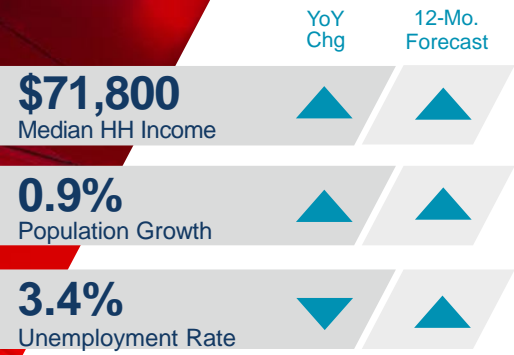


SACRAMENTO

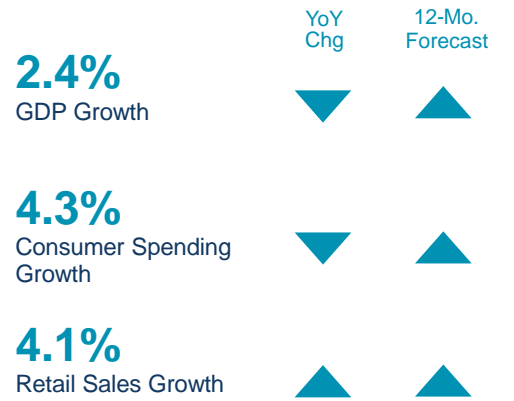
Retail Q4 2019

CUSHMAN & WAKEFIELD



Source: BLS (Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS Q4 2019



Source: BEA, Census Bureau

ECONOMIC OVERVIEW: Local Economy Remains Strong

Sacramento's economy remains healthy with continued optimism for further growth. The unemployment rate fell slightly year-over-year (YOY), decreasing by 20 basis points (bps) to 3.4%. The market remains at near full-employment with a growing, highly skilled, highly educated workforce. Additional job growth is expected in the near term as Centene nears completion of their new regional headquarters and will begin hiring in early 2020.

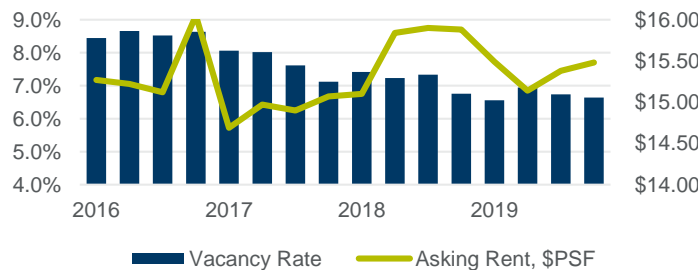
SUPPLY & DEMAND: Net Absorption Slows After Strong 2018

The retail market recorded 85,000 square feet (sf) of positive net absorption during the fourth quarter bringing the annual to 391,000 sf, slightly less than half of the 2018 total. Leasing activity was highlighted by new projects as all three of the top leases took 38,000 sf at Granite Marketplace. Quarterly activity pushed the vacancy rate down 10 bps to 6.6%, only 80 bps above the record low set in the third quarter of 2007. Strong demographics in Placer County make it a preferred destination for retailers boasting the region's lowest vacancy rate of 4.3%. Market wide low vacancy has limited leasing activity to new construction as occupiers were content to avoid low cost options with less desirable demographics.

