

MARKET OVERVIEW

► **Office Market:** The Sacramento office market has continued to improve as the vacancy rate has further decreased and is amongst the lowest figures seen since 2007. At the close of the fourth quarter, net absorption reached just over 684,478 square feet, which is the strongest figure seen all year. In brief, vacancy rates are expected to further decrease in coming quarters and increases in lease rates are expected to follow throughout 2016.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased by 74 basis points to 12.96%, which is the lowest vacancy rate seen since 2007. The largest submarkets – Downtown and the Highway 50 Corridor – had vacancy rates of 10.46% and 12.85%. Among the largest submarkets, the lowest vacancy rates were also seen in West Sacramento and Midtown with rates at 5.71% and 6.03%. The highest vacancy rates, however, were seen in the Point West, Howe Ave./Fulton Ave. and Rio Linda/N Highlands submarkets at 18.94%, 26.69%, and 34.33%.

► **Lease Rates:** At the end of the fourth quarter, the average asking full service lease rate for the Sacramento office market was \$1.77 per square foot, which is a \$0.01 decrease from the previous quarter. Some of the highest lease rates were seen in the Downtown and East Sacramento submarkets at \$2.32 and \$2.31 per square foot. Alternatively, the lowest lease rates were seen in the Citrus Heights/Orangevale and Rio Linda/N Highlands submarkets with rates at \$1.15 and \$1.12 per square foot.

► **Sale & Lease Transactions:** Transaction activity at the close of the fourth quarter was just over 1.79 million square feet, which is a slight decrease from the previous quarter's figure of 1.92 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.

► **Absorption:** The office market ended the fourth quarter with positive absorption of 684,478 square feet. The Folsom submarket had the greatest negative absorption of 49,465 square feet. Alternatively, the Highway 50 Corridor submarket had the highest positive net absorption at 384,666 square feet while the East Sacramento submarket had the second highest positive net absorption at 91,527 square feet.

► **Development:** New developments in the Sacramento office market are gaining momentum with a total of 347,449 square feet currently in progress. The largest project currently under construction is a 129,398 square foot office building in the Roseville/Rocklin submarket, which is expected to be delivered January of 2016. During the fourth quarter, there were no new deliveries to the market. Nonetheless, there are still 4.39 million square feet of proposed office space for Sacramento; 1 million square feet of that space is proposed for the Highway 50 Corridor and 1.2 million square feet of that space is proposed for the Roseville/Rocklin submarket.

► **Fourth Quarter Review:** Overall, vacancy rates continued to trend downward at the close of the fourth quarter and net absorption was the highest seen all year, which bodes well for the office market as we enter the New Year. According to the most recent Sacramento employment figures, the unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 5.5% in November of 2015. Thus, it is expected that the improving job market will further increase demand for office space.

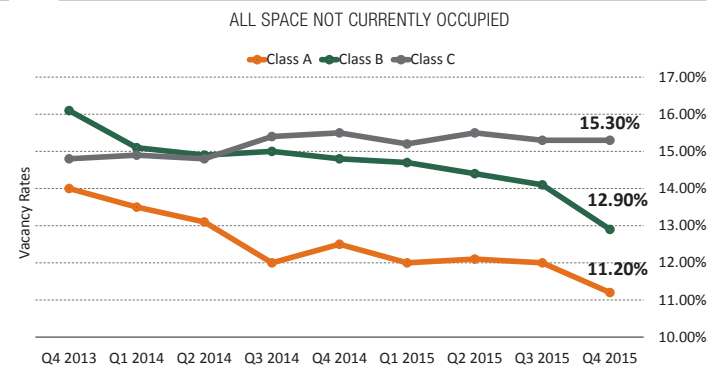
SACRAMENTO OFFICE TRENDS | FOURTH QUARTER 2015

ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

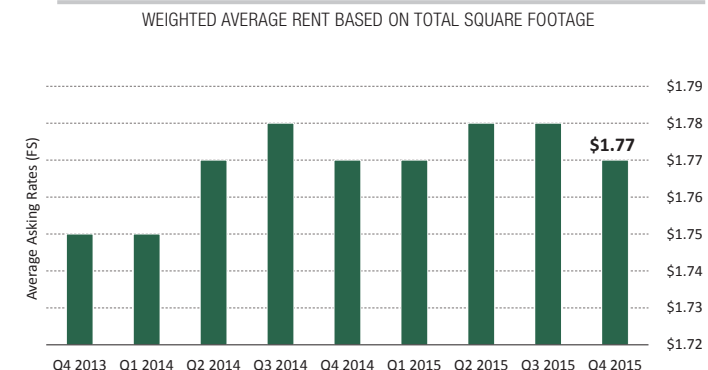
MARKET INDICATORS	Vacancy	Lease Rates (FS)	Net Absorption	Transaction Activity
	Q ⁴ 2015	12.96%	\$1.77	684,478
Q ³ 2015	13.70%	\$1.78	182,980	1,922,965

