

MARKET TRENDS

SACRAMENTO INDUSTRIAL

MARKET DRIVERS

The direct vacancy rate was 4.1% in 4Q22, higher than 3.7% and 3.8% from 3Q22 and 4Q21, respectively. The highest direct vacancy rate was in the South Sacramento submarket at 22.8% and the lowest direct vacancy rate was in Marysville/Yuba City at 0.7%.

The total availability rate increased 13.8% YOY from 5.6% in 4Q21 to 6.4% in 4Q22 with the highest rate at 13.1% in the Natomas/Northgate submarket and the lowest rate at 0.9% in the Auburn/Newcastle submarket.

The asking lease rate stayed flat at \$0.77 from 3Q22 to 4Q22. This was a \$0.07 increase from 4Q21. The asking lease rate was highest in the South Sacramento submarket at \$0.93 and lowest in the Marysville/Yuba City submarket at \$0.50.

Total leasing activity saw a YOY 19.2% decrease from 2.42M SF to 1.95M SF in 4Q22, and there was a 59.2% decrease YOY in total sales volume from 2.42M to 917k SF in 4Q22.

Direct net absorption decreased 74.7% from 948,980 SF in 4Q21 to 240,310 SF in 4Q22. The largest negative total was in the Davis/Woodland submarket at negative 225,451 SF and the largest positive total was in the Natomas/Northgate and Metro Air Park submarkets at 158,862 SF.

YOY SF deliveries demonstrated a decrease of 5% from 3,961,520 SF in 4Q21 to 3,763,350 in 4Q22.

ECONOMIC REVIEW

Sacramento County unemployment rates increased from 3.4% in 3Q22 to 4% in 4Q22. This is down from the 5.7% unemployment rate from 4Q21.

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MARKET SUMMARY

	4Q22	3Q22	4Q21	Annual Change
Direct Vacancy Rate	4.09%	3.70%	3.80%	7.71%
Availability Rate	6.37%	6.20%	5.60%	13.82%
Asking Lease Rate	\$0.77	\$0.77	\$0.69	11.19%
Leasing Activity (SF)	1,955,822	1,826,028	2,421,045	-19.22%
Sale Volume (SF)	917,651	1,047,527	2,248,060	-59.18%
Net Absorption (SF)	240,311	976,210	948,979	-74.68%

↓ **1.9M SF**
LEASING ACTIVITY

↓ **240K SF**
NET ABSORPTION

↑ **4.09%**
VACANCY RATE

↑ **\$0.77**
ASKING RENT (AVG)

