



Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

UP

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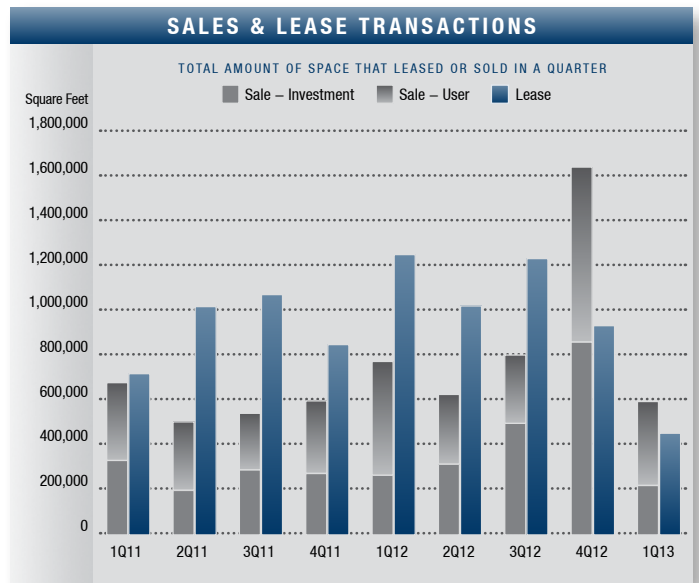
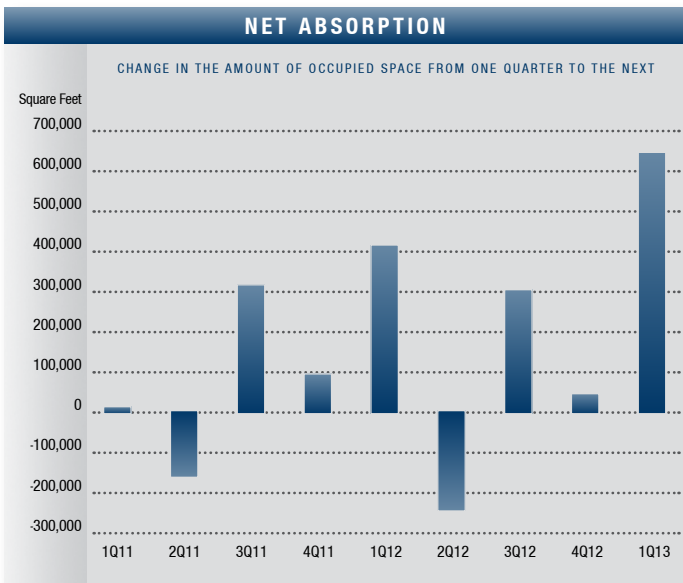