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

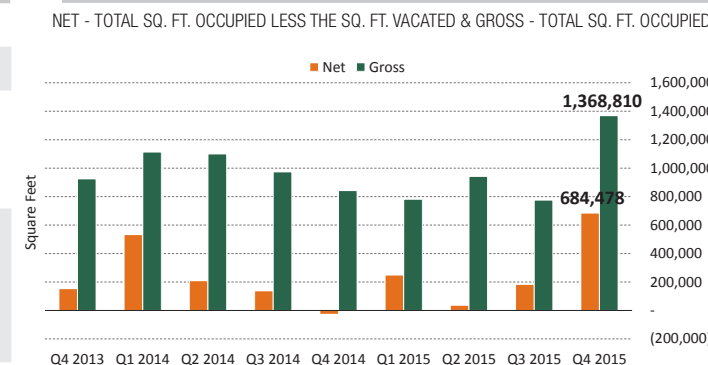
VACANCY RATES BY CLASS



AVERAGE ASKING RATES



NET & GROSS ABSORPTION



NOTEWORTHY TRANSACTIONS

MARKET SNAPSHOT

LEASE TRANSACTIONS | NOTABLE OFFICE LEASES SIGNED

Q⁴ 2015 Q⁴ 2014 % Change vs. Q4 2014

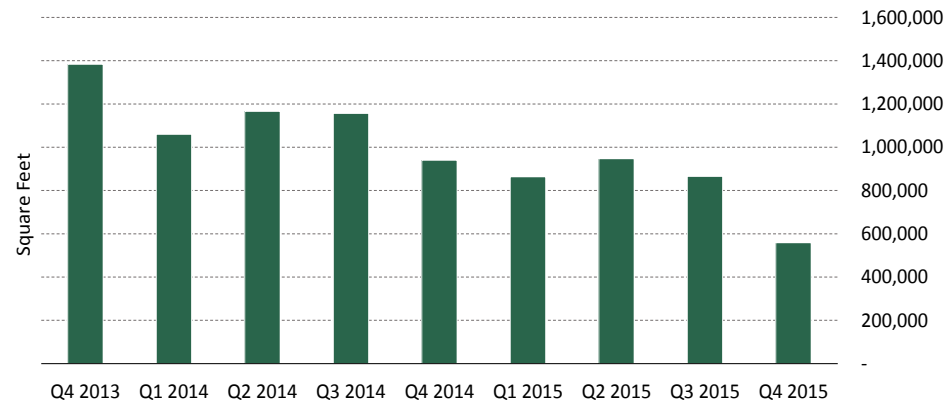
Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
35 Iron Point Circle	Folsom	Toshiba	Anthony L & Ruth Machado	December 8, 2015	20,754
950 Glenn Drive	Folsom	Undisclosed	CSS Properties II LLC	October 8, 2015	16,356
2590 Venture Oaks Way	Natomas/ Northgate	State of California	Ses Investment Properties, LLC	October 22, 2015	15,578
1601 Response Rd.	Point West	Undisclosed	Hines	December 4, 2015	14,334
3775 N Freeway Blvd.	Natomas/ Northgate	Undisclosed	River City Petroleum, Inc.	December 15, 2015	13,894

Vacancy Rate	12.96%	14.30%	-9.37%
Availability Rate	16.55%	16.80%	-1.49%
Avg. Asking Lease Rate	\$1.77	\$1.77	0.00%
Gross Absorption	1,368,810	842,373	62.49%
Net Absorption	684,478	(27,336)	(N/A)

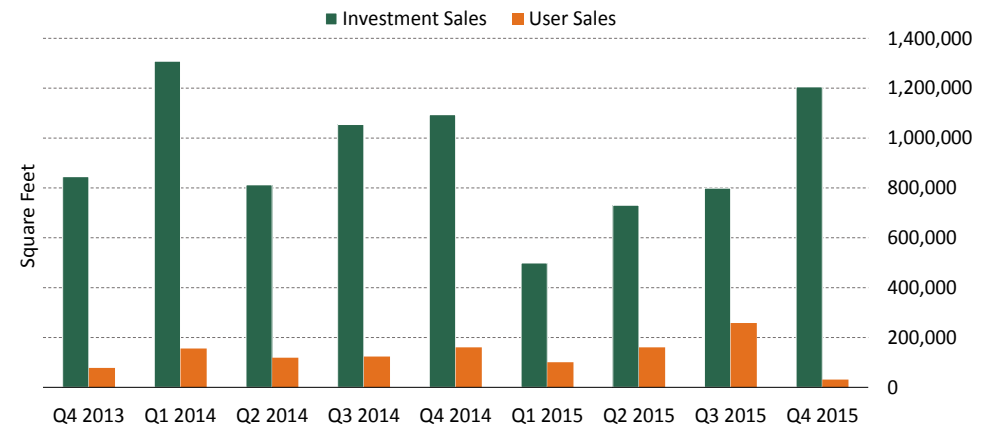
SALE TRANSACTIONS | NOTABLE OFFICE SALES

