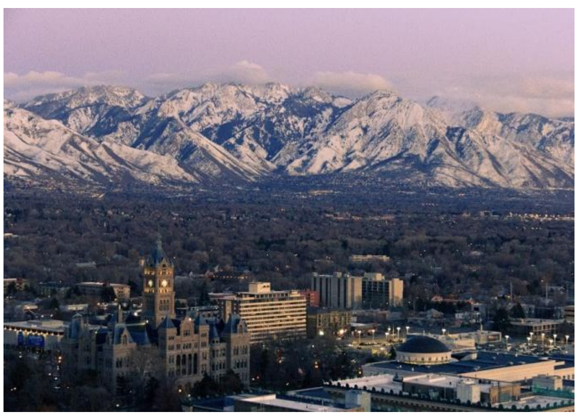
Implementing Centers: Assessing Community Development Opportunities and Barriers

Market Analysis

April 2013



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1. Background & Objectives

As part of the *Implementing Centers: Assessing Community Development Opportunities* engagement, Parsons Brinckerhoff conducted a high-level real estate market analysis of five demonstration or "catalytic" sites to assist in understanding the opportunity and timing of new development or redevelopment at each site. Numerous stakeholders are interested in revitalizing these areas and many have grand visions for what these changes might look like, particularly in light of their relatively strong access to transit. However, a thorough understanding of local and regional real estate supply and demand conditions is critical to ensuring that expectations are grounded in market realities and that efforts are channeled to those opportunities with the most likelihood of success. The research conducted under this task will help inform the larger effort by providing a sense for what is most likely to happen at these sites in light of historical, current, and forecast economic, demographic, and market trends.

1.1. Methodology

The Parsons Brinckerhoff team conducted the following analytical tasks to determine the development opportunity at each site:

- Socioeconomic Analysis – in order to gauge the demand for various commercial and residential land uses, the team analyzed historical and forecast economic and demographic trends at the county and local levels. Data for this step was provided by several local, state, and national sources.
- Real Estate Market Trends – Trends in supply and demand conditions for residential, office, retail, and industrial land uses were analyzed. For for-sale multifamily housing, historical price and sales volume data was analyzed. For commercial and residential rental product, historical rents, vacancies, new deliveries, and net absorption were analyzed. In some cases, certain projects located in or near a demonstration site were profiled as well.
- Site Analysis – The team visited each site to take inventory of the existing built environment, potentially underutilized parcels, and vacant parcels, as well as to assess each site's strengths and weaknesses for new development, including access, visibility, surrounding land uses, proximity to employment, proximity to amenities, and other factors relevant for assessing the opportunity for new development.
- Parcel Analysis – As an extension of the above, the team analyzed specific parcels in each site to take inventory of existing land uses, and vacant and underutilized parcels that would be best poised for redevelopment in the near future. The team combined fieldwork with GIS analysis to inventory land uses and development-ready parcels.
- Stakeholder Interviews – Numerous interviews were conducted with public sector stakeholders such as local planning departments, economic development, and redevelopment agencies (RDAs), as well as private sector commercial and residential developers active in the region and in the sites when applicable.

A complete market analysis methodology is provided in Appendix C for future use by local jurisdictions. In addition to methodology, a list of specific, recommended sources is also provided.

1.2. Demonstration Sites Analyzed

The Wasatch Choice for 2040 is a regional planning effort that seeks to create a more livable community by helping focus growth in a variety of activity centers throughout the region. The five sites analyzed are a subset of a larger pool of activity centers with connectivity to the transportation and transit network. Maps of these sites can be found in Appendix A.

Three of the sites are located in Salt Lake County, representing a diverse cross section of site typologies:

- Depot District/Streetcar Corridor – Located on the western periphery of the Salt Lake City central business district (CBD), the first site includes the Depot District, a defined Salt Lake City RDA project area. The site also includes a series of blocks stretching south, into the Granary District RDA area, where a potential streetcar corridor is planned.
- Meadowbrook Station – Located near the UTA TRAX light rail Meadowbrook Station stop near 3900 South, this defined area includes the very southern portion of South Salt Lake in the northern end of the site, and unincorporated Salt Lake County in the southern half of the area, in the neighborhood known as West Millcreek, part of the Millcreek Township.
- Magna Main Street – Historically a mining town, Magna is located on the western edge of the Salt Lake Valley. Magna Main Street is a relatively lower-density area that includes a mix of historic buildings, vacant/underutilized parcels, and primarily single-family detached homes. Significant public investments in pedestrian amenities and public services have been made along Main Street.

The remaining two sites are located in Utah County and Weber County and have some general parallels in terms of their regional context, building typologies/densities, and other factors. They are both classified as urban centers by the Wasatch Choice for 2040 planning effort. Such areas serve as the center of focus of commercial activity for the surrounding market area and new land uses are envisioned as two to four-story commercial and residential development.

- Downtown Ogden – A half-mile radius from the Ogden Intermodal Transit Center includes the downtown core of Ogden surrounding the station. This area has been somewhat revitalized over the past decade, with the addition of some large employers and new development on the northeast edge of this defined area.
- Provo Intermodal Hub – This area stretches from the UTA Frontrunner Station on the south end of the boundary up to Provo's central business district (CBD) at the intersection of Center Street and University Avenue, and includes a broad range of land uses.

1.3. Report Layout

Given the variety of goals and diversity of stakeholders involved, including 250 jurisdictions in the region, this report and the profiles in Appendix A have been organized such that different audiences can quickly find the components most relevant to them. Certain sections are designed to be standalone pieces that do not require much context from the rest of the report.

- Section 2 of the report consists of a short written narrative summarizing some of the key findings and conclusions resulting from the analysis described above. This includes qualitative findings from interviews as well as some high level findings drawn from the socioeconomic and real estate supply analysis. Section 3 contains quantitative summary results from the analysis conducted and detailed in Appendix A.
- Appendix A includes five site profiles designed to be used as standalone documents for stakeholders to refer to when seeking a comprehensive yet concise understanding of the overall opportunity at each site. The demonstration site profiles in Appendix A contain the majority of detailed, site-specific findings, conclusions, and recommendations.
- Appendix B lists the various stakeholders interviewed during the process of this engagement.
- Appendix C provides a site market analysis methodology designed for local stakeholders seeking to conduct a similar market analysis on other sites. Appendix C includes guidance on methodology as well as recommended local, regional, and national data sources.

2. Key Findings, Conclusions, and Recommendations

2.1. Transit-Oriented Development (TOD) Trends in the Region

In many regions of the country, a growing segment of households is recognizing the principle of livability and the benefits that walkability and transit-oriented living provide, both financially and in terms of quality of life. As a result, TOD has experienced strong market acceptance in a number of metropolitan areas. The widespread delivery of dense TOD on urban, infill sites throughout the Wasatch Front is something that planners and other stakeholders would like to see take place, and would help achieve many of the goals set forth in the Wasatch Choice for 2040 regional planning effort. In the process of our research, many themes about TOD emerged, revealing some often conflicting dynamics. These include inconsistencies regarding the very definition of TOD as well as perception versus reality regarding demonstrated regional preferences for TOD.

2.1.1. Transit Oriented Development – what it is and is not

Because each site has relatively strong access to transit, it has been anticipated that the majority of new real estate activity in these areas will be TOD. However, a common misconception is that any new development with close proximity to transit is by definition TOD. While easy access to transit is clearly a necessary component of TOD, other factors must exist for the development typology to be considered TOD. A conventional, suburban development format situated adjacent or within close proximity to transit is not necessarily TOD. While there is no one-size-fits-all definition of TOD, common attributes include:

- mixed-use development (different uses in the same structure) and/or multi-use development (different uses in the same parcel or project), such that many typical retail, entertainment, or commuter trips do not necessitate auto use.
- typically higher density than the conventional suburban form of residential and commercial development;
- strong walkability with pedestrian access oriented towards transit and other on-site and nearby amenities and destinations;
- Relatively lower parking requirements/thresholds.

TOD densities can vary by locational context (e.g., CBD vs. outlying suburb) and each site is located in a defined context provided by Wasatch Choice for 2040, ranging from high density locations such as the downtown Salt Lake CBD, to lower density areas such as the Magna Main Street.

2.1.2. TOD Development Economics

Generally speaking, inclusion of some or all of the above attributes (mixed/multi-use development, higher density, walkability/increased access) tends to increase development costs, adding risk to the project from the developer's perspective. The one exception is parking requirements. While limiting parking can reduce development costs, maintaining sufficient density and a sense of place often requires above- or below-grade structured parking, which is far more costly than surface parking.

Furthermore, lower parking availability is also perceived as potentially less marketable, to the extent that certain market audiences still value ample parking options despite the nearby transit access, which is the case in the demonstration sites analyzed herein.

In light of these increased costs and higher risk profile, the developer must be very confident in the project's overall ability to generate sufficient revenue to offset these additional costs. The achievable prices and rents for various products must have a premium over conventional, suburban development alternatives or land and other costs must be significantly lower than alternative competitive sites.

Critical factors considered in assessing the opportunity include market demand for the land uses planned at the site and the site's overall strengths and weaknesses for new development. The development economics are such that if market demand is sufficient and there is a robust set of site strengths and minimal weaknesses, the developer will be able to pay more for the land and still deliver a profitable project. If demand is questionable at the required prices/rents, or numerous critical weaknesses exist at the site, there is less willingness to pay a significant price for the land and deliver the higher-cost attributes of TOD formats.

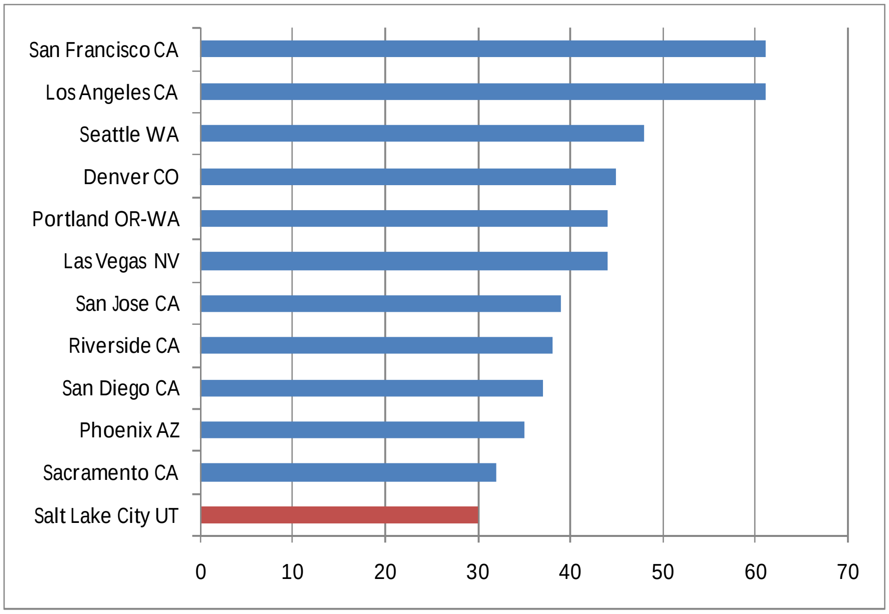
2.1.3. Demonstrated Preferences for TOD in the Region

Despite studies drawing from national consumer preferences suggesting a strong preference and likely pent-up market demand for TOD housing, on-the-ground findings from developers active in and around the demonstration sites suggest access to transit is generally a low priority for existing buyers and renters. Conversations with developers suggest that buyers and tenants of recently built units near transit listed access/proximity to transit as a low preference, on par with other amenities they consider convenient to have, but not essential in their selection of a housing location. Renters in some communities with strong access to transit rank this access as the 8th or 9th highest priority on a list of preferred site attributes and amenities.

These preferences are partially due to the fact that vehicular mobility remains easy relative to other metropolitan regions. A recent mobility study of the 100 largest urban areas in the U.S. ranked the Salt Lake region in the bottom half in terms of congestion problems and near the bottom (27th out of 32) of regions with populations ranging from one to three million[1].

[1] Lower rank equals better mobility; 53rd in total hours delayed, 60th in excess fuel due to congestion, and 61st in total congestion cost; 2012 Urban Mobility Report, Texas A&M Transportation Institute (TTI), December 2012

Figure 1: Yearly Hours Delayed per Auto Commuter, Urban Areas Greater than 1 Million Population in Western U.S. Region, 2012



Source: TTI 2012 Urban Mobility Report

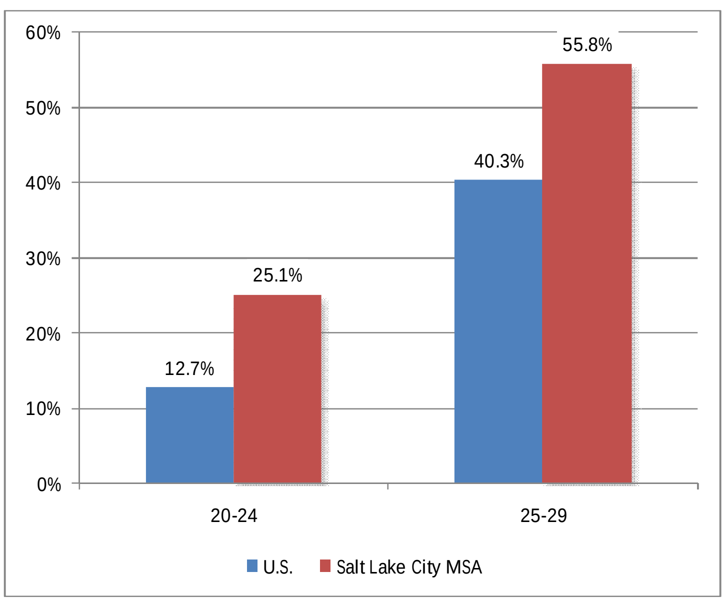
Anecdotally, many cities where TOD supply and demand conditions have thrived have also suffered from some of the worst congestion issues. The most congested urban areas in the mobility study are the Washington, DC area and the San Francisco region. Because congestion adds so much cost in terms of both time and money, in these areas the choice to live and work in TODs has a powerful impact on quality of life, a household's bottom line, and an employer's ability to recruit talent. The end result from the developer's perspective is a TOD premium paid by commercial and residential users seeking better access, reduced transportation costs, and more free time. This premium serves to offset some of the increased costs often associated with typical TODs (denser, mixed-use development with a robust set of amenities and accessibility).

While the region's superior vehicular mobility is primarily a blessing, it can be a curse for local planners seeking to encourage smart growth through denser, infill development with access to transit. The Wasatch Front is a rapidly growing, land constrained region, and traditional greenfield development patterns will ultimately lead to increased congestion issues. The Wasatch Choice for 2040 is partly an effort to avoid this issue before it can become a prevalent problem throughout the region. However, our findings suggest that the market for TOD in the region is still evolving. The "Catch-22" is that although planners want to channel growth to certain infill sites with higher density TOD to avoid future issues of congestion, the market potential for this typology will not be maximized until congestion and accessibility issues begin impacting housing choice in the region for middle and upper income households.

Because congestion does not represent a significant daily issue for most market audiences, access to transit does not typically enter the site selection decision except for very low income households. As a result, demonstrated regional preference for transit access is negatively correlated with income. For lower income households, walkable access to transit is a high priority, as it factors more significantly into their daily economics (the combined cost of housing plus transportation). As household incomes increase, preference for walkable access to transit declines. As such, current demand for residential units near transit is less discretionary and more need-based, suggesting an opportunity for more value-oriented market-rate product or affordable housing on sites near transit.

Although the conventional wisdom is that demographic shifts will lead to far greater preference for denser, urban locations than historically demonstrated, there is also research suggesting that Millennials[2] still maintain a long-term goal of a detached house in the suburbs[3], and that many Baby Boomers[4] will strive to age in place[5] and keep the same house for as long as physically possible. Some of the studies forecasting strong demand for urban infill TOD apply national preferences for TOD at the local level to the Wasatch Front. While this approach may appear logical, the region tends to have some specific traits that make it unique relative to other areas. One of these attributes is its higher propensity towards household formation at younger ages.

Figure 2: Percentage of Married Population by Age, U.S. and Salt Lake City MSA, 2011



Source: U.S. Census 2011 American Community Survey

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[2] The Millennial generation is also commonly referred to as "Echo Boomers" or "Generation Y," and consists of the large segment of the population born generally from the late 1970s up to 2000.
[3] Source: *The Millennial Metropolis*, Newgeography.com; Morley Winograd and Michael D. Hais.
[4] The Baby Boomer generation consists of population born between 1946 and 1964.
[5] AARP 2011 Boomer Housing Survey.

In the Salt Lake City MSA, the population in the age range of 20 to 24 is twice as likely to have been married relative to the national average, and those within the range of 25 to 29 are also significantly higher than the national average. A far greater share of the region tends to start a family at a younger age than in other areas, and this trend impacts housing preference, diminishing the pool of demand from young single segments for smaller multifamily units.

Access to transit is simply one attribute to a site, and one that as of now is not considered a high priority by various market audiences in Utah. Development is an organic process and if the market is still emerging, it can be difficult to make the vision of dense, infill TOD happen in the short term. If there is a strong desire for action in the short term, it is recommended that near term development opportunities be optimized such that they do not serve to hinder future ongoing development potential in sites. For example, a site could be developed for relatively low density uses now but with flexibility for higher density or different uses later.

At Daybreak in South Jordan, the developer would ideally like to see mixed use development throughout their commercial parcels, such as ground-floor retail below office. However, knowing that the market will not support it in the near term, they have delivered single-use office space that includes the flexibility to add retail to the ground floor in the future if demand emerges for it. Another approach could be to build townhomes surrounding surface parking designed such that the lot can later be developed into high-density units with structured parking. In the near term, we recommend exploring these innovations further, to find ways to build market driven product in the short term, while incorporating the flexibility to build mid- to higher-density typologies in later years as the market and the given site evolve.

2.2. Additional Perspectives on Local Development Economics

This data gathering process included a series of interviews with knowledgeable stakeholders in the region, ranging from public sector representatives such as city and county planners, economic development experts, and redevelopment agency representatives, to private sector entities such as real estate developers and brokers active in and around the demonstration sites. In addition to the TOD market preferences referenced in the previous section, the following identifies additional findings and common themes that emerged from some of these interviews.

A key finding that emerged from meetings with developers is that many builders will typically identify a development opportunity on a given site regardless of its location within an RDA project area. The top priority is a given site's set of strengths and weaknesses coupled with strong market indicators, regardless of the benefits provided by the RDA. As such, the potential benefits from the RDA represent an added bonus once the opportunity is identified, as opposed to the reverse process of identifying sites within an RDA project area with the associated benefits and then defining the opportunity. While the potential RDA benefits do serve to facilitate development and revitalization in a given area, this helps explain why those RDA project areas located in stronger or rapidly improving areas, such as the Depot

District, are experiencing far more success than relatively weaker project areas such as the Magna West Main Street Area.

There are also slightly different strategies employed by different RDAs in defining redevelopment areas. While the Salt Lake City and County RDAs have drawn relatively large boundaries spanning numerous blocks in defined areas, the Ogden RDA has taken a more targeted approach, defining numerous RDA project areas with smaller geographic parameters, spanning fewer parcels and blocks. It is unclear how effective each strategy is relative to the other, but Ogden has had a number of successful redevelopment efforts in recent years relative to its size and regional context.

Salt Lake City's Depot District project area has also undergone numerous successful redevelopments, although much of this success is partly due to its existing site strengths. While it may be more administratively cumbersome to define and manage numerous smaller areas, resulting TIF revenue will also be more narrowly concentrated on improving the specific small area. Conversely, while TIF revenue may be applied with less focus in a larger defined area, it also provides the RDA with more flexibility in channeling revenue from successfully developed parcels to those in need of additional improvement within the larger defined boundary. While there are various pros and cons to each approach, for larger defined areas experiencing relatively less momentum, perhaps this more parcel-specific, narrowly focused approach may help with future revitalization efforts.

The Ogden RDA approach also takes timing into consideration as well. State legislated "haircut" provisions require the percentage of tax increment to diminish over time. In some cases, the RDA will identify potential project areas but wait to establish them until there is an interested developer. This approach maximizes TIF revenue generating potential and avoids the potential for development to occur late in the life of the project area.

Discussions with developers also revealed that land cost is often the primary driver in assessing overall development financial feasibility. Armed with a general idea of achievable prices and/or rents as well as construction costs for a given product in a given market, the cost of the land represents the determining factor in assessing preliminary financial feasibility. As such, it is difficult to accurately quantify or generalize an absolute minimum rent or price threshold required for a development project to achieve financial feasibility without further detailed knowledge about the potential land cost, product type, quality, and other factors.

While zoning requirements vary by jurisdiction, the common perception is that unlimited densities and mixed use zoning can serve to facilitate or unlock development opportunity at a given site. While this is generally true if the previous zoning was restrictive, this classification can also lead to inefficient land prices that hinder development. If a non-developer landowner envisions high-rise development or some other scenario that may not have market support, then they will expect a price for the land that will not justify market-driven development formats and hinder development activity in an area otherwise in need of revitalization.

3. Summary of Market Conditions

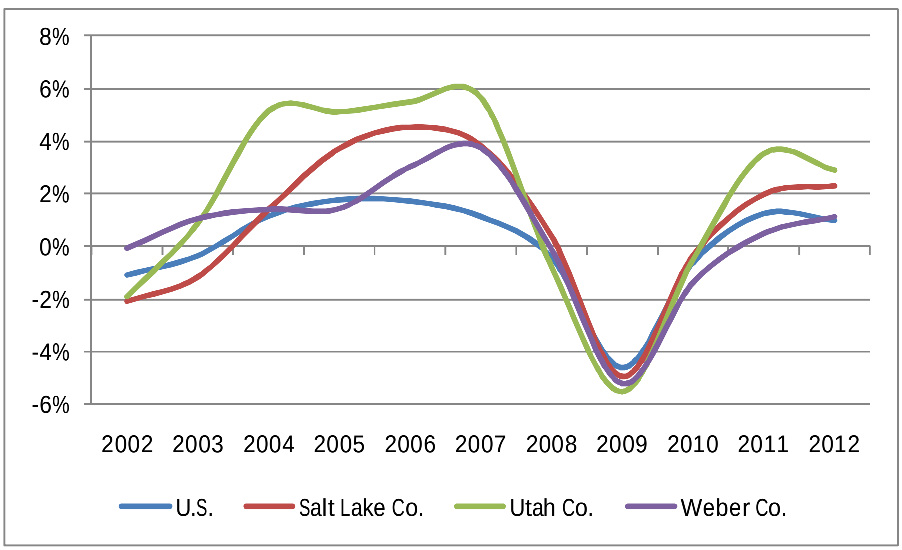
This section presents a short overview of economic, demographic, and real estate supply conditions for the areas studied. Detailed findings for each demonstration site are included in Appendix A.

3.1. Economic and Demographic Overview

3.1.1. County-Specific Economic Highlights

Three of the five sites are located in Salt Lake County, with an additional site in Utah County and Weber County. For each site, historical and forecast economic and demographic trends were analyzed at the county and local level to better understand demand conditions for new development in each area. National trends in recent years have reflected negative economic indicators resulting from the Great Recession, and each county experienced job losses during that period. However, data for the region show that the three counties analyzed showed significantly stronger growth during expansionary periods and, with the exception of Weber County, have bounced back from the recession with relatively stronger growth as well.

Figure 3: Annual Growth in Employment, U.S., Salt Lake, Utah, and Weber Counties, 2002-2012



Source: BLS; 2012 data through June

Both Utah and Salt Lake counties experienced significantly stronger growth from 2004 through 2007. While each county experienced job losses at a rate consistent with the national trend, Salt Lake and Utah counties have been quicker to recover, with stronger positive growth in 2011 and 2012.

Salt Lake County Summary: Unlike many regions throughout the country, Salt Lake County sustained growth during the Great Recession.

- The County gained more jobs from 2005 to 2010 (17.4K) than it gained between 2000 and 2005 (14.6K). The County's losses in the construction and information sectors were offset by significant gains in education and health services and state, local, and federal government jobs.
- The County experienced strong growth in the most recent available 12 months (ending June 2012) of 22,900 jobs (4.0%), trailing Utah County's growth rate of 4.7% but outpacing the State as a whole (3.6%).
- The professional and business services sector is forecast to experience the strongest growth from 2010 to 2025, with close to 20,000 jobs from 2010 to 2015, 23,300 from 2015 to 2020, and almost 29,000 from 2020 to 2025. This trend will have a strong, positive impact on the Salt Lake County office market.

Utah County Summary: Like Salt Lake County, Utah County sustained growth during the Great Recession and outperformed national economic trends.

- The County achieved a net gain in jobs from 2005 to 2010 of 6,500 (3.9%). The County's losses in the construction and manufacturing sectors were offset by significant gains in education and health services and state and local government jobs.
- The County also experienced strong growth in the most recent available 12 months (ending June 2012) of 8,000 jobs (4.7%), outpacing Salt Lake County (4.0%) and the State as a whole (3.6%).
- The professional and business services sector is forecast to experience the strongest growth from 2010 to 2025, with close to 8,300 jobs from 2010 to 2015, 7,400 from 2015 to 2020, and almost 9,400 from 2020 to 2025.

Weber County Summary: Unlike some of its local peers, from 2005 to 2010, Weber County experienced flat job growth, outpacing the nation but trailing the rest of the region over the same period.

- The County's significant losses in the construction sector (24%, 1,400 jobs) were offset by large gains in education and health services (20%, 2,000 jobs) over the period.
- The County experienced moderate growth in the most recent available 12 months (ending June 2012) of 1,700 jobs (1.9%), but trailed the region and the State as a whole.
- The professional and business services sector is forecast to experience the strongest growth from 2010 to 2025, with 1,900 jobs from 2010 to 2015, 1,300 from 2015 to 2020, and 900 from 2020 to 2025, accounting for over a quarter of forecast growth over the period.

3.1.2. County-Specific Household Growth Summary

Household growth has been strongest in Utah County, which experienced a very high average annual growth rate of 3.5% from 2000 to 2010. Over the same period, Weber County and Salt Lake County achieved annual growth of 1.8% and 1.5%.

Figure 4: Historical and Forecast Household Growth, 2000 - 2025

	2000	2010	2015	2020	2025
Salt Lake County	297,000	343,600	373,300	408,000	445,800
Avg. Annual Growth		1.5%	1.7%	1.8%	1.8%
Utah County	99,900	140,600	160,900	183,800	210,800
Avg. Annual Growth		3.5%	2.7%	2.7%	2.8%
Weber County	65,700	78,700	85,500	93,300	103,300
Avg. Annual Growth		1.8%	1.7%	1.8%	2.1%

Source: PB Analysis, Global Insights, Moody's, Utah Governor's Office of Planning & Budget

- Salt Lake County households grew at an average annual rate of 1.5% from 2000 to 2010 and forecasts predict the County will have strong long-term household growth, at nearly 1.75% annually from 2010 through 2025.
- Utah County households grew at a very high average annual rate of 3.5% from 2000 to 2010 and forecasts predict the County will have strong long-term household growth, at nearly 2.7% annually from 2010 through 2025.
- Households grew at an average annual rate of 1.8% from 2000 to 2010 and forecasts predict the County will continue with similar long-term household growth, at 2.0% annually from 2010 through 2025.

Numerous data sources were analyzed to arrive at forecast socioeconomic data, including regional sources such as the Governor's Office of Planning & Budget (GOPB) as well as third-party national sources such as Global Insights and Moody's. At the local and site-specific level, historical and forecast economic and demographic data were estimated based on additional inputs, including the local metropolitan planning organizations (MPOs) (Wasatch Front Regional Council (WFRC) for Salt Lake and Weber Counties and the Mountainland Association of Governments (MAG) for Utah County), the Utah Department of Workforce Services, and the U.S. Census.

3.2. Summary of Residential Market Conditions

The following section provides an overview of key findings and conclusions by residential land use for the region.

3.2.1. Residential Trends

The boom and resulting bust in for-sale housing has created demand for new rental apartments in many regions throughout the country. Household preferences are gradually shifting from owner to renter for numerous reasons. After a few years of declining price trends, homeownership is no longer perceived as a risk-free investment. Furthermore, in a slowly recovering economy in which an employee may need to seek work wherever he or she can find it geographically, the transaction costs of buying and selling limits mobility by limiting the worker's pool of job opportunities. Lastly, numerous households have found themselves in homes they eventually could not afford. This segment is gradually shifting back to the rental demand pool.

Supply conditions are favorable for new rental development as well. During the housing boom, a higher proportion of for-sale units were developed and rental apartments were delivered at a far lower rate compared to historical trends. Now, as demand preferences are shifting back from owner to renter, the relatively low level of new rental construction over the past decade is resulting in tight rental markets throughout the country. In each county studied, rental market conditions are healthy, and combined with demographic trends, suggest a strong opportunity for new multifamily rental development in the demonstration sites.

In many markets throughout the nation, condominium product experienced the steepest rise and equally sharp decline during the housing boom and bust, as a variety of factors contributed to make lower priced condominium product an entry-level purchase for market audiences previously priced out of the for-sale market. At the same time, similar factors caused investors to flock to higher priced condominium product. At the height of the market, these trends resulted in artificially high prices and overbuilt supply conditions once market conditions weakened. As a result, the condominium market is experiencing a relatively slower recovery compared to detached housing product.

These supply and demand conditions suggest that rental apartments represent a stronger near-term opportunity relative to for-sale attached product. Furthermore, each site is in need of some degree of revitalization, and in the near term each would be considered somewhat pioneering to prospective new residents. Target audiences attracted to the sites despite their current weaknesses would typically be more willing to make a short-term commitment to an apartment as opposed to committing to purchasing. As the areas continue to evolve and become more vibrant with local serving retail and amenities, it will be more feasible to target more affluent empty nester move-down buyers seeking the lifestyle benefits of urban living. This audience, however, will generally not accept an area with a substantial amount of weaknesses for residential living. As such, targeting this group will become feasible in the longer term as the sites improve and undergo continued revitalization and redevelopment.

3.2.2. Rental Market Summary by County

Salt Lake County - Historically low vacancy rates in the County suggest very healthy apartment market conditions. After peaking at 10.9% in 2002, the vacancy rate has gradually declined to 3.8% in 2012. The average monthly rent has increased 2.2% per year, from $625 in 2000 to $815 in 2012. Although market conditions are historically very strong, the pipeline of planned, proposed, and under construction projects will result in significant new competitive supply in the near term (5 years). There are approximately 2,000 units under construction and 4,500 units planned or proposed in the County.

Utah County - In Utah County, the average vacancy rate has fluctuated from a high of 8.8% in 2003 to a low of 3.6% in 2007, before stabilizing at 5.0% in 2011. Since 2002, the average monthly rent has steadily increased, from $657 to $753, an average annual increase of 1.5%. Permitting activity has picked back up in recent years, after minimal permits issued in 2008 and 2009, including zero in Provo over the period.

Weber County - The average vacancy rate has decreased steadily to 6.5% after peaking at 12.3% in 2003. Over the same period, the average monthly rent has steadily increased, from a low of $566 in 2003 to $655 in 2011, an average annual increase of 1.8%.

3.2.3. For-Sale Multifamily (Condominium) Summary by County

Salt Lake County - Market conditions for attached, for-sale product are improving. Sales volume of existing units has leveled off after reaching a 10-year low in 2010. Average price increased from 2000 before peaking in 2007, and has declined steadily since. Although volume has picked up in recent years, the 2012 median price achieved a seven-year low. Condominium permitting activity is also the lowest since 2000.

Utah County - County-wide market indicators are mixed, with increasing sales volume in the face of declining prices. This trend suggests that asking prices were too high and have adjusted to weaker market conditions during and following the Great Recession. Over the same period, the median price has fallen by 4.5% and 3.5% annually for the County and Provo respectively. County permitting activity rose steadily from 2000 and peaked in 2008, before falling dramatically during the Great Recession. After averaging 840 units annually from 2000 to 2007 with a peak of 1,100 units in 2007, the County average has since been 300 units from 2008 to 2012.

Weber County – Like Utah County, Weber County market indicators are somewhat mixed, with increasing sales volume in the face of declining prices, suggesting a gradual correction in the market. Sales volume increased from a low of 183 units in 2008 to 377 in 2012 (16%/year). Over the same period, the median price has fallen by 4.2% and 3.1% annually for the County and City respectively. Like Utah County, Weber County permitting activity rose steadily from 2000 and peaked in 2008, before falling dramatically during the Great Recession. After averaging 162 units annually from 2000 to 2008 with a peak of 217 units in 2008, the County average has since been 66 units from 2009 to 2012.

3.2.4. Residential Analysis Methodology

Achievable rents and/or pricing for broad areas like the demonstration sites could vary based on parcel-specific strengths and weaknesses. They could also vary over time depending on a variety of factors, including ongoing market supply/demand conditions and how the site evolves. A parcel-specific market feasibility study would be required to adequately estimate achievable rents for a proposed project. This type of in-depth analysis would take into account the planned project's features and amenities as well as a more detailed profile of potentially competitive supply in the surrounding area.

An estimated range of likely potential rents/pricing can be determined factoring in the following data and analysis conducted as part of our scope:

1. Existing supply conditions, including County-wide and submarket rent and vacancy trends.

2. Demonstrated achievable rents at nearby projects. For example, in the Meadowbrook Station catalytic site, the Meadowbrook Station apartments, which represent the only modern, market-rate apartment project in the catalytic site, provide the greatest insight.
3. An estimate of potential demand stratified by household income, renter propensity, and renter-occupied household turnover. This provides an estimate of depth of demand by household income, which sheds light on potential demand at various rent levels. More detail on this methodology is provided in Appendix C.

Continuing the Meadowbrook Station example, the household demand analysis for the submarket suggests that, based on household incomes, renter propensity, household turnover, and household growth, as much as 50% of rental demand potential will be for affordable units. There is rarely a shortage of demand for affordable units and the relatively lower incomes in the submarket indicate strong demand for income-qualified housing. Since affordable rental units involve various subsidies, income-qualification, and other factors, these do not reflect market rates, and therefore pricing is not provided. Nevertheless, demographic analysis suggests that demand for affordable units comprises as much as 50% of the demand pool from new and existing households in the submarket. The fact that TOD housing preference in the region is strong from lower-income households seeking to minimize transportation costs further supports the near term opportunity for affordable housing at sites within close proximity to transit.

