

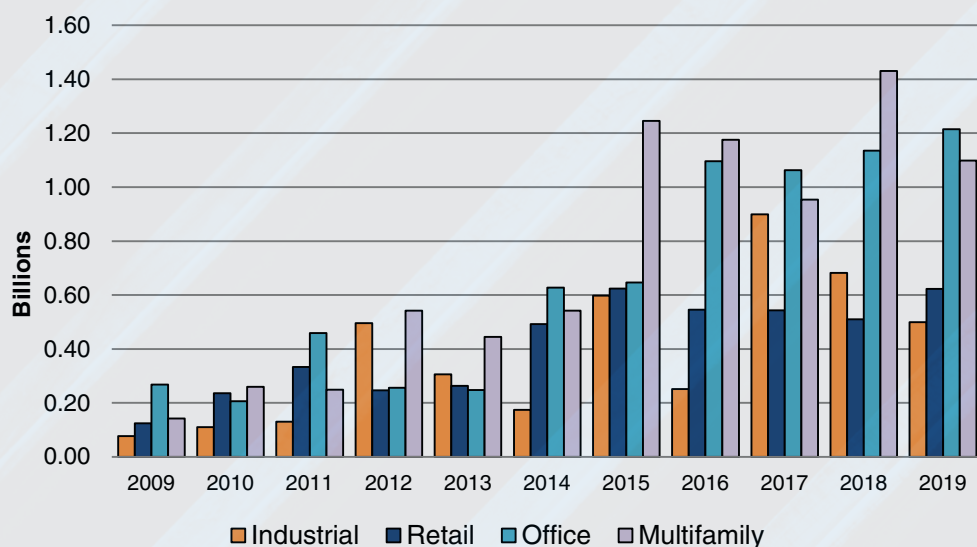
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SACRAMENTO
COMMERCIAL REAL ESTATE

Year End Report



INVESTMENT SALES VOLUME - ALL PROPERTY TYPES



MULTIFAMILY INVESTMENTS

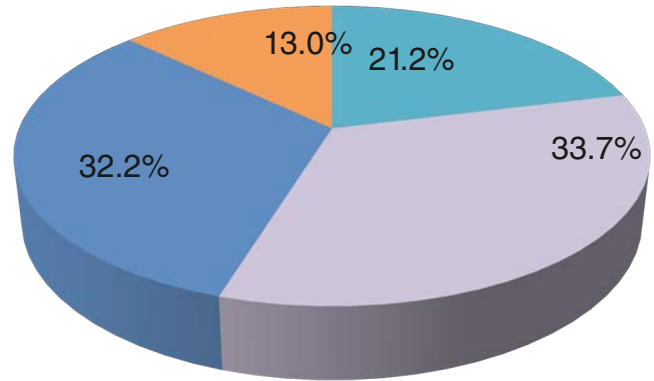
- The multifamily investment market in the Sacramento region has been flourishing over the past few years, with top-tier rent growth pushing demand well beyond supply and value-add opportunities continuing to dictate most of the action. Sales eclipsed \$1 billion for the fourth time in five years and the average price per unit has again reached uncharted territory entering 2020.
 - o 2019 saw a slight dip in year-over-year sales volume, closing out the year with just under \$1.1 billion in sales compared with \$1.43 billion the year prior.
 - o The average price per unit continued to climb, reaching new heights at nearly \$175,000 per unit and setting a new record for the third consecutive year.
 - o Natomas saw 2019's largest sale, with Miramonte & Trovas changing hands for \$104 million. The 440-unit Class A property was purchased by a Bay Area buyer for \$236,363 per unit at a 4.40% cap rate, with plans to further update the 2002 complex.
 - o Although there has been a flurry of development activity surrounding the Golden1 Center since its debut a few years ago, not a single property above 20 units changed hands Downtown. Neighboring Midtown saw just one transaction: Q19 sold for \$26.8 million, with the 68-unit Class A complex selling for an impressive \$394,117 per unit.
 - o The Suburban markets made up the vast majority of transactional activity in 2019, accounting for \$1.07 billion in sales at an average of \$172,266 per unit.
 - Just three Class A properties changed hands in suburban Sacramento in 2019 for a total of \$295.6 million at an average price of \$292,384 per unit, barely equaling half of the 2018 sales volume but at a price per unit of 12.5% higher on average.
 - Class B apartment sales increased by more than 16% to \$468.7 million at an average price of \$187,121 per unit, a 19% increase.
 - Suburban Class C complexes continue to be a popular choice among investors looking for value-add opportunities and combined for \$411.7 million in annual sales, consistent with recent years, as per unit prices jumped 16% on average.
 - o Cap rates remained steady, averaging 5.32% in 2019; over the previous year.

RETAIL INVESTMENTS

Retail investments had another productive year, with notable increases in both volume and price per square foot. There was just one landmark shopping center sold, as the majority of transactions were for smaller, non-anchored properties, although a handful of grocery-anchored centers bumped up annual sales volumes.

- Investment sales for all retail shopping centers increased to more than \$623 million in 2019, compared with \$517.5 million in sales the year prior. The average price per square foot increased nearly 18% to \$191, up from \$162, due to a greater number of smaller properties changing hands at higher per square foot prices than their larger counterparts.
- The year's largest retail sale was Promenade at Sacramento Gateway, with the ±340,710 square foot power center changing hands in October for \$58.4 million at \$171.53 per square foot. Anchored by Target and Ashley Furniture, along with numerous junior anchors, the Natomas property sold for more than twice the next highest transaction of 2019.
- Grocery Anchored Centers
 - The annual sales volume for grocery-anchored centers dropped 24% in 2019, recording \$149.5 million via 6 sales compared to \$197 million in 2018. This is the second year in a row where sales failed to reach \$200 million after hitting that mark for three consecutive years.
 - Average prices per square foot were consistent, ticking up to \$179.22 per square foot from \$175 per square foot the year prior.
- Non-Grocery Anchored Centers
 - Retail investment in Sacramento continued to be predominately focused on non-grocery-anchored shopping centers, accounting for 76% of annual sales volume in 2019. The year saw nearly a 50% jump in non-anchored sales, going from \$320.8 million up to \$473.5 million, along with a per square foot surge up to \$196 per square foot from \$155, even as only a few Class A properties changed hands.
 - The largest non-anchored retail sale of the year was Strawberry Creek, a ±57,373 square foot center in South Sacramento which sold for \$21 million at an impressive \$365 per square foot.
 - This was one of six non-anchored sales eclipsing \$10 million in 2019, for a total of \$70.7 million at \$194 per square foot.
- Average cap rates have been flat, hovering between 6-7% for multiple years and staying unchanged at 6.5% to end 2019.

