

UTAH

Investment Market

Economic growth remained strong throughout Utah with more than 42,000 jobs added over the past year. Additionally, the 3.1% unemployment rate measured 150 basis points (BPS) below the national average.

Nationally, the Federal Reserve raised interest rates for only the second time in the past decade. Plans to increase rates further are in place as the United States' central bank cited a low unemployment rate, among other economic indicators, as a signal that the economy was in a healthy position.

Market Trends

Utah's investment market had its most impressive year on record during 2016. The total volume of investment sales breached \$2 billion for the first time in state history, which also extended the streak to three consecutive years with a new sales record. In fact, the past three years of investment sales have outperformed the previous seven years combined by more than \$100 million. Additionally, the overall weighted-average cap rate finished the year at 6.5%, the lowest in state history.

Average transaction size jumped 19% year-over-year, led by sizable office and apartment transactions. The amount of square footage transacted reached nearly 9.8 million square feet (MSF), the highest total since 2006. Also, the average price per square foot (PSF) of commercial sales rose to \$122.99, the second highest on record.

2016 also marked the first time that three separate asset categories exceeded \$400 million in transaction volume. Apartment sales surpassed the \$700 million mark for only the second time while logging a record-low 5.64% cap rate. Office reached its highest volume number since 2005 and led all commercial categories in price per SF with an average of \$181.25. The retail and "other" categories performed well, while industrial sales surpassed \$200 million for the first time since 2007.

Notable transactions this quarter included the sale of Cobblegate Apartments, a 416 unit complex located in Sandy, and Intermountain Space Center, a 400,000-plus-SF industrial

Market Indicators

Total Sales Volume	\$2,094,489,735
Total (SF)	9,796,875
Total Units*	8,380
Total Number of Transactions	201

* Includes apartments and other.

Utah set a new record for the third-straight year, surpassing

\$2 billion
in sales volume

property in Salt Lake City. Additionally, the year's most notable deals included: Farmgate Apartments in Herriman, The Gateway in Salt Lake City, Provo Towne Center in Utah County, and the disposition of Cottonwood Corporate Center which sold for more than \$140 million during Q3 making it the largest single transaction.

Out of state investors have played an increasingly vital role in Utah's commercial investment market in recent years, and 2016 continued that trend. Although the number of transactions was split fairly evenly between in- and out-of-state buyers, more than 75% of the overall capital investment came from outside of Utah. The disparity becomes even more evident above the \$10 million threshold where in-state buyers were responsible for less than 10% of the volume.

Look for this trend to continue as the economic uncertainties and modest returns found in many foreign markets enhance the attractiveness of U.S. real estate. Investors searching for viable returns have flooded larger U.S. markets, including California, over the past several years, compressing cap rates significantly. This has caused domestic investors to look inland toward safe but growing markets, such as Utah, where they are able to extend their returns.

Overall, 2016 was a historic year for Utah's commercial investment market. Record high sales volume and record low cap rates signify the strength of the economy as well as the local market. A rise in interest rates will have an effect moving forward, though likely marginal, as conditions are prime for both buyers and sellers.

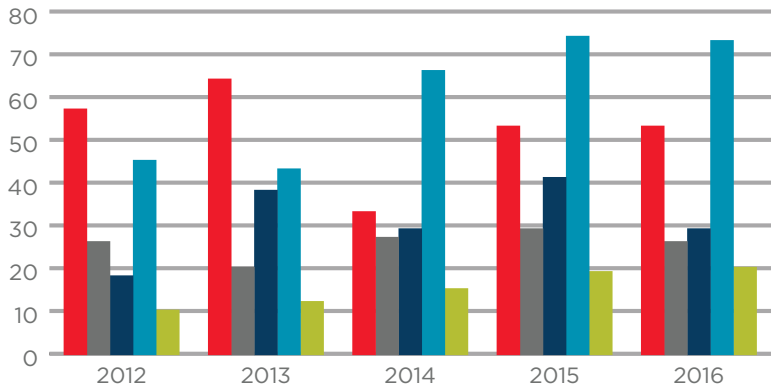
Investment Market Overview - 2016

Category	Square Feet or Units Sold	Transactions	Average Sale Size	Cap Rate
Apartments	5,736	53	\$13,610,808	5.64%
Industrial	3,601,768	26	\$8,858,023	6.78%
Office	2,664,907	29	\$16,655,992	6.97%
Retail	3,530,200	73	\$6,734,145	6.61%
Other*	2,644	20	\$8,409,600	7.96%
Total	9,796,875	201	\$10,420,347	6.49%

*Other includes storage units, mobile homes, hotel and motel.