Should a specific parcel have certain weaknesses for new development, such as surrounding industrial land uses or other non-complementary land uses, achievable rents would be lower and likely insufficient to justify new construction. On the other hand, stronger parcels benefitting from superior access to transit and other site strengths could achieve a slight premium over the likely achievable rents. Numerous other factors would also contribute, including unit features/finish, project amenities, opportunities for joint development, etc. The forecast rents in Appendix A assume average finish levels, project amenities, and site attributes.

3.3. Summary of Commercial Market Conditions

3.3.1. Office Market Overview by County

Salt Lake County - market conditions remained relatively healthy during the Recession, due in part to continued job growth despite national trends. The CBD weakened in 2012, due to tenants downsizing space as well as the relocation of some large tenants to suburban build-to-suit projects, including the FBI regional headquarters. The County vacancy rate has declined since 2010 to just under 14%, still above the pre-recession low of 10.4%. Some of this vacant space will need to be absorbed for the market to stabilize and justify new development in the near term.

Utah County - Since 2007, the Utah County office market has suffered from declining rents and an increasing vacancy rate. Over the same period, the Provo submarket vacancy rate has fluctuated more than that of the County, and is currently 19.7% versus 14.5% for the County, due in part to the sale of Novell's buildings, which put a large amount of vacant space on the market. While the County vacancy rate has declined from a peak of 16.6% in 2009, it is still above the pre-recession low of 7.0% achieved in 2006. With an approximate inventory of 3.4 million square feet, the Provo submarket represents about a third of the Utah County office market.

Weber County – Market conditions have been weak in Weber County, with a declining average rent since 2007 and a vacancy rate ranging from 20 to 25% during the same period, well above the pre-recession low of 15.1% in 2006. Approximately 500,000 square feet of space is currently vacant in the County. Although rents have been declining, downtown Ogden is a major job center and achieves a rent premium over the Weber County average.

3.3.2. Retail Market Overview by County

Salt Lake County - Retail market conditions remain weak but are showing some slight improvement. The average rent remains low, off 26% from its pre-recession peak. However, the vacancy rate declined in 8.1% in 2012, after peaking at 9.3% in 2009.The current rate is still below the pre-recession low of 5.6% experienced in 2006. While the county-wide vacancy rate declined in 2012, the addition of the 489,000 square foot City Creek retail component caused increased vacancy at nearby downtown retail centers, including the Gateway and Trolley Square.

Utah County - As a result of the County's strong household growth, new construction and net absorption have been strong over the past decade, with only one year of negative net absorption. After achieving a low of 3.3% in 2007, the vacancy rate increased to a peak of 12.5% in 2011. In 2012, the average rent increased and the vacancy rate declined as well, suggesting the retail market is stabilizing after a period of ongoing weakness during the Great Recession.

Weber County - Retail market conditions remain weak in Weber County but are showing some slight improvement. The vacancy rate steadily increased from 2003 to 2009. Although it has declined since, the rate is still high relative to historical levels. New retail has been delivered within the demonstration site boundary at the Junction mixed-use development, but it has struggled to attract quality tenants and significant vacancy remains.

3.3.3. Industrial Market Overview by County

While conventional industrial land uses are generally not a good fit within the context of most of the defined areas, certain industrial uses, such as high-tech/R&D could be explored further. The Salt Lake County industrial market remains remarkably strong and after a period of declining rents and increasing vacancy, the Utah County industrial market has stabilized in recent years. The Weber County industrial market has been relatively healthy as well, with the vacancy rate below 10% in recent years. The Business Depot Ogden has captured the majority of new industrial demand over the past decade, with over eight million square feet of space and 500 remaining acres to be developed.

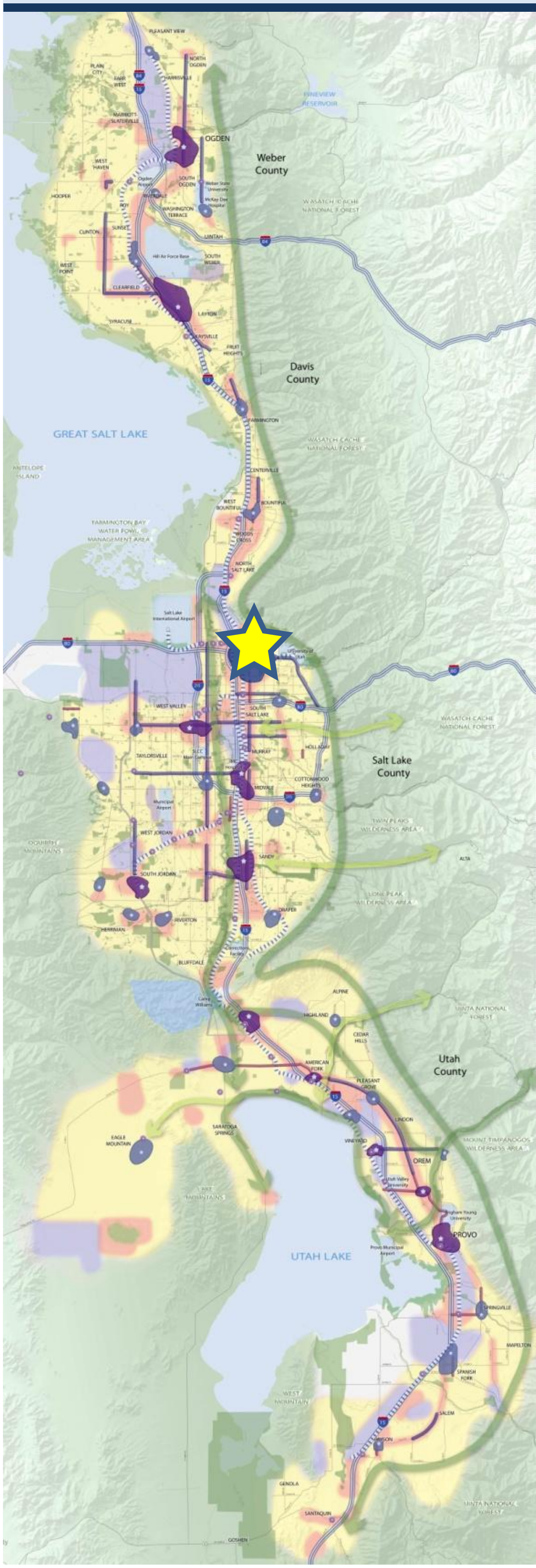
3.3.4. Civic Uses

Demand for civic uses such as government, education, public safety, parks, and other non-profit public services can be difficult to quantify because they typically do not fluctuate based on market trends like those of revenue-generating land uses. Rather, demand for public/civic uses in a given area is positively correlated with population growth in the area. Trends in the inventory for such uses is not tracked like they are for commercial and residential land uses, although some data does exist to inform future conditions, such as the ratio of state and local government employment to population. For example, in Utah and Weber counties, the ratio of population to state/local government employment has ranged from 19 to 22 persons per government employee from 1990 to 2011. In Salt Lake County, this ratio has ranged from 12.5 to 15.5 persons per government employee over the same period, due to the presence of the State Capitol. Assuming per capita government employment for various services remains within these ranges going forward, forecast population growth can shed light on future demand for these services.

From a land use perspective, institutional uses in the five demonstration sites ranges from 5 to 9% of total acreage based on parcel data. In the near term, if market conditions suggest relatively weak opportunities for revenue generating commercial and residential land uses, delivering new institutional uses in these areas can serve to improve the areas through less market sensitive uses. Public sector investments in these areas can bring new construction, increased employment, daytime population, and amenities to the site, all of which will serve to improve the site's strengths for future development.

Appendix A: Site Profiles

Depot District / Streetcar Corridor



Introduction

The Wasatch Choice for 2040 represents a vision for the future that helps focus growth towards a number of activity centers in the region, many with strong access to transit, to help foster sustainable and livable communities. As part of this effort, numerous demonstration or "catalytic" sites were identified, representing a range of community types, to determine how best to overcome barriers and facilitate infill development. The lessons learned from studying these centers will be used to evaluate and facilitate development at similar centers along the Wasatch Front.

As part of this effort, a market overview was conducted for the sites to understand the economic, demographic, and real estate supply and demand conditions surrounding each. The analyses summarized in this 'Catalytic Market Profile' were conducted to help understand the current context for new development and redevelopment opportunities at each site.

The analysis methodology is contained within the full report which was completed in March 2013. State, county, and local-level projections were used to lay the groundwork for the growth in the region overall, and supply and demand analyses were conducted for residential and commercial uses. Local tax assessor data and GIS applications were used to identify existing land uses and quantify development and redevelopment opportunities at the parcel level in each site. Numerous interviews were conducted with public and private sector stakeholders as well, including city planners and real estate professionals active in each market.

This Catalytic Market Profile provides detailed data at various geographical levels and culminates in estimates of potential commercial and residential development in each site in the next five to ten year period.

Catalytic Site Background

Located on the western periphery of Salt Lake City's central business district (CBD), the Depot District and Streetcar Corridor are situated within what the Wasatch Choice for 2040 defines as a Metropolitan Center, an area serving as the primary hub of business and cultural activity in the region.

The defined area spans two different Salt Lake City Redevelopment Agency (RDA) areas: the Depot District on the north, and the Granary District to the south. The site also includes Salt Lake Central Station, a multi-modal transit hub bringing together Frontrunner commuter rail, TRAX light rail, Amtrak regional rail, commercial and public bus service, and car sharing services.

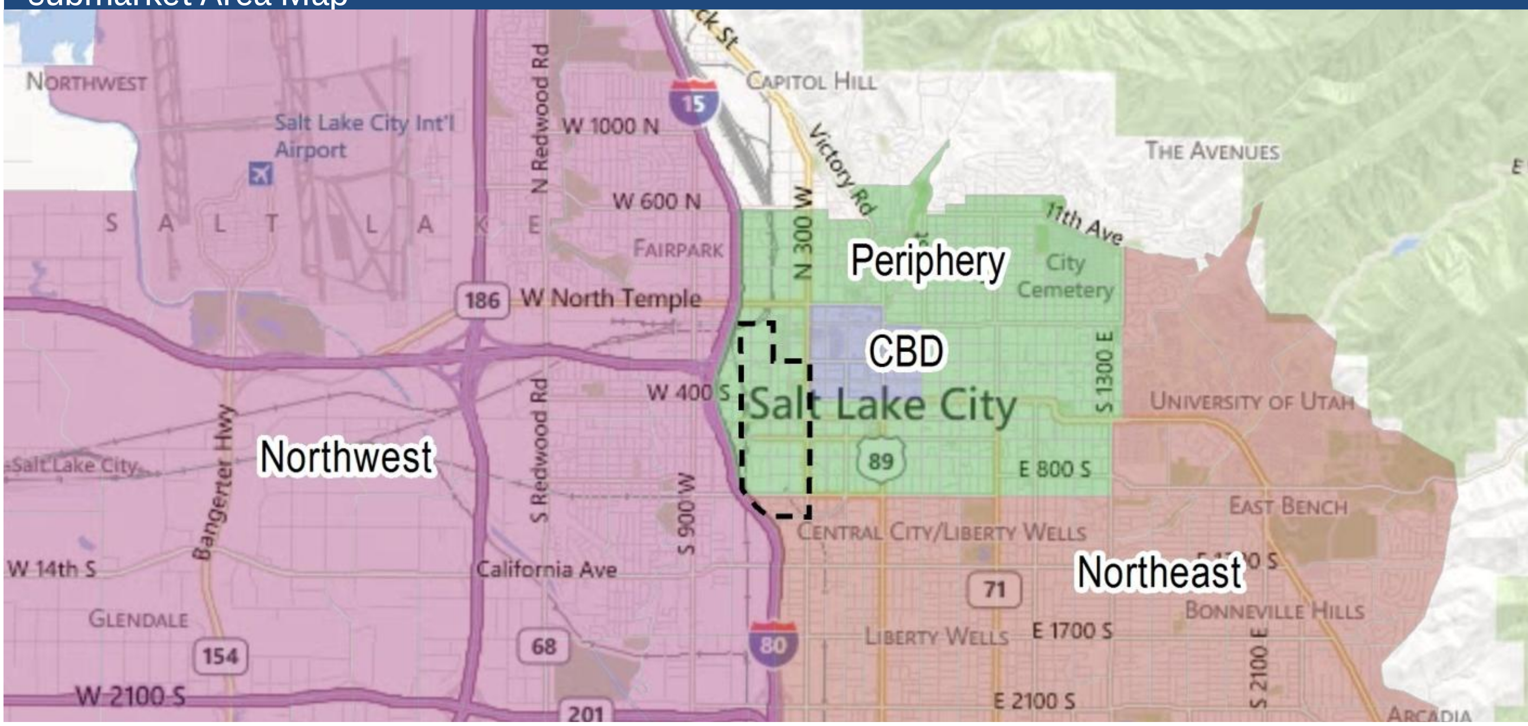
New development and redevelopment in a Metropolitan Center is envisioned with higher densities, including floor area ratios ranging from 1 to 10, and 20 to 200 dwelling units per acre.

Depot District / Streetcar Corridor

Salt Lake County Overview[1]

- Unlike many regions throughout the country, Salt Lake County sustained growth during the Great Recession, gaining more jobs from 2005 to 2010 (17.4K) than it gained between 2000 and 2005 (14.6K). The County's losses in the construction and information sectors were offset by significant gains in education and health services and state, local, and federal government jobs.
- The County experienced strong growth in the most recent available 12 months (ending June 2012) of 22,900 jobs (4.0%), trailing Utah County in growth rate (4.7%) but outpacing the State as a whole (3.6%).
- Households grew at an average annual rate of 1.5% from 2000 to 2010 and forecasts predict the County will have strong long-term household growth, at nearly 1.75% annually from 2010 through 2025.

Submarket Area Map[2]



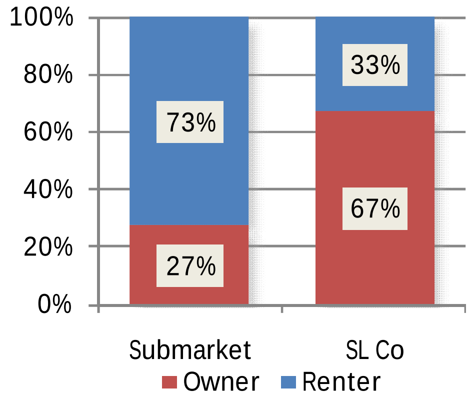
County and Submarket Historical and Forecast Jobs and Households[3]

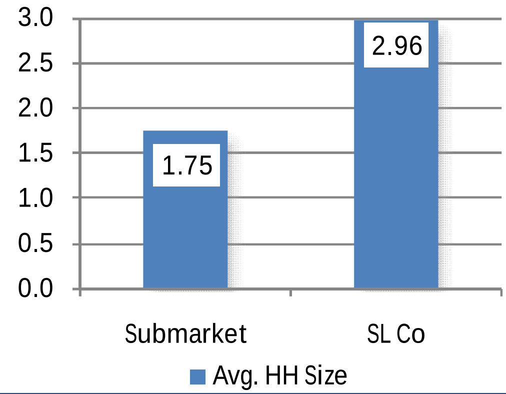
Forecast Jobs & Households		2000	2010	2015	2020	2025
County	Jobs	538,900	571,000	634,200	691,000	749,100
	HH	297,000	343,600	373,300	408,000	445,800
CBD/Periphery	Jobs	97,500	103,300	114,700	125,000	135,500
	HH	24,900	28,300	30,500	33,000	35,800
Job Growth			**2000-10**	**2010-15**	**2015-20**	**2020-25**
County	Annual Growth		0.6%	2.1%	1.7%	1.6%
	% of Regional Growth		44.6%	57.5%	59.1%	64.7%
CBD/Periphery	Annual Growth		0.6%	2.1%	1.7%	1.6%
	Total Growth		5,800	11,400	10,300	10,500
Household Growth			**2000-10**	**2010-15**	**2015-20**	**2020-25**
County	Annual Growth		1.5%	1.7%	1.8%	1.8%
	% of Regional Growth		37.7%	42.1%	42.4%	41.7%
CBD/Periphery	Annual Growth		1.3%	1.5%	1.6%	1.6%
	Total Growth		3,400	2,200	2,500	2,800

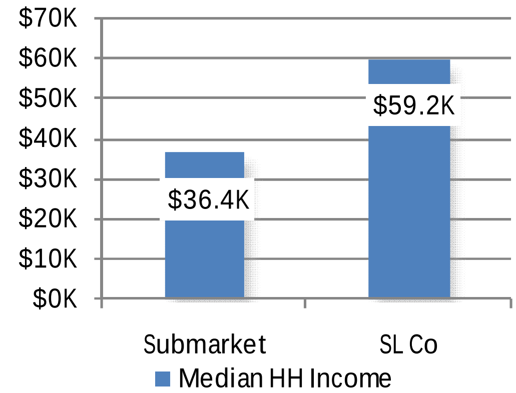
1: Employment based on U.S. Bureau of Labor Statistics (BLS) Quarterly Census of Employment & Wages (QCEW); Household forecast based on data from the Governor's Office of Planning & Budgeting (GOPB) and Global Insight (GI). 2: Submarkets defined by NAI West. 3: County jobs/HHs based on GI and GOPB data; 2000 and 2010 submarket jobs/HHs based on data from Wasatch Front Regional Council (WFRC). 2015-2025 submarket forecast based on historical share of County growth.

Depot District / Streetcar Corridor

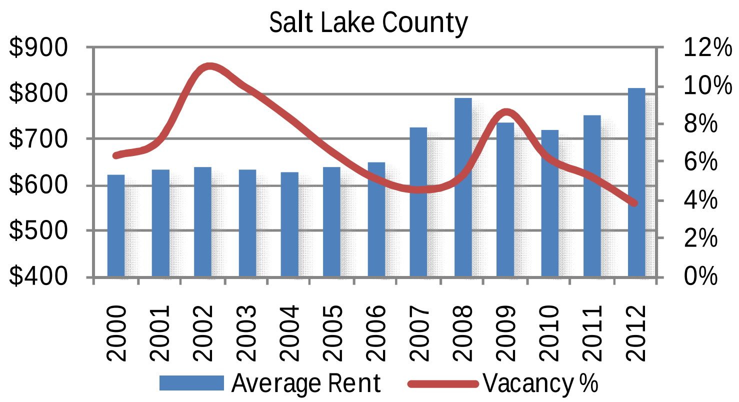
County & Submarket Household Characteristics[1]

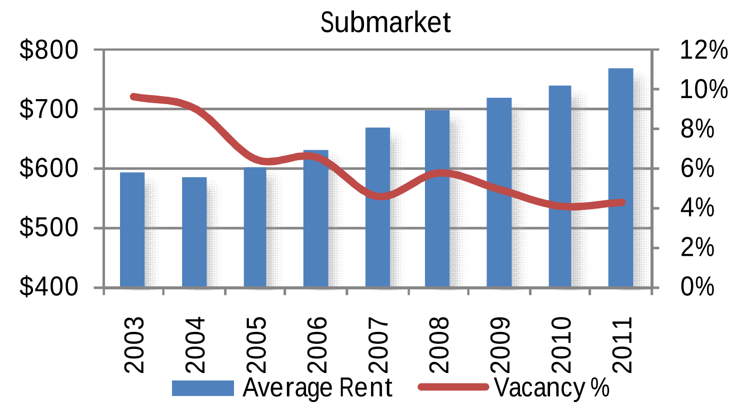




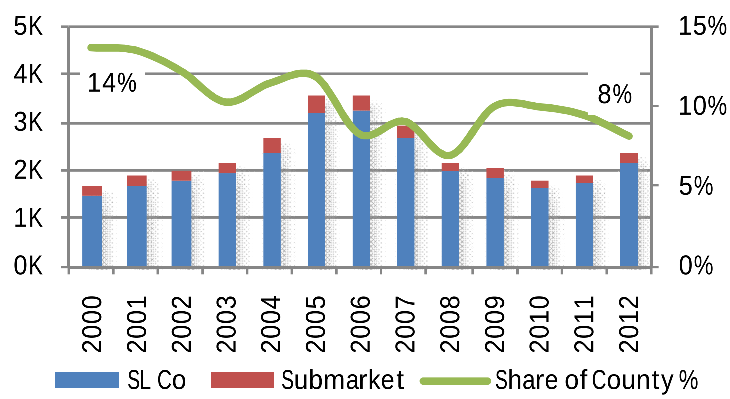


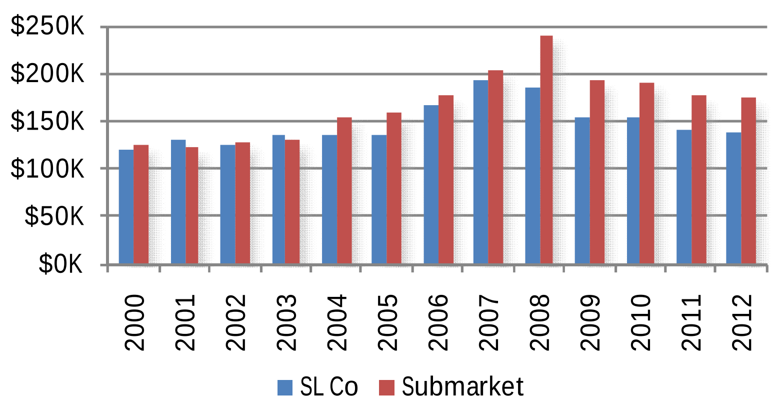
Apartment Market Trends – County/Submarket[2]



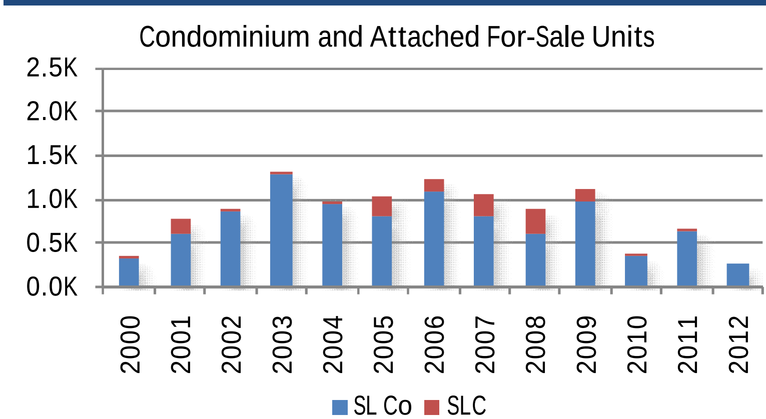


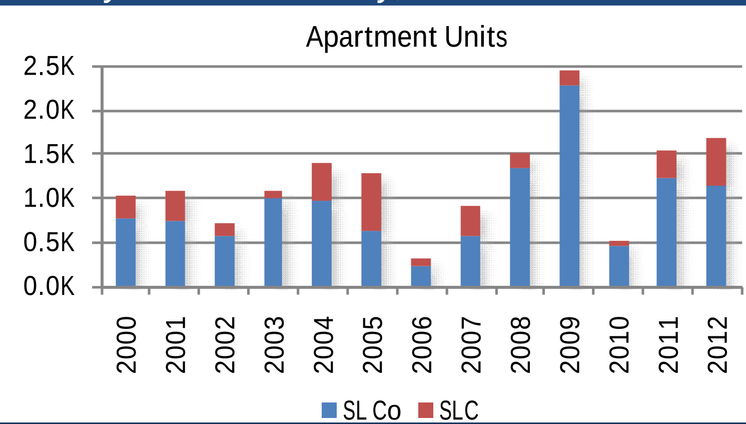
Historical Condominium Sales Volume and Price, County and Submarket, 2000-2012[3]





Historical Attached For-Sale and Rental Permitting, County and Salt Lake City, 2000-2012[4]





1: HH tenure and size data from 2010 Census; Income Data from 2011 ACS; 2: Submarket defined as MLS Area 102, Source: Equimark; 3: Submarket defined as zip codes 84101, 84102, 84111; Source: Salt Lake Board of Realtors; 4: University of Utah Bureau of Economic & Business Research (BEBR); 2012 data through November.

Catalytic Site Residential Market Overview

Household demographics

- Relative to the County, the CBD/Periphery submarket has a far higher renter propensity and the significantly smaller household size and lower incomes typically associated with renter households. These characteristics are typical of urban cores and suggest that the residential opportunity will be stronger for rental apartments versus for-sale units.

Apartment Market Conditions

- Low vacancy rates in both the County and submarket suggest very healthy apartment market conditions. However, the pipeline of planned, proposed, and under construction projects will result in significant new competitive supply in the near term (5 years).
- 1,200 market-rate units have been built in the CBD since 2001, including 330 units at North Gate, adjacent to the site in the Gateway. 102 income-qualified units at Artspace Commons were recently built in the site area as well.
- 160 market-rate units are under construction on a parcel adjacent to the Gateway and will be complete in early 2014. Additionally, there are over 400 units under construction and another 450 planned in the CBD. Beyond the CBD, there are approximately 1,600 units under construction and 4,000 units planned or proposed in the County.

For-Sale Market Conditions

- Market conditions for attached, for-sale product are improving. Sales volume of existing units has leveled off after reaching a 10-year low in 2010.
- After maintaining similar price levels from 2000 to 2007, existing units in the CBD/periphery submarket have achieved an average price premium of over 25% above the County-wide median sale price since 2008. This trend is due in part to higher quality new units delivered in downtown projects such as City Creek.

Catalytic Site Residential Opportunity

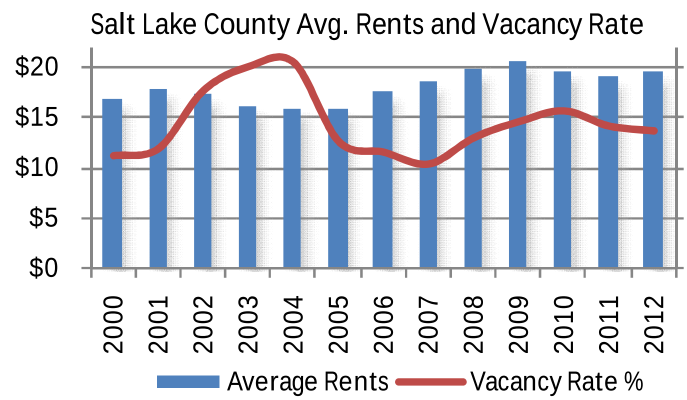
Product	2013-2020	2020-2025	Potential Rents/Pricing/Size	Comments
Rental Apartments				
Affordable / Income-Qualified Rental Units	250-400 total units	250-400 total units	NA	40-50% of rental demand will be from lower income households seeking affordable / income-qualified units; Hub site poised to capture significant share.
Market Rate Rental Unit	300-500 total units	350-500 total units	1B: $900-$1,050, 600-800 SF, $1.31 - $1.50/SF 2B: $1,150-$1,250, 900-1,050 SF, $1.25-$1.28/SF	4-5 story with potential for shared structured parking; 160 units under construction at Liberty Gateway will absorb majority of near-term market-rate demand; Hub site poised to capture significant share.
For-Sale Product				
Townhomes	60-100 total units	70-100 total units	$190K-$275K, 1,200-1,900 SF, $145 - $160/SF	Hub site poised to capture significant share; Condominium units remain speculative product in light of current market conditions and site's competitive strengths and weaknesses.

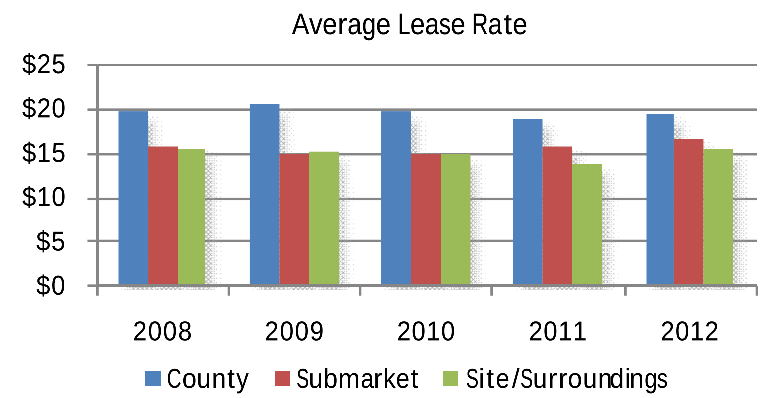
Depot District / Streetcar Corridor

Historical and Forecast Employment Growth by Sector, Salt Lake County, 2000-2025[1]

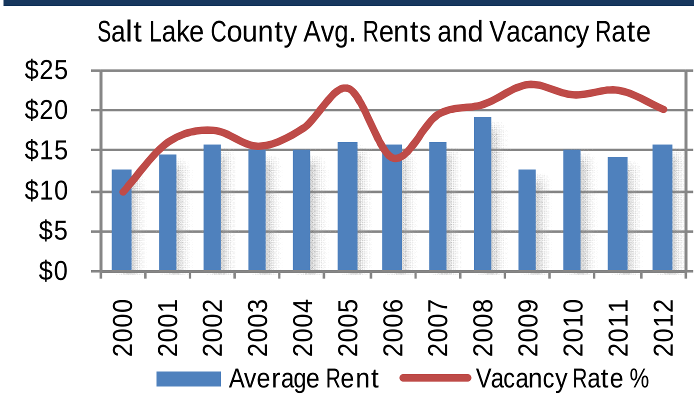
	2000-2005	2005-10	2010-15	2015-20	2020-25
Transportation, Trade, & Utilities	-1,700	-500	10,800	8,800	6,100
Professional & Business Services	800	4,000	19,800	23,300	28,800
Government	6,400	6,100	3,400	5,200	6,600
Educational & Health Services	10,400	11,900	5,600	8,400	5,500
Manufacturing	-3,500	-1,100	5,600	2,100	1,200
Leisure & Hospitality	2,200	2,000	3,000	-2,500	-800
Financial Activities	3,400	700	3,100	700	1,800
Construction, Natural Resources, and Mining	-1,300	-3,900	10,600	8,500	6,500
Other Services	700	0	200	100	500
Information	-2,600	-1,700	1,200	2,200	2,100
Total Non-Farm Employment Change	14,800	17,500	63,300	56,800	58,300

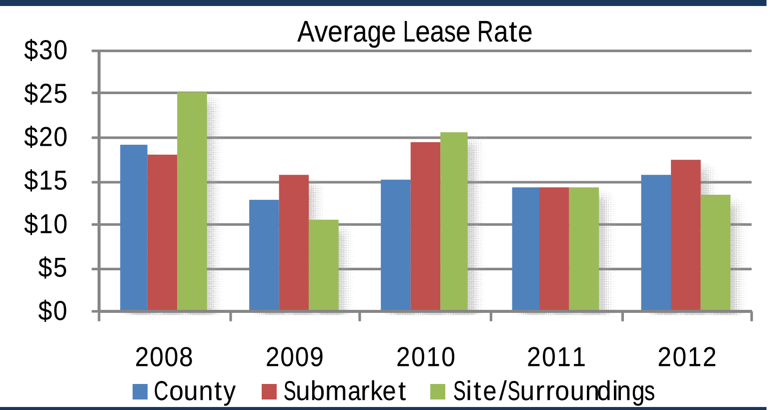
County Office Trends and Average Rents for County, Submarket, and Site/Surrounding Area[2]



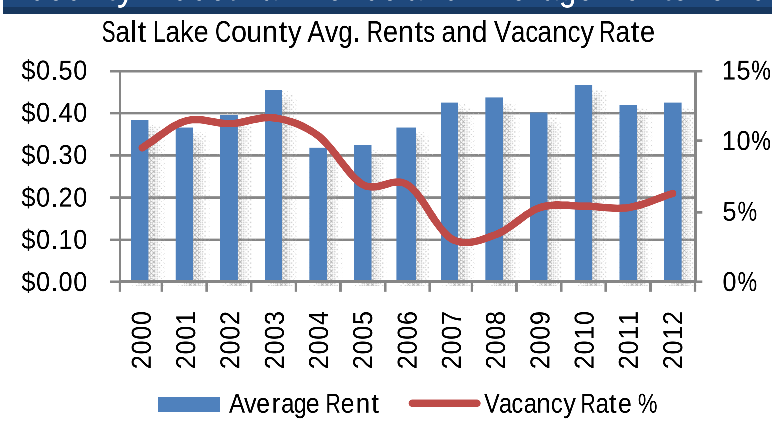


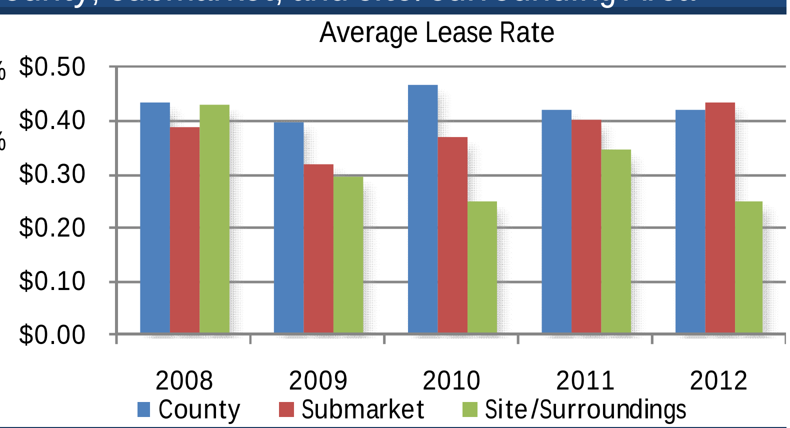
County Retail Trends and Average Rents for County, Submarket, and Site/Surrounding Area[3]





County Industrial Trends and Average Rents for County, Submarket, and Site/Surrounding Area[3]





1. Source: Global Insight; 2: Source: NAI West; Office submarket defined as CBD Periphery, which does not include CBD; 3: Source: NAI West; Submarket defined as Northeast, does not include CBD/Periphery delineation.

Catalytic Site Commercial Market Overview

Employment Sector Trends

- From 2000 to 2010, the Salt Lake County economy was bolstered by significant gains in the Education and Health Services sector (22,300 jobs) and the Government sector (12,500 jobs).
- These gains were offset by losses in the Construction and Manufacturing sectors, resulting in annual employment growth of 0.6% from 2000 to 2010 for the County.
- The professional and business services sector is forecast to experience the strongest growth from 2010 to 2025, with close to 20,000 jobs from 2010 to 2015, 23,300 from 2015 to 2020, and almost 29,000 from 2020 to 2025. This trend will have a strong, positive impact on the Salt Lake County office market.

