



## Retail Market Report

Compared to 2011:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

UP

Deliveries

DOWN

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### Market Highlights

- Market Status** - Sacramento's retail market continued to improve in the fourth quarter of 2012. Vacancy and availability both dropped compared to both the previous quarter and previous year, and the market posted over 281,000 square feet of positive net absorption. Sales and leasing activity was high, which bodes well for the future. While these are all positive indications, job growth and housing stability will need to continue to improve in coming quarters for the market to fully recover.
- Absorption** - The Sacramento retail market posted 280,990 square feet of positive absorption for the fourth quarter of 2012, giving the market a total of 7 consecutive quarters of positive net absorption. 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 lease transaction volume totaled 2.73 million square feet in the fourth quarter, the most activity seen in one quarter in years. Typically, this statistic does have some lag time to post final numbers, so look for the fourth quarter numbers to end up over 3 million square feet. Details of the largest transactions for 2012 can be found on the back page of this report.
- Employment** - The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 9.8% in Nov. 2012, down from 10.3% in Aug. 2012. This compares with an unadjusted unemployment rate of 9.6% for California and 7.4% 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 5,900 payroll jobs from Nov. 2011 to Nov. 2012. The largest gains were 4,500 in trade, transportation, and utilities and 2,700 in professional and business services; however, Sacramento-Arden Arcade-Roseville MSA lost 2,300 government jobs during that same period.
- Overall** - We anticipate vacancy will maintain its downward momentum over the next year. With retail employment growing over the past two years and minimal supply additions to apply upward pressure on vacancy, the market is beginning to recover. Sacramento does have a couple of nagging concerns that will prevent a stronger recovery: an elevated overall unemployment rate and a high number of store closures. In conclusion, while the retail market still faces challenges, next to the apartment market, it is the best performing and most stable sector in the Sacramento region.
- Vacancy** - The overall vacancy rate decreased to 9.35%, a drop of 25 basis points from the third quarter, marking the second consecutive quarter of decreases in vacancy. Within the major submarkets, the Downtown/Midtown/East Sacramento submarket performed best, with a rate of only 4.07%, while the Highway 50 Corridor submarket had the highest vacancy, with a rate of 19.51%.
- Availability** - The percentage of all space being marketed was 10.73% in the fourth quarter of 2012 — a drop of 27 basis points from the previous quarter. Similar to vacancy, the Downtown/Midtown/East Sacramento submarket remained strongest at 5.54%, while the Highway 50 Corridor submarket came in at 21.87%.
- Lease Rates** - The average asking triple-net lease rate in the Sacramento retail market was \$1.35 per square foot per month in the last quarter of 2012 — a decrease of \$0.01 from the previous quarter. The region's highest average asking rate was in the Lincoln submarket at \$1.85, while the region's lowest asking rates were found in the Yuba submarket at \$0.86. We are forecasting that lease rates will rise in 2013.

