The State of the State’s Housing Market

Utah's housing market faces a severe imbalance that creates record price increases for homeowners and renters.

October 2021
The State of the State’s Housing Market

Analysis in Brief

Utah’s housing market faces a severe imbalance that creates record price increases for homeowners and renters. The COVID-19 pandemic made the housing shortage worse by disrupting supply chains for building materials and distorting demand through lower interest rates and increased liquidity. For renters, the path to ownership narrowed further. Rental vacancy rates dropped to record levels and rental rates increased dramatically in the large Wasatch Front counties. Analysts expect price acceleration and production to remain positive in 2022. A housing bubble looks unlikely.

Key Findings

• **Despite record increases in prices, a housing bubble looks unlikely**—In Utah, both brief and prolonged price declines have always been associated with job losses and recessions. Neither appears likely in the next two to three years. Furthermore, global and national financial conditions are much improved over the 2008–2011 period, when Utah experienced its only housing bubble with 15 consecutive quarters of declining housing prices.

• **The Utah housing market has a history of extreme price spikes**—Home prices in Utah have a history of rapid acceleration. In the second quarter of 1994, the state led the country with an 18.3% increase in prices, and led again in the second quarter of 2006 with a 17.2% increase. But both these price spikes pale in comparison with the 2021 second-quarter increase of 28.3%, which ranks second among all states.

• **Market conditions confirm Utah’s housing shortage**—Market indicators confirm Utah’s housing shortage continues, whether measured by the gap between housing units and households or “on the ground” data, such as days on market, inventory of vacant unsold new homes, and rental vacancy rates.

• **COVID-19 created unprecedented conditions in the housing market**—COVID-19 disrupted the supply chain for building materials—30% of construction materials are imported from China—and disrupted the availability of labor. On the demand side, the Federal Reserve distorted demand through lower interest rates and an extraordinary increase in liquidity via quantitative easing. These policies triggered high rates of demand, which in turn pushed up housing prices to record-breaking levels.

• **More than half of Utah’s households unable to afford the median-priced home**—By the end of 2020, the median price reached $380,000, pricing out approximately 48.5% of Utah households. As prices accelerated in 2021, more than half of Utah households are unable to afford the median-priced home. For renters, the path to ownership narrowed further. In 2019, approximately 63.1% of renter households were priced out of the median home price. In 2020, the share of renters priced out increased to 72.8%.

• **Price acceleration and production are expected to remain positive in 2022**—After a record year of price acceleration and construction activity, 2022 will be dictated by mortgage rates, while demographic tailwinds are expected to keep housing demand robust for the rest of the decade. An average of eight different forecasts shows the 30-year mortgage rate at 3.1% in 2021 and climbing to 3.6% in 2022. While this isn’t a dramatic rise in rates, it is expected to impact affordability and bring price acceleration in Utah to single-digit growth.
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Does Utah Have a Housing Bubble?

**Historical Perspective**

Home prices in Utah have a history of rapid acceleration. In 1994, the state led the country with an 18.3% increase in prices, and led again in 2006 with a 17.2% increase. These nation-leading price spikes pale in comparison with the 2021 second-quarter increase of 28.3% (see Figure 1). However, in 2021, Utah didn’t lead the country but ranked second to Idaho’s extraordinary increase of 37.3% (see Map 1). As the map shows, the most rapid increases in housing prices are in western states. Of the 11 western states, eight have price increases of more than 20% in the past year.

The quarterly Utah data from the Federal Housing Finance Agency’s Housing Price Index illustrate a strong pattern of price acceleration, culminating in a price spike followed by price deceleration. The historical data show that Utah’s current price cycle is distinguished by its length and the magnitude of the price increase in 2021.

**Price Acceleration Post–Great Recession**

Since 2000, the median sales price in Utah for homes and condominiums has averaged over 5% growth annually (see Table 1 and Figures 2–3). At this rate, the price of the typical home doubles every 13 years. Even when adjusted for inflation (constant dollars), housing prices in Utah have averaged increases of over 3% annually. These long-term growth rates include the 15 consecutive quarters of price declines from the second quarter of 2008 to the fourth quarter of 2011. Once the economic recovery took hold, price increases accelerated from 2011–2021, averaging nearly 10% annually. This has culminated in the second quarter of 2021 with the unexpected and unprecedented 29.0% surge in prices, despite a global pandemic and recession.

**Record Housing Price Increases Include Nearly All Counties**

Almost all Utah counties have experienced substantial increases in housing prices in the past year. This widespread growth is a distinctive characteristic of the past 12 months. Generally, past price upswings have been concentrated in the metropolitan areas, but over the past year prices increased by at least 20% in 21 of Utah’s 29 counties (see Table 2). (Some of the smaller counties have a limited number of sales transactions. Therefore, the percent change may not be a reliable measure of change.) In twelve counties, the change was greater than 30%. Two counties, with more than 100 sales transactions, had price increases greater than 40%—Sevier and Summit counties. Only two counties saw declines, Uintah and Wayne. The 2.1% decline in Uintah reflects the county’s struggling energy-based economy.
Map 1: Year-Over Quarterly Increase in Housing Price Index, Second Quarter 2020–2021

Table 1: Average Annual Change in Median Sales Price in Utah

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single-Family</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Prices</td>
<td>5.7%</td>
<td>9.7%</td>
<td>29.0%</td>
</tr>
<tr>
<td>Constant Prices</td>
<td>3.4%</td>
<td>7.6%</td>
<td>22.4%</td>
</tr>
<tr>
<td><strong>Multifamily (Condominium, Townhome, Twin Home)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Prices</td>
<td>5.5%</td>
<td>9.4%</td>
<td>30.2%</td>
</tr>
<tr>
<td>Constant Prices</td>
<td>3.2%</td>
<td>8.3%</td>
<td>23.3%</td>
</tr>
</tbody>
</table>

