

MARKET TRENDS | SACRAMENTO INDUSTRIAL

MARKET DRIVERS

DIRECT VACANCY rates decreased 6.81% year-over-year (YOY) from 5.10% in 2Q20 to 4.75% in 2Q21.

ASKING LEASE rates for all industrial property types were \$0.64 NNN for 2Q21. This represents a slight 3.23% decrease from the previous year. Asking lease rates for warehouses were at \$0.61 NNN. Flex properties asking lease rates stood at \$0.91 NNN.

DIRECT NET absorption for 2Q21 was a stellar 3.93 million SF, almost equaling the direct net absorption accumulated over the past three years.

2021 CONTINUED to be a very active year. Leasing activity grew 40.8% from 1.83 million SF in 1Q21 to 2.57 million SF in 2Q21.

SALES VOLUME rose 20.3% from 1.24 million SF in 1Q21 to 1.49 million SF in 2Q21.

2.22 MILLION SF of new supply hit the industrial market in 2Q21. 3.35 million SF of industrial buildings were newly constructed during the first half of 2021.

ECONOMIC OVERVIEW

MANUFACTURING JOBS for the Sacramento - Roseville - Arden-Arcade Metropolitan Statistical Area (MSA) crept upwards by 3.6% YOY to 35,900. Transportation and warehousing jobs gained 9.9% YOY to 35,600.

CALIFORNIA unemployment stood at 7.5% for May 2021, with the Sacramento - Roseville - Arden-Arcade MSA reporting a 6.3% unemployment rate.

CALIFORNIA removed most COVID-19 restrictions on June 15. As the economy improves, expect demand for industrial properties to increase.

NEAR-TERM OUTLOOK

LOGISTICS and e-commerce companies continue to fuel needs for warehouse properties. Even with 3.35 million SF constructed in the first half of 2021 and another 3.5 million SF under construction, demand continues to outstrip supply. These fundamentals continue to push up asking rents.

Market Summary

	2Q21	1Q21	2Q20	Annual Change
Direct Vacancy Rate	4.75%	5.80%	5.10%	-6.81%
Availability Rate	6.45%	7.10%	7.10%	-9.19%
Asking Lease Rate (NNN Overall)	\$0.64	\$0.63	\$0.62	3.23%
Leasing Activity (SF)	2,573,424	1,827,936	1,662,935	54.75%
Sale Volume (SF)	1,491,953	1,240,444	246,747	504.65%
Net Absorption (SF)	3,931,701	1,249,640	702,499	N/A

▲ 2.5M

LEASING ACTIVITY

▲ 3.9M

NET ABSORPTION (SF)

▼ 4.75%

VACANCY RATE

▲ \$0.64

AVERAGE ASKING RENT

▲ 1.4M

NEW DELIVERIES (SF)

YEAR OVER YEAR TREND

Market Highlights

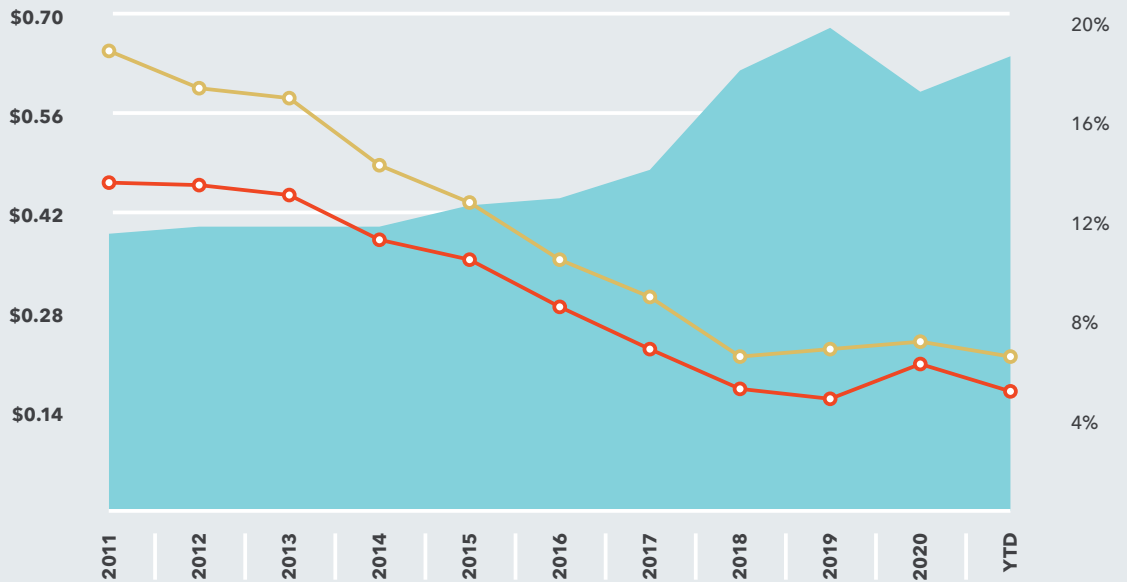
DIRECT NET absorption for 2Q21 was 3.93 million SF.

