



Retail Market Report

Compared to the Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



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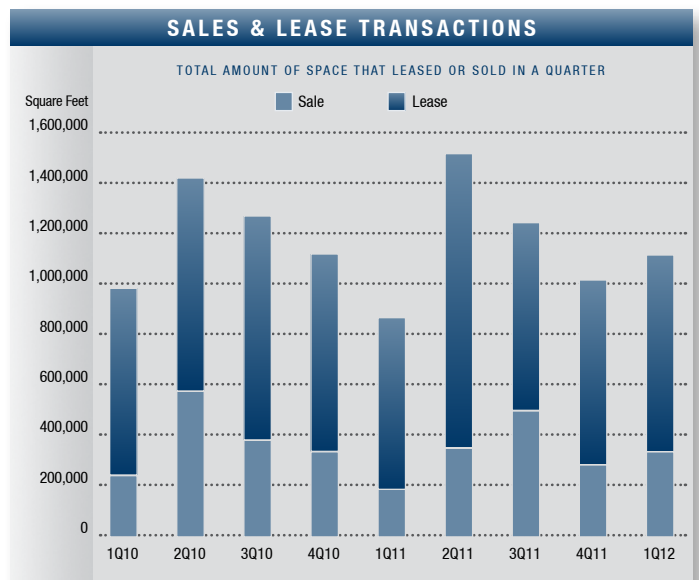