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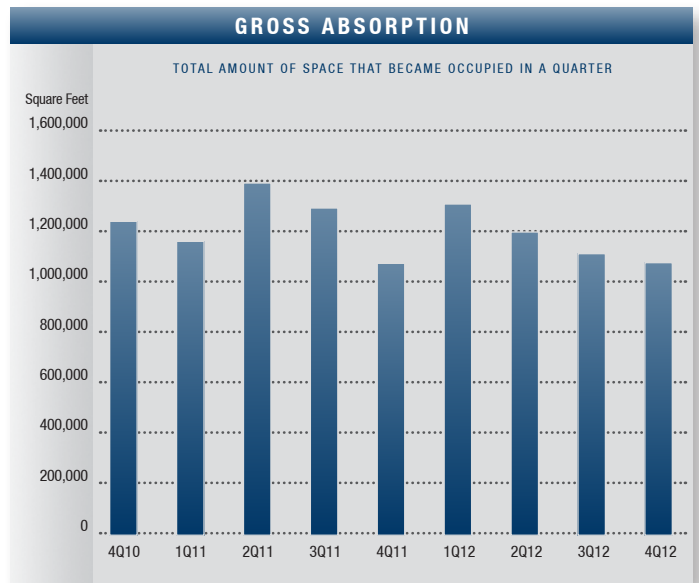
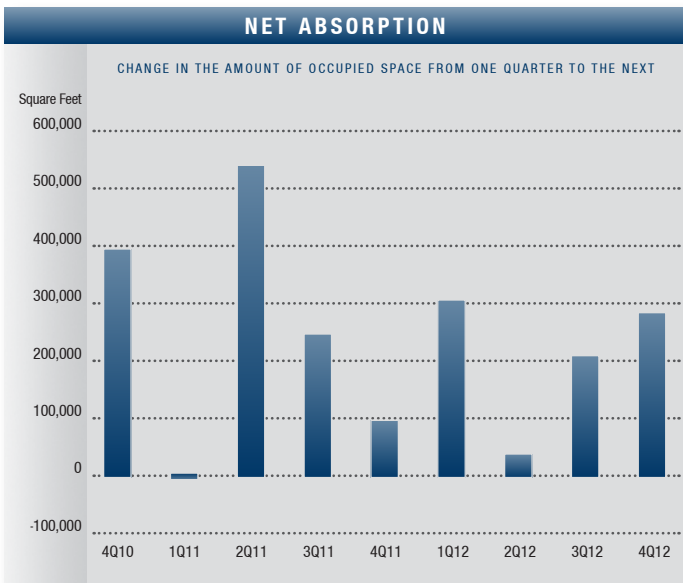
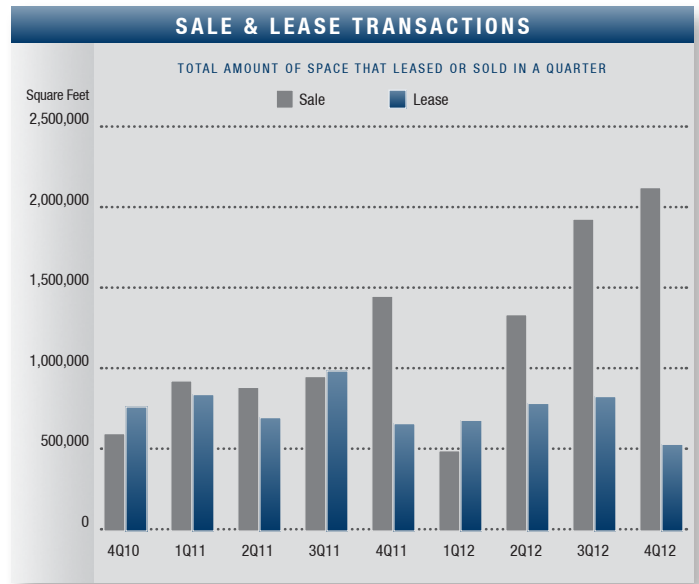
