



MARKET OVERVIEW

► **Industrial Market:** The Sacramento industrial market fared well during the third quarter of 2017 as the overall vacancy rate decreased to an all-time low of 5.64%. At the close of the third quarter, net absorption was positive at just over 1.5 million square feet.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased to 5.64%, which is the lowest vacancy rate seen to-date for the Sacramento Region. The largest submarkets – Power Inn, West Sacramento and Davis/Woodland – had vacancy rates of 3.50%, 6.02% and 7.30%. Among the largest submarkets, some of the lowest vacancy rates were also seen in the Sunrise and Marysville/Yuba City submarkets with rates at 3.43% and 1.47%, respectively. Alternatively, the highest vacancy rates were seen in the South Sacramento with an overall rate of 25.51%.

► **Lease Rates:** At the end of the third quarter, the average asking triple net lease rate for the Sacramento industrial market was \$0.40, which is a \$0.01 decrease from the previous quarter. Within the two largest submarkets – Power Inn and West Sacramento – the average asking lease rates were \$0.45 and \$0.41 per square foot. Some of the highest asking lease rates were seen in the Sunrise submarket with an average of \$0.53 per square foot. Alternatively, the lowest lease rates were seen in the Marysville/Yuba City and Roseville/Rocklin submarkets with average asking rates of \$0.32 and \$0.35 per square foot, respectively.

► **Sale & Lease Transactions:** Transaction activity at the close of the third quarter was 3.83 million square feet, which is a decrease from the previous quarter's figure of 4.94 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 1,534,391 square feet of positive net absorption. The Roseville/Rocklin submarket had the greatest positive net absorption of 502,760 square feet, and the McClellan submarket had the second highest net absorption of 374,145 square feet. Alternatively, the Sunrise submarket experienced 67,773 square feet of negative net absorption.

► **Development:** Seven industrial projects are currently under construction in the Sacramento market, which total just over 1.6 million square feet. The largest of those projects is an 855,000 square foot Class A distribution building in the Natomas/Northgate submarket for Amazon and expected to be delivered in December 2017. The second largest industrial project under construction is a 316,100 square foot Class B warehouse building in the Roseville/Rocklin submarket and expected to be delivered May 2018. Currently, there are 12.38 million square feet of proposed industrial space for the Sacramento market.

► **Third Quarter Review:** Overall, the Sacramento industrial market has out-paced other commercial property types with an impressively low vacancy rate and steady lease rates. Among other positive trends, net absorption has remained positive for ten consecutive quarters. According to the most recent Sacramento employment figures, the unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 5.2% in August of 2017.

SACRAMENTO INDUSTRIAL TRENDS | THIRD QUARTER 2017

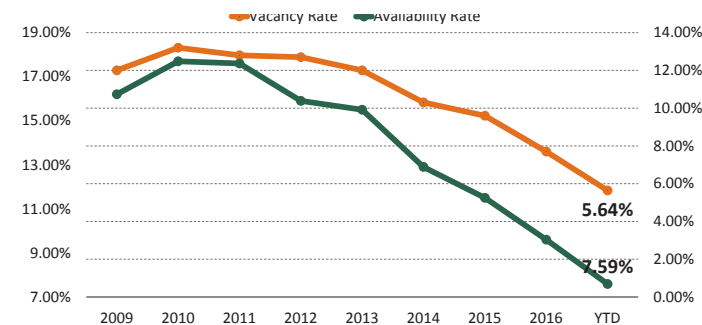
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
Q ³ 2017	5.64%	\$0.40	1,534,391	3,837,992
Q ² 2017	6.70%	\$0.41	484,908	4,943,818