↑ **1M SF**
NEW DELIVERIES

Year-Over-Year Trend

MARKET HIGHLIGHTS

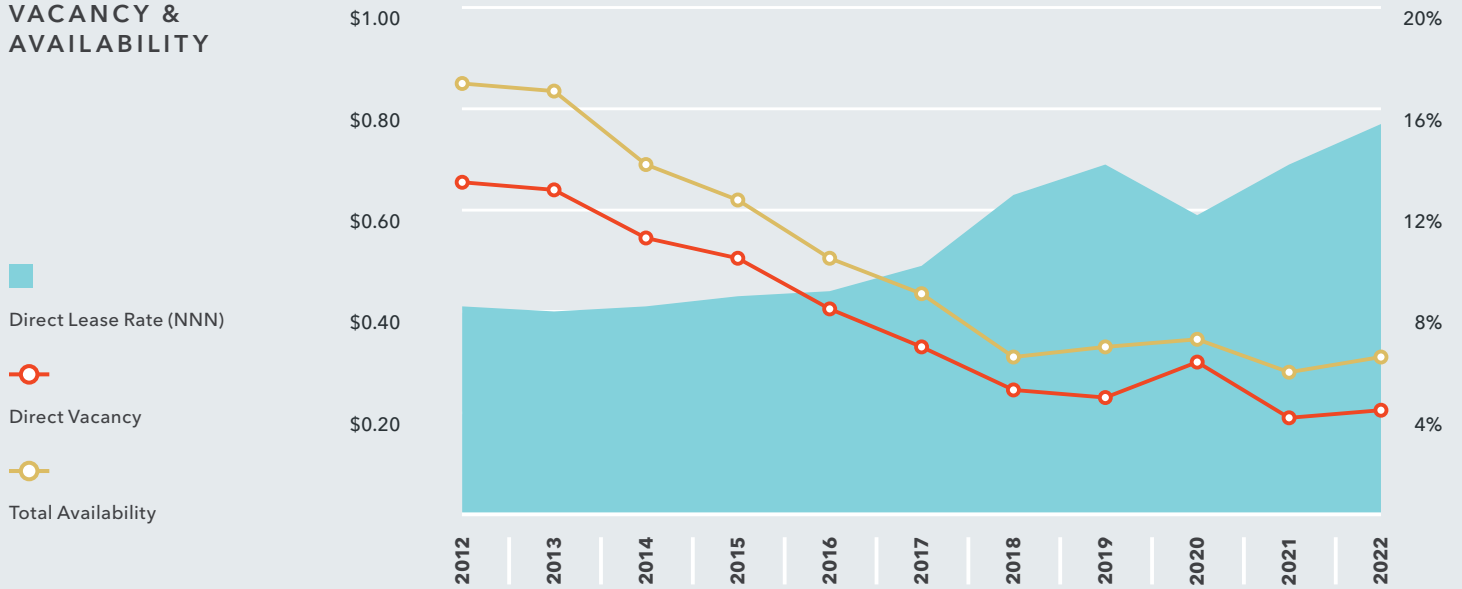
Average Asking lease rates are \$0.77/SF, approx. \$1.00/PSF with surplus yard area.

Direct vacancy rates increased YOY from 3.8% to 4.1%.

Sales transactions decreased by 59.2% YOY to from 2,248,060 SF to 917,651 SF.

Direct net absorption fell YOY from 949k to 240k SF in 4Q22, a 736k decrease from 3Q22.

