



PROVO, UT

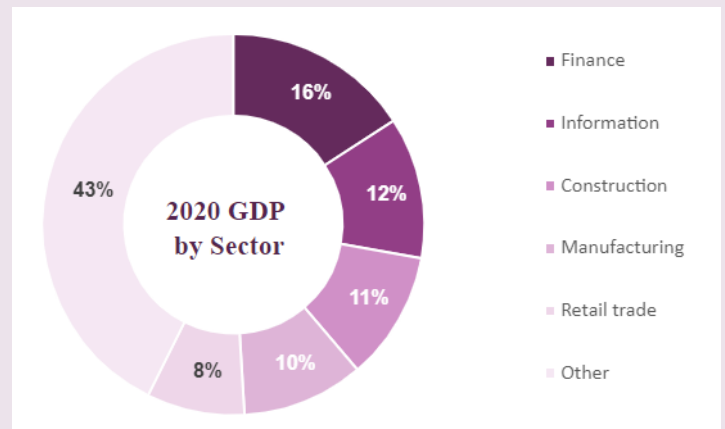
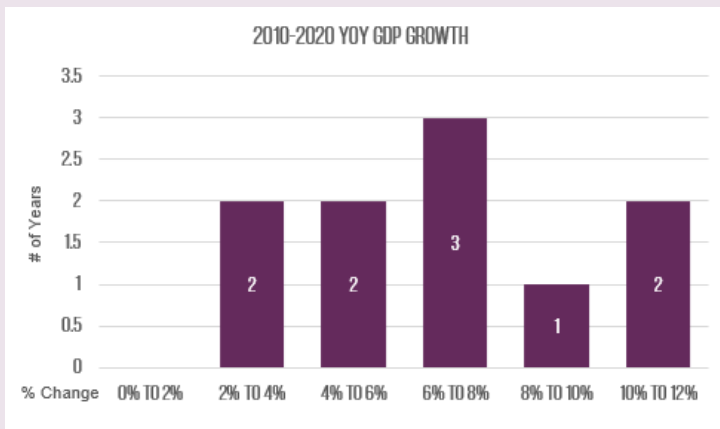
PLUM LENDING MARKET SPOTLIGHT



PLUM LENDING MARKET SPOTLIGHTS ARE INTENDED TO GIVE INVESTORS AND BORROWERS A DETAILED OVERVIEW OF THE INFORMATION THAT IS ALLOWING PLUM TO PLACE COMMERCIAL REAL ESTATE DEBT IN GROWING MARKETS

PLUM MARKET SPOTLIGHT - PROVO, UT

- Provo is the fourth-largest city in Utah, 43 miles south of Salt Lake City, and home to the flagship campus of Brigham Young University (BYU). Provo and nearby Orem form the MSA.
- The Provo-Orem metro has a 2020 Census population of 671,000, with a median age of 25.3 (2019 ACS).
 - Population growth has seen a 2.38% CAGR over the past 10 years and employee earnings growth has seen a 5.81% CAGR over the same period.
- Median household income in Provo was \$76,864 and the median home value for the metro was \$337,000, based on the 2020 Census and ACS.
- The Provo-Orem metro is home to two major universities for the state, BYU and Utah Valley University (combined enrollment of 77,000 for the 2021/2022 school year).
- Silicon Slopes is proximate to the Provo-Orem MSA and is aptly named due to the seven ski resorts within an hour commute, three of which are ranked in the top 10 in the nation. The area is a high growing offshoot of Silicon Valley due to the rapid in-migration of tech companies, such as Domo, Adobe, eBay, and Facebook.
- In 2022, the Milken Institute named Provo-Orem the best-performing economy among large cities, based on its first-place rank in five-year job and wage growth. Provo holds an AA credit rating from Fitch.
- Unemployment rate for Provo-Orem was 1.6% (February 2022) which is below pre-pandemic levels of 1.9%. The unemployment in Provo-Orem has been steadily declining over the past decade.



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Commercial Real Estate Trends:

Multifamily: Provo-Orem rental rates have increased 2.5-3.0% annually over the past decade, but have risen much faster over the last year at 7%. Absorption over the past 12 months was just under 7% of total units available, with 236 new units. It is expected that this will continue, as the median home price has increased from \$337,000 in 2020 to \$410,000 in 2022.

Another factor that has attributed to accelerated multifamily rent growth in Provo-Orem is the increase in new employers, including the Silicon Slopes area, which has brought many high paying tech jobs. Utah Valley University also received a \$25 million donation from billionaire Ryan Smith, founder of Qualtrics, to expand its computer science program.

