

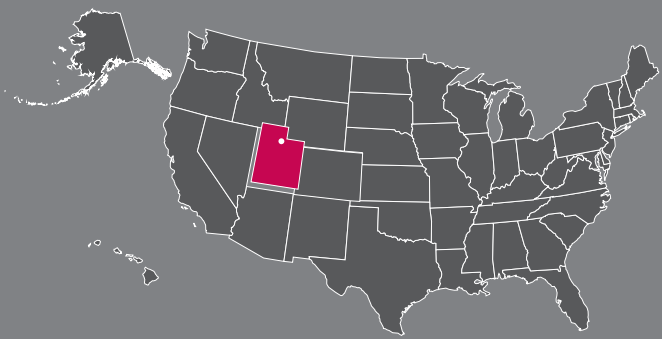
# HUD PD&R Housing Market Profiles

## Salt Lake City, Utah



### Quick Facts About Salt Lake City

- **Current sales market conditions: tight.**
- **Current apartment market conditions: slightly tight.**
- **The Great Salt Lake is the largest saltwater lake in the Western Hemisphere. Through tourism, mineral extraction, and brine shrimp harvesting, the lake has an annual economic impact of approximately \$1.3 billion for the state of Utah (2017 Great Salt Lake Advisory Council Report to Utah State Legislature).**



By Katharine Jones | As of October 1, 2017

### Overview

The Salt Lake City metropolitan area consists of Salt Lake and Tooele Counties in north-central Utah. The metropolitan area includes the principal city of Salt Lake City, which is the state capital. The economic center and population base are primarily concentrated along the Interstate 15 corridor, between the Wasatch Mountains to the east and the Great Salt Lake to the northwest. The metropolitan area is bounded by the Ogden-Clearfield metropolitan area to the north and the Provo-Orem metropolitan area to the south.

- The population of the metropolitan area is estimated to be 1.21 million. Approximately 95 percent of the population lives in Salt Lake County.
- The population has increased by an average of 15,925, or 1.4 percent, annually since 2010. Recently, the strongest period of population growth was during the past economic expansion, from 2005 to 2008, when the population increased by an average of 19,400, or 1.9 percent, annually.
- Net natural change (resident births minus resident deaths) drives population growth, comprising 80 percent of total growth since 2010. High birth rates contribute to a young, growing population. From 2011 to 2016, the birth rate in the metropolitan area averaged 16.5 per 1,000 people compared with about 12.5 nationally, and the median age in the metropolitan area is 33.3 years, or 4.5 years less than the national median age of 37.8 years.



More than one-half of job gains in the Salt Lake City area during the past year occurred in the professional and business services and the wholesale and retail trade sectors.

	3 Months Ending		Year-Over-Year Change	
	September 2016 (thousands)	September 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	703.1	719.6	16.5	2.3
Goods-producing sectors	96.8	99.7	2.9	3.0
Mining, logging, and construction	40.1	42.7	2.6	6.5
Manufacturing	56.6	57.0	0.4	0.7
Service-providing sectors	606.4	619.9	13.5	2.2
Wholesale and retail trade	106.6	110.4	3.8	3.6
Transportation and utilities	34.5	35.1	0.6	1.7
Information	19.7	18.4	- 1.3	- 6.6
Financial activities	56.4	55.8	- 0.6	- 1.1
Professional and business services	124.6	129.9	5.3	4.3
Education and health services	79.8	82.9	3.1	3.9
Leisure and hospitality	59.7	59.7	0.0	0.0
Other services	21.9	23.0	1.1	5.0
Government	103.2	104.6	1.4	1.4
	(percent)	(percent)		
Unemployment rate	3.1	3.3		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

## Economic Conditions

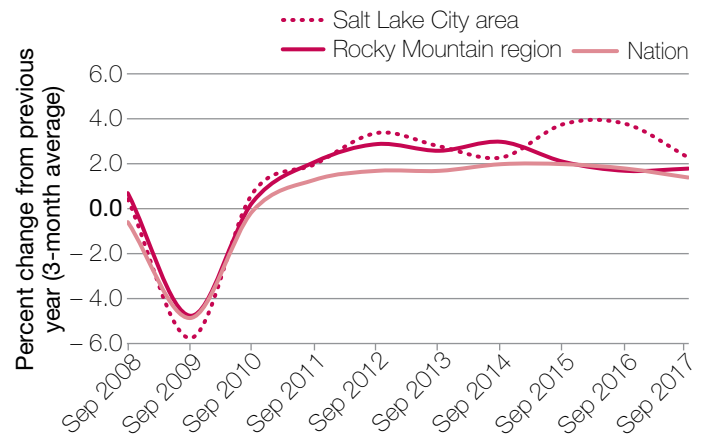
The Salt Lake City metropolitan area has had one of the fastest-growing economies, as measured by job growth, in the nation following the Great Recession. During the third quarter of 2017, nonfarm payrolls increased 2.3 percent from the previous year, a considerable slowdown from recent years. Job growth averaged 3.2 percent, annually, from 2012 through 2016. By comparison, nonfarm payrolls nationwide increased at an average annual rate of 1.8 percent from 2012 through 2016.

