

04

THURSDAY, MAR 04  
9:00 AM PACIFIC  
10:00 AM MOUNTAIN

BANK OF UTAH PRESENTS

# REAL ESTATE ECONOMIC FORECAST

NEVADA & UTAH

ARTI<sup>®</sup> Academics



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## Neil Walter



CEO, ERA Brokers Consolidated  
MBA Carnegie Mellon University  
CFA Charterholder  
Utah, Idaho, and Nevada Broker

## Jon Walter



COO, NAI Excel, NAI Vegas  
MBA Brigham Young University  
CCIM Member  
Utah and Nevada Broker

# Agenda

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## 1. Residential & Commercial Market Overview

2. Population Shift

3. Stimulus

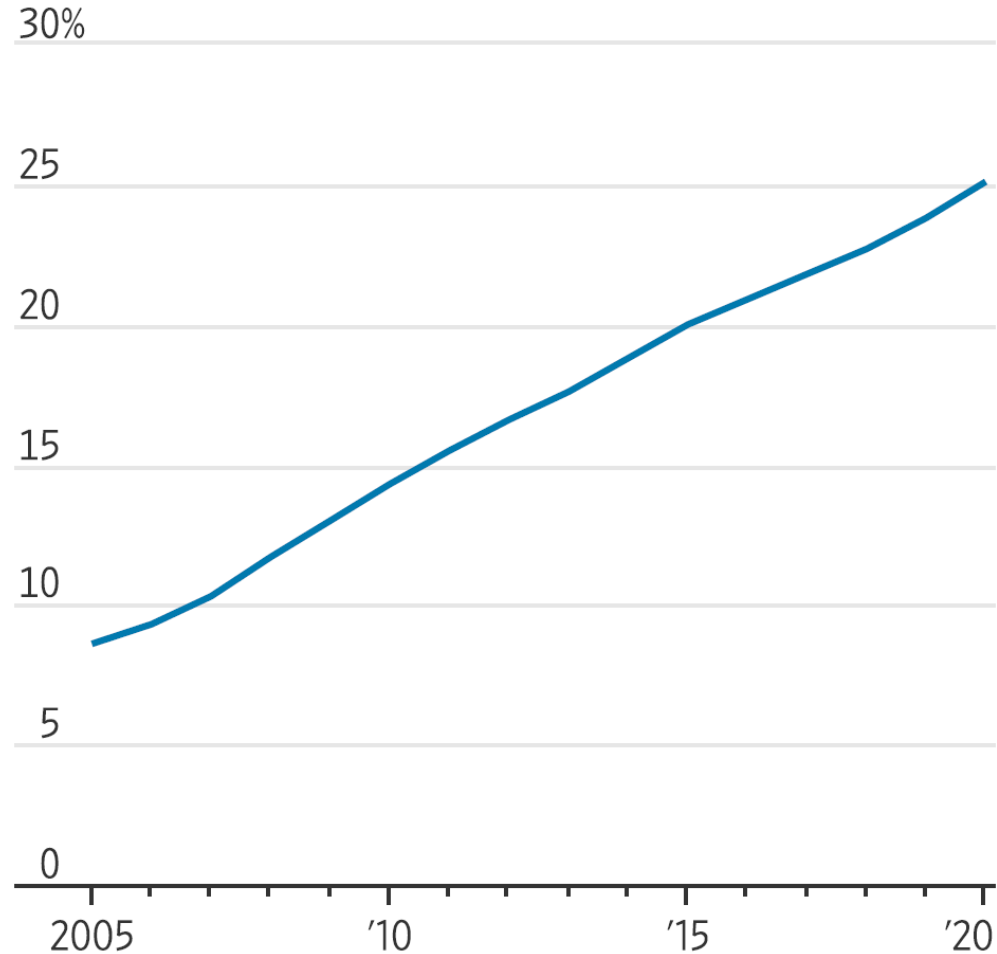
4. Interest Rates

5. Asset Inflation

6. Forecast

## Aging in Place

Proportion of U.S. homeowners who have lived in their homes for more than 20 years



Source: Redfin

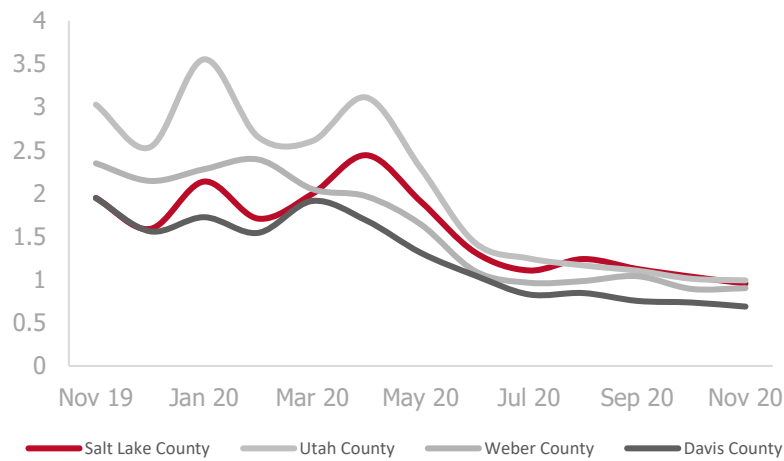
## National Housing Statistics

- 2010 Average Length of Stay: 8.7 yrs
- 2020 Average Length of Stay: 13 yrs
- Inventory down 22%
- Prices up 15%
- Average Price: \$310,000
- 2.3 Months Supply

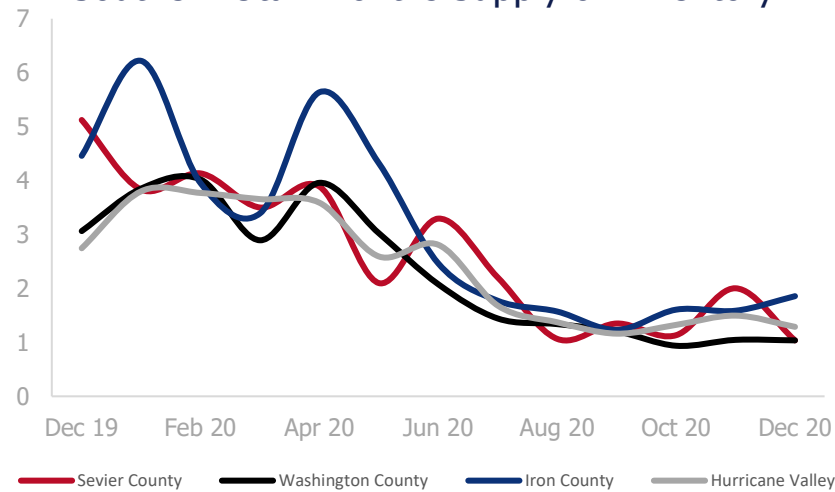
[https://www.wsj.com/articles/housing-market-stays-tight-as-homeowners-stay-put-11611226802?st=accskv87tpcricl&reflink=article\\_email\\_share](https://www.wsj.com/articles/housing-market-stays-tight-as-homeowners-stay-put-11611226802?st=accskv87tpcricl&reflink=article_email_share)

# Residential Inventory Levels at Historic Lows

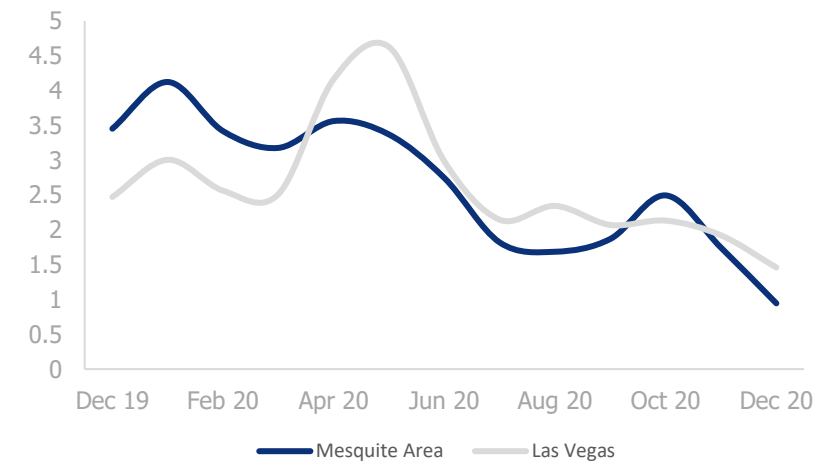
### Northern Utah Months Supply of Inventory



### Southern Utah Months Supply of Inventory



### Southern Nevada Months Supply of Inventory



Source: [erabrokers.com/research](https://erabrokers.com/research)

# Residential Home Values Continue to Increase

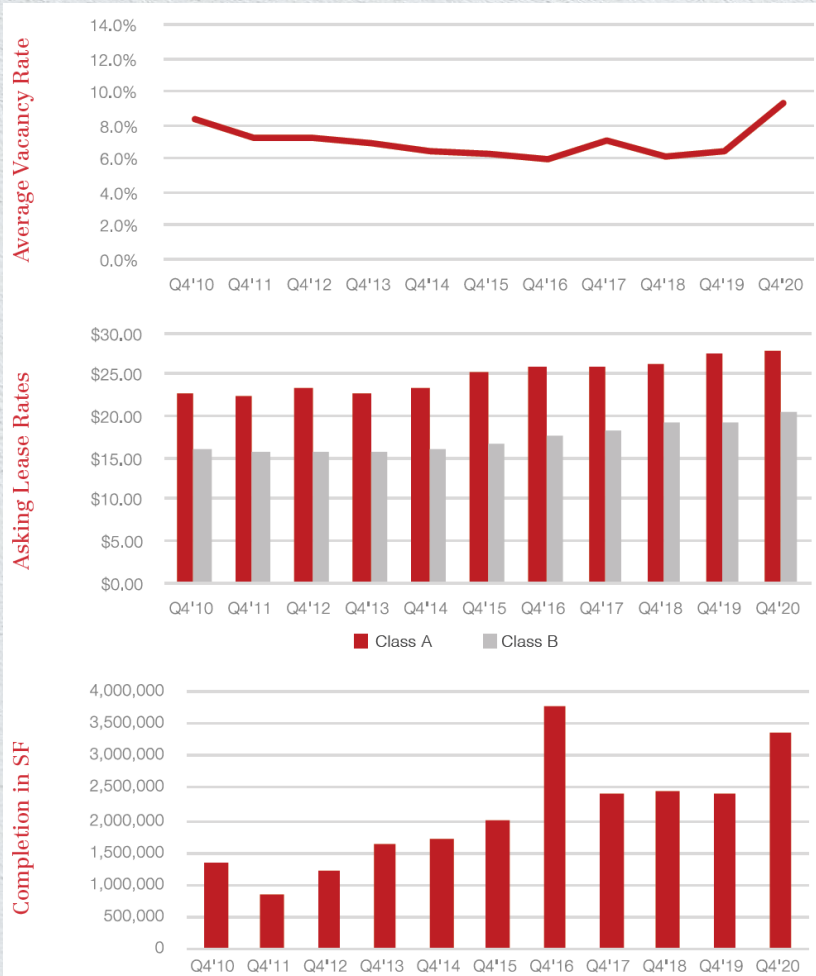
Market	T12 Median Sales Price	YOY Change	T12 Avg Sales Price	YOY Change	Current Inventory	Building Permits
Weber County, UT	\$286,565	11%	\$323,871	9%	376	1,302
Davis County, UT	\$360,526	11%	\$391,376	12%	301	1,364
Salt Lake County, UT	\$374,481	10%	\$428,856	11%	1,535	4,112
Summit County, UT	\$1,043,631	28%	\$1,531,540	24%	493	186
Utah County, UT	\$353,506	8%	\$396,216	9%	894	5,227
Sevier County, UT	\$205,118	15%	\$228,443	17%	32	53
Beaver County, UT	\$205,275	27%	\$237,357	48%	19	9
Iron County, UT	\$252,684	13%	\$271,473	15%	182	554
Hurricane Valley, UT	\$343,319	14%	\$373,549	18%	86	586
Washington County, UT	\$362,622	14%	\$415,875	17%	420	2,780
Mesquite, NV	\$291,275	13%	\$311,928	18%	101	356
Las Vegas, NV	\$304,607	8%	\$357,355	10%	6,310	9,548

