

UTAH ECONOMY AT MID-YEAR

The most recent forecast for Utah's economic indicators shows an economy on the mend, *Table 1*. Nearly all indicators improve in 2010 with the exception of employment and nonresidential construction. Growth is expected in total wages paid, along with vehicle sales, retail sales and new home construction. The good news on the job front is that the level of job losses will decline considerably

Table 1
Forecast of Utah's Major Economic Indicators
(Forecast June 2010)

	2009	Forecast 2010	Forecast 2011	Percent Change	
				2009-2010	2010-2011
Nonagricultural Employment (000)	1,189.0	1,181.1	1,200.4	-0.7%	1.6%
Unemployment Rate	6.6%	7.8%	6.7%	not applicable	not applicable
Total Wages (billion)	\$45.2	\$45.8	\$47.9	1.32%	4.6%
Population (000)	2,800.0	2,848.0	2,895.0	1.7%	1.7%
Net Migration (000)	1.5	8.0	8.0	---	---
New Auto/Truck Sales (000)	66.2	74.5	84.2	12.5%	13.0%
Residential Units (000)	10.5	12.0	15.0	14.3%	25.0%
Residential Valuation (\$million)	\$1,674.0	\$2,150.0	\$2,775.0	28.4%	29.1%
Nonresidential Construction (\$million)	\$1,054.0	\$900.0	\$800.0	-14.6%	-11.1%
Taxable Retail Sales (\$billion)	\$24.9	\$25.5	\$26.7	2.4%	4.7%

Source: Utah Governor's Office of Planning and Budget.

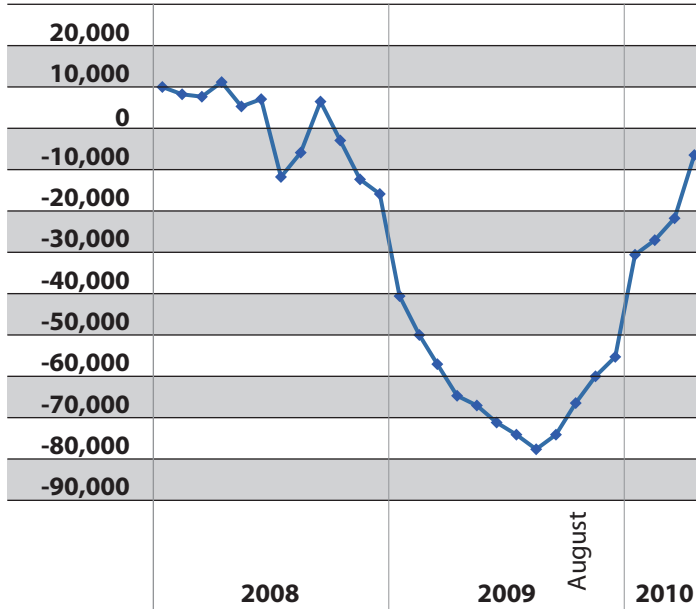
in 2010. In February of this year, job losses were forecast at 20,000. That forecast has now been scaled back to a loss of 7,900 jobs.

¹ The forecast is developed by the Governor's Office of Planning and Budget and Legislative Fiscal Analyst Office from consensus forecasts from the Revenue Assumption Committee.

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Figure 1
Change in Nonfarm Employment in Utah



Source: Utah Department of Workforce Services.

Although the labor market is improving, the unemployment rate will increase as good news on the job front brings some discouraged workers back into the labor force; thereby pushing up the number of people actively looking for work. Utah's unemployment rate in 2010 is projected to reach 7.8 percent the highest rate since 1983. Utah's monthly job losses, (measured against same month previous year) began in October

Table 2
Change in Nonfarm Employment in Utah

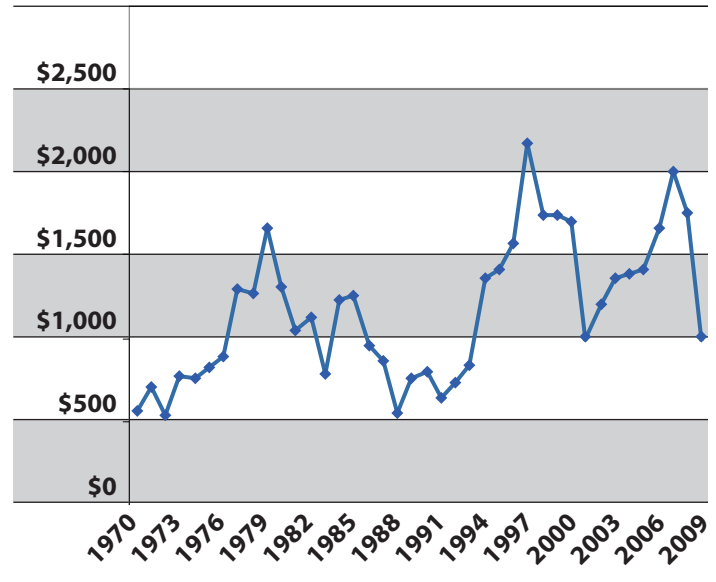
Month	Total Nonfarm Employment	Year-over Change
August	1,174,483	-77,655
September	1,187,410	-74,194
October	1,188,803	-66,449
November	1,188,963	-60,467
December	1,191,162	-55,796
January	1,172,000	-31,254
February	1,169,500	-27,605
March	1,173,400	-22,402
April	1,187,100	-7,094

Source: Utah Department of Workforce Services.

