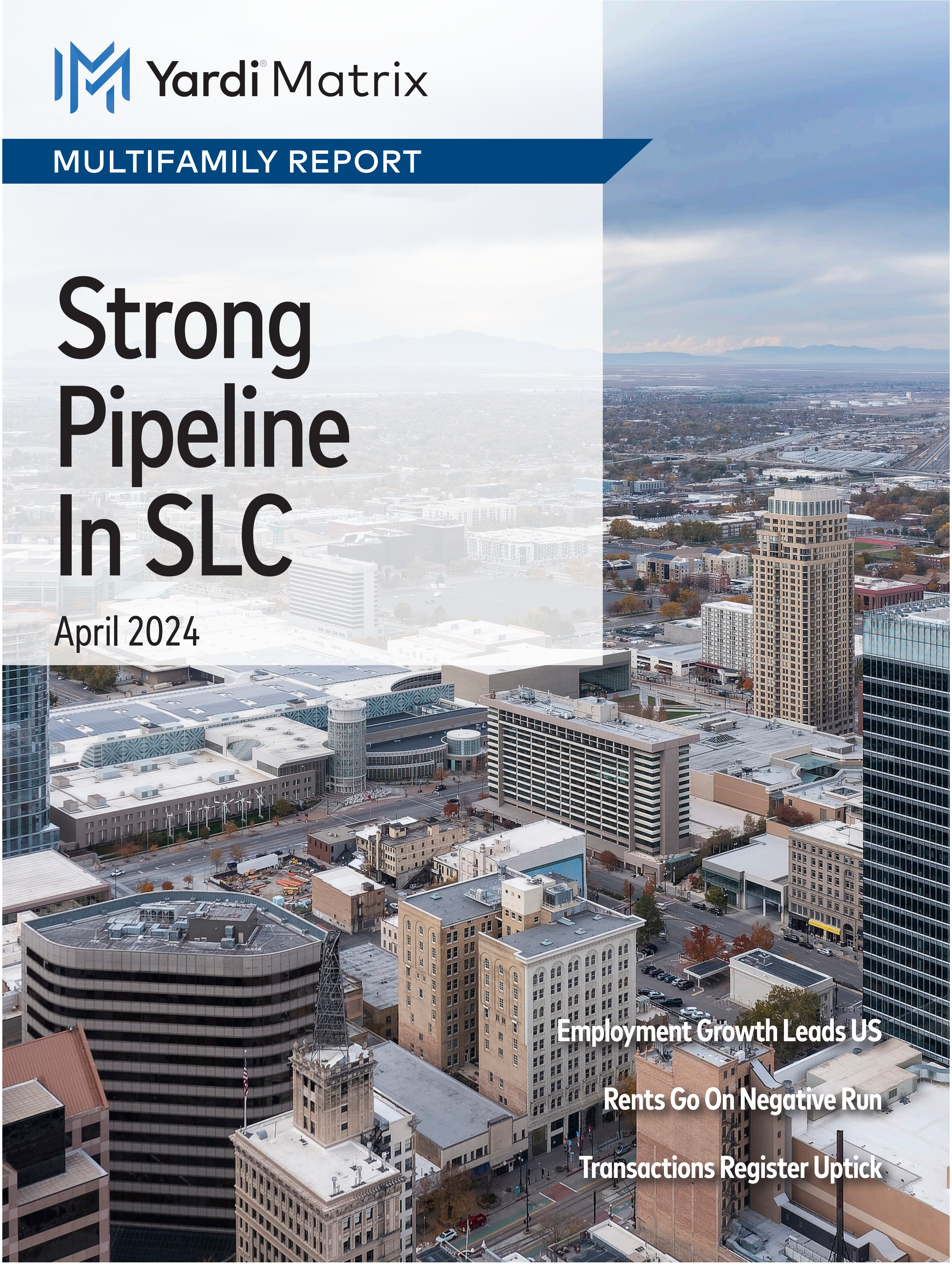
Yardi Matrix

MULTIFAMILY REPORT

# Strong Pipeline In SLC

April 2024



Employment Growth Leads US

Rents Go On Negative Run

Transactions Register Uptick

# SALT LAKE CITY MULTIFAMILY

Yardi Matrix

## Strong Pipeline Pushes Rent Contractions

Ongoing economic headwinds have had an impact on Salt Lake City's multifamily fundamentals, but the metro is keeping its head above water. Salt Lake City rents were down 0.4% on a trailing three-month basis through February, to $1,547, while the U.S. rate slid 0.1% during the same time frame. The metro's average overall occupancy rate in stabilized properties stood at 94.4% as of January, a 70-basis-point decrease year-over-year. Both the Lifestyle and Renter-by-Necessity segments saw rates decline.