Source: [erabrokers.com/research](http://erabrokers.com/research)

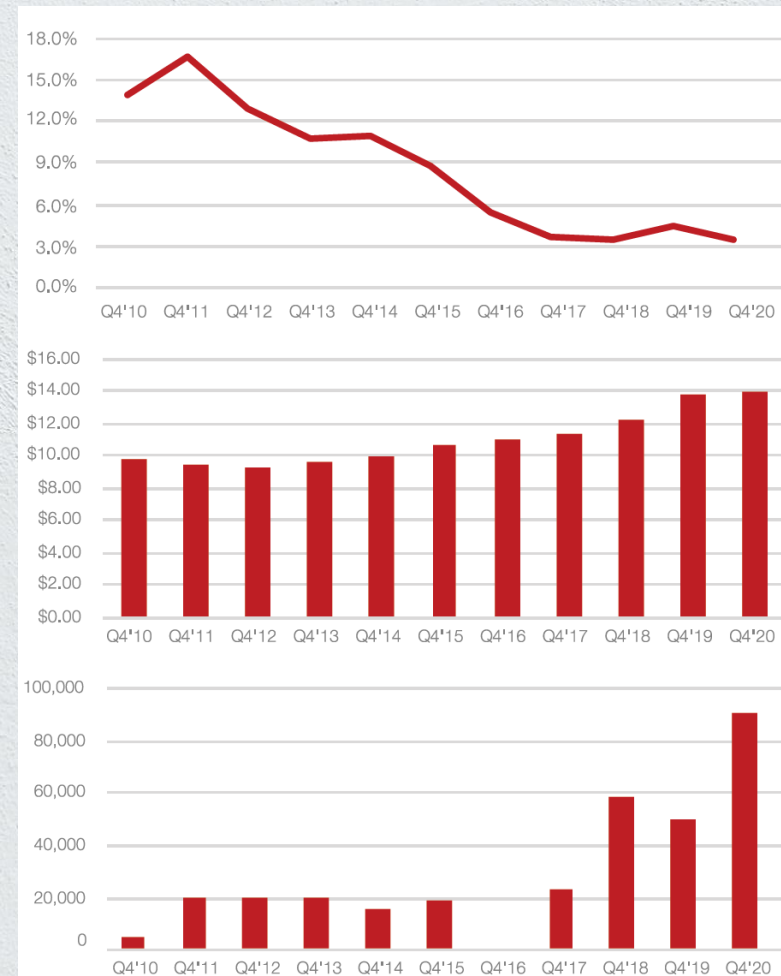
# OFFICE

According to Statista, 44% of office workers are working from home 5 days a week as compared to 17% prior to 2020.

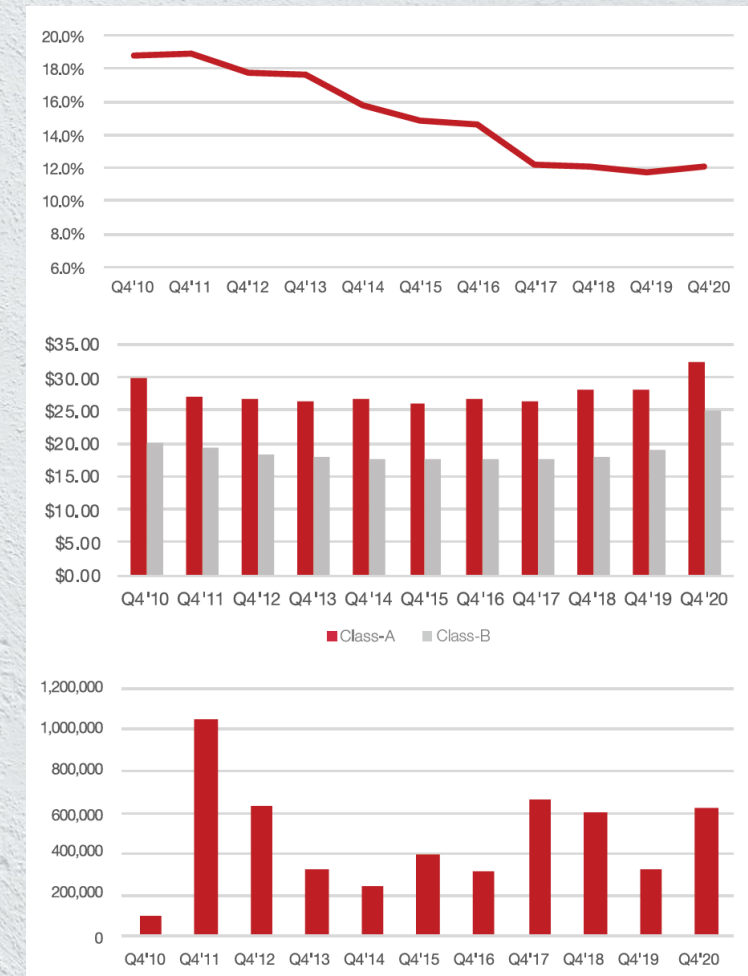
## Northern Utah



## Southern Utah



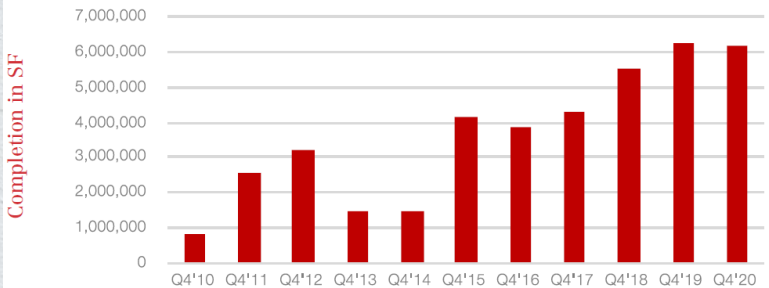
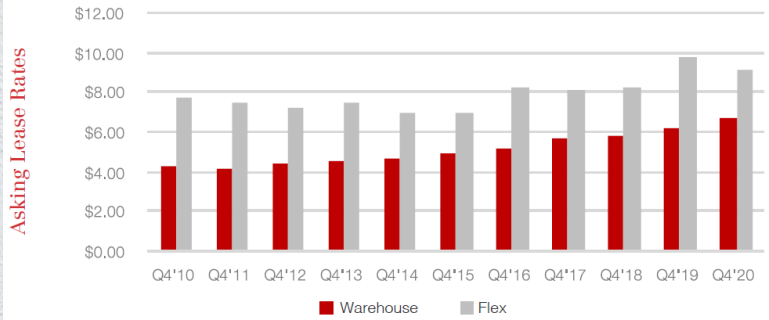
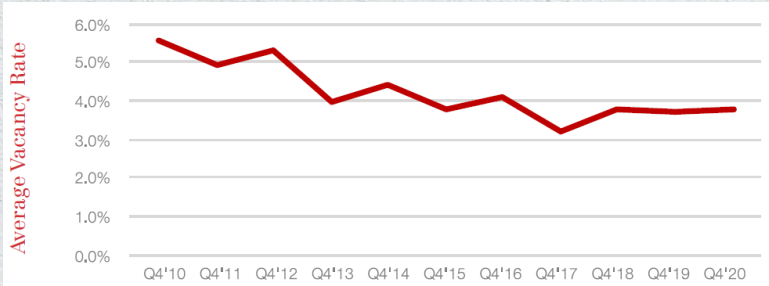
## Southern Nevada



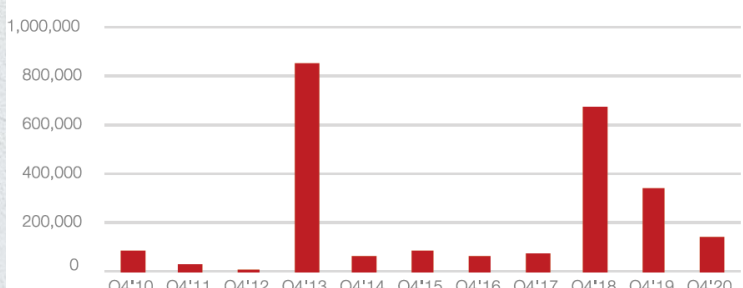
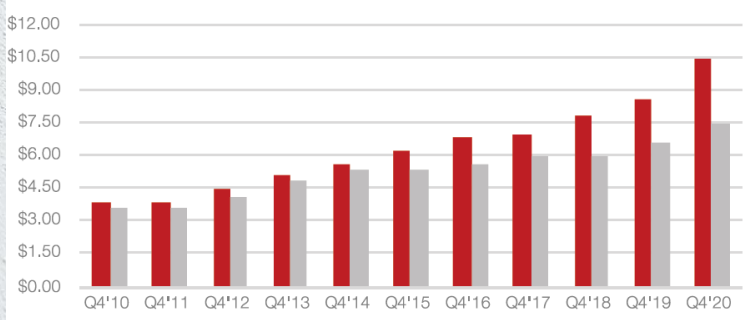
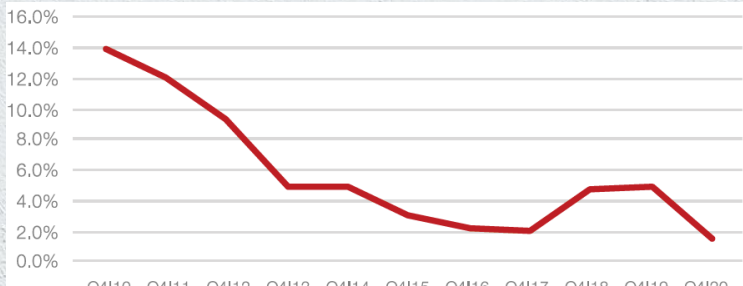
# INDUSTRIAL

Growth in all sectors including data centers, distribution, construction, and manufacturing.  
(Facebook, Google, Amazon, etc)

