

### MARKET OVERVIEW

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

► **Vacancy Rates:** At the close of the second quarter, the vacancy rate was 6.66% 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 5.24%, 6.84%, and 9.61%. Some of the lowest vacancy rates were seen in Auburn/Loomis and the Elk Grove submarkets with rates at 3.91% and 3.32%, respectively. The highest vacancy rates, however, were seen in the Yuba County and Orangevale/Citrus Heights submarkets at 21.96% and 10.85%, respectively.

► **Lease Rates:** At the close of the second quarter, the average asking triple net lease rate for the Sacramento retail market was \$1.44 per square foot, which is a \$0.01 increase from the previous quarter. Within the two largest submarkets – Roseville/Rocklin and South Sacramento – the average asking lease rates were \$1.55 and \$1.26 per square foot. Some of the highest average asking lease rates, however, were seen in the Outer El Dorado and Lincoln submarkets at \$2.45 and \$2.00 per square foot, respectively.

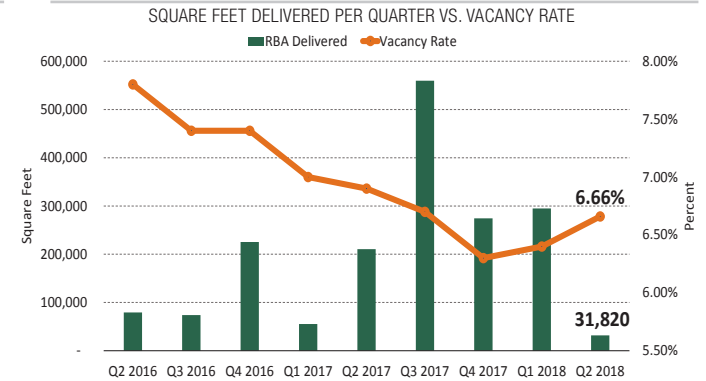
► **Sale & Lease Transactions:** Transaction activity at the close of the second quarter was just over 1.21 million square feet, which is a decrease from the previous quarter's figure of 1.75 million square feet. Given that there is often a delay for final figures to be totaled, this quarter's figure will slightly increase in the next market report.

► **Absorption:** The retail market ended the fourth quarter with 85,325 square feet of positive net absorption. The Rio Linda/N Highlands submarket recorded the highest net absorption with a total of 52,207 square feet. Alternatively, the Orangevale/Citrus Heights submarket recorded a negative net absorption of 53,445 square feet at the close of the second quarter.

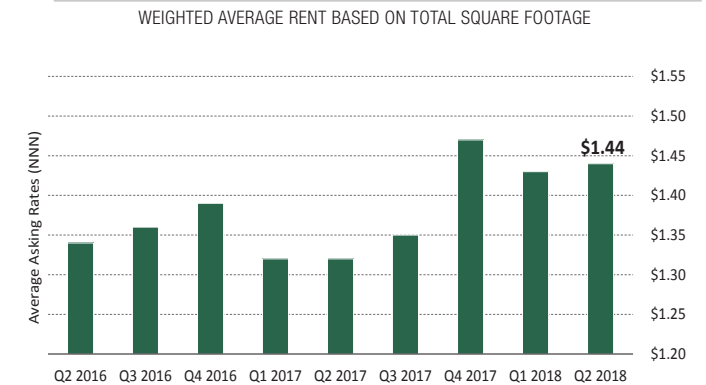
► **Development:** The Sacramento retail market delivered 31,820 square feet of new retail space during the second quarter of 2018. Among the largest of those projects was a 21,000 square foot power center building in Rocklin for HomeGoods, which was delivered June 2018. There is currently just over 475,000 square feet of retail space under construction. The largest project under construction is a 150,000 square foot center in Elk Grove for Costco expected to be delivered February 2019. Currently, there are 9.20 million square feet of proposed retail space for the Sacramento Region.

► **Second Quarter Review:** Overall, the vacancy rate has decreased by 3.48% in comparison to one year ago while lease rates have increased 9.09% 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 3.3% in May of 2018.

