



Yardi® Matrix

Salt Lake City: A Hive of Activity

Multifamily Report Winter 2018

Demand Pushes Up Rents

Investment Targets Core Areas

Affordability Issues Deepen

Market Analysis

Winter 2018

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Strong Economy Lifts Real Estate

Salt Lake City continues to be one of the best-performing metros in the country. Due to robust employment and solid demographics, Utah's largest city is generating demand across all asset classes.

With convenient connectivity and a strong multifamily market, the metro remains appealing to major employers. Job gains are steady, as more than 35,000 positions were added year-over-year through November. Employment is boosted by the myriad new projects underway across the Beehive State. The first redevelopment phase of Salt Lake City International Airport is in the works, with completion scheduled for 2020. WI Commercial Properties' \$200 million mixed-use development is turning land along Interstate 15 into a major tech hub. Meanwhile, the University of Utah has a \$50 million Rehabilitation Hospital underway. At the same time, the metro's economy is growing at such a fast pace that some employers struggle to find highly skilled workers. This rapid growth has raised some concerns regarding labor supply, education and poor air quality.

Salt Lake City's multifamily market is thriving. The transaction volume hit \$421 million last year, while the metro has more than 8,000 units under construction, with most new developments geared toward high-income residents. Yardi Matrix expects rents to increase by 4.9% in 2018.

Recent Salt Lake City Transactions

The Vue



City: Salt Lake City
Buyer: De Anza Properties
Purchase Price: \$75 MM
Price per Unit: \$355,450

Lions Gate



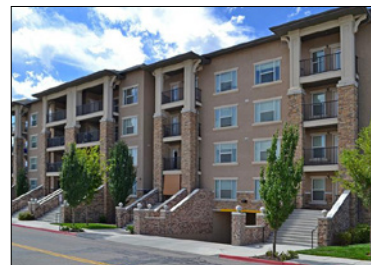
City: Murray, Utah
Buyer: Timberlane
Purchase Price: \$67 MM
Price per Unit: \$168,125

Novi at Jordan Valley Station



City: West Jordan, Utah
Buyer: ColRich Multifamily
Purchase Price: \$50 MM
Price per Unit: \$184,198

Meadowbrook Station

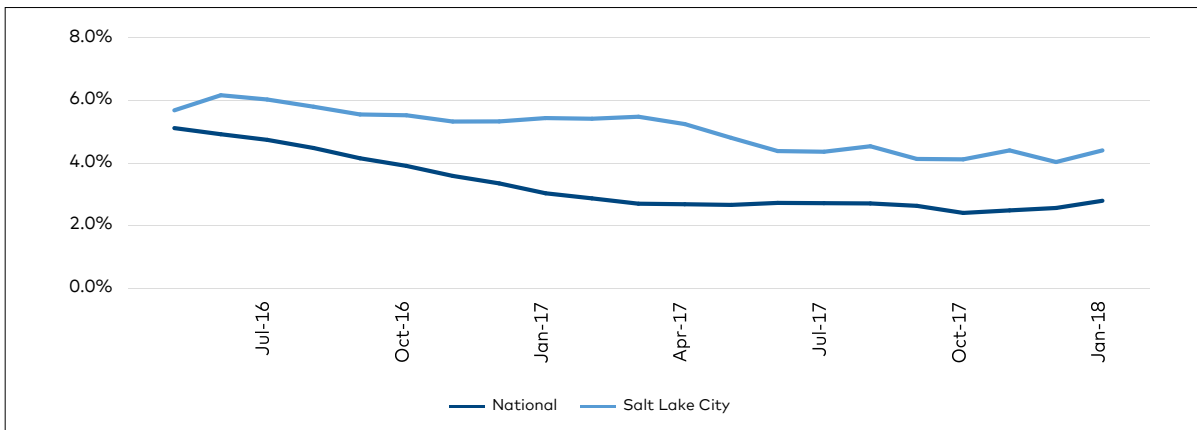


City: Salt Lake City
Buyer: Hamilton Zanze & Company
Purchase Price: \$40 MM
Price per Unit: \$157,874

