

# MARKETBEAT



## UTAH COUNTY QUARTERLY REPORT

2Q11

EXPANDED MARKET COVERAGE REPORT

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### Overview

#### Industrial

The Industrial vacancy rate has fallen by about one percentage point overall to 7.5%. Absorption is positive in all submarkets. Orem is the healthiest submarket with a vacancy at just 4.47%.

The industrial sector continues to be the best performing of all the sectors in Utah County. The Provo submarket has shown the most improvement since the 2010 year-end report with vacancy dropping from 11.85% to 8.95%. More improvement and a firming of lease rates in this sector is expected throughout the year.

#### Retail

Retail has maintained at about 12% vacancy in the market overall. Most of this vacancy is in anchorless strip centers. Occupancy in neighborhood centers has decreased, resulting in a vacancy of 11.3% up from the 5.1% reported at year end 2010. Provo has a 16.7% vacancy rate while the North County submarket is 9.85%. The community centers and mall spaces are showing the highest occupancy rates. Mall vacancy rates are low at 8% when compared to the market average of 12%, but are higher than those reported last period.

### Office

Class A office vacancy shows a significant rise. This is primarily due to major portions of the Novell office campus space being back on the market. Novell's changes in their campus availability affects the appearance of the market significantly, due to the relative size of the block of space as compared to the market as a whole. Additionally, a previously owner/occupied medical office complex in the Riverwoods area became available for lease. These two additions to the market have contributed over 250,000 sq. ft. of available space to the Provo and Class A submarket. Other areas of the market saw positive absorption.

Several large buildings have been added to the North County submarket and occupancy has increased significantly. That means good absorption, the greatest net absorption of all submarkets. More class C properties have been added to the market as owner users continue to put all or part of their buildings on the market or upgrade to higher quality buildings.

### Summary

In general, industrial has picked up and is approaching healthy levels. The office market has shown some improvement with positive absorption in most submarkets, but a high vacancy still prevails. Retail and land are still lagging behind and have yet to show signs of recovery.

#### Industrial Overview

	Total SF	Available SF	Vacancy
Orem	5,737,160	256,735	4.47%
Provo	4,502,473	403,067	8.95%
UC North	9,158,570	704,519	7.69%
UC South	11,060,707	933,231	8.44%
<b>Total</b>	<b>30,458,910</b>	<b>2,297,552</b>	<b>7.54%</b>

#### Industrial Market Indicators

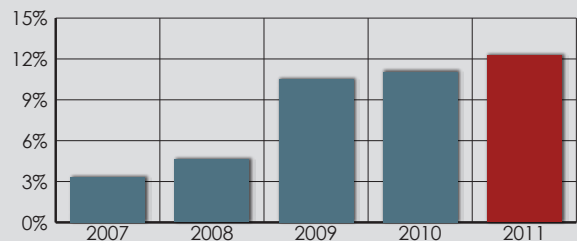
Total Inventory (SF)	30,458,910
Lease Rates PSF	\$0.40 NNN avg (\$0.18 - \$0.63)
Vacancy	7.54%
Cap Rate	8.50%
Land Values PSF	\$4.2 avg (\$1.50 - \$8.00)

#### Overall Industrial Vacancy - Five Year History



	2007	2008	2009	2010	2011
Overall	1.89%	8.49%	10.95%	8.59%	7.54%

#### Overall Retail Vacancy - Five Year History



	2007	2008	2009	2010	2011
Overall	3.33%	4.62%	10.51%	11.05%	12.26%



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### Retail Market Indicators

Total Inventory (SF)	10,659,283
Lease Rates PSF	\$15 NNN avg (\$6 - 26)
Vacancy	12.26%
Cap Rate	9%
Land Values PSF	\$8.75 avg (\$4 - 14)

### Retail Market Overview - 2Q 11

Sector	Total SF	Available SF	Vacancy
Orem	4,371,556	526,079	12.03%
Provo	2,190,390	366,692	16.74%
Utah County North	3,167,818	312,078	9.85%
Utah County South	929,519	102,389	11.02%
<b>Total</b>	<b>10,659,283</b>	<b>1,307,238</b>	<b>12.26%</b>

