Yardi® Matrix

MULTIFAMILY REPORT

Testing Salt Lake City's Vigor

Summer 2020

Per-Unit Prices Inflate

Investor Appetite Endures

Development Powers Through

SALT LAKE CITY MULTIFAMILY

Yardi Matrix

Rent Growth Tracks Downward

Backed by a long-running economic and demographic expansion, the Salt Lake City multifamily market had a late-cycle growth spurt. The coronavirus crisis may have threatened to inhibit the metro's progress, but the Wasatch Front has taken the hit fairly well compared to most major U.S. metros. Rent gains contracted by 0.2% on a trailing three-month basis as of May, on par with the national growth rate.

The downtown area remains a magnet for both investors and developers. Several large transit-oriented projects are underway including Giv Development and Domain Cos.' $124 million The Exchange and Ritchie Group's Block 67, adjacent to Vivint Smart Home Arena. Salt Lake County allowed construction to continue during the statewide stay-at-home order, putting the $4.1 billion expansion of Salt Lake City International Airport ahead of schedule.

Multifamily sales surpassed $407 million in the first five months of the year—a visible increase from 2019. Meanwhile, developers brought 1,682 units online. The metro's robust economy, less severe coronavirus-induced lockdown and rather low number of COVID-19 infections will likely contribute to its quick recovery from the pandemic, according to a Moody's Analytics report.

Recent Salt Lake City Transactions

Hardware

City: Salt Lake City
Buyer: Oakmont Properties
Purchase Price: $200 MM
Price per Unit: $442,127

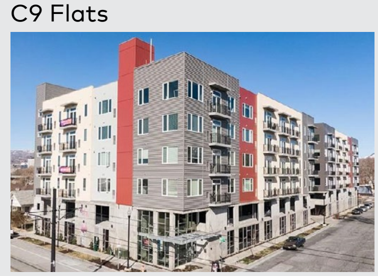
Foxboro Terrace

City: North Salt Lake, Utah
Buyer: J. Fisher Cos.
Purchase Price: $59 MM
Price per Unit: $247,111

Ashford

City: Salt Lake City
Buyer: Lion Real Estate Group
Purchase Price: $50 MM
Price per Unit: $131,556

C9 Flats



City: Salt Lake City
Buyer: De Anza Properties
Purchase Price: $13 MM
Price per Unit: $135,309

Market Analysis | Summer 2020

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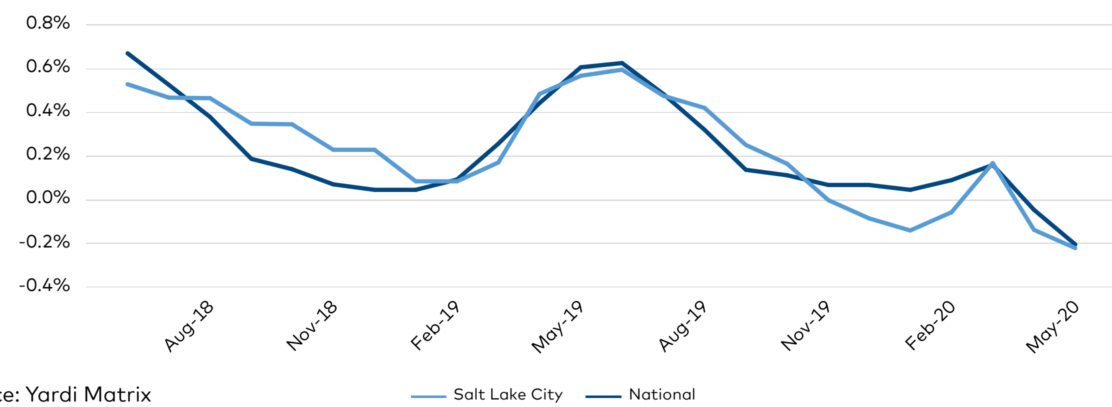
RENT TRENDS