Rent Trends

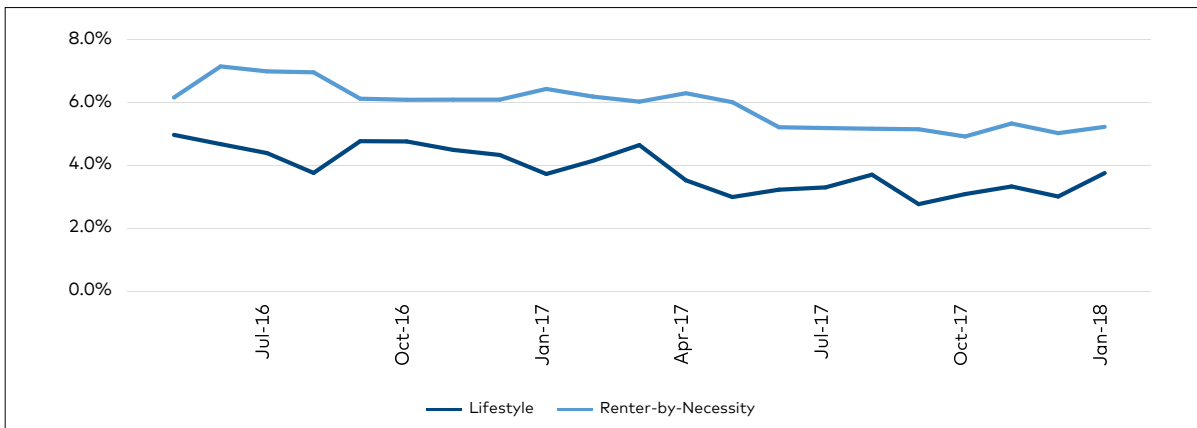
- Rents in Salt Lake City rose 4.4% last year, consistently above the 2.8% national rate. However, the overarching trend reflects the nationwide pattern of deceleration. The metro's combination of low unemployment and an increasing number of young professionals has continued to push up rental demand. The average Salt Lake City rent climbed to \$1,114 in January.
- Rents in the working-class Renter-by-Necessity segment led growth, up 5.2% to an average of \$1,026 as of January. The growth gap between asset classes is significant, with Lifestyle rents increasing by only 3.8%, to \$1,270.
- Provo (13.2%) and Holladay (11.0%), the only submarkets with two-digit growth, led gains. Core areas such as Salt Lake City–Central City (\$1,327) and Salt Lake City–Downtown (\$1,323) remain some of the most expensive, due in part to proximity to high-paying jobs. However, an accessible public transit system, rent growth and affordability issues in the city core are pushing some residents to the suburbs.
- Strong in-migration and continued job growth are poised to maintain a high rental demand. The occupancy rate in stabilized properties ended 2017 at 95.9%, down 50 basis points in one year but still 70 basis points above the U.S. rate.

Salt Lake City vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



Source: YardiMatrix

Salt Lake City Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)

