



Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

FLAT

Transactions

UP

Deliveries

UP

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Prepared by:

Jerry J. Holdner, Jr. — Lic.#01145748
Vice President of Market Research
e-mail: jholdner@voitco.com

Tony Tran
Market Research Analyst
e-mail: ttran@voitco.com

VOIT Real Estate Services — Lic.#01333376

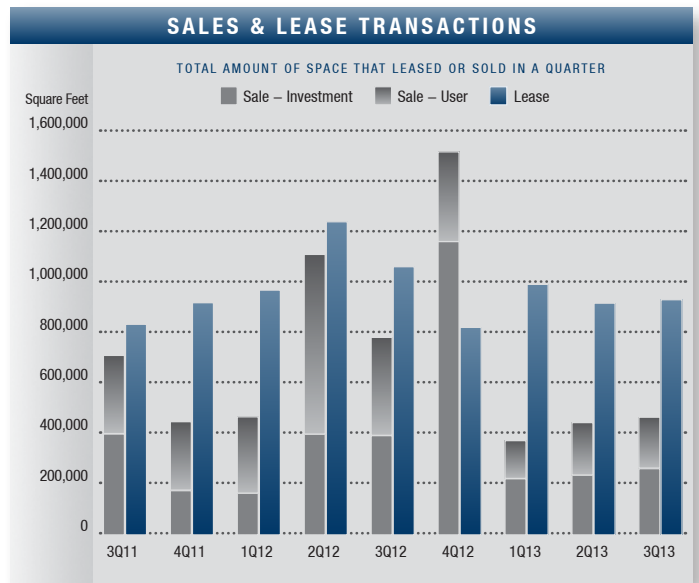
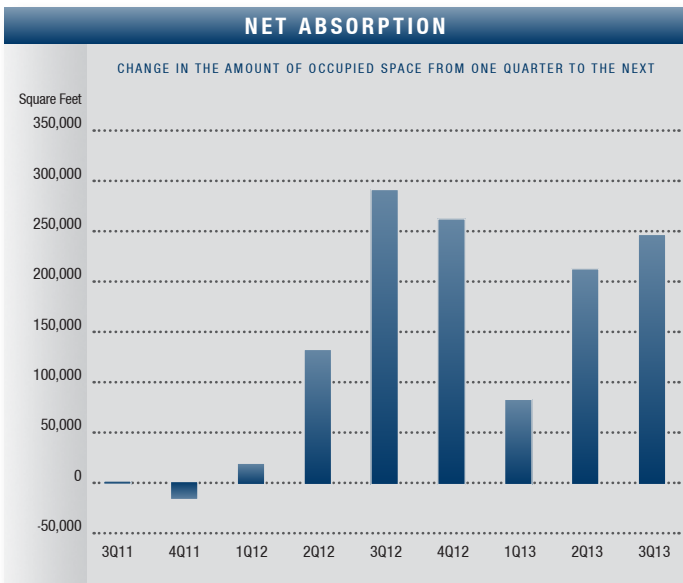
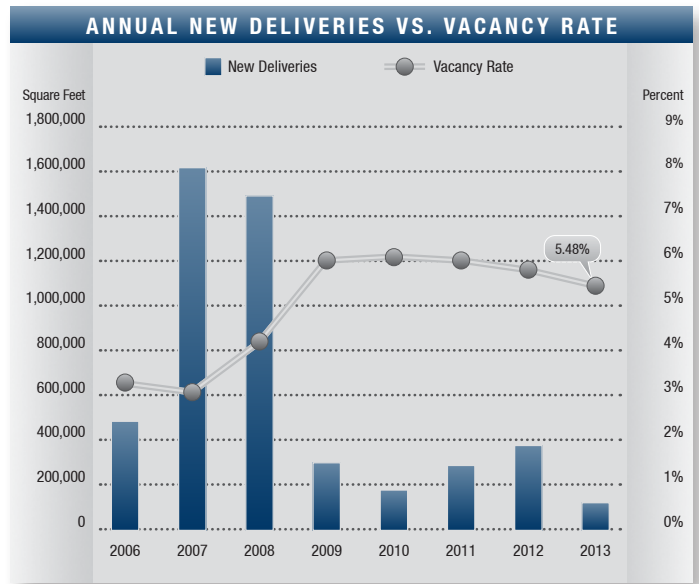
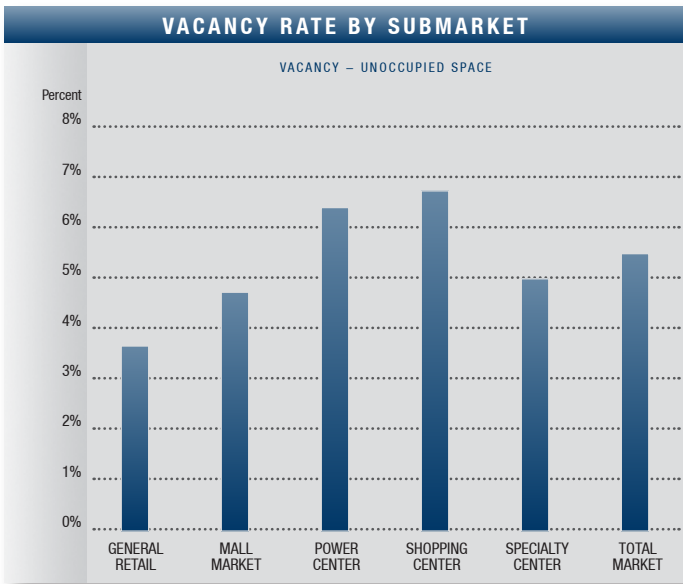
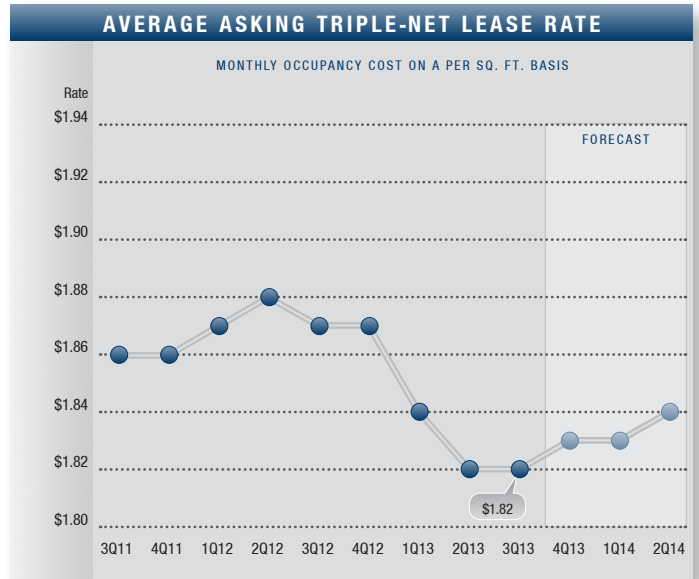
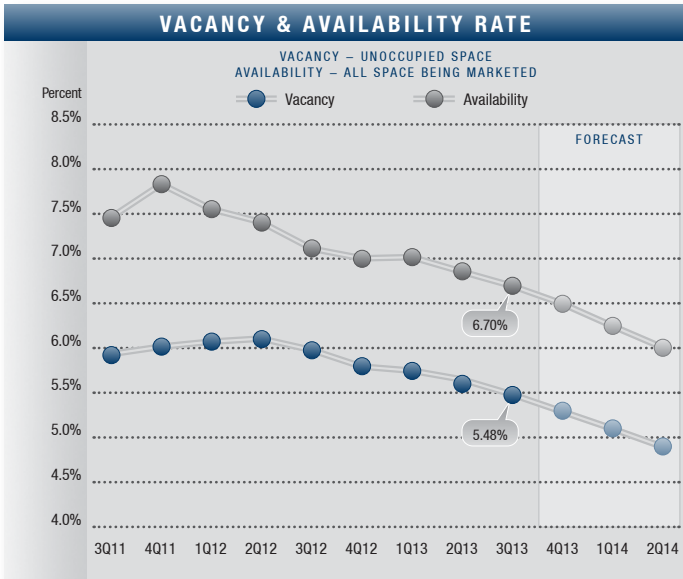
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Market Highlights

