



Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

UP

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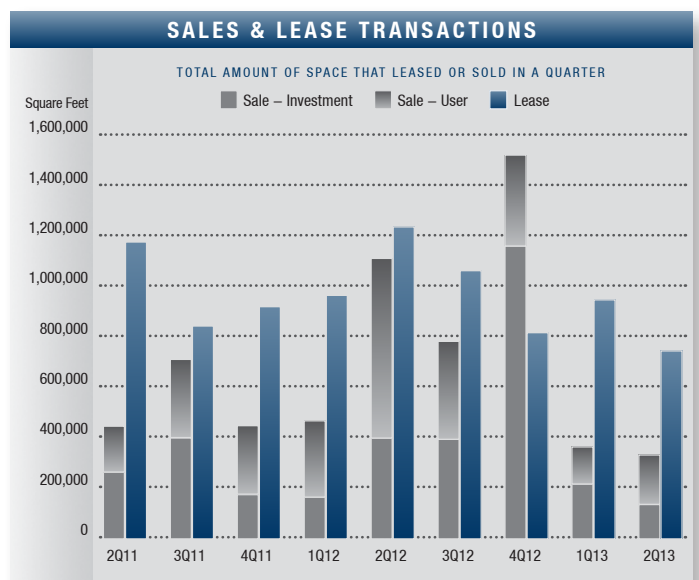
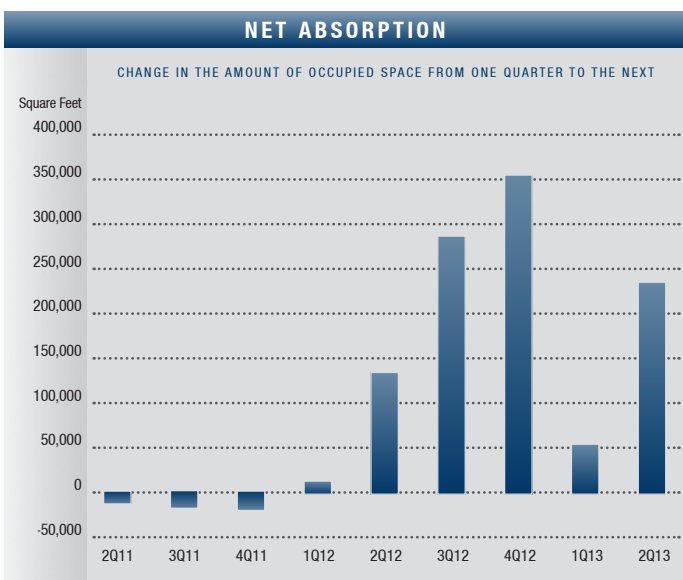
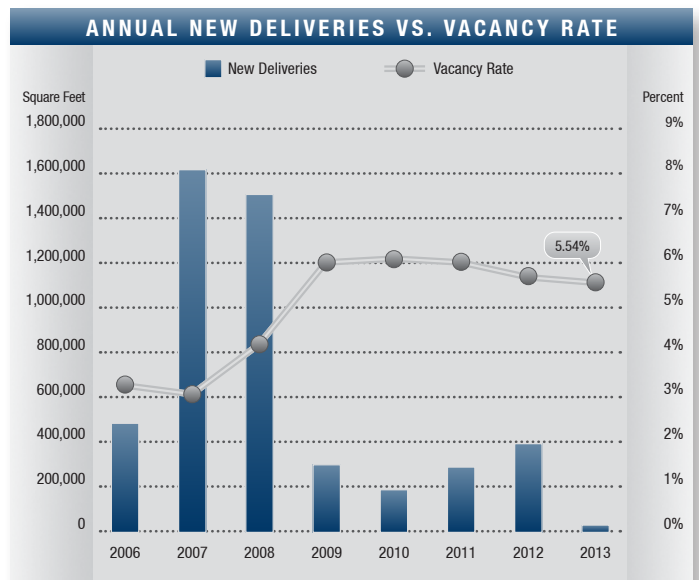
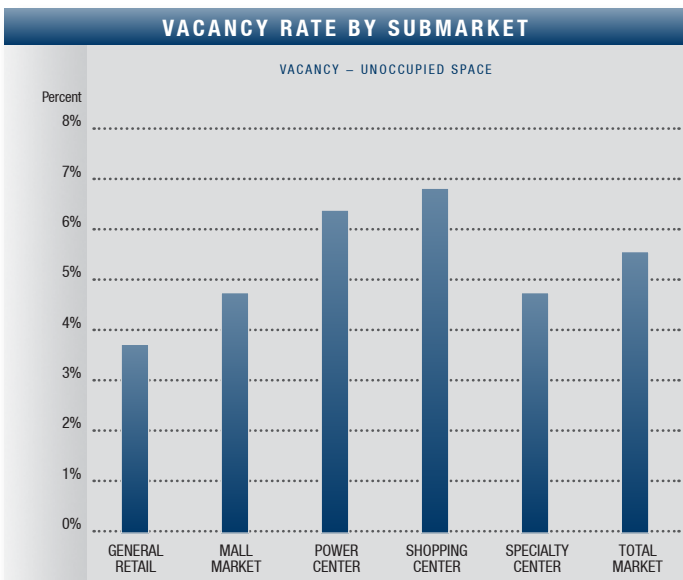
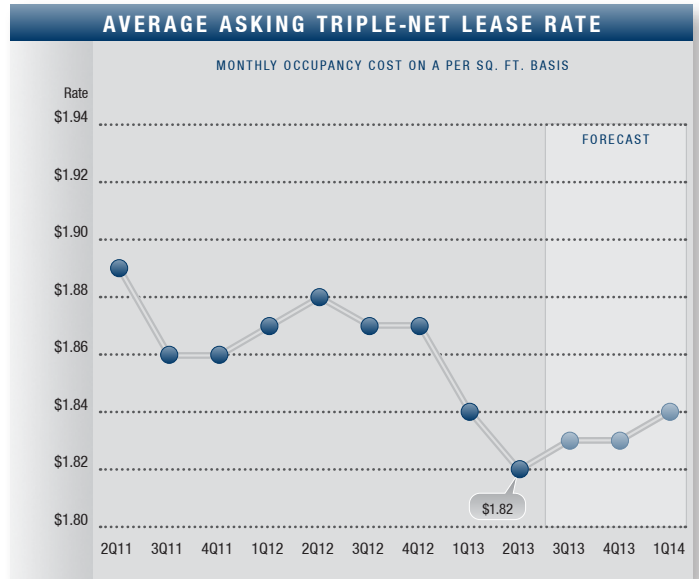
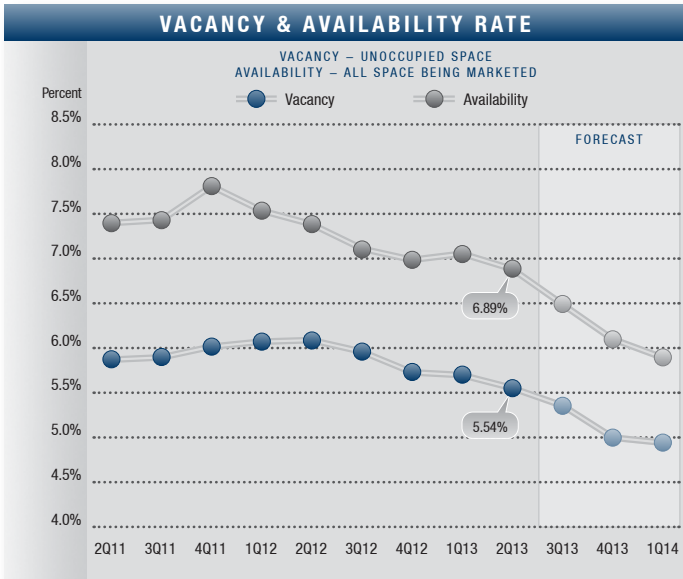
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Market Highlights

