

The Salt Lake Apartment Market: An Analysis of Apartment Rental Rates in the Greater Salt Lake Region

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The Salt Lake Apartment Market

Analysis in Brief

Strong demand for apartment units in the Wasatch Front has led to a rapid increase in rental rates. Since the Great Recession, the increase in average rent has outpaced income growth and inflation. Pent up demand coupled with a robust population increase has fueled the growth of the regions' rental market. Traditionally, Salt Lake City, West Valley City, Murray, and other northern cities of Salt Lake County have held a majority of the apartment inventory. However, cities in southern Salt Lake County and northern Utah County are experiencing significant expansion. Renters are showing a preference for proximity to employment centers, particularly in downtown Salt Lake City, Midvale, and northern Utah County. Strong demand, shortage of supply, and changing housing preferences continue to drive the rental market in the region.

Key Points

- In 2018, Salt Lake County had the highest average apartment rent of the Wasatch Front counties of \$1,153 per month. Utah and Davis counties also had average rents over \$1,100 per month.
- In 2000, the average rent for an apartment in Salt Lake County was \$647. If rent increased at the same rate as inflation, the average rent for an apartment in Salt Lake County would be approximately \$850 in 2018, nearly \$300 cheaper than the actual 2018 average.
- Average year-over rent in Salt Lake County increased 3.3 percent between 2000 and 2018. From 2013 to 2018, year-over rent increases averaged 6.1 percent.
- Apartment vacancy rates remain low, under 5 percent, in all four Wasatch Front counties, despite high levels of apartment construction.

At a Glance: Apartment Rent in Salt Lake County

Salt Lake County has experienced rapidly rising rents	From 2000 to 2018, rent in Salt Lake County rose 78 percent; more than two-thirds occurred in the last five years.
Rent has outpaced income growth and inflation	From 2000 to 2018, growth in average rent in Salt Lake County more than doubled the rate of inflation and almost doubled increases in renter median income.
ZIP codes in proximity to downtown Salt Lake City are increasingly desirable	Average apartment rent in five Salt Lake City ZIP codes have increased more than 75 percent since 2000; driven, in large part, by new upscale developments.
Southern Salt Lake County is experiencing large inventory growth	Half of all new apartment units for rent are located in the county's 14 southernmost ZIP codes. In 2000, these ZIP codes accounted for 28 percent of Salt Lake County's total inventory of apartments for rent; by 2018, that share increased to 37 percent.
Salt Lake City remains the center of apartment growth in the region	In 2000, there were just over 12,000 apartment units in the ZIP codes of Salt Lake City. By 2018, this number nearly doubled to 20,554 units.
Changing household preferences is driving apartment rental demand	Many new apartment communities target the high-end apartment market and have some of the highest average rents in the county. Rising prices and a focus on high-end development are increasing pressure on housing affordability challenges in the region.

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Introduction

The greater Wasatch Front metropolitan region has experienced sustained economic and population growth, especially since 2010. This growth has led to exceptional demand for housing, shortages of units, escalating home prices, and affordability challenges. Strong demand for apartments has resulted in rapidly rising rental rates. We examine these trends across the four core Wasatch Front counties (Weber, Davis, Salt Lake, and Utah) with particular focus on the cities and ZIP code areas within Salt Lake County.

Since 2013, Salt Lake City and the Wasatch Front have experienced an apartment boom. From 2013 to 2017, 91 percent of Salt Lake City's residential building permits were issued for apartments.¹ Despite this growth, demand for rental units within proximity to employment centers persists. Apartments will be an increasingly popular housing option throughout the metropolitan area as growth and affordability pressures continue.

We focus our analysis on apartment rents in the Wasatch Front counties. Other rental unit types affect the apartment market, but are not the focus of our research. Specifically, we exclude these rental units: single-family homes, condominiums/townhomes/duplexes, accessory dwelling units, garage conversions, and other non-traditional apartments. We examine trends in average rents in the region using the simple average of all apartment units, with no consideration of size, number of bedrooms, or other amenities. Further analysis of the relationship of rent to the characteristics of the apartment inventory can provide a greater understanding of market segmentation.

We first establish the context for an analysis of trends in Wasatch Front rents. We then examine rent trends for counties and ZIP code areas within Salt Lake County. We then examine the changing inventory of apartments along the Wasatch Front, with particular focus on ZIP code areas within Salt Lake County. As the Wasatch Front has grown, apartments have become an increasingly popular housing option, and we expect this trend to continue into the foreseeable future.

Apartment Rental Rates in the Wasatch Front Counties are Rising, Outpacing Income and Inflation

From 2000 to 2018, average apartment rent in Utah County increased 83 percent, the highest of the Wasatch Front counties (Table 1). Salt Lake County rose 78 percent. Davis and Weber counties increased 64 percent and 59 percent, respectively. Rent along the Wasatch Front grew much faster in recent years. From 2000 to 2010, Salt Lake County's average rent increased 20 percent, the largest increase of the Wasatch Front counties. From 2010 to 2018, Salt Lake County rental rates increased 49 percent, an average annual growth rate of 5.1 percent. At this rate, average rent for an apartment in Salt Lake County will be approximately \$1,274 by 2020. This rate of growth is even stronger in Utah County, where rent has increased 59 percent, with an average annual growth rate of 6.0 percent.

