



Retail Market Report

Compared to the Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



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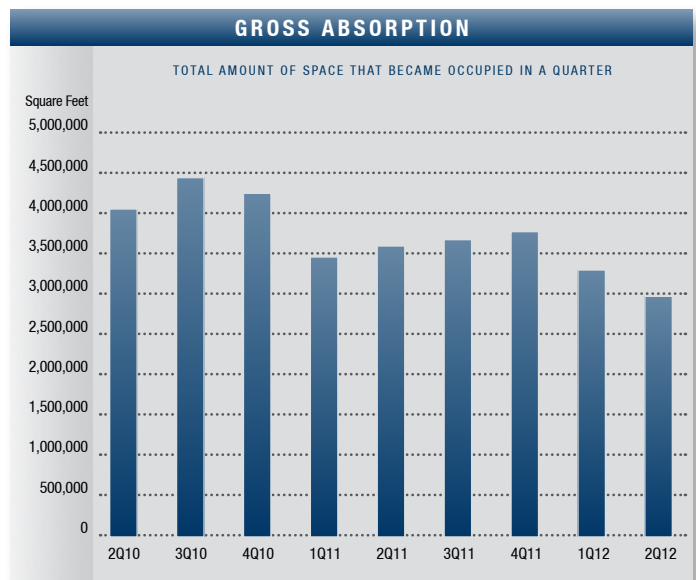