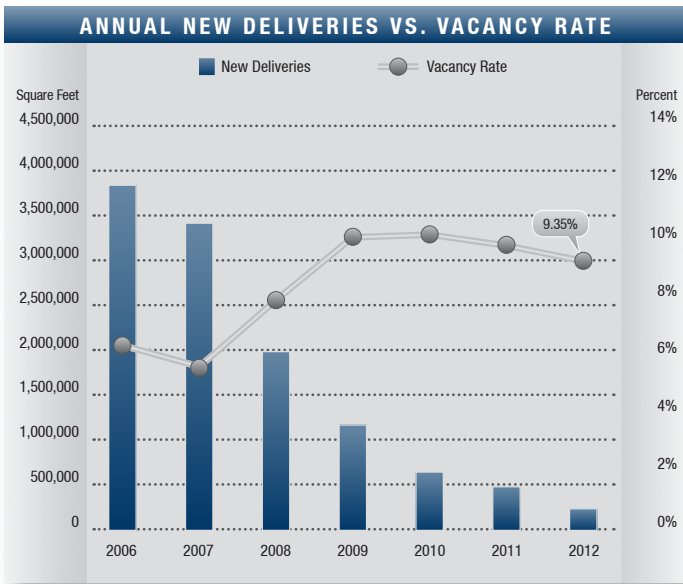
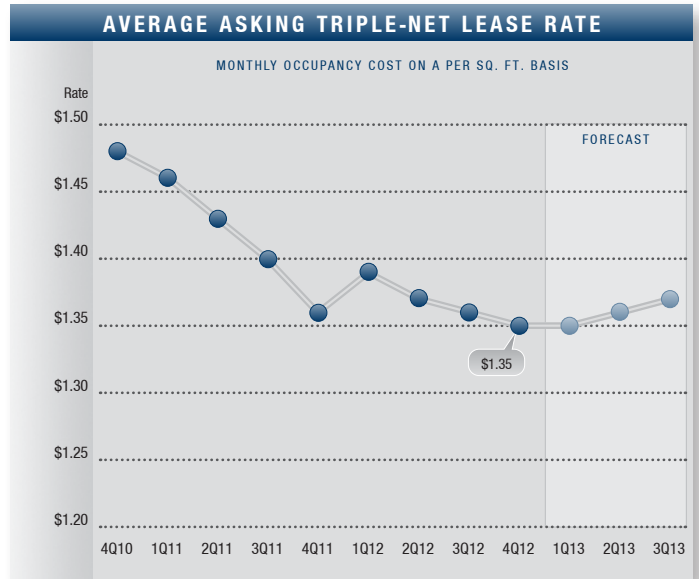
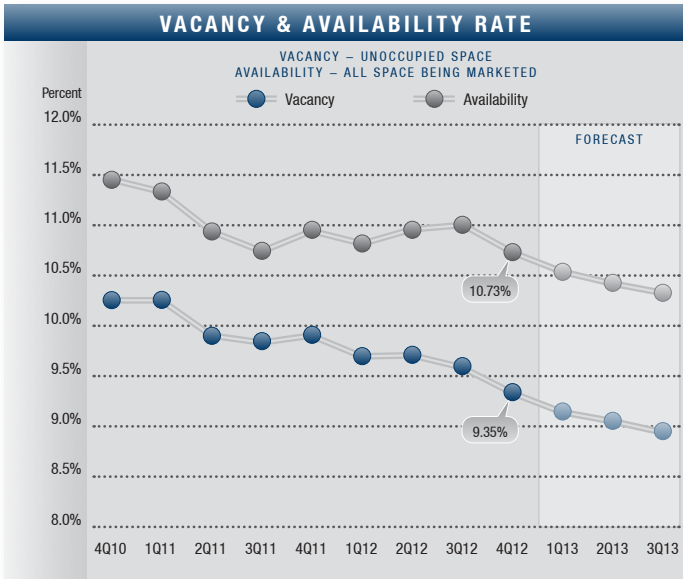
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### RETAIL MARKET OVERVIEW

