POM Real Estate and Economic Development Update

Point of Mountain Development Commission

January 26, 2017

Taylor Mammen, Managing Director

Phase 1

- Best Practices for Growing and Enhancing the 21st Century Economy
- Economic and Demographic Trends
- Long Term Growth Outlook and Development Potential

Defining Innovation

An economy of production and services that is the result of appropriated knowledge, innovation, and entrepreneurship operating within an institutional environment of systems of innovation
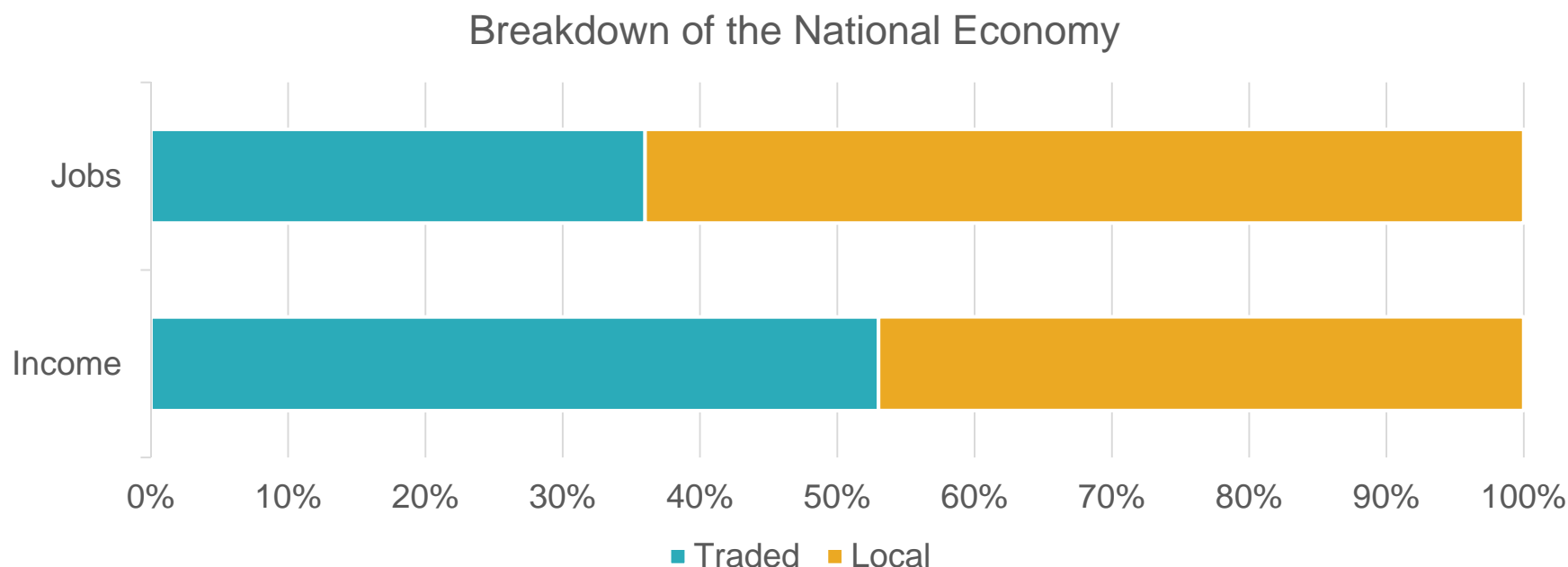
Breakdown of the National Economy

Source: US Cluster Mapping (BLS, US Economic Development Administration, and the Harvard Business School)

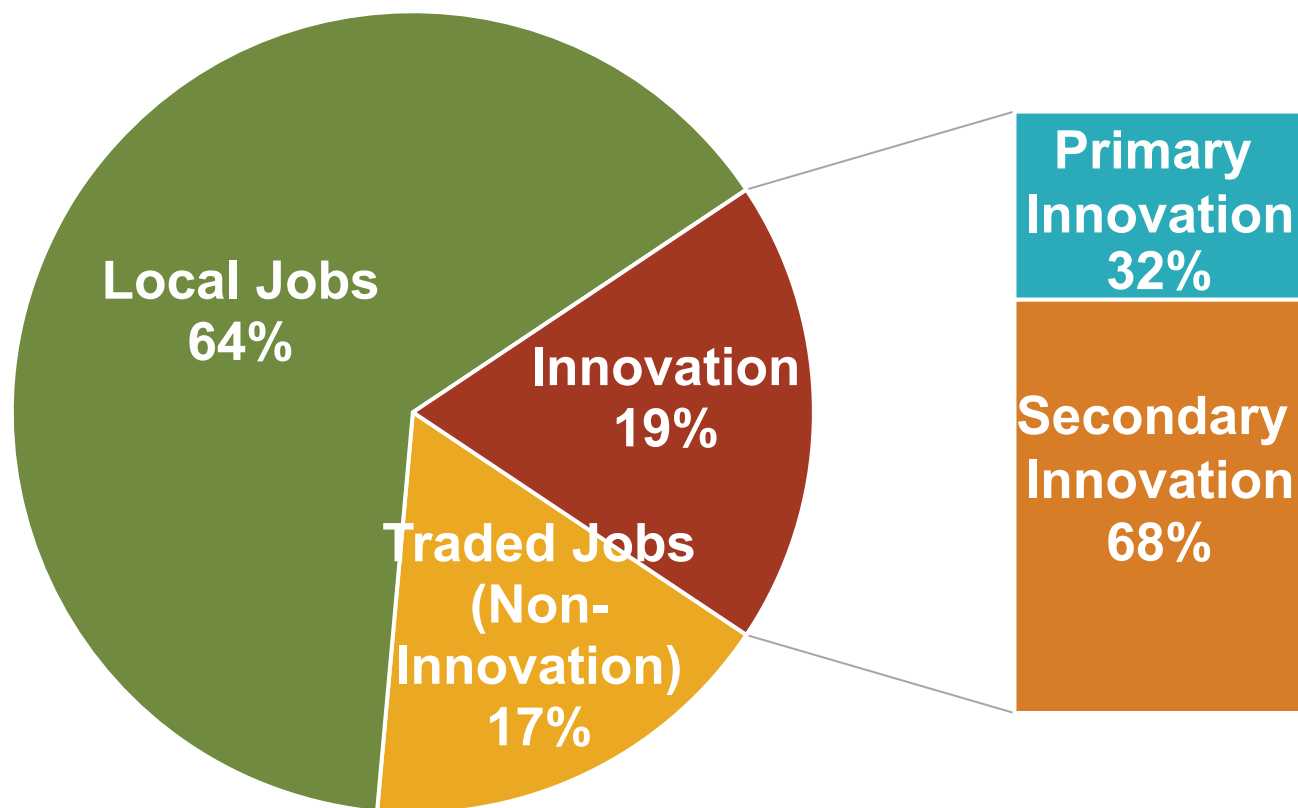# Key sectors in the 21st Century "Innovation Economy:"