Office Market Conditions

- The Salt Lake County office market remained relatively healthy during the Recession, due in part to continued job growth despite national trends. The CBD weakened in 2012, due to tenants downsizing space as well as the relocation of some large tenants to suburban build-to-suit projects, including the FBI regional headquarters.
- Near the site, the Gateway includes 650,000 SF of office space, including Fidelity Investments' 230,000-SF regional headquarter.
- The County vacancy rate has declined since 2010 to just under 14%. Some of this vacant space will need to be absorbed for the market to stabilize and justify new development in the near term.

Retail Market Conditions

- Retail market conditions remain weak but are showing some slight improvement. Vacancy rates are historically high and rents are lower than previous years.
- In the CBD, City Creek's recent opening in 2012 was seen as a positive but the project has directly resulted in significant retail vacancy at the Gateway, suggesting a limited market opportunity for additional large-scale retail in the downtown area.

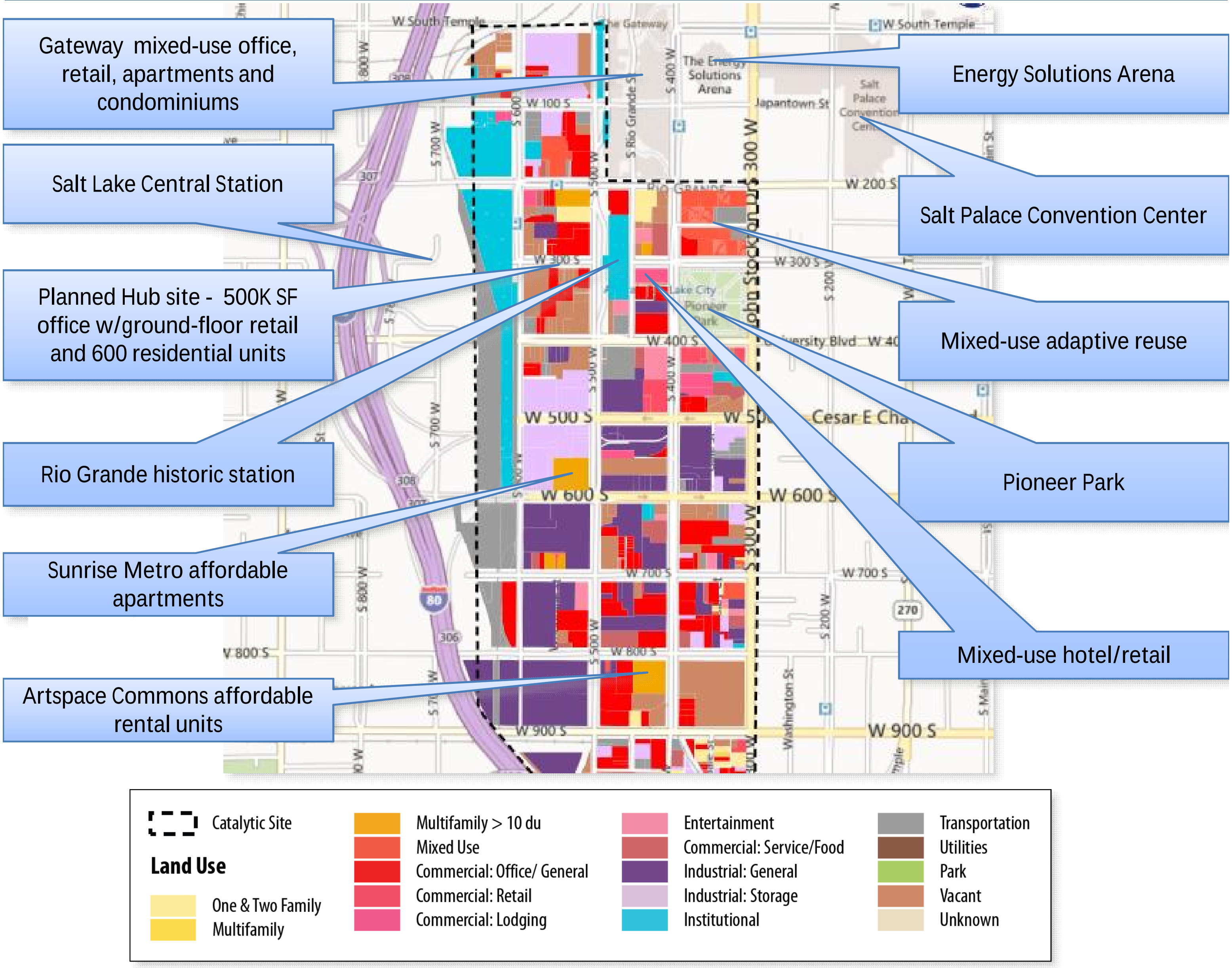
Industrial Market Conditions

- The Salt Lake County industrial market remains remarkably strong. While the site's central location and regional access could be compelling for distribution activity, most users are price sensitive and will prefer cheaper greenfield sites over infill redevelopment and the potential associated costs, suggesting longer term reuse opportunity.

Catalytic Site Commercial Opportunity

Product Type	2013-2025	Comments
Office Space	500K – 700K total SF 40K – 55K per year Low- to mid-rise positioned lower than CBD rents	Hub site poised to capture all demand for new office in the catalytic area. County has averaged 730K SF net absorption/yr over past 10 years – demand based on 5 - 7.5% capture. Much of this potential will occur after 2020 as near term market conditions stabilize. Continued opportunity for small, potentially adaptive reuse on various parcels (like the Big-D corporate headquarters adaptive reuse project) as area evolves and critical mass achieved at Hub site.
Retail Space	90K – 120K total SF 7.5K – 10K per year Ground-floor, local / regional tenants	Minimal large-scale retail opportunity due to weak market conditions and nearby competitive supply. Limited, small-scale, ground-floor retail opportunity exists; Near- to mid-term demand will be absorbed at Hub project (70K SF).
Industrial Space	Minimal opportunity	Potential opportunity for high-tech industrial employment in rehab/adaptive reuse buildings but this is limited niche; Development will favor cheaper greenfield locations.

Map of Catalytic Site



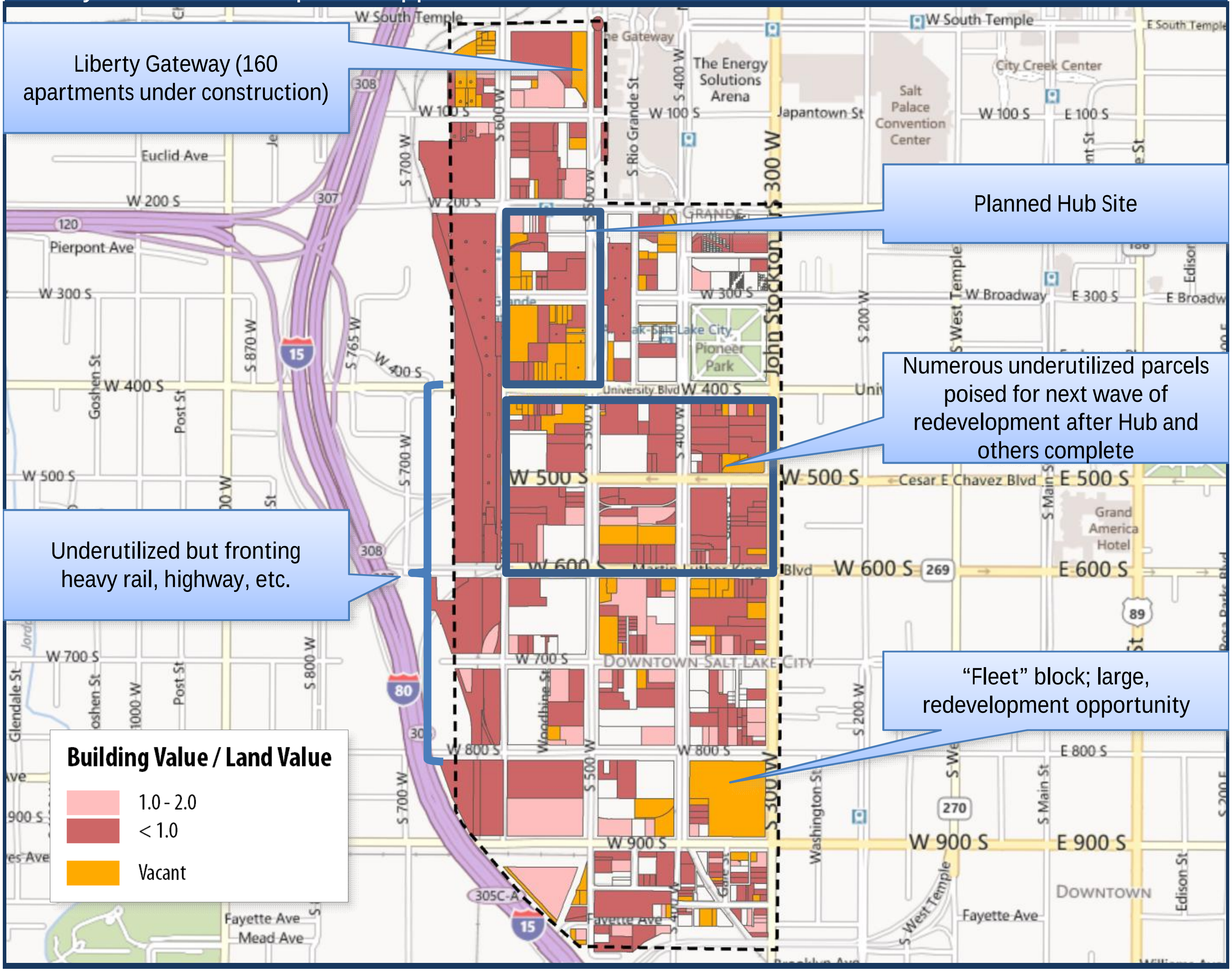
Land Use Summary

Existing Land Use	Parcels	Acres
One & Two Family	35	6.4
Multifamily	1	1.0
Multifamily > 10 du	6	7.5
Mixed Use	168	10.5
Commercial: Office/ General	114	44.7
Commercial: Retail	6	2.1
Commercial: Service/ Food	18	8.4
Lodging	7	4.3

Existing Land Use	Parcels	Acres
Entertainment	9	4.6
Industrial: General	59	64.1
Industrial: Storage	50	28.1
Institutional	45	31.4
Transportation	56	39.2
Park	1	10.0
Vacant	115	41.6

Depot District / Streetcar Corridor

Catalytic Site Redevelopment Opportunities



Redevelopment Opportunities and Planned Projects

Type	Parcels	Acres
Total Vacant	115	41.6
BV:LV 1.0 – 2.0	399	204.8
BV:LV < 1.0	208	123.8
Total Vacant & Underutilized	722	370.2

Planned Projects[1]	Units	SF
Liberty Gateway Apartments	160	
Hub Mixed-Use Site	500-600	500K

1: List of planned projects not comprehensive and only includes larger projects either under construction or with specific plans suggesting strong likelihood of future delivery.

Depot District / Streetcar Corridor

Catalytic Site Profile

Strengths	Weaknesses
•Central location in region; •Outstanding transit and highway access; •Close proximity to downtown destinations and amenities, including Gateway, indoor arena, and Pioneer Park; •Proximity to largest employment concentration in region and hub of regional economic activity.	•Shelters and related activity are barrier, hindering opportunity to build off Gateway location directly south; •Connectivity from block to block is barrier to development momentum, particularly into Granary District, where viaducts create dead ends on certain streets and blocks are large and less walkable; many streets are wide and difficult to cross.
Opportunities	**Conclusions**
•Apartment market conditions are healthy and the area has demographics that favor rental demand, although the large pipeline of new units County-wide remains a threat; •Opportunity to leverage Salt Lake Central Station, delivering moderately positioned apartments and office space to tenants that value multi-modal access and central location in the region; •Location in two RDAs and Hub site plans will facilitate opportunities.	•The site's adjacency to the CBD and multi-modal access are a unique set of strengths not found anywhere else in the region; •As such, apartment and office development could be drawn to the site, although they would have to be moderately positioned in light of the site's existing weaknesses; •Opportunity will be stronger if issue with connectivity to the CBD through the Rio Grande can be solved.

Findings, Conclusions, and Recommendations

The Depot District / Streetcar corridor's proximity to the downtown CBD makes it one of the strongest large-scale infill/redevelopment locations in the region. Activity is likely to take place on the north/northeast of the site, emanating from the Gateway to the south/southwest over time. This progression has already begun with the construction of 160 market-rate apartments immediately west of the Gateway, and an assortment of recent adaptive reuse and new construction activity along the northeastern edge along South 300 West.

Salt Lake Central Station is a unique amenity but its location is somewhat isolated/disconnected from CBD activity, and residential market audiences have not demonstrated a strong preference for transit access. The planned Hub site will help bridge the disconnect between the station and CBD activity.

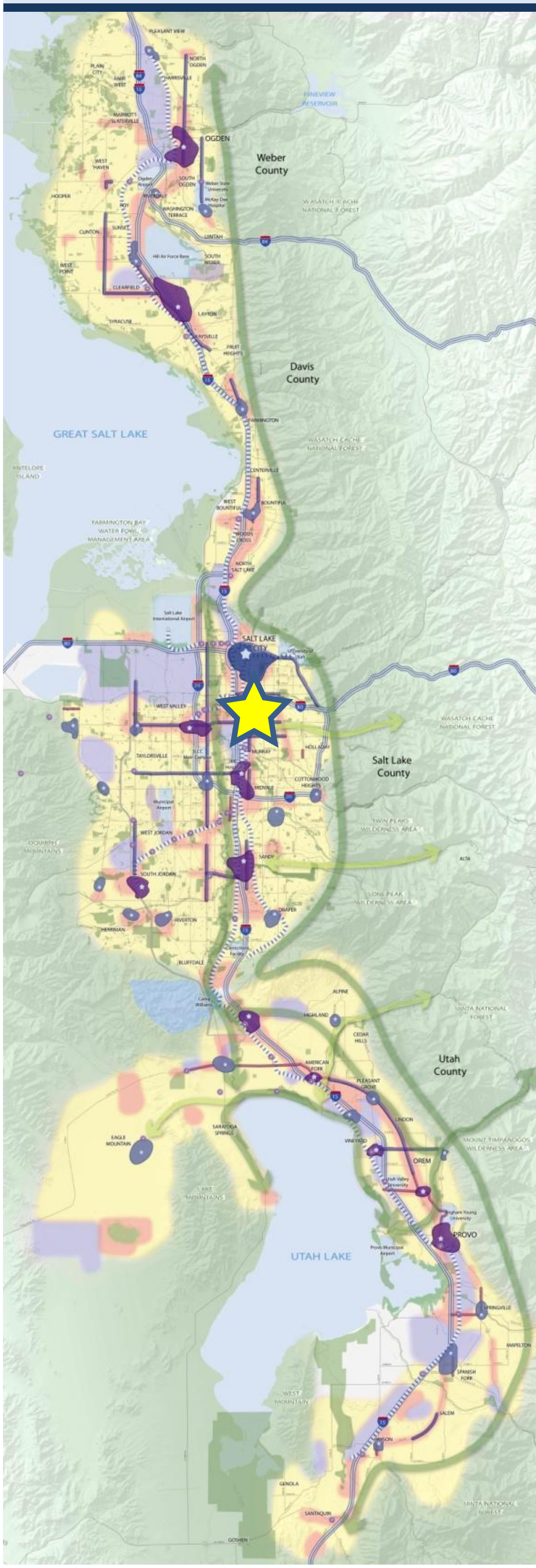
There is a niche opportunity for office. If land can be acquired cheaply and site prep costs minimized, a developer could build mid-rise product for lower cost and strategically compete on price with existing CBD supply, targeting price-sensitive tenants seeking CBD proximity and multi-modal access. The Hub site should absorb the majority of this demand in the next 5-10 years but opportunities to the south of the Hub site will emerge in the longer term.

Likewise, there is an opportunity for moderately positioned rental residential. The site's weaknesses will reduce demand for higher priced product in the near term and the Hub site should absorb a large share of residential demand over the forecast period. Family households will generally be deterred by the presence of homeless and other urban issues at the site, making it a very pioneering site for smaller for-sale product. As such, townhomes and condominium units likely represent a longer term opportunity (10-15+ years) as the site evolves. A small amount of townhomes (150-200 units) will be viable in the Hub site and on other strong parcels.

Further south, the Granary District area has a number of challenges and barriers to redevelopment, including a lack of connectivity in certain areas and a variety of industrial uses that appear healthy. Many of these users are distribution oriented and attracted to the location's proximity to the CBD, central location in the region, and strong highway access, and may be unwilling to relocate as a result. Delivering new infill development surrounding these users is possible but will lack a sense of place and the ability to create a critical mass will be hindered. In light of this, an organic, piecemeal approach to redevelopment is most feasible, embracing the district's industrial history and character.

There may be an opportunity for high-tech industrial employment in rehab/adaptive reuse buildings but this remains a limited niche. One strategy could be to target Green businesses to anchor office and high-tech/R&D industrial space, highlighting the area's strong multi-modal access and walkable proximity to CBD amenities.

Meadowbrook Station Area



Introduction

The Wasatch Choice for 2040 represents a vision for the future that helps focus growth towards a number of activity centers in the region, many with strong access to transit, to help foster sustainable and livable communities. As part of this effort, numerous demonstration or “catalytic” sites were identified, representing a range of community types, to determine how best to overcome barriers and facilitate infill development. The lessons learned from studying these centers will be used to evaluate and facilitate development at similar centers along the Wasatch Front.

As part of this effort, a market overview was conducted for the sites to understand the economic, demographic, and real estate supply and demand conditions surrounding each. The analyses summarized in this ‘Catalytic Market Profile’ were conducted to help understand the current context for new development and redevelopment opportunities at each site.

The analysis methodology is contained within the full report which was completed in March 2013. State, county, and local-level projections were used to lay the groundwork for the growth in the region overall, and supply and demand analyses were conducted for residential and commercial uses. Local tax assessor data and GIS applications were used to identify existing land uses and quantify development and redevelopment opportunities at the parcel level in each site. Numerous interviews were conducted with public and private sector stakeholders as well, including city planners and real estate professionals active in each market.

This Catalytic Market Profile provides detailed data at various geographical levels and culminates in estimates of potential commercial and residential development in each site in the next five to ten year period.

Catalytic Site Background

Located partially on the southern boundary of South Salt Lake City and in the unincorporated portion of Salt Lake County, known as West Millcreek, the Meadowbrook Station area is situated within what the Wasatch Choice for 2040 defines as a potential Station Community. Station communities are geographically small, high-intensity centers surrounding high capacity transit stations with varying land uses.

In addition to a mix of long-established land uses including industrial, commercial and single family residential development, Salt Lake Community College has established a satellite campus along the TRAX line, and two major multifamily developments have been constructed within walking distance of the stop.

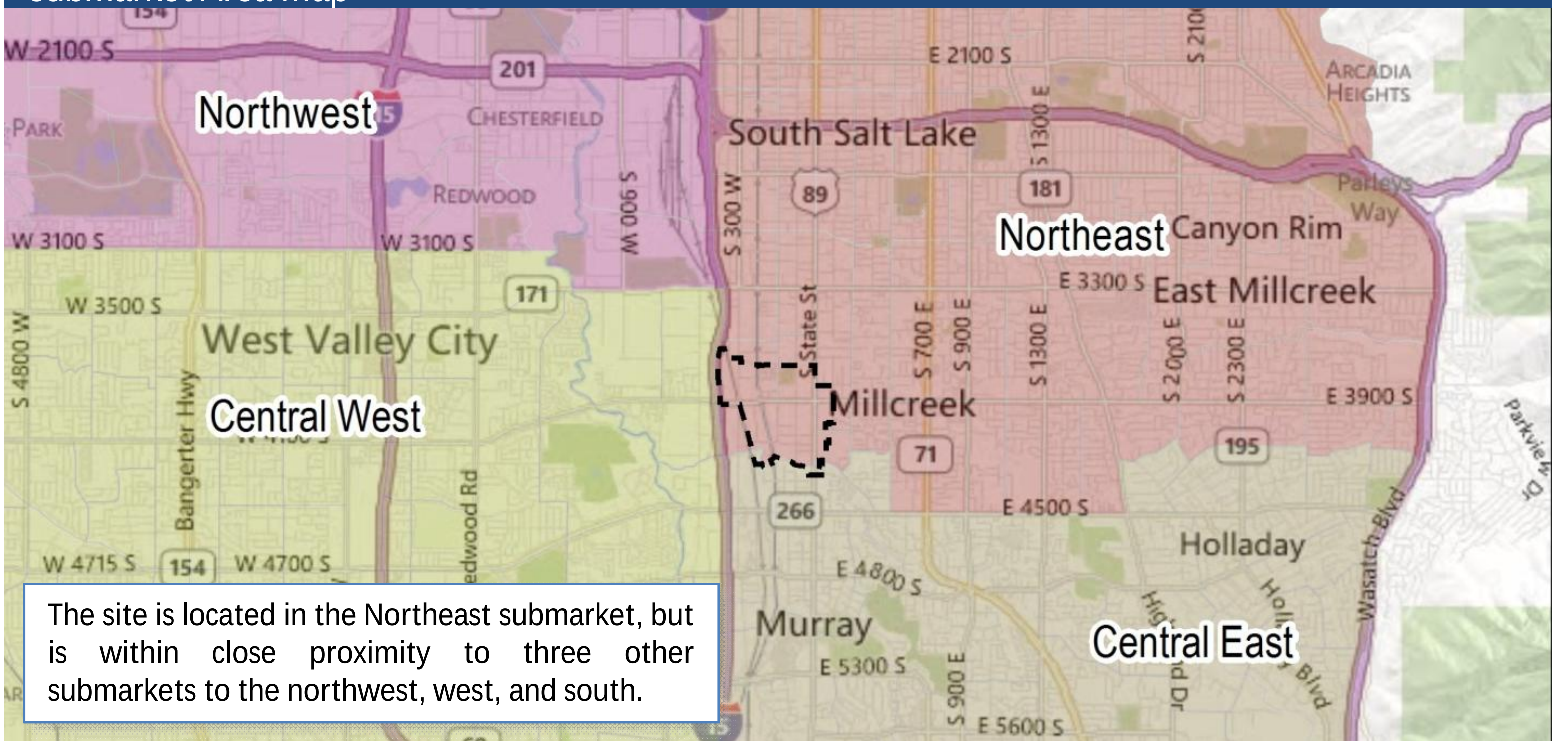
New development and redevelopment in a Station Community is envisioned with moderate densities, including floor area ratios ranging from .5 to 2.5, and 20 to 100 dwelling units per acre.

Meadowbrook Station Area

Salt Lake County Overview[1]

- Unlike many regions throughout the country, Salt Lake County sustained growth during the Great Recession, gaining more jobs from 2005 to 2010 (17.4K) than it gained between 2000 and 2005 (14.6K). The County's losses in the construction and information sectors were offset by significant gains in education and health services and state, local, and federal government jobs.
- The County experienced strong growth in the most recent available 12 months (ending June 2012) of 22,900 jobs (4.0%), trailing Utah County in growth rate (4.7%) but outpacing the State as a whole (3.6%).
- Households grew at an average annual rate of 1.5% from 2000 to 2010 and forecasts predict the County will have strong long-term household growth, at nearly 1.75% annually from 2010 through 2025.

Submarket Area Map[2]



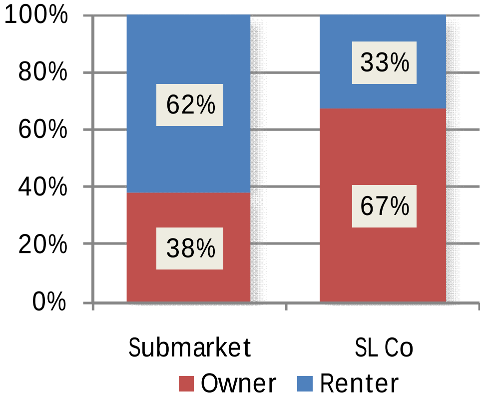
County and Submarket Data[3]

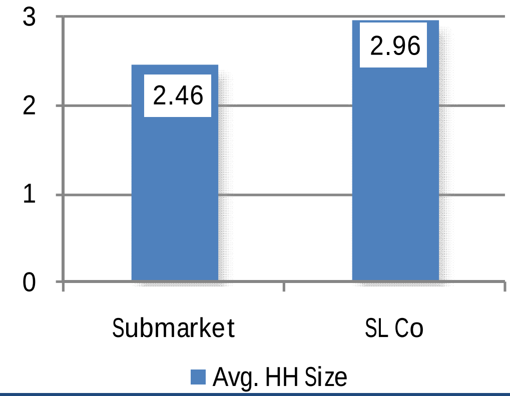
Forecast Jobs & Households		2000	2010	2015	2020	2025
County	Jobs	538,900	571,000	634,200	691,000	749,100
	HH	297,000	343,600	373,300	408,000	445,800
Northeast	Jobs	107,200	113,600	126,200	137,500	149,000
	HH	63,700	66,700	68,600	70,800	73,200
Job Growth			2000-10	2010-15	2015-20	2020-25
County	Annual Growth		0.6%	2.1%	1.7%	1.6%
	% of Regional Growth		44.6%	57.5%	59.1%	64.7%
Northeast	Annual Growth		0.6%	2.1%	1.7%	1.6%
	% of County Growth		19.9%	19.9%	19.9%	19.8%
Household Growth			2000-10	2010-15	2015-20	2020-25
County	Annual Growth		1.5%	1.7%	1.8%	1.8%
	% of Regional Growth		37.7%	42.1%	42.4%	41.7%
Northeast	Annual Growth		0.5%	0.6%	0.6%	0.7%
	% of County Growth		6.4%	6.4%	6.3%	6.3%

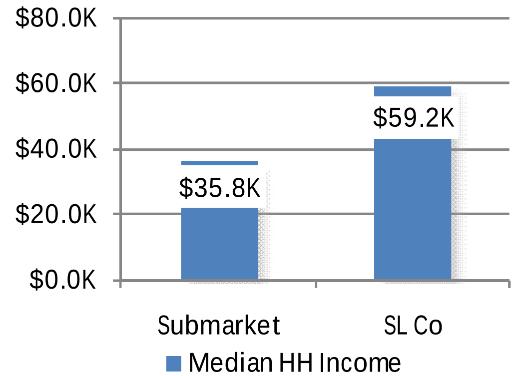
1: Employment based on U.S. Bureau of Labor Statistics (BLS) Quarterly Census of Employment & Wages (QCEW); Household forecast based on data from the Governor's Office of Planning & Budgeting (GOPB) and Global Insight (GI). 2: Submarkets defined by NAI West. 3: County jobs/HHs based on GI and GOPB data; 2000 and 2010 submarket jobs/HHs based on data from Wasatch Front Regional Council (WFRC). 2015-2025 submarket forecast based on historical share of County growth.

Meadowbrook Station Area

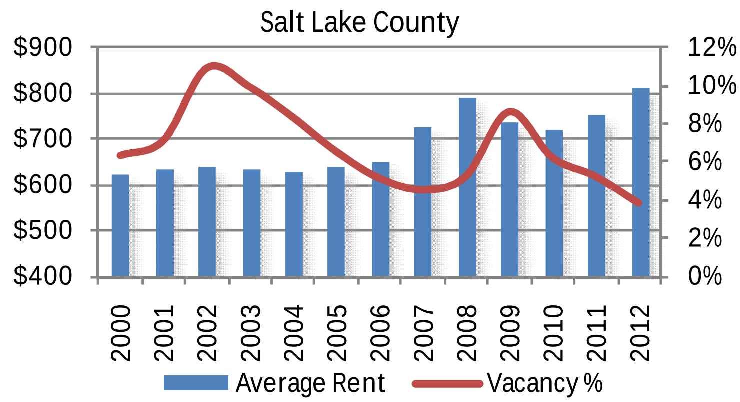
County & Submarket Household Characteristics[1]

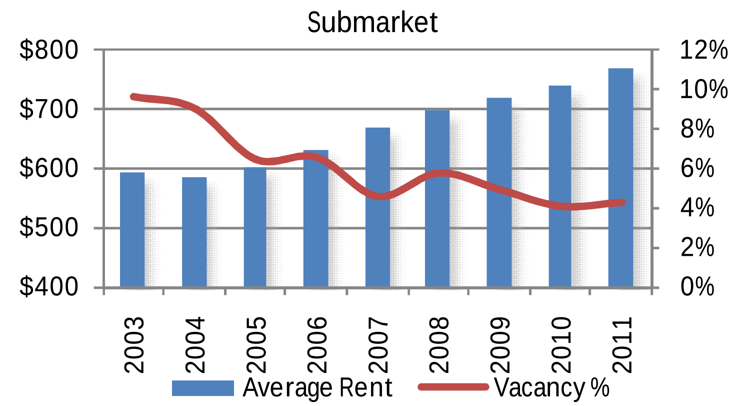




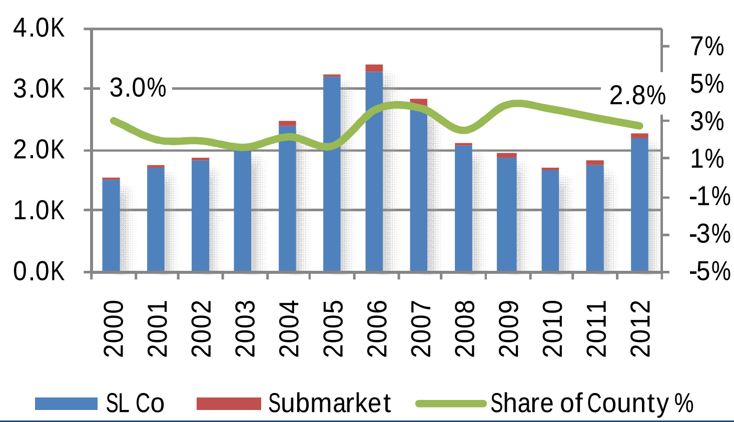


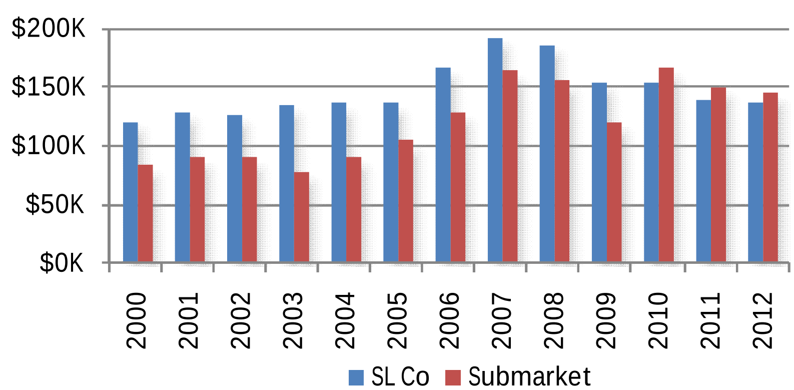
Apartment Market Trends – County/Submarket[2]



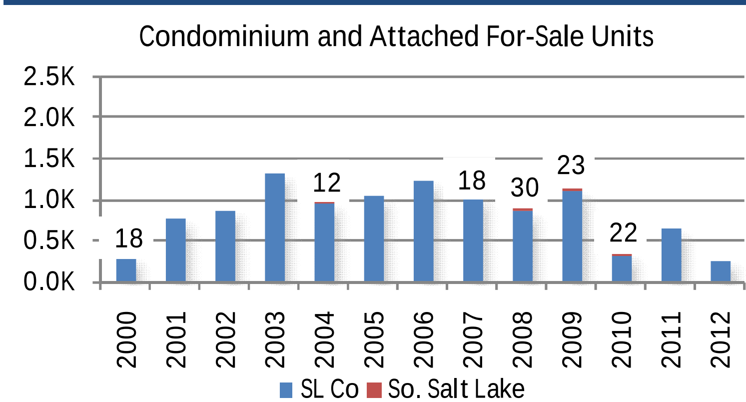


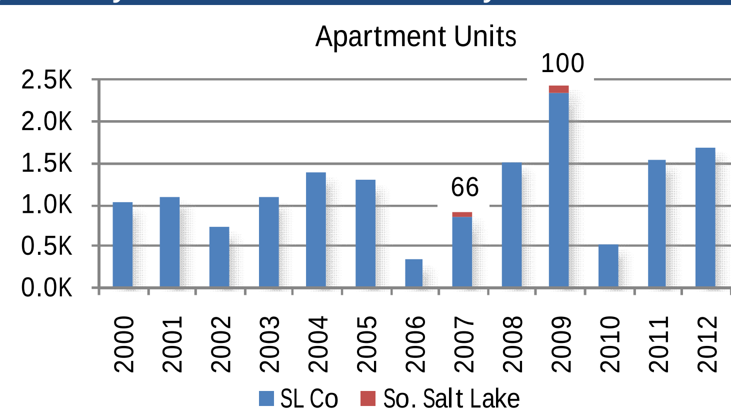
Historical Condominium Sales Volume and Price, County and Submarket, 2000-2012[3]





Historical Attached For-Sale and Rental Permitting, County and South Salt Lake City, 2000-2012[4]





1: HH tenure and size data from 2010 Census; Income Data from 2011 ACS; Submarket defined as South Salt Lake; 2: Source: Equimark; 3: Submarket defined as zip code 84115; Salt Lake Board of Realtors; 4: University of Utah Bureau of Economic & Business Research (BEBR); 2012 data through November.

Catalytic Site Residential Market Overview

Household demographics

- Relative to the County, the Northeast submarket has a far higher renter propensity and the smaller household size and lower incomes typically associated with renter households.
- These characteristics suggest that the residential opportunity will be stronger for rental apartments versus for-sale units in the near term (5 to 10 years).

Apartment Market Conditions

- Low vacancy rates in both the County and submarket suggest very healthy apartment market conditions. However, the pipeline of planned, proposed, and under construction projects will result in significant new competitive supply in the near term (5 years).
- There are approximately 2,000 units under construction and 4,500 units planned or proposed in the County, including the Bud Bailey affordable units in the catalytic site area, as well as the units at the Fireclay project in Murray, just south of the catalytic site boundary.