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
1801 30th Street (3 Properties)	Midtown	Pappas Investments	Americus Real Estate Investments, Inc.	160,900	\$72,581,000
1620 E. Roseville Pky (4 Properties)	Roseville/ Rocklin	Broe Real Estate Group	NNN Parkway Corporate Plaza	287,224	\$42,550,000
2365 Iron Point Rd.	Folsom	SFI 2365 Iron Point, LLC	Folsom Corporate Center Investors, LLC	148,534	\$28,100,000
1601 Exposition Blvd.	Point West	Exposition Blvd, LLC	LSREF3 Spartan REO, LLC	132,418	\$24,025,000
8150 Industrial Ave. (4 Properties)	Roseville/ Rocklin	Bridgeway Christian Church	Roseville Telephone, Co.	207,782	\$11,298,277

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER

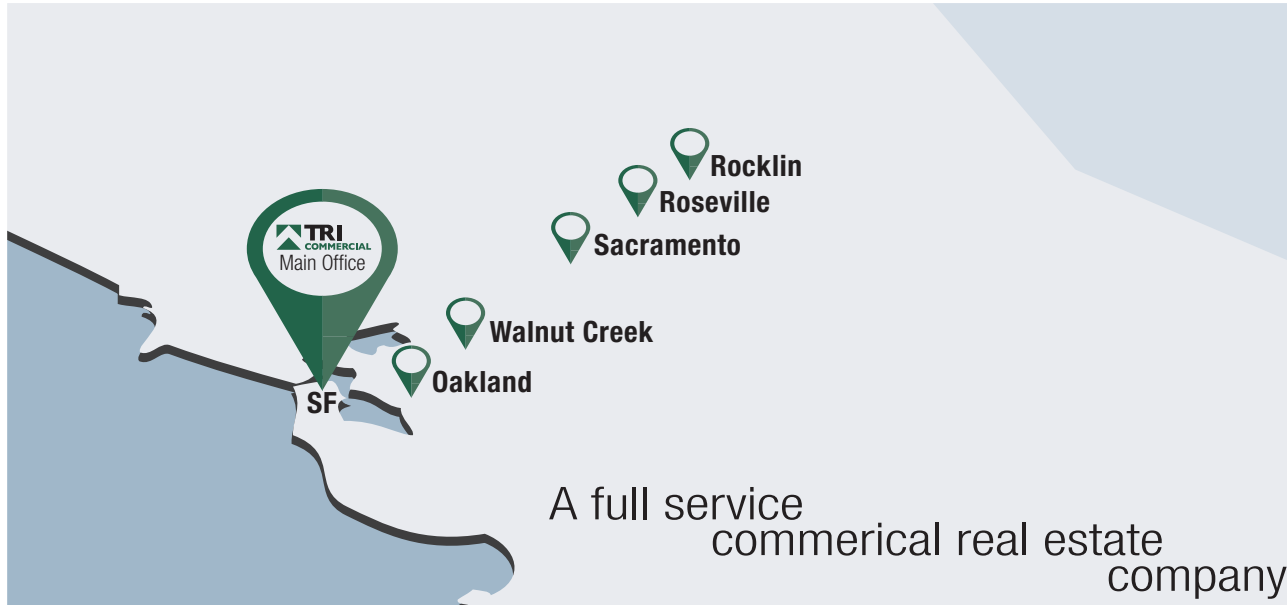


TRI COMMERCIAL | SACRAMENTO OFFICE SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate 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/Lincoln	63	1,312,587	125,274	9.54%	1,187,313	90.46%	141,745	10.80%	10,640	9,051	11,540	41,617	0	95,253	\$1.28
Campus Commons	42	1,256,560	206,129	16.40%	1,050,431	83.60%	215,215	17.13%	22,148	12,200	32,384	79,224	0	72,000	\$1.90
Carmichael/Fair Oaks	47	993,204	93,421	9.41%	899,783	90.59%	204,952	20.64%	(5,997)	(11,920)	1,765	25,232	0	0	\$1.28
Citrus Heights/Orangevale	51	1,397,525	170,743	12.22%	1,226,782	87.78%	206,468	14.77%	2,877	14,996	13,110	38,967	35,000	0	\$1.15
Davis/Woodland	80	2,002,390	182,347	9.11%	1,820,043	90.89%	228,715	11.42%	5,036	23,824	10,945	60,665	30,800	242,694	\$1.89
Downtown	216	18,842,956	2,053,239	10.46%	16,789,717	89.10%	2,208,021	11.72%	64,555	65,226	186,783	604,213	0	366,900	\$2.32
East Sacramento	33	2,071,070	118,088	5.70%	1,952,982	94.30%	122,753	5.93%	91,527	115,028	91,527	120,881	0	0	\$2.31
El Dorado	73	1,675,227	297,826	17.78%	1,377,401	82.22%	558,712	33.35%	21,613	25,880	26,100	87,206	0	434,625	\$1.61
Elk Grove	52	1,652,454	133,249	8.06%	1,519,205	91.94%	181,956	11.01%	7,592	29,829	10,416	71,206	110,372	277,023	\$2.30
Folsom	98	4,519,902	666,829	14.75%	3,853,073	85.25%	768,775	17.01%	(49,465)	(77,723)	49,940	306,117	0	115,570	\$1.86
Highway 50 Corridor	299	17,324,699	2,226,263	12.85%	15,098,436	87.15%	3,143,793	18.15%	384,666	363,367	455,130	721,851	0	1,052,550	\$1.59