Rent is rising rapidly in all four Wasatch Front counties. In 2018, Salt Lake County had the highest average apartment rent, followed closely by Utah County (Figure 1). For the last three years, rental rates in Salt Lake and Utah counties have been nearly identical, with both counties' average apartment rent increasing to over \$1,100 per month. Davis County's average apartment rent broke the \$1,000 mark in 2017. Weber County has the lowest average rent of \$937 per month.

Since 2010, rent increases have outpaced increases in renter household income in all four Wasatch Front counties. In Weber County, the rate of increase in apartment rent has been nearly four times the rate of increase in renter income (Figure 2). Rent increases in Davis and Utah counties have more than doubled the growth in renter household income. Average apartment rent in Salt Lake County increased about 18 percentage points more than renter median income.

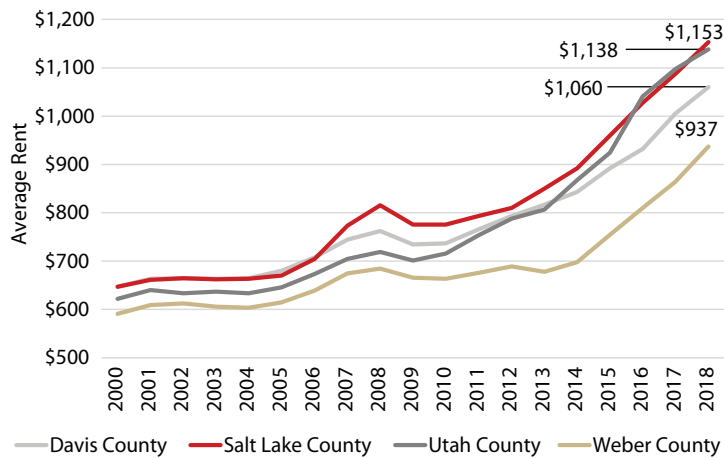
Similarly, rental rate increases have far outpaced inflation. In Salt Lake and Utah counties, rental rates for apartments rose by more than three times the rate of inflation from 2010 to 2017. If this trend continues, it will result in a greater number of households seeking alternative living arrangements including multigenerational housing, doubling up, or moving out of the region. This threat is particularly acute among lower-income households who are most price sensitive to rental rates.²

Table 1: Change in Average Apartment Rent in the Wasatch Front Counties, 2000 – 2018

County	2000 - 2018		2000 - 2010		2010 - 2018	
	Total Increase	Average Annual Growth	Total Increase	Average Annual Growth	Total Increase	Average Annual Growth
Davis	63.8%	2.8%	13.9%	1.3%	43.8%	4.7%
Salt Lake	78.2%	3.3%	19.8%	1.9%	48.8%	5.1%
Utah	83.0%	3.5%	15.1%	1.4%	58.9%	6.0%
Weber	58.5%	2.6%	12.4%	1.2%	41.1%	4.5%

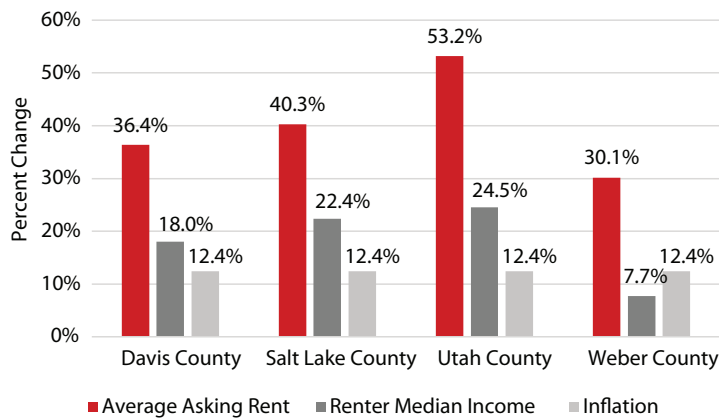
Source: CBRE, Inc. and CoStar Group, Inc.

Figure 1: Change in Average Apartment Rent in Salt Lake County, 2000 – 2018



Source: CBRE, Inc. and CoStar Group, Inc.

Figure 2: Percent Change in Average Apartment Rent, Renter Median Income, and Inflation, in the Wasatch Front Counties, 2010 – 2017

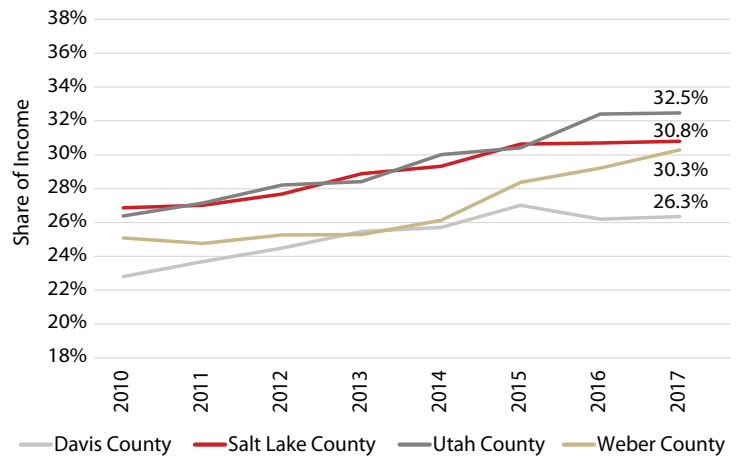


Source: CBRE, Inc. CoStar Group, Inc., Bureau of Labor Statistics, and the U.S. Census Bureau