Primary Drivers
- Aerospace Vehicles and Defense
- Biopharmaceuticals
- Communications Equipment and Services
- Distribution and Electronic Commerce
- Information Technology and Analytical Instruments
- Medical Devices

Secondary & Supportive Sectors
- Business Services
- Education and Knowledge Creation
- Financial Services
- Marketing, Design, and Publishing

Sources: Pew Research Center, Enrico Moretti (Berkeley Economist), MIT – Future of Work Report, Washington DC 2030 Group, MA Innovation Index Report, IL Innovation Index Report

The innovation sector comprises only 19% of total jobs, yet nearly 40% of all jobs created over the last decade

Pie chart:
- Local Jobs 64%
- Innovation 19%
- Traded Jobs (Non-Innovation) 17%

Breakout of Innovation:
- Primary Innovation 32%
- Secondary Innovation 68%

Source: US Cluster Mapping (BLS, US Economic Development Administration, and the Harvard Business School)

INNOVATION HUBS OF TODAY AND TOMORROW

| #	Top Innovation Hubs	# Sectors LQ > 1.5		% of Jobs in Innovation
		Total	Primary	
1	Bay Area, CA	9	5	36%
2	Washington, DC	4	1	31%
3	Seattle, WA	4	3	30%
4	Boston, MA	6	3	30%
5	**Salt Lake City, UT**	**6**	**4**	**29%**
6	Raleigh/Durham, NC	3	2	28%
7	Minneapolis, MN	5	2	27%
8	Austin, TX	4	3	27%
9	Atlanta, GA	3	2	26%
10	Philadelphia, PA	4	2	26%
11	Denver, CO	4	2	25%
12	New York, NY	5	2	25%
13	Los Angeles, CA	7	6	25%
14	Dallas, TX	5	3	25%
15	San Diego, CA	7	5	25%

Source: US Cluster Mapping (BLS, US Economic Development Administration, and the Harvard Business School), RCLCO

