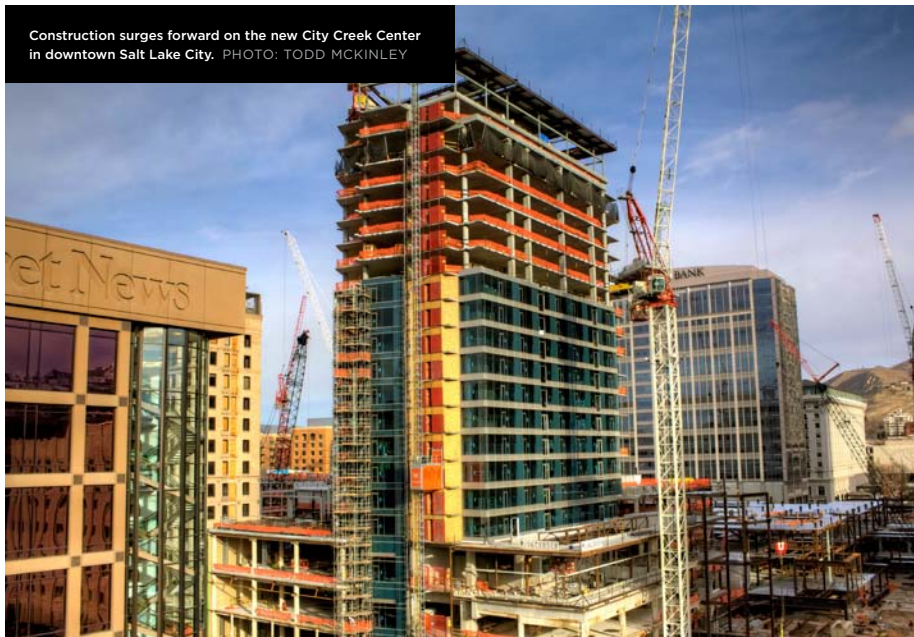


Utah Site Selection Quarterly

A PUBLICATION OF THE ECONOMIC DEVELOPMENT CORPORATION OF UTAH



Construction surges forward on the new City Creek Center in downtown Salt Lake City. PHOTO: TODD MCKINLEY



Great things continue to happen in Utah! Last time we reached out to you we reported on the phenomenal press coverage Utah received

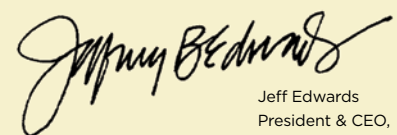
from the national media during 2010—including a #1 ranking by Forbes as the best state for business and careers. We are happy to report that the presses keep rolling with great news about Utah.

For example, this month Delta Air Lines prominently features Utah in a 53-page story in its in-flight publication *SKY magazine*. The story is comprehensive, covering economic development, business, sports and leisure, the arts and all of the fabulous regions of Utah. The magazine is read by approximately five million people around the world. One of our local papers, *Deseret News*, has also covered the story.

Our feature story this quarter discusses Utah's commercial real estate market. My thanks to our commercial real estate partners, who provided much of the content from which the feature story was derived.

Plus, EDCUtah has gone social! We encourage you to connect with us on [Facebook](#) and [Twitter](#).

As always, I am available to address your inquiries, as is EDCUtah VP of Business Development Todd Brightwell, so please do not hesitate to call us.



Jeff Edwards
President & CEO,
EDCUtah

Commercial Real Estate Report

Despite continued economic uncertainty and mixed results during 2010, EDCUtah's partners from the commercial real estate sector describe the past year as "stabilizing" and say they are optimistic about 2011.

During 2010 the Utah office market vacancy rate remained stable and absorption turned positive. Meanwhile, industrial properties saw a dramatic increase in investment sales and speculative construction warmed up. Utah's retail sector also experienced an increase in investment sales, as well as the expansion of national tenants.

Common Threads

A common thread among all property types was that large occupiers with strong financials took advantage of available space and favorable lease terms. However, uncertainty surrounding the economic climate has made tenants wary of long-term lease commitments. Short-term leases have become increasingly

common as tenants concerned about the future attempt to remain flexible.

Meanwhile, landlords with significant space available were more motivated to offer incentives or concessions such as free rent, increased tenant improvement packages, moving expenses and other creative enticements in order to attract tenants. And like other markets, a "flight to quality" was observed in the Beehive State, as higher quality properties and those with desirable locations became even more attractive to tenants in the market as lease rates fell. Thus market conditions allowed many tenants to make strategic moves either to secure higher quality space in more desirable locations or secure lower real estate costs.

