

SOUTHERN UTAH

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2023 MIDYEAR

COMMERCIAL REAL ESTATE
MARKET RESEARCH

volume 32

2023 Outlook

The Federal Reserve continues to implement its monetary policy efforts to control inflation, resulting in higher financing costs. While financed transactions have declined, commercial real estate demand is propelled by active tenant leasing, owner user acquisitions, and cash investors.

Economy

Monthly inflation as measured by the Consumer Price Index(CPI) peaked in June of 2022 at 9.1% then declined to 3.0% in June 2023, nearing the long-term congressional target of 2% inflation. The federal reserve further increased its federal funds target rate range to 5.25%-5.50% in July 2023. With short term treasury bills yielding above 5.0%, banks are paying high returns to keep deposits, and interest rates are nearly double what they were fifteen months ago. Individuals and businesses that relied on short term interest rates to finance operations have experienced material changes in lending costs, and those with near-term real estate loan maturities are experiencing a more challenging lending environment.

Leasing

While it varies significantly depending on product type and market area, landlords are generally experiencing more availability than they have in prior months. Office buildings are realizing the most availability as venture capital funded startups pull back and work from home persists. Availability in the industrial market continues to be low even with the recent construction surge. Users that have been unable to find space for months are now seeing a few more opportunities. Tepid construction for major shopping centers has kept vacancy low for mid and large box retail space, but drive-thru concepts continue to experience difficulty in securing locations. Residents for multifamily developments can more easily find availability. In most cases, owners of commercial real estate are experiencing strong lease rates and comfortable occupancy rates.

Sales

There is significant capital on the sidelines being held by both local and institutional investors seeking real estate investment opportunities. Few sellers have need to entertain discounted prices due to strong buyer demand. However, interest rates for debt financing are commonly exceeding capitalization rates, making financing real estate projects much more difficult. Buyers are commonly paying cash, or simply waiting for buying opportunities where the financed investment opportunities are economical. Cash buyers and owner users continue to drive demand for available commercial real estate opportunities.

Outlook

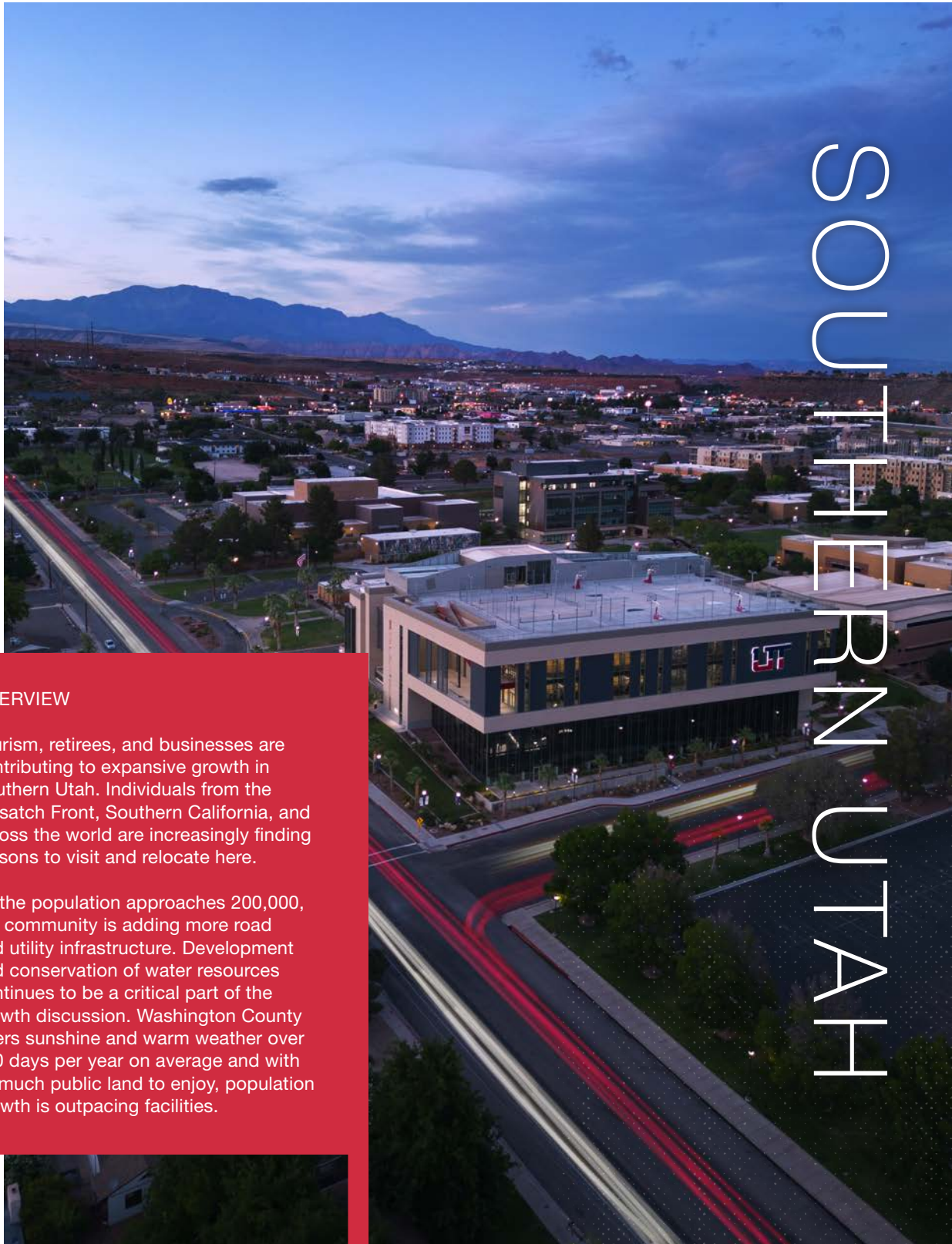
Surplus cash in the economy has continued to support strong values for real estate, particularly where there is end user demand. With high land costs, high construction costs, and higher financing costs, rental rates required by developers for new construction have increased. Some business operators are more likely to lease existing facilities rather than purchase, due to increased financing costs. Some developers are electing to postpone new projects due to increased interest rates. Many investors will continue to look to real estate for investment return, as an inflation hedge, and a tax shelter. We have expanded our real estate operations to better assist our clients and expect there to be many good opportunities investing long-term in commercial real estate.

