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Salt Lake County Residential Real Estate Market Recap: 2018 Compared to 2017

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Commissioned by the Salt Lake Board of Realtors®

FOURTH BEST YEAR IN OVERALL HOME SALES, BUT SLOWDOWN LIKELY

Salt Lake County's residential real estate market benefitted from another year of strong demographic and economic growth and favorable, but slightly higher, mortgage rates.

A year-end snapshot of Salt Lake County's real estate market shows:

Single-Family Sales

- 13,104 single family homes sold, a slight decline of 1 percent, 196 fewer sales.
- The median sales price of single family home at \$355,000, up 9 percent.
- The value of single family sales at \$5.3 billion, an increase of 8 percent.

Multifamily Sales (Condominium, Town Home and Twin Homes)

- 4,852 multifamily units sold, up 8 percent. Biggest year ever in multifamily sales.
- Median sales price of multifamily unit at \$248,257, up 10 percent.
- The value of multifamily sales nearly \$1.3 billion, an increase of 19 percent.

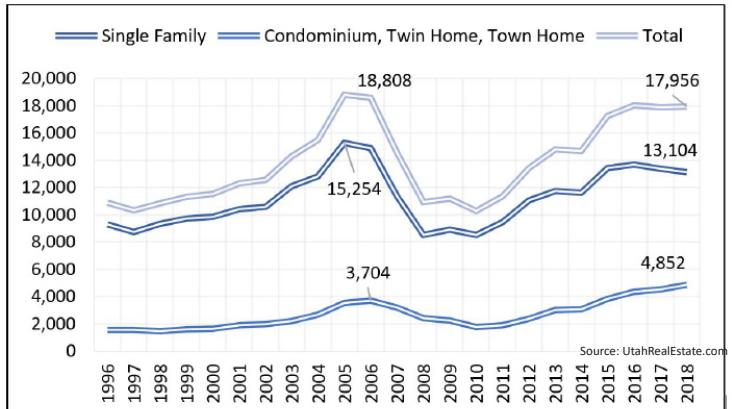
Commissions (Condominium, Town Home and Twin Homes)

- Total residential real estate commissions \$397 million, up 11 percent.

RESIDENTIAL REAL ESTATE SALES 1996 TO 2018

The combined sales in 2018 of single family and multifamily homes in Salt Lake County totaled 17,956 units, the fourth highest year ever. Only 2005 and 2006, the two years preceding the Great Recession and 2016 had more residential sales Figure 1. Salt Lake City captured by far the largest share of residential sales activity with nearly a 22 percent share; a total of 3,913 sales. The next four highest ranked cities in number of home sales were: West Jordan (1,877 homes), South Jordan (1,503 homes), Sandy (1,493 homes) and West Valley City (1,464 homes).

Figure 1
Residential Real Estate Sales in Salt Lake County
(single family, condominium, town home and twin home)



ECONOMIC EXPANSIONS & SALT LAKE COUNTY'S RESIDENTIAL REAL ESTATE MARKET

The past eight years of strong increase in residential sales and prices, not surprisingly, coincides with Utah's eight-year economic expansion. Economic expansions are defined by several years of employment growth above 3 percent annually. Over the past 50 years Utah has had three periods of prolonged economic expansion. During each, the state, for a year or two, has led the country in employment growth. And historically Salt Lake County's best, long-term real estate markets were during periods of extended economic expansions; 1970s, 1990s and since 2010.

2019 ECONOMIC FORECAST

While the most recent economic forecast (October 2018) shows continued solid growth most indicators point to a deceleration in the rate of growth. Key points for the 2019 statewide forecast:

- **Slightly Slower Job Growth** - Employment growth will slow from 3.3 percent in 2018 to 3.1 percent in 2019; still an impressive growth rate.
- **Slower Demographic Growth:** Net in-migration is expected to be significantly lower due to revised forecast.
- **Labor Market Gets Tighter** – Unemployment rate to drop to 3 percent in 2019. In the past 70 years only two years, 2006 and 2007, have had lower rates of unemployment.
- **Increase in Average Pay Not as Strong** - The 3.8 percent increase in average pay in 2018—the largest increase since 2006—is projected to decline to 2.5 percent in 2019.

