



REAL ESTATE SERVICES

Real People. Real Solutions.®



Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

UP

Deliveries

DOWN

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

www.voitco.com

Prepared by:

Jerry J. Holdner, Jr. — Lic.#01145748
Vice President of Market Research
e-mail: jholdner@voitco.com

Tyler Boyd
Market Research Analyst
e-mail: tboyd@voitco.com

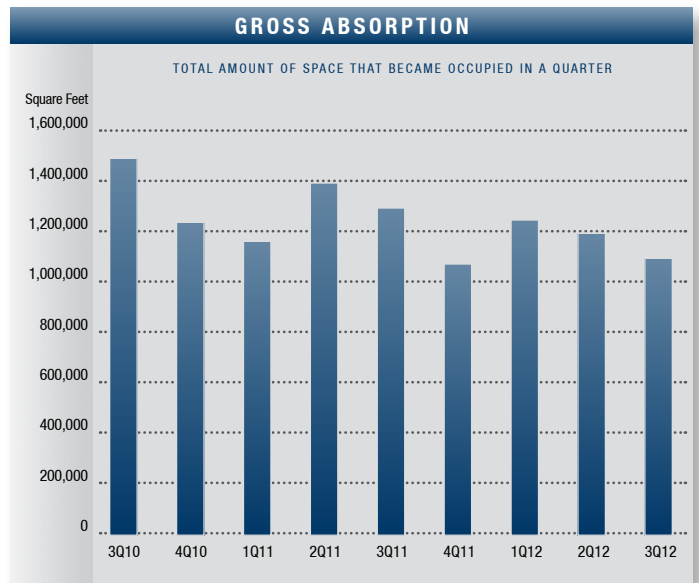
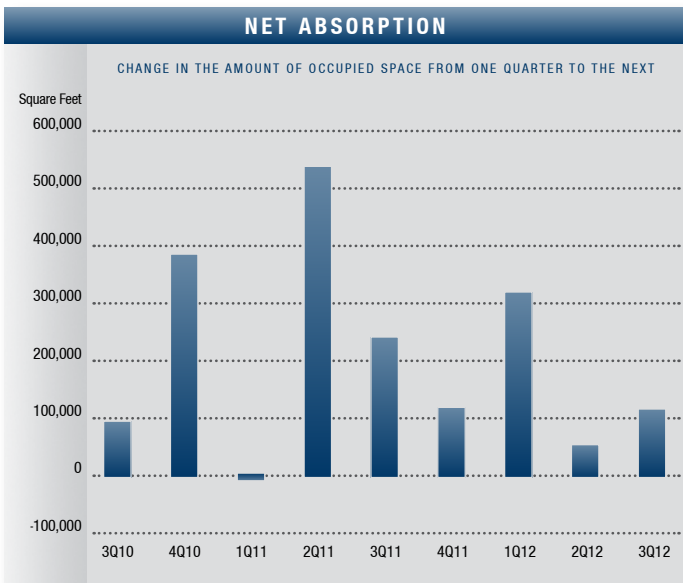
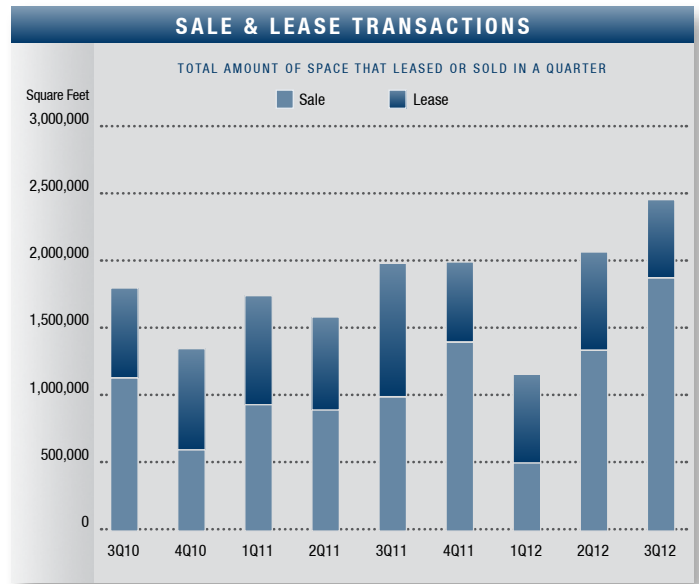
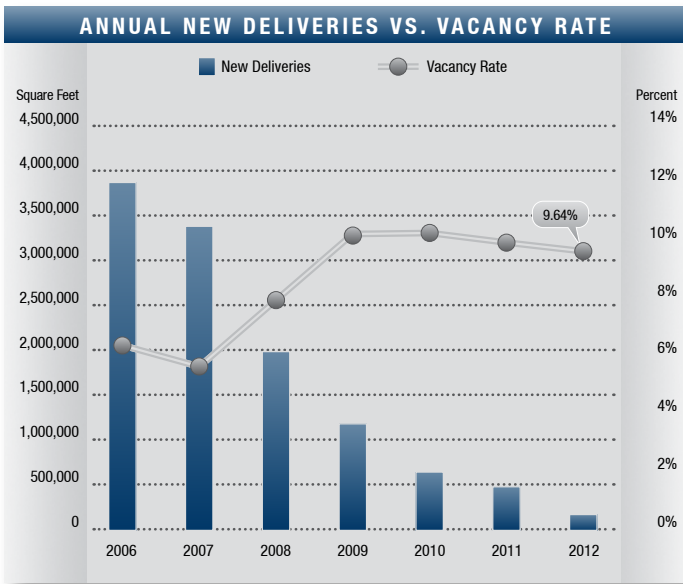
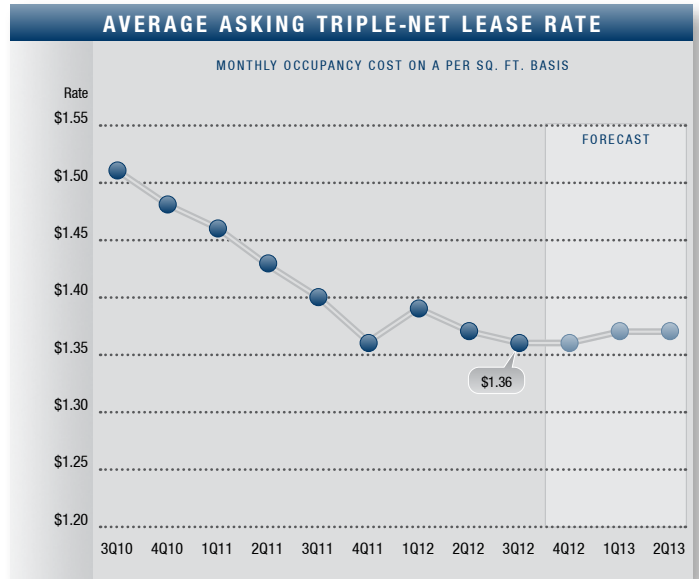
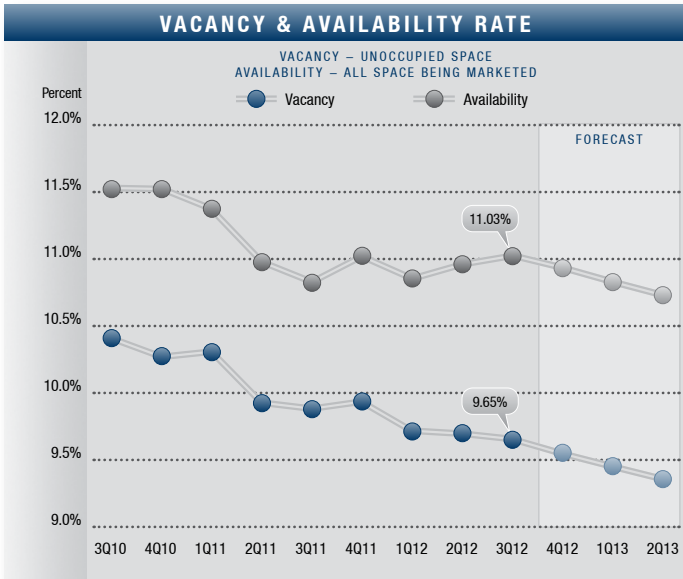
VOIT Real Estate Services — Lic.#01333376

