



MULTIFAMILY REPORT

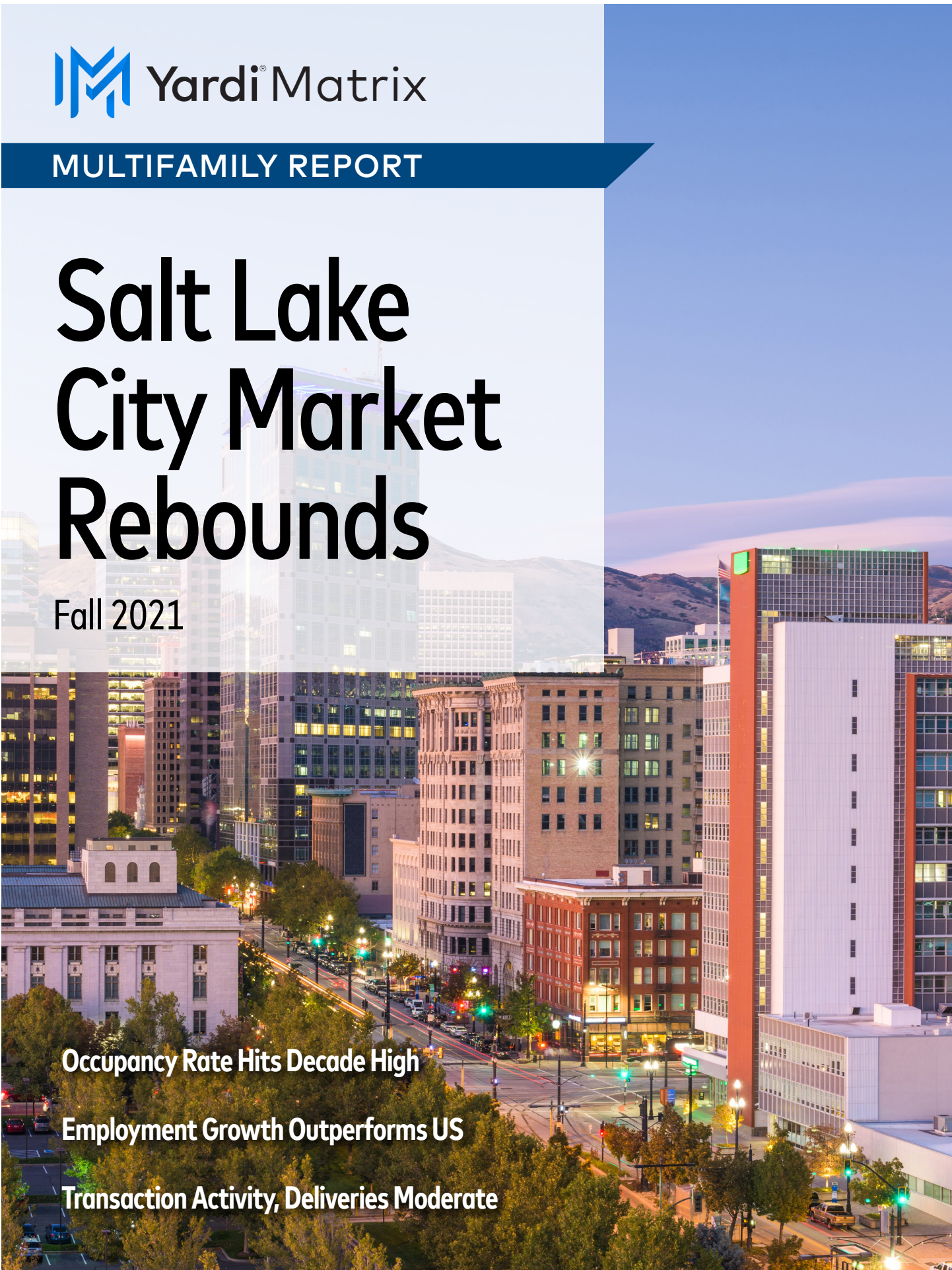
Salt Lake City Market Rebounds

Fall 2021

Occupancy Rate Hits Decade High

Employment Growth Outperforms US

Transaction Activity, Deliveries Moderate



SALT LAKE CITY MULTIFAMILY



Recovery in Full Swing Along the Wasatch Front

The Wasatch Front's long track record of strong population growth, low unemployment and economic health, coupled with the Silicon Slopes' booming tech sector, have all contributed to the multifamily market's quick rebound. Following the upheaval last year, rents temporarily slowed rates down, but they are once again on an upward trajectory. On a trailing three-month basis through August, rents in Salt Lake City grew by 1.5%, to \$1,384, while U.S. rates improved by 1.7% to an average of \$1,526.

