



Retail Market Report

Compared to 2011:

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



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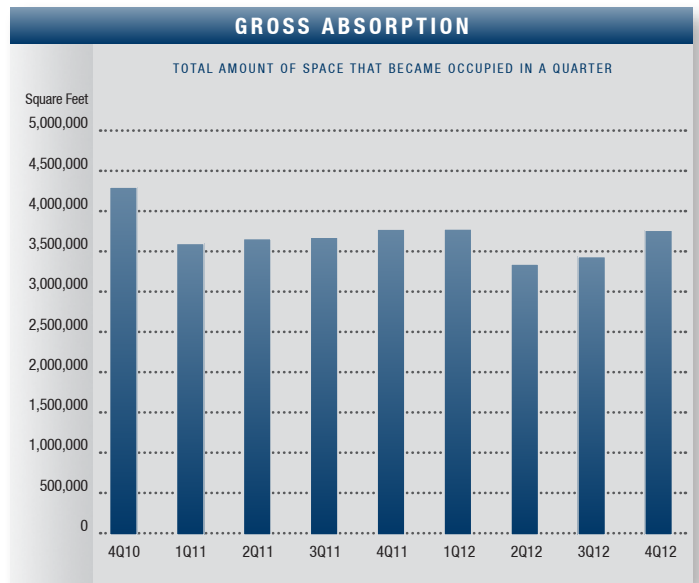
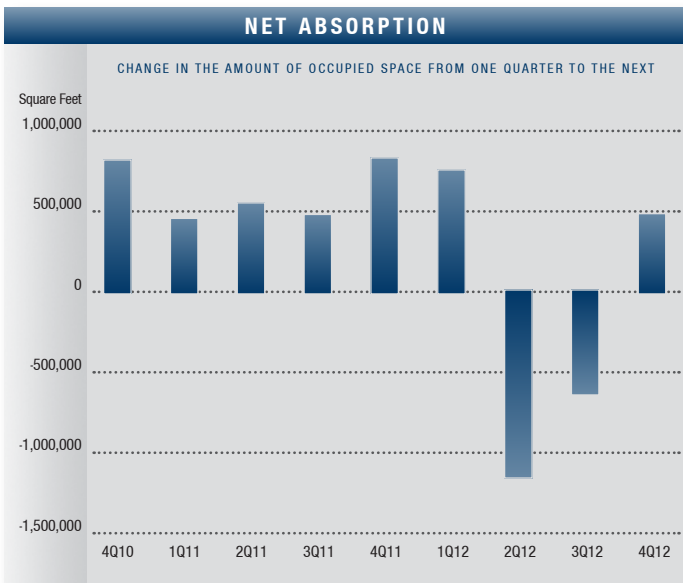
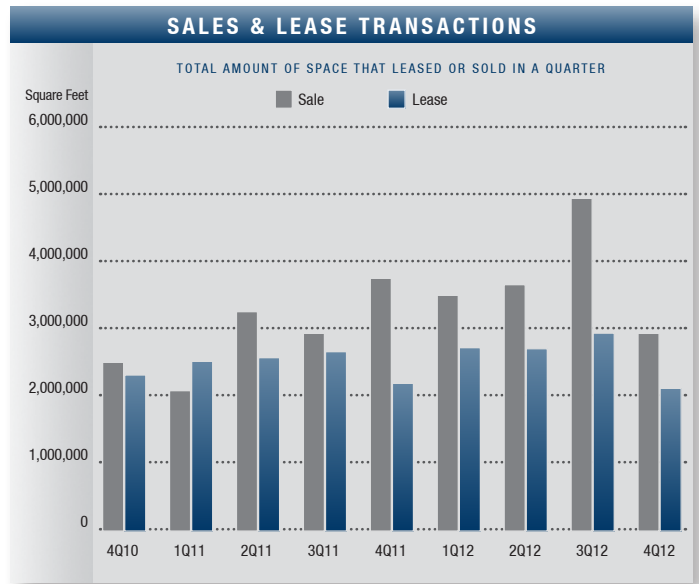
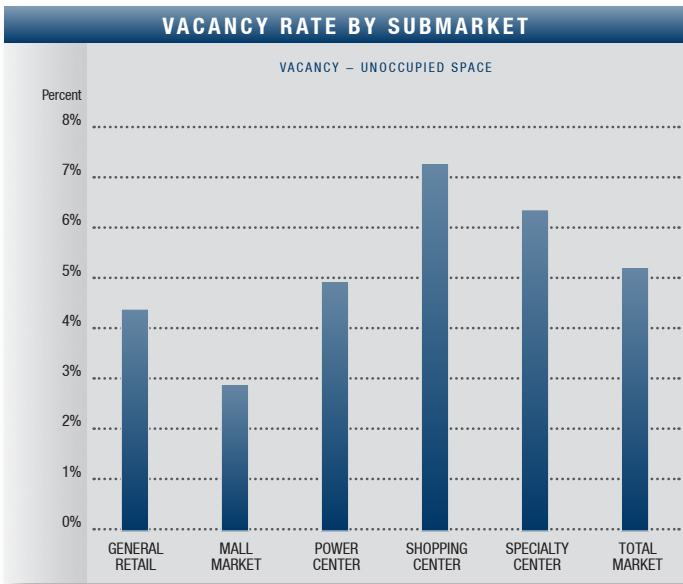
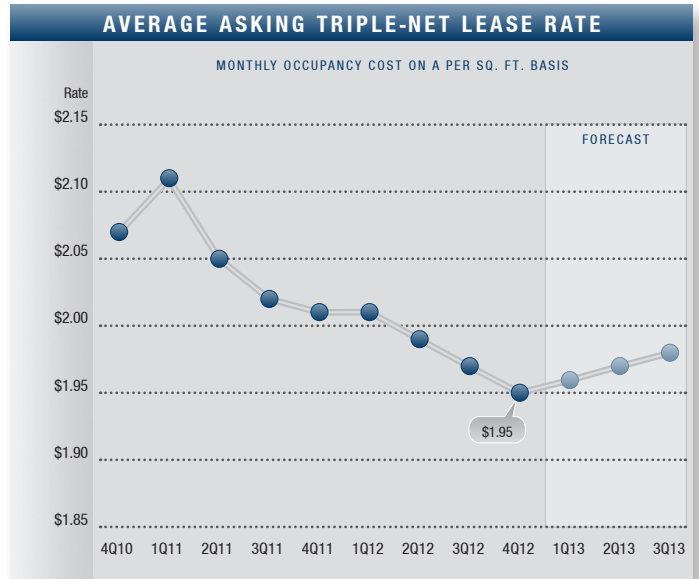
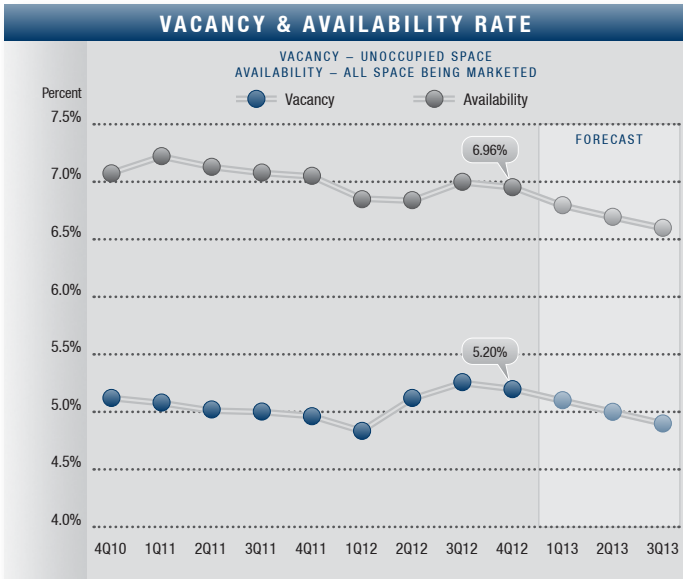


