



## Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

UP

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Prepared by:

**Jerry J. Holdner, Jr.** — Lic.#01145748  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

**Tony Tran**  
Market Research Analyst  
e-mail: [ttran@voitco.com](mailto:ttran@voitco.com)

VOIT Real Estate Services — Lic.#01333376

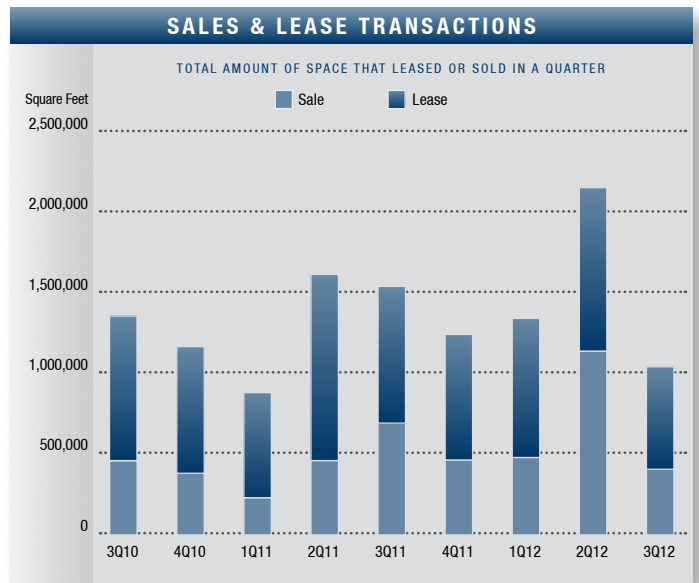
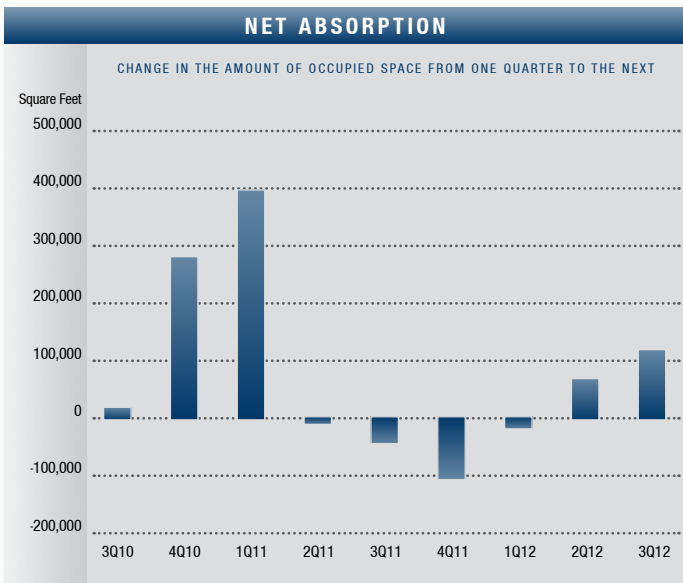
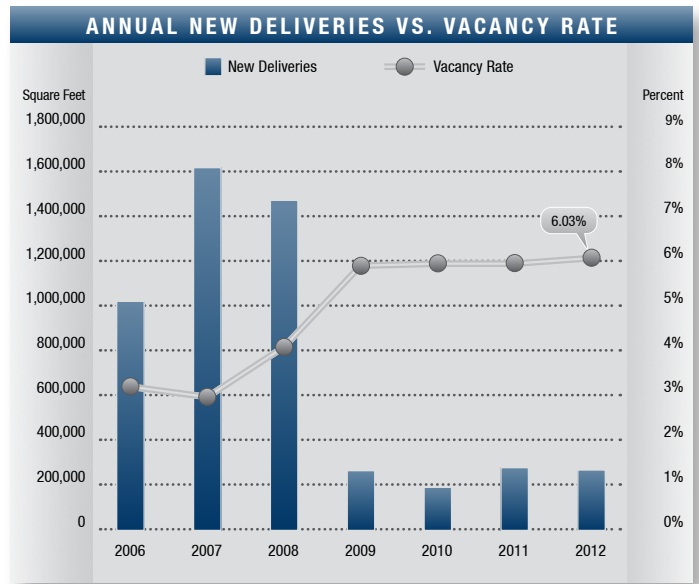
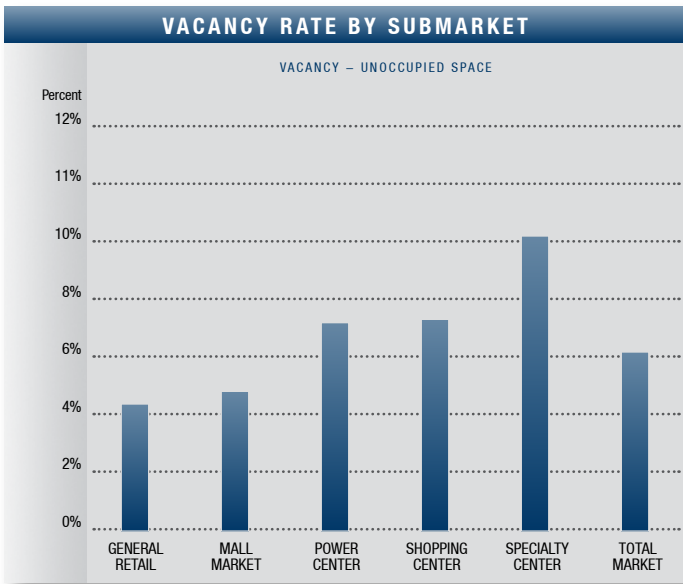
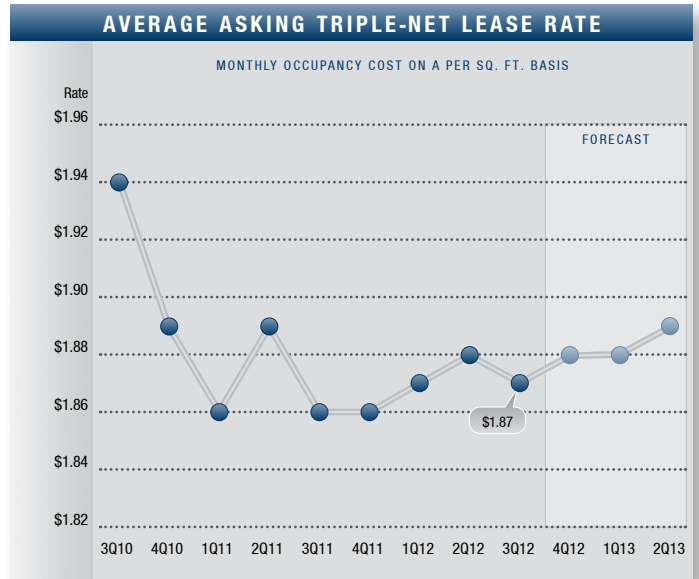
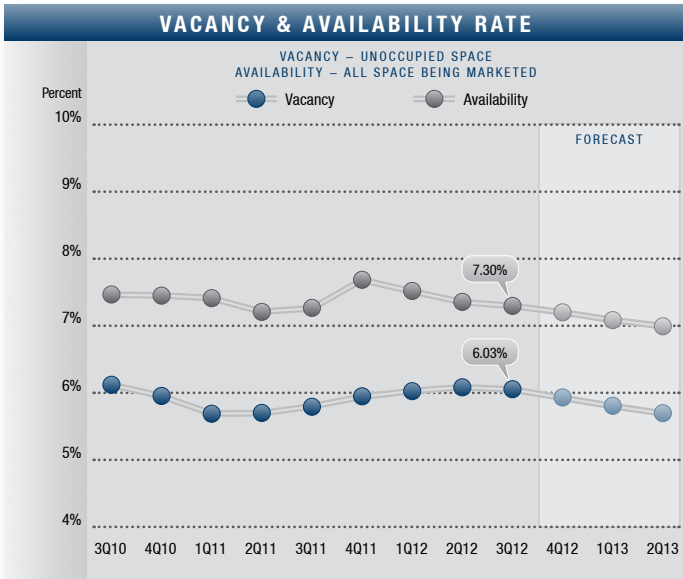


