



## Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

DOWN

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### Market Highlights

- Market Status** - Sacramento's retail market continued to improve in the first quarter of 2013. Vacancy and availability both dropped compared to the previous quarter and vacancy finally slipped below its historical average of 9.10%. The market also posted 370,823 square feet of positive net absorption. Sales and leasing activity was low, as it struggled to follow up a great fourth quarter of 2012. While most of these are positive indications, job growth and housing stability will need to continue to improve in coming quarters for the market to fully recover.
- Absorption** - The Sacramento retail market posted 370,923 square feet of positive absorption for the first quarter, giving the market 12 consecutive quarters of positive net absorption. Look for all of this net absorption to be a telling indicator of the market going forward, with the struggles of neighborhood centers and the emergence of some new community and power centers.
- Transaction Activity** - Sale and lease transaction volume totaled 1.16 million square feet in the first quarter. Typically, this statistic does have some lag time to post final numbers, so look for the first quarter numbers to end up over 1.5 million square feet. Details of the largest transactions for the first quarter of 2013 can be found on the back page of this report.
- Employment** - The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 9.6% in Feb. 2013, down from 10.3% in Jan. 2013. This compares with an unadjusted unemployment rate of 9.7% for California and 8.1% for the nation during the same period. According to the State of California Employment Development Department, the Sacramento-Arden Arcade-Roseville MSA saw a net increase of 6,300 payroll jobs from Jan. 2013 to Feb. 2013. The largest gains were 2,400 jobs in leisure and hospitality with 2,000 jobs in accommodation and food services. The government also picked up 1,700 jobs over the past month with 1,400 of those within the local government.
- Overall** - We anticipate vacancy will maintain its downward momentum over the next year. With retail employment growing over the past two years and minimal supply additions to the market, rental rates will soon begin to increase. Although the housing market is on the mend, this metro is still reeling from the effects. Employment is rebounding, but unemployment remains well above the national average — a trend that will continue over the forecast. In conclusion, while the retail market still faces challenges, next to the apartment market, it is the best performing and most stable sector in the Sacramento region.
- Construction** - There was only 10,100 square feet of retail space delivered during the first quarter. During all of 2012, 23 buildings totaling 229,432 square feet were delivered in the Sacramento retail market. There was 150,851 square feet under construction at the close of the first quarter. Minimal additions to supply will increase the downward pressure on vacancy and soon help lease rates grow.
- Vacancy** - The overall vacancy rate decreased to 9.03%, a drop of 29 basis points from the previous quarter, marking the third consecutive quarter of decreases in vacancy. Within the major submarkets, the Downtown/Midtown/East Sacramento submarket performed best, with a rate of only 4.12%, while the Highway 50 Corridor submarket had the highest vacancy rate at 17.24%.
- Availability** - The percentage of all space being marketed was 10.36% in the first quarter, a drop of 34 basis points from the previous quarter. Similar to vacancy, the Downtown/Midtown/East Sacramento submarket remained strongest at 5.63%, while the Highway 50 Corridor submarket came in at 19.40%.
- Lease Rates** - The average asking triple-net lease rate in the Sacramento retail market was \$1.32 per square foot per month in the first quarter of 2013 — a decrease of \$0.03 from the previous quarter. The region's highest average asking rate was in the Lincoln submarket at \$2.03, while the region's lowest asking rates were found in the Yuba submarket at \$0.96. We are forecasting that lease rates will begin to recover in 2013.