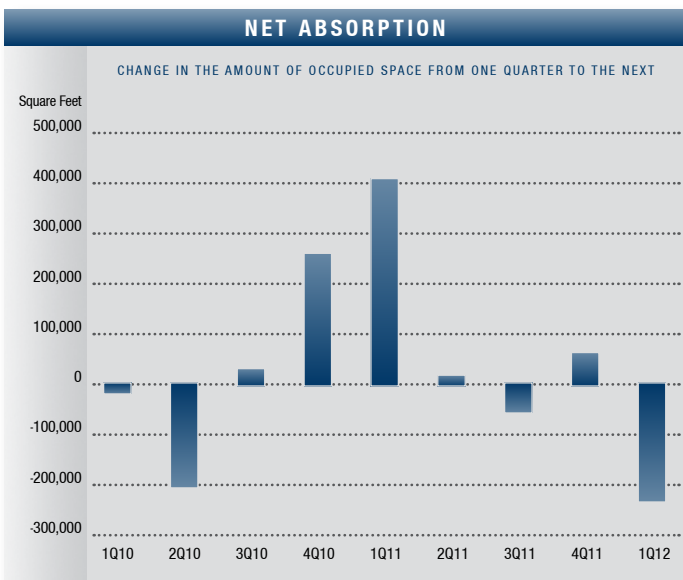
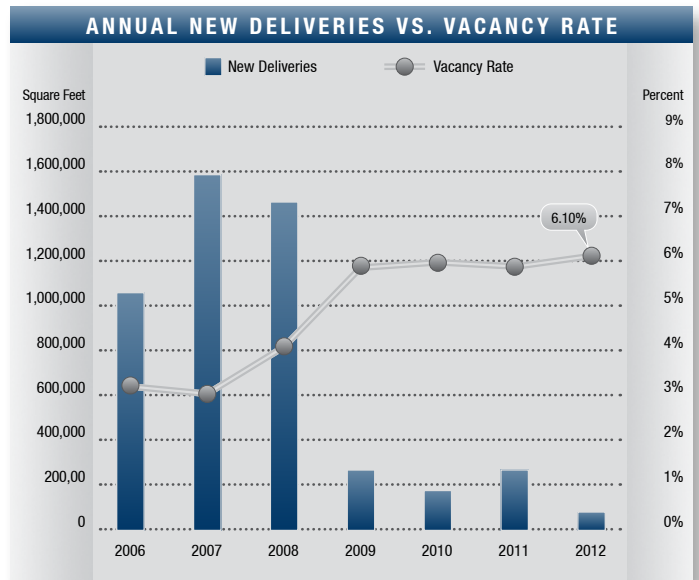
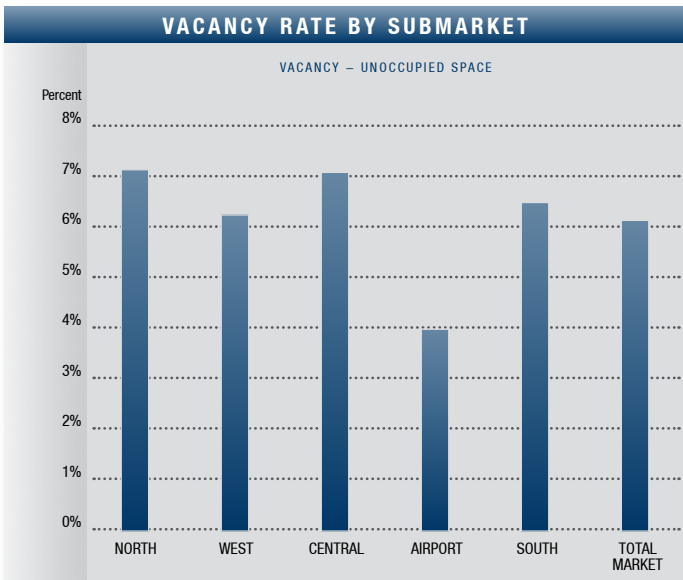
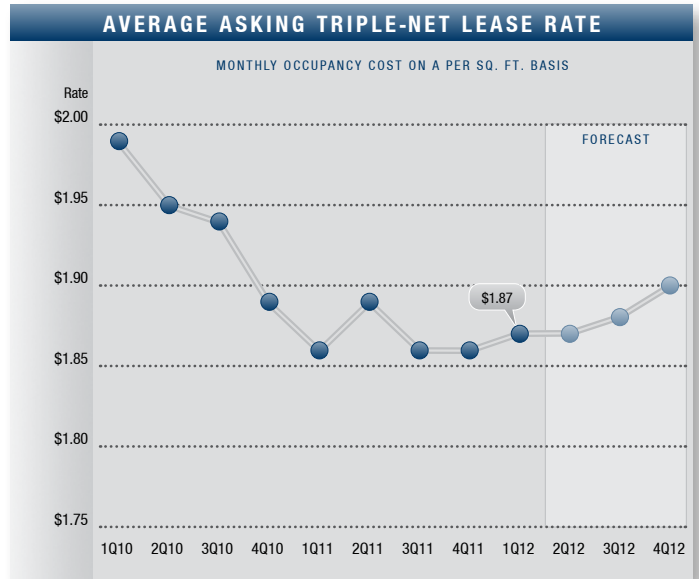
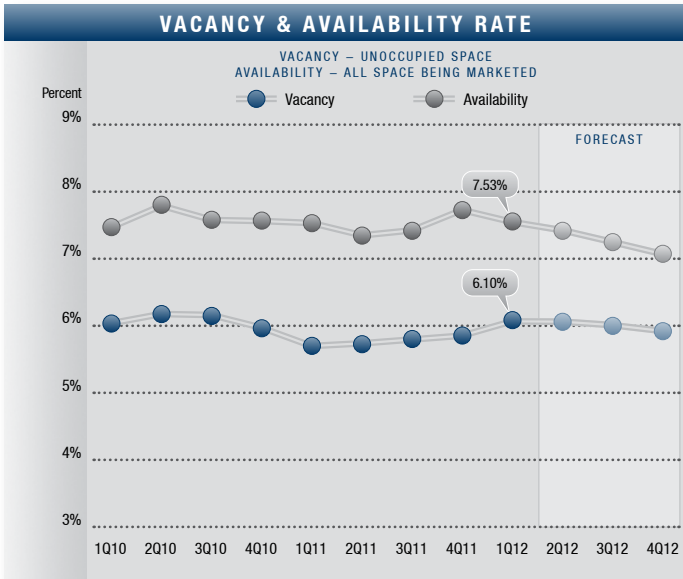