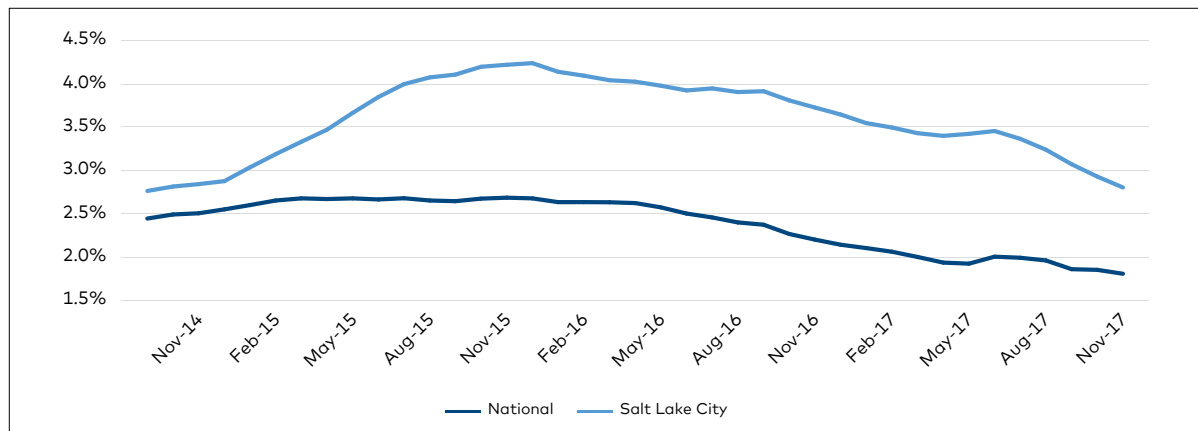


Source: YardiMatrix

Economic Snapshot

- The metro added 35,300 jobs year-over-year through November, a 2.8% increase. Although growth is decelerating, the rate is still 100 basis points above the national average. Salt Lake City remains one of the best-performing metros in the country due to demographic advantages and an appealing business climate.
- Leading the way is the leisure and hospitality sector, which added 7,400 jobs. The metro's ski resorts and national parks continue to attract growing numbers of visitors. Education and health services (6,900) and trade, transportation and utilities (6,800) also recorded significant gains.
- Wasatch Educational is spending \$150 million on the third medical school in the state. Meanwhile, WI Commercial Properties is building a major tech hub along Interstate 15; the \$200 million mixed-use Mountain Tech is set to include 10 industrial buildings and 650,000 square feet of office space.
- The expansion of technology companies and startups is fueling the office sector. Online training provider Pluralsight plans to build a new headquarters in Utah's Silicon Slopes. The 350,000-square-foot office development is slated to span across more than 30 acres in Draper, 21 miles south of Salt Lake City. The company plans to break ground on the project this summer.

Salt Lake City vs. National Employment Growth (Year-Over-Year)



Sources: YardiMatrix, Bureau of Labor Statistics (not seasonally adjusted)

Salt Lake City Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
70	Leisure and Hospitality	110	8.4%	7,400	7.2%
65	Education and Health Services	184	14.0%	6,900	3.9%
40	Trade, Transportation and Utilities	249	19.0%	6,800	2.8%
15	Mining, Logging and Construction	88	6.7%	4,600	5.5%
90	Government	211	16.1%	3,600	1.7%
60	Professional and Business Services	200	15.3%	3,200	1.6%
30	Manufacturing	121	9.2%	1,600	1.3%
80	Other Services	35	2.7%	1,100	3.2%
55	Financial Activities	77	5.9%	1,000	1.3%
50	Information	34	2.6%	-900	-2.6%

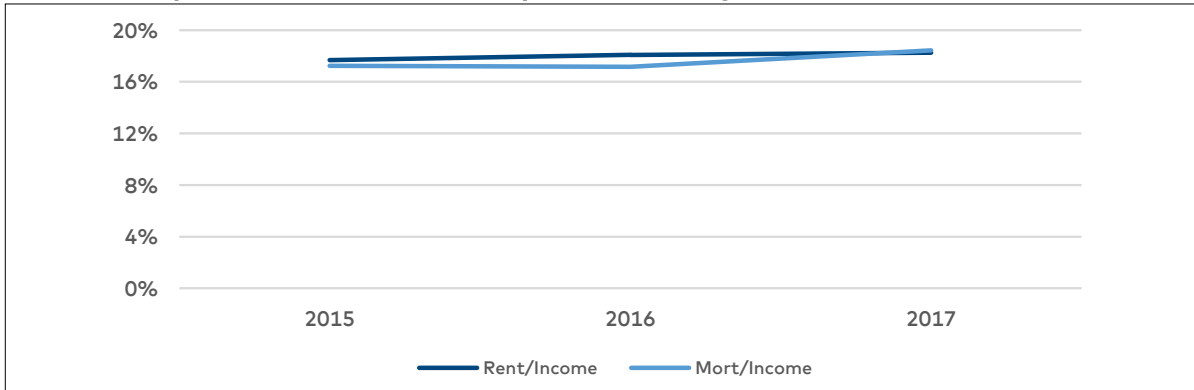
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