Figure 2: Median Sales Price of Single-Family Homes in Utah, 2000–2021

Source: UtahRealEstate.com

Figure 3: Median Sales Price of Multifamily Homes in Utah, 2000–2021

(condominiums, townhomes, twin homes)

Source: UtahRealEstate.com

With the drop in oil prices in 2020, exploration and drilling activity fell by 600 jobs, resulting in an 8% decline in employment (Utah Department of Workforce Services.) Wayne County’s decline is likely a result of the changing price mix of homes sold rather than an overall decline in housing prices. In Summit County, the median sales price increased by nearly $350,000 to $1.15 million. A neighboring county, Wasatch, had a median sales price of nearly $758,500, the second highest priced housing market. Keep in mind, the data in Table 2 include all types of housing—single-family, condominiums, town-homes, and twin homes.
Large Cities See Substantial Price Increases

Of Utah’s 15 cities with more than 50,000 population, 11 experienced price increases greater than 30% (see Table 3). Certainly for most, if not all of these cities, the gains were record-breaking. Thirty percent price increases were unheard of in Utah before 2020–2021. Layton led all major cities with an increase of 41.7%, followed by Herriman’s 38.1% gain. Nine other major cities saw increases of more than 30%. Interestingly, Herriman was the only city in Salt Lake County to rank in the top half of the 15 large cities. Lehi, Logan, St. George, Ogden, Provo, and Orem registered larger increases than most major cities in Salt Lake County.

Table 2: Percent Change in Median Sales Price of Homes in Utah by County, 2020–2021

<table>
<thead>
<tr>
<th>County</th>
<th>January-June 2020</th>
<th>January-June 2021</th>
<th>Percent Change</th>
<th>2021 Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sevier</td>
<td>$185,000</td>
<td>$275,000</td>
<td>48.60%</td>
<td>121</td>
</tr>
<tr>
<td>Summit</td>
<td>$801,274</td>
<td>$1,150,000</td>
<td>43.50%</td>
<td>1,079</td>
</tr>
<tr>
<td>Sanpete</td>
<td>$217,000</td>
<td>$284,000</td>
<td>30.90%</td>
<td>122</td>
</tr>
<tr>
<td>Wasatch</td>
<td>$580,000</td>
<td>$758,500</td>
<td>30.80%</td>
<td>522</td>
</tr>
<tr>
<td>Iron</td>
<td>$229,900</td>
<td>$300,250</td>
<td>30.60%</td>
<td>823</td>
</tr>
<tr>
<td>Cache</td>
<td>$270,000</td>
<td>$350,000</td>
<td>29.60%</td>
<td>658</td>
</tr>
<tr>
<td>Washington</td>
<td>$339,000</td>
<td>$437,250</td>
<td>29.00%</td>
<td>2,882</td>
</tr>
<tr>
<td>Weber</td>
<td>$272,000</td>
<td>$349,650</td>
<td>28.50%</td>
<td>2,077</td>
</tr>
<tr>
<td>Utah</td>
<td>$344,820</td>
<td>$430,000</td>
<td>27.40%</td>
<td>5,037</td>
</tr>
<tr>
<td>Davis</td>
<td>$350,000</td>
<td>$432,520</td>
<td>26.20%</td>
<td>2,192</td>
</tr>
<tr>
<td>Carbon</td>
<td>$138,500</td>
<td>$168,000</td>
<td>21.30%</td>
<td>152</td>
</tr>
<tr>
<td>Box Elder</td>
<td>$275,000</td>
<td>$332,150</td>
<td>20.80%</td>
<td>352</td>
</tr>
<tr>
<td>Salt Lake</td>
<td>$365,000</td>
<td>$440,000</td>
<td>20.50%</td>
<td>8,405</td>
</tr>
<tr>
<td>Tooele</td>
<td>$311,000</td>
<td>$373,820</td>
<td>20.10%</td>
<td>696</td>
</tr>
<tr>
<td>Duchesne</td>
<td>$153,250</td>
<td>$183,000</td>
<td>19.40%</td>
<td>159</td>
</tr>
<tr>
<td>Uintah</td>
<td>$194,000</td>
<td>$190,000</td>
<td>-2.10%</td>
<td>422</td>
</tr>
</tbody>
</table>

Counties with less than 100 sales transactions

<table>
<thead>
<tr>
<th>County</th>
<th>January-June 2020</th>
<th>January-June 2021</th>
<th>Percent Change</th>
<th>2021 Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morgan</td>
<td>$414,750</td>
<td>$657,500</td>
<td>58.90%</td>
<td>26</td>
</tr>
<tr>
<td>Rich</td>
<td>$317,000</td>
<td>$494,310</td>
<td>55.90%</td>
<td>58</td>
</tr>
<tr>
<td>Beaver</td>
<td>$157,025</td>
<td>$225,000</td>
<td>43.30%</td>
<td>45</td>
</tr>
<tr>
<td>San Juan</td>
<td>$247,500</td>
<td>$335,000</td>
<td>35.40%</td>
<td>38</td>
</tr>
<tr>
<td>Daggett</td>
<td>$152,500</td>
<td>$205,000</td>
<td>34.40%</td>
<td>10</td>
</tr>
<tr>
<td>Juab</td>
<td>$269,000</td>
<td>$384,999</td>
<td>32.80%</td>
<td>71</td>
</tr>
<tr>
<td>Kane</td>
<td>$290,000</td>
<td>$384,999</td>
<td>32.80%</td>
<td>32</td>
</tr>
<tr>
<td>Grand</td>
<td>$380,000</td>
<td>$435,000</td>
<td>14.50%</td>
<td>95</td>
</tr>
<tr>
<td>Millard</td>
<td>$174,000</td>
<td>$194,000</td>
<td>11.50%</td>
<td>39</td>
</tr>
<tr>
<td>Garfield</td>
<td>$234,500</td>
<td>$256,450</td>
<td>9.40%</td>
<td>23</td>
</tr>
<tr>
<td>Emery</td>
<td>$143,000</td>
<td>$151,000</td>
<td>5.60%</td>
<td>35</td>
</tr>
<tr>
<td>Piute</td>
<td>$205,000</td>
<td>$207,500</td>
<td>1.20%</td>
<td>6</td>
</tr>
<tr>
<td>Wayne</td>
<td>$439,000</td>
<td>$360,000</td>
<td>-18.20%</td>
<td>17</td>
</tr>
</tbody>
</table>