Market Highlights

- Market Status** - Sacramento's retail market continued to stabilize in the third quarter of 2012. Vacancy and availability remained essentially flat compared to the previous quarter, an indication of stability, and the market posted over 100,000 square feet of positive net absorption. Sales and leasing activity was high, due in large part to the sale of the Westfield Downtown Plaza. While these are positive indications, job growth and housing stability will need to continue to improve in coming quarters for the market to fully recover.
- Construction** - There was 60,642 square feet of retail space delivered during the third quarter of 2012. In the first and second quarters of 2012, ten properties, totaling 87,072 square feet, were delivered in the Sacramento retail market. There was still 63,858 square feet under construction at the close of the third quarter. The slowdown in construction will ease the upward pressure on vacancy and downward pressure on lease rates.
- Vacancy** - The overall vacancy rate decreased to 9.65%, a drop of 5 basis points from the second 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 3.47%, while the Highway 50 Corridor submarket had the highest vacancy, with a rate of 20.11%.
- Availability** - The percentage of all space being marketed was 11.03% in the third quarter of 2012—a rise of 7 basis points from the previous quarter. Similar to vacancy, the Downtown/Midtown/East Sacramento submarket remained strongest at 5.45%, while Highway 50 Corridor submarket came in at 22.81%.
- Lease Rates** - The average asking triple-net lease rate in the Sacramento retail market was \$1.36 per square foot per month in the third quarter of 2012—a decrease of one cent from the previous quarter. The region's highest average asking rate was in the Natomas submarket at \$1.84, while the region's lowest asking rates were found in the Highway 50 corridor at \$1.07. We are forecasting that lease rates will stabilize in early 2013.
- Absorption** - The Sacramento retail market posted 116,294 square feet of positive net absorption for the third quarter of 2012, giving the market a total of nearly 1.4 million square feet of positive absorption over six consecutive quarters. Look for net absorption to be a telling indicator of the market going forward, with the impending struggles of neighborhood centers and the emergence of some new community and power centers.
- Transaction Activity** - Sale and leasing transaction volume totaled 2.45 million square feet — an increase from the previous quarter's 2.05 million square feet of activity. Typically, this statistic does have some lag time to post final numbers, so look for the third quarter numbers end up over 2.75 million square feet. Details of the largest transactions for the third quarter can be found on the back page of this report.
- Employment** - The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 10.7% in Aug 2012, up from 10.4% in April 2012. This compares with an unadjusted unemployment rate of 10.4% for California and 8.2% for the nation during the same period. According to the State of California Employment Development Department, Sacramento-Arden Arcade-Roseville MSA saw a net increase of 17,600 payroll jobs from August 2011 to August 2012. The largest gains were 4,900 in professional & business services and 3,900 in trade, transportation, and utilities; however, Sacramento-Arden Arcade-Roseville MSA lost 900 leisure and hospitality jobs during that same period.
- Overall** - We expect that vacancy will maintain momentum in a slow downward trend, sustained by personal income growth and minimal supply additions. Sacramento does have a couple of nagging concerns that will prevent a stronger recovery: an elevated unemployment rate, which is expected to stay in the double digits until 2013, and a high number of store closures. In conclusion, while the retail market still faces challenges, it is the best performing and most stable sector in the Sacramento region.