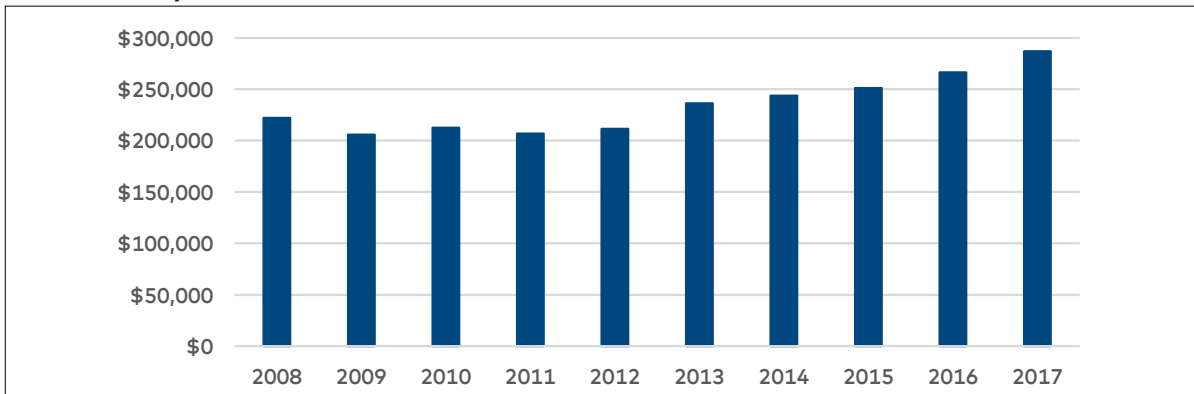
- Home prices in Salt Lake City continue their upward path, with the median home value reaching \$287,215, a cycle high in 2017, up almost 40% since 2011. Local authorities declared an official affordable housing crisis last year, and since rents continue to rise faster than incomes, the issue is bound to linger on.
- Costs are going up, with renting and owning equally expensive—both accounting for 18% of the area's median income. Salt Lake City Council is considering different methods to address the affordable housing issue; solutions include a disputed concept—inclusionary zoning—which some believe could negatively impact construction costs, inhibit future development or drive developers out of the metro.

Salt Lake City Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Salt Lake City Median Home Price



Source: Moody's Analytics

Population

- Salt Lake City grew by almost 18,700 residents in 2016. The 1.6% increase outpaced the national rate by 90 basis points.
- The population rose by 8.7% between 2010 and 2016.

Salt Lake City vs. National Population

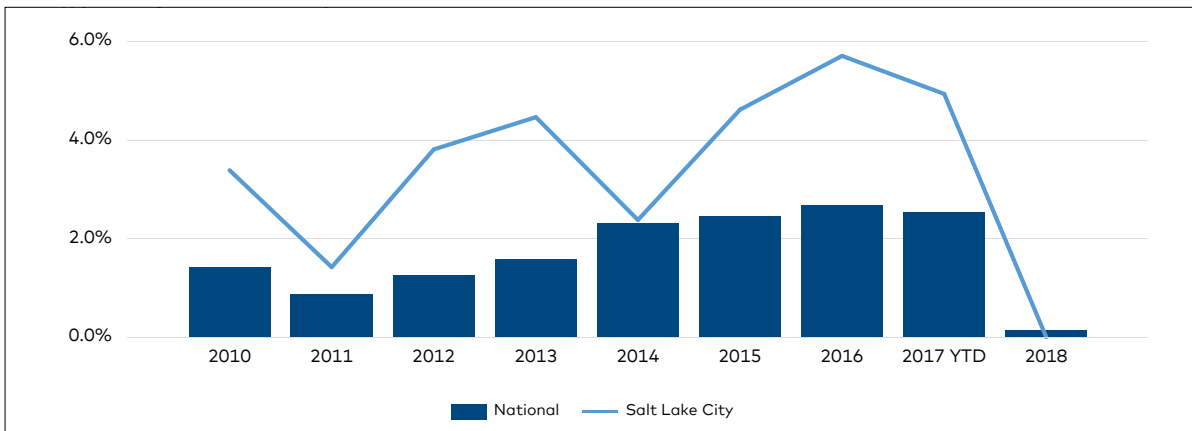
	2012	2013	2014	2015	2016
National	313,998,379	316,204,908	318,563,456	320,896,618	323,127,513
Salt Lake City Metro	1,124,334	1,141,510	1,152,988	1,167,501	1,186,187