- Encouraging Numbers** - The Orange County retail market displayed mostly positive indicators in the second quarter of 2013. Both availability and vacancy continued their downward trends. The market posted over 230,000 square feet of positive net absorption for the second quarter, while the descent of average asking lease rates appears to be gradually slowing. 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 over 234,000 square feet of positive net absorption in the second quarter of 2013 — giving the retail market a total of over 1.07 million square feet of positive absorption for the last six quarters.
- Transaction Activity** - Leasing activity checked in at nearly 740,000 square feet for the second quarter of 2013, down from both the previous quarter and the previous year. Sales activity for the second quarter of 2013 came in at 323,000 square feet, down slightly from the previous quarter and a decrease compared to 2012's second quarter. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in Orange County was 5.5% in May 2013 — down from a revised 5.7% in April 2013 and below the previous year's estimate of 7.5%. This compares with an unadjusted unemployment rate of 8.1% for California and 7.3% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 24,500 payroll jobs from May 2012 to May 2013. The largest gains were 6,500 in financial activities and 6,400 in construction; however, Orange County lost 1,200 jobs in the trade, transportation and utilities sector during that same period.
- Overall** - We are seeing a continued downward trend in both vacancy and availability rates, which should in time translate to further stability and increases in asking lease rates. The market has posted six consecutive quarters of positive net absorption. Lease rates are still dropping but appear to be slowing in descent; we anticipate rates continuing to stabilize and gradually begin to increase over the next couple of quarters. Overall, the market is gaining its footing. As job creation continues and consumer confidence stabilizes, the retail market will continue to recover.
- Construction** - There was over 900,000 square feet of retail space under construction in Orange County at the end of the second quarter of 2013, over half of which was in the north county submarket. The overall 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 second quarter of 2013 at 5.54%, a decrease from the previous quarter and over 9% lower than the same quarter of 2012. General retail space had the lowest vacancy rate at only 3.72%, while shopping centers had the highest at 6.77%.
- Availability** - Direct / sublease space being marketed was 6.89% at the end of the second quarter, down from the previous quarter's rate of 7.05% and 6.77% lower than the previous year's rate of 7.39%. General retail space displayed the lowest availability rate of all of the retail types, at 5.21%, while the Airport Area displayed the lowest rate of all of the submarkets at 4.83%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in Orange County was \$1.82 at the end of the second quarter, two cents lower than the previous quarter's average asking rate. We are forecasting that lease rates will continue to flatten out and increase gradually in coming quarters.

