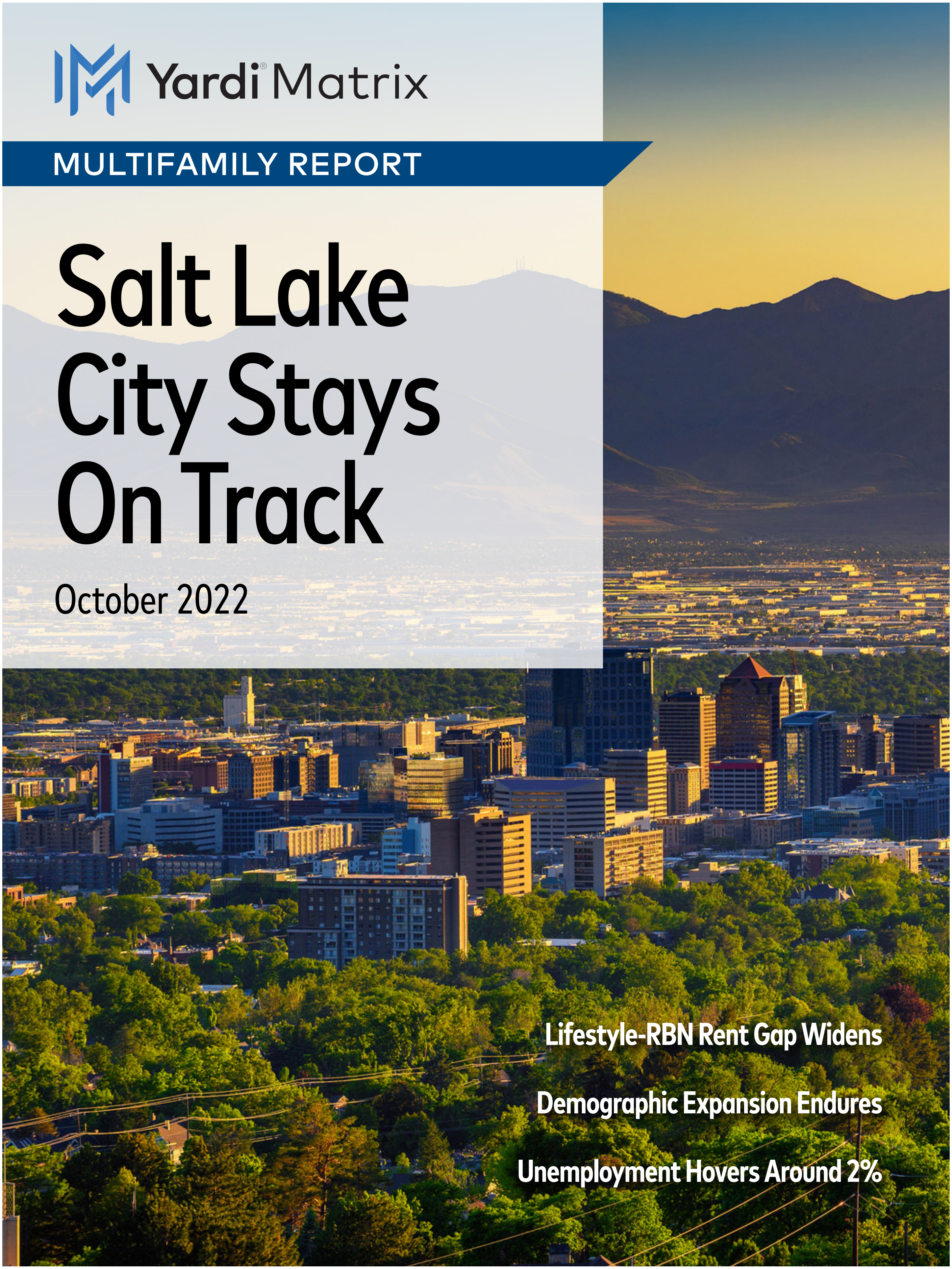
Yardi Matrix

MULTIFAMILY REPORT

Salt Lake City Stays On Track

October 2022



Lifestyle-RBN Rent Gap Widens

Demographic Expansion Endures

Unemployment Hovers Around 2%

SALT LAKE CITY MULTIFAMILY

Yardi Matrix

Deliveries Moderate, Investments Accelerate

Continuing to benefit from incoming demand from the West Coast, the Salt Lake City multifamily market has been thriving. The metro has seen a noticeable amount of investment activity, keeping rent development healthy. Year-over-year through August, rates rose 14.5%, outpacing the U.S. figure by 360 basis points. On a three-month basis, rents expanded by 0.7% to an average of $1,614, while national figures improved by 0.6% to $1,718.

