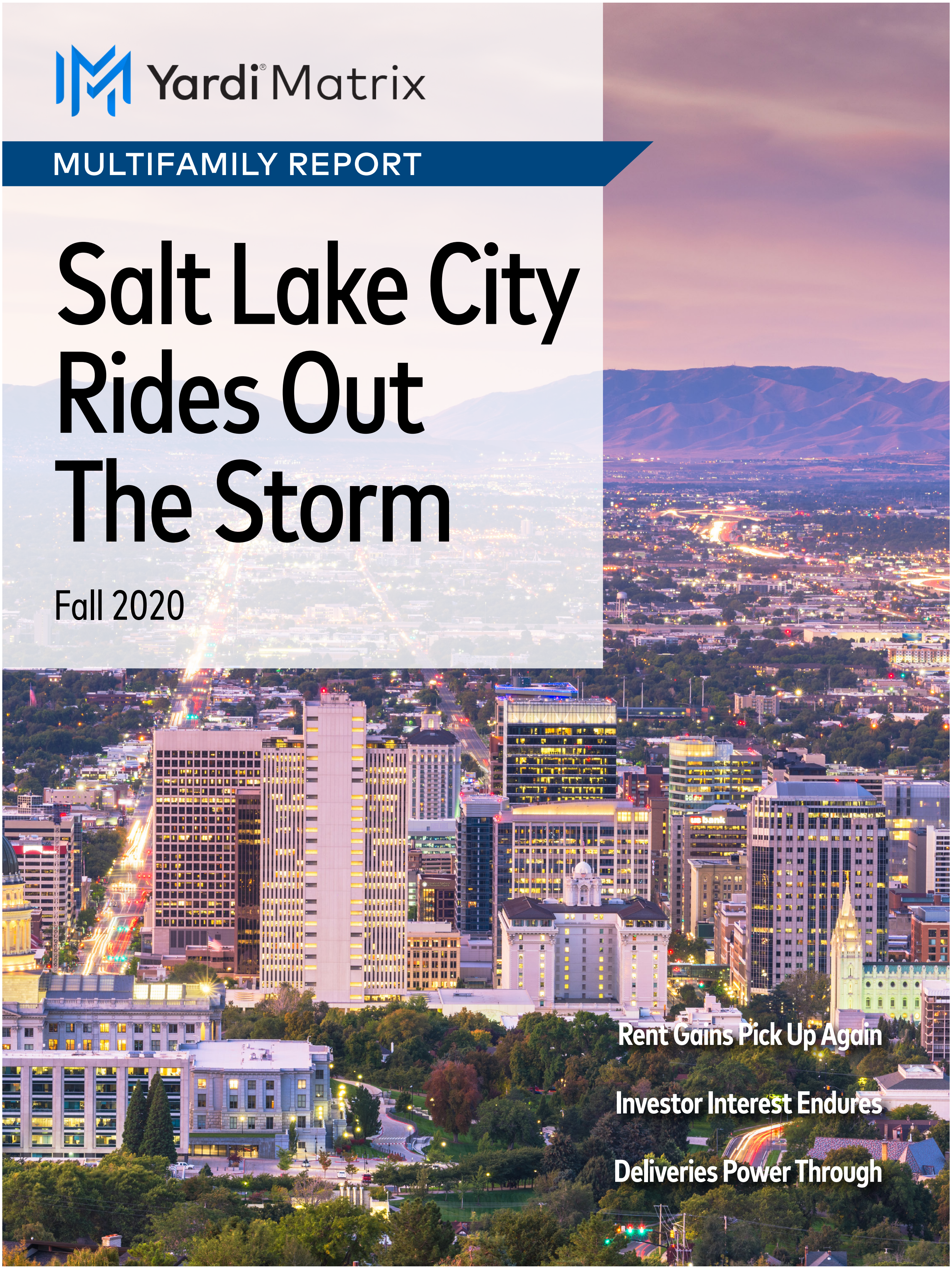
Yardi Matrix

MULTIFAMILY REPORT

Salt Lake City Rides Out The Storm

Fall 2020



Rent Gains Pick Up Again

Investor Interest Endures

Deliveries Power Through

SALT LAKE CITY MULTIFAMILY

Yardi Matrix

The Wasatch Front Gradually Bounces Back

Salt Lake City's multifamily market has been among the most resilient in the country, outperforming peer metros. Although rent growth started to slowly decelerate at the beginning of the year, it promptly rebounded at the end of the second quarter. On a trailing three-month basis through October, rents rose 0.5% to $1,229, while the national figure stayed flat.

