

Stan Sorensen

Hey, everybody. Welcome to Altabanking. Altabank is a community bank and our community is Utah. Altabanking gives us an opportunity to sit down and talk with thought leaders and business leaders from across the state about any number of different topics that impact our economy and the people that live here. I'm your host, Stan Sorensen and I am really excited today to have a chance to sit down with Jake Boyer from the Boyer Company. Jake, welcome.

Jake Boyer

Thank you so much. It's great to be here, Stan.

Stan Sorensen

Great to have you here as well. I'm looking forward to our conversation. Before we get rolling though, tell us a little bit about you and tell us a little bit about Boyer Company.

Jake Boyer

Thank you, Stan so much. My name's Jake Boyer and I'm with the Boyer Company and we're a full-service real estate development company based in Salt Lake City. We have other offices in other parts of the Intermountain West and we really focus on all different aspects of real estate development. We develop office buildings, shopping centers, industrial buildings, multifamily projects. We do horizontal development for single family homes. Really every kind of development that you can imagine, that's really our focus and we have been grateful to be able to build communities for 50 years. We built The Gateway downtown a long time ago, which was an exciting project. At the time, it was the largest redevelopment downtown. We are heavily focused on Silicon Slopes and doing a lot of the projects that happen up and down that corridor and just love the state of Utah and consider this our home. I'm raising my family here. I have four kids and I love the state of Utah. I love Salt Lake City and just feel grateful to be a resident here.

Stan Sorensen

Yeah. No, that's great. At 50 years, are you sort of one of the longer tenured development companies in the state then?

Jake Boyer

We are. There's maybe one or two others that are longer but it's hard to survive as a business, any business for 50 years.

Stan Sorensen

That's kind of why I was asking.

Jake Boyer

And I think the percentages are down to 10% or even less of the businesses that are founded that last 50 years. We're grateful to be 50 years old this year. We were founded in 1972 by my father, Roger Boyer and we hope to be around for another 50 years plus. Hopefully we can continue that legacy.

Stan Sorensen

That's great and congratulations on that tenure.

Jake Boyer

Thank you. Thank you. We're excited about that.

Stan Sorensen

One of the things that as I was thinking about all the things we're going to talk about today, driving through Salt Lake City, cranes everywhere.

Jake Boyer

Absolutely.

Stan Sorensen

Kind of give us just sort of your quick summary of real estate development, the construction business.

Jake Boyer

Well, it's unlike anything we've ever seen right now. The construction, especially of multifamily in the downtown area and all throughout the state of Utah is unprecedented. We've never seen anything like this. And obviously as we know, there's a huge influx of people that are moving to the state of Utah and there's a huge need for additional housing. And so I'd say the majority of the cranes that you're seeing right now are for multifamily projects. There's not a lot of office being built right now, obviously coming out of the pandemic.

Jake Boyer

I think there are a lot of questions as to what office is going to look like in the future. Net net we'll see how that all shakes out. There are a lot of companies that have subleased their space and there are a lot of companies that are saying that they want additional space as time goes on. I don't think we've seen that story play out yet but we do believe as a company that the office is not something that's going to go away. That it is going to be something that's here to stay and we're already seeing people, they're just sort of tired of being in their basement or in their den at home coming back to the office.

Stan Sorensen

Though I will say I do miss being able to wear slippers at work. Multifamily housing, on this podcast in previous episodes, we talk a lot about housing. We'll talk with our mortgage guys about housing, with Natalie Gochnour we talked about housing. Multifamily housing is critical and I'm glad that you're seeing a lot of building in that area. Is that being financed primarily by private investors? Or is that being financed by large organizations whose business is really based on building multifamily buildings?

Jake Boyer

It's a combination of all of the above. One of the things that we're really seeing in the state of Utah and in Salt Lake in particular is we are no longer sort of this undiscovered city. We are a place where every institutional investor, every bank and many of the multifamily developers from throughout the country have a desire to be here in the state of Utah and have a desire to invest. And it's because just I think there are a lot of reasons as to why but they're seeing that rent growth is growing at a more rapid rate and we're actually relatively affordable currently compared to a lot of the states that surround us, especially the coastal states. There's just a real demand. And there's a feeling that in a recession or in down times that the state of Utah is actually a really safe place to invest.