Jon Walter
Principal Broker, Utah

Todd Manning
Principal Broker, Nevada

Neil Walter
Chief Executive Officer

Tom DeWine
Principal Broker, Texas



SOUTHERN UTAH

OVERVIEW

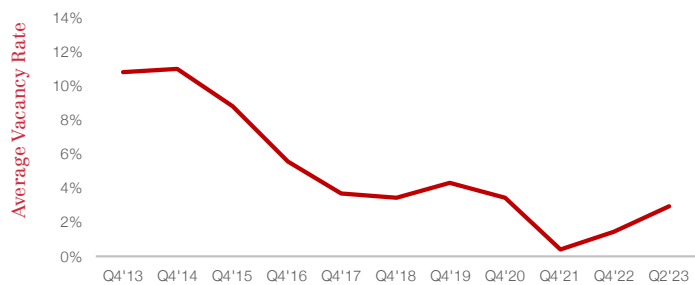
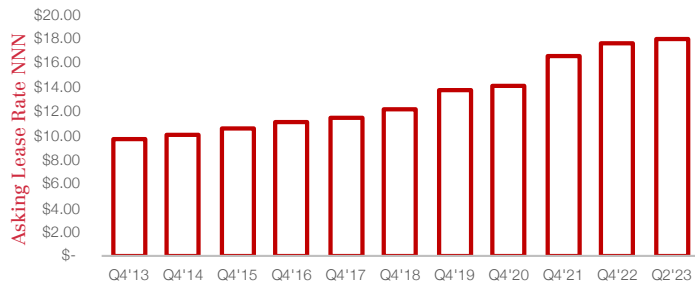
Tourism, retirees, and businesses are contributing to expansive growth in Southern Utah. Individuals from the Wasatch Front, Southern California, and across the world are increasingly finding reasons to visit and relocate here.

As the population approaches 200,000, the community is adding more road and utility infrastructure. Development and conservation of water resources continues to be a critical part of the growth discussion. Washington County offers sunshine and warm weather over 300 days per year on average and with so much public land to enjoy, population growth is outpacing facilities.



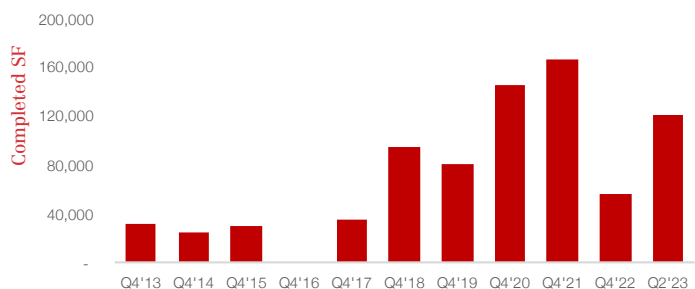
Office

WASHINGTON COUNTY



Asking Lease Rates (Annual PSF NNN)

| | Class A | Class B | Class C |
|-------------------------|-----------|---------|---------|
| Low | \$16.00 | \$15.00 | \$11.00 |
| High | \$28.00 | \$21.00 | \$16.00 |
| Average | \$21.00 | \$18.00 | \$13.50 |
| Vacancy | 2.8% | 3.8% | 3.2% |
| Total Vacancy | 2.9% | | |
| 2022 Year End Inventory | 3,885,000 | | |
| Built in 2023 Mid Year | 121,000 | | |
| 2023 Mid Year Inventory | 4,006,000 | | |
| Land Value PSF | \$12-20 | | |
| CAP Rates | 5.5-6.5% | | |
| Under Construction | 122,000 | | |
| YTD Absorption | 67,000 | | |



1629 S Convention Center | Leased by NAI Excel

Office 24,000 Completed 2023

| Office | Q4'13 | Chart | Q2'23 |
|----------|-------|-------|-------|
| All | 10.8% | | 2.9% |
| A | 8.0% | | 2.8% |
| B | 12.4% | | 3.8% |
| C | 10.4% | | 3.2% |
| CBD | 11.9% | | 2.8% |
| Downtown | 8.8% | | 2.0% |
| Suburban | 16.3% | | 6.9% |
| Medical | 5.3% | | <1.0% |

