

# Multifamily Metro Outlook:

## Salt Lake City - Q4 2024

### Overview:

- Job creation in finance and fintech, which are two of the most important economic drivers in Salt Lake City, are highly dependent on interest rates. Although the Fed cut interest rates by 1 percentage point in 2024, "higher for longer" appears to be the mantra for 2025, likely impeding significant growth in these sectors. However, the local economy will continue to get some lift from life sciences and state government employment in 2025, through expansion at the University of Utah. Moody's Analytics reports that medical technology is bolstered by some of Utah's biggest life sciences firms — ARUP Laboratories, Merit Medical, Edwards Lifesciences, and Recursion Pharmaceuticals, which is reportedly doubling the size of its headquarters. However, this will not be enough to offset the onslaught of new apartment supply.
- Metro-wide, the average vacancy rate has risen by 2.0 percentage points since Q3 2022, and the average rent fell by almost 5%. This reflects the fact that Salt Lake City is undergoing one of the largest additions to inventory in the country, with apartment inventory projected to grow by an estimated 9.5% over the next two years.

### Market Strengths:

- Salt Lake City has strong demographic drivers due both to natural population growth supported by a high birth rate 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 23.9% of the population compared to just 20.0% for the U.S.
- The metro's business-friendly environment, its well-educated workforce, and the fact that the cost of business is almost 10% below the national average make 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 and hiking, plus 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 9.5% of the economy, about 4 percentage points higher than the national average. According to Moody's Analytics, in addition to fintech, the metro has a strong life sciences technical sector. 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 expansion is ongoing. Phase 3 opened in October 2024 with six new gates. Phase 4 is scheduled to open in October 2025 with five gates, and the remaining 11 new gates are scheduled for October 2026. Once complete, the airport will be able to support 34 million visitors per year compared to 26 million prior to expansion.
- Salt Lake City is home to the state capital, which provides state jobs, including those at the University of Utah.

### Market Weaknesses:

- 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. Ongoing high interest rates may impact this job source.
- The median home price was about \$583,000 as of Q2 2024, according to the National Association of Realtors. As a result, families are starting to leave Salt Lake for places like Ogden, Provo, and St. George in search of cheaper housing.
- Salt Lake City is located along the Wasatch Fault line and is in an earthquake zone. 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. Also, a recent study noted that the Great Salt Lake is evaporating, which may lead to the release of toxic substances in the long term.

### Development:

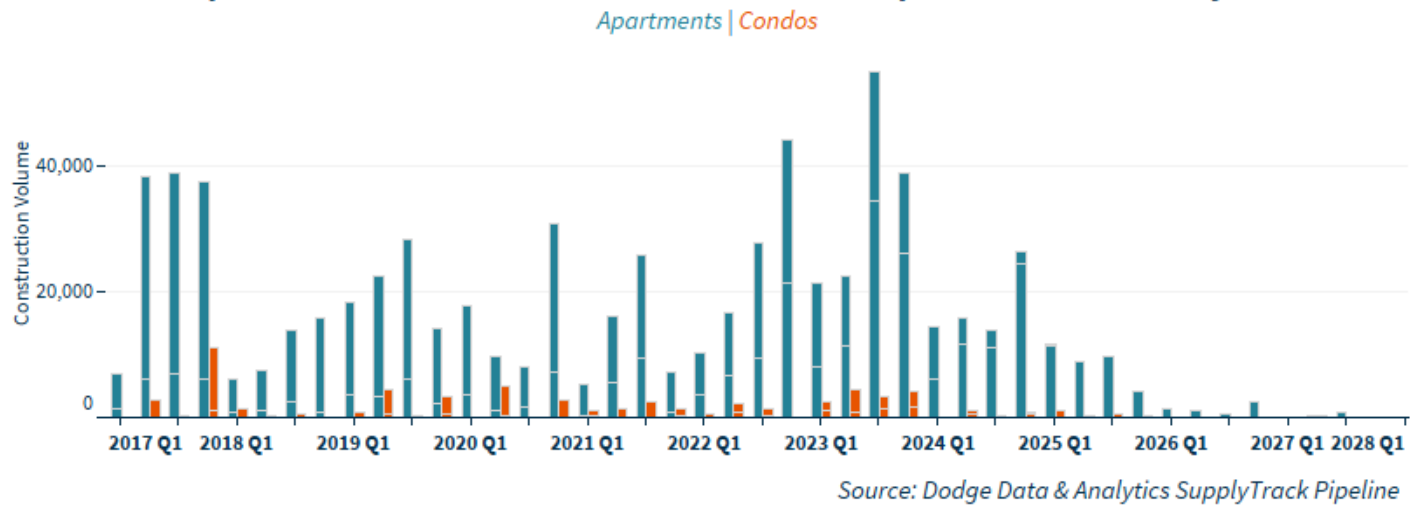
- The pace of development remains high with an estimated 11,300 units underway as of Q4 2024, double the 5,600 underway as of Q4 2021. This represents a 9.5% increase in inventory, making Salt Lake among the top metros with apartments underway. Nevertheless, the high cost of capital and tighter lending requirements are starting to slow construction, as the apartments underway as of Q2 2024 represented an 11% increase in inventory.
- Just over 40% of the new apartments will be added to just two submarkets: Downtown and South Salt Lake/Murray. In addition, there is a mismatch between the new supply delivered, which consists primarily of expensive Class A units, and the need for additional affordable units across the Salt Lake metro.

