

NOT MUCH TRACTION FOR THE UTAH ECONOMY

Utah's major economic indicators show just a few faint signs of recovery. For the most part, economic activity has yet to signal much improvement as the economy bounces along the bottom of the cycle.

Nonfarm Employment – Gains Imminent

Throughout 2010 job losses have diminished month after month but whether job creation has begun is unclear due to conflicting data from the U.S. Bureau of Labor Statistics (BLS). Employment conditions are tracked through two data series from BLS. One is a monthly survey and the other is a quarterly census of establishments and employees.

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Table 1

Year-Over Change in Nonfarm Jobs in Utah

	BLS Monthly Survey	BLS Quarterly Census
January	-37,300	-43,905
February	-27,700	-37,404
March	-22,500	-27,079
April	-7,100	-12,244
May	900	-7,787
June	12,200	-5,779
July	17,200	na
August	18,900	na

Source: U.S. Bureau of Labor Statistics.

The monthly Survey is a small sample whereas the quarterly census covers employers with 98 percent of U.S. jobs, hence the census is a much more comprehensive and reliable measure of job conditions. The quarterly census estimates have been consistently lower than the monthly Survey, *Table 1*. While the Survey shows that Utah has been creating jobs

Table 2
State Tax Revenue in Utah – Fiscal Year (millions)

Category	2009	2010	Percent Change
Sales and Use Tax	\$ 1,547.5	\$ 1,402.7	-9.4
Individual Income Tax	\$ 2,332.6	\$ 2,114.4	-9.4
Corporate Tax	\$ 274.9	\$ 273.2	-0.6
Beer, Cigarette & Tobacco Taxes	\$ 60.6	\$ 58.7	-3.1
Insurance Premium Taxes	\$ 83.0	\$ 80.0	-3.6
Severance Taxes	\$ 85.6	\$ 77.1	-9.9
Total	\$ 4,384.1	\$ 4,006.1	-8.6

Source: Utah State Tax Commission.

since May of 2010 the trend in the census seem to indicate that job creation will probably get underway in August or September. By the fourth quarter both series should be positive although the Census estimates will likely continue to be lower and more subdued than the monthly Survey numbers.

State Revenue – Still Declining

Tax revenues are still contracting. After peaking at \$5.3 billion in 2007 revenue has fallen to \$4.0 billion in 2010 (about half of this \$1.3 billion decline is attributable to tax cuts). Revenues are down about \$380 million or 8.6 percent in 2010, *Table 2*. The legislative forecast anticipated a 7.2 percent decline but the difference between the forecast decline of 7.2 percent and the actual decline of 8.6 percent is \$60 million. This shortfall, hopefully, will be covered by the \$140 million infusion to Utah from the H.R. 1586 Education Jobs and Medicaid Assistance Act passed by the U.S. Congress in August 2010. This legislation will provide Utah with \$101 million for education and \$40 million to help the state meet its Medicaid obligations. In addition, the state still has over \$200 million in its rainy day fund to help cover any shortfall in 2011.

Personal Income – Growing Slightly

Personal income is the income received by all

persons from all sources, including wages, social security payments, pension, rent, dividends, etc. Utah's total personal income in the second quarter 2010 is \$90.6 billion (annualized). Personal income is up 1.2 percent for the quarter giving the state a ranking of 12 among all states in personal income growth over the last quarter.

The average wage of \$38,051 in Utah is predicted to increase by 1.8 percent in 2010 compared to 1.6 percent in 2009. Annual changes in the average wage rate in Utah managed to remain positive throughout the recession with 2009 being the weakest year for wage growth.

Housing Prices – Near Bottom

The median sales price of homes and condominiums sold in the four Wasatch Front Counties have fallen 6.2 percent and 5.6 percent respectively in 2010 (January through August), *Table 3*. However, the price weakness appears to have been limited, for the most part, to the first quarter of 2010. Modest price increases from first to second quarter are shown in data from the Federal Housing Finance Agency and the National Association of Realtors *Table 4*. However, the Wasatch Front Regional Multiple Listing Service does show a slight price decline in the second quarter of 0.9 percent.

