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2nd Quarter 2013

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Area Market Activity



Stonehaven

Stonehaven Special Events broke ground in Cedar City on the new Grand Hall Event Center and Chapel that can host 295 people at one time. The facilities will also include a 1,500 SF open space for outdoor seating, picture taking, and activities.



Albertsons

Albertsons expects to close the doors of its Bluff Street store as early as August 1. An Albertsons spokesman cited its not being profitable as the main reason for closing.



Kayenta

Arts supporters celebrated the groundbreaking of a new 9,400 SF Kayenta Center for the Arts. The center will house a 3,200 SF theater, as well as a rehearsal space, lobby, concessions area, box office, and courtyard. The center is expected to be completed in May of 2014.



Ivins Veterans Home

State officials joined veterans at the dedication of the new Southern Utah Veterans Home in Ivins. The \$109 million facility includes 108 single-occupancy "pods" that will house veterans who need assisted living.



Crimson Elementary

Construction is progressing on the new Crimson View Elementary School, which will focus on science, technology, engineering, and math. The school will enroll between 500-600 students and will also offer an online system for parents and students.



Transportation Budget

Local officials passed a transportation budget for projects, including the I-15 Exit 8 interchange, the Mall Drive bridge, a Southern Parkway expansion, and interchange redesigns on Bluff Street st Sunset Blvd and Red Hills Parkway.



Syberjet

MSC Aerospace will make Cedar City the headquarters and manufacturing site for subsidiary SyberJet Aircraft and also expand its subsidiary Metalcraft Technologies there, resulting in 1,200 new jobs over the next two decades.



SkyWest

St George City officials and SkyWest Airlines employees greeted passengers with gift bags on the inaugural flight of the newly added direct flight to Denver.



Gypsum Mining

The St George city council approved a zone change request to change 23.7 acres of residential zone north of Fort Pierce Industrial Park into open space, paving the way for an expanded gypsum mining operation.



Family Dollar

About 175 new employees are busy stocking the shelves of the newly completed Family Dollar distribution center. Merchandise began shipping out earlier this month. Additionally, several new retail locations are in various stages of completion.







2

2nd Quarter 2013 Market Report

Commercial Construction's Slow Start

With the exception of the Family Dollar distribution facility and the completion of Red Rock Commons last year, there has been very little commercial construction in Washington County since the real estate market began contracting in 2008. This is in stark contrast to the residential market which has seen building permit growth every year since 2009.

The inset chart shows quarterly building permits for commercial on the left axis and residential on the right axis. The volume of residential permits is considerably more than commercial, but adjusting the scale highlights the commercial construction trend relative to residential. With approximately an 18 month lag, the commercial construction follows the residential construction trend. We expect commercial to follow the residential construction recovery, first slowly, and then at an accelerated rate.

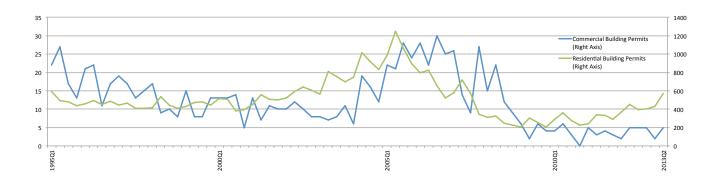
Commercial construction slowed in 2009 because of an oversupply of commercial inventory, reduced lease rates, and challenging financing for investors. Commercial construction will pick because of a limited supply of commercial inventory, increasing lease rates, and improving financing conditions for investment product. As you read the report, note the reduced commercial inventory and increasing lease rates.

We are frequently asked when new construction will pick up. We don't know the quarter, but the fundamentals suggest that if commercial markets continue their current trend, we will be building soon. We aren't hoping for a bubble like the last cycle, but the reemergence of the commercial construction market will not only be beneficial for the local economy, but also signal the end of the real estate boom/ bust cycle that has defined real estate for the past decade.

Mark Walter
Managing Broker

Neil Walter Managing Director

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Pleasant Valley Biofuels

Pleasant Valley Biofuels will begin operation in June of 2013 in Washington, Utah. This facility will operate at a capacity of 1.5 million gallons per year. PVB operates with a vision that is dedicated to the production of clean, renewable, and sustainable alternative fuels from organic oils. The vision for the future is to provide an increased amount of the highest quality biodiesel. Biodiesel can be used in any blend with petroleum and diesel fuel with no vehicle modifications necessary. Pleasant Valley BioFuels leased 12,835 SF at 262 West Industrial Drive.



