

MARKET OVERVIEW

► **Industrial Market:** The Sacramento industrial market fared well during the third quarter of 2018 as the overall vacancy rate further decreased to an all-time low of 4.20%. At the close of the third quarter, net absorption was positive at just over 420,000 square feet.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased to 4.20%, which remains the lowest vacancy rate seen to-date for the Sacramento Region. The largest submarkets – Power Inn, West Sacramento and Roseville/Rocklin – had vacancy rates of 4.10%, 5.44% and 3.48%. Among the largest submarkets, some of the lowest vacancy rates were also seen in the Sunrise and Marysville/Yuba City submarkets with rates at 1.42% and 1.19%, respectively. Alternatively, the highest vacancy rates were still seen in the South Sacramento submarket with an overall rate of 23.56%.

► **Lease Rates:** At the end of the third quarter, the average asking triple net lease rate for the Sacramento industrial market was \$0.56, which is a \$0.04 increase from the previous quarter. Within the two largest submarkets – Power Inn and West Sacramento – the average asking lease rates were \$0.84 and \$0.53 per square foot. Some of the highest asking lease rates were seen in the South Sacramento submarket with an average of \$1.11 per square foot. Alternatively, the lowest lease rates were seen in the Davis/Woodland and Richards submarkets with average asking rates of \$0.36 and \$0.40 per square foot, respectively.

► **Sale & Lease Transactions:** Transaction activity at the close of the third quarter was 2.63 million square feet, which is an increase from the previous quarter's figure of 3.57 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.

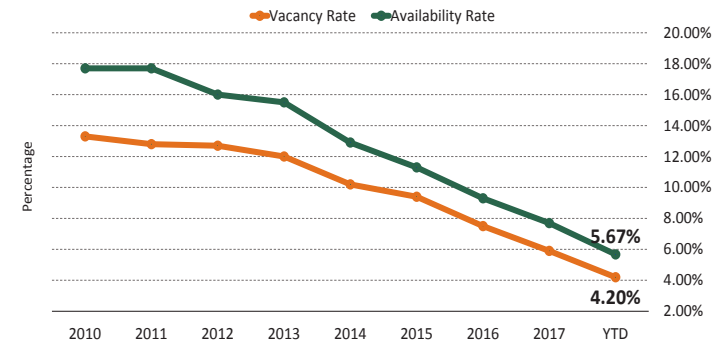
► **Absorption:** The industrial market ended the third quarter with 420,103 square feet of positive net absorption. The Roseville/Rocklin submarket had the greatest positive net absorption of 217,649 square feet, and the West Sacramento submarket had the second highest net absorption of 205,271 square feet. Alternatively, the Power Inn submarket experienced 90,134 square feet of negative net absorption.

► **Development:** Eleven industrial projects are currently under construction in the Sacramento market. The largest of those projects is a 417,637 square foot Class B industrial building in the McClellan submarket expected to be delivered May 2019. The second largest industrial project under construction is a 244,408 square foot Class A warehouse building in the West Sacramento submarket and expected to be delivered March 2019. Currently, there are 14.45 million square feet of proposed industrial space for the Sacramento market.

