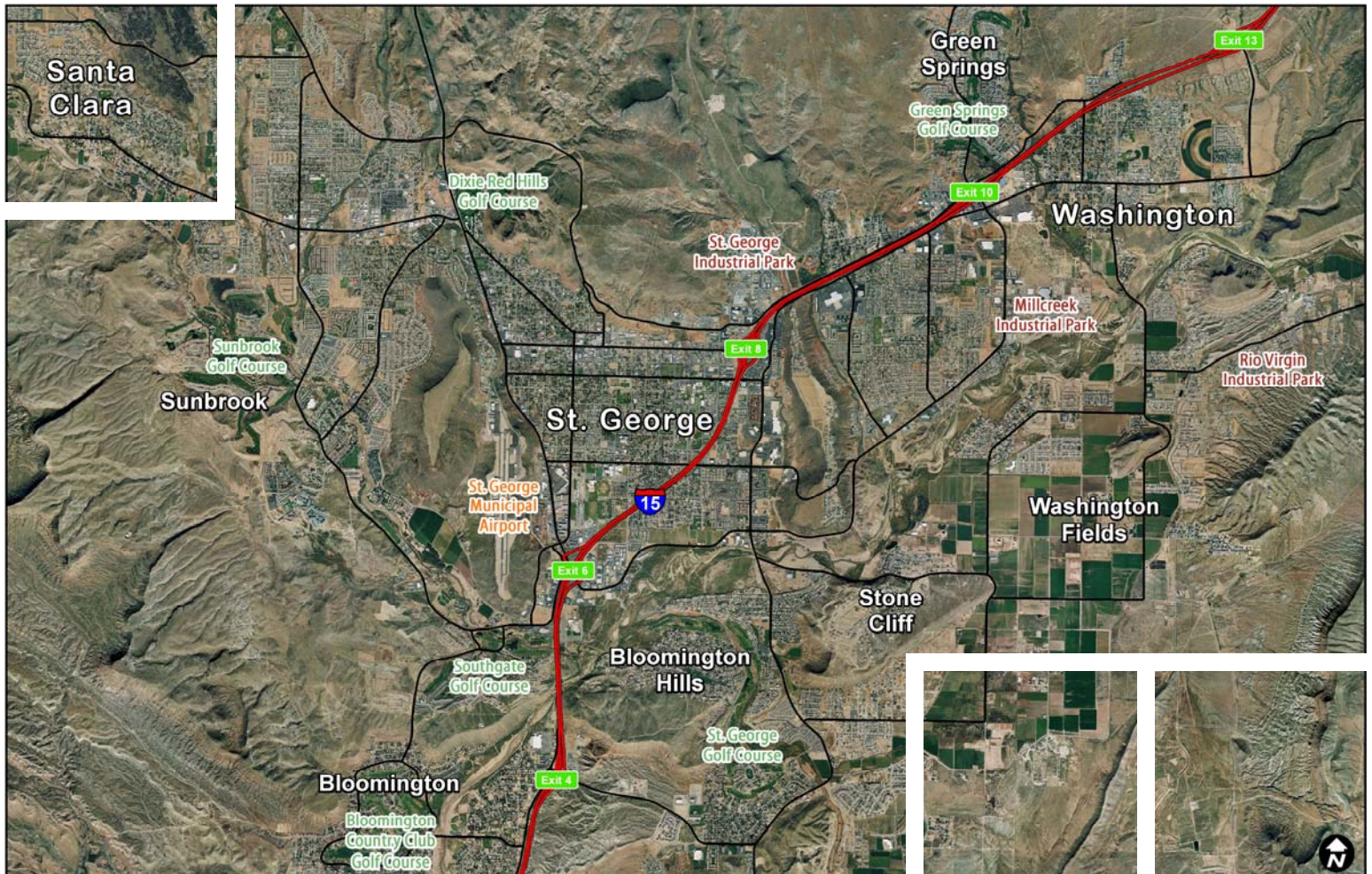
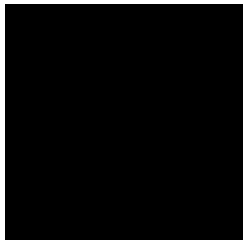


2007 Southern Utah 2nd Quarter Market Report

A Quarterly Newsletter and
Report on Commercial Real
Estate in Southern Utah from
St. George to Cedar City





If Knowledge Is Power, Then NAI Is A Powerhouse!



