

SALT LAKE COUNTY INDUSTRIAL MARKET

INDUSTRIAL MARKET TRENDS

- Industrial vacancy increased only slightly in 2009. The industrial sector has weathered the economic challenges of the past year relatively well, sidestepping the huge leaps in vacancy seen in many other major markets. A lack of new construction has played a major role in moderating vacancy levels.
- The industrial market experienced a significant 25 percent decline in lease activity over the past 12 months. Activity levels plummeted over the course of the year, affecting all size categories. This across-the-board decline, due in large part to the sharp reduction in available credit and consumer demand, is an historic anomaly in the Salt Lake area market.
- Sublease space became increasingly prominent in 2009. Close to one million square feet of big box space was returned to the market by large national and regional tenants in the past year. The availability of sublease space, once a rarity in the Salt Lake market, is helping to offset the lack of new industrial product. There is currently enough quality inventory available to provide tenants with amenable choices.
- A decline in industrial lease rates is reflective of flagging market conditions. Asking rental rates dropped approximately 10 percent over the course of 2009, a significant reversal from the 23 percent rise posted the previous year. Landlords have become much more willing to negotiate lower rates, and concessions such as free rent are increasingly common.

MARKET INDICATORS

	Current	Change since:	
		Q4 08	Q2 09
Industrial Vacancy	7.16%	↑	↑
Average Market Lease Rate	\$0.38	↓	↓
Completed Construction	862,508	↓	↓

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

- Industrial construction has come to a near standstill. While a few large projects are being undertaken by owner/users such as O'Reilly Automotive, Inc., Komatsu Equipment and Food for Health International, speculative construction has ground to a halt. The market has experienced little new growth in inventory outside the big box category for several years running. The lack of available commercial lending opportunities has contributed to low construction activity.
- A rising tide of lease renewals reflects caution on the part of tenants. Even tenants whose businesses have remained healthy during the current economic turmoil appear reluctant to expand or relocate until absolutely necessary. The result has been a surge in short-term renewals that accommodate a "wait and see" attitude. Landlords are willing to make short-term deals to avoid potential vacancy.
- Weakened market conditions can be directly traced to the severe shortage in available credit and attendant unemployment. The pace at which the market is able to recover will be determined by bankers' willingness to loosen their purse strings. Many successful, credit-worthy businesses have been unable to act on much-needed expansion plans due to their inability to obtain funding.

INDUSTRIAL MARKET OVERVIEW - FOURTH QUARTER 2009

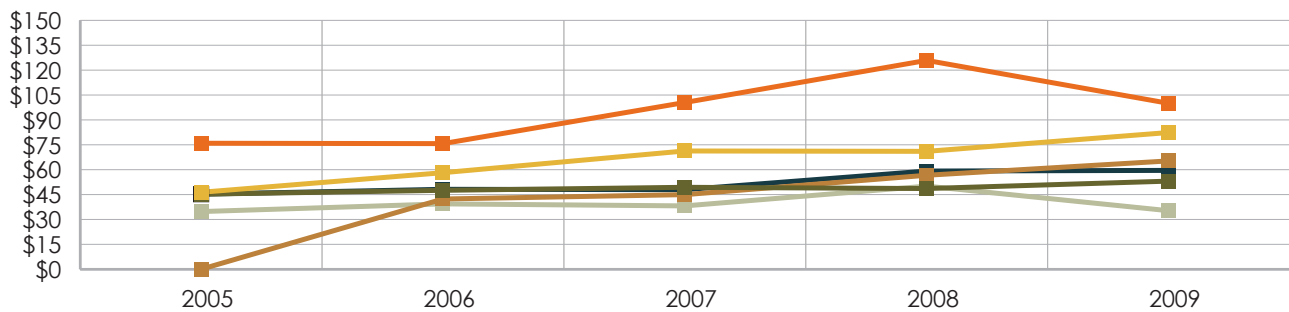
Building Size (square feet)	New Construction	Rents*	Vacancy	Lease Activity	Sales Activity	Total Activity	Total Market Square Footage
0 - 5,000	7,800	\$0.43	0.28%	247,147	37,511	284,658	4,662,788
5,001 - 20,000	51,260	\$0.43	1.53%	721,394	134,330	855,724	22,300,818
20,001 - 50,000	195,182	\$0.38	1.38%	362,666	234,179	596,845	25,717,129
50,001 - 100,000	252,300	\$0.50	1.21%	337,754	278,772	616,526	18,676,098
100,001+	355,966	\$0.31	2.76%	1,316,667	875,164	2,191,831	39,525,404
Total	862,508	\$0.38	7.16%	2,985,628	1,559,956	4,545,584	110,882,237

* Rents are actual, triple-net (NNN), per square foot, per month and include tenant build-out.

