TRI COMMERCIAL

Local Roots + Global Reach

NORTHERN CALIFORNIA RETAIL REPORT

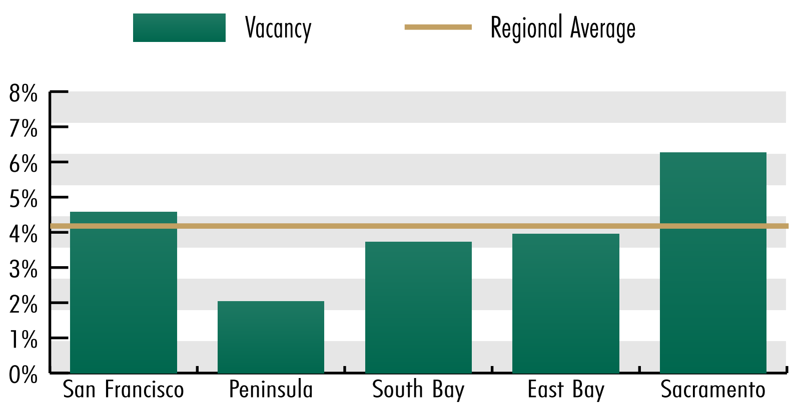
FIRST HALF 2019

MARKET OVERVIEW

Northern California retail slowed in the first half of 2019 after a blockbuster year that included a flurry of leasing activity. The overall vacancy rate remained in the single digits and rental rates stayed relatively flat. However, tenants continued to pay record-setting rents at prime retail locations. Many of the vacancies created by store closings throughout 2018 opened opportunities for other big-box retailers looking to expand. In recent years landlords have responded well to headwinds by adapting to the changing needs, preferences in size and configuration.The market continues to provide diverse opportunity, challenges and changing demographics throughout each region.

An increasing percentage of consumers are taking advantage of the "click and collect" concept as in-store pickups have gained traction. Pop-ups in urban areas remain popular with online brands who are using the concept to test products without the risk of a long-term lease commitment. Handcraft retailers, cosmetics, fitness and restaurants remain the most active in the suburban areas. Although in the Bay Area, some retailers and restaurants are facing the adverse effects of a booming economy with employee shortages, the high cost of wages, and competing with the dynamic shift in consumer spending habits in e-commerce.

VACANCY RATES BY REGION | Physically Vacant Space

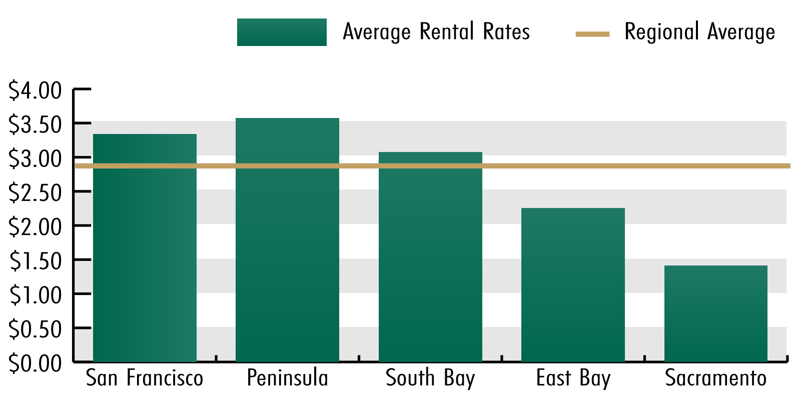


Source: TRI Commercial, Costar

Northern California
Change in Vacancy (YoY)

-0.1%

AVERAGE RENTAL RATES | Full Service Rents



Source: TRI Commercial, Costar

Northern California
Asking Rent Increase (YoY)