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

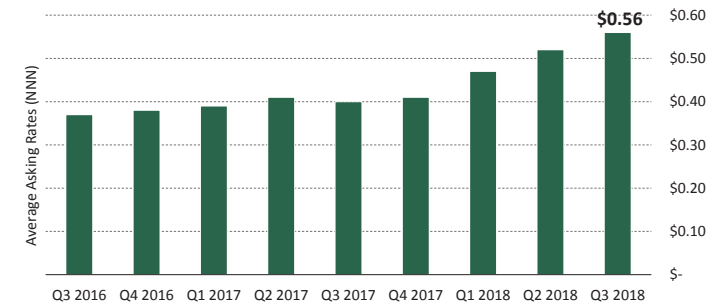
VACANCY RATE & AVAILABILITY RATE

ALL SPACE NOT CURRENTLY OCCUPIED & ALL SPACE CURRENTLY MARKETED



AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



SACRAMENTO INDUSTRIAL TRENDS | THIRD QUARTER 2018

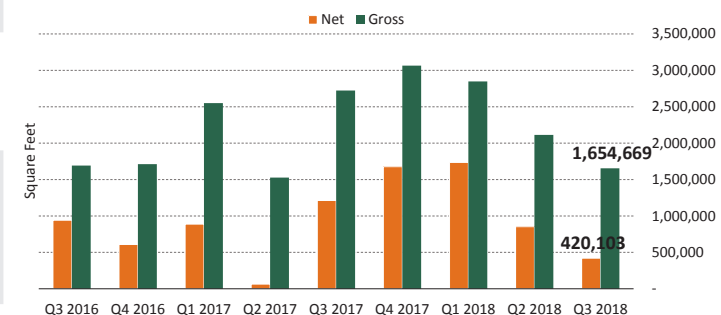
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
	Q ³ 2018	4.20%	\$0.56	420,103
Q ² 2018	4.70%	\$0.52	852,655	3,576,608

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 Q3 2018

Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
3015-3071 Venture Dr.	Roseville/Rocklin	Undisclosed	Buzz Oates	August 14, 2018	133,656
3689 Industrial Blvd.	West Sacramento	Goodwill Industries of Sacramento	The Bendetti Company	August 1, 2018	100,000
7728 Wilbur Way	Power Inn	Bush Industries	Massie Management, LLC	August 27, 2018	90,240
11415 Folsom Blvd.	Sunrise	Undisclosed	Donald Reinholdt	August 4, 2018	72,000
2660 Industrial Blvd.	West Sacramento	Premier Product Management, Inc.	MacLaughlin Properties	August 14, 2018	65,553

SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES FOR Q3 2018

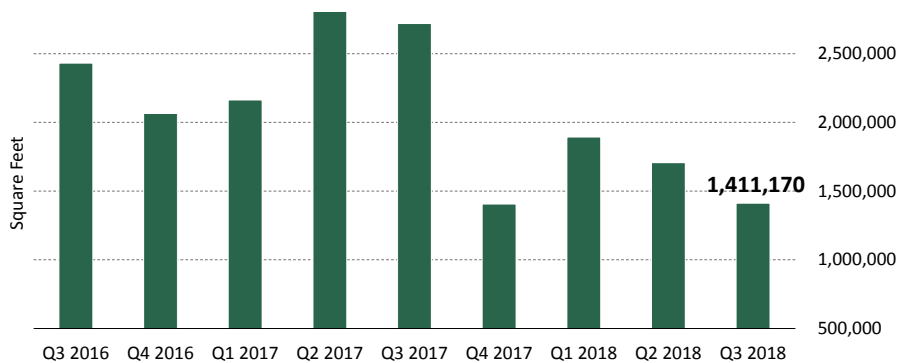
Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
3510 Carlin Drive	West Sacramento	Bixby Land Company	Ridge Capital, Inc.	387,420	\$33,400,000
4600 Northgate Blvd. (5 Properties)	North Natomas	GPR Ventures	Avistone, LLC	102,976	\$6,243,145
10200 Systems Park	Mather	Colisseum Way, LLC	Systems Two Parkway, LLC	63,280	\$6,225,000
1105-1107 Terminal Street	West Sacramento	1105 Terminal Street, LLC	Michael Ramos	61,920	\$5,848,200
1751 Aviation Blvd.	Roseville/Rocklin	Perkins Ventures, Inc.	Buzz Oates	77,164	\$5,650,000

