



Retail Market Report

Compared to 2012:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

DOWN

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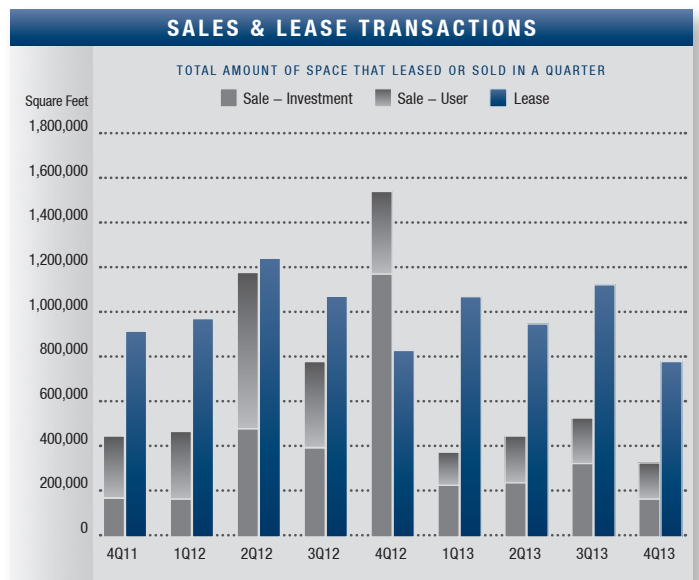
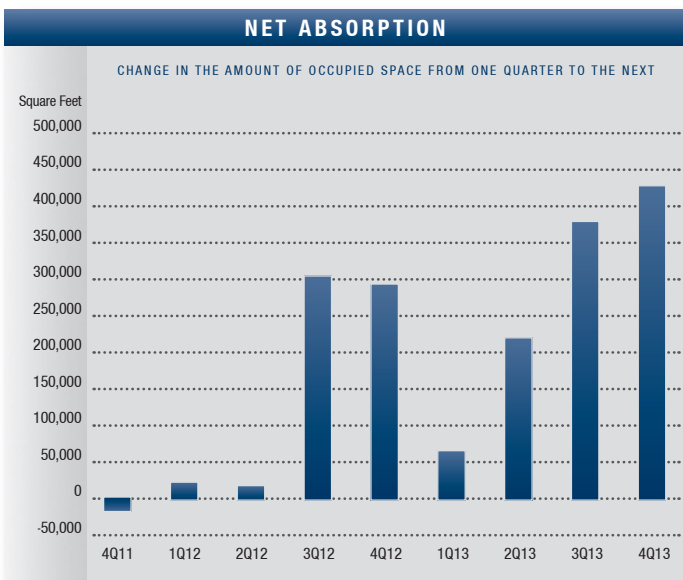