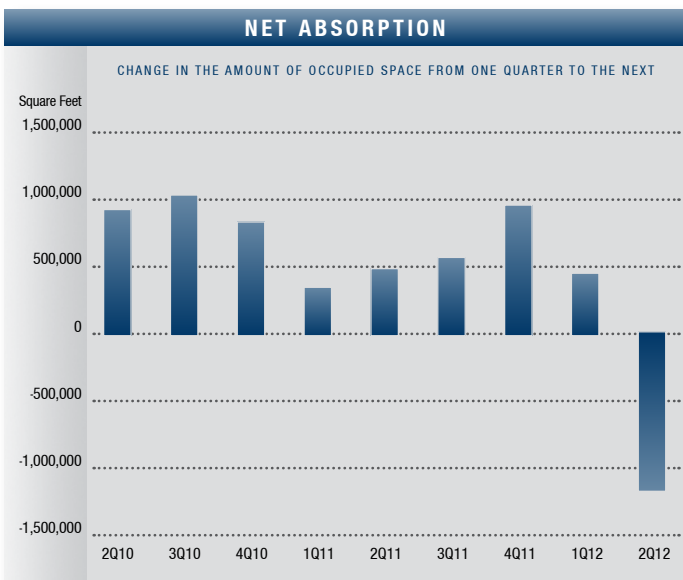
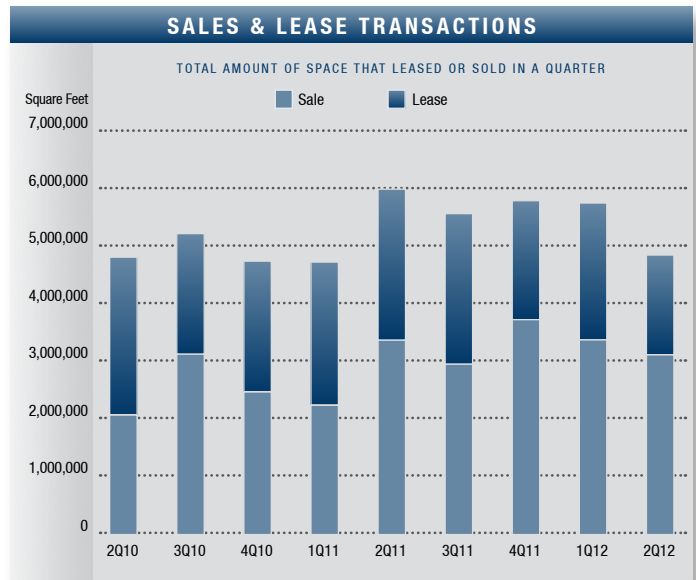
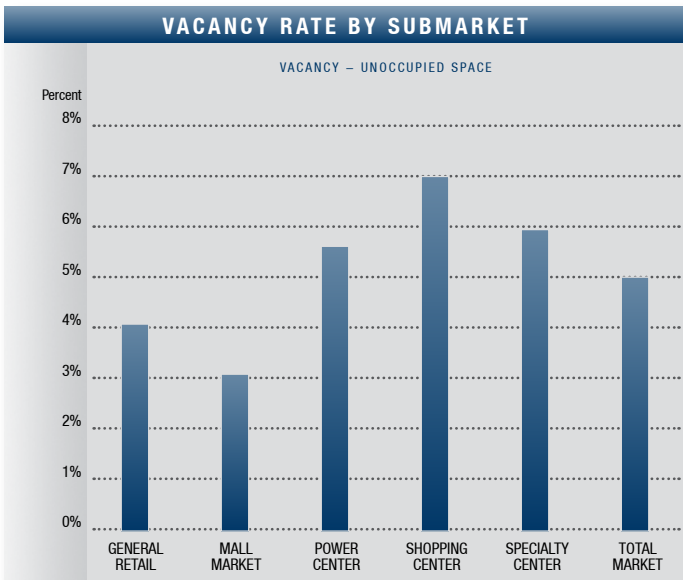
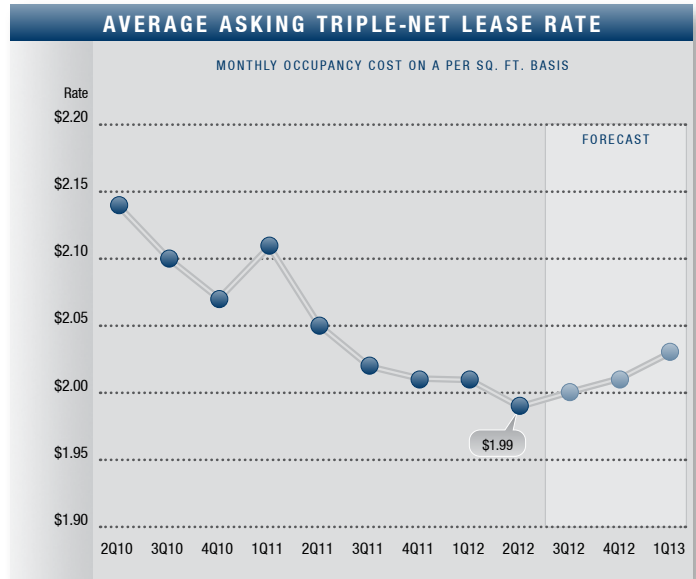
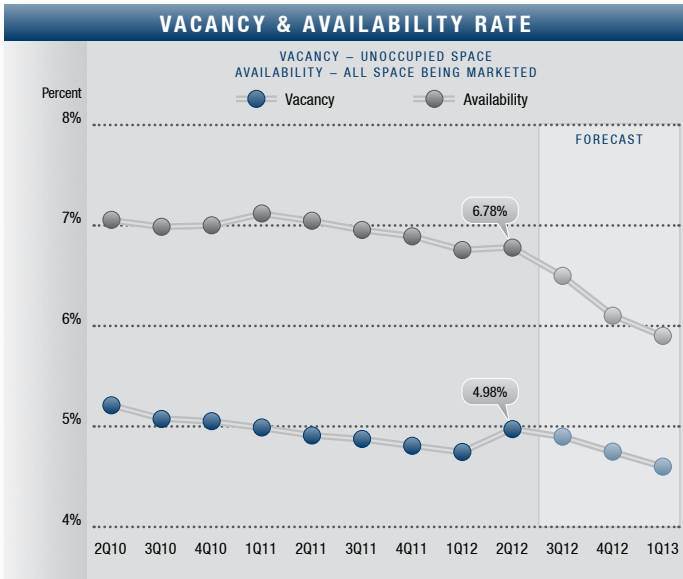


