

# MarketView Orange County - Retail

## Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Vacancy	4.4%	↑	↑
Lease Rates	\$2.46	↓	↑
Net Absorption*	(19,847)	↓	↓
Construction	0	↔	↔

\* 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

- Vacancy levels now stand at 4.4%.
- Slowdown in demand resulted in 19,847 square feet of negative net absorption.
- Average asking lease rates rose to \$2.46 per square foot.
- Non-existent construction leaves Orange County's retail inventory with no new product since the fourth quarter of 2008.

Although national retail sales have improved over the past year, consumers remain cautious about spending as evidenced by the Conference Board Consumer Confidence Index, which, after dropping to 61.7 in May, fell even further in June to 58.5. Steep gasoline prices and a persistently weak labor market helped fuel this decline in consumer confidence, although retail sales figures in select categories such as health and personal care were up in May. Still, bigger ticket categories like electronics and appliances saw sales decline during the same time period.

According to the U.S. Commerce Department, May retail sales showed a 0.2% decrease seasonally adjusted over the previous month, yet 7.7 % above sales recorded in May 2010. This suggests that consumers have not stopped new purchases completely, but remain cautious about opening their wallets.

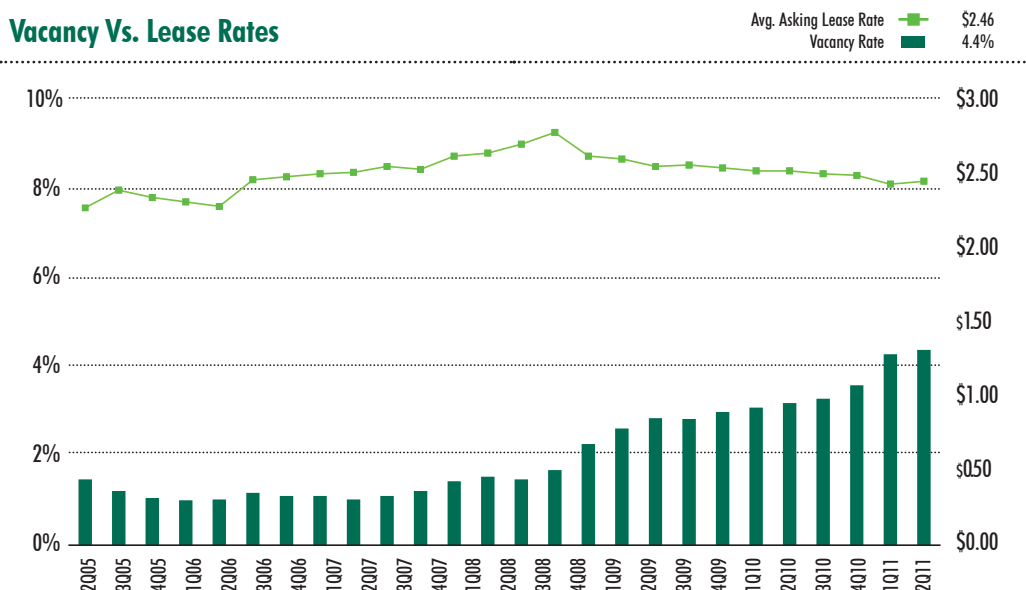
Sales at health and personal care stores remained solid, increasing 0.8% seasonally adjusted from last month, and 5.6% unadjusted since last year. The spring/summer seasonal weather played a role in helping sales at clothing and clothing accessory stores where sales up 0.2% seasonally adjusted over April, and 4.6% 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% seasonally adjusted, and a strong annual increase 11.3%. Furniture and home furnishing stores sales decreased 0.7% seasonally adjusted from April,

while month-over-month sales at electronics and appliance stores declined by 1.3%. Sales at sporting goods, hobby, book & music stores, although up 5.2% from last year, are down from April by 0.4%.

The fluctuation in retail sales directly impacts the demand for commercial space by retailers. Although the market has improved compared to a year ago, retailers continue to exercise caution when making real estate decisions. In the second quarter of 2011, the overall vacancy rate for the Orange County retail ticked up, increasing the county-wide retail vacancy rate to 4.4%. A slowdown in demand led to 19,847 square feet of negative net absorption, which was concentrated in the Central Orange County submarket. Despite the drop in activity, the average asking lease rate for the County increased by two cents this quarter to \$2.46 per square foot, though still remains seven cents below asking rents recorded one year ago.

