

WASHINGTON COUNTY

Economic Indicators

	Q2 15	Q2 16	12-Month Forecast
Washington County Employment	56.6k	65.5k	▲
St. George MSA Unemployment	4.1%	3.9%	■
U.S. Unemployment	5.4%	4.9%	▼

Economy

Job growth across the U.S. remained modest as year-to-date growth trailed the same period in 2015. This combined with light growth in GDP caused the Fed to once again hold off on pushing its benchmark interest rates any higher.

Utah added 44,400 net new jobs as job growth increased by 3.2% on a year-over-year basis. Although the unemployment rate increased to 3.8%, this was not the result of weakening in the job market but rather wage growth that has pulled people back into the labor market that were previously sitting on the sidelines.

OFFICE STATISTICS

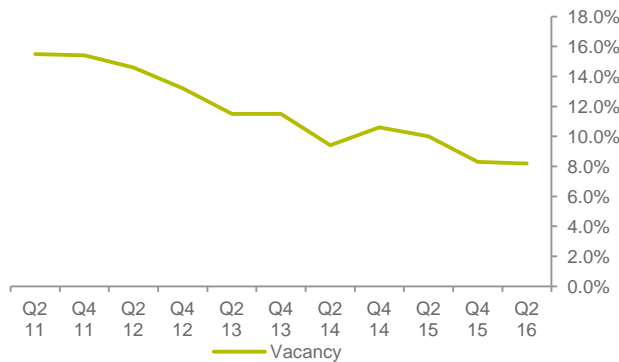
Market Indicators (All Classes, Overall)

	Q2 15	Q2 16	12-Month Forecast
Overall Vacancy	10.0%	8.2%	■
Net Absorption	72k	3k	■
Asking Rent (NNN)	\$6.00 - \$16.00	\$6.00 - \$17.00	▲

Office Overview

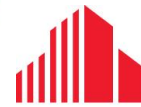
After finishing 2015 in strong form, the office market through the first half of 2016 continued to strengthen although a more modest pace. Mid-year vacancy ticked down to 8.2%, which is the lowest office vacancy rate in the past 9 years. Average asking lease rates held steady at \$11.28 per square foot (psf) NNN equal to the year-end 2015 rates. Net absorption was positive, but meager at 3,031 sf. There are no projects under construction, but there is 50,000 sf in the planning phase.

Vacancy



The prolonged recovery has caused a lack of viable spaces on the market for sale or lease. This is true particularly in the class A sector, where many of the remaining vacant spaces have asking rates and terms outside the parameters acceptable to most tenants. This leasing grid-lock has frustrated both landlords and tenants to some degree, with some persistent vacancies from the landlord perspective and a lack of viable alternatives for tenants looking to expand or relocate. The remaining vacant B and C spaces often have either, obsolete floor plans, location challenges, or older-building challenges, making them less desirable in the current market. These factors will put increased pressure on rates as tenants compete for the best spaces and the best value offerings in the market in 2016.

Investment activity has slowed from the pace of 2015, but is still fairly active.

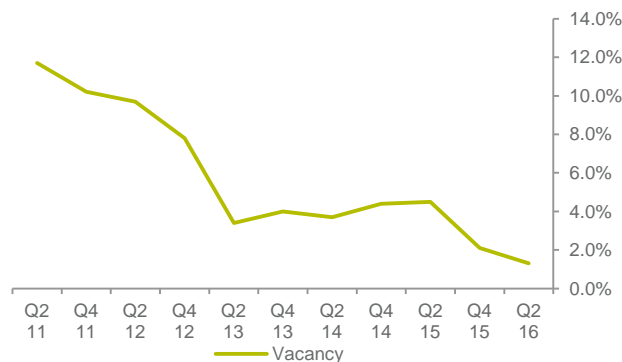


INDUSTRIAL STATISTICS

Market Indicators (All Classes, Overall)

	Q2 15	Q2 16	12-Month Forecast
Overall Vacancy	4.5%	1.3%	■
Net Absorption	84k	73k	▲
Asking Rent (NNN)	\$0.40 - \$0.50	\$0.45 - \$0.90	▲

Vacancy/Asking Rent



Industrial Overview

The industrial market reached an astounding historic low vacancy rate of just 1.3%. The industrial sector has shown strong gains in lease rates and per square pricing. The lack of inventory has put a strain on the sector giving prospective tenants and buyers few options to choose from. Meanwhile, landlords and sellers have enjoyed a nearly 200-300% gain from the low point in the market both in average lease rates and per sf sale pricing gains, with a nearly 5-10% gain in the last 6 months.