Stan Sorensen

And I think there are a lot of reasons for that, obviously. The new unemployment numbers were released by Bureau of Labor Statistics today. Because when I saw them and we're still below 2% unemployment. We're no longer number one, we're now tied for number one with Nebraska.

Jake Boyer

There you go.

Stan Sorensen

But still, real favorable business environment, really favorable living environment. I don't see any end to that influx. One of the conversations that I've had with a few people where we talk about that, those multifamily buildings and this is kind of why I asked who is investing in those, there is some concern I think on some people's part that because these are investments for companies or institutional investors, what have you, it's going to be harder and harder for people to find affordable housing within those units. And I don't know if that's been any set of discussions that you or folks at Boyer Company have been involved with.

Jake Boyer

Absolutely. It is a concern. It's on the radar. The good news is that from an affordability perspective, relative to a lot of the surrounding states, Phoenix, the coastal cities, are our housing and our rental figures are actually a little bit lower. But what's going to happen if wage growth does not keep up, is we're going to see rents continue to rise and that's going to take a higher percentage of total income in families and it will take a toll. And so the real perfect storm that we have going on right now is we've had escalated land costs and then you combine that with construction costs through inflation that are going through the roof, a lot of the projects that are being bid in the market today are coming in 20 to 30% higher than they were six months ago or a year ago.

Jake Boyer

And so it puts this upward pressure on rents because the only way you can really justify as a developer building that project is you say, "Okay, I've got to look at my rental income and the rents have to be higher in order to pull the trigger." Plus we have interest rate increases. It's sort of this perfect storm of interest rates, construction costs and land costs escalating at a never before scene pace. It's intense. And it will cause rents to continue to move upward and hopefully that doesn't outpace what people can afford. And I think income as a result is going to have to go up as well.

Stan Sorensen

And that's been a conversation that we have just we look at our own employees at the bank and as we talk with our clients, that the whole gosh, we are going to need to continue to increase what we're paying so that people can keep up with what's going on. That's a big concern. You talk about income, you talk about employment, how impacted have you been by what's going on out in the job market? It's sort of a couple jobs for every individual is kind of what it seems like right now.

Jake Boyer

It's had a huge impact on us as a company and I'm sure we're not alone. I think most companies are really struggling to hire people that really are top notch, that have the skill set and credentials that we

need and also to hire people for a reasonable price, that fits within our budgets. The way it's impacted us is we've kind of just recognized that we have to really raise the bar in terms of incomes. And so we've kind of proactively done things with people within our organization where we've raised salaries to try and retain. I think retention is more important today for companies than it's ever been because to retrain and go find somebody else is very difficult. Making sure that you're treating your people within your organization or your teams the right way is super important. More important than, it always has been, but more important than it ever was in the past.

Jake Boyer

The other thing that's been difficult is just to your point earlier, just finding people that actually will show up. We've had a lot of people that will come for a job interview and then we make an offer and they don't. That's exactly what they wanted and they just kind of disappear or anyway, just all kinds of unique stories but it's confusing to us as to where all the workers went, candidly.

Stan Sorensen

At all different levels too. I know. It's interesting that you mention the person that you get as far as making him an offer and all of a sudden, you never hear from them again. I hear that happening in companies everywhere again, at all different levels, other than maybe the CEO. But to me it's a head scratcher.

Jake Boyer

Likewise.

Stan Sorensen

Being on the other side of that, as somebody who's gone out and trying to find jobs, whenever you'd get sort of ghosted, if you will, by a recruiter, it felt terrible. I don't know if it's the job seekers revenge, in some way.

Jake Boyer

It might be. It might be. And I think it's just really a result of like you were saying, unemployment being so low right now. And during the COVID pandemic, I think a lot of people just stepped away from the workforce. And so I don't know if a lot of those people want to come back or not.

Stan Sorensen

Are you also finding kind of a skills gap, so it's hard to find some of the expertise that you need?

