



INSIDE...

A Quarterly Newsletter & Report on Commercial Real Estate in Southern Utah
2010 1st Quarter Market Report

- 2** WHERE ARE THE DEALS?
 HAPPENINGS IN SOUTHERN UTAH
- 3** INDUSTRIAL - WASHINGTON COUNTY
- 4** OFFICE - WASHINGTON COUNTY
- 5** RETAIL - WASHINGTON COUNTY
- 6** MULTI FAMILY - WASHINGTON COUNTY
- 7** INDUSTRIAL, OFFICE & RETAIL - IRON COUNTY
- 8** NAI WORLDWIDE
- 9** 2010 Q1 **COMMERCIAL INVENTORY REVIEW**

NAI Utah
Southern Region

Commercial Real Estate Services, Worldwide.

243 E St George Blvd Suite 200 | St George UT | office 435 628 1609 | toll free 888 316 1609

The information contained herein has been provided by sources deemed reliable, with no reason to doubt its accuracy, but is not guaranteed. All information should be verified prior to purchase or lease.

NEWS UPDATES ON : You

START HERE:

www.naiutahsouth.com

Where Are The Deals?

In today's economy buyers expect a deal. Agents at NAI are continually being asked where the deals are. With the exception of a few out of touch sellers, the response is that the deals are everywhere! Real estate is not just "for sale" it is "on sale". It is the after Christmas blowout sale that only comes once every economic cycle.

Vacant Buildings

As a tenant or as a buyer, business owners have a tremendous opportunity to take advantage of low prices. Lease rates are at record lows, and buildings can be purchased for less than the cost to build them - even in today's suppressed construction market. As a bonus, business owners can find 100% interest only financing through lease options on many properties.

Land

Of everything that is out there, the biggest blowout sale is on land. Cash buyers that don't require cash flow, have an opportunity to purchase that doesn't come around often.

Leased Property

The institutional 6% cap rates are now 8.5% and lower credit tenanted properties are yielding higher returns. Higher Cap rates, higher vacancy rates, and lower lease rates, mean that from both a return standpoint and a value standpoint, buyers are getting a lot of bang for their buck.

Businesses with Real Estate

These include property types such as hotels, convenience stores, car washes, etc. The purchase of these assets rests primarily on their cash flows. For many business owners, 2009 has been the worst financial year in recent history. As businesses show low revenue, or in some cases losses, many sellers are more motivated and they have discounted their prices significantly.

Bank owned properties

If you aren't seeing local commercial real estate foreclosures on the market, ask your NAI agent to show you the deals. They are out there and, like any property, the good ones go fast. The chart gives a breakdown, by quarter, of Washington County commercial land, other land, and commercial buildings that have been foreclosed on or are in default in 2009 and 2010. We have developed a map showing each property, the acreage, building size, zoning, and other pertinent information to evaluate the property.

Sellers who thought their property values would always increase turned down unbelievable offers on their real estate as the market peaked. Buyers who fear the markets may never recover will pass up unbelievable buying opportunities, perhaps until the best opportunities have passed.

Mark Walter
Principal Broker

Neil Walter
Managing Director

HAPPENINGS IN SOUTHERN UTAH

Barnes Bank closed by federal regulators. The shutdown comes after a year in which Barnes lost at least \$67 million, according to FDIC reports filed in late September. The FDIC set up its own bank to return money to depositors.

Intermountain Sunset Clinic began a 10,500 SF addition to its Sunset Blvd location with a public "wall-bashing" celebration March 10th. The addition will more than double the current facility bringing the total to just under 19,000 SF. The new space will make it possible to add six new physicians as well as expanding primary care services.

Town & Country Bank celebrated the opening of its new location at 405 E St George Blvd, relocating both its main banking and loan production offices.

Saturn of St George is now the new home of Findlay Volkswagen, St George's first Volkswagen Dealership. The facility will receive a major facelift in the coming weeks as Volkswagen branding and imaging will be added to the building. Las Vegas-based Findlay Automotive Group owns 23 dealerships in Nevada, Utah, Arizona, and Idaho.

Urban Elements Day Spa will be opening the doors to its new spa and salon location in mid-April 2010. The spa will be located at the Dixie Commons at 1664 S Dixie Dr, Suite H-108.