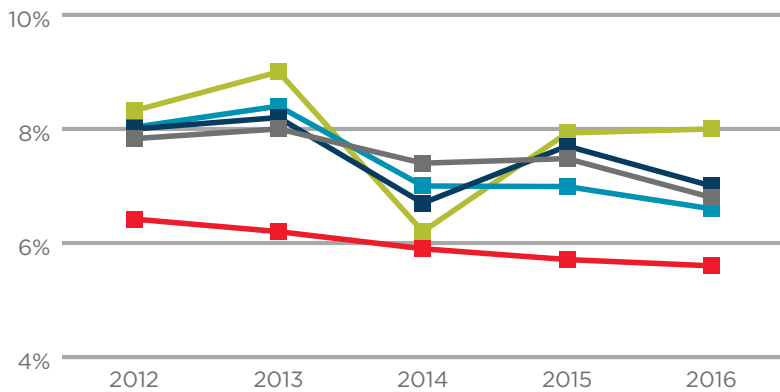
Total Investment Transactions - Five Year History					
	2012	2013	2014	2015	2016
Apartment	57	64	33	53	53
Industrial	26	20	27	29	26
Office	18	38	29	41	29
Retail	45	43	66	74	73
Others*	10	12	15	19	20
Total	156	177	170	216	201

* Other includes storage units, mobile homes, hotel and motel.



Investment Average Cap Rates - Five Year History					
	2012	2013	2014	2015	2016
Apartment	6.4%	6.2%	5.9%	5.7%	5.6%
Industrial	7.8%	8.0%	7.4%	7.5%	6.8%
Office	8.0%	8.2%	6.7%	7.7%	7.0%
Retail	8.0%	8.4%	7.0%	7.0%	6.6%
Others*	8.3%	9.0%	6.2%	7.9%	8.0%

* Other includes storage units, mobile homes, hotel and motel.



Market Forecast

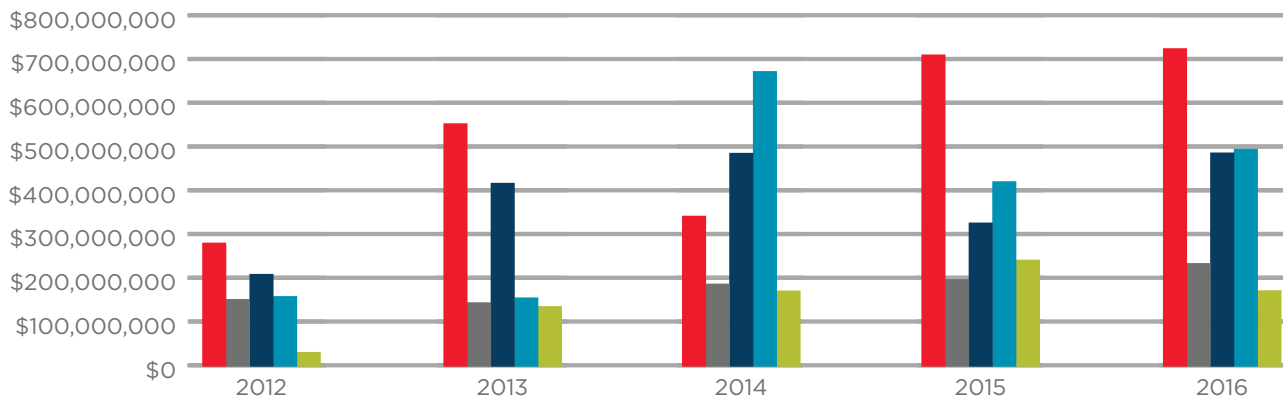
- Volume is likely to remain flat or see a minimal decline in 2017
- Apartment and Industrial properties will remain the most desired assets among commercial investors
- The rise in interest rates will push cap rates up between 15 to 30 basis points
- Investors are expected to search more aggressively for value-add opportunities



Total Investment Sales Volume - Five Year History

	2012	2013	2014	2015	2016
Apartment	\$277,078,649	\$549,781,530	\$338,545,900	\$707,073,800	\$721,372,801
Industrial	\$148,200,165	\$140,722,000	\$183,339,160	\$193,685,570	\$230,308,605
Office	\$205,580,275	\$413,680,872	\$482,278,477	\$322,984,996	\$483,023,755
Retail	\$154,803,278	\$151,771,270	\$669,138,774	\$417,326,285	\$491,592,574
Others*	\$27,165,000	\$131,950,051	\$167,708,860	\$238,088,189	\$168,192,000
Total	\$812,827,367	\$1,387,905,723	\$1,841,011,171	\$1,879,158,839	\$2,094,489,735

* Other includes storage units, mobile homes, hotel and motel.



Investment Sales by Average Transaction Size - Five Year History

	2012	2013	2014	2015	2016
Apartment	\$4,861,029	\$8,590,336	\$10,258,967	\$13,341,015	\$13,610,808
Industrial	\$5,700,006	\$7,036,100	\$6,790,339	\$6,678,813	\$8,858,023
Office	\$11,421,126	\$10,886,339	\$16,630,292	\$7,877,683	\$16,655,992
Retail	\$1,077,427	\$3,529,564	\$10,138,466	\$5,639,544	\$6,734,145
Others*	\$2,716,500	\$10,995,838	\$11,180,591	\$12,530,957	\$8,409,600
Average	\$5,210,432	\$7,841,275	\$10,829,477	\$8,699,809	\$10,420,347

* Other includes storage units, mobile homes, hotel and motel.

