

## MARKET OVERVIEW

**Office Market:** The Sacramento office market continues to improve as vacancy rates have remained amongst the lowest figures seen since 2007. At the close of the second quarter, average asking lease rates increased to \$1.82, which is an increase of \$0.02 from the previous quarter. In brief, the trend over the last three quarters has shown continually decreasing vacancy rates with an increase in lease rates, which bodes well for the Sacramento office market.

**Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased by seven basis points to 12.73%, which is still amongst the lowest vacancy rates seen since 2007. The largest submarkets – Downtown and the Highway 50 Corridor – had vacancy rates of 10.46% and 14.16%. Alternatively, the highest vacancy rates, however, were seen in the Point West, Howe Ave./Fulton Ave. and Rio Linda/N Highlands submarkets at 17.34%, 26.25%, and 34.92%.

**Lease Rates:** At the end of the second quarter, the average asking full service lease rate for the Sacramento office market was \$1.82, which is a \$0.02 increase from the previous quarter and a \$0.05 increase from the fourth quarter for 2015. Some of the highest lease rates were seen in the Downtown, East Sacramento, and Elk Grove submarkets at \$2.40, \$2.31 and \$2.24 per square foot. Alternatively, the lowest lease rates were seen in the Citrus Heights/Orangevale, Rio Linda/N Highlands and Auburn/Lincoln submarkets with rates at \$1.16, \$1.25 and \$1.29 per square foot.

**Sale & Lease Transactions:** Transaction activity at the close of the second quarter was just over 1.8 million square feet, which is a decrease from the previous quarter's figure of 2 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.





**Absorption:** The office market ended the second quarter with positive absorption of 150,831 square feet. The Roseville/Rocklin submarket had the highest positive net absorption at 99,804 square feet. Alternatively, the Highway 50 Corridor submarket had the highest negative net absorption at 76,828 square feet.

**Development:** New developments in the Sacramento office market have remained in motion with a total of 329,231 square feet currently in progress. The largest project currently under construction is a Class B office building in the Roseville/Rocklin submarket totaling 129,398 square feet, which is expected to be delivered October of 2016. The second largest office project under construction is a Class B office building in the Elk Grove submarket totaling 110,372 square feet, which is expected to be delivered in January of 2017. During the second quarter, there were two new deliveries to the market totaling 56,583 square feet.

**Second Quarter Review:** The average asking full service lease rates have continually increased over the last three quarters. Thus, the \$0.02 increase in the average asking rate is one of the most notable trends as we conclude the second quarter of 2016. According to the most recent Sacramento employment figures, the unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 4.7% in May of 2016.

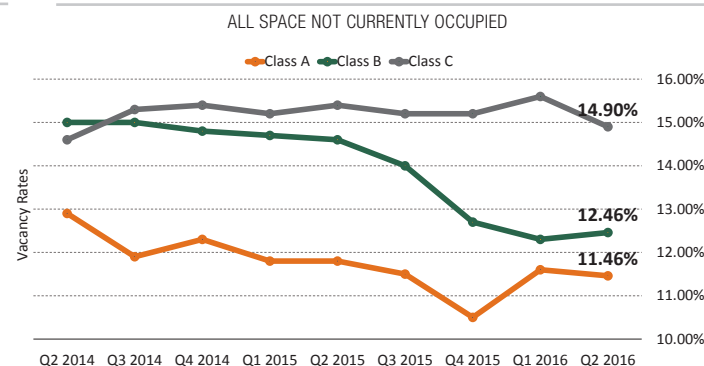
## SACRAMENTO OFFICE TRENDS | SECOND QUARTER 2016

ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (FS)	Net Absorption	Transaction Activity
				
	Q <sup>2</sup> 2016 Q <sup>1</sup> 2016			
	12.73%	\$1.82	150,831	1,811,840
	12.80%	\$1.80	(170,599)	2,045,184

