

MARKET OVERVIEW

► **Industrial Market:** The Sacramento industrial market fared well throughout 2016 as the overall vacancy rate decreased by 179 basis points to 7.81%. At the close of the fourth quarter, net absorption was positive averaging 694,099 square feet per quarter over the course of the year.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased 39 basis points to 7.81%. The largest submarkets – Power Inn, West Sacramento and Roseville/Rocklin – had vacancy rates of 5.59%, 7.81% and 11.20%. Among the largest submarkets, some of the lowest vacancy rates were also seen in the Sunrise and Elk Grove/Laguna submarkets with rates at 3.17% and 3.90%, respectively. Alternatively, the highest vacancy rates were seen in the South Sacramento and McClellan submarkets at 25.42% and 12.53%, respectively.

► **Lease Rates:** At the end of the fourth quarter, the average asking triple net lease rate for the Sacramento industrial market was \$0.38, which is a \$0.02 increase from the second quarter of 2016. Within the two largest submarkets – Power Inn and West Sacramento – the average asking lease rates were \$0.38 and \$0.39 per square foot. Some of the highest asking lease rates were seen in the Folsom/El 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 fourth quarter was 2.91 million square feet, which is a significant increase from the previous quarter's figure of 2.54 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 fourth quarter with 504,845 square feet of positive net absorption. The West Sacramento submarket had the greatest positive net absorption of 150,673 square feet, and the Natomas/Northgate submarket had the second highest net absorption of 122,386 square feet. Alternatively, the Roseville/Rocklin submarket experienced 123,720 square feet of negative net absorption.

► **Development:** Seven industrial projects are currently under construction in the Sacramento market, which total just over 1.3 million square feet of new product expected to be delivered throughout 2017. 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 March 2017. The second largest industrial project under construction is a 220,000 square foot Class B distribution building in the McClellan submarket and expected to be delivered January 2017. Currently, there are 7.93 million square feet of proposed industrial space for the Sacramento market.

► **Fourth Quarter Review:** Overall, the Sacramento industrial market showed strong signs of improvement throughout 2016 as the overall vacancy rate continually decreased, falling below pre-recession levels. Among other positive trends, net absorption has remained positive for twelve consecutive quarters. According to the most recent Sacramento employment figures, the unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 4.9% in November of 2016. As the job market further improves, increased demand is expected for the Sacramento industrial market.

SACRAMENTO INDUSTRIAL TRENDS | FOURTH QUARTER 2016

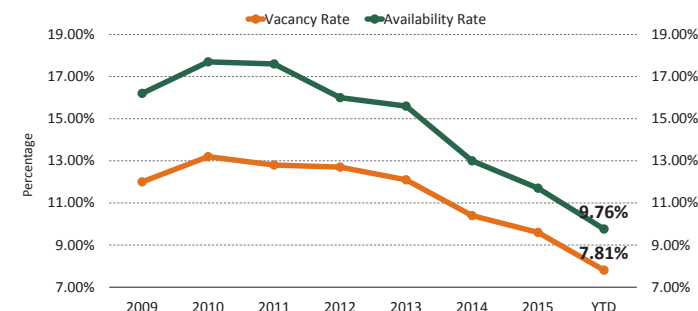
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
Q ⁴ 2016	7.81%	\$0.38	504,845	2,914,752
Q ³ 2016	8.20%	\$0.37	952,927	2,544,011