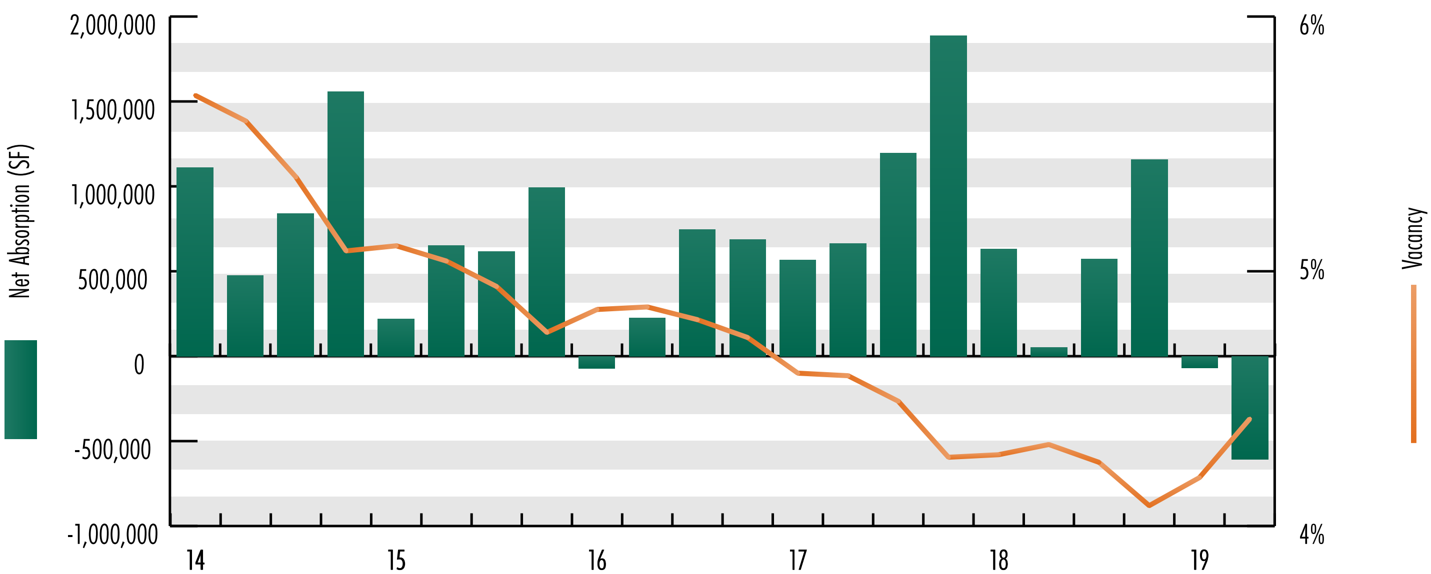
+5.9%

MARKET OVERVIEW

Despite announcements of store closings in 2018 (Sears, Kmart, Lowes, Toys R Us, etc.) many of these vacancies opened opportunities for other big-box retailers looking to expand. Target continues to invest in its e-commerce capabilities with plans to open over 35 locations nationwide. TJX Companies added over 160 stores nationally and has long term plans to open more than 400 additional stores. Dollar General and Dollar Tree both have expanded over the last year.

Furniture retailer Living Spaces took the former Sears space at Oakridge Mall in San Jose. American Furniture Galleries in Folsom leased over 30,000 square feet. Long-awaited Jack London Square Market Hall will soon open it's 40,000-square-feet open concept dining and shopping plaza at 55 Harrison in Oakland. The owner, John McEnery, has a similar concept at San Pedro Square in San Jose that has successfully attracted patrons over the last several years.

VACANCY & NET ABSORPTION | Total Square Feet



Source: TRI Commercial, Costar

LEASING ACTIVITY | NORTHERN CALIFORNIA

PROPERTY ADDRESS	Region	Tenant	Size	Landlord	Transaction Date
5146-5170 STEVENS CREEK	South Bay	Total Wine & More	25,653	AEW Capital Management	April 2019
9500 GREENBACK LANE	Sacramento	Falling Prices	10,976	Charles Urata Trust	April 2019
807 MONTGOMERY STREET	San Francisco	Rothy's	10,397	Laub Trust	May 2019
7151 REGIONAL STREET	East Bay	Shapes	7,395	Cortana Corporation	March 2019
880 SANTA CRUZ AVENUE	Peninsula	Amici's East Coast Pizzeria	5,089	Redwire International	April 2019

