TRI 40 YEARS COMMERCIAL REAL ESTATE SERVICES

SACRAMENTO RETAIL

Q2 2017 | OSBORNE GROUP

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 dropping 8 basis points to 7.22%. Among other positive trends to note, net absorption was just over 285,000 square feet.

▶Vacancy Rates: The vacancy rate has decreased to 7.22%, 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 5.77%, 7.13%, and 9.85%. Some of the lowest vacancy rates were seen in West Sacramento, Davis, and Auburn/Loomis submarkets with rates at 4.19%, 4.36% and 3.52%, respectively. The highest vacancy rates, however, were seen in the Yuba County and Highway 50 Corridor submarkets at 21.22% and 11.82%.

▶Lease Rates: At the close of the second quarter, the average asking triple net lease rate for the Sacramento retail market was $1.32 per square foot, which is unchanged from the previous quarter. Within the two largest submarkets – Roseville/Rocklin and South Sacramento – the average asking lease rates were $1.44 and $1.00 per square foot. Some of the highest average asking lease rates, however, were seen in the Lincoln and El Dorado submarkets at $2.07 and $1.80 per square foot, respectively.

▶Sale & Lease Transactions: Transaction activity at the close of the second quarter was just over 1.59 million square feet, which is an increase from the previous quarter's figure of 1.33 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.

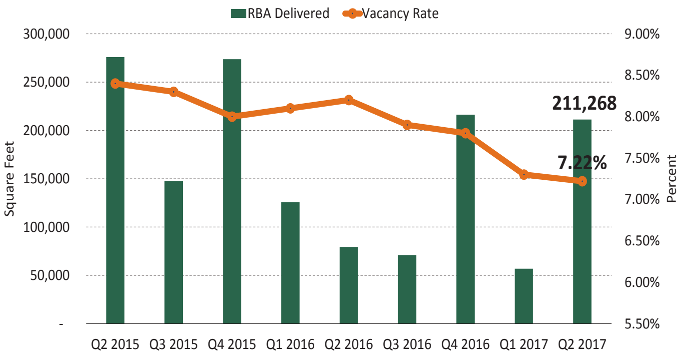
▶Absorption: The retail market ended the second quarter with 285,103 square feet of positive net absorption. The Folsom submarket recorded the highest net absorption with a total of 109,377 square feet, and the South Sacramento submarket recorded the second highest net absorption at 73,020 square feet. Alternatively, the Auburn/Loomis submarket recorded a negative net absorption of 18,052 square feet at the close of the second quarter.

▶Development: The Sacramento retail market delivered 211,268 square feet of new retail space during the second quarter of 2017. Among the largest of those projects was a 116,636 square foot retail health club building in the Folsom submarket, which was delivered June 2017. There are currently just over 1.24 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 December 2017. Currently, there are 10.41 million square feet of proposed retail space for the Sacramento Region.

▶Second Quarter Review: Overall, the vacancy rate has decreased by 98 basis points in comparison to one year ago while net absorption has averaged just over 398,000 square feet per quarter over the last year. 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.

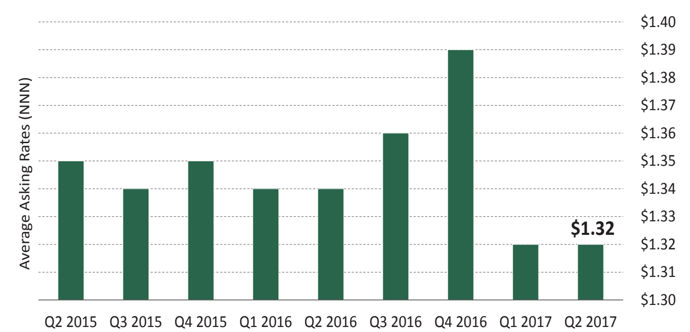
NEW DELIVERIES VS. VACANCY RATE

SQUARE FEET DELIVERED PER QUARTER VS. VACANCY RATE



AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



SACRAMENTO RETAIL TRENDS | SECOND QUARTER 2017

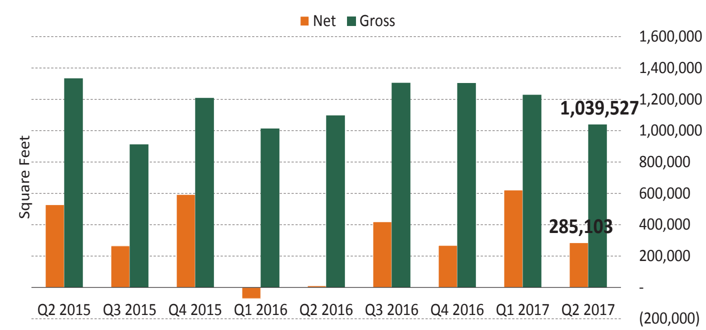
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
Q2 2017	7.22%	$1.32	285,103	1,591,357
Q1 2017	7.30%	$1.32	621,036	1,338,580