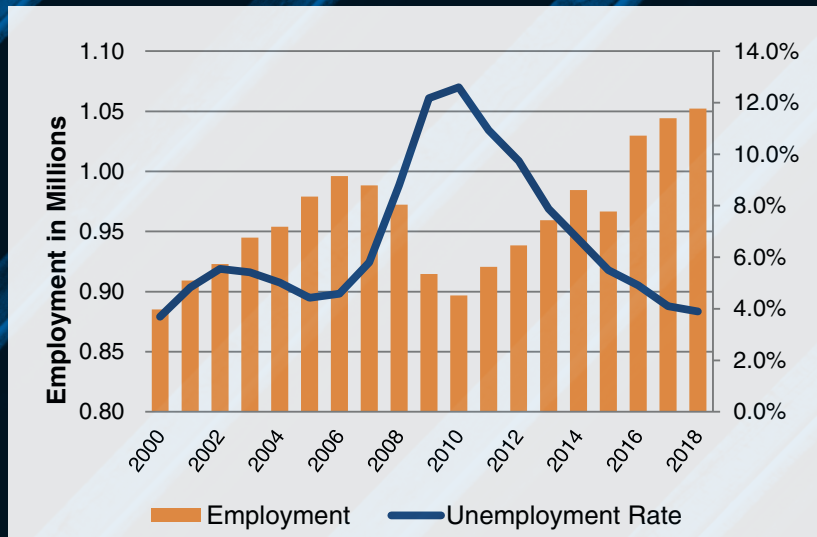
TOTAL INVESTMENT SALES - BY PROPERTY TYPE



■ Office ■ Multifamily ■ Retail ■ Industrial



HISTORICAL JOB GROWTH & UNEMPLOYMENT



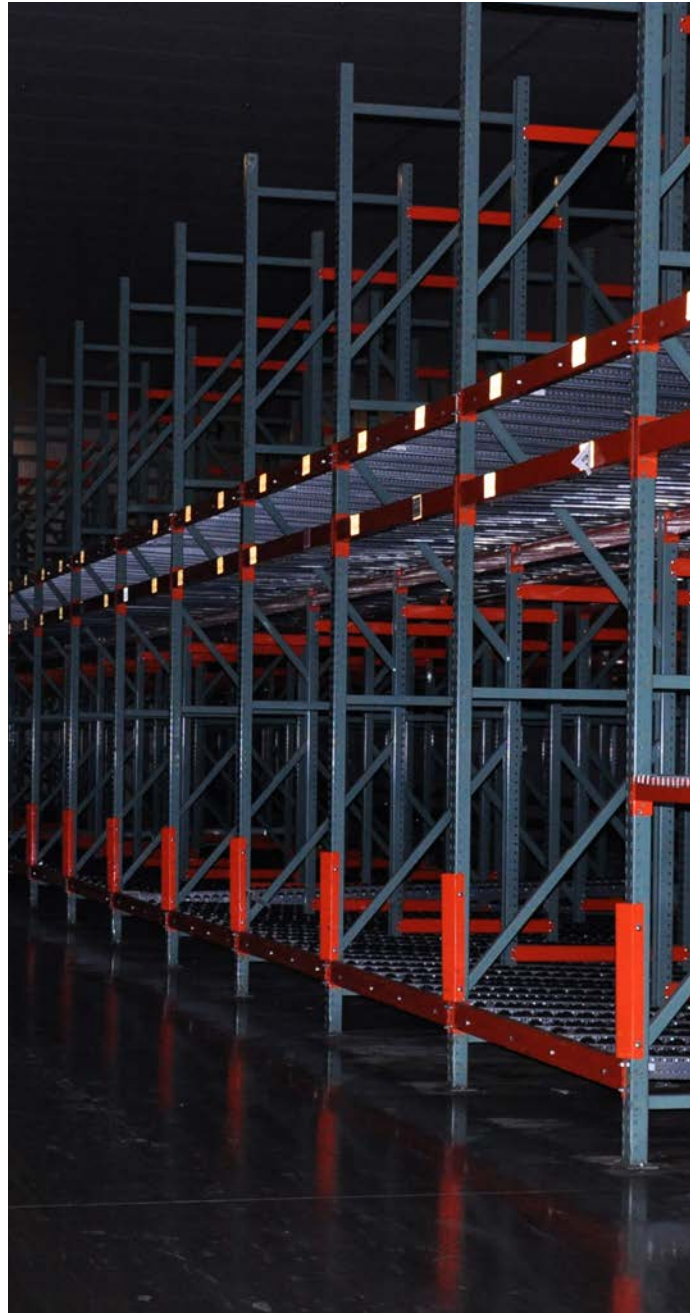
OFFICE INVESTMENTS

- Sacramento's regional office market had another banner year for investment activity in 2019, eclipsing \$1 billion in sales for the fourth consecutive time as record-breaking rents and shrinking vacancy rates continue to fuel demand.
 - o The regional office market recorded north of \$1.214 billion in total transactional volume during 2019, eclipsing the \$1.135 billion recorded the previous year by nearly 7%.
 - The average sold price jumped to nearly \$195 per square foot in 2019, a 7.15% annual increase and a jump of over 18% from 2017.
 - Cap rates have been relatively flat, hovering between 6.9% - 7.3% for the past five years and averaging 7.25% during 2018.
 - Class A office sales averaged over \$284 per square foot (up 35% Y-O-Y), Class B sold for \$143.05 per square foot (up 19% Y-O-Y), and Class C traded for \$107.25 per square foot (down 18% Y-O-Y).
 - o Office investment in Downtown Sacramento jumped to nearly \$482 million in 2019 at an average of \$260.67 per square foot, an increase of 38% in volume from the year prior but a 30% price per square foot drop on average.
 - Downtown saw just two Class A buildings sell in 2019, both on Capitol Mall, but they accounted for nearly 65% of annual investment in the submarket: Wells Fargo Center changed hands for the second time in three years and fetched a market-record \$199 million at an impressive \$396.97 per square foot, while Emerald Tower sold for \$127 million at \$329.15 per square foot.
 - Class B and C sales combined for roughly \$165.2 million in 2019 at \$171.64 per square foot, nearly double the volume seen in 2018 as prices per square foot increased more than 31%.
 - o Sacramento's suburban office market has remained active, but relatively flat, after a slight increase in sales volume and recorded a total of \$742.9 million, up from \$727.5 million in 2018, but saw nearly a 10% jump to \$167 per square foot on average.
 - Class B properties continue to be the most traded within suburban submarkets, with transactions totaling \$430.5 million in 2019 at an average of \$171 per square foot, followed by Class A with \$242.2 million at \$218 per square foot and Class C accounting for just over \$70 million at an average of \$84 per square foot.
 - The Highway 50 Corridor saw the most sales of any suburban submarket, totaling nearly \$292 million at an average of \$173 per square foot. This is the second consecutive year it has eclipsed \$215 million in sales as its central location and affordable rents have made it a desirable alternative to Downtown

INDUSTRIAL INVESTMENTS

Sales of industrial product in the Sacramento region pumped the breaks slightly from the historic pace of the previous two years, but still exceeded transactional totals from all other years in the past decade.

- The regional industrial market saw \$499.5 million in investment sales during 2019, slowing dramatically from last year's \$682 million in transactions, but the average price rose from \$72.95 to \$102.59 per square foot.
 - 2019 saw just four sales eclipse \$10 million, compared with nineteen the previous year, causing an inevitable dip in the overall volume but a spike in price per square foot.
 - The year's largest transaction by far was Blackstone Group's \$13.4 billion, 844 property national portfolio purchase from GLP, which included over \$142.5 million within the region via six properties and more than one million square feet at a noteworthy \$133.72 .
- There were just 5 Class A industrial properties sold in 2019 for a total of \$65.9 million at \$113.37 per square foot, a sizeable drop from the previous year which saw \$165.2 million in sales via seven transactions, but a big jump from the 2018 average of \$78.80 per square foot.
- The investment market for Class B industrial properties slowed for the second consecutive year, most likely the result of a shrinking supply of available product following the recent surges in sales. Transactions totaled just \$140.6 million, down from \$281.2 million in 2018, but at \$88.69 per square foot after an 18% jump on average.
- The Class C industrial market was active in 2019 but fell notably from the past two years, totaling just shy of \$170 million after a 28% drop year-over-year. Prices per foot rivaled Class B, averaging \$83.65 per square foot, as smaller properties remain very attractive to investors in the current economic climate.
- The average cap rate across all classes fell to 5.62% in 2019, a dip of 38 basis points from the year prior.
- West Sacramento continues to be one of the region's most active industrial submarkets and saw the largest sale of the year, as the ±624,356 square foot Class B Port of Sacramento Industrial Park changed hands in March for \$39.3 million at \$62.94 per square foot.



