

# Utah Progress

## Utah's Construction Boom: Can The Frantic Build Up Hold Up?

### Salt Lake City Hot On The Heels Of Las Vegas & Phoenix Boom Markets

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If you're looking for a reason why Utah construction companies have been smiling the last 15 years, you'll end up finding a lot more than just one reason. How about 8.8 billion reasons?

Since 1985, that's how much permit-authorized nonresidential construction has occurred in Utah. Nearly \$8.8 billion. Even more amazing is about half of that has transpired in a five-year period from 1994-1998. This incredible percentage increase in nonresidential construction activity has placed Utah third nationally in this category, surpassed only by Oregon and South Carolina.

Salt Lake City, Las Vegas and Phoenix are considered some of the hottest western cities – we're talking new construction, not temperatures.

According to James A. Wood, a senior research analyst for the Bureau of Economic and Business Research at the University of Utah, there are five reasons for Utah's commercial construction boom:

- 1) employment growth
- 2) population growth
- 3) the national economic expansion
- 4) low vacancy rates
- 5) preparation for the 2002 Winter Olympics

"For the most part, these five factors are highly interdependent. The state's population growth is closely associated with employment growth," said Wood. "The one unique and independent factor in Utah's recent nonresidential boom has been preparation for the 2002 Winter Olympics."

Wood points out the Olympics has directly and indirectly resulted in several hundred million dollars of new nonresidential construction activity.

Nonresidential construction includes eight primary sectors: hotels and motels, religious buildings, industrial and warehouse buildings, hospital and medical facilities, office buildings and banks, retail stores and restaurants, public build-

ings, and other nonresidential buildings and structures.

Employment obviously plays a key role in the need for new construction. From 1985 to 1992, total employment of those considered heavy users of office space—services, finance, insurance, real estate and selected government sectors—had an average employment increase of 11,700. This number suddenly surged to more than 21,000 employees, and for the next four years employment increases remained at historically high levels.

It came as no surprise when new office construction abruptly rose in 1994 to meet this need. It jumped from \$49.4 million in 1993 to more than \$114 million in 1994. This annual employment increase held steady through 1998. Office construction hit an all-time high of \$222.7 million in 1996 and had continued to hover around the \$200 million mark.

The steady population growth in Utah has placed increased needs for retail, religious, hospital and public buildings. Utah's population growth rates is the fourth fastest in the nation, behind Nevada, Arizona and Idaho.

Even though there are some signs that economic growth is waning, and thus threatening such sectors as retail, developers are still able to get financial and community backing for various projects. For example, three large retail projects under way—Gateway, Chimney Ridge and the Grand Salt Lake Mall—will add some 2.5 million square feet of retail space.

It's news like this that keeps Utah's construction companies as happy as can be. Many companies find the local economy is so vibrant, they have no time or desire to go out of state for work.

"The economy has been so nice to us the last five, six years that there's been no reason to go out of state," said Robert F. Campbell, Jr., President and CEO of Camco Construction, Inc. "It's a lot more difficult for a contractor to get to know a new territory with contractors and subcontractors, clients, architects, and so on.

"When times are good, everyone

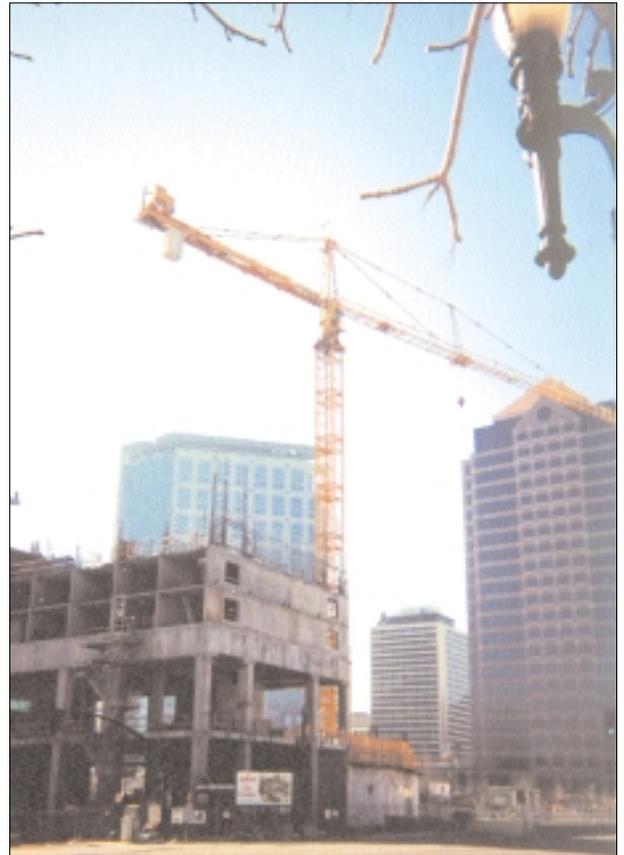


PHOTO BY ERIC BINGHAM

**Construction of the new Marriott Hotel is well under way in downtown Salt Lake City.**

likes to stay close to home," he added.

Alan Rindlisbacher of Layton Construction thinks more prosperous years are yet to come.

"There seems to be a number of projects still available, and the opportunities are still there. The economists in the state talk about pre-Olympic and post-Olympic, and I think we're going to continue to see good strong activity until the Olympics. After that, it becomes a little less certain," said Rindlisbacher.

Yet Rindlisbacher is optimistic good times could continue after the 2002 Olympics, although he's quick to point out the billions of dollars annually during the last several years of nonresidential construction can't last forever.

"I can't see how we can sustain that," he said. Because of this understanding, Layton Construction is continuing to pursue construction projects outside of Utah. Last year the company did \$275 million worth of business. The company employs about 450 in Utah, with an office also in Phoenix.

There is little doubt that this current economic wave has every construction company in Utah enjoying the ride. ☺