

Salt Lake City Development Spurs Additional Investor Interest in This Emerging Hotel Market

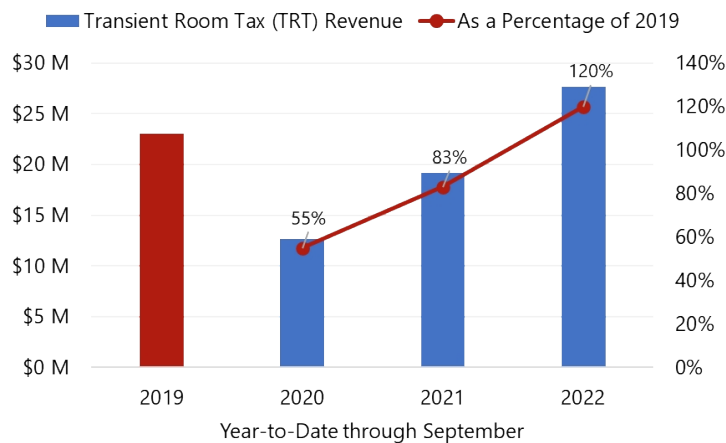
December 26, 2022 / By Lauren Reynolds , Ryan Mark



Salt Lake City benefits from one of the busiest airports in the western U.S. and a strategic location near several landmarks and tourist attractions, including the **Mighty 5**. Transient demand to the city surged in 2021 as Utah became a popular drive-to leisure destination, but commercial travel continues to lag behind 2019 levels, similar to the rest of the nation. Commercial demand is expected to return fully by year-end 2023 or the beginning of 2024. Nonetheless, the city has enjoyed increases in demand as the local economy has recovered

from the effects of the COVID-19 pandemic in 2020. Most notably, the market has enjoyed a significant increase in ADR levels, especially thus far in 2022. In addition to the overall strength of the local economy, Salt Lake City has become a focal point for new development in recent years.

The following chart illustrates the combined year-to-date transient room tax (TRT) revenues for both Salt Lake and Utah counties in the year-to-date period through September for 2019 through 2022. These data further demonstrate the strength of the local lodging market.



Source: State of Utah

Development Activity

Development activity is surging in the greater Salt Lake City market. We have outlined the most notable developments below; however, this list is not exhaustive, as these projects are spurring additional growth throughout the greater market.

Hyatt Regency Salt Lake City

The opening of the 700-room **Hyatt Regency** in Salt Lake City on October 17, 2022, has brought new life to the convention sector in the market. This is the first hotel attached to the **Salt Palace Convention Center**, and it has placed Salt Lake City on the map for larger convention groups and more high-end conventions and events. The new hotel has already begun to diversify the convention demand mix, which now includes everything from youth group events to high-end health and medical groups. With the positive influence of the new Hyatt

Summary

Salt Lake City has historically played second fiddle to larger Rocky Mountain cities such as Denver; however, a new convention hotel, a multimillion-dollar airport expansion, and the state's popularity as a leisure destination in both the summer and winter have elevated Salt Lake City's position from a regional to a national player for hotel investment.

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Regency, among other factors, **Outdoor Retailer** announced that the winter and summer tradeshow will be held in Salt Lake City for five years starting in 2023, after five years in Denver.

