

MARKET OVERVIEW

► **Industrial Market:** The Sacramento industrial market fared well during the fourth quarter. The overall vacancy rate slightly increased to 9.87%, but is still amongst the lowest figures seen since 2008. Although the quarter experienced negative net absorption, transaction activity outpaced the previous quarter's figure.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate increased by 37 basis points to 9.87%. The largest submarkets – Power Inn, West Sacramento and Roseville/Rocklin – had vacancy rates of 6.79%, 12.12% and 12.48%. Among the largest submarkets, some of the lowest vacancy rates were also seen in the Sunrise, Elk Grove/Laguna, and Marysville/Yuba City submarkets with rates at 4.64%, 5.90% and 7.37%. The highest vacancy rates, however, were seen in the South Sacramento and McClellan submarkets at 26.40% and 15.97%.

► **Lease Rates:** At the end of the fourth quarter, the average asking triple net lease rate for the Sacramento industrial market was \$0.37 per square foot, 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 \$0.33 and \$0.38 per square foot. Some of the highest lease rates were also seen in the Downtown, Folsom/El Dorado and Sunrise submarkets at \$0.70, \$0.66 and \$0.53 per square foot. Alternatively, the lowest lease rates were seen in the Davis/Woodland submarket with an average asking rate of \$0.29 per square foot.

► **Sale & Lease Transactions:** Transaction activity at the close of the fourth quarter was 3.2 million square feet, which is an increase from the previous quarter's figure of 2.6 million square feet. Given that there is 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 about the fourth quarter's noteworthy transactions.

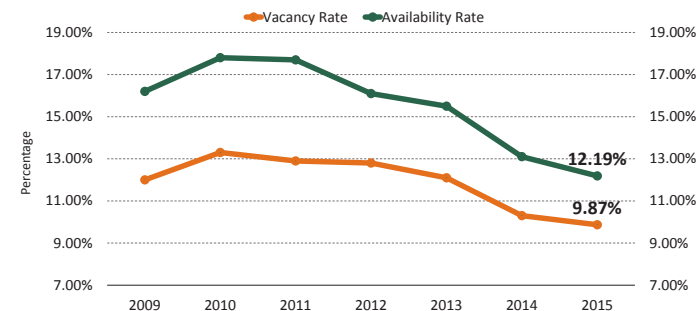
► **Absorption:** The industrial market ended the fourth quarter with 130,129 square feet of negative net absorption. The Power Inn submarket had the greatest positive net absorption of 271,005 square feet, and the McClellan submarket had the second highest net absorption of 64,464 square feet. The West Sacramento submarket, however, totaled just over 572,000 square feet of negative net absorption due to new deliveries to the submarket.

► **Development:** Few new developments are currently underway in the Sacramento industrial market totaling 59,697 square feet. At the close of 2015, however, there was a total of 1,375,188 square feet of industrial space delivered to the market. During the fourth quarter alone, there was a total of 409,249 square feet of delivered space, the majority of which was within the West Sacramento submarket. Currently, there are 3.56 million square feet of proposed industrial space.

► **Fourth Quarter Review:** Overall, the Sacramento industrial market showed steady signs of improvement as vacancy rates have remained relatively low given the new space delivered to the market. According to the most recent Sacramento employment figures, the unemployment rate was at 5.5% in November of 2015. As the job market further improves, increased demand is expected for the Sacramento industrial market.

