

Multifamily Metro Outlook:

Salt Lake City - Q4 2021

Overview:

- By the end of 2021, the number of jobs in Salt Lake City exceeded pre-pandemic levels by 3%. As a result, the average vacancy rate metro wide fell to just 4.5% as of Q4 2021 and rents grew by a whopping 15.5% during 2021. The one submarket still showing signs of weakness is downtown Salt Lake which saw a large influx of supply over the past couple of years.
- Moody's Analytics estimates over 50,000 jobs will be created over the next two years which will support a healthy but more normal multifamily market over the next two years, barring new COVID variants.

Market Strengths:

- 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 from expensive West Coast cities. It is also one of the youngest metros in the U.S. providing strong support for rentals. The prime renter cohort (20-34) represents 23.8% of the population compared to just 20.4% for the U.S.
- The metro's business friendly environment, well educated workforce and the fact that the cost of business is approximately 8% below the national average makes Salt Lake an attractive destination for businesses relocating from Silicon Valley. These factors sustain a concentrated number of high-wage jobs in tech and knowledge-based industries. In addition, activities such as world class skiing, hiking and cultural amenities like the Sundance Film Festival make the metro attractive to relocating workers.
- Salt Lake is a regional financial hub and technology related jobs make up 9.3% of the economy, about 3.9% 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, are growing here and should remain in high demand thanks to an aging population.
- The \$4.1 billion Salt Lake International Airport (SLC) expansion continues despite the pandemic. The second phase is expected to open in 2024. Once complete, the airport will be able to support 34 million visitors per year.

Market Weaknesses:

- Salt Lake City, is located along the Wasatch fault line and is, therefore, in an earthquake zone. In fact, a 5.7 magnitude earthquake hit Magna, a suburb of Salt Lake City in 2020. However, prior to this, large earthquakes had been rare.
- In addition, the air quality in the valley can be affected by both pollution and California wildfires 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 was just over \$500,000 as of Q3 2021 according to the National Association of Realtors. As a result, large families are starting to leave Salt Lake in search of cheaper housing. In addition, most of the new apartments constructed over the past five years have been Class A units which command the highest rents.

Development:

- The pace of development is accelerating with an estimated 10,800 units underway as of Q4 2021 compared to just 5,600 as of Q4 2021. Further, the construction is unevenly distributed. About 36% of the new supply under construction is in the downtown submarket which recorded an 8.9% vacancy rate as of Q4 2021 according to REIS and where properties were offering concessions of just over one-month free rent to entice renters.

Outlook:

- Overall, the Salt Lake City apartment market is one of the strongest in the nation as of Q4 2021. Despite a substantial increase in the amount of new supply underway, the multifamily market is expected to remain strong but return to more normal vacancy and rent growth in 2022. However, given ongoing supply chain issues, it is possible that completion deadlines may be moved forward. In this case, the Salt Lake multifamily market may surprise to the upside.
- Salt Lake has City emerged from the pandemic relatively unscathed and is currently one of the better performing economies in the country. 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.

