



## YTD net absorption surpasses 2014 total

### Most suburban submarkets charge forward despite education closures

Office market fundamentals continue to improve and all but two submarkets posted positive demand heading into the second half of 2015. Occupancy gains are incrementally climbing with a number of state agencies, engineering and architectural firms and insurance groups expanding their workforces and footprint. However, following a federal crackdown and state regulators prohibiting a selloff, for-profit educational institutions Heald and Anthem Colleges closures left more than 120,000 square feet of space vacant in suburban submarkets. With over 75,000 square feet of education requirements in the market, this space will not sit vacant long.

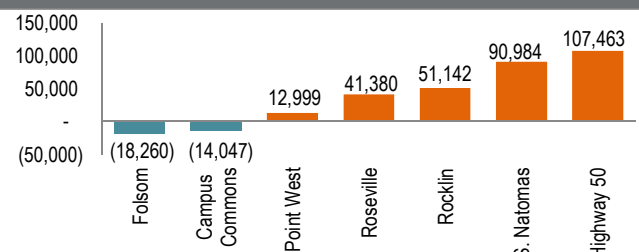
### Landlords double down on downtown

The forthcoming Kings' arena, nearby redevelopment projects and anticipation of the rail yards development continue to impart confidence in downtown landlords, where the average asking rent for Class B space has risen by over 12.0 percent during the past 12 months and Class A property owners are now asking 4.2 percent more on average. Concessions are also beginning to evaporate. Downtown tenants with expiring leases now face competition from suburban firms gravitating downtown. Recent transplants such as the design firm LPA Inc. cite the desire to be more connected with the city and closer to development activity as factors in their decision to relocate from Roseville.

### Downtown housing initiative to help fuel revitalization process

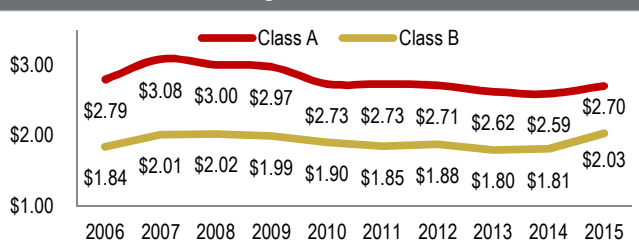
Mayor Johnson recently laid out the framework for his vision to facilitate the development of 10,000 new housing units downtown over the next decade. Shortly following this announcement, Sacramento received Promise Zone designation from HUD, which will include benefits such as tax incentives and preference for competitive federal grant programs and technical assistance in revitalization efforts. Increasing housing densities downtown is essential to creating a vibrant, 24/7 urban core, where companies can attract and retain talented employees.

### YTD net absorption by submarket



Source: JLL Research

### CBD Class A and B asking rents



Source: JLL Research

### City of Sacramento downtown housing initiative

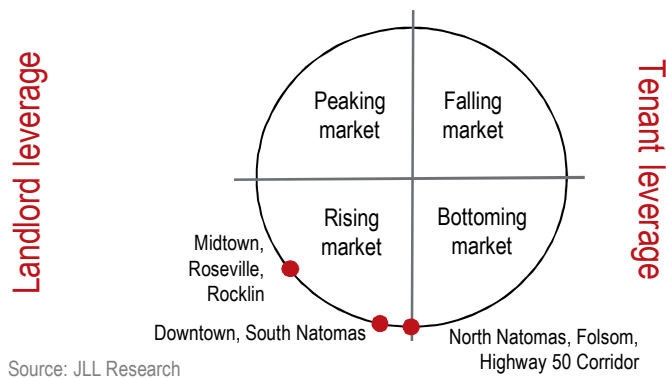
# 10,000 units

Number of new downtown housing units over the next decade

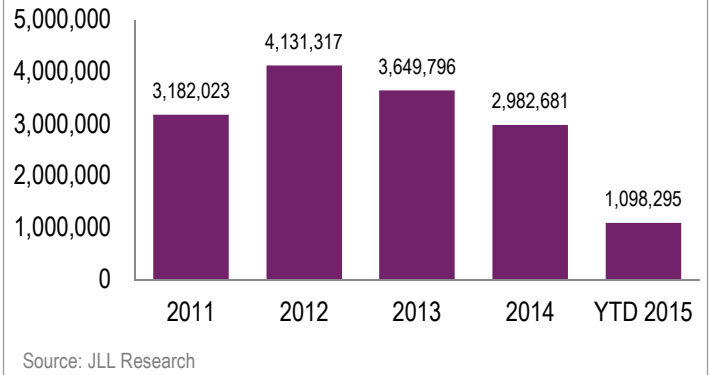
Source: JLL Research, City of Sacramento

