

MARKET OVERVIEW

► **Retail Market:** The Sacramento retail market fared well at the close of the second quarter as vacancy rates have continued to trend downward and net absorption has stayed positive for sixteen consecutive quarters, averaging 350,000 square feet per quarter. Among other positive trends to note, transaction activity has remained high, averaging 1.9 million square feet per quarter since the second quarter of 2015.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased five basis points to 8.05%, 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 6.89%, 7.87%, and 10.73%. The lowest vacancy rates were also seen in West Sacramento, Downtown/Midtown/E Sac, and Elk Grove with rates at 3.64%, 3.75% and 5.36%. The highest vacancy rates, however, were seen in the Yuba County and Highway 50 Corridor submarkets at 23.61% and 13.51%.

► **Lease Rates:** At the end of the second quarter, the average asking triple net lease rate for the Sacramento retail market was \$1.34, which is unchanged from the previous quarter. Within the two largest submarkets – Roseville/Rocklin and South Sacramento – the average asking lease rates were \$1.39 and \$1.35 per square foot. Some of the highest average asking lease rates, however, were seen in the Lincoln and Folsom submarkets at \$2.19 and \$1.74 per square foot.

► **Sale & Lease Transactions:** Transaction activity at the close of the second quarter was 2.2 million square feet, which is higher than the previous quarter's figure of 1.53 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 second quarter with 200,814 square feet of positive net absorption. The Highway 50 Corridor submarket recorded the highest net absorption with a total of 141,099 square feet, and the South Sacramento submarket recorded the second highest net absorption of 73,004 square feet. Alternatively, the Orangevale/Citrus Heights submarket recorded a negative net absorption of 95,445 square feet.

► **Development:** The Sacramento retail market delivered 65,932 square feet of new retail space during the second quarter. Among the largest of those projects was a 28,243 square foot retail supermarket building in the Orangevale/Citrus Heights submarket. There are currently 1.25 million 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.

► **Second Quarter Review:** Overall, vacancy rates have continued to trend downward and net absorption has remained positive for nearly four consecutive years. According to the most recent Sacramento employment figures, the unemployment rate remained at 4.7% in May of 2016. As the job market further improves, the retail market is expected to continue as one of the strongest for the Sacramento Region.

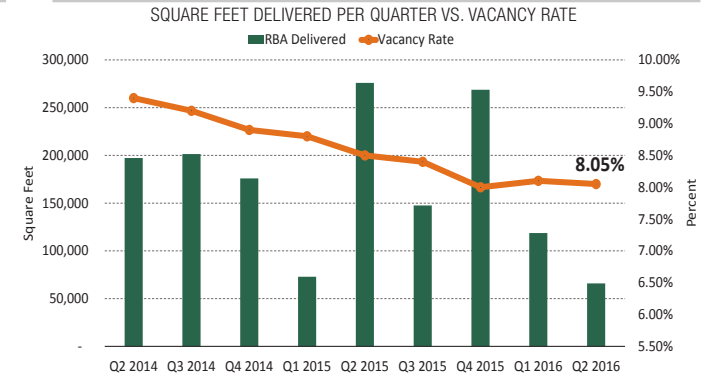
SACRAMENTO RETAIL TRENDS | SECOND QUARTER 2016

ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

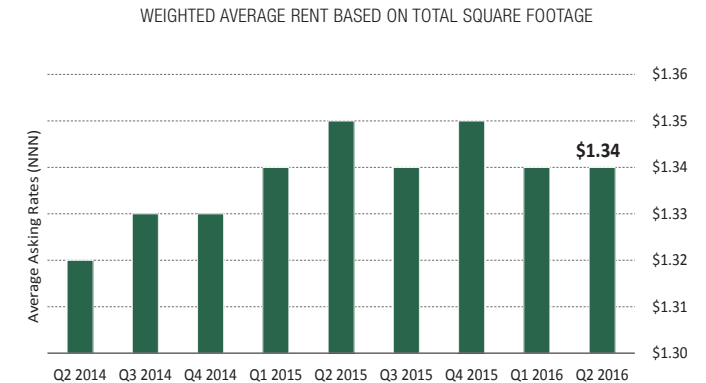
MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
				