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

Supply

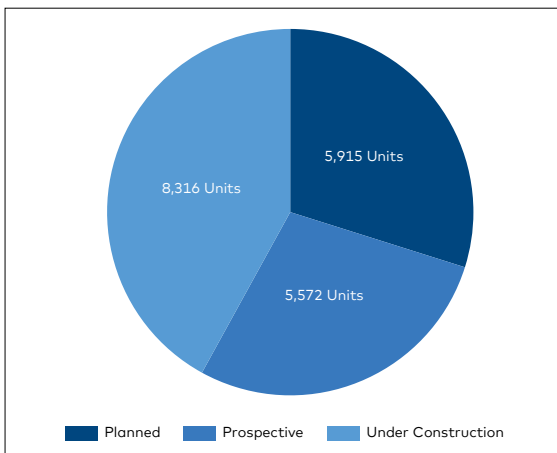
- Roughly 4,500 units came online last year, accounting for 4.9% of total stock, nearly double the U.S. average. Considering the metro's strong economy and large Millennial population, the surge is expected to continue despite the shortage of construction workers. More than 13,000 units came online since the beginning of 2015, the vast majority of which are in Class A and B+ communities. Yardi Matrix forecasts that more than 4,000 units will be delivered this year, almost on par with 2016 and 2017.
- The metro had 8,316 units under construction as of January. Most development is set to deliver upper mid-range properties, which will most likely fuel the current affordability crisis and put further pressure on workforce households. When adding projects in the planning and permitting stages, the total pipeline adds up to almost 20,000 units.
- Inventory is mainly growing in popular submarkets such as Salt Lake City–Downtown (1,314 units), South Salt Lake (1,115) and Orem (1,048). Unita Land Co.'s Affinity 56 in the heart of West Jordan is the largest development under way in Salt Lake City. The 531-unit property is slated for completion by the end of 2019 and targets high-income renters.

Salt Lake City vs. National Completions as a Percentage of Total Stock (as of January 2018)



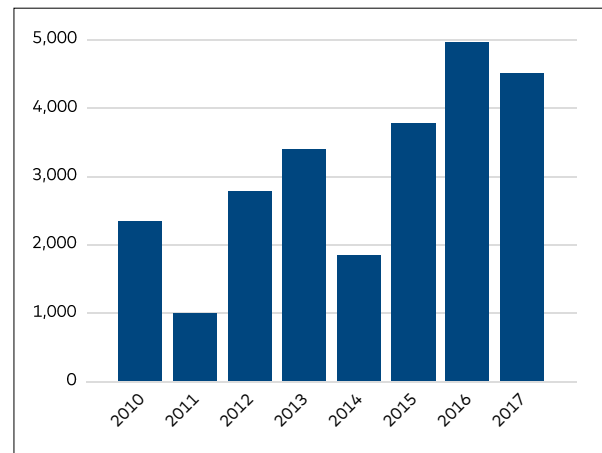
Source: YardiMatrix

Development Pipeline (as of January 2018)



Source: YardiMatrix

Salt Lake City Completions (as of January 2018)

