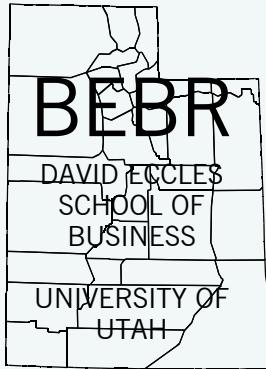


# UTAH ECONOMIC AND BUSINESS REVIEW



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## UTAH'S RESIDENTIAL CONSTRUCTION: A LOOK AT PAST AND PRESENT CONSTRUCTION CYCLES

### PART I

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For homebuilders and home buyers the current housing cycle has been exceptional. Beginning in 1990, this cycle, now in its 12<sup>th</sup> year, is not only the longest in Utah history but also the most prolific—to date 193,231 new housing units. Through 2000 there have been 136,883 detached single-family homes, 44,815 multifamily units and 11,533 manufactured homes and cabins built, with a combined value of \$18.25 billion. The addition of these units has increased Utah's housing inventory to 770,000

dwelling units. Remarkably, nearly one of every four housing units in the state has been built since 1990.

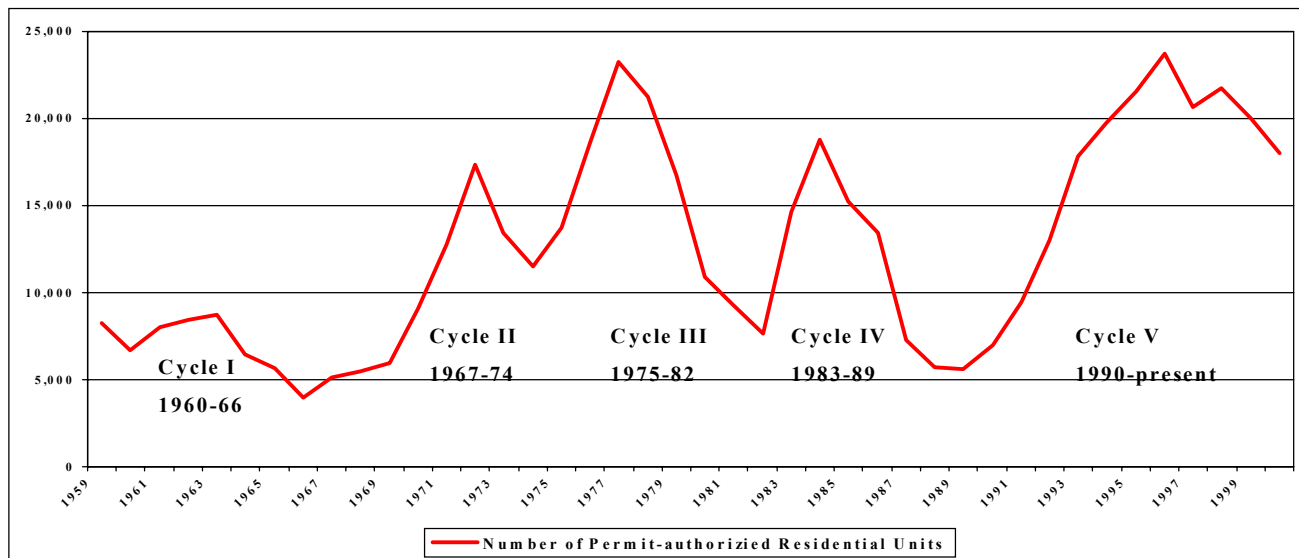
The current residential construction cycle has several distinguishing characteristics. The purpose of this article is to identify and discuss those characteristics. Part I begins with a comparison of the current housing cycle with past cycles, followed by a detailed analysis of the type of residential units built during the cycle and where new residential construction activity has occurred. Part II

will examine the behavior of housing prices since 1990, the impact of demographic changes on housing preferences (particularly lot and home size), and conclude with some conjecture about the characteristics of the next housing cycle.

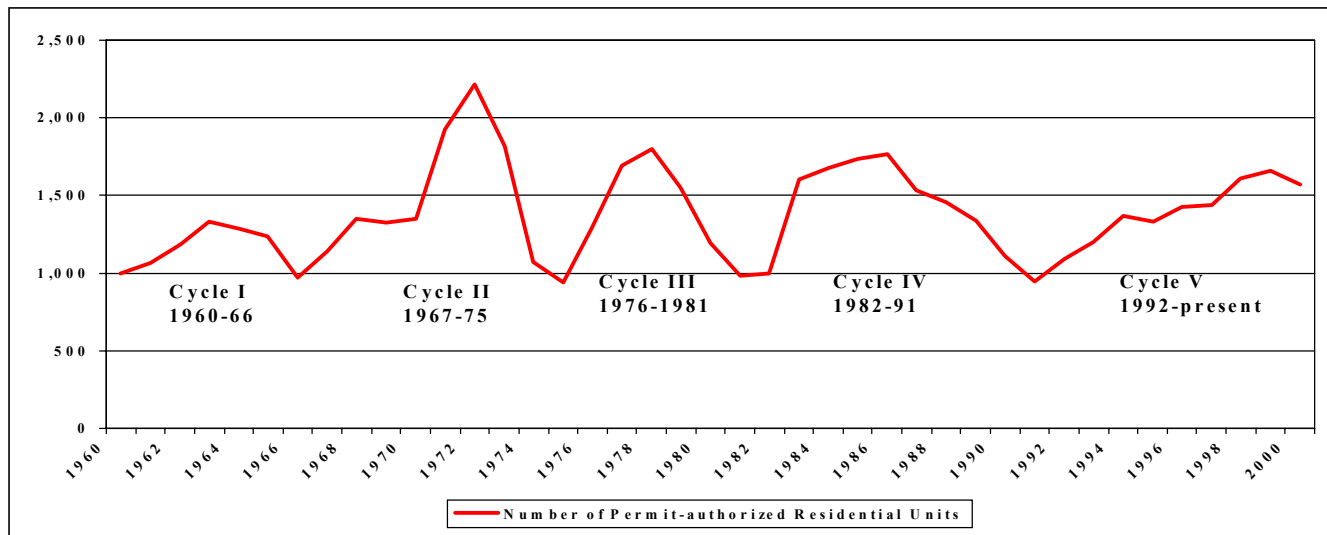
#### **Residential Construction Cycles**

Since 1960 there have been five housing cycles in Utah. For the purposes of this article a cycle is measured from trough-

**Figure 1**  
**Residential Construction Cycles in Utah**  
**1960 to 2000**



**Figure 2**  
**Residential Construction Cycles in the United States**  
**(thousands of units)**



Source: U.S. Bureau of the Census.

**Table 1**  
**Residential Construction Cycles in Utah**  
**1960-2000**

Cycle	Duration in Years	Number of Residential Units Built in Cycle	Number of Residential Units in Peak Year	Average Annual Employment Change During Cycle	Average Annual Population Change During Cycle	Average Mortgage Rate* During Cycle
1960 - 1966	7	48,002	8,744 (1963)	7,800	15,600	5.9%
1967 - 1974	8	80,688	17,320 (1972)	13,500	22,250	7.9%
1975 - 1982	8	121,451	23,280 (1977)	15,000	40,500	11.8%
1983 - 1989	7	80,830	18,823 (1984)	18,600	21,100	11.5%
1990 - present	12+	193,231	23,737 (1996)	32,000	37,500	8.1%

\* Conventional 30-year mortgage loan.

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

to-trough (Figure 1). The current cycle began in 1990, peaked in 1996 with nearly 24,000 units and has yet to established a trough on the backside of the peak.

This cycle has been driven by very strong employment and population gains combined with relatively low interest rates. Since 1990, the average annual employment and population growth have been 32,000 new jobs and 37,500 individuals. In addition to strong employment and population growth, mortgage rates have been relatively low, averaging 8.1 percent during the period. A comparison of demographic and economic characteristics for the five housing cycles is given in Table 1. The data in the table show a clear demographic and economic advantage for the current cycle.

*Post-Peak Strength and Low Mortgage Rates*

Unlike the four previous residential construction cycles, the current cycle has demonstrated extraordinary “post peak” strength. Typically, once a cycle reaches its peak, construction activity will decline rapidly in the following few years. In sharp contrast the current cycle, which peaked in 1996, has registered only a 24 percent decline over the past four years. This post-peak strength is unique. In the four previous cycles, the average decline in construction activity from peak to trough was 56 percent, with the trough reached in about four years (Table 2).

The source of the current cycle’s post-peak strength is due to several factors. First and foremost has been low mortgage rates. A look at previous cycles

shows that interest rates have risen in the years immediately following the peak year, cutting into the demand for new homes and forcing lower levels of new construction activity. In the present cycle, however, mortgage rates, in the years following the peak, have actually fallen. In the peak year of 1996 mortgage rates averaged 7.9 percent. In the four years since, rates have generally been below 8 percent, and for 11 months in 1998 and 1999 rates fell below 7 percent.

Just how favorable mortgage rates have been is underscored by a comparison to previous housing cycles. For example, in the 1975 to 1982 cycle, the average rate for a 30-year conventional mortgage in the cycle’s peak year was 8.85 percent compared to 7.81 percent for the peak year in the present cycle. This one point

**Table 2**  
**Peak-to-Trough Declines in Utah's Residential Construction Cycle**

Cycle	Construction at Peak (units)	Construction at Trough (units)	Percent Decline Peak to Trough	Number of Years Peak to Trough
1960 - 1966	8,744	3,982	-54.4%	3
1967 - 1974	17,320	11,501	-33.6%	2
1975 - 1982	23,280	7,611	-67.3%	5
1983 - 1989	18,823	5,632	-70.1%	5

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

difference in interest rates reduced the mortgage payment for home buyers of *new* homes by \$100 monthly and \$1,200 annually<sup>1</sup>. Therefore, a one point difference in interest rates saved the 15,000 new home buyers in 1996 a collective \$18 million annually in mortgage payments. Lower interest rates not only improved affordability and increased housing demand, but also freed up sizeable amounts of income for discretionary consumer spending by these new home buyers. Expand these sort of impacts to all home buyers of new and previously owned homes, who have been fortunate enough to take advantage of the some of the lowest mortgage rates in over 30 years and the annual savings in mortgage payments becomes hundreds of millions of dollars.

