

# Davis County

## YEAR-END 2010 | MARKET REVIEW

### OVERVIEW / OFFICE MARKET

#### DAVIS COUNTY MARKET TRENDS

- The commercial real estate market in Davis County has been a little soft the past couple of years. Even in a relatively slow market, there was some movement; deals were getting done as landlords were willing to offer incentives and deep discounts. Businesses that weathered the recession in good shape began to take advantage of the favorable conditions.

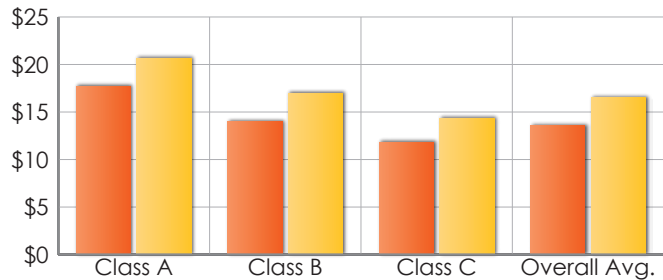
#### DAVIS COUNTY MARKET FORECAST

- Once built, the new East Gate and Falcon Hill office/industrial developments will cause a short-term increase in vacancy rates around Hill Air Force Base as tenants move into newly built space. Longer term, however, these projects are expected to bring hundreds of jobs into the area, increase the tax base, and fuel tremendous economic activity in Northern Utah.
- Do not expect to see much change in the Davis County office market until landlords are willing to get more aggressive with incentives and lower lease rates.
- The year 2011 looks like a recovery year for the retail market. The retail developments at Station Park and Fort Lane Village will have a multiplier effect, spurring activity both in and around the projects.
- Overall, expect tenants to continue to have the upper hand in 2011. The economy should stay on track for a slow, but steady, recovery.

#### OFFICE MARKET INDICATORS

Total Inventory Surveyed (SF)	2,553,930
Overall Average Asking Lease Rates	\$13.54 – \$16.50
Vacancy	18.00%
Available (SF)	459,797

#### OFFICE RATES – FOURTH QUARTER 2010



	Class A	Class B	Class C	Overall Average
Low Rate*	\$17.67	\$13.98	\$11.81	\$13.54
High Rate*	\$20.65	\$16.93	\$14.35	\$16.50

\*Overall Average FS

#### OFFICE MARKET

- The Davis County office market did not see many changes in either vacancies or lease rates during the last half of the year. The overall average vacancy rate continued to be high at 18 percent, with Class B and Class C properties seeing higher levels of vacancy than Class A properties. Asking lease rates also stayed fairly flat, ending 2010 with an overall average full service rate of \$13.54 to \$16.50 per square foot.

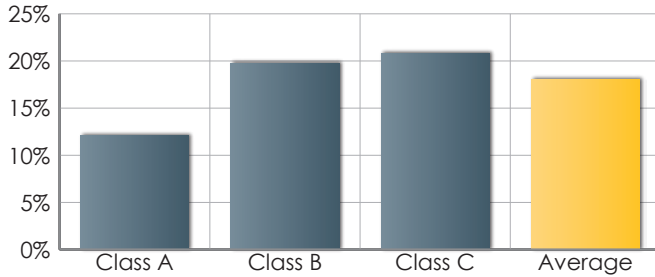
#### OFFICE MARKET OVERVIEW - FOURTH QUARTER 2010

Class	Total Market SF Surveyed	Available SF	Vacancy	Overall Average Full Service Low Rate	Overall Average Full Service High Rate
Class A	676,358	81,984	12.12%	\$17.67	\$20.65
Class B	1,212,237	239,455	19.75%	\$13.98	\$16.93
Class C	665,335	138,358	20.80%	\$11.81	\$14.35
<b>Total</b>	<b>2,553,930</b>	<b>459,797</b>	<b>18.00%</b>	<b>\$13.54</b>	<b>\$16.50</b>

