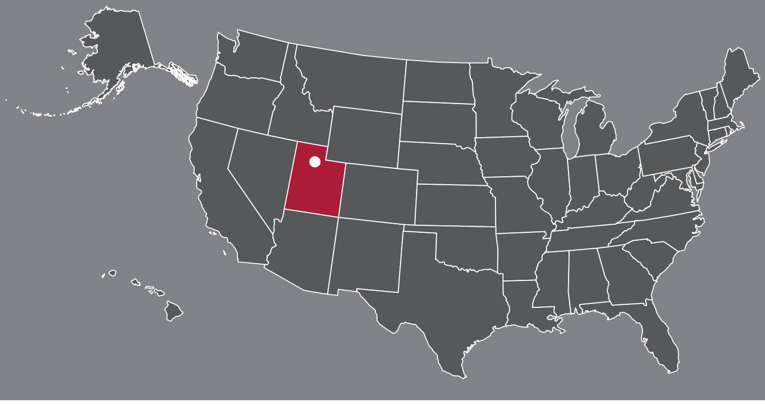
HUD PD&R **Housing Market Profiles**

Salt Lake City, Utah

Quick Facts About Salt Lake City

- **Current sales market conditions: tight**
- **Current apartment market conditions: balanced**
- **The region from Salt Lake City to the city of Provo is nicknamed “Silicon Slopes” because of the rapid growth in high-technology (hereafter, high-tech) along with financial and related technology services (hereafter, fintech) industries combined with the mountainous terrain and nearby ski resorts. Statewide, employment in the high-tech industries averaged 4.9 percent annual growth from 2008 through 2018, primarily in the Silicon Slopes region, and outpaced the national average annual growth rate of 1.4 percent in these industries (University of Utah Kem C. Gardner Policy Institute, 2019).**



By Katharine Jones | As of August 1, 2021

Overview

The Salt Lake City metropolitan area includes Salt Lake and Tooele Counties in north-central Utah. Salt Lake City is the state capital and the most populous city in the state. The metropolitan area is bound by the Ogden-Clearfield metropolitan area to the north and the Provo-Orem metropolitan area to the south. Economic activities and population centers in the metropolitan area are primarily concentrated along the Interstate-15 corridor between the Wasatch Mountains to the east and the Great Salt Lake to the northwest. Economic growth in the Salt Lake City metropolitan area averaged 2.9 percent annually from 2012 through 2019 before slowing to an average annual increase of 2.1 percent in 2020 due to business closures and limited capacity from countermeasures to slow the spread of COVID-19. The metropolitan area outperformed the nation during those periods. The nation averaged an annual increase of 1.7 percent and a subsequent 5.8-percent decline during the respective periods. In addition, the metropolitan area fully recovered the number of jobs lost during 2020, whereas the nation lags behind. The number of jobs during the 3 months ending July 2021 in the metropolitan area was 1.9 percent higher than during the same period of 2019; nationally, jobs were still down 3.3 percent. The robust economy and proximity to outdoor recreation areas attract residents to

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the Salt Lake City metropolitan area. Although migration has slowed in recent years, demand remains strong for sales and rental housing. Residential construction for single-family and multifamily construction in the metropolitan area has been elevated since 2015.

- As of August 1, 2021, the estimated population of the Salt Lake City metropolitan area was 1.27 million—up by an average of 11,950, or 1.0 percent, annually since 2017. By comparison, population growth averaged nearly 18,200 people, or 1.6 percent, a year from 2010 to 2017 (Census Bureau population estimates as of July 1, with adjustments by the analyst).
- The slowdown in population growth since 2017 resulted primarily from a reduction in net in-migration in response to slower job growth. In addition, nearly all net in-migration since 2017 has occurred from international in-migration, which has slowed dramatically since the spring of 2020 due to travel restrictions and hesitancy to travel in response to the global COVID-19 pandemic.
- Population growth in the metropolitan area occurs primarily through net natural change (resident births minus resident deaths), which has accounted for 72 percent of population growth since 2010, partly because the median age of residents in the metropolitan area is younger than the national median and more households have children. The median age in the metropolitan area is 33.2 years, well below the national median age of 38.5, and more than 35 percent of households have at least one child younger than age 18 living at home, compared with less than 30 percent nationally (2019 American Community Survey 1-year estimates).