MARKET SNAPSHOT

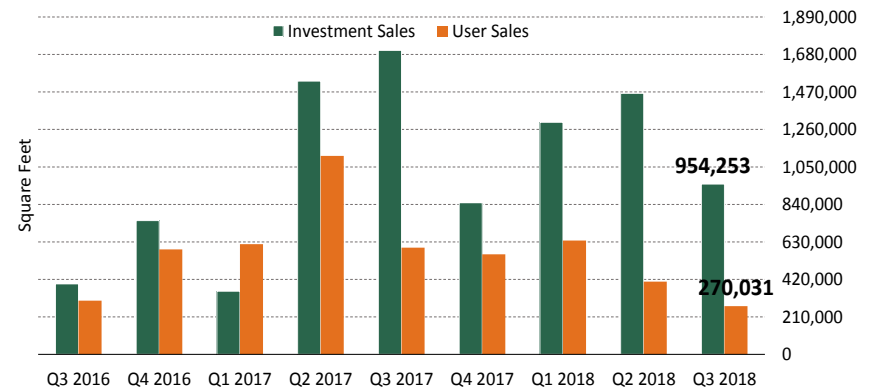
Q³ 2018 **Q³ 2017** % Change vs. Q3 2017

Vacancy Rate	4.20%	6.30%	-33.34%
Availability Rate	5.67%	8.00%	-29.07%
Avg. Asking Lease Rate	\$0.56	\$0.40	40.00%
Gross Absorption	1,654,669	2,723,501	-39.24%
Net Absorption	420,103	1,213,162	(N/A)

LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER



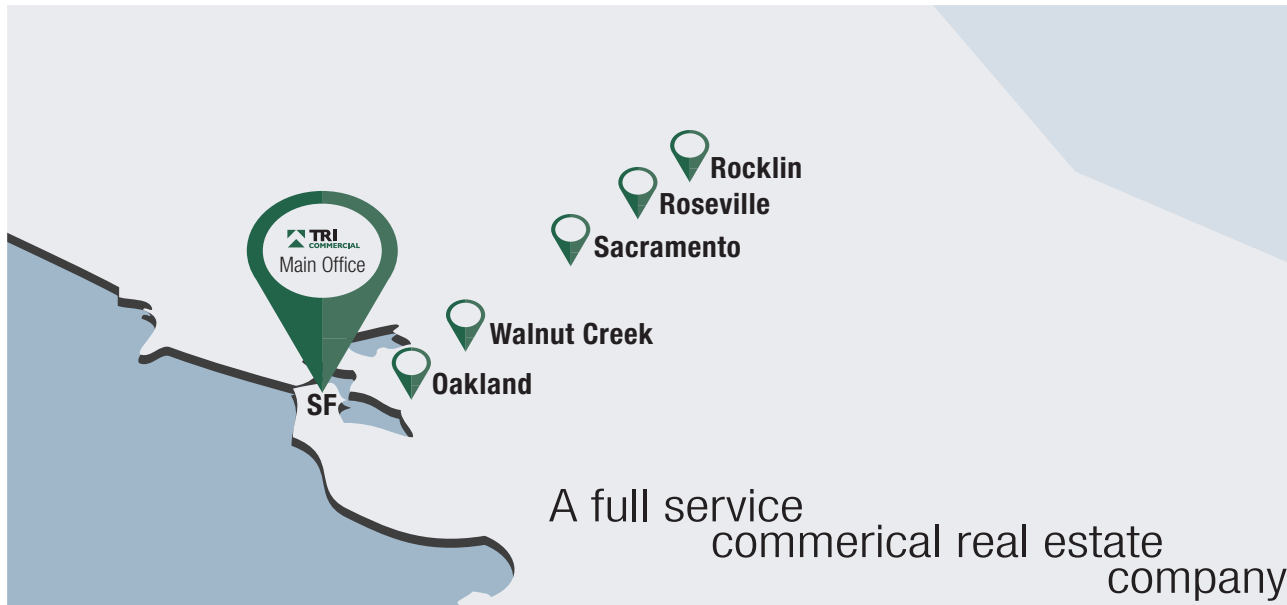
TRI COMMERCIAL | SACRAMENTO INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate 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 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%	0	(3,461)	0	13,685	0	0	\$0.48
Davis/Woodland	188	16,203,720	959,648	5.92%	15,244,072	94.08%	921,524	5.69%	43,297	210,792	92,774	511,091	0	491,565	\$0.36
Downtown	85	2,526,602	36,381	1.44%	2,490,221	98.56%	36,381	1.44%	4,000	7,731	4,000	22,314	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	210,988	3.68%	5,513,779	96.27%	263,150	4.59%	20,566	151,596	29,246	201,046	8,000	922,559	\$0.58
Folsom/EI Dorado	104	3,187,608	174,416	5.47%	3,013,192	94.53%	203,118	6.37%	(23,447)	(33,308)	1,395	20,452	0	0	\$0.67
Marysville/Yuba City	148	6,322,128	74,977	1.19%	6,247,151	98.81%	258,927	4.10%	29,100	53,148	31,500	77,000	0	0	\$0.41
Mather	125	3,886,441	127,530	3.28%	3,758,911	96.72%	156,626	4.03%	(1,385)	79,349	19,135	134,407	51,156	89,593	\$0.49
McClellan	290	13,516,433	261,642	1.94%	13,267,982	98.16%	329,338	2.44%	102,400	530,962	163,068	727,795	462,737	52,108	\$0.69
Natomas/Northgate	204	12,551,076	412,773	3.29%	12,161,953	96.90%	1,013,592	8.08%	(60,736)	(194,563)	114,599	415,921	0	8,351,202	\$0.56
NE Sacramento	190	4,999,729	230,455	4.61%	4,769,274	95.39%	333,198	6.66%	2,252	28,655	89,270	146,604	0	0	\$0.78
Power Inn	567	24,428,956	1,002,452	4.10%	23,439,456	95.95%	1,646,127	6.74%	(90,134)	13,903	318,213	972,115	0	1,780,840	\$0.84
Richards	84	4,028,809	75,445	1.87%	3,953,364	98.13%	75,445	1.87%	(21,896)	45,182	25,000	117,822	0	0	\$0.40
Roseville/Rocklin	284	16,314,616	567,028	3.48%	15,750,318	96.54%	617,280	3.78%	217,649	813,494	272,096	1,077,805	0	1,239,260	\$0.41
South Sacramento	122	4,010,719	944,851	23.56%	3,065,868	76.44%	949,651	23.68%	(45,101)	(59,521)	4,500	11,700	0	600,000	\$1.11
Sunrise	331	9,667,158	136,914	1.42%	9,533,844	98.62%	274,198	2.84%	38,267	150,407	189,460	430,048	0	0	\$0.67
West Sacramento	324	18,541,381	1,009,227	5.44%	17,561,404	94.71%	1,258,009	6.78%	205,271	1,213,852	300,413	1,910,850	473,016	915,500	\$0.53
Industrial Market Totals	3,270	148,698,829	6,244,622	4.20%	142,536,756	95.86%	8,437,834	5.67%	420,103	3,008,218	1,654,669	6,790,655	994,909	14,442,627	\$0.56

