

MARKET OVERVIEW

► **Industrial Market:** The Sacramento industrial market fared well during the first quarter of 2018 as the overall vacancy rate further decreased to an all-time low of 4.51%. At the close of the first quarter, net absorption was positive at just over 1.56 million square feet.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased to 4.51%, which remains the lowest vacancy rate seen to-date for the Sacramento Region. The largest submarkets – Power Inn, West Sacramento and Davis/Woodland – had vacancy rates of 3.73%, 4.98% and 6.23%. Among the largest submarkets, some of the lowest vacancy rates were also seen in the Sunrise and Marysville/Yuba City submarkets with rates at 2.40% and 1.97%, respectively. Alternatively, the highest vacancy rates were seen in the South Sacramento submarket with an overall rate of 21.91%.

► **Lease Rates:** At the end of the first quarter, the average asking triple net lease rate for the Sacramento industrial market was \$0.47, which is a \$0.06 increase from the previous quarter. Within the two largest submarkets – Power Inn and West Sacramento – the average asking lease rates were \$0.53 and \$0.43 per square foot. Some of the highest asking lease rates were seen in the NE Sacramento submarket with an average of \$0.85 per square foot. Alternatively, the lowest lease rates were seen in the Marysville/Yuba City and Davis/Woodland submarkets with average asking rates of \$0.49 and \$0.33 per square foot, respectively.

► **Sale & Lease Transactions:** Transaction activity at the close of the fourth quarter was 3.5 million square feet, which is an increase from the previous quarter's figure of 2.71 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.

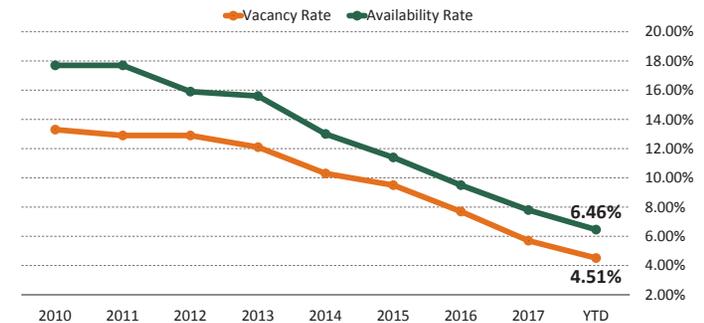
► **Absorption:** The industrial market ended the third quarter with 1,560,102 square feet of positive net absorption. The West Sacramento submarket had the greatest positive net absorption of 675,982 square feet, and the McClellan submarket had the second highest net absorption of 448,420 square feet. Alternatively, the Natomas/Northgate submarket experienced 141,849 square feet of negative net absorption.

► **Development:** Eleven industrial projects are currently under construction in the Sacramento market, which total just over 940,000 square feet. The largest of those projects is a 387,420 square foot Class A warehouse building in the West Sacramento submarket expected to be delivered November 2018. The second largest industrial project under construction is a 316,100 square foot Class B warehouse building in the Roseville/Rocklin submarket and expected to be delivered May 2018. Currently, there are 14 million square feet of proposed industrial space for the Sacramento market.

► **First Quarter Review:** Overall, the Sacramento industrial market has out-paced other commercial property types with an impressively low vacancy rate and increasing lease rates. 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 4.2% in January of 2018.

