

### Market Overview - Q2 2010

Although the Washington County market continued to correct over the first two quarters in 2010, we are beginning to see some positive signs come back into the market. Several mid-sized and a few large sized industrial users are currently negotiating or have secured lease deals. The medical office submarket continues to show signs of strength and is the only category witnessing significant new construction. Anchored retail and fast food categories continue to outperform other retail property segments.

While this is encouraging news, we will continue to see some downward pricing and lease rate pressure from bank owned and REO properties coming on the market. We continue to witness uncertainty over both the economy and our current political policies. As this begins to ease up, we expect a gradual recovery with businesses once again attracted to the vibrant Washington County market.

Office Total Inventory SF	2,211,724
Office Lease Rate per SF	\$6.00 - \$14.40 NNN
Office Vacancy	14.2%
Office Cap Rate	9.0% - 11.0%
Office Land Values PSF	\$6.00 - \$14.00
Office Under Construction SF	15,000

- Vacancy is up from 13.6% to 14.2%.
- Mean asking lease rates are down from \$0.99/SF NNN to \$0.83/SF NNN.
- Construction remains at or near standstill.
- Strong tenants are moving to Class A space.
- The medical office submarket remains strong and is the most active.

Industrial Total Inventory SF	7,917,956
Industrial Lease Rate per SF	\$3.00 - \$6.00
Industrial Vacancy	16.00%
Industrial Cap Rate	8.5% - 10.5%
Industrial Land Values PSF	\$2.25 - \$4.50

- The Washington County industrial vacancy rate trend improved considerably compared to 2008 and 2009 increases, edging up only one-half of a percent during the last two quarters.
- In town industrial properties, including St. George Industrial Park and Millcreek, fared the best over the last two quarters and actually saw vacancy rates come down.
- As expected, new industrial construction has come to a near halt as the market consumes the current inventory and the lending market remains constrained.

Retail Total Inventory SF	4,933,839
Retail Lease Rates PSF	\$8.20 - \$24.00
Retail Vacancy	12.84%
Retail Cap Rate	8.5% - 10.5%
Retail Land Values PSF	\$8.00 - \$16.00

- The Washington County retail market is still trying to establish a solid footing. The vacancy rate eased up one percentage point in the last six months.
- Anchor tenant properties continue to outperform anchorless properties enjoying both significantly higher lease rates and substantially lower vacancy rates.
- During the first half of 2010, new construction has slowed considerably with only 14,000 sf of new retail construction being added to the market.
- Some national credit tenants are starting to once again take notice of St. George's retail market

**Disclaimer:** The enclosed information, while not guaranteed, has been secured from sources we believe to be reliable.  
**Commerce Real Estate Solutions**© Copyright 2010 - All Rights Reserved