

### QUICK STATS

	Current	Change from last	
		Yr.	Qtr.
Vacancy	5.71%	↑	↑
Lease Rates	\$1.91	↑	↑
Net Absorption*	1.1 M	↑	↑
Construction Completions	1.7 M	↑	↑

\* 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

- Overall net absorption increased to 1.3 million sq. ft. in the second quarter of the year compared to negative ±213,304 sq. ft. posted in the first quarter.
- Despite a recent increase, vacancy levels remain below 6%.
- 1.7 million sq. ft. of new construction was delivered to the market, which includes Shoppes at Chino Hills and Canyon Crossings.
- In contrast to a decline in the first quarter of the year, average asking rates rose nine cents to end the second quarter at \$1.91 per sq. ft.

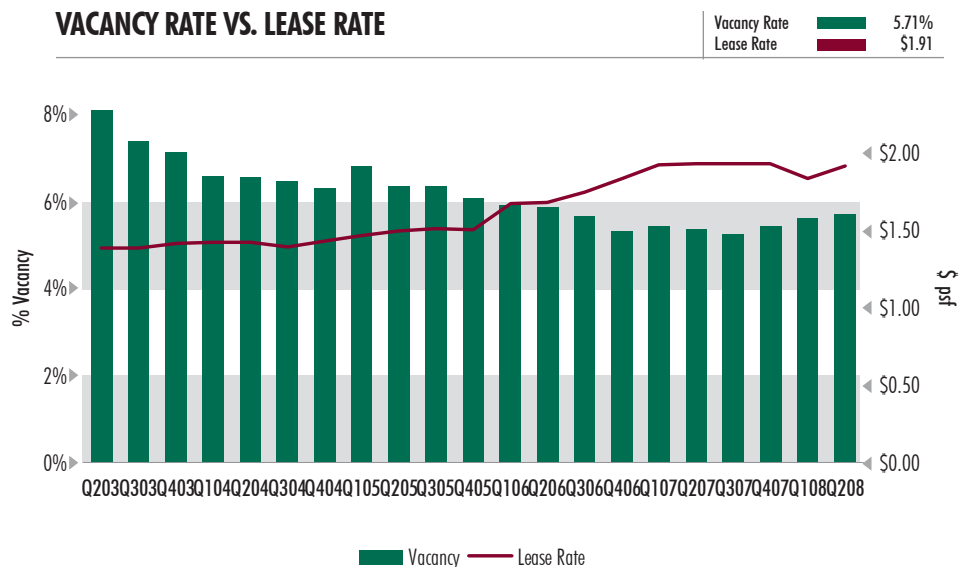
In the midst of rising costs for fuel and energy and the sluggish housing and stock markets, the Inland Empire retail region remained relatively stable during the second quarter 2008. The geographic area comprised of Riverside and San Bernardino counties added 1.7 million sq. ft. of new construction to the existing base while also experiencing a positive 1.3 million sq. ft. of absorption. Vacancy rates for the entire region rose slightly as did average asking lease rates. The recent increases in rates are partially due to the completion of new projects such as The Shoppes at Chino Hills & Canyon Crossings. The amount of projects currently in the construction phase decreased to 6.8 million sq. ft. while Landlords are giving more consideration to the timing of new development projects.

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Recent reports show an upswing in consumer spending during the second quarter 2008, a direct result of the economic stimulus checks sent to taxpayers, producing better than expected results in the month of May which helps to prove that consumers are spending the rebates sooner than previously expected. The US Chamber of Commerce reported sale increases at gasoline stations, building supply stores and non-store retailers. Consumers are spending more cautiously and paring down on non-essential goods.

Power Centers in the Inland Empire reported the highest amount of absorption; which supports prior reports stating location as a critical component to attracting and retaining strong tenants and stable rents.

