

Mid-Year 2014 Market Report

A Quarterly Newsletter & Report on
Commercial Real Estate in Southern Utah



KOA Campground
10 Acres

SOLD Q2



2 Panguitch Gas & C-Stores
7,000 SF

SOLD Q2



Seven Farms in White Pine, NV
2,610 Acres

SOLD Q2



Staples Building
23,763 SF

SOLD Q2



Sunchase Business Park
100,000 SF

SOLD Q1



Former Treatment Center
15,960 SF

SOLD Q2

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Area Market Activity



Stephen Wade

Stephen Wade Auto Group began renovations to accommodate manufacturer regulations and to add amenities for customer experience. Changes include a new state-of-the-art Chevrolet and Cadillac facility, relocation of several dealerships, and a new 50 bay collision repair center.



DSU

Dixie State University received a one-time \$1 million land bank grant that will allow it to purchase the East Elementary property from the Washington County School District.



Mall Drive Bridge

The long awaited Mall Drive bridge is nearing completion and is expected to be open this fall. The bridge is expected to see 30,000 to 40,000 vehicles per day, relieving traffic congestion on Riverside Drive and River Road.



SW Applied Technology

Utah legislators approved a \$19.3 million funding measure for the construction of a new 77,600 SF building for the Southwest Applied Technology College in Cedar City.



DXATC

Dixie Applied Technology College (DXATC) has acquired 30 acres as part of its master plan for a new campus to be located at the old municipal airport site on the Black Hill. The 170,000 SF complex will include a three-story central building with a 500 seat auditorium.



Seasons Health & Rehab

Seasons Health & Rehabilitation constructed a new 27,000 SF, 53 bed skilled nursing facility in St. George.



SUU

Construction began on a new performing and visual arts complex at Southern Utah University. The Beverly Taylor Sorenson Center for the Arts will serve as the home to the new Shakespeare Theatre and a new studio theatre and production building for the festival, as well as the Southern Utah Museum of Art.



Top Retirement Spot

St. George has once again been named a top retirement spot, this time by Where to Retire, a popular retirement magazine. St. George was one of eight cities profiled in a feature titled "8 Cities for Golf (and Much More)" in the May/June issue.



Scatec Solar

Oslo, Norway-based Scatec Solar has obtained approvals to start construction of an 80 megawatt solar farm in Parowan. Work on the Utah Red Hills Renewable Energy Park facility is scheduled to begin in the third quarter and will generate about 210 million kilowatt-hours of electricity per year.



Road Improvements

Several road improvement projects are underway in Southern Utah. The I-15 South Cedar Interchange project will accommodate travel demand and improve safety. The Leeds section of I-15 is getting a "truck-climbing lane". The Southern Parkway will be adding a four-mile section from Washington Dam Road to 4300 W.

Working Hard Facilitating Transactions for Our Clients

Mid-Year 2014
Market Report

In the past, we have highlighted commercial real estate or other economic trends in this article for our Southern Utah Market Report. In addition, we have expressed appreciation to our clients who have trusted us with helping address their commercial real estate needs. We are overdue to acknowledge the efforts of our agents and staff in shaping local real estate markets.

We have been extraordinarily fortunate to have hard working, loyal commercial real estate agents supporting our clients. It wasn't that long ago (2009) when it was tough to be a property owner, and it was tough to be a commercial broker. During the most frustrating times, our agents showed up every day and put in a full day. They chose to be creative and double down when it was the hardest. Instead of coasting now that the market has picked up, they have maintained their disciplined work ethic and are working harder than ever for their clients.

Our staff has been equally loyal, and their consistency has helped our firm provide the highest level of service. They provide the marketing, mapping, market research, data administration, accounting, and property management functions that are critical to our business. They do an exceptional job of helping present each of our properties in the best possible light.

While in comparison to the Wasatch Front or the two coasts, Southern Utah is a very small market. Even so, our organization facilitates an exceptional number of transactions. Each transaction has two sides—a buyer and seller or landlord and tenant. In 2013 we closed 433 sides and we are on track to close over 450 in 2014. That is over 35 transactions per agent per year, or three closings per agent per month. It wouldn't be possible without the contribution from everyone who is part of our team.

While the vast majority of our transactions are still located in Southern Utah, our agents are helping a few clients transact beyond the geographical boundaries covered in our market report. If you have had a great experience with one of the members of our team and you need assistance in another market, give your agent a call and discuss the opportunity with them. You may find the support and resources you are familiar with here, in Southern Utah, may be available to you in other markets where you do business.



Mark Walter
Managing Broker



Neil Walter
Managing Director



BioLife Plasma Services

Construction has begun on the 2nd facility for BioLife Plasma Services. This state of the art facility is being built on Dixie Drive, just south of the Albertsons Shopping Center, on Sunset Blvd. BioLife currently has a facility located at 816 North 2860 East behind Costco. R. Mark Walter represented the seller on the sale of this 3 acre site.



Renaissance Recovery

Meeja McAllister recently assisted Renaissance Recovery in locating their new site at 321 North Mall Drive, in Red Cliffs Professional Plaza, Building G. Renaissance Recovery uses the traditional 12-Step approach to treatment combined with Gospel Principles as they relate to alcohol and drug addiction. Their program offers intensive outpatient and general outpatient treatment lasting anywhere from 3-12 months.



Environmental Stoneworks

Environmental StoneWorks is building a new 32,222 Sq. Ft. manufacturing facility in Washington County that will create 124 new jobs and lead to \$2 million in capital investment. The new facility is located in the Fort Peirce Industrial Park and is slated to open this summer. Gaylen Hunt, General Manager of the St. George facility, said, "The expansion of their manufacturing facility will lead to over \$40 million in new state wages and \$2.5 million in new state tax revenues."



Honest One Automotive

Steven & Graydon Brummett, a father-son team from Nevada, are the new owners of the Honest 1 franchise in St George, Utah. The shop is located at 595 North Bluff Street. With 35 locations throughout the United States, each Honest 1 shop focuses on providing customers with a family friendly environment and open, honest, communication so customers understand what is going on with their vehicles.



Be Hot Yoga

BE HOT Yoga opened their new 4,000 SF studio in Rio Plaza at 558 E. Riverside Drive, in St. George. The new facility is three times the size of their former studio. BE HOT Yoga and BE University was founded by JT and Sheila Brown in 2010. Jason Griffith and Meeja McAllister represented both the landlord and tenant in the transaction.



East West Health

East West Health opened their new office in Rio Plaza at 558 East Riverside Drive. Now residents of St. George can receive the benefits of having cutting edge alternatives to drugs and costly surgery. For 10 years, East West Health has been a leader in the state when it comes to treating acute and chronic conditions with holistic medicine.

Additional Notable Transactions

ZION INTERNATIONAL - Zion International Programs is an agency that promotes foreign exchange opportunities between the United States and Japan. Programs range from one week to one year in length.

SUNWARRIOR - Sunwarrior, a Southern Nevada company based in Overton, is a leading provider of plant-based protein powders and supplements. They recently opened a new office at 2250 N. Coral Canyon Blvd in Washington, Utah.

CORE CHIROPRACTIC - Founded by Dr. Corey Wilhelmsen, Core Chiropractic offers a new, modern experience for those looking to maximize their health through the healing power of chiropractic medicine.

CAPTIVE AIRE - Captive Aire Inc. opened up a sales and engineering office at River Park Industrial. They will provide client demonstrations of commercial kitchen ventilation, fire suppression, fans and other equipment.

Review

The industrial market continues to tighten. Vacancy rates continue to fall, particularly in the under 20,000 SF segment where vacancies fell from 8.9% to 7.8% over the past six months. Because Rio Virgin Industrial Park has few large buildings, it has multiple spaces for lease and a higher than average vacancy rate. In the over 20,000 SF facility size, inventory is mostly absorbed with a 3.6% vacancy rate. Overall, the industrial vacancy rate fell from 4.9% to 4.5% over the past six months. Lease rates increased slightly over the same period with asking rates on smaller spaces inching up to \$.45 per SF and asking rates on large facilities holding steady at \$.40 per SF.

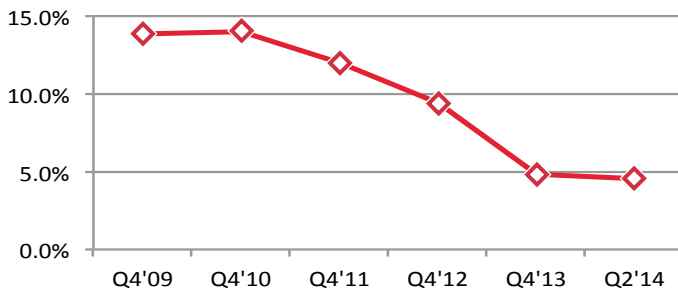
Construction activity remains slow. Currently Industrial Brush at 52,000 SF is the only major industrial project under construction in the county. Completions YTD are very low with the Kristi Diesel facility in Fort Pierce as the only new completed industrial building.