Employment gains were most pronounced in the trade, transportation and utilities, and mining, logging and construction sectors, which accounted for almost half of the 50,300 jobs added in the 12 months ending in June. The Wasatch Front's pro-business environment, coupled with the diverse base of highly skilled professionals, has been instrumental in the area's post-pandemic recovery. In Davis County, the Utah Department of Transportation is investing more than $1.2 billion in several large infrastructure projects, while Salt Lake City received funds to invest in more bike lanes, multiuse trails and transit corridors.

In the first eight months of 2022, deliveries softened to just half of the 4,278 apartments that developers brought online last year through August. Meanwhile, transaction activity continued unabated. Investors spent a combined $745 million on multifamily assets across Salt Lake City, significantly more than the $488 million they invested in the metro in 2021 through August.

Market Analysis | October 2022

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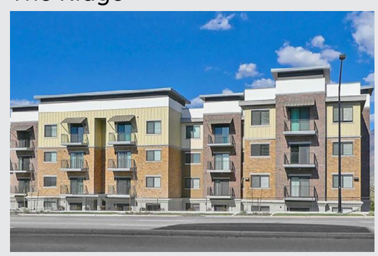
Recent Salt Lake City Transactions

Dry Creek at East Village

City: Sandy, Utah
Buyer: Graycliff Capital
Purchase Price: $101 MM
Price per Unit: $358,889

The Ridge

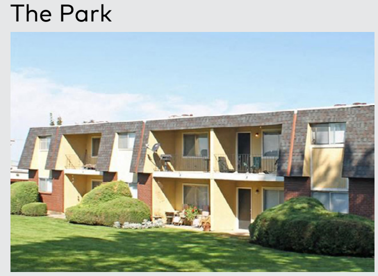


City: Sandy, Utah
Buyer: Maxx Properties
Purchase Price: $73 MM
Price per Unit: $280,971

The Ivy at Draper

City: Draper, Utah
Buyer: Greystar
Purchase Price: $59 MM
Price per Unit: $214,792

The Park

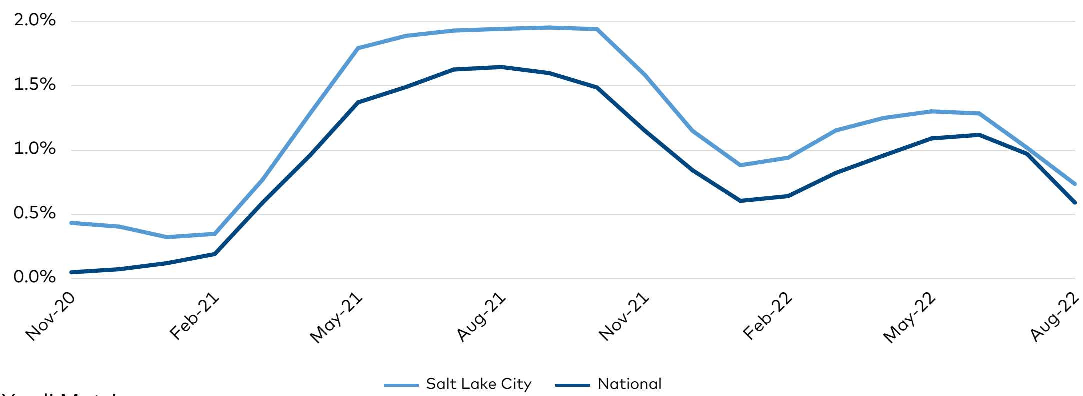


City: Bountiful, Utah
Buyer: Cornerstone Residential
Purchase Price: $31 MM
Price per Unit: $225,217

