

COMING SOON?

Hyperlink: Von Karman Plaza, Tustin, CA



CBRE ADVISORY ORANGE COUNTY, CA RETAIL BIG BOX REPORT

YEAR-END 2011



Retail 24/7.

CBRE

EXECUTIVE SUMMARY

- The Orange County retail market has shown strong resilience and strength as it continues to fill anchor space left vacant by retailer fall out from the recession.
- As the market recovery has taken hold and big box spaces are re-leased, **landlords have begun to see a positive trend in rents for big box space, compared to a negative trend in rents for shop space.**
- The rents for the majority of big boxes remains below what was seen before the recession but rents are increasing as the supply of available space declines, and demand increases, especially in A & B space.
- The liquidation of retailers such as Borders has added to a recent increase in overall Big Box Vacancy in the market.

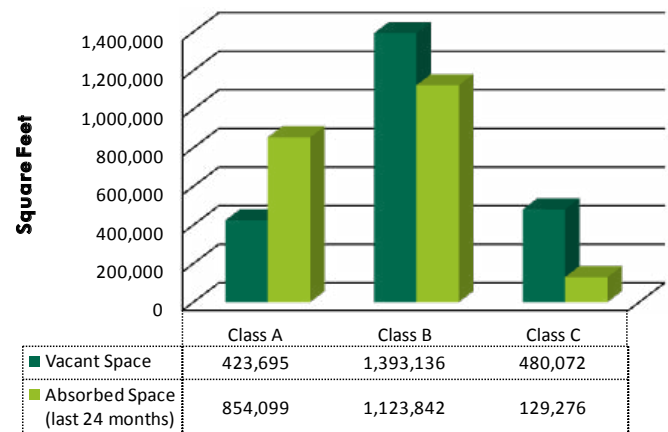
Current Orange County Retail Numbers (+/- Since Q2 2011):

- 54 (-5) - Number of Vacant Big Box Retail Spaces
- 2,296,903 (-41,947) - Total Square Feet of Big Box Vacancy
- 49 (+16) - Number of Absorbed Big Box Retail Spaces ('10-'11)
- 2,107,217 (+467,395) - Total Square Feet of Absorbed Big Box Space ('10-'11)
- \$16.56 PSF NNN (+\$1.68) - Average Asking Rate for Big Box Vacancy
- \$23.04 PSF NNN (-\$0.96) - Average Asking Rate for Shop Space Vacancy
- 5.6% (+1.2%) - Total Vacancy Rate in Orange County (Q4 2011)

Retail Big Box Activity (Absorption) - Past 24 months:

- 2,107,217 square feet of big box retail space (20K SF+) was leased within Orange County in the last 2 years. Wal-Mart absorbed 6 spaces, the most in the market. Other active retailers included Whole Foods, Marshalls, Ross, L.A. Fitness, and Sprouts.
- 22 Class A locations, totaling 854,099 square feet, were leased to national tenants that were actively leasing the dozens of former Mervyns, Linens-N-Things, and Circuit City boxes.
- 23 Class B locations, totaling 1,123,842 square feet, have been absorbed, showing a slightly longer timeframe in their re-tenanting. However, owners are seeing a good deal of activity by a variety of prospects including Wal-Mart, L.A. Fitness, and Ethnic Market Concepts.
- 4 Class C locations, totaling 129,276 square feet, were leased in the past 24 months. Each were vacant for an extended period of time. Planet Fitness, Caliber Collision, Goodwill, and Roger Dunn Golf were the 4 Tenants. Some of these centers are being considered for non-retail uses or potential redevelopment.

Orange County Big Box Activity Year-End 2011



YEAR-END 2011

Walmart

Walmart will be opening new stores in Irvine, Tustin, Huntington Beach, and Fullerton, along with a grocery concept in RSM.



Whole Foods has signed leases to open 3 locations; Huntington Beach, Laguna Niguel, and Newport Beach.



Ross has added 3 stores to Orange County; Brea, Costa Mesa, and Cypress. Averaging 30,000 SF.

LA | FITNESS

Averaging 50,000 SF, L.A. Fitness has opened 2 gyms in Mission Viejo, and 1 gym in Irvine.

