

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 10.9%. At the close of the third quarter, average asking lease rates were at a \$1.87, which is a \$0.02 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 decreased by 30 basis points to 10.9%, which remains among the lowest vacancy rates seen since 2002! The largest submarkets – Downtown, Highway 50 Corridor and Roseville/Rocklin – had vacancy rates of 10.46%, 13.94% and 9.27%, respectively. Alternatively, the highest vacancy rates were seen in the Rio Linda/N Highlands, Howe Ave./Fulton Ave., and El Dorado submarkets at 22.13%, 21.11%, and 23.74%.

► **Lease Rates:** At the close of the third quarter, the average asking full service lease rate for the Sacramento office market was \$1.87, which is a \$0.02 increase from the previous quarter and a \$0.06 increase from one year ago. Some of the highest lease rates were seen in the Downtown, East Sacramento, and Elk Grove submarkets at \$2.60, \$2.52 and \$2.63 per square foot, respectively. Alternatively, the lowest lease rates were seen in the Citrus Heights/Orangevale and Rio Linda/N Highlands submarkets with rates at \$1.33 and \$1.18 per square foot, respectively.

► **Sale & Lease Transactions:** Transaction activity at the close of the third quarter was just over 1.8 million square feet, which is a decrease from the previous quarter's figure of 4.3 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 third quarter with positive net absorption of 288,782 square feet. The Highway 50 Corridor, Downtown and Roseville/Rocklin submarkets had the highest positive net absorption figures at 100,692, 90,986 and 66,408 square feet, respectively. Alternatively, the Folsom submarket had the highest negative net absorption of 71,288 square feet.

► **Development:** Currently, there are 671,290 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 a 194,000 square foot, Class B medical office building, expected to be delivered in October 2019. Of the seven office buildings currently under construction, four of them are located in the Roseville/Rocklin submarket. Currently, there are 5.17 million square feet of proposed space with the majority proposed for the Roseville/Rocklin submarket.

► **Third Quarter Review:** Overall, the vacancy rate has decreased by an impressive 11.7% over the course of the last four quarters and the average asking lease rate of \$1.87 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 5.2% in August of 2017.

SACRAMENTO OFFICE TRENDS | THIRD QUARTER 2017

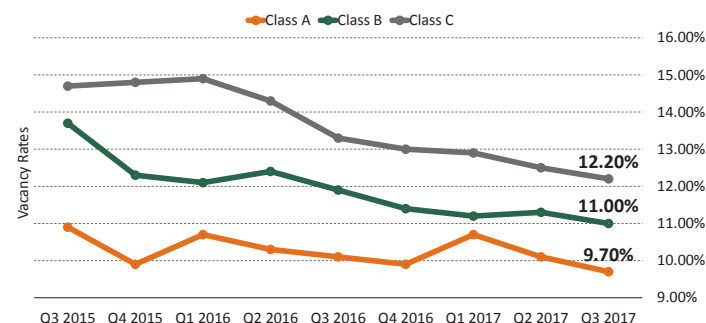
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (FS)	Net Absorption	Transaction Activity
	Q ³ 2017 Q ² 2017	10.90% 11.20%	\$1.87 \$1.85	288,782 191,147
				1,834,072 4,374,873

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

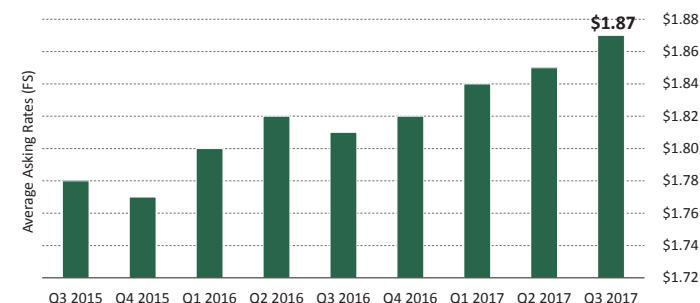
VACANCY RATES BY CLASS

ALL SPACE NOT CURRENTLY OCCUPIED



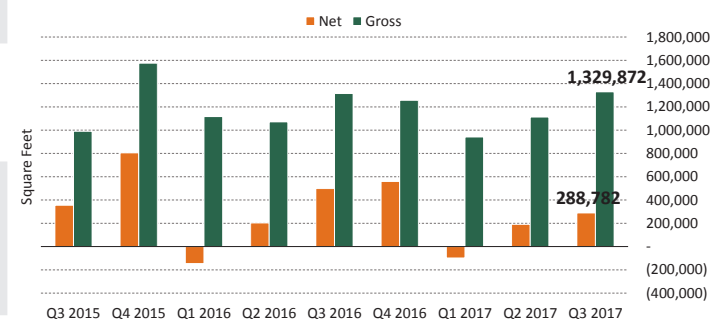
AVERAGE ASKING RATES

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 OFFICE LEASES SIGNED Q3 2017

