

OVERVIEW OF THE NORTHERN UTAH COUNTY APARTMENT MARKET

**WESTERN STATES
MULTIFAMILY**



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FILE #1701-20n

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PREPARED FOR

**MS. LORI MENDENHALL
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DATE OF THE REPORT:
JANUARY 4, 2017





**western states
multifamily**
appraisers & consultants

January 4, 2017

Ms. Lori Mendenall
AmBank
144 S. State Street
Lindon, UT 84041

Report Type:
Market Areas

Client:

Western States File No:

Apartment market report
Northern portion of Utah County

AmBank

1701-20n

Dear Ms Mendenhall:

At your request, I have prepared a study of the apartment market in the Northern portion of Utah County, which includes the communities of Lehi, American Fork and Pleasant Grove, as well as several other cities extending from Lindon, northward to the Salt Lake County line. In addition, an overview of the apartment market for all of Utah County has been included.

Your attention is invited to the attached market overview, which examines the apartment market in detail.

Respectfully submitted,

Jeff Neese, MAI

Utah State Certified General Appraiser License #5451871-CG00 (Exp. 6/30/17)
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JN/mb
Enc.

MARKET AREA DEFINED

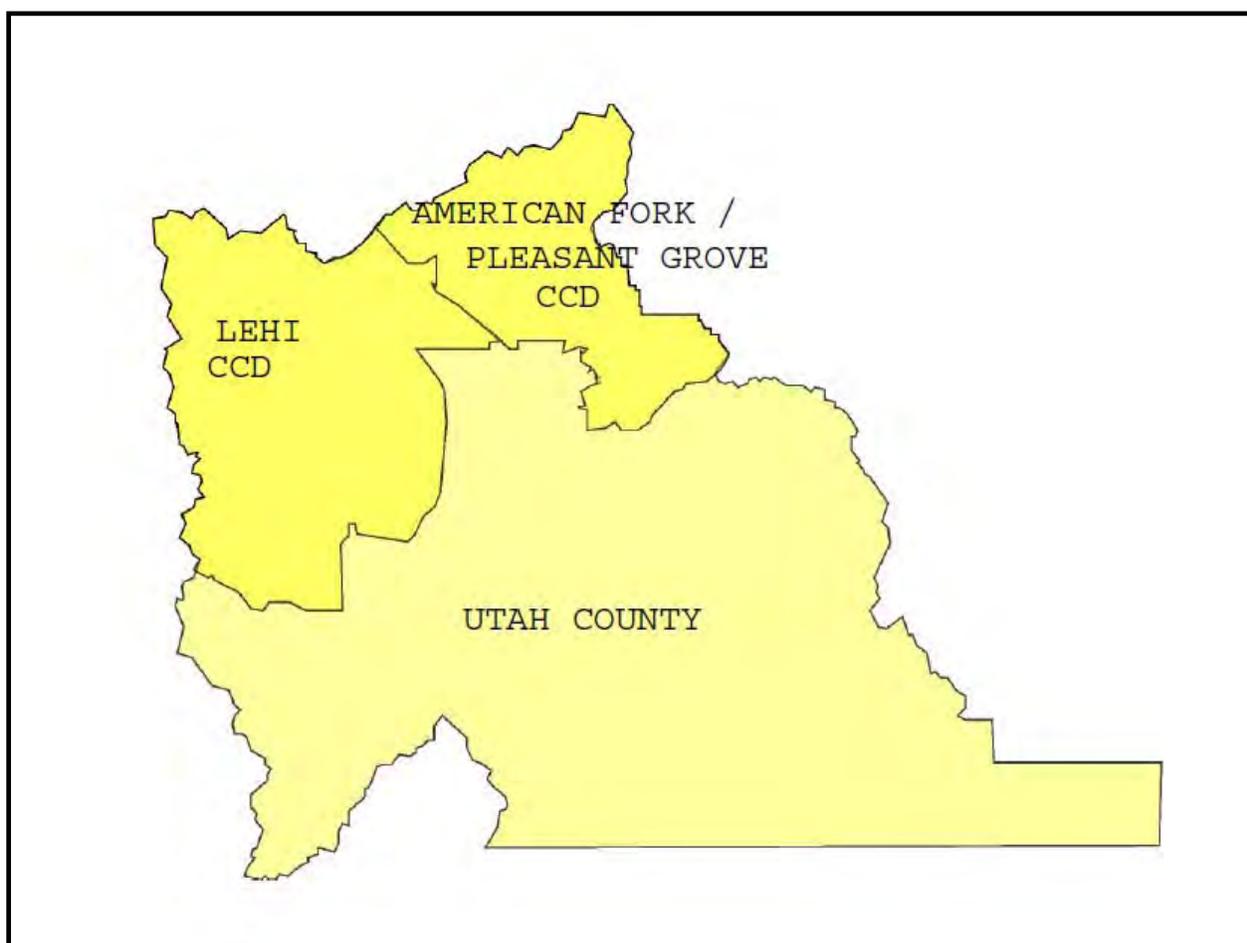
The Primary Market Area is considered to be the northern portion of Utah County. This includes the Lehi CCD, American Fork, and Pleasant Grove CCD as defined by the US Census Bureau.

These CCDs include nine cities, as well as some unincorporated areas. Overall, about 35% of the population of Utah County resides in this area.

Note that a CCD is a county subdivision as defined by the US Census Bureau. It is not a governmental unit and has no governmental or legal function.

The secondary market area is Utah County.

A detailed analysis of the rental market conditions in the market area follows.



UTAH COUNTY AREA DESCRIPTION

Utah County is located in the central portion of the state of Utah. It is the southernmost county in the Wasatch Front Region.

The elevation of Utah County ranges from 4,400 feet at Utah Lake to the west, to over 11,000 feet in the mountains to the east. Most developed areas lie between 4,500 and 5,200 feet in elevation.

The climate is typical of a high desert environment. The area experiences four distinct seasons, without temperature extremes. Rainfall averages 17 inches per year and falls mostly in the form of snow in the winter months.

Population

Utah County is the second most populated county in the State of Utah, with 575,205 residents (2015 Census Bureau). The population grew by 39.8% between 1990 and 2000. Between 2000 and 2010, growth continued at a strong pace, increasing by 148,028, or 40.2% between 2000 and 2010.

Historically, natural increase (births minus deaths) accounted for 47% of that increase, while 53% was due to net migration.

Recently, population growth has been averaging about 3% annually. Strong population growth is expected to continue to occur over the foreseeable future.

UTAH COUNTY POPULATION TRENDS 1950 TO 2015			
Year	Population	Increase	Percentage Increase
1950	81,912	24,530	42.7%
1960	106,991	25,079	30.6%
1970	137,776	30,785	28.8%
1980	218,106	80,330	58.3%
1990	263,590	45,484	20.9%
2000	368,540	104,950	39.8%
2010	516,564	148,024	41.0%
2015	575,205	58,641	11.4%

Source: US Census Bureau

Between 2000 and 2010, the population of Utah County increased at an annual rate of 3.4%. Between 2010 and 2015, the population increased at an annual rate of 2.2%.

According to the Utah Population Estimates Committee, a department of the Governor's Office of Planning and Budget, the population of Utah County is projected to increase at an annual average rate of about 3.1% between now and 2020. Based on their estimates, the area's population is expected to increase as follows:

UTAH COUNTY PROJECTED POPULATION TREND AND PROJECTIONS 2010 TO 2020			
Year	Population	Increase	Percentage Increase
2010	516,564	-	-
2015	575,205	58,651	11.3%
2020	668,564	93,359	16.2%
2030	833,101	164,537	24.6%
2040	1,019,828	186,727	22.4%
2050	1,216,695	196,867	19.3%
2060	1,398,075	181,380	14.9%

*Source: 2010 - 2014 US Census Bureau figures.
2020 - 2060 Mountainlands Association of Government*

The population of Utah County is currently estimated at 575,205 and is expected to increase to 658,564 by 2020, an annual growth rate of 3.1%.

The average household size in Utah County is among the highest in the state, at about 3.7 persons per household.

According to the Utah Foundation the population of Utah County is expected to increase by 112% over the next 25 years, reaching 1,019,828 by 2040.

The economic base of the area is centered around education, trade, government, high technology, and professional and business services.

Employment opportunities in the area are strong. Utah County is home to several high-tech research and manufacturing firms that have been expanding rapidly during the past few years.

Provo is the home of Brigham Young University, the largest private university in the nation, with an enrollment of over 35,000. Utah Valley University is located in Orem, located to the west of Provo. It has a current enrollment of about 34,000, which is projected to increase to 40,900 by 2020, an increase of 6,900, or over 20%.

Employment

Employment in the county is heavily dependent on education due to the two universities within the county. Recently, the strongest gains have been seen in Leisure and Hospitality.

NONAGRICULTURAL EMPLOYMENT BY INDUSTRY					
PROVO-OREM MSA					
(thousands)					
	May		Percent Change	April 2016(r)	March 2016(r)
	2016(p)	2015			
Total Nonagricultural Employment	233.0	222.3	4.8	236.7	234.9
Natural Resources, Mining, Construction	21.0	19.2	9.4	20.4	20.7
Manufacturing	18.5	18.4	0.5	18.6	18.5
Durable Goods	11.5	11.4	0.9	11.6	11.5
Wholesale Trade	7.1	6.8	4.4	7.0	7.0
Retail Trade	29.3	28.1	4.3	29.7	29.3
Transportation, Warehousing, Utilities	3.4	3.2	6.2	3.4	3.4
Information	11.6	11.1	4.5	11.5	11.5
Financial Activities	7.5	7.3	2.7	7.5	7.4
Professional and Business Services	31.8	29.5	7.8	31.5	30.7
Educational and Health Services	46.7	44.9	4.0	51.2	51.5
Leisure and Hospitality	19.6	17.9	9.5	19.6	19.3
Other Services	5.1	4.9	4.1	5.0	5.0
Government	31.4	31.0	1.3	31.3	30.6
Federal Government	1.0	1.0	0.0	1.0	1.0
State Government	8.6	8.4	2.4	9.0	8.7
Local Government	21.8	21.6	0.9	21.3	20.9
Private Sector	201.6	191.3	5.4	205.4	204.3

Note: The Provo-Orem Metropolitan Statistical Area (MSA) is comprised of Utah and Juab counties.
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics 6/17/16 p = preliminary r = revised

Education and Health Services represents the largest employment segment in the Provo / Orem MSA.

