

# STRENGTHS

## FOR UTAH BUSINESSES IN 2009

By Geoff Griffin

Economic strengths can be hard to find in the current business climate. Nevertheless, though Utah has not been spared from the national malaise, it has not been hit as hard in certain areas, and in some cases, one could say Utah is not as bad off as other parts of the country. Experts both inside and outside the state say our long-term trends and fundamentals have many positives. Strengths can be hard to find, but there are some very pleasant surprises out there. Consider the following five:

### Downtown's going up

The central business and residential district of Salt Lake City is a relatively small geographic area, but it is having a large impact on the economy. Natalie Gochnour, chief operating officer of the Salt Lake Chamber, reports, "We're currently monitoring 54 projects in a 40-block downtown area." The mix includes everything from office buildings to condos to TRAX extensions to the airport to a Ballet West studio to O.C. Tanner renovating the old Hansen Planetarium building. All of that doesn't even take into account the biggest project of all: City Creek.

"There is a general trend to revitalizing urban cores. Certainly in the West there's been a lot of downtown investment," says Gochnour, referring to a tour she took with Salt Lake City Mayor Ralph Becker recently to Portland, Seattle and

Vancouver. "There's an increased interest in urban living and an appreciation for the importance of downtown to a regional economy. The market is bearing that out in our capital city."

While the forces currently at work in the national economy could affect various projects, Gochnour says, "I haven't heard anything that [would alter] the growth trajectory for downtown."

### If you have to go through a downturn . . .

Now's as good a time as any for the economy to experience turbulence, according to Pamela Perlich, Ph.D., senior research economist at the University of Utah. Utah's demographics have always been unique, and in this case, it turns out that being out-of-sync with the rest of the nation could be an advantage.

Perlich explains that, nationally, the post-war baby boom peaked in 1957 and was followed in the next generation by an echo boom that peaked in 1990. Children born in that year will be graduating high school this spring and heading out into an

economy that isn't producing new jobs. By contrast, Utah's post-war boom lasted until 1960, and was followed by an even larger echo boom that peaked in the early 1980s; that generation is now having kids in even larger numbers. The good news for Utah is that, according to Perlich, "The number of 18-to-24 year-olds will be pretty flat for the next 10 years." That category comprises the people who take many of the newly created jobs in an expanding economy, so "slow labor force growth could be a good thing during a recession." While the rest of the nation will have a glut of young people and few jobs to give them, Utah will have a relatively low demand for new jobs at a time when it can't deliver them.

Though Perlich sees a current freeze on migration into Utah, as well as the general decades-long migration of people from the Rust Belt to the South and West, she predicts, "We'll get back to the main trends after 2009."

### Credit where credit is due

Mark Knold, senior economist for the Utah Department of Workforce Services,

predicts, "It's going to be a very cold year and I don't mean the weather. You just hope you'll find the bottom so we can start over again and rebuild. Hopefully that will come at some point in 2009."

While that assessment might seem grim, Knold sees Utah, which was named the best-managed state in the nation by the Pew Center on States earlier this year, as being in a uniquely strong place to "weather the storm," thanks to the trust the state government has built up among investors. "Utah has a good credit rating, and in this environment it will really step to the forefront," Knold says. That's because, "Generally, in tough times there is a need for a higher level of social services" and people tend to head back to school or leave private school for public school. It all adds up to a bigger government budget. "You're going to end up with revenue shortfalls," Knold predicts, "and you'll need to borrow money to cover the gap." If there's one state that will look good to lenders — it's Utah.

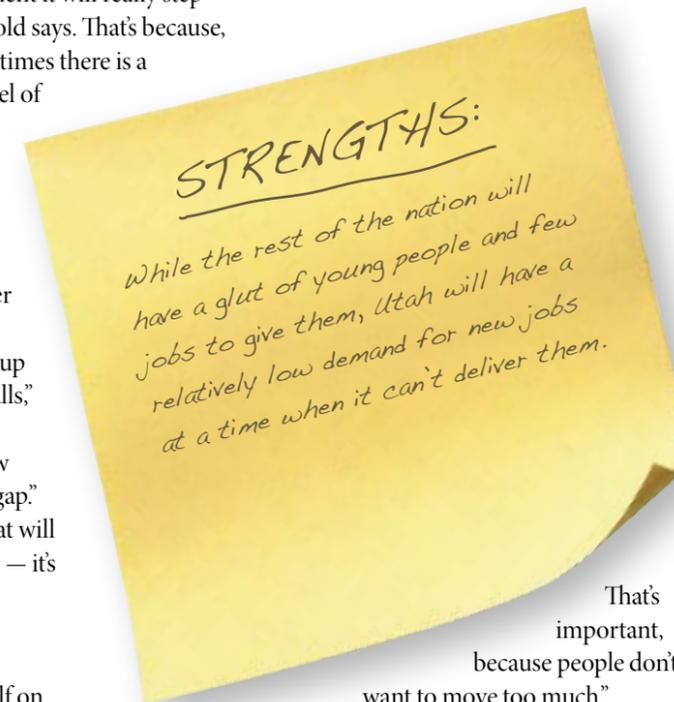
### Tech cluster

Utah prides itself on being a center for high-tech business, and the trend is being noticed outside the state. In 2008, the Milken Institute, a California-based think tank, named Utah the top spot in America for technology concentration and "dynamism," which is measured by the formation of high-tech businesses per 10,000 business establishments.

Kevin Klowden, managing economist for the Milken Institute, says that part of the state's allure lies in Utah having two major research universities spinning off new businesses, proximity between facilities in Salt Lake and Utah County, and businesses and government that provide incentives to attract companies and also secondary operations. "Utah is home to

a lot of companies that have locations elsewhere," says Klowden.

Being a high-tech gathering place has the benefit of building the sort of momentum that brings more highly educated people to the area. "Both Provo and Salt Lake City have become more diverse and more cosmopolitan," says Klowden. "From the standpoint of job creation, it has reached a critical mass where people looking for technology jobs will move there because if you lose your job, you can find another job in that area.



That's important, because people don't want to move too much."

### From China to Mexico to Utah to America

Utah has historically referred to itself as the "Crossroads of the West," but may in the future become "America's Crossroads for the International Economy." A recent study by the Boyd Company of Princeton, N.J., which counsels businesses on site selection, found that the Wasatch Front is the second best spot in the nation (behind Mohave Valley, Ariz.) to set up a distribution warehouse.

John Boyd, the president of the Boyd Company, said Utah did well based on "lower labor costs, lower land acquisition costs, lower property tax rates and lower

power costs." That all translates into "an operating cost profile which is one of the fundamental strengths for Utah. That is very critical now given the recession and the global view of competition. Companies are becoming very cost conscious."

China and other Asian economies are importing products to America through ports in Los Angeles and Long Beach, which Boyd reports are "bursting at the seams." Mexico is planning a port in Baja, Calif., large enough to rival Los Angeles and Long Beach. All of those goods will need to be sent somewhere for sorting and distribution across the land, and it won't be California, which Boyd refers to as "a basket-case in terms of its business climate." Nevertheless, the Golden State is "a market companies still have to serve," due to its size, so it makes sense to have a distribution centers in Western states with access to the national highway system.

"You'll see growth next year and you'll see continued growth," Boyd says of Utah's future as a distribution center. ■

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