



## Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

UP

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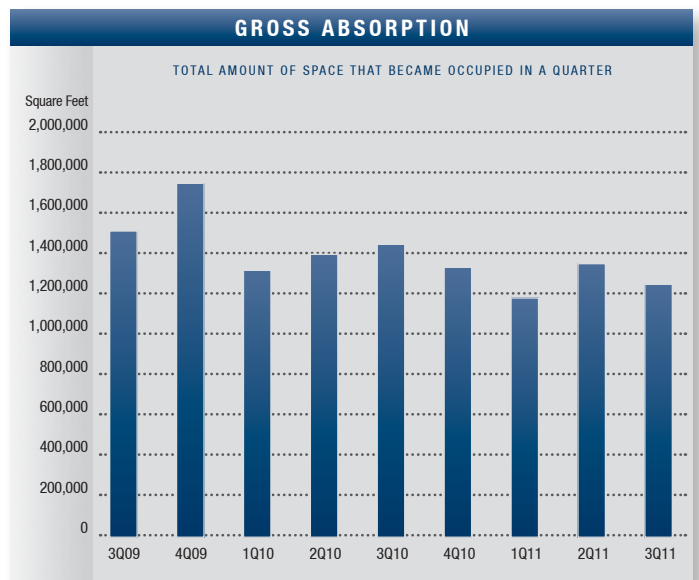
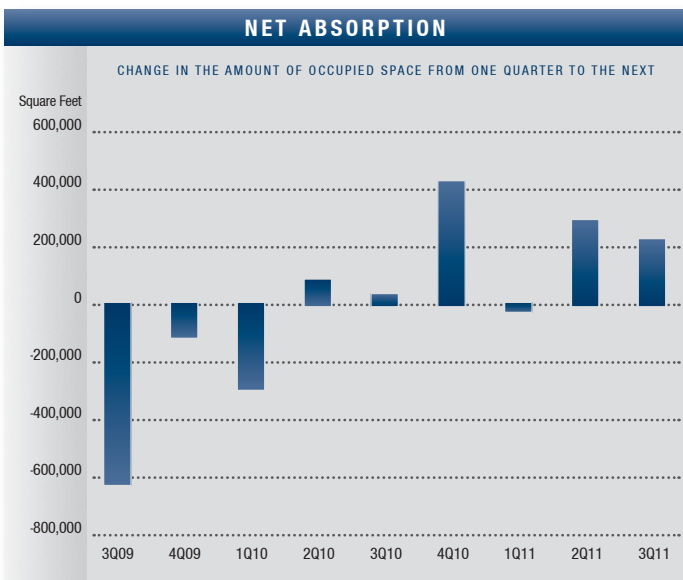