Probably no other single demographic or economic factor has played a greater role in the strength of this cycle than low mortgage interest rates, which of course, includes adjustable rate mortgages (ARMs). Whenever 30-year

conventional mortgage rates have moved above 8 percent, adjustable rate mortgages have helped to blunt the impact of higher rates<sup>2</sup>. Beyond interest rates, some other factors that have helped to increase housing demand in this cycle are: 1) more lenient down payment requirements for home buyers,<sup>3</sup> 2) the long bull market for stocks that helped boost demand for second homes as well as “move-ups” by existing homeowners, 3) changes in household headship rates as more young nontraditional households have been formed, e.g., households without spouse or children,<sup>4</sup> and 4) Increased housing demand associated with higher rates of foreign immigration. Each of these factors, in varying degrees, has contributed to the prolonged strength of the current housing cycle.

*Cycle I (1960 to 1966, peak year 1963)*

Residential construction activity in this cycle reached an all-time high of 8,700 units in 1963 before a sharp drop in annual employment growth and

accelerating out-migration severely reduced the demand for housing. Employment growth dropped from a healthy 14,000 jobs in 1962 to a negative or loss of 182 jobs by 1965. In no year since 1965 has the state experienced an actual loss of jobs. The dire job market brought this cycle to a close despite favorable mortgage rates of 5 percent. During this cycle, residential construction activity was characterized by a surge in apartment construction. In the peak year, apartment construction accounted for 31 percent of all new dwelling units.

*Cycle II (1967 to 1974, peak year 1972)*

This cycle is unusual because both in-migration and employment growth were relatively strong following the peak year of 1972. Employment increased by 28,400 in 1973—at the time the largest employment increase since World War II—and net in-migration held steady at 13,000 to 14,000 individuals. This cycle is identified with the first condominium boom in Utah

housing markets. In 1973 and 1974 condominiums accounted for one of every 10 new housing units in the state, a percent share of new housing that condominiums have not reached since.

The underlying strength of the Utah economy probably accounts for the briefness of the cycle's downside—only two years, 1973 and 1974. Another significant feature of this cycle is the very high level of residential construction at the cycle's 1974 trough—11,500 units. In other cycles the decline in new construction has been much deeper and the troughs much lower. The trough in Cycle I was 4,000 units (1966), in Cycle III 7,600 units (1982) and Cycle IV 5,600 units (1989).

*Cycle III (1975 to 1982, peak year 1977)*

This cycle reflects the strong rate of household formations and subsequent need for housing units created by the baby boom generation. This demographic feature combined with a very strong local economy created an unprecedented housing boom. And as was the case with the previous cycle, the immediate post-peak years had rates of increasing immigration—17,420 in 1978 and 19,700 in 1979. Likewise, employment increased from 26,000 in the peak year 1977 to nearly 37,000 in 1978. Despite such favorable economic and demographic characteristics the level of new residential construction had reached unsustainable levels. Builder optimism outran demographics. Of the five cycles presently

under consideration this cycle had by far the highest rate of speculative activity. But before the bubble burst, speculative development combined with the real housing needs of the baby boomers pushed residential construction activity to an all-time high of 23,280 units in 1977. The peak of 1977 was not surpassed until 1996.

*Cycle IV (1983 to 1989, peak year 1984)*

This cycle is characterized by a disproportionately large number of new multifamily units, particularly apartment units. Thirty-six percent of all dwelling units built during this cycle were multifamily units. By comparison, in the current cycle only 20 percent of all housing units have been multifamily units. Most of the new multifamily development in this cycle was done by out-of-state apartment syndicators, which pooled investment funds from groups of investors. These syndicators were not only responding to low vacancy rates—less than 3 percent in the metropolitan area—but also to an anticipated change in the tax laws. The favorable tax treatment given to real estate syndicators ended in 1986. Thus, the pending change in the tax law gave a strong incentive to syndicators to develop apartment projects prior to 1986, despite deteriorating market conditions. The consequence was a badly overbuilt apartment market with vacancy rates in Salt Lake County reaching 15 percent.

Single-family construction was not a full participant in this

cycle due to extremely high mortgage rates which prevented many young households from becoming homeowners. Mortgage rates averaged 12 percent during the cycle.

*Utah Compared to the Nation*

There are striking cyclical similarities between the behavior of residential construction cycles in Utah and the nation. Since 1960, there have been five construction cycles nationally. These cycles, in terms of timing and duration, coincide quite closely with the construction cycles in Utah. The average trough to trough cycle nationally has been eight years and in Utah seven and one-half years. The peak year in the first two cycles for Utah and the nation were identical, however, in the past three cycles Utah's peak year has preceded the national peak by two to three years. A point of difference is volatility. Utah's residential construction cycle has had a greater degree of volatility than the national cycle. The average peak-to-trough decline nationally has been 44 percent compared to 56 percent in Utah. But the most distinctive and significant difference has occurred in the present cycle—Cycle V. In relative terms, the current cycle in Utah is markedly stronger than the national cycle. For Utah, the current cycle exceeds by a very substantial amount construction activity in any previous cycle. Nationally, the current cycle still ranks behind Cycle II and Cycle IV. In the current cycle, trough-to-peak residential construction activity in Utah

rose 321 percent, whereas, nationally, construction activity rose only 75 percent. Furthermore, the current cycle's peak year—1996—set an all-time single-year high in residential activity in Utah but nationally the peak year of this cycle is only 75 percent of the all-time peak year nationally of 1972. See Figures 1 and 2 for a comparison of cycles.

### **The Current Cycle: Residential Construction by Type of Unit**

What has the explosive growth of the current cycle produced? A total of 193,231 new dwelling units, for a phenomenal 33 percent increase in the number of dwelling units in the state. The length and strength of this cycle guarantees that it has outperformed any other housing cycle in the state's history. A comparison with the second-ranked cycle (1974-1982) gives some perspective on just how unique the current cycle has been. To date—the current cycle is still underway—the 193,231 new units built between 1990 and 2000 represent a 50 percent increase over the second ranked cycle—that is 66,000 more residential units. More specifically, what this cycle has produced is 163,000 owner-occupied units and only 30,200 renter-occupied units.

#### *Owner-Occupied Housing*

There are several types of residential units that are considered owner-occupied. They are: detached single-family homes, twin homes, condominiums, mobile

homes/manufactured homes and cabins. By a very wide margin, the detached single-family home is the most common type of owner-occupied unit. Since 1990, detached single-family units represent 71 percent of all residential activity in Utah. Detached single-family units have accounted for an astonishing 81 percent of all new residential construction nationally.

The age structure of the population explains, in part, the dominance of owner-occupied housing in this cycle. As the baby boomers aged through the 1990s, the number of persons in the 45-to-54 age group in Utah increased substantially. Statewide, the number of persons in this age group has risen from 138,150 to 233,500. This demographic change helped boost demand for new housing, particularly the demand for move-up housing and second homes. Those in the 45-to-54 age group are prime candidates for "moving-up", i.e., selling their 15-to-20-year-old starter home for a newer, larger home. Combining this propensity for moving-up with low mortgage rates, improving incomes, a prosperous economy and perhaps most important, a rapid rise in the equity of their existing home, gave many middle-age households the financial means to become home buyers again. But every seller needs a buyer and as households in the 45-to-54 age group moved up, many of the same factors—low mortgage rates, increasing incomes, economic prosperity plus immigration and changing

patterns of tenure (renters moving to home ownership)—provided buyers for the homes of move-up households.

In addition to the detached single-family unit, another type of owner occupied unit that has gained favor over the course of the cycle is the condominium. At the beginning of the cycle condominiums represented only 2 percent of all new residential units. In the past three or four years, condominiums represent about 6 percent of all new residential units. In a typical year, the condominium sector has about 1,200 new units. One reason for the increasing share of new condominium units is related to real estate development in two second home communities; St. George and Park City.

While condominiums seem to be gaining in favor, the twin home concept has shown little improvement in its market acceptance. Throughout the housing cycle, twin homes have consistently, accounted for about 3 percent of total residential units. The share of manufactured homes has also been relatively constant at about 4.5 percent. The percent share and number of units by housing type is shown in Figure 3 and Table 3.

