

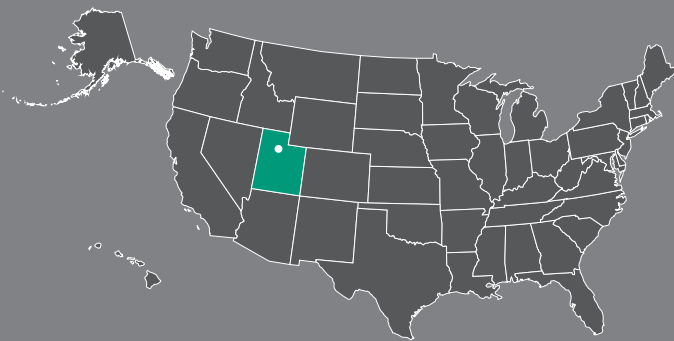
HUD PD&R Housing Market Profiles

Salt Lake City, Utah



Quick Facts About Salt Lake City

- **Current sales market conditions: slightly tight**
- **Current apartment market conditions: balanced**
- **The Great Salt Lake is the largest saltwater lake in the western hemisphere. Through tourism, mineral extraction, and aquaculture, the lake has an annual economic impact of approximately \$1.3 billion on the state of Utah (2020 Great Salt Lake Advisory Council Report to Utah State Legislature).**



By Katharine Jones | As of March 1, 2020

Overview

The Salt Lake City metropolitan area includes 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 activities and population centers 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 bound 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 1.24 million. Nearly 95 percent of the population lives in Salt Lake County.
- Since 2015, the population increased by an average of 16,450 annually, or 1.4 percent. Net natural increase (resident births minus resident deaths) averaged 10,850 people annually and accounted for 66 percent of population growth, whereas net in-migration averaged 5,600 people annually. Net in-migration to the metropolitan area more than doubled compared with the 2010-to-2015 period due to a rapidly expanding economy.
- From 2010 to 2015, the population increased by an average of 14,650, or 1.3 percent, annually, and net

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natural increase accounted for 85 percent of the population growth, averaging 12,500 annually, whereas net in-migration averaged 2,150 people.

- Despite slowing net natural increase since 2015, like national trends, the relatively high birth rate in the area contributes to a young, growing population. The birth rate in the metropolitan area averaged about 16.1 births per 1,000

population in 2015 and decreased to approximately 14.3 per 1,000 population in 2019. This decrease in the birth rate was compared with a decline from 12.5 to 11.6 births during the same period nationally. Additionally, the median age in the metropolitan area is 32.8 years, compared with the national median age of 38.2 years (2018 American Community Survey [ACS] 1-year estimates).

Economy

The Salt Lake City metropolitan area has had one of the fastest growing economies in the nation following the Great Recession, as measured by job growth. By the end of 2012, the economy recovered the number of jobs lost during the Great Recession and entered a period of robust economic expansion. The metropolitan area averaged 2.9 percent annual job gains from 2012 through 2019. During the 3 months ending February 2020, nonfarm payrolls increased 3.1 percent from a year earlier to 764,300 jobs, more than double the national growth rate of 1.5 percent. Strong job growth and tight labor market conditions contributed to wage growth. During the 3 months ending February 2020, the average weekly earnings of private sector nonfarm payroll employees increased 3 percent from the same period a year earlier. Average weekly earnings increased an average of 2 percent annually from 2012 through 2018.

During the 3 months ending February 2020—

- The leisure and hospitality sector led job growth, adding 5,600 jobs, or 8.8 percent, compared with a year earlier.

Five hotels opened in the metropolitan area during the past year, and three hotels are under construction and are expected to open in fall 2020.

- The fastest job growth occurred in the mining, logging, and construction sector, which increased 10.2 percent, or by 4,400 jobs, from a year earlier. Increasing jobs and population contributed to demand for additional residential, commercial, and infrastructure development in the metropolitan area, supporting a greater number of construction jobs.
- Payroll gains were partially offset by a loss of 2,600 jobs, or 2.0 percent, in the professional and business services sector. All of the job losses were concentrated in the administrative and support and waste management industry. In June 2019, ABM Industries Inc., which provides parking, janitorial, and other office and aviation facilities services, announced layoffs of nearly 100 workers in Salt Lake City.
- The unemployment rate averaged 2.5 percent, down from 2.9 percent a year earlier. Labor shortages in the metropolitan area

