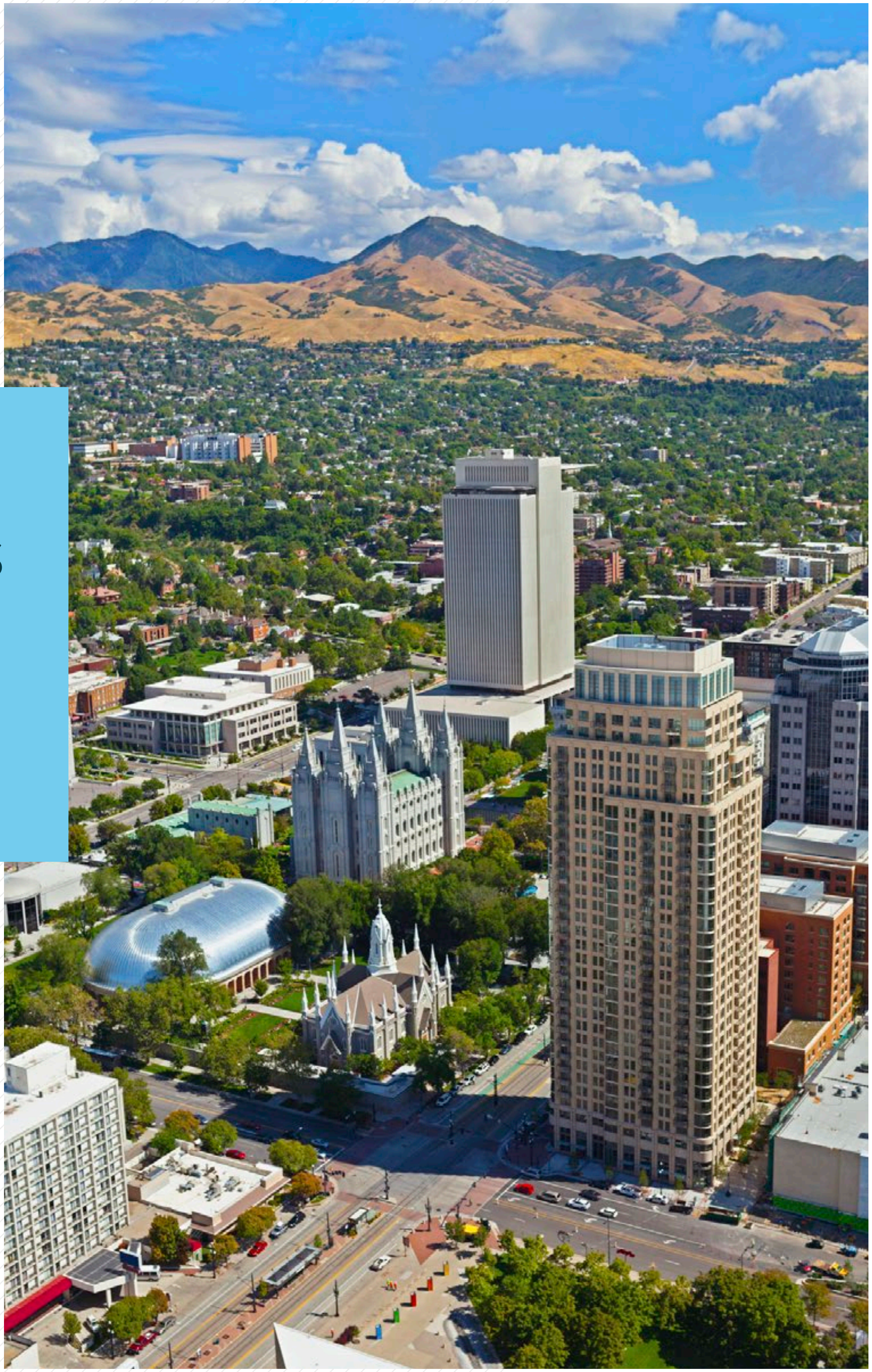
COMPREHENSIVE HOUSING MARKET ANALYSIS

# Salt Lake City, Utah



**U.S. Department of Housing and Urban Development,**
Office of Policy Development and Research

As of April 1, 2019

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# Executive Summary

## Housing Market Area Description

The Salt Lake City Housing Market Area (HMA) is coterminous with the Salt Lake City, UT Metropolitan Statistical Area (MSA), defined as Salt Lake and Tooele Counties in north-central Utah. Located at the western edge of the Wasatch Mountain Range, four ski areas make the HMA a tourist destination: Alta, Brighton, Snowbird, and Solitude. In addition, the city of Salt Lake City is the state capital and the headquarters for the Church of Jesus Christ of Latter-day Saints (LDS).

### Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

# Market Qualifiers

## Economy

Strong: Nonfarm payrolls in the Salt Lake City HMA increased 2.3 percent during the 12 months ending March 2019, which outpaced the 1.7-percent national rate during the same period.

Job growth remains strong but is slowing from the rapid economic expansion from 2012 through 2017 when jobs increased an average of 3.1 percent annually. Job growth is expected to slow further during the 3-year forecast, averaging 1.6 percent a year, in part because large infrastructure projects, including the $3.6 billion airport renovation and prison relocation, will be completed or nearing completion.

## Sales Market

Slightly tight: The inventory of for-sale housing in the Salt Lake City HMA remains low with less than 2 months' worth of homes for sale as of March 2019 for the third consecutive year.

Home sales during the past year decreased as a result of limited for-sale inventory and slowing population growth. The number of homes sold during the 12 months ending February 2019 decreased 5 percent from a year earlier to 28,800 homes sold, and the average price increased 4 percent to $354,000. The sales market is becoming less affordable, in part because of the limited supply of entry-level homes, particularly hindering buying efforts by younger households. Demand is estimated for 11,000 homes during the next 3 years; the 1,400 homes under way will satisfy a portion of the demand.

## Rental Market

Balanced: More renters are living in apartments than single-family homes; from 2010 to 2017, the share of renter households living in multifamily units increased from 63 to 68 percent.

The Salt Lake City HMA rental market had an estimated 5.7-percent vacancy rate as of April 1, 2019, down from 6.9 percent in 2010. The apartment market is also balanced with a 5.7-percent vacancy rate in the first quarter of 2019 and an average rent of $1,063, up 6 percent from the first quarter of 2018. The rental market is still generally affordable, although rent increases have recently begun to outpace wage growth. Demand is estimated for 6,875 market-rate apartment units; the 3,500 units under way will meet the demand for the first 2 years of the forecast period.

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**3-Year Housing Demand Forecast**

| | | Sales Units | Rental Units |
|---|---|---|---|
| Salt Lake City HMA | Total Demand | 11,000 | 6,875 |
| | Under Construction | 1,400 | 3,500 |

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2019. The forecast period is April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

# Economic Conditions

Largest sector: Professional and Business Services

Nearly 90 percent of job gains following the Great Recession occurred in the service-providing sectors.

## Primary Local Economic Factors

Salt Lake City is the state capital and economic center of the state of Utah. The HMA is attractive to businesses because of low corporate taxes and low cost of doing business. Forbes has ranked Utah in the top 3 “Best States for Business” every year since 2010; most recently Utah was ranked number 2 in 2018. Nearly 60 percent of nonfarm payrolls are concentrated into 4 sectors: professional and business services, government, education and health services, and wholesale and retail trade.

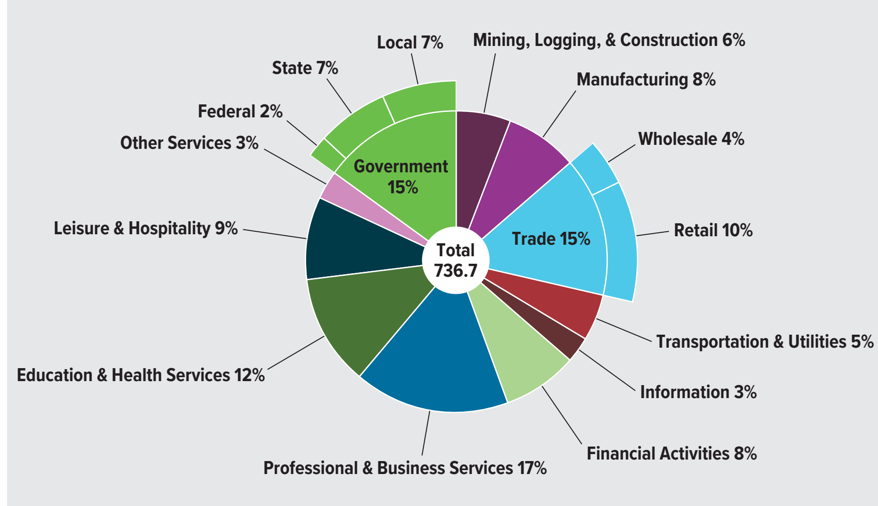
Professional and business services constitute 17 percent of total nonfarm payrolls, which is the largest share in the Salt Lake City HMA (Figure 1). Approximately 17 corporate headquarters are in the HMA, including ARUP Laboratories and Merit Medical Systems, Inc., both among the 10 largest employers (Table 1), as well as C.R. England, Inc., Dominion-Questar, and Zions Bancorporation; the latter of which is a Fortune 1000 company. In addition, 14 shared services offices, which includes departments that assist other divisions within the same company, such as human resources, logistics, or information technology, are in the HMA, including Delta Airlines, Inc., Discover Financial Services, Inc., The Goldman Sachs Group, Inc., L-3 Technologies, and Wells Fargo & Company.