Howe Ave./Fulton Ave.	78	2,455,431	655,249	26.69%	1,800,182	73.31%	749,009	30.50%	19,747	(861)	42,367	102,378	0	0	\$1.62
Midtown	99	3,655,233	220,431	6.03%	3,434,802	93.97%	365,736	10.01%	19,328	10,250	30,489	75,369	0	73,280	\$1.98
Natomas/Northgate	112	6,504,709	1,100,523	16.92%	5,404,186	83.08%	1,315,319	20.22%	44,437	254,517	135,280	454,986	6,000	157,525	\$1.66
Point West	50	2,713,313	513,837	18.94%	2,199,476	81.06%	530,636	19.56%	26,797	51,582	50,223	142,780	0	88,770	\$1.65
Rio Linda/N Highlands	29	1,010,004	346,738	34.33%	663,266	65.67%	418,275	41.41%	1,240	4,707	2,160	12,145	0	0	\$1.12
Roseville/Rocklin	263	10,409,487	1,480,621	14.22%	8,928,866	85.78%	2,134,662	20.51%	(7,433)	160,485	152,808	699,668	165,277	1,208,650	\$1.82
South Sacramento	98	3,084,122	334,850	10.86%	2,749,272	89.14%	518,286	16.80%	6,467	27,573	15,117	56,396	0	25,521	\$1.45
Sutter County	28	554,564	44,465	8.02%	510,099	91.98%	36,510	6.58%	5,645	3,502	5,645	9,783	0	25,000	-
Watt Ave.	49	2,368,149	304,324	12.85%	2,063,825	87.15%	309,800	13.08%	17,427	19,740	28,088	54,399	0	45,858	\$1.43
West Sacramento	37	2,045,029	116,863	5.71%	1,928,166	94.29%	205,477	10.05%	(4,369)	34,381	16,993	73,951	0	110,000	\$1.85
Yuba County	8	535,161	62,642	11.71%	472,519	88.29%	62,642	11.71%	0	17,211	0	29,000	0	0	-
Office Market Totals	1,905	88,383,776	11,453,951	12.96%	76,929,825	87.04%	14,627,457	16.55%	684,478	1,152,845	1,368,810	3,868,034	347,449	4,391,219	\$1.77
Class A	192	26,555,867	2,961,216	11.15%	23,594,651	88.85%	3,665,637	13.80%	219,893	355,610	407,867	1,318,571	30,800	2,234,472	\$2.13
Class B	946	41,381,606	5,355,688	12.94%	36,025,918	87.06%	7,084,840	17.12%	468,329	771,613	781,970	1,934,028	316,649	2,156,747	\$1.68
Class C	767	20,446,303	3,137,047	15.34%	17,309,256	84.66%	3,876,980	18.96%	(3,744)	25,622	178,973	615,435	0	0	\$1.39
Office Market Totals	1,905	88,383,776	11,453,951	12.96%	76,929,825	87.04%	14,627,457	16.55%	684,478	1,152,845	1,368,810	3,868,034	347,449	4,391,219	\$1.77

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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