CONSTRUCTION

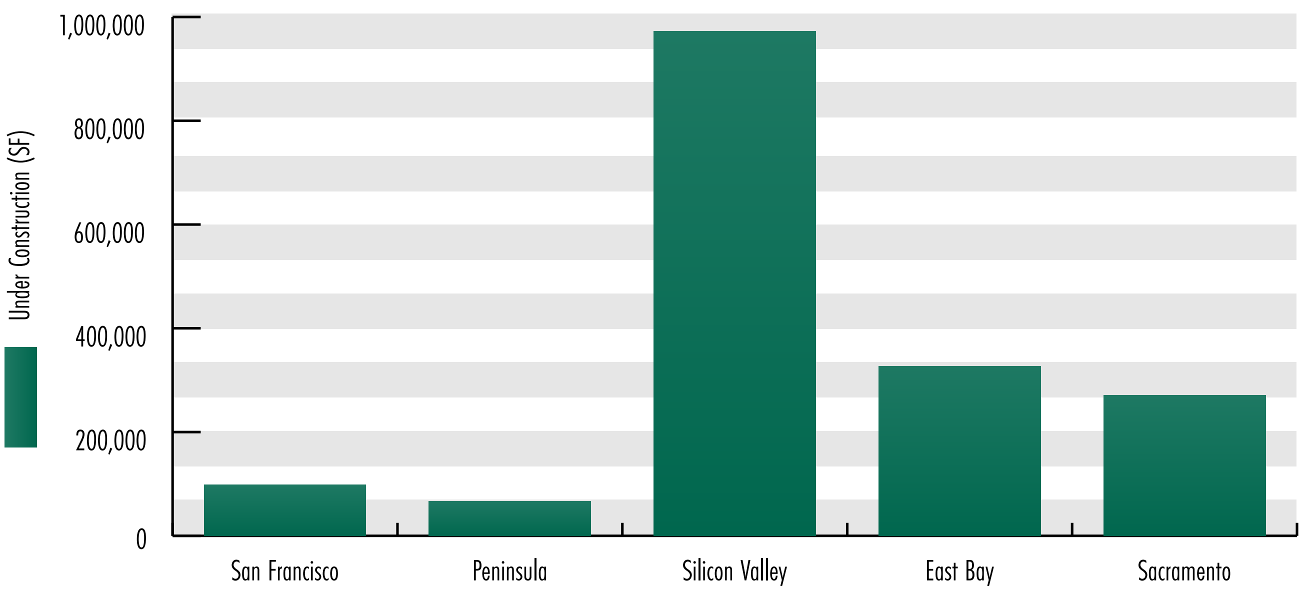
Northern California Retail Under Construction

1,735,355 SF

YTD Delivered Retail Product

343,200 SF

CONSTRUCTION OF PRODUCT | Total Square Feet by Region



Source: TRI Commercial, Costar

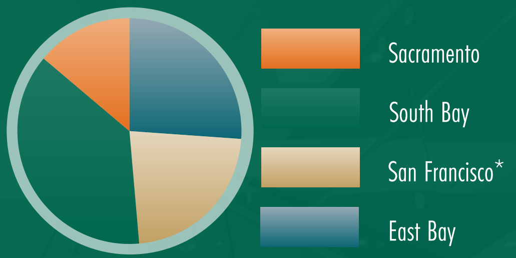
MAJOR PROJECTS | UNDER CONSTRUCTION

Property Name	Property Address	Region	Type	Size	Completion Date
Valley Fair	2855 Stevens Creek	San Jose	Regional Mall Expansion	415,000	June 2018
100 Stockton	100 Stockton Street	San Francisco	Retail	263,640	July 2020
Livermore Outlets	4705 Livermore Outlet Road	Livermore	Outlet Expansion	123,406	Oct 2019
Sienna Ridge	Sienna Ridge Drive	El Dorado Hills	Outlet Center	71,004	Nov 2019
Cinepolis	60 31st Avenue	San Mateo	Movie Theater	52138	Oct 2019

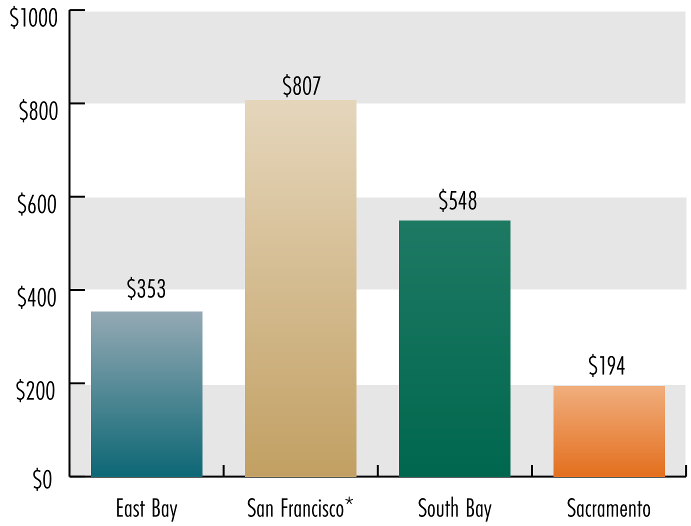
INVESTMENT

"In recent years landlords have responded well to headwinds by adapting to the changing needs, preferences in size and configuration."