As of June, unemployment stood at 3.2%, well below the 5.9% U.S. rate. All sectors expanded, with Salt Lake City's largest sector—trade, transportation and utilities—recovering the most jobs (20,900) year-over-year. The Utah Department of Transportation is working on several large infrastructure projects, including the \$489 million conversion of a section of U.S. Route 89 in Davis County into a freeway. In addition, mirroring nationwide trends, industrial real estate had a record year. One notable lease transaction was Henkel's contract for 832,096 square feet at the under-construction ARA Building D.

Following last year's elevated stock expansion and investment volume, activity across the metro shifted down a gear. Through August, only 1,829 units had come online, and multifamily sales were at \$207 million. However, with high in-migration supporting demand, Yardi Matrix expects rents to grow by 14.2% in 2021.

Market Analysis | Fall 2021

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Recent Salt Lake City Transactions

Glenwood



City: Provo, Utah
Buyer: MJW Investments
Purchase Price: \$47 MM
Price per Unit: \$243,986

The Boulevard



City: Orem, Utah
Buyer: Investors Capital Group
Purchase Price: \$22 MM
Price per Unit: \$204,000

Ascent at Cottonwood Creek



City: Millcreek, Utah
Buyer: DB Capital Management
Purchase Price: \$16 MM
Price per Unit: \$184,848

Aspire West Valley



City: West Valley City, Utah
Buyer: Clear Capital
Purchase Price: \$15 MM
Price per Unit: \$152,778

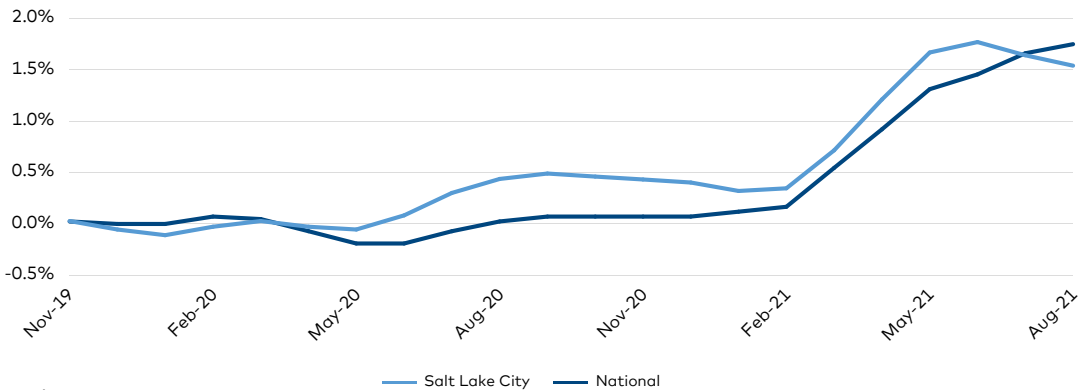
RENT TRENDS

- ▶ Salt Lake City residents continue to benefit from a relatively low cost of living. Although rents improved by 1.5% on a trailing three-month (T3) basis through August, to \$1,384, they remained below U.S. averages. Nationally, rents appreciated by 1.7% to \$1,526. On a year-over-year basis, Salt Lake City rents were up 12.6%, ranking seventh among major Western markets, above Portland (11.3%) and Seattle (9.5%), among others.
- ▶ Rents in the working-class Renter-by-Necessity segment led growth, up 1.7% on a T3 basis through August to \$1,293, but Lifestyle rates followed closely, rising 1.5% to an average of \$1,513.
- ▶ Metro Salt Lake City rents in the single-family rental sector were up 12.4% year-over-year, 150

basis points below the national rate. The average SFR rent in the metro was \$1,744, trailing the \$1,879 U.S. figure.