During the third quarter of 2017—

- The professional and business services sector added the most jobs, increasing by 5,300 jobs, or 4.3 percent, from a year earlier, to an average of 129,900 jobs. The administrative and waste services industry, which comprises approximately 45 percent of professional and business services payrolls, accounted for nearly 60 percent of sector growth during 2016. The professional and business services sector is the largest in the metropolitan area, accounting for 18 percent of nonfarm payrolls.
- Jobs in the mining, logging, and construction sector increased at the fastest rate of any payroll sector in the metropolitan area, increasing 6.5 percent to an average of 42,700 jobs. Approximately 90 percent of those jobs are in the construction subsector. The largest projects currently under way are distribution centers, including the \$125 million United Parcel Service (UPS) package

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Nonfarm payroll growth in the Salt Lake City area has outperformed the nation since 2010.



Note: Nonfarm payroll jobs.

Source: U.S. Bureau of Labor Statistics

## Largest employers in the Salt Lake City area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Utah	Government	15,000–19,999
Intermountain Health Care, Inc.	Education and health services	15,000–19,999
State of Utah	Government	10,000–14,999

Note: Excludes local school districts.

Source: Utah Department of Workforce Services, 2017

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distribution hub, the \$92 million Amazon.com Inc. fulfillment center, and the \$50 million Post Consumer Brands distribution center, all in the city of Salt Lake City.

- Payroll gains were partially offset by a loss of 1,300 jobs in the information sector, which decreased 6.6 percent to an average of 18,400 jobs. In 2016, Disney Interactive ended the Infinity gaming program and closed Avalanche Software, eliminating nearly 300 jobs. Warner Bros. Interactive Entertainment purchased and reopened the company in January 2017, but with only approximately 100 jobs.

- The unemployment rate averaged 3.3 percent, up from 3.1 percent a year earlier.

The distribution centers under construction in the Salt Lake City metropolitan area are expected to add thousands of jobs on completion during the next 2 years. Amazon announced that it would add 1,500 jobs at the Amazon fulfillment center when it is complete in mid-2018. UPS will also add 1,500 jobs on completion of the package distribution hub in late 2018. Post will add about 100 jobs at its distribution center when complete in early 2019.

## Sales Market Conditions

The sales housing market in the Salt Lake City metropolitan area is currently tight. Salt Lake County had a 2.5-month supply of homes for sale in September 2017, similar to a year earlier (Utah Association of Realtors®). A total of 29,300 new and existing single-family homes, townhomes, and condominiums sold during the 12 months ending September 2017, up nearly 1 percent from a year earlier (CoreLogic, Inc., with adjustments by the analyst). The average price increased 7 percent to \$325,900. The percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status peaked at 6.6 percent in February 2010 but has decreased steadily since then. The rate declined from 1.4 percent in September 2016 to 1.0 percent in September 2017.

During the 12 months ending September 2017—

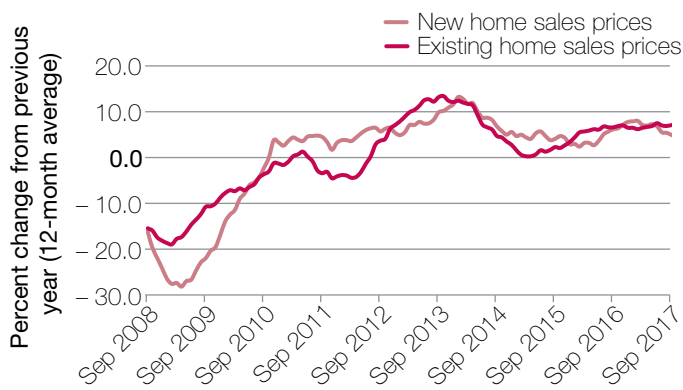
- Existing home sales were relatively unchanged from the previous 12-month period, with 25,500 homes sold. Limited for-sale inventory hindered buyers.