2.9% VACANCY
\$18.00 ASKING RENT
5.5-6.5% CAP RATE

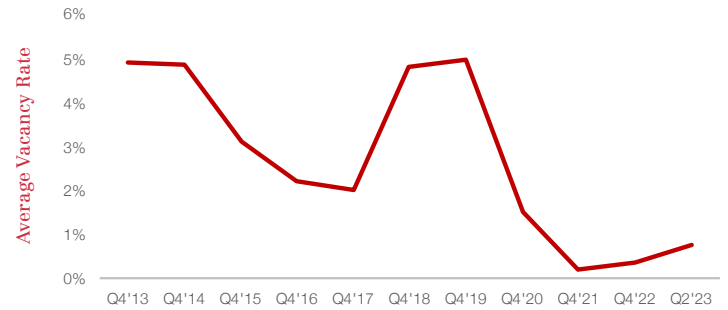
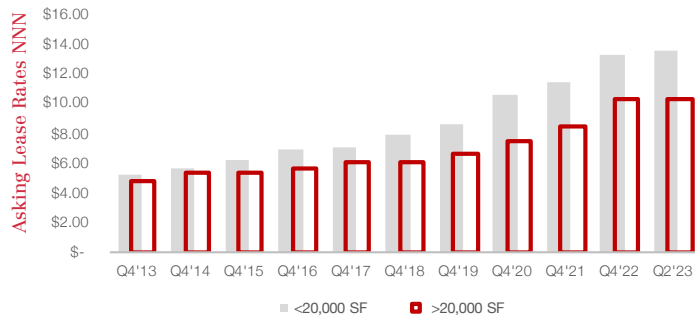
Office space remains in high demand. Average vacancy for all office properties was 2.9% at mid-year 2023. Average asking lease rates increased slightly to an average of \$18.00 NNN.

Most of the new office space completed is still owner occupied. Given high construction costs and interest rates spec construction is economically challenging. Of note, the completion of the Riverfront Medical Phase II, Seint building, and the Newby building added 80% of new construction completed.

Onset Financial's building with its spectacularly innovative architecture is under construction on Dixie Drive. Kiln will begin construction on their world class space later this year. Office users are focusing on experience, and it is showing up in innovative new concepts in the market.

Industrial

WASHINGTON COUNTY



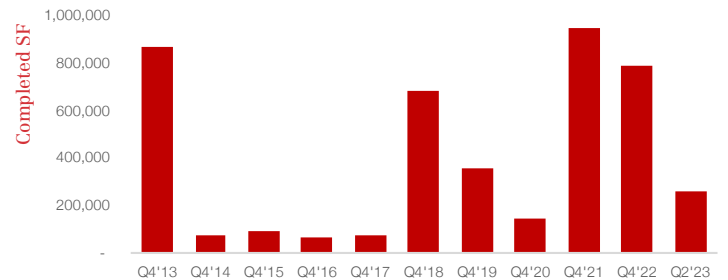
Asking Lease Rates (Annual PSF NNN)

| | < 20k SF | > 20K SF |
|-------------------------|------------|----------|
| Low | \$11.00 | \$9.00 |
| High | \$16.00 | \$12.00 |
| Average | \$13.50 | \$10.20 |
| Vacancy | <1.0% | <1.0% |
| Total Vacancy | <1.0% | |
| 2022 Year End Inventory | 12,308,000 | |
| Built in 2023 Mid Year | 257,000 | |
| 2023 Mid Year Inventory | 12,565,000 | |
| Land Value PSF | \$6-14 | |
| CAP Rates | 5.0-6.5% | |
| Under Construction | 734,000 | |
| YTD Absorption | 208,000 | |

| Industrial | Q4'13 | Chart | Q2'23 |
|------------|-------|-------|-------|
| All | 4.9% | | <1.0% |
| Ft Pierce | 6.8% | | 1.2% |
| MilCreek | 6.4% | | <1.0% |
| RioVirgin | 3.0% | | <1.0% |
| STG | 5.4% | | 2.0% |
| Gateway | 1.4% | | <1.0% |
| Riverside | 8.8% | | <1.0% |
| Sunset | 4.1% | | <1.0% |

474 S Commerce St | Leased by NAI Excel

Industrial 15,000 Complete 2023



<1.0% VACANCY **\$11.20** ASKING RENT **5-6.5%** CAP RATE

Demand remains strong for industrial space through the first half of 2023. The industrial vacancy rate remains below 1.0% and the average asking rent for all industrial properties has risen to \$11.20 NNN.

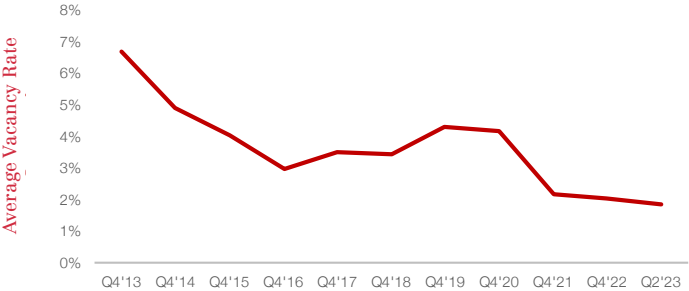
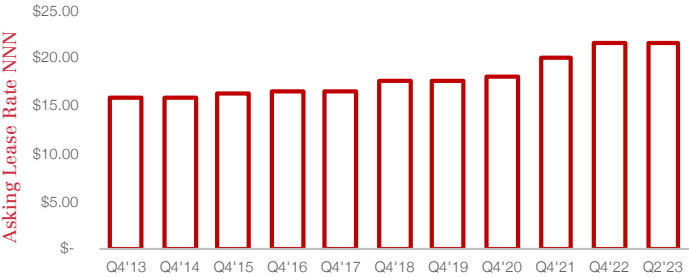
There is approximately 734,000 of square feet currently under construction.

Quail Creek Industrial is nearing completion of 17 buildings in Phase V and anticipates Phase VI to begin later this year and into 2024.

