

MARKET OVERVIEW

► **Retail Market:** The Sacramento retail market fared well at the close of the first quarter as vacancy rates have continued to trend downward and net absorption has stayed positive for fifteen consecutive quarters, averaging 360,000 square feet per quarter. Among other positive trends to note, transaction activity has remained high, averaging 1.73 million square per quarter.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased 4 basis points to 7.95%, which is still amongst the lowest vacancy rates seen since 2008. The largest retail submarkets – Roseville/Rocklin, South Sacramento, and Arden/Watt/Howe – had vacancy rates of 6.54%, 8.32%, and 9.13%. Lowest vacancy rates were also seen in West Sacramento, Downtown/Midtown/E Sac, and Elk Grove with rates at 3.61%, 3.79% and 4.66%. The highest vacancy rates, however, were seen in the Yuba County, Highway 50 Corridor, and Rio Linda/N Highlands submarkets at 25.42%, 14.55%, and 11.02%.

► **Lease Rates:** At the end of the first quarter, the average asking triple net lease rate for the Sacramento retail market was \$1.34, which is a one cent decrease from the previous quarter. Within the two largest submarkets – Roseville/Rocklin and South Sacramento – the average asking lease rates were \$1.37 and \$1.34 per square foot. Some of the highest average asking lease rates, however, were seen in the Lincoln and Folsom submarkets at \$1.98 and \$1.74 per square foot.

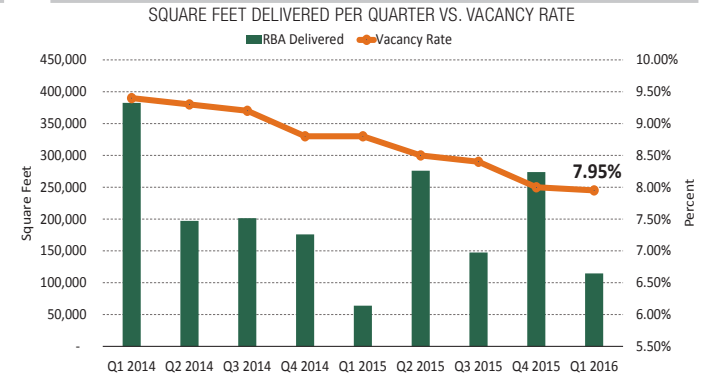
► **Sale & Lease Transactions:** Transaction activity at the close of the first quarter was 1.3 million square feet, which is similar to the previous quarter's figure of 1.31 million square feet. Given that there is often a delay for final figures to be totaled, this quarter's figure will slightly increase in the next market report. Please refer to page two for more information on this quarter's noteworthy transactions.

► **Absorption:** The retail market ended the first quarter with 198,038 square feet of positive net absorption. The Roseville/Rocklin submarket recorded the highest net absorption with a total of 141,943 square feet, and the South Sacramento submarket recorded the second highest net absorption of 98,884 square feet. Alternatively, the Arden/Watt/Howe submarket recorded a negative net absorption of 135,335 square feet.

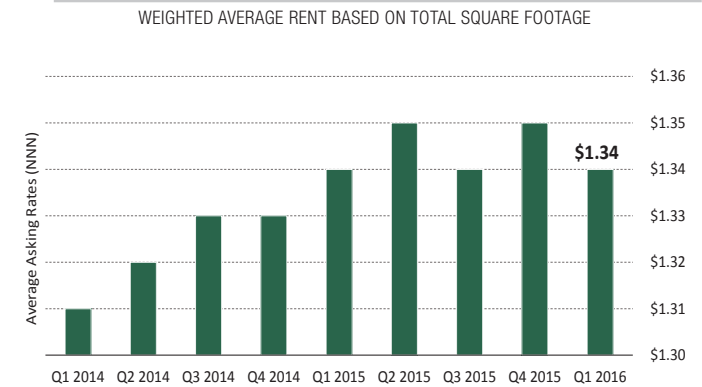
► **Development:** The Sacramento retail market delivered 146,952 square feet of new retail space during the first quarter. Among the largest of those projects was a 35,000 square foot retail freestanding building in the Auburn/Loomis submarket. There are currently 905,940 square feet of retail space under construction. The largest project under construction is a regional mall in the Elk Grove submarket totaling 510,645 square feet and is expected to be delivered in March 2017. Currently, there are 11.12 million square feet of proposed retail space for the Sacramento region.

► **First Quarter Review:** Overall, vacancy rates have continued to trend downward and net absorption has remained positive. According to the most recent Sacramento employment figures, the unemployment rate remained at 5.4% in February of 2016. As the job market further improves, the commercial retail market is expected to continue as one of the strongest for the Sacramento Region.