Employment in the metro expanded by 2.2% in the 12 months ending in December, 20 basis points above the U.S. rate, with 22,600 net jobs added. Education and health services added 9,700 jobs, while the information sector registered the highest improvement in year-over-year growth, with a 5.8% expansion or 2,500 jobs. Salt Lake City's west side is set for a reinvention, as LHM is planning to invest $3.5 billion in the Power District, bringing a new stadium and mixed-use community to the area.

As of February, developers had 12,260 units underway across the metro, with an additional 48,000 units in the planning and prospective stages. As of February, 1,337 completed units were added to the existing inventory. Investment totaled $192 million in 2023, a far cry from the decade-high $1.2 billion in deals completed in the previous year.

**Market Analysis** | April 2024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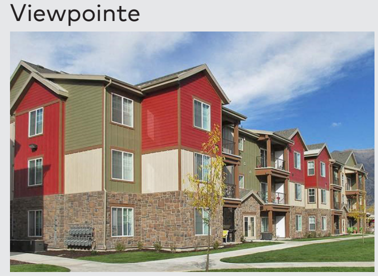
On the cover: Photo by Erich Sacco/iStockphoto.com


### Recent Salt Lake City Transactions

Northshore

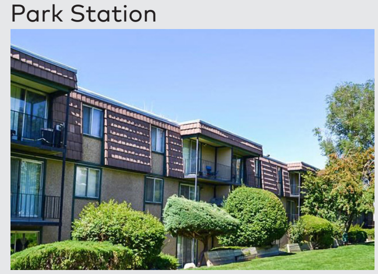
City: Saratoga Springs, Utah
Buyer: Millburn & Co.
Purchase Price: $62 MM
Price per Unit: $269,565

Viewpointe



City: Pleasant Grove, Utah
Buyer: Millburn & Co.
Purchase Price: $61 MM
Price per Unit: $212,171

Park Station



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

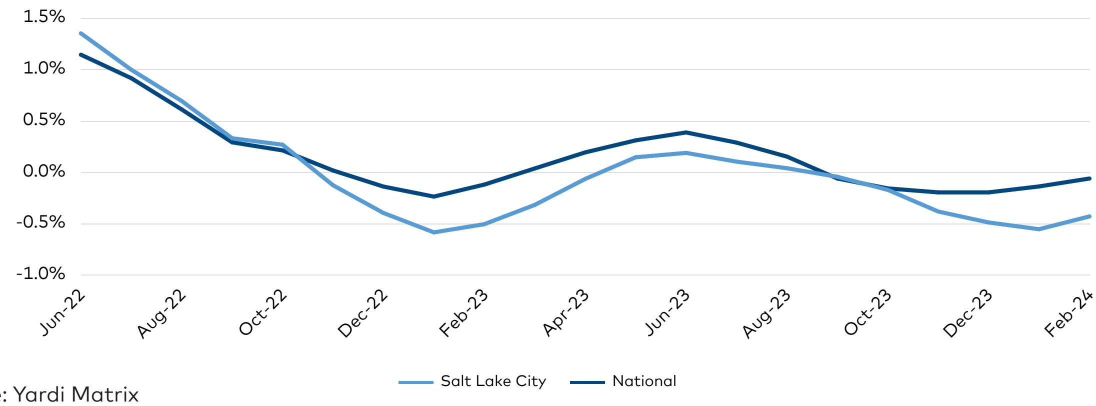
Ascent at Cottonwood Creek

City: Millcreek, Utah
Buyer: Preserve Partners
Purchase Price: $16 MM
Price per Unit: $180,136

