

## MARKET OVERVIEW

► **Retail Market:** The Sacramento retail market fared well at the close of the fourth quarter as vacancy rates have continued to trend downward and transaction activity has risen nearly 40% in comparison to one year ago. Among other positive trends to note, the average asking lease rate rose an impressive \$0.03 in comparison to the previous quarter, ending the year strong.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased 15 basis points to 7.75%, 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 6.53%, 8.16%, and 10.13%. Some of the lowest vacancy rates were seen in Downtown/Midtown/E Sac, West Sacramento, and Davis with rates at 4.26%, 3.67% and 2.98%, respectively. The highest vacancy rates, however, were seen in the Yuba County and Highway 50 Corridor submarkets at 22.93% and 14.18%.

► **Lease Rates:** At the close of the fourth quarter, the average asking triple net lease rate for the Sacramento retail market was \$1.39 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 \$1.45 and \$1.28 per square foot. Some of the highest average asking lease rates, however, were seen in the Lincoln and Folsom submarkets at \$2.14 and \$1.77 per square foot, respectively.

► **Sale & Lease Transactions:** Transaction activity at the close of the fourth quarter was 2 million square feet, which is higher than the previous quarter's figure of 1.82 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 fourth quarter with 252,143 square feet of positive net absorption. The Elk Grove submarket recorded the highest net absorption with a total of 70,117 square feet, and the Downtown/Midtown/E Sac submarket recorded the second highest net absorption of 59,782 square feet. Alternatively, the Highway 50 Corridor submarket recorded a negative net absorption of 85,724 square feet at the close of the fourth quarter.

► **Development:** The Sacramento retail market delivered 475,113 square feet of new retail space throughout 2016. Among the largest of those projects was a 56,039 square foot retail building in the Arden/Watt/Howe submarket, which was delivered December 2016. There are currently 823,681 million square feet of retail space under construction. The largest project under construction is a Lifestyle Center in the Downtown/Midtown/E Sac submarket totaling 279,860 square feet and is expected to be delivered in June 2017. Currently, there are 10.99 million square feet of proposed retail space for the Sacramento Region.

► **Fourth Quarter Review:** Overall, the vacancy rate decreased by 25 basis points in comparison to one year ago while the average asking lease rate rose significantly to \$1.39 per square foot at the close of 2016. 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.

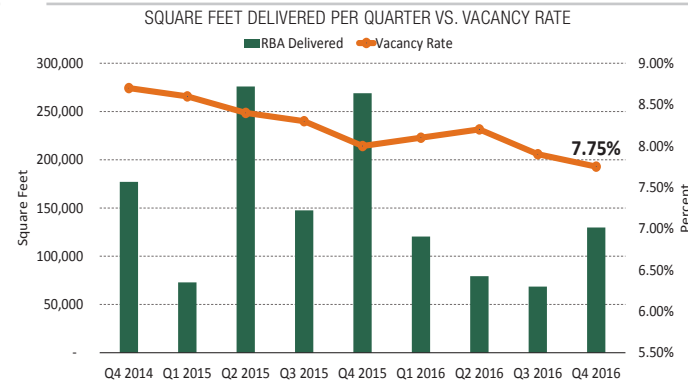
## SACRAMENTO RETAIL TRENDS | FOURTH QUARTER 2016

ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

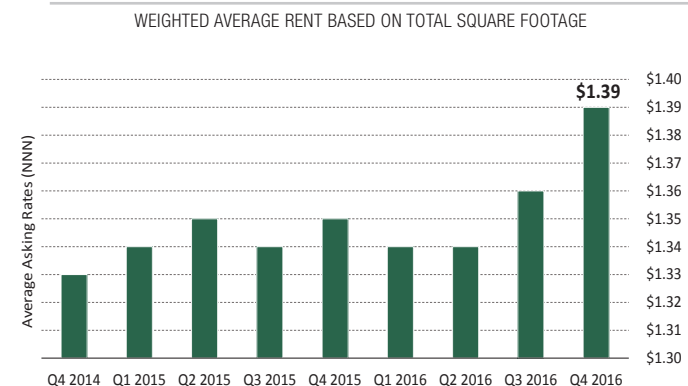
MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
Q <sup>4</sup> 2016	7.75%	\$1.39	252,143	2,011,239
Q <sup>3</sup> 2016	7.90%	\$1.36	403,560	1,820,599

