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Finance & Banking



NORTHERN UTAH

ECONOMIC FORECAST

LOOKING AHEAD TO 2017

- “It’s not what you don’t know that gets you into trouble. It’s what you know for sure that just ain’t so.”

-Mark Twain



LOOKING AHEAD TO 2017

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LOOKING AHEAD TO 2017

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- President Trump



LOOKING AHEAD TO 2017

- “It’s not what you don’t know that gets you into trouble. It’s what you know for sure that just ain’t so.”

-Mark Twain

- Cubs
- President Trump
- Strategic plans seem futile in the face of uncertainty, however uncertainty breeds opportunity.



OPERATING ENVIRONMENT

- Higher interest rates, steeper yield curve



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- Potential corporate tax cuts on horizon



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OPERATING ENVIRONMENT

- Higher interest rates, steeper yield curve
- Potential corporate tax cuts on horizon
- Reduced bank regulations
- New opportunities for banking



CONCENTRATION OF POWER

- Free market economy provides prosperity



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- Local community bankers working with business owners
- Dodd-Frank effect on economic power
- Wealth creation, when uniformly applied, defeats free market principles
- Hamilton – well-timed reminder



Smoothed U.S. Recession Probabilities

Observation:
Oct 2016: 0.46 (+ more)
Updated: Jan 3, 2017

Units:
Percent,
Not Seasonally Adjusted

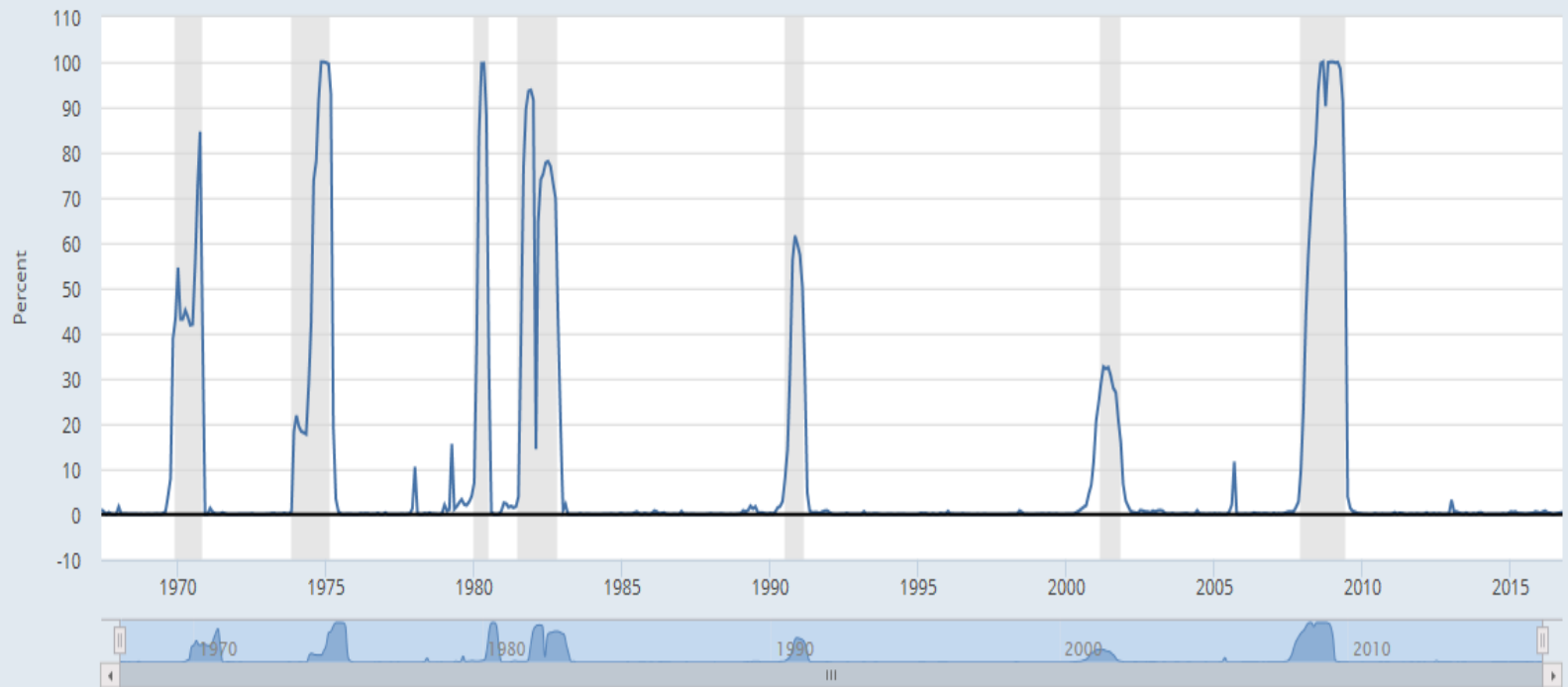
Frequency:
Monthly

1Y | 5Y | 10Y | Max

1967-06-01 to 2016-10-01

EDIT GRAPH

FRED — Smoothed U.S. Recession Probabilities



Shaded areas indicate U.S. recessions

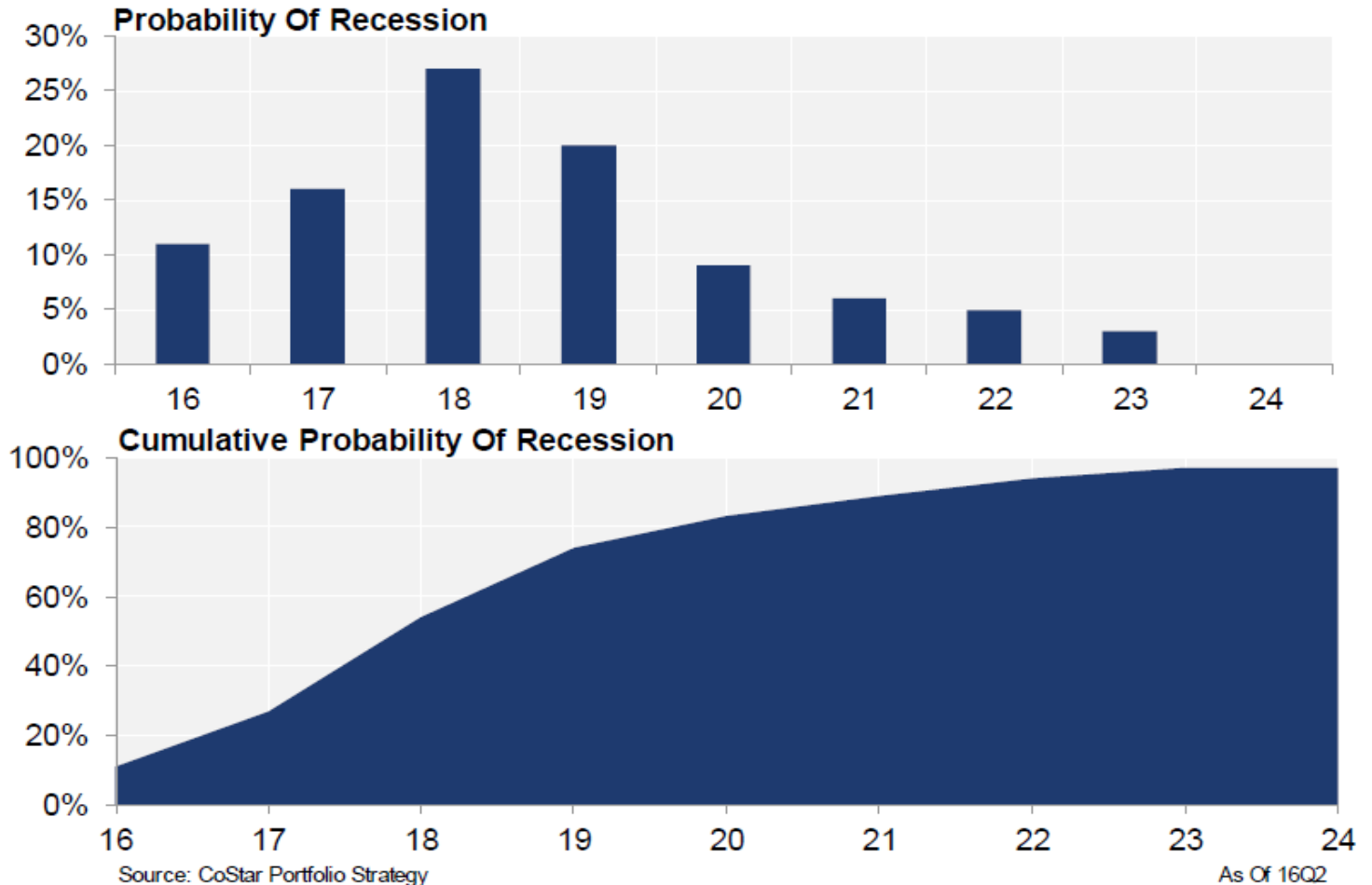
Source: Piger, Jeremy Max, Chauvet, Marcelle

