

localinsights

An economic and labor market analysis of the Mountainland Area



In Depth: **Construction's vital role** in the Mountainland economy.

Strong Employment Growth in Mountainland

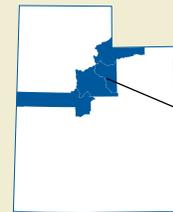
By Jim Robson, Economist

Economic conditions in the Mountainland Service Area (Utah, Juab, Wasatch and Summit Counties) are very favorable with a vibrant year-over job growth of 4.5 percent, or 10,892 new jobs, from December 2013 to December 2014. Job growth and other indicators show that the economy is well into its fifth year of expansion. There has been job growth in most major industry sectors with particular strength among the wholesale and retail trade, construction, professional, scientific and technical services, and health care industries. Unemployment in the region has subsided considerably from the recessionary peak of 7.6 percent at the end of 2009 to average 3 percent in the first quarter of 2015.

Utah, Juab, Wasatch and Summit Counties' continuing job growth and favorable labor market conditions are expected to persist through 2015. Based on the strength of employment growth in recent years, new job opportunities should increase between 4 to 5 percent and low unemployment will continue to characterize this area.

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mountainland



Summit
Wasatch
Utah
Juab

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Utah County

- In December 2014, the number of payroll jobs in Utah County increased on average by 4.8 percent over December 2013, with 10,010 new positions. New employment growth has occurred in 16 of 19 major industrial sectors.
- The most new jobs were added by the trade industry with 1,984 additional jobs, a year-over increase of 6.2 percent. Two-thirds of these new positions were in direct marketing and electronic shopping firms.
- Construction industry jobs increased by 13.2 percent in the 12 months ending in December 2014 with 1,967 new positions. Residential housing construction activities provided three out of every four new construction jobs. There were 4,946 dwelling units permitted in 2014, a 52.6 percent increase.
- This new construction activity is reflected in related industries such as building material, garden supply and furniture stores, and real estate services, each of which also experienced healthy job gains.
- In addition to the trade and construction jobs, five other private sector industries added between 531 and 1,514 new jobs over the 12 months ending in December 2014. Leading this list is professional, scientific and technical services, which grew 9.7 percent, or 1,514 jobs, with computer systems design being responsible for two-thirds of the new job opportunities.
- Healthcare and social assistance contributed 981 new positions, increasing by 4.4 percent. Information (mostly publishing and telecommunications) grew by 8.6 percent or 844 positions. Food services contributed 572 new jobs.
- Finally, with the tight labor market, the employment services industry added 531 positions, increasing by 13.5 percent.
- The unemployment rate in Utah County has declined to a low level of just 3 percent in the first quarter of 2015 compared to 3.7 percent a year earlier. Initial claims for unemployment benefits through March 2015, are at their lowest level in over six years.
- Utah County employment is expected to continue with strong job growth in 2015 at about 4.9 percent, adding on average between 9,000 to 11,000 new positions.

Summit County

- From December 2013 to December 2014, Summit County added 525 new jobs for a year-over increase of 2 percent. This end-of-year growth rate is lower than the more robust job growth of 4.1 percent achieved earlier in the year.
- Overall, Summit's labor market continued to exhibit balanced expansion in the fourth quarter of 2014 with most major industries producing new jobs.

currentevents

SUNDANCE BROUGHT \$83 MILLION TO UTAH IN 2015

A new University of Utah study shows attendees at the Sundance Film Festival are getting younger and eschewing hotels to stay at friends' homes. The study released this week found the Park City-based event brought \$83.4 million worth of economic impact this year. That's down from about \$86.4 million the year before, even though attendance was up.

— *The New Yorker*

SUMMIT COUNTY CONSTRUCTION BUILDING ON LAST YEAR'S BOOM

For the second year in a row, construction is booming. First-quarter data shows 181 building permits issued from January through March, which represents a 47 percent jump from last year. It is a 99 percent increase compared to 2013. Robert Taylor, Summit County's chief building official, said the spike in activity is indicative that the county's economy is flourishing. "It looks to me like Summit County...has really recovered back to pre-recession levels."

