



MULTIFAMILY REPORT

Tale of 2 Salt Lake Cities

October 2023

Rents Still Down YoY

Transactions Grind to a Halt

Robust Pipeline Points to Record Year

SALT LAKE CITY MULTIFAMILY



Rents Tread Water, Economy Still Stellar

Despite some snags, the Salt Lake City multifamily market remained resilient to overall economic turmoil. Rents continued to appreciate, rising 0.2% on a trailing three-month basis through August, to \$1,592, but remained significantly below the \$1,728 U.S. average. Year-over-year, rent movement remained negative, however, at -0.6%. Robust supply dented occupancy, which was down 140 basis points in the 12 months ending in July, to 94.8%, and is bound to continue facing an uphill battle in the short term.

In the 12 months ending in June, Salt Lake City employment expanded 3.0%, or 51,300 jobs, while the U.S. rate hit 2.8%. Two sectors lost 1,600 jobs combined—trade, transportation and utilities and financial activities—while leisure and hospitality (16,200 jobs) and education and health services (11,300) led job gains. Unemployment was among the lowest in the country, at 2.7% in July, ahead of the 3.5% national figure but trailing the 2.4% state rate. Notably, the metro's unemployment rate has been below 3.0% for more than two years.

Developers delivered 2,076 units in 2023 through August and had a robust pipeline of projects under construction (20,549 units). Yardi Matrix forecasts a record for deliveries by year-end, which could outbalance demand. Transaction activity remained tepid, with just \$115 million in multifamily assets trading in 2023 through August, for a price per unit that decreased to \$210,789.

Market Analysis | October 2023

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Recent Salt Lake City Transactions

Northshore



City: Saratoga Springs, Utah
Buyer: Millburn & Co.
Purchase Price: 62 MM
Price per Unit: \$269,565

Gordon Lane



City: Salt Lake City
Buyer: Millburn & Co.
Purchase Price: \$25 MM
Price per Unit: 203,763

Park Station



City: Midvale, Utah
Buyer: Peak Capital Partners
Purchase Price: \$20 MM
Price per Unit: \$213,684

Westgate

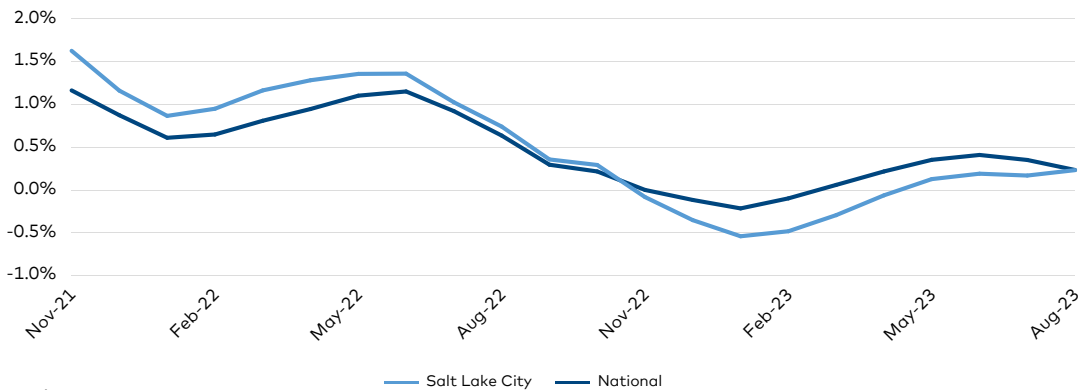


City: Salt Lake City
Buyer: Preserve Partners
Purchase Price: \$7 MM
Price per Unit: \$76,181