Job Growth

Job growth will continue to be a key factor in the recovery of the commercial real estate market. The state's commercial real estate brokers say consistently robust absorption will only return as the job market recovers. Nonetheless, the outlook for 2011 is measurably more optimistic than it was in early 2010, with some economic advisors in the commercial real estate sector calling for job growth of 3.4 percent in the Salt Lake metro area over the next two years.

Utah's continued recognition for its young, skilled, bilingual workforce, competitive economic incentives, business-friendly policies, low labor and operational costs, access to major transportation corridors (air, rail and interstates), and high quality of life are helping attract new companies here, which bodes well

took 60,000 square feet at RiverPark Corporate Center; Advanced MD absorbed 52,000 square feet at RiverPark Corporate Center; and Goldman Sachs moved into 150,000 square feet of space on seven floors in the new 222 Main Street building located in the Salt Lake City central business district. The Royal Bank of Scotland Group also came into the market for the first time, opening a 30,000 square-foot IT office in Taylorsville.

Looking forward, Utah's commercial real estate brokers anticipate that new office construction in 2011 will likely be build-to-suit projects, like the 160,000 square-foot Questar building in downtown Salt Lake City and the 125,000 square-foot Roseman University of Health Sciences facility at RiverPark. However, the one exception will be Old Mill Corporate Center IV, which is scheduled to break

rate in the Salt Lake area is significantly lower than that of peer cities and is among the lowest in the United States. Lease rates continued to decline in 2010, reflecting weakened market conditions.

Industrial sales were also stymied in 2010 with a limited supply of quality buildings available. In fact, our commercial real estate brokers report that demand for quality industrial buildings far exceeds supply and the continued dearth of debt capital available to owner/users is an obstacle to improvement in the market. Furthermore, construction of new industrial buildings is near a standstill. The market has experienced little new growth in inventory outside the big box category for several years.

Looking forward, the brokerages say industrial vacancies will remain stable throughout 2011, but the ongoing shortage of available credit will continue to hamper expansion and growth. Leasing activity is expected to improve slowly and pent-up demand may bring more tenants into play. Meanwhile, lease rates should flatten.

Retail Market

2010 saw continued general weakness in the retail leasing market. Our commercial real estate brokers say a significant drop in asking rates for large regional centers (where rates have traditionally been the highest) allowed smaller, more local tenants to move up into this class of project where previously they had been priced out.

Deal activity and market velocity appeared to have bottomed during third quarter 2010 and now show definite signs of stronger activity. The brokerages are cautiously hopeful this is a trend to more normalized market activity, stronger tenant performance, pressure for rate stability, and restoration of underlying asset values. Further, they anticipate a greater number of transactions in 2011.

The Investment Market

A bottom in the investment market appears to have formed during 2010 and the commercial real estate brokers say they expect gradual improvement in 2011. However, further recovery is contingent upon financial market stability.

Market demand for Utah commercial properties has been especially strong from out-of-state investors. Our commercial real estate brokers report that 63 percent of the money invested in Utah commercial real estate during 2010 originated from out-of-state buyers, representing \$152 million of the total dollar value. Properties over \$5 million accounted for 12 percent of sales transactions executed in 2010, but 58 percent of total dollar volume. Out-of-state buyers acquired 88 percent of properties sold in the \$5 million and over category.

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for job growth. Our commercial real estate brokers report an increase in the number of both inquiries and site visits from companies looking to enter or expand into the Utah market. Although improvement in the commercial real estate market is expected to be gradual, Utah is well positioned to lead the nation in its economic recovery.

Office Market

Several large office deals contributed to the stability of the office market in 2010. FLSmith opened a new 100,000 square-foot building in the View 72 development; Fusion-IO moved into 118,000 square feet at Cottonwood Corporate Center; Provo Craft

ground this month with a 175,000 square-foot, six-story structure to be delivered in 2012.

Lease rates and vacancy rates that remained almost flat during 2010 should continue to stabilize and make slow, but steady upward progress during 2011.

Industrial Market

Many of Utah's industrial tenants responded to the economic recession with consolidations, closures and reductions in space requirements, placing upward pressure on the vacancy factor; however, the rise in total market vacancy in 2010 was minimized by a decline in larger buildings and the continued lack of new construction. Furthermore, the industrial vacancy

Statewide, total sales by dollar value equaled \$242 million during the year, a 20 percent increase over 2009, but just 39 percent of the 10-year annual average of \$629 million. Sales volumes are expected to continue improving throughout 2011. Contrary to

many expectations, large numbers of distressed properties never entered the market in Utah and the number of distressed sales in Salt Lake City stands in sharp contrast to other cities in the region. Looking forward, however, it is anticipated that more

distressed properties will hit the Utah market during 2011.

