Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	9,529
UNITS DELIVERED (YTD)	3,777

MARKET FUNDAMENTALS

VACANCY RATE	6.4%
YEAR-OVER-YEAR CHANGE	+60bps
ASKING RENTS	$1,577
YEAR-OVER-YEAR CHANGE	+0.9%

TRANSACTION ACTIVITY (YTD)

AVERAGE PRICE PER UNIT	$221,500

SALT LAKE COUNTY MULTIFAMILY
2Q 2024

MARKET INSIGHTS

With demand surging, rents trend higher

HIGHLIGHTS

- The Salt Lake City region recorded an accelerating pace of activity during the second quarter. Absorption has gained momentum, although construction is elevated and vacancy levels are higher than one year ago. Renter demand has been strong enough to support recent rent increases.
- During the past 12 months, net absorption has totaled 3,907 units, more than doubling the total from the prior 12-month period.
- Vacancy ended the second quarter at 6.4 percent, 60 basis points higher than levels from one year earlier.
- After ticking higher at the start of the year, the pace of rent growth accelerated in the second quarter. Asking rents rose 1.9 percent in the second quarter, reaching $1,577 per month.
- Concessions Downtown remain the highest along the Wasatch Front, averaging 13.4 percent of asking rents; many properties are offering up to eight weeks of free rent on select units.
- Investment activity gained momentum in recent months, with a surge in transactions exceeding $50 million. The number of properties that sold in the first half of this year is slightly ahead of the 2023 pace.

SALT LAKE COUNTY MULTIFAMILY MARKET OVERVIEW

An active pace of absorption fueled rent increases in the Salt Lake City multifamily market in the second quarter. Net absorption through the first half of 2024 is up nearly 70 percent when compared to the same period in 2023, and it has been this leasing momentum that has allowed operators to push rents higher. Rents rose 1.9 percent in the second quarter, the fastest pace of increase recorded in the market in two years, and offsetting the modest dips that were posted throughout much of 2023. Rent increases were recorded across most submarkets within the region, but the pace of gains varied. Rapid increases were recorded in Taylorsville, Murray, and Downtown, while gains in South Jordan and West Jordan were more modest. The increases in Taylorsville and Murray were driven by tight vacancy conditions, while the gains in Downtown were likely a function of the continued delivery of new, more expensive, luxury units to the local inventory.

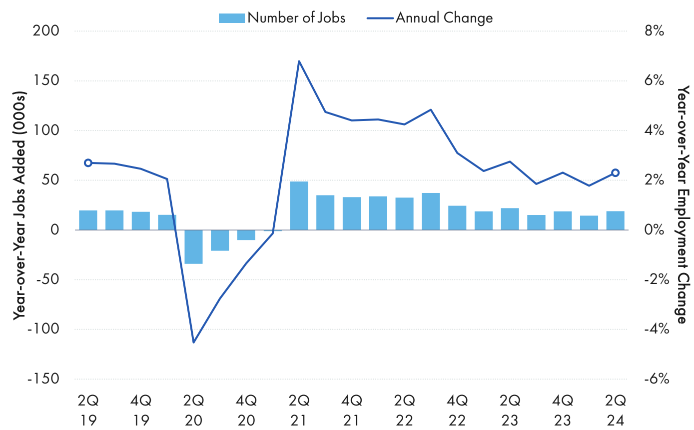
The local investment market gained momentum during the second quarter. A greater number of properties changed hands than during the first three months of the year, and this rebound in activity has put sales velocity year to date slightly ahead of the 2023 pace. The greatest surge in transactions occurred in the sale of properties trading for $50 million or more. During the second half of 2023 and the first few months of 2024, there were only a handful of properties trading above the $50 million threshold. During the second quarter, however, investors stepped up their acquisitions in this price range, more than tripling the total dollar volume of sales in the first quarter. Cap rates have demonstrated signs of leveling off in recent months, averaging between 5 percent and 5.5 percent.

EMPLOYMENT

- The Salt Lake City economy continues to expand. During the 12-month period that concluded in the second quarter, employers added 18,900 net new jobs, a 2.3 percent increase. One year ago, the pace of growth was only slightly faster; gains totaled 22,000 positions in June 2023.
- The manufacturing sector has been one of the top industries for job creation. The sector has expanded by 3.6 percent in the past year, adding 2,300 net new jobs. Manufacturer Leitner-Poma is on pace to open the first building in the multi-phase Tooele Business Park this year. The company plans to add 120 new manufacturing jobs at the facility.
- While the pace of growth in white-collar employment sectors is slowing throughout much of the country, these jobs continue to be added in the local economy. Employment in the professional and business services sector surged by 2.5 percent in the past 12 months, with a gain of more than 3,500 jobs.
- **FORECAST:** Employers are on pace to add 20,000 jobs in 2024, a 2.4 percent increase to area payrolls. This would represent a modest acceleration compared to the pace of growth posted in 2023.