Asking Lease Rates (NNN)	< 20K SF	> 20K SF
Low	\$0.35	\$0.40
High	\$0.55	\$0.50
Average	\$0.45	\$0.40
Vacancy	7.8%	3.6%
Total Vacancy	4.5%	
2013 Year End Inventory	9,166,000	
Built Year To Date	8,000	
2014 YTD Inventory	9,174,000	
Land Value per SF	\$2-4	
CAP Rates	7-9%	
Under Construction	58,000	

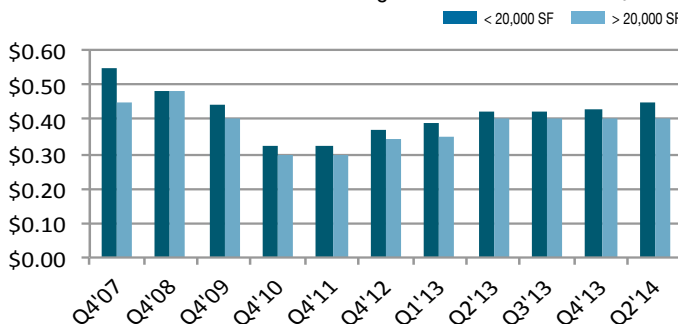
Outlook

With the lack of construction, we expect rates to continue to drift higher and vacancies to move lower. While industrial absorption has been very strong over the past couple of years (see the Industrial Special Report section), developers are cautious about absorption rates remaining at elevated levels. Further, we recognize that lease rates are still too low for most developers to consider spec construction today. The only release for current demand in the industrial market is coming from the occasional owner occupant who is acquiring land and building a custom facility. Expect more activity from owner occupants and, at some point, developers.

Industrial Vacancy Rates By Quarter



Asking Industrial Lease Rates By Quarter



Transactions Q2

Industrial - Lease	SF	Agent(s)
Riverside Drive Retail/Warehouse	2750	Jason & Meeja
Warehouse Space	25000	Jason
Fairgrounds Industrial Park, Lot 38	1755	Jason & Meeja
HED	1800	Jason & Meeja
River Park	1800	Jason & Meeja
Dixie Sunset Plaza Warehouse	1375	Chappell Team, Roger
Dixie Sunset Plaza Warehouse	1375	Chappell Team
Westridge Warehouse	2600	Roger
Fairgrounds Industrial Park, Lot 38	1755	Jason & Meeja
River Park	10945	Jason & Meeja
HED	4000	Jason & Meeja, Curren
Industrial with Retail Visibility	5000	Jason & Meeja
Office/Warehouse/Yard	3400	Wes
Office/Warehouse/Yard	2000	Wes
Fairgrounds Industrial Park, Lot 38	1755	Jason & Meeja
Ft. Pierce Office/Warehouse	5265	Curren, Meeja
Office/Wrks in Gateway Ind. Park	3000	Roger, Jon V
Office/Warehouse	3871	Wes, Jon V
R&R Industrial Center	2500	Jason & Meeja
Office/Warehouse/Spacious Yard	3000	Wes
Office/Warehouse	2500	Wes
A-T Asphalt	6951	Curren
Retail w/ Warehouse on State Street	2250	Curren
Fairgrounds Industrial Park, Lot 38	1787	Jason & Meeja, Curren
River Park	1822	Jason & Meeja, Jon V
Norandex Reynolds Building	15000	Jason & Meeja
River Park	1840	Jason & Meeja
Fairgrounds Industrial Park, Lot 38	1755	Jason & Meeja
Fairgrounds Industrial Park, Lot 38	1787	Jason & Meeja
River Park	1800	Jason & Meeja, Curren
HED	4000	Jason & Meeja, Curren
River Park	3717	Jason & Meeja
Wilson Plaza II	3000	Curren
River Park	7317	Jason & Meeja, Jon V
River Park	3556	Jon V
R&R Industrial Center	2000	Jason & Meeja
Industrial - Sale	SF	Agent(s)
Sunchase Business Park	100000	Wes, Curren
Industrial Investment Property	11293	Curren, Abraham
Industrial Land in Rio Virgin	0.56	Curren
37 Unit Storage Facility	7300	Wes
Fort Pierce	2500	Meeja
Telegraph Retail/Warehouse	12500	Roger
Hurricane Storage	11000	Walter Group

Industrial Vacancy 2009 - 2014	Q4'09	Chart	Q2'14
All	13.9%		4.5%
Ft Pierce	17.4%		6.3%
MilCreek	17.1%		5.0%
RioVirgin	41.4%		8.1%
STG	12.1%		5.4%
Gateway	5.5%		1.1%
Riverside	n/a		4.2%
Sunset	n/a		4.8%

Office

2014 Mid-Year | Washington County

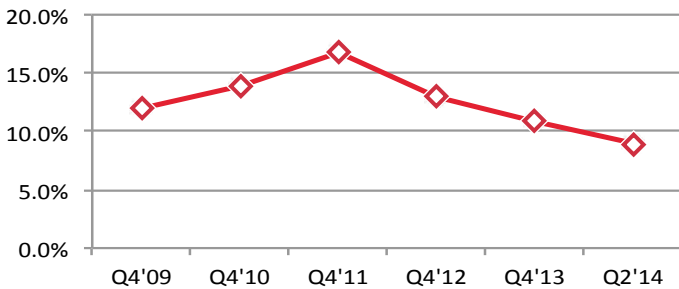
Review

The office market has been the slowest market to recover since the downturn in 2009. While not approaching the tight conditions associated with the industrial and retail markets, office showed some life over the past six months. Vacancy rates fell from 10.8% to 9% overall with every subgroup improving except medical office space. Medical has seen increased construction and the current increase in vacancy rates is due to unabsorbed new construction and increased vacancy in the Snow Canyon Clinic facility in Ivins.

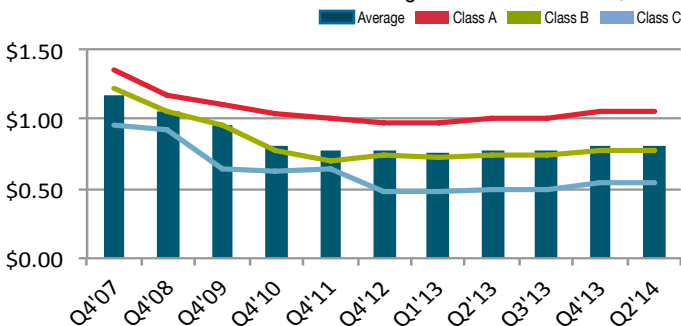
Medical office construction remains active with Biolife building a new medical office facility on Dixie Drive, an Optical Center being built next to Zions Bank on River Road, and a new medical office building contemplated on Riverside Drive. Year-to-date completions are zero, which likely contributed to the improvement in the vacancy rate.

Asking Lease Rates (NNN)	Class A	Class B	Class C
Low	\$0.85	\$0.65	\$0.45
High	\$1.25	\$1.05	\$0.70
Average	\$1.05	\$0.77	\$0.55
Vacancy	6.3%	10.0%	9.5%
Total Vacancy	9.0%		
2013 Year End Inventory	3,342,000		
Built Year To Date	-		
2014 YTD Inventory	3,342,000		
Land Value per SF	\$7-12		
CAP Rates	7-8.5%		
Under Construction	24,000		

Office Vacancy Rates By Quarter



Asking Office Lease Rates By Quarter



Office Vacancy 2009 - 2014	Q4'09	Chart	Q2'14
Office	12.0%		9.0%
A	9.6%		6.3%
B	16.5%		10.0%
C	11.6%		9.5%
CBD	12.5%		10.4%
Downtown	9.5%		7.0%
Suburban	22.9%		12.2%
Medical	0.2%		9.2%

Outlook

With the historically low vacancy rates associated with medical office, the market responded and that sector should see much more stable market conditions going forward. While CBD space was nearly impossible to find during the boom, there is still first generation office space available in a couple of buildings. Although the office market is improving, conditions are not strong enough yet to produce sharply increasing lease rates. It will take more absorption and aggressively falling vacancy rates to drive asking office lease rates and building valuations higher.

