

MARKET OVERVIEW

► **Industrial Market:** The Sacramento industrial market fared well during the third quarter. The overall vacancy rate decreased to 8.31%, which is lower than pre-recession levels. At the close of the quarter, net absorption remained positive averaging 678,777 square feet per quarter since the third quarter of 2015.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased by an impressive 59 basis points to 8.31%. The largest submarkets – Power Inn, West Sacramento and Roseville/Rocklin – had vacancy rates of 5.60%, 8.42% and 10.34%. Among the largest submarkets, some of the lowest vacancy rates were also seen in the Sunrise and Elk Grove/Laguna submarkets with rates at 2.55% and 5.26%, respectively. Alternatively, the highest vacancy rates were seen in the South Sacramento and McClellan submarkets at 25.52% and 14.08%, respectively.

► **Lease Rates:** At the end of the third quarter, the average asking triple net lease rate for the Sacramento industrial market was \$0.37, which is a \$0.01 increase from the previous quarter. Within the two largest submarkets – Power Inn and West Sacramento – the average asking lease rates were \$0.35 and \$0.39 per square foot. Some of the highest asking lease rates were seen in the Folsom/EI Dorado submarket at \$0.67 per square foot. Alternatively, the lowest lease rates were seen in the Davis/Woodland and Richards submarkets with average asking rates of \$0.29 per square foot.

► **Sale & Lease Transactions:** Transaction activity at the close of the third quarter was 2.18 million square feet, which is a decrease from the previous quarter's figure of 2.9 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.

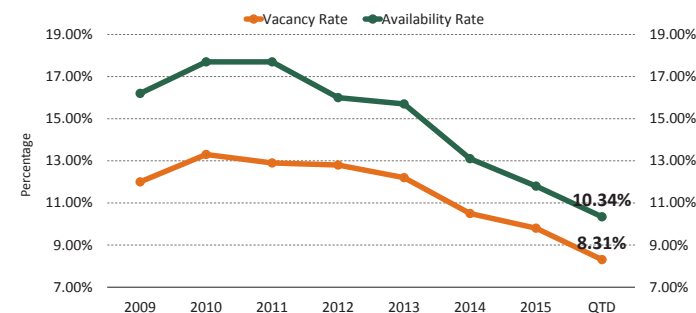
► **Absorption:** The industrial market ended the third quarter with 918,459 square feet of positive net absorption. The Roseville/Rocklin submarket had the greatest positive net absorption of 271,646 square feet, and the West Sacramento submarket had the second highest net absorption of 164,670 square feet. The Davis/Woodland submarket, however, totaled just over 53,000 square feet of negative net absorption.

► **Development:** Two industrial projects are currently under construction in the Sacramento market, which are a 220,000 square foot Class B distribution building in the McClellan submarket and a 62,254 square foot Class B manufacturing building in the Power Inn submarket; both are expected to be delivered before the close of 2016. Only one new project was delivered during the third quarter, which was an 8,282 square foot Class B warehouse in the McClellan submarket. Currently, there are 8.77 million square feet of proposed industrial space for the Sacramento market.

► **Third Quarter Review:** Overall, the Sacramento industrial market showed strong signs of improvement as the overall vacancy rate continued to decrease significantly and net absorption has remained positive for five consecutive quarters. According to the most recent Sacramento employment figures, the unemployment rate was at 5.5% in August of 2016. As the job market further improves, increased demand is expected for the Sacramento industrial market.