Economic Conditions

Rapid economic expansion early in the 2010-through-2020 decade slowed in the latter half and ended with job declines in 2020 because of the pandemic recession. Strong job growth averaged 3.2 percent a year from 2012 through 2016 before slowing to 2.5-percent average annual growth from 2017 through 2019, which contributed to the slower population growth. Expansions in the professional and business services sector led nonfarm payroll growth from 2012 through 2016, and the subsequent slowdown in growth occurred across all sectors. In 2020, jobs decreased by 16,100 jobs, or 2.1 percent, because of the countermeasures to slow the spread of COVID-19. The metropolitan area has since fully recovered all the lost jobs. During the 3 months ending July 2021, nonfarm payrolls were up by 48,800 jobs, or 6.8 percent, from the same period a year earlier. In addition, nonfarm payrolls exceeded the levels during the same period of 2019, before the pandemic, by 1.9 percent. Nevertheless, recovery has been unequal across sectors.

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During the 3 months ending July 2021, nonfarm payrolls in the Salt Lake City metropolitan area recovered jobs lost during the previous year, with gains in 10 of 11 sectors.

	3 Months Ending		Year-Over-Year Change	
	July 2020 (Thousands)	July 2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	717.7	766.5	48.8	6.8
Goods-Producing Sectors	107.7	113.7	6.0	5.6
Mining, Logging, & Construction	50.4	53.4	3.0	6.0
Manufacturing	57.3	60.3	3.0	5.2
Service-Providing Sectors	610.0	652.8	42.8	7.0
Wholesale & Retail Trade	103.8	111.7	7.9	7.6
Transportation & Utilities	39.9	44.9	5.0	12.5
Information	19.9	20.6	0.7	3.5
Financial Activities	61.1	64.0	2.9	4.7
Professional & Business Services	128.8	138.4	9.6	7.5
Education & Health Services	82.9	87.7	4.8	5.8
Leisure & Hospitality	48.2	59.5	11.3	23.4
Other Services	20.6	21.8	1.2	5.8
Government	104.8	104.3	-0.5	-0.5
Unemployment Rate	7.3%	2.9%		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

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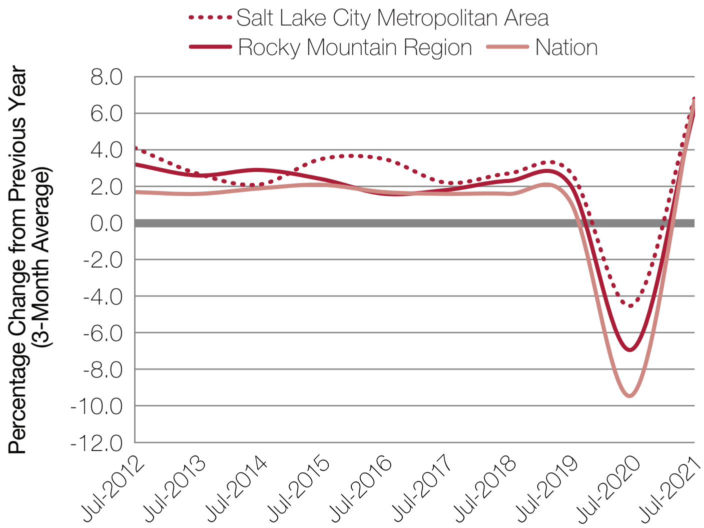
During the 3 months ending July 2021—

- The leisure and hospitality sector led job growth, adding 11,300 jobs, or 23.4 percent, from a year earlier. This sector was the hardest hit during the pandemic recession, losing 42 percent of sector jobs in March and April 2020, when many businesses closed, and jobs in this sector are still 7 percent lower than during the 3 months ending July 2019.
- The mining, logging, and construction sector continued increasing from a year earlier, up 3,000 jobs, or 6.0 percent, compared with 3,200 jobs, or 6.7 percent, during the same period a year ago. Construction was an essential industry allowed to operate throughout 2020; limited inventory of existing homes for sale spurred demand for new residential construction.
- Partially offsetting job growth, the government sector was down 500 jobs, or 0.5 percent, from a year earlier. Losses were greatest in state government payrolls, down 2,400 jobs and more than offsetting the 2,000 job gains in local government payrolls.
- The unemployment rate averaged 2.9 percent, down from 7.3 percent a year earlier and slightly higher than the 2.6-percent rate during the same period of 2019, when the labor market was tight. Strong gains in resident employment outpaced the growth in the labor force, contributing to the declining unemployment rate.