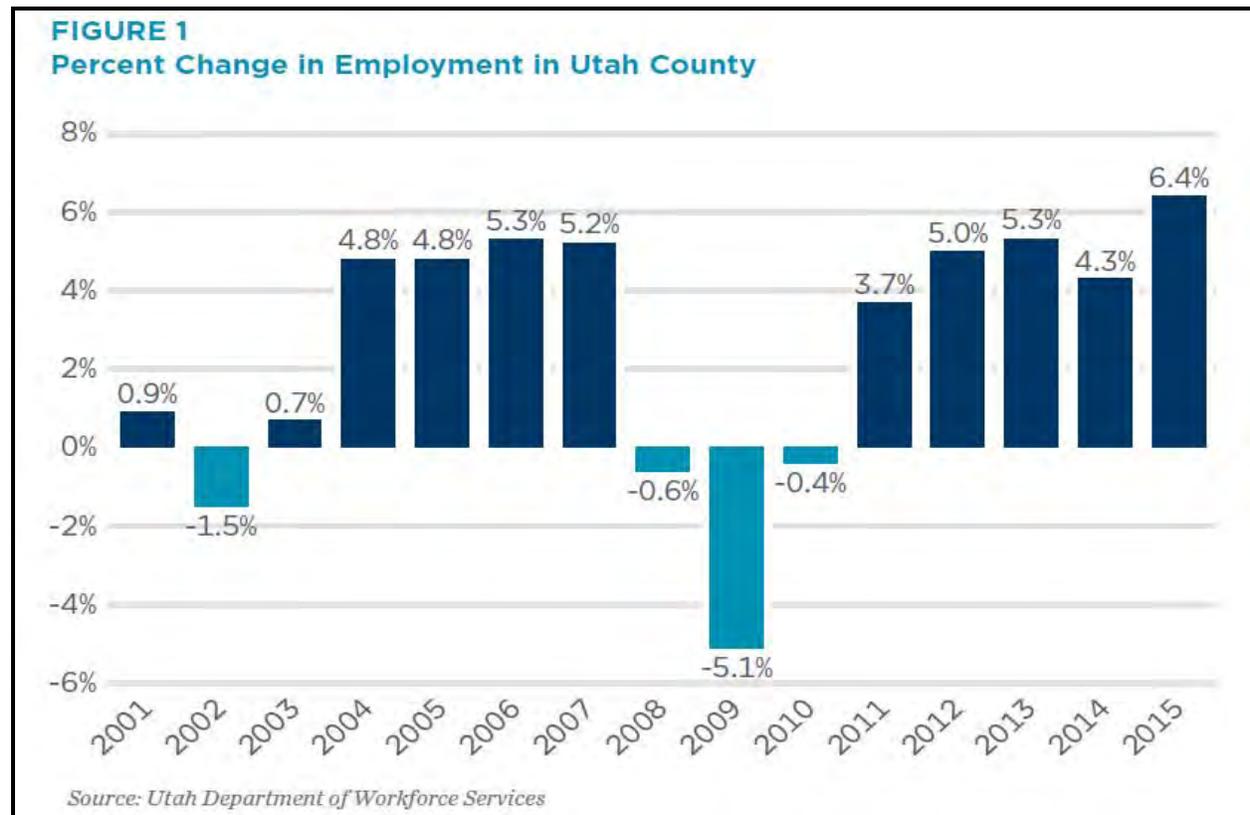
Major employers in Utah County are as follows:

MAJOR EMPLOYERS IN UTAH COUNTY			
Rank	Company	Industry	Employment Range
1	Brigham Young University	Higher Education	15000-19999
2	Alpine School District	Public Education	5000-6999
3	Utah Valley State University	Higher Education	5000-6999
4	Utah Valley Regional Medical Center	Health Care	4000-4999
5	Nebo School District	Public Education	3000-3999
6	State of Utah	State Government	3000-3999
7	Vivint	Electrical Contractors	2000-2999
8	Wal-Mart	Warehouse Clubs & Supercenters	2000-2999
9	Bluefin Office Group	Office Supplies	2000-2999
10	Provo School District	Public Education	1000-1999
11	IM Flash Technologies	Electronic Product Manufacturing	1000-1999
12	ESG	Human Resources Management Services	1000-1999
13	Nexeo Staffing	Employment Services	1000-1999
14	Pyne Floor Coverings	Consturction Flooring Contractors	1000-1999
15	Provo City	Local Government	1000-1999
16	Nestle USA	Food Manufacturing	1000-1999
17	Payday Resources	Human Resources Management Services	1000-1999
18	Central Utah Medical Clinic	Health Care	1000-1999
19	Nu Skin	Wholesale Skin Care Products	1000-1999
20	Utah County	Local Government	1000-1999

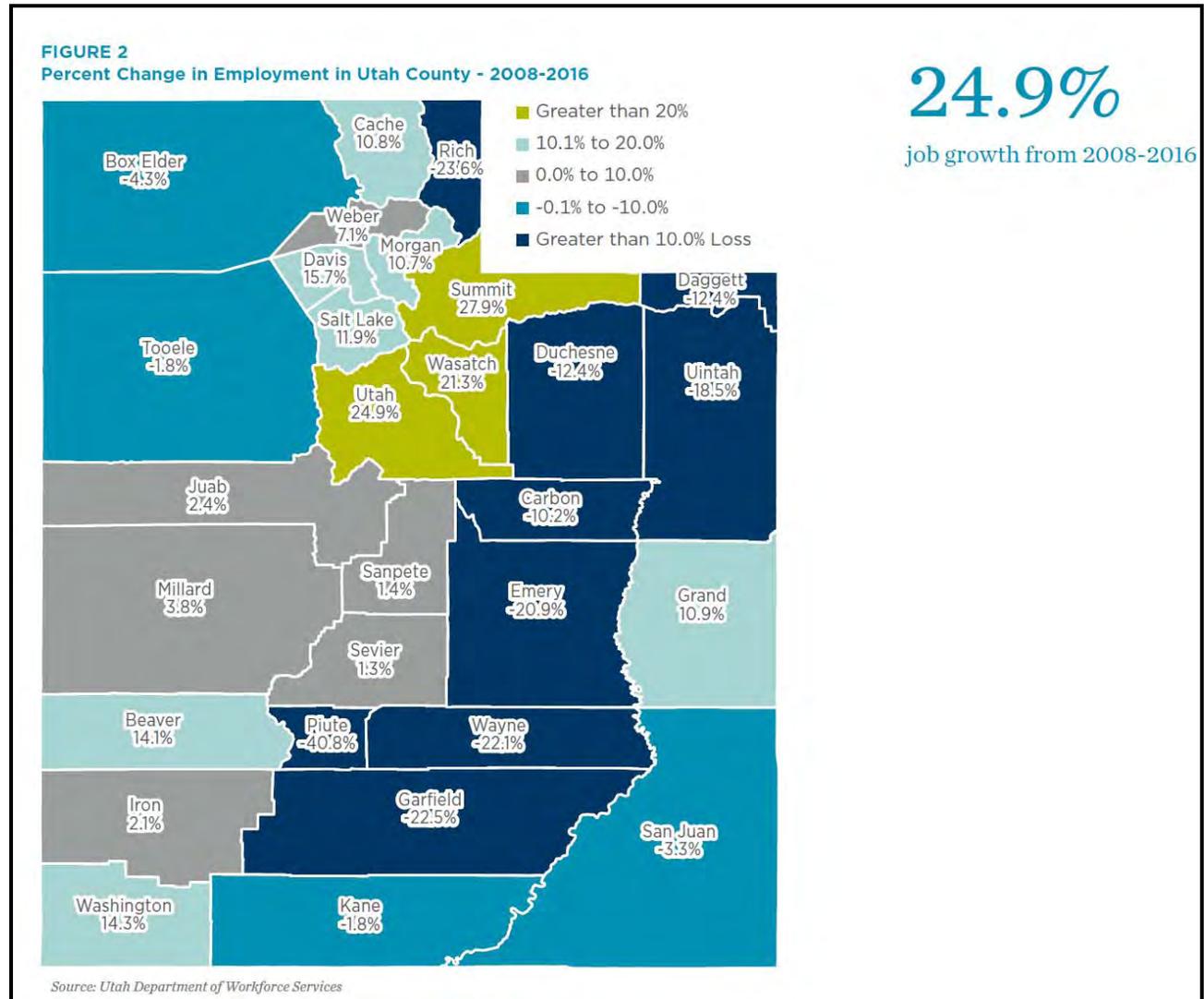
As of May 2016, there were 264,630 people employed in Utah County (non-agricultural), an increase of 3.0% from the May 2015 figure.

TRENDS IN EMPLOYMENT 2008 - 2016 UTAH COUNTY AND STATE OF UTAH MAY OF EACH YEAR						
Year	Utah County			State of Utah		
	Employment	Growth Rate	Unemployment Rate	Employment	Growth Rate	Unemployment Rate
2016	264,630	3.0%	3.5%	1,437,661	2.1%	3.8%
2015	256,888	4.8%	3.3%	1,407,886	2.7%	3.6%
2014	245,141	3.3%	3.5%	1,370,758	2.4%	3.8%
2013	237,358	5.2%	4.4%	1,338,679	3.5%	4.6%
2012	225,716	4.8%	5.1%	1,292,884	3.2%	5.5%
2011	215,400	1.2%	6.5%	1,252,308	0.5%	6.9%
2010	212,881	3.1%	7.5%	1,246,134	(1.6%)	8.0%
2009	206,420	-4.6%	6.9%	1,266,238	(4.6%)	7.5%
2008	216,319	-0.5%	3.2%	1,327,078	(0.1%)	3.3%

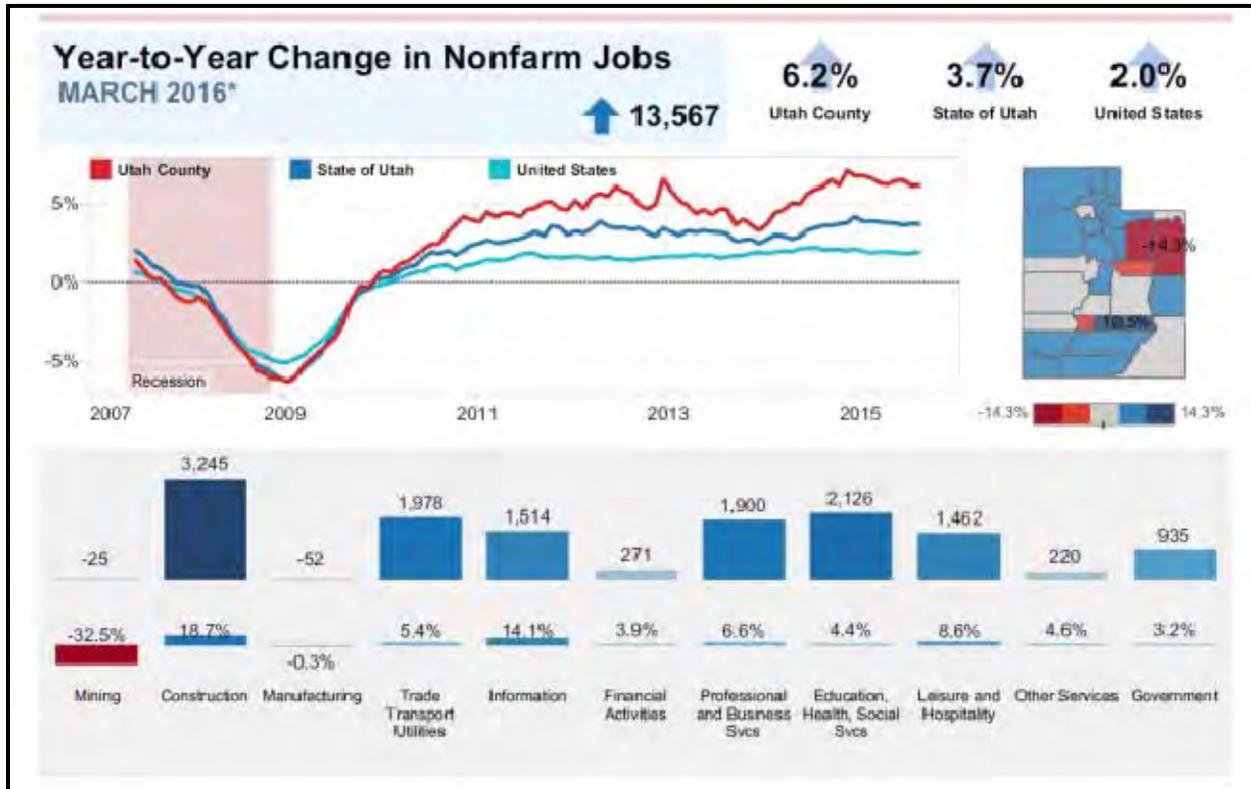
Source: Utah Department of Workforce Services. Seasonally adjusted.