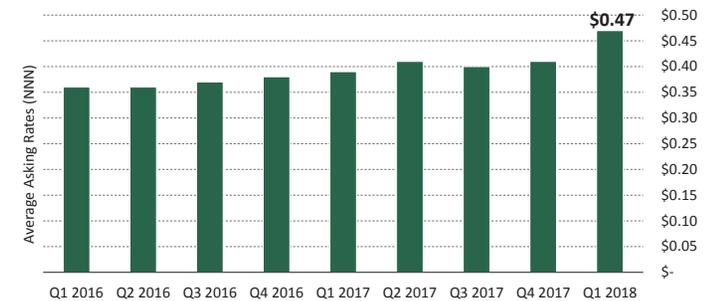
VACANCY RATE & AVAILABILITY RATE

ALL SPACE NOT CURRENTLY OCCUPIED & ALL SPACE CURRENTLY MARKETED



AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



SACRAMENTO INDUSTRIAL TRENDS | FIRST QUARTER 2018

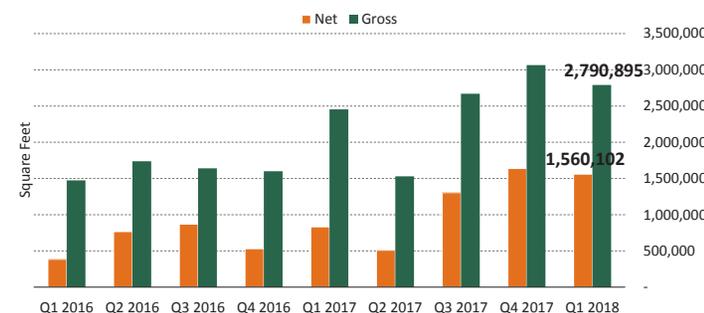
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
Q ¹ 2018	4.51%	\$0.47	1,560,102	3,503,799
Q ⁴ 2017	5.70%	\$0.41	1,637,726	2,717,870

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 FOR Q1 2018

Q¹ 2018 **Q¹ 2017** % Change vs. Q1 2017

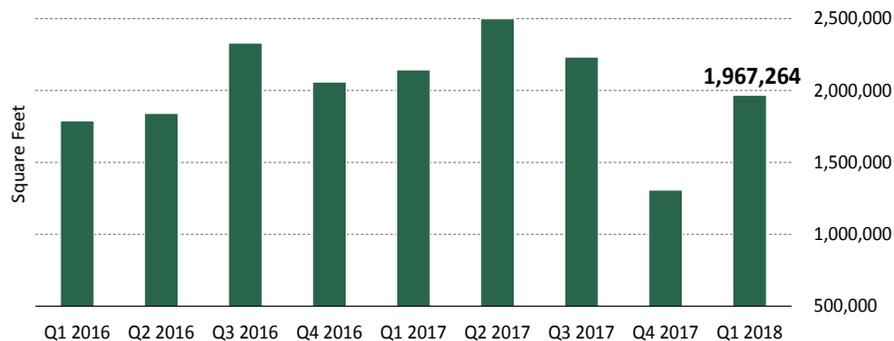
Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
3771 Channel Drive	West Sacramento	TK Classics	Sacramento Foodco Investors, LLC	February 26, 2018	389,000
4700-4940 Lang Ave.	McClellan	Goodman Manufacturing	McClellan Park, LLC	February 1, 2018	80,000
3900 Florin Perkins Rd.	Power Inn	River City Indoor RV & Boat Storage	B&W Vertical Ventures, LLC	March 1, 2018	66,000
3940 Seaport Blvd.	West Sacramento	Undisclosed	Sacher Seaport Properties, LLC	February 6, 2018	65,813
8670 Fruitridge Rd.	Power Inn	Undisclosed	Central Valley Industrial Core Holdings, LLC	March 30, 2018	59,058

Vacancy Rate	4.51%	7.40%	-39.05%
Availability Rate	6.46%	9.30%	-30.54%
Avg. Asking Lease Rate	\$0.47	\$0.39	20.51%
Gross Absorption	2,790,895	2,453,747	13.74%
Net Absorption	1,560,102	831,633	(N/A)

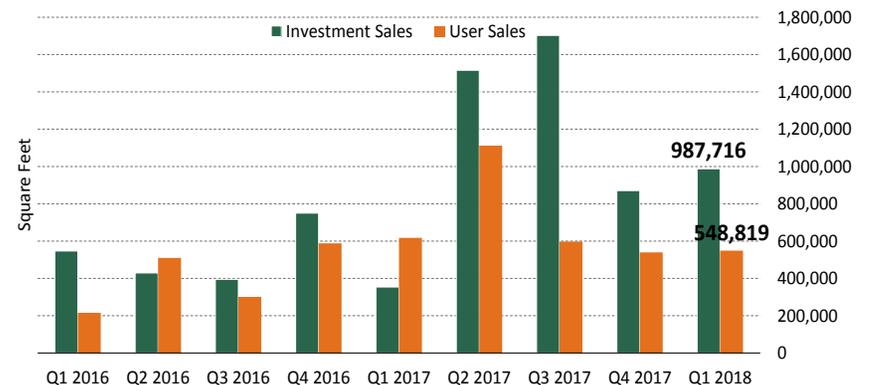
SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES FOR Q1 2018

