

# Multifamily Metro Outlook:

## Salt Lake City - Q4 2020

### Overview:

- Salt Lake City's high concentration of high-wage jobs in financial services, technology and other knowledge-based industries where telecommuting is possible, combined with a share of jobs in leisure and hospitality 1.5% below the national average, allowed its economy to survive the pandemic in better shape than most metro areas. Further, the inclusion of aid for states in the March 2021 American Recovery Act, should reverse some of the state level jobs that were lost in 2020. The economic recovery here will easily outpace the national average in 2021.
- The multifamily market overall has emerged from the pandemic relatively unscathed as the average vacancy rate metro wide grew by +0.9% year over year to 5.3% as of Q4 2021 and rents grew by over +1.5% in 2020. However, Central Salt Lake which saw an influx of supply over the past couple of years, saw double digit average vacancies and a decline in rents of almost -2% in 2020.

### Market Strengths:

- Since the 2002 Olympics, Salt Lake has worked to solidify its image as a pro-business lifestyle city providing world class skiing, hiking and cultural amenities like the Sundance Film Festival. In addition, Salt Lake City has strong demographic drivers due both to natural population growth supported by high birth rates and an influx of new residents relocating for jobs. As a result, it is the youngest major metro in the U.S. providing strong support for rentals. The prime renter cohort (20-34) represents 23.7% of the population compared to just a 20.5% for the U.S..
- The metro's business friendly environment, well educated workforce and the fact that cost of business is approximately 8% below the national average makes Salt Lake a low-cost alternative to more expensive cities on the West Coast. Salt Lake is a regional financial hub and technology related jobs make up 8.5% of the economy, about 3.5% higher than the national average. Three of the top 10 employers are in the financial services sector, including Zions Bank, Wells Fargo and Discover, and about 7% of the Goldman Sachs' workforce is here. According to Moody's Analytics, medical technology businesses, which include medical devices manufacturing and pharmaceuticals, is growing and should remain in high demand thanks to an aging population.

### Market Weaknesses:

- Salt Lake City, is located along the Wasatch fault line and is, therefore, in an earthquake zone. In addition, the air quality in the valley is affected by pollution and can be extremely poor during the winter months which may cause some residents to leave.
- Affordability is starting to be a concern. The median home price grew by over 12% in 2018 to about \$390,000, well above the \$299,000 national average. In addition, the vast majority of the new apartments constructed over the past five years have been Class A which command the highest rents.

### Development:

- Salt Lake City is experiencing unprecedented levels of development. Since 2014, approximately 17,100 new apartment units were completed representing a 20% increase in inventory and an additional 5,600 units are underway.
- About half of the new supply under construction is located downtown which is already seeing double digit vacancies. According to REIS, the vacancy rate here is about 16% and about five weeks of free rent must be offered to entice renters.

### Outlook:

- With the exception of the Downtown submarket, Salt Lake City's apartment market managed to emerge from the pandemic relatively unscathed. However, a relatively large amount of new supply, mostly located downtown, will limit rent growth for the metro overall in 2021. Even so, Salt Lake City's apartment market should continue to fare better than the national average over the next few quarters.
- The Salt Lake Market has likely seen the worst effects of the pandemic already and will likely see even stronger job growth in Q2 2021 as the economy reopens. Longer-term, Salt Lake City will continue to expand due to its pro-business policies, high share of knowledge-based industries producing high wage jobs and strong demographic trends.

### Five Year Metro Area Growth Forecast

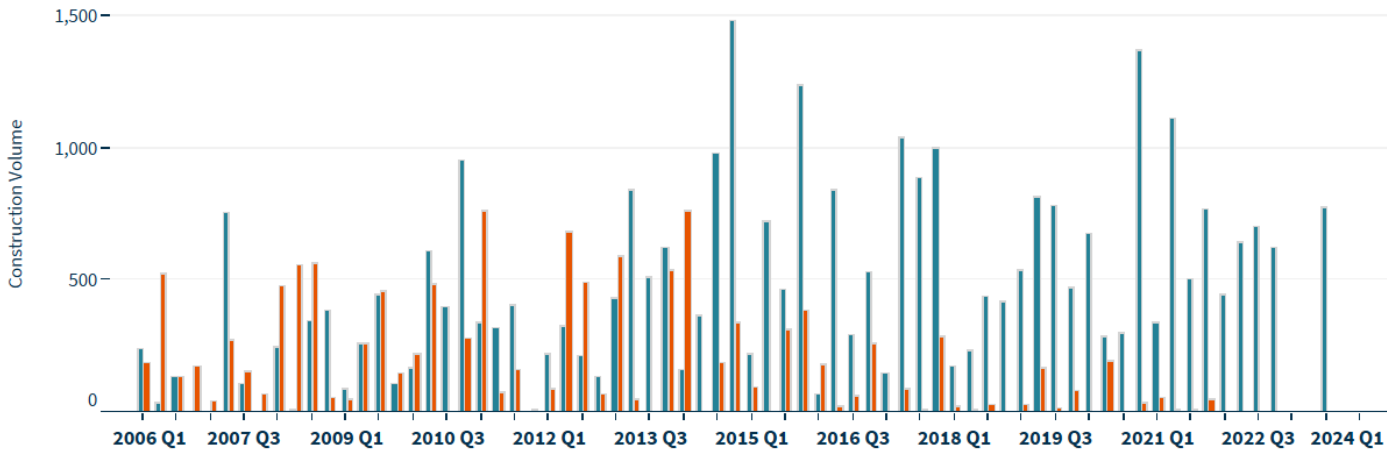
	Q4 2020	Q4 2025	Salt Lake City Metro (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	1,256	1,332	1.19%	0.52%
Households (000s)	421	467	2.09%	1.41%
Renting Cohort (Ages 20-34) (000s)	298	321	1.51%	-0.26%
Total Employment (000s)	754	847	2.37%	1.71%
Median Household Income	\$76,335	\$92,069	3.82%	2.83%
Median SF Home Price	\$421,236	\$451,347	1.39%	4.30%
Net Migration	3,810	5,479		

