



Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

UP

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Market Highlights

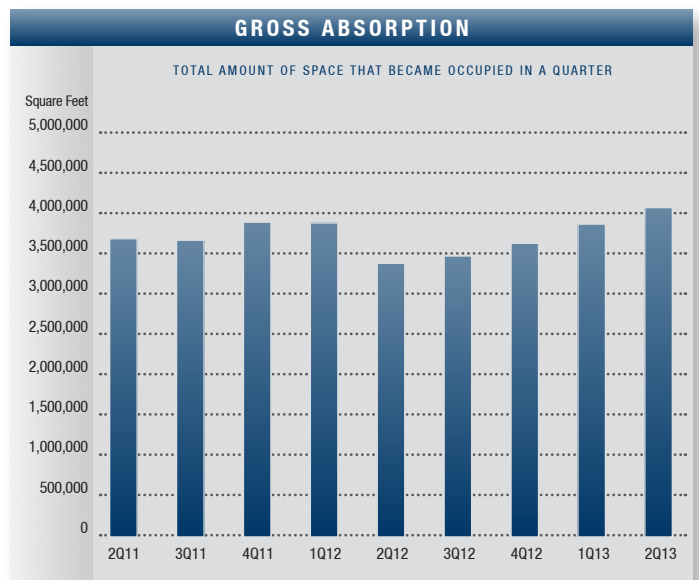
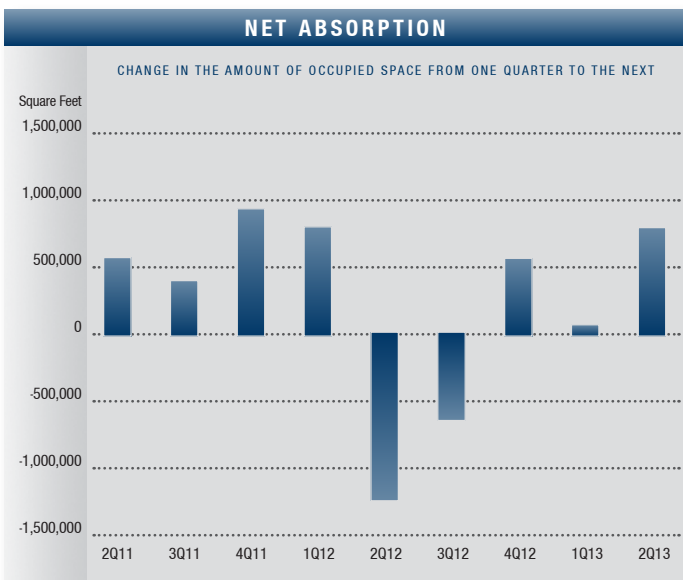
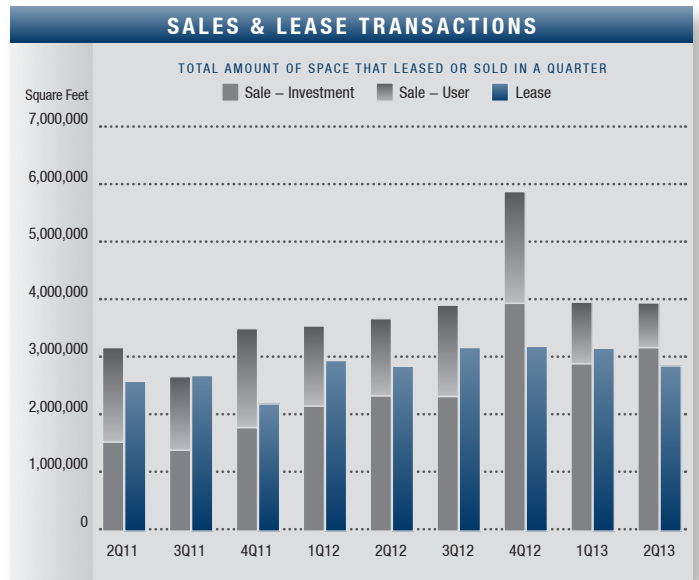
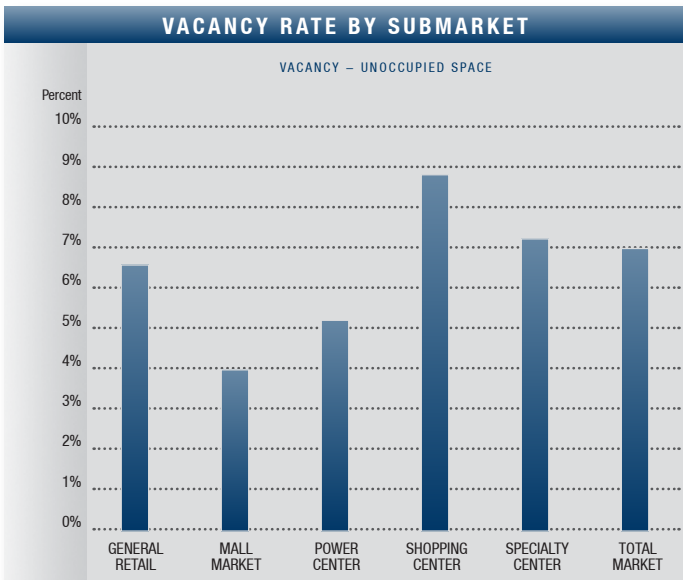
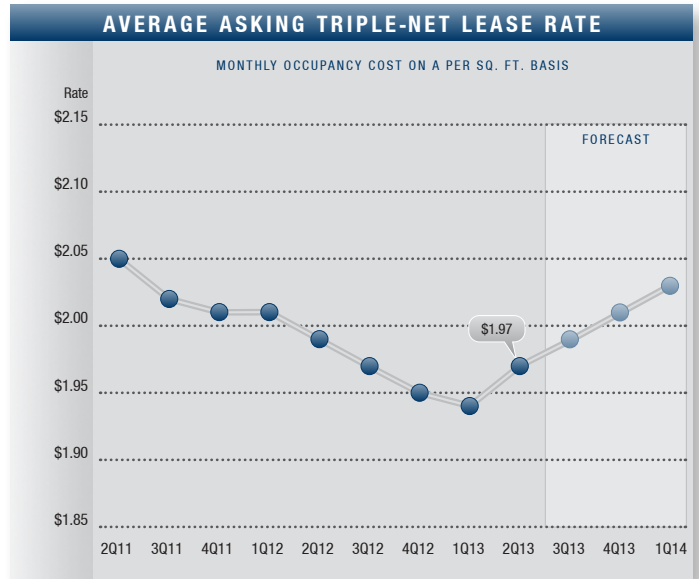
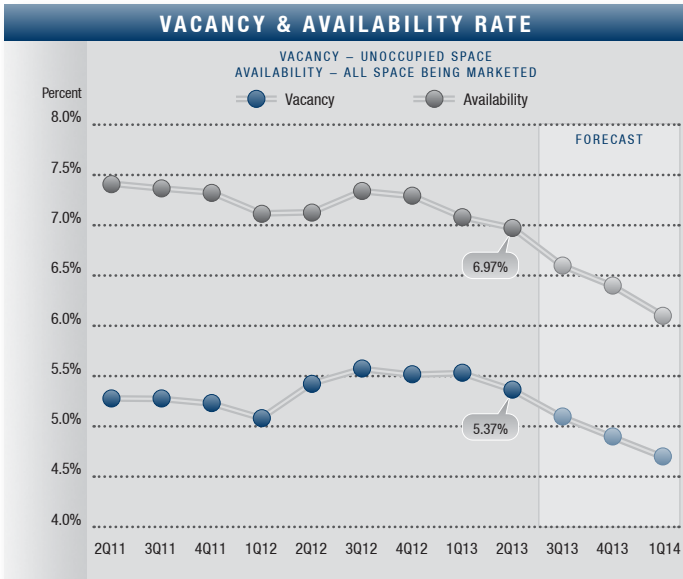
- **Encouraging Numbers** - The Los Angeles County retail market displayed a number of encouraging indicators in the second quarter of 2013. Vacancy and availability were both down from both the previous quarter and the previous year. The market posted almost 800,000 square feet of positive net absorption during the second quarter of 2013, and the average asking triple-net lease rate increased three cents over the previous quarter, the first rental rate increase seen in this market in over five years. Total square feet transacted increased around 4.3%, year over year. While the market appears to have finally gained its footing and to be moving in a positive direction, continued stability and growth will need to be sustained in coming quarters to be considered recovery.
- **Construction** - There was only 800,000 square feet of retail space under construction in Los Angeles County in the second quarter of 2013, 450,000 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 2013 at 5.37%, a decrease of 16 basis points from the previous quarter and .92% lower than the same quarter of 2012. Malls had the lowest vacancy rate at only 3.02%, while shopping centers had the highest at 7.00%.
- **Availability** - Direct/sublease space being marketed was 6.97% at the end of the second quarter of 2013, a slight decrease from the previous quarter's rate of 7.18% and 15 basis points lower than the previous year's rate. Malls displayed the lowest availability rates of all of the retail types, at 3.94%, while the Burbank/Glendale/Pasadena area displayed the lowest rate of all of the submarkets, at 4.88%.
- **Lease Rates** - The average asking triple-net lease rate per month per square foot in the Los Angeles retail market was \$1.97 at the end of the second quarter of 2013, an increase from the previous quarter's average asking rate of \$1.94. This is the first increase in asking rates since the

first quarter of 2008. We are forecasting that lease rates will continue to rise in 2013 and should end the year at around \$2.01.