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Payroll gains across nearly all sectors contributed to strong job growth in the past year in the Salt Lake City metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	February 2019 (Thousands)	February 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	741.3	764.3	23.0	3.1
Goods-Producing Sectors	102.1	107.6	5.5	5.4
Mining, Logging, & Construction	43.3	47.7	4.4	10.2
Manufacturing	58.8	59.9	1.1	1.9
Service-Providing Sectors	639.2	656.7	17.5	2.7
Wholesale & Retail Trade	109.7	110.4	0.7	0.6
Transportation & Utilities	40.7	44.3	3.6	8.8
Information	20.1	22.0	1.9	9.5
Financial Activities	58.8	60.2	1.4	2.4
Professional & Business Services	127.8	125.2	-2.6	-2.0
Education & Health Services	85.9	87.9	2.0	2.3
Leisure & Hospitality	63.6	69.2	5.6	8.8
Other Services	22.3	22.6	0.3	1.3
Government	110.3	114.9	4.6	4.2
Unemployment Rate	2.9%	2.5%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

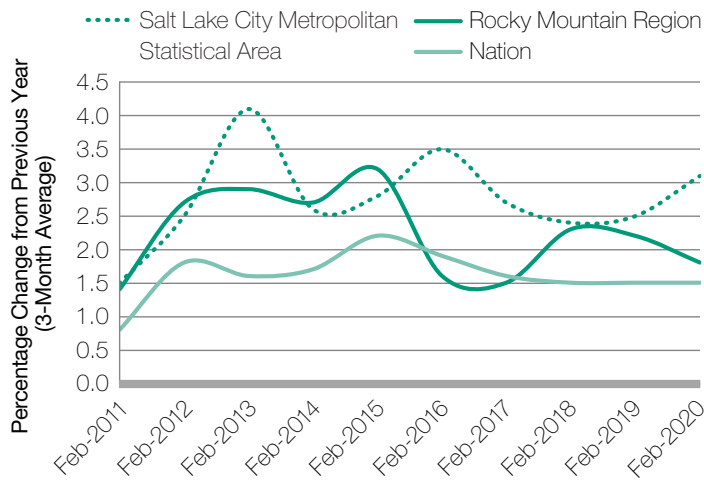


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have occurred in many industries, particularly construction trades, skilled manufacturing, technology, and professional services.

The largest development project currently under way is the \$4.1 billion Salt Lake City International Airport expansion. Approximately 1,800 construction jobs are supported by the development, which will be completed in two phases. The

Nonfarm payroll growth rates in the Salt Lake City metropolitan area continue to outpace the nation.



Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Home sales market conditions in the Salt Lake City metropolitan area are currently slightly tight. Salt Lake County had a 1.3-month supply of homes for sale in February 2020, down from 2.2 months of supply a year earlier (Utah Association of Realtors®). The low inventory of for-sale housing is hampering sales and contributing to price increases. Total home sales, including new and existing single-family homes, townhomes, and condominiums, increased less than 1 percent during the 12 months ending February 2020, compared with a year earlier to 29,200 homes sold (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). During the same period, the average home sales price increased 7 percent, to \$385,300. The average sales price increased more than 6 percent annually since 2012, nearly triple the average annual wage gains, contributing to growing affordability concerns for prospective homebuyers in the metropolitan area. Nevertheless, with equity among current homeowners growing, mortgage delinquency is historically low. 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 the rate has decreased steadily since then and is at the lowest level since at

first phase will include a new parking garage, terminal, and concourses that are expected to open in September 2020, followed by the completion of additional concourses in the second phase in 2025 (Salt Lake City International Airport). Both phases are expected to result in a 50-percent increase in restaurants and an 80-percent increase in retail stores at the airport, which is expected to contribute to job growth in the leisure and hospitality sector and the retail trade subsector in the metropolitan area. During the 12 months ending February 2020, approximately 27.1 million passengers traveled through the airport, up 5 percent from the previous 12-month period. The attractions drawing tourists to the area include the Great Salt Lake, The Church of Jesus Christ of Latter-day Saints Salt Lake Tabernacle (located on Temple Square), the Wasatch Mountains—for skiing, hiking, and other outdoor recreation activities—and national parks and wilderness areas in other parts of the state.

