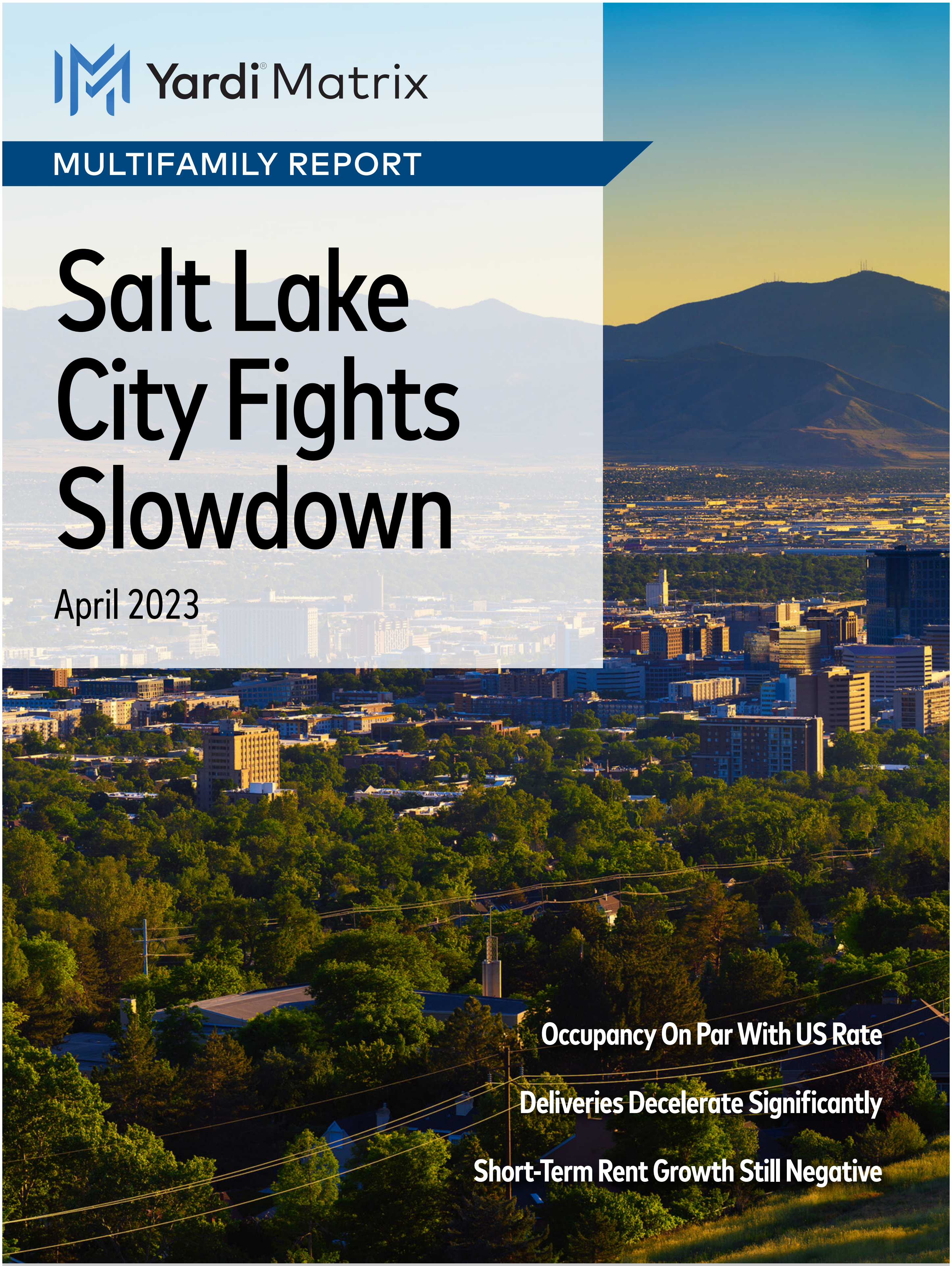
Yardi Matrix

MULTIFAMILY REPORT

Salt Lake City Fights Slowdown

April 2023



Occupancy On Par With US Rate

Deliveries Decelerate Significantly

Short-Term Rent Growth Still Negative

SALT LAKE CITY MULTIFAMILY

Yardi Matrix

Signs of Stagnation Along The Wasatch Front

Mirroring nationwide trends, the Salt Lake City multifamily market continues to adapt to the weakening economic landscape. In November, rent growth turned negative, and by February, rates had posted a 0.5% decline on a trailing three-month basis, to $1,568. The national figure contracted by only 0.1%, to $1,702. Meanwhile, occupancy declined 180 basis points in the 12 month ending in January, clocking in at 95.2% and on par with the U.S. rate.

The Wasatch Front job market expanded by 2.8% in 2022, having added 28,900 positions. Three sectors, including financial services and professional and business services, shed a combined 5,300 jobs. Tech unicorns MX, Route and Podium have already reduced their workforce and other layoffs are expected, as tech companies continue to navigate macroeconomic