

# SALT LAKE COUNTY RETAIL MARKET

## RETAIL MARKET TRENDS

- The Salt Lake County retail market appears to have stabilized during the last half of the year, although transaction volume and activity remained slow. The general feeling among landlords is that of relief, in that they are not seeing the same level of downward pressure of 2008, or the first half of 2009.
- The retail sector experienced a four-fold increase in new construction—from just 53,000 square feet at mid-year, to 199,650 square feet at the close of 2009. This level of new construction, which is down from the previous two years, is indicative of the challenges in the economy and retail market. Virtually all of the new construction in the second half of the year was the result of WinCo Foods' expansion in the market, which opened stores in West Valley and Midvale. Speculative development remained virtually nonexistent. Total absorption rates climbed from a negative 89,553 square feet in June 2009, to a positive 260,216 square feet at the close of December, again, mostly a result of the WinCo openings.

## MARKET INDICATORS

	Current	Change since:	
		Q4 08	Q2 09
Retail Vacancy	8.29%	↓	↓
Average Market Lease Rate	\$20.16	↓	↓
Completed Construction	199,650 SF	↑	↑

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

- Vacancy rates remained statistically unchanged versus 2008, and fell slightly from mid-year to 8.29 percent, down from 8.5 percent. This relatively healthy vacancy rate remained stable as the result of virtually non-existent speculative construction, slightly lower lease rates, and landlords' willingness to make concessions to attract tenants who were able to expand, and preserve relationships with existing tenants.
- The most dynamic segment of the retail market this year was grocery. In addition to the new WinCo stores, which look to be as popular as expected, Associated Foods announced the purchase of 34 Albertsons supermarkets from Minneapolis-based Supervalu, Inc., which decided to exit the Utah market. Associated Foods completed

## RETAIL MARKET OVERVIEW - FOURTH QUARTER 2009

Retail Sector	Market SF* with malls	Vacant SF with malls*	Vacancy with malls*	Market SF w/o malls	Vacant SF w/o malls**	Vacancy w/o malls**	Absorption**
Northeast	4,763,888	352,156	7.39%	4,525,797	256,842	5.68%	-11,656
Central East	6,096,714	437,850	7.18%	4,991,564	418,436	8.38%	71,582
Southeast	9,474,789	1,049,385	11.08%	8,206,103	1,025,885	12.50%	17,103
Northwest	876,650	49,567	5.65%	876,650	49,567	5.65%	1,353
Central West	7,108,751	611,643	8.60%	6,508,954	586,643	9.01%	86,092
Southwest	8,658,063	565,777	6.53%	8,605,063	565,777	6.57%	42,858
<b>Total by Sector</b>	<b>36,978,855</b>	<b>3,066,378</b>	<b>8.29%</b>	<b>33,714,131</b>	<b>2,903,150</b>	<b>8.61%</b>	<b>207,332</b>
<b>Retail Type</b>							
Regional Mall	3,211,724	163,228	5.08%	-	-	-	0
Regional Center	6,713,041	530,593	7.90%	6,660,041	530,593	7.97%	14,243
Community Center	15,122,702	1,046,367	6.92%	15,122,702	1,046,367	6.92%	217,190
Neighborhood Center	7,508,007	687,028	9.15%	7,508,007	687,028	9.15%	2,472
Anchorless Center	4,423,381	639,162	14.45%	4,423,381	639,162	14.45%	-26,573
<b>Total by Type</b>	<b>36,978,855</b>	<b>3,066,378</b>	<b>8.29%</b>	<b>33,714,131</b>	<b>2,903,150</b>	<b>8.61%</b>	<b>207,332</b>

\*Refers only to shopping center or multi-tenant developments over 10,000 square feet. \*\* Absorption includes regional malls.

## YEAR-END 2009 MARKET REVIEW

the deal with a re-launch of the stores under the Fresh Market moniker in early November. The Southern Utah facility will continue to be run by Supervalu as an extension of its Nevada operation. One of the Orem stores was recently committed to an independent grocer, and the future of the remaining Albertsons stores is uncertain.