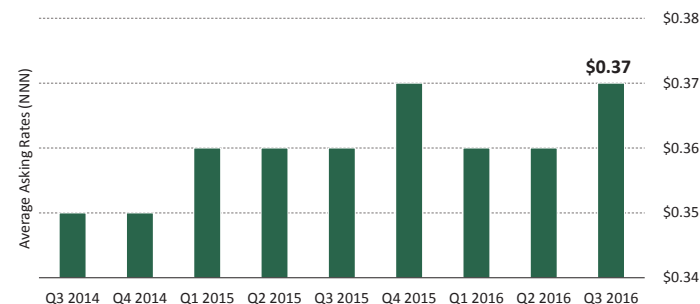
VACANCY RATE & AVAILABILITY RATE

ALL SPACE NOT CURRENTLY OCCUPIED & ALL SPACE CURRENTLY MARKETING







AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



SACRAMENTO INDUSTRIAL TRENDS | THIRD QUARTER 2016

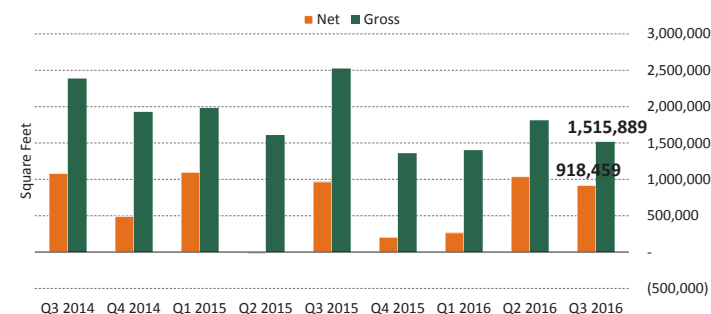
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
				
	Q ³ 2016 Q ² 2016	8.31% 8.90%	\$0.37 \$0.36	918,459 1,037,675

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

NET & GROSS ABSORPTION

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



NOTEWORTHY TRANSACTIONS

LEASE TRANSACTIONS | NOTABLE INDUSTRIAL LEASES SIGNED

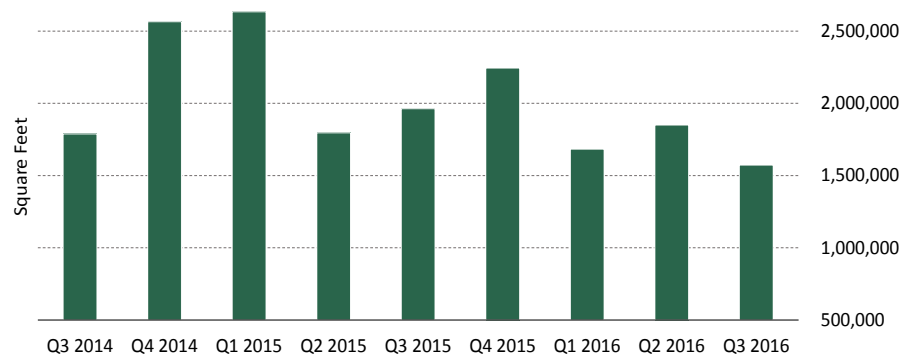
Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
1351 E Beamer St.	Davis/Woodland	BMC	Pan Ocean, Inc.	August 24, 2016	240,000
10000 Alantown Dr.	Roseville/Rocklin	ESL Technology	Amir Development Company	July 30, 2016	170,686
5201-5321 Luce Ave.	McClellan	Undisclosed	County of Sacramento Real Estate Division	September 13, 2016	91,188
3530 Carlin Dr.	West Sacramento	Undisclosed	Bogle Vineyards, Inc.	July 1, 2016	68,333
2407 AK St.	McClellan	Undisclosed	Sacramento Venture One, LLC	August 24, 2016	66,600

SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES

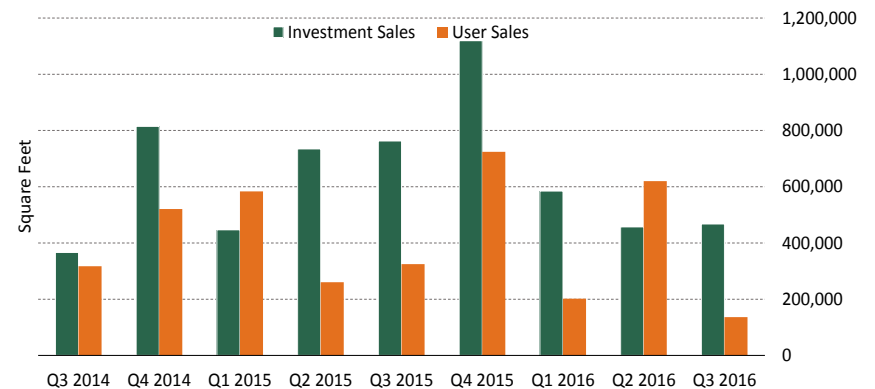
Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
879 F Street	West Sacramento	Warren Lortie Investments, Inc.	Rf3 Street, LLC	55,000	\$3,940,000
26 Light Sky Ct.	Power Inn	Chainring IV, LLC	Sky Creek Holdings, LLC	43,200	\$3,200,000
8516 Fruitridge Rd. (2 Properties)	Power Inn	Fruitridge Business Park, LLC	NCWP-Fruitridge Industrial Center, LLC	51,218	\$2,850,000
8135-8137 Elder Creek Rd.	Power Inn	Laguna Soul, LLC	Elder Creek General Partnership	51,640	\$2,500,000
4300 Dominguez Rd.***	Roseville/Rocklin	990 Reserve Drive, LLC	Sierrapine	53,300	\$2,300,000

