



MARKET OVERVIEW

► **Office Market:** The Sacramento office market continues to improve as vacancy rates have continued well below pre-recession figures, ending the quarter at 11.04%. At the close of the second quarter, average asking lease rates were at a \$1.85, which is a \$0.01 increase from the previous quarter's average. In brief, the trend over the last four quarters has shown continually decreasing vacancy rates with continually increasing lease rates.

► **Vacancy Rates:** In comparison to the previous year, the vacancy rate has decreased by 116 basis points to 11.04%, which remains among the lowest vacancy rates seen since 2003! The largest submarkets – Downtown, Highway 50 Corridor and Roseville/Rocklin – had vacancy rates of 10.46%, 14.65% and 9.72%, respectively. Alternatively, the highest vacancy rates were seen in the Rio Linda/N Highlands, Howe Ave./Fulton Ave., and El Dorado submarkets at 24.70%, 20.45%, and 21.68%.

► **Lease Rates:** At the close of the second quarter, the average asking full service lease rate for the Sacramento office market was \$1.85, which is a \$0.01 increase from the previous quarter and a \$0.03 increase from one year ago. Some of the highest lease rates were seen in the Downtown, East Sacramento, and Davis/Woodland submarkets at \$2.60, \$2.52 and \$2.08 per square foot, respectively. Alternatively, the lowest lease rates were seen in the Auburn/Lincoln and Rio Linda/N Highlands submarkets with rates at \$1.21 and \$1.06 per square foot, respectively.

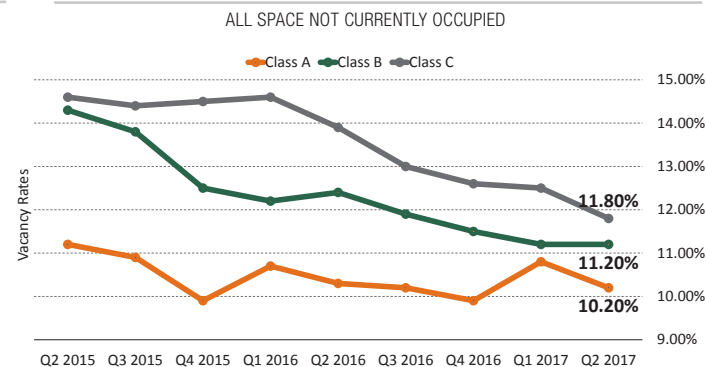
► **Sale & Lease Transactions:** Transaction activity at the close of the second quarter was just over 4 million square feet, which is an increase from the previous quarter's figure of 2.67 million square feet. Given that there is often a delay for final figures to be totaled, this quarter's figure will slightly increase in the next market report.

► **Absorption:** The office market ended the second quarter with positive net absorption of 295,840 square feet. The Downtown and Highway 50 Corridor submarkets had the highest positive net absorption figures at 125,001 and 114,119 square feet, respectively. Alternatively, the Watt Ave. submarket had the highest negative net absorption at 34,350 square feet.

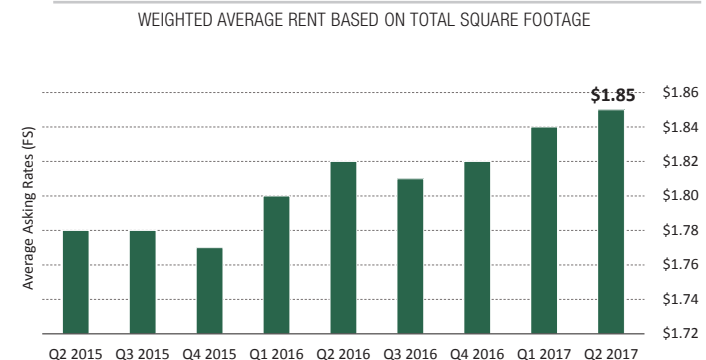
► **Development:** Currently, there are 416,790 square feet of office space under construction in the Sacramento Region. The largest of those projects is a 242,000 square foot, Class B office building in the Roseville/Rocklin submarket, expected to be delivered in August 2018. The second largest office project under construction is an 11,242 square foot, Class B office building, expected to be delivered in July 2018. Only one new office project was delivered to the market during the second quarter of 2017, which is a 60,000 square foot, Class B office building located in the Outer Yolo County submarket. Currently, there are 5.13 million square feet of proposed space with the majority proposed for the Roseville/Rocklin submarket.

► **Second Quarter Review:** Overall, the vacancy rate has decreased by an impressive 9.51% over the course of the last four quarters and the average asking lease rate of \$1.85 per square foot remains amongst the highest rates seen throughout the two-year average. According to the most recent Sacramento employment figures, the unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 4.1% in June of 2017.

