



Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

DOWN

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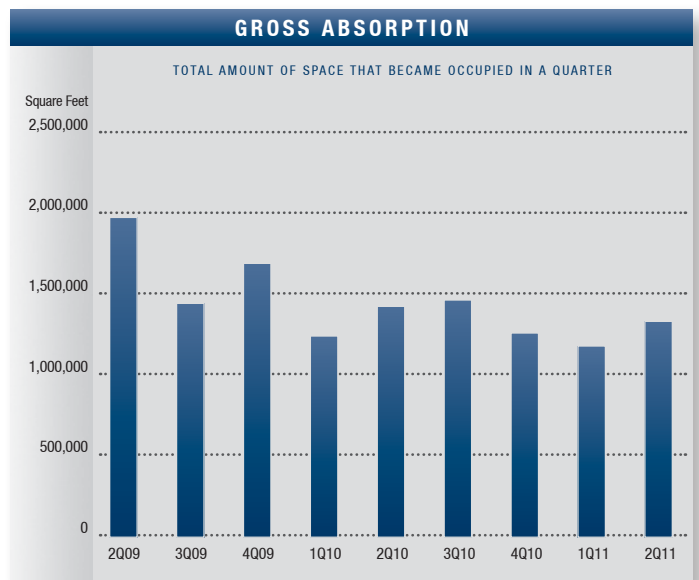
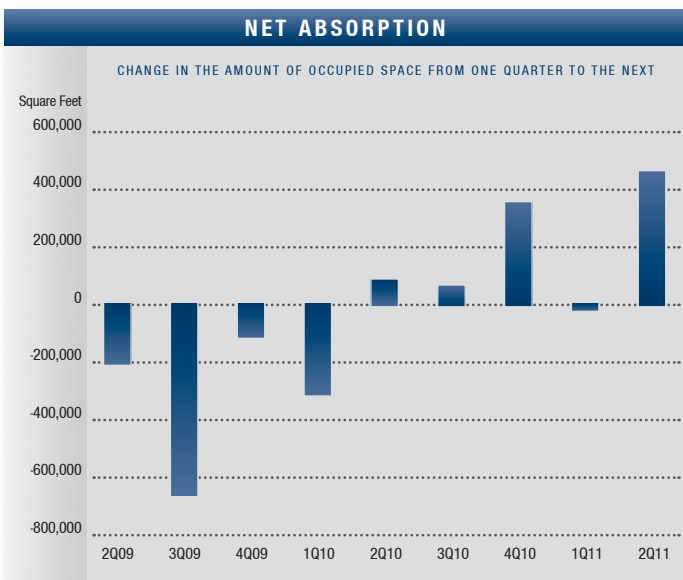