A household is cost-burdened if they pay more than 30 percent of their income on housing costs (rent and utilities).³ With rent outpacing incomes, the household finances of Utah renters are increasingly stressed. Since 2010, renter housing cost burdens have increased in all four Wasatch Front counties. Rent (not including utilities, fees, or other housing costs) as a share of renter median income is rising (Figure 3). The burden is most prevalent in Utah County, where average rent in 2017 was 32.5 percent of renter median household income, up from 26.4 percent in 2010. The average rent as a share of renter median income in Salt Lake and Weber counties also eclipsed 30 percent by 2017.

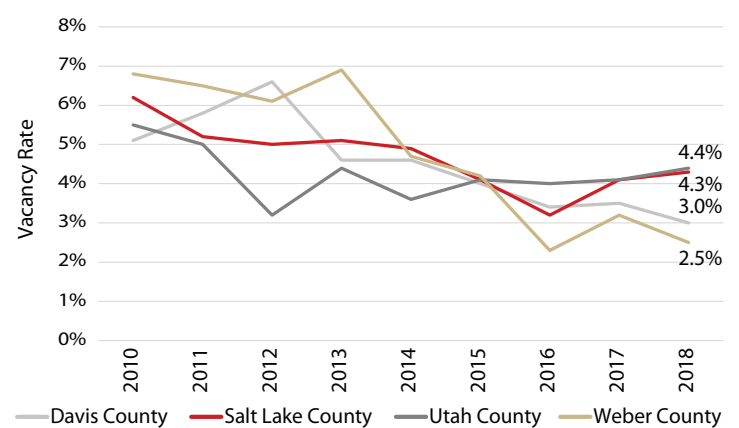
Vacancy rates for apartment units in all four Wasatch Front counties remain low. In every county, the vacancy rate has declined since 2010 (Figure 4), a clear indication of strong demand for apartment rentals in the region. Usually, rising rental rates and increased inventory would result in rising vacancy rates and ease

Figure 3: Average Apartment Rent as a Share of Renter Median Income in the Wasatch Front Counties, 2010 – 2017



Source: American Community Survey, CBRE, Inc., and CoStar Group, Inc.

Figure 4: Vacancy Rates in the Wasatch Front Counties, 2010 – 2018



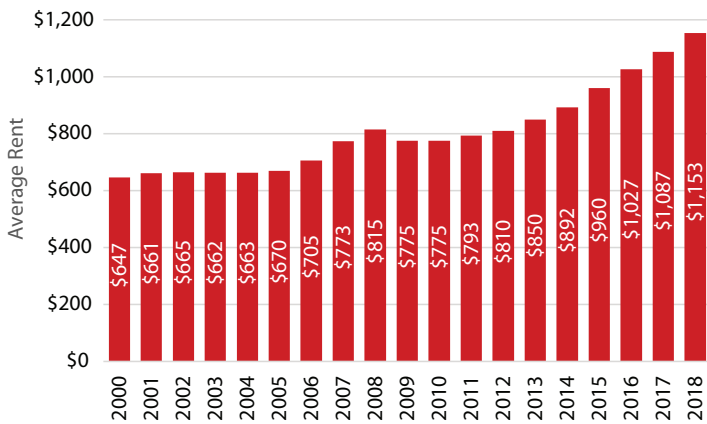
Source: CBRE, Inc.

upward pressure on rental rates. However, strong increases in average rent continue, and vacancy rates remain below 5 percent in all four Wasatch Front counties.

Rising Rents in Utah’s Largest Rental Market: Salt Lake County

Since 2000, average apartment rent in Salt Lake County increased 78 percent. The average rent for an apartment in 2000 was \$647 (Figure 5), increasing to \$1,153 in 2018. Rent only decreased once, falling from \$815 in 2008 to \$775 in 2009, dropping 5 percent as a result of the Great Recession. During this time, many households lost homes, jobs, and income. In many cases, households doubled up with family members or friends, which reduced the demand for rental housing, thereby causing a decline in rental rates. As the economy recovered, many households returned to the rental market, spurring pent up demand for apartments.

Figure 5: Average Apartment Rent for Apartment Units in Salt Lake County, 2000 – 2018



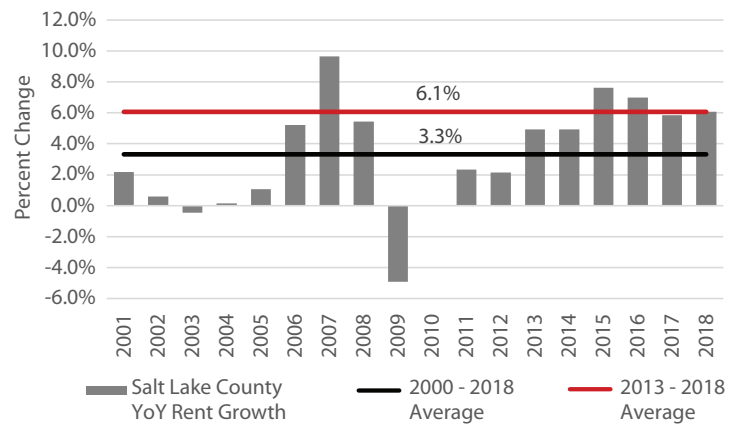
Source: CBRE, Inc. and CoStar Group, Inc.

