



Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

DOWN

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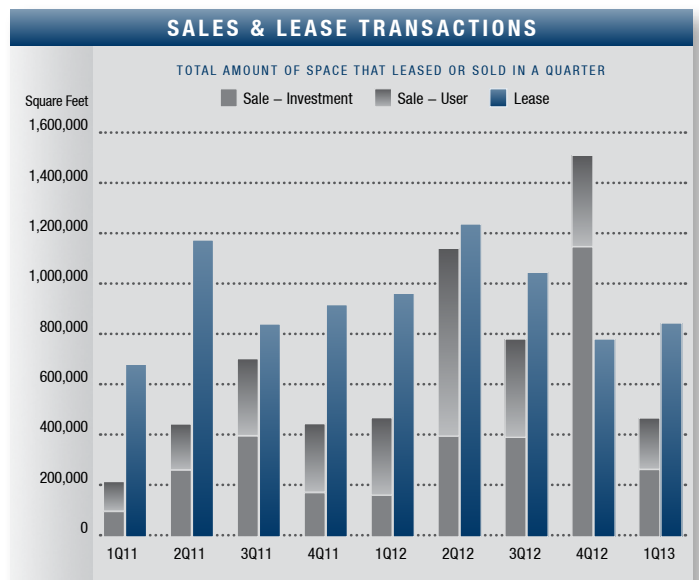
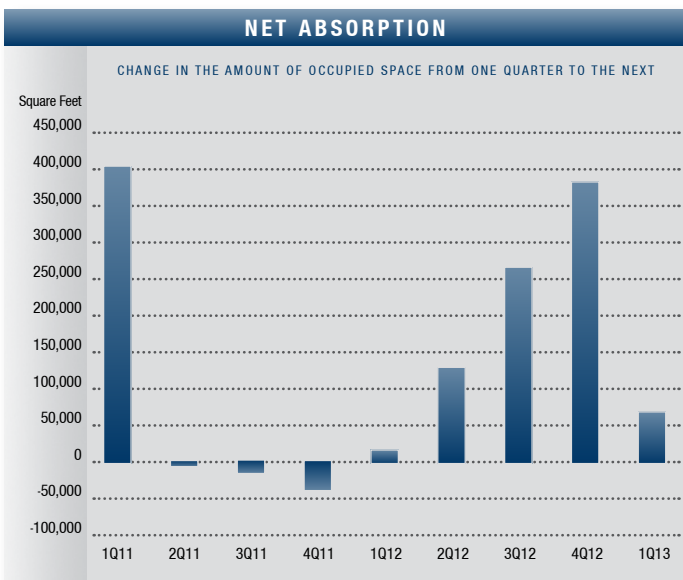
