

728.1
:308
F22
Salt Lake
Co., Utah
1973

The

**CURRENT
HOUSING
MARKET
SITUATION-
SALT LAKE
COUNTY,
UTAH**

as of April 1, 1973

A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D.C. 20411
December 1973

DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

DEC 16 1973

LIBRARY
WASHINGTON, D.C. 20410

The Current Housing Market Situation
Salt Lake County, Utah
As of April 1, 1973

Foreword

This current housing situation report has been prepared for the assistance and guidance of the Department of Housing and Urban Development in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The report does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Economic and Market Analysis Staff of the office on the basis of information available on the "as of" date from both local and national sources. Subsequent market developments may, of course, occasion modifications in the conclusions of this report.

The prospective demand estimates suggested in the report are based upon an evaluation of the factors available on the "as of" date. They should not be construed as forecasts of building activity, but rather as estimates of the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the as of date.

Department of Housing and Urban Development
Economic and Market Analysis Staff
Denver Regional Office

THE CURRENT HOUSING MARKET SITUATION
SALT LAKE COUNTY, UTAH
AS OF APRIL 1, 1973

The Salt Lake County, Utah, Housing Market Area is dominated by Salt Lake City. The data for Salt Lake County only is utilized in this analysis because the housing market in the Salt Lake City area is the primary concern. Located near the southeast portion of the Great Salt Lake and along the west edge of the Wasatch Range of the Rocky Mountains in north central Utah, Salt Lake City is the largest city and capital of the State.

In Salt Lake County, total nonagricultural wage and salary employment has increased substantially each year since 1967, averaging 8,450 jobs per year; between 1971 and 1972 there was an increase of 13,000 jobs. These job increases have occurred in all sectors of non-agricultural wage and salary employment, and reflect the dominance of Salt Lake City's economy over a wide geographic region. Building volume appears to have peaked during 1972, and at this time both the sales and rental markets appear to be in reasonable balance. During the next two years the greatest demand will be for units with gross rents below about \$220 and sales housing priced below \$35,000. To date most subsidized housing built in Salt Lake County has been Section 235 homes. Therefore, there remains a strong market for the other subsidized housing programs should they or near substitutes become available in the future.

Economic, Demographic, and Housing Factors

The following assumptions and findings provide the primary basis for the conclusions regarding the requirements for housing in the Salt Lake County Housing Market Area.

Employment. Nonagricultural wage and salary employment averaged about 204,300 during 1972, an increase of 13,000 jobs over the 1971 level. As can be seen in Table I, this employment increase is the largest recorded for a calendar year during the entire 1960 through 1972 period and compares with an average of only about 5,150 jobs annually during the 1960-1971 period. Since 1960, employment increases have been greatest in the trade, services and government sectors; the services and government sectors have had by far the greatest rates of increase. Education employment increases caused growth in the government sector between 1960 and 1970; state and local government employment increases have been important since 1970. In all, employment increases during 1972 have been significant in all sectors except mining.

During the next two years, it is anticipated that nonagricultural wage and salary employment will increase by about 9,400 jobs per year. This level of growth is below that of the 1971-1972 period, but greater than any year during the 1959-1971 period. In addition to the "normal" good growth rates in services, government and trade, healthy growth rates are expected to occur in manufacturing and the finance-insurance-real estate sector.

Income. The 1970 Census median annual income of all families was \$9,771. As of April 1973, the median annual income of all families in Salt Lake County, before deduction of federal income tax, is estimated at \$12,000 and that of renter households of two and more persons at \$8,700. Nearly one-fourth of these renter households have annual before-tax incomes of \$5,000 or less. Detailed distributions of all families and of renter households in Salt Lake County by income classes for 1973 are presented in Table II.

Demographic Factors. The population of Salt Lake County is estimated at 499,000 persons as of April 1973. There was an average annual gain of about 13,450 persons between April 1970 and April 1973. The relatively high rate of population growth since 1970 (2.8 percent per year) can be attributed primarily to the high rate of employment growth (4.5 percent per year) during the same period. Refer to Table III for additional population figures.