### VACANCY RATE VS. LEASE RATE



Submarket Names	Building SF	Vacancy Rate (%)	2Q 2008 Net Absorption SF	Under Construction SF	Avg. High Asking NNN \$/PSF/MTH
EAST END	37,474,634	7.50%	569,326	1,416,537	\$1.90
HIGH DESERT	7,436,301	1.92%	20,022	1,458,000	\$1.75
LOW DESERT	12,982,092	4.79%	324,125	1,913,704	\$2.48
SO. RIV COUNTY	16,206,202	5.00%	18,474	1,118,541	\$2.01
WEST END	28,044,117	5.18%	352,789	932,766	\$2.13
<b>Market Total</b>	<b>102,143,346</b>	<b>5.71%</b>	<b>1,284,736</b>	<b>6,839,548</b>	<b>\$2.06</b>

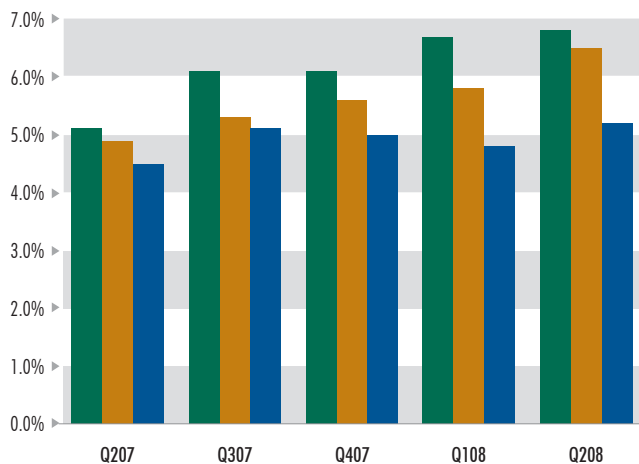
## MARKET OUTLOOK

“I would say that in this challenging market with worries about foreclosures, gas prices, stock market and employment; the Inland Empire is still seeing market activity, though slower, in every sector from small shops to anchor tenants. Proposed shopping centers are not dying, they are just getting delayed as it is common knowledge that the residential market will pick up again and the proposed developments will be well placed when the time is right.”

—Tom Swieca, Senior Vice President

## UNEMPLOYMENT RATE

Inland Empire 6.8%  
 California 6.5%  
 United States 5.2%



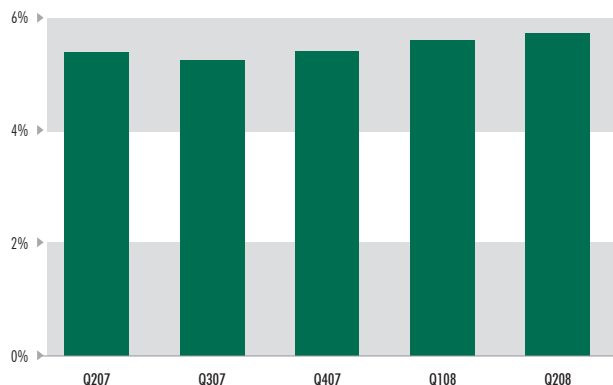
The unemployment rate for the Inland Empire increased slightly by 10 basis points from 6.7% in the previous quarter to 6.8% at the end of second quarter 2008. The nation posted an unemployment rate of 5.2% at the end of second quarter 2008, while the State of California declared a rate of 6.5%.

The retail sector, generally a strength for the Inland Empire, experienced a loss of 400 jobs. While recent reports indicate a rise in retail unemployment, the amount of jobs in the retail sector remains 700 positions above the rate posted five years prior. A sluggish housing market, rising energy prices and cautious consumers are all major contributors to the area’s current unemployment rate.

Source: California Economic Development Dept. US Bureau of Labor Services  
 \* IE is not seasonally adjusted  
 \*\* CA & US are seasonally adjusted  
 \*\*\* CA and IE numbers reflect January & February, the most current data available from EDD