	2012	2011	2010	% of Change vs. 2011
Vacancy Rate	9.35%	9.91%	10.25%	(5.65%)
Availability Rate	10.73%	10.96%	11.46%	(2.10%)
Average Asking Lease Rate	\$1.35	\$1.36	\$1.48	(0.74%)
Sale & Lease Transactions	8,761,771	7,342,700	5,588,193	19.33%
Gross Absorption	4,670,739	4,915,639	5,547,482	(4.98%)
Net Absorption	825,566	868,535	444,557	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 4Q2012	Square Feet Available	Availability Rate 4Q2012	Average Asking Lease Rate	Net Absorption 4Q2012	Net Absorption 2012	Gross Absorption 4Q2012	Gross Absorption 2012
<b>Sacramento Market</b>													
Arden/Watt/Howe	952	11,243,470	0	24,000	1,145,736	10.19%	1,336,870	11.89%	\$1.35	189	(41,836)	78,267	373,769
Auburn/Loomis	333	3,104,567	0	320,377	271,516	8.75%	305,905	9.85%	\$1.37	(16,741)	(30,284)	26,358	70,736
Benicia	134	849,253	0	0	26,232	3.09%	35,320	4.16%	\$1.37	1,653	1,582	4,939	12,545
Carmichael	269	2,766,026	0	15,000	329,446	11.91%	361,545	13.07%	\$1.17	5,855	3,484	43,397	132,549
Davis	176	2,101,981	0	70,931	91,786	4.37%	115,566	5.50%	\$1.61	20,370	85,649	35,189	140,269
Downtown/Midtown/E Sac	863	8,305,522	5,781	1,458,990	337,965	4.07%	460,369	5.54%	\$1.41	(16,645)	43,916	26,500	181,983
El Dorado	306	3,863,866	0	115,004	336,623	8.71%	384,183	9.94%	\$1.81	23,281	22,025	84,058	201,076
Elk Grove	313	5,447,741	0	2,548,596	518,252	9.51%	505,548	9.28%	\$1.54	23,319	(27,253)	37,098	151,710
Fairfield	394	6,763,580	0	474,762	374,331	5.53%	450,503	6.66%	\$1.41	14,374	36,343	33,882	197,847
Folsom	292	5,806,548	0	135,754	625,235	10.77%	668,877	11.52%	\$1.56	24,307	185,589	48,511	315,198
Highway 50 Corridor	307	4,723,849	0	684,827	921,557	19.51%	1,033,263	21.87%	\$1.07	11,600	(70,920)	30,723	155,685
Lincoln	171	1,624,911	0	0	139,550	8.59%	148,468	9.14%	\$1.85	35,401	70,991	39,645	125,444
Natomas	253	4,045,431	0	70,570	448,106	11.08%	483,856	11.96%	\$1.83	7,531	(27,779)	30,617	81,543
Orangevale/Citrus Hts	541	7,960,827	0	182,200	988,997	12.42%	1,107,270	13.91%	\$1.39	(47,249)	(89,573)	39,515	271,102
Outer El Dorado	225	2,275,901	0	0	132,317	5.81%	165,099	7.25%	\$1.57	3,927	1,917	9,501	48,371
Outer Placer	158	1,427,588	0	0	47,834	3.35%	74,307	5.21%	\$1.66	12,447	14,437	12,447	38,692
Outer Sacramento	131	954,817	0	46,434	67,136	7.03%	108,336	11.35%	\$1.35	(2,163)	8,010	2,837	31,938
Outer Sutter	274	4,061,281	0	332,145	239,696	5.90%	390,853	9.62%	\$1.45	30,095	20,340	48,096	105,125
Outer Yolo	40	248,482	0	46,920	4,858	1.96%	8,858	3.56%	\$0.00	5,548	(4,858)	7,243	7,943
Rio Linda/North Highlands	430	5,343,503	0	90,190	620,919	11.62%	667,320	12.49%	\$1.03	(42,655)	(99,317)	23,976	186,067
Roseville/Rocklin	851	14,201,373	6,300	365,995	1,467,089	10.33%	1,596,748	11.24%	\$1.44	69,277	282,141	136,258	623,367
South Sacramento	1,055	11,896,565	3,800	953,230	1,435,138	12.06%	1,593,813	13.40%	\$1.40	25,982	96,019	82,191	442,225
Vacaville	526	7,201,750	0	166,390	466,099	6.47%	571,541	7.94%	\$1.16	8,543	118,357	43,949	236,196
Vallejo	698	6,209,617	0	31,180	497,471	8.01%	656,977	10.58%	\$1.15	13,628	49,440	42,559	198,770
West Sacramento	175	2,374,819	0	29,800	128,844	5.43%	150,544	6.34%	\$1.78	5,351	27,537	12,400	52,450
Woodland	254	3,549,530	0	147,987	347,461	9.79%	402,353	11.34%	\$1.62	69,660	62,534	74,800	139,801
Yuba	171	1,976,425	0	491,640	179,641	9.09%	203,643	10.30%	\$0.86	(5,895)	87,075	9,780	148,338
<b>Sacramento Market Total</b>	<b>10,292</b>	<b>130,329,223</b>	<b>15,881</b>	<b>8,802,922</b>	<b>12,189,835</b>	<b>9.35%</b>	<b>13,987,935</b>	<b>10.73%</b>	<b>\$1.35</b>	<b>280,990</b>	<b>825,566</b>	<b>1,064,736</b>	<b>4,670,739</b>
Malls	79	7,465,118	0	1,226,800	402,116	5.39%	518,993	6.95%	\$1.85	60,759	73,131	65,000	87,093
Power Centers	333	12,012,886	0	1,772,730	1,058,798	8.81%	1,110,777	9.25%	\$1.95	48,937	17,197	48,937	257,774
Community Centers	549	15,507,975	0	1,239,407	1,790,781	11.55%	1,889,486	12.18%	\$1.46	9,053	258,449	63,229	616,821
Neighborhood Centers	1,322	28,591,270	3,800	1,811,361	3,635,193	12.71%	3,997,332	13.98%	\$1.37	106,445	216,921	247,860	1,055,479
Strip Centers	1,040	10,657,973	0	298,077	1,705,769	16.00%	1,906,531	17.89%	\$1.25	(22,963)	(80,668)	166,107	566,390
Specialty Centers	102	3,304,084	0	72,578	399,635	12.10%	449,015	13.59%	\$2.00	16,424	120,470	57,531	230,112
General Retail	6,867	52,789,917	12,081	2,381,969	3,197,543	6.06%	4,115,801	7.80%	\$1.14	62,335	220,066	416,072	1,857,070
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Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

