

Yardi® Matrix

MULTIFAMILY REPORT

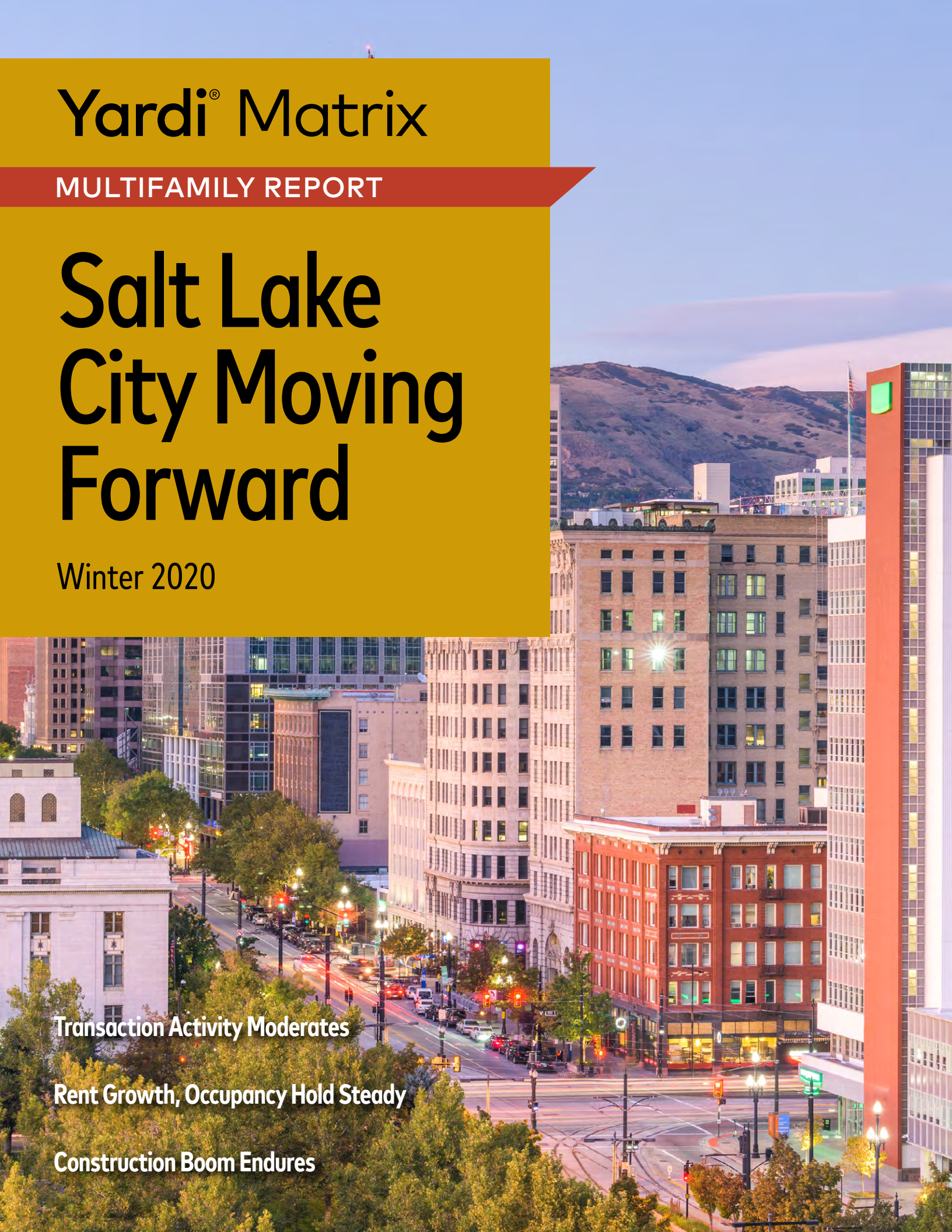
Salt Lake City Moving Forward

Winter 2020

Transaction Activity Moderates

Rent Growth, Occupancy Hold Steady

Construction Boom Endures



SALT LAKE CITY MULTIFAMILY

Yardi® Matrix

Salt Lake City Grows From the Core

With Salt Lake City's population increasing at a robust pace, multifamily continues to be the preferred investment vehicle over all other asset types. Rents in the metro advanced 3.4% year-over-year through November and occupancy in stabilized properties moved up 20 basis points in the 12 months ending in October to 96.1%.