### Market Highlights

- Encouraging Numbers** - The Orange County retail market displayed positive indicators in the third quarter of 2012. Both vacant and available space decreased from the previous quarter. The market posted over 100,000 square feet of positive net absorption, while square feet transacted increased and average asking triple-net lease rates seemed to have stabilized. While the market appears to be moving in an overall positive direction, stability and growth will need to be sustained in coming quarters to be considered recovery.
- Absorption** - The Orange County retail market posted 118,138 square feet of positive net absorption in the third quarter of 2012, giving the retail market a total of 163,571 square feet of positive absorption for the year.
- Transaction Activity** - Leasing activity checked in at just below 400,000 square feet in the third quarter, a decrease from both the previous quarter's figure of 1.1 million square feet and 2011's third quarter total of 685,000 square feet. Sales activity also decreased, with the market transacting over 625,000 square feet of sales in the third quarter of 2012 compared to 1,000,000 square feet in the second quarter of 2012 and 827,000 square feet in the third quarter of 2011. Overall, transaction activity decreased over 32% compared to the previous year. Details of the largest transactions can be found on the back page of this report.
- Construction** - There was only 650,000 square feet of retail space under construction in Orange County in the third quarter of 2012, 500,000 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 for quality retail space catches up to supply.
- Employment** - The unemployment rate in Orange County was 7.7% in August 2012 — down from a revised 7.9% in July 2012 and below the previous year's estimate of 9.0%. This compares with an unadjusted unemployment rate of 10.4% for California and 8.2% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 29,000 payroll jobs from August 2011 to August 2012. The largest gains were 10,600 in professional & business services and 9,100 in leisure & hospitality; however, Orange County lost 1,900 government jobs during that same period.
- Vacancy** - Direct / sublease space (unoccupied) finished the third quarter of 2012 at 6.03%, a decrease from the previous quarter and only 4.51% higher than the same quarter of 2011. General retail space had the lowest vacancy rate at only 4.37%, while specialty centers had the highest at 10.17%.
- Availability** - Direct / sublease space being marketed was 7.30% at the end of the third quarter of 2012, a decrease from the previous quarter's rate of 7.34% and just four basis points higher than the previous year's rate. Malls displayed the lowest availability rate of all of the retail types, at 5.48%, while the Airport Area displayed the lowest rate of all of the submarkets at 5.38%.
- Overall** - While we are beginning to see a decrease in the amount of available space being added per quarter, we are also seeing a decrease 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.
- 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 third quarter, one cent lower than the previous quarter's average asking rate. We are forecasting that lease rates will begin rise, ending the year at \$1.88.

