

OUTLOOK

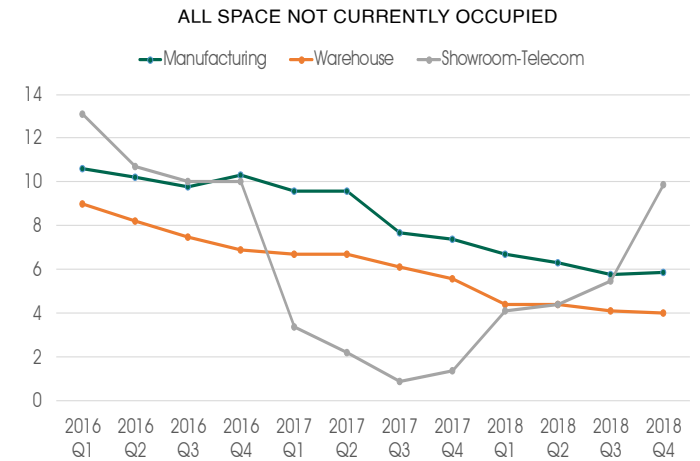
- The Sacramento Warehouse market currently sits at an all-time low of 4.3% vacancy with many submarkets at or below 2% vacancy. The McClellan industrial market is at 1% vacancy, and the impending construction should provide some relief to market constraints. Expected to deliver mid-2019, McClellan Distribution Center is a 417,214 class A warehouse development on a 22.9-acre parcel.
- Overall manufacturing space has seen a 440 basis point drop over the last 24 months. There is approximately ±770,000 less vacant space compared to Q4 2017. The warehouse market also saw a decrease in vacant space, with over 4 million square feet less during the same period.
- Despite positive leasing momentum keeping pace through the year, the warehouse market began to slow towards the end of 2018. Net absorption was 712,346 square feet in Q4 2017 compared to 709,189 in Q4 2018. This suggests a constrained market with less ample inventory and product for leasing. Manufacturing, on the other hand, saw negative absorption after seven consecutive quarters (-33,438).
- Leasing rates will continue to rise throughout the year while “spec” warehousing under 100,000 SF has slowly gotten off the ground due to current market rents. Manufacturing space reported a 7% gain in triple net asking rents and Warehouse space has increased over 20% to \$0.45 and \$0.59, respectively.
- Two of the most significant leases this quarter were in the Natomas/Northgate submarket. Pride Industries inked a deal at 1281 W National Drive for 136,079 square feet of freestanding warehouse space. MS International took over 54,000 square feet of warehouse space at 4291 Pell Drive.

SACRAMENTO INDUSTRIAL TRENDS | FOURTH QUARTER 2018

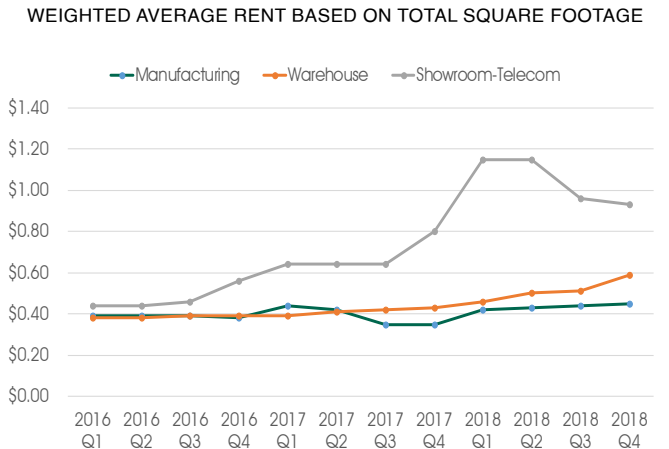
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

	Vacancy	Lease Rates (FS)	Net Absorption	Transaction Activity
MARKET INDICATORS				
Q⁴ 2018	4.32%	\$0.59	100,543	1,559,268
Q³ 2018	4.20%	\$0.56	420,103	2,635,454

