



FOURTH QUARTER 2014 SACRAMENTO RETAIL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to 2013:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

UP



Deliveries

UP



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HIGHLIGHTS

- **Market Status** - The Sacramento retail market concluded the fourth quarter of 2014 with positive figures as an improving local economy has increased leasing, 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 2015.
- **Construction** - At the close of the fourth quarter of 2014, there was a total of 470,297 square feet of retail space under construction in the Sacramento region. Of the largest submarkets, Auburn/Loomis had the most retail space under construction, with 169,117 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 are still, however, 10 million square feet of proposed retail space for the Sacramento market.
- **Vacancy** - The overall vacancy rate ended the quarter at 8.71%, a decrease of 27 basis points from the previous quarter and 84 basis points from the previous year; this is the lowest vacancy rate seen since the fourth quarter of 2008. Within the major submarkets, the Downtown/Midtown/East Sac, Vacaville and Roseville/Rocklin submarkets performed best with rates of 4.40%, 5.80%, and 7.94%, respectively. The Highway 50 Corridor and Yuba submarkets, on the other hand, had the highest vacancy rates at 15.53% and 29.53%, respectively.
- **Availability** - The percentage of all space being marketed was 9.85% in the fourth quarter, a decrease of 20 basis points from the previous quarter and 115 basis points lower than the availability rate seen one year ago. Within the major submarkets, the Davis and Downtown/Midtown/East Sac submarkets remained strong at 3.77%, 5.77%, respectively, while the Yuba submarket came in with the highest availability rate at 31.06%.
- **Lease Rates** - The average asking triple-net lease rate in the Sacramento retail market was \$1.33 per square foot per month in the fourth quarter of 2014, which remained unchanged in comparison to the previous quarter. Of the major submarkets, the highest average asking rates were in the Folsom and Natomas submarkets at \$1.85 and \$1.79 per square foot per month, while the lowest asking rates were in the Highway 50 Corridor and Rio Linda/North Highlands submarkets at \$1.01 per square foot per month each.
- **Absorption** - The Sacramento retail market posted 409,402 square feet of positive net absorption for the fourth quarter of 2014, marking the 19th consecutive quarter of positive net absorption for a total of just over 5.5 million square feet.
- **Transaction Activity** - Sale and lease transaction volume totaled just over 1.7 million square feet in the fourth quarter and just under 8 million square feet for the entire year. This statistic can have some lag time in being reported, so look for fourth quarter figures to end up somewhat higher in the next report. Details of the largest transactions for 2014 can be found on the back page of this report.
- **Employment** - The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 6.7% in November 2014, which is a slight increase from last month's figure of 6.6% in October 2014, but still below the year-ago estimate of 7.9%. This compares with an unadjusted unemployment rate of 7.1% for California and 5.5% 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 23,100 payroll jobs from November 2013 to November 2014. While most sectors showed gains in employment, the largest gains were 7,200 jobs in professional and business services, 4,500 jobs in construction, and 3,700 jobs in educational and health services during that same time period.
- **Overall** - The Sacramento retail market has proven to be one of the best performing and most stable sectors in the Sacramento region. As demand continues to increase, 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 throughout 2015 as well. These statistics bode well for the retail market going into 2015.

