

Utah Real Estate

SECTION 9 OF THE B&E PROFILE

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Photo of Big-D Construction Gold LEED Certified Building

Real Estate

OFFICE SPACE

The commercial real estate industry in the Salt Lake City metropolitan market remained close to levels experienced in 2009 with slight improvements across most submarkets. Class A experienced the most improvement with overall vacancy dropping nearly 2%, resulting in an 11.36% overall vacancy factor. The total office market inventory is 32.3 million SF, one-third of which lies in the downtown submarket. Direct vacancy in the overall market decreased slightly to 13.9%; vacancy downtown is 9.11% and 16.49% in the suburban submarkets. Class A full-service rental rates have dipped to an average of \$22/SF for product downtown and an average of \$20/SF for office space in the suburban submarkets. Leasing activity is up considerably compared to 2009. Office leasing during the first nine months of 2010 has already surpassed 2009 levels by nearly 200,000 SF.¹

Salt Lake County, Rent per Square Foot (Full Service) & Vacancy Rates by Class

	Downtown Class A - New Construction	Downtown Class A – Existing Space	Suburban Class A – New Construction	Suburban Class A Existing Space	Downtown Class B	Suburb Class B
Overall Rents	\$33.00	\$21.54 - \$27.32	\$18.75 - \$24.00	\$17.00 - \$25.92	\$13.20 - \$21.00	\$16.32 - \$21.65
Vacancy Rates	N/a	9.10%	N/a	15.10%	17.80%	20.90%

Source: NAI Utah, 2011 Market Overview, Salt Lake County

2010 Office Overview ²

- Vacancy rates remained stubbornly high in 2010, peaking at 17.4% during the third quarter; this high mark for vacancy was two tenths of a percentage point higher than year-end 2009, when vacancy was at 17.2%.
- At year-end 2009, lease rates increased to \$20.25 due to the completion of 222 South Main.
- Fourth quarter 2010 absorption was positive and solidified the office market's recovery.

2011 Office Forecast³

- New construction in 2011 will be almost exclusively build-to-suit projects, like the 160,000 square foot Questar building, and the 125,000 square foot University of Southern Nevada facility at RiverPark.
- The one exception will be Old Mill Corporate Center IV, which is scheduled to break ground in March 2011 with a 175,000 square foot, six-story structure to be delivered in 2012.
- Overall, expect to see lease rates, vacancies and absorption continue to stabilize and make slow, but steady upward progress.
- Expect to see positive job growth in 2011, supporting the office market's continued recovery.

¹ Source: NAI Utah, 2010 Market Overview

² Source: CBRE Market Review 2010

³ Source: Commerce CRG, 2010 Year-End Market Review

INDUSTRIAL SPACE

Salt Lake City is a key distribution hub with over 109 million SF of industrial space. Total availability in the industrial market declined to 7.83% this year after nearly reaching 10% in 2009. Lease rates have declined almost 12% since late 2008 and average \$.35/SF NNN per month. Industrial has been one of the strongest sectors with regard to leasing activity and the aggregate square footage leased in 2010 has already eclipsed 2009 levels by over 11%.⁴

Salt Lake City, Overall Industrial Activity by Year

Industrial Activity	2010	2009	2008	2007
Average Asking Lease Rates	\$0.36	\$0.34	\$0.39	\$0.37
Total Industrial Base	115,166,077*	113,186,839	N/A	123,778,779
Vacancy Rate	6.4%	9.94%	5.94%	6.23%

*Includes SF under construction

Source: CB Richard Ellis, Salt Lake City Market Study Year End: 2010

Salt Lake City, Overall Activity by Year

Industrial Activity	2010	2009	2008	2007
User Sale	819,564	1,094,367	616,239	1,706,337
Lease	3,499,581	1,903,316	2,997,765	2,982,677
Investor Sale	1,373,850	757,300	1,259,229	1,375,801
Year Total	4,319,145	3,754,983	3,614,004	4,689,014

Source: CB Richard Ellis, Salt Lake City Market Study Year End: 2010

2010 Industrial Overview⁵

- The industrial vacancy rate edged up slightly over the course of 2010.
- A remarkable rise in lease activity occurred in 2010.
- Improvements in leasing activity levels have not resulted in a corresponding decline in available space.
- The limited supply of quality buildings available has stymied industrial sales.
- Uncertainty surrounding today's economic climate has made tenants wary of long-term lease commitments.
- Lease rates continued to decline in 2010, reflecting weakened market conditions.

2011 Industrial Forecast

- Industrial vacancy will remain stable throughout 2011.
- Lease activity will continue to slowly improve in the next 12 months.
- Rental rates should begin to stabilize in 2011.
- An increasing number of tenants will pursue short-term leases.
- The lack of available capital will continue to restrain new industrial construction.

