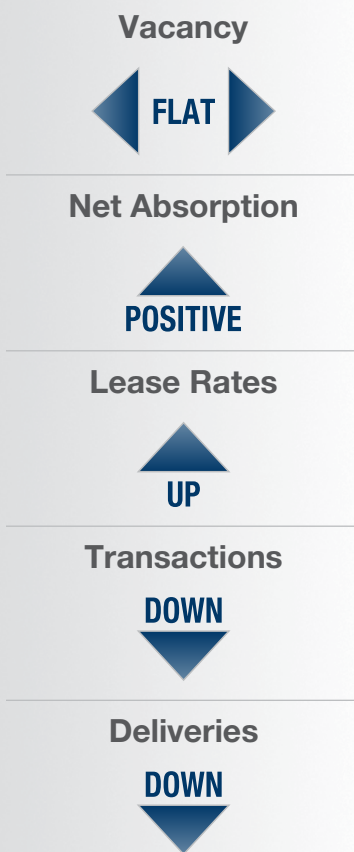




Retail Market Report

Compared to the Previous Quarter:



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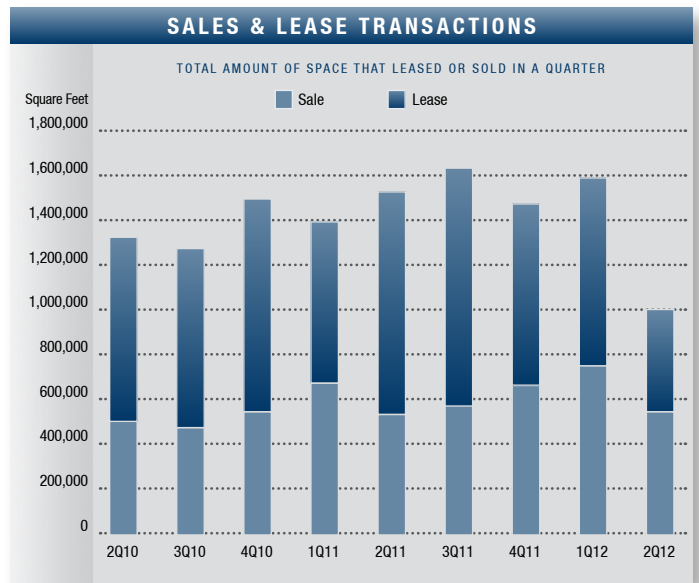