The metro experienced less severe job losses than the U.S., as an interval of strong economic development acted as insulation for this interval of volatility. In the 12 months ending in September, employment growth contracted by 3.4%, while the U.S. rate dipped 9.3%. Projects such as the new $4.1 billion airport moved forward due to the significant decrease in air traffic, while other large-scale developments broke ground, undaunted by the ongoing unpredictability. Zions Bancorporation began work on a 400,000-square-foot technology campus in Midvale, while St. John Properties plans to invest $120 million in office and flex/R&D space in Taylorsville and Springville.

Bucking the national trend, transaction activity endured, and multifamily deliveries—at 3,800 units in 2020 through October—have already surpassed last year's stock additions. Salt Lake City is positioned to be among the first metros to eventually bounce back from economic disruption, according to a Moody's Analytics report.

Market Analysis | Fall 2020

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On the cover: Photo by Sean Pavone/iStockphoto.com

Recent Salt Lake City Transactions

Embarc at West Jordan

City: West Jordan, Utah
Buyer: Marble Partners
Purchase Price: $77 MM
Price per Unit: $175,212

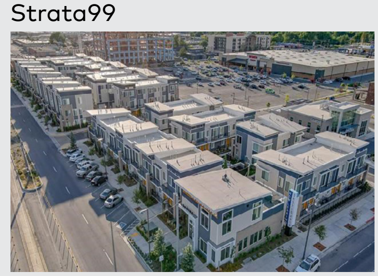
Seasons at Pebble Creek

City: Salt Lake City
Buyer: Insite Development
Purchase Price: $52 MM
Price per Unit: $172,000

Ascent in Cottonwood

City: Cottonwood Heights, Utah
Buyer: The Warmington group of companies
Purchase Price: $35 MM
Price per Unit: $219,025

Strata99



City: Salt Lake City
Buyer: Elan Multifamily Investments
Purchase Price: $16 MM
Price per Unit: $163,509

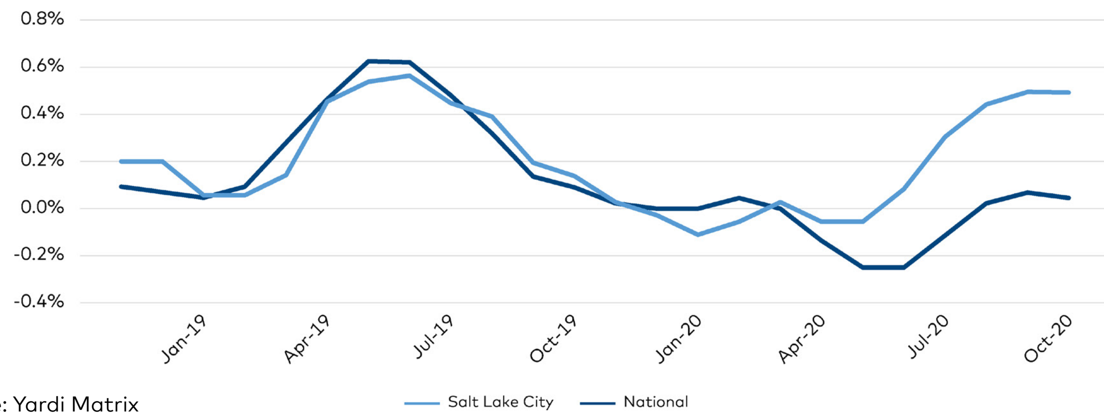
RENT TRENDS

- The Wasatch Front has fared better than comparable metros, but the rental market is still vulnerable to economic volatility. The coronavirus relief bill shielded many Salt Lake City landlords from a major loss in revenue. Utah received $1.3 billion to help with the state's pandemic response. Although the $600 weekly unemployment benefit ended in July, qualifying Utah renters impacted by the health crisis are still eligible to receive other forms of rental assistance.

- The Wasatch Front has fared much better than comparable metros, but the rental market is still vulnerable to economic volatility. The coronavirus relief bill shielded many Salt Lake City landlords and renters from a major loss in revenue and tenants. Utah received $1.3 billion from the CARES Act to help with the state's pandemic response. Although the $600 weekly unemployment benefit ended in July, qualifying Utah renters impacted by the health crisis are still eligible to receive other forms of rental assistance.