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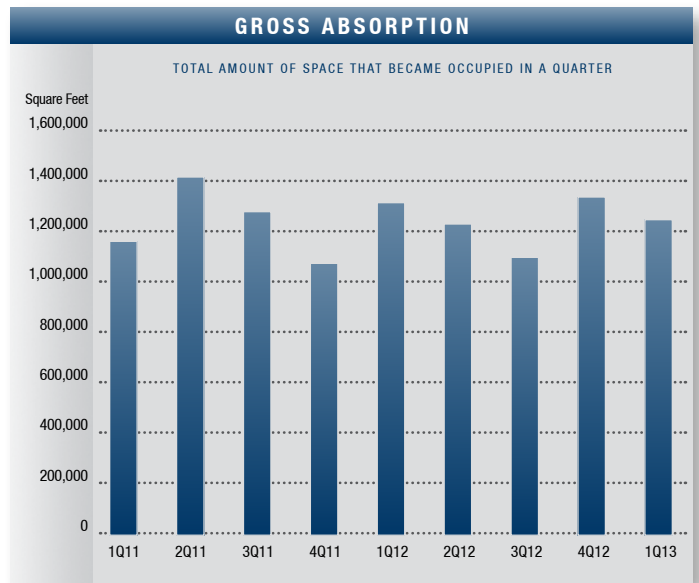
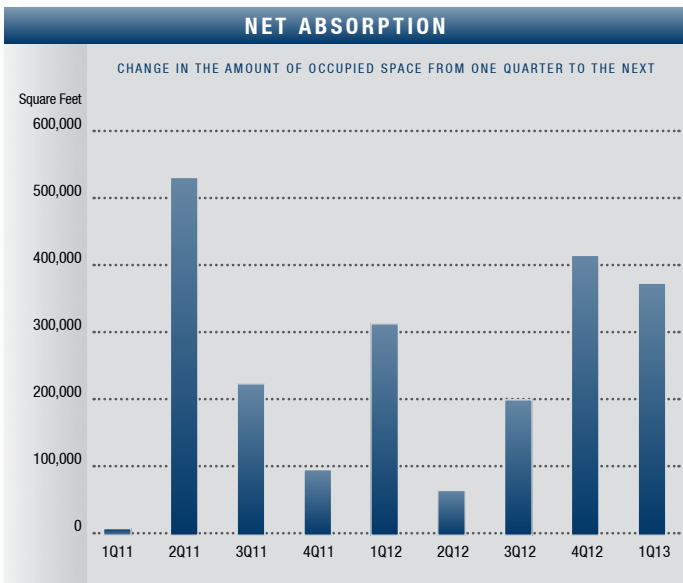
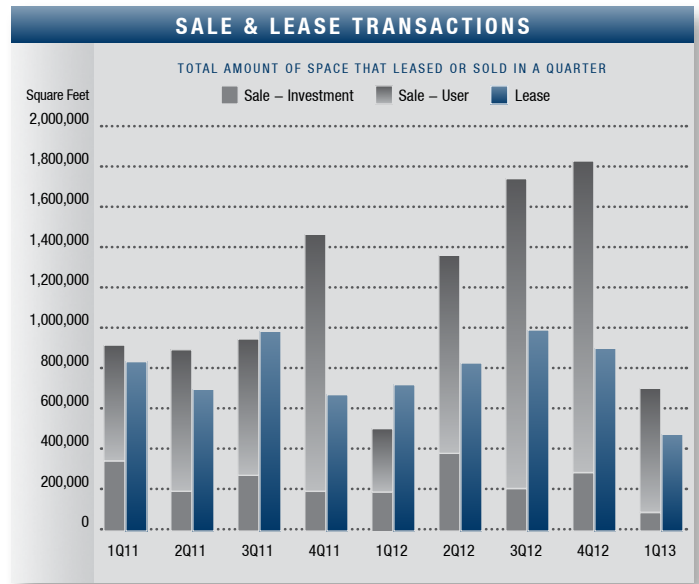