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

## NEW DELIVERIES VS. VACANCY RATE

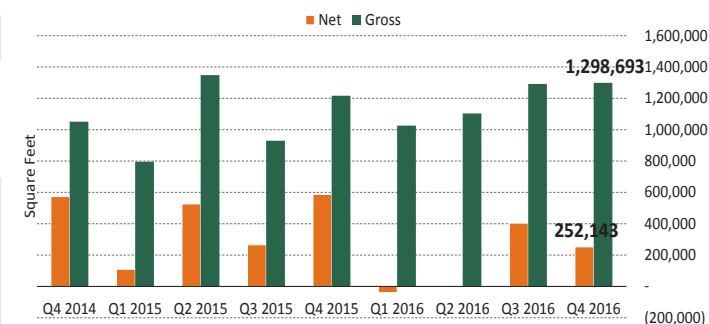


## AVERAGE ASKING RATES



## NET & GROSS ABSORPTION

NET - TOTAL SQ. FT. OCCUPIED LESS THE SQ. FT. VACATED & GROSS - TOTAL SQ. FT. OCCUPIED



# NOTEWORTHY TRANSACTIONS

## LEASE TRANSACTIONS | NOTABLE RETAIL LEASES SIGNED FOR 2016

Property Address	Submarket	Tenant	Landlord	Date Lease Signed	Sq. Ft. Leased
384 N Sunrise Ave. (Power Center)	Roseville/Rocklin	Rockin Jump	Roseville Centre Point, LLC	September 8, 2016	64,085
4551-4701 Mack Road (Neighborhood Center)	South Sacramento	Food 4 Less	Weingarten Realty Investors	November 15, 2016	54,000
6241-6253 Sunrise Blvd. (Neighborhood Center)	Orangevale/Citrus Heights	National Career Education	R2v2 Holdings, LLC	October 1, 2016	50,000
6726-6748 Stanford Ranch Rd. (Power Center)	Roseville/Rocklin	Undisclosed	Kimco Realty	December 13, 2016	43,373
5400 Date Ave. (Community Center)	Rio Linda/N Highlands	MojoDojo	Ethan Conrad	April 1, 2016	42,730

## SALE TRANSACTIONS | NOTABLE RETAIL SALES FOR 2016

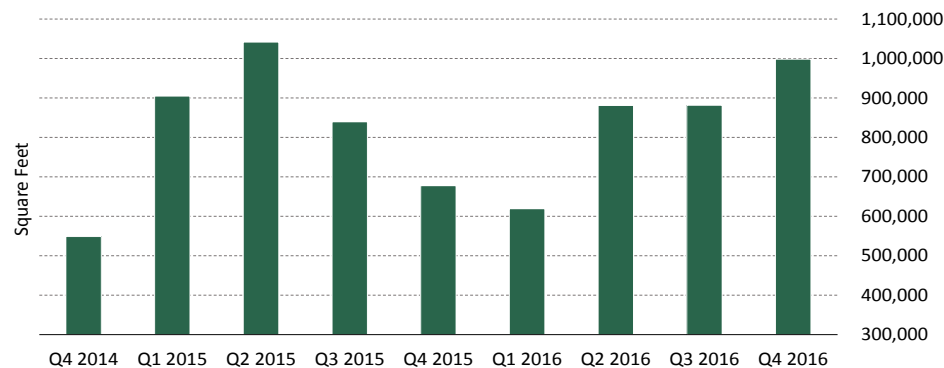
Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
4420-4518 Florin Rd. (7 Properties)	South Sacramento	New Mark Merrill Co.	Wrightwood Financial	334,119	\$42,100,000
1850 Douglas Blvd. (5 Properties)	Roseville/Rocklin	TJM Plaza GRF2, LLC	TJM Shopping Center 05 A, L.P.	126,498	\$38,595,000
4080-4090 Douglas Blvd (6 Properties)	Roseville/Rocklin	Vestar Sierra Oaks, LLC	Sierra Oaks Madison Limited Partnership	105,936	\$28,100,000
7901-7981 Walerga Rd. (5 Properties)	Rio Linda/N Highlands	Antelope Marketplace Station, LLC	Antelope Garp, LLC	104,439	\$28,000,000
6956-7074 Sunrise Blvd. (3 Properties)	Orangevale/Citrus Hts	Copperwood SPE-MW, LLC	Red Mountain Retail Group, Inc.	123,190	\$22,222,222

