Central Valley **Retail Report**

Year-End 2010

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Vacancy Ticks Up Despite Increased Leasing Activity

The Central Valley shopping center market closed 2010 with an overall vacancy rate of 9.9%. This marks a modest improvement over the 10.9% rate recorded as of the midyear 2010 level. That being said, most of the occupancy gains in the marketplace were made over the first half of 2010. Leasing activity over the final half of 2010 was relatively flat. Vacancy had dropped to 9.9% by the midyear 2010 mark, but it has not moved since.;

Still, the good news is that the market did show some improvement in 2010, despite the fact that the Central Valley remains among the hardest hit of all U.S. regions in terms of the impact of the recession. Its old news by now but the recession hit hardest those areas that had been booming housing markets. Not only were the numbers of foreclosures greater and the declines in home values more severe, but the employment losses more drastic as economies once largely driven by new home construction suddenly saw the entire home building industry, and thousands of construction jobs, disappear.

Consider this; two years ago as we headed into the “Great Recession” amidst a flurry of retailer bankruptcies (Mervyn’s, Circuit City, Linens ‘n Things, Gottschalk’s, etc.), many analysts expected retail to be the last commercial real estate sector to recover. Yet, at the national level, there is a strong case to be made now that retail only follows multifamily in terms of overall strength. This is certainly the case in the Central Valley, where office properties are expected to be the last to recover and industrial space—while dealing with vacancy in the 20% range--continues to struggle with demand issues.

This rebound has been led by a surge of activity from a select group of players. Grocery players remain particularly active; Safeway inked a number of deals in 2010 and is looking at as many as six or seven Bay Area openings in 2011. Fresh & Easy will finally be launching its Northern California presence beginning in March. The U.K.’s largest retailer has over 40 stores throughout Northern California—some of which have had leases in place for as long as three years—that it will be launching this year. Grocery Outlet has also been active—the chain has at least 15 new west coast stores lined up for 2011. In Northern California, this includes new locations in Davis, Fremont and South San Francisco. Ethnic grocer Mi Pueblo has signed a few recent deals and continues to look for sites. Organic chains Henry’s Farmers Market, Sunflower Farmer’s Market and Sprouts have both also been active—opening new stores in 2010 and continuing to look for sites. Other players on the move include Big Lots!, Save-A-Lot, SteinMart, Ranch 99 Markets and other players.

Target and Walmart have both been active throughout the Northern California marketplace. Target recently inked deals at the Metreon in San Francisco and has other deals in the works locally. Walmart is looking at adding as many as 12 Sacramento region stores and is also looking in the South and East Bay. Both Target and Walmart are experimenting with new formats—Target is exploring a smaller new urban design while also rolling out its P-Fresh grocery sections to as many as 300 stores this year. Walmart is looking at opening as many as 300 stores throughout the U.S. and Canada over the next 30 months—ranging from 125,000 square foot or greater Superstores, to 80,000 square foot stand-alone grocery stores (the chain acquired a couple of former Mervyn’s stores for just this purpose), to 30,000 to 40,000 square foot Neighborhood small grocery formats. We’ve even heard of a couple of 10,000 square foot urban grocery deals done by Walmart in other market recently.

Walgreens and CVS both remain active, but we have also seen activity tick up from a wide array of users outside of the grocery, drug and category killers. Ross Dress for Less, TJ Maxx and Marshall’s have all inked numerous deals in the region and continue to scout for new sites. 24 Hour Fitness is on the move—with as many as four new Bay Area health clubs in their sights. Crunch Fitness is also in the market. Sleep Train has been particularly active with as many as seven new Bay Area stores slated to open in the next year. The same goes for Mattress Discounters, Goodwill, Tuesday Morning, Petco, Rochester Big & Tall and DSW Shoes.

Restaurant chains continue to drive the market for smaller space. Five Guys Burgers and Fries has been active both in opening units in 2010 and looking for sites for 2011. Smashburger is reportedly looking to head to the Bay after having successfully launched in Sacramento in 2010. Chick Fil-A is launching locally, with as many as four new restaurants slated to open during the first half of 2011. In N Out is also actively looking for sites and opening new restaurants throughout Northern California. Gott’s Roadside, formerly Taylor’s Refresher, is

also looking for additional Bay Area locations. Meanwhile, Yogurtland inked ten local deals in 2010 and will likely match that number in the coming year. Chipotle, Panda Express, Qdoba, Panera Bread, Sweet Tomatoes, Rubio's all remain active. Casual restaurant chains have also boosted their expansion plans. IHOP, Sizzler, Fresh Choice, BJ's Brewhouse, Johnny Rockets and Denny's are just a few chains that have either recently opened new units or that are looking to open restaurants throughout the region over the coming year.

Location, Location, Location… and A Few Other Things…

Activity throughout 2010 was driven by larger national credit tenants. Discounters, off-price apparel chains, new grocery players (discount, organic and ethnic-themed) scoured the market for deals on superior second-generation junior anchor and big box space that had been vacated in the last wave of bankruptcies. Roughly 120 million square feet of big box space had been vacated since 2008. By the close of 2010, just under 40 million square feet of this space had been backfilled. This trend played out strongly in the Bay Area, where nearly all of the first-tier vacant big box spaces have now been accounted for. It has also been a major demand driver in the Central Valley, though some prime big box sites still remain available.

