

UTAH'S IMPROVING HOME BUILDING SECTOR

While the home building contraction has been devastating for the local industry, Utah has fared better than other western states, and in fact better than the national trend, which shows a 73.4 percent decline, *Table 1*. Among the nine high growth western states Utah ranks best with the smallest decline of 61.8 percent in residential permits as measured from peak year to 2009. Nevada, Arizona and California have all reported declines of over 80 percent since their peak years. If Utah had experienced a similar level of decline, residential construction activity in 2009 would have been 5,000 units rather than the 10,600 units reported.

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Table 1

Percent Change in Building Permits Issued from Peak Year to 2009 (Selected Western States)

State	Percent Change
Nevada	-85.8
Arizona	-84.4
California	-83.7
Colorado	-79.8
Idaho	-75.4
Oregon	-75.2
Washington	-68.3
New Mexico	-67.2
Utah	-61.8
U.S.	-73.4

Source: U.S. Census Bureau.

Home building in most states registered serious losses in 2009. Utah, however, was an exception. The number of residential building permits issued in Utah in 2009 was down only 2.5 percent, less than 300 units. Nationally, residential permits were down 36.8 percent, with the eight other high growth western states all having sizeable reductions in home building activity in 2009. Again, Nevada's home

Table 2
Percent Change in Residential Building Permits Issued For Selected Western States 2008-2009

State	Total Units	Single Family Units
Nevada	-54.6%	-35.9%
Colorado	-50.6%	-33.2%
California	-46.1%	-24.2%
Arizona	-45.8%	-33.5%
Washington	-42.1%	-26.3%
U.S.	-36.8%	-24.4%
Oregon	-34.2%	-24.9%
New Mexico	-23.4%	-20.6%
Idaho	-18.2%	-18.9%
Utah	-2.5%	-4.3%

Source: U.S. Census Bureau.

building industry suffered the largest losses, *Table 2*. Utah's construction numbers in 2009 were helped by continued strength in the multifamily market, particularly apartments, but the single-family market also performed relatively well. Permits for single-family units in Utah were down only 4.3 percent in 2009 compared to 24.4 percent nationally.

In 2009 47 states had greater declines in total residential permit activity than Utah, and in terms of single-family activity 45 states had more serious declines than Utah's 4.3 percent drop, *Tables 3 and 4*.

Since 1975 Utah has experienced four sharp downturns in residential construction. Downturns have lasted four to five years before a trough or bottom is established. Residential construction contractions have never exceeded five years and the decline in permits has never exceeded 70 percent. The most precipitous drop occurred in the 1985-1989 contraction when building permit activity fell 70 percent from a peak of 18,823 units to 5,632 units five years later, *Table 5*.

It looks like the current contraction will be a four year downturn running from 2006 through 2009. Much of the damage for the local home building industry in the current contraction occurred in 2008 when the

Table 3
States Ranked by Percent Decline in Total Residential Permits Issued (2008-2009)

Rank	State	Percent Change
1	New York	-66.4%
2	Delaware	-65.7%
3	Nevada	-54.6%
4	Illinois	-51.6%
5	Colorado	-50.6%
48	Utah	-2.5%
	U.S.	-36.8%

Source: U.S. Census Bureau.

Table 4
States Ranked by Percent Decline in Single-Family Permits Issued (2008-2009)

Rank	State	Percent Change
1	Georgia	-43.8%
2	Wyoming	-40.6%
3	North Carolina	-35.9%
4	Nevada	-35.9%
5	Connecticut	-34.9%
46	Utah	-4.3%
	U.S.	-24.4%

Source: U.S. Census Bureau.

Table 5
Characteristics of Utah Residential Contractions

Contraction	Duration	Decline in Residential Units (Peak to Trough)
1978-1982	5 yrs.	-67% 23,280 units to 7,761 units
1985-1989	5 yrs.	-70% 18,823 units to 5,632 units
1997-2000	4 yrs.	-23% 23,737 units to 18,154 permits
2006-2009	4 yrs.	-63% 28,852 units to 10,500 units

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

number of permits issued dropped by 48 percent, the worst single-year slide for the industry. In terms of severity this contraction is comparable to the 1970 and 1980 downturns, however, for the single-family homebuilder the current contraction is the worst on record. The number of new home permits has fallen by 75 percent, declining from a peak in 2005 of 20,912 units to 5,217 in 2009. The second most severe contraction was the 1978-1982 period when single-family home building fell 73 percent over five years.

Given the comparative stability of Utah's residential construction sector in 2009, and the surprising strength of the first quarter home building numbers, the worst appears to be over for the state's home building industry. The Bureau of Economic and Business Research, David Eccles School of Business, University of Utah reports that the number of permits issued for single-family homes is up 110 percent over the first quarter of 2009, as 1,522 new building permits were issued in the first quarter of 2010.

While new home construction has improved dramatically, the apartment and condominium construction (multifamily sector) has struggled in 2010. Multifamily units are down from 1,220 in the first quarter of 2009 to 560 in the first quarter of 2010. The weakness in the multifamily sector, however, has been more than offset by the strength of the single-family sector. Consequently the total number of permits issued for all residential units (single-family and multifamily) is up 7.1 percent in the first quarter, a total of 2,119 residential permits. For the quarter, the value of new residential construction is up 52 percent to nearly \$400 million, compared to \$258 million a year ago. The beginnings of a home building industry recovery appear to be underway.

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This information is provided compliments of

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