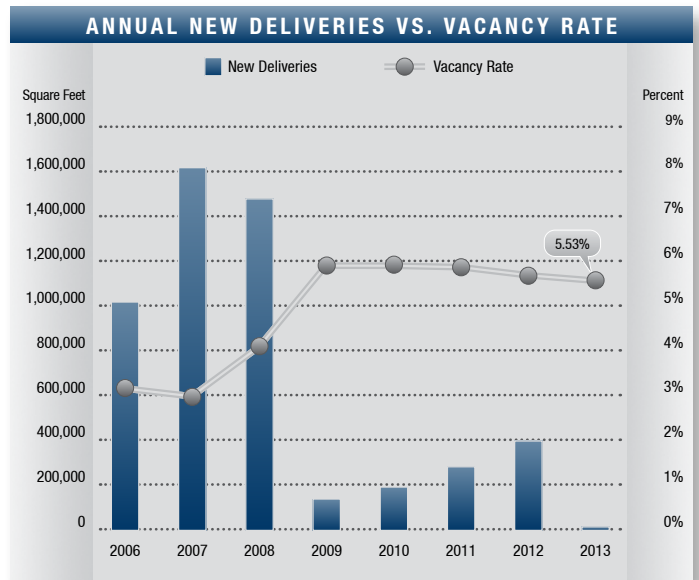
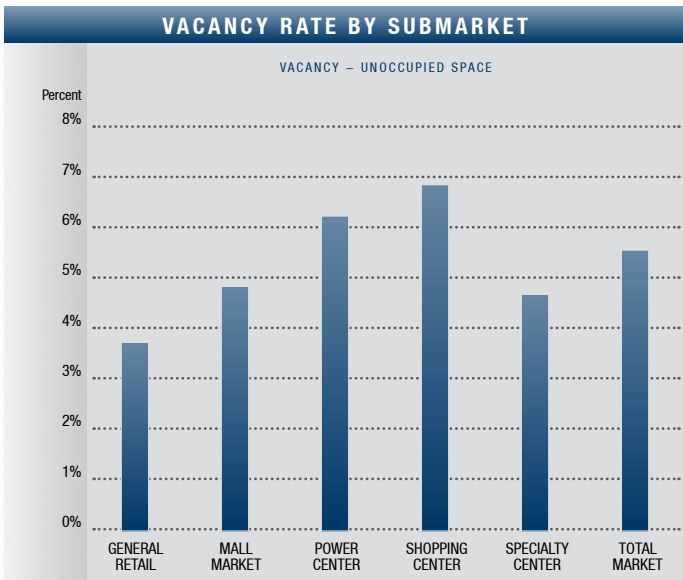
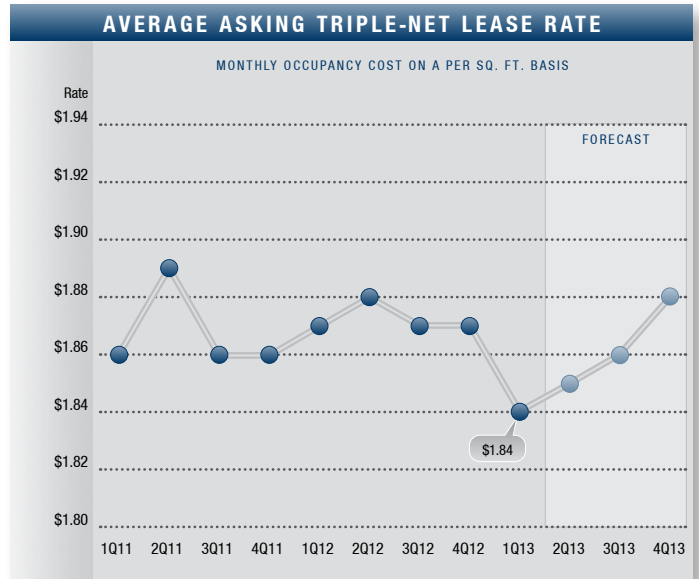
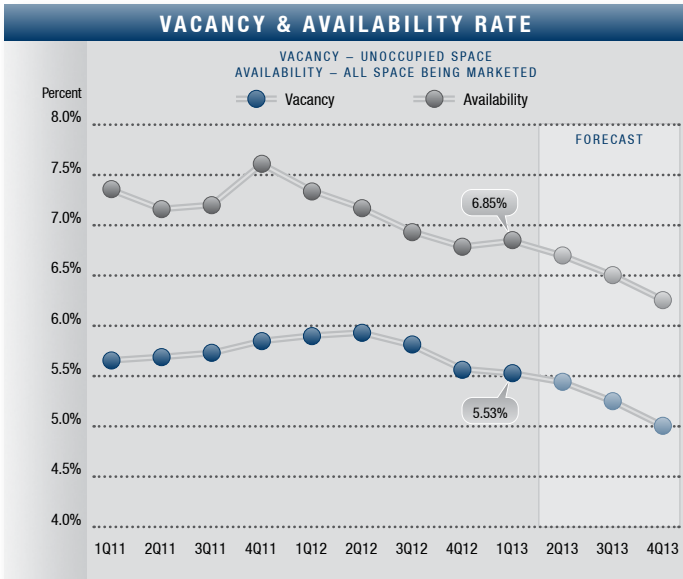
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Market Highlights