VACANCY RATES BY CLASS



AVERAGE ASKING RATES



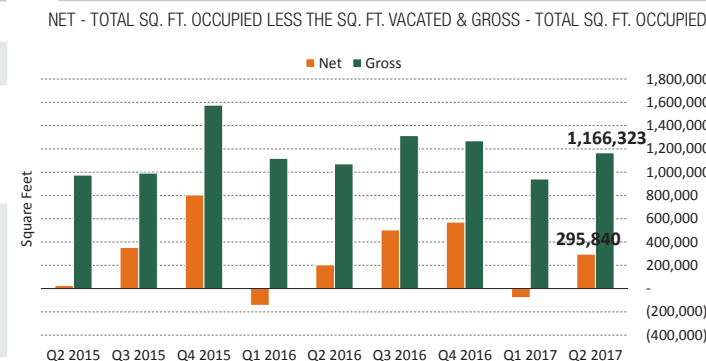
SACRAMENTO OFFICE TRENDS | SECOND QUARTER 2017

ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (F\$)	Net Absorption	Transaction Activity
	Q ² 2017	11.04%	\$1.85	295,840
Q ¹ 2017	11.40%	\$1.84	(77,448)	2,672,728

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

NET & GROSS ABSORPTION



NOTEWORTHY TRANSACTIONS

MARKET SNAPSHOT
Q² 2017 **Q² 2016** % Change vs. Q2 2016

LEASE TRANSACTIONS | NOTABLE OFFICE LEASES SIGNED Q2 2017

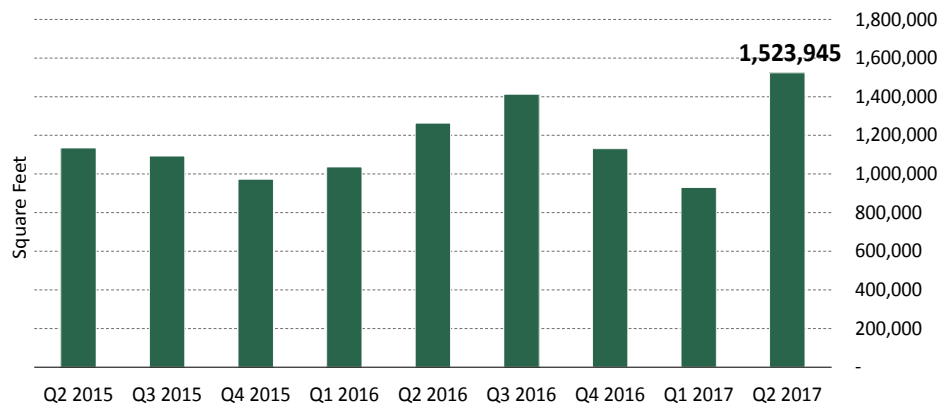
Property Address	Submarket	Tenant	Owner	Date Lease Signed	Sq. Ft. Leased
600 Coolidge Drive	Folsom	TaxAudit	Nella Parkshore, LLC	May 22, 2017	54,732
2825-2829 Watt Ave.	Sacramento/Watt	Bender Rosenthal, Inc.	John S. Foggy	April 11, 2017	21,500
3721 Douglas Blvd.	Roseville/Rocklin	Undisclosed	Ellis Partners, LLC	May 3, 2017	17,504
3301 C Street	East Sacramento	Regents of University of CA	C Street Office Plaza, LLC	May 2, 2017	16,732
2995 Foothills Blvd.	Roseville/Rocklin	Reserve Solutions	The Hoffman Company	June 3, 2017	15,706

Vacancy Rate	11.04%	12.20%	-7.82%
Availability Rate	13.90%	14.70%	-8.64%
Avg. Asking Lease Rate	\$1.85	\$1.82	2.22%
Gross Absorption	1,166,323	1,071,164	-17.30%
Net Absorption	295,840	203,998	(N/A)

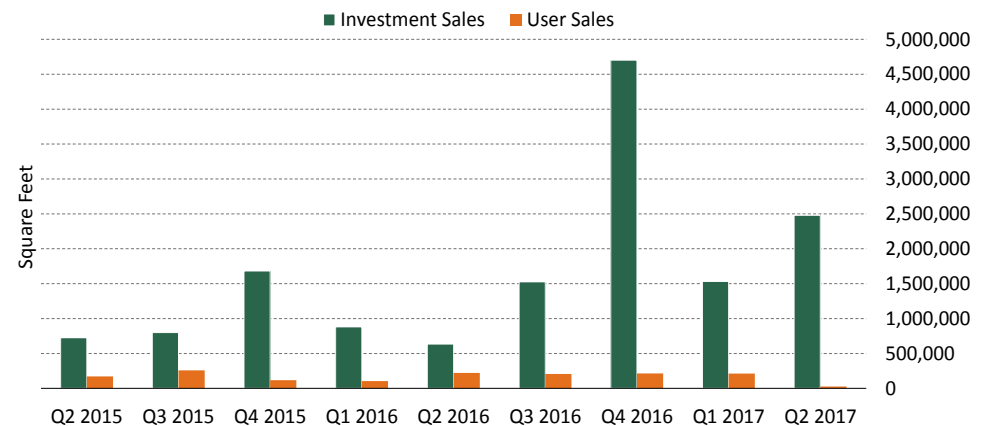
SALE TRANSACTIONS | NOTABLE OFFICE SALES FOR Q2 2017

