

SALT LAKE  
BOARD OF  
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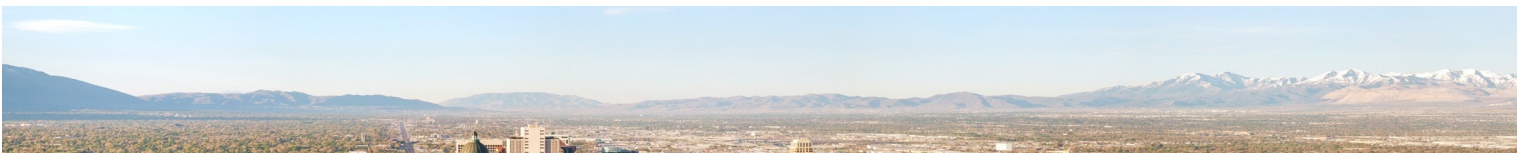


# HOUSING FORECAST

EXECUTIVE REPORT

2020





## An Exceptional Year for Salt Lake’s Housing Market | 2019 Was One of the Best Years in Overall Residential Sales

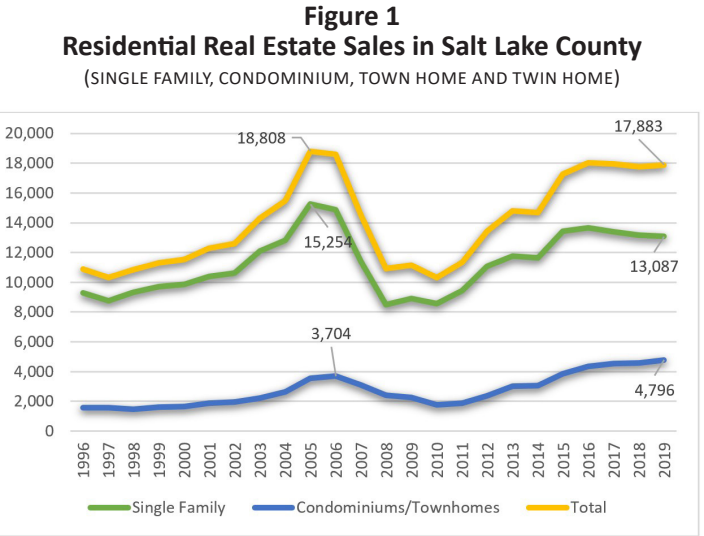
**Salt Lake County Residential Real Estate Market:  
2019 Review - 2020 Forecast**

**By James Wood**

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Commissioned by the Salt Lake Board of Realtors®*

### Level of Sales Nearly Unchanged in 2019

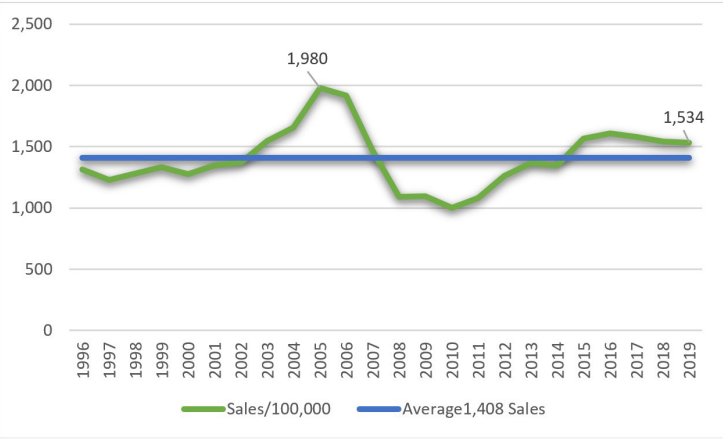
For the fourth consecutive year, residential sales finished in the narrow range between 17,800 and 18,000 sales. Single-family sales totaled 13,087, only 17 fewer than in 2018. Condominium/townhome sales totaled 4,796, only 204 more than in 2018. Combined sales (single-family, townhome, condo) totaled 17,883, a hardly-visible increase of one-half of one percent over 2018.



### A Second Measure of Sales

The historical data above do not take into account the demographic growth of the county. As the population of the county increases, there should be a corresponding increase in home sales. One way to account for population increase is to calculate the number of homes sold per 100,000 people. In 2019, the rate of homes sold was 1,534 homes for every 100,000 people, 9% above the long-term average of 1,408 homes sold. So, while the 17,883 sales in 2019 is one of the highest years ever, adjusting for population growth shows that 2019 sales were just a bit higher than the long-term average.