### RETAIL MARKET OVERVIEW

	3Q12	2Q12	3Q11	% of Change vs. 3Q11
Total Vacancy Rate	6.03%	6.08%	5.77%	4.51%
Availability Rate	7.30%	7.34%	7.26%	0.55%
Average Asking Lease Rate	\$1.87	\$1.88	\$1.86	0.54%
Sale & Lease Transactions	1,026,811	2,139,692	1,511,703	(32.08%)
Gross Absorption	1,283,783	1,228,874	1,040,165	23.42%
Net Absorption	118,138	63,563	(45,218)	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 3Q2012	Square Feet Available	Availability Rate 3Q2012	Average Asking Lease Rate	Net Absorption 3Q2012	Net Absorption 2012	Gross Absorption 3Q2012	Gross Absorption 2012
<b>Airport Area</b>													
General Retail	1,245	9,716,156	47,297	640,927	292,659	3.01%	446,237	4.59%	\$2.24	26,309	43,118	82,391	251,796
Mall Market	59	5,511,899	0	0	84,454	1.53%	105,246	1.91%	\$3.50	10,010	16,638	10,010	53,246
Power Center	59	2,474,192	0	0	147,497	5.96%	156,843	6.34%	\$3.50	1,271	(30,093)	5,454	33,317
Shopping Center	705	15,573,469	4,501	46,527	925,445	5.94%	1,009,948	6.49%	\$1.94	(10,904)	(44,865)	118,548	364,022
Specialty Center	1	190,642	0	0	82,793	43.43%	82,793	43.43%	\$0.00	(27,728)	(30,077)	0	0
<b>Airport Area Total</b>	<b>2,069</b>	<b>33,466,358</b>	<b>51,798</b>	<b>687,454</b>	<b>1,532,848</b>	<b>4.58%</b>	<b>1,801,067</b>	<b>5.38%</b>	<b>\$2.02</b>	<b>(1,042)</b>	<b>(45,279)</b>	<b>216,403</b>	<b>702,381</b>
<b>Central County</b>													
General Retail	1,978	12,365,890	6,443	284,311	634,461	5.13%	892,033	7.21%	\$1.46	15,985	(24,708)	123,691	283,604
Mall Market	8	2,632,038	0	0	269,471	10.24%	334,471	12.71%	\$0.00	0	6,818	0	8,343
Power Center	21	1,034,672	0	0	27,925	2.70%	57,259	5.53%	\$0.00	0	(19,983)	0	1,642
Shopping Center	803	16,011,419	0	372,393	1,257,054	7.85%	1,550,803	9.69%	\$1.67	47,480	22,224	204,360	562,992
Specialty Center	10	1,021,458	0	10,000	10,054	0.98%	40,533	3.97%	\$1.00	0	85,061	6,892	96,304
<b>Central County Total</b>	<b>2,820</b>	<b>33,065,477</b>	<b>6,443</b>	<b>666,704</b>	<b>2,198,965</b>	<b>6.65%</b>	<b>2,875,099</b>	<b>8.70%</b>	<b>\$1.58</b>	<b>63,465</b>	<b>69,412</b>	<b>334,943</b>	<b>952,885</b>
<b>North County</b>													
General Retail	1,000	7,604,412	50,174	446,820	461,041	6.06%	560,261	7.37%	\$1.67	24,963	133,551	87,792	303,804
Mall Market	81	5,742,372	0	0	366,319	6.38%	383,962	6.69%	\$2.73	23,632	(1,358)	24,892	38,685
Power Center	50	2,032,610	0	54,400	49,616	2.44%	108,422	5.33%	\$2.15	(4,612)	(9,309)	5,692	20,495
Shopping Center	483	10,602,514	460,208	119,350	894,395	8.44%	1,061,686	10.01%	\$1.72	13,841	(7,276)	124,754	280,711
Specialty Center	1	68,462	0	0	47,500	69.38%	68,281	99.74%	\$0.00	(1,900)	(1,900)	0	0
