TRI 40 YEARS COMMERCIAL
REAL ESTATE SERVICES

SACRAMENTO RETAIL

Q1 2017

OSBORNE GROUP

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 dropping 54 basis points to 7.26%. Among other positive trends to note, net absorption was just over 360,000 square feet higher in comparison to the previous quarter.

▶Vacancy Rates: In comparison to the previous quarter, the vacancy rate decreased 54 basis points to 7.26%, which remains amongst the lowest vacancy rates seen since 2008. The largest retail submarkets – Roseville/Rocklin, South Sacramento, and Arden/Watt/Howe – had vacancy rates of 5.71%, 7.74%, and 9.73%. Some of the lowest vacancy rates were seen in Downtown/Midtown/E Sac, West Sacramento, and Davis with rates at 4.13%, 3.37% and 4.18%, respectively. The highest vacancy rates, however, were seen in the Yuba County and Highway 50 Corridor submarkets at 21.86% and 12.16%.

▶Lease Rates: At the close of the first quarter, the average asking triple net lease rate for the Sacramento retail market was $1.32 per square foot, which is a $0.07 decrease from the previous quarter. Within the two largest submarkets – Roseville/Rocklin and South Sacramento – the average asking lease rates were $1.44 and $1.20 per square foot. Some of the highest average asking lease rates, however, were seen in the Lincoln and El Dorado submarkets at $1.98 and $1.92 per square foot, respectively.

▶Sale & Lease Transactions: Transaction activity at the close of the first quarter was just over 1 million square feet, which is lower than the previous quarter's figure of 2.11 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 639,272 square feet of positive net absorption. The Highway 50 Corridor submarket recorded the highest net absorption with a total of 140,723 square feet, and the Roseville/Rocklin submarket recorded the second highest net absorption at 118,306 square feet. Alternatively, the Davis submarket recorded a negative net absorption of 26,692 square feet at the close of the first quarter.

▶Development: The Sacramento retail market delivered 47,836 square feet of new retail space during the first quarter of 2017. Among the largest of those projects was a 15,000 square foot retail building in the Elk Grove submarket, which was delivered February 2017. There are currently just over 1.44 million square feet of retail space under construction. The largest project under construction is a 216,981 square foot retail department store in the South Sacramento submarket expected to be delivered 2017. Currently, there are 10.89 million square feet of proposed retail space for the Sacramento Region.

▶First Quarter Review: Overall, the vacancy rate has decreased by 92 basis points in comparison to one year ago while net absorption has averaged just over 334,000 square feet per quarter. According to the most recent Sacramento employment figures, the unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 5.1% in February of 2017.

SACRAMENTO RETAIL TRENDS | FIRST QUARTER 2017

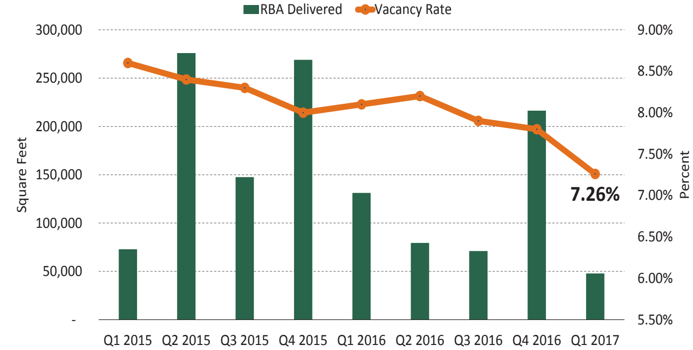
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
	▼	▼	▲	▼
Q1 2017	7.26%	$1.32	639,272	1,073,921
Q4 2016	7.80%	$1.39	272,060	1,598,210

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

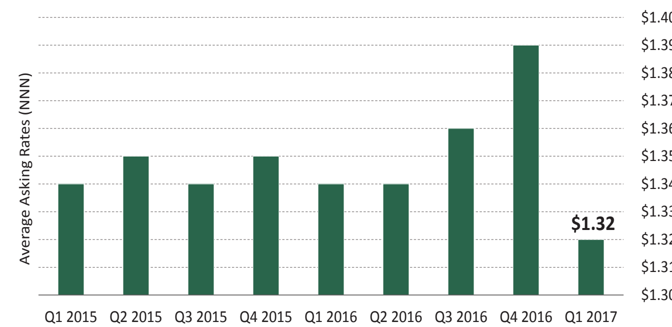
NEW DELIVERIES VS. VACANCY RATE

SQUARE FEET DELIVERED PER QUARTER VS. VACANCY RATE



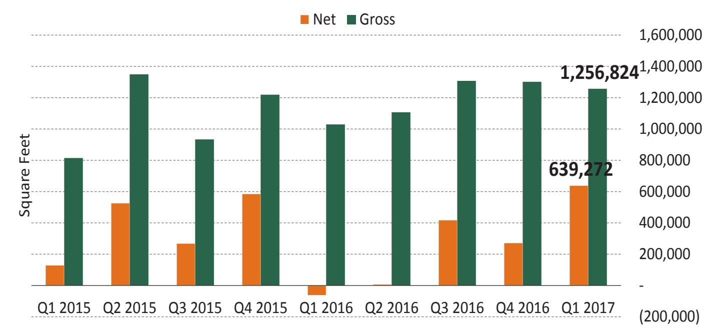
AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



