

SALT LAKE COUNTY OFFICE MARKET

OFFICE MARKET TRENDS

- In 2009, the Salt Lake office market saw direct vacancy rates climb to 15.72 percent, up from 12.95 percent at the end of 2008. Utah's employment experienced a 4.9 percent negative growth rate last year, which equals an employment reduction of approximately 61,000 jobs—45 percent of which were in Salt Lake County. Although the local and national economy continued to affect office vacancy, the rise in vacancy can be largely attributed to the December completion of the 222 Main Street downtown office building. This building, which is partially leased but not occupied, added 420,000 square feet to the Central Business District vacancy rate.
- In a market with increasing vacancy rates and negative job growth, lease rates did not increase. However, 222 Main set a new high watermark for asking lease rates at \$32 to \$34 per square foot, nudging rates upward from \$20.20 at the end of 2008, to a market average asking lease rate of \$20.58. Effective lease rates, which include concessions such as rent abatement, relocation allowances and above-standard tenant improvement allowances, continued to

MARKET INDICATORS

	Current	Change since:	
		Q4 08	Q2 09
Direct Office Vacancy	15.72%	↑	↑
Sublease Vacancy	1.31%	↑	↓
Average Market Lease Rate	\$20.58 PSF	↑	↑
Completed Construction	768,294 SF	↓	↑

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

move lower. If the 222 Main Street office building is deleted from the study, overall lease rates would have remained the same over the past year.

- Absorption was a positive 88,000 square feet for 2009, but a definite decrease versus the five-year average of 913,000 square feet annually. The northeast suburban quadrant had the best absorption due to Salt Lake Behavioral Health leasing the entire 75,000 square feet in the Center Square II building. In 2009, the Central Business District experienced the largest drop in absorption, with a negative 165,198 square feet across all business classes. A total of

OFFICE MARKET OVERVIEW - FOURTH QUARTER 2009

CBD [^]	DIRECT OFFICE SPACE*					SUBLEASE	
	Total SF	Available SF	Absorption SF	Vacancy	Rents PSF**	Available SF	Vacancy
Class A	3,389,613	656,698	-129,081	19.37%	\$27.83	140,678	4.15%
Class B	2,132,070	399,222	-65,456	18.72%	\$21.75	19,747	0.93%
Class C	1,581,811	235,245	29,339	14.87%	\$15.31	11,182	0.71%
Overall	7,103,494	1,291,165	-165,198	18.18%	\$23.22	171,607	2.42%
Periphery							
Class A	1,332,687	33,250	-7,380	2.49%	\$23.06	4,785	0.36%
Class B	1,404,551	124,105	-4,527	8.84%	\$18.68	23,230	1.65%
Class C	880,323	156,252	-39,367	17.75%	\$14.15	0	0.00%
Overall	3,617,561	313,607	-51,274	8.67%	\$19.19	28,015	0.77%
Suburban							
Class A	7,796,067	944,990	198,505	12.12%	\$23.22	56,126	0.72%
Class B	8,268,550	1,348,061	158,332	16.30%	\$19.33	115,281	1.39%
Class C	4,306,507	988,470	-52,315	22.95%	\$15.02	36,555	0.85%
Overall	20,371,124	3,281,521	304,522	16.11%	\$19.91	207,962	1.02%
Total Market	31,092,179	4,886,293	88,050	15.72%	\$20.58	407,584	1.31%

* Sublease space is not included in these figures. ** Weighted full service asking lease rates. ^ Central Business District - Salt Lake City, Utah.

768,000 square feet in new construction occurred during 2009 compared to just over a million square feet in 2008. Every building project began construction in 2008 or earlier, before market conditions began to deteriorate and credit was more abundant. Although we did see a year-to-year drop in buildings, the 2009 total was close to the five-year average of 808,000 square feet. All completed buildings were in the suburban sector with the exception of 222 Main Street, and at year end, 30 percent of the space was leased and occupied.

- Only four buildings totaling 315,000 square feet are slated to be completed during the upcoming year, and over 75 percent of the space has already been leased. Lease rates are projected to stay about the same, but could see some downward pressure due to current vacancy rates. While we will continue to see volatility in vacancy rates during the first half of the year, the latter part of the year could see a reversal, and perhaps some positive absorption and lower vacancies.
- We will continue to see the office market favor tenants. Landlords will make every attempt to attract new tenants and retain current tenants by offering concessions such as free rent, above-standard build-outs, and even rent relief in exchange for longer leases. More tenants will show a preference for LEED buildings, particularly those that produce greater energy efficiency. Good access will become an even more important factor in choosing a location, as tenants are showing a definite preference for buildings near major freeway and rail hubs, and within close proximity to amenities.

OFFICE MARKET FORECAST

- State economists are predicting Utah will return to positive job growth by the third quarter of 2010. It is anticipated that the office market will lag behind the recovery due to the time it takes for companies to regain confidence, begin hiring again, execute lease agreements and occupy new space. Based on the current office market as it relates to the needs of tenants, there will be upward momentum beginning the latter half of 2010.