The innovation sector comprises 28% of Wasatch Front jobs; responsible for 49% of job growth over last decade
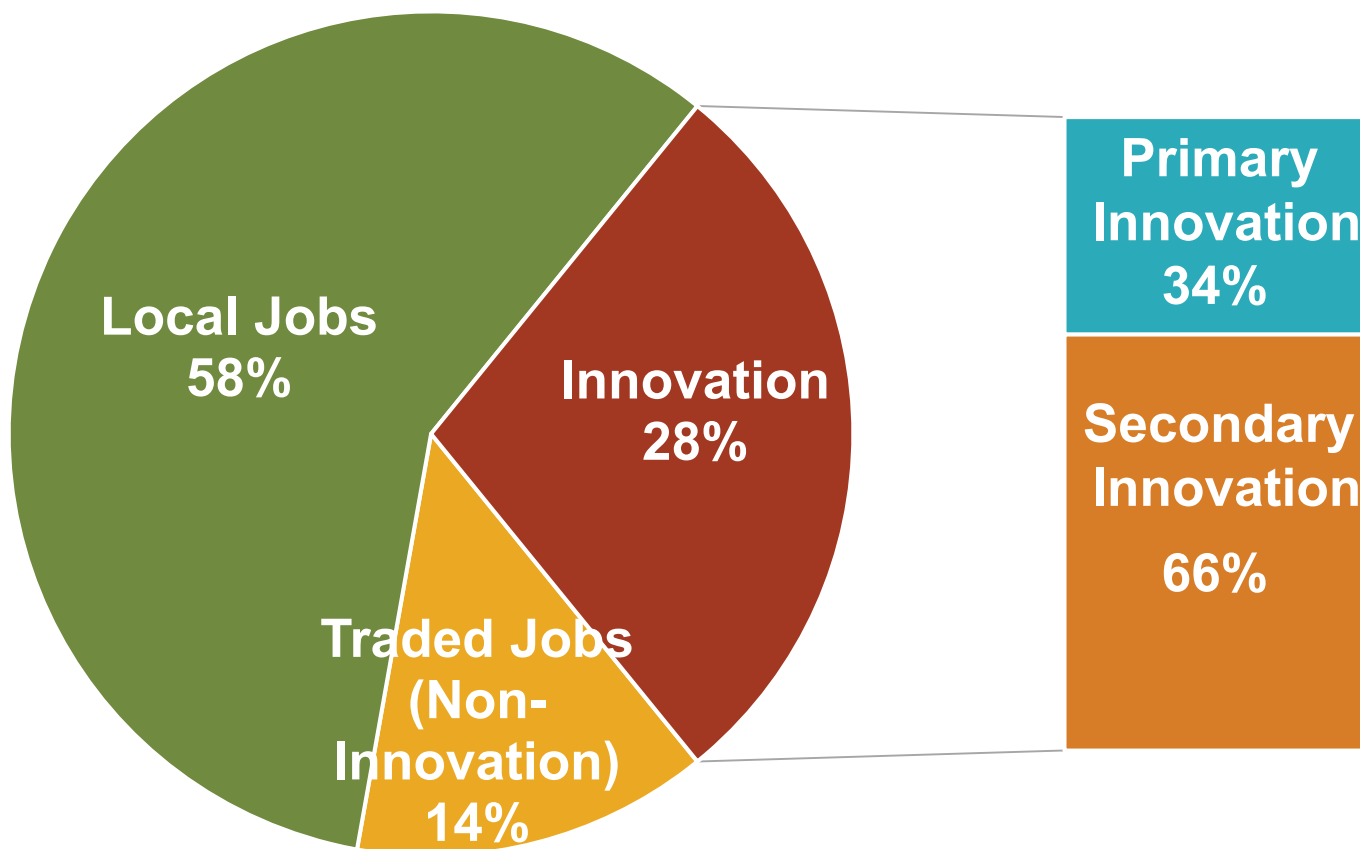
Local Jobs 58%

Innovation 28%

Traded Jobs (Non-Innovation) 14%

Primary Innovation 34%

Secondary Innovation 66%

Source: US Cluster Mapping (BLS, US Economic Development Administration, and the Harvard Business School)

ABSOLUTE AND RELATIVE GROWTH OF WASATCH FRONT TECH SECTORS
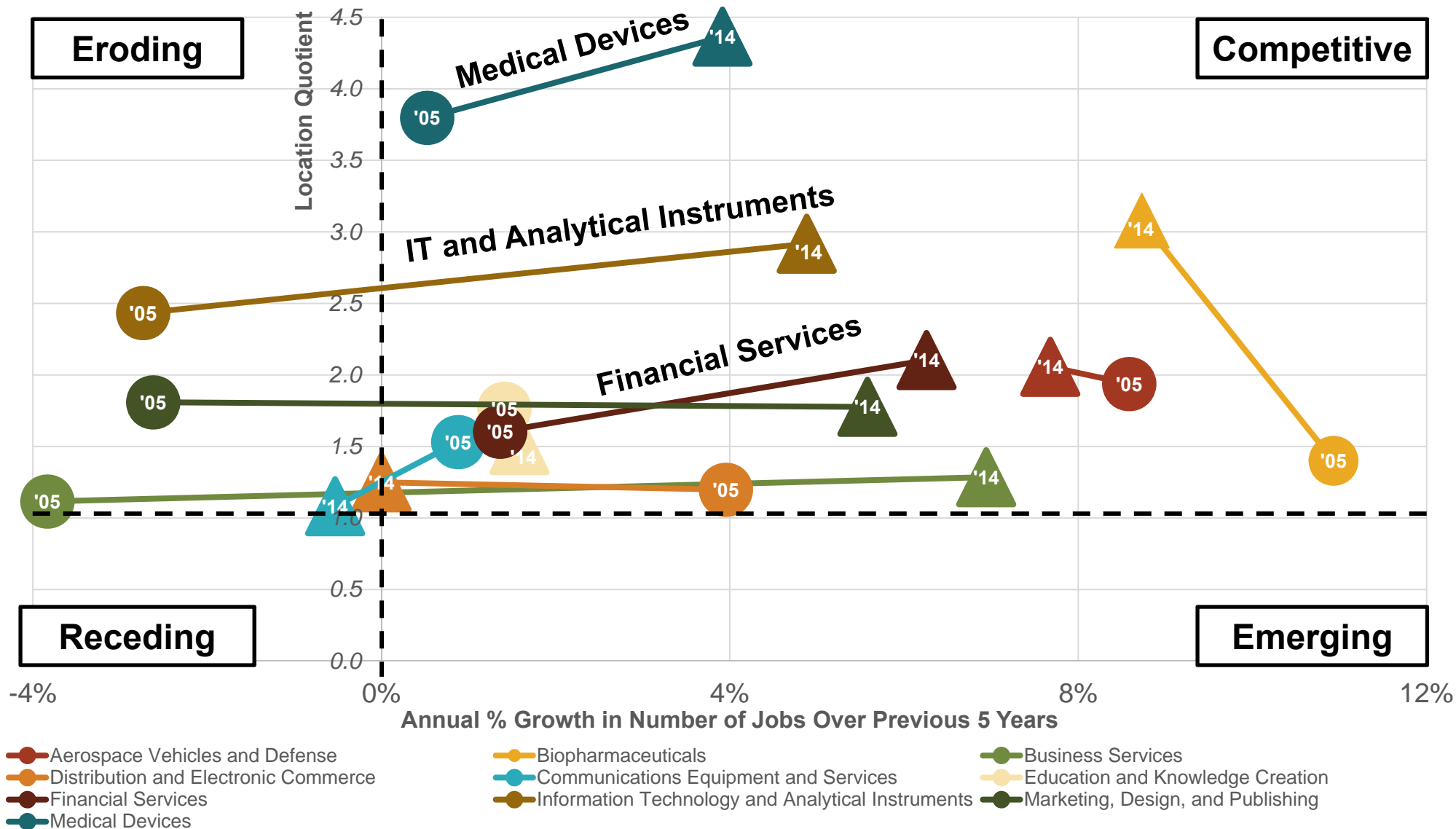
Software publishing most common sub-sector