NET & GROSS ABSORPTION

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



NOTEWORTHY TRANSACTIONS

LEASE TRANSACTIONS I NOTABLE RETAIL LEASES SIGNED FOR Q1 2017

Property Address	Submarket	Tenant	Landlord	Date Lease Signed	Sq. Ft. Leased
3261-3269 Stanford Ranch Rd. (Neighborhood Center)	Roseville/Rocklin	Undisclosed	Elite Lender, LLC	March 30, 2017	15,000
1304 Fulton Ave. (Neighborhood Center)	Arden/Watt/Howe	Undisclosed	Ochoyuno Investment Co.	January 27, 2017	12,500
1026-1028 R St. (Freestanding Retail)	Downtown/Midtown/E. Sac	O'Farrels	Cordano Company	March 16, 2017	11,972
9089 Bruceville Rd. (Power Center)	Elk Grove	Well Season Seafood Restaurant	City of Elk Grove	February 22, 2017	10,000
2310-2450 Watt Ave. (Regional Mall)	Arden/Watt/Howe	Sukara Grill	EDM Realty Corp.	February 24, 2017	9,000

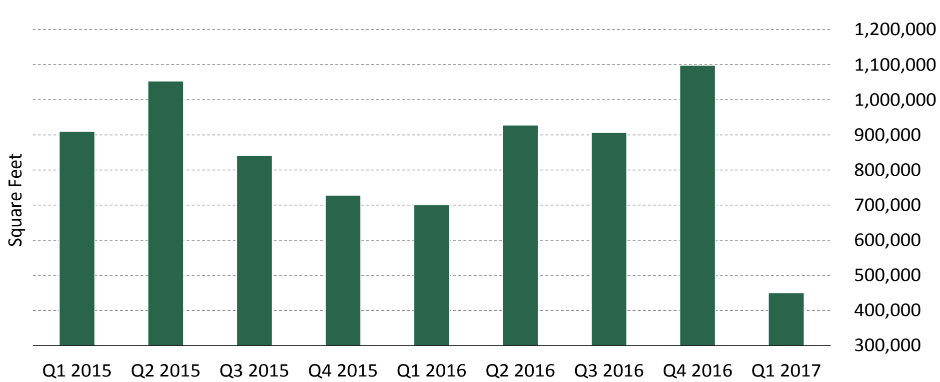
SALE TRANSACTIONS I NOTABLE RETAIL SALES FOR Q1 2017

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
6811-6851 Douglas Blvd. (5 Properties)	Roseville/Rocklin	ECP/TPB1, LLC	Kimco Realty Corporation	137,947	$22,000,000
8961 Greenback Lane	Orangevale/Citrus Heights	Mission Villa Optima, LLC	Woo Brothers Investment Co.	98,000	$13,500,000
7477 Watt Ave. (5 Properties)	North Highlands	Ethan Conrad Properties	Watt North Highlands, LP	121,618	$9,825,000
1010 E Bidwell St.	Folsom	Thomas Folsom II, LLC	Starwood Property Trust, Inc.	78,178	$8,452,500
3999 Foothills Blvd.	Roseville/Rocklin	Dennis M. Coleman	South River Ranch Roseville, LLC	15,048	$5,500,000

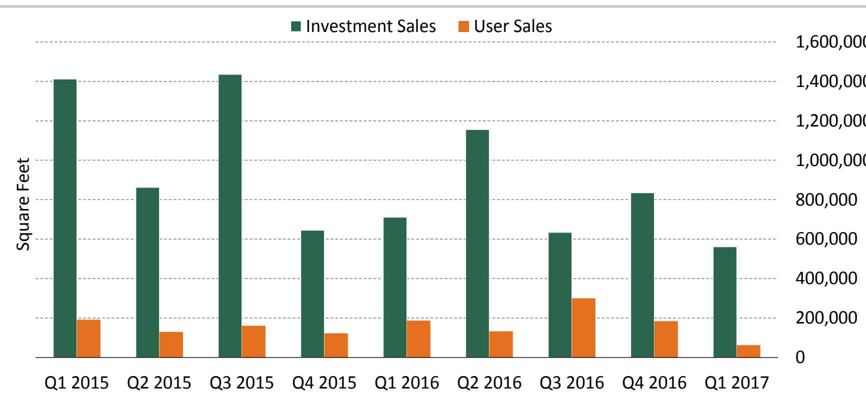
MARKET SNAPSHOT

	Q1 2017	Q1 2016	% Change vs. Q1 2016
Vacancy Rate	7.26%	8.10%	-10.37%
Availability Rate	8.67%	9.90%	-12.42%
Avg. Asking Lease Rate	$1.32	$1.34	-1.49%
Gross Absorption	1,256,824	1,029,407	22.09%
Net Absorption	639,272	(63,124)	(N/A)