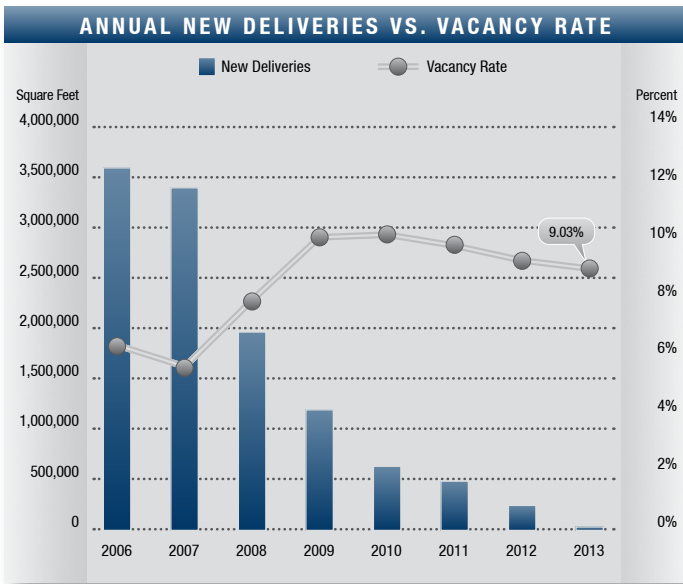
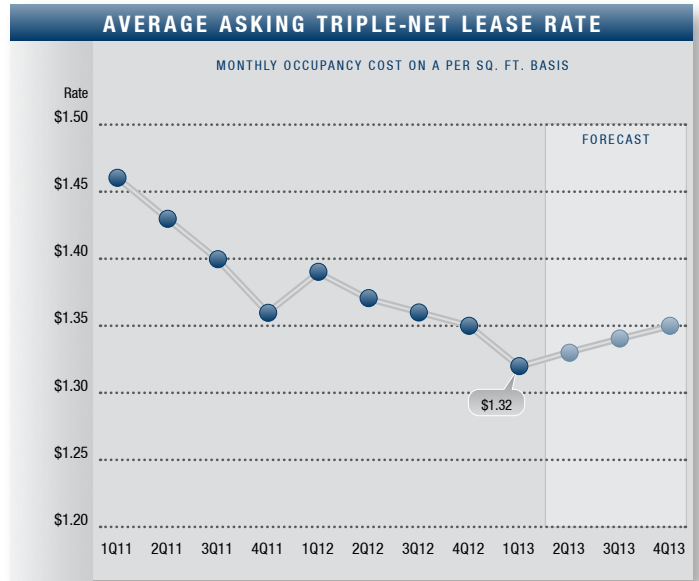
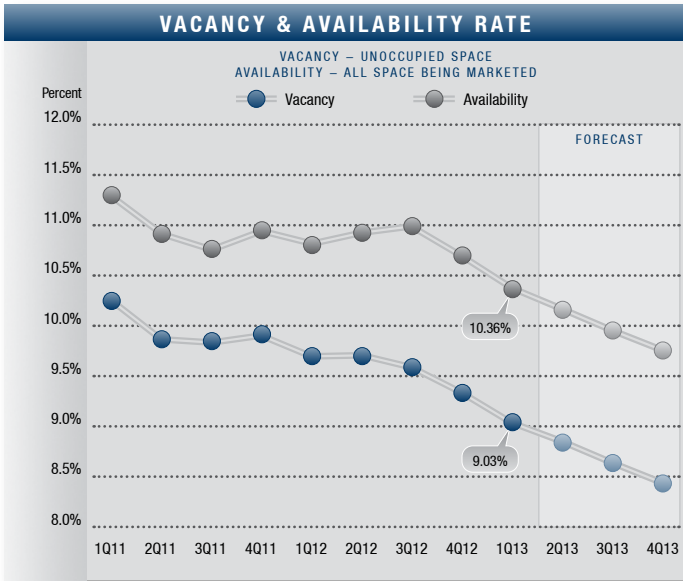
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### RETAIL MARKET OVERVIEW