Market Highlights

- Mixed Indicators** - The Los Angeles County retail market displayed mixed indicators in the second quarter of 2012. Vacancy increased from both the previous quarter and the previous year. Availability was down compared to 2011 but increased slightly from the previous quarter. The market posted over 1.1 million square feet of negative net absorption, while both square feet transacted and average asking triple-net lease rates decreased compared to previous quarters. While the market appears to be moving towards stabilization, continued stability and growth will need to be sustained in coming quarters to be considered recovery.
- Absorption** - The Los Angeles County retail market posted 1,177,169 square feet of negative net absorption in the second quarter of 2012, giving the market a total of 735,755 square feet of negative absorption for the year.
- Transaction Activity** - Leasing activity checked in at 1.7 million square feet in the second quarter, a decrease from both the previous quarter's figure of 2.36 million square feet and 2011's 2.58 million square feet. Sales activity also decreased, with the market transacting nearly 3.1 million square feet of sales in the second quarter of 2012 compared to 3.4 million square feet in the first quarter of 2012 and the 3.37 million square feet in the second quarter of 2011. Overall, transaction activity decreased over 16.5% from the previous quarter. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in Los Angeles County was 11.4% in May 2012 — down from a revised 11.6% in April 2012 and below the previous year's estimate of 12.3%. This compares with an unadjusted unemployment rate of 10.8% for California and 8.2% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 38,000 payroll jobs from May 2011 to May 2012. The largest gains were 16,000 in professional & business services and 11,300 in leisure & hospitality trade; however, Los Angeles County lost 10,300 government jobs during that same period.
- 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 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.
- Construction** - There was only 475,000 square feet of retail space under construction in Los Angeles County in the second quarter of 2012, 360,000 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 second quarter of 2012 at 4.98%, an increase over the previous quarter and only 1.4% higher than the same quarter of 2011. Malls had the lowest vacancy rate at only 3.02%, while shopping centers had the highest at 6.98%.
- Availability** - Direct/sublease space being marketed was 6.78% at the end of the second quarter of 2012, a slight increase from the previous quarter's rate of 6.75% and twenty-five basis points lower than the previous year's rate. Malls displayed the lowest availability rates of all of the retail types at 4.53%, while the Downtown area displayed the lowest rate of all of the submarkets at 4.74%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in Los Angeles County was \$1.99 at the end of the second quarter, a decrease from the previous quarter's average asking rate of \$2.01. We are forecasting that lease rates will rise in 2012, ending the year at \$2.01.