## RENT TRENDS

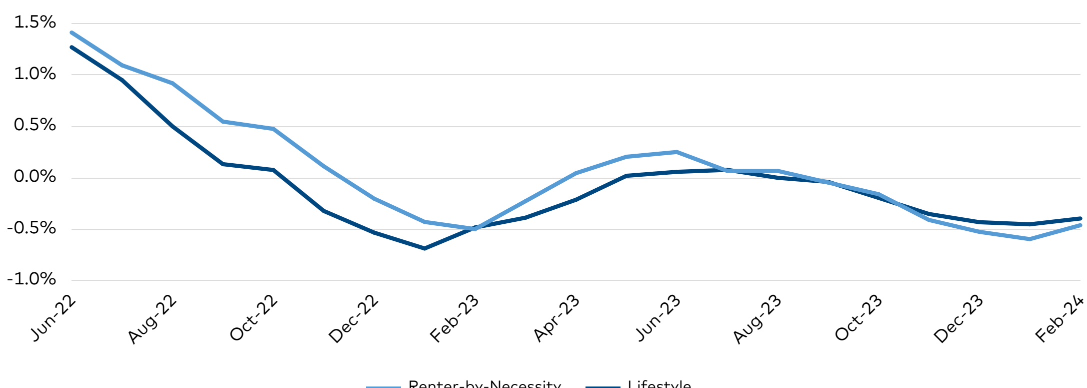
- Salt Lake City rents were down 0.4% on a trailing three-month (T3) basis through February, at $1,547, while the U.S. rate clocked a 0.1% decline during the same time frame. Rent movement in the metro has been on a negative trajectory since October 2023, mirroring the national trend.
- Both quality segments progressed at a similar pace. The working-class, Renter-by-Necessity segment was down 0.5% on a T3 basis through February, to $1,434, despite recording some measure of an uptick for five months in 2023 between April and September. Meanwhile, Lifestyle figures posted a 0.4% decline, to $1,676.
- The metro's average overall occupancy rate in stabilized properties stood at 94.4% as of January, a 70-basis-point decrease on a year-over-year basis. Lifestyle rates recorded a 60-basis-point decline, to 94.4%. Meanwhile, occupancy in the RBN segment fell 80 basis points year-over-year, to 95.3%.
- Two-thirds of the metro's submarkets posted contractions on a year-over-year basis, with Salt Lake City's most expensive areas leading the decrease. Salt Lake City – Southwest registered a 6.3% decline, while Salt Lake City – West Central followed with a 6.1% decrease. Meanwhile, rates in the downtown area rose 6.9%, to $2,293.

**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 in Salt Lake City was up 2.2% year-over-year as of December, 20 basis points higher than the national rate. The metro added 22,600 net jobs in the 12 months ending in December.
- The metro's unemployment rate stood at 3.0% as of January, 70 basis points below the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. This marked a peak in Salt Lake City's figures over a 12-month period. The same rate was previously recorded in August.
- Three sectors, including manufacturing, professional and business services, and trade, transportation and utilities lost a combined 5,900 jobs. Education and health services compensated for the metro's losses, adding 9,700 new jobs to the workforce. Other sectors with significant gains were mining, logging and construction (4,700), government (4,600) and leisure and hospitality (4,100). The information sector registered the highest increase in employment year-over-year with a 5.8% expansion, adding 2,500 positions.
- LHM will invest $3.5 billion in the Power District, which will reinvent Salt Lake City's west side. The project will include Utah's MLB Stadium and a mixed-use development. The first phase of construction is scheduled to begin later this year.

**Salt Lake City Employment Share by Sector**

| | | Current Employment | |
|---|---|---|---|
| Code | Employment Sector | (000) | % Share |
| 65 | Education and Health Services | 211 | 14.0% |
| 15 | Mining, Logging and Construction | 119 | 7.9% |
| 90 | Government | 225 | 14.9% |
| 70 | Leisure and Hospitality | 129 | 8.6% |
| 50 | Information | 46 | 3.1% |
| 80 | Other Services | 41 | 2.7% |
| 55 | Financial Activities | 90 | 6.0% |
| 30 | Manufacturing | 140 | 9.3% |
| 60 | Professional and Business Services | 232 | 15.4% |
| 40 | Trade, Transportation and Utilities | 275 | 18.2% |

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- Salt Lake City's population added 10,004 residents in 2022, marking a 2.4% demographic increase. The U.S. population expanded by 0.4% during the same period.
- Since 2019, the metro has added more than 50,000 residents.

