

THE MARKETS

THE LATEST SALES AND LEASING DATA FOR PROPERTY TYPES AND MARKETS ACROSS THE STATE

How's business?

"Transaction volume in the Inland Empire has decreased during the third quarter in response to the rapidly changing and very challenging economic environment. Asking prices are continuing to fall as sellers attempt to capture the attention of fewer buyers. Most active buyers have raised their return requirements 50 to 150 basis points when evaluating opportunities in the region. This is partially in response to the tighter lending environment and decrease in buyer competition. Watch for additional downward pressure on values as shopping center vacancies increase due to tenants closing their stores. Although the Inland Empire is experiencing challenging times, it has historically rebounded faster and stronger than other areas of Southern California."

— Edward B. Hanley, president, Hanley Investment Group Real Estate Advisors, Irvine



"I think vacancy and rent growth are slowing down with the economy. Leasing is getting to be more challenging as we go forward. We're seeing vacancies increase, and lease rates are starting to tick down to keep spaces leased."

"In times like these price sells real estate, and everybody's looking for a deal. I don't think there's a lot of product moving because there's still that disconnect. I think we're going to see more stuff on the market that's reasonably priced if it gets into trouble."

"We're coming into our slowest time of the year — the holidays — when the industry goes kind of flat. We're all trying to finish what's on our plates before the end of the year. We're working twice as hard to make half the deals."



— Randy Dalby, senior associate, Lee & Associates, Carlsbad

"Orange County is definitely going to see the same kind of recessionary issues that affect other areas. But I do think our strong demographics and population will lessen the effect, as opposed to the outlying areas of the Inland Empire that have seen a lot of new retail development in the last several years, where perhaps residential hasn't completely caught up."

"That's not the case in Orange County. Orange County has a fairly mature residential base. Other than the Marine bases, there's just not a lot more land to build any more homes. The retail that exists, by and large, already has rooftops around it with very good demographics."

