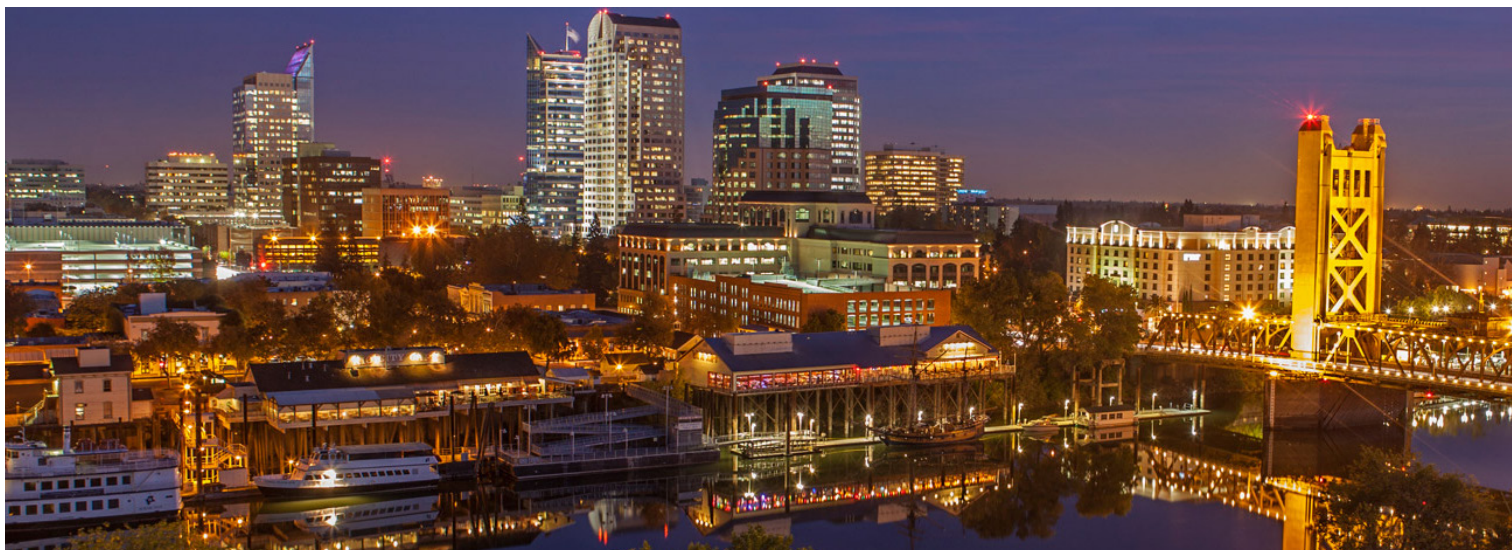


Sacramento Valley



Market Facts

8.0%

Class A Vacancy

9.8%

Class B Vacancy

\$2.36 FS

**Class A
Average Asking Rate**

\$1.93 FS

**Class B
Average Asking Rate**

Market Overview

The Sacramento Valley office market recorded a substantial fourth quarter of 2018. The office market measured a huge occupancy gain of 413,392 square feet, bringing the year-end total to 498,103 square feet of positive net absorption. Overall vacant space hit an all-time low of 7.0 million square feet at the end of the fourth quarter, which translates to a 9.5% vacancy rate.

Average weighted asking rates continued to climb, ending the year 2018 at \$2.03 per square foot full service, which is a 4.6% increase from the end of 2017 and 10.8% increase from the end of 2016. Both Class A and Class B asking rates also measured an increase in rates rising to \$2.36 per square foot full service and \$1.93 per square foot full service, respectively.