*The January-to-June timeframe was necessary to ensure a sufficient number of sales transactions. Source: Utah Association of REALTORS

Double-Digit Price Increase for New Homes

While the median sales price of new homes is up 13% in the Greater Salt Lake market area, this increase is well below the price run-up prior to the Great Recession. From 2005 to 2007, the median sales price of a new single-family home in Salt Lake County jumped from $240,384 to $434,726, a clearly unsustainable 80% increase. With the onset of the Great Recession, the housing bubble burst as the median sales price fell to $352,077 and did not regain the 2007 price level for 11 more years (see Table 4). The 2005–2007 housing bubble proved disastrous for the single-family home building industry, much more so than for the existing residential real estate market. But in the last few years, single-family home building has rallied.

The number of permits issued for single-family homes will likely exceed 20,000 units in 2021, a level topped only by the all-time record of 20,950 units in 2006. As demand has picked up, the price of a new home has increased. Year-over second-quarter data show the median sales price of new homes in Salt Lake County is up 16.7% and in Utah County up 15.9%. With increased land, labor, and material costs, plus rising demand, the recent price hikes for new homes are modest compared with the recent price increases for existing homes. The median price of new single-family homes is now below the median sales price of existing homes in Salt Lake and Utah counties. In Salt Lake County, the typical new home sells for $507,441 compared with $535,000 for an existing home, while in Utah County, the typical new home sells for $461,566 compared with $509,674 for an existing home. This price differential is likely
explained by the premium paid for location. Existing homes are generally closer to employment, cultural, and commercial opportunities, thereby commanding higher prices.

Housing Prices and the Impact on Household Wealth and Debt

The wealth of Utah’s homeowners grew by as much as $70 billion over the past year. Utah has 700,000 homeowners. Assuming an average home value of $400,000 (a conservative estimate), the total value of owner-occupied units would be $280 billion. A 25% price increase in housing values yields a homeowner equity gain of $70 billion.

Price appreciation is making home ownership an attractive investment and buyers are taking on more household debt. Fourth-quarter 2020 per capita (18 and older) mortgage debt in Utah was $49,530, up 7.9% over 2019, the second-largest increase of any state (see Table 5). Utah ranks eighth among all states and the District of Columbia in the level of mortgage debt, partly because of the state’s young population (see Table 6). But a more important factor is the high price of homes in Utah. Notice that those states ahead of Utah in Table 6 are states with higher household incomes. To participate in the housing boom and the benefits of homeownership, most new buyers in Utah must take on relatively high levels of mortgage debt.

### Table 4: Median Sales Price of New Detached Single-Family Homes, 2005–2021

<table>
<thead>
<tr>
<th>Year</th>
<th>GSL Market*</th>
<th>Salt Lake County</th>
<th>Utah County</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$247,955</td>
<td>$240,384</td>
<td>$209,062</td>
</tr>
<tr>
<td>2006</td>
<td>$307,587</td>
<td>$340,043</td>
<td>$300,617</td>
</tr>
<tr>
<td>2007</td>
<td>$353,168</td>
<td>$434,726</td>
<td>$334,589</td>
</tr>
<tr>
<td>2008</td>
<td>$328,220</td>
<td>$352,077</td>
<td>$302,357</td>
</tr>
<tr>
<td>2009</td>
<td>$266,475</td>
<td>$242,223</td>
<td>$194,333</td>
</tr>
<tr>
<td>2010</td>
<td>$269,629</td>
<td>$265,423</td>
<td>$218,040</td>
</tr>
<tr>
<td>2011</td>
<td>$273,735</td>
<td>$284,883</td>
<td>$217,728</td>
</tr>
<tr>
<td>2012</td>
<td>$279,011</td>
<td>$268,826</td>
<td>$223,748</td>
</tr>
<tr>
<td>2013</td>
<td>$314,767</td>
<td>$326,358</td>
<td>$308,082</td>
</tr>
<tr>
<td>2014</td>
<td>$330,666</td>
<td>$336,736</td>
<td>$324,391</td>
</tr>
<tr>
<td>2015</td>
<td>$341,770</td>
<td>$348,200</td>
<td>$338,648</td>
</tr>
<tr>
<td>2016</td>
<td>$351,120</td>
<td>$365,070</td>
<td>$339,227</td>
</tr>
<tr>
<td>2017</td>
<td>$366,582</td>
<td>$383,697</td>
<td>$343,236</td>
</tr>
<tr>
<td>2018</td>
<td>$392,741</td>
<td>$418,708</td>
<td>$376,505</td>
</tr>
<tr>
<td>2019</td>
<td>$404,517</td>
<td>$426,815</td>
<td>$393,263</td>
</tr>
<tr>
<td>2020</td>
<td>$425,394</td>
<td>$452,681</td>
<td>$414,662</td>
</tr>
<tr>
<td>2Q2020</td>
<td>$411,404</td>
<td>$434,968</td>
<td>$398,164</td>
</tr>
<tr>
<td>2Q2021</td>
<td>$464,900</td>
<td>$507,441</td>
<td>$461,566</td>
</tr>
</tbody>
</table>

| 2Q % Change | 13.0% | 16.7% | 15.9% |

*GSL = Greater Salt Lake market consists of Salt Lake, Davis, Weber, Tooele, Summit, and Wasatch counties.
Source: Zonda, (formerly Metrostudy, Hanley Wood & Meyers Research)