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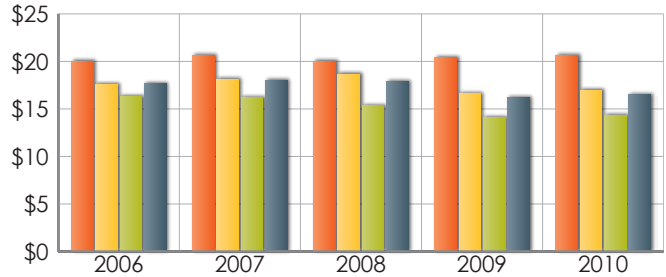
## OFFICE MARKET

OFFICE VACANCY BY CLASS  
- FOURTH QUARTER 2010



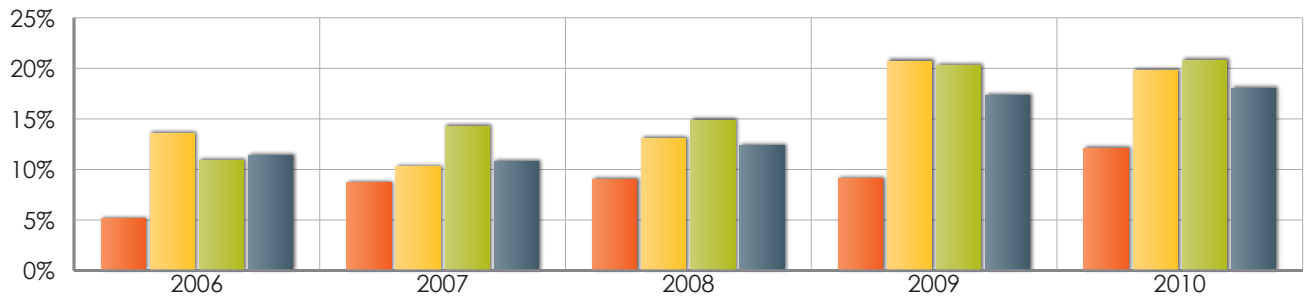
Class A	Class B	Class C	Average
12.12%	19.75%	20.80%	18.00%

OFFICE LEASE RATES (PSF / HIGH RATE) BY CLASS - FIVE YEAR HISTORY



	2006	2007	2008	2009	2010
Class A	\$20.00	\$20.64	\$20.03	\$20.40	\$20.65
Class B	\$17.54	\$18.11	\$18.66	\$16.62	\$16.93
Class C	\$16.26	\$16.16	\$15.34	\$14.10	\$14.35
Overall Avg.	\$17.64	\$17.97	\$17.87	\$16.17	\$16.50

OFFICE VACANCY BY CLASS - FIVE YEAR HISTORY



	2006	2007	2008	2009	2010
Class A	5.14%	8.71%	9.03%	9.09%	12.12%
Class B	13.57%	10.25%	13.09%	20.68%	19.75%
Class C	10.93%	14.27%	14.86%	20.24%	20.80%
Average Overall	11.39%	10.80%	12.36%	17.29%	18.00%

**INDUSTRIAL MARKET**

- The vacancy rate ended the year lower at 7.62 percent. Vacancies in mid-sized properties actually increased, however healthy activity in the zero to 5,000 square foot developments coupled with a few large deals helped drive the overall average asking lease rate back up. During the second half of the year, three aerospace companies, part of the supply chain for Hill Air Force Base, announced major projects in the county that will support the modernization of this important economic driver.
- ATK Aerospace Systems will open a new 615,000 square foot, \$10 million composites campus at the Freeport Center building in Clearfield, where the company will manufacture commercial airframes, classified military programs and commercial engine programs. Janicki Industries, a Washington-based company that provides tools to the aerospace and other industries, announced they will build a new \$19.4 million, 100,000 square-foot manufacturing plant and office building in the new East Gate business park in Layton. Northrop Grumman, a global security firm, will be the first tenant in the \$1.4 billion Falcon Hill Aerospace Research Park. Falcon Hill is northern Utah's largest economic development

**INDUSTRIAL MARKET INDICATORS**

Total Inventory Surveyed (SF)	26,106,135
Overall Average Asking Lease Rates	\$0.52
Overall Average Asking Sales Price	\$77.24
Vacancy	7.62%
Available (SF)	1,989,873

initiative and the largest project of its kind for the U.S. Defense Department. This 550-acre research park could bring as many as 15,000 high-paying jobs to Davis and Weber counties.