fred.stlouisfed.org



The Clock Is Ticking On This Cycle

Probability of Next Recession Beginning In A Given Year



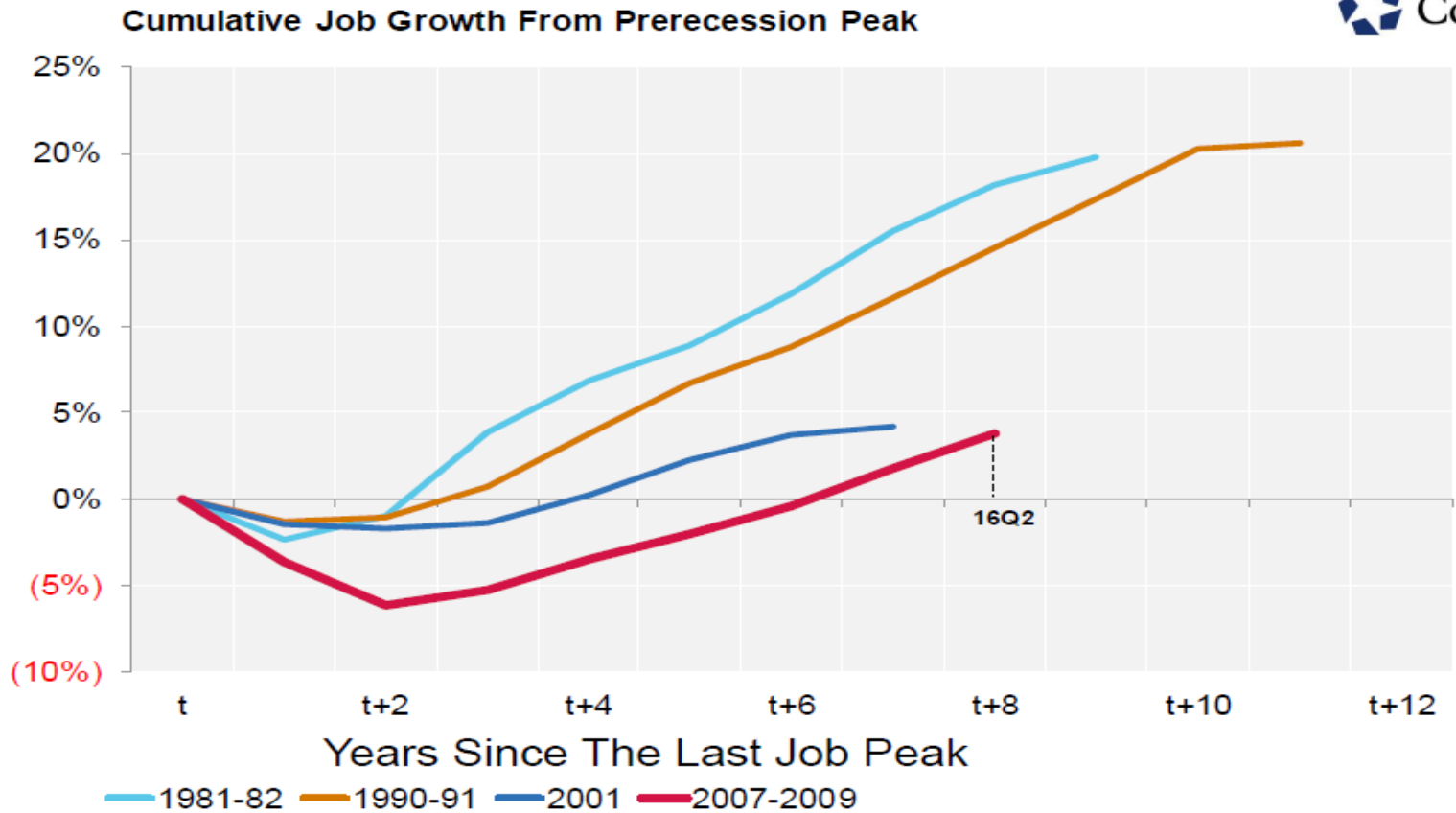
Source: CoStar Portfolio Strategy

As Of 16Q2



What Inning Are We In?

Number Of Years Taken For Job Growth To Reach New Peaks After Recessions



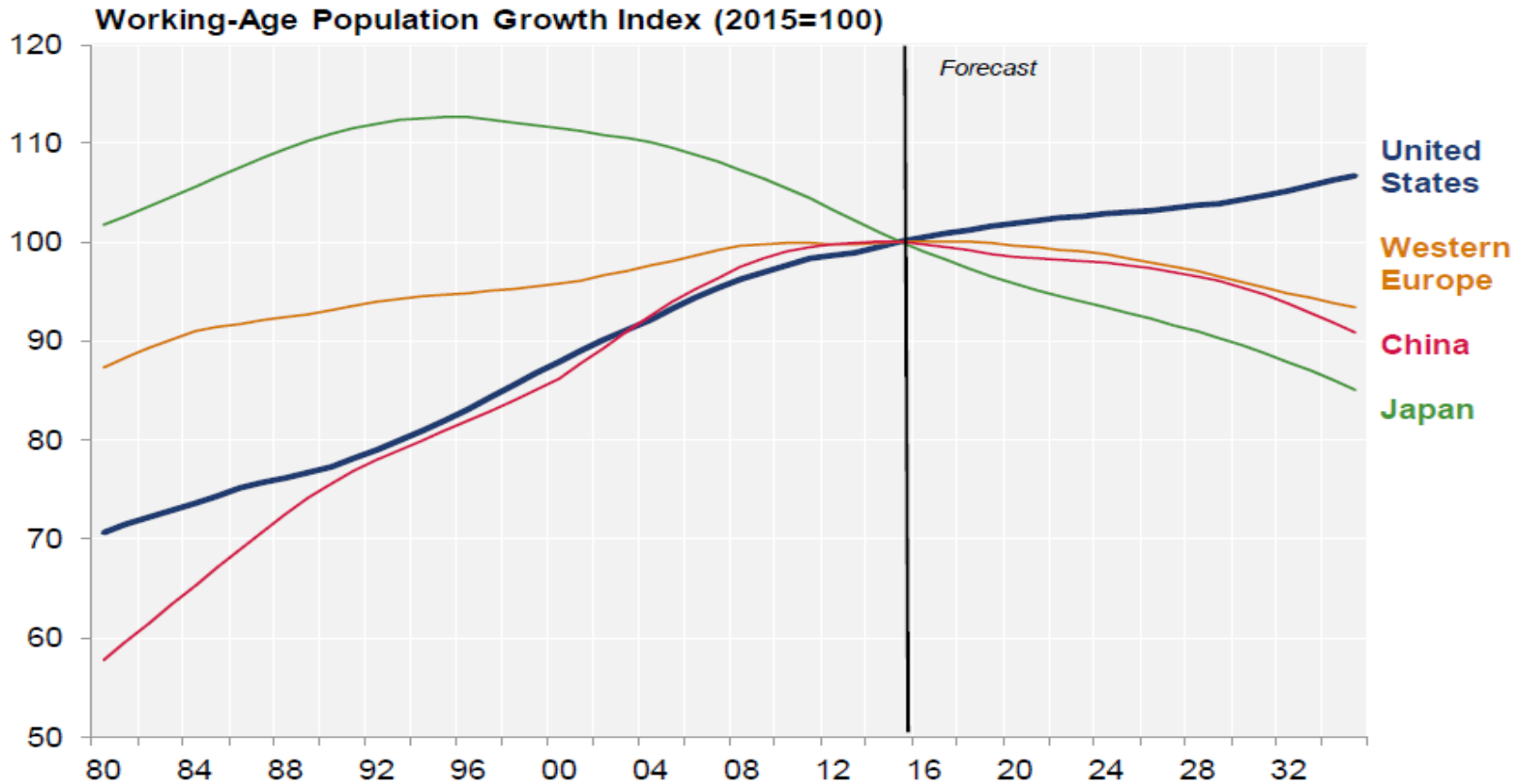
Sources: Moody's Analytics, CoStar Portfolio Strategy

As of 16Q2



U.S. Promises Long-Term Demographic Growth

Growth Of Working-Age Population (Aged 15-64)