### Table 5: Top Five States Ranked by Change in Per Capita Mortgage Debt, 2019–2020 (fourth quarter)

<table>
<thead>
<tr>
<th>State</th>
<th>2019</th>
<th>2020</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idaho</td>
<td>$34,210</td>
<td>$37,110</td>
<td>8.5%</td>
</tr>
<tr>
<td>Utah</td>
<td>$45,900</td>
<td>$49,530</td>
<td>7.9%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>$20,310</td>
<td>$21,740</td>
<td>7.0%</td>
</tr>
<tr>
<td>Nevada</td>
<td>$38,900</td>
<td>$41,590</td>
<td>6.9%</td>
</tr>
<tr>
<td>Florida</td>
<td>$29,970</td>
<td>$31,980</td>
<td>6.7%</td>
</tr>
<tr>
<td>U.S.</td>
<td>$34,790</td>
<td>$36,710</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

Note: Per capita is measured by individuals 18 years and older.
Source: New York Federal Reserve, Household Debt Statistics

### Table 6: Top 10 States Ranked by Per Capita Mortgage Debt, 2020

<table>
<thead>
<tr>
<th>State</th>
<th>Per Capita Mortgage Debt</th>
<th>Median Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>District of Columbia</td>
<td>$67,370</td>
<td>$92,266</td>
</tr>
<tr>
<td>Colorado</td>
<td>$58,590</td>
<td>$77,127</td>
</tr>
<tr>
<td>California</td>
<td>$58,060</td>
<td>$80,440</td>
</tr>
<tr>
<td>Hawaii</td>
<td>$57,580</td>
<td>$83,102</td>
</tr>
<tr>
<td>Washington</td>
<td>$54,130</td>
<td>$78,687</td>
</tr>
<tr>
<td>Maryland</td>
<td>$53,100</td>
<td>$86,738</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>$50,230</td>
<td>$85,843</td>
</tr>
<tr>
<td>Utah</td>
<td>$49,530</td>
<td>$75,780</td>
</tr>
<tr>
<td>Virginia</td>
<td>$48,830</td>
<td>$76,456</td>
</tr>
<tr>
<td>Alaska</td>
<td>$44,390</td>
<td>$75,463</td>
</tr>
</tbody>
</table>

Note: Per capita consists of those individuals 18 years and older.

### What Does Utah’s Housing Past Tell Us About Housing Bubbles?

Housing price acceleration and deceleration/decline define price cycles. Utah is now in the fourth price cycle since the 1970s. These price cycles consist of the following:

- Cycle Three: 2004–2011
- Cycle Four: 2012–present

The two recent cycles stand out as remarkable but in different ways. First, the third cycle that included the period of declining housing prices from 2008–2011 and second, the subsequent cycle’s prolonged period of acceleration, which is now in its ninth year (2013–2021) (see Table 7 and Figure 4).

In the aftermath of the Great Recession, housing prices fell by 15.6%. This is the only instance in the past 75 years of housing history when price declines lasted more than a few consecutive quarters. There were two single-year declines during the 1950s, a single-year decline in the 1960s, and a few consecutive quarters...
in 1983 and 1987–1988. But the rare occurrence of falling prices over an extended period (2008–2011), the bursting of Utah’s only housing bubble, set the stage for a long period of price acceleration. The first few years of the current acceleration were a recouping of falling prices during the Great Recession and its aftermath.

Have the nine years of rising prices created the potential for a housing bubble? Utah’s housing past, at least back to World War II, confirms the market has experienced only one housing bubble, despite nation-leading price spikes in 1994 and 2006. Every period of price decline, whether brief or prolonged, from the 1950s to 2008–2011 has been associated with a weak or contracting labor market. From the historical data, it appears that a housing bubble, with its extended price decline, must be associated with a substantial loss in jobs. For Utah to experience a housing bubble in the near term it would require a loss of jobs, an unlikely prospect in the next few years.1

Furthermore, Utah’s only housing bubble occurred during the first U.S. financial crisis since the Great Depression. Financial crises are much rarer, more serious, and destructive than recessions. The 2008 financial crisis was precipitated, in large part, by loosened banking regulations, reckless lending practices (subprime loans), and risky financial innovations (mortgage-backed securities and collateralized debt obligations), all of which led to a dangerously leveraged global financial market. These conditions are not present in 2021.

The most likely outcome for housing prices in Utah over the next two to three years is the beginning of a period of price moderation. A period of extended price declines created by a bursting bubble is extremely unlikely.
With Record Levels of Residential Construction, Does Utah Still Have a Housing Shortage?

Housing Shortage as Measured by Households and Housing Units

The commonly used housing shortage measure compares the increase in households to the increase in housing units. This method assumes that an additional household requires an additional housing unit. This assumption is consistent with the U.S. Census Bureau's methodology, which reports occupied housing units and households as equal and interchangeable estimates.