### NEW DELIVERIES VS. VACANCY RATE



### AVERAGE ASKING RATES



### SACRAMENTO RETAIL TRENDS | SECOND QUARTER 2018

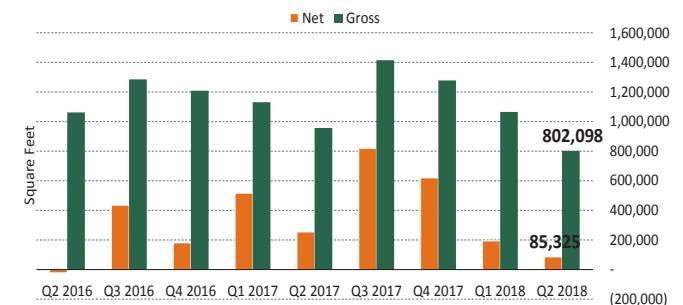
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
	Q <sup>2</sup> 2018	6.66%	\$1.44	85,325
Q <sup>1</sup> 2018	6.40%	\$1.43	193,786	1,752,884

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

## MARKET SNAPSHOT

### LEASE TRANSACTIONS | NOTABLE RETAIL LEASES SIGNED FOR Q2 2018

Property Address	Submarket	Tenant	Landlord	Date Lease Signed	Sq. Ft. Leased
1700 Arden Way	Arden/Watt/Howe	Urban Air	Ethan Conrad	May 16, 2018	40,407
6071 Florin Road	South Sacramento	Auto Zone Mega Hub	Starboard Realty Advisors, LLC	June 9, 2018	40,000
1010 E Bidwell Street	Folsom	Undisclosed	Thomas Properties	June 11, 2018	32,302
3611 N Freeway Blvd.	Natomas	Michaels	Apple American Group, LLC	May 23, 2018	23,452
3615 Bradshaw Rd.	Highway 50 Corridor	Grocery Outlet	Vintage Real Estate, LLC	May 25, 2018	18,000

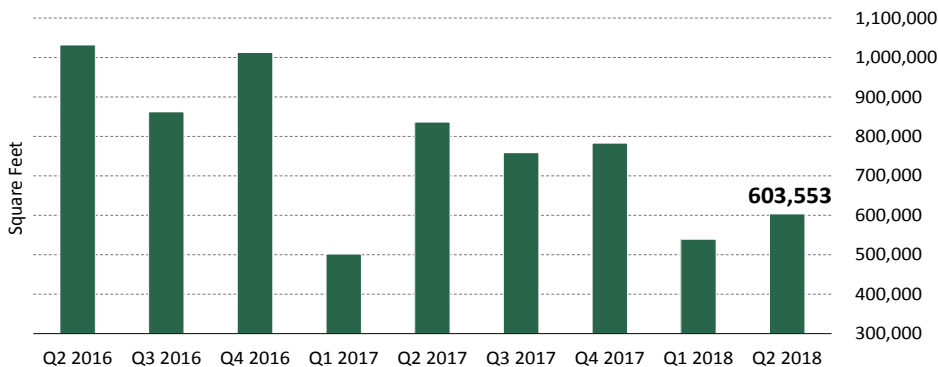
### SALE TRANSACTIONS | NOTABLE RETAIL SALES FOR Q2 2018

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
353-375 W Main Street (4 Properties)	Woodland	Ethan Conrad Properties	Menlo Management Company	111,691	\$13,300,000
6199 Sunrise Blvd.	Orangevale/Citrus Heights	FADCO Enterprises	United American Properties	14,820	\$10,950,000
238 Gibson Drive	Roseville/Rocklin	L&K Investments, LLC	Lazy Dogs Restaurant, Inc.	8,284	\$7,273,000
4040 Manzanita Ave.	Carmichael	Undisclosed	Undisclosed	55,143	\$6,600,000
2455 Jefferson Blvd.	West Sacramento	Thomas Family Trust 2018	Washington Jefferson Partners, LP	10,828	\$5,550,000

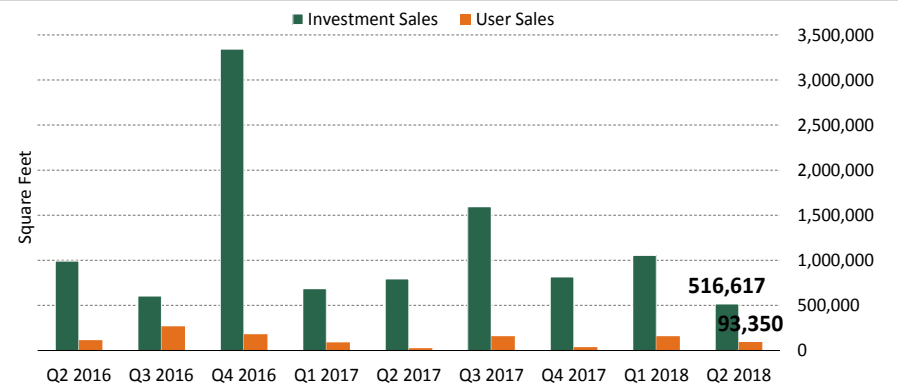
Q<sup>2</sup> 2018 Q<sup>2</sup> 2017 % Change vs. Q2 2017