- Despite lower vacancy rates and more activity, asking sales prices per square foot dropped from an average of \$86.89 per square foot at mid-year to \$77.24 per square foot at the end of 2010. Sellers finally reached a point where they were willing to drop prices down to levels the market would support.
- Lease rates remained fairly stable between the end of 2009 and 2010. Landlords continued to offer incentives to tenants, including higher tenant improvement allowances, free rent, low initial rates, and special deals to fill buildings.

**INDUSTRIAL MARKET OVERVIEW – FOURTH QUARTER 2010**

Type*	Total Market SF Surveyed	Available SF	Vacancy	Overall Average Asking Lease Rate	Overall Average Asking Sales Price PSF
0 – 5,000 SF	330,865	13,126	3.97%	\$0.59	\$80.76
5,001 – 20,000 SF	4,389,301	431,046	9.82%	\$0.49	\$79.70
20,001 – 50,000 SF	5,063,165	514,287	10.16%	\$0.39	\$76.10
50,001+ SF	16,322,804	1,031,414	6.32%	\$0.33	\$26.00
<b>Total</b>	<b>26,106,135</b>	<b>1,989,873</b>	<b>7.62%</b>	<b>\$0.52</b>	<b>\$77.24</b>

\*Vacancy rate calculated by building square footage. Average lease rate / sales price calculated by available square footage.

**FREEPORT CENTER OVERVIEW  
- FOURTH QUARTER 2010**

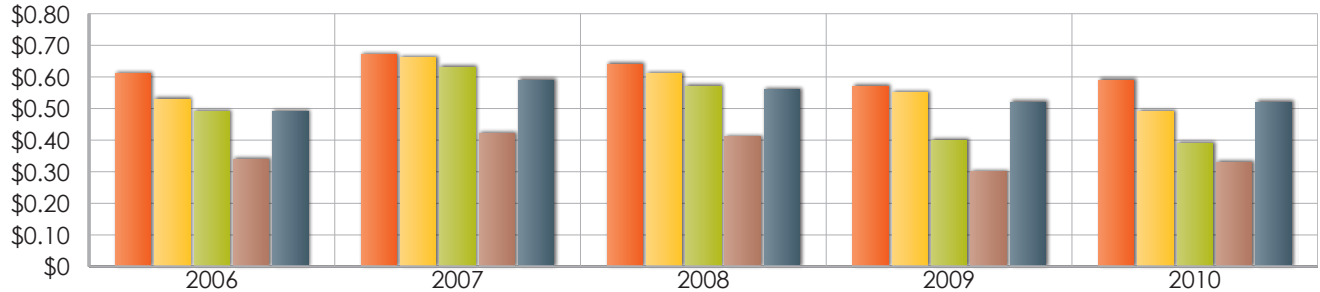
Available SF	157,800
Total SF	7,009,398
Vacancy	2.25%

**FREEPORT WEST OVERVIEW  
- FOURTH QUARTER 2010**

Available SF	340,000
Total SF	1,091,250
Vacancy	31.16%

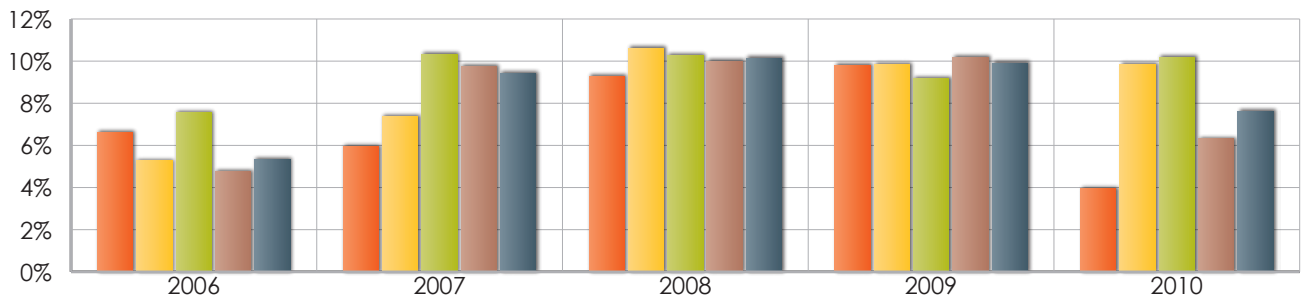
**Davis County**  
**YEAR-END 2010 | MARKET REVIEW**  
**INDUSTRIAL MARKET**