Table 1. Major Employers in the Salt Lake City HMA

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|---|---|---|
| University of Utah | Government | 20,000+ |
| Intermountain Healthcare | Education & Health Services | 15,000-19,999 |
| Walmart Inc. | Wholesale & Retail Trade | 5,000-6,999 |
| Smith's Food and Drug Centers, Inc. | Wholesale & Retail Trade | 4,000-4,999 |
| Delta Air Lines, Inc. | Transportation & Utilities | 4,000-4,999 |
| Discover Financial Services, Inc. | Financial Activities | 3,000-3,999 |
| ARUP Laboratories, Inc. | Professional & Business Services | 3,000-3,999 |
| Merit Medical Systems, Inc. | Manufacturing | 3,000-3,999 |
| U.S. Postal Service | Government | 3,000-3,999 |
| Zions Bankcorporation | Financial Activities | 3,000-3,999 |

Note: Excludes local school districts.
Source: Utah Department of Workforce Services, September 2018

Figure 1. Current Nonfarm Payroll Jobs in the Salt Lake City HMA, by Sector




Notes: Nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding.
Source: U.S. Bureau of Labor Statistics

Government employment provides a stable source of jobs in the Salt Lake City HMA, primarily because of the state capital and the University of Utah. Government payrolls accounted for 110,000 jobs during the 12 months ending March 2019 and made up 15 percent of total nonfarm payrolls. In addition, the government and the education and health services sectors are the only two payroll sectors which have added jobs every year since 2000, including through both recessions. Nearly one-half of government payrolls are in the state government subsector, which includes the University of Utah, the largest employer in the HMA with more than 20,000 workers. Nearly 33,000 students were enrolled during the fall 2018 semester, an average annual increase of approximately 1 percent since 2009.

The education and health services sector is the fastest growing sector since 2000, with payrolls nearly doubling to an average of 84,900 jobs during the 12 months ending March 2019 (Figure 2). Intermountain Healthcare is the second largest employer in the HMA, with more than 15,000 workers.

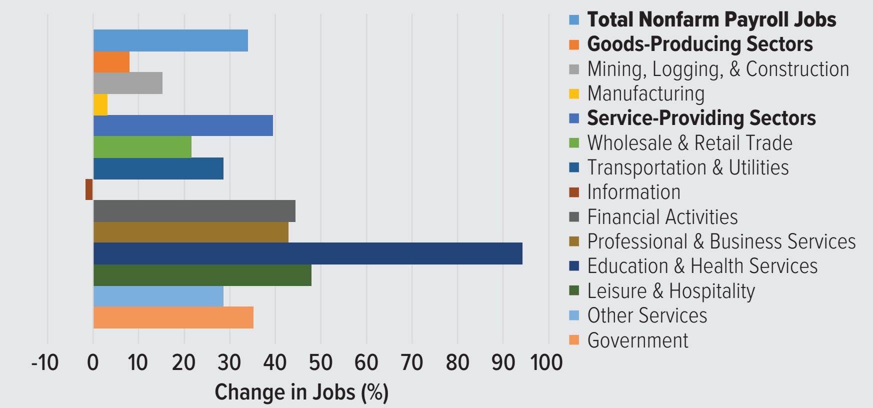
## Current Conditions—Nonfarm Payrolls

Job growth during the past year slowed from the robust average annual rate of more than 3 percent from 2012 through 2017 following the recovery from the Great Recession. During the 12 months ending March 2019, nonfarm payrolls increased by 16,800 jobs, or 2.3 percent, from a year earlier to average 736,700 jobs (Table 2). Job gains across all other sectors offset the slight decline of 100 jobs, or 0.4 percent, in the information sector. Service-providing jobs accounted for 86 percent of all job growth. The wholesale and retail trade and the leisure and hospitality sectors led job growth, adding 2,900 and 3,000 jobs, respectively, or 2.7 and 4.9 percent. The strong economic expansion following the Great Recession contributed to bolstered consumer confidence, and, in turn, growth in the wholesale and retail trade sector. The Gateway, a shopping and entertainment district in downtown Salt Lake City, underwent a $100 million renovation that was completed in late 2018, with retail, office, and entertainment space. The 55,000-square-foot Herriman Towne Center is the largest commercial development under construction and will be completed in 2019, primarily with retail stores and restaurants. Stores already at the Herriman Towne Center include CVS Pharmacy, Walmart, Inc., and AutoZone, Inc.

Tourism-related jobs increased, in part, to accommodate a surge of skier-visits in the past year. More than 5.1 million skier-visits were recorded in Utah during the 2018–2019 ski season, up more than 1 million visits from the previous year (Utah Ski and Snowboard Association). More than double the amount of snowfall fell during the 2018-2019 ski season, compared with the previous year, and the near-record snowfall, combined with the expansion of the IKON and Epic multistate, multi-resort season passes, resulted in increased skier-visits at all ski areas in the HMA. Resorts reported increased visits from out-of-state skiers, primarily from Colorado.

Other payroll sectors with notable gains during the past year include the financial activities and the professional and business services sectors, which increased by

**Figure 2. Sector Growth in the Salt Lake City HMA, 2001 to Current**




Source: U.S. Bureau of Labor Statistics

**Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Salt Lake City HMA, by Sector**

| | 12 Months Ending March 2018 | 12 Months Ending March 2019 | Absolute Change | Percentage Change |
|---|---|---|---|---|
| **Total Nonfarm Payroll Jobs** | **719.9** | **736.7** | **16.8** | **2.3** |
| **Goods-Producing Sectors** | 99.7 | 102.1 | 2.4 | 2.4 |
| Mining, Logging, & Construction | 42.3 | 43.8 | 1.5 | 3.5 |
| Manufacturing | 57.4 | 58.3 | 0.9 | 1.6 |
| **Service-Providing Sectors** | 620.2 | 634.7 | 14.4 | 2.3 |
| Wholesale & Retail Trade | 106.0 | 108.9 | 2.9 | 2.7 |
| Transportation & Utilities | 36.5 | 38.2 | 1.7 | 4.6 |
| Information | 20.6 | 20.5 | -0.1 | -0.4 |
| Financial Activities | 57.7 | 59.9 | 2.2 | 3.9 |
| Professional & Business Services | 124.5 | 126.3 | 1.8 | 1.5 |
| Education & Health Services | 83.4 | 84.9 | 1.5 | 1.8 |
| Leisure & Hospitality | 61.0 | 63.9 | 3.0 | 4.9 |
| Other Services | 21.8 | 22.0 | 0.2 | 1.0 |
| Government | 108.8 | 110.0 | 1.2 | 1.1 |

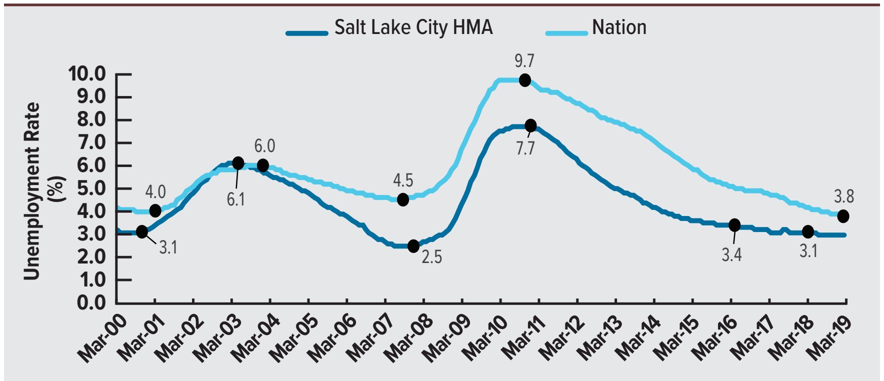
Notes: Based on 12-month averages through March 2018 and March 2019. Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

2,200 and 1,800 jobs, or 3.9 and 1.5 percent, respectively, from a year ago, and the mining, logging, and construction sector, which increased by 1,500 jobs, or 3.5 percent. Pluralsight, Inc., which provides technology-related training and services to companies, has been expanding in the HMA since 2015 and announced plans in 2017 to add nearly 2,500 employees throughout the state in the next decade. In order to meet the need for workspace for the additional workers in the HMA, a new office in the city of South Jordan opened in the fourth quarter of 2017. In addition, construction of a new headquarters in the city of Draper is currently underway and expected to be completed in 2020, at which point workers from Farmington, in the nearby Ogden-Clearfield, UT MSA, will be transferred to the Draper office.