Rent for apartment units in Salt Lake County increased an average of 3.3 percent per year between 2000 and 2018 (Figure 6). During this time, there have been two periods of relatively strong growth. The first period lasted from 2005 to 2008, the run-up to the Great Recession. This growth period includes the peak year for year-over rent increase of 9.6 percent in 2007. The second period is from 2013 to the present. For these six years, rent increased an average of 6.1 percent a year, nearly double the average since 2000.

The growth period from 2013 to the present stands out for several reasons. One, the six years of above average year-over rent increases. The previous 2005 to 2008 period only had three above average years before the recession. Two, the increase in rent has been significant every year. Year-over rent increases haven't dropped below 4.9 percent since before 2013. Three, these rent increases occurred simultaneously with a rapid increase in new apartment construction. In the years since the Great Recession, Salt Lake City has experienced a historic increase in the number of apartment units.⁴ Traditionally, an increase in supply would result in a stabilization of rent, but it appears the supply of new units has not yet matched the demand for rental units in the region.

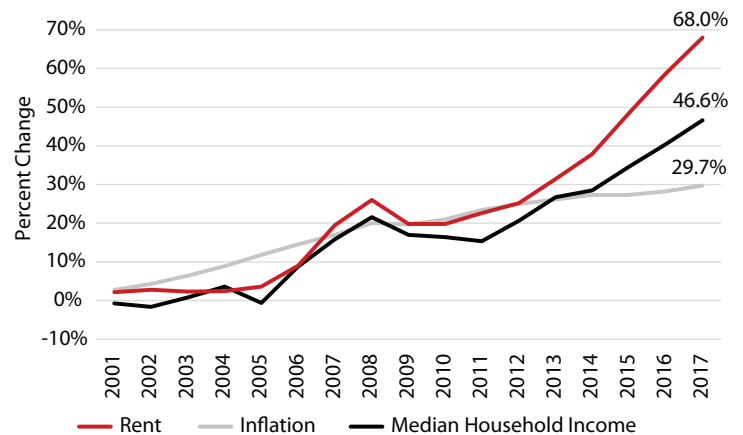
Only in 2007 and 2008, before the Great Recession, did rent growth start to outpace inflation and median income. Apartment rent during the post-recession boom starting in 2013 rose rapidly, resulting in a large gap between rental rates, income, and inflation (Figure 7). From 2000 to 2018, average rent in Salt Lake County was more than twice the rate of inflation. In 2000, the average rent for an apartment was \$647. If rent increased at the same rate as inflation, the average rent for an apartment in Salt Lake County would be approximately \$850 in 2018, nearly \$300 cheaper than the actual 2018 average. Since 2013, median household income has risen faster than inflation but still falls more than 20 percentage points below the growth in rental prices.

Figure 6: Average Apartment Rent Increase in Salt Lake County, 2001 - 2018



Source: CBRE, Inc. and CoStar Group, Inc.

Figure 7: Change in Rent, Inflation, and Median Household Income in Salt Lake County, 2000 - 2017



Note: Due to data availability, to be able to measure back to 2000, median household income for all households (renter and owner) is used. Similarly, 2017 is the latest year available at the time of publication.

Source: Bureau of Labor Statistics, CBRE, Inc., CoStar Group, Inc., and U.S. Census

Localized Rental Markets of Salt Lake County by ZIP Code

Rental rates are not uniform across Salt Lake County. In 2018, average rent varied from as low as \$783 in 84108 (east Salt Lake City) to \$1,957 in 84009 (Daybreak and South Jordan). Four ZIP codes, 84008 (Daybreak), 84093 (Sandy), 84092 (Sandy), and 84105 (east-central Salt Lake City) also have average apartment rents over \$1,300. ZIP code 84108 has the lowest average rent, likely due to the low inventory of apartments, a majority of which are old structures offering fewer modern amenities as many of the apartment communities in nearby ZIP codes. Only 84116 (northwest Salt Lake City), 84129 (Taylorsville), and 84104 (west Salt Lake City) have average rent below \$1,000 per month.