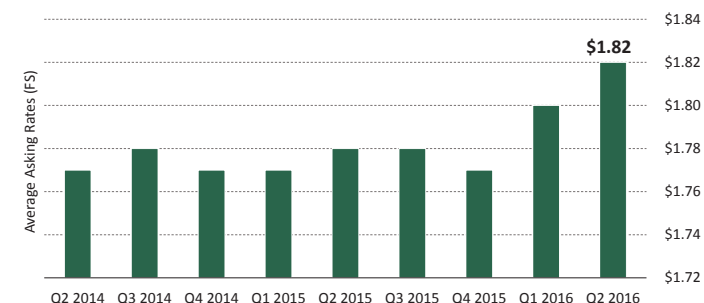
THESE STATISTICS ENCOMPASS THE ENTIRE SURVEY, WHICH INCLUDES ALL OFFICE CLASS TYPES 10,000 SQUARE FEET AND LARGER.

## VACANCY RATES BY CLASS



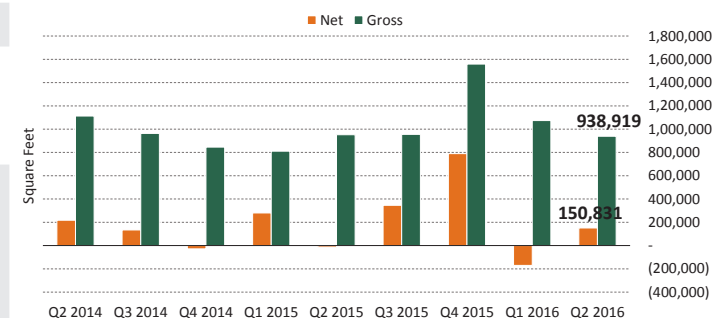
## AVERAGE ASKING RATES

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 | NOTABLE OFFICE LEASES SIGNED

Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
2020 W El Camino Ave	Natomas/Northgate	Office of Statewide Health Planning & Development	Bannon Investors, LTD	May 1, 2016	124,340
2031 Howe Ave	Howe Ave/Fulton Ave	Undisclosed	Chavez Management Group, Inc.	June 17, 2016	27,412
6554 Lonetree Blvd	Roseville/Rocklin	Rocklin Academy	W & F Building Maintenance Co.	June 13, 2016	23,038
101 Creekside Ridge Court	Roseville/Rocklin	Adventist Health	Black Iris Properties, LLC	April 2, 2016	16,186
50 Iron Point Circle	Folsom	Paychex	Starwood Property Trust, Inc.	April 1, 2016	14,967

## SALE TRANSACTIONS | NOTABLE OFFICE SALES

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
1750 Creekside Oaks Drive (3 Properties)	Natomas/Northgate	ROCP, LLC	ECI Two Creekside Oaks, LLC	177,113	\$26,000,000
2180 Harvard Street	Point West	2180 Harvard SPE, LLC	Realty Associates Fund VII, LP	155,960	\$18,390,500
304 S Street	Downtown	Univeristy Enterprises, Inc.	DLB Woodcreek, LLC	30,610	\$5,400,000
140 Diamond Creek Pl***	Roseville/Rocklin	Kanaan Investments, LLC	Diamond Creek Office, LLC	13,580	\$3,360,000
2484 Natomas Park Drive	Natomas/Northgate	Frank S Fat, Inc.	Foothill Partners Co, LLC	17,000	\$2,847,000

