



Retail Market Report

Compared to 2009:



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Market Highlights

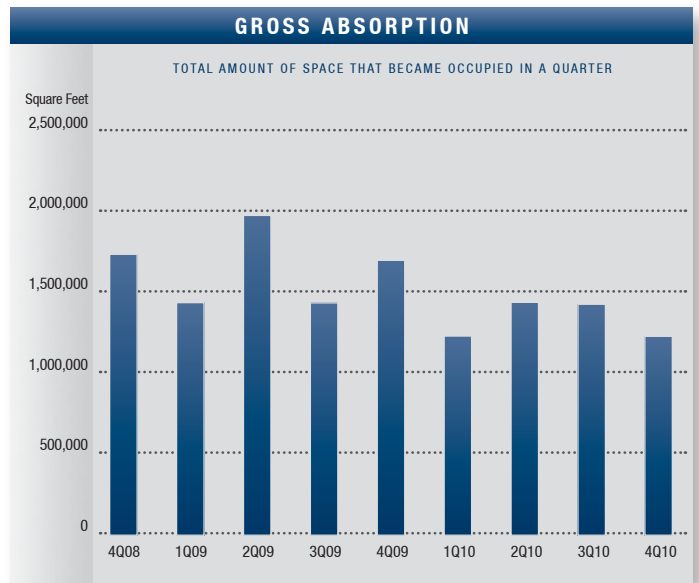
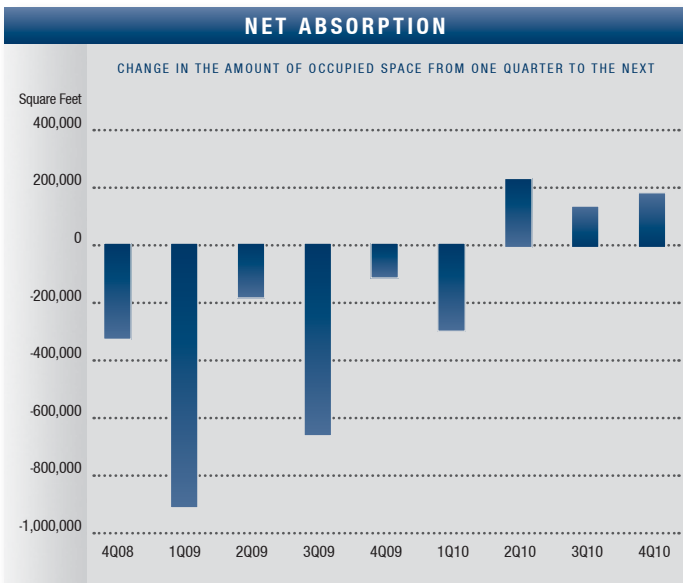
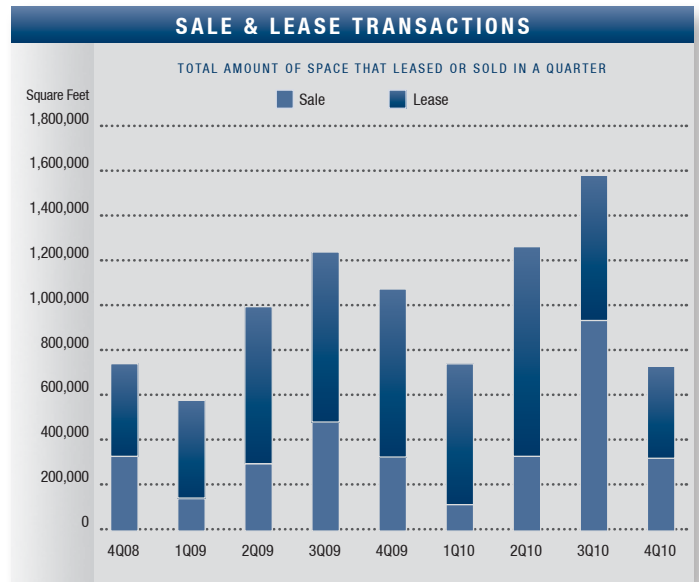
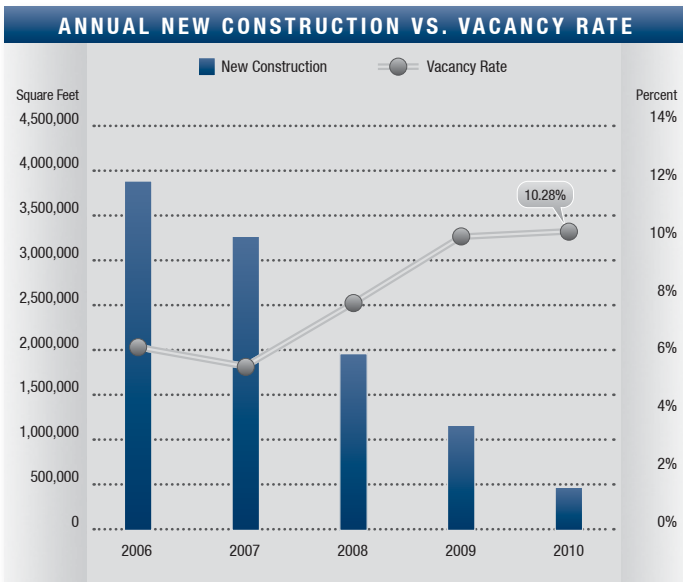
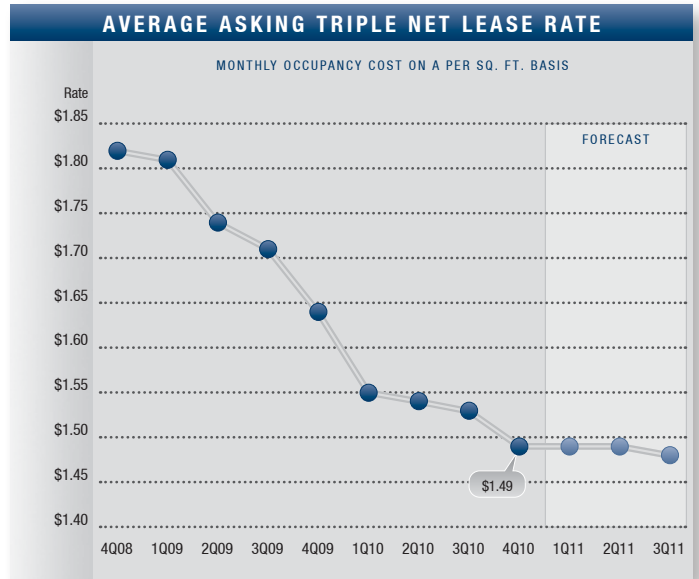
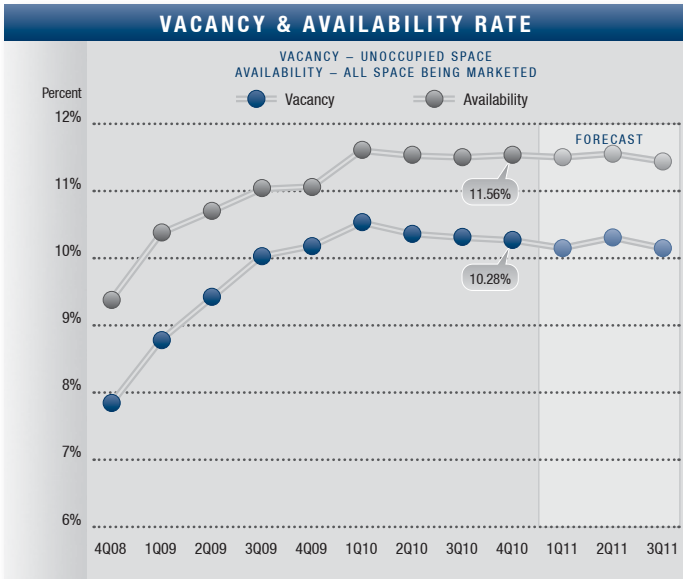
- **Encouraging Numbers** - The Sacramento retail market displayed encouraging numbers in the fourth quarter of 2010. Vacancy, availability and net absorption all showed signs of stabilization, posting statistically insignificant changes compared to 2009. With regard to sales transactions, the ask-bid gap narrowed, as evidenced by the drop in asking prices. While these are positive indications, stability will need to be sustained in following quarters to be considered recovery.
- **Construction** - There was 582,362 square feet of retail construction underway in the fourth quarter of 2010, most of which was in the city of Folsom. The shrinking availability of land, scarce financing and rising construction costs, have led to few projects being developed.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 10.28%, nearly the same as 2009's rate of 10.20%. The vacancy in Roseville/Rocklin, the largest submarket in Sacramento, came in at 12.86%.
- **Availability** - Direct/sublease space being marketed was 11.56% in the fourth quarter of 2010, up from the 11.06% we saw at the end of 2009. This is an increase of 4.52% of new space being marketed when compared to 2009.
- **Lease Rates** - The average asking Triple Net lease rate per month per foot in Sacramento was \$1.49 — four cents lower than last quarter's rate and a 9.15% decrease over 2009's rate of \$1.64. The record high rate of \$1.96 was established in the fourth quarter of 2007.
- **Absorption** - Net absorption for the county posted a positive 304,113 square feet for 2010; in the last three quarters of 2010, the retail market averaged approximately 185,000 square feet of positive absorption per quarter.
- **Transaction Activity** - Leasing activity checked in at 2.60 million square feet for 2010, nearly equal to 2009's figure of 2.68 million square feet. The Sacramento retail market leased an average of 673,000 square feet per quarter

