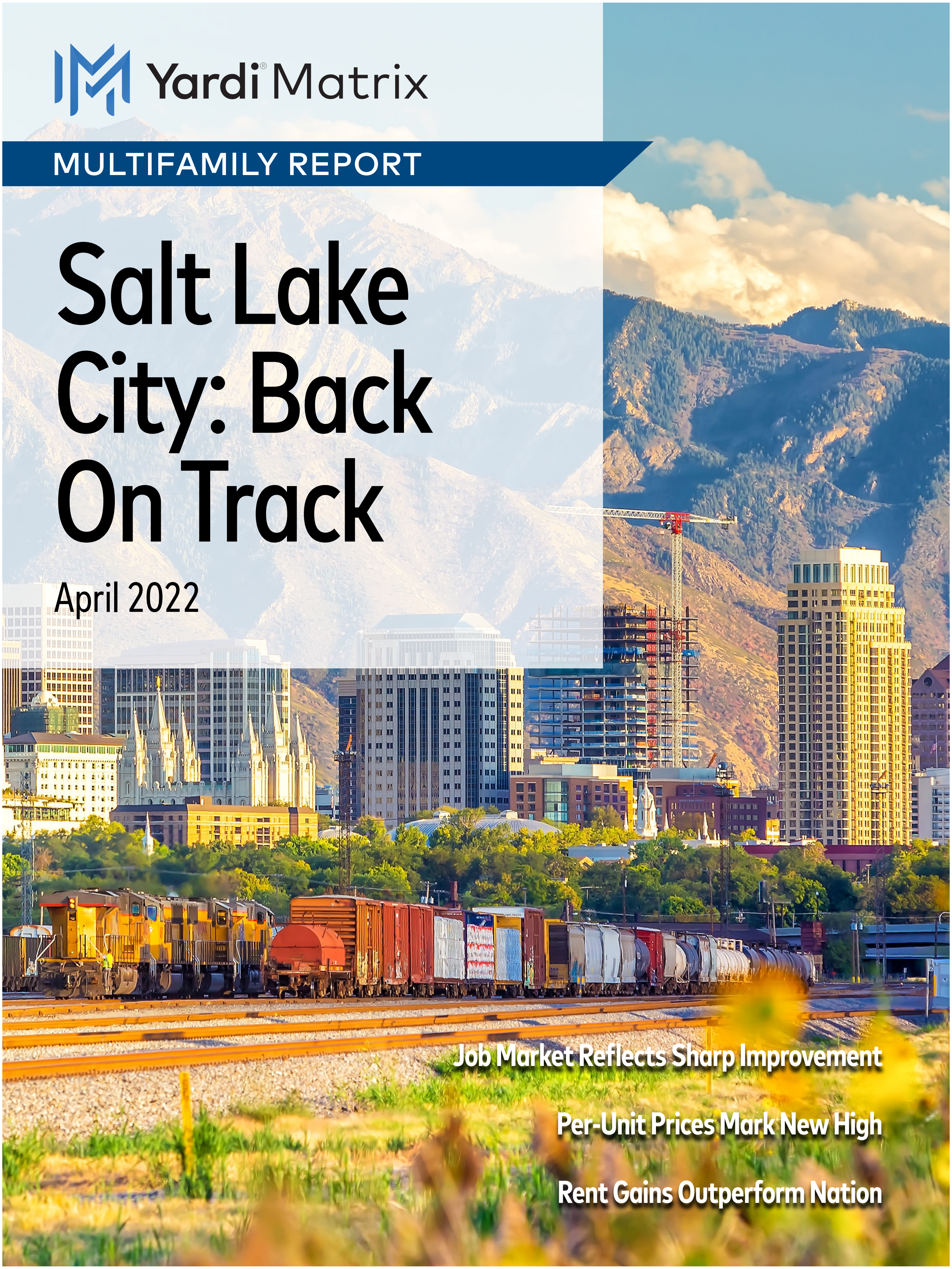
Yardi Matrix

MULTIFAMILY REPORT

Salt Lake City: Back On Track

April 2022



Job Market Reflects Sharp Improvement

Per-Unit Prices Mark New High

Rent Gains Outperform Nation

SALT LAKE CITY MULTIFAMILY

Yardi Matrix

SLC Gets Back Into the Swing of Things

Salt Lake City's pro-business policies and relative affordability compared to many West Coast markets shielded its economy over the past two years. The metro's multifamily sector emerged from the health crisis almost unscathed, supported by strong demographic trends. Year-over-year through February, rents rose 20.2% to an average of $1,514. Despite the significant increase, figures stayed below the $1,628 U.S. average, which advanced 15.4%.