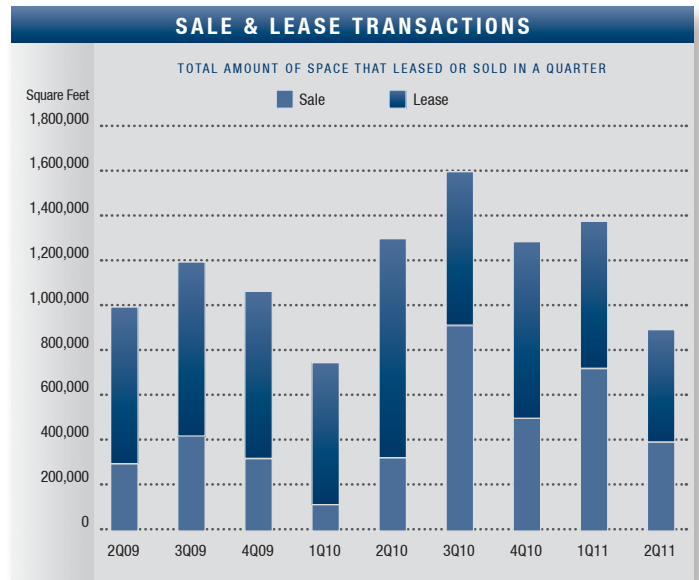
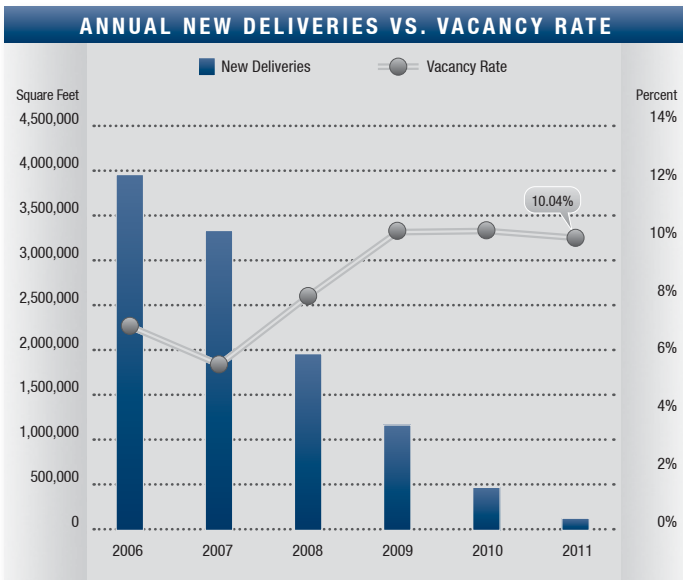
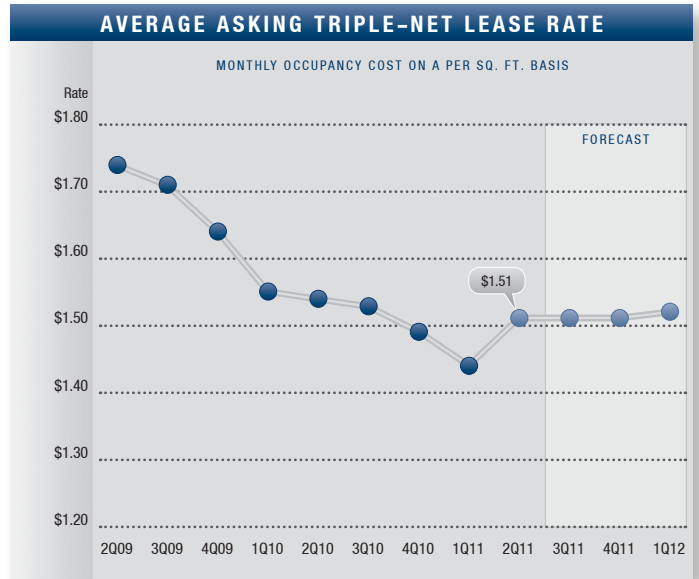
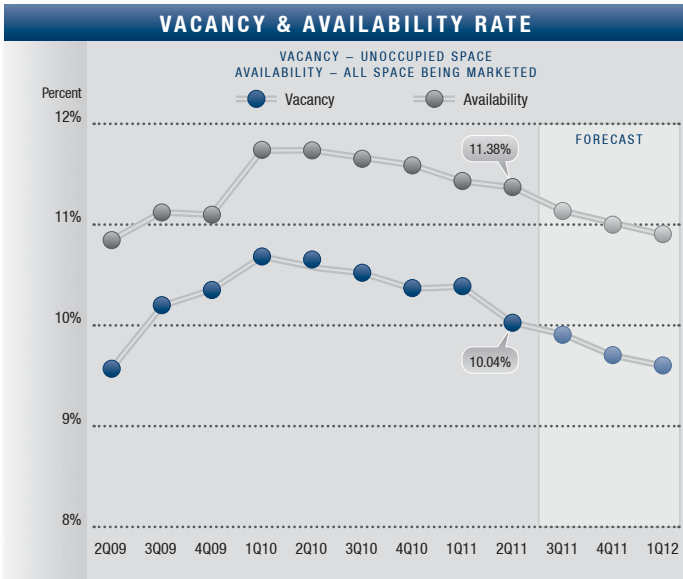