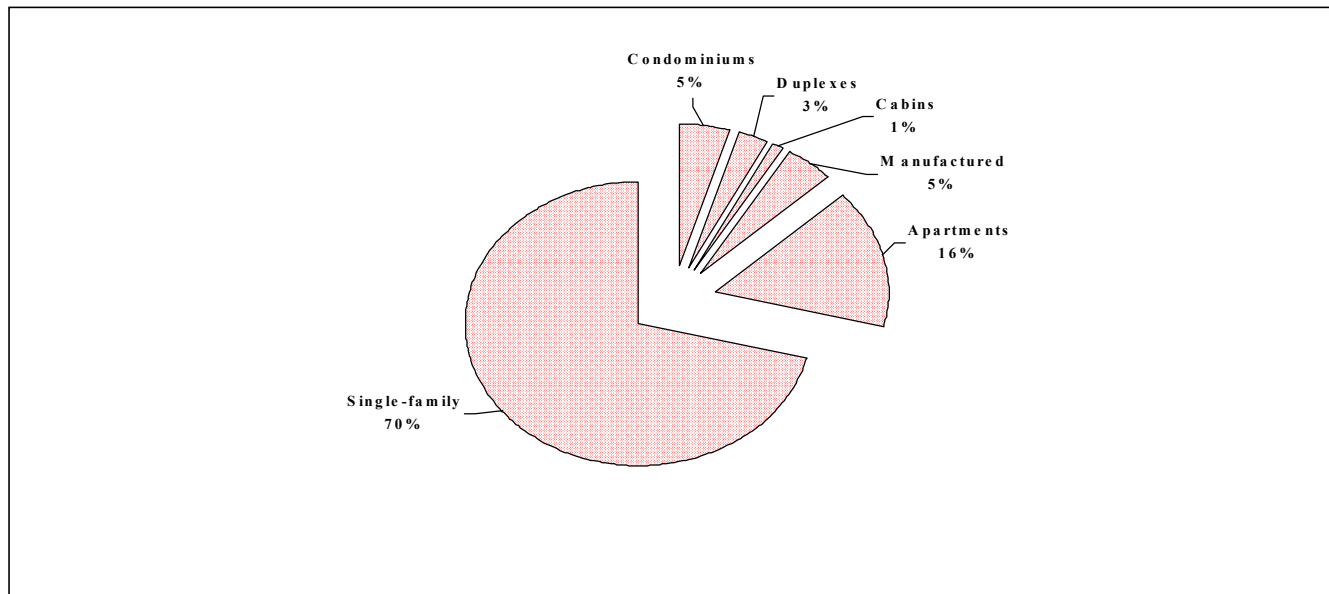
#### *Renter-occupied Housing*

The demographic and economic factors that have been essential to the boom in owner-occupied units (primarily single-family detached homes) have, in turn, worked to the disadvantage of the rental market. Since 1990 there have

**Table 3**  
**Residential Construction Activity by Type of Unit**

Year	Condominium Units	Duplex/ Twinhome Units	Cabin Units	Manufacture d/Mobile Home Units	Apartment Units	Single-family Units	Total Units
1990	na	140	na	na	770	6,099	7,009
1991	133	144	175	397	681	7,911	9,441
1992	278	290	221	683	1,154	10,375	13,001
1993	561	380	240	770	2,924	12,929	17,804
1994	953	530	235	919	3,163	13,947	19,747
1995	1,092	820	235	994	4,513	13,904	21,558
1996	1,156	708	277	1,131	5,326	15,139	23,737
1997	1,273	636	227	1,116	3,356	14,079	20,687
1998	1,350	646	233	1,272	3,766	14,476	21,743
1999	1,163	612	296	1,050	2,668	14,561	20,350
2000	1,113	504	193	869	2,012	13,463	18,154
Total	9,072	5,410	2,332	9,201	30,333	136,883	193,231

**Figure 3**  
**New Residential Units by Type**  
**1990-2000**



been only 30,200 rental units built in Utah representing 15.7 percent of all new residential units in the current cycle—a far smaller share than in the two previous cycles, which had 22 percent (1975-82) and 35 percent (1983-89) respectively.

One of the most important determinants of demand for rental housing is the change in the 25-to-34 year old population. Growth in this age group is crucial to the demand for rental housing as well as starter homes. During the 1990s, the 25-34 year age cohort experienced relatively slow growth, increasing by only 38,700 persons compared to the 95,800-person increase for the 45-to-54 year age cohort (Table 4). Little wonder that during the cycle owner-occupied units have dominated rental units by a ratio of 6 to 1 (Table 5).

In the 2000 to 2010 decade, however, demographics will turn back in favor of the rental market as the baby boom echo (children of the baby boomers) begin forming new households. These new households will need rental units and affordable first homes. Over the next ten years the number of persons in Utah in the 25-to-34 year age cohort is expected to increase by 104,000 persons, a rate of increase 2.8 times greater than the 1990s. In contrast, the 45-to-54 year age cohort will continue to expand, but at a much slower pace than in the past decade. Between 2000 and 2010 the number of persons in the 45-to-54 age group will increase by 71,000, considerably fewer than the 95,400 increase between 1990 and 2000. These demographic projections strongly suggest that in the next

ten years the demand for rental units will be substantially higher than it has been in the 1990-2000 period.

**New Residential Construction By Location (1990-2000)**

*Single-family Homes*

Between Interstate 15 and the Oquirrh Mountains lies the focus of the greatest concentration of homebuilding activity in the state. This geographic area, roughly 15 miles long and 10 miles wide, includes the cities of Bluffdale, Herriman, Riverton, South Jordan, Taylorsville, West Jordan, West Valley, and western portions of unincorporated Salt Lake County. These cities and unincorporated area have captured one of every six new



<b>Table 4</b>				
<b>Population Change by Selected Age Cohort in Utah</b>				
Year	25 to 34 years	Change	45 to 54 years	Change
1990	274,800		137,700	
2000	313,500	38,700	233,500	95,800
2005	361,600	48,100	276,300	42,800
2010	417,500	56,000	304,500	28,200
Change 1990 to 2000		38,700		95,800
Change 2000 to 2010		104,000		71,000

Source: Governor's Office of Planning and Budget, *State of Utah Economic and Demographic Projections for Counties, Multi-County Districts and the State, 2000-2030*, January 2000.

<b>Table 5</b>		
<b>Share of Renter-occupied Units and Owner-occupied Units</b>		
Year	% Share of Renter-occupied Units	% Share of Owner-occupied Units
1990	11.0	89.0
1991	7.2	92.8
1992	8.9	91.1
1993	16.4	83.6
1994	16.0	84.0
1995	20.9	79.1
1996	22.4	77.6
1997	16.2	83.8
1998	17.3	82.7
1999	13.1	86.8
2000	11.1	88.9
Average for Cycle	15.7	84.3

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

single-family homes built statewide during the current construction cycle. That’s about 24,000 new homes in a 12-year period. Not surprisingly, all of these communities are ranked among the top locations for new single-family construction (Table 6).

Unincorporated Salt Lake County has the highest level of new home construction since 1990—9,241 single-family homes. Unincorporated Salt Lake County includes the communities of Kearns, Magna, Holladay and unincorporated areas near Sandy and Draper.

Also included are new homes receiving permits prior to incorporation for the cities of Herriman and Taylorsville. In recent years new municipal incorporations and annexations have eroded the geographic area of unincorporated Salt Lake County, hence the county’s

**Table 6**  
**Ranking of Location by Number of New Single-family Units**  
**(1990 to 2000)**

Location	Number of Units	Location	Number of Units
1. Unincorporated Salt Lake County	9,241	26. Unincorporated Washington County	1,596
2. St. George	7,399	27. Cedar City	1,484
3. West Jordan	6,815	28. Ivins	1,431
4. West Valley City	5,171	29. North Ogden	1,340
5. Layton	5,100	30. Murray	1,257
6. Draper	4,798	31. Washington City	1,255
7. South Jordan	4,653	32. Unincorporated Tooele County	1,236
8. Sandy	4,573	33. Bountiful	1,211
9. Riverton	3,567	34. Hurricane	1,193
10. Unincorporated Summit County	3,369	35. Logan	1,172
11. Roy	3,151	36. Park City	1,161
12. Orem	3,037	37. Centerville	1,127
13. Lehi	2,806	38. Unincorporated Utah County	1,096
14. Tooele City	2,641	39. Lindon	1,059
15. Provo	2,557	40. Clearfield	1,028
16. Spanish Fork	2,118	41. Payson	978
17. Ogden	2,069	42. Alpine	919
18. Spanish Fork	2,058	43. Farmington	889
19. Salt Lake City	1,897	44. Eagle Mountain	849
20. Clinton	1,843	45. Unincorporated Iron County	822
21. Kaysville	1,811	46. Heber City	799
22. Syracuse	1,787	47. Unincorporated Box Elder County	743
23. Unincorporated Weber County	1,685	48. West Point	730
24. American Fork	1,676	49. Santa Clara	699
25. Springville	1,643	50. Cedar Hills	682

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

share of new home construction has begun to decline. In the past three years, unincorporated Salt Lake County's ranking has dropped to sixth among all locations.

St. George ranks second in new home construction with a total of 7,399 homes built between 1990 and 2000. Home building activity in St. George peaked in 1994 with 1,118 units. There is little doubt that St. George will continue its role as a leader in new home construction. In 2000, the city ranked first among all cities and unincorporated areas with 559 new single-family homes.

A closer look at new home construction annually by city shows that there has been a shift among leading cities. Some of those cities that began the cycle as "hot spots" for new home construction have matured as residential communities and fallen from the top ranks of home building cities. Unincorporated Salt Lake

County, Sandy and Orem no longer finish one, two and three in the rankings as they did in 1990. By 2000 these three locations had dropped to third, 20<sup>th</sup>, and 26<sup>th</sup>, respectively.

Cities that have made spectacular gains in the current cycle include Clinton, Draper, Lehi, Syracuse and Tooele. A comparison of single-family activity in these cities during the previous housing cycle (Cycle IV 1983 to 1989) and the present cycle is given in Table 7. The data in the table show the average number of single-family homes built annually in the two cycles, as well as a comparison of the difference in the magnitude of new home construction from Cycle IV to Cycle V. The most astonishing increase has been in Draper where new home construction in the present cycle has been 19 times higher than it was in the previous cycle.