Utah Trikes

Utah Trikes recently opened a St George showroom at 412 E St George Blvd. Utah Trikes is a specialty recumbent trike shop with headquarters located in Payson, Utah. For those who want to save money, live a healthier lifestyle, and be part of the solution by giving back to the environment, Utah Trikes has what you are looking for. To switch your daily commuter to a human powered vehicle will dramatically cut your carbon emissions. This is also a great and practical way to exercise daily without affecting your already busy schedule.



Perry Homes

For over 35 years, Perry Homes has consistently built affordable, quality homes for our customers throughout Utah. As one of Utah's preeminent and enduring homebuilding companies, our uncompromising pursuit of excellence has allowed us the rare opportunity to earn many repeat customers who have purchased more than one home from us over the years. Perry Homes new office is located at 2303 N. Coral Canyon Blvd. Suite 101 in Washington, Utah.



St George Center for Couples & Families

St. George Center for Couples and Families (SGCCF) has opened a new office at Red Cliffs Professional Park in Suite VW-101. The center has multiple branches in Texas and Utah. The St. George branch originally opened in August of 2012 and the new office opened to facilitate growth during its first year. Dr. Denim Slade and Chad Olson have specialized training in treating relationship problems and various mental illnesses.



Patriot Mortgage

Patriot Home Mortgage opened a satellite office for the Staples Group Lending Team. They will be in the Boulevard Office Park located at 221 E St George Blvd in the Central Business District. Patriot Home Mortgage, headquartered on Riverside Drive in St. George. It has grown quickly and now has offices in over 10 states. Patriot is committed to quality customer service- "putting the people we serve first".



City 1st Mortgage

City 1st Mortgage Services has been in the business of residential mortgage lending since 1993. It currently operating in over 40 branch office locations across 14 different states within the U.S. City 1st continues to aggressively pursue even more opportunities as it expands business operations throughout Utah and other states. Its newest branch office has opened at 328 E. St. George Boulevard.



Red Rock Center for Independence

Red Rock Center for Independence serves people of all ages with any type of disability. Services are provided to Washington and Kane Counties through their main office located in St. George but recently relocated to a spacious 6,400 square feet in the Remkin Building, 168 North 100 East, Suite 101. Their core services are provided at no cost to the consumer.



Bank of American Fork

Bank of American Fork recently opened a mortgage division branch in the Sunland Professional Park at 491 East Riverside Drive, St. George. This opening will allow them to give customers easier access to their mortgage services. a "We are excited to open this branch to better serve the community in the St. George area," said Chris Palmer, Branch Manager and lead mortgage loan officer at the St. George



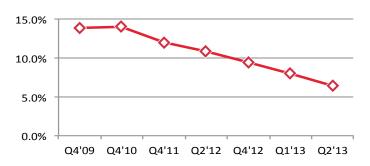


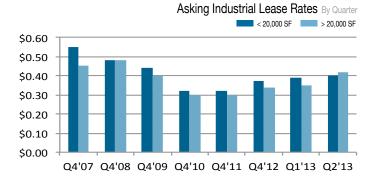
Industrial

2013 2nd Quarter | Washington County

Asking Lease Rates (NNN)	< 20K SF	> 20K SF
Low	\$0.35	\$0.30
High	\$0.55	\$0.45
Average	\$0.45	\$0.40
Vacancy	9.4%	5.5%
Total Vacancy		6.4%
2012 Ending Inventory		8,306,000
Built Year To Date		844,000
2013 Inventory YTD		9,150,000
Land Value per SF		\$2-3
CAP Rates		7.5-9%
Un	der Construction	16,000

Industrial Vacancy Rates By Quarter





Industrial Vacancy 2009 - 2013	Q4'09	Chart	Q2'13
All	13.9%	† †	6.4%
Ft Pierce	17.4%	‡	6.8%
MilCreek	17.1%	<u> </u>	10.2%
RioVirgin	41.4%	+	5.3%
STG	12.1%	<u></u>	5.7%
Gateway	5.5%	<u>†</u>	4.6%
Riverside	n/a	1	7.8%
Sunset	n/a	→	3.9%



2nd Quarter 2013 Market Report

Review

The industrial market has shown continued signs of improvement and decreasing vacancy for the last two and a half years. Total market vacancy declined last quarter from 8% to 6.4%. Several of the larger industrial buildings have been leased, sold, or have pending offers. Many have been surprised at the surge of absorption for these larger industrial buildings, leaving few available options.

