TRI COMMERCIAL
REAL ESTATE SERVICES

SACRAMENTO OFFICE

Q3 2018 | COMMERCIAL REAL ESTATE MARKET TRENDS

MARKET OVERVIEW

▶Office Market: The Sacramento office market fared well during the third quarter of 2018 as vacancy rates have further decreased ending the quarter at 10.19%. At the close of the third quarter, average asking lease rates were at a $1.98/SF, which is unchanged from the previous quarter's average. In brief, the trend shows continually decreasing vacancy rates with steady lease rates.

▶Vacancy Rates: In comparison to the previous year, the vacancy rate has decreased by 71 basis points to 10.19%, 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%, 12.00% and 9.55%, respectively. Alternatively, the highest vacancy rates were seen in the Rio Linda/N Highlands and Howe Ave./Fulton Ave. submarkets at 27.08% and 20.29%.

▶Lease Rates: At the close of the third quarter, the average asking full service lease rate for the Sacramento office market was $1.98/SF, which remained unchanged from the previous quarter's figure. Some of the highest lease rates were seen in the Downtown, East Sacramento, and Elk Grove submarkets at $2.72, $2.80 and $2.62 per square foot, respectively. Alternatively, the lowest lease rates were seen in the Citrus Heights/Orangevale and Rio Linda/N Highlands submarkets with rates at $1.39 and $1.10 per square foot, respectively.

▶Sale & Lease Transactions: Transaction activity at the close of the third quarter was just over 2.05 million square feet, which is a slight decrease from the previous quarter's figure of 2.27 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 third quarter with positive net absorption of 127,554 square feet. The El Dorado and Highway 50 Corridor submarkets had the highest positive net absorption figures at 94,527 and 66,182 square feet, respectively. Alternatively, the Point West and Roseville/Rocklin submarkets had the highest negative net absorption at 60,305 and 53,246 square feet.

▶Development: Currently, there are 950,000 square feet of office space under construction in the Sacramento Region. The largest of those projects is a 360,000 square foot, Class A office building for CA Department of General Services in the Downtown submarket, expected to be delivered in February 2022. The second largest office project under construction is a 242,000 square foot, Class B medical office building for Adventist Health, expected to be delivered in January 2019. Of the ten office buildings currently under construction, three of them are located in the Roseville/Rocklin submarket. Currently, there are 8.25 million square feet of proposed space with the majority proposed for the Natomas/Northgate submarket.

▶Third Quarter Review: Overall, the vacancy rate has decreased by 6.51% in comparison to one year ago and the average asking lease rate of $1.98 per square foot has increased by 5.88% over course of a year. According to the most recent Sacramento employment figures, the unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 3.8% in August of 2018.

SACRAMENTO OFFICE TRENDS | THIRD QUARTER 2018

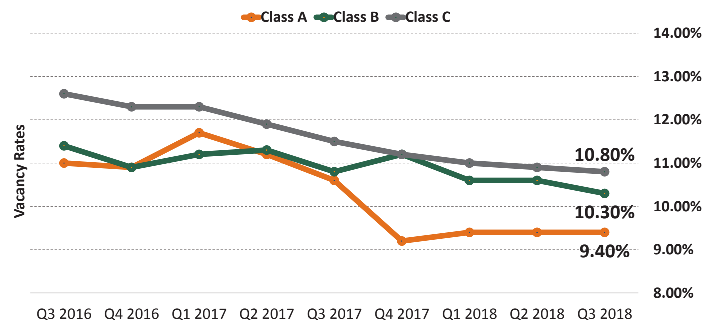
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (FS)	Net Absorption	Transaction Activity
Q3 2018	10.19%	$1.98	127,554	2,053,411
Q2 2018	10.30%	$1.98	173,314	2,277,542