**Salt Lake City vs. National Population**

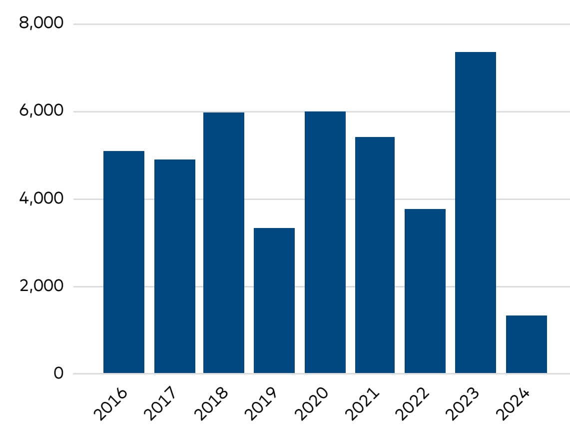
| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| National | 324,697,795 | 326,569,308 | 329,725,481 | 331,097,593 |
| Salt Lake City | 1,201,043 | 1,215,955 | 1,244,671 | 1,254,675 |

Source: U.S. Census

## SUPPLY

- Salt Lake City added 1,337 units to its rental inventory through the first two months of 2024. Deliveries accounted for 1.1% of existing stock, 90 basis points higher than the U.S. rate. Last year's total marked a decade-high in completions, with 7,358 units delivered. This was a nearly twofold increase compared to the 3.788 units delivered in 2022, but closer to the average recorded during the first two years of the pandemic, which stood around the 5,000-unit mark.
- The metro had 17,260 units under construction as of February 2024, while an additional 48,000 apartments were in the planning and permitting stages. Construction starts posted a slight decline in 2023, with a total of 7,287 units breaking ground, compared to the 7,840 units that started construction in the prior year.
- Of the metro's 33 submarkets, 23 had at least one project of 50 units or more under construction. Salt Lake City – West was the only one to cross the 2,000-unit threshold, leading with 2,676 units underway. The two submarkets rounding out the top three were Salt Lake City – West Central (1,982 units) and Ogden (1,456 units).
- The metro's largest development as of February 2024 was in the Salt Lake City – West submarket. In September 2021, Gardner Batt broke ground on the 769-unit The Village at North Station, slated for delivery this June.
- Bridge Investment Group completed the largest property in the metro, located in the Salt Lake City – West Central submarket. The 580-unit property was subject to a $138.5 million loan in 2023, originated by Affinius Capital.

**Salt Lake City Completions** (as of February 2024)




Source: Yardi Matrix

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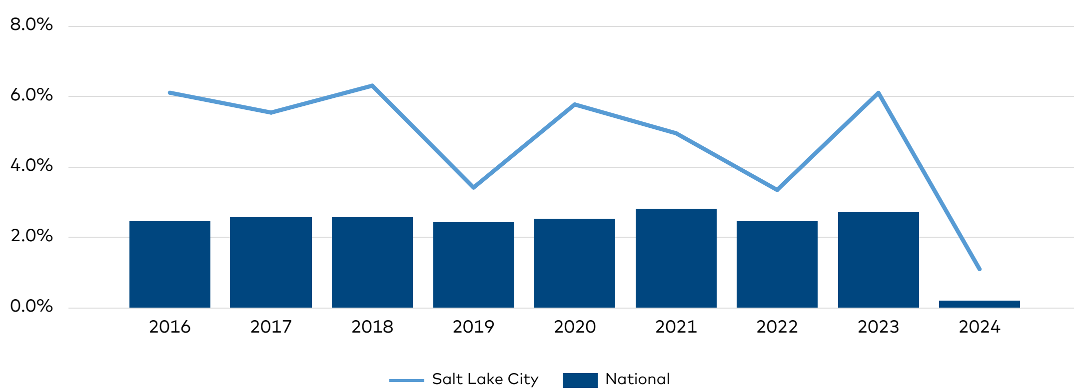
**Salt Lake City vs. National Completions as a Percentage of Total Stock** (as of February 2024)