— *The Park Record*



For more current events:

<http://utaheconomymountainland.blogspot.com>

- Construction contributed 262 new jobs with growth of 21.4 percent. Other significant contributors to employment increases were headquarters offices with 164 jobs, professional, scientific and technical services with 102 jobs, wholesale and retail trade with 99 jobs, healthcare and social services with 81 jobs, and finance and insurance with 75 jobs.
- The only major industry group with significant job reductions in December 2014 compared to December 2013 was leisure and hospitality. Within this industry group accommodations shed 387 positions and skiing facilities dropped by 145 compared to a year earlier as the warm and dry weather reduced winter recreation.
- For the fourth quarter of 2014 there was a net increase of 3.6 percent in worksites within Summit County. This increase of 89 units brought the total count of worksites to 2,594.
- The jobless rate in Summit topped out at 7.6 percent in summer of 2010 as a result of the recession. It has since receded to a favorable rate of 3.1 percent where it remains through the first quarter of 2015. On a seasonally-adjusted basis, there are about 700 unemployed residents. Initial claims for unemployment benefits are at six-year lows.
- Summit's actual job growth averaging 981 in 2014 is well above the 713 experienced in 2013. Employment gains among the majority of industry sectors will continue in 2015. Overall job growth in 2015 should be

somewhat less than last year adding from 650 to 800 net new jobs or around three percent.

Wasatch County

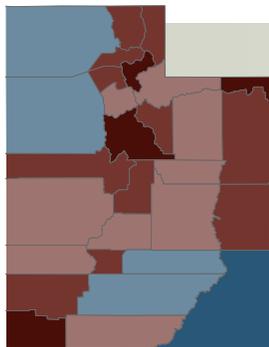
- Employment growth in Wasatch County from December 2013 to December 2014 was a solid 4.3 percent with new jobs added in 13 of 19 industry sectors. The largest industry employment increases in Wasatch County occurred in professional, scientific and technical services with 98 new jobs, up by 35.3 percent. But that increase was partially offset by a loss of 46 jobs in administrative support and waste management services. Construction employment increased by 84 positions. Health care and social assistance services contributed 64 additional jobs.
- For the year ending in the fourth quarter of 2014 there was a net increase of 3.9 percent of worksites within Wasatch County. This increase of 35 units brought the total count of worksites to 940.
- The county unemployment rate was estimated at 3.2 percent in the first quarter of 2015. During the recession, unemployment peaked in Wasatch at 8.8 percent in November 2009.
- In 2013, jobs grew by 7.6 percent and job growth was 7.1 percent in 2014. Wasatch County is expected to maintain a favorable labor market through 2015, though the rapid growth of the past two years will likely moderate to a still healthy increase of around 4.3 percent.

Juab County

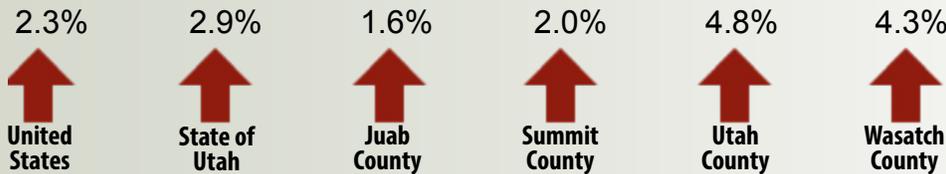
- In the year ending December 2014, Juab County had a total of 3,334 nonfarm payroll jobs, 52 more than in December 2013.
- Industry sectors that had significant job reductions were manufacturing (-25), professional, scientific and technical (-21), mining (-14), and arts, entertainment and recreation (-13).
- Significant new positions were added by healthcare and social services (+44), construction (+36), food services (+34), and services to buildings and dwellings (+18).
- For the fourth quarter of 2014 there was a net decrease of 0.7 percent in worksites within Juab County. This reduction of two units brought the total count of worksites to 276.
- In March 2015, the unemployment rate in Juab was estimated to be 3.6 percent, down from 4.3 percent in March 2014. An estimated 179 workers were unemployed in March compared to 205 a year earlier.
- Average annual jobs fell in 2014 by 1 percent or 34 positions less than in 2013. For 2015 the employment outlook brightens with expected growth of around 3.1 percent or an additional 100 net new positions.

