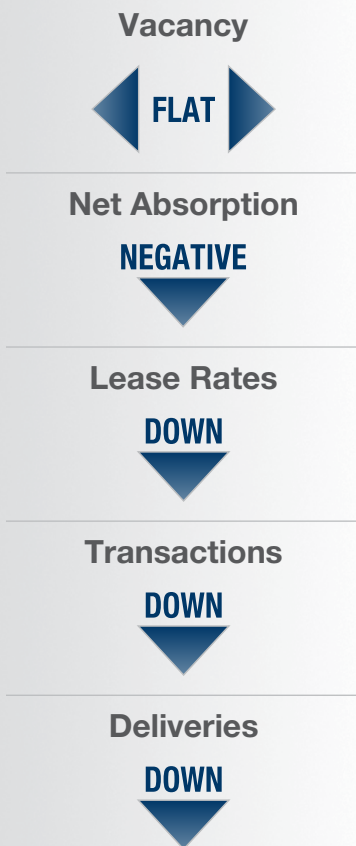




## Retail Market Report

Compared to the Previous Quarter:



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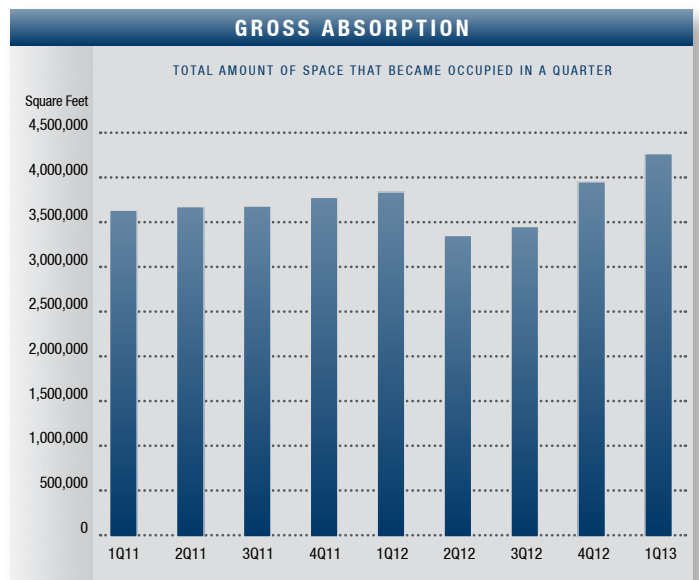
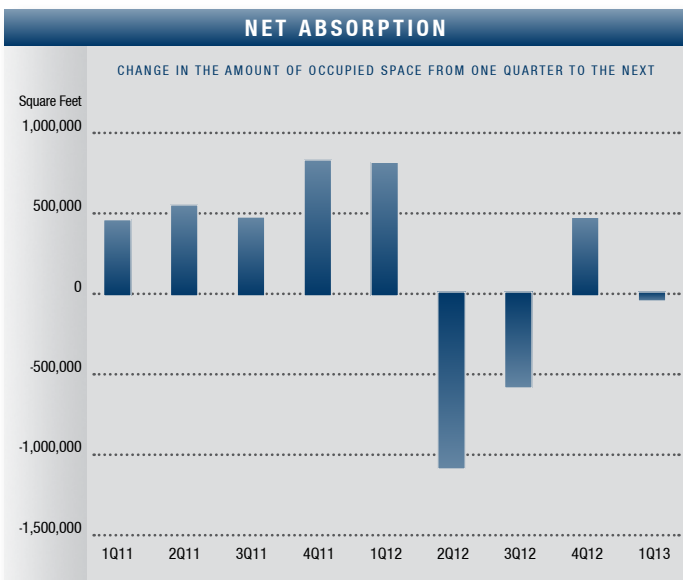