Source: Moody's Analytics

## SupplyTrack Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



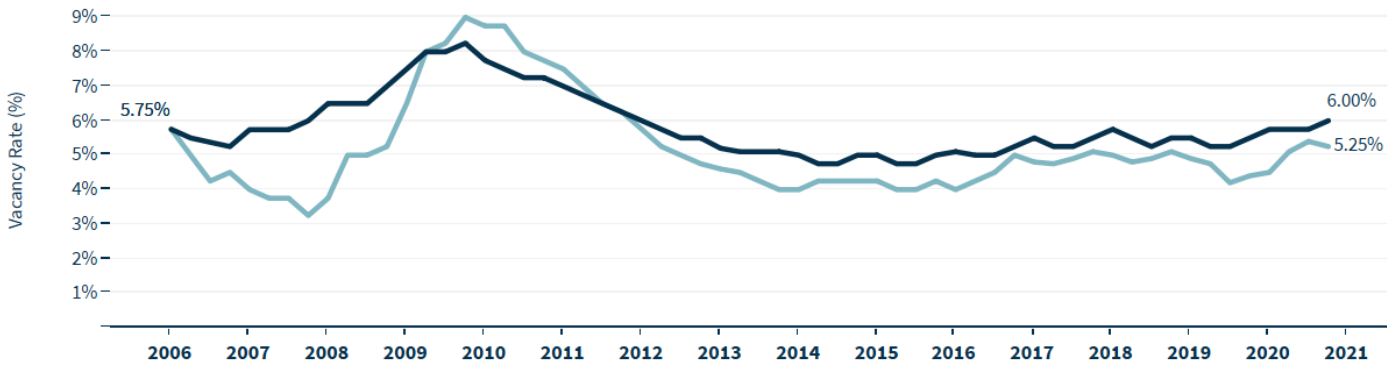
## Vacancy & Rent Composite Estimates

### Vacancy Rates

Salt Lake City | National

Q4 2020 Vacancy Rate:

