

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 dropping 129 basis points to 6.51% throughout 2017. Among other positive trends to note, net absorption was just over 800,000 square feet at the close of the fourth quarter.

► **Vacancy Rates:** The vacancy rate has decreased to 6.51%, which remains amongst the lowest vacancy rates seen since 2008. The largest retail submarkets – Roseville/Rocklin, South Sacramento, and Arden/Watt/Howe – had vacancy rates of 4.43%, 7.11%, and 8.43%. Some of the lowest vacancy rates were seen in Auburn/Loomis and the Elk Grove submarkets with rates at 3.37% and 3.94%, respectively. The highest vacancy rates, however, were seen in the Yuba County and Orangevale/Citrus Heights submarkets at 22.07% and 10.18%.

► **Lease Rates:** At the close of the fourth quarter, the average asking triple net lease rate for the Sacramento retail market was \$1.47 per square foot, which is a \$0.12 increase from the previous quarter. Within the two largest submarkets – Roseville/Rocklin and South Sacramento – the average asking lease rates were \$1.35 and \$1.33 per square foot. Some of the highest average asking lease rates, however, were seen in the Lincoln and Folsom submarkets at \$2.16 and \$1.88 per square foot, respectively.

► **Sale & Lease Transactions:** Transaction activity at the close of the fourth quarter was just over 2.28 million square feet, which is a slight decrease from the previous quarter's figure of 2.53 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 806,258 square feet of positive net absorption. The South Sacramento submarket recorded the highest net absorption with a total of 281,407 square feet, and the Arden/Watt/Howe submarket recorded the second highest net absorption at 175,726 square feet. Alternatively, the Carmichael submarket recorded a negative net absorption of 16,048 square feet at the close of the fourth quarter.

► **Development:** The Sacramento retail market delivered 253,434 square feet of new retail space during the fourth quarter of 2017. Among the largest of those projects was a 189,543 square foot Walmart Supercenter in the South Sacramento submarket, which was delivered December 2017. There is currently just over 340,000 square feet of retail space under construction. The largest project under construction is a 166,000 square foot retail power center for RC Willey in the South Sacramento submarket expected to be delivered January 2018. Currently, there are 10.18 million square feet of proposed retail space for the Sacramento Region.

► **Fourth Quarter Review:** Overall, the vacancy rate has decreased by almost 17% in comparison to one year ago while net absorption reached 806,258 square feet, which is the highest quarterly absorption figure seen in the last two years. According to the most recent Sacramento employment figures, the unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 3.7% in November of 2017.

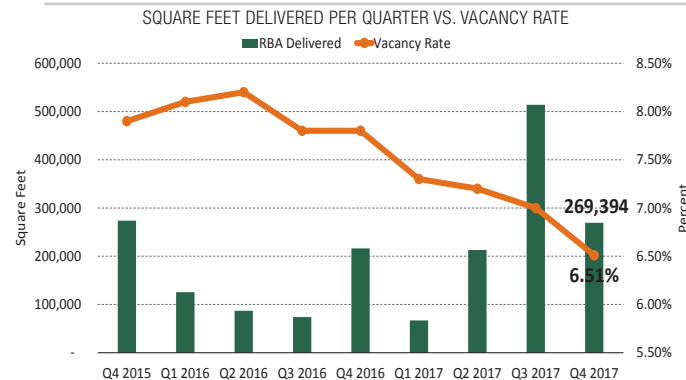
SACRAMENTO RETAIL TRENDS | FOURTH QUARTER 2017

ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

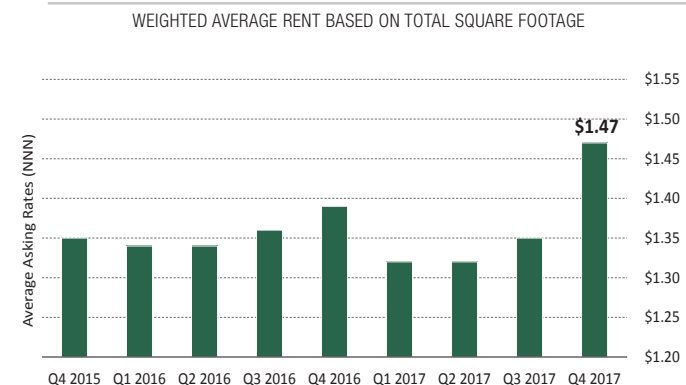
MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
				