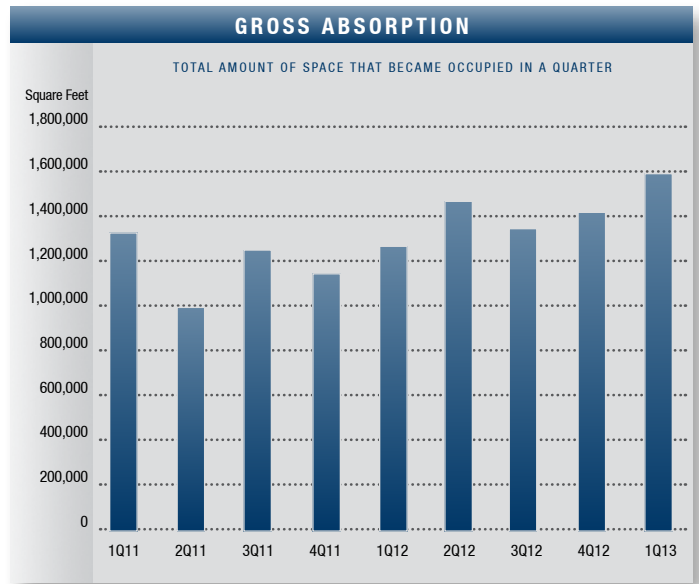
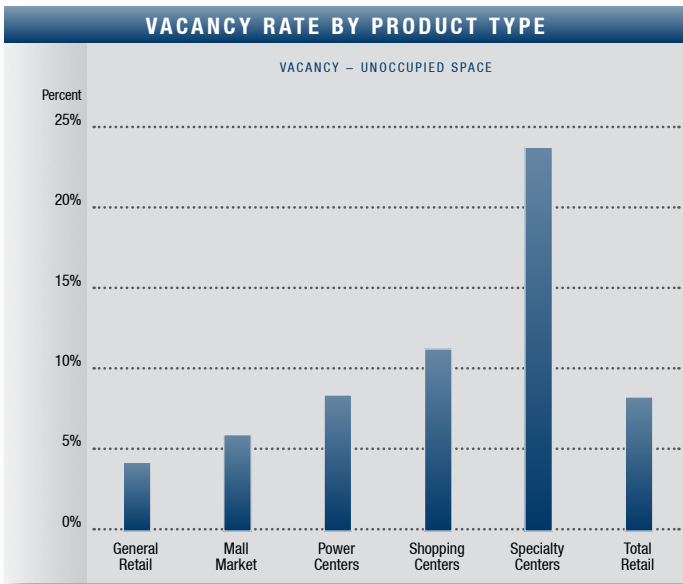
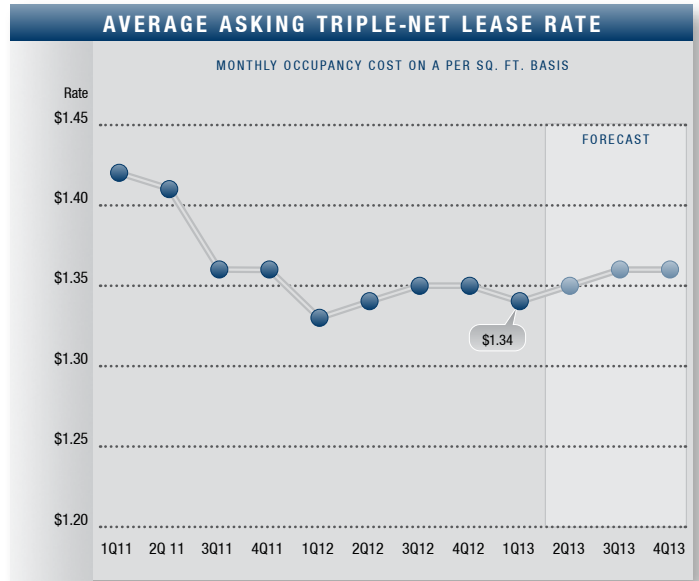
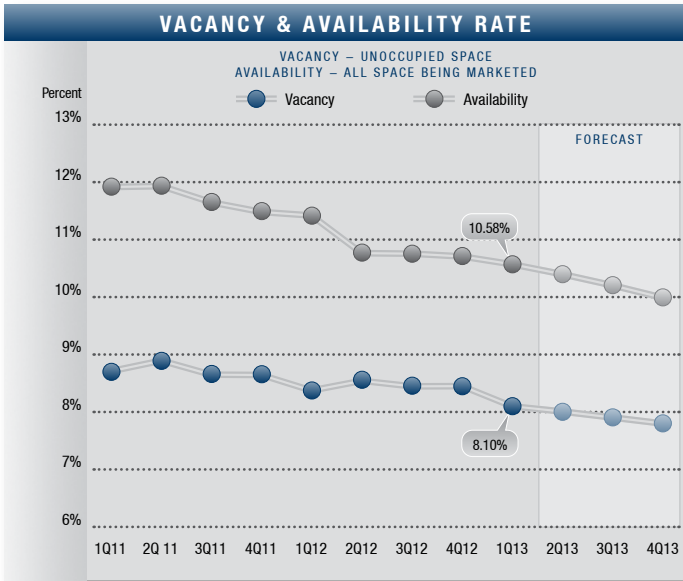
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Market Highlights