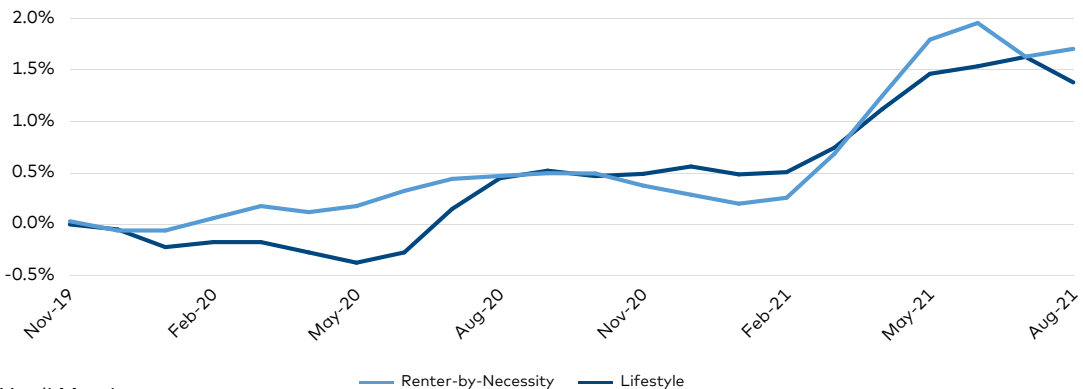
- ▶ Rent growth was positive in all areas of the metro. The highest-performing submarkets in the 12 months ending in August were South Salt Lake (up by 16.8% year-over-year, to \$1,342, Sandy (up by 15.8%, to \$1,477) and Layton (up by 15.4%, to \$1,288). Despite these double-digit increases, Salt Lake City–Downtown remained the most-expensive submarket of the metro, with the average rent clocking in at \$1,547. The urban core area is also the top submarket targeted by both developers and investors.

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

- ▶ The unemployment rate in Salt Lake City rebounded to 3.2% in June, but preliminary Bureau of Labor Statistics data for July point to a 40-basis-point improvement, bringing the rate to pre-pandemic levels. In the 12 months ending in June, the metro gained 90,800 jobs, a 4.3% increase and 400 basis points above the national rate.
- ▶ Salt Lake City has a robust transit network, and the Utah Transit Authority continues to invest in new projects, including light and high-speed rail systems, after approving a 5-year, \$463 million plan in 2019. Additionally, other projects are being financed through federal grants. UTA, the city of Ogden and Weber State University broke ground on the state's first all-electric bus rapid transit system, which is expected to be operational in 2023. Meanwhile, after the first phase of the new \$4.1 billion Salt Lake City Airport welcomed its first passengers last year, work on the second phase of the project is well underway. When complete, the airport will be able to accommodate 34 million passengers per year.
- ▶ Salt Lake City's downtown area is bustling. Several high-rise buildings are underway, including Hines' 23-story Sundial Tower office project on Main Street and 500 South, and The West Quarter, a 737,000 square-foot mixed-use project across from the Vivint Arena.

Salt Lake City Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
40	Trade, Transportation and Utilities	265	18.9%
60	Professional and Business Services	227	16.2%
70	Leisure and Hospitality	114	8.1%
90	Government	211	15.1%
30	Manufacturing	131	9.4%
15	Mining, Logging and Construction	109	7.8%
65	Education and Health Services	181	12.9%
55	Financial Activities	89	6.4%
50	Information	37	2.6%
80	Other Services	35	2.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Although historically natural increase has driven most of the population growth in Utah, net migration is now spurring the majority of growth in the fastest-growing counties in the state—Utah, Washington, Tooele and Iron—according to the Kem C. Gardner Policy Institute.

Salt Lake City vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Salt Lake City Metro	1,205,238	1,222,540	1,232,696	1,240,029