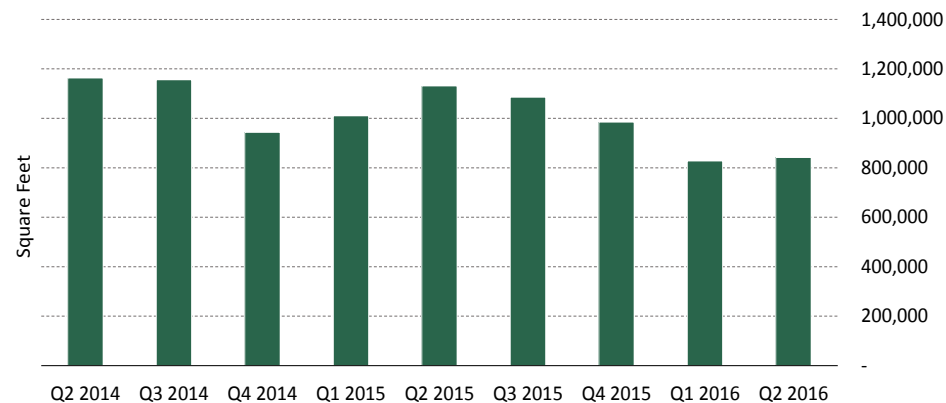
\*\*\* TRI Commercial Transaction

MARKET SNAPSHOT

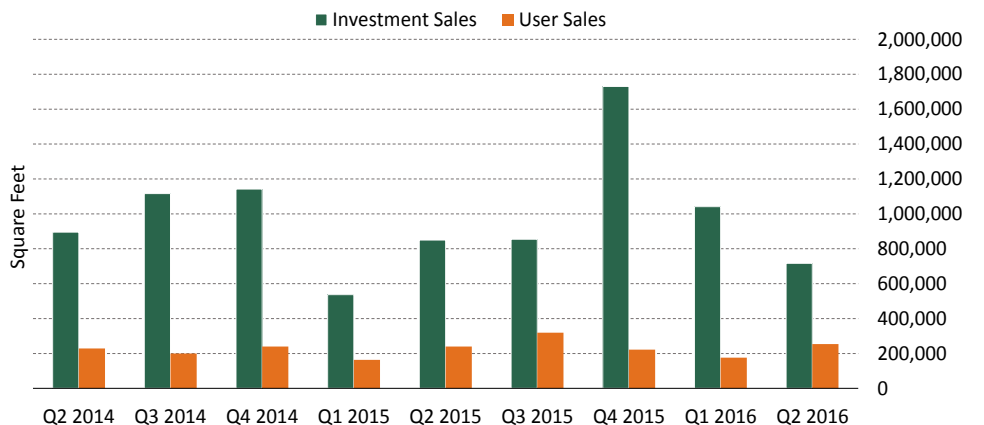
Q<sup>2</sup> 2016 Q<sup>2</sup> 2015 % Change vs. Q2 2015

Vacancy Rate	12.73%	13.90%	-8.42%
Availability Rate	14.95%	17.10%	-12.57%
Avg. Asking Lease Rate	\$1.82	\$1.78	2.25%
Gross Absorption	938,919	952,057	-1.38%
Net Absorption	150,831	(12,471)	(N/A)

## LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



## SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER

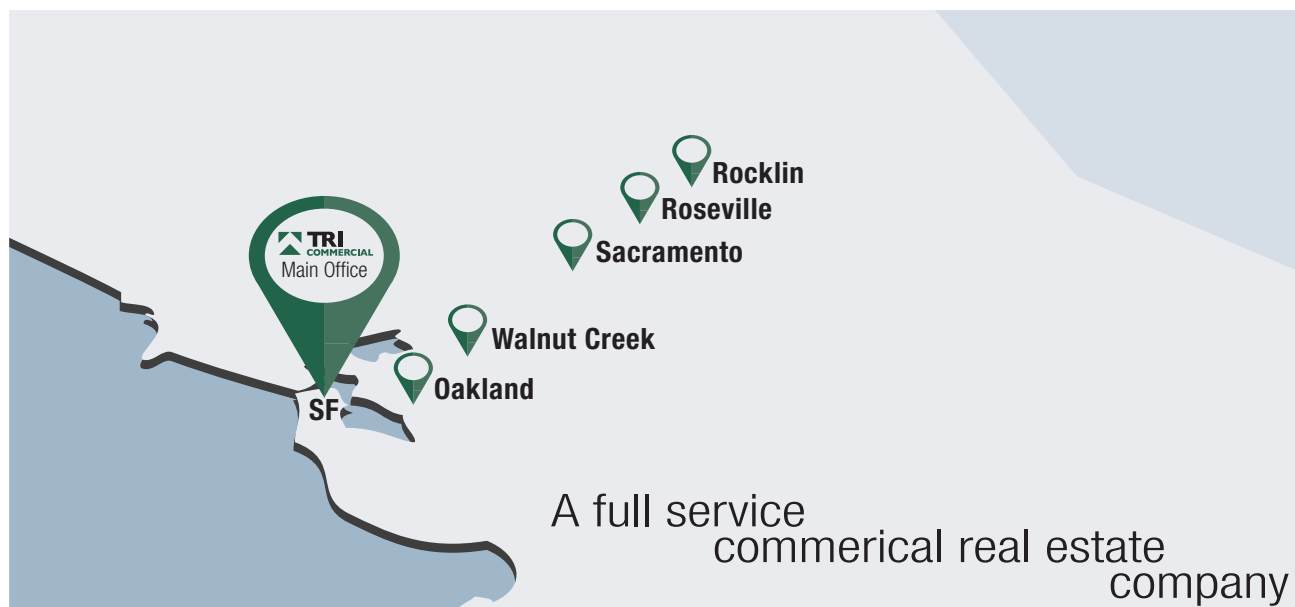


TRI COMMERCIAL | SACRAMENTO OFFICE SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate Q2 2016	Occupied Square Feet	Occupancy Rate Q2 2016	Available Square Feet	Availability Rate Q2 2016	Net Absorption Q2 2016	YTD Net Absorption	Gross Absorption Q2 2016	YTD Gross Aborption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Lincoln	65	1,404,571	111,597	7.95%	1,292,974	92.05%	110,521	7.87%	31,887	37,262	43,962	59,373	0	80,921	\$1.29
Campus Commons	43	1,259,859	199,879	15.87%	1,059,980	84.13%	227,305	18.04%	14,694	13,250	21,126	30,594	0	72,000	\$1.96
Carmichael/Fair Oaks	47	993,020	115,783	11.66%	877,237	88.34%	182,642	18.39%	19,500	17,928	20,528	23,384	0	0	\$1.31
Citrus Heights/Orangevale	51	1,395,432	175,177	12.55%	1,220,255	87.45%	224,693	16.10%	(10,945)	(1,601)	13,863	37,554	35,000	0	\$1.16
Davis/Woodland	81	2,031,791	191,021	9.40%	1,840,770	90.60%	208,469	10.26%	10,559	(8,674)	33,396	59,318	54,461	204,094	\$1.97
Downtown	217	19,333,418	1,979,025	10.46%	17,354,393	89.76%	2,028,744	10.49%	33,872	55,290	150,482	284,290	0	366,900	\$2.40
East Sacramento	33	2,071,070	112,008	5.41%	1,959,062	94.59%	133,535	6.45%	(3,970)	(3,920)	0	1,188	0	0	\$2.31
El Dorado	73	1,675,227	388,885	23.21%	1,286,342	76.79%	496,646	29.65%	25,415	(91,761)	59,557	72,325	0	408,000	\$1.67
Elk Grove	51	1,639,934	110,913	6.76%	1,529,021	93.24%	145,554	8.88%	(12,620)	(5,640)	15,288	28,329	110,372	277,023	\$2.24
Folsom	99	4,545,303	532,991	11.73%	4,012,312	88.27%	571,477	12.57%	17,592	113,523	74,825	205,319	0	85,827	\$1.87
Highway 50 Corridor	299	17,343,297	2,455,294	14.16%	14,888,003	85.84%	3,040,969	17.53%	(76,828)	(323,215)	90,285	280,380	0	1,050,550	\$1.59
Howe Ave./Fulton Ave.	78	2,455,432	644,664	26.25%	1,810,768	73.75%	692,518	28.20%	(5,617)	(16,300)	16,371	46,997	0	0	\$1.61
Midtown	99	3,653,907	272,742	7.46%	3,381,165	92.54%	342,162	9.36%	35,185	25,237	57,921	77,757	0	63,600	\$1.99
Natomas/Northgate	112	6,489,667	973,942	15.01%	5,515,725	84.99%	1,229,086	18.94%	22,955	32,348	77,546	126,685	0	292,525	\$1.76
Point West	50	2,713,814	470,515	17.34%	2,243,299	82.66%	555,236	20.46%	7,526	27,960	35,523	87,087	0	98,954	\$1.67
Rio Linda/N Highlands	29	1,010,075	352,686	34.92%	657,389	65.08%	430,369	42.61%	(4,167)	(7,158)	0	2,254	0	0	\$1.25