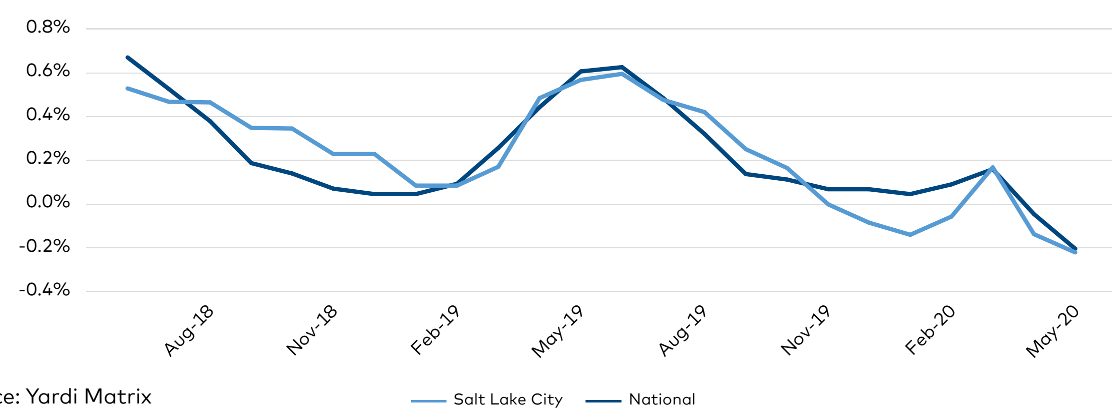
- Metro Salt Lake City rents contracted by 0.2% on a trailing three-month (T3) basis as of May, on par with the national rate. The average rent stood at $1,191, significantly below the $1,460 U.S. figure. The addition of nearly 25,000 units since 2015, coupled with recent job and income losses, has forced many landlords to offer rent concessions or other discounts.
- Rates in the upscale Lifestyle segment were down by 0.6% on a T3 basis to $1,309— the steepest decline since 2015—as the pandemic forced some households to downsize or seek out more affordable residential options. Rent growth in the working-class Renter-by-Necessity segment was flat, with the average rate clocking in at $1,120 as of May.
- In the short term, the CARES Act shielded many landlords and renters from major revenue and tenant losses. Additionally, a statewide moratorium on evictions was in place until May 15 to protect renters impacted by the novel coronavirus. Furthermore, the Utah Apartment Association teamed up with property managers to offer rent deferment agreement options.
- The metro's urban core remained the most expensive area, with average rents in Salt Lake City-Central City improving by 1.7% year-over-year through May to $1,391, and rates in Downtown increasing by 1.3% to $1,367 during the same period. Despite rents declining by 1.6%, Provo also ranked among the most sought-after submarkets ($1,373).

Salt Lake City vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Salt Lake City Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- With conferences canceled, operations suspended at most Utah ski resorts as of March and all national parks closed as of April, the tourism industry was hit hard during the health crisis. Although several facilities partly resumed operations in May, the effects of the shuttering still linger. The unemployment rate in Salt Lake City hit 11.2% in April—up from 4.0% in March—according to preliminary data from the U.S. Bureau of Labor Statistics.

- Salt Lake City had solid employment growth in the 12 months ending in March—2.8%—despite the coronavirus crisis beginning to tighten its grip on the U.S. economy. The rate had not dipped below that figure since October 2017.

- The metro's diversifying economy is helping offset the negative impact the pandemic has had on its hospitality industry. In March, Amazon announced the addition of 2,300 seasonal and permanent jobs to meet demand surge, adding to its already strong footprint in Salt Lake County. St. John Properties is investing $120 million in suburban Salt Lake City to deliver 525,000 square feet of high-utility office and flex/R&D space. With low passenger numbers, the $4.1 billion expansion of Salt Lake City International Airport is now on track to be completed two years earlier.

Salt Lake City Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
40	Trade, Transportation and Utilities	255	18.6%
90	Government	222	16.2%
15	Mining, Logging and Construction	97	7.1%
70	Leisure and Hospitality	122	8.9%
65	Education and Health Services	190	13.8%
55	Financial Activities	82	6.0%
50	Information	38	2.8%
30	Manufacturing	128	9.3%
80	Other Services	36	2.6%
60	Professional and Business Services	202	14.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- The metro gained 10,156 residents last year—up 0.8% and 50 basis points above the U.S. growth rate.

