

MARKET OVERVIEW

► **Industrial Market:** The Sacramento industrial market fared well during the second quarter of 2018 as the overall vacancy rate further decreased to an all-time low of 4.31%. At the close of the second quarter, net absorption was positive at just over 850,000 square feet.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased to 4.31%, which remains the lowest vacancy rate seen to-date for the Sacramento Region. The largest submarkets – Power Inn, West Sacramento and Davis/Woodland – had vacancy rates of 3.68%, 5.65% and 6.18%. Among the largest submarkets, some of the lowest vacancy rates were also seen in the Sunrise and Marysville/Yuba City submarkets with rates at 1.79% and 1.65%, respectively. Alternatively, the highest vacancy rates were still seen in the South Sacramento submarket with an overall rate of 22.45%.

► **Lease Rates:** At the end of the second quarter, the average asking triple net lease rate for the Sacramento industrial market was \$0.52, which is a \$0.05 increase from the previous quarter. Within the two largest submarkets – Power Inn and West Sacramento – the average asking lease rates were \$0.66 and \$0.53 per square foot. Some of the highest asking lease rates were seen in the NE Sacramento submarket with an average of \$0.79 per square foot. Alternatively, the lowest lease rates were seen in the Marysville/Yuba City and Davis/Woodland submarkets with average asking rates of \$0.40 and \$0.35 per square foot, respectively.

► **Sale & Lease Transactions:** Transaction activity at the close of the second quarter was 6.22 million square feet, which is an increase from the previous quarter's figure of 3.88 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.

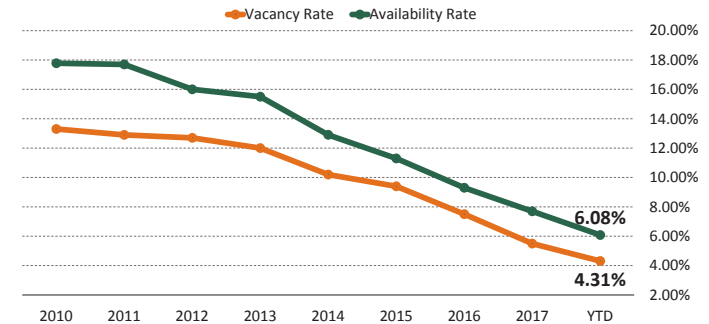
► **Absorption:** The industrial market ended the second quarter with 853,645 square feet of positive net absorption. The Roseville/Rocklin submarket had the greatest positive net absorption of 334,848 square feet, and the West Sacramento submarket had the second highest net absorption of 332,599 square feet. Alternatively, the South Sacramento submarket experienced 21,620 square feet of negative net absorption.

► **Development:** Six industrial projects are currently under construction in the Sacramento market. The largest of those projects is a 65,300 square foot Class B industrial building in the West Sacramento submarket expected to be delivered June 2019. The second largest industrial project under construction is a 17,175 square foot Class A warehouse building in the Mather submarket and expected to be delivered September 2018. Currently, there are 15.19 million square feet of proposed industrial space for the Sacramento market.

► **Second Quarter Review:** Overall, the Sacramento industrial market has out-paced other commercial property types with an impressively low vacancy rate and increasing lease rates. Among other positive trends, net absorption has remained positive for thirteen consecutive quarters. 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.

