

# Utah's Economy

## Institute of Real Estate Management in Utah Fall Economic Forecast

September 15, 2020

Salt Lake Board of Realtors

Val Hale, Executive Director



Utah Governor's Office of  
Economic Development



# Governor Herbert's Vision

Utah will be the nation's **best-performing economy**.

It will be a **premier global business environment** and **tourist destination**.



# GOED Mission

The Utah Governor's Office of Economic Development enhances the state's quality of life by increasing and diversifying Utah's revenue base and improving employment opportunities.

# Utah Dominates the Decade

#1 State for Entrepreneurs –  

#1 State for Upward Mobility – **Bloomberg**

#1 State with the Best Economic Outlook – 

#1 Best State for the Middle Class – 

#1 Most Diverse Economy – *The Hachman Index/Gardner Policy*



# Other Accolades

**Top-Three Best States for Business**  
(including Six #1 Spots since 2010)

**Forbes**

**“America’s Economic Star”**



*The Wall Street Journal*

**“The Only State with a  
3-Star Michelin Designation”**

*Michelin’s Green Guide  
for the Southwest U.S.*



**“America’s Youngest,  
Most Tech-Savvy State”**



**Gardner**  
POLICY INSTITUTE

*Kem C. Gardner Policy Institute*

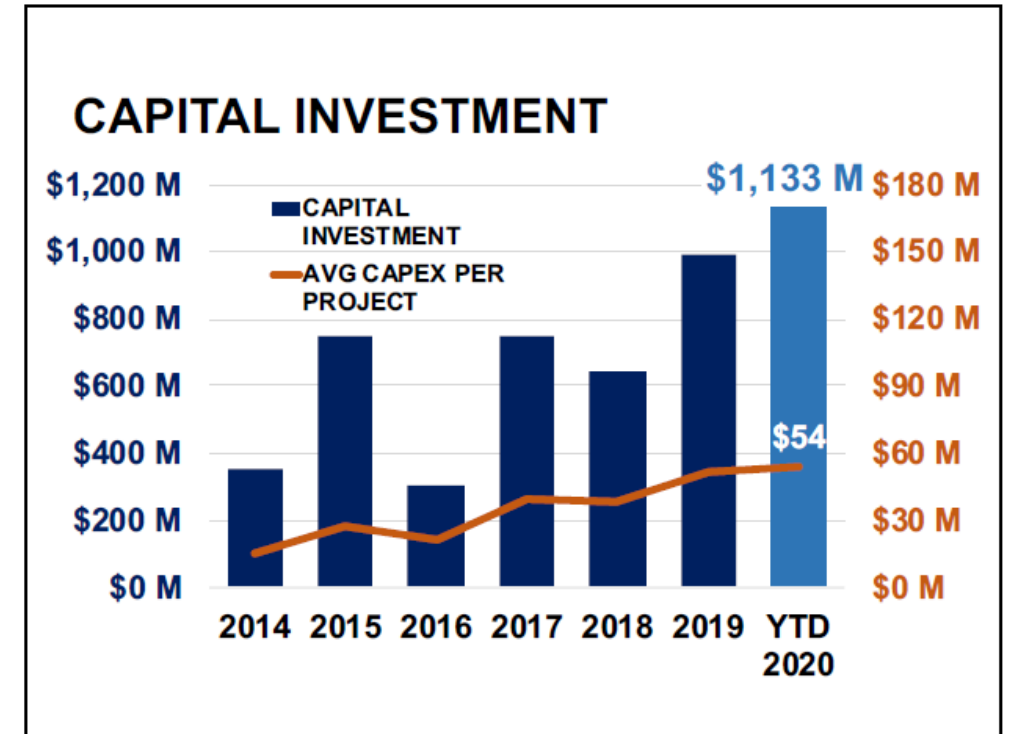
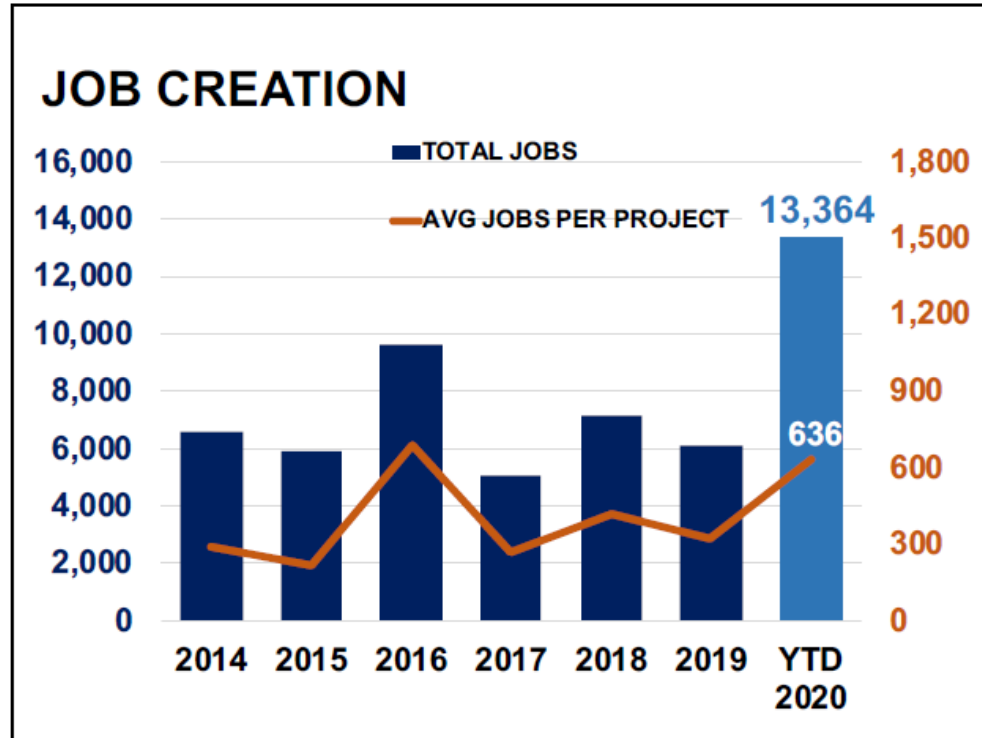


Utah Governor’s Office of  
Economic Development

# Utah is Home to Leading Brands



# It's actually been a good year ...

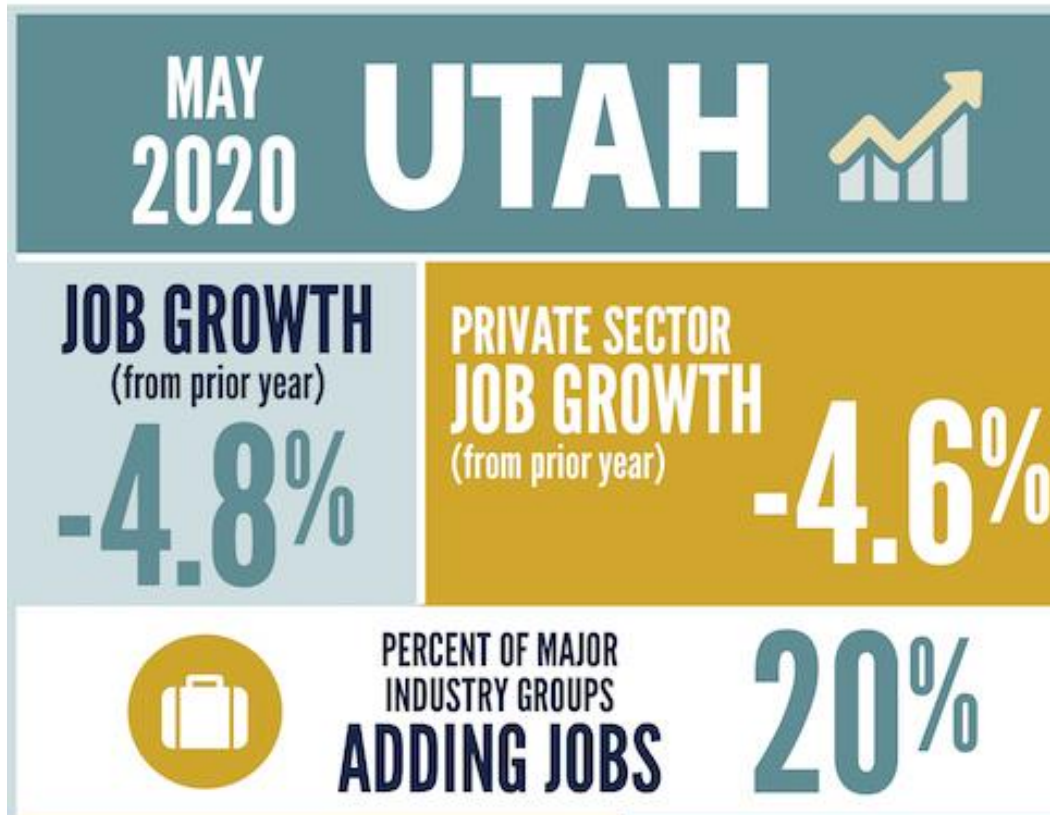


**As of June 2020**, YTD trends show:

- Larger Projects
- More Geographic Diversity in Tech
- Manufacturing Projects off the Wasatch Front

- New State Revenue: \$591M
- New State Wages: \$9.7B
- Number of Deals: 21 (vs. 18 total in 2019!)