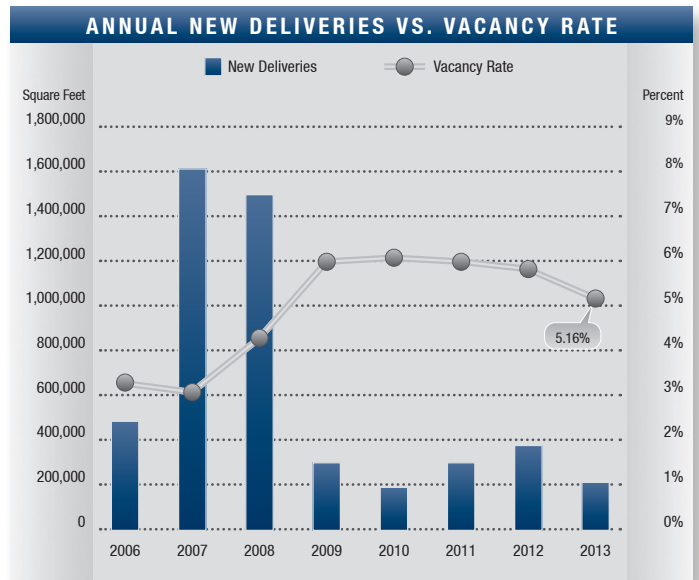
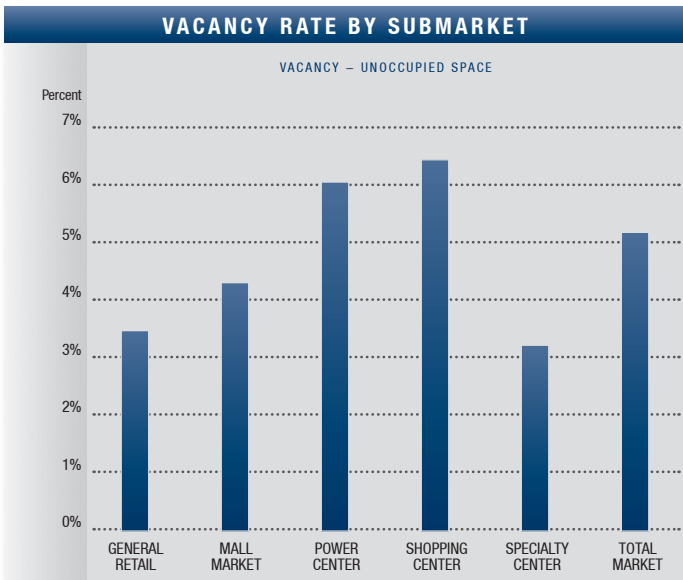
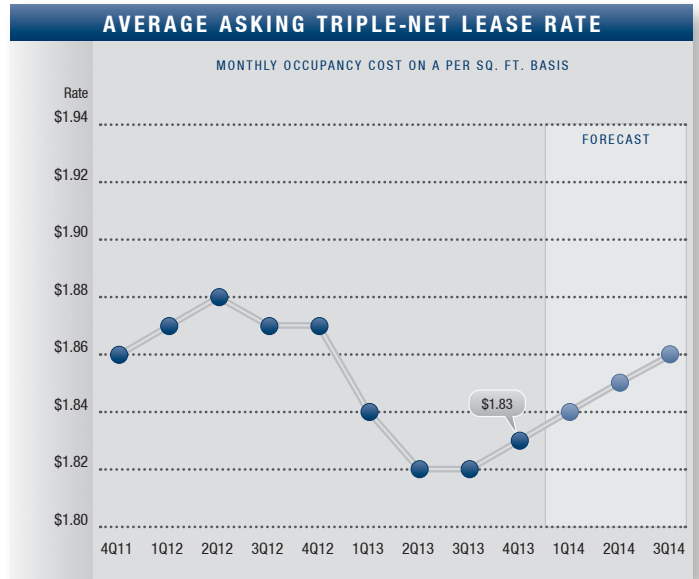
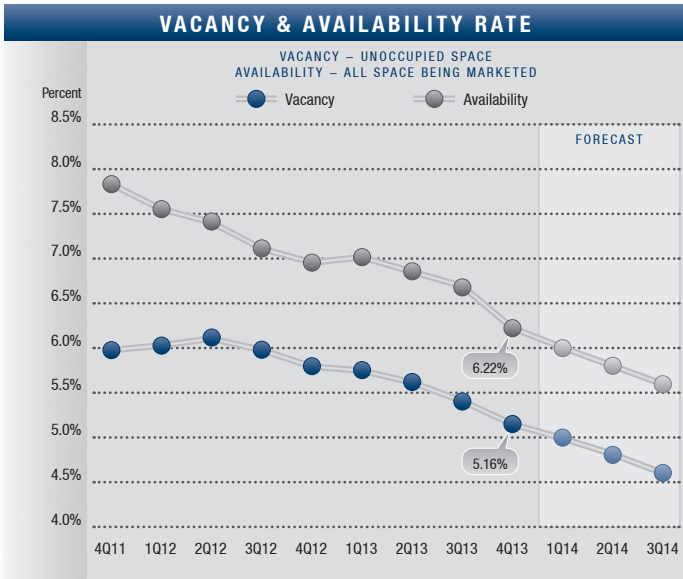
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Market Highlights