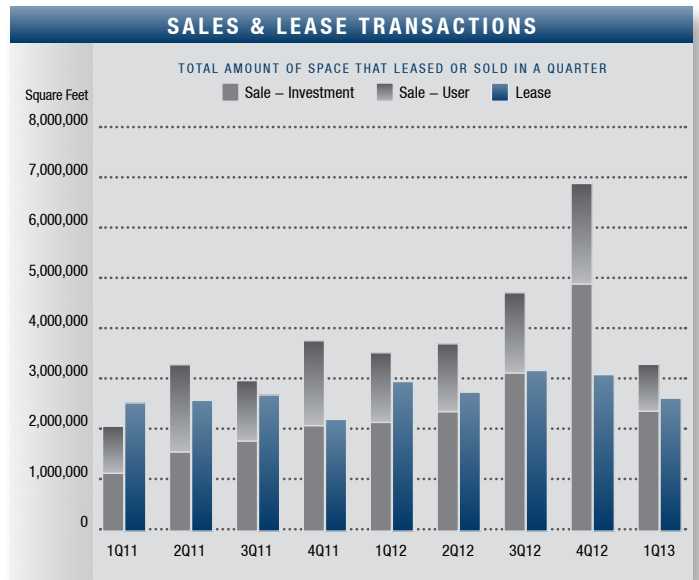
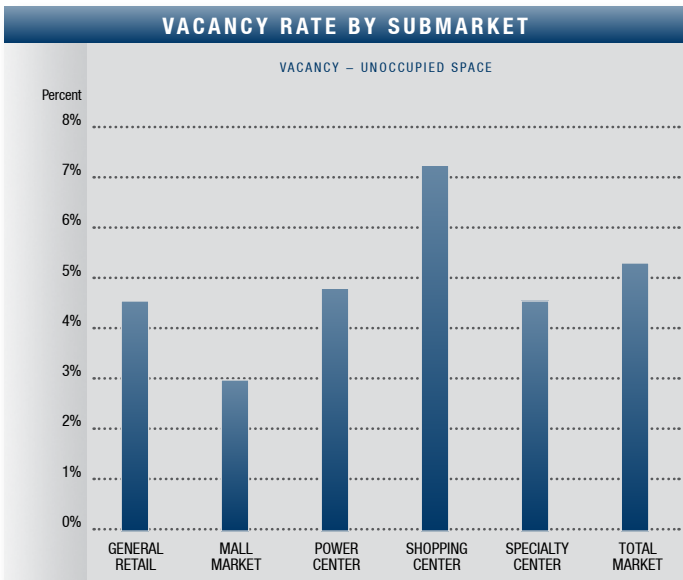
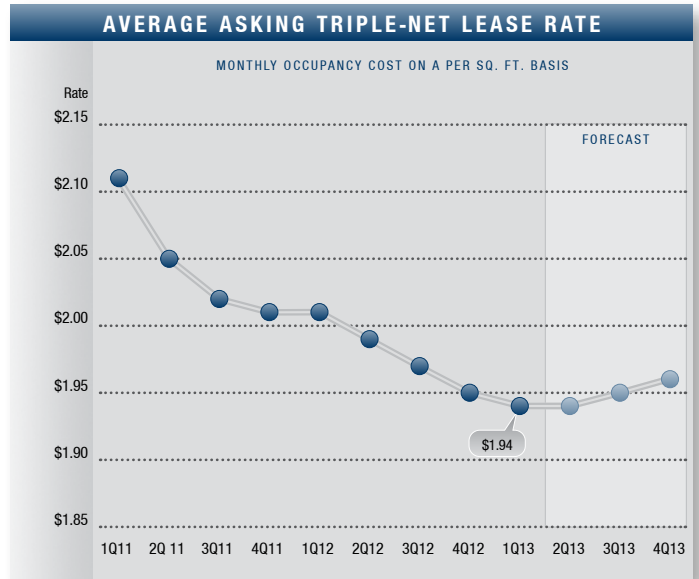
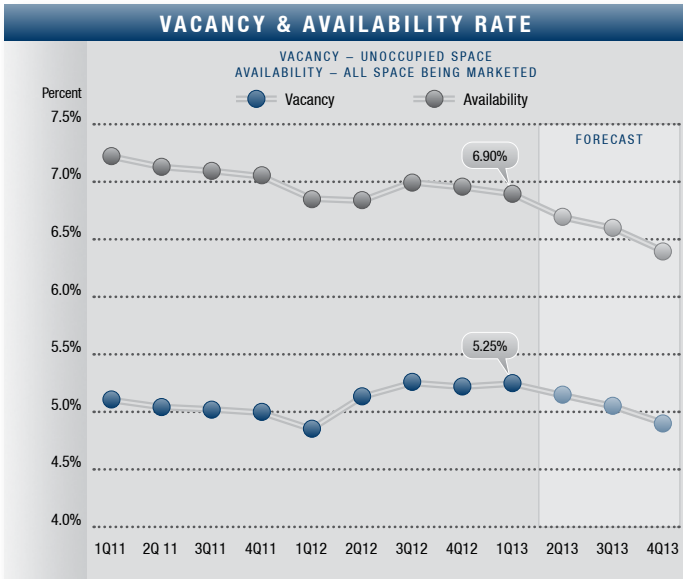
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### Market Highlights

