

Good News

Written by Neil Walter of NAI UTAH SOUTHERN REGION – July 1, 2010

Vacancy and Lease Rates

We were encouraged by good news this quarter. After collecting the data for this market report, we were pleased to find that market conditions appear to be stabilizing. Although there are no guarantees for the future, office, retail, industrial and multi-family vacancy rates held steady over the past couple of quarters.

We aren't calling a change in trend yet; that said, this is the first quarter since 2007 when vacancy rates didn't increase in multiple sectors. Lease rates have now adjusted to 2002-2003 levels and will continue to remain soft. As a result, many tenants continue relocating and in some cases the lower leasing costs are making businesses profitable again. This is an important step—profitable businesses don't vacate leased space.

Market Activity

Overall activity is up. Our St. George office saw a 30% increase in the number of transactions this quarter. It was particularly encouraging to see some investment sales. Multi-family, office, retail, and industrial buildings sold through our office in the 2nd quarter, although most were smaller deals. While we are seeing increased interest from clients with \$1-3 million to invest, larger transactions will remain difficult to finance as long as banks feel pain from commercial real estate portfolios.

Sales activity should continue to improve slightly as bank inventory moves through the system. Leasing will constitute the majority of the transactions. Continued leasing is a necessity because of drained cash reserves and persistent financing challenges.

Utah Business Magazine Recognition

This spring, NAI Utah was recognized as the largest commercial real estate firm by transaction volume in the state by Utah Business Magazine. We were pleased to play a part in that success. By choosing to do business with NAI, clients are choosing agents who are leasing and selling more commercial real estate than any other firm in the state. We are working hard to contribute in a positive way to the real estate markets in our communities, and we will continue to do everything we can to help our clients through the current cycle.