It is the fast pace of residential construction in

outlying communities that has fueled concerns, justifiably or not, about suburban sprawl along the Wasatch Front. The single-family boom has pushed development outward to surrounding suburban areas. Again Draper is the prime example. In the past ten years the number of single-family detached homes in Draper City has increased 434.9 percent. Eighty percent of the nearly 6,600 homes in Draper City have been built since 1990. The "outward extension" of residential development has more than doubled the inventory of single-family homes in nine suburban cities along the Wasatch Front (Table 8). The new home construction in these nine cities accounts for 20,000 units or about one of every seven new homes built since 1990. Eight of these nine cities are located in southern Salt Lake County or northern Utah County. Only Syracuse is located in the northern portion of the metropolitan area.

<b>Table 7</b> <b>A Comparison of Single-family Construction</b> <b>in Cycle IV and Cycle V</b> <b>(Average Number of Units Built Annually)</b>			
City	Cycle IV 1983-1989	Cycle V 1990-2000	Cycle V as Multiple of Cycle IV
Clinton	43	168	3.9
Draper	22	436	19.8
Lehi	35	255	7.3
Syracuse	24	162	6.8
Tooele	22	240	10.9

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

Table 8 Change in Inventory of Single-family Units			
City	1990 Single-family Inventory (Units)	2000 Single-family Inventory (Units)	Percent Change 1990 to 2000
Draper	1,226	6,588	434.9
Cedar Hills	161	721	347.8
Lehi	1,971	5,280	267.9
South Jordan	2,727	7,721	183.1
Riverton	2,663	6,555	146.2
Syracuse	1,120	2,601	132.2
Bluffdale	494	1,141	131.0
Lindon	814	1,974	130.1
Alpine	747	1,734	123.0

Source: U.S. Bureau of the Census.

Despite the dominance of suburban home building, Salt Lake City—the largest city in the metropolitan area—has also experienced gains in new single-family housing. Throughout the 1980s and the first half of the 1990s the city was relegated to relatively low levels of new home construction. The city was essentially land-locked in all directions but the northwest. For 15 years the number of new homes averaged about 75 annually. New housing was confined to in-fill development, primarily along the northeast bench, however, by the mid-1990s several new subdivisions were developed in the northwest quadrant, west of Redwood Road and north of North Temple. The area’s proximity to the employment centers along Redwood Road, the airport and downtown Salt Lake City plus the “affordability” of the homes gave

a big boost to new home construction in the city. Consequently, over the past five years the average number of new homes built in the city has jumped to 240 homes. Despite the recent rise in new home building, the city still only accounts for about 3 percent of new home construction in the Salt Lake-Ogden Metropolitan Area.

*Multifamily Units (apartments and condominiums)*

What is at once apparent, from a close look at Utah’s residential construction data, is the high concentration of multifamily activity in just a few cities. Five locations have accounted for nearly half of all multifamily construction in this cycle.

Unincorporated Salt Lake County, which was the leader in single-family activity is also the leader in new multifamily construction. Between 1990 and

2000, unincorporated Salt Lake County has issued building permits for 5,689 new condominium or apartment units. The other locations in the top five are: Provo (4,252 units), Orem (3,591 units), Salt Lake City (2,647 units) and St. George (2,402 units). In Provo and Orem, multifamily activity has been driven by a need for student housing at BYU and Utah Valley State College. Likewise, Logan City and Cedar City, which also have universities—Utah State University and Southern Utah University—ranked seventh and tenth in multifamily construction with 2,221 and 1,421 multifamily units, respectively. A list of the top 50 multifamily cities and the number of units built in each city from 1990 through 2000 is given in Table 9.

The multifamily data make clear that many cities—for

whatever reason(s): apartment market conditions, location, or exclusionary zoning—have had very little in the way of multifamily development. When measured as a share of new residential construction, multifamily activity in many cities accounts for only a small percentage of the total number of new residential units. Several cities—Alpine, Bluffdale, Mapleton, Salem, Syracuse and West Point have not had any new multifamily units built in the past ten years. In 30 of the 50 largest cities, multifamily construction accounts for less than 15 percent of new residential units. And there are many cities in which multifamily units account for only a tiny fraction of residential activity. An extreme example is Riverton City, which has added 3,665 new residential units since 1990 and only 97 or 2.6 percent have been multifamily units. (It should be noted that a recently approved Riverton subdivision—Western Springs—will have an apartment complex of 204 units and a condominium development of 160 units.)

At the other end of the multifamily development spectrum is Logan City where 61 percent of all new residential units built since 1990 have been multifamily units. Other cities where multifamily construction represents a high percentage of total residential activity are: Provo (61 percent) Salt Lake City (58 percent) and Clearfield (50 percent).

By the mid-1990s, the uneven distribution of

multifamily housing from community to community had caught the attention of housing advocacy groups and members of the Utah State Legislature. The chief concern was exclusionary zoning, which generally prohibits high density housing and in effect, reduces the amount of affordable housing units in a community. Affordable housing, by definition is almost always high density housing.

High density housing allows for the construction of new rental units, which for as many as 50,000 low income households is their only housing alternative. Zoning ordinances that impede the construction of new apartments ultimately affect the quality of the existing rental stock and the rental rates charged for the existing stock. Limiting supply of rental units through zoning ordinances, while demand for rental units expands due to in-migration and/or the age structure of the population, results in artificially high rental rates that fall particularly hard on low income renters. It is this scenario and the economic vulnerability of low income renters that was the principal force behind the passage of an affordable housing bill in 1996, House Bill 295. This bill represents another unique characteristic of this construction cycle, i.e., the first time state government has intervened, through legislation, in local housing policy. (Another recent initiative by state government—“Envision Utah: A Partnership for Quality Growth”—also addresses local housing issues. Envision Utah

grew out of Governor Leavitt’s Growth Summits and the Utah Quality Growth Public Private Partnership and was formally renamed “Envision Utah” in 1997. A discussion of Envision Utah and housing issues will be included in Part II of this article.)

To be sure, HB 295 has been a gentle intervention in local matters. The bill’s language recognizes that the availability of moderate-income housing is a concern and states that “municipalities should afford a reasonable opportunity for a variety of housing, including moderate income housing, to meet the needs of people desiring to live there...and to fully participate in all aspects of neighborhood and community life.” The bill requires incorporated cities to complete a housing plan that examines the need for affordable housing and determines if “existing zoning densities affect opportunities for moderate income housing.” The legislation, however, carries no penalties for noncompliance. To date, of the 235 communities in Utah, 115 have completed and adopted affordable housing plans.

Due to the lack of any enforcement mechanism in the legislation, the Utah Department of Community and Economic Development (DCED) has tried to provide incentives for compliance with HB 295. DCED, when awarding Community Impact Funds and

<p align="center"><b>Table 9</b>  <b>Multifamily Construction Activity by City</b>  <b>(Cumulative 1990 to 2000)</b></p>					
City	Number of MF Units	MF as Share of City's New Res. Units	City	Number of MF Units	MF as Share of City's New Res. Units
1. Other Salt Lake County	5,689	38.0	26. South Jordan	407	8.0
2. Provo	4,252	61.3	27. South Ogden	385	43.6
3. Orem	3,591	54.1	28. Heber City	282	25.5
4. Salt Lake City	2,647	58.2	29. Brigham City	261	38.4
5. St. George	2,402	23.7	30. Hurricane	246	13.8
6. West Jordan	2,317	24.8	31. Ephraim	207	58.6
7. Logan	2,221	60.7	32. Garden City	203	63.2
8. Sandy	1,933	29.4	33. Murray	196	13.4
9. Ogden	1,485	42.9	34. Washington Terrace	181	53.0
10. Cedar City	1,421	48.9	35. North Logan	179	28.2
11. Park City	1,174	50.2	36. Midvale	160	42.3
12. Other Summit Co.	1,092	21.8	37. Washington City	155	10.7
13. Clearfield	1,014	49.6	38. Midway	146	33.0
14. Layton	984	16.1	39. Other Sevier County	138	11.9
15. Pleasant Grove	974	32.0	40. Other Grand County	128	16.0
16. West Valley City	970	13.2	41. Clinton	124	6.3
17. Draper	726	13.1	42. Tremonton	122	21.9
18. Bountiful	621	33.8	43. North Ogden	111	7.6
19. Spanish Fork	615	27.7	44. Perry	110	23.7
20. Tooele City	540	16.3	45. Centerville	109	8.8
21. Payson	488	33.2	46. Kaysville	106	5.4
22. American Fork	475	21.9	47. Farmington	105	10.5
23. Springville	462	20.8	48. Riverton	97	2.6
24. Lehi	425	13.1	49. Moab	91	18.6
25. Roy	408	10.9	50. Providence	85	18.5

Note: Includes duplexes and twin homes.  
 Source: Bureau of Economic and Business Research, David Eccles School of Business, University of Utah

Community Development Block Grants, now gives bonus points to those cities that are in compliance. Just how much influence HB 295 has had on the policy and attitudes of city officials is uncertain but some cities seemed to have softened

their opposition to high density affordable housing.

*Residential Activity by County*

It is no surprise that among Utah's 29 counties, Salt Lake County has captured the largest share of residential construction activity. Of the 193,231 permit-

authorized units in the current construction cycle, 31 percent or 60,400 units have been located in Salt Lake County (Table 10). Eight counties, including Salt Lake, have accounted for nearly 90 percent of all new residential units. Only one of these eight counties—Washington—lies

outside the greater metropolitan area.<sup>5</sup> Among the top eight counties, the performance of Washington County has been most impressive. In 1990 Washington County had an inventory of 19,523 dwelling units but since then, has nearly doubled its inventory with an additional 18,158 units, a 93 percent increase in residential units. By comparison, the addition of 60,400 units in Salt Lake County increased the county's housing inventory by 24 percent for the same period.