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

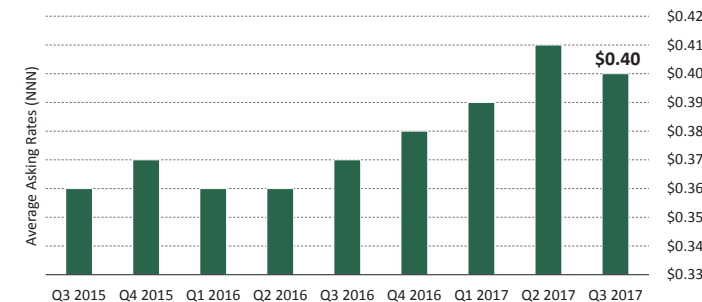
VACANCY RATE & AVAILABILITY RATE

ALL SPACE NOT CURRENTLY OCCUPIED & ALL SPACE CURRENTLY MARKETED



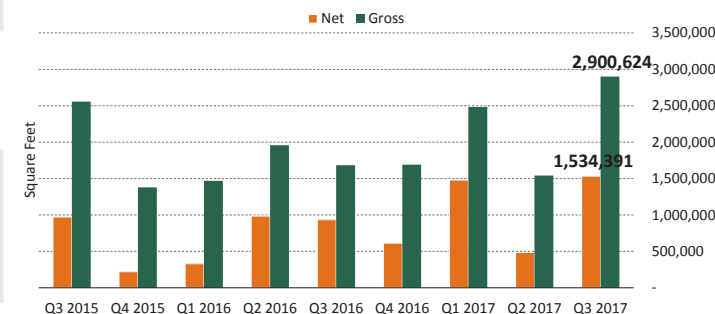
AVERAGE ASKING RATES

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 INDUSTRIAL LEASES SIGNED FOR Q3 2017

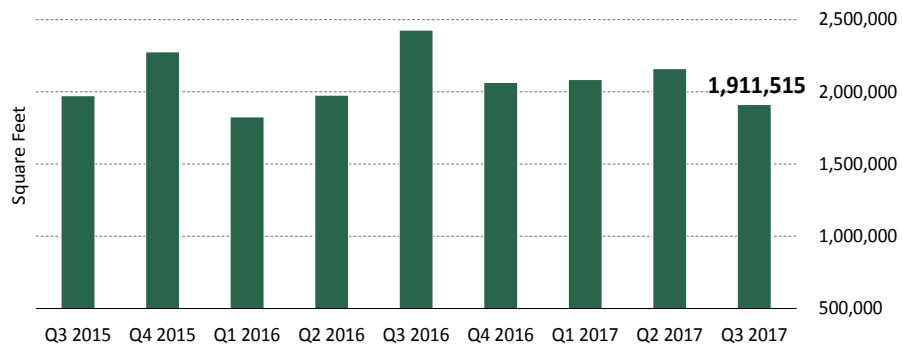
Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
5201 - 5321 Luce Ave.	McClellan	Granite Data Solutions	Sacramento Real Estate Division	July 12, 2017	91,188
8880 Industrial Blvd.	Roseville/Rocklin	Undisclosed	Longmeadow Development	August 31, 2017	64,800
2340 E Main Street	Davis/Woodland	Undisclosed	Buzz Oates	September 26, 2017	56,857
8201-8261 Demetre Ave.	Power Inn	Bagatelos Glass	US National Leasing, LLC	July 6, 2017	43,560
6200 Franklin Blvd.	South Sacramento	Undisclosed	6200 Franklin, LLC	July 31, 2017	30,000

SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES FOR Q3 2017

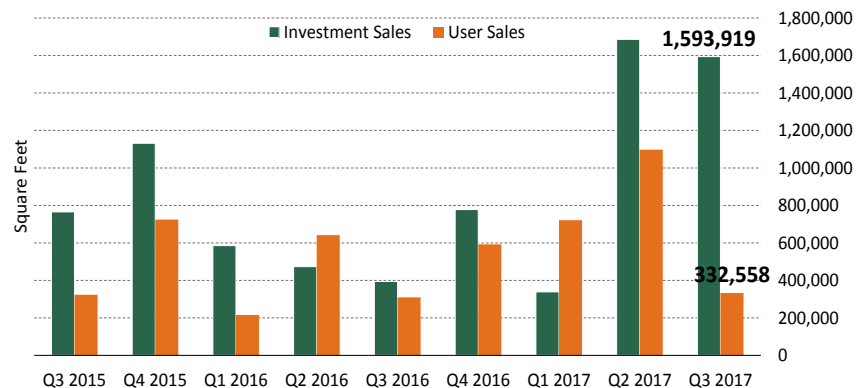
Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
8030 Foothills Blvd.	Roseville/Rocklin	8000 Foothills, LLC	Hewlett-Packard Company	151,423	\$12,140,978
601 Sequoia Pacific Blvd.	Richards	Scannell Properties	Gregory J. Miliotes	100,992	\$10,300,000
1431 E Beamer Street	Davis/Woodland	Starsong & Co.	East Beamer Ave, LLC	155,700	\$5,223,800
6500 Florin Perkins Rd.***	Power Inn	J & R Associates	Lu & Hong, LP	54,000	\$4,860,000
8671 Elder Creek Rd.	Power Inn	Northstar Equities, LLC	Elder Creek Warehouse, LLC	64,740	\$4,645,000

TRI Transaction

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER



MARKET SNAPSHOT
Q³ 2017 **Q³ 2016** % Change vs. Q3 2016

Vacancy Rate	5.64%	8.10%	-30.37%
Availability Rate	7.59%	10.00%	-24.10%
Avg. Asking Lease Rate	\$0.40	\$0.37	8.11%
Gross Absorption	2,900,624	1,682,967	72.35%
Net Absorption	1,534,391	934,521	(N/A)