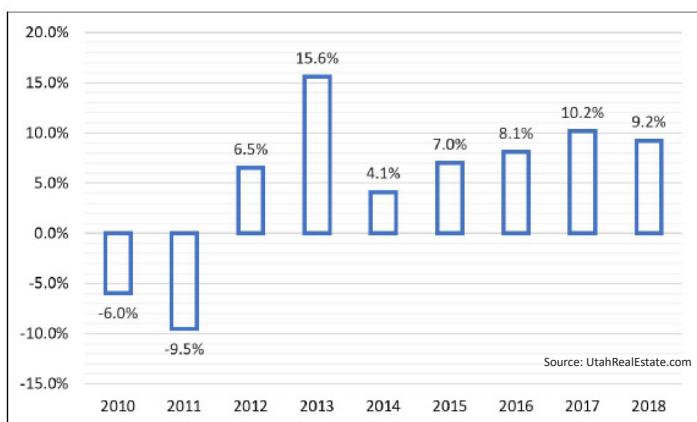


- **Residential Construction, Slight Decline** – Growth in residential construction will stall as higher interest rates, high new home prices, and fewer new households cut into demand.
- **Permit Authorized Nonresidential Construction** – Permit authorized nonresidential construction is expected decline from \$2.0 billion in 2018 to \$1.75 billion in 2019 but non-permit authorized projects (public projects) are at a record level; Salt Lake International Airport project, new Utah State Prison, and highway and road construction.
- **Broad-Based Growth in 2019** - Most economic indicators with the exception of construction related indicators show growth but at a bit slower pace than 2018.

SIGNS OF A SLOWDOWN

Utah's relatively strong economy will provide the Salt Lake County real estate market with a buffer to the anticipated slowdown in the real estate market. The first signs of a slowdown showed up in the last half of the year. In Salt Lake, year-over home sales declined from September through the end of the year with the decline accelerating to 12 percent in December. Price increases also weakened by November and December to 6 percent, which pulled the annual increase from double digit territory to 9.2 percent, Figure 3.

Figure 3
Percent Change in Median Sales Price of Single Family Home in Salt Lake County



The underlying causes of the slowdown are higher prices and rising interest rates; in other words housing affordability. The median sales price of a home in Salt Lake County has increased from \$245,000 in 2013 to \$355,000 in 2018. This 45 percent increase in the median price sales price along with higher interest rates reduces the home buying incentive for potential buyers, not only buyers transitioning from rental to homeownership but also buyers considering moving-up.

The adverse impact of higher prices and interest rates on a mortgage payment and housing demand is shown in Figure 4. In 2013 the mortgage payment for the median priced home (\$245,000) in Salt Lake County was \$1,299. By 2018 the payment for the median priced home (\$355,000) jumped to \$2,014, a 55 percent increase in just five years.

Figure 4
Mortgage Payment for Median Price Home in Salt Lake County and Utah



OUTLOOK FOR MORTGAGE RATES

Most experts agree that mortgage rates will move above 5 percent in 2019. The interest rate forecasts of some of the largest housing and mortgage related groups is shown in Table 1.

Table 1
Forecast of 30-Year Fixed Mortgage Rate for 2019

Mortgage Bankers Association	5.1%
National Association of Realtors	5.3%
Realtor.com	5.5%
Freddie Mac	5.1%
National Association of Home Builders	5.2%
Fannie Mae	4.8%
Zillow	5.8%
Average of Seven Forecasts	5.25%

FORECAST FOR 2019

Slightly lower economic and demographic growth along with higher prices and interest rates will dampen demand in 2019. These conditions mean fewer single family sales but more condominium and townhome sales as buyers seek affordable housing. Single family sales will decline from 13,100 to 12,000 units, an 8 percent decline while condominium sales will increase to 5,200 units, up 7 percent. Total sales, both homes and condominiums, will be down about 4 percent to 17,200 units. The median sales price of a single-family home will increase 5 to 7 percent to around \$375,000 while the median price for condominium will increase by 10 percent to \$275,000. The value of residential sales is forecast at \$6.5 billion with \$390 million in residential real estate commissions.



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