### Outlook:

- An elevated amount of new supply continues to be delivered. Given ongoing job and population growth, Salt Lake will likely need about 5,800 new apartments through the end of 2026, but it is getting almost twice that amount. So far, Salt Lake has been able to absorb the new supply coming online, but the average vacancy rate has now risen above the historic average. As a result, the timing of new deliveries will be important. Should deliveries arrive on schedule, the additional new supply may overwhelm the market, and there will likely be volatility in rents. However, should the deliveries extend beyond the scheduled delivery dates, the multifamily market may not be as heavily impacted.
- Salt Lake's job base is larger now than pre-pandemic, and its economy is expected to remain one of the best-performing economies in the country. In the 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.

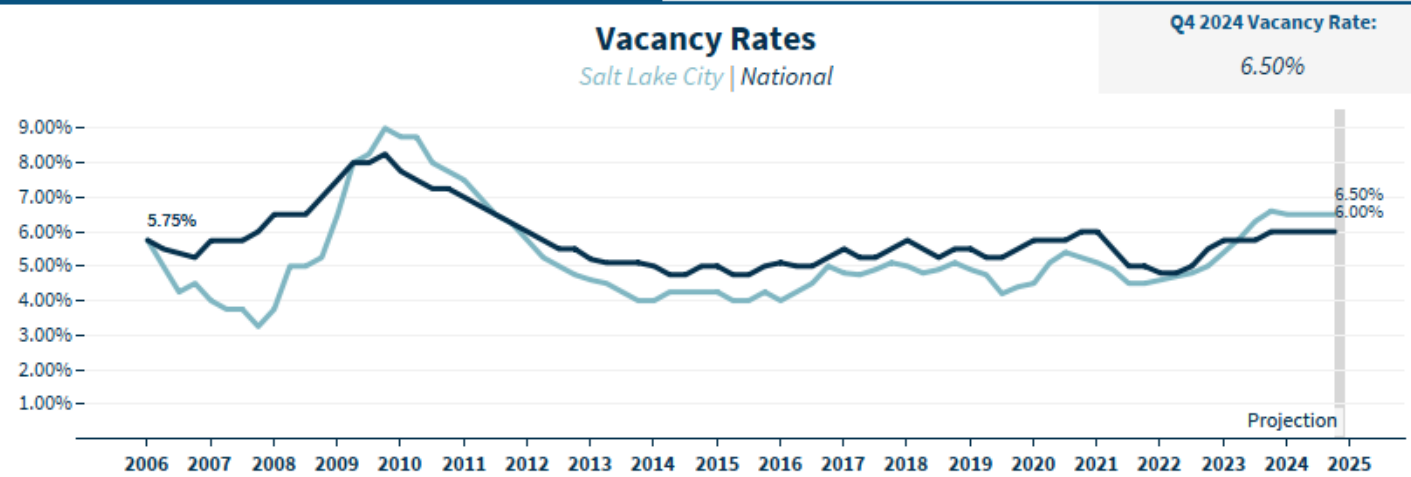
Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