Transactions Q2

Office - Lease	SF	Agent(s)
Ventana Office Park	1155	Jason & Meeja
Red Cliffs Professional Park	1000	Jason & Meeja
St. George Blvd Office	2722	Jason & Meeja
Ventana Office Park	1155	Jason & Meeja
New Medical/Professional Office	1900	Curren
Furnished Professional Office	1850	Wes
Ventana Office Park	2310	Jason & Meeja
Fully Furnished Office Space	776	Jason & Meeja, Wes
Ventana Office Park	2310	Jason & Meeja
Rio Plaza	1343	Jason & Meeja
Ventana Office Park	1155	Jason & Meeja
Red Cliffs Professional Park	639	Jason & Meeja
Red Cliffs Professional Park	350	Jason & Meeja
Prime Office Space	1311	Roger, Curren
Prime Office Space	2406	Roger
Tabernacle Office Building	721	Walter Group
Office in Sunland Commercial Center	800	Curren, Abraham
Canyon View Professional Plaza	1000	Abraham
Troon Park Professional Office	1000	Jason & Meeja, Walter Group
Troon Park Professional Office	1000	Walter Group
Tabernacle Office Building	457	Walter Group
Red Cliffs Professional Park	1453	Jason & Meeja
Goldenwest Credit Union-Class A	3800	Roger, Walter Group
Red Cliffs Professional Park	976	Jason & Meeja, Jon V
Downtown Office Space for Lease	900	Walter Group
Sunset Blvd Office Space	876	Walter Group, Wes
Prime Office Space	129	Roger
Sunland Professional Park, Phase 1	1013	Jason & Meeja
Professional Office	1704	Wes
Ventana Office Park	1155	Jason & Meeja
Prime Office Space	108	Roger
Second North Plaza	2016	Jason & Meeja, Curren
Prime Office Space	160	Roger
Prime Office Space	113	Roger, Curren
Blackridge Terrace Office Space	3000	Wes
Downtown Office Suite	488	Wes
Red Cliffs Professional Park	1000	Jason & Meeja
Office - Sale	SF	Agent(s)
Ventana Office Park	2310	Jason & Meeja
Leased Property-Seller Financing	8300	Wes
Former Residential Treatment Center	15960	Jason & Meeja, Wes
Ventana Office Park	2310	Jason & Meeja
Ventana Office Park	4620	Jason & Meeja
BAE Data Center	15000	Wes
Net Leased Investment	4201	Abraham
Ventana Office Park	2310	Jason & Meeja, Wes

Review

After hovering around 6.5% for more than a year, retail vacancy rates dropped to 5.5%. The change was primarily due to absorption of mid-box space. Staples on South Bluff was sold and is anticipated to become a fitness center. Harbor Freight finally landed in the old Big Lots space in Washington. Traders Discount Market filled the old JoAnn's space in St. George Commercial Center. For now, lease rates are holding steady.

Dealerships are very active with Stephen Wade Nissan and Rocky Mountain ATV under construction, and MotoZoo recently completed. New restaurants include Dairy Queen on Dixie Drive and Culvers off of Exit 6. Maverik built a new convenience store on 2450 South and River Road and the Shivwits Band built a new convenience store on Old Highway 91 west of Ivins. Last, Jiffy Lube has a new facility under construction and Red Rock Commons is building its last phase of the retail center.

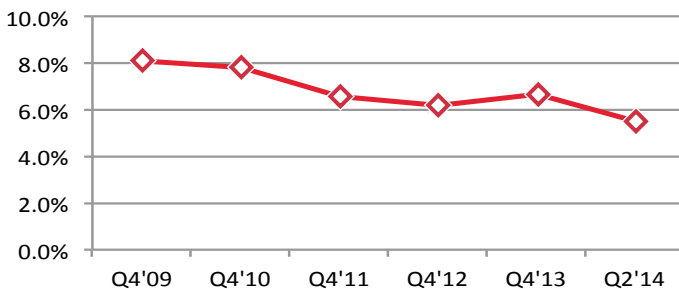
Asking Lease Rates (NNN)	Anchor	No Anchor
Low	\$1.00	\$0.60
High	\$2.75	\$1.50
Average	\$1.65	\$1.00
Vacancy	4.4%	8.0%
Total Vacancy	5.5%	
2013 Year End Inventory	6,265,000	
Built Year To date	14,000	
2014 YTD Inventory	6,279,000	
Land Value per SF	\$10-18	
CAP Rates	6.5-8%	
Under Construction	53,000	

Outlook

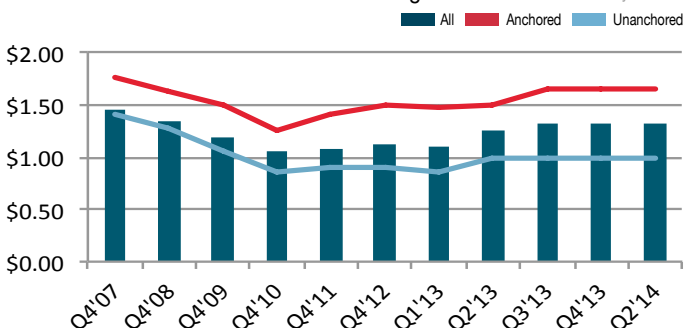
Retail has been a strong sector in Washington County and we expect it to remain strong in the near term. Retail land values continue to improve and demand for good locations is very strong—even if many buyers aren't willing to pay the new higher prices yet. Even with all of the new retail development we have seen over the past few years, there are a large number of retailers who have not entered our market and there are multiple contemplated retail developments in various planning stages. New tenants and new project announcements will continue as the local area continues to grow and the overall economy continues to strengthen.

Transactions Q2

Retail Vacancy Rates By Quarter



Asking Retail Lease Rates By Quarter



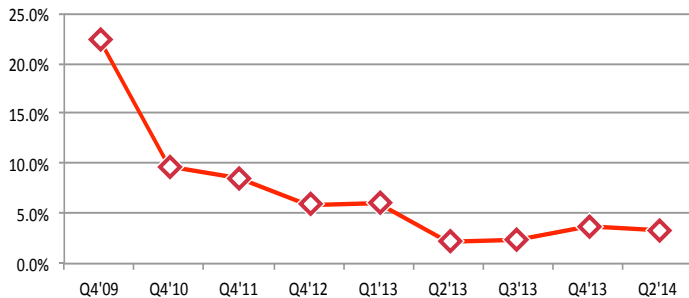
Retail Vacancy 2009 - 2014	Q4'09	Chart	Q2'14
Retail	7.8%		5.5%
Anchored	3.9%		4.4%
Unanchored	14.6%		8.0%
Free Standing	11.8%		5.3%

Retail - Lease	SF	Agent(s)
Rio Plaza	1190	Jason & Meeja
Dinosaur Crossing	3275	Walter Group
Retail Building on State Street	2000	Jason & Meeja
North Valleys Shopping Center	1800	Walter Group
Former JoAnn's Space	17500	Curren
Dixie Sunset Plaza	1375	Chappell Team
Rio Plaza	1270	Jason & Meeja
The Shoppes at Santa Clara	1114	Walter Group, Abraham
Albertson's Center	1600	Jason & Meeja
Rio Plaza	1270	Jason & Meeja
Rio Plaza	1343	Jason & Meeja
Grand Circle Plaza	1848	Walter Group
Ronnie's Pastrami	1800	Meeja
Rio Plaza	2562	Jason & Meeja, Wes
Southland Retail Building	780	Walter Group, Abraham
Dixie Sunset Plaza	1080	Chappell Team
Coral Canyon Town Center		Jon V
Big Lots Retail Location	15550	Jason & Meeja
Dixie Commons	2369	Jason & Meeja
The Shoppes at Telegraph Square	1200	Jason & Meeja
In-line Shopping by Albertson's	1400	Jason & Meeja
Rio Plaza	3816	Jason & Meeja, Curren
Built Out Dance Club/Event Center	10330	Walter Group, Jason
St. George Blvd Retail Location (Zion Plaza)	800	Walter Group
Tonaquint Retail Center, Phase 2	4960	Walter Group
Dimsdale Property	1750	Abraham, Jon V
Green Valley Market	900	Abraham
Green Valley Market	2650	Abraham
Rio Plaza		Jason & Meeja
Retail - Sale	SF	Agent(s)
Great Retail Property on WA Blvd	5893	Roger
Bloomington Courtyard Commercial Center	2625	Jason & Meeja, Walter Group
Investment - Sale	SF	Agent(s)
Home	1550	Abraham
Tri-Plex & Single Family Home	2215	Walter Group
KOA Campground & Mobile Home Park	9.99	Walter Group
National Franchise Hotel	32534	Walter Group
Prime Gas Station / C-Store / Car Wash	3000	Roger
Prime Gas Station / C-Store	4000	Roger
Lake Valley Car Wash & Detail	10616	Curren
Bluff Street Staples Building	23763	Walter Group
12-Plex Apartment Building + Home	13678	Walter Group
Shell Station & Quiznos	5420	Walter Group