- Salt Lake City's diversifying economy led to 67,450 new residents between 2015 and 2019, a 5.8% increase that was notably higher than the 2.3% national rate over the same period.

Salt Lake City vs. National Population

	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Salt Lake City	1,185,219	1,205,238	1,222,540	1,232,696

Sources: U.S. Census, Moody's Analytics

SUPPLY

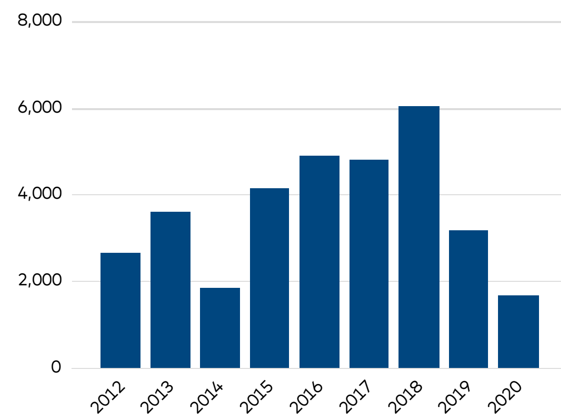
- Salt Lake City had 10,952 units underway as of May, with two-thirds of them initially slated for completion this year. The majority of upcoming inventory is geared toward high-income residents and located along the north-south major thoroughfare of the metro.

- During the first five months of the year, 1,682 units came online across the Wasatch Front. The new stock already accounts for more than half of the inventory added last year and signals a solid year for deliveries, considering COVID-19-related hurdles. A stay-at-home order was in effect across Utah between March 30 and May 1, but it did not require the general closure of businesses. Local authorities were permitted to impose their own directives to slow the spread of the virus. Salt Lake County, for example, restricted most activity, but allowed construction to continue. This, coupled with strong pre-pandemic fundamentals, is likely to contribute to the metro's economic rebound.

- The bulk of both completions this year and under-construction multifamily projects has been geared at the Lifestyle segment. However, the new economic context has increased demand for RBN product, as several employment sectors such as retail, wholesale and hospitality, suffered layoffs and furloughs.

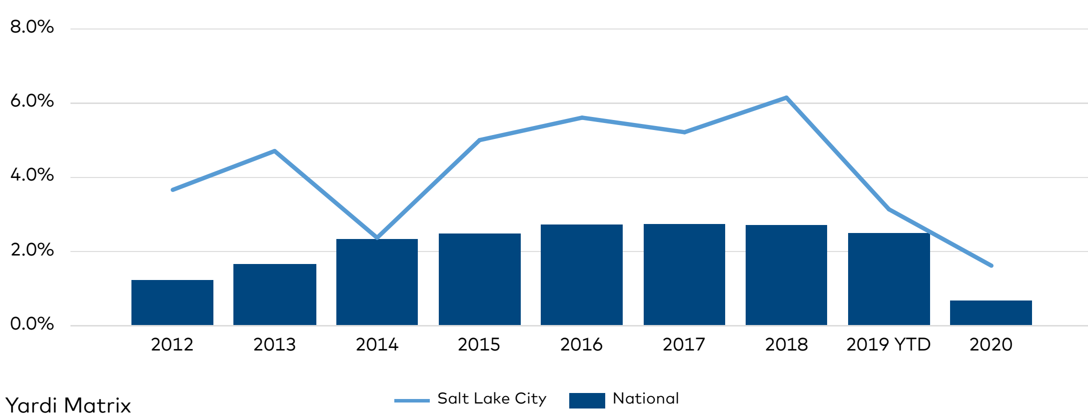
- Salt Lake City continues to grow from the core. Both investors and developers are drawn to the metro's downtown area. As of May, this submarket led construction activity with 1,853 units underway.