We take education seriously. This commitment is reflected in the most educated team of agents in the area.

- 3 Agents with the CCIM Designation. *More than all other firms in town combined!*
- 2 Agents completing CCIM courses.
- 3 Agents with Master's Degrees in Management
- 1 Chartered Financial Analyst charterholder (CFA). *One of two in all of Southern Utah*

The knowledge within the walls of NAI represents thousands of hours of study and dedication to becoming the most qualified team of commercial agents in all of Southern Utah. Only the agents at NAI are able to provide a combination of higher education and local know-how that allows them to provide the information you need to make the best deals.



Mark Walter
CCIM



Jason Griffith
CCIM



John Griffith
CCIM



Wes Davis
MBA



Neil Walter
MBA, CFA



Ryan Garrett
MISM, CCIM
Candidate



Jon Walter
CCIM
Candidate

NAI professionals are virtually everywhere – from Los Angeles to London, Memphis to Mexico City – **in over 350 offices worldwide.**

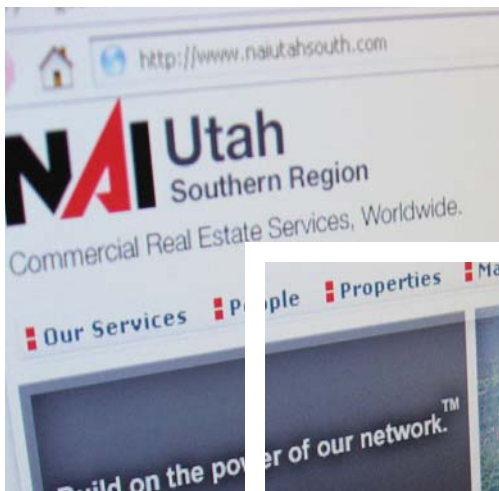
Experienced local professionals in primary, secondary and tertiary markets are fluent in the local languages and customs, have deep roots in their communities and can guide your way in real estate decision-making as your company operates in new and existing markets.

We know our markets intimately, and are on familiar terms with major property owners, tenants (occupiers) and government agencies.

NAI Global is the world's leading managed network of more than 350 commercial real estate firms spanning the globe. Since 1978, our clients have built their businesses on the power of our expanding network. NAI Global's extensive services include multi-site acquisitions and dispositions, sublease, tenant representation, lease administration and audit, investment services, due diligence and related consulting and advisory services.

Can One Site Really Have So Many Answers?

www.naiutahsouth.com



- **Market Research**
- **News & Information**
- **Property Listings**
- **Agents with Local Knowledge**
- **Landlord Representation**
- **Tenant Representation**
- **Investment Sales**
- **Retail Consulting**

Technology
that
Creates
Value
for You

Announcing Commercial Property Management

We are pleased to announce the opening of our commercial property management services in Southern Utah. NAI Global manages 268 million square feet of commercial and industrial space across its global portfolio and NAI Utah manages more than 7 million square feet along the Wasatch Front. By utilizing this experience base and platform, we are able to offer customized services that meet your specific needs.

Although the service offering is new, we are not new to commercial asset management services. We are the most experienced commercial leasing firm in Southern Utah. For more than six years we have leveraged our understanding of the local commercial market to maximize asset values for property owners and developers. We have long standing relationships with contractors and vendors experienced in servicing commercial real estate. Most importantly, we are committed to creating value for our clients.

We look forward to meeting the needs of new and existing clients with the introduction of property management services. At NAI, we never tire of asking... *Where can we help you next?*

Russ McAllister *Mark Walter*

Neil Walter

nwalter@naiutahsouth.com

Mark Walter

mwalter@naiutahsouth.com

We Have a New Office

The History of Our Corner of Town

There have been many changes over the past 100 years in the St. George area. When in the midst of change, we forget about the transformation that St. George has gone through. We also forget the landmarks or the way our main roads used to look.

