

The Salt Lake office market experienced positive results in 2011, marking an optimistic turn in the economic recovery. The year can be characterized by a flight to quality and strong demand for suburban space.

MARKET INDICATORS

	Change Since		
	Current	Q4 10	Q2 11
Direct Office Vacancy	13.83%	▼	▼
Sublease Vacancy	1.13%	▼	▼
Average Market Lease Rate	\$20.26 PSF	▼	▼
Completed Construction	157,000 SF	▼	▲

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

MARKET TRENDS

Absorption: Total market-wide year-end absorption stands at 828,420 square feet (sf). This is a substantial increase over 2010, more than the past three years' combined total of 608,000 sf, and approaching the pre-recessionary average of 950,000 sf. Remarkably, over 95% of the absorption was in the suburban market as tenants continued to take advantage of favorable market conditions for large blocks of quality

space. The significant positive absorption, combined with very limited new construction, caused vacancy in Class A and B buildings to decline dramatically, while vacancy in Class C space has increased. Education, technology, and healthcare related tenants drove a substantial amount of the absorption.

As a result of the rapid increase in absorption, the market is now experiencing a lack of contiguous large blocks of space over 50,000 sf, specifically in highly desirable locations. Larger tenants are considering build-to-suit options or getting creative with non-contiguous space options.

Vacancy: The Salt Lake County office market vacancy rate fell in 2011 by 1.87 percentage points. The market has not seen this significant of a drop in vacancy in six years; indicative of a strengthening market. Overall, the economic climate of lower lease rates and landlord incentives provided some tenants the impetus to move or expand this year.

The Northwest suburban quadrant experienced the largest reduction in vacancy from 23.3% to 16.8% at year-end, reflecting large transactions which were primarily rate driven. The Southeast suburban quadrant also experienced a significant reduction in vacancy from 16.5% to 10.5% at year-end. This reduction is characterized by several larger expansions and relocations.

OFFICE MARKET OVERVIEW – FOURTH QUARTER 2011

CBDA	DIRECT OFFICE SPACE*					SUBLEASE	
	Total SF	Available SF	Absorption SF	Vacancy	Rents PSF**	Available SF	Vacancy
Class A	3,717,513	390,801	11,723	10.51%	\$28.74	64,503	1.74%
Class B	1,902,382	261,444	25,990	13.74%	\$20.87	10,438	0.55%
Class C	1,648,611	381,301	-2,283	23.13%	\$15.95	31,264	1.90%
Overall	7,268,506	1,033,546	35,430	14.22%	\$23.77	106,205	1.46%
Periphery							
Class A	1,332,687	31,690	-9,271	2.38%	\$23.42	0	0.00%
Class B	1,404,551	202,790	-48,877	14.44%	\$18.90	16,551	1.18%
Class C	875,852	164,609	11,527	18.79%	\$14.37	0	0.00%
Overall	3,613,090	399,089	-46,621	11.05%	\$19.47	16,551	0.46%
Suburban							
Class A	7,849,500	725,906	66,033	9.25%	\$22.53	142,236	1.81%
Class B	8,057,451	1,187,570	143,519	14.74%	\$18.59	64,314	0.80%
Class C	4,438,539	972,896	83,676	21.92%	\$14.42	24,205	0.55%
Overall	20,345,490	2,886,372	293,228	14.19%	\$19.12	230,755	1.13%
Total Market	31,227,086	4,319,007	282,037	13.83%	\$20.26	353,511	1.13%

* Sublease space is not included in these figures. ** Weighted full service asking lease rates. ^ Central Business District - Salt Lake City, Utah.

Rates: The average annual asking full service lease rate fell 1.03% this year from \$20.47 per sf to \$20.26 per sf. While not good news for landlords, we expect to see tenant concessions tighten in the coming year and the economics for landlords to improve gradually. The Cottonwood and Research Park suburban submarkets were the exceptions, where lease rates increased and landlords offered fewer concessions.

Tenants are recognizing that general market conditions are improving and, as a result, locking in longer term leases at more favorable rates. These are primarily large regional and national tenants who have the depth of resources to commit to five to ten year leases. Many local tenants, however, are still cautious about the economy and have been leery of signing leases longer than three years.

New Construction: The Salt Lake office market added two single-tenant buildings totaling 157,000 sf of office space in 2011. University of Southern Nevada moved into a 125,000 sf suburban building in Riverpark and Kirton and McConkie

expanded into 32,000 sf at the new downtown City Creek development. Two additional single-tenant buildings are currently under construction for Questar and the Federal Bureau of Investigation. Questar will relocate into a new 174,000 sf facility downtown during the first quarter of 2012 and the FBI is relocating from downtown to a new 165,000 sf building in the suburbs in late 2012.

