

# FIRST QUARTER 2015 SACRAMENTO RETAIL

**Voit**  
REAL ESTATE SERVICES

## MARKET CHANGE

Compared to Previous Quarter:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

DOWN



Deliveries

UP



## HIGHLIGHTS

- **Market Status** - The Sacramento retail market concluded the first quarter of 2015 with positive figures as an improving local economy has increased leasing, which has pushed vacancies down significantly. Vacancy and availability both dropped compared to the previous quarter, with vacancy posting the lowest rate since 2008. As fundamentals continue to improve, rent growth is also expected throughout 2015.
- **Construction** - At the close of the first quarter of 2015, there was a total of 229,449 square feet of retail space under construction in the Sacramento region. There are still, however, 11.2 million square feet of proposed retail space for the Sacramento market.
- **Vacancy** - The overall vacancy rate ended the quarter at 8.43%, a decrease of 29 basis points from the previous quarter and 75 basis points from the previous year. This is the lowest vacancy rate seen since the fourth quarter of 2008. Within the major submarkets, the Benicia, West Sacramento and Davis submarkets performed best with rates of 3.23%, 3.93% and 4.01%, respectively. The Highway 50 Corridor and Yuba submarkets, on the other hand, had the highest vacancy rates at 14.39% and 28.03%, respectively.
- **Availability** - The percentage of all space being marketed was 9.88% in the first quarter, a decrease of 7 basis points from the previous quarter and 55 basis points lower than the availability rate seen one year ago. Within the major submarkets, the Benicia and Davis submarkets remained strong at 3.72%, 4.30%, respectively, while the Yuba submarket came in with the highest availability rate at 29.35%.
- **Lease Rates** - The average asking triple-net lease rate in the Sacramento retail market was \$1.34 per square foot per month in the first quarter of 2015, which is an increase of two cents in comparison to the previous quarter. Of the major submarkets, the highest average asking rates were in the Lincoln and Folsom submarkets at \$1.89 and \$1.77 per square foot per month, while the lowest asking rates were in the Rio Linda/North Highlands submarket at \$1.01 per square foot per month.
- **Absorption** - The Sacramento retail market posted 739,321 square feet of positive net absorption for the first quarter of 2015, marking the 20th consecutive quarter of positive net absorption for a total of just over 6.4 million square feet.
- **Transaction Activity** - Sale and lease transaction volume totaled over 1.6 million square feet in the first quarter. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher in the next report. Details of the largest transactions for the quarter can be found on the back page of this report.
- **Employment** - The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 6.3% in February 2015, down from a revised 6.7% in January 2015, but still below the year-ago estimate of 8.1%. This compares with an unadjusted unemployment rate of 6.8% for California and 5.8% 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 25,900 payroll jobs from February 2014 to February 2015. While most sectors showed gains in employment, the largest gains were 6,000 jobs in education and health services, 5,000 jobs in government, and 3,700 jobs in professional and business services during that same time period.
- **Overall** - The Sacramento retail market has proven to be one of the best performing and most stable sectors in the Sacramento region. As demand continues to increase, vacancy rates will continue to trend downward. With retail employment growing over the past two years and minimal recent supply additions to the market, rental rates are expected to increase throughout 2015 as well. These statistics bode well for the retail market going forward.

## FORECAST

- **Construction** - With 230,000 square feet of retail space under construction at the close of the first quarter of 2015 and 11.2 million square feet of proposed retail space, construction is likely to increase throughout 2015. Look for development to be on the rise in the next couple of years, but remain below historical levels.
- **Employment** - We anticipate job growth of around 2.6% or 23,000 jobs in the Sacramento area throughout 2015. Expect growth in professional & business services, educational services, health care, social assistance, leisure & hospitality, and retail trade sectors.
- **Lease Rates** - Expect average asking lease rates to increase by 1% to 3% over the next four quarters.
- **Vacancy** - We anticipate the vacancy rate continuing to descend in coming quarters to approximately 8.0% by the end of the fourth quarter of 2015.

