

MARKET TRENDS | **SACRAMENTO**

INDUSTRIAL

MARKET DRIVERS

DIRECT VACANCY rates decreased 43.3% year-over-year (YOY) from 6.0% in 2020 to 3.4% in 2021. The total availability rate had a similar drop of 22.2% YOY over the same timeframe to 5.4%.

ASKING LEASE rates for all industrial property types gained 17.0% YOY to \$0.69/SF NNN for 2021. Asking lease rates for warehouses and flex properties were at \$0.65/SF NNN and \$0.94/SF NNN respectively.

DIRECT NET absorption was at 1.5 million SF for 4Q 2021. Direct net absorption for all of 2021 stood at 8.0 million SF.

LEASING ACTIVITY dropped 52.9% YOY from 2.7 million SF in 4Q 2020 to 1.2 million SF in 4Q 2021. Compared to 2020, leasing activity for 2021 dropped 9.6% YOY to 9.5 million SF, nearly double 2019's leasing activity of 5.5 million SF.

SALES VOLUME leapt 53.0% YOY from 4.6 million SF in 2020 to 7.0 million SF in 2021.

ECONOMIC OVERVIEW

MANUFACTURING JOBS for the Sacramento - Roseville - Arden-Arcade MSA gained 7.7% YOY to 37,700 jobs. Transportation and warehousing jobs also rose 1.6% YOY to 39,100 jobs.

UNEMPLOYMENT in California stood at 5.4% for November 2021. During this period, the Sacramento - Roseville - Arden Arcade MSA reported a 4.7% unemployment rate.

NEAR-TERM OUTLOOK

THE SACRAMENTO INDUSTRIAL MARKET has largely recovered from COVID-induced slowdowns during 2021. Compared to 2019, sales and leasing activity has roughly doubled. The direct vacancy rate fell 25% from 4.6% in 2019 to 3.4% in 2021. E-commerce and wholesale distribution companies help drive direct net absorption to 8.0 million SF. These factors signal a tightening supply and help drive asking lease rates and sale prices upwards. There are currently 4.1 million SF of industrial properties under construction to help satisfy industrial needs. Pkwy in April 2021. Falling vacancies and availabilities signal a tightening supply. There are currently 3 million SF of industrial properties under construction to help satisfy industrial needs.

Market Summary

	2021	2020	2019	Annual Change
Direct Vacancy Rate	3.43%	6.00%	4.60%	-42.80%
Total Availability Rate	5.37%	6.90%	6.60%	-22.23%
Asking Lease Rate (NNN Overall)	\$0.69	\$0.59	\$0.69	16.95%
Total Lease Transactions (SF)	9,474,287	10,483,975	5,543,746	-9.63%
Sale Transactions (SF)	7,008,416	4,579,927	3,702,842	53.02%
Direct Net Absorption	8,002,941	1,274,793	1,186,699	N/A

◀ **8.0M**

ABSORPTION (SF)

▲ **\$0.69/SF**

RENTAL RATE (NNN)

▼ **3.43%**

VACANCY RATE

◀ **3.8M**

SF CONSTRUCTION DELIVERIES

YEAR OVER YEAR TREND

Market Highlights

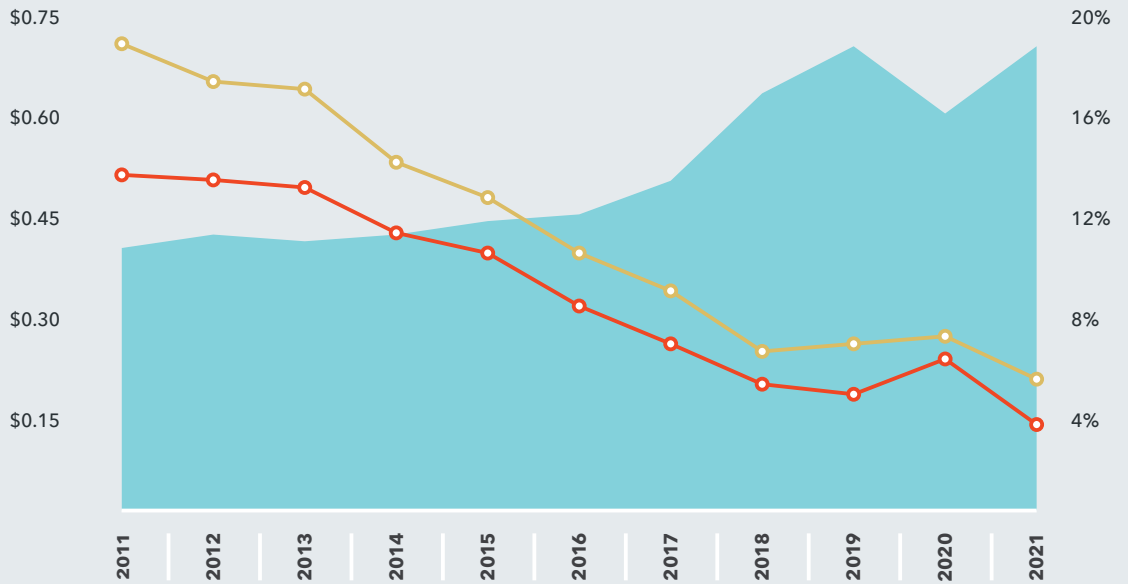
ASKING LEASE for all industrial properties were \$0.69/SF NNN.