5.25%

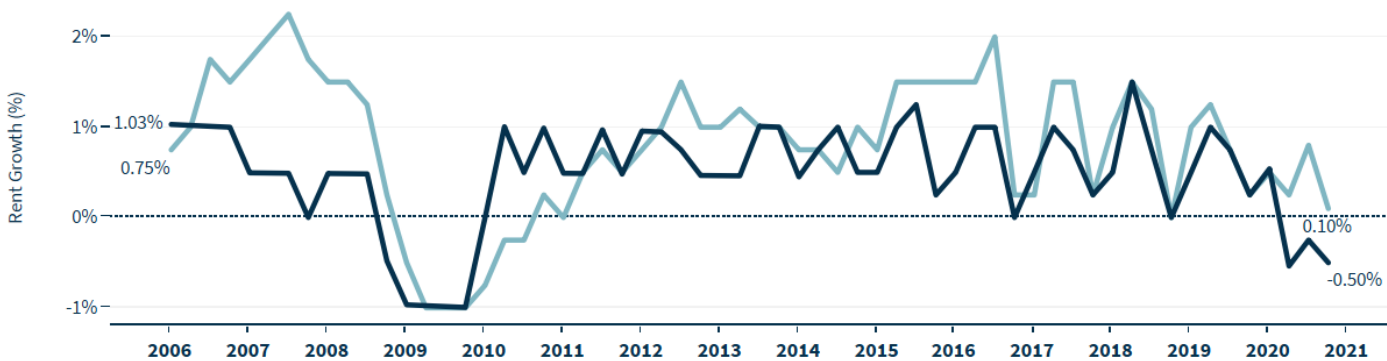


### Asking Rent Growth

Salt Lake City | National

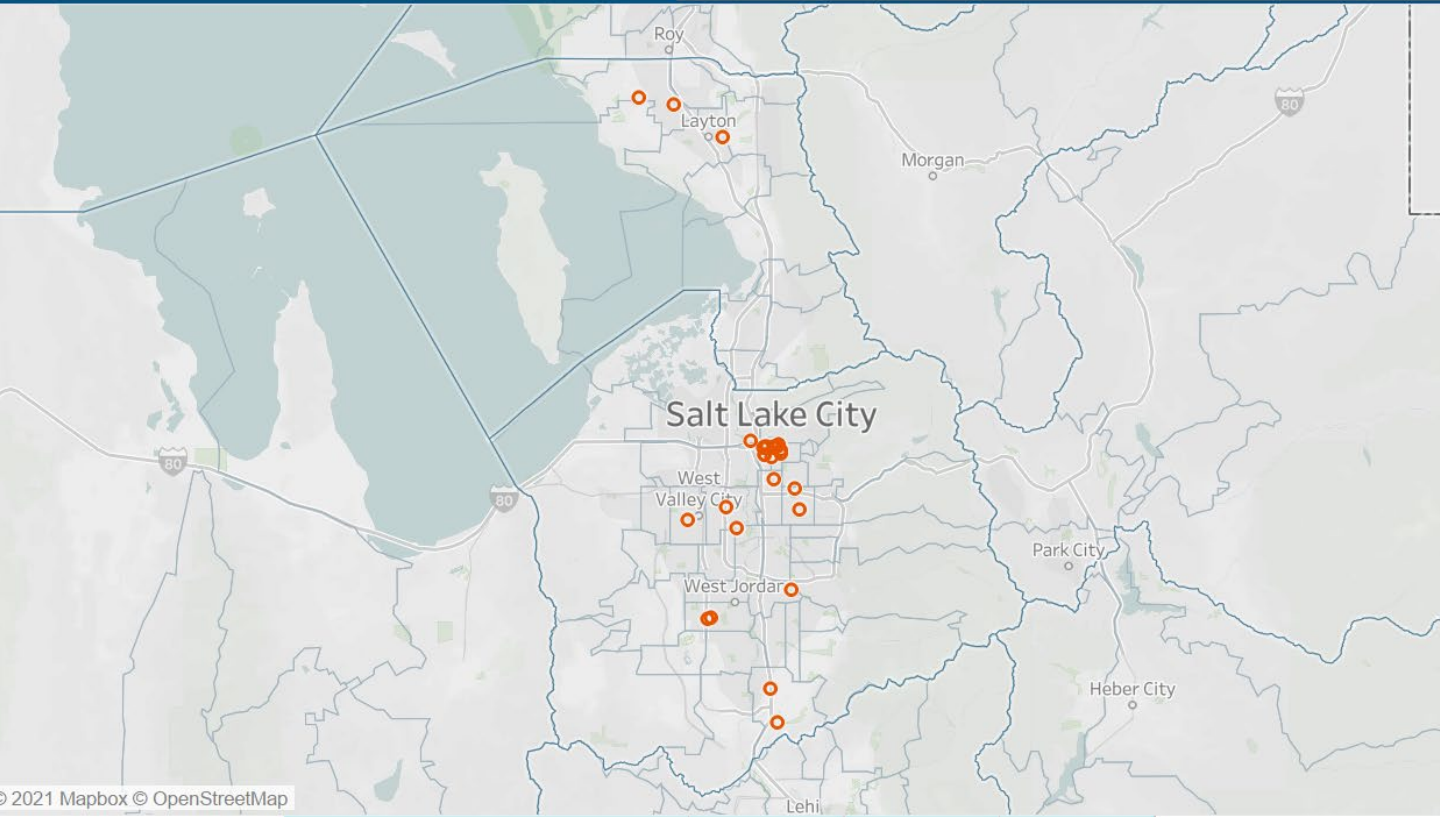
Q4 2020 Asking Rent:

\$1,160



Source: Multifamily Economics and Research

# Construction: Bidding & Underway



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<i>Sub-Market</i>	<i>Projects</i>	<i>Units</i>	<i>Sq. Ft. (M)</i>
Downtown Salt Lake City/University	12	2,206	2.77M
Layton/Davis County	3	338	0.34M
Midvale/Sandy/Draper	3	1,018	1.07M
South Salt Lake/Murray	3	607	0.79M
Southwest Salt Lake City	3	877	0.81M
West Valley City/Airport Area	3	570	0.59M
<b>Grand Total</b>	<b>27</b>	<b>5,616</b>	<b>6.37M</b>

## Multifamily: ESR Team

# Multifamily Metro Outlook: Salt Lake City Q4 2020

## Multifamily Economics and Market Research Team

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### Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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