Mountainland Economy

at a glance



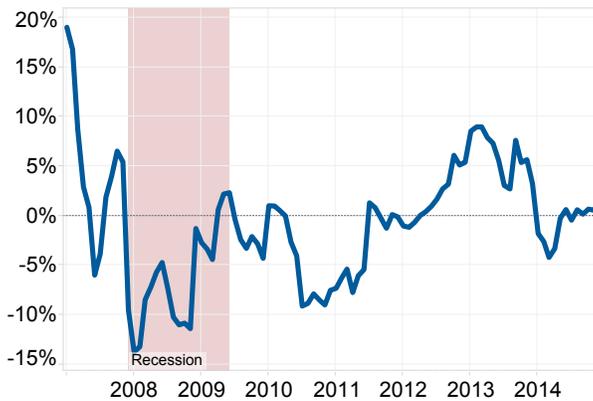
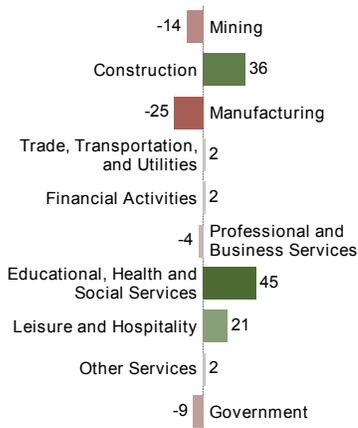
Year-to-Year Change in Nonfarm Jobs Dec. 2014