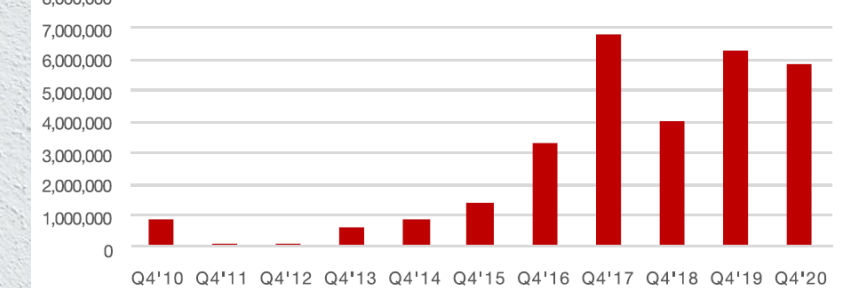
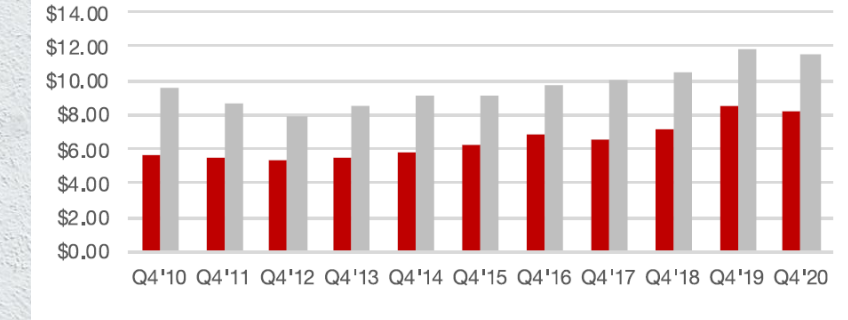
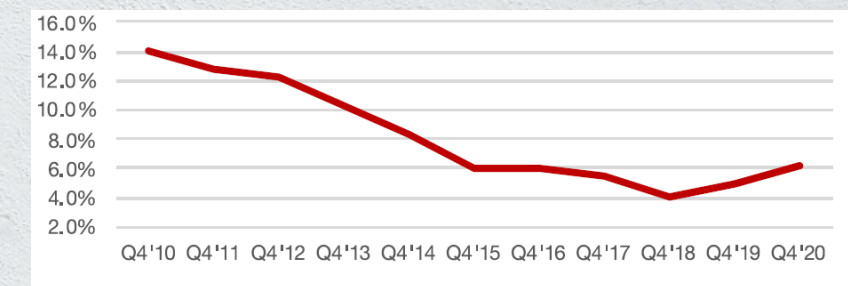
## Northern Utah



## Southern Utah



## Southern Nevada

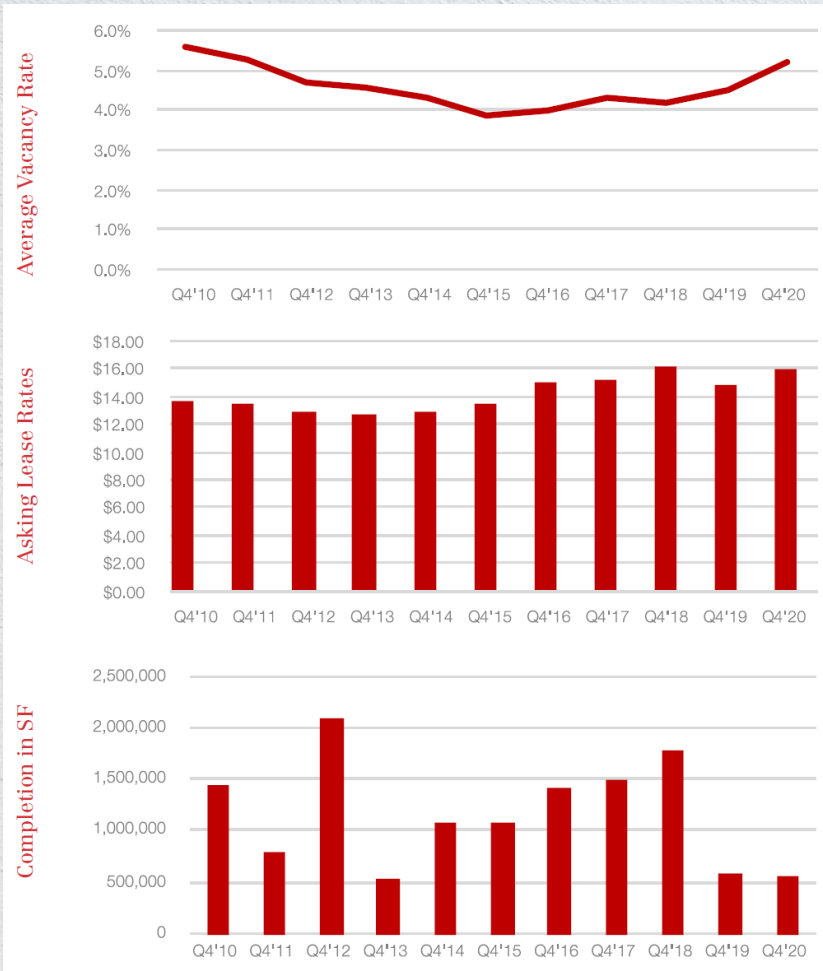




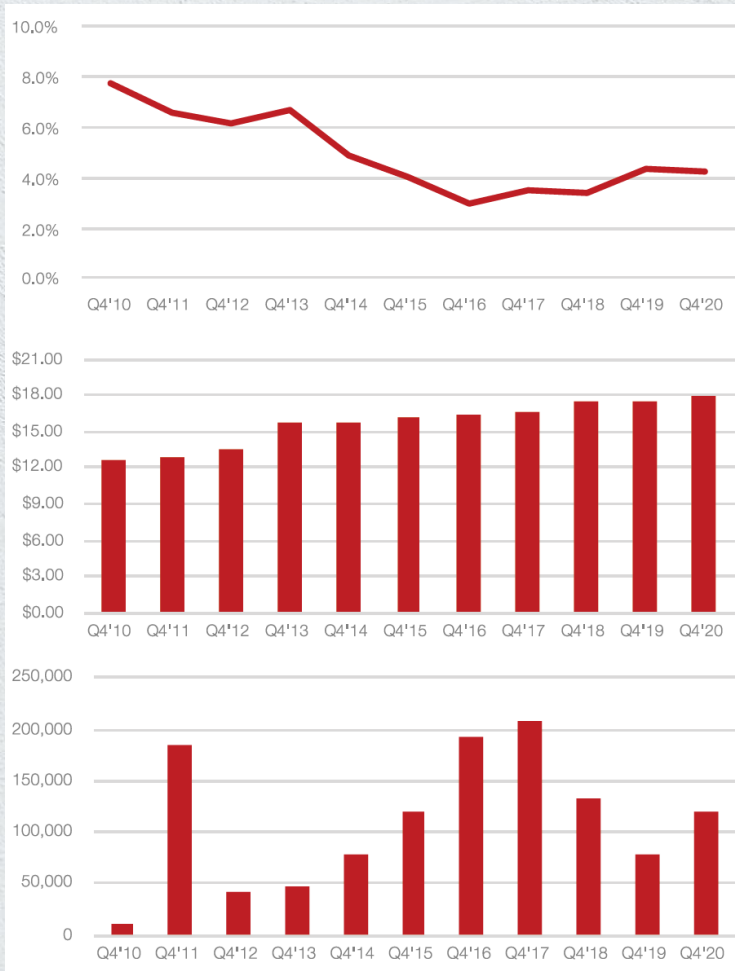
# RETAIL

- Low demand for traditional malls, department stores, dine in restaurants, movie theatres, gyms, and entertainment.
- Strong demand for grocery stores, drive thru restaurants, home improvement, outdoor recreation.

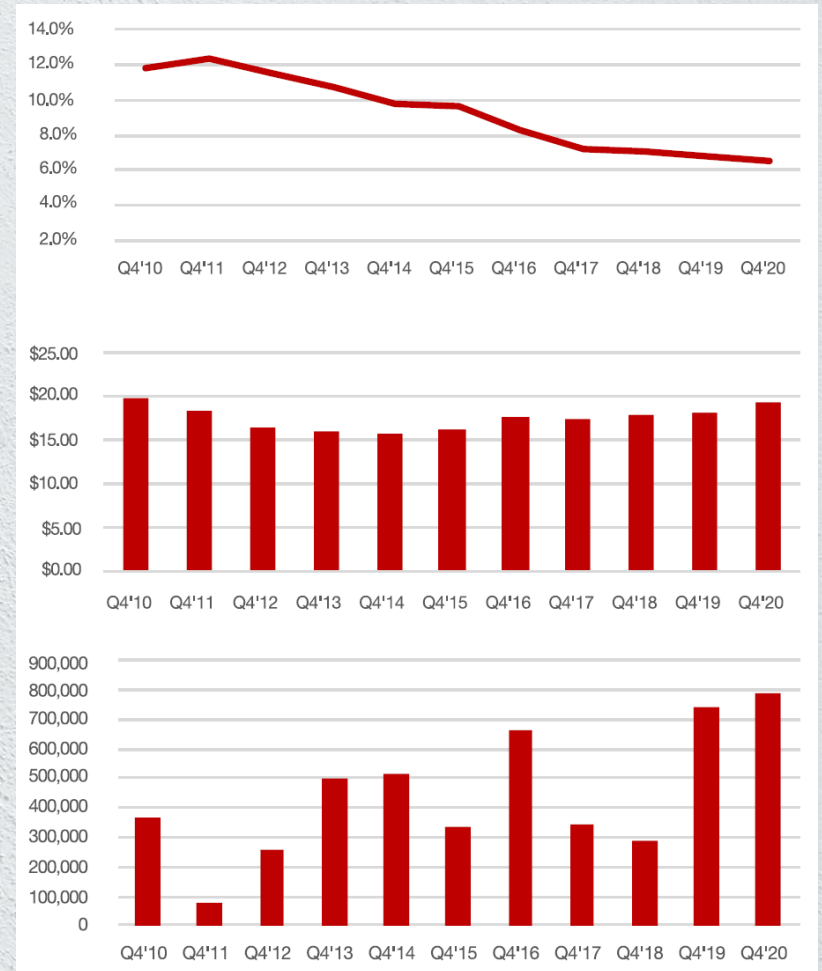
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## Southern Utah



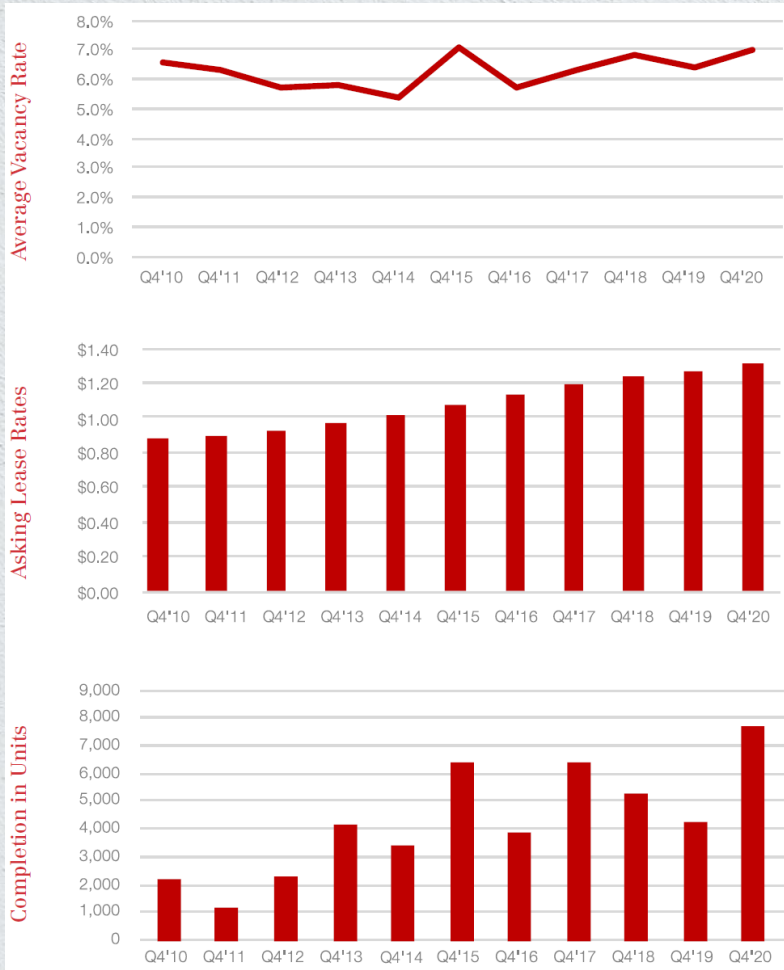
## Southern Nevada



# MULTIFAMILY

Driven by population growth and a housing shortage. Renting is the most affordable and flexible option. It is the only option for many individuals.