As the recovery continued at a fast pace, Salt Lake City's job market swelled. The metro added 60,600 positions in 2021, with all sectors recording gains. Additionally, the city's unemployment rate dropped to a record low of 1.3% as of December, according to preliminary Bureau of Labor Statistics data. One of the largest infrastructure projects underway is the $4.1 billion airport expansion. The first phase is operational, while the second is expected to open in 2024.

Developers stayed active across the Wasatch Front, with 4,958 units coming online in 2021, in line with the city's five-year average. New supply is being absorbed quickly by young, skilled workers relocating to the metro, creating a tight supply-demand balance. More than 14,000 units were underway as of February, with a quarter of them in the urban core. Downtown is also a magnet for capital, accounting for 17.3% of the $753 million investment volume for the 12 months ending in February.

Market Analysis | April 2022

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler
Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Laura Calugar
Senior Editor

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Recent Salt Lake City Transactions

Incline at Anthem

City: Herriman, Utah
Buyer: Ridan
Purchase Price: $65 MM
Price per Unit: $217,562

Upper West

City: West Jordan, Utah
Buyer: IDEAL Capital Group
Purchase Price: $60 MM
Price per Unit: $289,855

Windgate at Bountiful

City: Bountiful, Utah
Buyer: Benedict Canyon Equities
Purchase Price: $25 MM
Price per Unit: $253,333

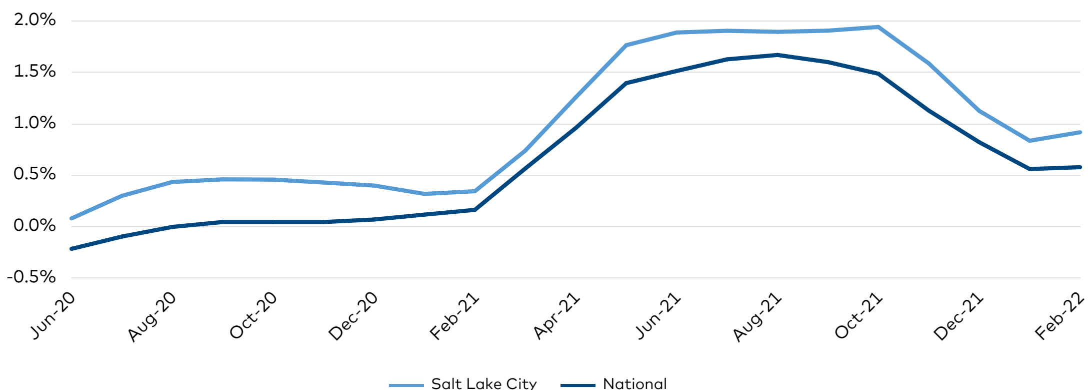
City View

City: Salt Lake City
Buyer: GPR Ventures
Purchase Price: $17 MM
Price per Unit: $263,077

RENT TRENDS

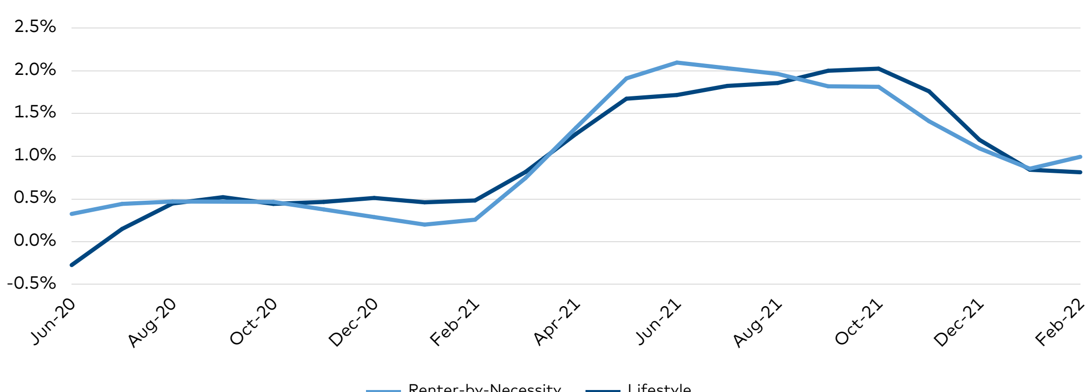
- Salt Lake City rents rose 0.9% on a trailing three-month (T3) basis through February, 30 basis points above the national rate. Year-over-year, rents along the Wasatch Front grew by 20.2%, while the U.S. recorded a 15.4% increase. However, at $1,514, the average rent remained below the $1,628 U.S. figure.
- Average rates for working-class Renter-by-Necessity properties exceeded the $1,400 mark for the first time, up by 1.0% on a T3 basis through February, to $1,403. High-end communities were also sought after, with Lifestyle rents increasing by 0.8% to an average of $1,668.
- The average occupancy rate in stabilized communities was 96.9% as of January, 90 basis points above the national rate and 50 basis points above the January 2021 figure.
- The Salt Lake City multifamily market continues to display strong fundamentals, with demand outpacing supply. Low inventory pushed some renters toward single-family communities, which saw record rent growth. The average rent in the SFR market climbed to $1,965 in January, only $18 below the national figure.
- Rates spiked across all submarkets in the 12 months ending in February, with all but two recording double-digit increases. The metro's urban core remained the most expensive. Downtown rents averaged $1,702, while rates in Central City hit $1,660. In the suburbs, renters paid most for units in South Jordan/Herriman—$1,692 on average.