Marshalls

Marshalls has opened 3 stores in Northern and Western Orange County, averaging 30,000 square feet.



Best Buy has signed 2 leases in Fullerton, a portion of a former Target, as well as at Orangefair Marketplace.

Total Wine & MORE

Total Wine has opened in Brea, & just signed leases in Huntington Beach, while also looking to expand further in Orange County.



Dick's has just signed a lease to go into the Edinger Plaza in Huntington Beach. Average Store is 50,000 SF.

BIG LOTS!

Big Lots has opened in Rancho Santa Margarita, taking 33,000 square feet at the Santa Margarita Marketplace.

Passionate Pet Superstore

Passionate Pet has opened a second store in Orange County, at Plaza El Paseo in Mission Viejo.



This Hispanic Grocer concept has added a 2nd store to Orange County, opening in Buena Park, taking 33,000 SF.

Golfsmith

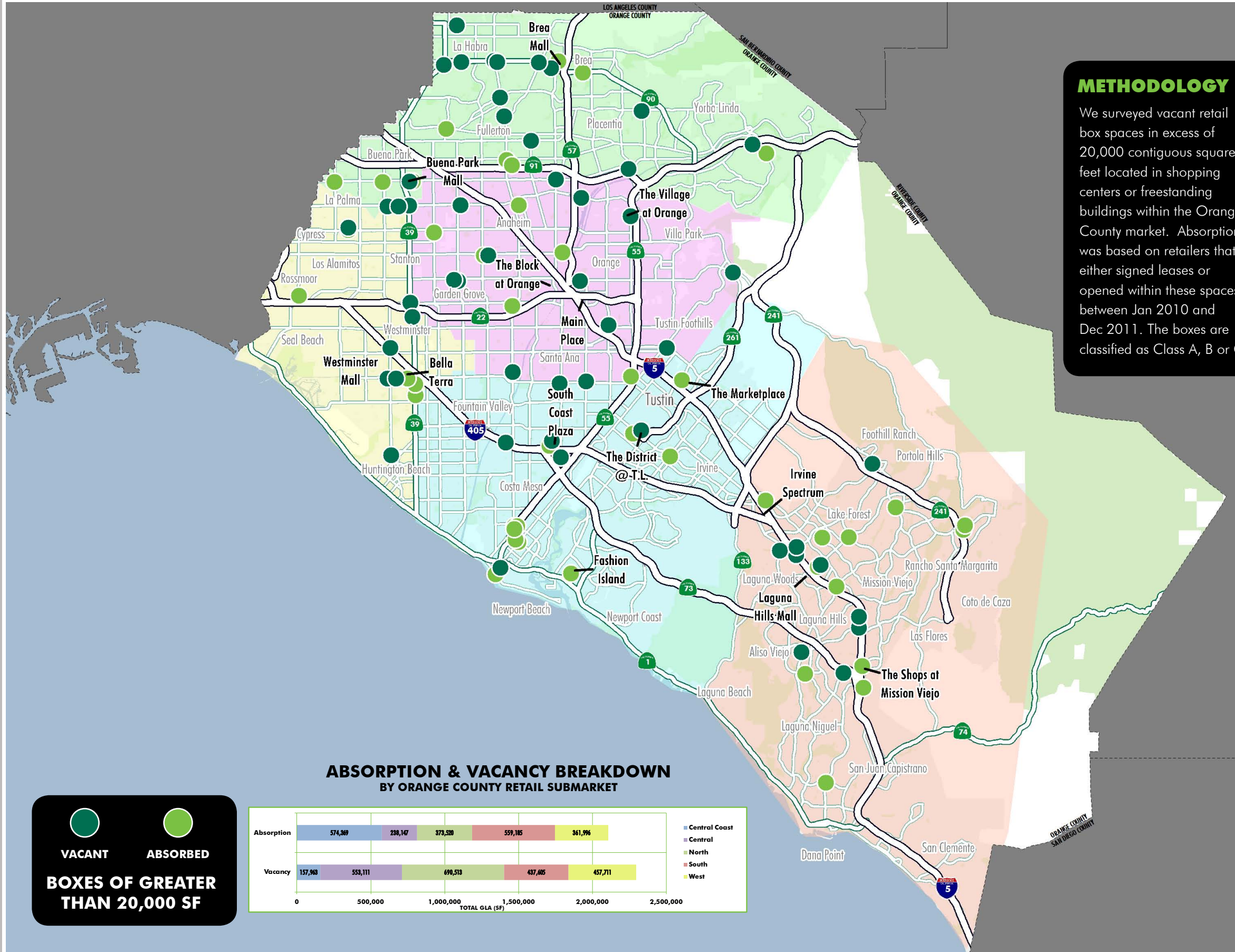
After opening their "Xtreme" concept in Irvine, Golfsmith has opened a typical 20,000 square foot store in Brea.