Employers added 18,900 net new jobs, a 2.3 percent increase.

EMPLOYMENT OVERVIEW



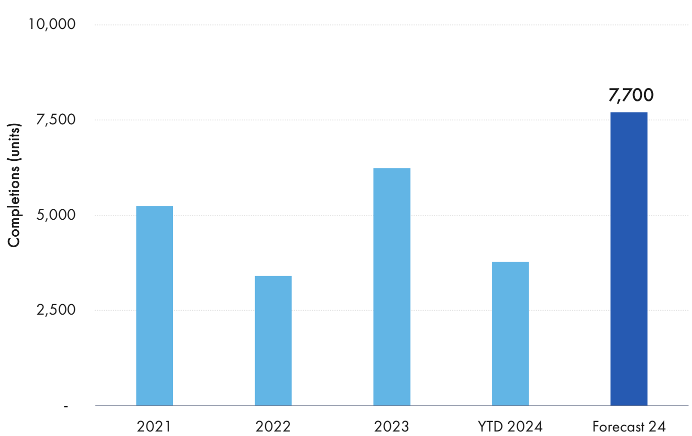
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- Projects totaling more than 1,800 units were delivered during the second quarter, bringing the total completions for the first half to nearly 3,800 units. While the greatest number of recent developments have been in Downtown Salt Lake City, several surrounding areas have had projects deliver in recent years.
- Projects totaling approximately 9,500 units are currently under construction, with the second half of this year and 2025 expected to be fairly active periods for new development. The pace of completions should slow beginning in 2026.
- After slowing at the start of the year, permitting for multifamily projects cooled further in the second quarter. Developers pulled permits for fewer than 400 multifamily units in the last three months. During the first half, only 890 multifamily permits were issued, after permits for more than 3,100 units were issued during the same period in 2023.
- **FORECAST:** Properties totaling approximately 7,700 units are expected to come online in 2024, up about 20 percent from the 2023 total. Completions are forecast to slow to about 5,500 units in 2025.

During the first half, 890 multifamily permits were issued.

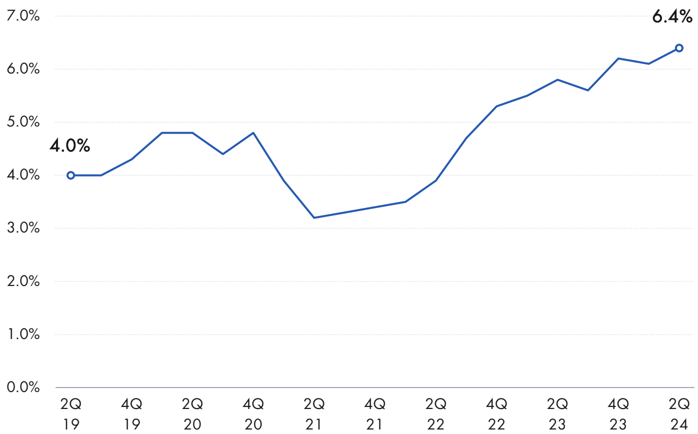
DEVELOPMENT TRENDS



Sources: Northmarq, CoStar, Yardi

Vacancy ended the second quarter at 6.4 percent.

VACANCY TRENDS



Sources: Northmarq, CoStar, Yardi

VACANCY

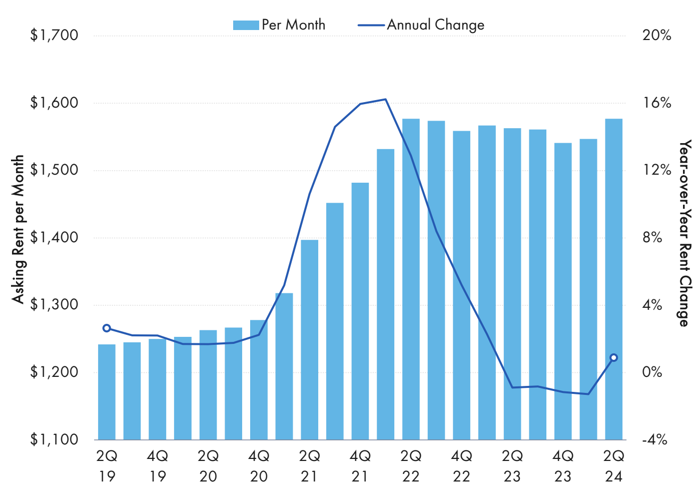
- Vacancy ended the second quarter at 6.4 percent, 60 basis points higher than one year ago. The local vacancy rate dipped into the low-3 percent range a few years ago but has pushed higher as developers have continued to bring new inventory online.
- Vacancy in the Downtown submarket ended the second quarter at 7.7 percent, one of the highest rates in the region. More than 5,000 units have been delivered in the Downtown area since 2021.
- The neighboring areas of Midvale, Murray, and Taylorsville are all posting improving vacancy performance year to date. Taylorsville has the lowest vacancy of this group, with the rate siting at 4 percent at midyear, followed by Midvale at 4.5 percent and Murray at 5.2 percent. On average, vacancy rates across these three areas have declined 60 basis points since year-end 2023.
- **FORECAST:** Area vacancy is forecast to end 2024 at 6.8 percent, 60 basis points higher than at the end of 2023. Vacancy should level off in the coming years as the pace of new development slows and supply and demand become more in balance.

