

MARKET TRENDS | SACRAMENTO INDUSTRIAL

MARKET DRIVERS

DIRECT VACANCY rates decreased 25.9% Year-Over-Year (YOY) from 4.8% in 2Q21 to 3.6% in 2Q22. The total availability rate had a less significant drop at 6.4% YOY from 6.1% in 2Q21 to 5.7% in 2Q22.

ASKING LEASE rates increased 13.6% YOY from \$0.64 in 2Q21 to \$0.73 in 2Q22.

TOTAL LEASE transactions reduced 69.2% YOY from 3.5 million SF in 2Q21 to 1.1 million SF in 2Q22 due to the high demand and limited availability of industrial space.

SALE TRANSACTIONS were also affected by the increased demand of industrial space with the lack of available SF. The number of sales transactions decreased by 24.9% YOY from 1.9 million SF in 2Q21 to 1.4 million SF in 2Q22.

DIRECT NET ABSORPTION confirmed the reduced availability in industrial space with a decrease from 3.9 million SF in 2Q21 to negative 55,414 SF in 2Q22.

ECONOMIC OVERVIEW

THE UNEMPLOYMENT RATE in the Sacramento-Roseville-Arden-Arcade area fell below pre-pandemic levels, dropping 1.4% from 4.6% in 1Q22 to 3.2% in 2Q22.

THE NUMBER of employment positions in Trade, Transportation, and Utilities in the Sacramento region increased by 38.2% (550 jobs) from the previous quarter, reflecting strong demand from the industrial sector.

DESPITE the solid demand for industrial space, employment in Construction and Manufacturing decreased 4.5% (77.7k jobs) and 2.9% (38k jobs), respectively, in 2Q22.

DUE to supply chain issues, consumers want products stored locally in industrial buildings to combat wait times for goods. Along with this, more companies are looking to manufacture goods locally due to rising business costs overseas.

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Market Summary

	2Q22	1Q22	2Q21	Annual % Change
Direct Vacancy Rate	3.56%	3.50%	4.80%	-25.91%
Total Availability Rate	5.71%	5.50%	6.10%	-6.42%
Asking Lease Rate (NNN Overall)	\$0.73	\$0.72	\$0.64	13.62%
Total Lease Transactions (SF)	1,061,077	1,067,368	3,449,688	-69.24%
Sale Transactions (SF)	1,439,699	1,052,380	1,917,244	-24.91%
Direct Net Absorption	-55,414	1,339,725	3,928,579	N/A

▼ -55K

DIRECT NET
ABSORPTION (SF)

▲ \$0.73/SF

RENTAL RATE (NNN)

▼ 3.56%

VACANCY RATE

▼ 916,290

SF CONSTRUCTION
DELIVERIES

YEAR OVER YEAR TREND

Market Highlights

ASKING LEASE rates for all industrial properties were \$0.72/SF NNN in 1Q 2022.