The total number of households in Salt Lake County as of April 1973 is estimated to be 150,600, reflecting an annual increase of about 5,225 households (3.7 percent) since April 1970. During the 1960 to 1970 decade, census data show an average annual gain of about 2,700 households for an average annual increase of 2.2 percent. In the two-year period ending April 1975, the number of households is expected to increase by about 5,750 (3.7 percent) each year. The annual increase in the number of households since 1970 has been accelerated not only by increased employment opportunities, but by a declining number of persons in each household in Salt Lake County as well. Additional household data may be found in Table III.

Housing Factors. The housing inventory in Salt Lake County totals about 156,600 units in April 1973, including about 97,500 owner-occupied units, about 53,100 renter-occupied units and about 6,000 vacant units (see Table IV). The net increase of about 17,000 housing units between April 1970 and April 1973 resulted from the construction of about 18,050 units, inventory losses of about 2,450 units and a net increase of about 1,400 mobile homes. There were about 5,700 housing units under construction in April 1973, 1,200 single-family homes and 4,500 units in multifamily structures. Of the 1,200 single-family homes under construction, an estimated 300 units will be insured under the Section 235 program. Of the 4,500 multifamily units, a total of 290 units are being built under subsidized programs: 186 units of Section 236 housing, 32 units of Section 221(d)(3) rent supplement housing and 72 units of low-rent public housing.

The volume of nonsubsidized residential building activity increased between 1960 and 1963, decreased between 1963 and 1966, increased between 1966 and 1972 and decreased between the first quarter of 1972 and the first quarter of 1973. It is interesting to note that in every year except 1970, as the building volume increased, so did the proportion of each year's units that were in multifamily structures, and as the building volume decreased, so did the proportion of each year's units that were in multifamily structures. More single-family units were started in 1963 (3,140 homes) than in any other year since 1960, but more multifamily units were started in 1972 than in any other year since 1960. During the first quarter of 1973, single-family starts are up about 31 percent and multifamily starts are down about 61 percent when compared to the first quarter of 1972. Refer to Table V for additional data.

There are about 4,400 available vacant housing units in Salt Lake County in April 1973. About 1,000 of these units are available for sale, a homeowner vacancy rate of about 1.0 percent. The remaining 3,400 units are available for rent, a rental vacancy rate of about 6.0 percent. These are balanced vacancy rates for the Salt Lake City area.

Anticipated Housing Demand

Based on current housing market conditions, anticipated inventory losses and anticipated population and household growth trends, it is anticipated that an annual average of 5,200 new nonsubsidized housing units could be absorbed in Salt Lake County during the April 1973 to April 1975 forecast period. This figure includes 2,100 single-family detached homes, 400 units of sales townhouses, 2,000 multifamily rental units, and a net addition of 700 mobile homes. Although the current sales and rental markets for new housing are in balance, it appears there is an excess of multifamily rental units currently under construction. Table VI provides price and rent distributions of the estimated annual demand for new, permanent, nonsubsidized housing units in Salt Lake County. The strongest demand for new nonsubsidized multifamily

units is for one- and two-bedroom units at or near the lowest achievable gross monthly rents of about \$150 for one-bedroom units and \$175 for two-bedroom units. Although the market for sales housing has been strong, recent rises in mortgage interest rates will have an adverse effect on demand for at least several months. A neglected portion of the sales market has been providing townhouses priced below the mid-20's and designed for young buyers. It should be understood that the estimates of the local market's future housing requirements are made in order to suggest construction levels that would promote a sound housing market consistent with trends and conditions evident in Salt Lake County as of April 1973. It is not the intention of this analysis to attempt to predict actual construction activity.

Occupancy Potential for Subsidized Housing

Presently there is a moratorium on subsidized housing commitments. However, this section of the analysis has been included to provide some demand estimates should these programs be reinstated or be replaced by similar programs. The remainder of this section of the analysis will be treated as if the present moratorium did not exist.