Multi-Family

2014 Mid-Year | Washington County

Apartment Vacancy Rates By Quarter



Vacancy	Q4'09	Chart	Q2'14
1 Bed 1 Bath	7.4%		2.9%
2 Bed 1 Bath	23.1%		5.7%
2 Bad 2 Bath	30.0%		2.2%
3 Bed 2 Bath	20.8%		3.7%
Average	22.5%		3.3%

Rent	Q4'09	Chart	Q2'14
1 Bed 1 Bath	\$549		\$602
2 Bed 1 Bath	\$635		\$678
2 Bad 2 Bath	\$664		\$745
3 Bed 2 Bath	\$827		\$912
Average	\$648		\$715

Rent/SF	Q4'09	Chart	Q2'14
1 Bed 1 Bath	\$0.86		\$0.93
2 Bed 1 Bath	\$0.65		\$0.69
2 Bad 2 Bath	\$0.65		\$0.73
3 Bed 2 Bath	\$0.64		\$0.70
Average	\$0.68		\$0.74

Review

Apartment vacancy rates continue to fall and rental rates are still on the rise. Vacancy rates fell for the fourth year in a row. In 2014, we are on track to post a fifth year of vacancy rate decreases. At a current rate of 3.3%, vacancies are below historical norms and are helping to push lease rates higher. With very little additional room for vacancies to fall, landlords may become more comfortable raising rates faster than in recent history.

Average rents increased again in the second quarter of 2014. Since vacancies started falling in 2009, rents have increased steadily in lockstep with improving market conditions. As long as current conditions hold, asking rents should continue to rise. Rate increases on smaller configurations have slowed down in the past six months while rate increases on three bedroom units have accelerated.

Outlook

The multi-family sector is still under built in Washington County. There are challenges to building new product, but as vacancies remain low and rents continue to improve those barriers will become less of an obstacle than they have been historically. The short term concern is that land values will appreciate faster than multifamily rents, which could have the impact of keeping new multifamily investment just out of reach for many developers.

NAI Property Management



Jon
Vandermyde
PM Director

435-627-5727

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 consider the cost of a 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. NAI closed over 170 leases in 2013. Our in-house leasing agents create market exposure and provide more tenant options for landlords. Our lease administration services reduce tenant turnover and enhance lease compliance. 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.

Along with cutting the owners' costs, NAI Property Management provides peace of mind. With our state-of-the-art property management software, dozens of reports (i.e. rent roll, income statement, expense distribution) are available either monthly, or upon request from the property owners.

We pride ourselves on being a "hands on" property management department. The property manager is only a phone call away from the owners and tenants, and in most cases, issues get resolved the same day. Give us an opportunity to show you how we can increase your cash flow.

Iron County

Commercial real estate conditions in Iron County continue to lag Washington County, but overall, they continue to improve. Collectively, there is a lot of optimism about the opportunity from the economic development transactions that have happened in Iron County over the past couple of years and there is a sense that the market will strengthen as the jobs continue to slowly improve. With May unemployment sitting at 3.8% and over 1,000 new jobs in Iron County since December 2012, Iron County is poised to strengthen.

Asking Lease Rates (NNN)	Industrial	Office	Retail
Low	\$0.35	\$0.50	\$0.63
High	\$0.55	\$1.25	\$1.42
Average	\$0.44	\$0.84	\$0.95
Vacancy	7.0%	10.8%	6.0%

Lease Rates 2009 - 2014	Q4'09	Chart	Q2'14
Industrial <20K	\$0.45		\$0.48
Industrial >20K	\$0.35		\$0.41
Office	\$0.85		\$0.84
Retail	\$1.10		\$0.95

Iron County • FOR SALE



Coal Creek Office Warehouse



55 Acre Tree Farm

Industrial

The industrial market has seen some softening. While large facilities remain occupied, there is more space under 20,000 SF than there has been in recent history. Industrial lease rates have also risen aggressively—maybe too aggressively—to \$.48/SF for smaller spaces. We have also seen industrial land sell, although still at approximately half of the 2006 peak.

Office

Vacancy rates in the office market have fallen again to just under 11% while lease rates held constant. Activity remains sluggish in the office sector as evidenced by the spread between high and low rents. There are spaces offered as low as \$.50/SF while others are asking over \$1.10/SF. The wide range makes pricing challenging in the office market. We still recommend that landlords make the best deal possible when proposals come from qualified tenants.

Retail

Boulevard Home Furnishings opened their new store on South Main Street. There are retail pads available for sale as part of the new development. The development is a long awaited addition to the Retail sector in Cedar City. Retail vacancy held steady while asking rates gave up a little ground. Good space is much harder to come by than a couple of years ago when landlords saw higher turnover from struggling tenants. Retail should continue to improve, particularly at Providence Center, once the revised freeway onramp is complete.

2013 Transaction Data

TOTAL Transactions 2013

	Transactions	SF / Acres
Industrial	55	304,375 SF
Lease	48	247,787 SF
Sale	7	88,810 SF
Investment	22	199,269 SF
Lease	3	87,800 SF
Sale	19	111,469 SF
Land	43	217 AC
Sale	43	217 AC
Office	95	227,147 SF
Lease	84	169,646 SF
Sale	11	70,718 SF
Retail	44	163,511 SF
Lease	39	80,299 SF
Sale	5	104,212 SF
Grand TOTAL	259	960,959 SF



In 2013 **NAI** Transacted
Nearly **1 Million SF** of
Commercial Space!

ERA BROKERS MARKET REPORT – APRIL 2014

WASHINGTON COUNTY

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+19.3%

Change in
New Listings

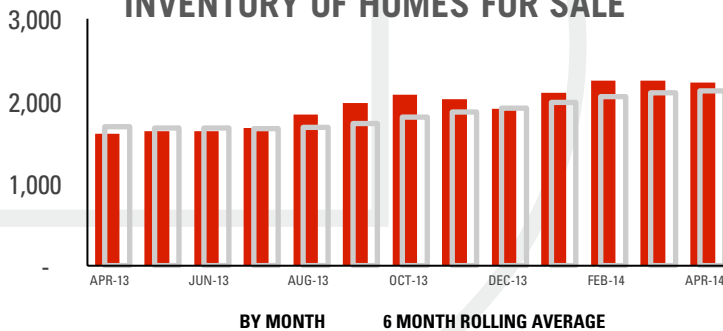
-2.3%

Change in
Closed Sales

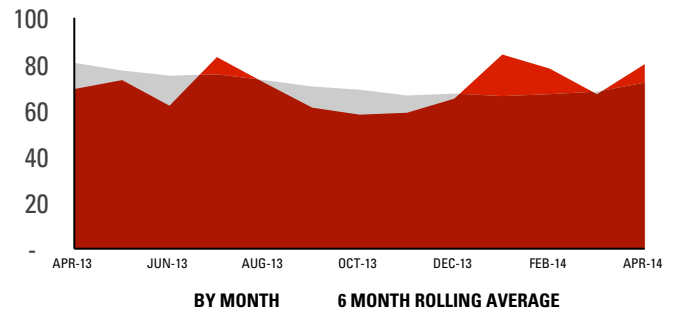
+12.9%

Change in
Median Sales Price

INVENTORY OF HOMES FOR SALE



DAYS ON MARKET



12 MONTH COMPARISON

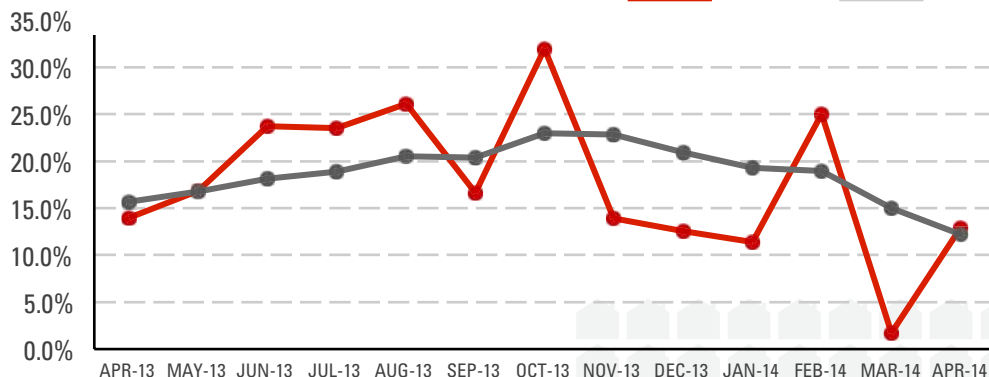
6 MONTH AVG

	Apr 2013		Apr 2014	+/-	Last 6 Months	+/-
New Listings	544		649	19.3%	587	19%
Pending Sales	471		413	-12.3%	330	-5%
Closed Sales	346		338	-2.3%	290	0%
Median Sales Price	\$194,900		\$220,000	12.9%	\$212,672	12%
Average Sales Price	\$226,045		\$250,863	11.0%	\$246,410	9%
Discount to Sale Price	2.9%		5.3%	82.8%	4.3%	4.1%
Days on Market	69		80	15.9%	72	-11%
Inventory of Homes for Sale	1604		2227	38.8%	2125	26%
Months Supply of Inventory	5.3		6.8	28.3%	6.4	11%
Building Permits	166		120	-27.7%	106	-7%

% CHANGE IN MEDIAN PRICE

BY MONTH

6 MONTH ROLLING AVERAGE



12.9%

Year over year price change
for the current month.