***TRI Commercial Transaction

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER



MARKET SNAPSHOT

Q³ 2016 **Q³ 2015** % Change vs. Q3 2015

Vacancy Rate	8.31%	9.70%	-14.33%
Availability Rate	10.34%	12.00%	-13.83%
Avg. Asking Lease Rate	\$0.37	\$0.36	2.78%
Gross Absorption	1,515,889	2,524,705	-39.96%
Net Absorption	918,459	966,162	(N/A)

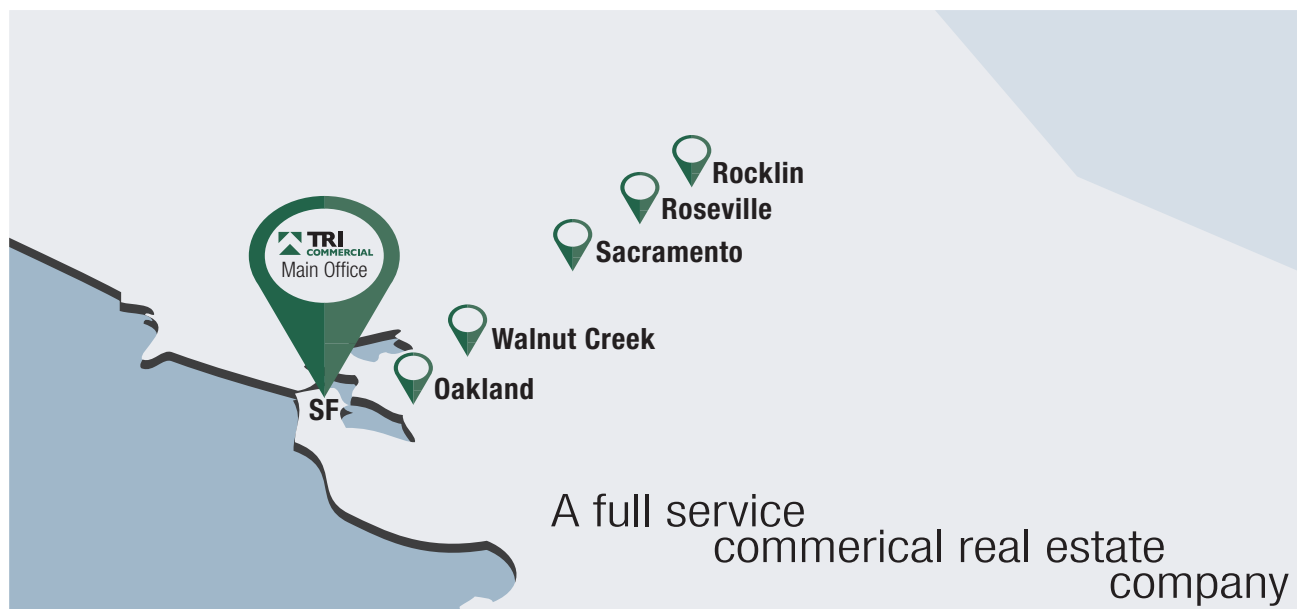
TRI COMMERCIAL | SACRAMENTO INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate Q3 2016	Occupied Square Feet	Occupancy Rate Q3 2016	Available Square Feet	Availability Rate Q3 2016	Net Absorption Q3 2016	YTD Net Absorption	Gross Absorption Q3 2016	YTD Gross Absorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Newcastle	85	2,221,167	30,277	1.36%	2,190,890	98.64%	100,397	4.52%	27,285	39,582	27,285	58,231	0	0	\$0.49
Davis/Woodland	185	16,107,019	1,759,050	10.92%	14,347,969	89.08%	1,567,968	9.73%	(53,675)	(74,136)	64,225	87,021	0	15,040	\$0.29
Downtown	87	2,643,118	195,889	7.41%	2,447,229	92.59%	188,389	7.13%	7,047	7,047	7,047	20,447	0	0	\$0.55
East Sacramento	24	582,317	37,176	6.38%	545,141	93.62%	48,376	8.31%	0	0	0	0	0	0	-
Elk Grove/Laguna	116	5,716,461	300,646	5.26%	5,415,815	94.74%	469,894	8.22%	12,220	82,203	34,563	181,121	0	882,265	\$0.37
Folsom/El Dorado	104	3,108,978	136,006	4.37%	2,972,972	95.63%	165,014	5.31%	12,675	67,755	16,131	90,373	0	0	\$0.67
Marysville/Yuba City	144	5,839,848	329,457	5.64%	5,510,391	94.36%	400,875	6.86%	33,200	202,850	43,300	269,750	0	0	\$0.35
Mather	125	3,800,367	324,936	8.55%	3,475,431	91.45%	347,523	9.14%	22,067	68,219	26,727	157,325	0	89,593	\$0.41
McClellan	286	13,518,025	1,903,137	14.08%	11,614,888	85.92%	2,010,557	14.87%	134,994	234,320	173,038	421,681	220,000	52,108	\$0.40
Natomas/Northgate	202	11,669,170	773,971	6.63%	10,895,199	93.37%	1,095,665	9.39%	48,805	233,759	106,147	438,315	0	4,291,820	\$0.39
NE Sacramento	192	5,013,075	337,678	6.74%	4,675,397	93.26%	343,644	6.85%	8,812	70,085	46,894	161,263	0	0	\$0.33
Power Inn	563	24,488,618	1,372,070	5.60%	23,116,548	94.40%	1,931,590	7.89%	155,166	299,491	356,595	1,093,872	62,254	1,830,511	\$0.35
Richards	86	4,181,703	248,262	5.94%	3,933,441	94.06%	301,332	7.21%	3,505	154,832	9,500	160,827	0	0	\$0.29
Roseville/Rocklin	285	16,567,325	1,712,799	10.34%	14,854,526	89.66%	1,758,149	10.61%	271,646	340,060	302,829	438,855	0	283,005	\$0.35
South Sacramento	119	3,958,610	1,010,387	25.52%	2,948,223	74.48%	1,010,387	25.52%	6,448	29,455	20,298	49,355	0	1,157,185	-
Sunrise	334	9,788,588	249,808	2.55%	9,538,780	97.45%	520,268	5.32%	63,594	147,599	106,840	368,157	0	0	\$0.48
West Sacramento	319	17,851,904	1,503,181	8.42%	16,348,723	91.58%	2,942,376	16.48%	164,670	318,863	174,470	733,408	0	171,480	\$0.39
Industrial Market Totals	3,256	147,056,293	12,224,730	8.31%	134,831,563	91.69%	15,202,404	10.34%	918,459	2,221,984	1,515,889	4,730,001	282,254	8,773,007	\$0.37