- Encouraging Numbers** - The Orange County retail market displayed positive indicators going into 2013. The amount of vacant space decreased from the previous quarter and year. The market posted almost 70,000 square feet of positive net absorption for the first quarter. Average asking triple-net lease rates appears to be stabilizing with the promise of increases in 2013. While the market appears to be moving in a positive direction, stability and job growth will need to continue in coming quarters to sustain a recovery.
- Absorption** - The Orange County retail market posted 68,621 square feet of positive net absorption in first quarter of 2013 — giving the retail market a total of just over 860,000 square feet of positive absorption for the last five quarters.
- Transaction Activity** - Leasing activity checked in at just above 840,000 square feet for the first quarter of 2013, a slight decrease from last year's first quarter figure of 950,000 square feet. Sales activity for the first quarter of 2013 was equal to the same quarter last year, coming in at 460,000 square feet. Overall, transaction activity decreased 8.28% compared to the previous year. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in Orange County was 6.5% in February 2013 — down from a revised 7.1% in January 2013 and below the previous year's estimate of 8.1%. This compares with an unadjusted unemployment rate of 9.7% for California and 8.1% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 35,200 payroll jobs from November 2011 to November 2012. The largest gains were 9,700 in professional & business services and 8,200 in leisure & hospitality; however, Orange County lost 600 government jobs during that same period.
- Overall** - We are beginning to see a decrease in the amount of vacant and available space being added per quarter. We are also seeing an increase in both lease and sales activity. Overall the market is stabilizing. Lease rates appear to have hit bottom and are expected to continue to firm up and increase going into 2013. As job creation continues and consumer confidence stabilizes, the retail market will continue to recover.
- Construction** - There was 248,494 square feet of retail space under construction in Orange County at the end of the first quarter of 2013, but there's talk of more repositioning and expansion of some existing centers in the county. 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 for quality retail space catches up to supply.
- Vacancy** - Direct/sublease space (unoccupied) finished the first quarter of 2013 at 5.53%, a decrease from the previous quarter and over 6% lower than the same quarter of 2012. General retail space had the lowest vacancy rate at only 3.71%, while shopping centers had the highest at 6.82%.
- Availability** - Direct/sublease space being marketed was 6.85% at the end of the first quarter, a slight increase from the previous quarter's rate of 6.79% and 6.55% lower than the previous year's rate of 7.33%. General retail space displayed the lowest availability rate of all of the retail types, at 5.08%, while the Airport Area displayed the lowest rate of all of the submarkets at 4.56%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in Orange County was \$1.84 at the end of the first quarter, three cents lower than the previous year's average asking rate. We are forecasting that lease rates will rise in 2013 by approximately 2 to 3%, ending the year at around \$1.88.

