

MARKETBEAT INVESTMENT SNAPSHOT

STATE OF UTAH

A Cushman & Wakefield Alliance Research Publication

Q2 2013



ECONOMIC OVERVIEW

Economic expansion continued through the first half of 2013 with unemployment continuing to decline. The U.S. unemployment rate currently stands at 7.6% and has added an average of 170,000 jobs per month each month throughout 2013. Although the U.S. economy is improving, the overall Utah market continues to show even stronger results. With a current unemployment rate of just 4.6%, Utah's labor force is growing at a rate of 2.6% per year, a full 1.0 percentage point above the U.S. average.

Even as the economy improves, uncertainty remains as to just how strong the recovery really is. Unemployment figures, although improving, do not capture under-utilization or employees who have removed themselves from the workforce. Additionally, recent comments by the Federal Reserve have also caused some concern that interest rates will likely start to increase by the end of the year and into 2014. It does however seem clear from the Fed's comments, that when quantitative easing is slowed down it will be in response to an economy that is continuing to improve.

SALES AND PRICING

The trend set in Q1 2013 is continuing through Q2 2013 as Utah looks to have a stellar year in investment sales. With around \$566 million in sales year-to-date, Utah is poised to break the \$1 billion mark for the first time since 2007 and only the fourth time in its history. Apartment sales continue to dominate the market comprising 41.9% of all investment sales and registering a 75.7% increase over the prior year-to-date sale numbers through Q2 2013.

INVESTMENT OVERVIEW - YTD

Total Sales Volume	\$566,950,526
Total SF (Commercial)	3,367,468
Total Units (Multi-Family)	2,342
Total Number of Transactions	60

Occupancy gains combined with low interest rates provided by Fannie Mae and Freddie Mac are pushing this sector. Office sales, which have struggled the last several years, have also made a dramatic comeback. Although the total numbers do not rival that of apartments, the increase of 269.6% over last year's numbers indicates an increase in confidence for office properties.

Overall cap rates continue their downward trend registering a 58 basis point drop to 7.09%. Although the market is much healthier than it has been the past several years, current cap rates are being pushed down largely in part to apartments with their 5.92% cap rate and a couple of high profile, low cap rate transactions that are not necessarily indicative of the overall market.

TRENDS

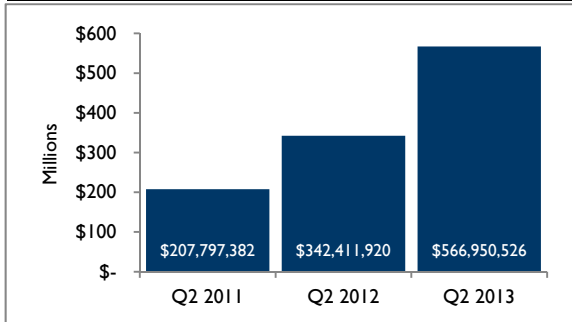
Despite a 65.6% increase in sales volume, the actual number of transactions is down by 25.0%. 2013 has seen larger and higher quality transactions than in years past as a flood of institutional money is flowing into the state. This can be seen as the average investment transaction size has more than doubled over the prior year. We have already seen three transactions over \$50 million in 2013.

Interest rates remain at historically low levels which continue to help pricing. Despite these levels, there has been some instability over the past 6 months. The 10 year treasury was at 2.52% as of the end of Q2 2013 representing a 66 basis point increase from the beginning of the year. The Fed has indicated that quantitative easing will likely be phased out, subject to an improving economy, starting the end of 2013 through 2014.

OUTLOOK

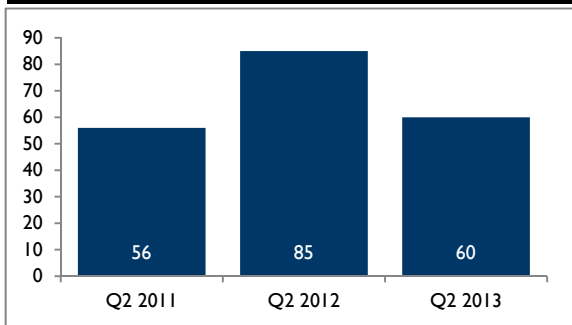
Investment activity is expected to remain strong through the end of the year eclipsing the \$1 billion mark. Interest rates will almost certainly increase, although how much remains unknown. With the knowledge that interest rates are likely on the rise, expect buyers to try and lock in today's lower interest rates. Office properties are also expected to make a large splash during Q3 2013 as several properties will be coming to the market.

