

# WASHINGTON COUNTY MARKET OVERVIEW

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- Washington County has experienced a major downturn in all key sectors of the commercial real estate market. The national accolades that Washington County has received over the past several years have seemed to diminish as the economy has declined. Many of the positive attributes of the County still exist, and as the economy turns around these will help to quicken the recovery in the area. There has been, however, a significant loss in the employment base that is hampering the current recovery. There continues to be infrastructure improvements taking place including several major I-15 interchanges and the construction of the new airport, which is slated for completion in the first quarter of 2011. These improvements will assure that Washington County is in a good position when the economy turns.

## MARKET INDICATORS

### Washington County Office

Total Inventory (SF)	2,203,924
Lease Rates PSF	\$9.00-\$15.00 NNN
Vacancy	13.6%
CAP Rate	9.0%-11.0%
Land Values PSF	\$8.00-\$12.00
Under Construction	7,800 SF

### Washington County Industrial

Total Inventory (SF)	7,893,444
Lease Rates PSF	\$3.60-\$7.80 Annual \$0.30-\$0.65 Monthly
Vacancy	15.51%
CAP Rate	10.00%-11.50%
Land Values PSF	\$2.27-\$4.95
Under Construction	24,512
Completed SF in 2009	155,633
Planned SF	642,394

### Washington County Retail

Total Inventory (SF)	4,933,839
Lease Rates PSF	\$9.00-\$24.00
Vacancy	11.66%
CAP Rate	8.5%-10.5%

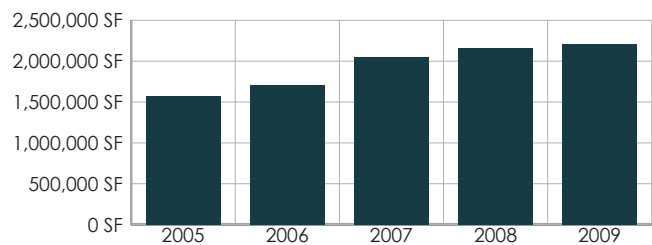
OFFICE MARKET

- The St. George office market in 2009 reacted as expected to declining national and local economic conditions. Every major market indicator worsened from the landlord perspective (or improved from the tenant perspective). The overall vacancy rate increased from 10.3 percent to 13.6 percent during 2009. The amount of current vacant space (300,800 square feet) is almost equal to the amount of new construction during the office boom in 2007 (338,000 square feet). Lease rates declined with the average asking rate now at \$0.99 per square foot NNN per month. New construction activity is at a near standstill. Only 38,760 square feet of new space was completed in 2009 and only 7,800 square feet is currently under construction.
- The competition for the few tenants in the market has become very aggressive. Landlords with access to capital for improvements and other concessions are having more success leasing their space than those who are attempting to compete on price alone. One relative bright spot is the Class A market. Class A vacancies are slowly declining as some of the stronger tenants are renegotiating very favorable deals on upgraded newer space.

MARKET INDICATORS

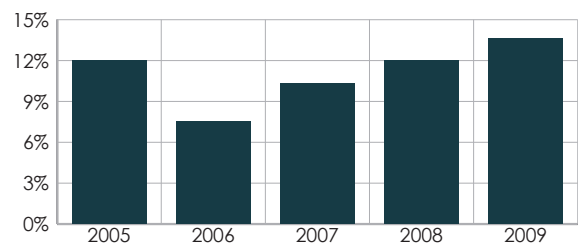
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OFFICE TOTAL INVENTORY - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
Sq. Ft.	1,574,495	1,710,000	2,048,000	2,165,164	2,203,924

OFFICE VACANCY RATES - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
Vacancy	12.0%	7.5%	10.3%	12.0%	13.6%

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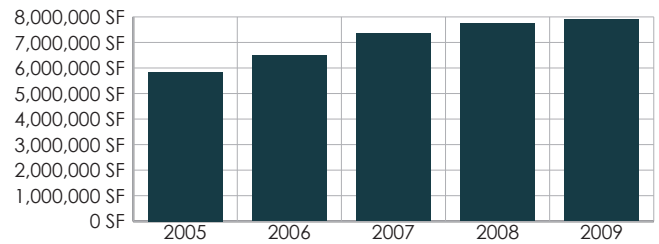
## INDUSTRIAL MARKET