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

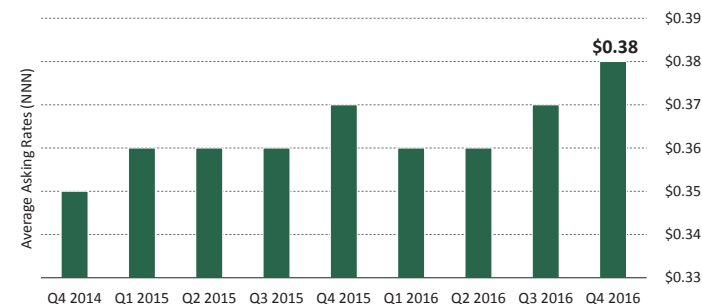
VACANCY RATE & AVAILABILITY RATE

ALL SPACE NOT CURRENTLY OCCUPIED & ALL SPACE CURRENTLY MARKETING



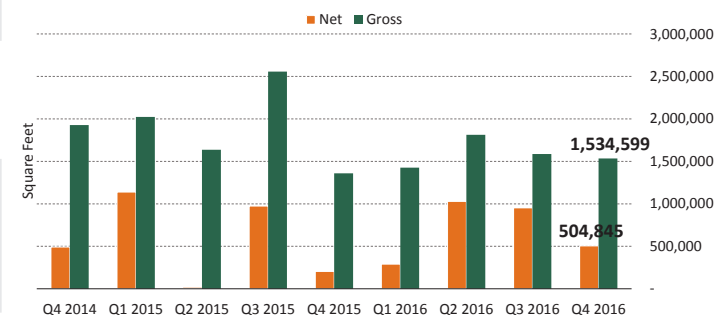
AVERAGE ASKING RATES

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 2016

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
1425 E Beamer St.	Davis/Woodland	Earthsavers Erosion Control	Beamwood Associates, LLC	April 25, 2016	108,000
3015-3071 Venture Dr.	Roseville/Rocklin	PRIDE Industries	Roseville Grove I, LLC	October 11, 2016	75,000
440 N Pioneer Rd.	Davis/Woodland	Special Distribution CA, LLC	Buzz Oates	October 11, 2016	72,000

SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES FOR 2016

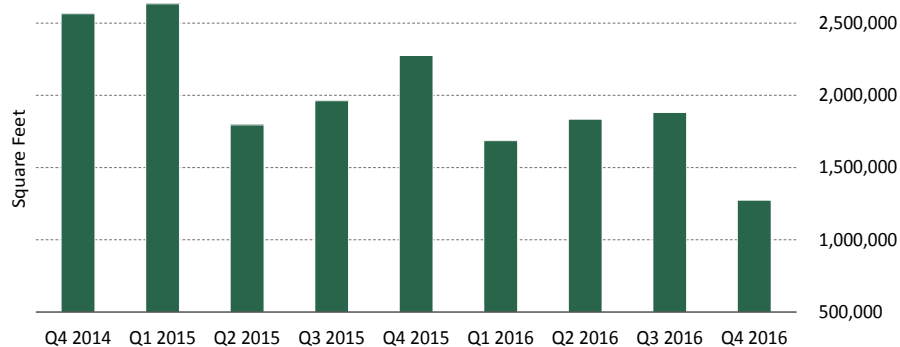
Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
8250-8292 Industrial Ave. (3 Properties)	Roseville/Rocklin	Symphony Dreams, LLC	Coastal Partners, LLC	366,506	\$18,850,000
216 N Pioneer Ave.	Davis/Woodland	Gramercy Property Trust, Inc.	USAA Real Estate Company	260,000	\$12,000,000
11380 White Rock Rd.	Sunrise	Cosair Management, LP	Majid & Maryam Rahimian Family Trust	108,441	\$11,950,000
2995 Oates St.	West Sacramento	United Natural Foods, Inc.	Achondo Properties, LP	76,835	\$7,519,000
2561 Mercantile Dr.	Sunrise	Terra Enterprises, Inc.	Drake Enterprises, Inc.	71,608	\$5,000,000

MARKET SNAPSHOT

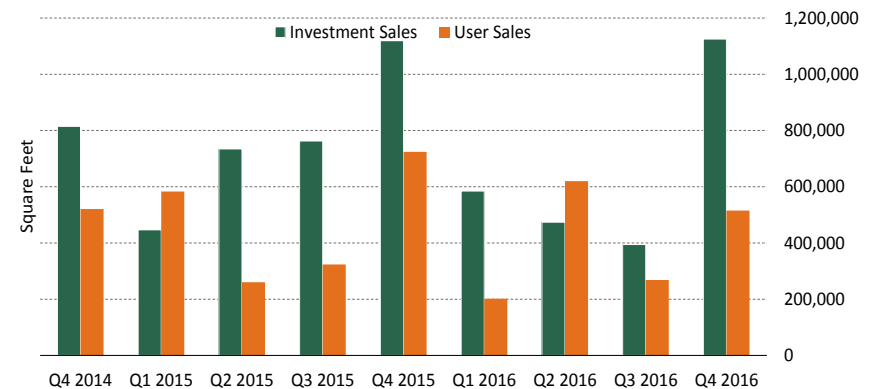
Q⁴ 2016 **Q⁴ 2015** **% Change vs. Q4 2015**