Market Highlights

- Mixed Indicators** - The Los Angeles County retail market displayed mixed indicators in 2012. Neither vacancy nor availability changed much from the previous year, with vacancy showing a slight increase and availability showing a slight decrease compared to the end of 2011. The market posted just over a half million square feet of negative net absorption overall for 2012, though the fourth quarter did post a positive figure, indicating improvement. The total square feet transacted increased year over year, but average asking triple-net lease rates continued to decrease. 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 487,526 square feet of positive net absorption in the fourth quarter of 2012, giving the market a total of 522,626 square feet of negative absorption for the year.
- Transaction Activity** - Leasing activity checked in at 10.4 million square feet in 2012, an increase from the previous year's figure of 9.8 million square feet. Sales activity was up as well, year over year, with the market transacting just over 15 million square feet of sales in 2012 compared to 11.9 million square feet in 2011. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in Los Angeles County was 10.2% in November 2012 — down from a revised 10.5% in October 2012 and below the previous year's estimate of 12.1%. This compares with an unadjusted unemployment rate of 9.8% for California and 7.7% 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 68,100 payroll jobs from November 2011 to November 2012. The largest gains were 19,600 in professional & business services and 19,500 in leisure & hospitality trade; Los Angeles County's only loss was 9,100 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 will soon stabilize. We foresee a increase in investment activity in the coming quarters as lenders dispose of distressed assets. Lease rates are expected to firm up going into 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.
- Vacancy** - Direct/sublease space (unoccupied) finished 2012 at 5.20%, a decrease of seven basis points from the previous quarter and 4.63% higher than the same quarter of 2011. Malls had the lowest vacancy rate at only 2.82%, while shopping centers had the highest at 7.25%.
- Availability** - Direct/sublease space being marketed was 6.96% at the end of the fourth quarter of 2012, a slight decrease from the previous quarter's rate of 7.00% and ten basis points lower than the previous year's rate. Malls displayed the lowest availability rates of all of the retail types at 4.44%, 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 Los Angeles County was \$1.95 at the end of 2012, 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 \$2.00.