# Utah's Employment Summary





# Utah's Unemployment Rate through Covid-19

	Utah's Unemployment	National Unemployment
• February	2.5%	3.5%
• March	3.8%	4.4%
• April	10.4%	14.7%
• May	8.6%	13.3%
• June	5.3%	11.1%
• July	4.5%	10.2%
• August		8.4%

**Lowest in the United States!**

# Demographics: Utah's Long-Term Advantage

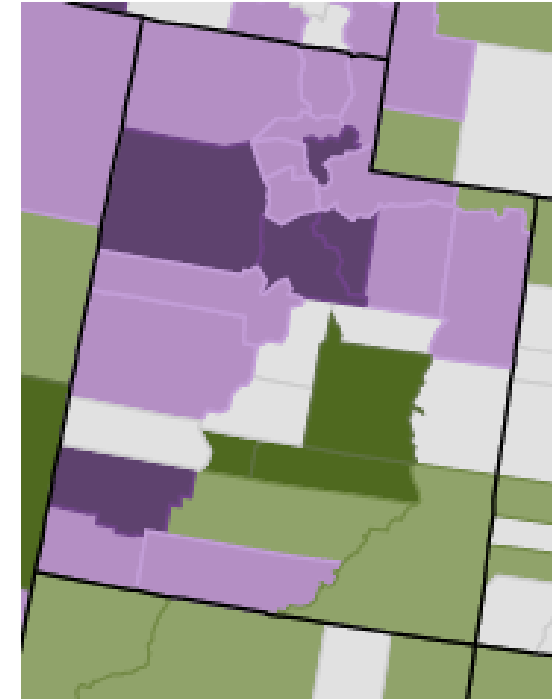
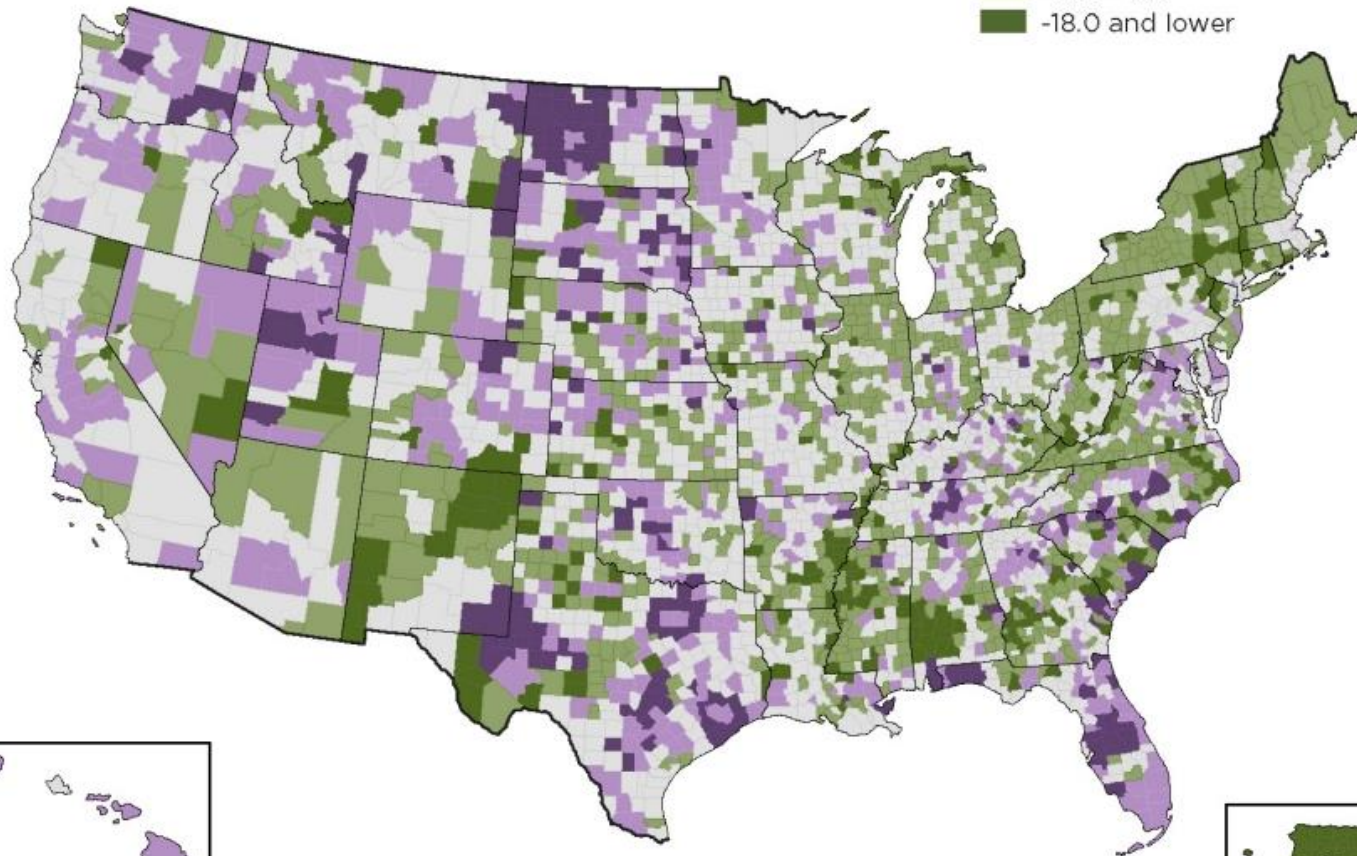
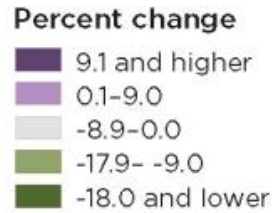
- **#4** fastest growing state in 2019 (1.66% increase over 2018)
- **#1** youngest median age in the U.S. = 31.3 years
- **120** languages spoken in business every day
- **33%** of workforce is multilingual



