An aerial photograph of Salt Lake City, Utah, showing a dense urban area with various apartment buildings and houses. In the background, there are rolling hills and mountains under a blue sky with scattered white clouds. The text is overlaid on the top right and center of the image.

**YARDI**<sup>®</sup> Matrix

# Salt Lake Growth Story

Multifamily Fall Report 2016

**New Employment Drives Rent Escalation**

**Investment Reaches Post-Bubble High**

**Will Demand for Apartments Outpace Supply?**

## Market Analysis

Fall 2016

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## Rapid Growth Story

Salt Lake City's multifamily market continues to produce gains, fueled by the favorable demographic picture, robust employment and Utah's strong economy. A healthy influx of professional jobs and the area's relative affordability are attracting residents and lifting demand for apartments.

The metro's universities and medical institutions beget a skilled workforce that attracts technology and medical firms, while large firms such as Goldman Sachs, Adobe, eBay and accounting's Big Four have established outposts that hire many of these graduates. Furthermore, the number of high-paying science, technology, engineering and math (STEM) jobs is expected to grow over the next few years.

Out-of-state investors, particularly those from California, are being lured to the area by the operating costs, which are a fraction of what they would be in neighboring metros. Investor interest is expected to grow, especially now that Google Fiber has flipped the switch on its super-high-speed network in Salt Lake City, providing service in the city center starting in August. Apartment development is on pace to reach another high in 2016, with more than 6,700 units under construction. Most of the development is occurring along the downtown region, with headline projects underway in Salt Lake City, Orem and Sandy. The supply of new rentals is outstripping construction, with metrowide vacancy dropping below 4%.

## Recent Salt Lake City Transactions

### Sandalwood



City: Salt Lake City  
Buyer: ColRich Group  
Purchase Price: \$53 MM  
Price per Unit: \$189,511

### Brighton Place



City: Salt Lake City  
Buyer: Friedkin Investment Co.  
Purchase Price: \$44 MM  
Price per Unit: \$132,216

### Eagles Landing



City: Salt Lake City  
Buyer: QVT Mount Auburn Capital  
Purchase Price: \$30 MM  
Price per Unit: \$80,247

### Goldstone Place

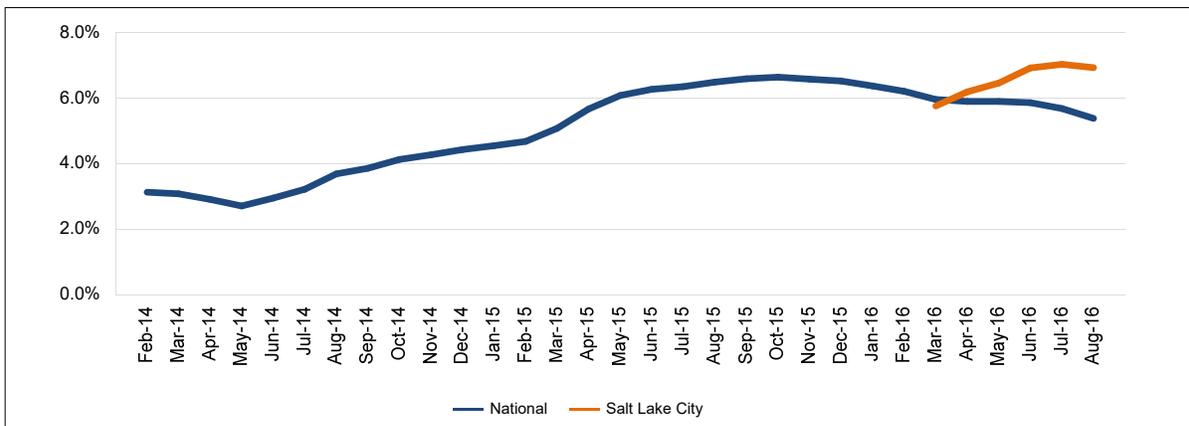


City: Salt Lake City  
Buyer: Walter Hick Jr.  
Purchase Price: \$22 MM  
Price per Unit: \$96,491