— Chris Hite, president, Coreland Cos., Tustin

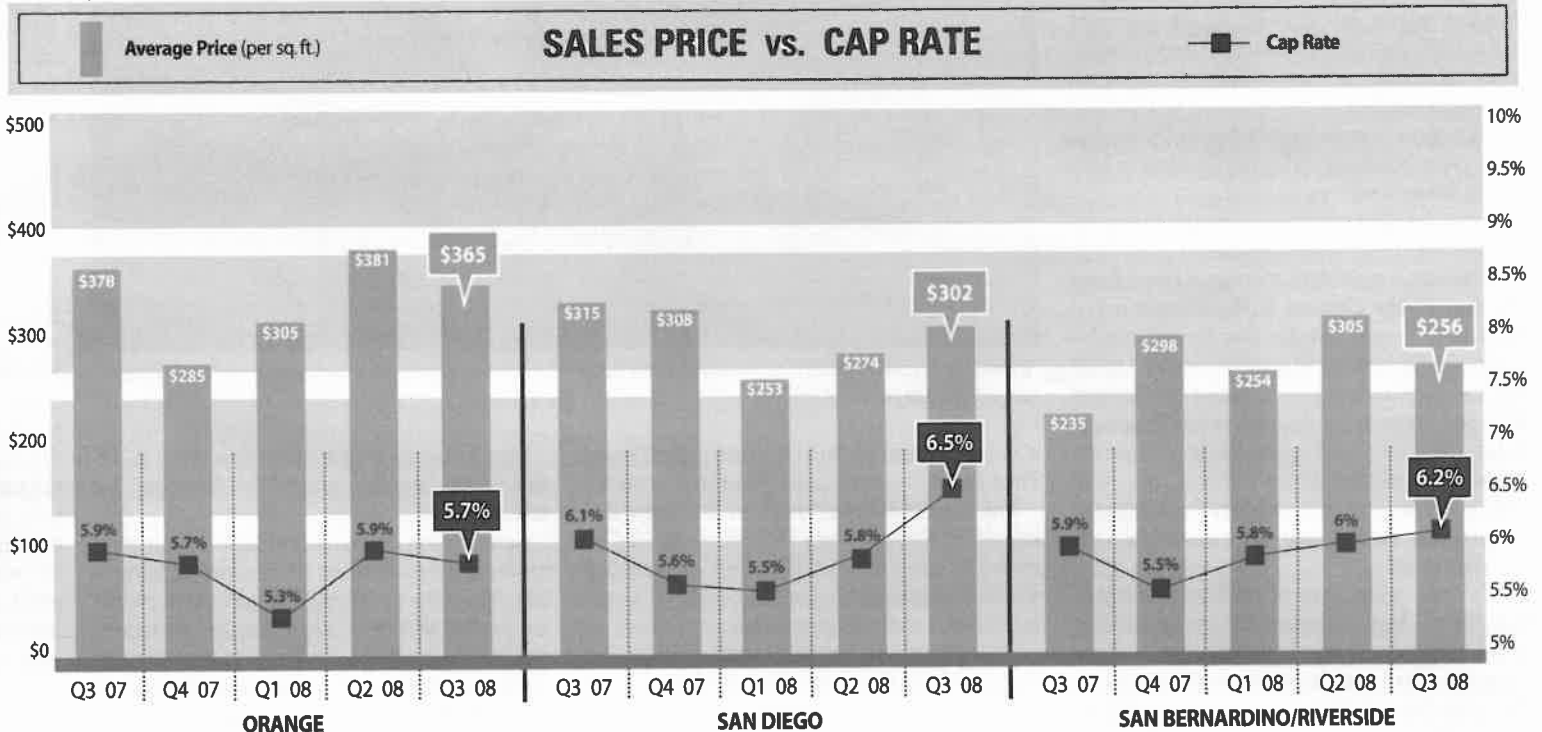


— Interviews by Kari Hamanaka, Mandy Jackson and Julie Nakashima.
— Charts by Maliha Jafri.

