

MARKET OVERVIEW

► **Industrial Market:** The Sacramento industrial market fared well during the first quarter. The overall vacancy rate slightly decreased to 9.47%, which remains amongst the lowest figures seen since 2008. At the close of the quarter, net absorption was positive averaging 518,000 square feet per quarter since the first quarter of 2015.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased by 13 basis points to 9.47%. The largest submarkets – Power Inn, West Sacramento and Roseville/Rocklin – had vacancy rates of 6.26%, 10.23% and 12.15%. Among the largest submarkets, some of the lowest vacancy rates were also seen in the Sunrise, Elk Grove/Laguna, and Natomas/Northgate submarkets with rates at 4.02%, 6.19% and 8.73%. The highest vacancy rates, however, were seen in the South Sacramento and McClellan submarkets at 26.29% and 15.99%, respectively.

► **Lease Rates:** At the end of the first quarter, the average asking triple net lease rate for the Sacramento industrial market was \$0.36, which is a \$0.01 decrease from the previous quarter. Within the two largest submarkets – Power Inn and West Sacramento – the average asking lease rates were \$0.32 and \$0.38 per square foot. Some of the highest lease rates were seen in the Folsom/EI Dorado, Sunrise and South Sacramento submarkets at \$0.66, \$0.53 and \$0.49 per square foot. Alternatively, the lowest lease rates were seen in the Davis/Woodland and NE Sacramento submarkets with average asking rates of \$0.29 and \$0.30 per square foot.

► **Sale & Lease Transactions:** Transaction activity at the close of the first quarter was 1.68 million square feet, which is a decrease from the previous quarter's figure of 3.9 million square feet. Given that there is often a delay for final figures to be totaled, this quarter's figure will slightly increase in the next market report. Please refer to page two for more information about the first quarter's noteworthy transactions.

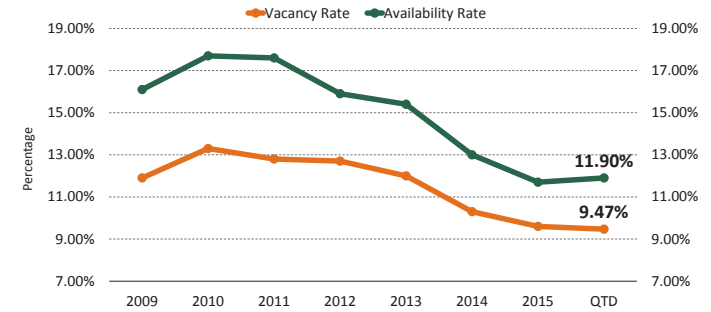
► **Absorption:** The industrial market ended the first quarter with 270,211 square feet of positive net absorption. The Natomas/Northgate submarket had the greatest positive net absorption of 144,825 square feet, and the Power Inn submarket had the second highest net absorption of 134,200 square feet. The Marysville/Yuba City submarket, however, totaled just over 76,500 square feet of negative net absorption.

► **Development:** Only one industrial project is currently under construction in the Sacramento market, which is an 8,282 square foot warehouse in the McClellan submarket and expected to be delivered June of 2016. At the close of the first quarter, however, five new projects were delivered to the market totaling 96,152 square feet. The majority of this new space was delivered in the West Sacramento and Elk Grove/Laguna submarkets. Currently, there are 3.54 million square feet of proposed industrial space.

► **First Quarter Review:** Overall, the Sacramento industrial market showed steady signs of improvement as the overall vacancy rate further decreased and net absorption remained positive. According to the most recent Sacramento employment figures, the unemployment rate was at 5.4% in February of 2016. As the job market further improves, increased demand is expected for the Sacramento industrial market.

