

Real Estate

OFFICE SPACE¹

The office leasing market remained strong in 2006 with overall vacancy in Salt Lake County continuing its downward trend to 11.54%, compared to 12.52% vacancy rate at the end of 2005. Because of sustained high demand, new office construction continued to increase with a total of 562,280-square-feet of new space introduced into the market. Most construction is occurring along I-15 and I-215 due partially to easy access for employees and great signage opportunities for businesses.

Salt Lake County, Weighted Average Rates by Region and Class, Mid-Year 2006

	CBD	Periphery	Northeast	Northwest	Central East	Central West	Southeast	Southwest
Class A	\$23	\$23	\$19	\$18	\$21	\$23	\$22	\$22
Class B	\$18	\$18	\$19	\$14	\$17	\$17	\$15	\$17
Class C	\$15	\$14	\$14	\$14	\$14	\$13	\$15	\$16

Source: NAI Utah, 2006 Year-End Market Report, Office Division, Salt Lake County

Salt Lake County, Office Vacancy Rates, Mid-Year 2006

	CBD	Periphery	Northeast	Northwest	Central East	Central West	South East	South West
Class A	1%	0%	3%	14%	10%	35%	19%	20%
Class B	11%	18%	19%	14%	10%	6%	5%	4%
Class C	19%	11%	11%	25%	8%	21%	6%	6%

Source: NAI Utah, 2006 Year-End Market Report, Office Division, Salt Lake County

2006 Office Trends

- Overall vacancies continue to decline with an overall vacancy rate of 11.54%.
- Lease rates have been gradually increasing due to drops in vacancy rates, escalating costs of new construction and tenant improvements.
- Large blocks of available office space in downtown Salt Lake City are scarce.
- New construction is mostly occurring along the suburbs due to a lack of available land in the downtown Salt Lake City area. Class A office space at a vacancy rate of 0.94% in the downtown area.

2007 Office Forecast

- The Salt Lake market will continue to be vital and dynamic.
- Rates will continue to increase with further new construction and office-building sales will continue to be strong.
- Positive absorption will continue in the downtown area. Absorption will slow in the suburbs due to new construction.
- There will be a heavy demand for owner-user buildings around 20,000- to 30,000-square-feet.

¹ Source: NAI Utah, 2006 Year-End Market Report

INDUSTRIAL SPACE²

For the second quarter of 2006, the average vacancy rate is 7.10%, a decrease from 2005. Lease rates have remained steady at an average of \$0.41 per square foot. New construction is up from last year with a 253% increase in activity.

Salt Lake City, Industrial Activity, 2006 Mid-Year

Industrial Activity	2 nd Q 2006	2005	2004	2003
Average Asking Lease Rates	\$0.41	\$0.32	\$0.29	\$0.29
New Industrial Construction	2,979,352	1,174,480	988,086	453,921

Source: CB Richard Ellis, Salt Lake City Industrial Market View, 2006 Mid-Year Market Report

Salt Lake City, Industrial Historical Lease and Sale Activity, 2006 Mid-Year

Activity	2 nd Q 2006 S.F.	2005 S.F.	2004 S. F.	2003 S.F.	2002 S.F.
User Sale	345,528	1,769,706	827,627	1,424,129	1,133,512
Lease	1,804,008	3,051,295	2,953,428	2,201,849	2,488,271
Total	2,149,536	4,821,001	3,781,055	3,625,978	3,621,783
Investor Sale	3,315,772	2,448,486	2,879,310	2,284,338	422,819

Source: CB Richard Ellis, Salt Lake City Industrial Market View, 2006 Mid-Year Market Report

Salt Lake City, Industrial Historical Vacancy Rates, 2006 Mid-Year

	2 nd Q 2006	2005	2004	2003	2002
Vacancy Rate	7.81%	5.58%	8.13%	9.94%	8.61%

Source: CB Richard Ellis, Salt Lake City Industrial Market View, 2006 Mid-Year Market Report

2006 Industrial Trends

- Leasing activity maintained a steady pace with over 1.8 million square feet leased during the first half of 2006.
- User sales are down approximately 13% from 2005, with 345,528 square feet sold.
- Investment sales have increased by more than 300% from 2005, with nearly 3,315,772 square feet sold.

2006-2007 Industrial Forecast

- The first half of 2006 indicates a continued pattern of strong activity in most areas of the market.
- With low vacancy rates, developers will continue building new space.
- Increased activity, a strong economy and a multitude of buyers illustrate Salt Lake County's healthy industrial market and point to increased activity through the second half of 2006.

² Source: CB Richard Ellis, Salt Lake City Industrial Market View, 2006 Mid-Year Market Report

RETAIL SPACE³

The retail market demonstrated remarkable growth during 2006. Overall vacancy declined and a near-record amount of new construction was added to the Salt Lake area market. Utah's strong economy, population growth and low unemployment rate have proved to be a magnet for retailers considering expansion.