concerns. Despite these challenges, several large infrastructure projects are moving forward, including the 10-year, $4.1 billion Salt Lake City International Airport capital improvement program. The second phase is on track for completion this year.

Deliveries dropped significantly, with only a 230-unit project coming online in the first two months of the year. Construction starts ground to a halt as many developers have postponed projects until the economy stabilizes. The market volatility also pushed many investors to the sidelines, bringing sales to a standstill.

Recent Salt Lake City Transactions

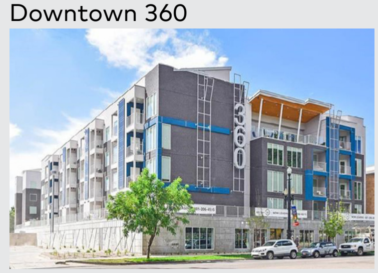
Downtown West

City: Salt Lake City
Buyer: Tailwind Investment Group
Purchase Price: $83 MM
Price per Unit: $197,767

Tuscany Cove

City: West Valley, Utah
Buyer: Preserve Partners
Purchase Price: $31 MM
Price per Unit: $123,339

Downtown 360



City: Salt Lake City
Buyer: Hill Street Realty
Purchase Price: $31 MM
Price per Unit: $205,559

Market Analysis | April 2023

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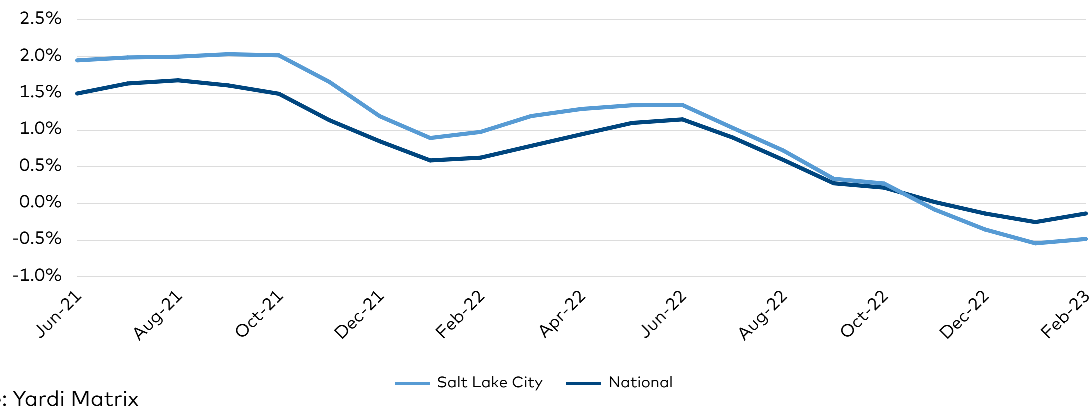
RENT TRENDS