Jake Boyer

We are. That's been truly a difficult thing and we've had to sort of innovate as a company and say, "We're probably not going to find someone that day one has the perfect skill set for our company but let's find people that fit within the framework of what we value as a company and then let's work with them to train them and bring them up the way that we think is important." We've definitely had to widen or broaden our perspective in terms of those that we would hire.

Stan Sorensen

And how does the company think about remote work, hybrid work, things like that? That's a big topic everywhere right now.

Jake Boyer

It is a big topic. It's really interesting, even during the pandemic, luckily and it was by happenstance, our office space is actually laid out where we have mostly all private offices and private spaces that are very distanced one from another. Even during the pandemic, we did not go to a 100% remote work environment. We alternated sort of days with people to come in on different days. What we found is most of the people in our organization really actually like the office environment. They like being there. We will work with people if they have a need or if there's a certain reason why they want to be home for something.

Jake Boyer

But all in all, we haven't really seen that resistance. We haven't seen people say, "I need to be home half the time," or whatever. I do think in the industry, what we're hearing from a lot of companies is sort of this three, two kind of alternation where three days in, two days out. But at the end of the day, you still have to have an office or a space for those people on those three days. You end up leasing, probably the same amount of square footage office wise anyway.

Stan Sorensen

There was a company that I'm familiar with, they're not local they're in another state. They were trying to move to a three two type of model and they were planning it around this idea that we'll have a third of the workforce, some percentage of workforce working Monday, Wednesday, Friday, Tuesday, Wednesday, Thursday. And they kept putting it together and they were working with a consultant and the consultant finally said, "You realize you have everybody in the office on Wednesdays?" And they kind of went, "Oh."

Jake Boyer

Doesn't work.

Stan Sorensen

Again, you can't just sort of cut your workspace in half because everyone's going to be there. That's a challenge. Sort of shifting to commercial construction for a minute, do those types of considerations come into play as you're working with some of your clients who are building commercial buildings and they're not just thinking about the overall footprint of the building itself but how do we want the insides to be laid out?

Jake Boyer

Oh, absolutely. Every time we do a build to suit office building for a tenant or a client, it always begins with the interior and then sometimes people look at a building and think, oh well, the exterior is all that they focused on. But actually the exterior is usually a reflection of what got planned on the inside. And so I think we're seeing in our industry just a real shift in the planning and the dynamic. And again, we don't know exactly how it's going to shake out post-pandemic. People are thinking about providing more space per square foot per employee, honestly, rather than whereas before the pandemic, a lot of companies were just trying to keep their real estate costs low and pack as many people in as tight of a space as they could. Well, that's not going to work these days for a couple of reasons. One, recruiting. If

you don't have a space that feels comfortable, that has amenities. You've got to appeal to this workforce and so that's important.

Stan Sorensen

As people are returning to work, there's been a lot of discussion about space utilization and kind of what that's going to look like. Is that an area that you all get involved in as you're putting up commercial buildings?

Jake Boyer

Absolutely. Space utilization is actually one of the most important things that a company focuses on when they determine where they're going to go and how things lay out. And that's going to change even more so with post pandemic because prior to the pandemic, people were really sort of packing as many people as possible within a space. And now they're much more conscious about maybe spacing or social distancing as they were in the past. Furthermore, to recruit new people, you've got to have amenity spaces, not just within your building but within the exterior, within proximity to your building. People think that the exterior is the only thing that matters but it's actually more so the interior that matters to a company and also workflow and just kind of how things work operationally for a company.

Stan Sorensen

I'm curious as we talk about that, I'm going to kind of make the jump for just second to Silicon Slopes. I assume you're obviously doing work down the Silicon Slopes area. Work for some of those companies and all. You hear about tech companies having these very unique requests, is that holding true? You're kind of thinking about that whole industry very differently maybe?

Jake Boyer

We've fortunately had the opportunity to develop probably 10 or 15 buildings in Silicon Slopes for a lot of different tech companies. And every one of them has different requirements. Some want putting greens within their space, some want helicopter pads, some want pickleball courts outside or volleyball nets or whatever. And we think that's wonderful because I think those are all important parts of the culture of these tech companies. And our goal is to kind of read the vision of the leaders of those companies and implement whatever it is that they have in mind. And as we do that, they're successful as well. It's been fabulous.