## Rent Trends

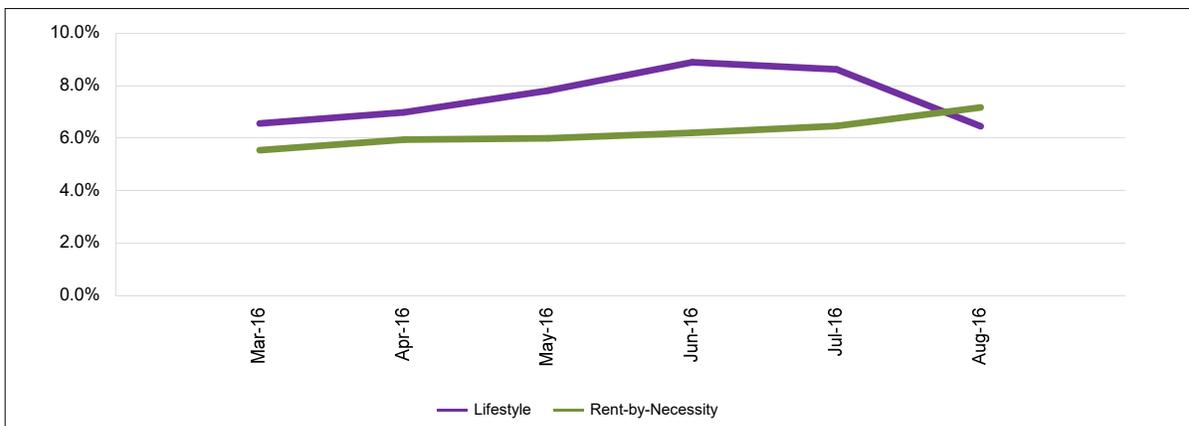
- Rents in Salt Lake City continue their constant escalation as the metro outpaces the national growth rate. Rents grew by 6.9% year-over-year through August, to \$1,005, according to Yardi Matrix data, vs. a national growth rate of 5.4%.
- All types of apartment units experienced increases in average rental rates, but rent growth was led by the working-class Renter-by Necessity segment, which rose 7.1% to \$949. The higher-end Lifestyle rents increased 6.5% to \$1,182.
- Occupancy has risen to a robust 96.3%, and will continue to rise as demand surpasses supply growth. Demand is coming from growth in employment and population. That has led to intense pressure on renters in Salt Lake City.
- Most of the metro's submarkets recorded increases, led by Salt Lake City – West Salt Lake (10%), Layton (6.9%), Murray (6.9%), South Jordan/Herriman (5.9%) and Magna (5.7%) year-over-year through August. The submarkets of Provo (\$1,673), Salt Lake City – Downtown (\$1,252) and South Jordan/Herriman (\$1,248) posted the highest rental rates in the metro.

