

CALIFORNIA PATIO & PAYLESS SHOES

PALM DESERT, CA

Marcus & Millichap
Real Estate Investment Services



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CALIFORNIA PATIO & PAYLESS SHOES

PALM DESERT, CA

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CALIFORNIA PATIO & PAYLESS SHOES

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Income & Expenses

Gross Leasable Area (GLA)	7,602 SF		
		CURRENT	PER SF
Base Rent			
Occupied Space		\$190,056	\$25.00
GROSS POTENTIAL RENT		\$190,056	\$25.00
Expense Reimbursements			
Total Expense Reimbursements		43,269	5.69
Total Expense Reimbursements		\$43,269	\$5.69
GROSS POTENTIAL INCOME		\$233,325	\$30.69
EFFECTIVE GROSS INCOME		\$233,325	\$30.69
Total Expenses		\$43,269	5.69
NET OPERATING INCOME		\$190,056	\$25.00

PRICING & FINANCIAL ANALYSIS

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Tenant Summary

Suite	Tenant	GLA	% of GLA	Lease Commence	Lease Expire	Annual Rent	Rent/ SF	Changes On	Changes To	Expense Reimbs.	Other: Options/ % Rent	Lease Type
A	California Patio	4,789	63.00%	10/01/10	01/31/16	\$88,788.00	\$18.54	02/01/13	\$91,452.00	\$27,585.00	Two 5-Yr	NNN
								02/01/14	\$94,195.00			
								02/01/15	\$97,020.00			
B	Payless Shoes*	2,813	37.00%	04/03/08	04/30/18	\$101,268.00	\$36.00	05/01/12	\$104,306.00	\$15,684.00	One 10-Yr	NNN
								05/01/13	\$107,435.00			
								05/01/14	\$110,658.00			
								05/01/15	\$113,978.00			
								05/01/16	\$117,397.00			
								05/01/17	\$120,919.00			
TOTAL VACANT												
TOTAL OCCUPIED		7,602	100.00%			\$190,056.00				\$43,269.00		
TOTAL		7,602	100.00%			\$190,056.00				\$43,269.00		

PRICING & FINANCIAL ANALYSIS

COMMENTS

*Payless Shoes has elected to close this location and this unit will be vacant at the close of escrow. The closure of the store does not relieve Payless from any of its obligations under the lease and the rent will be guaranteed by corporate for the remainder of the term.

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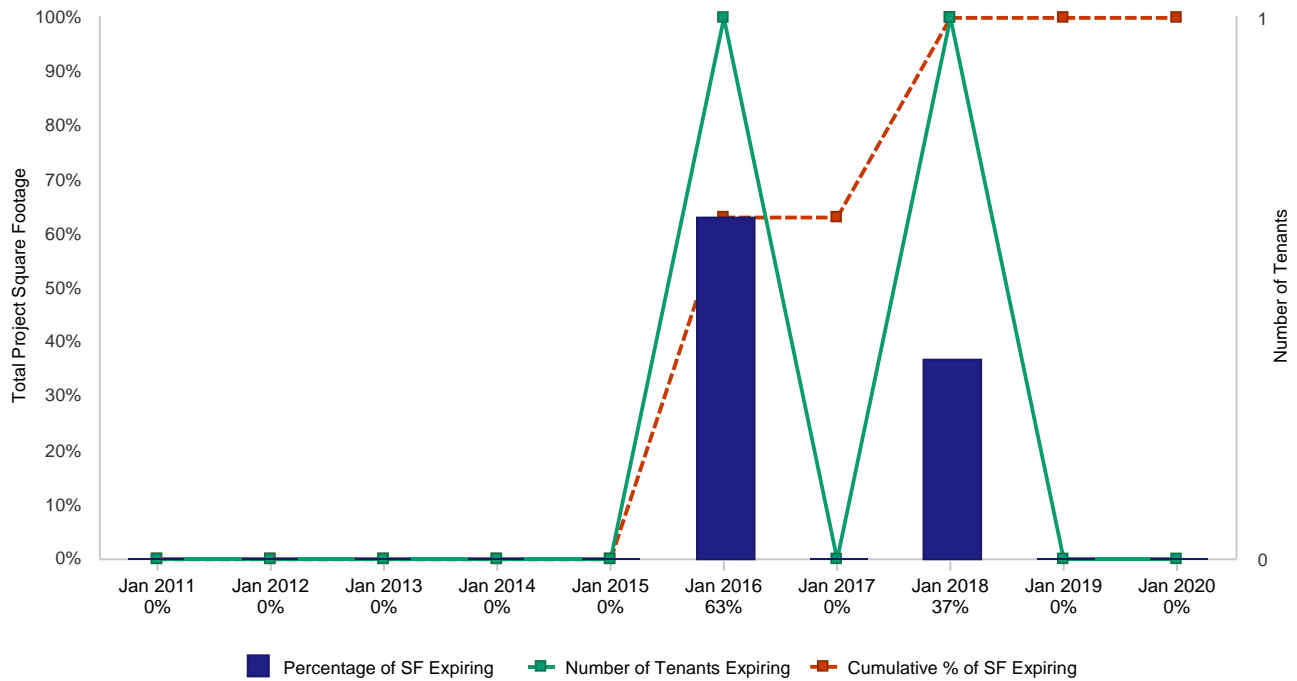
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Lease Expiration Summary

For The Year Beginning	Year 1 Jan 2011	Year 2 Jan 2012	Year 3 Jan 2013	Year 4 Jan 2014	Year 5 Jan 2015	Year 6 Jan 2016	Year 7 Jan 2017	Year 8 Jan 2018	Year 9 Jan 2019	Year 10 Jan 2020
Tenant(s) Name						California Patio		Payless Shoes*		
Total Number of Tenants						1		1		
Total Square Feet						4,789		2,813		
Total Percentage						63.0%		37.0%		
Cumulative Percentage						63.0%		100.0%		



Any projections, opinions, assumptions or estimates used here within are for example purposes only and do not represent the current or future performance of the property.

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CALIFORNIA PATIO & PAYLESS SHOES

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Tenant & Lease Summary



Tenant Name:	California Patio
Lease Commencement:	10/01/2010
Lease Expiration:	01/31/2016
Gross Leasable Area (GLA):	4,789
Original Term:	5 Years
Option Term:	Two 5-Year
Pro Rata Share of Project:	63%
Headquartered:	Palm Desert, CA
No. of Locations:	8
Web Site:	www.californiapatio.com

California Patio has been servicing the Southern California market with outdoor furniture and accessories since 1981. Family owned, California Patio has grown to one of Southern California's largest outdoor retailers. With eight locations: San Juan Capistrano, Encinitas, Rancho Mirage, Palm Desert, Lake Forest, La Quinta, San Marcos and Anaheim; California Patio has the resources to stock outdoor furniture from simple to spectacular. As one of the largest outdoor furniture retailers, they have the purchasing power to buy directly from the manufacturer, so they can sell at the most competitive prices.