10,000-29,999	2,014	33,442,026	1,011,368	3.02%	32,471,190	97.10%	1,493,047	4.46%	(12,205)	(20,664)	340,464	884,033	59,156	332,133	\$0.90
30,000-49,999	519	19,859,328	680,315	3.43%	19,196,589	96.66%	1,093,788	5.51%	(189,785)	(29,963)	130,999	680,114	45,100	230,740	\$0.83
50,000-99,999	443	29,629,155	782,515	2.64%	28,871,081	97.44%	1,603,401	5.41%	196,771	488,544	478,959	1,386,141	65,300	930,307	\$0.54
100,000-199,999	184	24,113,554	987,898	4.10%	23,125,656	95.90%	1,050,442	4.36%	83,283	569,128	228,279	1,087,131	163,308	2,651,301	\$0.48
200,000-299,999	60	14,289,762	359,080	2.51%	13,930,682	97.49%	530,725	3.71%	(130,680)	388,486	0	619,585	244,408	703,130	\$0.48
300,000 Plus	50	27,365,004	2,423,446	8.86%	24,941,558	91.14%	2,666,431	9.74%	472,719	1,612,687	475,968	2,133,651	417,637	9,595,016	\$0.37
Industrial Market Totals	3,270	148,698,829	6,244,622	4.20%	142,536,756	95.86%	8,437,834	5.67%	420,103	3,008,218	1,654,669	6,790,655	994,909	14,442,627	\$0.56

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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