The metro gained 34,700 jobs in the 12 months ending in September, with a lofty number of gains in high-paying sectors. Salt Lake City's thriving tech sector is driving a great part of its economic growth. Development is mostly occurring in the metro's urban core, with several large mixed-use projects underway or planned for downtown. The Exchange is a two-building development taking shape where the former Barnes Bank building and Salt Lake Roasting Co. once stood. Additionally, an entire neighborhood is set to rise south of Pioneer Park. Developers are planning a combination of adaptive reuse and new buildings on nearly 13 acres. Meanwhile, the Utah Department of Transportation is spending \$450 million on improving a portion of Interstate 15, and construction on the first phase of Salt Lake City's new \$3.6 billion airport is expected to wrap up in fall 2020.

More than 11,700 units were underway in the metro as of November and with demand still healthy, we expect Salt Lake City rent growth to hold steady through 2020.

Market Analysis | Winter 2020

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Recent Salt Lake City Transactions

Olympus at the District



City: South Jordan, Utah
Buyer: Olympus Property
Purchase Price: \$42 MM
Price per Unit: \$244,698

Landing Point



City: Salt Lake City
Buyer: DiNapoli Capital Partners
Purchase Price: \$21 MM
Price per Unit: \$168,571

ReNew Canyon Ridge



City: Ogden, Utah
Buyer: FPA Multifamily
Purchase Price: \$19 MM
Price per Unit: \$113,693

Parkgate

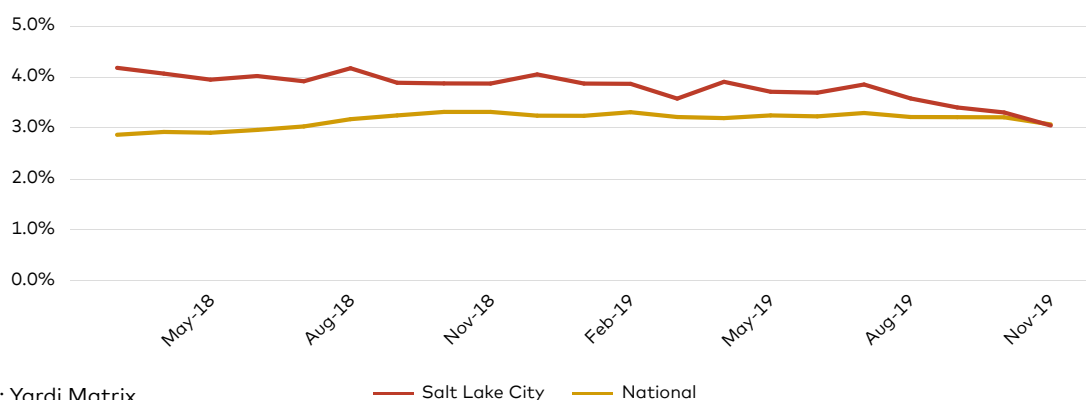


City: Murray, Utah
Buyer: Tablerock Capital
Purchase Price: \$12 MM
Price per Unit: \$148,667