SALES VOLUME | By Regional Share

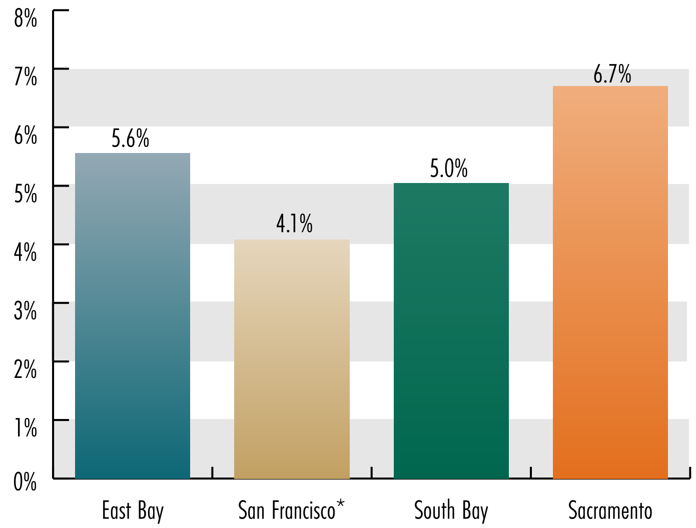


AVERAGE SALE PRICE | Per Square Foot



Source: TRI Commercial, RCA

AVERAGE CAP RATE | Regional Comparison



Source: TRI Commercial, RCA

**San Francisco also incorporates Peninsula data*

SALE TRANSACTIONS | NOTABLE OFFICE TRANSACTIONS

Property Address	Region	Buyer	Size	Sale Price	Price PSF	Sale Date
77 Bovet Road	Peninsula	Douglas Thaxton	92,813	$31,500,000	$339	April 2019
1663 Tully Road	South Bay	VQ2 Properties	43,790	$22,800,000	$521	May 2019
2410 San Ramon Valley	East Bay	Bonway Investments	69,000	$15,800,000	$229	June 2019
4201 Norwood Avenue	Sacramento	Sif Properties	88,815	$13,500,000	$152	May 2019
3650-3664 Sacramento Street	San Francisco	Alvin Baum	13,500	$10,600,000	$785	May 2019

STATISTICS BY SUBMARKET

Market/Submarket	Total Existing Space	Under Construction	YTD Construction	Direct Vacancy	Sublease Vacancy	Total Vacancy	Average Asking	QTR Net Absor.
San Francisco								
Union Square/Downtown	10,370,203	0	0	2.66%	0.02%	2.68%	$3.67	-65,349
San Francisco	8,434,502	98,330	22,982	6.86%	0.07%	6.93%	$3.38	53,032
TOTAL	**18,804,705**	**98,330**	**22,982**	**4.54%**	**0.04%**	**4.58%**	**$3.34**	**-12,317**
Peninsula								
North San Mateo County	10,926,966	6,203	5,286	1.34%	0.03%	1.37%	$3.19	35,506
Central San Mateo County	6,735,027	52,138	0	3.12%	0.14%	3.26%	$4.08	-23,682
South San Mateo County	6,495,947	8,444	30,000	1.71%	0.17%	1.88%	$3.45	-546
TOTAL	**24,157,940**	**66,785**	**35,286**	**1.94%**	**0.10%**	**2.04%**	**$3.57**	**11,278**
South Bay								
Campbell/Los Gatos	3,693,871	0	0	5.21%	0.11%	5.32%	$3.49	-7,797
Downtown San Jose	3,920,696	14,800	35,365	4.67%	0.01%	4.68%	$1.92	-35,172
Milpitas	4,831,994	75,000	6,015	2.88%	0.03%	2.92%	$2.61	6,742
Morgan Hill/Gilroy	6,597,428	17,000	27,319	4.96%	0.37%	5.33%	$1.92	-21,986
Mountain View/Los Altos	4,103,749	0	49,751	1.71%	0.09%	1.79%	$3.74	-3,958
North San Jose	4,091,764	10,600	10,500	2.52%	0.15%	2.67%	$2.99	1,147
Palo Alto	3,444,996	0	0	1.80%	0.46%	2.27%	$5.30	-20,199
Santa Clara	4,539,520	438,195	29,990	2.70%	0.01%	2.72%	$2.62	9,574
South San Jose	25,712,920	20,973	71,086	3.84%	0.26%	4.10%	$2.80	-34,070
Sunnyvale/Cupertino	7,364,455	395,600	25,476	2.65%	0.54%	3.19%	$3.29	-56,020
TOTAL	**68,301,393**	**972,168**	**255,502**	**3.49%**	**0.24%**	**3.73%**	**$3.07**	**-161,739**
East Bay								
North I-680	20,360,303	5,200	0	3.48%	0.12%	3.60%	$2.83	14,162
Tri Valley	13,401,811	132,206	116,189	3.56%	0.05%	3.62%	$2.56	-6,604
1-80/880	43,756,961	34,310	68,008	3.88%	0.14%	4.03%	$2.62	-129,300
East County	12,956,613	145,460	6,000	4.28%	0.46%	4.74%	$1.60	-46,857
Oakland	13,818,619	10,000	0	2.58%	1.21%	3.79%	$1.64	-43,436
TOTAL	**104,294,307**	**327,176**	**190,197**	**3.64%**	**0.31%**	**3.95%**	**$2.25**	**-212,035**