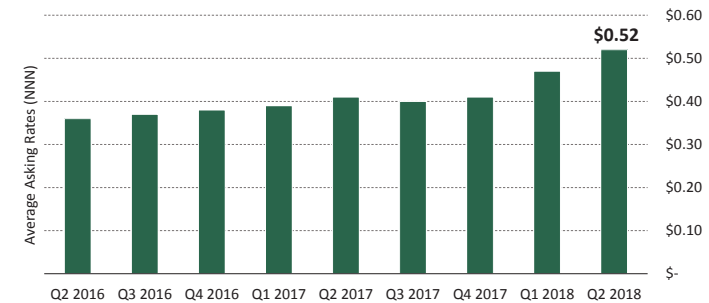
VACANCY RATE & AVAILABILITY RATE

ALL SPACE NOT CURRENTLY OCCUPIED & ALL SPACE CURRENTLY MARKETED



AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



SACRAMENTO INDUSTRIAL TRENDS | SECOND QUARTER 2018

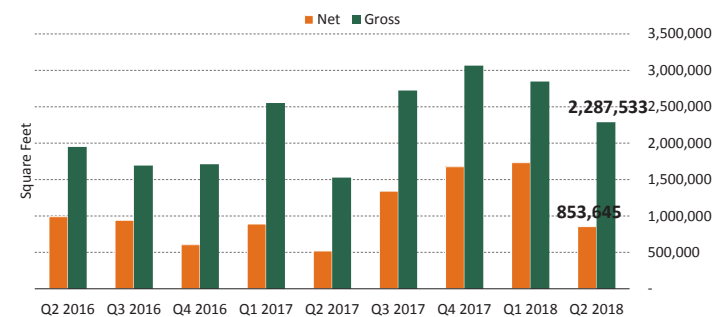
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
	Q ² 2018	4.31%	\$0.52	853,645
Q ¹ 2018	4.40%	\$0.47	1,732,460	3,888,411

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

NET & GROSS ABSORPTION

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



NOTEWORTHY TRANSACTIONS

LEASE TRANSACTIONS | NOTABLE INDUSTRIAL LEASES SIGNED FOR Q2 2018

Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
550 N Pioneer Ave.	Davis/Woodland	Aquafil USA	Global Logistic Properties, LTD	May 11, 2018	319,800
885 Riverside Pkwy	West Sacramento	Department of General Services	Frank C & Joanne M Ramos	June 13, 2018	128,853
1420-1430 Enterprise Blvd.	West Sacramento	OnFulfillment	The Blackstone Group, LP	April 1, 2018	64,281
3290 Monier Circle	Sunrise	Undisclosed	Urata & Sons	April 27, 2018	45,000
6001 Outfall Circle	Power Inn	Transporting Cars Champion	616 San Antonio, LLC	May 25, 2018	40,310

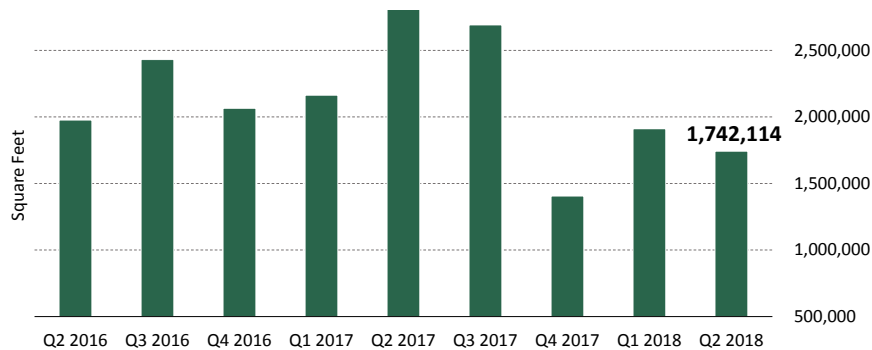
SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES FOR Q2 2018

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
8300-8351 Ferguson Ave. (31 Properties)	Power Inn	The Blackstone Group, LP	Fischer Properties	2,718,274	\$135,790,000
8051 Foothills Blvd.	Roseville/Rocklin	8501 Roseville Properties, LLC	Eagle Realty Group, LLC	198,744	\$31,880,000
8030 Foothills Blvd.	Roseville/Rocklin	Stonemont Financial Group	Strada Investment Group	151,423	\$20,278,298
2727 2nd Street	Davis/Woodland	Recology Davis	Davis Waste Removal, Co.	59,775	\$7,200,000
8135-8137 Elder Creek Rd.	Power Inn	ECI Partners, Inc.	Laguna Soul, LLC	51,640	\$5,500,000