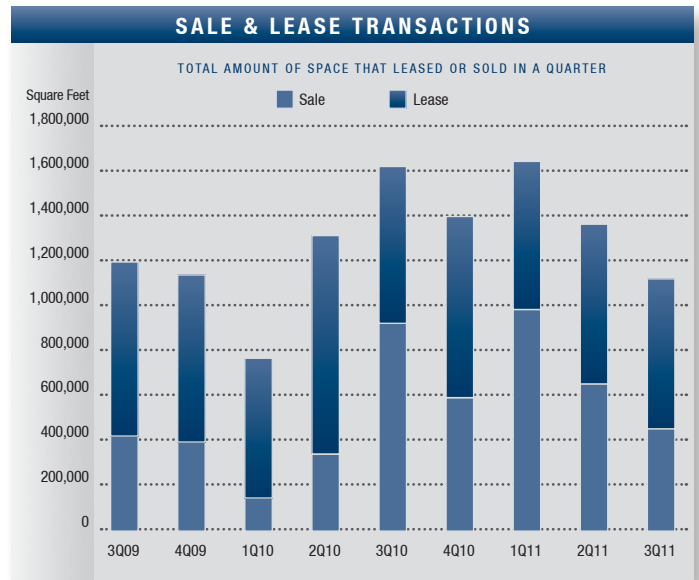
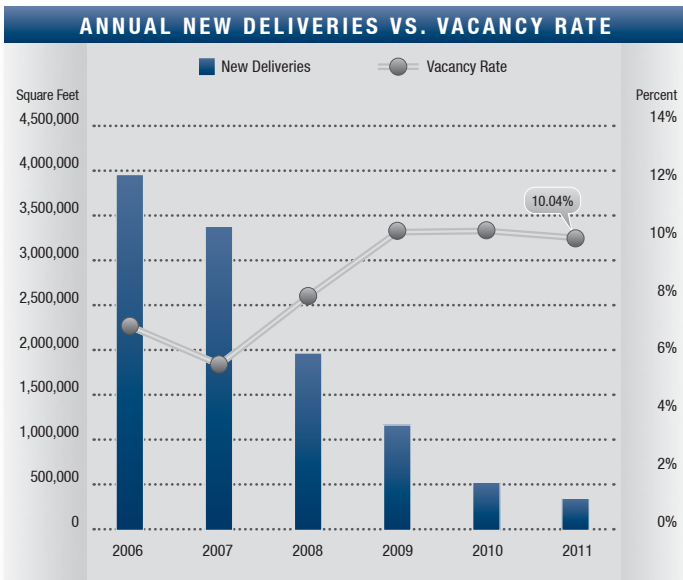
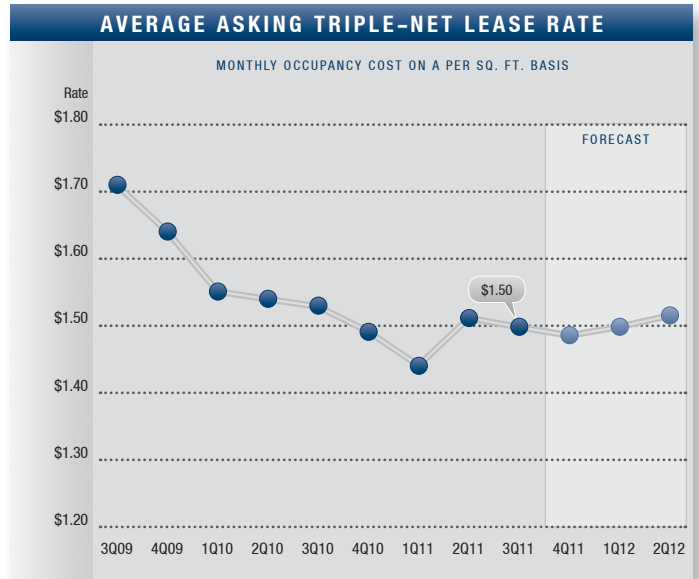
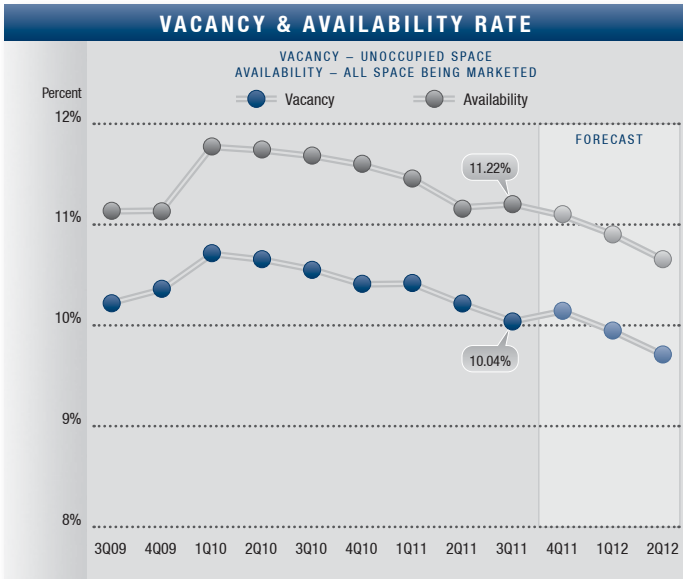