For-Sale Market Conditions

- Market conditions for attached, for-sale product are improving. Sales volume of existing units has leveled off after reaching a 10-year low in 2010. After having lower average prices from 2000 to 2009, existing units in the Meadowbrook area have achieved a price premium above the County over the last three years.
- This trend is due in part to the new townhome units delivered on the north end of the catalytic site boundary.
- Besides these units and some condominium product in the Fireclay District that has struggled, very few for-sale attached units have been delivered in the surrounding area.

Catalytic Site Residential Opportunity

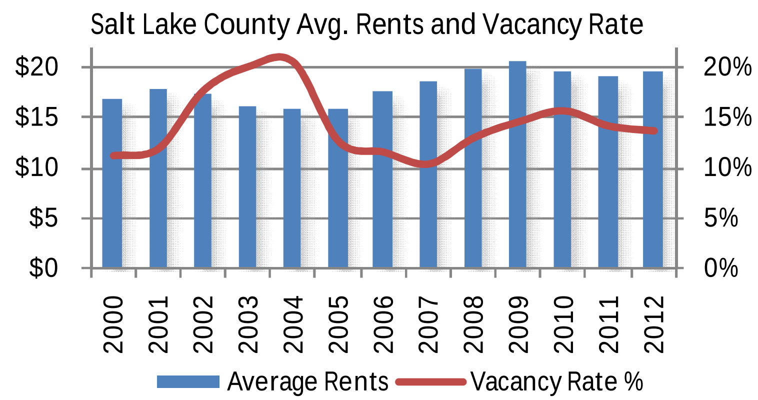
Product	2013-2020	2020-2025	Potential Rents/Pricing/Size	Comments
Rental Apartments				
Affordable / Income-Qualified Rental Units	100-200 total units	150-300 total units	NA	40-50% of rental demand will be from lower income households seeking affordable / income-qualified units.
Market Rate Rental Unit	125-250 total units	200-350 total units	1B: $650-$950, 500-700 SF, $1.27 - $1.30/SF 2B: $975-$1,175, 800-1,050 SF, $1.12-$1.22/SF	3-4 story surface-parked apartments; New rental units under construction in Fireclay District to the south in Murray will capture some of near-term demand.
For-Sale Product				
Townhomes	20-40 total units	30-60 total units	$140K-$200K, 1,200-1,700 SF, $115 - $120/SF	Condominium units remain speculative product in light of current market conditions and site's competitive strengths and weaknesses.

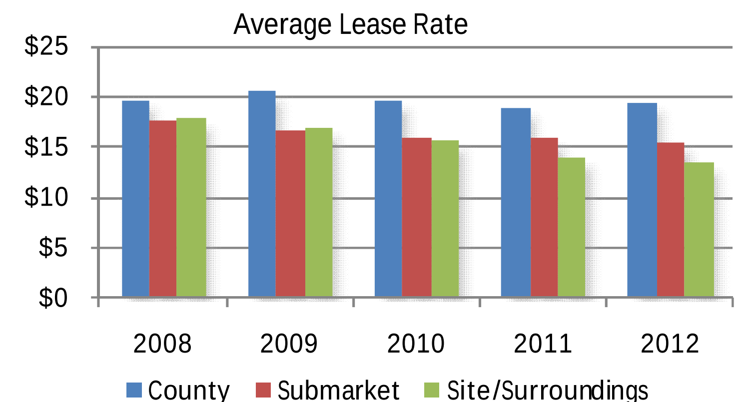
Meadowbrook Station Area

Historical and Forecast Employment Growth by Sector, Salt Lake County, 2000-2025[1]

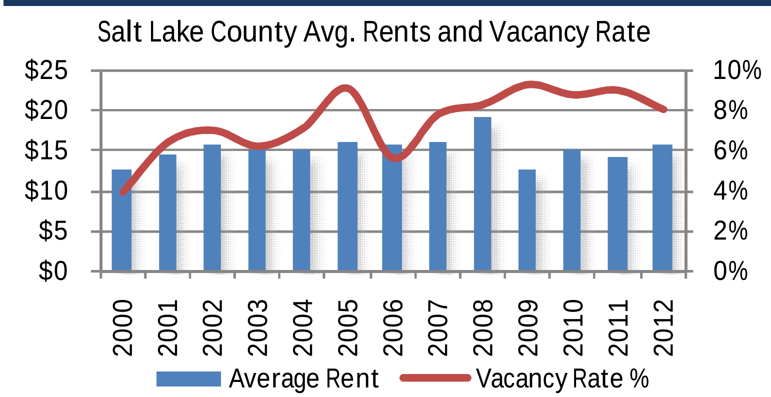
	2000-2005	2005-10	2010-15	2015-20	2020-25
Transportation, Trade, & Utilities	-1,700	-500	10,800	8,800	6,100
Professional & Business Services	800	4,000	19,800	23,300	28,800
Government	6,400	6,100	3,400	5,200	6,600
Educational & Health Services	10,400	11,900	5,600	8,400	5,500
Manufacturing	-3,500	-1,100	5,600	2,100	1,200
Leisure & Hospitality	2,200	2,000	3,000	-2,500	-800
Financial Activities	3,400	700	3,100	700	1,800
Construction, Natural Resources, and Mining	-1,300	-3,900	10,600	8,500	6,500
Other Services	700	0	200	100	500
Information	-2,600	-1,700	1,200	2,200	2,100
Total Non-Farm Employment Change	14,800	17,500	63,300	56,800	58,300

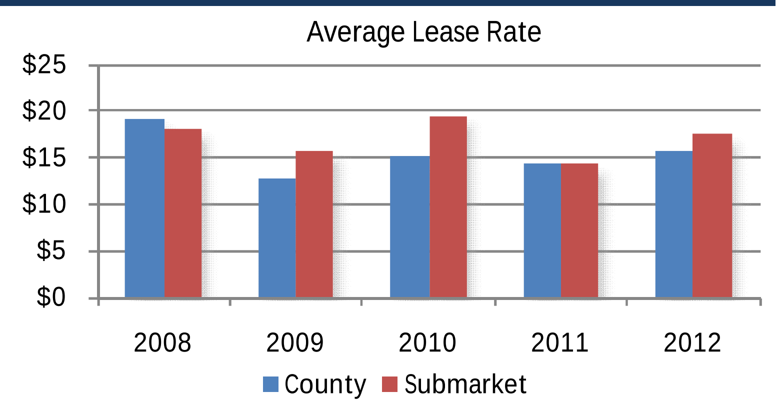
County Office Trends and Average Rents for County, Submarket, and Site/Surrounding Area[2]



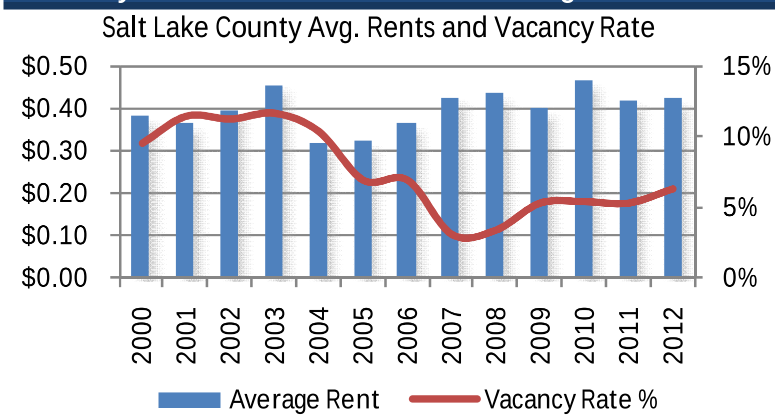


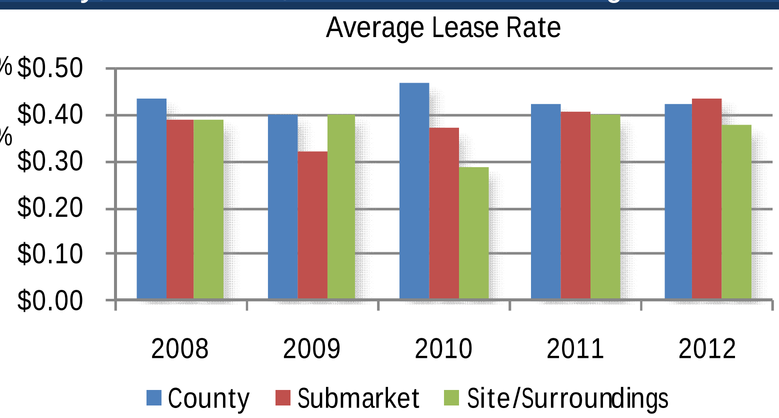
County Retail Trends and Average Rents for County and Submarket[2]





County Industrial Trends and Average Rents for County, Submarket, and Site/Surrounding Area[2]





1. Global Insight; 2: NAI West; historical retail data unavailable at catalytic site level; Current available listings in submarket range from $9 to $15 rent/SF.

Catalytic Site Commercial Market Overview

Employment Sector Trends
- From 2000 to 2010, the Salt Lake County economy was bolstered by significant gains in the Education and Health Services sector (22,300 jobs) and the Government sector (12,500 jobs).
- The professional and business services sector is forecast to experience the strongest growth from 2010 to 2025, with close to 20,000 jobs from 2010 to 2015, 23,300 from 2015 to 2020, and almost 29,000 from 2020 to 2025. This trend will have a strong, positive impact on the Salt Lake County office market.

Office Market Conditions
- The Salt Lake County office market remained relatively healthy during the Recession, due in part to continued job growth despite national trends.
- The Northeast submarket and Meadowbrook catalytic site area have consistently trailed the County in terms of average rents, with an aging inventory and general lack of significant office concentrations.

Retail Market Conditions
- Retail market conditions remain weak but are showing some slight improvement. Vacancy rates are historically high and rents are lower than previous years.
- Average rents in the Northeast submarket have kept pace with the County average. Although average rents for the catalytic site were unavailable, existing available spaces are being marketed with rents ranging from $9 to $14 per square foot.
- Retail near the site is primarily older, low-density, suburban strip format serving the primary north-south arteries.

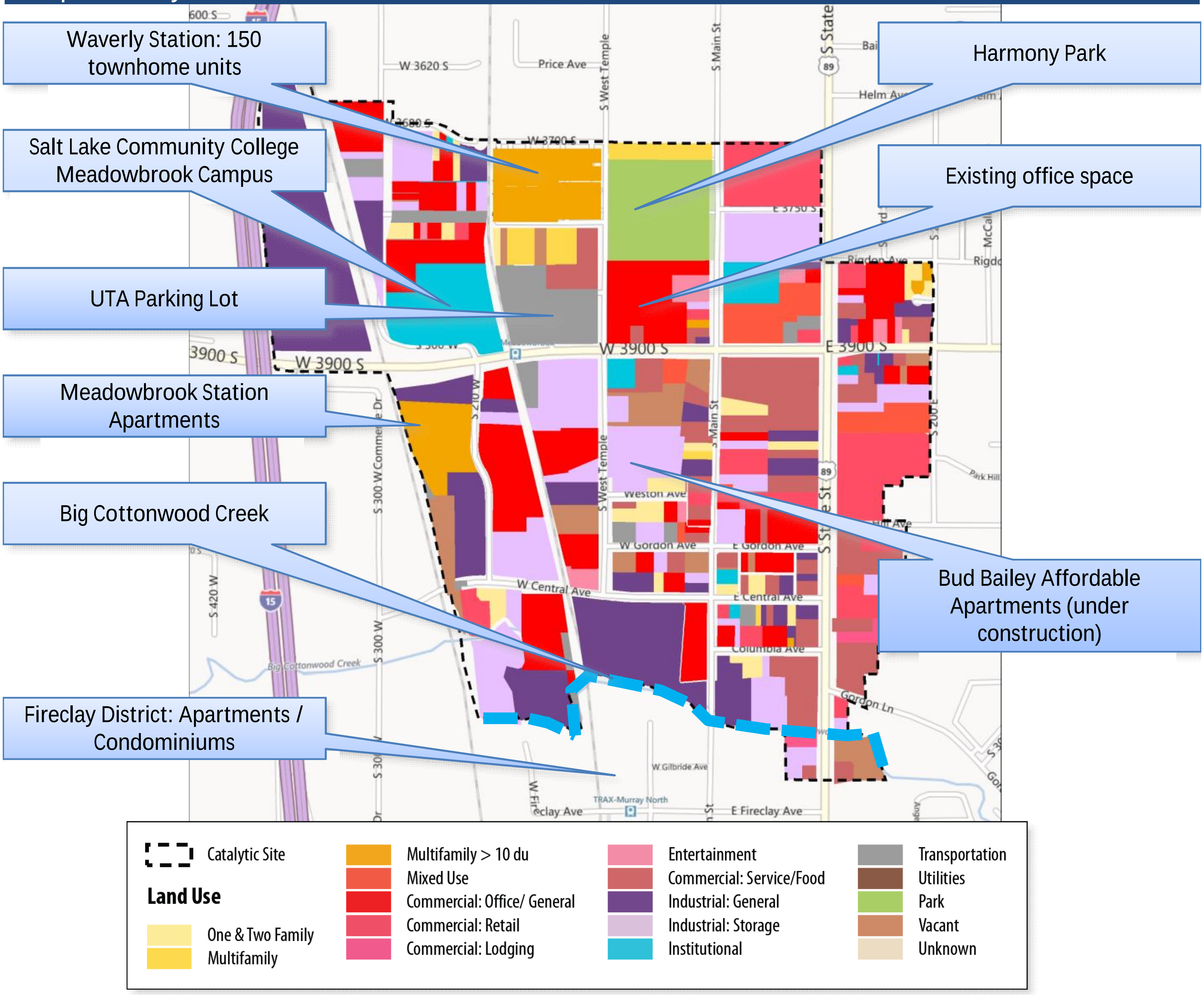
Industrial Market Conditions
- The Salt Lake County industrial market remains remarkably strong. The Northeast submarket and catalytic site area and surroundings have kept pace with the County in terms of average rents per square foot.
- Available industrial space in and around the site is concentrated along I-15 and includes asking rents ranging from $0.29 to $0.48 per square foot per month.

Catalytic Site Commercial Opportunity

Product Type	2013-2025	Comments
Office Space	25K – 50K Total SF 2K – 4K SF per year	• The catalytic site does not represent a strong, large-scale office opportunity in the near term, with minimal complementary surrounding land uses, employment concentrations, amenities, etc. • In the longer term, as the site evolves, it may be attractive to office tenants/developers seeking lower rents, proximity to TRAX access, and strategically central location between CBD and southern Salt Lake County submarkets.
Retail Space	Minimal	• Minimal large-scale retail opportunity due to weak market conditions and existing site conditions; Entire submarket has averaged net absorption of 12K SF annually over past 10 years. • Limited, small-scale, ground-floor retail opportunity may evolve along 3900 South. However, traffic counts (23,600 in 2010) are lower than competitive east-west corridors to the north (37,700 ADT on 3300 South) and south (39,700 ADT on 4500 South) that have access to I-15.
Industrial Space	60K – 90K Total SF 5K – 7.5K SF per year	• There may be a very limited opportunity to attract industrial users to redevelopment sites but lack of access to I-15 hinders potential; • Industrial development patterns will favor cheaper greenfield locations relative to parcels requiring demolition and potential site remediation.

Meadowbrook Station Area

Map of Catalytic Site



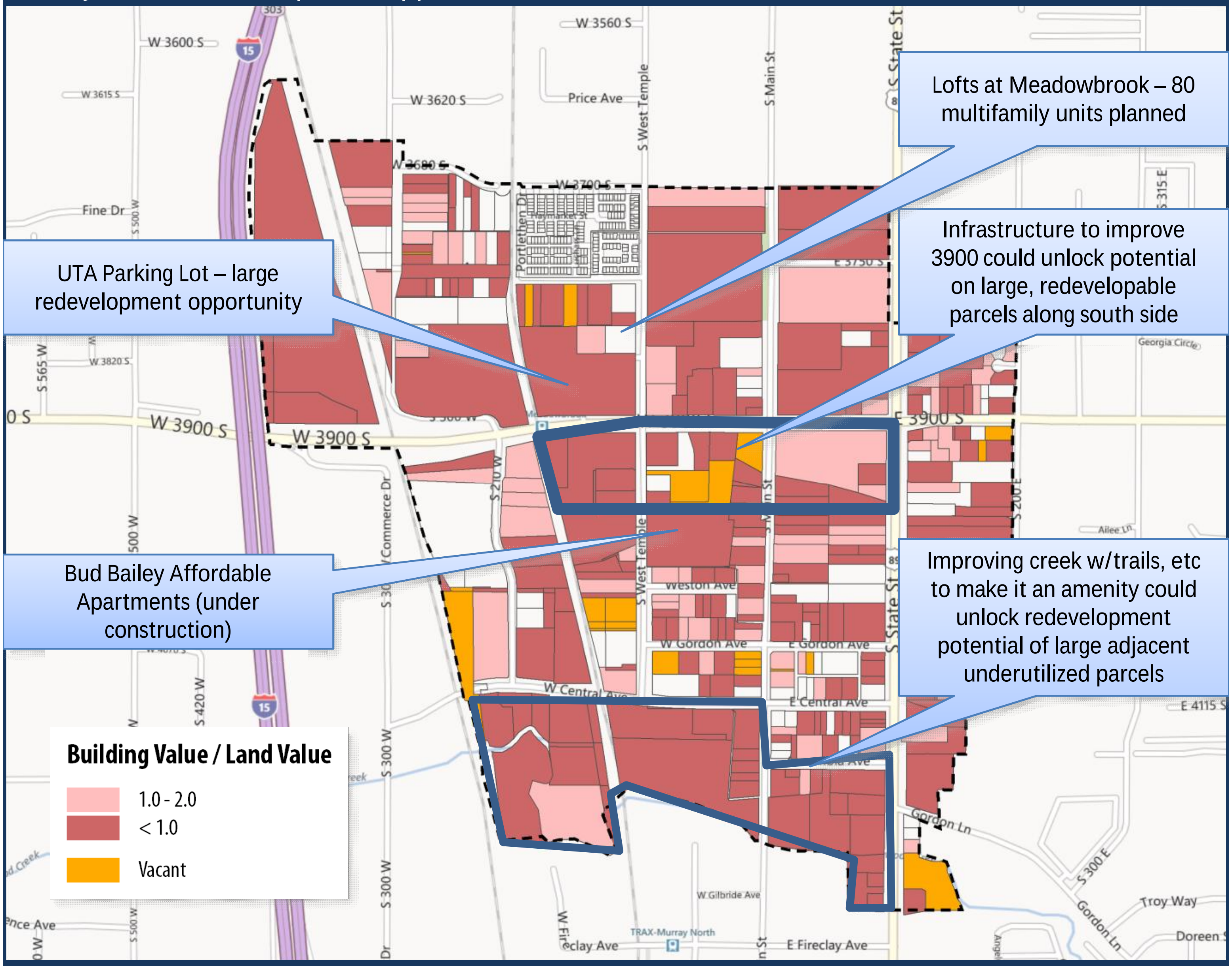
Land Use Summary

Existing Land Use	Parcels	Acres
One & Two Family	30	8.2
Multifamily	7	7.0
Multifamily > 10 du	214	15.4
Mixed Use	9	8.5
Commercial: Office/General	76	41.4
Commercial: Retail	18	15.5
Commercial: Service/Food	49	30.6
Lodging	2	1.5

Existing Land Use	Parcels	Acres
Entertainment	7	3.2
Industrial: General	56	56.6
Industrial: Storage	55	41.5
Institutional	10	13.8
Transportation	21	13.3
Park	3	11.9
Vacant	24	11.8

Meadowbrook Station Area

Catalytic Site Redevelopment Opportunities



Redevelopment Opportunities

Type	Parcels	Acres
Total Vacant	24	11.8
BV:LV 1.0 – 2.0	72	47.2
BV:LV < 1.0	226	190.7
Total Vacant & Underutilized	322	249.7

Recently Built & Planned Projects[1]	Units	SF
Bud Bailey Affordable Apartments – under construction	136	
Waverly Station townhomes – recently completed	150	
Meadowbrook Station Apartments – recently completed	240	
Lofts at Meadowbrook – planned	80	

1: List of planned projects not comprehensive and only includes larger projects either under construction or with specific plans suggesting strong likelihood of future delivery.

Meadowbrook Station Area

Catalytic Site Profile

Strengths	Weaknesses
•Central location in region relative to outlying greenfield development opportunities; •Strong access to transit with Meadowbrook Station; •Large quantity of underutilized/redevelopable land; •Big Cottonwood Creek along the south side of the site boundary has potential to be strong natural amenity if improved.	•Lack of access to I-15 makes site weak relative to nearby competitive areas; •Existing surrounding land uses and physical condition are not complementary for new development; •Lack of pedestrian connectivity to station from south of 3900 represents barrier to new development. •Few vacant parcels
Opportunities	**Conclusions**
•Although the submarket and site have historically trailed the larger area in terms of achievable rents and development activity, commercial and residential conditions are improving and the site has numerous parcels ripe for redevelopment. •With improved connectivity, there is an opportunity to leverage the Meadowbrook Station amenity.	•Affordable and moderately positioned apartments relatively close to the station are likely an opportunity in the next 5 to 10 years. •Some new, smaller-scale retail fronting 3900 could be viable assuming traffic counts are sufficient. Plan space for ground-floor retail but make it flexible so that it could be common space for apartments in near term while retail opportunity evolves.

Findings, Conclusions, and Recommendations

The Meadowbrook catalytic site has a number of challenges to overcome in order to spur ongoing, large-scale development and redevelopment activity within the defined boundary. The strongest near-term opportunities are concentrated north of 3900 South, near the TRAX station, including the UTA-owned parking lot adjacent to the station. On the south end of the site, the vast majority of parcels are underutilized and ripe for redevelopment, but many are small and isolated.

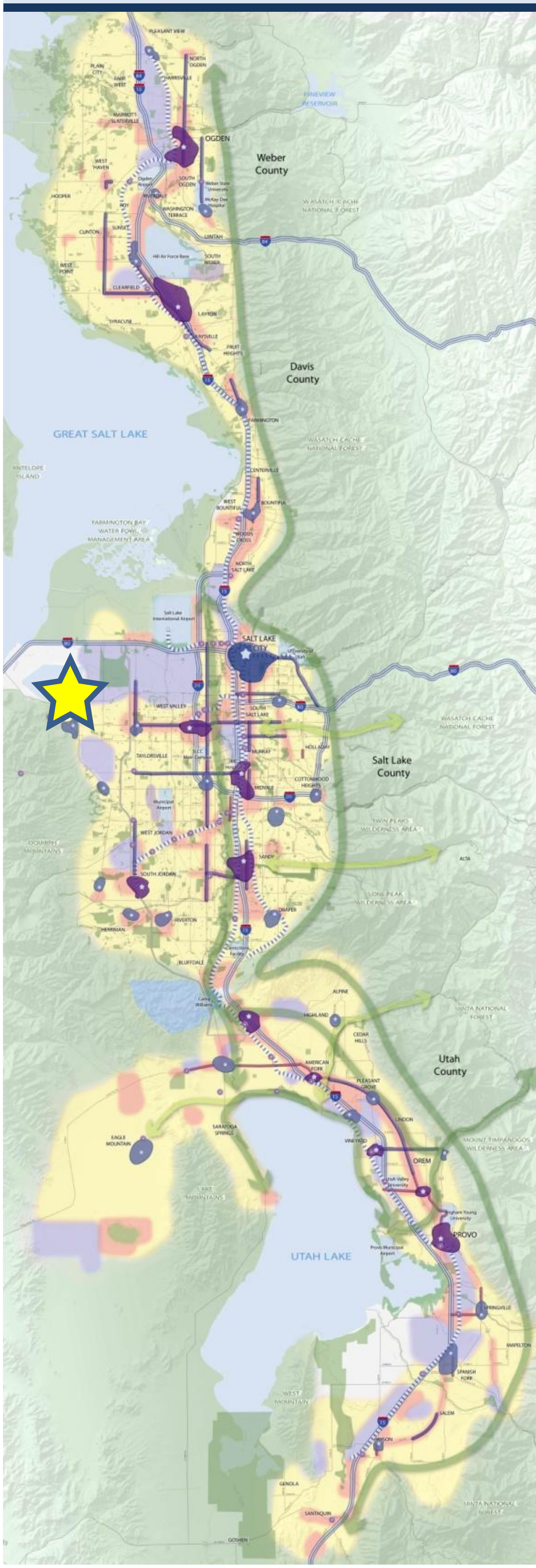
A critical barrier to redevelopment includes a lack of connectivity to the station from south of 3900 South. Infrastructure improvements designed to improve walkability across 3900 South (e.g. more clearly delineated crosswalks, raised medians/crossing islands, contiguous sidewalk on south side of street, etc.) would facilitate pedestrian connectivity to the station, making the road less of a physical barrier and allowing the station to be more of a catalyst for new development in the larger area to the south. Similarly, improving the Big Cottonwood Creek to make it an accessible natural amenity will improve conditions on the south side of the site and allow for this area to leverage the momentum from the new development taking place in Murray, immediately south of the site.

Minimal new development is anticipated in the forecast period but investing in these infrastructure improvements on the north and south end of the site can act as a catalyst that serves to accelerate development potential in the area.

The UTA parking lot is likely best suited for affordable and moderately positioned market rate apartments in the near term. While a three to four-story mixed-use project with ground-floor retail would be an ideal format given the frontage along 3900 South, market conditions in the area have not evolved to support the increased costs and risks of this type of project. It is recommended that ground floor space planned for commercial retail tenants first be used as common space amenities for the apartment, such as the leasing office, fitness center, club room, etc. If/when the area and market evolves to the point that retail can be supported, these spaces can be retrofitted for retail uses if planned for in in the initial construction.

If connectivity across 3900 South is improved, large, redevelopable parcels on the south side of the street between S 210 W all the way to Main Street will have increased potential. If improvements are made to the creek to make it a strong amenity, land assemblage along the creek may likely be the best way to leverage this investment. This could facilitate new development with large, development-ready parcels adjacent to the creek and within close proximity to the new development in the Fireclay District and strategically positioned between the TRAX station at 4500 South and Meadowbrook Station to the north.

Magna Main Street



Introduction

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This Catalytic Market Profile provides detailed data at various geographical levels and culminates in estimates of potential commercial and residential development in each site in the next five to ten year period.

Catalytic Site Background

Located on the outlying western fringe of the region and in the northwest portion of Magna Township, the downtown Magna area is classified as what the Wasatch Choice for 2040 defines as a potential Main Street Community. Main Street Communities are linear town centers with a traditional commercial identity that prioritize pedestrian friendly features and benefit from strong auto and transit access.

In addition to a mix of long-established land uses including historic commercial buildings, Magna Main Street has benefitted from significant public investments including streetscape improvements, a senior center, and public library. The area also benefits from bus rapid transit (BRT) providing access to Salt Lake City.

New development and redevelopment in a Main Street Community is envisioned with low to moderate densities, including floor area ratios ranging from .5 to 1.5, and 10 to 50 dwelling units per acre.

Magna Main Street

Salt Lake County Overview[1]

- Unlike many regions throughout the country, Salt Lake County sustained growth during the Great Recession, gaining more jobs from 2005 to 2010 (17.4K) than it gained between 2000 and 2005 (14.6K). The County's losses in the construction and information sectors were offset by significant gains in education and health services and state, local, and federal government jobs.
- The County experienced strong growth in the most recent available 12 months (ending June 2012) of 22,900 jobs (4.0%), trailing Utah County in growth rate (4.7%) but outpacing the State as a whole (3.6%).
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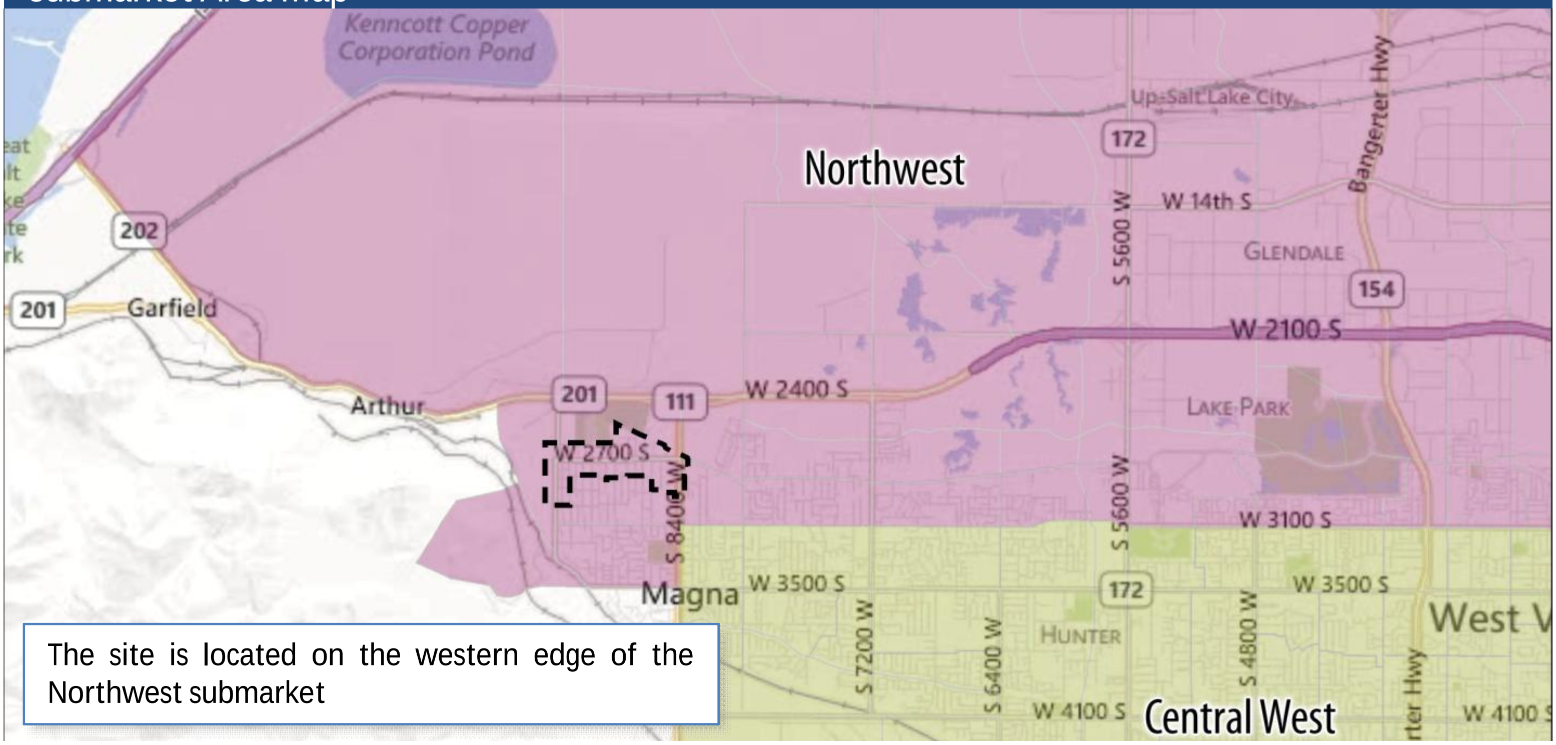
Submarket Area Map[2]



The site is located on the western edge of the Northwest submarket

County and Submarket Data[3]

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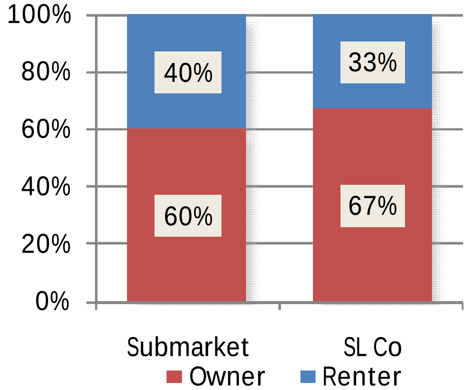
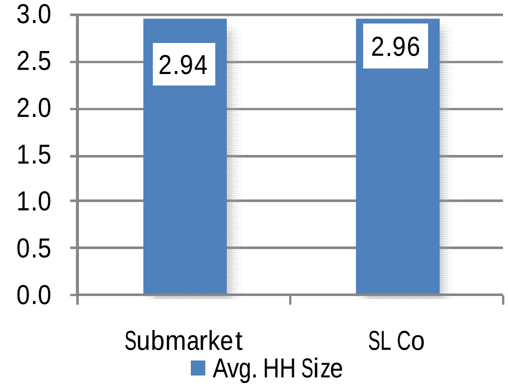
	HH	26,200	27,200	27,800	28,500	29,300
Job Growth			2000-10	2010-15	2015-20	2020-25
County	Annual Growth		0.6%	2.1%	1.7%	1.6%
	% of Regional Growth		44.6%	57.5%	59.1%	64.7%
Northwest	Annual Growth		0.6%	2.1%	1.7%	1.6%
	Total Growth		6,800	13,400	12,100	12,400
Household Growth			2000-10	2010-15	2015-20	2020-25
County	Annual Growth		1.5%	1.7%	1.8%	1.8%
	% of Regional Growth		37.7%	42.1%	42.4%	41.7%
Northwest	Annual Growth		0.4%	0.4%	0.5%	0.6%
	Total Growth		1,000	600	700	800

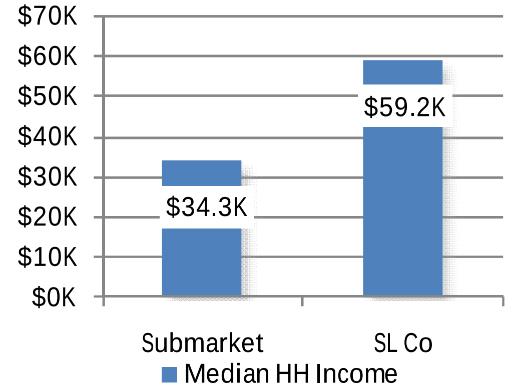
1: Employment based on U.S. Bureau of Labor Statistics (BLS) Quarterly Census of Employment & Wages (QCEW); Household forecast based on data from the Governor's Office of Planning & Budgeting (GOPB) and Global Insight (GI). 2: Submarkets defined by NAI West. 3: County jobs/HHs based on GI and GOPB data; 2000 and 2010 submarket jobs/HHs based on data from Wasatch Front Regional Council (WFRC). 2015-2025 submarket forecast based on historical share of County growth.

