

# THIRD QUARTER 2014 SACRAMENTO RETAIL

**Voit**  
REAL ESTATE SERVICES

## MARKET CHANGE

*Compared to the Previous Quarter:*

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

DOWN



Deliveries

DOWN



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VOIT Real Estate Services

## HIGHLIGHTS

- **Market Status** - The Sacramento retail market concluded the third quarter of 2014 with positive figures. Leasing has increased, 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 2014.
- **Construction** - At the close of the third quarter of 2014, there was a total of 422,367 square feet of retail space under construction in the Sacramento region. Of the largest submarkets, Auburn/Loomis had the most retail construction, with 153,907 square feet. The two largest retail projects under construction are a 120,000-square-foot, retail building located in the Auburn/Loomis submarket expected to be delivered in February of 2015 and a 118,000 square foot freestanding retail building in Rio Linda/North Highlands submarket expected to be delivered in January of 2015. There is still 9.3 million square feet of proposed retail space for the Sacramento market.
- **Vacancy** - The overall vacancy rate ended the quarter at 8.91%, a decrease of 9 basis points from the previous quarter and 44 basis points from the previous year, and the lowest vacancy rate seen since the fourth quarter of 2008. Within the major submarkets, the Davis and Downtown/Midtown/East Sac submarkets performed best with rates of 3.61% and 3.89%, respectively. The Highway 50 Corridor and Yuba submarkets had the highest vacancy rates at 15.14% and 29.64%, respectively.
- **Availability** - The percentage of all space being marketed was 9.98% in the third quarter, a decrease of 24 basis points from the previous quarter and 103 basis points lower than the availability rate seen one year ago. Within the major submarkets, the Davis, Downtown/Midtown/East Sac, and West Sacramento submarkets remained strong at 4.02%, 5.03%, and 5.75%, respectively, while the Yuba submarket came in with the highest availability rate at 31.03%.
- **Lease Rates** - The average asking triple-net lease rate in the Sacramento retail market was \$1.33 per square foot per month in the third quarter of 2014, which is \$0.01 higher than the previous quarter. Of the major submarkets, the highest average asking rates were in the Downtown/Midtown/E. Sac and Lincoln submarkets at \$1.80 and \$1.92 per square foot per month, while the lowest asking rates were in the Yuba and Highway 50 Corridor submarkets at \$0.93 and \$0.99 per square foot per month.
- **Absorption** - The Sacramento retail market posted 280,174 square feet of positive net absorption for the third quarter of 2014, marking the 18th consecutive quarter of positive net absorption and totaling just over 5.1 million square feet.
- **Transaction Activity** - Sale and lease transaction volume totaled just over 993,000 square feet in the third quarter, which is a decrease in transaction activity from the previous year's average. This statistic can have some lag time in being reported, so look for third quarter figures to end up somewhat higher in the next report. 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 7.0% in August 2014, down from a revised 7.4% in July 2014, and below the year-ago estimate of 8.5%. This compares with an unadjusted unemployment rate of 7.4% for California and 6.3% 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 17,000 payroll jobs from August 2013 to August 2014. While most sectors showed gains in employment, the largest gains were 7,200 jobs in professional and business services, 6,000 jobs in educational and health services, and 1,600 jobs in manufacturing during that same time period.
- **Overall** - The third quarter statistics for the Sacramento retail market are further proof that a full recovery is underway, and as positive demand continues, 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 as well. Sacramento offers a significant relative advantage to the nearby Bay Area — one of the most expensive regions for both businesses and residents in the country. This cost differential has continued to support the population growth in the Sacramento region. This coupled with an improving housing and job market will further strengthen the Sacramento retail market, which has proven to be one of the best performing and most stable sectors in the region.