LEASE SUMMARY

BASE RENT

Lease Years	Annual Rent	Monthly Rent	Monthly Rent/SF
1	\$86,202.00	\$7,184	\$1.50
2	\$88,788.00	\$7,399	\$1.54
3	\$91,452.00	\$7,621	\$1.59
4	\$94,195.00	\$7,850	\$1.64
5	\$97,020.00	\$8,085	\$1.69

OPTION RENT

Lease Years	Annual Rent	Monthly Rent	Monthly Rent/SF
6	\$99,930.00	\$8,327.50	\$1.74
7	\$102,928.00	\$8,577.33	\$1.79
8	\$106,015.00	\$8,834.58	\$1.84
9	\$109,195.00	\$9,099.58	\$1.90
10	\$112,470.00	\$9,372.50	\$1.96

Second 5-Year Option: Fair market rent with 3% annual increases

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Tenant & Lease Summary



*Payless Shoes has elected to close this location and this unit will be vacant at the close of escrow. The closure of the store does not relieve Payless from any of its obligations under the lease and the rent will be guaranteed by corporate for the remainder of the term.

Tenant Name:	Payless Shoes
Lease Commencement:	04/03/2008
Lease Expiration:	04/30/2018
Gross Leasable Area (GLA):	2,813
Original Term:	10 Years
Option Term:	One 10-Year
Pro Rata Share of Project:	37%
Headquartered:	Topeka, KS
No. of Locations:	4,500
Web Site:	www.payless.com

Collective Brands, Inc. (NYSE: PSS) is a leader in bringing compelling lifestyle, fashion and performance brands for footwear and related accessories to consumers worldwide. Collective Brands, Inc. includes Payless ShoeSource, focused on democratizing fashion and design in footwear and accessories through its nearly 4,500-store retail chain, with its brands Airwalk®, Champion®, SmartFit® and others.

The company was formerly known as Payless ShoeSource, Inc. and changed its name to Collective Brands, Inc. in August 2007. Collective Brands, Inc. was founded in 1956 and is headquartered in Topeka, Kansas.

S&P Rating: B+ / Outlook: Stable

LEASE SUMMARY

BASE RENT

Lease Years	Annual Rent	Monthly Rent	Monthly Rent/SF
4	\$101,268.00	\$8,439	\$3.00
5	\$104,306.00	\$8,692	\$3.09
6	\$107,435.00	\$8,953	\$3.18
7	\$110,658.00	\$9,222	\$3.28
8	\$113,978.00	\$9,498	\$3.38
9	\$117,397.00	\$9,783	\$3.48
10	\$120,919.00	\$10,077	\$3.58

One 10-year option at fair market rent with 3% annual increases

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CALIFORNIA PATIO & PAYLESS SHOES

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Financial Overview

LOCATION

34-380 Monterey Avenue
Palm Desert, CA 92211



Price	\$2,678,000
Down Payment	100.0% \$2,678,000
Gross Leasable Area (GLA)	7,602
Price/SF	\$352.28
CAP Rate - Current	7.10%
Year Built	2007
Lot Size	1.21 Acres
Type of Ownership	Fee Simple

ANNUALIZED OPERATING DATA

INCOME	CURRENT
Base Rent	
Occupied Space	\$190,056
Gross Potential Rent	\$190,056
Expense Reimbursements	43,269
Gross Potential Income	\$233,325
Effective Gross Income	\$233,325
Total Expenses	43,269
Net Operating Income	\$190,056
Total Return	7.10% \$190,056

EXPENSES

Real Estate Taxes	\$19,400
Insurance	2,000
Building Maintenance	600
Utilities	4,800
HVAC Maintenance	1,000
CAM	
Utilities	1,270
General Maintenance	100
Sweeping	783
Steam Cleaning	587
Site Coordination	587
Landscaping	2,300
Parking Lot Maintenance	195
Insurance	1,400
TOTAL CAM	\$7,222
Management Fee (% of EGI)	2.9% 6,747
Fire Alarm	\$1,500
TOTAL EXPENSES	\$43,269
EXPENSES/SF	\$5.69

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Investment Overview



PROPERTY DESCRIPTION

INVESTMENT HIGHLIGHTS

NNN Corporate Leases with Annual Three Percent Increases in the Original Terms and Option Periods

Prime Pad at the Main Entrance to the 700,000 Square Foot Desert Gateway Power Center

Traffic Counts Exceed 90,000 Cars Per Day at Interstate 10 and 33,000 Cars Per Day at Monterey Avenue

Anchored by Wal-Mart Super Center, Sam's Club, Kohl's, and Ashley Furniture

Excellent Demographics - Nearly 9,000 Households Within a Three-Mile Radius With an Average Household Income of \$97,000

Tremendous Visibility, Ingress and Egress from Monterey Avenue

Although Payless will be Vacating, the Tenant is Committed to Paying Rent Through the End of the Lease Term, B+ S&P Rated Tenant

The subject property is a 7,602 square foot retail building leased to California Patio and Payless Shoes under NNN corporate leases with annual three percent rent increases. The unit occupied by Payless Shoes will be vacant at closing however Payless will not be relieved of any of its obligations under the lease, including maintenance of the premises, and the rent will be guaranteed through the end of the lease term (04/30/2018).

Constructed in 2007, the property boasts a tremendous location at the main entrance to the 700,000 square foot Desert Gateway Power Center. Desert Gateway benefits from its superior location and draws from over 90,000 cars per day along Interstate 10 and 33,652 cars per day along Monterey Avenue. Positioned at the highly trafficked intersection of the Interstate 10 Freeway at Monterey Avenue and Dinah Shore Drive, the Desert Gateway Power Center is situated over 70 acres of land and is anchored by Wal-Mart Super Center, Sam's Club, Kohl's Department Store, and Ashley Furniture. Other major national retailers at the intersection include Costco, Home Depot, Regal Cinemas 16, Linens 'N Things, Arizona Tile and Lowe's. The high density and breadth of retail offerings at the intersection make it a "one-stop shop" for all residents in the region.

The Coachella Valley is one of the fastest-growing areas in the nation; state projections estimate the valley's population will pass 600,000 by the year 2020 and 1.1 million by 2066. In addition to its consistent population growth, the area also serves as an internationally recognized resort destination with over 100 golf resorts along with countless full service resorts/spas, therapeutic mineral hot springs, exclusive shops on El Paseo (similar to Rodeo Drive), Indian gaming with Las Vegas style slots and table games and some of the region's top entertainment venues.

