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Highlights

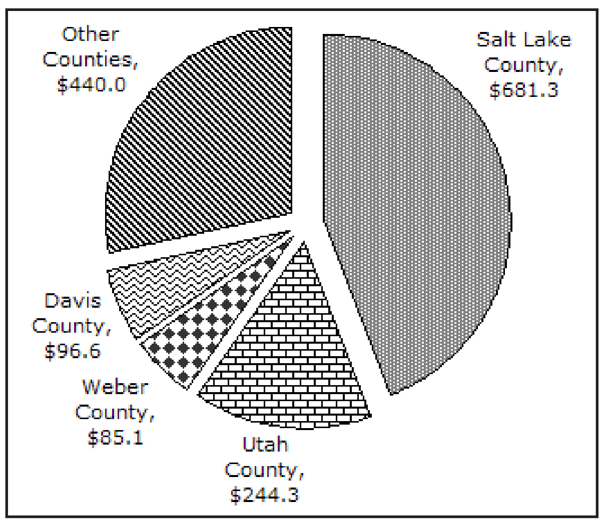
- Permit-authorized nonresidential construction in Utah has averaged $1.5 billion annually (in constant 2009 dollars) over the past 15 years. During the period, 70 percent of all new nonresidential construction was located in the four Wasatch Front counties. Salt Lake County dominated new construction activity with a 44 percent share of statewide nonresidential construction and an average annual value of $681 million.
- Past nonresidential construction contractions in Utah have had an average duration of four years and a decline in construction valuation of 55 percent. The current nonresidential contraction began in 2008 and after only two years new nonresidential construction valuation has declined by 49 percent. Utah's steepest single-year decline in nonresidential construction was recorded in 2009. In this year the value of nonresidential construction fell by 42 percent, from $1.7 billion to $990 million.
- The demand for nonresidential buildings is very sensitive to local labor market conditions. The jobs generated by a growing economy lead to demand for additional office and industrial space while the income received by workers drives the demand for additional retail space. The Utah labor market is not insulated from slow job growth during recessions, but to lose jobs as the state has done in the current recession—with an expected loss of 71,000 jobs in 2009 and 2010—is very rare and has painful consequences for the nonresidential sector. The sector has dealt with past imbalances in supply and demand due to slow growth, but adjusting to a reduction in the baseline demand for commercial space, due to the loss of jobs, is a new experience for Utah's nonresidential sector.
- Many of Utah's economic indicators are showing some improvement, but employment is expected to lag. In 2010 the projected employment loss for Utah is another 7,900 jobs. Job losses have driven up vacancy rates for commercial real estate. In Salt Lake County the vacancy rates for office, industrial and retail space are 16 percent, 7.6 percent and 9.3 percent respectively. All vacancy rates have risen in the past three years and are expected to continue to increase over the next 18 months.
- In 2009 the value of permit-authorized nonresidential construction was $990 million. Two more years of decline are expected, with a trough established in 2011 at $650 million. After 2011 the forecast shows four years of steady growth as permit valuation increases to $1.5 billion by 2015.

Nonresidential Construction: Past, Present, and Future

James Wood, Director

Over the past 15 years permit-authorized nonresidential construction in Utah has averaged $1.54 billion per year (in constant 2009 dollars); almost exactly half of the $3.16 billion average for residential construction.[1] Nonresidential construction has been concentrated in Salt Lake County. The county has on average captured 44 percent of all permit-authorized nonresidential construction in the state. The annual average value of nonresidential construction in Salt Lake County has been $681.3 million (inflation adjusted) with the peak year in 1997 at $885 million (Figure 1). Utah County ranks second with an annual average of $244.3 million in permit-authorized nonresidential construction activity.