for five consecutive quarters. Sales activity showed an increase, posting 1.7 million square feet of activity in 2010 compared to the 1.2 million square feet we saw in 2009.

- **Employment** - The unemployment rate in Sacramento-Arden-Arcade-Roseville Metropolitan area (MSA) was 12.6% in November 2010, up from a revised 12.0% in October 2010 and above the 2009 estimate of 12.0%. The unemployment rate was 12.7% in El Dorado, 11.5% in Placer, 12.8% in Sacramento and 13.3% in Yolo Counties. This compares with an unadjusted unemployment rate of 12.4% for California and 9.3% for the nation during the same period. According to the State of California Employment Development Department, the Sacramento MSA lost 22,300 payroll jobs from November 2009 to November 2010 — 4,300 in construction and 3,600 in professional and business services. Between July 2010 and August 2010 the Sacramento MSA decreased by 2,800 jobs overall.
- **Overall** - We are beginning to see a decrease in the amount of available space being added per quarter, as well as an increase in investment sales activity. Positive absorption is the big story, and with few new deliveries in the pipeline to put more upward pressure on vacancies, the market is beginning to stabilize. We foresee a further increase in investment activity in the coming quarters as lenders continue to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, relocation funds and tenant improvement allowances should continue to increase to motivate tenants to immediate action. We should also see an increase in leasing activity as many short-term deals come up for renewal and as job creation begins going into 2011. Once employment turns positive and consumer confidence stabilizes, the industrial market will regain equilibrium.