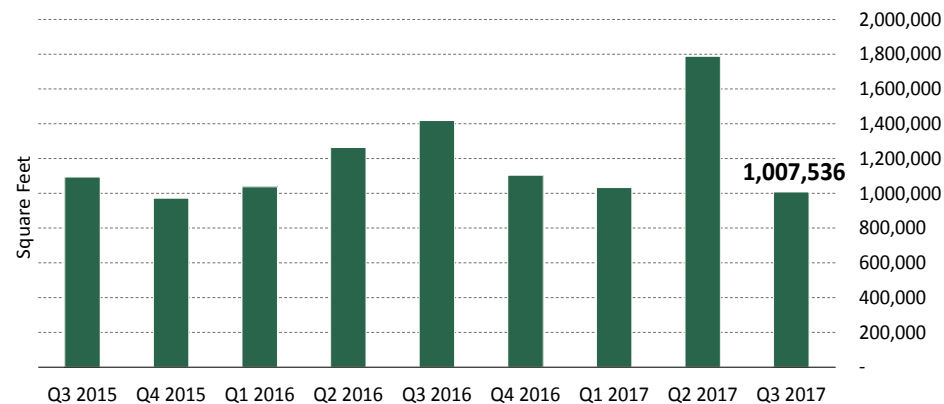
Property Address	Submarket	Tenant	Owner	Date Lease Signed	Sq. Ft. Leased
201 N Sunrise Ave.	Roseville/Rocklin	Undisclosed	Rm/rna Properties, LLC	September 19, 2007	87,623
2920 Kilgore Rd.	Highway 50 Corridor	Undisclosed	BD Briggs	August 11, 2017	49,333
2251 Harvard St.	Point West	State of California	Harvard Office Investors, LLC	August 4, 2017	43,311
9738 Lincoln Village Dr.	Highway 50 Corridor	Undisclosed	Ethan Conrad	September 20, 2017	34,951
2400 Del Paso Rd.	Natomas/Northgate	Undisclosed	Buzz Oates	August 4, 2017	26,718

SALE TRANSACTIONS | NOTABLE OFFICE SALES FOR Q3 2017

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
151 N Sunrise Ave. (9 Properties)	Roseville/Rocklin	Santokh & Arpinder Toor	Westcore Properties	135,970	\$17,100,000
2450 Venture Oaks Way	Natomas/Northgate	N/A	KBS REIT I, Inc.	101,303	\$15,500,000
1303 J Street	Downtown	Insight Realty Company	TA Realty	72,649	\$14,650,000
10590 Armstrong Ave.	Highway 50 Corridor	WHAL Properties, LP	Fulcrum Capital Corporation	42,734	\$8,000,000
400 Plaza Drive***	Folsom	Ridge Park Enterprises, Inc.	The Fivey Company	43,606	\$5,775,000