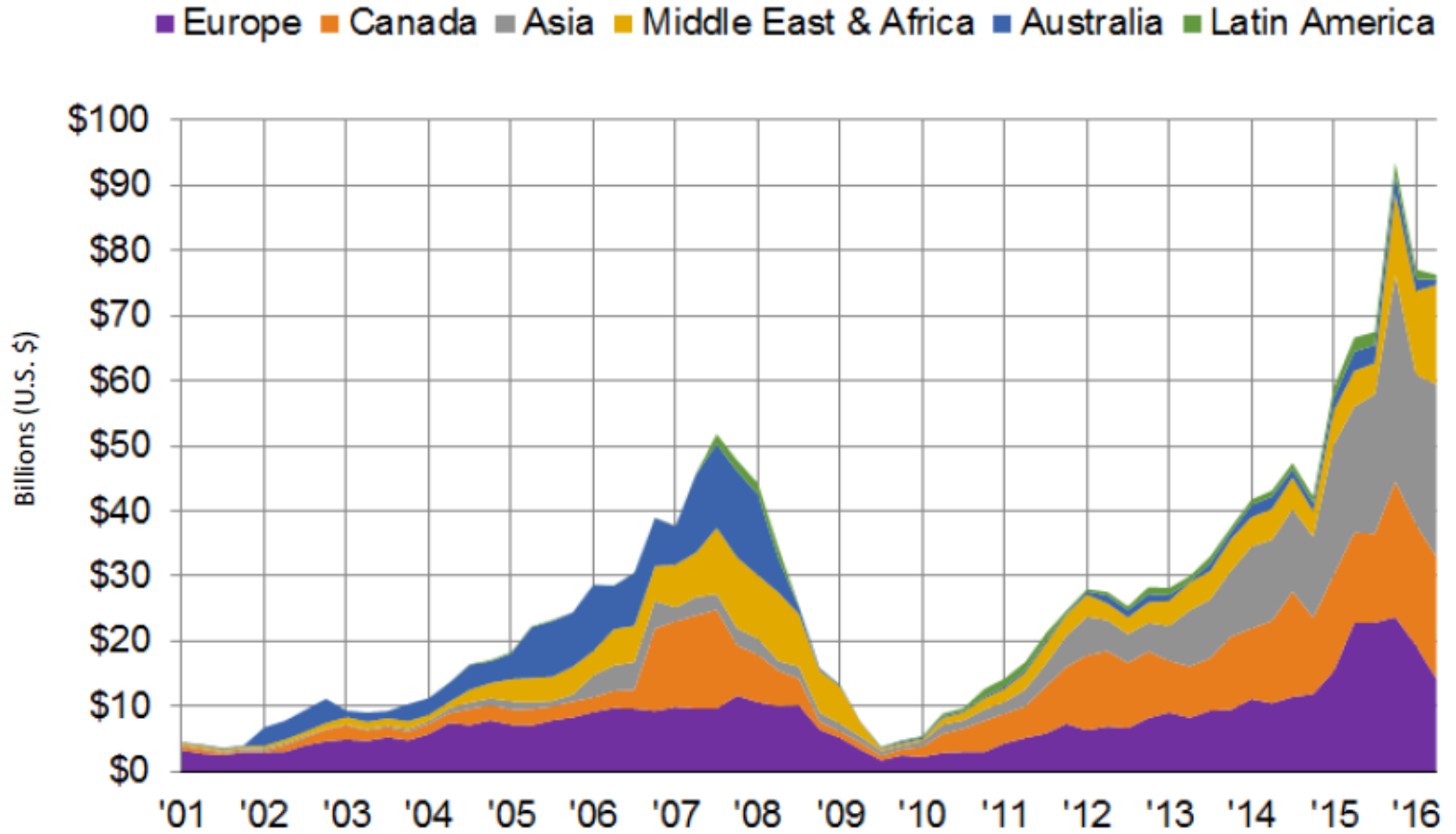


Source: Oxford Economics; CoStar Portfolio Strategy

As of 16Q1



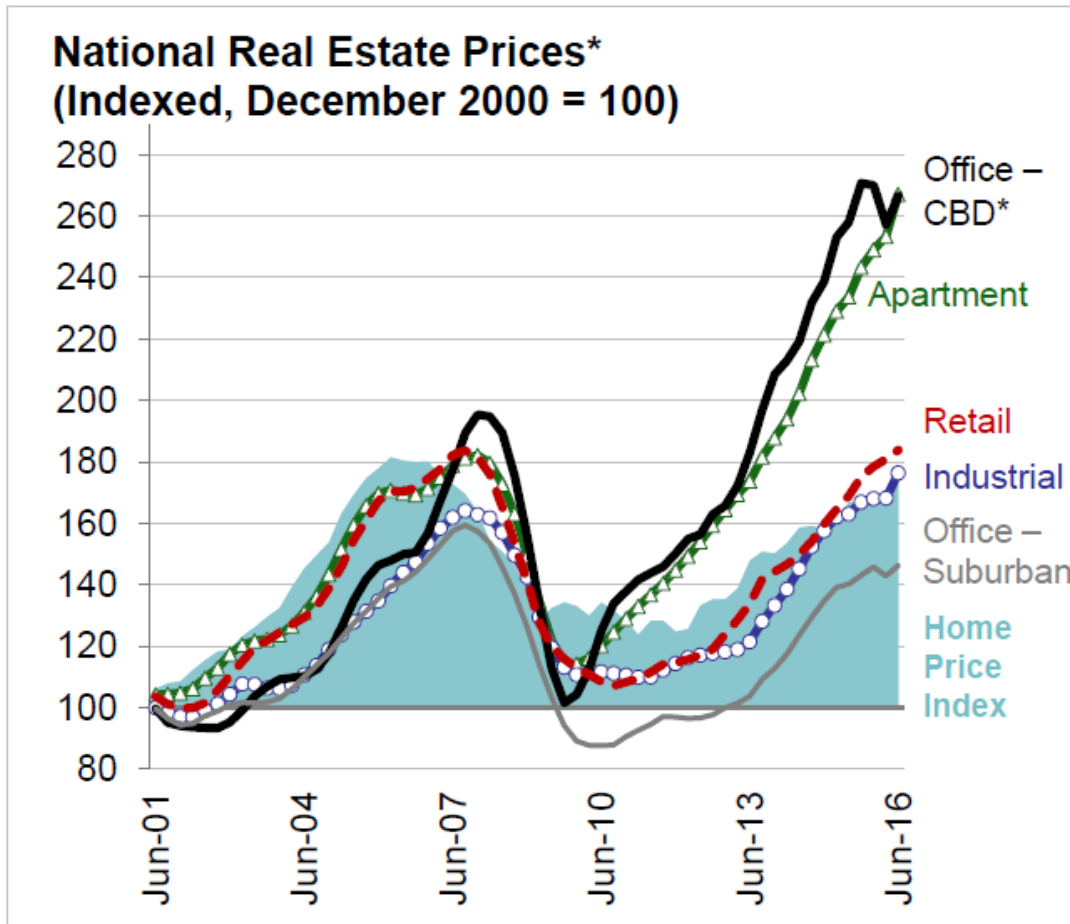
Foreign Capital Invested In U.S. CRE



Source: Real Capital Analytics, Federal Reserve Bank of San Francisco, Data as of 2Q2016
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National CRE Prices