Since 2008, employment in Utah County has increased by 24.9%. This is the second highest percentage increase of all of Utah's 29 counties.



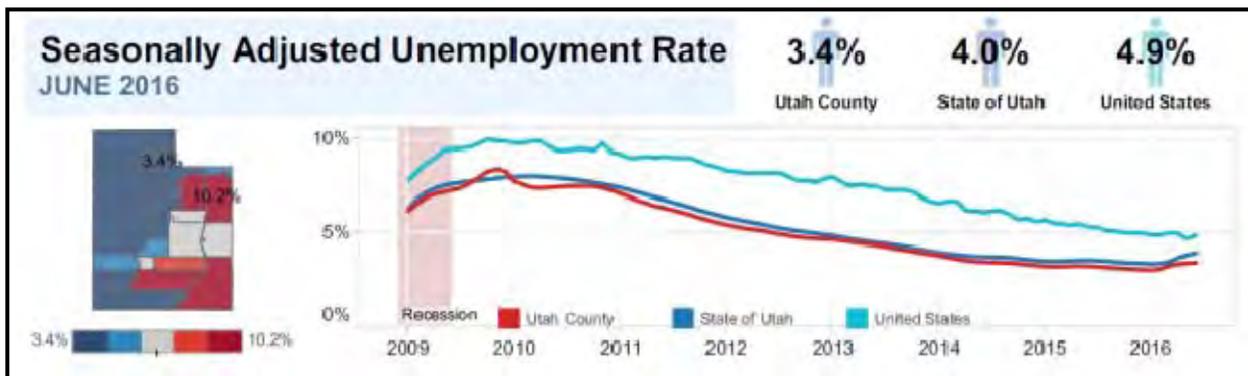
The unemployment rate peaked at 7.5% in 2010 and has declined since that time. Total county employment hit a low of 206,420 in May 2009 and has increased by 58,210, or 28.2% since that time. The average annual rate of job growth over the past five years is about 4.2%.



For March 2016, the year-over-year rate of job growth in Utah County was 6.2%, which is well above the state-wide growth rate of 3.7% and is more than triple the national average of 2.0%.

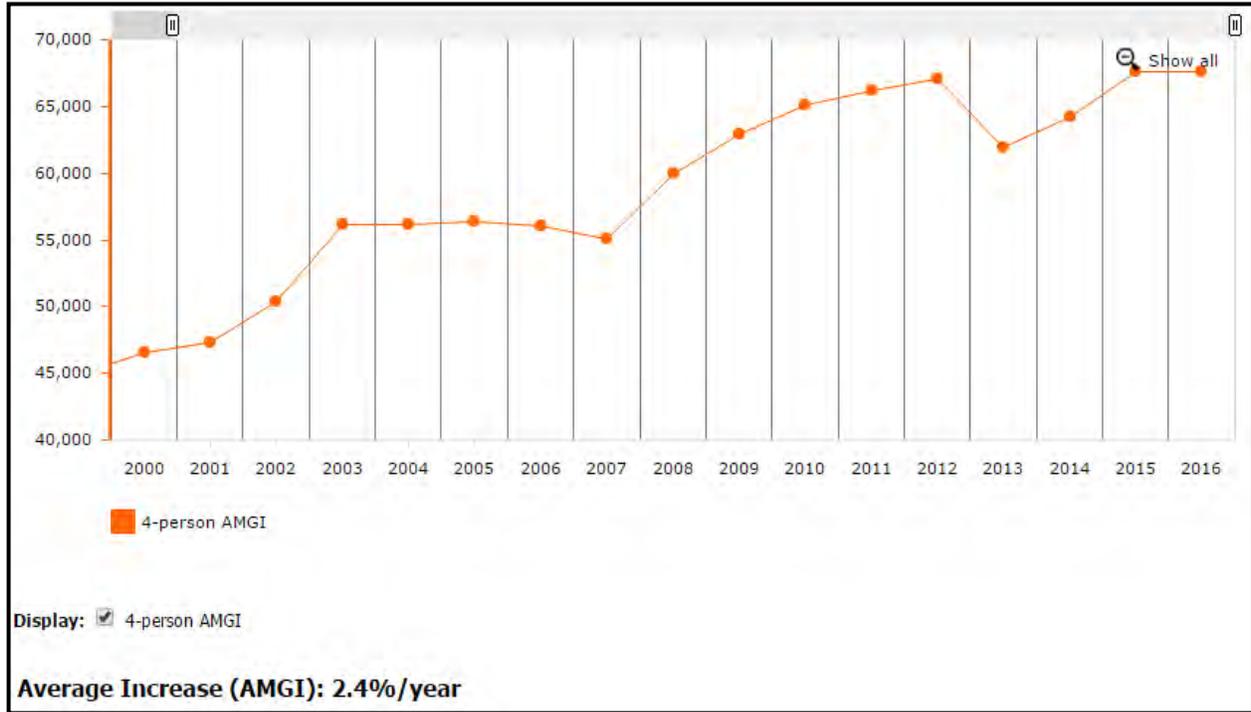
The fastest-growing employment sectors (on a percentage basis) are Leisure and Hospitality; Natural Resources, Mining and Construction; and Professional and Business Services.

The current unemployment rate (June 2016) is 3.4%, which is below the statewide average of 4.0% and well below the national average of 4.9%.



Incomes

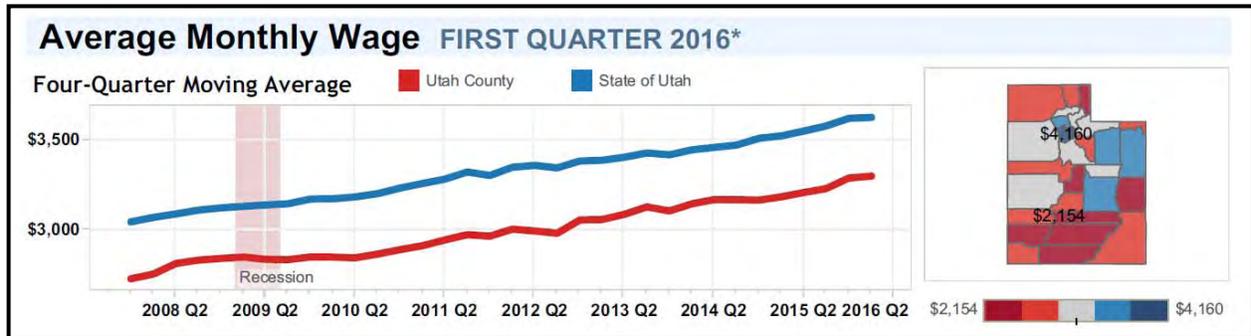
The US Department of Housing and Urban Development indicates the median income for a 4-person household in Utah County was \$67,600 for 2016. That was unchanged from 2015. Since 2000, median incomes have increased by an average of 2.4% per year.



Wages

Wages in Utah County are somewhat lower than average for the state of Utah as a whole.

For the first quarter of 2016, the average monthly wage in the private sector in Utah County was \$3,650. This is 94% of the state-wide average wage of \$3,900.



Construction

Residential construction reached an all-time high of 6,902 permits in 2006. Residential construction has since slowed. However, residential construction has generally increased each year from 2008 to 2014, hitting a seven-year high of 5,182 units in 2014. 2015 reflected a decrease of about 14% from the 2014 figure. The first nine months of 2016 are on a pace that is below the same period in 2015.

RESIDENTIAL CONSTRUCTION ACTIVITY IN UTAH COUNTY					
Year	Single Family	Mobile/ Cabin	Duplex Units	Apartments/ Condominiums	Total Units
2005	4,319	14	256	1,230	5,819
2006	5,329	14	238	1,321	6,902
2007	3,505	42	124	1,299	4,970
2008	871	36	16	492	1,415
2009	1,129	12	48	295	1,484
2010	1,315	7	56	515	1,893
2011	1,250	5	40	570	1,865
2012	1,704	14	92	654	2,464
2013	2,181	6	40	1,020	3,247
2014	1,976	20	48	3,138	5,182
2015	2,488	5	50	1,912	4,455
2016 (Thru Sept)	2,117	9	36	900	3,062

Source:
Ivory-Boyer Construction Database

PERMIT-AUTHORIZED CONSTRUCTION IN UTAH COUNTY 2010 TO SEPTEMBER 2016

Year	Number of New Dwelling Units	% Chng from Previous Year	New Residential Construction	% Chng from Previous Year	New Nonresidential Construction*	% Chng from Previous Year	Total Construction* (Includes Add., Alter., & Rep)	% Chng from Previous Year
2010	1,893	27.6%	\$378.8	36.4%	\$251.1	93.1%	\$724.4	42.8%
2011	1,865	(1.5%)	\$405.1	7.0%	\$202.9	(19.2%)	\$718.9	(1.2%)
2012	2,464	32.1%	\$535.0	32.1%	\$171.9	(15.3%)	\$835.7	16.2%
2013	3,247	31.8%	\$692.6	29.5%	\$360.6	109.8%	\$1,265.1	51.4%
2014	5,182	59.6%	\$906.6	30.9%	\$362.6	0.6%	\$1,438.1	13.7%
2015	4,455	(14.0%)	\$1,235.2	36.2%	\$443.3	22.2%	\$1,908.0	32.7%
2016 (Thru Sept)	3,064	(20.8%)	\$746.7	(-23.2%)	\$722.8	89.2%	\$1,665.9	6.7%

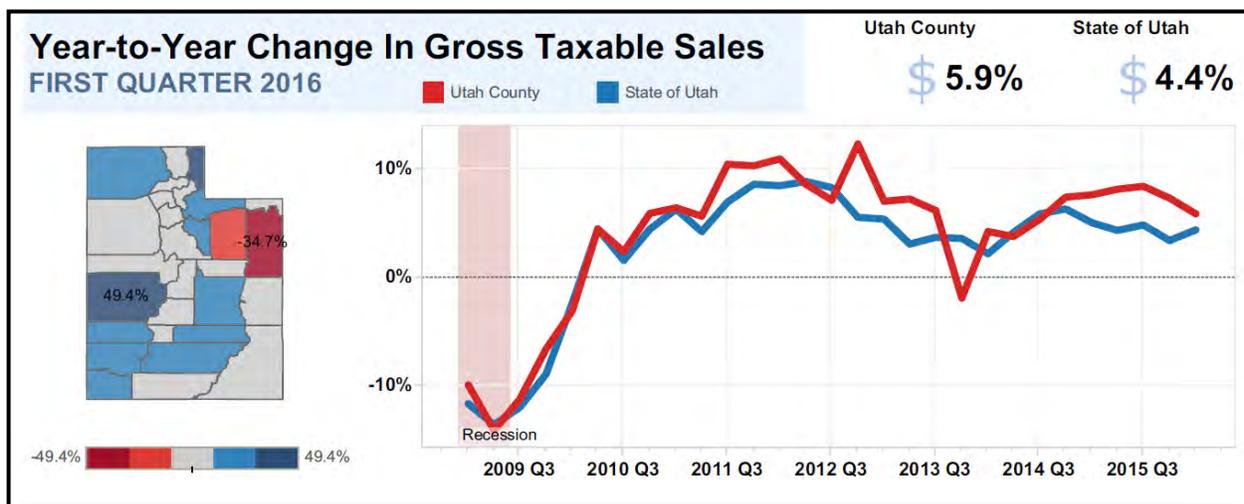
- In millions of dollars
- Source: Ivory Boyer Construction Database

Total construction value hit a new high in 2015, increasing by 32.7% from 2014. For the first nine months of 2016, total construction value is 6.7% above the 2015 figure.

