



## Retail Market Report

Compared to 2011:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

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](mailto:jholdner@voitco.com)

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

VOIT Real Estate Services — Lic.#01333376

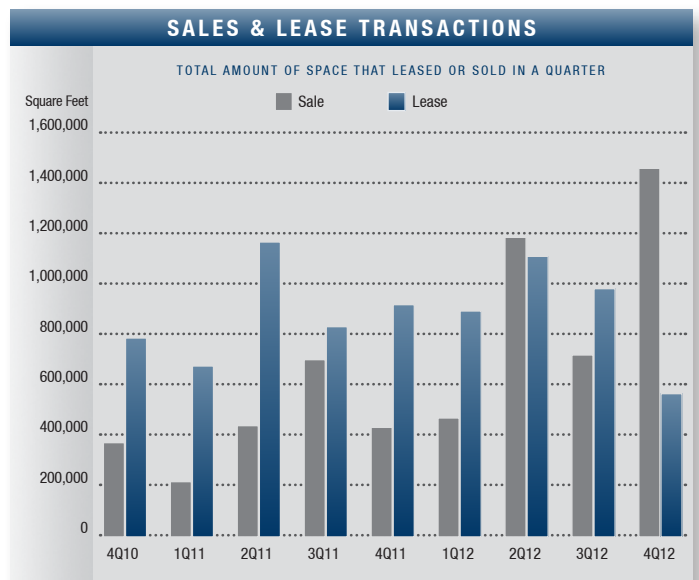
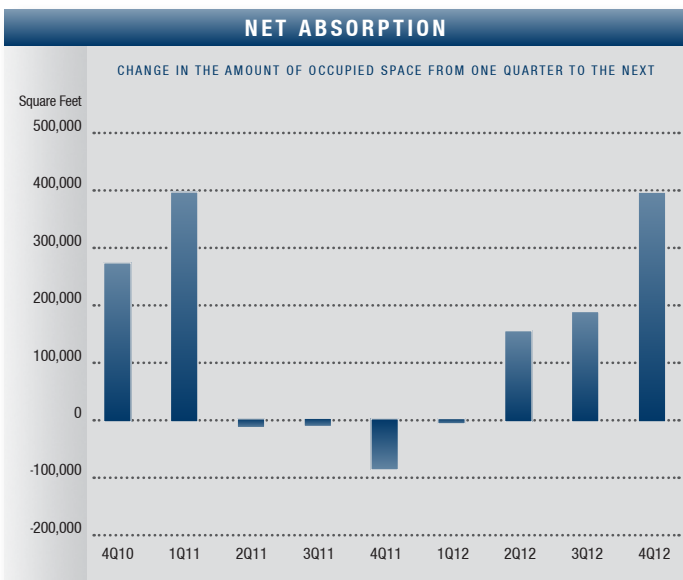
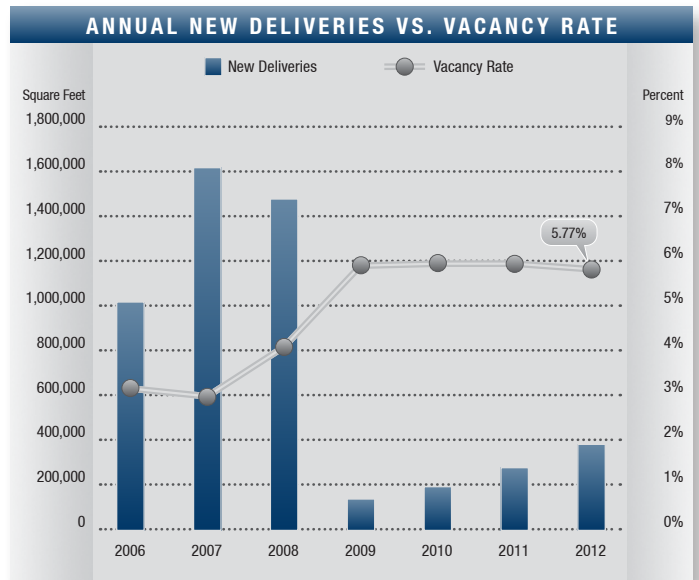
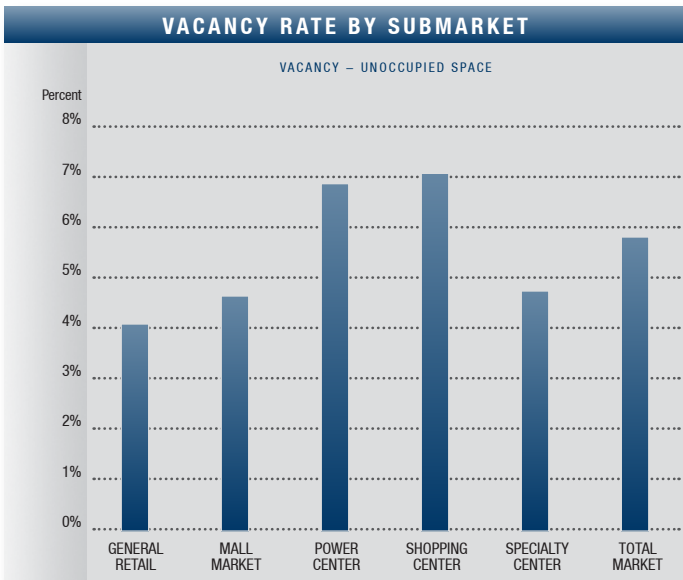
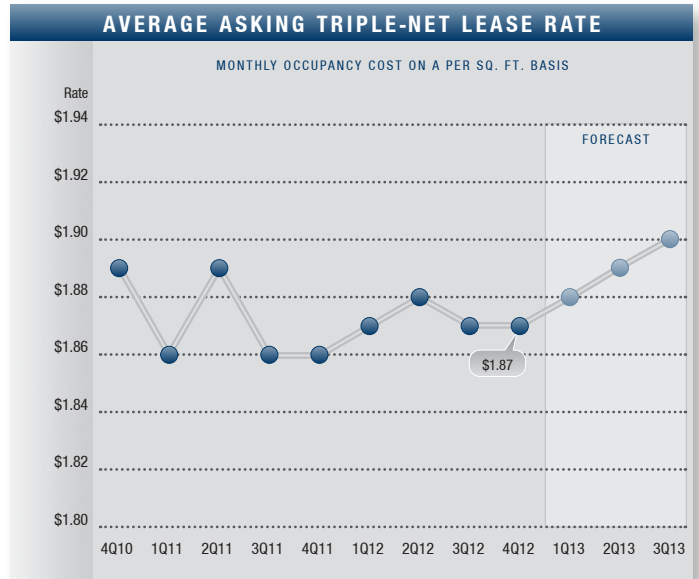
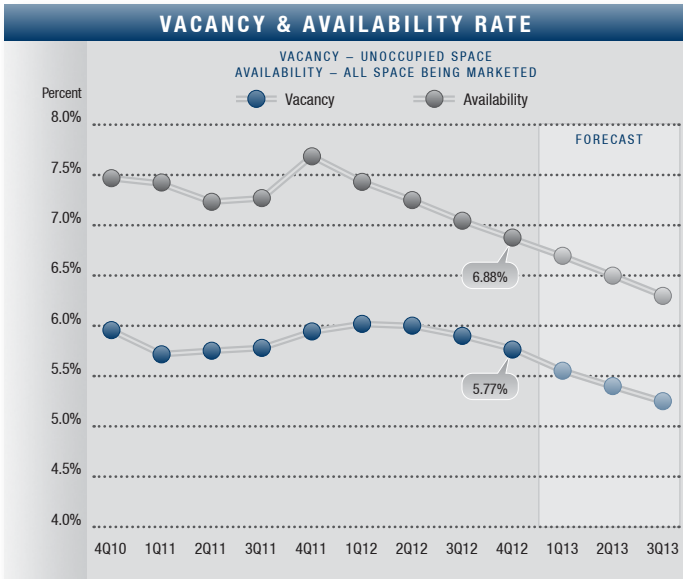