Vacancy Rate	6.66%	6.90%	-3.48%
Availability Rate	8.19%	8.10%	1.11%
Avg. Asking Lease Rate	\$1.44	\$1.32	9.09%
Gross Absorption	802,098	956,494	-16.14%
Net Absorption	85,325	254,549	(N/A)

### LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



### SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER

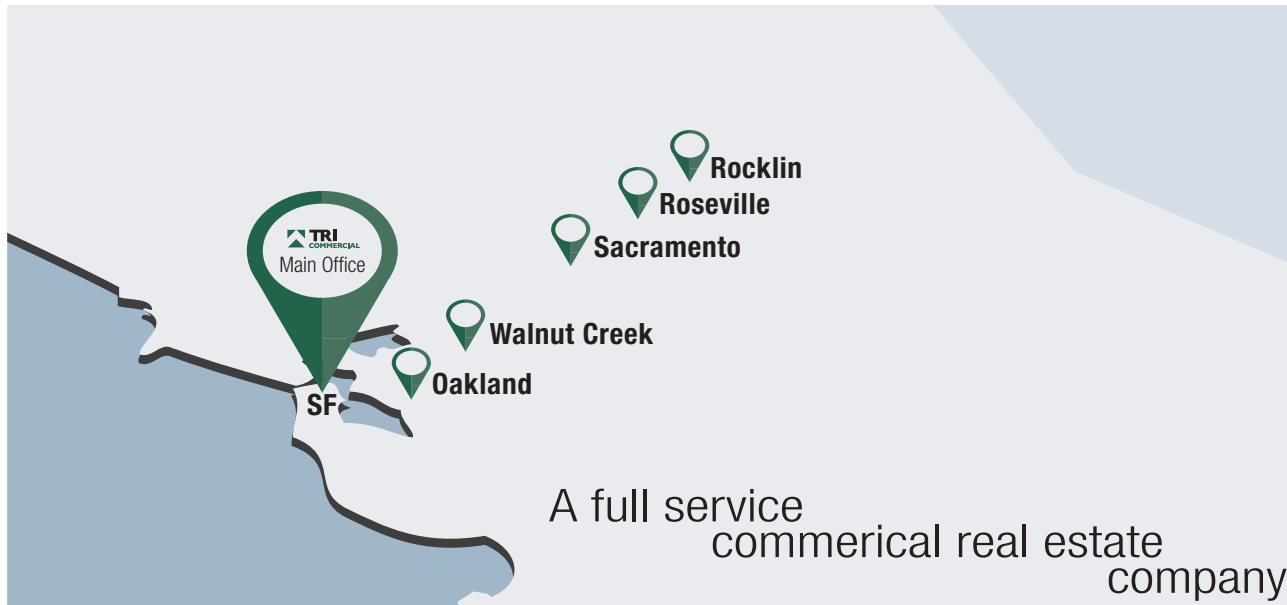


TRI COMMERCIAL | SACRAMENTO RETAIL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate Q2 2018	Occupied Square Feet	Occupancy Rate Q2 2018	Available Square Feet	Availability Rate Q2 2018	Net Absorption Q2 2018	YTD Net Absorption	Gross Absorption Q2 2018	YTD Gross Absorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Arden/Watt/Howe	982	11,589,608	1,113,944	9.61%	10,476,171	90.39%	1,188,647	10.26%	4,111	(107,845)	66,568	202,262	34,178	197,358	\$1.31
Auburn/Loomis	379	3,596,177	140,476	3.91%	3,457,989	96.16%	210,364	5.85%	19,487	23,061	41,965	85,800	0	446,544	\$1.37
Carmichael	311	2,846,700	192,330	6.76%	2,654,370	93.24%	284,696	10.00%	14,067	29,140	19,842	43,425	0	47,670	\$1.26
Davis	198	2,229,786	81,088	3.64%	2,148,698	96.36%	121,616	5.45%	4,807	8,753	8,294	26,694	0	96,800	\$1.56
Downtown/Midtown/E Sac	849	6,075,837	240,791	3.96%	5,835,046	96.04%	373,760	6.15%	35,510	24,247	64,369	116,805	87,640	1,474,560	\$1.44
El Dorado	370	4,133,498	224,990	5.44%	3,908,508	94.56%	300,613	7.27%	(8,125)	(13,316)	20,427	54,835	0	577,149	\$1.87
Elk Grove	357	5,740,444	190,838	3.32%	5,549,606	96.68%	213,439	3.72%	19,161	37,576	32,987	61,503	173,824	2,085,077	\$1.81
Folsom	332	5,976,722	347,304	5.81%	5,629,418	94.19%	377,434	6.32%	(9,867)	(16,302)	24,364	52,032	24,572	100,370	\$1.94
Highway 50 Corridor	374	5,476,331	469,116	8.57%	5,007,215	91.43%	599,908	10.95%	(2,514)	12,060	44,336	66,215	0	788,075	\$1.27
Lincoln	171	1,814,577	83,918	4.62%	1,734,129	95.57%	85,264	4.70%	3,045	14,160	17,426	36,301	0	230,349	\$2.00
Natomas	265	3,868,553	281,772	7.28%	3,586,781	92.72%	295,313	7.63%	(9,187)	(12,568)	37,783	78,969	0	329,604	\$1.45