But if larger deals from box and junior box users have helped to take large chunks of vacancy off the market, the market for leasing smaller inline space continues to face some challenges. Activity here was also driven in 2010 by national players. Food concepts, both new and old, were particularly active. But the mom-and-pop sector remains missing in action and is unlikely to return to the marketplace in any large numbers until the housing market begins to recover (home equity loans are the initial line of funding for many of these start-ups). This has had a particularly dire impact on unanchored retail strip centers. Unfortunately, because our survey just tracks shopping centers of 50,000 square feet or more, strip retail centers are not covered in our statistics. But we estimate strip retail vacancy levels throughout Northern California to be two to three times greater than those posted in the region's larger, anchored shopping centers. The hardest hit markets, in terms of strip retail vacancy, are those in the Central Valley. In many of the communities on the outermost pattern of growth, strip centers were built ahead of housing at the peak of the last real estate cycle.

There are some other factors to consider as well. Retail vacancy is a tricky number to track. Overall vacancy numbers certainly do give an accurate big picture view of the sector's health. But they don't tell the full story. Unlike office space, which is largely a commodity property type that varies little beyond simple class distinctions from one market to the next, retail centers have a myriad of other variables that come into play. Breaking shopping centers down by type—malls, power centers, neighborhood centers, strip, etc.—can help, but this has its limitations as well. This is because the largest single factor impacting vacancy for shopping centers remains location. "Location, location, location" is the old mantra, but the real key to strength in today's marketplace is location, strong anchors, tenant mix, attractive design/architecture and finishes, top quality property management and superior leasing teams. That being said, to fully understand what is happening in the retail world, it might be most helpful to break the market into three tiers.

First-tier properties are those within vibrant urban marketplaces, or located on top suburban intersections or trade corridors. They boast successful anchor tenants that help drive traffic to their centers and they have strong existing tenant mixes. Throughout Northern California, first-tier centers are uniformly posting lower vacancy levels and are currently positioned for rental rate growth, if not already achieving it. With a diminished pool of tenants seeking space, these tier-one centers are seeing the most touring activity and the most deals.

Second-tier centers can be situated within vibrant urban marketplaces or even located on top suburban intersections or trade corridors, but if so, they are lacking either in terms of strong anchor tenants or tenant mix. More often, however, in built-out markets they are in secondary locations—not "on the main drag," but around the corner. They tend to be near the action, but near it. They also can be in primary locations in small trade areas, such as being the only supermarket-anchored shopping center in a small, bedroom community. These centers are seeing some spillover of deals from the region's first-tier centers, but have had to be much more competitive with their rents to land tenants. Vacancy for these centers remains elevated, though it is also slowly improving. Rental rate growth, on the other hand, has largely not happened yet for most of these centers, though some (not all) will be in position to post modest growth by later in 2011.

Third-tier centers would be defined as the weakest locations within the urban or suburban core or weaker centers in smaller or rural markets. Unanchored strip retail, with a few exceptions, would largely fall into this category. This category also includes aging shopping centers challenged by obsolescence issues or in dire need of upgrades. With today's diminished pool of tenants, few are even touring third-tier projects. The deals that are being inked at these centers are almost exclusively value driven—usually with mom-and-pop tenants. The lack of small retail start-ups in the marketplace is having a particularly profound impact on these shopping centers. They almost uniformly boast the highest vacancy levels, rents are only now beginning to stabilize for this product type (with a few exceptions in both directions) and 2011 is less likely to be a year of recovery for these landlords than one of stabilization.

Submarket Breakdown

The Central Valley shopping center market consists of 221 centers (we only track those above 50,000 square feet) that account for just under 34 million square feet of inventory. The San Joaquin County market (which includes the communities of Lathrop, Lockeford, Lodi, Manteca, Ripon, Stockton and Tracy) is the largest trade area with over 11.2 million square feet on inventory and a current vacancy rate of 10.0%--down from 10.4% just one year ago.

The Fresno County market (which includes the communities of Clovis, Fresno, Kerman, Kingsburg, Prather, Reedley, Sanger and Selma) is the second largest trade area within the Central Valley market with a total inventory of over 8.1 million square feet. Vacancy here now stands at 10.4%, down from the 11.0% mark recorded one year ago.

The Stanislaus County market (which includes the communities of Ceres, Modesto, Oakdale, Riverbank and Turlock) is the third largest trade area in the Valley, consisting of 41 shopping centers accounting for over 7.1 million square feet of space. Vacancy currently stands at 11.9%--down substantially from 14.6% at the close of last year.

In terms of the strongest declines in vacancy over the past year, the Merced and Stanislaus markets led the way. San Joaquin, Kings and Fresno Counties all posted slight vacancy decreases. Madera and Tulare Counties both posted increases.

Rental Rate Trends

The current average asking rent for shopping center space in the Central Valley is $22.54 (on an annual triple net basis) per square foot. This marks a negligible decrease from the $22.59 mark recorded one year ago. Rents have largely held steady over the past year, however, it is crucial to remember that we are still about 30% below peak pricing from 2006/2007. In a few cases, some of the region's first-tier shopping centers have been able to post modest rental rate growth over the past few months. The problem is that this trend has not yet spilled over to second-tier centers. Meanwhile, Third-tier centers continue to face downward pressure on rents and extreme competition for a very limited pool of tenants that will consider their space.

Keep in mind that these numbers reflect a wide range of shopping center types and classes and work best as an overall benchmark for the region. We are actually tracking rents ranging from $6.00 to $39.00 per square foot.

