

MARKET OVERVIEW

► **Retail Market:** The Sacramento retail market fared well at the close of the first quarter as transaction activity has remained strong. Vacancy rates slightly increased during the first quarter of the year, but among other positive trends to note, net absorption has remained positive for nine consecutive quarters.

► **Vacancy Rates:** The vacancy rate increased to 6.71%, but still 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 5.22%, 6.88%, and 9.42%. Some of the lowest vacancy rates were seen in Auburn/Loomis and the Elk Grove submarkets with rates at 3.86% and 3.62%, respectively. The highest vacancy rates, however, were seen in the Yuba County and Orangevale/Citrus Heights submarkets at 22.16% and 10.15%, respectively.

► **Lease Rates:** At the close of the first quarter, the average asking triple net lease rate for the Sacramento retail market was \$1.43 per square foot, which is a \$0.04 decrease from the previous quarter. Within the two largest submarkets – Roseville/Rocklin and South Sacramento – the average asking lease rates were \$1.43 and \$1.33 per square foot. Some of the highest average asking lease rates, however, were seen in the Outer El Dorado and Lincoln submarkets at \$2.55 and \$2.01 per square foot, respectively.

► **Sale & Lease Transactions:** Transaction activity at the close of the first quarter was just over 1.81 million square feet, which is a slight increase from the previous quarter's figure of 1.64 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 retail market ended the fourth quarter with 127,909 square feet of positive net absorption. The South Sacramento submarket recorded the highest net absorption with a total of 255,891 square feet. Alternatively, the Arden/Watt/Howe submarket recorded a negative net absorption of 112,156 square feet at the close of the first quarter.

► **Development:** The Sacramento retail market delivered 299,439 square feet of new retail space during the first quarter of 2018. Among the largest of those projects was a 166,000 square foot retail building for RC Willey Home Furnishings in the South Sacramento submarket, which was delivered February 2018. There is currently just over 172,000 square feet of retail space under construction. The largest project under construction is an 87,640 square foot lifestyle center for Downtown Commons expected to be delivered July 2018. Currently, there are 9.24 million square feet of proposed retail space for the Sacramento Region.

► **First Quarter Review:** Overall, the vacancy rate has decreased by almost 4.14% in comparison to one year ago while lease rates have increased 8.33% in comparison to one year ago. 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.

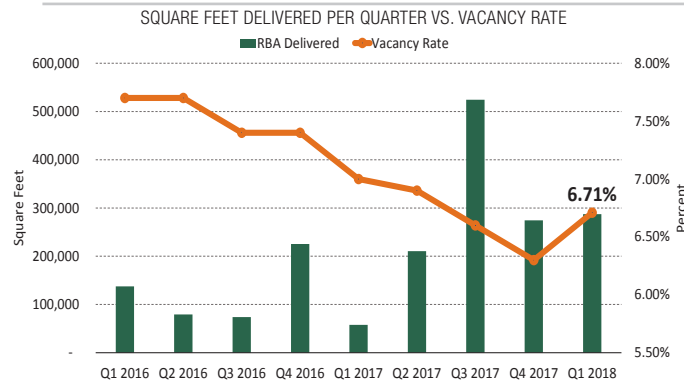
SACRAMENTO RETAIL TRENDS | FIRST QUARTER 2018

ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

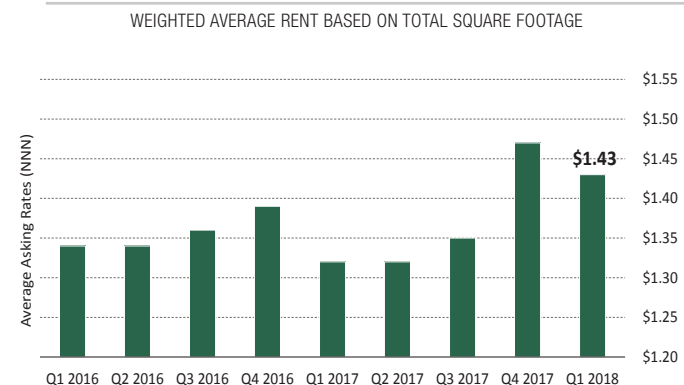
MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
				