STATISTICS BY SUBMARKET

Market/Submarket	Total Existing Space	Under Construction	YTD Construction	Direct Vacancy	Sublease Vacancy	Total Vacancy	Average Asking	QTR Net Absor.
Sacramento								
Arden/Watt/Howe	10,305,565	0	64,540	7.88%	0.48%	8.36%	$1.27	-45,740
Auburn/Loomis	3,067,474	0	0	4.15%	0.27%	4.42%	$1.12	-9,575
Carmichael/Fair Oaks/Citrus H.	2,446,857	8,800	0	7.23%	0.00%	7.23%	$1.27	-45,257
Downtown/Midtown/East Sac	4,904,902	0	159,640	5.04%	0.16%	5.20%	$1.63	9,202
Davis	2,013,048	0	0	3.92%	1.23%	5.15%	$2.14	-19,366
Elk Grove	5,607,336	0	5,376	4.12%	0.31%	4.43%	$1.81	-5,860
Folsom/El Dorado	8,996,807	92,796	6,408	6.23%	0.01%	6.24%	$1.76	-29,163
Highway 50	4,953,664	0	0	9.10%	0.20%	9.30%	$1.23	-26,050
Natomas/Rio Linda/N Highlands	8,166,314	0	0	6.57%	0.00%	6.57%	$1.18	3,866
Roseville/Rocklin/Lincoln	13,729,502	147,800	0	5.14%	0.01%	5.15%	$1.62	-33,625
South & West Sacramento	14,182,701	15,000	0	5.04%	0.36%	5.39%	$1.13	67,948
Woodland	3,173,276	6,500	0	9.48%	0.00%	9.48%	$0.81	-99,035
TOTAL	**81,547,446**	**270,896**	**235,964**	**6.06%**	**0.21%**	**6.27%**	**$1.41**	**-232,655**
TOTAL	**297,105,791**	**1,735,355**	**739,931**	**4.19%**	**0.23%**	**4.42%**	**$2.73**	**-607,468**

Methodology: Statistics include all retail buildings over 5,000 square feet building size.

CONTACT INFO

SAN FRANCISCO
71 Stevenson Street, Suite 1450
San Francisco, CA 94111
Tel: (415) 268-2200

OAKLAND
1404 Franklin Street, Penthouse
Oakland, CA 94607
Tel: (510) 622-8466

WALNUT CREEK
1777 Oakland Boulevard, Suite 220
Walnut Creek, CA 94596
Tel: (925) 296-3300

SACRAMENTO
1515 River Park Drive, Suite 200
Sacramento, CA 95815
Tel: (916) 669-4500

ROSEVILLE
532 Gibson Drive, Suite 200
Roseville, CA 95678
Tel: (916) 677-8000

ROCKLIN
2209 Plaza Drive, Suite 100
Rocklin, CA 95765
Tel: (916) 960-5700

Report Prepared By:

Dina Simoni-Gouveia
Managing Director | Marketing & Research
dina.gouveia@tricommercial.com