SACRAMENTO RETAIL

TRI 40 YEARS COMMERCIAL REAL ESTATE SERVICES

Q3 2017

OSBORNE GROUP

MARKET OVERVIEW

▶Retail Market: The Sacramento retail market fared well at the close of the third quarter as vacancy rates have continued to trend downward dropping 15 basis points to 7.05%. Among other positive trends to note, net absorption was just over 560,000 square feet.

▶Vacancy Rates: The vacancy rate has decreased to 7.05%, 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 5.60%, 7.27%, and 9.95%. Some of the lowest vacancy rates were seen in West Sacramento and the Downtown/Midtown/E Sac submarkets with rates at 3.54% and 3.93%, respectively. The highest vacancy rates, however, were seen in the Yuba County and Highway 50 Corridor submarkets at 22.17% and 10.52%.

▶Lease Rates: At the close of the third quarter, the average asking triple net lease rate for the Sacramento retail market was $1.35 per square foot, which is a $0.03 increase from the previous quarter. Within the two largest submarkets – Roseville/Rocklin and South Sacramento – the average asking lease rates were $1.39 and $1.29 per square foot. Some of the highest average asking lease rates, however, were seen in the Lincoln and Folsom submarkets at $2.13 and $1.87 per square foot, respectively.

▶Sale & Lease Transactions: Transaction activity at the close of the third quarter was just over 2.45 million square feet, which is an increase from the previous quarter's figure of 1.68 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 third quarter with 566,599 square feet of positive net absorption. The South Sacramento submarket recorded the highest net absorption with a total of 234,203 square feet, and the Highway 50 Corridor submarket recorded the second highest net absorption at 153,482 square feet. Alternatively, the Orangevale/Citrus Heights submarket recorded a negative net absorption of 30,483 square feet at the close of the third quarter.

▶Development: The Sacramento retail market delivered 418,858 square feet of new retail space during the third quarter of 2017. Among the largest of those projects was a 216,981 square foot retail power center in the South Sacramento submarket, which was delivered August 2017. There is currently just over 800,000 square feet of retail space under construction. The largest project under construction is a 189,543 square foot retail department store in the South Sacramento submarket expected to be delivered December 2017. Currently, there are 9.92 million square feet of proposed retail space for the Sacramento Region.

▶Third Quarter Review: Overall, the vacancy rate has decreased by 85 basis points in comparison to one year ago while net absorption has averaged just over 300,000 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 5.2% in August of 2017.

SACRAMENTO RETAIL TRENDS | THIRD QUARTER 2017

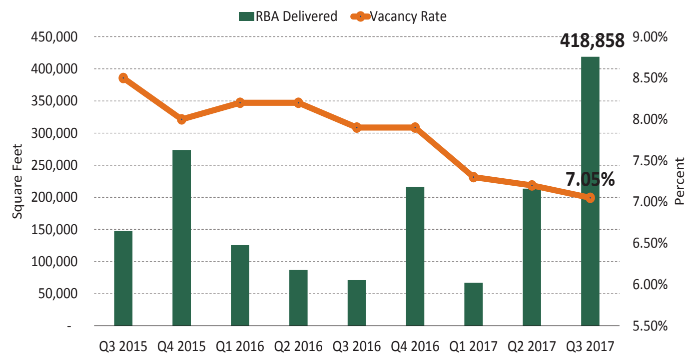
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
	▼	▲	▲	▲
Q3 2017	7.05%	$1.35	566,599	2,450,358
Q2 2017	7.20%	$1.32	283,461	1,683,656

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

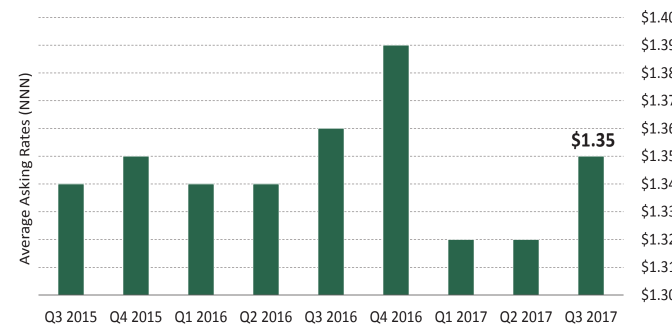
NEW DELIVERIES VS. VACANCY RATE

SQUARE FEET DELIVERED PER QUARTER VS. VACANCY RATE



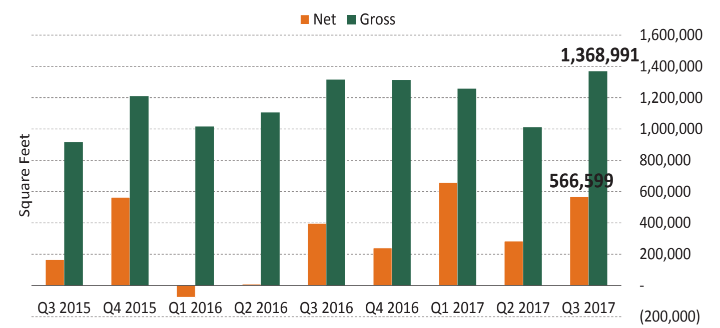
AVERAGE ASKING RATES

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 I NOTABLE RETAIL LEASES SIGNED FOR Q3 2017