Innovation Cluster	Sub-Sector	Jobs
IT & Analytical Instruments	Software Publishers	8,336
Business Services	Computer Systems Design Services	5,227
Medical Devices	Surgical and Medical Instrument Manufacturing	5,092
Business Services	Data Processing, Hosting, and Related Services	5,083
Biopharmaceuticals	Pharmaceutical Preparation Manufacturing	4,007

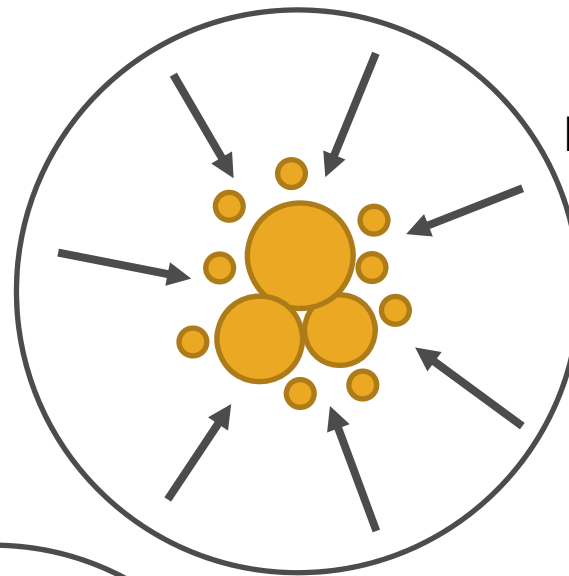**Top 5 sub-sector jobs comprise 10.9% of total innovation employment in the Wasatch Front**

Source: BLS Quarterly Census of Employment and Wages
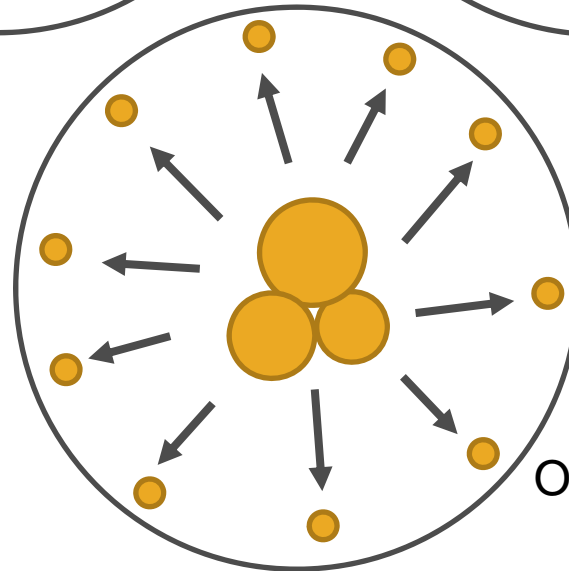
DIFFERENT INNOVATION ECONOMY STAGES