ASKING LEASE rates for all industrial property types were \$0.64 NNN.

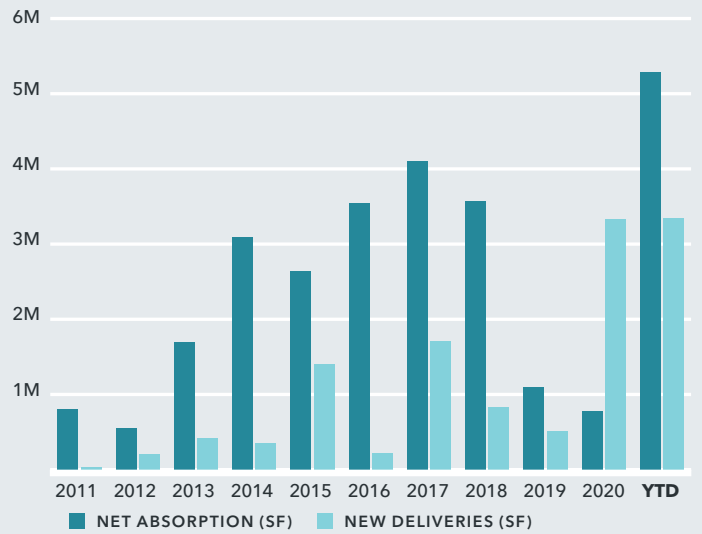
2.22 MILLION SF of new deliveries

Lease Rate, Vacancy & Availability

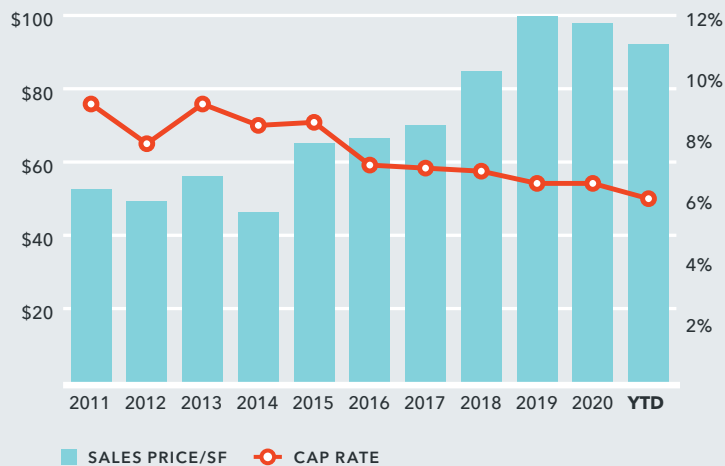
■ DIRECT LEASE RATE (NNN)
○ DIRECT VACANCY
○ TOTAL AVAILABILITY



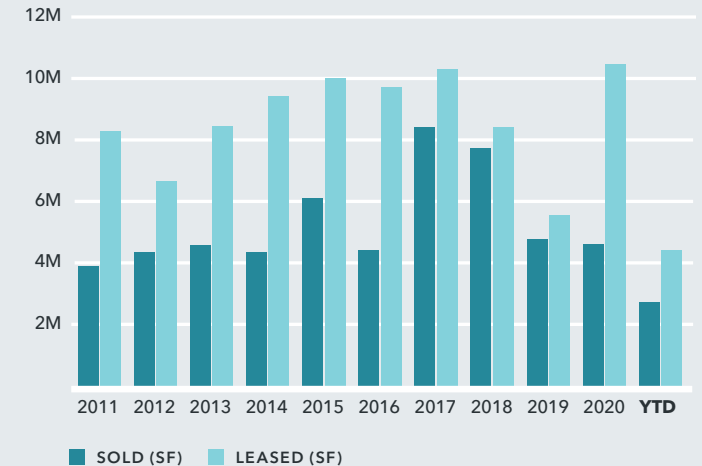
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q21 Direct Net Absorption	YTD Direct Net Absorption	2Q21 Leasing Activity	YTD Leasing Activity	Rental Rate (NNN Overall)
Auburn/Newcastle	2,663,100	2.7%	2.7%	3.2%	14,370	-29,081	19,260	20,350	\$0.62
Davis/Woodland	16,756,853	1.9%	2.1%	2.6%	933,847	1,025,928	140,058	305,404	\$0.50
Downtown	2,492,173	7.6%	7.6%	17.2%	-59,127	-97,047	0	0	\$0.71
East Sacramento	606,920	5.3%	5.3%	1.7%	0	0	0	0	\$2.00
Elk Grove/Laguna	6,422,630	7.8%	7.9%	9.5%	-96,658	-162,379	74,823	132,061	\$0.51
Folsom/El Dorado	5,131,329	3.0%	3.0%	6.1%	20,296	50,367	22,294	54,904	\$0.81
Marysville/Yuba City	7,043,034	5.8%	5.8%	7.8%	-196,893	-221,795	7,700	125,453	\$0.44
Mather	5,269,470	2.5%	2.5%	3.1%	85,142	77,431	47,804	124,088	\$0.71
McClellan	16,200,777	3.7%	3.8%	5.8%	550,051	502,513	175,604	519,078	\$0.65
Natomas/ Northgate	18,399,690	5.0%	5.1%	8.5%	1,903,083	2,092,004	719,627	842,293	\$0.57
NE Sacramento	6,131,868	4.1%	4.1%	6.2%	72,566	187,672	37,799	55,277	\$0.77
Power Inn	25,890,313	3.8%	4.1%	6.8%	179,196	895,857	386,400	725,974	\$0.68
Richards	3,994,439	7.4%	7.4%	10.1%	36,294	-923	0	12,240	\$0.55
Roseville/Rocklin	19,697,898	3.4%	3.5%	3.9%	222,736	79,365	89,872	170,723	\$0.76
South Sacramento	4,339,828	22.9%	22.9%	25.6%	-85,516	-62,175	6,177	10,815	\$1.03
Sunrise	11,986,506	4.2%	4.3%	5.1%	10,155	210,598	238,635	368,954	\$0.70
West Sacramento	21,916,438	5.8%	5.9%	5.2%	342,159	630,126	607,371	930,229	\$0.65
Sacramento Total	174,943,266	4.75%	4.85%	6.45%	3,931,701	5,178,461	2,573,424	4,397,843	\$0.64
General Industrial	27,383,451	6.9%	6.9%	7.8%	910,998	920,119	330,029	630,171	\$0.52
