

Salt Lake County YEAR-END 2010 | MARKET REVIEW

INDUSTRIAL MARKET

INDUSTRIAL MARKET TRENDS

- The industrial vacancy rate edged up slightly over the course of 2010. Many tenants have responded to the economic recession with consolidations, closures and reductions in space requirements, placing an upward pressure on the vacancy factor. Although vacant footage has increased in increments ranging from 5,000 to 50,000 square feet, the rise in total market vacancy has been minimized by a decline in larger buildings and the continued lack of new construction. The industrial vacancy rate in the Salt Lake area is significantly lower than that of peer cities and is among the lowest in the United States.
- A remarkable rise in lease activity occurred in 2010. Sharp increases were posted in the number of completed transactions as well as the amount of square footage involved. The total amount of space leased in all size increments exceeded that reported in 2009 by close to one million square feet and is now keeping with the historic average for the Salt Lake area market.
- Improvements in leasing activity levels have not resulted in a corresponding decline in available space. While the number of lease transactions executed shot up from 178 in 2009 to 246 in the past year, the amount of available space on the market did not diminish, instead growing by 334,685 square feet. This apparent anomaly can be explained by the fact that the majority of tenants who relocated in 2010 downsized their space requirements. Companies that shuttered their local operations also added to the pool of available space.

MARKET INDICATORS

	Current	Change since:	
		Q4 09	Q2 10
Industrial Vacancy	7.28%	▲	▼
Average Market Lease Rate	\$0.36 PSF	▼	▼
Completed Construction	1,032,516 SF	▼	▼

Arrows are indicators, arrows do not represent a positive or negative value.

- The limited supply of quality buildings available has stymied industrial sales. Although 37 industrial buildings were sold each year in 2009 and 2010, the cumulative square footage involved in the transactions plummeted over the past 12 months. The aggregate 765,275 square feet sold in 2010 represents a 50 percent decline from the previous year and is the lowest total reported in a decade. Demand for quality industrial buildings far exceeds supply, and the continued dearth of debt capital available to owner/users is yet another obstacle to improvement in this aspect of the market.
- Uncertainty surrounding today's economic climate has made tenants wary of long-term lease commitments. Short-term leases have become increasingly common as tenants concerned about the future attempt to remain flexible.
- Lease rates continued to decline in 2010, reflecting weakened market conditions. Overall asking rental rates fell 5.26 percent in 2010, following a downward trend established in 2009, when rents dropped by an average of 10 percent. Rates in certain size increments have fallen by more than 30 percent in the past 12 months. Landlords

INDUSTRIAL MARKET OVERVIEW – FOURTH QUARTER 2010

Building Size (square feet)	New Construction	Rents*	Vacancy	Lease Activity (square feet)	Sales Activity (square feet)	Total Activity (square feet)	Total Market Square Footage
0 - 5,000	4,673 SF	\$0.37	6.60%	300,326	18,361	318,687	4,667,461
5,001 - 20,000	88,418 SF	\$0.38	9.00%	1,010,030	250,642	1,260,672	22,389,236
20,001 - 50,000	28,029 SF	\$0.34	8.55%	844,902	185,783	1,030,685	25,670,621
50,001 - 100,000	60,600 SF	\$0.26	5.39%	329,122	167,489	496,611	18,736,698
100,001+	850,796 SF	\$0.36	6.48%	1,459,571	143,000	1,602,571	40,376,200
Total	1,032,516 SF	\$0.36	7.28%	3,943,951	765,275	4,709,226	111,840,216

* Rents are actual, triple-net (NNN), per square foot, per month and include tenant build-out.

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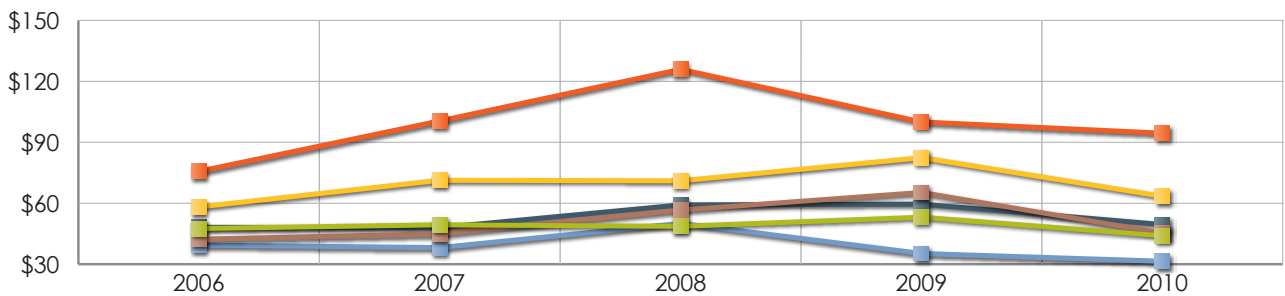
are aggressively competing for potential tenants with lower rents and generous concessions.