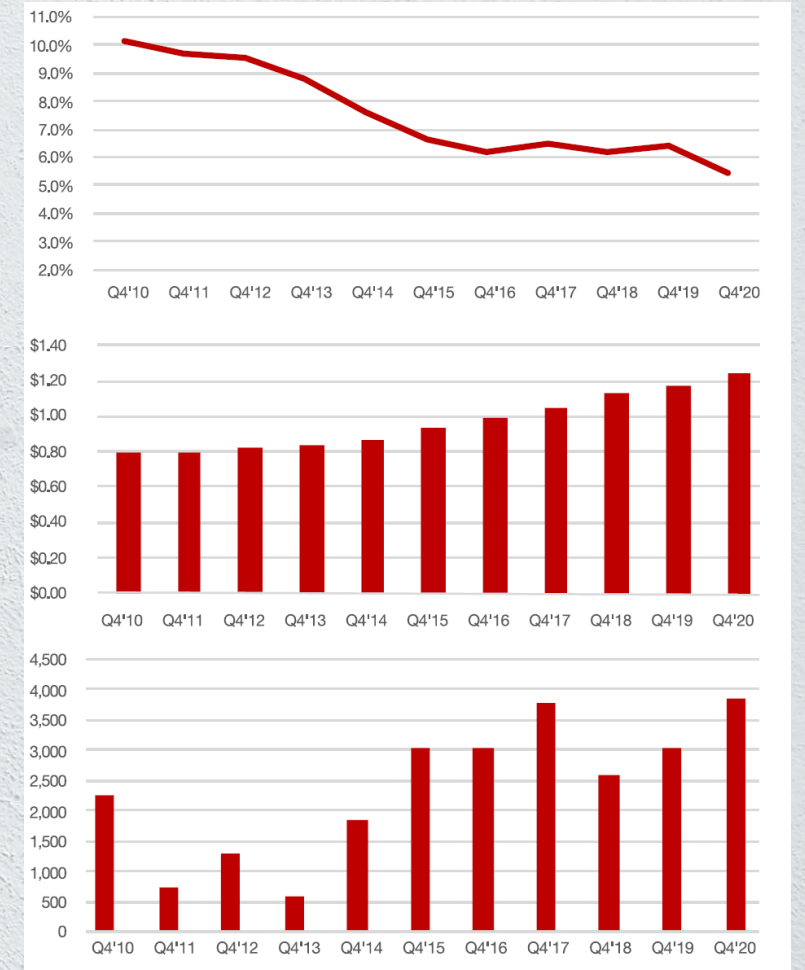
## Northern Utah



## Southern Utah



## Southern Nevada



# Research Publications



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**2. Population Shift**

3. Stimulus

4. Interest Rates

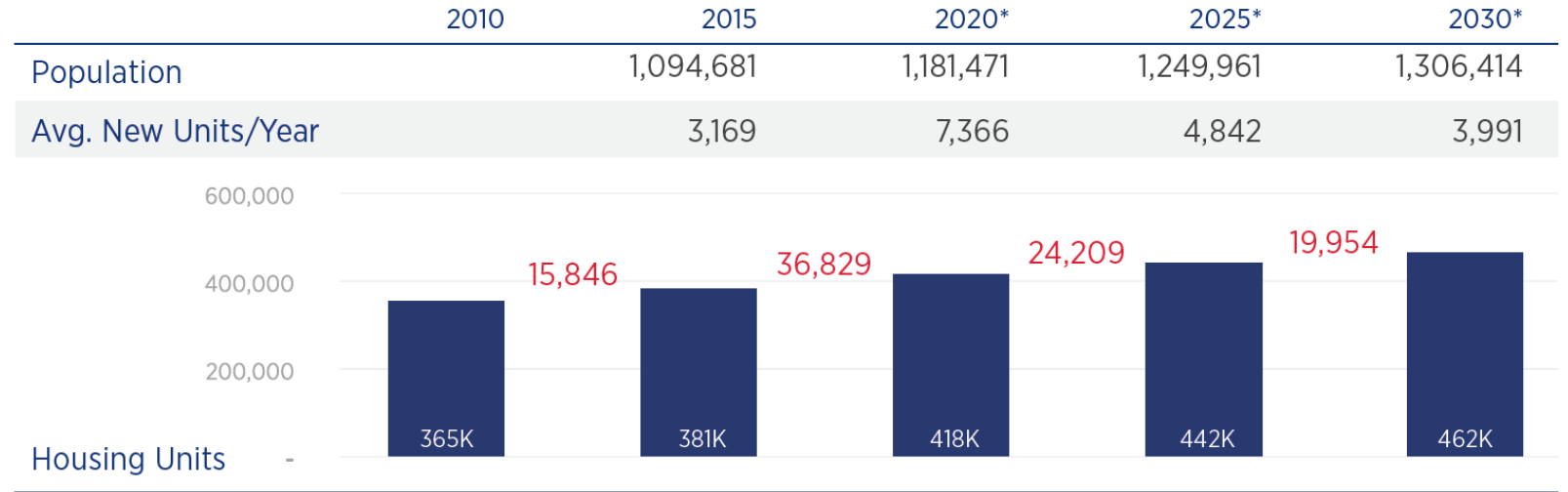
5. Asset Inflation

6. Forecast

# Long Term Demand is Strong

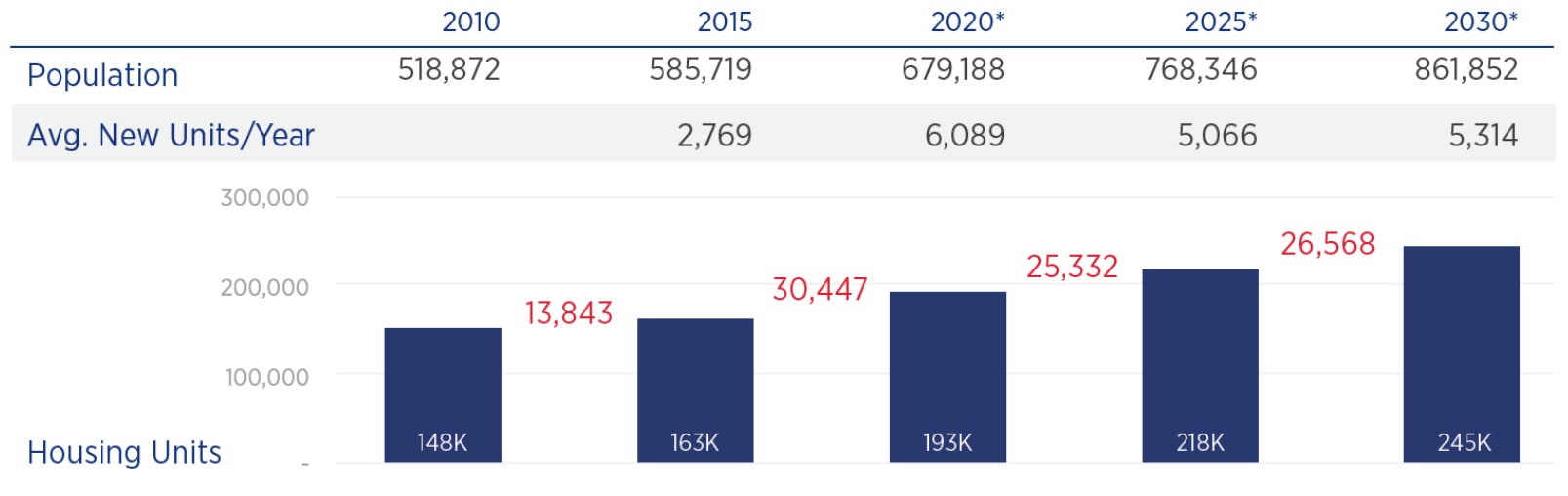
## Salt Lake County, UT

The Utah Population Estimates Committee projects Utah County to grow by approximately 69,000 people over the next 5 years. With 2.8 people per housing unit, this will require construction of 4,800 housing units (single family, townhomes, condos, and apartments) be built each year. This projected growth rate is lower than the actual growth rate of the last 5 years.



## Utah County, UT

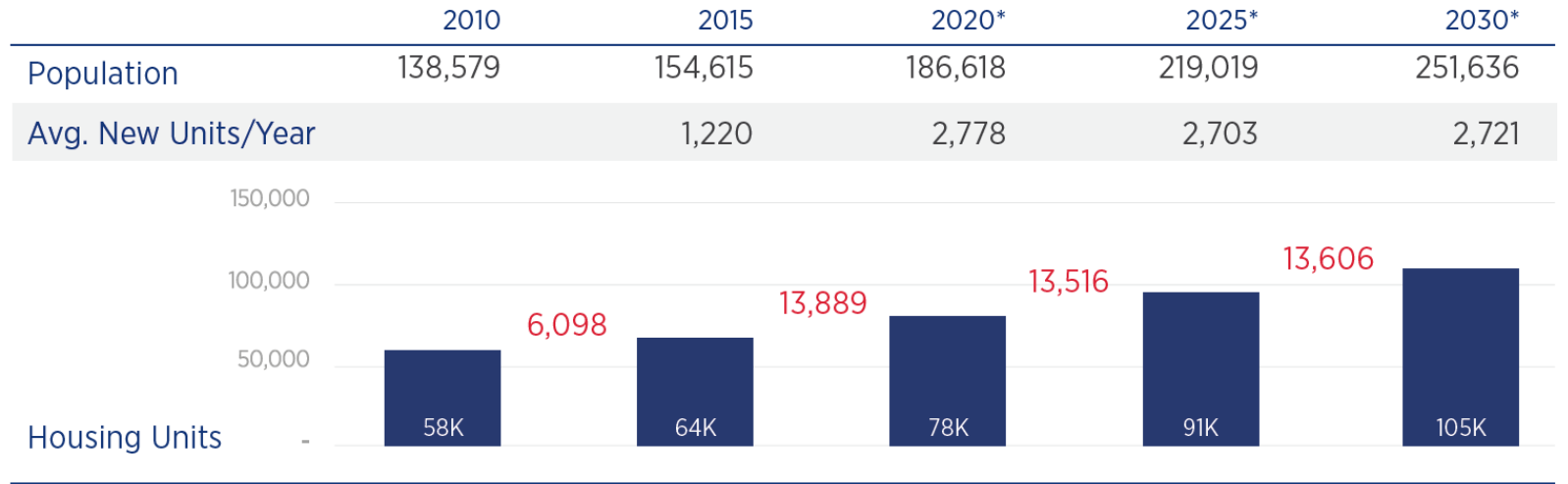
The Utah Population Estimates Committee projects Utah County to grow by approximately 89,000 people over the next 5 years. With 3.5 people per housing unit, this will require construction of 5,000 housing units (single family, townhomes, condos, and apartments) be built each year. This projected growth rate is slightly lower than the actual growth rate of the last 5 years.