Figure 1
Average Nonresidential Construction Valuation by County, 1995–2009
(Millions of Constant 2009 Dollars)



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

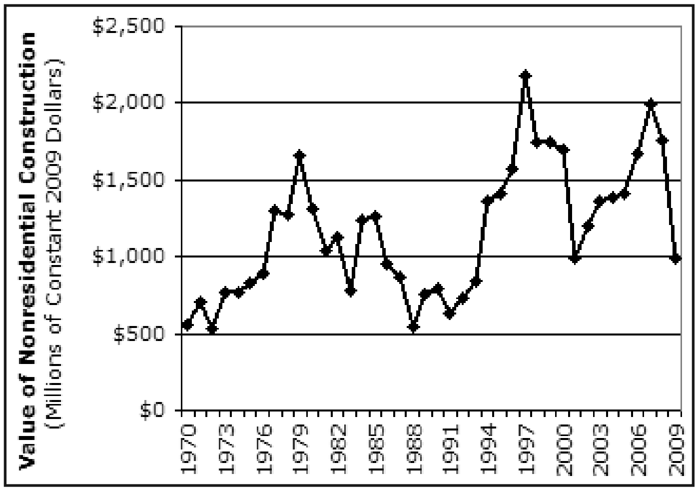
1. Permits are not required for roads, highways, interstates, dams, power plants and most state, local and federal government buildings, including primary, secondary and higher education buildings except in cases of private school construction (e.g. BYU).

Utah's Nonresidential Construction Contraction

Contractions Compared

In 2009 nonresidential construction in Utah dropped 42 percent, falling from $1.7 billion in 2008 to $990.8 billion in 2009 (in constant 2009 dollars). This drop is the largest single-year decline for nonresidential construction on record. Figure 2 shows the long-term trend for permit-authorized nonresidential construction activity in Utah. The current cycle peaked in 2007 at $1.93 billion, just shy of the all-time high of $2.12 billion set in 1997. The trend line illustrates the volatility of the nonresidential construction sector.

Figure 2
Value of Permit-Authorized Nonresidential Construction in Utah
(Millions of Constant 2009 Dollars)



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

Typically the duration of a nonresidential contraction (peak to trough) is about 4 years, with new construction activity falling by 50 to 55 percent before a trough or bottom is established. In the current cycle, new construction is already down 50 percent in two years and will likely fall by over 60 percent before a trough is established (Table 1).

Table 1
Characteristics of Nonresidential Construction Cycles in Utah
(Billions of Constant 2009 Dollars)

Peak Year	Peak Value	Decline: Peak to Trough	Yrs. from Peak to Trough
1979	$1.65	53%	4 yrs.
1985	$1.26	56%	3 yrs.
1997	$2.17	54%	4 yrs.
2007	$2.00	50%	2 yrs.*

*Data on current cycle are available only through 2009; trough is projected to occur in 2011.
Source: Bureau of Economic and Business Research, University of Utah.

Current Cycle

In 2007 and 2008 new construction activity for the industrial, retail and office sectors set record highs. In 2007 the value of new industrial construction peaked at $422.1 million and office construction peaked at $388.1 million. Retail hit an all-time high of $328.1 million in 2008 (Table 2). In each case the years immediately preceding the record years also reported high levels of construction activity. Construction data leave little doubt that during the run-up to the peaks in 2007 and 2008 the development of new industrial, retail and office space carried a high probability of producing excess capacity and imbalance in the commercial real estate market.

Table 2
Value of Nonresidential Construction for Selected Sectors in Utah, 2000–2009
(Millions of Constant 2009 Dollars)

Year	Industrial	Retail	Office
2000	$267.1	$268.8	$297.1
2001	$180.6	$247.3	$226.2
2002	$114.3	$193.8	$247.6
2003	$221.4	$275.5	$148.6
2004	$169.7	$270.2	$185.0
2005	$265.6	$191.0	$254.1
2006	$309.7	$298.2	$314.2
2007	$422.1	$260.1	$388.1
2008	$411.4	$328.1	$228.8
2009	$356.0	$123.6	$104.6
Average 2000–09	$271.8	$245.7	$239.4

Note: Shaded areas denote all-time records.
Source: Bureau of Economic and Business Research, University of Utah.

The very high levels of industrial, office and retail construction in 2007 and 2008 left the nonresidential sector vulnerable to steep declines in subsequent years. Consequently, in 2009 three of the four Wasatch Front counties experienced significant declines in nonresidential construction; Salt Lake County was the exception (Table 3). Salt Lake County benefited from the $229 million eBay data center. Salt Lake County's nonresidential construction valuation was off only 17 percent in 2009; without the eBay data center Salt Lake County would have had a decline of over 50 percent.