	1Q13	4Q12	1Q12	% of Change vs. 1Q12
Total Vacancy Rate	9.03%	9.32%	9.70%	(6.91%)
Availability Rate	10.36%	10.70%	10.80%	(4.07%)
Average Asking Lease Rate	\$1.32	\$1.35	\$1.39	(5.04%)
Sale & Lease Transactions	1,163,828	2,724,150	1,209,162	(3.75%)
Gross Absorption	1,245,094	1,330,272	1,308,100	(4.82%)
Net Absorption	370,923	412,541	311,490	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2013	Square Feet Available	Availability Rate 1Q2013	Average Asking Lease Rate	Net Absorption 1Q2013	Net Absorption 2012	Gross Absorption 1Q2013	Gross Absorption 2012
<b>Sacramento Market</b>													
Arden/Watt/Howe	954	11,270,351	0	12,000	1,145,518	10.16%	1,274,116	11.31%	\$1.21	5,818	(41,836)	100,261	373,769
Auburn/Loomis	334	3,053,357	0	320,377	258,934	8.48%	285,351	9.35%	\$1.33	10,173	(30,284)	30,008	70,736
Benicia	134	849,253	0	0	29,038	3.42%	37,126	4.37%	\$1.37	(2,806)	1,582	2,830	12,545
Carmichael	270	2,769,495	0	15,000	301,072	10.87%	348,004	12.57%	\$1.16	28,874	3,484	44,068	132,549
Davis	177	2,103,891	0	70,931	92,646	4.40%	107,148	5.09%	\$1.57	(860)	85,649	12,117	140,269
Downtown/Midtown/E Sac	863	8,353,491	5,781	176,190	343,944	4.12%	470,091	5.63%	\$1.42	(8,079)	43,916	33,823	181,983
El Dorado	307	3,876,870	0	115,004	332,466	8.58%	369,314	9.53%	\$1.76	(15,079)	22,025	14,016	201,076
Elk Grove	321	5,473,927	145,070	2,555,496	486,639	8.89%	439,036	8.02%	\$1.48	33,613	(27,253)	147,863	151,710
Fairfield	410	6,819,983	0	488,318	350,373	5.14%	416,881	6.11%	\$1.36	19,589	36,343	45,331	197,847
Folsom	293	5,816,340	0	138,354	568,438	9.77%	608,120	10.46%	\$1.61	62,062	185,589	94,804	315,198
Highway 50 Corridor	339	4,956,196	0	684,827	854,474	17.24%	961,606	19.40%	\$1.10	67,083	(70,920)	85,793	155,685
Lincoln	171	1,607,827	0	0	128,584	8.00%	137,502	8.55%	\$2.03	1,241	70,991	3,748	125,444
Natomas	255	4,048,757	0	70,570	428,328	10.58%	457,436	11.30%	\$1.80	20,778	(27,779)	31,751	81,543
Orangevale/Citrus Hts	543	7,973,063	0	182,200	949,892	11.91%	1,090,965	13.68%	\$1.38	36,121	(89,573)	77,111	271,102
Outer El Dorado	224	2,241,557	0	0	121,889	5.44%	140,882	6.29%	\$1.47	10,428	1,917	25,778	48,371
Outer Placer	158	1,427,588	0	0	46,361	3.25%	74,334	5.21%	\$1.66	1,473	14,437	1,500	38,692
Outer Sacramento	134	968,837	0	49,400	72,001	7.43%	109,001	11.25%	\$1.33	(4,865)	8,010	4,960	31,938
Outer Sutter	280	4,077,511	0	332,145	223,438	5.48%	371,930	9.12%	\$1.45	16,258	20,340	25,419	105,125
Outer Yolo	40	248,482	0	46,920	3,163	1.27%	6,163	2.48%	—	1,695	(4,858)	1,695	7,943
Rio Linda/North Highlands	430	5,256,703	0	90,190	640,477	12.18%	680,200	12.94%	\$1.01	(19,583)	(99,317)	20,913	186,067
Roseville/Rocklin	860	14,341,663	0	365,995	1,398,308	9.75%	1,601,340	11.17%	\$1.40	58,858	282,141	176,655	623,367
South Sacramento	1,069	11,969,683	0	1,050,210	1,445,341	12.08%	1,667,724	13.93%	\$1.37	18,097	96,019	141,343	442,225
Vacaville	527	7,206,294	0	166,390	439,473	6.10%	524,197	7.27%	\$1.16	27,126	118,357	48,930	236,196
Vallejo	696	6,198,390	0	21,180	498,980	8.05%	642,898	10.37%	\$1.21	(4,624)	49,440	21,781	198,770
West Sacramento	178	2,382,366	0	24,000	132,544	5.56%	147,644	6.20%	\$1.79	(3,200)	27,537	4,798	52,450
Woodland	255	3,570,235	0	147,987	359,923	10.08%	407,494	11.41%	\$0.97	(12,462)	62,534	12,804	139,801
Yuba	175	1,986,631	0	491,640	156,947	7.90%	177,677	8.94%	\$0.96	23,194	87,075	34,994	148,338
<b>Sacramento Market Total</b>	<b>10,397</b>	<b>130,848,741</b>	<b>150,851</b>	<b>7,615,324</b>	<b>11,809,191</b>	<b>9.03%</b>	<b>13,554,180</b>	<b>10.36%</b>	<b>\$1.32</b>	<b>370,923</b>	<b>825,566</b>	<b>1,245,094</b>	<b>4,670,739</b>
Malls	80	7,344,940	0	1,221,000	408,548	5.56%	519,166	7.07%	\$0.90	(6,432)	73,131	1,924	87,093
Power Centers	334	12,008,350	0	1,766,730	941,099	7.84%	1,036,124	8.63%	\$1.98	142,199	17,197	167,055	257,774
Community Centers	558	15,877,372	0	1,018,107	1,695,575	10.68%	1,739,944	10.96%	\$1.49	98,683	258,449	268,004	616,821
Neighborhood Centers	1,331	28,658,656	0	1,785,392	3,649,415	12.73%	3,973,646	13.87%	\$1.35	(6,882)	216,921	199,791	1,055,479
Strip Centers	1,043	10,692,254	0	307,943	1,694,107	15.84%	1,859,205	17.39%	\$1.21	(3,933)	(80,668)	181,728	566,390
Specialty Centers	90	2,831,423	0	72,578	373,255	13.18%	423,821	14.97%	\$1.97	19,127	120,470	20,144	230,112
General Retail	6,961	53,435,746	150,851	1,443,574	3,047,192	5.70%	4,002,274	7.49%	\$1.13	128,161	220,066	406,448	1,857,070
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Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
Commonwealth Square 703-717 E. Bidwell St.	Folsom	140,846	\$71.89	3D Investments, LLC	CW Capital Asset Management
Laguna Trenholm Plaza 7811 Laguna Blvd.	Elk Grove	21,527	\$133.79	Almoss Properties, LLC	Bouzenaris Trust
2333 Arden Way	Arden/Watt/Howe	36,800	\$73.37	Leatherby's Family Creamery	NJS Properties, LLC
3381 Coach Ln.	El Dorado	2,982	\$653.92	California Retail Management	Chevron