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Investment Overview



PROPERTY DESCRIPTION

Palm Desert, California: It doesn't get any better than this. A thriving, year-round community with the natural beauty and recreational amenities of a resort destination. Big-city resources in a friendly, small town setting. First-class educational and health care facilities, a flourishing real estate market, abundant job opportunities, safe and clean streets, and plentiful shopping.

Palm Desert is the heart of the Coachella Valley and boasts retail, tourism, and education as its pillars. Many visitors are drawn to the city of Palm Desert for its climate, desert beauty, sparkling resorts and world-class golfing, but business is drawn to the city for its growth. With over one billion dollars in retail sales, the city of Palm Desert is the economic powerhouse of the Coachella Valley. The city of Palm Desert is also rated one of the safest cities in Southern California.

Palm Desert is located in Riverside County in the Coachella Valley, approximately 11 miles east of Palm Springs. The population was 41,155 at the 2000 census. The city was one of the state's fastest growing in the 1980s and 1990s, beginning with 11,801 residents in 1980, doubling to 23,650 in 1990, 35,000 in 1995, and nearly double its 1990 population by 2000.

A major center of growth in the Palm Springs area, Palm Desert is a popular retreat for "snowbirds" from colder climates (the Eastern and Northern US, and Canada), who swell its population by an estimated 31,000 each winter. In the past couple of years Palm Desert has seen more residents become "full-timers" (mainly from California, who have come for affordable but high-valued home prices).

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Property Photos

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Property Photos

PROPERTY DESCRIPTION



Backside of Subject Property

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Area Photos

PROPERTY DESCRIPTION



Sam's Club Located Within the Desert Gateway Power Center



Wal-Mart Supercenter Located Within the Desert Gateway Power Center

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PROPERTY DESCRIPTION

Area Maps



LOCAL MAP



REGIONAL MAP

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Aerial Site Plan



DEMOGRAPHIC HIGHLIGHTS

Population Within a 3-Mile Radius: 18,479; Average Household Income: \$97,023
Population Within a 5-Mile Radius: 82,136; Average Household Income: \$94,400
The population has increased by 268.71% since 2000.

TRAFFIC COUNTS

Intersection of Monterey Avenue & Dinah Shore Drive (Traveling All Directions): 104,027 Cars Per Day (CPD)
Interstate 10 at Monterey Avenue: Approx. 90,000 Cars Per Day

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Riverside-San Bernardino

MARKET HIGHLIGHTS

Rapid employment growth

- Employment is forecast to grow faster than the nation's rate through 2015.

Strong demographic trends

- The Inland Empire is forecast to receive more than 100,000 new households over the next five years.

Low cost of living

- Housing prices are considerably less than in neighboring metros.



GEOGRAPHY

The Riverside-San Bernardino-Ontario MSA, also referred to as the Inland Empire, is a 28,000-square mile region in Southern California comprised of San Bernardino and Riverside counties. Valleys in the southwestern portion of the region, adjacent to Los Angeles, Orange County and San Diego County, are the most populous in the MSA. These areas about the San Bernardino and San Jacinto mountains, behind which lies the high desert area of Victorville/Barstow to the north and, to the east, the low desert Coachella Valley, home of Palm Springs.



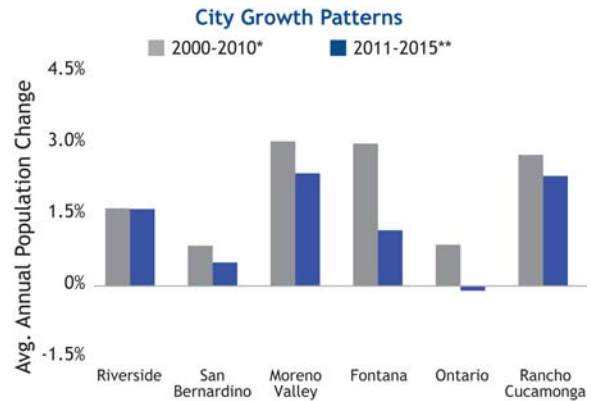
Riverside-San Bernardino-Ontario MSA

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Riverside-San Bernardino

METRO

The Riverside-San Bernardino MSA contains a population of 4.2 million. The largest city is Riverside, with 300,200 residents. Four of the six most populous municipalities are growing at a pace faster than the nation. Ontario is the only major city in the MSA which is expected to post a decline in population over the next five years.



* 2010 Estimate ** Forecast
Sources: Marcus & Millichap Research Services, AGS

INFRASTRUCTURE

Riverside-San Bernardino features three interstate freeways - I-10, I-215 and I-15 - that form a triangle around one of the region's core growth centers. Also, completion of the 210 freeway extension makes commuting to and from Rialto and San Bernardino considerably easier.

The Riverside-San Bernardino MSA has two major airports: Ontario International and Palm Springs International. The region also has a cargo dedicated facility, the Southern California Logistics Airport, located just north of Victorville in the High Desert.

Two rail lines serve Riverside-San Bernardino, and the region boasts one of the largest and most modern intermodal facilities in the nation. Amtrak provides passenger rail service, and MetroLink connects the MSA to Orange County and Los Angeles. Local transit agencies run bus service throughout the area.

Largest Cities: Riverside-San Bernardino MSA

Riverside	300,200
San Bernardino	202,200
Moreno Valley	191,400
Fontana	173,100
Ontario	172,600
Rancho Cucamonga	167,549

2010 Estimate
Sources: Marcus & Millichap Research Services, AGS

Airports

- Ontario International
- Palm Springs International
- 33 smaller airports

Major Roadways

- Interstates 10, 15 and 215
- Highways 60, 71, 91 and 210

Rail

- Freight - BNSF and Union Pacific
- Passenger - Amtrak
- Commuter - MetroLink

The Riverside-San Bernardino MSA is:

- 60 miles from Los Angeles
- 100 miles from San Diego
- 113 miles from Tijuana
- 400 miles from San Francisco