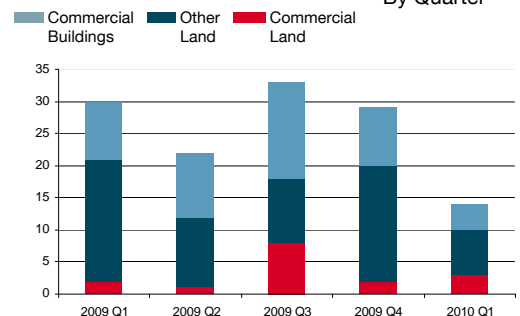
Stephen D Nadauld was inaugurated as the 17th president of Dixie State College May 19th, 2010, in the college's Cox Auditorium. Nadauld said he came to DSC with a willingness to work. He served as the interim president for the previous two years.

The Utah Heritage Foundation recognized St George for its Town Square project, a revitalization of the city's historical center. The \$4 million project was dedicated in 2007 as a way to improve the city's downtown area and provide a public gathering place that would reflect the local heritage.

The St George Art Academy recently opened its doors at 73 N Main St. The Art Academy began as a way to fill a need for art instruction for young children, as well as provide educational exhibits in new forms of art, such as installation and performance art. Classes include once-a-week preschool and school-age art fundamentals.

Stephen Wade Auto Dealerships celebrated the joining of their Nissan dealership with a new Chrysler-Jeep-Dodge dealership, bringing the brand back to St George. Painter's Sun Country lost the Chrysler dealership in May 2009 amid Chryslers bankruptcy troubles.

Foreclosure Chart
By Quarter



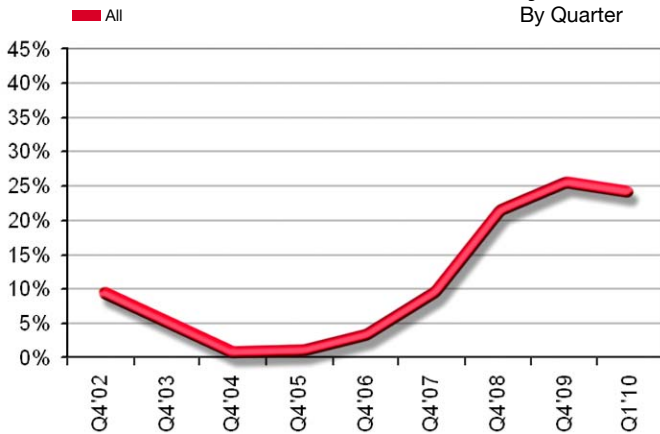


Industrial

2010 1st Quarter | Washington County

**2010
MARKET
TREND**

Industrial Vacancy Rates
By Quarter



Asking Industrial Lease Rates
By Quarter



Asking Lease Rates (NNN)	< 20,000 SF	> 20,000 SF
Low	\$0.30	\$0.30
High	\$0.54	\$0.45
Average	\$0.42	\$0.35
Multi-Tenant Vacancy	24.2%	
2009 Ending Inventory	8,172,000	
Built in Q1 2010	44,000	
Q1 2010 Ending Inventory	8,216,000	

Partial List Industrial Transactions
By Quarter

Industrial - Lease	SF	Agent(s)
Gateway Industrial Park	2,500	Brandon
Joshua Squire Brook/Stone Wall	2,400	Jason & Meeja
R&R Industrial Center	7,500	Jason & Meeja
Fairgrounds Industrial Park	4,887	Jason & Meeja
Contempo Tile	1,000	Jason & Meeja, Wes
Coyote Sunset	2,500	The Walter Group & Brandon
Millcreek Industrial Warehouse	6,000	The Walter Group & Brandon
Black Hills Business Park	3,000	Wes
Sunland Commercial Center	1,600	Wes
Industrial - Sale	SF	Agent(s)
Designer Furniture Gallery Wrhs	23,445	Wes

Review

The results of our quarterly industrial survey indicate the vacancy rate for multi-tenant industrial buildings decreased from 25.7% to 24.2%. We have finally noticed an increase in industrial activity and inquiry calls during the last quarter. Frankly, with historically low lease rates and short lease terms, we are surprised prospective tenants aren't waiting in line to sign leases.