	Q ¹ 2018 Q ⁴ 2017			
	6.71%	\$1.43	127,909	1,817,810
	6.30%	\$1.47	623,918	1,644,604

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

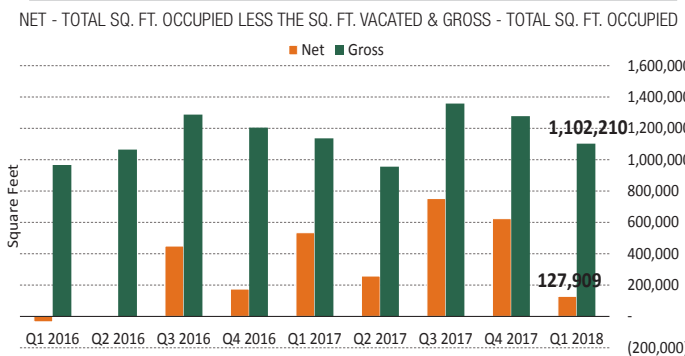
NEW DELIVERIES VS. VACANCY RATE



AVERAGE ASKING RATES



NET & GROSS ABSORPTION



NOTEWORTHY TRANSACTIONS

LEASE TRANSACTIONS | NOTABLE RETAIL LEASES SIGNED FOR Q1 2018

Property Address	Submarket	Tenant	Landlord	Date Lease Signed	Sq. Ft. Leased
8501 Auburn Blvd.	Orangevale/Citrus Heights	Studio Movie Grill	Red Mountain Retail Group, Inc.	January 15, 2018	50,000
5905-6015 Pacific Street	Roseville/Rocklin	Roseville Motorsports	Ethan Conrad Properties	March 19, 2018	34,303
8835-8893 Greenback Lane	Orangevale/Citrus Heights	Grocery Outlet Bargain Outlet	U.S. Realty Partners, Inc.	January 25, 2018	18,270
5905-6015 Pacific Street	Roseville/Rocklin	The Good Life Dog Care	Ethan Conrad Properties	March 22, 2018	8,492
705 Gold Lake Drive	Folsom	Folsom State Slickers	Lue & Lam Family Trust	March 21, 2018	8,000

SALE TRANSACTIONS | NOTABLE RETAIL SALES FOR Q1 2018

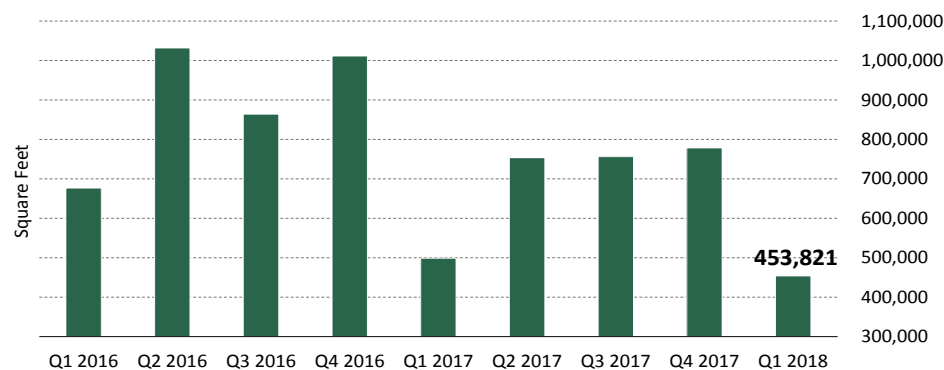
Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
3308-3350 Arden Way	Arden/Watt/Howe	The Realty Associates Fund XI Portfolio, LP	Arden Way, LLC	137,714	\$25,000,000
2505 W Taron Ct. (9 Properties)	Elk Grove	West Taron Holdings, LP	Ethan Conrad	59,106	\$12,650,000
3171 Truxel Rd. (3 Properties)	Natomas	San Juan Sacramento, LLC	Westcore Croydon, LP	64,991	\$9,580,000
905 E Bidwell	Folsom	VR Folsom I, LLC	KTJ 287, LLC	39,400	\$9,250,000
6498 Pony Express Trl	Outer El Dorado	American Eagle Investments, LLC	CF Albert Propco, LLC	42,870	\$8,947,000