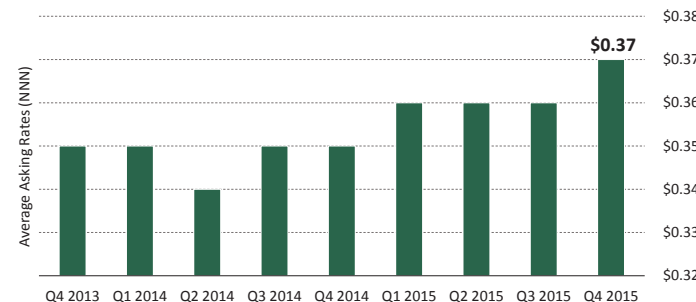
VACANCY RATE & AVAILABILITY RATE

ALL SPACE NOT CURRENTLY OCCUPIED & ALL SPACE CURRENTLY MARKETED



AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



SACRAMENTO INDUSTRIAL TRENDS | FOURTH QUARTER 2015

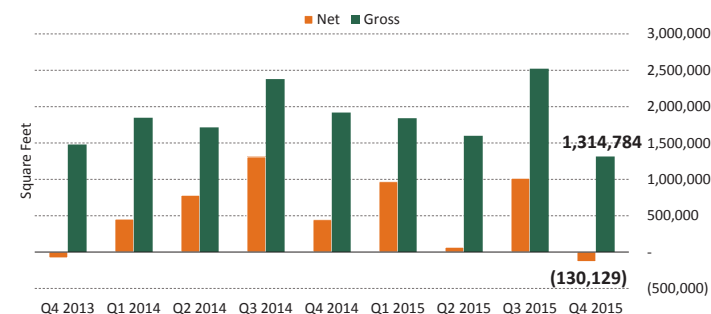
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
	Q ⁴ 2015	9.87%	\$0.37	(130,129)
Q ³ 2015	9.50%	\$0.36	1,015,372	2,688,800

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

MARKET SNAPSHOT

LEASE TRANSACTIONS | NOTABLE INDUSTRIAL LEASES SIGNED

Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
5220 Robert J Mathews Pky	Folsom/ El Dorado	DST Output	Oak Street Real Estate Capital	October 15, 2015	555,219
819-849 N 10th Street	Richards	River City Boat and RV Storage	10th North Industrial, LP	November 23, 2015	113,000
1835 Diesel Drive	McClellan	Amerimax Building Products, Inc.	Weiss Trust	November 23, 2015	108,000
1429 E. Beamer Street	Davis/ Woodland	SunFoods, LLC	HNJ Farms	November 17, 2015	82,431
3010 Ramco Street	West Sacramento	Undisclosed	Buzz Oates, LLC	November 16, 2015	81,225

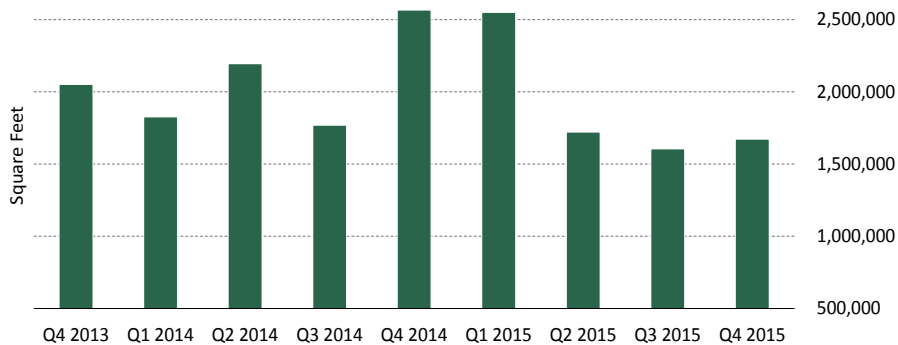
Q⁴ 2015 Q⁴ 2014 % Change vs. Q4 2014

Vacancy Rate	9.87%	10.30%	-4.17%
Availability Rate	12.19%	13.10%	-6.95%
Avg. Asking Lease Rate	\$0.37	\$0.35	5.71%
Gross Absorption	1,314,784	1,918,848	-31.48%
Net Absorption	(130,129)	446,421	(N/A)

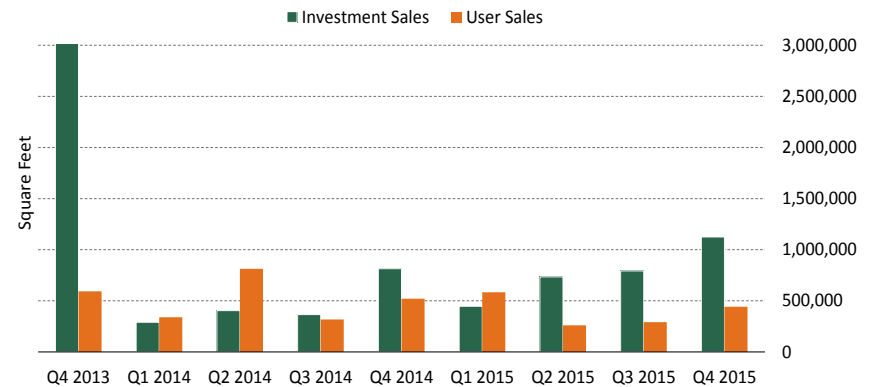
SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
3030 Mulvany Pl.	West Sacramento	Bixby Land Company	Mulvany Southport, LLC	250,000	\$24,750,000
2030 Hanson Way	Davis/ Woodland	Generation Industrial II, LLC	Hanson Way, LLC	396,000	\$23,500,000
2407 AK Street	McClellan	Sacramento Venture One, LLC	McClellan Park, LLC	236,600	\$12,500,000
3171 Swetzer Rd.	Roseville/ Rocklin	Carter Christopher P	Deary D R Family Trust	64,000	\$3,700,000
2400-2416 Tower Ave.	NE Sacramento	Vera Silberstein Trust	Hayes Family Trust	23,610	\$2,825,000