### Office Market Indicators

Total Inventory (SF)	9,513,393
Lease Rates PSF	\$12.00 NNN avg (\$4.00 - \$18.00)
Vacancy	15.05%
Cap Rate	9.50%
Land Values PSF	\$8.00 avg (\$3.00 - \$12.00)

Type	Total SF	Available SF	Vacancy
Anchorless Strip	2,363,513	572,123	24.21%
Neighborhood Center	2,270,613	257,373	11.33%
Community Center	3,923,843	302,318	7.70%
Mall Space	2,101,314	175,424	8.35%
<b>Total</b>	<b>10,659,283</b>	<b>1,307,238</b>	<b>12.26%</b>

### Office Market Overview - 2Q 11

	DIRECT OFFICE SPACE			SUBLEASE	
	Total SF	Available SF	Vacancy	Available SF	Vacancy
<b>Orem</b>					
Class A	1,326,194	188,122	14.19%	3,803	0.29%
Class B	696,812	116,371	16.70%	3,877	0.56%
Condo	966,683	169,623	17.55%	4,140	0.43%
<b>Overall</b>	<b>2,989,689</b>	<b>474,116</b>	<b>15.86%</b>	<b>7,650</b>	<b>0.54%</b>
<b>Provo</b>					
Class A	1,416,536	352,595	24.89%	26,376	2.21%
Class B	1,195,948	63,169	5.28%	0	0.00%
Condo	587,787	76,860	13.08%	33,376	3.08%
<b>Overall</b>	<b>3,200,271</b>	<b>492,624</b>	<b>15.39%</b>	<b>14,753</b>	<b>1.20%</b>
<b>Utah County North</b>					
Class A	1,082,678	163,619	15.11%	7,587	1.15%
Class B	1,230,774	136,208	11.07%	0	0.00%
Condo	661,722	112,785	17.04%	0	0.00%
<b>Overall</b>	<b>2,975,174</b>	<b>412,612</b>	<b>13.87%</b>	<b>0</b>	<b>0.00%</b>
<b>Utah County South</b>					
Class A	6,400	—	0.00%	11,820	0.40%
Class B	261,199	38,958	14.92%	34,026	1.06%
Condo	80,660	13,370	16.58%	55,716	1.87%
<b>Overall</b>	<b>348,259</b>	<b>52,328</b>	<b>15.03%</b>	<b>0</b>	<b>0.00%</b>
<b>Totals</b>					
Class A	3,831,808	704,336	18.38%	44,829	1.17%
Class B	3,384,733	354,706	10.48%	45,006	1.33%
Condo	2,296,852	372,638	16.22%	11,727	0.51%
<b>Total Market</b>	<b>9,513,393</b>	<b>1,431,680</b>	<b>15.05%</b>	<b>101,562</b>	<b>1.07%</b>

## Office Absorbtion

Orem	
Class A	6,079
Class B	6,094
Class C	8,206
<b>Overall</b>	<b>20,379</b>
Provo	
Class A	(129,037)
Class B	32,733
Class C	(5,842)
<b>Overall</b>	<b>(102,196)</b>
North	
Class A	93,557
Class B	35,603
Class C	60,486
<b>Overall</b>	<b>189,646</b>
South	
Class A	-
Class B	(25,657)
Class C	14,908
<b>Overall</b>	<b>(10,749)</b>
Totals	
Class A	(29,401)
Class B	48,773
Class C	77,758
<b>Total Market</b>	<b>97,130</b>

## Retail Absorbtion

Orem	93,007
Provo	(158,159)
North	174,278
South	(208)
<b>Overall</b>	<b>108,918</b>
Anchorless Strip	16,943
Neighborhood Ctr	162,122
Community Center	(9,288)
Mall	(60,859)
<b>Overall</b>	<b>108,918</b>

## Industrial Absorbtion

Orem	375,798
Provo	183,345
North	89,703
South	24,973
<b>Overall</b>	<b>673,819</b>

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