4 Source: NAI Utah, 2010 Market Overview

5 Source: Commerce CRG, 2010 Year-End Market Review

RETAIL SPACE

The retail market has a total inventory of just over 38 million SF. Vacancy in the overall market stands at 8%. Rates are at \$16.58/SF NNN in the CBD. Salt Lake City's largest project is the City Creek Center mixed-use redevelopment in the CBD. The 20-acre development includes 1.5 million SF of office space, 800,000 SF of retail space, 700 residential units and large swaths of open spaces. The development is scheduled for completion in 2012.⁶

Salt Lake County, Leasing Activity by Location

Sector	2010 Lease Rates	Existing S.F	Total Available S.F.	Vacancy Rates
Northeast	\$14.89	4,317,514	507,038	8.96%
Central East	\$12.51	6,073,111	788,678	8.28%
Southeast	\$12.62	8,651,362	1,145,827	12.71%
Northwest	\$14.89	702,410	110,677	14.87%
Central West	\$14.08	6,394,343	729,192	9.91%
Southwest	\$12.96	6,877,703	821,393	5.48%
Total by Sector	\$13.21	33,016,443	4,102,805	9.40%

Source: CBRE, 2010 Year-End Market Review

Salt Lake County, Leasing Activity by Type

Type	2010 Lease Rates	2010 Absorption	Total S.F. with Malls	Total Available S.F. with Malls	Vacancy Rates
Regional Center	\$22.19	-18,585	6,735,413	571,550	7.90%
Community Center	\$16.22	74,823	15,315,205	1,164,047	6.92%
Neighborhood Center	\$15.14	32,945	7,508,007	654,083	9.15%
Anchorless Center	\$17.35	64,518	4,443,897	595,160	14.45%
Total by Type	\$17.32	48,223	37,352,228	2,984,840	8.29%

Source: Commerce CRG, 2010 Year-End Market Review

2010 Retail Trends

- During the second half of 2010 there was a continued softening of asking lease rates reflecting the general weakness of the retail leasing market.
- Tenant improvement allowances through landlord cash outlays remain difficult for tenants to obtain.
- Deal activity and market velocity appear to have bottomed during third quarter 2010 and now show definite signs of stronger activity.

2011 Retail Forecast

- Although lease rates saw further softening in the second half of 2010, they are expected to stabilize in 2011 and possibly see some strengthening as the general economy continues to improve.
- The new Whole Foods store, which will open in early 2011, should provide a boost to Trolley Square.
- While the restaurant sector has fared well, the state's restrictive liquor laws will continue to hinder new entities and additional expansion in the market.
- In 2009 and 2010, Hollywood Video exited the market, leaving thousands of empty square feet behind.

⁶ Source: NAI Utah, 2010 Market Overview

RESIDENTIAL SPACE

Salt Lake County Apartment

The overall apartment vacancy rate in Salt Lake County at mid-year 2010 was 5.7 percent, a modest decline from one year ago when the rate was 7.2 percent. Vacancy rates for all types of units have declined over the past year with the exception of studio units. The improvement in vacancy rates is a result of continued reductions in rental rates as apartment owners struggle to keep and attract tenants. All types of apartment units experienced decreases in average rental rates. (All rental rates reported reflect the rent discounts currently offered by the apartment communities surveyed.) The combined average monthly rental rate for all types of units is \$720, a decline of 2.7 percent from the average rate of \$740 in 2009. Rental rates, on a square foot basis, have dropped from \$.87 in 2009 to \$.85 in 2010, a 2.3 percent decline.⁷

Salt Lake County, Apartment Rental Rates by Type

Category	Rent	Square Footage	\$ / S.F.	Vacancy
Studio	\$480	416	\$1.15	6.6%
1 Bedroom, 1 Bath	\$629	667	\$0.94	5.2%
2 Bedroom, 1 Bath	\$706	917	\$0.77	6.5%
2 Bedroom, 2 Bath	\$816	1,000	\$0.82	5.5%
3 Bedroom	\$956	1,257	\$0.76	6.3%
Overall Average	\$720	851	\$0.85	5.7%

Source: Commerce CRG, 2010 Year-End Market Review

2010 Apartment Forecast

- The Salt Lake County rental market has another year before rental and vacancy rates stabilize. Improvement in the job market will provide essential support for a recovery of the rental market in 2011.

Utah Home

The average home sales price for the state of Utah for the 3rd quarter FY 2009 is \$ 246,568. The state average sales price minus Park City data is \$226,900. Park City homes and condos are typically priced higher than most of Utah; therefore, this section of Utah is listed separately so it does not skew the average home price figures reported for the state. The total number of homes sold for the 3rd quarter 2009 is 8,451 an increase of 1.94% from the same quarter 2008.⁸

Average Home Prices in Wasatch Front & Summit Counties

Geographic Location	Average Home Price	2009–10 Price % Change	Average Condo Price	2008–09 Price % Change
Davis County	\$201,000	-2.2%	\$164,161	-5.28%
Salt Lake County	\$208,000	-3.6%	\$178,861	-6.15%
Summit County (Park City)	\$485,000	+2.1%	\$667,096	-5.72%
Utah County	\$190,000	-15.3%	\$153,569	-4.90%
Weber County	\$149,000	-3.5%	\$125,585	-13.84%

Source: Utah Association of Realtors, 4th Quarter 2010 Market Report

⁷ Source: Commerce CRG, 2010 Year-End Market Review

⁸ Source: Utah Association of Realtors, 4th Quarter 2010 Market Report