### VACANCY RATE

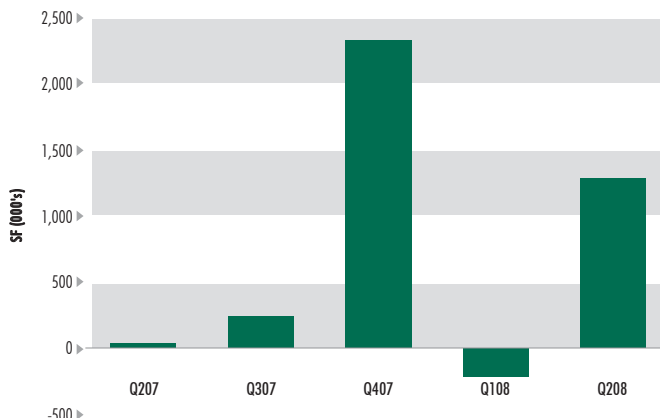
Vacancy █ 5.71%



Vacancy rates continue to rest below 6%, with the second quarter exhibiting a 5.71% vacancy rate. The latest rate represents a 2% increase from the prior quarter, generally due to newly constructed product which contains some vacant space. The East End, South Riverside County and West End submarkets posted increased rates, while the High and Low Desert submarkets experienced a decline in vacancy rates. All center types: Community, Neighborhood, Power, Specialty, Strip, Free-Standing and Regional experienced increased rates with Strip centers posting the highest rate of 14.23% and Specialty centers exhibiting the lowest rate of 1.30%.

### NET ABSORPTION

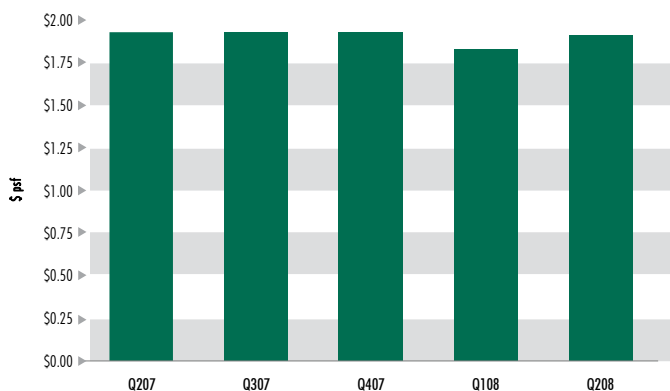
Net Absorption █ 1,284.74



The second quarter of the year demonstrated an increased demand for Inland Empire retail space by posting a positive 1.3 million square feet of net absorption. Collectively, all submarkets in the Inland Empire region posted positive absorption rates with the East End, Low Desert and West End submarkets posting the highest rates all above 300,000 square feet. In turn, Power Centers experienced the highest amount of demand with 1.0 million square feet of absorption posted at the end of the first half of 2008. Strip and specialty centers both experienced an increase in the amount of space delivered back to the market by posting a negative 57,283 square feet and 15,222 square feet respectively.

### AVERAGE ASKING LEASE RATE

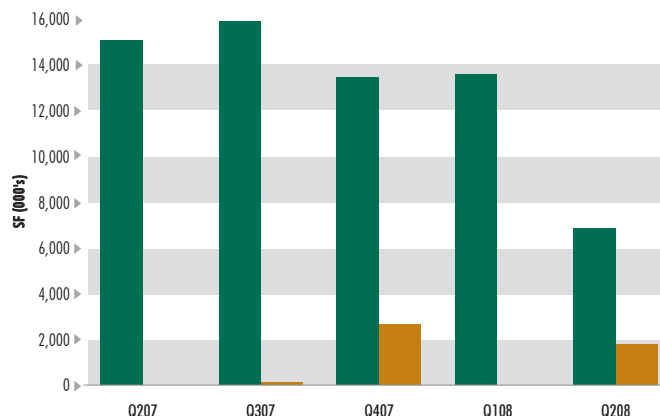
Average Asking Lease Rent █ \$1.91



Average asking rates in the Inland Empire increased \$.08 to end the quarter at \$1.91 per square foot. At a time when many Landlords may lower asking rates or offer incentives to attract tenants, newly completed projects recently delivered to the market help propel the region's overall rental rate. The Low Desert and West End submarkets reported the highest rate of \$2.48 per square foot and \$2.06 per square foot, respectively, while the East End ended the quarter with the lowest rate of \$1.68 per square foot. Power Centers hold the highest average asking rate at \$2.27 per square foot.