Source: U.S. News

# Utah's Population

## Percent change among the Under 18 Population (2010-2019)



U.S. Census Bureau, June 25, 2020



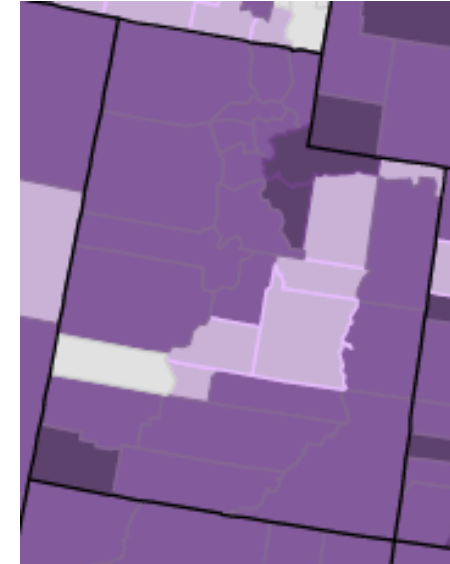
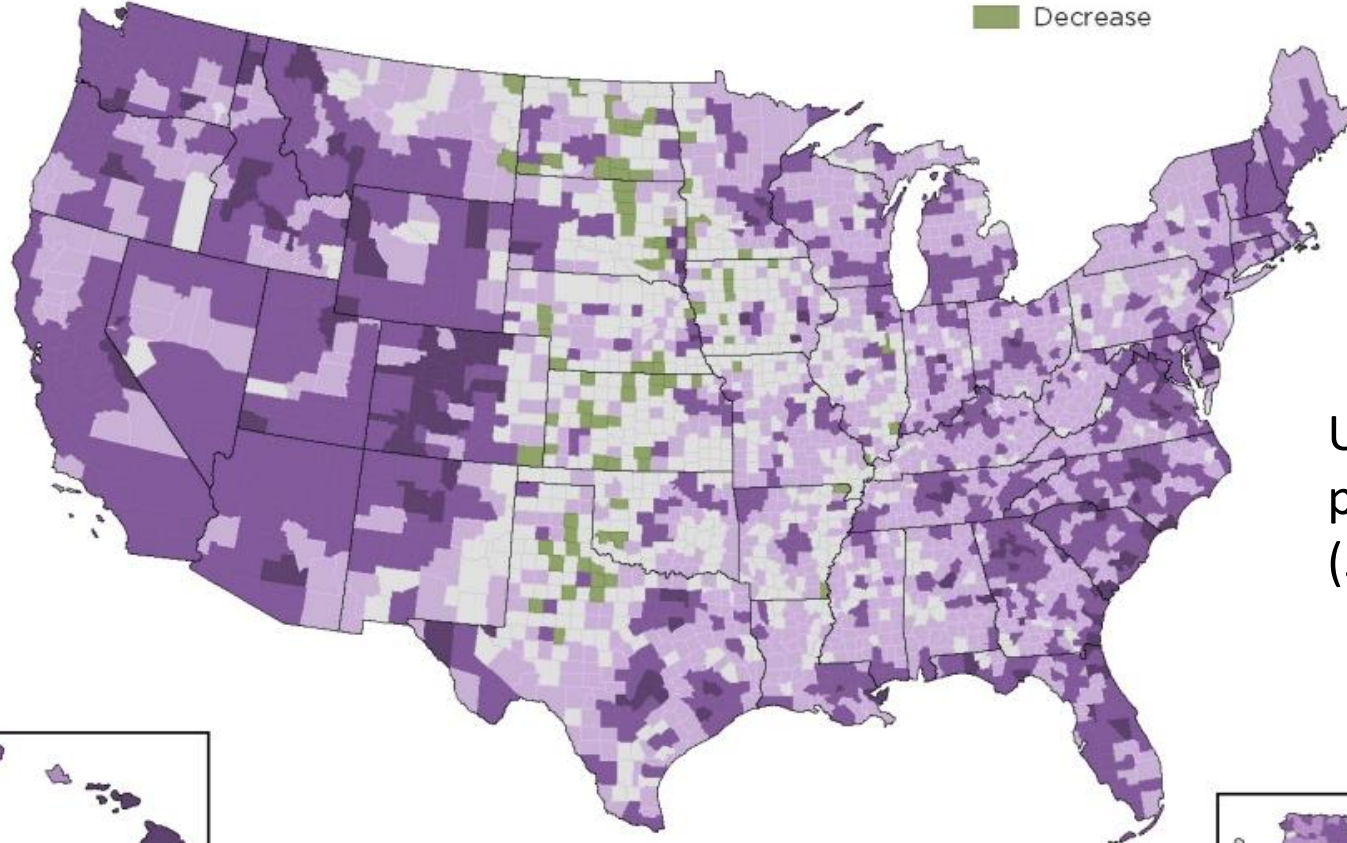
# Utah's Population

## Percent change among the 65+ Population (2010-2019)



Percent change

- 60.1 and higher
- 30.1-60.0
- 15.1-30.0
- 0.1-15.0
- Decrease



Utah had the lowest percentage (11.4%) of population age 65+ and the lowest median age (31.3 yrs) in 2019, up 2.1 yrs from 29.2 in 2010.



U.S. Census Bureau, June 25, 2020










# Utah Demographics/Economic Rankings

	<b>State Rank</b>	<b>Value</b>	<b>Year</b>
Population Growth Rate	4 <sup>th</sup>	1.7%	2019
Total Fertility Rate	4 <sup>th</sup>	2.03	2018
Life Expectancy	11 <sup>th</sup>	79.7	2017
Median Age	1 <sup>st</sup>	31.0	2018
Household Size	1 <sup>st</sup>	3.12	2018
Poverty Rate	4 <sup>th</sup>	9.0%	2018
Median Household Income	7 <sup>th</sup>	\$77,067	2018

KCG Institute 2020 Economic Summary

# Competitive Cost Of Living in the West

According to Bankrate.com, if you make \$80,000 in the San Francisco metro, you could enjoy the same lifestyle in these other metros for much less

	<b>Metro</b>	<b>Equivalent Income</b>
	San Francisco	\$80,000
	Los Angeles/Long Beach	\$63,628
	Seattle	\$63,628
	Portland	\$58,730
	Denver	\$49,705
	Las Vegas	\$49,070
	<b>Salt Lake City</b>	<b>\$43,718</b>

# SLC International Airport

- SLC is the 23<sup>rd</sup> busiest airport in North America
- 370 flights departing daily to 99 nonstop destinations (non-COVID)
- \$4.1 billion redevelopment project – no local tax dollars being used
- Economic impact - \$5.5 billion
- Opening on time and on budget!

*First flight departed  
this morning,  
Sept 15, 6:00am*





### **By the numbers:**

- First phase: 49 elevators; 29 escalators; 18 moving walkways
- Baggage System - 7 miles of conveyor belts, wider to accommodate skis and golf bags
- 78 gates at completion and six dual use int'l gates, all with jet bridges (currently has 71 gates and three int'l gates, with only 55 having jet bridges)
- Terminal is 908,754 sq.ft
- Delta Sky Club – 27k sq.ft, + 2k sq.ft deck
- 16 security screening lanes, and 2 int'l lanes
- 3600 parking stalls added (twice the current garage size) – size of three football fields