Industries that were most insulated from the negative effects of the pandemic include those with office jobs that could readily convert to a remote working environment. In the Silicon Slopes region, this faction included many high-tech and fintech jobs. Many of these jobs are in industries within the information, the financial activities, and the professional and business services sectors, which added 700, 2,900, and 9,600 jobs, respectively, or 3.5, 4.7, and 7.5 percent, respectively, in the metropolitan area during the 3 months ending July 2021 compared with the same period a year earlier. In addition, the growth in the financial activities sector followed gains of 800 jobs, or 1.3 percent year-over-year job growth, during the 3 months ending July 2020, when most other sectors lost jobs from the previous year. The fintech industry is expected to continue adding jobs in the metropolitan area. HealthEquity, Inc., in the city of Draper, is expected to add 500 jobs by the end of 2023, and Deserve, Inc. in the city of Murray, is adding nearly 260 jobs through 2025. Brex, a San Francisco-based fintech company, announced the opening of a new office in Salt Lake City in 2019 and is in the process of adding more than 1,000 jobs by 2026.

Nonfarm payroll growth in the Salt Lake City metropolitan area has generally outperformed the region and the nation since 2012.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Salt Lake City Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Utah	Government	20,000+
State of Utah	Government	20,000+
Intermountain Healthcare	Education & Health Services	15,000–19,999

Note: Excludes local school districts.
Source: 2021 Utah Department of Workforce Services

Sales Market Conditions

The home sales market in the Salt Lake City metropolitan area is tight, with an extremely low supply of for-sale inventory. The metropolitan area had a 0.7-month supply of homes for sale during July 2021, down from a 1.1-month supply a year earlier (Redfin, a national real estate brokerage). For context, the metropolitan area had 4.7 months of supply in July 2014 but has been tightening, with less than 3 months of supply each July since then. Delays in construction in 2020—primarily because of supply constraints of inputs such as lumber and appliances, coupled with social distancing measures hindering worker productivity—extended the construction time for new homes despite the strong demand for additional housing. As a result of the high demand for existing homes, including single-family homes, townhomes, and condominiums, the average

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existing home sales price rose to nearly the same as the average new home sales price.

During the 12 months ending July 2021—

- The average price of a new home was 1 percent higher than the average price of an existing home, compared with a 26-percent price difference during the same period in 2014, when conditions were more balanced (Zonda).
- Existing home sales increased 12 percent during the 12 months ending July 2021 from a year earlier, to 28,550 homes sold. The average price of an existing home increased nearly 16 percent year over year, to $456,200.
- New home sales, which accounted for 13 percent of all homes sold during the 12 months ending July 2021, increased 6 percent from a year earlier, to 4,275 homes sold. New home sales accounted for 16 percent of all homes sold during the previous 12-month period but averaged 11 percent of all home sales from 2010 through 2014. The average sales price increased 7 percent during the past 12 months, to $461,800.
- In May 2021, 1.8 percent of home loans in the metropolitan area were 90 or more days delinquent, in foreclosure, or recently transitioned to real estate owned (REO) status, up from 0.8 percent a year earlier but below the 3.3-percent national rate (CoreLogic, Inc.). Although the number of loans 90 or more days delinquent in the metropolitan area doubled year over year, the number of foreclosures decreased nearly 10 percent because of mortgage forbearance and foreclosure moratoriums that were part of federal provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