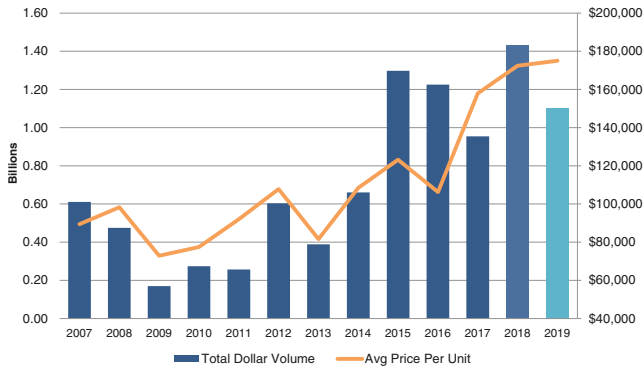
Sacramento's multifamily market had another banner year, with consistently low vacancy rates fueling steady regional rent growth and ensuring the city maintains its spot among the nation's hottest markets.

MARKET PULSE

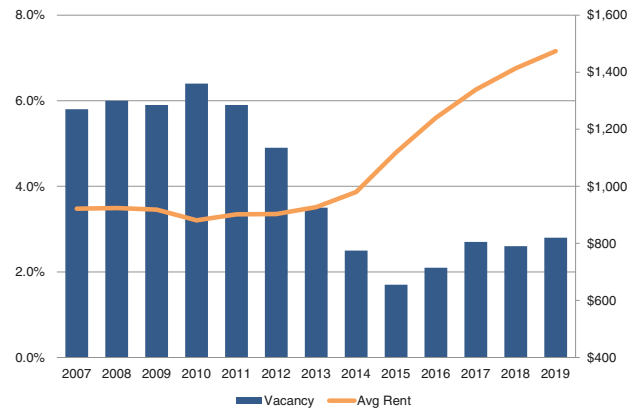
Compressed vacancy continues to drive local rent growth, but new statewide regulations have now been put into place which could slow the pace of growth in a time when the city is in dire need of additional housing.

- Apartment vacancy was flat in Sacramento during 2019, finishing the year at 2.8%, but the market continues to sit well below the national average of 4.1% vacancy and has stayed under 3% for the past five years.
- Rents in the region jumped to a weighted average of \$1,474 per month, up \$60 from 2018, at a rate of \$1.73 per square foot. Newly constructed or renovated complexes continue to bring impressive rents well above the metro average, particularly in the booming Downtown area and affluent suburban submarkets, often exceeding \$2,500 per month for even smaller-sized units.
 - Downtown units in the rejuvenated “urban core” had the highest average rent and price per square foot, coming in at \$1,826 per unit monthly at \$2.30 per square foot. Just across the river, West Sacramento jumped into the second spot in 2019, averaging \$1,825 monthly at \$2.25 per square foot after more than a 10% annual increase.
- Rent growth abated slightly from the previous three years, but its annual growth rate of 4.2% remains among the strongest in major US metros and the region has averaged 7.2% rent growth over the past four years.
 - Land Park had the fastest rent growth of any submarket, increasing at an impressive 11% during 2019, followed closely by West Sacramento which saw 10% rent growth.
- Landlords will face new hurdles in the coming year as California became the second state to implement a statewide cap on rental increases, going against the advice of most industry experts and economists and disregarding the recent defeat of Prop 10 by voters.
 - In an attempt to ease the current affordability issues facing many in the state, rent increases for complexes built more than 15 years ago have been capped at 5% annually plus CPI (not to exceed 10%), and various tenant protections have been put in place which limit evictions without just cause.
 - The effects are still to be seen, but opponents argued that such measures are likely to hinder new development and reduce landlord motivation to spend money on maintenance and upgrades due to a limited returns on the investment.

MULTIFAMILY INVESTMENT SALES VOLUME



VACANCY & RENT GROWTH

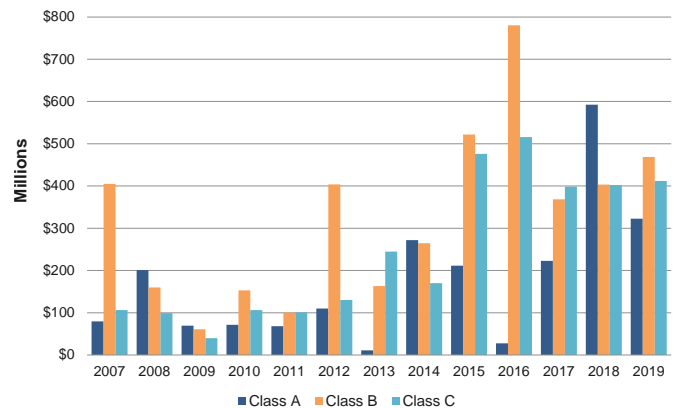


CONSTRUCTION

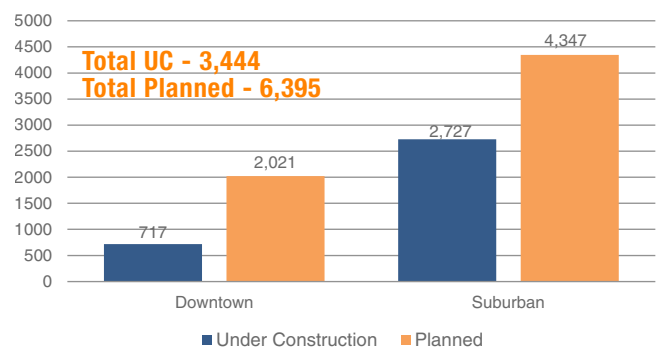
2019 saw the second highest number of deliveries in the past decade, coming just shy of delivering 1,000+ units for the second consecutive year, and developers are showing no signs of slowing down.

- There were 982 units delivered in 2019, compared with 1,130 the year prior, but local inventory continues to struggle to keep up with unrelenting renter demand as the new complexes are quickly leasing up.
 - The budding West Roseville area saw the year's largest completion with the opening of Harvest at Fiddymont Ranch, a 300-unit development which wrapped up in late 2019.
 - East Sacramento also received a large much needed supply boost down the block from the UC Davis Med Center, as the 213-unit Gio Apartments were recently unveiled.
- The Sacramento market currently has nearly 3,500 units under construction, over 2,000 of which are expected to deliver before the end of 2020, with another 6,400 in the planning stages.
 - The Central Business District and neighboring Midtown continue to be a hotbed of activity, accounting for over 900 of the units currently being built.
- Many developers are betting on Class A complexes as a way of offsetting sky-high construction costs, incorporating cutting-edge technologies and amenities in order to appeal to upscale residents and justify lofty rental rates.
- Most new construction continues to radiate around thriving suburban areas such as Elk Grove and Roseville/Rocklin or within "the grid", made up of Downtown and neighboring Midtown, where exciting new housing options continue popping up for the live/work/play crowd.

HISTORICAL MULTIFAMILY SALES VOLUME BY CLASS



MULTIFAMILY UNITS UNDER CONSTRUCTION/PLANNED



OUTLOOK

The coming year looks primed to be another strong one for Sacramento's multifamily market, as the city continues to benefit from its relative affordability and burgeoning cultural scene, but the effects of rent control are still to be seen and will undoubtedly have an impact on rent growth and development in the capitol city.

Momentum remains positive for retail in Sacramento, but there's still plenty of room for growth.

Retail

MARKET PULSE

Vacancy rates continue to fall thanks to steady absorption offsetting store closures, leading to moderate rent growth in response to steady regional demand.