## Current Conditions—Unemployment

The unemployment rate in the HMA during the 12 months ending March 2019 was 3.0 percent, down slightly from 3.1 percent during the previous 12-month period. The unemployment rate peaked at 7.7 percent in 2010 because of the economic downturn. The currently low unemployment rate in the HMA is indicative of a tight labor market, and some industries, such as certain construction trades, are having difficulty finding enough skilled workers to keep up with demand. Nationally, the unemployment rate was 3.8 percent during the 12 months ending March 2019, down from 4.1 percent a year earlier, and from the peak of 10.6 percent in 2010. Figure 3 shows the unemployment rate in the HMA and nation since 2000.

**Figure 3. 12-Month Average Unemployment Rate in the Salt Lake City HMA and the Nation**



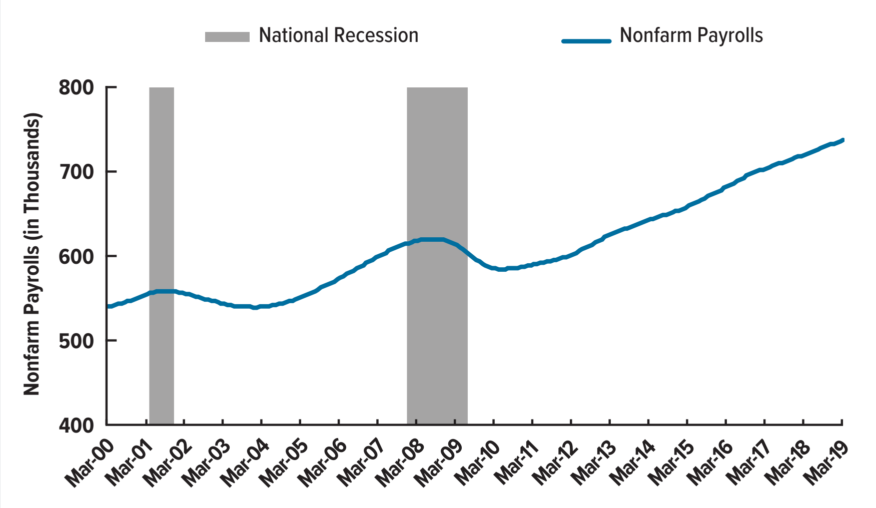

Source: U.S. Bureau of Labor Statistics

## Economic Periods of Significance

### 2003 Through 2008

Nonfarm payrolls reached a low of 539,400 jobs in 2003, as a result of the local economic downturn in 2002 and 2003 caused by the bursting of the dot.com bubble. Five years of job growth followed, and jobs increased by an average of 15,700, or 2.8 percent, annually from 2004 through 2008, to 618,100 jobs. Service-providing sectors represented 80 percent of job gains during the period. The professional and business services sector added the most jobs in numerical terms during the period, up by 3,600 jobs, or 4.0 percent, annually. The fastest job growth in percentage terms was in the mining, logging, and construction sector, which increased an average of 2,000 jobs, or 5.4 percent, annually. Net out-migration during the dot.com recession turned to net-in migration beginning in 2004, causing increased demand for housing and construction jobs in the HMA. Figure 4 shows growth in nonfarm payrolls since 2000.

**Figure 4. 12-Month Average Nonfarm Payrolls in the Salt Lake City HMA**




Note: 12-month moving average.
Source: U.S. Bureau of Labor Statistics

### 2009 Through 2010

The Great Recession was less severe in the HMA compared with the nation. Nevertheless, the Great Recession caused 2 years of job losses in the HMA, for a total nonfarm payroll decline of approximately 5 percent. By comparison, the nation shed a total of nearly 6 percent of nonfarm payrolls over 3 years. Nearly 50 percent of the jobs lost in the HMA during the local downturn were in goods-producing sectors, led by the mining, logging, and construction sector, which lost 4,600 jobs, or 11.6 percent, annually. The wholesale and retail trade and the manufacturing sectors lost averages of 3,600 and 2,800 jobs, respectively, or 3.8 and 4.9 percent, a year, as consumer confidence weakened and household spending declined. Moog, Inc., an aircraft manufacturing company, announced the layoffs of 220 workers in September 2009. In addition, Rio Tinto, a mining and ore processing company, announced approximately 240 workers would be laid off at Kennecott Utah Copper LLC.

### 2011 Through 2017

Recovery began slowly in 2011, with nonfarm payrolls increasing by 10,500 jobs or 1.8 percent. By the end of 2012, however, the HMA recovered the number of jobs lost as a result of the Great Recession; by comparison, the nation did not recover the number of jobs lost until 2014. In 2012, the HMA entered a period of rapid economic expansion. Jobs increased by an average of 19,700 jobs, or 3.1 percent, annually, from 2012 through 2017; nearly 90 percent of job gains occurred in the service-providing sectors. The professional and business services sector added the most jobs, increasing by an average of 4,200 jobs, or 4.0 percent a year. The mining, logging, and construction sector added an average of 1,200 jobs, or 3.3 percent, annually, but in 2017, remained approximately 5 percent below the pre-recession peak of 46,000 jobs in 2007.

## Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 12,000 jobs, or 1.6 percent, a year. Most sectors are expected to contribute to that growth. The Bank of America Corporation announced a new financial center in the city of Draper that will add 90 jobs, with a minimum wage of $20 an hour. Salt Lake City International Airport is undergoing a $3.6 billion renovation and will open new terminals beginning next year as well as expanding the number of restaurants and lounge areas. A prison in the city of Draper is being relocated near the airport; the $650 million prison with a capacity of up to 4,000 prisoners should be complete in 2021, and prisoners transferred in early 2022. As a result of the closing of the old prison, 700 acres of land will be available for redevelopment in the city of Draper, which is near population growth and transit centers, including the interstate, light rail, and commuter rail; final plans for the property have not yet been determined.

# Population and Households

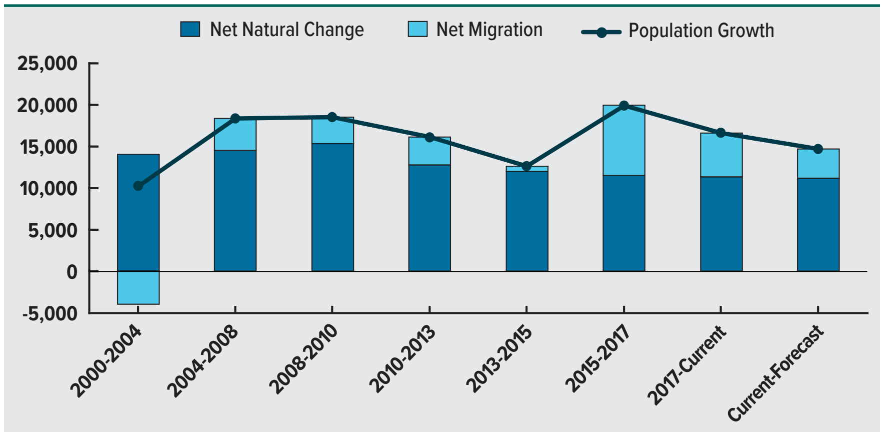
Current population: 1.23 million

Net natural change is the largest component of population growth in the HMA, but strong economic conditions have attracted more people to the area since the Great Recession.

## Population Trends

The population of the Salt Lake City HMA is estimated at 1.23 million as of April 1, 2019. Population growth from 2000 to 2010 was relatively strong, increasing by an average of 14,900 people, or 1.5 percent, annually. Net natural change (resident births minus resident deaths) accounted for nearly all the population growth, averaging 14,450 a year, in part because of net out-migration during the dot.com recession in the early part of the decade (Figure 5). From 2000 through 2004, population growth was slow, increasing 1.1 percent a year; net natural change averaged 14,000 a year, more than offsetting net out-migration which averaged 3,900 people a year. The economy strengthened, and the population grew at a faster rate from 2004 to 2008, increasing by an average of 18,350, or 1.8 percent a year. The net natural change increased slightly during the period, but the real impact on population growth resulted from the return of net in-migration which averaged 3,800 people a year, or about 20 percent of the population growth. During the economic downturn that followed, an increase in net natural change more than compensated for a slowdown in net in-migration, leading to population growth averaging 18,500 people, or 1.7 percent a year from 2008 to 2010. Population growth continued to slow, despite the economic recovery, and from 2010 to 2013, the population increased by an average of 16,100, or 1.5 percent, annually; net in-migration increased slightly to an average of 3,300 a year. From 2013 to 2015, however, population growth decelerated further, averaging 12,550 a year, or 1.1 percent. Net natural increase made up 95 percent of population growth during that period. From 2015 to 2017, population growth spiked, primarily because of a surge in net in-migration. The population increased by an average of 20,000 people a year, with net in-migration averaging 8,450, comprising 42 percent of population growth. Net in-migration slowed to an average of 5,200 people, annually, since 2018 in response to the recent deceleration in job growth. Population growth declined to an average of 16,550 annually.