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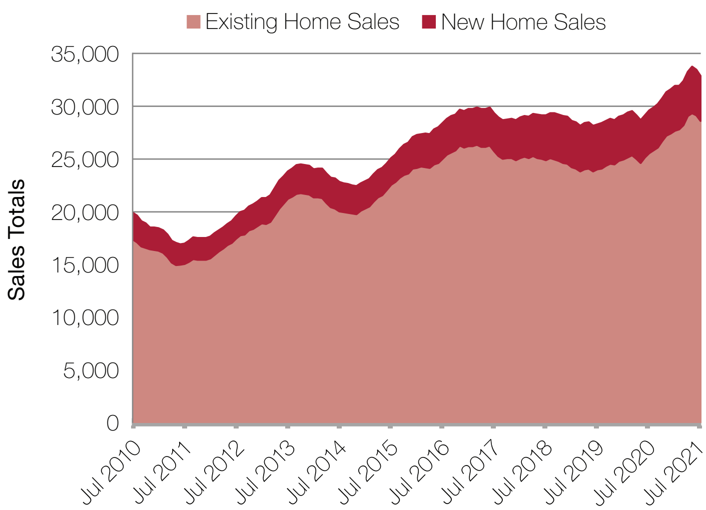
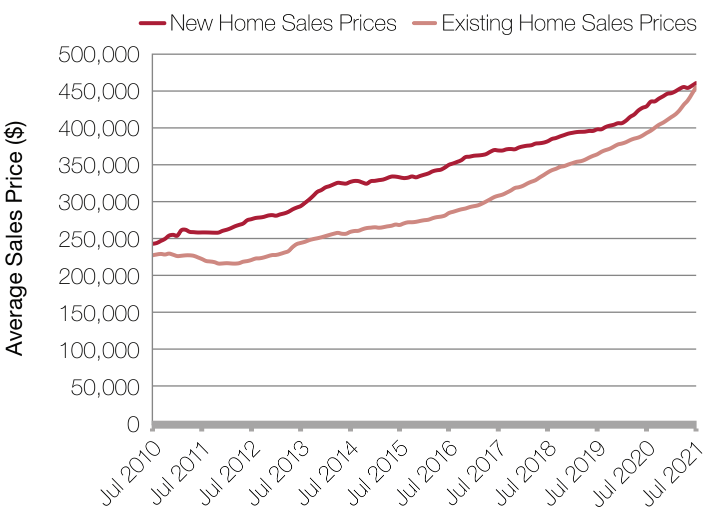
New and existing home sales increased in the Salt Lake City metropolitan area in the past year to the highest levels since 2010.



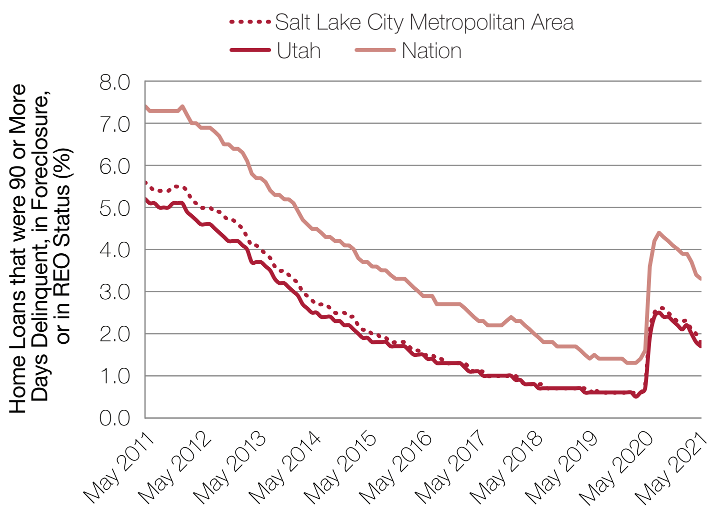
Notes: Data are rolling 12-month averages. Prices include single-family homes, townhomes, and condominiums.
Source: Zonda

A tight home sales market and low inventory of homes for sale contributed to strong price growth in existing homes in the Salt Lake City metropolitan area in the past year.



Notes: Data are rolling 12-month averages. Prices include single-family homes, townhomes, and condominiums.
Source: Zonda

The percentage of home loans 90+ days delinquent, in foreclosure, or recently transitioned to REO status decreased in the past year in the Salt Lake City metropolitan area and remains below the national rate.