- Sacramento's tightening retail market saw vacancy rates fall to just 7.8% in 2019, a 600 basis point drop from 2018 and the lowest level seen in 11 years.
 - Ten of the region's fifteen submarkets experienced year-over-year drops in vacancy, seven of which decreased by 100 basis points or more.
- The market recorded ±638,878 square feet of positive net absorption in 2019, edging out 2018 by over 8% and posting the second highest annual total in the past five years.
 - Big box closures have slowed, and although many remain vacant for the time being, increasing activity from experiential retailers, fitness centers, and other e-commerce resistant businesses have helped bridge the gap and kept momentum positive.
- Regional asking rents have seen sustained, yet sluggish, growth in recent years, but remain well below pre-recession levels. The weighted average NNN asking rent was \$17.83 per square foot annually entering 2020, an increase of just 1.5% year-over-year and still well shy of the \$20-25 per square foot annual rent averages seen a decade ago.
- Competition for quality shop space in anchored centers remains extremely tight, bringing rents well above the regional average and frequently exceeding \$40 per square foot annually for prime end-caps and pad buildings.
- Sacramento's urban core remains a hotbed of activity, transforming into the long-awaited live/work/play epicenter in the four years since the Golden 1 Center's debut.
 - Rents have risen to nearly double the regional average in areas within walking distance of the arena, such as Downtown Commons, and the nearby Ice Blocks in Midtown continues to thrive as well courtesy of cutting-edge restaurant, shopping, and fitness tenants.

TENANT TRENDS

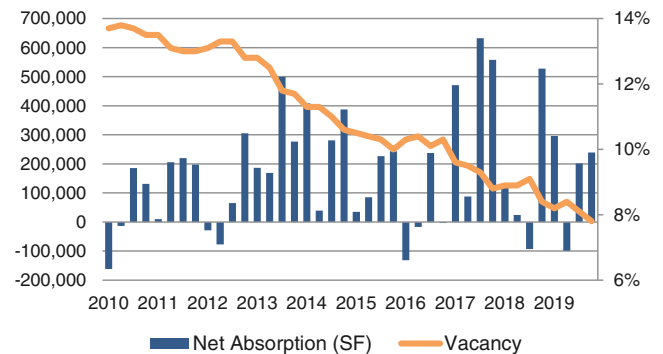
Compressing vacancy and minimal supply additions led to a drop in leasing during 2019, but experience and wellness-oriented tenants have continued to expand at breakneck speeds.

- The influx of large-footprint availabilities in recent years has been ideal for fitness and experiential users to continue their rapid growth, banking on consumer preferences towards an active lifestyle with a focus on entertainment, health, and wellness.
 - LA Fitness has multiple new locations in the works regionally, with their first local offering debuting soon in South Sacramento, while Cal Fit opened a new gym in Arden/Arcade last March and has another on the way in Antelope. This trend will likely continue, as the two fastest growing franchises in the nation are both fitness studios: Orangetheory and 9Round.
 - Cutting edge movie theaters have seized on opportunities from large vacancies as well: the former Sears at Westfield Galleria is transforming into entertainment destination Round1, complete with theaters, restaurants, and gaming, while Cinema West recently opened a new theatre along Watt Avenue and Studio Movie Grill's upcoming Citrus Heights location is under construction with a tentative opening in late spring.
- While some large retailers have been closing stores, Costco continues to be a retail juggernaut and signed the largest lease of 2019. Country Club Centre will soon be home to their new ±138,801 square foot Business Center location, the first of its kind in the region.
- Discount grocers and other off-price retailers have also been thriving in the current economic cycle due to budget-minded consumers and limited negative impact from e-commerce growth.
 - HomeGoods, Grocery Outlet, and others opened at least one new regional location in 2019 and continue to actively pursue expansion; often backfilling recently shuttered anchor spaces.
 - Five Below will soon be opening multiple locations as well within the local market.

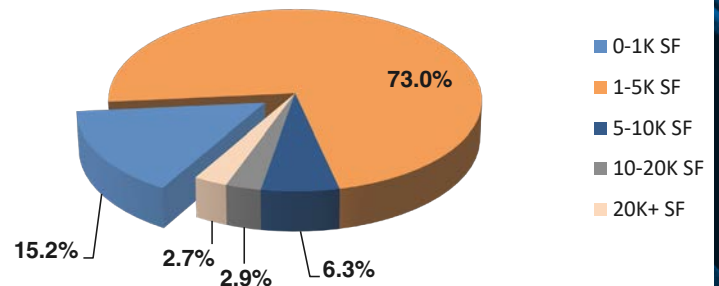
OUTLOOK

Sacramento's retail market will continue tightening in 2020, as compressing vacancy rates steadily bump up rents while supply additions will remain limited to well-positioned projects in growing and affluent submarkets.

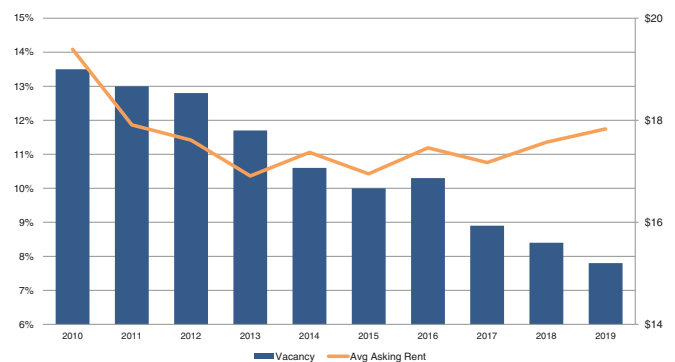
RETAIL VACANCY VS. NET ABSORPTION



RETAIL LEASING VOLUME BY SF



RETAIL VACANCY VS. ASKING RENTS



The regional office market in Sacramento had another productive year, with steady tenant demand further compressing local vacancy rates while asking rates continued to break records.

Office

MARKET PULSE

Sacramento's office scene had strong fundamentals across the board in 2019, as shrinking vacancy rates led to another year of steady rent growth and net absorption was positive in nearly every submarket.

- Regional office vacancy continues to compress and finished at 12.0%, dropping 100 basis points annually and marking the eighth consecutive yearly decline since hitting a market-high 21.4% vacancy at the end of 2011.
 - o Vacancy tightened in both Downtown and Suburban Sacramento, but the city's urban core has been the clear standout, down 130 basis points annually and 430 over the past two years to sit at 9.4% vacancy, while the suburban market fell to 12.5% (down 100 basis points annually).
 - o Class A vacancy fell below 10% for the first time on record in 2019, finishing the year at 9.9% across all submarkets, while Downtown Class A vacancy is now just 4.5% after a drop of 370 basis points annually.
- The market recorded a respectable $\pm 725,724$ square feet of annual positive net absorption, handily topping the 2018 total of 481,524, with all but one submarket recording positive for the year.
 - o Downtown continues to dominate the local office market and topped all submarkets for the second consecutive year, recording $\pm 167,219$ square feet, followed by South Sacramento which saw $\pm 138,069$ square feet of positive net absorption.
- Rent growth in Sacramento's office market has finally started to pick up speed in recent years, with consistent demand and minimal inventory additions fueling 4.4% annual growth entering 2020, more than double the national average of 1.7%.
- Regional office space is averaging \$1.90 per square foot on a monthly full-service basis, the highest since 2009. Class A spaces are commanding \$2.54 per square foot on average across all submarkets, followed by Class B bringing \$1.76 per square foot and Class C fetching \$1.46 per square foot.
 - o Downtown asking rents continue to surge, jumping nearly 9% in 2019 to a record \$2.80 per square foot across all classes. Class A and B asking rents both increased over 10% on the year.
 - o Suburban office rents continue seeing steady growth as well, closing out the year averaging \$1.80 per square foot after a 3% increase.

TRENDS

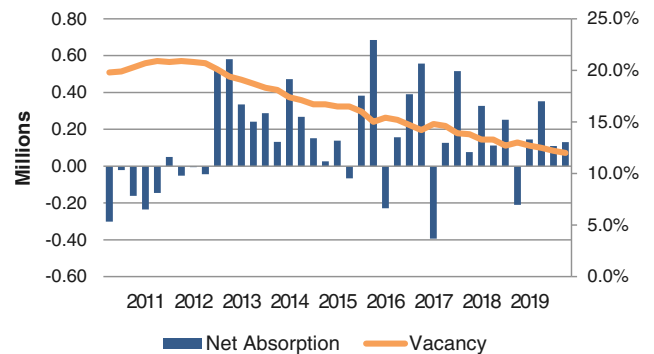
Strong tenant demand has put consistent upward pressure on rents and created an extremely tight market in the key local submarkets, leading some tenants to eye neighboring areas and inspiring the first large speculative office development in years.

