TRI COMMERCIAL REAL ESTATE SERVICES

SACRAMENTO RETAIL

Q4 2015 | OSBORNE GROUP

MARKET OVERVIEW

▶Retail Market: The Sacramento retail market fared well at the close of the fourth quarter as vacancy rates have further decreased and net absorption has stayed positive for fourteen consecutive quarters, averaging 385,000 square feet per quarter. Among other positive trends to note, net absorption increased an average of 350,000 square feet in comparison to the previous quarter.

▶Vacancy Rates: In comparison to the previous quarter, the vacancy rate decreased 41 basis points to 7.99%, which is still amongst the lowest vacancy rates seen since 2008. The largest retail submarkets – Roseville/Rocklin, South Sacramento, and Arden/Watt/Howe – had vacancy rates of 7.49%, 8.36%, and 7.58%. Lowest vacancy rates were also seen in Downtown/Midtown/E Sac, Elk Grove and Folsom with rates at 3.96%, 4.96% and 7.64%. The highest vacancy rates, however, were seen in the Yuba County, Highway 50 Corridor, and Rio Linda/N Highlands submarkets at 25.97%, 14.23%, and 11.04%.

▶Lease Rates: At the end of the fourth quarter, the average asking triple net lease rate for the Sacramento retail market was $1.35, which is a one cent increase from the previous quarter. Within the two largest submarkets – Roseville/Rocklin and South Sacramento – the average asking lease rates were $1.35 and $1.33 per square foot. Some of the highest average asking lease rates, however, were seen in the Lincoln and Folsom submarkets at $2.14 and $1.73 per square foot.

▶Sale & Lease Transactions: Transaction activity at the close of the fourth quarter was 1.29 million square feet, which is a decrease from the previous quarter's figure of 2.33 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 on this quarter's noteworthy transactions.

▶Absorption: The retail market ended the fourth quarter with 653,068 square feet of positive net absorption. The South Sacramento submarket recorded the highest net absorption with a total of 253,168 square feet, and the Orangevale/Citrus Heights submarket recorded the second highest net absorption of 60,652 square feet.

▶Development: The Sacramento retail market delivered 239,436 square feet of new retail space during the fourth quarter. The largest of those projects was a 132,000 square foot retail freestanding building in the South Sacramento submarket. There are currently 562,453 square feet of retail space under construction with the new arena accounting for 279,860 square feet of that new space. Currently, there are 11.22 million square feet of proposed retail space for the Sacramento region with just over 4 million square feet of that space allocated to the South Sacramento and Elk Grove submarkets.

▶Fourth Quarter Review: Overall, vacancy rates have continued to trend downward and net absorption has remained positive. According to the most recent Sacramento employment figures, the unemployment rate remained at 5.5% in November of 2015. As the job market further improves, the commercial retail market is expected to continue as one of the strongest for the Sacramento Region.

SACRAMENTO RETAIL TRENDS | FOURTH QUARTER 2015

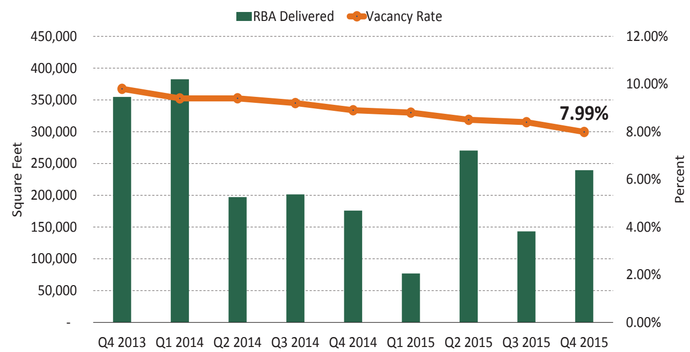
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
Q4 2015	7.99%	$1.35	653,068	1,291,192
Q3 2015	8.40%	$1.34	296,701	2,337,695