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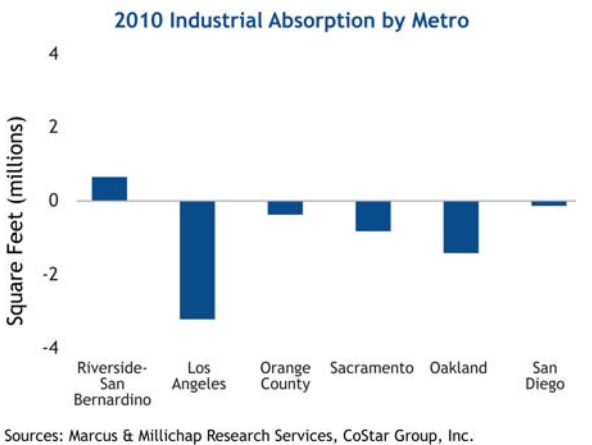
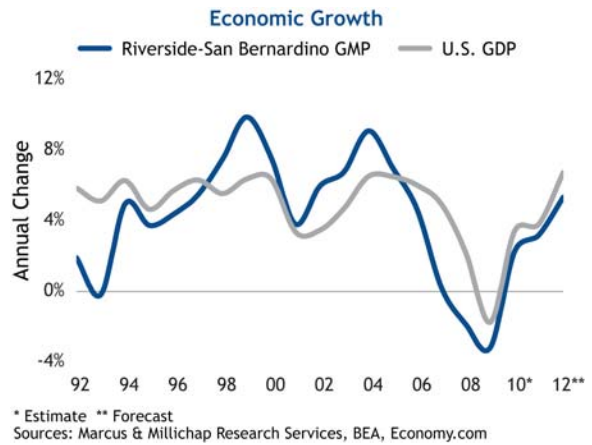
Riverside-San Bernardino

ECONOMY

The Riverside-San Bernardino MSA has one of the largest economies in the United States. While the region's economic expansion has been fueled by a number of factors, robust population growth has been the primary demand driver. Despite recent pull backs in housing costs, still-high home prices throughout much of Southern California leave residents seeking more affordable options in the Inland Empire. The resulting increase in population will continue to heighten the need for housing, retail goods, personal services and government services.

There has also been exceptional growth in wholesale trade and warehousing as the area becomes an important distribution hub for the Southwest. Riverside-San Bernardino is the premier location in the Los Angeles Basin for new distribution facilities, thanks to its large pool of experienced workers, relatively inexpensive land and highly efficient intermodal transportation system that reduces the cost of both aggregating and distributing shipments.

During the past year, Riverside-San Bernardino MSA recorded positive industrial absorption, while vacancy rose in most other industrial markets in the state. The distribution system also benefits two major cargo airports: Ontario International and the Southern California Logistics Airport in Victorville.



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Riverside-San Bernardino

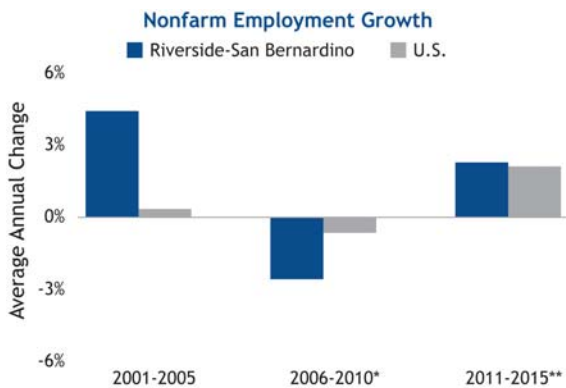
LABOR

The Riverside-San Bernardino MSA employment base contains nearly 1.1 million workers and is projected to grow at an annual average pace of 2.3 percent through 2015, ahead of the national growth rate. Traditionally, area residents who relocated from neighboring Los Angeles County or Orange County commuted to these markets for work. In recent years, though a rise in commercial development in the Inland Empire generated local jobs. As such, the job pool is becoming increasingly diverse, and many of the metro's population-serving industries are growing.

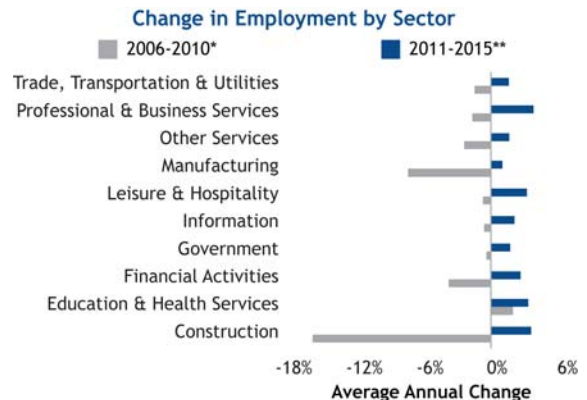
The metro's infrastructure and proximity to the Los Angeles and Long Beach ports attract companies seeking West Coast distribution hubs. As a result, the trade, transportation and utilities sector accounts for nearly 25 percent of all metro jobs. Given the area's considerable warehouse and distribution facilities, this trend is expected to persist, expanding 1.5 percent annually through 2015.

While trade and transportation will continue to account for the largest share of metro jobs, growth of over 3 percent annually is expected in the construction, education and health services, leisure and hospitality, and the traditionally high-paying professional and business services sectors over the next five years.

Additionally, Freeway improvements that make accessing the eastern part of the metro and cities including Moreno Valley, Palm Springs and Palm Desert should promote healthy employment growth in these areas in the years ahead.



* 2010 Estimate ** Forecast
Sources: Marcus & Millichap Research Services, BLS, Economy.com



* 2010 Estimate ** Forecast
Sources: Marcus & Millichap Research Services, BLS, Economy.com

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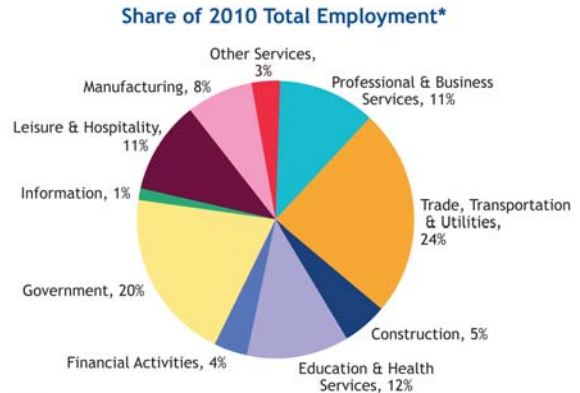
Riverside-San Bernardino

EMPLOYERS

While Riverside-San Bernardino has a significant share of large employers, most companies are small. More than 60 percent of firms in the MSA have four or fewer employees, and less than 1 percent have 250 employees or more. This emphasis on small firms encourages innovation and flexibility and is positive for the area's long-term outlook, as most of the growth taking place in the economy is occurring in the small business sector.

Government entities account for some of the largest employers in the MSA, including Fort Irwin and March Air Force Base. Major healthcare providers such as Loma Linda University Medical Center and Kaiser Permanente also maintain a big portion of the regions jobs. Demand for medical services is projected to rise rapidly in the coming years due to the area's increasing population and the baby-boomer generation's move into its retirement years.