- While Downtown remains the most desirable local office submarket, many tenants are beginning to consider neighboring areas as appealing alternatives due to ample available space and more affordable rental rates.
- Government continues to drive much of the action in the Capital Region, including the year's largest lease signing, while a leading co-working company has entered the region via two of 2019's top 5 deals.
 - o The year's biggest lease was in Rancho Cordova, part of the Highway 50 submarket, where the State of CA Dept of Justice signed a deal for ±104,042 square feet.
 - o New York-based coworking company WeWork has also entered the local market, inking two deals downtown for spaces of ±96,300 and ±47,316 square feet along J Street and Capitol Mall.
- The office scene in North Natomas will soon receive a huge boost thanks to health insurer Centene Corp's new corporate center, with the first phase of the ±1.25 million square foot campus projected to deliver in early 2020, eventually bringing 5,000 workers to the ±68.2 acre site.
- Construction recently wrapped up on the region's only new speculative development, bringing ±90,000 square feet to South Natomas, but more spec projects could be on the horizon as regional vacancy continues to shrink and tightening market conditions further boost developer confidence.

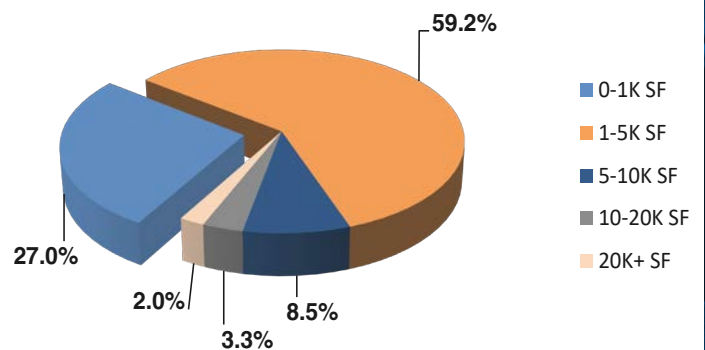
OUTLOOK

Sacramento's office market is expected to ride these tailwinds into 2020, as steady job growth and exciting new developments such as The Railyards build momentum, but the majority of new construction will remain oriented around build-to-suits or owner-user projects for government and health care offices.

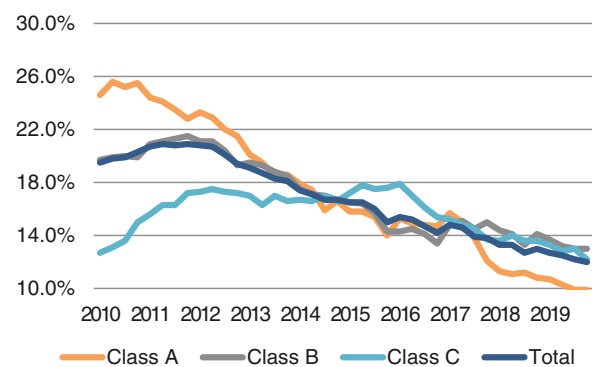
OFFICE VACANCY VS. NET ABSORPTION



2019 OFFICE LEASING VOLUME BY SF



HISTORICAL OFFICE VACANCY BY CLASS



The industrial market in Sacramento saw the most deliveries of any year this cycle, as developer confidence remains high thanks to minimal vacancy and consistent rent growth across the region.

Industrial

MARKET PULSE

Sacramento's industrial market maintained positive momentum but took its foot off of the gas in 2019, continuing to perform well but falling short of the record breaking numbers seen in recent years.

- Regional industrial vacancy had a slight uptick and finished the year at 5.6%, an increase of 20 basis points from the record-low seen in 2018. This is largely due to a substantial number of large speculative developments being delivered but, they are likely to be absorbed in the coming year.
- The market saw a healthy $\pm 787,296$ square feet of positive net absorption in 2019, but fell well short of the $\pm 2,417,000$ square feet recorded the previous year and marked the first time in the past six years to come in under one million square feet.
 - o West Sacramento continues to be a hotbed of activity, logging nearly $\pm 570,500$ square feet of positive net absorption in 2019 and handily outperforming the next highest submarket.
- Asking rents have finally starting to reflect the competitive dynamics of Sacramento's industrial market, averaging \$0.59 per square foot monthly thanks to a year-over-year jump of 5.4%.
 - o Folsom/El Dorado Hills led all submarkets with average monthly asking rents of \$0.71 NNN per square foot, followed closely by McClellan and Northeast Sacramento at \$0.69 NNN per square foot.
 - McClellan, the third largest submarket, saw the region's greatest annual increase and jumped more than 56% from 2018, when it averaged \$0.44 NNN per square foot.
- Healthy demand for space in Sacramento's tightening industrial market has led to some of the fastest rent growth in the nation, but it has slowed from 2018's metro-record 7.9% increase.
 - o Fierce competition for industrial space from the legal marijuana industry has driven rents to new heights, surpassing \$2.00 NNN per square foot for desirable locations in the "green zone", but those impacts are beginning to wane as permits and properties have become increasingly scarce.
- Demand for space remains strong, but vigorous activity in recent years and the resulting record-low vacancy rate has led to a notable decrease in leasing.
 - o The market recorded just shy of 4,385,000 square feet of deals signed in 2019, a 38% drop from the previous year and the lowest total in a decade.

TRENDS

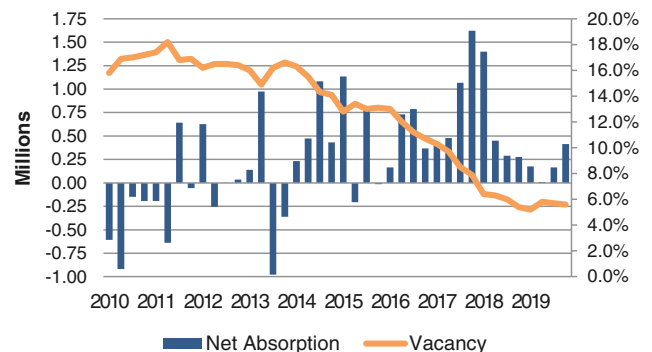
Developer confidence continues to grow thanks to favorable market conditions, leading to over 1.5 million square feet of deliveries, but demand continues to outpace supply which has limited the amount of tenant activity.

- Shrinking vacancy rates and rising rents contributed to an overall drop in yearly leasing volume, partly due to a lack of available space, but the region has been sustained by a mix of small to medium sized tenants along with a few large manufacturing and fulfillment operations entering the local market.
- The fourth quarter closed out 2019 with a strong leasing performance, including the year's three largest industrial leases as well as two renewals exceeding 200,000 square feet.
 - Bimbo Bakeries deal for ±155,695 square feet at Southport in West Sacramento was the largest of 2019, edging out Air International Thermal's signing of a ±148,050 square foot lease at Auburn Airport Industrial Park (the Auburn submarket's largest industrial deal on record).
- A significant amount of speculative development hit the market in 2019, although the majority remains vacant for the time being, and there are nearly 2 million square feet still under construction including ±500,000 square feet of additional spec warehouse at Metro Air Park.
 - The year's largest delivery was a ±417,637 square foot speculative distribution center in McClellan Park, while the next four were all in West Sacramento's Southport area and brought over ±756,000 square feet of spec warehouse space to the submarket.
- West Sacramento has continued to separate itself as one of the region's premier industrial submarkets, with easy access to transportation networks as well as desirable permitting and tax codes driving the development of nearly 2.5 million square feet of space in the past six years.
- The largest industrial project currently under way is Walmart's new ±1.132 million square foot distribution center in Metro Air Park, a ±1,300 acre site neighboring the Sacramento International Airport which is also the site of Amazon's local distribution center and a ±500,770 square foot speculative warehouse being built by Buzz Oats.
- Power Inn will soon be home to the region's largest cannabis facility, as Natura Life + Science is finishing construction on it's new ±265,000 square foot development and expects a Q1-2020 delivery.