Special Report Industrial Sector

Mid-Year 2014



River Park - Fort Pierce Industrial Park

Inside...

- 12 Industrial Historical Overview
- 14 Industrial Outlook
- 15 Construction Numbers
- 16 Industrial Park Growth Maps

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Industrial Sector Historical Overview

The Washington County Industrial Market has historically grown in waves. Wal-mart, Orgill, and Family Dollar are industrial landmarks because of their size. The first wave started in the early 1990's and coincided with a rapid period of growth in Washington County. From 1991 – 1996 the county population growth averaged 8% per year. The industrial wave ended in 1999 as our market started to cool, even while the NASDAQ and the broader stock market boomed.

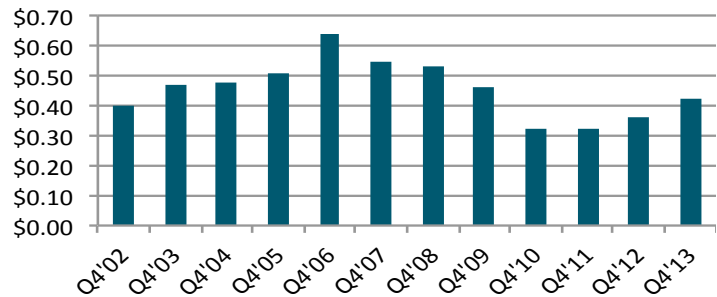
The second wave coincided with another period of rapid population growth averaging 7%. The industrial activity kicked off in 2005 with Orgill Distribution and lasted through 2008 with the start of the Great Recession. In this second wave, the inventory shortages were so acute at the beginning that developers overshot by developing too much industrial real estate. At the end of the second wave, supply exceeded demand by roughly one million square feet.

During the 1990's we didn't gather market data, but we did during the last decade. It is interesting to see the strong cycles tracked in vacancy rates, lease rates, construction and absorption.

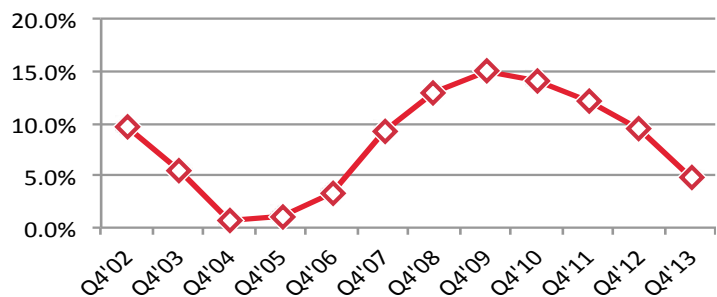
Vacancy rates started at 10% in 2002 in the height of the recession after September 11th. In the last boom, absorption was strong, but there was little construction until 2005-2008. In 2005 vacancy rates went below 2% and anything remotely like industrial leased before it could come to market. As a result, those that needed space built it—and a little extra as an investment opportunity.

Lease rates lagged vacancy rates. Lease rates peaked in 2006 a year after vacancy rates reached their lowest. The higher lease rates and the low vacancy rates justified higher industrial land prices and more expensive buildings. With vacancies rising in 2007 and excess inventory starting to build, lease rates fell for the first time in five years. Coincidentally, falling lease rates would become a new five year trend.

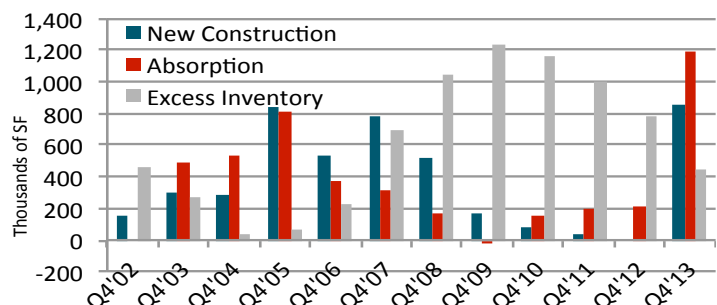
Industrial Asking Rates 2002-2013



Industrial Vacancy Rates 2002-2013



Construction and Absorption 2002-2013

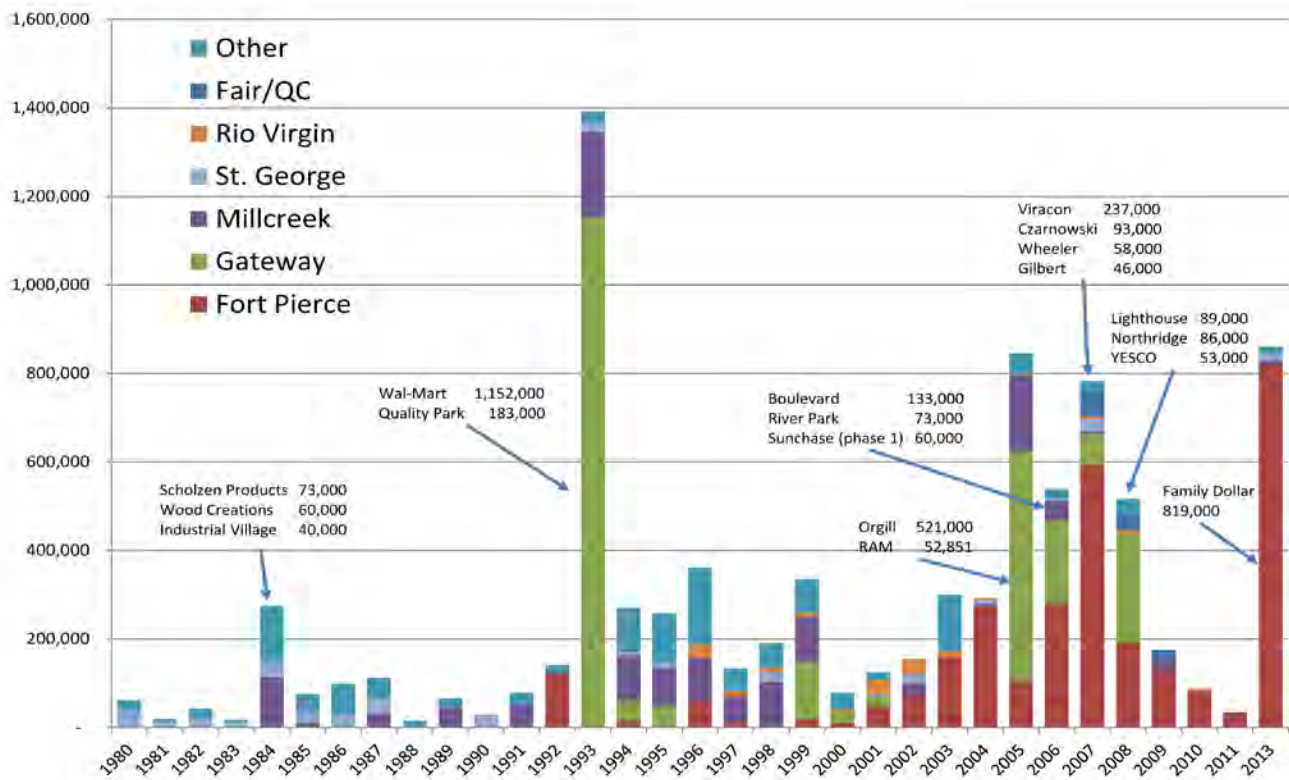


Absorption peaked in 2005 and dropped precipitously in 2006, 2007, and 2008. By 2009, absorption was negative and excess industrial inventory had built to just over 1,000,000 SF. Vacancy rates were hovering around 15% and multi-tenant space, that had been in high demand by contractors in the construction industry, saw vacancies approaching 25%. There were a number of buildings that were built between 2007 and 2009 that were totally unoccupied.