A housing shortage occurs when the growth in households exceeds the growth in housing units, historically an uncommon condition in Utah. A review of changes in households and housing units shows that from the 1970s through the 2000s, the decadal growth in housing units exceeded the growth in households by nearly 15% (see Table 8). The surplus is explained, in part, by the addition of units that are not occupied by a full-time resident (household), such as second homes, recreational condominiums (timeshare units), and cabins.

Since 2010, however, the housing-units-to-households relationship has flipped, with additional households outnumbering additional housing units, thus creating Utah's first prolonged housing shortage. Each year, from 2010 to 2017, the growth in households was greater than the growth in housing units, although the gap gradually declined over the seven-year period. By 2018 and through 2020, the number of new housing units finally outpaced new households (see Figure 5).

The cumulative shortage from 2010 to 2020 totals 44,500 housing units. This should not be interpreted as leading to 44,000 homeless households. Rather, the shortage has created record low rental vacancy rates, the smallest supply of unsold vacant new homes, and the smallest supply of vacant for-sale existing homes. In other words, the shortage has removed vacant units from the housing market, an unhealthy condition leading to higher housing prices and rental rates. Given the sizeable gap between household growth and housing units, it will take several years for the housing market to return to a healthy condition.

Market Conditions Confirm Utah's Housing Shortage

Another measure of a housing shortage looks at conditions "on the ground." The housing market has three entry points: buying a new home, buying an existing home, or renting a unit. All three points of entry show stress from demand outstripping supply.

New Home Market – Homebuilding is booming as builders respond to the housing shortage. In 2020, residential construction set an all-time record with building permits issued for 31,797 new dwelling units, and through July of 2021 the industry is on pace for 35,000 permitted units (see Figure 6). While 2020 and 2021 will be record-setting years in sheer numbers, adjusting for Utah's population growth gives a slightly different result. The peak production years were 2004–2006, measured by the number of permitted units per 1,000 population. In each of those years, 10 to 11 housing units were permitted per 1,000 population, slightly higher than the 9.8

### Table 8: Change in Utah Households and Housing Units by Decade, 1970–2009

<table>
<thead>
<tr>
<th>Decade</th>
<th>Increase in Households</th>
<th>Increase in Housing Units</th>
<th>Increase in Housing Units Compared to Increase in Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970s</td>
<td>150,669</td>
<td>174,241</td>
<td>Higher by 15.6%</td>
</tr>
<tr>
<td>1980s</td>
<td>88,670</td>
<td>108,382</td>
<td>Higher by 22.2%</td>
</tr>
<tr>
<td>1990s</td>
<td>164,008</td>
<td>170,206</td>
<td>Higher by 3.8%</td>
</tr>
<tr>
<td>2000s</td>
<td>176,411</td>
<td>213,227</td>
<td>Higher by 20.9%</td>
</tr>
<tr>
<td>Total</td>
<td>579,758</td>
<td>666,056</td>
<td>Higher by 14.9%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau

### Table 9: Cumulative Shortage of Housing Units in Utah, 2010–2020

<table>
<thead>
<tr>
<th>Year</th>
<th>Additional Households Compared to Additional Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>+15,381</td>
</tr>
<tr>
<td>2011</td>
<td>+13,530</td>
</tr>
<tr>
<td>2012</td>
<td>+9,079</td>
</tr>
<tr>
<td>2013</td>
<td>+2,622</td>
</tr>
<tr>
<td>2014</td>
<td>+1,400</td>
</tr>
<tr>
<td>2015</td>
<td>+6,857</td>
</tr>
<tr>
<td>Total</td>
<td>+44,489</td>
</tr>
</tbody>
</table>

Source: Kem C. Gardner Policy Institute, University of Utah
units in 2020 (see Figure 7). Nevertheless, whether measured in raw or per capita numbers, the data make clear that the Utah home-building industry is booming. But despite the high level of construction activity, signs of a shortage persist. The number of “finished vacant unsold homes” is at the lowest level on record, down to only 700 units. Typically, this cushion of supply runs at about 1,500 units, but the housing shortage has compressed availability (see Figure 8). A corollary to the number of vacant new homes is the months of available supply. The months of supply typically is two months. Currently, supply is down to two weeks, the lowest in 15 years (see Figure 9).

Existing Home Market – Even the wildest days of the 2005–2007 real estate boom can’t match the past 12 months, with the bidding wars, lack of inventory, offers above listing prices, and plummeting days on market. By the summer of 2021, the median days on market was only six—that’s six days from the time a home was listed until an offer was accepted (see Figure 10). In 2006, the median days on market was 16, and in the summer of 2020, 14 days. No other statistic is a better measure of the growing imbalance between housing supply and demand than the median days on market. Six days on the market sends a strong signal of a severe housing shortage.

In markets past, selling a home above the list price was a rarity. But the housing shortage has turned rarities into common practice. Since September 2020, homes have typically sold above the list price. For homes sold in April, May, and June of 2021, the average sales price was 5% above the list price (see Figure 11). While the data are limited, anecdotal comments by longtime real estate agents suggest that even in past “hot” markets, “offers above list” played, at best, a minor role; never were they the typical transaction. Again, current market conditions confirm the housing shortage.
Figure 10: Median Days on Market for Residential Units in Utah, 2000–2021
(single-family, twin home, townhomes, and condominiums)

![Graph showing median days on market for residential units in Utah from 2000 to 2021.]

Source: UtahRealEstate.com

Figure 11: Sales Prices as Percent of List Prices for Residential Real Estate in Utah, January 2017–July 2021

![Graph showing sales prices as percent of list prices for residential real estate in Utah from 2017 to 2021.]

