

UTAH'S Economy

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

ISSUE 86 JANUARY 2012

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MISCELLANEOUS NOTES ON THE UTAH ECONOMY

Exports, tourism, nonresidential construction and retail sales are just a few of the sectors in the Utah economy that have shown improvement in the past year. A broad based recovery appears to be underway pushing job growth to near 3 percent and giving the state a ranking of fourth among all states in nonfarm employment growth in 2011.

Exports

Exports in Utah have nearly doubled in the last two years increasing from \$10.3 billion in 2009 to \$18.9 billion in 2011. A sizeable share of the increase in the value of Utah's exports is due to the 50 percent jump in gold prices over the past two years. Gold from Nevada mines is refined at the Johnson Matthey facility in Salt Lake County and then exported primarily to the United Kingdom, Switzerland and Taiwan. The local Johnson Matthey plant is the leading U.S. refinery of newly mined gold. In 2011 about \$12 billion of Utah's nearly \$19 billion in exports was gold. Utah's most important non-gold export product is integrated circuit memory (RAM and ROM), primarily produced by IM Flash Technologies, a joint venture of Micron and Intel, located in Lehi. The United Kingdom is Utah's largest trading partner.

Skier Visits and Hotel Occupancy

One of the most important components of Utah's tourism industry is the ski industry. In years when skier visits exceed four million the associated spending by skiers totals more than a billion dollars. The 2010-

2011 season was the second best on record with 4.2 million skier visits, which pumped a high amount of dollars into local restaurants and hotels in the winter and spring of 2011. This year will undoubtedly see a drop in skier expenditures due to well below average snowfall.

The skier data show the benefit of the 2002 Olympics for the local industry. For many years total skier visits in Utah had been confined to a narrow range of 2.5 million to 3.0 million visits. Since the Olympics skier visits have routinely been around 4 million visits, *Figure 1.*

Hotel/motel occupancy took a sharp drop with the recession, falling from 68.4 percent in 2007 to 57 percent in 2009. The 2009 rate was the lowest in over 20 years. Over the past two years occupancy has improved reaching 62.7 percent in 2011, *Figure 2.*

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Figure 1 Total Utah Skier Visits (millions)

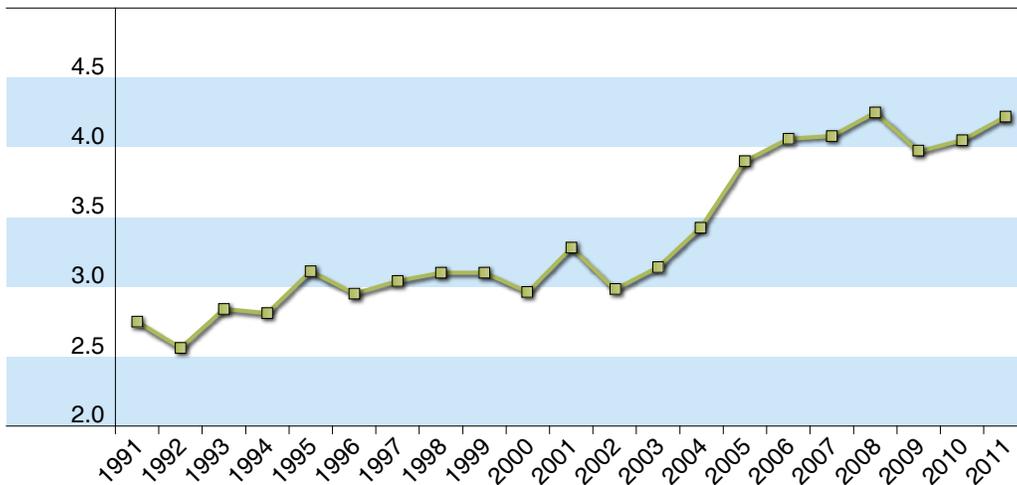
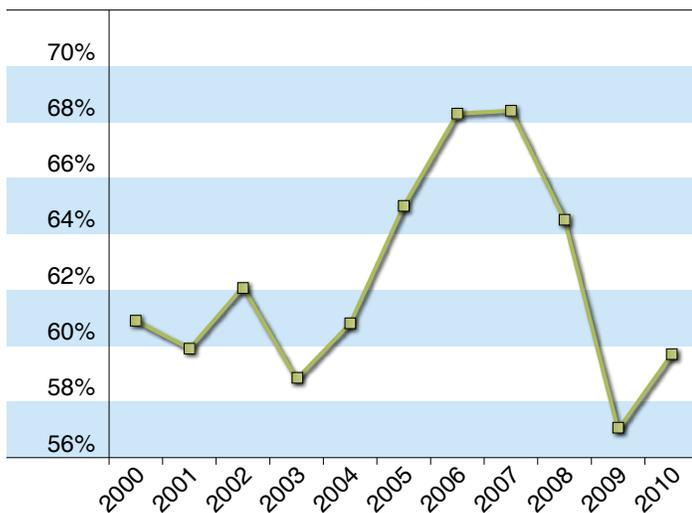