RENT TRENDS

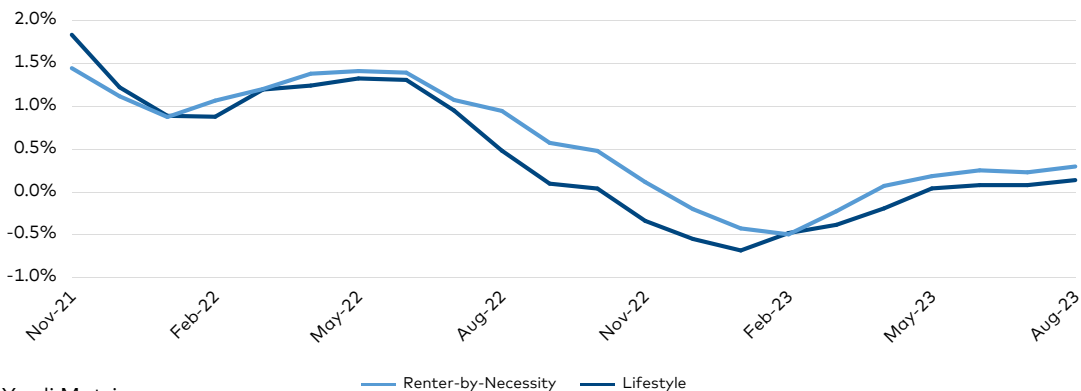
- ▶ Enduring demand maintained rent growth on a short-term basis, at 0.2% on a trailing three-month (T3) basis through August for the third consecutive month, to \$1,592. This kept Salt Lake City among the more affordable markets in the U.S. The national average stood at \$1,728, following a 0.2% increase on a T3 basis. Yet on a year-over-year basis through August, rents have yet to recover, declining 0.6%, while the national rate increased 1.5%.
- ▶ Rent growth was sustained mainly by the working-class segment, as Renter-by-Necessity rates rose 0.3% on a T3 basis through August, to \$1,480. Meanwhile, Lifestyle rates inched up just 0.1%, to \$1,723.
- ▶ While rent growth was bifurcated on a class basis to some extent, occupancy painted a more uniform picture. RBN occupancy in stabilized assets clocked in at 94.8%, down 150 basis points in the 12 months ending in July, while Lifestyle occupancy dropped 130 basis points during the same time frame, to the same average of 94.8%. Overall, occupancy was down 140 basis points.
- ▶ Nearly half of the metro's submarkets posted contractions over 12 months, including some of the most expensive areas, such as Salt Lake City-Southeast (-1.0% to \$1,873) and Salt Lake City-West Central (-3.0% to \$1,812). On the other hand, boosted by robust demand for housing, rents in the downtown area appreciated by a substantial 11.2%, to \$2,366.

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 posted one of the lowest unemployment rates in the country, at 2.7% in July, well ahead of the 3.5% national rate but 30 basis points behind Utah, according to preliminary data from the Bureau of Labor Statistics. The metro's figure marked the 25th consecutive month below the 3.0% mark.
- In the 12 months ending in June, the metro's employment market expanded 3.0%, or 51,300 jobs, at a pace slightly higher than the U.S. (2.8%). Two sectors contracted—trade, transportation and utilities (-500 jobs) and financial activities (-1,100 jobs). Leisure and hospitality (16,200 jobs) and education and health services (11,300 jobs) led gains. The former posted stellar performance. SLC International Airport is on track for a record-breaking year by number of passengers, with a significant 22% rise in the number of international travelers. In addition, the airport is undergoing a \$5.1 billion redevelopment that started in 2014 and is being completed in phases, through 2027.
- The construction sector gained 6,800 jobs, sustained by increased demand for housing and various commercial projects underway. In addition to the airport redevelopment, some 26 projects submitted through the Capital Improvement Program received funding, including Jefferson Park and Richmond Park.

Salt Lake City Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	141	9.4%
65	Education and Health Services	202	13.4%
15	Mining, Logging and Construction	121	8.1%
60	Professional and Business Services	235	15.6%
90	Government	219	14.6%
80	Other Services	42	2.8%
30	Manufacturing	142	9.5%
50	Information	44	2.9%
40	Trade, Transportation and Utilities	267	17.8%
55	Financial Activities	89	5.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Salt Lake City's population expanded yearly since the 2010 Census, marking a 15.7% increase between 2010 and 2021. Meanwhile, the U.S. population rose by less than half that rate.
- In 2021, the metro's population expanded 0.3%, well below the 2.3% increase recorded in 2020.