- **Absorption** - The Los Angeles County retail market posted 794,930 square feet of positive net absorption in the second quarter of 2013, giving the market a total of 2.7 million square feet of positive absorption for the last ten quarters.
- **Transaction Activity** - Leasing activity checked in at 2.806 million square feet in the second quarter of 2013, about the same as the previous year's second quarter figure of 2.808 million square feet. Sales activity was up slightly, with the market transacting just 3.9 million square feet of sales in the second quarter of 2013 compared to 3.6 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 9.6% in May 2013 — down from a revised 9.9% in April 2013 and below the previous year's estimate of 11.1%. This compares with an unadjusted unemployment rate of 8.6% for California and 7.5% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 44,100 payroll jobs from May 2012 to May 2013. The largest gains were 21,800 in professional & business services and 16,000 in educational & health services; Los Angeles County's largest loss was 7,500 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 a increase in investment activity in the coming quarters. Lease rates are expected to continue to stabilize and increase in the later half of 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 continue on its path to recovery.

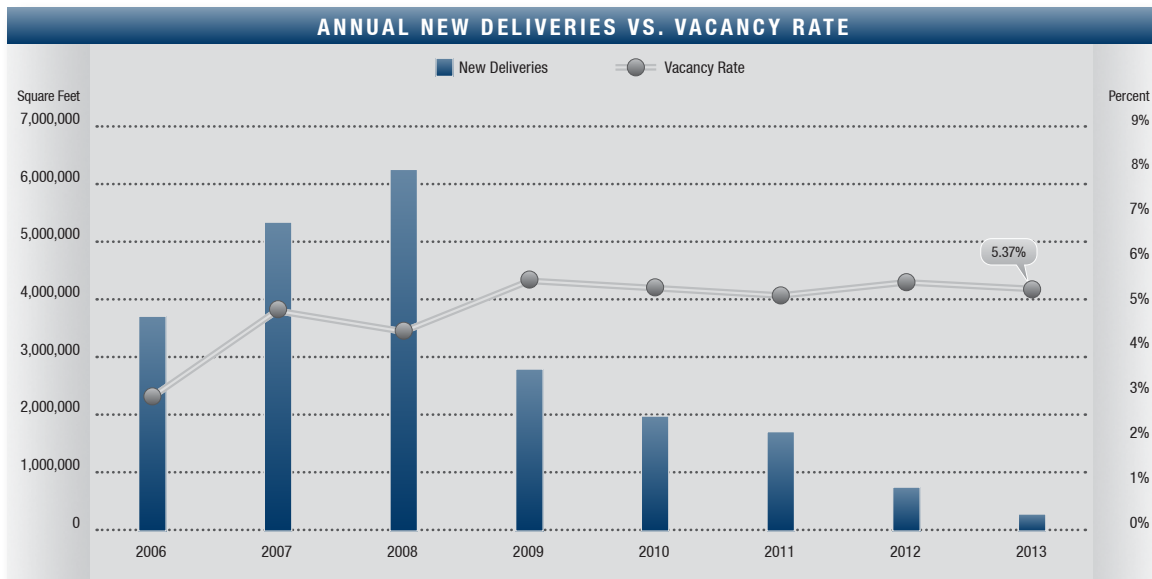
RETAIL MARKET OVERVIEW

	2Q13	1Q13	2Q12	% of Change vs. 2Q12
Total Vacancy Rate	5.37%	5.53%	5.42%	(0.92%)
Availability Rate	6.97%	7.18%	7.12%	(2.11%)
Average Asking Lease Rate	\$1.97	\$1.94	\$1.99	(1.01%)
Sale & Lease Transactions	6,720,963	7,055,825	6,441,521	4.34%
Gross Absorption	4,558,146	4,354,467	3,374,733	35.07%
Net Absorption	794,930	59,877	(1,241,987)	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 2Q2013	Square Feet Available	Availability Rate 2Q2013	Average Asking Lease Rate	Net Absorption 2Q2013	Net Absorption 2013	Gross Absorption 2Q2013	Gross Absorption 2013
Los Angeles Market Total													
Antelope Valley	1,088	15,498,175	0	2,061,348	1,244,696	8.03%	1,528,937	9.87%	\$1.20	(17,250)	(21,379)	112,111	175,206
Burbank / Glendale / Pasadena	6,192	50,570,688	10,500	563,496	2,026,408	4.01%	2,465,896	4.88%	\$2.48	218,178	112,807	464,028	861,377
Downtown	1,816	22,180,687	28,561	239,272	1,350,578	6.09%	1,619,953	7.30%	\$2.06	(65,790)	(189,464)	258,883	484,955
Mid-Cities	5,121	44,705,178	132,900	1,742,495	2,604,781	5.83%	3,691,022	8.26%	\$1.57	144,009	246,745	496,648	938,516
Mid-Wilshire	3,650	32,450,877	2,300	349,730	1,493,300	4.60%	1,836,765	5.66%	\$3.13	98,529	166,308	513,128	902,000
San Fernando Valley	4,413	47,906,810	79,421	1,200,634	2,788,242	5.82%	3,485,492	7.28%	\$1.87	104,558	(56,445)	529,767	994,560
San Gabriel Valley	5,204	58,977,344	233,500	906,582	3,614,773	6.13%	4,718,190	8.00%	\$1.53	146,740	249,518	532,090	1,128,308