Excess inventory started to fall in 2010 as prices on industrial buildings fell well below replacement cost and the deals became too good for a few users, and some investors, to pass up. The recession was over, but the recovery was weak. There was very little financing available, except to owner users obtaining SBA loans, which increased negotiating leverage for cash buyers. Vacancy rates began to fall in 2011 with no new construction and recovering absorption.

New construction spiked in late 2012 and early 2013 led by Family Dollar Distribution's new 819,000 SF facility, and absorption grew even more as construction (other than Family Dollar) remained depressed while the economic recovery really began to take hold. By the end of 2013, all of the surplus inventory left over in 2009 had been absorbed—and then some.

Lease rates have recovered from 2010 and 2011 lows and it feels like there is more absorption to come. With vacancies below 5% and tracking lower, market conditions appear similar to 2004 when industrial construction went through the last major expansion.



Industrial

2014 Mid-Year | Washington County



Outlook

The Family Dollar completion in 2013 is expected to be the beginning of the next wave of industrial expansion in Washington County. Reluctance to spec industrial buildings will result in most new construction coming from owner-users who are vacating existing leased space or who have grown out of existing facilities. Even with owner-user expansion, there is still a need for new multi-tenant space and single tenant space.

While there are valid reservations about overshooting as we did during the last cycle, under developing in the near term makes the inventory shortage more acute and causes the subsequent construction response to be larger than needed. If there would have been adequate inventory on the ground in 2005, retrospectively we may not have so badly overestimated the need for industrial in 2007 and 2008. This time around, we would be wise to start building new inventory earlier—even if that means vacancies are a little higher than they otherwise would be. The cushion will help deter excessively speculative construction.

Washington County is growing again. Not at the 7-8% we saw in previous cycles, but growing still. The balance between investment properties and owner-users is a delicate one but, even in a conservative scenario, investment properties are needed again. More than half of the industrial space is occupied by the 50 largest users in Washington County. To have a healthy industrial market through the next cycle, we are in need of a variety of configurations to accommodate the trades, small manufacturers and startups, as well as larger facilities to accommodate distribution and manufacturing.

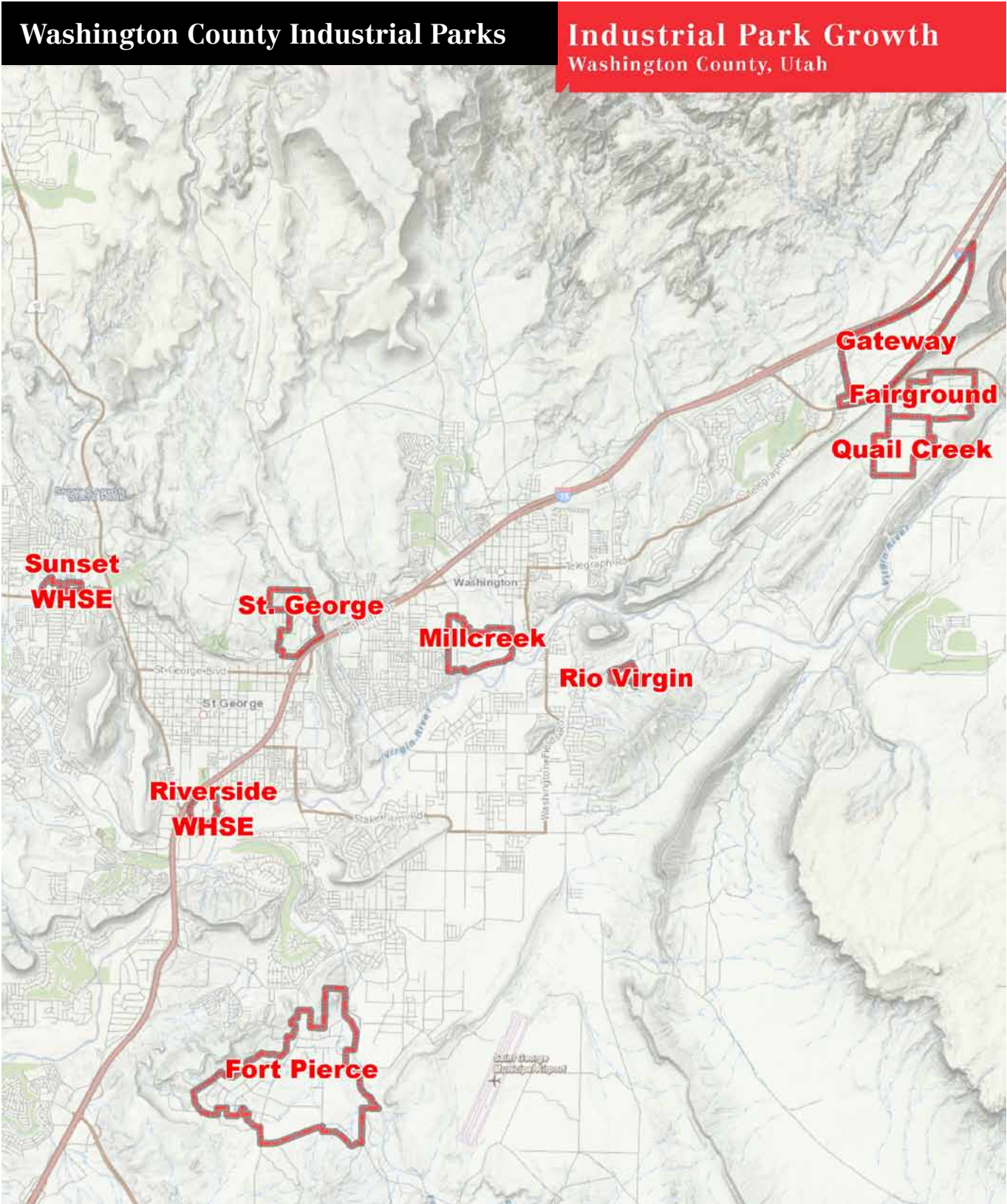
This report provides a glimpse into the historical trends that have shaped the current industrial market. We hope they prove insightful for those considering establishing or expanding their industrial presence in the greater St. George area.