- Positive Direction** - The Inland Empire retail market continued to move in a positive direction as we finished the first quarter of 2013. Both vacancy and availability showed decreased compared to both the previous quarter and previous year. The market neared 650,000 square feet of positive net absorption for the quarter, while average asking triple-net lease rates displayed an increase over the first quarter of 2012. While these are all good indications that the market is beginning to rebound, continued stability and growth, supported by overall economic stability in the region, will need to be sustained in coming quarters to be considered recovery.
- Absorption** - The Inland Empire retail market posted 649,932 square feet of positive net absorption in the first quarter of 2013, giving the Inland Empire a total of 1.6 million square feet of positive net absorption for the last seven quarters. This is the largest amount of positive net absorption in one quarter since 2008, when in the first quarter occupancy grew by just over one million square feet.
- Transaction Activity** - Leasing activity checked in at 447,207 square feet for the first quarter of 2013, a decrease from the previous year's figure of 926,702 square feet. Sales activity also showed a decrease, posting 587,972 square feet this quarter, as compared to the 761,865 square feet for the first quarter of 2012. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 10.8% in February 2013, down from a revised 11.5% in January 2013 and below the year-ago estimate of 12.6%. This compares with an unadjusted unemployment rate of 9.7% for California and 8.1% for the nation during the same period. The unemployment rate was 10.9% for Riverside County and 10.7% in San Bernardino County. According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA gained 27,500 payroll jobs from February 2012 to February 2013. The largest gains were 10,100 jobs in leisure and hospitality and 8,000 jobs in trade, transportation, and utilities. The only sector to lose any jobs was government, down 2,800 jobs.
- Overall** - Retail demand is slowly improving. We are seeing decreases in the amount of available space and vacant space being added per quarter, as well as stability in average asking least rates. With few new deliveries in the pipeline to apply upward pressure on vacancy, the market has begun to stabilize. We foresee an increase in investment activity in the coming quarters. While these are positive indicators, cautious optimism still prevails, as job creation will need to continue in order to drive the demand needed to sustain growth in the Inland Empire retail market.
- Construction** - There was only 138,377 square feet of retail space under construction in the Inland Empire in the first quarter of 2013, most of which was for general retail space in the eastern region. The slowdown in construction has eased and will continue to ease the upward pressure on vacancy rates and the downward pressure on lease rates, as demand catches up to supply.
- Vacancy** - Direct/sublease space (unoccupied) finished the first quarter of 2013 at 8.1%, down from 2012's fourth quarter and a decrease of 3.34% from the same quarter last year. General retail had the lowest vacancy rate again this quarter, coming in at only 4.06%, while specialty centers had the highest at 23.72%.
- Availability** - Direct/sublease space being marketed was 10.58% at the end of the quarter, a decrease from the previous quarter's rate of 10.72% and 7.36% lower than the previous year's rate. West and East submarkets checked in at 9.53% and 11.04%, respectively.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in the Inland Empire was \$1.34 at the end of the first quarter of 2013, down one cent from the previous quarter but up one cent from the previous year, overall indicating stability. We are forecasting that lease rates will continue to stabilize and begin to rise in 2013, ending the year at around \$1.36.