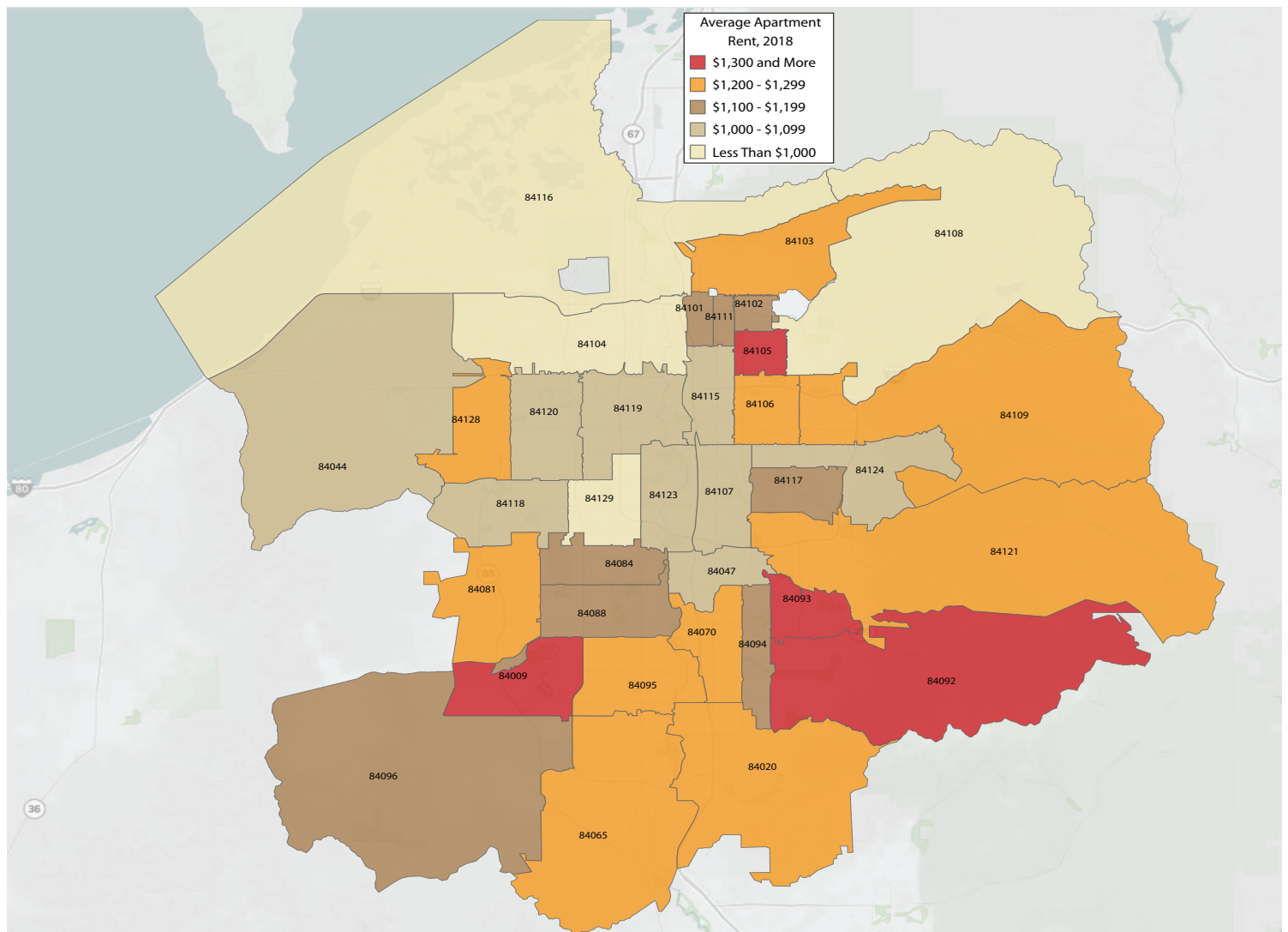
Table 2: Average Apartment Rent by ZIP Code in Salt Lake County, 2018

ZIP Code	Majority City	Rent
84009	South Jordan	\$1,957
84093	Sandy	\$1,459
84092	Sandy	\$1,404
84105	Salt Lake City	\$1,345
84103	Salt Lake City	\$1,287
84095	South Jordan	\$1,274
84070	Sandy	\$1,272
84128	West Valley City	\$1,268
84106	Salt Lake City	\$1,247
84121	Cottonwood Heights	\$1,244
84081	West Jordan	\$1,212
84020	Draper	\$1,211
84109	Millcreek	\$1,209
84065	Riverton	\$1,200
84096	Herriman	\$1,194
84094	Sandy	\$1,178
84101	Salt Lake City	\$1,174
84102	Salt Lake City	\$1,170

ZIP Code	Majority City	Rent
84111	Salt Lake City	\$1,127
84088	West Jordan	\$1,121
84117	Holladay	\$1,120
84084	West Jordan	\$1,104
84118	Kearns	\$1,082
84124	Holladay	\$1,069
84107	Murray	\$1,044
84047	Midvale	\$1,041
84120	West Valley City	\$1,028
84044	Magna	\$1,021
84115	South Salt Lake	\$1,019
84119	West Valley City	\$1,012
84123	Taylorsville	\$1,011
84116	Salt Lake City	\$988
84129	Taylorsville	\$948
84104	Salt Lake City	\$930
84108	Salt Lake City	\$783

Source: CoStar Group, Inc.

Figure 8: Average Apartment Rent in Salt Lake County by ZIP Code, 2018



Source: CoStar Group, Inc.

Average rent in the county tends to be higher in southern and eastern ZIP codes (Figure 8) due to the strong demand for new, high rent apartment projects in these locations. Daybreak (84009) is the exception to this trend as it has the highest average rent in the county.

