MarketView
Inland Empire Retail

www.cbre.com/research

Second Quarter 2011

Quick Stats

	Current	Change from last Yr.	Change from last Qtr.
Vacancy	11.0%	↑	→
Lease Rates	$2.09	↓	↓
Net Absorption*	6,664	↓	↑
Construction	0 SF	↓	→

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- The overall Inland Empire unemployment level decreased to 13.2 percent denoting the second consecutive decline since March 2011
- Vacancy levels remain unchanged at 11.0 percent
- A relatively flat total of 6,644 square feet of positive net absorption was recorded
- Big Box closures has slowed considerably

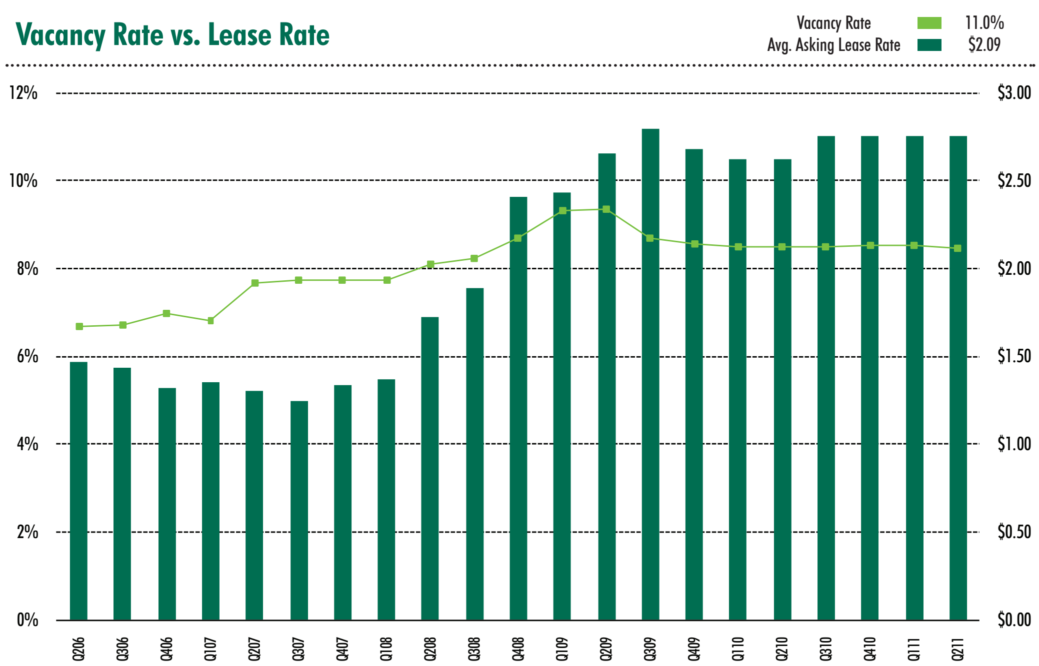
On a national level, the retail market keeps at a steady pace towards a goal of full economic recovery and stability, yet is kept in line by cautious consumer spending. Concerns about steep gasoline prices and a weak labor market, in addition to inflation and future earnings led to declined consumer confidence and selected growth in retail sales. The Conference Board Consumer Confidence Index, which had decreased to 61.7 in May, recently dropped further to 58.5 in June.

May retail sales, according to the U.S. Commerce Department, show that total retail sales experienced a 0.2 percent decrease seasonally adjusted over the previous month, yet 7.7 percent above sales recorded in May 2010. Consumers have not stopped new purchases completely, but rather are cooling down on spending. Sales at health and personal care stores sales remained solid increasing 0.8 percent seasonally adjusted from last month, and 5.6 percent unadjusted since last year. The spring/summer seasonal weather played a role in helping sales at clothing and clothing accessory stores, pushing sales up 0.2 percent seasonally adjusted over April, and 4.6 percent unadjusted from last year. The weather also helped improve sales at building material and garden equipment stores with a reported monthly increase of 1.2 percent seasonally adjusted, and a strong annual increase 11.3 percent. Furniture and home furnishing stores sales decreased 0.7 percent seasonally adjusted from April, while month-over-month sales at electronics and appliance stores declined by 1.3 percent. Sales at sporting goods, hobby, book & music stores, although up 5.2 percent from last year, are down from April by 0.4 percent.