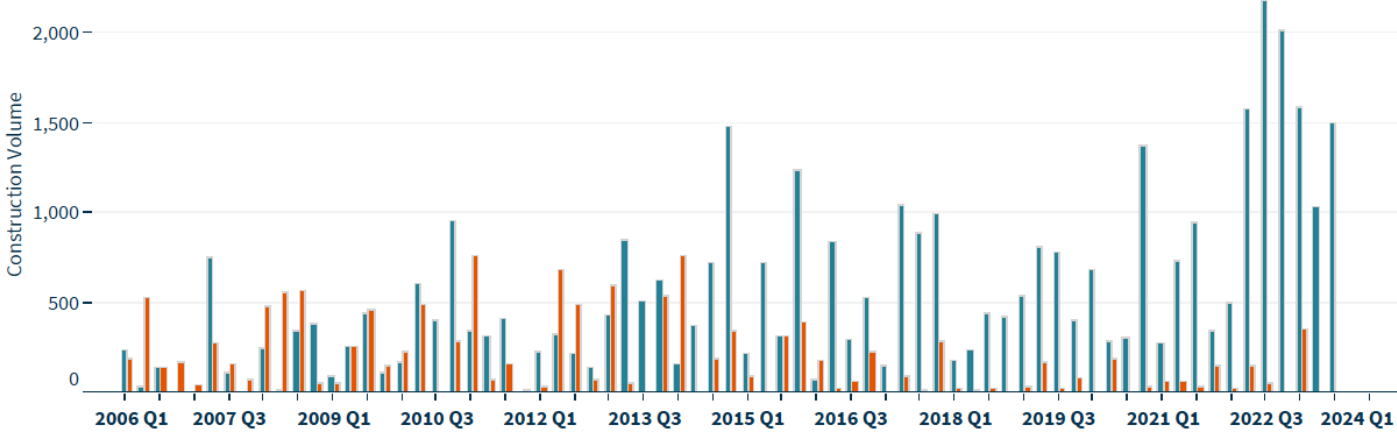
Five Year Metro Area Growth Forecast

Source: Moody's	Q4 2021	Q4 2026	Baltimore (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	1,266	1,339	1.12%	0.47%
Households (000s)	433	468	1.58%	0.90%
Renting Cohort (Ages 20-34) (000s)	302	322	1.31%	-0.30%
Total Employment (000s)	785	852	1.66%	1.08%
Median Household Income	\$84,949	\$101,371	3.60%	3.30%
Median SF Home Price	\$509,686	\$511,674	0.08%	1.93%
Net Migration	4,450	5,262		

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



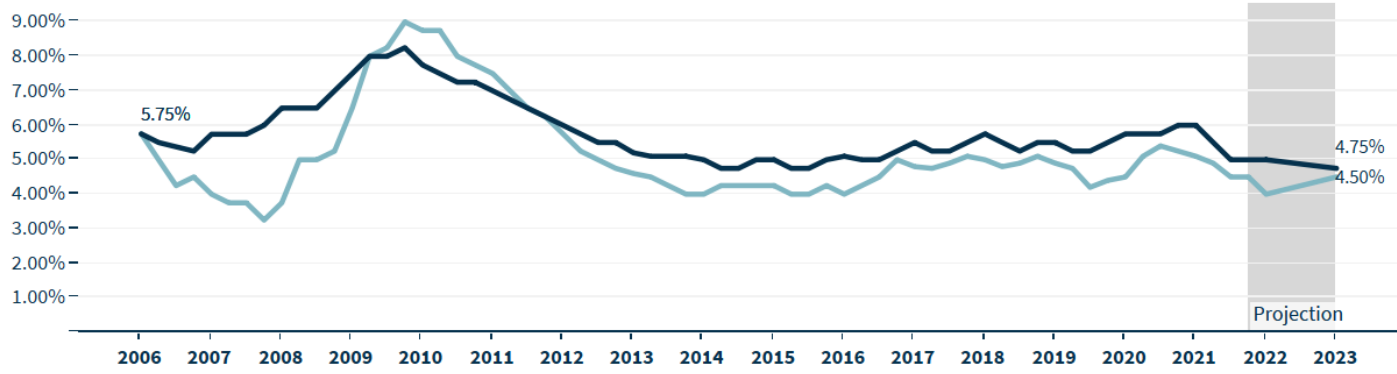
Vacancy & Rent Composite Estimates

Vacancy Rates

Salt Lake City | National

Q4 2021 Vacancy Rate:

