

# SALT LAKE AREA INVESTMENT MARKET

## INVESTMENT MARKET TRENDS

- In 2009, the volume of investment transactions continued their decline. The drop off in activity, as well as financing challenges pushed values lower. However, the free-fall that began in the third quarter of 2007 seems to be finding a bottom. Investors are adjusting to the new rules of engagement in commercial real estate, and we are on fundamentally sounder footing than a year ago. The “Great Reset” in values has occurred. Furthermore, the de-leveraging of commercial real estate is well underway and will continue for the foreseeable future. This will also contribute to the downward pressure on values.
- Class A property values held relatively steady, however, we may have another 10 to 30 percent decline in B and C class properties, which experienced tremendous devastation this past year. Along with values, we also saw the number of transactions decrease, with just \$422 million in total sales volume, down 54 percent from \$788 million in 2008. Most years, there is a 50/50 split among local and out-of-state investors. In 2009, locals completed approximately 75 percent of the transactions. The number of commercial foreclosures underway in Utah is relatively small compared to our neighboring states, which is reflective of our diverse economy.
- Apartments are historically a solid investment during down times, and this cycle has been no exception. The multi-family market retained more of its value, with vacancy hovering at around 7 percent. In 2009, we saw a majority of landlords offering tenant concessions—up

## MARKET INDICATORS

Total Sales Volume	\$421,786,275
Total SF and Units	\$2,206,571 / 2,114 Units
Total Transactions	95

from almost zero a few years ago. Notable transactions included The Falls at Hunter Pointe and City Park. Pinnacle Highlands and Emigration Court were sold as a package in the fourth quarter, and are the largest transactions of the year. Unlike other sectors, lenders kept credit flowing to multi-family projects. HUD loans were particularly helpful in keeping multi-family market resilient in the downturn.

- Other sectors were not as fortunate in the credit area, although there appears to be some thawing compared to mid-2008. Lenders were only willing to work with investors who had strong credit themselves, and were purchasing class A properties with credit-quality tenants. As a result, there were an unusually high number of cash-only transactions, and some existing debt assumptions. Assumption approvals were much tougher to obtain than in previous years. There were also a surprising number of land transactions, some of which were fueled by government and quasi government groups receiving stimulus funds.

## INVESTMENT MARKET OVERVIEW - FOURTH QUARTER 2009

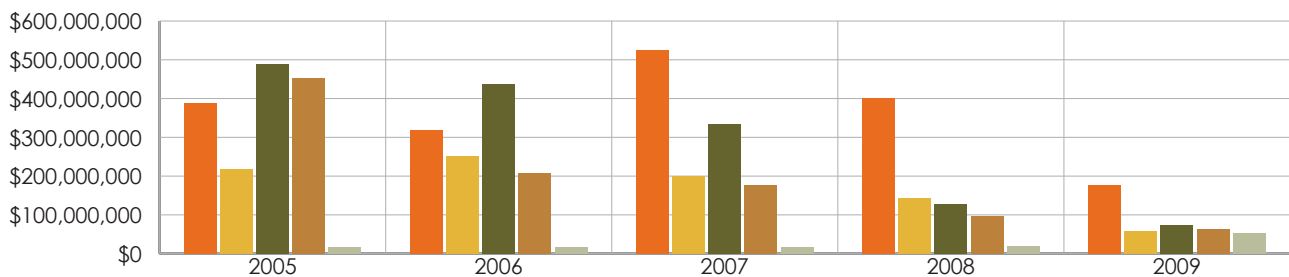
Category		Square Feet or Units Sold	Transactions	Average Sale Size	CAP Rate
Apartments	\$175,409,280.00	2,114 units	29	\$6,048,595.86	7.32%
Industrial	\$57,795,837.00	1,237,106	13	\$4,445,834.00	8.41%
Office	\$73,201,953.00	478,698	18	\$4,066,775.00	7.93%
Retail	\$62,742,205.00	490,767	23	\$2,727,921.96	9.05%
Other*	\$52,637,000.00	1,174/0/707*	12	\$4,386,416.67	8.55%
<b>Total</b>	<b>\$421,786,275</b>	<b>2,206,571</b>	<b>95</b>		

\* Other includes storage and hotels.