LEASE TRANSACTIONS I AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS I AMOUNT OF SQUARE FEET SOLD PER QUARTER



TRI COMMERCIAL I SACRAMENTO RETAIL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate Q1 2017	Occupied Square Feet	Occupancy Rate Q1 2017	Available Square Feet	Availability Rate Q1 2017	Net Absorption Q1 2017	YTD Net Absorption	Gross Absorption Q1 2017	YTD Gross Abosorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Arden/Watt/Howe	965	11,374,080	1,106,901	9.73%	10,267,179	90.27%	1,279,926	11.25%	56,975	56,975	127,260	127,260	145,802	185,585	$1.22
Auburn/Loomis	374	3,539,438	106,896	3.02%	3,432,542	96.98%	154,671	4.37%	53,062	53,062	59,541	59,541	42,000	451,044	$1.77
Carmichael	298	2,869,259	226,490	7.89%	2,642,769	92.11%	295,219	10.29%	12,229	12,229	33,108	33,108	0	33,870	$1.29
Davis	198	2,222,350	92,811	4.18%	2,129,539	95.82%	103,819	4.67%	(26,692)	(26,692)	4,581	4,581	0	113,225	$1.70
Downtown/Midtown/E Sac	844	6,051,826	250,118	4.13%	5,801,708	95.87%	361,149	5.97%	5,551	5,551	24,389	24,389	294,380	1,489,654	$1.78
El Dorado	359	4,109,099	226,205	5.50%	3,882,894	94.50%	269,405	6.56%	(8,491)	(8,491)	43,313	43,313	0	558,176	$1.92
Elk Grove	354	5,738,601	249,264	4.34%	5,489,337	95.66%	287,395	5.01%	9,464	9,464	32,647	32,647	0	2,061,922	$1.56
Folsom	306	5,670,910	310,720	5.48%	5,360,190	94.52%	373,044	6.58%	4,175	4,175	36,069	36,069	116,636	105,778	$1.81
Highway 50 Corridor	364	5,395,991	656,393	12.16%	4,742,598	87.89%	802,120	14.87%	140,723	140,723	155,338	155,338	87,855	881,801	$0.97
Lincoln	168	1,644,819	88,441	5.38%	1,556,378	94.62%	105,788	6.43%	(4,359)	(4,359)	11,085	11,085	0	187,698	$1.98
Natomas	262	3,831,699	269,491	7.03%	3,562,208	92.97%	353,550	9.23%	19,148	19,148	38,280	38,280	36,496	308,519	$1.50
Orangevale/Citrus Heights	571	8,026,439	835,923	10.41%	7,190,516	89.59%	971,789	12.11%	104,103	104,103	143,262	143,262	3,470	224,877	$1.30
Outer El Dorado County	319	2,670,650	121,726	4.56%	2,548,924	95.44%	163,197	6.11%	(23,532)	(23,532)	6,780	6,780	18,000	7,604	$2.13
Outer Placer County	183	1,379,975	25,985	1.88%	1,353,990	98.12%	45,201	3.28%	3,603	3,603	5,777	5,777	0	0	$1.35
Outer Sacramento County	148	1,438,917	27,054	1.88%	1,411,863	98.12%	36,396	2.53%	10,600	10,600	11,400	11,400	0	149,800	$1.73
Outer Sutter County	349	4,359,950	321,503	7.37%	4,038,447	92.63%	398,690	9.14%	53,755	53,755	66,919	66,919	112,075	160,200	$1.88
Outer Yolo County	58	361,825	0	0.00%	361,825	100.00%	4,850	1.34%	0	0	0	0	0	46,920	-
Rio Linda/N Highlands	434	5,279,545	485,948	9.20%	4,793,597	90.80%	556,382	10.54%	28,168	28,168	39,378	39,378	0	284,346	$1.02
Roseville/Rocklin	909	14,785,538	844,085	5.71%	13,941,453	94.29%	936,796	6.34%	118,306	118,306	196,316	196,316	7,000	844,388	$1.44
South Sacramento	1,155	12,814,561	991,884	7.74%	11,822,677	92.26%	1,198,552	9.35%	39,320	39,320	124,247	124,247	747,879	1,596,938	$1.20
West Sacramento	185	2,365,246	79,721	3.37%	2,285,525	96.63%	102,007	4.31%	7,101	7,101	18,569	18,569	0	23,195	$0.96
Woodland	271	3,568,152	277,662	7.78%	3,290,490	92.22%	350,888	9.83%	7,993	7,993	44,098	44,098	0	181,093	$0.97
Yuba County	247	2,424,187	529,817	21.86%	1,894,370	78.14%	550,192	22.70%	28,070	28,070	34,467	34,467	0	999,972	$0.95
Retail Market Totals	**9,321**	**111,923,057**	**8,125,038**	**7.26%**	**103,801,019**	**92.74%**	**9,701,026**	**8.67%**	**639,272**	**639,272**	**1,256,824**	**1,256,824**	**1,611,593**	**10,896,605**	**$1.32**

Average asking rates represented are triple net.

TRI 40 YEARS COMMERCIAL REAL ESTATE SERVICES

SACRAMENTO RETAIL

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