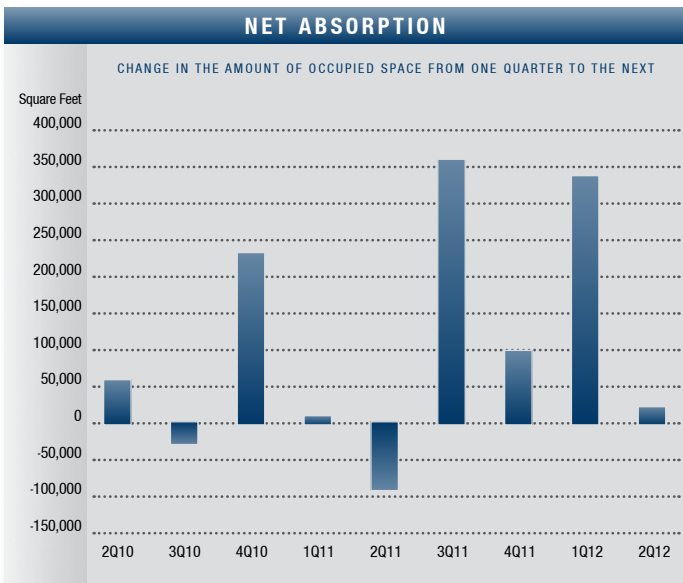
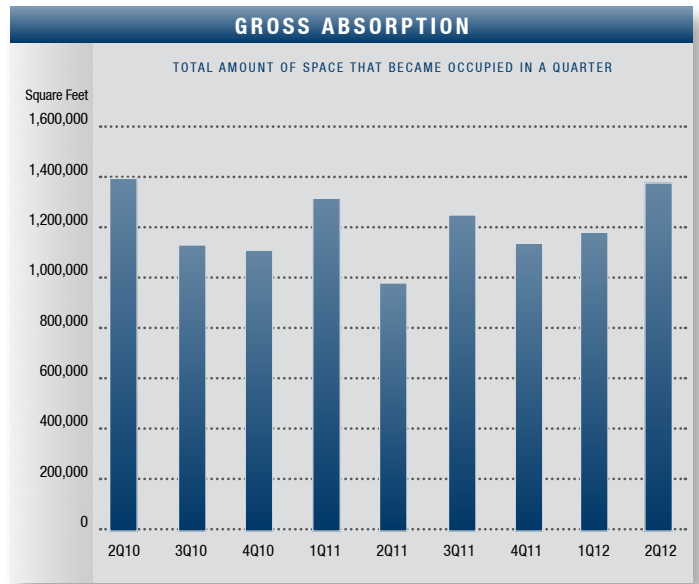
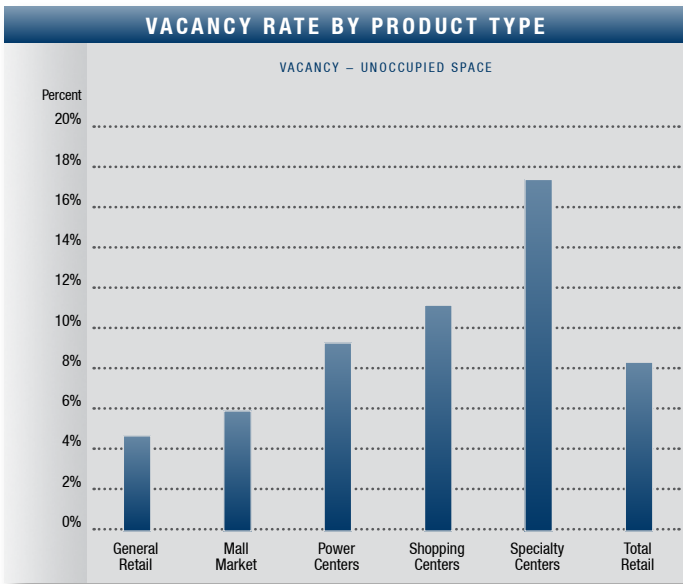
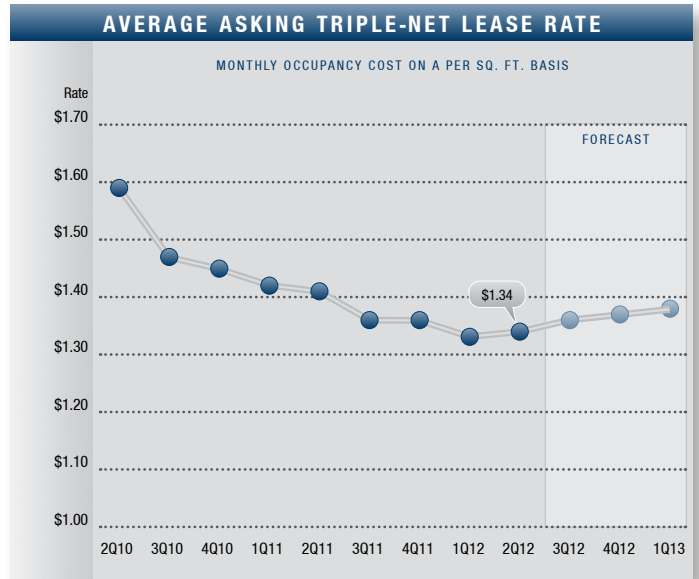
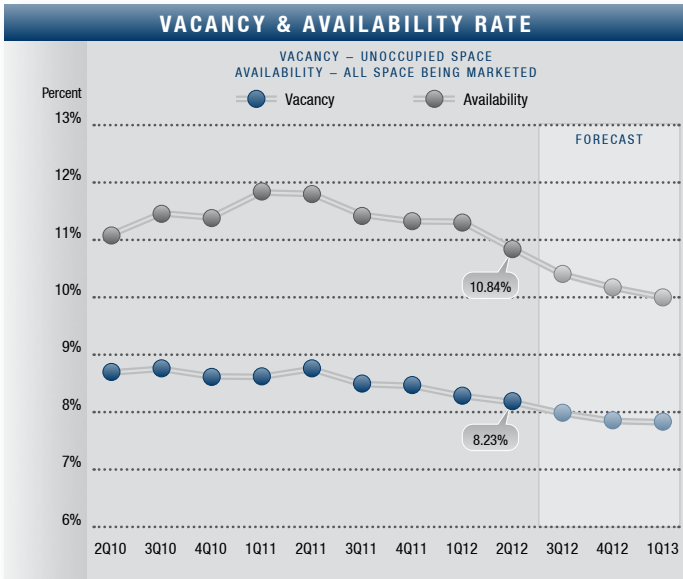