### Conclusion

Ten years ago it seemed highly improbable that Utah's home building industry was about to experience such a breathtaking expansion, an expansion that would exceed all expectations as well as historical precedence. At the time residential construction activity had reached its lowest level in 20 years. A severe regional economic downturn had depressed local real estate markets while large scale out-migration had seriously undermined the demand for housing. As a result, the home building industry's role had shrunk, statewide, to only 2 percent of employment and 2.5 percent of wages. Uncertainty was the dominate mood of the home building industry. No one could have predicted that during the next construction cycle nearly 200,000 housing units would be added to the existing inventory of 600,000 units or that the home building industry was about to embark on a construction cycle that

would turn out to be most productive, longest and least volatile in the state's history.

The two conditions that were most crucial and consequential for this precedent-setting cycle were: low mortgage rates and high rates of job growth. Without the convergence of these two conditions the cycle's trajectory would have been lower and shorter. And now as the current cycle has begun its slow retreat it is clear that, unlike other cycles, it has fewer excesses. There has been no speculative fever in either single-family or multifamily units and no excess inventories that could unduly distort and suppress future home building.

Looking back over the full sweep of this residential construction cycle a number of distinctive features can be identified.

\*The astonishing number of new dwelling units built, so far, in this cycle—193,231, which is 50 percent higher than the second-ranked cycle.

\*The high concentration of owner-occupied units. Five out of every six new dwelling units have been owner-occupied units.

\*The high concentration of residential activity in a few locations. Ten cities or unincorporated areas have captured one-third of all residential activity.<sup>6</sup> Among these ten locations; unincorporated Salt Lake County, St. George and West Jordan have dominated with 14,400, 9,500 and 9,100 residential units, respectively.

\*The growing influence of a number of smaller cities that, heretofore, had little in the way of new residential construction but, over the course of the cycle, have emerged as residential "hot spots". Four of the largest and most prominent of these cities are: Draper, South Jordan, Lehi and Riverton. From the start of the cycle to the present, the number of owner-occupied units in all of these cities has more than doubled. In Draper the number of homes has increased an incredible 434.9 percent—starting, in 1990, with only 1,225 homes, Draper now has about 6,600 homes.

\*The geographic concentration of multifamily construction (apartments and condominiums). The top ten multifamily cities account for nearly two-thirds of all activity. And many of the cities with a large share of multifamily activity are also cities with a university or college. Sixty-one percent of all new residential construction in both Logan and Provo were multifamily units. In Ephraim (Snow College), Cedar City (Southern Utah University) and Orem (BYU and Utah Valley State College) multifamily activity also accounts for at least 50 percent of all new residential construction.

\*The greater sensitivity of state government to local housing issues as expressed in H.B. 295 and Envision Utah.

\*Finally, the increasing importance of the home building industry to the Utah economy.

<b>Table 10</b> <b>Residential Construction Activity by County</b> <b>(1990 through 2000)</b>			
County	Total Residential Units	% Share of State Total	Cumulative %
1. Salt Lake	60,436	31.3	31.3
2. Utah	35,868	18.6	49.8
3. Davis	21,229	11.0	60.8
4. Washington	18,158	9.4	70.2
5. Weber	13,882	7.2	77.4
6. Cache	7,731	4.0	81.4
7. Summit	7,726	4.0	85.4
8. Tooele	5,238	2.7	88.1
9. Iron	4,855	2.5	90.6
10. Box Elder	2,796	1.4	92.0
11. Wasatch	2,513	1.3	93.3
12. Sanpete	2,011	1.0	94.4
13. Duchesne	1,490	.78	95.2
14. Grand	1,287	.66	95.9
15. Sevier	1,269	.66	96.5
16. Kane	1,155	.60	97.1
17. Uintah	943	.49	97.5
18. Carbon	920	.48	98.1
19. Garfield	528	.27	98.3
20. Millard	523	.27	98.6
21. Juab	472	.24	98.8
22. Beaver	469	.24	99.1
23. San Juan	441	.23	99.3
24. Rich	383	.20	99.5
25. Emery	348	.18	99.7
26. Morgan	336	.17	99.8
27. Wayne	168	.08	99.9
28. Daggett	41	.02	99.9
29. Piute	15	.01	100.0

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



The industry's direct economic impact accounted for about 5 percent of the wages and 4 percent of the employment in the Utah economy in the 1990s, about twice the impact of the 1980s. When the direct impacts are combined with the indirect and induced impacts, as measured by residential construction multipliers, the home building industry has accounted for 10 percent of wages and 8 percent of employment in the Utah economy over the past several years—annually that's about 80,000 jobs and \$2.4 billion in wages<sup>7</sup>.

#### Notes

1. Calculations based on estimates of the average price of a new home statewide of \$150,000 in 1996, with a down payment of 10 percent.

2. Over the past few years the interest rate on an ARM has been about 1 to 1.5 points below

the conventional 30-year mortgage rate. The most popular method for setting interest rates on ARMS is based on a benchmark of all U.S. Treasury securities—3 month bills to 30-year bonds. In 1999, according to Mortgage Bankers of America, about 25 percent of all mortgage originations were ARMs.

3. In 1997, Freddie Mac and Fannie Mae lowered their down payment requirements from 5 percent to 3 percent and also allowed the source of the 3 percent down payment to be a gift. Prior to the change, the source of the 5 percent down payment had to be borrower funds. These changes have made it easier for first-time home buyers to enter the market.

4. The homeownership rate for one-person households nationally increased from 49 percent of all one-person

households in 1990 to 52.7 percent in 1999. The homeownership rate for young households also increased. In 1990, only 15.7 percent of all households with the age of householder less than 25 years were homeowners. By 1999 homeownership for this group had increased to 19.9 percent.

5. The greater metropolitan area is defined as the following counties: Salt Lake, Utah, Davis, Weber, Tooele, Summit and Cache.

6. These locations are: unincorporated Salt Lake County, St. George, West Jordan, West Valley, Layton, Draper, Sandy, South Jordan, Provo and Orem.

7. The direct impact estimates come from the National Association of Home Builders. The source of the indirect and induced impacts is the Bureau Economic Analysis RIMS II model.

## Utah Business Statistics

UTAH DATA	November 1999	November 2000	% Change from Year Ago	12-Month Average Current Year	12-Month Average Last Year	12-Month Average % Change
Total Personal Income (seas. adj. at ann. rates, mil. of dol., qtl.)	na	na	na	52,271.8	49,019	6.6
New Corporations (no.)	1,062	510	-52.0	654.5	1,262	-48.1
New Car, Truck, and Motor Home Sales (no.)	6,393	na	na	7,137.7	7,007	1.9
Agriculture						
Average Prices Received by Farmers (dol.)						
Lambs (cwt.)	79.00	80.00	1.3	85.0	72.44	17.3
Milk, All (cwt.) <sup>1</sup>	13.80	na	na	11.4	14.39	-20.8
Barley (per bushel)	1.87	1.88	0.5	1.9	1.86	3.3
Alfalfa Hay, Baled (per ton) <sup>2</sup>	77.00	82.00	6.5	75.1	73.33	2.4
Commercial Red Meat Production (thous. of lbs.)	41,000	43,600	6.3	41,333.3	41,536	-0.5
Construction						
Total Permit Construction (thous. of dol.)	381,785.9	295,333.2	-22.6	332,555.1	335,250.6	-0.8
Residential	160,539.4	150,830.4	-6.0	181,809.2	185,345.9	-1.9
Nonresidential	188,733.6	112,456.3	-40.4	102,338.4	104,319.3	-1.9
Additions, Alterations, and Repairs	32,512.9	32,046.5	-1.4	48,406.7	45,585.5	6.2
New Dwelling Units (no.)	1,390	1,250.0	-10.1	1,549.3	1,687.2	-8.2
Employment <sup>3</sup>						
Civilian Labor Force (thous.)	1,115.4	1,131.1	1.4	1,110.7	1,092.1	1.7
Employed	1,080.8	1,098.2	1.6	1,077.6	1,053.0	2.3
Unemployed	34.6	32.9	-4.9	33.1	39.2	-15.6
Percent of Labor Force	3.1	2.9	-6.5	3.0	3.6	-16.9
Nonagricultural Jobs (thous.)	1,074.1	1,096.1	2.0	1,071.8	1,047.8	2.3
Mining	7.5	7.8	4.0	7.9	7.7	2.5
Contract Construction	76.9	76.0	-1.2	74.8	72.5	3.1
Manufacturing	133.7	133.5	-0.1	132.9	132.8	0.1
Transportation, Communications, and Utilities	60.3	61.3	1.7	60.2	59.5	1.2
Wholesale Trade	51.0	53.0	3.9	51.9	50.5	2.7
Retail Trade	203.7	206.7	1.5	200.4	197.2	1.7
Finance, Insurance, and Real Estate	59.6	57.9	-2.9	57.0	57.4	-0.7
Services <sup>4</sup>	296.0	311.4	5.2	302.9	291.5	3.9
Federal Government	30.9	31.6	2.3	32.2	31.1	3.5
State Government <sup>5</sup>	59.4	59.6	0.3	57.3	56.4	1.7
Local Government <sup>5</sup>	95.1	97.3	2.3	94.3	91.2	3.3
Average Weekly Hours						
Mining	50.8	42.6	-16.1	42.9	45.9	-6.6
Manufacturing	41.1	40.5	-1.5	39.9	40.3	-1.0
Wholesale Trade	39.6	38.1	-3.8	38.3	39.2	-2.1
Retail Trade	28.0	27.2	-2.9	27.7	28.2	-1.7
Amount of Unemployment Compensation (thous. of dol.)	6,140.2	7,906.1	28.8	8,318.5	7,552.1	10.1
Finance (qtl.)						
Total State and National Chartered In-State Banks	na	na	na	32.0	32	0.8
Total Assets (mil. of dol.)	na	na	na	29,924.7	27,990.2	6.9
Total Liabilities (mil. of dol.)	na	na	na	27,472.5	28,234.7	-2.7
Total Equity Capital (mil. of dol.)	na	na	na	2,452.2	2,255.6	8.7
Capital to Assets <sup>6</sup>	na	na	na	8.8	8.9	-1.1
Loan Loss Reserve Ratio	na	na	na	1.4	1.35	2.6
Loans to Assets	na	na	na	64.8	63.15	2.7
Temporary Investment Ratio	na	na	na	9.6	11.82	-18.6
Return on Assets	na	na	na	1.0	0.89	7.0
Production						
Crude Oil (thous. of bbls.)	1,281.4	1,252.9	-2.2	1,304.1	1,367.3	-4.6
Natural Gas (mil. of cu. ft.)	22,295.2	23,611.0	5.9	23,127.0	23,268.1	-0.6
Coal (thous. short tons)	2,039	2,380	16.7	2,146.4	2,224	-3.5
Crude Oil to Refineries, Barrels Received (thous. of bbls.)	4,095	4,044	-1.2	4,080.8	4,188	-2.6
Travel/Tourism						
Air Passengers (total no. on and off, S.L. Int'l. Airport)	1,491,282	1,497,694	0.4	1,659,460.6	1,641,274	1.1
Highway Traffic Count Across State Lines (both directions)	59,092	56,902	-3.7	66,535.8	64,664	2.9
Visits to State and National Parks and Monuments	612,324	499,033	-18.5	1,132,634.4	1,345,672	-15.8
Utilities						
Natural Gas Customers (residential and commercial)	673,881	694,208	3.0	683,846.6	665,288	2.8
Natural Gas Customers (industrial)	1,085	1,033	-4.8	1,062.2	1,064	-0.1
Telephone Lines in Service (Qwest, residential access)	772,841	771,582	-0.2	776,940.0	760,139	2.2
Telephone Lines in Service (Qwest, business/public access)	352,960	427,901	21.2	634,474.1	348,487	82.1