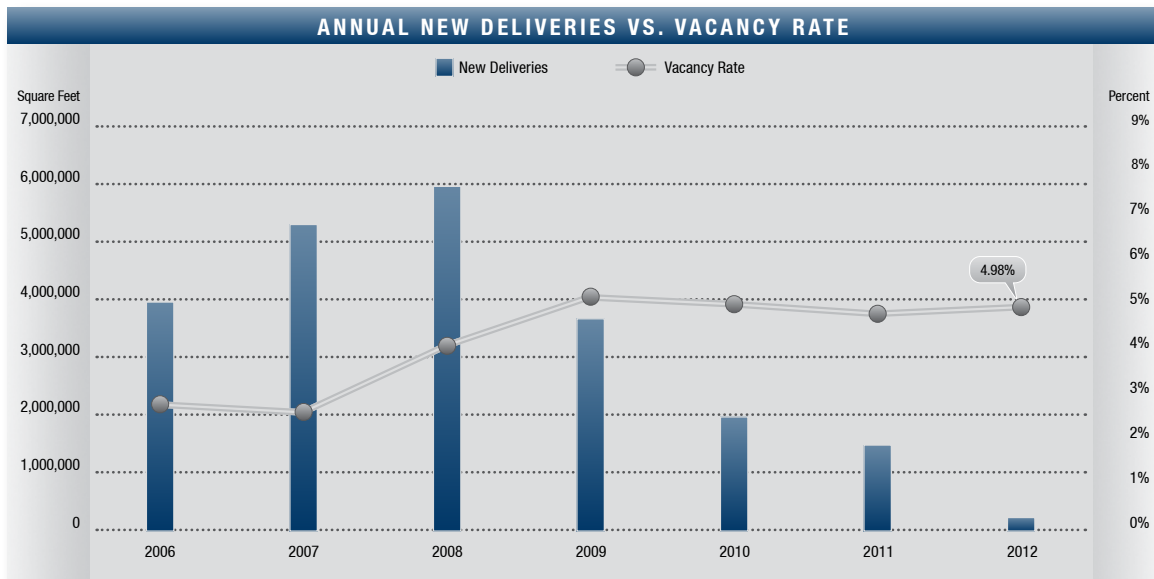
RETAIL MARKET OVERVIEW

	2Q12	1Q12	2Q11	% of Change vs. 2Q11
Total Vacancy Rate	4.98%	4.74%	4.91%	1.43%
Availability Rate	6.78%	6.75%	7.04%	(3.69%)
Average Asking Lease Rate	\$1.99	\$2.01	\$2.05	(2.93%)
Sale & Lease Transactions	4,801,632	5,748,741	5,955,198	(19.37%)
Gross Absorption	2,968,269	3,298,896	3,593,615	(17.40%)
Net Absorption	(1,177,169)	441,414	490,569	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
Los Angeles Market Total													
Antelope Valley	1,082	15,454,652	0	2,189,010	1,237,306	8.01%	1,489,711	9.64%	\$1.37	(86,867)	(113,151)	71,350	141,608
Burbank/Glendale/Pasadena	6,017	54,593,529	51,065	451,858	1,955,206	3.58%	2,739,212	5.02%	\$2.25	(165,730)	(35,296)	324,640	702,544
Downtown	1,725	22,694,609	14,539	217,709	937,442	4.13%	1,076,379	4.74%	\$2.14	(37,659)	34,920	85,100	229,109
Mid-Cities	4,588	42,832,031	39,649	1,482,124	2,595,054	6.06%	3,890,802	9.08%	\$1.68	(288,421)	(65,530)	205,850	602,007
Mid-Wilshire	3,562	36,333,309	0	394,613	1,500,400	4.13%	2,050,989	5.64%	\$2.95	32,846	(36,065)	298,348	581,219
San Fernando Valley	4,354	50,281,083	13,472	1,186,652	2,520,977	5.01%	3,455,982	6.87%	\$1.82	(78,305)	(112,366)	346,793	661,515
San Gabriel Valley	4,605	57,478,956	67,250	852,397	3,504,126	6.10%	4,589,005	7.98%	\$1.58	(255,091)	(190,934)	509,107	915,601
Santa Clarita Valley	682	12,330,645	33,369	215,446	808,173	6.55%	1,080,456	8.76%	\$1.94	49,256	91,015	84,417	169,297
South Bay	6,035	66,808,644	85,209	1,360,027	2,777,835	4.16%	3,724,017	5.57%	\$1.89	(138,169)	(24,877)	429,350	883,997
Southeast LA	1,434	17,718,199	0	49,579	789,120	4.45%	1,368,296	7.72%	\$1.62	19,774	19,155	144,895	259,941
Ventura North	1,770	18,229,467	0	141,248	995,061	5.46%	1,365,185	7.49%	\$1.55	(65,806)	(44,442)	84,705	184,843
Ventura South	1,714	25,147,603	63,798	1,253,420	1,513,986	6.02%	1,718,021	6.83%	\$1.86	(165,599)	(213,345)	151,694	423,912
West LA	3,826	38,747,402	107,202	1,880,136	1,719,346	4.44%	2,538,163	6.55%	\$3.94	2,602	(44,839)	226,924	506,476
Los Angeles Market Total	41,394	458,650,129	475,553	11,674,219	22,854,032	4.98%	31,086,218	6.78%	\$1.99	(1,177,169)	(735,755)	2,963,173	6,262,069
General Retail	32,599	235,288,205	359,252	4,053,837	9,480,943	4.03%	13,728,654	5.83%	\$2.17	(687,354)	(88,375)	1,364,132	3,141,614
Mall Market	551	47,404,618	36,301	4,323,946	1,429,842	3.02%	2,147,251	4.53%	\$3.06	(60,422)	(33,673)	165,205	295,135
Power Center	447	21,838,367	0	1,038,456	1,223,215	5.60%	1,407,883	6.45%	\$1.79	29,096	(197,894)	120,415	226,185
Shopping Center	7,757	150,160,323	80,000	2,146,513	10,486,715	6.98%	13,481,382	8.98%	\$1.85	(454,492)	(385,779)	1,290,223	2,568,665
Specialty Center	40	3,958,616	0	111,467	233,317	5.89%	321,048	8.11%	\$1.65	(3,997)	(30,034)	23,198	30,470
Los Angeles Market Total	41,394	458,650,129	475,553	11,674,219	22,854,032	4.98%	31,086,218	6.78%	\$1.99	(1,177,169)	(735,755)	2,963,173	6,262,069

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
2753-2831 E. Eastland Center Dr. – 9 Properties	San Gabriel Valley	804,292	\$182.77	Cole MT West Covina CA, LP	Eastland Shopping Center, LLC
800-970 N. Western Ave. – 3 Properties	South Bay	199,694	\$310.48	GRI Park Plaza, LLC	Columbia Park Plaza, LLC
1010 E. Avenue J	Antelope Valley	104,421	\$61.29	2429 Danalda and Kab Plaza, LLC	Lancaster Investors, LLC
1800 Montebello Town Ctr.	Southeast LA	87,061	\$238.34	Montebello Town Center Investors	Macerich Montebello Holdings I
1721 E. Ventura Blvd.	Ventura South	50,040	\$93.92	Ashley Furniture Industries, Inc.	Oxnard Redhill Partners, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
19500 Plummer St.	San Fernando Valley	36,815	Apr-12	Super King Market	GLE III, LLC
923-937 E. Las Tunas Dr.	San Gabriel Valley	34,693	Apr-12	168 Market	Lucky Center, LLC
2906-2916 Tap Canyon Rd.	Ventura North	20,027	Jun-12	Cost Plus	South Street Center Lessor
422-474 W. Arrow Hwy.	San Gabriel Valley	13,363	Apr-12	Harbor Freight Tools	Arrow Capital

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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