

How's business?

"Business continues to be really good. Based on the feedback I'm getting, I believe the confidence level is pretty high this year. The reason for that is the interest rate on the 10-Year Treasury is still pretty low. It's lower than mid- and end of last year, so that helps the market a lot.

"The demand in Orange County continues to be high. The market is extremely tight. If the property is priced right, regardless of whether it's an A, B or C property or location, it's sellable in a very short period of time. There are multiple offers on one property and oftentimes the offer comes in at full price or close to the full price, and if they find the value to be there, it will go over the asking price."

— **Mehran Foroughi, senior vice president, Sperry Van Ness, Irvine**

"The interesting thing is that interest rates have not risen, which has allowed cap rates to stay pretty low.

"Right now there is a lot of activity in the marketplace, still a lot of new development and redevelopment opportunities to keep a lot of deals flowing throughout the Inland Empire, specifically.

"The other key has been the lease rates. Although not as robust as they've been the past 24 months, they've continued to stay very strong, which has allowed developers to continue to hit their development thresholds."

— **Eric L. Werner, senior associate, Hanley Brown Group, Irvine**

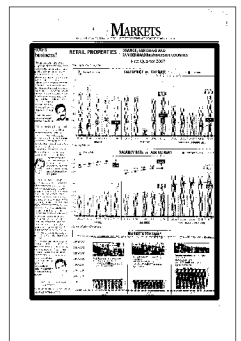
"The retail market in San Diego County is very strong. The demand for space from tenants is very high. We have limited space, because what we're seeing in the market is a 2.5 percent vacancy rate countywide. Due to the limited availability, tenants are having to look for creative solutions and alternative sites. San Diego is a targeted market, where we have everyone from the big boxes to the smaller

service tenants looking to come here. So, for tenants to come in and get enough market presence is a challenge. They won't be able to open 10 stores in the first year from South County to North County.

"Part of the imbalance in supply and demand has to do with the lack of construction in San Diego County. Only 1.7 million square feet is under construction and it's primarily in the far reaches of the county, in Chula Vista and southwest Riverside County.

"On the investment side, San Diego has now become one of the top markets in the nation. The result has been a huge amount of capital focused on San Diego commercial real estate, with a limited amount of properties that actually come on the market. It has kept cap rates compressed and pricing very aggressive."

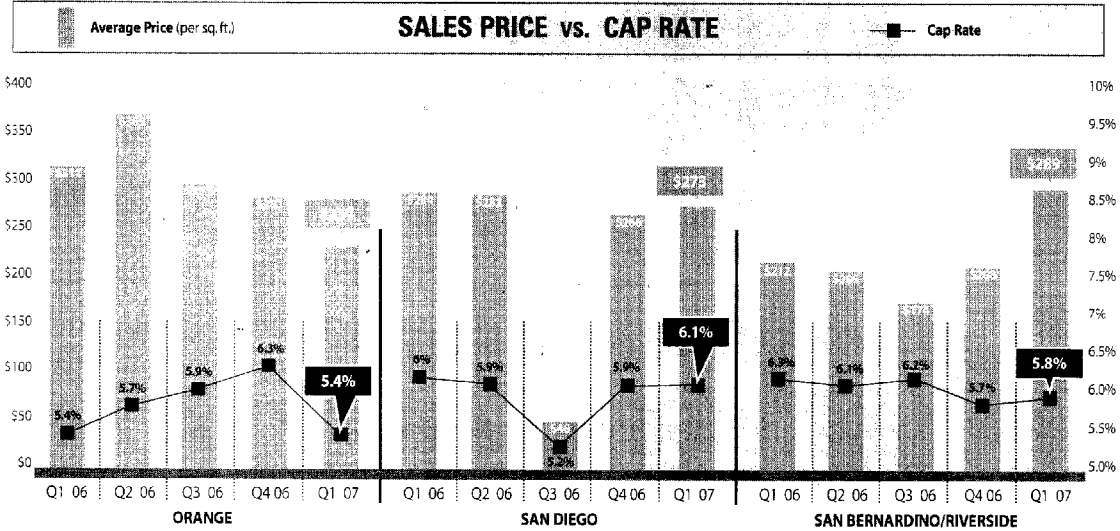
— **Nick Alford, associate vice president, Burnham Real Estate, San Diego**



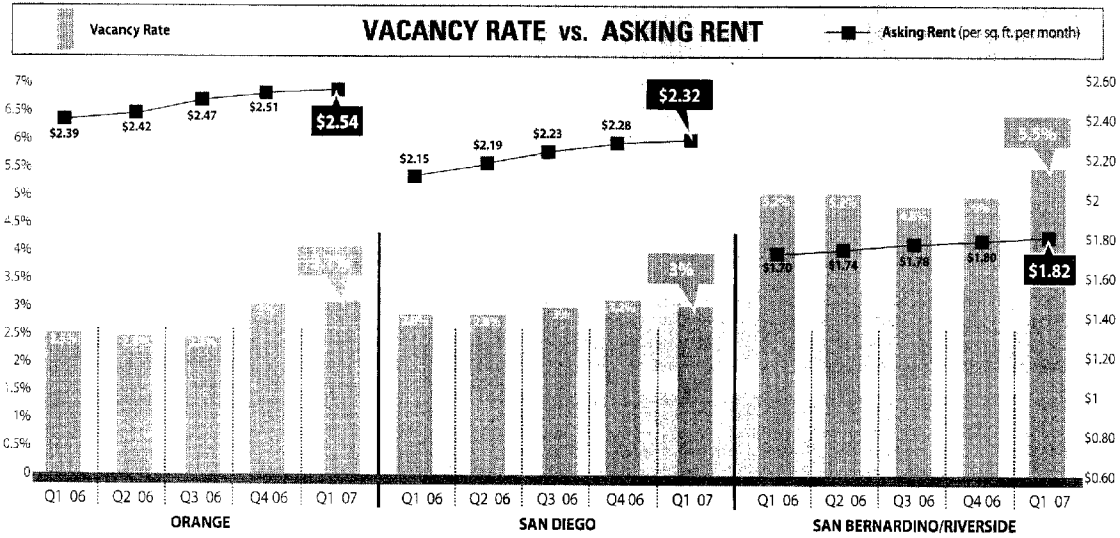
RETAIL PROPERTIES | ORANGE, SAN DIEGO AND SAN BERNARDINO/RIVERSIDE COUNTIES

First Quarter 2007

Data by CoStar Group Inc.



Data by Reis Inc.



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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.

County	Property Name	Address	Sale Price	Price per sq. ft.	Buyer
ORANGE	Euclid Plaza	601-697 N. Euclid St., Anaheim	\$32.25 million	\$244.60/sq. ft.	C&Z Partners-Euclid LLC
SAN DIEGO	BeachWalk Center	437 S. Highway 101, Solana Beach	\$28.05 million	\$530.50/sq. ft.	The Muller Co.
SAN BERNARDINO/RIVERSIDE	Crossroads Marketplace	12945-13225 Peyton Drive, Chino Hills	\$73.5 million	\$278.67/sq. ft.	Lakha Investments