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

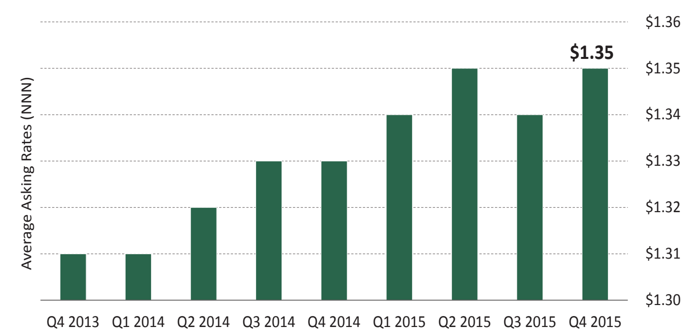
NEW DELIVERIES VS. VACANCY RATE

SQUARE FEET DELIVERED PER QUARTER VS. VACANCY RATE



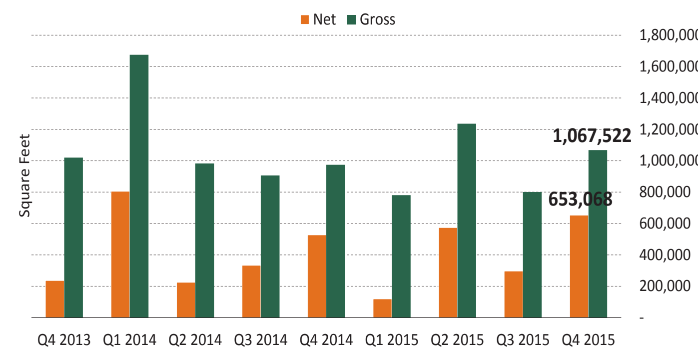
AVERAGE ASKING RATES

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

Property Address	Submarket	Tenant	Landlord	Date Lease Signed	Square Feet Leased
2310-2450 Watt Ave.	Arden/ Watt/ Howe	Cinema West Theaters	EDM Realty Corp.	October 15, 2015	50,000
2326 Florin Rd.	South Sacramento	Fitness Evolution	Ethan Conrad Properties	October 13, 2015	39,917
238 Vernon St.	Roseville/ Rocklin	Ninja Sushi & Teriyaki	238 Vernon Street, LLC	October 5, 2015	16,000
9200 Fairway Drive	Roseville/ Rocklin	Bassett Furniture	Ronald & June Lee Trust	December 1, 2015	15,000
6737 Watt Ave.	Rio Linda/ N Highlands	Napa Auto Parts	Watt Elkhorn Partners, LLC	December 28, 2015	12,313

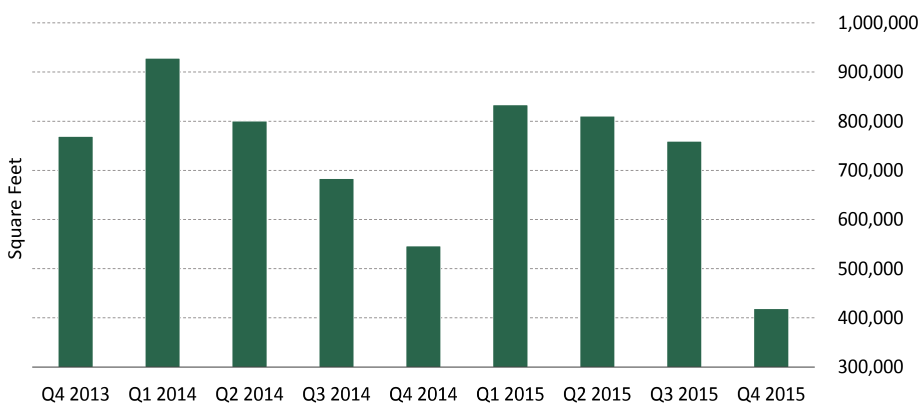
SALE TRANSACTIONS I NOTABLE RETAIL SALES

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
8839-8893 Greenback Ln (Neighborhood Center)	Orangevale/Citrus Heights	PWRP-Orangevale, LP	PK I Cable Park, LP	129,097	$18,500,000
1485 Eureka Rd. (4 Properties) (Strip Center)	Roseville/ Rocklin	JMK Investments, Inc.	Stone Point Properties, LLC	38,983	$18,275,000
9522 Greenback Ln (5 Properties) (Neighborhood Center)	Orangevale/Citrus Heights	Ethan Conrad Properties	Garaventa Enterprises	114,220	$11,220,000
1900 Del Paso Rd. (Neighborhood Center)	Natomas	Store Master Funding VII, LLC	Fernley Villa Financial Invesment	42,000	$6,500,000
9657-9689 Folsom Blvd. (2 Properties) (Strip Center)	Highway 50 Corridor	Svk Capital, LLC	D & S Dev, Inc.	29,473	$6,400,000