The local Inland Empire economy continues to be deeply impacted by the economic downturn and moving forward at a sluggish rate. According to the Los Angeles County Economic Development Corporation (LAEDC), "The recovery of the Inland Empire will not progress strongly until the housing market recovers and that is not expected for a few years." The Inland Empire was one of the hardest-hit markets in the nation in terms of the record-high home foreclosures and unemployment levels. The high rate of loan defaults and foreclosures will still place downward pressure on the region's home values, however, the housing market is expected to gain positive momentum moving into 2012.

Although the Inland Empire is recovering at a slower pace than other markets, the region is making great strides at a full recovery. Most recently, there has been an upswing in expanding restaurant tenants within the Inland Empire retail market. Retailers such as The Habit, Smash Burger, Five Guys, Oporto and Subway are all expected to expand this year. Additionally, major discount tenants are expanding as well which include Dollar General, 99 Cent Only, and Dollar Tree just to name a few. Continuing with the positive side, the second quarter witnessed the signing of two significant leases. One transaction was made by Cardenas Market, which signed a 33,000 square-foot lease in Ontario, and another 29,000 square-foot lease in Temecula was signed by Buy Buy Baby. This recent activity contributed to the 40,512 and 6,538 square feet of positive net absorption in the South Riverside County and East End submarkets, respectively. Overall, the Inland Empire retail market recorded a total of 6,644 square feet of positive net absorption. The vacancy level remains unchanged at 11.0 percent, and sits 5 percent above that of the 10.5 percent vacancy rate posted one year ago. The average asking high lease rate shed three cents this quarter to $2.09 per square foot, while the asking lease low lease rate dropped two cents to an average of $1.59 per square foot.

Vacancy Rate vs. Lease Rate

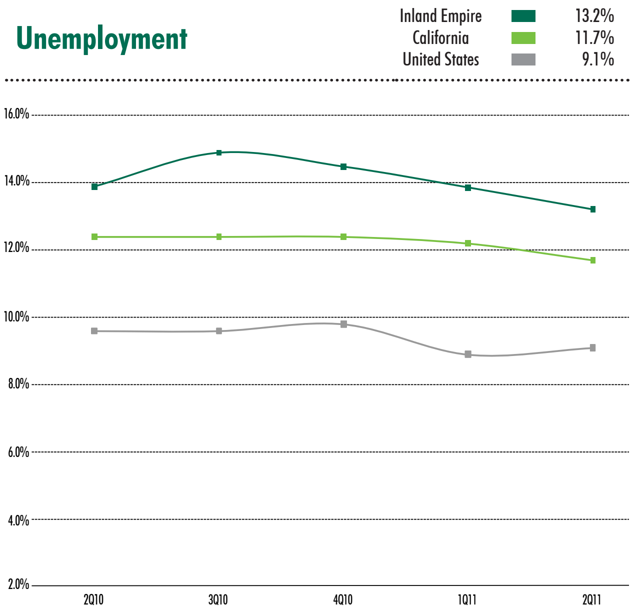


CBRE
CB RICHARD ELLIS

Market Statistics

Submarket	Building SF	Vacancy Rate %	Net Absorption SF	Under Construction SF	Avg. High Asking NNN $/PSF/MTH
EAST END	31,271,412	17.0%	6,538	-	$2.22
HIGH DESERT	7,248,523	7.0%	26,891	-	$2.14
LOW DESERT	14,363,255	11.6%	(142,724)	-	$1.94
SO. RIV COUNTY	16,638,237	8.9%	40,512	-	$1.91
WEST END	36,324,955	7.3%	75,427	-	$2.23
Inland Empire Total	**105,846,382**	**11.0%**	**6,644**	-	**$2.09**