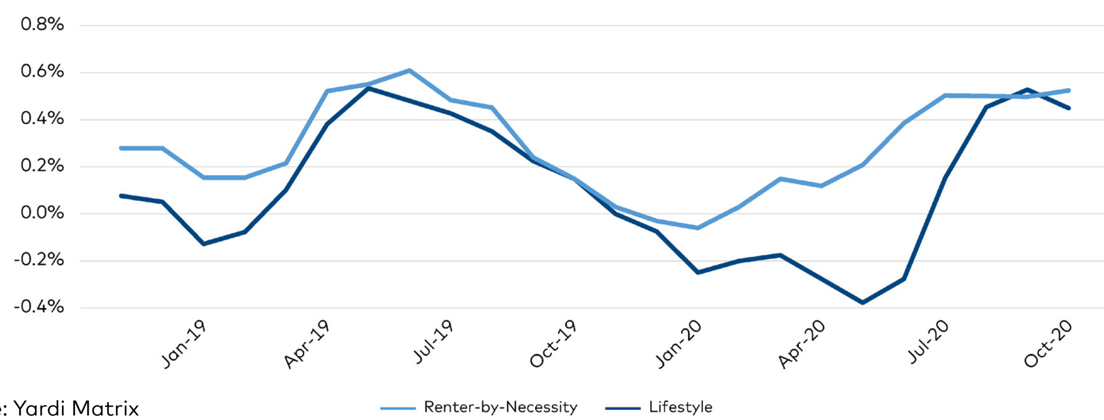
- All but two submarkets saw year-over-year rent increases, with northern areas such as Ogden/Clearfield and Layton posting a 6.0% rise to $1,111, and a 4.6% increase to $1,140, respectively. Rents in densely populated, urban core submarkets, with heavy supplies of upscale product, decreased by 1.2% (in Salt Lake City-Downtown) and 0.5% (in Salt Lake City-Northwest). Meanwhile, Provo remained the most expensive submarket of the metro, with the average rent as high as $1,446.

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

- After peaking at 11.2% in April, Salt Lake City's unemployment rate dipped to 5.2% in September, according to preliminary data from the Bureau of Labor Statistics. Mirroring the national trend, leisure and hospitality was hit the hardest during the 12 months ending in September, shedding 17,300 jobs, followed by professional and business services, down 12,400 jobs, and education and health services with 5,800 job losses. The government, and trade, transportation and utilities sectors gained a combined 12,800 jobs.

- With low traffic volume, construction advanced quickly at one of the metro's most important infrastructure projects—the new $4.1 billion international airport, which opened its first concourse and terminal in the third quarter. The entire project is now slated to be completed two years ahead of schedule. Utah has also invested heavily in light and high-speed rail systems, which has sparked more transit-oriented development. Additionally, tech giants such as Amazon and Facebook have moved forward this year with plans to expand in Utah.

- The state's Silicon Slopes has been constantly attracting tech companies that want to take advantage of the metro's highly educated workforce and low cost of living compared to coastal markets.

Salt Lake City Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
40	Trade, Transportation and Utilities	256	19.0%
90	Government	223	16.5%
15	Mining, Logging and Construction	103	7.6%
80	Other Services	38	2.8%
30	Manufacturing	128	9.5%
55	Financial Activities	82	6.1%
50	Information	36	2.7%
65	Education and Health Services	181	13.4%
60	Professional and Business Services	200	14.8%
70	Leisure and Hospitality	102	7.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Salt Lake City added 10,156 residents last year, for a 0.8% uptick.

- The University of Utah Kem C. Gardner Policy Institute projected the state will house 5.8 million residents by 2065. With people fleeing high-density urban destinations, Utah is adding new residents at a good rate.

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

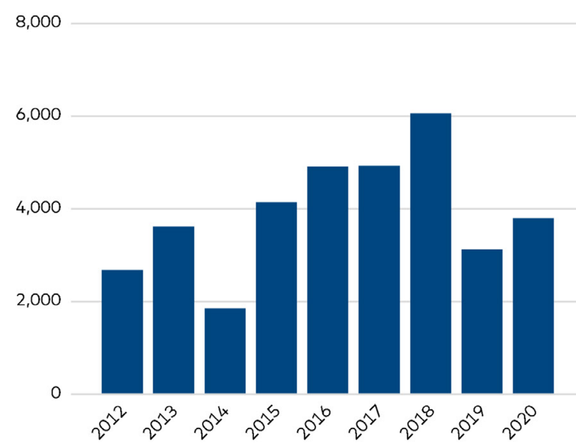
- Developers were working on 9,834 units across the Wasatch Front as of October. Of these, 3,799 were slated to come online by the end of the year, but given the overall economic context, some delays are likely. The great majority of the upcoming inventory caters to high-income renters, but the ongoing health crisis and its fallout have increased demand for products in the Renter-by-Necessity segment.

