TRI COMMERCIAL
REAL ESTATE SERVICES

SACRAMENTO RETAIL

Q3 2018 | COMMERCIAL REAL ESTATE MARKET TRENDS

MARKET OVERVIEW

▶Retail Market: The Sacramento retail market fared well at the close of the third quarter as transaction activity has remained strong. Vacancy rates increased during the third quarter of the year, but net absorption has remained positive for ten consecutive quarters.

▶Vacancy Rates: At the close of the third quarter, the vacancy rate was 6.64% and 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 5.81%, 6.29%, and 9.24%. Some of the lowest vacancy rates were seen in Lincoln and the Elk Grove submarkets with rates at 2.71% and 3.13%, respectively. The highest vacancy rates, however, were seen in the Yuba County and Orangevale/Citrus Heights submarkets at 20.57% and 12.53%, respectively.

▶Lease Rates: At the close of the third quarter, the average asking triple net lease rate for the Sacramento retail market was $1.41 per square foot, which is a $0.03 decrease from the previous quarter. Within the two largest submarkets – Roseville/Rocklin and South Sacramento – the average asking lease rates were $1.53 and $1.22 per square foot. Some of the highest average asking lease rates, however, were seen in the Outer El Dorado and El Dorado submarkets at $2.57 and $1.85 per square foot, respectively.

▶Sale & Lease Transactions: Transaction activity at the close of the third quarter was just over 1.61 million square feet, which is an increase from the previous quarter's figure of 1.26 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.

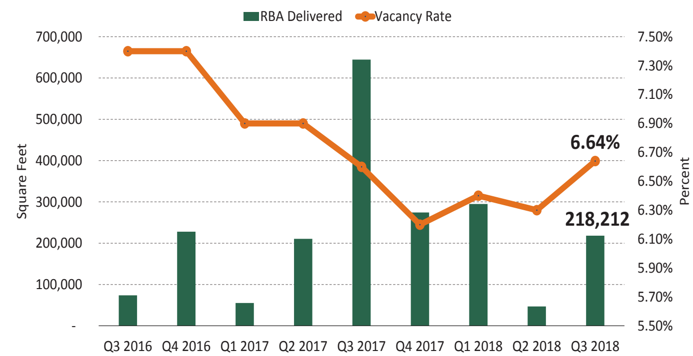
▶Absorption: The retail market ended the third quarter with 143,862 square feet of positive net absorption. The Elk Grove submarket recorded the highest net absorption with a total of 174,409 square feet. Alternatively, the Orangevale/Citrus Heights submarket recorded a negative net absorption of 139,094 square feet at the close of the third quarter.

▶Development: The Sacramento retail market delivered 218,212 square feet of new retail space during the third quarter of 2018. Among the largest of those projects was a 150,000 square foot retail building in Elk Grove for Costco, which was delivered September 2018. There is currently just over 430,000 square feet of retail space under construction. The largest project under construction is a 130,000 square foot center in Roseville for VillaSport expected to be delivered March 2019. Currently, there are 9.08 million square feet of proposed retail space for the Sacramento Region.

▶Third Quarter Review: Overall, the vacancy rate has decreased by 0.57% in comparison to one year ago while lease rates have increased 4.44% 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 3.8% in August of 2018.