## OVERVIEW

	1Q15	4Q14	1Q14	% of Change vs. 1Q14
Total Vacancy Rate	8.43%	8.72%	9.18%	(8.17%)
Availability Rate	9.88%	9.95%	10.43%	(5.27%)
Average Asking Lease Rate	\$1.34	\$1.32	\$1.33	0.75%
Sale & Lease Transactions	1,636,373	2,719,424	2,509,980	(34.81%)
Gross Absorption	1,246,286	1,054,010	1,461,410	(14.72%)
Net Absorption	739,321	530,233	860,844	N/A

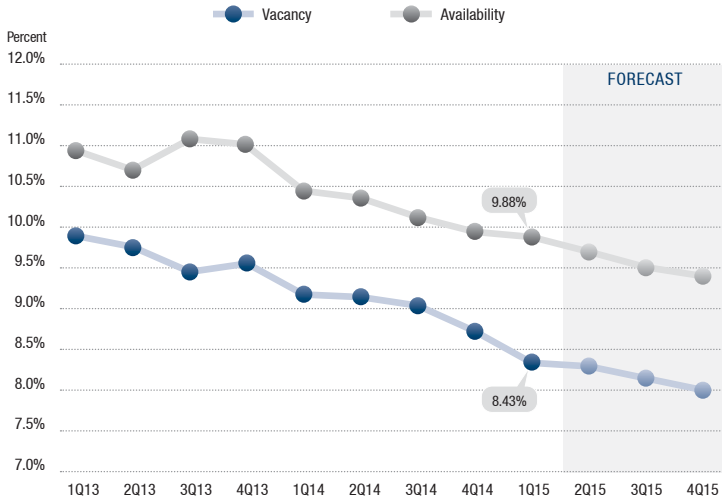
To view available properties or electronic versions of current or past market reports, please visit:

[www.voitco.com](http://www.voitco.com)

Prepared by:  
**Jerry J. Holdner, Jr.**  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)  
VOIT Real Estate Services

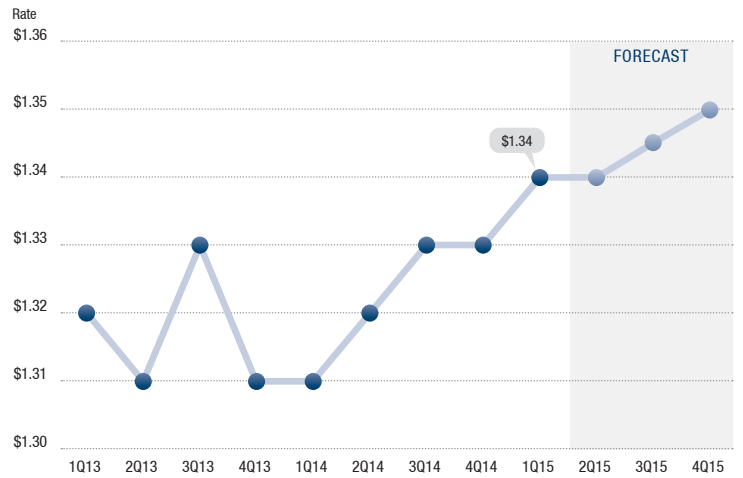
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



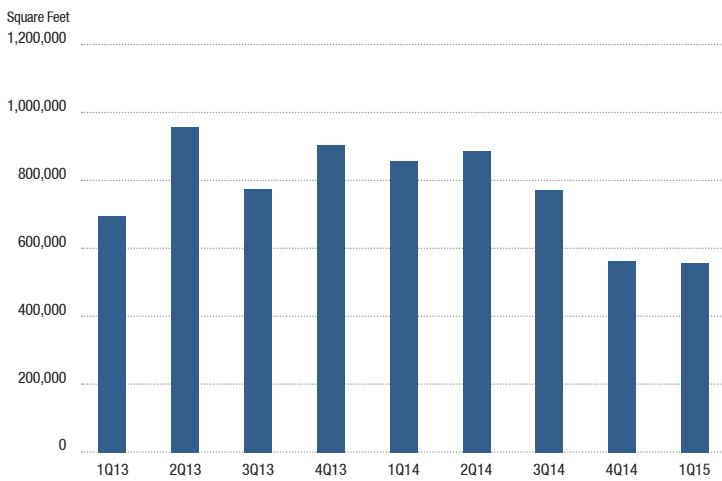
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