- Despite having to grapple with economic uncertainties, Salt Lake City developers added 3,800 units to the metro's stock through the first 10 months of 2020, 3.6% of total stock and double the national rate. Construction was deemed an essential service at the beginning of the pandemic, which allowed builders to avoid interruptions. As a result, Salt Lake City completions have already surpassed last year's 3,126-unit stock additions.

- Downtown is a construction hub, accounting for a fifth of the incoming inventory. Development is also taking place in the suburbs, with Draper, Ogden/Clearfield and Orem having a total of 2,417 units underway.

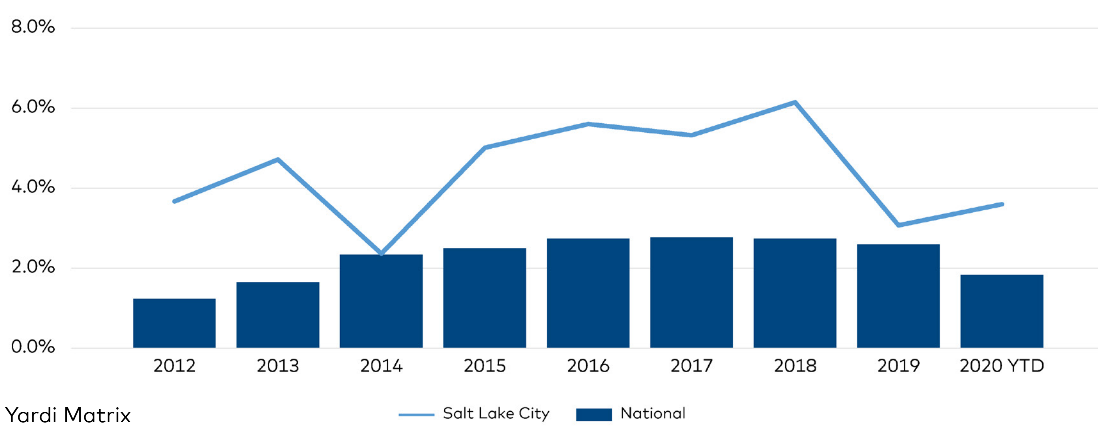
- The 450-unit The Green on Campus Drive was the largest property under construction. Developed by Woodbury Corp., the student housing project is across the street from Utah Valley University. Although the institution shifted to a hybrid learning model to protect its students and staff from COVID-19 infections, The Green was almost 65% preleased as of September.

Salt Lake City Completions (as of October 2020)