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER

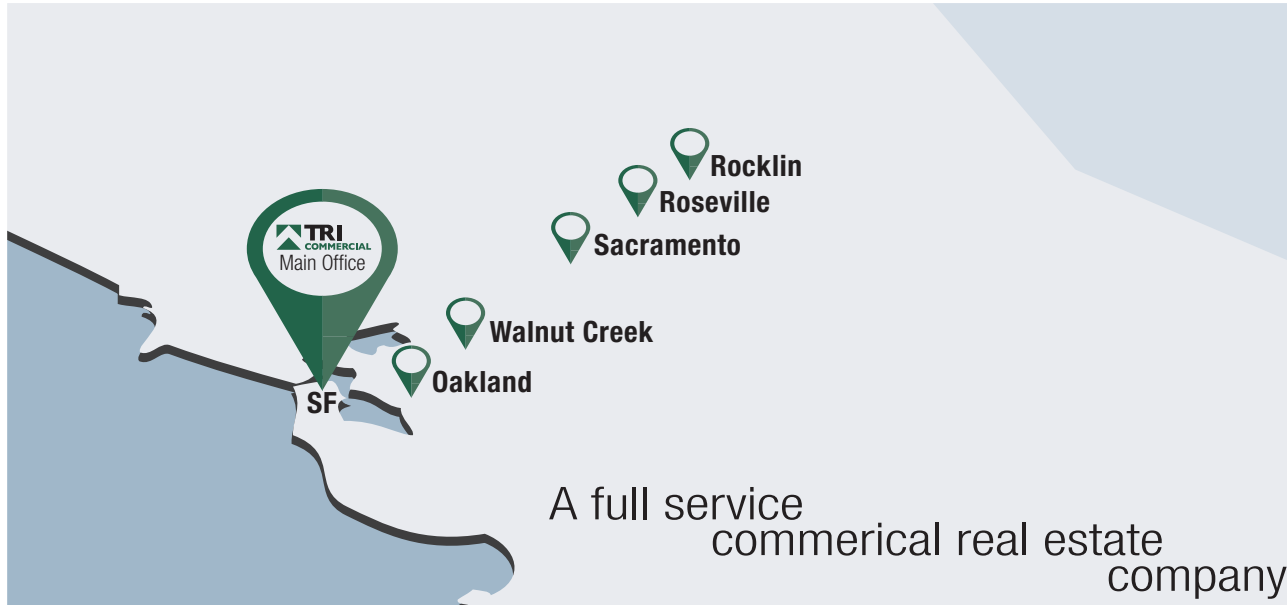


TRI COMMERCIAL | SACRAMENTO INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate Q4 2015	Occupied Square Feet	Occupancy Rate Q4 2015	Available Square Feet	Availability Rate Q4 2015	Net Absorption Q4 2015	YTD Net Absorption	Gross Absorption Q4 2015	YTD Gross Absorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Newcastle	85	2,221,167	79,659	3.59%	2,141,508	96.41%	154,359	6.95%	2,674	(9,466)	2,674	14,642	0	0	\$0.53
Davis/Woodland	185	16,029,304	1,651,114	10.30%	14,378,190	89.70%	2,041,844	12.74%	31,231	(553,157)	120,889	363,961	0	15,040	\$0.29
Downtown	86	2,651,438	90,936	3.43%	2,560,502	96.57%	122,936	4.64%	12,800	25,600	12,800	25,600	0	0	\$0.70
East Sacramento	25	593,920	37,176	6.26%	556,744	93.74%	37,176	6.26%	0	7,366	7,200	17,446	0	0	-
Elk Grove/Laguna	114	5,653,707	333,599	5.90%	5,320,108	94.10%	440,291	7.79%	28,163	238,758	36,747	447,519	49,250	0	\$0.40
Folsom/EI Dorado	104	3,120,052	112,814	3.62%	3,007,238	96.38%	246,064	7.89%	33,089	13,388	41,529	73,761	10,447	17,730	\$0.66
Marysville/Yuba City	143	5,875,535	433,024	7.37%	5,442,511	92.63%	567,210	9.65%	14,583	4,808	18,000	66,325	0	0	\$0.43
Mather	126	3,814,015	388,687	10.19%	3,425,328	89.81%	543,963	14.26%	(26,104)	179,823	8,496	270,322	0	79,993	\$0.39
McClellan	287	13,525,862	2,159,459	15.97%	11,366,403	84.03%	2,539,739	18.78%	64,464	168,327	118,204	404,361	0	52,108	\$0.38
Natomas/Northgate	203	11,784,318	1,162,090	9.86%	10,622,228	90.14%	1,340,695	11.38%	(38,029)	71,357	80,511	643,613	0	629,394	\$0.39
NE Sacramento	193	5,036,799	423,263	8.40%	4,613,536	91.60%	507,758	10.08%	(1,160)	(6,194)	71,567	235,741	0	0	\$0.31
Power Inn	565	24,363,915	1,653,761	6.79%	22,710,154	93.21%	2,552,330	10.48%	271,005	1,031,428	441,945	1,780,712	0	1,363,686	\$0.33