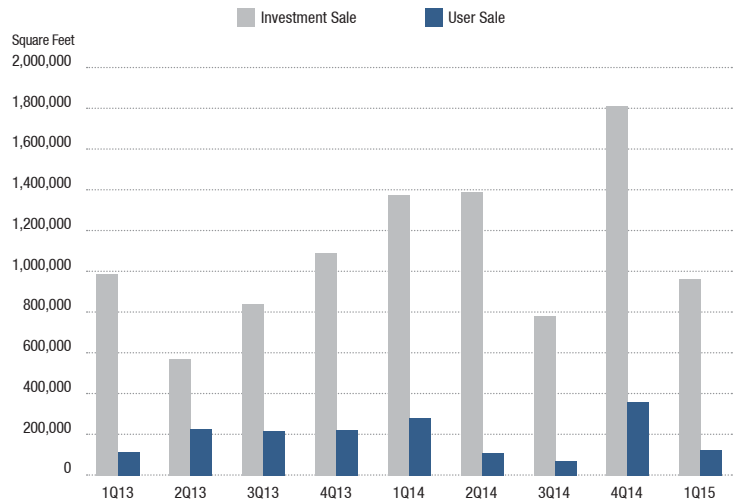
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



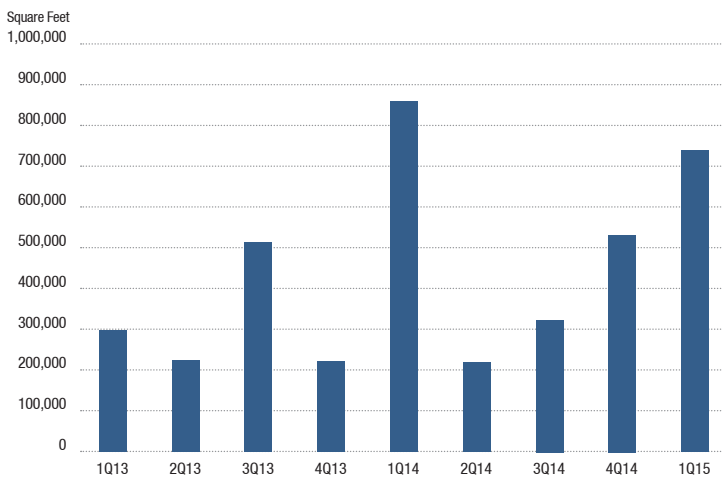
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER

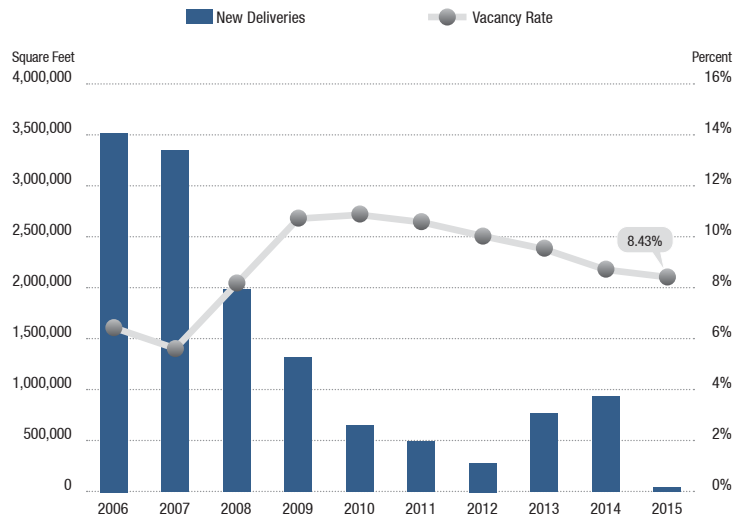


## NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



## ANNUAL NEW DELIVERIES VS. VACANCY RATE



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2015	Square Feet Available	Availability Rate 1Q2015	Average Asking Lease Rate	Net Absorption 1Q2015	Net Absorption 2014	Gross Absorption 1Q2015	Gross Absorption 2014
<b>Sacramento Market</b>													
Arden/Watt/Howe	957	11,139,583	0	140,944	1,032,611	9.27%	1,238,571	11.12%	\$1.31	57,484	98,027	138,055	484,354
Auburn/Loomis	350	3,248,775	36,960	478,160	189,142	5.82%	215,011	6.62%	\$1.27	(10,886)	40,722	5,887	91,829
Benicia	131	817,593	0	0	26,429	3.23%	30,435	3.72%	\$1.41	(740)	(5,067)	0	12,008
Carmichael	282	2,834,297	0	28,270	289,144	10.20%	361,606	12.76%	\$1.24	(7,295)	58,343	15,366	127,087
Davis	189	2,180,004	4,950	6,450	87,420	4.01%	93,755	4.30%	\$1.50	(13,389)	63,238	6,395	86,845
Downtown/Midtown/E Sac	841	6,041,001	7,380	1,829,775	278,213	4.61%	366,349	6.06%	\$1.66	352,467	92,377	384,347	183,958
El Dorado	334	3,965,970	0	312,167	273,794	6.90%	319,934	8.07%	\$1.47	(15,853)	57,107	7,890	113,745
Elk Grove	330	5,469,135	0	2,000,127	377,707	6.91%	417,499	7.63%	\$1.47	14,937	54,266	29,837	173,159
Fairfield	436	6,723,337	0	403,126	426,936	6.35%	524,814	7.81%	\$1.66	6,989	66,847	20,515	140,065
Folsom	290	5,614,902	0	179,955	444,201	7.91%	456,412	8.13%	\$1.77	(1,191)	43,513	14,313	136,081
Highway 50 Corridor	353	5,154,687	5,474	812,686	741,597	14.39%	891,276	17.29%	\$1.03	68,595	67,667	70,755	227,958
Lincoln	168	1,629,492	0	97,268	144,811	8.89%	196,228	12.04%	\$1.89	8,521	(12,037)	18,321	44,405
Natomas	260	4,147,089	0	164,170	300,638	7.25%	315,016	7.60%	\$1.67	(12,795)	46,673	12,824	96,161
Orangevale/Citrus Hts	549	7,924,999	0	236,323	858,757	10.84%	1,029,777	12.99%	\$1.29	16,976	131,131	43,593	326,253
Outer El Dorado	289	2,571,765	0	10,000	163,008	6.34%	212,364	8.26%	\$1.60	(14,044)	72,520	2,112	99,637
Outer Placer	166	1,279,165	0	0	51,288	4.01%	71,889	5.62%	\$1.82	(4,287)	8,409	7,140	36,475
Outer Sacramento	135	1,134,919	6,450	154,350	50,817	4.48%	56,549	4.98%	\$1.54	8,616	125,960	8,616	136,564
Outer Sutter	312	4,187,964	0	303,095	305,842	7.30%	323,382	7.72%	\$1.30	1,384	20,329	8,748	84,958
Outer Yolo	50	301,231	0	46,920	12,063	4.00%	17,803	5.91%	\$1.49	0	3,563	0	3,563
Rio Linda/North Highlands	429	5,133,316	118,000	83,602	648,917	12.64%	660,350	12.86%	\$1.01	3,942	43,117	21,870	165,138
Roseville/Rocklin	878	14,333,428	22,365	612,463	1,124,240	7.84%	1,252,641	8.74%	\$1.39	46,980	387,163	101,032	735,268
South Sacramento	1,104	12,262,504	27,870	2,023,932	1,222,733	9.97%	1,389,253	11.33%	\$1.33	167,460	157,710	188,843	363,521
Vacaville	540	7,264,248	0	550,042	451,156	6.21%	590,762	8.13%	\$1.34	(17,628)	112,493	17,906	208,694
Vallejo	692	6,140,296	0	166,399	398,788	6.49%	634,178	10.33%	\$1.27	3,705	32,683	21,805	201,793
West Sacramento	180	2,386,038	0	24,500	93,837	3.93%	126,146	5.29%	\$1.39	6,011	11,714	7,930	46,291
Woodland	265	3,497,231	0	140,343	301,451	8.62%	346,877	9.92%	\$1.08	40,244	47,773	52,568	101,059
Yuba	216	2,264,246	0	410,176	634,615	28.03%	664,542	29.35%	\$1.07	33,118	5,835	39,618	86,627
<b>Sacramento Market Total</b>	<b>10,726</b>	<b>129,647,215</b>	<b>229,449</b>	<b>11,215,243</b>	<b>10,930,155</b>	<b>8.43%</b>	<b>12,803,419</b>	<b>9.88%</b>	<b>\$1.34</b>	<b>739,321</b>	<b>1,832,076</b>	<b>1,246,286</b>	<b>4,513,496</b>
<b>Malls</b>													
Malls	84	5,036,183	0	458,439	336,187	6.68%	329,918	6.55%	\$3.51	372,205	1,217	374,104	65,483
<b>Power Centers</b>													
Power Centers	336	12,191,452	11,450	1,109,540	675,782	5.54%	746,720	6.12%	\$1.55	19,890	247,800	53,006	438,006
<b>Shopping Centers</b>													
Shopping Centers	3,057	55,743,280	70,304	3,677,805	6,307,120	11.31%	7,227,770	12.97%	\$1.36	188,002	623,837	473,902	2,195,247
<b>Specialty Centers</b>													
Specialty Centers	68	2,274,499	0	35,655	203,457	8.95%	215,455	9.47%	\$1.47	(4,348)	81,718	6,822	102,063
<b>General Retail</b>													
General Retail	7,181	54,401,801	147,695	5,933,804	3,407,609	6.26%	4,283,556	7.87%	\$1.17	163,572	877,504	338,452	1,712,697
<b>Sacramento Market Total</b>	<b>10,726</b>	<b>129,647,215</b>	<b>229,449</b>	<b>11,215,243</b>	<b>10,930,155</b>	<b>8.43%</b>	<b>12,803,419</b>	<b>9.88%</b>	<b>\$1.34</b>	<b>739,321</b>	<b>1,832,076</b>	<b>1,246,286</b>	<b>4,513,496</b>