- The tight sales market kept upward pressure on home sales prices. The average price of an existing home increased nearly 7 percent, to \$320,300, from the previous year.
- New home sales, which comprised 13 percent of all homes sold, increased more than 8 percent during the past year, to 3,800 homes sold. The limited inventory of existing homes for sale has increased demand for new homes.
- In response to the increased demand for new homes, the average sales price of a new home increased 5 percent during the past year, to \$368,500.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, continues to increase as the population grows and economy expands. Single-family home construction primarily occurs in the southern suburbs of the metropolitan area, including the cities of Draper, Herriman, Riverton, Sandy, and South Jordan, where more developable land is available.

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### Low for-sale inventory in the Salt Lake City area led to increased prices among new and existing homes.



Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc., with adjustments by the analyst

### The growth in new and existing home sales has slowed in the Salt Lake City area since 2016, in part, because of limited for-sale inventory.

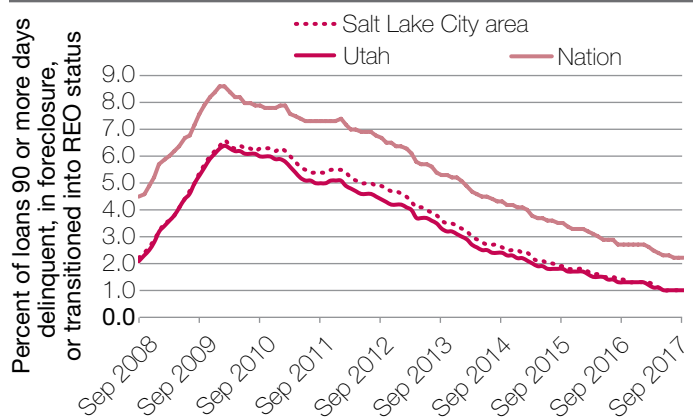


Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc., with adjustments by the analyst

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- During the 12 months ending September 2017, 4,600 single-family homes were permitted, up 9 percent from the previous 12-month period (preliminary data).
- From 2004 through 2007, an average of 6,025 homes were permitted annually; this average decreased 73 percent to 1,625 new homes annually from 2008 through 2010.

The percentages of seriously delinquent loans and REO properties in the Salt Lake City area and Utah are about one-half the national rate.

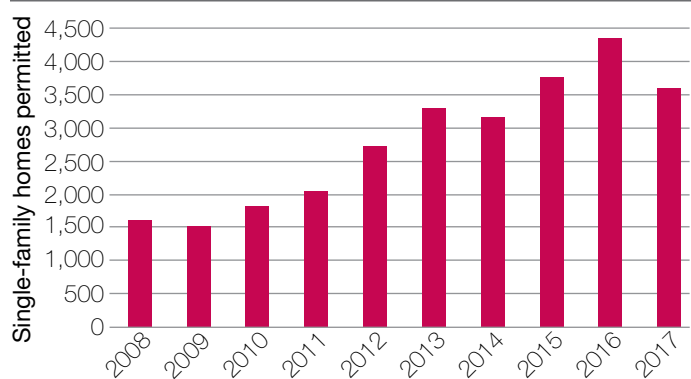


REO = real estate owned.

Source: CoreLogic, Inc., with adjustments by the analyst

- The 420-lot Heights Park subdivision in the Daybreak master-planned community in South Jordan began construction during the third quarter of 2013. Approximately 190 homes are complete and 75 are under construction. During the past 12 months, 135 homes were started, up from 45 homes the previous year. The price for a three-bedroom home with two and a half bathrooms starts at \$283,000.

Aside from 2014, single-family permitting in the Salt Lake City area has steadily increased each year since 2009.



Note: Includes preliminary data from January 2017 through September 2017.

Source: U.S. Census Bureau, Building Permits Survey

## Apartment Market Conditions

The apartment market in the Salt Lake City metropolitan area is currently slightly tight but is expected to ease when new apartments are completed during the next year. Absorption has remained strong because of the number of people moving into the metropolitan area for job opportunities. Nevertheless, the vacancy rate increased during the past year because supply outpaced demand.

