

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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THE GREAT RECESSION AND RETAIL SALES IN UTAH

Photography by Jared Medley

In retrospect, the rapid run-up in retail sales prior to the Great Recession was evidence of the growing debt load of Utah households. At the time, increases in retail sales were far outstripping gains in wages or incomes. The nearly \$6 billion increase in retail sales in four years (2003-2007) was financed in large part by generous lenders extending credit to Utah households. Household debt exploded between 2000 and 2007. Nationally household debt jumped from \$7 trillion to \$14 trillion during this seven year period. It is safe to assume that Utah households participated in like manner and doubled their debt prior to the recession. Using all manner of credit—revolving credit, installment loans, lines of credit, and home equity loans—households financed higher standards of living and pushed retail sales to an all-time high in Utah of \$27 billion in 2007, *Figure 1*.

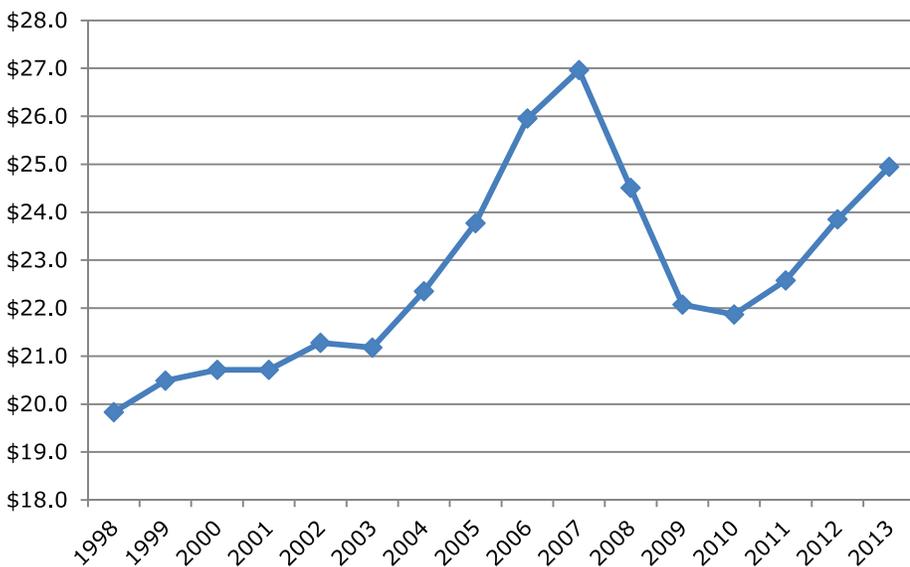
Per capita retail sales also hit an all-time high in 2007 of \$10,200 but then abruptly fell by 23 percent over the next three years, *Figure 2*. In 2010, retail sales hit bottom at \$21.9 billion and per capita retail sales of \$7,880, the lowest level in years.

TABLE 1 - TAXABLE RETAIL SALES IN UTAH BY MAJOR RETAIL SECTOR (CONSTANT 2013 DOLLARS)

| Retail Sector | 2007 | 2013 | % Change |
|--|-------------------------|-------------------------|--------------|
| Miscellaneous Retail | \$1,809,772,165 | \$1,563,598,584 | -13.6% |
| Motor Vehicle & Parts Dealers | \$5,806,675,793 | \$5,132,392,139 | -11.6% |
| Furniture and Home Furnishings | \$1,133,752,337 | \$776,897,197 | -31.5% |
| Electronics & Appliance Stores | \$978,370,490 | \$827,603,699 | -15.4% |
| Building Material, Garden Equipment & Supplies | \$3,060,856,312 | \$2,254,519,276 | -26.3% |
| Food and Beverage Stores | \$3,805,128,371 | \$3,840,811,106 | 0.9% |
| Health & Personal Care | \$337,077,494 | \$448,176,447 | 33.0% |
| Gasoline Stations | \$939,559,142 | \$955,413,545 | 1.7% |
| Clothing and Clothing Accessories | \$1,551,506,318 | \$1,628,837,721 | 5.0% |
| Sporting Goods, Hobby, Music & Book Stores | \$1,076,428,200 | \$989,915,606 | -8.0% |
| General Merchandise Stores | \$6,020,968,279 | \$5,999,161,029 | -0.4% |
| Nonstore retail | \$444,297,973 | \$526,269,814 | 18.4% |
| Total Retail Sales | \$26,961,921,463 | \$24,943,596,163 | -7.5% |
| Food Services (fast food to fine dining) and Drinking Places | \$3,424,194,824 | \$3,717,654,478 | 8.6% |

Source: Utah State Tax Commission.

FIGURE 1 - TAXABLE RETAIL SALES IN UTAH (CONSTANT 2013 DOLLARS)



The recovery from the retail contraction has been slow. Six years after the peak sales have yet to recover. Total sales in 2013 were \$24.9 billion, seven percent below the \$27 billion (inflation adjusted) in sales of 2007. On a per capita basis retail sales are still down 16 percent from the peak of 2007.