LEASE RATE, VACANCY & AVAILABILITY

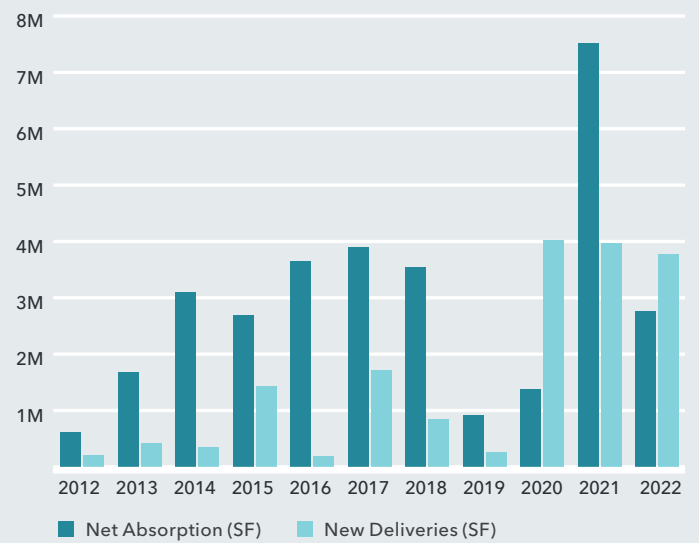


BIGGEST SALE OF THE QUARTER

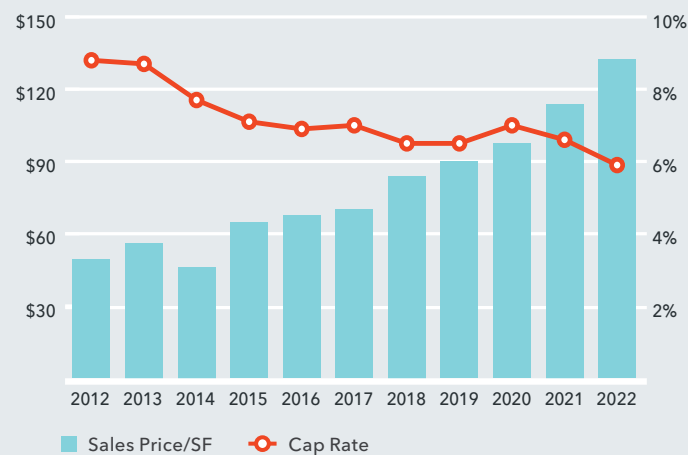
7120 & 7180 Badiee Dr
Sacramento, CA



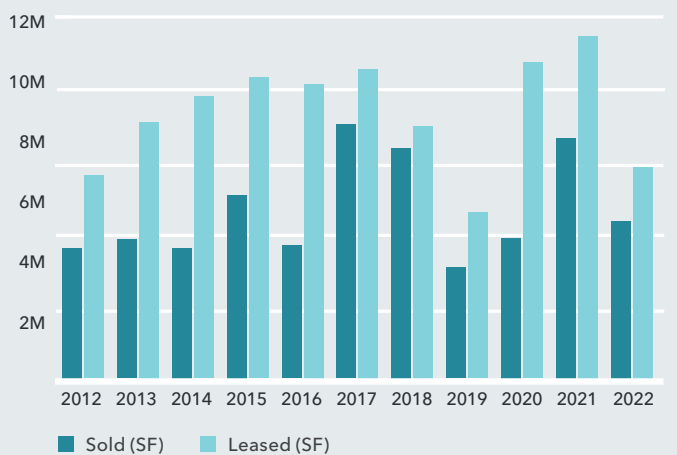
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	Total Direct Net Absorption	YTD Direct Net Absorption	Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Auburn/Newcastle	2,666,477	0.9%	0.9%	0.9%	52,781	52,767	14,259	22,549	\$0.65
Davis/Woodland	16,687,668	2.2%	2.2%	5.5%	-225,451	-11,426	109,948	457,115	\$0.62
Downtown	2,463,645	6.7%	6.7%	8.3%	-5,322	33,520	0	9,600	\$0.83
East Sacramento	539,688	8.5%	8.5%	4.4%	0	-13,200	0	0	\$2.00
Elk Grove/Laguna	6,428,999	1.3%	1.4%	1.7%	120,876	270,420	55,472	179,751	\$0.86
Folsom/El Dorado	5,142,945	3.8%	3.8%	5.2%	-9,285	-54,127	20,857	107,744	\$0.97
Marysville/Yuba City	7,194,656	0.7%	0.7%	2.0%	98,648	248,522	1,000	30,230	\$0.50
Mather	5,249,543	5.2%	5.2%	6.9%	4,236	11,790	23,592	135,107	\$0.72
McClellan	17,207,528	5.0%	5.0%	5.8%	74,481	582,904	94,296	514,866	\$0.71
Natomas/ Northgate	20,204,715	5.7%	5.7%	13.1%	158,862	1,196,808	229,985	857,240	\$0.78
NE Sacramento	6,167,979	4.1%	4.2%	7.5%	55,902	-33,445	26,210	129,733	\$0.86
Power Inn	26,713,695	1.8%	2.0%	4.3%	-25,619	832,449	539,738	1,392,419	\$0.91
Richards	3,946,680	5.8%	5.8%	5.5%	19,408	14,790	54,165	157,605	\$0.63
Roseville/Rocklin	18,882,128	1.7%	3.8%	4.5%	32,982	65,609	92,190	325,912	\$0.69
South Sacramento	4,330,776	22.8%	22.8%	1.5%	-38,934	-31,107	76,374	111,817	\$0.93
Sunrise	12,002,639	4.7%	4.7%	5.0%	51,589	-159,052	190,353	550,315	\$0.82
West Sacramento	23,163,632	5.6%	6.0%	10.2%	-124,843	69,951	427,383	2,042,608	\$0.74
Sacramento Total	178,993,393	4.09%	4.43%	6.37%	240,311	3,077,173	1,955,822	7,024,611	\$0.77
General Industrial	27,113,827	5.0%	5.6%	4.5%	202,230	344,741	80,614	256,525	\$0.70
Warehouse & Distribution	131,371,584	3.0%	3.4%	6.3%	621,853	2,611,270	1,553,293	5,696,308	\$0.72
Flex	177,992,589	3.7%	4.1%	6.4%	976,210	3,077,173	1,826,028	7,024,611	\$0.77

