

UTAH'S ECONOMY

A monthly report produced for COMMERCE REAL ESTATE SOLUTIONS by Jim Wood, Bureau of Economic and Business Research, University of Utah



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Year-End and 2014 Forecast

The forecast for the Utah economy in 2014 was developed recently by the state's Revenue Assumption Work Group. The forecast shows increases for every major economic indicator *Table 1*. The number of jobs is forecasted to grow by 3.1 percent or an increase of 40,000. Auto and truck sales are expected to hit an all-time high, as are exports. New permit authorized non-residential construction will have a significant increase to \$1.1 billion but will still be well below its average historic value of \$1.5 billion (excludes renovation and rehab).

The Utah economy has recovered from the Great Recession in terms of employment and wages, but by some other measures it will take a few more years to get back to pre-recession levels. *Table 2* shows the percent difference between 2007 and 2013 in each major indicator. Net migration levels are only a fraction of the 2007 level; 44,300 to 8,200. Residential construction is still down 34 percent. Retail sales measured in inflation adjusted dollars are off 17 percent from the peak, and housing prices in real terms are down 15 percent. Exports are the poster child for gains with a 119 percent increase.

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The Utah economy continues to experience a slowdown in employment growth. The increase in jobs in December (year-over) was 1.8 percent, the lowest rate of employment growth in 30 months. For seven of the last eight months employment growth has been below the historic average of 3.0 percent. The increase in employment in December was 22,500 jobs.

Over the past year, Utah's job growth has been led by healthcare with a gain of 7,700. The second strongest sector in terms of numeric change is wholesale trade which was up 3,800 jobs. Wholesale trade also had the greatest percentage gain of any major sector with an 8 percent increase over December 2012

Among all states, Utah ranked fifth in job growth in November. No data for state comparison in December, but given the 1.8 percent growth for December, Utah will likely drop out of the top five.

General and Education Fund tax revenues for Utah are up 2.6 percent (\$61 million) through the first six months of this fiscal year. Total transportation revenues are up 4.2 percent.

In 2013, permits for residential units (single-family and multi-family) in Utah totaled 13,031 units, down 3.3 percent. The multi-family market struggled in 2013 pulling down overall residential numbers. Apartment and condominium permits were down 35 percent. Single-family permits, however, were up 11.5. Value of residential units of \$2.9 billion was 13.5 higher than 2012.

The value of new non-residential permits was down 34 percent over \$300 million in 2013 to \$700 million. Expectations are that the non-residential construction market will improve significantly in 2014 with the continuation of job growth and lower vacancy rates for commercial real estate.

The combined value of permit authorized residential and non-residential construction statewide is unchanged from 2012, \$4.1 billion.

The number of single family homes sold by realtors in the four Wasatch Front Counties in 2013 was 23,464. This level of sales is 80 percent of the pre-recession level of 29,300. Sales in Utah County have recovered to 92 percent of the pre-recession level compared to only 78 percent in Salt Lake County.

The median sales price of single family homes increased by 13 percent for the Wasatch Front Counties, increasing from \$199,549 in 2012 to \$225,000 in 2013. Salt Lake County had the largest gain with the median sales price jumping 15.6 percent to \$245,000.

The increases in sales price are beginning to moderate. In the first quarter of 2013 the median sales price in the Wasatch Front Counties was up 21 percent over first quarter of 2012, but by the fourth quarter the price increase was down to 10 percent. Home prices in 2014 will increase, but at a single digit pace.



The inventory of mortgages in foreclosure has dropped from 15,000 (first quarter 2010) to 6,000 (third quarter 2013). Competition from distressed properties has greatly diminished, explaining in part, the recovery of housing prices.

The number of mortgages that are negative and near negative (within 5 percent of underwater) has dropped from 24 percent of all residential mortgages in Utah in the second quarter of 2012, to 11.8 percent in the second quarter of 2013. The number of mortgages underwater or near negative was 115,200 in 2012, compared to 56,500 in 2013. The improvement is due primarily to the significant increase in housing prices. Fewer underwater households should help housing demand as more households can consider moving-up; these households are no longer locked into underwater mortgage.