### Market Highlights

- Encouraging Numbers** - The Orange County retail market displayed positive indicators in 2012. Both vacant and available space decreased from the previous quarter and year. The market posted over 730,000 square feet of positive net absorption for the year, the most seen since 2007. Sale and lease activity was up over 37% compared to 2011, and average asking triple-net lease rates seemed to have stabilized 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 730,153 square feet of positive net absorption in 2012, displaying the largest increase in occupied space since 2007, when the market registered 1.9 million square feet of positive absorption.
- Transaction Activity** - Leasing activity checked in at just above 3.53 million square feet for 2012, a slight decrease from last year's figure of 3.57 million square feet. Sales activity increased in 2012, with the market transacting over 3.8 million square feet of sales in 2012 compared to 1.7 million square feet in 2011. Overall, transaction activity increased over 37% 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 7% in November 2012 — down from a revised 7.2% in October 2012 and below the previous year's estimate of 8.1%. This compares with an unadjusted unemployment rate of 9.6% for California and 7.4% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 16,700 payroll jobs from November 2011 to November 2012. The largest gains were 7,100 in leisure & hospitality and 6,100 in professional & business services; however, Orange County lost 8,700 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 only 55,000 square feet of retail space under construction in Orange County at the end of 2012, 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 2012 at 5.77%, a decrease from the previous quarter and nearly 3% lower than the same quarter of 2011. General retail space had the lowest vacancy rate at only 4.06%, while shopping centers had the highest at 7.08%.
- Availability** - Direct/sublease space being marketed was 6.88% at the end of the fourth quarter, a decrease from the previous quarter's rate of 7.04% and 10.5% lower than the previous year's rate. General retail space displayed the lowest availability rate of all of the retail types, at 3.55%, while the Airport Area displayed the lowest rate of all of the submarkets at 4.61%.
- 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 fourth quarter, one cent higher than the previous year's average asking rate. We are forecasting that lease rates will rise in 2013, ending the year at around \$1.91.