EARLY
Distributed Networks
of Small-Scale
Entrepreneurs
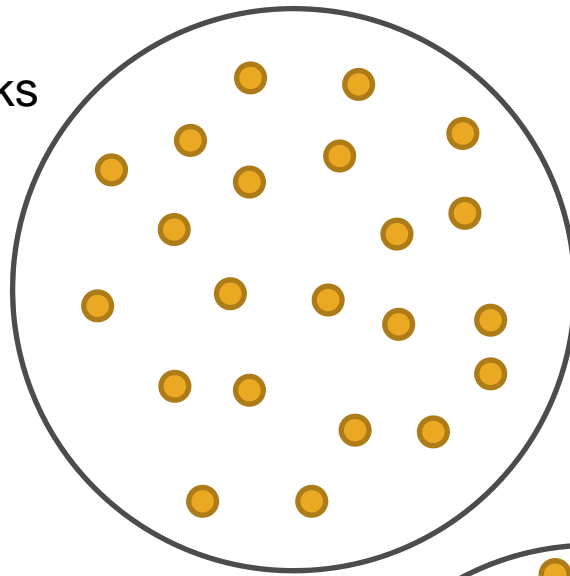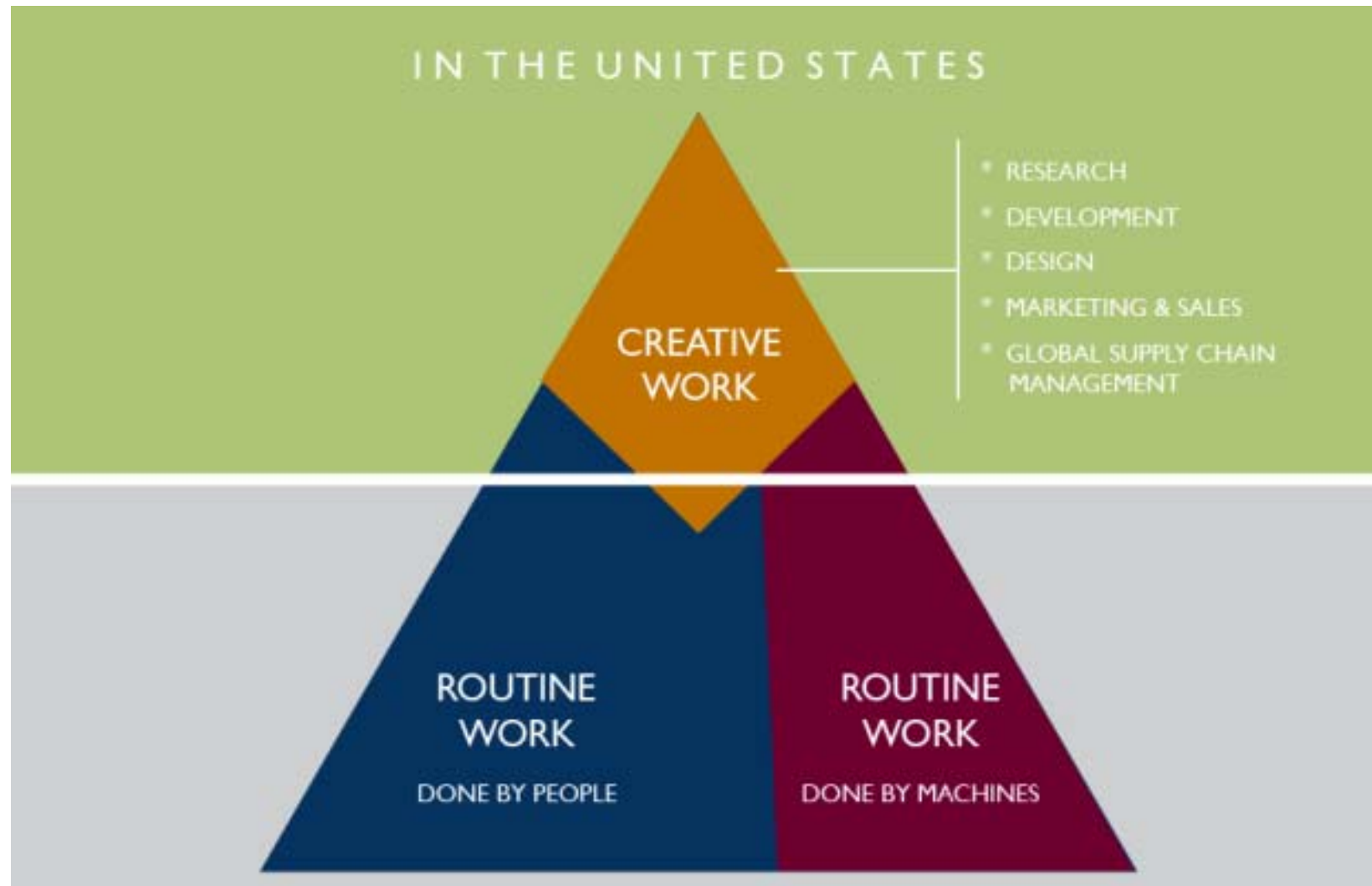
STABLE
Agglomeration of
Industry into Local
Clusters

LATE
Outsourcing of All
Labor Except
Knowledge Work

Source: Enrico Moretti, UC Berkley

IN THE UNITED STATES

CREATIVE WORK

* RESEARCH
* DEVELOPMENT
* DESIGN
* MARKETING & SALES
* GLOBAL SUPPLY CHAIN MANAGEMENT

ROUTINE WORK
DONE BY PEOPLE

ROUTINE WORK
DONE BY MACHINES

Source: National Center on Education and the Economy

IMPORTANT CHARACTERISTICS OF INNOVATION HUBS

1. Thick Labor Markets

2. Research Universities with Connection to Industry

3. Clustering of Large Employers

4. Venture Capital Finance & Support Systems

5. Connection with Other Innovation Centers

6. Diversity of Sectors

ATTRIBUTES OF TOP INNOVATION HUBS

	Thick Labor Markets	Strong Research Universities	Cluster of Innovation Firms	Venture Capital	Connect to Other Hubs	Diversity of Sectors	Great Urban Places	Transportation Alternatives	Affordable Cost of Living
Salt Lake City	x	x	x	x	x	X			X
Bay Area	X	X	X	X	X	X	X		
San Diego	X	X	X	X	X	X			
Boston	X	X		X	X	X	X	X	
Los Angeles	X	X		X	X	X	X		
Minneapolis	X	X			X	X	X		X
New York	X	X		X	X	X	X	X	
Seattle	X		X	X	X	X	X		
Dallas	X		X		X	X			X
Raleigh/Durham		X							X
Washington, DC	X			X	X	X	X	X	
Austin		X			X	X			X