Lease rates have been rising for the last 18 months. Construction as an investment, however, is not expected until lease rates rise at least another 25% to make new developments financially feasible. As a condition of bank financing, any new projects will likely need leases signed in advance. As supply continues to tighten, the number of industrial land sales will increase and prices will improve. This is foreshadowed by developers marketing industrial build-to-suit buildings for sale. To lock in lower lease rates, tenants should negotiate longer lease terms.

This quarter, Performance Diesel, Inc completed a 10,000 SF addition to their facility in the St George Industrial Park. Utah Auto Wrecking took the old Dixie Bottling building in the St George Industrial Park, and Dixie Gun Works took the old Aircraft Museum In Washington. ServPro is under construction on a 16,000 sf building between I-15 and River Road and Monster Storage is presently adding RV Storage next to their facility on 700 S and Bluff Street.

Outlook

Business owners sensitivity to lease rates is quickly declining as business revenue improves and prospective tenants come to realize the shrinking availability of space. The next two years' primary focus will be on industrial land and new multi-tenant projects. Market indicators suggest that positive industrial absorption will continue through 2013.

Transactions Q2

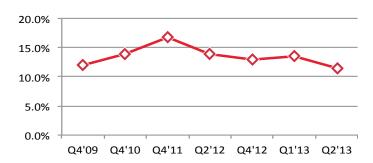
Industrial - Lease	SF	Agent(s)
River Park	1,822	Jon V
Industrial Space with Great Location	22,400	Roger
Dixie Sunset Plaza Warehouse	1,375	Chappell Team
R&R Industrial Center, PH 2	2,500	Jason & Meeja
R&R Industrial Center, PH 2	1,500	Jason & Meeja, Curren
Office Warehouse w/Fenced Yard	3,200	Curren
Dixie Sunset Plaza Warehouse	1,375	Chappell Team
Dixie Sunset Plaza Warehouse	1,375	Chappell Team
400 East Building	3,932	Jason & Meeja
Office/Warehouse	1,500	Wes
Office/Warehouse & Yard	3,400	Wes, Roger
Dal-Tile Building	13,225	Jason & Meeja
Industrial - Sale	SF	Agent(s)
Millcreek Industrial Warehouse	6,000	The Walter Group

Office

2013 2nd Quarter | Washington County

Asking Lease Rates (NNN)	Class A	Class B	Class C
Low	\$0.80	\$0.60	\$0.40
High	\$1.20	\$1.05	\$0.65
Average	\$1.00	\$0.75	\$0.50
Vacancy	8.4%	12.2%	13.3%
Total Vacancy 11.			11.5%
2012 Ending Inventory			3,310,000
Built Year To Date			8,000
2013 Inventory YTD			3,318,000
Land Value per SF			\$6-10
CAP Rates			7-9%
Under Construction			24,000

Office Vacancy Rates By Quarter





Office Vacancy 2009 - 2013	Q4'09	Chart	Q2'13
Office	12.0%	‡	11.5%
A	9.6%	ł	8.4%
В	16.5%	} }	12.2%
С	11.6%	\{	13.3%
CBD	12.5%	Į Į	13.1%
Downtown	9.5%	Ì	9.1%
Suburban	22.9%	<u>†</u>	19.1%
Medical	0.2%	-	3.5%



Review

There is noticeable improvement in the office market as the vacancy rate declined to 11.5% down from 13.5% in the first guarter. While class A, B, and C vacancies all declined, the most significant change occurred in class B and C, each showing a reduction of more than 2% in the vacancy rate. Asking office lease rates that lagged the market recovery and remained at extreme lows are finally seeing small increases.

Medical office continues to have the strongest occupancy and lease rates, with the highest demand near the hospital. Medical office vacancy rate is only 3.5%. The Central Business District office submarket is seeing higher occupancy while suburban space continues to show much higher vacancies. The Central Business District vacancy is mostly comprised of older properties or newer buildings with unfinished interiors that require substantial tenant improvements.