Market Highlights

- Mixed Indicators** - The Inland Empire retail market displayed mixed indicators in the second quarter of 2012. Availability increased while vacancy remained flat compared to the previous quarter. The market posted just 20,000 square feet of positive net absorption, while total transaction volume showed a decrease compared to the previous quarter and previous year. While the market appears to be moving in an overall positive direction, continued stability and growth will need to be sustained in coming quarters to be considered recovery.
- Construction** - There was only 157,000 square feet of retail space under construction in the Inland Empire in the second quarter of 2012. 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 second quarter of 2012 at 8.23%, a slight decrease from the previous quarter and 5.94% lower than the same quarter of 2011. General retail had the lowest vacancy rate at only 4.54%, while specialty centers had the highest at 17.35%.
- Availability** - Direct/sublease space being marketed was 10.84% at the end of the second quarter of 2012, a decrease from the previous quarter's rate of 11.27% and 94 basis points lower than the previous year's rate. The east and west submarkets checked in at 11.14% and 10.18% 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 second quarter, an increase of one cent from the previous quarter but a decrease compared to 2011's second quarter. We are forecasting that lease rates will rise in 2012, ending the year around \$1.37.
- Absorption** - The Inland Empire retail market posted 20,585 square feet of positive net absorption in the second quarter of 2012, giving the Inland Empire a total of 358,324 square feet of positive absorption for the year.
- Transaction Activity** - Leasing activity checked in at 453,869 square feet in the second quarter, a decrease from both the previous quarter's figure of 840,203 square feet and 2011's 997,959 square feet. Sales activity also decreased, with the market transacting 540,215 square feet of sales in the second quarter of 2012 compared to 745,012 square feet in the first quarter of 2012 and 525,041 square feet in the second quarter of 2011. Overall, transaction activity decrease over 34% from the same quarter last year. 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 11.8% in May 2012, up from a revised 11.7% in April 2012 and below the year-ago estimate of 13.1%. This compares with an unadjusted unemployment rate of 10.4% for California and 7.9% for the nation during the same period. The unemployment rate was 11.8% for Riverside County and 11.9% in San Bernardino County. According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA gained 14,700 payroll jobs from February 2011 to February 2012. The largest gains were 10,800 jobs in professional and business services and 4,000 jobs in leisure and hospitality. However, government lost 4,700 jobs. The LAEDC is forecasting that 15,300 new jobs will be added in the Inland Empire in 2012.
- Overall** - We are beginning to see a decrease in the amount of available space being added per quarter, as well as a decrease in both lease and sales activity. With few new deliveries in the pipeline to apply upward pressure on vacancy, the market has begun to stabilize. We foresee a continued increase in investment activity in the coming quarters as lenders dispose of distressed assets. Lease rates have begun to stabilize and are expected to continue to firm up and increase in the rest of 2012. As job creation continues and consumer confidence stabilizes, the retail market will continue to recover.