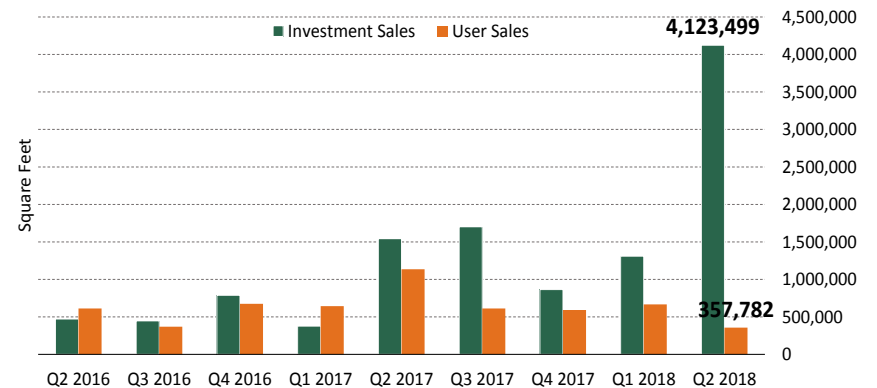
MARKET SNAPSHOT
Q² 2018 **Q² 2017** % Change vs. Q2 2017

Vacancy Rate	4.31%	6.80%	-36.62%
Availability Rate	6.08%	8.40%	-27.62%
Avg. Asking Lease Rate	\$0.52	\$0.39	33.33%
Gross Absorption	2,287,533	1,527,998	49.71%
Net Absorption	853,645	520,272	(N/A)