## Utah Business Statistics

UTAH DATA	November 1999	November 2000	% Change from Year Ago	12-Month Average Current Year	12-Month Average Last Year	12-Month Average % Change
<b>Davis County</b>						
Nonagricultural Employment (thous.)	84.1	86.6	3.0	84.7	82.5	2.7
Unemployment Rate (seasonally adjusted)	2.7	3.0	11.1	2.8	3.3	-14.8
Authorized Permit Construction (thous. of dol.)	21,428.7	21,416.4	-0.1	33,032.9	28,766.0	14.8
New Dwelling Units (no.)	148	118	-20.3	188	200	-6.2
New Car, Truck, and Motor Home Sales, Owner's County (no.)	601	na	na	733	776	-5.6
Natural Gas Customers (residential and commercial)	73,008	75,307	3.1	74,495	72,039	3.4
Natural Gas Customers (industrial)	97	92	-5.2	94	97	-2.9
Telephone Lines in Service (Qwest, residential access)	92,906	94,933	2.2	94,153	91,169	3.3
Telephone Lines in Service (Qwest, business access)	27,115	29,689	9.5	28,925	26,519	9.1
<b>Salt Lake County</b>						
Nonagricultural Employment (thous.)	545.9	556.3	1.9	543.4	530.8	2.4
Unemployment Rate (seasonally adjusted)	3.2	2.9	-9.4	2.7	3.2	-15.4
Authorized Permit Construction (thous. of dol.)	170,414.4	110,808.2	-35.0	120,366.0	119,338.4	0.9
New Dwelling Units (no.)	288	377	30.9	400	445	-10.1
New Car, Truck, and Motor Home Sales, Owner's County (no.)	3,229	na	na	3,713	3,423	8.4
Natural Gas Customers (residential and commercial)	288,653	293,637	1.7	289,576	286,355	1.1
Natural Gas Customers (industrial)	488	458	-6.1	475	478	-0.6
Telephone Lines in Service (Qwest, residential access)	345,550	340,792	-1.4	345,708	343,464	0.7
Telephone Lines in Service (Qwest, business access)	195,973	234,812	19.8	226,833	194,387	16.7
<b>Utah County</b>						
Nonagricultural Employment (thous.)	151.3	156.5	3.4	150.4	145.7	3.2
Unemployment Rate (seasonally adjusted)	2.6	2.5	-3.8	2.4	3.0	-21.2
Authorized Permit Construction (thous. of dol.)	43,284.7	54,181.9	25.2	63,445.8	58,075.4	9.2
New Dwelling Units (no.)	271	273	0.7	343	322	6.6
New Car, Truck, and Motor Home Sales, Owner's County (no.)	824	na	na	900	702	28.1
Natural Gas Customers (residential and commercial)	96,033	100,771	4.9	99,126	94,597	4.8
Natural Gas Customers (industrial)	146	150	2.7	151	143	5.5
Telephone Lines in Service (Qwest, residential access)	110,864	111,935	1.0	111,974	108,162	3.5
Telephone Lines in Service (Qwest, business access)	45,303	57,709	27.4	55,561	44,394	25.2
<b>Weber County</b>						
Nonagricultural Employment (thous.)	87.7	88.4	0.8	89.2	87.8	1.6
Unemployment Rate (seasonally adjusted)	3.5	4.2	20.0	3.9	4.2	-8.5
Authorized Permit Construction (thous. of dol.)	23,504.7	17,227.8	-26.7	31,302.8	26,971.7	16.1
New Dwelling Units (no.)	136	108	-20.6	130	143	-9.3
New Car, Truck, and Motor Home Sales, Owner's County (no.)	426	na	na	464	420	10.7
Natural Gas Customers (residential and commercial)	65,977	67,799	2.8	66,809	65,024	2.7
Natural Gas Customers (industrial)	104	99	-4.8	102	105	-3.4
Telephone Lines in Service (Qwest, residential access)	64,548	59,957	-7.1	63,578	64,021	-0.7
Telephone Lines in Service (Qwest, business access)	22,932	31,769	38.5	30,463	22,645	34.5

na Not Available

<sup>1</sup> Before deductions for hauling and government withholding; includes quality, quantity and other premiums. Excludes hauling subsidies. <sup>2</sup> Mid-month prices. <sup>3</sup> Some figures not strictly comparable due to reclassification. <sup>4</sup> Includes services by nonprofit and religious organizations. <sup>5</sup> Includes public schools and college institutions. <sup>6</sup> Includes allowance for loan losses.

## Sources:

Personal Income	U.S. Department of Commerce, Bureau of Economic Analysis.
New Corporations	Utah Department of Commerce, Division of Corporations and Commercial Code.
New Car and Truck Sales	Utah State Tax Commission, Economic and Statistics Unit, <i>Utah Car and Truck Sales</i> .
Agriculture	U.S. Department of Agriculture, Utah Agricultural Statistics Service, <i>Utah Agriculture</i> .
Construction Data	Bureau of Economic and Business Research, University of Utah, <i>Utah Construction Report</i> .
Employment Data	Utah Department of Workforce Services, <i>Utah Labor Market Report</i> .
Finance Data	Utah Department of Financial Institutions.
Crude Oil Production	Utah Division of Oil, Gas and Mining, <i>Oil and Gas Production Report</i> , and Utah Office of Energy and Resource Planning.
Natural Gas Production	Utah Division of Oil, Gas and Mining, <i>Oil and Gas Production Report</i> .
Coal Production	U.S. Department of Energy, Energy Information Administration.
Air Passengers	SLC International Airport, Statistics Division, <i>Air Traffic Statistics and Activity Report</i> .
Highway Traffic Count	Utah Department of Transportation, <i>Automatic Traffic Recorder Data Report</i> .
Visits to State and National Parks and Monuments	U.S. Forest Service and Utah State Parks and Recreation Department.
Utilities Data	Cooperating Utility Companies.