RETAIL MARKET OVERVIEW

	2Q12	1Q12	2Q11	% of Change vs. 2Q11
Total Vacancy Rate	8.23%	8.26%	8.75%	(5.94%)
Availability Rate	10.84%	11.27%	11.78%	(7.98%)
Average Asking Lease Rate	\$1.34	\$1.33	\$1.41	(4.96%)
Sale & Lease Transactions	994,084	1,585,215	1,523,000	(34.73%)
Gross Absorption	1,373,902	1,179,612	978,632	40.39%
Net Absorption	20,585	337,739	(91,181)	N/A

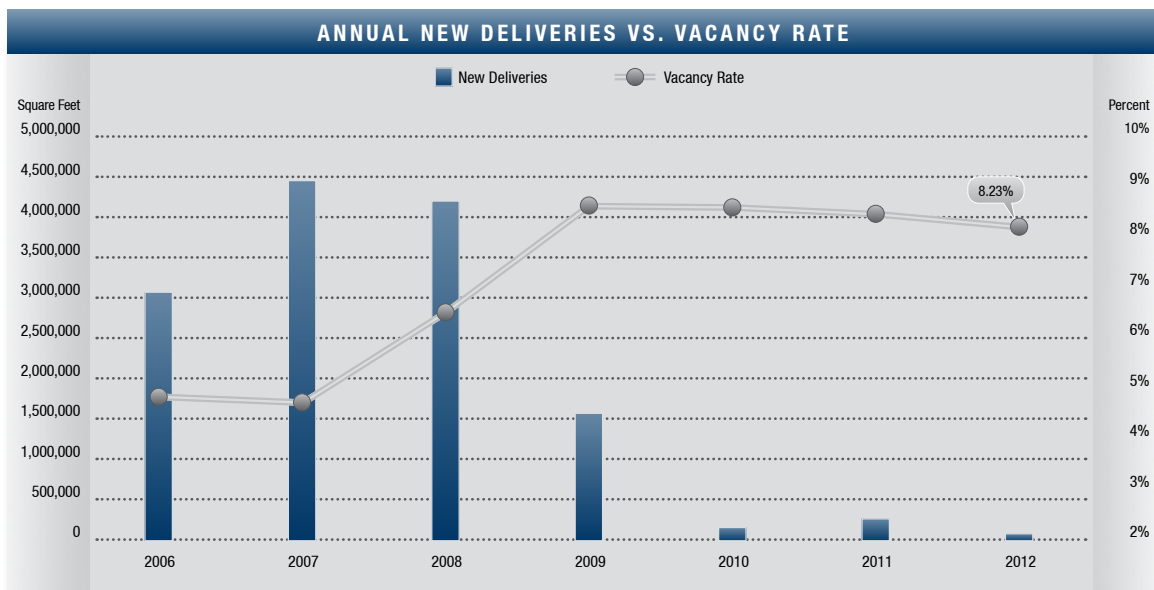


	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2012	Square Feet Available	Availability Rate 2Q2012	Average Asking Lease Rate	Net Absorption 2Q2012	Net Absorption 2012	Gross Absorption 2Q2012	Gross Absorption 2012
East													
General Retail	5,220	33,124,922	62,694	2,202,280	1,603,671	4.84%	2,441,814	7.37%	\$0.95	(63,181)	74,599	105,226	380,698
Mall Market	130	9,321,476	0	1,534,315	735,020	7.89%	1,052,355	11.29%	\$1.86	(16,644)	(27,523)	225,830	283,074
Power Center	126	5,446,358	2,500	1,787,514	391,058	7.18%	562,169	10.32%	\$1.65	7,266	46,334	19,976	117,320
Shopping Center	2,642	46,118,037	62,844	3,259,410	5,285,978	11.46%	6,263,753	13.58%	\$1.36	165,749	227,814	629,686	1,033,903
Specialty Center	24	734,606	0	40,000	160,116	21.80%	232,096	31.59%	\$1.10	(3,493)	(32,197)	25,765	25,765
East Total	8,142	94,745,399	128,038	8,823,519	8,175,843	8.63%	10,552,187	11.14%	\$1.32	89,697	289,027	1,006,483	1,840,760