Magna Main Street

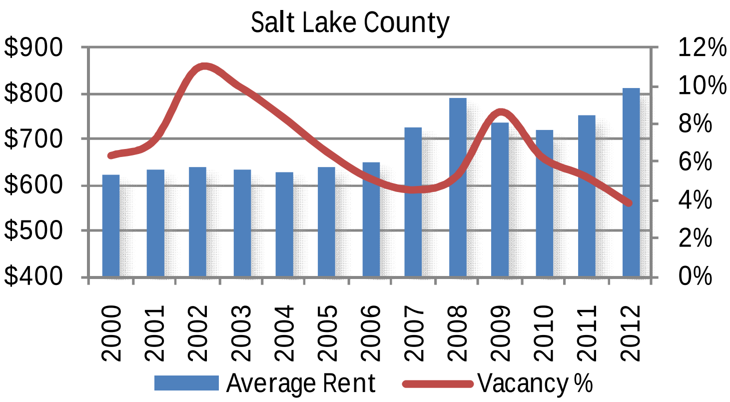
County & Submarket Household Characteristics[1]

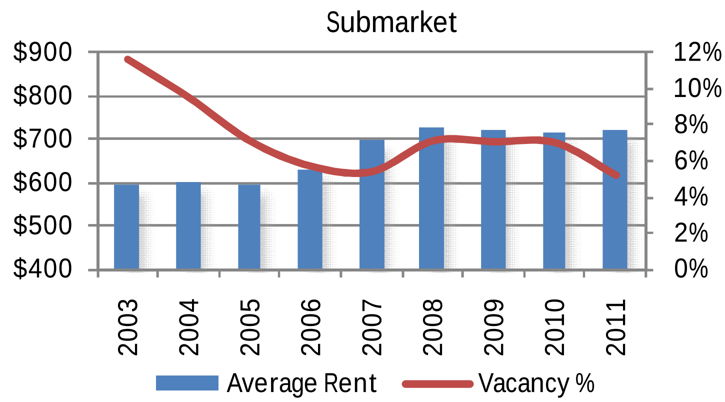




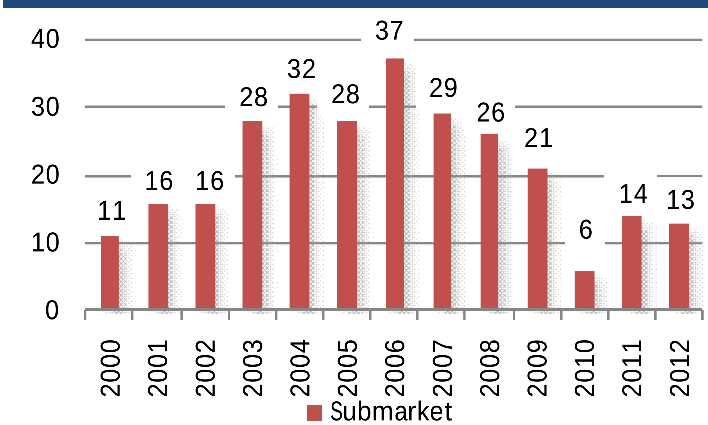


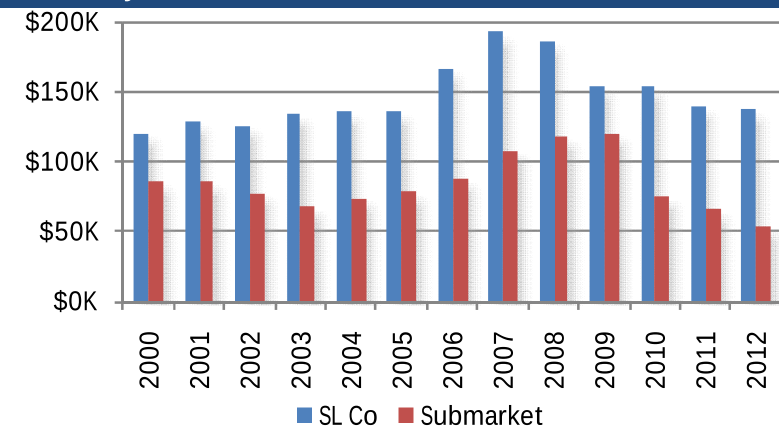
Apartment Market Trends – County/Submarket[2]



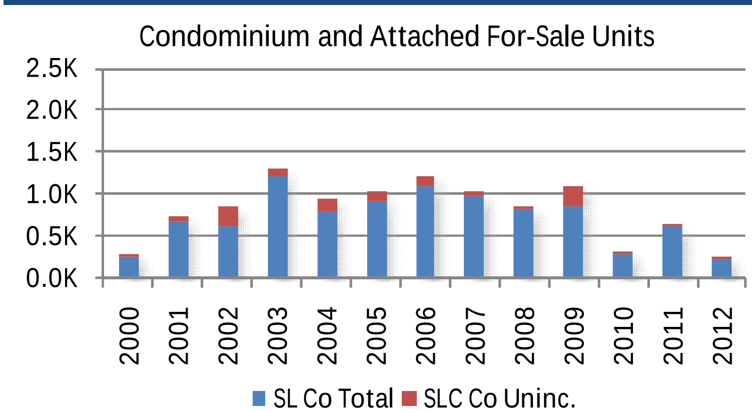


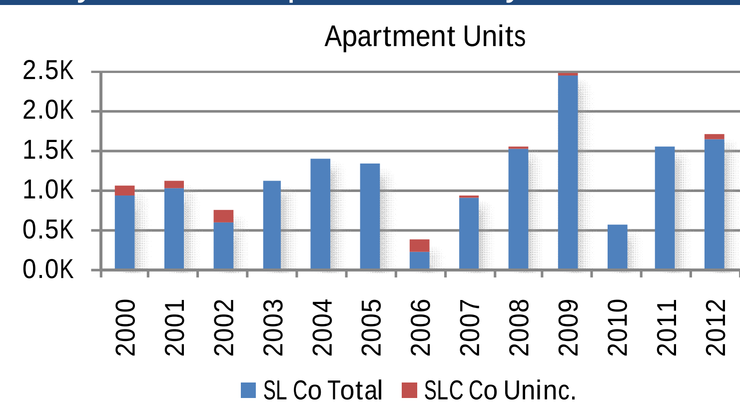
Historical Condominium Sales Volume and Price, County and Submarket, 2000-2012[3]





Historical Attached For-Sale and Rental Permits, County and Unincorporated County, 2000-2012[4]





1: HH tenure and size data from 2010 Census; Income data from 2011 ACS; Submarket defined as Census tract 1139.06; 2: Source: Equimark; Submarket defined as MLS Area 110; 3: Submarket defined as zip code 84044; Salt Lake Board of Realtors; 4: University of Utah Bureau of Economic & Business Research (BEBR); Magna part of Unincorporated SL County total. 2012 data through November.

Magna Main Street

Catalytic Site Residential Market Overview

Household demographics

- Relative to the County, Magna has a slightly lower renter propensity and approximately the same household size.
- Magna has a far lower median household income, which is consistent with lower housing prices in the area as well.
- These characteristics suggest that the residential opportunity may be stronger for affordable rental apartments in the near term (5 to 10 years).

Apartment Market Conditions

- Low vacancy rates in both the County and submarket suggest healthy apartment market conditions. However, the pipeline of planned, proposed, and under construction projects will result in significant new competitive supply in the near term (5 years).
- There are approximately 2,000 units under construction and 4,500 units planned or proposed in the County, although very little is planned towards the western edge of the region near the Magna catalytic site.
- The nearest development activity to Magna Main Street is in West Valley City, and includes 225 units breaking ground in March and another 200 units planned.
- Achievable rents in Magna are not likely sufficient to justify large-scale new construction of market-rate units. Apartment projects tend to benefit from proximity to job centers and Magna has a limited pool of employment relative to other parts of the region.

For-Sale Market Conditions

- County-wide market conditions for attached, for-sale product are improving. Sales volume of existing units has leveled off after reaching a 10-year low in 2010.
- Some new for-sale product is actively selling in Magna but is lower density, detached product with value-oriented positioning. Similar lower-density, detached product would not be consistent with the Magna Main Street streetscape and development pattern.
- Attached product in the Magna zip code has consistently sold at a deep discount to the County-wide average, suggesting for-sale multifamily product is not an opportunity.

Catalytic Site Residential Opportunity

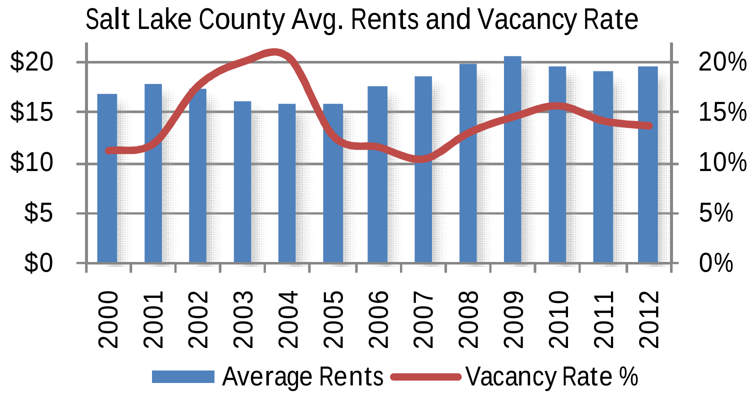
Product Type	2013-20	2020-25	Comments
Rental Apartments			
Affordable/Income-Qualified Rental Units	50-75 total units	50-75 total units	Demographics suggest affordable rental units might be an opportunity
Market Rate Rental Units	None	Minimal	Unless a dramatic catalytic event occurs within the site boundary, conditions for market-rate units are limited without subsidy
Townhomes	None	Minimal	In this location, smaller attached product could only attract price-sensitive buyers priced out of larger detached product, as opposed to discretionary , lifestyle-oriented buyers seeking to downsize, who will be drawn to stronger locations with better amenities. However, low prices for detached units in the surrounding area put a ceiling on achievable pricing for attached for-sale product that is below the amount needed to justify new construction

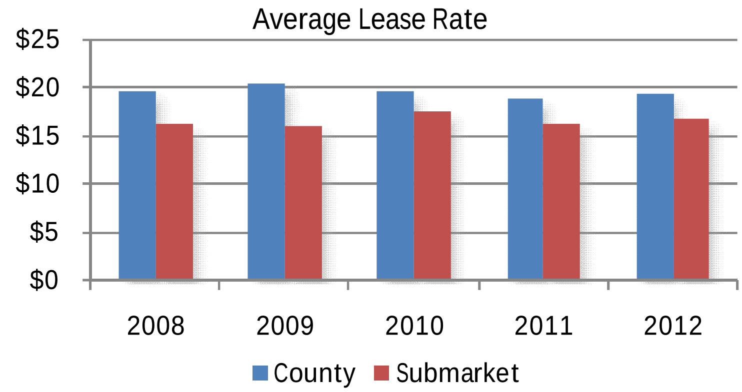
Magna Main Street

Historical and Forecast Employment Growth by Sector, Salt Lake County, 2000-2025[1]

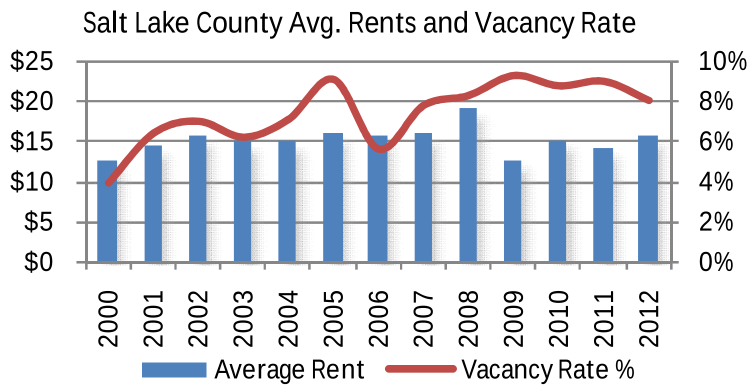
	2000-05	2005-10	2010-15	2015-20	2020-25
Transportation, Trade, & Utilities	-1,700	-500	10,800	8,800	6,100
Professional & Business Services	800	4,000	19,800	23,300	28,800
Government	6,400	6,100	3,400	5,200	6,600
Educational & Health Services	10,400	11,900	5,600	8,400	5,500
Manufacturing	-3,500	-1,100	5,600	2,100	1,200
Leisure & Hospitality	2,200	2,000	3,000	-2,500	-800
Financial Activities	3,400	700	3,100	700	1,800
Construction, Natural Resources, and Mining	-1,300	-3,900	10,600	8,500	6,500
Other Services	700	0	200	100	500
Information	-2,600	-1,700	1,200	2,200	2,100
Total Non-Farm Employment Change	14,800	17,500	63,300	56,800	58,300

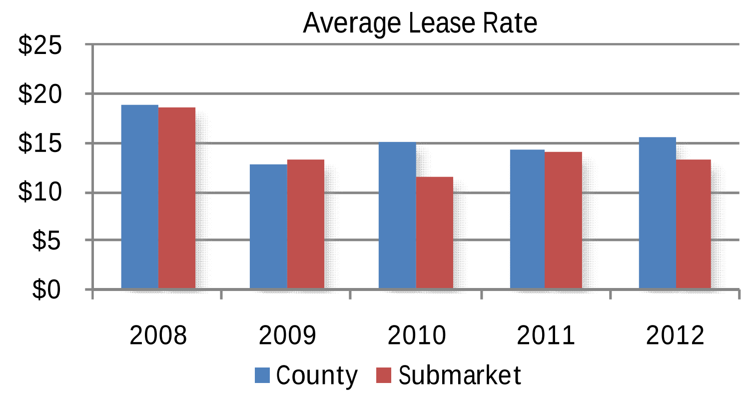
County Office Trends and Average Rents for County, Submarket, and Site/Surrounding Area[2]



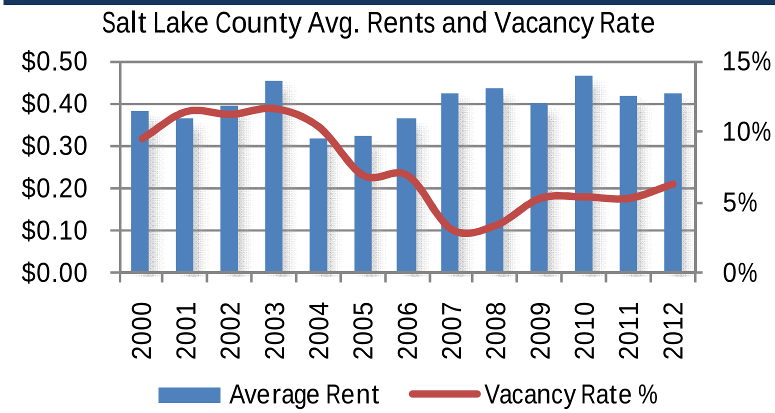


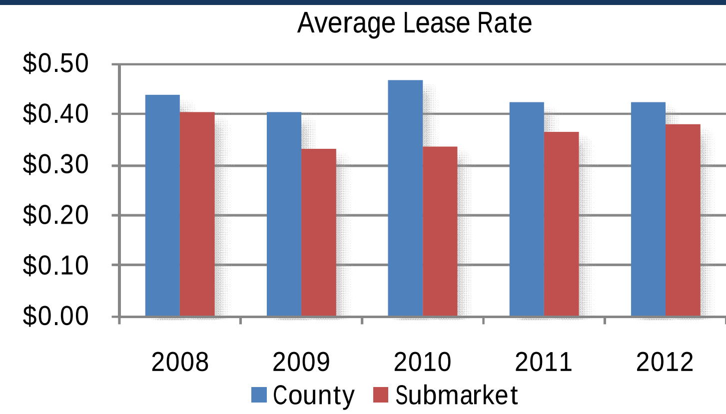
County Retail Trends and Average Rents for County, and Submarket[2]





County Industrial Trends and Average Rents for County, Submarket, and Site/Surrounding Area[2]





1. Global Insight; 2: NAI West.

Magna Main Street

Catalytic Site Commercial Market Overview

Employment Sector Trends

- From 2000 to 2010, the Salt Lake County economy was bolstered by significant gains in the Education and Health Services sector (22,300 jobs) and the Government sector (12,500 jobs).
- The professional and business services sector is forecast to experience the strongest growth from 2010 to 2025, with close to 20,000 jobs from 2010 to 2015, 23,300 from 2015 to 2020, and almost 29,000 from 2020 to 2025. This trend will have a strong, positive impact on the Salt Lake County office market.
- According to the Utah Department of Workforce Services, Magna had 5,200 jobs as of 2011, and grew by an annual average of 0.47% since 2001.

Office Market Conditions

- The Salt Lake County office market remained relatively healthy during the Recession, due in part to continued job growth despite national trends.
- The Northeast submarket has consistently trailed the County in terms of average rents, with the majority of inventory concentrated in West Valley City. There is minimal office space of significant size in Magna.

Retail Market Conditions

- Retail market conditions remain weak but are showing some slight improvement. Vacancy rates are historically high and rents are lower than previous years.
- Average rents in the Northwest submarket are at a slight discount to the County average.
- Retail on Magna Main Street is a mix of low-density, suburban strip format as well as some ground-floor retail in some of the historic structures.

Industrial Market Conditions

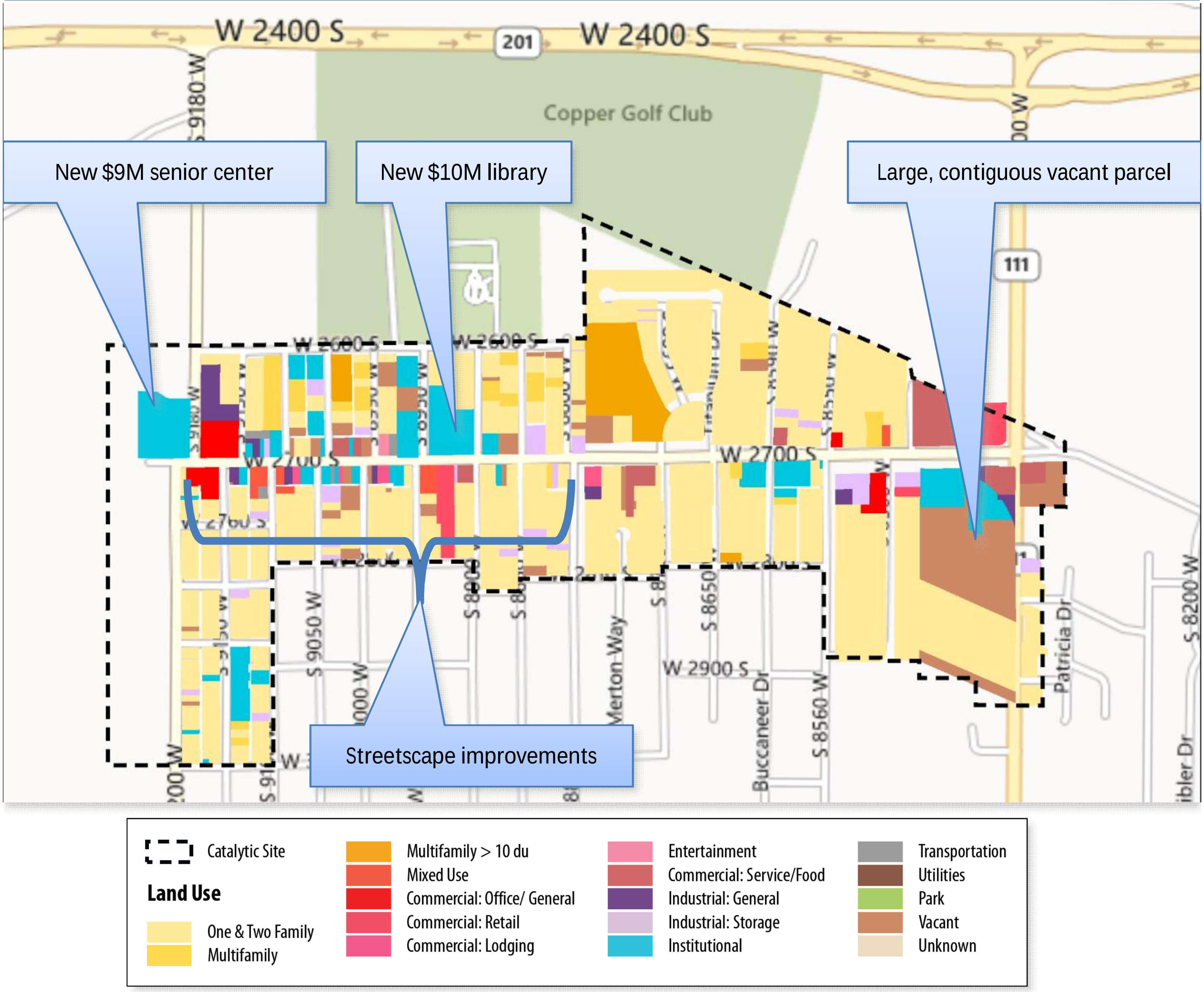
- The Salt Lake County industrial market remains remarkably strong.
- The Northwest submarket consists of a large amount of inventory concentrated near the airport as well as along numerous highways in the submarket.
- There is almost no industrial uses tracked in Magna, and the site does not lend itself to industrial uses.

Catalytic Site Commercial Opportunity

Product Type	2013-2025	Comments
Office Space	Minimal	• The catalytic site does not represent a strong office opportunity, with minimal complementary surrounding land uses, employment concentrations, amenities, etc; • Some small-scale service-oriented office may be viable (e.g. legal, insurance, or real estate service providers) but requires similar site criteria as typical retail, which is lacking at site.
Retail Space	Minimal	• Although there is some retail leakage from the site, competitive supply in stronger retail locations in nearby surrounding areas in Magna and other adjacent cities will continue to capture this leakage; • Although Main Street's physical character lends itself to retail, the street's dead end on the west side and resulting low traffic count severely hinders conventional retail opportunity; • Low incomes in the immediately surrounding area also limit retail potential.
Industrial Space	None	• Conventional industrial space/format is not suitable/consistent with existing Main Street urban pattern/layout.
Without a catalytic, "lightning-strike" event taking place within the boundary, there is minimal commercial development opportunity on Magna Main Street.		

Magna Main Street

Map of Catalytic Site

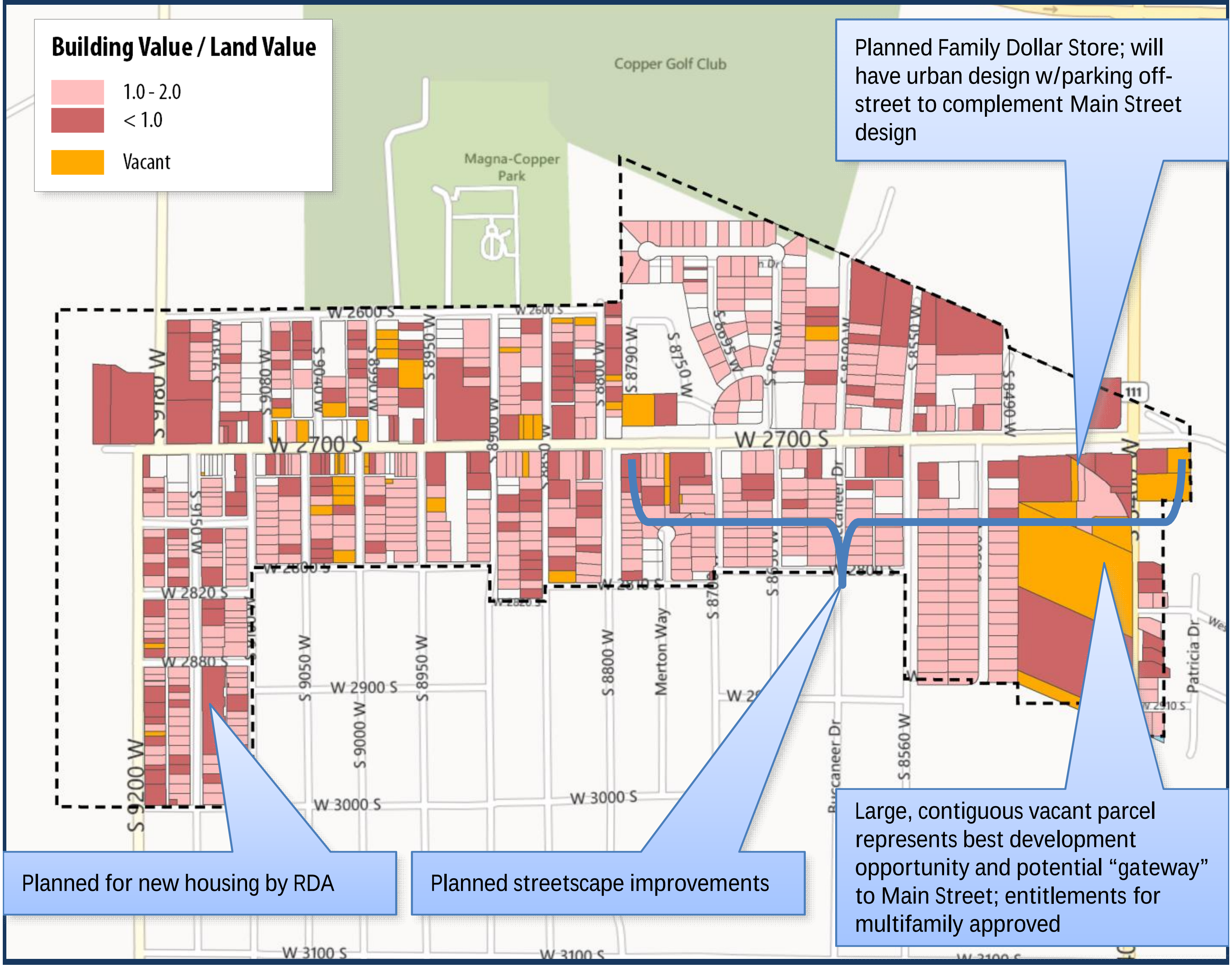


Land Use Summary

Existing Land Use	Parcels	Acres	Existing Land Use	Parcels	Acres
One & Two Family	518	100.4	Entertainment	1	0.2
Multifamily	31	31.0	Industrial: General	12	2.5
Multifamily > 10 du	3	7.0	Industrial: Storage	31	4.4
Mixed Use	6	1.2	Institutional	56	15.5
Commercial: Office/General	6	2.8	Transportation	5	0.5
Commercial: Retail	3	2.9	Vacant	46	14.5
Commercial: Service/Food	8	5.6	Total	732	189.1
Lodging	6	0.7			

Magna Main Street

Catalytic Site Redevelopment Opportunities



Redevelopment Opportunities

Type	Parcels	Acres
Total Vacant	46	14.5
BV:LV 1.0 – 2.0	423	70.7
BV:LV < 1.0	174	49.8
Total Vacant & Underutilized	643	135.1
% Vacant & Underutilized	88%	71%

Recently Built & Planned Projects[1]	Units	Investment
Senior Center – recently built		$9M
Public Library – recently built		$10M
Streetscape improvements on east side - planned		$1.3M
Planned multifamily	288	

1: List of planned projects not comprehensive and only includes larger projects either under construction or with specific plans suggesting potential likelihood of future delivery.

Magna Main Street

Catalytic Site Profile

Strengths	Weaknesses
•Historic architecture / character; •Good access to transit with existing BRT; •Good regional east/west access from SR-201 highway; •Compact, pedestrian friendly existing street grid / layout.	•Far removed from employment concentrations and economic activity; •Generally weak existing surrounding land uses and physical condition, particularly on eastern half of street; •Strong negative perception in region; •Few large, contiguous vacant parcels.
Opportunities	**Conclusions**
•Large quantity of underutilized/redevelopable land; •Opportunity to develop large contiguous parcel on eastern edge of street as "gateway" to Downtown Magna; consider public participation/assistance with site.	•Although commercial and residential market conditions are improving, the site is not well positioned to capture future demand; •Affordable apartments on the large parcel on the eastern edge of site could be developed; •Some small-scale, service-oriented office may be viable in longer term; •While the streetscape lends itself to retail development, the street's dead end results in very low traffic counts, dramatically hindering retail development opportunity.

Findings, Conclusions, and Recommendations

The Magna Main Street catalytic site has a number of challenges to overcome in order to spur redevelopment activity within the defined boundary. The strongest near-term opportunity exists on the large, contiguous, vacant parcel located on the eastern edge of the site boundary. Plans for multifamily development on this parcel had momentum but stalled during the last recession. Development on this site would capture the majority of demand potential but could potentially be a catalyst for continued development in the Main Street corridor.

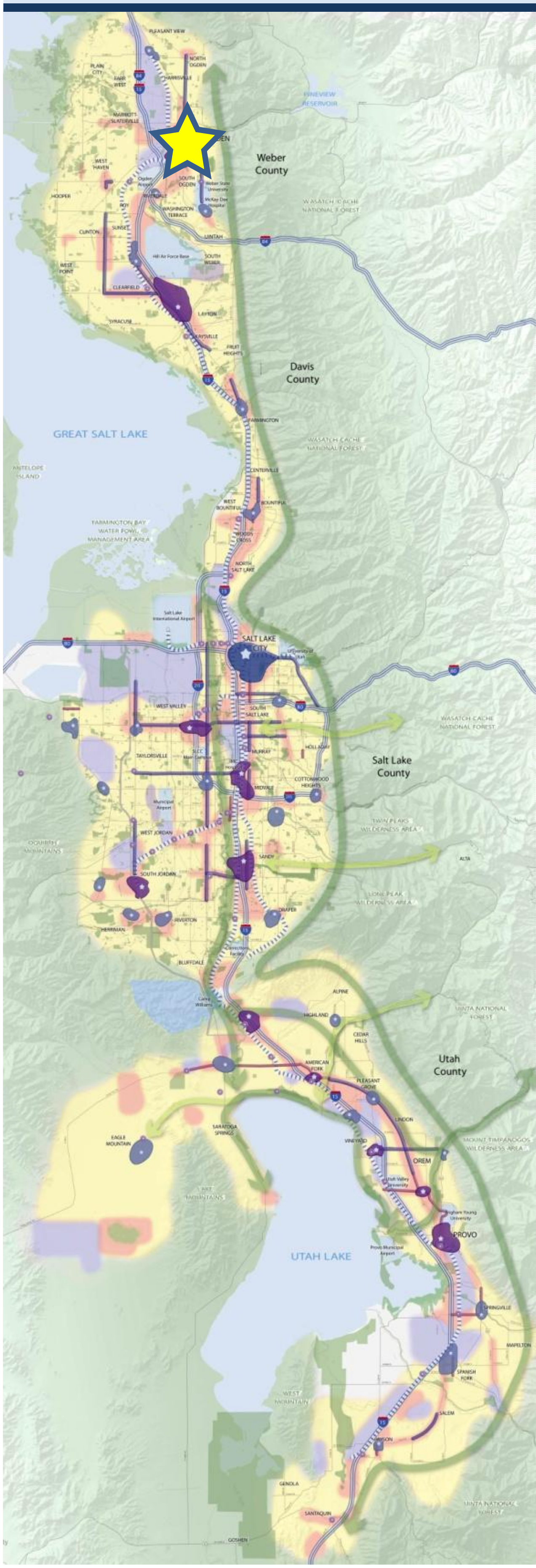
Magna's location in the region makes it a very challenged site for new development. Main Street is relatively isolated, and therefore unable to tap into ongoing regional growth patterns for residential and commercial development. Furthermore, Main Street's dead end to the west means minimal east-west traffic, severely hindering any traditional retail development opportunity. While the streetscape lends itself to retail uses, there is a large amount of competitive supply to the south of Main Street where traffic is stronger.

Furthermore, area demographics are weak, with very low incomes relative to the region. Along with these locational weaknesses, Magna also suffers from a negative perception in the region, further reducing the potential for a pioneering business or residential market audience to consider it as a destination in the near term.

As a result, the best potential near-term opportunity for any new development activity is limited to those uses that are not sensitive to market conditions/dynamics but can still draw users to the area, such as government/institutional uses. This strategy has already been used to some extent, with the recent delivery of the senior center and library on Main Street and the recreation center further south of the site. One idea could be to attract a community college satellite campus, possibly focused on vocational training relevant to the mining industry, given Magna's proximity to mining operations immediately to the north and west. This type of use could not only draw users from the region who might not otherwise visit Magna, but would also leverage it's mining-town history in a positive way.

Minimal new residential or commercial development opportunity is anticipated in the forecast period without a catalytic, "lightning-strike" event taking place. Lightning-strike events are by definition unpredictable but examples could include a major employer choosing to locate in Magna due to proximity to nearby mining operations or if Kennecott decided to develop Little Valley to the southwest. The large parcel on the eastern edge of the site is likely best suited for affordable units in the near term or possibly value-oriented market rate apartments in the long term.

Downtown Ogden



Introduction

The Wasatch Choice for 2040 represents a vision for the future that helps focus growth towards a number of activity centers in the region, many with strong access to transit, to help foster sustainable and livable communities. As part of this effort, numerous demonstration or "catalytic" sites were identified, representing a range of community types, to determine how best to overcome barriers and facilitate infill development. The lessons learned from studying these centers will be used to evaluate and facilitate development at similar centers along the Wasatch Front.

As part of this effort, a market overview was conducted for the sites to understand the economic, demographic, and real estate supply and demand conditions surrounding each. The analyses summarized in this 'Catalytic Market Profile' were conducted to help understand the current context for new development and redevelopment opportunities at each site.

The analysis methodology is contained within the full report which was completed in March 2013. State, county, and local-level projections were used to lay the groundwork for the growth in the region overall, and supply and demand analyses were conducted for residential and commercial uses. Local tax assessor data and GIS applications were used to identify existing land uses and quantify development and redevelopment opportunities at the parcel level in each site. Numerous interviews were conducted with public and private sector stakeholders as well, including city planners and real estate professionals active in each market.

This Catalytic Market Profile provides detailed data at various geographical levels and culminates in estimates of potential commercial and residential development in each site in the next five to ten year period.