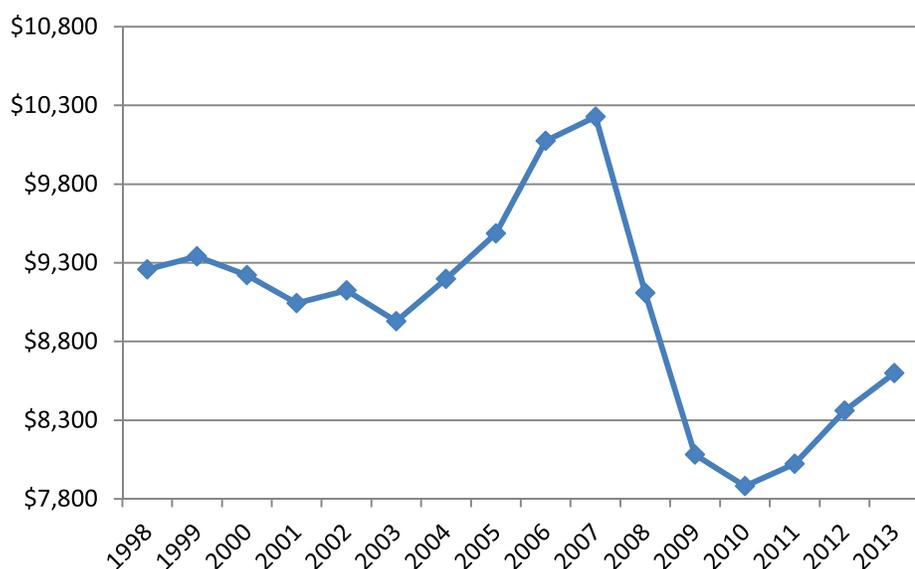
The modest recovery suggests Utah households are playing it safe when it comes to borrowing, a good sign. But they are also constrained by weak wage and income growth. Since 2007 the average wage rate per job in Utah is unchanged; \$41,028 in 2007 and \$41,052 in 2013. In addition, the median household income has actually declined from \$61,920 in 2007 to \$59,770 in 2013. These numbers do not bode well for retail sales and help explain the slow recovery.

**TABLE 2 - RETAIL SALES FOR MAJOR CITIES:
TOP 15 CITIES IN SALES
(RETAIL SALES OVER \$500 MILLION)**

| City | 2007 (constant 2013 \$) | 2013 | % Chg. |
|------------------|----------------------------|-----------|--------|
| Salt Lake City | \$2,513.7 | \$2,800.1 | 11.4% |
| Sandy | \$1,461.4 | \$1,419.8 | -2.8% |
| Orem | \$1,454.1 | \$1,262.4 | -13.2% |
| Murray | \$1,423.2 | \$1,255.1 | -11.8% |
| West Valley City | \$1,160.2 | \$1,088.3 | -6.2% |
| St. George | \$1,217.7 | \$1,056.6 | -13.2% |
| Layton | \$917.4 | \$800.3 | -12.8% |
| West Jordan | \$905.7 | \$775.7 | -14.4% |
| South Salt Lake | \$825.5 | \$734.7 | -11.0% |
| Ogden | \$738.2 | \$671.3 | -9.1% |
| Provo | \$826.3 | \$614.3 | -25.7% |
| Riverdale | \$653.7 | \$582.2 | -10.9% |
| South Jordan | \$435.4 | \$537.6 | 23.5% |
| American Fork | \$574.0 | \$522.6 | -9.0% |
| Logan | \$511.3 | \$519.2 | 1.5% |

Source: Utah State Tax Commission.

**FIGURE 2 - PER CAPITA RETAIL SALES IN UTAH
(CONSTANT 2013 DOLLARS)**



Source: Utah State Tax Commission and Governor's Office of Management and Budget.

A more detailed look at retail sales shows a mixed performance for the major subsectors. The weakest performing subsectors are those related to the housing market. New residential construction is back to only about half of the pre-recession level. The housing recovery has been the slowest in Utah's post-World War II history. Consequently retail sales for the subsectors of furniture and home furnishings, electronics and appliances, building material, garden equipment and supplies are still substantially below their 2007 levels, *Table 1*. In contrast, sales for health and personal care are up 33 percent. Most important is the general merchandise subsector, which is within a half percent of its previous high. General merchandise is the largest retail subsector with \$6 billion in sales, roughly one-quarter of all retail sales activity. Another large sector that has recovered is food and beverage stores with \$3.8 billion in sales in 2013. Although not officially in the retail sector, sales at food establishments and drinking establishments have been very good. Eating out is popular; sales are up 8.6 percent to \$3.7 billion in 2013.

A look at the retail sales level in major cities in Utah shows that 13 of the 15 largest retail cities have not fully recovered from the recession, *Table 2*. The rebound in Provo has been the slowest. Sales are still down nearly 26 percent. In Sandy City, the second largest retail city, sales are down only three percent. The two notable exceptions are Salt Lake City and South Jordan. Retail sales in Salt Lake City, by far the largest retail city in the state, are up 11.4 percent over 2007. Salt Lake City's good fortune is primarily due to the opening of City Creek, which has provided a significant boost to retail activity. South Jordan's 23 percent increase is attributable to a large gain in general merchandise sales.

The level of retail sales at the 2007 peak was not sustainable. Households had simply taken on too much debt. The correction has been painful for retailers but consumers are in much safer territory now. The \$8,600 in per capita sales—the best measure of the retail spending—is only four percent below the 15 year average of \$9,000. By 2014 Utah's retail sector will very likely be back to average and sustainable levels of retail spending.



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