- Mixed Indicators** - The Los Angeles County retail market displayed mixed indicators in the first quarter of 2013. Neither vacancy nor availability changed much from the previous quarter. The market posted only 45,000 square feet of negative net absorption to start 2013, and the average asking triple-net lease rate dropped only one cent from the previous quarter, an indication that lease rates may be nearing bottom. Total square feet transacted decreased around 9% year over year. While the market appears to be generally moving towards an equilibrium, continued stability and growth will need to be sustained in coming quarters to be considered recovery.
- Absorption** - The Los Angeles County retail market posted 45,191 square feet of negative net absorption in the first quarter of 2013, giving the market a total of 1.85 million square feet of positive absorption for the last nine quarters.
- Transaction Activity** - Leasing activity checked in at 2.6 million square feet in the first quarter of 2013, a decrease from the previous year's first quarter figure of 2.9 million square feet. Sales activity was down slightly as well, with the market transacting just 3.2 million square feet of sales in the first quarter of 2013 compared to 3.5 million square feet in 2012. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in Los Angeles County was 10.3% in February 2013- down from a revised 10.4% in January 2013 and below the previous year's estimate of 11.4%. This compares with an unadjusted unemployment rate of 9.7% for California and 8.1% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw the largest year-over-year growth in more than ten years, a net increase of 89,400 payroll jobs from February 2012 to February 2013. The largest gains were 25,300 in professional & business services and 21,000 in leisure & hospitality trade; Los Angeles County's only loss was 9,600 government jobs during that same period.
- Overall** - Overall, we are beginning to see a decrease in the amount of available space being added per quarter. With few new deliveries in the pipeline to apply upward pressure on vacancy, the market should soon stabilize. We foresee an increase in investment activity in the coming quarters. Lease rates are expected to continue to firm up in 2013. We should also see an increase in leasing activity as many short-term deals come up for renewal. As job creation continues and consumer confidence stabilizes, the retail market will once again gain traction.
- Construction** - There was only 640,000 square feet of retail space under construction in Los Angeles County in the first quarter of 2013, 276,000 of which was for general retail space. 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 5.25%, an increase of only three basis points from the previous quarter but 8.25% higher than the same quarter of 2012. Malls had the lowest vacancy rate at only 2.96%, while shopping centers had the highest at 7.22%.
- Availability** - Direct/sublease space being marketed was 6.90% at the end of the first quarter of 2013, a slight decrease from the previous quarter's rate of 6.97% and only five basis points higher than the previous year's rate. Malls displayed the lowest availability rates of all of the retail types at 4.32%, while the Burbank/Glendale/Pasadena area displayed the lowest rate of all of the submarkets at 4.97%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in the Los Angeles retail market was \$1.94 at the end of the first quarter of 2013, a decrease from the previous year's average asking rate of \$2.01. We are forecasting that lease rates will flatten and then begin to rise in 2013 and should end the year at around \$1.96.