RENTS

- After a few quarters of sluggish performance, rents gained traction in the second quarter. Average rents in the region gained 1.9 percent in the second quarter, reaching $1,577 per month. This marked the strongest quarter of rent gains in two years.
- The increases recorded in the most recent three-month period brought current rents higher than year-earlier levels. Current asking rents are up 0.9 percent year over year.
- The South Jordan area features the highest rents in the region, but growth has been limited in recent periods. Rents in South Jordan ticked up just 0.5 percent in the first half of this year, ending the second quarter at $1,866 per month.
- **FORECAST:** Rents are on pace to end 2024 at $1,595 per month. This would represent an annual increase of 3.5 percent. Rents previously peaked in 2022, and the current forecast would place rents 2.3 percent higher than two years earlier.

Current asking rents are up 0.9 percent year over year.

RENTS TRENDS



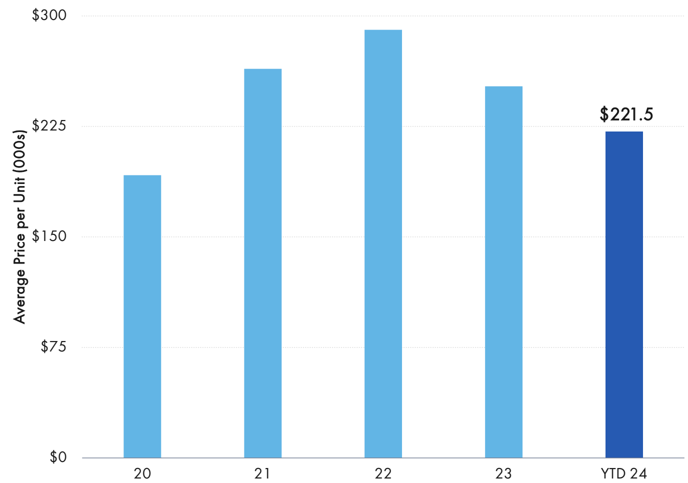
Sources: Northmarq, CoStar, Yardi

MULTIFAMILY SALES

- Sales velocity in the Salt Lake City region gained momentum in recent months. Transaction activity surged by more than 30 percent from the first quarter to the second quarter. The recent increase in transaction counts puts 2024 5 percent ahead of the pace recorded in the first half of 2023.
- The greatest increase in activity levels in the second quarter occurred in the number of large transactions taking place. Investment volumes totaled more than $450 million, with several properties selling at prices that topped $50 million. Total dollar volumes in the second quarter more than tripled levels recorded during the first three months of the year.
- The average price year to date is approximately $221,500 per unit, down from about $250,000 per unit in 2023. In sales that closed in the second quarter, prices averaged $224,000 per unit
- Cap rates remained essentially unchanged during the second quarter, with most properties trading within a range of 5 percent to 5.5 percent.

Transaction activity surged by more than 30 percent.

INVESTMENT TRENDS



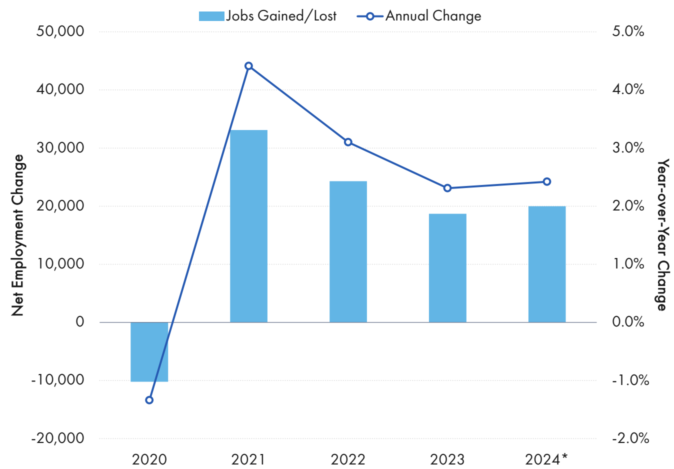
Sources: Northmarq, CoStar, Real Capital Analytics

LOOKING AHEAD

Renter demand for units is expected to remain elevated in the second half throughout the Salt Lake City region, resulting in mostly steady vacancy conditions and continued rent increases. While demand is robust, supply-side pressures will persist. Developers have dozens of projects currently under construction, many of which should come online in the next 18 months. More than half of these new development projects are located in Salt Lake City itself, with Millcreek and Murray the only other cities with more than a few prominent projects already having broken ground. Outside of these areas, inventory growth should be modest in the through the remainder of 2024 and into 2025, causing vacancies to tighten and allowing operators to implement healthy rent increases.

