

MARKET TRENDS | SACRAMENTO
INDUSTRIAL
MARKET DRIVERS

DIRECT vacancy rates increased 13.2% YOY from 5.1% in 1Q20 to 5.8% in 1Q21.

ASKING lease rates for all industrial property types were \$0.63 NNN for 1Q21. This represents a slight 1.6% decrease from the previous year. Asking lease rates for warehouses were at \$0.60 NNN. Flex properties asking lease rates stood at \$0.88 NNN.

DIRECT net absorption for 1Q21 was at 1.24M SF, as logistics and auto companies helped provide strong occupancy gains to start the year.

LEASING activity grew 3.9% YOY from 1.63M SF in 1Q20 to 1.69M SF in 1Q21.

SALES volume dropped 6.0% YOY from 1.23M SF in 1Q20 to 1.16M SF in 1Q21.

1.13M SF of new supply hit the industrial market for 1Q21, building upon the 3.34M SF delivered in 2020.

ECONOMIC OVERVIEW

THE Sacramento metropolitan area recently shifted from the most restrictive purple tier to the red tier. Companies are planning to gradually increase their in-person work as more people become vaccinated against COVID-19 and counties move towards less restrictive tiers. California unemployment stood at 8.4% for February 2021, with the Sacramento - Roseville - Arden-Arcade Metropolitan Statistical Area reporting a 7.2% unemployment rate.

NEAR-TERM OUTLOOK

LOGISTICS and e-commerce companies continue to fuel demand for warehouse properties. 1.13M SF of new supply has been delivered, with 3.5M SF in the construction pipeline. Vacancy remains low, placing upward pressure on asking lease rates.

SOURCE: COSTAR, US CENSUS BUREAU NEWS, STATE OF CA EMPLOYMENT DEVELOPMENT DEPARTMENT

Market Summary

	1Q 2021	4Q 2020	1Q 2020	Annual Change
Direct Vacancy Rate	5.8%	5.9%	5.1%	13.18%
Total Availability Rate	7.3%	6.6%	7.5%	-3.13%
Asking Lease Rate (NNN Overall)	\$0.63	\$0.59	\$0.64	-1.56%
Total Lease Transactions (SF)	1,692,946	2,685,369	1,629,574	3.89%
Sale Transactions (SF)	1,157,963	1,563,280	1,231,449	-5.97%
Direct Net Absorption	1,239,140	1,315,367	-400,252	N/A

▲ **1.69M**
LEASING ACTIVITY (SF)

▲ **1.23M**
NET ABSORPTION (SF)

▲ **5.80%**
VACANCY RATE

◀▶ **\$0.63**
AVERAGE ASKING RENT

▲ **1.13K**
NEW DELIVERIES (SF)