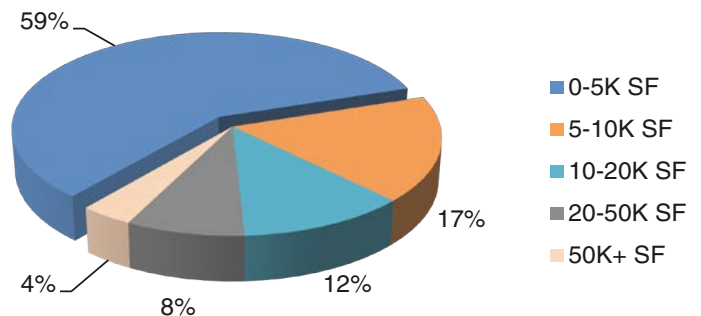
OUTLOOK

The coming year will see multiple large build-to-suit projects and another wave of speculative developments deliver, bringing relief for tenants searching for space, while recently completed spec warehouses should steadily lease up and potentially bring vacancy to another record low.

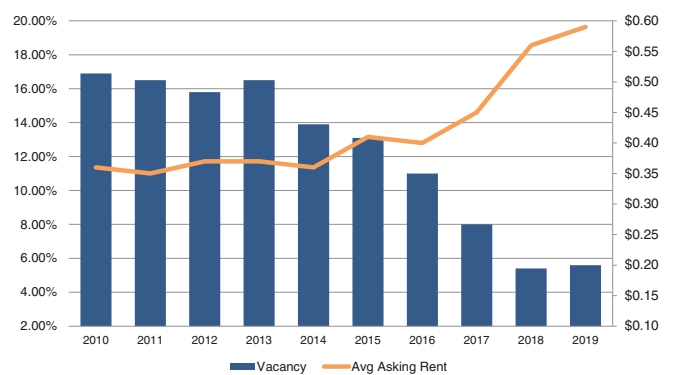
INDUSTRIAL VACANCY VS. NET ABSORPTION



2019 INDUSTRIAL LEASING VOLUME BY SF



INDUSTRIAL VACANCY VS. RENT GROWTH



MULTIFAMILY TOP DEALS & MARKET STATISTICS

TOP DEALS

SALE							
Building Name	Address	Buyer	Seller	# Units	Date	Price	Submarket
Miramonte & Trovas	4850 Natomas Blvd	Jackson Square Properties	Cahill Equities	440	10/23/2019	\$104,000,000	North Natomas
Shore Park	7952 Pocket Rd	Sequoia Equities	Kennedy Wilson	393	9/25/2019	\$97,200,000	Pocket-Greenhaven
The Creek at 2645	2645 Stonecreek Dr	Bridge Investment Group	Oaktree Capital	368	9/30/2019	\$72,000,000	South Natomas
Broadleaf	40 Park City Ct	Security Properties	Sycamore Terrace	244	7/24/2019	\$68,450,000	Pocket-Greenhaven
Copper Creek	6430 Verner Ave	Bridge Partners	JCM Partners	268	6/28/2019	\$48,000,000	Carmichael/ Citrus Heights

MARKET STATISTICS

Submarket	COMPARISON TO LAST YEAR								
	Q4-2018			Q4-2019			% Change (Year Over Year)		
	Average Rent	Avg Rent PSF	Vacancy	Average Rent	Avg Rent PSF	Vacancy	Average Rent	Avg Rent PSF	Vacancy
Downtown Sacramento	\$1,772	\$2.19	2.9%	\$1,826	\$2.30	4.5%	3.07%	4.83%	1.58%
East Sacramento	\$1,429	\$1.91	0.0%	\$1,347	\$1.69	0.0%	-5.76%	-11.75%	0.00%
Land Park	\$1,136	\$1.37	2.0%	\$1,263	\$1.55	0.0%	11.15%	13.05%	-2.00%
South Sacramento	\$1,115	\$1.52	1.1%	\$1,199	\$1.66	1.1%	7.51%	9.09%	-0.03%
Florin	\$1,172	\$1.48	1.4%	\$1,177	\$1.57	1.4%	0.39%	6.33%	-0.04%
Greenhaven	\$1,474	\$1.65	3.6%	\$1,583	\$1.76	3.0%	7.37%	6.89%	-0.61%
Rancho Cordova	\$1,293	\$1.60	1.8%	\$1,392	\$1.72	1.7%	7.63%	7.21%	-0.09%
Capital Center	\$1,367	\$1.61	2.1%	\$1,440	\$1.67	2.0%	5.32%	3.60%	-0.10%
Arden/Arcade	\$1,373	\$1.67	2.8%	\$1,451	\$1.78	3.1%	5.67%	6.67%	0.31%
Arden	\$1,114	\$1.48	1.9%	\$1,175	\$1.56	0.5%	5.46%	5.43%	-1.42%
Carmichael	\$1,153	\$1.43	1.8%	\$1,258	\$1.52	1.5%	9.08%	6.56%	-0.31%
South Natomas (W)	\$1,625	\$1.72	3.0%	\$1,601	\$1.76	2.9%	-1.47%	2.13%	-0.08%
South Natomas ('E)	\$1,347	\$1.63	2.3%	\$1,391	\$1.68	3.9%	3.28%	3.37%	1.63%
North Natomas	\$1,693	\$1.76	5.9%	\$1,679	\$1.79	4.8%	-0.83%	1.46%	-1.09%
North Highlands	\$1,154	\$1.44	2.5%	\$1,227	\$1.54	1.7%	6.34%	6.79%	-0.79%
Antelope	\$1,381	\$1.65	2.4%	\$1,463	\$1.76	1.9%	5.96%	6.42%	-0.50%
Citrus Heights	\$1,299	\$1.61	2.5%	\$1,348	\$1.69	3.3%	3.77%	4.87%	0.82%
Fair Oaks	\$1,297	\$1.56	3.5%	\$1,368	\$1.66	2.7%	5.48%	6.21%	-0.80%
Orangevale	\$1,390	\$1.70	2.9%	\$1,450	\$1.80	4.3%	4.31%	5.94%	1.36%
Folsom	\$1,779	\$1.84	4.4%	\$1,784	\$1.88	4.1%	0.25%	1.99%	-0.28%
Roseville/Rocklin	\$1,626	\$1.73	3.6%	\$1,698	\$1.82	3.8%	4.44%	5.36%	0.24%
Elk Grove	\$1,502	\$1.55	1.5%	\$1,550	\$1.60	2.6%	3.18%	3.35%	1.14%
West Sacramento	\$1,659	\$2.07	5.8%	\$1,825	\$2.25	4.2%	10.00%	8.71%	-1.56%
El Dorado Hills	\$1,833	\$1.82	4.7%	\$1,820	\$1.81	6.8%	-0.68%	-0.78%	2.13%
Cameron Park	\$1,356	\$1.50	1.7%	\$1,481	\$1.67	2.7%	9.19%	11.20%	1.03%
Totals	\$1,414	\$1.68	2.80%	\$1,474	\$1.73	2.76%	4.21%	2.87%	-0.04%