RETAIL MARKET OVERVIEW

	2010	2009	2008	% CHANGE vs. 2009
Vacancy Rate	10.28%	10.20%	7.86%	0.78%
Availability Rate	11.56%	11.06%	9.36%	4.52%
Average Asking Lease Rate	\$1.49	\$1.64	\$1.82	(9.15%)
Sale & Lease Transactions	4,288,746	3,866,637	3,251,885	10.92%
Gross Absorption	5,292,863	6,520,146	6,018,075	(18.82%)
Net Absorption	304,113	(1,863,464)	(900,735)	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 4Q2010	Square Feet Available	Availability Rate 4Q2010	Average Asking Lease Rate	Net Absorption 4Q2010	Net Absorption 2010	Gross Absorption 4Q2010	Gross Absorption 2010
Sacramento County													
Arden/Watt/Howe	948	11,278,442	0	24,000	1,155,595	10.25%	1,327,318	11.77%	\$1.63	(41,962)	(29,322)	139,556	415,691
Auburn/Loomis	312	3,202,003	0	44,182	289,267	9.03%	295,867	9.24%	\$1.41	7,239	31,683	15,251	153,627
Benicia	132	867,230	0	0	25,616	2.95%	29,107	3.36%	\$1.45	2,626	6,527	3,253	26,002
Carmichael	237	2,460,768	0	0	288,165	11.71%	341,162	13.86%	\$1.14	28,499	(36,350)	43,954	97,634
Davis	159	1,930,979	3,362	38,950	177,362	9.19%	140,437	7.27%	\$1.42	(17,212)	(34,212)	10,565	44,677
Downtown/Midtown/E Sacramento	856	9,358,887	0	4,311,420	365,290	3.90%	409,436	4.37%	\$1.43	13,861	146	26,631	177,138
El Dorado	255	3,598,105	0	122,844	311,414	8.65%	341,324	9.49%	\$1.92	22,036	67,704	41,884	224,528
Elk Grove	293	5,243,544	0	2,386,902	647,977	12.36%	714,340	13.62%	\$1.68	5,327	98,473	65,901	288,962
Fairfield	289	5,441,633	0	541,589	385,521	7.08%	543,697	9.99%	\$1.45	3,765	231,504	22,178	320,750
Folsom	247	5,575,511	579,000	30,000	416,651	7.47%	477,473	8.56%	\$1.62	33,840	25,682	47,703	183,438
Highway 50	283	4,662,855	0	315,620	827,239	17.74%	900,051	19.30%	\$1.36	(10,923)	(60,386)	47,619	144,263
Lincoln	169	1,596,377	0	0	167,724	10.51%	170,924	10.71%	\$1.95	18,645	20,204	23,665	78,096
Natomas	245	4,267,161	0	92,570	422,427	9.90%	447,496	10.49%	\$1.88	11,160	(130,806)	28,465	143,052
Orangevale/Citrus Heights	517	8,086,284	0	148,678	967,641	11.97%	1,075,999	13.31%	\$1.43	(33,344)	52,368	76,478	442,866
Outer El Dorado	206	2,143,684	0	0	195,773	9.13%	214,329	10.00%	\$1.79	(11,271)	(27,665)	10,388	61,256
Outer Placer	139	1,026,488	0	0	18,840	1.84%	46,347	4.52%	\$1.00	1,709	3,950	1,709	15,099
Outer Sacramento	103	876,568	0	163,584	50,545	5.77%	60,913	6.95%	\$1.43	(4,000)	(5,414)	4,600	36,831
Outer Sutter	249	4,065,707	0	224,882	263,308	6.48%	327,402	8.05%	\$1.35	21,168	(80,067)	53,317	128,493
Outer Yolo	25	237,328	0	0	11,000	4.63%	11,000	4.63%	\$0.00	5,700	380	5,700	5,900
Rio Linda/North Highlands	420	5,339,419	0	20,450	647,880	12.13%	707,581	13.25%	\$1.18	(98,760)	(54,475)	39,264	232,639
Roseville/Rocklin	773	13,559,279	0	274,735	1,743,497	12.86%	1,908,256	14.07%	\$1.69	41,982	93,816	129,502	630,928
South Sacramento	914	10,956,217	0	944,630	1,668,180	15.23%	1,791,341	16.35%	\$1.40	(21,933)	(6,730)	88,167	549,166
Vacaville	499	6,912,101	0	110,760	547,600	7.92%	740,794	10.72%	\$1.24	(2,063)	35,714	27,635	273,794
Vallejo	696	6,155,389	0	190,381	570,653	9.27%	684,632	11.12%	\$1.12	231,468	174,204	237,168	338,453
West Sacramento	115	2,149,428	0	63,747	149,625	6.96%	155,093	7.22%	\$1.75	9,894	42,147	12,394	88,069
Woodland	225	3,393,775	0	192,644	397,084	11.70%	443,871	13.08%	\$1.71	(5,944)	(26,374)	10,125	152,344
Yuba	128	1,717,727	0	488,664	251,424	14.64%	273,648	15.93%	\$0.86	(27,838)	(88,588)	8,632	39,167
Sacramento County Total	9,434	126,102,889	582,362	10,731,232	12,963,298	10.28%	14,579,838	11.56%	\$1.49	183,669	304,113	1,221,704	5,292,863

Lease rates are on a triple net basis.

RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Tenant	Owner
1192-1256 Galleria Boulevard – 11 Properties	Roseville	362,000	\$259.01	AEW Capital Management, LP	Donahue Schriber
2371-2495 Iron Point Road – 4 Properties	Folsom	114,989	\$313.07	Cole Credit PropertyTrust III, Inc.	The Evergreen Company
6706-6770 Stanford Ranch Road	Roseville	343,240	\$198.11	BIG Shopping Centers	Kimco Realty Corporation
2505 Bell Road – 7 Properties	Auburn	192,040	\$122.37	North American Development Group	Albert B. Glickman & Associates
8810 Calvine Road	South Sacramento	89,887	\$238.97	Inland Diversified Real Estate Trust, Inc.	Petrovich Development Company
4201-4221 Norwood Avenue	Natomas	89,501	\$150.84	Retail Opportunity Investment Corporation	Alamo Group

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
7660 Stockton Boulevard	South Sacramento	108,263	April 1st	ShopSmart	Wal-Mart Stores, Inc.
6692 Lonetree Boulevard	Roseville/Rocklin	57,000	January 15th	SR Entertainment Group	RocklinRetail, LLC
6241-6253 Sunrise Boulevard	Orangevale/Citrus Hts	40,657	August 23th	Institute of Technology-Culinary Arts	Patterson Family Trust
737-885 Russell Boulevard	Davis	38,418	May 15th	Forever 21	Centro Properties Group
6760 Stanford Ranch Road	Roseville/Rocklin	36,041	June 8th	Sprouts Farmers Market	Kimco Realty Corporation
8211-8265 Laguna Boulevard	Elk Grove	33,899	February 1st	Henry's Farmers Market	Laguna Gateway Phase 2, LP

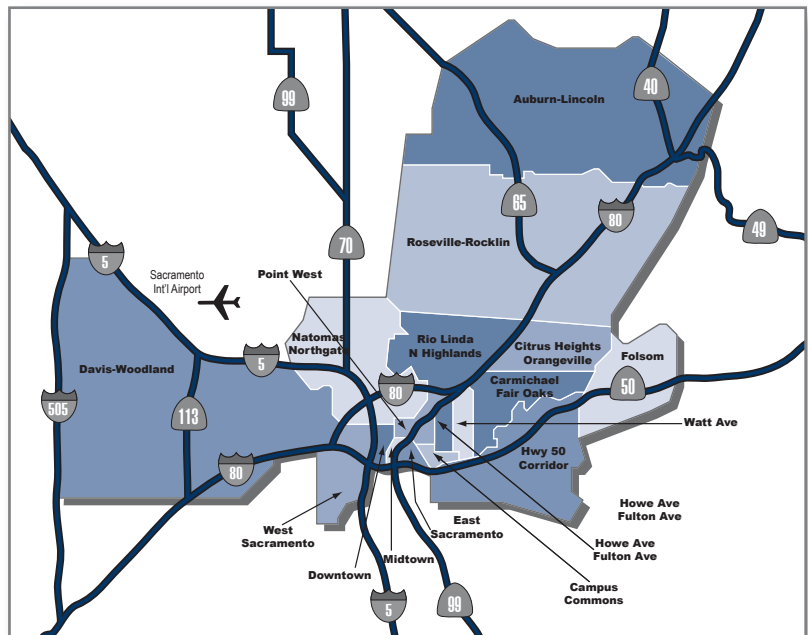
Product Type

MFG./DIST.

Manufacturing/Distribution/Warehouse facilities with up to 29.9% office space.

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