INVESTMENT MARKET FORECAST

- Although we do anticipate further leveling of the market, Utah's economy is miles ahead of just about every other state in the region, and our fundamentals are stronger. As a result, investor interest from outside the state should pick up in 2010. The most resilient projects will be class A properties that have adjusted rents to the new market rate structure and have reasonable occupancy levels. The office market, which saw just three significant transactions in 2009, will continue to struggle. Retail is still challenging, although we expect Salt Lake's relative stability to make this market more attractive to outside retailers than other markets in our region. Many investors are highly focused in the retail category in anticipation of attractive opportunities. Overall, the market downturn is not caused by overbuilding, as has been the case in prior market cycles, but more so by under-demand.
- While the economy is definitely looking up, we will not see a full recovery until job growth becomes positive. Businesses are still consolidating and postponing hiring new employees. As a result, we will see continued pressure on rent rolls, and thus values. This, combined with higher yield expectations, will work against appreciation. There is some risk of oversupply in the multi-family market due to new construction that is presently underway.
- Fueled by more stimulus money, the federal government will continue to drive some activity this year. However, this will be offset by states and municipalities, which will likely increase taxes and fees on businesses to offset large budget deficits. Closures and layoffs have put a lot of talented, entrepreneurial people out into the marketplace. Although tight credit markets will temper growth, look for a resurgence in start-ups, and more demand for incubator-type space in the industrial market.
- The panic that flooded the market in 2008 and the first part of 2009 has passed. Confidence takes time to build, and we will see more optimism this year. With a return to fundamentals, cash will continue to be king, as will a good balance sheet, solid credit, and good lender relationships. Investors who are well prepared will see opportunities in 2010.

TOTAL INVESTMENT SALES VOLUME - FIVE YEAR HISTORY

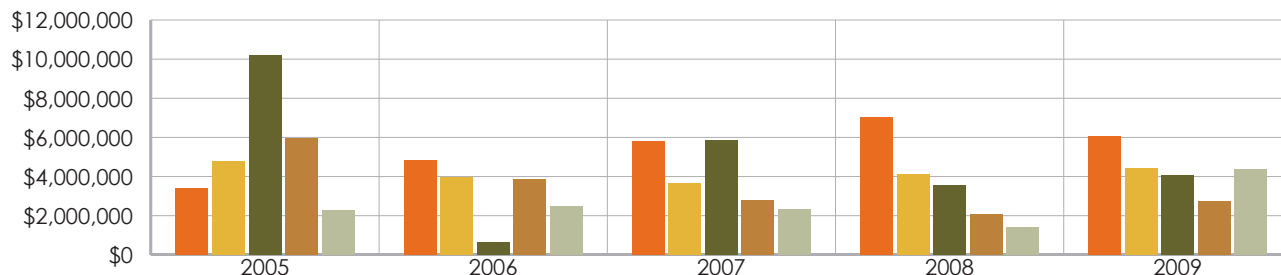


	2005	2006	2007	2008	2009
<b>Apartment</b>	\$389,357,924	\$318,471,095	\$525,835,214	\$400,466,420	\$175,409,280
<b>Industrial</b>	\$219,189,206	\$250,576,268	\$201,050,682	\$144,031,049	\$57,795,837
<b>Office</b>	\$488,390,042	\$436,127,128	\$333,016,392	\$128,039,733	\$73,201,953
<b>Retail</b>	\$453,168,653	\$270,228,531	\$177,095,007	\$97,275,003	\$62,742,205
<b>Others*</b>	\$15,815,000	\$17,450,000	\$16,431,200	\$18,286,000	\$52,637,000
<b>Total</b>	\$1,565,920,825	\$1,292,853,022	\$1,253,428,495	\$788,098,205	\$421,786,275

\* Other includes storage and hotels.