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

LEASE TRANSACTIONS I NOTABLE RETAIL LEASES SIGNED FOR Q2 2017

Property Address	Submarket	Tenant	Landlord	Date Lease Signed	Sq. Ft. Leased
10333-10363 Fairway Dr. (Community Center)	Roseville/Rocklin	Undisclosed	The Blackstone Group, LP	June 19, 2017	37,000
212 Harding Blvd. (Neighborhood Center)	Roseville/Rocklin	Andrew's Furniture	Miller Family Enterprises, LP	April 27, 2017	24,000
410 El Camino Ave. (Neighborhood Center)	Arden/Watt/Howe	Thrift Town	Sam Alkakos	June 1, 2017	21,250
1900 Alhambra Blvd. (Freestanding)	Dtown/Midtown/ E Sac	Goodwill	Watkins Alhambra, LLC	May 5, 2017	16,900
1800 Fulton Ave. (Auto Dealership)	Arden/Watt/Howe	Undisclosed	Town & Country Services, Inc.	June 21, 2017	11,700

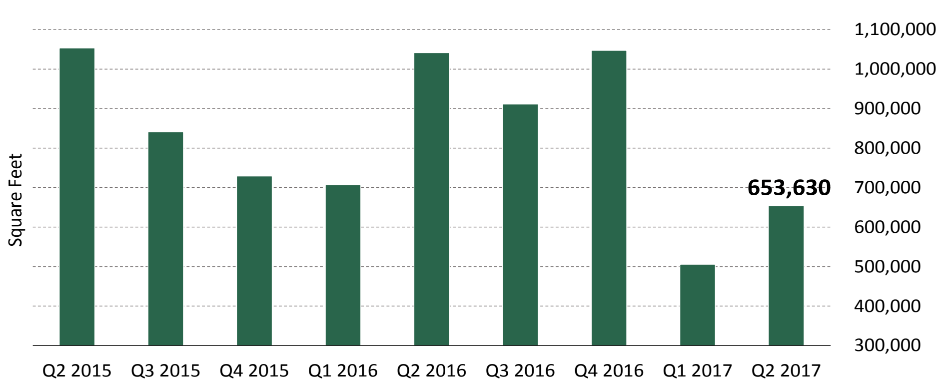
SALE TRANSACTIONS I NOTABLE RETAIL SALES FOR Q2 2017

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
4810-5030 Elk Grove Blvd. (4 Properties)	Elk Grove	4720 Elk Grove Blvd., LP	Panattoni Development Company, Inc.	137,947	$38,100,000
2030 Douglas Blvd. (3 Properties)	Roseville/Rocklin	Rocky Ridge Station, LLC	Rocky Ridge Venture, LP	97,237	$36,000,000
6819-6835 Lonetree Blvd. (6 Properties)	Roseville/Rocklin	Timbercreek Asset Management	Bixby Bridge Captial	98,772	$19,200,000
1470-1490 Eureka Rd.	Roseville/Rocklin	Ethan Conrad	US Bank Na Series 2006-HQ8	37,419	$10,300,000
7477 Watt Ave.	North Highlands	Ethan Conrad	Watt North Highlands, LP	121,618	$9,825,000