Market Highlights

- Mixed Indicators** - The Orange County Retail Market displayed mixed indicators in the first quarter of 2012. Vacancy increased from both the previous quarter and the previous year. Availability was up compared to 2011 but dropped slightly from the previous quarter. The market posted over 234,000 square feet of negative net absorption, while both square feet transacted and average asking triple-net lease rates increased compared to previous quarters. While the market appears to be moving in an overall positive direction, continued stability and growth will need to be sustained in coming quarters to be considered recovery.
- Construction** - There was only 264,000 square feet of retail space under construction in Orange County in the first quarter of 2012, 154,000 of which was for shopping malls. 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 2012 at 6.10%, an increase over the previous quarter and 6.64% higher than the same quarter of 2011. Malls had the lowest vacancy rate at only 2.50%, while Power Centers had the highest at 8.58%.
- Availability** - Direct/sublease space being marketed was 7.53% at the end of the first quarter of 2012, a decrease from the previous quarter's rate of 7.74% and just two basis points higher than the previous year's rate. Malls displayed the lowest availability rates of all of the retail types at 3.45%, while the Airport Area displayed the lowest rate of all of the submarkets at 4.99%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in Orange County was \$1.87 at the end of the first quarter, a increase from the previous quarter's average asking rate of \$1.86. We are forecasting that lease rates will rise in 2012, ending the year at \$1.90.
- Absorption** - The Orange County retail market posted 234,889 square feet of negative net absorption in the first quarter of 2012.
- Transaction Activity** - Leasing activity checked in at 762,456 square feet in the first quarter, an increase from both the previous quarter's figure of 725,942 square feet and 2011's 675,946 square feet. Sales activity also increased, with the market transacting nearly 340,000 square feet of sales in the first quarter of 2011 compared to 276,876 square feet in the fourth quarter of 2011 and 184,553 square feet in the first quarter of 2011. Overall, transaction activity increase over 28% from the previous quarter. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in Orange County was 8.0% in February 2012 — unchanged from a revised 8.0% in January 2012 and below the previous year's estimate of 8.9%. This compares with an unadjusted unemployment rate of 11.4% for California and 8.7% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 18,200 payroll jobs from February 2011 to February 2012. The largest gains were 5,600 in leisure and hospitality and 5,300 in trade, transportation and utilities; however, Orange County lost 2,100 government jobs during that same period.
- Overall** - We are beginning to see a decrease in the amount of available space being added per quarter, as well as an increase in both lease and sales activity. 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 increase and are expected to continue to firm up and increase in the rest of 2012. We should also see a continued 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 to recover.

