Multifamily Metro Outlook: Salt Lake City Spring 2019

Overview
Salt Lake City has one of the healthiest economies in the nation. While job growth is slowing, this is largely due to the fact that unemployment is a low 3.1 percent and it is difficult to find workers. Even so, Salt Lake City is expected to outperform both the region and the nation over the next couple of years. Just over 17 percent of jobs are well-paying white-collar jobs, compared to 14 percent nationwide, and this sector continues to grow. As a result, the elevated amount of new supply being delivered should continue to be absorbed.

Since the 2002 Olympics, Salt Lake has worked to solidify its image as a lifestyle city providing world-class skiing, hiking, and cultural amenities like the Sundance Film Festival. 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 23.4 percent of the population compared to just a 20.6 percent nationwide and will grow at over six times the national rate through 2023.

The metro’s business-friendly environment, well educated workforce, and low cost of business (approximately 12 percent below the national average) makes Salt Lake City the low-cost alternative to more expensive cities on the West Coast. Salt Lake is a regional financial hub, and technology related jobs make up 8.2 percent of the economy compared 4.8 percent nationally. According to Moody’s Analytics, medical technology, which includes medical devices and pharmaceuticals, is growing and should remain in high demand thanks to an aging population.

Salt Lake City does have some drawbacks, however. It is located along the Wasatch fault line and is therefore in an earthquake zone. In addition, due to pollution, the air quality in the valley can be extremely poor during the winter months which may cause some residents to leave.

Development
Salt Lake City is experiencing unprecedented levels of development. Since 2012, approximately 15,200 new apartment units completed, representing a 20 percent increase in inventory. While new supply temporarily slowed in 2018 with about 1,600 units delivered, an additional 3,700 units are underway. Many developments are transit-oriented, and built near the TRAX light rail line.

About half of the new supply continues to be delivered to the downtown area, leading to some easing here. According to REIS, the vacancy rate here is 11.7 percent and about a month of free rent must be offered to entice renters.

Outlook
After several years of strong performance, Salt Lake City’s apartment market is likely to soften somewhat over the next couple of years as completions outpace net absorption slightly. However, the 20,000 new jobs projected to come online in 2019 and 2020 should ensure that vacancies will rise only modestly. Rent growth will likely continue to slow but remain in the 1.5-2.5 percent range in 2019/2020.

Long-term, Salt Lake City will continue to expand due to its pro-business policies, knowledge-based industries producing high wage jobs, and strong demographic trends. However, Salt Lake City is not immune to national recessions and may experience some volatility short-term should a recession materialize.

Vacancy and Rent Composite Estimates

![Vacancy Rate](image)

Q4 2018: 5.1%

![Asking Rent Growth](image)

Q4 2018: +0%

Asking Rent: $1,100

Source: Fannie Mae Multifamily and Economics Research
Q4 2018 Market Inventory: Units 92,000

Q4 2018 Market Inventory: 89,000 Units

Q4 2018 Market Inventory: 67,000 Units

Annual Rent Growth

CBRE-EA
REIS
CoStar

© 2019 Fannie Mae. Trademarks of Fannie Mae.
Construction Bidding/Underway
(30 projects/4,400 Units/4.7 M Sq. Feet)

<table>
<thead>
<tr>
<th>CBRE-EA Submarket</th>
<th>Number of Projects</th>
<th>Total Sq Ft (000's)</th>
<th>Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Salt Lake City</td>
<td>15</td>
<td>1539</td>
<td>1606</td>
</tr>
<tr>
<td>Midvale/Sandy</td>
<td>2</td>
<td>493</td>
<td>462</td>
</tr>
<tr>
<td>Murray</td>
<td>1</td>
<td>314</td>
<td>293</td>
</tr>
<tr>
<td>Northwest Salt Lake/Airport</td>
<td>1</td>
<td>149</td>
<td>146</td>
</tr>
<tr>
<td>South Salt Lake/Cottonwood</td>
<td>4</td>
<td>624</td>
<td>473</td>
</tr>
<tr>
<td>Weber County</td>
<td>1</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>West Jordan</td>
<td>6</td>
<td>1558</td>
<td>1399</td>
</tr>
</tbody>
</table>
Multifamily Metro Outlook: Salt Lake City Spring 2019

Fannie Mae Multifamily Economics and Market Research

Tanya Zahalak, Economist

Sources Used

• AxioMetrics
• CBRE-Econometric Advisors
• Bureau of Labor Statistics
• Census Bureau
• CoStar
• Dodge Data & Analytics SupplyTrack
• Moody’s Analytics
• Real Capital Analytics
• Reis, Inc.

Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Multifamily Economics and Market Research (EMR) group included in this commentary should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the EMR group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the EMR group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.