Catalytic Site Background

Located on the north side of the region in the heart of Weber County, the Downtown Ogden catalytic site is classified as what the Wasatch Choice for 2040 defines as a potential Urban Center. Urban Centers are the focus of commerce and local government services benefiting a market area of a few hundred thousand people.

The defined boundary consists of a half-mile radius emanating from the Ogden Intermodal Transit Center, which includes access to UTA's Frontrunner commuter rail line, UTA bus service, commercial bus service, taxis, and shuttles. The area includes the majority of the core of downtown Ogden.

New development and redevelopment in an Urban Center is envisioned with moderate densities, including floor area ratios ranging from 0.75 to 4, and 20 to 100 dwelling units per acre.

Downtown Ogden

Weber County Overview[1]

- From 2005 to 2010, Weber County experienced flat job growth, outpacing the nation but trailing the rest of the region over the same period. The County's significant losses in the construction sector (24%, 1,400 jobs) were offset by large gains in education and health services (20%, 2,000 jobs) over the period.
- The County experienced moderate growth in the most recent available 12 months (ending June 2012) of 1,700 jobs (1.9%), but trailed the region and the State as a whole.
- Households grew at an average annual rate of 1.8% from 2000 to 2010 and forecasts predict the County will continue with similar long-term household growth, at 2.0% annually from 2010 through 2025.

County and City Data[2]

Historical & Forecast Households	2000	2010	2015	2020	2025
Weber County	65,700	78,700	85,500	93,300	103,300
Ogden	27,400	29,600	30,800	32,100	33,800

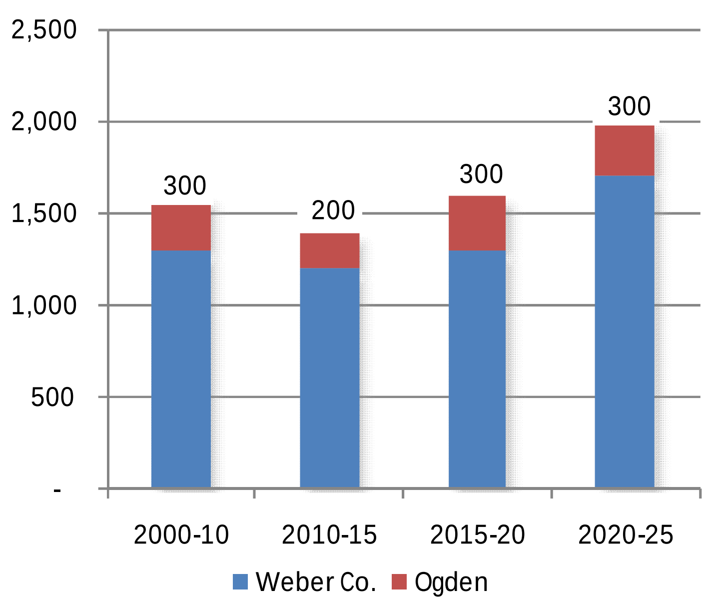
Household Growth		2000-10	2010-15	2015-20	2020-25
Weber County	Annual Growth	1.8%	1.7%	1.8%	2.1%
	% Share of Regional Growth	10.6%	11.1%	10.1%	12.0%
Ogden	Annual Growth	0.8%	0.8%	0.8%	1.0%
	Total Growth	2,200	1,200	1,300	1,700

Historical & Forecast Jobs	2002	2010	2015	2020	2025
Weber County	86,300	89,600	96,500	101,400	104,400
Ogden	54,200	56,400	60,800	64,000	65,900

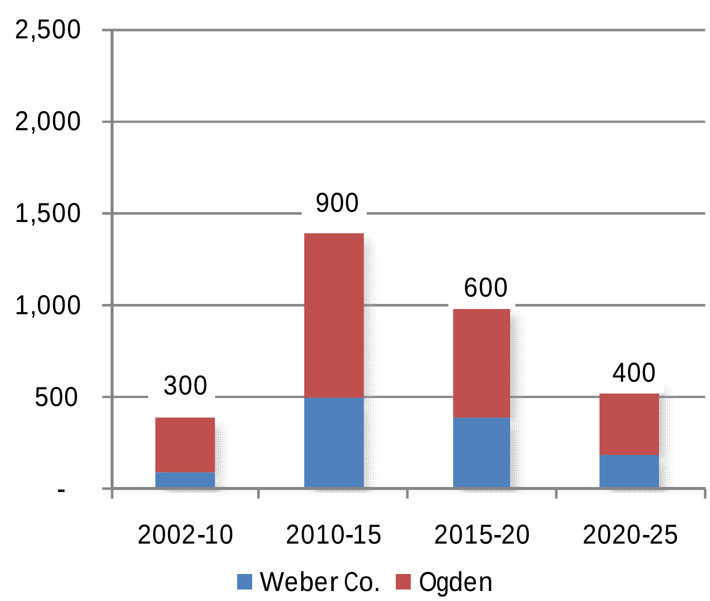
Job Growth		2002-10	2010-15	2015-20	2020-25
Weber County	Annual Growth	0.5%	1.5%	1.0%	0.6%
	% Share of Regional Growth	4.4%	6.3%	5.1%	3.3%
Ogden	Annual Growth	0.5%	1.5%	1.0%	0.6%
	Total Growth	2,200	4,400	3,200	1,900

Historical and Forecast Average Annual Household and Job Growth – County and City

Households



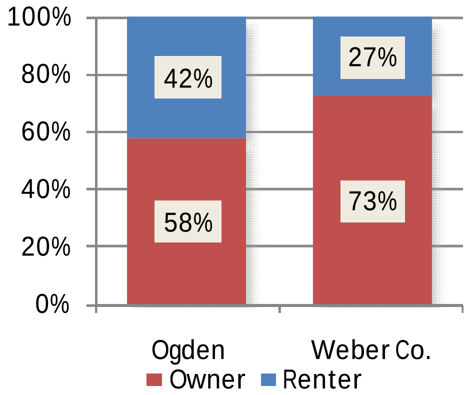
Jobs

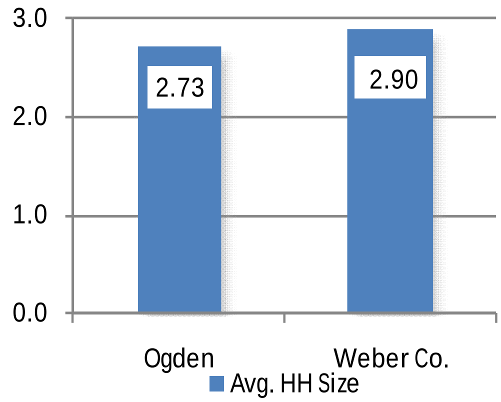


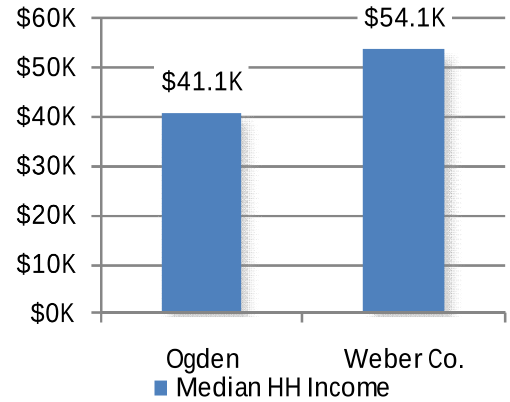
1: Employment based on U.S. Bureau of Labor Statistics (BLS) Quarterly Census of Employment & Wages (QCEW); Household forecast based on data from the Governor's Office of Planning & Budgeting (GOPB) and Moody's. 2: County jobs/HH forecasts based on GOPB and Moody's data; 2000/2002 and 2010 City jobs/HHs based on BLS, Census, and Utah Department of Workforce Services. 2015-2025 City forecast based on historical share of County growth.

Downtown Ogden

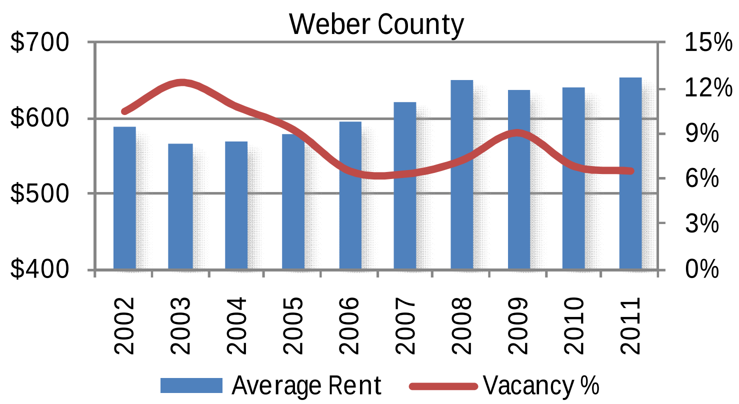
Household Demographic Characteristics[1]

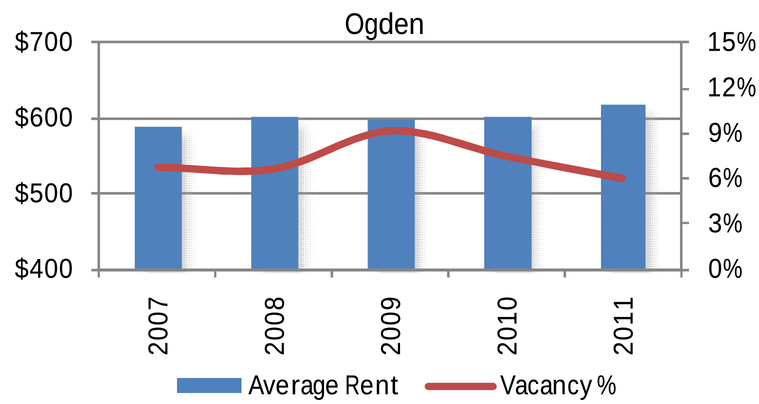




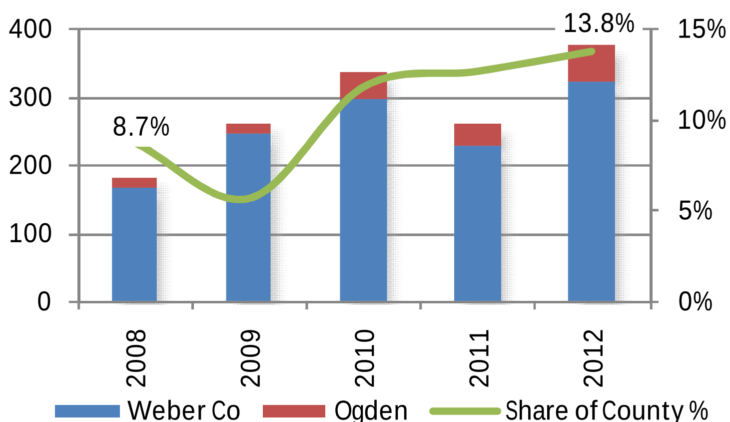


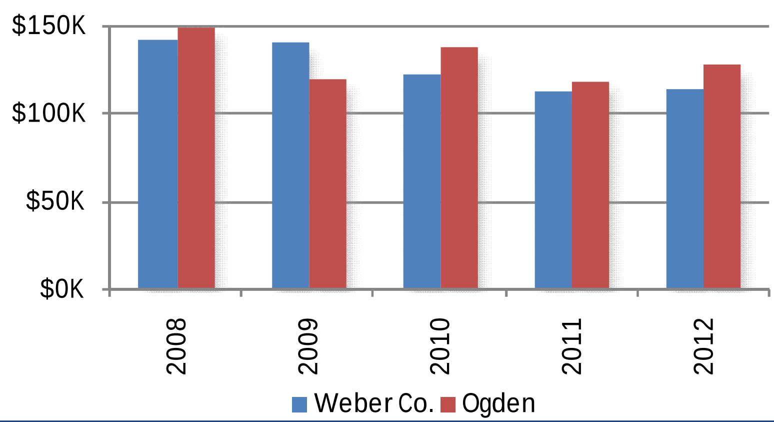
Historical Apartment Market Trends [2]



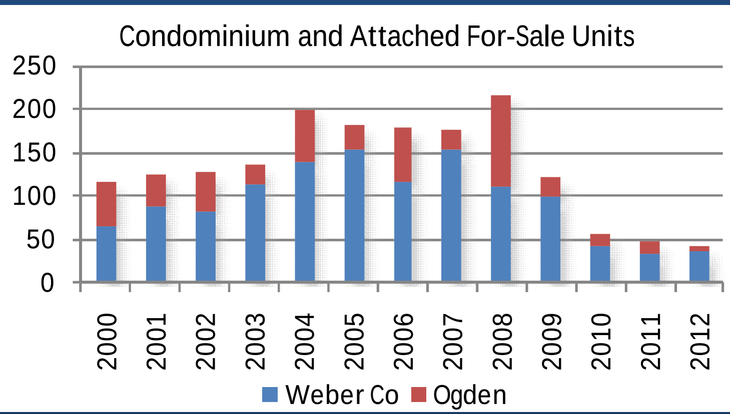


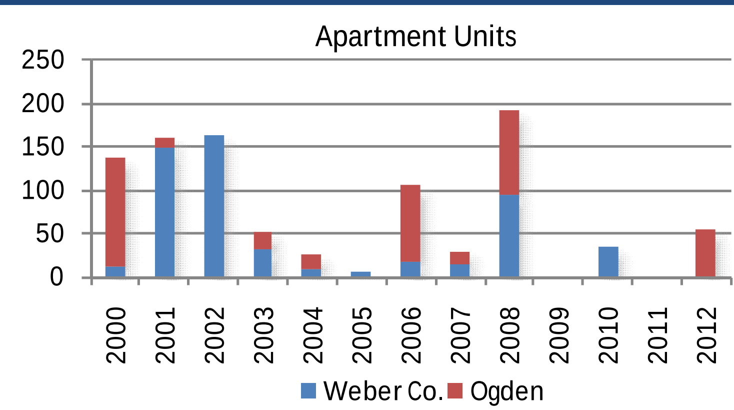
Historical Condominium Sales Volume and Price[3]





Historical Attached For-Sale and Rental Permits[4]





1: HH tenure and size data from 2010 Census; Income data from 2011 ACS; 2: Source: Equimark; 3: Salt Lake Board of Realtors; 4: University of Utah Bureau of Economic & Business Research (BEBR); 2012 data through November.

Downtown Ogden

Catalytic Site Residential Market Overview

Household demographics

- Relative to the County, Ogden has a higher renter propensity and approximately the same household size.
- Ogden has a lower median household income, which is consistent with the higher renter propensity in the area.
- These characteristics suggest that residential opportunity may be stronger for affordable rental apartments in the near term (5 to 10 years).

Apartment Market Conditions

- In Weber County, the average vacancy rate has decreased steadily to 6.5% after peaking at 12.3% in 2003. Over the same period, the average monthly rent has steadily increased, from a low of $566 in 2003 to $655 in 2011, an average annual increase of 1.8%.
- In Ogden, the average monthly rent hovered around the $600 range from 2007 to 2011, with an average discount to County rents of 6% over the period. This is consistent with anecdotal evidence from interviews that much of the Ogden inventory is comprised of affordable/income-qualified product.
- The Ogden vacancy rate has tracked with that of the County over the same period, achieving a slightly lower rate of 6.1% in 2011 after spiking to 9.1% in 2009. The vacancy rate for modern units in Ogden (built after 1998), is 3.3%, suggesting strong demand conditions for higher quality units in the City. Rental permitting activity has been minimal in the County and City in recent years, further supporting the opportunity for new units.

For-Sale Market Conditions

- County-wide market indicators for attached, for-sale product are mixed, with increasing sales volume in the face of declining prices. This trend suggests that asking prices were too high and have adjusted to weaker market conditions during the Great Recession.
- Sales volume increased from a low of 183 units in 2008 to 377 in 2012 (16%/yr). Ogden's share of this volume has increased over the period as well, from 9% to 14%, although total volume remains low in the City (52 units in 2012).
- Over the same period, the median price has fallen by 4.2% and 3.1% annually for the County and City respectively.
- County permitting activity for attached, for-sale product rose steadily from 2000 and peaked in 2008, before falling dramatically during the Great Recession. After averaging 162 units annually from 2000 to 2008 with a peak of 217 units in 2008, the County average has since been 66 units from 2009 to 2012.
- Ogden's share of County permits averaged 29% from 2000 to 2012.

Catalytic Site Residential Opportunity

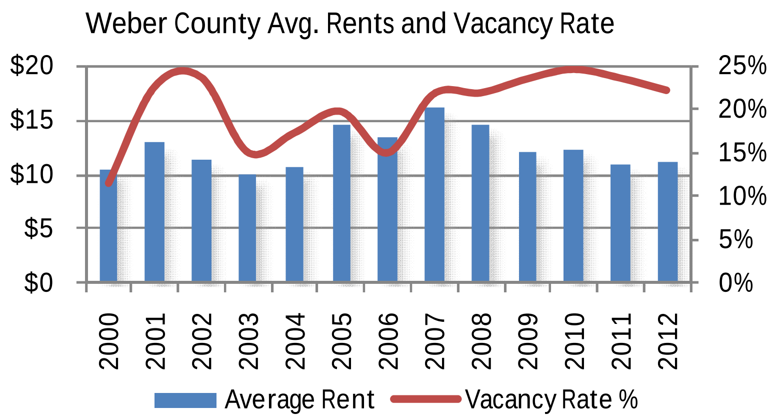
Product	2013-2020	2020-2025	Likely Rents, Price, $/SF	Comments
Rental Apartments				
Income-Qualified	150-250 total units	150-250 total units	NA	Demographics and existing competitive supply suggest high-quality affordable rental units are an ongoing opportunity
Market Rate	100-200 total units	125-250 total units	1B: $650-$800, 600-800 SF, $1.00 - $1.08/SF 2B: $900-$1,000, 900-1,100 SF, $0.91-$1.00/SF	Demonstrated achievable rents for newer product in Ogden have ranged from $0.80 to $0.94/SF, suggesting new construction market-rate units not likely feasible without subsidy or combined with income-qualified units. If right financial scenario arranged, there is depth of demand for market rate units averaging $1.00/SF for surface parked garden apartment product.
For-Sale Product				
Townhomes	Minimal	Minimal	$120K-$200K, 1,200-2,000 SF, $100 - $110/SF	Small opportunity for townhomes on the strongest available parcels

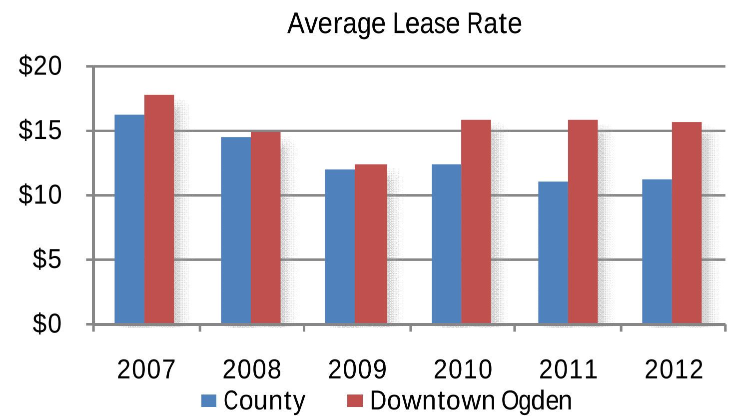
Downtown Ogden

Forecast Employment Growth by Sector, Weber County, 2010-2025[1]

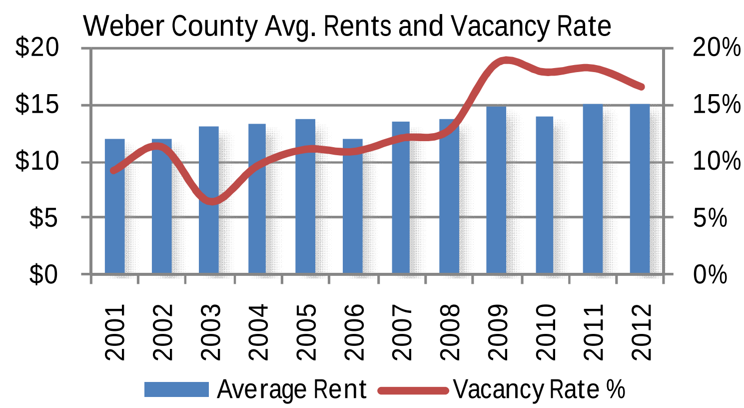
	2010-15	2015-20	2020-25
Transportation, Trade, & Utilities	900	600	300
Professional & Business Services	1,900	1,300	900
Government	600	400	400
Educational & Health Services	1,200	800	500
Manufacturing	400	300	100
Leisure & Hospitality	400	300	200
Financial Activities	200	200	200
Construction, Natural Resources, and Mining	1,000	700	400
Other Services	300	200	100
Information	50	50	0
Total Non-Farm Employment Change	6,950	4,850	3,100

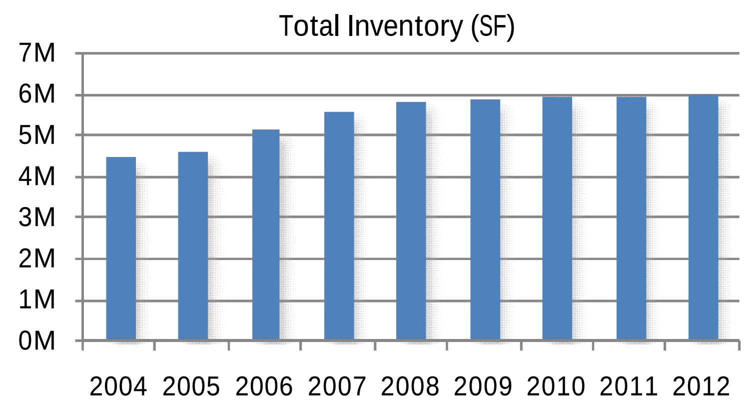
Historical Office Vacancy Rate and Rent for Weber County and Downtown Ogden[2]



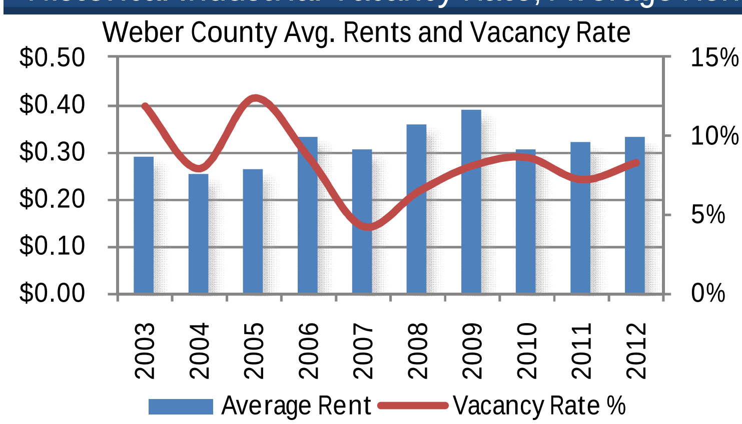


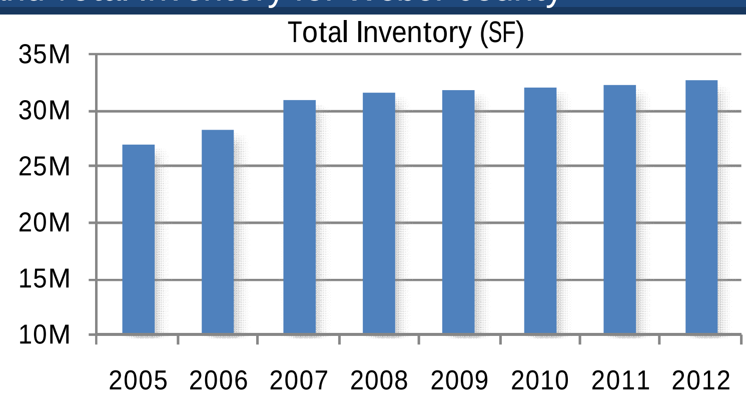
Historical Retail Vacancy Rate, Average Rent, and Total Inventory for Weber County[2]





Historical Industrial Vacancy Rate, Average Rent and Total Inventory for Weber County [2]





1. Based on GOPB, BLS, and Moody's; 2: NAI West and Commerce/Cushman & Wakefield; historical retail and industrial data unavailable at submarket level.

Downtown Ogden

Catalytic Site Commercial Market Overview

Employment Sector Trends

- The professional and business services sector is forecast to experience the strongest growth from 2010 to 2025, with 1,900 jobs from 2010 to 2015, 1,300 from 2015 to 2020, and 900 from 2020 to 2025, accounting for over a quarter of forecast growth over the period.
- Education and Health Services along with Construction are forecast to be the 2nd and 3rd strongest growing sectors over the same period, while the Information sector is forecast to experience the least amount of growth.
- According to the Census the downtown Ogden area includes 47,000 jobs and has added 5,000 jobs from 2002 to 2010, an annual average of 1.4%.

Office Market Conditions

- The Weber County office market has been weak, with a declining average rent since 2007 and a vacancy rate ranging from 20 to 25% during the same period.
- Approximately 500,000 square feet of space is currently vacant in the County.
- Although rents have been declining, downtown Ogden is a major job center and achieves a rent premium over the Weber County average.

Retail Market Conditions

- Retail market conditions also remain weak but are showing some slight improvement. The vacancy rate steadily increased from 2003 to 2009. Although it has declined since, the rate is still high relative to historical levels.
- New retail has been delivered within the catalytic site boundary at the Junction, but it has struggled to attract quality tenants and significant vacancy remains.

Industrial Market Conditions

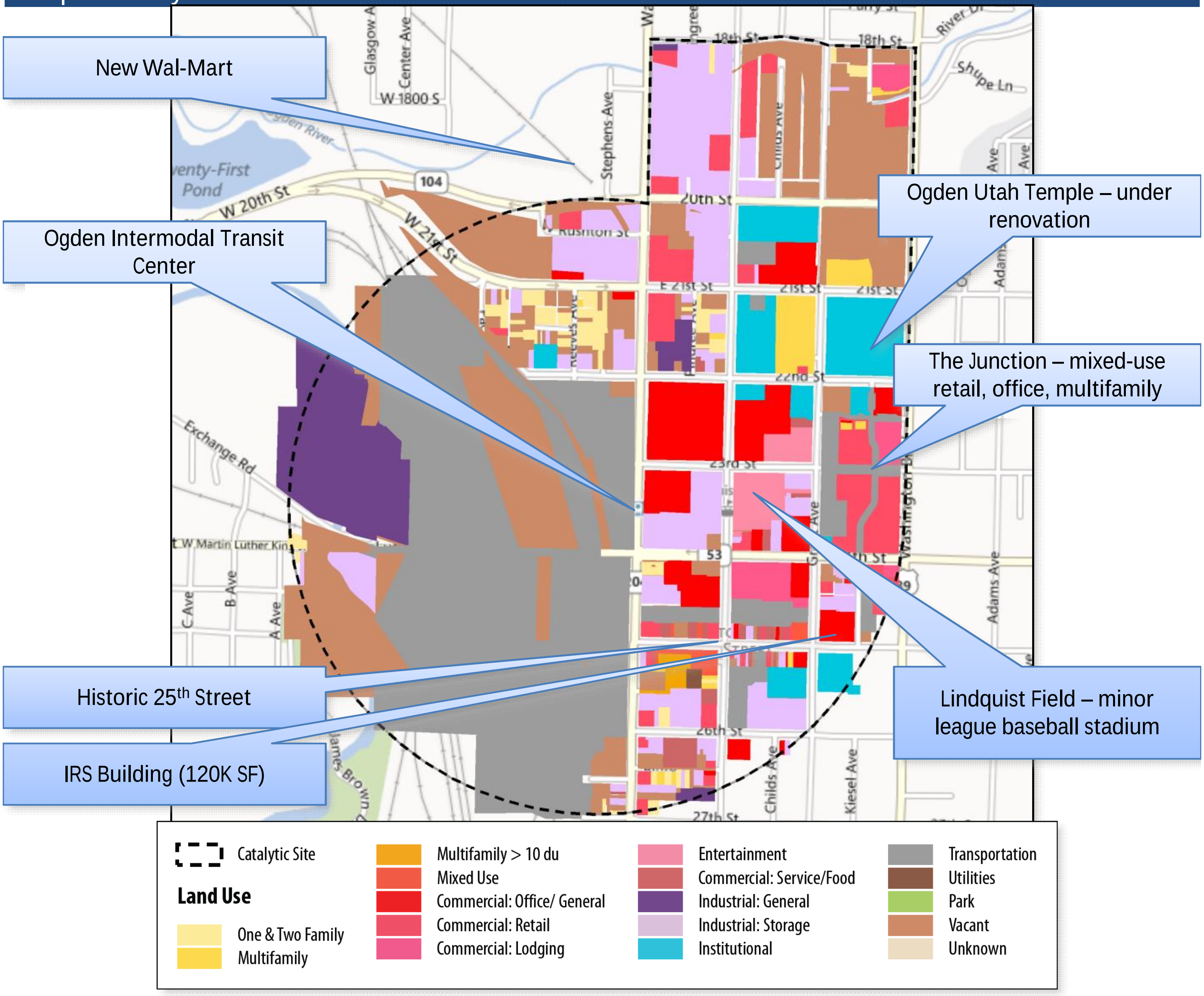
- The Weber County industrial market has been relatively healthy, with the vacancy rate below 10% in recent years.
- The Business Depot Ogden has captured the majority of new industrial demand over the past decade, with over 8M SF of space and 500 remaining acres to be developed.
- There is very little industrial space tracked in downtown Ogden, and parcels on the east side of the site are not good fits for industrial use. However, the large area west of the railyard, known as the Trackline project, could be redeveloped with industrial uses.

Catalytic Site Commercial Opportunity

Product Type	2013-2025	Comments
Office Space	Minimal in near term (1-5 years) 50K – 100K SF in long term (2018-2025)	• With approximately 2.5M total SF, the Weber County office market is small, and at least half of the 500K SF of vacant space needs to be absorbed before market conditions justify new development; • In the longer term, development is viable in the catalytic site, as downtown Ogden represents the largest office concentration in the County and has numerous complementary surrounding uses; • Achievable rents are relatively low but can justify new construction in the right financial scenario (low land costs, debt service, etc.).
Retail Space	Minimal	• Vacancy at existing downtown Ogden retail spaces remains significantly high and competitive supply in locations outside of downtown Ogden will continue to capture demand for regional retail; • Current household demographics are also a major weakness although this may improve if/when more housing is delivered in the area.
Industrial Space	100 - 150K SF	• Industrial space/format is not suitable/consistent with land uses on the east side of the boundary but a tenant could be drawn to the Trackline site west of the railyard. • New industrial will face heavy competition from the Business Depot Ogden for the foreseeable future, but certain tenants may be drawn to a site offering closer proximity to downtown Ogden's amenities.

Downtown Ogden

Map of Catalytic Site[1]



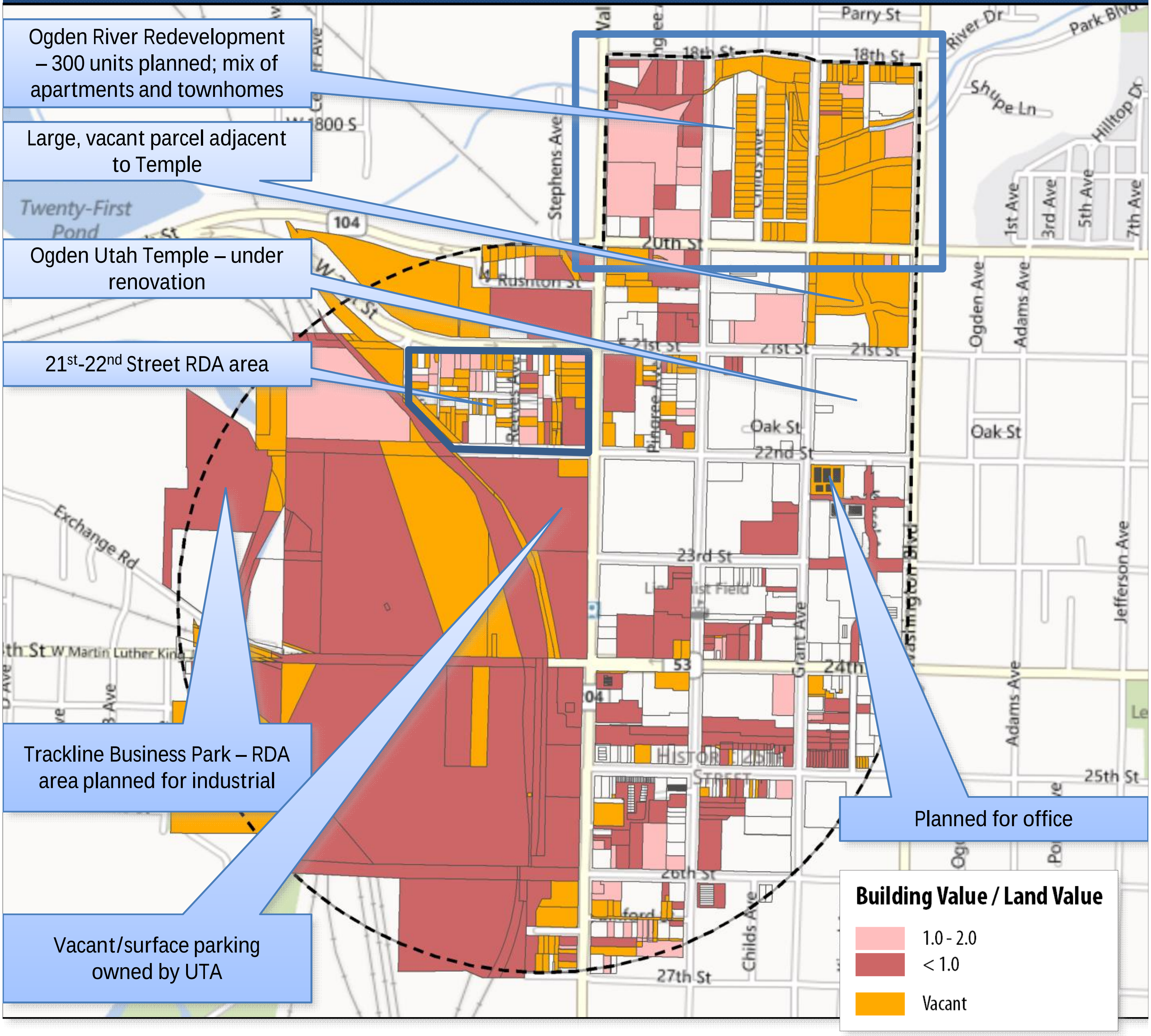
Land Use Summary[1]

Existing Land Use	Parcels	Acres	Existing Land Use	Parcels	Acres
One & Two Family	83	10.2	Entertainment	18	7.6
Multifamily	39	8.7	Industrial: General	17	34.6
Multifamily > 10 du	18	1.7	Industrial: Storage	100	61.2
Mixed Use	74	2.1	Institutional	19	28.2
Commercial: Office/General	60	33.9	Transportation	69	170.5
Commercial: Retail	24	6.4	Utilities	1	0.5
Commercial: Service/Food	23	4.8	Vacant	377	128.4
Lodging	4	7.7	Total	926	506

1: Parcel data provided by Weber County Tax Assessor.