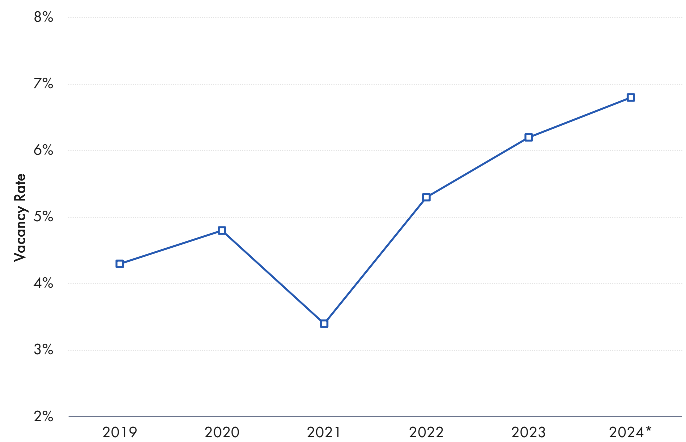
The recent surge in transaction activity above $50 million is a clear signal that favorable investor sentiment has returned to the Salt Lake City multifamily market. The region's attractive growth outlook should continue to support investment activity in the second half. While there has been a surge in larger transaction sizes, activity in the region's newer properties has been limited. Instead, the properties that have accounted for the bulk of the activity since the beginning of 2023 have been 1980s- and 1990s-vintage assets. The result of this mix of Class B and some Class C properties has been that many properties have sold with prices ranging between $180,000 per unit and $225,000 per unit. In the few sales that have involved newer, Class A properties, prices have typically started closer to $320,000 per unit, and ranged to more than $400,000 per unit.

EMPLOYMENT FORECAST



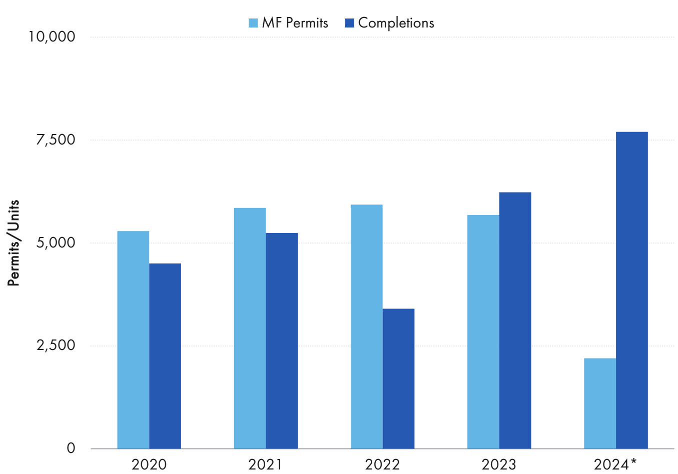
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



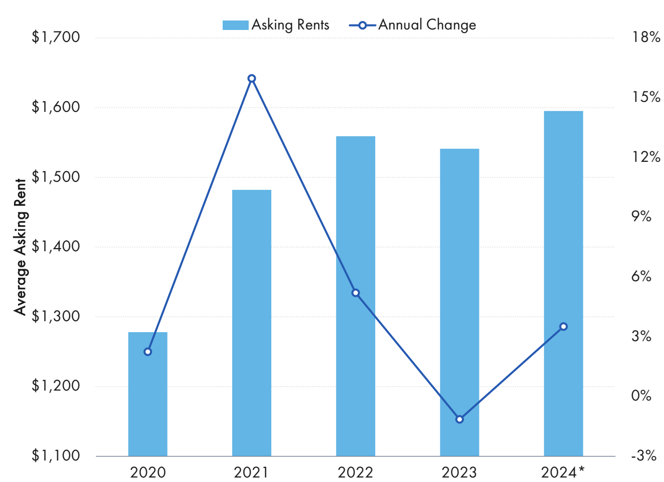
** Year End Forecast*
Sources: Northmarq, CoStar, Yardi

CONSTRUCTION & PERMITTING FORECAST



** Year End Forecast*
Sources: Northmarq, Census Bureau, CoStar, Yardi

RENTS FORECAST



** Year End Forecast*
Sources: Northmarq, CoStar, Yardi

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