Table 3
Change in Value of Permit-Authorized Nonresidential Construction, 2008–2009
(Millions of Constant 2009 Dollars)

	2008	2009	Change
State	$1,705.1	$990.8	−41.9%
Wasatch Front	$1,155.9	$761.9	−34.1%
Salt Lake County	$635.8	$528.0	−17.0%
Utah County	$321.4	$1,26.2	−60.7%
Davis County	$108.1	$68.8	−36.4%
Weber County	$90.6	$38.9	−57.1%

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

Table 4
Major Permit-Authorized Nonresidential Projects in Utah by Year
(2002–2009 Projects Over $20 million)

Type of Building	Address	City	County	Permit Value (Current Dollars)	Year Permit Issued
Hospital	577 S River Rd.	St George	Washington County	$58,000,000	2002
Office Bldg.	577 S Chipeta Way	Salt Lake City	Salt Lake County	$26,000,000	2002
Walmart Dist Center	965 N Highway 138	Tooele County	Tooele County	$55,000,000	2003
Walmart Supercenter	350 W Hope Ave.	Salt Lake City	Salt Lake County	$19,301,272	2003
F&F Medical Bldg.	590 S Wakara Way	Salt Lake City	Salt Lake County	$19,000,000	2003
Hospital Shell	5121 S Cottonwood St., #C	Murray	Salt Lake County	$74,326,884	2004
Hospital Shell	5121 S Cottonwood St., #D	Murray	Salt Lake County	$20,834,412	2004
Remodel LDS Tabernacle	50 W South Temple St.	Salt Lake City	Salt Lake County	$25,263,722	2005
Megaplex Theaters	11400 S Bangerter Hwy.	South Jordan	Salt Lake County	$20,000,000	2005
LDS Church History Library	15 E North Temple St.	Salt Lake City	Salt Lake County	$63,580,000	2006
Women's Health Center	500 E 1400 N	Logan	Cache County	$30,000,000	2006
Office Bldg.	6440 S Millrock Dr.	Holladay	Salt Lake County	$29,200,669	2006
Mixed-Use Commercial	320 S State St.	Orem	Utah County	$28,736,736	2006
LDS Temple	14065 S Canyon Vista Ln.	Draper	Salt Lake County	$26,500,000	2006
Mixed-Use	320 S State St.	Orem	Utah County	$25,120,738	2006
Condos/Commercial Mixed-Use	The Canyons	Summit County	Summit County	$23,439,710	2006
Hotel	1525 N Main St.	Bountiful	Davis County	$22,357,000	2006
Industrial		Provo	Utah County	$21,000,000	2006
County Jail	3075 N Main St.	Spanish Fork	Utah County	$20,386,285	2006
Hospital	3751 W 12600 S	Riverton	Salt Lake County	$80,000,000	2007
Office Bldg.	222 S Main St.	Salt Lake City	Salt Lake County	$79,100,000	2007
REAL Soccer Stadium	1256 S State St.	Sandy	Salt Lake County	$59,645,922	2007
Gas Pipeline	Gas pipeline	Uintah County	Uintah County	$56,010,000	2007
Industrial Bldg.	12633 Rowley Rd.	North Skull Valley	Tooele County	$53,000,000	2007
University Bldg.	BYU	Provo	Utah County	$48,731,000	2007
LDS Temple	11022 S 4000 W	South Jordan	Salt Lake County	$36,000,000	2007
Expand/Remodel Hospital	3584 W 9000 S	West Jordan	Salt Lake County	$31,500,000	2007
Office Bldg.	4700 Daybreak View Pkwy.	South Jordan	Salt Lake County	$27,000,000	2007
Office Bldg.	1050 N Watery Ln.	Brigham City	Box Elder County	$27,000,000	2007
Office Bldg.	5121 S Cottonwood St.	Murray	Salt Lake County	$25,903,602	2007
Commercial Remodel	City Creek Center	Salt Lake City	Salt Lake County	$23,072,175	2007
Commercial Remodel	36 S State St.	Salt Lake City	Salt Lake County	$23,000,000	2007
F&F Hospital	900 Round Valley Dr.	Park City	Summit County	$20,883,657	2007
Office/Warehouse	1862 S 4800 W	Salt Lake City	Salt Lake County	$20,279,000	2007
Wind Turbines		Spanish Fork	Utah County	$20,000,000	2007
City Creek Mixed-Use	99 W South Temple St.	Salt Lake City	Salt Lake County	$90,039,000	2008
City Creek Retail/Apartments	50 S Main St.	Salt Lake City	Salt Lake County	$81,000,000	2008
Talisker Hotel Shell	9100 Marsac Ave.	Park City	Summit County	$55,327,887	2008
Hospital	Ashley Valley Hospital	Vernal	Uintah County	$50,000,000	2008
Oracle Shell	6136 W 10120 S	West Jordan	Salt Lake County	$45,954,820	2008
Office Bldg	114 W Towne Ridge Blvd.	Sandy	Salt Lake County	$33,000,000	2008
Maple Mountain HS	51 N 2550 E	Spanish Fork	Utah County	$32,687,054	2008
Retail/Condos City Creek	45 W South Temple St.	Salt Lake City	Salt Lake County	$27,624,000	2008
Distribution Ctr.	835 W San Jose St.	Ogden	Weber County	$27,475,284	2008
Parking Structure	City Creek Center	Salt Lake City	Salt Lake County	$27,380,000	2008
Retail/Condos City Creek	55 W South Temple St.	Salt Lake City	Salt Lake County	$22,715,000	2008
Commercial Bldg.	5381 S Green St.	Murray	Salt Lake County	$21,422,620	2008
Industrial Bldg. eBay	6614 Crimson View	South Jordan	Salt Lake County	$229,000,000	2009
Retail /Apts. City Creek	51 S Main St.	Salt Lake City	Salt Lake County	$95,500,000	2009
Retail/Residential City Creek	35 E 100 S	Salt Lake City	Salt Lake County	$72,308,000	2009
Retail Shell City Creek	51 S Main St.	Salt Lake City	Salt Lake County	$41,000,000	2009
Retail Bldg. City Creek	50 S Main St.	Salt Lake City	Salt Lake County	$37,900,000	2009
Industrial Bldg.	2264 S 900 W	South Salt Lake	Salt Lake County	$30,000,000	2009
Talisker Int. Finish	9100 Marsac Ave.	Park City	Summit County	$26,885,258	2009
Warehouse/Dist Ctr.	3226 N Sheep Ln.	Erda	Tooele County	$23,444,000	2009
Recreation Center	5350 W Main St.	Herriman	Salt Lake County	$20,641,000	2009