During the third quarter of 2017—

- The apartment vacancy rate in the Salt Lake City metropolitan area was 5.0 percent, up from 2.9 percent a year earlier (MPF Research).
- The average rent increased 6.0 percent, to \$1,062. Rent growth slowed slightly in response to the increased vacancy rate; from 2015 to 2016, rent increased 8.2 percent.
- The highest vacancy rate in the metropolitan area was in the MPF Research-defined Downtown Salt Lake City/University market area. The vacancy rate was 7.8 percent, up sharply from 1.8 percent a year earlier, in part because 1,325 new apartment units were completed during the past 12 months and many are

still in lease up. Despite the high vacancy rate, however, the average rent in the market area increased 13 percent to \$1,175, and none of the properties are offering concessions.

- The lowest vacancy rate in the metropolitan area was 3.4 percent in the South Salt Lake/Murray/Park City market area. The vacancy rate increased from 2.4 percent a year earlier, and the average rent increased nearly 5 percent to \$1,057.

Builders have responded to the increased demand for apartments since 2013. Despite having improved access to mortgage credit since the end of the Great Recession, many households have continued to rent. Multifamily construction accounted for 23 percent of all residential construction from 2000 through 2007, but the ratio has nearly doubled to 43 percent since 2013.

- During the 12 months ending September 2017, the number of multifamily units permitted increased 54 percent from the previous 12-month period, to 4,375 units (preliminary data). More than one-half of the units were authorized during a permitting surge in the fourth quarter of 2016, however.

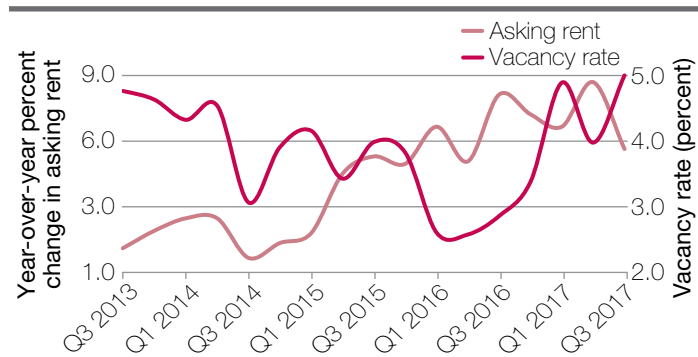
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- Multifamily construction has been primarily of apartments rather than condominiums in recent years. From 2000 through 2008, apartments comprised approximately 50 percent of all multifamily units permitted, but the share has increased to nearly 90 percent since 2012.
- The 332-unit Axio 8400 Apartments opened in the city of Sandy in February 2017. Rents for the one-, two-, and three-bedroom units start at \$995, \$1,295, and \$1,545, respectively.

As supply outpaced demand in the Salt Lake City area during the past year, rent growth slowed and vacancies increased.

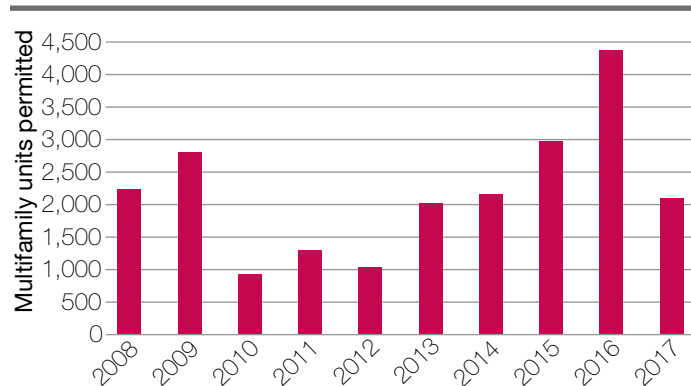


Q1 = first quarter. Q3 = third quarter.

Source: MPF Research

- The 266-unit Liberty BLVD Apartments in the city of Salt Lake City is nearing completion and has begun preleasing. Approximately 20 percent of the units will be restricted to households with incomes at or below 50 percent of the Area Median Income, with the remaining units at market rate. Rents for the market-rate studio, one-bedroom, and two-bedroom units start at \$950, \$1,265, and \$1,625, respectively.
- Construction began on the 293-unit Murray Crossing Apartments in the city of Murray in July 2017. Construction is expected to last about 2 years, and rents have not been released yet.

Multifamily permitting in the Salt Lake City area surged in 2016, bolstered by a sharp increase in the fourth quarter.



Note: Includes preliminary data from January 2017 through September 2017.

Source: U.S. Census Bureau, Building Permits Survey