



Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

DOWN

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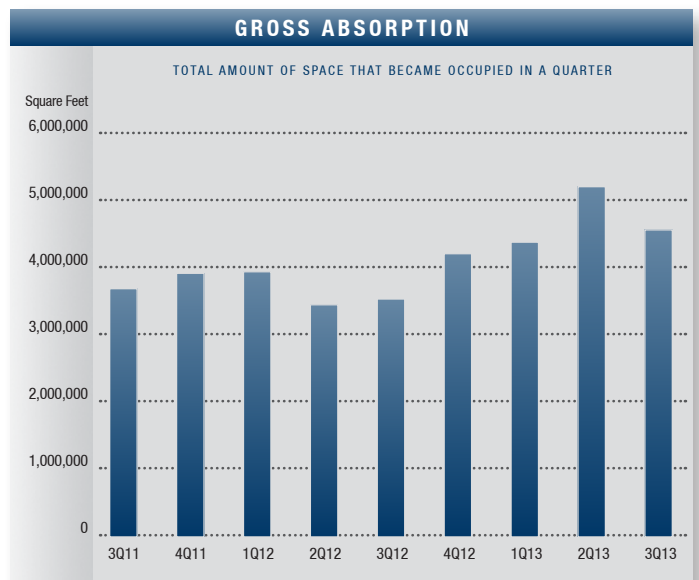
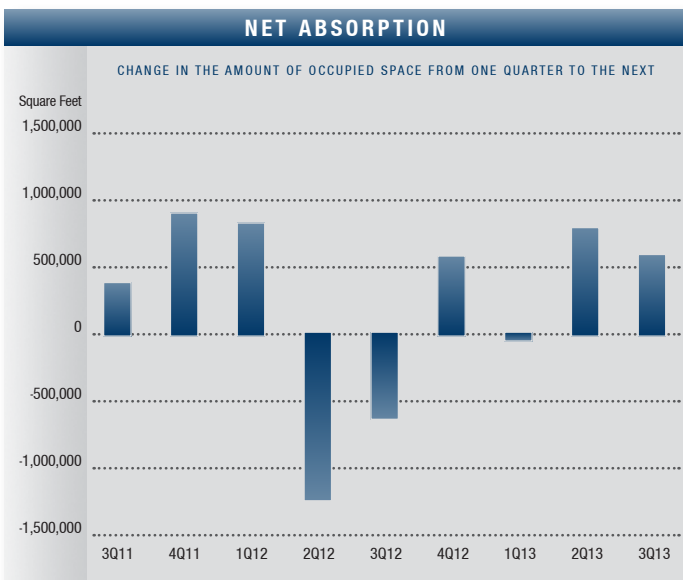
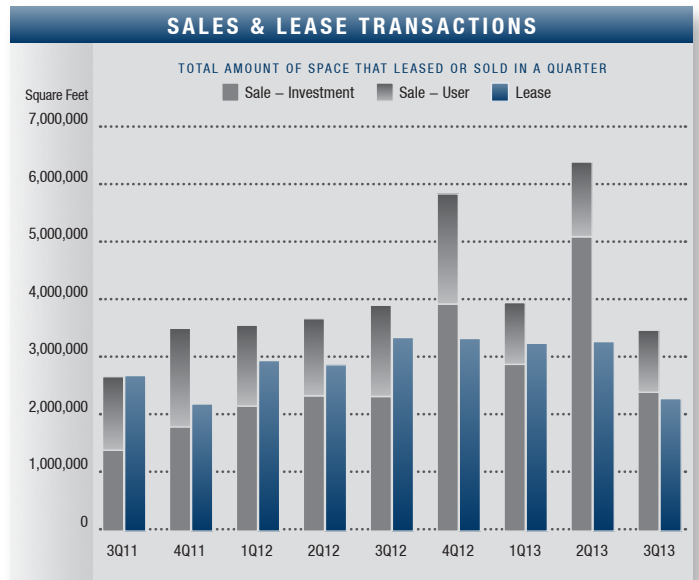
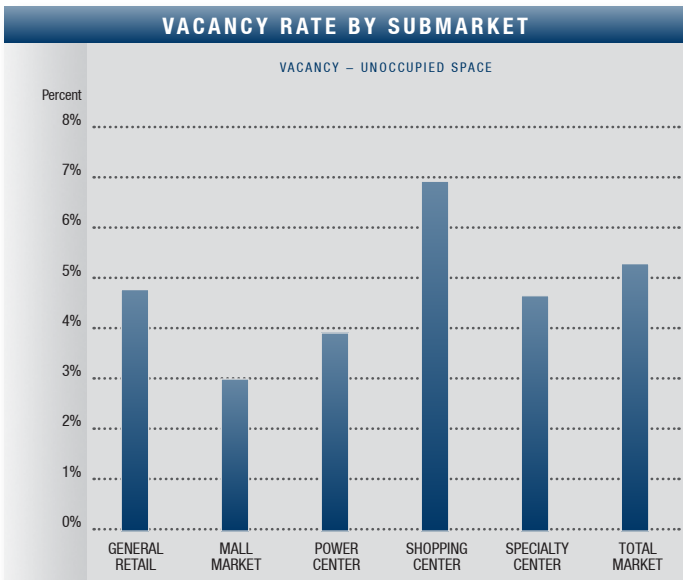
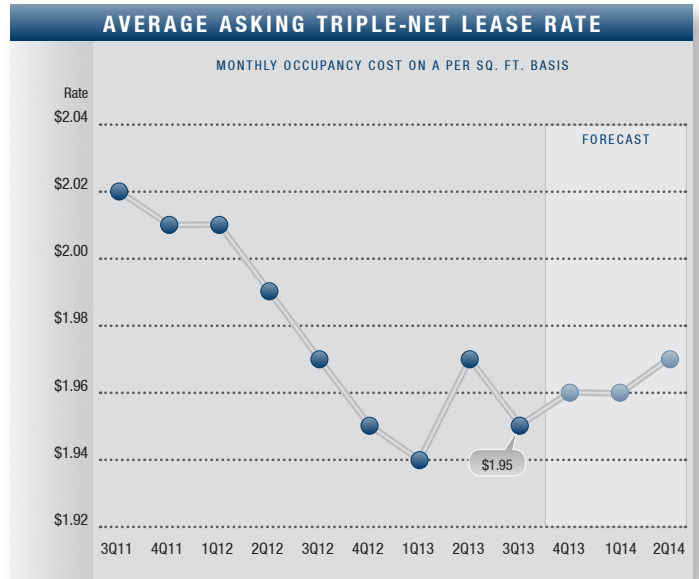
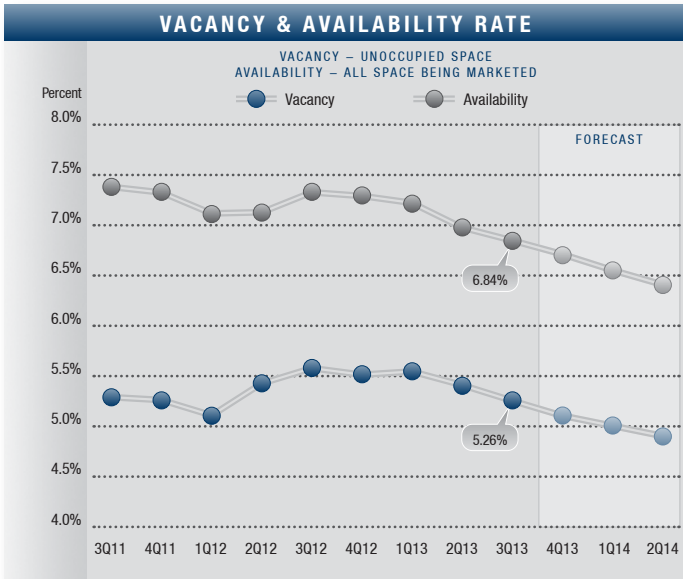
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Market Highlights