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

The current nonresidential cycle begin in 2002. The expansion or upswing in nonresidential construction lasted for six years, 2002 to 2007, when a peak was established followed by two years of declines. The major permit-authorized projects during this eight-year period are identified in Tables 4 to 6. (Note: Data in Table 5 are in constant dollars while Tables 4 [above, page 3] and 6 are in current dollars.) A major project is defined as a project with a value of at least $20 million. The single largest permit was the eBay data center at $229 million. However the City Creek Center in Salt Lake City, a large mixed-used project, has received eight permits for retail/residential buildings totaling $491 million.

Table 5
Top Ten Nonresidential Permits Issued in Utah Since 2002
(Constant 2009 Dollars)

Project	Permit Value	County	Year Issued
Industrial Bldg. eBay	$229,000,000	Salt Lake	2009
Intermountain Medical Center (shell)	$120,916,513	Salt Lake	2004
City Creek Retail/Residential	$95,500,000	Salt Lake	2009
City Creek Retail/Residential	$82,604,587	Salt Lake	2008
Riverton Hospital	$78,431,373	Salt Lake	2007
Office Bldg. 222 Main Street, SLC	$77,549,020	Salt Lake	2007
City Creek Retail/Residential	$74,311,927	Salt Lake	2008
City Creek Retail/Residential	$72,308,000	Salt Lake	2009
LDS Church History Library	$66,926,316	Salt Lake	2006
REAL Soccer Stadium	$58,476,394	Salt Lake	2007

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

Table 6
Major Permit-Authorized Nonresidential Projects in Salt Lake County by Year
(2002–2009 Projects Over $20 million)