Construction of new retail space in Orange County is minimal. While some development is starting to take place in the small center arena (below 50,000 square feet), construction of larger centers will most likely not begin until a steady trend of positive momentum can be achieved. No new centers have been added to Orange County's retail inventory since the fourth quarter of 2008, and all formerly active development projects have been frozen indefinitely.

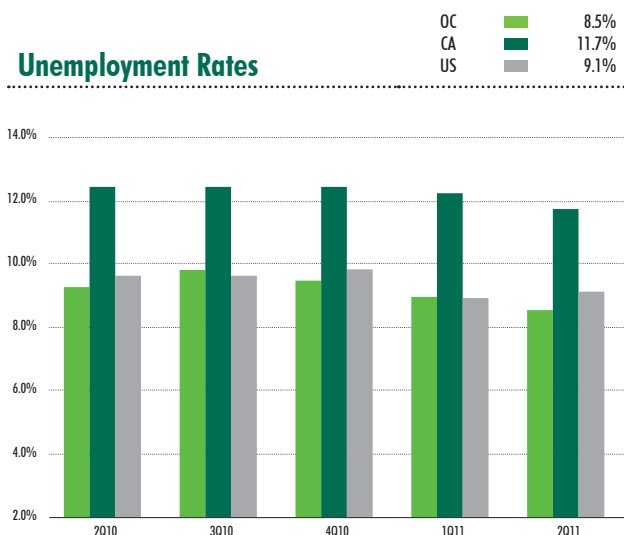
## Vacancy Vs. Lease Rates



## Market Statistics

Market Area	Center GLA	Shop Space SF	Vacancy Rate	SF Net Absorption	SF Under Construction	Avg. Asking Lease Rate NNN \$/SF/Mo
Central County	29,025,742	10,425,342	4.8%	(40,587)	-	\$1.95
Central Coast	13,423,100	4,281,665	3.6%	(26,461)	-	\$3.56
North County	15,200,235	5,193,951	3.5%	10,217	-	\$2.43
South County	17,655,284	7,210,125	4.7%	1,197	-	\$2.69
West County	9,830,917	3,769,458	5.2%	35,787	-	\$2.41
<b>Orange County Total</b>	<b>85,135,278</b>	<b>30,880,541</b>	<b>4.4%</b>	<b>(19,847)</b>	<b>-</b>	<b>\$2.46</b>

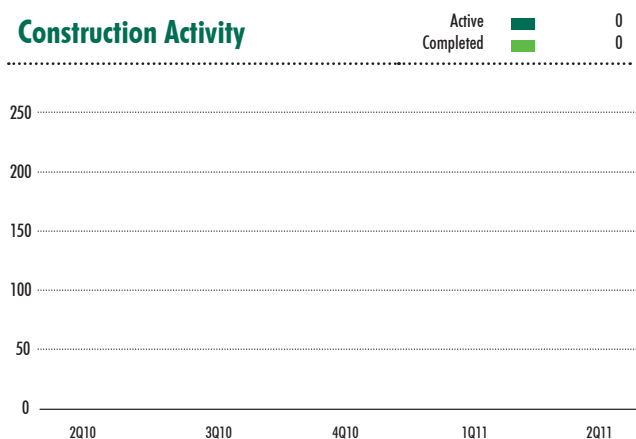
## Unemployment Rates



The Orange County region currently holds an unemployment rate of 8.5%, which is down from 8.6% recorded one month earlier and below the 9.2% rate witnessed in May of 2010. In comparison, Orange County falls below California's level of 11.7%, as well as the National unemployment rate of 9.1%.

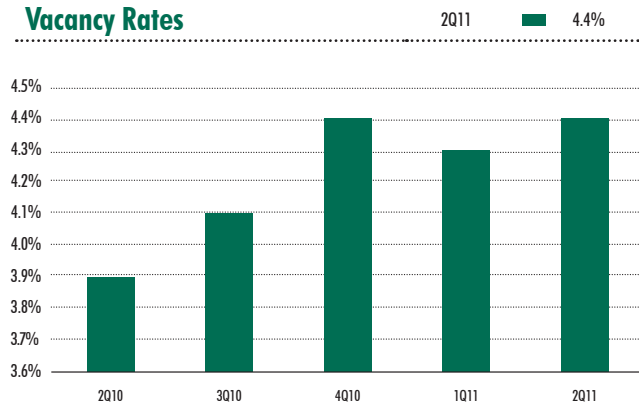
Since May of last year, approximately 1,900 jobs have been added in Orange County. Leisure and hospitality recorded the largest year-over-year gain of 9,700 jobs, 81% of which fell into the accommodation and food services sub-sector. Educational and health services also recorded a significant annual increase, adding 2,900 jobs overall. Government, however, shed approximately 5,600 jobs over the past year with the majority of this loss in the federal government segment.