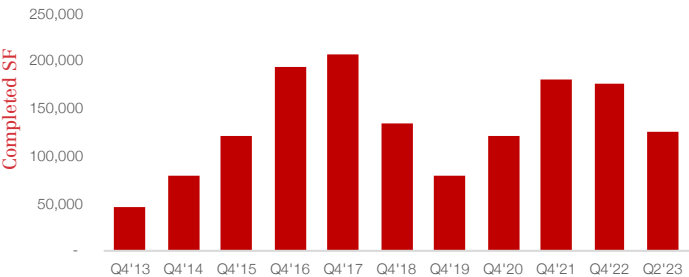
Most of the completion are metal buildings under 10,000 square feet with new development in Gateway, Quail Creek, and Rio Virgin industrial areas.

Retail

WASHINGTON COUNTY



| Asking Lease Rates (Annual PSF NNN) | Anchor | No Anchor |
|--|-----------|-----------|
| Low | \$15.00 | \$14.00 |
| High | \$48.00 | \$38.00 |
| Average | \$25.00 | \$19.00 |
| Vacancy | 1.1% | 2.0% |
| Total Vacancy | 1.8% | |
| 2022 Year End Inventory | 7,555,000 | |
| Built in 2023 Mid Year | 126,000 | |
| 2023 Mid Year Inventory | 7,681,000 | |
| Land Value PSF | \$14-32 | |
| CAP Rates | 5.0-6.5% | |
| Under Construction | 101,000 | |
| YTD Absorption | 149,000 | |



1955 N Snow Canyon Pkwy | Leased by NAI Excel

Retail 40,000 Completed 2023

| Retail | Q4'13 | Chart | Q2'23 |
|---------------|-------|-------|-------|
| All | 6.7% | | 1.8% |
| Anchored | 5.6% | | 1.1% |
| Unanchored | 10.8% | | 2.0% |
| Free Standing | 3.8% | | 3.8% |

1.8%
VACANCY

\$21.50
ASKING RENT

5-6.5%
CAP RATE

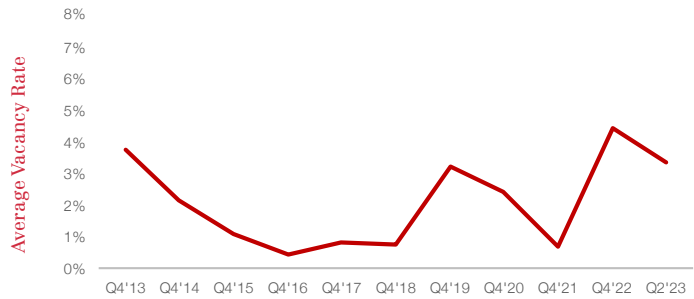
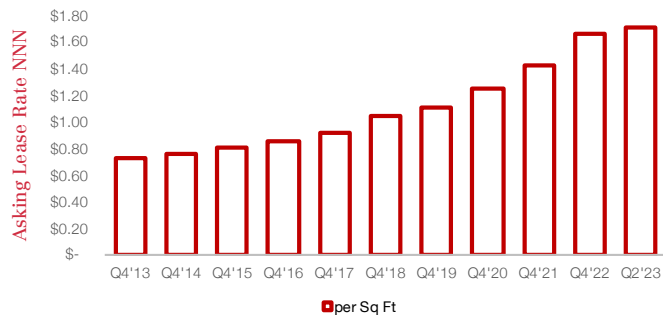
Lease rates through the first half of 2023 for anchored and unanchored space held constant at an average of \$25.00 NNN and \$19.00 NNN, respectively. The average vacancy rate moved down slightly from 2.1% at the end of 2022 to 1.8% at mid-year 2023.

Completed projects of note include Digby's Market at Snow Canyon Commercial Center, Summit Athletic Club, and US Foods Chef'Store.

Over 100,000 square feet of retail space is currently under construction throughout the county. Retail pads near grocery anchored centers continue to see the strongest demand with food concepts leading the way.

Multifamily

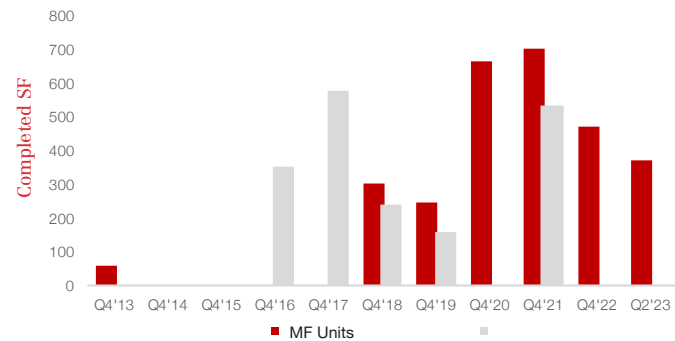
WASHINGTON COUNTY



| Vacancy | Q4'13 | Q2'23 |
|--------------|-------|-------|
| 1 Bed 1 Bath | <1.0% | 2.9% |
| 2 Bed 1 Bath | 4.4% | 1.3% |
| 2 Bed 2 Bath | 4.4% | 4.3% |
| 3 Bed 2 Bath | 4.3% | 3.8% |
| Average | 3.8% | 3.3% |

| Rent | Q4'13 | Q2'23 |
|--------------|-------|---------|
| 1 Bed 1 Bath | \$604 | \$1,453 |
| 2 Bed 1 Bath | \$674 | \$1,292 |
| 2 Bed 2 Bath | \$741 | \$1,744 |
| 3 Bed 2 Bath | \$881 | \$1,871 |
| Average | \$710 | \$1,606 |

| Rent/SF | Q4'13 | Q2'23 |
|--------------|--------|--------|
| 1 Bed 1 Bath | \$0.93 | \$1.98 |
| 2 Bed 1 Bath | \$0.69 | \$1.42 |
| 2 Bed 2 Bath | \$0.73 | \$1.70 |
| 3 Bed 2 Bath | \$0.68 | \$1.52 |
| per Sq Ft | \$0.73 | \$1.70 |