RENT TRENDS

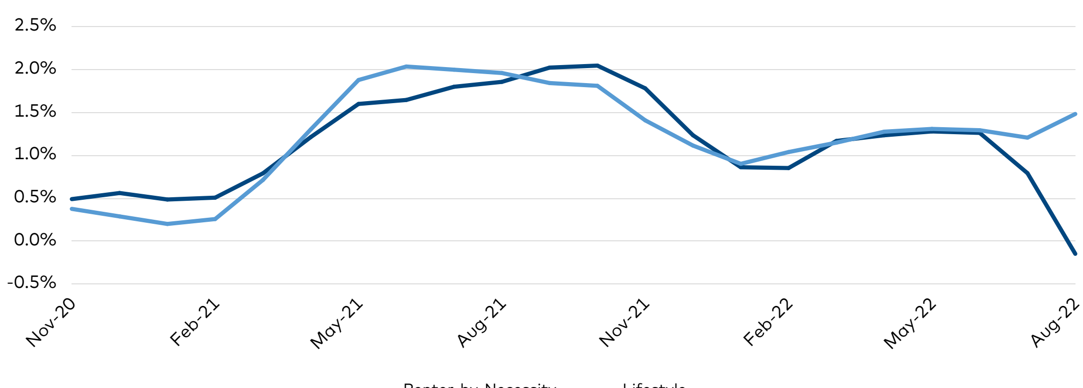
- Salt Lake City rents were up 0.7% on a trailing three-month (T3) basis through August, 10 basis points above the national rate of growth. On an annual basis, the metro's average rent rose 14.5%, outpacing the U.S. rate by 360 basis points. However, at $1,614 as of August, the rate remained below the $1,718 U.S. figure.
- The gap between the working-class Renter-by-Necessity segment and the upscale segment was among the widest in the country on a T3 basis. While RBN rents posted a 1.5% gain to $1,528, Lifestyle rents contracted by 0.1% to $1,727.
- Developers have added an average of 5,260 units every year since 2017, but occupancy in stabilized properties remained above historical averages. In July, the rate clocked in at 96.7%, while the U.S. figure stood at 96.0%.
- Mirroring nationwide trends, occupancy in the single-family rental sector began to moderate in Salt Lake City. At 96.9% as of July, SFR occupancy decreased by 170 basis points year-over-year. However, rates remain healthy, and demand should stay firm as the Federal Reserve's actions keep slowing the for-sale housing market.
- Of the 25 Salt Lake City submarkets tracked, 23 posted double-digit year-over-year rent increases through August. Rates accelerated most in Salt Lake City-Northwest (20.4% to $1,472), Millcreek (20.2% to $1,549) and West Valley City (20.0% to $1,556). Urban core submarkets—Downtown ($1,830) and Central City ($1,797)—remained the most expensive.

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

- Employment growth across the Wasatch Front continued strong, with Salt Lake City adding 50,300 jobs in the 12 months ending in June, a 3.8% year-over-year increase. Preliminary BLS data shows that the unemployment rate in the metro dropped as low as 2.1% in July, in line with the state's 2.0% rate, but significantly below the nation's 3.5% average.

- Trade, transportation and utilities, along with mining, logging and construction, accounted for almost half of the total job gains. The Utah Department of Transportation has several large infrastructure projects underway. In Davis County, the agency is working on the $750 million West Davis project that will add a new 16-mile, four-lane divided highway between Interstate 15 in Farmington and the future extension of State Route 193 in West Point. An additional $473 million is being invested in widening U.S. Route 89 and adding four new interchanges and two new bridges over the highway.

- With prominent tech companies, financial services institutions, biotech firms and startups all calling Salt Lake City home, the metro's economy has rapidly rebounded from pandemic-induced woes. These diverse industries continue to create high-paying jobs that fuel in-migration to the metro. And the influx of young, high-earning professionals will likely continue to back multifamily demand.

Salt Lake City Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
40	Trade, Transportation and Utilities	276	19.0%
15	Mining, Logging and Construction	118	8.1%
70	Leisure and Hospitality	123	8.5%
65	Education and Health Services	193	13.3%
30	Manufacturing	140	9.7%
50	Information	44	3.0%
80	Other Services	38	2.6%
60	Professional and Business Services	219	15.1%
55	Financial Activities	90	6.2%
90	Government	210	14.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- The metro added 3,544 residents last year, marking a 0.3% expansion, 20 basis points above the U.S. rate.