Yesterday

Many years ago the corner of St. George Boulevard & 200 East was called Conoco Court. It consisted of a gas station and motel, featuring "air conditioned" rooms and gas at 22¢ per gallon.



Today

Now, this same corner is home to NAI Utah Southern Region, ERA Brokers Consolidated, United Title, and many other tenants at The Boulevard Office Park.



You are Invited to...

NAI Utah Southern Region's Open House

As of May 25th our office has moved. However, The Boulevard Office Park, at 200 E & St. George Blvd, is still our home. Come tour our new office during our Open House.

- When:** Thursday, July 12
11 AM to 2 PM
- Where:** 243 East St. George Boulevard
Suite 200
St. George UT 84770
- What:** Light lunch buffet will be served



A Sample of Our 2nd Quarter Transactions

Leases

Industrial

Millcreek Industrial Park Warehouse	55,265 SF	The Jason Griffith Team	Distribution
Office/Retail/Warehouse in La Verkin	1,425	Wes Davis & Brandon Vandermyde	Office Warehouse
Office/Warehouse and Yard	3,000	Wes Davis & Brandon Vandermyde	Warehouse

Office

3rd Floor Boulevard Office Park	4,306 SF	The Walter Group & Brandon Vandermyde	Professional
Coyote Sunset Space	840	The Walter Group, Larry Shurtliff & Joseph Smith	Professional
Ence Executive Tower	707	The Jason Griffith Team	Professional
Mission Place II	2,500	Brandon Vandermyde	Professional
Troon Park Office Spaces	800	Marc Nelson & Brandon Vandermyde	Professional
Premier Plaza	1,702	The Walter Group	Professional
The Remkin Building	8,450	The Walter Group	Professional
The Bluffs Retail Center	4,098	The Chappell Team & The Jason Griffith Team	Professional
Ventana Office Park	4,620	The Chappell Team & The Jason Griffith Team	Professional
Zion Plaza	450	The Walter Group & Brandon Vandermyde	Professional

Retail

Space in Albertson's Center	1,200 SF	John Griffith & The Jason Griffith Team	Anchored Strip
Sandstone Village Retail	19,250	Wes Davis	Anchored Strip
Westwind Plaza in Hurricane	1,150	The Chappell Team	Unanchored Strip
Retail/Warehouse in St. George	912	The Chappell Team & The Jason Griffith Team	Free Standing
Rio Plaza	5,092	The Jason Griffith Team	Unanchored Strip
The Shoppes at Telegraph Square	1,979	The Jason Griffith Team	Anchored Strip

Sales

Industrial

Gale Insulation Building	8,000 SF	Wes Davis	Office Warehouse
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Investment

Central Utah Super 8 Motel	18,414 SF	The Chappell Team	Hotel/Motel
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Land

1.7 Acres in Fremont	1.70 AC	The Chappell Team	Multi-
13.39 Acres off of I-15	13.39	The Iwanski Team	Other
2.46 Acres on Sunset Boulevard	2.46	The Jason Griffith Team & The Walter Group	Retail/Office
3.71 Acres off Snow Canyon Parkway	3.71	Wes Davis	Retail/Office
8 Acres in Red Cliffs Square	8.00	Wes Davis	Retail/Office

