

SUMMIT COUNTY MARKET OVERVIEW

TRENDS

- In 2010, the recession caught up with the Summit County commercial real estate market. Absorption was slow, and vacancy rates ticked upward. Construction activity was minimal compared to years past, while bankruptcies and foreclosures weighed on both the commercial and residential markets. Lease rates fell slightly, with some projects experiencing a more drastic drop. Generally speaking, tenants and buyers came out on top in 2010. The lodging industry saw a decrease in room rates but an increase in visitor room nights, demonstrating a stronger return of leisure travel to the county.
- Park City added to its list of luxury hotels in 2010 with the opening of the Montage at Empire Pass in mid December. The facility features 174 hotel rooms, 81 for-sale condominiums, meeting space, a bowling alley and restaurants. The hotel brought numerous jobs to the market, along with a luxury brand that continues to notch up the competitive position of Park City. Hyatt Hotels entered the Park City lodging market as well by lending its brand and management to the Escala Lodge at the Canyons. This high quality 85-unit condominium hotel also features direct ski access at the base of the Canyons resort. Talisker continued to invest heavily in Park City with substantial improvements to the Canyons Resort and a long-awaited ground breaking for a new golf course.
- In October, Snyderville Basin voters approved a \$20 million general obligation bond for the purchase of open space and construction of trails. This investment shows a strong local commitment to preserving the unique character and quality of life in Summit County, and will ensure the area continues to reap the economic benefits of being a top choice for vacationing and second homes.

FORECAST

- With the Montage joining the St Regis and Stein Erickson Lodge at Deer Valley and the Hyatt and Waldorf Astoria hotels at the Canyons, Park City is poised to capture more of the luxury lodging market than ever before. Look for other luxury brands to throw their hat in the ring as demand and financing return to the market.
- The supply of foreclosed and bank-owned properties will present good opportunities for investors during 2011. Expect to see values on several distressed properties reset to levels that are more realistic in today's market conditions.

OFFICE MARKET

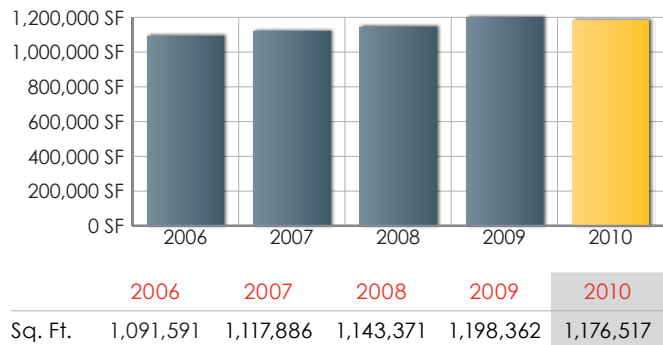
- The office sector saw the largest jump in vacancy from last year's 15.41 percent to 18.78 percent in 2010. Consistent with Summit County's office inventory and historical demand, most of the vacancy is made up of smaller spaces with few landlords able to offer large contiguous blocks of space. Many sellers are finding their assets over leveraged at current market values and tenants are experiencing more favorable lease terms.

- The Boyer Company plans to break ground on the first building in the Park City Tech Center at Kimball Junction in spring 2011. This project represents the largest entitled office park the county has ever seen at 1.2 million square feet. The project is similar to the University of Utah's Research Park, and will be the first space of its kind in Summit County. The University's Research Park is nearing capacity, and local government and business are looking for new places to put the growing number of homegrown and out-of-state technology companies looking for this type of space. Park City has emerged as an ideal site for such a project with its proximity to Salt Lake City (just a 20 minute drive to the University), and offers lifestyle options that other sites in the Salt Lake Valley cannot. This is an important project for the county, and will allow the employment base to diversify from its heavy dependence on tourism and recreation. Adjacent to and complementing the Park City Tech Center is Cowboy Partner's Liberty Peak project, a 150-unit apartment complex scheduled for completion in December 2011. This project will provide much needed affordable housing to the county.

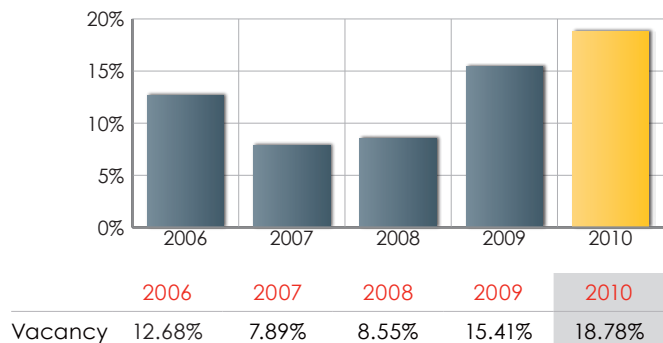
OFFICE MARKET INDICATORS

Total Inventory (SF)	1,176,517
Lease Rates PSF - NNN	\$12.00 - \$24.00
Vacancy	18.78%