RETAIL MARKET OVERVIEW

	3Q12	2Q12	3Q11	% of Change vs. 3Q11
Total Vacancy Rate	9.65%	9.70%	9.88%	(2.33%)
Availability Rate	11.03%	10.96%	10.82%	1.94%
Average Asking Lease Rate	\$1.36	\$1.37	\$1.40	(2.86%)
Sale & Lease Transactions	2,451,949	2,055,485	1,983,696	23.61%
Gross Absorption	1,080,471	1,180,755	1,286,581	(16.02%)
Net Absorption	116,294	50,311	235,915	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 3Q2012	Square Feet Available	Availability Rate 3Q2012	Average Asking Lease Rate	Net Absorption 3Q2012	Net Absorption 2012	Gross Absorption 3Q2012	Gross Absorption 2012
Sacramento Market													
Arden/Watt/Howe	947	11,204,856	3,167	24,000	1,199,948	10.71%	1,377,674	12.30%	\$1.31	(5,017)	(79,868)	121,753	264,612
Auburn/Loomis	331	3,059,288	0	70,377	262,137	8.57%	289,640	9.47%	\$1.29	(21,475)	(19,593)	6,150	44,578
Benicia	134	849,253	0	0	27,885	3.28%	35,153	4.14%	\$1.08	1,100	(71)	1,100	7,606
Carmichael	260	2,566,956	0	15,000	319,007	12.43%	350,346	13.65%	\$1.17	(33,112)	(14,731)	19,762	83,552
Davis	173	2,064,064	0	70,931	111,356	5.39%	116,468	5.64%	\$1.64	1,676	64,879	14,678	104,680
Downtown/Midtown/E Sac	856	9,047,556	16,075	1,454,490	314,259	3.47%	492,933	5.45%	\$1.27	3,678	49,761	59,167	149,483
El Dorado	294	3,822,462	4,000	117,079	373,771	9.78%	414,688	10.85%	\$1.68	(25,931)	(10,456)	26,276	115,918
Elk Grove	307	5,392,989	0	2,562,596	550,346	10.20%	569,903	10.57%	\$1.56	(10,097)	(58,547)	35,427	106,637
Fairfield	382	6,569,452	0	474,762	399,955	6.09%	458,422	6.98%	\$1.75	(4,061)	15,319	29,986	163,865
Folsom	282	5,738,776	25,216	94,808	624,176	10.88%	663,029	11.55%	\$1.63	70,743	158,082	100,049	263,487
Highway 50 Corridor	294	4,662,830	5,000	684,827	937,595	20.11%	1,063,517	22.81%	\$1.07	(39,675)	(82,420)	27,400	124,962
Lincoln	175	1,650,372	0	0	168,501	10.21%	154,097	9.34%	\$1.85	36,289	35,690	52,772	85,799
Natomas	249	4,076,013	0	70,570	453,937	11.14%	491,628	12.06%	\$1.84	(13,658)	(35,310)	9,547	50,826
Orangevale/Citrus Hts	532	7,935,403	0	175,428	903,348	11.38%	1,056,480	13.31%	\$1.42	58,183	(6,724)	103,363	215,690
Outer El Dorado	225	2,266,423	0	0	135,744	5.99%	177,758	7.84%	\$1.57	1,899	(2,010)	10,460	38,870
Outer Placer	155	1,415,991	0	0	53,781	3.80%	92,471	6.53%	\$1.65	(13,012)	6,490	55	25,245
Outer Sacramento	123	893,528	0	46,434	64,273	7.19%	110,252	12.34%	\$1.35	1,110	8,673	10,150	27,201
Outer Sutter	273	4,050,178	0	337,095	269,291	6.65%	399,092	9.85%	\$1.28	74	(10,255)	14,608	56,529
Outer Yolo	38	244,752	0	46,920	9,406	3.84%	13,406	5.48%	\$0.00	(2,343)	(9,406)	0	700
Rio Linda/North Highlands	427	5,357,819	0	85,790	658,964	12.30%	701,587	13.09%	\$1.08	(46,787)	(56,762)	34,653	161,891
Roseville/Rocklin	830	14,000,514	0	339,995	1,509,895	10.78%	1,675,666	11.97%	\$1.45	97,325	217,135	176,327	468,197
South Sacramento	1,017	11,489,105	3,800	944,730	1,456,568	12.68%	1,562,523	13.60%	\$1.38	(27,197)	63,137	74,574	357,034
Vacaville	520	7,111,009	0	163,927	482,581	6.79%	583,537	8.21%	\$1.18	9,653	109,314	24,624	191,747
Vallejo	699	6,227,151	0	35,180	509,359	8.18%	651,311	10.46%	\$1.16	19,979	35,812	46,080	156,111
West Sacramento	173	2,394,603	6,600	29,800	127,095	5.31%	148,795	6.21%	\$1.69	13,063	22,186	15,663	40,050
Woodland	254	3,549,526	0	147,987	417,121	11.75%	456,321	12.86%	\$1.64	(3,715)	(7,126)	13,725	65,001
Yuba	169	1,971,522	0	491,640	167,828	8.51%	193,436	9.81%	\$0.91	47,602	92,470	52,122	138,058
Sacramento Market Total	10,119	129,612,391	63,858	8,484,366	12,508,127	9.65%	14,300,133	11.03%	\$1.36	116,294	485,669	1,080,471	3,508,329