Downtown Ogden

Catalytic Site Redevelopment Opportunities[1]



Redevelopment Opportunities

Type	Parcels	Acres
Total Vacant	377	128.4
BV:LV 1.0 – 2.0	79	38.4
BV:LV < 1.0	190	221.3
Total Vacant & Underutilized	646	388.2
% Vacant & Underutilized	70%	72%

Recently Built & Planned Projects[2]	Units	SF
Ogden River Redevelopment	300	
Trackline Business Park		NA
Liberty Junction apartments - 2009	93	
Colonial Court Phase II – 2009	60	
Ogden Utah Temple Renovation		

1: Parcel data provided by Weber County. 2: List of planned projects not comprehensive and only includes larger projects either under construction or with specific plans.

Catalytic Site Profile

Strengths	Weaknesses
•Historic character throughout much of downtown; •Compact, pedestrian friendly existing street grid / layout throughout much of downtown; •Good access to transit with Frontrunner and other services; •Gradually increasing employment in downtown; •Unique river amenity fronting northeast redevelopment site.	•Small scale of Weber County economy limits size of economic activity and total growth potential; •Weak household demographics in surrounding area; •Weak surrounding land uses and physical conditions in certain parts of site; •Railyard is barrier to continued redevelopment on west side of site boundary; •Few large, vacant parcels.

Opportunities	Conclusions
•Tight apartment market suggests opportunity for new units although financial feasibility difficult in light of achievable rents at existing projects; •Vacant land near Temple should attract new development; •Trackline Business Park represents good opportunity to attract less conventional industrial users seeking good proximity to downtown amenities relative to Business Depot Ogden.	•Downtown Ogden has successfully attracted employment to the area and needs the same trend with housing; •High-quality affordable units targeting existing downtown employees represents a viable strategy; •Planned development on Ogden River RDA area should capture majority of new residential demand in near term; •Consider ways to link downtown with Weber State University, through transit, satellite campus, etc.

Findings, Conclusions, and Recommendations

Over the past decade, downtown Ogden has experienced ongoing improvement, with the addition of significant large employers, the Ogden Intermodal Transit Center, the Junction mixed-use development, and the emergence of destinations like historic 25th street's stretch of local retailers. Although downtown Ogden has numerous strengths for redevelopment, the relatively small scale of the Weber County economy (90K jobs compared to 571K in Salt Lake County and 174K in Utah County) serves to limit the site's growth potential and overall pool of demand from which to draw.

While the area has successfully drawn increasing employment, it could benefit from increased households resulting from new residential development. However, demographics in the surrounding area remain weak for new residential development and achievable rents at existing apartment projects suggest that development of market rate units will not be financially feasible. As such, the development of high quality multifamily comprised of a mix of affordable and market rate units is recommended. The majority of near term demand will likely be met by units planned at the Ogden River redevelopment area.

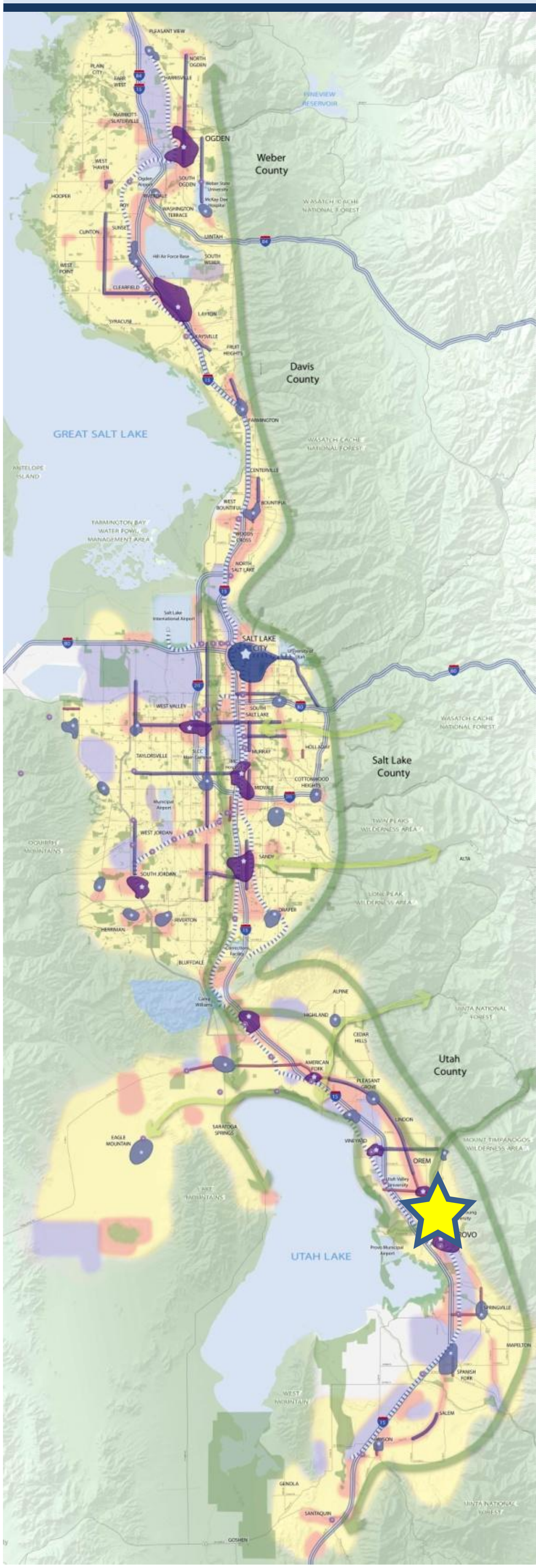
Weber County office market conditions remain weak and as a result, new, large-scale office development is not likely feasible in the near term. In the longer term, development is viable in the catalytic site, as downtown Ogden represents the strongest office concentration in the County and has numerous complementary surrounding uses.

Likewise, County-wide retail market indicators as well as high vacancy in existing projects downtown suggest any new retail is a much longer term opportunity. It is possible that the IRS could add an additional 3,000 employees to their downtown location. This increase in daytime population could help improve retail market conditions and help fill existing vacant space but is not likely sufficient to support new development.

The Weber County industrial market remains relatively healthy. Although most of downtown Ogden does not consist of land fit for industrial uses, the planned Trackline Business Park west of the railyard could be an attractive alternative to the Business Depot Ogden industrial park, for unique tenants seeking closer proximity to downtown Ogden's strong set of amenities.

Vacant and underutilized land within close proximity to the Ogden Utah Temple could attract new development regardless of market conditions. In Ogden and in other markets, the Church has taken an active approach to improving areas immediately surrounding Temples, and many residential and commercial market audiences consider Temple proximity an attractive site attribute. As such, the northeast section of the catalytic site is better positioned to capture demand in the near term while areas to the south and west may be longer term opportunities.

Provo Intermodal Hub



Introduction

The Wasatch Choice for 2040 represents a vision for the future that helps focus growth towards a number of activity centers in the region, many with strong access to transit, to help foster sustainable and livable communities. As part of this effort, numerous demonstration or “catalytic” sites were identified, representing a range of community types, to determine how best to overcome barriers and facilitate infill development. The lessons learned from studying these centers will be used to evaluate and facilitate development at similar centers along the Wasatch Front.

As part of this effort, a market overview was conducted for the sites to understand the economic, demographic, and real estate supply and demand conditions surrounding each. The analyses summarized in this ‘Catalytic Market Profile’ were conducted to help understand the current context for new development and redevelopment opportunities at each site.

The analysis methodology is contained within the full report which was completed in March 2013. State, county, and local-level projections were used to lay the groundwork for the growth in the region overall, and supply and demand analyses were conducted for residential and commercial uses. Local tax assessor data and GIS applications were used to identify existing land uses and quantify development and redevelopment opportunities at the parcel level in each site. Numerous interviews were conducted with public and private sector stakeholders as well, including city planners and real estate professionals active in each market.

This Catalytic Market Profile provides detailed data at various geographical levels and culminates in estimates of potential commercial and residential development in each site in the next five to ten year period.

Catalytic Site Background

Located on the south side of the region in the heart of Utah County, the Provo Intermodal Hub area is classified as what the Wasatch Choice for 2040 defines as a potential Urban Center. Urban Centers are the focus of commerce and local government services benefiting a market area of a few hundred thousand people.

The defined boundary consists of a large area of approximately 540 acres, including the core of downtown Provo at the intersection of Center Street and University Boulevard. The catalytic site runs south of this area towards the existing UTA Frontrunner station, which is currently the southern terminus of the commuter rail route. Along with UTA’s large surface parking lot, there are numerous underutilized parcels throughout the catalytic site.

New development and redevelopment in an Urban Center is envisioned with moderate densities, including floor area ratios ranging from 0.75 to 4, and 20 to 100 dwelling units per acre.

Provo Intermodal Hub

Utah County Overview[1]

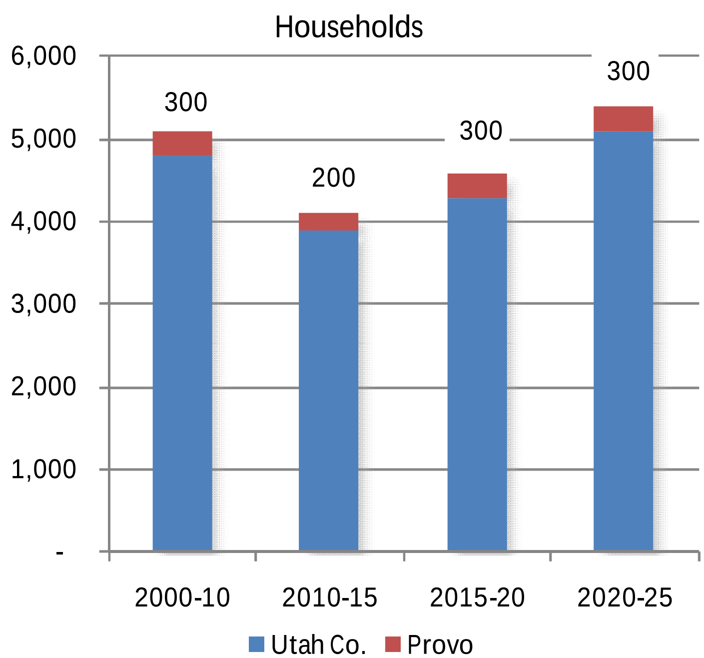
- Unlike many regions throughout the country, Utah County sustained growth during the Great Recession, achieving a net gain in jobs from 2002 to 2010 of 22,700(3.9%). The County's losses in the construction and manufacturing sectors were offset by significant gains in education and health services and state and local government jobs.
- The County experienced strong growth in the most recent available 12 months (ending June 2012) of 8,000 jobs (4.7%), outpacing Salt Lake County (4.0%) and the State as a whole (3.6%).
- Households grew at a very high average annual rate of 3.5% from 2000 to 2010 and forecasts predict the County will have strong long-term household growth, at nearly 2.7% annually from 2010 through 2025.

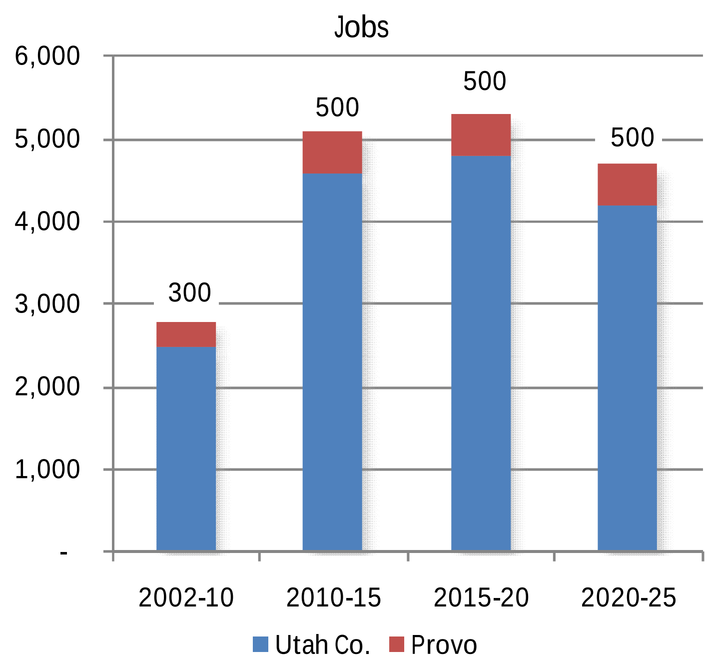
County and City Data[2]

Historical & Forecast Households		2000	2010	2015	2020	2025
Utah County		99,900	140,600	160,900	183,800	210,800
Provo		29,200	31,500	32,600	33,900	35,500
Household Growth			2000-10	2010-15	2015-20	2020-25
Utah County	Annual Growth		3.5%	2.7%	2.7%	2.8%
Utah County	% Share of Regional Growth		33.2%	33.1%	29.6%	32.5%
Provo	Annual Growth		0.8%	0.7%	0.8%	0.9%
Provo	Total Growth		2,300	1,100	1,300	1,600

Historical & Forecast Jobs		2002	2010	2015	2020	2025
Utah County		151,500	174,200	199,800	226,400	249,800
Provo		50,000	52,300	54,800	57,500	59,800
Job Growth			2002-10	2010-15	2015-20	2020-25
Utah County	Annual Growth		1.8%	2.8%	2.5%	2.0%
Utah County	% Share of Regional Growth		30.6%	23.3%	27.7%	26.1%
Provo	Annual Growth		0.6%	0.9%	1.0%	0.8%
Provo	Total Growth		2,300	2,500	2,700	2,300

Historical and Forecast Average Annual Household and Job Growth – County and City

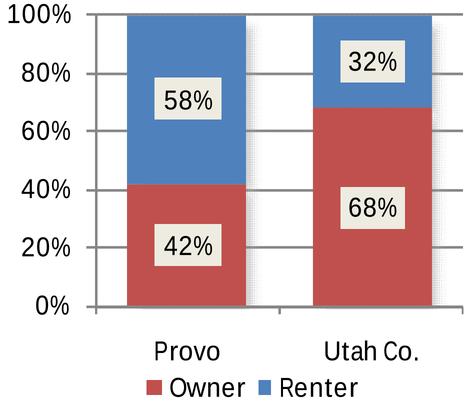


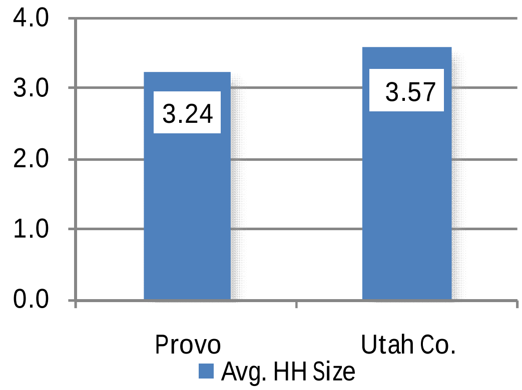


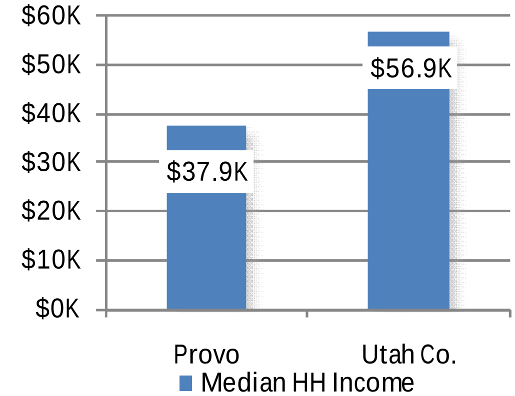
1: Employment based on U.S. Bureau of Labor Statistics (BLS) Quarterly Census of Employment & Wages (QCEW); Household forecast based on data from the Governor's Office of Planning & Budgeting (GOPB) and Global Insight (GI). 2: County jobs/HH forecasts based on GI and GOPB data; 2000/2002 and 2010 City jobs/HHs based on BLS, Census, and Utah Department of Workforce Services. 2015-2025 City forecast based on historical share of County growth.

Provo Intermodal Hub

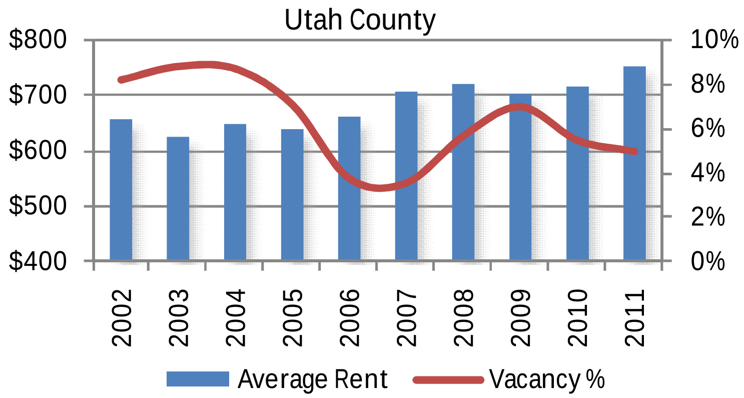
Household Demographic Characteristics[1]

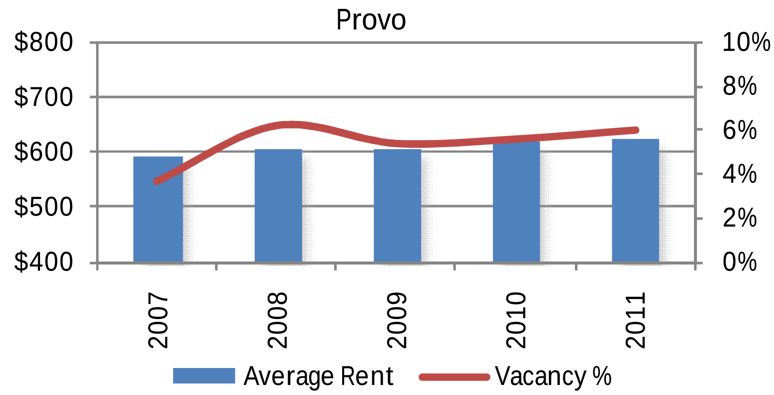




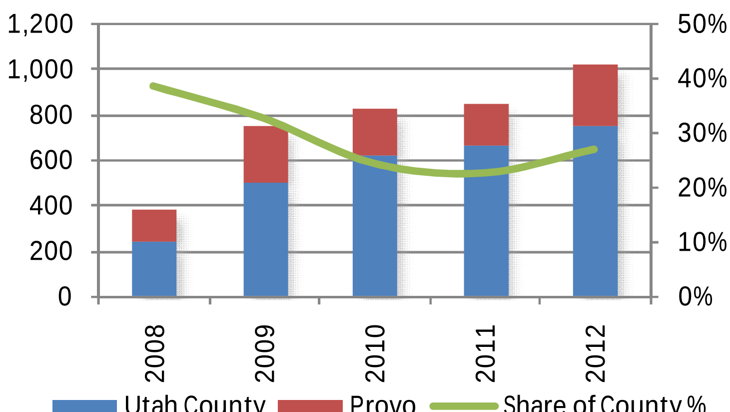


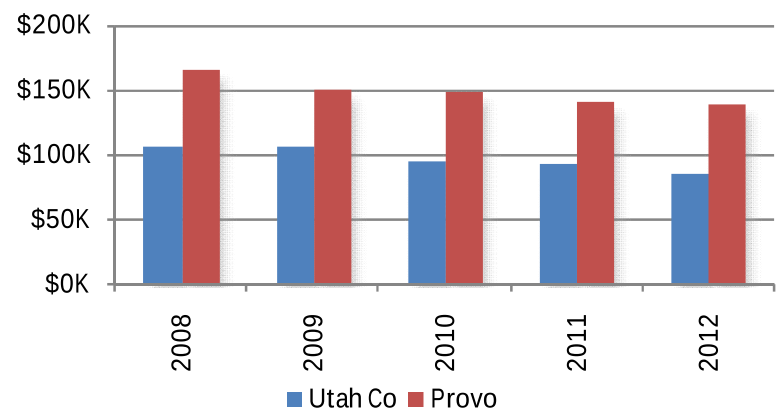
Historical Market-Rate Apartment Trends[2]



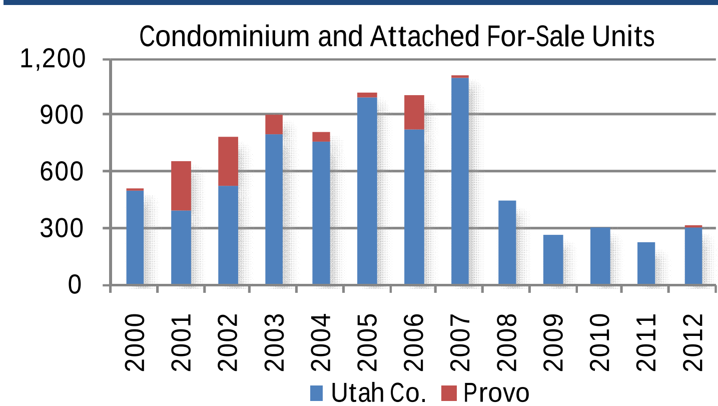


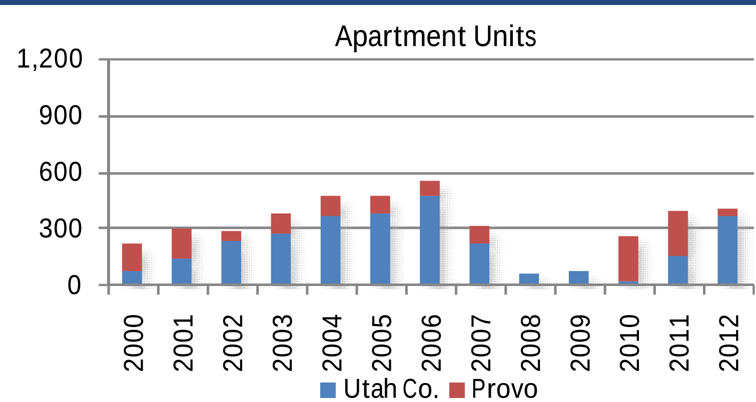
Historical Condominium Sales Volume and Price[3]





Historical Attached For-Sale and Rental Permits[4]





1: HH tenure and size data from 2010 Census; Income data from 2011 ACS; 2: Includes only market-rate apartments, not student or affordable housing; Source: Equimark; 3: Salt Lake Board of Realtors; 4: University of Utah Bureau of Economic & Business Research (BEBR); 2012 data through November.

Catalytic Site Residential Market Overview

Household demographics

- Provo has a significantly higher renter propensity than the County and a slightly smaller average household size.
- Provo has a 33% lower median household income, which is consistent with the higher renter propensity in the area.
- These characteristics suggest that the residential opportunity may be stronger for affordable and moderately positioned market-rate rental apartments in the near term (5 to 10 years).

Apartment Market Conditions (market rate; does not include student housing)

- In Utah County, the average vacancy rate has fluctuated from a high of 8.8% in 2003 to a low of 3.6% in 2007, before stabilizing at 5.0% in 2011. Since 2002, the average monthly rent has steadily increased, from $657 to $753, an average annual increase of 1.5%.
- In Provo, the average monthly rent hovered around the $600 range from 2007 to 2011, with an average discount to County rents of 15% over the period. This discount suggests that the Provo inventory consists of smaller and lower quality units relative to Orem and Pleasant Grove, where average rents are higher ($814 and $881, respectively).
- The Provo vacancy rate has tracked with that of the County over the same period, achieving a slightly higher rate of 6.0% in 2011 relative to the County-wide rate of 5.0%.
- These data do not include off-campus BYU student housing, which has a significant impact on the Provo market. BYU does not allow student housing to be located south of Center Street, where most of the catalytic site is located.
- Permitting activity has picked back up in recent years, after bottoming with zero units in 2008 and 2009 in Provo.

For-Sale Market Conditions

- County-wide market indicators for attached, for-sale product are mixed, with increasing sales volume in the face of declining prices. This trend suggests that asking prices were too high and have adjusted to weaker market conditions during and following the Great Recession.
- Sales volume in the County increased from a low of 384 units in 2008 to 1,023 units in 2012 (22%/year). However, Provo's share of this volume has declined over the period, from 39% to 27%.
- Over the same period, the median price has fallen by 4.5% and 3.5% annually for the County and City respectively.
- Despite recent price declines, the median price for Provo units has achieved an average premium of 34% over the County-wide median, suggesting larger, higher-quality for-sale attached product exists in the City.
- County permitting activity for attached, for-sale product rose steadily from 2000 and peaked in 2007, before falling dramatically during the Great Recession. After averaging 840 units annually from 2000 to 2007 with a peak of 1,100 units in 2007, the County average has since been 300 units from 2008 to 2012.

Catalytic Site Residential Opportunity

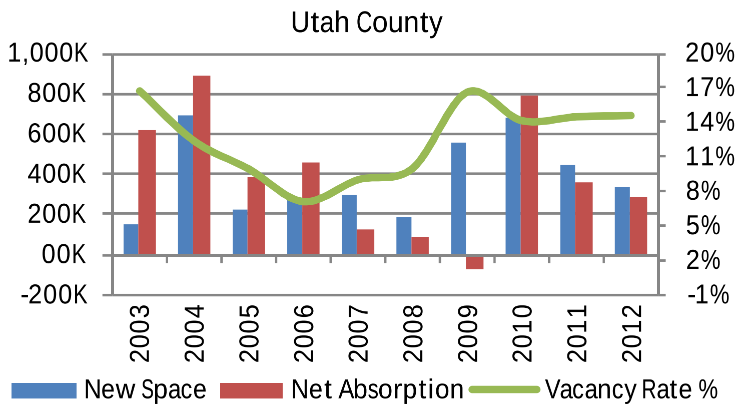
Product	2013-2020	2020-2025	Likely Rents, Price, $/SF	Comments
Rental Apartments				
Income-Qualified	200-350 total units	200-350 total units	NA	Approximately 40-50% of demand potential is for income-qualified units
Market Rate	200-350 total units	200-350 total units	1B: $650-$800, 600-800 SF, $1.00 - $1.08/SF 2B: $900-$1,000, 900-1,100 SF, $0.91-$1.00/SF	Units near core of Downtown with better proximity to nearby employment and BYU will have higher achievable rents than units towards south of site, which may need subsidy to achieve feasibility. Very few modern, market rate non-student units in Provo, suggesting strong opportunity. Rents will not likely justify structured parking without subsidy.
For-Sale Product				
Town-homes	50-100 total units	50-80 total units	$150K-$200K, 1,200-1,700 SF, $120 - $125/SF	Small opportunity for townhomes on the strongest available parcels

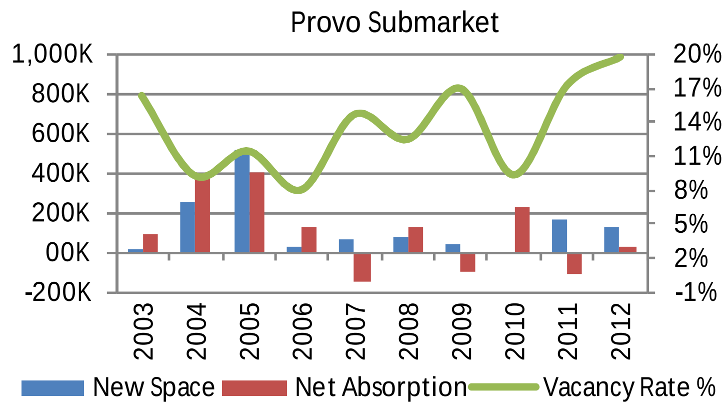
Provo Intermodal Hub

Historical and Forecast Employment Growth by Sector, Utah County, 2000-2025[1]

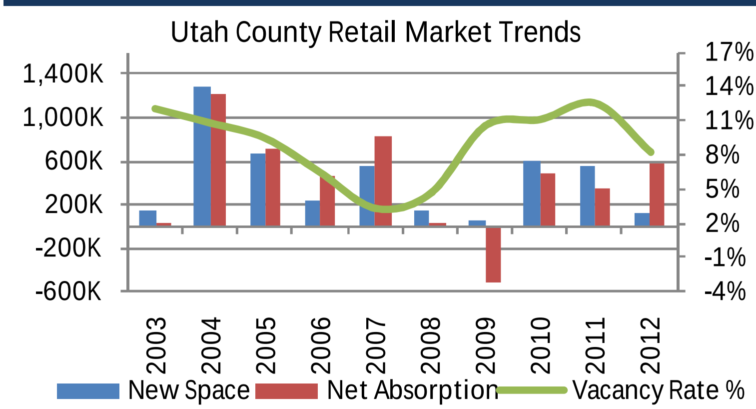
	2000-05	2005-10	2010-15	2015-20	2020-25
Transportation, Trade, & Utilities	1,200	2,000	2,800	2,400	2,300
Professional & Business Services	1,000	800	8,300	7,400	9,400
Government	3,500	2,900	2,000	4,200	3,800
Educational & Health Services	5,800	5,400	4,600	5,700	3,800
Manufacturing	-1,500	-1,700	2,700	1,100	700
Leisure & Hospitality	1,700	800	0	900	-500
Financial Activities	1,300	100	200	200	300
Construction, Natural Resources, and Mining	1,900	-3,500	3,100	2,900	2,400
Other Services	300	200	200	200	200
Information	-300	-500	1,600	1,600	1,100
Total Non-Farm Employment Change	15,000	6,500	25,600	26,600	23,400

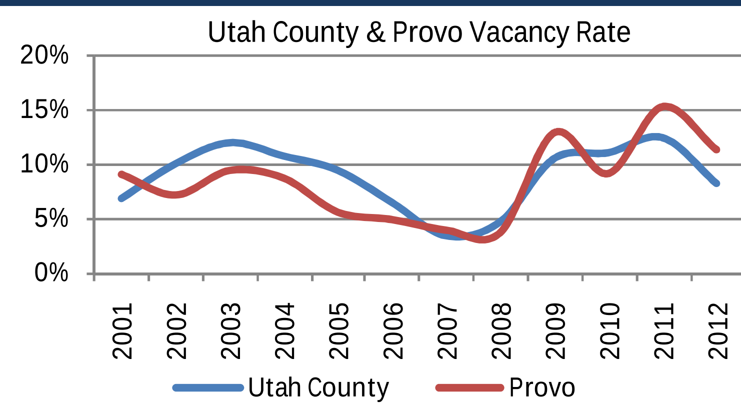
Office New Inventory (SF), Net Absorption (SF), & Vacancy Rate (%), Utah County & Provo[2]



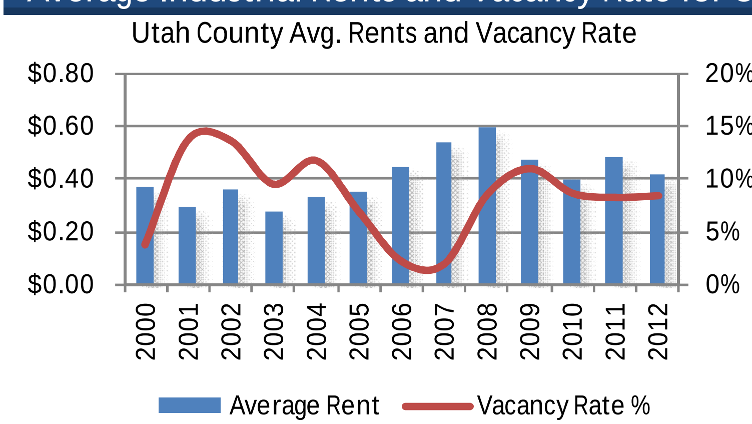


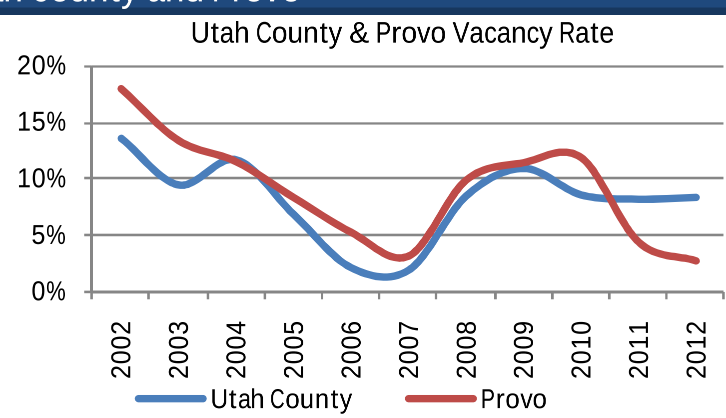
Retail New Inventory (SF), Net Absorption (SF), & Vacancy Rate (%), Utah County & Provo[2]





Average Industrial Rents and Vacancy Rate for Utah County and Provo[2]





1. Global Insight; 2: Commerce Real Estate Solutions/Cushman & Wakefield and NAI West; historical office, retail data unavailable at Catalytic Site area level.

Catalytic Site Commercial Market Overview

Employment Sector Trends

- From 2000 to 2010, the Utah County economy was bolstered by significant gains in the Education and Health Services sector (11,200 jobs) and the Government sector (6,400 jobs).
- The professional and business services sector is forecast to experience the strongest growth from 2010 to 2025, with close to 8,300 jobs from 2010 to 2015, 7,400 from 2015 to 2020, and almost 9,400 from 2020 to 2025. This trend will have a strong, positive impact on the Utah County office market.
- According to data from the Census, Provo had 52,300 jobs in 2010, and added 2,300 jobs since 2002, an annual average growth rate of 0.6%, significantly lower than the County growth of 1.8% per year.