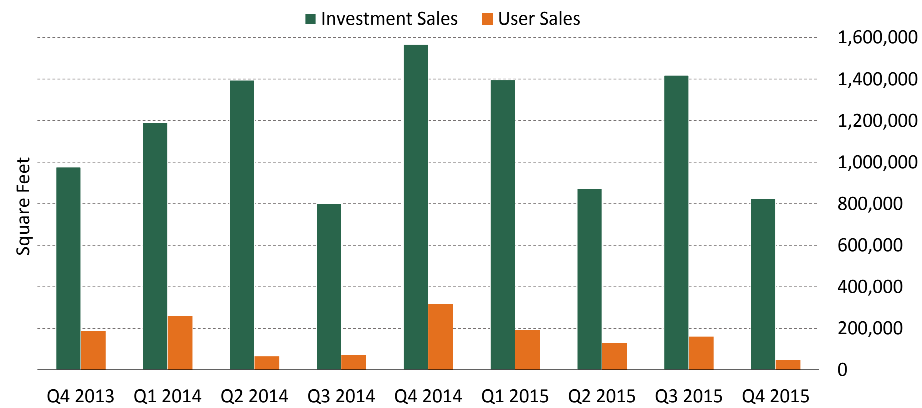
MARKET SNAPSHOT

	Q4 2015	Q4 2014	% Change vs. Q4 2014
Vacancy Rate	7.99%	8.90%	-10.22%
Availability Rate	9.45%	9.90%	-4.55%
Avg. Asking Lease Rate	$1.35	$1.33	1.50%
Gross Absorption	1,067,552	974,117	9.59%
Net Absorption	653,068	527,516	(N/A)

LEASE TRANSACTIONS I AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS I AMOUNT OF SQUARE FEET SOLD PER QUARTER



TRI COMMERCIAL I SACRAMENTO RETAIL 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 Abosorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Arden/Watt/Howe	957	11,039,893	837,274	7.58%	10,202,619	92.42%	1,046,412	9.48%	19,090	19,884	51,189	272,733	15,000	235,457	$1.34
Auburn/Loomis	366	3,488,440	182,422	5.23%	3,306,018	94.77%	203,042	5.82%	41,814	192,704	54,580	252,783	41,000	468,074	$1.35
Carmichael	292	2,860,272	277,962	9.72%	2,582,310	90.28%	342,860	11.99%	11,152	(7,457)	32,879	95,671	0	32,270	$1.20
Davis	193	2,191,449	84,309	3.85%	2,107,140	96.15%	93,941	4.29%	17,343	(4,828)	17,543	40,827	0	6,450	$1.69
Downtown/Midtown/E Sac	843	6,047,422	239,326	3.96%	5,808,096	96.04%	378,971	6.27%	9,215	46,298	33,469	147,970	291,792	1,970,782	$1.63
El Dorado	349	4,051,017	267,137	6.59%	3,783,880	93.41%	315,270	7.78%	10,442	(6,696)	23,452	62,031	0	362,927	$1.54
Elk Grove	351	5,704,010	282,823	4.96%	5,421,187	95.04%	326,139	5.72%	13,663	112,321	53,589	200,702	45,748	1,985,884	$1.52
Folsom	295	5,603,492	427,998	7.64%	5,175,494	92.36%	429,110	7.66%	36,715	45,965	74,982	157,771	12,001	261,239	$1.73
Highway 50 Corridor	359	5,255,566	748,056	14.23%	4,507,510	85.77%	902,299	17.17%	7,003	36,075	30,938	203,685	1,687	847,436	$1.04
Lincoln	168	1,623,015	108,027	6.66%	1,514,988	93.34%	142,267	8.77%	18,215	47,122	22,065	59,780	0	186,268	$2.14
Natomas	263	3,847,835	289,772	7.53%	3,558,063	92.47%	375,801	9.77%	4,687	(227)	14,304	67,147	0	313,839	$1.70
Orangevale/Citrus Heights	560	8,001,623	756,039	9.45%	7,245,584	90.55%	926,073	11.57%	60,652	160,811	75,557	268,042	40,263	232,953	$1.35
Outer El Dorado County	309	2,614,073	142,382	5.45%	2,471,691	94.55%	188,602	7.21%	17,669	5,972	30,620	66,952	19,500	26,756	$1.59
Outer Placer County	177	1,359,604	51,600	3.80%	1,308,004	96.20%	71,157	5.23%	14,617	8,451	19,117	34,728	0	0	$1.06
Outer Sacramento County	142	1,195,534	48,160	4.03%	1,147,374	95.97%	54,160	4.53%	(2,943)	12,273	5,289	20,505	0	152,700	$1.48
Outer Sutter County	334	4,334,073	364,706	8.41%	3,969,367	91.59%	431,457	9.96%	32,088	(51,909)	40,275	128,092	0	300,095	$2.14
Outer Yolo County	55	342,392	2,920	0.85%	339,472	99.15%	6,920	2.02%	0	9,643	0	9,643	0	46,920	$1.65
Rio Linda/N Highlands	435	5,270,623	581,845	11.04%	4,688,778	88.96%	592,121	11.23%	6,829	202,169	41,334	308,299	0	276,790	$1.03
Roseville/Rocklin	890	14,696,341	1,100,182	7.49%	13,596,159	92.51%	1,217,334	8.28%	41,825	216,915	95,406	575,304	44,195	862,138	$1.35
South Sacramento	1,130	12,478,434	1,042,735	8.36%	11,435,699	91.64%	1,289,816	10.34%	253,168	447,925	291,492	614,720	21,267	2,040,822	$1.33
West Sacramento	182	2,397,462	84,181	3.51%	2,313,281	96.49%	116,166	4.85%	(3,359)	14,947	2,300	31,879	0	24,500	$1.12
Woodland	266	3,540,630	273,530	7.73%	3,267,100	92.27%	347,417	9.81%	30,032	67,859	35,632	136,661	30,000	166,343	$1.07
Yuba County	235	2,375,114	616,918	25.97%	1,758,196	74.03%	626,358	26.37%	13,151	66,465	21,540	128,610	0	425,878	$1.16
Retail Market Totals	**9,151**	**110,318,314**	**8,810,304**	**7.99%**	**101,508,010**	**92.01%**	**10,423,693**	**9.45%**	**653,068**	**1,642,682**	**1,067,552**	**3,884,535**	**562,453**	**11,226,521**	**$1.35**