INDUSTRIAL MARKET FORECAST

- Industrial vacancy is likely to stabilize in late 2010. Signs of economic improvement are slowly emerging, and vacancy levels may grow as some business fail, then are expected to begin stabilizing by 2011.
- Lease activity is anticipated to show improvement in the coming year. While the increase in activity levels will take place at a crawl rather than a sprint, pent-up demand will likely put more tenants into play. Overall lease activity should rise by approximately 10 percent in 2010.
- Tenants will continue to pursue more short-term lease renewals. The uncertainty surrounding today's economic climate will continue to make tenants wary of making long-term commitments. Many who are facing expiration of their current leases will renew for only a year or two while negotiating with landlords for lower rents.
- The death of new industrial construction will extend through 2010. The lack of available credit will continue to place a stranglehold on speculative construction and any new projects are likely to be undertaken by owner/users. Given the slow pace of the expected recovery, industrial construction may not pick up again until 2012.
- The decline in lease rates should continue in coming months. With no new construction on the horizon, certain industrial sectors shall remain weak. Vacancy will likely grow in 2010, then be held in check thereafter. Although rents are expected to flatten in 2010, it will take a long process for them to recover to previous levels.

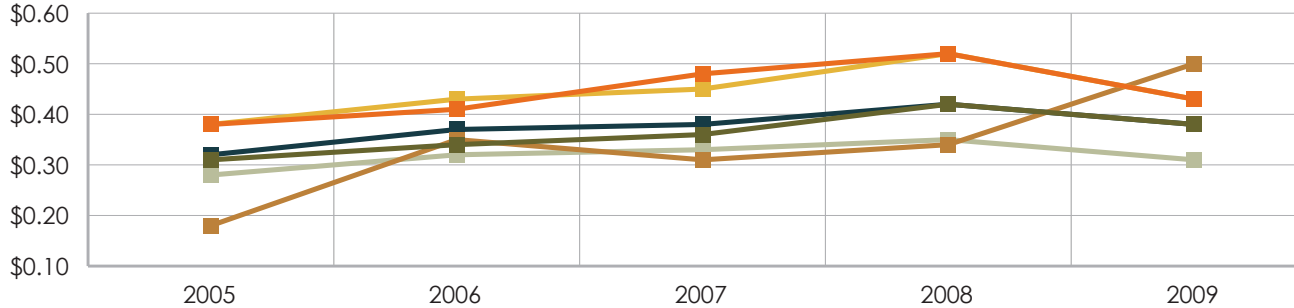
INDUSTRIAL MARKET SALE PRICES (PER SQUARE FOOT) - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
0-5,000 SF	\$75.93	\$75.71	\$100.50	\$125.88	\$100.00
5,001 - 20,000 SF	\$46.38	\$58.19	\$71.28	\$71.05	\$82.39
20,001 - 50,000 SF	\$45.24	\$47.56	\$49.38	\$48.63	\$53.10
50,001 - 100,000 SF	\$0.00	\$42.33	\$44.96	\$56.64	\$65.29
100,001 SF +	\$34.75	\$39.39	\$38.17	\$50.09	\$35.28
Overall	\$45.24	\$48.17	\$47.96	\$59.18	\$59.57