Type of Building	Address	City	Permit Value (Current Dollars)	Year Permit Issued
Office Bldg.	577 S Chipeta Way	Salt Lake City	$26,000,000	2002
Walmart Supercenter	350 W Hope Ave.	Salt Lake City	$19,301,272	2003
F&F Medical Bldg	590 S Wakara Way	Salt Lake City	$19,000,000	2003
Hospital Shell	5121 S Cottonwood St., #C	Murray	$74,326,884	2004
Hospital Shell	5121 S Cottonwood St., #D	Murray	$20,834,412	2004
Remodel LDS Tabernacle	50 W South Temple St.	Salt Lake City	$25,263,722	2005
Megaplex	11400 S Bangerter Hwy.	South Jordan	$20,000,000	2005
LDS Church History Library	15 E North Temple St.	Salt Lake City	$63,580,000	2006
Office Bldg	6440 S Millrock Dr.	Holladay	$29,200,669	2006
LDS Temple	14065 S Canyon Vista Ln.	Draper, UT	$26,500,000	2006
Hospital	3751 W 12600 S	Riverton	$80,000,000	2007
Office Bldg.	222 S Main St.	Salt Lake City	$79,100,000	2007
REAL Soccer Stadium	1256 S State St.	Sandy	$59,645,922	2007
LDS Temple	11022 S 4000 W	South Jordan	$36,000,000	2007
Expand/Remodel Hospital	3584 W 9000 S	West Jordan	$31,500,000	2007
Office Bldg.	4700 Daybreak View Pkwy.	South Jordan	$27,000,000	2007
Office Bldg.	5121 S Cottonwood St.	Murray	$25,903,602	2007
Commercial Remodel	City Creek Center	Salt Lake City	$23,072,175	2007
Remodel Commercial	36 S State St.	Salt Lake City	$23,000,000	2007
Office/Warehouse	1862 S 4800 W	Salt Lake City	$20,279,000	2007
Condos City Creek	99 W South Temple St.	Salt Lake City	$90,039,000	2008
Retail/Apartments City Creek	50 S Main St.	Salt Lake City	$81,000,000	2008
Oracle Shell	6136 W 10120 S	West Jordan	$45,954,820	2008
Office Bldg.	114 W Towne Ridge Blvd.	Sandy	$33,000,000	2008
Retail/Condos City Creek	45 W South Temple St.	Salt Lake City	$27,624,000	2008
Parking Structure	City Creek Center	Salt Lake City	$27,380,000	2008
Retail/Condos City Creek	55 W South Temple St.	Salt Lake City	$22,715,000	2008
Commercial Bldg.	5381 S Green St.	Murray	$21,422,620	2008
Industrial Bldg. eBay	6614 Crimson View	South Jordan	$229,000,000	2009
Retail /Apts. City Creek	51 S Main St.	Salt Lake City	$95,500,000	2009
Retail/Residential City Creek	35 E 100 S	Salt Lake City	$72,308,000	2009
Retail Shell City Creek	51 S Main St.	Salt Lake City	$41,000,000	2009
Retail Bldg. City Creek	50 S Main St.	Salt Lake City	$37,900,000	2009
Industrial Bldg.	2264 S 900 W	South Salt Lake	$30,000,000	2009
Recreation Center	5350 W Main St.	Herriman	$20,641,000	2009

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

Commercial Real Estate Vacancy Rates

Vacancy rates are a key market indicator for the commercial real estate sector. Rising vacancy rates signal the potential for an overbuilt market. Vacancy rates at midyear 2010 for Utah's five major counties indicate high levels of excess capacity (Table 7). The office market is the weakest commercial market. Office vacancy rates range from 14.2 percent in Washington County to 22.0 percent in Weber County. The vacancy rates for industrial and retail space are slightly lower but still in the double digits for four of the five counties. Industrial vacancy rates range from 7.6 percent in Salt Lake County to 16.0 percent in Washington County. In the state's two biggest commercial real estate markets—Salt Lake and Utah counties—vacancy rates for commercial real estate have been increasing over the past three years (Tables 8 and 9). With the loss of 47,000 jobs in the Wasatch Front in 2009, the largest job loss in recent history, vacancy rates are bound to rise through 2010 and 2011. The next two years are shaping up as difficult and extremely competitive years for the commercial real estate sector.