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

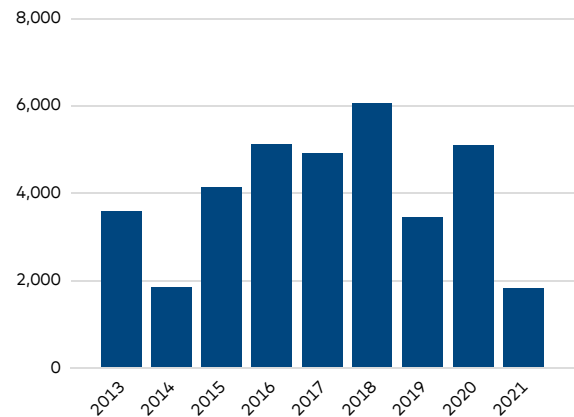
SUPPLY

- ▶ Salt Lake City had 13,636 units under construction as of August, including more than 1,300 units in fully affordable communities. With the Wasatch Front slated to continue to benefit from the ongoing in-migration from more expensive, denser metros, developers have 34,400 other units in the planning and permitting stages.
- ▶ Deliveries softened in 2021, with only 1,829 units coming online through August, accounting for 1.7% of total stock and 40 basis points above the national rate. Developers favored the Lifestyle segment, as residents relocating from higher-cost markets sustained demand for upscale units. Yardi Matrix expects 3,477 units to be completed by the end of 2021, significantly below the 5,115 delivered last year.
- ▶ Construction starts also hit the brakes, with developers starting work on only 2,374 units year-to-date through August. Over the same period in 2020, developers had broken ground on 4,411 units.
- ▶ Between 2015 and 2020, almost 29,000 units were added to the metro's stock, but demand still exceeds supply. As a result, the overall oc-

cupancy rate in stabilized properties hit 97.1% in July—a decade high.

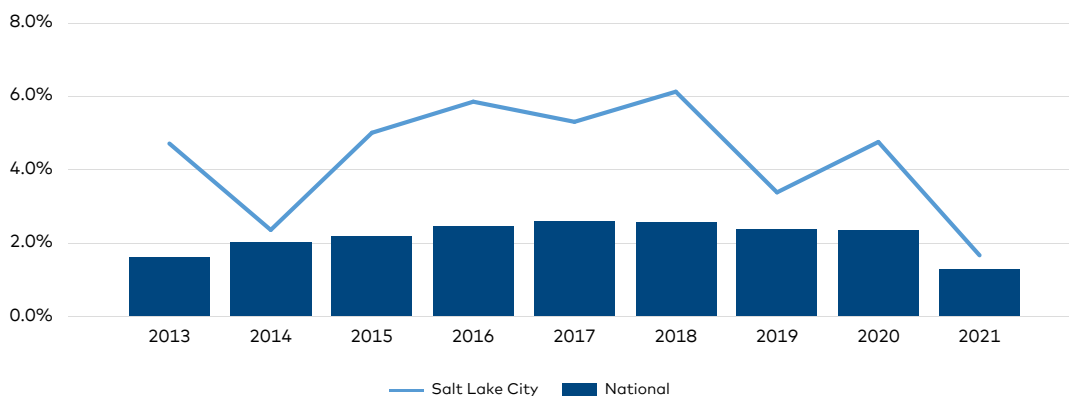
- ▶ Salt Lake City–Downtown remains the busiest submarket, with 3,796 units in the works as of August. Post House is one of the largest projects under construction. Bridge Investment Group is building the 580-unit development using a \$116 million Wells Fargo Bank loan.

Salt Lake City Completions (as of August 2021)



Source: Yardi Matrix

Salt Lake City vs. National Completions as a Percentage of Total Stock (as of August 2021)