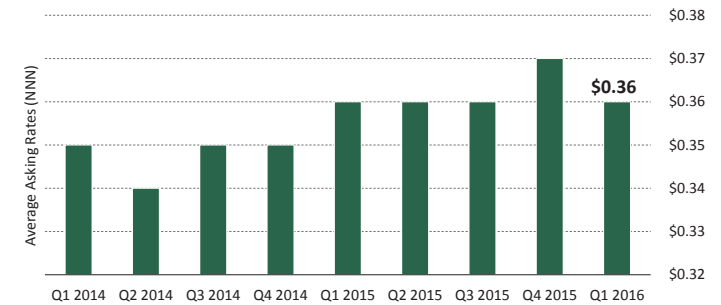
VACANCY RATE & AVAILABILITY RATE

ALL SPACE NOT CURRENTLY OCCUPIED & ALL SPACE CURRENTLY MARKETED



AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



SACRAMENTO INDUSTRIAL TRENDS | FIRST QUARTER 2016

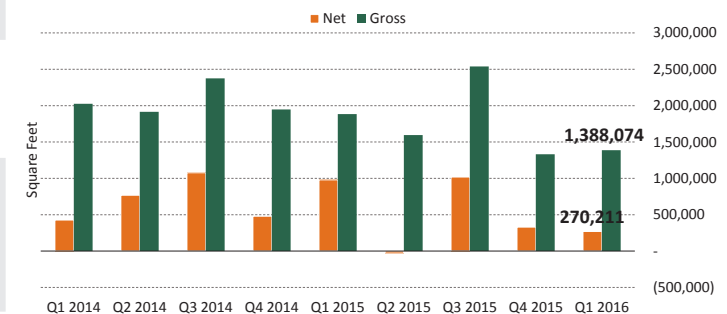
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
	↓	↓	↓	↓
	Q ¹ 2016 9.47%	\$0.36	270,211	1,685,264
Q ⁴ 2015	9.60%	\$0.37	329,088	3,909,851

THESE STATISTICS ENCOMPASS THE ENTIRE SURVEY, WHICH INCLUDES ALL INDUSTRIAL PROPERTY TYPES 10,000 SQUARE FEET AND LARGER.

NET & GROSS ABSORPTION

NET - TOTAL SQ. FT. OCCUPIED LESS THE SQ. FT. VACATED & GROSS - TOTAL SQ. FT. OCCUPIED



NOTEWORTHY TRANSACTIONS

MARKET SNAPSHOT

Q¹ 2016 **Q¹ 2015** % Change vs. Q1 2015

LEASE TRANSACTIONS | NOTABLE INDUSTRIAL LEASES SIGNED

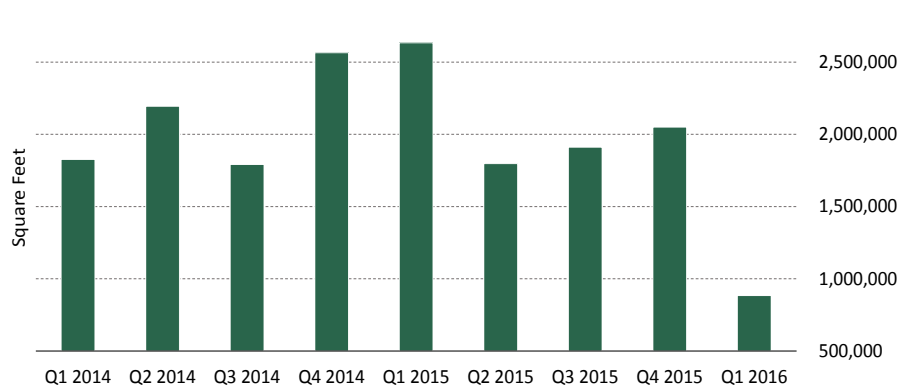
Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
4700-4940 Lang Ave	McClellan	California Safe Soil	McClellan Park, LLC	January 5, 2016	80,000
3010 Ramco St.	West Sacramento	Undisclosed	Buzz Oates	January 19, 2016	48,735
3885-3939 Channel Dr.	West Sacramento	Undisclosed	B.M. Tonkin, Inc.	January 14, 2016	48,656
3825 Cincinnati Ave.	Roseville/Rocklin	Pewag, Inc.	Korean Trust	February 1, 2016	38,000
1341 N Market Blvd.	Natomas/Northgate	American Exposition Services, Inc.	Westcore Properties	January 12, 2016	34,113

SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES

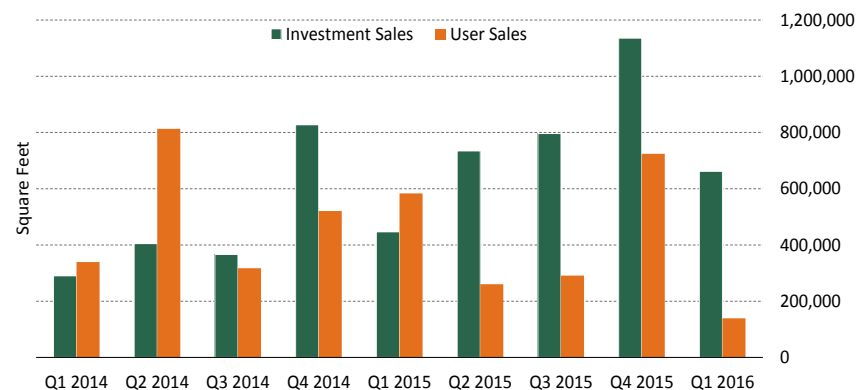
Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
8250-8292 Industrial Ave. (3 Properties)	Roseville/Rocklin	Symphony Dreams, LLC	Coastal Partners, LLC	250,000	\$18,850,000
3120-3170 Orange Grove Ave.	McClellan	3100 Orange Grove, LLC	Lindsey Family Trust	87,480	\$3,750,000
121 Main Ave.	Natomas/Northgate	Singley Family Trust	121 Main Avenue, LLC	56,537	\$2,850,000
3974 Durock Rd. (11 Industrial Condo Units)	Folsom/El Dorado	Robert Beyer	Durock Properties, LLC	16,258	\$2,400,000
4590 Pell Drive	Natomas/Northgate	Morris, LLC	Dan Caputo Company	36,000	\$2,350,000

Vacancy Rate	9.47%	9.60%	-1.35%
Availability Rate	11.90%	12.40%	-4.03%
Avg. Asking Lease Rate	\$0.36	\$0.36	0.00%
Gross Absorption	1,388,074	1,884,399	-26.34%
Net Absorption	270,211	979,603	(N/A)

