

MARKET OVERVIEW

► **Office Market:** The Sacramento office market fared well during the first quarter of 2018 as vacancy rates have continually decreased ending the quarter at 10.24%. At the close of the first quarter, average asking lease rates were at a \$1.91/SF, which is a \$0.03 increase from the previous quarter's average. In brief, the trend shows continually decreasing vacancy rates with continually increasing lease rates.

► **Vacancy Rates:** In comparison to the previous year, the vacancy rate decreased by 116 basis points to 10.24%, which still remains among the lowest vacancy rates seen since 2002! The largest submarkets – Downtown, Highway 50 Corridor and Roseville/Rocklin – had vacancy rates of 10.46%, 12.65% and 8.60%, respectively. Alternatively, the highest vacancy rates were seen in the Rio Linda/N Highlands and El Dorado submarkets at 22.23% and 25.27%.

► **Lease Rates:** At the close of the first quarter, the average asking full service lease rate for the Sacramento office market was \$1.91/SF, which is a \$0.03 increase from the previous quarter and a \$0.07 increase from one year ago. Some of the highest lease rates were seen in the Downtown, East Sacramento, and Elk Grove submarkets at \$2.72, \$2.47 and \$2.55 per square foot, respectively. Alternatively, the lowest lease rates were seen in the Citrus Heights/Orangevale, Rio Linda/N Highlands and Auburn/Lincoln submarkets with rates at \$1.45, \$1.18 and \$1.15 per square foot, respectively.

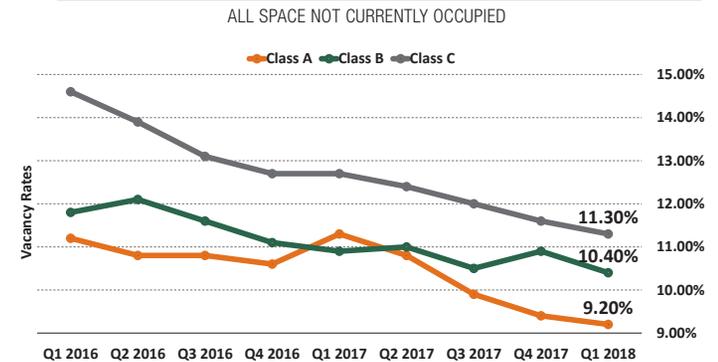
► **Sale & Lease Transactions:** Transaction activity at the close of the first quarter was just over 3 million square feet, which is an increase from the previous quarter's figure of 3 million square feet. Given that there is often a delay for final figures to be totaled, this quarter's figure will slightly increase in the next market report.

► **Absorption:** The office market ended the first quarter with positive net absorption of 295,855 square feet. The Natomas/Northgate and Highway 50 Corridor submarkets had the highest positive net absorption figures at 116,697 and 79,548 square feet, respectively. Alternatively, the El Dorado submarket had the highest negative net absorption of 34,302 square feet.

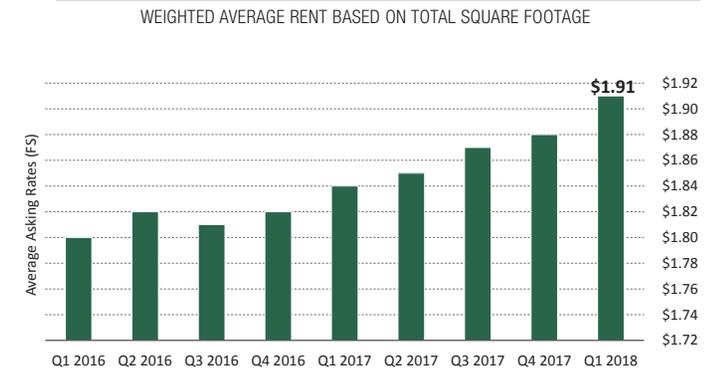
► **Development:** Currently, there are 530,042 square feet of office space under construction in the Sacramento Region. The largest of those projects is a 242,000 square foot, Class B office building for Adventist Health in the Roseville/Rocklin submarket, expected to be delivered in August 2018. The second largest office project under construction is a 194,000 square foot, Class B medical office building for Kaiser Permanente, expected to be delivered in October 2019. Of the eight office buildings currently under construction, four of them are located in the Roseville/Rocklin submarket. Currently, there are 6.65 million square feet of proposed space with the majority proposed for the Natomas/Northgate submarket.

► **First Quarter Review:** Overall, the vacancy rate has decreased by 10.18% in comparison to one year ago and the average asking lease rate of \$1.91 per square foot remains amongst the highest rates seen throughout the two-year average. 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.