TOTAL COMMERCIAL INVESTMENT SALES VOLUME



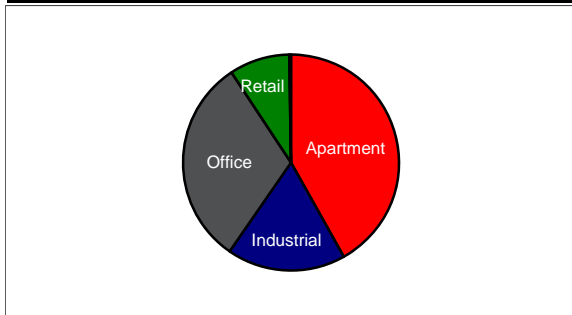
CATEGORY	Q2 2011	Q2 2012	Q2 2013
Apartment	\$55,878,000	\$135,086,250	\$237,379,750
Industrial	\$59,539,000	\$78,804,348	\$100,688,000
Office	\$26,445,009	\$47,667,775	\$176,180,500
Retail	\$56,353,373	\$61,538,547	\$51,252,276
Other*	\$9,582,000	\$19,315,000	\$1,450,000
Total	\$207,797,382	\$342,411,920	\$566,950,526

TOTAL INVESTMENT TRANSACTIONS



CATEGORY	Q2 2011	Q2 2012	Q2 2013
Apartment	13	27	19
Industrial	10	16	10
Office	9	9	12
Retail	21	27	18
Other*	3	6	1
Total	56	85	60

TOTAL INVESTMENT SALES SF OR UNITS



CATEGORY	Q2 2011	Q2 2012	Q2 2013
Apartment	756 Units	1,448 Units	2,342 Units
Industrial	1,033,926	1,433,136	1,943,013
Office	298,733	395,098	949,862
Retail	337,311	614,338	474,593
Other*	0/246/128	2,636/0/95	NA
Total	1,669,970	2,442,572	3,367,468

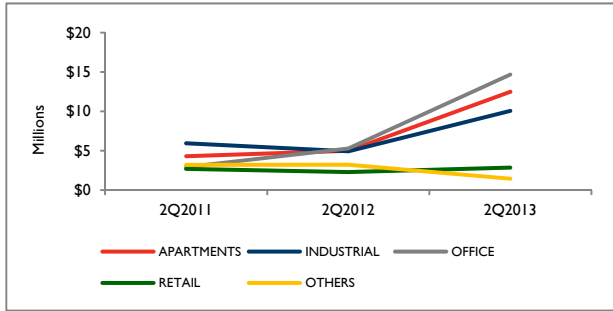
AVERAGE PSF / UNIT

CATEGORY	Q2 2011	Q2 2012	Q2 2013
Apartment	\$73,913	\$93,292	\$101,358
Industrial	\$57.59	\$54.99	\$51.82
Office	\$88.52	\$120.65	\$185.48
Retail	\$167.07	\$100.17	\$107.99

AVERAGE CAP RATE

CATEGORY	Q2 2011	Q2 2012	Q2 2013
Apartment	7.58%	6.39%	5.92%
Industrial	8.56%	8.38%	8.50%
Office	8.97%	8.38%	7.53%
Retail	8.28%	8.09%	8.19%
Other	11.42%	8.42%	NA
Total	8.35%	7.67%	7.09%

AVERAGE INVESTMENT TRANSACTIONS



CATEGORY	Q2 2011	Q2 2012	Q2 2013
Apartment	\$4,298,308	\$5,003,194	\$12,493,671
Industrial	\$5,953,900	\$4,925,272	\$10,068,800
Office	\$2,938,334	\$5,296,419	\$14,681,708
Retail	\$2,683,494	\$2,279,205	\$2,847,349
Other	\$3,194,000	\$3,219,167	\$1,450,000
Average	\$3,813,607	\$4,028,376	\$9,449,175

NOTABLE SECOND QUARTER TRANSACTIONS

RPROPERTY	CATEGORY	LOCATION	PRICE
Foothill Place	Apartments	2260 S. Foothill Dr., Salt Lake City	\$61,750,000
Santa Fe Apartments	Apartments	1550 E. Fort Union Blvd., Cottonwood Heights	\$52,000,000
Neways International Distribution Center	Industrial	2089 N. Neways Dr., Springville	\$12,125,000
Sunset Towers	Apartments	40 S. 900 E., Salt Lake City	\$12,012,000