**Figure 5. Components of Population Change in the Salt Lake City HMA, 2000 Through the Forecast**




Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is April 1, 2019, to April 1, 2022.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

## Age Cohort and Demographic Trends

The Salt Lake City HMA has a young population. The median age in the HMA is 33 years, well below the national median age of 38 (2017 1-year American Community Survey estimates). The HMA also has higher fertility and marriage rates than the national average, with 64 births per 1,000 women aged 15 to 50 years, and 57 percent of people either married or widowed, compared with 52 births and 54 percent married or widowed, nationally. As a result, the average household size in 2017 was 3.0—larger than the national average of 2.65. Table 3 shows selected population and household demographics, including the median age, for the HMA and the nation.

**Table 3. Selected Population and Household Demographics in the Salt Lake City HMA and the Nation**

| | Salt Lake City HMA | Nation |
|---|---|---|
| **Population Age 19 and Under** | 27.8% | 22.6% |
| **Population Age 65 and Over** | 10.4% | 15.6% |
| **Median Age** | 32.9 | 38.1 |
| **White** | 78.3% | 72.3% |
| **Black** | 1.8% | 12.7% |
| **Asian** | 3.9% | 5.6% |
| **Other Race** | 12.5% | 6.1% |
| **Hispanic** | 17.9% | 18.1% |
| **Non-Hispanic** | 82.1% | 81.9% |
| **Median Household Income** | $71,510 | $60,336 |
| **Households with One or More Children Under Age 18** | 37.6% | 30.8% |

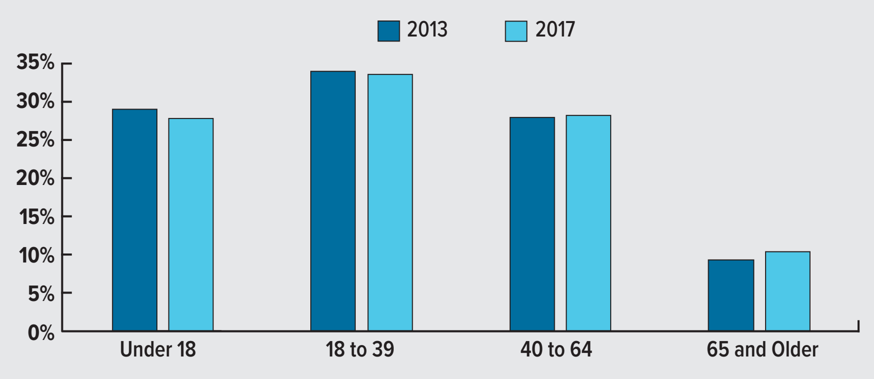
Source: 2017 American Community Survey

The largest age cohort in the Salt Lake City HMA is residents aged 18 to 39, making up approximately one-third of the population (Figure 6). The cohort aged 65 and older, although the smallest cohort at about 10 percent of the population, has increased the fastest since 2013. In addition, the under 18 and the 40 to 64 cohorts are approximately the same size but shifting because of gradually slowing net natural change as birth rates decrease. As a result, the under 18 cohort is shrinking as a share of the population and the 40-to-64 cohort is gradually increasing its share.

## Household Trends

Household growth trends generally follow the same growth pattern as population, although a declining average household size resulted in household growth slightly outpacing population growth in percentage terms. Approximately 414,000 households reside in the Salt Lake City HMA, an average annual

**Figure 6: Population by Age in the Salt Lake City HMA**




Source: 2013 and 2017 American Community Survey, 1-year data

increase of 5,925 or 1.5 percent, since 2010 (Table 4). By comparison, the number of households increased by an average of 5,275 a year, or 1.6 percent, from 2000 to 2010.

**Table 4. Salt Lake City HMA Population Quick Facts**

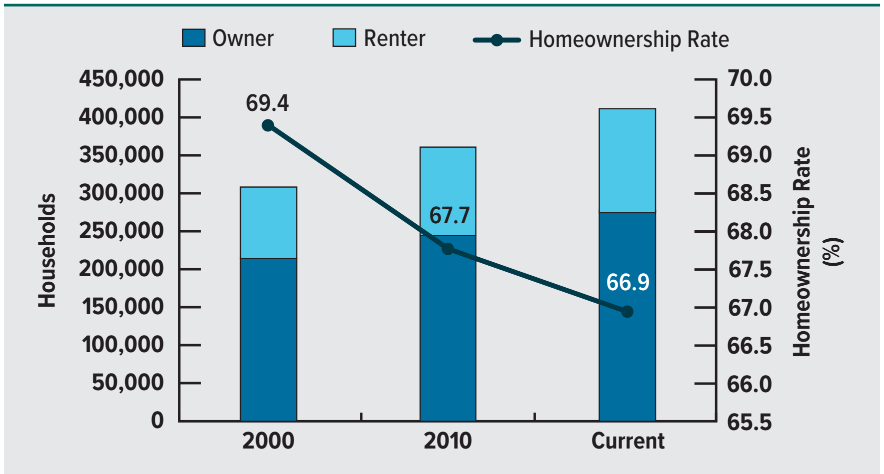
| | | 2010 | Current | Forecast |
|---|---|---|---|---|
| **Population Quick Facts** | **Population** | 1,087,873 | 1,234,000 | 1,278,000 |
| | Average Annual Change | 14,900 | 16,250 | 14,700 |
| | Percentage Change | 1.5% | 1.4% | 1.2% |
| | | **2010** | **Current** | **Forecast** |
| **Household Quick Facts** | **Households** | 360,593 | 414,000 | 430,400 |
| | Average Annual Change | 5,275 | 5,925 | 5,450 |
| | Percentage Change | 1.6% | 1.5% | 1.3% |

Note: Average annual changes and percentage changes are based on averages from 2000–2010, 2010 to current, and current to forecast.
Sources: 2010—2010 Census; current and forecast—estimates by the analyst

## Households by Tenure

Despite the younger population, the homeownership rate is well above the national average, with 66.9 percent of households currently estimated as homeowners, compared with 64.2 percent nationally. The rate in the HMA was similar to the rate in 2010 but less than the 69.4 percent homeownership rate in 2000. Figure 7 shows households by tenure and homeownership rate in the HMA.

**Figure 7. Households by Tenure and Homeownership Rate in the Salt Lake City HMA**




Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

## Forecast

During the next 3 years, the population and the number of households are expected to increase by averages of 14,700 people and 5,450 households, or 1.2 and 1.3 percent, respectively. The slower economic growth is expected to contribute to a decrease in net in-migration. The HMA is expected to continue long-term trends of gradually declining net natural increase, primarily a result of lower birth rates. Net in-migration is expected to account for approximately 30 percent of population growth during the forecast period. Growth is expected to be strongest during the first year and then moderate each year of the forecast period, similar to the expectations in job growth.

# Home Sales Market Conditions

Market Conditions: Slightly tight

Homeownership is becoming increasingly unaffordable in the Salt Lake City HMA, with a limited supply of homes for first-time homebuyers and rising home prices outpacing income growth.

## Current Conditions

The home sales market is slightly tight, with an estimated sales vacancy rate of 1.0 percent as of April 1, 2019, down from 2.0 percent in April 2010 when the market was soft. The Salt Lake City HMA had a 3.2-month supply of for-sale inventory in February 2019, up from a 2.1-month supply a year earlier, but well below the peak of 14.4 months in January 2010 (Redfin Corporation). Table 5 shows quick facts about the home sales market in the HMA and the nation.

**Table 5. Home Sales Quick Facts in the Salt Lake City HMA**

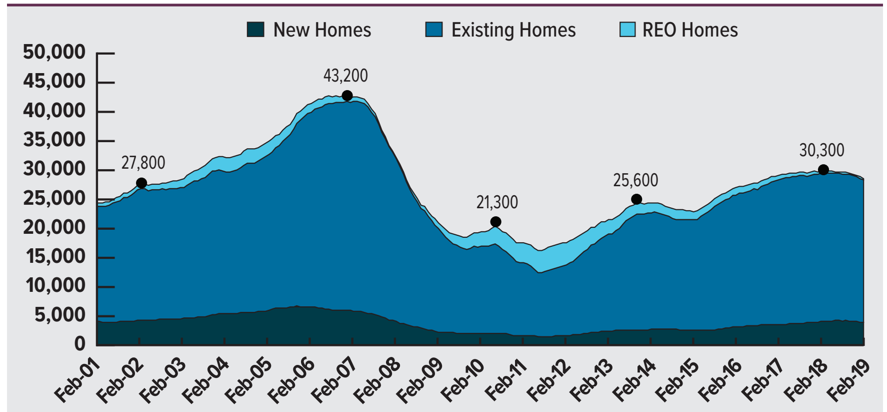
| | | Salt Lake City HMA | Nation |
|---|---|---|---|
| Home Sales Quick Facts | **Vacancy Rate** | 1.0% | NA |
| | **Months of Inventory** | 3.2 | 4.2 |
| | **Total Home Sales** | 28,850 | 6,124,000 |
| | 1-Year Change | -5% | -3% |
| | **New Home Sales Price** | $387,200 | $379,400 |
| | 1-Year Change | 4% | 1% |
| | **Existing Home Sales Price** | $350,600 | $285,200 |
| | 1-Year Change | 4% | 2% |
| | **Mortgage Delinquency Rate** | 0.7% | 1.6% |

NA = data not available.
Notes: Vacancy rate is as of the current date (April 1, 2019). Home sales and prices are for the 12 months ending February 2019. Months of inventory and mortgage delinquency data are as of February 2019. Existing home sales include regular resales and real estate owned resales.
Sources: Months of inventory—Redfin Corporation; CoreLogic, Inc., with adjustments by the analyst

## Home Sales

Increasing affordability concerns of for-sale housing coupled with a slowdown in population growth since 2018, caused a decline in home sales in the past year. During the 12 months ending February 2019, approximately 28,850 homes sold, down nearly 5 percent from a year earlier (CoreLogic, Inc., with adjustments by the analyst). New home sales, which accounted for 14 percent of total sales, decreased nearly 4 percent, and existing homes, including regular resale and real estate owned (REO) sales, decreased 5 percent. Figure 8 shows home sales by type in the HMA.