***And so much more! Visit [slcairport.com](http://slcairport.com) for more info and great photos!***





# Regional Vision for Point of the Mountain

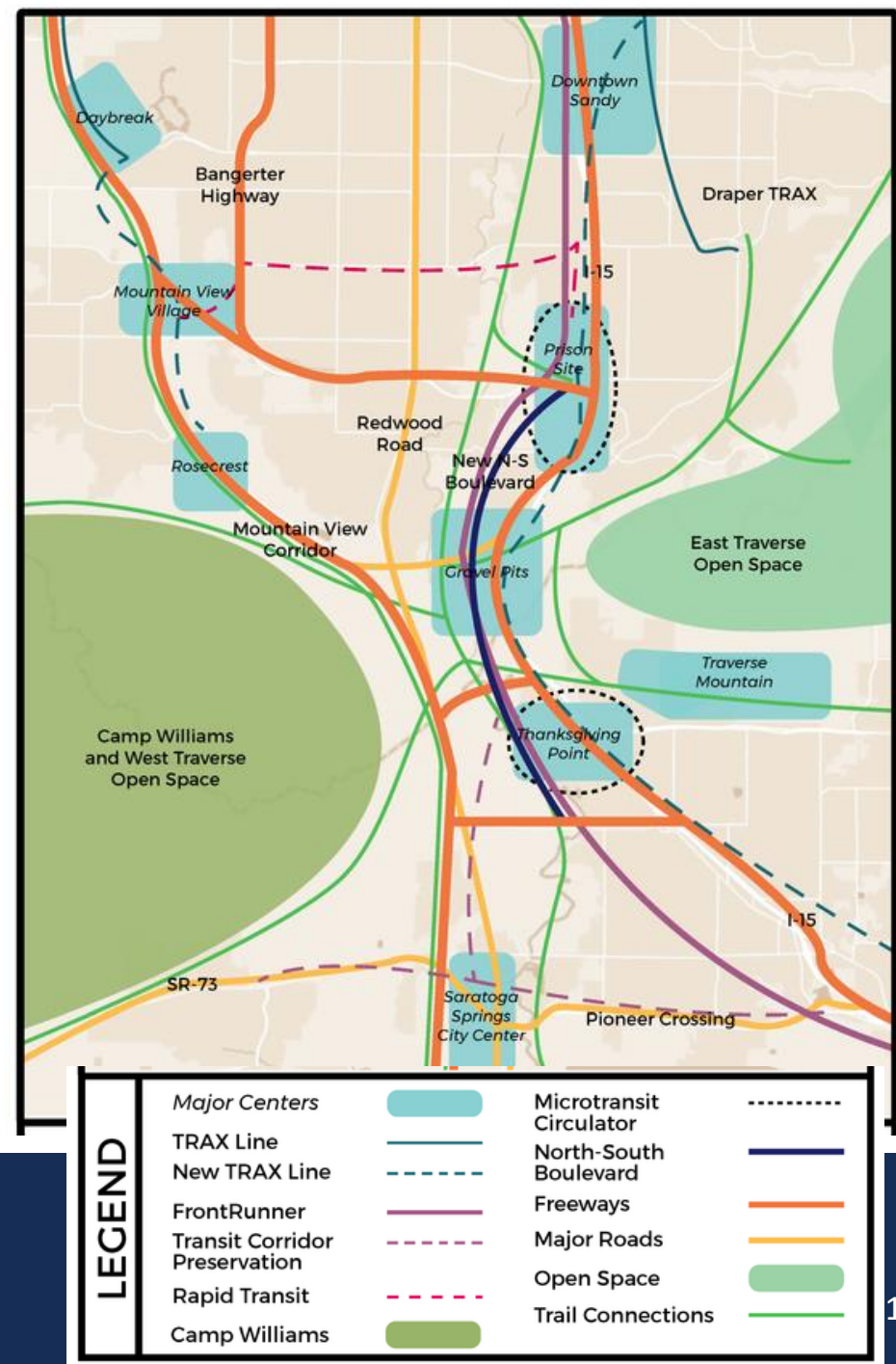
Phase I: Focused on listening to Utahns

Phase II: Evaluate potential scenarios, bring stakeholders together, important elements to work towards

Phase III: Implementation and financing of transportation projects

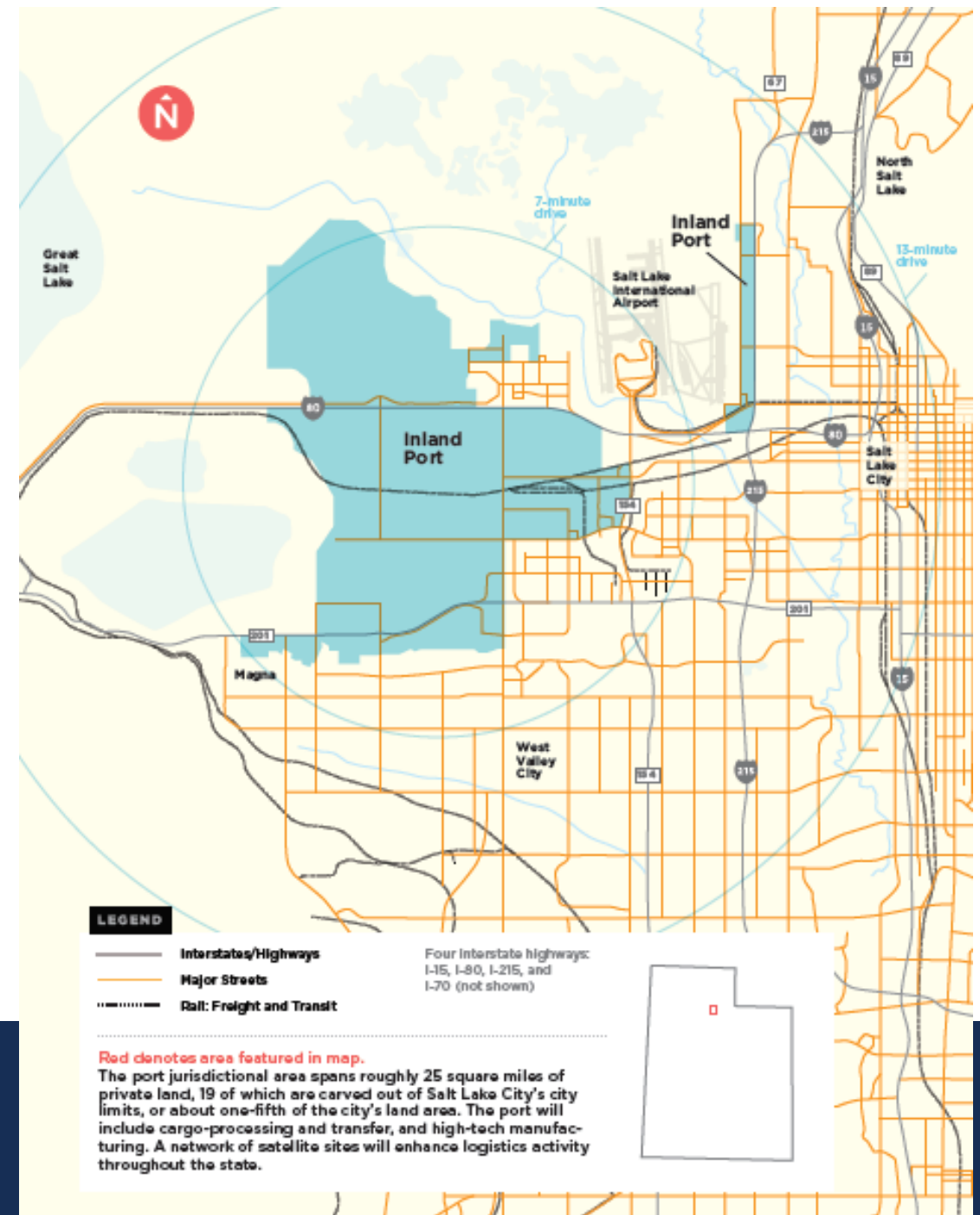
20,000 acres of developable space, “The Point” covers 25 miles, 17 cities, 1.6 million people in SL and Utah counties, and potentially 40% of new jobs statewide

A press conference was held Monday, Sept 14 to officially launch the effort towards building this site

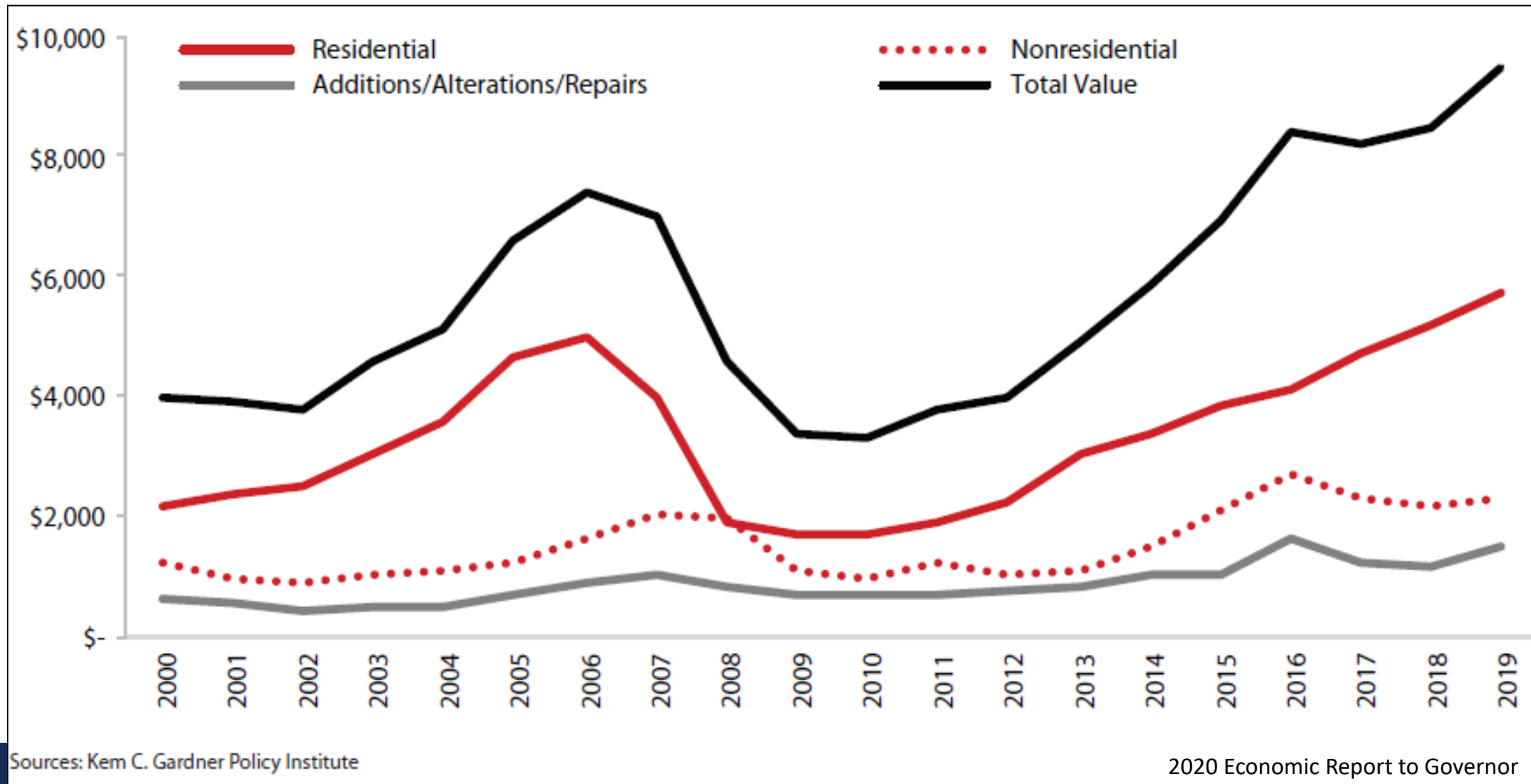


# Utah's Inland Port Authority

- Created by Utah Legislature in 2018
- Government-run corporation with responsibility to improve reliability, increase efficiency and reduce costs
- Uses multi-modal transportation to connect global trade gateways with inland markets  
and
- Within 45 minutes, there are 60,413 businesses with ~2 million population
- Covers 16k acres 10 minutes west of SLC's central business district
- Prime access to major Interstates, extensive rail network (connects to all west coast seaports), and the new SLC International