Market Highlights

- Encouraging Numbers** - The Sacramento retail market displayed very encouraging numbers during the second quarter of the year. Vacancy dropped 35 basis points during the quarter, reaching 10.04% and marking the lowest vacancy for the regional retail market since the second quarter of 2009. This, coupled with the very nominal negative net absorption posted during the first quarter, suggests the retail market is gaining stability. With regard to sales transactions, both the total volume of properties and the sum of the values traded during the quarter were down from both the first quarter of 2011 and the second quarter of last year.
- Construction** - There was just over 500,000 square feet of retail construction underway at the close of the quarter. Nearly all of the construction was in the Palladio at Folsom.
- Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 10.04%, down 35 basis points since the close of the first quarter and 60 basis points compared to the same period last year. The vacancy in Roseville/Rocklin, the largest submarket in the Sacramento retail market, came in at 12.59%. The Arden/Watt/Howe submarket, the second largest overall and largest in-fill market in the region, had a vacancy rate of 10.44%.
- Availability** - Direct/sublease space being marketed was 11.38% at the close of the quarter, down 2.96% from the same period last year.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in the Sacramento retail market was \$1.51 — a marked increase over the prior quarter. The record high average asking triple-net lease rate of \$1.96 per square foot per month was established in the fourth quarter 2007.
- Absorption** - The Sacramento retail market posted just over 460,000 square feet of positive net absorption during the second quarter of 2011, the single most productive and positive quarter since the fourth quarter 2007, giving 2011 a total of 430,000 square feet of positive absorption thus far. The retail market posted a net total of just over 850,000 square feet of positive absorption over the last four quarters.
- Transaction Activity** - The total number of square feet leased and sold was down at the end of the second quarter, reaching roughly 65% of the total volume of transactions posted during the first quarter. Activity was down in both leased and sale footage. However, the year-to-date volume of activity is still equal to or greater than the volume achieved at this same time in each of the last three years.
- Employment** - The unemployment rate in the Sacramento-Arden-Arcade-Roseville Metropolitan area (MSA) was 11.7% in May. The unemployment rate was 12.6% in El Dorado, 10.8% in Placer, 11.8% in Sacramento and 11.8% in Yolo counties. This compares with an unadjusted unemployment rate of 11.4% for the state and 8.7% for the nation during the same period. According to the State of California Employment Development Department, the Sacramento MSA lost 12,300 payroll jobs from May 2010 to May 2011 — 7,900 in government and 1,800 in financial activities, among others. However, between April and May 2011, the number of jobs in the region actually increased by 5,300 jobs — 2,400 of which occurred in the construction field, the largest increase the sector has seen in the month of April in over 20 years, a statistic that bodes very well for the area.
- Overall** - The retail market is beginning to see substantially improved net absorption figures and a gradual downward trend in regional vacancy. Continued activity in this direction will require the return of consumer confidence and increased spending, which will in turn motivate hiring, business expansion and leasing. Asking lease rates may see some incremental increases or decreases from quarter to quarter. Effective rates, however, will remain static for the remainder of the year, as landlords continue to compete for long-term credit tenants through the use of far reaching concessions. Renewals on short-term leases will spur leasing activity as well. Sales volume will increase in the coming quarters as lenders look to divest themselves of distressed assets.