Source: Yardi Matrix

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

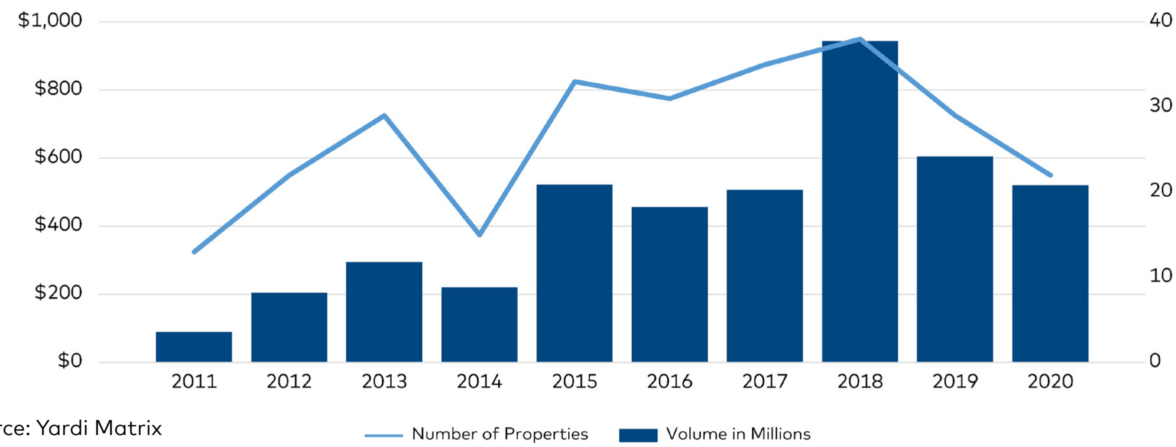


Source: Yardi Matrix

TRANSACTIONS

- Through October, $521 million in multifamily properties changed hands across the metro, slightly above the $507 million registered during the same interval in 2019. Despite persisting economic insecurities, the effects of the health crisis have been limited in sales volume relative to comparable markets. As a result, the metro is likely to buck the overall trend and see 2020's investment volume cross 2019's $605 million.
- Although 14 of the 22 properties that traded this year through October were in the Renter-by-Necessity segment, the $186,543 average price per unit stayed 13% above the U.S. figure.
- Multifamily sales in three submarkets—North Salt Lake/Bountiful, Murray and West Salt Lake—accounted for more than two-thirds of the $618 million total deal volume in the 12 months ending in October. Marble Partners' $77 million acquisition of Embarc at West Jordan—a 440-unit multifamily property—marked the largest sale of 2020's first 10 months.

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



Source: Yardi Matrix

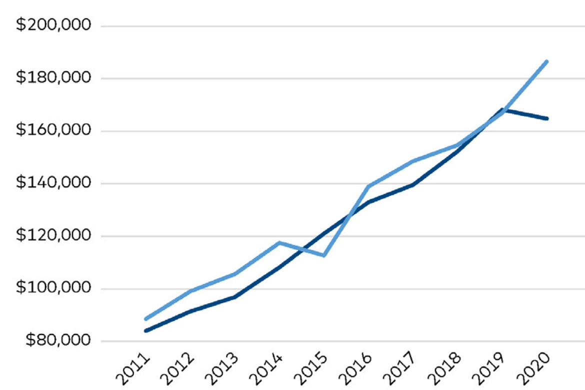
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
North Salt Lake/Bountiful	169
Murray	149
Salt Lake City-West Salt Lake	110
West Jordan	77
Sandy	35
South Salt Lake	25
Provo	23