**Figure 8. 12-Month Sales Totals by Type in the Salt Lake City HMA**




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

## Regular Resale Home Sales

Regular resale homes sales, which includes existing homes for sale, but excludes REO and short sales, decreased 5 percent during the 12 months ending February 2019, to 24,450 homes sold. Regular resales increased 10 percent, annually, from 2001 through 2006, to a peak of 36,450 homes sold. Declines in home sales started in 2007 and continued through the Great Recession, decreasing at an average annual rate of 20 percent through 2011, to a low of 15,875 homes sold. During the robust economic expansion that followed, the demand for housing increased, and average home sales increased 13 percent, annually, to 25,250 homes sold during 2017. Despite the stronger population growth during the most recent economic expansion, demand for sales housing is somewhat hampered because homeownership is becoming less affordable, especially for younger households.

## REO Sales and Delinquent Mortgages

Since 2006, the rate of seriously delinquent mortgages and REO properties in the Salt Lake City HMA has remained well below the national rate. In February 2019, 0.7 percent of mortgages in the HMA were seriously delinquent or in REO status, down from 0.9 percent a year earlier (CoreLogic, Inc.). Nationally, the rate declined from 2.3 to 1.6 percent during the same period. In early 2010, the rate of seriously delinquent mortgages and REO properties in the HMA peaked at 6.6 percent but remained well below the national rate, which peaked at 8.6 percent.

The share of REO sales as a component of total home sales peaked at more than 20 percent in 2011, but declined at an average annual rate of 26 percent, annually, or 430 sales a year, to compose 1 percent of total sales in 2017. Previously, REO homes consisted of 4 percent of home sales from 2000 through 2007, and increased to 7 percent from 2008 through 2010, during the housing crisis. From 2008 through 2010, REO homes sales increased by an average of 1,050 homes sold a year to 3,400 REO homes sold.

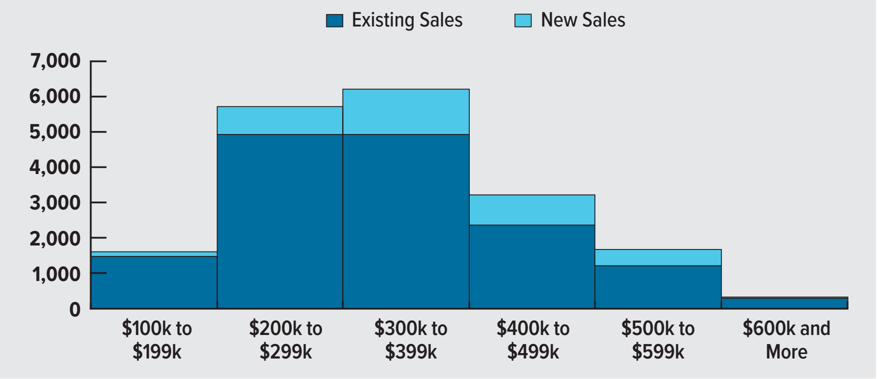
## New Home Sales

New home sales composed 16 percent of total home sales in the Salt Lake City HMA from 2001 through 2006, averaging 5,200 homes sold. From 2007 through 2010, new home sales decreased an average of 26 percent, annually, and accounted for 12 percent of all homes sold during the period. In the years that followed, new home sales remained at a relatively lower percentage of total sales, comprising 11 percent of home sales from 2011 to 2017. Despite new home sales accounting for a relatively lower share of overall sales, new home sales increased from 2011 by an average of 13 percent a year, to 4,075 homes sold in 2017. During the 12 months ending February 2019, 3,975 new homes sold, down 4 percent from the same period the previous year, in part because of slower population growth.

## Home Sale Prices

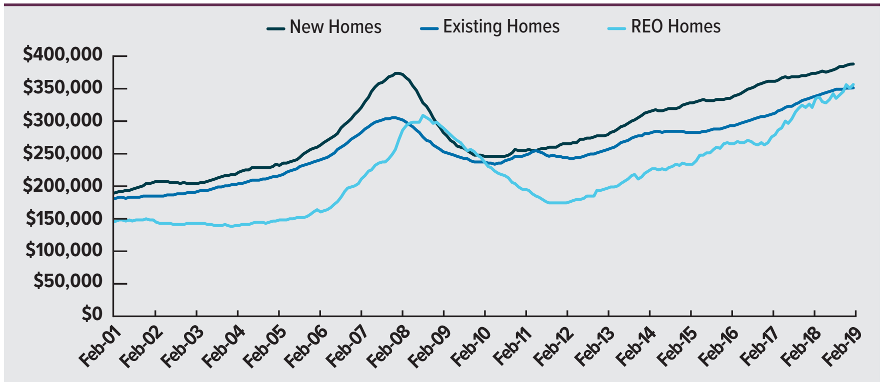
The average sales price for new and existing homes, townhomes, and condominiums in the Salt Lake City HMA was $354,000 during the 12 months ending February 2019, up 4 percent from the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Most home sales in the past year were for homes priced below $400,000 (Figure 9). The price of a new home during the 12 months ending February 2019 was 11 percent higher than the average price of an existing home in the HMA. By comparison, during the housing crisis and the economic downturn in 2009, the average sales price of a new home was 4 percent higher than the average sales price of an existing home. Figure 10 shows the average sales price by sales type in the HMA.

**Figure 9. Sales by Price Range During the 12 Months Ending February 2019 in the Salt Lake City HMA**




Source: Metrostudy, A Hanley Wood Company

**Figure 10: 12-Month Average Sales Price by Type of Sale in the Salt Lake City HMA**




REO = real estate owned.
Source: CoreLogic, Inc., with adjustments by the analyst

## Regular Resale Home Prices

The average price of a regular resale home was $180,900 in 2000. The average price increased 8 percent annually from 2001 to a peak of $304,500 in 2007. Regular resale prices declined for 4 years, at an average annual rate of 12 percent, to $245,300 in 2011. The rapid increase in job growth that began in 2012, as well as declining REO sales, contributed to price appreciation. The average price of a regular resale home increased 5 percent a year from 2012 to $332,300 in 2017, surpassing the previous peak in 2016. Price appreciation is showing early signs of easing, partially in response to less demand because of emerging affordability concerns, and a recent slowdown in population growth. During the 12 months ending February 2019, the average price of a regular resale home increased 4 percent to $351,000.

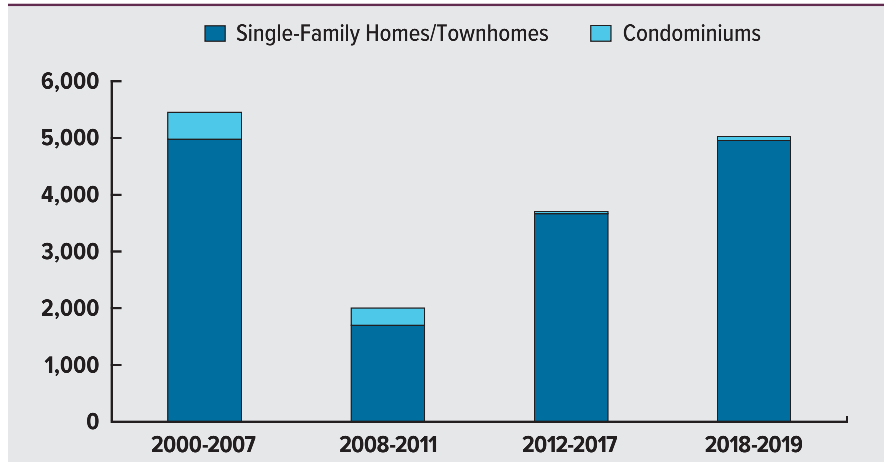
## New Construction Home Prices

Beginning in 2001, the average price of a new home increased an average of 10 percent annually to a peak of $372,450 in 2007. With the onset of the national housing crisis, new home sales prices declined by an average of 18 percent in 2008 and 2009 to a low of $247,900. The average price of a new home began increasing in 2010, despite a weak economy in the HMA, and continued at an average annual rate of 5 percent to $370,400 in 2017. The average price of a new home did not exceed the pre-recession peak until 2018. During the 12 months ending February 2019, the average sales price of a new home was $387,200, up 4 percent from a year earlier.