# Utah Value of New Construction (\$ millions)



# Utah GDP, CPI, Interest Rates, Home Prices

**Interest Rates:** The 30-year fixed-rate mortgage averaged 2.99% for the week ending August 20, 2020 according to Freddie Mac. This was a 0.01 percentage point increase from the week ending July 16, 2020.

**Home Prices:** According to the Federal Housing Finance Agency (FHFA) House Price Appreciation Ranking, Utah's house prices were up 2.62% in the first quarter of 2020 from the fourth quarter of 2019.

**Foreclosure Rates:** At the end of the second quarter of 2020, Utah ranked third lowest with 0.22% of all loans in foreclosure.

Home Prices: Year-Over Change in Quarterly Prices, 2019–2020

	Realtors (Q1)		FHFA (Q1)	
	Median Sales Price	Change	HPI Change	Purchase-Only Change
Logan, UT-ID MSA	\$310,298	6.6%	6.6%	na
Ogden-Clearfield, UT MSA	\$346,303	7.1%	7.1%	na
Provo-Orem, UT MSA	\$399,249	6.0%	6.0%	na
Salt Lake City, UT MSA	\$377,776	12.3%	6.4%	10.2%
St. George	\$372,508	5.1%	5.1%	na
Utah	\$378,336	8.6%	6.4%	9.0%
U.S.	\$286,089	7.8%	5.0%	5.7%

Nat'l Assn of Realtors, Fed Housing Finance Agency, KCG Institute 2020 Economic Summary

# How is Utah's Real Estate Market Staying Hot?

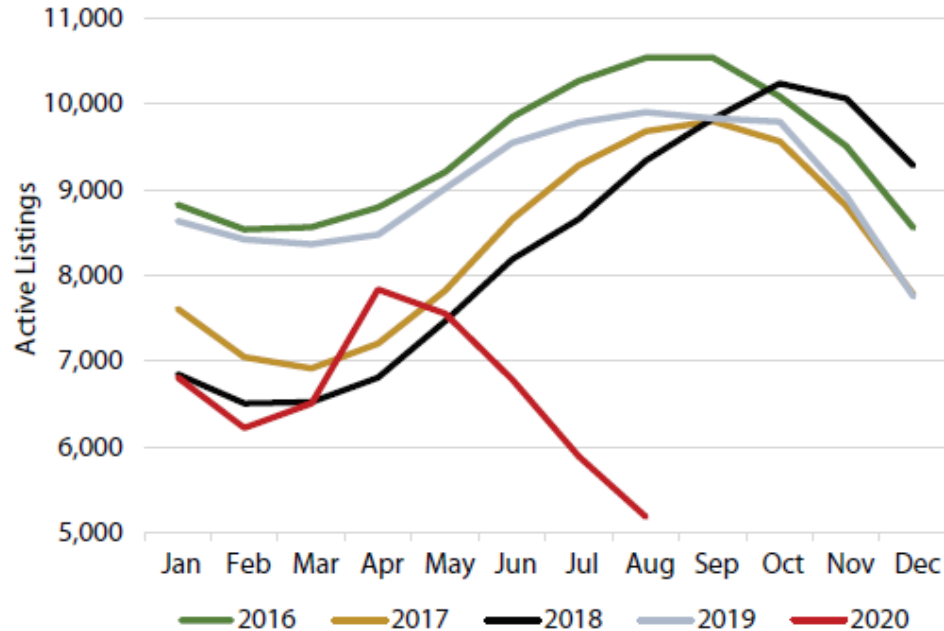
## January-June 2020:

- 6,422 single-family permits (up 9.6% from 2019)
- 3,175 condo/townhome/duplex permits (up 17.5%)

## Three major areas keeping the market strong:

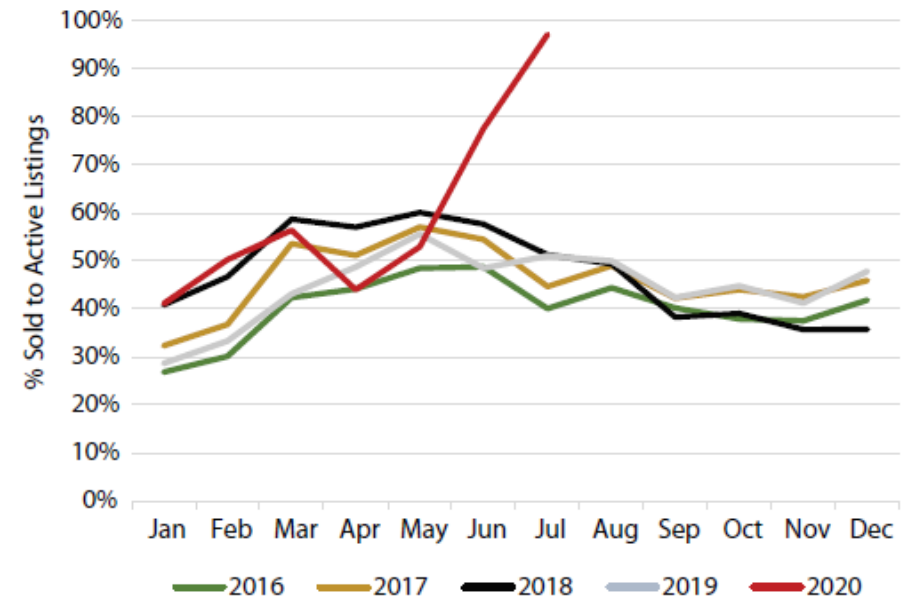
1. Pent-up demand
2. Record low resale inventory
3. Historically low mortgage rates

Avg # of Active Residential Listings/Day, Utah 2016-2020



Source: UtahRealEstate.com

Sold-to-Active Listing Ratio by Month, Utah 2016-2020

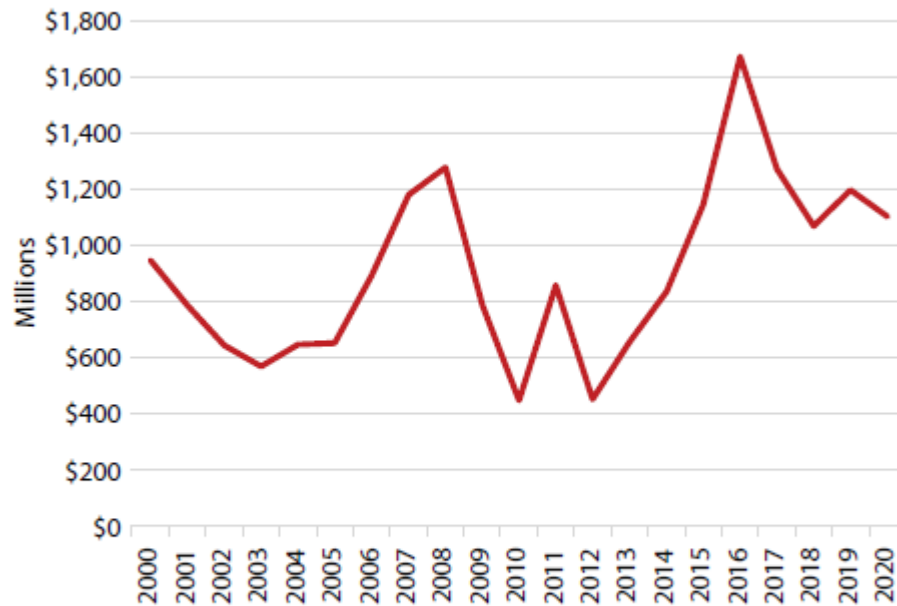


Source: Kem C. Gardner Policy Institute analysis of UtahRealEstate.com data

# Commercial Real Estate Construction (CRE)

Utah's CRE construction value through June 2020 is \$1.1 billion, an 8.0% decrease over last year