Lease rates are on a triple-net basis.

## MAJOR TRANSACTIONS

### Sales Transactions

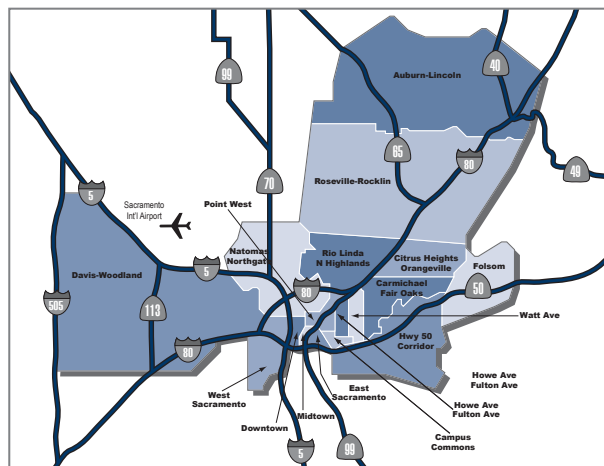
Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
Market Place 99 11 Properties	Elk Grove	218,861	\$194.19	NewMark Merrill Companies	Donahue Schriber Commercial RE
Rancho Cordova Town Center 6 Properties	Highway 50 Corridor	152,944	\$194.52	Rancho Cordova Property Holdco, LLC	Pacific Castle, Inc.
Five Star Plaza 6850 Five Star Blvd.	Roseville/Rocklin	133,450	\$74.58	Destiny Christian Church	Frederick Solberg
Vallejo Plaza 3445 Sonoma Blvd.	Vallejo	10,384	\$452.62	Ogino Ii, LLC	DGR Vallejo, LLC
Roseville Automall 110 Automall Dr.	Roseville/Rocklin	22,507	\$199.94	John L Sullivan Family, LP	Vanderbeek Ronald S. & Camille D.

### Lease Transactions

Property Name / Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
Creekside Town Center 1240-1256 Galleria Blvd.	Roseville/ Rocklin	34,456	Feb-2015	Undisclosed	AEW Capital Management
Arden Watt Market Place 3308-3350 Arden Way	Arden/Watt/Howe	32,669	Jan-2015	Sports Authority	Cahill Contractors, Inc.
The Shops at Briggs Ranch Plaza 25000 Blue Ravine Rd.	Folsom	30,849	Feb-2015	99 Ranch Market	5R Partners, LLC
Raley's Shopping Center 700-720 W. Onstott Rd.	Outer Sutter County	20,000	Mar-2015	Jo-Ann Fabric	Yuba Raleys, LLC 2003
Sierra Oaks Plaza Shopping Center 4120-4130 Douglas Blvd.	Roseville/Rocklin	18,815	Mar-2015	Crunch Fitness	E.J. Plesko & Associates, Inc.

To view available properties,  
please visit:

[www.voitco.com](http://www.voitco.com)



### Please Contact Us for Further Information

101 Shipyard Way, Newport Beach, CA 92663 949.644.8648 Lic.#01333376 www.voitco.com

**Voit**  
REAL ESTATE SERVICES

Anaheim, CA  
714.978.7880

Inland Empire, CA  
909.545.8000

Irvine, CA  
949.851.5100

Las Vegas, NV  
702.734.4500

Los Angeles, CA  
424.329.7500

Newport Beach, CA  
949.644.8648

Phoenix, AZ  
602.952.8648

Reno, NV  
775.771.9955

Sacramento, CA  
916.772.8648

San Diego, CA  
858.453.0505

San Jose, CA  
408.885.9110

Real People.  
Real Solutions.®

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

©2015 Voit Real Estate Services, Inc. Real People. Real Solutions.® is a registered trademark of Voit Real Estate Services.