RETAIL MARKET OVERVIEW

	2Q2011	1Q2011	2Q2010	% Change vs. 2Q2010
Total Vacancy Rate	10.04%	10.39%	10.64%	(5.66%)
Availability Rate	11.38%	11.42%	11.73%	(2.96%)
Average Asking Lease Rate	\$1.51	\$1.44	\$1.54	(1.95%)
Sale & Lease Transactions	884,565	1,371,408	1,292,431	(31.56%)
Gross Absorption	1,325,745	1,174,277	1,404,252	(5.59%)
Net Absorption	462,962	(24,552)	89,236	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 2Q2011	Square Feet Available	Availability Rate 2Q2011	Average Asking Lease Rate	Net Absorption 2Q2011	Net Absorption 2011	Gross Absorption 2Q2011	Gross Absorption 2011
Sacramento Market													
Arden/Watt/Howe	953	11,209,117	0	31,000	1,169,811	10.44%	1,262,833	11.27%	\$1.45	24,555	(16,852)	97,811	176,257
Auburn/Loomis	314	3,215,418	0	78,682	214,455	6.67%	219,195	6.82%	\$1.35	71,257	75,712	81,331	101,266
Benicia	133	865,547	0	0	16,503	1.91%	33,197	3.84%	\$1.37	2,902	9,613	3,858	12,364
Carmichael	239	2,477,377	0	0	306,035	12.35%	341,714	13.79%	\$1.12	(9,229)	(17,370)	17,930	54,181
Davis	162	1,960,956	0	23,080	156,575	7.98%	156,575	7.98%	\$1.33	(1,231)	31,049	12,701	59,604
Downtown/Midtown/E Sac	854	9,032,306	0	1,439,388	414,359	4.59%	449,116	4.97%	\$1.37	(12,255)	(59,162)	64,029	78,132
El Dorado	265	3,662,873	13,263	98,584	290,303	7.93%	325,442	8.88%	\$1.77	11,493	17,426	35,166	61,379
Elk Grove	297	5,195,041	0	710,920	507,648	9.77%	506,461	9.75%	\$1.67	50,781	138,639	84,575	193,620
Fairfield	343	6,288,787	0	542,862	452,418	7.19%	594,946	9.46%	\$1.75	87,552	73,681	169,724	214,581
Folsom	253	5,633,747	502,701	120,870	474,527	8.42%	924,589	16.41%	\$1.70	(13,101)	(14,356)	28,787	51,445
Highway 50	285	4,565,814	0	400,760	818,410	17.92%	902,162	19.76%	\$1.18	16,624	25,914	33,127	86,951
Lincoln	176	1,655,846	0	0	229,417	13.85%	234,417	14.16%	\$1.84	(4,297)	800	2,598	29,724
Natomas	244	4,069,897	0	70,570	456,229	11.21%	436,378	10.72%	\$1.80	(17,198)	(36,102)	23,036	168,315
Orangevale/Citrus Hts	521	8,067,184	0	149,522	924,938	11.47%	1,040,082	12.89%	\$1.35	57,007	37,101	123,411	205,630
Outer El Dorado	217	2,166,393	0	0	175,486	8.10%	200,878	9.27%	\$1.67	(1,966)	(3,097)	9,126	28,283
Outer Placer	143	1,040,685	0	0	32,440	3.12%	67,973	6.53%	\$1.00	1,800	3,900	1,800	6,100
Outer Sacramento	112	857,240	0	44,684	62,355	7.27%	77,333	9.02%	\$1.46	(4,340)	(11,310)	5,440	17,770
Outer Sutter	258	3,992,871	0	224,882	283,578	7.10%	333,603	8.35%	\$1.44	5,805	(6,290)	25,628	48,145
Outer Yolo	26	242,007	0	0	5,000	2.07%	5,000	2.07%	\$0.00	0	6,000	0	6,000
Rio Linda/North Highlands	420	5,319,924	0	42,890	640,288	12.04%	699,598	13.15%	\$1.14	2,176	14,292	25,591	76,055
Roseville/Rocklin	810	13,691,344	0	253,575	1,724,101	12.59%	1,860,496	13.59%	\$1.64	66,266	100,012	169,462	321,728
South Sacramento	922	10,956,915	0	952,450	1,546,395	14.11%	1,638,199	14.95%	\$1.83	49,436	51,152	136,758	224,095
Vacaville	514	7,032,355	7,200	60,710	559,977	7.96%	685,309	9.75%	\$1.33	16,996	(10,277)	49,019	86,960
Vallejo	700	6,211,379	0	190,381	501,083	8.07%	610,962	9.84%	\$1.18	35,152	(6,047)	58,812	86,827
West Sacramento	134	2,228,852	0	63,747	156,056	7.00%	146,136	6.56%	\$1.82	(7,548)	(4,531)	11,352	15,124
Woodland	247	3,495,176	5,500	187,144	375,147	10.73%	423,678	12.12%	\$1.64	2,225	23,437	12,453	42,866
Yuba	141	1,751,606	0	488,664	242,648	13.85%	266,288	15.20%	\$1.54	32,100	15,076	42,220	46,620
Sacramento Market Total	9,683	126,886,657	528,664	6,175,365	12,736,182	10.04%	14,442,560	11.38%	\$1.51	462,962	438,410	1,325,745	2,500,022