- Despite the slow economy, restaurants continued to be one of the more active categories, with numerous local operators taking advantage of aggressive lease terms offered by landlords. The much anticipated expansion of In-N-Out Burger in Utah came to fruition in the second half of the year with the opening of their new Draper location. This particular segment within the restaurant category of retailers saw a number of new market entries in 2009, including Smash Burger and Five Guys Burgers and Fries. Not all new entries in this segment were successful however, as The Counter closed their only location in The Gateway.
- The second half of 2009 did not see the large-scale national chain closures we did in the first half of the year. While this is certainly positive, it is not necessarily a good predictor for 2010. Retailers typically do not shutter existing stores during the busy holiday season, but do reevaluate their positions after the beginning of the year. If the credit markets remain locked down,

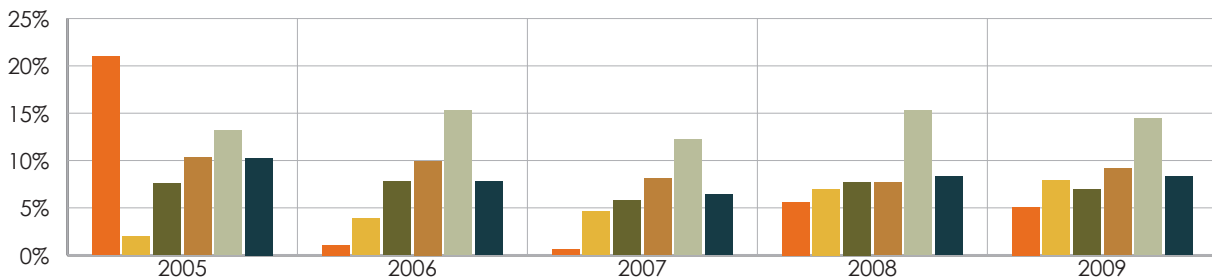
consumer confidence remains low, and expendable income does not rise, it is likely that we will see some additional closures among the national chains in 2010.

### RETAIL MARKET LEASE RATES & CONSTRUCTION

Retail Sector	Lease Rates	New Construction SF
Northeast	\$21.69	0
Central East	\$18.90	0
Southeast	\$18.58	0
Northwest	\$13.65	0
Central West	\$19.81	105,150
Southwest	\$24.50	94,500
<b>Total by Sector</b>	<b>\$20.16</b>	<b>199,650</b>
Retail Type		
Regional Center	\$29.41	0
Community Center	\$19.07	189,000
Neighborhood Center	\$13.32	0
Anchorless Center	\$19.63	10,650
<b>Total by Type</b>	<b>\$20.16</b>	<b>199,650</b>

\* Due to the challenge of tracking actual signed lease rates with any comparative value, Commerce tracks and reports rates based on a weighted average of the "high asking rate."

### RETAIL MARKET VACANCY BY TYPE - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
<b>Regional Mall</b>	20.98%	1.07%	0.61%	5.60%	5.08%
<b>Regional Center</b>	2.00%	3.89%	4.64%	7.00%	7.90%
<b>Community Center</b>	7.59%	7.81%	5.81%	7.74%	6.92%
<b>Neighborhood Center</b>	10.30%	9.97%	8.08%	7.66%	9.15%
<b>Anchorless Center</b>	13.18%	15.32%	12.19%	15.32%	14.45%
<b>Total by Type</b>	10.28%	7.79%	6.39%	8.31%	8.29%