Attraction and Clustering Of Employers:

- Large share of region's development in 2010-2016:

  - **5.2 million SF office** (55% capture of 4 counties development)

  - **4,000 new multifamily** units (19% capture)

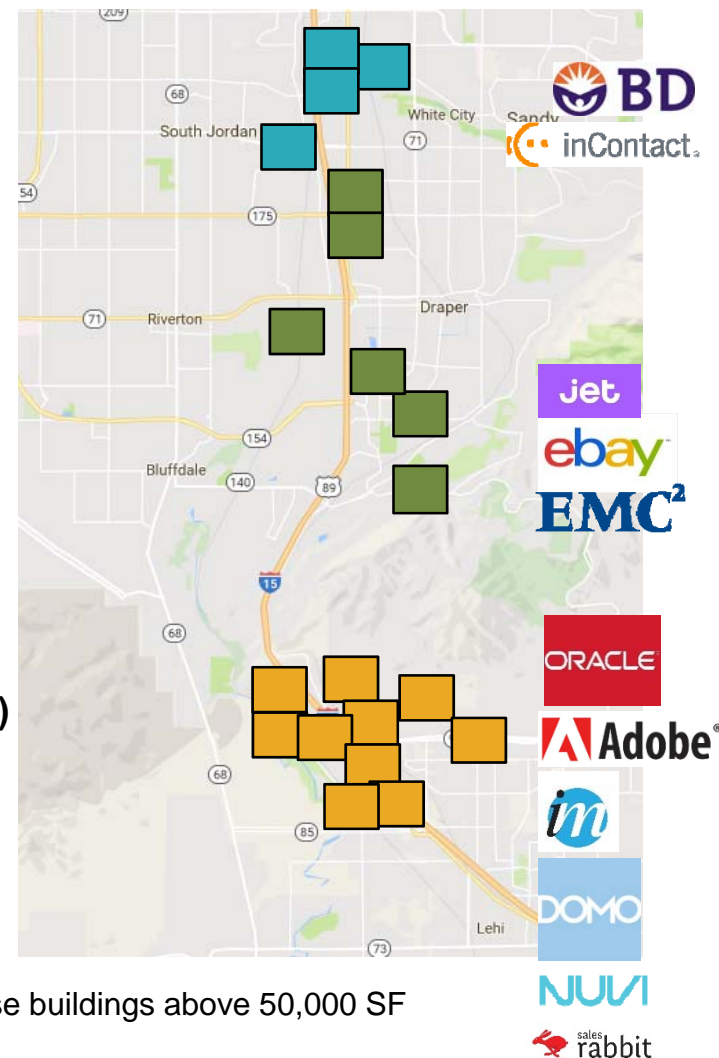 - Average **office rents** have **increased 20%** since 2013

Major Office Development (50k+ SF) Since 2010

Sandy –
735,000 SF   (14%)

Draper –
1.8 Million (34%)

Lehi/Thanksgiving Point –
2.7 Million SF (52%)

NOTE: 55% P.O.M. capture represents capture of all major office buildings, defined as those buildings above 50,000 SF
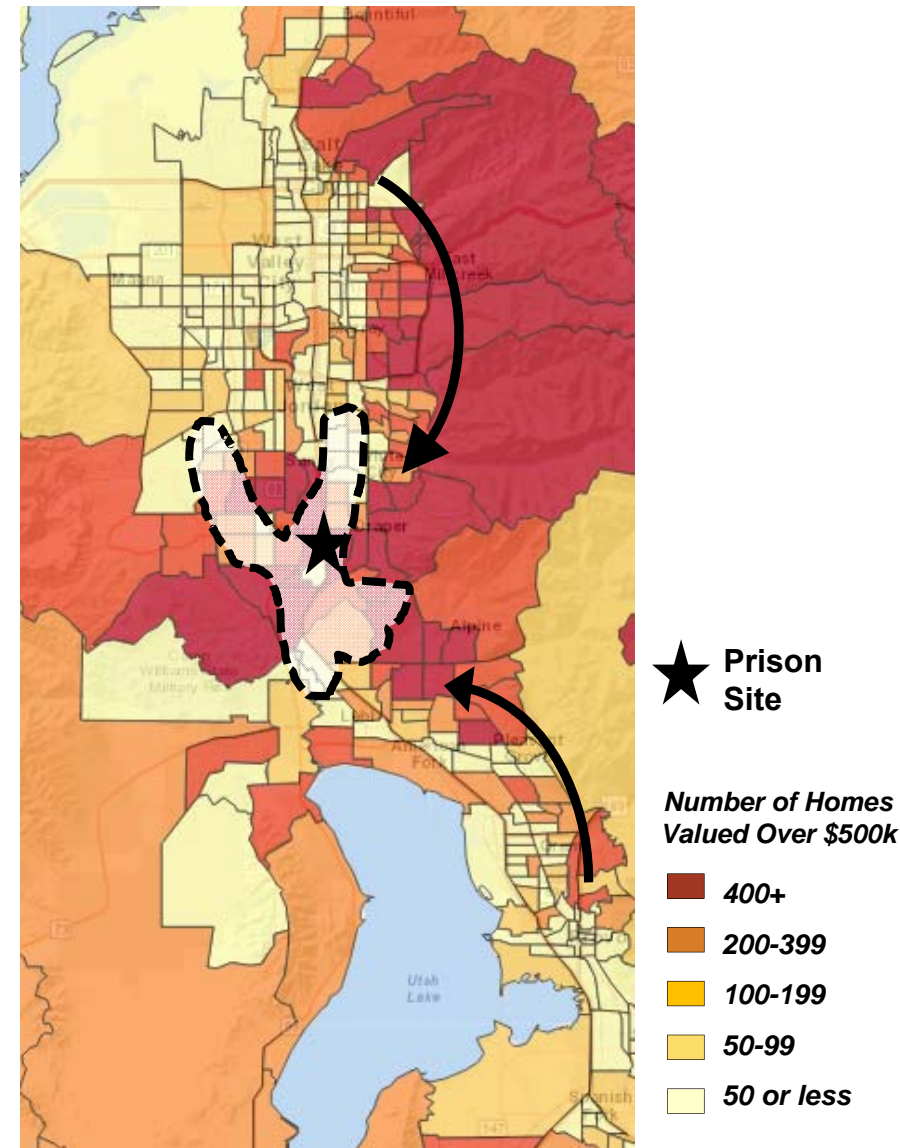Source: CoStar