### Market Highlights

- Encouraging Numbers** - Sacramento's retail market statistics were very positive, again, in the third quarter: vacancy receding for the third quarter in a row; net absorption positive; and, lease rates holding. Vacancy dropped several basis points during the quarter, reaching 10.04% on September 30. Barring any true double-dip consumer recession, the region's performance over the last three quarters could be the basis of a positive growth trend in 2012 and herald a return to market health.
- Absorption** - The Sacramento retail market posted just over 220,000 square feet of positive net absorption during the third quarter and almost 500,000 square feet of positive net absorption so far this year.
- Transaction Activity** - The total number of square feet leased and sold was slightly down at the end of the third quarter, reaching roughly 85% of the total volume of transactions posted during the second quarter — average for this quarter, each year. Appreciable here is that leasing and sales volumes have held up, suggesting market confidence is holding.
- Construction** - There was just over 338,000 square feet of retail construction underway at the close of the quarter. Nearly all of the construction was in the Palladio at Folsom.
- Employment** - The unemployment rate in the Sacramento-Arden-Arcade-Roseville Metropolitan area (MSA) was 11.9% in August 2011. This compares with an unadjusted unemployment rate of 11.9% for the state and 9.1% for the nation during the same period. The largest monthly gains occurred in local government (teachers) and construction. Of note, the construction sector has added over 2,000 jobs during the past 12 months.
- Overall** - The retail market is continuing to see positive net absorption figures and a gradual downward trend in regional vacancy. Maintaining the trend in this direction will require consumers to keep spending, even in light of the national (indeed global) economic uncertainty. Asking rates will hold at their current position for the better part of the next year. Effective rates will remain static as well, as landlords continue to offer concessions, free rent and valuable incentives. Sales volume will increase in the coming quarters as lenders look to divest themselves of distressed assets.
- Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 10.04%, down a few basis points since the close of the previous quarter and down 35 basis points since the end of 2010. The vacancy in Roseville/Rocklin, the largest submarket in the Sacramento retail market, came in at 12.40%, down from the second quarter. The Arden/Watt/Howe submarket, the second largest overall and largest in-fill market in the region, had a vacancy rate of 11.06%.
- Availability** - The rate of availability for all direct/sublease space being marketed was 11.22% at the close of the quarter.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in the Sacramento retail market was \$1.50 — a decrease of just one cent compared to the prior quarter. The region's highest average asking rate was recorded in the Natomas submarket, in the third quarter, at \$1.85 per square foot, NNN.