Figure 2 Utah Hotel/Motel Occupancy Rate



Government Building Boom

Government funded construction is at an all-time high in Utah led by a road building binge that will total \$3.6 billion from 2009 to 2012, *Table 1*. While highway construction is by far the largest component of the government building boom there are a number of other large projects. Of course the National Security Administration facility is the largest at \$1.5 billion. This project will have the highest construction value of any single “building” project in Utah’s history, with the exception of three non-building projects: Intermountain Power Plant Millard County (mid-1980s), reconstruction of I-15 Salt Lake County (1998-2001) and reconstruction of I-15 Utah County

(2009-2012). Following the \$226 million Frank E. Moss Federal Courthouse in value are a number of smaller projects in the \$50-\$100 million range. Many of these projects are located at the University of Utah and Utah State University.

Just a note on a potential non-government mega-construction project: Blue Castle Nuclear Project in Green River, Utah. This 3,000 megawatt project, which

probably has a better than even odds of being approved by the Nuclear Regulatory Commission, will be many times larger than any project listed above. The price tag will likely be above \$10 billion. However, the project faces another four years of licensing followed,

Table 1 Selected Government Funded Construction in Utah (millions)

	Value
Highway Construction (2009-2012)	\$3,630
NSA (2010-2013)	\$1,500
Frank E. Moss Federal Courthouse	\$ 226
USTAR (U of U)	\$ 130
Salt Lake City Public Safety Building	\$ 125
Expansion of Huntsman Cancer Center	\$ 100
Natural History Museum	\$ 97
FBI Office	\$ 75
Eccles School of Business (U of U)	\$ 70
Pharmacy Building (U of U)	\$ 66
USTAR (USU)	\$ 60
Neuropsychiatric Facility (U of U)	\$ 47
IHC Salt Lake Clinic	\$ 40
Utah Valley Convention Center	\$ 40
Honors Housing (U of U)	\$ 31
Total	\$6,237

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

if approved, by a 5-7 year construction period. Construction will employ 3,000 workers while operation and maintenance will employ 1,000 workers. Best case is for power production by 2022. Where the power will be sold is not yet clear but Southern California is a likely market. At today's power rate, nuclear is expensive but Blue Castle believes that cost will be brought down over the coming years. Unfortunately much of the economic benefit would not be felt in Utah. The primary cost of the plant would be the two reactors, which will be made by either Westinghouse or General Electric.

Table 2 Change in Taxable Retail Sales in Utah (millions)

	2010 Through 3Q	2011 Through 3Q	% Change
Building & Garden	\$ 1,289.2	\$ 1,274.0	-1.2%
General Merchandise	\$ 4,119.5	\$ 4,237.2	2.9%
Food Store	\$ 2,600.1	\$ 2,499.7	-3.9%
Motor Vehicles	\$ 2,942.2	\$ 3,551.9	20.7%
Apparel & Accessories	\$ 885.1	\$ 941.7	6.4%
Furniture	\$ 789.4	\$ 812.4	2.9%
Eating and Drinking	\$ 2,268.5	\$ 2,405.0	6.0%
Miscellaneous	\$ 2,095.4	\$ 2,259.7	7.8%
Total	\$16,989.4	\$17,981.6	5.8%

Source: Utah State Tax Commission.

Retail Sales

Recent job and wage growth have pushed up retail sales. Through the first three quarters of 2011 retail sales were up 5.8 percent statewide, *Table 2*. Motor vehicle sales have been a major factor in the turn around. Auto sales were up 20.7 percent in 2011, \$600 million ahead of 2010. This year auto dealers expect another good year as consumers move to replace their old cars. The average age of a car in the U.S. is now at 10 years and 8 months, the oldest ever. The age of the inventory and low interest rates are projected to increase auto/truck sales in Utah by 8 percent in 2012. Other hot sectors have been apparel and accessories up 6.4 percent and eating and drinking up 6.0 percent. The retail sales projections indicate another gain of 6 percent in 2012.