Office Market Conditions

- Since 2007, the Utah County office market has suffered from declining rents and an increasing vacancy rate.
- Over the same period, the Provo submarket vacancy rate has fluctuated more than that of the County, and is currently 19.7% versus 14.5% for the County, due in part to the sale of Novell's buildings, which put a large amount of vacant space on the market.
- With an approximate inventory of 3.4 million square feet, the Provo submarket represents about a third of the Utah County office market.

Retail Market Conditions

- As a result of the County's strong household growth, new construction and net absorption have been strong over the past decade, with only one year of negative net absorption.
- After achieving a low of 3.3% in 2007, the vacancy rate increased to a peak of 12.5% in 2011.
- In 2012, the average rent increased and the vacancy rate declined as well, suggesting the retail market is stabilizing after a period of ongoing weakness during the Great Recession.
- The Provo vacancy rate has generally tracked with the County but development activity has been low.

Industrial Market Conditions

- After a period of declining rents and increasing vacancy, the Utah County industrial market has stabilized in recent years.
- With 4.7M square feet, the Provo submarket represents approximately 15% of the County industrial inventory.
- In 2012, the Provo submarket tightened considerably, achieving a vacancy rate of 2.7% versus 8.4% for Utah County.

Catalytic Site Commercial Opportunity

Product Type	2013-2025	Comments
Office Space (low- to mid-rise)	Minimal in near term (1-5 years) 75-150K SF total	• Much of the 20% vacant space in Provo (670K SF) needs to be absorbed before new office development is justified, and in light of recent activity, this should take approximately 5 years. After that, 100-150K SF is likely to be absorbed. • This estimate could be significantly higher if developers and tenants decide that proximity to the new Provo City Center Temple is a priority. Evidence in Salt Lake City and Ogden suggest that Temple proximity is a strong catalyst, and development could take place nearby regardless of market conditions.
Retail Space (small-scale ground-floor)	50-100K SF total	• Traffic/visibility along University Avenue corridor provides potential for retail development although existing 800K SF Towne Center Mall and other big-box retailers meet demand for regional retail. • Potential for smaller-scale, infill and ground-floor retail possible, especially closer to downtown core near Center Street and University Avenue.
Industrial Space	50-75K SF total	• Conventional industrial space/format not ideal for downtown Provo development context but market conditions remain strong and opportunity could arise for high-tech/R&D spin off from BYU research.

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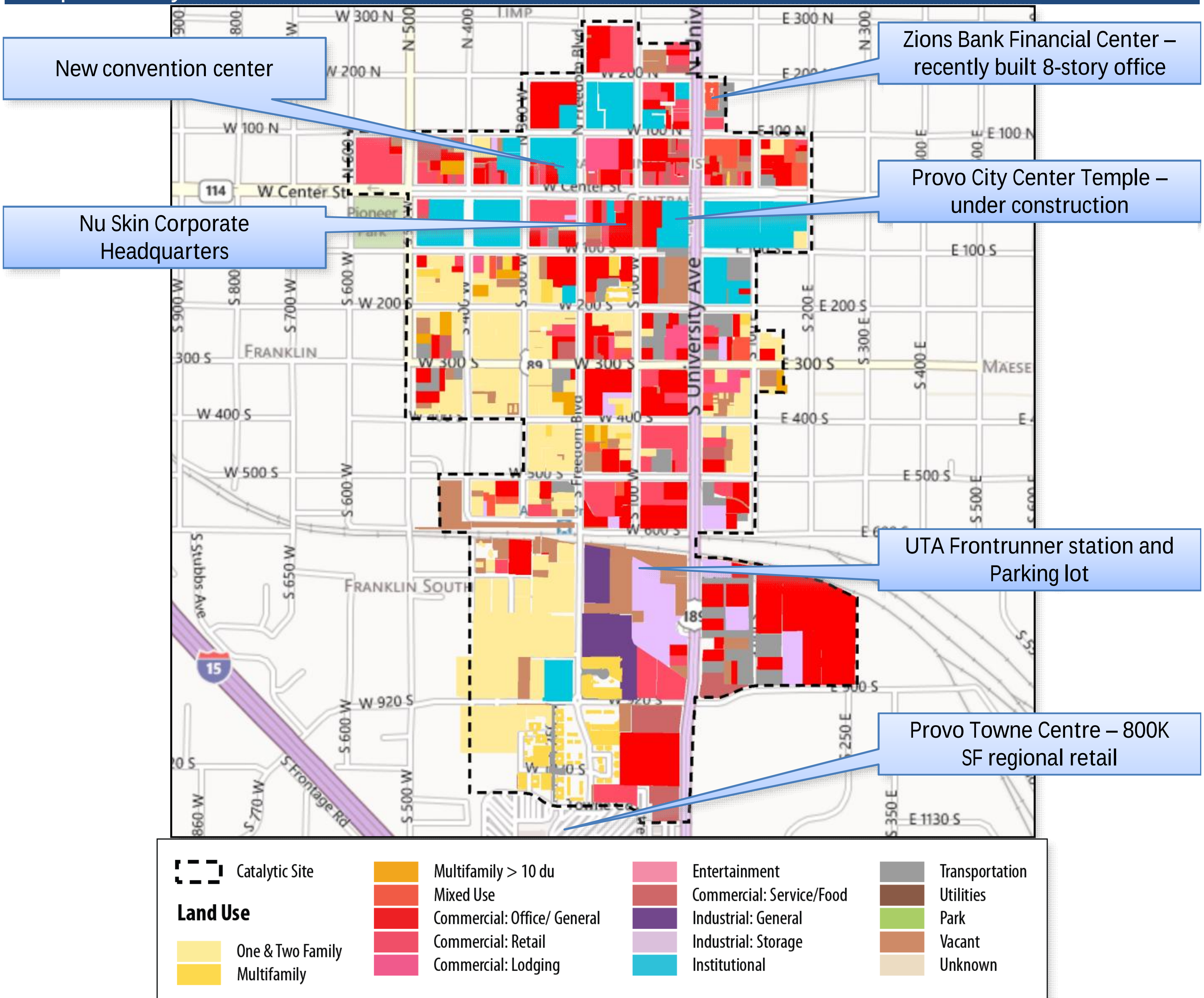
Map of Catalytic Site



Land Use Summary[1]

Existing Land Use	Parcels	Acres	Existing Land Use	Parcels	Acres
One & Two Family	281	60.2	Entertainment	0	0.0
Multifamily	324	9.9	Industrial: General	3	7.4
Multifamily > 10 du	11	3.4	Industrial: Storage	13	12.0
Mixed Use	59	5.8	Institutional	48	31.4
Commercial: Office/General	42	13.5	Transportation	54	17.2
Commercial: Retail	97	25.5	Utilities	0	0.0
Commercial: Service/Food	41	10.7	Vacant	192	24.9
Lodging	6	4.3	Total	1,171	540

1: Parcel data provided by Utah County Tax Assessor

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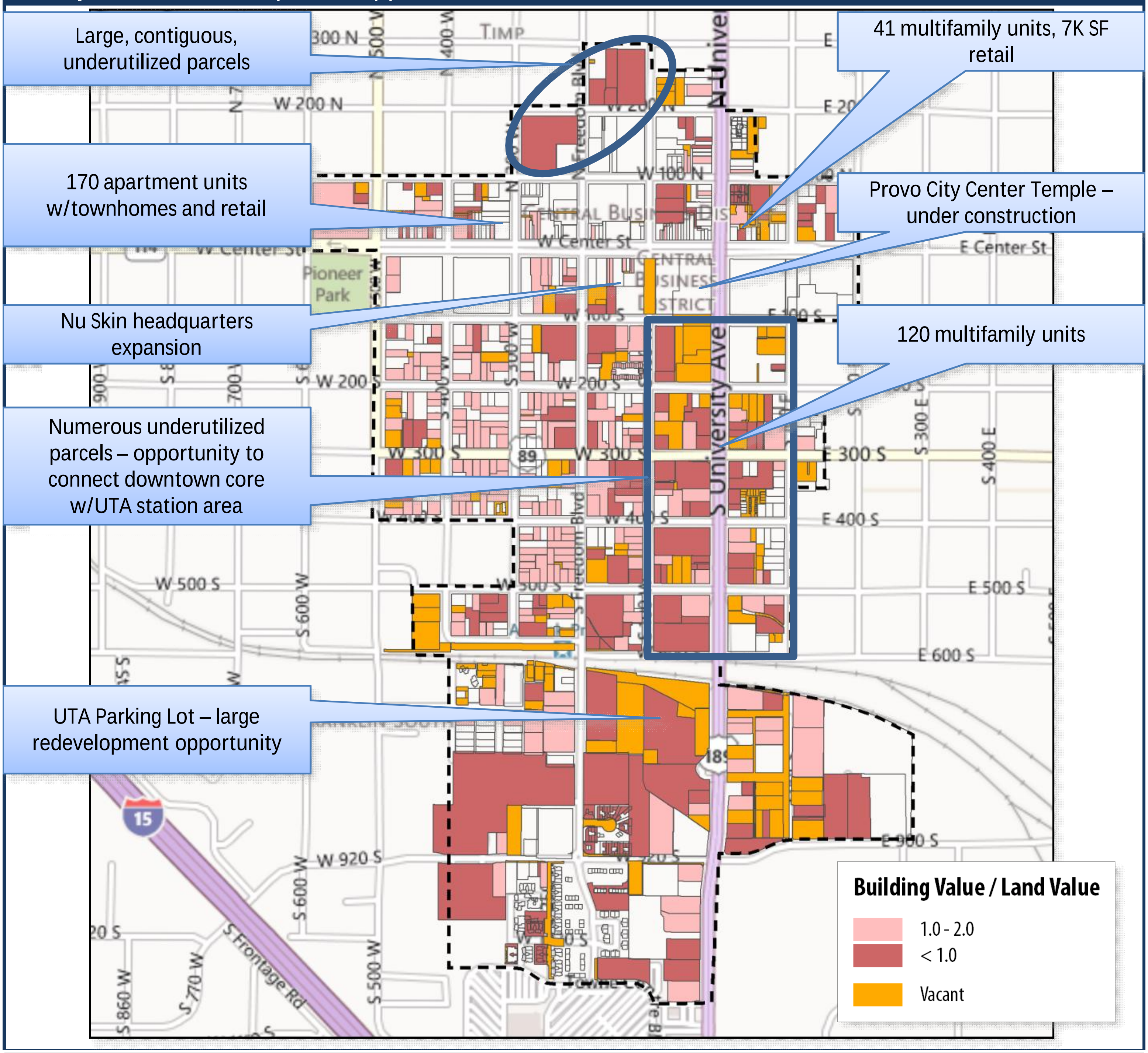
Catalytic Site Redevelopment Opportunities[1]



Redevelopment Opportunities

Type	Parcels	Acres
Total Vacant	192	24.9
BV:LV 1.0 – 2.0	345	59.6
BV:LV < 1.0	213	97.0
Total Vacant & Underutilized	750	181.5
% Vacant & Underutilized	64%	34%

Recently Built & Planned Projects[2]	Units	SF
Provo City Center Temple		
W Center & N 300 W	170	
NE Corner University & Center	41	7K SF retail
S University & 300 S	120	
Nu Skin Headquarters expansion		164K

1: Parcel land and building values provided by Utah County Tax Assessor.
2: List of planned project not comprehensive and only includes larger projects either under construction or with specific plans suggesting strong likelihood of future delivery.

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Catalytic Site Profile

Strengths	Weaknesses
•Historic architecture / character in CBD; •Good access to transit with UTA Frontrunner; •Good regional access w/close proximity to I-15; •BYU strong economic driver. •New Provo City Center Temple will likely be strong catalyst for new development in the immediately surrounding area;	•Removed/isolated from regional growth patterns favoring north end of Utah County; •Weak existing surrounding land uses and physical conditions south end of site; •UTA parking lot isolated from north side by tracks and University Ave viaduct, although this could be mitigated with a pedestrian bridge connecting to the north.

Opportunities	Conclusions
•Large quantity of underutilized/redevelopable land along University Avenue; •This could help spur development on large, underutilized parcels along University Avenue that can serve to connect the CBD with the Frontrunner station; •While many small infill opportunities exist, concentrating effort to revitalize this corridor will have biggest impact.	•Given the activity in the downtown core, the new Temple, and the location of the Frontrunner station, efforts to revitalize/redevelop University Avenue from Center Street to the station will have the biggest long-term impact on the evolution of the Provo Catalytic Site. •Focusing infrastructure investments on this corridor, including improving connectivity to the station area, will help the corridor capture an increasing share of demand for new development.

Findings, Conclusions, and Recommendations

Provo remains somewhat isolated from the Salt Lake regional core of economic activity relative to locations further north in Utah County, where large amounts of residential and commercial development have taken place due to the strategic location between both counties. This regional context makes it a challenge for Provo to compete for regional residential and commercial demand relative to neighboring cities to the north. However, the City is less dependent on the region due to its unique set of strengths that will help it thrive in the future, including economic drivers such as Brigham Young University (BYU), some large corporate headquarter locations, and the central business district's (CBD) historic character that makes it an attractive destination for residents and commercial users. As a result, there has been ongoing, large-scale public, private, and institutional development activity in the CBD, including a new convention center, Zions Bank's 8-story office development, Nu Skin's headquarter expansion, and the Provo City Center Temple under construction.

Recent development trends in downtown Salt Lake City and downtown Ogden suggest that the new Temple will be a strong catalyst for revitalization and redevelopment in the immediately surrounding area. The combination of end users (residents and commercial tenants) seeking proximity to the Temple and the Church's desire to be surrounded by vibrant, attractive land uses can create the potential for new development despite somewhat weak market conditions. This catalytic scenario, coupled with the station location to the south, represents a unique opportunity to revitalize University Avenue, and public stakeholders should make every effort to facilitate and channel new development potential to this corridor.

Given the strong set of employment nodes and destinations along University Avenue throughout Provo, including BYU, the CBD, the City Center Temple, the Frontrunner Station, the Provo Towne Center, and the Novell Campus, the corridor appears to be a good candidate for bus rapid transit (BRT). This improved accessibility would enhance connectivity throughout the City, increase transit ridership, and help continue to spur economic development along University Avenue.

Although conditions are strong for the City to leverage investment in this corridor, it is already part of an existing RDA area set to expire in 2025, and a key challenge is that State legislated "haircut" provisions are gradually diminishing the TIF revenue generating potential of new development. Effort should be made to mitigate this issue in order for the corridor to achieve its full development potential.

Appendix B: List of Stakeholders Interviewed

As part of the data gathering process, the Parsons Brinckerhoff team met with a diverse group of public and private sector stakeholders with knowledge of a range of topics including the specific catalytic sites, regional and local commercial and residential development trends, and real estate development. Public sector stakeholders included members of city and county planning departments, economic development groups, redevelopment agencies, university researchers, and metropolitan planning organizations (MPOs). Private sector stakeholders interviewed included real estate developers active in each market, commercial brokers, and market data providers.

	Name	Title	Organization
1	Jill Wilkerson-Smith	Project Manager	Salt Lake City Redevelopment Agency
2	Dan Velasquez	Economic Development Manager	Salt Lake City Economic Development
3	David White	Principal Planner; Point of Contact HUD Sustainable Communities Grant	Salt Lake County Community Resources & Development
4	Dale Carpenter	Director	Salt Lake County Office of Business & Economic Development
5	Spencer Brimley	Economic Development Manager	Salt Lake County
6	Paul Bringhurst	Planner	Redevelopment Agency of Salt Lake County
7	Michael Gallegos	Director	Salt Lake County Community Resources & Development
8	Jim Wood	Director	University of Utah Bureau of Economic and Business Research
9	Pam Perlich	Senior Research Economist	University of Utah Bureau of Economic and Business Research
10	Max Johnson	Planning Supervisor	Salt Lake County Planning & Development
11	Todd Draper	Urban Planner	Salt Lake County Planning & Development
12	Kristen Clifford	City Planner	South Salt Lake Planning & Zoning

13	Mike Florence	Director	South Salt Lake Community Development
14	Frank Lilly	Director	South Salt Lake Planning & Zoning
15	Peter Makowsky	Project Manager	Ogden Community & Economic Development
16	Greg Montgomery	Manager	Ogden Planning Department
17	Paul Glauser	Director	Provo Redevelopment Agency
18	Bill Pepperone	Assistant Director	Provo Community Development
19	David Oka	Management Analyst – Downtown	Provo Office of Economic Development
20	Jared Morgan	Executive Director	Downtown Provo
21	Jon Larsen	Travel Modeller	Wasatch Front Regional Council
22	Scott Festin	Socioeconomic Data, GIS	Wasatch Front Regional Council
23	Dan Lofgren	President	Cowboy Partners
24	Jake Boyer	President/CEO	The Boyer Company
25	Chris Gamvroulas	President	Ivory Homes
26	Mike Brodsky	Owner	Hamlet Homes
27	Mark Isaac	Project Manager	Boulder Ventures Development
28	Brandon Smith	Associate Real Estate Agent - Land & Investment	NAI West
29	Rick Davidson	Senior Land / Investment Specialist	NAI West
30	Sylvia Andersen	Agent – Land Specialty	NAI West
31	Don Whyte	Founder	Elevated Real Estate Solutions
32	Ty McCutcheon	Vice President	Kennecott Land
33	Jon Osier	Senior Engineer	Kennecott Land

Appendix C: Market Analysis Methodology

The following section provides a general methodology to conduct analyses of development potential of similarly sized demonstration sites in the future. In order to understand the real estate market potential for a given site, one must have an understanding of three basic factors:

- Site-specific strengths and weaknesses for new development
- Market supply conditions
- Market demand conditions

Gaining a sufficient understanding of these three factors ideally requires gathering and analyzing numerous types of data, conducting fieldwork and site visits, and interviewing knowledgeable stakeholders. The level of detail involved will depend on a variety of factors, including the scope and budget available for the task, the extent of data available, and the context of the potential development opportunity. For example, a well-defined, development-ready parcel zoned for residential will call for a detailed analysis focused on residential land uses, in-depth profiles of likely competitive supply, and demand analysis of likely residential market audiences from a defined trade area; but a larger area with less defined plans will call for a higher-level, overview analysis of numerous land uses and market trends, similar to the catalytic site profiles included in this report.

1. Site Analysis

Understanding the strengths and weaknesses of a given site or area is critically important in gauging the overall opportunity for new development or redevelopment. Factors to be considered can vary by potential land use, and can include accessibility, visibility, size, topography, nearby uses, and distance from amenities, employment, retail services and numerous other attributes.

Access – access to highways, major arteries, and existing streets is important for a variety of land uses. Certain commercial users, such as industrial distribution, seek immediate access to the region via highways, and office users often prefer close proximity as well. Residential market audiences will also seek good access for shorter commutes although immediate adjacency to major thoroughfares or highways can detract from residential opportunities as well due to related issues such as noise. Multimodal access is also a strength in the right context. Regional retail centers typically prefer close proximity to highways while smaller neighborhood and community-serving retail centers prefer good access to major local arteries.

Visibility – a site with strong visibility is better able to attract interested residential market audiences relative to lower visibility sites, while retailers seek locations with high traffic counts that improve visibility as well and are better poised to attract shopping demand.

Proximity to Employment – sites and areas with close proximity to large employment concentrations are attractive to potential renters and homebuyers seeking shorter commutes. Certain retailers benefit from the increased daytime population resulting from large employment concentrations in immediately surrounding areas as well.

Proximity to Services and Amenities – Close proximity to shopping, public services, religious institutions, parks, open space, natural amenities, and other attractive nearby land uses also represents a site strength for a variety of land uses.

With the exception certain quantifiable attributes, such as land area, a site's distance from relevant nearby destinations, and drive-time calculations, analysis of most site attributes is largely subjective and can be analyzed in a variety of ways. As an initial step, preliminary site analysis can be conducted from a desktop, by viewing maps and aerial images to determine factors such as access, proximity to services, and other site attributes. Fieldwork and site visits are strongly recommended, however, to further analyze the site and to gain a thorough understanding of its strengths, surrounding land uses, existing physical conditions, and other factors. Taking notes and photographs during site visits will also assist in the analysis. In a more refined analysis for a development-ready project with well defined plans, the site analysis should compare the project's set of strengths and weaknesses to those of its likely competitors in the competitive market area.

For an analysis of a larger defined area similar to the catalytic sites analyzed in this engagement, a parcel-level site analysis can shed further light on the site's relative strengths and weaknesses for new development. Using parcel data from county tax assessors and analyzing them with GIS software, one can take a comprehensive inventory of existing land uses, as well as vacant and underutilized parcels that would be best poised for redevelopment in the near future. A utilization analysis compares the ratio of building value to land value on parcels and can shed light on the extent to which an area has underutilized parcels that may be ripe for redevelopment.

2. Demand Factors and Analysis

Generally, employment represents the primary driver of demand for most land uses and best overall indicator of future growth[6]. Growth in employment fuels demand for commercial uses as well as demand for new residential units. As such, understanding historical and forecast employment trends for a given area will inform the overall demand potential for new development.

The most useful way to analyze employment trends is typically to compare a smaller geography to a larger one, such as a county to its metropolitan statistical area (MSA), or the MSA to the state or country. If significant trends are identified, this helps inform the development of follow up questions to be answered through further research and interviews. For example, why is a certain county outpacing the region in growth, who are the major employers, what sectors are gaining or losing jobs the most rapidly and why?

[6] There are some exceptions to this rule, such as in areas driven by tourism, where there may be less employment but destination amenities such as skiing or waterfront drive demand for second homes and certain commercial uses.

On the demographic side, household data is considered more relevant than population data, because trends in household growth, age, size, tenure, and other factors directly impacts demand for various residential product types. One important detail on average household size is that it is not simply the output of total population divided by total households. There is a percentage of the population in living situations classified as group quarters, and as such, are not classified as being part of a household. Group quarters population includes people living in dormitories, military quarters, correctional facilities, skilled nursing centers, migratory worker camps, and others. While this segment of the population typically represents a small percentage, the presence of a university or military installation can have an impact on smaller area household demographic analysis.

2.1. Historical Economic and Demographic Data Sources

There are numerous national and regional employment sources that provide different types of employment data at various geographical levels:

Bureau of Labor Statistics (BLS) - The BLS provides historical sector-level employment trends at the national, state, county, and MSA-level. The BLS also provides unemployment data down to the city level, but this data is based on resident employment (i.e. residents of the city, who may or may not work in that city), as opposed to at-place employment (jobs in that city). For the purposes of a real estate market analysis, at-place employment is the more relevant category of employment data needed.

Bureau of Economic Analysis (BEA) – The BEA also provides historical, sector level employment down to the county level, and includes more comprehensive coverage of certain categories not included in the BLS data. The BLS data is based on establishments reporting through unemployment insurance program. As such, those jobs not covered by unemployment insurance, including non-profits such as religious institutions, sole proprietorships, and other categories.

U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD) – The Census' LEHD resource is a very useful tool to gather at-place employment data below the county level. While the BLS and BEA provide data down to the county level, the LEHD currently provides estimates of historical employment data from 2002 to 2010 at the city level as well as for customized, user-defined geographic polygons. This resource also provides insights on commuting patterns, resident employment, and other useful datasets for customized areas.

Utah Department of Workforce Services (DWS) – The DWS also provides historical data at the city level for many areas in the state. However, much of their historical data at the city level includes changes to defined geographies, changes in collection methodology, and other issues that make analysis/comparison of time-series data less useful.

Decennial Censuses and American Community Surveys – Data from these sources provides a wealth of detailed demographic information at a variety of geographic levels, from the national and state level, down to the county, city, zip code, and Census tract level for certain data. Household data can be analyzed based on a variety of factors for a smaller area, including households by income, age, size, and tenure. All of these criteria can shed light on demand for specific residential product types, and can inform recommended price/rent positioning, demand for for-sale versus rental units, unit size ranges, target market audiences by age, and other important residential market factors.

2.2. Forecast Socioeconomic Data

Along with understanding historical trends, employment forecasts help inform future demand potential. These are provided from a variety of regional and national sources. Because methodologies and opinions differ by source, we prefer to gather and analyze forecast data from numerous sources if possible, arriving at an average forecast informed by multiple sources.

Governor's Office of Planning and Budgeting (GOPB) – The Demographic and Economic Analysis division of the GOPB provides the high-level forecast data for population, households, and employment that feeds into more detailed long-range forecasts developed by regional metropolitan planning organizations. Historical and forecast data is provided on the GOPB's website.

Metropolitan Planning Organizations (MPOs) – MPOs forecast socioeconomic data at the small area level, or transportation analysis zone (TAZ) level primarily to understand future transportation infrastructure needs at the local level. For the catalytic site analysis, data from the Wasatch Front Regional Council (WFRC) helped inform household and employment forecasts for Salt Lake County and Weber County, and data from the Mountain Association of Governments (MAG), which covers Summit, Utah, and Wasatch Counties, was used to inform forecasts for the Provo catalytic site.

Third-Party Data Providers – Third-party data providers, such as IHS Global Insights, Moody's, and Woods & Poole Economics sell historical and forecast socioeconomic data as well, and their forecasts can be used to verify state and local forecasts to arrive at a consensus forecast.

2.3. Demand Analysis Techniques

There are a variety of ways to forecast demand for various land uses and like other facets of the market analysis, this task can be very refined or more general depending on the goals of the project. As an example, to arrive at a high-level residential demand analysis for the catalytic sites, the Parsons Brinckerhoff team analyzed demand potential from new households as well as turnover of existing households, using a variety of data inputs.

- Total new households - Estimates of new households over the forecast period were arrived at using forecast data from the GOPB, local MPOs, and third party data providers.
- Households by income – Households were stratified by income using data from the ACS on existing households in the market area.
- Tenure by income – Data from the ACS also breaks down the propensity to own versus rent by household income. Applying this factor to the above breakdown of households by income provides an estimate of depth of demand for rental versus for-sale product by household income range.

- Existing Household Turnover by Tenure – Along with demand from new household growth, demand can also be captured from existing households likely to move. The ACS provides estimates of turnover by tenure, shedding light on the amount of renters and owners moving in a given year.
- Project capture rates – Combining all of the above quantifiable factors provides an estimate of overall demand potential for residential units stratified by tenure and income for a defined market area. The estimated capture rate of the subject site represents a more subjective estimate, informed by the results of the site analysis as well as an understanding of likely competitive supply. The total capture rate can also vary depending on the size of the defined market area as well. For fully refined market analyses for planned developments, thorough analysis of competitive supply should provide insights on how to define the market area, as interviews with competitive projects should shed light on where buyers and renters are coming from. The capture rate should also be informed by an understanding of the depth of likely competitive projects planned, proposed, and under construction.

Commercial demand potential can also be assessed in a variety of ways. Employment driven analyses can incorporate forecast growth by sector and apply various assumptions for factors such as typical square feet per employee and an estimate of the percentage of that sector requiring office space, industrial space, or other uses. Assumptions for typical square feet per employee can vary by regional geography, specific land use, and numerous other factors. In the past, we have used the following assumptions, based on various research reports, interviews, and other sources:

- Office: 200 – 250 SF
- Retail: 350 – 450 SF
- Industrial: 500 – 750 SF

Anecdotal evidence in the national office development industry suggests that the average square feet per employee has been shrinking, as tenants have begun using innovative ways to increase space efficiency, such as shared and non-dedicated space ("hotelling"), telecommuting, etc. Retail space can vary dramatically by the specific tenant type and format. For example, big box and general merchandisers tend to have larger square footage requirements per employee relative to smaller users. The same is true for industrial users, with ranges varying depending on the labor intensity of the activity, for example operations involving labor-intensive factory work versus distribution/warehousing, where a large amount of space is required but far fewer employees.

A detailed retail demand analysis should consider likely household expenditure patterns by retail category compared with existing competitive supply for that category, and typical sales/SF assumptions to arrive at space demand potential. More general approaches for less defined opportunities or broader study areas can factor in historical net absorption by land use, current vacancy rates, and other metrics to forecast near term likely net absorption, and assume a likely capture rate for the subject area or site.

3. Competitive Supply Analysis

Coupled with an analysis of site strengths and weaknesses and an assessment of demand conditions, market conditions for relevant competitive supply of various land uses help frame what type of development is achievable on a given site, in terms of prices/rents, product types, quality and scale, and potential absorption pace/market exposure.

3.1. Real Estate Supply Metrics

Key supply factors for commercial and residential rental product include:

- Average rent by class and/or type – an understanding of typical achievable rents in a given market area helps define a realistic range of potential rents for planned development on a site. A premium or discount to market rents can be justified based on the site's relative strengths and weaknesses for development identified in the site analysis.
- Vacancy rate – understanding the current vacancy rate relative to historical trends is essential to sizing the opportunity for new development. A low vacancy rate relative to historical trends suggests a tight market, with minimal surplus supply, and is a positive indicator for new development. A high rate suggests weaker market conditions, and any new development will face significant competition and price pressure from existing vacant supply.
- Net absorption – the historical trend in net absorption of space also provides context on total market potential. While trends in new construction are informative, even if new projects are successfully leasing up, if economic growth is not sufficient to absorb the new space, tenants in new space will be vacating old space that is not getting backfilled. If this is the case, successful new deliveries will be misleading as a gauge of market conditions. In this scenario, net absorption will be negative and the vacancy rate will increase as the new construction results in vacant space elsewhere. Ideally, in the face of ongoing new construction, historical trends will show positive net absorption and a vacancy rate that is remaining flat or declining, suggesting sufficient economic growth to support the ongoing construction.
- Pipeline of planned, proposed, and under construction supply - a solid understanding of future planned inventory is necessary to gauge likely depth of competitive supply for a planned project and inform project capture rates. A list of planned and proposed projects can be compiled from online research of news articles, brokerage reports, and other data sources, as well as interviews with local planning and zoning departments.
- Lease-up pace of new product – in a market study for a project with specific, detailed development plans, an estimate of likely lease-up pace or absorption of rental units and commercial space is often a critical question from developers and lenders seeking to understand their overall market exposure and timing of project revenue generation and can inform recommendations on the size/scale of a project in terms of total units or square feet.

For for-sale residential product, key supply metrics include average/median price and size ranges for the market or submarket as well as for directly competitive projects. Along with achievable prices and sizes, historical market sales volume and sales pace of new construction projects are other important data points. For market and submarket level price points, using the median is preferred over the average price, as the average can be skewed by a small sample of very highly priced luxury oriented products in a given market area.

3.2. Real Estate Supply Data Sources

For commercial and residential rental product, most larger metropolitan areas have numerous brokerages tracking market conditions and inventory trends, including most of the key supply metrics described above at the market and submarket level. Reviewing brokerage reports and historical trends will shed light on market and submarket level supply conditions, and typically provides insights on major planned projects or other impacts on existing inventory.

For for-sale residential market conditions, many state, county, and local Realtor associations provide high-level historical market trends, including data on prices and sales volume by attached and detached product types. Some national third-party data sources provide commercial and residential market and submarket level data for a fee. Data from these sources, however, may not typically be as accurate or robust as data from local providers who are likely to be more informed on local level trends, though local data can be more difficult to acquire.

For more detailed market analyses, compiling profiles of relevant competitive supply is recommended to inform a site specific opportunity in terms of achievable rents/pricing, lease-up/sales pace, target market audiences, and other qualitative factors. For this level of analysis, extensive fieldwork and interviews with brokers, Realtors, leasing and sales offices are necessary to help answer the questions relevant to the specific project.

4. Index of Potential Resources

4.1. Economic and demographic sources

- Federal Resources
  - Bureau of Labor Statistics – www.bls.gov
  - Bureau of Economic Analysis – www.bea.gov
  - U.S. Census Bureau Longitudinal Employer-Household Dynamic - http://lehd.ces.census.gov/
  - U.S. Census Bureau demographic data from decennial censuses and American Community Surveys - http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml
- State/Regional Resources
  - Utah Department of Workforce Services - http://jobs.utah.gov
  - Utah Governor's Office of Planning & Budget - http://www.governor.state.ut.us/gopb/
  - University of Utah Bureau of Business and Economic Research - http://www.bebr.utah.edu/
  - Wasatch Front Regional Council – www.wfrc.org
  - Mountainland Association of Governments - http://mountainland.org/site/

- Third-Party Data Providers
    - HIS Global Insight - http://www.ihs.com/products/global-insight/index.aspx
    - Moody's - http://www.moodys.com/

4.2. Real Estate supply data sources

- Residential sources
    - Historical permitting data by area
        - University of Utah Bureau of Business and Economic Research - http://www.bebr.utah.edu/
        - U.S. Department of Housing and Urban Development - http://www.huduser.org/portal/datasets/socds.html
    - Rental market data
        - Equimark – While some firms provide adequate market overview level data, Equimark provides a robust set of market and submarket data, including a thorough list of projects planned, proposed, and under construction - http://www.equimark.com/
    - For-sale market data
        - Local boards of Realtors
            - Salt Lake Board of Realtors - http://www.slrealtors.com/
            - Utah County Association of Realtors - http://new.ucaor.com/
            - Northern Wasatch Association of Realtors (Davis and Weber Counties) - http://nwaor.com/
- Commercial sources
    - Major brokerage firms active in the region
        - NAI West/Newmark Grubb ACRES – representatives from Newmark Grubb ACRES, formerly known as NAI West, were particularly helpful in providing data below the submarket level for certain catalytic sites. http://www.ngacres.com/
        - Commerce Real Estate Solutions – This firm maintains a robust set of commercial data for the region. http://www.comre.com/
        - Other firms active in the local market
            - CBRE – http://www.cbre.us/o/saltlakecity/Pages/home.aspx
            - Coldwell Banker Commercial - http://www.coldwellutah.com/index.html
- Fieldwork/interviews
    - Site visits to actively selling new home projects and apartment leasing offices
    - Calls/interviews with knowledgeable Realtors and brokers marketing vacant commercial space in the competitive market area
    - Calls/interviews with local economic development departments, planning departments, redevelopment agencies, and other groups actively involved with the real estate development process and knowledgeable of economic conditions, trends, etc.