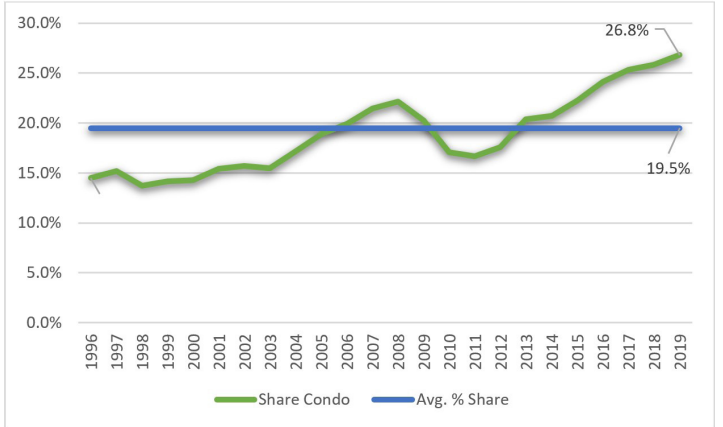
**Figure 2**  
**Residential Real Estate Sales in Salt Lake County**  
**per 100,000 population**  
(SINGLE FAMILY, CONDOMINIUM, TOWN HOME AND TWIN HOMES)



### Shift in Demand to Condominiums/ Townhomes

Since the end of the Great Recession, a shift has been underway in housing demand. This shift reflects the homebuyer’s preference and need for more affordable housing. In 2019, 26% of residential units sold were either condominiums or townhomes; the highest percentage share on record.

**Figure 3**  
**Condominiums/ Townhomes Share of Total Residential**  
**Units Sold in Salt Lake County**



### Housing Prices Extend Streak

Housing prices in Utah have increased substantially in the past seven years (up 67%), but this rate of increase is not a rarity in the Utah housing market. Of the past 50 years, 25 of those years fall into periods of rapidly increasing housing prices statewide. The 1975 to 1982 period registered the greatest increase, with more than a doubling of home prices in just seven years.



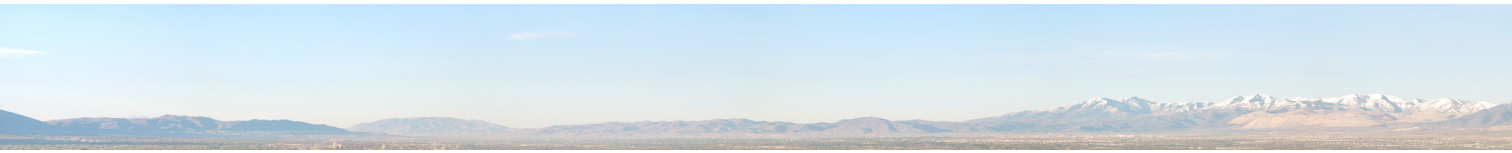
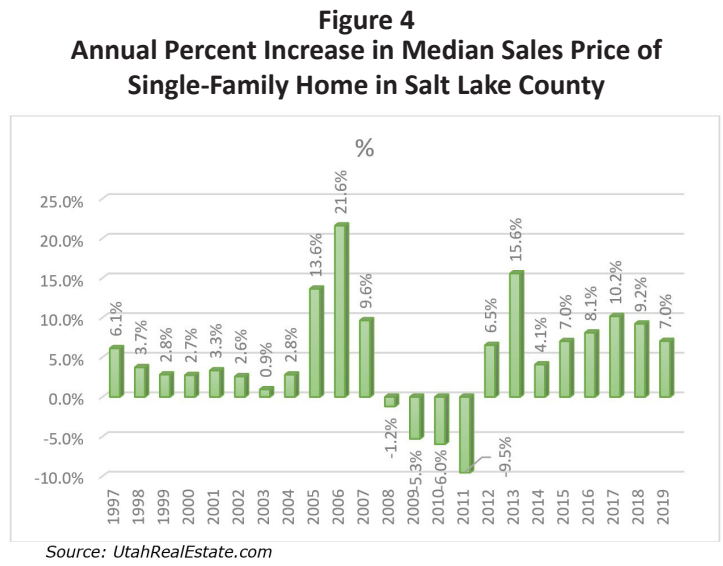


Table 1 Periods of Rapid Housing Prices Increases in Utah		
	% Increase	Years
1975 to 1982	109%	7 yrs.
1991 to 1998	94%	7 yrs.
2003 to 2007	49%	4 yrs.
2012 to 2019	67%	7 yrs.

Source: Federal Housing Finance Agency.