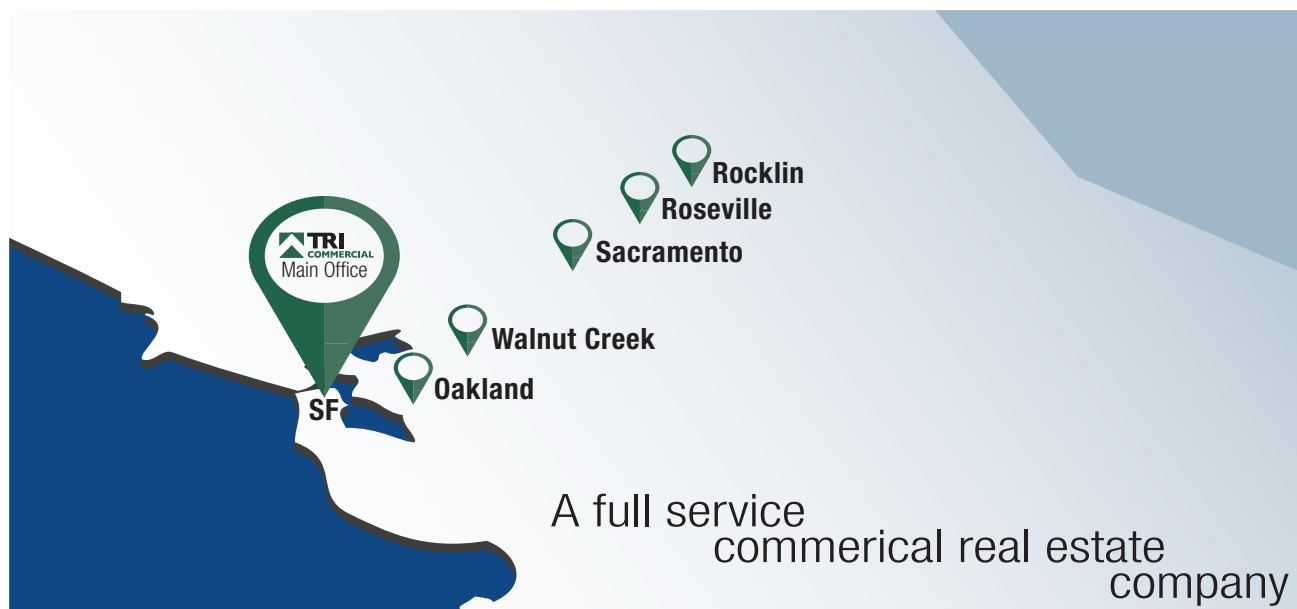
TRI COMMERCIAL | SACRAMENTO INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate Q3 2017	Occupied Square Feet	Occupancy Rate Q3 2017	Available Square Feet	Availability Rate Q3 2017	Net Absorption Q3 2017	YTD Net Absorption	Gross Absorption Q3 2017	YTD Gross Absorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Newcastle	85	2,229,009	19,183	0.86%	2,209,826	99.14%	87,359	3.92%	(5,200)	8,794	3,700	22,020	0	0	\$0.48
Davis/Woodland	187	16,158,490	1,179,140	7.30%	14,979,350	92.70%	1,709,304	10.58%	198,274	456,762	340,939	676,082	12,024	15,040	\$0.29
Downtown	86	2,640,421	136,656	5.18%	2,503,765	94.82%	136,656	5.18%	0	44,233	0	47,091	0	0	\$0.55
East Sacramento	23	571,117	0	0.00%	571,117	100.00%	14,750	2.58%	0	37,176	0	37,176	0	0	-
Elk Grove/Laguna	117	5,727,591	311,362	5.44%	5,416,229	94.56%	432,811	7.56%	10,600	(86,941)	74,247	157,210	0	882,265	\$0.47
Folsom/EI Dorado	104	3,081,128	159,435	5.17%	2,921,693	94.83%	179,004	5.81%	25,335	3,041	26,503	54,584	75,000	0	\$0.67
Marysville/Yuba City	146	5,883,200	86,325	1.47%	5,796,875	98.53%	310,895	5.28%	35,100	162,520	51,600	195,880	0	0	\$0.32
Mather	125	3,816,941	226,717	5.94%	3,590,224	94.06%	210,917	5.53%	90,299	139,941	101,799	222,901	0	89,593	\$0.48
McClellan	289	13,709,133	851,946	6.21%	12,857,187	93.79%	532,648	3.89%	374,145	842,269	474,994	1,150,644	0	52,108	\$0.43
Natomas/Northgate	201	11,659,395	441,651	3.79%	11,217,744	96.21%	773,831	6.64%	46,284	41,950	151,773	331,905	855,000	8,382,202	\$0.47
NE Sacramento	192	5,038,108	264,410	5.25%	4,773,698	94.75%	388,602	7.71%	12,870	13,595	50,980	78,120	0	0	\$0.48
Power Inn	564	24,337,155	852,480	3.50%	23,484,675	96.50%	1,594,869	6.55%	100,262	554,793	334,291	1,248,199	240,255	1,380,594	\$0.45
Richards	85	4,175,723	106,973	2.56%	4,068,750	97.44%	118,493	2.84%	162,858	107,057	172,658	206,553	0	0	\$0.38
Roseville/Rocklin	281	15,981,473	1,200,141	7.51%	14,781,332	92.49%	1,235,381	7.73%	502,760	746,300	635,012	960,689	316,100	392,950	\$0.35
South Sacramento	120	3,972,484	1,013,386	25.51%	2,959,098	74.49%	984,400	24.78%	(7,200)	(3,039)	3,000	28,814	0	1,157,185	\$0.62
Sunrise	333	9,717,269	333,731	3.43%	9,383,538	96.57%	370,826	3.82%	(67,773)	(58,126)	133,427	395,155	0	0	\$0.53
West Sacramento	320	17,971,003	1,081,306	6.02%	16,889,697	93.98%	2,052,226	11.42%	55,777	489,822	345,701	1,111,266	104,800	30,000	\$0.41
Industrial Market Totals	3,258	146,669,640	8,264,842	5.64%	138,404,798	94.36%	11,132,972	7.59%	1,534,391	3,500,147	2,900,624	6,924,289	1,603,179	12,381,937	\$0.40