RETAIL TOP DEALS & MARKET STATISTICS

TOP DEALS

SALE							
Building Name	Address	Sale Price	SF	\$/SF	Buyer	Seller	Submarket
Promenade at Sacramento Gateway	3611-3661 N Freeway Blvd	\$58,442,000	340,710	\$171.53	Fairbourne Partners	Clarion Partners	Natomas
Prospector's Plaza	3964-3980 Missouri Flat Rd	\$24,130,000	243,907	\$98.93	Rich Development Enterprises	Weingarten Realty Investors	El Dorado
Strawberry Creek	8211 Bruceville Rd	\$20,950,000	57,373	\$365.15	Hilbers, Inc	Pacific Castle, Inc	Auburn/Loomis
Del Paso Marketplace	2810 Del Paso Rd	\$19,900,000	59,796	\$332.80	Phillips Edison	Buzz Oats	Natomas
Safeway – Crossroads SC	2550 Bell Rd	\$19,800,000	58,492	\$338.51	Murnick Property Group	Fortress Investment Group	Auburn/Loomis

LEASE						
Building Name	Address	Tenant	Owner	± SF Leased	Date	Submarket
Country Club Centre	3360 El Camino Ave	Costco Business Center	Country Club Centre Group LLC	138,801	10/23/19	Howe/Fulton/Watt
Freedom Point Plaza	1851 Freedom Way	Living Spaces	Ryan Companies	108,500	7/1/2019	Roseville/Rocklin
Prospector's Plaza	3694-980 Missouri Flat Rd	Target	Rich Development Enterprises	86,414	6/13/2019	El Dorado
Delta Shores	I-5 & Beach Lake Rd	At home	Merlone Geier	86,138	11/17/2019	South Sacramento
Walerga Plaza	4249 Elverta Rd	California Family Fitness	Ethan Conrad	57,790	5/1/2019	Rio Linda/ North Highlands

MARKET STATISTICS

Submarket	Inventory	Direct	Available Space Sublease	Total	Vacancy Q4-19	Net Absorption		SF Under Construction	Avg. Asking Rate (NNN)*
						2019	2018		
Arden/Watt/Howe	7,092,676	731,378	0	731,378	10.3%	17,652	69,059	4,811	\$15.21
Auburn/Lincoln/Loomis	3,061,636	123,026	8,278	131,304	4.3%	(2,579)	62,786	0	\$18.91
Carmichael/Citrus Heights/Orangevale	7,857,879	895,458	48,917	944,375	12.0%	35,521	8,635	0	\$15.32
Davis	1,065,912	38,779	21,609	60,388	5.7%	(8,242)	12,299	0	\$23.01
Downtown/Midtown	1,587,313	102,550	0	102,550	6.5%	66,627	46,847	0	\$32.82
El Dorado	2,476,329	163,402	0	163,402	6.6%	37,429	(26,086)	82,496	\$21.93
Elk Grove	4,444,859	195,681	0	195,681	4.4%	83,207	(39,870)	29,564	\$21.08
Folsom	4,391,614	251,900	2,020	253,920	5.8%	69,584	30,909	10,072	\$20.57
Highway 50	3,479,434	455,702	10,021	465,723	13.4%	(73,340)	66,929	0	\$15.31
Natomas	3,090,045	184,166	0	184,166	6.0%	40,059	36,778	0	\$20.93
Rio Linda/North Highlands	2,884,605	215,703	0	215,703	7.5%	81,080	52,135	0	\$13.41
Roseville/Rocklin	11,105,705	653,985	5,601	659,586	5.9%	113,669	(47,612)	9,629	\$19.73
South Sacramento	8,334,011	684,863	22,153	707,016	8.5%	189,337	336,065	115,165	\$14.42
West Sacramento	1,819,922	79,099	0	79,099	4.3%	22,375	(46,758)	0	\$18.00
Woodland	2,227,423	176,186	7,500	183,686	8.2%	(33,501)	28,875	6,500	\$12.35
Totals	64,919,363	4,951,878	126,099	5,077,977	7.8%	638,878	590,991	258,237	\$17.83

OFFICE TOP DEALS & MARKET STATISTICS

TOP DEALS

SALE							
Building Name	Address	Sale Price	SF	\$/SF	Buyer	Seller	Submarket
Wells Fargo Center	400 Capitol Mall	\$198,750,000	500,662	\$396.97	Manulife	Starwood Capital	Downtown
Emerald Tower	300 Capitol Mall	\$127,000,000	405,074	\$313.52	The Evergreen Company	Hines Securities	Downtown
Benvenuti Plaza	1515 S St	\$104,000,000	645,941	\$161.01	Boyd Watterson	Hines Securities	Downtown
Parkway Corporate Plaza	1620-1680 E Roseville Pkwy	\$79,000,000	287,539	\$274.75	Morgan Stanley Services Group	The Broe Group	Roseville/Rocklin
Granite Regional Park I	3341 Power Inn Rd	\$40,500,000	165,000	\$245.45	Boyd Watterson	Eaton Vance	Hwy 50

LEASE						
Building Name	Address	Tenant	Owner	± SF Leased	Date	Submarket
Prospect Park	3068 Kilgore Rd	CA Dept of Justice	Boyd Watterson	104,042	2/27/2019	Hwy 50
Downtown Commons	660 J St	WeWork	SGD Office LLC	96,300	7/12/2019	Downtown
Riverside Office Center	820-840 Stillwater Rd	Clear Blue Commercial	Harsch	71,982	10/1/2019	West Sacramento
Riverpoint Marketplace	710 Riverpoint Cir	Cal Fire	Pac West Office Equities	67,956	7/4/2019	West Sacramento
Wells Fargo Center	400 Capitol Mall	WeWork	Starwood Capital	47,316	3/19/2019	Downtown