MARKET SNAPSHOT

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

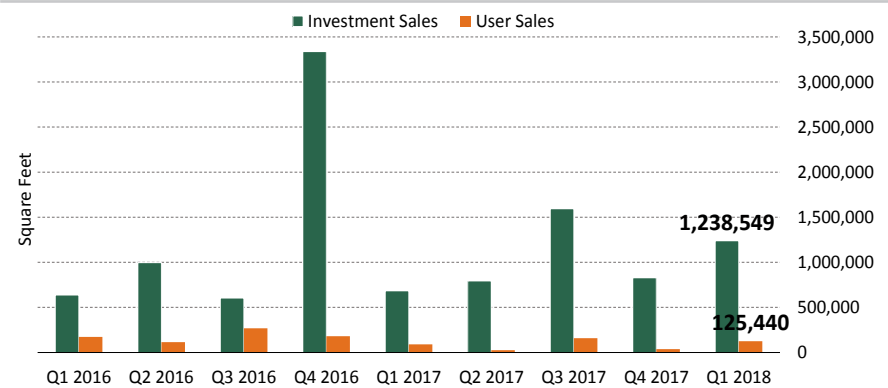
Vacancy Rate	6.71%	7.00%	-4.14%
Availability Rate	8.41%	8.30%	1.33%
Avg. Asking Lease Rate	\$1.43	\$1.32	8.33%
Gross Absorption	1,102,210	1,277,592	-13.73%
Net Absorption	127,909	623,918	(N/A)

