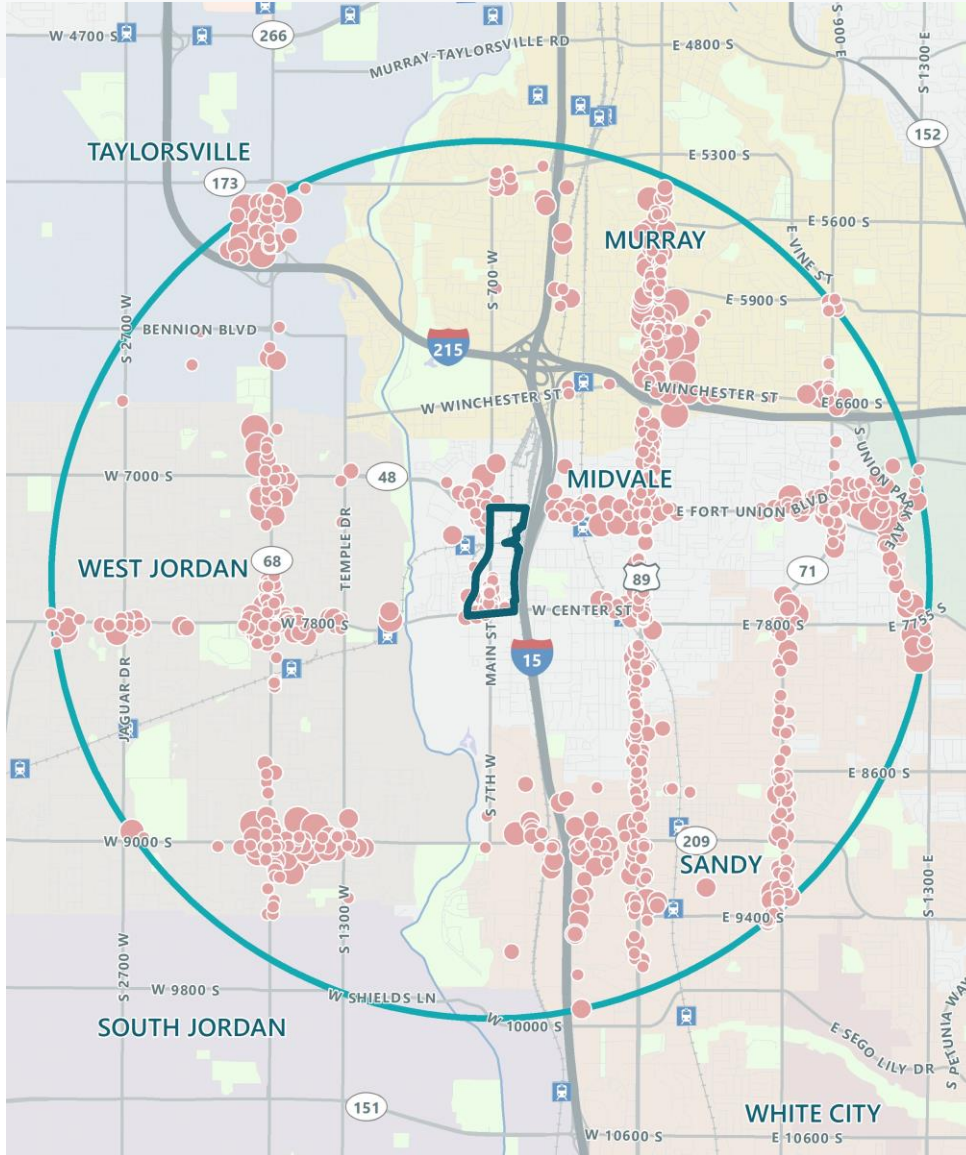


Source: CoStar; Esri; SB Friedman



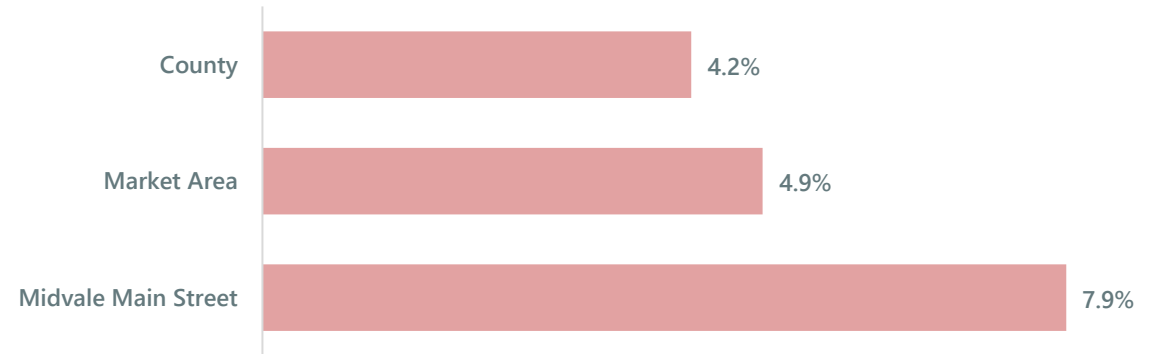
3 Mile

# MIDVALE MAIN STREET AND MARKET AREA



- PA has 139,000 SF of retail across 36 buildings with 7.9% vacancy