REO = real estate owned.
Source: CoreLogic, Inc.

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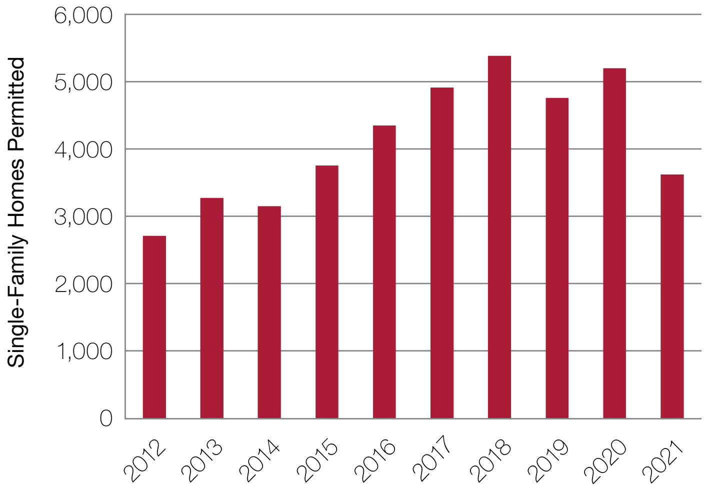
Persistently tight sales market conditions since 2015 led to elevated single-family home construction activity, as measured by the number of single-family homes permitted, despite the recent slowdown in job and population growth.

During the 12 months ending July 2021—

- The number of single-family homes permitted was 6,050, up 22 percent from the same period a year earlier (preliminary data). From 2015 through 2020, an average of 4,725 homes were permitted annually, more than double the average of 2,300 homes each year from 2008 through 2014.
- Approximately 40 percent of metropolitan-area single-family homebuilding activity during the 12 months ending July 2021 occurred in the southern suburban cities of Draper, Herriman, and South Jordan, where more developable land is available.
- The Daybreak master-planned community in the city of South Jordan ranked 32 out of the 50 most active master-planned communities in the country for mid-year 2021 and is the only community in Utah on the list (RCLCO real estate consulting). During the first half of 2021, approximately 310 new homes sold, down from 510 homes sold during the same period of 2020, partly because of limited lot availability. Construction on townhomes and single-family homes will begin in the new Daybreak Cascade Village subdivision in the fall of 2021, with the first townhomes expected to be available in February 2022; two-bedroom townhomes start at $383,800.

Single-family home permitting in the Salt Lake City metropolitan area increased from 2015 through 2018 and has remained elevated since that time.



Note: Includes preliminary data from January 2021 through July 2021.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst.

Apartment Market Conditions

Apartment market conditions are balanced in the Salt Lake City metropolitan area, similar to conditions a year ago. During the second quarter of 2021, the vacancy rate in the metropolitan area was 5.3 percent, down from 6.0 percent a year earlier (Moody's Analytics REIS). The average rent in the metropolitan area increased less than 1 percent from a year earlier, to $1,123. Market conditions have eased from the slightly tight conditions during the second quarters of 2013 through 2017, when the vacancy rate was below 4.5 percent.

During the second quarter of 2021—

- Conditions were slightly soft but improving in the Moody's Analytics REIS-defined Central Salt Lake City market area, which has the highest rents in the metropolitan area. The 9.1-percent vacancy rate was down from 11.9 percent a year earlier, but the average rent declined 1 percent, to $1,375. Conditions have been soft for the past 2 years because of a surge in apartment construction; although the market area accounts for 17 percent of metropolitan-area apartment inventory, approximately 42 percent of apartment completions occurred in this market area.