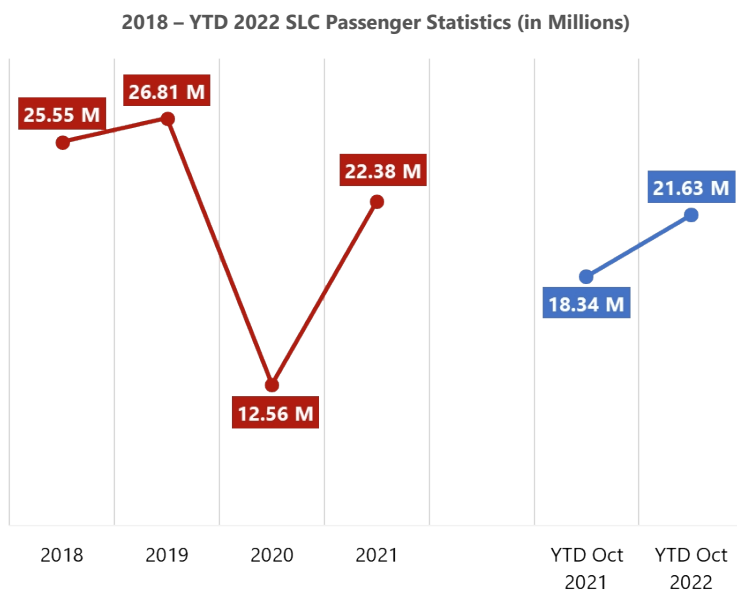
The Point

In July 2022, all inmates were relocated from the original **Utah State Prison** in Draper, just south of Salt Lake City, to the new **Utah State Correctional Facility**, located west of the **Salt Lake City International Airport**. With the relocation of inmates complete, redevelopment plans for the original prison site in Draper are moving forward. Demolition of the buildings is expected to be completed by early 2023 to make way for a massive development called **The Point**. Slated to begin construction in 2024, The Point will comprise a 600-acre mixed-use community featuring high-density housing, office space, retail, and other uses. The economic growth expected in conjunction with the development of The Point has caused many developers to begin planning limited- and select-service hotel projects in the Draper area.

Salt Lake City International Airport

Year-to-date airport passenger traffic through October has rebounded beyond the 2019 level through October. Reportedly, the surge in travel began in the fall of 2020, driven primarily by increases in leisure demand. The second phase of the airport expansion is slated for completion in 2024, which will support even higher passenger traffic levels. This phase will include the construction of Concourse A, featuring 22 gates, and the Central Tunnel, which will connect Concourses A and B.

The following chart illustrates passenger traffic volume at the Salt Lake City International Airport.



Source: Salt Lake City International Airport

New Supply

Given the robust development that has occurred over the past several years throughout Salt Lake City, the market has become a focal point for hotel developers. One major development is the **Granary Campus**, which is the redevelopment of a former 100,000-square-foot warehouse building. The mixed-use project is expected to include an 85-bed, outdoor-recreation-oriented hotel, as well as an **evo** flagship store, **Level Nine Sports**, a bouldering park, and an indoor skatepark. A **Kimpton Hotel** is also reportedly in the early planning stages for Downtown Salt Lake City, and the boutique Union Pacific Hotel is in the review stages with city officials. Moreover, according to local planning officials, several limited- and select-service hotels are proposed or under development within the Salt Lake County and Utah County markets.

Outlook

The outlook for the market is extremely optimistic. The local economy is becoming more diverse, with the presence of the aerospace and defense, life science, information and technology, and financial services industries and sectors, to name a few. Given the growth and expansion in both the Downtown core and the area south of Salt Lake City, a number of hotels are proposed for development throughout the region. Furthermore, local hoteliers in Salt Lake City are reportedly planning higher budgets for 2023, with the expectation that demand will remain strong, despite the slower-than-anticipated return of commercial travel. Although ADR declines are expected for smaller, lower-rated hotels in Salt Lake City, the entrance of the high-rated Hyatt Regency should bolster ADR levels for area hotels in the upper-midscale asset class and above.

Lauren Reynolds will open the new HVS Salt Lake City office in March 2023. For more information on this market or to inquire about a specific hotel project, please contact either Lauren or **Ryan Mark**, who is with the **HVS Denver** team.

About **Lauren Reynolds**



Lauren Reynolds, leader of the HVS Salt Lake City office, is a market expert in Utah, Montana, Idaho, and Wyoming, as well as the Pacific Northwest. In addition, she is a national park lodging expert with notable expertise in Zion National Park, Grand Teton National Park, Yellowstone National Park, Glacier National Park, Yosemite National Park, and Mount Rainier National Park. During her time at HVS, Lauren has evaluated hundreds of hotels spanning all asset classes, including limited-service hotels, select-service hotels, and full-service hotels and resorts. She specializes in complex assets, including ultra-luxury resorts and unique lodging properties such as glamping resorts in highly seasonal markets. In addition to hotel appraisals, she performs several types of projects including, but not limited to, feasibility studies, market studies, purchase price allocations, and various research assignments. She is also a state-certified general appraiser. For more information, contact Lauren at or (517) 920-3506.

About **Ryan Mark**



Ryan Mark, a Director with HVS Denver, brings first-hand experience, excellent communication and problemsolving skills, and attention to detail to conduct hotel market studies, feasibility studies, and valuations. Before joining HVS, Ryan worked in various roles in housekeeping and front office management at the 1,100-room Hyatt Regency Denver; he also acted as Assistant Manager of the hotel. Ryan earned his BS in Restaurant and Resort Management from Colorado State University. Contact Ryan at (303) 881-4762 or .