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER

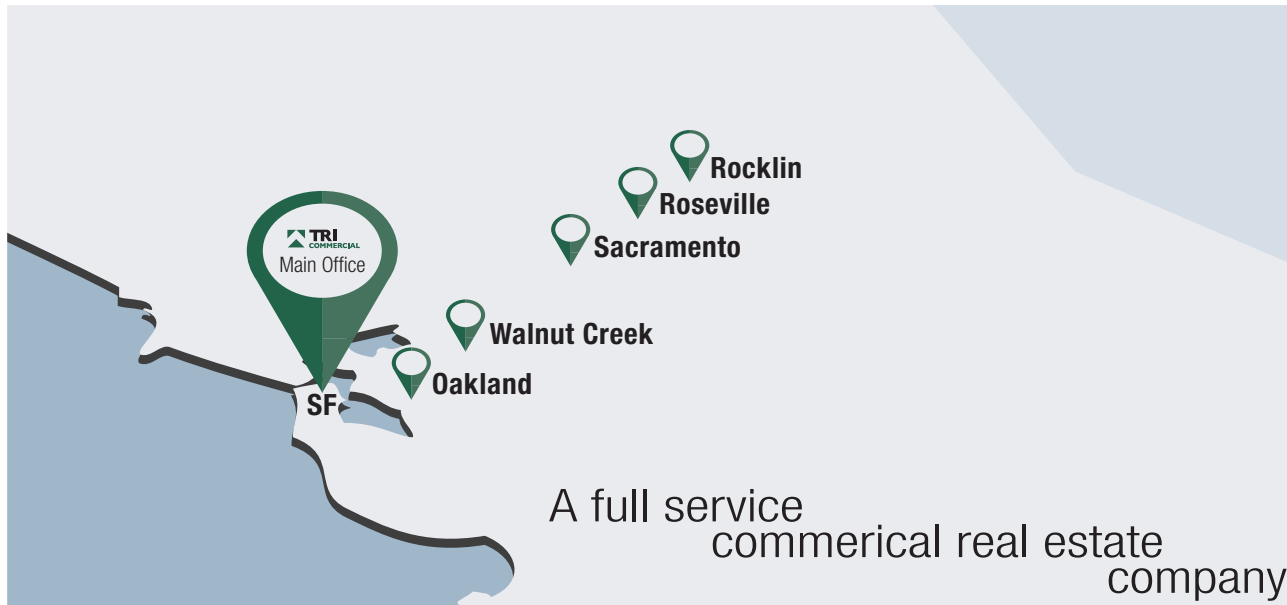


TRI COMMERCIAL | SACRAMENTO INDUSTRIAL SUBMARKET STATISTICS

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)
Auburn/Newcastle	85	2,234,921	19,895	0.89%	2,215,026	99.11%	84,020	3.76%	4,030	(3,461)	8,081	13,685	0		\$0.48
Davis/Woodland	187	16,188,720	1,000,545	6.18%	15,188,175	93.82%	952,216	5.88%	8,772	167,595	177,397	417,717	0	491,565	\$0.35
Downtown	86	2,543,254	40,381	1.59%	2,502,873	98.41%	40,381	1.59%	3,731	3,731	18,314	18,314	0	0	\$0.55
East Sacramento	22	550,941	0	0.00%	550,941	100.00%	17,250	3.13%	0	0	0	0	0	0	-
Elk Grove/Laguna	117	5,727,591	188,319	3.29%	5,539,272	96.71%	251,024	4.38%	140,684	131,030	151,163	171,800	0	922,559	\$0.56
Folsom/EI Dorado	105	3,198,708	150,969	4.72%	3,047,739	95.28%	214,595	6.71%	(13,020)	(9,861)	10,000	19,057	0	0	\$0.67
Marysville/Yuba City	148	6,298,328	104,077	1.65%	6,194,251	98.35%	318,163	5.05%	20,248	24,048	28,700	45,500	0	0	\$0.40
Mather	125	3,830,941	126,145	3.29%	3,704,796	96.71%	135,330	3.53%	18,728	80,734	28,328	115,272	28,950	70,393	\$0.46
McClellan	290	13,502,358	345,671	2.56%	13,151,507	97.40%	407,261	3.02%	(19,858)	428,562	116,306	564,727	0	514,845	\$0.67
Natomas/Northgate	203	12,536,574	332,308	2.65%	12,219,367	97.47%	783,373	6.25%	8,022	(133,827)	167,432	301,322	0	8,355,202	\$0.55
NE Sacramento	190	4,997,729	232,707	4.66%	4,765,022	95.34%	275,429	5.51%	(12,465)	26,403	15,162	57,334	0	0	\$0.79
Power Inn	566	24,421,844	899,366	3.68%	23,522,478	96.32%	1,739,632	7.12%	(20,182)	104,037	258,785	653,902	0	1,708,922	\$0.66
Richards	84	4,028,809	53,549	1.33%	3,975,260	98.67%	90,069	2.24%	9,756	67,078	9,800	92,822	0	0	\$0.04
Roseville/Rocklin	285	16,347,016	784,447	4.80%	15,565,069	95.22%	766,594	4.69%	334,848	595,845	428,510	808,109	0	1,231,028	\$0.42
South Sacramento	122	4,007,397	899,750	22.45%	3,107,647	77.55%	906,450	22.62%	(21,620)	(14,420)	0	7,200	0	600,000	-
Sunrise	332	9,684,966	173,691	1.79%	9,511,275	98.21%	406,370	4.20%	59,372	110,030	120,604	240,588	0	0	\$0.64
West Sacramento	324	18,533,183	1,047,087	5.65%	17,476,788	94.30%	1,647,008	8.89%	332,599	1,008,581	748,951	1,610,437	0	1,296,334	\$0.53
Industrial Market Totals	3,271	148,633,280	6,398,907	4.31%	142,237,486	95.70%	9,035,165	6.08%	853,645	2,586,105	2,287,533	5,137,786	28,950	15,190,848	\$0.52
10,000-29,999	2,014	33,408,745	940,353	2.81%	32,461,584	97.16%	1,511,958	4.53%	(5,391)	(10,469)	299,030	542,969	28,950	294,701	\$0.84
30,000-49,999	521	19,912,906	436,816	2.19%	19,486,011	97.86%	910,840	4.57%	110,202	159,822	251,874	551,515	0	275,840	\$0.80
50,000-99,999	442	29,543,407	954,845	3.23%	28,588,562	96.77%	1,717,735	5.81%	119,131	291,773	363,611	907,182	0	858,389	\$0.47
100,000-199,999	184	24,113,554	942,328	3.91%	23,171,226	96.09%	1,365,845	5.66%	114,466	485,845	305,647	858,852	0	2,813,734	\$0.51
200,000-299,999	60	14,289,862	228,400	1.60%	14,061,462	98.40%	444,071	3.11%	128,853	519,166	163,272	619,585	0	921,531	\$0.46
300,000 Plus	50	27,364,806	2,896,165	10.58%	24,468,641	89.42%	3,084,716	11.27%	386,384	1,139,968	904,099	1,657,683	0	10,026,653	\$0.40
Industrial Market Totals	3,271	148,633,280	6,398,907	4.31%	142,237,486	95.70%	9,035,165	6.08%	853,645	2,586,105	2,287,533	5,137,786	28,950	15,190,848	\$0.52

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

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