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
8875 Washington Blvd. (4 Properties)	Roseville/Rocklin	BRE Sierra View Owner, LLC	Roseville Development I, LLC	701,353	\$58,250,000
3301 I Street	East Sacramento	East Sac SS Investors, LLC	East Sacramento Self Storage	74,558	\$9,825,000
10115 Iron Rock Way	Elk Grove/Laguna	Hester Street LP	Bronco Enterprises, LLC	150,000	\$8,100,000
1324 Arden Way	NE Sacramento	AMERCO Real Estate Company	Leeland Arden Way, LLC	89,220	\$6,000,000
1460 Tanforan Ave. (3 Properties)	Davis/Woodland	Ethan Conrad Properties	Justus & Jean Craemer	140,800	\$5,800,000

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER



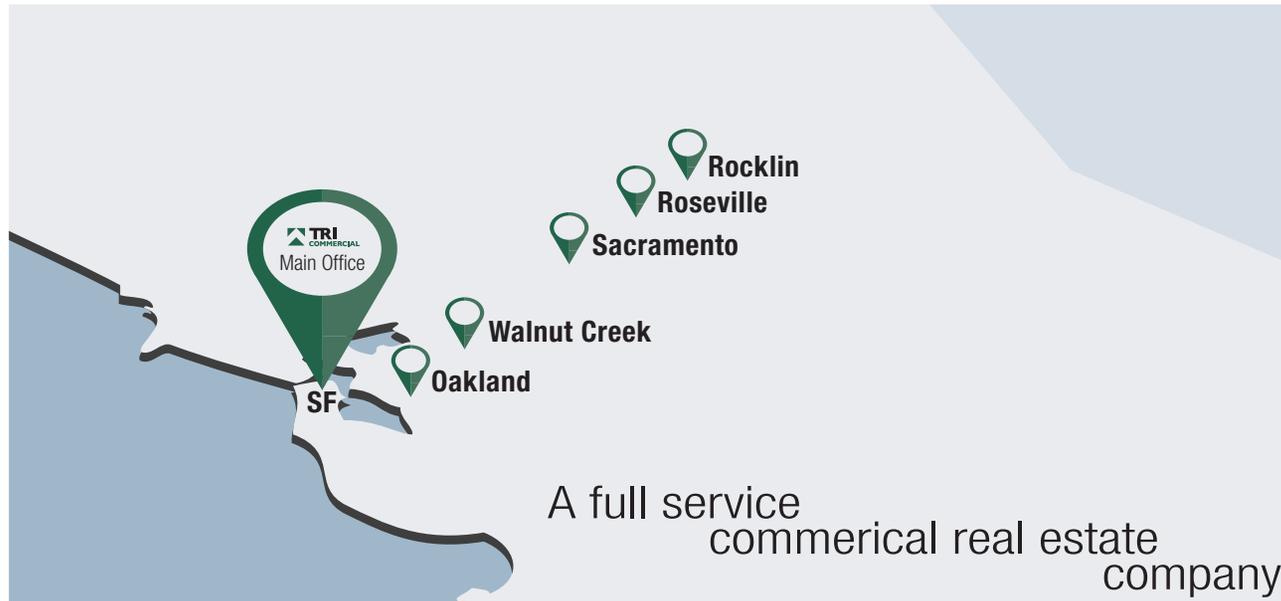
TRI COMMERCIAL | SACRAMENTO INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate Q1 2018	Occupied Square Feet	Occupancy Rate Q1 2018	Available Square Feet	Availability Rate Q1 2018	Net Absorption Q1 2018	YTD Net Absorption	Gross Absorption Q1 2018	YTD Gross Absorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Newcastle	85	2,234,921	23,925	1.07%	2,210,996	98.93%	91,001	4.07%	(7,491)	(7,491)	5,604	5,604	0	0	\$0.48
Davis/Woodland	187	16,189,096	1,009,317	6.23%	15,179,779	93.77%	1,135,451	7.01%	158,823	158,823	240,320	240,320	12,024	15,040	\$0.33
Downtown	86	2,640,421	136,656	5.18%	2,503,765	94.82%	151,239	5.73%	0	0	0	0	0	0	\$0.55
East Sacramento	23	571,117	0	0.00%	571,117	100.00%	17,250	3.02%	0	0	0	0	0	0	-
Elk Grove/Laguna	117	5,727,591	329,003	5.74%	5,398,588	94.26%	311,050	5.43%	(9,654)	(9,654)	20,637	20,637	0	922,559	\$0.54
Folsom/EI Dorado	104	3,081,128	137,949	4.48%	2,943,179	95.52%	184,649	5.99%	3,159	3,159	9,057	9,057	75,000	0	\$0.65
Marysville/Yuba City	148	6,295,528	124,325	1.97%	6,171,203	98.03%	231,113	3.67%	3,800	3,800	16,800	16,800	0	0	\$0.49
Mather	126	3,840,941	144,873	3.77%	3,696,068	96.23%	153,473	4.00%	62,006	62,006	86,944	86,944	51,156	89,593	\$0.48
McClellan	289	13,666,210	330,993	2.42%	13,335,217	97.58%	362,966	2.66%	448,420	448,420	448,421	448,421	0	514,845	\$0.45
Natomas/Northgate	202	12,523,006	325,229	2.60%	12,197,777	97.40%	616,444	4.92%	(141,849)	(141,849)	133,890	133,890	0	8,382,202	\$0.57
NE Sacramento	191	5,012,809	220,242	4.39%	4,792,567	95.61%	260,000	5.19%	38,868	38,868	42,172	42,172	0	0	\$0.85
Power Inn	567	24,448,274	913,042	3.73%	23,535,232	96.27%	1,951,863	7.98%	65,161	65,161	336,059	336,059	0	1,574,694	\$0.53
Richards	84	4,028,765	176,305	4.38%	3,852,460	95.62%	74,825	1.86%	(55,678)	(55,678)	83,022	83,022	0	0	\$1.83
Roseville/Rocklin	283	16,005,429	799,795	5.00%	15,205,634	95.00%	927,368	5.79%	260,697	260,697	379,299	379,299	316,100	1,239,260	\$0.37
South Sacramento	122	4,007,397	878,130	21.91%	3,129,267	78.09%	889,330	22.19%	7,200	7,200	7,200	7,200	0	600,000	-
Sunrise	333	9,704,966	233,063	2.40%	9,471,903	97.60%	413,615	4.26%	50,658	50,658	119,984	119,984	0	0	\$0.54
West Sacramento	321	18,010,128	896,774	4.98%	17,113,354	95.02%	1,793,742	9.96%	675,982	675,982	861,486	861,486	492,220	751,115	\$0.43
Industrial Market Totals	3,268	147,987,727	6,679,621	4.51%	141,308,106	95.49%	9,565,379	6.46%	1,560,102	1,560,102	2,790,895	2,790,895	946,500	14,089,308	\$0.47