- Encouraging Numbers** - The Los Angeles retail market displayed a number of encouraging indicators in the third quarter of 2013. Vacancy and availability were both down from both the previous quarter and the previous year, and the market posted almost 600,000 square feet of positive net absorption during the third quarter of 2013. While the market appears to be gaining its footing and moving in a positive direction, continued stability and growth will need to be sustained in coming quarters to be considered recovery.
- Absorption** - The Los Angeles retail market posted 592,238 square feet of positive net absorption in the third 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 2.25 million square feet in the third quarter of 2013, lower than the previous year's third quarter figure of 3.3 million square feet. Sales activity was down, with the market transacting just 3.4 million square feet of sales in the third quarter of 2013 compared to 3.9 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 10.1% in August 2013 — up from a revised 9.9% in July 2013 and below the previous year's estimate of 10.9%. This compares with an unadjusted unemployment rate of 8.8% for California and 7.3% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 52,000 payroll jobs from August 2012 to August 2013. The largest gains were 21,000 in leisure and hospitality and 16,500 in professional & business services; Los Angeles County's largest loss was 6,300 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 has begun to stabilize. We foresee an increase in investment activity in the coming quarters. Lease rates are expected to continue to stabilize and increase as we close out 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.
- Construction** - There was only 1.2 million square feet of retail space under construction in Los Angeles County in the third quarter of 2013, 520,000 of which was for mall 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 third quarter of 2013 at 5.26%, a decrease of 14 basis points from the previous quarter and 5.73% lower than the same quarter of 2012. Malls had the lowest vacancy rate at only 2.99%, while shopping centers had the highest at 6.90%.
- Availability** - Direct/sublease space being marketed was 6.84% at the end of the third quarter of 2013, a slight decrease from the previous quarter's rate of 6.99% and 50 basis points lower than the previous year's rate. Malls displayed the lowest availability rates of all of the retail types, at 3.85%, while the Burbank/Glendale/Pasadena area displayed the lowest rate of all of the submarkets, at 4.73%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in the Los Angeles retail market was \$1.95 at the end of the third quarter of 2013, a decrease from the previous quarter's average asking rate of \$1.97. We are forecasting that lease rates will continue to stabilize in 2013 and should end the year at around \$1.96.