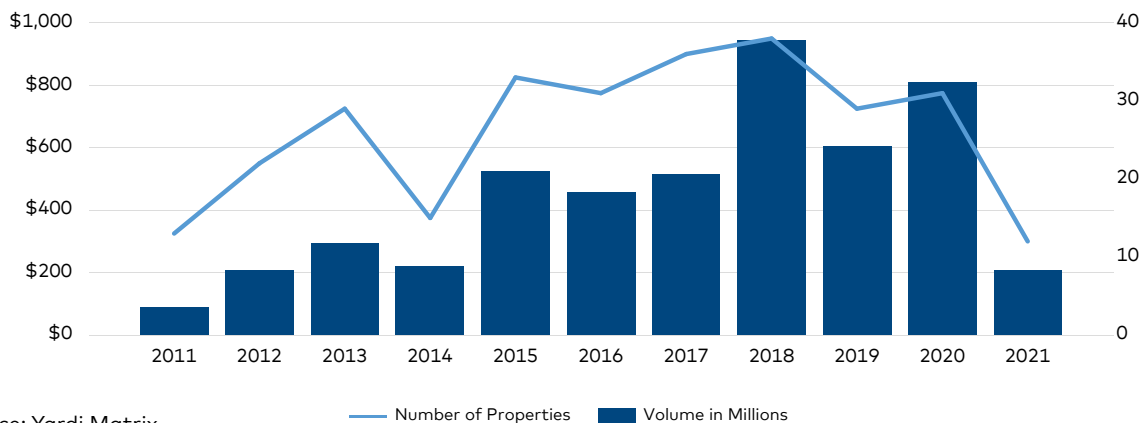


Source: Yardi Matrix

TRANSACTIONS

- ▶ Only \$207 million in multifamily assets changed hands in Salt Lake City in the first eight months of the year, significantly below the \$376 million volume recorded over the same period in 2020. Investors favored RBN product, with three-quarters of the 12 properties that traded in 2021 through August being workforce assets. This brought the average per-unit price (\$169,576) well below the \$200,000 mark it had surpassed in 2020—still the market’s second-best year of the decade, with a total volume of \$810 million.
- ▶ Salt Lake City–Downtown (\$140 million) was the most sought-after submarket in the 12 months ending in August. Developers are also betting big on this urban core area of the metro, as more than a quarter of the upcoming inventory is concentrated in this submarket.
- ▶ Due to its prospects for growth, relative affordability compared to other Western markets and landlord-friendly policies, the metro remains a safe haven for both developers and investors.

Salt Lake City Sales Volume and Number of Properties Sold (as of August 2021)



Source: Yardi Matrix

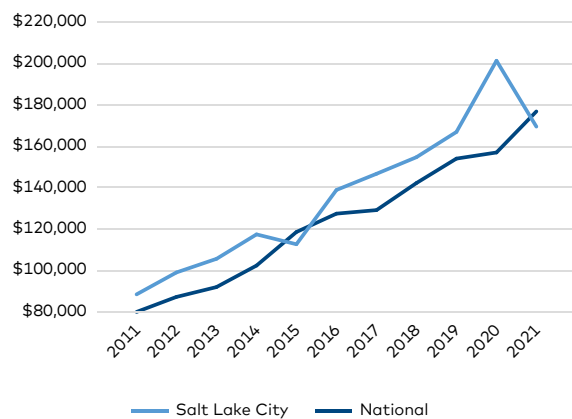
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Salt Lake City-Downtown	140
Sandy	112
West Jordan	77
Taylorsville	68
Salt Lake City-West Salt Lake	52
Provo	47
West Valley City	46

Source: Yardi Matrix

¹ From September 2020 to August 2021

Salt Lake City vs. National Sales Price per Unit



Source: Yardi Matrix

Top Western Markets for Rent Growth

By Beata Lorincz

The multifamily sector is reaching record levels of rent growth across the country. Asking rents were up 6.3 percent year-over-year through June and registered a \$62—or 4.4 percent—increase in the second quarter of the year, according to Yardi Matrix data. In June alone, national rents expanded by a whopping \$23, ballooning to an average of \$1,482.