<b>North County Total</b>	<b>1,615</b>	<b>26,050,370</b>	<b>510,382</b>	<b>620,570</b>	<b>1,818,871</b>	<b>6.98%</b>	<b>2,182,612</b>	<b>8.38%</b>	<b>\$1.74</b>	<b>55,924</b>	<b>113,708</b>	<b>243,130</b>	<b>643,695</b>
<b>South County</b>													
General Retail	772	6,893,222	8,196	27,144	336,649	4.88%	390,724	5.67%	\$1.79	75,296	93,376	107,533	218,211
Mall Market	21	3,255,400	0	697,671	60,278	1.85%	103,078	3.17%	\$2.50	(1,400)	(32,667)	0	13,122
Power Center	74	3,264,265	0	0	324,691	9.95%	244,922	7.50%	\$3.00	(5,255)	70,345	11,167	109,134
Shopping Center	639	14,526,787	0	4,000	891,510	6.14%	1,163,412	8.01%	\$2.31	(14,737)	53,330	123,750	418,532
Specialty Center	2	283,613	0	0	47,500	16.75%	68,281	24.08%	\$0.00	(1,900)	(1,900)	0	0
<b>South County Total</b>	<b>1,508</b>	<b>28,223,287</b>	<b>8,196</b>	<b>728,815</b>	<b>1,660,628</b>	<b>5.88%</b>	<b>1,970,417</b>	<b>6.98%</b>	<b>\$2.21</b>	<b>52,004</b>	<b>182,484</b>	<b>242,450</b>	<b>758,999</b>
<b>West County</b>													
General Retail	850	6,758,599	27,476	56,737	169,475	2.51%	268,957	3.98%	\$1.85	(22,620)	(23,977)	17,758	53,102
Mall Market	17	2,261,011	0	12,000	140,069	6.19%	137,269	6.07%	\$2.92	(69,908)	67,813	6,242	165,761
Power Center	20	934,002	0	0	143,762	15.39%	143,762	15.39%	\$0.00	10,276	10,019	129,506	433,560
Shopping Center	426	8,421,452	47,000	25,740	745,585	8.85%	791,780	9.40%	\$1.89	30,039	(228,554)	93,351	197,009
Specialty Center	3	282,981	0	217,456	0	0.00%	4,234	1.50%	\$0.00	0	14,345	0	14,345
<b>West County Total</b>	<b>1,316</b>	<b>18,658,045</b>	<b>74,476</b>	<b>311,933</b>	<b>1,198,891</b>	<b>6.43%</b>	<b>1,346,002</b>	<b>7.21%</b>	<b>\$1.93</b>	<b>(52,213)</b>	<b>(160,354)</b>	<b>246,857</b>	<b>863,777</b>
<b>Orange County Total</b>	<b>9,328</b>	<b>139,463,537</b>	<b>651,295</b>	<b>3,015,476</b>	<b>8,410,203</b>	<b>6.03%</b>	<b>10,175,197</b>	<b>7.30%</b>	<b>\$1.87</b>	<b>118,138</b>	<b>159,971</b>	<b>1,283,783</b>	<b>3,921,737</b>
General Retail	5,845	43,338,279	139,586	1,455,939	1,894,285	4.37%	2,558,212	5.90%	\$1.74	119,933	221,360	419,165	1,110,517
Mall Market	186	19,402,720	0	709,671	920,591	4.74%	1,064,026	5.48%	\$2.96	(37,666)	57,244	41,144	279,157
Power Center	224	9,739,741	0	54,400	693,491	7.12%	711,208	7.30%	\$2.33	1,680	20,979	151,819	598,148
Shopping Center	3,056	65,135,641	511,709	568,010	4,713,989	7.24%	5,577,629	8.56%	\$1.89	65,719	(205,141)	664,763	1,823,266
Specialty Center	17	1,847,156	0	227,456	187,847	10.17%	264,122	14.30%	\$1.00	(31,528)	65,529	6,892	110,649
<b>Orange County Total</b>	<b>9,328</b>	<b>139,463,537</b>	<b>651,295</b>	<b>3,015,476</b>	<b>8,410,203</b>	<b>6.03%</b>	<b>10,175,197</b>	<b>7.30%</b>	<b>\$1.87</b>	<b>118,138</b>	<b>159,971</b>	<b>1,283,783</b>	<b>3,921,737</b>

Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
1000 E. Imperial Hwy.	North County	103,000	\$160.19	West S9, LLC	Lake Union Investors, LP
4848 Valley View Ave.	North County	74,000	\$94.00	Midtown Niki Group	The Foundation Group
1301 S. State College Blvd	North County	51,497	\$169.00	Thrifty Oil Company	CLW Real Estate Services Group
3100 W. Balboa Blvd. – 3 Properties	Airport Area	41,506	\$840.84	HOM Real Estate Group	Catellus Development
18000-18552 Beach Blvd. – 3 Properties	West County	31,903	\$321.29	Elan Huntington Beach, LLC	Main Beach, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
16555 Von Karman Ave.	Airport Area	118,269	Jul-12	Wal-Mart	Harsch Investment Properties
110-188 E. Yorba Linda Blvd.	North County	12,200	Jul -12	Fresh & Easy	Inland Western Retail Real Estate Trust
8200 E. Santa Ana Canyon Rd.	Central County	8,710	Aug-12	El Cholo Mexican Restaurant	Giuseppe Pasquale 2001 Trust
15251 Beach Blvd.	West County	8,102	Aug-12	Sketcher's	Sound Investments
621-697 N. Euclid St.	North County	7,600	Sep-12	Daiso	Diamond Development



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

Please Contact Us for Further Information

Anaheim, CA  
714.978.7880

Commerce, CA  
323.201.4494

Inland Empire, CA  
909.545.8000

Irvine, CA  
949.851.5100

Las Vegas, NV  
702.734.4500

Newport Beach, CA  
949.644.8648

Phoenix, AZ  
602.952.8648

Reno, NV  
775.309.0782

Sacramento, CA  
916.772.8648

San Diego, CA  
858.453.0505



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101 Shipyard Way  
Newport Beach, CA 92663

949.644.8648  
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