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 Health Care	Education & Health Services	15,000-19,999

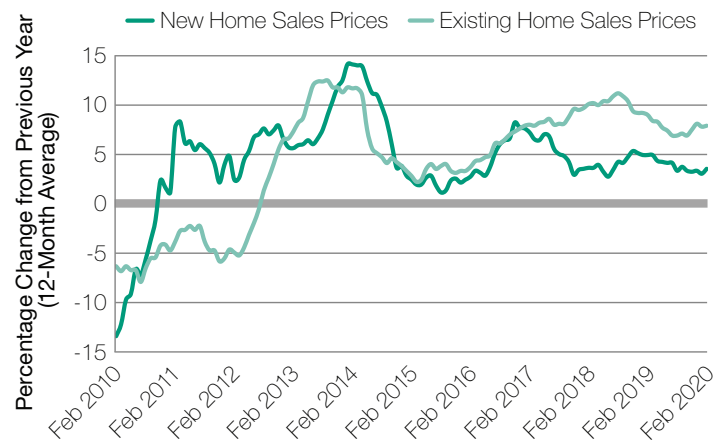
Note: Excludes local school districts.

Source: 2018 Utah Department of Workforce Services

least 2000 (CoreLogic, Inc.). The rate declined slightly from 0.7 percent in February 2019 to 0.6 percent in February 2020, less than half the national rate of 1.3 percent.

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Strong gains in existing home sales prices outpaced moderate gains in new home prices in the Salt Lake City metropolitan area since 2017.



Note: Prices include single-family homes, townhomes, and condominiums.

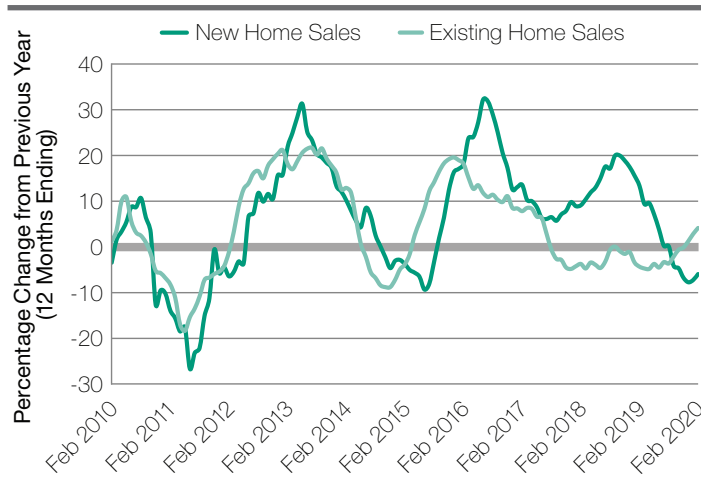
Source: Metrostudy, A Hanley Wood Company



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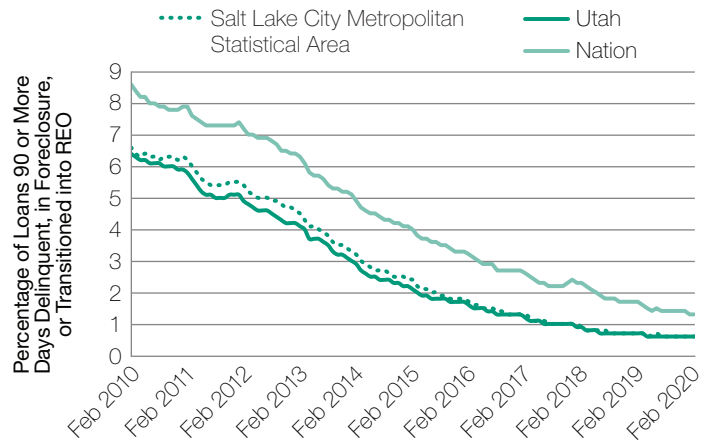
- During the 12 months ending February 2020, existing home sales increased 4 percent from the previous 12-month period to 25,100 homes sold (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The tight sales market kept upward pressure on home sales prices. The average sales price of an existing home increased nearly 8 percent, to \$381,500, compared with the previous year.
- The number of home listings added during the 12 months ending February 2020 totaled nearly 21,600 in Salt Lake County, down 6 percent from a year earlier (Utah Association of Realtors®). Households are staying in their homes longer, which has kept some homes off the market. During 2018, homeowners in the metropolitan area had been in their home a median of 10 years, up from 8 years in 2010 (2010 and 2018 ACS 1-year estimates).
- New home sales, which accounted for 14 percent of all homes sold during the 12 months ending February 2020, decreased nearly 6 percent from a year earlier, to 4,100 homes sold (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The average sales price of a new home increased 4 percent during the same period, to nearly \$409,000. The average price of a new home is 63 percent higher than the average price in 2010, when new home sales prices were at their lowest as a result of the housing crisis and the subsequent Great Recession.
- The supply of new homes is affected by a limited number of lots. During the first quarter of 2020, the inventory of vacant developable lots represented 10.7 months of supply, up slightly from 10.3 months of supply a year earlier, but this was well below the 24.0 months of supply typical for

An increase in existing home sales in the past year more than offset a decline in new home sales in the Salt Lake City metropolitan area.