Property Address	Submarket	Tenant	Landlord	Date Lease Signed	Sq. Ft. Leased
3308-3350 Arden Way (Community Center)	Arden/Watt/Howe	Undisclosed	Cahill Contractors, Inc.	August 30, 2017	37,887
5820 S Land Park Dr. (Neighborhood Center)	South Sacramento	Undisclosed	South Hills & Heritage, LLC	August 22, 2017	29,000
5237 Walnut Ave. (Freestanding Retail)	Rio Linda/N Highlands	Undisclosed	Cooper Mark & Renee	July 31, 2017	26,000
2100 Arden Way (Community Center)	Arden/Watt/Howe	Michael's	SY Howe Arden, LLC	September 25, 2017	20,855
31 15th Street (Freestanding Retail)	West Sacramento	CJD Wholesale	Ethan Conrad	July 3, 2017	17,909

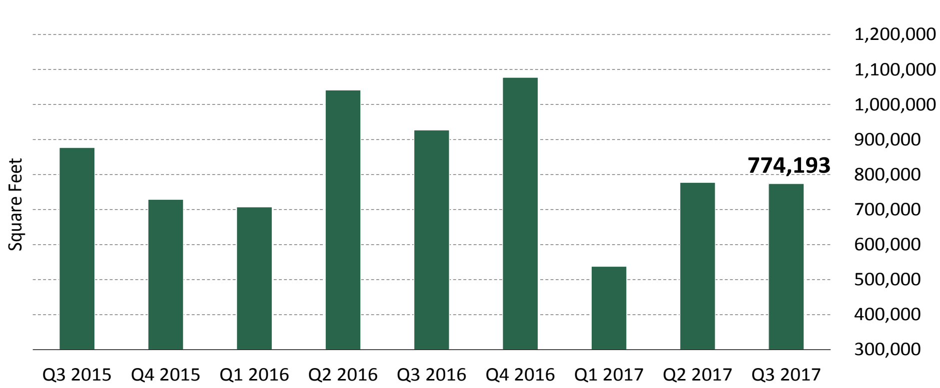
SALE TRANSACTIONS I NOTABLE RETAIL SALES FOR Q3 2017

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
1002-1014 Riley Street (4 Properties)	Folsom	Nazareth Enterprises	Hill Companies, LLC	140,177	$39,683,333
6071 Florin Rd. (14 Properties)	South Sacramento	Starboard Realty Advisors, LLC	Florin Associates, LLC	273,240	$32,460,000
5425 Sunrise Blvd (10 Properties)	Orangevale/Citrus Heights	Merlone Geier Management, Inc.	Gianulias Investments	129,641	$24,095,000
6029-6085 Greenback Ln. (2 Properties)	Orangevale/Citrus Heights	W.Y. Heritage Grove, LLC	Mayfair Joint Venture, LLC	78,632	$13,000,000
11051 Olson Drive	Highway 50 Corridor	Koreana Development Associates	First Acorn, LLC	76,158	$10,500,000

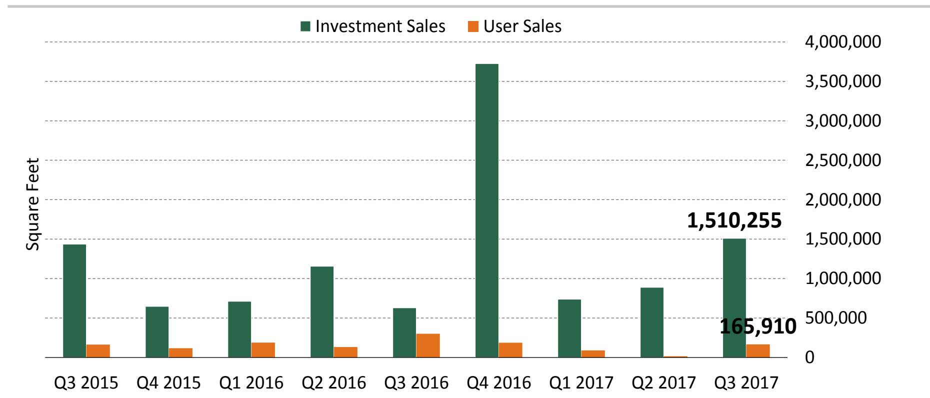
MARKET SNAPSHOT

	Q3 2017	Q3 2016	% Change vs. Q3 2016
Vacancy Rate	7.05%	7.90%	-10.79%
Availability Rate	8.44%	9.40%	-10.19%
Avg. Asking Lease Rate	$1.35	$1.36	-0.74%
Gross Absorption	1,368,991	1,315,887	4.04%
Net Absorption	566,599	396,967	(N/A)