Richards	86	4,178,645	256,136	6.13%	3,922,509	93.87%	169,056	4.05%	20,300	92,403	29,800	153,303	0	0	\$0.33
Roseville/Rocklin	285	16,566,525	2,067,111	12.48%	14,499,414	87.52%	2,233,332	13.48%	(19,507)	304,289	73,394	605,125	0	263,005	\$0.34
South Sacramento	119	3,938,142	1,039,842	26.40%	2,898,300	73.60%	1,115,044	28.31%	0	419,275	3,333	462,166	0	1,077,600	\$0.49
Sunrise	335	9,787,079	453,960	4.64%	9,333,119	95.36%	712,863	7.28%	49,033	177,508	112,916	400,236	0	0	\$0.53
West Sacramento	316	17,712,531	2,146,814	12.12%	15,565,717	87.88%	2,579,418	14.56%	(572,671)	(244,484)	134,779	1,312,501	0	66,455	\$0.38
Industrial Market Totals	3,257	146,852,954	14,489,445	9.87%	132,363,509	90.13%	17,904,078	12.19%	(130,129)	1,921,029	1,314,784	7,277,334	59,697	3,565,011	\$0.37
10,000-29,999	2,009	33,308,981	1,814,213	5.45%	31,493,250	94.55%	2,498,262	7.50%	60,759	474,897	361,882	1,455,973	59,697	382,878	\$0.53
30,000-49,999	512	19,476,204	1,371,864	7.04%	18,105,858	92.96%	1,886,836	9.69%	134,731	262,197	297,567	969,628	0	157,973	\$0.46
50,000-99,999	446	29,727,925	2,660,386	8.95%	27,067,539	91.05%	3,270,434	11.00%	221,176	343,459	477,291	1,524,339	0	411,824	\$0.40
100,000-199,999	182	23,977,230	2,201,219	9.18%	21,776,011	90.82%	2,971,802	12.39%	(57,633)	117,008	172,599	905,089	0	881,505	\$0.34
200,000-299,999	61	14,553,583	1,596,523	10.97%	12,957,060	89.03%	1,990,993	13.68%	5,445	509,880	5,445	1,039,205	0	469,553	\$0.29
300,000 Plus	47	25,809,031	4,845,240	18.77%	20,963,791	81.23%	5,285,751	20.48%	(494,607)	213,588	0	1,383,100	0	1,261,278	\$0.30
Industrial Market Totals	3,257	146,852,954	14,489,445	9.87%	132,363,509	90.13%	17,904,078	12.19%	(130,129)	1,921,029	1,314,784	7,277,334	59,697	3,565,011	\$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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