Stan Sorensen

One of the areas, I know that is really becoming a focal point for companies is sustainability. Are you beginning to see a lot more requests for or demands for particular sustainability types of features or lead certification, things like that?

Jake Boyer

That's very important to the clients that we work with. Sustainability for the most part is just, it's a key focus for us as a company, as an organization, but also the clients that we work with. And I think what we really try and do is we try and work with our clients to balance costs because with a lot of the sustainability measures come increased building costs. And so luckily those increased building costs have come down so we can build sustainable buildings for less expensive than we could 10 years ago and that's going to continue to get better and better over time. But it is really fascinating with technology, how much better it's getting day in, day out. And so with technology, it's becoming more and more

affordable to do sustainable measures or implement sustainable measures than it has been in the past. It's super important for our environment and also for the clients that we work with.

Stan Sorensen

If one is stereotyping, one would say that it's the companies that are coming in from outside the state and building new buildings that are most interested in that, is that just a bad stereotype or is there's some truth?

Jake Boyer

I think there's some truth just to being more of a national focus. Most of the people that are coming in to the state of Utah, they have national mandates or they're large corporations and so they've kind of had the time and energy to focus on that. Most of the people that are already in the state of Utah that we're working with are Silicon Slopes based, technology focused and frankly, they're so busy bootstrapping and bringing these companies along that it's important but it's not their primary focus and they haven't really probably spent a ton of time thinking about it.

Stan Sorensen

It is interesting. With the companies coming in from out of state, are you finding that your overall approach to both acquiring clients, working with clients, all of that, is that changing at all?

Jake Boyer

Candidly, during the pandemic, there haven't been a lot of movements in the economy in terms of new corporate headquarters or regional headquarters moving other than in the downtown, there's been a big surge of law firms that have been national law firms that have come into the market. What we've seen more of during the last two years is really this continued growth of the tech companies that really began in Utah and then they become larger and larger and become of national scale. The likes of Podium, Divvy, Weave and Trada. We could go down the list but they're very impressive companies that have grown sort of organically and internally. Obviously we saw the Qualtrics transaction take place and that all began here and in the state of Utah, which is exciting.

Stan Sorensen

Those then, I'm going to assume are some projects that you're doing out of state, as they move out of state, you might be able to go do some of those.

Jake Boyer

We have clients that we work for or build buildings or projects for in other parts of the country as they sort of expand their footprint beyond the state of Utah.

Stan Sorensen

And so, to that point, some of the things we talked about that are challenges here, being able to find enough skilled workers or just find enough employees, period. Similar or different once you get outside of Utah?

Jake Boyer

I think the problems are similar all throughout the country right now. I will say though, I think the state of Utah because it's got such a focus on it, those problems are almost a little bit exacerbated. Our housing costs were up almost 30% last year, almost 25% the year before. Our rental costs went up for back to housing, were up 14% or something in that area. And so because of the growth of Utah, again we're not just kind of a mystery state in the middle of the United States. We've been found. And that's glorious in a lot of ways and it's got its challenges tied together with that.

Stan Sorensen

But certainly, with that growth, there's no shortage of just overall construction projects, right?

Jake Boyer

No. No. I don't think so. I think right now there are a lot of projects though that are sort of on the brink of can they get done or not? And so I think we will see a bit of a slowdown in that regard because of interest rates increasing. Which has an impact on cap rates, which is the method used to determine the sale price of an asset. And obviously as cap rates rise, valuations of real estate property or commercial real estate go down. And so that can be difficult for a market and also less motivating to build new product. And so I do think we will see a slowdown with the increase of interest rates and costs.

Stan Sorensen

One of the other areas that I think about is as we talk about building and I've talked about it on the residential side with some past guests on this podcast but I'm interested in it from both the residential side and from the commercial side, when you think about warehouses or industrial types of buildings is the extending outside of the immediate I-15 corridor, building that's taking place out west et cetera.