# Long Term Demand is Strong

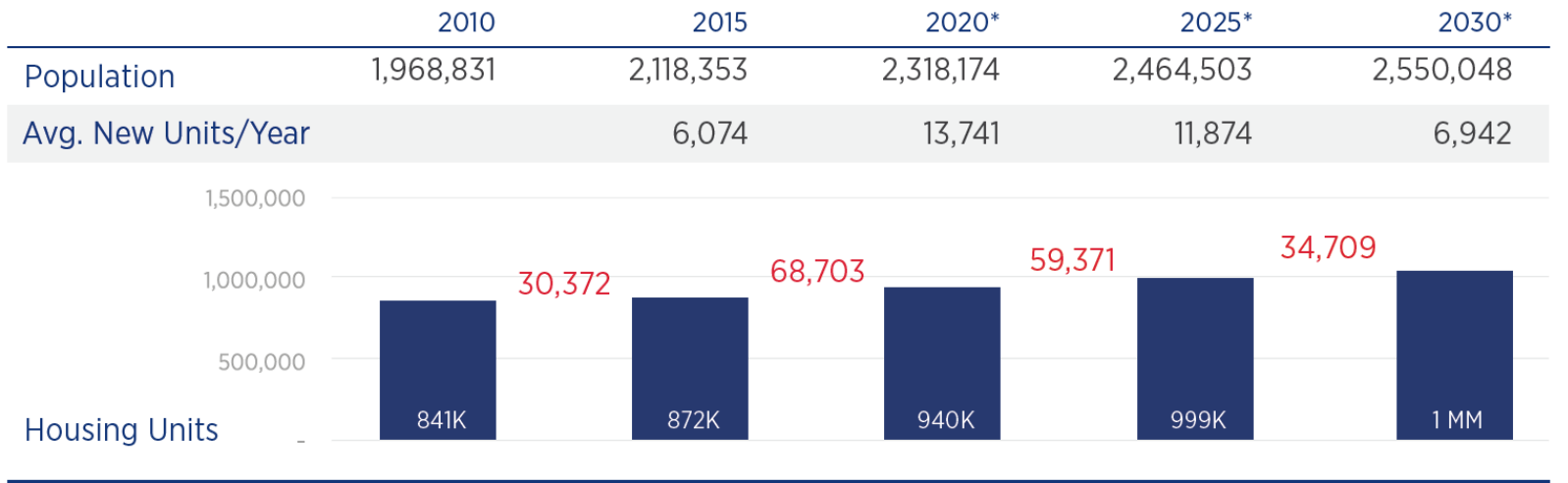
## Washington County, UT

The Utah Population Estimates Committee projects Washington County to grow by approximately 33,000 people over the next 5 years. With 2.4 people per housing unit, this will require construction of 2,700 housing units (single family, townhomes, condos, and apartments) be built each year. This projected growth rate is slightly lower than the actual growth rate of the last 5 years.



## Clark County, NV

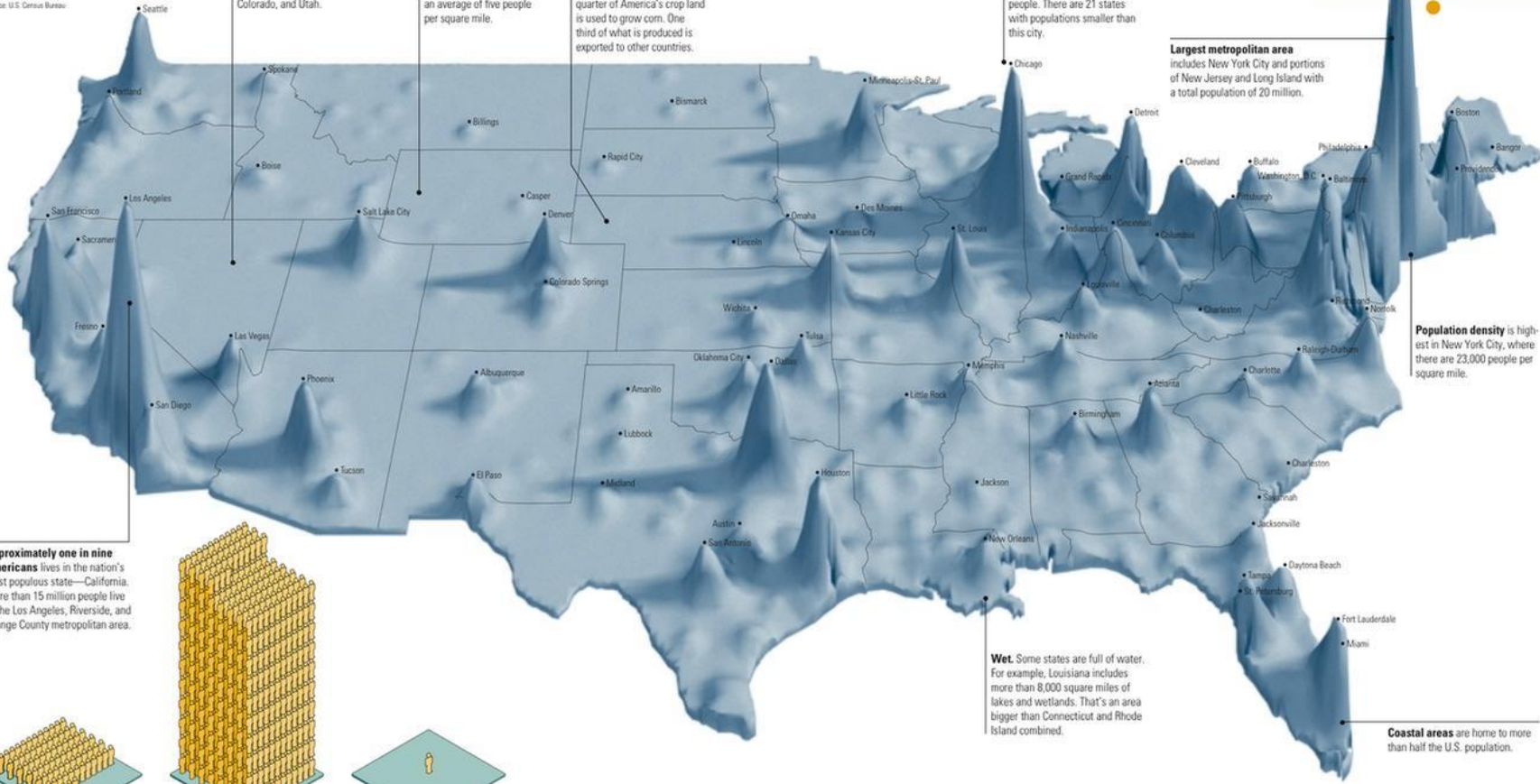
The Nevada State Demographer projects Clark County to grow by approximately 146,000 people over the next 5 years. With 2.46 people per housing unit, this will require construction of 12,000 housing units (single family, townhomes, condos, and apartments) be built each year. This projected growth rate is slightly lower than the actual growth rate of the last 5 years.



**The population of the United States** is not distributed evenly. Instead, we tend to bunch up in communities, leaving the spaces in between more sparsely inhabited. Most Americans live in or near cities; today 53 percent live in the 20 largest cities. 75 percent of all Americans live in metropolitan areas.

**This map shows population density. The relative height of each major city reflects its population in 1990.**

Source: U.S. Census Bureau



**Go West.** Nevada is the fastest growing state, followed by Arizona, Idaho, Colorado, and Utah.

**Wyoming** has the lowest population density of all states in the lower 48 with an average of five people per square mile.

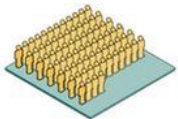
**What happens in the empty spaces?** Some of it is farming country. More than one quarter of America's crop land is used to grow corn. One third of what is produced is exported to other countries.

**Chicago, the country's third largest city,** has a population of about three million people. There are 21 states with populations smaller than this city.

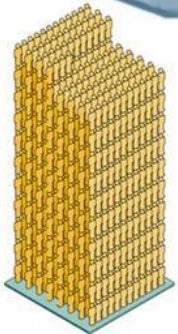
**Largest metropolitan area** includes New York City and portions of New Jersey and Long Island with a total population of 20 million.

**Population density** is highest in New York City, where there are 23,000 people per square mile.

**Approximately one in nine Americans** lives in the nation's most populous state—California. More than 15 million people live in the Los Angeles, Riverside, and Orange County metropolitan area.



**Distributing our population evenly** would put an average of 76 people per square mile.



**New Jersey** is the most densely populated state with an average of more than 1,000 people per square mile.



**Alaska** is a sparsely populated state with an average of one person per square mile.

**Wet.** Some states are full of water. For example, Louisiana includes more than 8,000 square miles of lakes and wetlands. That's an area bigger than Connecticut and Rhode Island combined.

