

Salt Lake City, Utah

HUD Region VIII

(U.S. Housing Market Conditions Report – December 2009)

Located in north-central Utah, the Salt Lake City metropolitan area consists of Salt Lake, Summit, and Tooele Counties. Salt Lake City, the state capital, is the hub of government activity and financial services for Utah. As of January 1, 2010, the population of the metropolitan area was estimated at 1.14 million, an increase of 20,000, or 1.7 percent, from the level recorded a year earlier. Because of a weaker economy, the current rate of population growth is down from the 2-percent annual average recorded during the previous 3 years. Salt Lake County accounts for 90 percent of the population of the metropolitan area and 40 percent of the state population. The University of Utah, located in Salt Lake City, has an enrollment of more than 29,000 students, employs more than 15,000 workers, and has an annual budget of more than \$2 billion. Other major employers in the area with more than 3,000 employees each include Intermountain Healthcare, Delta Air Lines, Inc., and Zions Bancorporation.

Economic conditions have significantly weakened in the metropolitan area during the past year as the national recession and a curtailment of residential and nonresidential construction affected the local job market. During the 12 months ending November 2009, total non-farm employment declined by 21,200 jobs, or 3.4 percent, to 621,200. In comparison, employment rose by 6,700 jobs, or 1 percent, during the 12 months ending November 2008. The decline in employment occurred in nearly all sectors. During the past 12 months, the construction sector lost 6,500 jobs, a decrease of 17 percent, and accounted for 30 percent of the job losses in the metropolitan area during the period. The large loss of construction jobs resulted from the lower demand for new homes and commercial real estate due to soft market conditions. In addition, the professional and business services sector lost 5,600 jobs, or 5.6 percent, primarily in the administration and support services subsector. The only sectors that grew in the past year were the government and the education and health services sectors, each of which added 2,000 jobs as the population growth increased demand for services. During the 12 months ending November 2009, the unemployment rate in the metropolitan area averaged 5.8 percent, up from 3.3 percent during the previous 12 months.

Local home builders reduced single-family home construction during the past 3 years in response to reduced new home sales levels. Based on preliminary data, during the 12 months ending November 2009, the number of new single-family homes permitted declined to 1,570 units, down 14 percent compared with the number permitted during the same period a year ago. In comparison, an average of 6,500 homes a year were permitted in the area from 2003 to 2006. NewReach, Inc., reported that during 2009 sales of new detached homes were relatively unchanged compared with the previous year when 1,500 units were sold, which still represents one of the lowest levels of sales in 20 years. The average new home sales price declined by 8 percent to \$331,100. Sales of new townhouses and condominiums were off by 11 percent, down to 890 units, and the average sales price declined by 14 percent to \$203,000.

The existing home sales market in the Salt Lake City area is also currently soft; however, the number of existing home sales is increasing as sales prices decline. According to NewReach, Inc., during 2009, sales of existing attached and single-family homes were up 9 percent to 10,400 units compared with 9,600 units sold during the 12 months ending December 2008. During the past 12 months, the average price of an attached home decreased by 9 percent to \$168,300 and the average price of a single-family home declined by 8 percent to \$254,600. According to data from First American CoreLogic, the rate of foreclosures among outstanding mortgages more than doubled during the previous 12 months to more than 2 percent in October 2009. Foreclosure home sales, which represented nearly 25 percent of single-family home sales in 2009, up from approximately 10 percent in 2008, contributed to the recent decline in the average sales price during the past 12 months. Because many potential sellers have kept their homes off the market until conditions improve, the inventory of unsold homes has declined by 19 percent from a year earlier to 5,140 units in December 2009.

Despite the overall softness of the housing markets, the City Creek Center development, a \$1 billion mixed-use residential and commercial project in downtown Salt Lake City, is slated for completion in 2012. The development is one of several transportation-oriented developments started in anticipation of the light rail and commuter rail extensions that further link downtown Salt Lake City with other cities in Salt Lake County. The \$2.4 billion rail project that began in 2008 will add 70 miles of track to the existing 64-mile system by 2015. Several residential towers are in the planning stages in the City Creek Center and two luxury developments are under construction. The Regent and Richards Court developments have 90 and 159 condominium units, respectively, and their construction is expected to be complete within the next 12 months. Asking prices start at \$300,000 for a studio or one-bedroom unit and \$500,000 for a two-bedroom unit.

Current conditions in the rental housing market in the metropolitan area are somewhat soft compared with the more balanced-to-tight conditions of a year ago. According to Apartment Realty Advisors, Inc., the average apartment vacancy rate increased to 8.5 percent in the fourth quarter of 2009, up from 6.8 percent recorded in the fourth quarter of 2008, and the average rent decreased by \$30 to \$760. Current monthly rents average about \$630 for a one-bedroom unit, \$870 for a two-bedroom unit, and \$930 for a three-bedroom unit. The softer market can be attributed to the weaker economy and to the approximately 2,000 new apartments that entered the market in 2009. According to preliminary building permit data, during the 12 months ending November 2009, multifamily construction in the Salt Lake City metropolitan area increased by 50 percent to 3,100 units. The University of Utah reported that apartments accounted for approximately 65 percent of the multifamily units permitted in 2009, compared with 50 percent recorded annually from 2000 to 2008. Approximately 2,000 apartment units are currently under construction in the metropolitan area.