### CONSTRUCTION ACTIVITY

Under Construction █ 6,839.55  
Completed Construction █ 1,738.58

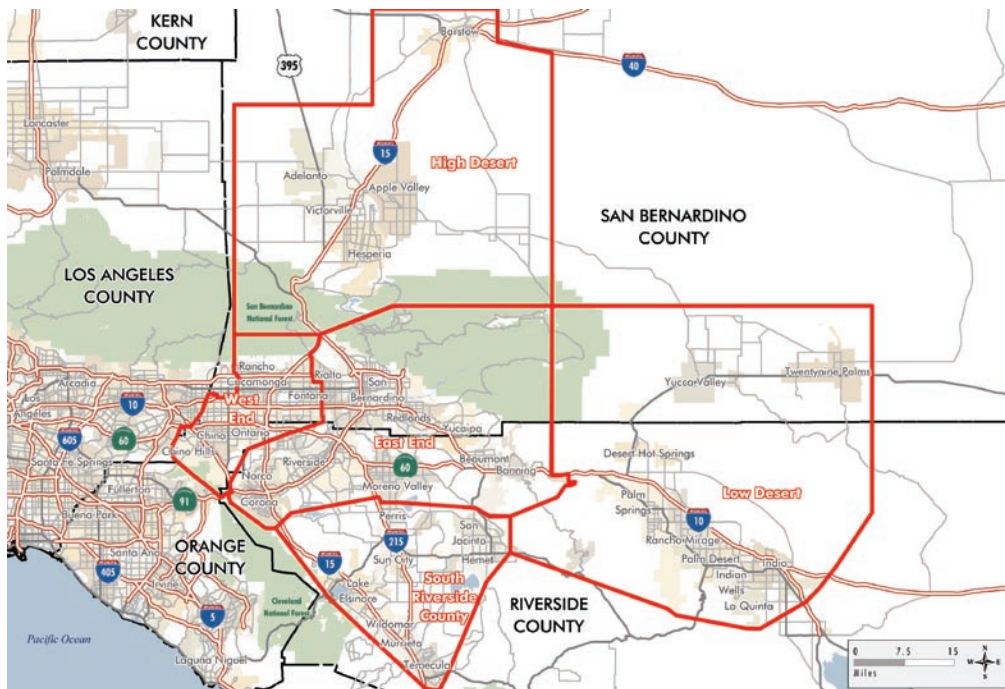


Second quarter witnessed the completion of 1.7 million sq. ft. of retail space. Of the recent completions, one of the most notable projects is the Shoppes at Chino Hills. This ±375,000 sq. ft. lifestyle center rosters a strong tenant base with the Yard House, Trader Joe's, H & M and Barnes & Nobles among the successful tenant mix. Another notable project recently delivered to the market is the Canyon Crossings project in Riverside. With a similarly impressive tenant mix, Canyon Crossings is home to Chapman College and John's Incredible Pizza. Developments that were once considered under construction have been paused and moved to the proposed phase in hopes that the market's condition improves. The aforementioned is demonstrated via the 6.8 million sq. ft. of product currently in the construction phase at the end of the second quarter in comparison to the whopping 13.5 million sq. ft. of construction in the prior quarter.

**TOP INLAND EMPIRE LEASE TRANSACTIONS**

Size (SF)	Tenant	City
120,656	Play N Trade	Moreno Valley
77,243	Burlington Coat Factory	Murrieta
37,906	California Do-It Center	Lake Elsinore
20,880	Forever 21	Chino Hills
14,820	Walgreens	Calimesa
10,000	Beverage & More	Corona

**INLAND EMPIRE SUBMARKET MAP**



**INLAND EMPIRE SUBMARKET DESCRIPTIONS**

**EAST END**

Includes Banning, Beaumont, Big Bear, Big Bear Lake, Blue Jay, Cabazon, Calimesa, Colton, Corona, Eastvale, Highland, Lake Arrowhead, Loma Linda, Mira Loma, Moreno Valley, Norco, 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, Fontana, Montclair, Ontario, Rancho Cucamonga, and Upland.

**AVERAGE ASKING LEASE RATE**

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

**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.

**MARKET COVERAGE**

Includes all competitive retail buildings 10,000 square feet and greater in size.

**NET ABSORPTION**

The change in occupied square feet from one period to the next.

**BUILDING AREA**

Total floor area of the building, typically taken at the "drip line" of the building.

**OCCUPIED SQUARE FEET**

Building area not considered vacant.

**UNDER CONSTRUCTION**

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

**AVAILABLE SQUARE FEET**

Available Building Area which is either physically vacant or occupied.

**AVAILABILITY RATE**

Available Square Feet divided by the Net Rentable Area.

**VACANT SQUARE FEET**

Existing Building Area which is physically vacant or immediately available.

**VACANCY RATE**

Vacant Building Feet divided by the Net Rentable Area.

**NORMALIZATION**

Due to a reclassification of the market, the base, number and square footage of buildings of 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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