	Q ⁴ 2017 Q ³ 2017			
	6.51%	\$1.47	806,258	2,284,114
	7.00%	\$1.35	708,034	2,535,625

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

NEW DELIVERIES VS. VACANCY RATE

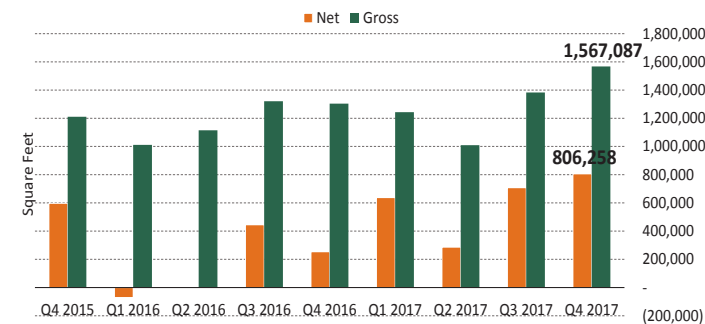


AVERAGE ASKING RATES



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 Q4 2017

Property Address	Submarket	Tenant	Landlord	Date Lease Signed	Sq. Ft. Leased
2310-2450 Watt Ave. (Regional Mall)	Arden/Watt/Howe	Rebounderz	EDM Realty Corp.	October 31, 2017	40,603
2735 Marconi Ave. (Community Center)	Arden/Watt/Howe	Sprouts	DS Town & Country, LLC	December 5, 2017	35,515
8501 Auburn Blvd. (Neighborhood Center)	Orangevale/Citrus Heights	Big Lots	Sue Pebley Management, LP	December 1, 2017	34,300
4717 Madison Ave. (Freestanding)	Rio Linda/North Highlands	Undisclosed	Zarko Danilov	December 18, 2017	19,890
4660 Mack Rd. (Outlet Center)	South Sacramento	Fresenius Medical Care	Mack Properties Development, LLC	October 4, 2017	11,103

SALE TRANSACTIONS | NOTABLE RETAIL SALES FOR Q4 2017

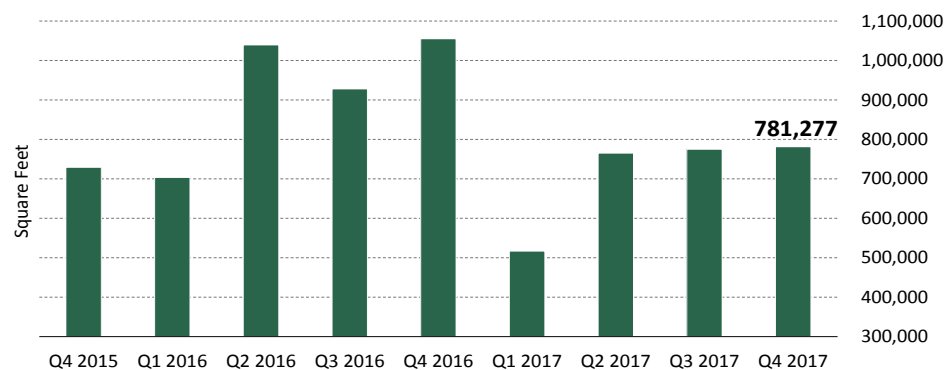
Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
8816-8898 Madison Ave. (9 Properties)	Carmichael	NMC Madison Marketplace, LLC	Realty Associates Fund VIII, LP	258,981	\$46,650,000
8785 Center Parkway (5 Properties)	South Sacramento	Laguna Village Investors, LLC	Castlerock II, LP	120,893	\$32,500,000
51 Lincoln Blvd. (4 Properties) ***	Lincoln	SyWest Development	Undisclosed	255,772	\$21,600,000
7847-7889 Lichen Drive (7 Properties)	Orangevale/Citrus Heights	Summerhills Plaza, LLC	WRI Golden State, LLC	118,579	\$13,525,000
384 N Sunrise Ave.	Roseville/Rocklin	TriRivers, LLC	Roseville Centre Point, LLC	116,058	\$12,793,500

MARKET SNAPSHOT

Q⁴ 2017 **Q⁴ 2016** % Change vs. Q4 2016

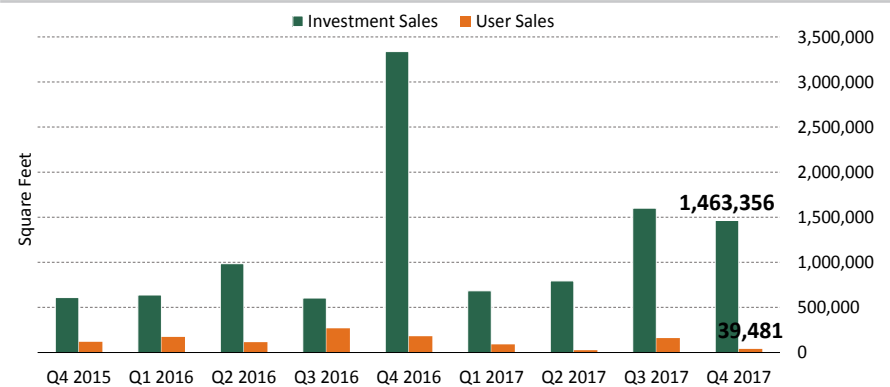
Vacancy Rate	6.51%	7.80%	-16.54%
Availability Rate	8.02%	9.00%	-10.89%
Avg. Asking Lease Rate	\$1.47	\$1.39	5.76%
Gross Absorption	1,567,087	1,303,784	20.20%
Net Absorption	806,258	253,650	(N/A)