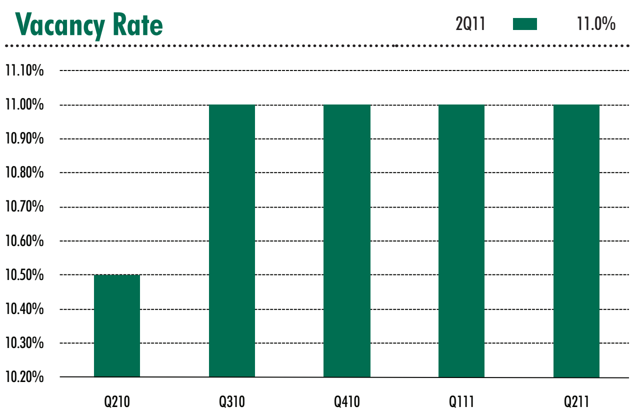
Unemployment



Although the Inland Empire possesses one of the nation's highest unemployment rates among urban areas, joblessness is expected to lessen somewhat in the coming months and in 2012. The Inland Empire currently holds an unemployment rate of 13.2 percent which is down from 13.4 percent recorded one month earlier and below the 13.9 percent rate witnessed in May of 2010. In comparison, the Inland Empire remains above California's level of 11.7 percent as well as the National unemployment rate of 9.1 percent.

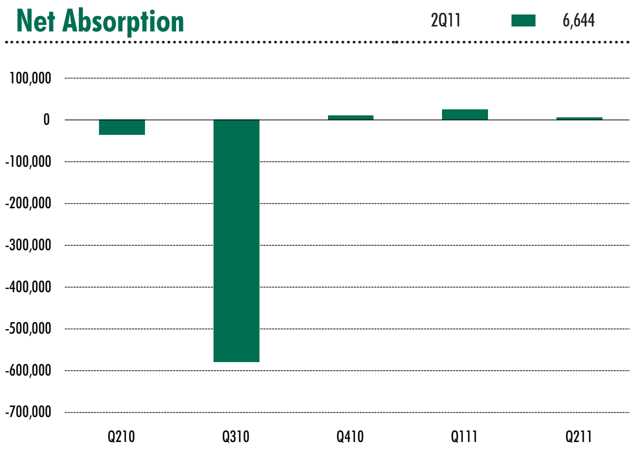
Since May of last year, total non-farm employment has declined by approximately 16,900 jobs or 1.5 percent. Government recorded the largest year-over-year loss of 10,800 jobs, 61 percent of which fell into the federal government sub-sector. Construction also recorded a significant annual decline, shedding 5,300 jobs overall, while leisure and hospitality recorded a loss of 2,200 jobs. Educational and health services, however, experienced the largest year-over gain with the addition of 2,500 jobs.

Vacancy Rate



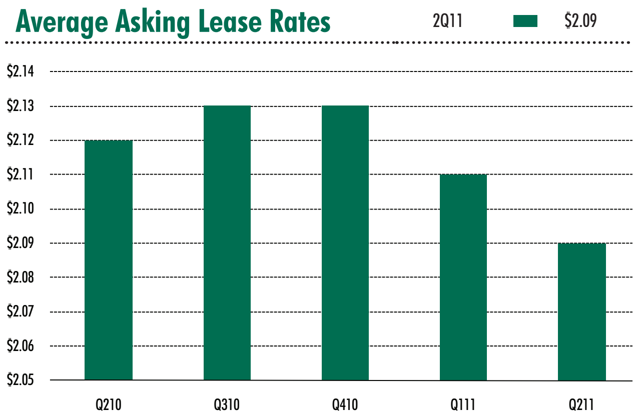
Inland Empire retail vacancy rate continues to remain unchanged at 11.0 percent. Although vacancy has been at this level for four consecutive quarters, it should begin to trend downward as big box closures are predicted to slow down. Strip Centers edged out Neighborhood Centers this quarter to post the highest vacancy rate with 17.6 percent; while specialty and power centers within the Inland Empire continue to boast the lowest vacancy rates of 2.6 percent and 7.1 percent, respectively. The East End continues to yield the highest vacancy rate ending the second quarter with a rate of 17.0 percent, however, denotes a slight decrease from the previous quarter.