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER

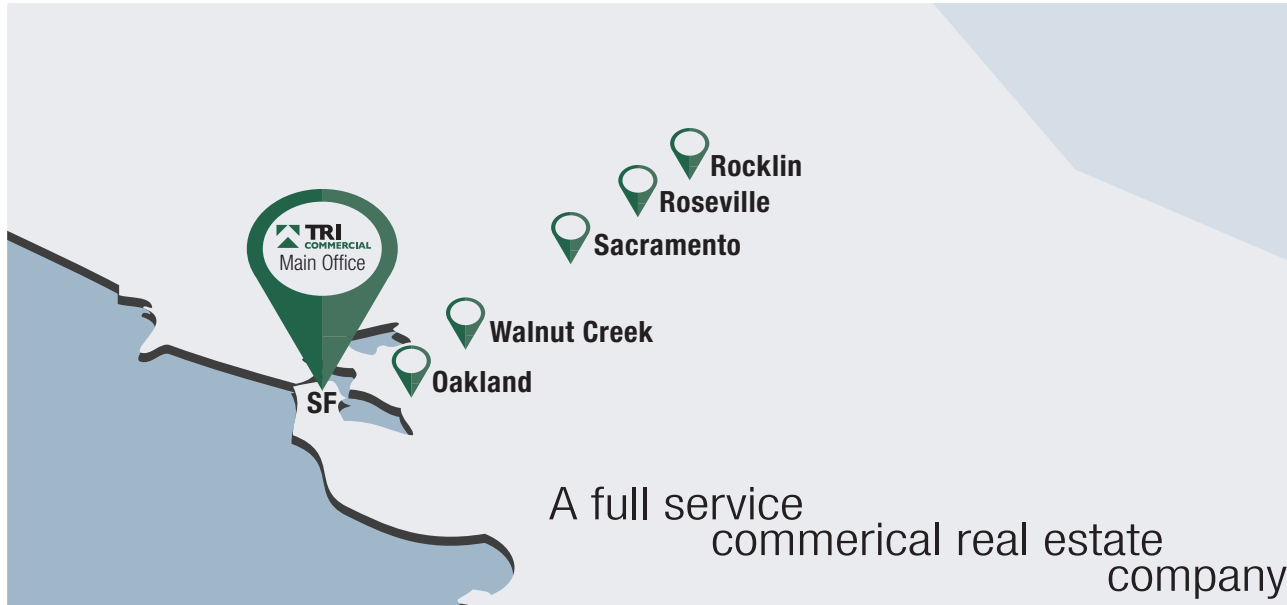


TRI COMMERCIAL | SACRAMENTO INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate Q1 2016	Occupied Square Feet	Occupancy Rate Q1 2016	Available Square Feet	Availability Rate Q1 2016	Net Absorption Q1 2016	YTD Net Absorption	Gross Absorption Q1 2016	YTD Gross Absorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Newcastle	85	2,221,167	86,488	3.89%	2,134,679	96.11%	143,782	6.47%	(6,829)	(6,829)	6,420	6,420	0	0	\$0.53
Davis/Woodland	185	16,027,974	1,657,950	10.34%	14,370,024	89.66%	1,895,350	11.83%	(10,836)	(10,836)	5,279	5,279	0	15,040	\$0.29
Downtown	87	2,675,438	90,936	3.40%	2,584,502	96.60%	106,936	4.00%	0	0	0	0	0	0	\$0.55
East Sacramento	25	593,920	37,176	6.26%	556,744	93.74%	37,176	6.26%	0	0	0	0	0	0	-
Elk Grove/Laguna	116	5,705,192	353,035	6.19%	5,352,157	93.81%	464,727	8.15%	29,814	29,814	89,081	89,081	0	0	\$0.40
Folsom/EI Dorado	104	3,109,841	91,332	2.94%	3,018,509	97.06%	209,692	6.74%	23,429	23,429	33,005	33,005	0	0	\$0.66
Marysville/Yuba City	144	5,904,862	575,024	9.74%	5,329,838	90.26%	638,214	10.81%	(76,500)	(76,500)	17,500	17,500	0	0	\$0.35
Mather	125	3,801,303	422,590	11.12%	3,378,713	88.88%	579,160	15.24%	(5,183)	(5,183)	45,889	45,889	0	89,593	\$0.34
McClellan	286	13,503,962	2,159,226	15.99%	11,344,736	84.01%	2,428,168	17.98%	4,733	4,733	40,730	40,730	8,282	52,108	\$0.38
Natomas/Northgate	203	11,778,530	1,028,290	8.73%	10,750,240	91.27%	1,161,604	9.86%	144,825	144,825	187,426	187,426	0	629,394	\$0.38
NE Sacramento	192	5,016,799	377,690	7.53%	4,639,109	92.47%	427,394	8.52%	30,073	30,073	70,069	70,069	0	0	\$0.30
Power Inn	565	24,389,007	1,526,761	6.26%	22,862,246	93.74%	2,234,182	9.16%	134,200	134,200	437,139	437,139	0	1,363,686	\$0.32
Richards	86	4,178,645	255,091	6.10%	3,923,554	93.90%	168,011	4.02%	1,045	1,045	1,045	1,045	0	0	\$0.33
Roseville/Rocklin	286	16,597,670	2,015,858	12.15%	14,581,812	87.85%	2,122,618	12.79%	(2,747)	(2,747)	92,894	92,894	0	283,005	\$0.34
South Sacramento	119	3,942,842	1,036,607	26.29%	2,906,235	73.71%	1,059,107	26.86%	3,235	3,235	6,835	6,835	0	1,077,600	\$0.49
Sunrise	335	9,801,126	393,759	4.02%	9,407,367	95.98%	707,713	7.22%	3,648	3,648	121,343	121,343	0	0	\$0.53
West Sacramento	319	17,841,023	1,824,740	10.23%	16,016,283	89.77%	3,119,994	17.49%	(2,696)	(2,696)	233,419	233,419	0	30,000	\$0.38
Industrial Market Totals	3,262	147,089,301	13,932,553	9.47%	133,156,748	90.53%	17,503,828	11.90%	270,211	270,211	1,388,074	1,388,074	8,282	3,540,426	\$0.36
10,000-29,999	2,011	33,349,381	1,551,397	4.65%	31,797,984	95.35%	2,219,991	6.66%	292,989	292,989	593,881	593,881	8,282	394,748	\$0.47
30,000-49,999	514	19,565,791	1,328,562	6.79%	18,237,229	93.21%	1,642,954	8.40%	110,957	110,957	375,511	375,511	0	121,518	\$0.45
50,000-99,999	445	29,628,530	2,540,129	8.57%	27,088,401	91.43%	3,000,934	10.13%	120,922	120,922	268,377	268,377	0	411,824	\$0.40
100,000-199,999	184	24,185,671	2,479,416	10.25%	21,706,255	89.75%	3,098,424	12.81%	(218,771)	(218,771)	92,656	92,656	0	881,505	\$0.35
200,000-299,999	61	14,547,805	1,583,674	10.89%	12,964,131	89.11%	1,941,944	13.35%	12,849	12,849	57,649	57,649	0	469,553	\$0.29
300,000 Plus	47	25,812,123	4,449,375	17.24%	21,362,748	82.76%	5,599,581	21.69%	(48,735)	(48,735)	0	0	0	1,261,278	\$0.30
Industrial Market Totals	3,262	147,089,301	13,932,553	9.47%	133,156,748	90.53%	17,503,828	11.90%	270,211	270,211	1,388,074	1,388,074	8,282	3,540,426	\$0.36

Average asking rates represented are triple net.

NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:



MAP IS NOT TO SCALE

ABOUT TRI COMMERCIAL

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