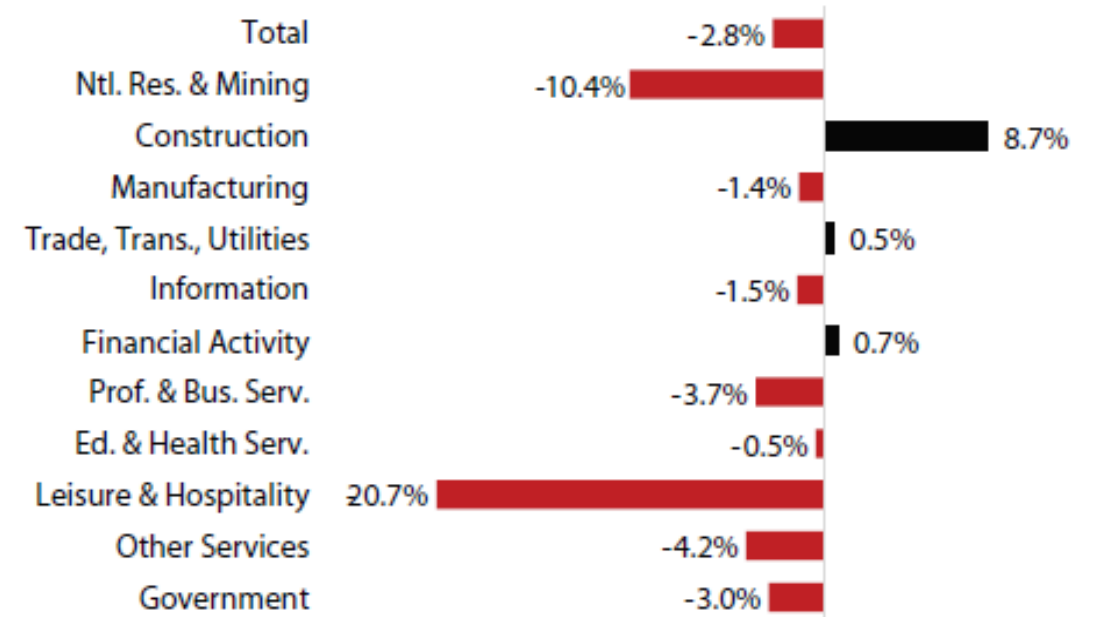
Value of Nonresidential Construction, Jan-June 2000-2020  
(Million 2020 dollars)



Note: Commercial construction tends to be volatile from quarter to quarter, with a few significant projects having substantial impacts. Therefore large rates of change are expected.  
Source: Ivory-Boyer Construction Database

The hotel construction activity was worth \$202.5M, and included a \$175.8M convention hotel in SLC. Without this project, the overall CRE construction value would have decreased 22.7% over last year.

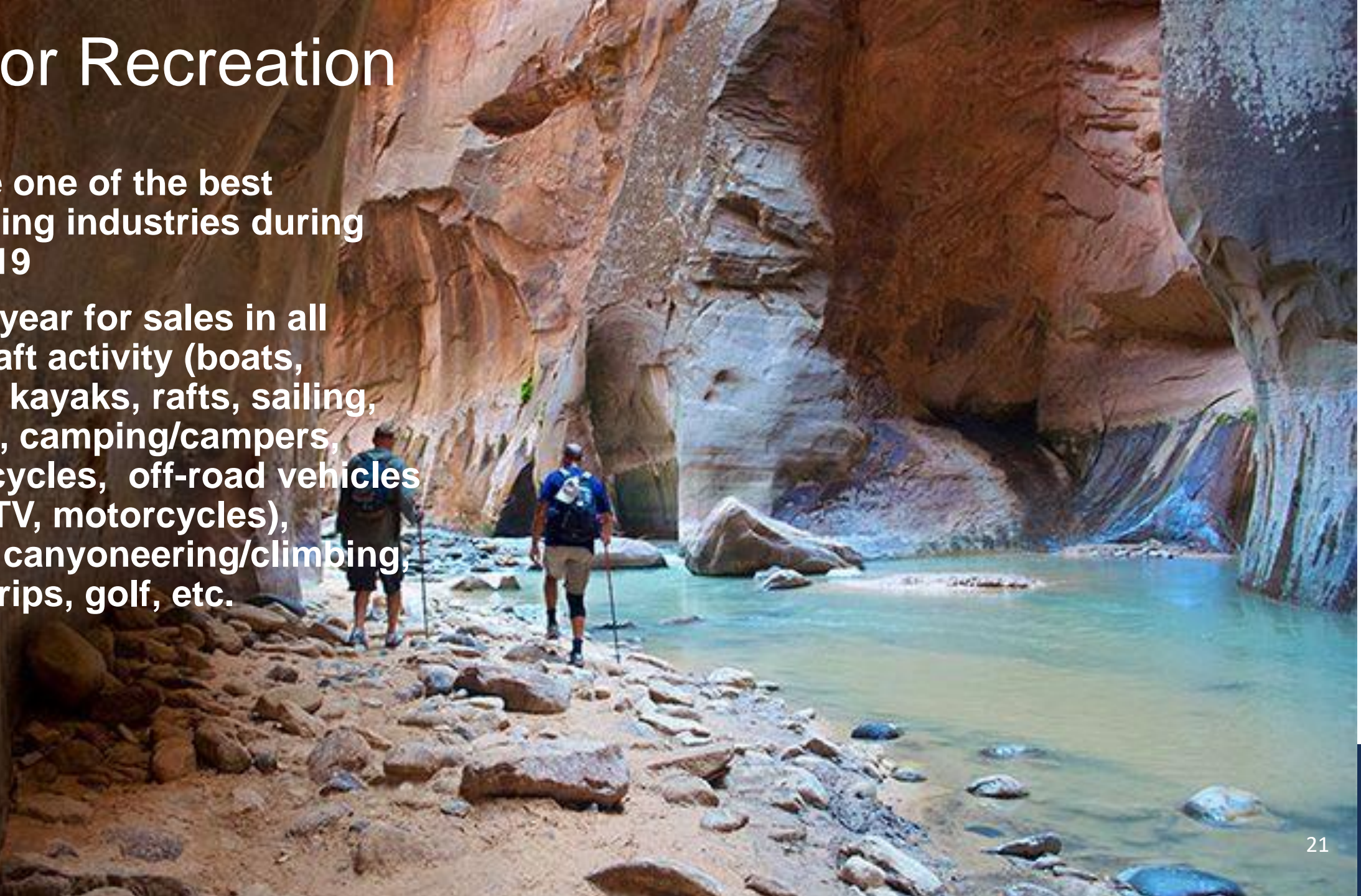
Utah Job Change by Industry, June 2019-June 2020



Source: U.S. Bureau of Labor Statistics

# Outdoor Recreation

- Became one of the best performing industries during COVID-19
- Record year for sales in all watercraft activity (boats, canoes, kayaks, rafts, sailing, jet skis), camping/campers, RVs, bicycles, off-road vehicles (ATV, UTV, motorcycles), fishing, canyoneering/climbing, nature trips, golf, etc.