Net Absorption



The second quarter of 2011 ended with 6,644 square feet of positive net absorption. Some contributing factors to the positive absorption were some key leases that were signed this quarter. Cardenas Market inked a 33,000 square-foot lease in Ontario, and Buy Buy Baby completed a 29,000 square-foot transaction in Temecula. Of the center types, power centers noted the greatest amount of positive absorbed space with 136,179 square feet. Community centers, however, experienced 188,169 square feet of negative net absorption, which has become a trend among this center type due the continued amount of shop space that is being delivered to the market.

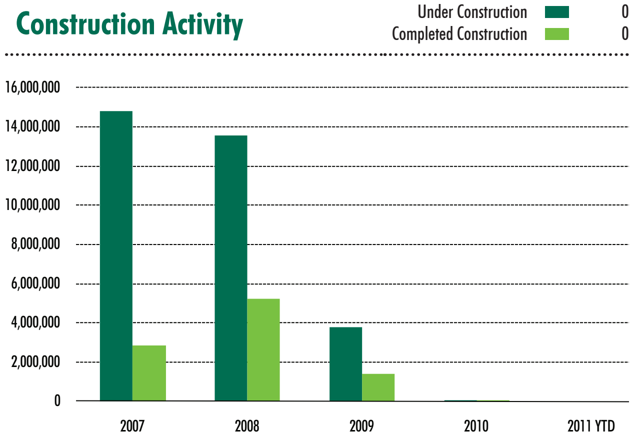
Average Asking Lease Rates



The average high asking lease rate for retail space in the Inland Empire decreased by three cents, or one percent this quarter to now stand at $2.09 per square foot. The average low asking triple net lease rate also witnessed decline, shedding two cents to now stand at $1.59 per square foot.

Among the five major sub-markets for Inland Empire, the West End area closed out the quarter with the highest average high asking lease rate at $2.23 per square foot per month and the Low Desert area posted the lowest average high asking lease rate at $1.94 per square foot per month.

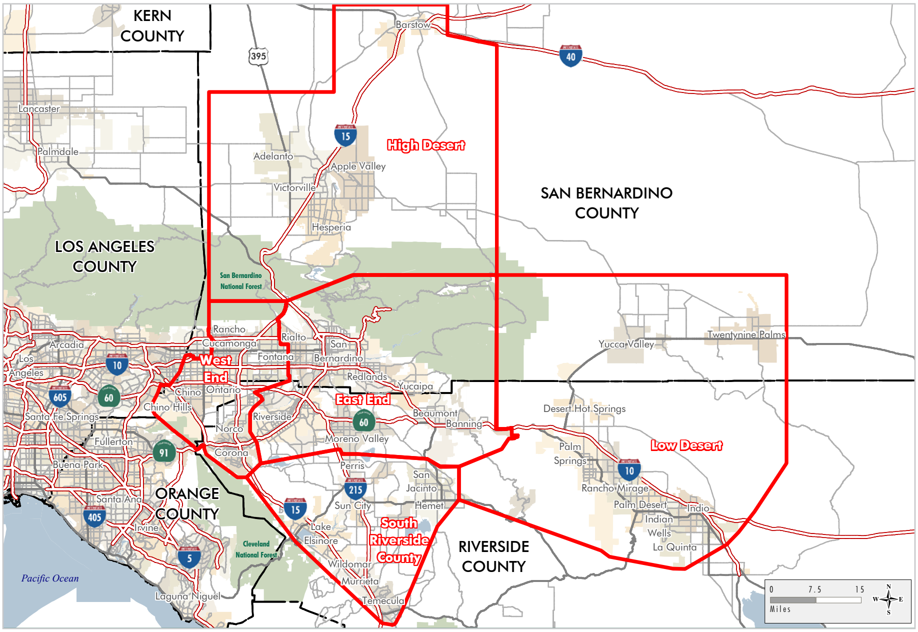
Construction Activity



Construction of new retail centers in the Inland Empire remains non-existent. Since the first quarter of 2010, the market has had no centers begin the construction phase. Many developments have been halted indefinitely until a balanced economic structure can be achieved.