	Q ² 2016 Q ¹ 2016			
	8.05%	\$1.34	200,814	2,204,904
	8.10%	\$1.34	68,114	1,533,931

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

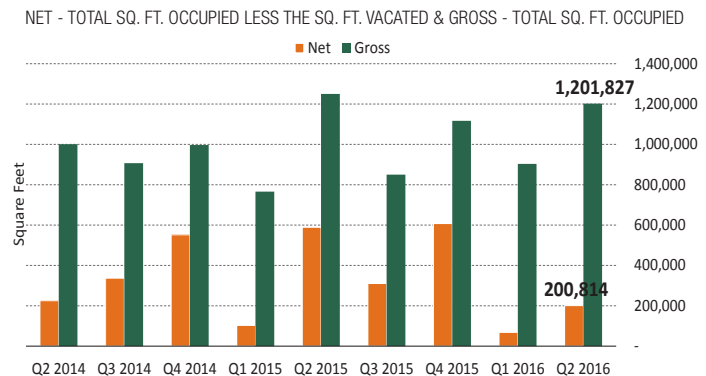
NEW DELIVERIES VS. VACANCY RATE



AVERAGE ASKING RATES



NET & GROSS ABSORPTION



NOTEWORTHY TRANSACTIONS

LEASE TRANSACTIONS | NOTABLE RETAIL LEASES SIGNED

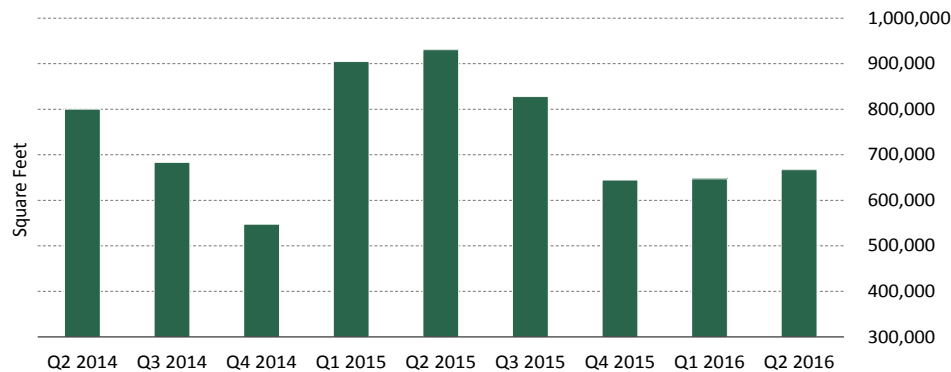
Property Address	Submarket	Tenant	Landlord	Date Lease Signed	Square Feet Leased
3615 Bradshaw Rd	Highway 50 Corridor	Undisclosed	Vintage Real Estate, LLC	April 4, 2016	44,584
280 Palladio Pky	Folsom	Barnes & Noble	Eliot Homes, Inc.	June 2, 2016	18,971
9522 Greenback Ln	Orangevale/Citrus Heights	Big Lots	Ethan Conrad Properties	May 25, 2016	18,254
6500-6520 Franklin Blvd	South Sacramento	Undisclosed	Lai Carl M & Family Trust Etal	April 12, 2016	15,000
2310-2450 Watt Ave	Arden/Watt/Howe	Undisclosed	EDM Realty Corp.	April 25, 2016	14,864

SALE TRANSACTIONS | NOTABLE RETAIL SALES

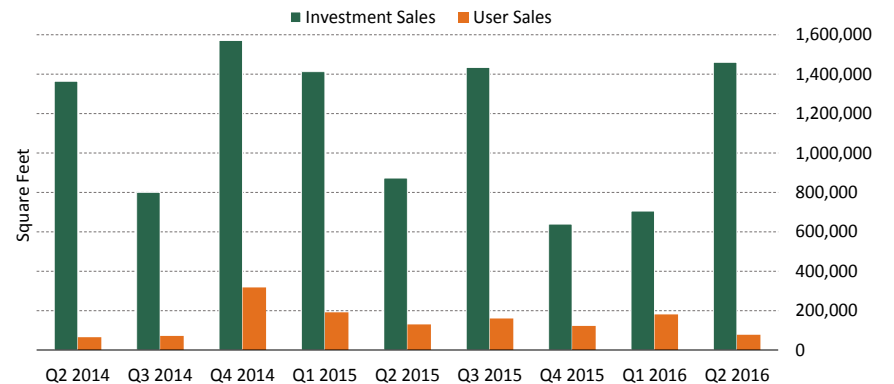
Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
4080-4090 Douglas Blvd (6 Properties)	Roseville/Rocklin	Vestar Sierra Oaks, LLC	Sierra Oaks-Madison Limited Partnership	105,963	\$28,100,000
6956-7074 Sunrise Blvd (3 Properties)	Orangevale/Citrus Heights	Copperwood SPE-MW, LLC	Red Mountain Retail Group, Inc.	123,190	\$22,222,222
5701-5751 Stockton Blvd (4 Properties)	South Sacramento	Sustained Investments, LLC	Mulleian Investments, LLC	115,426	\$10,250,000
12541-12545 Folsom Blvd	Highway 50 Corridor	EEC Management I, LLC	Khachaturian H & R Trust	38,494	\$9,500,000
8787 Elk Grove Blvd ***	Elk Grove	Ronald Martorana	Wong Family Investors, LP	27,060	\$7,400,000