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

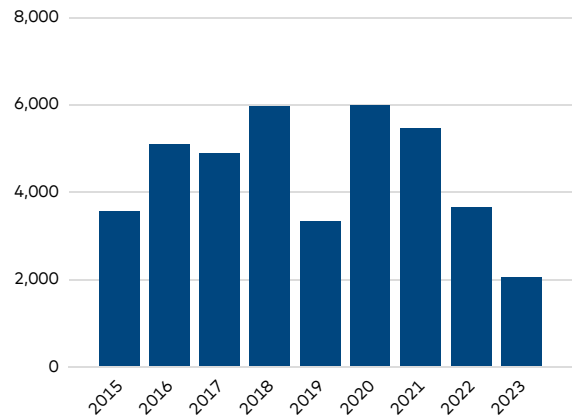
SUPPLY

- Salt Lake City's multifamily stock expanded by a consistent 2.0% in 2023 through August, 80 basis points above the national rate. More than three-quarters of the 2,076 units delivered thus far have been in Lifestyle properties, while 11% were in fully affordable communities.
- The construction pipeline remained robust, comprising 20,549 units underway and almost 47,000 units in the planning and permitting stages. The bulk of units under construction were in upscale properties (84.4%), while units in fully affordable communities accounted for 10.4% of the pipeline. By the end of the year, Yardi Matrix estimates that developers will deliver another 5,707 units, which would bring the total for the year to 7,783, a decade high.
- While the forecast for supply is robust, a softening in construction starts touched Salt Lake City, as it did many other cities. In 2023 through August, 20 projects totaling 3,903 units broke ground, roughly half the 7,668 units in 37 properties registered during the same period last year. Overall last year, 8,479 units across 43 properties broke ground in the Wasatch Front.
- Construction activity is spread across the map, with 24 of the 33 submarkets tracked by Yardi

Matrix having at least one property of more than 50 units underway. Salt Lake City-West Central (2,959 units), Ogden (2,589 units) and Salt Lake City-West (2,114 units) led the list.

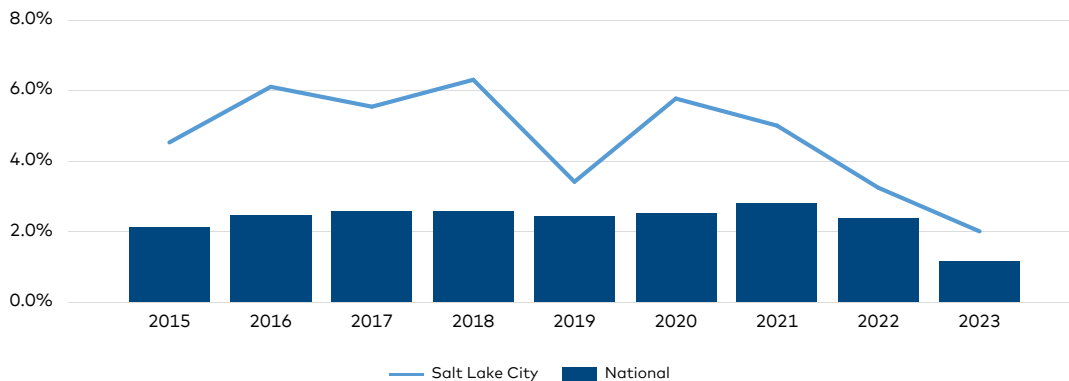
- The largest project to wrap up through August was the 305-unit Seven Skies in suburban Sandy. Hamilton Partners built it with aid from a \$56.9 million construction loan issued in 2020 by CIBC Bank USA.