## FORECAST

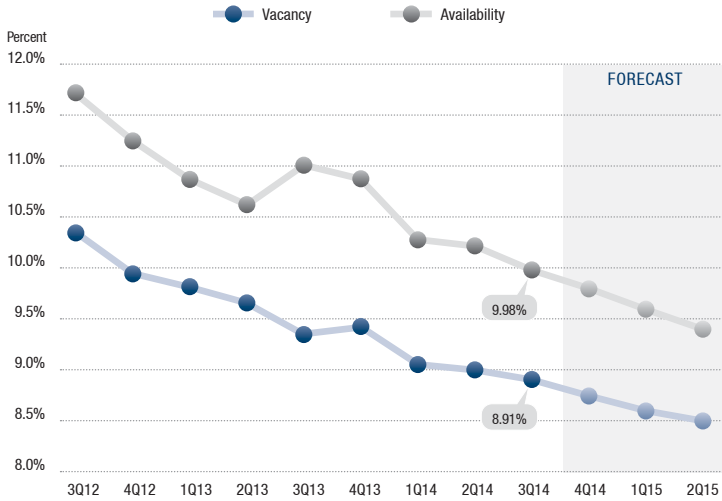
- **Construction** - With 422,367 square feet of retail space under construction in the third quarter of 2014 and 9.3 million square feet of proposed retail space, construction will increase throughout 2014. Look for development to be on the rise in the next couple of years, but remain below historical levels.
- **Employment** - We anticipate job growth of around 2.1% or 17,000 jobs in the Sacramento area by 2015. Expect growth in educational services, health care, social assistance, professional and business services, leisure and hospitality, and retail trade.
- **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 8.5% by the end of the second quarter of 2015.

## OVERVIEW

	3Q14	2Q14	3Q13	% of Change vs. 3Q13
Vacancy Rate	8.91%	9.00%	9.35%	(4.71%)
Availability Rate	9.98%	10.22%	11.01%	(9.36%)
Average Asking Lease Rate	\$1.33	\$1.32	\$1.33	0.00%
Sale & Lease Transactions	993,443	2,138,548	1,825,897	(45.59%)
Gross Absorption	899,389	1,050,607	1,580,674	(43.10%)
Net Absorption	280,174	226,115	466,538	N/A

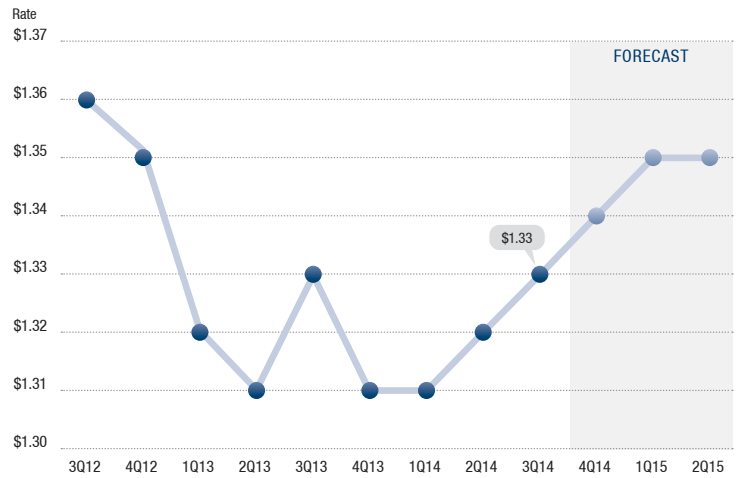
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



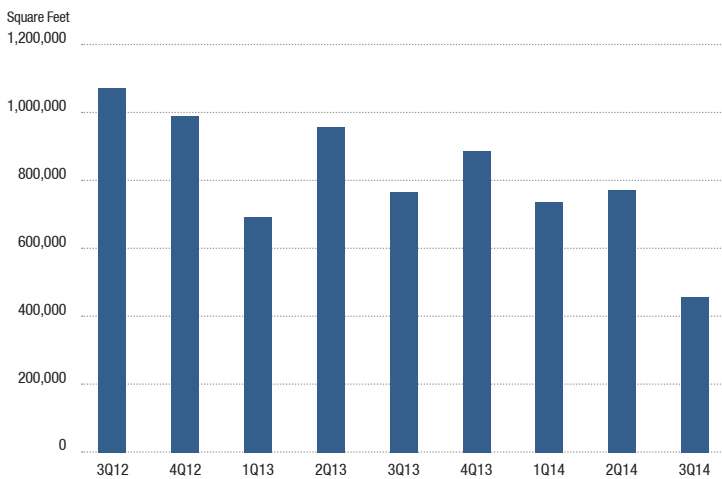
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