- The slowdown in the industrial market that began in 2008 continued through 2009 at an even more brisk pace. Sales activity of industrial land and buildings was very limited throughout the year. There is a substantial amount of planned new building activity, however, we do not anticipate seeing actual ground breaking until there is an upturn in the economy and commercial lending begins to make an improvement.
- Several regional and national companies continue to investigate the area for future expansion. These companies understand the benefit of the Southern Utah location for easy distribution throughout the western United States. Many of these organizations, however, are taking their time in making final decisions based on the economic outlook and the need to secure financing for expansion projects.

## MARKET INDICATORS

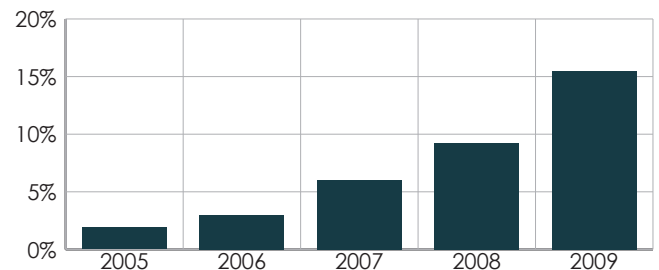
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## INDUSTRIAL TOTAL INVENTORY - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
Sq. Ft.	5,849,000	6,500,000	7,340,000	7,738,000	7,893,444

## INDUSTRIAL VACANCY RATES - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
Vacancy	1.9%	3.0%	6.0%	9.2%	15.51%

## YEAR-END 2009 MARKET REVIEW

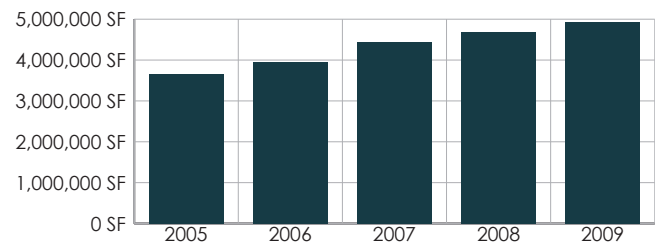
### RETAIL MARKET

- The Washington County retail market had a difficult year in 2009 as vacancy rates climbed from 7.5 percent to 11.66 percent. Anchored centers and stand alone restaurant properties, in good locations, have fared better than centers that are un-anchored and Class B and C properties.
- Several retailers and restaurants opened new locations in Washington County during 2009. A Wal-Mart Supercenter in Hurricane was completed and began operations. In addition, Red Robin, Brick Oven, Five Guys Burgers and Fries, three locations of Roberto's Taco Shop, and Natural Grocers open their doors; all new entrants to the Washington County market. All major retail developments are on hold until the market gives some indication of strength and national tenants begin to enter the market on a more aggressive basis.

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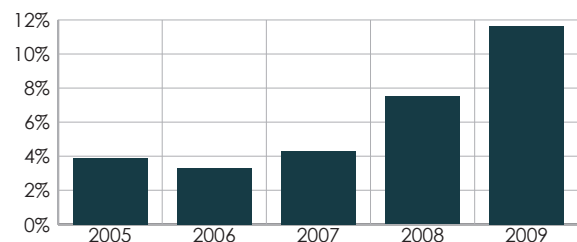
<b>Washington County Retail</b>	
Total Inventory	4,933,839 SF
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Vacancy	11.66%
CAP Rate	8.5%-10.5%

### RETAIL TOTAL INVENTORY - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
<b>Sq. Ft.</b>	3,665,000	3,955,000	4,440,000	4,690,000	4,933,839

### RETAIL VACANCY RATES - FIVE YEAR HISTORY



	2005	2006	2007	2008	2009
<b>Vacancy</b>	3.9%	3.3%	4.3%	7.5%	11.66%