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

- At 1.3% as of December, Salt Lake City's unemployment rate hit an all-time low, according to preliminary BLS data. Utah's jobless rate was also at a record low—2.3%—a testament to the metro's fast-paced recovery. A total of 60,600 jobs were added across all sectors in 2021 for a 5.3% increase, 90 basis points above the national rate. Trade, transportation and utilities (14,600 jobs), along with leisure and hospitality (10,600), led gains.

- Bolstered by Utah's tax incentive programs, Salt Lake City's technology environment is growing fast. Several companies moved to the metro, attracted by a well-educated Millennial population and overall affordability. Tech-oriented companies such as Stitch Fix, Adobe, Recursion and Scorpion expanded their operations in or relocated to the metro recently.

- Capitalizing on Utah's emerging life sciences sector, Salt Lake City intends to boost its biotech presence. The city's mayor revealed a blueprint that aims to spur innovation in health care, attract private capital investment and put an emphasis on partnerships with academic institutions. The push is in tune with the Tech Lake City initiative launched in January 2020 to attract more innovation and tech talent to the metro, as well as meet the community's education-to-workforce needs.

Salt Lake City Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
40	Trade, Transportation and Utilities	282	19.6%
70	Leisure and Hospitality	118	8.2%
60	Professional and Business Services	226	15.7%
65	Education and Health Services	192	13.3%
15	Mining, Logging and Construction	107	7.4%
90	Government	216	15.0%
30	Manufacturing	133	9.2%
50	Information	39	2.7%
55	Financial Activities	91	6.3%
80	Other Services	36	2.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- The metro added 7,333 residents in 2020, marking a 0.6% rise.

- The Kem C. Gardner Policy Institute found that Utah's population grew by 58,729 residents between July 2020 and July 2021. The 1.8% growth rate was the highest since 2017.

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

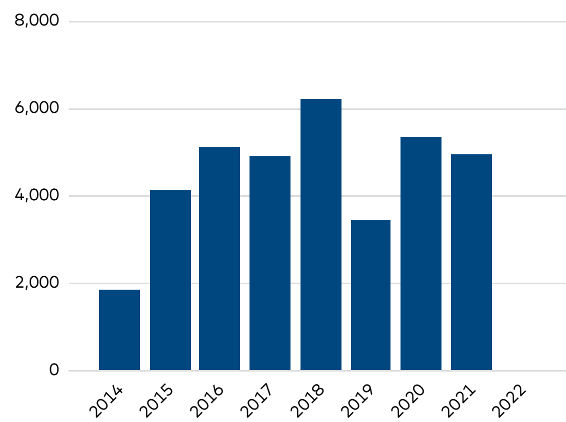
- Salt Lake City had 14,127 units underway as of February, with almost two-thirds of them in luxury projects. Only 2,074 apartments were in fully affordable developments. An additional 38,000 units were in the planning and permitting stages, with developers confident in the market's growth potential.

- A total of 4,958 units came online last year, with 389 of them being delivered in the first two months of 2021. This year through February, no project with 50 units or more was delivered as developers had to cope with the shortage of qualified workers, as well as rising construction costs and lack of available land to build on. New supply is being absorbed quickly, with demand fueled by rapid population growth. Lured by the metro's rapidly recovering job market and more affordable cost of living compared to many West Coast markets, renters continue to relocate to Salt Lake City in droves.