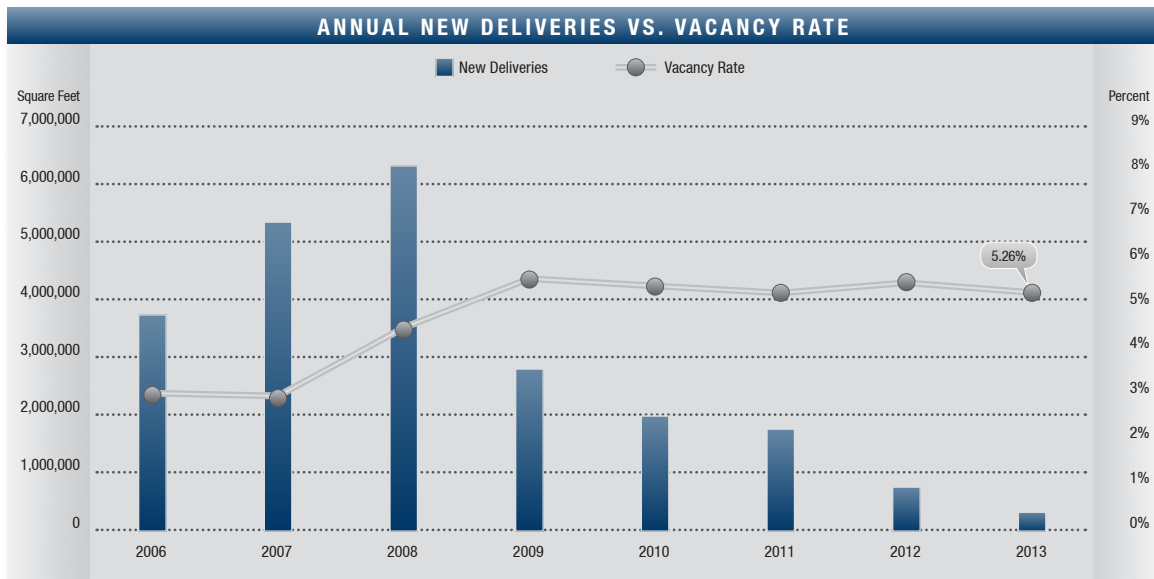
RETAIL MARKET OVERVIEW

	3Q13	2Q13	3Q12	% of Change vs. 3Q12
Total Vacancy Rate	5.26%	5.40%	5.58%	(5.73%)
Availability Rate	6.84%	6.99%	7.34%	(6.81%)
Average Asking Lease Rate	\$1.95	\$1.97	\$1.97	(1.02%)
Sale & Lease Transactions	5,691,178	9,628,620	7,191,958	(20.87%)
Gross Absorption	4,549,605	5,190,841	3,520,312	29.24%
Net Absorption	592,238	792,275	(623,256)	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 3Q2013	Square Feet Available	Availability Rate 3Q2013	Average Asking Lease Rate	Net Absorption 3Q2013	Net Absorption 2013	Gross Absorption 3Q2013	Gross Absorption 2013
Los Angeles Market Total													
Antelope Valley	1,089	15,506,802	0	2,097,920	1,187,902	7.66%	1,503,571	9.70%	\$1.20	46,863	35,415	84,981	256,564
Burbank / Glendale / Pasadena	6,242	50,909,526	144,000	412,312	2,073,332	4.07%	2,409,684	4.73%	\$2.57	48,121	76,962	448,206	1,342,308
Downtown	1,849	22,135,831	26,192	46,943	1,319,769	5.96%	1,684,536	7.61%	\$1.85	(31,246)	(176,055)	212,601	762,793
Mid-Cities	5,195	44,908,362	133,512	1,759,875	2,593,538	5.78%	3,565,228	7.94%	\$1.59	88,619	306,817	449,004	1,445,183
Mid-Wilshire	3,702	32,720,430	9,315	380,319	1,359,426	4.15%	1,914,864	5.85%	\$3.01	175,774	311,664	560,113	1,536,169
San Fernando Valley	4,427	48,062,000	20,660	1,188,649	2,537,980	5.28%	3,220,439	6.70%	\$1.83	260,991	181,032	640,220	1,666,858
San Gabriel Valley	5,240	59,566,288	401,092	1,048,206	3,505,173	5.88%	4,550,420	7.64%	\$1.55	158,201	377,690	650,493	1,952,391
Santa Clarita Valley	718	12,603,621	4,500	167,521	868,253	6.89%	1,071,848	8.50%	\$1.88	(68,192)	(41,613)	77,497	314,923
South Bay	6,417	64,968,032	88,420	778,452	3,034,165	4.67%	3,772,904	5.81%	\$1.82	(83,693)	(46,299)	510,157	1,791,322
Southeast LA	1,626	18,732,544	3,750	91,374	1,008,891	5.39%	1,367,563	7.30%	\$1.72	(11,247)	10,503	152,200	473,805
Ventura North	1,757	18,160,013	0	180,252	907,710	5.00%	1,289,344	7.10%	\$1.65	(35,144)	123,802	98,661	496,086
Ventura South	1,708	25,162,307	193,600	819,186	1,504,049	5.98%	1,799,474	7.15%	\$1.81	(57,009)	36,124	146,932	545,534
West LA	4,060	37,105,372	220,956	1,663,083	1,820,235	4.91%	2,661,799	7.17%	\$3.83	100,200	141,693	518,540	1,517,540