- Salt Lake County's population is expected to grow to 1,672,102 residents by 2060, according to Kem C. Gardner Policy Institute projections.

Salt Lake City vs. National Population

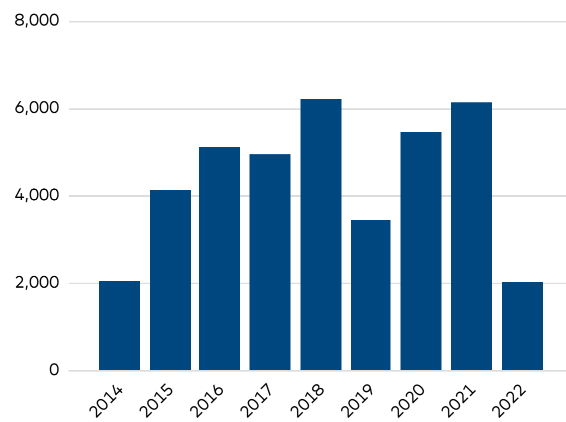
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Salt Lake City	1,218,895	1,230,695	1,259,517	1,263,061

Source: U.S. Census

SUPPLY

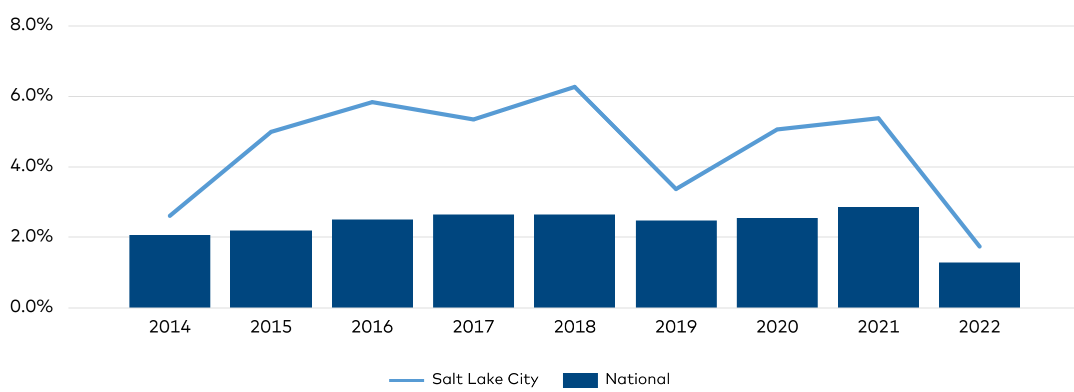
- Salt Lake City had 17,129 units under construction as of August, with almost two-thirds catering to the Lifestyle segment. An additional 36,500 units were in the planning and permitting stages.
- Developers brought online only 2,029 units in the first eight months of the year, less than half the number of apartments they delivered over the same period in 2021. The bulk of the apartments that came online in 2022 were part of upscale projects in urban core areas.
- Meanwhile, construction starts accelerated. In 2021 through August, developers broke ground on 4,120 units across 19 projects, while in the first eight months of this year, builders kicked off work on 5,984 units across 31 projects. Demand for multifamily product is bound to remain high due to young and affluent white-collar workers continuing to move to the metro, lured in by the more affordable cost of living and vibrant employment market.
- Development activity was particularly intense in the metro's downtown area where 4,104 units were underway as of August. Ogden/Clearfield (2,330 units under construction) and Pleasant Grove/Lehi (1,996 units) rounded out the top three.
- As of August, four of the 73 projects underway in metro Salt Lake City had more than 500 units each. The largest development under construction was The Village at North Station, a seven-building project encompassing 769 LIHTC-subsidized units. Gardner Bratt is developing the upcoming fully affordable community using $135 million in total financing from Citibank and Utah Housing Corp.