FORECAST

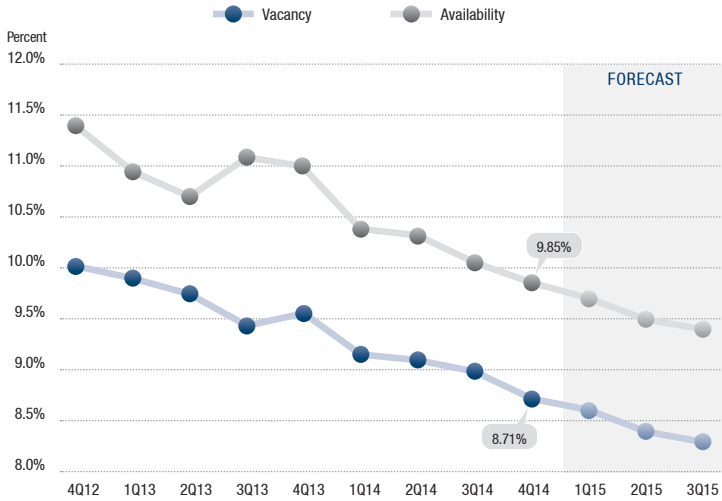
- **Construction** - With 470,297 square feet of retail space under construction at the close of the fourth quarter of 2014 and 10 million square feet of proposed retail space, construction is likely to increase throughout 2015. Look for development to be on the rise in the next couple of years, but remain below historical levels.
- **Employment** - We anticipate job growth of around 2.6% or 23,000 jobs in the Sacramento area throughout 2015. Expect growth in professional & business services, educational services, health care, social assistance, leisure & hospitality, and retail trade sectors.
- **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 8.3% by the end of the third quarter of 2015.

OVERVIEW

	2014	2013	2012	% of Change vs. 2013
Total Vacancy Rate	8.71%	9.55%	10.01%	(8.80%)
Availability Rate	9.85%	11.00%	11.40%	(10.45%)
Average Asking Lease Rate	\$1.33	\$1.31	\$1.35	1.53%
Sale & Lease Transactions	7,971,896	7,553,117	9,462,221	5.54%
Gross Absorption	4,513,496	5,178,117	5,081,416	(12.84%)
Net Absorption	1,832,076	1,270,424	979,854	N/A

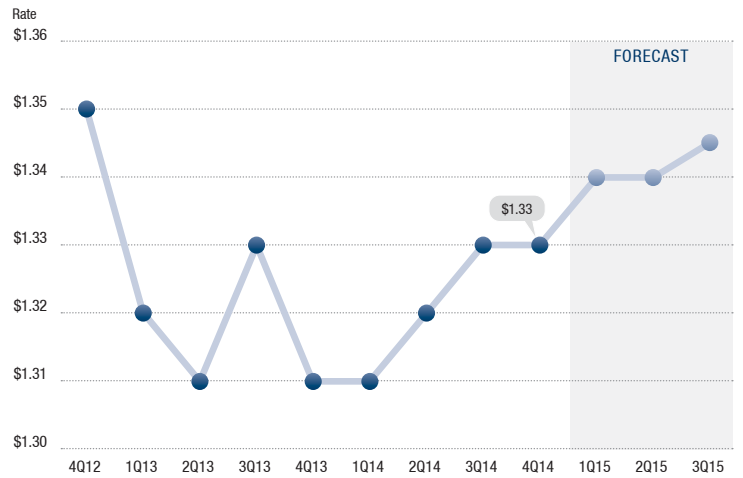
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



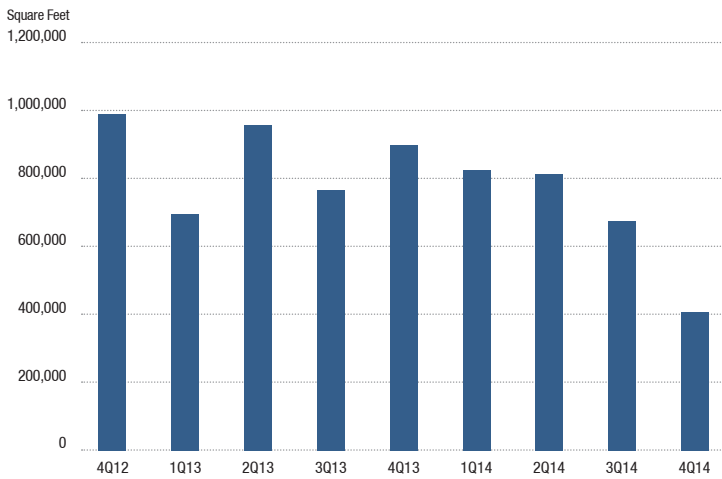
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



