



Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

UP

Deliveries

UP

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Market Highlights

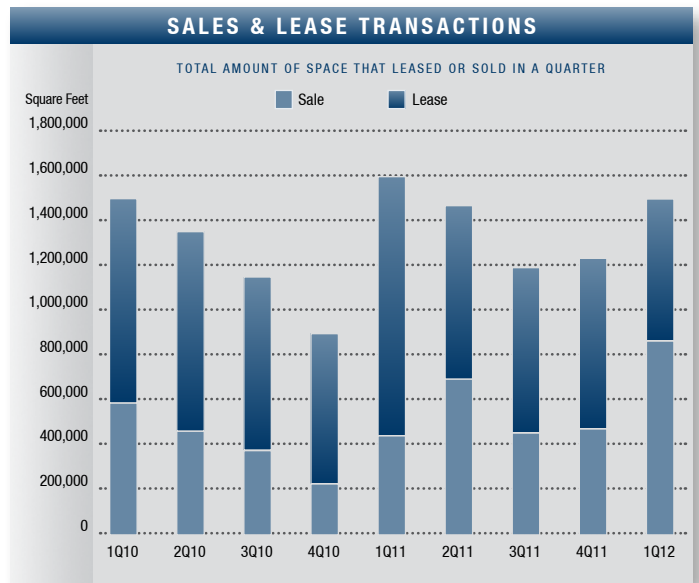
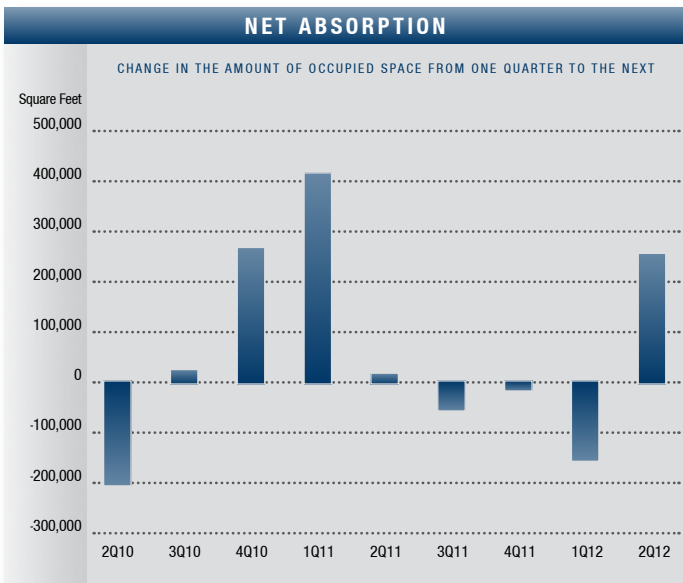
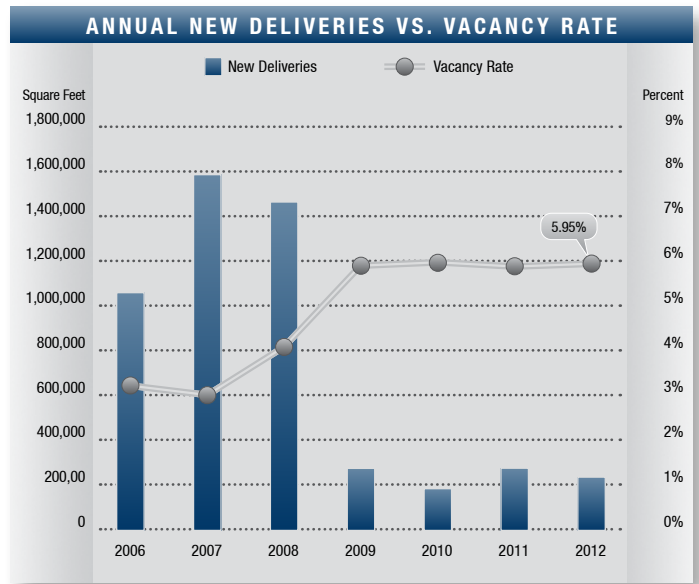
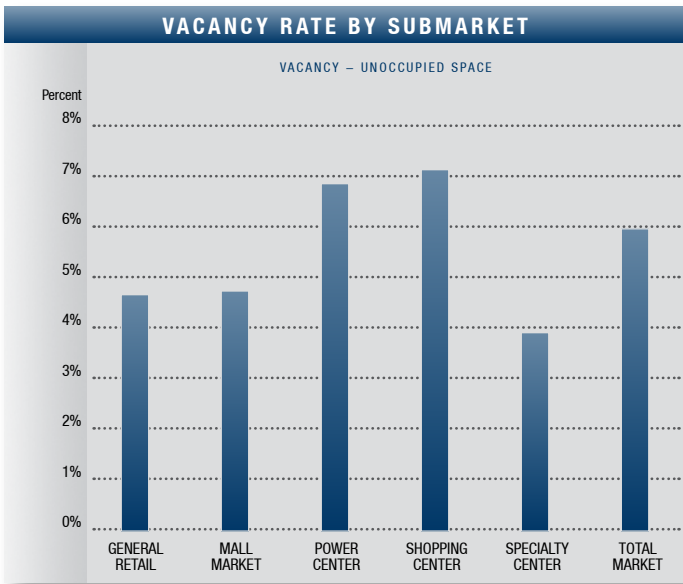
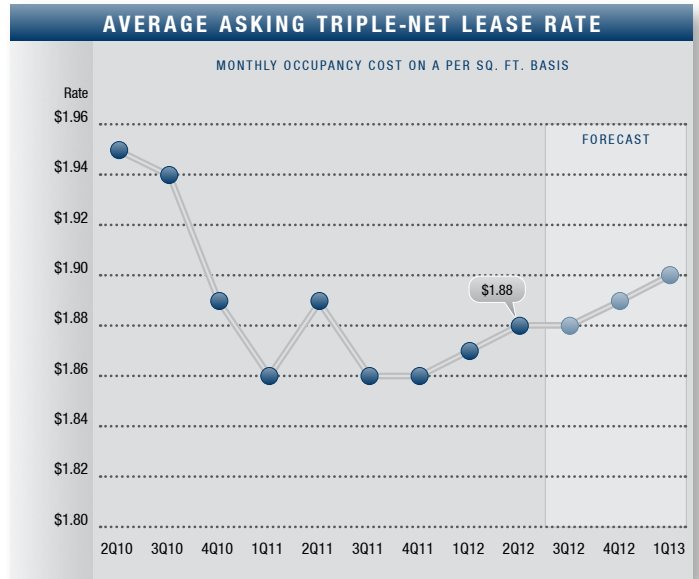
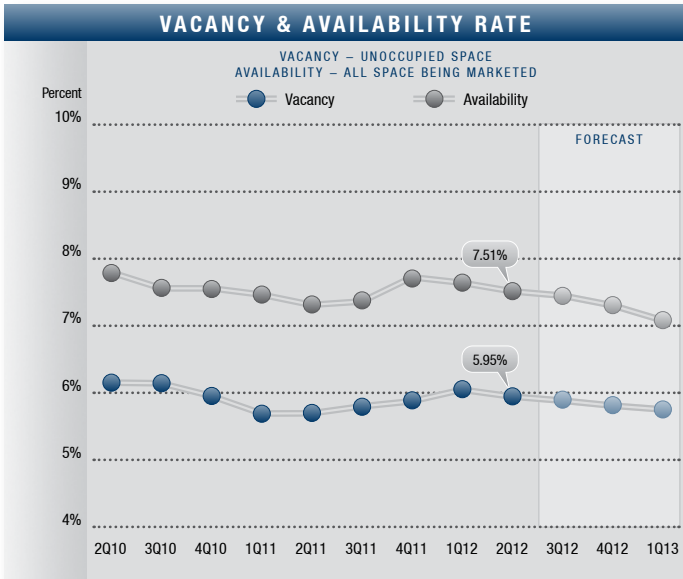
- Encouraging Numbers** - The Orange County retail market displayed positive indicators in the second quarter of 2012. Both vacancy and available space decreased from the previous quarter, but are up slightly from last year. The market posted over 250,000 square feet of positive net absorption, while square feet transacted increased and average asking triple-net lease rates increased one cent from the previous quarter. 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 143,000 square feet of retail space under construction in Orange County in the second quarter of 2012, 47,000 of which was for shopping centers. 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 2012 at 5.95%, a decrease from the previous quarter and only 4.02% higher than the same quarter of 2011. Specialty centers had the lowest vacancy rate at only 3.87%, while shopping centers had the highest at 7.11%.
- Availability** - Direct/sublease space being marketed was 7.51% at the end of the second quarter of 2012, a decrease from the previous quarter's rate of 7.64% and just twenty basis points higher than the previous year's rate. Malls displayed the lowest availability rates of all of the retail types at 5.43%, while the Airport Area displayed the lowest rate of all of the submarkets at 5.64%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in Orange County was \$1.88 at the end of the second quarter, one cent higher than the previous quarter's average asking rate. We are forecasting that lease rates will rise in 2012, ending the year at \$1.89.
- Absorption** - The Orange County retail market posted 253,969 square feet of positive net absorption in the

second quarter of 2012, giving the retail market a total of 101,704 square feet of positive absorption for the year.