# National Outdoor Rec

From **June 2019 to June 2020**, Americans flocked to buying and participating in:

- **Cycling** – Sales increased **63%** between the two years, reaching \$697M in sales
- **Paddle Sports** – **56%** increase in sales, reaching \$172M in sales June 2020
- **Golf** – **51%** increase in equipment sales, totaling \$661M in June 2020
- **Camping** – Sales increased **31%** from 2019, reaching \$605M in equipment sales
- **Bird Watching/Nature Sightings** – binocular sales increased **22%** over 2019, totaling \$16M for 2020

*“I expect we will see a renewed and heightened interest in wellness and fitness post-crisis. In addition to the stay-at-home period providing a greater incentive for people to exercise at home or be active in the open air, I believe this virus has also motivated people to adopt healthier habits.”*

**~Senior Sports Industry Advisor Matt Powell**

August 2020, NPD Group



Utah Governor's Office of  
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# Tourism/Hospitality

In 2019:

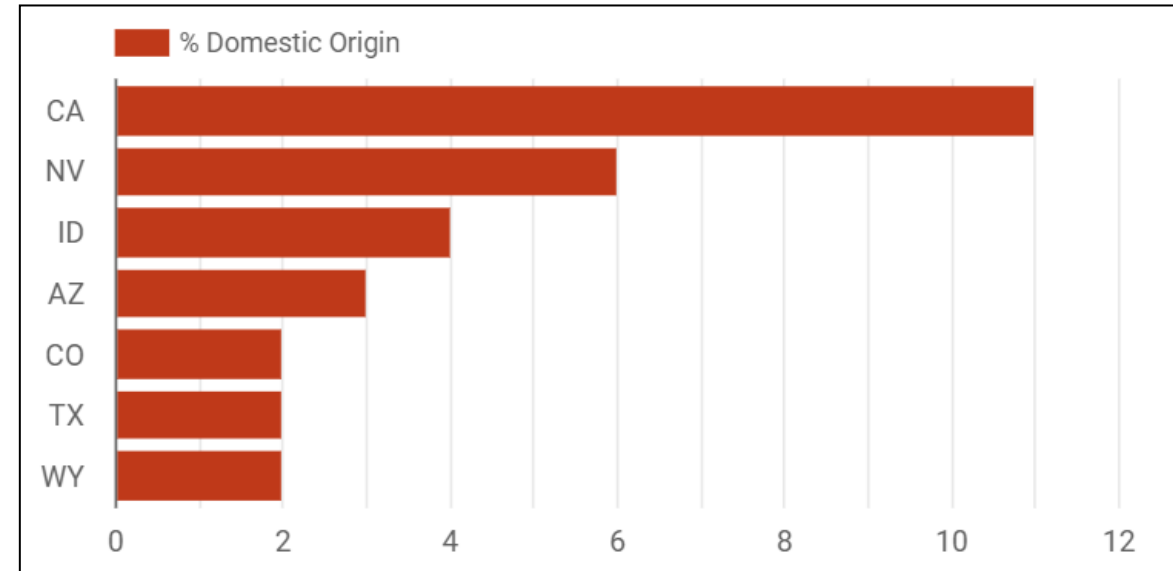
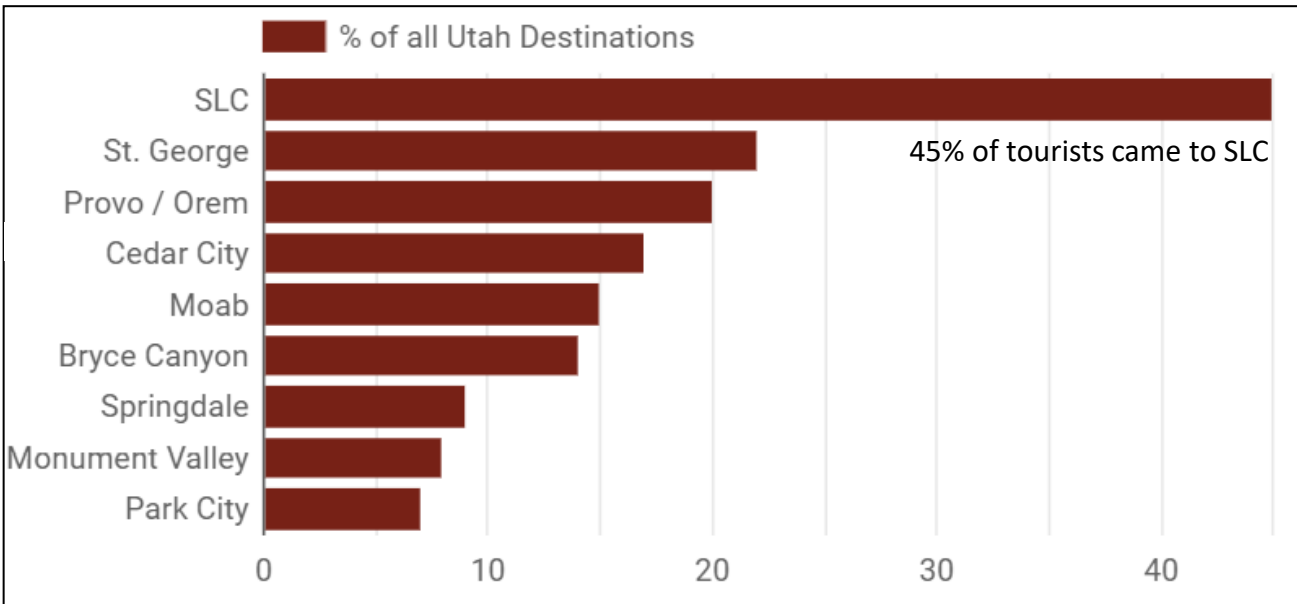
- Utah visitors spent **\$10.06 billion\*** ...
- which supported **141,500 jobs** ...
- resulting in **\$1.33 billion** in state & local tax revenue ...
- the tax benefit equivalent of **\$1,305** per Utah household

\* This \$10.06 billion in direct spending spurred additional “induced and indirect” visitor-related spending effects of \$6.46B, totaling \$16.52 billion

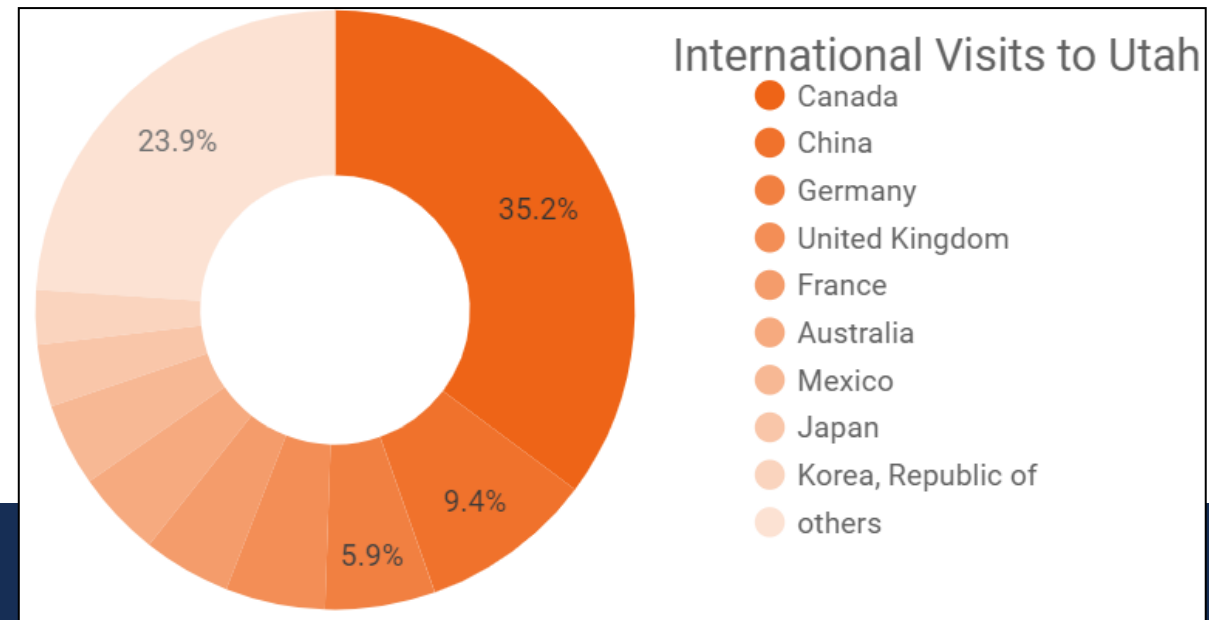
Sources: U.S. Travel Association, Kem C. Gardner Policy Institute, Utah Office of Tourism