Warehouse & Distribution	127,979,895	3.8%	3.9%	5.2%	2,998,140	4,195,282	2,013,250	3,330,233	\$0.61
Flex	19,339,391	7.3%	7.6%	11.0%	136,622	179,999	222,445	433,256	\$0.91

TOP SALE TRANSACTIONS FOR 2Q 2021

Property	Submarket	Buyer	Seller	Sale Price	\$/SF	NRSF
2701-2703 5th St, Sacramento	Downtown	LBA Realty	Blackstone	\$30,926,500	\$276.90	111,688
3500 Cincinnati Ave, Rocklin	Roseville/Rocklin	MoreSpace Management LLC	Coastal Partners LLC	\$25,400,000	\$69.59	365,000
1415-1431 N Market Blvd, Sacramento	Natomas/Northgate	LBA Realty	Blackstone	\$24,204,000	\$125.09	193,500
3805 Faraday Ave, Davis	Davis/Woodland	Buzz Oates	JJD Properties Ltd	\$15,000,000	\$210.86	71,136
3041 Sunrise Blvd, Rancho Cordova	Sunrise	Global Gate Capital US Inc	Tri Tool	\$15,000,000	\$115.25	130,156

TOP LEASE TRANSACTIONS FOR 2Q 2021

Property	Submarket	Landlord	Tenant	Sign Date	NRSF
8040 Metro Air Parkway, Sacramento	Natomas/Northgate	Buzz Oates	Amazon	Apr 2021	500,770
3520 Carlin Dr, West Sacramento	West Sacramento	Dermody Properties	Costco	May 2021	151,070
Power Line Rd	Natomas/Northgate	Cummings Trust	Amazon	May 2021	150,000
1400 Churchill Downs Ave, Woodland	Davis/Woodland	Amir Development	Expresso eFulfillment	Apr 2021	130,941
1790 Bell Ave, Sacramento	McClellan	Buzz Oates	Peloton	Jun 2021	85,500

TOP UNDER CONSTRUCTION

Address	Submarket	Owner	Delivery Date	SF
4810 W Elverta Rd, Sacramento	Natomas/Northgate	Buzz Oates	May 2022	983,000
8035 Metro Air Pky, Sacramento	Natomas/Northgate	Buzz Oates	Aug 2021	602,516
6101 Midway St, Sacramento	Power Inn	Link Logistics	Dec 2021	477,020
Dean St, McClellan	McClellan	US Foods	Jun 2022	355,000
NorthPoint at Metro Air Park Bldg 5, Sacramento	Natomas/Northgate	Cummings Trust	Dec 2021	318,067

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

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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

**Asset
Services**

70M
MANAGEMENT
PORTFOLIO SF

\$12B
IN ASSETS UNDER
MANAGEMENT

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