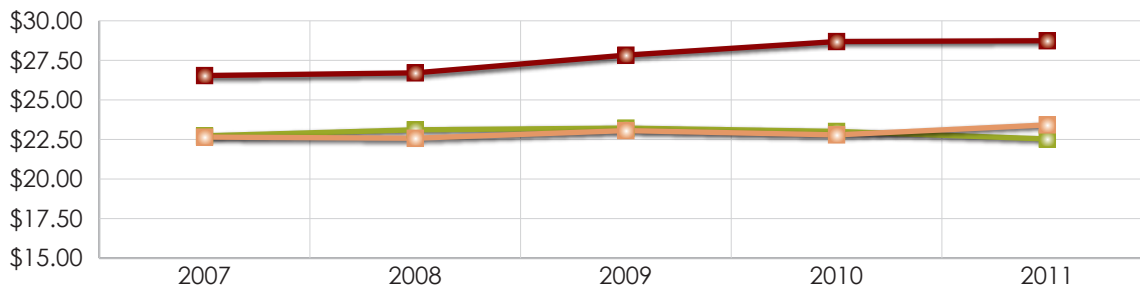
In the past few years, developers have been very reluctant to begin construction without significant pre-leasing. Challenging this trend, three new multi-tenant buildings totaling 450,000 sf broke ground this year and are expected to be completed in 2012. Old Mill Corporate Center IV broke ground in May on a 230,000 sf Class A suburban building that is 20% pre-leased and The Pointe II, in the suburbs, commenced construction in December on a 120,000 sf building with no known signed leases at the time of this report. Gateway VI, the final office building in the mixed-use development downtown, is a 100,000 sf building that is 100% pre-leased.

SUBURBAN OFFICE MARKET* - BY QUADRANT

	Northeast	Northwest	Central East	Central West	Southeast	Southwest	Totals
Vacancy	7.90%	16.81%	18.81%	20.02%	10.52%	4.82%	14.19%
Absorption SF	25,843	57,341	69,229	35,668	43,269	61,878	293,228
Rents PSF**							
Class A	\$24.35	\$19.17	\$24.29	\$20.35	\$20.89	\$23.08	\$22.53
Class B	\$19.94	\$17.18	\$18.41	\$17.97	\$18.95	\$19.41	\$18.59
Class C	\$13.58	\$15.10	\$14.51	\$15.00	\$13.76	0	\$14.42
Overall	\$18.74	\$16.99	\$19.63	\$18.24	\$19.52	\$22.56	\$19.12

* Sublease space is not included in these figures. ** Weighted full service asking lease rates.

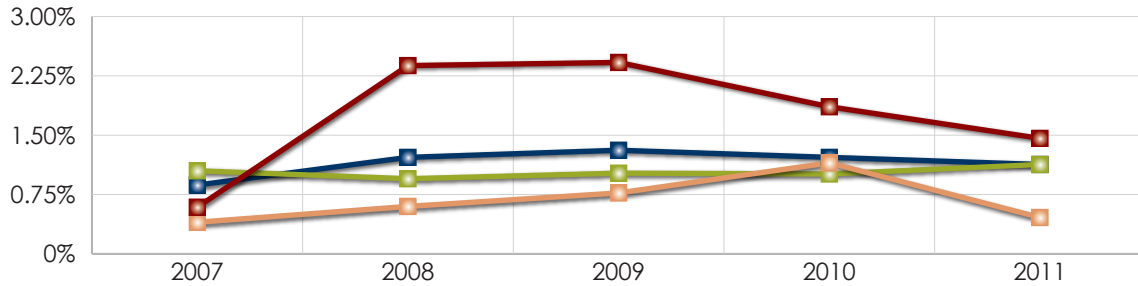
OFFICE MARKET CLASS A QUOTED RATES PER SQUARE FOOT - FIVE YEAR HISTORY**



	2007	2008	2009	2010	2011
Central Business District (CBD)	\$26.54	\$26.71	\$27.83	\$28.69	\$28.74
Periphery	\$22.65	\$22.58	\$23.06	\$22.79	\$23.42
Suburban	\$22.73	\$23.11	\$23.22	\$23.01	\$22.53