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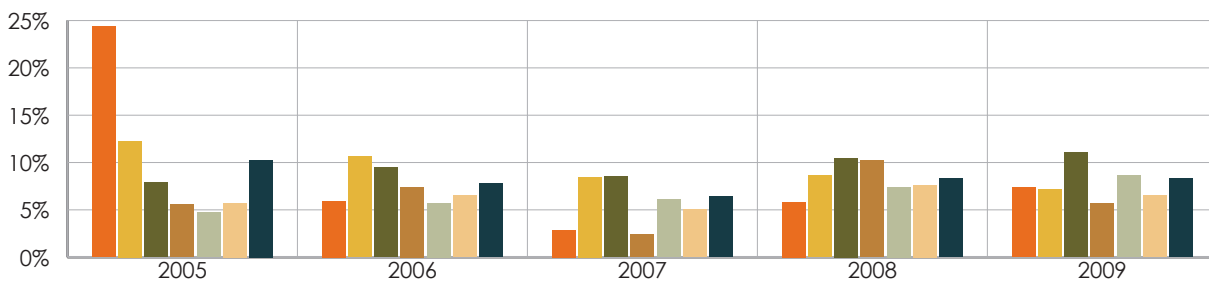
- **Malls – A Mixed Bag:** The downtown City Creek Center continues to move full steam ahead, with all phases reportedly on schedule. The financial backing of the LDS church, and the development experience of Taubman make this project a formidable competitor for everyone else in the market. Conversely, the future of the Cottonwood Mall redevelopment remains in question. While the owner/developer emerged from bankruptcy, there are still no clear plans for the project and the overall viability and economics of the original redevelopment plan remain questionable in today’s environment.
- After a number of delays—including several lawsuits—the renovation of Trolley Square is moving forward. In addition to improvements to the existing structures and planned expansion of smaller retail space, a new Whole Foods is under construction on the north end of the block.
- On November 13th the Inland American Communities Group (IAC) notified the University of Utah that they would not be exercising their option to go forward with The Universe Project, the planned development of the university’s Rice Eccles Stadium parking lot area. Citing the challenging finance markets, softening of rental housing and retail markets, and the university’s ongoing demand for parking on the property, IAC officially terminated their agreement with the university, scrapping the previously announced plans for this mixed

use development. The university remains committed to some type of development on the site and issued a request for qualifications (RFQ) for a development team for a modified transit oriented development.

## RETAIL MARKET FORECAST

- The “jobless recovery” we are beginning to experience will keep growth in check for the coming year as expendable income and consumer confidence are driving factors for the retail market. The recession has had a profound effect on consumers’ attitudes, resulting in a fundamental shift in the way we spend money. We expect this new reality to keep people’s living and spending patterns on the conservative side for years to come. Even as the economy picks up and consumers have more income to spend on retail, we anticipate a shift away from less durable items, and toward products that will improve homes and property values, including those that boost energy efficiency.
- In past years, retailers often had no safety net during difficult times. In 2009, we saw a notable increase in willingness of vendors, landlords, and even some lenders to support retailers with solid business plans, even when they faced temporary difficulties. Everyone seems to understand that in the current environment, keeping good tenants in place benefits all parties. This

## RETAIL MARKET VACANCY BY SECTOR - FIVE YEAR HISTORY



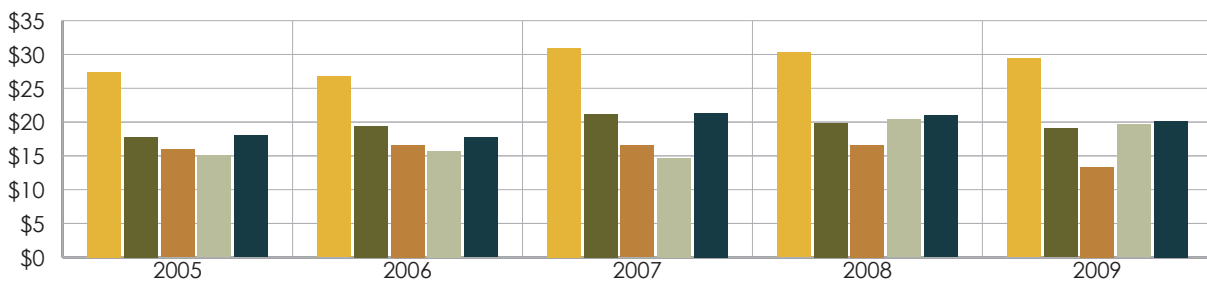
	2005	2006	2007	2008	2009
<b>Northeast</b>	24.37%	5.93%	2.86%	5.82%	7.39%
<b>Central East</b>	12.29%	10.63%	8.49%	8.63%	7.18%
<b>Southeast</b>	7.86%	9.49%	8.55%	10.47%	11.08%
<b>Northwest</b>	5.59%	7.41%	2.37%	10.20%	5.65%
<b>Central East</b>	4.70%	5.72%	6.08%	7.41%	8.60%
<b>Southwest</b>	5.73%	6.55%	5.06%	7.64%	6.53%
<b>Total by Sector</b>	10.28%	7.79%	6.39%	8.31%	8.29%