Los Angeles Market Total	44,030	450,541,128	1,245,997	10,634,092	23,720,423	5.26%	30,811,674	6.84%	\$1.95	592,238	1,337,735	4,549,605	14,101,476
General Retail	34,586	222,152,124	393,732	4,003,925	10,518,334	4.73%	14,229,462	6.41%	\$2.16	253,611	339,431	2,508,309	7,705,168
Mall Market	531	46,461,615	518,500	2,582,893	1,387,092	2.99%	1,790,509	3.85%	\$2.90	94,595	215,540	248,229	674,021
Power Center	473	21,766,622	0	0	846,098	3.89%	1,074,369	4.94%	\$1.50	147,722	186,425	163,205	438,565
Shopping Center	8,401	156,253,344	333,765	2,566,745	10,788,769	6.90%	13,449,963	8.61%	\$1.83	99,428	588,092	1,606,520	5,220,108
Specialty Center	39	3,907,423	0	1,480,529	180,130	4.61%	267,371	6.84%	\$1.23	(3,118)	8,247	23,342	63,614
Los Angeles Market Total	44,030	450,541,128	1,245,997	10,634,092	23,720,423	5.26%	30,811,674	6.84%	\$1.95	592,238	1,337,735	4,549,605	14,101,476

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
1101-1313 Los Angeles Ave. – 8 Properties	Ventura North	281,434	\$158.12	Mountaingate LL, LLC	Mountaingate Associates, LLC
128-146 S. Brand Blvd. – 2 Properties	Burbank / Glendale / Pasadena	154,662	\$323.29	Cypess Equities	Eagle Group, LLC
455 Lake Ave. – 3 Properties	Burbank / Glendale / Pasadena	131,153	\$259.24	Merlone Geier Management	Vornado Realty Trust
26811-26867 Soledad Cyn. Rd. – 6 Properties	Santa Clarita Valley	115,577	\$207.91	Hari Hara, LLC	LaeRoc Partners, Inc.
6209-6259 Topanga Cyn. Blvd. – 3 Properties	San Fernando Valley	109,292	\$430.04	PCG Woodland Hills Topanga, LLC	Woodland Hills Retail, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
3150 San Fernando Rd.	Burbank / Glendale / Pasadena	102,249	Jul-13	Goodwill	San Gabriel Valley Square
6599-6605 Fallbrook Ave.	San Fernando Valley	41,243	Aug-13	ULTA	GGP, Inc.
123-135 E. Lomita Blvd.	South Bay	16,243	Aug-13	Planet Fitness	Properties, LLC
9350 Reseda Blvd. – Renewal	San Fernando Valley	12,443	Jul-13	New Sunrise Adult Day Health	Horowitz Group
6551 Van Nuys Blvd.	San Fernando Valley	12,060	Jul-13	Braum Real Estate	6551 Van Nuys Boulevard, 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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