RETAIL MARKET OVERVIEW

| | 1Q12 | 4Q11 | 1Q11 | % of Change vs. 1Q2011 |
|---------------------------|-----------|-----------|-----------|------------------------|
| Total Vacancy Rate | 6.10% | 5.85% | 5.72% | 6.64% |
| Availability Rate | 7.53% | 7.74% | 7.51% | 0.27% |
| Average Asking Lease Rate | \$1.87 | \$1.86 | \$1.86 | 0.54% |
| Sale & Lease Transactions | 1,101,689 | 1,002,818 | 860,499 | 28.03% |
| Gross Absorption | 953,173 | 1,171,898 | 1,185,896 | (19.62%) |
| Net Absorption | (234,889) | 62,723 | 406,417 | 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 1Q2012 | Square Feet Available | Availability Rate 1Q2012 | Average Asking Lease Rate | Net Absorption 1Q2012 | Net Absorption 2012 | Gross Absorption 1Q2012 | Gross Absorption 2012 |
| North County | | | | | | | | | | | | | |
| Anaheim Hills | 111 | 2,996,329 | 0 | 21,250 | 391,677 | 13.07% | 399,293 | 13.33% | \$2.06 | (5,945) | (5,945) | 8,225 | 8,225 |
| Brea | 178 | 4,823,418 | 0 | 5,250 | 180,800 | 3.75% | 323,937 | 6.72% | \$0.00 | 15,982 | 15,982 | 23,807 | 23,807 |
| Buena Park | 252 | 4,163,847 | 0 | 306,600 | 309,687 | 7.44% | 315,127 | 7.57% | \$1.71 | 7,674 | 7,674 | 17,634 | 17,634 |
| Fullerton | 508 | 6,118,405 | 30,421 | 417,894 | 417,894 | 6.83% | 547,403 | 8.95% | \$1.63 | (41,861) | (41,861) | 61,784 | 61,784 |
| La Habra | 293 | 4,045,542 | 0 | 70,100 | 253,509 | 6.27% | 325,613 | 8.05% | \$1.25 | (7,779) | (7,779) | 26,632 | 26,632 |
| La Palma | 27 | 281,374 | 0 | 6,000 | 22,851 | 8.12% | 50,490 | 17.94% | \$1.12 | 8,191 | 8,191 | 16,231 | 16,231 |
| Placentia | 67 | 1,694,980 | 0 | 0 | 126,121 | 7.44% | 159,117 | 9.39% | \$1.86 | (26,256) | (26,256) | 3,115 | 3,115 |
| Yorba Linda | 97 | 1,849,441 | 0 | 16,767 | 148,206 | 8.01% | 180,946 | 9.78% | \$2.01 | 2,913 | 2,913 | 10,350 | 10,350 |
| North County Total | 1,533 | 25,973,336 | 30,421 | 429,467 | 1,850,745 | 7.13% | 2,301,926 | 8.86% | \$1.77 | (47,081) | (47,081) | 167,778 | 167,778 |
| West County | | | | | | | | | | | | | |
| Anaheim | 18 | 140,827 | 0 | 0 | 0 | 0.00% | 2,967 | 2.11% | \$0.00 | 0 | 0 | 0 | 0 |
| Buena Park | 11 | 158,056 | 0 | 0 | 2,200 | 1.39% | 2,200 | 1.39% | \$1.50 | 1,100 | 1,100 | 1,100 | 1,100 |
| Cypress | 149 | 1,753,539 | 0 | 0 | 83,794 | 4.78% | 111,001 | 6.33% | \$1.51 | 2,644 | 2,644 | 12,324 | 12,324 |
| Garden Grove | 39 | 618,221 | 0 | 0 | 31,507 | 5.10% | 33,307 | 5.39% | \$1.23 | 1,000 | 1,000 | 2,865 | 2,865 |
| Fountain Valley /Huntington Beach | 410 | 6,711,078 | 0 | 274,593 | 533,284 | 7.95% | 599,528 | 8.93% | \$1.94 | (159,606) | (159,606) | 48,498 | 48,498 |
| Los Alamitos | 81 | 709,692 | 0 | 0 | 54,647 | 7.70% | 62,502 | 8.81% | \$2.41 | (2,900) | (2,900) | 0 | 0 |
| Midway City | 52 | 170,126 | 0 | 0 | 1,486 | 0.87% | 1,486 | 0.87% | \$0.00 | (1,486) | (1,486) | 1,000 | 1,000 |
| Seal Beach | 147 | 1,212,682 | 47,000 | 17,340 | 61,133 | 5.04% | 66,551 | 5.49% | \$2.66 | (2,325) | (2,325) | 5,080 | 5,080 |
| Stanton | 36 | 737,365 | 0 | 0 | 22,398 | 3.04% | 100,859 | 13.68% | \$1.52 | 900 | 900 | 3,600 | 3,600 |