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
980 9th Street (3 Properties)	Downtown	Hines	CIM Commercial Trust Corporation	735,091	\$120,500,000
8050 Foothills Blvd. (4 Properties)	Roseville/Rocklin	Strada Investment Group	Hewlett-Packard Company	645,735	\$92,959,021
160 Promenade Circle (2 Properties)	Natomas/Northgate	Inverness Management, LLC	KBS Realty Advisors	233,836	\$47,500,000
600 Coolidge Drive (4 Properties)	Folsom	Nella Parkshore, LLC	Equity Commonwealth	275,987	\$40,000,000
10811 International Drive	Highway 50 Corridor	Grove Way Investments, LLC	Ridge Capital, Inc.	55,192	\$11,154,757

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER



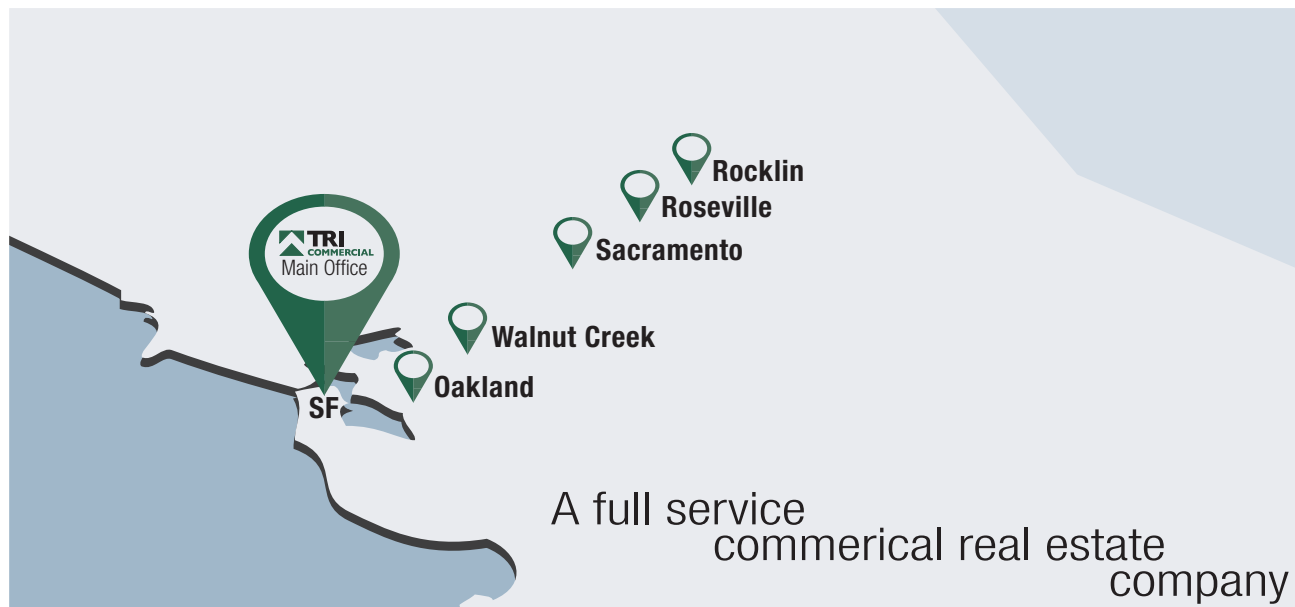
SECOND QUARTER 2017 | MARKET TRENDS

TRI COMMERCIAL | SACRAMENTO OFFICE SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate Q2 2017	Occupied Square Feet	Occupancy Rate Q2 2017	Available Square Feet	Availability Rate Q2 2017	Net Absorption Q2 2017	YTD Net Absorption	Gross Absorption Q2 2017	YTD Gross Absorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Lincoln	64	1,361,827	75,678	5.56%	1,286,149	94.44%	80,724	5.93%	3,037	10,208	13,847	29,259	0	100,953	\$1.21
Campus Commons	43	1,281,806	170,846	13.33%	1,110,960	86.67%	281,993	22.00%	(3,009)	(4,970)	26,603	45,804	7,500	72,000	\$2.01
Carmichael/Fair Oaks	48	980,437	171,873	17.53%	808,564	82.47%	226,380	23.09%	8,745	(46,610)	20,761	29,836	0	0	\$1.54
Citrus Heights/Orangevale	53	1,435,852	161,411	11.24%	1,274,441	88.76%	202,261	14.09%	(4,458)	8,695	9,821	41,101	0	15,000	\$1.32
Davis/Woodland	81	2,044,241	125,255	6.13%	1,918,986	93.87%	157,252	7.69%	15,087	15,109	18,594	44,656	0	107,547	\$2.08
Downtown	215	19,202,496	1,519,969	10.46%	17,682,527	92.08%	1,787,111	9.31%	125,001	139,939	216,762	371,794	0	366,900	\$2.60
East Sacramento	38	2,230,644	113,927	5.11%	2,116,717	94.89%	119,616	5.36%	(6,169)	4,331	1,304	12,504	0	0	\$2.52
El Dorado	70	1,642,864	356,243	21.68%	1,286,621	78.32%	471,891	28.72%	4,947	8,717	25,404	73,131	0	239,578	\$1.86
Elk Grove	54	1,774,851	149,277	8.41%	1,625,574	91.59%	147,646	8.32%	13,701	18,847	24,904	36,006	0	382,273	\$1.86
Folsom	99	4,541,124	376,318	8.29%	4,164,806	91.71%	436,346	9.61%	23,893	34,674	51,704	86,313	0	115,570	\$1.90