10,000-29,999	2,004	33,227,914	1,198,366	3.61%	32,029,548	96.39%	1,807,324	5.44%	108,211	594,151	332,508	1,330,282	0	389,188	\$0.51
30,000-49,999	516	19,680,183	924,006	4.70%	18,756,177	95.30%	1,292,967	6.57%	167,475	523,211	252,831	967,855	0	212,118	\$0.43
50,000-99,999	442	29,416,724	1,993,906	6.78%	27,422,818	93.22%	2,477,993	8.42%	339,352	705,608	419,318	1,204,454	62,254	415,451	\$0.41
100,000-199,999	187	24,583,758	2,449,144	9.96%	22,134,614	90.04%	3,088,981	12.57%	40,398	10,859	158,349	606,918	0	1,471,494	\$0.36
200,000-299,999	60	14,323,591	1,470,251	10.26%	12,853,340	89.74%	1,055,391	7.37%	113,423	169,472	203,283	260,932	220,000	0	\$0.30
300,000 Plus	47	25,824,123	4,189,057	16.22%	21,635,066	83.78%	5,479,748	21.22%	149,600	218,683	149,600	359,560	0	6,284,756	\$0.30
Industrial Market Totals	3,256	147,056,293	12,224,730	8.31%	134,831,563	91.69%	15,202,404	10.34%	918,459	2,221,984	1,515,889	4,730,001	282,254	8,773,007	\$0.37

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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