- In the first two months of the year, developers broke ground on five projects totaling 901 units, a significant uptick from the 268 units across two projects kicked off during the same period of 2021. Yardi Matrix expects 3,624 units to be completed in 2022.

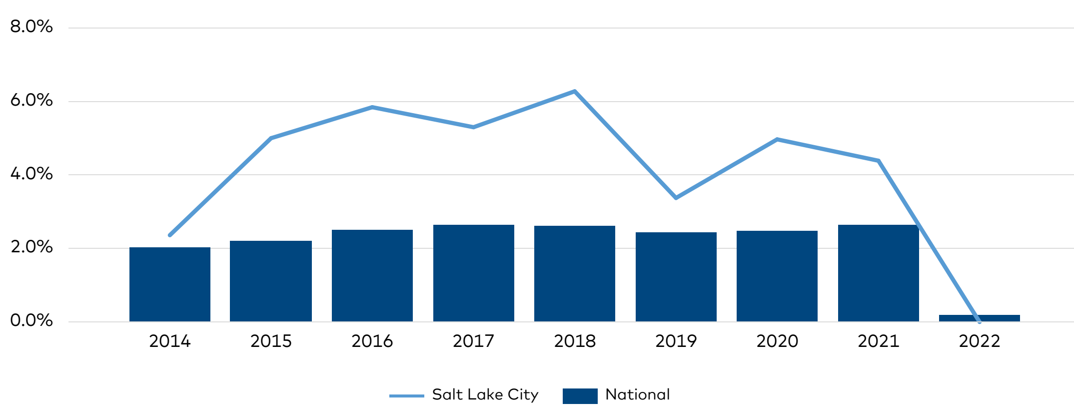
- The supply pipeline is unevenly distributed, with more than a quarter of the projects under construction in the metro's downtown submarket. Ogden/Clearfield, Central City and Northwest also have more than 1,000 apartments underway each. The largest development is Gardner Batt's 769-unit The Village at North Station. The fully affordable project is being built using $98.6 million from the Utah Housing Corp. and another $36.4 million loan from Citibank. Full completion is expected by mid-2024.

Salt Lake City Completions (as of February 2022)



Source: Yardi Matrix

Salt Lake City vs. National Completions as a Percentage of Total Stock (as of February 2022)

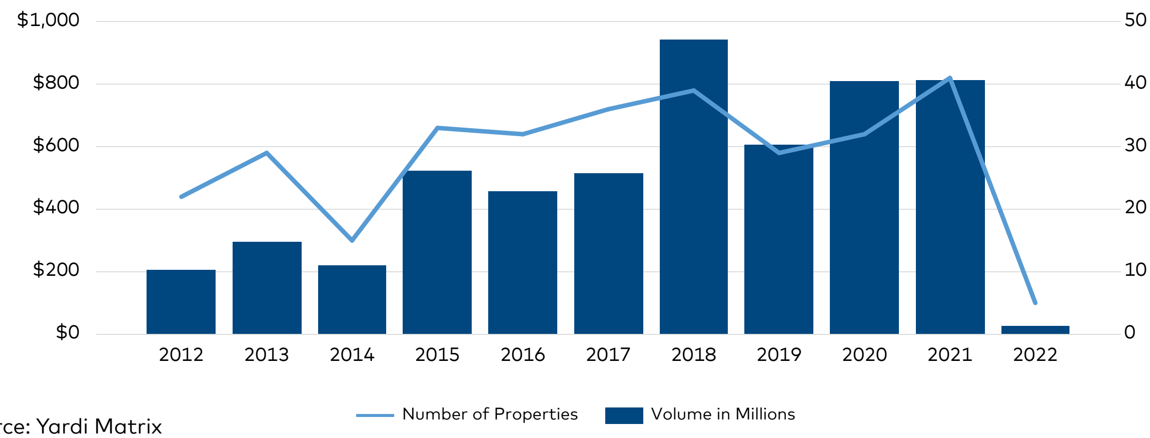


Source: Yardi Matrix

TRANSACTIONS

- Transaction activity in Salt Lake City softened in the first two months of the year, with only five properties changing hands. This followed 2021's $812 million total deal volume, which marked the second-best year for multifamily investment in the past decade.
- In 2021, the average per-unit price hit a new cycle peak of $220,190, up 9.3% since 2020 and 14.5% above the U.S. figure. After a record year, price acceleration is expected to moderate going forward.
- Salt Lake City-Downtown remained the hottest area in the metro for both development and investment. More than $130 million in multifamily assets changed hands in the submarket in the 12 months ending in February, followed by Provo with $112 million. TruAmerica Multifamily's $82.5 million July acquisition of The Falls at Hunters Pointe in Sandy was the metro's largest transaction. The buyer took out a $61.9 million loan from Blackstone Group to finance the deal.

