

MARKETBEAT REGIONAL SNAPSHOT



WASHINGTON COUNTY

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Q2 2012



OFFICE

The office market showed signs of improvement in the first half of 2012. Vacancy in the first half of the year decreased from 15.4% to 14.6%. Mean asking lease rates (NNN) improved from \$0.66/SF to \$0.74/SF. The flight to quality space continues as tenants migrate from older spaces to newer spaces. Class A asking lease rates, for the most part, remained unchanged.

With positive absorption overall and more activity in the Class A and B spaces, the market seems to be showing signs of life. A handful of larger tenants (>5,000 SF) are in the market for new space, and some of those may finalize transactions in the second half of 2012.

We expect the improving trend to continue throughout the second half of 2012, with vacancy decreasing and lease rates improving overall. However, medical office continues to be the strongest category of office and we expect this trend to continue.

INDUSTRIAL

The industrial market has continued to see strong interest and absorption. During Q1 2012, Family Dollar announced an 818,000 sf facility on over 88 acres in the Ft. Pierce Business Park. This will be the second largest industrial/distribution facility in Washington County, second only to the Walmart DC in Hurricane. Family Dollar just broke ground with an anticipated opening in summer of 2013.

Although the market vacancy rate appears to be nearly flat over the last six months, a deeper dive into the details show the data being skewed by the timing of two large transactions just outside the window of the first half of 2012. We may see a significant reduction in the vacancy rate in the next half due to a few large transactions being negotiated.

There continues to be a dearth of large block space with only one vacant building above 55,000 sf contiguous—that being the former Mikohn facility at 85,660 sf. The smaller flex space has enjoyed strong absorption with the mid level size industrial being the weakest of the sector. The acquisition of industrial buildings continues to show heightened activity over leasing due to lower interest rates and buyers vying to pick up properties at below replacement cost. As these discounted properties are consumed, we expect the lease rates to continue their steady climb—especially in the smaller flex space sector. At some inflection point, these rates will pop higher to match costs of construction and profitable leasing. As this inflection point nears, expect discounted industrial land to begin moving along with a renewed interest on construction.

RETAIL

Retail real estate is an exciting topic in Washington County. There has been a flurry of business over the last 6 months. Since year end we have seen our vacancy rates fall almost a full percentage point from 9.01% to 8.03%. This is proof of the renewed interest of retailers and of the return of the economy.

Three new retail developments have been brought to market in St. George and the level of interest has been very high. There are LOI's being written and the majority of the tenants are new to the market.

Red Rock Commons, a 134,000 square foot retail center, was completed in the first half of 2012. Of the existing 104,000 square feet they are 100% leased. This is a perfect example of an anchored center in a great location attracting solid tenants.

OFFICE MARKET OVERVIEW

Office Total Inventory SF	2,254,724
Office Lease Rate per SF	\$5.40 - \$14.40
Office Vacancy	14.60%
Office Cap Rate	8.5% - 10.5%
Office Land Values PSF	\$6.00 - \$14.00
Office Under Construction SF	—

INDUSTRIAL MARKET OVERVIEW

Industrial Total Inventory SF	7,967,768
Industrial Lease Rate per SF	\$3.00 - \$6.00
Industrial Vacancy	9.67%
Industrial Cap Rate	8%-10%
Industrial Land Values PSF	\$1.50-\$4.50
Industrial Under Construction SF	818,000

RETAIL MARKET OVERVIEW

Retail Total Inventory SF	5,071,035
Retail Lease Rates PSF	\$6.00 - \$35.00
Retail Vacancy	8.03%
Retail Cap Rate	7.5%-10%
Retail Land Values PSF	\$4.00-\$30.00
Retail Under Construction SF	8,000 SF

OFFICE

- Vacancy is down to 14.6% from 15.4% at year end 2011
- Mean asking lease rates (NNN) increased to \$0.74/SF from \$0.66/SF at end of year 2011
- Class A asking lease rates, for the most part, are unchanged
- Tenants continue to migrate from Class C to B space and from Class B to A space
- 17,170 SF of new office space added to the market in first half of 2012
- No current new construction, but a few projects are in planning phase that could begin in second half of 2012

INDUSTRIAL

- The industrial vacancy rate stayed relatively stable due specifically to the timing of some large transactions
- The first half of 2012 was very active for industrial real estate. The bulk of interest has been on the purchase side
- Family Dollar broke ground on an 818,000 sf distribution center to be built on over 88 acres in Ft. Pierce Industrial Park
- Other notable transactions include the sale of the former 104,000 sf CabineTec facility and the former Pace Trailer facility
- National inquiries continue to increase as renewed attention focuses on Washington County

RETAIL

- The Washington County retail market is recovering with the overall vacancy rate declining by nearly one percentage point over the last six months to 8.03%
- Anchor tenant properties continue to outperform anchorless properties enjoying both significantly higher lease rates and substantially lower vacancy rates
- During the first half of 2012, construction on nearly 100,000 sf of anchored retail space at Red Rock Commons finished up
- During the second quarter, Carl's Jr. opened up their newest location on Sunset Boulevard in front of Home Depot
- National tenants have experienced a renewed interest in the Washington County retail market. We expect this to continue as the overall economy strengthens statewide and throughout the nation