- Encouraging Numbers** - The Orange County retail market made significant strides forward in 2013. Both availability and vacancy continued to trend downward, dropping over 10% from the end of 2012. Net absorption posted a positive 1.1 million square feet for 2013, the most positive absorption seen in a year since 2007. Lease rates seemed to have finally hit bottom in the second quarter of 2013 and have begun to increase. While the market appears to be moving in a positive direction, stability and job growth will need to continue in coming quarters to sustain the recovery.
- Construction** - There was nearly 800,000 square feet of retail space under construction in Orange County at the end of the fourth quarter of 2013, over half of which was for mall space in the north county submarket. The overall slowdown in construction since the recession has eased and will continue to ease the upward pressure on vacancy rates and the downward pressure on lease rates.
- Vacancy** - Direct/sublease space (unoccupied) finished the fourth quarter of 2013 at 5.16%, a decrease from the previous quarter's 5.40% and a drop of 11.03% compared to 2012. Specialty centers and general retail space had the lowest vacancy rates at only 3.18% and 3.43%, respectively, while shopping centers had the highest at 6.39%.
- Availability** - Direct/sublease space being marketed was 6.22% finishing up 2013, down from the previous quarter's rate of 6.68% and over 10.5% lower than 2012. Just as with vacancy, specialty centers and general retail space had the lowest rates of all retail product types, while shopping centers had the highest. The airport area had the lowest availability rate of all submarkets at 4.33%, while north county had the highest at 7.91%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in Orange County came in at \$1.83 at the end of the fourth quarter, displaying a one cent increase from the previous quarter, an indication of stability. We are forecasting that lease rates will continue to increase gradually in coming quarters.
- Absorption** - The Orange County retail market posted over 425,000 square feet of positive net absorption in the fourth quarter — giving the retail market a total of nearly 1.1 million square feet of positive absorption for 2013 compared to only 635,000 square feet in 2012.
- Transaction Activity** - Leasing activity checked in at over 770,000 square feet for the last quarter of the year, producing a total of nearly 3.9 million square feet leased in 2013 compared to just over 4 million square feet in 2012. Sales activity for the fourth quarter came in at 316,723 square feet. Sales activity displayed a year-over-year decrease, with 1.6 million square feet transacted in 2013 compared to 3.9 million in 2012. The overall drop in transaction volume is likely partly attributable to a lack of supply, as less space is being vacated while new construction remains low. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in Orange County was 5.6% in November 2013 — down from a revised 5.8% in October 2013 and below the previous year's estimate of 6.9%. This compares with an unadjusted unemployment rate of 8.3% for California and 6.6% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 30,600 payroll jobs from November 2012 to November 2013. Most sectors showed gains in employment; the largest gains were 8,300 in construction and 6,200 in leisure & hospitality during that same period. Government posted the largest year-over loss, dropping by 4,400 jobs.
- Overall** - 2013 has proved to be a year of stabilization for the Orange County retail market. Both vacancy and availability have continued to trend downward, which should translate to further gradual increases in asking lease rates in the coming quarters. The market has posted eight consecutive quarters of positive absorption, the longest streak recorded in over seven years. As long as job creation continues and consumer confidence stabilizes, the retail market will continue to flourish.