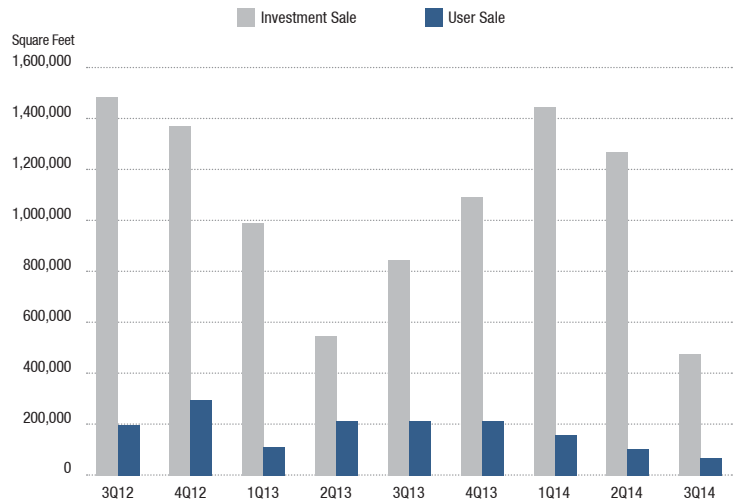
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



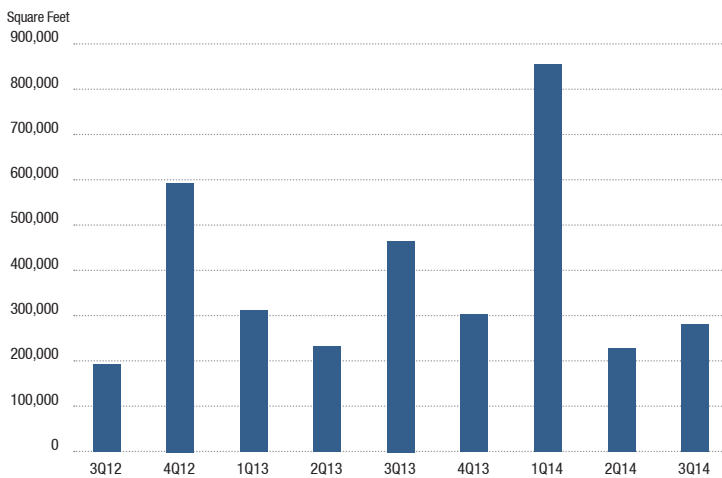
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER

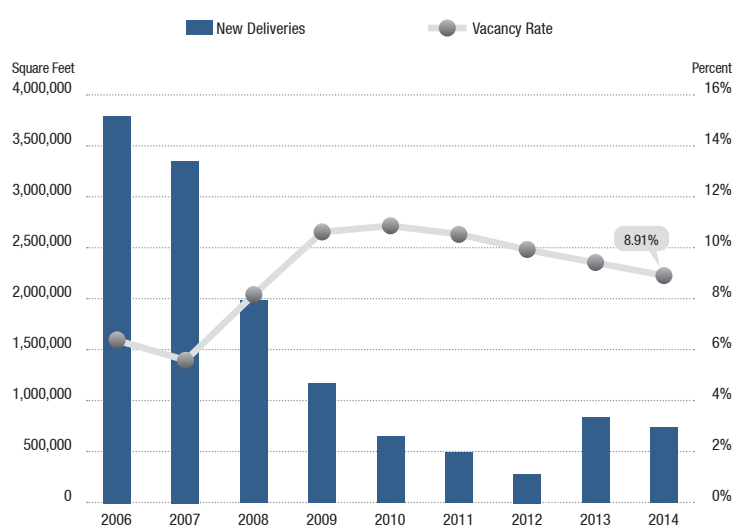


## NET ABSORPTION

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 3Q2014	Square Feet Available	Availability Rate 3Q2014	Average Asking Lease Rate	Net Absorption 3Q2014	Net Absorption 2014	Gross Absorption 3Q2014	Gross Absorption 2014
<b>Sacramento Market</b>													
Arden/Watt/Howe	952	11,001,761	3,600	54,500	1,105,763	10.05%	1,355,169	12.32%	\$1.41	(35,967)	19,444	109,040	372,051
Auburn/Loomis	341	3,189,770	153,907	473,380	156,515	4.91%	201,280	6.31%	\$1.34	1,299	34,219	5,261	61,404
Benicia	127	791,388	0	0	26,436	3.34%	35,016	4.42%	\$1.58	(1,494)	(3,451)	5,345	7,645
Carmichael	279	2,819,031	0	18,270	314,788	11.17%	340,434	12.08%	\$1.15	(11,144)	30,404	41,153	94,302
Davis	186	2,155,790	0	6,450	77,842	3.61%	86,574	4.02%	\$1.62	13,538	59,708	16,113	79,265
Downtown/Midtown/E Sac	837	5,774,058	2,880	1,456,755	224,595	3.89%	290,511	5.03%	\$1.80	1,545	120,925	21,819	169,174
El Dorado	331	3,932,988	0	311,631	263,239	6.69%	325,714	8.28%	\$1.51	20,623	48,471	30,886	98,121
Elk Grove	328	5,585,050	5,000	1,275,962	366,652	6.56%	394,735	7.07%	\$1.45	17,690	50,602	31,937	154,128
Fairfield	432	6,813,187	0	397,126	458,744	6.73%	520,561	7.64%	\$1.45	(10,812)	24,633	13,656	80,296
Folsom	290	5,625,251	0	151,529	470,601	8.37%	505,560	8.99%	\$1.81	31,687	36,102	51,024	111,929
Highway 50 Corridor	351	5,156,632	5,440	734,571	780,879	15.14%	915,695	17.76%	\$0.99	53,037	48,175	81,747	186,630
Lincoln	167	1,568,125	0	94,779	130,739	8.34%	151,881	9.69%	\$1.92	11,789	(9,444)	12,689	27,832
Natomas	261	4,157,333	0	164,170	285,354	6.86%	304,841	7.33%	\$1.69	11,949	43,290	24,442	79,203
Orangevale/Citrus Hts	549	8,008,224	0	222,973	973,173	12.15%	958,824	11.97%	\$1.29	31,965	72,364	66,392	223,788
Outer El Dorado	286	2,541,145	0	0	154,109	6.06%	174,163	6.85%	\$1.43	747	42,283	7,628	67,640
Outer Placer	162	1,252,794	0	0	43,885	3.50%	62,926	5.02%	\$1.75	4,349	10,025	5,844	30,715
Outer Sacramento	134	1,133,963	0	34,800	59,317	5.23%	71,049	6.27%	\$1.45	4,620	121,760	5,620	132,364
Outer Sutter	302	4,191,792	0	368,995	295,961	7.06%	321,561	7.67%	\$1.21	22,687	31,746	47,125	80,568
Outer Yolo	48	299,497	0	46,920	12,063	4.03%	13,000	4.34%	\$1.60	0	1,000	0	1,000
Rio Linda/North Highlands	426	5,159,845	118,000	83,602	652,222	12.64%	671,837	13.02%	\$1.04	5,017	30,349	54,757	125,991
Roseville/Rocklin	875	14,258,656	83,765	293,400	1,224,432	8.59%	1,329,635	9.33%	\$1.38	74,190	304,610	107,341	497,432
South Sacramento	1,098	12,173,314	18,180	1,997,882	1,447,174	11.89%	1,476,646	12.13%	\$1.36	37,817	87,258	59,061	240,297
Vacaville	535	7,236,097	31,595	444,202	455,055	6.29%	584,201	8.07%	\$1.24	809	77,081	36,264	159,704
Vallejo	691	6,129,077	0	117,665	422,655	6.90%	566,110	9.24%	\$1.26	(9,481)	19,244	36,496	124,339
West Sacramento	179	2,422,808	0	24,500	110,746	4.57%	139,199	5.75%	\$1.48	3,582	(5,324)	7,013	33,893
Woodland	265	3,476,132	0	140,343	319,274	9.18%	392,180	11.28%	\$1.04	(5,862)	62,365	10,000	93,882
Yuba	210	2,248,220	0	410,176	666,433	29.64%	697,590	31.03%	\$0.93	5,994	2,235	10,736	71,527
<b>Sacramento Market Total</b>	<b>10,642</b>	<b>129,101,928</b>	<b>422,367</b>	<b>9,324,581</b>	<b>11,498,646</b>	<b>8.91%</b>	<b>12,886,892</b>	<b>9.98%</b>	<b>\$1.33</b>	<b>280,174</b>	<b>1,360,074</b>	<b>899,389</b>	<b>3,405,120</b>
Malls	108	6,382,132	0	722,110	790,098	12.38%	827,920	12.97%	\$1.39	(31,769)	(20,587)	28,892	58,201
Power Centers	352	13,456,668	66,400	604,943	728,460	5.41%	712,230	5.29%	\$1.60	60,173	190,562	74,315	286,264
Shopping Centers	2,991	54,992,845	168,720	3,802,556	6,497,985	11.82%	7,146,726	13.00%	\$1.37	180,427	415,307	491,559	1,646,928
Specialty Centers	65	2,254,245	0	0	206,663	9.17%	201,277	8.93%	\$1.08	12,300	53,174	13,500	71,419
General Retail	7,126	52,016,038	187,247	4,194,972	3,275,440	6.30%	3,998,739	7.69%	\$1.11	59,043	721,618	291,123	1,342,308
<b>Sacramento Market Total</b>	<b>10,642</b>	<b>129,101,928</b>	<b>422,367</b>	<b>9,324,581</b>	<b>11,498,646</b>	<b>8.91%</b>	<b>12,886,892</b>	<b>9.98%</b>	<b>\$1.33</b>	<b>280,174</b>	<b>1,360,074</b>	<b>899,389</b>	<b>3,405,120</b>