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

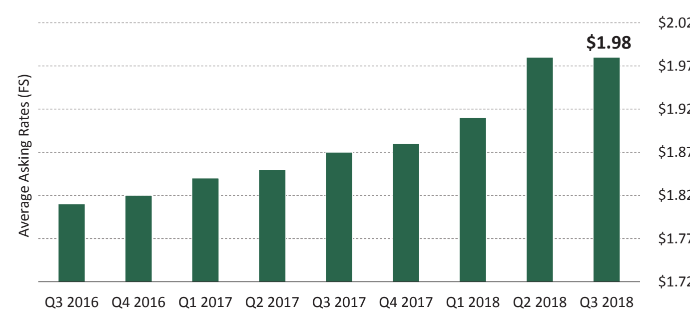
VACANCY RATES BY CLASS

ALL SPACE NOT CURRENTLY OCCUPIED



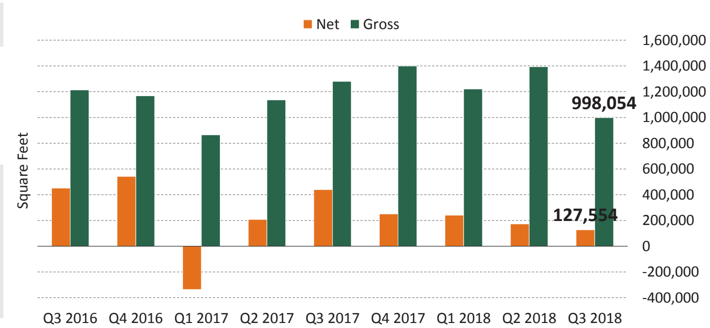
AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



NET & GROSS ABSORPTION

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



NOTEWORTHY TRANSACTIONS

LEASE TRANSACTIONS I NOTABLE OFFICE LEASES SIGNED Q3 2018

Property Address	Submarket	Tenant	Owner	Date Lease Signed	Sq. Ft. Leased
1620 E Roseville Pkwy	Roseville/Rocklin	UC Davis Health	Parkway Plaza CW, LLC	July 13, 2018	41,853
3785 Placer Corporate Drive	Roseville/Rocklin	Undisclosed	St. Matthew Lutheran Church	September 17, 2018	36,761
2750 Gateway Oaks Drive	South Natomas	CA Dept of Food and AG	Gateway Oaks, LLC	July 26, 2018	21,622
9719 Lincoln Village Drive	Highway 50 Corridor	FSM Ministries	Ezra Holding, LLC	August 3, 2018	11,278
2999 Douglas Blvd.	Roseville/Rocklin	Corvel Healthcare	WL-BPG Douglas Partners, LLC	August 1, 2018	10,645

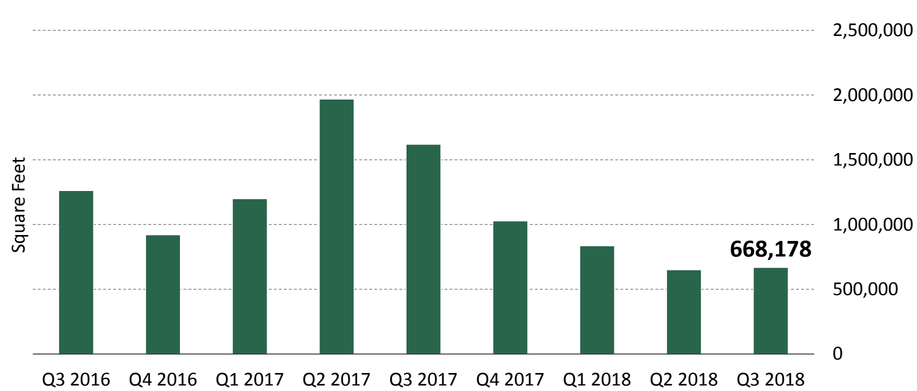
SALE TRANSACTIONS I NOTABLE OFFICE SALES FOR Q3 2018

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
3721 Douglas Blvd. (2 Properties)	Roseville/Rocklin	Summit Associates, LLC	BEP Roseville Investors, LLC	187,037	$44,500,000
1610 Arden Way (3 Properties)	Point West	Basin Street Properties	Hines	345,966	$44,500,000
1750 Creekside Oaks Dr. (3 Properties)	South Natomas	Seagate Properties	ROCP, LLC	177,113	$32,200,000
1107 Investment Blvd. (2 Properties)	El Dorado	School of Urban Missions	CSS Properties, LLC	134,600	$17,800,000
6403 Coyle Ave.	Citrus Heights/ Orangevale	Dignity Health	Coyle Medical Building, LLC	31,121	$7,775,000