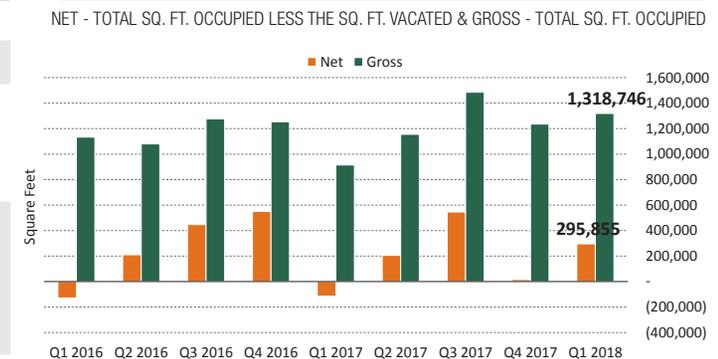
VACANCY RATES BY CLASS



AVERAGE ASKING RATES



NET & GROSS ABSORPTION



SACRAMENTO OFFICE TRENDS | FIRST QUARTER 2018

ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (FS)	Net Absorption	Transaction Activity
	Q ¹ 2018	10.24%	\$1.91	295,855
Q ⁴ 2017	10.60%	\$1.88	15,659	2,674,591

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

NOTEWORTHY TRANSACTIONS

MARKET SNAPSHOT

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

LEASE TRANSACTIONS | NOTABLE OFFICE LEASES SIGNED Q1 2018

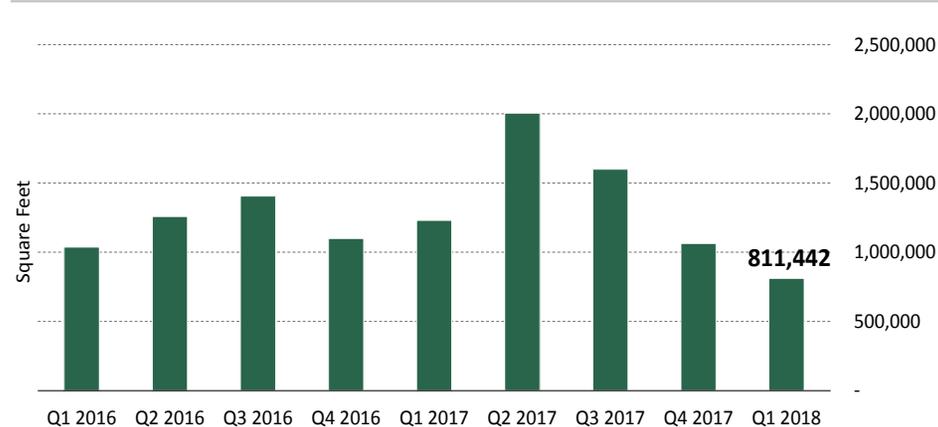
Property Address	Submarket	Tenant	Owner	Date Lease Signed	Sq. Ft. Leased
10911 White Rock Rd.	Highway 50 Corridor	Referral Exchange	Basin Street Properties	March 29, 2018	33,401
9835 Goethe Rd.	Highway 50 Corridor	State of California	Bh Goethe Bicentennial, LLC	March 23, 2018	32,350
3851 N Freeway Blvd.	Natomas/Northgate	Undisclosed	Chavez Management Group, Inc.	January 26, 2018	26,384
11037 Trade Center Drive	Highway 50 Corridor	EDD	Callahan Property Company	February 13, 2018	21,215
10850 Gold Center Drive	Highway 50 Corridor	Undisclosed	Basin Street Properties	March 21, 2018	18,448

