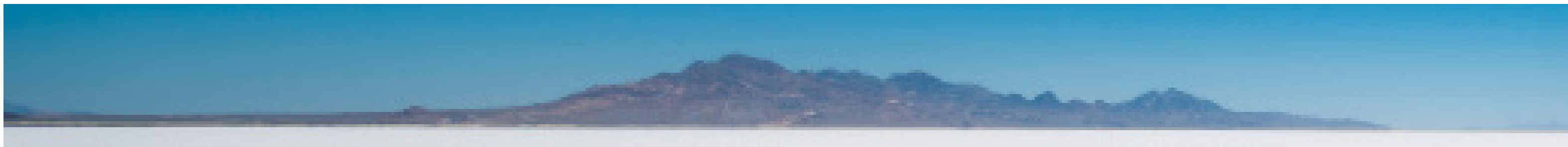
SALT LAKE
BOARD OF
REALTORS®

SALT LAKE HOUSING FORECAST EXECUTIVE REPORT

2018



2018 Salt Lake County Residential Real Estate Market

Last Year Was the Fourth Best Year in Overall Home Sales and Biggest Year Ever for Multifamily Sales.

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Commissioned by the Salt Lake Board of Realtors®

Salt Lake County's residential real estate market benefited from another year of strong demographic and economic growth and very favorable mortgage rates. For the sixth consecutive year the average mortgage rate was below 4 percent.

Recap of 2017

A year-end snapshot of Salt Lake County's real estate market compared to 2016 shows:®

Single-Family Sales

- 13,293 single-family homes sold, a slight decline of 3 percent.
- The median sales price of a single-family home at $325,000, up 10 percent.
- The value of single-family sales at $4.9 billion, an increase of 8 percent.

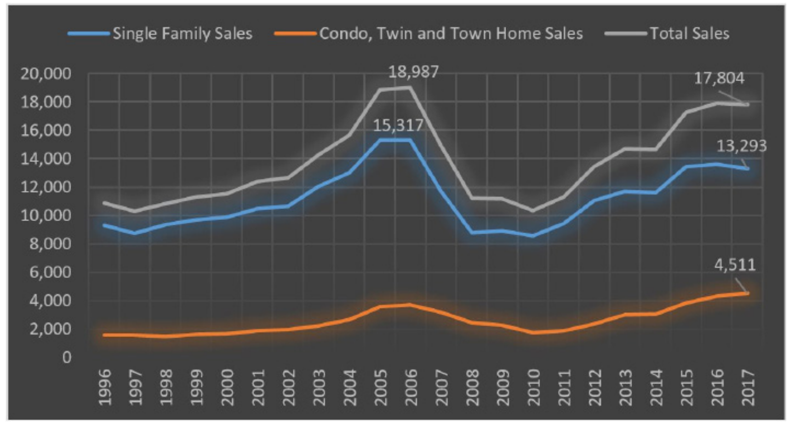
Multifamily Sales:
(Condominium, Town Home and Twin Homes)

- 4,500 multifamily units sold, up 4 percent. Biggest year ever in multifamily sales.
- Median sales price of multifamily unit at $225,000, up 11 percent.
- For the first time multifamily sales exceeded $1 billion dollars.

Salt Lake City, West Jordan and Sandy are the Top 3 Cities for Highest Home Sales

The combined sales in 2017 of single-family and multifamily homes in Salt Lake County totaled 17,804 units, the third highest year ever. Only during the two years preceding the Great Recession (2005-2006) and 2016 were residential sales higher Figure 1. Salt Lake City captured by far the largest share of residential sales activity with nearly a 25 percent share; a total of 4,213 homes, far ahead of other top ranked cities. The next four highest ranked cities in number of home sales were: West Jordan (1,796 homes), Sandy (1,617 homes), West Valley (1,499 homes) and South Jordan (1,437 homes).