Jake Boyer

Well, I think you're exactly right. One of the things that our organization is focused on is industrial and warehouse buildings that are getting built. We're currently under construction on a million square foot building in West Jordan, Utah. It's not right on the I-15 corridor. In fact, it's very close to the Bingham area up in Ogden, we're building another million square feet, 11 separate buildings up there. And so it's not just I-15, Salt Lake City. We recently acquired a large tract of ground in Grantsville. The northwest quadrant obviously is seeing just such a large uptick in land valuation and also the number of industrial projects that have gotten built in the northwest quadrant is amazing. Because of Utah and Salt Lake City's coordinates, we really are at the kind of crossroads of the West. And it's a perfect location for industrial users that are looking for distribution locations. And so we've found that that demand continues. Our company, we've kind of just made this little term that it's beds and sheds right now. And we're building multifamily, we're building a lot of industrial.

Stan Sorensen

I like that.

Jake Boyer

It's really the main focus right now, while we're not doing a lot of office, although we are looking at doing another office building for the first time since the pandemic sort of hit.

Stan Sorensen

Interesting. That's interesting. Again, I know early to talk about it, but is that in sort of Salt Lake County area?

Jake Boyer

Silicon Slopes.

Stan Sorensen

Silicon Slopes. That makes sense to me to be building down there.

Jake Boyer

For another tech company.

Stan Sorensen

That's really great. That's really great. It is interesting when you think about just sort of how far outside of the I-15 corridor can you build before it becomes sort of logistically difficult for a company? The added expense of moving, putting goods on a truck, for example, that might be warehoused up in Grantsville and moving it the inland port when it's done or somewhere else. And how does that factor into a company's decision?

Jake Boyer

It is interesting. There are technical, industrial brokers and others that are more seasoned on discussing it than I am but if you really put it in a grander perspective, it's only 15 minutes from the northwest quadrant. And if you're looking at total, the costs in Grantsville are going to be 15, 20 cents a square foot less than they are in the northwest quadrant. It becomes a sort of a value play in that location. But to your point, it doesn't matter if it's Grantsville or if it's West Jordan or Lehi or wherever it might be. The transportation corridors are really what matter more than anything. And luckily the state has invested heavily in transportation and in roads and as a result, we're really sitting in a good position in that regard.

Stan Sorensen

I've said it before to folks, one of the things that impresses me. Again, I've lived in Utah six years now. And lived through all the growth that was taking place in the state of Washington. And the thing that just impresses the heck out of me in Utah is in whether it was just dumb luck or utter brilliance is the forward thinking nature of how we going to move people? How we going to move goods? Let's invest in the infrastructure. And I do think, and it's been well documented, that's one of the many things that makes us such a favorable location for businesses.

Jake Boyer

I couldn't agree more. And I'm really proud of the state of Utah from that perspective. The state has been very, very forward thinking on transportation. I've been very involved in the Salt Lake Chamber and the Salt Lake Chamber, one of the number one focuses of the Salt Lake Chamber for many, many years has been transportation funding. Because if you can't move goods from Salt Lake to Moab or wherever the case may be, then scrap that part about Moab. But transportation investment is absolutely critical to the success of a state. Furthermore, I think part of the reason the state has been so successful is just, we just have been fiscally very smart with what we do. And from a tax perspective, compared to the coastal

states personal income tax from a state level is just much more favorable. And so it's hard to beat this area and this state. I'm proud of the state for that.

Stan Sorensen

As we talk about the building, the commercial buildings and all now sort of looking outward, obviously you need to have folks that sort of live within a reasonable distance. Even with all the great transportation infrastructure investment we've made, are you seeing that the housing demand is lagging some of the industrial building that's going on in places like, sort of as you talk about, getting farther west or north?

Jake Boyer

I think that could happen. Fortunately, industrial space actually usually doesn't require a large number of bodies. A lot of times it's warehousing, it's transportation, so you're not talking a huge workforce in the square footage that you're building. But we are seeing, I think, in Tooele, for example, we've seen significant growth in that area. And I think that's a large reason why we were bullish about going forward on this West Jordan project, the million square feet is if you really look at the growth in our city, it's really happening in sort of that southwest corridor and with Daybreak and all the other kind of ancillary communities that surround that area, there's a lot of growth in that corridor.