### Salt Lake City vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



Source: YardiMatrix

### Salt Lake City Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)

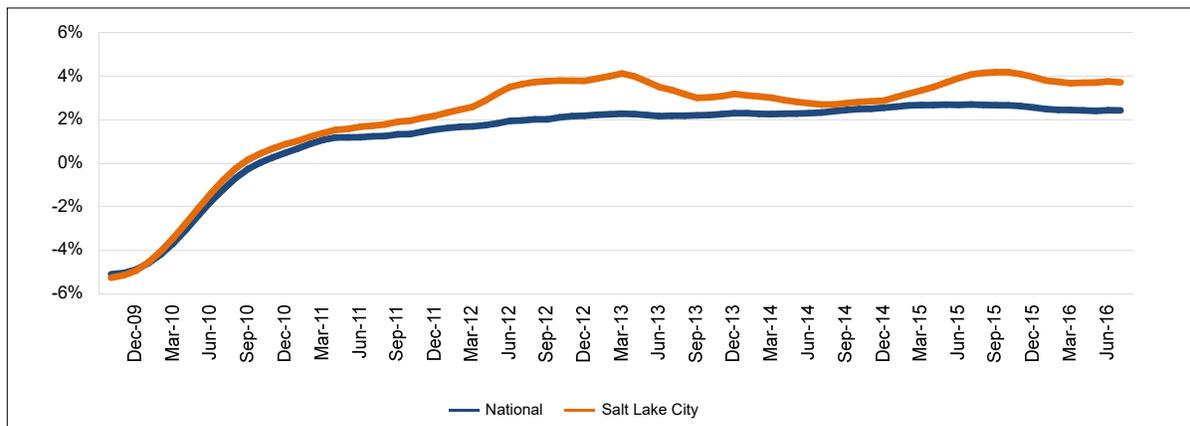


Source: YardiMatrix

## Economic Snapshot

- Salt Lake City is one of the fastest-growing metros in the nation. The metro added 39,700 jobs year-over-year through July, up 3.7%, well above the national average of 2.4%. During the same time span a year earlier, the metro recorded employment growth of 4.4%.
- Employment gains were led by education and health services (8,900). This trend should continue, due to the recent statewide initiative to further education in STEM. The mining, logging and construction sector saw the largest proportional growth in jobs, at 8.2% or 6,400 jobs, benefiting from the increasing demand for housing and commercial assets.
- Meanwhile, trade, transportation and utilities (6,600) is also ramping up as the growing population brings a need for more goods. UPS announced plans to develop a \$200 million industrial facility that will bring 195 positions over the next eight years.
- Professional and business services added 5,400 jobs, with financial activities following close behind with 4,800 new positions. Goldman Sachs, Adobe, eBay and the Big Four accounting firms are hiring lots of new graduates. Entrata is investing about \$6 million to create 191 more jobs on top of the 1,400 it currently has. SoFi, a finance and technology company, will add 400 jobs over the next five years.

### Salt Lake City vs. National Employment Growth (Year-Over-Year)



Sources: YardiMatrix, Bureau of Labor Statistics (not seasonally adjusted)

### Salt Lake City Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
65	Education and Health Services	164	13.3%	8,900	5.7%
40	Trade, Transportation and Utilities	233	18.9%	6,600	2.9%
15	Mining, Logging and Construction	85	6.9%	6,400	8.2%
60	Professional and Business Services	190	15.4%	5,400	2.9%
55	Financial Activities	78	6.3%	4,800	6.6%
70	Leisure and Hospitality	110	8.9%	3,900	3.7%
30	Manufacturing	119	9.7%	2,200	1.9%
90	Government	187	15.2%	1,100	0.6%
50	Information	33	2.7%	200	0.6%
80	Other Services	35	2.8%	200	0.6%

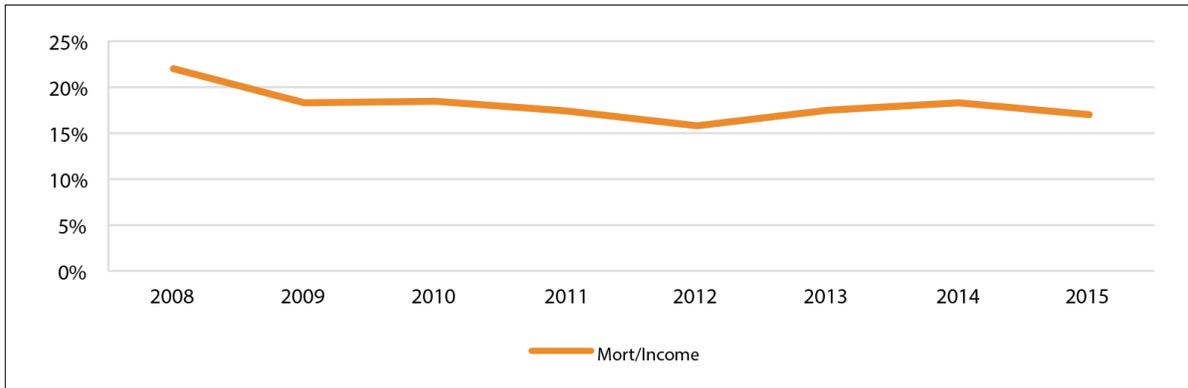
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