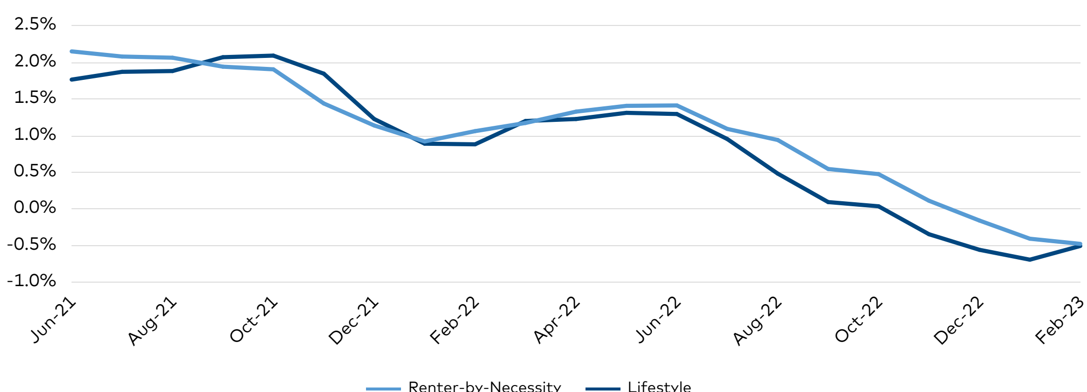
- Rent development in Salt Lake City has been on a downward trajectory since mid-2022, with rates contracting by 0.5% on a trailing three-month (T3) basis through February, marking the fourth consecutive month of negative performance and 40 basis points below the national rate. Rent improvement is also decelerating on an annual basis, with rates up only 4.5%—a huge drop from the 21.2% recorded in February 2022 and lagging the 4.8% U.S. figure.
- The average rent in Salt Lake City was $1,568 in February, while the national figure clocked in at $1,702. Rates in both the working-class Renter-by-Necessity and Lifestyle segments contracted by 0.5% on a T3 basis to an average of $1,461 and $1,701, respectively.
- With housing demand dissipating due to slow household formation and ongoing recession concerns, the occupancy rate in stabilized Salt Lake City properties decreased, hitting 95.2% as of January, on par with the U.S. figure. Weakening housing demand was also visible in the single-family-rental sector, where occupancy declined from a mid-2021 peak of 96.9%, to 93.5%, the lowest rate since early 2019.
- In the 12 months ending in February, rent growth was uneven across the map, with suburban submarkets such as Provo (17.4% to $1,323), Millcreek (9.4% to $1,546) and Logan (9.0% to $1,481) leading the way. The only submarket where the average rate still surpassed the $2,000 mark was Salt Lake City-Downtown ($2,157), where rents increased by 3.8%.

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

- Salt Lake City's jobless rate dropped to 2.0% as of December—among the lowest figures in the U.S.—but rose to 2.5% in January, according to preliminary BLS data. Despite recent tech-sector layoffs, the metro's job market remains tight.
- In 2022, the metro gained 28,900 jobs, marking a 2.8% improvement, 90 basis points below the national rate. Three sectors contracted last year—government, financial activities and professional and business services—losing 5,300 positions combined. Silicon Slopes companies began staff reductions last year in response to the slowing economy. Pluralsight laid off 20 percent of its workforce, while tech unicorns MX, Route and Podium also reduced the size of their teams.
- Meanwhile, the $4.1 billion Salt Lake City International Airport redevelopment is well underway. Builders are now working on the underground people-mover system and tunnel, which are expected to be completed in 2025.
- The North Temple area is also getting a makeover. Public utility provider Rocky Mountain Power intends to turn 100 acres around its main office into a revitalized corporate campus and transit-oriented neighborhood. Brinshore Development broke ground on a mixed-use project on a city-owned parcel in the area, while the Utah State Fairpark and the adjacent Westside neighborhood are slated for a complete overhaul over the next 15 years.

Salt Lake City Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
15	Mining, Logging and Construction	118	8.0%
40	Trade, Transportation and Utilities	288	19.6%
65	Education and Health Services	203	13.8%
70	Leisure and Hospitality	120	8.2%
30	Manufacturing	139	9.5%
50	Information	43	2.9%
80	Other Services	37	2.5%
90	Government	215	14.7%
60	Professional and Business Services	217	14.8%
55	Financial Activities	86	5.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- In the decade ending in 2021, Salt Lake City added 139,111 residents, for a 12.4% demographic increase.
- Year-over-year through July 2022, Utah's population rose by 1.8%—mostly due to net migration—topping 3.4 million residents, according to Utah Population Committee estimates.