Santa Clarita Valley	719	12,619,569	4,500	167,091	865,543	6.86%	1,084,298	8.59%	\$1.86	(35,827)	(38,903)	89,654	207,449
South Bay	6,367	64,701,195	69,332	745,643	2,947,457	4.56%	3,810,711	5.89%	\$1.51	34,996	9,321	536,049	1,225,061
Southeast LA	1,585	18,561,455	18,531	45,848	926,005	4.99%	1,324,645	7.14%	\$1.69	45,263	74,906	182,781	301,246
Ventura North	1,752	18,128,991	0	160,252	863,140	4.76%	1,251,155	6.90%	\$1.66	25,348	167,872	102,242	345,982
Ventura South	1,709	25,208,800	6,000	996,686	1,445,923	5.74%	1,803,711	7.16%	\$1.48	60,391	94,250	230,603	404,405
West LA	4,032	36,955,151	220,956	1,703,283	1,915,189	5.18%	2,645,793	7.16%	\$3.69	35,785	39,271	510,162	943,548
Los Angeles Market Total	43,648	448,464,920	806,501	10,882,360	24,086,035	5.37%	31,266,568	6.97%	\$1.97	794,930	854,807	4,558,146	8,912,613
General Retail	34,257	220,539,515	451,138	4,115,503	10,631,445	4.82%	14,385,242	6.52%	\$2.22	191,298	123,888	2,516,337	4,914,213
Mall Market	543	46,853,142	200,000	2,832,038	1,413,245	3.02%	1,844,064	3.94%	\$2.61	265,397	199,249	346,329	420,009
Power Center	474	21,784,590	0	1,450,429	959,024	4.40%	1,130,099	5.19%	\$1.51	61,926	73,703	136,131	238,808
Shopping Center	8,335	155,379,091	155,363	2,454,290	10,880,545	7.00%	13,624,405	8.77%	\$1.83	305,767	471,366	1,550,389	3,311,764
Specialty Center	39	3,908,582	0	30,100	201,776	5.16%	282,758	7.23%	\$1.26	(29,458)	(13,399)	8,960	27,819
Los Angeles Market Total	43,648	448,464,920	806,501	10,882,360	24,086,035	5.37%	31,266,568	6.97%	\$1.97	794,930	854,807	4,558,146	8,912,613

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
700-750 W. 7th St. – 3 Properties	Downtown LA	460,000	\$168.64	NREA-TRC 700, LLC	700 South Flower Plaza, LLC
28207-28237 Newhall Ranch Rd.	San Clarita Valley	96,247	\$313.41	Valencia Gateway Retail IV, LLC	Gateway Village Retail, LLC
24640 Wiley Canyon Rd.	San Clarita Valley	65,000	\$61.54	REO Property Group, LLC	24640 Wiley Canyon Road, LLC
661-701 W. Redondo Beach Blvd.	South Bay	64,304	\$234.47	Fahmy & Salam Mushmel Living Trust	661 Redondo, LLC
2750 W. 120th St.	South Bay	56,000	\$129.46	Primestor / CRDF, LLC	CD 2006-CD3 Levitz Furniture Hawthorne, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
2148 Glendale Galleria	Burbank / Glendale / Pasadena	115,000	Apr-13	Blommingdale's	Glendale I Mall Associates, LLC
1000 S. Central Ave.	Burbank / Glendale / Pasadena	33,699	May-13	Jo-Ann Stores	Capital Real Estate Advisors
19330 Plummer St.	San Fernando Valley	32,899	Apr-13	Ross Dress for Less	GGP, Inc.
6100 Topanga Canyon Blvd.	San Fernando Valley	24,309	May-13	Crown Books	Westfield Group
2021 W Pico Blvd.	Downtown LA	24,183	Apr-13	Ross Dress for Less	Fiesta Properties, LLC
87-95 Aquarium Way	South Bay	23,293	Jun-13	Restoration Hardware	Tokyo Wako Long Beach, 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

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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