RENT TRENDS

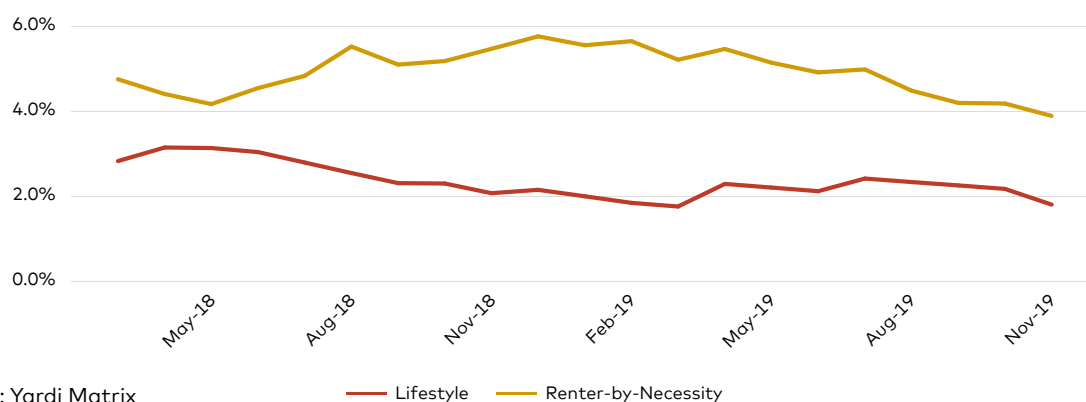
- Rent growth in Salt Lake City has hovered above the 3.0% mark for the past three years. In the 12 months ending in November, rents rose 3.4% to an average of \$1,218, below the \$1,473 national figure. The metro's multifamily sector is not only among the most affordable major metros in the U.S. but also one of the hottest, with demand fueled by prolonged demographic expansion and consistent employment gains.
- The working-class Renter-by-Necessity segment led growth—up 4.2% to \$1,124 year-over-year through November. The gap between the two segments is still significant, as average rents for high-end Lifestyle properties improved by only 2.1% to \$1,359. Demand for up-scale units near employment centers is pushing up rental rates overall, putting more pressure on low-income residents.
- Salt Lake County's urban core remained the most expensive, with average rents in the Downtown submarket improving by 3.1% to \$1,477. Provo (\$1,419) and Salt Lake City–Central City (\$1,382) were also among the most expensive zip codes in the metro. However, rates grew at the fastest rates in traditionally more affordable submarkets such as Ogden/Clearfield (4.9% to \$1,051), Salt Lake City–West Salt Lake (3.7%) and Salt Lake City–Northwest (6.9%). Boosted by job creation across several high-paying employment sectors, demand for rentals is anticipated to persist.

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



Source: Yardi Matrix

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

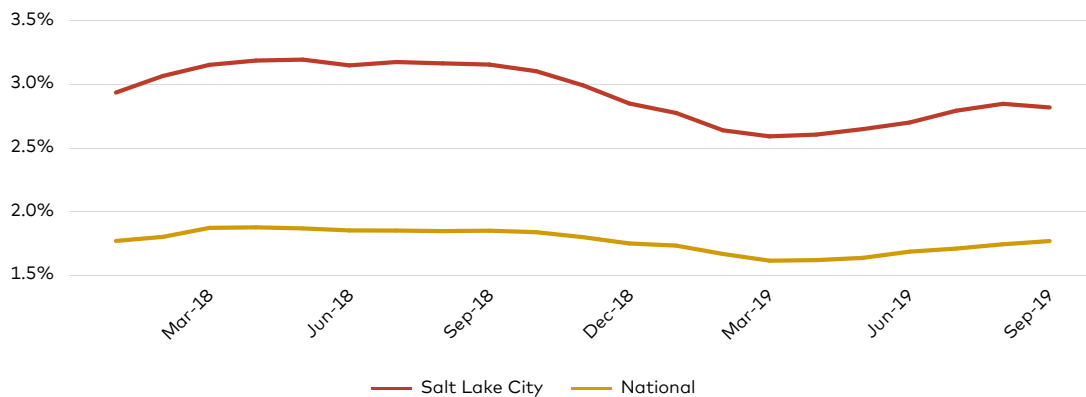


Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ The Wasatch Front's employment growth remained high, with Salt Lake City gaining 34,700 jobs in the 12 months ending in September, a 2.8% year-over-year increase and 100 basis points above the national rate. The unemployment rate stood at 2.0% as of September, the lowest level in the past decade.
- ▶ Growth was led by the professional and business services sector, which gained 9,800 jobs, followed by education and health services with 6,400 positions. The addition of white-collar jobs supports office demand, particularly in the metro's downtown area. City Creek Reserve—a real estate arm of The Church of Jesus Christ of Latter-day Saints—is constructing a 25-story office tower on the northeast corner of 100 South and State streets. Just one block away, a 28-story government-subsidized housing project is being built by Portman Holdings and DDRM.
- ▶ The Utah Department of Transportation has several major infrastructure projects underway, including the \$450 million reconfiguration and improvement of freeway and state highway interchanges at the north end of Utah County, known as the Technology Corridor. Meanwhile, thousands of workers are on-site each day at SLC's new \$3.6 billion airport, as the first phase of the project is slated for fall 2020 completion.