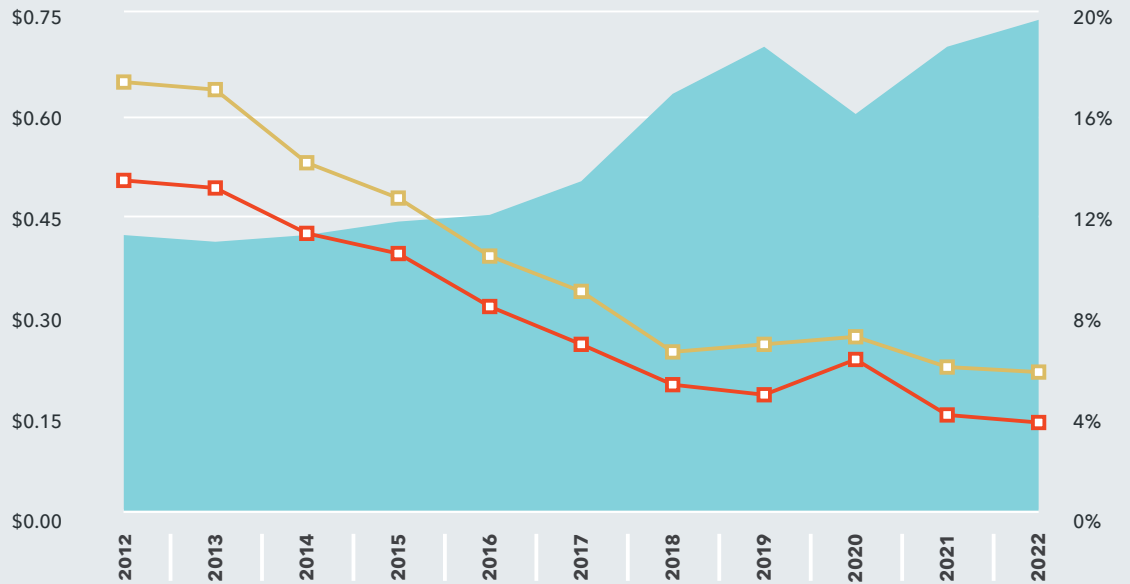
DIRECT VACANCY rates decreased by 25.9% YOY to 3.6%.

SALES VOLUME decreased by 24.9% YOY to 1,439,699 SF.

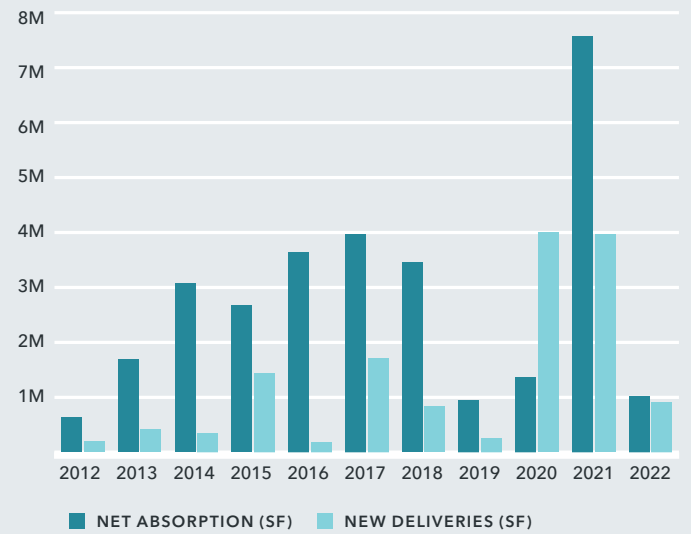
DIRECT NET absorption decreased to negative 55k SF.