## MARKET SNAPSHOT

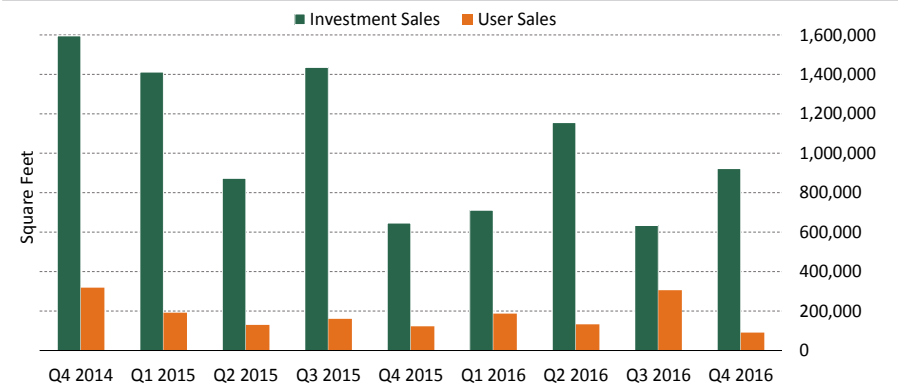
**Q<sup>4</sup> 2016** **Q<sup>4</sup> 2015** **% Change vs. Q4 2015**

<b>Vacancy Rate</b>	7.75%	8.00%	-3.13%
<b>Availability Rate</b>	9.08%	9.30%	-2.37%
<b>Avg. Asking Lease Rate</b>	\$1.39	\$1.35	2.96%
<b>Gross Absorption</b>	1,298,693	1,216,241	6.78%
<b>Net Absorption</b>	252,143	586,682	(N/A)

## LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



## SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER

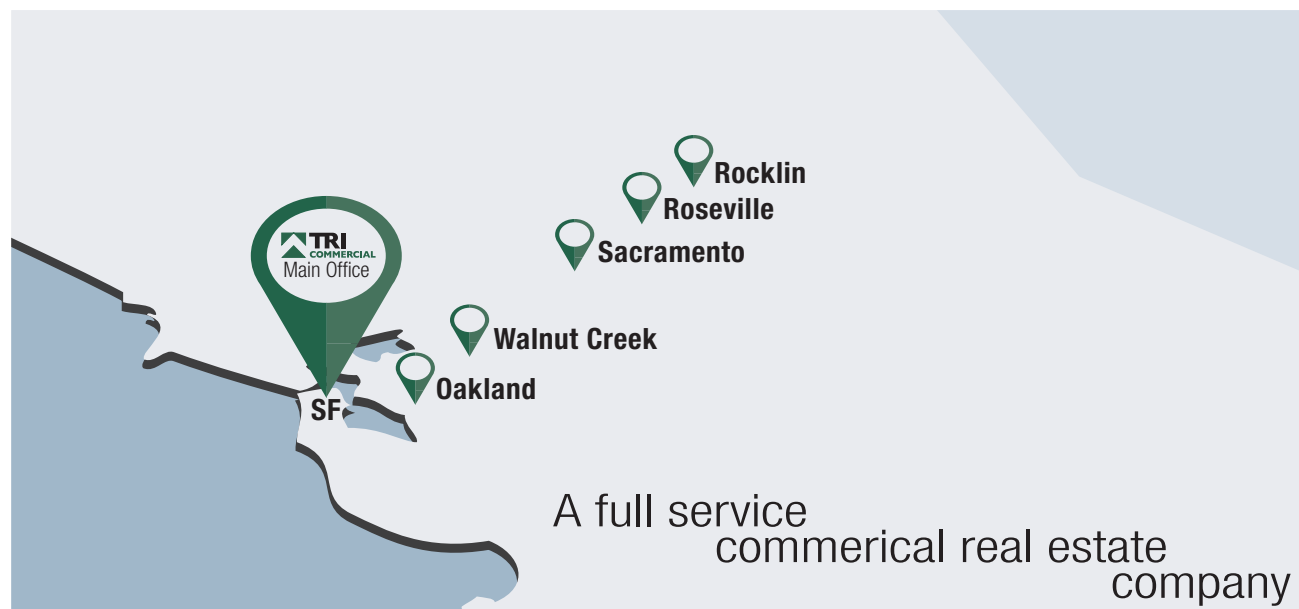


TRI COMMERCIAL | SACRAMENTO RETAIL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate 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 Aborption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Arden/Watt/Howe	962	11,242,511	1,139,264	10.13%	10,103,247	89.87%	1,260,763	11.21%	(61,289)	(108,267)	100,840	581,583	226,804	167,963	\$1.32
Auburn/Loomis	373	3,525,802	147,958	4.20%	3,377,844	95.80%	168,204	4.77%	11,408	82,709	22,241	150,511	12,000	493,044	\$1.66
Carmichael	298	2,883,369	235,069	8.15%	2,648,300	91.85%	310,601	10.77%	6,257	21,745	11,417	115,853	0	32,270	\$1.20
Davis	197	2,217,614	66,119	2.98%	2,151,495	97.02%	86,316	3.89%	(8,377)	18,815	16,713	65,082	0	109,725	\$1.69
Downtown/Midtown/E Sac	842	6,021,471	256,279	4.26%	5,765,192	95.74%	370,534	6.15%	59,782	18,813	112,753	209,465	279,860	1,489,654	\$1.76
El Dorado	359	4,107,203	217,714	5.30%	3,889,489	94.70%	250,037	6.09%	45,036	69,324	72,493	195,252	0	545,837	\$1.35
Elk Grove	353	5,723,111	243,728	4.26%	5,479,383	95.74%	258,105	4.51%	70,117	80,490	104,713	270,283	15,000	1,509,926	\$1.57
Folsom	304	5,650,120	317,235	5.61%	5,332,885	94.39%	351,478	6.22%	42,992	117,732	82,390	245,384	116,636	114,778	\$1.77
Highway 50 Corridor	364	5,395,492	765,074	14.18%	4,630,418	85.82%	864,338	16.02%	(85,724)	(24,236)	41,182	401,128	0	849,656	\$0.97
Lincoln	168	1,646,451	84,082	5.11%	1,562,369	94.89%	108,481	6.59%	(3,671)	14,229	2,790	49,827	0	187,698	\$2.14
Natomas	263	3,846,236	304,097	7.91%	3,542,139	92.09%	371,632	9.66%	(13,713)	(4,642)	46,764	138,178	0	345,015	\$1.54
Orangevale/Citrus Heights	565	8,011,469	908,227	11.34%	7,103,242	88.66%	1,123,702	14.03%	(36,153)	(119,438)	63,203	270,799	24,306	217,927	\$1.30
Outer El Dorado County	317	2,673,878	89,652	3.35%	2,584,226	96.65%	142,204	5.32%	33,215	43,125	64,529	102,437	18,000	11,005	\$1.87
Outer Placer County	184	1,385,753	35,366	2.55%	1,350,387	97.45%	54,582	3.94%	13,556	16,234	14,625	47,793	0	0	\$1.35
Outer Sacramento County	146	1,216,488	28,054	2.31%	1,188,434	97.69%	38,406	3.16%	10,984	25,206	13,184	41,774	0	149,800	\$1.73
Outer Sutter County	348	4,362,636	376,136	8.62%	3,986,500	91.38%	407,376	9.34%	49,286	(12,236)	84,138	154,070	112,075	161,600	\$1.53
Outer Yolo County	58	361,103	0	0.00%	361,103	100.00%	4,850	1.34%	2,000	3,420	2,000	3,420	0	46,920	-
Rio Linda/N Highlands	432	5,246,350	475,791	9.07%	4,770,559	90.93%	577,688	11.01%	55,198	95,073	123,297	298,775	0	284,346	\$1.94
Roseville/Rocklin	909	14,782,583	964,900	6.53%	13,817,683	93.47%	1,046,972	7.08%	20,577	158,226	98,426	602,405	7,000	837,938	\$1.45
South Sacramento	1,147	12,729,407	1,038,604	8.16%	11,690,803	91.84%	1,289,553	10.13%	26,564	68,708	174,828	521,000	12,000	2,237,617	\$1.28
West Sacramento	185	2,365,246	86,822	3.67%	2,278,424	96.33%	102,353	4.33%	(784)	4,959	8,502	55,484	0	23,195	\$1.03
Woodland	271	3,568,041	296,855	8.32%	3,271,186	91.68%	352,831	9.89%	(579)	(9,718)	17,225	112,007	0	181,093	\$0.97
Yuba County	246	2,413,287	553,387	22.93%	1,859,900	77.07%	575,855	23.86%	15,461	58,507	20,440	87,508	0	999,972	\$0.95
Retail Market Totals	9,291	111,375,621	8,630,413	7.75%	102,745,208	92.25%	10,116,861	9.08%	252,143	618,778	1,298,693	4,720,018	823,681	10,996,979	\$1.39

Average asking rates represented are triple net.

## NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:



MAP IS NOT TO SCALE

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