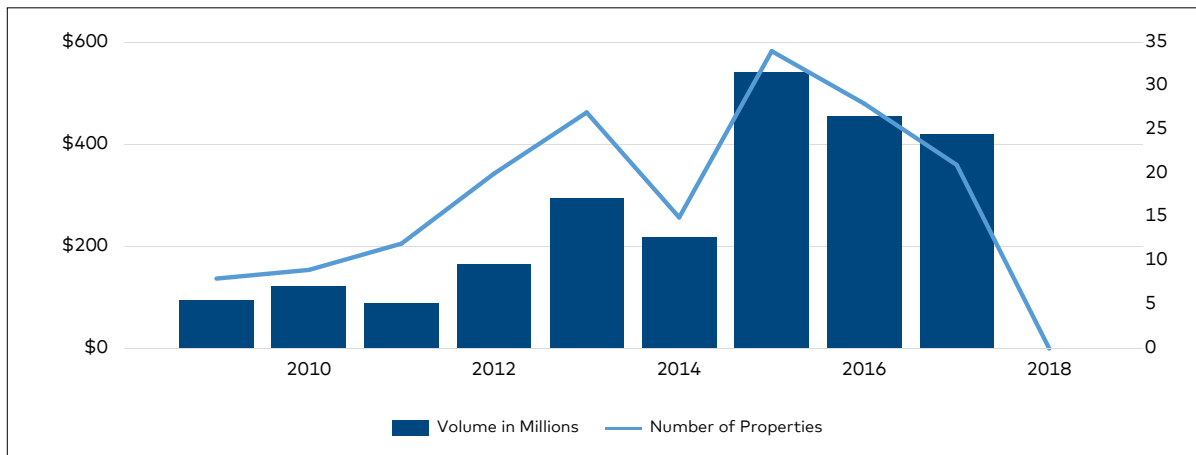


Source: YardiMatrix

Transactions

- Roughly \$420 million in multifamily assets changed hands in 2017, a slight decrease from the previous two years. Since the beginning of 2015 through the end of 2017, approximately \$1.4 billion in properties traded, with investors interested in both upscale and value-add assets.
- The average price per unit increased last year to \$158,125, a new cycle high and almost 15% above the \$138,167 national figure. Appetite for high-end assets was up in 2017, a fact that contributed to rising per-unit prices.
- Sales were concentrated in core submarkets, in part due to proximity to both employment centers and transportation. The 2014-built Vue traded for \$75 million, or \$355,450 per unit, marking the largest transaction of 2017. De Anza Properties bought the 211-unit Class A asset in Central City from Mecham Management.

Salt Lake City Sales Volume and Number of Properties Sold (as of January 2018)



Source: YardiMatrix

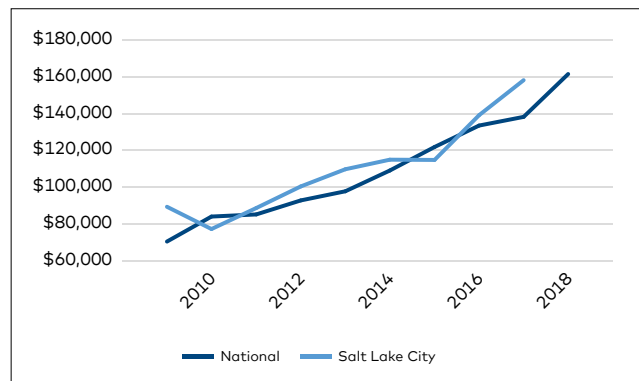
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Salt Lake City–Central City	111
Murray	67
Ogden/Clearfield	64
South Salt Lake	55
Salt Lake City–Downtown	50
West Jordan	50
Layton	9
West Valley City	8

Source: YardiMatrix

¹ From January 2017 to December 2017

Salt Lake City vs. National Sales Price per Unit



Source: YardiMatrix

Read All About It!