Office

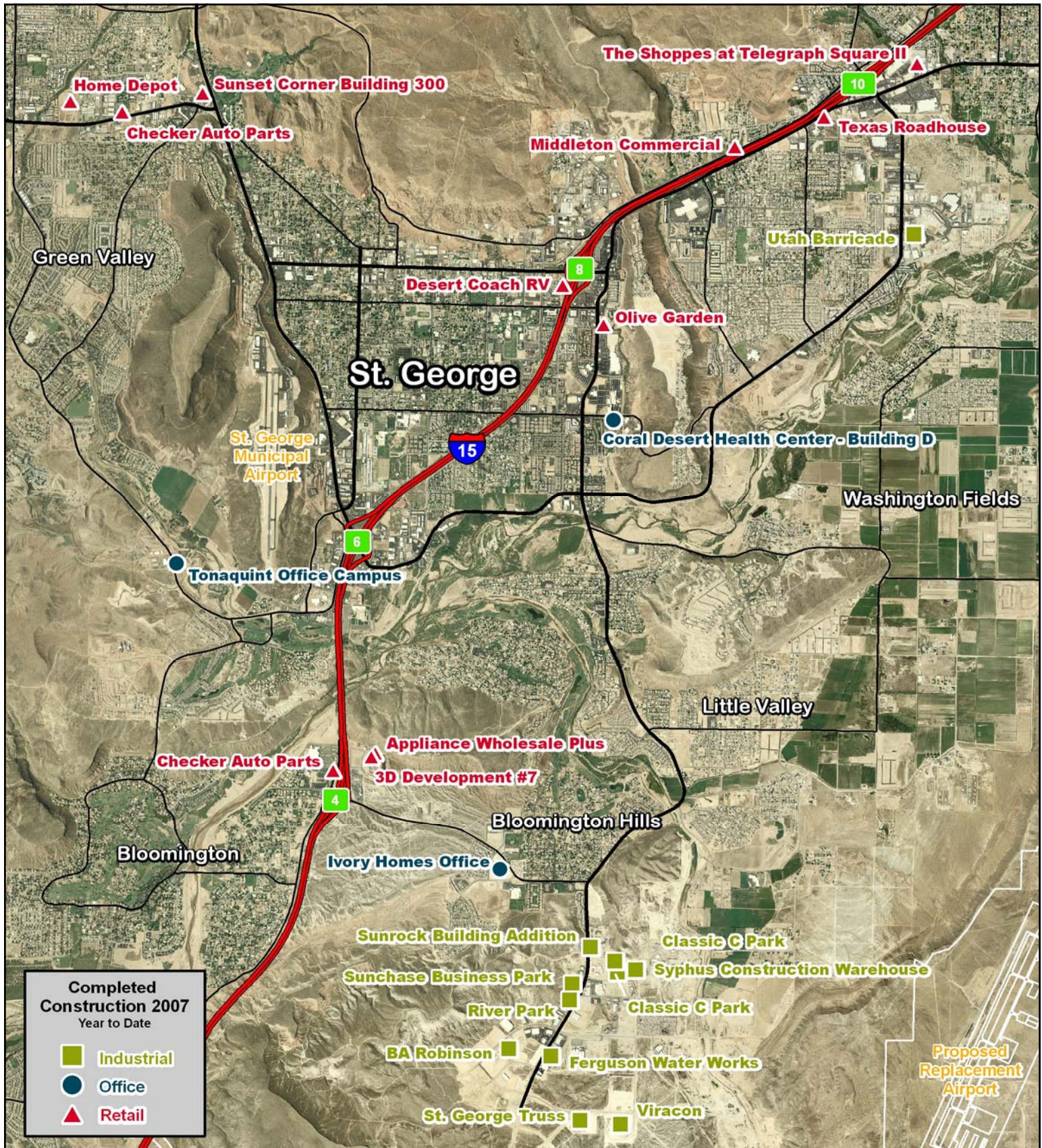
800 East Office Building	5,022 SF	The Walter Group	Professional
Boulevard Center - Building A	8,256	The Jason Griffith Team & The Walter Group	Professional

Retail

Brigham Plaza	3,960 SF	The Jason Griffith Team	Unanchored Strip
Hurricane Automotive	7,503	The Jason Griffith Team	Vehicle Related
Payson Retail Center	12,250	The Jason Griffith Team	Unanchored Strip
Retail/Office Building in Milford	1,200	The Iwanski Team	Free Standing
Sinclair Station/Mexican Restaurant	4,270	The Chappell Team	Free Standing

Visit www.naiutahsouth.com to read press releases of our latest transactions.