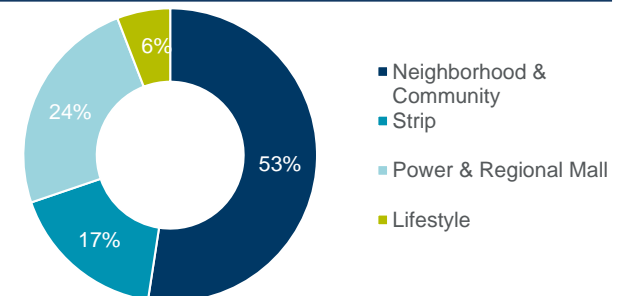
PRICING: Asking Rents Remain Stagnant

The overall average asking lease rate rose by \$0.10 to \$15.48 per square foot per year (psf) on a NNN basis, however lease rates are down by \$0.040 YOY. Davis, Folsom and Elk Grove still command the highest rates in the market posting \$22.05 psf, \$20.80 psf, and \$20.79 psf, respectively. However, rates in those markets have been largely stable over the last year. Natomas and Downtown/Midtown/East Sacramento have seen the most lease rate growth during that time recording increases of 21.5% and 17.5%, respectively. Similar activity is expected in 2020 as net absorption will remain tied to new build-to-suit construction, with developers still hesitant to build on a purely speculative basis. Shifting demographics and an increase in housing construction, especially in Natomas and Downtown will continue to push lease rates.

RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE



SACRAMENTO

Retail Q4 2019

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	Q4 2019 NET ABSORPTION	Q4 2018 NET ABSORPTION	OVERALL AVG ASKING RENT (NNN)*
El Dorado Hills	2,928,956	185,753	0	6.3%	15,680	5,022	\$17.74
EL DORADO COUNTY TOTALS	2,928,956	185,753	0	6.3%	15,680	5,022	\$17.74
Arden/Howe/Watt	8,773,427	700,482	49,652	8.6%	(10,753)	159,267	\$14.29
Carmichael/Orangevale/Citrus Heights	8,499,840	876,822	47,302	10.9%	107,204	133,886	\$15.71
Downtown/Midtown/East Sacramento	3,553,429	223,146	0	6.3%	(13,338)	47,836	\$19.42
Elk Grove	4,712,703	179,420	17,340	4.2%	10,190	(44,331)	\$20.79
Folsom	4,790,844	240,817	820	5.0%	24,538	19,334	\$20.80
Highway 50/Rancho Cardova	4,409,046	373,802	10,021	8.7%	10,116	22,853	\$14.29
Natomas	2,954,816	165,439	14,550	6.1%	(34,750)	31,771	\$20.26
Rio Linda/North Highlands	3,895,144	190,290	14,490	5.3%	18,953	32,974	\$13.03
South Sacramento	10,102,733	699,159	53,224	7.4%	(104,850)	64,547	\$14.40
SACRAMENTO COUNTY TOTALS	51,691,982	3,649,377	207,399	7.5%	7,310	468,137	\$15.90
Auburn/Lincoln/Loomis	3,562,423	109,949	8,278	3.3%	(5,546)	(10,184)	\$15.21
Roseville/Rocklin	12,061,003	551,938	5,601	4.6%	(9,064)	85,957	\$18.97
PLACER COUNTY TOTALS	15,623,426	661,887	13,879	4.3%	(14,610)	75,773	\$18.31
Davis	1,665,675	60,350	24,344	5.1%	(12,090)	14,075	\$22.05
West Sacramento	1,815,021	95,358	0	5.3%	2,852	0	\$10.49
Woodland	2,798,660	174,629	7,500	6.5%	85,806	23,852	\$9.28
YOLO COUNTY TOTALS	6,279,356	330,337	31,844	5.8%	76,568	37,927	\$12.58
SACRAMENTO TOTALS	76,523,720	4,827,354	253,122	6.6%	84,948	586,859	\$15.48

*Rental rates reflect NNN asking \$PSF/Year

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Delta Shores	Elk Grove	At-Home	86,138	New Lease
The Park	South Sacramento	Raley's	55,000	New Lease
Granite Marketplace	Auburn/Lincoln/Loomis	City Sports Club	38,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
13 Property Portfolio, Sacramento	Natomas	Clarion Partners / Fairbourne Partners	340,710	\$58.4M/\$172
Carmichael Center, Citrus Heights	Carmichael/Orangevale/ Citrus Heights	The Midtown National Group	61,043	\$11.0M/\$180
Del Paso Marketplace, Sacramento	Natomas	Buzz Oates / Phillips Edison & Co.	59,796	\$19.9M/\$332

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