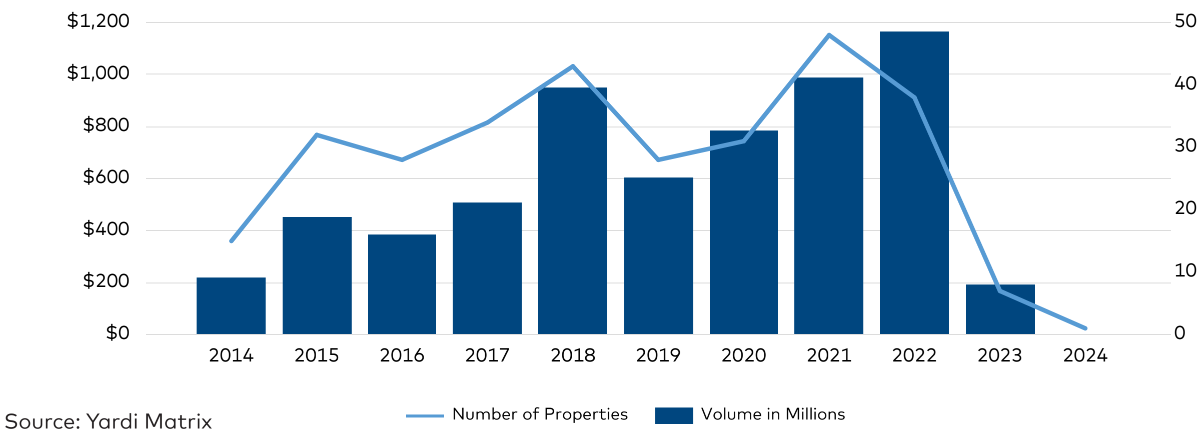



Source: Yardi Matrix

## TRANSACTIONS

- Salt Lake City's multifamily investment volume totaled $192 million in 2023, with just seven properties changing hands. By comparison, the prior year's overall sales total had reached a new decade-high, registering $1.2 billion in transactions. Only one asset traded during the first two months of 2024, continuing a trend of slowing sales volume.
- The preferred segment was RBN, with the segment accounting for five of the deals that closed last year. Salt Lake City's average price per unit dropped to $208,292 in 2023, trailing the previous year's $235,921, but still higher than the $185,662 U.S. average.
- Each of the five submarkets that recorded multifamily sales in SLC completed just one transaction in the 12 months ending in February. The most notable deal was Millburn & Co.'s acquisition of two assets last year, for a total of $123 million.

**Salt Lake City Sales Volume and Number of Properties Sold** (as of February 2024)




Source: Yardi Matrix

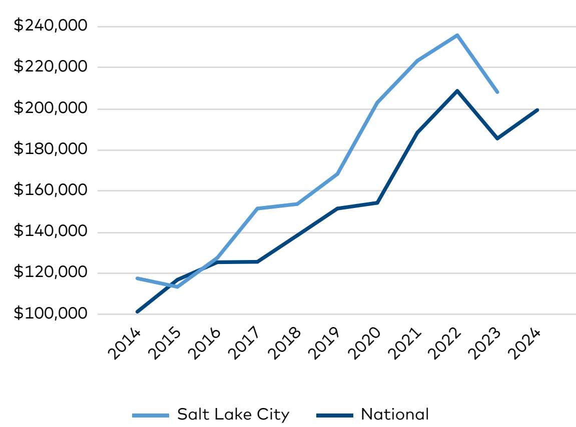
**Top Submarkets for Transaction Volume**[1]

| Submarket | Volume ($MM) |
|---|---|
| Lehi | 62 |
| Pleasant Grove | 61 |
| Midvale | 20 |
| Murray | 16 |
| Salt Lake City–West | 7 |