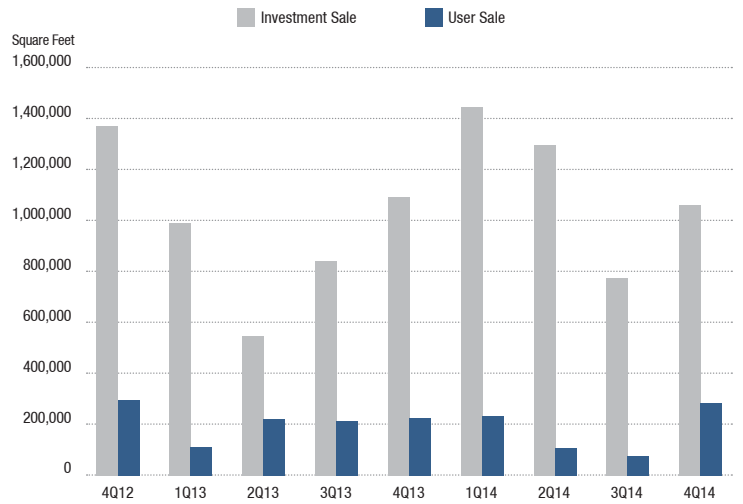
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



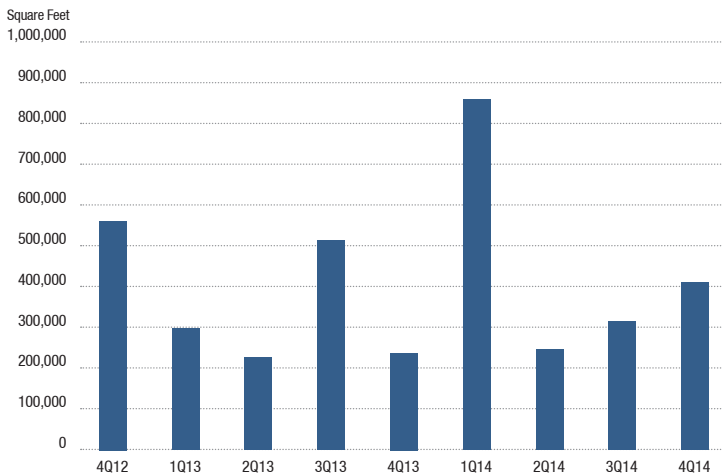
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER

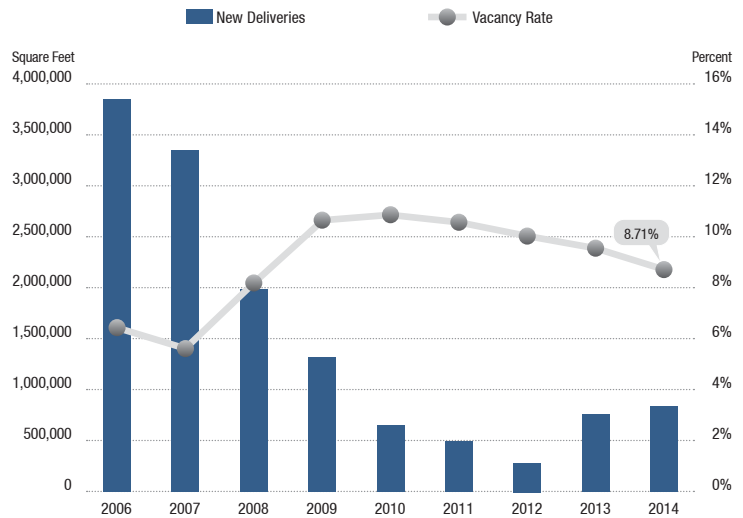


NET ABSORPTION

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 4Q2014	Square Feet Available	Availability Rate 4Q2014	Average Asking Lease Rate	Net Absorption 4Q2014	Net Absorption 2014	Gross Absorption 4Q2014	Gross Absorption 2014
Sacramento Market													
Arden/Watt/Howe	956	11,136,484	3,600	62,889	1,088,295	9.77%	1,304,556	11.71%	\$1.49	38,570	98,027	75,034	484,354
Auburn/Loomis	346	3,219,637	169,117	460,950	170,423	5.29%	208,380	6.47%	\$1.34	7,122	40,722	30,425	91,829
Benicia	130	816,477	0	0	28,052	3.44%	28,579	3.50%	\$1.43	(1,616)	(5,067)	4,363	12,008
Carmichael	281	2,823,431	0	18,270	287,849	10.20%	364,625	12.91%	\$1.16	(3,452)	58,343	24,769	127,087
Davis	188	2,175,661	4,950	6,450	74,031	3.40%	81,966	3.77%	\$1.69	3,730	63,238	7,580	86,845
Downtown/Midtown/E Sac	839	5,721,609	7,380	1,540,255	251,849	4.40%	330,097	5.77%	\$1.59	(26,498)	92,377	14,784	183,958
El Dorado	332	3,955,366	0	317,131	257,441	6.51%	312,865	7.91%	\$1.48	12,516	57,107	14,424	113,745
Elk Grove	328	5,463,819	0	2,049,002	392,644	7.19%	423,125	7.74%	\$1.54	(992)	54,266	17,831	173,159
Fairfield	435	6,726,332	0	397,126	433,925	6.45%	506,507	7.53%	\$1.62	34,479	66,847	46,769	140,065
Folsom	291	5,630,672	0	151,729	471,690	8.38%	526,366	9.35%	\$1.85	(2,728)	43,513	24,152	136,081
Highway 50 Corridor	350	5,139,529	10,614	383,400	798,032	15.53%	891,659	17.35%	\$1.01	12,283	67,667	34,119	227,958
Lincoln	167	1,568,125	0	97,268	133,332	8.50%	186,099	11.87%	\$1.92	7,457	(12,037)	16,573	44,405
Natomas	261	4,157,293	0	164,170	281,971	6.78%	295,494	7.11%	\$1.79	10,505	46,673	17,238	96,161
Orangevale/Citrus Hts	550	7,988,371	0	228,723	914,406	11.45%	951,151	11.91%	\$1.31	62,994	131,131	101,065	326,253
Outer El Dorado	286	2,540,421	0	0	148,964	5.86%	170,388	6.71%	\$1.38	11,145	72,520	12,905	99,637
Outer Placer	165	1,252,205	0	0	47,001	3.75%	67,602	5.40%	\$1.82	(1,916)	8,409	5,760	36,475
Outer Sacramento	133	1,127,963	4,316	154,350	55,117	4.89%	66,849	5.93%	\$1.54	0	125,960	0	136,564
Outer Sutter	307	4,205,549	0	369,395	304,678	7.24%	332,438	7.90%	\$1.22	(11,417)	20,329	4,290	84,958
Outer Yolo	50	301,231	0	46,920	12,063	4.00%	17,803	5.91%	\$1.49	2,063	3,563	2,063	3,563
Rio Linda/North Highlands	427	5,131,595	118,000	83,602	641,254	12.50%	657,875	12.82%	\$1.01	14,968	43,117	37,347	165,138
Roseville/Rocklin	875	14,249,948	83,765	292,678	1,131,579	7.94%	1,306,728	9.17%	\$1.37	128,554	387,163	236,633	735,268
South Sacramento	1,103	12,195,502	36,960	1,997,882	1,380,122	11.32%	1,409,862	11.56%	\$1.28	69,352	157,710	117,924	363,521
Vacaville	535	7,236,197	31,595	443,702	419,643	5.80%	566,128	7.82%	\$1.30	26,388	112,493	39,966	208,694
Vallejo	692	6,134,384	0	165,899	409,216	6.67%	501,402	8.17%	\$1.26	10,689	32,683	74,704	201,793
West Sacramento	180	2,386,038	0	24,500	99,848	4.18%	127,071	5.33%	\$1.29	12,398	11,714	12,398	46,291
Woodland	265	3,485,060	0	140,343	333,866	9.58%	373,329	10.71%	\$1.11	(9,292)	47,773	7,177	101,059
Yuba	215	2,256,565	0	410,176	666,433	29.53%	700,790	31.06%	\$0.97	2,100	5,835	4,400	86,627
Sacramento Market Total	10,687	129,025,464	470,297	10,006,810	11,233,724	8.71%	12,709,734	9.85%	\$1.33	409,402	1,832,076	984,693	4,513,496
Malls													
Malls	108	6,382,132	0	150,353	768,294	12.04%	810,459	12.70%	\$1.45	(3,201)	1,217	8,929	65,483
Power Centers													
Power Centers	352	13,445,979	66,400	1,124,440	684,871	5.09%	743,994	5.53%	\$1.65	110,938	247,800	163,709	438,006
Shopping Centers													
Shopping Centers	3,007	54,748,246	184,104	3,562,566	6,383,436	11.66%	6,980,409	12.75%	\$1.37	174,901	623,837	501,911	2,195,247
Specialty Centers													
Specialty Centers	65	2,254,245	20,254	33,000	188,019	8.34%	195,522	8.67%	\$1.17	18,644	81,718	18,644	102,063
General Retail													
General Retail	7,155	52,194,862	199,539	5,136,451	3,209,104	6.15%	3,979,350	7.62%	\$1.16	108,120	877,504	291,500	1,712,697
Sacramento Market Total	10,687	129,025,464	470,297	10,006,810	11,233,724	8.71%	12,709,734	9.85%	\$1.33	409,402	1,832,076	984,693	4,513,496