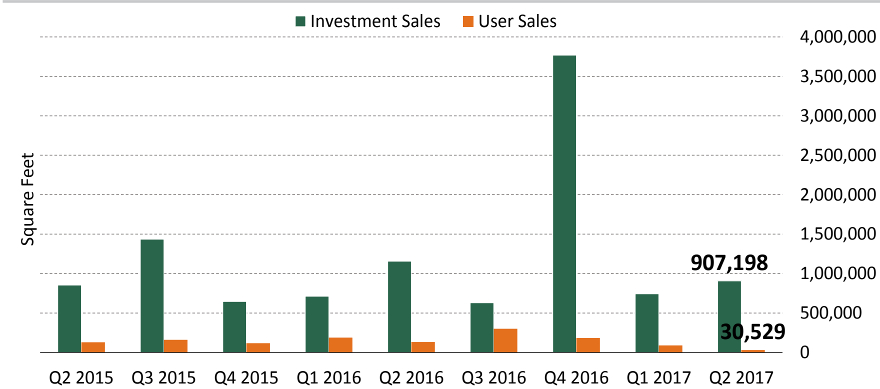
MARKET SNAPSHOT

	Q2 2017	Q2 2016	% Change vs. Q2 2016
Vacancy Rate	7.22%	8.20%	-11.95%
Availability Rate	8.45%	9.70%	-12.89%
Avg. Asking Lease Rate	$1.32	$1.34	-1.49%
Gross Absorption	1,039,527	1,097,319	-5.27%
Net Absorption	285,103	9,637	(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 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 Abosorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Arden/Watt/Howe	970	11,461,094	1,128,784	9.85%	10,332,310	90.15%	1,254,794	10.95%	57,749	126,024	162,776	288,936	73,556	171,823	$1.22
Auburn/Loomis	375	3,544,717	124,948	3.52%	3,419,769	96.48%	184,794	5.21%	(18,052)	35,010	23,208	82,749	0	485,644	$1.67
Carmichael	298	2,873,556	206,698	7.19%	2,666,858	92.81%	272,768	9.49%	19,792	32,021	33,596	66,704	0	38,870	$1.28
Davis	198	2,222,350	96,798	4.36%	2,125,552	95.64%	96,895	4.36%	(3,987)	(30,679)	27,800	32,381	0	113,225	$1.69
Downtown/Midtown/E Sac	844	5,962,097	294,782	4.94%	5,667,315	95.06%	358,964	6.02%	(15,332)	(25,781)	23,529	47,918	154,480	1,489,654	$1.20
El Dorado	361	4,115,099	220,933	5.37%	3,894,166	94.63%	276,648	6.72%	5,272	(3,219)	26,468	69,781	0	556,119	$1.80
Elk Grove	354	5,738,601	257,967	4.50%	5,480,634	95.50%	296,662	5.17%	(8,703)	761	20,180	52,827	0	1,988,842	$1.78
Folsom	308	5,785,546	317,384	5.49%	5,468,162	94.51%	347,246	6.00%	109,377	113,552	138,869	174,938	0	113,284	$1.73
Highway 50 Corridor	366	5,384,721	636,709	11.82%	4,748,012	88.18%	774,682	14.39%	27,684	168,407	73,114	228,452	79,855	808,801	$0.98
Lincoln	168	1,644,838	91,602	5.57%	1,553,236	94.43%	108,258	6.58%	(3,161)	(7,520)	12,389	23,474	0	187,698	$2.07
Natomas	262	3,831,799	266,193	6.95%	3,565,606	93.05%	354,075	9.24%	3,298	22,446	30,874	69,154	51,515	293,500	$1.41
Orangevale/Citrus Heights	573	8,043,538	849,478	10.56%	7,194,060	89.44%	966,599	12.02%	175	90,548	63,398	206,660	3,470	252,136	$1.32
Outer El Dorado County	320	2,673,826	105,019	3.93%	2,568,807	96.07%	121,472	4.54%	16,707	(6,825)	28,272	35,052	18,000	7,604	$2.17
Outer Placer County	184	1,394,975	25,298	1.81%	1,369,677	98.19%	46,320	3.32%	687	4,290	11,071	16,848	0	0	$1.13
Outer Sacramento County	148	1,439,351	17,287	1.20%	1,422,064	98.80%	25,619	1.78%	9,767	20,367	9,767	21,167	0	149,800	$1.52
Outer Sutter County	355	4,410,244	315,969	7.16%	4,094,275	92.84%	391,646	8.88%	8,034	61,889	34,948	101,967	112,075	175,455	$1.89
Outer Yolo County	59	365,037	0	0.00%	365,037	100.00%	7,850	2.15%	0	0	0	0	0	46,920	-
Rio Linda/N Highlands	434	5,279,285	490,941	9.30%	4,788,344	90.70%	576,544	10.92%	(4,993)	23,175	29,600	68,978	0	290,996	$1.01
Roseville/Rocklin	911	14,788,620	853,013	5.77%	13,935,607	94.23%	868,819	5.87%	(10,690)	109,378	98,858	295,174	10,900	661,335	$1.44
South Sacramento	1,156	12,884,285	918,864	7.13%	11,965,421	92.87%	1,193,241	9.26%	73,020	112,340	136,594	260,841	739,379	1,380,884	$1.00
West Sacramento	185	2,365,246	99,061	4.19%	2,266,185	95.81%	111,156	4.70%	(6,707)	(6,974)	10,688	21,889	0	20,000	$1.29
Woodland	271	3,568,392	267,129	7.49%	3,301,263	92.51%	321,436	9.01%	10,533	18,526	24,073	68,171	0	181,093	$0.99
Yuba County	248	2,437,355	517,184	21.22%	1,920,171	78.78%	529,729	21.73%	14,633	48,403	19,455	59,622	0	999,972	$0.83
Retail Market Totals	**9,348**	**112,214,572**	**8,102,041**	**7.22%**	**104,112,531**	**92.78%**	**9,486,217**	**8.45%**	**285,103**	**906,139**	**1,039,527**	**2,293,683**	**1,243,230**	**10,413,655**	**$1.32**

Average asking rates represented are triple net.

TRI 40 YEARS COMMERCIAL
REAL ESTATE SERVICES

SACRAMENTO RETAIL

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