Intersection of Land & Economy → Catalysts

- Strong research universities or institutions (or national security)
- Large employers

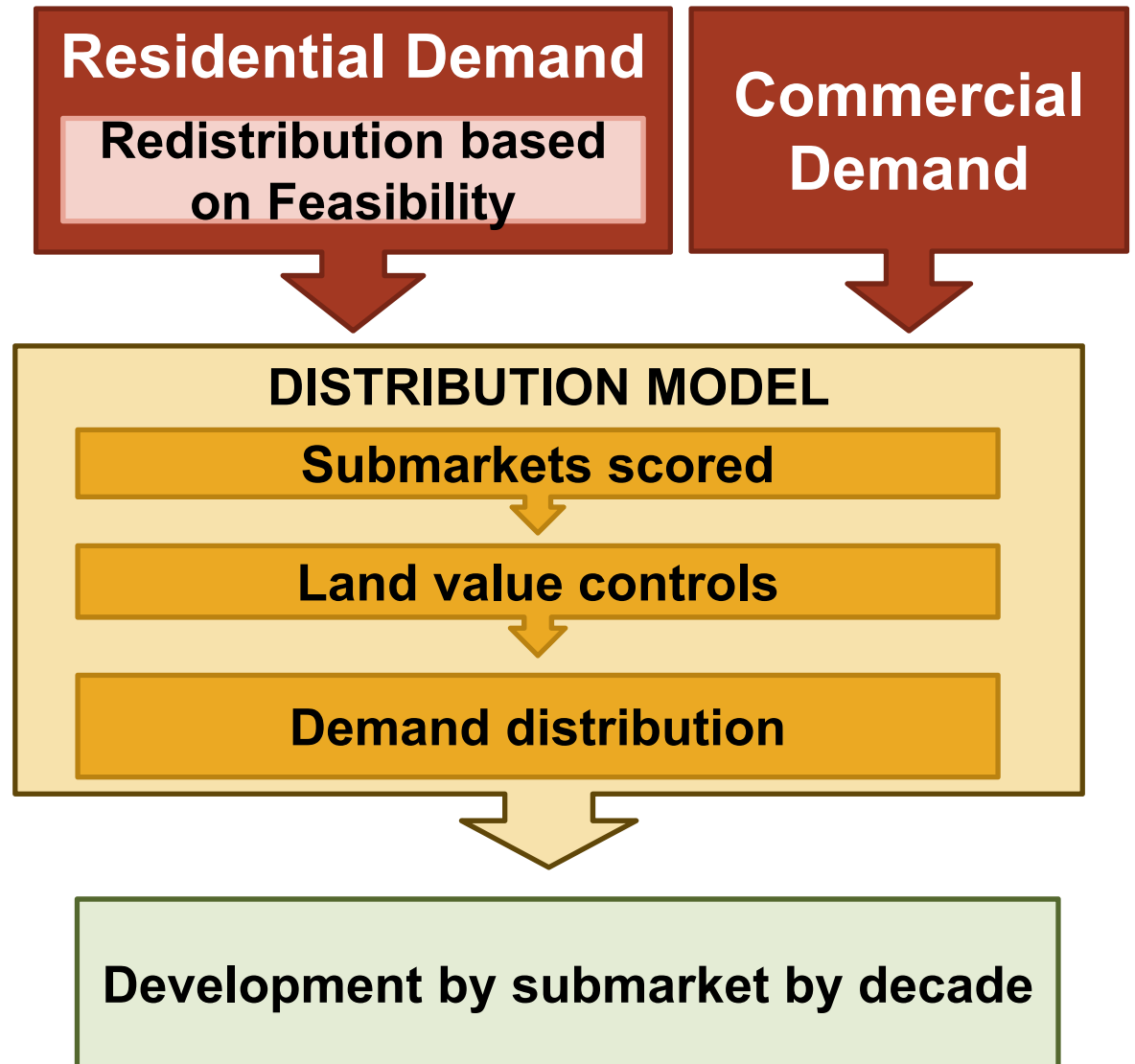# WHY POINT OF THE MOUNTAIN?