Gross Taxable Sales

In Utah County, first quarter 2016 gross taxable sales increased 5.9% from the first quarter 2015 figure.

For the State of Utah, the first quarter 2016 gross taxable sales increased 4.4% from the first quarter 2015 figure.



Overview of Northern Utah County Apartment Market Western States Multifamily

Transportation

The air service needs of the county area are met by the Salt Lake International and the Provo and Spanish Fork municipal airports.

Utah County is crossed by Interstate 15, a north/south freeway that connects the city with Salt Lake to the north and Las Vegas to the south. Re-construction of 24 miles of Interstate-15 between Lehi and Spanish Fork was completed about two years ago. The project widened the freeway by two lanes in each direction and replaced the aging surface with 40-year concrete pavement. 63 bridges and 10 freeway interchanges were re-built. This provides the area with excellent freeway access, which is a positive factor for apartment development in the vicinity.

Interstate-15 provides the area with good automobile, bus, and truck access. A large network of general commodity carriers and hundreds of special commodity carriers link Utah County with the Wasatch Front and most western cities with overnight service.

Greyhound provides nationwide bus service to the area while the Utah Transit Authority (UTA) provides local and express bus service between Provo and Salt Lake County. The area is also served by two rail carriers, the Union Pacific and the Denver & Rio Grande Western.

UTA operates FrontRunner, a commuter rail line, extending from Provo to Salt Lake City. The FrontRunner South line travels 45 miles along the existing Union Pacific Railroad freight corridor from the Provo Intermodal Center through Utah County to the Salt Lake Central Station in downtown Salt Lake City. FrontRunner South features eight stations with the possibility of adding two future stations. This line began service in 2012. The line also extends into the Ogden area to the north, a total distance of 90 miles.

CONCLUSION

Utah County is the southernmost county in the Wasatch Front Region. The area's population has been expanding rapidly over the past decade, with a 2015 population estimated at 575,205. The population is projected to reach 668,564 by 2020, an annual growth rate of about 3.1%.

Brigham Young University and Utah Valley University are major employers in the area and produce strong demand for apartments, particularly during the late-August to late-April school year.

Historically, job growth has been strong although employment growth did decline during the national recession. The long-term outlook for the county is good.

The local economy has been strong after hitting bottom in 2010. Average annual employment increased by 58,210, or 28.2% from May 2009 to May 2016. Over the past year, employment has increased by 3.0%. The unemployment rate has dropped to 3.5% (May 2016), which is slightly below the statewide average of 3.8%, and is well below the national (4.7%) average.

Construction is also strong, with total construction value increasing by 32.7% in 2015. Gross taxable sales are up 8.4% year over year.

CHARACTERISTICS OF THE UTAH COUNTY APARTMENT MARKET

The Utah County housing market is characterized by low vacancy rates and increasing rental rates and selling prices. Apartment market conditions have been strong since 2009. Currently, vacancy rates in stabilized projects in Utah County average about 4% to 5%. Rental rates have been increasing at about 5% annually since 2010.

Several new apartment projects have been developed over the past few years. All have leased-up quickly. Much of the increased demand for apartments can be attributed to the weakness of the "for sale" housing market, which has led to strong growth in the number of renter households.

The long-term outlook for rental housing in Utah County is strong. The area continues to experience a high birth rate. In addition, even during this recessionary period, the state has experienced net-immigration. The unemployment rate is well below national averages, currently at 3%.

There are currently about 51,546 occupied rental units in Utah County. This is projected to increase to 59,271 by 2019, an average annual increase of about 1,931 renter households. Continued weakness in the "for sale" housing market, coupled with continued population increases, has led to increased demand for rental housing in the area.

Currently, about 34% of all households in Utah County are renters. About 41% of the rental units are single family homes or mobile homes; 25% are in two to four-units structures. The remaining 34% are in structures with five or more units.

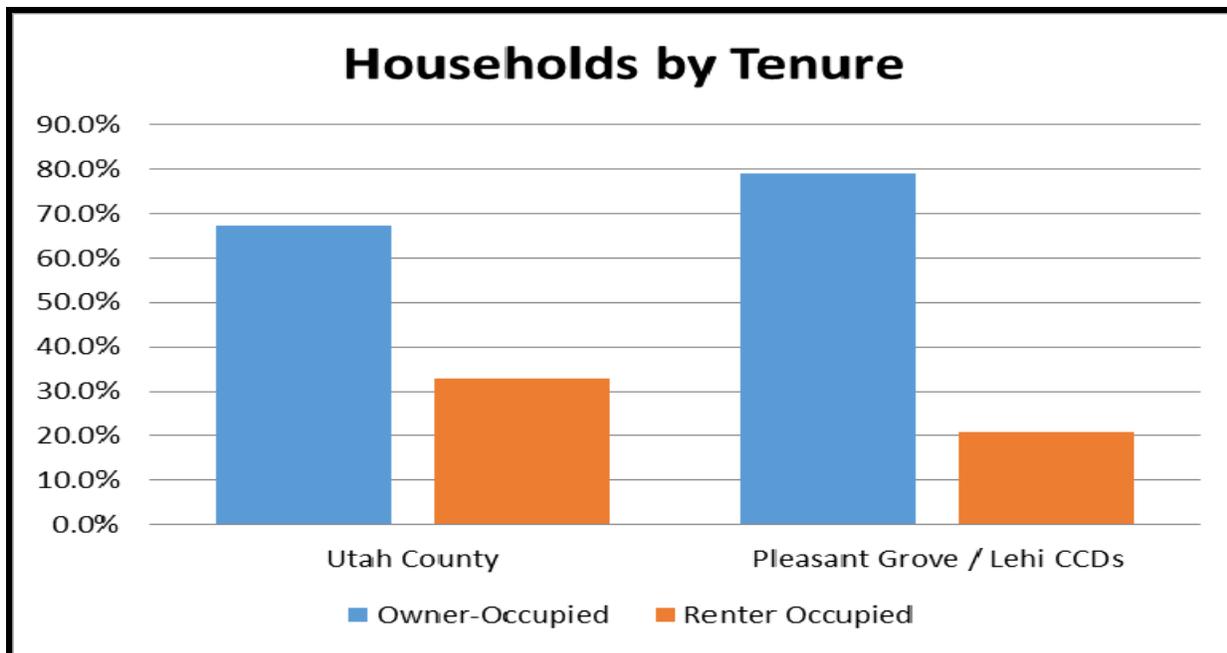
Characteristics of the local rental housing market are examined in the following pages.

Tenure

As of the 2015 American Community Survey, there were 155,089 occupied housing units in Utah County. Of those, 50,926, or 32.8% were rental units. The Primary Market Area has a lower percentage of renter households, with about 21% of households renting.

HOUSEHOLDS BY TENURE				
	Utah County		Combined Pleasant Grove / Lehi CCDs	
	Number	Percentage	Number	Percentage
Owner-Occupied	104,163	67.2%	42,530	79.1%
Renter Occupied	50,926	32.8%	11,252	20.9%
Total Occupied Housing Units	155,089	100.0%	53,782	100.0%

Sources:
 Utah County: 2015 American Community Survey (1-year estimates)
 Combined Pleasant Grove / Lehi CCDs: 2014 American Community Survey (5-year estimates)
 File #B25003



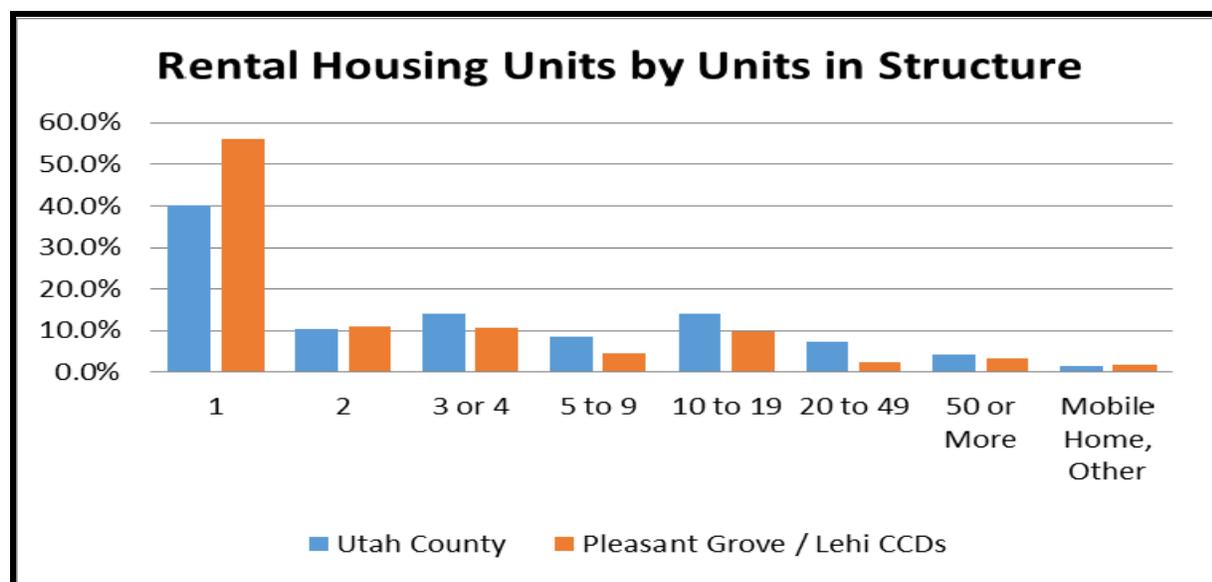
PHYSICAL CHARACTERISTICS OF EXISTING RENTAL HOUSING

Units in Structure

According to the Census data, about 48% of renters in Utah County live in structures with three or more units. A high percentage of renters in the Primary Market Area live in one and two-unit structures, with only a small percentage living in large apartment buildings.