Lease rates are on a triple-net basis.

MAJOR TRANSACTIONS OF 2014

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
1120 Galleria Blvd. – 11 Properties	Roseville/Rocklin	275,379	\$313.39	DDR Creekside, LP	The Evergreen Company
545 Downtown Plaza – 3 Properties	Downtown	432,668	\$54.66	SG Downtown, LLC	JMA Ventures, LLC
400-424 Howe Ave. – 4 Properties	Arden/Watt/Howe	82,613	\$242.09	Merlone Geier Management, Inc.	Howe & University, LLC
713 E. Bidwell St. – 12 Properties	Folsom	141,290	\$137.31	Phillips Edison Grocery Center REIT II, Inc.	3D Investments
2300-2450 Watt Ave. – 4 Properties	Arden/Watt/Howe	330,000	\$58.48	Country Club Plaza Investors, LLC	CCP Capital Partners, LLC

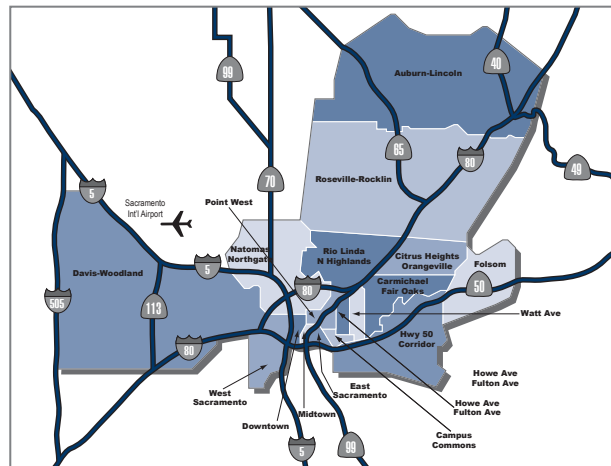
Lease Transactions

Property Name/Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
Willow Rock Plaza 6681 Stanford Ranch Rd.	Roseville/Rocklin	58,700	Mar-14	Floor & Décor	Merlone Geier Management, Inc.
Southgate Plaza 4420-4518 Florin Rd.	South Sacramento	50,465	Jun-14	Walmart Neighborhood Market	Ares Commercial Real Estate
7999 Greenback Ln. **	Orangevale/Citrus Heights	46,671	Mar-14	HD Supply	Mitchell Theodore C Trust
4202 Chiles Rd.	Davis	45,021	Feb-14	Hanlees Davis Toyota	Dong & Dong K Lee
Marketplace at Birdcage ** 6197 Surnise Blvd.	Orangevale/Citrus Heights	38,673	Jan-14	Walmart Neighborhood Market	Deutsche Asset & Wealth Management

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