Salt Lake City Sales Volume and Number of Properties Sold (as of February 2022)



Source: Yardi Matrix

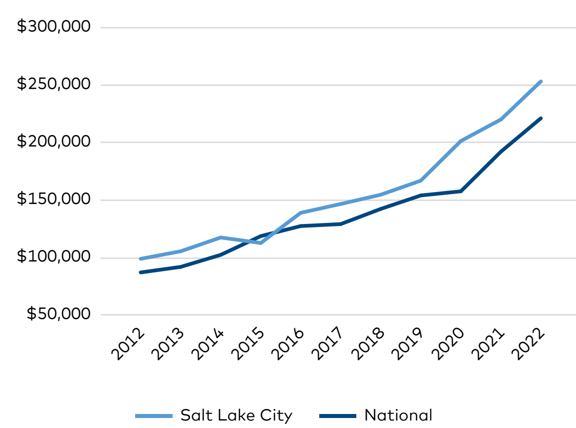
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Salt Lake City-Downtown	130
Provo	112
Draper	83
Ogden/Clearfield	66
South Jordan/Herriman	65
West Jordan	60
North Salt Lake/Bountiful	43

Source: Yardi Matrix

[1] From March 2021 to February 2022

Salt Lake City vs. National Sales Price per Unit



Source: Yardi Matrix

What's Driving Growth Throughout the Wasatch Front?

By Adriana Marinescu

Strong economic fundamentals and solid employment drivers, backed by the great outdoors, have all been fueling in-migration in Salt Lake City over the past few years. More recently, the strong demographic trends have helped the metro's multifamily market rapidly rebound from the effects of the health crisis. Lowe Property Group Vice President Keith Smith explains why he expects a bright long-term future for Salt Lake City's multifamily market.

What can you tell us about Salt Lake City's multifamily market? Please tell us more about the trends you're noticing.

Salt Lake City's multifamily market has never been tighter than it currently is. Vacancy rates are at historic lows, rental rates have never been higher and record numbers of rental units have been developed and are under construction. An unprecedented number of permits continue to be issued in Salt Lake County.

A couple of trends we are witnessing are the emergence of more and more mid- to high-rise residential developments, along with a shifting focus toward elevating the quality of building design.

Where are developers most active? Which of the metro's submarkets are most attractive nowadays?

Salt Lake City continues to be the Wasatch Front's most attractive metro to develop, due to rental rates being substantially higher than the ones in the surrounding suburbs.

The metro's two most inviting areas to build are the Downtown and Sugar House Market, due to the proximity of various urban amenities—entertainment venues, dining options and cultural events.

Tell us more about your participation in the Post District development. How will this project shape the metro's urban area?