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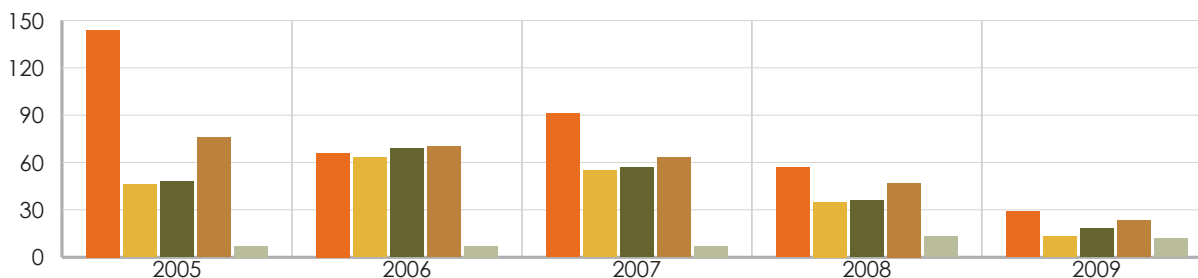
## AVERAGE INVESTMENT SALES SIZE - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
<b>Apartment</b>	\$3,415,420	\$4,825,320	\$5,778,409	\$7,025,727	\$6,048,596
<b>Industrial</b>	\$4,764,983	\$3,977,401	\$3,655,467	\$4,115,173	\$4,445,834
<b>Office</b>	\$10,174,793	\$6,320,683	\$5,842,393	\$3,556,659	\$4,066,775
<b>Retail</b>	\$5,962,745	\$3,860,408	\$2,811,032	\$2,069,681	\$2,727,922
<b>Others*</b>	\$2,259,286	\$2,492,857	\$2,347,314	\$1,406,615	\$4,386,417

\* Other includes storage and hotels.

## TOTAL INVESTMENT TRANSACTIONS - FIVE YEAR HISTORY

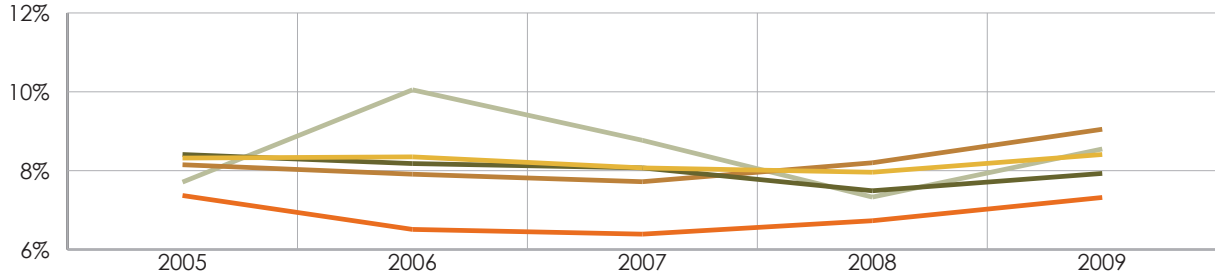


	2005	2006	2007	2008	2009
<b>Apartment</b>	144	66	91	57	29
<b>Industrial</b>	46	63	55	35	13
<b>Office</b>	48	69	57	36	18
<b>Retail</b>	76	70	63	47	23
<b>Others*</b>	7	7	7	13	12
<b>Total</b>	291	275	273	188	95

\* Other includes storage and hotels.

# YEAR-END 2009 MARKET REVIEW

## INVESTMENT CAP RATES - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
<b>Apartment</b>	7.37%	6.51%	6.39%	6.73%	7.32%
<b>Industrial</b>	8.32%	8.35%	8.07%	7.96%	8.41%
<b>Office</b>	8.41%	8.18%	8.07%	7.49%	7.93%
<b>Retail</b>	8.15%	7.91%	7.72%	8.20%	9.05%
<b>Others*</b>	7.71%	10.05%	8.77%	7.33%	8.55%

\* Other includes storage and hotels.