VACANCY RATES BY CLASS



AVERAGE ASKING RATES



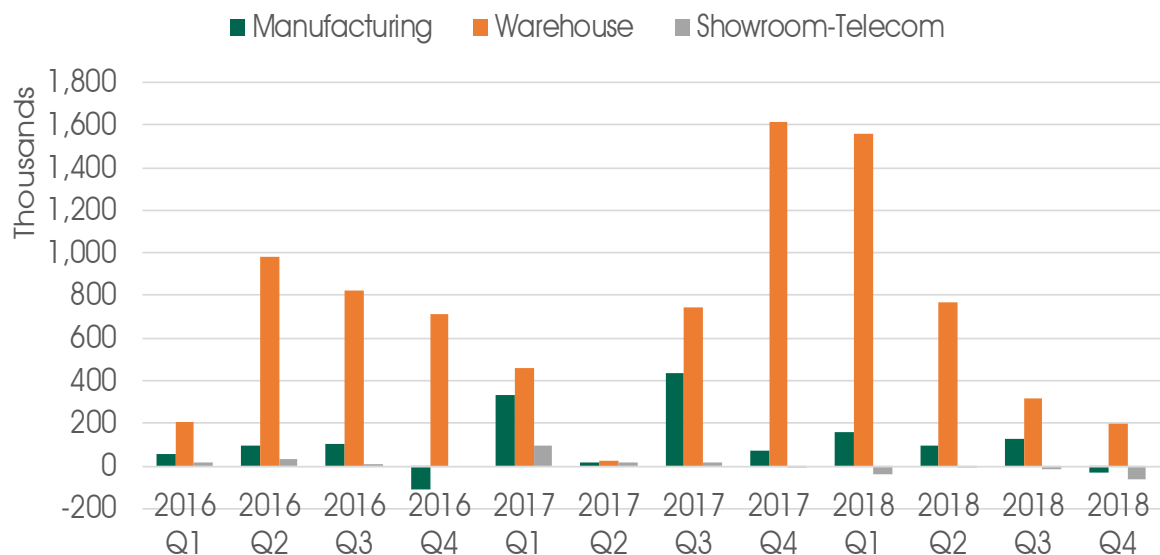
THESE STATISTICS ENCOMPASS ALL MANUFACTURING, WAREHOUSE, SHOW-ROOM AND TELECOM PROPERTIES OVER 10,000 SQUARE FEET BUILDING SIZE.

OUTLOOK

• The largest sale transaction this quarter was by The Blackstone Group who purchased 8670 Younger Creek Drive and 8371 Rovana Circle in the Power Inn submarket for over 71 million dollars or \$122.35 per square foot. The investment and price point is of value in the constrained Power Inn submarket of 3.4%. Although the Sacramento market has strong demand from buyers and interest rates are still relatively attractive, warehouse sales may continue to be a challenge in 2019 due to minimal inventory

NET & GROSS ABSORPTION

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



MARKET SNAPSHOT

	Q4 2018	Q4 2017	% Chg
Vacancy Rate	4.32%	5.90%	-26.78%
Availability Rate	3.80%	7.70%	-50.64%
Avg. Asking Lease Rate	\$0.59	\$0.41	43.90%
Gross Absorption	1,559,268	3,065,208	-49.13%
Net Absorption	100,543	1,677,226	(N/A)

NOTEWORTHY TRANSACTIONS

LEASE TRANSACTIONS | NOTABLE INDUSTRIAL LEASES SIGNED Q4 2018

Property Address	Submarket	Tenant	Owner	Date Lease Signed	Transaction Size
1281 W National Dr.	Natomas/Northgate	Pride Industries	The Blackstone Group	December 2018	136,079
550 N Pioneer Ave.	Davis/Woodland	Designed Combined	Global Logistics Properties	December 2018	73,173
4291 Pell Dr.	Natomas/Northgate	MS International	Bixby Pell LLC	November 2018	54,060
6500 Florin Perkins Rd.	Power Inn	Lumpy's Flowers	J&R Associates	December 2018	45,000
6041-6079 Power Inn Rd.	Power Inn	Kitchens Now	Astrum Investment Management	October 2018	42,000

SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES FOR Q4 2018

Property Address	Submarket	Buyer	Seller	Transaction Size	Sale Price
8670 Younger Creek Dr. & 8371 Rovana Cir.	Power Inn	The Blackstone Group	Andrew Kilpatrick	584,820	\$71,550,600
10030 Foothills Blvd.	Roseville/Rocklin	Pride Industries	Kirkpatrick Family Trust	175,072	\$24,430,000
1670 Overland Ct.	West Sacramento	LBA Realty	A&F Properties	154,260	\$11,700,000
1600 Tide Ct.	Davis/Woodland	AMERCO	Edmund Richmond	64,800	\$6,400,000
5601-5671 Warehouse Wy.	Power Inn	CIRE Partners	Dish Network	79,776	\$5,425,000