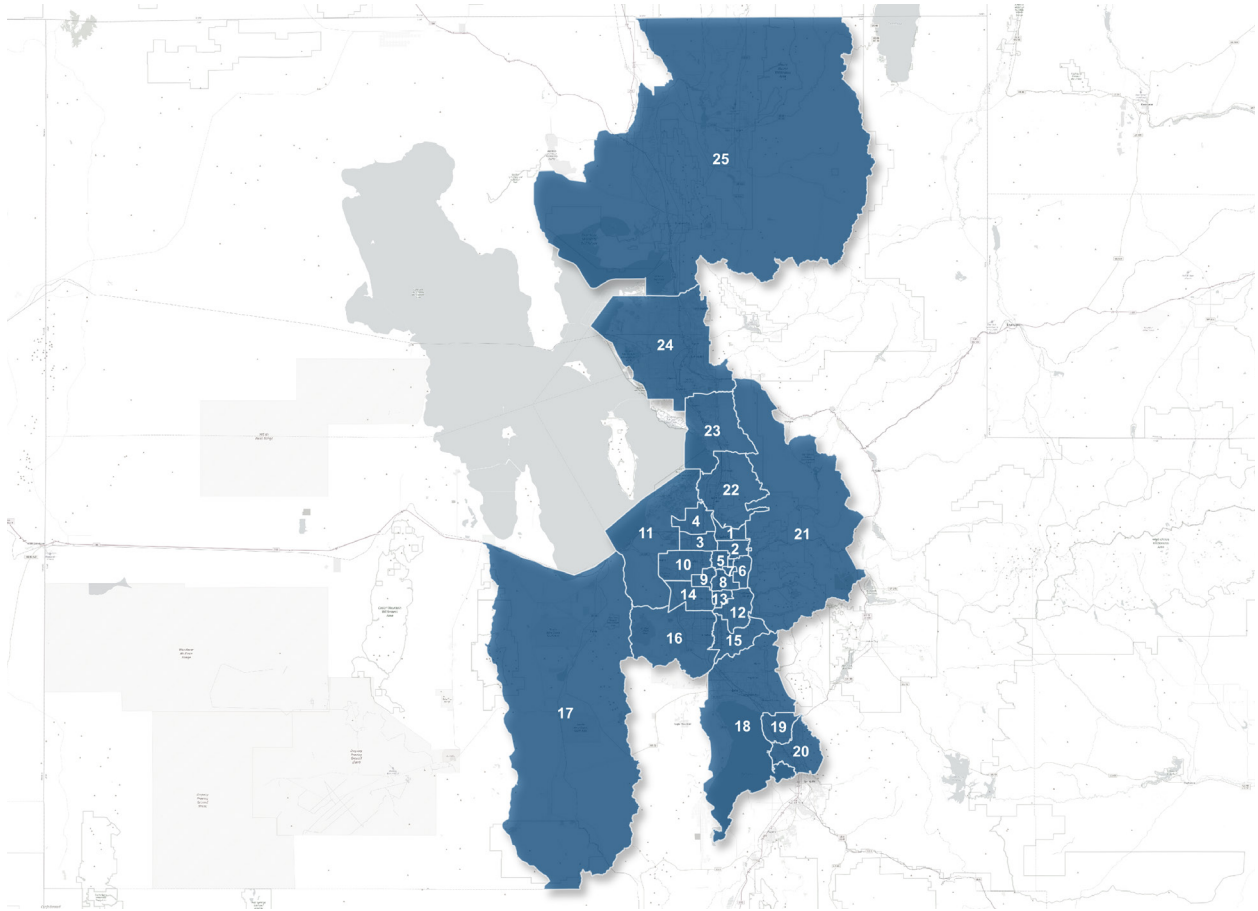
Market	YoY Rent Change – June 2021	Occupancy Rate	Units Under Construction
Boise	20.67%	98.11%	3,308
Phoenix	17.00%	96.40%	33,554
Las Vegas	14.62%	96.42%	5,834
Tucson	14.38%	96.61%	1,765
Colorado Springs	14.34%	96.58%	3,593
Reno	14.25%	96.80%	4,169
Albuquerque	13.57%	96.77%	1,461
Salt Lake City	10.52%	96.88%	13,160
Denver	8.11%	95.05%	21,581

SALT LAKE CITY

Utah has been ranked as the No. 1 market for the strongest pace of job growth, according to Bankrate.com. In June, Salt Lake City had the lowest unemployment rate of the large metropolitan areas in the U.S., reaching 3.2 percent. The city has added 15,400 new jobs since the beginning of the year, while the annual population growth for 2020 hit 0.8 percent, double the national figure. The June average rent in the metro stood at \$1,345, marking a 10.5 percent increase from the same period last year. The multifamily occupancy rate was 96.9 percent, while the market saw 13,160 units under construction in June.



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 December 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 December 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, December 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.

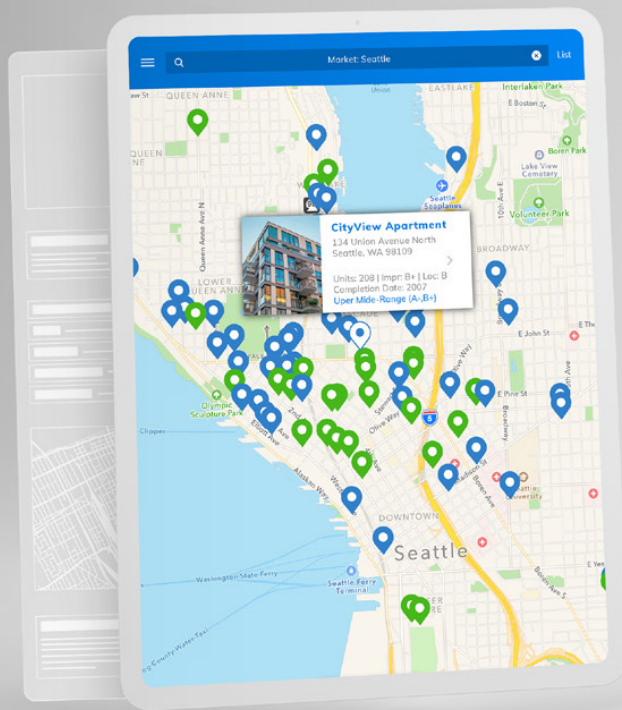
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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