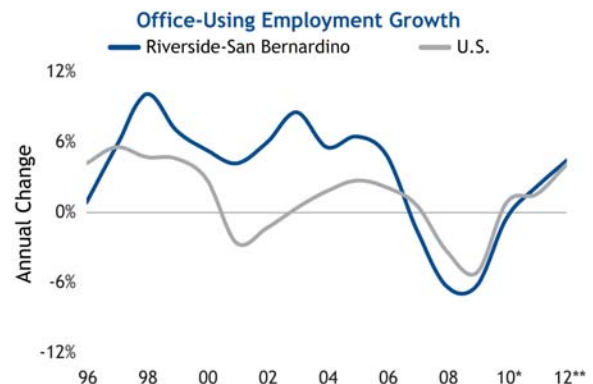
Another significant employer is Ontario International Airport. The facility provides around 7,500 jobs at the airport and another 55,000 indirect, off-site positions. Strong growth will continue at the airport, given the limits to expansion placed on neighboring airports in Los Angeles and Orange counties.



* Estimate
Sources: Marcus & Millichap Research Services, BLS, Economy.com

Major Employers

- San Bernardino County
- Riverside County
- Stater Bros.
- Loma Linda University Medical Center
- Kaiser Permanente
- Wal-Mart Stores, Inc.
- University of California, Riverside
- Fort Irwin
- Ontario International Airport
- March Air Force Base



* Estimate ** Forecast
Sources: Marcus & Millichap Research Services, BLS, Economy.com

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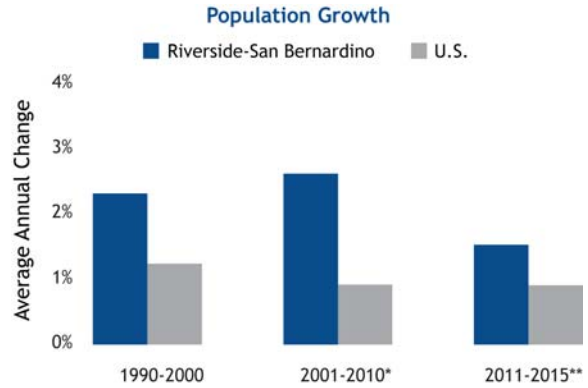
Riverside-San Bernardino

DEMOGRAPHICS

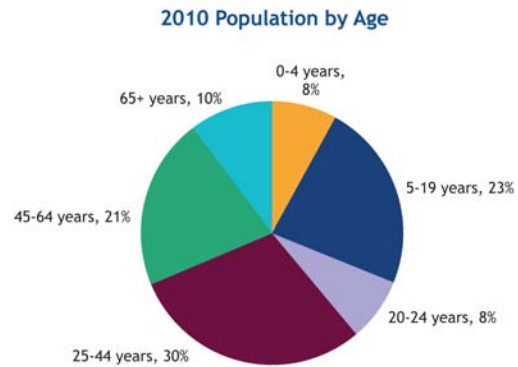
The Riverside-San Bernardino MSA consists of more than 1.3 million households and approximately 4.2 million residents, making it one of the largest metropolitan areas in the nation. While expansion through 2015 will moderate from earlier in the decade, the Inland Empire is still on pace to add an additional 100,000 households during the next five years.

Approximately 60 percent of recent growth in the area was due to in-migration, with the remaining 40 percent coming from natural increases. Factors fueling in-migration include the strong local economy; relatively affordable housing; large parcels of vacant, developable land; and a sharp drop in available land in Los Angeles County. The median existing home price in Riverside-San Bernardino, at \$182,000, also remains much lower than medians in adjacent counties.

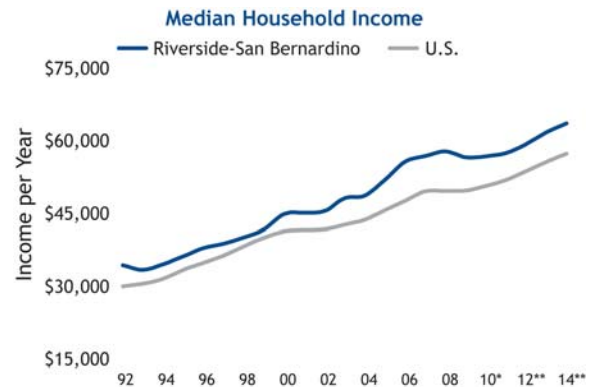
Residents are becoming more educated, as 50 percent of adults in the MSA have at least some college education, and 19 percent of those ages 25 and above have attained a bachelor’s degree or higher. Increasing education levels have helped to raise household earnings. The median household income stands at \$53,000 per year, higher than the national median. Nearly all of the income growth in the MSA is among households earning \$35,000 or more per year, and over the next five years, the most significant increase will be among those earning \$100,000 or more annually.



* 2010 Estimate ** Forecast
Sources: Marcus & Millichap Research Services, AGS



Sources: Marcus & Millichap Research Services, AGS



* Estimate ** Forecast
Sources: Marcus & Millichap Research Services, Economy.com, U.S. Census Bureau

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CALIFORNIA PATIO & PAYLESS SHOES

PALM DESERT, CA

Riverside-San Bernardino

QUALITY OF LIFE

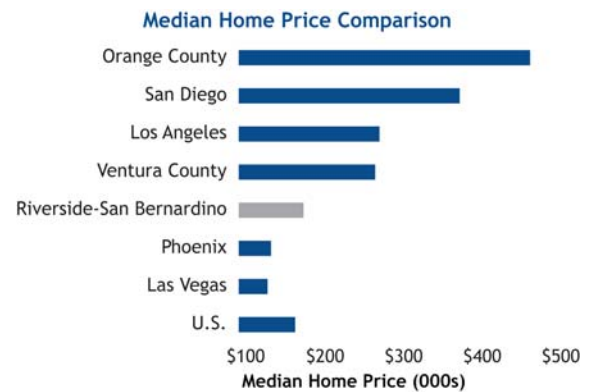
Riverside-San Bernardino offers a wide diversity of landscapes, including the palm tree-lined and pool-studded Coachella Valley, the mountain communities of Big Bear and Lake Arrowhead, the rolling hills and wineries of Temecula Valley, and the suburban communities of the West San Bernardino Valley and Moreno Valley. It has a temperate climate with moderate winters, warm summers and generally low humidity.

One of the greatest draws of the MSA is affordable housing. The median home price in Riverside-San Bernardino is 35 percent lower than in Los Angeles County and 61 percent lower than in Orange County. As such, almost two-thirds of households in the MSA are homeowners.