- Encouraging Numbers** - The Orange County retail market displayed positive indicators in the third quarter of 2013. Both availability and vacancy continued their downward trends. The market posted almost 250,000 square feet of positive net absorption for the third quarter, while average asking lease rates appeared to have reached bottom. 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 almost 250,000 square feet of positive net absorption in the third quarter of 2013 — giving the retail market a total of over 1.2 million square feet of positive absorption over the last seven quarters.
- Transaction Activity** - Leasing activity checked in at over 924,000 square feet for the third quarter of 2013, up from the previous quarter but down from the previous year. Sales activity for the third quarter of 2013 came in at 455,000 square feet, up from the previous quarter but a decrease compared to 2012's third quarter. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in Orange County was 6.2% in August 2013 — down from a revised 6.5% in July 2013 and below the previous year's estimate of 7.8%. This compares with an unadjusted unemployment rate of 8.8% 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 32,500 payroll jobs from August 2012 to August 2013. Every sector showed gains in employment; the largest gains were 7,000 in financial activities, 6,900 in construction, and 6,500 in leisure & hospitality during that same period.
- Overall** - We are seeing a continued downward trend in both vacancy and availability rates, which should translate to further stability and gradual increases in asking lease rates in the coming quarters. The market has posted seven consecutive quarters of positive net absorption. Transaction activity has been pretty even over the last three 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 300,000 square feet of retail space under construction in Orange County at the end of the third quarter of 2013, about half of which was in the South 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 third quarter of 2013 at 5.48%, a decrease from the previous quarter and 8.21% lower than the same quarter of 2012. General retail space had the lowest vacancy rate at only 3.62%, while shopping centers had the highest at 6.71%.
- Availability** - Direct/sublease space being marketed was 6.70% at the end of the third quarter, down from the previous quarter's rate of 6.87% and 5.90% lower than the previous year's rate of 7.12%. Mall space displayed the lowest availability rate of all of the retail types, at 5.14%, while the Airport Area displayed the lowest rate of all of the submarkets at 4.64%.
- 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 third quarter, the same as 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