OFFICE MARKET TOTAL INVENTORY - FIVE YEAR HISTORY



OFFICE VACANCY RATES - FIVE YEAR HISTORY



Summit County
YEAR-END 2010 | MARKET REVIEW
INDUSTRIAL MARKET

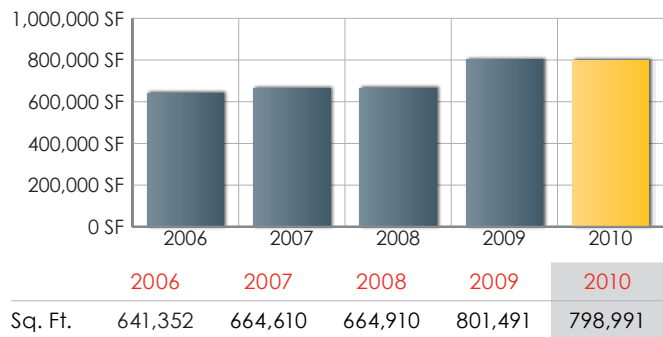
INDUSTRIAL MARKET

- The vacancy rate for the Summit County industrial market was relatively flat, ending 2010 at 16.37 percent versus 16.61 percent the prior year. The first building was constructed in the Park City Business Center, a light industrial park at the east end of the city along US Highway 40. The project has entitlements in place for over one million square feet of space, which would more than double the current industrial inventory of 800,000 square feet. At this time, developers do not plan to build speculative space, but will have the opportunity to bring in good-sized light industrial tenants as demand increases.

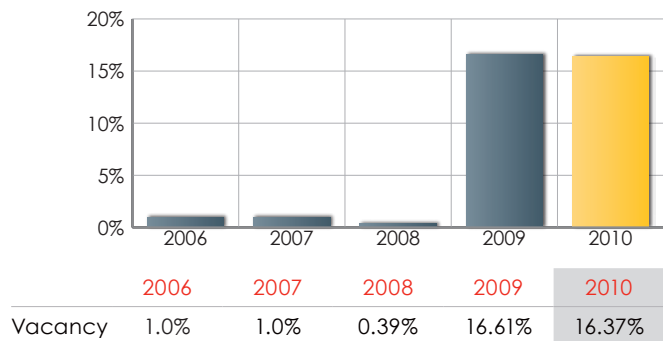
INDUSTRIAL MARKET INDICATORS

Total Inventory (SF)	798,991
Lease Rates PSF - NNN	\$10.00 – \$16.00
Vacancy	16.37%

INDUSTRIAL MARKET TOTAL INVENTORY
 - FIVE YEAR HISTORY



INDUSTRIAL VACANCY RATES
 - FIVE YEAR HISTORY



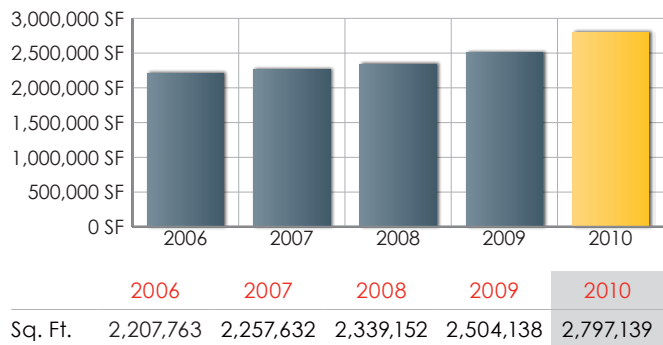
RETAIL MARKET

- For the most part, the retail market remained sluggish in 2010. Lease rates dropped a little while vacancy crept up slightly from 9.15 percent in 2009 to 9.32 percent in 2010. However, aside from a few unresolved projects, Main Street remained relatively healthy continuing to secure lease rates in the \$30-\$40 per square foot range.
- Some retail projects in the county were more aggressive with their lease rates and incentives, depending on how much vacancy owners were experiencing. This provided a great opportunity for many businesses looking to break into the Summit County market. Other businesses took advantage of current market conditions and either renewed or relocated at more favorable terms.
- The Military Installations Development Authority (MIDA) project grabbed more headlines in 2010. If fully built-out, this project could add 1.2 million square feet of retail development along US Highway 40 in order to subsidize an Air Force hotel currently planned near Jordanelle Reservoir. This is a complicated project involving several entities with the development exempted from local planning and zoning regulations and benefitting from tax increment funding

RETAIL MARKET INDICATORS

Total Inventory (SF)	2,797,139
Lease Rates PSF - NNN	\$16.00 – \$40.00
Vacancy	9.32%

RETAIL MARKET TOTAL INVENTORY
- FIVE YEAR HISTORY



RETAIL VACANCY RATES
- FIVE YEAR HISTORY