## Utah Business Statistics

UTAH DATA	December	December	% Change from Year Ago	12-Month	12-Month	12-Month Average Last Year	12-Month Average % Change
	1999	2000		Average Current Year			
Total Personal Income (seas. adj. at ann. rates, mil. of dol., qtl.)	50,812	na	na	52,758	49,745	6.1	
New Corporations (no.)	794	731	-7.9	649	1,263	-48.6	
New Car, Truck, and Motor Home Sales (no.)	6,281	na	na	7,233	6,982	3.6	
Agriculture							
Average Prices Received by Farmers (dol.)							
Lambs (cwt.)	82.00	75.00	-8.5	84.42	74.28	13.7	
Milk, All (cwt.) <sup>1</sup>	11.40	na	na	na	13.83	na	
Barley (per bushel)	1.88	2.02	7.4	1.93	1.85	4.6	
Alfalfa Hay, Baled (per ton) <sup>2</sup>	75.00	82.00	9.3	75.67	72.50	4.4	
Commercial Red Meat Production (thous. of lbs.)	37,600	38,600	2.7	41,417	41,583	-0.4	
Construction							
Total Permit Construction (thous. of dol.)	284,386.0	229,645.8	-19.2	327,993.5	330,906.1	-0.9	
Residential	159,937.8	117,783.3	-26.4	178,296.3	186,509.7	-4.4	
Nonresidential	94,591.7	79,572.4	-15.9	101,086.7	99,614.5	1.5	
Additions, Alterations, and Repairs	29,856.5	32,290.1	8.2	48,609.5	44,781.9	8.5	
New Dwelling Units (no.)	1,497	1,059.0	-29.3	1,513	1,696	-10.8	
Employment <sup>3</sup>							
Civilian Labor Force (thous.)	1,099.2	1,124.8	2.3	1,112.8	1,092.8	1.8	
Employed	1,072.4	1,094.5	2.1	1,079.4	1,054.0	2.4	
Unemployed	26.8	30.2	12.7	33.4	39.0	-14.3	
Percent of Labor Force	2.4	2.7	12.5	3.0	3.6	-15.7	
Nonagricultural Jobs (thous.)	1,075.1	1,100.7	2.4	1,073.9	1,049.9	2.3	
Mining	7.8	7.7	-1.3	7.9	7.7	2.4	
Contract Construction	72.3	73.7	1.9	74.9	72.7	3.1	
Manufacturing	132.7	133.1	0.3	132.9	132.7	0.1	
Transportation, Communications, and Utilities	60.9	61.6	1.1	60.3	59.6	1.1	
Wholesale Trade	52.1	53.3	2.3	52.0	50.6	2.7	
Retail Trade	206.2	210.1	1.9	200.7	197.3	1.7	
Finance, Insurance, and Real Estate	57.5	58.4	1.6	57.0	57.4	-0.7	
Services <sup>4</sup>	303.2	314.7	3.8	303.9	292.8	3.8	
Federal Government	30.6	31.8	3.9	32.3	31.2	3.6	
State Government <sup>5</sup>	56.8	58.8	3.5	57.5	56.4	1.9	
Local Government <sup>5</sup>	95.0	97.5	2.6	94.5	91.4	3.4	
Average Weekly Hours							
Mining	42.3	44.7	5.7	43.1	45.4	-5.1	
Manufacturing	39.4	40.4	2.5	40.0	40.2	-0.4	
Wholesale Trade	38.4	37.6	-2.1	38.3	39.1	-2.2	
Retail Trade	28.1	27.5	-2.1	27.7	28.1	-1.6	
Amount of Unemployment Compensation (thous. of dol.)	7,468.8	9,631.4	29.0	8,498.8	7,544.1	12.7	
Finance (qtl.)							
Total State and National Chartered In-State Banks	31	33	6.5	33	32	3.2	
Total Assets (mil. of dol.)	29,558.0	28,355.8	-4.1	29,624.1	28,499.2	3.9	
Total Liabilities (mil. of dol.)	27,160.0	25,867.0	-4.8	27,149.3	28,684.2	-5.4	
Total Equity Capital (mil. of dol.)	2,398.0	2,488.7	3.8	2,474.8	2,315.1	6.9	
Capital to Assets <sup>6</sup>	8.95	9.91	10.7	9.06	8.97	0.9	
Loan Loss Reserve Ratio	1.29	1.64	27.1	1.47	1.34	9.3	
Loans to Assets	64.55	69.02	6.9	65.96	62.86	4.9	
Temporary Investment Ratio	9.43	4.88	-48.3	8.48	12.04	-29.6	
Return on Assets	1.50	0.42	-72.0	0.68	0.96	-28.7	
Production							
Crude Oil (thous. of bbls.)	1,335.0	na	na	1,301.3	1,360.1	-4.3	
Natural Gas (mil. of cu. ft.)	22,667.0	na	na	23,168.9	23,077.9	0.4	
Coal (thous. short tons)	2,027	2,218	9.4	2,162	2,184	-1.0	
Crude Oil to Refineries, Barrels Received (thous. of bbls.)	4,428	3,942	-11.0	4,040	4,221	-4.3	
Travel/Tourism							
Air Passengers (total no. on and off, S.L. Int'l. Airport)	1,557,660	1,545,740	-0.8	1,658,467	1,632,602	1.6	
Highway Traffic Count Across State Lines (both directions)	55,502	54,912	-1.1	66,482	64,916	2.4	
Visits to State and National Parks and Monuments	374,423	308,730	-17.5	1,127,160	1,345,249	-16.2	
Utilities							
Natural Gas Customers (residential and commercial)	679,034	698,716	2.9	685,487	667,241	2.7	
Natural Gas Customers (industrial)	1,079	1,033	-4.3	1,058	1,068	-0.9	
Telephone Lines in Service (Qwest, residential access)	775,123	766,944	-1.1	776,258	762,512	1.8	
Telephone Lines in Service (Qwest, business/public access)	352,871	430,413	22.0	640,936	349,077	83.6	

## Utah Business Statistics

UTAH DATA	December 1999	December 2000	% Change from Year Ago	12-Month Average Current Year	12-Month Average Last Year	12-Month Average % Change
<b>Davis County</b>						
Nonagricultural Employment (thous.)	84.1	86.5	2.9	84.9	82.7	2.6
Unemployment Rate (seasonally adjusted)	2.7	2.8	3.7	2.8	3.2	-13.9
Authorized Permit Construction (thous. of dol.)	21,216.7	26,385.2	24.4	33,463.6	28,444.7	17.6
New Dwelling Units (no.)	115	102	-11.3	187	191	-2.4
New Car, Truck, and Motor Home Sales, Owner's County (no.)	646	na	na	743	778	-4.5
Natural Gas Customers (residential and commercial)	73,533	74,770	1.7	74,598	72,270	3.2
Natural Gas Customers (industrial)	94	92	-2.1	94	97	-2.7
Telephone Lines in Service (Qwest, residential access)	93,136	95,096	2.1	94,316	91,509	3.1
Telephone Lines in Service (Qwest, business access)	27,253	29,958	9.9	29,151	26,610	9.5
<b>Salt Lake County</b>						
Nonagricultural Employment (thous.)	545.2	560.8	2.9	544.7	531.8	2.4
Unemployment Rate (seasonally adjusted)	2.7	3.0	11.1	2.7	3.2	-13.9
Authorized Permit Construction (thous. of dol.)	85,006.4	61,787.3	-27.3	118,431.1	116,981.5	1.2
New Dwelling Units (no.)	333	200	-39.9	389	441	-11.7
New Car, Truck, and Motor Home Sales, Owner's County (no.)	3,161	na	na	3,774	3,479	8.5
Natural Gas Customers (residential and commercial)	290,029	294,855	1.7	289,978	286,906	1.1
Natural Gas Customers (industrial)	486	460	-5.3	473	480	-1.4
Telephone Lines in Service (Qwest, residential access)	345,735	337,671	-2.3	345,036	343,991	0.3
Telephone Lines in Service (Qwest, business access)	195,366	236,060	20.8	230,224	194,546	18.3
<b>Utah County</b>						
Nonagricultural Employment (thous.)	154.0	157.7	2.4	150.7	146.3	3.0
Unemployment Rate (seasonally adjusted)	2.4	2.8	16.7	2.4	3.0	-18.5
Authorized Permit Construction (thous. of dol.)	56,443.8	38,229.8	-32.3	61,927.9	60,141.1	3.0
New Dwelling Units (no.)	431	222	-48.5	326	343	-4.9
New Car, Truck, and Motor Home Sales, Owner's County (no.)	804	na	na	910	708	28.5
Natural Gas Customers (residential and commercial)	97,378	101,614	4.4	99,479	94,971	4.7
Natural Gas Customers (industrial)	148	150	1.4	151	144	5.0
Telephone Lines in Service (Qwest, residential access)	111,174	111,178	0.0	111,974	108,618	3.1
Telephone Lines in Service (Qwest, business access)	47,393	57,754	21.9	56,424	44,661	26.3
<b>Weber County</b>						
Nonagricultural Employment (thous.)	88.5	88.1	-0.5	89.2	87.9	1.4
Unemployment Rate (seasonally adjusted)	3.6	4.1	13.9	3.9	4.2	-6.6
Authorized Permit Construction (thous. of dol.)	25,049.0	8,885.1	-64.5	29,955.8	26,123.1	14.7
New Dwelling Units (no.)	138	57	-58.7	123	146	-16.0
New Car, Truck, and Motor Home Sales, Owner's County (no.)	361	na	na	476	413	15.3
Natural Gas Customers (residential and commercial)	66,316	68,364	3.1	66,980	65,201	2.7
Natural Gas Customers (industrial)	103	99	-3.9	101	105	-3.6
Telephone Lines in Service (Qwest, residential access)	64,658	58,532	-9.5	63,067	63,934	-1.4
Telephone Lines in Service (Qwest, business access)	22,901	31,780	38.8	31,203	22,676	37.6

na Not Available

<sup>1</sup> Before deductions for hauling and government withholding; includes quality, quantity and other premiums. Excludes hauling subsidies. <sup>2</sup> Mid-month prices. <sup>3</sup> Some figures not strictly comparable due to reclassification. <sup>4</sup> Includes services by nonprofit and religious organizations. <sup>5</sup> Includes public schools and college institutions. <sup>6</sup> Includes allowance for loan losses.

## Sources:

Personal Income	U.S. Department of Commerce, Bureau of Economic Analysis.
New Corporations	Utah Department of Commerce, Division of Corporations and Commercial Code.
New Car and Truck Sales	Utah State Tax Commission, Economic and Statistics Unit, <i>Utah Car and Truck Sales</i> .
Agriculture	U.S. Department of Agriculture, Utah Agricultural Statistics Service, <i>Utah Agriculture</i> .
Construction Data	Bureau of Economic and Business Research, University of Utah, <i>Utah Construction Report</i> .
Employment Data	Utah Department of Workforce Services, <i>Utah Labor Market Report</i> .
Finance Data	Utah Department of Financial Institutions.
Crude Oil Production	Utah Division of Oil, Gas and Mining, <i>Oil and Gas Production Report</i> , and Utah Office of Energy and Resource Planning.
Natural Gas Production	Utah Division of Oil, Gas and Mining, <i>Oil and Gas Production Report</i> .
Coal Production	U.S. Department of Energy, Energy Information Administration.
Air Passengers	SLC International Airport, Statistics Division, <i>Air Traffic Statistics and Activity Report</i> .
Highway Traffic Count	Utah Department of Transportation, <i>Automatic Traffic Recorder Data Report</i> .
Visits to State and National Parks and Monuments	U.S. Forest Service and Utah State Parks and Recreation Department.
Utilities Data	Cooperating Utility Companies.