Table 7
Commercial Space Vacancy Rates at Midyear 2010

	Salt Lake	Utah	Davis	Weber	Washington
Office	16.0%	16.5%	17.2%	22.0%	14.2%
Industrial	7.6%	13.9%	8.9%	7.8%	16.0%
Retail	9.3%	13.0%	10.4%	18.0%	12.8%

Source: Commerce CRG.

Table 8
Vacancy Rates for Commercial Property in Salt Lake County

Midyear	Office	Retail	Industrial
2000	8.9%	4.9%	7.4%
2001	12.1%	6.0%	10.2%
2002	17.2%	7.0%	9.0%
2003	16.7%	7.3%	10.5%
2004	15.3%	8.0%	9.6%
2005	10.8%	10.3%	7.3%
2006	10.9%	11.3%	6.4%
2007	10.1%	7.3%	5.4%
2008	11.3%	7.8%	5.6%
2009	13.6%	8.5%	6.9%
2010	16.0%	9.3%	7.6%

Source: Commerce CRG.

Table 9
Vacancy Rates for Commercial Property in Utah County

Midyear	Office	Retail	Industrial
2000	9.9%	8.9%	NA
2001	15.1%	6.8%	8.8%
2002	22.2%	11.4%	13.0%
2003	17.9%	9.2%	12.2%
2004	12.9%	9.0%	11.3%
2005	12.3%	11.2%	9.0%
2006	8.8%	8.5%	3.7%
2007	9.6%	5.0%	2.7%
2008	10.5%	4.3%	3.4%
2009	13.5%	8.0%	8.1%
2010	16.5%	13.0%	13.9%

Source: Commerce CRG.

Employment Conditions and Demand for Commercial Real Estate

The demand for nonresidential buildings is very sensitive to local labor market conditions. The jobs generated by a growing economy lead to demand for additional office and industrial space while the income received by workers drives the demand for additional retail space. The Utah labor market has never been insulated from slow job growth during recessions, but to lose jobs as the state has done in the current recession is very rare and has painful consequences for the nonresidential construction sector. The nonresidential sector has dealt with past imbalances in supply and demand due to slow growth, but adjusting to a reduction in the baseline demand for commercial space, due to the loss of jobs, is new territory for Utah's nonresidential sector.

Table 10
Change in Nonagricultural Employment, 2008–2009

State	Change
Nevada	−9.1%
Arizona	−7.3%
Oregon	−6.2%
California	−6.0%
Idaho	−6.0%
Utah	−4.8%
Colorado	−4.5%
Washington	−4.5%
New Mexico	−4.1%
Wyoming	−4.0%
Montana	−3.7%
US	−4.3%

Source: U.S. Bureau of Labor Statistics.

In 2009 Utah lost jobs at a faster rate than the nation. The number of jobs in Utah declined by 4.8 percent compared with 4.3 percent nationally (Table 10). Utah ranks in the middle of the pack among western states in job loss in 2009; five states doing better and five states doing worse.

All sectors of the Utah economy have experienced job losses, with the exception of health care and government. Hardest hit has been the construction sector with a loss of 24,170 jobs. Most significant for the demand for commercial space and nonresidential construction has been the large losses suffered by the manufacturing, trade and transportation, and professional and business services sectors. These three sectors have had job losses of 16,550, 16,000 and 12,200 respectively (Table 11).

The Utah Department of Workforce Services expects 2010 to be the last year of job losses. The current projection is for a loss of 8,000 job in 2010 followed in 2011 by job growth of 19,300 jobs. In 2011 all sectors of the Utah economy are expected to have job growth, with the exception of mining. Even the construction sector is expected to register growth of 2,800 jobs as the pickup in residential activity offsets the decline in nonresidential construction (Table 12). The modest improvement in Utah's labor market in 2011 will provide the foundation for the beginning of a recovery in nonresidential construction in 2012.