### RETAIL MARKET OVERVIEW

	2012	2011	2010	% of Change vs. 2011
Total Vacancy Rate	5.77%	5.94%	5.96%	(2.86%)
Availability Rate	6.88%	7.69%	7.48%	(10.53%)
Average Asking Lease Rate	\$1.87	\$1.86	\$1.89	0.54%
Sale & Lease Transactions	7,334,170	5,333,117	4,985,288	37.52%
Gross Absorption	5,050,010	4,613,000	4,426,335	9.47%
Net Absorption	730,153	287,985	62,250	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 4Q2012	Square Feet Available	Availability Rate 4Q2012	Average Asking Lease Rate	Net Absorption 4Q2012	Net Absorption 2012	Gross Absorption 4Q2012	Gross Absorption 2012
<b>Airport Area</b>													
General Retail	1,015	8,297,366	0	51,612	223,735	2.70%	305,352	3.68%	\$2.41	129,804	167,990	180,850	384,537
Mall Market	33	4,355,139	0	0	66,513	1.53%	76,916	1.77%	\$3.50	(2,274)	2,537	3,000	20,068
Power Center	19	561,218	0	0	33,173	5.91%	35,433	6.31%	\$0.00	6,935	(11,889)	14,681	14,681
Shopping Center	592	12,976,126	0	46,527	794,427	6.12%	763,394	5.88%	\$2.13	35,977	(30,120)	86,286	387,141
Specialty Center	1	190,642	0	0	33,894	17.78%	33,894	17.78%	\$0.00	(632)	18,822	0	49,531
<b>Airport Area Total</b>	<b>1,660</b>	<b>26,380,491</b>	<b>0</b>	<b>98,139</b>	<b>1,151,742</b>	<b>4.37%</b>	<b>1,214,989</b>	<b>4.61%</b>	<b>\$2.20</b>	<b>169,810</b>	<b>147,340</b>	<b>284,817</b>	<b>855,958</b>
<b>Central County</b>													
General Retail	2,170	14,053,175	2,600	300,504	745,053	5.30%	986,464	7.02%	\$1.53	81,702	43,245	171,860	535,961
Mall Market	50	4,363,654	0	0	387,147	8.87%	473,302	10.85%	\$0.00	8,710	27,978	8,710	62,564
Power Center	50	2,520,959	0	0	127,236	5.05%	153,436	6.09%	\$1.94	4,488	(51,886)	7,622	21,789
Shopping Center	976	20,123,715	0	349,750	1,529,185	7.60%	1,875,893	9.32%	\$1.61	10,500	6,276	183,700	868,204
Specialty Center	10	1,021,458	0	10,000	4,642	0.45%	4,642	0.45%	\$0.00	(1,480)	90,473	1,744	98,048
<b>Central County Total</b>	<b>3,256</b>	<b>42,082,961</b>	<b>2,600</b>	<b>660,254</b>	<b>2,793,263</b>	<b>6.64%</b>	<b>3,493,737</b>	<b>8.30%</b>	<b>\$1.60</b>	<b>103,920</b>	<b>116,086</b>	<b>373,636</b>	<b>1,586,566</b>
<b>North County</b>													
General Retail	975	7,164,172	30,421	454,873	219,483	3.06%	329,845	4.60%	\$1.94	71,127	309,454	90,275	496,605
Mall Market	65	5,177,916	0	0	252,367	4.87%	268,477	5.19%	\$2.59	(652)	5,800	3,502	41,287
Power Center	52	1,989,193	0	54,400	38,340	1.93%	93,252	4.69%	\$2.13	0	(9,309)	1,020	21,515
Shopping Center	455	9,083,164	0	558,308	755,841	8.32%	892,139	9.82%	\$1.60	(29,105)	38,701	110,301	430,575
Specialty Center	1	68,462	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>North County Total</b>	<b>1,548</b>	<b>23,482,907</b>	<b>30,421</b>	<b>1,067,581</b>	<b>1,266,031</b>	<b>5.39%</b>	<b>1,583,713</b>	<b>6.74%</b>	<b>\$1.70</b>	<b>41,370</b>	<b>344,646</b>	<b>205,098</b>	<b>989,982</b>
<b>South County</b>													
General Retail	803	6,876,849	0	30,244	397,340	5.78%	445,638	6.48%	\$1.89	(1,634)	31,218	29,776	192,522
Mall Market	21	3,255,400	0	682,671	60,278	1.85%	103,078	3.17%	\$2.50	0	(32,667)	0	13,122
Power Center	90	3,882,585	0	0	340,744	8.78%	261,080	6.72%	\$3.35	5,830	94,280	8,630	138,556
Shopping Center	680	15,175,532	0	49,000	949,803	6.26%	1,218,581	8.03%	\$2.23	(36,930)	10,700	122,623	548,283
Specialty Center	2	283,613	0	0	47,500	16.75%	68,281	24.08%	\$0.00	0	(1,900)	0	0
<b>South County Total</b>	<b>1,596</b>	<b>29,473,979</b>	<b>0</b>	<b>761,915</b>	<b>1,795,665</b>	<b>6.09%</b>	<b>2,096,658</b>	<b>7.11%</b>	<b>\$2.17</b>	<b>(32,734)</b>	<b>101,631</b>	<b>161,029</b>	<b>892,483</b>
<b>West County</b>													
General Retail	884	6,781,354	21,589	52,737	168,945	2.49%	240,533	3.55%	\$1.74	(1,301)	6,959	38,754	111,542
Mall Market	17	2,261,011	0	12,000	133,773	5.92%	135,973	6.01%	\$2.92	6,296	74,109	6,296	172,057
Power Center	20	934,002	0	0	138,039	14.78%	138,039	14.78%	\$2.25	5,723	15,742	7,458	28,734
Shopping Center	425	8,338,428	0	69,633	624,046	7.48%	722,773	8.67%	\$1.95	102,120	(89,805)	186,195	398,343
Specialty Center	3	282,981	0	217,456	900	0.32%	5,134	1.81%	\$0.00	(900)	13,445	0	14,345
<b>West County Total</b>	<b>1,349</b>	<b>18,597,776</b>	<b>21,589</b>	<b>351,826</b>	<b>1,065,703</b>	<b>5.73%</b>	<b>1,242,452</b>	<b>6.68%</b>	<b>\$1.96</b>	<b>111,938</b>	<b>20,450</b>	<b>238,703</b>	<b>725,021</b>
<b>Orange County Total</b>	<b>9,409</b>	<b>140,018,114</b>	<b>54,610</b>	<b>2,939,715</b>	<b>8,072,404</b>	<b>5.77%</b>	<b>9,631,549</b>	<b>6.88%</b>	<b>\$1.87</b>	<b>394,304</b>	<b>730,153</b>	<b>1,263,283</b>	<b>5,050,010</b>
General Retail	5,847	43,172,916	54,610	889,970	1,754,556	4.06%	2,307,832	5.35%	\$1.79	279,698	558,866	511,515	1,721,167
Mall Market	186	19,413,120	0	694,671	900,078	4.64%	1,057,746	5.45%	\$2.95	12,080	77,757	21,508	309,098
Power Center	231	9,887,957	0	54,400	677,532	6.85%	681,240	6.89%	\$2.21	22,976	36,938	39,411	225,275
Shopping Center	3,128	65,696,965	0	1,073,218	4,653,302	7.08%	5,472,780	8.33%	\$1.86	82,562	(64,248)	689,105	2,632,546
Specialty Center	17	1,847,156	0	227,456	86,936	4.71%	111,951	6.06%	\$0.00	(3,012)	120,840	1,744	161,924
<b>Orange County Total</b>	<b>9,409</b>	<b>140,018,114</b>	<b>54,610</b>	<b>2,939,715</b>	<b>8,072,404</b>	<b>5.77%</b>	<b>9,631,549</b>	<b>6.88%</b>	<b>\$1.87</b>	<b>394,304</b>	<b>730,153</b>	<b>1,263,283</b>	<b>5,050,010</b>