NEW DELIVERIES VS. VACANCY RATE



AVERAGE ASKING RATES



SACRAMENTO RETAIL TRENDS | FIRST QUARTER 2016

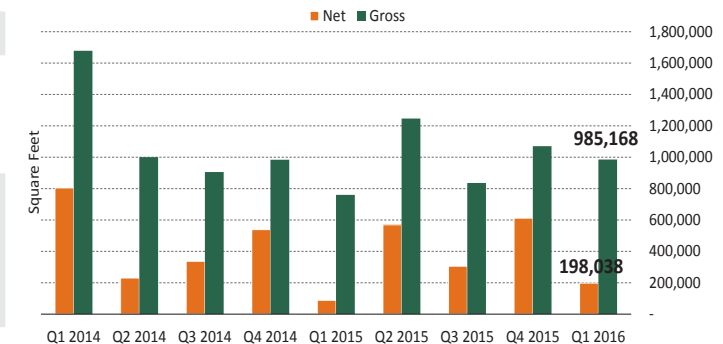
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
	Q ¹ 2016	7.95%	\$1.34	198,038
Q ⁴ 2015	7.99%	\$1.35	611,892	1,316,086

THESE STATISTICS ENCOMPASS THE ENTIRE SURVEY, WHICH INCLUDES ALL RETAIL PROPERTY TYPES.

NET & GROSS ABSORPTION

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



NOTEWORTHY TRANSACTIONS

MARKET SNAPSHOT

LEASE TRANSACTIONS | NOTABLE RETAIL LEASES SIGNED

Property Address	Submarket	Tenant	Landlord	Date Lease Signed	Square Feet Leased
2000-2030 Douglas Blvd.	Roseville/Rocklin	Sprouts	Rocky Ridge Venture, LLC	January 28, 2016	27,650
312 N Sunrise Blvd.	Roseville/Rocklin	Undisclosed	ProEquity Asset Management	February 5, 2016	23,613
5021-5221 Fruitridge Rd.	South Sacramento	Octapharma	EKG Investors, LLC	March 29, 2016	10,000
5130 Commons Drive	Roseville/Rocklin	Rocklin Studio Salons	Rocklin Pavilions, LLC	January 20, 2016	9,083
8525 Bond Rd.	Elk Grove	Mikuni	Bernard S. Lynn, Jr., Tr.	January 1, 2016	8,600

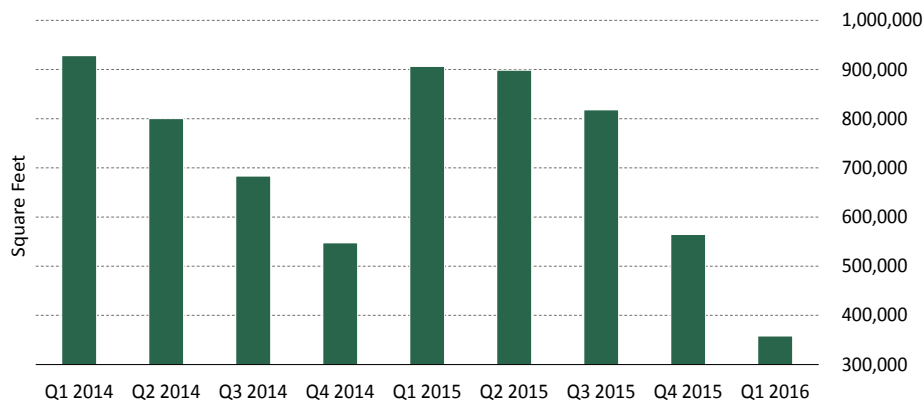
Q¹ 2016 Q¹ 2015 % Change vs. Q1 2015

Vacancy Rate	7.95%	8.80%	-9.66%
Availability Rate	9.86%	9.90%	-0.40%
Avg. Asking Lease Rate	\$1.34	\$1.34	0.00%
Gross Absorption	985,168	759,711	29.68%
Net Absorption	198,038	88,340	(N/A)