Federal assistance in financing the cost of housing for low- or moderate-income families may be provided through a number of different programs administered by the Department of Housing and Urban Development: rent supplement payments for those occupants of Section 221(d)(3) rent supplement and Section 236 housing projects who qualify; partial payment of interest on project mortgages insured under Section 236; and federal assistance to local housing authorities for low-rent public housing.

The estimated occupancy potentials for subsidized housing are designed to determine the number of families who can be served under each program and the proportion of these households that can reasonably be expected to seek subsidized housing during the forecast period. Household eligibility for Section 235 and Section 236 programs is established by certification that household or family income is below established limits but sufficient to pay the minimum achievable rent or monthly payment for the particular program. To tentatively qualify for the low-rent public housing program or rent supplement program, household incomes cannot exceed administratively determined income limits; there may be additional conditions for eligibility, for example, residing in substandard housing or being displaced by governmental action. Some households may be alternatively eligible for assistance under more than one of these programs or under other assistance programs using federal or state support. It is advisable, therefore, that consideration of additional housing under each program make allowance for approvals or proposals under other programs which might serve the same need. The total occupancy potential for federally assisted housing approximates the sum of the potentials for public housing and Section 236 housing (Section 235 eligible households are the same households eligible for Section 236 housing). For Salt Lake County, the total occupancy potential is estimated at 2,300 units annually (see Table VII), of which about 60 percent are public housing units.

Section 235 and Section 236. These two programs provide housing assistance for the same group of low- to moderate-income families. Section 235 provides partial payment of interest on mortgages of moderately-priced sales housing for families; Section 236 provides partial payment of interest on project mortgages of multifamily rental housing and cooperative units for families, but just multifamily rental housing for elderly couples and individuals. In Salt Lake County, it is estimated that for the April 1973 to April 1975 forecast period, there is an annual occupancy potential (based on regular income limits) for 850 subsidized family units utilizing either Section 235 or Section 236 or a combination of the two programs; 100 of these 850 units could alternatively be provided by the low-rent public housing program. In addition, there is an annual potential for about 525 units of Section 236 housing for elderly couples and individuals; about 350 of these 525 households are alternatively eligible for low-rent public housing.

Approximately 4,450 new units of Section 235 housing have been insured to date, and there are currently about 300 additional homes under construction for which Section 235 subsidy funds are available. The greater part of the Section 235 homes which have been built are located toward the southwest of Salt Lake City. A total of only 286 units of Section 236 housing have been built to date. An additional 186 units are currently under construction. There have not been enough Section 236 units built to complement the large number of Section 235 homes which have been built. There are families (such as those with a female head) which must have the option of renting instead of being forced into the responsibilities of homeownership as a result of seeking decent, safe and sanitary housing. Also, none of the projects built or under construction have been designated for the elderly; this large market for the elderly should not be ignored in the future.

Public Housing and Rent Supplement. These two programs provide housing for essentially the same low-income households, but rent supplement eligibility requirements are generally more restrictive, the principal source of rent supplement occupants being families residing in substandard housing. For Salt Lake County, the annual occupancy potential for public housing is estimated at 725 units for families (100 of whom could alternatively be housed under the Section 236 program), and 650 for the elderly (350 of whom could alternatively be housed under the Section 236 program). Under the more restrictive rent supplement program, the potential for families drops slightly to 575 units, but the market potential among the elderly remains at 650 units.

Presently there are no Section 221(d)(3) rent supplement projects in management, but in existing Section 236 projects there are 59 units that may be occupied by rent supplemented households. Currently under construction are 32 units in Section 221(d)(3) rent supplement housing and an additional 32 units in Section 236 projects. There are presently 20 units of low-rent public housing for families in management and another 72 units for families under construction. Program reservations have been secured for an additional 400 units for the elderly and 208 units for families.

