The 2011 retail market in Salt Lake showed a modest increase in activity from 2010, but is still well below the peak levels of 2007. The "flight to quality" trend seen over the last couple of years continues with the highest quality retail centers and most desirable retail land maintaining or even increasing in value, while the older centers and less desirable locations continue to see downward pressure on pricing.

MARKET INDICATORS

		Change Since	
	Current	Q4 10	Q2 11
Retail Vacancy	9.66%	▲	▲
Average Market Lease Rate	$17.63 PSF	▲	▲
Completed Construction	137,989 SF	▼	▲

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

MARKET TRENDS

Public/Private Financing: With city budgets under pressure due to the decline in development and lower sales tax income, municipalities are aggressively courting retail developments by offering economic incentives to both developers and retailers. Every significant retail project built, proposed or under construction in 2011 received some type of financial assistance such as property tax increment and/or sales tax sharing from the city in which it is located. What was once a two-party transaction between the developer and retailer is now a three-party transaction involving the city or its redevelopment agency. These incentives may have helped move some developments forward; however, the ramifications of this new public/private partnership are threefold:

- Transactions are taking significantly longer to complete due to this public participation
- It is creating an artificial market
- It has the potential to create an unfair advantage for new developments at the expense of existing developments that were not subsidized with public monies

This participation by governmental entities is cultivating an uneven market climate for developers and tenants in non-subsidized projects. Ramifications of what this may or may not generate in the legislative process are yet to be determined and it would not be surprising to see this matter raised with the State Legislature on Capitol Hill.

RETAIL MARKET OVERVIEW – FOURTH QUARTER 2011

Retail Sector	Market SF* with malls	Vacant SF with malls*	Vacancy with malls*	Market SF w/o malls	Vacant SF w/o malls**	Vacancy w/o malls**
Northeast	5,069,730	433,827	8.56%	4,733,116	257,487	5.44%
Central East	6,213,412	954,294	15.36%	5,010,262	936,880	18.70%
Southeast	9,528,489	742,658	7.79%	8,259,803	719,158	8.71%
Northwest	876,650	89,554	10.22%	876,650	89,554	10.22%
Central West	7,217,908	1,012,462	14.03%	6,535,042	892,581	13.66%
Southwest	8,700,282	400,680	4.61%	8,700,282	400,680	4.61%
Total by Sector	**37,606,471**	**3,633,475**	**9.66%**	**34,115,155**	**3,296,340**	**9.66%**
Retail Type						
Regional Mall	3,491,316	337,135	9.66%	-	-	-
Regional Center	6,739,067	678,118	10.06%	6,739,067	678,118	10.06%
Community Center	15,347,572	1,182,797	7.71%	15,347,572	1,182,797	7.71%
Neighborhood Center	7,556,087	694,362	9.19%	7,556,087	694,362	9.19%
Anchorless Center	4,472,429	741,063	16.57%	4,472,429	741,063	16.57%
Total by Type	**37,606,471**	**3,633,475**	**9.66%**	**34,115,155**	**3,296,340**	**9.66%**

*Refers only to shopping center or multi-tenant developments over 10,000 square feet. ** Absorption includes regional malls.

New Retailers: Retail activity saw moderate improvements in 2011. Many new retailers either moved into the market in 2011 or announced plans to do so and are primarily locating within Regional Malls. Among the new retailers are tenants such as Marshalls, Crate and Barrel, H&M, Scheels, Brio, The North Face, Buffalo Wild Wings and LongHorn Steak House.

Expansions: A number of retailers with solid operating histories in the market also announced expansion plans as they move to take advantage of favorable market conditions. Retailers familiar with the local market, including Larry H. Miller Megaplex, Dick's Sporting Goods, Maverick, 7-Eleven, Savers, ProStop, Cinemark Theatres, Harmon's and JoAnn Fabrics, have moved forward with their expansion plans in Salt Lake.