This quarter the Esplin/Hannig Vet Clinic finished construction on their building off 700 South and the Rim Rock Medical building next to the IHC hospital is under construction. The 16,000 square foot office building on the corner of Mall Drive and Riverside Drive that has been vacant, sold and is anticipated to be occupied for medical use.

Outlook

Demand in the office market is finally outpacing new construction. While there has been a significant amount of office space to absorb, there is a rebalancing effect occurring causing some slight, but noticeable increase in asking lease rates. It is expected that vacancy rates will continue to slowly decline and lease rates will improve through the end of the year.

Transactions Q2

Office - Lease	SF	Agent(s)
Sun Valley Professional Park	546	Jason & Meeja,Chappell Team
Troon Park Professional Office	1,871	Wes
Red Cliffs Professional Park	400	Jason & Meeja
Southtown Professional Plaza	1,847	Brandon, Jon V
Rio Plaza	1,685	Brandon
Beautiful Office Condo	1,246	Curren
Boulevard Retail/Office	1,700	Jason & Meeja, The Walter Group
St. George Blvd Office Space	1,306	The Walter Group
Executive Office or Retail	280	Curren
Red Cliffs Professional Park	350	Jason & Meeja
Red Cliffs Professional Park	1,110	Jason & Meeja
Highly Visible Office at Signalized Corner	611	Curren
Chase Plaza	350	Wes
Remkin Building	2,800	The Walter Group
Downtown Office Building	1,700	Wes
Office Suite at Southgate Professional Center	1,420	Curren, The Walter Group
Ventana Office Park	4,620	Jason & Meeja
Downtown Office Space for Lease!	2,100	The Walter Group
Very Nice Office Space on St. Geo Blvd	268	Curren
Chase Plaza	641	Wes
Office in Sunland Commercial Center	800	Curren
South Main Plaza Office Suites	1,202	The Walter Group
Red Cliffs Professional Park	1,000	Jason & Meeja
Office - Sale	SF	Agent(s)
Ephraim Office Building	5,042	Jason & Meeja
Wells Court	3,678	Jason & Meeja, The Walter Group
Historical Building Below Appraisal!	3,474	Chappell Team





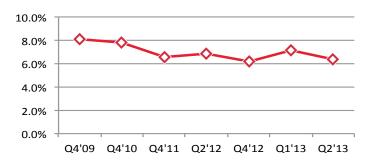


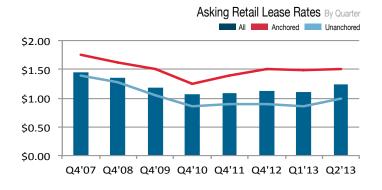
Retail

2013 2nd Quarter | Washington County

Asking Lease Rates (NNN)	Anchor	No Anchor
Low	\$1.00	\$0.50
High	\$2.75	\$1.50
Average	\$1.50	\$1.00
Vacancy	4.9%	11.5%
Total Vacancy		6.4%
2012 Ending Inventory	1	6,218,000
Built Year To date		22,000
2013 Inventory YTD		6,240,000
Land Value per SF		\$8-16
CAP Rates		7-8%
Under Construction	ı	18,000

Retail Vacancy Rates By Quarter





Retail Vacancy 2009 - 2013	Q4'09	Chart	Q2'13
Retail	7.8%	‡	6.4%
Anchored	3.9%	<u> </u>	4.9%
Unanchored	14.6%	<i>‡</i>	11.5%
Free Standing	11.8%	<u> </u>	3.9%



2nd Quarter 2013 Market Report

Review

The retail vacancy rate dropped from 7.2% in 1st quarter of 2013 down to 6.4% this quarter. With the robust housing market and the number of new homes being built in Southern Utah, we expect retail to remain a strong segment in the market. The I-15 River Road corridor continues to see growth, construction, and the highest rents in the area. Red Rock Commons continues to show new tenants as Firehouse Subs just opened and Einstein Bagels is under construction next to Chic-Fil-A. Despite low vacancy, some larger retailers are still struggling and moving out. The recent announcement of the Bluff Street Albertson's closing, as early as August, is an example of this. Lease rates will continue to slowly increase, with some locations showing stronger improvement than others.