Source: Yardi Matrix

[1] From November 2019 to October 2020

Salt Lake City vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

MULTI-HOUSING NEWS

data by Yardi Matrix

Top 5 Western Markets for Multifamily Deliveries

By Evelyn Jozsa

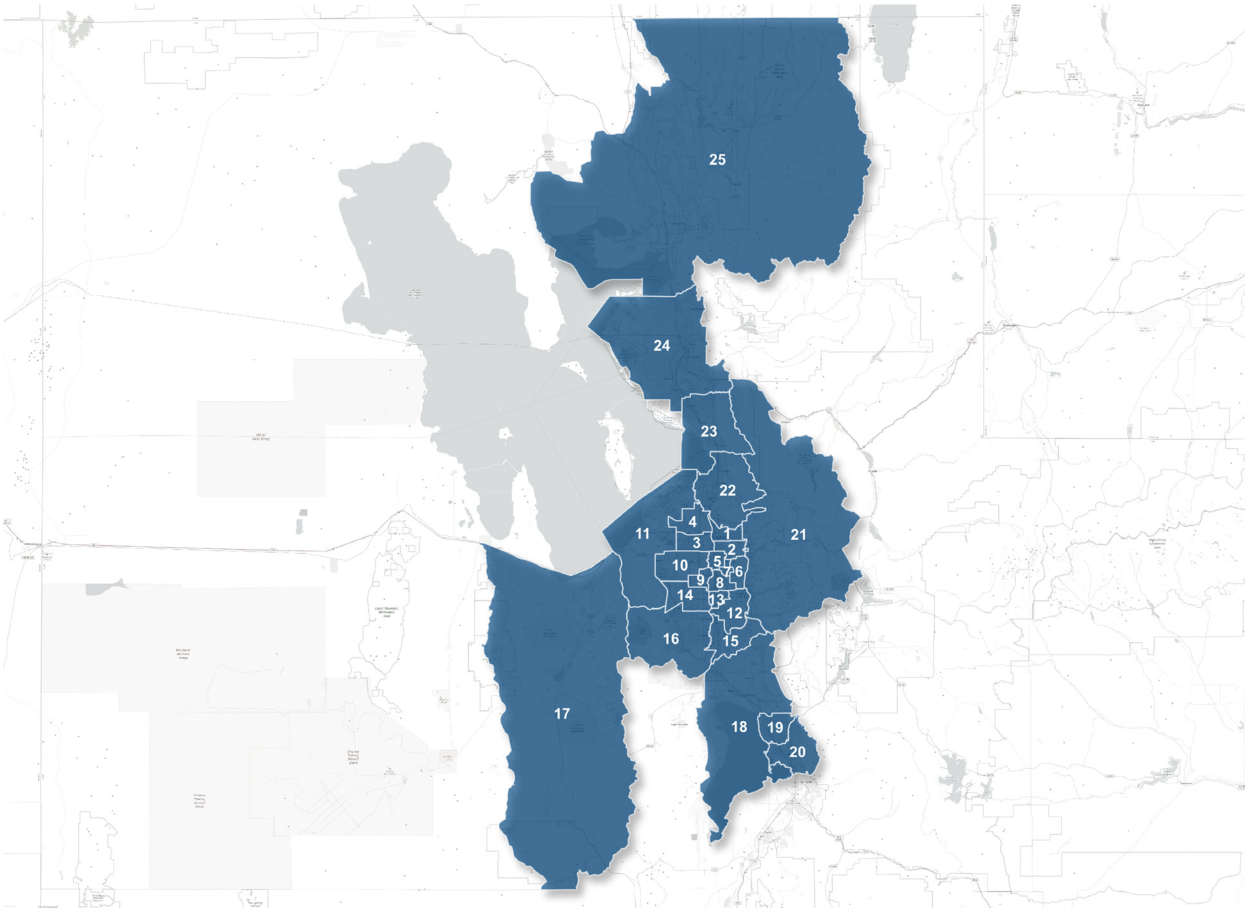
Multifamily has remained one of the most popular asset classes for developers and investors alike, despite lingering economic uncertainties. Due to the high demand for housing, construction was deemed essential amid the pandemic in most states across the country, and developers were able to forge ahead. According to Yardi Matrix data, 27,543 units were delivered year-to-date in the Western U.S. The table below ranks the region's metros based on completions as a percentage of existing stock, using Yardi Matrix data.

Rank	Market	Units Completed	Projects Completed	Percentage of Stock
1	Denver	11,582	55	4.0%
2	Salt Lake City	3,800	18	3.6%
3	Reno	1,330	3	3.4%
4	Phoenix	7,517	31	2.4%
5	Colorado Springs	760	4	1.9%

SALT LAKE CITY

Thanks to its diversifying economy, Salt Lake City has fared relatively well compared to other U.S. metros. Developers added 3,800 units to the multifamily housing stock year-to-date, equal to 3.6 percent of existing inventory. The metro recorded a cycle peak in 2018 when a total of 6,060 units came online; annual deliveries were almost halved in 2019, with total completions dropping to 3,126 units.

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
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 October 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 October 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, October 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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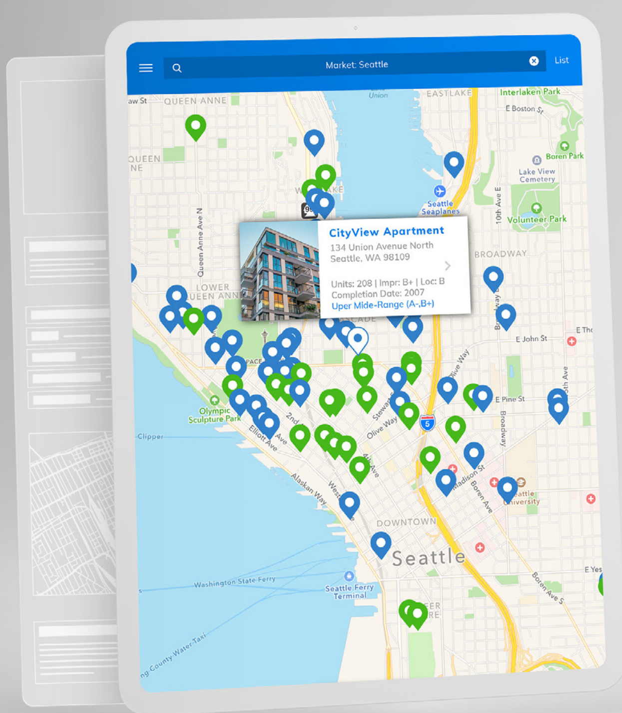

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