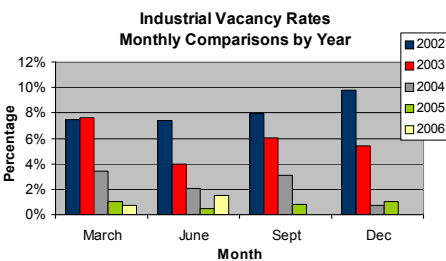


# NAI Utah Southern Region 1st Quarter Market Survey

## INDUSTRIAL

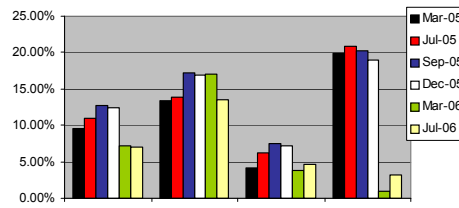
The pressure is on. Vacancy rates are continuing their downward trend and lease rates are rising for industrial space in the Washington County area. The vacancy rates for industrial space have dropped to less than 2%. Over 613,685 sq. ft. of industrial space is under construction, but most of this space is for owner occupied uses. Less than half of the industrial square footage that is under construction is being built as spec space and many of those spaces have been leased even before completion. Due to low vacancy, lease rates have begun to climb. At this time a year ago, lease rates for industrial space averaged \$.47 per square foot and are currently \$.56 per square foot. Building sale prices have also increased during the past year due, in part, to higher construction costs. These higher construction costs and declining vacancy rates will continue to drive lease rates up.



## OFFICE

At mid-year 2005, there were 450,000 sq. ft. of office space under construction and it was thought that it would take most of 2006 to absorb that space. Most of that space has been absorbed already in 2006 with the total office vacancy dropping from 9.49% in June 2005 to 6.91% in June 2006. The Class C market saw the lowest vacancy rate at 3.22% and Class A was the highest with 13.26%. However, the majority of the Class A vacancy consists of space available in one fairly new building. If that building was taken out of the survey, the total vacancy rate for Class A would only be 5%. Over the past year, the typical Class A office rates have remained steady at about \$1.30/SF NNN.

Office Vacancy Rate  
2005 to 2006 Comparison

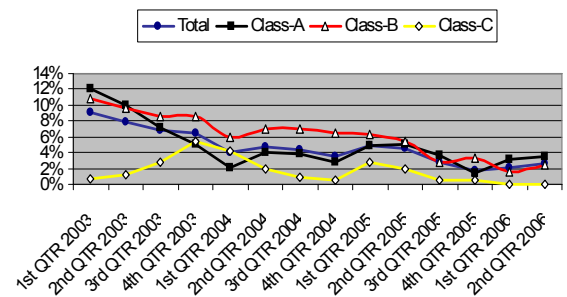


\*Some survey samplings and classes changed in January 2006

## RETAIL

If you are looking for a retail location in the Class C sector, you're most likely not going to find it. In a recent survey, there was precisely 0% vacancy in Class C retail among a sampling of most Class C centers. There was some vacancy in Class A & B, but very little. Class A showed 3.63% vacancy and Class B showed just over 2.45%. Retail development projects, such as Boulder Springs, The Shoppe's at Telegraph Square, Festival Plaza and Cottonmill II, will add some much-needed retail space to the market. However, most of them are at least a year out from being completed and are currently in the pre-leasing phases. Those retailers looking for completed retail space today will likely pay a higher lease rate due to the low vacancy rate. National tenants continue to find southern Utah an attractive market. Dillard's announced that they will relocate to the old Wal-Mart space in the Red Cliffs Mall expanding their facility to 90,000 sq. ft., which will more than double the size of the current Dillard's store. The space they occupied will be leased to a book store. Sportsman's Warehouse and Kohl's Department Store opened their doors in 2006 and ANB Financial, The Marriott and Holiday Inn Express will be completing their buildings before year end.

Retail Vacancy Rates



For an e-mail copy of NAI Utah Southern Region's full State of Utah Market Report, please e-mail [mmadsen@naiutahsouth.com](mailto:mmadsen@naiutahsouth.com) or visit our office at 221 E. St. George Blvd for a hard copy.