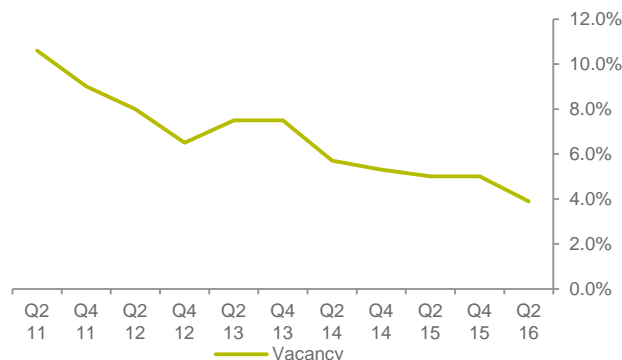
Costs of construction have put a damper on new construction with few spec buildings being added to the market—especially in the smaller to medium sized range. Average lease rates have hit par with new construction on metal buildings with minimal buildout, and large industrial buildings. A gap still exists for other construction material types in the small to medium sector. The largest contiguous space available in the market is 25,000 sf.

RETAIL STATISTICS

Market Indicators (All Classes, Overall)

	Q2 15	Q2 16	12-Month Forecast
Overall Vacancy	5.0%	3.9%	▼
Net Absorption	112k	221k	■
Asking Rent	\$13.50 - \$30.00	\$15.00 - \$30.00	▲

Vacancy/Asking Rent



Retail Overview

2016 has been a strong year for the retail market as vacancy continued to push lower. Several new buildings have been completed in 2016. Retailers such as the 67,000 sf Harmon's in Santa Clara and Lin's Market in Washington Fields added much needed grocery space. Maverick opened a location on the corner of St. George Blvd. and 1000 East. Tagg-N-Go Car Wash opened its first location and has a second under construction. Dairy Queen recently started construction as well and numerous other restaurants, financial institutions and neighborhood service companies are also preparing to move forward on additional construction.

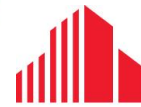
Stephen Wade's new Mercedes Benz Dealership was completed in February. Holiday Inn Express next to the convention center opened this spring bringing 130 new hotel rooms to the area, along with its onsite restaurant Burger Theory.

Investment interest is very strong but there is very little product being offered for sale. The Tonaquint Retail Building traded this summer as did the Aaron's Rents.

MARKETBEAT

Snapshot Q2 2016

Washington County



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Commerce

Key Lease Transactions 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	PROPERTY TYPE
Fort Pierce Flex Space	12,000	John Boccardo	New Lease	Industrial
3260 East Deseret Drive	11,800	Brady Industries	New Lease	Industrial
745 West Telegraph Street	5,000	Suite Salons	New Lease	Retail
First South Plaza	3,100	First American Title	New Lease	Office
Riverside Retail	2,528	Wurth Louis and Company	New Lease	Retail
Blackridge Terrace	1,382	Campus Book Rental	New Lease	Office

Key Sales Transactions 2016

PROPERTY	SF	BUYER/SELLER	PRICE	PROPERTY TYPE
Fedex Distribution Center	37,956	Not Disclosed	\$6,500,000 / \$171	Industrial
Tonaquint Retail Building	22,500	Not Disclosed	Not Disclosed	Retail
Former Far West Bank Building	7,879	Not Disclosed	Not Disclosed	Office

Outlook

- Office vacancy is expected to decline as activity accelerates through year-end pushing lease rates upward by 5% or more.
- Supply constraints within the industrial market will continue into 2017 as new construction tries to keep up with demand. Lease rates are expected to continue climbing.
- New construction will continue as grocers, restaurants and other retailers continue to expand in the St. George market.
- Vacancy and lease rates for retail are expected to remain steady.

About Cushman & Wakefield

Cushman & Wakefield is a global leader in commercial real estate services, helping clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms in the world with revenues of \$5 billion across core services of agency leasing, asset services, capital markets, facilities services (branded C&W Services), global occupier services, investment management (branded DTZ Investors), tenant representation and valuations & advisory. To learn more, visit www.cushmanwakefield.com or follow @Cushwake on Twitter.

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