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



Sources: Yardi Matrix, 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	%
60	Professional and Business Services	214	15.6%	9,800	4.8%
65	Education and Health Services	189	13.8%	6,400	3.5%
30	Manufacturing	129	9.4%	4,500	3.6%
15	Mining, Logging and Construction	98	7.2%	3,700	3.9%
90	Government	215	15.7%	3,600	1.7%
55	Financial Activities	84	6.1%	3,600	4.5%
70	Leisure and Hospitality	120	8.8%	3,300	2.8%
50	Information	37	2.7%	1,200	3.3%
40	Trade, Transportation and Utilities	248	18.1%	-300	-0.1%
80	Other Services	35	2.6%	-1,100	-3.1%

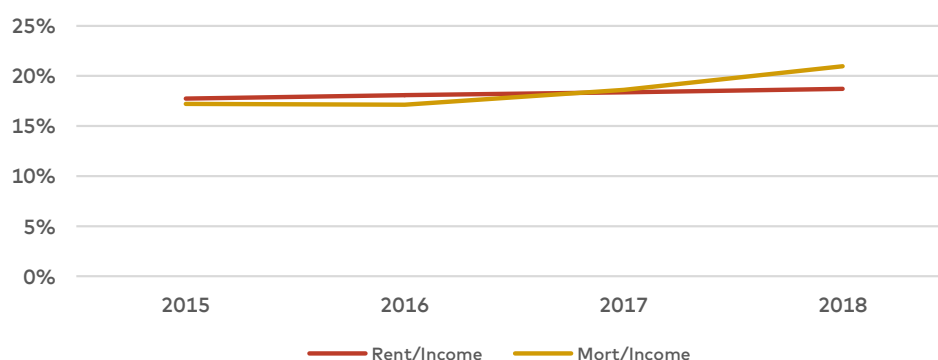
Sources: Yardi Matrix, Bureau of Labor Statistics

DEMOGRAPHICS

Affordability

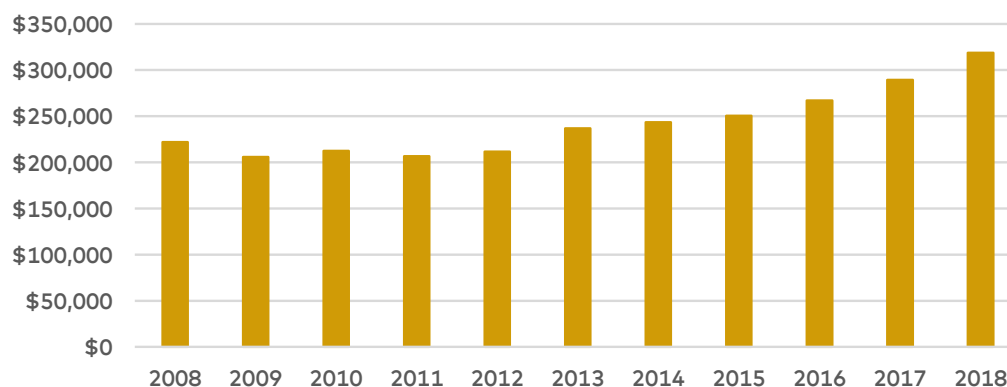
- The median home price in Salt Lake City hit \$318,834 in 2018, up 10% year-over-year and 55% higher than the 2009 figure. Renting was more affordable than owning, with the average rent accounting for 19% of the area median income, while the average mortgage payment equated to 21%.
- Despite the Wasatch Front needing at least 7,500 affordable housing units to meet demand, Salt Lake City's restrictive zoning has obstructed the construction of more housing. According to an analysis by the city's planning department, only 21% of Salt Lake City's land is set aside for housing, with most of it restricted to single-family homes.

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



Sources: Yardi Matrix, Moody's Analytics

Salt Lake City Median Home Price



Source: Moody's Analytics

Population

- Salt Lake City gained 17,302 residents in 2018, a 1.4% uptick year-over-year and 80 basis points above the 0.6% national rate.
- In-migration and natural growth both contributed to the metro's demographic expansion.