HOUSEHOLDS BY TENURE				
	Utah County		Combined Pleasant Grove / Lehi CCDs	
	Number	Percent	Number	Percent
1 Unit	20,383	40.0%	6,323	56.2%
2 Units	5,224	10.3%	1,224	10.9%
3 or 4 Units	7,117	14.0%	1,201	10.7%
5 to 9 Units	4,361	8.6%	520	4.6%
10 to 19 Units	7,148	14.0%	1,096	9.7%
20 to 49 Units	3,770	7.4%	286	2.5%
50 or More Units	2,221	4.4%	393	3.5%
Mobile Home or Other	702	1.4%	209	1.9%
Totals	50,926	100.0%	11,252	100.0%

Sources:
 Utah County: 2015 American Community Survey (1-year estimates)
 Combined Pleasant Grove / Lehi CCDs: 2014 American Community Survey (5-year estimates)
 File #B25032

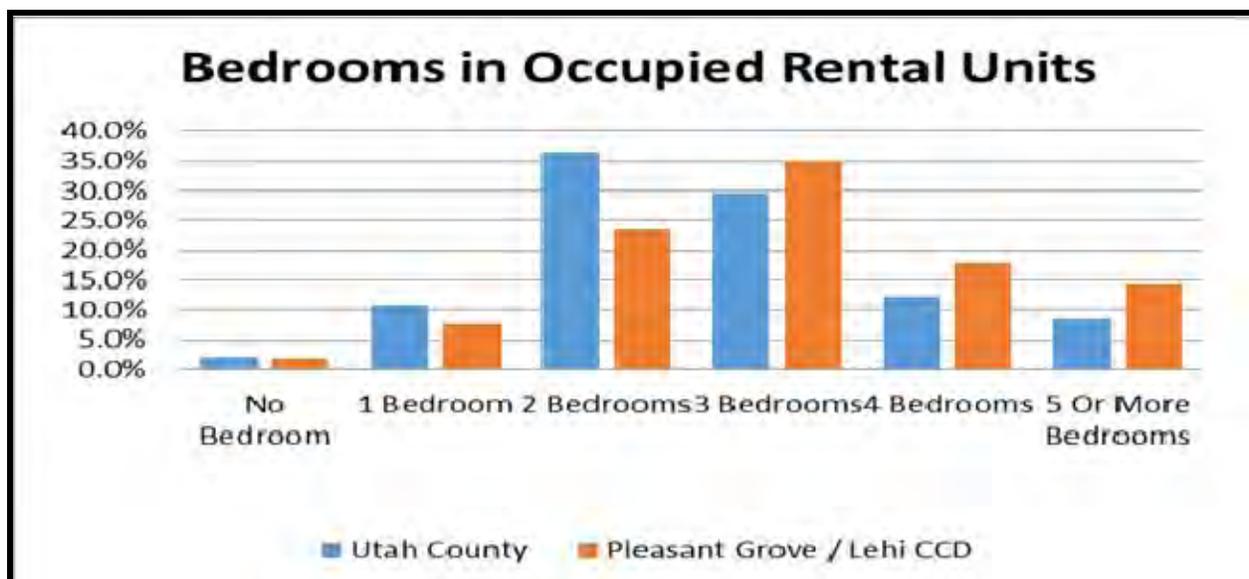


Bedrooms

77% of renter households in Utah County occupy a unit with one, two, or three bedrooms. Rental housing in the Primary Market Area tends to be larger; with 69% of all rental housing have three or more bedrooms.

RENTER HOUSEHOLDS BY BEDROOMS IN UNIT				
	Utah County		Combined Pleasant Grove / Lehi CCDs	
	Number	Percentage	Number	Percentage
No Bedroom	1,052	2.1%	200	1.8%
1 Bedroom	5,483	10.8%	860	7.6%
2 Bedrooms	18,652	36.5%	2,641	23.5%
3 Bedrooms	15,129	29.7%	3,938	35.0%
4 Bedrooms	6,257	12.3%	2,019	17.9%
5 Or More Bedrooms	4,353	8.5%	1,594	14.2%
Totals	50,926	100.0%	11,252	100.0%

Sources:
 Utah County: 2015 American Community Survey (1-year estimates)
 Combined Pleasant Grove / Lehi CCDs: 2014 American Community Survey (5-year estimates)
 File #B25042

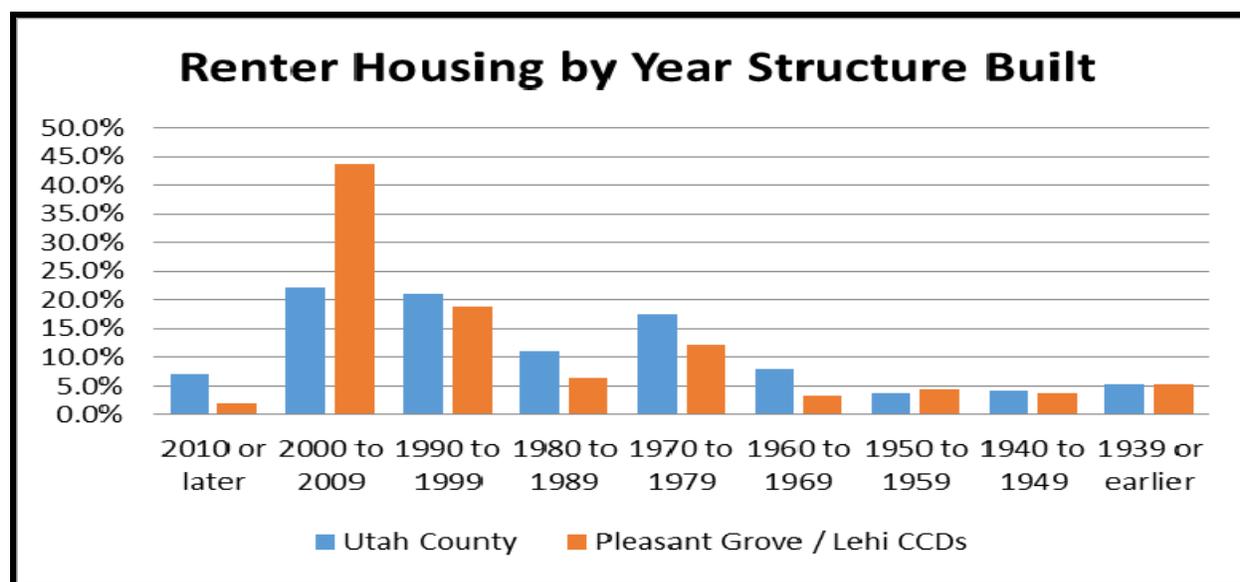


Age of Rental Housing

Rental housing in the Primary Market Area is more modern than is found in the county as a whole. About 50% of rental housing in Utah County was constructed since 1990, compared with 64% in the Primary Market Area.

RENTER HOUSEHOLDS BY YEAR THEIR HOUSING UNIT WAS CONSTRUCTED				
	Utah County		Combined Pleasant Grove / Lehi CCDs	
	Number	Percentage	Number	Percentage
2010 or later	3,633	7.1%	220	2.0%
2000 to 2009	11,237	22.2%	4,905	43.6%
1990 to 1999	10,707	21.0%	2,120	18.8%
1980 to 1989	5,639	11.1%	724	6.4%
1970 to 1979	8,884	17.4%	1,375	12.2%
1960 to 1969	4,031	7.9%	369	3.3%
1950 to 1959	1,951	3.8%	503	4.5%
1940 to 1949	2,161	4.2%	431	3.8%
1939 or earlier	2,682	5.3%	605	5.4%
Totals	50,925	100.0%	11,252	100.0%
Median Year Built	1990		1994 (Pl. Grove CCD) 2002 (Lehi CCD)	

Sources:
 Utah County: 2015 American Community Survey (1-year estimates)
 Combined Pleasant Grove / Lehi CCDs: 2014 American Community Survey (5-year estimates)
 File #B25037 & #B25036



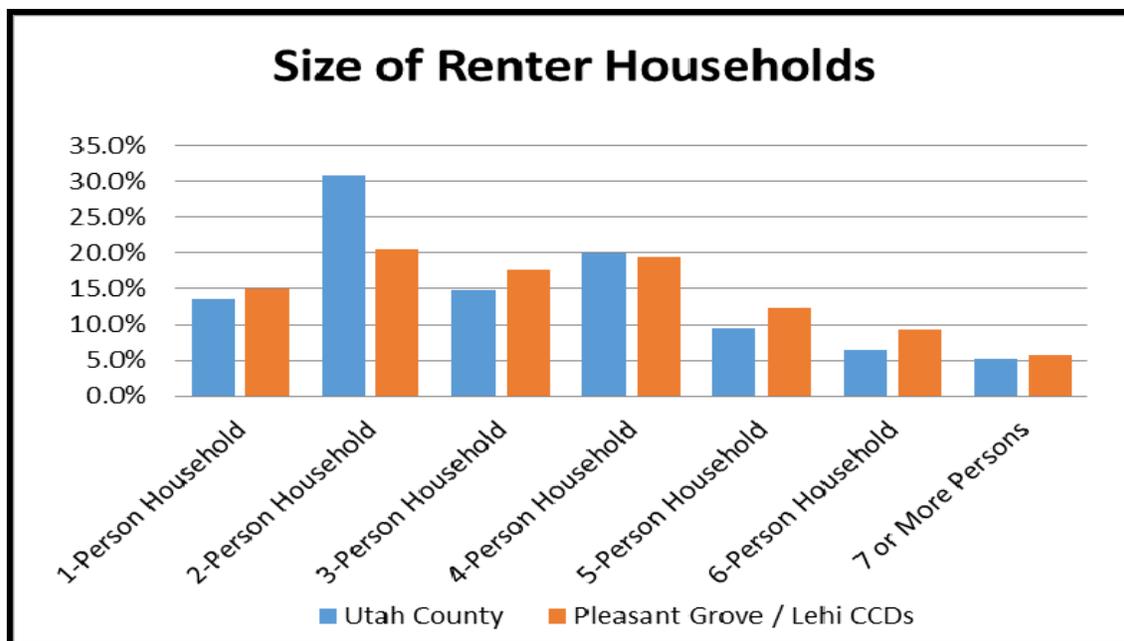
SOCIAL AND DEMOGRAPHIC CHARACTERISTICS OF RENTERS

Household Size For Renter Households

About 35% of renter households in the Primary Market Area consist of one or two persons, while about 27% have five or more members. About 45% of renter households in Utah County consist of one or two persons, while about 21% have five or more members.