**Coastal areas** are home to more than half the U.S. population.

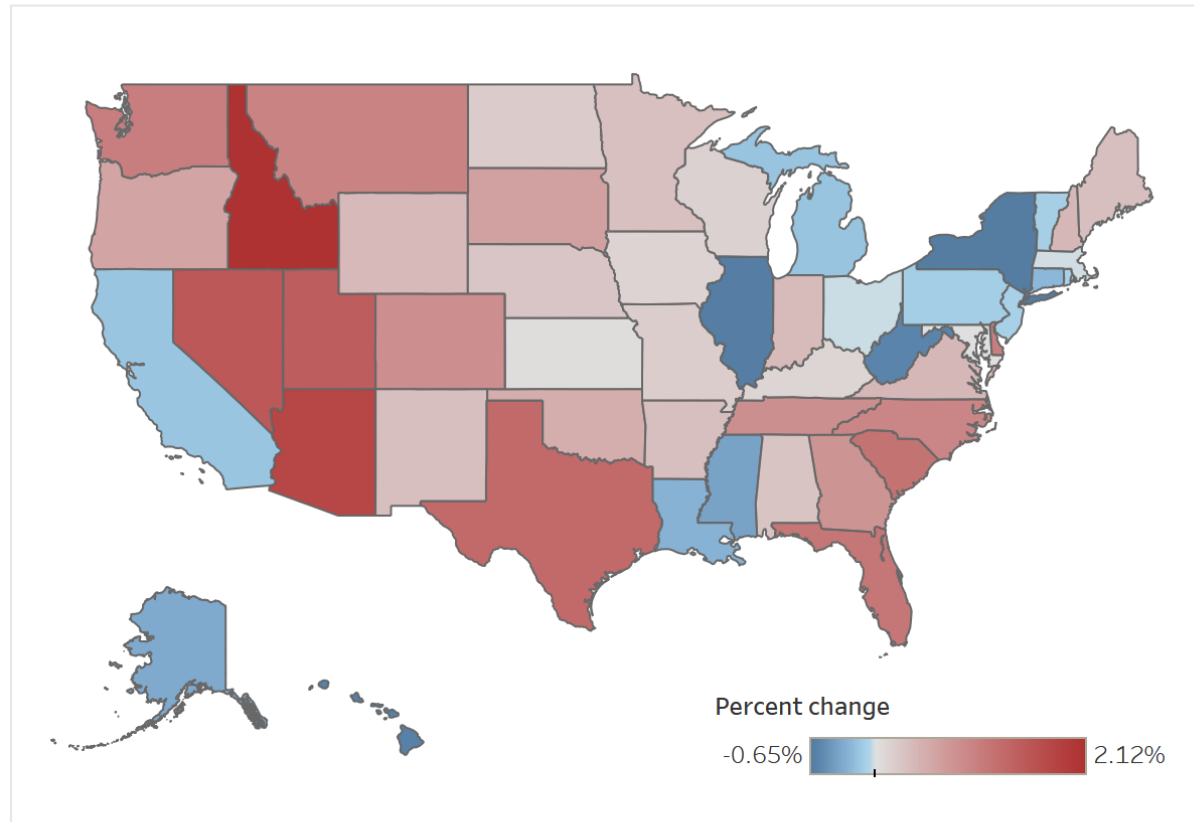
## Population Distribution

Where do we live?  
Where don't we live?



## State Population Growth Slows

Sixteen states lost population between 2019 and mid-2020 amid the biggest national growth slowdown since the 1930s. The annual Census Bureau estimates are a preview of what the official census count could show in March when seats in Congress and the Electoral College are officially distributed among states.



Source: U.S. Census Bureau population estimates, July 2020

<https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2021/01/21/census-estimates-show-population-decline-in-16-states>



**States with the most and least job losses as a share of total employment from Dec. 2019-Dec. 2020**

YOY Percent change (preliminary)

**Top 10 states with the least job losses**

Idaho	0.6
Utah	0.6
Miss.	-1.4
Ala.	-1.7
Ga.	-1.7
Neb.	-2.3
S.C.	-2.4
Ariz.	-2.8
Ark.	-2.8
Ind.	-2.8

**Top 10 states with the most job losses**

Calif.	-8
N.J.	-8
Minn.	-8.3
R.I.	-8.7
N.H.	-8.8
Vt.	-9
Mass.	-9.1
N.Y.	-10.4
Mich.	-10.9
Hawaii	-13.8

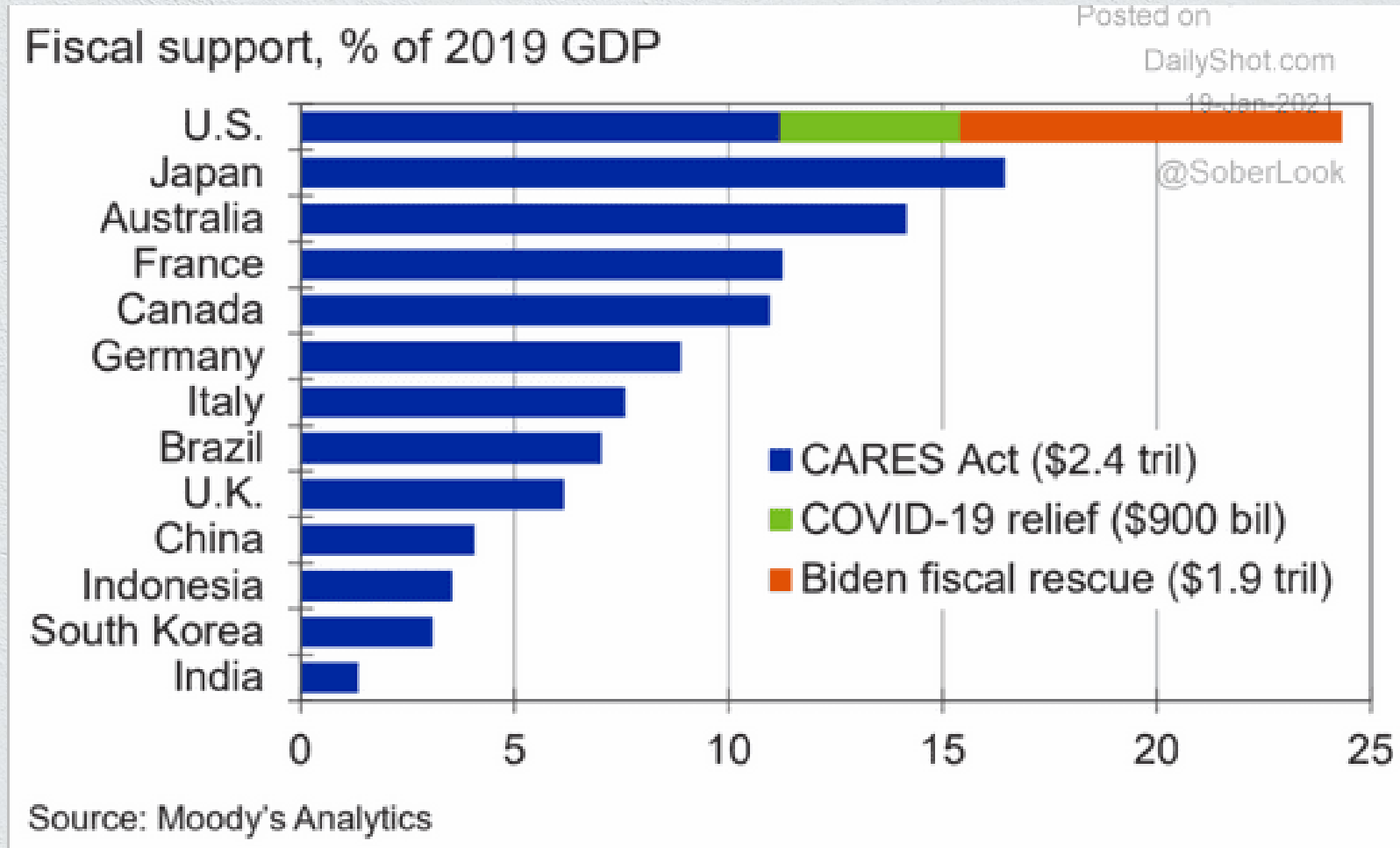
Source : Bureau of Labor Statistics

# Agenda

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- 3. Stimulus**
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# Federal Government Stimulus

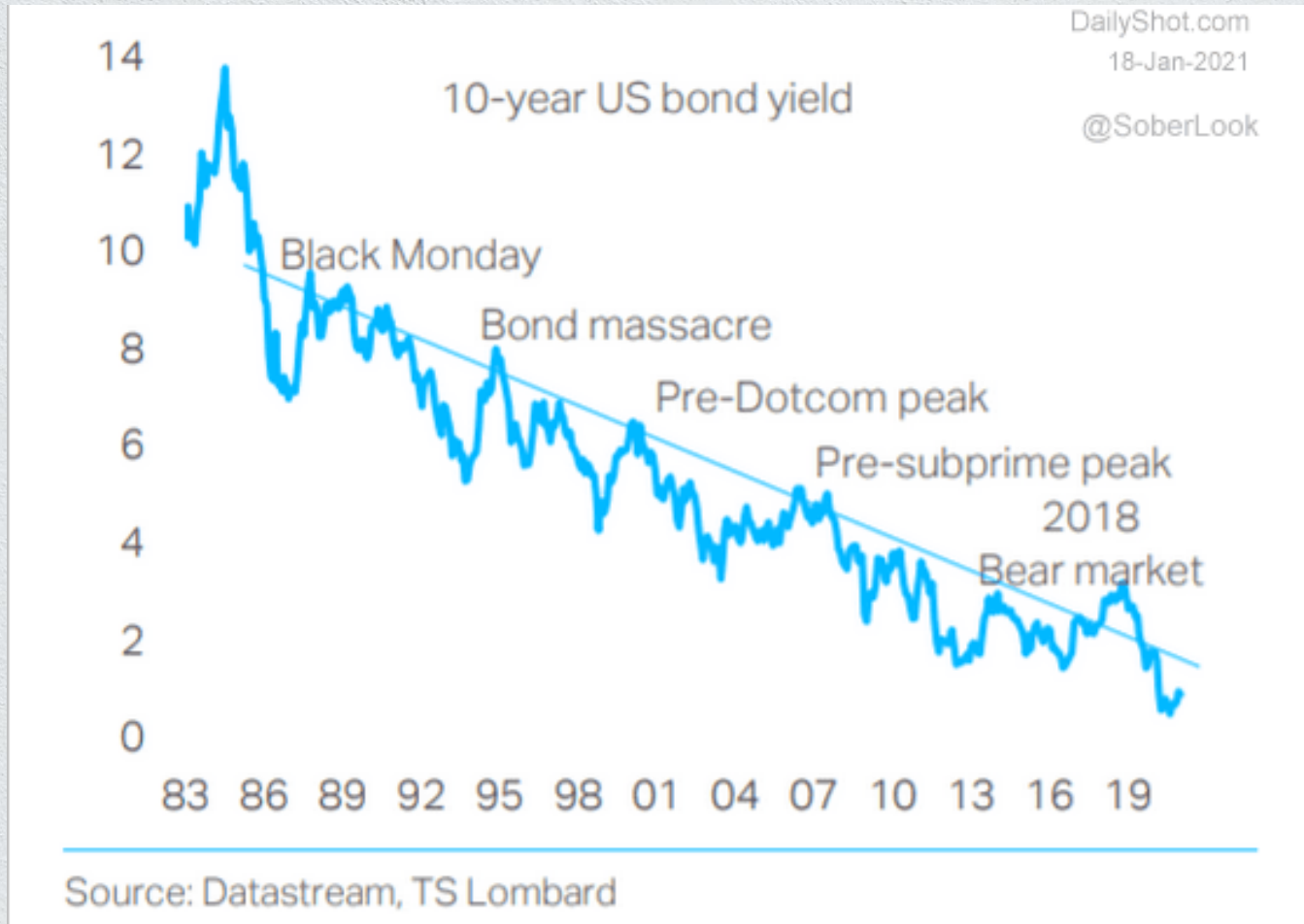


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# Interest Rates in Structural Decline