Sprouts, which took over all Henry's Market locations, has 2 new stores in Costa Mesa and Mission Viejo.

Cinepolis

High-End Movie Theatre going into Ocean Ranch Shopping Center in Dana Point, taking 32,000 square feet.



METHODOLOGY

We surveyed vacant retail box spaces in excess of 20,000 contiguous square feet located in shopping centers or freestanding buildings within the Orange County market. Absorption was based on retailers that either signed leases or opened within these spaces between Jan 2010 and Dec 2011. The boxes are classified as Class A, B or C.

**CBRE, INC.
ORANGE COUNTY
RETAIL TEAM**

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ORANGE COUNTY BIG BOX INVENTORY

CLASS A :: 11 PROPERTIES AVAILABLE



Sites are located in power centers and freestanding buildings in regional locations. Many sites are on the mall peripheral.

These are newer retail boxes in vibrant retail clusters surrounded by dense population and high incomes.

Includes 3 Vacant Former Mervyns as well as some of the locations Borders is liquidating.

These properties have been in high demand in the past 24 months with tenants such as Whole Foods, Total Wine & More, and Golfsmith pursuing this class.

22 Class A boxes were leased in this period; there remains an inventory of 11 boxes totaling approximately 423,695 square feet.

CLASS B :: 29 PROPERTIES AVAILABLE



Older boxes constructed in power centers, community centers or freestanding locations.

May be located in strong trade areas but have physical traits that negatively impact their desirability.

These properties have been absorbed by tenants such as Wal-Mart, L.A. Fitness, and CVS. In addition, Passionate Pet, a local pet user has signed a lease for one of these properties.

Activity in this category is often driven by landlords able to be aggressive with rents and tenant improvement allowances.

23 Class B boxes were leased in this period; there remains an inventory of 29 boxes totaling 1,393,136 square feet.

CLASS C :: 14 PROPERTIES AVAILABLE



Generally constructed before 1990 in secondary or neighborhood locations.

Many were originally occupied by grocery stores or other single-tenant uses.

14 vacant Class C boxes totaling 480,072 square feet are currently available.

4 Class C boxes were leased or occupied in the past 24 months; the replacement users were Roger Dunn Golf Shop, Goodwill, Caliber Collision Centers, and Planet Fitness.

Many of these remaining boxes will be recycled to non-retail uses including public uses, schools, churches and medical. Some will be demolished for redevelopment.

Future Market Trends

- Big Box Retailers have modified store development strategies by taking advantage of smaller stores, along with repositioning low performing stores; relocating to more strategic locations.
- Rents will continue to increase for Big Box Space in A and B sites in the upcoming months as the supply of highly desirable locations becomes limited.
- Class C Big Box vacancy will continue to sit vacant unless Landlords are proactive in demising space or consider alternative uses, such as medical, office, and educational.
- While the number of Vacant Spaces has decreased by 5, Vacant Big Box square footage has only gone down slightly, signaling that Smaller Big Box Stores are being pursued more than Larger Boxes.
- A demising strategy for Larger Vacant Box Space may be worth considering to conform to Smaller Box Tenants, which are more active in the Market.

**CURRENT BIG BOX TENANTS
REPRESENTED BY CBRE
IN ORANGE COUNTY**

DICK'S SPORTING GOODS

HOME DEPOT

TARGET (NORTH O.C.)

DAVE & BUSTER'S

FLOOR & DECOR

GOLF GALAXY

EQUINOX FITNESS

TOTAL WINE & MORE

LIVING SPACES FURNITURE