Salt Lake City Completions (as of August 2023)



Source: Yardi Matrix

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

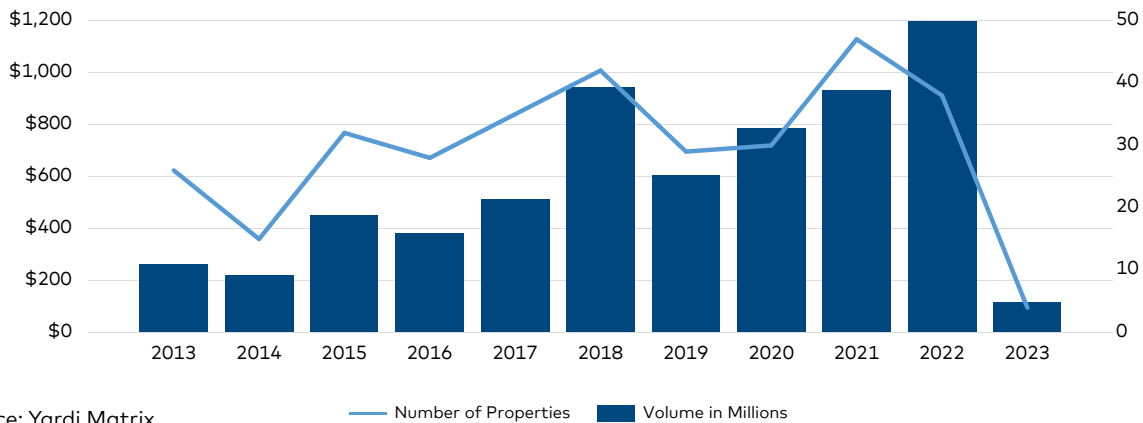


Source: Yardi Matrix

TRANSACTIONS

- ▶ Investment activity nearly came to a halt in Salt Lake City, with just \$115 million in multifamily assets trading in the metro through August. The string of interest-rate hikes and overall economic uncertainty has kept investors at bay and kept the bid-ask spread open. This change came after the metro's best year on record, with the volume at \$1.2 billion in 2022.
- ▶ Just four assets of more than 50 units traded during the first eight months of 2023, three of which were value-add plays. The price per unit dropped 10.2% since December, to \$210,789 this year through August, but remained above the \$186,926 U.S. average.
- ▶ The largest transaction of the year through August was the sale of Northshore, a 230-unit newly built property in the Lehi submarket. Millburn & Co. acquired it from D.R. Horton for \$62 million, or \$269,565 per unit, with aid from a \$46.5 million, 10-year CMBS loan with a 5.02% fixed rate, issued by CBRE Capital Markets.

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



Source: Yardi Matrix

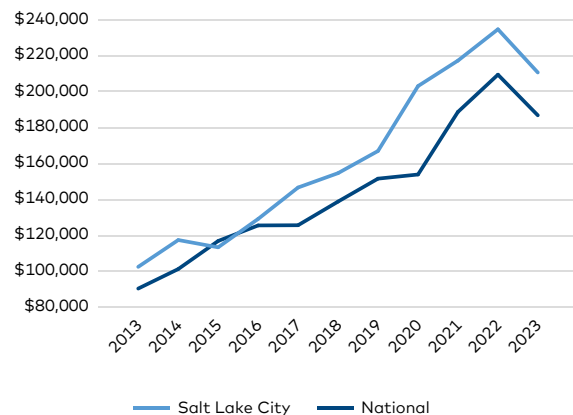
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Salt Lake City–West	90
Lehi	62
Midvale	62
West Valley City	57
Ogden	32
Salt Lake City–West Central	31
Millcreek	25