Table 3
Median Sales Price of Existing Homes
and Condominiums in Wasatch Front Counties
January through August

	Single Family	Condo
2006	\$200,000	\$134,150
2007	\$235,000	\$165,000
2008	\$231,750	\$167,000
2009	\$223,900	\$163,750
2010	\$210,000	\$154,500
Percent Change 2009-10	-6.2%	-5.6%

Source: Wasatch Front Regional Multiple Listing Service.

Table 4
Median Sales Price of Single-Family Homes

	First Quarter	Second Quarter	Percent Change
FHFA Index (Utah)	256.8	264.3	2.9%
NAR (SL Metro)	\$203,800	\$207,300	1.7%
WFRMLS (WF Counties)	\$209,900	\$208,000	-0.9%

Source: Federal Housing Finance Agency, National Association of Realtors and Wasatch Front Regional Multiple Listing Service.

Table 5
Median Sales Price of Single-Family Homes

	Single Family	Condo	Apartments	Cabins	Manufactured/ Mobile Homes	Total
2006	13,983	2,648	1,140	125	373	18,269
2007	10,968	3,572	1,589	146	329	16,604
2008	4,099	1,840	1,193	76	324	7,532
2009	3,351	1,475	2,213	63	163	7,265
2010	4,215	822	1,354	41	129	6,561
Percent Change 2009-10	25.8	-44.3	-38.8	-34.9	-20.9	-9.7

Source: Bureau of Economic and Business Research, University of Utah.

New Residential Construction – Contraction Continues

While the number of permits for new single-family homes has increased nearly 26 percent in 2010 (January through August) the activity for other types of residential units has plummeted, *Table 5*. Condominium and new apartment construction has fallen around 40 percent compared to 2009. Overall new residential permit activity is down 9.7 percent through August however, total residential valuation is up slightly to 2.1 percent, due to the shift from lower value condominiums and apartments to higher value single-family homes. Residential construction valuation through August statewide was \$1.18 billion.

Given the level of activity through August it looks like the number of residential permits issued in Utah in 2010 will be around 9,400, *Table 6*. In 2005 residential construction in Utah hit an all-time high of 28,285 units. Over the past three years construction activity has been stuck average 10,000 residential units, roughly one-third the level of the peak year.

Real Estate Sales – Unchanged

In the Wasatch Front counties the sale of existing homes and condominiums through August of 2010 is nearly identical to the 2009 level. Overall total sales were 14,294 through August of 2010. Single-family

Table 6
Annual Residential Permits Issued for Utah

	Total Units for Year
2005	28,285
2006	26,322
2007	20,539
2008	10,603
2009	10,488
2010	9,400

Source: Bureau of Economic and Business Research, University of Utah

Table 7
Sale of Existing Homes and Condominiums
in Wasatch Front Counties
January through August

	Single Family	Condominium	Total
2005	18,864	3,980	22,844
2006	19,755	4,536	24,291
2007	17,209	4,333	21,542
2008	12,349	3,128	15,477
2009	11,659	2,642	14,301
2010	11,827	2,467	14,294
Percent Change 2009-10	1.4%	-6.6%	0.0%

Source: Bureau of Economic and Business Research, University of Utah

homes sales are up 1.4 percent in 2010 to 11,827 homes but condominium sales are down 6.6 percent to 2,467 units, *Table 7*. Real estate sales have declined 41 percent from the peak year of 2006, significantly less than the 66 percent decline for new home building.

Foreclosures – Cresting

For the first time in 12 quarters the number of mortgage loans in foreclosure in Utah declined, albeit a small decline of 218 loans, *Table 8* and, *Figure 1*. In the second quarter of 2010 the number

Table 8
Mortgage Loans in Foreclosure in Utah

	Percent of Mortgages In Foreclosure	Number of Loans in Foreclosure
2007		
1Qtr.	0.54%	2,321
2Qtr.	0.55%	2,368
3Qtr.	0.66%	2,796
4Qtr.	0.8%	3,557
2008		
1Qtr.	1.02%	4,402
2Qtr.	1.23%	5,347
3Qtr.	1.43%	6,298
4Qtr.	1.79%	7,891
2009		
1Qtr.	2.36%	10,301
2Qtr.	2.85%	12,409
3Qtr.	3.04%	13,325
4Qtr.	3.3%	14,330
2010		
1Qtr.	3.43%	14,912
2Qtr.	3.35%	14,694