ZIP codes in northern and western parts of Salt Lake County tend to have lower average rents. These ZIP codes have more apartments, tend to be older, and have lower-income populations. 84105 is an exception. This area of Salt Lake City (East Liberty and northern Sugarhouse) is adjacent to the high growth area of Sugarhouse around 2100 South and Highland Drive. This area has seen a significant increase in the number and quality of the units in the last few years. Except 84108, the five ZIP codes with the lowest average rent are all in the northwest quadrant of the county, approximately north of 6200 South and west of Interstate 15.

Rent in Salt Lake County's ZIP Codes Since 2000

From 2000 to 2018, average rent more than doubled in two ZIP codes. Both in central Salt Lake City, ZIP codes 84103 and 84105 rose 130 and 108 percent, respectively (Table 3). These ZIP codes contain a significant number of new units, many of which have prices at the upper end of market rents. Downtown Salt Lake City has seen a spike in demand for high priced apartment communities that include an array of amenities such as rooftop swimming pools and bbq pits, garage parking, and upscale fitness centers. Rental rates in 84106 also nearly doubled since 2000, increasing 95 percent. This area has seen significant development, including many new apartments around 2100 South and Highland Drive. In these ZIP codes, new apartment communities have found a market for higher-priced apartments offering luxury amenities and proximity to downtown Salt Lake City. The lowest rental increase is in 84108, in the northeast corner of Salt Lake City. As mentioned earlier, the low rent is likely due to the relatively small, aging inventory and the absence of new development.

Between 2000 and 2018, the largest rent increases occurred in the northern portion of the county (Figure 9). Half of the 10 largest rent increases were in ZIP codes mostly located in Salt Lake City. The relatively high rate of rent increases in the northern portion of Salt Lake County is due to the strong demand for high priced apartment communities located near employment centers and the amenities of downtown, urban living.⁵ The increased development of high priced apartments is pushing up the average prices across the county.

The Growth in the Wasatch Front Apartment Inventory Has Not Yet Caught Up to Demand

As the demand for housing increases, the pressure on the apartment market has drastically increased across the Wasatch Front. The construction of new apartment communities has burgeoned since the Great Recession. Building permits issued for new apartments units peaked in 2014 at 6,349 units for the four

Table 3: Change in Average Apartment Rent in Salt Lake County by ZIP Code, 2000 and 2018