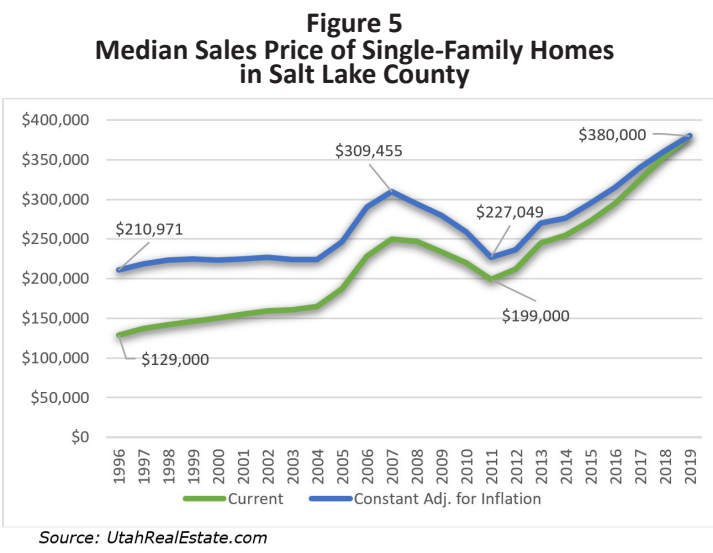
### Price Increase Moderates for Single-Family Homes

In 2019, the median sales price of a single-family home in Salt Lake County increased by 7%. The deceleration in price increases the past two years suggests that a double-digit increase in 2020 is unlikely.



### In the Long Run, Prices Average a 4.6% Increase Annually

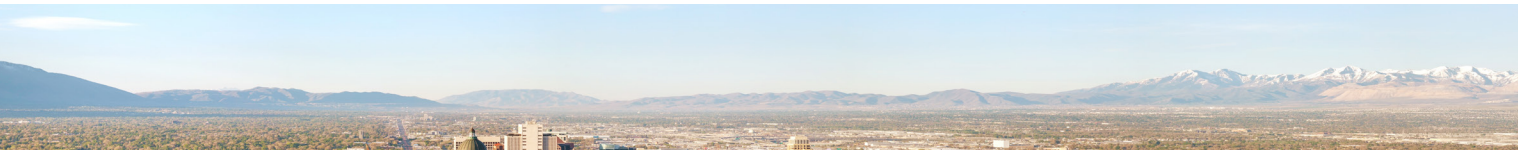
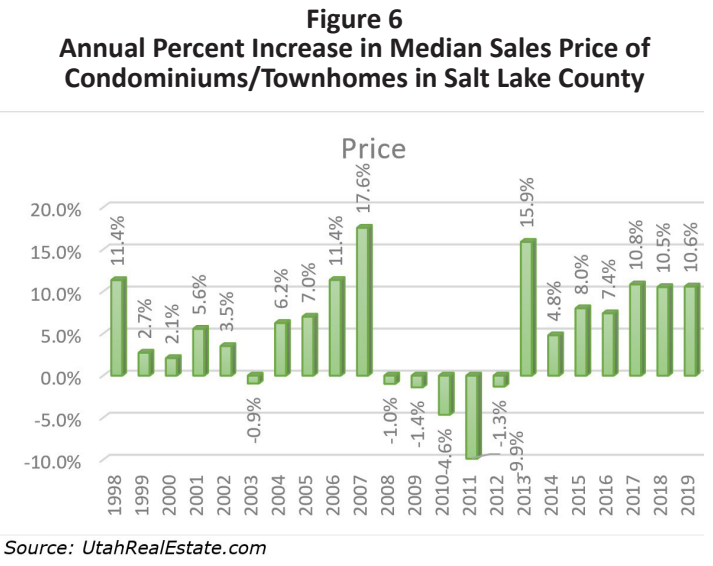
The median sales price of single-family home in Salt Lake County was \$380,000 in 2019, up 91% since 2011, the year prices ended their decline following Great Recession. Over the long run (1996-2019) the median sales price of a home in Salt Lake County has increased annually at 4.6% in current dollars and at 2.5% in inflation-adjusted constant dollars.