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



*** TRI Commercial Transaction ***

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 2017	Occupied Square Feet	Occupancy Rate Q4 2017	Available Square Feet	Availability Rate Q4 2017	Net Absorption Q4 2017	YTD Net Absorption	Gross Absorption Q4 2017	YTD Gross Absorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Arden/Watt/Howe	978	11,470,635	967,031	8.43%	10,503,604	91.57%	990,434	8.63%	175,726	339,126	273,966	709,981	0	214,068	\$1.22
Auburn/Loomis	377	3,543,493	119,249	3.37%	3,424,244	96.63%	177,499	5.01%	(1,965)	41,709	17,018	113,242	0	487,344	\$1.59
Carmichael	299	2,851,564	220,470	7.73%	2,631,094	92.27%	326,014	11.43%	(16,048)	20,249	18,435	114,138	0	38,870	\$1.21
Davis	198	2,229,786	89,841	4.03%	2,139,945	95.97%	134,133	6.02%	1,046	(23,722)	7,591	50,199	0	113,225	\$1.54
Downtown/Midtown/E Sac	847	6,020,452	250,660	4.16%	5,769,792	95.84%	350,473	5.82%	17,300	78,690	33,613	137,804	90,633	1,489,654	\$1.35
El Dorado	364	4,123,732	211,674	5.13%	3,912,058	94.87%	308,188	7.47%	3,963	6,040	15,563	120,063	0	577,149	\$1.80
Elk Grove	356	5,765,037	227,014	3.94%	5,538,023	96.06%	269,568	4.68%	10,863	37,714	27,937	128,695	0	2,166,762	\$1.74
Folsom	310	5,906,842	326,700	5.53%	5,580,142	94.47%	386,374	6.54%	(6,751)	111,348	153,001	379,159	10,072	104,814	\$1.88
Highway 50 Corridor	373	5,481,932	512,926	9.36%	4,969,006	90.64%	656,636	11.98%	31,763	385,831	100,388	535,128	7,653	788,075	\$1.10
Lincoln	170	1,797,197	89,993	5.01%	1,707,204	94.99%	98,796	5.50%	(6,220)	(17,611)	3,700	38,143	0	189,919	\$2.16
Natomas	265	3,856,417	239,908	6.22%	3,616,509	93.78%	344,435	8.93%	(4,214)	71,450	14,724	135,500	0	293,500	\$1.47
Orangevale/Citrus Heights	576	8,115,858	825,910	10.18%	7,290,839	89.83%	951,277	11.72%	49,412	120,086	82,187	369,666	0	252,136	\$1.36
Outer El Dorado County	325	2,681,300	104,328	3.89%	2,576,972	96.11%	159,142	5.94%	(3,421)	12,771	13,599	80,664	0	7,604	\$2.41
Outer Placer County	182	1,386,713	38,412	2.77%	1,348,301	97.23%	56,805	4.10%	(4,817)	(9,769)	2,359	23,295	0	0	\$1.25
Outer Sacramento County	146	1,431,356	25,900	1.81%	1,405,456	98.19%	66,056	4.61%	1,777	11,754	11,950	36,177	0	149,800	\$1.61
Outer Sutter County	354	4,396,153	222,641	5.06%	4,173,512	94.94%	220,446	5.01%	93,087	138,216	103,229	230,390	0	287,530	\$4.09
Outer Yolo County	59	365,037	0	0.00%	365,037	100.00%	7,850	2.15%	0	0	0	0	0	46,920	-
Rio Linda/N Highlands	434	5,281,262	445,715	8.44%	4,835,547	91.56%	538,132	10.19%	37,921	70,641	57,275	161,197	0	274,746	\$1.09
Roseville/Rocklin	916	14,879,641	659,276	4.43%	14,220,365	95.57%	916,982	6.16%	150,153	327,509	251,839	697,766	0	740,992	\$1.35
South Sacramento	1,178	13,416,839	953,679	7.11%	12,463,160	92.89%	1,207,957	9.00%	281,407	632,127	335,973	922,464	240,744	745,109	\$1.33
West Sacramento	186	2,379,184	81,775	3.44%	2,297,409	96.56%	122,426	5.15%	6,985	8,861	16,341	50,082	0	20,000	\$1.08
Woodland	271	3,565,003	224,890	6.31%	3,340,113	93.69%	237,119	6.65%	(1,098)	47,659	11,858	133,812	800	194,093	\$1.00
Yuba County	254	2,464,660	543,923	22.07%	1,920,737	77.93%	568,584	23.07%	(10,611)	29,413	14,541	91,993	0	999,972	\$0.84
Retail Market Totals	9,418	113,410,093	7,381,915	6.51%	106,029,069	93.49%	9,095,326	8.02%	806,258	2,440,092	1,567,087	5,259,558	349,902	10,182,282	\$1.47

Average asking rates represented are triple net.

NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:



MAP IS NOT TO SCALE

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