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



*** TRI Commercial Transaction ***

SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER

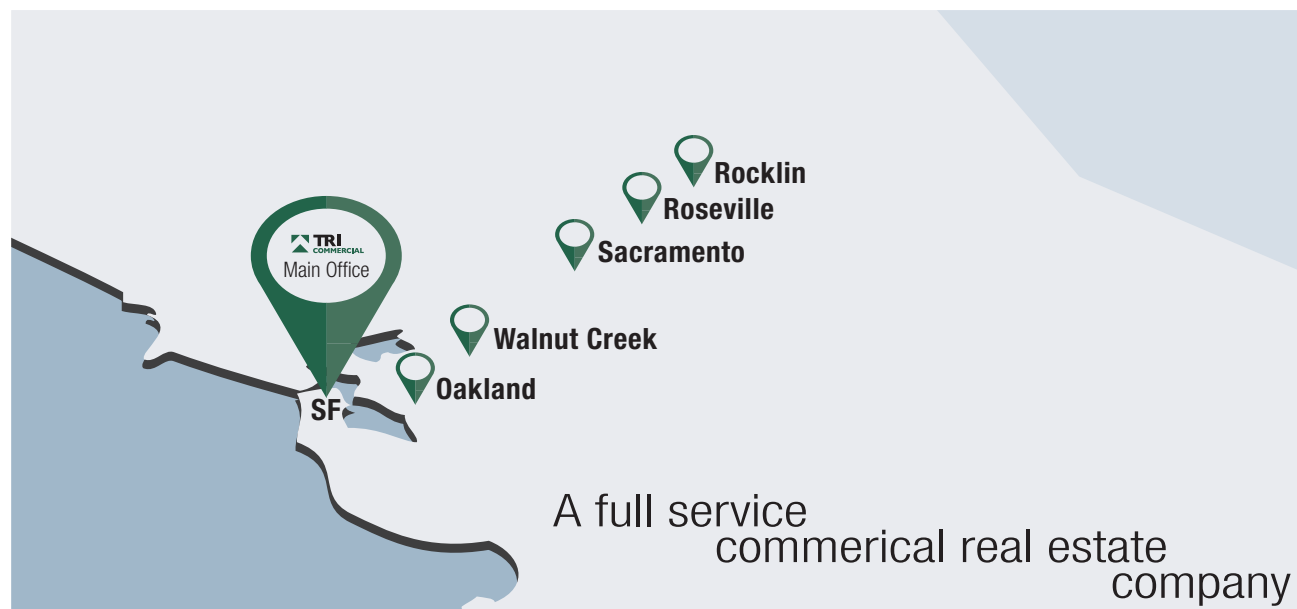


TRI COMMERCIAL | SACRAMENTO RETAIL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate 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 Abosorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Arden/Watt/Howe	980	11,452,383	1,078,728	9.42%	10,373,655	90.58%	1,141,865	9.97%	(112,156)	(112,156)	135,494	135,494	10,000	214,308	\$1.26
Auburn/Loomis	377	3,545,257	136,675	3.86%	3,408,582	96.14%	194,641	5.49%	(17,426)	(17,426)	22,835	22,835	21,000	446,544	\$1.38
Carmichael	312	2,853,096	206,397	7.23%	2,646,699	92.77%	301,408	10.56%	15,073	15,073	23,583	23,583	0	47,670	\$1.29
Davis	198	2,229,786	85,895	3.85%	2,143,891	96.15%	148,879	6.68%	3,946	3,946	18,400	18,400	0	96,800	\$1.71
Downtown/Midtown/E Sac	849	6,028,437	263,423	4.37%	5,765,014	95.63%	404,147	6.70%	(11,263)	(11,263)	52,436	52,436	94,667	1,471,927	\$1.30
El Dorado	369	4,132,088	216,865	5.25%	3,915,223	94.75%	293,248	7.10%	(5,191)	(5,191)	34,408	34,408	0	577,149	\$1.81
Elk Grove	356	5,764,937	208,799	3.62%	5,556,138	96.38%	245,106	4.25%	18,215	18,215	28,316	28,316	0	2,256,762	\$1.79
Folsom	332	5,976,092	337,437	5.65%	5,638,655	94.35%	389,989	6.53%	(6,435)	(6,435)	27,668	27,668	15,072	91,170	\$1.90
Highway 50 Corridor	373	5,487,384	506,005	9.22%	4,981,379	90.78%	654,148	11.92%	6,921	6,921	21,879	21,879	7,653	788,075	\$1.28
Lincoln	171	1,814,477	89,493	4.93%	1,730,984	95.40%	86,723	4.78%	11,115	11,115	18,875	18,875	0	292,219	\$2.01
Natomas	266	3,885,713	292,576	7.53%	3,593,137	92.47%	387,102	9.96%	(23,372)	(23,372)	41,186	41,186	0	293,500	\$1.49
Orangevale/Citrus Heights	581	8,132,514	825,579	10.15%	7,306,935	89.85%	1,070,971	13.17%	5,590	5,590	70,772	70,772	11,000	237,756	\$1.39
Outer El Dorado County	326	2,691,949	102,327	3.80%	2,589,622	96.20%	169,839	6.31%	2,001	2,001	13,091	13,091	0	0	\$2.55
Outer Placer County	183	1,388,432	22,865	1.65%	1,365,567	98.35%	39,300	2.83%	15,547	15,547	16,747	16,747	0	0	\$1.25
Outer Sacramento County	146	1,434,788	18,912	1.32%	1,415,876	98.68%	45,919	3.20%	6,988	6,988	9,588	9,588	0	161,400	\$1.56
Outer Sutter County	358	4,425,374	213,547	4.83%	4,211,827	95.17%	228,379	5.16%	9,094	9,094	32,870	32,870	0	0	\$1.83
Outer Yolo County	59	365,037	0	0.00%	365,037	100.00%	1,250	0.34%	0	0	0	0	0	46,920	\$1.28
Rio Linda/N Highlands	435	5,276,006	410,906	7.79%	4,865,100	92.21%	520,204	9.86%	37,049	37,049	65,629	65,629	0	265,696	\$1.18
Roseville/Rocklin	917	14,877,418	777,315	5.22%	14,100,103	94.78%	1,055,311	7.09%	(33,539)	(33,539)	76,117	76,117	0	778,060	\$1.43
South Sacramento	1,182	13,663,405	940,416	6.88%	12,722,989	93.12%	1,249,574	9.15%	255,891	255,891	355,152	355,152	12,000	966,624	\$1.33
West Sacramento	184	2,376,391	141,069	5.94%	2,235,322	94.06%	158,482	6.67%	(58,507)	(58,507)	9,172	9,172	0	20,000	\$1.23
Woodland	271	3,564,805	215,658	6.05%	3,349,147	93.95%	242,419	6.80%	9,232	9,232	9,232	9,232	800	186,593	\$1.00
Yuba County	255	2,472,111	547,787	22.16%	1,924,324	77.84%	541,037	21.89%	(864)	(864)	18,760	18,760	0	0	\$0.93
Retail Market Totals	9,480	113,837,880	7,638,674	6.71%	106,205,206	93.30%	9,569,941	8.41%	127,909	127,909	1,102,210	1,102,210	172,192	9,239,173	\$1.43

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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