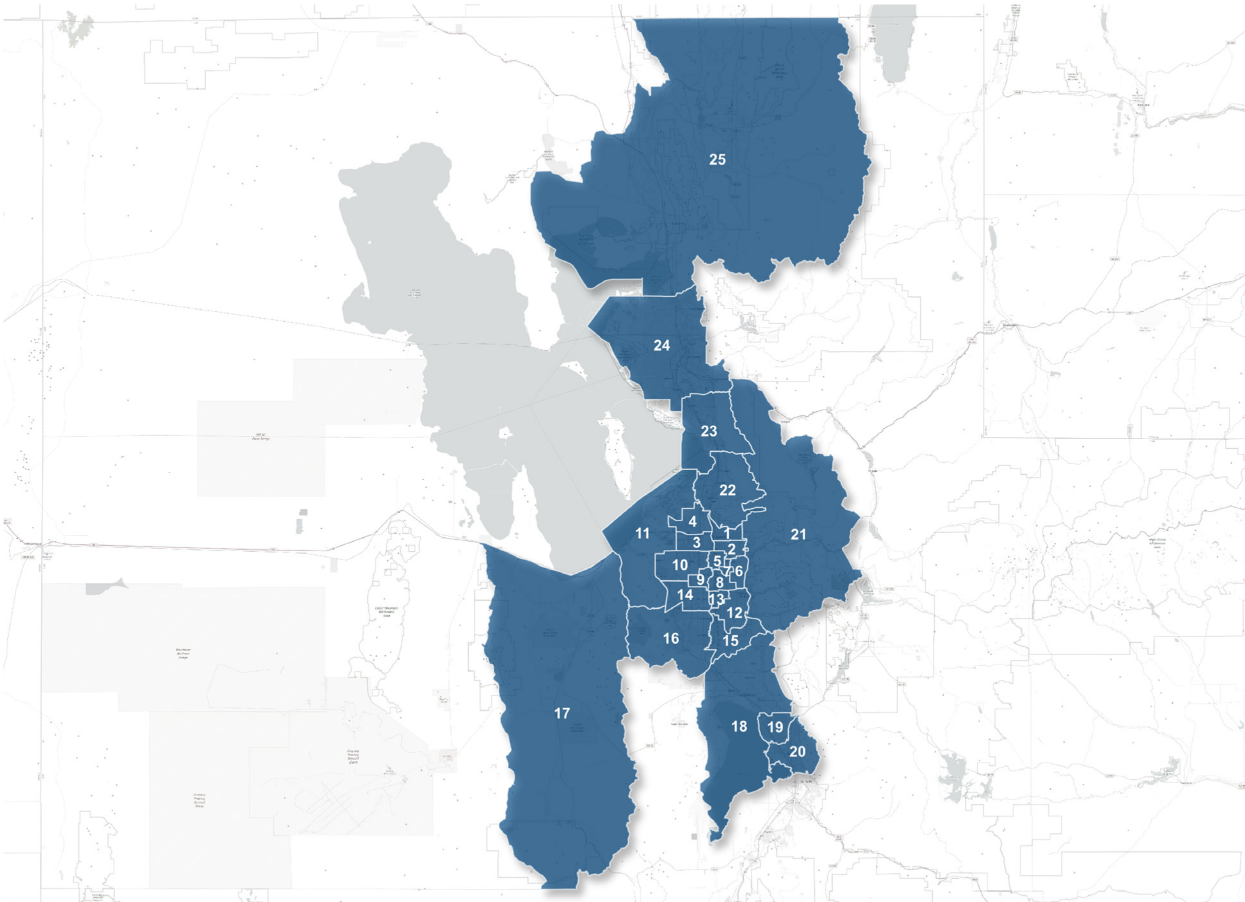
The Post District is a 13-acre, mixed-use development that is located along the main entrance and exit boulevards of the city. This project will act as the next great expansion piece of Salt Lake City and will enhance the Granary neighborhood. Lowe Property Group is directing the development of 580 Class A multifamily units, which will provide a wide variety of residential spaces, including loft living, workforce housing and contemporary apartment options, along with an unprecedented amenity offering. The Post District is scheduled to deliver units and new, upscale dining as soon as this summer.

How do you expect the metro's multifamily market to perform in the short and long term?

In the short term, there is quite a bit of supply hitting the market which keeps us vigilant to absorption and vacancy rates. However, given the trend of high quality jobs moving to the Wasatch Front and an increasing number of young working professionals relocating to Salt Lake for its desirable lifestyle, we expect a bright long-term future for Salt Lake's multifamily market.

(Read the complete interview on multihousingnews.com.)

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.

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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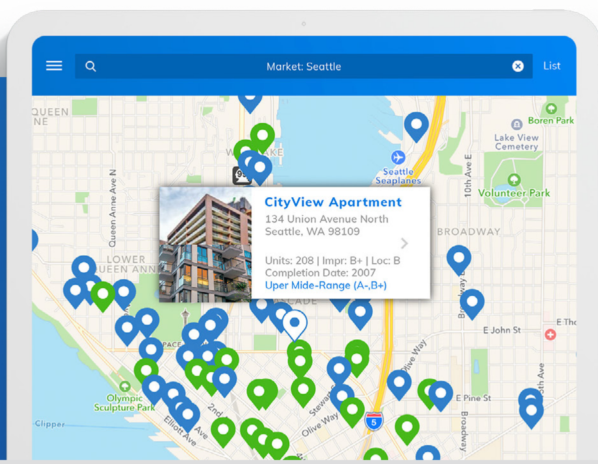
MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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