Salt Lake City vs. National Population

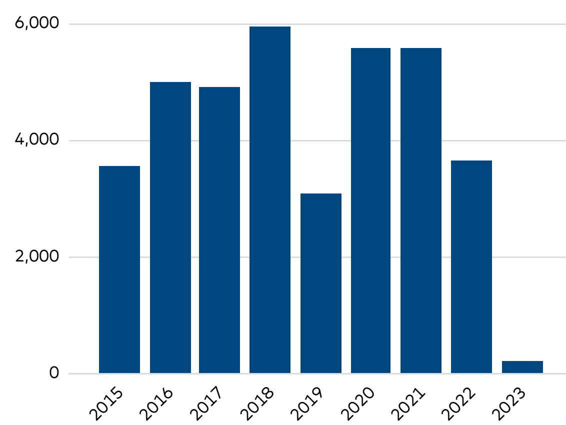
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Salt Lake City	1,218,895	1,230,695	1,259,517	1,263,061

Source: U.S. Census

SUPPLY

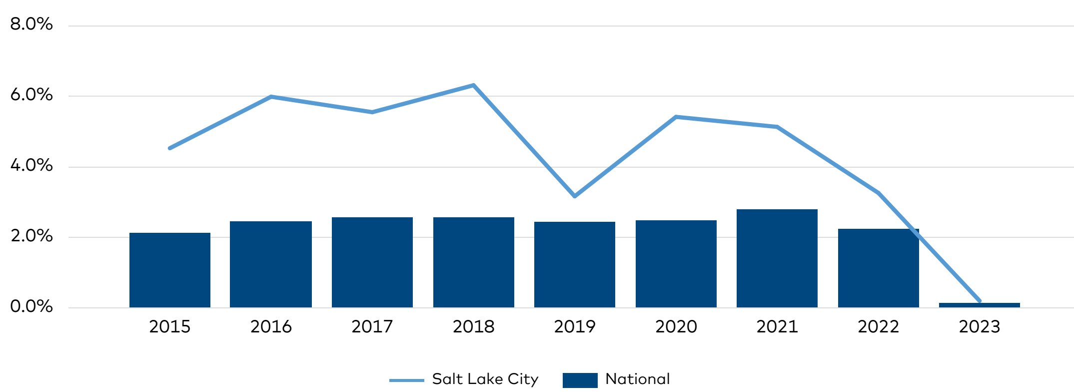
- At the end of February, there were 18,508 units under construction in Salt Lake City, with roughly 10.0% of them in fully affordable developments. Another 45,000 apartments were in the planning and permitting stages, but considering the weakening economy and tightening credit conditions, some developers may delay plans until next year or even later.
- In the first two months of the year, only a 230-unit property in Saratoga Springs, Utah, came online in the metro. The rate of completions began decelerating last year, when just 3,668 units were added to the Wasatch Front's inventory, a significant decrease from the almost 5,600 units that developers delivered in each of the previous two years.
- While development activity is typically slower at the beginning of the year, the ebbing economy and more cautious lenders have also had a substantial impact on construction starts. Year-to-date through February, developers did not break ground on any project of 50-plus units, while in the same interval of 2022 they had already started work on 2,157 units across 12 developments.
- With 3,097 apartments underway as of February, Salt Lake City-West Central was the busiest submarket for multifamily development in the metro, followed by Ogden, with 2,441 units under construction. Salt Lake City-West (1,314 units) rounded out the top three, with The Village at North Station accounting for more than half of the apartments under construction in this submarket. Developed by Gardner Bratt, the fully affordable project is anticipated to come online in mid-2024.