1390 W Skyrocket Rd

Multifamily 230 Units Under Construction



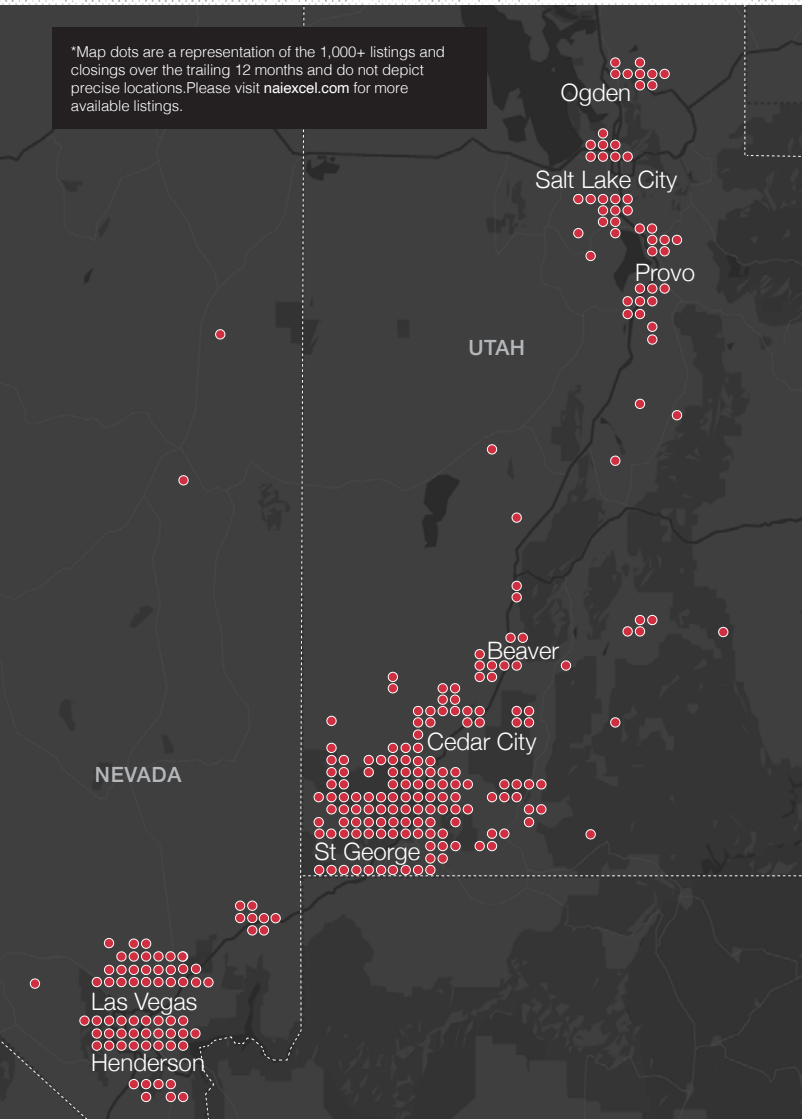
3.3% VACANCY
 \$1.70 ASKING RENT
 4.5-6% CAP RATE

Vacancy rates remain stable in the low 3% range and rents continue to rise, reflecting strong demand and high construction costs for housing development. Long undersupplied, apartment rents have doubled since 2013.

With 370 completions year-to-date and an estimated 530 expected to be finished by year end, the area is seeing much needed inventory added to the market. Entitlement and development remain difficult with high construction costs and high development costs discouraging new starts on multifamily projects.

Select 2023 Transactions

*Map dots are a representation of the 1,000+ listings and closings over the trailing 12 months and do not depict precise locations. Please visit naiaexcel.com for more available listings.



500+

Active Listings

654

Closings 2022

\$550M

Listing Volume

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OFFERED AT \$25,500,000
±174,847 SF

AGENTS: Erik Sexton &
Camila Rosales

SOLD

INDUSTRIAL



Moving & Storage, Solved.