CBRE
CB RICHARD ELLIS

Submarket Map



Inland Empire Submarket Descriptions

EAST END
Includes Banning, Beaumont, Big Bear, Big Bear Lake, Blue Jay, Cabazon, Calimesa, Colton, Highland, Lake Arrowhead, Loma Linda, Moreno Valley, Redlands, Rialto, Riverside, San Bernardino, and Yucaipa

HIGH DESERT
Includes Adelanto, Apple Valley, Barstow, Hesperia, Phelan, and Victorville

LOW DESERT
Includes Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, Rancho Mirage, and Yucca Valley

SOUTH RIVERSIDE COUNTY
Includes French Valley, Hemet, Lake Elsinore, Menifee, Murrieta, Perris, San Jacinto, Sun City, Temecula, and Wildomar

WEST END
Includes Chino Hills, Chino, Corona, Fontana, Mira Loma, Montclair, Norco, Ontario, Rancho Cucamonga, and Upland

Local Offices

Anaheim/Mid-Counties
2125 E. Katella Avenue, Suite 100
Anaheim, California 92806
714.939.2100

Antelope Valley
42220 10th Street West, Suite 107
Lancaster, California 93534
661.729.6702

Beverly Hills
1840 Century Park East
Los Angeles, California 90067
310.550.2500

El Segundo
2041 Rosecrans Avenue, Suite 300
El Segundo, California 90245
310-765-2600

LA-Central
500 Citadel Drive, Suite 301
Commerce, California 90040
323.838.3100

Los Angeles Downtown
355 South Grand Avenue, Suite 3100
Los Angeles, California 90071
213.613.3242

LA North - Glendale/San Fernando
10 Universal City Plaza, 27th Floor
Universal City, California 91608
818.907.4677

Newport Beach
3501 Jamboree Road, Suite 100
Newport Beach, California 92660
949.725.8500

Ontario
4141 Inland Empire Boulevard, Suite 100
Ontario, California 91764
909.418.2000

Palm Desert
74-770 Highway 111, Suite 101
Indian Wells, California 92210
760.341.5273

San Diego Central
4365 Executive Drive, Suite 900
San Diego, California 92121
858.546.4600

San Diego Downtown
350 Tenth Avenue, Suite 800
San Diego, California 92101
619.236.1231

San Diego North County
5740 Fleet Drive, Suite 100
Carlsbad, California 92008
760.438.8500

Santa Barbara
1332 Anacapa Street
Santa Barbara, California 93101
805.963.6100

Santa Fe Springs
10350 Heritage Park Drive
Santa Fe Springs, California 90670
562.946.1541

South Bay/Mid-Counties
990 West 190th Street
Torrance, California 90502
310.516.2300

Temecula
27720 Jefferson Avenue, Suite 230
Jefferson Plaza Office Building
Temecula, California 92590
951.326.2900

Ventura County
771 East Daily Drive, Suite 300
Camarillo, California 93010
805.465.1600

Market Coverage
Includes all retail centers 50,000 Square Feet and greater in size

Asking Lease Rate
Average of Asking Lease Rates for each property weighted by the associated Available Space. Includes Direct Available Space unless otherwise indicated

Completions
Rentable Building Area completed during the period

Net Absorption
The change in Occupied Sq. Ft. during the period for all Existing properties

Base Inventory, Base or Building Square Feet
The sum of the Rentable Building Area for all competitive properties

Occupied Square Feet
Rentable Building Area less Vacant Space

Under Construction
Buildings that have begun construction as evidenced by site excavation or foundation work, and is on-going

Available Space
Space being marketed to potential occupants, in Rentable Sq. Ft. (direct and sublease combined, unless otherwise indicated)

Availability Rate
Available space as a percentage of the Base Inventory or Building Sq. Ft

Vacant Space
Available Space that is physically vacant, in Rentable Sq. Ft

Vacancy Rate
Vacant space as a percentage of the Base Inventory or Building Sq. Ft.

For more information regarding the MarketView, please contact:
Jill Luna, Research Manager
CB Richard Ellis
4141 Inland Empire Blvd., Suite 100, Ontario, CA
T 909.418.2041 F 909.418.2100
jill.luna@cbre.com

CBRE
CB RICHARD ELLIS