-7.0% 7.0%

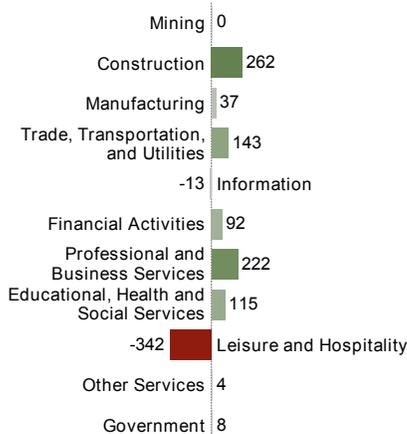
Juab County

Job Growth Dec. 2014

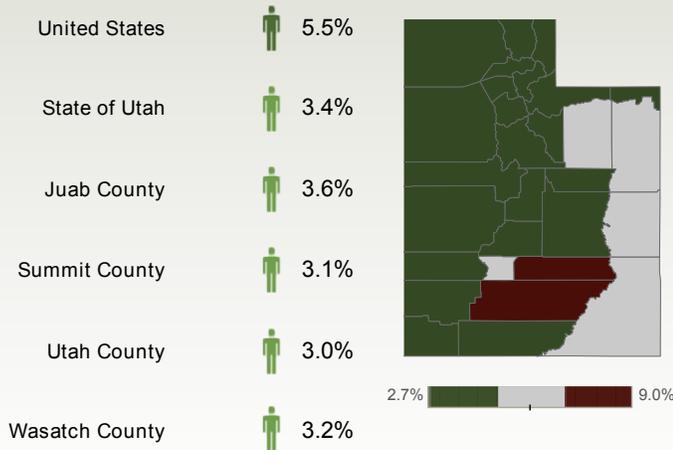


Summit County

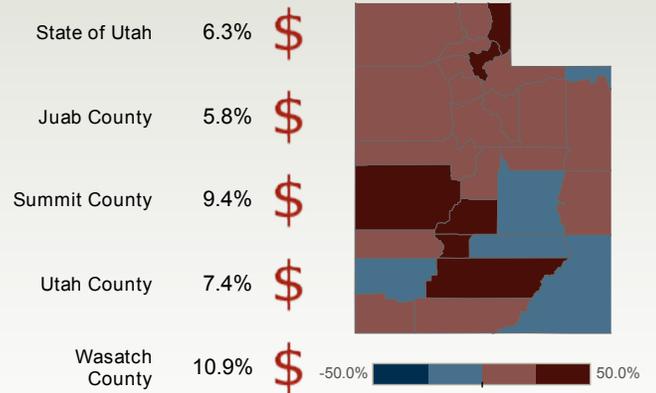
Job Growth Dec. 2014



Seasonally Adjusted Unemployment Rate March 2015



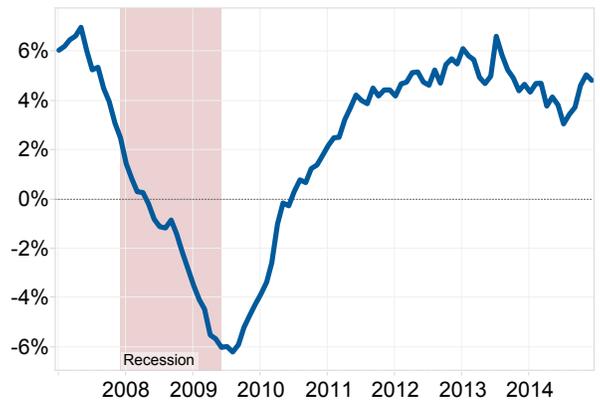
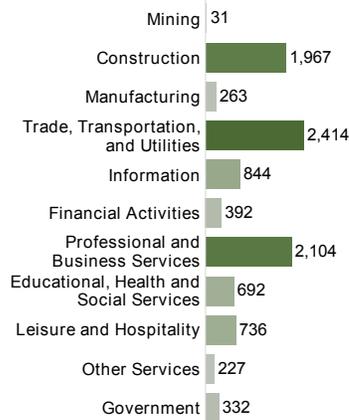
Year-to-Year Change in Gross Taxable Sales Sales 4th QTR 2014



Utah County

Job Growth Dec. 2014

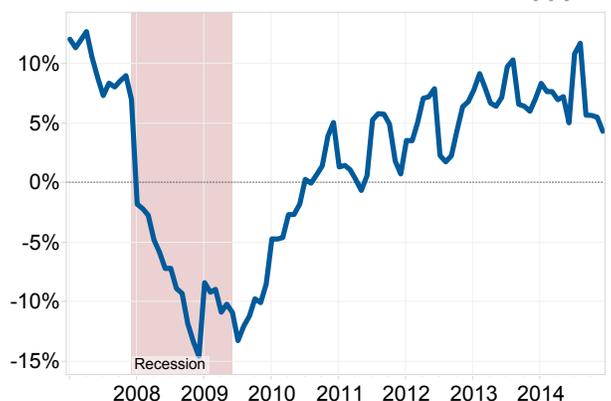
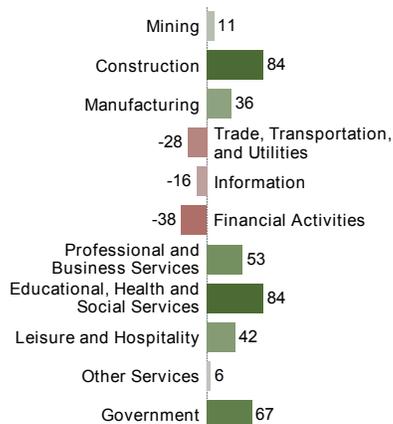
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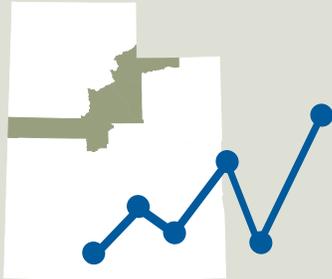


Wasatch County

Job Growth Dec. 2014

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Construction Jobs Contribute to Robust Growth

By Jim Robson, Economist

Of all industries in the Mountainland region and around Utah, construction took the hardest hit from the Great Recession of 2008–2009. Undoubtedly this was due to the unprecedented housing bubble that developed from 2005 to 2007, which was a consequence of large excess housing construction, speculative purchases, overvaluation and huge accumulation of debt obligations.

A run-up of construction employment in Mountainland began after 2003, which was the low point for construction jobs after the dot-com recession of 2001. In 2003, construction averaged about 12,641 jobs for the year. Employment increased rapidly over the next four years, reaching its zenith in 2007 when average annual employment stood at 22,543, an increase of 9,901 jobs or 78.3 percent.

During 2007 the national economy began to slow down, ending the year with the start of a national recession in December. In 2008 the major housing bubble that had developed during the previous four years burst. By September the financial system fell into disarray, credit was unavailable and businesses in virtually all industries were shedding jobs.