MARKET STATISTICS

Submarket	Inventory	Available Space			Vacancy Q4-19	Net Absorption		Avg. Asking Rate (FS) Weighted	
		Direct	Sublease	Total		2019	2018		
Arden/Arcade	Class A	1,085,511	223,651	33,446	257,097	23.7%	(9,741)	14,001	\$2.06
	Class B	3,771,482	704,652	22,886	727,538	19.3%	26,667	(74,550)	\$1.82
	Class C	2,606,934	372,626	1,262	373,888	14.3%	(27,705)	6,088	\$1.61
	Total	7,463,927	1,300,929	57,594	1,358,523	18.2%	(10,779)	(54,461)	\$1.78
Auburn/Lincoln	Class A	-	-	-	-	-	-	-	-
	Class B	458,230	32,885	0	32,885	7.2%	5,029	6,063	\$1.69
	Class C	505,866	14,705	0	14,705	2.9%	3,279	12,643	\$1.18
	Total	964,096	47,590	0	47,590	4.9%	8,308	18,706	\$1.42
Downtown Sacramento	Class A	5,447,013	245,626	1,900	247,526	4.5%	198,831	150,299	\$3.35
	Class B	4,530,077	646,322	0	646,322	14.3%	(8,971)	59,165	\$2.65
	Class C	2,555,086	277,181	4,685	281,866	11.0%	(22,641)	114,816	\$1.91
	Total	12,532,176	1,169,129	6,585	1,175,714	9.4%	167,219	324,280	\$2.80
El Dorado Hills/Folsom	Class A	1,026,599	82,517	4,946	87,463	8.5%	37,336	(14,598)	\$2.31
	Class B	2,659,631	305,243	0	305,243	11.5%	34,766	111,225	\$1.94
	Class C	760,456	41,577	0	41,577	5.5%	15,611	13,152	\$1.57
	Total	4,446,686	429,337	4,946	434,283	9.8%	87,713	109,779	\$1.96
Highway 50/Rancho Cordova	Class A	3,336,847	576,281	4,500	580,781	17.4%	(25,262)	33,361	\$1.98
	Class B	7,385,153	1,033,204	60,976	1,094,180	14.8%	(31,319)	232,283	\$1.65
	Class C	1,927,624	246,357	679	247,036	12.8%	96,875	(47,709)	\$1.27
	Total	12,649,624	1,855,842	66,155	1,921,997	15.2%	40,294	217,935	\$1.68
Midtown/East Sacramento	Class A	465,701	14,408	920	15,328	3.3%	89,147	32,957	\$2.90
	Class B	3,271,041	243,300	0	243,300	3.7%	(9,328)	(11,931)	\$2.34
	Class C	1,026,472	65,845	0	65,845	6.4%	(37,118)	(14,717)	\$2.04
	Total	4,763,214	323,553	920	324,473	6.8%	42,701	6,309	\$2.33
Natomas	Class A	3,017,269	299,524	16,882	316,406	10.5%	(49,947)	55,632	\$2.26
	Class B	2,244,614	216,490	6,295	222,785	9.9%	120,678	89,309	\$1.75
	Class C	440,275	84,063	0	84,063	19.1%	(10,140)	3,780	\$1.05
	Total	5,702,158	600,077	23,177	623,254	10.9%	60,591	148,721	\$1.97
Northeast Sacramento	Class A	79,163	0	0	0	0.0%	0	0	-
	Class B	1,067,397	142,179	0	142,179	13.3%	117,274	(14,750)	\$1.58
	Class C	1,952,438	368,378	1,099	369,477	18.9%	18,659	(100,408)	\$1.19
	Total	3,098,998	510,557	1,099	511,656	16.5%	135,933	(115,158)	\$1.32
Roseville/Rocklin	Class A	3,333,109	324,354	7,571	331,925	10.0%	(88,239)	(8,018)	\$2.08
	Class B	6,019,308	740,330	8,943	749,273	12.4%	107,807	(89,303)	\$1.75
	Class C	3,125,890	509,939	2,399	512,338	16.4%	36,757	(100,799)	\$1.24
	Total	12,478,307	1,574,623	18,913	1,593,536	12.8%	56,325	(198,120)	\$1.71
South Sacramento/Elk Grove	Class A	598,803	24,018	3,025	27,043	4.5%	16,241	2,461	\$2.60
	Class B	1,876,820	189,553	2,082	191,635	10.2%	12,621	9,795	\$1.80
	Class C	1,193,545	44,042	0	44,042	2.9%	109,207	38,387	\$1.35
	Total	3,669,168	257,613	5,107	262,720	7.2%	138,069	50,643	\$1.78
Yolo County	Class A	651,618	14,997	0	14,997	4.5%	17,495	(10,161)	\$3.00
	Class B	1,646,850	188,230	3,598	191,828	14.3%	(784)	(22,249)	\$1.83
	Class C	877,856	42,916	0	42,916	11.0%	(6,820)	5,300	\$1.33
	Total	3,176,324	246,143	3,598	249,741	7.9%	9,891	(27,110)	\$1.93
Totals	70,944,678	8,315,393	188,094	8,503,487	12.0%	736,265	481,524	\$1.90	
Class A	19,041,633	1,805,376	73,190	1,878,566	9.9%	185,861	255,934	\$2.54	
Class B	34,930,603	4,442,388	104,780	4,547,168	13.0%	374,440	301,637	\$1.76	
Class C	16,972,442	2,067,629	10,124	2,077,753	12.2%	175,964	(69,467)	\$1.46	
Downtown	12,532,176	1,169,129	6,585	1,175,714	9.4%	167,219	324,280	\$2.80	
Suburban	58,412,502	7,146,264	181,509	7,327,773	12.5%	569,046	157,244	\$1.80	

INDUSTRIAL TOP DEALS & MARKET STATISTICS

TOP DEALS

SALE							
Building Name	Address	Sale Price	SF	\$/SF	Buyer	Seller	Submarket
GLP Portfolio*	N/A	\$142,572,671	1,066,169	\$133.72	Blackstone	GLP	N/A
Port of Sacramento Industrial Park	3771 Channel Dr	\$39,300,000	624,356	\$62.94	LBA Realty	Transpacific DevCo	West Sacramento
Southport Industrial Park**	3500 Carlin Dr	\$21,835,000	186,939	\$116.80	Reyes Holdings	Ingram Entertainment	West Sacramento
3032 Thunder Valley Ct	3032 Thunder Valley Ct	\$9,940,000	24,860	\$399.84	Tedd Messner	Jason Pasquetti	Roseville/Rocklin
8425 Carbide Ct	8425 Carbide Ct	\$9,085,000	56,904	\$159.65	MKD Investments	Kenneth Catchot	Power Inn

*GLP to Blackstone Portfolio Sale: Allocated prices of 6 regional properties included as part of \$13.4 billion transaction

**Part of 5 property entity buyout totaling \$81.2 M. Full value, not allocated.

LEASE						
Building Name	Address	Tenant	Owner	± SF Leased	Date	Submarket
Southport Industrial Park	2935 Ramco St	Bimbo Bakeries	Mapletree Investments	155,695	12/1/2019	West Sacramento
Auburn Airport Ind Park	12745 Earhart Ave	Air International Thermal	James R Andrew	148,050	12/20/2019	Auburn/Newcastle
North Market Center	1701 W National Dr	Confidential	Blackstone	146,019	12/4/2019	Natomas/Northgate
3575 Ramos Dr	3575 Ramos Dr	Pitco Foods	NorthPoint Development	141,298	3/1/2019	West Sacramento
1281 W National	1281 W National Dr	Confidential	Blackstone	136,079	9/29/2019	Natomas/Northgate

MARKET STATISTICS

Submarket	Inventory	Available Space			Vacancy Q4-19	Net Absorption		SF Under Construction	Avg. Asking Rate (NNN)
		Direct	Sublease	Total		2019	2018		
Auburn	1,176,968	34,758	0	34,758	3.0%	27,724	(54,534)	0	\$0.65
Davis/Woodland	8,774,194	600,669	0	600,669	6.8%	71,379	466,330	0	\$0.36
Downtown	628,057	0	0	0	0.0%	0	8,000	0	-
East Sacramento	205,636	22,000	0	22,000	10.7%	(22,000)	(20,176)	0	\$0.54
Elk Grove/Laguna	2,483,764	222,893	0	222,893	9.0%	25,431	(32,723)	0	\$0.45
Folsom/El Dorado Hills	1,595,987	21,452	0	21,452	1.3%	103,790	(16,242)	0	\$0.71
Mather	2,614,238	63,820	0	63,820	2.4%	52,100	(42,382)	0	\$0.50
McClellan	10,116,178	763,027	20,600	783,627	7.7%	(111,945)	542,339	0	\$0.69
Northgate/Natomas	9,473,336	442,475	52,725	495,200	5.2%	(68,889)	(262,303)	1,632,770	\$0.63
Northeast Sacramento	2,844,027	81,760	0	81,760	2.9%	71,747	(19,698)	0	\$0.69
Power Inn	16,185,206	668,050	0	668,050	4.1%	29,576	(21,496)	265,000	\$0.64
Richards	2,689,050	0	0	0	0.0%	66,954	29,722	0	-
Roseville/Rocklin	8,852,960	413,674	1,850	415,524	4.7%	3,667	573,367	49,422	\$0.53
South Sacramento	2,468,749	877,927	45,818	923,745	37.4%	1,170	(3,520)	0	\$0.63
Sunrise	5,789,586	158,802	0	158,802	2.7%	(33,885)	55,294	0	\$0.57
West Sacramento	14,353,787	588,467	9,020	597,487	4.2%	570,477	1,249,741	0	\$0.63
Totals	90,251,723	4,959,774	130,013	5,089,787	5.6%	787,296	2,451,719	1,947,192	\$0.59

ABOUT US

Gallelli Real Estate is a private firm that specializes in commercial estate services and property management. We believe that as a boutique firm whose understanding of the business runs as deep as our core values, our advantage is large. We take pride in our unique approach to offer more individual solutions that address the ever changing needs of our clients and the industry. After all, our success is measured by the success of our clients and the strength and longevity of our relationships.

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