Although most leases are under 4,000 SF, one industrial lease transaction this last quarter was 28,000 SF which included 11,000 SF of office & showroom. We have seen some new interest for these mid-sized industrial facilities which is a welcome change - quite different from 2009.

Only two industrial buildings are currently under construction and no industrial land sales have been reported for some time. The Desert Ridge Properties Building was completed this quarter, comprising about 44,000 SF.

Outlook

Although there are some encouraging signs, Southern Utah's industrial market is the segment that is struggling the most. Supply in the industrial market has gone from less than 2% vacancy in 2005 to 24.2% vacancy today. There is still a significant amount of space available, and many contractors and manufacturers have ample space to grow in their existing facilities.

Expect the market to remain out of balance until the economic picture firms up. Downturns usually leave a market flat, with little activity, until buyers and tenants can see the anticipated trends. Gradually, the market starts to recover and then local business owners exercise confidence in growing their business.

Vacancy Rates



Lease Rates



Absorption



Construction



Designer Furniture Warehouse

SOLD 2010



Office

2010 1st Quarter | Washington County

2010 MARKET TREND

Vacancy Rates



Lease Rates



Absorption

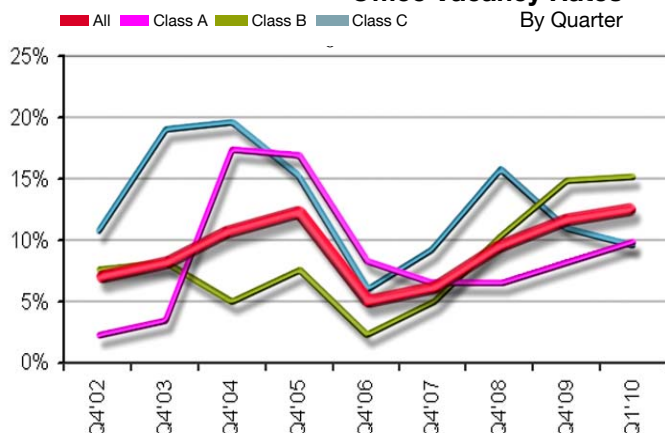


Construction



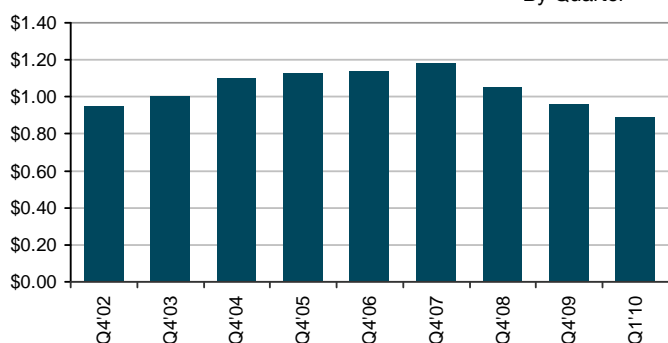
Office Vacancy Rates

By Quarter



Asking Office Lease Rates

By Quarter



Review

Overall office vacancy inched up to 12.6%. While Class A and B space did show a slight increase, the Class C vacancy rate declined slightly. The majority of available office space is Class B space and, as a result, the average asking lease rate for this class decreased significantly from the previous quarter. Asking rates for Class A and Class C space essentially remained the same.

Asking office lease rates are now slightly lower than the asking rates of 2002. There is significantly more inventory to choose from, as both the size of the office market and the vacancy rate in the office market has increased (as a result of the recent construction boom). Most office leases continue to be inexpensive, short-term leases. In most scenarios, tenants desire short-term leases because they want flexibility, and landlords want short term because they expect lease rates to increase. Because of recent tenant defaults and lack of cash flow, landlords are more reluctant to complete tenant finishes, and tenants are being asked to take space as it is.

The Crossroads building on south River Road was completed this quarter. Projects under construction include the Utah Department of Transportation Building in Hurricane, Simister Orthodontics on Dixie Drive, and the IHC InstaCare addition on Sunset Boulevard.