...the number of jobs is forecast to grow by

3.1%

or an increase of 40,000



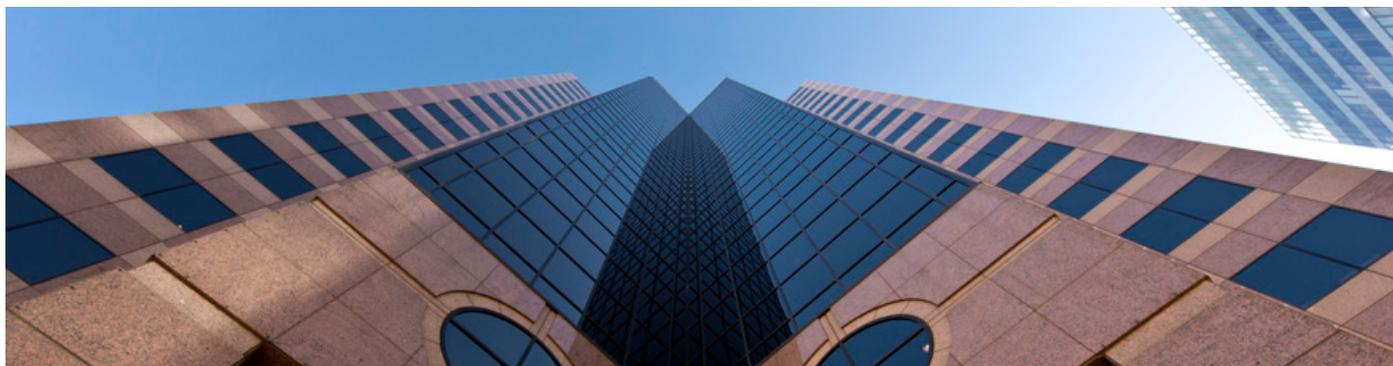


Table 1

FORECAST FOR MAJOR ECONOMIC INDICATORS IN UTAH			
CATEGORY	2013	2014	% CHANGE 2013-14
Nonfarm Emp. (000)	1,290.5	1,330.4	3.1%
Unemp. Rate	4.8%	4.2%	---
Total Wages (billion)	\$53.3	\$56.1	5.3%
Average Pay	\$41,245	\$42,276	2.5%
Net Migration (000)	8.2	11.7	42.6%
New Auto/Truck (000)	108.2	119.5	10.4%
Residential Units	13,500	15,000	11.1%
Residential Value (bil)	\$2.9	\$3.4	17.2%
NonRes.Value (mil)	\$700	\$1,100	57.1%
Retail Sales (bil)	\$24.8	\$26.1	5.2%
Exports (bil)	\$19.3	\$21.0	8.8%
Statewide Housing Prices (FHFA)	11.7%	9.0%	---

Source: Governor's Office of Management and Budget.

Table 2

PERCENT CHANGE IN MAJOR ECONOMIC INDICATORS IN UTAH FROM 2007 TO 2013 (VALUES ADJUSTED FOR INFLATION)			
CATEGORY	2007	2013	CHG. FROM 2007
Nonfarm Emp. (000)	1,251.40	1,290.5	3.1
Unemp. Rate	2.6%	4.8%	---
Total Wages (billion)	\$51.5	\$53.3	3.5
Average Pay	\$41,166	\$41,245	Flat
Net Migration (000)	44.3	8.2	-81.5
New Auto/Truck (000)	115.2	108.2	-6.1
Residential Units	20,539	13,500	-34.3
Residential Value (bil)	\$4.5	\$2.9	-35.5
NonRes.Value (mil)	\$2,400	\$700	-70.8
Retail Sales (bil)	\$29.9	\$24.8	-17.1
Exports (bil)	\$8.8	\$19.3	119.3
Housing Prices Wasatch Front	\$264,177	\$225,000	-14.8

Source: Governor's Office of Management and Budget.



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