West

General Retail	1,611	11,717,471	17,000	507,023	432,938	3.69%	646,668	5.52%	\$1.18	(27,059)	(15,594)	32,358	69,642
Mall Market	77	7,161,602	0	211,550	222,674	3.11%	407,011	5.68%	\$1.45	4,849	14,340	11,602	34,602
Power Center	138	5,117,837	0	60,940	580,441	11.34%	749,321	14.64%	\$1.33	(2,633)	16,741	27,891	72,240
Shopping Center	997	17,441,581	11,825	650,001	1,748,272	10.02%	2,384,855	13.67%	\$1.45	7,253	75,684	285,278	496,332
Specialty Center	32	904,819	0	15,400	124,375	13.75%	124,375	13.75%	\$1.32	(51,522)	(21,874)	10,290	39,938
West Total	2,855	42,343,310	28,825	1,444,914	3,108,700	7.34%	4,312,230	10.18%	\$1.41	(69,112)	69,297	367,419	712,754
Inland Empire Total	10,997	137,088,709	156,863	10,268,433	11,284,543	8.23%	14,864,417	10.84%	\$1.34	20,585	358,324	1,373,902	2,553,514
General Retail	6,831	44,842,393	79,694	2,709,303	2,036,609	4.54%	3,088,482	6.89%	\$1.00	(90,240)	59,005	137,584	450,340
Mall Market	207	16,483,078	0	1,745,865	957,694	5.81%	1,459,366	8.85%	\$1.80	(11,795)	(13,183)	237,432	317,676
Power Center	264	10,564,195	2,500	1,848,454	971,499	9.20%	1,311,490	12.41%	\$1.49	4,633	63,075	47,867	189,560
Shopping Center	3,639	63,559,618	74,669	3,909,411	7,034,250	11.07%	8,648,608	13.61%	\$1.39	173,002	303,498	914,964	1,530,235
Specialty Center	56	1,639,425	0	55,400	284,491	17.35%	356,471	21.74%	\$1.22	(55,015)	(54,071)	36,055	65,703
Inland Empire Total	10,997	137,088,709	156,863	10,268,433	11,284,543	8.23%	14,864,417	10.84%	\$1.34	20,585	358,324	1,373,902	2,553,514

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
23080 Alessandro Blvd. – 4 Properties	IE East	78,426	\$72.68	JRMVP, LLC	Moreno Center, Ltd.
24831 Jefferson Ave. – 3 Properties	IE East	44,125	\$65.72	Lucky Clover Ents, LLC	Hotel Majestic, LLC
2550 S. Archibald – 4 Properties	IE West	44,053	\$167.98	Baldwin Park Plaza, LLC	Rolling of Ontario Associates, LP
770 Showcase Dr. N.	IE East	37,222	\$32.78	Cummings Automotive Group, LLC	Corepointe Capital Finance, LLC
9185 Magnolia Ave.	IE East	32,000	\$50.00	HLFD Investment Partners, LLC	Maximum Equity Group, Inc.
27310 Madison Ave.	IE East	31,717	\$54.62	Continental Commercial Group, LLC	Gecmc 2006-C1 Madison Retail

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
5391-5467 Moreno St. – Renewal	IE West	41,200	Jun-12	Sports Authority	LNR Property Corporation
5391-5467 Moreno St.	IE West	22,498	May-12	Fallas	LNR Property Corporation
2150 N. Sierra Way	IE East	22,400	May-12	Family Dollar, Inc.	O & S Holdings, LLC
25030 Alessandro Blvd.	IE East	12,201	Apr-12	Denia Murga	Paul C. Kang
1680 S. E St.	IE East	10,891	Apr-12	Spirit Halloween Store	UDO Management
10000 Magnolia Ave.	IE East	9,000	May-12	Riverside Cyclery USA	Hyrosen Prop, 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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