*** TRI Commercial Transaction

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER



MARKET SNAPSHOT

Q² 2016 **Q² 2015** % Change vs. Q2 2015

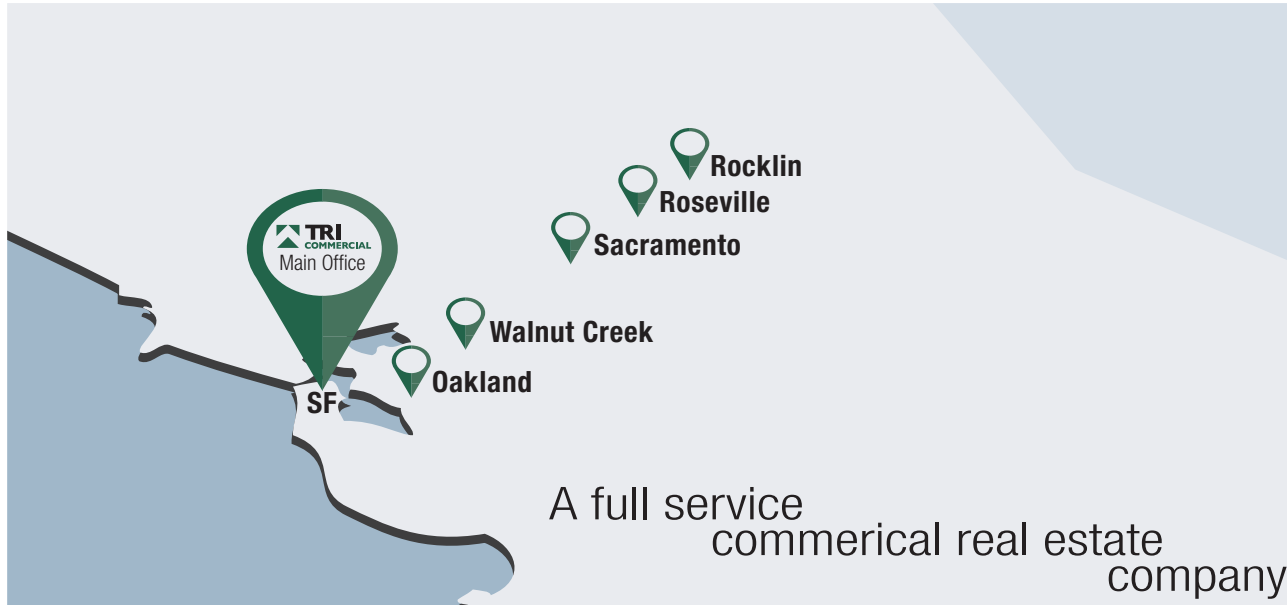
Vacancy Rate	8.05%	8.50%	-5.29%
Availability Rate	9.72%	9.70%	0.21%
Avg. Asking Lease Rate	\$1.34	\$1.35	-0.74%
Gross Absorption	1,201,827	1,249,859	-3.84%
Net Absorption	200,814	588,780	(N/A)