Salt Lake City Completions (as of February 2023)



Source: Yardi Matrix

Salt Lake City vs. National Completions as a Percentage of Total Stock (as of February 2023)

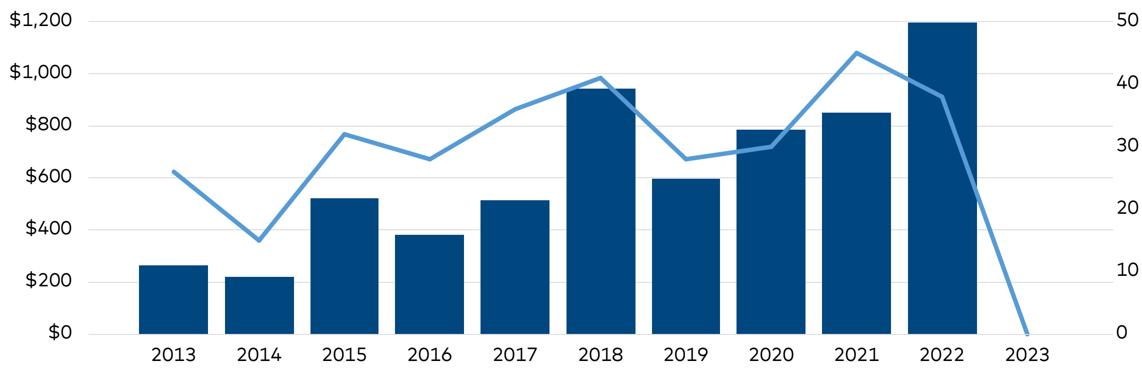


Source: Yardi Matrix

TRANSACTIONS

- Transaction activity ground to a halt at the beginning of 2023, as no property of 50-plus units changed hands in the first two months, mainly due to pricing uncertainty triggered by a rocky economy. This followed 2022's record performance, when sales surpassed the $1 billion threshold for the first time, hitting $1.2 billion.
- Although 26 of the 38 deals that closed last year involved RBN assets, the average price per unit in Salt Lake City—$234,746—remained above the $211,138 national figure.
- In the 12 months ending in February, investors flocked to urban core submarket Salt Lake City-West Central ($221 million), followed by southern areas Sandy ($175 million) and Midvale ($168 million). Investment activity is expected to remain slow—at least for the first half of the year—as both borrowers and lenders remain cautious due to softening market conditions.

Salt Lake City Sales Volume and Number of Properties Sold (as of February 2023)



Source: Yardi Matrix

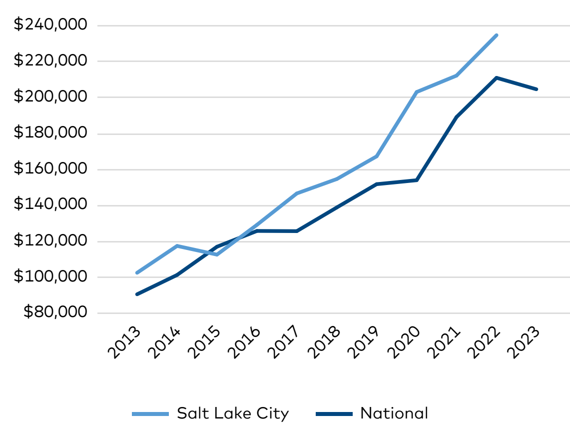
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Salt Lake City-West Central	221
Sandy	175
Midvale	168
Ogden/Clearfield	134
Salt Lake City-West	127
Draper	59
West Valley City	57