Stan Sorensen

I imagine that's very true. Sorry, this may be jumping around a little bit but it just occurred to me. With again, a very healthy business climate, building that is going on, you've got your instate competitors of course, are you seeing competitors from out of state trying to get in and take advantage of the opportunities as well? Or are they kind of?

Jake Boyer

Absolutely. And we don't really see that as a bad thing, although it brings in a lot more competition but the pie is large. And what it does is I think it sort of substantiates Utah and Salt Lake as a top tier market where institutional capital is actually chasing deals here. Whereas for many years, we would once in a while have an institutional capital user, that's not the right word. In the past, we would only have occasionally institutional investors come into our market but now that has morphed into almost every institutional investor in the world wants to kind of get into Utah.

Jake Boyer

We recently were bidding on a piece of property, I'm not going to say where just because it'll become obvious. But there were 25 bidders and the bid got run up to a level in terms of land cost per square foot, over \$300 per square foot. And so it's the highest per square foot cost that we've seen. This is not in downtown Salt Lake, it's in an ancillary community. And the majority was from outside investors coming into the market. And so we're seeing a lot of that. And so there's pros and cons to that but it substantiates Salt Lake City and Utah as a place that institutional capital feels comfortable being and where they really have a lot of confidence in the future and the growth that's going to happen here.

Stan Sorensen

That's kind of an interesting analog to what you hear going on in housing, with the folks coming in from outside and bidding up the prices and things. It's interesting to me that you would see that on a piece of raw land as well.

Jake Boyer

Yeah, absolutely.

Stan Sorensen

Wow. Kind of a good problem to have in a way.

Jake Boyer

Kind of a good problem unless you're out looking for more land.

Stan Sorensen

Then it's much more of a challenge, certainly. But I do like the way that you phrased it, it kind of legitimizes that the state, as you said earlier. At some point, do you kind of see an end to some of the enthusiasm there? Are we going to get to the point where either costs become much more prohibitive or cost for land becomes more prohibitive or there's just not as many projects to go around? We're probably a long way away from that.

Jake Boyer

Absolutely. None of us know exactly where. The stock market's been dipping immensely over the last week. I think it feels like we're sort of at the beginning of a recession of some sort. We don't know to what level that's going to go. Hopefully it's just a minor recession. Really with real estate, there's typically a cycle every seven or eight years. Candidly, we have not seen a cycle in 14 years, a down cycle or a downward trend in real estate since 2008. Our belief is not that it's going to shut down or stop but I think through interest rates, through cost increases that we're seeing right now because of inflation, we are going to see a slowdown. I think there will be somewhat of a pullback on the number of housing units that get built just because projects will not pencil and will not be able to get financed.

Jake Boyer

And as project cost more, more equity capital is required in order to pull the projects off. And also the margins are thinner and the returns are thinner, so it becomes more challenging to justify moving forward. I do think we'll see that slowdown occur. And I don't think that will be all bad because I think it will enable us to sort of catch up and catch our breath and have pricing stabilize. We've not seen land pricing escalate at the rate that it has in the last year or two ever in my career and really frankly, in the career of anybody that's a lot older than I am. And so it's probably, it's been great for those that have kind of derived value from that but it's probably good if it kind of slows down a little bit.

Stan Sorensen

Interesting.

Jake Boyer

But I don't think it'll shut off. I think we're going to keep going, keep building stuff but the projects that will get financed and get built are the ones that are really value oriented and in the premier locations where people just justify the fact that long term it's going to work out in those locations.

Stan Sorensen

Less speculation, more real planning.

Jake Boyer

And location becomes more crucial.

Stan Sorensen

And as you said that, I agree with what you said, rather. That's a good thing. I think that's going to be a good thing.

Jake Boyer

I think so.

Stan Sorensen

Great. There we have it. Jake, thank you.

Jake Boyer

Thank you, Stan.

Stan Sorensen

Some really great insights and really appreciate your coming to talk with us today. And for everybody who's listening, just want to thank you all again for listening out to Altabanking. Remember to subscribe wherever you get your podcasts and we'll look forward to talking to you again next time.