During the fourth quarter of 2018, Sacramento Valley saw a decent amount of activity within the office market. The most notable transaction during the quarter belonged to the State of California – Department of Human Resources who leased 91,331 square feet of space at The Plaza. Other top deals included ICF International's direct lease of two floors, totaling 34,517 square feet, at Park Tower in Downtown and Public Health Institute's direct lease of 21,250 square feet at the Landmark Business & Financial Center in the Howe Ave submarket. There were many top performing submarkets during the fourth quarter with the Highway 50 Corridor in the lead with 99,130 square

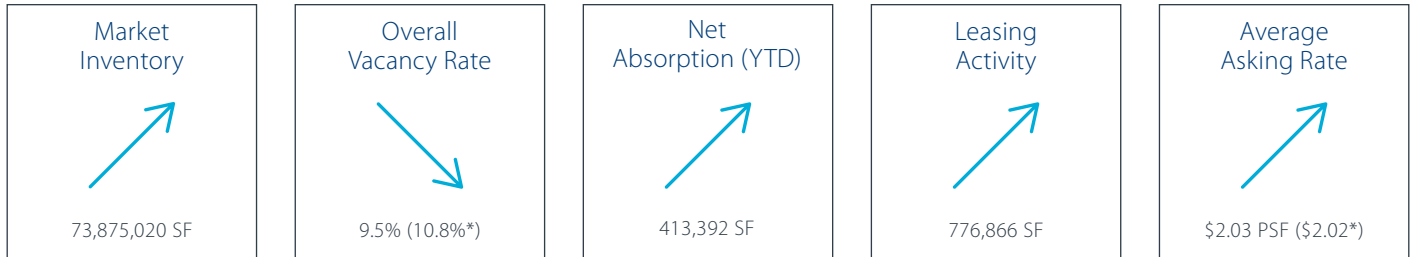
feet of positive net absorption. Close behind were the Downtown and Howe Ave submarkets which recorded an occupancy gain of 86,291 square feet and 85,748 square feet, respectively.

Development continues to be prevalent in the Sacramento Valley. Notable projects spurring new activity include Centene's new headquarters, 2555 Natomas Park Drive in South Natomas, the Railyards project, and Downtown Commons. Centene finalized their plans for a five-building campus totaling ±1.25 million square feet in the North Natomas submarket. 2555 Natomas Park Drive is the first speculative development to break ground in over a decade. The Railyards project will add ±3.85 million square feet of office and amenity space to Downtown, while the Downtown Commons proposes to bring a sense of community to the downtown district by combining retail, office and hospitality uses.

Employment in the Sacramento Valley is strong. As of October 2018, the unemployment rate in Sacramento County was 3.5% according to the U.S. Bureau of Labor Statistics, down 50 basis points from one year ago. Going forward, it is likely that the Sacramento Valley office market will continue to measure occupancy growth while tenant demand stays strong. Expect asking rents to increase and available space to dwindle until some new developments become available.