Lease Rate, Vacancy & Availability

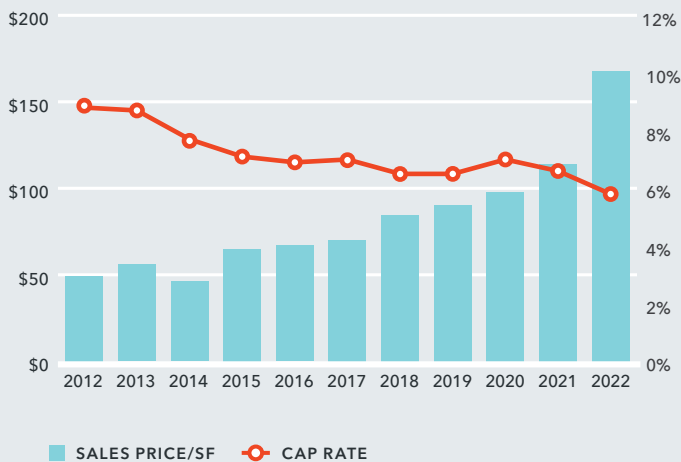
- DIRECT LEASE RATE (NNN)
- DIRECT VACANCY
- TOTAL AVAILABILITY



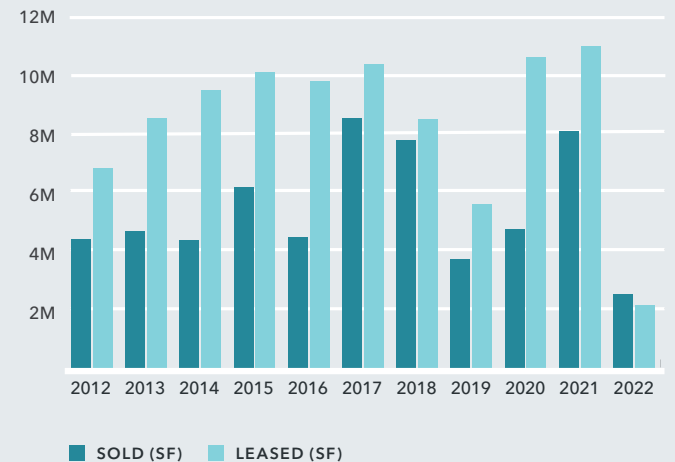
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q22 Direct Net Absorption	YTD Direct Net Absorption	2Q22 Leasing Activity	YTD Leasing Activity	Rental Rate (NNN Overall)
Auburn/Newcastle	2,665,845	2.9%	2.9%	4.3%	-710	7,400	0	0	\$0.62
Davis/Woodland	16,764,928	1.2%	1.8%	2.3%	-28,516	142,496	219,919	273,139	\$0.64
Downtown	2,461,645	6.7%	6.7%	8.2%	25,120	33,692	0	0	\$0.83
East Sacramento	614,246	7.4%	7.4%	3.9%	-13,200	-13,200	0	0	\$2.00
Elk Grove/Laguna	6,429,130	3.7%	3.8%	5.3%	-10,542	114,247	75,770	99,427	\$0.52
Folsom/El Dorado	5,116,175	2.9%	2.9%	5.0%	806	-22,633	19,856	28,192	\$1.03
Marysville/Yuba City	7,130,428	2.5%	2.5%	4.0%	13,600	123,099	0	16,100	\$0.55
Mather	5,249,653	5.6%	5.6%	6.7%	21,667	-9,864	48,712	90,201	\$0.72
McClellan	16,435,648	4.9%	5.0%	7.6%	-65,497	-103,847	69,490	76,932	\$0.68
Natomas/ Northgate	18,746,773	2.2%	2.2%	10.5%	302,755	438,779	84,625	199,968	\$0.62
NE Sacramento	6,142,781	3.7%	3.7%	7.7%	-35,086	-32,916	20,396	36,301	\$0.99
Power Inn	26,642,761	2.1%	2.3%	3.0%	-77,382	736,984	60,877	446,696	\$0.83
Richards	3,957,725	6.5%	6.5%	6.5%	-92,885	-15,138	43,936	45,540	\$0.57
Roseville/Rocklin	18,876,082	2.7%	4.7%	5.4%	-72,694	-127,348	109,192	156,087	\$0.83
South Sacramento	4,339,876	21.6%	21.6%	1.9%	-43,853	16,059	4,716	5,975	\$0.89
Sunrise	12,052,762	4.7%	4.7%	5.4%	-48,353	-151,032	75,773	174,914	\$0.79
West Sacramento	22,591,261	2.8%	2.8%	7.0%	69,356	147,533	227,815	475,673	\$0.69
Total	176,217,719	3.56%	3.87%	5.71%	-55,414	1,284,311	1,061,077	2,125,145	\$0.73
General Industrial	26,678,438	5.1%	5.8%	4.2%	-65,871	16,577	15,350	97,689	\$0.63
Warehouse & Distribution	149,487,262	3.3%	3.6%	6.3%	176,090	1,400,836	1,168,608	1,483,340	\$0.74
Flex	19,063,730	6.7%	6.8%	8.4%	-154,791	-145,236	299,797	475,925	\$0.97
Flex	19,266,290	25.6%	27.2%	45.2%	1,247,860	383,927	689,810	778,000	\$0.73

NEAR-TERM OUTLOOK

THE SACRAMENTO REGION is one of the fastest growing regions in California due to the population's level of education and annual growth in tech jobs. This suggests increased necessity for industrial real estate.