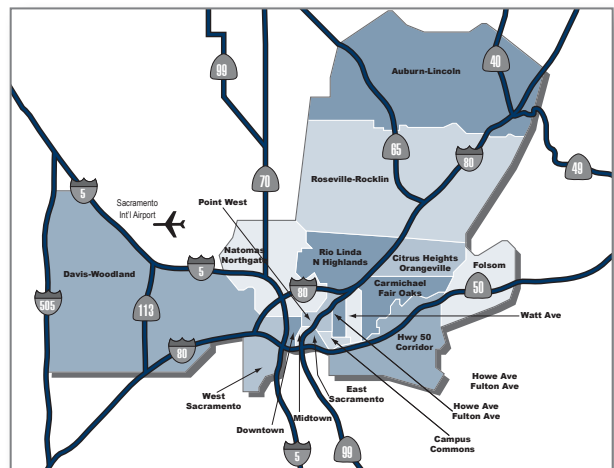
Sale Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
Antelope Marketplace 7897-7901 Walerga Rd.	Rio Linda/N. Highlands	99,890	\$236.26	Gerrity Atlantic Retail Partners, LLC	Donahue Schriber
Westfield Downtown Plaza 547 L St.	Dtown/Midtown/E. Sac	1,175,925	\$18.36	JMA Ventures/ Downtown Prop. Holdings, LLC	Westfield Group
Raley's Plaza 3334-3342 N. Texas St.	Fairfield	91,341	\$222.79	Gerrity Atlantic Retail Partners, LLC	Donahue Schriber
Laguna Pavilion 7400-7440 Laguna Blvd.	Elk Grove	70,544	\$265.79	Kontoudakis Family Trust	Khoury Family Investors, LLC
Stanford Ranch Village Bel-Air 2321-2351 Sunset Blvd.	Roseville/Rocklin	86,935	\$212.34	Stockbridge Capital Group, LLC	Regency Centers

New / Coming to the Region

Property Address	Tenant	Tenant Type	Submarket	Projected Opening	Owner
202 D St.	Safeway	Grocer	Yuba County	Summer 2013	Macerich
The Ridge at Creekside 1120 Galleria Blvd.	Bed Bath & Beyond	Home Improvement	Roseville / Rocklin	Spring 2013	Home Depot USA, Inc.
Madison Plaza 6001-6045 Madison Ave.	Walmart	Department/Grocer	Orangevale / Citrus Heights	Spring 2013	Kimco Realty Corporation
The Ridge at Creekside 1120 Galleria Blvd.	Buy Buy Baby	Baby Store	Roseville / Rocklin	Spring 2013	Home Depot USA, Inc.
Rocky Ridge Town Center 2030 Douglas Blvd.**	The Fresh Market	Grocer	Roseville / Rocklin	Now Open	Rocky Ridge Venture, LLC

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