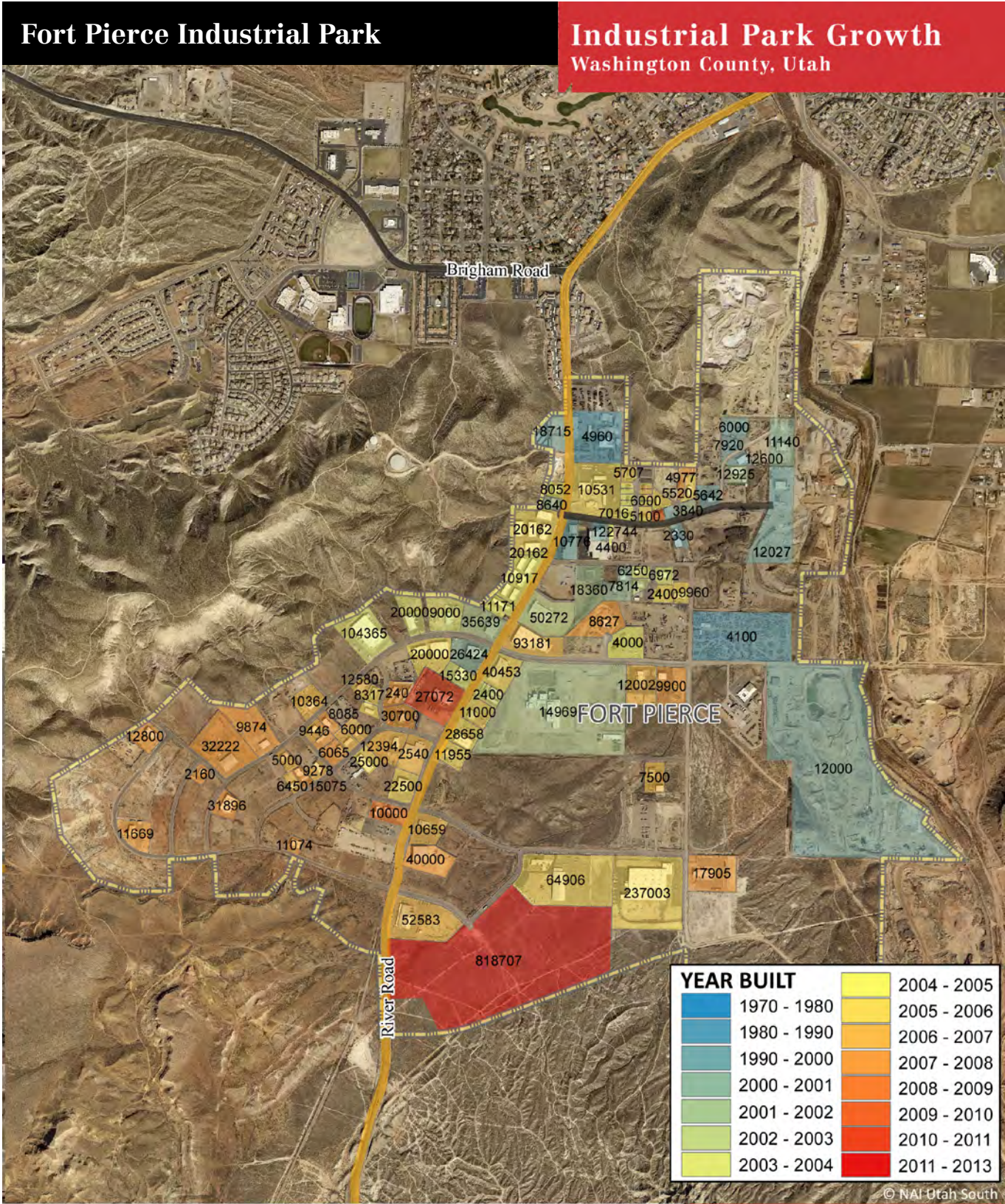
Year	Fair/QC	Fort Pierce	Gateway	Millcreek	Other	Rio Virgin	St. George	Grand Total
1980					23,520		38,951	62,471
1981					6,157		12,819	18,976
1982					20,807		21,384	42,191
1983					5,175		12,088	17,263
1984				113,544	124,146		37,234	274,924
1985				10,944	39,010		25,039	74,993
1986					68,136		30,342	98,478
1987				32,062	44,912	2,000	33,035	112,009
1988					15,000			15,000
1989				44,681	19,320		1,921	65,922
1990							29,112	29,112
1991				51,320	25,433		1,800	78,553
1992		122,744		1,600	16,829			141,173
1993			1,152,386	193,132	25,590		21,072	1,392,180
1994		14,279	46,000	101,692	100,303		8,384	270,658
1995			48,804	86,745	109,306		13,340	258,195
1996		59,960		97,619	173,204	29,992		360,775
1997		12,506		57,000	50,528	13,200		133,234
1998				103,000	55,779	9,416	22,718	190,913
1999		19,108	129,826	101,657	76,584	8,432		335,607
2000		10,000	26,500		37,111	5,400		79,011
2001		47,137	22,500		17,393	32,300	5,800	125,130
2002		72,580		28,000		34,026	20,792	155,398
2003		160,097			127,701	12,269		300,067
2004		273,217		6,040		3,600	9,336	292,193
2005		104,350	520,656	170,529	46,131	4,000		845,666
2006		279,910	188,226	43,076	21,400		6,000	538,612
2007	58,527	593,038	70,720	4,800	21,267	4,564	30,108	783,024
2008	33,046	192,064	244,898		37,688	9,272		516,968
2009	20,296	129,165		25,242				174,703
2010		82,052				5,000		87,052
2011		35,000						35,000
2013		818,707		10,000	15,693		16,065	860,465
>1980	111,869	3,025,914	2,450,516	1,282,683	1,324,123	173,471	397,340	8,765,916
All	111,869	3,025,914	2,450,516	1,282,683	1,511,017	187,471	1,014,354	9,583,824
	Fair/QC	Fort Pierce	Gateway	Millcreek	Other	Rio Virgin	St. George	Grand Total
1980s	-	-	-	201,231	366,183	2,000	212,813	782,227
1990s	-	228,597	1,377,016	793,765	633,556	61,040	96,426	3,190,400
2000s	111,869	1,861,558	1,073,500	277,687	308,691	105,431	72,036	3,810,772
2010s	-	935,759	-	10,000	15,693	5,000	16,065	982,517

	SF
Total NAI Tracked Industrial Inventory in Washington County	9,600,000
Market Report Survey (buildings over 6,000 SF)	9,200,000
Built since 1980	8,800,000
50 Largest Buildings	5,900,000