Salt Lake City vs. National Population

	2015	2016	2017	2018
National	320,742,673	323,071,342	325,147,121	327,167,434
Salt Lake City Metro	1,165,246	1,185,219	1,205,238	1,222,540

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

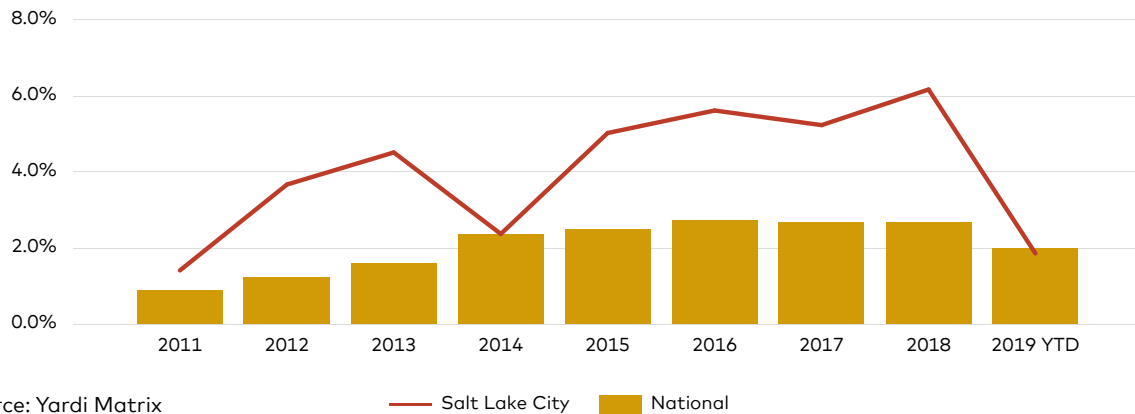
SUPPLY

- Salt Lake City had 11,755 units underway as of November, with only 22% of them geared to the Renter-by-Necessity segment. The great majority of the upcoming inventory is located along I-15, the north-south thoroughfare that provides easy access to major employers in the entire Wasatch Front area.
- Following 2018's cycle peak of 6,060 apartments completed, deliveries slowed significantly, with only 1,865 units coming online in 2019 through November. Demand remained healthy and occupancy in stabilized properties in October increased by 20 basis points over 12 months.

Moreover, occupancy was 110 basis points above the 95.0% national rate.

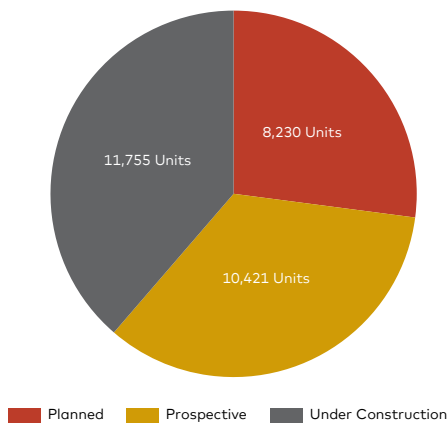
- Salt Lake City's downtown area is undergoing a reinvigorating process. The development surge in the core submarket (2,389 units underway as of November) is attracting residents looking for live-work-play options. Developers are also looking to capitalize on investment activity, as this submarket also led in transaction volume last year. At the same time, suburban areas such as Draper, South Jordan/Herriman and Orem each had more than 1,200 units under construction.

Salt Lake City vs. National Completions as a Percentage of Total Stock (as of November 2019)



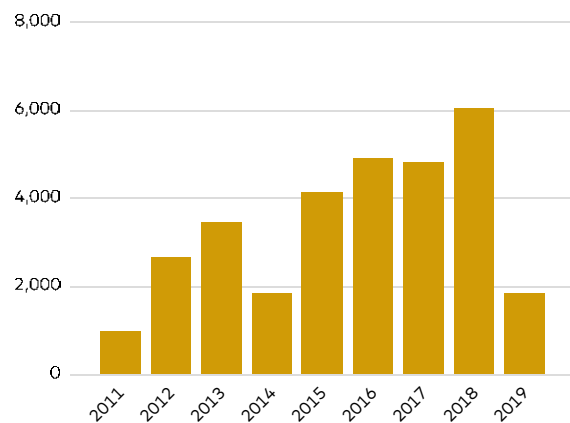
Source: Yardi Matrix

Development Pipeline (as of November 2019)