INDUSTRIAL LEASE RATES BY SIZE – FIVE YEAR HISTORY



	2006	2007	2008	2009	2010
0 – 5,000 SF	\$0.61	\$0.67	\$0.64	\$0.57	\$0.59
5,001 – 20,000 SF	\$0.53	\$0.66	\$0.61	\$0.55	\$0.49
20,001 – 50,000 SF	\$0.49	\$0.63	\$0.57	\$0.40	\$0.39
50,001+ SF	\$0.34	\$0.42	\$0.41	\$0.30	\$0.33
Overall Average	\$0.49	\$0.59	\$0.56	\$0.52	\$0.52

INDUSTRIAL VACANCY BY SIZE – FIVE YEAR HISTORY



	2006	2007	2008	2009	2010
0 – 5,000 SF	6.62%	5.96%	9.29%	9.81%	3.97%
5,001 – 20,000 SF	5.27%	7.38%	10.62%	9.83%	9.82%
20,001 – 50,000 SF	7.55%	10.31%	10.25%	9.16%	10.16%
50,001+ SF	4.77%	9.73%	10.00%	10.17%	6.32%
Overall Average	5.34%	9.42%	10.14%	9.91%	7.62%

# Davis County YEAR-END 2010 | MARKET REVIEW

## RETAIL MARKET

### RETAIL MARKET

- Davis County retail vacancy rates have hovered around 10 percent for a few years now, and 2010 was no exception, closing at 10.39 percent. Lease rates, on the other hand, have seen downward movement. The overall average rate at the end of the year was \$15.21 per square foot compared to \$15.52 per square foot at the close of 2009.
- Several new retail projects commenced in 2010; WinCo Foods announced it will build a new 95,000 square foot store in the new Fort Lane Village being developed just east of I-15 at Fort Lane and Gentile Street. Construction is slated to begin in spring 2011. After two years of being stalled, The Station Park shopping center in Farmington made significant progress. Sporting goods store Sports Authority announced it will build a 42,000 square foot store next to a 70,000 square foot Harmons grocery store and a 55,000 square foot 14-screen Cinemark theatre complex. HomeGoods is putting in a 25,000 square foot store, and about two dozen smaller retailers are

### RETAIL MARKET INDICATORS

Total Inventory Surveyed (SF)	7,449,808
Overall Average Asking Lease Rates	\$11.83 – \$15.21
Vacancy	10.39%
Overall Average CAMs	\$3.28

also expected to move into the development, which is expected to open summer 2011.

- Bed Bath and Beyond opened a new store in Layton. The home goods retailer relocated from its former space into a newly built 35,000 square foot custom built facility. The old building is now vacant, but not expected to stay that way for long. Last but not least, Five Guys Burger and Fries selected the Harris Pointe Development in Layton as the location for their newest restaurant.