Sales Market

The sales market for both new and existing homes is presently strong and can be explained at least partially by the large employment expansions which have taken place in the last several months. Building starts have increased since 1969, but will probably stabilize or taper off because of increasing mortgage interest rates. A majority of the new homes are started on a speculative basis, but local sources indicate that only homes priced above \$35,000 show some market resistance. Most new homes presently sell for \$20,000 to \$35,000 with the lower priced homes located south and west of Salt Lake City and the higher priced homes located east of the city along the bench and a few to the north. Presently condominiums account for roughly five percent of the sales market and are found primarily in the southeast portion of the Salt Lake City area. They are generally priced between \$30,000 and \$35,000 and are generally bought by persons aged 45 years and above. During the two-year forecast period it is anticipated that demand will reach 400 units per year, primarily for condominiums priced for less than \$27,500. The demand will be from young buyers: singles and young married couples. To date this market has been relatively untested by the building industry, but the market appears to exist, especially given rising interest rates. However, to tap this market downpayment requirements would have to be kept at five and ten percent. Currently either under construction or almost certain to be built are 1,000 mobile home pads. It is estimated that during the next two years only another 300 pads will be necessary to accommodate the additions to the mobile home inventory.

Rental Market

The present rental market is balanced with a rental vacancy rate of about six percent. Even though there is an excess of multifamily rental units currently under construction, no vacancy problems are anticipated as long as the volume of multifamily construction starts is about 2,000 units per year during the next two years. Currently there are very few vacancies in units with gross rents of less than \$175. However, there is softness in the market for units renting above \$200 per month brought about at least partly by the availability of condominiums. During the past three years the rental market has not had excess vacancies; relatively large employment increases during the same period probably are a partial explanation. The recent rises in mortgage interest rates will discourage some families from moving out of rental units and therefore aid projects in maintaining occupancy. Typical gross rents (excluding furniture but including utilities) for new multifamily housing are \$140 to \$150 for one-bedroom units and \$160 to \$180 for two-bedroom units; rents in older apartments are only slightly less. Finally, rents on the east side of the Salt Lake City area are \$10 to \$15 higher than in other parts of the city for comparable units.

Table I

Work Force, Unemployment and Employment TrendsSalt Lake County, Utah1959 through 1972

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Civilian work force	155,700	160,900	167,800	175,500	182,600	185,600	187,600	190,400	193,200	198,300	205,200	213,500	223,500	236,840
Total unemployed	4,800	5,500	6,600	5,900	7,300	8,400	9,400	7,800	9,000	9,500	9,200	10,700	12,100	12,330
Percent unemployed	3.1	3.4	3.9	3.4	4.0	4.5	5.0	4.1	4.7	4.8	4.5	5.0	5.4	5.2
Total involved in labor disputes	2,230	420	30	10	0	1,500	130	150	2,780	1,640	30	36	590	170
Total employed	148,600	155,000	161,200	169,600	175,300	177,200	178,200	182,600	184,200	188,800	196,000	202,800	210,900	224,510
Agricultural employment	2,000	1,950	1,800	1,850	1,750	1,750	1,500	1,400	1,300	1,250	1,200	1,050	940	830
Nonagricultural employment	146,700	153,100	159,400	167,700	173,600	174,000	176,600	181,100	180,100	185,900	194,800	201,700	209,900	223,510
Self-employed, family workers, domestics, etc.	17,900	18,400	19,500	19,400	19,300	19,200	18,800	18,100	18,000	17,600	17,700	18,000	18,600	19,180
Total employees on nonagricultural payrolls	128,783	134,690	139,866	148,328	154,285	154,804	157,823	162,992	162,137	168,351	177,106	183,659	191,342	204,330
Manufacturing	21,063	23,390	24,859	27,857	28,542	27,324	27,028	27,311	26,387	27,006	27,910	28,570	29,143	31,150
Mining	5,606	6,630	6,798	6,728	6,343	5,459	6,724	6,829	5,470	6,115	7,511	7,610	7,037	6,310
Contract construction	8,135	7,769	7,842	8,883	9,868	9,785	8,883	8,885	7,053	7,007	7,257	7,957	9,661	11,680
Transportation, communications, and public utilities	12,848	12,820	12,998	13,134	13,257	13,473	13,513	13,659	14,058	14,615	14,877	15,011	15,257	15,560
Trade	35,073	36,401	37,079	39,089	40,526	40,861	41,599	42,879	43,228	44,670	47,188	48,631	50,410	52,220
Finance, insurance, & real estate	8,120	8,498	8,705	9,036	9,481	9,696	9,709	9,698	9,610	9,844	10,603	11,167	11,467	12,310
Services	17,826	18,632	19,446	20,612	21,916	22,477	22,854	24,252	25,676	27,257	29,115	31,113	32,441	33,640
Government	20,112	20,550	22,139	22,989	24,352	25,729	27,513	29,479	30,655	31,837	32,645	33,600	35,926	37,460