- Sales prices for industrial buildings in 2010 decreased 16.85 percent from the previous year. Average prices dropped across the board in all size increments.
- The dearth of new industrial construction continues. With the exception of a few projects undertaken by owner/users, industrial construction is at a near standstill. The market has experienced little new growth in inventory outside the big box category for several years running. Construction began on two large speculative buildings during fourth quarter of 2010 that will add approximately 853,000 square feet of big box space to the market next year.
- Lease activity will continue to slowly improve in the next 12 months. The number of completed transactions is expected to keep pace with 2010, and pent-up demand may bring more tenants into play.
- Rental rates should begin to stabilize in 2011. With no substantial increase in vacancy on the horizon, lease rates should flatten in the coming year.
- An increasing number of tenants will pursue short-term leases. The cloud of uncertainty that plagues the economy will continue to underscore tenants' hesitance to make long-term real estate commitments. Tenants facing expiration of their current leases will take advantage of weakened market conditions to negotiate with landlords for shorter terms and lower rents.
- The lack of available capital will continue to restrain new industrial construction. Although certain well-capitalized developers will deliver some speculative big box facilities to the market this year, a modicum of new construction is expected in 2011. Otherwise, that which does proceed is likely to be undertaken by owner/users.

INDUSTRIAL MARKET FORECAST

- Industrial vacancy will remain stable throughout 2011. Although the local and national economies show signs of improvement, the majority of businesses are likely to remain cautious. The ongoing shortage of available credit will continue to hamper expansion and growth.

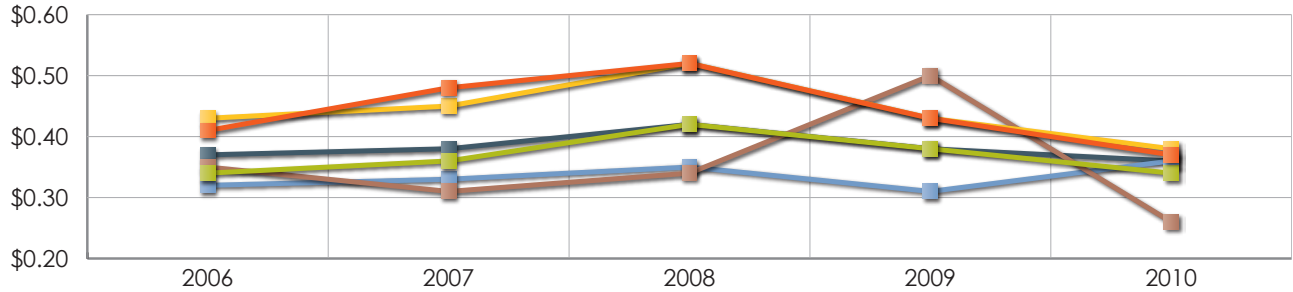
INDUSTRIAL MARKET SALE PRICES (PER SQUARE FOOT) – FIVE YEAR HISTORY



	2006	2007	2008	2009	2010
0 – 5,000 SF	\$75.71	\$100.50	\$125.88	\$100.00	\$94.47
5,001 – 20,000 SF	\$58.19	\$71.28	\$71.05	\$82.39	\$63.43
20,001 – 50,000 SF	\$47.56	\$49.38	\$48.63	\$53.10	\$44.00
50,001 – 100,000 SF	\$42.33	\$44.96	\$56.64	\$65.29	\$45.38
100,001+ SF	\$39.39	\$38.17	\$50.09	\$35.28	\$31.47
Overall	\$48.17	\$47.96	\$59.18	\$59.57	\$49.53