Some of the new retail happenings in our market are as follows: The former Executive Dealership on Bluff will now be operated by Specialties Automotive Group out of Bountiful and Red Rock Auto Sales on the Boulevard recently opened their doors. Capriotti's Sandwich shop relocated from Festival Plaza to The Outlets at Zion, and L&L Hawaiian BBQ opened their doors in The Promenade at Red Cliffs. Arby's is remodeling the former Dairy Queen location in Hurricane, Star Nursery opened a third location on Dixie Drive, Pirate Cove opened in Sunset Plaza, and Malibu Cleaners reopened on Hilton Dr.

Outlook

The continued demand for residential construction and improving demographics in our community will continue to give the retail market momentum. The cost of living in our area is still relatively low compared with other growth markets in the country, which gives Southern Utah an edge. We expect local retail businesses and larger national retailers will continue to expand in the Southern Utah market.

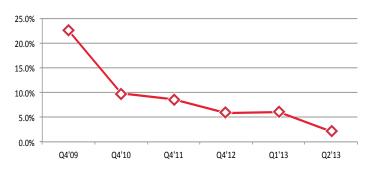
Transactions Q2

Retail - Lease	SF	Agent(s)
Retail/Office Just Off Sunset	1,300	Jason & Meeja
Retail Near College & CBD	1,000	Wes, The Walter Group
Coral Canyon Town Center	791	Brandon, Jon, Jason & Meeja
Dixie Sunset Plaza	2,500	Chappell Team
Retail Building	1,000	The Walter Group
Riverside Commercial	1,845	Jason & Meeja
Dimsdale Property	1,750	Jon V
Dinosaur Crossing	1,280	The Walter Group
East Ridge Mall Space	1,000	The Walter Group
Retail - Sale	SF	Agent(s)
Restaurant on South Bluff	7,680	The Walter Group, Curren
Investment - Sale	SF	Agent(s)
Sinclair Branded Truck Stop & C-Store	9,200	The Walter Group
Knights Inn Hotel Property	26,408	Curren

Multi-Family

2013 2nd Quarter | Washington County

Apartment Vacancy Rates By Quarter



Vacancy	Q4'09	Chart	Q2'13
1 Bed 1 Bath	7.4%	}	0.6%
2 Bed 1 Bath	23.1%	[2.0%
2 Bad 2 Bath	30.0%	‡	1.7%
3 Bed 2 Bath	20.8%		5.1%
Average	22.5%	į	2.1%

Rent	Q4'09	Chart	Q2'13
1 Bed 1 Bath	\$549		\$580
2 Bed 1 Bath	\$635	1	\$646
2 Bad 2 Bath	\$664		\$720
3 Bed 2 Bath	\$827		\$871
Average	\$648		\$688

Rent/SF	Q4'09	Chart	Q2'13
1 Bed 1 Bath	\$0.86		\$0.90
2 Bed 1 Bath	\$0.65		\$0.66
2 Bad 2 Bath	\$0.65	+	\$0.71
3 Bed 2 Bath	\$0.64		\$0.67
Average	\$0.68		\$0.71

Review

After moving up two tenths of a percent in the first quarter, multifamily vacancy rates plunged to 2.1%. That is a 3.9% drop over the past quarter. Many properties are full and some are showing multiple quarters of 100% occupancy—except for tenant transition. Most of the improvement came in the 2 bedroom, 2 bathroom configuration which had shown much higher vacancies than the rest of the multi-family market until this quarter.

Rents increased from an average of \$683 per unit to \$688 per unit in the past quarter, which is an annualized increase of 3%. All configurations showed rate increases with 1 bedroom units now averaging \$580/month and 3 bedroom units now averaging \$871 per month.

Outlook

Development interest continues to increase. Multiple developers are looking for land in Southern Utah for apartment projects. One high density parcel is currently under contract. Residential land prices are moving higher, and quality high density parcels are increasingly hard to find. The biggest constraint continues to be sellers asking more for high density ground than buyers are willing to pay. Existing multifamily investment product remains in high demand with no inventory on the market. Well positioned, well maintained investment product could be a very attractive market offering given the current conditions.



Property Management



We Help Property Owners Increase Cash Flow

Choosing to retain a professional third party property manager for your real estate assets can be a difficult decision. Many owners only consider the cost of the third-party property manager without weighing the benefits. NAI works with property owners to maximize the value of real estate assets by focusing on leasing, lease administration, and cost control.