Grocery Stores: Traditional national grocers were relatively quiet in 2011, with some even pulling back from announced expansion plans. Specialty grocers and those stores that were able to approach their expansion plans creatively, introducing new concepts to the market, were especially successful expanding their presence in 2011.

Local grocer, Harmon's, is reaping the benefits of its creativity and expansion efforts. It opened new locations this year, including a new small urban prototype at the former Emigration Market. Whole Foods and Sunflower Market also continue to expand in the market, drawing on the popularity of the natural foods specialty. Additionally, Hispanic and Asian markets expanded locations, reflecting the growing diversity in the Utah market.

Most of the large traditional grocers were relatively inactive in 2011 with few new openings, concentrating instead on solidifying current locations with store remodels as exemplified by Smith's successful updating of its stores. Associated Foods continued to integrate their purchase and conversion of the former Albertsons to their Fresh Market concept, but has struggled to maintain the same consumer loyalty. The company has closed a number of stores and converted them to Hispanic specialty concepts to better compete in a crowded and highly competitive grocery market. WinCo Foods scaled back its original plans for Utah, even postponing openings at locations they previously purchased.

RETAIL MARKET LEASE RATES & CONSTRUCTION

Retail Sector	Lease Rates	New Construction SF	Absorption SF
Northeast	$20.39	3,000	66,251
Central East	$18.13	101,654	-391,829
Southeast	$15.69	0	402,881
Northwest	$13.90	0	4,575
Central West	$17.58	13,488	-82,021
Southwest	$18.77	19,847	102,392
Total by Sector	**$17.63**	**137,989**	**102,249**
Retail Type			
Regional Mall	-	98,000	108,398
Regional Center	$22.72	3,654	-20,808
Community Center	$16.67	19,767	105,296
Neighborhood Center	$15.64	3,080	-29,125
Anchorless Center	$16.22	13,488	-61,512
Total by Type	**$17.63**	**137,989**	**102,249**

Due to the challenge of tracking actual signed lease rates with any comparative value, Commerce tracks and reports rates based on a weighted average of the "high asking rate."

Restaurants: The Salt Lake market enjoyed a large number of national chain restaurant expansions during 2009 and 2010 but has seen little of it in the past year. A few in the fast food arena are aggressively expanding and taking the premium locations at the highest rates. Chick-fil-A is one example, where they have opened several new freestanding operations across the valley. In-N-Out Burgers had the same model in 2009, locating in premium spots.

Malls: Several of the regional malls have undergone expansion efforts in the past few years and are bringing new stores online in time for the holiday shopping season.

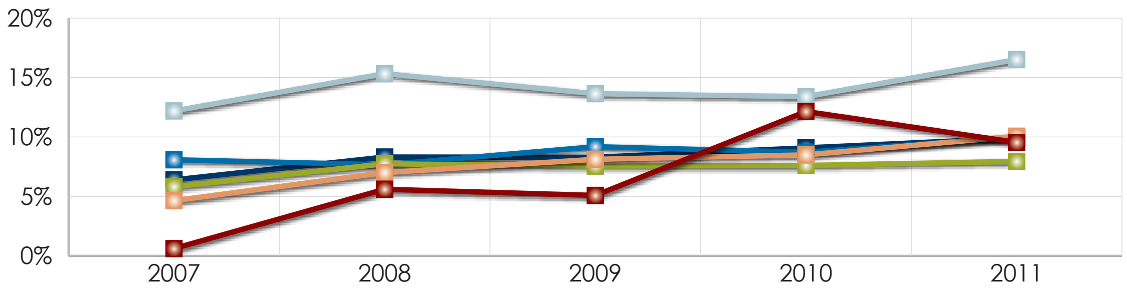
- Fashion Place is very busy with the addition of H&M, The North Face, and Crate and Barrel as well as the expansion of other national and regional retailers.
- Valley Fair Mall has announced plans for a new Larry H. Miller Megaplex and has added more restaurants to its tenant mix.
- The developer of the Cottonwood Mall site is working to secure a few key pieces before breaking ground. Future development is on the horizon, possibly as soon as 2012.