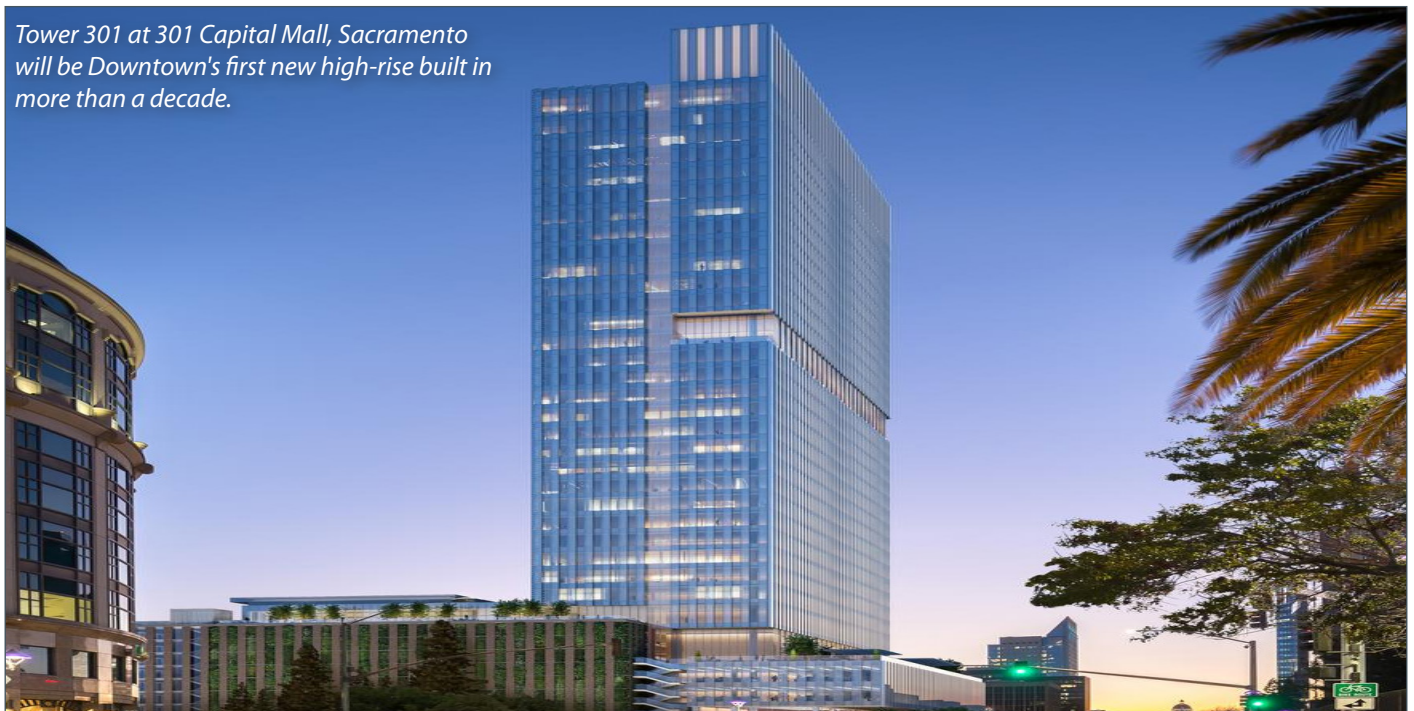
Market Snapshot

In November of 2018, CIM Group filed plans for a new 33-story mixed-use development located at 301 Capitol Mall. The project, named "Tower 301", will drastically change the city's skyline if it moves forward. It promises to bring ±791,647 square feet of Class A office space, ±100 apartment units, ±24,653 square feet of retail and a ±14,781 square foot open-air deck on the fourth floor that will be accessible to the public. CIM Group has stated that they will not begin building the project until a suitable anchor tenant is found, which they are hoping to find by 2020.

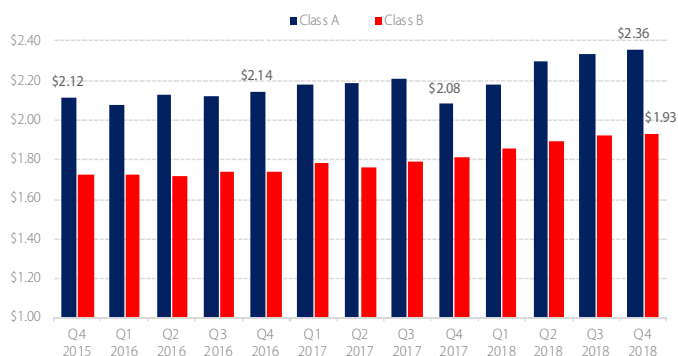


*Compared to the prior quarter

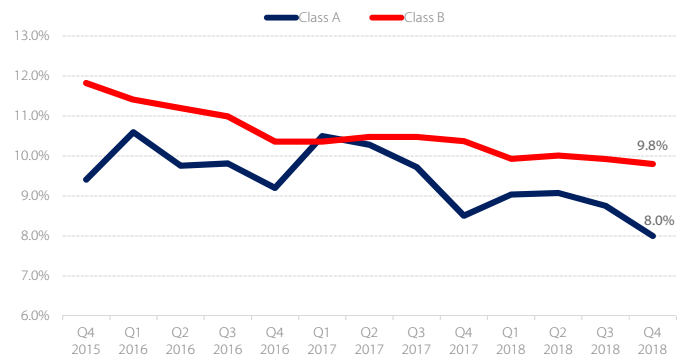
Tower 301 at 301 Capital Mall, Sacramento will be Downtown's first new high-rise built in more than a decade.