## Construction Activity



Construction of new retail centers in Orange County remains on hold. Since the fourth quarter of 2008, the market has had no new construction starts. Pacific City which is a specialty center located in Huntington Beach, halted construction of the 191,000 square-foot center in the beginning of 2010. Although there is minor work occurring at the center, construction will not likely restart until the end of the year. The city Buena Park is slated to add a 325,000 square-foot community center, which is scheduled to break ground in the first quarter of 2012.

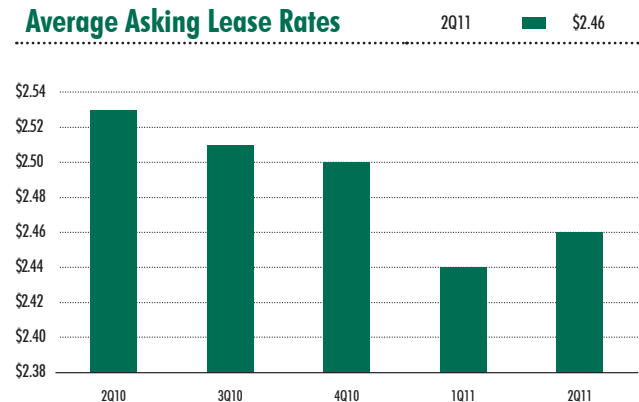
### Vacancy Rates



Overall vacancy rates for Orange County retail space rose slightly in the second quarter and now stand at 4.4%, a result of a slowdown activity among retail tenants.

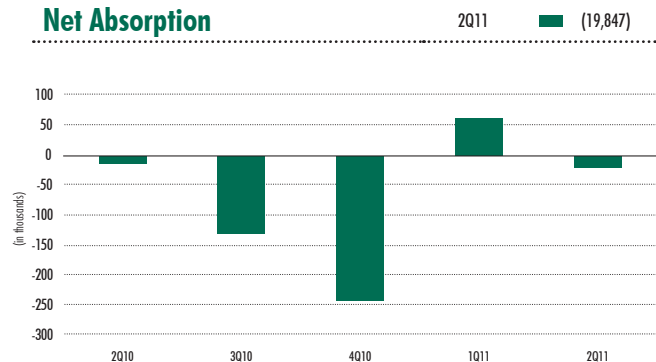
The North Orange County submarket holds the lowest vacancy rate at 3.5%, well below the county average. The vacancy level in the Central Coast also fell below the overall average at 3.6%. Central and South Orange County both possess similar levels at 4.8% and 4.7%, respectively. At 5.2%, West Orange County's vacancy rate is the highest among the submarkets which is mainly due to the 8.6% vacancy level of its community centers. Of all the retail center types in the County, specialty centers continue to track the highest vacancy level at 5.8%, while power centers continue to hold the lowest vacancy rate of 2.1%.

### Average Asking Lease Rates



In the second quarter, the average asking lease increased by two cents to \$2.46 per square foot. This recent rise places asking rents less than 1% above last quarter, yet nearly 3% under levels seen at the beginning of last year. Central Coast exhibits the widest range of lease rates, from a low \$1.75 per square foot to a high \$6.00 per square foot for specialty and strip centers. Once near the \$4.00 mark, specialty centers in Orange County continue to command the highest average asking lease rate at \$3.46 per square foot, which is down significantly from \$3.52 recorded just one quarter ago.