SIZE OF HOUSEHOLD RENTAL HOUSEHOLDS				
Household Size	Salt Lake County		Sub-Market	
	Number	Percentage	Number	Percentage
1 Person	6,912	13.8%	1,684	15.0%
2 Persons	15,672	31.2%	2,299	20.4%
3 Persons	7,508	18.9%	1,996	17.7%
4 Persons	10,150	14.9%	2,186	19.4%
5 Persons	4,806	8.9%	1,383	12.3%
6 Persons	3,259	8.3%	1,050	9.3%
7 or More Persons	2,619	4.0%	654	5.8%
Totals	50,926	100.0%	11,252	100.0%

Source: 2014 American Community Survey, 5-Year Estimates - US Census Bureau
File # B25009

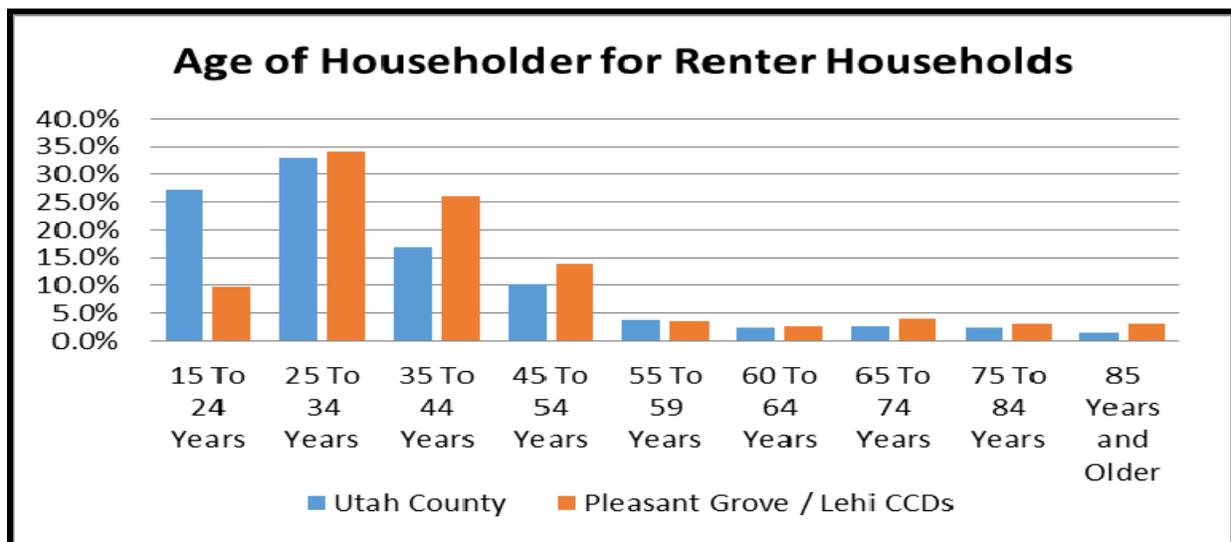


Age of Householders

Renters in the area tend to be young. In the Primary Market Area, about 45% of renter households are headed by a person under 35 years of age. Only 16% are 55 years of age or older.

RENTER HOUSEHOLDS BY AGE OF HOUSEHOLDER				
	Utah County		Combined Pleasant Grove / Lehi CCDs	
	Number	Percentage	Number	Percentage
15 To 24 Years	13,879	27.3%	1,103	9.8%
25 To 34 Years	16,772	32.9%	3,833	34.1%
35 To 44 Years	8,645	17.0%	2,938	26.1%
45 To 54 Years	5,210	10.2%	1,551	13.8%
55 To 59 Years	1,918	3.8%	385	3.4%
60 To 64 Years	1,259	2.5%	294	2.6%
65 To 74 Years	1,328	2.6%	459	4.1%
75 To 84 Years	1,167	2.3%	353	3.1%
85 Years and Older	748	1.5%	336	3.0%
Total	50,926	100.0%	11,252	100.0%

Sources:
 Utah County: 2015 American Community Survey (1-year estimates)
 Combined Pleasant Grove / Lehi CCDs: 2014 American Community Survey (5-year estimates)
 File #B25007

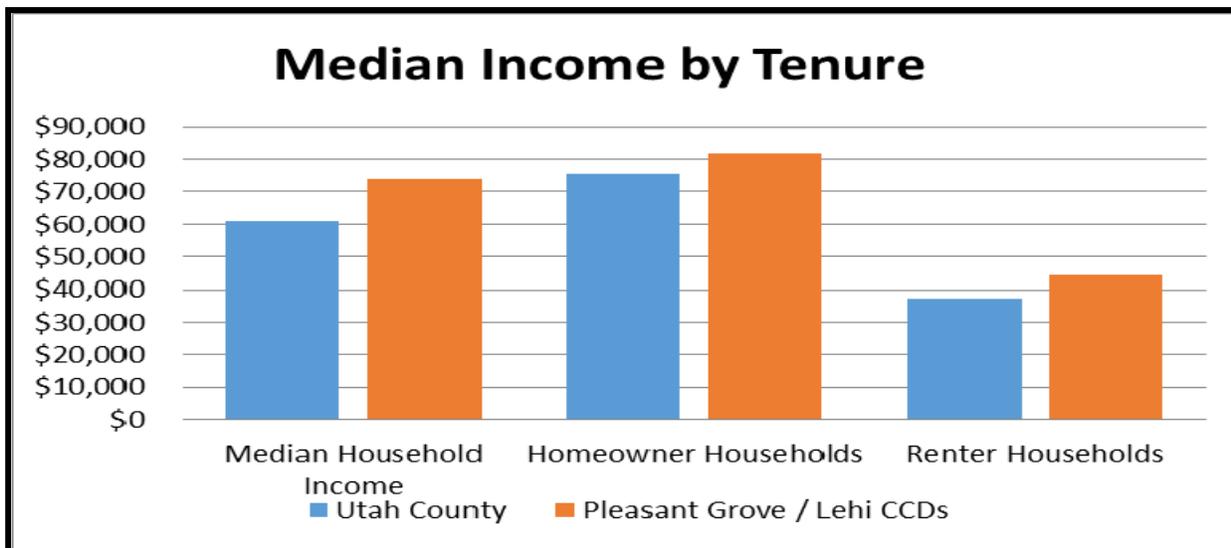


Median Income Level For Renter and Homeowner Households

Renter households have lower incomes than do homeowner households. However, renters in the Primary Market Area have incomes that are about 19% higher than average for the county as a whole.

TENURE OF HOUSEHOLDS BY MEDIAN INCOME		
	Utah County	Combined Pleasant Grove / Lehi CCDs
Median Household Income	\$65,487	\$74,050
Homeowner Households	\$80,302	\$82,006
Renter Households	\$41,253	\$44,448
Renter Income as Percentage of Total	63.0%	60.0%

Sources:
 Utah County: 2015 American Community Survey (1-year estimates)
 Combined Pleasant Grove / Lehi CCDs: 2014 American Community Survey (5-year estimates)
 File #B25119

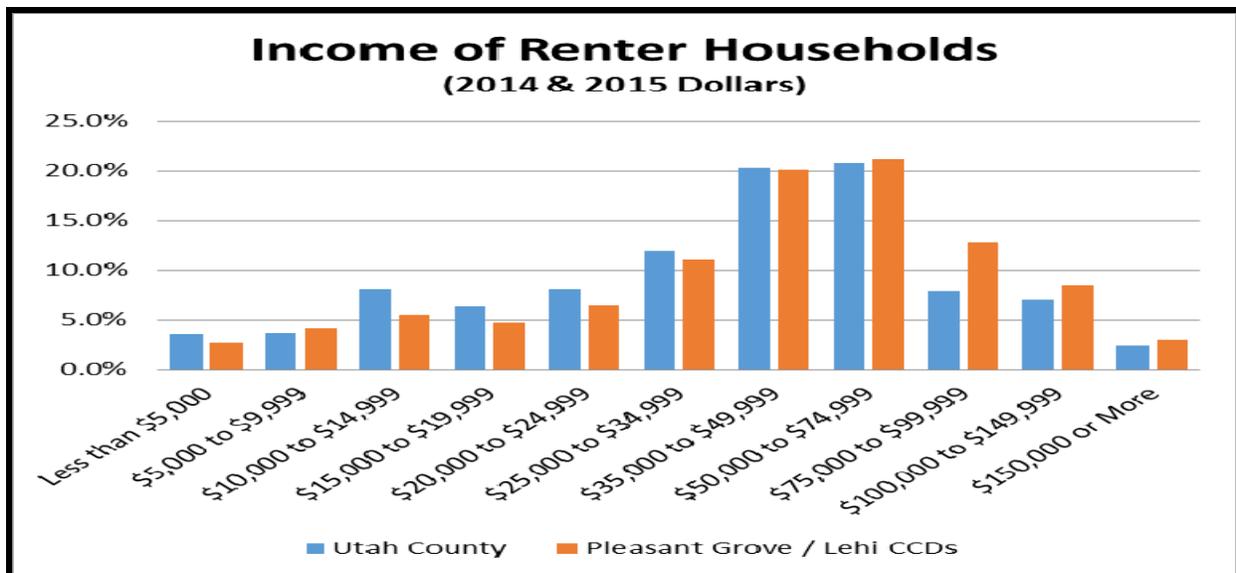


Incomes of Renter Households

Due to the large number of students residing in the area, there are a high percentage of low-income households in Utah County, with only about 38% earning \$50,000 or more annually. Income levels in the Primary Market Area are significantly higher, with over 45% earning \$50,000 or more.

INCOMES OF RENTER HOUSEHOLDS				
Income	Utah County		Combined Pleasant Grove / Lehi CCDs	
	Number	Percentage	Number	Percentage
Less than \$5,000	1,803	3.5%	301	2.7%
\$5,000 to \$9,999	1,830	3.6%	467	4.2%
\$10,000 to \$14,999	4,133	8.1%	614	5.5%
\$15,000 to \$19,999	3,212	6.3%	535	4.8%
\$20,000 to \$24,999	4,131	8.1%	729	6.5%
\$25,000 to \$34,999	6,070	11.9%	1,244	11.1%
\$35,000 to \$49,999	10,347	20.3%	2,259	20.0%
\$50,000 to \$74,999	10,570	20.8%	2,387	21.1%
\$75,000 to \$99,999	4,016	7.9%	1,438	12.8%
\$100,000 to \$149,999	3,573	7.0%	947	8.4%
\$150,000 or More	1,241	2.4%	331	2.9%
Totals	50,926	100.0%	11,252	100.0%

Sources:
 Utah County: 2015 American Community Survey (1-year estimates)
 Combined Pleasant Grove / Lehi CCDs: 2014 American Community Survey (5-year estimates)
 File #B25118



Vacancy Rates

According to a mid-year 2016 study by CBRE, the average vacancy rate in Utah County was 3.2%. This was a decrease from peak vacancy figure of 7% experienced in 2009. Since 2012, the area's vacancy rate has not exceeded 4.5%.

A Summer 2016 market report by Cushman & Wakefield/Commerce found an average market vacancy rate of 3.4%. They conclude that the market vacancy rate will not exceed 5% in the near future.

In a recent rental survey, occupancy data was available on several projects containing 1,387 units. Of those, 44 units (3.2%) were vacant.

VACANCY RATES IN EXISTING STABILIZED APARTMENT PROJECTS			
Project	Number of Units	Units Vacant	Occupancy Percentage
Residences at Monteval	131	7	95%
CrestHaven	344	11	97%
The Alloy at Geneva	324	9	97%
Parc on Center	168	3	98%
Canyon View Crossing	180	4	98%
Aston at University Place, Ph1	238	14	94%
Canyon View Crossing	180	4	98%
Aldara Apartment Homes	240	10	96%
Total	1,805	62	96.6%

There are 4 vacant units in competitive projects in the area (3.4%). This is evidence of a tight market. However, many new apartment projects are currently under construction, which will ease the current shortage.

Trend in Rental Rates

According to a mid-year 2016 report completed by CBRE, average rent growth in Utah County was 4.3% over the past year. The average rental rate in the county is currently about \$950, or \$1.08 per square foot.

A Summer 2016 market report by Cushman & Wakefield/Commerce indicated that rental rates in Utah County are higher than in Salt Lake County. The average rental rate for Utah County is \$1,058, whereas the average rental rate for Salt Lake County is \$949.