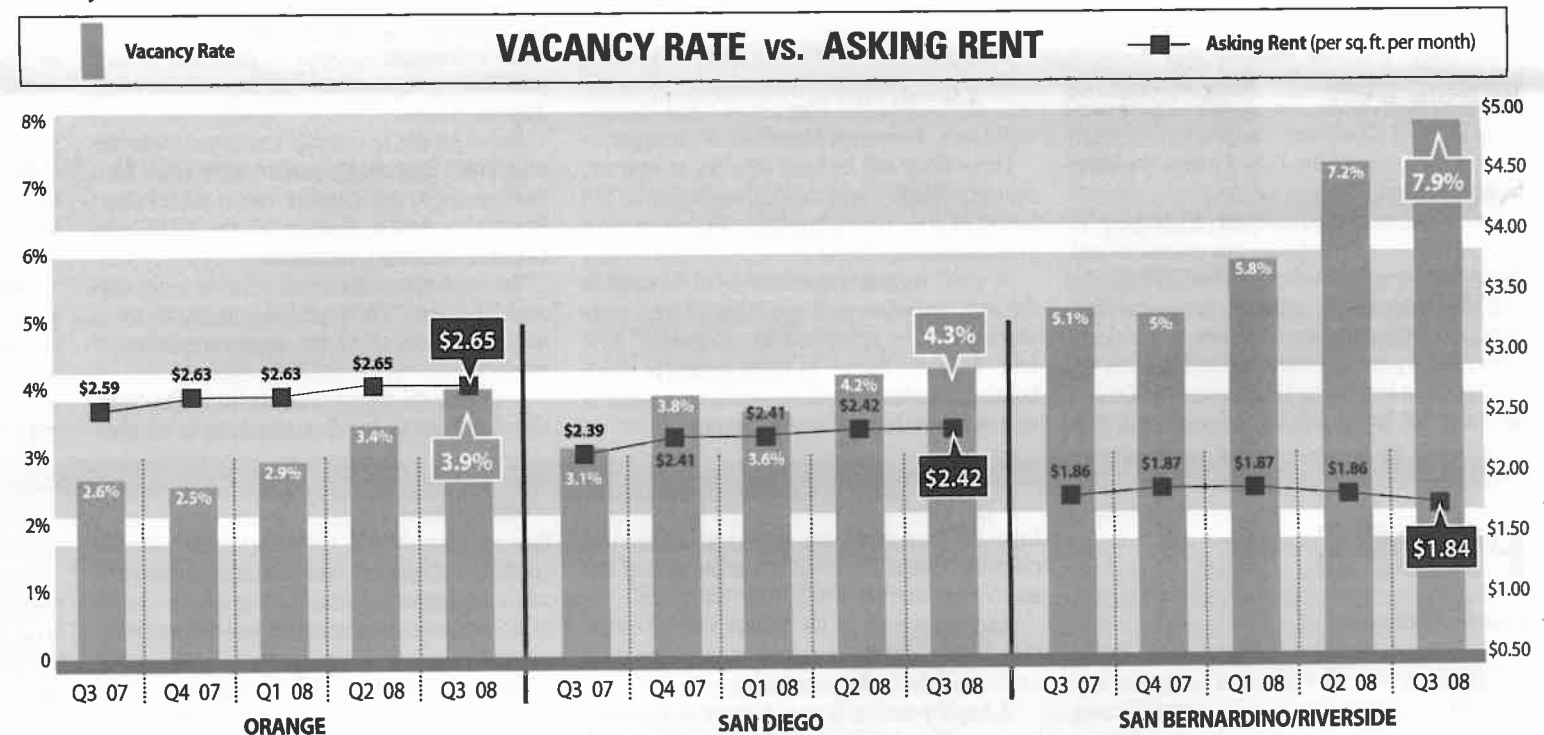
RETAIL PROPERTIES | ORANGE, SAN DIEGO AND SAN BERNARDINO/RIVERSIDE COUNTIES

Third Quarter 2008

Data by CoStar Group Inc.



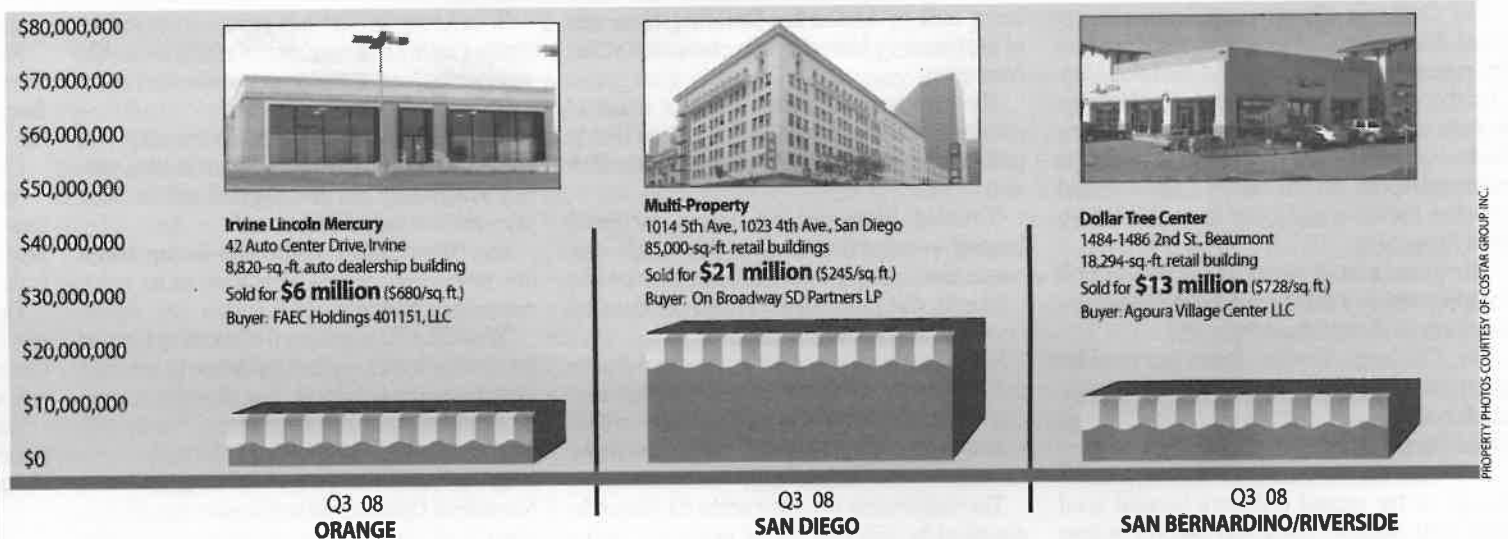
Data by Reis Inc.



Data by CoStar Group Inc.

MARKET'S TOP SALE*

*The largest outright sale of the quarter in its market. Other sales may have involved larger buildings or higher sales prices, but those transactions involved partial interest or other complications.



NEXT: INDUSTRIAL/NORCAL