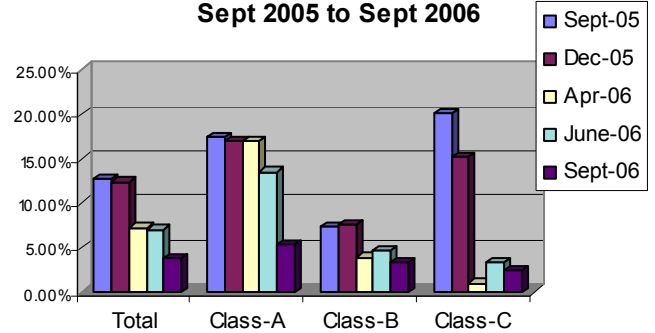


NAI Utah Southern Region 3rd Quarter Report

Office

Vacancies in class B and C office space remain low. Vacancy for Class A space have declined, although with the supply of new class A office coming online this year, these vacancy rates should start to rise. The steadily declining vacancy rates have put upward pressure on lease rates, particularly for class B and C properties. Class A lease rates are still running around \$1.30 triple net. Class B properties have moved up into the \$1.10 range and class C rates are pushing \$1. It used to be that only downtown class A properties could command class A rents. We are seeing more properties outside of the downtown area showing stronger rental income where these properties can meet a unique purpose.

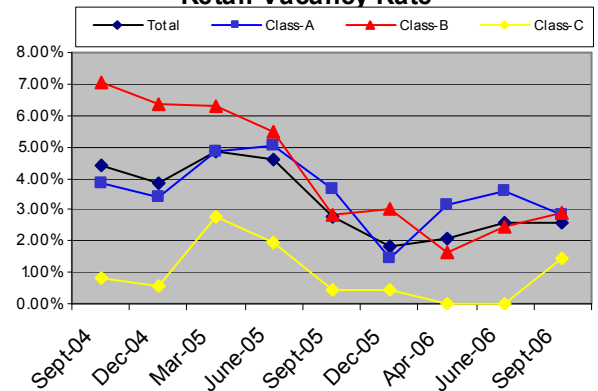
**Office Vacancy Rate
Sept 2005 to Sept 2006**



Retail

The retail market continues to be tight as vacancies remain low and lease rates have moved up. Despite the large number of projects announced, in pre-leasing, or under construction, the availability of built-out space ready for occupancy continues to be low. Tenants who are currently looking for space to lease will continue to have to wait if they desire to be selective about their leasing options. Although vacancy rates continue to run less than 3%, class A anchored lease rates have moved toward and through \$2.00 per square foot for specific projects. Like office, inventory is looming on the horizon. Many developers have been successful over the past year pre-leasing their projects, which has kept the available supply of retail space for lease low and helped drive lease rates higher. As new retail continues to come online through next year, landlords should see slower pre-leasing, slightly higher vacancies, and stabilizing lease rates.

Retail Vacancy Rate



Industrial

Industrial vacancies have remained persistently low. We continue see vacancies below 1% on the industrial side and available space is leasing the day it becomes available in some cases. Anyone looking for industrial space in our market has struggled with the challenge that artificially low vacancies have created. As one would expect, the unsustainably low vacancy rate has moved lease rates higher. Last year, average lease rates for industrial space were running around \$0.47 per square foot. Last quarter rates had moved to \$0.56 per square foot. Some projects are currently asking as much as \$0.75 per square foot. As with office and retail, the low historical vacancies have resulted in new inventory coming online. It is anticipated that vacancies will begin to rise slightly and lease rates will stabilize.

**Industrial Vacancy Rates
Monthly Comparisons by Year**