Lease rates are on a triple-net basis.

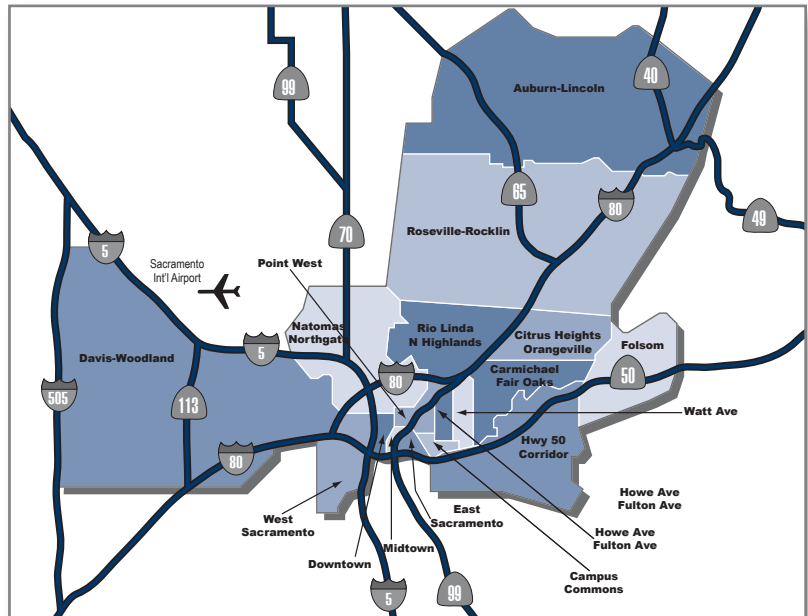
RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
1080-1090 Pleasant Grove Blvd. – 5 Properties	Roseville/ Rocklin	129,872	\$257.95	S&P Company	Donahue Schriber
Former Circuit City – 1874 Arden Way	Aredn/Watt/Howe	71,825	\$73.78	Sansome Pacific Properties, Inc.	Griggs Family Trust
2295 Fieldstone – 7 Properties	Lincoln	86,930	\$117.34	Gemperle Farms	LNR Property Corporation
2955 Auto Mall Pkwy.	Fairfield	34,000	\$201.47	CarMax, Inc.	Napa Dodge Chrysler Jeep Ram
855 E. Bidwell – part of 2 Bldg. Portfolio	Folsom	15,576	\$243.32	Kathleen Daudistel	J & E Speranca Investments

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
4400 Del Rio Rd.	South Sacramento	21,000	Jun-11	Sunflower Farmer's Market	Yee Investments
6081 Florin Rd.	South Sacramento	17,900	May-11	PetSmart	Stonehenge Property Group
6833 Stockton Blvd.	South Sacramento	14,619	Jun-11	Visions Unlimited	Stockton Square, LLC
3551-3581 Truxel Rd.	Natomas	10,000	May-11	Skechers	Donahue Schriber
7440 Laguna Blvd.	Elk Grove	8,698	Jun-11	Tuesday Morning	Khoury Family Investors, LLC
4910 Freeport	South Sacramento	8,100	Apr-11	Dollar Tree	Anton Saca



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