RETAIL MARKET OVERVIEW

	1Q13	4Q12	1Q12	% of Change vs. 1Q12
Total Vacancy Rate	5.53%	5.57%	5.90%	(6.27%)
Availability Rate	6.85%	6.79%	7.33%	(6.55%)
Average Asking Lease Rate	\$1.84	\$1.87	\$1.87	(1.60%)
Sale & Lease Transactions	1,304,308	2,276,663	1,422,004	(8.28%)
Gross Absorption	1,150,655	1,306,369	1,133,402	1.52%
Net Absorption	68,621	381,543	15,352	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 1Q2013	Square Feet Available	Availability Rate 1Q2013	Average Asking Lease Rate	Net Absorption 1Q2013	Net Absorption 2012	Gross Absorption 1Q2013	Gross Absorption 2012
Airport Area													
General Retail	967	7,566,567	18,085	7,000	159,491	2.11%	303,885	4.02%	\$2.32	56,248	167,990	87,067	384,537
Mall Market	32	4,349,139	29,600	0	69,088	1.59%	71,731	1.65%	\$3.64	2,186	2,537	8,608	20,068
Power Center	19	561,218	0	0	38,863	6.92%	41,123	7.33%	\$0.00	(13,690)	(11,889)	15,703	14,681
Shopping Center	489	10,493,222	0	46,527	538,117	5.13%	605,559	5.77%	\$2.15	125,045	(30,120)	233,593	387,141
Specialty Center	1	190,642	0	0	33,894	17.78%	33,894	17.78%	\$0.00	0	18,822	0	49,531
Airport Area Total	1,508	23,160,788	47,685	53,527	839,453	3.62%	1,056,192	4.56%	\$2.23	169,789	147,340	344,971	855,958
Central County													
General Retail	1,639	10,330,874	2,600	279,888	480,360	4.65%	634,139	6.14%	\$1.46	17,349	43,245	121,906	535,961
Mall Market	33	3,349,674	0	0	54,126	1.62%	132,231	3.95%	\$3.00	(14,859)	27,978	3,301	62,564
Power Center	38	1,789,543	0	0	95,977	5.36%	200,831	11.22%	\$1.94	0	(51,886)	1,200	21,789
Shopping Center	702	14,298,710	0	30,000	1,093,534	7.65%	1,329,943	9.30%	\$1.60	(24,402)	6,276	171,970	868,204
Specialty Center	10	1,021,458	0	10,000	4,642	0.45%	4,642	0.45%	\$0.00	0	90,473	0	98,048
Central County Total	2,422	30,790,259	2,600	319,888	1,728,639	5.61%	2,301,786	7.48%	\$1.58	(21,912)	116,086	298,377	1,586,566
North County													
General Retail	1,515	10,757,903	30,421	453,773	538,144	5.00%	705,852	6.56%	\$1.47	(56,544)	309,454	45,093	496,605
Mall Market	82	6,192,372	0	0	607,062	9.80%	629,131	10.16%	\$1.95	(4,763)	5,800	887	41,287
Power Center	64	2,724,541	0	54,400	114,152	4.19%	164,784	6.05%	\$2.06	(45,573)	(9,309)	5,788	21,515
Shopping Center	745	14,888,406	0	425,850	1,252,076	8.41%	1,510,584	10.15%	\$1.61	(64,664)	38,701	100,223	430,575
Specialty Center	1	68,462	0	460,208	0	0.00%	0	0.00%	\$3.13	0	0	0	0
North County Total	2,407	34,631,684	30,421	1,394,231	2,511,434	7.25%	3,010,351	8.69%	\$1.59	(171,544)	344,646	151,991	989,982
South County													
General Retail	811	7,126,694	150,000	33,520	269,752	3.79%	289,152	4.06%	\$1.88	27,499	31,218	48,811	192,522
Mall Market	21	3,255,400	0	682,671	62,778	1.93%	104,178	3.20%	\$3.50	(2,000)	(32,667)	0	13,122
Power Center	88	3,611,199	0	6,000	215,053	5.96%	274,136	7.59%	\$3.35	(11,001)	94,280	4,721	138,556
Shopping Center	700	15,413,388	0	34,000	913,913	5.93%	1,170,763	7.60%	\$2.25	13,792	10,700	138,119	548,283
Specialty Center	2	283,613	0	15,000	46,611	16.43%	62,332	21.98%	\$0.00	385	(1,900)	385	0
South County Total	1,622	29,690,294	150,000	771,191	1,508,107	5.08%	1,900,561	6.40%	\$2.23	28,675	101,631	192,036	892,483
West County													
General Retail	989	7,483,969	17,788	82,264	156,405	2.09%	265,500	3.55%	\$1.93	20,673	6,959	50,719	111,542
Mall Market	17	2,261,011	0	12,000	133,773	5.92%	135,973	6.01%	\$2.92	0	74,109	0	172,057
Power Center	20	934,002	0	0	135,404	14.50%	133,944	14.34%	\$1.87	0	15,742	0	28,734
Shopping Center	543	11,035,540	0	69,633	711,494	6.45%	766,054	6.94%	\$2.00	42,940	(89,805)	112,561	398,343
Specialty Center	3	282,981	0	217,456	900	0.32%	5,134	1.81%	\$0.00	0	13,445	0	14,345
West County Total	1,572	21,997,503	17,788	381,353	1,137,976	5.17%	1,306,605	5.94%	\$2.02	63,613	20,450	163,280	725,021
Orange County Total	9,531	140,270,528	248,494	2,920,190	7,725,609	5.53%	9,575,495	6.85%	\$1.84	68,621	730,153	1,150,655	5,050,010
General Retail	5,921	43,266,007	218,894	856,445	1,604,152	3.71%	2,198,528	5.08%	\$1.67	65,225	558,866	353,596	1,721,167
Mall Market	185	19,407,596	29,600	694,671	926,827	4.78%	1,073,244	5.53%	\$3.09	(19,436)	77,757	12,796	309,098
Power Center	229	9,620,503	0	60,400	599,449	6.23%	814,818	8.47%	\$2.14	(70,264)	36,938	27,412	225,275
Shopping Center	3,179	66,129,266	0	606,010	4,509,134	6.82%	5,382,903	8.14%	\$1.85	92,711	(64,248)	756,466	2,632,546
Specialty Center	17	1,847,156	0	702,664	86,047	4.66%	106,002	5.74%	\$3.13	385	120,840	385	161,924
Orange County Total	9,531	140,270,528	248,494	2,920,190	7,725,609	5.53%	9,575,495	6.85%	\$1.84	68,621	730,153	1,150,655	5,050,010

Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
1308 W. Edinger Ave.	Central County	31,155	\$134.81	Formosa Plaza, LLC	Gluck LaVerne Trust
26741 Rancho Pkwy.	South County	22,736	\$120.95	Khoshbin Properties	IPTV-B_L6-119, LLC
1110 W. Orangethorpe Ave.	North County	20,320	\$159.94	1110 Orangethorpe Street, LLC	CP RE Holdco 2009-1, LLC
26731 Aliso Creek Rd.	South County	16,840	\$399.35	Aliso Viejo Town Center, LLC	Aliso Viejo Investors, LLC
16498 Royal Oak	South County	12,660	\$568.72	Beccaria Partners	TTDI, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
34061-34131 Doheny Park Rd.	South County	13,477	Feb-13	Smart & Final	Snd, LP
5812-5942 Edinger Ave.	West County	9,109	Jan-13	Crunch Fitness	PK II Marina Village, LP
6847-6931 Katella Ave.	West County	4,800	Feb-13	Antime Fitness	Sarofim Realty Advisors
6026-6042 Cerritos Ave.	West County	4,735	Mar-13	Midas	Baroldi Leo C
2515 S. Main St. – Renewal	Central County	4,167	Feb-13	Audio Zone Customs	Suzanne Gildred



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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