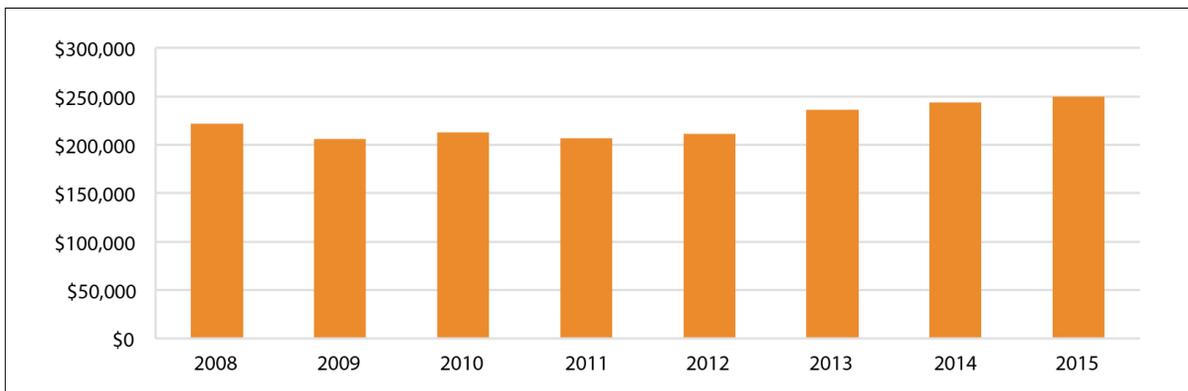
- Salt Lake City continues to be relatively affordable. Home prices rose in the past few years, with the average mortgage accounting for 17% of the area's median income of \$65,124. The median home price rose to \$249,434 in 2015, a 12.3% increase since 2008. Home values in Salt Lake remained relatively stable in the wake of the last financial crisis.
- Rents have also been registering higher rates along the Wasatch Front, where they are currently averaging \$946. However, affordability varies widely, depending on the submarket.

### Salt Lake City Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

### Salt Lake City Median Home Price



Source: Moody's Analytics

### Population

- Salt Lake City added 15,800 residents in 2015, a 1.4% increase, almost double the 0.8% national rate.
- The metro's growth rate has topped the national average since 2010.

### Salt Lake City vs. National Population

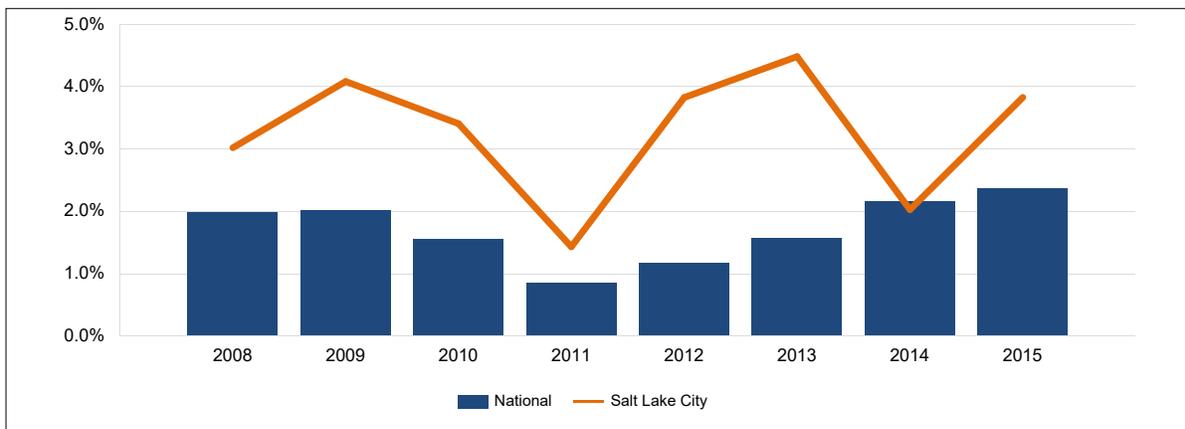
	2011	2012	2013	2014	2015
National	311,718,857	314,102,623	316,427,395	318,907,401	321,418,820
Salt Lake City, UT Metropolitan Statistical Area	1,107,958	1,124,609	1,141,905	1,154,513	1,170,266