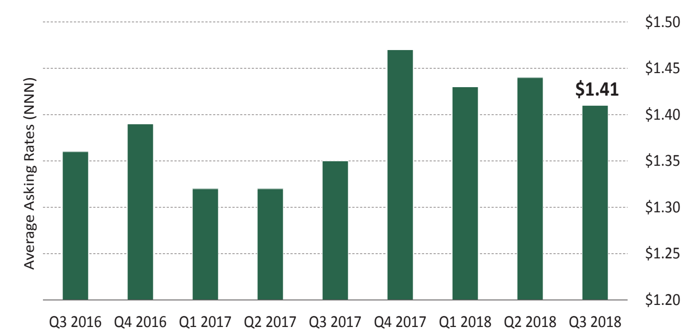
NEW DELIVERIES VS. VACANCY RATE

SQUARE FEET DELIVERED PER QUARTER VS. VACANCY RATE



AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



SACRAMENTO RETAIL TRENDS | THIRD QUARTER 2018

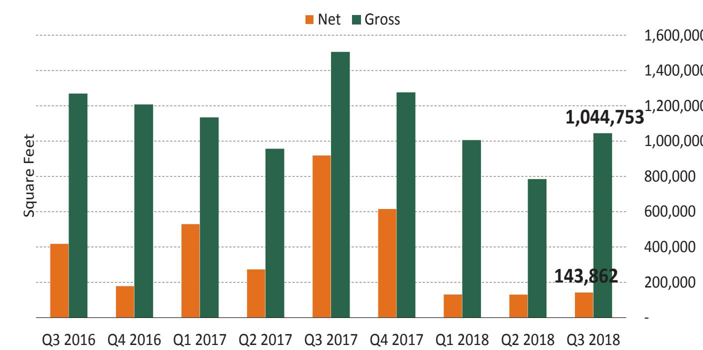
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
Q3 2018	6.64%	$1.41	143,862	1,615,804
Q2 2018	6.30%	$1.44	131,749	1,258,926

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

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 Q3 2018

Property Address	Submarket	Tenant	Landlord	Date Lease Signed	Sq. Ft. Leased
4804-4868 San Juan Ave	Carmichael	Planet Fitness	Kimco Realty Corporation	August 20, 2018	18,400
1600 W El Camino Ave	Natomas	Grocery Outlet	A A & Y A E Mohammad	August 1, 2018	15,019
2703-2717 El Camino Ave	Arden/Watt/Howe	Undisclosed	Sam Gordon Family, LP	August 1, 2018	13,500
350 Palldio Pkwy	Folsom	Forever 21	Elliot Homes, Inc.	July 18, 2018	11,449
511-513 Riverside Ave	Roseville/Rocklin	Undisclosed	Mohammad Mohanna	September 24, 2018	11,000

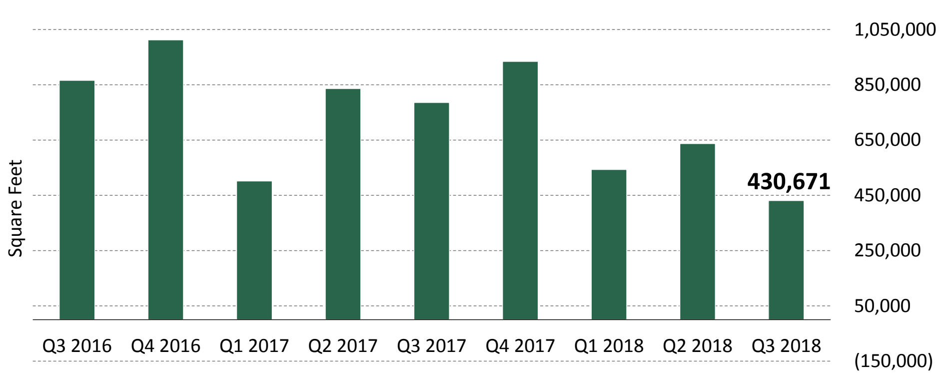
SALE TRANSACTIONS | NOTABLE RETAIL SALES FOR Q3 2018

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
9650 Bruceville Rd. (12 Properties)	Elk Grove	Elk Grove Owner, LP	Donahue Schriber, Inc.	241,926	$59,300,000
7815 N Lake Blvd.	Outer Placer County	AHM Properties, LLC	CF Albert Propco II, LLC	38,050	$18,425,000
1390 E Main Street	Woodland	El Tigre Holdings	Engstrom Properties	116,288	$18,045,000
1915 Douglas Blvd.	Roseville/Rocklin	1915 Douglas, LLC	Alioto Fish Co, Ltd	66,890	$9,900,000
2050 Club Center Dr. (5 Properties)	Natomas	Natomas Park Plaza, LLC	Natomas Retail Center, LLC	50,168	$9,373,963