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

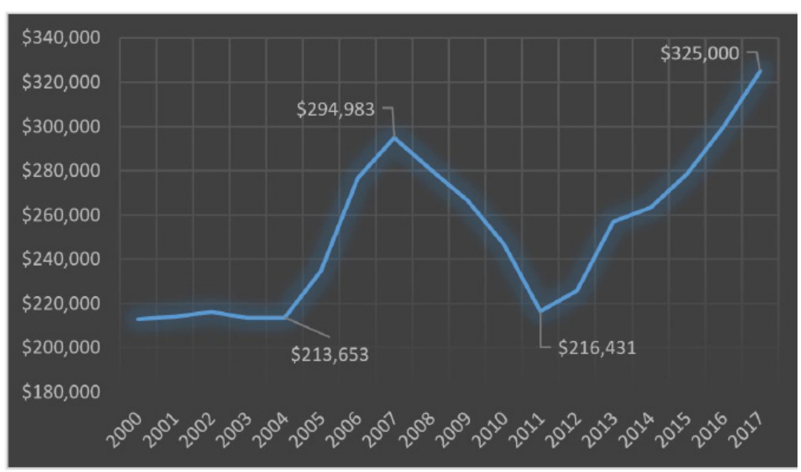


Source: UtahRealEstate.com

The Median Income Can Still Afford 65% of the Homes Sold in Salt Lake County

The median sales price of a single-family home in Salt Lake County increased by 10 percent in 2017, marking the sixth consecutive year of price increases Figure 2. Since 2011, the median sales price in Salt Lake County has increased by 50 percent, moving up from $216,431 to $325,000. Housing price increases in the county rank among the highest in the U.S.

Figure 2
Median Sales Price of Single-Family Homes
in Salt Lake County (2017 dollars)



Source: UtahRealEstate.com

The Ups and Downs of Housing Prices

What has the rapid rise in local housing prices done to housing affordability? Are a large number of potential buyers being priced out of the market? Will residential sales be hurt by rising prices? These are all legitimate concerns. But despite Salt Lake's rapid increase in housing prices housing affordability remains quite favorable. In the third quarter of 2017, according to the Wells Fargo/National Home Builders Housing Opportunity Index (HOI), a median income household could afford 65 percent of the homes sold in Salt Lake County.

The percent of homes affordable to the median income households becomes the HOI index number. Any index number above 50 indicates favorable housing affordability whereas a reading below 50 means housing affordability may be threatened. Housing affordability in Salt Lake County was last seriously threatened in 2007 then the HOI indiex dropped to 30. In contrast the HOI index hit a peak in affordability of 80 in the second quarter of 2012. It seems like a contradiction that in times of very rapid and prolonged housing price increases affordability could still be favorable. This condition is explained by historic low mortgage rates.

Outlook for Mortgage Rates

Will mortgage rates in 2018 deliver another year of favorable affordability for homebuyers and Realtors®? Most experts agree that rates probably won't be quite as favorable, but few forecasters predict year-end rates above 5 percent. Here are several predictions for the 30-year fixed-rate mortgage from some of the largest housing and mortgage groups:

- The Mortgage Bankers Association predicts the rate will rise to 4.6 percent in 2018.
- The National Association of Realtors® expects the mortgage rate to be around 4.5 percent at year-end.
- Realtor.com believes the mortgage rate will average 4.6 percent over the year but reach 5.0 percent by year-end.
- Freddie Mac's forecast is for 4.6 percent rate by year-end 2018.
- CoreLogic's consensus view from six forecasters has the rate at 4.7 percent in December 2018.

A mortgage rate below 5 percent, which most experts predict, will preserve favorable housing affordability for another year.

Shortage of Listings is Due to Strong Demand

The number of listings for all types of homes in Salt Lake County has remained surprisingly consistent over the past four years at around 22,500 units. It appears that the perceived extreme shortage of listings is due more to strong demand generated by high rates of net in-migration and employment growth than a dramatic decline in listings. Listing activity, however in some cities—most notably Salt Lake City—differs substantially from the countywide trend. Listings have dropped nearly 20 percent in Salt Lake City since 2014. Realtors® who work primarily in the Salt Lake City market have been affected by a substantial decline in listings.

Overall listing activity is expected to pick-up in the second half of 2018 as home builders increase production of new homes to over 3,000 units; giving current homeowners more options for moving. In addition the six years of positive equity build-up produced by higher prices should also nudge more home owners into the market.

Should We Worry About a Housing Bubble?

When housing prices increase by 50 percent in six years questions about a housing bubble will inevitably be raised. But in 2008 when the housing bubble burst conditions were very different. Today lending requirements by financial institutions are much tighter, household debt has not ballooned—from 2004 to 2008 household debt in Utah increased more than 30 percent, flipping by real estate investors is not widespread, there is no non-FHA subprime secondary market, and memories of falling housing prices hopefully serve as a check on "irrational exuberance" regarding prices.

Forecast for 2018

This year both household growth and net in-migration in Salt Lake County are projected to be at record levels. Net in-migration of 6,900 individuals and households growth of 8,500 are expected. This level of growth will support strong demand for housing. Demand will also be given a boost by buyers jumping into the market hoping to beat higher interest rates. These demand conditions will push total sales above 18,000 units, but it is unlikely that they will break the all-time record of 18,987. Strong demand will put upward pressure on prices, but another year of a double-digit increase is unlikely. Prices will be up by 7-8 percent in 2018. The median sales price of a single-family home will be near $350,000 and the total value of residential sales will be $6.6 billion, well above the $5.9 billion in 2017. Finally, total residential real estate commissions will be close to $400 million up from $360 million in 2017.

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