Key Factors Driving Development Trends:

- Merging of two desired corridors in Salt Lake and Utah Counties at POM

- Available land

- Intersections of infrastructure

- Access to executive and workforce housing

- Tech sector shifting northward

★ **Prison Site**

Number of Homes Valued Over $500k

- **400+**
- **200-399**
- **100-199**
- **50-99**
- **50 or less**

Forecast Results (2017-2050):

- 612,000 Housing Units
- 38.3 Million SF Office
- 48.0 Million SF Retail
- 23.0 Million SF Industrial (Warehouse & Flex)

Residential Demand

Redistribution based on Feasibility

Commercial Demand

DISTRIBUTION MODEL

Submarkets scored

Land value controls

Demand distribution

Development by submarket by decade

Demographic Shifts:

- Incomes increased significantly in recent years—we need to determine long-term direction

- Homeownership decreasing given demographics and preferences

- Rapid home price and rent appreciation already decreasing affordability (despite income growth)

Real Estate Development:

- Long-term trends and preferences drive more SFD in POM than recent permits suggest

- Downtown SLC getting too much office relative to recent trends

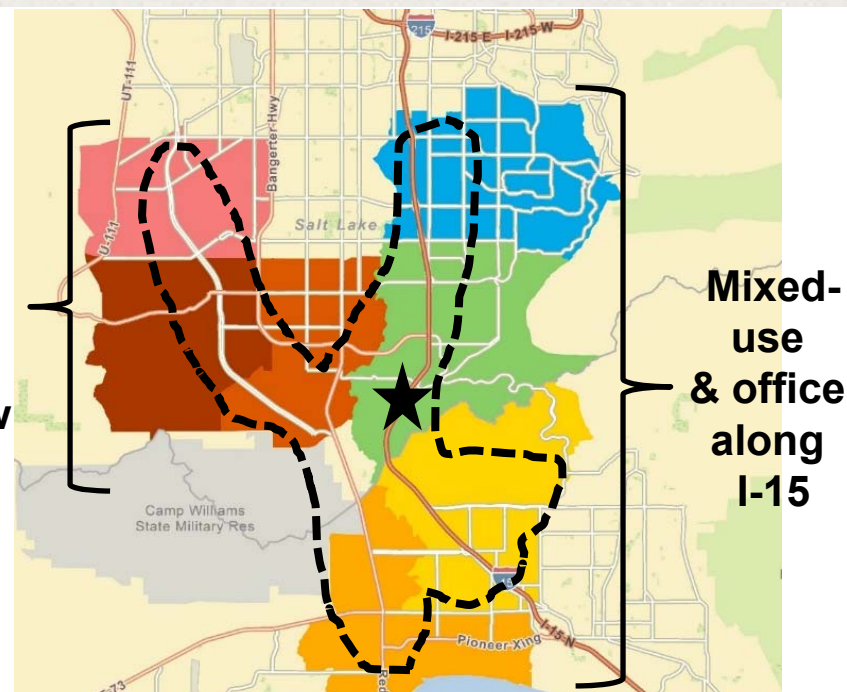# POM AREA CONTAINS MULTIPLE, SEGMENTED SUBMARKETS

Mountainview Corridor

- 🟥 **Daybreak**
- 🟫 **Herriman**
- 🟧 **Riverton/Bluffdale**
- 🟨 **Saratoga Springs/S. Lehi**

I-15 Corridor

- 🟦 **Sandy**
- 🟩 **Draper**
- 🟨 **Thanksgiving Point/Lehi**

Residential & resi.-serving retail along Mountainview Corridor

Mixed-use & office along I-15

⭐ Prison Site

Development Forecast in POM Submarkets 2017-2050	
Mountainview Corridor	**I-15 Corridor**
SFD - 70,000 units	SFD - 34,000 units
TH – 28,000 units	TH – 7,800 units
MF - 38,000 units	MF - 16,000 units
Total Residential – 20,000 acres	**Total Residential – 8,000 acres**
Office – 3.1 Million SF	Office - 6.7 Million SF
Retail – 6.0 Million SF	Retail - 7.1 Million SF
Total Commercial - 900 acres	**Total Commercial – 1,000 acres**

RCLCO

Developable Acres

Mountain View Corridor

Daybreak	5,800 acres	
Herriman	4,400 acres	
Riverton/Bluffdale	2,500 acres	
Saratoga Springs/S. Lehi	11,400 acres	

I-15 Corridor

Sandy	1,000 acres
Draper	5,500 acres
Thanksgiving Point/Lehi	4,000 acres

= 34,500 Developable Acres in POM Submarkets

POM Submarkets

	2017-2020	2021-2030	2031-2040	2041-2050	Total
Housing Units	15,800	62,000	48,000	71,500	197,300
Commercial SF	2.2 M	6.3 M	6.6 M	9.2 M	24.3 M
Acres Developed	**3,200**	**9,900**	**7,400**	**9,400**	**29,900**

Our next steps:

o Update of development forecast to account for last 3 years of growth, new Kem Gardner forecasts

o Develop development scenarios for the POM region, from "baseline" to more "aggressive"

o Develop prison-site development scenarios to evaluate economic and financial implications—building toward a "get it right" case

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