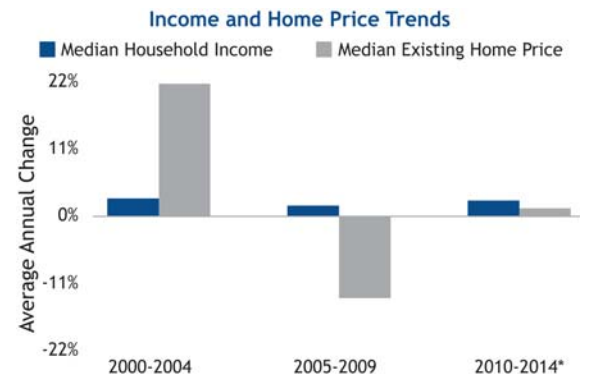
The Inland Empire provides a number of cultural opportunities, including the Riverside Metropolitan Museum, the Mission Inn Museum, and the Museum of History and Art in Ontario. The California Theatre of Performing Arts in San Bernardino stages a number of performances throughout the year, as does the refurbished Fox Center for the Performing Arts, which reopened in 2010. The Riverside County Philharmonic provides classical music concerts throughout the area.

Shopping opportunities are plentiful no matter where you live in the MSA, as are parks and golf courses.

The region features an impressive offering of more than 20 college campuses, including the University of California, Riverside; two campuses of California State University; and nine community colleges.



Sources: Marcus & Millichap Research Services, Economy.com, National Association of Realtors®



* Forecast
Sources: Marcus & Millichap Research Services, Economy.com, National Association of Realtors®, U.S. Census Bureau

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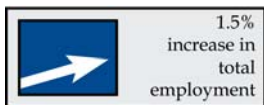
Riverside-San Bernardino

MARKETWIDE RETAIL RECOVERY UNDERCUT BY HOUSING STRUGGLES

Even as renewed job growth fuels Inland Empire retail sales this year and helps stabilize operations in high-traffic shopping centers, ongoing housing challenges will moderate the retail sector recovery for a while longer. As employers cautiously rebuild staffing levels in 2011, particularly in densely populated business communities along interstates 15 and 215, increased traffic counts will further bolster store visits for western gateway cities. This trend took shape in recent quarters, with operators in the Rancho Cucamonga/Chino submarket reporting steadier rent rolls and both Riverside and Corona posting modest vacancy improvements. While these infill employment hubs stand to benefit from rising daily commutes and stalled building efforts, shopping centers in suburban areas still struggling through pronounced housing market distress will endure another year of weakening retail performance. For the most part, national retailers remain reluctant to commit to leases in troubled areas where shifts in demographic trends have yet to fully play out. As such, operators of unanchored centers in the Coachella Valley and High Desert region will face challenges attracting tenants this year, generating more substantial rent declines than elsewhere in the metro.

With current market conditions presenting unique prospects for strong revenue streams once the metro's retail sector recovers, more local buyers with a hold horizon of between five and 10 years are entering the market. Seasoned investors remain selective, however, preferring newer properties near employment centers anticipated to stage a quicker recovery. Buyer risk tolerance appears to have increased, though, and multi-tenant sales activity in tertiary communities has gained momentum, driven by attractive price points and outsized long-term return potential. In general, cap rates for stabilized, unanchored strip centers average in the low-9 percent range, though properties farthest from the western boundary commonly trade with higher yields. Buyers will continue to favor single-tenant assets, but demand will likely far surpass supply due to stalled development activity constricting the for-sale pipeline.

2011 ANNUAL RETAIL FORECAST



Employment: Following four consecutive years of layoffs, including the loss of 5,700 jobs last year, Inland Empire employers will expand payrolls by 16,300 workers, or 1.5 percent, in 2011. The largest gains will come from the trade, transportation and utilities sector, which will add 6,000 positions this year for a 1.6 percent increase.



Construction: Building activity will remain minimal through 2011, with builders expected to complete just 175,000 square feet of retail space, up slightly from 125,000 square feet last year. During the metro's peak building cycle between 2004 and 2008, annual output averaged 4.4 million square feet.



Vacancy: Slower hiring in tertiary communities and continued housing woes metrowide will weigh on retailers this year, causing the local vacancy rate to rise 20 basis points to 11.7 percent. During 2010, vacancy dipped 30 basis points.

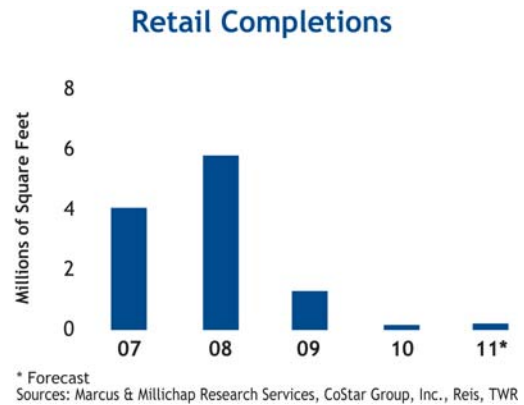
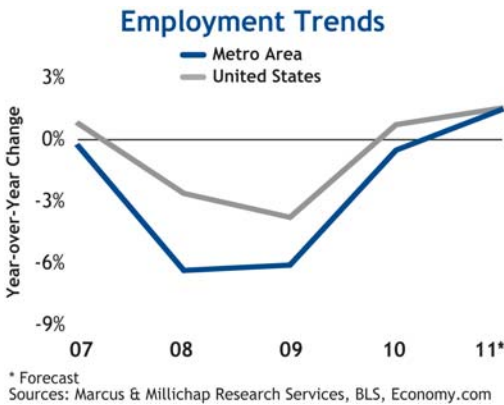


Rents: Asking rents will retreat 0.5 percent in 2011 to \$20.41 per square foot as effective rents drop 0.1 percent to \$17.49 per square foot. Last year, owners reduced asking and effective rents by 1.9 percent and 2.1 percent, respectively.

Riverside-San Bernardino

ECONOMY

- The Inland Empire labor market has found its footing. During the last six months, 4,200 jobs were created in the metro, with more than half of the major employment sectors reporting gains; in the preceding two quarters, local companies cut 7,200 positions.
- Retail employment increased by 1,000 workers over the last two quarters, affirming retailers' improving outlook for future sales. In the preceding six months, retailers cut 1,700 jobs.
- Driven by the release of pent-up consumer demand, retail sales increased 3.4 percent during the 12 months ending in the first quarter, a reversal from the 6.2 percent drop reported one year earlier. Improving economic conditions will support rising sales through 2011.
- Outlook: After slashing 5,700 workers from head counts last year, local employers will expand payrolls by 16,300 workers, or 1.5 percent, in 2011.



CONSTRUCTION

- Developers demonstrated considerable caution over the past year, delivering just 135,000 square feet of retail space. During the preceding 12 months, retail completions totaled more than 880,000 square feet.
- Less than 300,000 square feet of retail space is under construction in the metro. The planning pipeline, however, currently holds more than 21 million square feet.
- The first phase of the SuperTarget-anchored High Desert Gateway in Hesperia is nearly complete, though several small outparcels are still in planning. With occupancy at the center above 80 percent, its builders have begun to seek pre-leasing commitments for the second phase. Upon final build out, the development will contain more than 500,000 square feet.
- Outlook: Building activity will remain minimal this year, with developers expected to complete just 175,000 square feet of retail space, up from 125,000 square feet in 2010. During the metro's peak building cycle between 2004 and 2008, annual output averaged 4.4 million square feet.