10,000-29,999	2,014	33,416,720	896,214	2.68%	32,520,506	97.32%	1,510,253	4.52%	(5,378)	(5,378)	243,639	243,639	63,180	359,133	\$0.85
30,000-49,999	522	19,942,711	537,097	2.69%	19,405,614	97.31%	879,913	4.41%	49,620	49,620	299,641	299,641	0	275,840	\$0.59
50,000-99,999	439	29,328,187	1,073,976	3.66%	28,254,211	96.34%	1,852,513	6.32%	172,642	172,642	543,571	543,571	75,000	724,161	\$0.46
100,000-199,999	185	24,312,916	1,176,994	4.84%	23,135,922	95.16%	1,665,291	6.85%	258,379	258,379	553,205	553,205	104,800	2,716,046	\$0.48
200,000-299,999	60	14,324,907	416,311	2.91%	13,908,596	97.09%	347,493	2.43%	331,255	331,255	397,255	397,255	0	474,000	\$0.38
300,000 Plus	48	26,662,286	2,579,029	9.67%	24,083,257	90.33%	3,309,916	12.41%	753,584	753,584	753,584	753,584	703,520	9,550,128	\$0.32
Industrial Market Totals	3,268	147,987,727	6,679,621	4.51%	141,308,106	95.49%	9,565,379	6.46%	1,560,102	1,560,102	2,790,895	2,790,895	946,500	14,089,308	\$0.47

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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