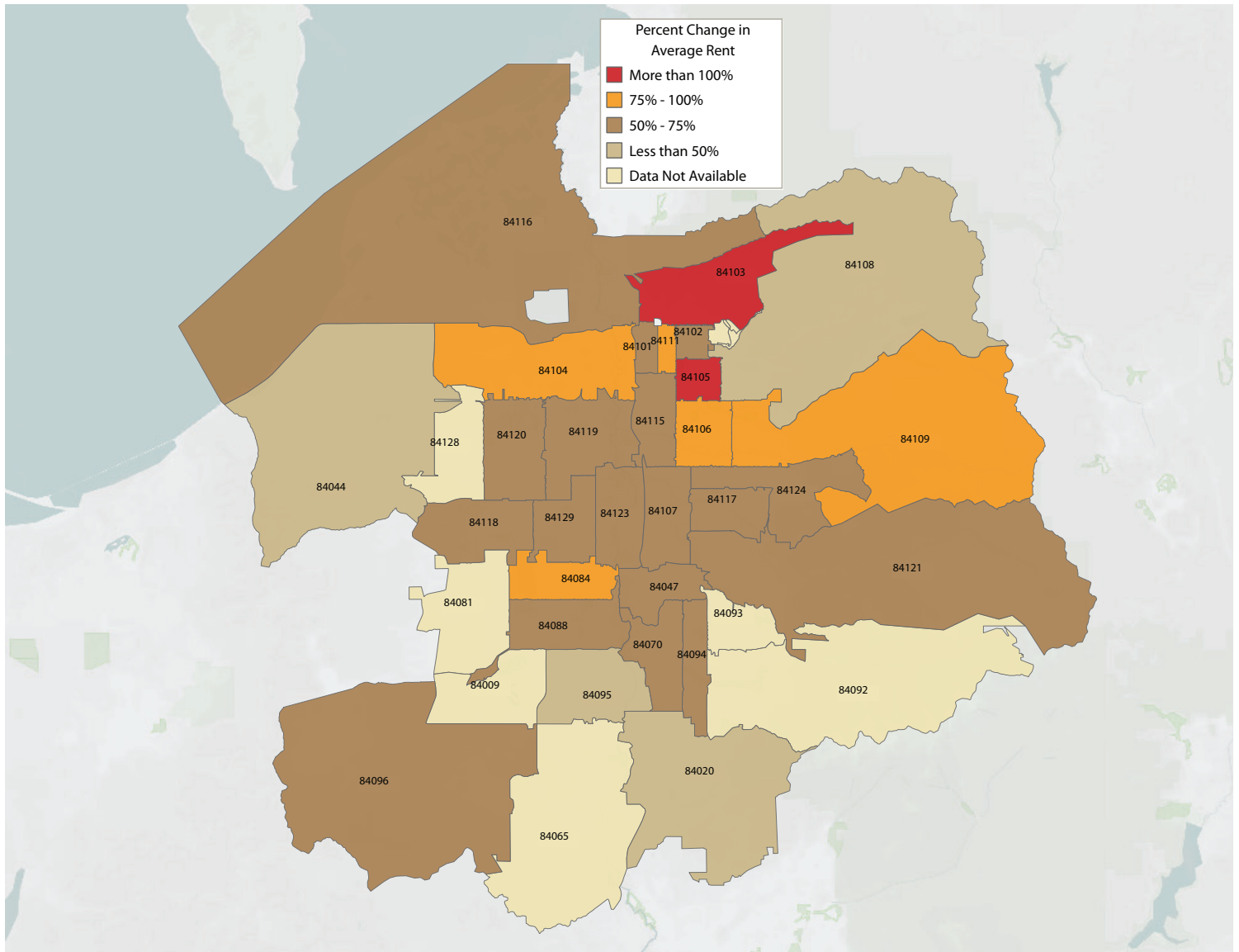
ZIP Code	Majority City	2000	2018	2000-18 Change
84103	Salt Lake City	\$559	\$1,287	130.2%
84105	Salt Lake City	\$647	\$1,345	107.9%
84106	Salt Lake City	\$641	\$1,247	94.5%
84084	West Jordan	\$606	\$1,104	82.2%
84109	Millcreek	\$664	\$1,209	82.1%
84111	Salt Lake City	\$621	\$1,127	81.5%
84104	Salt Lake City	\$531	\$930	75.1%
84121	Cottonwood Heights	\$713	\$1,244	74.5%
84115	South Salt Lake	\$585	\$1,019	74.2%
84120	West Valley City	\$592	\$1,028	73.6%
84094	Sandy	\$687	\$1,178	71.5%
84102	Salt Lake City	\$688	\$1,170	70.1%
84047	Midvale	\$620	\$1,041	67.9%
84119	West Valley City	\$606	\$1,012	67.0%
84123	Taylorsville	\$609	\$1,011	66.0%
84116	Salt Lake City	\$602	\$988	64.1%
84107	Murray	\$637	\$1,044	63.9%
84070	Sandy	\$779	\$1,272	63.3%
84088	West Jordan	\$689	\$1,121	62.7%
84101	Salt Lake City	\$742	\$1,174	58.2%
84124	Holladay	\$677	\$1,069	57.9%
84129	Taylorsville	\$606	\$948	56.4%
84118	Kearns	\$694	\$1,082	55.9%
84117	Holladay	\$727	\$1,120	54.1%
84096	Herriman	\$790	\$1,194	51.1%
84020	Draper	\$815	\$1,211	48.6%
84044	Magna	\$689	\$1,021	48.2%
84095	South Jordan	\$912	\$1,274	39.7%
84108	Salt Lake City	\$564	\$783	38.8%
84009	South Jordan	—	\$1,957	—
84093	Sandy	—	\$1,459	—
84092	Sandy	—	\$1,404	—
84128	West Valley City	—	\$1,268	—
84081	West Jordan	—	\$1,212	—
84065	Riverton	—	\$1,200	—
84112	University of Utah	—	—	—
84113	Fort Douglas	—	—	—

Source: CoStar Group, Inc.

Wasatch Front counties (Figure 10). Salt Lake County is driving this growth. From 2014 to 2018, 61.3 percent of permits issued for apartments in the Wasatch Front counties were in Salt Lake County. Recently, the number of permits issued for apartments remains high, but has slowed somewhat. Through the first quarter of 2019, building permits have been issued for 1,166 apartment units in the Wasatch Front; this is down from 1,668 permits in the first quarter of 2018, and 1,360 permits in first quarter of 2017.⁶

Despite the record growth of new apartment units, demand remains strong. Since 2010, new households have outpaced new housing units by over 40,000 households.⁷ In the last eight

Figure 9: Percent Change in Average Apartment Rent in Salt Lake County by ZIP Code, 2000–2018



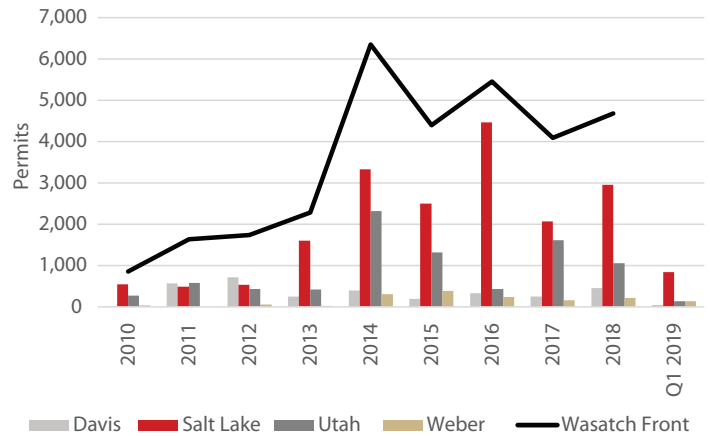
Source: CoStar Group, Inc.

years, only 2018 has seen more new housing units than additional households. This surplus is not significant enough to have much impact on low vacancy rates and rising rents. Residents seeking a variety of housing options with proximity to the metropolitan centers will continue to drive apartment construction in the Wasatch Front.