| Sunset Beach | 2 | 4,183 | 0 | 0 | 2,000 | 47.81% | 2,000 | 47.81% | \$0.00 | 2,183 | 2,183 | 2,183 | 2,183 |
| Surfside | 1 | 597 | 0 | 0 | 0 | 0.00% | 0 | 0.00% | \$0.00 | 0 | 0 | 0 | 0 |
| Westminster | 326 | 5,569,972 | 0 | 20,000 | 313,013 | 5.62% | 355,872 | 6.39% | \$1.98 | (18,396) | (18,396) | 8,174 | 8,174 |
| West County Total | 1,272 | 17,786,338 | 47,000 | 311,933 | 1,105,462 | 6.22% | 1,338,273 | 7.52% | \$1.95 | (176,886) | (176,886) | 84,824 | 84,824 |
| Central County | | | | | | | | | | | | | |
| Anaheim | 712 | 8,320,909 | 6,648 | 300,000 | 780,911 | 9.38% | 1,020,699 | 12.27% | \$1.51 | (11,811) | (11,811) | 72,006 | 72,006 |
| Garden Grove | 453 | 6,055,816 | 0 | 150,926 | 379,312 | 6.26% | 415,852 | 6.87% | \$1.53 | (9,782) | (9,782) | 17,945 | 17,945 |
| Orange/Villa Park | 525 | 7,170,319 | 2,600 | 10,000 | 407,661 | 5.69% | 556,480 | 7.76% | \$1.74 | 47,121 | 47,121 | 126,429 | 126,429 |
| Fountain Valley /Midway City/ Santa Ana/ Westminster | 824 | 8,202,345 | 0 | 28,517 | 504,704 | 6.15% | 603,489 | 7.36% | \$1.71 | 8,388 | 8,388 | 73,896 | 73,896 |
| Stanton | 96 | 619,254 | 0 | 143,893 | 35,599 | 5.75% | 40,690 | 6.57% | \$1.32 | 1,137 | 1,137 | 6,851 | 6,851 |
| Tustin | 144 | 1,879,653 | 0 | 31,000 | 170,023 | 9.05% | 226,037 | 12.03% | \$1.67 | (23,999) | (23,999) | 31,333 | 31,333 |
| Central County Total | 2,754 | 32,248,296 | 9,248 | 664,336 | 2,278,210 | 7.06% | 2,863,247 | 8.88% | \$1.61 | 11,054 | 11,054 | 328,460 | 328,460 |
| Airport Area | | | | | | | | | | | | | |
| Corona Del Mar | 73 | 377,441 | 0 | 0 | 4,922 | 1.30% | 2,395 | 0.63% | \$4.00 | (1,600) | (1,600) | 1,472 | 1,472 |
| Costa Mesa | 556 | 8,187,606 | 154,113 | 14,110 | 344,723 | 4.21% | 424,475 | 5.18% | \$2.17 | (8,049) | (8,049) | 39,709 | 39,709 |
| Fountain Valley | 144 | 3,308,939 | 0 | 4,500 | 0 | 0.00% | 0 | 0.00% | \$1.67 | 381 | 381 | 35,453 | 35,453 |
| Huntington Beach | 144 | 2,832,377 | 19,274 | 612,727 | 111,997 | 3.95% | 151,861 | 5.36% | \$1.90 | (1,906) | (1,906) | 20,483 | 20,483 |
| Irvine | 247 | 6,448,323 | 0 | 25,877 | 429,069 | 6.65% | 478,353 | 7.42% | \$2.52 | (38,961) | (38,961) | 24,481 | 24,481 |
| Laguna Beach | 37 | 200,947 | 0 | 0 | 1,308 | 0.65% | 8,808 | 4.38% | \$3.13 | (308) | (308) | 1,642 | 1,642 |
| Newport Beach | 452 | 4,492,613 | 0 | 32,351 | 126,810 | 2.82% | 160,549 | 3.57% | \$2.59 | 12,938 | 12,938 | 29,044 | 29,044 |
| Santa Ana/ Westminster | 263 | 3,457,189 | 0 | 5,000 | 172,537 | 4.99% | 273,460 | 7.91% | \$1.47 | 20,366 | 20,366 | 43,459 | 43,459 |
| Tustin | 104 | 3,537,493 | 0 | 0 | 111,229 | 3.14% | 138,821 | 3.92% | \$2.05 | (16,307) | (16,307) | 17,685 | 17,685 |
| Airport Area Total | 2,020 | 32,842,928 | 173,387 | 694,565 | 1,302,595 | 3.97% | 1,638,722 | 4.99% | \$2.06 | (33,446) | (33,446) | 213,428 | 213,428 |
| South County | | | | | | | | | | | | | |
| Aliso Viejo | 68 | 1,559,582 | 0 | 0 | 27,901 | 1.79% | 33,328 | 2.14% | \$2.45 | 1,826 | 1,826 | 8,666 | 8,666 |
| Capistrano Beach | 20 | 140,945 | 0 | 0 | 18,877 | 13.39% | 18,877 | 13.39% | \$1.68 | 0 | 0 | 4,000 | 4,000 |