Industrial

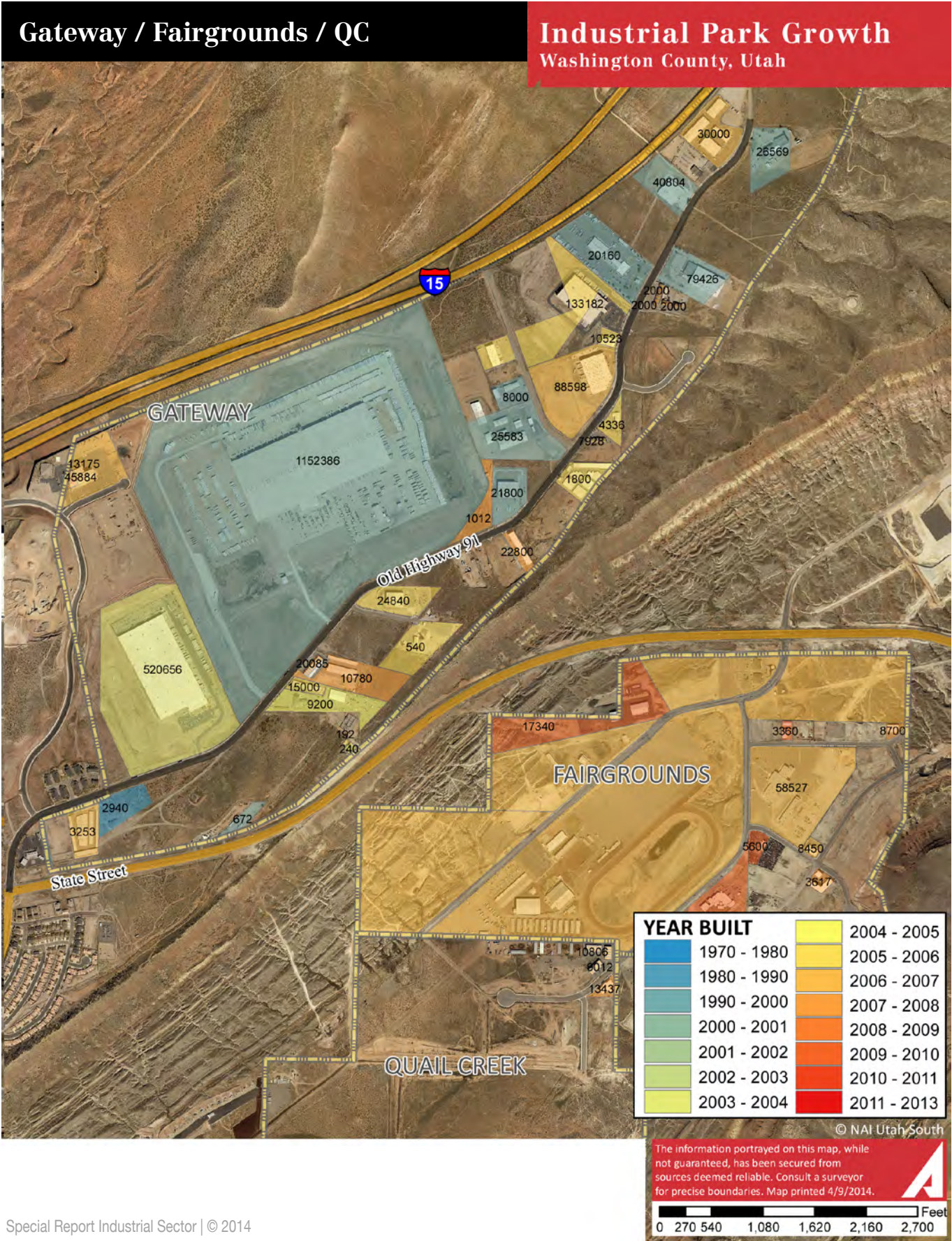
2014 Mid-Year | Washington County

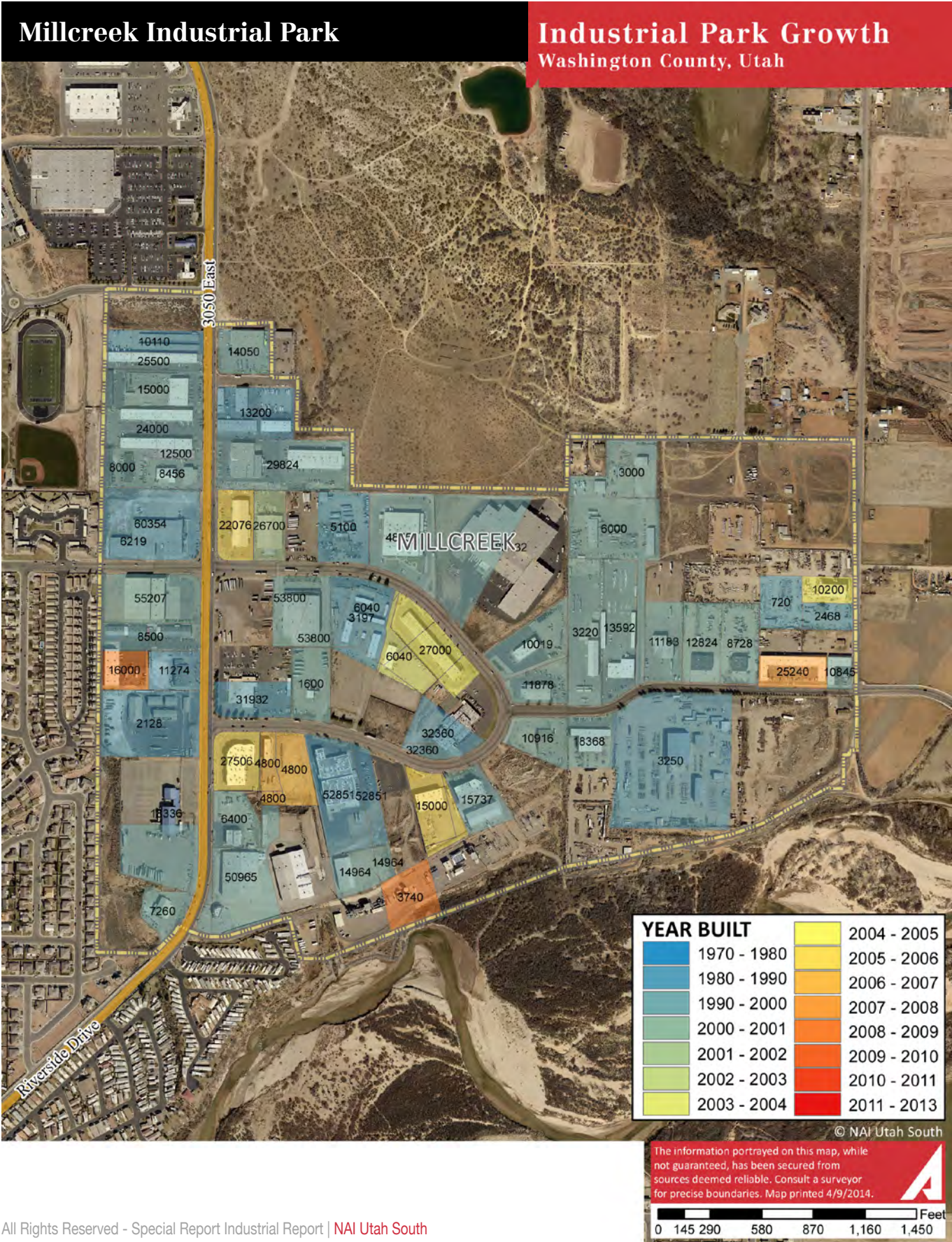


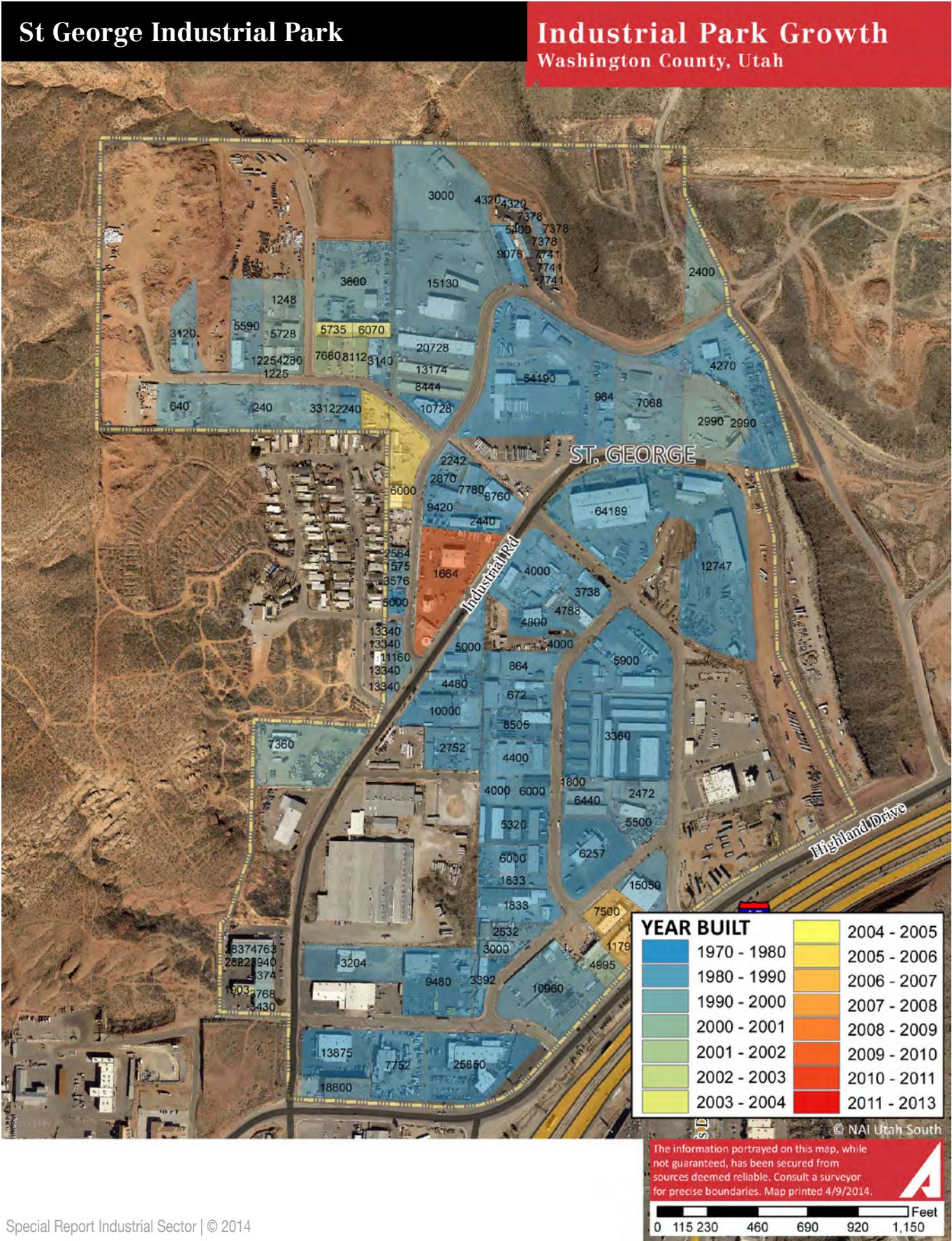


The information portrayed on this map, while not guaranteed, has been secured from sources deemed reliable. Consult a surveyor for precise boundaries. Map printed 4/9/2014.

0 370 740 1,480 2,220 2,960 3,700 Feet











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



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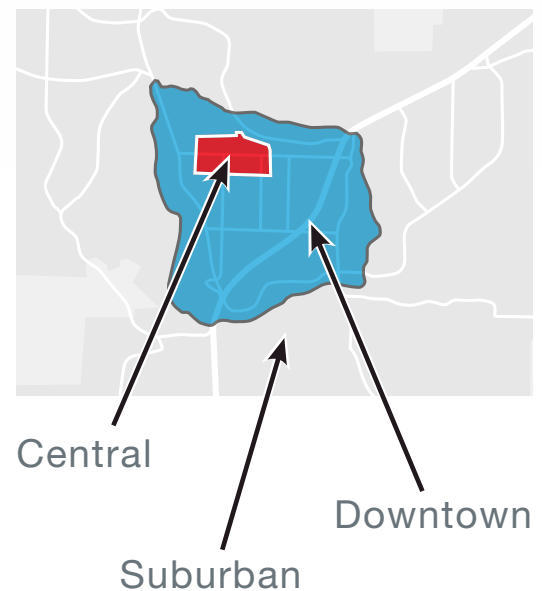
We are not only able to provide basic site overlays, aerials, topographic and other information, but also provide advanced interactive mapping applications accessible via our website, your phone, or tablet. We also provide in house large format printing for clients needing intricate detail, property 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.



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