±128,990 SF

AGENTS: Eric Larkin, Leslie Houston,
Mike Kenny & Zach McClenahan

LEASED

INDUSTRIAL

100 E INDUSTRIAL RD

OFFERED AT \$5,517,818
±24.40 ACRES

AGENT: Wes Davis

SOLD

LAND



OFFERED AT \$7,000,000
±9,200 SF

AGENTS: Eric Larkin, Leslie Houston,
Mike Kenny & Zach McClenahan

SOLD

INDUSTRIAL

6658 S BOULDER HWY

OFFERED AT \$3,900,000
±20,220 SF

AGENT: Bryan Houser

SOLD

INDUSTRIAL



OFFERED AT \$4,300,000
±62,521 SF

AGENTS: Bryan Houser, Eric Larkin, Leslie
Houston, Mike Kenny & Zach McClenahan

SOLD

INDUSTRIAL



±10,480 SF

AGENT: Brandon Vandermyde

LEASED

INDUSTRIAL



±50,000 SF

AGENT: Cristina Martinez

LEASED

RETAIL

3943 ARROWHEAD DR

OFFERED AT \$1,830,000
±12,250 SF

AGENT: Maria Herman

SOLD

INDUSTRIAL



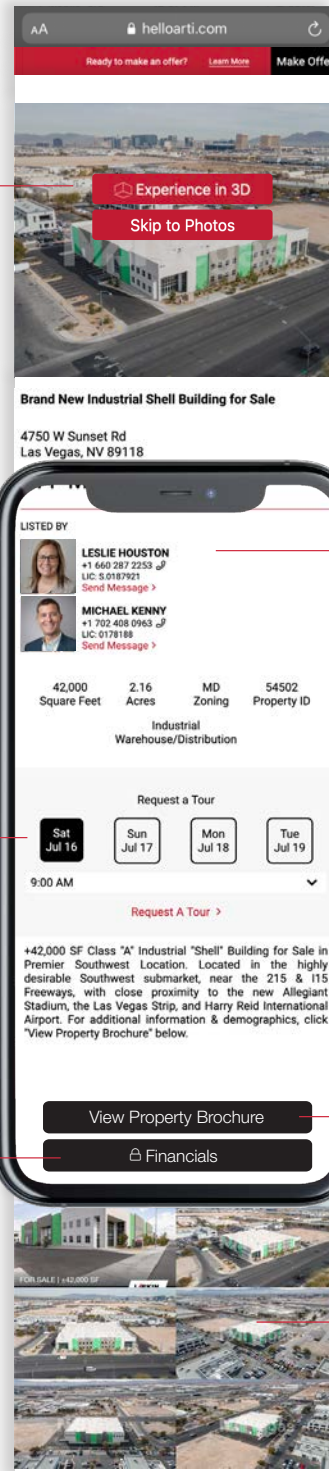
±17,800 SF

AGENTS: Dan Bertleson & Brandon Price

LEASED

INDUSTRIAL

| | | | |
|--|--|---|---|
|  <p>UNLIMITED RECYCLING RESOURCES LLC</p> <p>±12,220 SF</p> <p>AGENTS: Erik Sexton & Camila Rosales</p> |  <p>OFFERED AT \$3,700,000 ±19,512 SF</p> <p>AGENTS: Erik Sexton & Camila Rosales</p> | <p>EO SOLUTIONS</p> <p>±11,482 SF</p> <p>AGENT: Maria Herman</p> |    <p>±40,000 SF</p> <p>AGENTS: Neil Walter, Chase Jensen & Roy Barker</p> |
| LEASED | SOLD | LEASED | LEASED |
| INDUSTRIAL | INDUSTRIAL | INDUSTRIAL | RETAIL |
| 3100 W 600 N | BIG LEAGUES LLC |  | 39 ACRES MIXED USE |
| OFFERED AT \$2,090,000 | ±13,300 SF | ±20,300 SF | OFFERED AT \$6,900,000 |
| AGENTS: Meeja McAllister & Jon Walter | AGENT: Jay Blacker | AGENT: Bryan Houser | AGENTS: Jon Walter & Kevin O'Brien |
| SOLD | LEASED | LEASED | SOLD |
| LAND | RETAIL | INDUSTRIAL | LAND |
|  <p>±3,480 SF</p> <p>AGENTS: Zach Hatch, Stan Perkins & Jay Blacker</p> |  <p>OFFERED AT \$2,880,000</p> <p>AGENTS: Jon Walter & Kevin O'Brien</p> | <p>3711 E 1700 S</p> <p>OFFERED AT \$2,800,000</p> <p>AGENTS: Grace Hayes & Eric Hatch</p> |  <p>OFFERED AT \$2,350,000</p> <p>AGENT: Curren Christensen</p> |
| LEASED | SOLD | SOLD | SOLD |
| RETAIL | RETAIL | INDUSTRIAL | RETAIL |
| 2400 W. HORIZON RIDGE | 369 N 100 W |  |  |
| OFFERED AT \$2,998,000 ±8,492 SF | OFFERED AT \$1,882,000 | OFFERED AT \$1,650,000 | OFFERED AT \$2,998,000 |
| AGENT: Tina Taylor | AGENTS: Jason Griffith & Twila Davis | AGENTS: Brandon Vandermyde & Curren Christensen | Agent: Tina Taylor |
| SOLD | SOLD | SOLD | SOLD |
| OFFICE | INDUSTRIAL | INDUSTRIAL | OFFICE |
|  <p>Indian Market CMPND GYM</p> <p>±17,250 SF</p> <p>AGENT: Dhan Dhalwal</p> |  <p>±2,050 SF</p> <p>AGENT: Asim Mehmood</p> |  <p>±7,490 SF</p> <p>AGENT: Wes Davis</p> | <p>412 N 5500 W</p> <p>OFFERED AT \$3,990,000 ±11 ACRES</p> <p>AGENTS: Brandon Price, Gregg McArthur & Greg Whitehead</p> |
| LEASED | SOLD | LEASED | SOLD |
| RETAIL | OFFICE | OFFICE | LAND |