- Transaction Activity** - Leasing activity checked in at 634,538 square feet in the second quarter, a decrease from both the previous quarter's figure of 765,199 square feet and 2011's second quarter total of 1,163,608 square feet. Sales activity increased, with the market transacting over 850,000 square feet of sales in the second quarter of 2012 compared to 460,000 square feet in the first quarter of 2012 and 433,000 square feet in the second quarter of 2011. Overall, transaction activity increase over 21% 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 7.5% in May 2012 — up from a revised 7.4% in April 2012 and below the previous year's estimate of 8.5%. This compares with an unadjusted unemployment rate of 10.4% for California and 7.9% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 25,800 payroll jobs from May 2011 to May 2012. The largest gains were 12,300 in professional & business services and 7,300 in leisure & hospitality; however, Orange County lost 3,600 construction 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 transaction 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. As job creation continues and consumer confidence stabilizes, the retail market will continue to recover.

RETAIL MARKET OVERVIEW

	2Q12	1Q12	2Q11	% of Change vs. 2Q11
Total Vacancy Rate	5.95%	6.05%	5.72%	4.02%
Availability Rate	7.51%	7.64%	7.31%	2.74%
Average Asking Lease Rate	\$1.88	\$1.87	\$1.89	(0.53%)
Sale & Lease Transactions	1,491,165	1,225,561	1,597,427	(6.65%)
Gross Absorption	1,203,848	980,809	1,185,287	1.57%
Net Absorption	253,969	(152,265)	18,175	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 2Q2012	Square Feet Available	Availability Rate 2Q2012	Average Asking Lease Rate	Net Absorption 2Q2012	Net Absorption 2012	Gross Absorption 2Q2012	Gross Absorption 2012
Airport Area													
General Retail	1,218	9,260,241	40,487	671,363	301,605	3.26%	410,741	4.44%	\$2.13	(42,040)	(9,194)	49,417	133,155
Mall Market	59	5,511,899	0	0	99,738	1.81%	105,246	1.91%	\$3.50	7,509	1,354	29,986	43,236
Power Center	59	2,474,192	0	0	118,768	4.80%	162,297	6.56%	\$2.08	5,669	(1,364)	16,493	27,863
Shopping Center	695	15,490,167	0	46,527	870,139	5.62%	1,127,142	7.28%	\$2.05	33,180	(9,587)	122,821	233,991
Specialty Center	3	241,437	0	0	56,285	23.31%	55,065	22.81%	N/A	0	(2,349)	1,200	1,200
Airport Area Total	2,034	32,977,936	40,487	717,890	1,446,535	4.39%	1,860,491	5.64%	\$2.08	4,318	(21,140)	219,917	439,445
Central County													
General Retail	1,959	11,971,767	9,248	366,047	610,786	5.10%	875,424	7.31%	\$1.43	(50,735)	(36,787)	37,286	141,638
Mall Market	8	2,632,038	0	0	269,471	10.24%	334,471	12.71%	N/A	6,818	6,818	8,343	8,343
Power Center	21	1,034,672	0	0	27,925	2.70%	57,259	5.53%	N/A	0	(19,983)	1,642	1,642
Shopping Center	769	15,689,552	0	372,393	1,259,888	8.03%	1,516,223	9.66%	\$1.72	104,560	47,766	237,065	382,939
Specialty Center	10	1,021,458	0	10,000	10,054	0.98%	47,425	4.64%	\$1.00	5,412	85,061	5,412	89,412
Central County Total	2,767	32,349,487	9,248	748,440	2,178,124	6.73%	2,830,802	8.75%	\$1.60	66,055	82,875	289,748	623,974
North County													
General Retail	986	7,588,832	32,221	314,217	490,760	6.47%	602,103	7.93%	\$1.70	30,204	67,847	59,277	150,271
Mall Market	73	5,223,862	0	0	359,957	6.89%	385,145	7.37%	\$2.74	(21,897)	(22,988)	2,110	13,793
Power Center	52	2,733,388	0	54,400	78,996	2.89%	100,625	3.68%	\$3.50	1,103	(10,697)	10,103	14,803
Shopping Center	466	10,500,651	0	115,250	867,274	8.26%	1,095,566	10.43%	\$1.70	(24,607)	(33,870)	73,377	143,248
Specialty Center	1	68,462	0	0	0	0.00%	0	0.00%	N/A	0	0	0	0
North County Total	1,578	26,115,195	32,221	483,867	1,796,987	6.88%	2,183,439	8.36%	\$1.76	(15,197)	292	144,867	322,115
South County													
General Retail	764	6,989,292	3,600	35,340	394,707	5.65%	563,323	8.06%	\$1.43	1,059	51,825	75,497	146,294
Mall Market	20	3,246,304	0	697,671	63,978	1.97%	101,678	3.13%	N/A	7,522	(36,867)	12,622	12,622
Power Center	74	3,264,293	0	0	330,436	10.12%	339,336	10.40%	\$3.01	70,467	75,600	81,467	86,967
Shopping Center	618	14,440,661	0	4,000	860,749	5.96%	1,085,117	7.51%	\$2.31	29,109	33,269	151,983	238,569
Specialty Center	2	283,613	0	0	7,146	2.52%	66,381	23.41%	N/A	0	0	0	0
South County Total	1,478	28,224,163	3,600	737,011	1,657,016	5.87%	2,155,835	7.64%	\$2.08	108,157	123,827	321,569	484,452
West County													
General Retail	823	6,579,344	10,048	56,737	157,437	2.39%	236,529	3.60%	\$1.91	(38,195)	(30,748)	11,813	29,644
Mall Market	17	1,821,866	0	12,000	70,161	3.85%	73,861	4.05%	N/A	153,202	137,721	159,519	159,519
Power Center	20	934,002	0	0	153,781	16.46%	153,781	16.46%	\$2.10	0	0	10,000	10,000
Shopping Center	412	8,331,406	47,000	25,740	721,999	8.67%	838,094	10.06%	\$1.90	(24,371)	(205,468)	46,395	101,143
Specialty Center	3	282,981	0	217,456	0	0.00%	4,234	1.50%	N/A	0	14,345	0	14,345
West County Total	1,275	17,949,599	57,048	311,933	1,103,378	6.15%	1,306,499	7.28%	\$1.90	90,636	(84,150)	227,727	314,651
Orange County Total	9,132	137,616,380	142,604	2,999,141	8,182,040	5.95%	10,337,066	7.51%	\$1.88	253,969	101,704	1,203,828	2,184,637
General Retail	5,750	42,389,476	95,604	1,443,704	1,955,295	4.61%	2,688,120	6.34%	\$1.63	(99,707)	42,943	233,290	601,002
Mall Market	177	18,435,969	0	709,671	863,305	4.68%	1,000,401	5.43%	\$2.87	153,154	86,038	212,580	237,513
Power Center	226	10,440,547	0	54,400	709,906	6.80%	813,298	7.79%	\$2.42	77,239	43,556	119,705	141,275
Shopping Center	2,960	64,452,437	47,000	563,910	4,580,049	7.11%	5,662,142	8.78%	\$1.93	117,871	(167,890)	631,641	1,099,890
Specialty Center	19	1,897,951	0	227,456	73,485	3.87%	173,105	9.12%	\$1.00	5,412	97,057	6,612	104,957
Orange County Total	9,132	137,616,380	142,604	2,999,141	8,182,040	5.95%	10,337,066	7.51%	\$1.88	253,969	101,704	1,203,828	2,184,637

Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
23602-23720 El Toro Rd. – 13 Properties	South	267,943	\$455.32	Schottenstein Property Group	AREA Property Partners
7887 Center Ave.	West	36,000	\$383.33	Industry Investment Company, LLC	Bella Retail Owner, LLC
626-700 Euclid St.	North	32,787	\$125.05	Watt Communities at Citrus Park, LLC	Pierres, LLC
1425 Auto Mall Dr.	Central	31,900	\$235.11	BLT Sac Prop. Acquisition, LLC	KSE Santa Ana, LLC
1450 Auto Mall Dr.	Central	29,281	\$365.88	BLT 1450 Auto Mall, LLC	AK3 Commonwealth, LLC
45 OldField	South	26,720	\$179.64	Hardin Irvine Automotive, Inc.	West Jam Enterprises, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1616-1680 W. Katella Ave.	North	24,330	Apr-12	dd's Discount	Euclid Shopping Center, LLC
1310 S. Beach Blvd.	North	23,992	Apr-12	Staples	La Habra Westridge
9823-9975 Walker St.	West	20,250	May-12	Chuze Fitness	YK, LP
5630-5640 E. La Palma Ave.	North	7,739	Jun-12	Party! Party!	Anaheim Hills Village Center
985 E. Birch St.	North	7,036	May-12	Pei Wei	Regency Centers Corporation
27732 Vista Del Lago	South	6,670	May-12	Lakeside Academy	Reef Plaza Del Lago, 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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