RETAIL MARKET OVERVIEW

	2Q13	1Q13	2Q12	% of Change vs. 2Q12
Total Vacancy Rate	5.54%	5.70%	6.09%	(9.03%)
Availability Rate	6.89%	7.05%	7.39%	(6.77%)
Average Asking Lease Rate	\$1.82	\$1.84	\$1.88	(3.19%)
Sale & Lease Transactions	1,062,485	1,295,269	2,328,290	(54.37%)
Gross Absorption	1,378,570	1,140,570	1,328,630	3.76%
Net Absorption	234,529	52,426	133,822	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 2Q2013	Square Feet Available	Availability Rate 2Q2013	Average Asking Lease Rate	Net Absorption 2Q2013	Net Absorption 2013	Gross Absorption 2Q2013	Gross Absorption 2013
Airport Area													
General Retail	963	5,940,705	18,085	18,500	163,278	2.75%	288,074	4.85%	\$2.16	3,939	59,661	95,873	138,397
Mall Market	31	4,336,639	30,600	0	45,876	1.06%	64,910	1.50%	\$3.50	18,451	20,637	20,632	29,240
Power Center	19	561,218	0	0	35,363	6.30%	32,107	5.72%	\$0.00	3,500	(10,190)	4,200	19,903
Shopping Center	487	10,512,646	0	46,527	571,439	5.44%	622,454	5.92%	\$2.06	(37,348)	87,697	67,314	300,907
Specialty Center	1	190,642	0	0	33,262	17.45%	33,262	17.45%	\$0.00	632	632	632	632
Airport Area Total	1,501	21,541,850	48,685	65,027	849,218	3.94%	1,040,807	4.83%	\$2.09	(10,826)	158,437	188,651	489,079
Central County													
General Retail	1,619	10,141,346	121,578	268,924	433,724	4.28%	608,206	6.00%	\$1.51	55,882	74,465	121,490	200,811
Mall Market	32	3,334,674	0	0	52,085	1.56%	120,847	3.62%	\$0.00	(11)	(14,870)	14,615	17,916
Power Center	38	1,789,543	0	0	97,248	5.43%	210,149	11.74%	\$2.10	(1,271)	(1,271)	0	1,200
Shopping Center	715	14,245,986	0	30,000	1,006,928	7.07%	1,294,659	9.09%	\$1.59	25,827	6,037	164,694	338,939
Specialty Center	10	1,019,275	0	0	4,642	0.46%	4,642	0.46%	\$0.00	0	0	0	0
Central County Total	2,414	30,530,824	121,578	298,924	1,594,627	5.22%	2,238,503	7.33%	\$1.59	80,427	64,361	300,799	558,866
North County													
General Retail	1,499	10,662,162	46,383	16,900	459,607	4.31%	632,341	5.93%	\$1.43	94,894	36,445	136,913	180,106
Mall Market	80	5,799,713	0	682,671	621,273	10.71%	696,507	12.01%	\$1.25	(14,211)	(18,974)	32,700	33,587
Power Center	68	2,722,107	0	5,000	135,924	4.99%	190,656	7.00%	\$1.81	(21,772)	(67,345)	10,300	16,088
Shopping Center	750	14,776,128	463,708	19,000	1,291,796	8.74%	1,510,187	10.22%	\$1.63	(34,315)	(98,679)	176,586	278,119
Specialty Center	1	68,462	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North County Total	2,398	34,028,572	510,091	723,571	2,508,600	7.37%	3,029,691	8.90%	\$1.57	24,596	(148,553)	356,499	507,900
South County													
General Retail	793	6,348,813	150,000	16,900	250,125	3.94%	248,681	3.92%	\$1.62	33,937	45,852	136,913	170,140
Mall Market	24	3,107,512	0	682,671	35,278	1.14%	75,578	2.43%	\$3.75	27,000	25,000	28,900	28,900
Power Center	87	3,514,969	0	5,000	214,663	6.11%	271,227	7.72%	\$3.34	390	(10,611)	6,050	10,771
Shopping Center	692	15,359,936	37,620	19,000	892,679	5.81%	1,109,089	7.22%	\$2.42	12,582	24,349	190,100	325,944
Specialty Center	2	283,613	0	0	46,611	16.43%	62,332	21.98%	\$3.13	504	889	504	889
South County Total	1,598	28,614,843	187,620	723,571	1,439,356	5.03%	1,766,907	6.17%	\$2.32	74,413	85,479	362,467	536,644
West County													
General Retail	988	6,925,549	33,788	79,537	181,546	2.62%	308,911	4.46%	\$1.83	(2,653)	15,219	27,415	75,333
Mall Market	16	2,255,605	0	12,000	135,969	6.03%	138,169	6.13%	\$2.92	(2,196)	(2,196)	0	0
Power Center	20	1,113,521	0	0	133,944	12.03%	133,944	12.03%	\$2.50	4,095	4,095	4,095	4,095
Shopping Center	549	11,304,897	0	69,633	715,621	6.33%	751,718	6.65%	\$2.10	68,518	111,958	138,644	251,705
Specialty Center	3	282,981	0	0	2,745	0.97%	6,979	2.47%	\$0.00	(1,845)	(1,845)	0	0
West County Total	1,576	21,882,553	33,788	161,170	1,169,825	5.35%	1,339,721	6.12%	\$1.89	65,919	127,231	170,154	331,133
Orange County Total	9,487	136,598,642	901,762	1,972,263	7,561,626	5.54%	9,415,629	6.89%	\$1.82	234,529	286,955	1,378,570	2,423,622
General Retail	5,862	40,018,575	369,834	400,761	1,488,280	3.72%	2,086,213	5.21%	\$1.60	185,999	231,642	518,604	764,787
Mall Market	183	18,834,143	30,600	1,377,342	890,481	4.73%	1,096,011	5.82%	\$1.87	29,033	9,597	96,847	109,643
Power Center	232	9,701,358	0	10,000	617,142	6.36%	838,083	8.64%	\$2.07	(15,058)	(85,322)	24,645	52,057
Shopping Center	3,193	66,199,593	501,328	184,160	4,478,463	6.77%	5,288,107	7.99%	\$1.87	35,264	131,362	737,338	1,495,614
Specialty Center	17	1,844,973	0	0	87,260	4.73%	107,215	5.81%	\$3.13	(709)	(324)	1,136	1,521
Orange County Total	9,487	136,598,642	901,762	1,972,263	7,561,626	5.54%	9,415,629	6.89%	\$1.82	234,529	286,955	1,378,570	2,423,622

Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
24000 Alicia Pkwy.	South County	78,970	\$362.67	Gateway Garp, LLC	A&J Gateway, LLC
912-990 Euclid St.	Central County	42,033	\$155.69	Ball & Euclid Shopping Center, LLC	Satellite Investors, Inc.
3450 Via Oporto	Airport Area	20,500	\$307.32	DJM Capital Partners	Houton Thelma B Trust
17296-17330 Beach Blvd.	West County	14,714	\$231.07	Jaric Properties, LLC	Steiner Family Trust
300 E. La Habra Blvd.	North County	9,950	\$70.35	Alfonso & Teresa Gomez	Donnell Mc Family Trust

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
7711 Beach Blvd.	North County	40,000	Apr-13	Premier Exhibitions, Inc.	City of Buena Park Redevelopment Agency
19051-19101 Goldenwest St.	West County	20,635	Apr-13	The Oasis Club	Laguna Crown, LLC
27755-27875 Santa Margarita Pkwy.	South County	12,245	Jun-13	Petco	DAP, LLC
8086-8092 E. Santa Ana Canyon Rd.	North County	11,033	May-13	St. Joseph Heritage Healthcare	OTR-MMC, LLC
3700-3750 W. McFadden Ave.	Central County	9,227	Jun-13	Zizibeh	Rio Vista West, LLC



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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