Source: Yardi Matrix

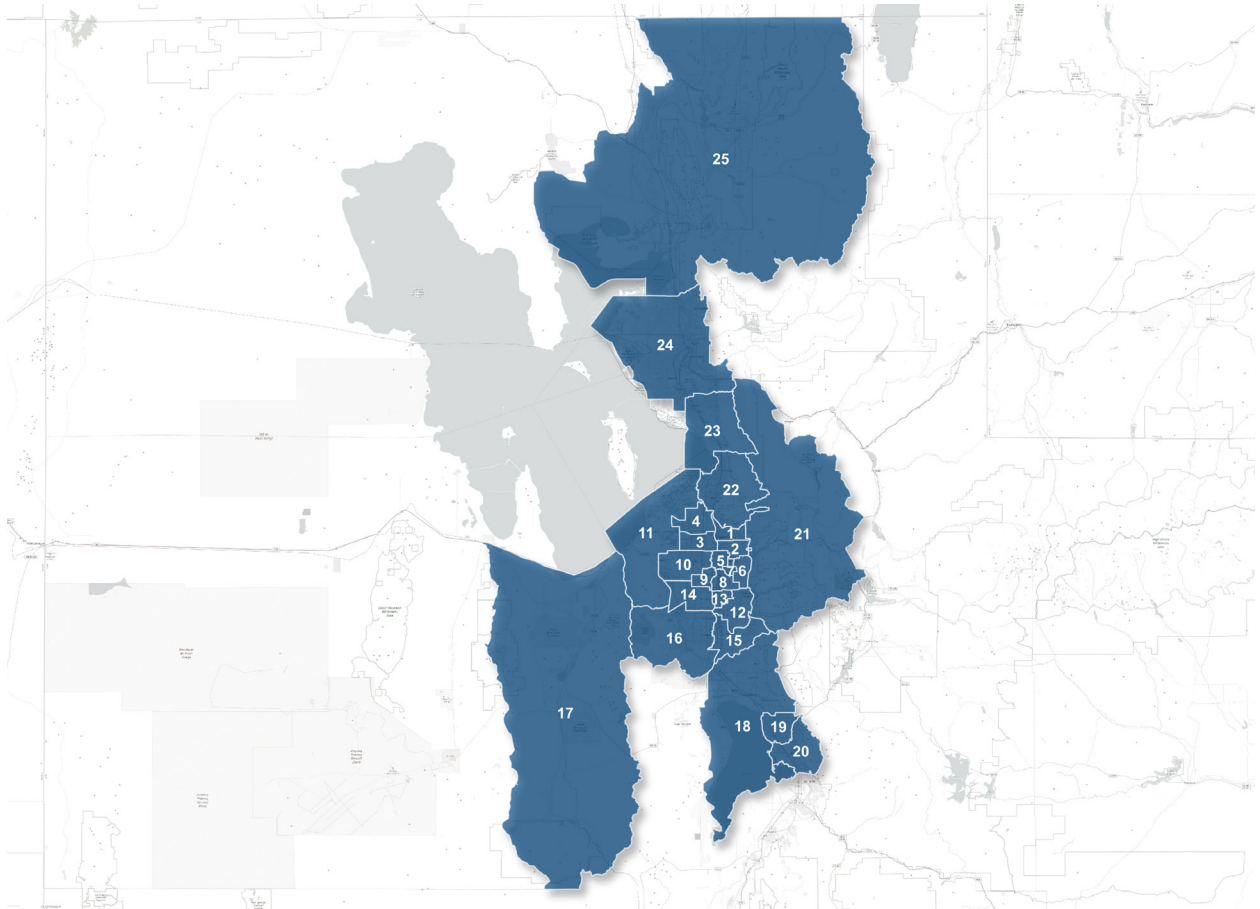
¹ From September 2022 to August 2023

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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



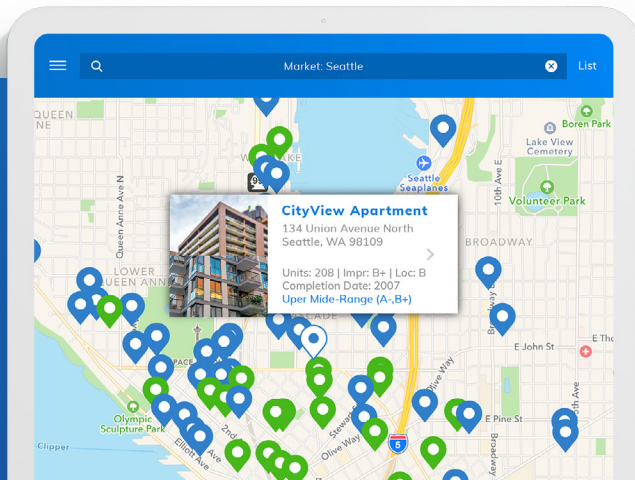
Yardi® Matrix

Power your business
with the industry's
leading data provider



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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