Source: Yardi Matrix

Salt Lake City Completions (as of November 2019)

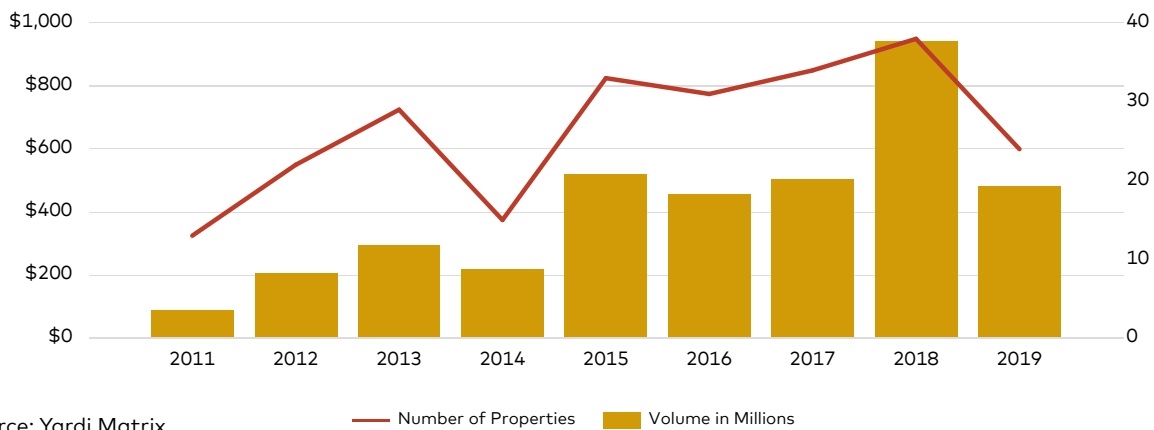


Source: Yardi Matrix

TRANSACTIONS

- ▶ Following 2018's cycle high of \$944 million in traded multifamily properties, transaction activity in Salt Lake City decelerated in 2019. By October, only 24 assets had changed hands for a combined \$484 million. Of those, roughly two-thirds were Renter-by-Necessity communities. The average price per unit rose to \$163,909 as of October, almost in line with the \$162,751 national average and 77% above what it was a decade ago.
- ▶ Salt Lake City's urban core and southern submarkets were the most attractive to investors, with Salt Lake City–Downtown (\$212 million), South Jordan/Herriman (\$127 million) and Taylorsville (\$87 million) leading investment volume in the 12 months ending in October. Oakmont Properties paid \$145 million for the 493-unit 4th West community in downtown Salt Lake City.

Salt Lake City Sales Volume and Number of Properties Sold (as of November 2019)



Source: Yardi Matrix

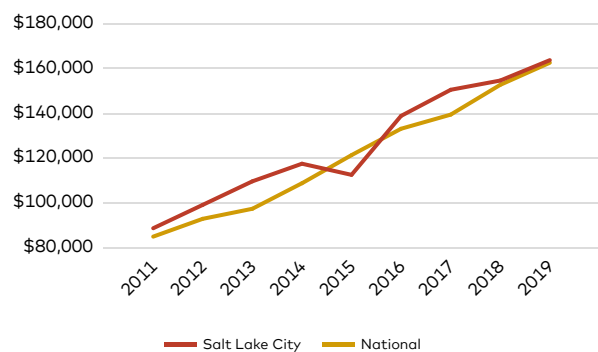
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Salt Lake City–Downtown	212
South Jordan/Herriman	127
Taylorsville	87
Layton	47
Logan	41
Sandy	38
Ogden/Clearfield	23
Salt Lake City–Northwest	21

Source: Yardi Matrix

¹ From November 2018 to October 2019

Salt Lake City vs. National Sales Price per Unit



Source: Yardi Matrix



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KeyBank Arranges \$140M Refi

The three multifamily properties totaling 950 units are owned by Keller Investment Properties in two states.



Utah Development Receives \$36M

Mike White led JLL's Capital Markets team in arranging the construction loan for a 214-unit community.



Solar-Powered Community Underway

Soleil Lofts will incorporate the largest solar-powered battery storage network at a multifamily property in the U.S.