Trophies, Trash & 'Tweeners

Just as the best way to understand the story behind today's vacancy numbers is to break the shopping center market down into first, second and third-tier properties, the best way to understand current investment trends is to also segment the market.

As we entered 2010, the investment market was at a stalemate. Pricing for retail properties nationally had dropped a full 40% from peak 2006/2007 levels. Commercial delinquencies were surging and investors readied themselves for a tsunami of distressed assets to hit the marketplace and further crash real estate values. REITs raised over $40 billion in preparation for the fire sale to come. But the tsunami never came.

While note sales, portfolio sales and loan workouts played some role in mitigating the number of distressed assets that came back to the marketplace, the primary reason that the market was not flooded with distressed assets is that banks simply opted not to foreclose. "Pretend and extend" or "pray and delay" became new terms in the commercial real estate lexicon as commercial lenders—predominately smaller local and regional banks--delayed taking action on properties falling into default.

This was still not enough to save many banks from failure over the past year. 2010 was the worst year for bank failures since the Savings and Loan Crisis in 1992. 157 banks failed in 2010, following 140 bank failures in 2009. Yet, though we have seen the ranks of distressed assets increase substantially over the past 24 months, there was no tsunami and prices began to stabilize in 2010.

We entered the year against this backdrop, with the investment market in gridlock as investors held out for discounted pricing and the bid-ask spread between buyers and sellers seemed an enormous chasm. But as pricing and market fundamentals began to stabilize over the course of 2010, a clear bifurcation in the marketplace began to appear. Investors and REITs that had raised warchests of cash that needed to be placed returned to the marketplace and began pursuing the healthiest commercial real estate assets. Two sets of pricing for nearly every commercial real estate asset class emerged as investors increasingly divided the market into "trophies vs. trash."

Throughout 2010 investors were largely focused on just a few commercial real estate asset types. Trophy shopping centers, retail triple net leased properties and stabilized Class A office assets in just a handful of metro areas (San Francisco, New York, Boston, Washington DC, Chicago) were the focus of most activity. This drove pricing up for these assets and saw cap rates for some properties returning to the 5% and 6% levels—levels we saw at the peak of the last cycle when the underlying market fundamentals seemed much more secure. There were a number of reasons for this. In many cases urban office plays were more about securing buildings at far below replacement costs for long-term holds as opposed to immediate returns. The same goes for trophy shopping centers. Remember, investors may be purchasing buildings, but they are really buying cash flows—so many were willing to pay top dollar for the most secure trophy properties.

Another factor driving up pricing is the issue of too much money chasing too few properties. With investor focus so narrow in 2010, sellers of trophy properties could command top dollar. REITs have raised over $40 billion from Wall Street over the last couple of years and this money needs to be placed. Meanwhile, all indications are the CMBS market will see a resurrection n 2011 after being in a deepfreeze for most of the past three years. This will further increase the amount of capital chasing commercial real estate assets.

Heading into 2011 we are already seeing investors beginning to look beyond the narrow scope of focus that dominated 2010. Because pricing has shot up considerably for trophy assets in first-tier marketplaces, many are now beginning to look at other asset classes and towards properties in second-tier and tertiary markets.

That being said, if 2010 was the year in which we saw a bifurcated investment market with radically different sets of pricing in a "Trophies vs. Trash" marketplace, 2011 will see the addition of another set of buildings… the "'tweeners."

While we do expect to see continued heavy interest in chasing trophy assets and retail net leased opportunities, higher pricing and cap rate compression will lead more investors to look into 'tweeners. What is a 'tweener? We would define these assets as including retail properties in a number of circumstances; first and second-tier shopping centers in primary markets with minor occupancy issues as well as stronger shopping centers in secondary or tertiary markets that—so far—have seen little of the latest wave of activity. We would also include in this category second-tier shopping centers with excess land and the opportunity for further development. We would also include aging centers that are not completely functionally obsolete, but for which minor to moderate renovations or redevelopment could significantly boost their standing.

While very few of these 'tweener properties sold in 2010, activity should increase significantly in the coming year. A much greater pool of investors and gradually improving retail conditions should help to boost pricing for many of these properties, but individual property fundamentals will still be the greatest determinant in pricing. For the most part, we expect values to post modest increases, but this will not be across the board.
We will also be seeing increased activity in the distress market in 2011. With fundamentals showing signs of life and with a much greater pool of investors seeking assets, expect banks to increase the rate of foreclosures on properties that have been in "pretend & extend" limbo for much of the past two years. The irony is that while the headlines will read that commercial foreclosures are up, this is actually because market conditions are improving. Lenders will expect to sell their REOs at higher pricing in 2011 than what could have been achieved last year simply because the pool of buyers will be greater. Of course, this remains to be seen and will be largely dependent upon just how many REOs hit the market at any given time. But the underlying fundamentals of the specific properties being sold will still be the greatest determinant here. In many markets, and for some property types, pricing is likely to drop. However, in the nation's strongest markets, improving fundamentals, an increased investor pool and less aversion to risk could translate into higher pricing for some distressed properties.

Over the next couple of years as more distressed assets trade hands, one trend to closely watch is the impact on asking rents. For those properties with occupancy issue, new owners will be in a much better position to slash rents to backfill vacancies.