Table 11
Employment Change in Utah, 2008–2010*

Industry Sector	Percent Change	Absolute Change
Construction	−26.7%	−24,170
Manufacturing	−13.2%	−16,550
Trade, Trans., Utilities	−6.4%	−16,000
Professional & Business Services	−7.5%	−12,200
Leisure & Hospitality	−4.2%	−4,800
Financial Activity	−4.7%	−3,450
Mining	−20.0%	−2,500
Information	−6.0%	−1,850
Other Services	−5.1%	−1,800
Government	2.0%	4,300
Health Care Services and Private Education	5.2%	7,600
Total	−5.7%	−71,475

*Based on DWS projections of average employment for 2010.
Source: Utah Department of Workforce Services.

Table 12
Projected Employment Change in Utah, 2010–2011

Industry Sector	2010	2011	Change
Mining	10,000	9,800	−200
Construction	66,300	69,100	2,800
Manufacturing	109,300	111,900	2,600
Trade, Trans. Utilities	232,000	234,600	2,600
Information	28,900	29,200	300
Financial Activity	70,600	70,900	300
Professional & Business Services	150,000	154,000	4,000
Education & Health Services	154,200	157,800	3,600
Leisure & Hospitality	110,000	111,000	1,000
Other Services	33,800	34,800	1,000
Government	216,000	217,300	1,300
Total	1,181,100	1,200,400	19,300

Source: Utah Department of Workforce Services.

Five-Year Projection for Permit-Authorized Nonresidential Construction[2]

The decline in nonresidential construction in Utah will continue through 2011 to $650 million (Table 13). From the peak of 2007 to the trough of 2011 permit-authorized nonresidential valuation will fall by 66 percent. The magnitude of decline is deeper than any of the past contractions. The three previous nonresidential contractions (1980–1983, 1986–1988 and 1998–2001) had peak-to-trough declines of 53 percent, 56 percent and 54 percent, respectively. The projected level of nonresidential construction activity in 2011 will be the lowest in 20 years (Table 14).

Table 13
Projections for Permit-Authorized Nonresidential Construction in Utah
(Millions of Constant 2009 Dollars)

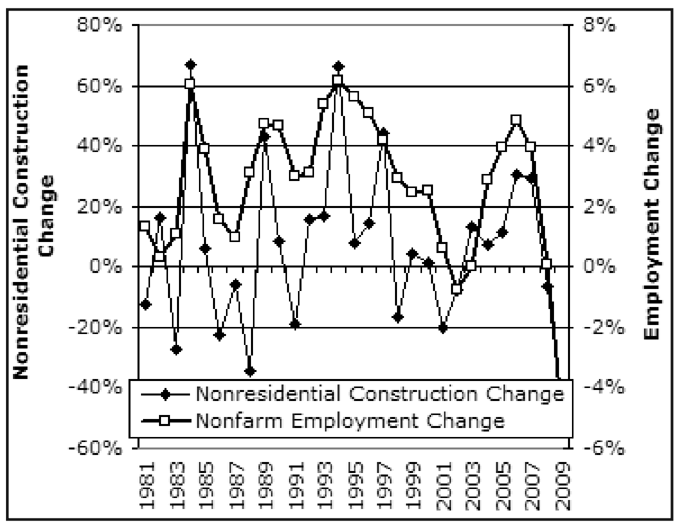
Year	Valuation	Annual Change
2005	$1,366	2.2%
2006	$1,613	18.1%
2007	$1,938	20.1%
2008	$1,705	−12.0%
2009	$990	−41.9%
2010	$775	−21.7%
2011	$650	−16.1%
2012	$800	23.1%
2013	$1,000	25.0%
2014	$1,200	20.0%
2015	$1,500	25.0%

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

Changes in nonresidential construction are closely related to changes in employment. The projected deeper decline for the current contraction is due to large job losses in 2009 and 2010. The loss of over 71,000 jobs will dampen demand for additional office, industrial and retail space over the forecast period. Figure 3 graphically depicts this close relationship between nonresidential construction activity and overall employment.