While still affordable at an average rental rate of \$1,075 per unit for all units, newer Class A properties are continuing to be built and raising the average rental rate. Some of the more recent additions include:

- The Flats at Riverwoods - a 218 unit complex that was completed in May 2020 with an average rental rate of \$1,475. The property is currently 98% occupied.
- High Line Square - a 67 unit complex that was completed in July 2020 with an average rental rate of \$1,848. The property is currently 100% occupied.
- 400 Element - a 119 unit complex that was completed in April 2021 with an average rental rate of \$1,314. The property is currently 99% occupied.

Retail: Retail vacancies saw a slight uptick due to the pandemic but have largely continued to decline since 2019, peaking at 5%. This has continued to improve over the last 6 months and is currently just over 3%, due to limited new construction and large leases that have been signed.

Retail vacancies are forecasted to normalize in the 3.0-3.5% range in the Provo-Orem metro area over the next 3 years, due to increases in employment and population growth.

Triple net market rent per square foot is in the \$22.50-23.00 range, depending on specific location. Market rents are expected to increase by 2.5-3.0% over the next 5 years. Renewal rates hit a low of 82% in 2018, but they are expected to reach 90% in 2022.



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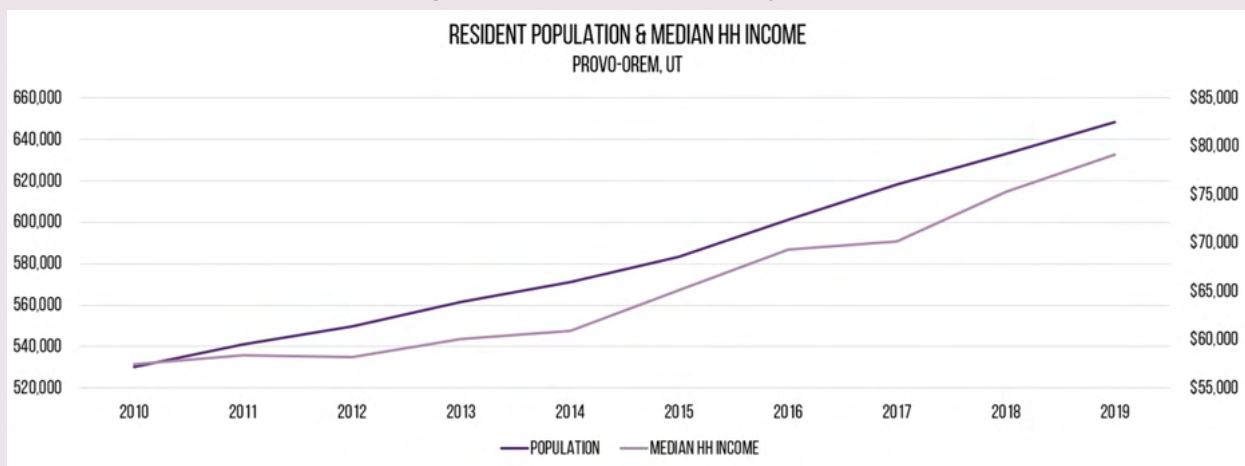
Office: Like other markets, Provo-Orem office demand weakened by the coronavirus, but it is expected to rebound quickly thanks to the state's business-friendly environment and lower costs than West Coast markets. Provo-Orem and Salt Lake City consistently rank among the top locations nationally to start or expand tech businesses. The top employer in Provo is BYU, with 14,670 employees. Second is Vivint, a home security company owned by The Blackstone Group, with 3,315 employees.

Vacancies for office space hit a peak of 11.5% in 2021, as leases expired and more employees work from home, but they have been declining rapidly and are currently at 7.5% and are expected to normalize in the 8.0% range. The MSA has also benefited from office demand growth due to the excellent business programs at Brigham Young University (total enrollment of 35,000) and Utah Valley University (total enrollment of 40,000).

Office demand is also expected to be assisted by a large addition to the Provo airport, which will be completed in the summer of 2022. The city of Provo spent nearly \$55 million in hopes to attract more air carriers. Salt Lake City also spent \$4.1 billion over the past 5 years rebuilding their airport.

Development Activity: A new \$100 million housing development is currently underway on 29 acres on the north side of Provo, which is led by Brighton Development and will have 173 townhome-style condos for sale and 250 apartments to rent. Individual sale prices of the condos is expected to be between \$300,000 - 400,000.

Another development set to begin in 2022 is planned on the former site of the Utah State Prison. The site will be on 600 acres and will include residential neighborhoods, office complexes, schools, and retail areas.



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