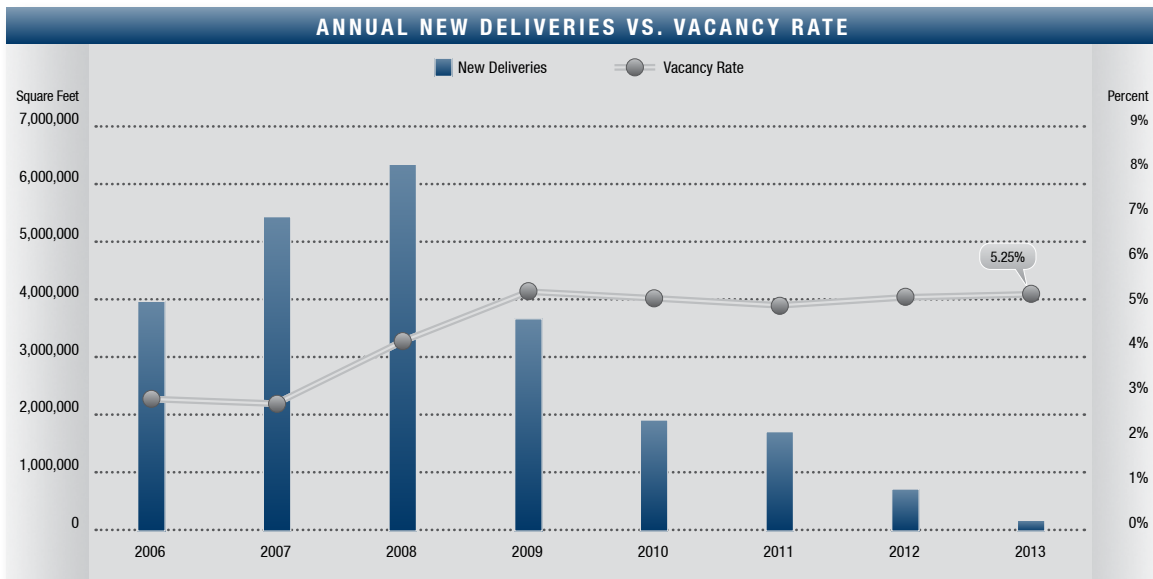
### RETAIL MARKET OVERVIEW

	1Q13	4Q12	1Q12	% of Change vs. 1Q12
Total Vacancy Rate	5.25%	5.22%	4.85%	8.25%
Availability Rate	6.90%	6.97%	6.85%	0.73%
Average Asking Lease Rate	\$1.94	\$1.95	\$2.01	(3.48%)
Sale & Lease Transactions	5,836,750	9,854,434	6,408,813	(8.93%)
Gross Absorption	4,252,256	3,956,249	3,838,961	10.77%
Net Absorption	(45,191)	468,111	801,868	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
<b>Los Angeles Market Total</b>													
Antelope Valley	1,097	15,482,668	0	1,921,789	1,284,745	8.30%	1,507,298	9.74%	\$1.19	(12,652)	(92,193)	57,595	348,032
Burbank / Glendale / Pasadena	6,199	54,792,009	1,500	563,276	2,034,484	3.71%	2,720,496	4.97%	\$2.39	(145,249)	26,506	394,494	1,519,478
Downtown	1,815	23,653,477	14,539	239,272	1,231,473	5.21%	1,458,393	6.17%	\$2.09	20,880	(11,032)	283,026	591,182
Mid-Cities	5,092	44,921,252	25,454	2,088,724	2,847,259	6.34%	3,815,065	8.49%	\$1.59	64,741	(141,753)	426,831	1,511,674
Mid-Wilshire	3,702	37,098,729	12,845	385,011	1,582,031	4.26%	1,976,987	5.33%	\$2.95	43,197	(23,514)	367,685	1,286,696
San Fernando Valley	4,444	50,648,790	56,421	1,233,171	2,889,185	5.70%	3,685,537	7.28%	\$1.87	(253,951)	(107,840)	460,004	1,635,527
San Gabriel Valley	5,170	59,224,253	150,585	864,025	3,699,721	6.25%	4,911,961	8.29%	\$1.56	62,115	(15,067)	563,962	2,135,004
Santa Clarita Valley	704	12,415,551	4,500	167,091	804,685	6.48%	1,029,073	8.29%	\$1.94	(9,371)	137,293	117,599	365,243
South Bay	6,280	68,167,856	63,731	847,613	2,955,763	4.34%	3,826,217	5.61%	\$1.84	(18,916)	27,408	656,540	2,001,951
Southeast LA	1,514	18,206,768	36,741	49,848	959,947	5.27%	1,509,276	8.29%	\$2.04	(4,044)	(141,388)	109,287	491,032
Ventura North	1,776	18,188,356	0	173,452	886,197	4.87%	1,245,671	6.85%	\$1.59	143,835	(3,048)	238,681	412,518
Ventura South	1,725	25,173,547	56,000	1,103,521	1,431,447	5.69%	1,843,201	7.32%	\$1.83	47,852	(108,526)	167,479	747,257
West LA	3,990	39,343,352	219,465	1,764,245	1,926,270	4.90%	2,733,295	6.95%	\$3.56	16,372	(99,472)	409,073	1,216,869
<b>Los Angeles Market Total</b>	<b>43,508</b>	<b>467,316,608</b>	<b>641,781</b>	<b>11,401,038</b>	<b>24,533,207</b>	<b>5.25%</b>	<b>32,262,470</b>	<b>6.90%</b>	<b>\$1.94</b>	<b>(45,191)</b>	<b>(552,626)</b>	<b>4,252,256</b>	<b>14,262,463</b>
General Retail	34,255	239,528,118	276,455	4,518,304	10,769,131	4.50%	14,894,136	6.22%	\$2.17	(178,687)	(15,559)	2,282,416	7,405,572
Mall Market	560	47,970,773	13,472	3,281,454	1,417,659	2.96%	2,072,628	4.32%	\$2.43	(64,238)	63,174	73,554	489,002
Power Center	445	21,376,778	0	903,696	1,015,739	4.75%	1,220,062	5.71%	\$1.54	13,588	(85,442)	99,277	494,101
Shopping Center	8,208	154,453,119	151,854	2,297,884	11,151,274	7.22%	13,838,256	8.96%	\$1.82	111,921	(486,096)	1,721,984	5,834,193
Specialty Center	40	3,987,820	200,000	399,700	179,404	4.50%	237,388	5.95%	\$1.43	72,225	(28,703)	75,025	39,595
<b>Los Angeles Market Total</b>	<b>43,508</b>	<b>467,316,608</b>	<b>641,781</b>	<b>11,401,038</b>	<b>24,533,207</b>	<b>5.25%</b>	<b>32,262,470</b>	<b>6.90%</b>	<b>\$1.94</b>	<b>(45,191)</b>	<b>(552,626)</b>	<b>4,252,256</b>	<b>14,262,463</b>