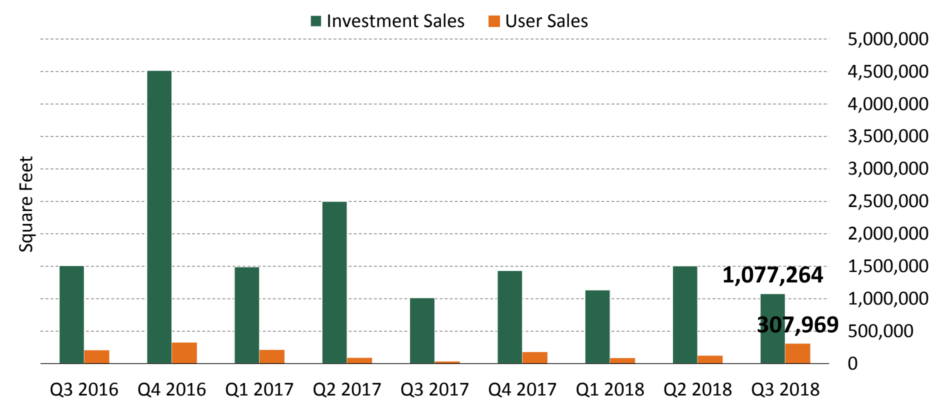
MARKET SNAPSHOT

	Q3 2018	Q3 2017	% Change vs. Q3 2017
Vacancy Rate	10.19%	10.90%	-6.51%
Availability Rate	13.58%	13.40%	1.31%
Avg. Asking Lease Rate	$1.98	$1.87	5.88%
Gross Absorption	998,054	1,280,076	-22.03%
Net Absorption	127,554	439,467	(N/A)