## Sales Construction Activity

Permitting of homes for sale has generally increased in the HMA since 2012, despite a small decline in the past year. During the 12 months ending March 2019, approximately 5,000 sales permits were issued, down 6 percent from 5,300 during the previous 12-month period (preliminary data, with adjustments by the analyst). From 2000 through 2007, an average of 5,450 sales permits was issued, despite weak population growth during much of the period. During the economic downturn and housing crisis, sales demand decreased 63 percent, and an average of 2,000 sales permits was issued annually from 2008 through 2011. Following that period of decline, sales permits increased 85 percent to an average of 3,700 homes from 2012 through 2017 as the HMA population increased and robust economic growth led to renewed confidence in the housing market. Figure 11 shows sales permitting activity in the HMA. Condominiums represent 1 percent of sales permits since 2012, down from nearly 10 percent from 2000 through 2007.

**Figure 11. Average Annual Sales Permitting Activity in the Salt Lake City HMA**




Notes: Includes single-family homes, townhomes, and condominiums. 2018 through 2019 includes data through March 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

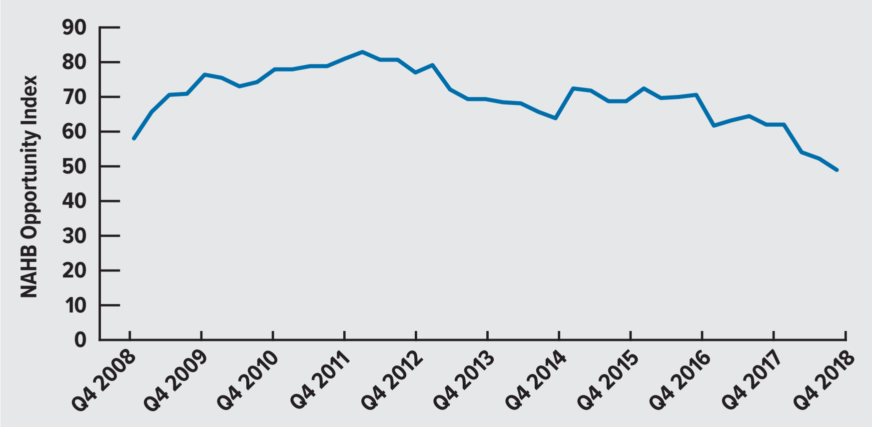
The Daybreak Master Planned Community in the city of South Jordan opened in 2004 and has consistently been ranked as a top 20 master-planned community nationally, in terms of the number of homes sold (RCLCO Real Estate Advisors and John Burns Real Estate Consulting). More than 5,000 homes have been built, with the capacity for a total of 20,000 homes when it is completed. During 2018, 575 homes sold, up 23 percent from a year earlier. In early 2018, the Springhouse Village opened and will have a total of 512 homes, of which 9 were complete and 40 were under construction as of the first quarter of 2019. The price of a home with two bedrooms in Springhouse Village starts at $345,000.

## Housing Affordability: Homeownership

Homeownership is becoming increasingly unaffordable in the HMA; affordability has been declining since 2012 because home prices increased faster than wages. The National Association of Home Builders' (NAHB)/ Wells Fargo Housing Opportunity Index (HOI) for the HMA, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 49.2 during the fourth quarter of 2018, down from 62.1 during the fourth quarter of 2017 (Figure 12). The index peaked at 82.9 during the first quarter of 2012 when an elevated number of distressed sales kept downward pressure on prices. During the fourth quarter of 2018, according to the HOI, 71 percent of the 237 ranked metropolitan areas in the nation were more affordable than the Salt Lake City HMA. By comparison, during the first quarter of 2012, approximately 41 percent of ranked metropolitan areas were more affordable than the Salt Lake City HMA.

The HMA population is young, and the declining affordability is disproportionally affecting younger households. Sales prices, which increased an average of 4 percent during the 12 months ending February 2019, have acted as a barrier to entry into homeownership and are particularly pronounced for households aged 25 to 34 years. In addition, condominium construction, which historically has provided a lower priced sales option that is more accessible to first-time homebuyers, remains subdued in the HMA. From 2000 to 2010, the homeownership rate in the HMA declined by 1.7 percentage points as a result of the national recession (Table 6). Because of improved economic conditions, however, the trend reversed, and the homeownership rate increased 0.3 percentage points from 2010 to 2017. During this period, homeownership for heads of households aged 25 to 34 years continued to decline as affordability concerns limit the ability of this group to purchase a house; the homeownership in this age group declined by 6.1 percentage points. Nationwide, homeownership declined by 1.1 percentage points during the 2000-to-2010 period, compared with a 1.2-percentage-point decline during the 2010-to-2017 period. For heads of households aged 25 to 34, the national homeownership rate declined by 3.8 percentage points during the 2010-to-2017 period. Despite the declines, the homeownership rates in the HMA remain higher than national rates, even among households aged 25 to 34 years.

**Figure 12. Salt Lake City HMA Housing Opportunity Index**




NAHB = National Association of Home Builders. Q4 = fourth quarter.
Source: NAHB/Wells Fargo

Some local and state measures are in place to assist homeownership efforts. The state housing finance agency offers downpayment assistance in the form of a second mortgage to finance the downpayment. In Salt Lake City, a new program was announced to provide downpayment assistance to moderate-income households with members in civil service field positions such as teachers, nurses, and firefighters. The program provides a zero-interest loan

**Table 6. Homeownership Rates by Age of Householder**

| | Salt Lake City HMA | | | Nation | | |
|---|---|---|---|---|---|---|
| | 2000 (%) | 2010 (%) | 2017 (%) | 2000 (%) | 2010 (%) | 2017 (%) |
| Householder Age 25 to 34 Years | 54.1 | 51.4 | 45.3 | 45.6 | 42.0 | 38.2 |
| Householder Age 35 to 44 Years | 73.3 | 68.8 | 69.5 | 66.2 | 62.3 | 57.5 |
| Total Households | 69.4 | 67.7 | 68.0 | 66.2 | 65.1 | 63.9 |

Sources: 2000 and 2010 Decennial Census; 2017 American Community Survey, 1-year estimates for the downpayment that can be paid back during the course of the mortgage or when the home is sold. Another program in the city involves government ownership of the land to help keep home prices lower because the land cost is removed.

## Forecast

During the next 3 years, demand is estimated for 11,000 sales units (Table 7). The 1,400 homes already under construction will satisfy a portion of that demand. Demand is expected to slow each year in reaction to slowing population and job growth. The majority of homes will be for single-family homes and townhomes. Development in the HMA is somewhat constrained by geography, with the majority of the population and expected future growth in a north-south corridor around the interstate and transit lines. The urban core is surrounded by the Wasatch Mountains to the east, the Great Salt Lake to the northwest, and the Oquirrh Mountains to the southwest.

**Table 7. Demand for New Sales Units in the Salt Lake City HMA During the Forecast Period**

| | Sales Units |
|---|---|
| **Demand** | 11,000 Units |
| **Under Construction** | 1,400 Units |

Note: The forecast period is April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

# Rental Market Conditions

Market Conditions: Balanced

The vacancy rate in the apartment market increased in the past year to 5.7 percent, and the average rent increased nearly 6 percent to $1,063.

## Current Conditions and Recent Trends

The rental housing market in the Salt Lake City HMA is balanced. The overall rental vacancy rate (which includes apartments, single-family homes, mobile homes, and other rental units) is currently estimated at 5.7 percent, down from 6.9 percent in April 2010. Approximately 30 percent of renters lived in single-family homes in 2017, a decrease from nearly 35 percent in 2010 (Table 8). Approximately 68 percent of renters lived in multifamily structures with two or more units, primarily apartments, in 2017, up from approximately 63 percent in 2010. Increased apartment construction since 2011 provided more alternatives to single-family homes for rent, which contributed to the decrease in the share of single-family homes as rental units.

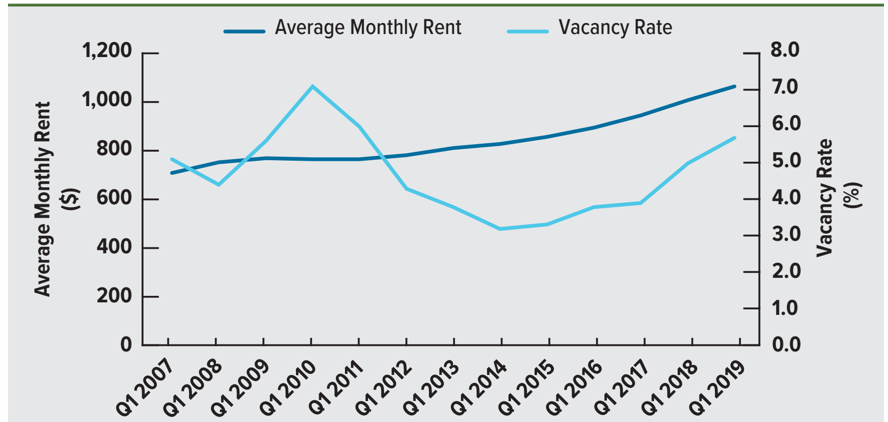
Apartment market conditions are also balanced. Absorption of apartment units remains strong; however, the large number of apartments that have been built since 2012 has outpaced demand. During the 12 months ending March 2019, nearly 1,700 units were absorbed in the HMA, up from nearly 1,500 during the previous 12-month period (Reis, Inc.). During the first quarter of 2019, the apartment vacancy rate was 5.7 percent, up from 5.0 percent a year earlier (Figure 13). The apartment vacancy rate peaked at 7.3 percent in the first quarter of 2010, when the market was soft and rents were declining.