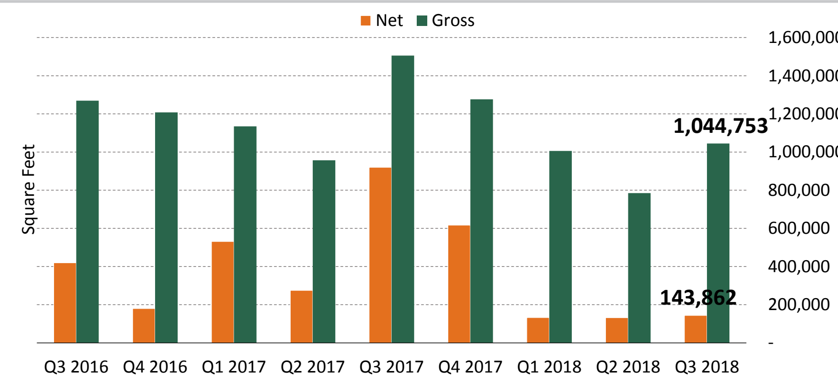
MARKET SNAPSHOT

	Q3 2018	Q3 2017	% Change vs. Q3 2017
Vacancy Rate	6.64%	6.60%	0.57%
Availability Rate	8.05%	8.00%	0.62%
Avg. Asking Lease Rate	$1.41	$1.35	4.44%
Gross Absorption	1,044,753	1,505,571	-30.61%
Net Absorption	143,862	920,111	(N/A)

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



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 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)
Arden/Watt/Howe	981	11,563,056	1,068,438	9.24%	10,533,399	91.10%	1,111,558	9.61%	105,153	(16,692)	167,247	347,509	22,628	206,579	$1.27
Auburn/Loomis	378	3,587,102	117,169	3.27%	3,469,933	96.73%	196,772	5.49%	11,944	35,005	29,507	115,307	0	446,544	$1.32
Carmichael	310	2,845,027	185,623	6.52%	2,658,204	93.43%	268,215	9.43%	5,507	34,647	43,761	87,186	0	47,670	$1.34
Davis	198	2,233,579	80,651	3.61%	2,152,928	96.39%	129,829	5.81%	437	9,190	8,660	35,354	0	96,800	$1.72
Downtown/Midtown/E Sac	850	6,083,223	226,676	3.73%	5,856,547	96.27%	331,094	5.44%	2,115	47,848	38,278	164,569	87,640	1,474,560	$1.45
El Dorado	370	4,135,148	240,357	5.81%	3,894,791	94.19%	324,127	7.84%	(15,367)	(28,683)	40,619	95,454	0	574,549	$1.85
Elk Grove	359	5,906,061	184,879	3.13%	5,721,182	96.87%	210,595	3.57%	174,409	207,145	194,615	251,278	5,374	2,089,077	$1.83
Folsom	333	5,992,496	334,605	5.58%	5,657,891	94.42%	348,780	5.82%	10,154	(6,148)	52,550	104,582	19,572	89,596	$1.69
Highway 50 Corridor	374	5,476,925	456,514	8.34%	5,034,609	91.92%	563,147	10.28%	26,800	38,860	51,394	117,609	0	788,075	$1.18
Lincoln	170	1,772,926	48,128	2.71%	1,724,798	97.29%	42,303	2.39%	12,320	26,480	21,118	57,419	0	230,349	$1.72
Natomas	266	3,873,440	216,858	5.60%	3,601,073	92.97%	285,773	7.38%	9,405	(3,163)	13,216	92,185	0	346,764	$1.40
Orangevale/Citrus Heights	580	8,231,228	1,031,229	12.53%	7,201,410	87.49%	1,249,796	15.18%	(139,094)	(186,949)	61,270	161,109	11,000	227,757	$1.40
Outer El Dorado County	328	2,739,051	101,253	3.70%	2,637,798	96.30%	132,758	4.85%	(9,783)	3,075	1,560	39,578	0	0	$2.57
Outer Placer County	183	1,378,837	19,255	1.40%	1,359,582	98.60%	21,092	1.53%	1,576	19,157	1,576	20,598	0	26,000	$1.09
Outer Sacramento County	147	1,230,794	29,985	2.44%	1,200,809	97.56%	49,692	4.04%	1,827	(3,585)	4,827	15,815	0	161,400	$1.25
Outer Sutter County	364	4,446,166	278,438	6.26%	4,166,225	93.70%	251,941	5.67%	(51,848)	(56,300)	9,656	54,067	0	0	$1.77
Outer Yolo County	60	377,037	0	0.00%	377,037	100.00%	0	0.00%	0	0	0	1,000	0	46,920	-
Rio Linda/N Highlands	438	5,175,967	375,758	7.26%	4,809,931	92.93%	507,452	9.80%	(9,673)	74,976	27,056	152,881	0	257,900	$1.16
Roseville/Rocklin	920	14,926,579	866,801	5.81%	14,063,356	94.22%	1,037,068	6.95%	(78,889)	(114,918)	89,843	258,673	140,924	763,248	$1.53
South Sacramento	1,183	13,710,888	862,954	6.29%	12,846,354	93.69%	1,158,877	8.45%	55,285	312,834	118,073	564,976	143,559	1,008,906	$1.22
West Sacramento	183	2,375,989	120,066	5.05%	2,255,923	94.95%	129,282	5.44%	4,973	(40,004)	12,462	48,734	0	26,000	$0.98
Woodland	276	3,556,383	213,360	6.00%	3,343,023	94.00%	288,571	8.11%	(8,306)	21,520	14,160	56,110	0	169,178	$1.25
Yuba County	261	2,508,614	515,964	20.57%	1,992,650	79.43%	548,254	21.85%	34,917	36,459	43,305	79,865	0	0	$0.71
Retail Market Totals	**9,512**	**114,126,516**	**7,574,961**	**6.64%**	**106,559,453**	**93.37%**	**9,186,976**	**8.05%**	**143,862**	**410,754**	**1,044,753**	**2,921,858**	**430,697**	**9,077,872**	**$1.41**