LEASE TRANSACTIONS I AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS I 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 Q3 2018	Occupied Square Feet	Occupancy Rate Q3 2018	Available Square Feet	Availability Rate Q3 2018	Net Absorption Q3 2018	YTD Net Absorption	Gross Absorption Q3 2018	YTD Gross Abosorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Lincoln	65	1,374,711	59,686	4.34%	1,316,885	95.79%	90,640	6.59%	9,972	11,346	13,875	35,936	11,500	121,975	$1.91
Campus Commons	44	1,311,342	211,548	16.13%	1,099,794	83.87%	294,928	22.49%	1,609	7,757	26,359	83,841	0	72,000	$2.11
Carmichael/Fair Oaks	50	989,925	192,411	19.44%	797,514	80.56%	202,960	20.50%	(14,007)	(16,152)	9,913	25,744	0	0	$2.21
Citrus Heights/Orangevale	53	1,420,799	143,775	10.12%	1,277,024	89.88%	181,050	12.74%	(1,576)	(4,961)	16,493	59,362	68,000	15,000	$1.39
Davis/Woodland	82	2,052,539	101,047	4.92%	1,950,554	95.03%	132,632	6.46%	(3,469)	(9,698)	5,035	50,675	0	107,547	$2.42
Downtown	216	20,035,454	1,648,410	10.46%	18,391,509	91.79%	2,071,024	10.34%	43,374	97,820	151,194	683,906	360,000	838,000	$2.72
East Sacramento	38	2,507,634	101,335	4.04%	2,406,299	95.96%	106,226	4.24%	8,181	11,128	14,195	44,180	0	0	$2.80
El Dorado	72	1,663,775	238,780	14.35%	1,424,995	85.65%	281,878	16.94%	94,527	154,117	113,520	266,283	33,466	257,251	$1.95
Elk Grove	53	1,775,631	113,945	6.42%	1,661,998	93.60%	124,648	7.02%	7,564	6,708	22,096	47,780	0	392,273	$2.62
Folsom	99	4,775,837	267,091	5.59%	4,517,356	94.59%	398,822	8.35%	29,939	91,710	81,232	183,524	0	115,570	$2.01
Highway 50 Corridor	300	17,349,418	2,081,074	12.00%	15,268,679	88.01%	2,986,589	17.21%	66,182	161,353	217,000	728,814	0	903,340	$1.75
Howe Ave./Fulton Ave.	77	2,458,808	498,802	20.29%	1,960,006	79.71%	594,685	24.19%	(9,218)	(22,158)	9,541	162,840	0	0	$1.66
Midtown	99	3,786,365	344,320	9.09%	3,442,045	90.91%	467,032	12.33%	(9,461)	26,736	22,008	87,314	0	80,985	$2.35
Natomas/Northgate	59	2,888,694	443,196	15.34%	2,448,584	84.76%	500,322	17.32%	(5,528)	101,735	51,897	275,573	20,000	3,177,290	$1.65
Point West	51	2,737,017	419,019	15.31%	2,318,148	84.70%	510,678	18.66%	(60,305)	(7,334)	41,943	186,490	14,484	258,300	$1.94
Rio Linda/N Highlands	29	1,018,415	275,787	27.08%	742,628	72.92%	335,645	32.96%	25,759	(38,156)	25,759	59,346	0	8,425	$1.10
Roseville/Rocklin	274	10,853,898	1,036,782	9.55%	9,806,681	90.35%	1,678,062	15.46%	(53,246)	(92,693)	140,498	485,481	443,400	1,667,460	$2.04
South Sacramento	104	3,072,915	321,632	10.47%	2,751,283	89.53%	340,580	11.08%	(1,555)	54,204	13,770	82,637	0	87,395	$1.63
Sutter County	32	591,694	37,004	6.25%	554,690	93.75%	59,092	9.99%	(7,608)	(17,934)	1,150	5,958	0	0	-
Watt Ave.	50	2,398,201	228,109	9.51%	2,170,092	90.49%	257,576	10.74%	11,380	19,364	14,132	47,436	0	45,858	$1.59
West Sacramento	35	2,020,487	151,190	7.48%	1,869,297	92.52%	270,789	13.40%	440	(10,955)	6,444	27,921	0	110,000	$1.80
Yuba County	14	672,584	27,926	4.15%	644,658	95.85%	27,926	4.15%	(5,400)	18,859	0	24,259	0	0	-
Office Market Totals	**1,896**	**87,756,143**	**8,942,869**	**10.19%**	**78,820,719**	**89.82%**	**11,913,784**	**13.58%**	**127,554**	**542,796**	**998,054**	**3,655,300**	**950,850**	**8,258,669**	**$1.98**
Class A	175	24,852,139	2,361,451	9.50%	22,493,936	90.51%	2,983,363	12.00%	(16,499)	59,349	246,315	1,029,418	360,000	4,811,666	$2.29
Class B	946	41,548,480	4,268,772	10.27%	37,276,763	89.72%	6,161,166	14.83%	129,082	390,768	550,539	1,834,460	590,850	3,447,003	$1.85
Class C	775	21,355,524	2,312,646	10.83%	19,050,020	89.20%	2,769,255	12.97%	14,971	92,679	201,200	791,422	0	0	$1.69
Class Total	**1,896**	**87,756,143**	**8,942,869**	**10.19%**	**78,820,719**	**89.82%**	**11,913,784**	**13.58%**	**127,554**	**542,796**	**998,054**	**3,655,300**	**950,850**	**8,258,669**	**$1.98**