1/ Preliminary

Note: Detail may not add to totals because of independent rounding.

Source: Utah Department of Employment Security.

Table II

Estimated Percentage Distribution of All Families and Renter HouseholdsBy Estimated Annual Before-tax IncomeSalt Lake County, Utah1973

<u>Income Class</u>	<u>All Families</u>	<u>Renter Households</u>
Under \$2,000	5	7
2,000 - 2,999	2	4
3,000 - 3,999	2	6
4,000 - 4,999	3	6
5,000 - 5,999	4	6
6,000 - 6,999	4	7
7,000 - 7,999	5	8
8,000 - 8,999	5	8
9,000 - 9,999	6	7
10,000 - 12,499	16	14
12,500 - 14,999	14	9
15,000 - 17,499	10	8
17,500 - 19,999	5	2
20,000 - 22,499	3	2
22,500 and over	<u>16</u>	<u>6</u>
Total	100	100
Median	\$12,000	\$8,700

Source: Estimated by Housing Market Analyst.

Table III

Population and Household Trends

Salt Lake County, Utah

April 1960 to April 1975

Average annual changes^{a/}

	<u>April 1960</u>	<u>April 1970</u>	<u>April 1973</u>	<u>April 1975</u>	<u>1960-1970</u>		<u>1970-1973</u>		<u>1973-1975</u>	
					<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Total population	383,035	458,607	499,000	527,000	7,550	1.8	13,450	2.8	14,000	2.7
Total households	108,007	134,926	150,600	162,100	2,700	2.2	5,225	3.7	5,750	3.7

a/ Rounded.

Sources: 1960 and 1970 Censuses of Population and Housing and estimates by Housing Market Analyst.

Table IV

The Housing Inventory, Tenure and VacancySalt Lake County, UtahApril 1960 to April 1973

<u>Occupancy and tenure</u>	<u>April 1960</u>	<u>April 1970</u>	<u>April 1973</u>
Total housing inventory	114,425	139,593	156,600
Total occupied units	108,007	134,926	156,600
Owner-occupied	73,582	88,598	97,500
Percent of all occupied	68.1	65.7	64.7
Renter-occupied	34,425	46,328	53,100
Percent of all occupied	31.9	34.3	35.3
Vacant housing units	6,418	4,667	6,000
Available vacant units	4,338	2,785	4,400
For sale	1,451	501	1,000
Homeowner vacancy	1.9%	0.6%	1.0%
For rent	2,887	2,284	3,400
Rental vacancy rate	7.7%	4.7%	6.0%
Other vacant units	2,080	1,882	1,600

Sources: 1960 and 1970 Censuses of Housing and estimates by
Housing Market Analyst.

Table V
Nonsubsidized Housing Units Authorized by Building Permits
Salt Lake County, Utah

1960 to April 1, 1973

<u>Year</u>	<u>Single-family</u>	<u>Multifamily</u>	<u>Total</u>
1960	2,466	869	3,335
1961	2,657	1,525	4,182
1962	2,817	1,804	4,621
1963	3,140	2,624	5,764
1964	2,393	1,500	3,893
1965	1,936	837	2,773
1966	1,194	418	1,612
1967	1,368	543	1,911
1968	1,334	714	2,048
1969	1,082 ^{a/}	1,224	2,306
1970	1,809 ^{b/}	1,603 ^{g/}	3,412
1971	2,114 ^{c/}	3,021 ^{h/}	5,135
1972	2,494 ^{d/}	5,197 ^{i/}	7,691
1972 (1st quarter)	642 ^{e/}	1,552	2,194
1973 (1st quarter)	840 ^{f/}	599 ^{j/}	1,439

a/ Excludes 438 units of Section 235 housing.