RETAIL MARKET OVERVIEW

	1Q13	4Q12	1Q12	% of Change vs. 1Q12
Vacancy Rate	8.10%	8.46%	8.38%	(3.34%)
Availability Rate	10.58%	10.72%	11.42%	(7.36%)
Average Asking Lease Rate	\$1.34	\$1.35	\$1.33	0.75%
Sale & Lease Transactions	1,035,179	2,565,933	2,006,864	(48.42%)
Gross Absorption	1,591,629	1,416,881	1,261,962	26.12%
Net Absorption	649,932	47,340	417,150	N/A

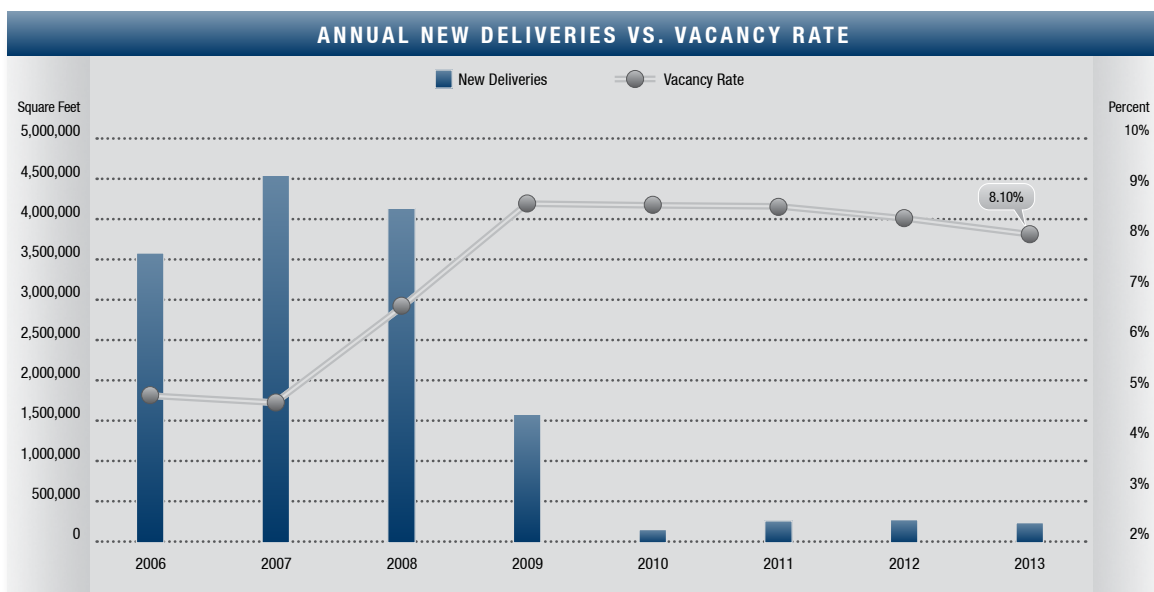


	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2013	Square Feet Available	Availability Rate 1Q2013	Average Asking Lease Rate	Net Absorption 1Q2013	Net Absorption 2012	Gross Absorption 1Q2013	Gross Absorption 2012
East													
General Retail	5,263	32,591,624	109,565	2,779,206	1,387,202	4.26%	2,194,657	6.73%	\$0.96	89,400	443,785	222,823	1,098,747
Mall Market	151	10,166,869	0	1,545,115	722,578	7.11%	1,159,630	11.41%	\$1.84	181,899	(54,480)	193,388	378,886
Power Center	121	5,029,178	0	1,787,514	327,039	6.50%	450,703	8.96%	\$1.44	78,482	(51,702)	83,421	282,181
Shopping Center	2,697	45,854,007	21,802	3,504,610	5,128,194	11.18%	6,314,415	13.77%	\$1.33	99,044	338,327	530,291	1,975,731
Specialty Center	19	690,407	0	40,000	221,318	32.06%	297,526	43.09%	\$1.10	(17,624)	(52,368)	1,800	44,684
East Total	8,251	94,332,085	131,367	9,656,445	7,786,331	8.25%	10,416,931	11.04%	\$1.28	431,201	623,562	1,031,723	3,780,229

West

General Retail	1,620	11,172,305	4,010	687,964	389,809	3.49%	603,873	5.41%	\$1.25	41,267	45,195	117,849	271,083
Mall Market	65	6,382,094	3,000	21,190	245,749	3.85%	255,719	4.01%	\$1.73	148,211	(3,199)	190,211	40,981
Power Center	171	6,760,839	0	60,940	657,927	9.73%	723,386	10.70%	\$1.67	27,017	60,831	36,347	291,237
Shopping Center	1,016	17,390,728	0	741,826	1,940,042	11.16%	2,398,415	13.79%	\$1.43	59	(79,189)	195,698	962,877
Specialty Center	16	348,614	0	15,400	25,162	7.22%	25,162	7.22%	\$1.75	2,177	55,070	19,801	0
West Total	2,888	42,054,580	7,010	1,527,320	3,258,689	7.75%	4,006,555	9.53%	\$1.47	218,731	78,708	559,906	1,566,178
Inland Empire Total	11,139	136,386,665	138,377	11,183,765	11,045,020	8.10%	14,423,486	10.58%	\$1.34	649,932	702,270	1,591,629	5,346,407
General Retail	6,883	43,763,929	113,575	3,467,170	1,777,011	4.06%	2,798,530	6.39%	\$1.02	130,667	488,980	340,672	1,369,830
Mall Market	216	16,548,963	3,000	1,566,305	968,327	5.85%	1,415,349	8.55%	\$1.77	330,110	(57,679)	383,599	419,867
Power Center	292	11,790,017	0	1,848,454	984,966	8.35%	1,174,089	9.96%	\$1.63	105,499	9,129	119,768	573,418
Shopping Center	3,713	63,244,735	21,802	4,246,436	7,068,236	11.18%	8,712,830	13.78%	\$1.38	99,103	259,138	725,989	2,938,608
Specialty Center	35	1,039,021	0	55,400	246,480	23.72%	322,688	31.06%	\$1.40	(15,447)	2,702	21,601	44,684
Inland Empire Total	11,139	136,386,665	138,377	11,183,765	11,045,020	8.10%	14,423,486	10.58%	\$1.34	649,932	702,270	1,591,629	5,346,407