In Mountainland, construction jobs were declining rapidly with a

reduction of 3,935 in 2008 and losses of 5,039 in 2009. The Great Recession officially ended in July 2009, as economic growth began to rebound. For many industries, particularly in construction, job reductions continued, finally hitting bottom in 2010. In 2010, Mountainland construction employment averaged 12,018 with the loss of all the 9,901 construction jobs gained during the 2004 to 2007 boom and additional reductions of 623 less jobs than recorded in 2003. During 2011, construction employment began to increase slightly averaging 12,552 jobs, an increase of 534 more jobs than the previous year.

Another way to look at construction jobs over this housing boom, bust and subsequent recovery is to divide employment among three major types of construction firms: (1) residential building and specialty trade contractors, (2) nonresidential building and specialty trade contractors and (3) heavy and civil engineering construction. Employment levels for firms classified among these three categories are detailed in Figure 1.

The housing boom and bust cycle that began after 2003 and ended in 2011 is particularly evident among construction firms and contractors involved in residential construction

activities. In 2001, total jobs in residential activities were 7,437 and grew to a peak level of 14,204 in 2007. Residential job losses in the housing bust reduced jobs by almost one-half to 7,278 on average in 2010 or 159 fewer than in 2001.

Figure 2 shows Mountainland dwelling unit permits annually since 2001. The recovery really took hold in Mountainland housing during 2012, with single family housing permits increasing off the low levels recorded since 2008. Prior to the housing boom single-family permits were around 4,000 units. During the housing boom single-family permits rose above 5,000 units per year and achieved a peak of 6,339 in 2006.

During the recession years, single-family permits dropped to a low of 1,147 in 2008 and stayed below 1,507 units through 2011. In the last three years (2012 to 2014) single-family permits have averaged about 2,370 permits per year, still much lower than the average of about 3,400 single-family units over the previous 11 years (2001 through 2011).

The “other dwelling units” depicted in Figure 2 consist mostly of multi-family units including apartments, duplexes and condominiums. Prior to 2008, these other dwellings units ranged between 1,324 and 2,306

Figure 1. Mountainland Annual Average Construction Payroll Jobs by Type: 2000 to 2013

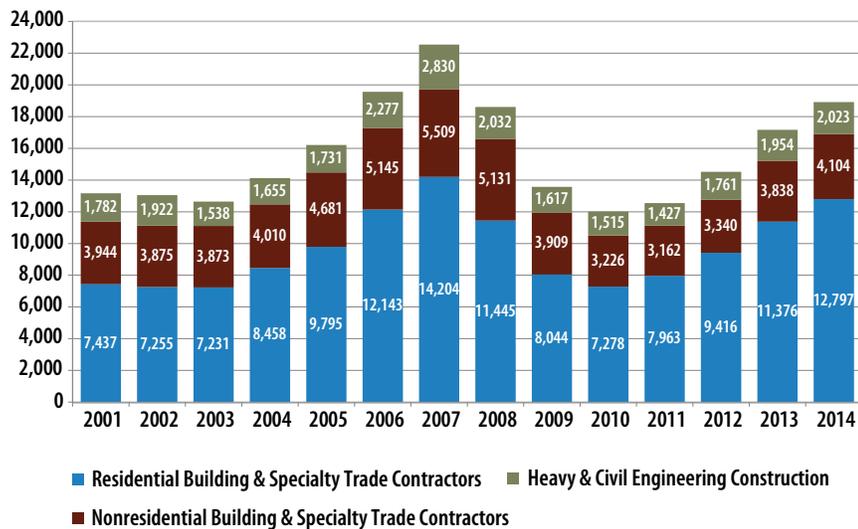
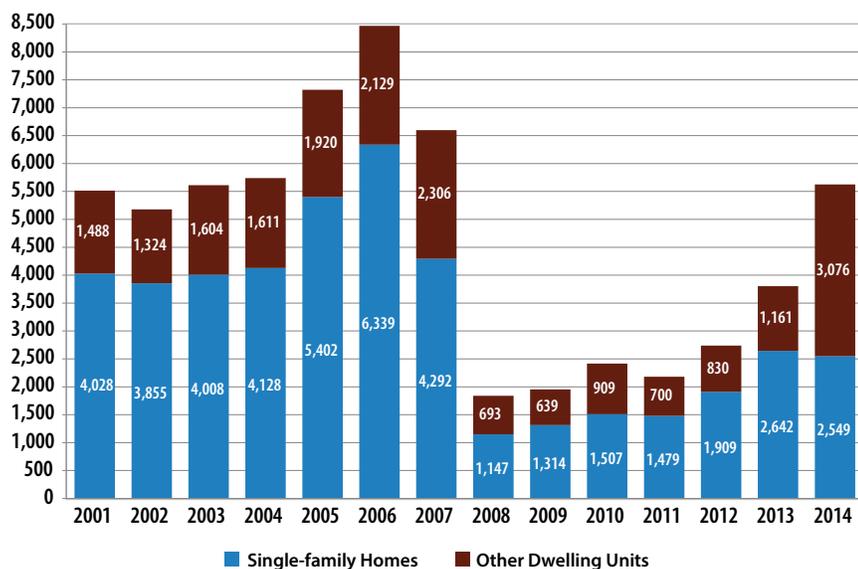