Weathering the Economy: While 2011 was an improvement from 2010 with some targeted expansion and new market entries, economic challenges persist and retailers continue to carefully analyze their locations, close underperforming stores and adjust prototypes to adapt to the existing retail market. A number of large national and regional retailers are either closing stores or announcing intentions to do so in 2012, and the Salt Lake market will likely see additional vacancy come online. Retailers announcing closures in the Utah market or broad closures across the country in 2012 include:

- Roberts Crafts
- Office Max
- Famous Footwear
- Borders Books
- Gap
- Coldwater Creek

Additionally, many of the mid-box retailers continue to downsize their prototypes as online sales revenue grows, distribution improves and the on-time delivery method allows them to be more efficient. This has been a trend for the last few years, which we expect to continue in 2012. This protraction is unlikely to have a major impact on existing store locations but will require developers to adapt

RETAIL MARKET VACANCY BY TYPE – FIVE YEAR HISTORY

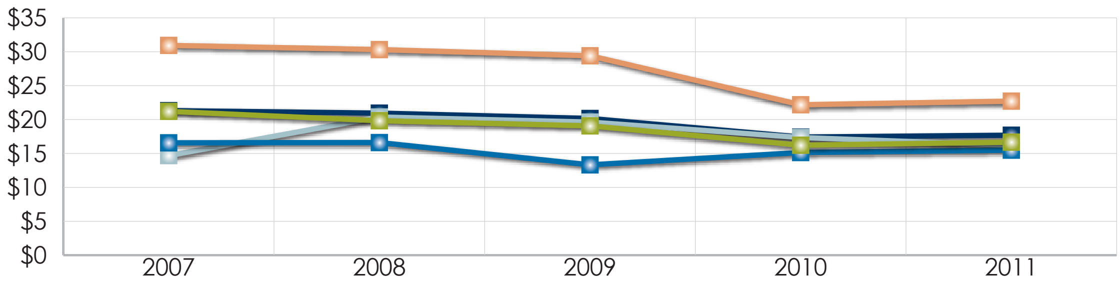


	2007	2008	2009	2010	**2011**
Regional Mall	0.61%	5.60%	5.08%	12.14%	9.66%
Regional Center	4.64%	7.00%	8.12%	8.49%	10.06%
Community Center	5.81%	7.74%	7.55%	7.60%	7.71%
Neighborhood Center	8.08%	7.66%	9.18%	8.71%	9.19%
Anchorless Center	12.19%	15.32%	13.64%	13.39%	16.57%
Total by Type	6.39%	8.31%	8.29%	9.08%	9.66%

for future development, and may make it more difficult to lease second generation space. Mid-box retailers that have announced downsizing initiatives include:

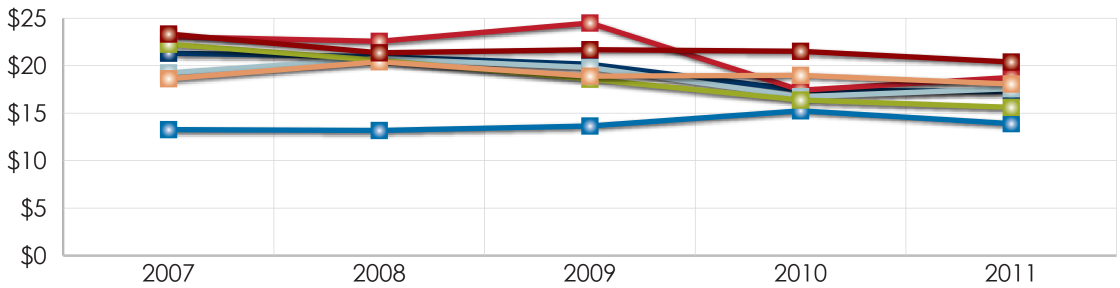
- Office Depot
- Petco
- JoAnn Fabric and Gift Store
- Kohl's
- Toys "R" Us
- OfficeMax
- Staples
- PetSmart