4.50%

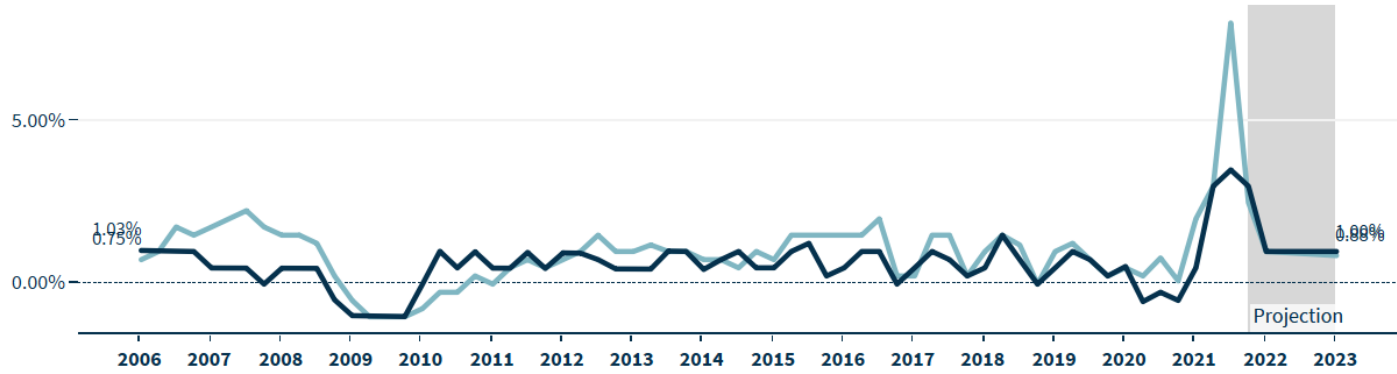


Asking Rent Growth

Salt Lake City | National

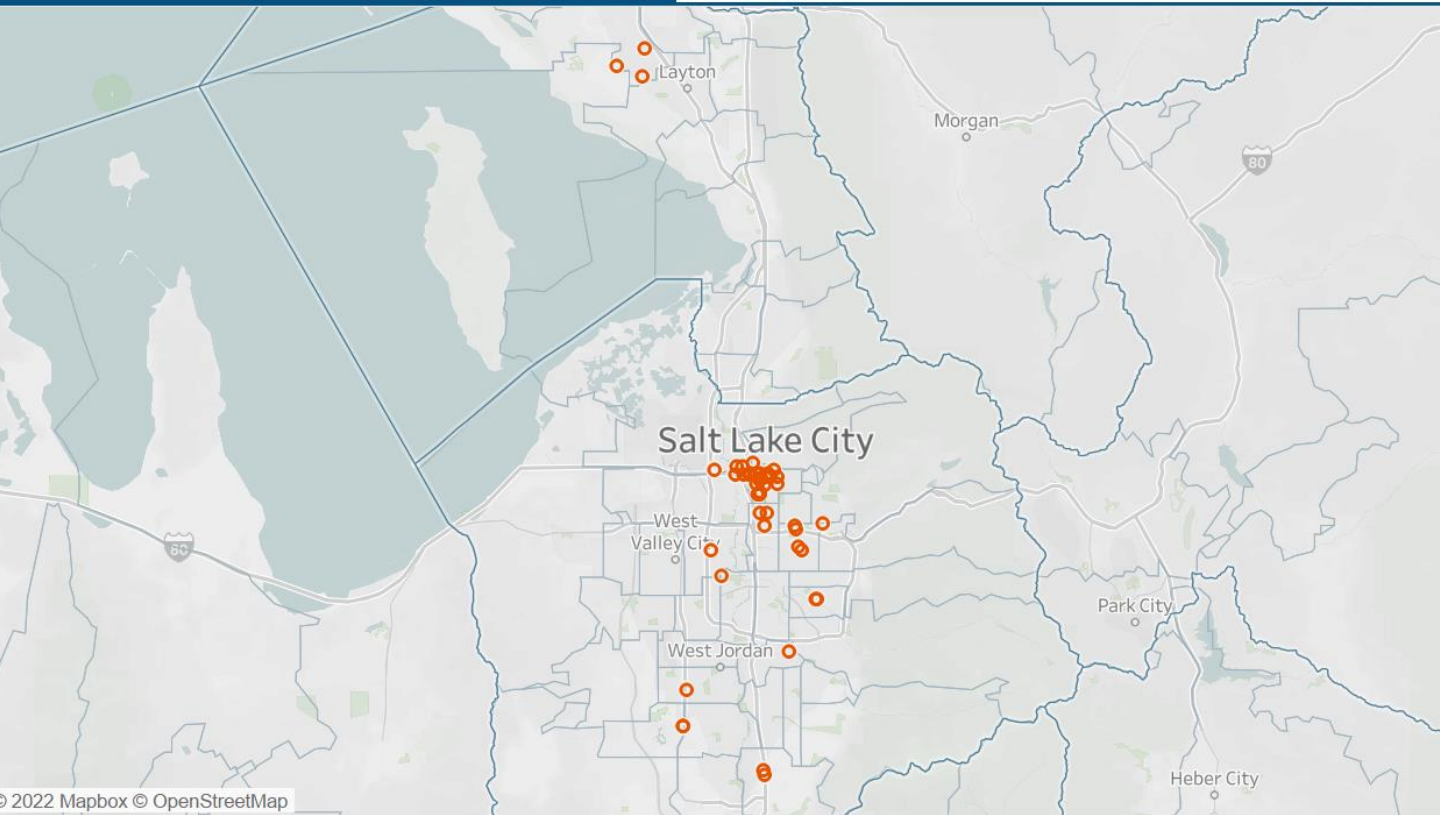
Q4 2021 Asking Rent:

\$1,440



Source: Multifamily Economics and Research

Construction: Bidding & Underway



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<i>TWR Submarket Name</i>	<i>Projects</i>	<i>Building Units</i>	<i>Building Area SF</i>
Downtown Salt Lake City/University	18	3,883	4.14M
Layton/Davis County	3	567	0.64M
Midvale/Sandy/Draper	3	1,099	1.34M
South Salt Lake/Murray	10	2,022	2.36M
Southwest Salt Lake City	4	1,278	1.25M
West Valley City/Airport Area	6	1,938	1.90M
Grand Total	44	10,787	11.64M

Multifamily: ESR Team

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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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