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Riverside-San Bernardino

VACANCY

- Slowing store closures and a modest increase in small lease signings pushed down the average vacancy rate 30 basis points over the past year to 11.6 percent. The recovery remains choppy, however, as indicated by a vacancy increase of 10 basis points during the first quarter of 2011.
- Operations among shopping centers are settling, but vacancy remains near historic highs remain due to still-soft tenant demand for centers in communities hard-hit by the housing downturn. During that stretch, the local neighborhood/community center vacancy rate held steady at 10 percent, which is 340 basis points above the 10-year annual average.
- Leasing activity within power centers continues to make headway, fueled by tenants migrating toward newer, high-traffic centers. In the last year, the metro's power center vacancy rate dropped 130 basis points to 8.9 percent.
- Outlook: A more gradual rate of hiring in tertiary communities will weigh on retailers over the coming quarters, causing the local vacancy rate to rise 20 basis points in 2011 to 11.7 percent. Last year, vacancy fell 30 basis points.



* Forecast
Sources: Marcus & Millichap Research Services, CoStar Group, Inc.



* Forecast
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Reis

RENTS

- While owners continued to trim rents over the past year to attract tenants, the rate of decline slowed. Asking rents fell just 1.3 percent in that time to \$20.52 per square foot, while effective rents slid 1.2 percent to \$17.51 per square foot. In the preceding 12-month period, asking and effective rents contracted 3.4 percent and 5.8 percent, respectively.
- Operations in the Palm Desert submarket were particularly hard-hit by the recession, with shopping center vacancy rising above 15 percent. During the past year, asking rents for neighborhood/community centers in the area retreated 1.2 percent to \$24.83 per square foot as effective rents dropped 1.5 percent to \$22.24 per square foot. Since the onset of the downturn, local asking and effective rents have fallen 7.5 percent and 8.5 percent, respectively.
- Average property revenues decreased by 0.9 percent in the last year, a shallower decline than the 7.8 percent drop reported 12 months earlier. In the first quarter of 2011, average revenues were in line with early 2004 levels.
- Outlook: Asking rents will retreat 0.5 percent this year to \$20.41 per square foot as effective rents dip 0.1 percent to \$17.49 per square foot.

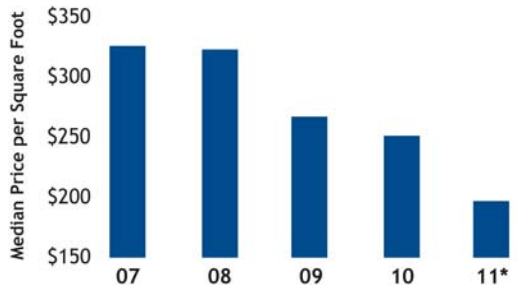
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Riverside-San Bernardino

SINGLE-TENANT SALES TRENDS**

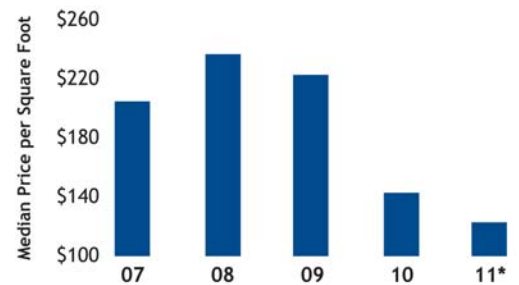
- Despite growing buyer demand, fewer builder-initiated deals weighed on single-tenant transaction volume over the past year. As a result, single-tenant deal flow slowed 15 percent in that time, following a 19 percent deceleration one year earlier.
- The median price fell 22 percent year over year to \$196 per square foot, due in large part to owner-users acquiring vacant bank-owned assets.
- Cap rates for single-tenant properties with a corporate-guaranteed lease average in the low- to mid-6 percent range, while outlying properties secured by private guarantors trade more than 100 basis points higher.
- Outlook: Buyer demand for single-tenant assets will become influenced by the return of 1031-exchange investors seeking more passive investment vehicles. With listings expected to stay limited this year as the bidding climate intensifies, however, cap rates for the most sought-after single-tenant assets will compress further before interest rates rise more significantly.

Single-Tenant Sales Trends



* Trailing 12-Month Period
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., RCA

Multi-Tenant Sales Trends



* Trailing 12-Month Period
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., RCA

MULTI-TENANT SALES TRENDS**

- Multi-tenant sales velocity increased nearly 30 percent over the past year, as seasoned buyers re-entered the market for long-term value-add plays. Despite the rise, transaction volume remained significantly below peak levels recorded toward the middle of the decade.
- With buyers targeting distressed assets, the median price for a multi-tenant properties dropped 14 percent year over year to \$122 per square foot.
- Cap rates for anchored shopping centers average in the 8 percent range, while stabilized strip centers trade with returns closer to 9 percent.
- Outlook: Assets in Chino, Rancho Cucamonga and Ontario will garner strong buyer interest this year as investors target centers with a high probability of tenant preservation. Properties farther from major job centers will draw yield-seeking buyers with a penchant for risk, though only centers that can be re-tenanted at or below current market rents will receive offers.

** Data reflects a full 12-month period, calculated on a trailing 12-month basis by quarter.

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Riverside-San Bernardino

CAPITAL MARKETS

- The yield on the 10-year U.S. Treasury remained in the mid-3 percent range throughout the first quarter, where it will stay over the rest of 2011. A change in the ratings outlook for the nation hardly disturbed the credit markets, but ongoing U.S. budget battles, unrest in the Middle East and lingering uncertainty concerning sovereign European debt could affect interest rates.
- Active lenders include life companies, commercial banks and other financial companies. CMBS staged a comeback in the first quarter, with \$8.7 billion of new issuance, and will easily exceed last year's total of \$12 billion. Conduits continue to broaden their lending criteria as property operations stabilize.
- Loan-to-value ratios generally range from 60 percent to 75 percent, depending on asset age and quality, location, tenant mix, and tenant credit rating. Multi-tenant assets with strong anchors and a stable mix of national in-line tenants remain preferred. Debt-service ratios range from 1.25x to 1.40x. Financing for lower-quality but not distressed assets will stay limited until economic factors stabilize further and investor demand increases.
- Lending rates remain low for performing assets in primary markets. All-in rates for five-year retail loans typically start in the low- to mid-5 percent range, while seven- and 10-year loans price between 5.5 percent and 6.0 percent.