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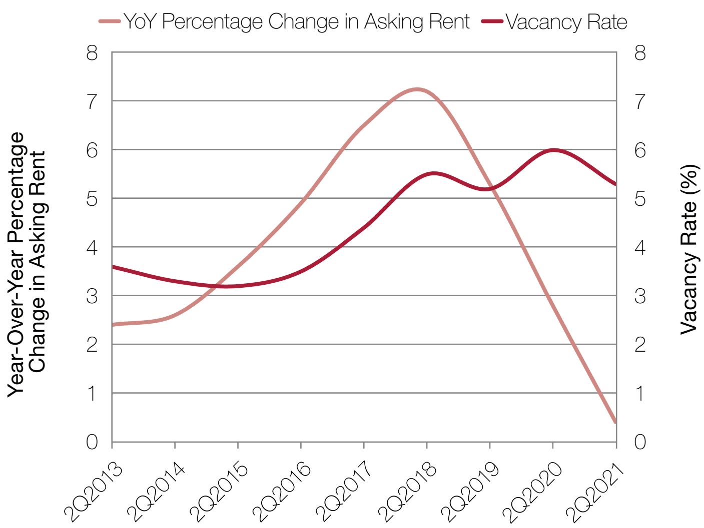
Average rent growth in the Salt Lake City metropolitan area has slowed since 2018, when the slightly tight apartment market conditions that persisted from 2013 to 2017 eased.



2Q = second quarter. YoY = year-over-year.
Source: Moody's Analytics REIS

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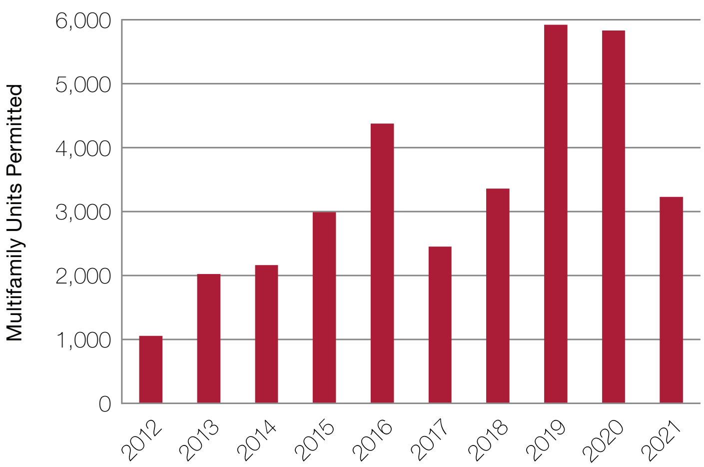
- The Southwest Salt Lake City market area had the lowest vacancy rate, at 2.9 percent, down from 3.0 percent a year earlier. The average rent increased 1 percent, to $906.
- The most substantial rent growth occurred in the West Valley City market area, which increased 4 percent year over year, to an average of $1,006. The vacancy rate was 3.9 percent, down from 4.0 percent a year earlier.
- In the West Jordan market area, including the southwest suburbs, the vacancy rate declined to 4.1 percent from 5.3 percent a year earlier. The average rent increased 1 percent, to $1,200.

Multifamily home construction activity, as measured by the number of multifamily units permitted, has been elevated since 2015; in 2019 and 2020, it surged to the highest levels since the mid-1980s. Builders responded to the tight apartment market conditions in the middle of the 2010 decade with increased construction and continued as units were absorbed. Multifamily construction is primarily apartments, which have accounted for approximately 90 percent of multifamily construction since 2012.

- During the 12 months ending July 2021, nearly 5,750 multifamily units were permitted, down 3 percent from the year before (preliminary data). Approximately 55 percent of multifamily construction was in the city of Salt Lake City despite the slightly soft apartment market conditions.
- From 2015 through 2018, an average of 3,300 multifamily units were permitted annually; that number increased to an average of 5,875 units a year in 2019 and 2020.
- The 120-unit Seasons at Southpoint in Draper opened in January 2020 and is fully occupied. Rents for the one-bedroom and two-bedroom units start at $1,110 and $1,300, respectively.
- The 286-unit apartment complex Avia opened in downtown Salt Lake City in July 2021. The rents for the one-, two-, and three-bedroom units start at $1,450, $1,970, and $3,055, respectively.
- The 272-unit Liberty SKY Apartments in downtown Salt Lake City is nearing completion and preleasing for a late-2021 opening. Rents for the studio, one-bedroom, and two-bedroom units start at $1,499, $1,747, and $2,400, respectively.

Multifamily home permitting has been elevated since 2015 in the Salt Lake City metropolitan area and increased further in 2019 and 2020.



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