After 2011 the forecast shows four years of steady increases as total permit-authorized valuation rises from $650 million to $1.5 billion by 2015. Over the four-year period of 2012 through 2015 nonresidential valuation will total $4.5 billion, or an average annual rate of $1.1 billion. This expansion forecast was based, in part, on the two most recent nonresidential construction cycles. In these two cycles the first four years of expansion from the cycle's trough averaged $1.2 billion in new nonresidential valuation annually. By 2015 nonresidential valuation reaches the average valuation for the past decade of $1.5 billion.

Figure 3
Percent Change in Nonresidential Construction Valuation and Nonfarm Employment in Utah



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

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2. While the near-term outlook for the permit-authorized nonresidential sector is pessimistic, nonresidential contractors and workers will benefit from the third largest project in Utah's history. The National Security Administration's data center at Camp Williams, a non-permit-authorized project in Utah County, is projected to have a construction value of $1.5 billion. It is uncertain how much of the total cost of the project will be devoted to construction. Equipment costs are expected to be substantial. Nevertheless, at a minimum hundreds of millions of dollars of construction costs will spread over a three-year period. The project award is scheduled for October 2010. Construction will begin 30 days after contract award. Construction employment for the data center will require several thousand workers. Operational employment for the facility is projected at just a few hundred full-time employees. Both the Intermountain Power Plant in the late 1980s in Millard County and the reconstruction of I-15 in the late 1990s had construction values of over $2 billion in inflation-adjusted dollars. The Micron plant built in Utah County in 1999 was $1.2 billion in inflation-adjusted dollars. The building permit value for City Creek Center now under construction in Salt Lake City has been less, about $500 million.

Table 14
Value of Permit-Authorized Nonresidential Construction for Selected Sectors in Utah, 1970–2010*
(Millions of Constant 2009 Dollars)

Year	Total	Office	Industrial	Retail
1970	$563.1	NA	NA	NA
1971	$702.6	NA	NA	NA
1972	$538.4	$51.7	$139.8	$95.2
1973	$767.2	$72.0	$98.0	$163.8
1974	$762.8	$84.1	$137.9	$104.7
1975	$825.7	$105.9	$109.3	$144.1
1976	$893.0	$129.7	$228.6	$105.0
1977	$1,302.1	$202.2	$414.8	$150.1
1978	$1,269.0	$206.5	$369.2	$178.8
1979	$1,658.3	$296.9	$412.6	$262.1
1980	$1,310.5	$269.1	$352.6	$201.8
1981	$1,045.4	$154.8	$247.4	$182.2
1982	$1,126.7	$215.8	$159.5	$60.7
1983	$780.9	$134.8	$112.4	$151.8
1984	$1,236.9	$308.3	$284.7	$103.8
1985	$1,262.9	$248.5	$170.4	$184.4
1986	$953.1	$120.9	$187.2	$120.9
1987	$866.4	$167.4	$141.5	$124.9
1988	$549.5	$94.7	$116.9	$100.2
1989	$760.9	$199.8	$127.9	$114.8
1990	$797.9	$90.2	$174.9	$163.6
1991	$636.3	$52.0	$86.0	$133.3
1992	$733.8	$104.8	$199.9	$126.5
1993	$838.7	$89.0	$237.1	$90.4
1994	$1,355.4	$200.8	$307.0	$232.6
1995	$1,408.1	$259.6	$348.7	$272.4
1996	$1,568.1	$366.9	$356.5	$215.5
1997	$2,172.6	$344.4	$274.3	$281.3
1998	$1,740.4	$301.7	$273.8	$287.2
1999	$1,744.3	$372.4	$382.3	$199.8
2000	$1,696.2	$297.1	$267.1	$268.9
2001	$992.7	$170.6	$136.1	$186.5
2002	$1,205.7	$247.6	$114.2	$193.8
2003	$1,363.1	$148.6	$489.4	$275.5
2004	$1,384.4	$184.9	$169.7	$270.2
2005	$1,413.1	$254.0	$265.6	$191.0
2006	$1,666.1	$314.2	$309.6	$298.2
2007	$1,998.2	$389.5	$423.5	$261.0
2008	$1,758.5	$228.9	$411.4	$328.1
2009	$990.0	$104.6	$355.9	$123.5
2010*	$430.1	$58.7	$51.9	$51.0

NA: Data not available.
*Through July.
Source: Bureau of Economic and Business Research, University of Utah.

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