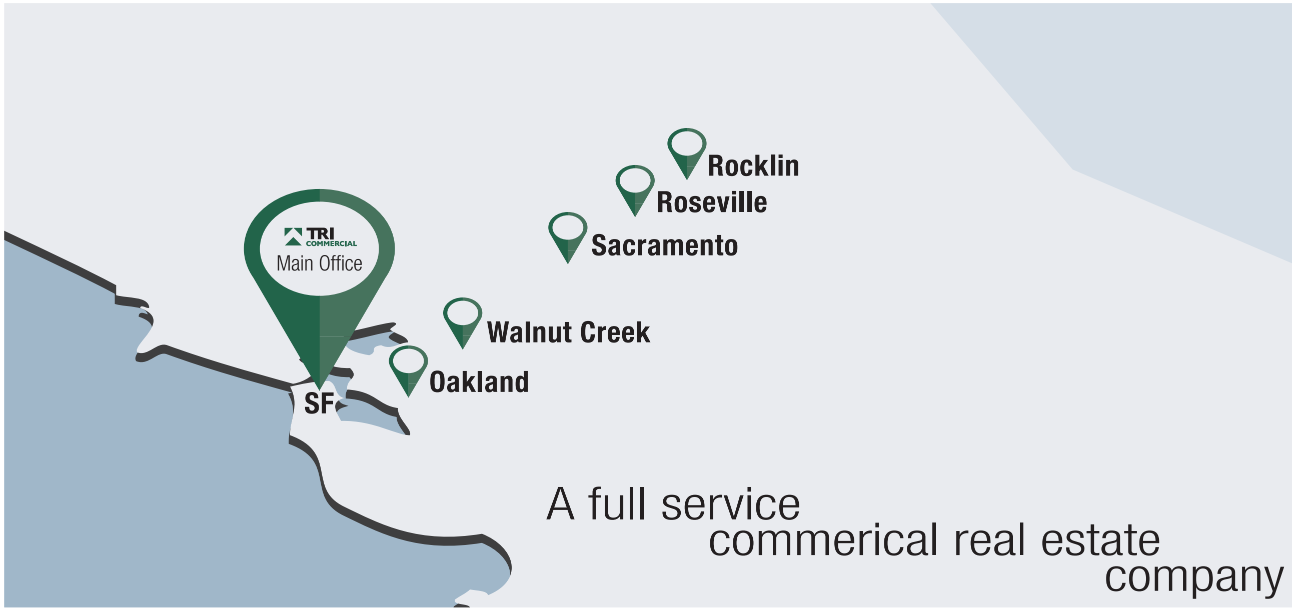
Average asking rates represented are full service.

TRI COMMERCIAL
REAL ESTATE SERVICES

SACRAMENTO OFFICE

To learn more about TRI Commercial and our real estate services, please visit:
www.tricommercial.com
BRE Lic. #00532032

NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:



MAP IS NOT TO SCALE

ABOUT TRI COMMERCIAL

Since 1977, we have consistently proven that we come to the table with real-time knowledge of the opportunities and challenges our clients face. Our value is providing the expertise to help you seize the opportunities, overcome the challenges and complete your transaction. Our agents truly value the relationship more than the transaction. As a full-service brokerage firm, TRI Commercial has an office specialist to match your specific needs. We provide complete tenant/landlord representation in leasing, as well as property acquisition and disposition services. We have a strong presence in San Francisco, Oakland, Walnut Creek, Sacramento and Roseville with direct access to every major office market in Northern California. Through our affiliation with CORFAC International, we also provide clients with national and international coverage. No matter what your requirements, you'll find a TRI agent who possesses the knowledge, expertise and commitment to fulfill all of your commercial real estate needs.

TRI CONTACT INFORMATION

San Francisco
100 Pine St., Suite 1000
San Francisco, CA 94111
Tel: (415) 268-2200 | Fax: (415) 268-2289

Oakland
1404 Franklin St., Penthouse
Oakland, CA 94607
Tel: (510) 622-8466 | Fax: (510) 336-8296

Walnut Creek
1777 Oakland Blvd., Suite 100
Walnut Creek, CA 94596
Tel: (925) 296-3300 | Fax: (925) 296-3399

Sacramento
1515 River Park Drive, Suite 200
Sacramento, CA 95815
Tel: (916) 669-4500 | Fax: (916) 669-4598

Roseville
532 Gibson Drive, Suite 200
Roseville, CA 95678
Tel: (916) 677-8000 | Fax: (916) 677-8199

Rocklin
2209 Plaza Drive, Suite 100
Rocklin, CA 95765
Tel: (916) 960-5700 | Fax: (916) 960-5799

Report Prepared By:
Bianca Cruz
bianca.cruz@tricommercial.com

Building Great Relationships Since 1977

CORFAC® International