Salt Lake City Completions (as of May 2020)



Source: Yardi Matrix

Salt Lake City vs. National Completions as a Percentage of Total Stock (as of May 2020)

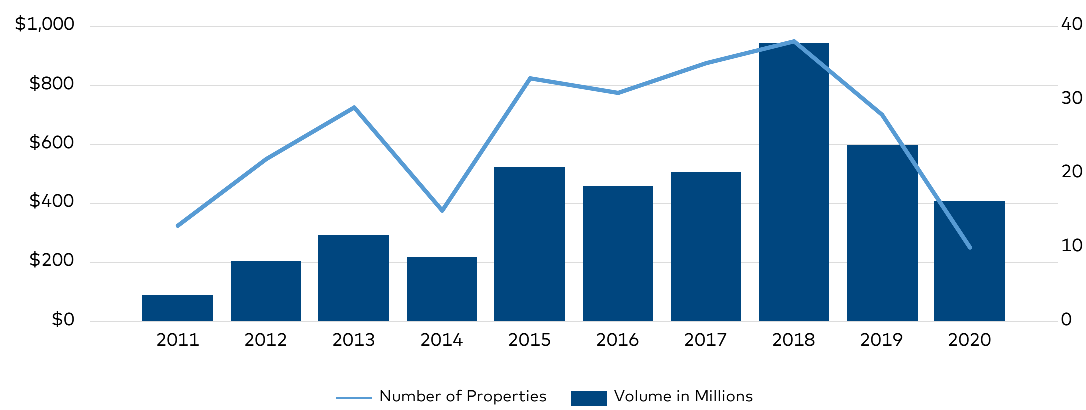


Source: Yardi Matrix

TRANSACTIONS

- The first five months of 2020 saw $407 million in multifamily sales. This follows 2019's $597 million investment total, the second-best year of the cycle. Despite COVID-19-induced disruptions and uncertainties brought on by the economic crisis that followed, many multifamily investors moved forward with deals this spring. Only three out of 10 properties that changed hands this year were in the Lifestyle segment, but the average per-unit price surged to $248,900, well above the $164,893 U.S. figure.
- Downtown was the most sought-after area in the 12 months ending in May, accounting for almost a third of the metro's $667 million total transaction volume.
- The largest non-core transaction completed in Salt Lake City through the same interval was the $86.7 million deal closed for Avida, a 400-unit community in Murray.

Salt Lake City Sales Volume and Number of Properties Sold (as of May 2020)



Source: Yardi Matrix

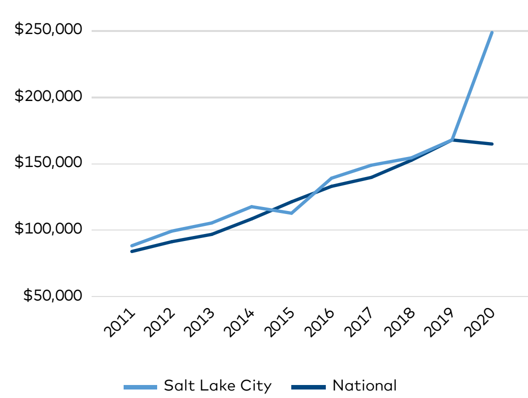
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Salt Lake City-Downtown	207
North Salt Lake/Bountiful	129
Murray	99
Salt Lake City-West Salt Lake	50
South Jordan/Herriman	42
Ogden/Clearfield	34
Logan	32