Sources: U.S. Census, Moody's Analytics

## Supply

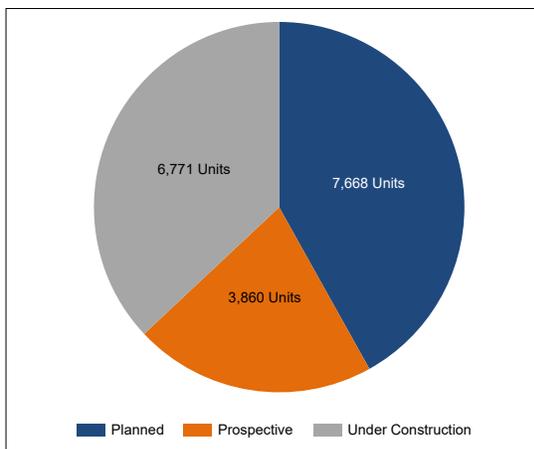
- With multifamily demand in Salt Lake City booming, some 3,085 units were delivered in 2015, double the prior year and a 3.8% expansion of stock, well above the 2.4% national growth rate.
- The development pipeline encompasses around 18,000 units, more than 6,700 of which are currently under construction. Occupancy will likely remain around 96%, thanks to the city's rising renter population, a healthy job market and increasing wages.
- Most of the development is occurring in Downtown Salt Lake City (1,587 units) and in the popular submarkets of Sandy (1,163) and Orem (1,095). Meanwhile, South Salt Lake will add 698 units and South Jordan/Herriman 499 units. The allure of these submarkets can be attributed to their proximity to Brigham Young University and Utah Valley University, which provide the area with a steady stream of renters.
- Some of the largest projects include the 497-unit 4th West in Downtown Salt Lake City, the 477-unit The Aston at University Place in Orem, the 416-unit Cobblegate in Sandy, the 332-unit Parkway Lofts in Orem and Park at City Center, which will bring 330 units to Sandy.