	3Q13	2Q13	3Q12	% of Change vs. 3Q12
Total Vacancy Rate	5.48%	5.60%	5.97%	(8.21%)
Availability Rate	6.70%	6.87%	7.12%	(5.90%)
Average Asking Lease Rate	\$1.82	\$1.82	\$1.87	(2.67%)
Sale & Lease Transactions	1,379,437	1,349,080	1,833,383	(24.76%)
Gross Absorption	1,185,509	1,250,751	1,407,252	(15.76%)
Net Absorption	246,463	212,363	290,780	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 3Q2013	Square Feet Available	Availability Rate 3Q2013	Average Asking Lease Rate	Net Absorption 3Q2013	Net Absorption 2013	Gross Absorption 3Q2013	Gross Absorption 2013
Airport Area													
General Retail	970	5,980,169	18,085	22,500	146,029	2.44%	240,955	4.03%	\$2.03	21,009	79,450	47,971	192,208
Mall Market	32	4,352,499	14,600	0	59,654	1.37%	75,618	1.74%	\$3.50	2,222	22,859	6,983	36,223
Power Center	19	561,218	0	46,527	31,414	5.60%	29,641	5.28%	\$0.00	3,949	(6,241)	14,413	34,316
Shopping Center	489	10,525,061	0	0	584,383	5.55%	622,643	5.92%	\$2.10	(15,741)	74,753	59,064	361,791
Specialty Center	1	190,642	0	0	33,262	17.45%	33,262	17.45%	\$0.00	0	632	0	632
Airport Area Total	1,511	21,609,589	32,685	69,027	854,742	3.96%	1,002,119	4.64%	\$2.10	11,439	171,453	128,431	625,170
Central County													
General Retail	1,636	10,205,992	102,614	274,874	450,655	4.42%	658,409	6.45%	\$1.52	(4,972)	82,214	106,740	320,372
Mall Market	32	3,334,674	0	0	41,935	1.26%	101,590	3.05%	\$0.00	10,150	(4,720)	21,908	39,824
Power Center	38	1,789,543	0	0	97,248	5.43%	208,389	11.64%	\$2.10	0	(1,271)	0	1,200
Shopping Center	722	14,357,078	0	37,200	1,075,401	7.49%	1,295,689	9.02%	\$1.57	12,635	17,276	147,029	488,358
Specialty Center	12	964,153	0	0	5,197	0.54%	5,197	0.54%	\$0.00	(555)	(555)	866	866
Central County Total	2,440	30,651,440	102,614	312,074	1,670,436	5.45%	2,269,274	7.40%	\$1.58	17,258	92,944	276,543	850,620
North County													
General Retail	1,526	10,823,988	0	373,071	405,695	3.75%	651,497	6.02%	\$1.51	88,692	125,462	131,029	311,455
Mall Market	85	5,877,458	0	460,208	611,387	10.40%	573,230	9.75%	\$1.25	11,686	(9,088)	21,808	55,395
Power Center	69	2,767,983	0	59,600	142,609	5.15%	189,631	6.85%	\$1.84	(6,685)	(70,730)	1,245	22,833
Shopping Center	756	14,838,864	0	419,350	1,304,255	8.79%	1,471,214	9.91%	\$1.61	(1,530)	(105,867)	177,350	469,558
Specialty Center	1	68,462	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North County Total	2,437	34,376,755	0	1,312,229	2,463,946	7.17%	2,885,572	8.39%	\$1.58	92,163	(60,223)	331,432	859,241
South County													
General Retail	811	6,446,373	150,000	12,900	246,412	3.82%	267,213	4.15%	\$1.82	26,243	58,410	72,875	175,606
Mall Market	23	2,935,512	0	15,000	32,778	1.12%	75,578	2.57%	\$3.75	2,500	27,500	2,500	31,400
Power Center	87	3,518,282	0	5,000	213,096	6.06%	189,739	5.39%	\$3.36	1,567	(9,044)	5,638	16,409
Shopping Center	693	15,389,117	0	41,620	834,059	5.42%	1,064,478	6.92%	\$2.30	64,778	93,891	201,503	528,047
Specialty Center	2	283,613	0	682,671	46,611	16.43%	62,332	21.98%	\$3.15	0	889	0	889
South County Total	1,616	28,572,897	150,000	757,191	1,372,956	4.81%	1,659,340	5.81%	\$2.26	95,088	171,646	282,516	752,351
West County													
General Retail	988	6,866,185	16,000	79,537	210,918	3.07%	300,250	4.37%	\$1.84	(23,361)	(2,867)	40,667	121,775
Mall Market	17	2,261,011	0	12,000	135,977	6.01%	138,177	6.11%	\$2.92	(8)	(2,204)	900	900
Power Center	20	1,113,521	0	69,633	135,832	12.20%	135,832	12.20%	\$1.89	(1,886)	2,207	0	4,095
Shopping Center	550	11,291,891	0	0	654,751	5.80%	774,313	6.86%	\$2.10	56,670	172,828	125,020	380,925
Specialty Center	3	282,981	0	0	3,645	1.29%	9,774	3.45%	\$0.00	(900)	(2,745)	0	0
West County Total	1,578	21,815,589	16,000	161,170	1,141,123	5.23%	1,358,346	6.23%	\$2.08	30,515	167,219	166,587	507,695
Orange County Total	9,582	137,026,270	301,299	2,611,691	7,503,203	5.48%	9,174,651	6.70%	\$1.82	246,463	543,039	1,185,509	3,595,077
General Retail	5,931	40,322,707	286,699	762,882	1,459,709	3.62%	2,118,324	5.25%	\$1.63	107,611	342,669	399,282	1,121,416
Mall Market	189	18,761,154	14,600	487,208	881,731	4.70%	964,193	5.14%	\$1.86	26,550	34,347	54,099	163,742
Power Center	233	9,750,547	0	180,760	620,199	6.36%	753,232	7.73%	\$2.11	(3,055)	(85,079)	21,296	78,853
Shopping Center	3,210	66,402,011	0	498,170	4,452,849	6.71%	5,228,337	7.87%	\$1.85	116,812	252,881	709,966	2,228,679
Specialty Center	19	1,789,851	0	682,671	88,715	4.96%	110,565	6.18%	\$3.15	(1,455)	(1,779)	866	2,387
Orange County Total	9,582	137,026,270	301,299	2,611,691	7,503,203	5.48%	9,174,651	6.70%	\$1.82	246,463	543,039	1,185,509	3,595,077

Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
24280-24400 Swartz Dr.	South	49,269	\$140.15	Brixton El Toro Square, LLC	Red Mountain Retail Group, Inc.
1216-1224 S. Magnola Ave.	North	28,685	\$191.74	Dong Phuong, Inc.	Ronald Beard Trust
937 Avenida Pico	South	24,356	\$275.09	Shim Family Foundation	Tecolote Resources, Inc.
2000 Harbor Blvd.	Airport	20,299	\$236.46	OC Harbor Medical Plaza, LLC	2000 Harbor D & J Props, LLC
22731 Aspan St. – 2 Properties	South	14,700	\$193.88	Laila & Rohullah F. Lodin	El Toro Feed and Track

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
26732 Portola Pkwy.	South	77,922	Aug-13	Hobby Lobby	CW Capital Asset Management, LLC
8100 E. Santa Ana Canyon Rd.	North	77,822	Jul-13	Hobby Lobby	CW Capital Asset Management, LLC
2200 Harbor Blvd.	Airport	14,000	Sep-13	Party City	Stovall Family Partnership
120-124 S. Euclid St.	North	8,700	Jul-13	WSS Warehouse Shoe Store	Sands Morris Harold
31862-31878 Del Obispo St.	South	8,020	Aug-13	Dollar Tree	JRD Properties, LP



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
323.558.5400

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

Voit

REAL ESTATE SERVICES

101 Shipyard Way
Newport Beach, CA 92663

949.644.8648
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