Note: Sales include single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

The rates of home mortgages 90+ days delinquent, in foreclosure, or recently transitioned to REO in the Salt Lake City metropolitan area and the state are well below the national rate.



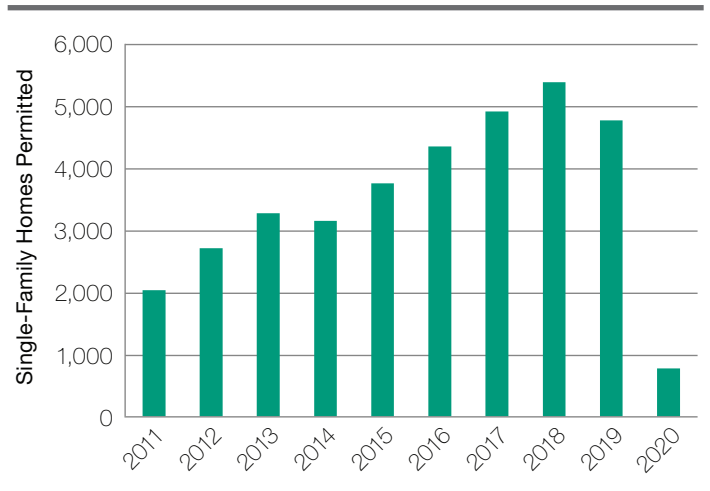
REO = real estate owned. Source: CoreLogic, Inc.

a balanced market in the metropolitan area (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). By comparison, the inventory of vacant developable lots averaged approximately 49.0 months of supply annually from 2008 through 2011, when the market was considered soft.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, has elevated as the population has grown and the economy expanded, despite a decline in the past year. Single-family homebuilding primarily occurs in the

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Single-family homebuilding in the Salt Lake City metropolitan area has been generally increasing following the Great Recession.



Note: Includes preliminary data from January 2019 through February 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



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southern suburbs of the metropolitan area, including the cities of Draper, Herriman, Riverton, Sandy, and South Jordan in south Salt Lake County, where more developable land is available.

- During the 12 months ending February 2020, 4,975 single-family homes were permitted in the metropolitan area, down 2 percent from the previous 12-month period (preliminary data).
- From 2012 through 2018, the number of new homes permitted increased by an average of 480 homes, or 15 percent, annually to nearly 5,400 homes.

- The 688-lot Highland Park subdivision, in the Daybreak master-planned community in South Jordan, began construction during the first quarter of 2017 (Metrostudy, A Hanley Wood Company). Approximately 305 homes are complete, and 50 are under construction. During the past 12 months, 150 homes were started, similar to the number of homes started during the previous 12 months. The price for a two-bedroom home with two bathrooms starts at \$344,000.

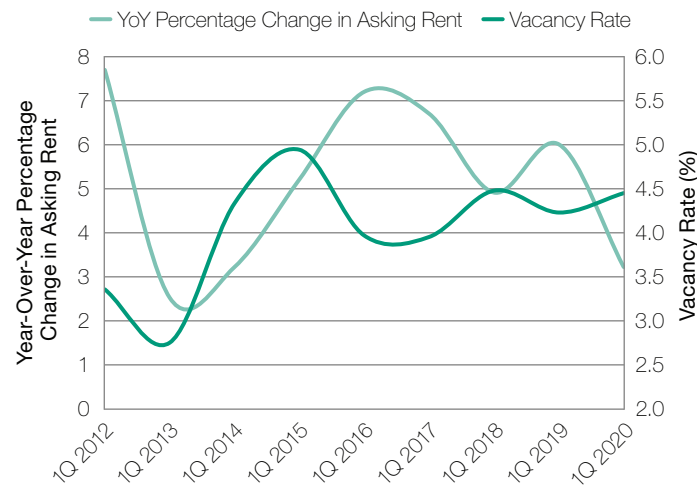
Apartment Market Conditions

The apartment market in the Salt Lake City metropolitan area is currently balanced. Many units were recently completed, which eased the previously tight market conditions that existed in 2012. Despite the surge in completions, absorption has remained strong because of the large number of people moving into the metropolitan area for job opportunities. During the 12 months ending March 2020, approximately 2,475 units were absorbed, similar to the average of 2,525 units annually from 2015 through 2019 (RealPage, Inc.).