Absorption Experience of New Apartment Projects

The absorption experience of new apartment projects has been strong recently. The absorption of experience of some local projects is as follows:

RECENT ABSORPTION OF NEW APARTMENT PROJECTS IN THE MARKET AREA			
Project	Year	No. of Units	Absorption Rate Per Month
CrestHaven	2013	344	33
Viewpointe	2014	288	17
Seasons on Traverse Mountain, Ph 1	2014 / 15	260	26
Residences at Mayfield	2015 / 16	214	14
Residences at Monteval	2015 / 16	131	14
Concord at Geneva	2015 / 16	304	12
Alloy at Geneva	2015 / 16	324	15
Canyon View	2015 / 16	180	22
Grovecrest Villas	2015 / 16	162	19
Aston at University Place	2015 / 16	237	21
Parc on Center	2016	168	16

Absorption at these projects has ranged from 12 to 33 units per month. The average is about 19 units per month.

Cost of Renting Versus Cost of Homeownership

Apartment rental rates have increased significantly over the past few years; however, renting still represents a bargain when compared with homeownership. The trend in rental rates and home ownership costs are as follows:

HOMEOWNERSHIP COSTS VERSUS RENTAL COSTS IN UTAH COUNTY				
Year	Median Home Price 3-Bedroom Home Built After 2000	Monthly Homeownership Costs	Average Rental Rate for 3-Bedroom Unit	Rental Costs as Percentage of Ownership Costs
2012	\$211,000	\$1,160	\$952	82%
2013	\$234,000	\$1,300	\$975	75%
2014	\$249,000	\$1,300	\$1,014	78%
2015	\$269,000	\$1,400	\$1,050	75%
2016	\$285,000	\$1,525	\$1,150	75%

*Note:
Ownership costs are estimated based on 5% down payment
Figures include estimated taxes and insurance for the Homeowner units.
Neither rental nor homeownership costs include utilities.*

As of 2009, renting a typical 3-bedroom apartment cost 57% as much as buying a 3-bedroom home. However, due to declining home prices and declining interest rates, the cost of renting climbed to 82% of the cost of homeownership as of 2012, before dropping to 75% in 2016.

The rental market has been strong. This is due the fact that many renter households have chosen not to rent a home due to current lifestyle or economic circumstances. These include:

- Anticipated length of tenure in the area
- Lack of an adequate down payment or other financial / credit considerations
- The expenses of maintaining a home
- The time required to maintain a home
- Uncertainty regarding the future value of a house that they own.

Projects Recently Completed, Under Construction and in Planning in Utah County

There have been 28 projects completed in Utah County since 2011. Those projects contain over 4,500 units. Over 1,500 additional units are under construction.

Projects Completed 2011 to Current

- Village at South Campus (236 units – student housing) was completed in 2012 on the site of the former Joaquin Elementary school. It is located just south of the BYU campus. BYU-approved student housing with occupancy limited to single students.
- Siena Villas, an 81-unit market-rent family project was completed in 2012 Orem. This project has a mix of one-bedroom and two-bedroom apartments. This is a Class B+ garden apartment project.
- A 240-unit project was stabilized in 2013 in Saratoga Springs (Aldara). This is a Class-A garden-style apartment project with garages for most units.
- The 344-unit CrestHaven Apartments is located in the Traverse Ridge area of Lehi. This project is a Class-A garden-style apartment, with garages for most units. The first units were occupied in August 2013. The project was completed in early 2014.
- Viewpointe is a 288-unit market-rent project in Pleasant Grove that began construction in March 2013 and was completed in January 2015.
- Lofts at Ivory Ridge is a 45-unit Class-A, market rent apartment in Lehi.
- Seasons of Traverse Mountain, Phase 1 is a 260-unit Class-A market rent project under construction in the Traverse Mountain area of Lehi. Reached stabilization in July 2015.
- The Boulevard is a 110-unit Class B+ project in at 40 South Orem Boulevard, in Orem. Construction was completed in September 2015.
- The Old Chapel is a 15-unit upscale conversion of a 100-year-old church in Provo.
- Startup Crossing is a 100-unit LIHTC project near the Provo FrontRunner Station. Construction was completed in September 2015. Project was 100% leased upon completed.
- Residences at Mayfield Apartments is a 214-unit Class-A, market rent apartment project that was completed in September 2015.
- 63 Center is a 41-unit mixed-use project in downtown Provo that was recently completed.
- Cherry Hill is a 74-unit project at 1757 S. Village Lane in Orem. Pre-leasing began June 2015.
- A 260-unit project in Springville (Outlook Apartment Homes). This is a Class-A garden-style apartment project with garages for most units.
- Concord at Geneva is a 304-unit market-rent apartment project at 125 North Mill Road in Vineyard.
- Alloy at Geneva Apartments, a 324-unit Class A project in Vineyard. Completed in late 2015.
- Springville Seniors on Main is a 25-unit LIHTC senior apartment project in Springville. Completed late 2015.
- St. Francis Apartments is a 42-unit LIHTC seniors project in Provo. Completed late 2015.
- Residences at Monteval is a 132-unit project in Orem. Class-A, market rent. Completed late 2015.
- Lakeview Condos is a new 44-unit project located at 1906 North Geneva Road in Provo.

Projects Completed 2011 to Current -- Continued

- Seasons of Traverse Mountain, Phase 2 is a 180-unit Class-A market rent project in the Traverse Mountain area of Lehi.
- Canyon View Crossing, a 180-unit market-rent project at 1500 S. State Street in Orem. This project has 4-story buildings that are elevator-serviced.
- Grove Crest Villas is a 162-unit market rent senior apartment project.
- Avalon Senior Living is a 90-unit senior apartment on State Street in Lindon.
- Parc on Center is a 168-unit Class-A market-rent project located on Center Street in Orem.
- The Aston at University Place, Phase 1 is a 237-unit project adjacent to the University Mall in Orem. Class A, market rent.
- Midtown 360 is a 286 unit redevelopment of a failed condominium project. There are 129 units in the South Tower and 157 units in the North Tower for a total of 286 units.
- Bella Grace Townhomes is a 24-unit “for rent” townhouse project under construction at 24 East 100 North in Pleasant Grove.

Projects Under Construction

- Sun Canyon Villas is an 84-unit apartment project at 420 South Orem Boulevard in Orem.
- The Aston at University Place, Phase 2 is a 241-unit second phase of a project adjacent to the University Mall in Orem. Class A, market rent.
- Liberty Center is a 120-unit LIHTC Bond project in the central business district of Provo. Construction is slated for completion in late 2016.
- Parkway Lofts is a 332-unit project adjacent to the FrontRunner station in Orem. Now leasing and occupying the first buildings. Planned completion in 2017.
- Central Park Station is a 59-unit LIHTC project under construction near the Provo FrontRunner Station.
- Riverview is at 1940 North 550 West in Provo is a 48-unit Class-A project.
- Pacific Heights is a 71-unit, student housing project near BYU.
- 200 CityView is a 139-unit “Class A”, market rent project on University Avenue in downtown Provo. Construction recently began.
- Rivulet is a 252-unit garden-style project at 400 South 860 East in American Fork. The building permit was pulled in July.
- Avalon Senior Living, Phase II is a 90-unit senior apartment on State Street in Lindon.
- Mill Pointe at Geneva, Phase 1, is a 72 unit of Class-A market rent project on Mill Road in Vineyard.

Projects Planned

- Traverse Towns is a 92 unit Class A townhouse apartment project in Lehi.
- Mill Pointe at Geneva (future phases) is a proposed 396-unit Class-A market rent project planned for Mill Road in Vineyard.
- Lincoln Square Apartments is a proposed 252-unit Class-A market rent project planned for Mill Road in Vineyard.
- Meadows at American Fork is a 270-unit market-rent apartment project planned near the American Fork FrontRunner Station. Planned to begin development in 2017.
- Midtown Village - West Tower. 225 unit Class-A project in Orem. Planned to begin construction Fall 2016.
- Saratoga Springs is a 252-unit Class B+ garden apartment project near Westlake High School. Planned to begin construction in 2016.
- Arbors on the Avenue is a proposed 68-unit market-rate luxury apartment project planned at 5200 N. University Avenue in Provo. Seeking FHA financing. Planned start mid-2016.
- Red Sky is a 126-unit Class-A urban mid-rise planned for 105 East Center Street in Provo.
- Meadows Apartments is a 142-unit project planned for American Fork.
- The Depot is a 120-unit Class B+, market rent project planned for Payson.
- Millpond is a planned 214 unit project at Pioneer Crossing and I-15 in American Fork.
- Rowland Heights is a 128-unit student housing project near BYU.
- Waters Edge is a planned 227 unit project located in Vineyard.
- Ridgeline Townhomes is an 85-unit townhouse project planned for Orem.
- River's Edge is a 246-unit Class-A, market rent urban mid-rise project planned for the University Parkway area of Provo.
- Parc on 5th, is a proposed 252-unit Class-A, market rent project planned on 500 East in American Fork.

COMPLETED UNITS REMAINING TO BE LEASED			
Project Name	Number of Units	Leased	Remaining to Achieve 95% Stabilized Occupancy
Concord at Geneva	304	277	12
Residences at Mayfield	214	199	4
Seasons at Traverse Mountain, Phase 2	180	133	47
Midtown 360	286	194	75
Bella Grace Townhomes	24	14	9
Total To Achieve Stabilization at 95% Occupancy			147

4,506 units have been constructed in 28 projects over the past 5.8 years. About 147 of those units remain to be leased in order to achieve stabilization.

There are 1,508 units under construction in 11 projects.

There are 16 projects known to be in the planning stage. Those projects contain a total 3,095 units. Additional units that may be in the early planning stages have not been included in this pipeline.

SUMMARY OF APARTMENT CONSTRUCTION IN UTAH COUNTY		
Period	Number of Projects	Total Units
Completed 2011 – Present	28	4,506
Completed 2011 – Present – Remaining To Be Leased		147
Under Construction Projects	11	1,508
Under Construction – Remaining To Be Leased		1,400
Planned Starts	16	3,095

Expected new supply includes 147 units to be leased in completed projects, 1,400 units to be leased in projects under construction and 3,095 additional units planned for construction.

In the analysis that follows, it has been estimated that all of the projects under construction and all of those listed as likely starts will be developed. Therefore, it has been assumed that about 4,642 units will be added to the market over the next three years.

Demand for New Apartment Development

The State of Utah expects that the rate of population growth in Utah County will average about 3% between now and 2020. The population is projected to increase from 575,205 in 2015 to 668,564 in 2020, an increase of 93,359, or 16.2% over that three-year period. The average annual increase is 18,672.

Between 2008 and 2015, 62% of all household growth in Utah County was renter households. This is reflective of national housing conditions, with homeownership becoming less popular.

TREND IN HOUSEHOLD GROWTH 2008 THROUGH 2015						
Year	Households	Increase	Percentage Increase	Renter Households	Increase	Percentage Increase
2008	134,647			38,293		
2015	155,089	20,442	15.2%	50,926	12,633	33.0%

In the estimates below, it has been assumed that trends in renter household growth will return to more normal condition, with renter household growth accounting for 40% of total household growth.

According to the Governor's Office of Planning and Budget, the population of Utah County is expected to increase at an annual rate of nearly 3% annually through 2020. Assuming that the median household size remains constant and assuming that 40% of all new households are renters, there should be demand for 6,103 new rental housing units over the next three years.