| Dana Point | 130 | 1,205,912 | 0 | 13,344 | 31,250 | 2.59% | 39,171 | 3.25% | \$2.78 | 1,743 | 1,743 | 5,770 | 5,770 |
| Foothill Ranch | 45 | 1,015,054 | 0 | 0 | 111,287 | 10.96% | 115,724 | 11.40% | \$2.93 | 5,500 | 5,500 | 5,500 | 5,500 |
| Irvine Spectrum | 44 | 2,150,216 | 0 | 0 | 225,034 | 10.47% | 213,465 | 9.93% | \$1.02 | (1,771) | (1,771) | 2,345 | 2,345 |
| Ladera Ranch | 33 | 649,532 | 0 | 0 | 46,376 | 7.14% | 41,336 | 6.36% | \$3.14 | (6,905) | (6,905) | 0 | 0 |
| Laguna Beach | 140 | 860,386 | 0 | 0 | 38,089 | 4.43% | 59,840 | 6.96% | \$3.62 | 1,907 | 1,907 | 7,285 | 7,285 |
| Laguna Hills | 95 | 2,831,214 | 3,600 | 17,396 | 257,701 | 9.10% | 307,409 | 10.86% | \$1.81 | (16,922) | (16,922) | 38,174 | 38,174 |
| Laguna Niguel | 113 | 3,175,847 | 0 | 4,000 | 283,969 | 8.94% | 220,750 | 6.95% | \$2.74 | (7,105) | (7,105) | 11,667 | 11,667 |
| Laguna Woods | 12 | 200,916 | 0 | 0 | 4,205 | 2.09% | 976 | 0.49% | \$1.50 | (976) | (976) | 0 | 0 |
| Lake Forest | 168 | 3,147,488 | 0 | 0 | 242,637 | 7.71% | 289,484 | 9.20% | \$1.48 | 28,351 | 28,351 | 30,801 | 30,801 |
| Mission Viejo | 159 | 5,408,252 | 0 | 0 | 205,344 | 3.80% | 358,974 | 6.64% | \$2.15 | (7,133) | (7,133) | 10,994 | 10,994 |
| Rancho Santa Margarita | 58 | 1,825,737 | 0 | 0 | 154,836 | 8.48% | 258,336 | 14.15% | \$1.87 | 4,348 | 4,348 | 6,294 | 6,294 |
| San Clemente | 259 | 2,314,336 | 0 | 687,171 | 106,102 | 4.58% | 121,306 | 5.24% | \$2.31 | 3,271 | 3,271 | 18,232 | 18,232 |
| San Juan Capistrano | 129 | 1,738,069 | 0 | 8,100 | 75,455 | 4.34% | 94,197 | 5.42% | \$1.83 | 5,336 | 5,336 | 8,955 | 8,955 |
| South County Total | 1,473 | 28,223,486 | 3,600 | 730,011 | 1,829,063 | 6.48% | 2,173,173 | 7.70% | \$2.05 | 11,470 | 11,470 | 158,683 | 158,683 |
| Orange County Total | 9,052 | 137,074,384 | 263,656 | 2,830,312 | 8,366,075 | 6.10% | 10,315,341 | 7.53% | \$1.87 | (234,889) | (234,889) | 953,173 | 953,173 |
| Malls | 122 | 16,014,054 | 154,113 | 694,671 | 400,669 | 2.50% | 553,139 | 3.45% | \$3.25 | (57,616) | (57,616) | 24,933 | 24,933 |
| Power Centers | 212 | 9,516,808 | 0 | 0 | 816,595 | 8.58% | 787,956 | 8.28% | \$2.59 | (80,564) | (80,564) | 20,073 | 20,073 |
| Community Centers | 714 | 26,372,599 | 47,000 | 348,840 | 2,235,655 | 8.48% | 2,650,993 | 10.05% | \$1.98 | (82,574) | (82,574) | 122,871 | 122,871 |
| Neighborhood Centers | 1,169 | 30,322,669 | 0 | 159,543 | 2,267,138 | 7.48% | 2,676,723 | 8.83% | \$1.95 | (198,173) | (198,173) | 240,412 | 240,412 |
| Strip Centers | 1,130 | 11,023,362 | 0 | 42,227 | 844,422 | 7.66% | 1,001,309 | 9.08% | \$1.74 | (29,153) | (29,153) | 100,193 | 100,193 |
| Specialty Centers | 18 | 1,886,565 | 0 | 227,456 | 73,485 | 3.90% | 137,891 | 7.31% | \$1.35 | 86,645 | 86,645 | 93,345 | 93,345 |
| General Retail | 5,687 | 41,938,327 | 62,543 | 1,357,575 | 1,728,111 | 4.12% | 2,507,330 | 5.98% | \$1.87 | 126,546 | 126,546 | 351,346 | 351,346 |
| Orange County Total | 9,052 | 137,074,384 | 263,656 | 2,830,312 | 8,366,075 | 6.10% | 10,315,341 | 7.53% | \$1.87 | (234,889) | (234,889) | 953,173 | 953,173 |

Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sales Transactions

| Property Address | Submarket | Square Feet | Sale Price PSF | Buyer | Seller |
|--------------------------------|-----------|-------------|----------------|---------------------------------|-------------------------------|
| Santa Ana – 11 Properties | Central | 184,737 | \$132.62 | Olen Properties | The Muller Company |
| 2375 N Tustin Ave. – Best Buy | Central | 45,676 | \$483.84 | Continental Development Company | Burnham USA Equities |
| 311-391 S. State College Blvd. | North | 45,283 | \$231.90 | First American Exchange Company | JH Real Estate Partners, Inc. |
| 16498 Royal Oak | Airport | 12,660 | \$363.35 | Red Mountain Group, Inc. | Royal Cree Fund, LLC |
| 460-470 Ocean Ave. | South | 2,494 | \$1,202.89 | Ocean LB, LLC | Gharavi Living Trust |
| 619 Brookhurst St. | Central | 5,000 | \$470.00 | Sheng-Ming & Melin Chi Yu Trust | Deborah Spiegel |

Lease Transactions

| Property Address | Submarket | Square Feet | Transaction Date | Tenant | Owner |
|----------------------------|-----------|-------------|------------------|--------------------|-----------------------------------|
| 27200 Alicia Pkwy. | South | 77,867 | 12-Feb | Hobby Lobby | Burnham USA Equities |
| 1945 E. 17th St. | Central | 38,700 | 12-Jan | Gold's Gym | Levy Affiliated Holdings, LLC |
| 5400 Garden Grove Blvd. | West | 34,171 | 12-Mar | McMahons RV | M Westland, LLC |
| 7492-7664 Edinger Ave. | West | 34,000 | 12-Jan | Nordstrom Rack | Watt Properties, Inc. |
| 12055-12151 Brookhurst St. | Central | 32,150 | 12-Feb | Woori Market | 12151 Brookhurst, LLC |
| 24001 El Toro Rd. | South | 18,145 | 12-Feb | Total Wine & Moore | Ashley Furniture Industries, Inc. |



SUBMARKETS

NORTH COUNTY

Anaheim Hills, Brea, Buena Park, Fullerton, La Habra, La Palma, Placentia, Yorba Linda

WEST COUNTY

Anaheim, Buena Park, Cypress, Garden Grove, Fountain Valley / Huntington Beach, Los Alamitos, Midway City, Seal Beach, Stanton, Sunset Beach, Surfside, Westminster

CENTRAL COUNTY

Anaheim, Garden Grove, Orange/Villa Park, Fountain Valley / Midway City / Santa Ana / Westminster, Stanton, Tustin

AIRPORT AREA

Corona Del Mar, Costa Mesa, Fountain Valley, Huntington Beach, Irvine, Laguna Beach, Newport Beach, Santa Ana / Westminster, Tustin

SOUTH COUNTY

Aliso Viejo, Capistrano Beach, Dana Point, Foothill Ranch, Irvine Spectrum, Ladera Ranch, Laguna Beach, Laguna Hills, Laguna Niguel, Laguna Woods, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente, San Juan Capistrano

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