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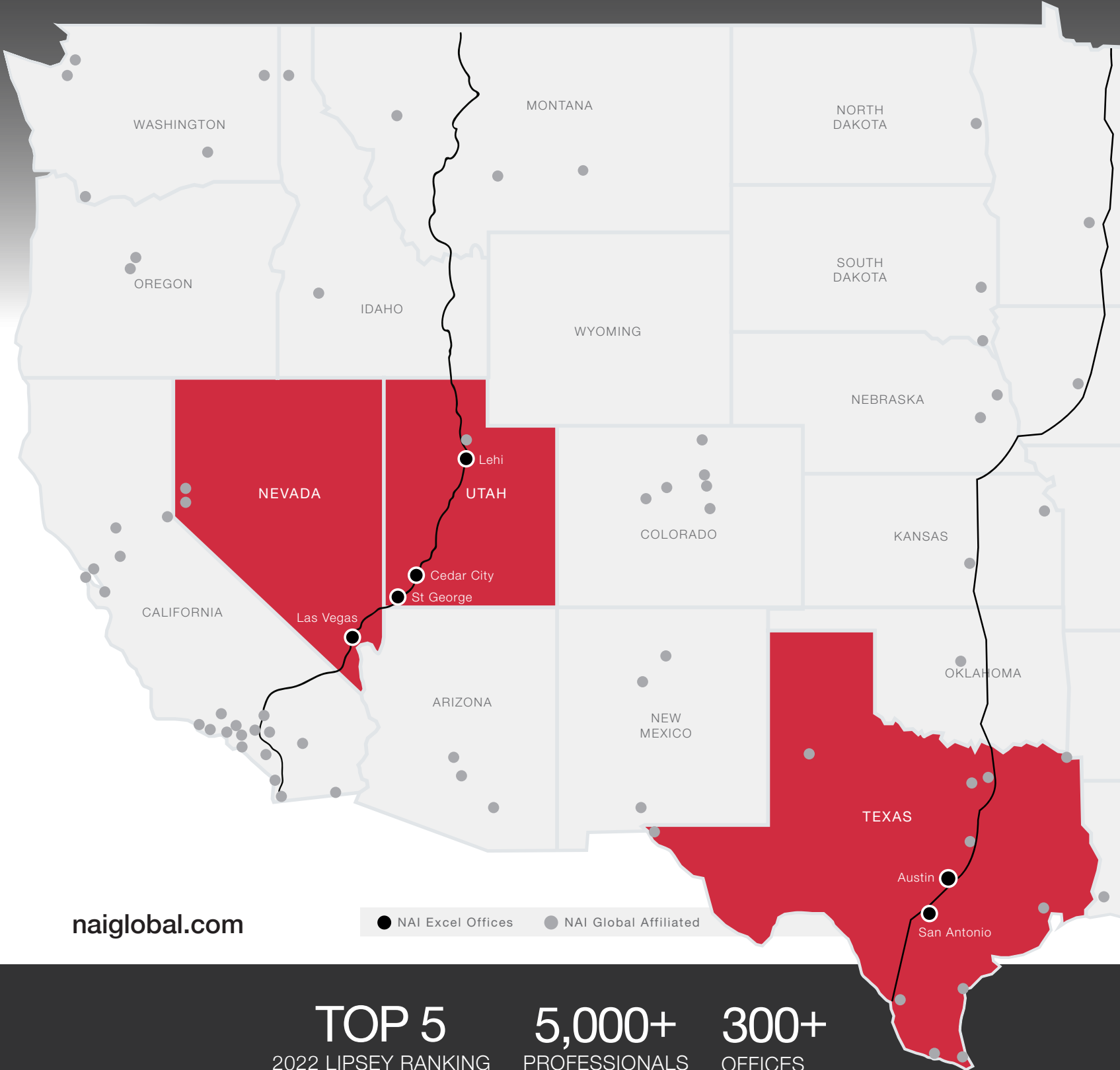
3,000+
TENANTS*

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TOP 5
2022 LIPSEY RANKING

5,000+
PROFESSIONALS

300+
OFFICES

Learn. Earn. Invest.

The people we surround ourselves with are our greatest assets.

Marketing and technology are critical requirements in real estate today, but education and relationships are still what drive outcomes.

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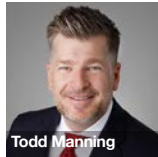
NAI Excel was named **Office of The Year** at the 2023 NAI Global Convention.

The award recognizes NAI Excel for its leadership, strategic vision, performance and growth in the NAI Global network of over 300 member offices across the world.



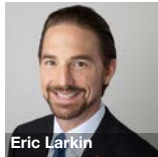
Our Team

Las Vegas



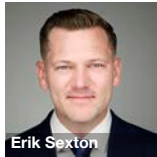
Todd Manning

Managing Broker
B.1001879-LLC



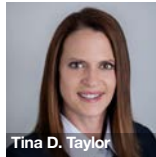
Eric Larkin

Executive Vice President
MBA, CCIM, SIOR
BS.0073906



Erik Sexton

Senior Vice President
S.0067183-PLLC



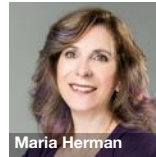
Tina D. Taylor

Senior Vice President
S.0053184-PC



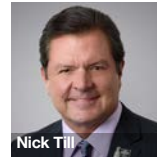
Bryan Houser

Senior Vice President
S.0038030



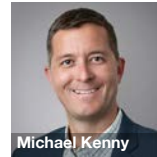
Maria Herman

Senior VP Retail
BS.0027640



Nick Till

Senior Vice President
S.0060723



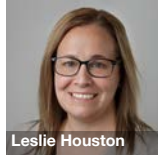
Michael Kenny

Senior Vice President
SIOR
S.0178188



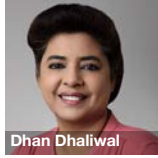
Anders Graciano

Senior Vice President
S.0179938-LLC



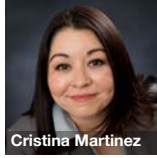
Leslie Houston

Director, Larkin Group
S.0187921



Dhan Dhaliwal

Retail Associate
S.0065105



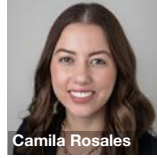
Cristina Martinez

Retail Associate
S.0174886



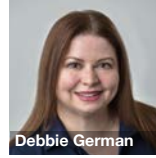
Asim Mehmood

Associate
CPA
S.01897000



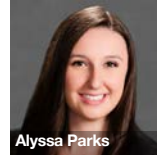
Camila Rosales

Associate
S.0183916



Debbie German

Senior Associate
S.0045532-LLC



Alyssa Parks

Associate
S.0182581



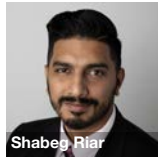
Zach McClenahan

Associate, Larkin Group
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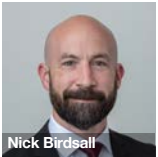
John Y. Lee