Completed Construction in 2007 (YTD)



Commercial Market Overview

Industrial Market

St. George Area

Lease Rates (NNN)	
Low	\$0.54
High	\$0.75
Average	\$0.60
Total Vacancy	6.60%
2006 Inventory	6,692,000
Built in '07 YTD	618,000
YTD Inventory	7,310,000
Under Construction	739,000



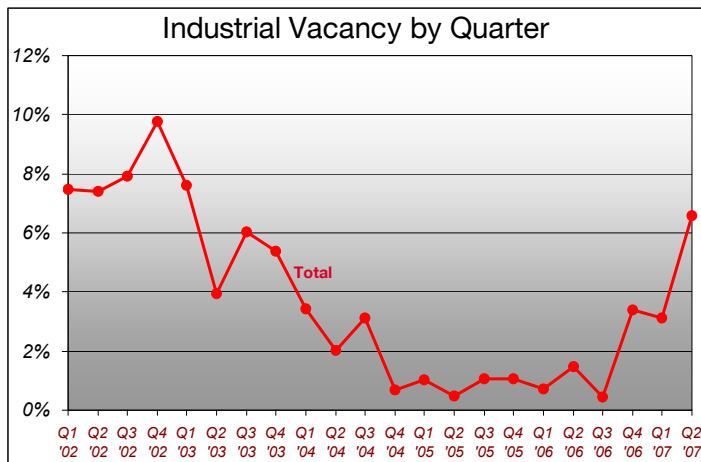
Review

Industrial activity in Southern Utah is shaping up to be a banner year for additions to inventory. Industrial demand has outpaced supply for several years. Longer development lead times have contributed to developers' slower reaction to market demand. Much of that lagging supply is becoming available in 2007. In the first half of 2007, 618,000 SF was completed, with another 739,000 square feet still under construction.

Several large industrial spec developments are near completion, with several others in varying phases of development. Vacancy rates bumped up, again, from last quarter's 3% to 6.6% vacancy.

Outlook

NAI expects vacancy to rise through the next couple of quarters to, perhaps, a more normal 8-10% vacancy with the completion of these projects. In addition, as competition and available locations increase, NAI expects lease rates to soften. We have already seen several instances of price decreases. The easing will continue unless Washington County has another period of explosive growth, similar to 2005, which is not anticipated for another couple of years.



• Sample includes 817,531 SF. Inventory includes only buildings over 6,000 SF; excludes storage locations.

Office Market

St. George Area

Lease Rates (NNN)	Class A	Class B	Class C
Low	\$1.20	\$1.10	\$0.95
High	\$1.50	\$1.25	\$1.10
Average	\$1.35	\$1.17	\$1.00
Vacancy	6.00%	4.60%	8.20%
Total Vacancy	5.52%		
2006 Inventory	2,620,000		
Built in '07 YTD	110,000		
YTD Inventory	2,730,000		
Under Construction	291,000		

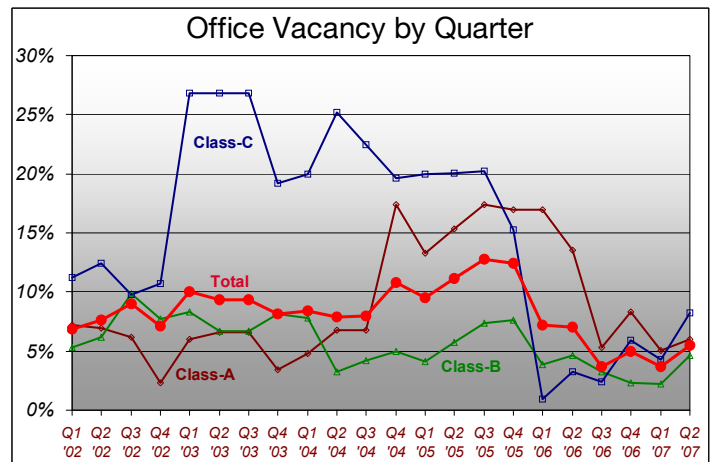


Review

Although the first quarter 2007 experienced a small decrease in vacancy, the second quarter realized an expected increase in all of the Class A, B and C office categories. Although vacancies have risen, they are still low, relative to historical averages of 8-10%. There is a healthy demand for office space. However, the completion of new office space is outpacing demand. Office buildings completed in the second quarter include the 14,000 SF Ivory Homes Building, the 32,000 SF Snow Jensen & Reese building in Tonaquint, the 42,000 SF Coral Desert Medical Building, and the 22,000 SF Coral Canyon Building. While many of these buildings have owner occupants, and have leased out space, the net result has been increased vacancy. Most of the increase has been in the class B and C categories, which shows a preference for newer space even at the increased cost.