Source: Yardi Matrix

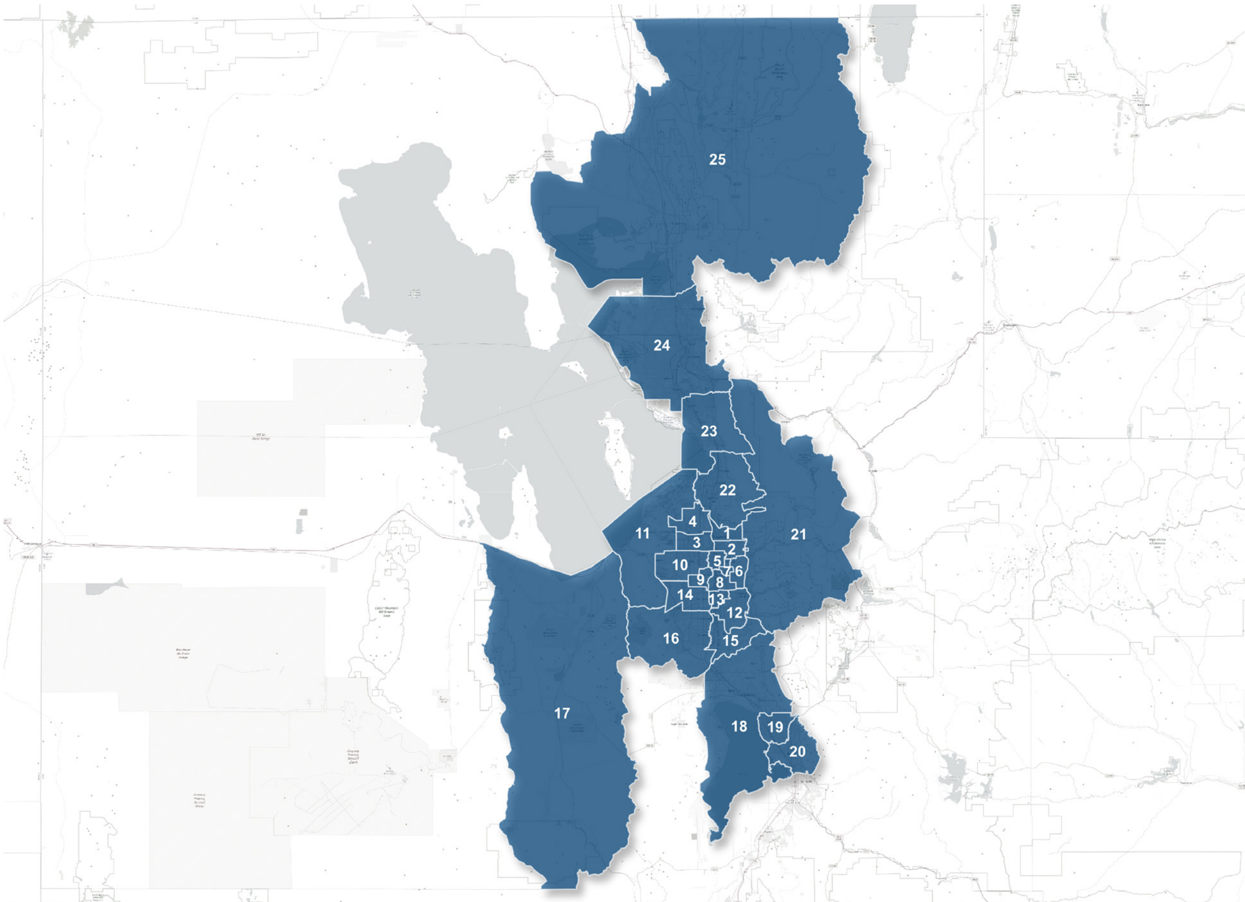
[1] From March 2022 to February 2023

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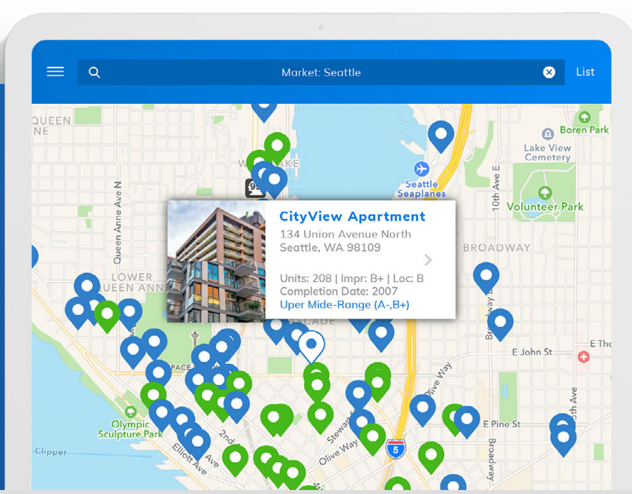
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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

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