Orangevale/Citrus Heights	579	8,210,913	890,724	10.85%	7,320,189	89.15%	1,093,373	13.32%	(53,445)	(47,855)	29,067	99,839	0	238,757	\$1.37
Outer El Dorado County	326	2,704,458	97,905	3.62%	2,612,988	96.62%	127,765	4.72%	10,857	12,512	24,927	37,672	0	0	\$2.45
Outer Placer County	184	1,384,405	20,831	1.50%	1,363,574	98.50%	22,668	1.64%	2,034	17,581	2,275	19,022	0	0	\$1.25
Outer Sacramento County	147	1,229,363	31,812	2.59%	1,197,551	97.41%	49,126	4.00%	(12,400)	(5,412)	1,400	10,988	0	161,400	\$1.56
Outer Sutter County	359	4,432,568	227,593	5.13%	4,204,975	94.87%	243,649	5.50%	(13,546)	(4,452)	11,041	43,911	0	0	\$1.85
Outer Yolo County	59	365,037	0	0.00%	365,037	100.00%	0	0.00%	0	0	1,000	1,000	0	46,920	-
Rio Linda/N Highlands	434	5,161,973	356,363	6.90%	4,805,610	93.10%	585,188	11.34%	52,207	84,049	64,803	125,225	0	263,256	\$1.17
Roseville/Rocklin	920	14,913,923	781,621	5.24%	14,129,589	94.74%	1,056,051	7.08%	(32,968)	(36,029)	92,713	168,830	137,800	773,428	\$1.55
South Sacramento	1,181	13,690,278	936,819	6.84%	12,782,459	93.37%	1,158,477	8.46%	25,561	282,703	121,361	476,513	17,414	1,139,680	\$1.26
West Sacramento	185	2,382,214	127,539	5.35%	2,254,675	94.65%	125,482	5.27%	13,530	(44,977)	27,100	36,272	0	26,000	\$1.03
Woodland	273	3,562,951	195,864	5.50%	3,367,087	94.50%	235,082	6.60%	20,594	29,826	30,250	39,482	0	186,593	\$1.09
Yuba County	259	2,503,958	549,881	21.96%	1,954,077	78.04%	579,391	23.14%	2,406	1,542	17,800	36,560	0	0	\$0.71
<b>Retail Market Totals</b>	<b>9,494</b>	<b>113,890,274</b>	<b>7,583,519</b>	<b>6.66%</b>	<b>106,345,742</b>	<b>93.38%</b>	<b>9,327,306</b>	<b>8.19%</b>	<b>85,325</b>	<b>288,454</b>	<b>802,098</b>	<b>1,920,155</b>	<b>475,428</b>	<b>9,209,590</b>	<b>\$1.44</b>

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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## 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](mailto:bianca.cruz@tricommercial.com)

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