



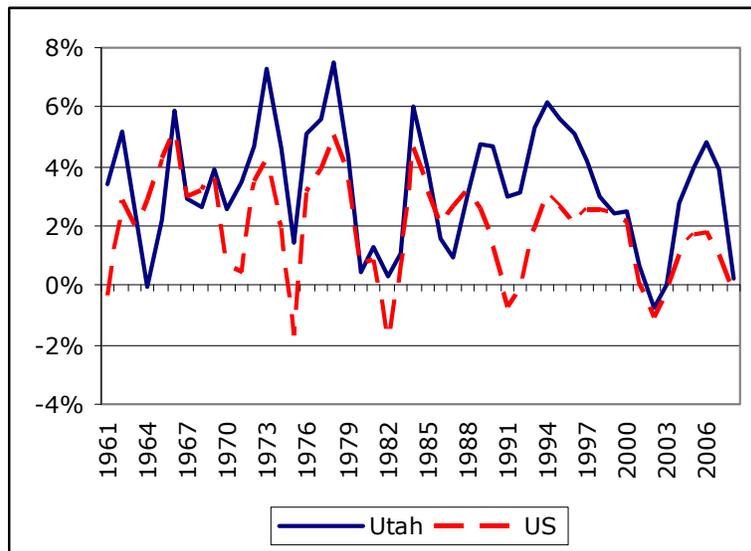
FIRST SIGNS OF RECOVERY

In the past few weeks much of the economic news has turned positive. Projections for third quarter GDP have been raised to 2.9 percent, worker productivity is up at an annual rate of 6.6 percent, new home construction has increased for five consecutive months, the stock market continues its gains, the Case-Shiller housing price index finally turned positive with a 2.9 percent increase for the second quarter, consumer confidence is up, and perhaps most important, the rate of job loss has decelerated substantially, from monthly losses of 700,000 jobs to monthly losses of around 200,000 jobs.

typically moved in concert with the U.S. economy. In all of the national business cycles since 1960 there are only two exceptions when Utah was out-of-synch with the national economy; 1964 and the early 1990s. In 1964, a labor dispute at Kennecott Copper, and aerospace layoffs totaling 6,000, led to a sharp decline in annual employment growth. In 1964, the state lost about 200 jobs while employment in the U.S. economy was growing at over two percent. The other exception is the 1990-1991 period when the U.S. economy suffered a short and relatively mild recession due to the lingering affects of the stock market contraction of 1987, the Savings & Loan Crisis, and the Gulf War. In contrast to the job loss at the national level, the Utah economy was adding jobs at a three percent annual clip, *Figure 1*.

This is good news for Utah. The state's economic rebound will very likely coincide with a national economic expansion. The Utah economy has

Figure 1
Annual Percent Change in Employment in Utah and U.S.



Source: Utah Department of Workforce Services and U.S. Bureau of Labor Statistics.

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lcutler@commercecrg.com

COMMERCE CRG
175 East 400 South, Suite 700
Salt Lake City, Utah 84111
Tel (801) 322-2000
www.commercecrg.com

At present, Utah may be lagging the U.S. economy by a few months in establishing a bottom for the downturn. Job losses in Utah are still accelerating and not expected to begin deceleration until late in 2009. The employment projection for 2009 shows a job loss in Utah of 65,000 jobs or 5.7 percent. This would be the largest single year loss of employment in Utah since 1931. In 1931, the number of jobs in Utah fell by 26,300 jobs, a decline of 16.3 percent. From 1930 to 1932 the Utah economy lost 32 percent of its jobs, far beyond what is expected from the Great Panic of 2008. The employment projection for Utah for the 2008-2010 period shows a decline of about seven percent, a job loss of 80,000.

The \$1.9 billion in fiscal stimulus money Utah will receive from the federal government is projected to soften the job losses by about 22,000 jobs by the fourth quarter of 2010, and 28,000 jobs by the fourth quarter of 2012. The fiscal stimulus will increase jobs in Utah by about two percent, far below the “public emergency work” programs initiated in the Great Depression. For example, in 1935 “public emergency employment” in Utah accounted for nearly one out of every five jobs in the state.

One area of concern in Utah is the nonresidential sector. The number of new commercial projects has dropped off dramatically in Utah in 2009. This sector peaked in 2007 with \$2.1 billion in new construction value, and declined only 6.7 percent in 2008. Through the first six month of 2009, however, the value of permit authorized nonresidential construction is down 40 percent. All major sectors, with the exception of industrial building, have experienced significant decreases in activity, *Table 1*. The value of new office buildings is down 51.4 percent, and retail structures are down 56.1 percent. In sharp contrast, industrial buildings are up by 25.1 percent, from \$236.4 million in 2008 to \$295.8 million in 2009. This anomaly is due to a single large project in South Jordan, the eBay data center, which took out a building permit for \$232 million. The eBay data center accounts for 80 percent of the value of new industrial construction through the second quarter. Without the eBay project the industrial sector would be down 75 percent.

Table 1
Value of Permit Authorized Nonresidential
Construction in Utah
(millions)

	June 30, 2008	June 30, 2009	% Change
Industrial	\$236.4	\$295.8	25.1%
Office	\$124.8	\$60.6	-51.4%
Retail	\$145.6	\$63.9	-56.1%
Hotels	\$117.1	\$1.2	-99.0%
Hospitals	\$78.9	\$29.9	-62.1%
Other	\$364.1	\$187.9	-48.4%
Total	\$1,066.9	\$639.6	-40.0%

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

The nonresidential numbers above do not include highway and road construction, nor state and local government buildings. The Associated General Contractors report that highway and road construction is near record levels, and the state has undertaken an active building campaign with millions of dollars of new structures at institutions of higher education.

The economic recovery for the U.S. and Utah economy will go through some fits and starts over the next twelve months, with some sectors lagging, like nonresidential construction, but the trend should be toward a greater consensus of recovery as more indicators turn positive.



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