DIRECT VACANCY rates stood at 3.4%.

DIRECT NET ABSORPTION for 2021 was 8M SF.

Lease Rate, Vacancy & Availability

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

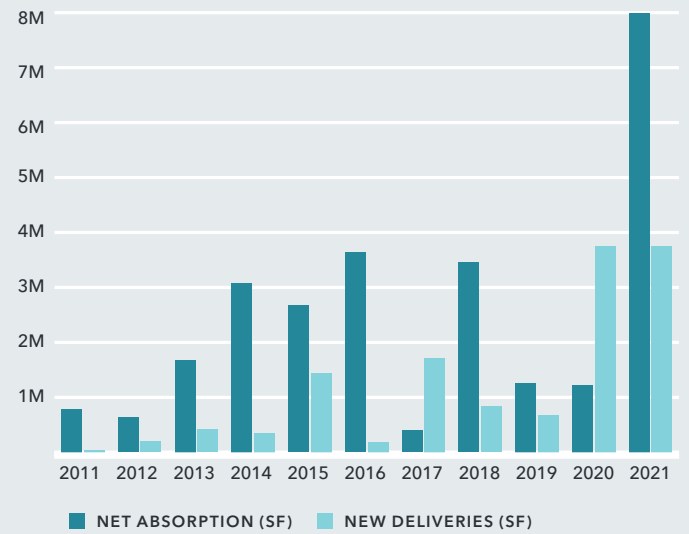


BIGGEST SALE OF THE YEAR

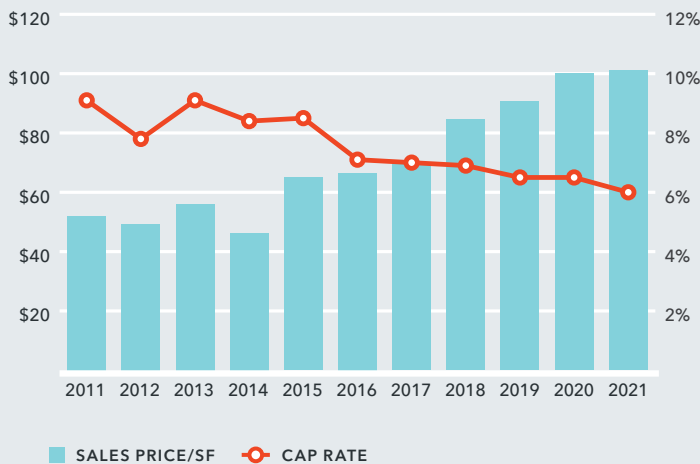
Invesco Sacramento Portfolio



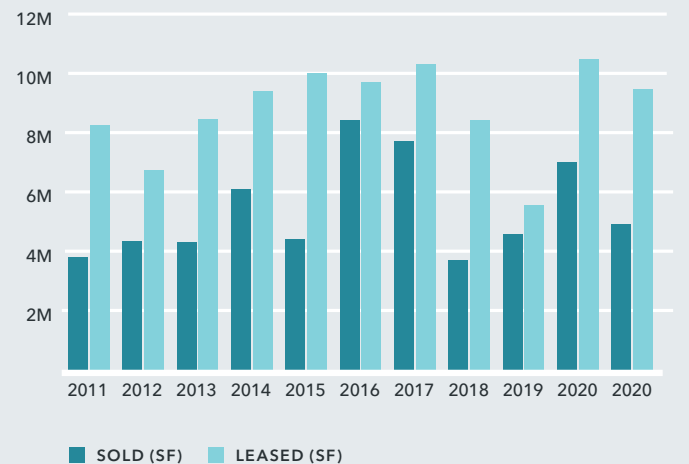
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q21 Direct Net Absorption	2021 Direct Net Absorption	4Q21 Leasing Activity	2021 Leasing Activity	Rental Rate (NNN Overall)
Auburn/Newcastle	2,665,845	3.1%	3.1%	4.3%	-1,610	-42,384	9,010	35,672	\$0.62
Davis/Woodland	16,734,556	2.0%	2.7%	2.9%	-184,194	1,009,636	3,600	830,149	\$0.49
Downtown	2,489,107	8.0%	8.0%	9.7%	0	-105,619	0	0	\$0.68
East Sacramento	615,046	5.3%	5.3%	1.7%	0	0	0	0	\$2.00
Elk Grove/Laguna	6,449,554	5.7%	5.7%	7.7%	88,389	-22,868	37,092	221,815	\$0.55
Folsom/El Dorado	5,097,861	2.6%	3.5%	4.9%	22,812	70,597	32,318	155,022	\$0.95
Marysville/Yuba City	7,103,605	4.1%	4.1%	5.5%	123,640	-100,775	12,000	156,653	\$0.43
Mather	5,260,929	5.8%	5.8%	5.9%	-87,421	-95,904	90,297	234,697	\$0.69
McClellan	16,410,931	4.3%	4.4%	7.4%	37,689	650,838	20,866	845,261	\$0.69
Natomas/ Northgate	18,396,253	2.4%	2.4%	8.6%	499,791	2,575,623	58,089	2,254,581	\$0.62
NE Sacramento	6,131,843	2.2%	2.2%	6.1%	-16,800	299,506	13,962	113,249	\$0.79
Power Inn	26,098,449	3.3%	3.6%	4.7%	-18,404	1,244,664	193,568	1,561,558	\$0.84
Richards	3,993,907	6.2%	6.2%	4.2%	-40,116	45,764	112,120	249,448	\$0.62
Roseville/Rocklin	19,141,372	2.0%	2.1%	2.7%	73,550	369,620	161,652	722,799	\$0.80
South Sacramento	4,339,876	2.8%	2.8%	3.1%	872,361	811,563	0	13,215	\$0.83
Sunrise	11,983,544	3.4%	3.4%	3.9%	17,900	320,486	65,217	542,903	\$0.78
West Sacramento	22,552,534	4.3%	4.4%	6.5%	114,371	972,194	474,974	1,537,265	\$0.65
Sacramento Total	175,465,212	3.43%	3.59%	5.37%	1,501,958	8,002,941	1,284,765	9,474,287	\$0.69
General Industrial	26,588,455	1.8%	1.9%	3.2%	1,022,772	1,917,513	156,637	1,137,843	\$0.52
Warehouse & Distribution	129,137,078	3.2%	3.3%	4.9%	430,849	5,798,520	1,015,058	7,542,824	\$0.65
Flex	19,739,679	6.8%	7.2%	9.5%	32,497	383,927	105,150	778,000	\$0.94