YEAR-OVER-YEAR CHANGE

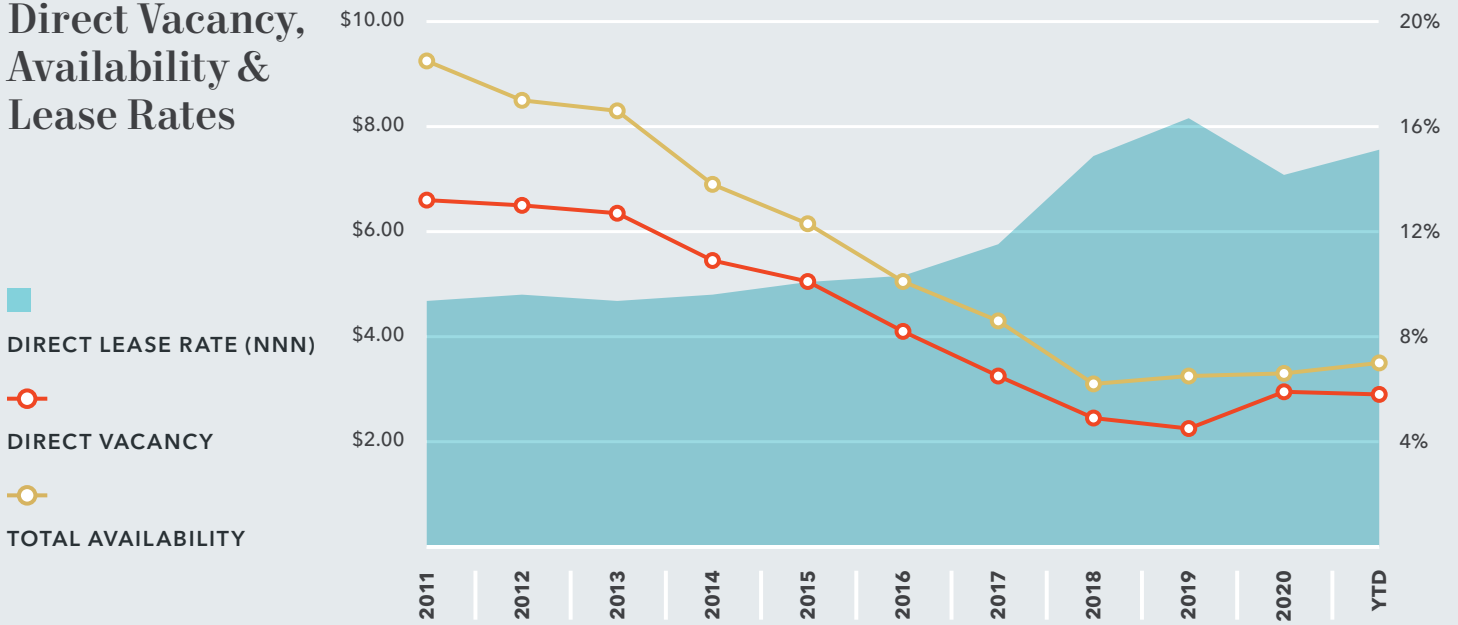
**Market
Highlights**

DIRECT net absorption for 1Q21 was 1.24M SF

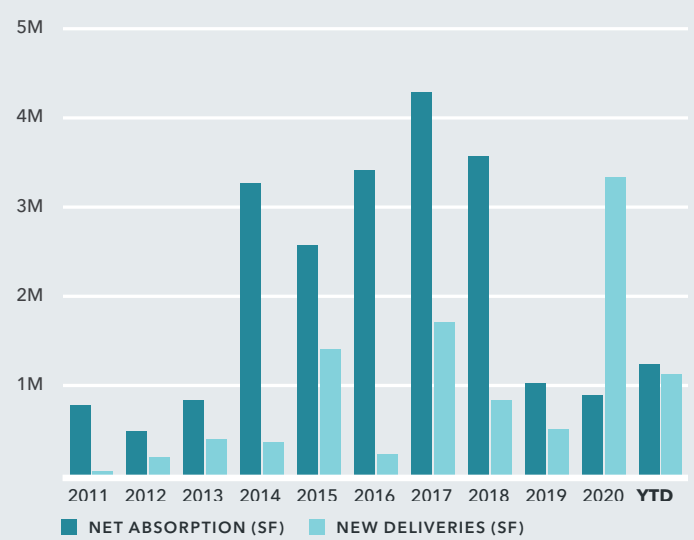
ASKING lease rates for all industrial property types were \$0.63 NNN

1.13M SF of new deliveries

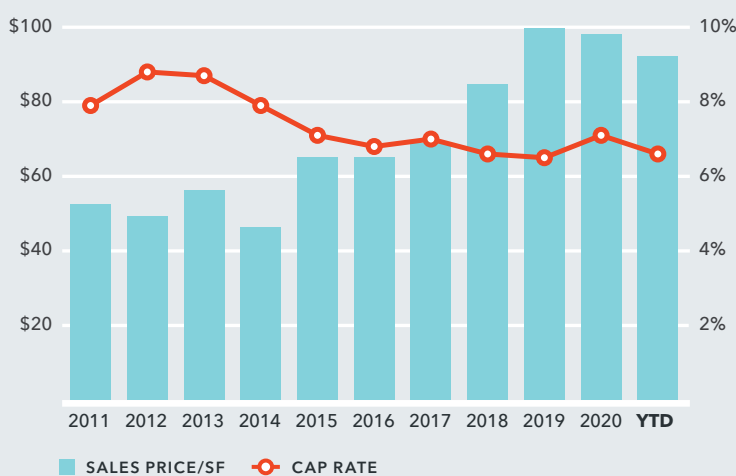
Direct Vacancy, Availability & Lease Rates