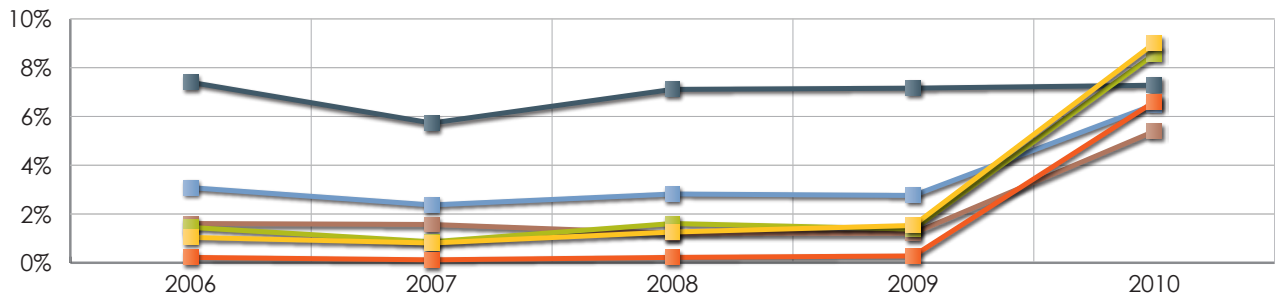
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INDUSTRIAL MARKET LEASE RATES (PER SQUARE FOOT) – FIVE YEAR HISTORY



	2006	2007	2008	2009	2010
0 – 5,000 SF	\$0.41	\$0.48	\$0.52	\$0.43	\$0.37
5,001 – 20,000 SF	\$0.43	\$0.45	\$0.52	\$0.43	\$0.38
20,001 – 50,000 SF	\$0.34	\$0.36	\$0.42	\$0.38	\$0.34
50,001 – 100,000 SF	\$0.35	\$0.31	\$0.34	\$0.50	\$0.26
100,001+ SF	\$0.32	\$0.33	\$0.35	\$0.31	\$0.36
Overall	\$0.37	\$0.38	\$0.42	\$0.38	\$0.36

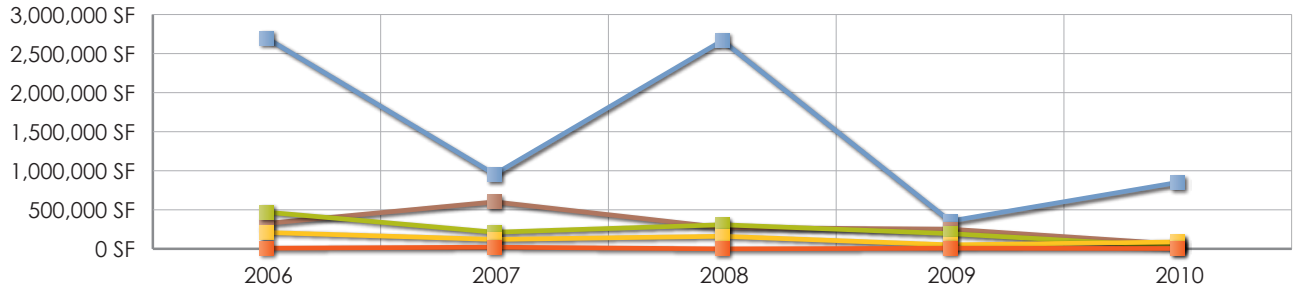
INDUSTRIAL MARKET VACANCY – FIVE YEAR HISTORY



	2006	2007	2008	2009	2010
0 – 5,000 SF	0.22%	0.12%	0.22%	0.28%	6.60%
5,001 – 20,000 SF	1.04%	0.81%	1.26%	1.53%	9.00%
20,001 – 50,000 SF	1.45%	0.86%	1.61%	1.38%	8.55%
50,001 – 100,000 SF	1.61%	1.57%	1.21%	1.21%	5.39%
100,001+ SF	3.08%	2.37%	2.82%	2.76%	6.48%
Overall	7.40%	5.73%	7.11%	7.16%	7.28%

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INDUSTRIAL CONSTRUCTION – FIVE YEAR HISTORY



	2006	2007	2008	2009	2010
0 – 5,000 SF	8,500	21,479	0	7,800	4,673
5,001 – 20,000 SF	209,346	120,888	161,294	51,260	88,418
20,001 – 50,000 SF	469,800	212,889	308,639	195,182	28,029
50,001 – 100,000 SF	325,770	601,594	273,058	252,300	60,600
100,001+ SF	2,695,701	955,539	2,665,410	355,966	850,796
Overall	3,709,167	1,912,389	3,408,401	862,508	1,032,516