Source: Yardi Matrix

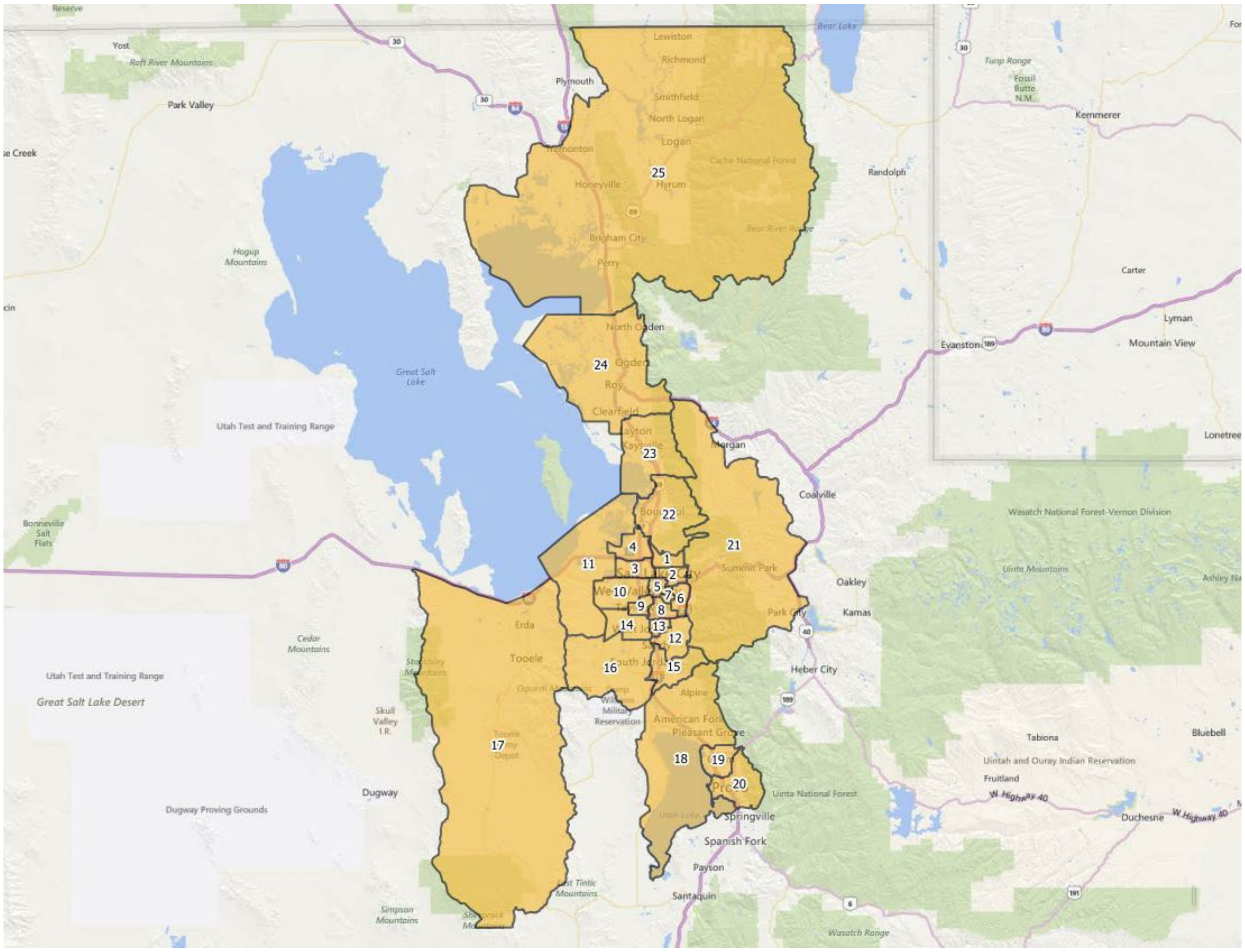
[1] From June 2019 to May 2020

Salt Lake City vs. National Sales Price per Unit



Source: Yardi Matrix

SALT LAKE CITY SUBMARKETS



Area No.	Submarket
1	Salt Lake City–Downtown
2	Salt Lake City–Central City
3	Salt Lake City–West Salt Lake
4	Salt Lake City–Northwest
5	South Salt Lake
6	Holladay
7	Millcreek
8	Murray
9	Taylorsville
10	West Valley City
11	Magna
12	Sandy
13	Midvale

Area No.	Submarket
14	West Jordan
15	Draper
16	South Jordan/Herriman
17	Tooele
18	Pleasant Grove/Lehi
19	Orem
20	Provo
21	Park City
22	North Salt Lake/Bountiful
23	Layton
24	Ogden/Clearfield
25	Logan

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also may span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which may barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, may extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

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