TRI Transaction

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER

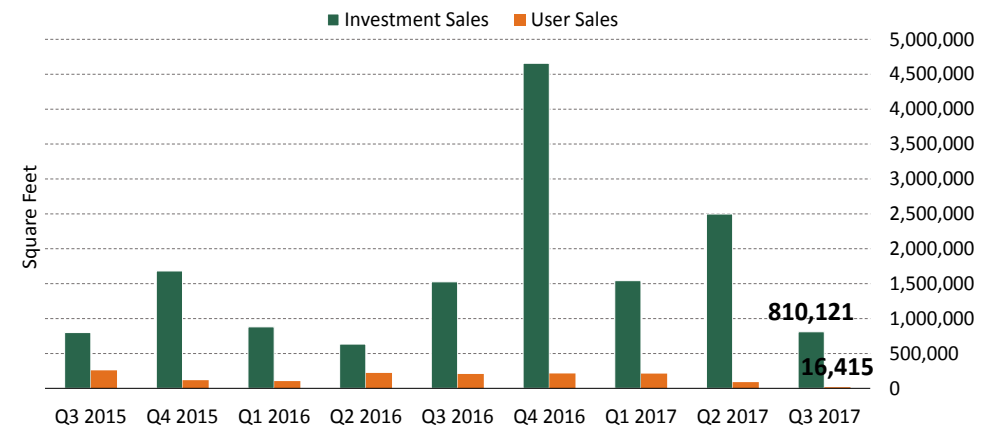


MARKET SNAPSHOT

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

Vacancy Rate	10.90%	11.70%	-6.84%
Availability Rate	13.56%	14.30%	-5.17%
Avg. Asking Lease Rate	\$1.87	\$1.81	3.31%
Gross Absorption	1,329,872	1,315,273	1.11%
Net Absorption	288,782	498,385	(N/A)

SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER

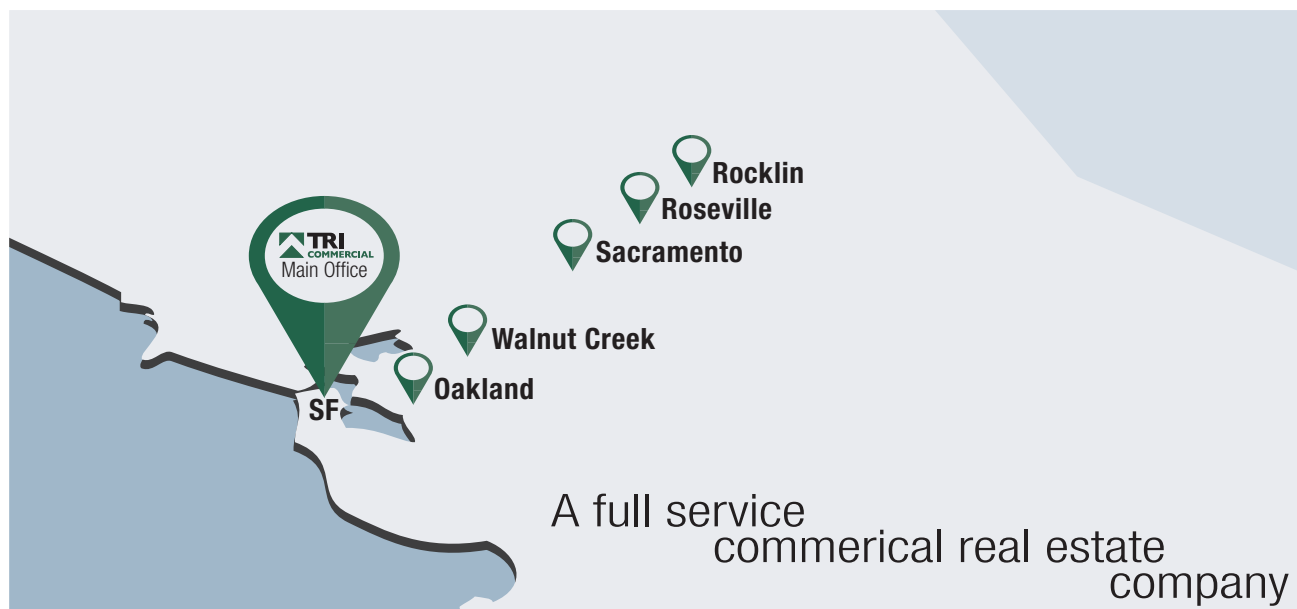


TRI COMMERCIAL | SACRAMENTO OFFICE SUBMARKET STATISTICS

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 Abosorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Lincoln	64	1,361,827	67,032	4.92%	1,294,795	95.08%	99,104	7.28%	5,990	18,854	27,555	59,470	0	100,953	\$1.43
Campus Commons	43	1,281,706	199,632	15.58%	1,082,074	84.42%	290,137	22.64%	(28,786)	(33,756)	19,382	65,186	0	72,000	\$2.02
Carmichael/Fair Oaks	48	980,437	177,068	18.06%	803,369	81.94%	225,802	23.03%	(5,195)	(51,805)	8,804	38,640	68,000	0	\$1.54
Citrus Heights/Orangevale	54	1,445,873	167,484	11.58%	1,278,389	88.42%	199,629	13.81%	(833)	7,607	24,154	66,901	0	15,000	\$1.33
Davis/Woodland	81	1,988,519	57,525	2.89%	1,930,994	97.11%	99,816	5.02%	230	15,339	5,535	50,291	0	107,547	\$2.00
Downtown	214	19,169,951	1,534,560	10.46%	17,635,391	91.99%	1,820,487	9.50%	90,986	131,248	164,951	461,826	0	366,900	\$2.60
East Sacramento	38	2,230,644	76,486	3.43%	2,154,158	96.57%	105,840	4.74%	37,441	41,772	38,640	51,144	0	0	\$2.52
El Dorado	70	1,641,986	389,879	23.74%	1,252,107	76.26%	460,241	28.03%	24,286	(11,846)	35,168	102,961	0	262,032	\$1.86
Elk Grove	54	1,771,359	129,344	7.30%	1,642,015	92.70%	153,368	8.66%	19,933	38,219	32,087	68,093	0	392,273	\$2.63
Folsom	99	4,541,124	431,924	9.51%	4,109,200	90.49%	435,438	9.59%	(71,288)	(36,614)	52,785	139,098	0	115,570	\$1.93
Highway 50 Corridor	298	17,425,874	2,429,288	13.94%	14,996,586	86.06%	3,106,948	17.83%	100,692	16,052	249,702	707,279	0	1,091,300	\$1.68
Howe Ave./Fulton Ave.	77	2,442,369	515,531	21.11%	1,926,838	78.89%	582,700	23.86%	(16,125)	(30,453)	39,131	103,593	0	0	\$1.64
Midtown	100	3,685,316	253,086	6.87%	3,432,230	93.13%	319,867	8.68%	(2,619)	(6,224)	30,940	73,191	138,850	80,985	\$1.69
Natomas/Northgate	115	6,558,420	932,624	14.22%	5,625,796	85.78%	1,174,007	17.90%	(10,507)	66,077	178,541	432,505	0	703,410	\$1.83
Point West	51	2,729,431	380,905	13.96%	2,348,526	86.04%	483,485	17.71%	12,883	85,657	33,917	154,544	0	357,254	\$1.84
Rio Linda/N Highlands	29	1,017,954	225,231	22.13%	792,723	77.87%	263,582	25.89%	26,251	36,631	26,251	38,383	0	0	\$1.18
Roseville/Rocklin	270	10,809,321	1,001,654	9.27%	9,807,667	90.73%	1,401,073	12.96%	66,408	32,894	257,066	473,949	453,198	1,290,850	\$1.89
South Sacramento	104	3,345,874	424,005	12.67%	2,921,869	87.33%	484,318	14.48%	(8,689)	(10,015)	42,489	127,295	11,242	40,195	\$1.57
Sutter County	30	550,494	33,149	6.02%	517,345	93.98%	40,174	7.30%	(1,646)	(11,645)	3,000	4,880	0	25,000	\$1.80
Watt Ave.	50	2,393,703	247,631	10.35%	2,146,072	89.65%	282,480	11.80%	41,750	20,462	45,757	96,119	0	45,858	\$1.61
West Sacramento	35	2,020,487	124,132	6.14%	1,896,355	93.86%	149,240	7.39%	7,620	39,315	14,017	49,585	0	110,000	\$1.83
Yuba County	10	573,311	7,962	1.39%	565,349	98.61%	19,562	3.41%	0	23,799	0	23,799	0	0	-
Office Market Totals	1,934	89,965,980	9,806,132	10.90%	80,159,848	89.10%	12,197,298	13.56%	288,782	381,568	1,329,872	3,388,732	671,290	5,177,127	\$1.87
Class A	191	26,415,239	2,564,983	9.71%	23,850,256	90.29%	3,051,904	11.55%	110,010	55,040	405,358	976,463	0	3,060,810	\$2.00
Class B	968	42,639,506	4,692,356	11.00%	37,947,150	89.00%	6,260,897	14.68%	111,783	160,502	664,449	1,736,008	671,290	2,116,317	\$1.75
Class C	775	20,911,235	2,548,793	12.19%	18,362,442	87.81%	2,884,497	13.79%	66,989	166,026	260,065	676,261	0	0	\$1.47
Class Total	1,934	89,965,980	9,806,132	10.90%	80,159,848	89.10%	12,197,298	13.56%	288,782	381,568	1,329,872	3,388,732	671,290	5,177,127	\$1.87

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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