In terms of investment activity within the Central Valley, while we know of a few shopping centers that traded over the last half of 2010, sale activity continues to be dominated by smaller investor plays, owner/user sales and/or distress sales. Look for more deals in 2011 as investment activity picks up considerably across all retail property types.

Looking Forward

Though the market will almost certainly see at least a couple of high profile retailer bankruptcies over the first half of 2011 (as this report went to press, speculation was rife that Borders would be filing sometime in February), the overall news is good. This year's holiday sales season saw an increase in sales of 5.5% and the strongest numbers posted since 2006. Many publicly traded retailers have already boosted their expansion plans for the year. Though the market will likely see large blocks of space returned from players like Blockbuster and Borders, new growth in the pipeline will surpass this.

One other factor to consider is that as retailers boost their expansion outlook; their targets are largely where the job growth is taking place. Washington DC, New York and the San Francisco Bay Area are expected to be the top three U.S. job markets in 2011. Retailers will continue to boost expansion plans throughout Northern California—a trend that will mean further declines in vacancy throughout the greater region. The problem is that the Valley will only see limited benefit from this. Retailers continue to be squeamish about the Central Valley thanks to high unemployment levels. Still, many are seeing better pricing opportunities in the Valley than in the Bay Area.

Look for first-tier shopping centers to continue to record the lion's share of occupancy growth in 2011, though we will increasingly see second-tier centers reaping some benefit. As far as rental rate growth, this will largely be confined to first-tier centers. Second-tier centers should begin to see some stabilization in rents this year. Third-tier product, however, will continue to face challenges. The good news is that these properties have already seen the worst of the rental rate declines. The bad news is that until the Central Valley's housing market returns and until mom-and-pop retailers return to the marketplace, many of these centers will continue to face significant challenges.

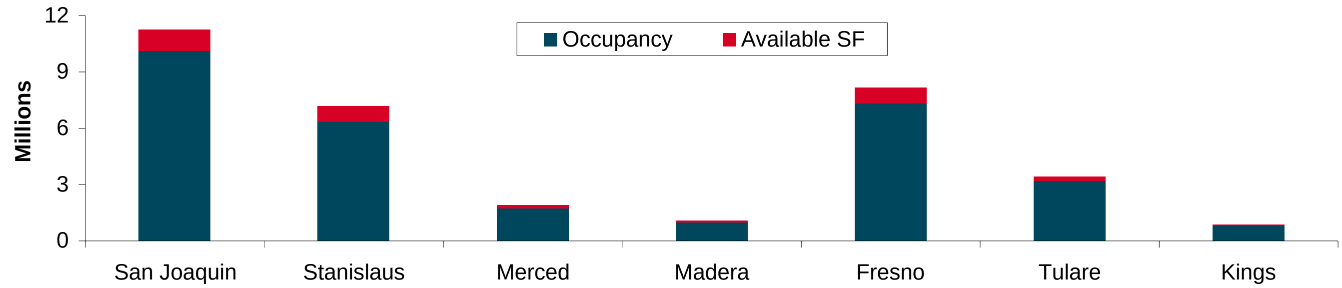
Leasing Market Summary

(Centers 50,000 square feet and greater)