Vacancy Rate	7.81%	9.60%	-18.65%
Availability Rate	9.76%	11.70%	-16.58%
Avg. Asking Lease Rate	\$0.38	\$0.37	2.70%
Gross Absorption	1,534,599	1,359,543	12.88%
Net Absorption	504,845	204,437	(N/A)

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER



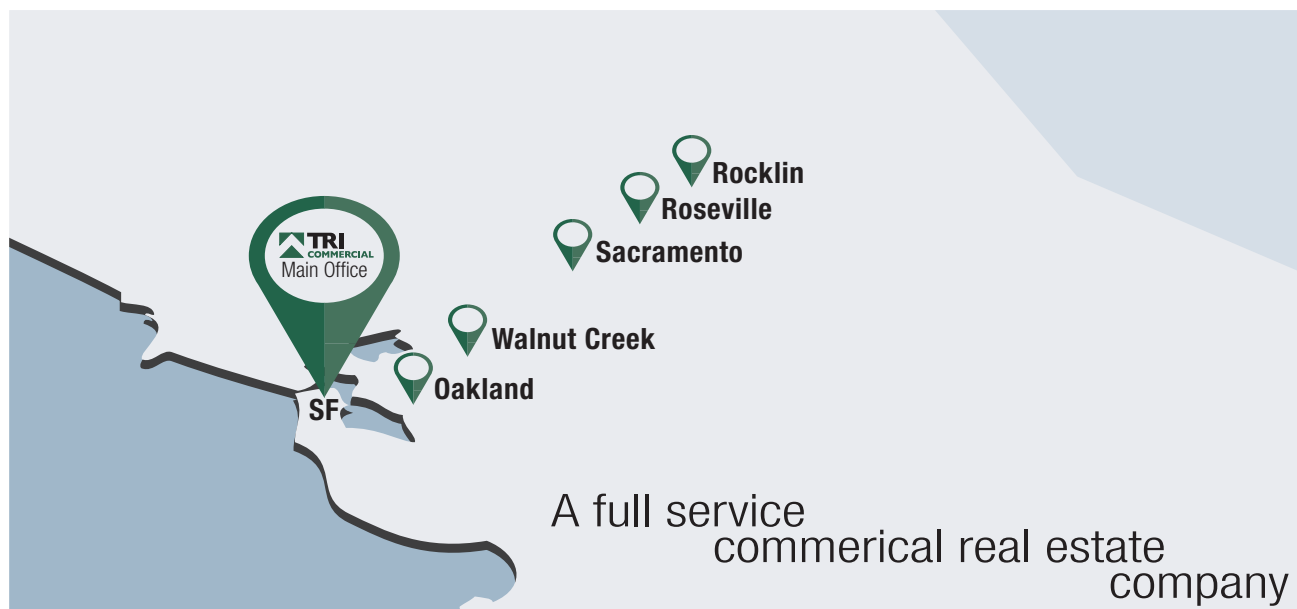
TRI COMMERCIAL | SACRAMENTO INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate Q4 2016	Occupied Square Feet	Occupancy Rate Q4 2016	Available Square Feet	Availability Rate Q4 2016	Net Absorption Q4 2016	YTD Net Absorption	Gross Absorption Q4 2016	YTD Gross Absorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Newcastle	85	2,222,057	27,477	1.24%	2,194,580	98.76%	89,132	4.01%	2,800	42,382	11,000	69,231	0	0	\$0.48
Davis/Woodland	185	16,107,019	1,635,902	10.16%	14,471,117	89.84%	1,536,942	9.54%	120,122	45,986	136,342	223,363	0	23,064	\$0.29
Downtown	85	2,620,118	180,889	6.90%	2,439,229	93.10%	180,889	6.90%	15,000	22,047	15,000	35,447	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	5,727,039	223,421	3.90%	5,503,618	96.10%	597,557	10.43%	45,225	127,428	67,820	248,941	8,500	882,265	\$0.40
Folsom/El Dorado	104	3,108,978	162,476	5.23%	2,946,502	94.77%	191,250	6.15%	(26,470)	41,285	12,177	102,550	75,000	0	\$0.67
Marysville/Yuba City	145	5,853,648	241,445	4.12%	5,612,203	95.88%	271,725	4.64%	69,512	275,362	105,612	378,362	0	0	\$0.45
Mather	125	3,827,405	282,765	7.39%	3,544,640	92.61%	295,225	7.71%	42,171	110,390	63,115	220,440	0	89,593	\$0.40
McClellan	284	13,406,635	1,679,476	12.53%	11,727,159	87.47%	1,838,872	13.72%	52,833	289,353	99,318	523,299	220,000	52,108	\$0.44
Natomas/Northgate	201	11,656,570	587,035	5.04%	11,069,535	94.96%	934,593	8.02%	122,386	445,633	249,383	777,186	855,000	3,484,320	\$0.41
NE Sacramento	193	5,023,450	255,205	5.08%	4,768,245	94.92%	328,092	6.53%	72,473	142,558	78,040	239,303	0	0	\$0.33
Power Inn	562	24,401,307	1,364,618	5.59%	23,036,689	94.41%	1,649,667	6.76%	(108)	296,343	327,356	1,421,028	62,254	1,820,838	\$0.38
Richards	85	4,172,183	232,462	5.57%	3,939,721	94.43%	278,332	6.67%	15,800	170,632	15,800	176,627	0	0	\$0.29
Roseville/Rocklin	287	16,429,503	1,839,419	11.20%	14,590,084	88.80%	1,666,790	10.15%	(123,720)	216,740	49,734	488,989	0	253,050	\$0.36
South Sacramento	119	3,958,610	1,006,247	25.42%	2,952,363	74.58%	1,030,247	26.03%	4,140	33,595	4,140	53,495	0	1,157,185	-
Sunrise	333	9,718,304	307,800	3.17%	9,410,504	96.83%	475,386	4.89%	(57,992)	89,607	18,055	386,212	0	0	\$0.48
West Sacramento	319	17,851,904	1,394,988	7.81%	16,456,916	92.19%	2,902,723	16.26%	150,673	427,056	281,707	1,015,115	0	171,480	\$0.39
Industrial Market Totals	3,252	146,667,047	11,458,801	7.81%	135,208,246	92.19%	14,315,798	9.76%	504,845	2,776,397	1,534,599	6,359,588	1,220,754	7,933,903	\$0.38