Outlook

NAI expects office leasing to remain stable and gradually strengthening through 2010. The greatest demand will continue to be for centrally-located office space with functional floor plans at aggressive rates. As space is absorbed in the downtown area, and price begins to stabilize, peripheral areas will begin to experience increased demand and growth.

Asking Lease Rates (NNN)	Class A	Class B	Class C
Low	\$0.90	\$0.60	\$0.50
High	\$1.25	\$1.05	\$0.85
Average	\$1.10	\$0.89	\$0.65
Vacancy	9.9%	15.2%	9.6%
Multi-Tenant Vacancy			12.60%
2009 Ending Inventory			3,239,000
Built in Q1 2010			4,000
Q1 2010 Ending Inventory			3,243,000
Under Construction			33,000

Partial List Office Transactions

By Quarter

Office - Lease	SF	Agent(s)
Blackridge Terrace	2,000	Brandon Vandermyde
595 S Bluff St	1,750	Curren & Brandon
Red Cliffs Professional Park	650	Jason & Meeja
Sunland Professional Park Phase 2	1,500	Jason & Meeja
Sunland Professional Park	1,500	Roger Stratford
Boulevard Office Park, Building C	697	The Walter Group
Coyote Sunset	870	The Walter Group
Premier Plaza	1,308	The Walter Group
Kemp, Burdick, Hinton, Hall	2,652	The Walter Group & Roger
Red Cliffs Professional Park	750	Wes
McArthur Commercial Center	1,600	Wes
440 W 200 N	2,000	Wes



Morningside Office Plaza

FOR LEASE



Retail

2010 1st Quarter | Washington County

**2010
MARKET
TREND**

Vacancy Rates



Lease Rates



Absorption

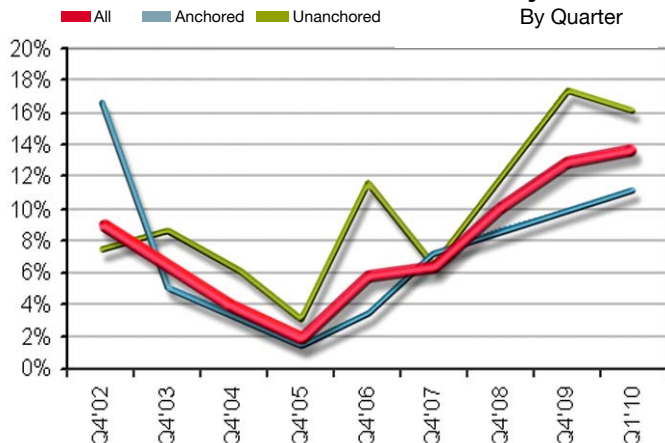


Construction



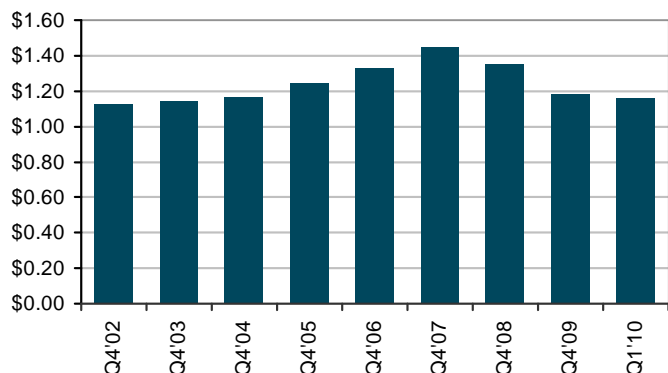
Retail Vacancy Rates

By Quarter



Asking Retail Lease Rates

By Quarter



Asking Lease Rates (NNN)	Anchored	Unanchored
Low	\$1.05	\$0.70
High	\$2.00	\$1.25
Average	\$1.50	\$0.96
Vacancy	11.1%	16.1%
Multi-Tenant Vacancy	13.6%	
2009 Ending Inventory	6,096,000	
Built in Q1 2010	8,000	
Q1 2010 Ending Inventory	6,104,000	
Under Construction	5,000	