Kennedy Wilson Snags
2 Communities in Salt Lake City
For \$93M



NKF Arranges \$142M Sale
Of UT Retail Center



CBC Brokers Sale of 3
Historic SLC Communities

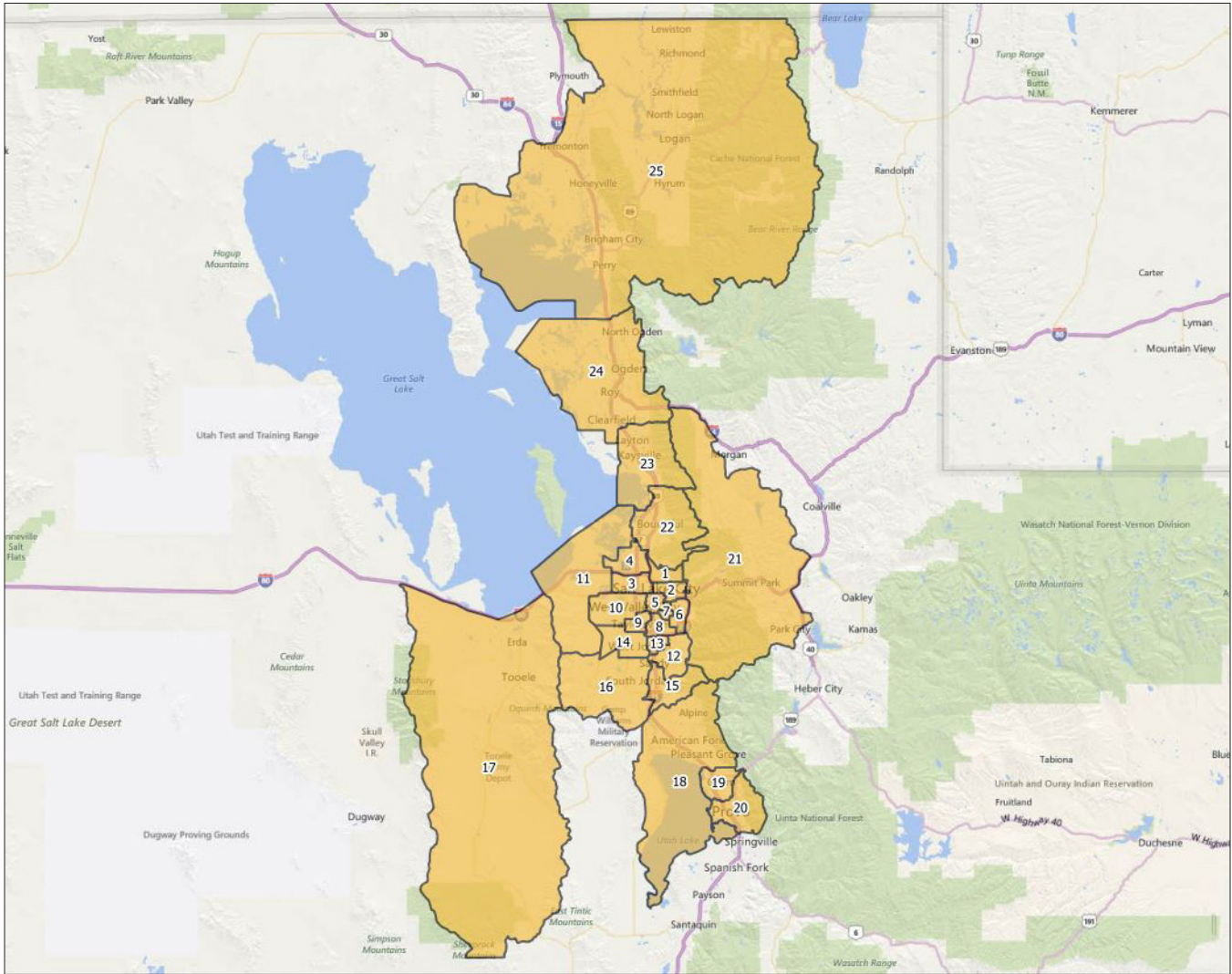


Luxury Ski Resort in Utah
Scores \$60M Refi

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Salt Lake City Submarkets



Area #	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 #	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 may 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 may 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, may 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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