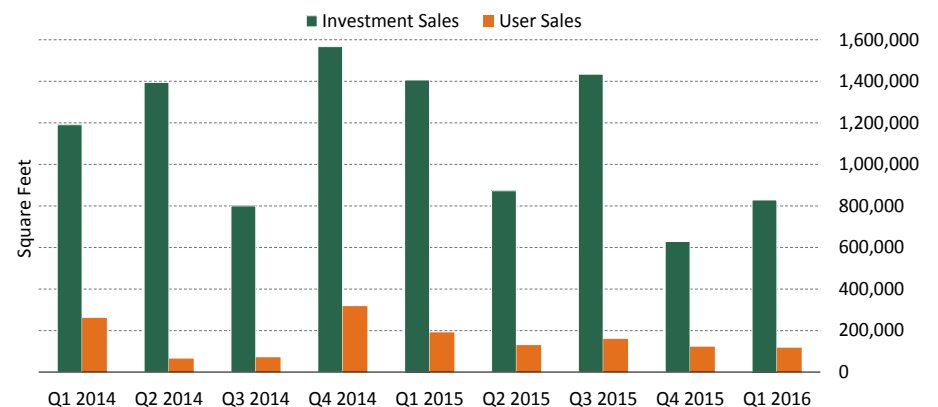
SALE TRANSACTIONS | NOTABLE RETAIL SALES

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
1850 Douglas Blvd (5 Properties) (Community Center)	Roseville/Rocklin	Gerrity Group, LLC	ACF Property Management, Inc.	153,422	\$38,595,000
200-206 E Street (4 Properties) (Retail Storefront)	Davis	BDC Livermore, LP	Brinley Downtown Properties	58,726	\$13,750,000
1410 Whyler Rd. (Retail Movie Theatre)	Outer Sutter County	Lampert Family Trust	Showtime Land Company, LLC	38,934	\$12,500,000
2300 Watt Ave. (Retail Freestanding)	Arden/Watt/Howe	Herskovic Trust	EDM Realty Corp.	92,000	\$12,200,000
8601-8727 Auburn Folsom Rd. (Neighborhood Center)	Roseville/Rocklin	Ethan Conrad	Auburn & Douglas, LLC	86,039	\$8,850,000