EDCUtah thanks its partners from the Commercial Real Estate sector for providing much of the content for this story.

Wins to date for Fiscal Year 10-11

Adobe Systems

Lehi City
Information Technology
1,000 new jobs
\$100 M capital investment
\$40 M State incentive

Black Diamond Equipment, Inc.

Holladay City
Outdoor Products
Manufacturing
55 New Jobs
\$400 K State Incentive
CDA established as local incentive.

ATK-Alliant Techsystems

Clearfield City
Aerospace Manufacturing
800 jobs
615,000 square feet
\$100 M capital investment
\$19 M State Incentive

Litehouse Inc.

Hurricane City
Food Manufacturing
162 jobs
80,000 square feet
\$10 M capital investment
\$500 K State Incentive

Post Plus Sound

Murray City
Information Technology
6 jobs
3,000 square feet

Advanced H2O

West Valley City
Manufacturing
45 jobs
200,000 square feet
\$10 M capital investment

Rexnord Industries, Inc.

Salt Lake City
Manufacturing
10 jobs
30,000 square feet
\$2 M capital investment

Overstock.com, Inc.

Provo
Information Technology
150 Jobs
45,000 square feet
\$400 K capital investment
\$1.1 M State incentive

CSN Stores, LLC

Ogden
163 new jobs
(700 over 10 years)
\$1.5 M capital investment
\$550 K State incentive
\$200 K training via Dept. Workforce Services

Czarnowski

St. George
Distribution
50 new full-time jobs
40 part-time jobs
100,000 square feet
\$6.5 M capital investment

JBS

Hyrum
Food Manufacturing
420 jobs
\$30 M capital investment
\$1.7 M State incentive

Sterling ATM

Salt Lake City
Manufacturing facility
63 people

UTAH RANKINGS and GREAT NEWS

For up-to-date rankings on Utah's prominence in Economic Development, please visit, edcutah.org/news

January

National Association of Home Builders honors Daybreak. [Deseret News](#)

Forbes names Salt Lake City as one of the best job markets in nation. [Forbes](#)

Utah a top state of invention. [HJ News](#)

EDCUtah gets press. [Utah Business](#)

Construction at \$1.2 B NSA Data Center to begin. [Salt Lake Tribune](#)

Orem ranked as one of safest cities. [Salt Lake Tribune](#)

February

Delta's in-flight magazine to focus on Utah in March. [Delta Sky Magazine](#)

Nevada looking to Utah. [Nevada News Bureau](#)

10 Best Cities for public transportation. [US News](#)

The secrets to job growth in Salt Lake City. [US News](#)

March

Utah Number 2 as Top Spots for Video Game Design. [USA Today](#)



The iconic Eames' Lounge Chair and Ottoman from Herman Miller are available through CSN Stores.

CSN Stores, a \$380 million company, is comprised of more than 250 different shopping sites under the overall csnstores.com umbrella. Product categories cover cookware, modern furniture, fitness equipment, grills and greenhouses. Leading brands include La-Z-Boy, Herman Miller, Italia, Kartel, LG, Sanyo, Rachel Ray, and many more.

Factored Utah Factoids: States with highest concentration of Biomedical Engineers

US Bureau of Labor Statistics (Occupational Employment Statistics) SOC 17-2031. May 2009 data.



Rank	State	Employment	Hourly mean wage	Annual mean wage	Employment per thousand workers
1	Utah	620	\$39.30	\$81,750	0.519
2	Massachusetts	1,380	\$44.72	\$93,030	0.437
3	Minnesota	810	\$46.60	\$96,930	0.310
4	Indiana	630	\$29.10	\$60,530	0.226
5	Maryland	560	\$41.17	\$85,620	0.223

ECONOMIC DEVELOPMENT RESOURCES

EDCUtah Web Site	www.edcutah.org
Utah Governor's Office of Economic Development (GOED)	www.business.utah.gov
Utah Economic Developer Directory	www.edcutah.org/solutionproviders
Utah SURE Sites – Real Estate	www.utahsuresites.com
EDCUtah Economic Review Weekly Newsletter	www.edcutah.org/newsletter
EDCUtah Custom Research	www.edcutah.com/customresearch

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Please note: This newsletter is produced to give site selectors and corporate decision-makers the best opportunity to stay up to date on ED news in Utah. This publication is simultaneously e-mailed to site selectors and corporate decision-makers within the EDCUtah database. The e-mail version will make linking to resources and contacts convenient and user friendly. In the future, this newsletter will only be produced for e-mail and the web. If you did not receive the e-mail version of our newsletter, but would like to, please contact Amie Salazar at asalazar@edcutah.org or 801-328-8842.



Great Salt Lake shoreline.



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