We increase our clients occupancy rate by leveraging our brokerage leasing services. That helped close 141 leases in 2012. Our in-house leasing agents create market exposure and provide more tenant options for landlords.

Brandon Vandermyde PM Director

Our lease administration service reduces tenant turnover and enhances lease compliance. Reduced tenant turnover means less frequent transition costs like tenant improvements. Our lease abstracting and lease compliance tools help ensure that pass through costs are being collected and leases remain in force.

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Managing a large portfolio of commercial property allows us to negotiate the best rates from contracted service providers. We pass the cost savings on to our clients.

Our clients have consistently seen their operating costs go down and their net cash flow improve as they have engaged our property management services. Please give us a call if you would like to learn more.



Cedar City

2013 2nd Quarter | Iron County

2nd Quarter 2013 Market Report

Iron County

Iron County continues to see market conditions improve. Activity isn't strong or overwhelming, but vacancies are falling and available space is being absorbed. The improving economy and the GAF and Metalcraft announcements in Cedar City will bring jobs that will support local market growth in both the commercial and residential real estate sectors.

Asking Lease Rates (NNN)	Industrial	Office	Retail
Low	\$0.19	\$0.45	\$0.63
High	\$0.52	\$1.10	\$1.45
Average	\$0.41	\$0.78	\$0.98
Vacancy	4.1%	12.7%	7.6%

Lease Rates 2007 - 2013	Q4'07	Chart	Q2'13
Industrial <20K	\$0.60	1	\$0.41
Industrial >20K	\$0.29	1	\$0.40
Office	\$1.04	1	\$0.78
Retail	\$1.34	1	\$0.98

Iron County • FOR SALE





3.12 Acre Storage Facility

15,000 SF Brian Head Retreat/Lodge

Industrial

In the first quarter of 2013, GAF acquired the 535,000 SF former Lozier facility, with an investment of approximately \$40 million. Metalcraft announced the acquisition of Syberjet with an anticipated 1,200 jobs over the next 15 years. That is in addition to the 2012 announcement of Genpak's expansion into the 212,000 Leggett & Platt facility projected at \$22 million. The entire industrial market in Cedar City is approximately 2,500,000 SF and these two facilities comprise nearly 750,000 SF of that total. As a result, industrial vacancies have fallen significantly over the past year. As of this writing, DHS Products is the only facility over 20,000 SF marketed for lease in Cedar City.

Office

Office saw some improvement as space was absorbed and the vacancy rate fell from 14.7% to 12.7%. Lease rates saw a slight improvement along with the absorption. As the industrial market generates more employment activity, the impact will start to trickle into the office market. The office market in Cedar City is lagging retail and industrial consistent with the Washington County and national trends.

Retail

Retail activity received a boost with the groundbreaking for the Boulevard Home Furnishings building on South Main Street. There is a new Family Dollar and Sears relocated to the Providence Center. Vacancy rates held steady at 7.6%, although asking lease rates for retail are increasing again to nearly \$1.00 per SF. Retail over the past three years has slowly seen vacancy rates fall and much of the empty space in Providence Center is now occupied. Further absorption should support additional lease rate increases.

2012 Transaction Data

TOTAL Transactions 2012

	Transactions	SF/Acres
Industrial	65	486,358 SF
Lease	53	209,599 SF
Sale	12	276,759 SF
Investment	20	129,129 SF
Lease	1	3,036 SF
Sale	19	126,093 SF
Land	27	617 AC
Sale	27	617 AC
Office	82	196,368 SF
Lease	76	138,869 SF
Sale	6	57,499 SF
Retail	53	166,707 SF
Lease	41	95,817 SF
Sale	12	70,890 SF
Grand Total	247	978,562 SF



Have you ever stood on a property and wondered where the boundaries were?



NAI Utah Southern Region houses the most advanced and up to date GIS system in the region and is the only real estate brokerage in the area with in-house GIS services.



We are not only able to provide basic site overlays, aerials, topographic and other in-

formation, but also provide advanced interactive mapping applications accessible via our website, your phone, or tablet. We also provide in house large format printing for clients needing intricate detail, property presentations, and marketing of a listing.

What is GIS?

Geographic Information Systems (GIS) allows us to view, understand, question, interpret, and visualize information in ways that reveal relationships, patterns, and trends in the form of maps, globes, reports, and charts. In real estate, it is essential in site selection and marketing.

Business Districts