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
4010 Highland Ave.	East	80,521	N/A	National Stores, Inc.	Retail Properties of America, Inc.
3104-3232 W. Florida Ave. – 4 Properties	Temecula Valley	61,132	\$161.47	Strata Properties	GC Properties
9606-9684 Foothill Blvd.	West	50,000	N/A	Route 66 Ieca, Inc.	TLC Properties
2419 N. Euclid Ave.	West	41,957	\$64.30	Oakmont Senior Living	Apollo Asset Management
14771 7th St.	High Desert	33,745	N/A	N/A	BH Properties, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
40516 Murrieta Hot Springs	Temecula Valley	16,948	Mar-13	Harbor Freight Tools	D & A Semi-Annual Mtg Fund
1299-2276 Galleria at Tyler	East	9,088	Feb-13	Inspire	Red Robin Gourmet Burgers, Inc.
15245 Palmdale Rd. - Renewal	High Desert	8,200	Jan-13	One Day Paint & Body	Vincent LaPote
8966 Foothill Blvd.	West	7,532	Jan-13	Soup Plantation	Thomas Winery Plaza Property
9800-9880 Sierra Ave.	West	7,500	Feb-13	King Taco	Sara Management Company, Inc.

General Retail: Typically single-tenant freestanding general purpose commercial buildings with parking. Many single retail buildings fall into this use code, especially when they don't meet any of the more detailed use code descriptions.

Mall: Retail centers which provide shopping goods, general merchandise, apparel, furniture, and home furnishings in full depth and variety. Malls are generally built around one or more full-line department stores as the major drawing powers. However, some malls, such as lifestyle centers, lack major anchors and instead rely on trendier, upscale retail to draw business from nearby affluent neighborhoods.

Power Center: The center typically consists of several freestanding anchors and only a minimum amount of small specialty tenants. 250,000–600,000 SF and is dominated by several large anchors, including discount department stores, off-price stores, and warehouse clubs.

Shopping Center: Combination of the following retail types:

Strip Center: An attached row of stores or service outlets managed as a coherent retail entity. May be configured in a straight line, L, or U shape. On-site parking usually in front of stores.

Neighborhood Center: Centers providing convenience goods (food, drugs, etc.) and personal services (laundry, dry cleaning, etc.) for day-to-day needs of surrounding neighborhood. Generally 30,000–100,000 square feet in size.

Community Center: Centers offering a wider range of apparel and goods than community centers. Often anchored by supermarkets, super drugstores, or discount department stores. Usually configured in a straight line or L or U shape. Generally 100,000–350,000 square feet in size.

Specialty Center: Centers focused on a particular specialty or theme. Examples include Airport Retail (a center using an airport as its main draw), Outlet Center (a center of bigger chain stores often found in malls selling their own merchandise at a discount), and Theme/Festival Center (centers built around a unifying theme, often appealing most to tourists).

SUBMARKETS

EAST

Banning, Beaumont, Bloomington, Colton, Corona, Grand Terrace, Highland, Loma Linda, Mira Loma, Moreno Valley, Norco, Perris, Redlands, Rialto, Riverside, San Bernardino

WEST

Chino Hills, Chino, Fontana, Montclair, Ontario, Rancho Cucamonga, Upland

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