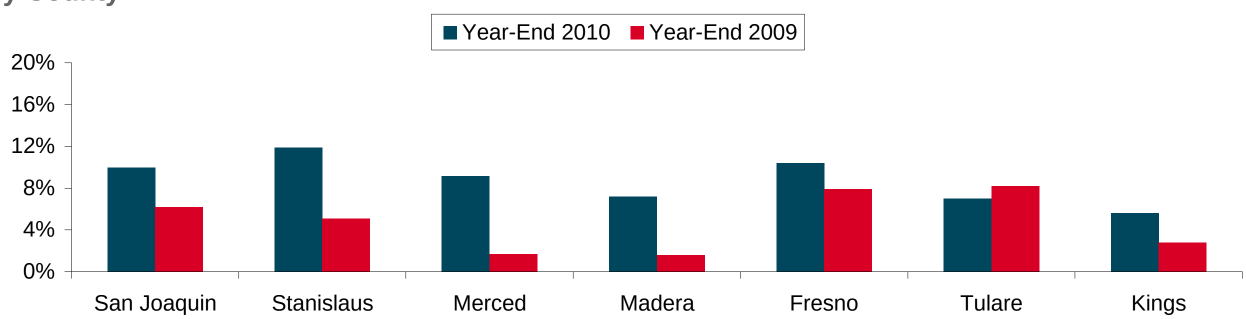
City	Total Centers	Total GLA	Availability			Vacancy		*Avg. Asking Rate (Shop)	Market Rent Range
			Anchor	Shop	Total	YE-10	YE-09		
Lodi	7	936,965	0	66,253	66,253	7.1%	8.4%	$13.95	$12.00-$28.20
Lockeford	1	126,000	0	0	0	0.0%	0.0%	N/A	N/A
Stockton	34	5,920,513	222,244	401,256	623,500	10.5%	10.6%	$21.65	$12.00-$30.00
Lathrop	2	370,197	0	131,695	131,695	35.6%	34.7%	$37.54	$27.00-$39.00
Manteca	8	1,546,884	29,842	115,546	145,388	9.4%	11.3%	$25.67	$18.00-$30.00
Tracy	13	2,188,666	75,552	59,877	135,429	6.2%	6.7%	$24.56	$18.00-$30.60
Ripon	2	153,139	0	20,562	20,562	13.4%	10.0%	$22.35	$13.20-$27.00
Total San Joaquin County:	67	11,242,364	327,638	795,189	1,122,827	10.0%	10.4%	$24.46	$12.00-$39.00
Riverbank	1	630,000	0	65,000	65,000	10.3%	11.1%	$39.00	$39.00-$39.00
Oakdale	2	224,000	0	15,570	15,570	7.0%	8.7%	$10.85	$9.95-$14.40
Modesto	28	4,062,174	275,412	206,212	481,624	11.9%	9.5%	$21.21	$10.00-$33.00
Ceres	4	422,550	0	9,300	9,300	2.2%	4.5%	$18.65	$16.20-$24.00
Turlock	6	1,830,088	196,000	85,222	281,222	15.4%	30.8%	$24.01	$16.20-$30.00
Total Stanislaus County:	41	7,168,812	471,412	381,304	852,716	11.9%	14.8%	$24.38	$9.95-$39.00
Winton	1	60,000	0	0	0	0.0%	0.0%	N/A	N/A
Atwater	5	898,642	0	31,252	31,252	3.5%	24.9%	$24.63	$22.20-$28.20
Merced	3	348,590	0	8,800	8,800	2.5%	2.6%	$14.29	$12.00-$16.80
Los Banos	5	606,432	0	135,487	135,487	22.3%	22.5%	$23.65	$15.00-$27.00
Total Merced County:	14	1,913,664	0	175,539	175,539	9.2%	19.3%	$23.36	$12.00-$28.20
Chowchilla	2	256,000	15,240	2,360	17,600	6.9%	7.5%	$27.00	$27.00-$27.00
Oakhurst	1	150,000	5,600	0	5,600	3.7%	1.9%	$13.80	$13.80-$13.80
Madera	5	666,604	28,000	25,987	53,987	8.1%	3.1%	$13.13	$6.00-$15.00
Total Madera County:	8	1,072,604	48,840	28,347	77,187	7.2%	4.0%	$14.28	$6.00-$27.00
Prather	1	67,000	0	0	0	0.0%	0.0%	N/A	N/A
Clovis	13	1,889,854	15,817	116,531	132,348	7.0%	6.4%	$19.51	$12.00-$27.00
Fresno	40	5,347,058	175,456	512,500	687,956	12.9%	13.7%	$20.77	$7.80-$39.00
Kerman	1	101,820	0	19,660	19,660	19.3%	19.3%	$15.00	$15.00-$15.00
Selma	2	170,930	0	2,500	2,500	1.5%	13.5%	$15.00	$15.00-$15.00
Kingsburg	1	277,990	0	0	0	0.0%	0.0%	N/A	N/A
Sanger	2	255,000	0	4,535	4,535	1.8%	0.0%	$18.00	$18.00-$18.00
Reedley	1	72,655	0	5,645	5,645	7.8%	9.2%	N/A	N/A
Total Fresno County:	61	8,182,307	191,273	661,371	852,644	10.4%	11.0%	$20.16	$7.80-$39.00
Dinuba	1	200,000	0	3,760	3,760	1.9%	1.9%	$33.00	$33.00-$33.00
Visalia	9	1,128,307	0	63,564	63,564	5.6%	4.4%	$16.99	$10.00-$27.00
Exeter	1	77,080	0	0	0	0.0%	0.0%	N/A	N/A
Tulare	6	1,023,362	23,200	63,212	86,412	8.4%	6.7%	$22.31	$7.80-$27.96
Lindsay	1	94,394	0	6,010	6,010	6.4%	6.4%	$18.00	$18.00-$18.00
Porterville	6	920,499	19,120	62,545	81,665	8.9%	3.0%	$19.11	$12.00-$24.00
Total Tulare County:	24	3,443,642	42,320	199,091	241,411	7.0%	4.5%	$19.68	$7.80-$33.00
Hanford	4	620,363	30,980	17,546	48,526	7.8%	7.8%	$22.74	$12.00-$25.00
Lemoore	2	246,435	0	0	0	0.0%	0.0%	N/A	N/A
Total Kings County:	6	866,798	30,980	17,546	48,526	5.6%	5.6%	$22.74	$12.00-$25.00
Total County:	**221**	**33,890,191**	**1,112,463**	**2,258,387**	**3,370,850**	**9.9%**	**10.9%**	**$22.54**	**$6.00-$39.00**