Senior Advisor
BS.1002266



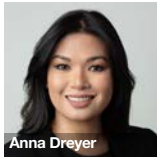
Shabeg Riar

Associate
S.0198008



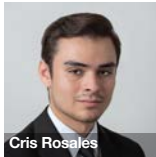
Nick Birdsell

Associate
S.0199582



Anna Dreyer

Senior Associate
S.0185947



Cris Rosales

Associate
S.0199961



Curren Christensen

Executive Vice President
S.0173246



Gregg McArthur

Director of Hospitality
S.0183447



Neil Walter

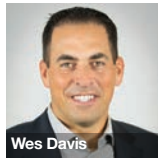
Chief Executive Officer
MBA, CFA
BS.01401167



Jon Walter

Chief Operating Officer
MBA, CCIM
B.0145791-LLC

Southern Utah



Wes Davis

Executive Vice President
MBA, MCRE
5502820-SA00



Curren Christensen

Executive Vice President
6431250-SA00



Jason Griffith

Executive Vice President
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Brandon Vandemyle

Senior Vice President
6258108-SA00



Meeja McAllister

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Chief Executive Officer
MBA, CFA
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Gregg McArthur

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MBA
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Aaron Edgley

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10524076-SA00



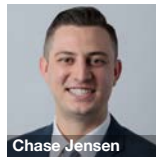
Kevin O'Brien

Associate
Ph.D.
10894893-SA00



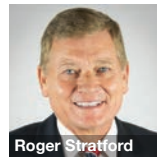
Roy Barker

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MBA
11056969-SA00



Chase Jensen

Associate
12277468-SA00



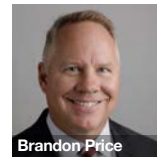
Roger Stratford

Associate Broker
5480693-AB00



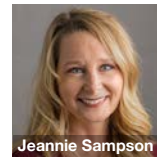
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Vice President
MBA
5810504-SA00



Brandon Price

Associate
11888747-SA00



Jeannie Sampson

Associate
5928977-SA00



Grace Hayes

Associate
9482817-SA00



Dan Bertleson

Associate
5178703-SA00



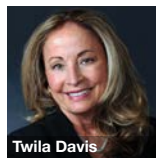
Eric T. Hatch

Associate
12976216-AB00



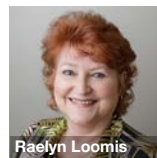
Edward Waldvogel

Development Specialist
MRED
6498228-SA00



Twila Davis

Senior Vice President
5487719-BB00



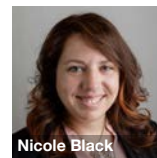
Raelyn Loomis

Associate
5480091-SA00



Derek Fowler

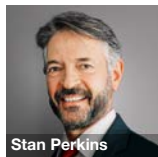
Associate
MBA
12101233-SA00



Nicole Black

Associate
6456618-SA00

Northern Utah



Stan Perkins

Senior Vice President
MBA
5493224-AB00



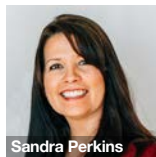
Jay Blacker

Retail Specialist
10696315-SA00



Zach Hatch

Managing Broker
MBA, MICP
10898120-BB00



Sandra Perkins

Associate
11281643-SA00



Nathan Johnson

Associate
12814732-SA00



Cody Brown

Associate
13314471-SA00

San Antonio & Austin



Tom Dewine

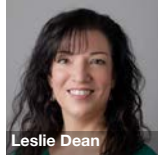
Principal Broker
546368



Lloyd Thomas

Associate Broker
222379

Asset Management



Leslie Dean

Senior Asset Manager
12991563-SA00



Stacy Inness

Senior Asset Manager
S.0168159 | PM.0164236



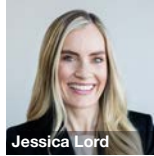
Trey Allred

Asset Management



David Stillman

Asset Management



Jessica Lord

Asset Manager
9881739-SA00



Anastasia Arzate

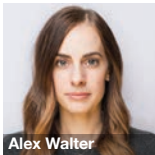
Asset Management

Support Team



Matt Walter

Chief Technology Officer



Alex Walter

Creative Director



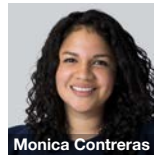
Radlee Iverson

Chief Financial Officer



Maria McGuire

Office Manager



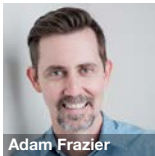
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Sr. Graphic Designer



McKenna Stanger

Graphic Designer



Adam Frazier

Lead Photographer



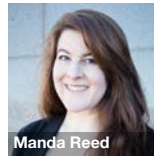
Shane Stewart

Photographer



Tanner Lund

Photographer



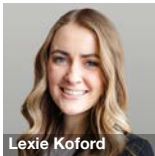
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