Historical Asking Rental Rate (FSG)



Historical Vacancy



Market By The Numbers

SUBMARKET	Total RBA (SF)	Direct Avail Space (SF)	Sublet Avail Space (SF)	Vacancy Rate A	Vacancy Rate B	Avail Rate A	Avail Rate B	Net Absorp (SF)	Average Asking Rent (FS)		
									Total	Class A	Class B
Auburn/Lincoln	863,712	31,008	-	N/A	3.4%	N/A	8.3%	1,552	\$1.74	N/A	\$2.15
Roseville/Rocklin	9,360,958	827,972	11,773	7.7%	9.5%	18.0%	17.0%	(5,940)	\$1.95	\$2.14	\$1.80
Natomas/Northgate	2,640,990	358,859	2,281	8.4%	11.7%	21.3%	16.7%	60,668	\$1.72	\$2.07	\$1.58
Rio Linda/North Highlands	819,294	263,387	-	N/A	25.9%	N/A	37.7%	25,759	\$1.67	N/A	\$1.47
Citrus Heights/Orangevale	1,066,043	117,480	-	0.0%	12.5%	0.0%	13.4%	57,086	\$1.56	N/A	\$1.78
Folsom	4,382,291	282,318	2,731	6.7%	6.2%	6.5%	9.1%	(49,482)	\$2.00	\$2.26	\$1.85
Watt Ave	2,151,435	183,263	8,415	N/A	11.0%	N/A	14.5%	14,386	\$1.65	N/A	\$1.83
El Dorado Hills	1,053,378	145,570	4,050	26.3%	11.5%	44.5%	20.5%	63,316	\$2.01	\$1.94	\$2.05
Sacramento- Midtown	3,123,345	287,830	-	12.6%	4.4%	13.8%	4.8%	(3,579)	\$2.35	\$2.90	\$2.63
Sacramento-Downtown	19,005,513	1,362,917	22,506	5.7%	12.5%	7.8%	17.6%	86,291	\$2.77	\$3.04	\$2.48
Point West	2,536,913	333,361	16,516	13.9%	15.2%	16.8%	17.8%	(38,836)	\$1.93	\$2.05	\$1.89
West Sacramento	1,837,717	132,518	-	3.1%	14.1%	12.6%	18.4%	10,104	\$1.78	\$1.70	\$1.84
East Sacramento	2,341,395	92,448	-	N/A	1.7%	N/A	2.0%	14,743	\$2.75	N/A	\$2.76
Highway 50 Corridor	16,145,417	1,654,666	73,333	10.2%	9.2%	11.5%	16.3%	99,130	\$1.72	\$1.96	\$1.66
Howe Ave	1,732,440	310,202	-	30.7%	18.0%	72.8%	22.7%	85,748	\$1.68	\$1.75	\$1.61
Campus Commons	1,061,382	146,897	3,968	16.3%	14.5%	16.3%	24.8%	24,928	\$2.19	\$2.65	\$2.18
South Sacramento	2,269,103	282,866	-	N/A	9.7%	N/A	10.4%	(23,064)	\$1.65	N/A	\$1.75
Davis/Woodland	1,483,694	87,622	1,000	11.7%	7.7%	16.4%	10.4%	(9,418)	\$1.96	\$2.70	\$1.70
TOTAL	73,875,020	6,901,184	146,573	8.0%	9.8%	11.3%	15.0%	413,392	\$2.03	\$2.36	\$1.93

Sacramento Valley Team

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