* Average Asking Rate is Annualized NNN

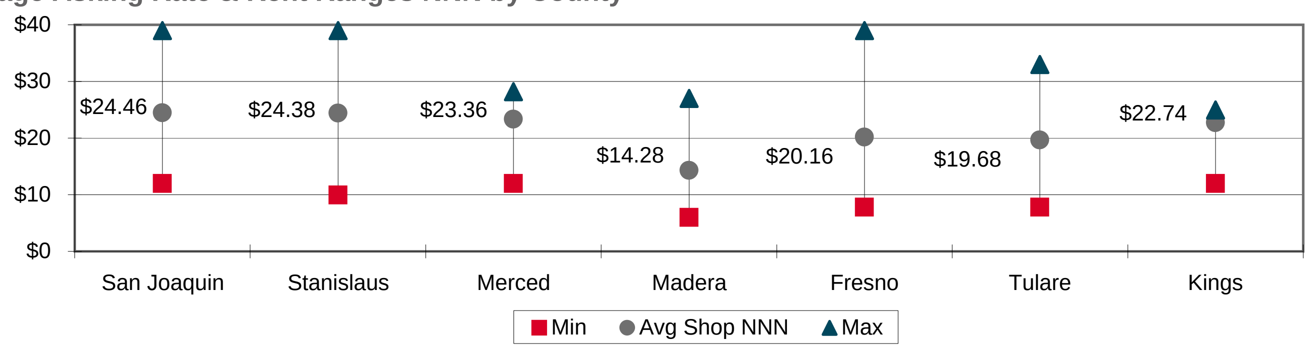
Occupancy SF & Available SF by County



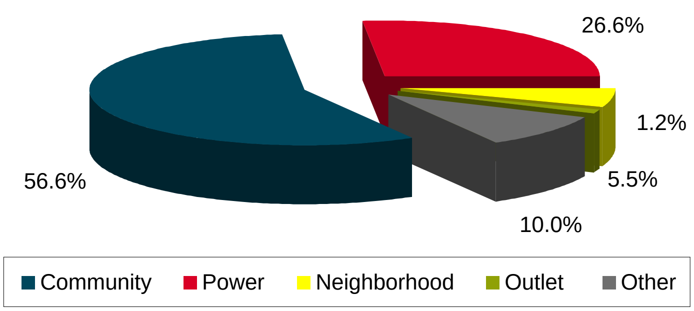
Vacancy by County



Average Asking Rate & Rent Ranges NNN by County



Gross Leasable Area Description by County



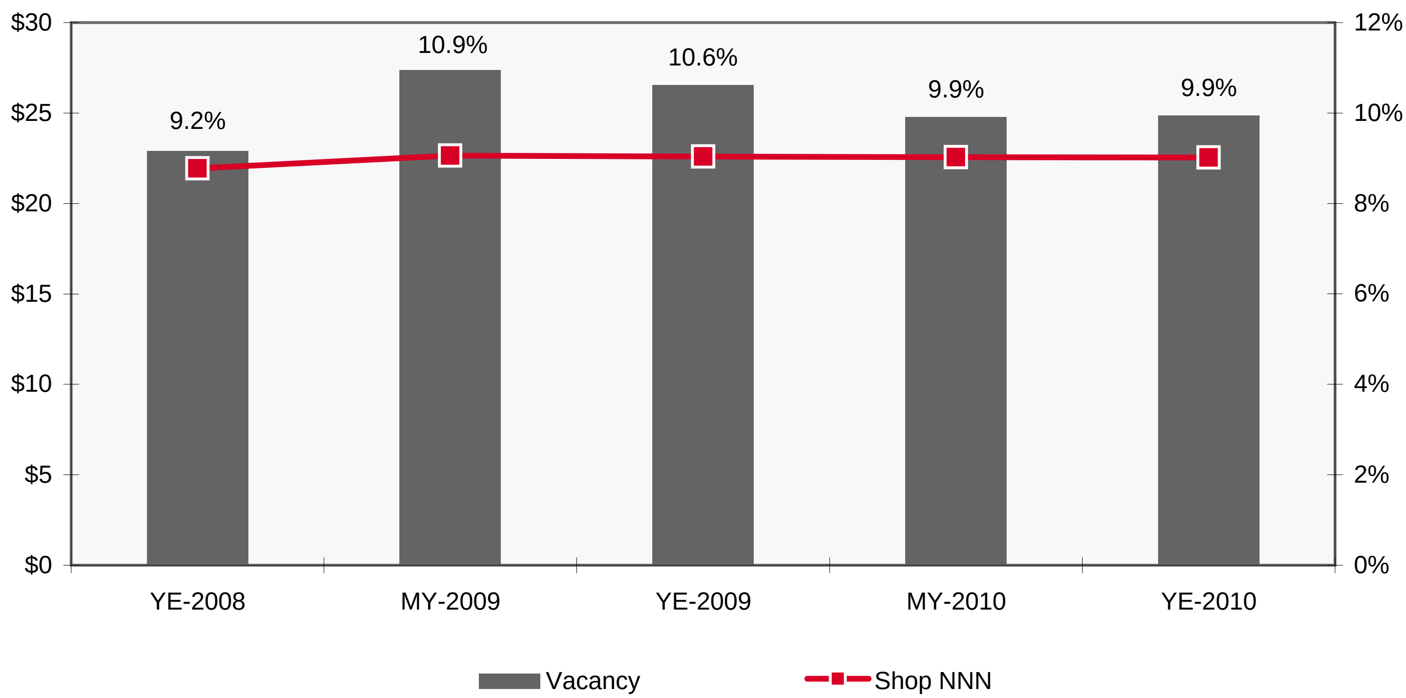
Center	Square Feet
Community	19,189,949
Power	9,027,665
Neighborhood	1,880,552
Outlet	419,000
Other	3,373,025
Total	**33,890,191**

Central Valley

PERIOD	YE-2008	MY-2009	YE-2009	MY-2010	YE-2010
Total GLA	33,890,191	33,890,191	33,890,191	33,890,191	33,890,191
Total Centers	221	221	221	221	221
Availability					
Anchor	1,023,840	910,396	934,875	1,113,577	1,112,463
Shop	2,082,103	2,799,194	2,676,113	2,245,410	2,258,387
Total	3,105,943	3,709,590	3,610,988	3,358,987	3,370,850
New Construction GLA	0	0	0	0	0
New Construction (#'s)	0	0	0	0	0
Vacancy	9.2%	10.9%	10.6%	9.9%	9.9%
Market Rent Range	$7.20-$42.00	$7.80-$39.00	$7.80-$39.00	$6.00-$39.00	$6.00-$39.00
Average Asking Rate Shop NNN	$21.93	$22.65	$22.59	$22.56	$22.54