### RETAIL MARKET OVERVIEW

	3Q2011	2Q2011	3Q2010	% Change vs. 3Q2010
Total Vacancy Rate	10.04%	10.22%	10.57%	(5.01%)
Availability Rate	11.22%	11.16%	11.69%	(4.02%)
Average Asking Lease Rate	\$1.50	\$1.51	\$1.53	(1.96%)
Sale & Lease Transactions	1,109,290	1,351,658	1,612,486	(31.21%)
Gross Absorption	1,248,350	1,349,195	1,442,921	(13.48%)
Net Absorption	223,535	295,206	36,930	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 3Q2011	Square Feet Available	Availability Rate 3Q2011	Average Asking Lease Rate	Net Absorption 3Q2011	Net Absorption 2011	Gross Absorption 3Q2011	Gross Absorption 2011
<b>Sacramento Market</b>													
Arden/Watt/Howe	952	11,190,319	0	31,000	1,125,564	10.06%	1,237,226	11.06%	\$1.47	53,933	55,645	171,256	357,905
Auburn/Loomis	316	2,959,807	0	70,377	229,103	7.74%	239,735	8.10%	\$1.38	(14,928)	62,064	4,930	106,196
Benicia	132	876,945	0	0	25,254	2.88%	31,691	3.61%	\$1.21	(8,751)	362	400	12,264
Carmichael	251	2,511,374	0	0	319,358	12.72%	347,745	13.85%	\$1.14	(11,923)	(30,693)	27,074	81,255
Davis	165	1,969,985	0	23,080	189,154	9.60%	192,454	9.77%	\$1.34	(32,079)	(1,030)	2,575	62,179
Downtown/Midtown/E Sac	852	8,931,271	0	1,439,388	376,419	4.21%	431,844	4.84%	\$1.37	11,938	(43,174)	66,855	146,007
El Dorado	273	3,728,328	13,263	112,679	309,438	8.30%	344,956	9.25%	\$1.74	(5,372)	9,454	24,435	83,214
Elk Grove	301	5,264,968	0	710,920	504,130	9.58%	515,241	9.79%	\$1.67	4,578	144,857	62,910	256,530
Fairfield	345	6,137,972	0	477,862	435,568	7.10%	561,907	9.15%	\$1.68	16,250	(99,969)	62,286	275,767
Folsom	264	5,437,074	310,285	111,008	633,666	11.65%	886,528	16.31%	\$1.68	48,229	33,883	141,809	191,254
Highway 50	286	4,571,710	5,000	421,160	796,649	17.43%	901,018	19.71%	\$1.09	16,761	42,675	37,416	124,367
Lincoln	176	1,655,846	0	0	226,279	13.67%	189,428	11.44%	\$1.76	3,138	3,938	7,570	37,294
Natomas	249	4,101,501	0	70,570	406,112	9.90%	444,364	10.83%	\$1.85	50,157	14,515	63,775	233,920
Orangevale/Citrus Hts	525	7,975,490	0	159,178	896,210	11.24%	1,066,374	13.37%	\$1.31	12,478	56,079	57,891	263,521
Outer El Dorado	218	2,187,665	0	0	152,628	6.98%	185,748	8.49%	\$1.64	25,458	19,761	30,438	58,721
Outer Placer	148	1,292,689	0	0	40,291	3.12%	55,028	4.26%	\$1.00	(6,851)	(2,951)	1,000	7,100
Outer Sacramento	115	873,182	0	44,684	67,931	7.78%	79,729	9.13%	\$1.12	(3,076)	(10,386)	9,500	27,270
Outer Sutter	254	3,987,988	0	320,582	281,392	7.06%	332,968	8.35%	\$1.27	2,186	(5,104)	25,437	72,782
Outer Yolo	27	243,207	0	0	5,000	2.06%	6,200	2.55%	\$0.00	0	6,500	0	6,500
Rio Linda/North Highlands	422	5,290,508	0	42,890	589,484	11.14%	653,730	12.36%	\$1.14	51,218	65,096	57,451	140,956
Roseville/Rocklin	817	13,817,166	0	262,505	1,713,483	12.40%	1,769,690	12.81%	\$1.52	45,524	143,197	201,021	524,699
South Sacramento	934	10,934,854	0	975,087	1,498,935	13.71%	1,598,252	14.62%	\$1.82	55,906	96,212	89,992	314,587
Vacaville	518	7,056,738	4,500	76,662	602,433	8.54%	654,848	9.28%	\$1.39	(51,601)	(43,533)	26,274	117,144
Vallejo	699	6,198,721	0	200,761	499,983	8.07%	606,839	9.79%	\$1.15	(11,800)	(17,745)	40,189	131,416
West Sacramento	165	2,362,104	0	63,747	153,274	6.49%	157,274	6.66%	\$1.72	9,182	4,650	18,772	36,396
Woodland	247	3,495,864	5,500	187,144	405,143	11.59%	454,994	13.02%	\$1.65	(29,996)	(6,559)	11,492	54,358
Yuba	139	1,768,571	0	492,840	254,682	14.40%	286,868	16.22%	\$1.53	(7,024)	(5,758)	5,602	49,122
<b>Sacramento Market Total</b>	<b>9,790</b>	<b>126,821,847</b>	<b>338,548</b>	<b>6,294,124</b>	<b>12,737,563</b>	<b>10.04%</b>	<b>14,232,679</b>	<b>11.22%</b>	<b>\$1.50</b>	<b>223,535</b>	<b>491,986</b>	<b>1,248,350</b>	<b>3,772,724</b>

Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sale Transactions

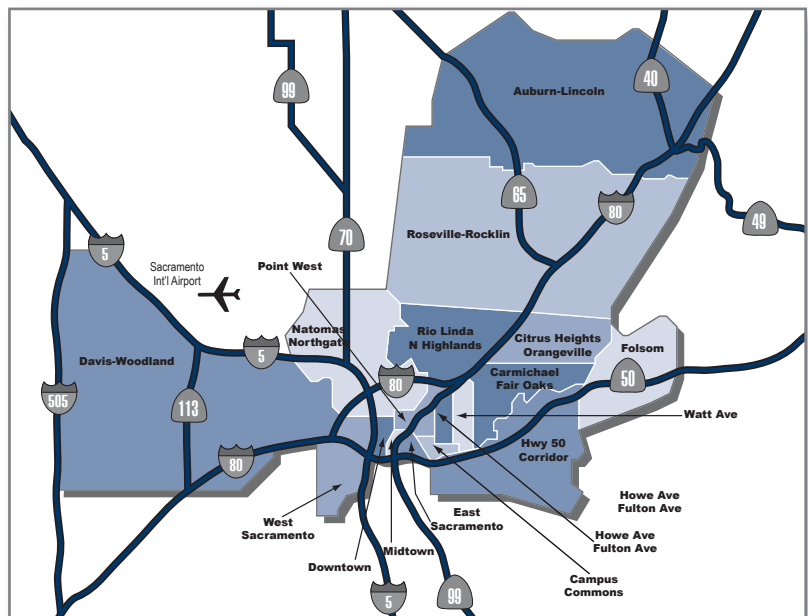
Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
2101-2135 Cowell Blvd.	Davis	103,762	\$337.31	Regency Centers	Petrovich Development Co.
6815-6851 Lonetree Blvd.	Arden/Watt/Howe	89,383	\$138.73	Bixby Bridge Capital	Schultz Financial Group Incorporated
7281 Lone Pine Dr.	Outer Sac County	65,922	\$97.31	Maple Leaf Investment	Charles Fares
6819 Watt Ave.	Rio Linda/N Highlands	14,490	\$425.67	WHQ Investments	Y J Lee Realty, Inc.
1003 E. Bidwell	Folsom	59,966	\$83.38	MSCI 2006-HQ10 Bidwell Street	Stewart Default Services

New / Coming to the Region

Property Address	Tenant	Tenant Type	Submarket	Projected Opening	Owner
Alamo Plaza S.C., 848-882 Alamo Dr	In-Shape Health Club	Gym / Health Club	Vacaville	Winter 2012	Farrokh & Soozan Hosseinyoun
The Palladio at Folsom, 440 Palladio Pkwy., Bldg. 150	Toby Keith's "I ♥ this Bar & Grill"	Bar / Restaurant	Folsom	Winter 2012	Broadstone Land
The Palladio at Folsom, 270 Palladio Pkwy., Bldg. 1100	Whole Foods	Specialty Grocer	Folsom	Fall 2011	Broadstone Land
Placer Center Plaza, 1815 Douglas Blvd	Hobby Lobby	Hobby / Crafts	Roseville / Rocklin	Fall 2011	Inland Western REIT
Laguna Crossroads, 7621 Laguna Boulevard	buybuy BABY	Infant / Baby specialty	Laguna / Elk Grove	Now open	Donahue Schriber

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