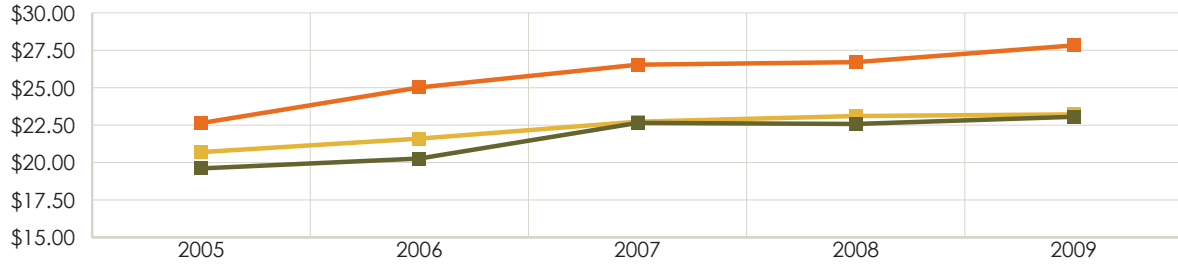
SUBURBAN OFFICE MARKET* - BY QUADRANT

	Northeast	Northwest	Central East	Central West	Southeast	Southwest	Totals
Vacancy	5.95%	21.39%	17.83%	24.39%	15.88%	13.36%	16.11%
Absorption SF	197,934	-94,154	6,334	-7,400	135,760	66,048	304,522
Rents PSF**							
Class A	\$24.87	\$19.54	\$24.99	NA	\$22.18	\$23.03	\$23.22
Class B	\$20.31	\$17.25	\$19.35	\$20.01	\$19.46	\$19.85	\$19.33
Class C	\$14.46	\$15.48	\$14.92	\$13.83	\$16.51	NA	\$15.02
Overall	\$19.46	\$17.31	\$20.37	\$19.57	\$20.46	\$22.70	\$19.91

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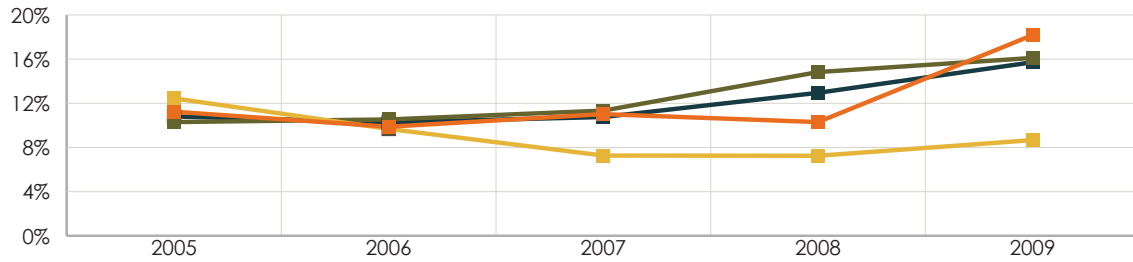
OFFICE MARKET CLASS A QUOTED RATES PER SQUARE FOOT** - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
Central Business District (CBD)	\$22.64	\$25.02	\$26.54	\$26.71	\$27.83
Periphery	\$19.61	\$20.27	\$22.65	\$22.58	\$23.06
Suburban	\$20.70	\$21.60	\$22.73	\$23.11	\$23.22

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OFFICE MARKET VACANCY* - FIVE YEAR HISTORY

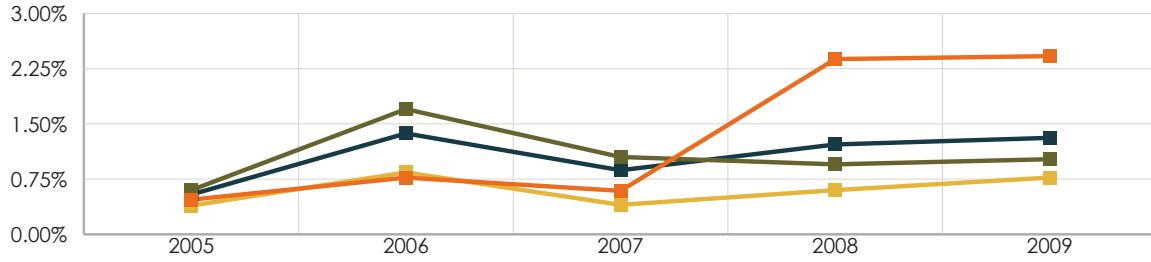


	2005	2006	2007	2008	2009
Central Business District (CBD)	11.24%	9.88%	11.02%	10.30%	18.18%
Periphery	12.45%	9.68%	7.27%	7.25%	8.67%
Suburban	10.30%	10.54%	11.34%	14.83%	16.11%
Overall	10.81%	10.28%	10.76%	12.95%	15.72%

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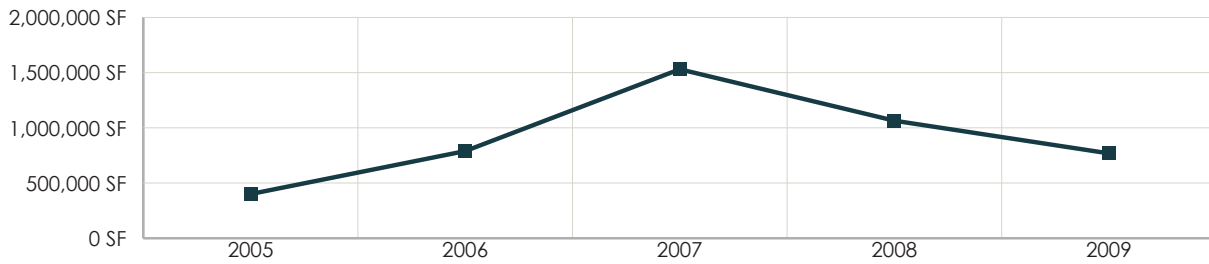
YEAR-END 2009 MARKET REVIEW

OFFICE MARKET SUBLEASE VACANCY - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
Central Business District (CBD)	0.47%	0.77%	0.59%	2.38%	2.42%
Periphery	0.39%	0.84%	0.40%	0.60%	0.77%
Suburban	0.60%	1.70%	1.05%	0.95%	1.02%
Overall	0.54%	1.37%	0.87%	1.22%	1.31%

OFFICE MARKET CONSTRUCTION - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
Square Feet Constructed	400,000	789,000	1,530,567	1,064,424	768,294