Salt Lake County, Leasing Activity*, Year-End 2006

Sector	2006 Rents	2006 Absorption*	Total S.F. includes Malls	Total Available S.F. includes Malls	Total S.F. excludes Malls	Total Available S.F. excludes Malls
Northeast	\$19.47	-190,511	3,020,284	179,044	2,781,284	166,651
Central East	\$16.54	-495,455	4,329,619	460,433	3,358,897	460,433
Southeast	\$18.21	314,661	8,049,098	764,251	6,780,412	749,628
Northwest	\$14.06	11,565	519,772	38,507	519,772	38,507
Central West	\$15.86	808,965	6,084,750	348,087	5,476,750	342,089
Southwest	\$19.15	1,938,085	6,261,946	410,446	6,261,946	410,446
Total by Sector	\$17.72	2,387,310	28,265,469	2,200,768	25,179,061	2,167,754
Type	2006 Rents	2006 Absorption*	Total S.F. includes Malls	Total Available S.F. includes Malls	Total S.F. excludes Malls	Total Available S.F. excludes Malls
Regional Mall	\$46.20	-1,167,850	3,086,408	33,014	0	0
Regional Center	\$26.75	455,763	4,677,267	181,775	4,677,267	181,775
Community Center	\$19.41	874,031	11,583,254	904,697	11,583,254	904,697
Neighborhood Center	\$16.59	971,064	5,331,860	531,626	5,331,860	531,626
Anchorless Center	\$15.71	1,254,302	3,586,680	549,656	3,586,680	549,656
Total by Type	\$17.72	2,387,310	28,265,469	2,200,768	25,179,061	2,167,754

Source: Commerce CRG, 2006 Year-End Market Review

*Note: Refers only to shopping center or multi-tenant developments above 10,000 S.F. Absorption includes regional malls.

2006 Retail Trends

- Overall vacancy declined from 10.28% to 7.79% over the last year.
- Activity levels have continued to increase with nearly two million-square-feet absorbed during 2006.
- Lease rates are stabilizing after a sustained upward trend.
- Regional malls are planning major retrofits to stay abreast of current development trends.

2007 Retail Forecast

- Retail construction will slow in 2007.
- Increased redevelopment of retail centers in well-developed areas will occur.
- Residential construction will begin to plateau in the coming year.
- High land cost is becoming a deterrent to new development in some areas.
- No significant change in rental rates is expected in the next 12 months.

³ Source: Commerce CRG, 2006 Year-End Market Review, Salt Lake County

RESIDENTIAL SPACE – APARTMENT⁴

The apartment vacancy rate in Salt Lake County at mid-year 2006 is 4.0%. This drop in vacancy rate is a significant decrease from the 2005 rate of 6.1% and the 2004 rate of 7.2%.

Salt Lake County, Apartment Rental Rates*, Mid-Year 2006

Category	Rent	Rent Cost % Change 2004-2005	Square Footage	\$ / S.F.	Vacancy
Studio	\$440	4.0%	416	\$1.06	6.0%
1 Bedroom, 1 Bath	\$570	5.3%	666	\$0.86	3.2%
2 Bedroom, 1 Bath	\$626	4.2%	910	\$0.69	4.6%
2 Bedroom, 2 Bath	\$758	3.8%	1,002	\$0.76	3.2%
3 Bedroom, 2 Bath	\$865	4.1%	1,260	\$0.69	3.4%
Overall Average	\$652	4.5%	852	\$0.77	4.0%

Source: Commerce CRG, 2006 Mid-Year Market Review, Salt Lake County

*Rental rates reflect rental rate concessions offered by apartment communities.

2006 Apartment Trends

- The best performing apartment communities were the larger properties.
- The combined average monthly rental rate for all types of units was \$652, an increase of 4.5% over 2005 rental rates.
- The Salt Lake market has had only a modest number of new units added in recent years.

2006-2007 Apartment Forecast

- The rental market conditions will continue to improve over the next 12 months.
- Vacancy rates will remain in the 3% to 4% range and rental rates will likely increase by more than 5% over the next 12 months.
- Net in-migration, an expanding local economy and rising housing prices will help improve the rental market conditions.

RESIDENTIAL SPACE – HOME⁵

Overall, sales for both homes and condominiums have increased compared to the figures for 2005. 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 Salt Lake or the state. The average home sales price for the state of Utah for the third quarter 2006 is \$255,402. The state average sales price minus Park City is \$240,790. The total number of homes sold for the third quarter 2006 is 12,615.

Average Home Prices in Select Wasatch Front Counties, 3rd Quarter 2006

Location	Average Home Price	Price % Change	Average Condo Price	Price % Change
Salt Lake County	\$283,955	24.19%	\$168,562	17.33%
Summit County (Park City)	\$826,802	\$14.04%	\$563,065	32.17%
Utah County	\$284,619	29.61%	\$149,190	7.42%
Weber County	\$168,417	9.85%	\$108,093	-2.56%

Source: Utah Association of Realtors, 2006 3rd Quarter Market Report

⁴ Source: Commerce CRG, 2006 Mid-Year Market Review, Salt Lake County

⁵ Source: Utah Association of Realtors, 2006 3rd Quarter Report