10,000-29,999	2,007	33,299,330	930,238	2.79%	32,369,092	97.21%	1,333,841	4.01%	40,103	163,835	336,029	1,022,578	12,024	310,333	\$0.61
30,000-49,999	522	19,926,622	656,421	3.29%	19,270,201	96.71%	1,152,489	5.78%	(42,272)	300,568	282,262	931,297	0	170,740	\$0.51
50,000-99,999	438	29,223,039	1,373,024	4.70%	27,850,015	95.30%	2,116,652	7.24%	89,180	497,581	428,868	1,316,284	75,000	424,451	\$0.45
100,000-199,999	185	24,309,874	1,743,846	7.17%	22,566,028	92.83%	2,279,982	9.38%	389,696	567,282	594,087	1,180,412	104,800	1,512,737	\$0.40
200,000-299,999	59	14,084,652	529,647	3.76%	13,555,005	96.24%	455,846	3.24%	203,208	908,169	303,102	1,121,042	240,255	274,000	\$0.39
300,000 Plus	47	25,826,123	3,031,666	11.74%	22,794,457	88.26%	3,794,162	14.69%	854,476	1,062,712	956,276	1,352,676	1,171,100	9,689,676	\$0.32
Industrial Market Totals	3,258	146,669,640	8,264,842	5.64%	138,404,798	94.36%	11,132,972	7.59%	1,534,391	3,500,147	2,900,624	6,924,289	1,603,179	12,381,937	\$0.40

Average asking rates represented are triple net.

NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:



MAP IS NOT TO SCALE

ABOUT TRI COMMERCIAL

Since 1977, we have consistently proven that we come to the table with real-time knowledge of the opportunities and challenges our clients face. Our value is providing the expertise to help you seize the opportunities, overcome the challenges and complete your transaction. Our agents truly value the relationship more than the transaction. We train our agents to be more than industrial brokers, we train industrial specialists. TRI handles all elements of the industrial market from incubator warehouse, or flex product, to multi-tenant, big box, distribution and manufacturing. Across this broad spectrum, we're also equipped to handle all types of transactions, from land transactions, parcelization and owner/user sales, to leasing, build-to-suits, development and investment sales. We know the process from beginning to end, in all its variations. For more than 38 years, TRI has had a dominant presence in Northern California, with an interconnected network of nearly 100 industry specialists, all at your disposal. Quite simply, our mission is to be your broker of choice.

The Information in this document was obtained from sources we deem reliable; however, no warranty or representation, expressed or implied, is made as to the accuracy of the information contained herein. The market statistics represent properties that are 10,000 square feet or larger. This quarterly market report is a research document of TRI Commercial and may be found on our website at www.tricommercial.com. CoStar was the main source of information used in this report.

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

Building Great Relationships Since 1977

CORFAC
International