Partial List Retail / Investment Transactions

By Quarter

Retail - Lease	SF	Agent(s)
Palm Square	1,708	Chappells & The Walter Group
Telegraph Marketplace	3,450	Curren
The Shoppes at Telegraph Square	1,007	Jason & Meeja
Rio Plaza	1,270	Jason & Meeja, Chappell Team
Boulevard Commons, Phase 2	780	Ryan
The Shoppes st Santa Clara	1,040	The Walter Group & Roger
969 N 3050 E	1,300	Wes
970 N 3050 E	2,000	Wes
Investment - Sale	SF	Agent(s)
Duplex in Downtown St. George	1,338	Curren

Review

The retail market has stayed fairly resilient in this tough economic environment. From the 4th Quarter of 2009, we have seen anchored retail vacancy rates increase slightly from 9.9% to 11.1%. This increase in vacancy can be attributed to a few regional and local retailers who haven't been able to sustain the high market rents in anchored locations. Since last quarter, vacancy for un-anchored multi-tenant retail space has decreased from 17.4% to 16.1%. We have also experienced the need for some retailers to downsize and cut lease overhead during this economic downturn.

Even though anchored retail vacancy rates have increased slightly since last quarter, we have seen some traction and relatively good activity. National credit tenants such as America's Best Contacts and Eyeglasses have opened their doors at Telegraph Marketplace. Verizon Wireless is now under construction at Rimrock Marketplace, and SmashBurger will soon be opening next to Starbucks in The Outlets at Zion.

Construction continues to be slow for the retail market but some local businesses are taking advantage of the cheap cost of materials and labor. Town & Country Bank is now enjoying it's new retail location at 405 E St. George Blvd, and Casa Dona Maria Mexican Restaurant just completed the construction of its new restaurant located at, approximately, 700 E and 700 S.

Outlook

The 1st quarter of 2010 has spared the retail market here in St. George relative to other parts of the country. Although the economic downturn has caused high vacancy rates and declining lease rates, we believe the retail market will likely be the first to recover. As spring is beginning, events such as the Ironman Triathlon will stimulate local retail businesses in addition to the thousands of tourists who will come to visit Zion National Park or just enjoy the warm Southern Utah weather.



The Shoppes at Red Cliffs

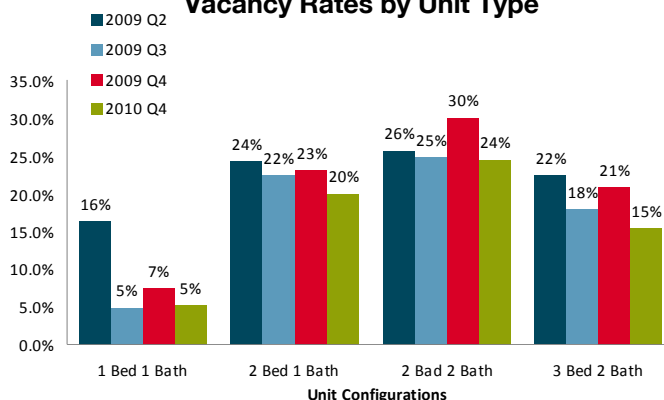
FOR LEASE



Multi-Family

2010 1st Quarter | Washington County

Vacancy Rates by Unit Type



Configuration	Rent	Rent/SF	Vacancy
2 Bed 1 Bath	\$ 635	0.65	19.9%
2 Bed 2 Bath	\$ 680	0.67	24.4%
3 Bed 2 Bath	\$ 814	0.63	15.4%
Average	\$ 652	0.68	18.2%

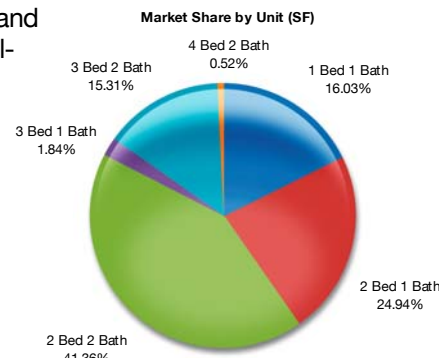


Devonshire Apartments

FOR SALE

This quarter's survey represents the fourth in our series and completes a year of tracking this market. Asking rents held from the previous quarters, increasing \$4 to an average rate of \$652 per month or \$0.68 per square foot. Multi-family vacancy rates have experienced volatility due to instability of the economy, seasonality, and because of the general nature of multi family housing.