Average asking rates represented are triple net.

TRI COMMERCIAL
REAL ESTATE SERVICES

SACRAMENTO RETAIL

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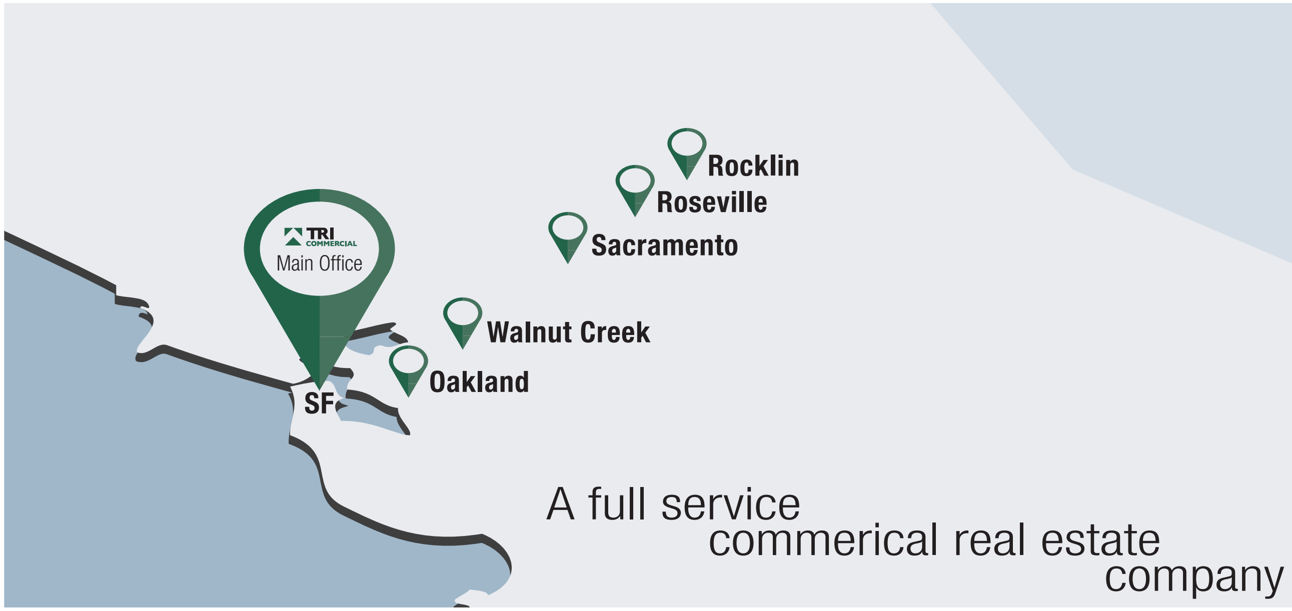
NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:



MAP IS NOT TO SCALE

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