10,000-29,999	2,001	33,216,901	999,267	3.01%	32,217,634	96.99%	1,437,147	4.33%	118,996	738,596	334,367	1,690,098	8,500	377,257	\$0.58
30,000-49,999	518	19,768,776	925,478	4.68%	18,843,298	95.32%	1,233,442	6.24%	30,577	519,739	266,204	1,236,010		259,618	\$0.45
50,000-99,999	442	29,439,100	1,820,212	6.18%	27,618,888	93.82%	2,206,438	7.49%	166,286	897,102	388,964	1,661,206	137,254	288,451	\$0.42
100,000-199,999	184	24,094,556	2,022,516	8.39%	22,072,040	91.61%	2,940,494	12.20%	264,566	264,825	280,036	875,954		1,588,821	\$0.36
200,000-299,999	60	14,323,591	1,351,904	9.44%	12,971,687	90.56%	991,866	6.92%	74,787	287,819	245,790	517,522	220,000	0	\$0.30
300,000 Plus	47	25,824,123	4,339,424	16.80%	21,484,699	83.20%	5,506,411	21.32%	(150,367)	68,316	19,238	378,798	855,000	5,419,756	\$0.30
Industrial Market Totals	3,252	146,667,047	11,458,801	7.81%	135,208,246	92.19%	14,315,798	9.76%	504,845	2,776,397	1,534,599	6,359,588	1,220,754	7,933,903	\$0.38

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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