Average asking rates represented are triple net.

TRI COMMERCIAL
REAL ESTATE SERVICES

SACRAMENTO RETAIL

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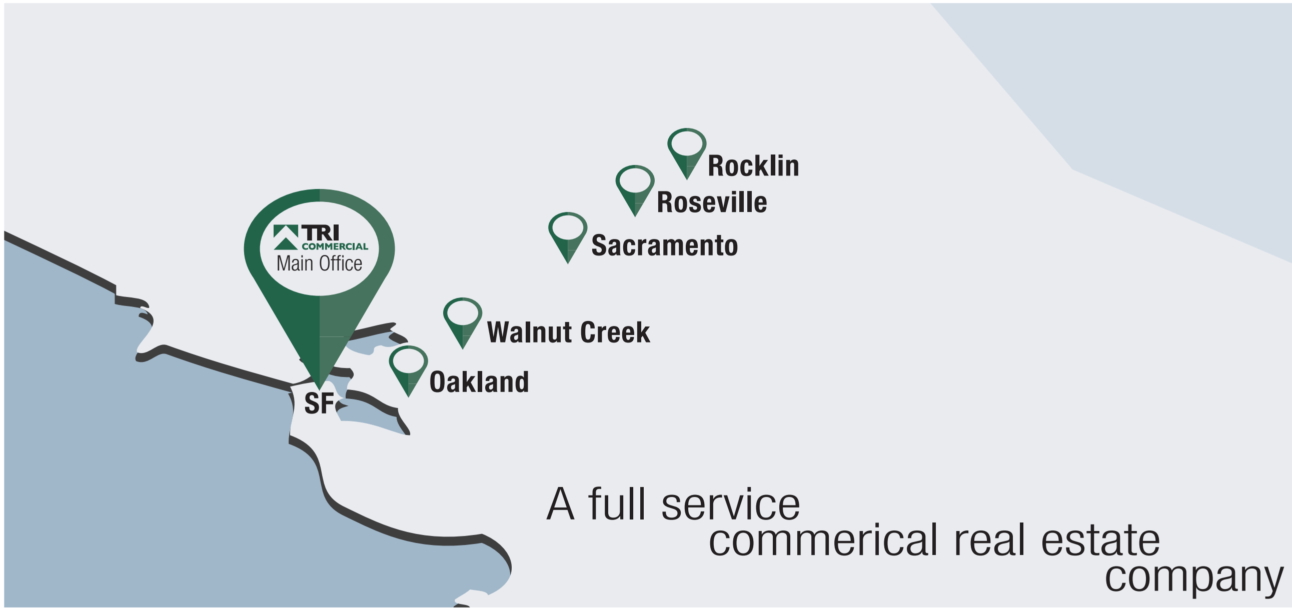
NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:



MAP IS NOT TO SCALE

ABOUT TRI COMMERCIAL

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