### Salt Lake City vs. National Completions as a Percentage of Total Stock (as of August 2016)



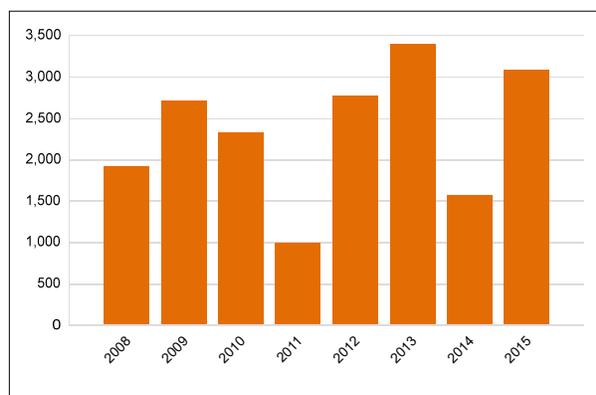
Source: YardiMatrix

### Development Pipeline (as of August 2016)



Source: YardiMatrix

### Salt Lake City Completions (as of August 2016)

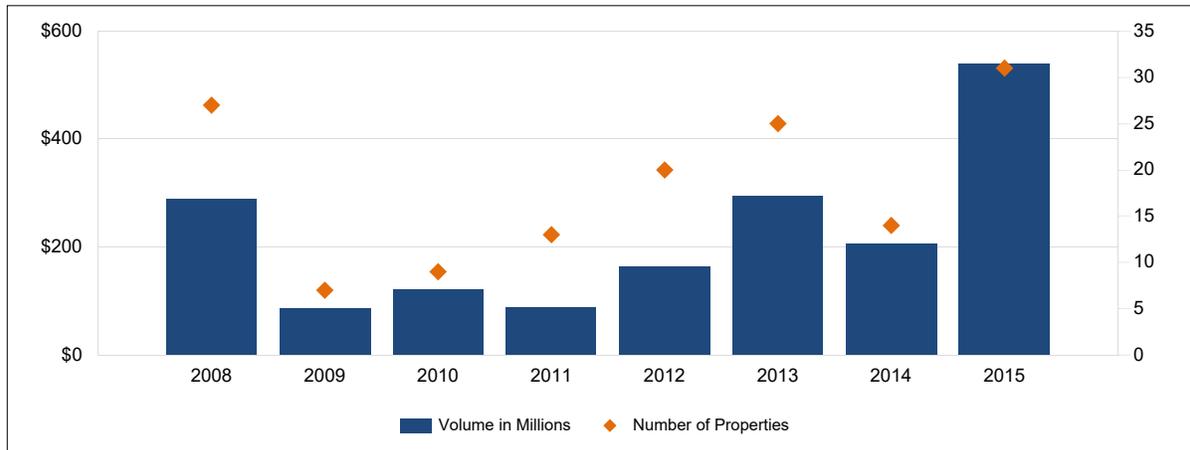


Source: YardiMatrix

## Transactions

- More than \$100 million worth of properties changed hands in Salt Lake City as of the end of August 2016—not bad by historical standards but well below the record year of 2015, when \$539 million worth of properties were sold. Salt Lake was for many years too small to be on institutional investors’ radar, but that is changing as larger financial institutions move offices there and the market grows.
- The average price per unit reached \$117,087, on par with the national average.
- The West Valley City, Midvale, Salt Lake City – West Salt Lake, Ogden/Clearfield and Logan submarkets saw the highest activity. The largest transaction registered in the metro was ColRich Group’s \$52.6 million acquisition of the 278-unit, 16-building master-planned community Sandalwood in West Valley City from the locally based Millwood Cos.

### Salt Lake City Sales Volume and Number of Properties Sold (as of August 2016)



Source: YardiMatrix

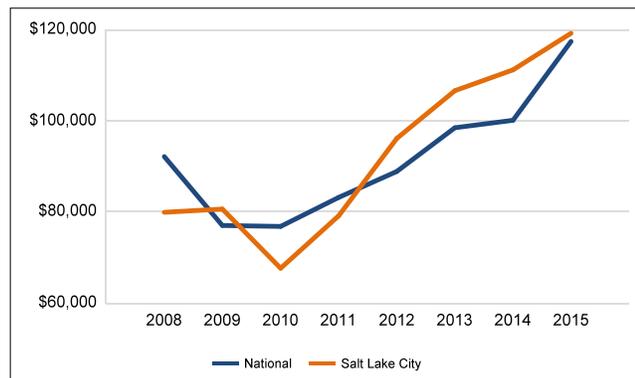
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
West Valley City	69
Midvale	57
Salt Lake City - West Salt Lake	30
Ogden/Clearfield	30
Logan	20
Provo	18
Salt Lake City - Northwest	15
South Salt Lake	9

Source: YardiMatrix

<sup>1</sup> From August 2015 to July 2016

### Salt Lake City vs. National Sales Price per Unit



Source: YardiMatrix

# Read All About It!



**RED Capital Closes \$20M Loan  
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**Metro Salt Lake City Apartments  
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**Utah Reels in \$200M  
UPS Facility**