## Utah Business Statistics

	November 1999	November 2000	% Change from Year Ago	12-Month Average Current Year	12-Month Average Last Year	12-Month Average % Change
<b>NATIONAL DATA</b>						
U.S. Gross Domestic Product (seas. adj. at ann. rates, bil., qrtly.)	na	na	na	9,685.8	8,816.0	9.9
Total Personal Income (seas. adj. at ann. rates, bil. of dol.)	7,973.2	8,420.1	5.6	8,241.6	7,562.4	9.0
Industrial Production Index (seasonally adjusted, 1992=100)	139.4	148.1	6.2	145.4	135.3	7.5
Capacity Utilization Rate (seasonally adjusted, percent)	81.2	81.4	0.2	81.9	80.4	1.8
Net Exports of Goods & Services (millions of dollars; seasonally adj.)	-25,712.0	-32,875.0	27.9	-30,110.8	-21,091.9	42.8
Exports of Goods & Services (millions of dollars; seasonally adj.)	83,198.0	90,825.0	9.2	88,637.3	79,219.1	11.9
Imports of Goods & Services (millions of dollars; seasonally adj.)	108,909.0	123,700.0	13.6	118,747.8	100,311.0	18.4
Composite Index of 11 Leading Indicators (1992=100)	105.8	109.1	3.1	107.9	107.3	0.6
<b>Price Indexes</b>						
Consumer Price Indexes (not seasonally adjusted, 1982-84=100)						
CPI-U (All Urban Consumers) All Items	168.3	174.1	3.4	171.7	166.2	3.3
CPI-U (All Urban Consumers) Food and Beverages	165.7	169.5	2.3	168.0	164.3	2.2
CPI-U (All Urban Consumers) Housing	164.9	171.6	4.1	169.0	163.5	3.4
CPI-U (All Urban Consumers) Transportation	147.6	155.2	5.1	152.8	148.2	3.1
CPI-U (All Urban Consumers) Medical Care	253.3	264.1	4.3	259.9	249.9	4.0
CPI-U (All Urban Consumers) Energy	111.2	129.0	16.0	123.3	105.0	17.4
Producer Price Index (not seasonally adjusted, 1982=100)						
Producer Price Index, All Finished Goods	135.0	139.9	3.6	137.5	132.7	3.6
GDP Implicit Price Deflator (seasonally adjusted, 1992=100, qrtly.)	na	na	na	106.2	111.2	-4.5
Corporate Profits (seas. adj. at ann. rates, bil., qrtly.)						
Profits Before Taxes	na	na	na	919.8	795.6	15.6
Profits-Tax Liability	na	na	na	286.2	248.5	15.2
Profits After Taxes	na	na	na	634.8	522.1	21.6
Civilian Employment (seasonally adjusted)						
Labor Force (mil.)	139.8	141.1	0.9	140.8	139.2	1.1
Employment (mil.)	134.1	135.5	1.0	135.1	133.3	1.4
Unemployment Rate	4.1	4.0	-2.4	4.0	4.2	-5.3
Value of New Construction Put In Place						
Total Construction (seas. adj. at ann. rates, bil. of dol.)	776.5	807.0	3.9	807.6	761.5	6.0
Private Const.: Residential (seas. adj. at ann. rates, bil. of dol.) <sup>b</sup>	353.9	347.3	-1.9	359.9	346.6	3.8
New Housing Units (seas. adj. at ann. rates, bil. of dol.)	253.8	254.9	0.4	260.7	247.9	5.2
Private Const.: Nonresidential (seas. adj. at ann. rates, bil. of dol.)	197.4	225.4	14.2	215.4	196.0	9.9
Interest Rates						
Federal Funds Rate	5.42	6.51	20.1	6.15	4.94	24.6
Discount Rate on New 91-Day Treasury Bills	5.07	6.00	18.3	5.77	4.56	26.4
Yield on Long-Term Treasury Bonds	6.15	5.78	-6.0	6.01	5.76	4.4
Average Prime Rate Charged by Banks	8.37	9.50	13.5	9.15	7.93	15.4
Mortgage Rate (conventional 1st mortgage, new home, U.S. avg.)	7.13	7.75	8.6	8.11	7.27	11.4

na Not Available

<sup>b</sup> Includes residential improvements, not shown separately.

Sources:

U.S. Gross Domestic Product

U.S. Department of Commerce, *Survey of Current Business*.

Total Personal Income

U.S. Department of Commerce, *Survey of Current Business*.

Industrial Production Index

Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*.

Capacity Utilization Rate

Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*.

Export/Import Data

U.S. Department of Commerce, *Survey of Current Business*.

Composite Index of 11 Leading Indicators

The Conference Board, Inc.

Consumer Price Indices

U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

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U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

GDP Implicit Price Deflator

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National Employment Data

U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

National Construction Data

U.S. Department of Commerce, Bureau of the Census, *Value of New Construction Put in Place*.

Interest Rates

Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*.

## Utah Business Statistics

	December 1999	December 2000	% Change from Year Ago	12-Month Average Current Year	12-Month Average Last Year	12-Month Average % Change
<b>NATIONAL DATA</b>						
U.S. Gross Domestic Product (seas. adj. at ann. rates, bil., qrtly.)	9,050.9	10,114.4	11.8	9,951.6	8,910.5	11.7
Total Personal Income (seas. adj. at ann. rates, bil. of dol.)	7,998.6	8,455.5	5.7	8,279.6	7,623.0	8.6
Industrial Production Index (seasonally adjusted, 1992=100)	140.1	147.7	5.4	146.1	135.6	7.7
Capacity Utilization Rate (seasonally adjusted, percent)	81.3	80.8	-0.6	81.9	80.6	1.6
Net Exports of Goods & Services (millions of dollars; seasonally adj.)	-25,657.0	-33,199.0	29.4	-30,739.3	-22,081.2	39.2
Exports of Goods & Services (millions of dollars; seasonally adj.)	84,107.0	89,201.0	6.1	89,061.8	79,686.7	11.8
Imports of Goods & Services (millions of dollars; seasonally adj.)	109,764.0	122,400.0	11.5	119,800.8	101,767.8	17.7
Composite Index of 11 Leading Indicators (1992=100)	106.1	108.5	2.3	108.1	107.3	0.8
<b>Price Indexes</b>						
Consumer Price Indexes (not seasonally adjusted, 1982-84=100)						
CPI-U (All Urban Consumers) All Items	168.3	174.0	3.4	172.2	166.6	3.4
CPI-U (All Urban Consumers) Food and Beverages	165.9	170.5	2.8	168.4	164.6	2.3
CPI-U (All Urban Consumers) Housing	164.8	171.9	4.3	169.6	163.8	3.5
CPI-U (All Urban Consumers) Transportation	148.3	154.4	4.1	153.3	148.9	3.0
CPI-U (All Urban Consumers) Medical Care	254.2	264.8	4.2	260.8	250.6	4.0
CPI-U (All Urban Consumers) Energy	112.2	128.1	14.2	124.6	106.2	17.4
Producer Price Index (not seasonally adjusted, 1982=100)						
Producer Price Index, All Finished Goods	135.0	139.7	3.5	137.9	133.0	3.7
GDP Implicit Price Deflator (seasonally adjusted, 1992=100, qrtly.)	105.0	107.7	2.5	106.9	109.2	-2.1
Corporate Profits (seas. adj. at ann. rates, bil., qrtly.)						
Profits Before Taxes	870.7	894.1	2.7	925.6	833.2	11.1
Profits-Tax Liability	275.7	267.7	-2.9	284.2	256.6	10.7
Profits After Taxes	599.9	626.4	4.4	641.4	552.8	16.0
Civilian Employment (seasonally adjusted)						
Labor Force (mil.)	140.1	141.5	1.0	140.9	139.4	1.1
Employment (mil.)	134.4	135.8	1.0	135.3	133.5	1.3
Unemployment Rate	4.1	4.0	-2.4	4.0	4.2	-5.1
Value of New Construction Put In Place						
Total Construction (seas. adj. at ann. rates, bil. of dol.)	791.7	811.5	2.5	809.2	765.7	5.7
Private Const.: Residential (seas. adj. at ann. rates, bil. of dol.) <sup>b</sup>	358.2	346.8	-3.2	358.9	348.6	3.0
New Housing Units (seas. adj. at ann. rates, bil. of dol.)	259.8	257.1	-1.1	260.5	249.5	4.4
Private Const.: Nonresidential (seas. adj. at ann. rates, bil. of dol.)	199.7	227.2	13.8	217.7	196.1	11.1
Interest Rates						
Federal Funds Rate	5.42	6.40	18.1	6.24	4.98	25.2
Discount Rate on New 91-Day Treasury Bills	5.23	6.00	14.7	5.83	4.66	25.2
Yield on Long-Term Treasury Bonds	6.35	5.49	-13.5	5.94	5.87	1.3
Average Prime Rate Charged by Banks	8.50	9.50	11.8	9.23	7.99	15.5
Mortgage Rate (conventional 1st mortgage, new home, U.S. avg.)	7.91	7.38	-6.7	8.06	7.38	9.3

na Not Available

<sup>b</sup> Includes residential improvements, not shown separately.

Sources:

U.S. Gross Domestic Product

U.S. Department of Commerce, *Survey of Current Business*.

Total Personal Income

U.S. Department of Commerce, *Survey of Current Business*.

Industrial Production Index

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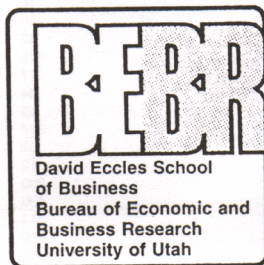
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