The Emergence of the Silicon Slopes Leads to Higher Apartment Rents in Southern Salt Lake County

The market for apartment units in southern Salt Lake County is growing. According to CoStar, which tracks rental apartment projects of 5 or more units, half of all new apartment units for rent are located in the county’s 14 southernmost ZIP codes (Table 4).⁸ In 2000, these ZIP codes accounted for 28 percent of Salt Lake County’s total inventory of apartments for rent; by 2018, that share increased to 37 percent.

Figure 10: Building Permits Issued for Apartments Units in the Wasatch Front, 2010–2019



Note: 2019 is reported through the first quarter.
Source: Ivory-Boyer Construction Database

Table 4: Change in Apartment Inventory in Salt Lake County by ZIP Code, 2000 and 2018

ZIP Code	City	2000	2018	Total New Units 2000 - 2018
84107	Murray	4,124	6,295	2,171
84070	Sandy	1,507	3,602	2,095
84096	Herriman	22	2,108	2,086
84047	Midvale	3,838	5,681	1,843
84101	Salt Lake City	587	2,323	1,736
84020	Draper	649	2,282	1,633
84116	Salt Lake City	2,450	4,057	1,607
84095	South Jordan	721	2,292	1,571
84111	Salt Lake City	2,393	3,883	1,490
84115	South Salt Lake	1,806	3,151	1,345
84102	Salt Lake City	2,555	3,850	1,295
84081	West Jordan	0	1,286	1,286
84119	West Valley City	3,565	4,676	1,111
84106	Salt Lake City	922	1,914	992
84103	Salt Lake City	1,945	2,843	898
84065	Riverton	0	629	629
84084	West Jordan	1,058	1,671	613
84009	South Jordan	0	515	515
84120	West Valley City	1,294	1,808	514

ZIP Code	City	2000	2018	Total New Units 2000 - 2018
84094	Sandy	604	1,113	509
84088	West Jordan	1,669	2,059	390
84044	Magna	314	690	376
84129	Taylorsville	964	1,294	330
84128	West Valley City	0	283	283
84092	Sandy	0	264	264
84093	Sandy	0	261	261
84104	Salt Lake City	997	1,137	140
84105	Salt Lake City	330	451	121
84121	Cottonwood Heights	2,187	2,304	117
84117	Holladay	1,815	1,885	70
84108	Salt Lake City	96	96	0
84109	Millcreek	528	528	0
84112	University of Utah	0	0	0
84113	Fort Douglas	0	0	0
84118	Kearns	376	376	0
84123	Taylorsville	4,484	4,484	0
84124	Holladay	722	722	0

Source: CoStar Group, Inc.

Six of 14 southern Salt Lake County ZIP codes rank in the top 10 highest average apartment rents in 2018 (Table 5). The recent expansion of Utah’s technology sector in the Silicon Slopes has increased employment in southern Salt Lake County and northern Utah County. The tech sector attracts highly skilled workers with higher than average salaries.⁹ Households seeking residence with proximity to their place of employment is contributing to the increased demand for housing in the region. The changing preference of households in the area is increasing the market for higher-priced apartment rentals.¹⁰

Table 5: Top Ten ZIP Codes Ranked by Highest Average Apartment Rent, 2018

ZIP Code	City	Average Apartment Rent
84009	South Jordan	\$1,957
84093	Sandy	\$1,459
84092	Sandy	\$1,404
84105	Salt Lake City	\$1,345
84103	Salt Lake City	\$1,287
84095	South Jordan	\$1,274
84070	Sandy	\$1,272
84128	West Valley City	\$1,268
84106	Salt Lake City	\$1,247
84121	Cottonwood Heights	\$1,244

Source: CoStar Group, Inc.

Conclusion: Sustained Growth

The post-recession recovery in Utah's rental market has been remarkably strong, fueled by robust economic and demographic growth. A shift in housing preferences toward renting and the surprisingly strong demand for luxury apartment rentals near the urban and employment centers, particularly downtown Salt Lake City, is a prominent characteristic of this housing cycle. Driven, in part, by growth in the tech sector, several high-end apartment communities have also been developed, or are proposed, in the southern portion of Salt Lake County.

Despite the record number of apartment units developed since 2014—over 27,000 units—vacancy rates remain low and rental rate increases are above 5 percent. Many of the new apartment communities target the high-end apartment market and have some of the highest average rents in the county. The demand for

high-end apartment communities is driving up rental rates overall, thereby reducing affordability in the region's rental market.

As population and economic growth persist, apartments will be an increasingly desirable housing option throughout the metropolitan area. Increasing preference for modern apartments offering upscale amenities in central locations will dictate the market for new units. A competitive market, increasing costs of construction, and demand for luxury rental units will continue to push rental rates upward, placing increased pressure on cost-burdened households with lower incomes. There is little relief in sight for renters. Rental rate increases are likely to continue to outpace income growth, further eroding housing affordability. These conditions present a serious challenge for renters, policy makers, and non-profit housing advocates.

Endnotes

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