**“In 2019, the median sales price of single-family home in Salt Lake County was \$380,000, up 91% since 2011.”**

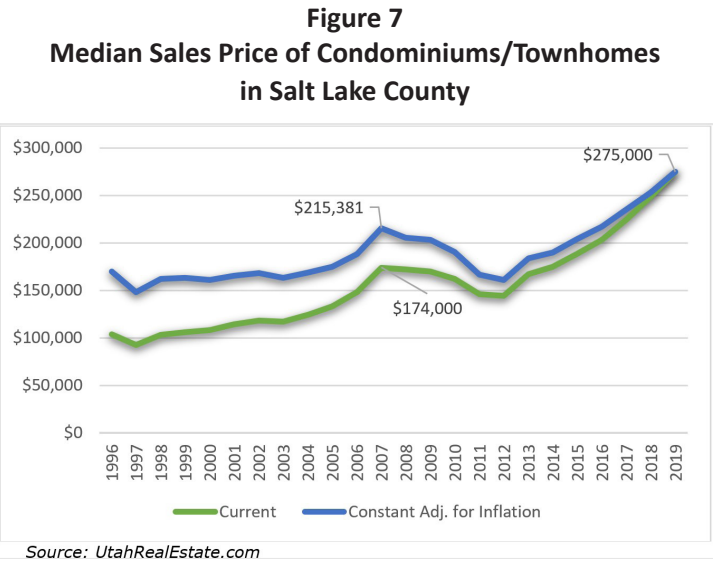
### Condominium/Townhome Prices Up by Double Digits

The median sales price of a condominium/townhome in Salt Lake County increased by 10.6% in 2019, the third consecutive year of a double-digit increase.



### Strong Demand Pushes Condominium/Townhome Prices

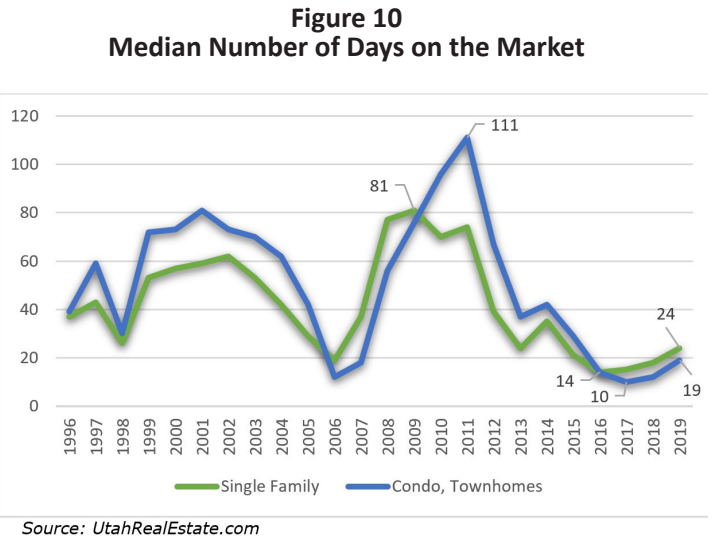
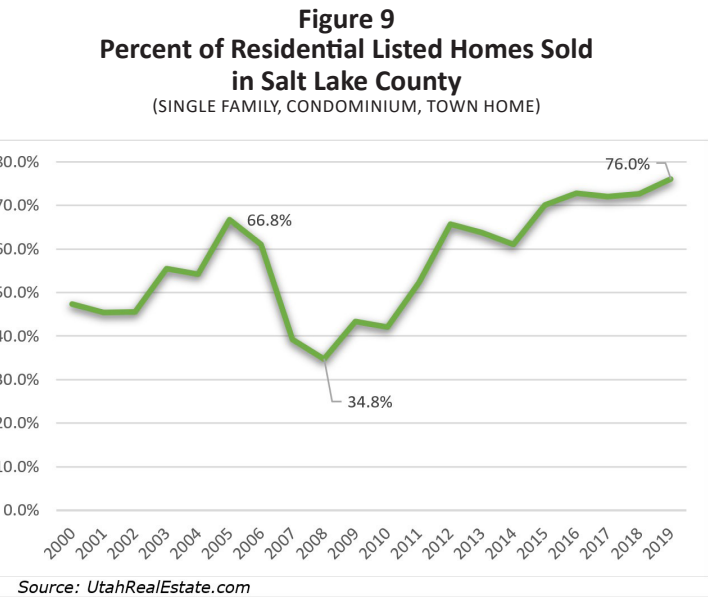
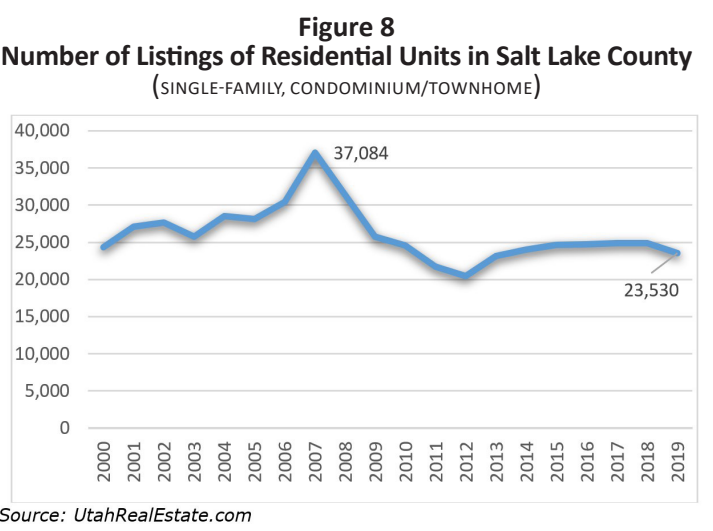
In 2019, the median sales price of a condominium/townhome was \$275,000. Since 2012, the median sales price has increased from \$144,000 to \$275,000, a 9.7 % average annual rate of increase. Since the Great Recession, condominium/townhome prices have increased faster than single-family prices, but in the long run (1996-2019) their rate of increase has been slower than single-family homes; 4.1% annually compared to 4.6%. The long-term rate of increase in inflation-adjusted dollars for condominiums/townhomes is 2.0% annually.