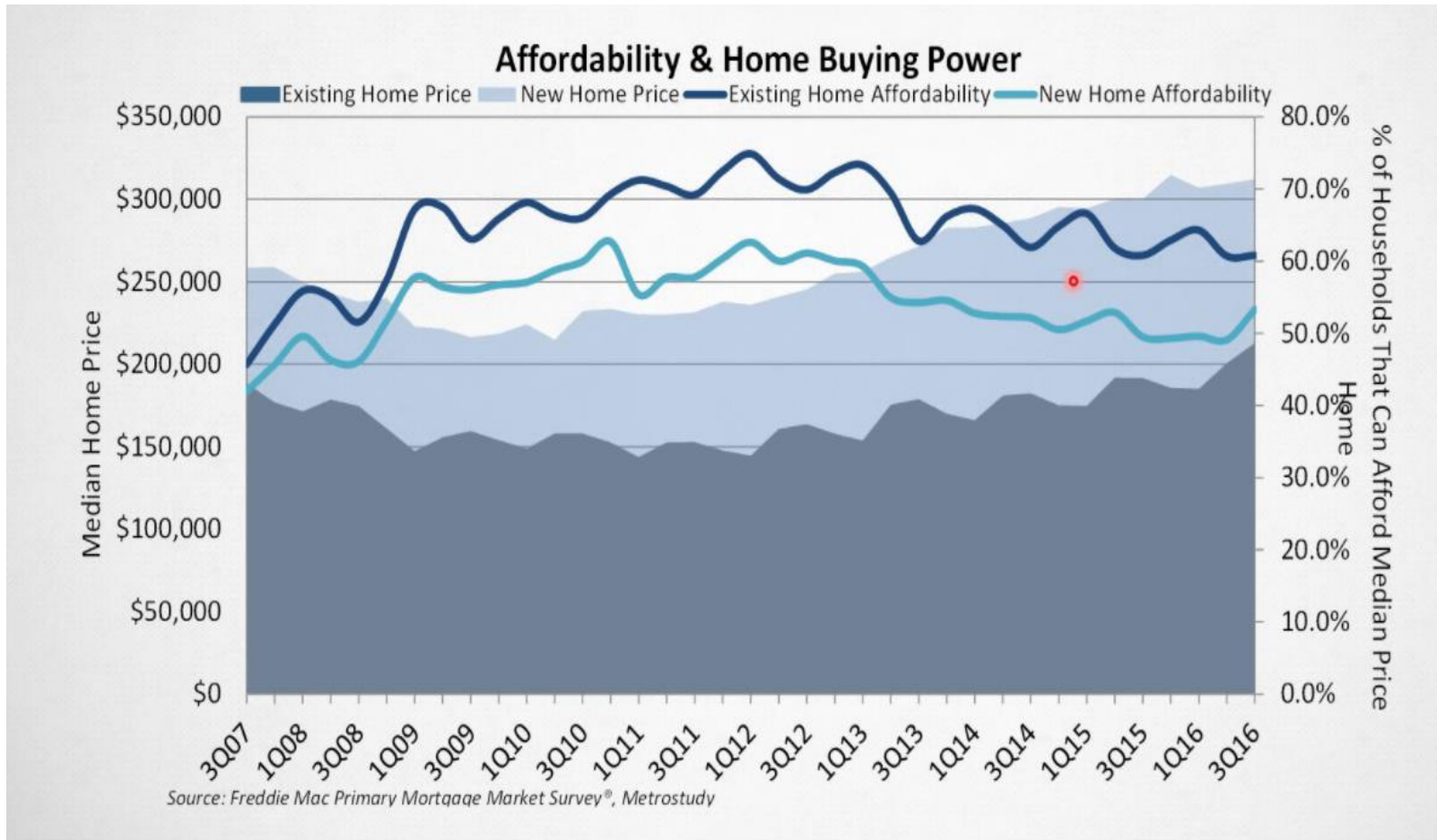


Cumulative Change in National Commercial Property Price Indices		
Property Type	10 Years	5 Years
Apartment	57%	95%
Office - CBD	78%	85%
Retail	8%	65%
Industrial	22%	60%
Office - Suburban	4%	55%
Single-Family	-2%	38%

*Based on repeat sales indices; CBD = central business district (downtown)
Sources: Moody's/Real Capital Analytics (Commercial Property Price Indices), CoreLogic (Home Price Index).