RETAIL MARKET WEIGHTED AVERAGE LEASE RATES BY TYPE – FIVE YEAR HISTORY



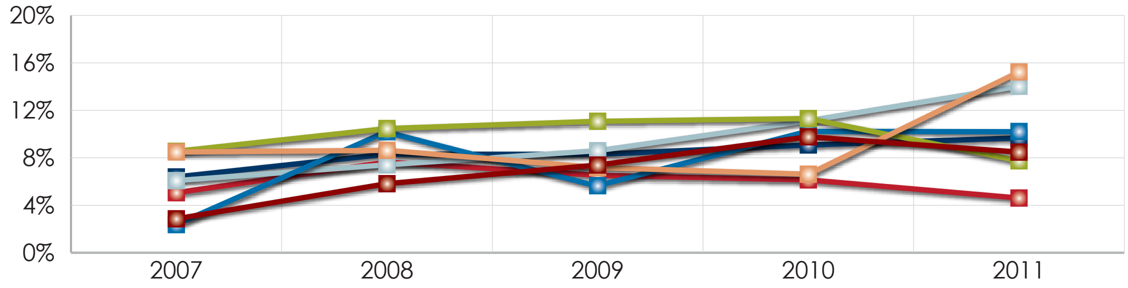
	2007	2008	2009	2010	**2011**
Regional Center	$30.94	$30.32	$29.41	$22.19	$22.72
Community Center	$21.21	$19.83	$19.07	$16.22	$16.67
Neighborhood Center	$16.57	$16.61	$13.32	$15.14	$15.64
Anchorless Center	$14.69	$20.38	$19.63	$17.35	$16.22
Total by Type	$21.32	$20.95	$20.16	$17.42	$17.63

RETAIL MARKET WEIGHTED AVERAGE LEASE RATES BY SECTOR – FIVE YEAR HISTORY



	2007	2008	2009	2010	**2011**
Northeast	$23.34	$21.36	$21.69	$21.52	$20.39
Central East	$18.63	$20.42	$18.90	$18.99	$18.13
Southeast	$22.27	$20.57	$18.58	$16.39	$15.69
Northwest	$13.27	$13.18	$13.65	$15.25	$13.90
Central West	$19.25	$20.77	$19.81	$16.74	$17.58
Southwest	$23.05	$22.57	$24.50	$17.42	$18.77
Total by Sector	$21.32	$20.95	$20.16	$17.42	$17.63

RETAIL MARKET VACANCY BY SECTOR – FIVE YEAR HISTORY



	2007	2008	2009	2010	**2011**
Northeast	2.86%	5.82%	7.39%	9.77%	8.56%
Central East	8.49%	8.63%	7.18%	6.62%	15.36%
Southeast	8.55%	10.47%	11.08%	11.31%	7.79%
Northwest	2.37%	10.20%	5.65%	10.25%	10.22%
Central West	6.08%	7.41%	8.60%	11.13%	14.03%
Southwest	5.06%	7.64%	6.53%	6.14%	4.61%
Total by Sector	6.39%	8.31%	8.29%	9.08%	9.66%

MARKET FORECAST

The biggest impact on the 2012 retail market is the public/private incentive model. This new way of financing development is skewing the market with excess space and more competitive incentives. Owners and tenants of non-subsidized retail outlets are also displeased and frustrated with the cities over this current trend. The 2012 Legislature may have a few bills presented but how it will develop is yet to be seen.

Expect to see modest improvement in the overall market due to the ability of retailers moving to stronger locations while maintaining essentially the same economic costs. As stores downsize or pull out, other stronger regional and local retailers are moving into these prime locations and enjoying lower rates.

In addition, expect an influx of new National Tenants to begin looking at Utah as a viable market. With the additions of Crate and Barrel and H&M, other national retailers such as Container Store are beginning to look for a spot to land within the Salt Lake market.