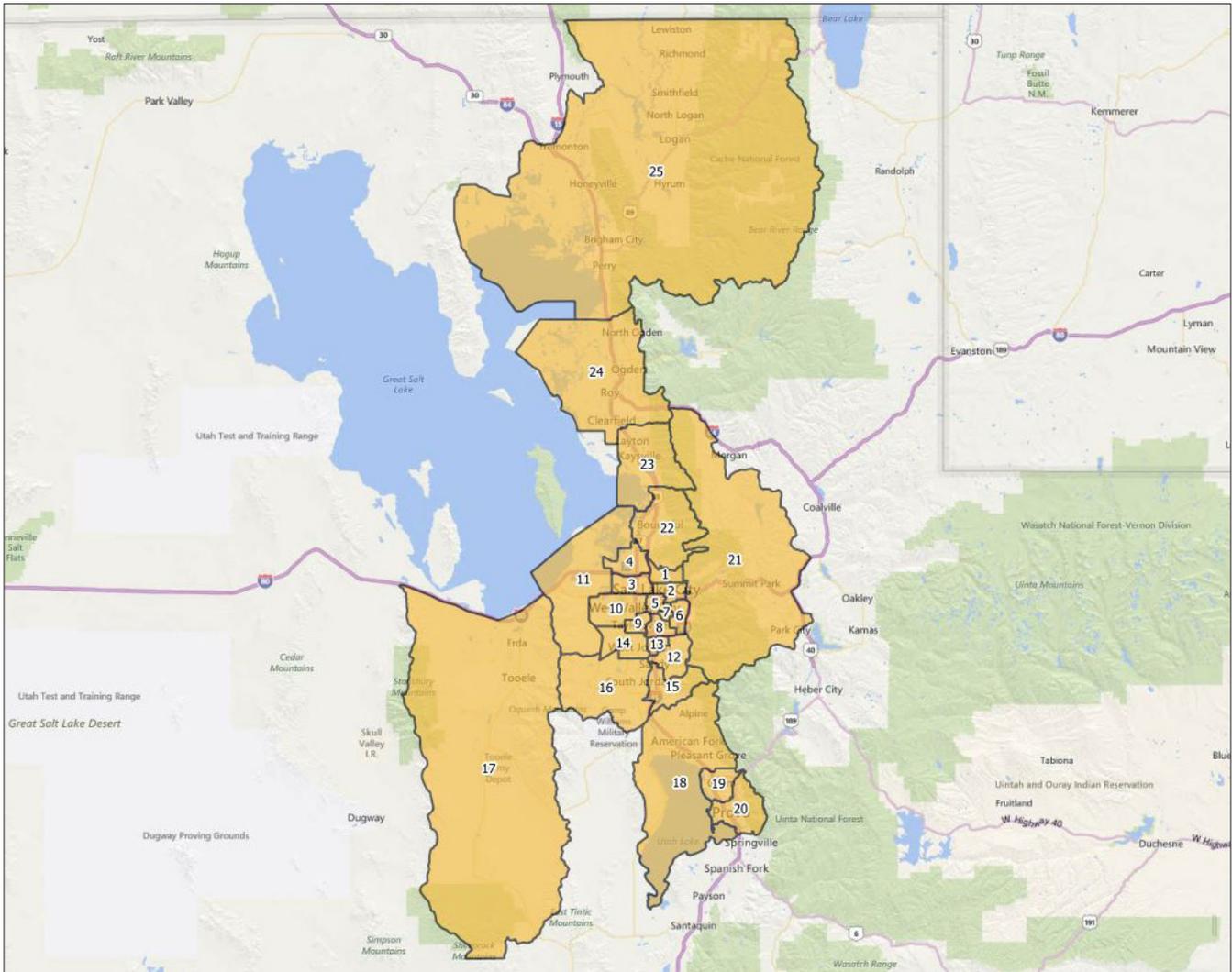


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## Salt Lake City Submarkets



Area #	Submarket
1	Salt Lake City-Downtown
2	Salt Lake City-Central City
3	Salt Lake City-West Salt Lake
4	Salt Lake City-Northwest
5	South Salt Lake
6	Holladay
7	Millcreek
8	Murray
9	Taylorsville
10	West Valley City
11	Magna
12	Sandy
13	Midvale

Area #	Submarket
14	West Jordan
15	Draper
16	South Jordan/Herriman
17	Tooele
18	Pleasant Grove/Lehi
19	Orem
20	Provo
21	Park City
22	North Salt Lake/Bountiful
23	Layton
24	Ogden/Clearfield
25	Logan

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## Definitions

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter by Necessity households** span a range. In descending order, household types can be:

- *A young-professional, double-income-no-kids household* with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also may span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income (“gray collar”) households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which may barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, may extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property’s ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property’s status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit [www.yardimatrix.com](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.

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