Salt Lake City Completions (as of August 2022)



Source: Yardi Matrix

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

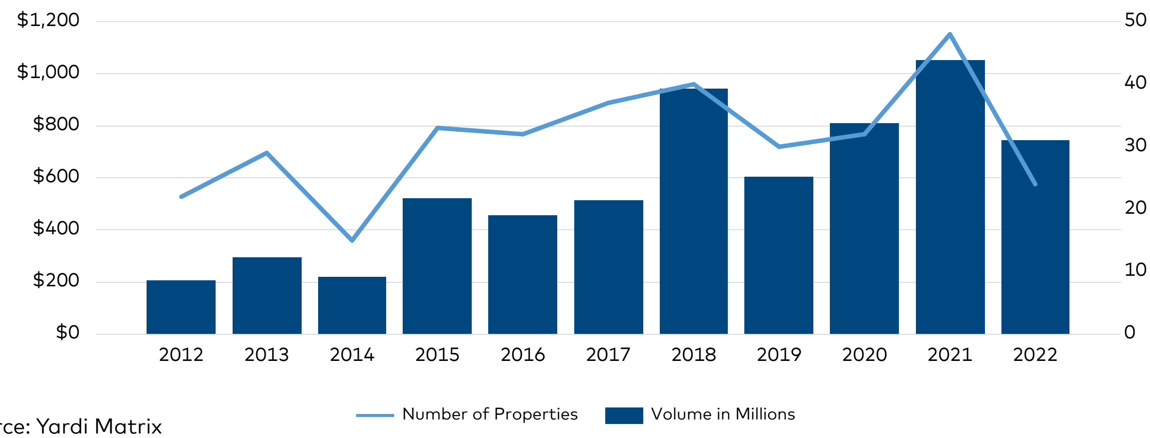


Source: Yardi Matrix

TRANSACTIONS

- In the first eight months of the year, $745 million in multifamily assets traded in Salt Lake City, significantly above the $488 million recorded over the same interval last year. However, deal velocity picked up toward the end of 2021, bringing the total investment volume above the $1 billion mark for the first time ever. Despite the cooling economy and overall uncertain financial climate, this year's total transaction volume will likely end up around the same milestone.
- Although investors had a slight preference toward working-class properties, per-unit prices in 2022 through August clocked in at $264,966, marking a 16.1% uptick from last year and staying $47,770 above the U.S. figure.
- Two suburban submarkets—Ogden/Clearfield ($202 million) and Sandy ($197 million)—were the most coveted in the 12 months ending in August. The metro's downtown area ranked third with $140 million in multifamily sales.

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



Source: Yardi Matrix

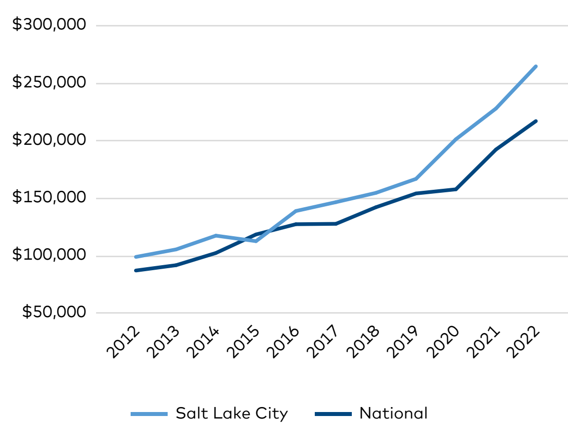
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Ogden/Clearfield	202
Sandy	197
Salt Lake City-Downtown	141
South Jordan/Herriman	140
Midvale	127
West Jordan	116
North Salt Lake/Bountiful	74