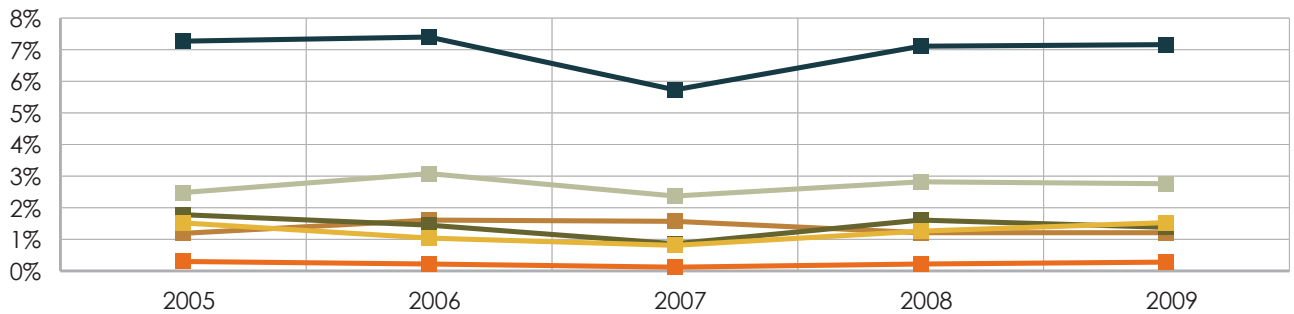
SALT LAKE COUNTY INDUSTRIAL MARKET

INDUSTRIAL MARKET LEASE RATES (PER SQUARE FOOT) - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
0-5,000 SF	\$0.38	\$0.41	\$0.48	\$0.52	\$0.43
5,001 - 20,000 SF	\$0.38	\$0.43	\$0.45	\$0.52	\$0.43
20,001 - 50,000 SF	\$0.31	\$0.34	\$0.36	\$0.42	\$0.38
50,001 - 100,000 SF	\$0.18	\$0.35	\$0.31	\$0.34	\$0.50
100,001 SF +	\$0.28	\$0.32	\$0.33	\$0.35	\$0.31
Overall	\$0.32	\$0.37	\$0.38	\$0.42	\$0.38

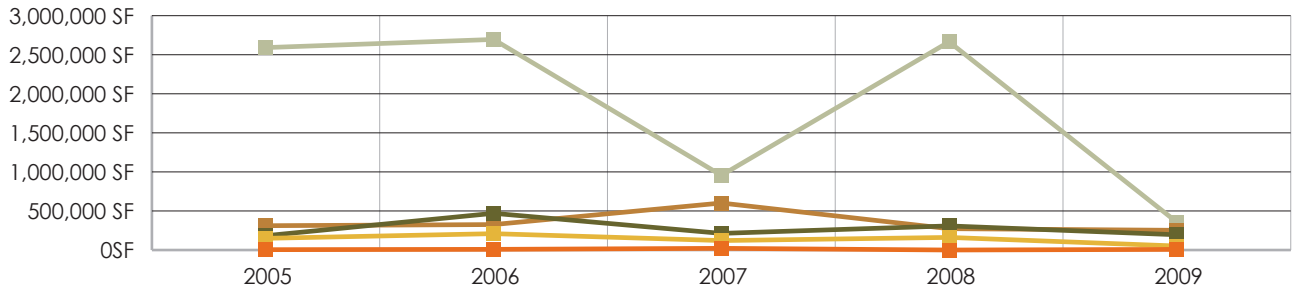
INDUSTRIAL MARKET VACANCY - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
0-5,000 SF	0.30%	0.22%	0.12%	0.22%	0.28%
5,001 - 20,000 SF	1.52%	1.04%	0.81%	1.26%	1.53%
20,001 - 50,000 SF	1.78%	1.45%	0.86%	1.61%	1.38%
50,001 - 100,000 SF	1.19%	1.61%	1.57%	1.21%	1.21%
100,001 SF +	2.48%	3.08%	2.37%	2.82%	2.76%
Overall	7.27%	7.40%	5.73%	7.11%	7.16%

YEAR-END 2009 MARKET REVIEW

SALT LAKE COUNTY INDUSTRIAL CONSTRUCTION - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
0-5,000 SF	4,352	8,550	21,479	0	7,800
5,001 - 20,000 SF	149,518	209,346	120,888	161,294	51,260
20,001 - 50,000 SF	183,391	469,800	212,889	308,639	195,182
50,001 - 100,000 SF	311,306	325,770	601,594	273,058	252,300
100,001 SF +	2,591,442	2,695,701	955,539	2,665,410	355,966
Overall	3,240,009	3,709,167	1,912,389	3,408,401	862,508