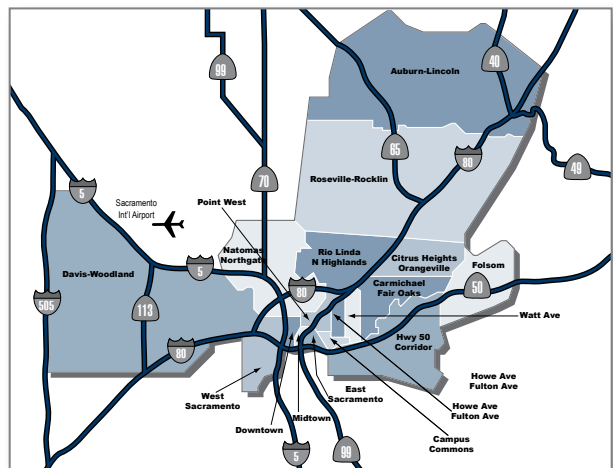
New / Coming to the Region

Property Address	Tenant	Tenant Type	Submarket	Projected Opening	Owner
Browns Valley Marketplace 154 Browns Valley Pkwy.	Savers	Discount Store	Vacaville	Summer 2013	Ray Stone, Inc.
Elk Park Village 9631-9679 E. Stockton Blvd.	Crunch Fitness	Fitness Center	Elk Grove	Spring 2013	Cranbrook Group, Inc.
Southport Town Center 2405-2155 Town Center Plaza	Dollar Tree	Discount Store	West Sacramento	Spring 2013	Watt Properties, Inc.
Broadstone Plaza 2705-2763 E. Bidwell St.	Lane Bryant	Clothing	Folsom	Now Open	Opus West Corporation
Marketplace 99 South ** 9134 E. Stockton Blvd.	Kobe Steak & Seafood	Restaurant	Elk Grove	Spring 2013	Koda Kimble Elk Grove, LLC

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