New Home Premium Is High



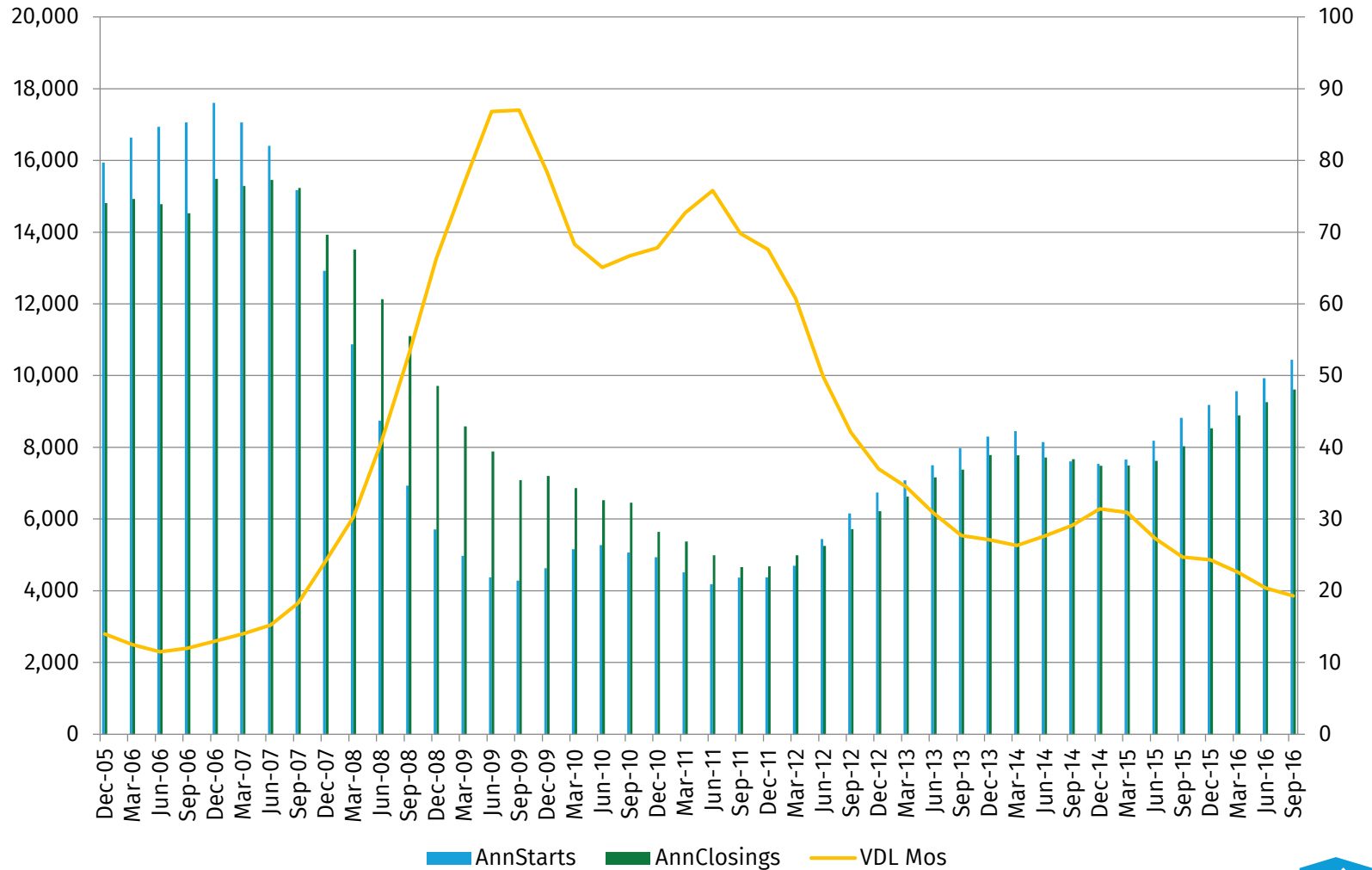
Single Family Data

Prior Three Quarters			Current Quarter	Current Result	Rolling 4 Q Trend Line
Q4 2015	Q1 2016	Q2 2016	Q3 2016		

Single Family	Annual Starts (rolling 12 mo.)	↑	↑	↑	↑	10,442	↑
	Annual Closings (rolling 12 mo.)	↑	↑	↑	↑	9,612	↑
	Closings/Starts	↑	↓	↓	↓		↔
	Vacant Developed Lots MOS	↔	↓	↓	↓	19.3	↓
	Market Cycle	↑	↑	↑	↑		↑