**Table 8. Rental Market Quick Facts in the Salt Lake City HMA**

| | | 2010 (%) | Current (%) |
|---|---|---|---|
| Rental Market Quick Facts | Rental Vacancy Rate | 6.9 | 5.7 |
| | Occupied Rental Units by Structure | | |
| | Single-Family Attached & Detached | 35 | 30 |
| | Multifamily (2–4 Units) | 17 | 18 |
| | Multifamily (5+ Units) | 46 | 50 |
| | Other (Including Mobile Homes) | 2 | 2 |

Note: The current date is April 1, 2019.
Sources: 2010 and 2017 American Community Survey, 1-year data

**Figure 13. Apartment Rents and Vacancy Rates in the Salt Lake City HMA**




Q1 = first quarter.
Source: Reis, Inc.

## Rent Growth and Concessions

Despite the increasing vacancy rate in the past 12 months, the average apartment rent continued to increase. During the first quarter of 2019, the average asking rent in the Salt Lake City HMA increased nearly 6 percent to $1,063, compared with a year earlier, which was similar to the average annual rent growth in 2017 and 2018 (Reis, Inc.). By comparison, the average rent decreased 1 percent during the first quarter of 2010, from a year earlier, because of soft market conditions. Because a large number of units have been completed in recent years, many apartments are offering concessions to expedite the lease-up process, typically a month of free rent with a 12-month lease. More than 6 percent of apartment communities in the HMA are offering concessions, up 1.5 percentage points from a year earlier. Despite the recent increase, concessions have generally declined from late 2015 when more than 10 percent of apartment communities were offering deals to attract new residents.

## Apartment Trends by Market Area

The Reis, Inc.-defined Central Salt Lake City market area has the highest vacancy rate in the HMA, at 11.6 percent during the first quarter of 2019, up from 8.2 percent a year earlier. An estimated 40 percent of apartments completed since 2018 are in this market area, which includes downtown Salt Lake City and the University of Utah. The average asking rent increased nearly 5 percent to $1,233 in the first quarter of 2019, which is the highest rent in the HMA. Because of the large volume of units in lease-up, nearly 10 percent of units are offering concessions, up from 7 percent a year earlier.

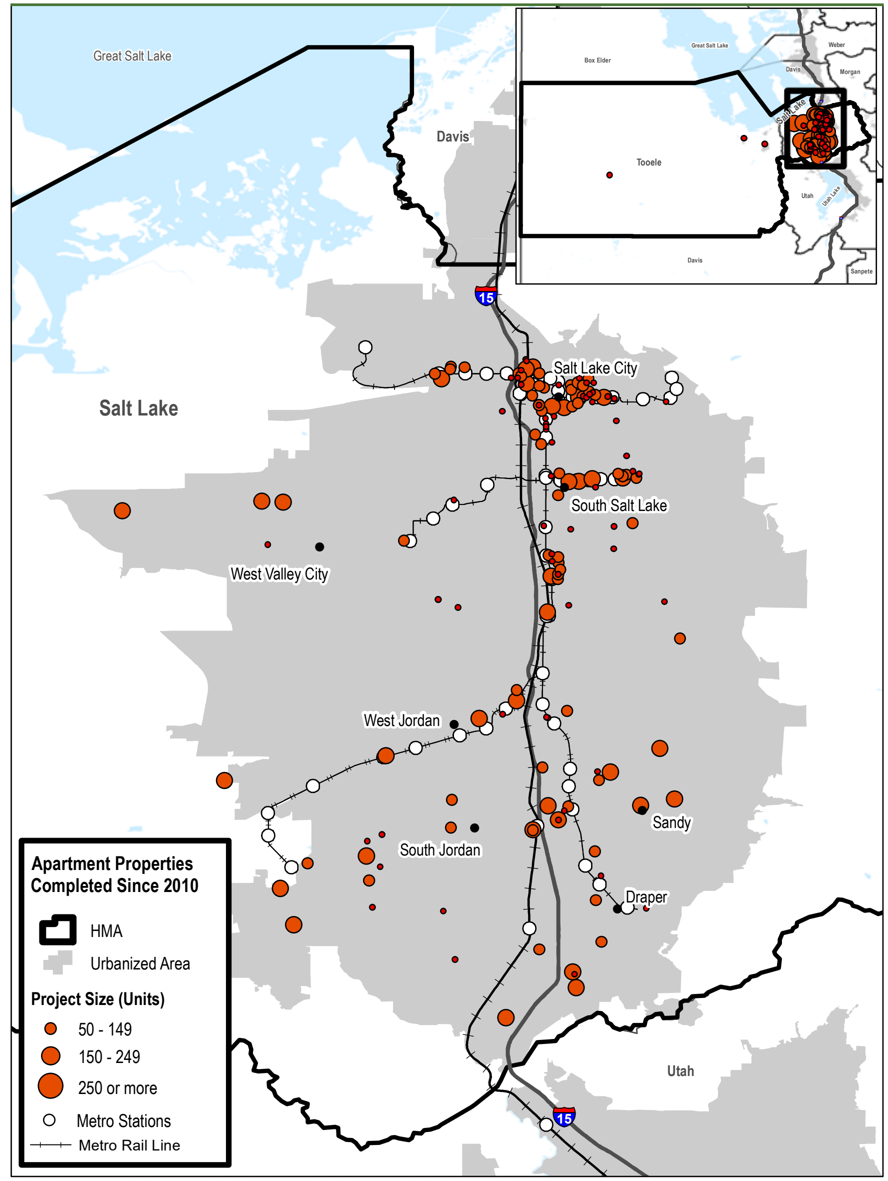
The Southwest Salt Lake City market area, which includes the city of South Salt Lake, has among the lowest rents in the HMA, at an average of $899 during the first quarter of 2019, up 5 percent from a year earlier. The average vacancy rate during the first quarter of 2019 was 2.5 percent, which was virtually unchanged from a year earlier, and was the lowest in the HMA.

The Midvale/Sandy market area, which also includes the city of Draper, had the strongest rent growth in the past year, increasing 8 percent to an average of $1,190 during the first quarter of 2019. The vacancy rate decreased from 7.8 percent a year earlier to 7.1 percent during the first quarter of 2019, as new units were absorbed.

## Rental Construction Activity

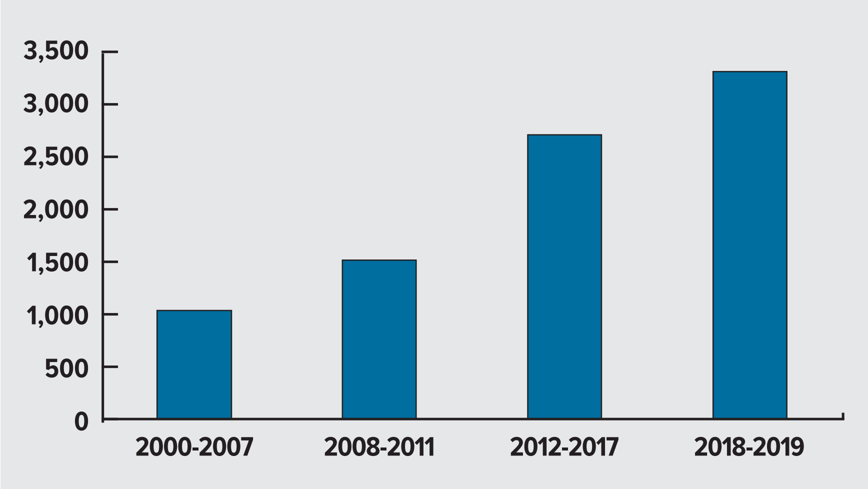
Climbing vacancy rates have led to a slight decline in the number of rental units permitted in the past 12 months; however, rental permitting levels remain historically high. Rental construction has increased since 2000 to accommodate higher numbers of people moving to the HMA as well as increasing preferences to rent, particularly following the housing crisis related to the Great Recession, and as affordability of homeownership declines. Rental permitting averaged 1,025 units annually from 2000 through 2007 and increased 46 percent to an average of 1,500 from 2008 through 2011 during the Great Recession and initial recovery period. Rental permitting increased nearly 80 percent to an average of 2,700 units annually from 2012 through 2017. During the 12 months ending March 2019, 2,750 rental units were permitted, down 10 percent from 3,050 a year earlier (preliminary data, with adjustments by the analyst). Figure 14 shows rental permitting activity in the HMA and Map 2 shows apartments built in the HMA since 2010.