Source: UtahRealEstate.com

Rental Market – Renters have not escaped the effects of the housing shortage. Vacant units are nearly nonexistent. Households looking to rent likely face a waiting period—sometimes several weeks—before a vacant unit is available in their desired community. For existing renters, the housing shortage most likely means a rent hike.

In the 16-year historical record, vacancy rates have never been lower in the Wasatch Front counties (see Table 10). The mid-year 2021 vacancy rate in Davis County is 1.9%, Salt Lake County less than 2%, Utah County 2.2%, and Weber County 2.1%. Shockingly low vacancy rates limit rental opportunities for those who often have no other housing alternative. And of course, the shortage has produced rent increases, the first double-digit increases for the Wasatch Front counties since pre–Great Recession years (see Table 11).

Whether measured by the gap in housing units and households or “on the ground” market conditions, all indicators point to a continued serious shortage of housing in Utah, despite the boom in new residential construction.

Table 10: Rental Vacancy Rates for Wasatch Front Counties, 2006–2021

<table>
<thead>
<tr>
<th>Year</th>
<th>Davis</th>
<th>Salt Lake</th>
<th>Utah</th>
<th>Weber</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>5.8%</td>
<td>4.0%</td>
<td>3.8%</td>
<td>6.5%</td>
</tr>
<tr>
<td>2007</td>
<td>4.8%</td>
<td>3.2%</td>
<td>3.6%</td>
<td>6.2%</td>
</tr>
<tr>
<td>2008</td>
<td>5.9%</td>
<td>4.6%</td>
<td>5.8%</td>
<td>7.0%</td>
</tr>
<tr>
<td>2009</td>
<td>8.0%</td>
<td>7.2%</td>
<td>7.0%</td>
<td>9.0%</td>
</tr>
<tr>
<td>2010</td>
<td>5.1%</td>
<td>5.7%</td>
<td>5.5%</td>
<td>6.8%</td>
</tr>
<tr>
<td>2011</td>
<td>5.8%</td>
<td>5.2%</td>
<td>5.0%</td>
<td>6.5%</td>
</tr>
<tr>
<td>2012</td>
<td>6.6%</td>
<td>3.8%</td>
<td>3.2%</td>
<td>6.1%</td>
</tr>
<tr>
<td>2013</td>
<td>4.6%</td>
<td>3.9%</td>
<td>4.4%</td>
<td>6.9%</td>
</tr>
<tr>
<td>2014</td>
<td>4.6%</td>
<td>3.0%</td>
<td>3.6%</td>
<td>4.7%</td>
</tr>
<tr>
<td>2015</td>
<td>4.0%</td>
<td>2.7%</td>
<td>4.1%</td>
<td>4.2%</td>
</tr>
<tr>
<td>2016</td>
<td>3.4%</td>
<td>2.9%</td>
<td>4.0%</td>
<td>2.3%</td>
</tr>
<tr>
<td>2017</td>
<td>3.5%</td>
<td>2.6%</td>
<td>4.1%</td>
<td>3.2%</td>
</tr>
<tr>
<td>2018</td>
<td>3.0%</td>
<td>2.7%</td>
<td>4.4%</td>
<td>2.5%</td>
</tr>
<tr>
<td>2019</td>
<td>3.0%</td>
<td>3.4%</td>
<td>3.2%</td>
<td>3.0%</td>
</tr>
<tr>
<td>2020</td>
<td>2.8%</td>
<td>3.9%</td>
<td>4.2%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2021*</td>
<td>1.9%</td>
<td>&lt;2.0%</td>
<td>2.2%</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

* Mid-year
Source: CBRE and Cushman & Wakefield

Table 11: Average Rental Rate for Wasatch Front Counties, 2006–2021

<table>
<thead>
<tr>
<th>Year</th>
<th>Davis</th>
<th>Salt Lake</th>
<th>Utah</th>
<th>Weber</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$630</td>
<td>$652</td>
<td>$660</td>
<td>$596</td>
</tr>
<tr>
<td>2007</td>
<td>$670</td>
<td>$728</td>
<td>$705</td>
<td>$623</td>
</tr>
<tr>
<td>2008</td>
<td>$715</td>
<td>$793</td>
<td>$719</td>
<td>$651</td>
</tr>
<tr>
<td>2009</td>
<td>$701</td>
<td>$740</td>
<td>$701</td>
<td>$639</td>
</tr>
<tr>
<td>2010</td>
<td>$711</td>
<td>$720</td>
<td>$716</td>
<td>$640</td>
</tr>
<tr>
<td>2011</td>
<td>$701</td>
<td>$754</td>
<td>$753</td>
<td>$655</td>
</tr>
<tr>
<td>2012</td>
<td>$720</td>
<td>$814</td>
<td>$788</td>
<td>$684</td>
</tr>
<tr>
<td>2013</td>
<td>$756</td>
<td>$850</td>
<td>$807</td>
<td>$678</td>
</tr>
<tr>
<td>2014</td>
<td>$796</td>
<td>$865</td>
<td>$868</td>
<td>$698</td>
</tr>
<tr>
<td>2015</td>
<td>$839</td>
<td>$907</td>
<td>$924</td>
<td>$754</td>
</tr>
<tr>
<td>2016</td>
<td>$933</td>
<td>$949</td>
<td>$1,041</td>
<td>$810</td>
</tr>
<tr>
<td>2017</td>
<td>$1,005</td>
<td>$1,011</td>
<td>$1,097</td>
<td>$864</td>
</tr>
<tr>
<td>2018</td>
<td>$1,060</td>
<td>$1,072</td>
<td>$1,138</td>
<td>$937</td>
</tr>
<tr>
<td>2019</td>
<td>$1,102</td>
<td>$1,145</td>
<td>$1,181</td>
<td>$995</td>
</tr>
<tr>
<td>2020</td>
<td>$1,136</td>
<td>$1,182</td>
<td>$1,196</td>
<td>$1,040</td>
</tr>
<tr>
<td>2021*</td>
<td>$1,272</td>
<td>$1,301</td>
<td>$1,395</td>
<td>$1,206</td>
</tr>
<tr>
<td>2020–2021 Change2</td>
<td>12.0%</td>
<td>10.0%</td>
<td>16.6%</td>
<td>16.0%</td>
</tr>
</tbody>
</table>