- Market Area has 11.5 M SF of RBA and a significantly lower vacancy rate of 4.9%
- Countywide vacancy rate is slightly lower at 4.2%

## RETAIL VACANCY RATE (2021)



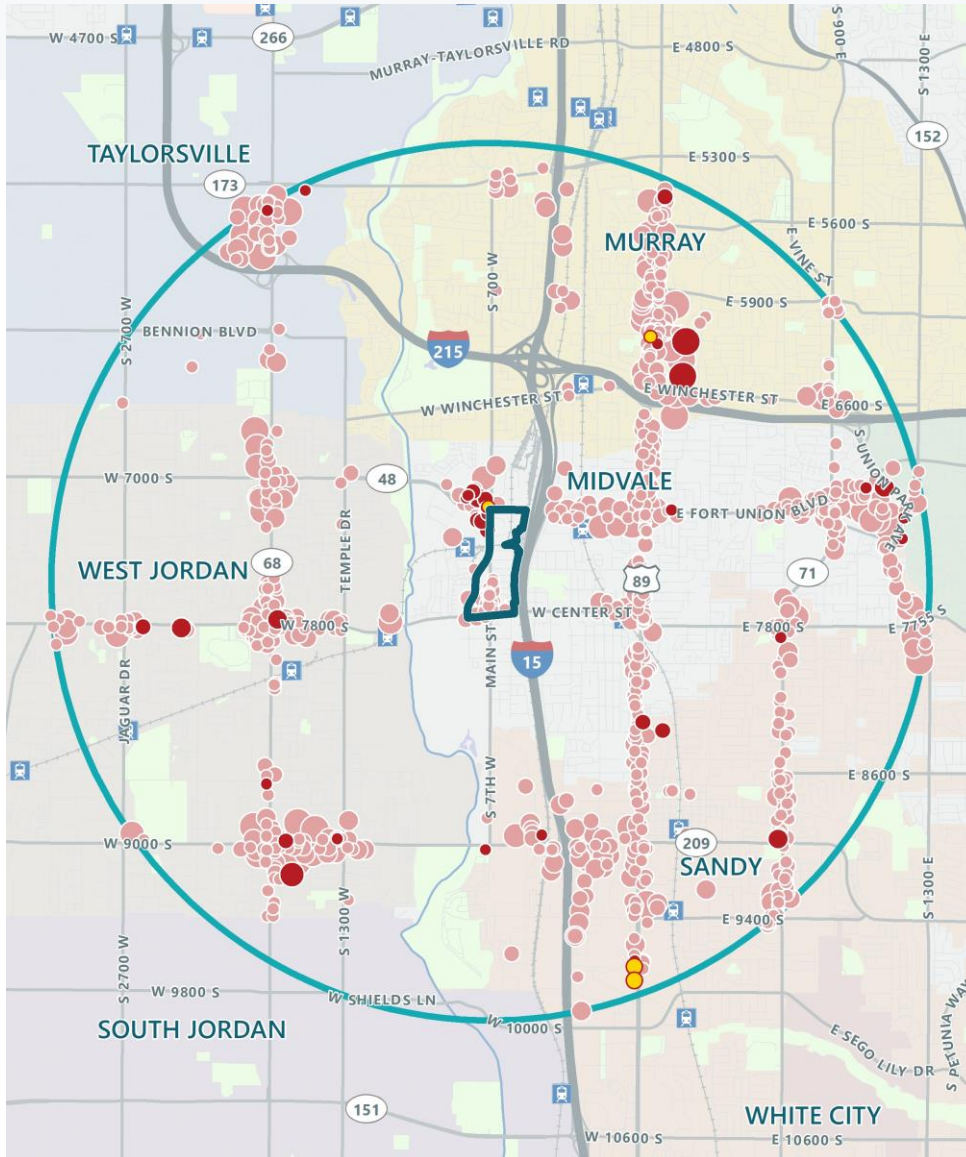
Source: CoStar; Esri; City of Midvale, SB Friedman