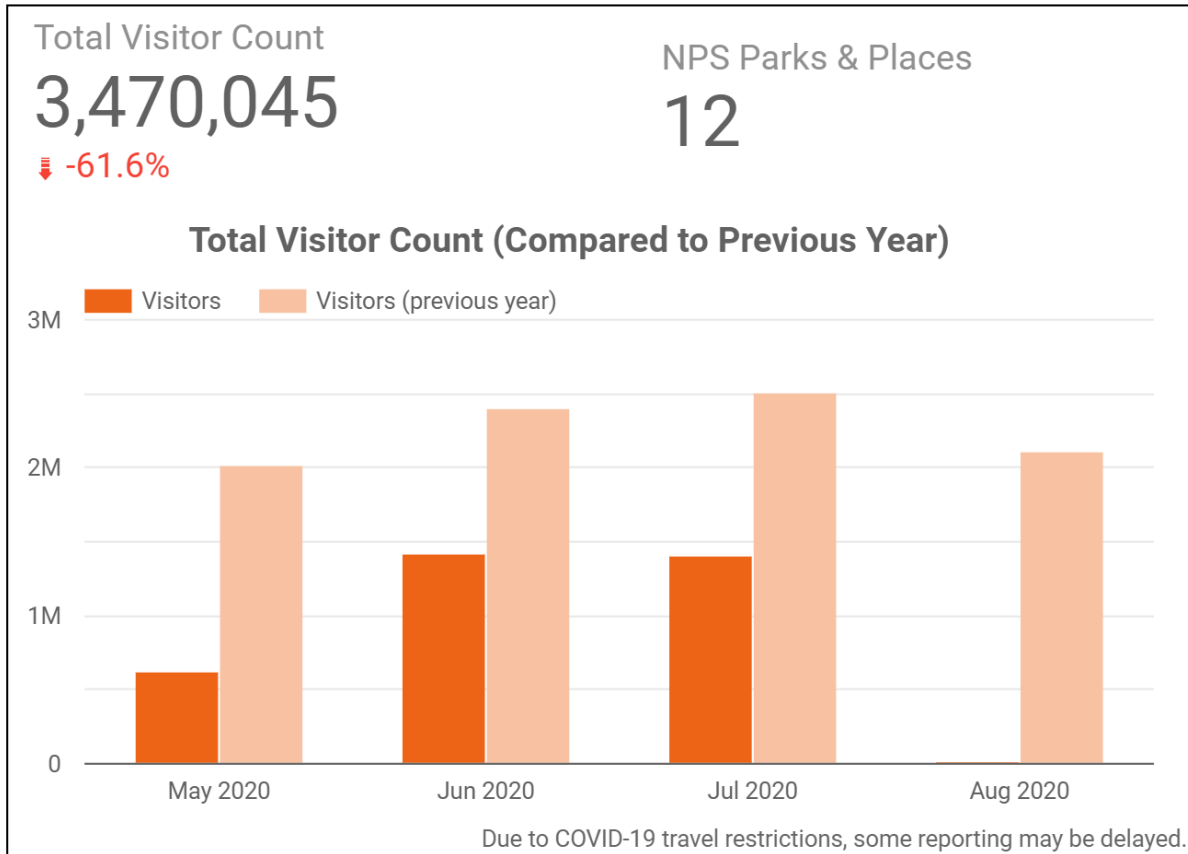
# Tourism



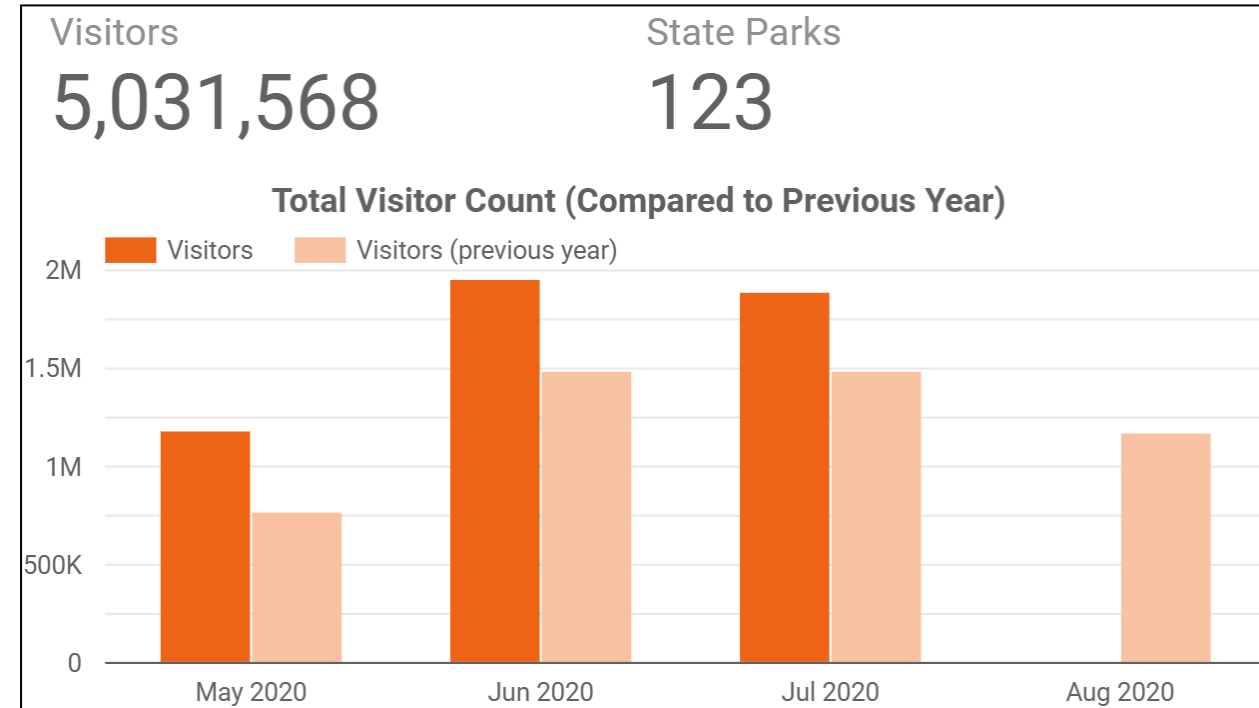
- 45% of tourists visit SLC
- 11% come from California
- 35.2% of International visitors are from Canada



# Utah National Parks/Monuments 2019 vs 2020



# Utah State Parks 2019 vs 2020



Source: Utah Office of Tourism

# Utah Film Commission

## MISSION:

1. Encourage the use of Utah as a site for production
2. Provide Incentives to the film industry in order to compete with other states/countries
3. Develop a strong motion picture industry in the state that will contribute to improving the state's economy



# Predicting the Future



What's Next?



# Leaning Towards More Remote Work?

Pinterest terminated a massive 490,000 sq.ft. lease at San Francisco's unbuilt 88 Bluxome project, citing a shift toward more remote work amid the coronavirus pandemic.

The company will continue leasing four existing San Fran offices and pay a one-time fee of \$89.5 million to cancel the Bluxome lease.

***The cancellation is the strongest sign yet of how the coronavirus is reducing the tech sector's once-voracious appetite for office space.***



# What experts think might happen...

## Commercial Real Estate

*“The COVID-19 pandemic is having a greater impact on commercial real estate than the global financial crisis of earlier in this century.” ~ Ron Derven, Development Magazine*

- More employers/businesses allowing employees to telework
- Pandemic directly impacts the demand for space through quarantines, social distancing, supply chain disruptions, employment loss and shattering consumer confidence
- Experts believe recovery is possible, but obviously will be different and will occur at different speeds
- In the distant future, offices will look similar to “BC” (before COVID), but will incorporate enhanced wellness features
- Eventually, some believe that the benefits of social interaction will far outweigh people’s desires to sit in their house and work remotely and alone

Development Magazine, Summer 2020 Issue, Ron Derven

# Other Predictions

- Services such as property management, space design, construction, appraisal and analytics will become increasingly important. Brokerage will take a back seat to consultative advice and strategic planning. *~Maria Sicola, CityStream Solutions*
- We are closely tracking rent collections in the top five asset classes — industrial, office, multifamily, retail and hospitality.
  - The good news is that they are better than we expected in office, industrial and multifamily, which are tracking at about 90% in rent collections.
  - Retail is under-performing at around 20% to 40%.
  - Tomorrow, which is likely to last for six to nine months, the assets will be reopened and will likely be reopened in phases, but further outbreaks could prompt local shutdowns. *~Spencer Levy, CBRE Sr. Economic Advisor*

Development Magazine, Summer 2020 Issue, Ron Derven



# The Utah Business Promise

## Business-Friendly Environment

- Strong, diversified economy
- Competitive tax rates
- Affordable and diverse energy sources
- Quality, educated workforce



## Better Quality of Life

- Affordable housing and cost of living
- Effective transportation infrastructure
- Low-cost health care
- Strong education system





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[business.utah.gov](http://business.utah.gov)