Source: Yardi Matrix

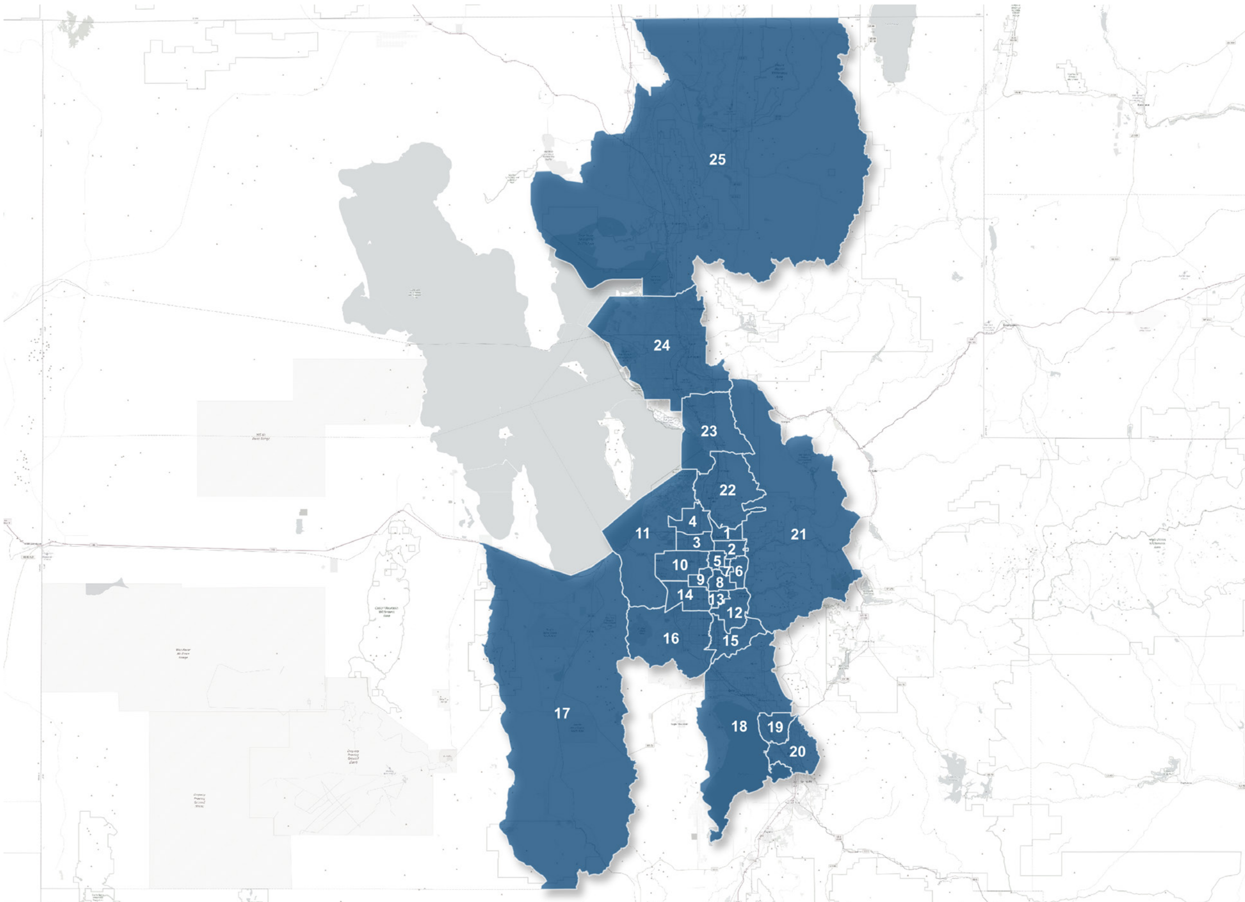
[1] From March 2023 to February 2024

**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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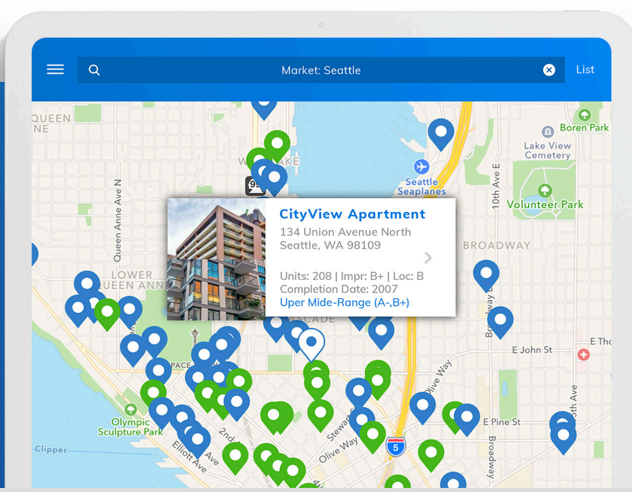


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