STATISTICS BY SUBMARKET

SACRAMENTO

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate	Occupied Square Feet	Occupancy Rate	Qtr Net Absorption	Qtr Gross Absorption	Under Construction	Average Asking Rent
Auburn/Newcastle	85	2,234,921	67,482	3.02%	2,167,439	96.98%	(47,587)	10,165	0	\$0.49
Davis/Woodland	188	16,203,720	766,537	4.73%	15,437,183	95.27%	193,111	282,260	0	\$0.37
Downtown	85	2,526,602	28,845	1.14%	2,497,757	98.86%	7,536	14,583	0	\$0.55
East Sacramento	22	550,941	0	0.00%	550,941	100.00%	0	0	0	\$0.54
Elk Grove/Laguna	117	5,727,591	313,847	5.48%	5,413,744	94.52%	(100,035)	38,600	0	\$0.49
Folsom/El Dorado	104	3,187,608	162,277	5.09%	3,025,331	94.91%	12,139	36,440	0	\$0.71
Marysville/Yuba City	148	6,322,128	63,988	1.01%	6,258,140	98.99%	10,989	45,825	0	\$0.42
Mather	125	3,886,441	133,774	3.44%	3,752,667	96.56%	(6,244)	27,978	28,950	\$0.58
McClellan	290	13,516,433	219,587	1.62%	13,296,846	98.38%	28,864	38,844	417,637	\$0.56
Natomas/Northgate	204	12,551,076	480,193	3.83%	12,070,883	96.17%	(96,861)	325,047	0	\$0.67
NE Sacramento	190	4,999,729	238,355	4.77%	4,761,374	95.23%	30,413	109,926	0	\$0.63
Power Inn	567	24,428,956	840,670	3.44%	23,588,286	96.56%	37,225	250,658	0	\$0.84
Richards	84	4,028,809	126,799	3.15%	3,902,010	96.85%	(50,250)	0	0	\$0.43
Roseville/Rocklin	284	16,314,616	477,400	2.93%	15,837,216	97.07%	82,089	120,289	0	\$0.45
South Sacramento	122	4,010,719	937,327	23.37%	3,073,392	76.63%	7,524	7,524	0	\$0.67
Sunrise	331	9,667,158	208,830	2.16%	9,458,328	97.84%	(75,516)	68,253	0	\$0.66
West Sacramento	324	18,541,381	1,357,431	7.32%	17,183,950	92.68%	67,146	182,876	473,016	\$0.53
Total Industrial Market	3,270	148,698,829	6,423,342	4.32%	142,275,487	95.68%	100,543	1,559,268	919,603	\$0.59

*Average asking rates represented are triple net.