Roseville/Rocklin	265	10,572,427	1,275,240	12.06%	9,297,187	87.94%	1,639,626	15.51%	99,804	196,089	200,472	495,631	129,398	1,064,242	\$1.81
South Sacramento	97	3,066,669	425,555	13.88%	2,641,114	86.12%	480,641	15.67%	(37,455)	(91,655)	13,923	26,542	0	52,771	\$1.42
Sutter County	30	554,178	37,432	6.75%	516,746	93.25%	23,652	4.27%	0	7,033	0	8,833	0	20,000	-
Watt Ave.	50	2,402,865	270,797	11.27%	2,132,068	88.73%	303,803	12.64%	893	36,127	10,961	54,213	0	45,858	\$1.43
West Sacramento	36	2,031,029	196,879	9.69%	1,834,150	90.31%	199,924	9.84%	(17,449)	(31,891)	2,890	4,638	0	110,000	\$1.86
Yuba County	8	535,161	62,642	11.71%	472,519	88.29%	62,642	11.71%	0	0	0	0	0	0	-
Office Market Totals	1,913	89,178,146	11,355,667	12.73%	77,822,479	87.27%	13,330,214	14.95%	150,831	(19,768)	938,919	2,012,691	329,231	4,293,265	\$1.82
Class A	192	26,573,091	3,045,250	11.46%	23,527,841	88.54%	3,261,234	12.27%	38,021	(248,717)	237,901	424,981	30,800	2,232,472	\$2.19
Class B	950	41,758,197	5,203,462	12.46%	36,554,735	87.54%	6,510,815	15.59%	(31,052)	159,362	405,545	1,074,647	298,431	2,060,793	\$1.70
Class C	771	20,846,858	3,106,955	14.90%	17,739,903	85.10%	3,558,165	17.07%	143,862	69,587	295,473	513,063	0	0	\$1.47
Class Total	1,913	89,178,146	11,355,667	12.73%	77,822,479	87.27%	13,330,214	14.95%	150,831	(19,768)	938,919	2,012,691	329,231	4,293,265	\$1.82

Average asking rates represented are full service.

## NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:



MAP IS NOT TO SCALE

## ABOUT TRI COMMERCIAL

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## TRI CONTACT INFORMATION

### San Francisco

100 Pine St., Suite 1000  
San Francisco, CA 94111  
Tel: (415) 268-2200 | Fax: (415) 268-2289

### Oakland

1404 Franklin St., Penthouse  
Oakland, CA 94607  
Tel: (510) 622-8466 | Fax: (510) 336-8296

### Walnut Creek

1777 Oakland Blvd., Suite 100  
Walnut Creek, CA 94596  
Tel: (925) 296-3300 | Fax: (925) 296-3399

### Sacramento

1515 River Park Drive, Suite 200  
Sacramento, CA 95815  
Tel: (916) 669-4500 | Fax: (916) 669-4598

### Roseville

532 Gibson Drive, Suite 200  
Roseville, CA 95678  
Tel: (916) 677-8000 | Fax: (916) 677-8199

### Rocklin

2209 Plaza Drive, Suite 100  
Rocklin, CA 95765  
Tel: (916) 960-5700 | Fax: (916) 960-5799

Report Prepared By:  
**Bianca Cruz**

[bianca.cruz@tricommercial.com](mailto:bianca.cruz@tricommercial.com)

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