LEASE TRANSACTIONS I AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS I AMOUNT OF SQUARE FEET SOLD PER QUARTER



TRI COMMERCIAL | SACRAMENTO RETAIL 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)
Arden/Watt/Howe	973	11,468,434	1,140,835	9.95%	10,327,599	90.05%	1,205,109	10.51%	24,791	151,615	145,679	435,415	13,241	204,068	$1.21
Auburn/Loomis	375	3,537,715	116,384	3.29%	3,421,331	96.71%	175,462	4.96%	8,564	43,574	13,275	96,024	0	485,644	$1.74
Carmichael	298	2,875,873	202,822	7.05%	2,673,051	92.95%	301,226	10.47%	3,876	35,897	28,499	95,203	0	38,870	$1.28
Davis	198	2,228,401	90,887	4.08%	2,137,514	95.92%	135,322	6.07%	5,911	(24,768)	10,227	42,878	0	113,225	$1.58
Downtown/Midtown/E Sac	844	5,959,198	234,150	3.93%	5,725,048	96.07%	334,668	5.62%	53,923	28,142	68,245	116,163	241,010	1,489,654	$1.31
El Dorado	362	4,118,791	215,637	5.24%	3,903,154	94.76%	292,203	7.09%	5,296	2,077	34,719	104,500	0	556,007	$1.81
Elk Grove	354	5,750,407	237,877	4.14%	5,512,530	95.86%	268,943	4.68%	20,090	20,851	47,391	100,218	0	1,988,842	$1.75
Folsom	309	5,882,493	306,349	5.21%	5,576,144	94.79%	340,705	5.79%	14,785	128,337	58,258	233,196	0	113,284	$1.87
Highway 50 Corridor	372	5,477,372	576,155	10.52%	4,901,217	89.48%	701,541	12.81%	153,482	321,889	206,288	434,740	7,653	788,075	$1.12
Lincoln	169	1,783,765	83,773	4.70%	1,699,992	95.30%	91,771	5.14%	(3,871)	(11,391)	10,969	34,443	0	189,919	$2.13
Natomas	263	3,841,131	235,194	6.12%	3,605,937	93.88%	344,715	8.97%	38,199	60,645	51,622	120,776	29,296	293,500	$1.37
Orangevale/Citrus Heights	575	8,060,486	883,931	10.97%	7,176,555	89.03%	1,025,385	12.72%	(30,483)	60,065	84,789	291,449	0	252,136	$1.35
Outer El Dorado County	322	2,642,300	100,907	3.82%	2,541,393	96.18%	121,754	4.61%	23,017	16,192	31,513	66,565	0	7,604	$2.36
Outer Placer County	183	1,391,275	33,595	2.41%	1,357,680	97.59%	56,294	4.05%	(8,297)	(4,007)	4,088	20,936	0	0	$1.11
Outer Sacramento County	146	1,431,881	27,677	1.93%	1,404,204	98.07%	73,365	5.12%	(10,390)	9,977	3,060	24,227	0	149,800	$1.25
Outer Sutter County	356	4,410,640	333,439	7.56%	4,077,201	92.44%	399,123	9.05%	(17,470)	44,419	26,410	127,161	0	287,530	$1.85
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	5,276,999	483,636	9.16%	4,793,363	90.84%	540,812	10.25%	7,305	32,720	32,704	103,922	0	290,996	$1.06
Roseville/Rocklin	913	14,856,441	832,036	5.60%	14,024,405	94.40%	1,013,991	6.83%	25,977	140,356	118,753	408,927	14,393	655,757	$1.39
South Sacramento	1,166	13,186,250	958,013	7.27%	12,228,237	92.73%	1,196,130	9.07%	234,203	354,243	317,950	586,491	494,678	763,510	$1.29
West Sacramento	185	2,363,792	83,567	3.54%	2,280,225	96.46%	78,613	3.33%	15,494	8,520	18,516	40,405	0	20,000	$1.13
Woodland	270	3,566,812	236,898	6.64%	3,329,914	93.36%	257,159	7.21%	26,231	48,757	40,677	108,848	800	187,093	$0.97
Yuba County	252	2,458,174	545,096	22.17%	1,913,078	77.83%	571,958	23.27%	(24,034)	26,391	15,359	77,003	0	999,972	$0.78
Retail Market Totals	**9,378**	**112,933,667**	**7,958,858**	**7.05%**	**104,974,809**	**92.95%**	**9,534,099**	**8.44%**	**566,599**	**1,494,501**	**1,368,991**	**3,669,490**	**801,071**	**9,922,406**	**$1.35**

Average asking rates represented are triple net.

SACRAMENTO RETAIL

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NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:

MAP IS NOT TO SCALE

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