WITH THE DEMAND for industrial space and the excess of office space, individuals are converting office properties to suit the needs of the buyers. However, supply chain demands and restraint in capital markets has slowed development.

COMPANIES are looking for industrial buildings that have higher power, taller ceilings, level flooring to allow for industrial robotics amid the labor shortage.

INDUSTRY PROFESSIONALS are optimistic about the market as it does not appear to be slowing.

TOP SALE TRANSACTIONS FOR 2Q22

Property	Submarket	Square Feet	Sale Price	\$/SF	Buyer	Seller
8301 Belvedere Ave, Sacramento	Power Inn	340,000	\$42,800,000	\$125.88	Dalfen Industrial	LDK Ventures
8301 Fruitridge Rd, Sacramento	Power Inn	261,350	\$37,750,000	\$144.44	Realty Income Corporation	C&S Wholesale Grocers, Inc.
8760 Younger Creek Dr, Sacramento	Power Inn	49,500	\$8,283,500	\$167.34	English Remington LLC	Rapid Freight, Inc.
11354 White Rock Rd, Rancho Cordova	Sunrise	40,516	\$7,000,000	\$172.77	Epona Investment Group	Parlin Development Company
5870 88th St, Sacramento	Power Inn	88,400	\$6,545,000	\$74.04	Custom-Bilt Metals	RTH Property Management LLC

TOP LEASE TRANSACTIONS FOR 2Q22

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
3765 Channel Dr, West Sacramento	West Sacramento	154,580	June 2022	LBA Logistics	Undisclosed
1464 Enterprise Blvd, West Sacramento	West Sacramento	110,000	April 2022	Blackstone Inc.	Mailing Systems, Inc.
1000 Riverside Pkwy, West Sacramento	West Sacramento	83,375	May 2022	Schnitzer Properties	State of CA
1091 Tinker Rd, Rocklin	Roseville/Rocklin	70,000	Apr 2022	Y Holdings LLC	Hardwood Palace LLC
4809 Bailey Loop, McClellan	Rio Linda/North Highlands	45,605	May 2022	McClellan Park, LLC	Undisclosed

TOP UNDER CONSTRUCTION

Address	Submarket	Square Feet	Owner	Delivery Date
8035 Metro Air Pky, Sacramento	Natomas/Northgate	602,516	Buzz Oates	July 2022
Power Line Rd - Bldg 8, Sacramento	Natomas/Northgate	567,000	Buzz Oates	February 2023
7810 Metro Air Pky, Sacramento	Natomas/Northgate	339,337	Buzz Oates	September 2022
2925 Ramco St - Bldg 2, West Sacramento	West Sacramento	267,053	Dermod Properties, Inc.	July 2022
7860 Metro Air Pky, Sacramento	Natomas/Northgate	239,124	Buzz Oates	September 2022

DATA SOURCE: COSTAR, WWW.BLS.GOV, WWW.BEHEALTHYSACRAMENTO.ORG, WWW.ALLENMATKINS.COM, WWW.GREATERSACRAMENTO.COM

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**

\$10.9B
TRANSACTION
VOLUME (ANNUAL)

49.7M
SALES SF
(ANNUAL)

43.7M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

2,600+
ASSIGNMENTS
ANNUALLY

51/25
TOTAL NO.
APPRAISERS/MAI'S

**Asset
Services**

62M
MANAGEMENT
PORTFOLIO SF

\$11B
IN ASSETS UNDER
MANAGEMENT

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