b/ " 1,201 " " " " "

c/ " 1,261 " " " " "

d/ " 1,725 " " " " "

e/ " 392 " " " " "

f/ " 132 " " " " "

g/ Excludes 198 units of Section 236 housing, of which 41 units are rent supplemented.

h/ Excludes 88 units of Section 236 housing, of which 18 units are rent supplemented.

i/ Excludes 142 units of Section 236 housing (of which 28 units are rent supplemented), 32 units of Section 221 (d)(3) Rent Supplement housing, and 92 units of low-rent public housing.

j/ Excludes 44 units of Section 236 housing, of which four units are rent supplemented.

Sources: Salt Lake City FHA Insuring Office; Real Estate Activities in Salt Lake, Davis, Weber and Utah Counties, Utah Real Estate Research Committee and the Bureau of Economic and Business Research, University of Utah; Housing Construction Statistics 1889 to 1964, U.S. Department of Commerce, Bureau of the Census.

Table VI

Annual Demand for Nonsubsidized HousingSalt Lake County, UtahApril 1973 to April 1975A. Sales Housing

<u>Sales price</u>		<u>Number of housing units</u>	<u>Percent of total</u>
Under	\$17,500	75	3
\$17,500	19,999	200	8
20,000	22,499	275	11
22,500	24,999	275	11
25,000	29,999	600	24
30,000	34,999	425	17
35,000	44,999	400	16
45,000	54,999	125	5
55,000	and over	125	5
Total		2,500	100

B. Multifamily Rental Units

<u>Monthly gross rent</u>	<u>a/ Efficiency</u>	<u>One bedroom</u>	<u>Two bedrooms</u>	<u>Three bedrooms</u>
\$100-119	40	---	---	---
120-139	20	---	---	---
140-159	10	270	---	---
160-179	10	170	240	---
180-199	--	110	180	40
200-219	--	70	130	30
220-239	--	50	100	25
240-259	--	30	75	20
260-279	--	20	60	20
280-299	--	10	40	20
300-319	--	10	30	10
320-339	--	10	25	10
340-359	--	---	20	10
360-379	--	---	10	10
380-399	--	---	10	10
400 and over	--	---	20	25
Total	80	750	940	230

a/ Gross rent is shelter rent plus the cost of utilities.
Source: Estimated by Housing Market Analyst.

Table VII

Annual Occupancy Potential for Subsidized Housing

April 1973 to April 1975

<u>A. Families</u>	<u>Sections 235/236 exclusively^{a/}</u>	<u>Eligible for all three programs</u>	<u>Public housing exclusively</u>	<u>Total for all three programs</u>
1 bedroom	100	25	125	250
2 bedrooms	325	50	275	650
3 bedrooms	225	25	150	400
4+ bedrooms	<u>100</u>	<u>-</u>	<u>75</u>	<u>175</u>
Total	750	100 ^{b/}	625 ^{b/}	1,475

B. Elderly

Modified one-bedroom	175	350 ^{c/}	300 ^{c/}	825
----------------------	-----	-------------------	-------------------	-----

^{a/} Estimates are based on regular income limits.

^{b/} About 80 percent of these families are also eligible for the rent supplement program.

^{c/} All of these elderly are also eligible for the rent supplement program.

Source: Estimated by Housing Market Analyst.

728-1
:308
F22
Salt Lake
Co.
Utah
1973

DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

DEC 18 1973

LIBRARY
WASHINGTON, D.C. 20410

728.1 :308 F22 Salt Lake Co., Utah
U.S. Federal Housing Administra-
tion
Analysis of the housing market

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300

POSTAGE AND FEES PAID
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HUD-401



Library
HUD
Room 8141

MA
2 copies