RETAIL MARKET OVERVIEW

	2013	2012	2011	% of Change vs. 2012
Total Vacancy Rate	5.16%	5.80%	5.98%	(11.03%)
Availability Rate	6.22%	6.96%	7.82%	(10.63%)
Average Asking Lease Rate	\$1.83	\$1.87	\$1.86	(2.14%)
Sale & Lease Transactions	5,523,501	8,017,345	5,378,120	(31.11%)
Gross Absorption	4,838,467	5,181,639	4,687,806	(6.62%)
Net Absorption	1,088,162	634,738	369,722	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 4Q2013	Square Feet Available	Availability Rate 4Q2013	Average Asking Lease Rate	Net Absorption 4Q2013	Net Absorption 2013	Gross Absorption 4Q2013	Gross Absorption 2013
Airport Area													
General Retail	965	5,895,145	30,348	14,500	126,012	2.14%	197,247	3.35%	\$2.25	19,952	108,473	49,708	246,905
Mall Market	36	4,449,905	0	0	58,438	1.31%	77,297	1.74%	\$0.00	15,816	59,075	15,816	72,439
Power Center	19	561,218	0	0	27,041	4.82%	30,541	5.44%	\$0.00	(900)	(1,868)	0	34,316
Shopping Center	494	10,572,368	0	45,527	553,922	5.24%	607,542	5.75%	\$2.15	22,531	108,641	99,975	466,497
Specialty Center	1	190,642	0	0	26,170	13.73%	26,170	13.73%	\$3.00	7,092	7,724	7,092	7,724
Airport Area Total	1,515	21,669,278	30,348	60,027	791,583	3.65%	938,797	4.33%	\$2.16	64,491	282,045	172,591	827,881
Central County													
General Retail	1,686	10,681,449	100,000	269,384	409,323	3.83%	615,894	5.77%	\$1.52	28,768	115,273	60,054	377,291
Mall Market	32	3,334,674	0	0	22,566	0.68%	22,566	0.68%	\$0.00	19,369	14,649	20,445	60,269
Power Center	28	1,467,085	0	0	94,889	6.47%	77,807	5.30%	\$2.94	(5,583)	(6,854)	1,760	1,760
Shopping Center	762	14,927,749	15,000	29,990	1,064,475	7.13%	1,314,478	8.81%	\$1.61	34,363	66,664	189,854	686,642
Specialty Center	8	912,102	0	0	5,197	0.57%	5,197	0.57%	\$0.00	0	(555)	0	866
Central County Total	2,516	31,323,059	115,000	299,374	1,596,450	5.10%	2,035,942	6.50%	\$1.64	76,917	189,177	272,113	1,126,828
North County													
General Retail	1,523	10,732,871	0	623,071	366,088	3.41%	637,281	5.94%	\$1.44	37,977	149,339	86,496	383,929
Mall Market	86	5,998,445	460,208	0	533,565	8.90%	569,780	9.50%	\$1.25	77,822	68,734	88,645	144,040
Power Center	69	2,767,983	0	59,600	138,127	4.99%	162,149	5.86%	\$1.70	4,482	(66,248)	7,612	30,445
Shopping Center	788	15,152,173	6,810	325,350	1,276,355	8.42%	1,376,303	9.08%	\$1.65	49,631	(2,651)	207,990	685,870
Specialty Center	1	68,462	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North County Total	2,467	34,719,934	467,018	1,008,021	2,314,135	6.67%	2,745,513	7.91%	\$1.57	169,912	149,174	390,743	1,244,284
South County													
General Retail	821	6,569,651	150,000	16,900	321,734	4.90%	369,630	5.63%	\$1.57	(1,256)	66,515	32,252	211,739
Mall Market	25	3,141,512	0	15,000	66,778	2.13%	109,578	3.49%	\$2.75	(34,000)	(6,500)	0	31,400
Power Center	97	3,962,232	0	5,000	194,969	4.92%	162,712	4.11%	\$3.13	25,707	10,583	38,474	57,800
Shopping Center	697	15,051,697	32,900	11,920	749,788	4.98%	1,022,241	6.79%	\$2.23	77,419	181,162	146,600	684,728
Specialty Center	2	283,613	0	682,671	20,633	7.28%	26,337	9.29%	\$0.00	25,978	26,867	25,978	26,867
South County Total	1,642	29,008,705	182,900	731,491	1,353,902	4.67%	1,690,498	5.83%	\$2.10	93,848	278,627	243,304	1,012,534
West County													
General Retail	995	7,018,543	0	170,037	179,649	2.56%	267,596	3.81%	\$1.95	7,802	5,611	46,591	169,398
Mall Market	17	2,261,011	0	12,000	135,991	6.01%	148,191	6.55%	\$2.92	(14)	(2,218)	0	900
Power Center	20	1,113,521	0	0	139,332	12.51%	139,332	12.51%	\$1.89	(3,500)	(1,293)	0	4,095
Shopping Center	558	11,279,031	0	69,633	636,089	5.64%	646,595	5.73%	\$2.13	18,012	189,374	71,433	450,242
Specialty Center	3	282,981	0	0	3,235	1.14%	7,469	2.64%	\$0.00	410	(2,335)	2,305	2,305
West County Total	1,593	21,955,087	0	251,670	1,094,296	4.98%	1,209,183	5.51%	\$2.13	22,710	189,139	120,329	626,940
Orange County Total	9,733	138,676,063	795,266	2,350,583	7,150,366	5.16%	8,619,933	6.22%	\$1.83	427,878	1,088,162	1,199,080	4,838,467
General Retail	5,990	40,897,659	280,348	1,093,892	1,402,806	3.43%	2,087,648	5.10%	\$1.58	93,243	445,211	275,101	1,389,262
Mall Market	196	19,185,547	460,208	27,000	817,338	4.26%	927,412	4.83%	\$1.77	78,993	133,740	124,906	309,048
Power Center	233	9,872,039	0	64,600	594,358	6.02%	572,541	5.80%	\$2.67	20,206	(65,680)	47,846	128,416
Shopping Center	3,299	66,983,018	54,710	482,420	4,280,629	6.39%	4,967,159	7.42%	\$1.88	201,956	543,190	715,852	2,973,979
Specialty Center	15	1,737,800	0	682,671	55,235	3.18%	65,173	3.75%	\$3.12	33,480	31,701	35,375	37,762
Orange County Total	9,733	138,676,063	795,266	2,350,583	7,150,366	5.16%	8,619,933	6.22%	\$1.83	427,878	1,088,162	1,199,080	4,838,467

Lease rates are on a triple-net basis.

MAJOR TRANSACTIONS OF 2013

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
18595-18691 Main St. – 2 Properties	West	161,000	\$325.47	Retail Opportunity Investments Corporation	Sher Partners
24155 Laguna Hills Mall	South	91,222	\$541.67	MGP Fund X Laguna Hills, LLC	Simon Property Group, Inc.
19051-19101 Goldenwest St.	West	81,546	\$340.61	ROIC California, LLC	Barros Peninsula Marketplace, LLC
27200 Alicia Pkwy.	South	77,876	\$193.92	Pine Lakes Alicia, LLC	27200 Alicia Parkway Associates
24000 Alicia Pkwy.	South	52,441	\$362.67	Gateway Garp, LLC	A & J Gateway, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
6912 Edinger Ave.	West	100,865	Oct-13	Walmart	Brookhurst Shopping
13200-13220 Harbor Blvd.	West	80,222	Jun-13	AA Supermarket	Retail Opportunity Investments Corporation
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
4848 Valley View Ave.	North	45,522	Mar-13	24-Hour Fitness	The Midtown Niki Group



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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