new, cooperative model softened closures in 2009, and we expect it to continue through 2010.

- By all indications, credit will remain tight in 2010. Developers and investors will face rigorous underwriting processes, and be required to have substantial equity contributions, and very low loan-to-value ratios. The challenging credit environment should keep development

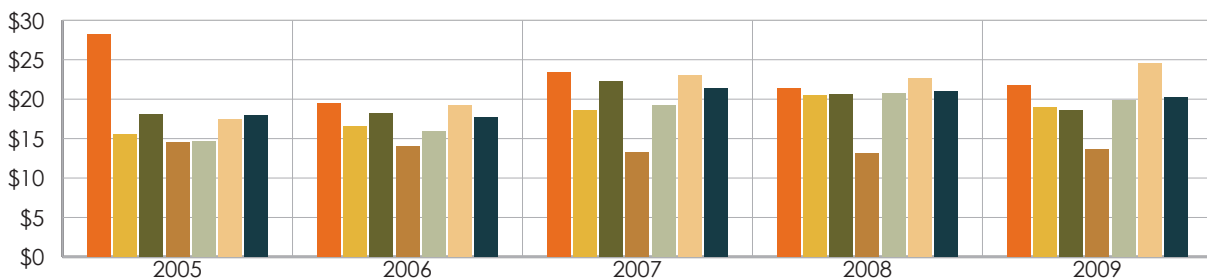
in check which will also protect the value of existing development. The one bright spot in the credit markets during the second half of the year, owner/user SBA lending, will likely continue to remain relatively strong, opening up opportunities for smaller local and regional retailers looking to expand and take advantage of the aggressive leasing market in Utah.

RETAIL MARKET WEIGHTED AVERAGE LEASE RATES BY TYPE - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
<b>Regional Center</b>	\$27.38	\$26.75	\$30.94	\$30.32	\$29.41
<b>Community Center</b>	\$17.80	\$19.41	\$21.21	\$19.83	\$19.07
<b>Neighborhood Center</b>	\$15.92	\$16.59	\$16.57	\$16.61	\$13.32
<b>Anchorless Center</b>	\$15.05	\$15.71	\$14.69	\$20.38	\$19.63
<b>Total by Type</b>	\$17.93	\$17.72	\$21.32	\$20.95	\$20.16

RETAIL MARKET WEIGHTED AVERAGE LEASE RATES BY SECTOR - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
<b>Northeast</b>	\$28.16	\$19.47	\$23.34	\$21.36	\$21.69
<b>Central East</b>	\$15.57	\$16.54	\$18.63	\$20.42	\$18.90
<b>Southeast</b>	\$18.04	\$18.21	\$22.27	\$20.57	\$18.58
<b>Northwest</b>	\$14.57	\$14.06	\$13.27	\$13.18	\$13.65
<b>Central East</b>	\$14.61	\$15.86	\$19.25	\$20.77	\$19.81
<b>Southwest</b>	\$17.40	\$19.15	\$23.05	\$22.57	\$24.50
<b>Total by Sector</b>	\$17.93	\$17.72	\$21.32	\$20.95	\$20.16