Apartment housing is on the bottom tier of the housing market and residents are primarily blue collar workers and young families. Residents are quick to move as their economic circumstances change. Job loss and re-employment have affected the trend. Seasonal factors such as holidays, school, and the time when people prefer to move, also impact vacancy rates.



This quarter, vacancies dropped to 18.25%. Riverside Apartments was a major contributor to the decrease this quarter. Under new management, their vacancies have dropped from one of the highest in the market to one of the lowest, yet they still managed to increase asking rents slightly. Property Managers are reporting more tenants moving in rather than out and several new tenants are coming from re-employment in the construction and manufacturing industries. Although we expect the trend to continue to improve, we will continue to see some volatility in the Multi-Family segment of the market.

JON WALTER

Jon Walter has been with NAI since 2004.

Jon's experience is in selling commercial investment assets and client consultation. He has sold numerous noteworthy office, retail, and industrial buildings, commercial and development land, and many small businesses. He is responsible for client relations, marketing, property research, valuations, and closing the deal. In addition to sales, he is a partner in NAI Utah Southern Region, and six ERA residential real estate offices in southern Utah.

Jon's primary focus is selling investment properties; net leased, multi tenant, and established small businesses. Jon likes to work on anything that is bringing in cash flow or finding a way to make it generate cash flow. In valuing properties, Jon analyzes various income approaches to value such as cash, NPV, IRR, capitalization rate, and multiples of EBITDA.

Jon is a member of the NAI International Investment Council and a member of the National Association of Realtors. Locally he is actively involved in the Chamber of Commerce and a member of the Washington County Board of Realtors.



CURREN CHRISTENSEN

Curren Christensen joined the NAI team in 2008.

Curren believes that success and integrity in the commercial real estate industry are accomplished by providing excellent service, through local expertise and experience, while building quality agent/client relationships. He believes that excellent service is achieved by having a strong commitment to creating high level relationships, and fulfilling all responsibilities to his client(s).

Curren has a solid background in financial analysis and accounting, with strong emphasis in sales and customer service. Throughout his career he has consistently exceeded sales goals and customer service expectations. Curren is experienced in handling customer accounts and in delivering the right product according to each client's circumstance.

During his college career, Curren worked with APX Alarm, Inc., selling a variety of wired and wireless Honeywell alarm products and communication services. While employed with APX Alarm, Inc., Curren successfully achieved corporate sales goals in multiple markets including Texas, Oklahoma and Kansas, servicing residential and commercial customers. Prior to that, Curren worked at Harris Auto Sales, Inc. where his responsibilities included managing Sales, Receivables, Payables, and Inventory.