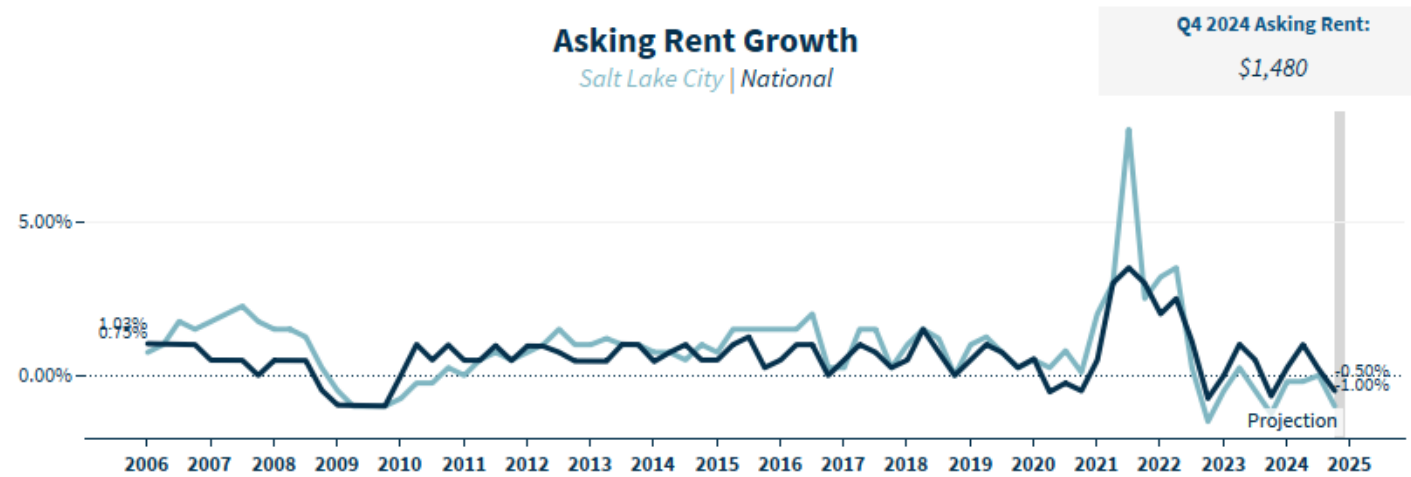


Multifamily Vacancy & Rent Estimates

Vacancy Rates

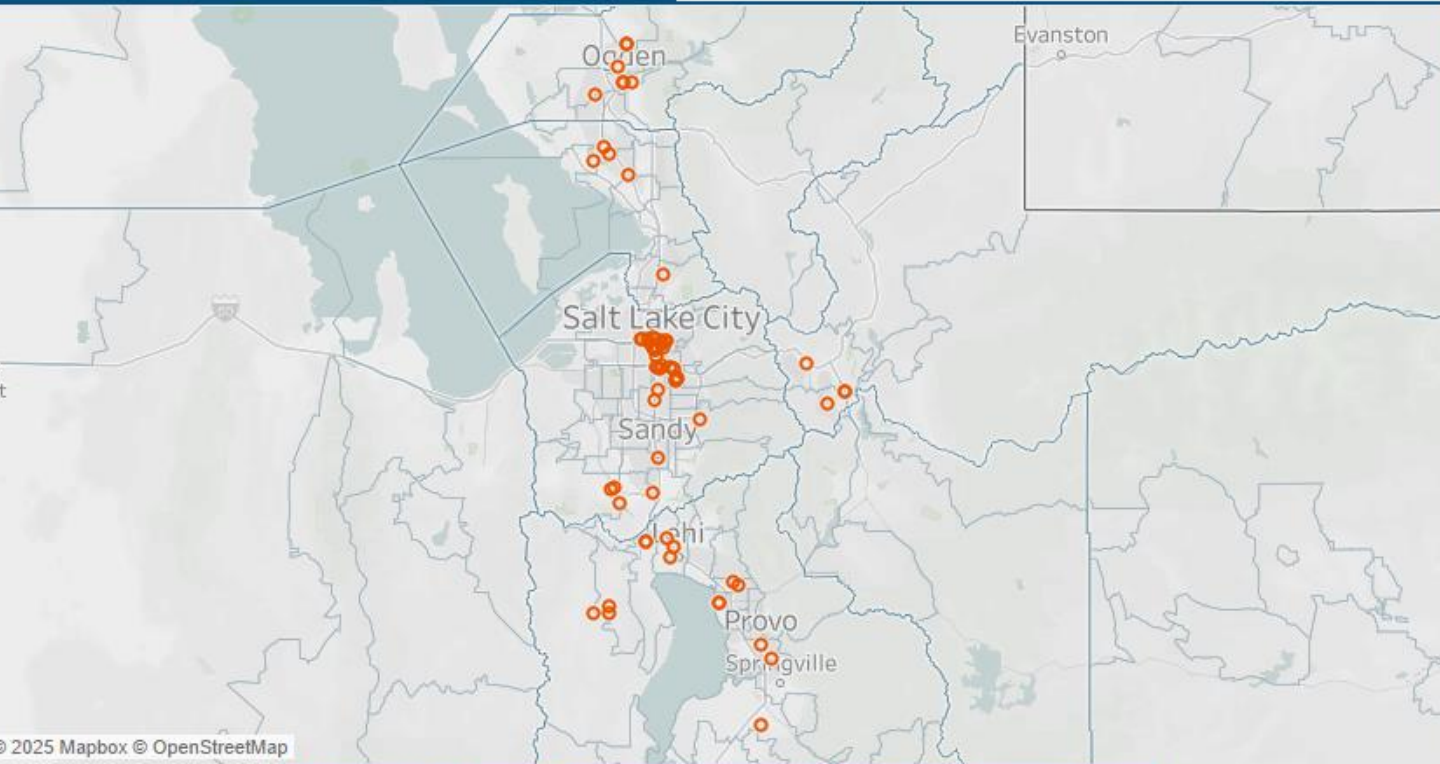


Asking Rent Growth



Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Downtown Salt Lake City/University	13	2,285
Layton/Davis County	5	812
Midvale/Sandy/Draper	2	642
NA	15	1,658
Ogden/Weber County	7	997
South Salt Lake/Murray	13	2,407
Southwest Salt Lake City	4	1,101
Summit Park, UT	4	412
West Valley City/Airport Area	5	961
Grand Total	68	11,275

Source: Dodge Data & Analytics Real Estate Analyzer

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## Multifamily Economics and Market Research Team

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### Sources Used

- Moody’s Economy.com
- Moody’s CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics Real Estate Analyzer
- CBRE-Econometric Advisors
- Yardi

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