Olympus Property Acquires Townhomes

The company is the new owner of a 22-building, garden-style property that consists of townhomes with attached garages.



Columbus Pacific Scores \$165M For Condo Hotel

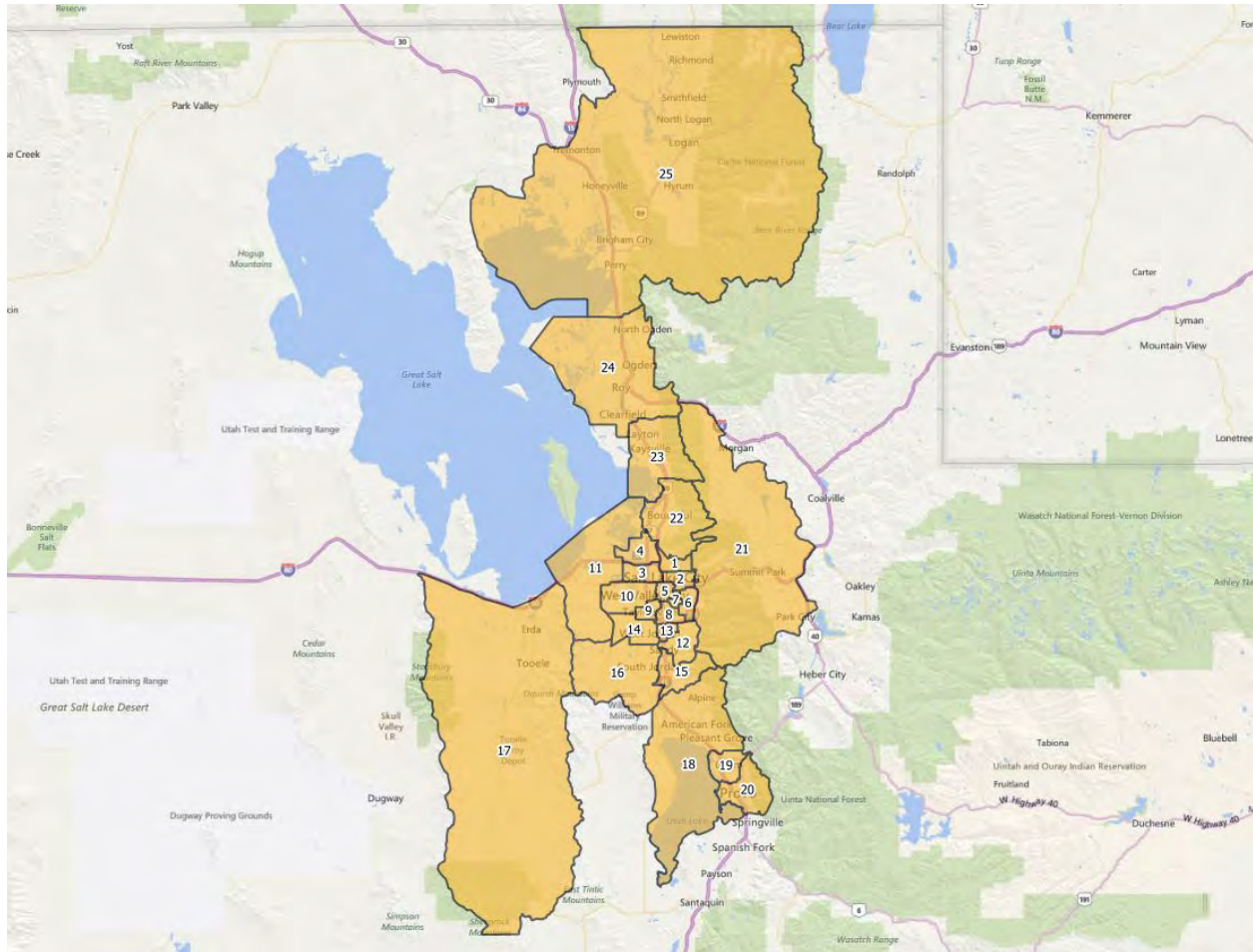
The 233-key hotel in the Park City ski resort will offer full-service vacation condos as well as guest rooms.



Community Lands \$34M Refi

NorthMarq Capital arranged the financing for The Meridian, a 263-unit Class A property.

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 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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