<b>43,841,708</b> Total inventory (s.f.)	<b>206,673</b> Q2 2015 net absorption (s.f.)	<b>\$1.88</b> Direct average asking rent	<b>0</b> Total under construction (s.f.)
<b>17.2%</b> Total vacancy	<b>440,206</b> YTD net absorption (s.f.)	<b>1.8%</b> 12-month rent growth	<b>0.0%</b> Total preleased

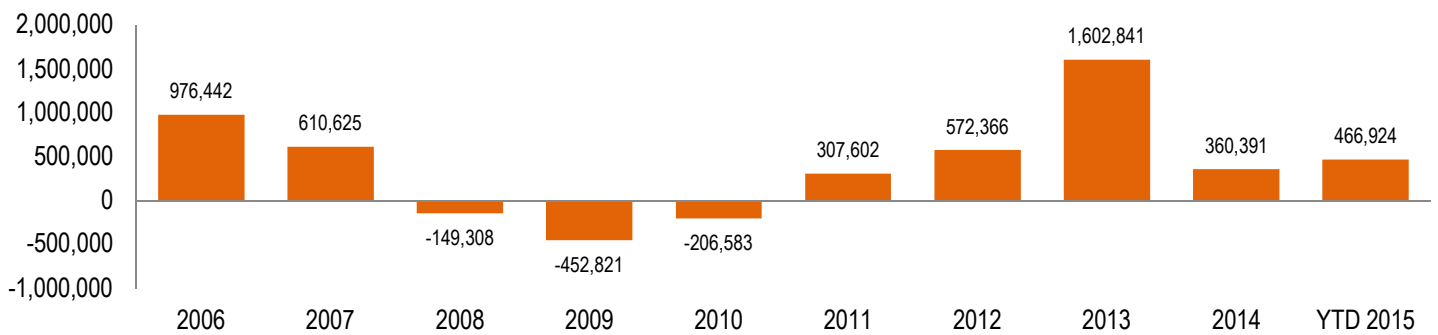
### Current conditions – submarket



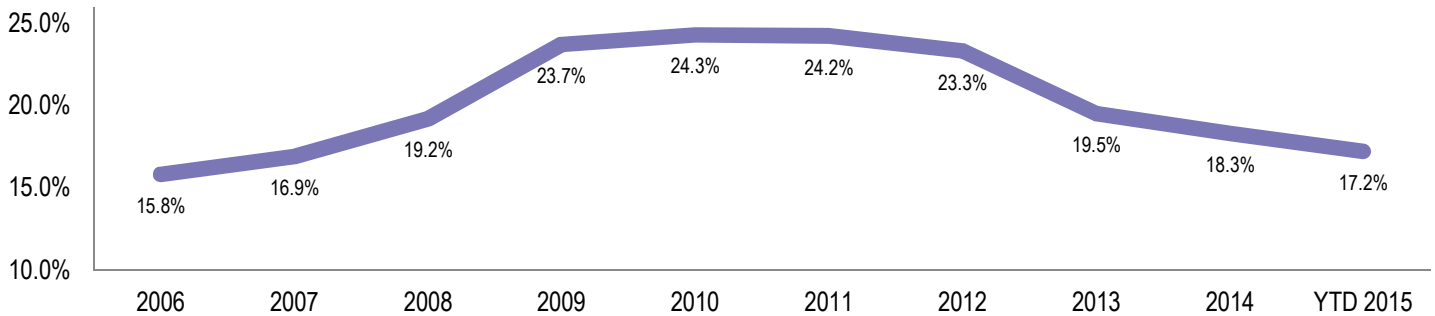
### Historical leasing activity (s.f.)



### Total net absorption (s.f.)



### Total vacancy rate (%)



### Direct average asking rent (\$ p.s.f.)