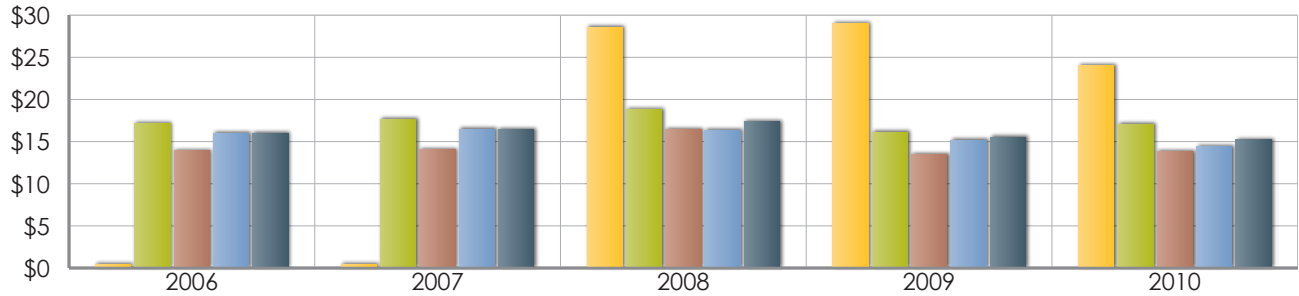
### RETAIL MARKET OVERVIEW – FOURTH QUARTER 2010

Type	Total Market SF Surveyed	Available SF	Vacancy	Overall Average Low Rate	Overall Average High Rate	Overall Average CAMs
Regional Mall	750,000	62,141	8.29%	n/a	n/a	n/a
Regional Center	846,367	6,080	0.72%	\$18.00	\$24.00	\$3.75
Community Center	3,683,945	361,040	9.80%	\$12.75	\$17.06	\$3.30
Neighborhood Center	1,144,264	105,029	9.18%	\$7.33	\$13.81	\$2.99
Anchorless Strip	1,025,232	239,446	23.36%	\$11.46	\$14.41	\$3.29
<b>Total</b>	<b>7,449,808</b>	<b>773,736</b>	<b>10.39%</b>	<b>\$11.83</b>	<b>\$15.21</b>	<b>\$3.28</b>

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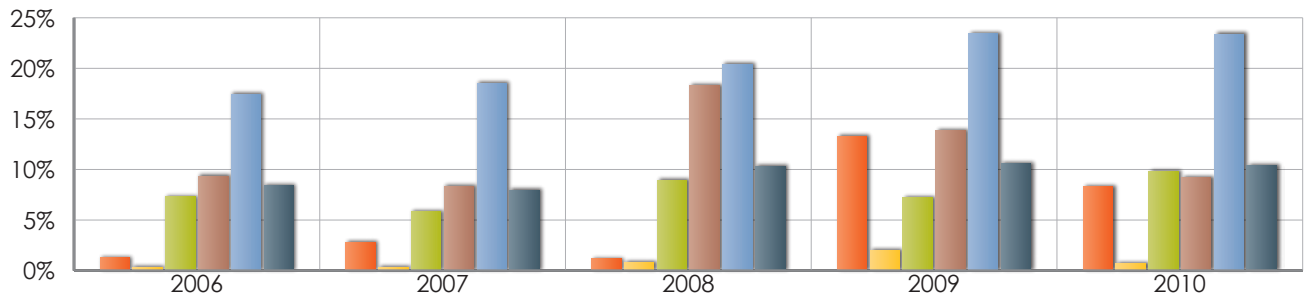
## RETAIL MARKET

RETAIL LEASE RATES (HIGH RATE) – FIVE YEAR HISTORY



	2006	2007	2008	2009	2010
Regional Center	n/a	n/a	\$28.50	\$29.00	\$24.00
Community Center	\$17.13	\$17.64	\$18.79	\$16.11	\$17.06
Neighborhood Center	\$13.90	\$14.06	\$16.44	\$13.45	\$13.81
Anchorless Strip	\$15.95	\$16.46	\$16.32	\$15.16	\$14.41
Average Rate	\$15.97	\$16.38	\$17.33	\$15.52	\$15.21

RETAIL VACANCY BY TYPE – FIVE YEAR HISTORY



	2006	2007	2008	2009	2010
Regional Mall	1.28%	2.81%	1.15%	13.27%	8.29%
Regional Center	n/a	n/a	0.82%	2.03%	0.72%
Community Center	7.29%	5.85%	8.94%	7.19%	9.80%
Neighborhood Center	9.35%	8.36%	18.29%	13.82%	9.18%
Anchorless Strip	17.42%	18.54%	20.38%	23.41%	23.36%
Average Rate	8.42%	7.96%	10.32%	10.60%	10.39%