Source: Yardi Matrix

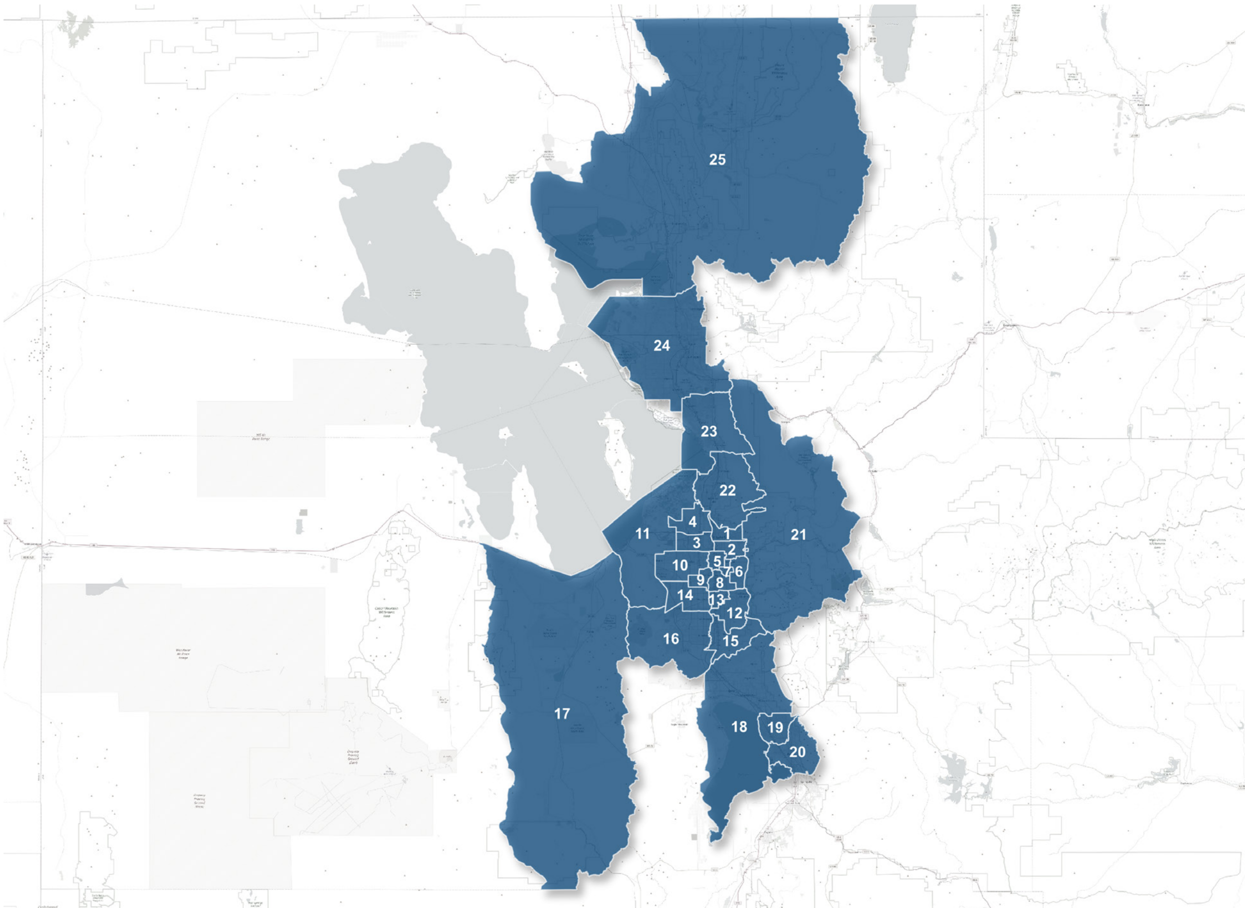
[1] From September 2021 to August 2022

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
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 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 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, 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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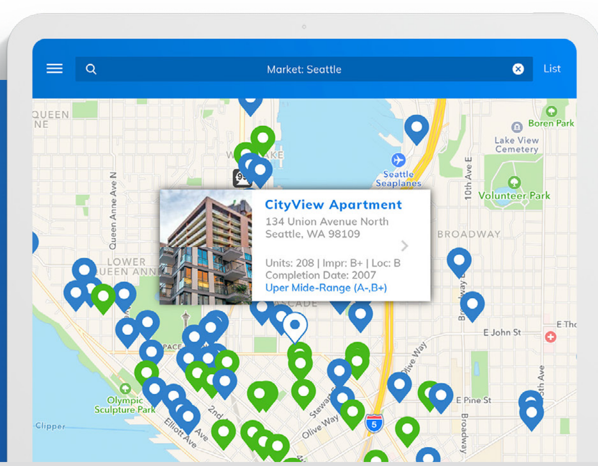
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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

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