Lease rates are on a triple-net basis.



## RECENT TRANSACTIONS

## Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
5-65 Peninsula Ctr.	South Bay	231,547	\$361.44	UBS Global Asset Management	Principal Real Estate Investors
1301 W. Rancho Vista Blvd.	Antelope Valley	95,933	\$88.60	Forest City Residential Management	El Corte Ingles Sa
23631-23697 Calabasas - 4 Properties	Ventura South	89,074	\$561.33	RREEF America	CBRE Global Investors
645 W. 9th St.	Downtown	54,948	\$344.87	MDC Realty Advisors USA, Inc.	CIM Group, LP
950 N. La Brea Ave.	South Bay	34,035	\$149.85	Todd I Schiffman Living Trust	Tampa Saticoy, LLC
4308 Slauson Ave.	Mid Cities	28,340	\$171.14	M & M Capital Investments, LLC	4308 Slauson Avenue, LLC

## Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
4550 W. Pico Blvd.	Mid-Wilshire	35,000	Jan-13	Ross Dress For Less	CIM Group, LP
9920 Valley Blvd.	San Gabriel Valley	30,000	Feb-13	Tiandxin Trading USA, Inc.	Uka Solanki
17206-17228 Lakewood Blvd.	Mid Cities	29,303	Jan-13	Planet Fitness	Lakewood Plaza Sc, LP
2762 W. Imperial Hwy.	South Bay	16,500	Feb-13	99 Centers Only	Upside Cip
539-563 N. Azusa Ave.	San Gabriel Valley	14,500	Feb-13	Goodwill	Janes House Square, LLC

**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

Antelope Valley  
Burbank/Glendale/Pasadena  
Downtown  
Mid-Cities  
Mid-Wilshire  
San Fernando Valley  
San Gabriel Valley  
Santa Clarita Valley  
South Bay  
Southeast LA  
Ventura North  
Ventura South  
West LA

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