SALE TRANSACTIONS | NOTABLE OFFICE SALES FOR Q1 2018

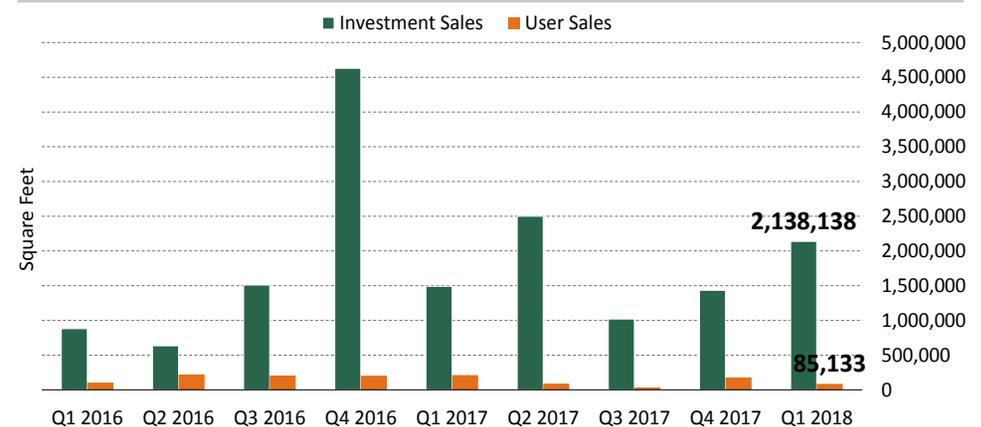
Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
621 Capitol Mall	Downtown	Shorenstein Properties, LLC	601 Captiol Mall, LLC	366,337	\$161,000,000
10860 Gold Center Drive (5 Properties)	Highway 50 Corridor	Basin Street Properties	MSCP Capital Center Investors, LLC	518,120	\$58,000,000
11085 Sun Center Drive (2 Properties)	Sunrise	DCPII-SAC-3065 Gold Camp Drive, LLC	Global Gold Camp, LLC	132,583	\$50,960,000
770 L Street	Downtown	New York Life Real Estate Investors	AMP Captial-770 L Property, LLC	170,267	\$44,500,000
400 R Street	Downtown	400 R Street (Sacramento) Owner, LLC	CalPERS	206,944	\$35,400,000

	Q ¹ 2018	Q ¹ 2017	% Change vs. Q1 2017
Vacancy Rate	10.24%	11.40%	-10.18%
Availability Rate	12.95%	14.00%	-7.50%
Avg. Asking Lease Rate	\$1.91	\$1.84	3.80%
Gross Absorption	1,318,746	914,921	44.14%
Net Absorption	295,855	(114,616)	(N/A)