**“Since the end of the Great Recession a shift has been underway in housing demand. This shift reflects the homebuyer’s preference and need for more affordable housing.”**

### The Number of Listings Holding Steady

For seven consecutive years, the number of residential listings has been in a narrow range of 23,000 to 25,000 homes. Of the 23,530 homes listed in 2019, 17,887 were sold. The share of sales to listing of 76% is the highest on record. The long-run average share of sales to listings is 57%.







**“INCREASE IN AVERAGE PAY  
REMAINS STRONG. THE 4.4%  
INCREASE IN AVERAGE PAY IN  
2019—THE LARGEST INCREASE SINCE  
2006— IS PROJECTED TO REMAIN  
ABOVE 4% IN SALT LAKE COUNTY  
IN 2020.”**

## Economic Forecast

While the most recent economic forecast (October 2019) shows continued solid growth, most indicators point to a deceleration in the rate of growth. Key points for the 2020 statewide forecast:

- Job Growth Slows Slightly – Statewide employment growth will slow from 2.8% in 2019 to 2.3% in 2020, still an impressive growth rate.
- Salt Lake County Demographic Growth Rate Remains Unchanged – 2020 net in-migration and population increase holding steady at 3,400 and 10,300, respectively. Total population increase of 13,700 people.
- Labor Market Gets Tighter – The unemployment rate in Salt Lake County in December 2019 was 2.2%, the lowest in 70 years. The unemployment rate will remain well below 3% in 2020.
- Increase in Average Pay Remains Strong – The 4.4% increase in average pay in 2019—the largest increase since 2006— is projected to remain above 4% in Salt Lake County in 2020.
- Residential Construction in Slight Decline – The number of new residential units in Salt Lake County will have a modest drop-off from the record year of 10,000 units in 2019, due to fewer apartment projects. The number of new residential units is projected at 8,500 units. In 2019, 75% of all new units in Salt Lake County were apartment units.

**“In 2020, the median  
sales price of a single-  
family home will  
increase by 5% to  
\$400,000 and by 10%  
for condominiums/  
townhomes.”**

## Outlook for Mortgage Rates

Most experts agree that mortgage rates will remain below 4% in 2019. The average forecast from seven of the largest mortgage lenders and housing-related groups is 3.75%.

**Table 2  
Forecast of 30-Year Fixed Mortgage Rate for 2020**

Mortgage Bankers Association	3.7%
National Association of Realtors	3.8%
Realtor.com	3.9%
Freddie Mac	3.8%
National Association of Home Builders	3.9%
Fannie Mae	3.6%
Wells Fargo	3.6%
Average of seven forecasts	3.75%

**“In 2020, the total  
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including 13,000 single-  
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units.”**

## Forecast for 2020

The impact of slower job growth on the real estate market will be offset by continued low mortgage rates and solid demographic growth. The total number of home sales will be around 18,000, including 13,000 single-family homes and 5,000 condominium/townhome units. Expect a small decline in single-family sales, no more than 2%, and a modest 6% increase in condominium/townhome sales.

Affordability concerns will shave a percent or two off the price increase of single-family homes, but will boost condominium/townhome prices. The median sales price of a single-family home will increase by 5% to \$400,000 and by 10% for condominiums/townhomes. And finally, residential real estate commissions will jump from \$420 million in 2019 to \$450 million in 2020.



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2020

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