1 Mile

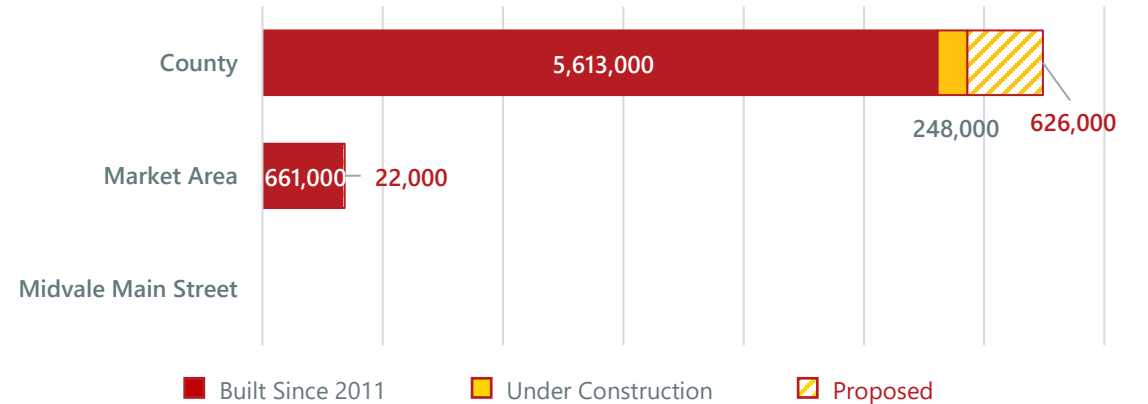


# NEW RETAIL DEVELOPMENT



- Brigham Junction is a new retail node in the Market Area and adjacent to the PA
- Other new retail has been concentrated in existing retail nodes
- PA has no proposed or under construction retail development

