



Sacramento, California

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

The Sacramento office market ended the fourth quarter 2011 with a vacancy rate of 17.6%. The vacancy rate was slightly higher than the previous quarter with net absorption for the overall Sacramento office market at positive 262,036 SF. Vacant sublease space increased in the fourth quarter ending at 433,575 SF. Rental rates ended the fourth quarter at \$20.40, less than the previous quarter.

Market Trends

- The Sacramento region experienced significant annual job growth in November 2011, with payroll jobs increasing by one percent between November 2010 and November 2011.
- Tenant trends have leaned toward restructuring, renewing and downsizing.
- Landlords continue to compete for tenants.
- Vacancy rates vary depending on submarket from below 6% for the CBD to over 40% in certain suburban submarkets.

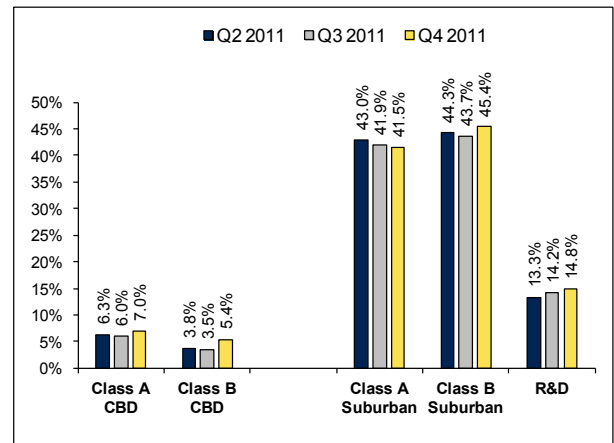
Tenant's Perspective

Tenants continue to benefit from a soft office market. Concessions given now include free rent and tenant improvements. However, going forward, high tenant improvement allowances and overall concessions due to the lack of landlord liquidity might be offered in the form of more free rent. Tenants need to be selective, and they should focus on working with credit-worthy landlords.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
National University	29,000	Office	Lease
Students First	19,422	Office	Lease
WestEd	17,894	Office	Lease
Sedgwick Claims Mgmt.	13,652	Office	Lease
Ellis Law Group	11,500	Office	Lease
Heartbeat KTV Sushi Lounge	10,309	Office	Lease
El Hogar	10,000	Office	Lease
HRC	9,600	Office	Lease
CSC Corporation	8,852	Office	Lease
California Sleep Solutions	5,016	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$29.16	\$28.80	\$28.80
Class B Office	\$22.20	\$21.60	\$21.60
Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$22.80	\$22.08	\$22.08
Class B Office	\$20.40	\$20.40	\$20.28
R&D	\$17.88	\$16.68	\$16.44