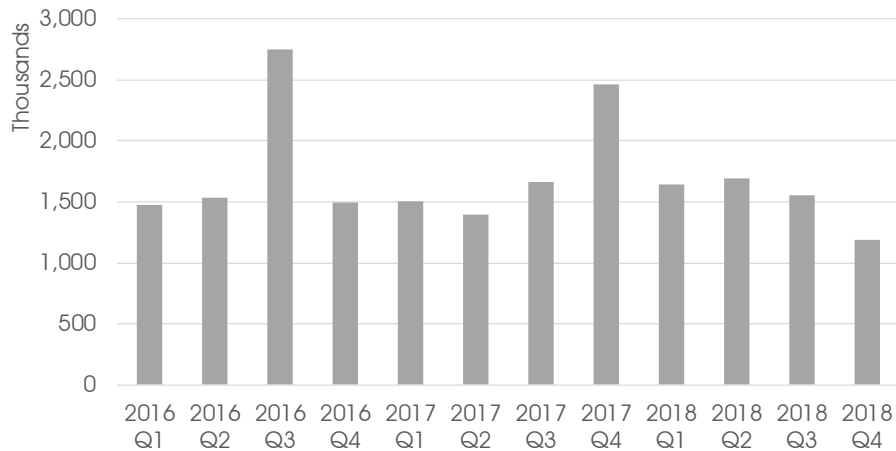
STATISTICS BY SUBMARKET

SACRAMENTO

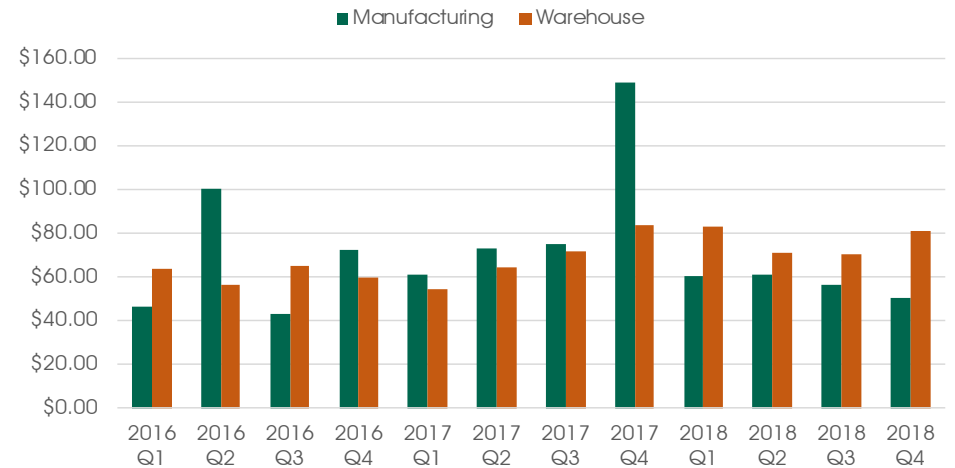
Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate	Occupied Square Feet	Occupancy Rate	Qtr Net Absorption	Qtr Gross Absorption	Under Construction	Average Asking Rent
Manufacturing	343	23,572,455	1,402,540	5.95%	22,169,915	94.05%	(33,438)	95,933	0	\$0.45
Warehouse	2,897	123,742,334	4,883,481	3.95%	118,858,853	96.05%	195,620	1,452,797	919,603	\$0.59
Showroom/Telecom	30	1,384,040	137,321	9.92%	1,246,719	90.08%	(61,639)	10,538	0	\$0.93
Total Industrial Market	3,270	148,698,829	6,423,342	4.32%	142,275,487	95.68%	100,543	1,559,268	919,603	\$0.59

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LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES PRICE \$ PER SQ. FT. | AVERAGE PRICE PER PRODUCT TYPE



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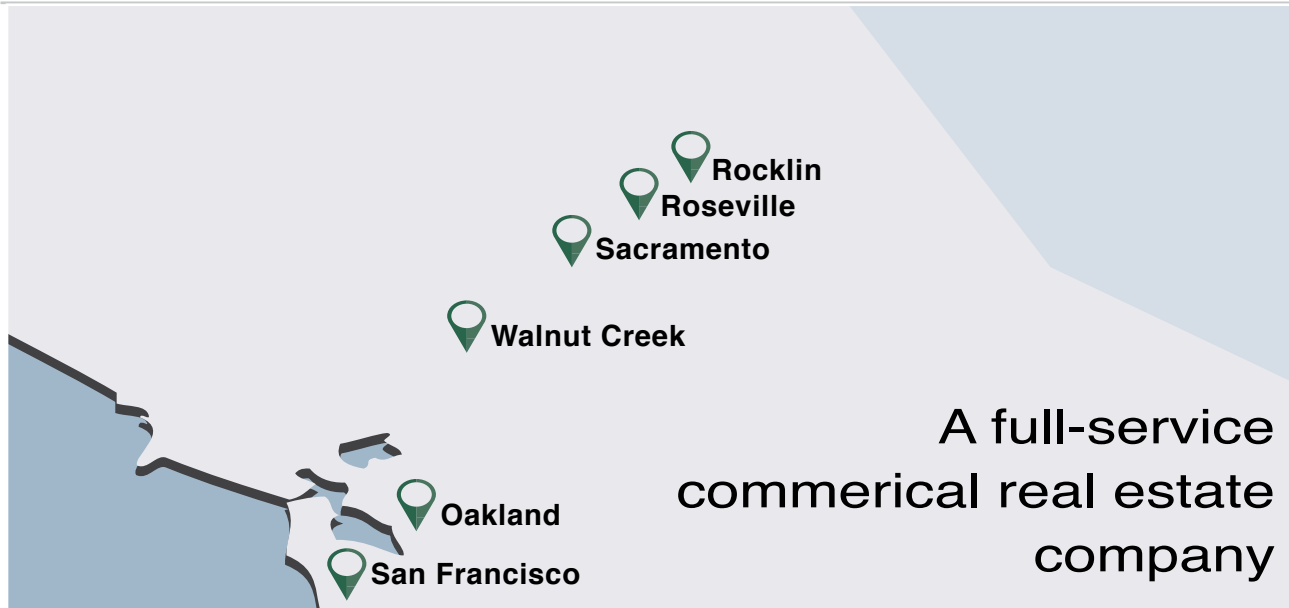


REAL ESTATE SERVICES

SACRAMENTO INDUSTRIAL

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NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS



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