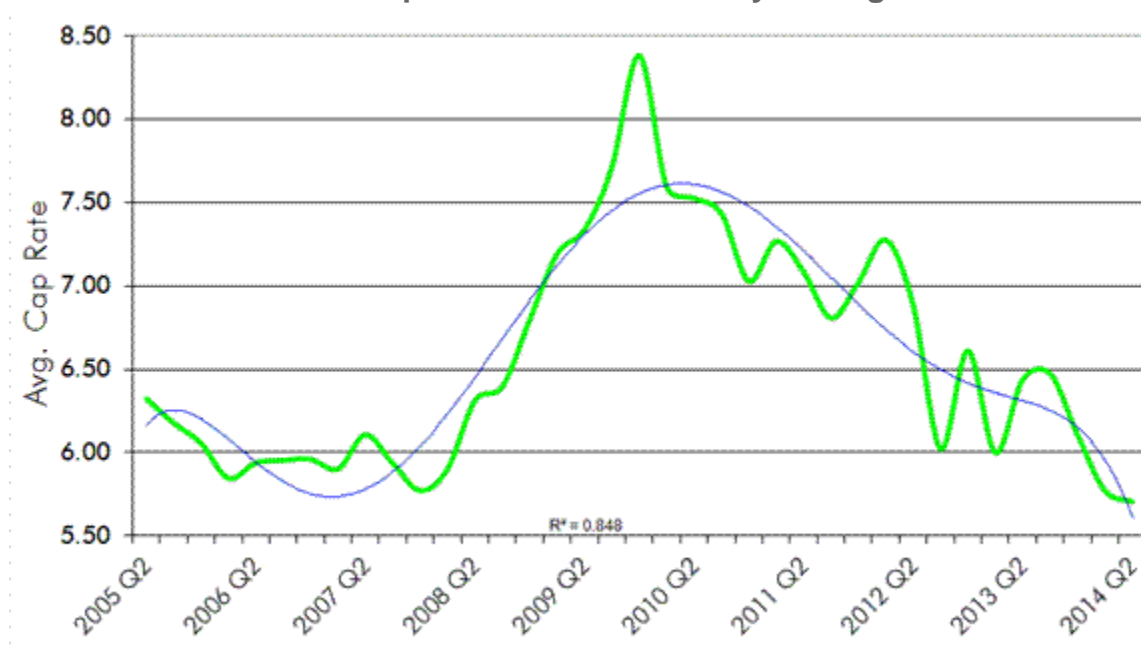




Retail Cap Rates Trend Down for Third Straight Quarter

Southern California retail capitalization rates for sales closing in the second quarter decreased for the third straight quarter to 5.70%, a drop of 7 basis points (bp), from 5.77% in the first quarter. Albeit a smaller decrease than in past quarters, the further reduction in cap rates is due to increased activity among competing investors with large amounts of capital, according to real estate professionals and investors. The data is from the CBRE Valuation & Advisory Services (VAS) database from 2005 through Q2 2014.

Southern California Retail Cap Rate Trend - Quarterly Average



Source: CBRE Valuation

Polynomial Trend Line

Inland Empire Centers Sell

There were a large number of neighborhood, community, and strip center transactions during the second quarter in the Inland Empire, including the sale of Rancho Temecula Town Center in Temecula (\$60MM), Lakeside Terrace Center in Moreno Valley (\$18MM), Canyon Springs Plaza in Riverside (\$16.8MM), and Montclair Town Center in Montclair (\$15.88MM). In general, cap rates for these centers ranged from 5.75% to 7.4%.

The number of single-tenant, net-leased transactions, including ground lease purchases, remained high for the fourth straight quarter with private investors purchasing properties with stable cash flow at very low yields. These low yields were a large part in reducing the overall cap rate average. In general, cap rates for these net lease deals ranged from 3.85% to 6.5%.

The largest shopping center transaction of the quarter (in terms of price) was that of Malibu Village at the corner of Pacific Coast Highway and Cross Creek Road in Malibu. Jamestown

Southern California Retail Cap Rate Trend - Quarterly Average

	2012		2013			2014		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	6.02	6.61	6.00	6.44	6.47	6.11	5.77	5.70
Chg BP	-86	59	-61	44	3	-36	-34	-7

Source: CBRE

Retail For Sale

Market	Average Cap Rate	Total Asking Price \$/M	# of Properties
Los Angeles	5.93%	\$434	19
San Diego	5.51%	\$72	5
Orange	6.71%	\$28	2

purchased the property from Dune Real Estate Partners for a reported \$120 million. The center contains approximately 50,500 SF and tenants include Sephora, Wells Fargo Bank, True Religion, Banana Republic, and Levi's.

<u>Inland Empire</u>	<u>6.92%</u>	<u>\$272</u>	<u>19</u>
Total/Avg	6.28%	\$806	45
Properties over 50,000 SF			

Looking Ahead

Southern California retail listings have an average asking cap rate of 6.28%, a decrease from 6.42% last quarter. We found 45 centers (down from 50 last quarter) over 50,000 SF for sale, of which 26 had asking cap rates. The listings total approximately \$806 million in volume. This survey does not take into account un-priced offerings.

CBRE

RETAIL VALUATION GROUP (RVG)

The CBRE [Retail Valuation Group](#) (RVG) includes our most senior appraisers with significant experience in retail valuation. Contact us for more information or an appraisal quote. Please contact [Daniel Sydor](#) with any questions on this report.

Daniel J. Sydor
Senior Appraiser
Retail Valuation Group
+1 949 725 8514
daniel.sydor@cbre.com



Josh Stude, MAI
Vice President
Retail Valuation Group
+1 949 725 8421
josh.stude@cbre.com



Sean M. Crosby
Vice President
Retail Valuation Group
+1 213 613 3092
sean.crosby@cbre.com



Richard West, MAI, MRICS
Senior Managing Director
National RVG Leader
+1 213 613 3344
richard.west@cbre.com



WEB LINKS

[Retail Valuation Group Site](#)
[National Retail Cap Rate Report Q2 2014](#)

CBRE