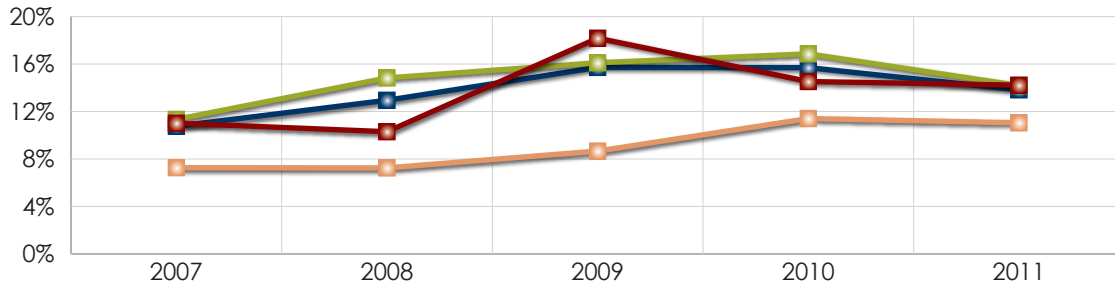
** Weighted full service asking lease rates.

OFFICE MARKET SUBLEASE VACANCY – FIVE YEAR HISTORY



	2007	2008	2009	2010	2011
Central Business District (CBD)	0.59%	2.38%	2.42%	1.86%	1.46%
Periphery	0.40%	0.60%	0.77%	1.15%	0.46%
Suburban	1.05%	0.95%	1.02%	1.01%	1.13%
Overall	0.87%	1.22%	1.31%	1.22%	1.13%

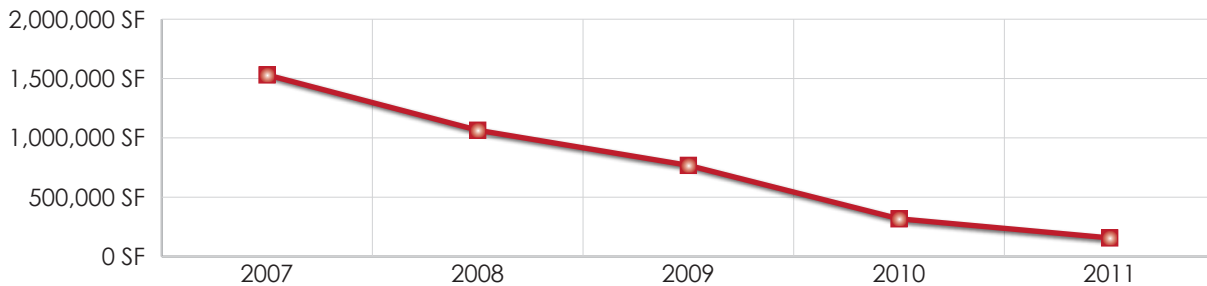
OFFICE MARKET VACANCY* – FIVE YEAR HISTORY



	2007	2008	2009	2010	2011
Central Business District (CBD)	11.02%	10.30%	18.18%	14.53%	14.22%
Periphery	7.27%	7.25%	8.67%	11.41%	11.05%
Suburban	11.34%	14.83%	16.11%	16.86%	14.19%
Overall	10.76%	12.95%	15.72%	15.70%	13.83%

* Sublease space is not included in these figures.

OFFICE MARKET CONSTRUCTION – FIVE YEAR HISTORY



	2007	2008	2009	2010	2011
Square Feet Constructed	1,530,567	1,064,424	768,297	318,000	157,000

MARKET FORECAST

Given the current levels of new activity and transactions underway, anticipate absorption to remain strong through 2012. The Salt Lake market will add 847,000 sf of new construction in 2012, with 63% of the space pre-committed. Several large blocks of newly available space will add to the overall vacancy downtown, but those same large blocks will provide new opportunities for tenant relocations or expansions.

Overall vacancy will continue to decline next year, although at a more modest pace than in 2011. Asking lease rates will also rebound as vacancy continues to decline and landlord concessions are reduced, particularly in Class A and B suburban properties.

As expanded mass transit comes online in the form of additional commuter rail and TRAX options, we anticipate more office development and expansion activity at key transit oriented developments. Additionally, the blurring of the county line between Salt Lake and Utah Counties will continue as employers locate in closer proximity to the workforce of both counties. This is evidenced by the recently announced relocations and expansions of Adobe and Ebay in northern Utah County and in the southern portion of Salt Lake County, respectively.

Overall, there is optimism that the market fundamentals will continue to show improvement throughout 2012.