Single Family Data



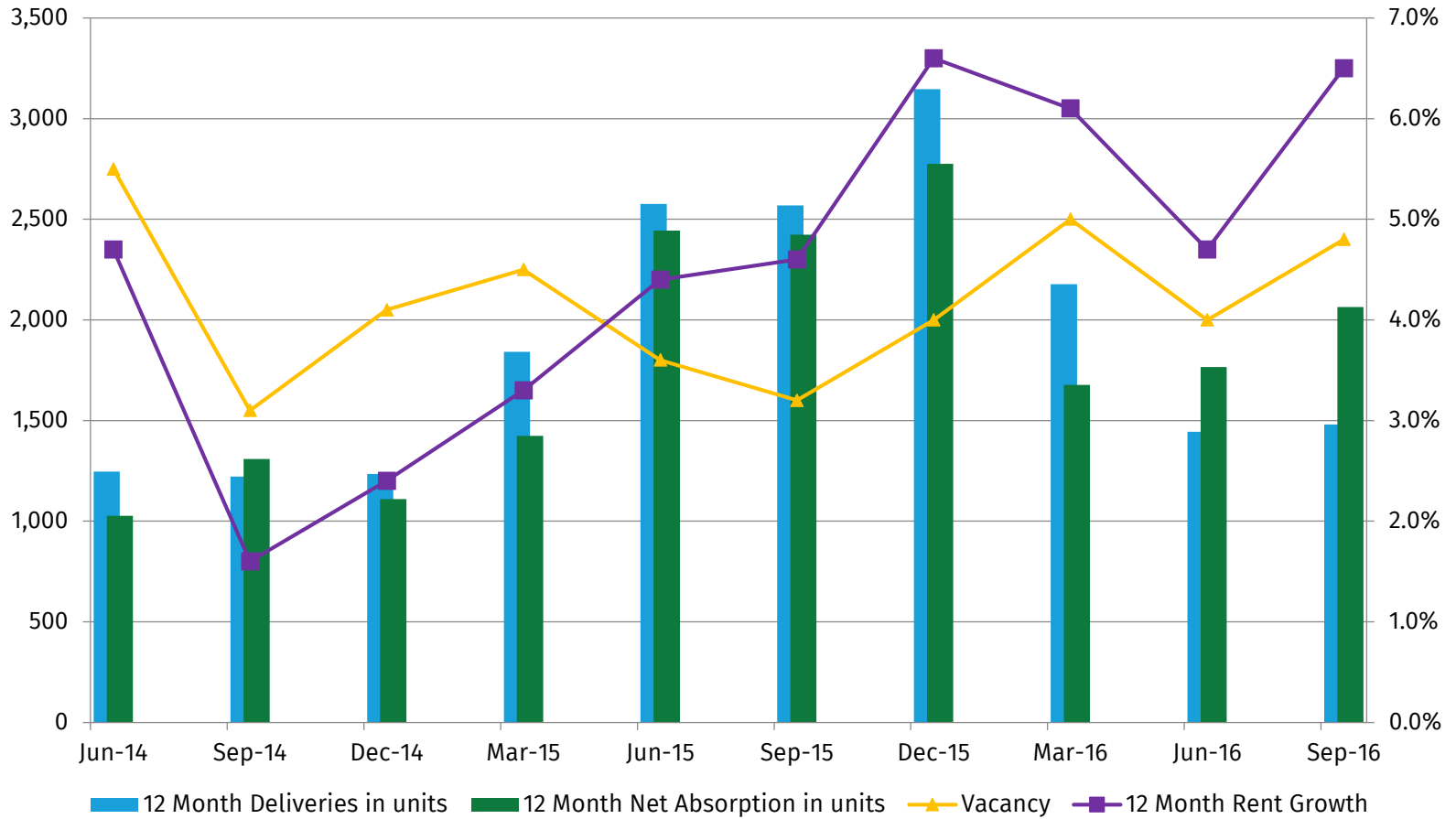
Multifamily Data

Prior Three Quarters			Current Quarter	Current Result	Rolling 4 Q Trend Line
Q4 2015	Q1 2016	Q2 2016	Q3 2016		

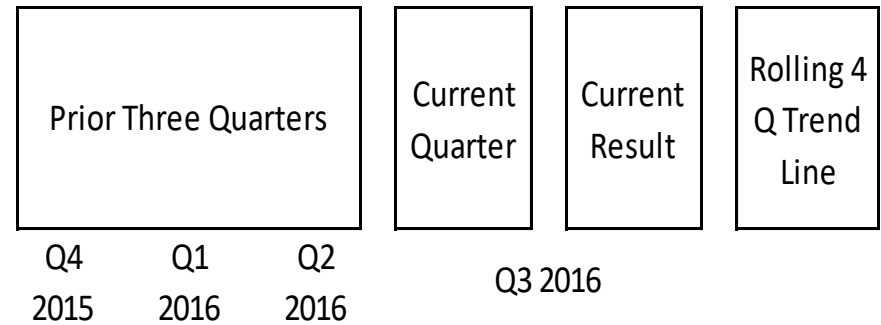
Multifamily	12 mo. Deliveries in units	↑	↓	↓	↔	1,480	↓
	12 mo. Net Absorption in units	↑	↓	↔	↑	2,064	↔
	Absorptions/Deliveries	↓	↓	↑	↑		↔
	Vacancy	↑	↑	↓	↑	4.8%	↑
	12 mo. Rent Growth	↑	↓	↓	↑	6.5%	↔
	Market Cycle	↑	↓	↔	↑		↓