SUBMARKET OVERVIEW

- The Moreno Valley/Riverside/Corona submarket was one of only two areas to report a decrease in neighborhood/community center vacancy in 2010. Looking ahead, Moreno Valley retailers stand to benefit from rising traffic counts generated by the new 1.8 million-square foot Skechers distribution facility.
- After years of delays, a Walmart Supercenter will open in Hesperia in 2012. The retail giant will draw shoppers to the largely underserved area, potentially elevating traffic for shadow-anchored tenants that do not compete directly with the retailer.
- While many retailers will forgo leasing opportunities in struggling suburban communities, some national discount chains are moving forward with expansions. Dollar Tree, Kids Club and Ross Dress for Less, for instance, all have agreed to occupy space in the Palm Desert submarket this year.



CALIFORNIA PATIO & PAYLESS SHOES

PALM DESERT, CA

CALIFORNIA PATIO & PAYLESS SHOES

PALM DESERT, CA

Demographic Report

	1 Mile	3 Miles	5 Miles
1990 Population	1,247	4,174	18,225
2000 Population	1,308	5,158	22,277
2010 Population	2,663	18,815	79,812
2011 Population	2,400	18,479	82,136
2016 Population	2,538	20,095	90,174
1990 Households	566	1,683	7,045
2000 Households	779	1,923	7,799
2010 Households	1,205	8,960	33,313
2011 Households	1,143	8,880	34,183
2016 Households	1,201	9,553	37,238
2011 Average Household Size	2.09	2.08	2.39
2011 Daytime Population	700	12,490	43,698
1990 Median Housing Value	\$74,296	\$74,204	\$102,999
2000 Median Housing Value	\$135,707	\$94,071	\$111,802
2000 Owner Occupied Housing Units	57.97%	61.72%	43.12%
2000 Renter Occupied Housing Units	8.62%	13.16%	35.40%
2000 Vacant	33.41%	25.12%	21.47%
2011 Owner Occupied Housing Units	54.55%	54.18%	48.65%
2011 Renter Occupied Housing Units	5.75%	9.04%	17.43%
2011 Vacant	39.70%	36.77%	33.92%
2016 Owner Occupied Housing Units	54.57%	54.28%	48.51%
2016 Renter Occupied Housing Units	5.71%	9.16%	17.79%
2016 Vacant	39.72%	36.55%	33.69%
\$ 0 - \$14,999	12.3%	9.0%	10.5%
\$ 15,000 - \$24,999	14.7%	11.1%	11.1%
\$ 25,000 - \$34,999	17.6%	10.4%	9.8%
\$ 35,000 - \$49,999	13.5%	15.1%	13.4%
\$ 50,000 - \$74,999	14.4%	16.3%	17.0%
\$ 75,000 - \$99,999	9.3%	9.9%	10.9%
\$100,000 - \$124,999	7.7%	8.2%	7.9%
\$125,000 - \$149,999	2.0%	4.4%	4.9%
\$150,000 - \$199,999	2.7%	5.6%	5.4%
\$200,000 - \$249,999	1.5%	2.7%	2.4%
\$250,000 +	4.2%	7.4%	6.7%
2011 Median Household Income	\$42,728	\$55,045	\$56,253
2011 Per Capita Income	\$42,248	\$44,782	\$39,671
2011 Average Household Income	\$70,171	\$97,023	\$94,400

DEMOGRAPHIC ANALYSIS

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CALIFORNIA PATIO & PAYLESS SHOES

PALM DESERT, CA

Summary Report

Geography: 5 Miles

Population

In 2011, the population in your selected geography was 82,136. The population has changed by 268.71% since 2000. It is estimated that the population in your area will be 90,174 five years from now, which represents a change of 9.79% from the current year. The current population is 48.9% male and 51.1% female. The median age of the population in your area is 32.4, compare this to the U.S. average which is 36.9. The population density in your area is 1,045.69 people per square mile.

Households

There are currently 34,183 households in your selected geography. The number of households has changed by 338.32% since 2000. It is estimated that the number of households in your area will be 37,238 five years from now, which represents a change of 8.94% from the current year. The average household size in your area is 2.39 persons.

Income

In 2011, the median household income for your selected geography is \$56,253, compare this to the U.S. average which is currently \$53,620. The median household income for your area has changed by 75.67% since 2000. It is estimated that the median household income in your area will be \$65,088 five years from now, which represents a change of 15.71% from the current year.

The current year per capita income in your area is \$39,671, compare this to the U.S. average, which is \$28,713. The current year average household income in your area is \$94,400, compare this to the U.S. average which is \$73,458.

Race & Ethnicity

The current year racial makeup of your selected area is as follows: 74.75% White, 1.79% African American, 0.76% Native American and 1.74% Asian/Pacific Islander. Compare these to U.S. averages which are: 72.40% White, 12.60% African American, 0.95% Native American and 4.93% Asian/Pacific Islander.

People of Hispanic origin are counted independently of race. People of Hispanic origin make up 39.81% of the current year population in your selected area. Compare this to the U.S. average of 16.90%.

Housing

The median housing value in your area was \$111,802 in 2000, compare this to the U.S. average of \$110,796 for the same year. In 2000, there were 4,283 owner occupied housing units in your area and there were 3,516 renter occupied housing units in your area. The median rent at the time was \$552.

Employment

In 2011, there are 43,698 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 41.7% of employees are employed in white-collar occupations in this geography, and 58.3% are employed in blue-collar occupations. In 2011, unemployment in this area is 11.56%. In 2000, the median time traveled to work was 18.4 minutes.

□

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CALIFORNIA PATIO & PAYLESS SHOES

PALM DESERT, CA

Population Density



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Population Density

Theme	Low	High
Low	less than	55
Below Average	55	475
Average	475	4100
Above Average	4100	35000
High	35000	or more

Number of people living in a given area per square mile.

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CALIFORNIA PATIO & PAYLESS SHOES

PALM DESERT, CA

Employment Density



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Employment Density

Theme	Low	High
Low	less than 9	9
Below Average	9	96
Average	96	1025
Above Average	1025	10875
High	10875	or more

The number of people employed in a given area per square mile.

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CALIFORNIA PATIO & PAYLESS SHOES

PALM DESERT, CA

Average Household Income



Demographic data © 2010 by Experian/ Applied Geographic Solutions.

Average Household Income

Theme	Low	High
Low	less than	\$29,500
Below Average	\$29,500	\$48,500
Average	\$48,500	\$80,000
Above Average	\$80,000	\$132,500
High	\$132,500	or more

Average income of all the people 15 years and older occupying a single housing unit.

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**CALIFORNIA PATIO & PAYLESS
SHOES**

PALM DESERT, CA

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