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. – 14 Properties	South County	280,943	\$434.25	Orchard Lake Forest CA, LP	Walf, LLC
1815 E. Wilshire Ave. – 11 Properties	Central County	184,737	\$132.62	Olen Properties Corporation	Muller-McFadden, LLC
23021-23081 Savi Ranch Pkwy. – 4 Properties	North County	156,773	\$220.06	Savi-Ranch 1690, Inc.	Johnson Tractor Company
1000 E. Imperial Hwy.	North County	103,000	\$160.19	West S9, LLC	Lake Union Investor, LP
7677 Center Ave. – 2 Properties	West County	96,953	\$90.25	7677 Center Avenue, LLC	Positive Investments, Inc.

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
71-81 Technology Dr. W.	South County	136,692	Jul-12	Wal-Mart	The Irvine Company Retail Properties
16555 Von Karman Ave.	Airport Area	118,269	Jul-12	Wal-Mart	Harsch Investment Properties
25600 Rancho Niguel Rd.	South County	92,262	Mar-12	Life Time Fitness	Home Depot USA, Inc.
27200 Alicia Pkwy.	South County	77,867	Feb-12	Hobby Lobby	Burnham USA Equities
7212-7252 Edinger Ave.	West County	65,750	May-12	Hobby Lobby	Bscm 2001-Top 2 Huntington Center



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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