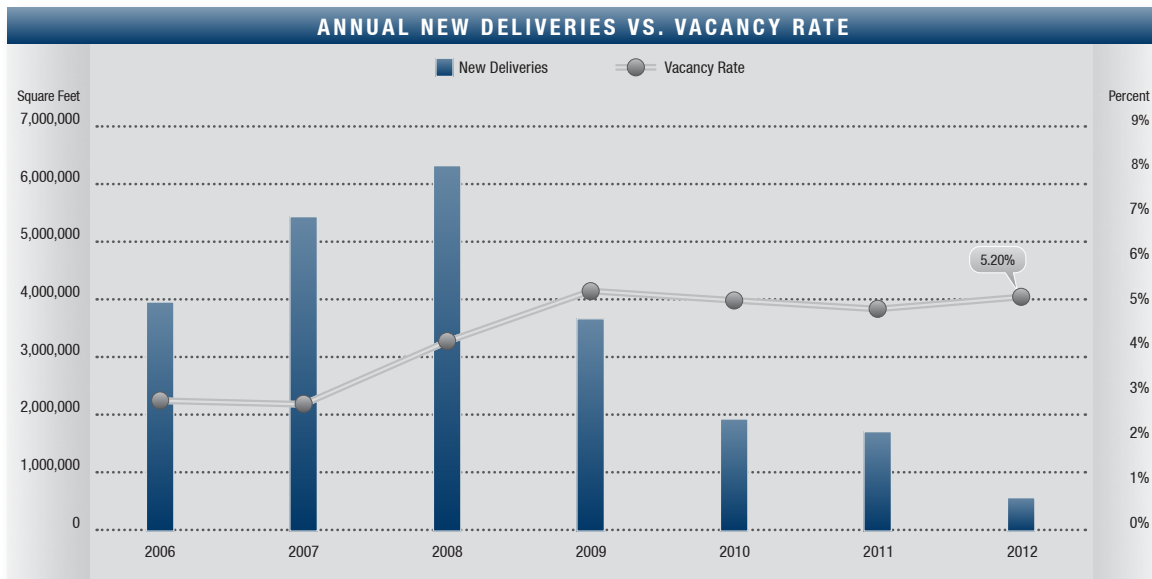
RETAIL MARKET OVERVIEW

	2012	2011	2010	% of Change vs. 2011
Total Vacancy Rate	5.20%	4.97%	5.12%	4.63%
Availability Rate	6.96%	7.06%	7.08%	(1.42%)
Average Asking Lease Rate	\$1.95	\$2.01	\$2.07	(2.99%)
Sale & Lease Transactions	25,358,261	21,821,466	24,672,565	16.21%
Gross Absorption	14,262,463	14,702,350	16,203,904	(2.99%)
Net Absorption	(522,626)	2,305,159	2,586,830	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 4Q2012	Square Feet Available	Availability Rate 4Q2012	Average Asking Lease Rate	Net Absorption 4Q2012	Net Absorption 2012	Gross Absorption 4Q2012	Gross Absorption 2012
Los Angeles Market Total													
Antelope Valley	1,092	15,473,078	9,780	1,958,401	1,258,611	8.13%	1,535,880	9.93%	\$1.29	11,502	(92,193)	92,115	348,032
Burbank / Glendale / Pasadena	6,089	54,923,341	23,478	500,607	1,901,665	3.46%	2,729,473	4.97%	\$2.36	56,932	26,506	382,094	1,519,478
Downtown	1,796	23,493,049	14,539	238,038	1,120,660	4.77%	1,385,709	5.90%	\$2.14	29,892	(11,032)	193,513	591,182
Mid-Cities	4,909	44,056,339	38,675	2,000,916	2,830,367	6.42%	3,906,868	8.87%	\$1.60	86,632	(141,753)	466,465	1,511,674
Mid-Wilshire	3,664	36,845,780	22,237	339,720	1,594,297	4.33%	2,172,816	5.90%	\$2.90	(11,863)	(23,514)	275,509	1,286,696
San Fernando Valley	4,410	50,645,499	19,810	1,161,221	2,653,519	5.24%	3,524,175	6.96%	\$1.81	(1,789)	(107,840)	424,393	1,635,527
San Gabriel Valley	4,869	58,367,011	44,000	956,479	3,708,836	6.35%	4,836,190	8.29%	\$1.58	112,395	(15,067)	544,067	2,135,004
Santa Clarita Valley	700	12,431,462	4,500	167,091	792,714	6.38%	1,011,245	8.13%	\$1.88	75,894	137,293	114,111	365,243
South Bay	6,204	67,749,712	54,272	1,017,017	2,900,483	4.28%	3,938,527	5.81%	\$1.85	1,447	27,408	543,702	2,001,951
Southeast LA	1,477	18,006,501	23,269	57,548	941,514	5.23%	1,506,480	8.37%	\$1.67	(42,026)	(141,388)	92,028	491,032
Ventura North	1,776	18,181,563	0	170,952	1,023,732	5.63%	1,284,751	7.07%	\$1.60	66,453	(3,048)	145,548	412,518
Ventura South	1,723	25,145,267	56,000	1,108,271	1,496,939	5.95%	1,843,651	7.33%	\$1.81	44,178	(108,526)	148,328	747,257
West LA	3,940	38,679,287	55,461	1,926,098	1,903,556	4.92%	2,641,060	6.83%	\$3.80	57,879	(99,472)	333,397	1,216,869
Los Angeles Market Total	42,649	463,997,889	366,021	11,602,359	24,126,893	5.20%	32,316,825	6.96%	\$1.95	487,526	(552,626)	3,755,270	14,262,463