TOP SALE TRANSACTIONS FOR 2021

Property	Submarket	Square Feet	Sale Price	\$/SF	Buyer	Seller
Invesco Sacramento Portfolio	Natomas, Davis, Roseville, McClellan	1,293,027	\$130,000,000	\$100.54	Invesco Real Estate	Blackstone
2701-2703 5th St, Sacramento	Downtown	111,688	\$30,926,500	\$276.90	LBA Realty	Blackstone
600-650 N 5th St, Sacramento	Richards	159,875	\$28,500,000	\$178.26	Nome Capital Partners	Scannell Properties
5440 Stationers Way	McClellan	267,284	\$25,900,000	\$96.90	STAG Industrial	Goldrich & Kest Ind.
3500 Cincinnati Ave, Rocklin	Roseville/Rocklin	365,000	\$25,400,000	\$69.59	MoreSpace Management LLC	Coastal Partners LLC

TOP LEASE TRANSACTIONS FOR 2021

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
8035 Metro Air Parkway, Sacramento	Natomas/Northgate	602,516	August 2021	Buzz Oates	Amazon
8040 Metro Air Parkway, Sacramento	Natomas/Northgate	500,770	April 2021	Buzz Oates	Amazon
2030 Hanson Way, Woodland	Davis/Woodland	396,000	June 2021	Yocha Dehe Wintun Nation	Updike Distribution Logistics
5440 Stationers Way, Sacramento	McClellan	267,284	January 2021	STAG Industrial	Essendant
3015-3017 Venture Dr, Lincoln	Roseville/Rocklin	267,130	September 2021	Buzz Oates	PRIDE Industries

TOP UNDER CONSTRUCTION

Address	Submarket	Square Feet	Owner	Delivery Date
8035 Metro Air Pky, Sacramento	Natomas/Northgate	602,516	Buzz Oates	March 2022
6101 Midway St, Sacramento	Power Inn	477,020	Link Logistics	February 2022
Dean St, McClellan	McClellan	355,000	US Foods	June 2022
7810 Metro Air Pky, Sacramento	Natomas/Northgate	339,337	Buzz Oates	March 2022
NorthPoint at Metro Air Park Bldg 5, Sacramento	Natomas/Northgate	318,067	Cummings Trust	March 2022

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.

GARY BARAGONA

Director of Research
415.229.8925

gary.baragona@kidder.com

ERIC LUHRS

Regional President, Brokerage
Northern California & Nevada
916.970.9700

eric.luhrs@kidder.com

Designated Broker

Mark Read | LIC N° 00572743

**Commercial
Brokerage**

\$8B
TRANSACTION
VOLUME (ANNUAL)

23M
SALES SF
(ANNUAL)

42M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

1,800+
ASSIGNMENTS
ANNUALLY

45/23
TOTAL NO.
APPRAISERS/MAI'S

**Asset
Services**

64M
MANAGEMENT
PORTFOLIO SF

\$11B
IN ASSETS UNDER
MANAGEMENT

**km Kidder
Mathews**

KIDDER.COM

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. CONSULT YOUR ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL ADVISOR.