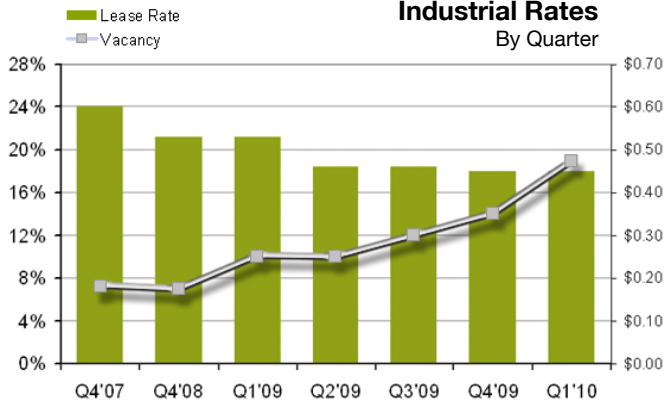




Cedar City

2010 1st Quarter | Iron County

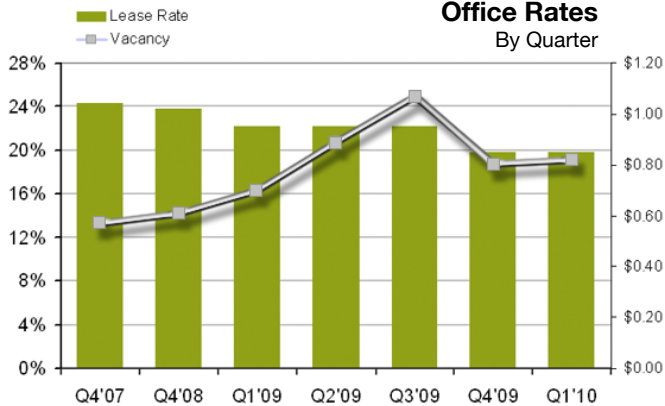
Industrial Rates
By Quarter



Industrial

The trend for industrial properties has been several quarters of increasing vacancy rates and decreasing lease rates. The vacancy rate for multi tenant industrial properties climbed from 14.1% to 19%. While no noticeable decline in asking lease rates was detected in the market since the year end, slow turning inventory will likely result in the decreasing lease rate trend continuing. Despite the trend, the average asking lease rates are still higher in Cedar City than in Washington County, and occupancy rates have likewise fared better. While both communities have suffered from the collapse of the construction boom and general economic downturn, Iron County industrial has fared slightly better than that of Washington County.

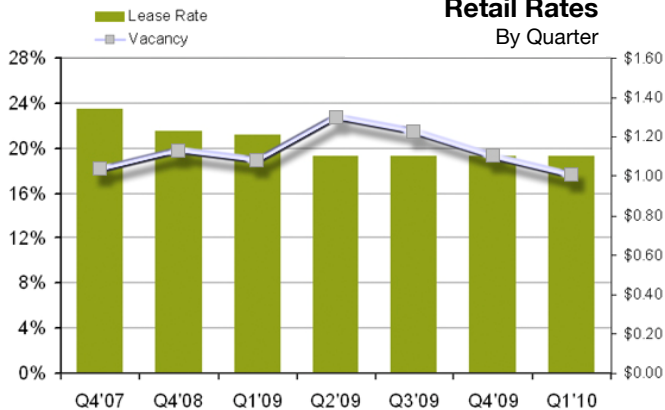
Office Rates
By Quarter



Office

Average office vacancy rates and lease rates remained mostly static since year end. Office vacancy reported a very slight tick up to 19.1% from 18.7% in the previous quarter. The average lease rate for office space is \$.85 per square foot, per month, with some space as cheap as \$.50 per square foot. There is still a significant amount of new inventory without tenant finishes. Landlords are hesitant to finish space with the prospects of low lease rates, and most tenants are reluctant to complete tenant improvements when other suitable space can be found. The market is expected to remain soft in the absence of absorption.

Retail Rates
By Quarter



Retail

Retail vacancy ticked down slightly to 17.6%. That makes 3 consecutive quarters of declining vacancy rates. Retail lease rates essentially remained the same, although the rates for lower quality retail space have inched down slightly. More recently, retail has been the brightest spot in the Cedar City economy as some absorption is occurring. While the vacancy trend is moving in the right direction, it will take time for significant absorption to occur and for lease rates to stabilize.

Asking Lease Rates (NNN)	Industrial	Office	Retail
Low	\$0.30	\$0.50	\$0.72
High	\$0.60	\$1.10	\$1.40
Average	\$0.45	\$0.85	\$1.10
Vacancy	19.0%	19.1%	17.6%



Cedar View Professional Plaza

FOR LEASE

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



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

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 & dispositions, sublease, tenant representation, lease administration & audit, investment services, due diligence & related consulting & advisory services.

Landlord Representation | Tenant Representation | Investment Sales | Corporate Services | Retail Consulting



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!*)
- 2 Agents completing CCIM courses
- 3 Agents with Master's Degrees in Management
- 1 Chartered Financial Analyst charterholder (CFA)

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.

Over 150 Years Combined Real Estate Experience



Mark Walter



Neil Walter



Jon Walter



Wes Davis



Jason Griffith



Meeja McAllister



Mathew Chappell



Pat Chappell



Brandon Vandermyde



Ryan Garrett



Curren Christensen



Monty Bundy



Roger Stratford



John Griffith



Joseph Iwanski

3 Full-time Support Staff
 Marketing Department
 GIS Department
 Office Coordinator
 Property Management



Allene England



Annette Humphrey



Brian Judd



Paul Damron