2008 with a loss of 4,100 jobs, *Figure 1*. For the 10 months following, losses accelerated finally hitting bottom with a year-over job loss in August 2009 of 77,615. Since that low point, job losses have decreased, shrinking to about 7,100 by April of 2010, *Table 2*. The monthly numbers are now expected to turn positive by August or September 2010 and continue to gain momentum, with an increase of 19,000 jobs in 2011.

Job increases are essential for a turnaround in the nonresidential construction sector. In 2009, nonresidential construction in Utah dropped 42 percent, falling from \$1.7 billion in 2008 to \$990.8 million in 2009 (constant 2009 dollars). This drop is the largest single-year decline for nonresidential construction on record. *Figure 2* shows the long-term trend for permit authorized nonresidential construction activity in Utah. The current cycle peaked in 2007 at \$1.93 billion, just shy of the all-time high of \$2.12 billion set in 1997. The trend line depicts the volatility of the nonresidential construction sector with its steep inclines and declines. In part,

Figure 2
Value of Permit Authorized Nonresidential Construction in Utah (millions of 2009 dollars)



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

Table 3
Top 10 Nonresidential Permits Issued in Utah Since 2002
(Constant 2009 Dollars)

	Permit Value	County	Year Issued
Industrial Bldg E-Bay	\$229,000,000	Salt Lake	2009
Intermountain Medical Center (shell)	\$120,916,513	Salt Lake	2004
City Creek Retail/Residential	\$95,500,000	Salt Lake	2009
City Creek Retail/Residential	\$82,604,587	Salt Lake	2008
Riverton Hospital	\$78,431,373	Salt Lake	2007
Office Bldg 222 Main Street SLC	\$77,549,020	Salt Lake	2007
City Creek Retail/Residential	\$74,311,927	Salt Lake	2008
City Creek Retail/Residential	\$72,308,000	Salt Lake	2009
LDS Church History Library	\$66,926,316	Salt Lake	2006
REAL Soccer Stadium	\$58,476,394	Salt Lake	2007

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

this volatility is inherent in the nonresidential sector, which is “lumpy” due to large projects, *Table 3*.

Typically the duration of a nonresidential contraction peak to trough is about four years, with new construction activity falling by 45-55 percent before a trough or bottom is established. In the

Table 5
Nonfarm Employment Projections for Utah

Sector	2009	2010 Forecast	2011 Forecast	% Chg. 2009-2010	% Chg.
Total Nonfarm	1,188,986	1,181,100	1,200,400	-0.66%	1.63%
Mining	10,699	10,000	9,800	-6.53%	-2.00%
Construction	70,527	66,300	69,100	-5.99%	4.22%
Manufacturing	112,878	109,300	111,900	-3.17%	2.38%
Transportation & Utilities	46,821	46,400	46,920	-0.90%	1.12%
Wholesale Trade	44,479	44,080	44,574	-0.90%	1.12%
Retail Trade	142,800	141,520	143,106	-0.90%	1.12%
Information	29,583	28,900	29,200	-2.31%	1.04%
Financial Activity	71,092	70,600	70,900	-0.69%	0.42%
Professional & Bus. Services	149,580	150,000	154,000	0.28%	2.67%
Health Services & Priv. Education	150,863	154,200	157,800	2.21%	2.33%
Leisure & Hospitality	110,906	110,000	111,000	-0.82%	0.91%
Other Services	34,045	33,800	34,800	-0.72%	2.96%
Government	214,713	216,000	217,300	0.60%	0.60%

Source: Utah Department of Workforce Services.

Table 4
Characteristics of Nonresidential Construction Cycles in Utah
(Constant 2009 Dollars)

Peak Year	Peak Value (billions)	% Decline Peak to Trough	Yrs. From Peak to Trough
1979	\$1.65	53%	4 yrs.
1985	\$1.26	56%	3 yrs.
1997	\$2.17	54%	4 yrs.
2007 to Date	\$2.00	50%	2 yrs.

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

current cycle, new construction is already down 50 percent in two years and will likely fall over 60 percent before a trough is established, *Table 4*. The nonresidential sector has dealt with past imbalances in supply and demand due to slow growth, but adjusting to a reduction in the baseline demand for commercial space, due to a decline in jobs, is new territory for Utah’s nonresidential sector. The first step is restoring job growth, sector by sector, which will stabilize conditions for retail, office and the industrial real estate markets and ultimately lead to an expansion in inventory.

The detailed employment forecast shows that by 2011 all sectors of the Utah economy will be growing with the exception of mining, *Table 5*. The fastest growing sector will be construction with a 4.2 percent growth rate, followed by professional and business services with a 2.67 percent gain, then manufacturing with a 2.38 percent increase. The forecast shows that the precondition for a rebound in nonresidential will be met during 2011 and growth should resume in 2012.