1. Mid-year
2. Year-over second quarter.
Source: CBRE and Cushman & Wakefield
Silicon Slopes—The Epicenter of Utah’s Growth

By Carolyn Love

Utah has experienced record population growth of nearly 1 million people over the last two decades. Approximately 25.6% of that growth is concentrated in seven cities clustered near the border of Salt Lake and Utah counties, often referred to as Silicon Slopes. These include South Jordan, Draper, Bluffdale, Herriman, Saratoga Springs, Lehi, and Eagle Mountain. Between 2001 and 2019, Utah’s population increased by 936,456 people, from 2,283,715 to 3,220,171, growing 41% in total and 2.3% on average annually. The Silicon Slopes area grew at a much higher rate of 239% during this time. The population increased by 239,932 people, from 100,286 in 2001 to 339,678 in 2019.

In 2000, Silicon Slopes accounted for 13.4% of total Utah permitted dwelling units. By 2018, Silicon Slopes accounted for 31.9% of Utah’s total permitted units, dipping to 24.1% in 2020 (see Figure 12). Permitted units in Silicon Slopes reached 5,596 in 2006, a pre-recession record. Single-family homes accounted for 92% of total units. After a decline through the Great Recession, the pre-recession record wasn’t exceeded until 2018, with permitted units reaching 7,553. However, only 48% of those units were single-family permits, with 35% condos and townhomes and 18% apartments.

What Hath COVID-19 Wrought for the Housing Market?

Supply Disruption

The construction industry depends on a global supply chain. For example, Spain, Italy, and Lithuania are significant sources of glass and aluminum materials. Germany supplies plumbing materials and South Korea heating and air conditioning systems. But by far, the most important global source of building materials is China. According to FW Dodge Data, 30% of all building material imports to the U.S. come from China, including flooring, electrical, hardware, and plumbing materials. With the outbreak of COVID, many Chinese manufacturing plants supplying building materials locked down, disrupting the supply chain and causing building delays and higher construction costs.

COVID also affected the national supply chain. Stay-at-home orders in Northwest lumber mills cut production at a time when, unexpectedly, the demand for housing and DIY home improvements accelerated. It was widely expected that COVID would subdue demand for housing, but the opposite occurred. Consequently, lumber prices soared for several months before recently retreating to levels still well above pre-pandemic prices. Supply disruption also affected prices for steel, plastic pipe, and wood engineered products. Building materials prices have always been prone to volatility, but COVID amplified this volatility and contributed to the double-digit increase in new home prices.

Demand Distortion

Outside wartime, the federal response to the pandemic was the most comprehensive 12-month mobilization of policies and funding ever marshaled by the government. Many programs either directly or indirectly assisted homeowners and renters; for example, forbearance for homeowners and eviction moratoriums and $200 million in assistance for renters. And...
In summary, the Federal Reserve’s intervention, whether through lowering the federal funds rate or the purchase of U.S. Treasuries and mortgage-backed securities, pumped an extraordinary level of liquidity into capital markets, which in turn lowered interest rates (see Figure 14) and produced a housing boom with the largest single-year price increase in housing history. Housing price increases of 20%, 30%, and even 40% are the consequence of avoiding a severely damaging recession, a consequence that will likely have lingering effects on future housing prices.\textsuperscript{2}
Affordability

According to the 2019 Survey of Consumer Finances, the median homeowner net worth was $255,000, while renter net worth was $6,300. For the majority of homeowners, the survey shows housing to be the major source of wealth. Across all income groups, housing wealth accounted for 32% of the wealth created between 2016 and 2019, the largest of any category. Additionally, 92% of the wealth of owners who are in the lowest income bracket is attributed to the value of the residence. Although the price acceleration experienced through the COVID pandemic increased the wealth of current homeowners, it added further challenges on the path to ownership for renters and is likely to impact future wealth generation.

For homeowners, housing affordability is generally dictated by household income and interest rates. From May 2018 through January 2021, the median monthly mortgage payment stayed relatively flat, ranging from $1,968 to $2,120 and averaging $2,030. During this period the median sold price increased from $303,000 to $380,000 (see Figure 15). While prices rose, the median payment declined through parts of 2019 and 2020 as mortgage rates fell from decadal highs to historic lows (see Figure 16).

Interest rates, arguably, have the strongest impact on prices short-term. In the last decade, 2018 experienced the highest rates, with the 30-year rate topping 4.9%. Since March 2012, Utah’s housing prices have experienced positive growth. However, while rates increased in 2018, the monthly median sold price declined during the latter half of the year from $310,000 to $301,000.

The 30-year mortgage rate reached historic lows throughout 2020, allowing buyers to qualify for a higher sale price while keeping the monthly payment somewhat reasonable. For example, a $1,500 monthly mortgage payment (excluding down payment, taxes and insurance) with a 2.5% 30-year fixed interest rate qualifies for a principal of $324,194. When the interest rate is at 3.5%, the principal decreases to $285,263.