TRI COMMERCIAL | SACRAMENTO RETAIL 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 Abosorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Arden/Watt/Howe	958	11,082,575	1,189,627	10.73%	9,902,998	89.36%	1,335,599	12.05%	13,513	(188,248)	114,615	231,689	47,963	241,557	\$1.34
Auburn/Loomis	371	3,532,496	155,020	4.39%	3,377,476	95.61%	168,373	4.77%	15,007	61,847	30,476	103,910	0	461,943	\$1.55
Carmichael	294	2,866,389	236,135	8.24%	2,630,254	91.76%	303,586	10.59%	6,227	13,623	30,552	60,939	0	32,270	\$1.20
Davis	196	2,194,657	64,034	2.92%	2,130,623	97.08%	85,395	3.89%	19,207	18,444	29,566	37,138	0	92,375	\$1.59
Downtown/Midtown/E Sac	834	6,032,721	226,033	3.75%	5,797,702	96.10%	424,274	7.03%	(7,490)	(129)	39,257	68,533	678,844	1,583,730	\$1.22
El Dorado	354	4,092,037	271,280	6.63%	3,820,757	93.37%	303,403	7.41%	10,520	(2,843)	36,812	80,609	19,061	355,379	\$1.45
Elk Grove	353	5,751,332	308,390	5.36%	5,442,942	94.64%	378,025	6.57%	(40,027)	7,256	28,888	108,810	8,769	1,985,884	\$1.54
Folsom	302	5,639,274	368,234	6.53%	5,279,849	93.63%	337,027	5.98%	48,761	58,033	64,550	103,246	6,001	267,239	\$1.74
Highway 50 Corridor	363	5,305,235	716,498	13.51%	4,588,737	86.49%	807,241	15.22%	141,099	111,248	161,852	175,931	1,687	849,241	\$0.96
Lincoln	168	1,630,155	91,420	5.61%	1,538,735	94.39%	110,679	6.79%	2,179	6,891	16,678	30,412	0	193,018	\$2.19
Natomas	263	3,846,419	301,331	7.83%	3,545,088	92.17%	361,396	9.40%	(12,617)	(11,559)	29,626	51,385	0	315,719	\$1.62
Orangevale/Citrus Heights	563	8,140,628	921,037	11.31%	7,219,591	88.69%	1,219,139	14.98%	(95,445)	(109,594)	86,773	129,715	48,963	224,292	\$1.34
Outer El Dorado County	313	2,626,483	134,737	5.13%	2,491,746	94.87%	180,738	6.88%	5,400	5,230	12,826	17,756	19,500	26,756	\$1.68
Outer Placer County	181	1,371,575	52,057	3.80%	1,319,518	96.20%	72,034	5.25%	(2,599)	(457)	13,441	23,901	0	1,402	\$1.64
Outer Sacramento County	144	1,200,445	38,180	3.18%	1,162,265	96.82%	48,440	4.04%	10,780	12,180	17,120	18,520	0	152,700	\$1.36
Outer Sutter County	340	4,364,649	365,638	8.38%	3,999,011	91.62%	409,988	9.39%	(22,798)	7,345	7,721	43,531	0	304,595	\$2.02
Outer Yolo County	58	361,603	2,000	0.55%	359,603	99.45%	6,850	1.89%	0	1,420	0	1,420	0	46,920	\$1.60
Rio Linda/N Highlands	431	5,253,719	541,331	10.30%	4,712,388	89.70%	557,654	10.61%	29,669	31,833	122,111	137,250	2,006	276,790	\$0.96
Roseville/Rocklin	904	14,764,722	1,016,682	6.89%	13,748,040	93.11%	1,268,606	8.59%	(8,688)	95,355	163,694	352,640	57,749	874,238	\$1.39
South Sacramento	1,146	12,646,335	995,848	7.87%	11,650,487	92.13%	1,360,018	10.75%	73,004	109,256	129,013	202,055	12,000	1,741,077	\$1.35
West Sacramento	182	2,341,812	85,258	3.64%	2,256,554	96.36%	114,821	4.90%	(2,403)	5,523	13,138	28,260	0	24,500	\$1.04
Woodland	270	3,562,310	284,395	7.98%	3,277,915	92.02%	353,486	9.92%	(10,270)	(16,468)	18,109	44,251	3,397	173,543	\$1.01
Yuba County	242	2,392,748	564,825	23.61%	1,827,923	76.39%	586,143	24.50%	27,785	42,869	35,009	53,448	0	904,268	\$1.02
Retail Market Totals	9,230	111,000,319	8,929,990	8.05%	102,080,202	91.96%	10,792,915	9.72%	200,814	259,055	1,201,827	2,105,349	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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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

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International