MARKET REPORT

MULTIFAMILY

Salt Lake City Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

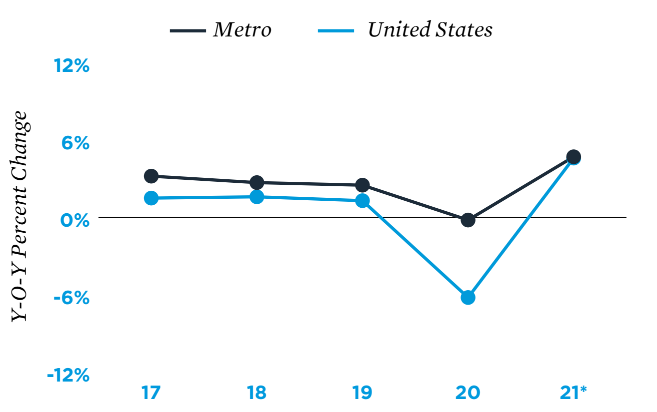
3Q/21

Corporate Relocations Restore Pandemic Job Losses, Sparking Renewed Housing Demand

Utah continues to be a popular destination for businesses. Due in part to the state's tax incentive programs aimed at corporate recruitment, technology-oriented companies such as Scorpion and Stitch Fix are moving to Salt Lake City, bolstering the already healthy employment market. The market recovered all jobs lost during the pandemic in February and has continued to grow. By June, the metro's unemployment rate was down to 2.6 percent, the lowest unemployment rate in the country. Salt Lake City's robust job market contributed to a 1.2 percent increase in population last year, four times the national rate. Growth in the region's 20- to 34-year-old population also outpaced all major U.S. markets in 2020, further contributing to rental demand in the metro.

Vigorous demand prompts record supply growth. Salt Lake City's inventory grew by 17.1 percent between 2015 and 2020, nearly double the national pace. Substantial demand for rentals has nevertheless kept up with expanding supply, with a 169 percent increase in net absorption over the past four quarters. Greater leasing activity resulted in vacancy declining and rent continuing to grow across all submarkets over the same period. Renter demand is aided by the fact that Salt Lake City remains one of the more affordable markets in the nation. Average effective rent is $179 less than the national average and $785 cheaper than the average mortgage payment in the metro despite growing 10.6 percent since June 2020.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2021 Outlook

61,000 JOBS
will be created

EMPLOYMENT:

This year, the metro's employment base will increase by 4.7 percent, the fastest pace since 1995. Salt Lake City weathered the storm better than all other major U.S. markets and has surpassed pre-pandemic employment by over 2 percent as of July.

5,400 UNITS
will be completed

CONSTRUCTION:

Inventory will expand 4 percent in 2021 as developers focus on Downtown Salt Lake City, where vacancy fell the most over the past four quarters. This year's delivery volume will be the highest in the metro over the last two decades.

120 BASIS POINT
decrease in vacancy

VACANCY:

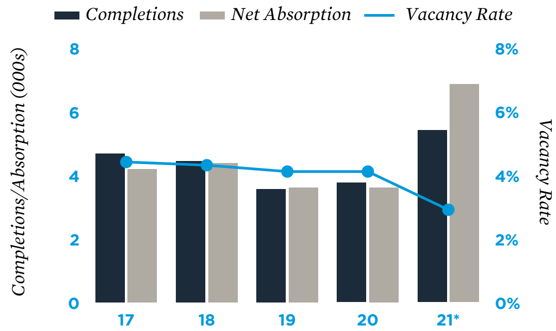
Net absorption in 2021 will nearly double the total observed last year. The vacancy rate will decline to 2.9 percent, the lowest year-end vacancy recorded in the Salt Lake City metro over the last 20 years.

8.8% INCREASE
in effective rent

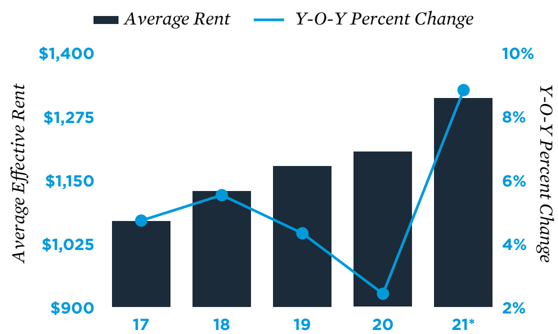
RENT:

During 2021, the average effective rent will climb to $1,310 per month. After modest rent growth in 2020, rents will increase at the fastest year-end pace on record, fueled by the growth in demand for rentals aided by the metro's rapidly expanding populace.

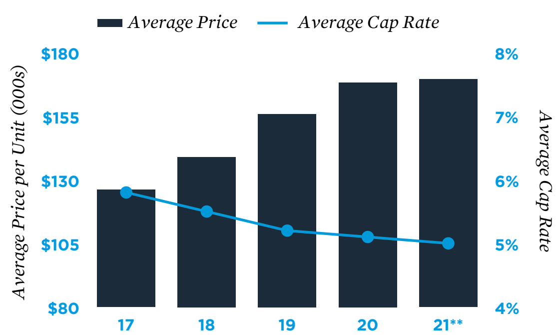
Supply and Demand



Rent Trends



Sales Trends



** Forecast, ** Through 2Q*

Sources: RealPage, Inc.; CoStar Group, Inc.; Real Capital Analytics

IPA Multifamily

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Price: $250

2Q21 — 12-Month Period

CONSTRUCTION

4,656 units completed

- In the last four quarters inventory in the metro has grown 3.5 percent. Downtown Salt Lake received the bulk of new supply due to its proximity to major employers and access to public transportation.
- Midvale-Sandy-Draper and Southwest Salt Lake City are submarkets that received a notable boost to their apartment inventories.

VACANCY

180 basis point decrease in vacancy Y-O-Y

- Record levels of absorption led to a decrease in vacancy to 2.7 percent in June 2021, the lowest level in any quarter over the past 20 years.
- Class A vacancy fell 250 basis points to 3.3 percent in the last four quarters. Simultaneously, Class B and C vacancies declined 180 basis points to 2.7 percent and 100 basis points to 2.3 percent, respectively.

RENT

10.6% increase in the average effective rent Y-O-Y

- The average effective rent advanced to $1,301 per month in June 2021, the highest recorded rent growth in the past 20 years.
- Significant increases in rent were observed across each building class, all over 7 percent. The Midvale-Sandy-Draper and Ogden-Weber County submarkets both posted average effective rent gains above 12 percent.

Investment Highlights

- Transaction volume remained relatively steady year over year in June. Salt Lake City's strong market fundamentals of population growth, job creation, rent gains and tight vacancy combined with lower entry costs and higher yields relative to other major West Coast markets draw investor interest.
- Properties traded at an average of $169,500 per unit in the 12-month period ended in June, up an annual 5 percent despite a shift in sales composition toward lower-tier assets. The average cap rate observed a 10-basis-point dip in the last four quarters to 5.0 percent. For higher-quality properties, yields could fall into the low-4 percent band.
- Salt Lake City has been drawing investor interest from California-based buyers in particular, accounting for approximately 30 percent of all transactions since June 2020. These investors are targeting Class B and C properties primarily in the Downtown Salt Lake City submarket. Over the past year, several notable sales in excess of $40 million have been to Los Angeles-based buyers.