UTAH COUNTY HISTORICAL AND PROJECTED RENTER HOUSEHOLD GROWTH					
Year	Population	Growth Rate	Households	Renter Households	Renter Household Growth
2015	575,205	-	155,089	50,926	-
2016	592,461	3.0%	159,742	52,787	1,861
2017	610,235	3.0%	164,534	54,704	1,917
2018	628,542	3.0%	169,470	56,678	1,974
2019	647,398	3.0%	174,554	58,712	2,034
2020	666,820	3.0%	179,791	60,807	2,095

Source:
2015 American Community Survey – US Census Bureau

Supply and Demand Analysis

UTAH COUNTY SUPPLY AND DEMAND FOR APARTMENTS 2017 TO 2020	
Current Occupancy	54,704
New Demand Next 36 Months	6,103
Total Demand	60,807
Current Supply (assumes 5% current vacancy)	57,583
36-Month New Supply	4,642
Total Supply - - 2020	62,225
Estimated Vacancy Rate - - 2020	2.3%

Note: Current supply estimated based upon 95% occupancy and current 54,704 demand.

The data presented above indicates that the market should be tight through 2020. However, this performance will depend on how many units are actually constructed, as well as job creation and mortgage interest rates.

CONCLUSION

The long-term outlook for rental housing in Utah County is strong. The area continues to experience a high birth rate. Job growth has been strong. The unemployment rate is well below national averages.

The current occupancy rate in the area in the county is about 95%. This is a significant improvement over the past years. Increasing rental rates, coupled with relative low vacancy rates and decreasing construction costs have encouraged developers to propose new apartment development in the area.

12 significant apartment projects are under construction in the county. In addition, there are 16 other projects that are known to be planned for development. It is uncertain whether all of those projects will be constructed. However, additional projects are likely to be proposed in the future.

Substantial new construction is underway in and planned in Utah County. Given current trends in construction and absorption, market conditions are expected to remain tight through 2020.

According to Arthur C. Nelson, former Presidential Professor of City & Metropolitan Planning at the University of Utah, by 2012, there was pent-up demand for about 40,000 new housing units in Utah. As national and local economic conditions have improved, there has been increasing demand for new rental housing.

APARTMENT MARKET CONDITIONS IN THE PRIMARY MARKET AREA

The Primary Market Area is defined as the northern portion of Utah County. It is defined by the US Census Bureau as the Lehi and Pleasant Grove CCDs.

The Primary Market Area includes nine cities, all located between the Provo / Orem area and the Salt Lake County line. In addition, a portion of the population lives in unincorporated area.

The population of the Primary Market Area is estimated at 210,606 according to the 2014 American Community Survey. This was equal to about 38% of the total population of Utah County. At the 2010 Census, there were 196,068 people living in the Primary Market Area. The population increased by about 100% from the 2000 Census. At the time of the 2010 Census, the Primary Market Area's population represented 35% of the total population of Utah County.

Between 2000 and 2015, the population trend for the cities in the area has been as follows:

POPULATION TRENDS FOR CITIES IN PRIMARY MARKET AREA 2000 TO 2015										
Year	Alpine	American Fork	Cedar Hills	Eagle Mountain	Highland	Lehi	Lindon	Pleasant Grove	Saratoga Springs	Totals
2000	7,146	21,941	3,094	2,157	8,172	19,028	8,363	23,468	1,003	101,582
2010	9,555	26,252	9,769	21,415	15,523	41,407	10,070	33,509	17,781	185,281
Total Growth	2,409	4,311	6,675	19,258	7,351	22,379	1,707	10,041	16,778	83,699
Percentage	33.7%	19.7%	216.6%	892.8%	90.0%	117.6%	20.4%	42.8%	1,672.8%	82.4%
2010	9,555	26,252	9,769	21,415	15,523	41,407	10,070	33,509	17,781	185,281
2015	10,235	28,326	10,265	27,332	17,989	58,486	10,810	38,052	25,407	226,902
Total Growth	680	2,074	496	5,917	2,466	17,079	740	4,543	7,626	41,621
Percentage	7.1%	7.9%	5.1%	27.6%	15.9%	41.2%	7.3%	13.6%	42.9%	22.5%

Source: US Census Bureau
Note: A portion of Draper is in Utah County, but is not included in the figures above.

Between 2000 and 2010, the population of the primary market area increased by 83,699 people, or about 82%. This is equal to an annual rate of growth of 6.2%. An average of 8,370 new residents were added each year. Growth is especially rapid in the communities in the northwestern portion of the county, such as Lehi, Eagle Mountain and Saratoga Springs. These are cities that have tracts of open land available for development.

Between 2010 and 2015, the population of these cities in the Primary Market Area increased by 41,521, or 22.5%. This is equal to an annual growth rate of 4.1%. An average of 8,324 people were added to the area each year, between 2010 and 2015.

Between 2009 and 2014, 44% of all household growth in the Primary Market Area was renter households. This is reflective of national housing conditions, with homeownership becoming less popular.

TREND IN HOUSEHOLD GROWTH 2009 THROUGH 2014						
Year	Households	Increase	Percentage Increase	Renter Households	Increase	Percentage Increase
2009	44,236			7,039		
2014	53,782	9,546	21.6%	11,252	4,213	60.0%

As of 2009, only 15.9% of all households in the Primary Market Area were renters. However, between 2009 and 2014, 44.1% of all household growth was renter households. As of 2014, the percentage of households who are renters increased to 20.9%.

In the projections below, it has been estimated that population growth will average 4% annually over the next five years.

Based on the condition of the rental housing market, it is assumed that renter households will account for 40% of new household demand in the Primary Market Area.

PRIMARY MARKET AREA HISTORICAL AND PROJECTED RENTER HOUSEHOLD GROWTH					
Year	Population	Growth Rate	Households	Renter Households	Renter Household Growth
2014	-	-	53,782	11,252	-
2015	226,902	4%	55,933	12,113	861
2016	235,978	4%	58,171	13,007	895
2017	245,417	4%	60,497	13,938	931
2018	255,234	4%	62,917	14,906	968
2019	265,443	4%	65,434	15,913	1,007
2020	276,061	4%	58,051	16,960	1,047

The Primary Market Area's population is projected to increase to 276,061 by 2020. This is equal to an expected annual population increase of about 10,215 per year over the next three years, which is equal to an annual growth rate of 4%. Household growth is also estimated at 4% per year.

Households in the neighborhood tend to be large, averaging 4.06 people. For that reason, there tends to be a large percentage of large apartments in the Primary Market Area. Only about 10% of all rental housing in the neighborhood consists of one-bedroom or studio units.

RENTER HOUSEHOLDS BY BEDROOMS 2014 AMERICAN COMMUNITY SURVEY		
Bedrooms	Households	Percentage
Studio	200	1.8%
One Bedroom	860	7.6%
Two Bedroom	2,641	23.5%
Three Bedroom	3,938	35.0%
Four Bedroom	2,019	17.9%
Five or More Bedrooms	1,594	14.2%
Totals	11,252	100.0%

Considering the changing demographics of the area, there should be increased demand for one-bedroom and two-bedroom units in the future. Historically, the Primary Market Area has been a bedroom community for the Provo / Orem area. However, a large number of new jobs are being created in the Primary Market Area at firms such as Adobe, Xactware and IM Flash Technologies. In addition, retail commercial development is expanding in the area. This will create more demand for rental units for small households.

Recent and Planned Development of New Apartment Projects in the Primary Market Area

- A 240-unit project was stabilized in 2013 in Saratoga Springs (Aldara). This is a Class-A garden-style apartment project with garages for most units.
- The 344-unit CrestHaven Apartments is located in the Traverse Ridge area of Lehi. This project is a Class-A garden-style apartment, with garages for most units. The first units were occupied in August 2013. The project was completed in early 2014.
- Viewpointe is a 288-unit market-rent project in Pleasant Grove that began construction in March 2013 and was completed in January 2015.
- Lofts at Ivory Ridge is a 45-unit Class-A, market rent apartment in Lehi.
- Seasons of Traverse Mountain, Phase 1 is a 260-unit Class-A market rent project under construction in the Traverse Mountain area of Lehi. Reached stabilization in July 2015.
- Residences at Mayfield Apartments is a 214-unit Class-A, market rent apartment project that was completed in September 2015.
- Seasons of Traverse Mountain, Phase 2 is a 180-unit Class-A market rent project in the Traverse Mountain area of Lehi.
- Grove Crest Villas is a 162-unit market rent senior apartment project.
- Avalon Senior Living is a 90-unit senior apartment on State Street in Lindon.
- Bella Grace Townhomes is a 24-unit “for rent” townhouse project under construction at 24 East 100 North in Pleasant Grove.

Projects Under Construction

- Rivulet is a 252-unit garden-style project at 400 South 860 East in American Fork. The building permit was pulled in July.
- Avalon Senior Living, Phase II is a 90-unit senior apartment on State Street in Lindon.
- Mill Pointe at Geneva, Phase 1, is a 72 unit of Class-A market rent project on Mill Road in Vineyard.

Projects Planned

- Traverse Towns is a 92 unit Class A townhouse apartment in Lehi.
- Meadows at American Fork is a 270-unit market-rent apartment project planned near the American Fork FrontRunner Station. Planned to begin development in 2017.
- Saratoga Springs is a 252-unit Class B+ garden apartment project near Westlake High School. Planned to begin construction in 2016.
- Arbors on the Avenue is a proposed 68-unit market-rate luxury apartment project planned
- Meadows Apartments is a 142-unit project planned for American Fork.
- Millpond is a planned 214 unit project at Pioneer Crossing and I-15 in American Fork.
- Parc on 5th, is a proposed 252-unit Class-A, market rent project planned on 500 East in American Fork.

The trend in apartment construction in the Primary Market Area is summarized as follows:

SUMMARY OF APARTMENT CONSTRUCTION	
Period	Number of Units
Completed and Stabilized 2011 - Current	1,847
Under Construction	414
Potential Starts	1,290

Expected new supply includes 414 units in three projects that are under construction and 1,290 additional units are planned for construction, for a total of 1,704 units to be absorbed over the next three years.

The following analysis assumes that the subject, as well as all of the additional planned units, will be constructed by 2019.

Summary of Projected New Supply of Apartment Units	
Units Under Construction	414
Projected New Starts	1,290
Total Units to be Absorbed Over Three Years	1,704

PRIMARY MARKET AREA SUPPLY AND DEMAND FOR APARTMENTS	
Current Occupancy	13,938
New Demand Next 36 Months	3,022
Total Demand	16,960
Current Supply (Assumes 5% vacancy)	14,672
36-Month New Supply	1,704
Total Supply - - 2020	16,376
Estimated Vacancy Rate - - 2020	Shortage

The data presented above indicates that the Primary Market Area vacancy rate should be in shortage conditions by 2020. However, this performance assumes that the subject and all of the additional planned units are constructed.

Also, it should be noted that the market area is bounded by Salt Lake County on the north and by the remainder of Utah County on the South. Vacancy rates in Salt Lake County are projected to be in the 7% range by 2020. For Utah County, overall vacancy rates are projected to be low, but higher than are expected in the northern part of the county. Competition from these other market areas, should be expected to help mitigate expected shortage conditions in the northern part of Utah County.