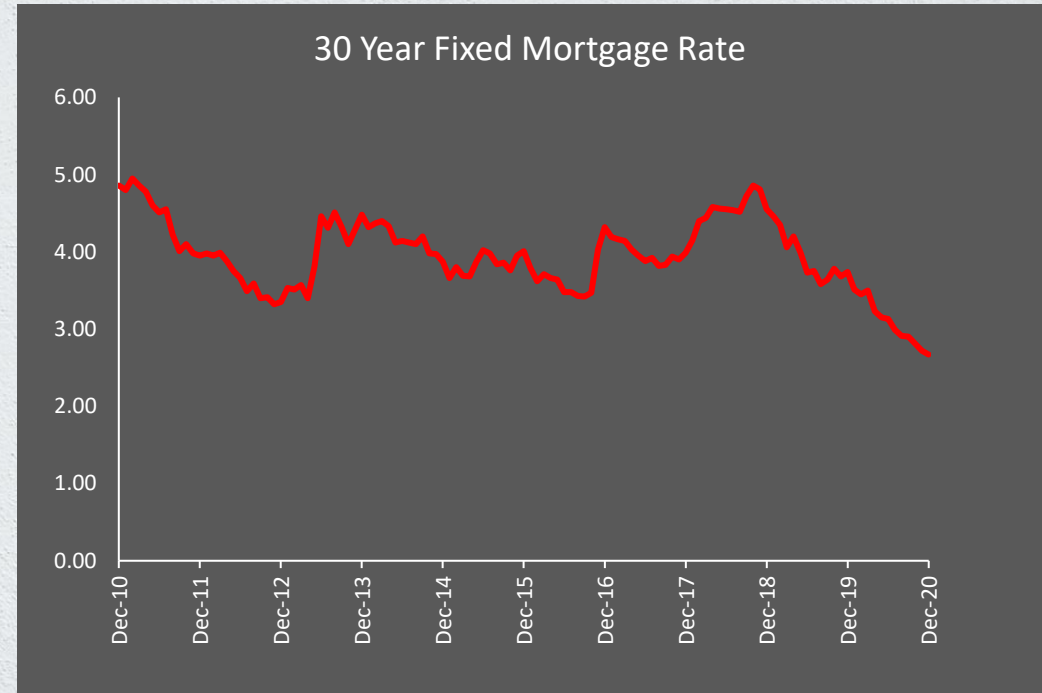
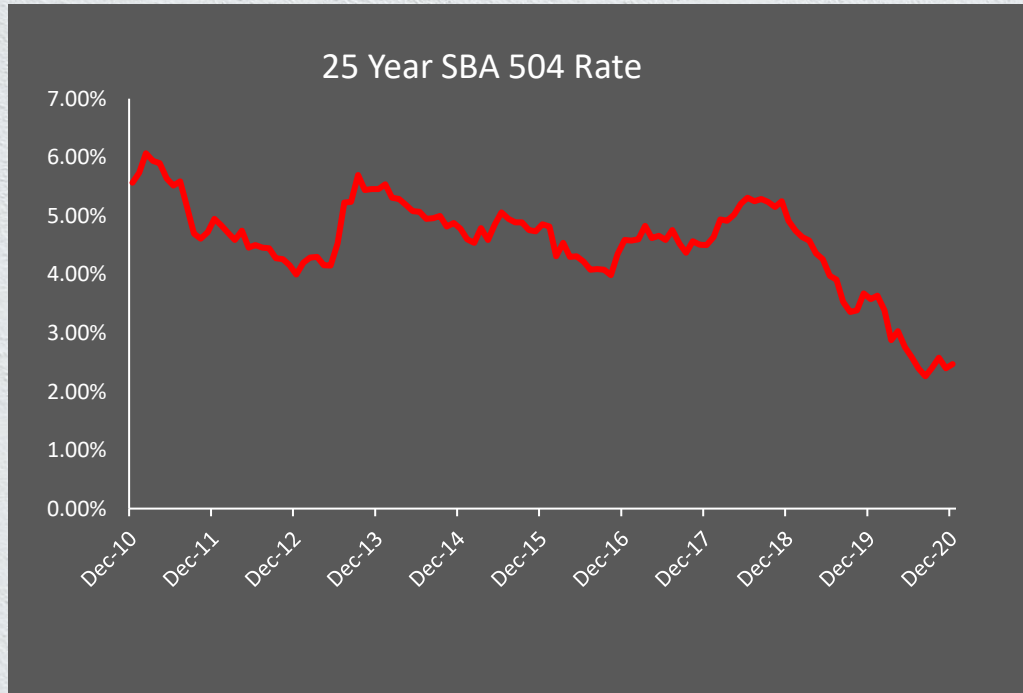


40 year history of falling rates

Even current rates are higher than rates in Japan, Germany, and other developed economies.

Will rates go lower? The Federal Reserve seems committed to keep rates low.

# Interest Rates-Commercial and Residential



Interest rates dropped one full point in 2020 from previous historic lows.

Although SBA and Mortgage rates are not indicative of commercial rates, the same trend is occurring in commercial lending.

Residential mortgage rates are at historic lows

# Falling Interest Rates Increased Purchasing Power

## Purchasing Power at Various Interest Rates and Payment Levels Assuming 90% LTV

Interest Rate	\$ 1,000	\$ 1,250	\$ 1,500	\$ 1,750	\$ 2,000	\$ 2,500	\$ 3,000
5.0%	\$207,000	\$259,000	\$310,000	\$362,000	\$414,000	\$517,000	\$621,000
4.5%	\$219,000	\$274,000	\$329,000	\$384,000	\$439,000	\$548,000	\$658,000
4.0%	\$233,000	\$291,000	\$349,000	\$407,000	\$465,000	\$582,000	\$698,000
3.5%	\$247,000	\$309,000	\$371,000	\$433,000	\$495,000	\$619,000	\$742,000
3.0%	\$264,000	\$329,000	\$395,000	\$461,000	\$527,000	\$659,000	\$791,000
2.5%	\$281,000	\$352,000	\$422,000	\$492,000	\$562,000	\$703,000	\$844,000
2.0%	\$301,000	\$376,000	\$451,000	\$526,000	\$601,000	\$752,000	\$902,000
1.5%	\$322,000	\$402,000	\$483,000	\$563,000	\$644,000	\$805,000	\$966,000

### Change in Interest Rates and the Resulting Change in Purchasing Power

4.5% to 2.5%	28.3%
@ 3% +1%	-11.7%
@ 3% -1%	14.0%

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# 2020 CPI Registered 1.4%

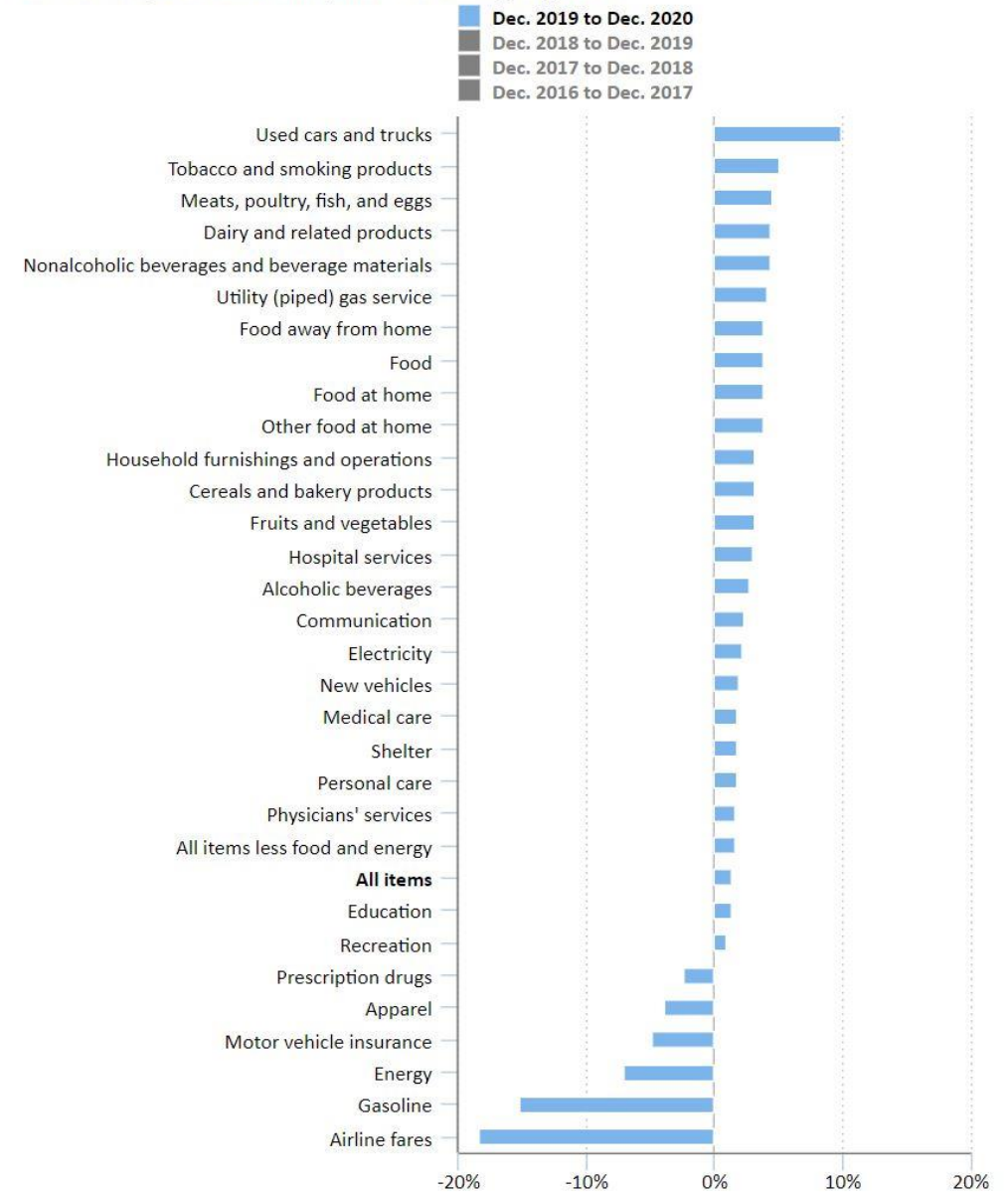
## 2020 S&P Increased 16%

Prices of consumption items are increasing on average  
At low single digits. There remains concern from policy  
Makers regarding deflation.