Multifamily Data



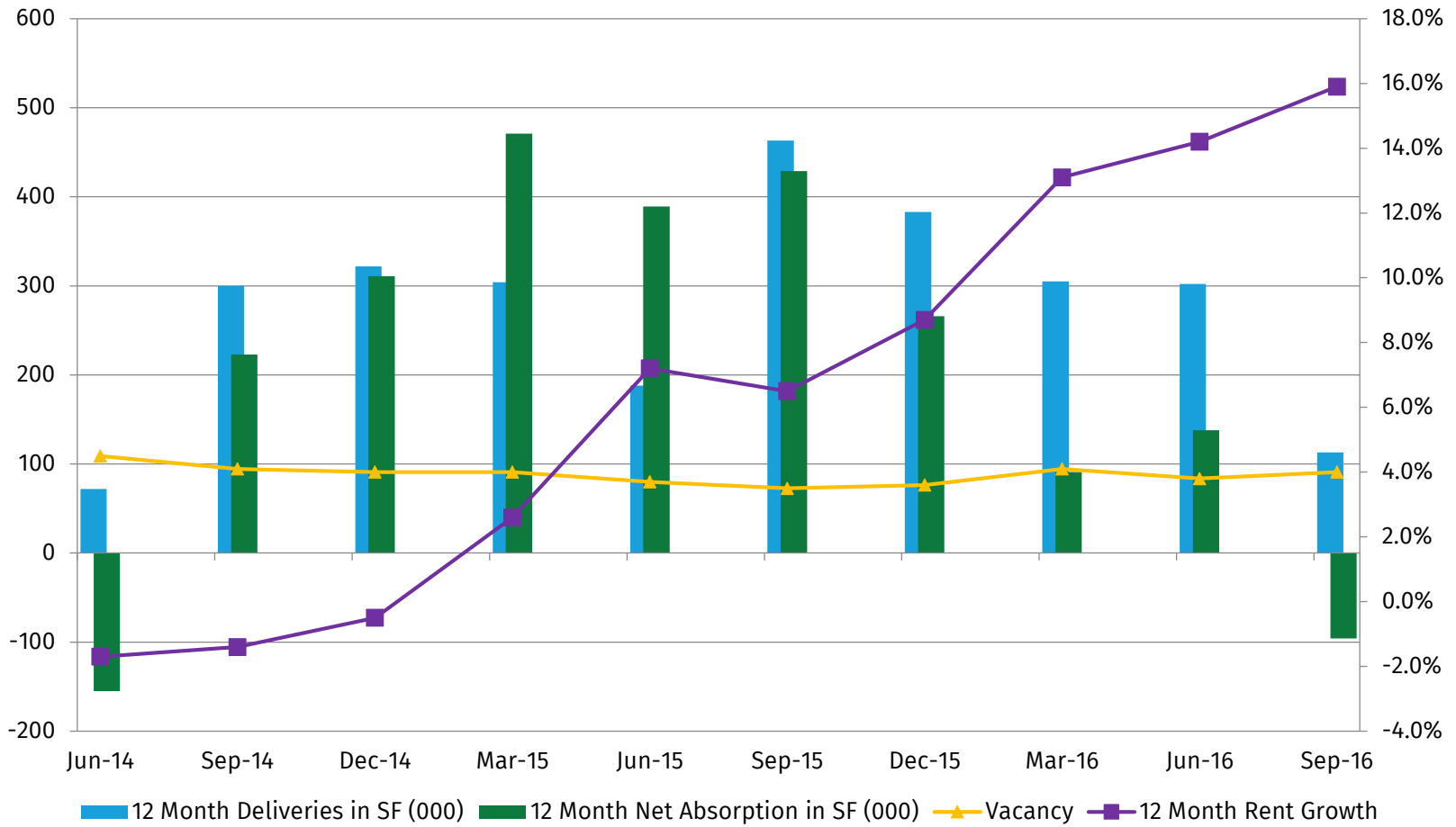
Retail Data



	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Current Result	Rolling 4 Q Trend Line
12 mo. Deliveries in SF (000)	↓	↓	↔	↓	113	↓
12 mo. Net Absorption in SF (000)	↓	↓	↑	↓	-96	↓
Absorption/Deliveries	↓	↓	↓	↓		↓
Vacancy	↔	↔	↔	↔	4.0%	↔
12 mo. Rent Growth	↑	↑	↑	↑	15.9%	↑
Market Cycle	↔	↓	↔	↔		↓



Retail Data



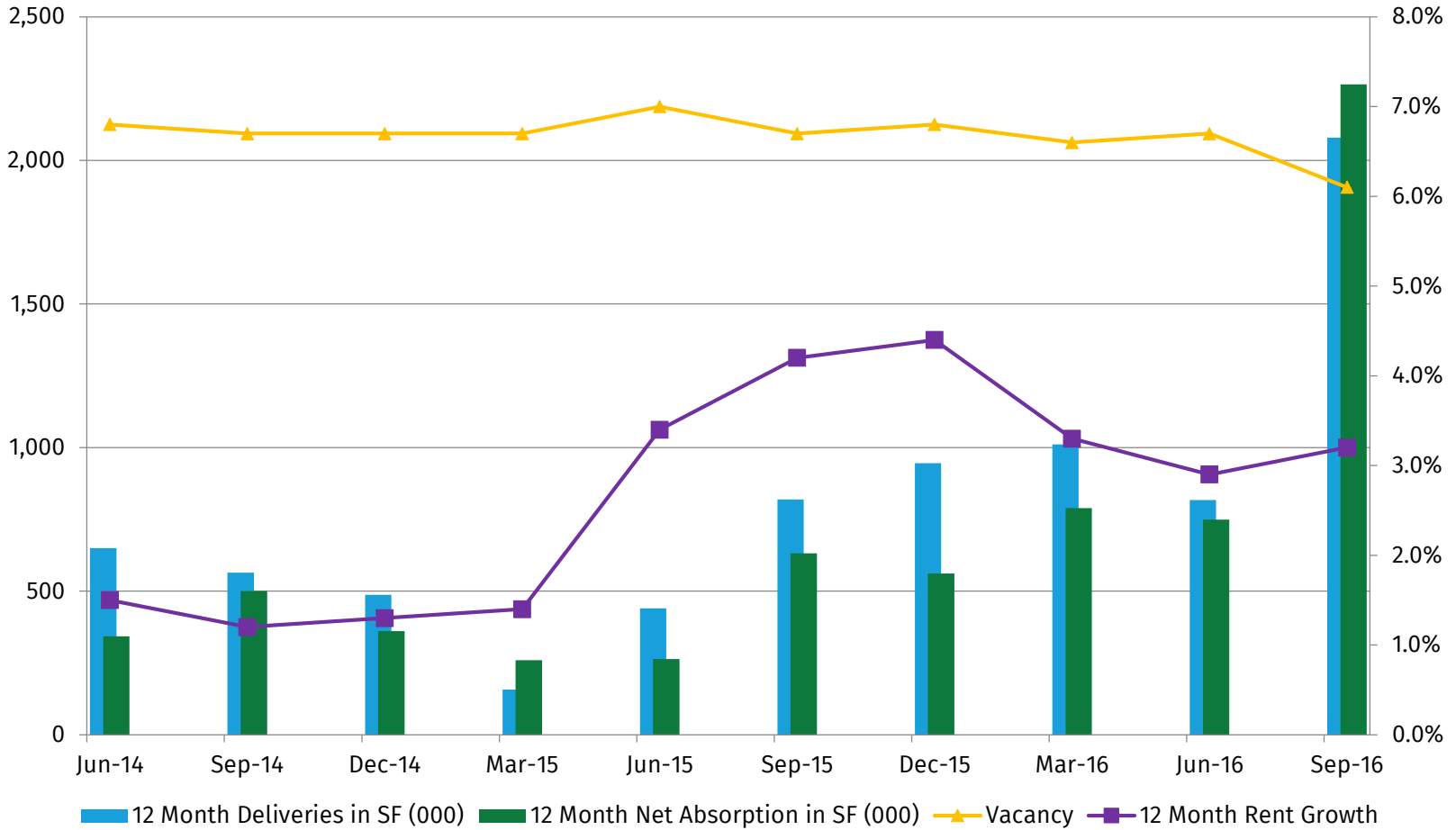
Office Data

Prior Three Quarters			Current Quarter	Current Result	Rolling 4 Q Trend Line
Q4 2015	Q1 2016	Q2 2016	Q3 2016		

Office	Prior Three Quarters			Current Quarter	Current Result	Rolling 4 Q Trend Line
	Q4 2015	Q1 2016	Q2 2016	Q3 2016		
12 mo. Deliveries in SF (000)	↑	↑	↓	↑	2,079	↑
12 mo. Net Absorption in SF (000)	↓	↑	↔	↑	2,265	↑
Absorption/Deliveries	↓	↓	↓	↑		↓
Vacancy	↔	↔	↔	↓	6.1%	↓
12 mo. Rent Growth	↑	↓	↓	↑	3.2%	↓
Market Cycle	↔	↔	↓	↑		↑



Office Data



MANTRA OF LEADERSHIP

- Ask more questions



MANTRA OF LEADERSHIP

- Ask more questions
- Admit what you don't know



MANTRA OF LEADERSHIP

- Ask more questions
- Admit what you don't know
- See genius in others





**BANK OF
UTAH**