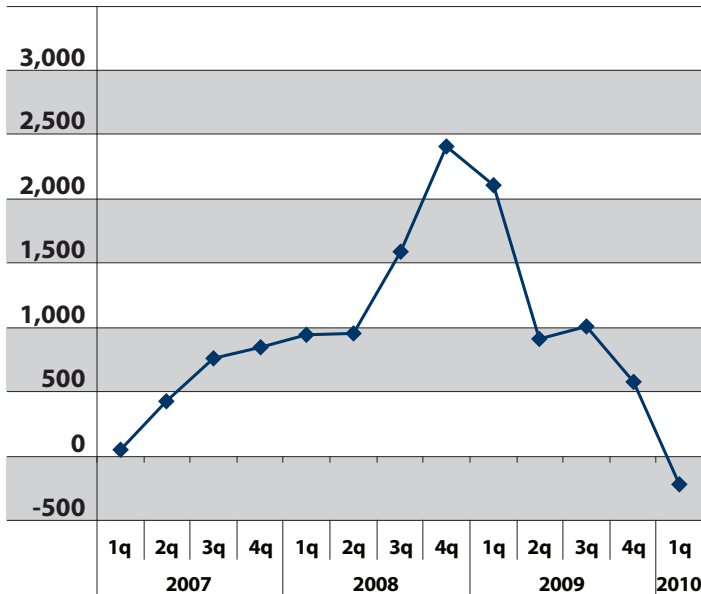
Source: Mortgage Bankers Association.

of foreclosed loans was 14,694, 3.35 percent of all mortgage loans in the state; Utah ranks 23rd among all states in the rate of foreclosures. Nationally 4.57 percent of all mortgage loans are in foreclosure.

Non-Residential Construction – Free Fall

Over the past three years the value of non-residential construction has fallen 61 percent, declining from \$1.45 billion to \$565 million (through August), *Table 9*. There is little sign that this sector is near bottom. In 2010 total value will

Figure 1
Change in the Number of Mortgages in Foreclosure in Utah



Source: Mortgage Bankers Association.

probably be around \$800 million with another 10 to 15 percent decline expected in 2011.

Retail Sales – Weakness in General Merchandise

The good news on the retail front is the uptick in sales for the food stores, motor vehicles and furniture sectors, *Table 10*. These three sectors were badly bruised by the recession but based on the most

Table 10
Retail Sales in Utah (million)

	2nd Qtr 2009	2nd Qtr 2010	Percent Change
Building and Garden	\$ 512.1	\$ 512.8	0.14%
General Merchandise	\$ 1,442.5	\$ 1,280.0	-11.26%
Food Stores	\$ 909.5	\$ 924.8	1.68%
Motor Vehicles	\$ 979.8	\$ 993.8	1.43%
Apparel	\$ 288.3	\$ 293.3	1.72%
Furniture	\$ 309.1	\$ 316.6	2.43%
Eating and Drinking	\$ 735.6	\$ 767.3	4.30%
Miscellaneous	\$ 709.3	\$ 713.2	0.55%
Total	\$ 5,886.3	\$ 5,801.8	-1.43%

Source: Utah State Tax Commission.

Table 9
Valuation of Permit Authorized Construction in Utah January through August

	NonRes. (000)
2006	\$1,034,135
2007	\$1,449,718
2008	\$1,300,204
2009	\$825,060
2010	\$565,635
Percent Change 2009-10	-31.4%

Source: Bureau of Economic and Business Research, University of Utah

recent data these sectors seem positioned to begin a modest recovery. Inexplicably, sales at general merchandise stores, the largest single retail sector, fell in the second quarter by \$163 million. This loss was large enough to offset the gains in the other seven retail sectors. Consequently, retail sales overall declined 1.4 percent in the second quarter of 2010.

While there is no sign of a double-dip recession for Utah, the recovery so far has been anemic. Even a modest recovery touching most sectors still seems three to four quarters away.