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER

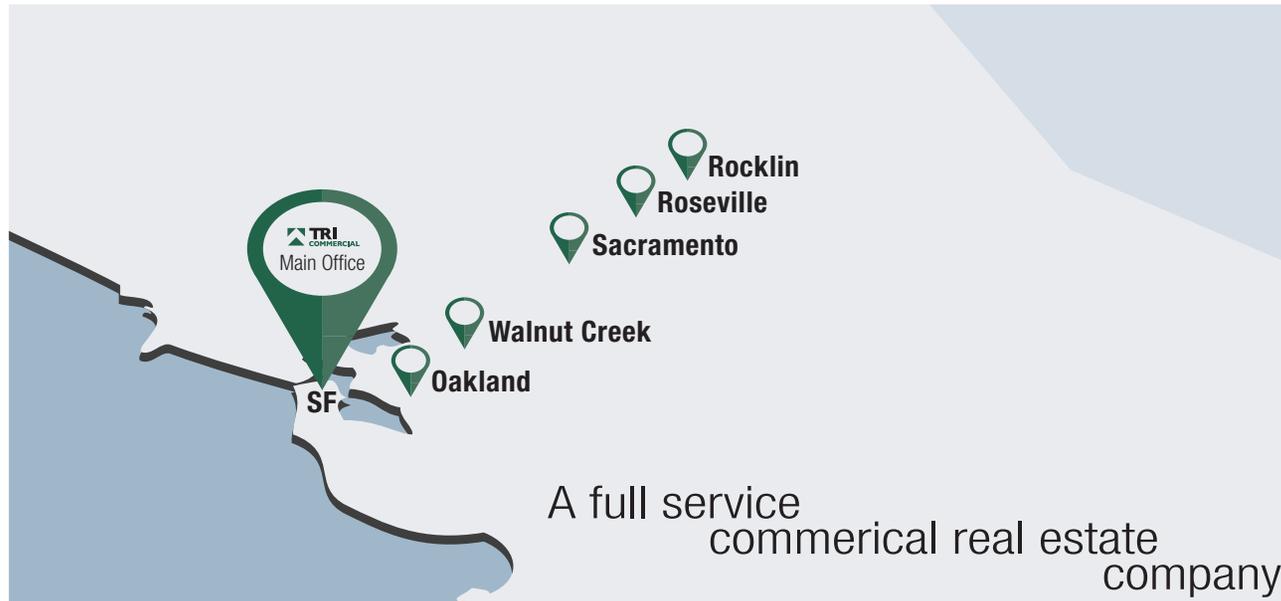


TRI COMMERCIAL | SACRAMENTO OFFICE SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate 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/Lincoln	64	1,362,162	65,720	4.82%	1,296,442	95.18%	96,942	7.12%	3,452	3,452	7,570	7,570	0	80,953	\$1.15
Campus Commons	43	1,273,971	222,271	17.45%	1,051,700	82.55%	270,005	21.19%	(6,557)	(6,557)	23,910	23,910	0	72,000	\$2.10
Carmichael/Fair Oaks	50	1,062,122	184,113	17.33%	878,009	82.67%	202,370	19.05%	(6,493)	(6,493)	1,204	1,204	68,000	0	\$1.40
Citrus Heights/Orangevale	54	1,445,524	146,657	10.15%	1,298,867	89.85%	177,874	12.31%	(7,843)	(7,843)	22,572	22,572	0	15,000	\$1.45
Davis/Woodland	81	1,989,985	76,243	3.83%	1,913,742	96.17%	125,614	6.31%	20,437	20,437	42,724	42,724	0	107,547	\$2.36
Downtown	214	19,259,929	1,611,020	10.46%	17,648,909	91.64%	1,969,105	10.22%	(15,942)	(15,942)	200,299	200,299	0	726,900	\$2.72
East Sacramento	38	2,507,634	112,065	4.47%	2,395,569	95.53%	126,349	5.04%	398	398	27,398	27,398	0	0	\$2.47
El Dorado	70	1,641,261	414,779	25.27%	1,226,482	74.73%	459,588	28.00%	(34,302)	(34,302)	40,875	40,875	0	276,032	\$1.88
Elk Grove	53	1,775,631	126,320	7.11%	1,649,311	92.89%	173,159	9.75%	14,114	14,114	19,414	19,414	0	392,273	\$2.55
Folsom	98	4,497,809	284,845	6.33%	4,212,964	93.67%	299,466	6.66%	32,146	32,146	57,966	57,966	0	115,570	\$1.94
Highway 50 Corridor	297	17,375,085	2,197,328	12.65%	15,177,757	87.35%	2,730,856	15.72%	79,548	79,548	258,603	258,603	0	1,037,740	\$1.69
Howe Ave./Fulton Ave.	77	2,442,369	391,423	16.03%	2,050,946	83.97%	469,063	19.21%	78,221	78,221	89,877	89,877	0	0	\$1.64
Midtown	99	3,659,434	226,552	6.19%	3,432,882	93.81%	320,423	8.76%	5,654	5,654	22,882	22,882	0	80,985	\$2.20
Natomas/Northgate	114	6,499,555	760,822	11.71%	5,738,733	88.29%	920,959	14.17%	116,697	116,697	194,763	194,763	0	1,955,290	\$1.86
Point West	50	2,640,019	397,334	15.05%	2,242,685	84.95%	484,425	18.35%	12,840	12,840	56,027	56,027	0	357,254	\$1.87
Rio Linda/N Highlands	29	1,018,415	226,424	22.23%	791,991	77.77%	373,484	36.67%	11,207	11,207	21,507	21,507	0	0	\$1.18
Roseville/Rocklin	269	10,788,354	927,906	8.60%	9,860,448	91.40%	1,496,077	13.87%	17,391	17,391	192,914	192,914	450,800	1,198,009	\$2.04
South Sacramento	102	3,047,248	374,009	12.27%	2,673,239	87.73%	365,342	11.99%	22,708	22,708	27,894	27,894	11,242	87,395	\$1.63
Sutter County	31	567,495	27,801	4.90%	539,694	95.10%	49,001	8.63%	(8,731)	(8,731)	1,183	1,183	0	0	-
Watt Ave.	50	2,398,201	256,475	10.69%	2,141,726	89.31%	297,451	12.40%	(9,002)	(9,002)	9,164	9,164	0	45,858	\$1.51
West Sacramento	35	2,020,487	144,508	7.15%	1,875,979	92.85%	201,856	9.99%	(30,088)	(30,088)	0	0	0	110,000	\$1.84
Yuba County	11	589,511	23,962	4.06%	565,549	95.94%	23,962	4.06%	0	0	0	0	0	0	-
Office Market Totals	1,929	89,862,201	9,198,577	10.24%	80,663,624	89.76%	11,633,371	12.95%	295,855	295,855	1,318,746	1,318,746	530,042	6,658,806	\$1.91
Class A	198	26,858,790	2,447,772	9.11%	24,411,018	90.89%	3,020,707	11.25%	51,579	51,579	374,899	374,899	0	4,552,466	\$2.28
Class B	961	42,221,483	4,399,567	10.42%	37,821,916	89.58%	5,800,129	13.74%	187,306	187,306	642,960	642,960	530,042	2,106,340	\$1.76
Class C	770	20,781,928	2,351,238	11.31%	18,430,690	88.69%	2,812,535	13.53%	56,970	56,970	300,887	300,887	0	0	\$1.49
Class Total	1,929	89,862,201	9,198,577	10.24%	80,663,624	89.76%	11,633,371	12.95%	295,855	295,855	1,318,746	1,318,746	530,042	6,658,806	\$1.91

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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