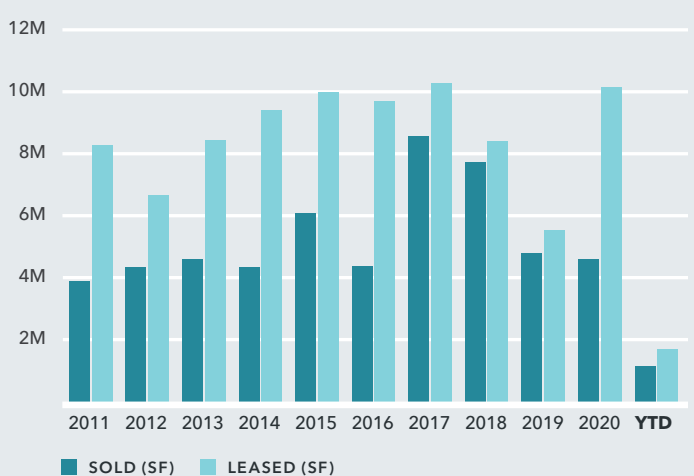
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SACRAMENTO SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	1Q21 Direct Net Absorption	2020 Direct Net Absorption	1Q21 Leasing Activity	2020 Leasing Activity	Rental Rate (NNN Overall)
Auburn/Newcastle	2,663,600	3.2%	3.2%	3.4%	-43,451	191	1,090	31,941	\$0.60
Davis/Woodland	16,736,072	7.5%	7.6%	5.7%	92,081	-592,016	162,463	830,160	\$0.50
Downtown	2,645,173	5.0%	5.0%	10.2%	-37,920	-50,707	0	41,304	\$0.71
East Sacramento	606,920	5.3%	5.3%	1.7%	0	0	0	2,500	\$2.00
Elk Grove/Laguna	6,285,470	5.3%	5.4%	5.5%	-65,721	75,770	57,238	128,681	\$0.50
Folsom/El Dorado	5,083,917	3.4%	3.4%	6.2%	30,071	100,017	32,610	100,713	\$0.82
Marysville/Yuba City	6,896,300	3.1%	3.1%	4.8%	-29,302	-2,697	117,753	215,560	\$0.39
Mather	5,269,470	4.1%	4.2%	3.2%	-7,711	19,609	76,284	169,410	\$0.70
McClellan	15,977,451	5.8%	5.9%	8.0%	-47,538	315,452	320,474	808,918	\$0.66
Natomas/ Northgate	16,455,042	5.5%	5.6%	10.3%	188,921	1,192,502	110,310	498,903	\$0.55
NE Sacramento	6,146,223	5.4%	5.4%	7.9%	115,106	-216,494	3,478	191,718	\$0.78
Power Inn	25,774,620	4.3%	4.7%	8.2%	713,561	-641,359	323,256	1,561,741	\$0.68
Richards	3,994,439	8.3%	8.3%	11.4%	-37,217	-273,161	0	115,592	\$0.53
Roseville/Rocklin	19,901,184	4.5%	4.6%	4.3%	-146,371	111,032	41,851	622,107	\$0.72
South Sacramento	4,261,845	21.3%	22.4%	22.6%	23,341	78,994	4,638	70,365	\$1.10
Sunrise	11,896,475	4.3%	4.4%	5.0%	203,323	-90,743	125,519	593,517	\$0.72
West Sacramento	21,822,018	7.4%	7.4%	7.4%	287,967	87,248	315,982	1,238,539	\$0.66
Totals	172,416,219	5.77%	5.92%	7.27%	1,239,140	113,638	1,692,946	7,221,669	\$0.63
General Industrial	27,043,491	8.9%	9.2%	7.1%	4,721	-506,646	300,164	929,177	\$0.53
Warehouse & Distribution	125,990,521	4.7%	4.9%	5.7%	1,191,042	494,091	1,221,185	5,461,875	\$0.60
Flex	19,382,207	7.9%	8.2%	11.4%	43,377	126,193	171,597	830,617	\$0.88

TOP SALE TRANSACTIONS FOR 1Q 2021

Property	Submarket	Buyer	Seller	Sale Price	\$/SF	SF
Invesco Sacramento Portfolio	Natomas, Davis, Roseville, McClellan	Invesco Real Estate	Blackstone	\$130,000,000	\$100.54	1,293,027
1755 E Beamer St	Davis/Woodland	Kimco	Rite Aid	\$27,089,000	\$52.81	513,000
5440 Stationers Way	McClellan	STAG Industrial	Goldrich & Kest Ind.	\$25,900,000	\$96.90	267,284
10060 Mills Station Rd	Mather	MT5 Property LLC	Blackstone	\$9,500,000	\$80.90	117,424
11261-11277 Sunrise Park	Sunrise	SBC Investors LLC	Wolf Family Trust	\$6,688,000	\$74.59	89,658

TOP LEASE TRANSACTIONS FOR 1Q 2021

Property	Submarket	Landlord	Tenant	Transaction Date	SF
5440 Stationers Way	McClellan	STAG Industrial	Essendant	January 2021	267,284
3520 Carlin Dr	West Sacramento	Dermody Properties	LKQ Corp	March 2021	152,857
1400 Churchill Downs Ave	Davis/Woodland	Amir Development	Four Wheel Campers	January 2021	141,059
3740 Seaport Blvd	West Sacramento	Link	KP Corp	January 2021	100,008
3500 Cincinnati Ave	Roseville/Rocklin	Coastal Partners	Airwolf Express	February 2021	51,217

TOP UNDER CONSTRUCTION

Address	Submarket	Owner	Delivery Date	SF
7000 Power Line Rd	Natomas/Northgate	NorthPoint Development	May 2021	1,132,000
8035 Metro Air Pky	Natomas/Northgate	Buzz Oates	August 2021	602,516
Bldg 2, Power Line Rd	Natomas/Northgate	NorthPoint Development	October 2021	600,000
6101 Midway St	Power Inn	Blackstone	August 2021	477,020
1790 Bell Ave	McClellan	Buzz Oates	May 2021	259,835

DATA SOURCE: COSTAR

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

The information in this report was composed by the Kidder Mathews Research Group.

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**Commercial
Brokerage**

\$8B
TRANSACTION
VOLUME (ANNUAL)

23M
SALES SF
(ANNUAL)

42M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

1,800+
ASSIGNMENTS
ANNUALLY

40/19
TOTAL NO.
APPRAISERS/MAI'S

**Property
Management**

70M+
MANAGEMENT
PORTFOLIO SF

\$12B+
IN ASSETS UNDER
MANAGEMENT

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