Lease rates are on a triple-net basis.

**MAJOR TRANSACTIONS**

**Sales Transactions**

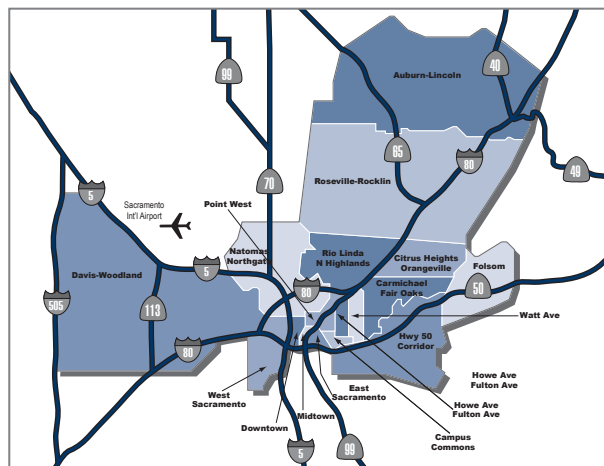
Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
Willow Creek Town Center 1115 E. Bidwell St.	Folsom	3,895	\$462.13	Cheong & Miao Family Trust	Pacific Castle, Inc.
Rocklin Pointe Retail 2625 Sierra Meadows Dr.	Roseville/Rocklin	11,413	\$148.95	Undisclosed	Rocklin Pointe Center, LLC
Folsom Square 1016 E. Bidwell St.	Folsom	3,078	\$519.82	Steve & Irene D. Chapralis	Bidwell Acquisitions, LLC
4145 Sunrise Blvd.	Carmichael	4,920	\$288.62	Direct Auto Outlet	Custom 4 X 4, Inc.
7630 Fair Oaks Blvd.	Carmichael	6,800	\$157.35	7Fairoaks Investment, LLC	Bhangra Investments, Inc.

**Lease Transactions**

Property Name/Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
4614 Madison Ave.	Rio Linda/N. Highlands	31,000	Aug-14	Office Depot	Karane Ann G. Trust
1349 Florin Rd.	South Sacramento	28,000	Jul-14	California Family Fitness	Freeport Farms Development Co., LLC
OSH/Rite Aid Center 6124 San Juan Ave.	Orangevale/Citrus Heights	19,876	Sep-14	Crunch	Red Mountain Retail Group, Inc.
Center Pointe Shopping Center 394 N. Sunrise Ave.	Roseville/Rocklin	11,000	Jul-14	Undisclosed	Arthur Haskins
Palladio at Broadstone 350 Palladio Pkwy.	Folsom	10,139	Jul-14	Victoria's Secret	Broadstone Land, LLC

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