**Map 2. Apartment Properties by Size Completed in the Salt Lake City HMA Since 2010**




Source: HUD

Figure 14. Average Annual Rental Permitting Activity in the Salt Lake City HMA



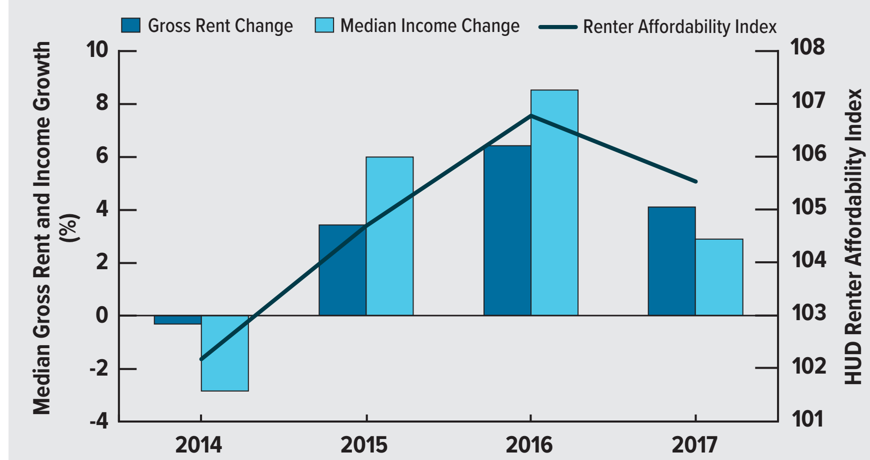

Notes: Includes apartments and units designed for rental occupancy. 2018–2019 includes data through March 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 through 2019—preliminary data and estimates by the analyst

In downtown Salt Lake City, the 183-unit Milagro Apartments opened in October 2018. Rents for the studio, one-, and two-bedroom units start at $1,300, $1,550, and $1,950, respectively. A concession of 1 month of free rent is available for some units during the lease-up phase. The 287-unit Ritz Classic Apartments are nearing completion in the city of South Salt Lake. Expected to open in May 2019, units are currently pre-leasing with rents for the studio, one-, and two-bedroom units starting at $930, $1,295, and $1,740, respectively.

## Housing Affordability: Rental

Rental housing became more expensive in 2017, but the rental market remains relatively affordable for most households in the HMA. The HUD Renter Affordability Index, a measure of median renter household income relative to the qualifying income for the median priced rental unit, has remained slightly above 100 since 2014, indicating that the rental market is generally affordable in the HMA. In 2015 and 2016, income growth outpaced rent growth, leading to increased affordability in the rental market; however, this trend reversed in 2017 and rental affordability declined. Although the rental market is still generally affordable, lower income households may have difficulty finding an affordable unit because most new rental construction is for luxury apartments. Figure 15 compares the year-to-year change in the median gross rent (including single-family homes, apartments, and mobile homes for rent) with the respective change in the median gross income.

Figure 15. Salt Lake City HMA Rental Affordability




Source: American Community Survey, 1-year data

The share of renter households in the Salt Lake City HMA that are cost burdened, spending more than 30 percent of their income on rent, is similar to that of the nation; however, renter households in the HMA are somewhat less likely to be severely cost burdened, spending more than 50 percent of income on rent, compared with the nation as a whole (Table 9). Renter households that are very low income, are more likely to be cost burdened, but less likely to be severely cost burdened, compared with the nation.

Several statewide and local policy initiatives are underway to address housing affordability issues in the Salt Lake City HMA. To increase the housing supply, in 2018, the city of Salt Lake City passed an ordinance allowing accessory dwelling units. Several of the suburbs in the HMA, including the city of West Jordan, are

**Table 9. Percentage of Cost-Burdened Renter Households by Income in the Salt Lake City HMA and the Nation, 2011–2015**

| | Cost Burdened | | Severely Cost Burdened | |
|---|---|---|---|---|
| | Salt Lake City HMA | Nation | Salt Lake City HMA | Nation |
| Renter Households with Income <50% AMFI | 31.7 | 25.7 | 47.6 | 50.2 |
| Total Renter Households | 22.6 | 22.0 | 20.9 | 23.8 |

AMFI = area median family income.
Note: "Cost-burdened" households spend between 30–49 percent of their income on rent and "severely cost-burdened" households spend over 50 percent of their income on rent.
Sources: Consolidated Planning/CHAS Data; 2011–2015 American Community Survey 5-year estimates, (huduser.gov)

promoting higher density housing, particularly along transit lines. The state legislature passed a voucher program in April 2019 that will provide state-funded housing vouchers to homeless people, with funding for 100 housing units. In addition, the state has provided supplemental funding to leverage the federal Low-Income Housing Tax Credit (LIHTC) program with a state low-income housing tax credit program.

LIHTC is the primary source of funding for new, affordable rental housing in the nation, including the HMA. In 2016, 230 LIHTC units were placed in service in the Salt Lake City HMA (HUD LIHTC database). By comparison, in 2010, nearly 500 units were placed in service. The 211-unit Arcadia Apartments received an allocation for tax credits in 2017, opened in October 2018 in the city of Sandy, and is currently fully occupied. The project offers units restricted to households earning up to 60 percent of the area median family income (AMFI).

In addition to LIHTC, income-eligible residents may qualify for project-based rental assistance (PBRA) or housing choice vouchers (HCV) provided through the local public housing agency (PHA). Within the Salt Lake City HMA, there are nearly 9,050 households receiving rental assistance, including approximately 5,675 households with HCVs (Picture of Subsidized Households, 2018). Households seeking an HCV were on waitlists an average of 4.5 years for HUD assistance, which is nearly a year longer than the national average. Table 10 shows assisted households for the HMA compared with the nation, including HCV holder average payment and HUD subsidy.

**Table 10. Picture of Subsidized Households in the Salt Lake City HMA and in the Nation, 2018**

| | Salt Lake City HMA | HMA Change Since 2010 (%) | National Count | National Change Since 2010 (%) |
|---|---|---|---|---|
| **Total Assisted Households (2018)** | 9,048 | 5.7 | 4,628,247 | 4.5 |
| **Total Housing Voucher Households (2018)** | 5,678 | 9.8 | 2,276,722 | 11.6 |
| Average HCV Tenant Monthly Contribution | $359 | 3.5 | $379 | 1.2 |
| Average Monthly HUD Subsidy | $688 | -11.9 | $793 | -1.4 |

HCV = housing choice voucher.
Note: Dollar changes are inflation adjusted using the Consumer Price Index for all Urban Consumers (CPI-U).
Source: Assisted Housing: National and Local (huduser.gov)

In Salt Lake County, approximately 1,800 people were homeless in 2018, of which less than 8 percent were unsheltered homeless (2018 Point-in-Time Count). Overall, homelessness in the HMA has decreased slightly since 2010, when nearly 1,975 persons were experiencing homelessness; in addition, the share of unsheltered homelessness was higher in 2010 at nearly 12 percent.

## Forecast

Rental demand is expected to decrease each year during the 3-year forecast period as job and population growth slow (Table 11). During the next 3 years, demand is expected for 6,875 new market-rate rental units. The 3,500 apartment units currently under construction will satisfy the demand during the first 2 years of the forecast period. Because of higher vacancy rates in the central market area and a large pipeline of units in lease-up, most of the demand for additional units are expected to be in the suburbs, primarily south of the city of Salt Lake City.

**Table 11. Demand for New Rental Units in the Salt Lake City HMA During the Forecast Period**

| | Rental Units |
|---|---|
| **Demand** | 6,875 Units |
| **Under Construction** | 3,500 Units |

Note: The forecast period is April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

# Terminology Definitions and Notes

## A. Definitions

| | |
|---|---|
| **Demand** | The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline. |
| **Other Vacant Units** | In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term, therefore, includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the U.S. Census Bureau. |
| **Building Permits** | Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family home and multifamily building permits. |
| **Distressed Sales** | Short sales and real estate owned (REO) sales. |
| **Seriously Delinquent Mortgages** | Mortgages 90+ days delinquent or in foreclosure. |

| | |
|---|---|
| **Home Sales/ Home Sales Prices** | Includes single-family home, townhome, and condominium sales. |
| **Rental Market/ Rental Vacancy Rate** | Includes apartments and other rental units such as single-family homes, multifamily homes, and mobile homes. |
| **Forecast Period** | 4/1/2019–4/1/2022—Estimates by the analyst |
| **Cost Burdened** | Spending more than 30 percent of household income on housing costs. |

## B. Notes on Geography

| | |
|---|---|
| **1.** | The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013. |
| **2.** | Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria. |

## C. Additional Notes

| | |
|---|---|
| 1. | The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria. |
| 2. | This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department. |
| 3. | The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions. |

## D. Photo/Map Credits

| | |
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