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER

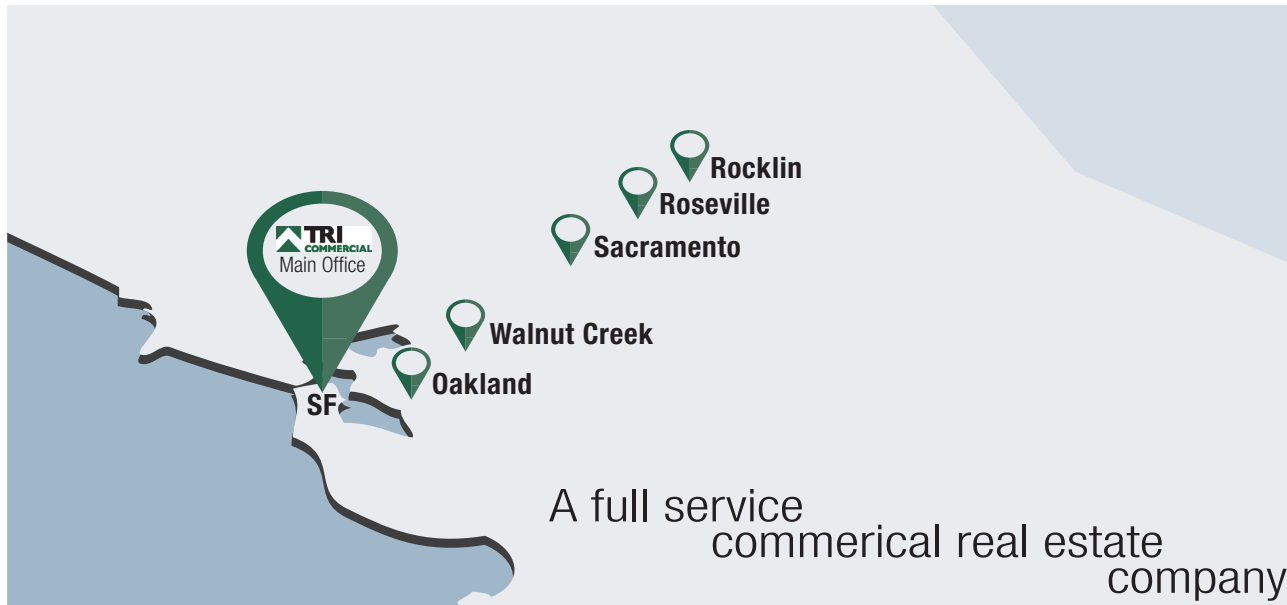


TRI COMMERCIAL | SACRAMENTO RETAIL SUBMARKET STATISTICS

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)
Arden/Watt/Howe	957	11,064,993	1,009,914	9.13%	10,055,079	90.87%	1,153,185	10.42%	(135,335)	(135,335)	111,140	111,140	47,963	241,557	\$1.34
Auburn/Loomis	369	3,536,967	171,132	4.84%	3,365,835	95.16%	187,062	5.29%	47,290	47,290	73,134	73,134	0	461,943	\$1.51
Carmichael	295	2,879,013	242,387	8.42%	2,636,626	91.58%	317,576	11.03%	7,371	7,371	30,387	30,387	0	32,270	\$1.17
Davis	196	2,197,786	87,638	3.99%	2,110,148	96.01%	96,855	4.41%	(763)	(763)	7,572	7,572	0	92,375	\$1.71
Downtown/Midtown/E Sac	841	6,031,364	228,401	3.79%	5,802,963	96.21%	407,145	6.75%	(4,025)	(4,025)	26,276	26,276	678,844	1,583,730	\$1.29
El Dorado	350	4,066,596	270,293	6.65%	3,796,303	93.35%	308,681	7.59%	(2,656)	(2,656)	43,797	43,797	19,061	355,379	\$1.60
Elk Grove	351	5,744,536	267,863	4.66%	5,476,673	95.34%	308,313	5.37%	48,623	48,623	81,262	81,262	8,769	1,985,884	\$1.50
Folsom	296	5,606,705	421,618	7.52%	5,185,087	92.48%	423,102	7.55%	8,578	8,578	35,180	35,180	6,001	267,239	\$1.74
Highway 50 Corridor	362	5,266,741	766,532	14.55%	4,500,209	85.45%	910,730	17.29%	(33,164)	(33,164)	14,043	14,043	1,687	849,241	\$1.00
Lincoln	167	1,619,641	93,599	5.78%	1,526,042	94.22%	120,808	7.46%	4,712	4,712	13,734	13,734	0	193,018	\$1.98
Natomas	263	3,848,018	288,714	7.50%	3,559,304	92.50%	379,536	9.86%	1,058	1,058	21,759	21,759	0	315,719	\$1.65
Orangevale/Citrus Heights	561	8,065,593	814,389	10.10%	7,251,204	89.90%	1,273,312	15.79%	(27,189)	(27,189)	42,302	42,302	48,963	224,292	\$1.33
Outer El Dorado County	311	2,650,468	136,837	5.16%	2,513,631	94.84%	183,923	6.94%	3,130	3,130	4,930	4,930	19,500	26,756	\$1.59
Outer Placer County	179	1,367,444	49,458	3.62%	1,317,986	96.38%	69,409	5.08%	2,142	2,142	10,460	10,460	0	1,402	\$1.06
Outer Sacramento County	143	1,199,005	48,960	4.08%	1,150,045	95.92%	58,860	4.91%	1,400	1,400	1,400	1,400	0	152,700	\$1.42
Outer Sutter County	334	4,334,532	338,013	7.80%	3,996,519	92.20%	412,835	9.52%	26,693	26,693	32,360	32,360	0	304,595	\$2.20
Outer Yolo County	56	356,003	2,000	0.56%	354,003	99.44%	9,850	2.77%	920	920	920	920	0	46,920	\$1.60
Rio Linda/N Highlands	432	5,261,476	579,681	11.02%	4,681,795	88.98%	590,644	11.23%	2,164	2,164	15,139	15,139	2,006	276,790	\$1.00
Roseville/Rocklin	893	14,717,325	962,369	6.54%	13,754,956	93.46%	1,211,513	8.23%	141,943	141,943	226,846	226,846	57,749	874,238	\$1.37
South Sacramento	1,142	12,648,063	1,052,752	8.32%	11,595,311	91.68%	1,443,375	11.41%	98,884	98,884	138,674	138,674	12,000	1,741,077	\$1.34
West Sacramento	182	2,392,498	86,355	3.61%	2,306,143	96.39%	117,601	4.92%	4,426	4,426	11,622	11,622	0	24,500	\$1.11
Woodland	268	3,579,749	281,928	7.88%	3,297,821	92.12%	324,708	9.07%	(8,398)	(8,398)	28,642	28,642	3,397	173,543	\$1.00
Yuba County	237	2,379,628	604,860	25.42%	1,774,768	74.58%	619,263	26.02%	10,234	10,234	13,589	13,589	0	904,268	\$1.08
Retail Market Totals	9,185	110,814,144	8,805,693	7.95%	102,008,451	92.05%	10,928,286	9.86%	198,038	198,038	985,168	985,168	905,940	11,129,436	\$1.34

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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