* Average Asking Rate is Annualized NNN

Vacancy & Average Asking Rate Trend



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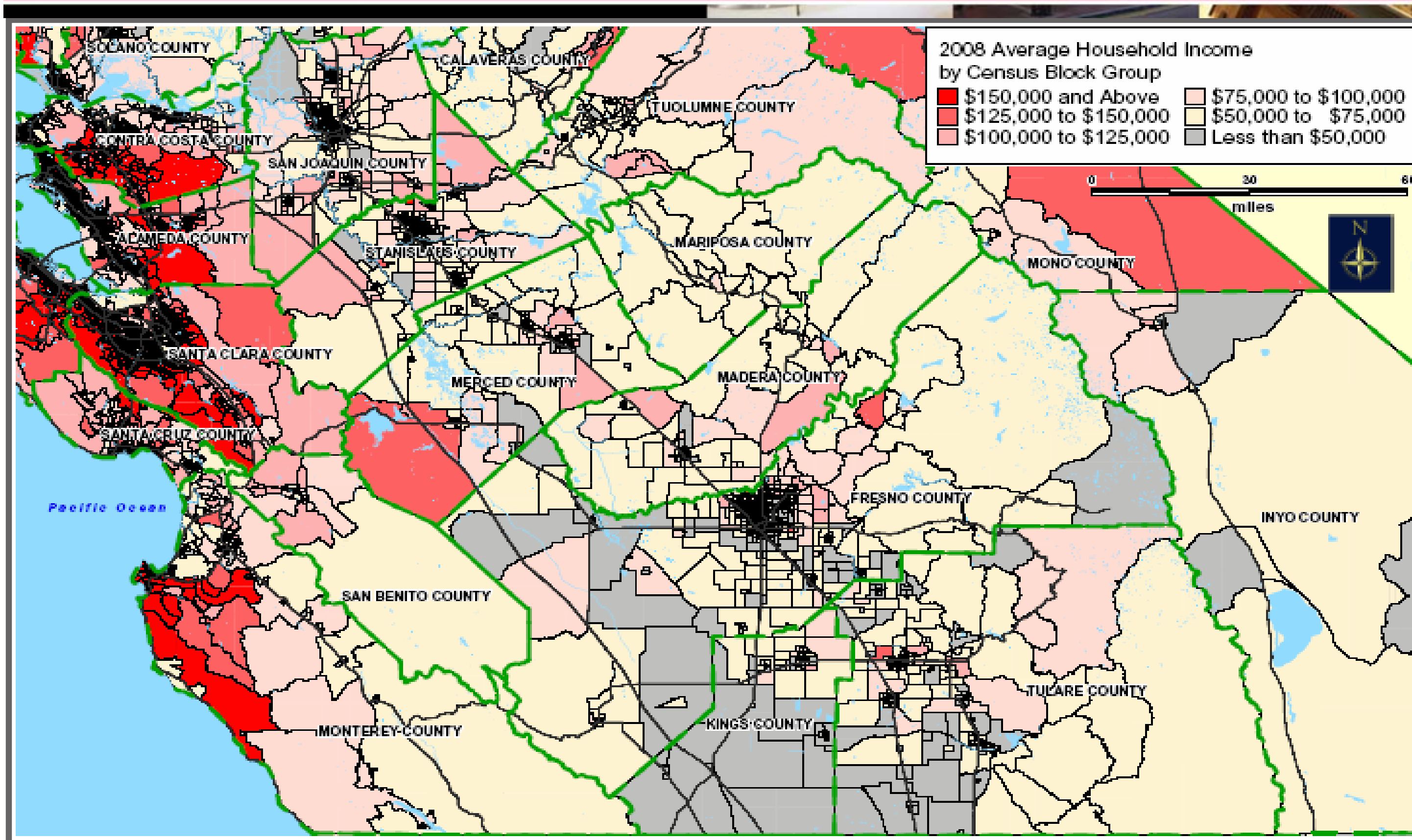
RETAIL SHOPPING CENTERS REPORT