Highway 50 Corridor	298	17,419,829	2,552,226	14.65%	14,867,603	85.35%	3,216,628	18.47%	114,119	(106,886)	343,413	435,264	0	1,091,300	\$1.66
Howe Ave./Fulton Ave.	77	2,442,369	499,406	20.45%	1,942,963	79.55%	593,446	24.30%	(14,310)	(14,328)	45,656	64,462	0	0	\$1.63
Midtown	100	3,684,594	250,467	6.80%	3,434,127	93.20%	317,955	8.63%	(4,637)	(3,605)	19,087	42,251	138,850	80,985	\$1.73
Natomas/Northgate	115	6,558,420	922,117	14.06%	5,636,303	85.94%	1,126,871	17.18%	19,750	76,584	83,053	253,964	0	703,410	\$1.79
Point West	51	2,729,431	393,788	14.43%	2,335,643	85.57%	577,875	21.17%	67,515	72,774	85,449	120,627	0	357,254	\$1.86
Rio Linda/N Highlands	29	1,017,954	251,482	24.70%	766,472	75.30%	296,235	29.10%	1,130	10,380	1,932	12,132	0	0	\$1.06
Roseville/Rocklin	269	10,762,847	1,046,156	9.72%	9,716,691	90.28%	1,489,125	13.84%	(31,504)	(33,214)	102,051	216,883	259,198	1,283,700	\$1.86
South Sacramento	104	3,354,590	335,684	10.01%	3,018,906	89.99%	481,413	14.35%	(11,540)	3,540	30,843	84,706	11,242	40,195	\$1.43
Sutter County	30	550,494	31,503	5.72%	518,991	94.28%	38,528	7.00%	(8,649)	(9,999)	0	1,880	0	25,000	\$1.60
Watt Ave.	50	2,393,703	289,381	12.09%	2,104,322	87.91%	298,491	12.47%	(34,350)	(21,288)	27,556	50,362	0	45,858	\$1.57
West Sacramento	35	2,020,487	131,752	6.52%	1,888,735	93.48%	156,896	7.77%	15,741	31,695	15,779	35,568	0	110,000	\$1.84
Yuba County	9	561,711	7,962	1.42%	553,749	98.58%	7,962	1.42%	1,800	23,799	1,800	23,799	0	0	-
Office Market Totals	1,932	89,992,571	9,932,721	11.04%	80,059,850	88.96%	12,512,645	13.90%	295,840	218,392	1,166,323	2,112,302	416,790	5,137,523	\$1.85
Class A	191	26,391,160	2,693,475	10.21%	23,697,685	89.79%	3,159,563	11.97%	152,298	(70,843)	329,043	549,955	0	3,055,910	\$2.18
Class B	964	42,602,839	4,769,759	11.20%	37,833,080	88.80%	6,323,489	14.84%	(7,419)	113,069	531,677	1,074,088	416,790	2,081,613	\$1.73
Class C	777	20,998,572	2,469,487	11.76%	18,529,085	88.24%	3,029,593	14.43%	150,961	176,166	305,603	488,259	0	0	\$1.42
Class Total	1,932	89,992,571	9,932,721	11.04%	80,059,850	88.96%	12,512,645	13.90%	295,840	218,392	1,166,323	2,112,302	416,790	5,137,523	\$1.85

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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