Outlook

With many new office buildings currently under construction, it is expected that vacancies will rise through the rest of the year and lease rates will, for the most part, remain the same. Business owners are still showing a strong desire to own their own office space, as the value of buildings and the cost of leasing has increased significantly from 2004 to 2006. Looking further ahead, continued new construction, and slight increases in vacancies, should create additional opportunities for business owners to purchase office space as owners with vacancies become more motivated.



• Sample includes 1,170,946 SF. Inventory includes only buildings over 4,000 SF; excludes government & hospital locations.

Commercial Market Overview

Retail Market

St. George Area

Lease Rates (NNN)	Class A	Class B	Class C
Low	\$1.50	\$1.20	\$0.91
High	\$2.10	\$1.60	\$1.25
Average	\$1.80	\$1.43	\$1.12
Vacancy	3.90%	4.60%	1.70%
Total Vacancy	3.71%		
2006 Inventory	5,085,000		
Built in '07 YTD	216,000		
YTD Inventory	5,301,000		
Under Construction	283,000		



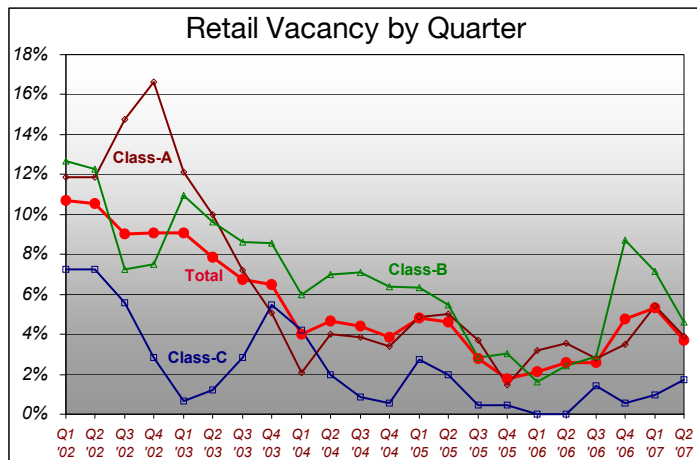
Review

The St. George retail market maintains its trend of being well below the nation's average in vacancy rates. According to the NAR, national retail vacancies are projected to increase from 8.1% to 8.6%, caused by a decrease in retail sales. However, since last quarter, the St. George retail vacancies have dropped from 5.31% to 3.71%.

The most drastic change in the past quarter has been class B space. The vacancy rate dropped by 2.15% and prices increased by \$.08 / SF. Much of the new class B retail being developed is inline space. Typically, these projects have been built to serve a niche market in an underserved location and they have been leasing in 6-12 months from completion. New retail development completed year-to-date in Washington County includes the new Home Depot on Sunset Boulevard, The Shoppes at Telegraph, Texas Roadhouse Grill, Checker Auto Parts in Bloomington, Sunset Corner Building 300, Middleton Commercial, and The Olive Garden.

Outlook

As St. George continues to receive national attention for its growth, it will continue to catch the eye of national retailers looking to expand in, what could be considered, an untouched market. With approximately 216,000 SF built in 2007 and another 283,000 SF currently under construction, we foresee the lease rates to remain steady and vacancy rates to remain low.



• Sample includes 1,124,138 SF. Inventory includes only buildings over 5,000 SF; excludes vehicle related & financial

Iron County

Cedar City

Lease Rates (NNN)	Ind.	Office	Retail
Low	\$0.51	\$0.75	\$0.75
High	\$0.80	\$1.35	\$1.58
Average	\$0.62	\$1.08	\$1.26
Vacancy	7.90%	14.60%	20.30%