Combining incomes and rates shows that households with incomes between $35,000 and $49,999 can afford a monthly mortgage payment that is between $875 and $1,250 (see Table 12). Adding a down payment of 3.5%, and a 3.1% 30-year fixed interest rate (the average rate in 2020), allows for this group to qualify for a home that is priced between $211,800 and $302,600. In 2020, these households could afford 31.3% of the homes for sale in Utah (see Table 13).

Figure 15: Comparison of Utah Median Sales Price and Median Monthly Payment, 2015–2021

![Figure 15: Comparison of Utah Median Sales Price and Median Monthly Payment, 2015–2021](image)

Note: Mortgage payments assume a 3% down payment, taxes at 0.072% of the value of the home, private mortgage insurance (PMI) at 1% of the value of the home, home insurance of $800 annually, and mortgage interest rate reported by Freddie Mac for corresponding month. Source: UtahRealEstate.com, Kem C. Gardner Policy Institute

Figure 16: Year-Over Percent Change in Median Sales Price and Median Monthly Payment in Utah, 2015–2021

![Figure 16: Year-Over Percent Change in Median Sales Price and Median Monthly Payment in Utah, 2015–2021](image)

Note: Assumes 30% debt-to-income, PMI, annual avg. 30-yr mortgage rate, and property taxes. Source: Calculated by Kem C. Gardner Policy Institute from data provided by UtahRealEstate.com
Utah’s median household income increased from $62,912 in 2015 to $75,780 in 2019, growing 20.5%. Regardless of the growth in household income, affordability decreased in every income bracket. The availability of affordable/entry-priced housing has decreased over the last five years. Households with incomes less than $50,000 in 2015 could afford 70.6% of homes on the market that year. In 2020, their share of affordable homes had decreased to 31.3% (see Figure 17).

The acceleration of housing prices throughout the COVID-19 pandemic continued to exacerbate existing affordability challenges. In 2019, the median sales price in Utah was $320,000 and approximately 40% of households were priced out (see Figure 18). By the end of 2020, the median price reached $380,000, pricing out approximately 48.5% of Utah households. As prices have accelerated in 2021, more than half of Utah households are unable to afford the median. For renters, the path to ownership narrowed further. In 2019, approximately 63.1% of renter households were priced out of the median home price. In 2020, the share of renters priced out increased to 72.8% (see Figure 19).
What’s in Store for Housing Prices, Demand, and Construction?

Mortgage rates and demographics will dictate what lies ahead for prices and demand after a record year of price increases and purchases. Demographic tailwinds are favorable for strong housing demand, but the lack of affordable housing and low inventory are expected to continue to be major challenges.

In the near term, rates are expected to rise after historic lows (see Figure 20). An average of eight different forecasts shows the 30-year mortgage rate at 3.1% in 2021 and climbing to 3.6% in 2022. While this isn’t a dramatic rise in rates, it is expected to have an impact on affordability and bring price acceleration in Utah to single-digit growth. After a record year of both absolute and percent growth, price acceleration is expected to stay positive, albeit at a much slower pace (see Figure 21). Median sales price growth in Utah is expected to range from 3.5% to 7.2% in 2022.

During 2020, Utah experienced an increase in younger buyers. According to mortgage application records, 32.3% of applicants were between 25 to 34 years old; additionally, 41.2% were below the age of 34 (see Figure 22). Nationally, the median age of first-time homebuyers was 32 years in 2018.¹ Both the U.S. and Utah have a significant share of the population reaching peak first-time home-buying age over the next several years (see Figure 23). Individuals between the age of 26 and 32 account for 9.9% (32.5 million) of the U.S. population and 10.4% (332,000) of Utah’s population. This age cohort is expected to provide a wave of first-time homebuyers, keeping the demand for housing strong for the rest of the decade.

Housing construction is expected to reach 35,000 units in 2021, an increase of 10.3% over 2020. Another 36,000 units are projected in 2022, a growing 2.9% over 2021 and the lowest growth rate since 2015 (see Figure 24).

---

¹ Source: 30-yr avg. from Freddie Mac; forecast is an average of Freddie Mac, Fannie Mae, Mortgage Bankers Association, National Association of Home Builders, Moody’s, National Association of Realtors, and Wells Fargo.
Endnotes

1. A bubble is confirmed when housing prices decline after the bubble bursts. Otherwise, every run-up in housing prices would qualify as a bubble. Bubbles occur with overinvestment, overbuilding, and irrational exuberance that drive prices higher than the assets fundamentally justify. Alan Greenspan commented, in his 1996 speech “The Challenge of Central Banking in a Democratic Society,” on the difficulty of defining a bubble as prices rise: “But how do we know when irrational exuberance has unduly escalated asset values, which then become subject to unexpected and prolonged contractions?” Only after the fact. We know there was a bubble when the asset price has a prolonged contraction, as occurred with housing prices in Utah from 2008 to 2011, rather than a deceleration or moderation of housing price increases.

2. In hindsight, the extent of the Federal Reserve’s response has been second-guessed, but consider the uncertain economic and public health conditions in the spring of 2020. “In the historic record of modern capitalism, there has never been a moment in which close to 95 percent of the world’s economies suffered a simultaneous contraction in per capita GDP, as they did in the first half of 2020. Over 3 billion adults were furloughed from their jobs or struggled to work from home. The fact that the world collectively willed the shutdown makes this utterly unlike any previous recession.” Tooze, Adam, Shutdown: How Covid Shook the World’s Economy. New York City: Viking, 2021.


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James Lee Sorenson
Vicki Varela

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Speaker Brad Wilson
Senate President Stuart Adams
Representative Brian King
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