General Retail	33,522	237,377,038	226,882	4,495,566	10,348,959	4.36%	14,822,062	6.24%	\$2.17	256,836	(15,559)	2,132,481	7,405,572
Mall Market	560	47,521,947	0	3,650,554	1,338,540	2.82%	2,109,949	4.44%	\$2.53	62,459	63,174	102,242	489,002
Power Center	442	21,710,470	0	1,105,196	1,060,633	4.89%	1,246,318	5.74%	\$1.65	10,512	(85,442)	90,936	494,101
Shopping Center	8,085	153,400,614	139,139	2,320,943	11,127,132	7.25%	13,810,678	9.00%	\$1.82	165,485	(486,096)	1,425,582	5,834,193
Specialty Center	40	3,987,820	0	30,100	251,629	6.31%	327,818	8.22%	\$0.00	(7,766)	(28,703)	4,029	39,595
Los Angeles Market Total	42,649	463,997,889	366,021	11,602,359	24,126,893	5.20%	32,316,825	6.96%	\$1.95	487,526	(552,626)	3,755,270	14,262,463

Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
127 Burchett St. – 3 Properties	Burbank / Glendale / Pasadena	804,266	\$86.73	BRE Brand Central Holdings, LLC	GSMS 2005-GG4 Glendale Office, LP
9200 Oakdale Ave. – 2 Properties	San Fernando Valley	449,994	\$68.89	Omninet Capital	IDS Real Estate Group
801 N. Brand Blvd. – 3 Properties	Burbank / Glendale / Pasadena	418,952	\$166.49	The Blackstone Group	LNR Property Corporation
710-770 S. Sepulveda Blvd. – 14 Prop.	South Bay	383,053	\$503.29	Federal Realty Investment Trust	Comstock Crosser & Associates
19350 Nordhoff St. – 4 Properties	San Fernando Valley	254,444	\$353.71	AG-Coramercia Lot 2 Owner, LP	Nordhoff Way, LLC
6433-6559 Fallbrook Ave.	San Fernando Valley	249,816	\$100.07	R.O. & Charlotte Stewart	Univest Management Company

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
19330 Hawthorne Blvd.	South Bay	49,687	May-12	Orchard Supply Hardware	Regency Centers
8969 Santa Monica Blvd. – Renewal	Mid-Wilshire	43,591	Mar-12	Pavillions Marketplace	Invesco Realty Advisers, Inc.
460 S. Lake Ave. – Renewal	Burbank / Glendale / Pasadena	38,492	Aug-12	Ross Dress for Less	Mark & Brian Fine Arts Building, LLC
19500 Plummer St.	San Fernando Valley	36,815	Apr-12	Super King Market	Kimco Realty Corporation
411–451 W. Esplanade Dr.	Ventura South	32,906	Aug-12	Walmart	Brixmor, LLC
120–218 E. Compton Blvd	MidCities	32,320	Jun-12	Fallas	Watt Properties, 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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