Malls	74	8,252,228	6,600	1,226,800	456,275	5.53%	573,152	6.95%	\$1.90	0	12,372	0	22,093
Power Centers	333	12,033,897	0	1,772,730	1,073,135	8.92%	1,214,096	10.09%	\$1.97	76,630	2,160	114,547	208,837
Community Centers	547	15,488,496	5,000	1,239,407	1,757,098	11.34%	1,849,863	11.94%	\$1.47	70,511	268,529	161,259	533,895
Neighborhood Centers	1,300	28,476,223	3,800	1,744,861	3,759,477	13.20%	4,108,057	14.43%	\$1.37	(7,691)	61,445	210,757	741,288
Strip Centers	1,026	10,554,455	0	297,081	1,673,252	15.85%	1,840,294	17.44%	\$1.27	(29,653)	(69,401)	118,806	400,283
Specialty Centers	101	3,336,082	25,216	74,653	412,918	12.38%	451,730	13.54%	\$1.81	76,801	104,046	78,719	172,581
General Retail	6,738	51,471,010	23,242	2,128,834	3,375,972	6.56%	4,262,941	8.28%	\$1.19	(70,304)	106,518	396,383	1,429,352
Sacramento Market Total	10,119	129,612,391	63,858	8,484,366	12,508,127	9.65%	14,300,133	11.03%	\$1.36	116,294	485,669	1,080,471	3,508,329

Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sale Transactions

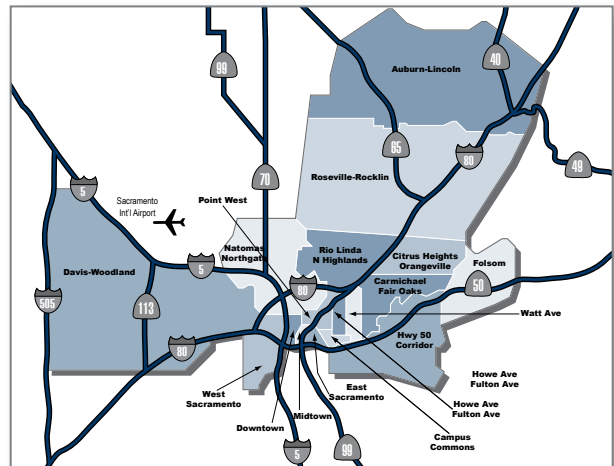
Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
Westfield Downtown Plaza 547 L St.	Dtown/Midtown/E Sac	1,175,925	\$18.36	JMA Ventures/Downtown Prop. Holdings, LLC	Westfield Group
Folsom Creek 13385 & 13389 Folsom Blvd.	Folsom	19,938	\$352.34	Syers Family Trust	Navarra Family Trust
Laguna Park Village 6608-6628 Laguna Blvd.	Elk Grove	34,015	\$190.36	Coleman Family Trust	Kimco Realty Corporation
Tahoe Vista 6873 N. Lake Blvd.	Outer Placer County	4,562	\$964.49	Great Western Holdings, Inc.	Lanza Family Trust
Plaza De Oro 2901-2951 Sunrise Blvd.	Highway 50 Corridor	72,269	\$52.58	Ethan Conrad Properties	CRP Properties, Inc.

New / Coming to the Region

Property Address	Tenant	Tenant Type	Submarket	Projected Opening	Owner
Madison Plaza 6001-6045 Madison Ave.	Walmart	Department/Grocer	Orangevale/Citrus Heights	Spring 2013	Kimco Realty Corporation
4080-4090 Douglas Blvd. 5080 Chiles Rd.	Walmart Market 2Bennett Audimotive	Grocer Auto Repair	Roseville/Rocklin Davis	Now Open Winter 2013	David Husman Gene Simons
Lincoln Gateway (**Voit RES deal**) 120 Gateway Dr.	California Ripped Fitness	Fitness Center	Lincoln	Fall 2012	Lincoln Gateway Ventures, LLC
Promenade at Sacramento Gateway 3600 N. Freeway Blvd.	Buffalo Wild Wings	Restaurant	Natomas	Fall 2012	CLPF Promenade

To view available properties,
please visit:

www.voitco.com



Please Contact Us for Further Information

Anaheim, CA
714.978.7880

Commerce, CA
323.201.4494

Inland Empire, CA
909.545.8000

Irvine, CA
949.851.5100

Las Vegas, NV
702.734.4500

Newport Beach, CA
949.644.8648

Phoenix, AZ
602.952.8648

Reno, NV
775.309.0782

Sacramento, CA
916.772.8648

San Diego, CA
858.453.0505

Voit

REAL ESTATE SERVICES

101 Shipyard Way
Newport Beach, CA 92663

949.644.8648
www.voitco.com
Lic.#01333376

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.