## RETAIL RENTABLE BUILDING AREA (2021)

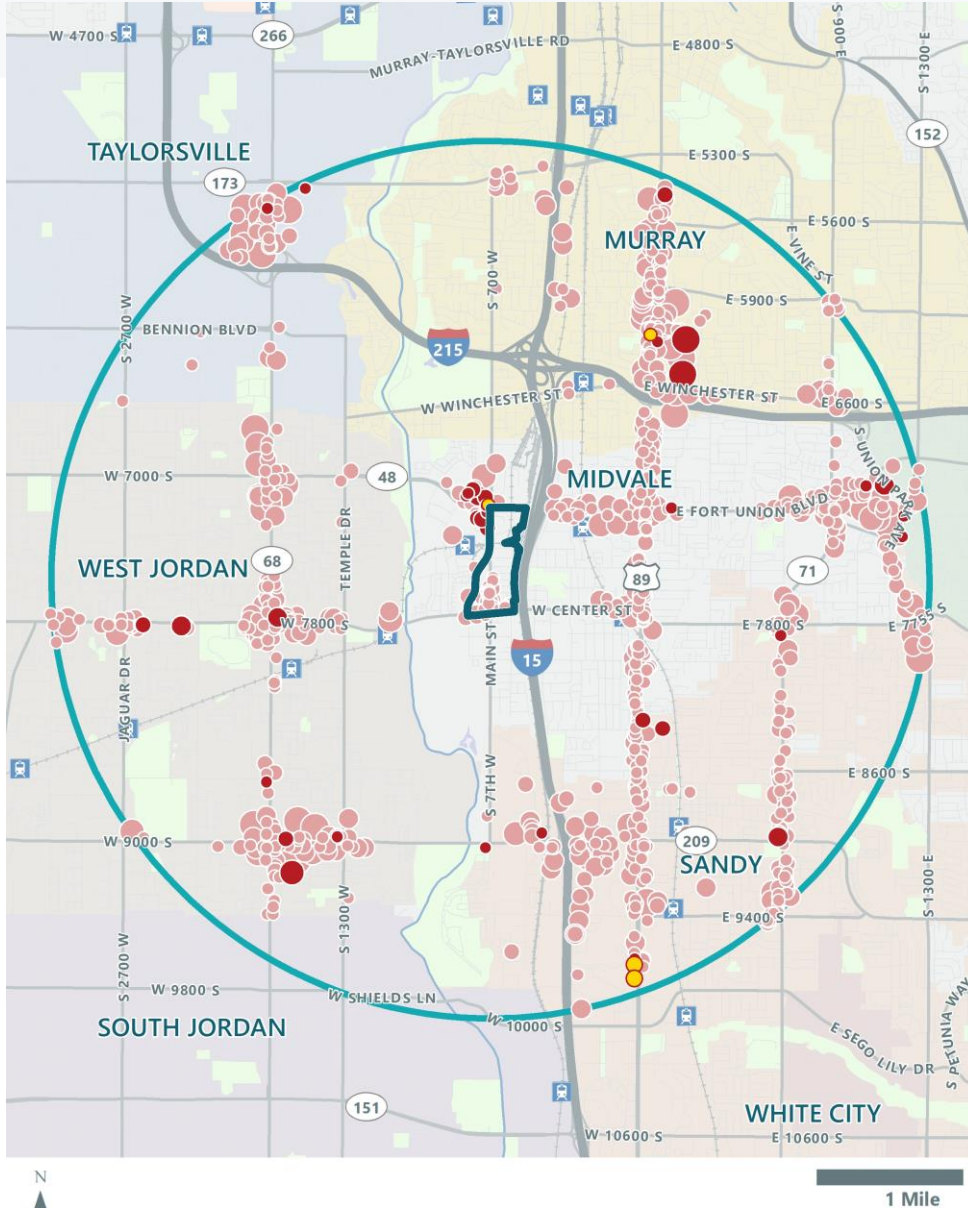


Source: CoStar; Esri; SB Friedman



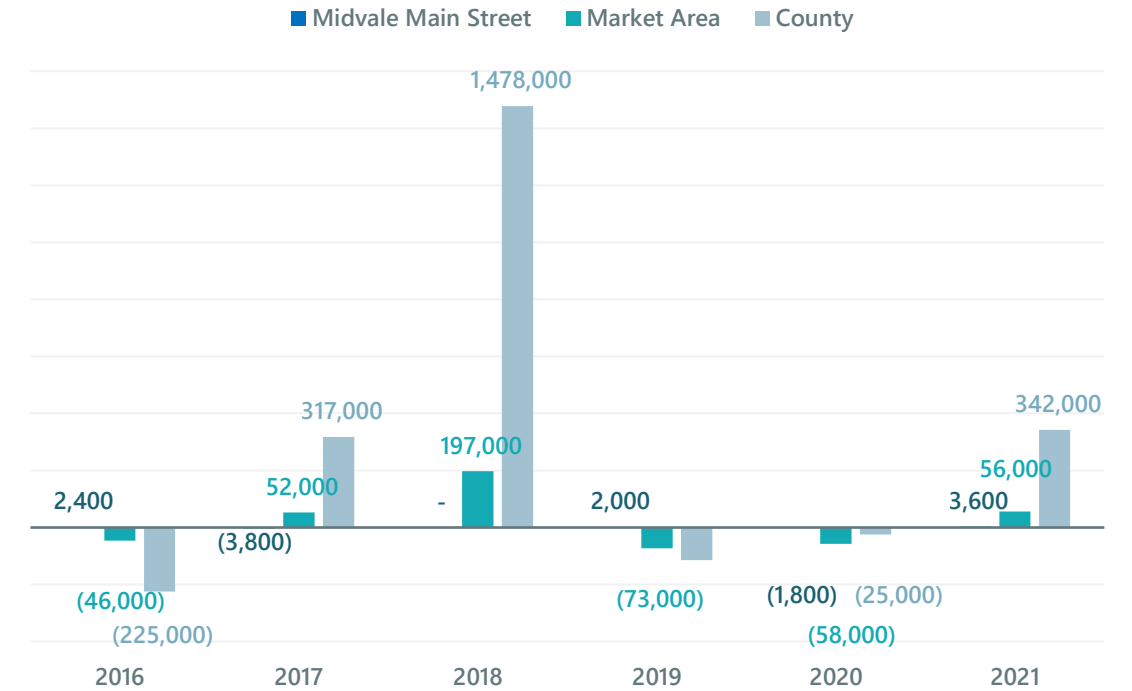
1 Mile

# PROPOSED RETAIL DEVELOPMENT



- Retail absorption has been minimal in the last 10 years
- COVID appears to have slowed absorption
- New retail adjacent to the PA is operating at normal vacancy rates with good absorption

## ANNUAL NET ABSORPTION OF RETAIL SQUARE FOOTAGE



Source: CoStar; Esri; SB Friedman

# RETAIL NET EFFECTIVE RENT

- Market Area rents for new retail product have exceeded County averages since 2016
- PA existing product rents are significantly lower than the Market Area and County
- Rent trends:
  - Countywide rents for new product have decreased 12.4% since 2016 while rents for all product have increased by 11.9%
  - Market Area rents for new product have remained flat since 2016 and rents for all product have increased by 19.5%
  - PA rents have decreased by 1.4% since 2015 (insufficient data available for 2016)

**AVERAGE EFFECTIVE RENT BY SUBMARKET PER SQUARE FOOT (2021)**



Source: CoStar; Esri; SB Friedman



# CONCLUSIONS

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## PA development has lagged the Market Area and County

- Midvale Main Street PA:
  - Has experienced limited new development in the last 10 years
  - Rents for retail, office, and multifamily are consistently below the Market Area and County
  - Within Midvale, Bingham Junction and Jordan Bluffs have likely offered easier to develop opportunities with larger sites, new infrastructure, and direct access to TRAX
  - Small parcels, mixed uses, and the typically higher costs of redevelopment likely limit redevelopment potential for Main Street
- Market Area has experienced robust development of multifamily and office in the last 10 years
- Redevelopment of the PA is likely to require investment in infrastructure and catalytic projects



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# LIMITATIONS OF OUR ENGAGEMENT

Our deliverables are based on estimates, assumptions and other information developed from research of the market, knowledge of the industry, and meetings/teleconferences with the City and developers during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the deliverable. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise analyses or the deliverables to reflect events or conditions that occur subsequent to the date of the deliverable. These events or conditions include, without limitation, economic growth trends, governmental actions, changes in state statute or city ordinance, additional competitive developments, interest rates, and other market factors. However, we will be available to discuss the necessity for

revision in view of changes in the economic or market factors affecting the proposed project.

Our deliverables are intended solely for your information, for purposes of reviewing a request for financial assistance, and do not constitute a recommendation to issue bonds or other securities. The report should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document intended for use in obtaining funds from individual investors without our prior written consent.

We acknowledge that upon submission to the Albuquerque Metropolitan Redevelopment Agency, the report may become a public document within the meaning of the Freedom of Information Act. Nothing in these limitations is intended to block the disclosure of the documents under such Act.