During the first quarter of 2020—

- The apartment vacancy rate in the Salt Lake City metropolitan area was 4.4 percent, up slightly from 4.2 percent a year earlier (RealPage, Inc.).

The apartment market in the Salt Lake City metropolitan area is currently balanced; tight conditions from 2012 have since eased and average rents increased at a slower rate in the past year.



1Q = first quarter. YoY = year-over-year. Source: RealPage, Inc.

- The average apartment rent increased 3 percent, to \$1,199. Rent growth slowed in response to the balanced market conditions; from 2015 to 2019, the first quarter rent increased an average of nearly 5 percent annually.
- The highest vacancy rate in the metropolitan area was in the RealPage, Inc.-defined Downtown Salt Lake City/University market area. The vacancy rate was 5.4 percent, up from 4.9 percent a year earlier, because approximately 600 new apartment units were completed during the past year, outpacing the absorption of 400 units. The average rent in the market area increased 3 percent, to \$1,349, which was the highest rent among the five RealPage Inc.-defined market areas.
- The lowest vacancy rate in the metropolitan area was 3.8 percent in the West Valley City/Airport Area market area. The vacancy rate decreased from 4.5 percent a year earlier, and the average rent increased 3 percent, to \$1,072, which is the lowest average rent among RealPage, Inc.-defined market areas.

Builders responded to the increased demand for apartments since 2013. Despite improved access to mortgage credit since the end of the Great Recession, many households prefer to rent. Multifamily construction accounted for 23 percent of all residential construction from 2000 through 2007, but the ratio nearly doubled to 45 percent since 2015.

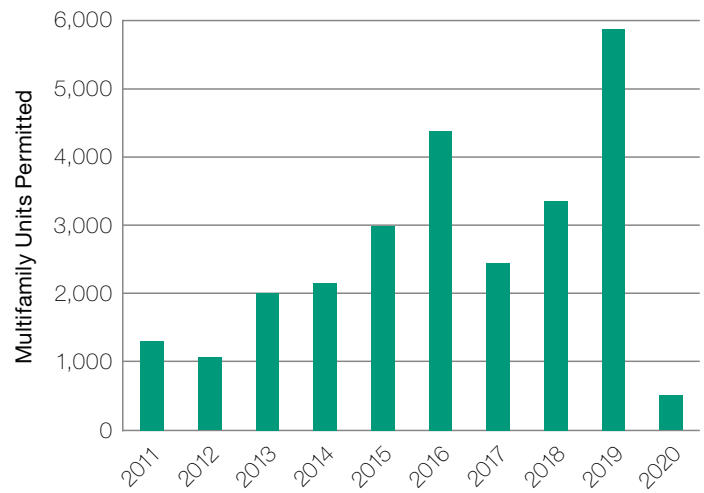
- During the 12 months ending February 2020, the number of multifamily units permitted increased 88 percent from the previous 12-month period, to nearly 5,925 units (preliminary data). Since 2015, approximately 47 percent of multifamily construction occurred in the city of Salt Lake City, with the remaining multifamily construction in the surrounding suburbs, primarily to the south. By comparison, only 13 percent of multifamily units built from 2010 through 2014 were in Salt Lake City.

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- Multifamily construction has consisted primarily of apartments rather than condominiums in recent years. From 2000 through 2008, apartments accounted for approximately 50 percent of all multifamily units, but the share increased to nearly 90 percent since 2012.
- The 218-unit Hawthorne Townhomes in Salt Lake City opened in February 2020. Because of preleasing efforts, the property is already 70 percent leased. Rents for the two- and three-bedroom townhome units start at \$1,599 and \$1,875, respectively.
- The 242-unit Anthology at Vista Station, in the city of Draper, is under construction and began preleasing in November 2019. Rents for the studio, one-, two-, and three-bedroom units start at \$1,145, \$1,100, \$1,435, and \$1,765, respectively. The project is expected to be complete in June 2020.
- Construction began on the 300-unit Liberty Sky Apartments in the city of Salt Lake City in August 2019. Leasing is expected to begin in May 2021, and rents have not yet been released.

Multifamily construction spiked in 2019 in the Salt Lake City metropolitan area, from already elevated levels in the previous 4 years.



Note: Includes preliminary data from January 2019 through February 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