CENTRAL VALLEY YEAR-END 2010



Central Valley Demographics

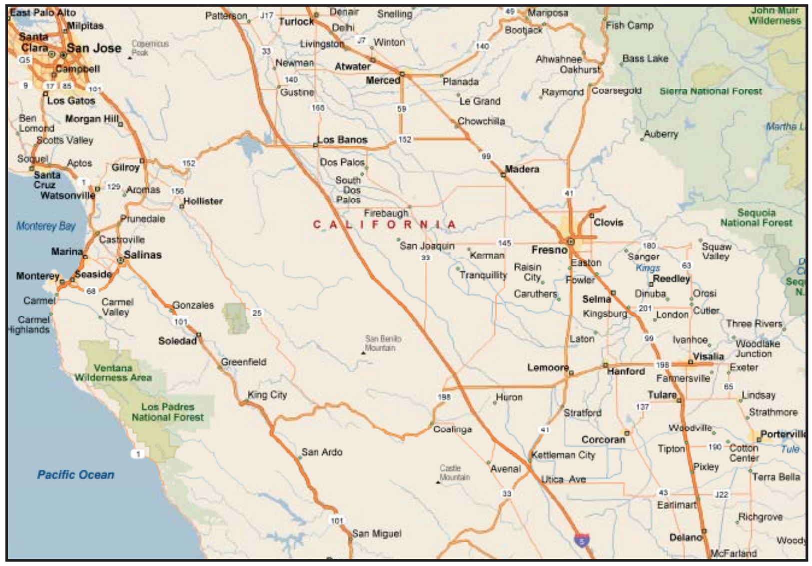
Area: 22,329 Square Miles	2000	2010	2015
Population	2,641,147	3,083,009	3,325,551
Ethnicity Percent of Population			
White Population Alone	58.68%	61.02%	58.72%
Black Population Alone	4.59%	4.90%	4.89%
American Indian/Alaska Native Alone	1.46%	1.08%	1.11%
Asian/Hawaiian/Pacific Islander	7.01%	8.14%	8.81%
Other Population (Incl 2+ Races)	28.26%	24.85%	26.48%
Hispanic Population	40.09%	45.73%	48.85%
Non-Hispanic Population	59.91%	54.27%	26.48%
Total Households	824,488	968,364	1,042,135
Income			
Median	$37,188	$44,194	$48,620
Per Capita	$15,386	$19,831	$22,353
Per Household	$49,250	$63,137	$71,332
Household Income Range			
$25,000-$49,999	30.6%	30.1%	27.3%
$50,000-$74,999	18.3%	23.6%	23.9%
$75,000-$99,999	8.9%	11.7%	14.9%
$100,000-$124,999	4.12%	3.70%	4.94%
$125,000-$149,999	1.80%	1.94%	2.36%
$150,000-$199,999	1.43%	1.05%	1.19%
$200,000+	1.46%	1.24%	1.26%

TERRANOMICS

The Retail Division of BT Commercial

Central Valley County

Retail Report



Definitions

Shopping Center
A planned group of connected retail stores, usually with an attached parking area, specially developed on a parcel of private property and managed by a single organization.

Enclosed Mall
A shopping center entirely inside a roofed structure, so that entrance to the mall is controlled by a limited number of entrances and most stores are accessible only via interior corridors.

Open-Air Mall
A shopping center in which most of the stores are directly accessible from the outside, the exterior walkways may be covered, but the center is not enclosed under a single roof.

Regional Center
A shopping center with 30 to 100 stores, anchored by one or more department stores, and has 350,000 to 800,000 square feet of retail space.

Super-Regional Center
The largest variety of shopping center, usually an enclosed mall with more than 100 stores; includes several department stores, and greater than 800,000 square feet of retail space.

Neighborhood Center
A shopping center with fewer than 10 stores, anchored by a supermarket, and with 30,000 to 150,000 square feet of retail space; neighborhood centers are typically open-air designs.

Community Center
A shopping center with 10 to 30 stores and 150,000 to 350,000 square feet of retail space, typically anchored by a discount department, drug, or home improvement store; they are commonly open, one-story, with stores arranged in a single strip, L- or U-shape.

Lifestyle Center
A shopping center or mall whose array of retail outlets are designed to appeal to a particular segment of the population; typically, lifestyle centers feature upscale specialty stores, services, and restaurants.

Power Center
A center dominated by several large anchors, including discount department stores, off-price stores, warehouse clubs, or category killers. The center typically consists of several anchors, some of which may be freestanding and only a minimum amount of small specialty tenants.

Strip Center
An open-air neighborhood shopping center, smaller than 10,000 square feet and with at least three stores, typically arranged in a connected row facing a parking area; strip centers may also be L- or U-shaped.

Theme/Festival Centers
The centers typically employ a unifying theme that is carried out by the individual shops in their architectural design and, to an extent, in the merchandise. Entertainment is often a common element of such centers, and is targeted to tourists.

Outlet Mall
This center type consists of manufacturers' and retailers' outlet stores selling brand-name goods at a discount. These centers are typically not anchored, although certain brand-name stores may serve as "magnet" tenants.

Anchor Stores
The largest retail outlets, usually located at the ends or corners of shopping centers, and chosen in part for their potential to attract customers to the shopping center generally; department stores usually anchor regional and super-regional malls and supermarkets are typical anchors in community centers.

Big Box
A large stand-alone store that specializes in a single line of products, such as home improvements, toys, or office supplies; no-frills discount stores that sell in volume and category killers are often big box stores.

Category Killer
A large national chain store specializing in one line of products, such as home improvements, office supplies, or toys, that can overwhelm both smaller and more diverse competitors because of its size, variety of merchandise, and prices.

Free-Standing Store
A retail outlet not associated with a shopping center, especially those at a distance from congested shopping areas and downtowns.

Gross Leaseable Area (GLA)
Total floor space available for retail sales, usually in square feet.

Anchor GLA
Total floor space available for anchor retail sales, usually in square feet.

Non-Anchor GLA
Total floor space available for non-anchor retail sales, usually in square feet.

Average Asking Rate
The rate is determined by multiplying the asking net lease rate for each building by its available square footage, summing the products, then dividing by the sum of the available square footage with net leases for all buildings.

Triple net (NNN)
Generally refers to the requirement for the lessee to pay for its share of the property's taxes, insurance and operating expenses.