Industrial

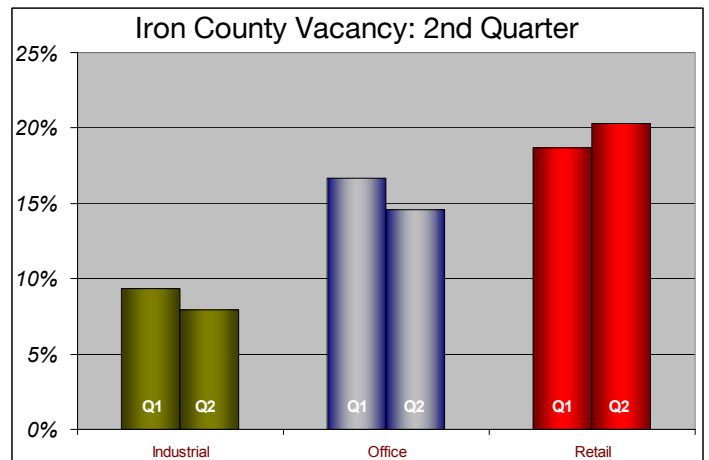
Asking lease rates have edged up from \$.59 to \$.62 per square foot and vacancy rates have decreased from 9.3% to 7.9% during the last quarter. Although there remains ample industrial property to develop, the selection of space available for occupancy today is relatively thin. So far, the industrial market has been spared excess supply, although large facilities remain on the market and there is ample available land for development.

Office

The office market has tightened slightly from 16.7% to 14.6%, although numerous properties continue to struggle with vacancy. Substantial vacancies persist in the medical office segment. Office space less than \$1.10 has been leasing better than more expensive space. Average asking prices at \$1.08 are almost \$.10 higher than last quarter as much of the remaining available space is class A or medical office space.

Retail

Currently, retail is the most overbuilt. We reported a vacancy rate of 14.6% last quarter and have since revised the 1st quarter vacancy rate to 18.7%. Second quarter vacancy stands at 20.3% with additional space coming available in the Cedar town Center. Asking lease rates have held steady at \$1.26 per square foot. The discrepancy between the Washington County and Iron County markets is most pronounced in retail. It will require the housing market to pick up and another burst of growth to absorb the excess retail inventory in Iron County.



• Industrial sample includes 104,569 SF. Office sample includes 171,926 SF. Retail sample includes 306,676 SF.

Are you working with partial information?

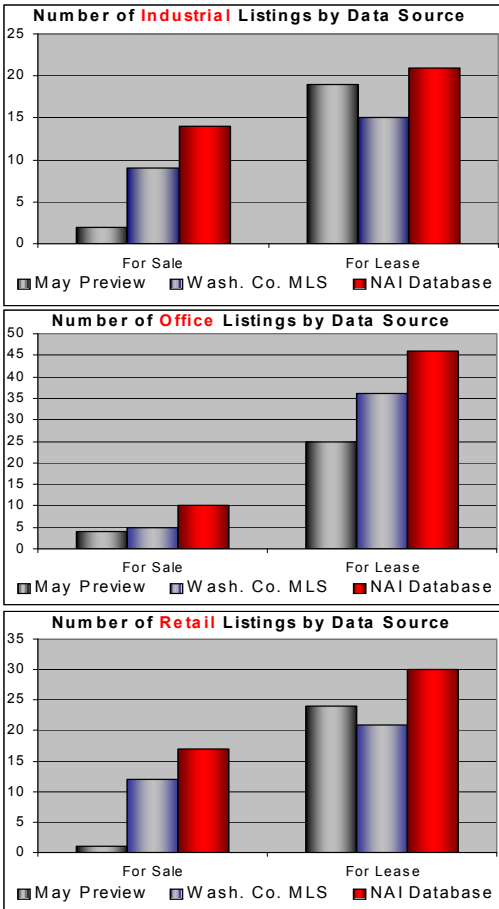
Understanding your options is critical to making a good decision, whether it relates to leasing or purchasing space. Working with the Commercial Preview or the Washington County MLS can only provide a partial view of the commercial real estate market in Southern Utah.

NAI Utah Southern Region keeps track of opportunities across the Southern Utah market. Each week we review all of the commercial properties for sale or lease and make that information available to our agents and their clients. You can see for yourself how much of a difference the additional information can make.

For example, in Southern Utah's retail sales market, it is the difference between looking at a total of 1 versus 17 properties. In the office leasing market it is the difference between 25 and over 45 properties. At NAI Utah Southern Region, we go out of the way to provide the most comprehensive view of the real estate market in Southern Utah.

Come in and see where we
can help you next.

Data as of June 20, 2007



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