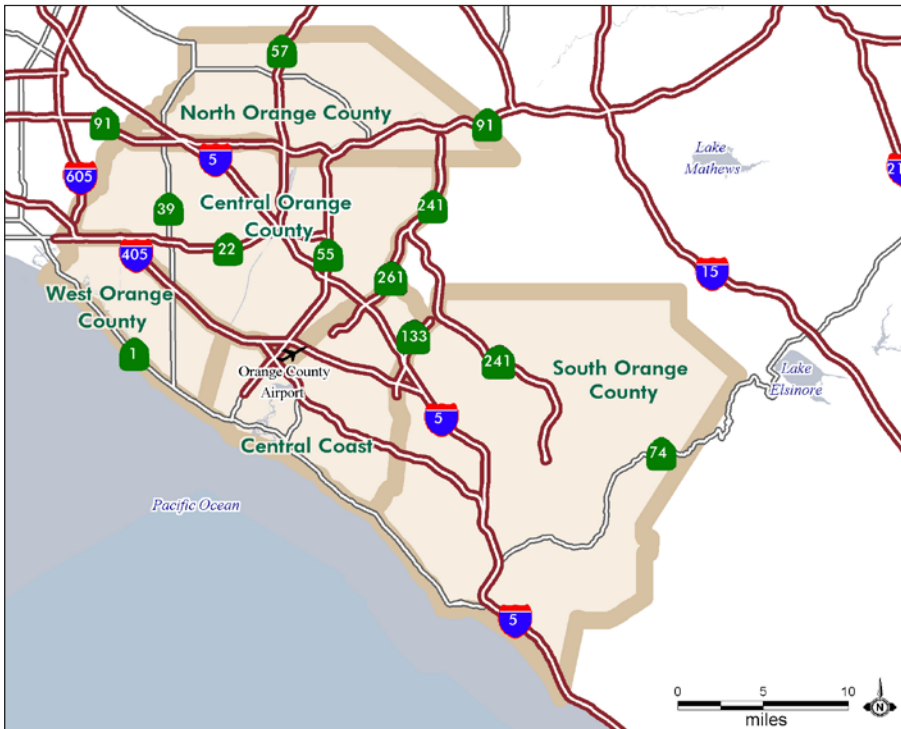
### Net Absorption



Although there has been renewed tenant demand, the second quarter experienced a slowdown driven by cautious consumer spending. In the second quarter, 19,847 square feet of negative net absorption was recorded, offsetting the positive absorption that had occurred in the first quarter and adjusting the year-to-date total to 43,157 square feet of positive net absorption. The bulk of the quarter's negative absorption was seen in the Central Orange County submarket which recorded 40,587 square feet of negative net absorption, while the Central Coast followed with 26,461 square feet of negative net absorption. West and North Orange County recorded a 35,787 and 10,217 square feet of positive net absorption, respectively. South Orange County experienced a relatively flat quarter with a total of 1,197 square feet of positive net absorption.

# MarketView Orange County - Retail

## Submarket Map



## Retail Market Area Descriptions

### North Orange County

92 shopping centers totaling 15.2 million square feet in the cities of Brea, Fullerton, La Habra, Placentia, Yorba Linda and portions of Anaheim and Buena Park.

### Central Orange County

190 shopping centers totaling 29.0 million square feet in the cities of Cypress, Garden Grove, La Palma, Los Alamitos, Orange, Santa Ana, Stanton, Tustin and portions of Anaheim, Buena Park, Fountain Valley and Westminster.

### West Orange County

72 shopping centers totaling 9.8 million square feet in the cities of Huntington Beach, Seal Beach and portions of Fountain Valley and Westminster.

### Central Coast

70 shopping centers totaling 13.4 million square feet in the cities of Corona del Mar, Costa Mesa, Irvine and Newport Beach.

### South Orange County

120 shopping centers totaling 17.7 million square feet in the cities of Aliso Viejo, Dana Point, Foothill Ranch, Lake Forest, Laguna Beach, Laguna Hills, Laguna Niguel, Mission Viejo, Rancho Santa Margarita, San Clemente and San Juan Capistrano.

## 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, Ste. 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.

### Average Asking Lease Rate

The rate determined by multiplying the asking Net Lease rate for each building in the summary by its associated available space, summing the products, then dividing by the sum of the available spaces with gross lease rates for all buildings in the summary. Direct leases only; excludes sublease space.

### Gross Leaseable Area (GLA)

The total leaseable area in the property designed for tenant's occupancy.

### Net Absorption

The change in Occupied Space Square Feet from one period to the next. Positive absorption is reflected when a lease is signed, which may not coincide with the date of occupancy.

### Net Leases

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property including utilities, insurance and/or maintenance expenses.

### Occupied Square Feet

Space Square Feet not considered Vacant

### Shop Space

The total leaseable area in the property excluding anchor tenants.

### Under Construction

Buildings which have begun construction as evidenced by site excavation or foundation work.

### Vacancy Rate

Vacant Space Square Feet divided by the total shop space.

### Vacant Square Feet

Portion of Available Square Feet which is either physically vacant or immediately available. Includes Subleases.

### Normalization

Due to a reclassification of the market, the base, number and square footage of buildings for previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the MarketView, please contact:

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