Figure 2. Mountainland Permitted Dwelling Units



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

units per year. For five years (2008 through 2012) other dwelling units have ranged between 639 to 909. In 2014, other dwelling units hit a record 3,076 with 2,227 apartment or duplex units and 817 condominiums.

From 2012 through 2014, Wasatch Front home prices and sales have shown year-over increases as housing demand has picked up and inventories have dropped. Residential construction jobs in Mountainland reflect the improving housing market. Residential housing related employment in 2014 averaged 12,797 or about 5,519 jobs and 75.8 percent above 2010.

Given the exceptionally low mortgage interest rates and improving overall labor market in Mountainland with low unemployment, the momentum in residential activity is forecast to continue during 2015. Note from Figure 1 that nonresidential construction jobs have increased significantly since 2011 from 3,162 to 4,104 jobs on average in 2014, an increase of 942 over the past three years. Also in the last three years, heavy and civil engineering construction employment has grown by 596 positions, an increase of 41.8 percent, totaling 2,023 jobs in 2014.

With four years of recovery since recession lows of 2010, construction jobs, particularly those related to residential construction have shown substantial improvement. Expanding housing activities in Mountainland are adding to the overall economic vitality in Utah.



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Construction Permitting is an Economic Indicator

By Mark Knold, Supervising Economist

Shelter is one of humanity's basic needs. That is why housing is everywhere. Since housing is so ubiquitous, it becomes an important component in an economy's foundation, and as such becomes an economic indicator.

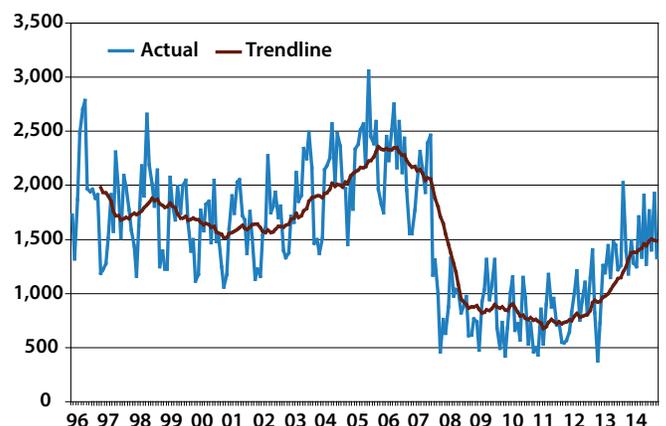
In this issue of Local Insights, we look at the demand for housing structures, the amount of housing permits and their history, and how this history shows that housing demand follows the ups and downs of a region's economic performance. In evaluating the volume of housing permits, we also parallel the health and vitality of the local economy.

People need jobs that supply them income in order to afford housing. Jobs are not the only factor, as things like affordability and the ability to obtain lending also play their part in housing demand. But the foundation of housing demand is the health of the job market.

The graph shows Utah statewide housing permits. A trend of normal permitting activity is evident from 1996 through 2004. Permits rose during the pre-Great Recession boom, then became lethargic for the seven

years following. It is just recently that the volume of permit activity is again approaching something normal. That in itself is an economic indicator of an improved Utah economy.

Utah Residential Dwelling Unit Approvals per Month
 1996 – 2014



Source: Bureau of Economic and Business Research, University of Utah; April 2015
<http://bebr.business.utah.edu/page/utah-construction-information-database-tables>