Asset prices are rising at much higher rates.  
Stocks, bonds, Real estate



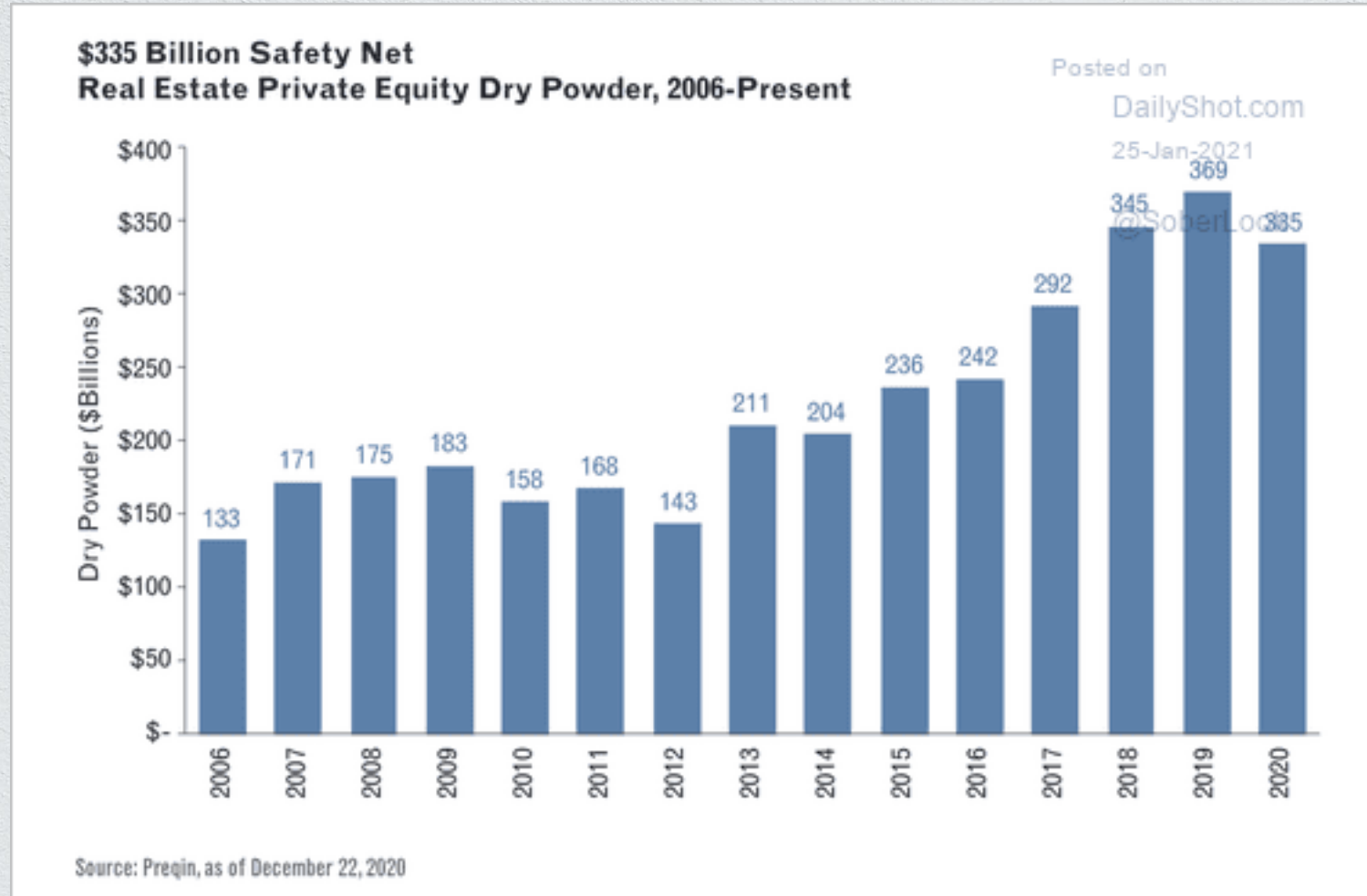
### 12-month percent change in the Consumer Price Index for All Urban Consumers, selected items, not seasonally adjusted



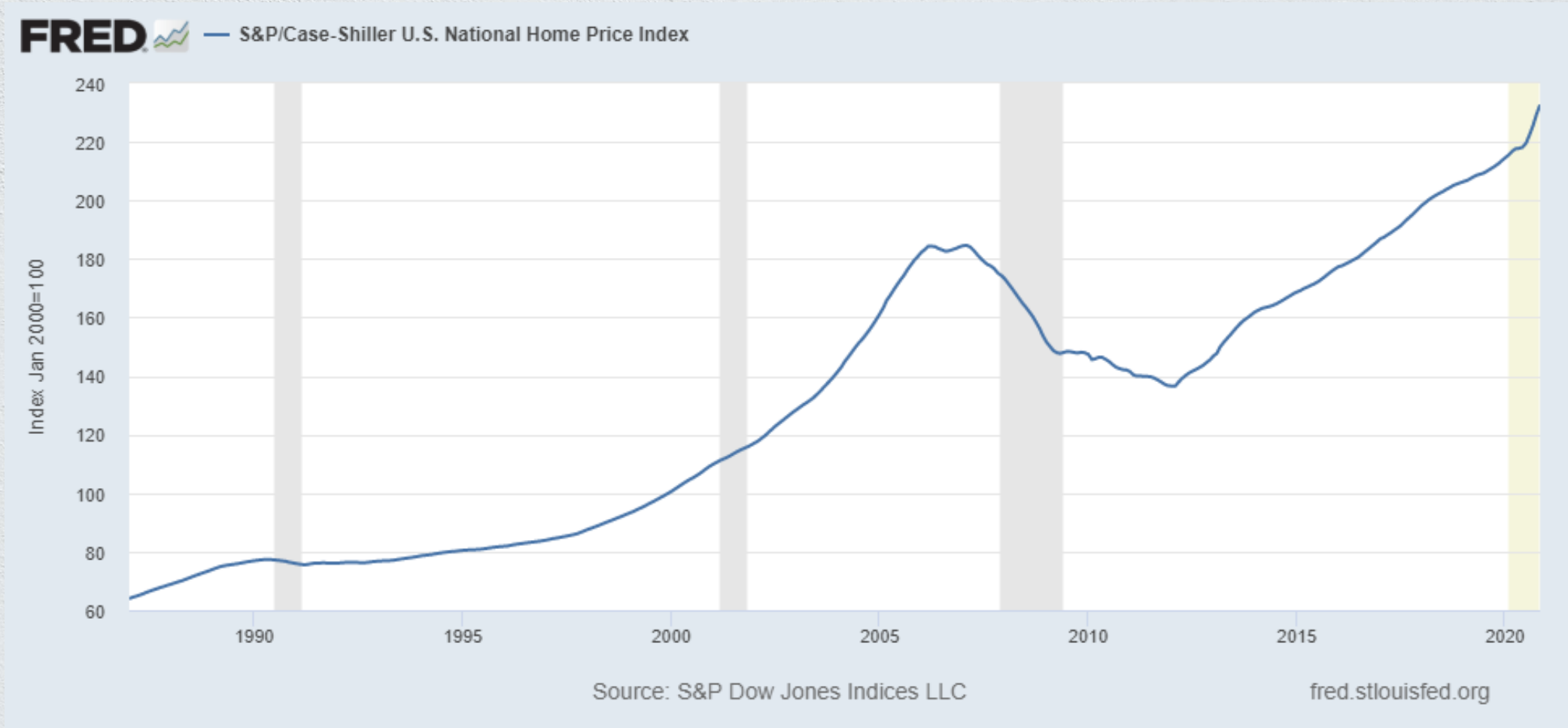
Click legend items to change data display. Hover over chart to view data.  
Source: U.S. Bureau of Labor Statistics.



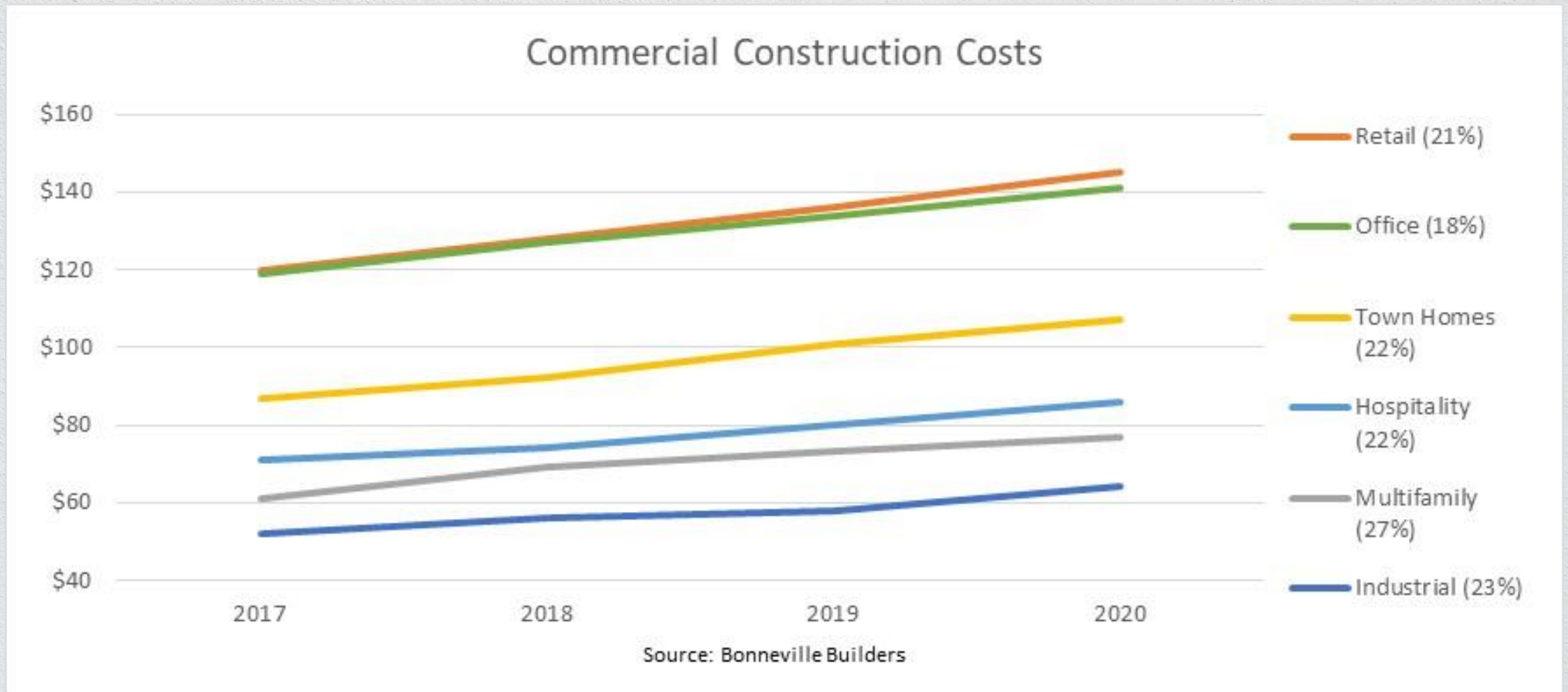
# Commercial Real Estate Funds Flush with Capital



# Home Prices Continue to Increase



# Construction Costs Continue to Increase



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## **6. Forecast**

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## Forecast

Population Growth Drive Prices Up ↑

Lower Interest Rates Drive Prices Up ↑

Housing Shortage Drives Prices Up ↑

Multifamily Shortage Drives Prices Up ↑

Construction Costs Drive Prices Up ↑

Stimulus Drives Prices Up ↑

Interest Rate Policy Drives Prices Up ↑

Most Asset Values are Inflationary

Employment is mostly recovered where open

## Economic Drivers to Watch

Governments Determine Real Estate Values

Mortgage Rates and 10yr Treasury Rates

Economies Open or Closed

Incentivize Remote Work

Permitting and Inspections on New Construction

Demand

How Many More People Will Move than Projected

Urban to Rural Shift

Supply

Standing Inventory in Real Estate

New Construction Costs Continue to Rise

# Research Publications



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THANK YOU!

Real Estate Licensing and Continuing Education:

[www.artiacademics.com](http://www.artiacademics.com)

Market Research:

[www.erabrokers.com/research](http://www.erabrokers.com/research)

[www.naiexcel.com/research](http://www.naiexcel.com/research)



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FRIDAY, JAN 22ND  
9:00 AM PACIFIC  
10:00 AM MOUNTAIN

ARTI ACADEMICS PRESENTS

# REAL ESTATE ECONOMIC FORECAST

NEVADA & UTAH

ARTI<sup>®</sup> Academics