ECONOMIC REVIEW CONTINUED

Industrial sector regional employment had mixed results with trade, transportation, and utilities adding 3.8k jobs YOY, while manufacturing added 0.4k jobs, and construction added 1.1k jobs in that timespan.

Companies looking for industrial workplaces have been up and down month to month; trade, transportation, and utilities added 3,700 jobs between October and November 2022, while manufacturing stayed flat, and construction lost 1,600 jobs.

Overall, there were 4,400 new jobs added in the Sacramento-Roseville-Arden-Arcade Metro area between October and November 2022, indicating that trade, transportation, and utilities is an industry that is doing well despite the marketplace.

Total Goods Producing and Manufacturing jobs were up 2,400 YOY, a 1.5% increase in the Sacramento-Roseville-Arden-Arcade Metro area.

NEAR-TERM OUTLOOK

The trend of vacancy rates staying low and asking lease rates rising appears to be continuing. Even though there is 5 million SF of development underway, new construction cannot outpace older buildings becoming obsolete.

Even if investment activity slows due to rising interest rates and record low cap rates, property values are not expected to dip because of the demand and increased costs of these new buildings due to construction and raw material price hikes.

An application has been submitted to tear down an older industrial site to redevelop the 2.26-acre site into 82 three-story townhomes. Proposals like this have also been made for office building in Sacramento and indicates that even when asking rates are going up and demand is high, there is still a need for housing in the area.

While some older industrial is being converted to residential, it does not stop industrial from taking over other sectors. For example, there is a project that to convert former retailer Fry's site into a 155,000 SF industrial building in North Sacramento.

Industrial ranging from 10k SF - 50k SF with surplus yard should remain active due to continued construction activity and logistic firms that may need larger trailer yards.

TOP SALE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
7120 & 7180 Badiie Dr, Sacramento	Natomas/Northgate	308,780	\$55,380,500	\$179.35	BentallGreenOak	Badiie Development Inc.
3095 Mary Pl, West Sacramento	West Sacramento	148,021	\$25,904,000	\$175.00	Invesco Ltd	Preferred Capital Advisors
161 Main Ave, Sacramento	Natomas/Northgate	117,600	\$14,000,000	\$119.05	Ferro Family Trust	Starwest Botanicals, Inc.
8516 Fruitridge Rd, Sacramento	Power Inn	38,970	\$8,250,000	\$211.70	Post Investment Group	8516 Fruitridge LLC
9332 Tech Center Dr, Sacramento	Mather	48,160	\$4,500,000	\$93.44	Jack Luo	Adly Abdelmalak

TOP LEASE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Transaction Date	Landlord	Tenant
3525 Carlin Dr, West Sacramento	West Sacramento	236,761	October 2022	STAG Industrial, Inc.	Undisclosed
8301 Belvedere Ave, Sacramento	Sacramento	232,800	December 2022	Dalfen Industrial	Undisclosed
109 N Pioneer Ave, Woodland	Davis/Woodland	103,208	October 2022	Jacquelyn M Lester	Terabase Energy
7860 Metro Air Pky, Sacramento	Natomas/Northgate	69,256	October 2022	Buzz Oates	Undisclosed
7728 Wilbur Way, Sacramento	Sacramento	57,750	December 2022	STAG Industrial, Inc.	Undisclosed

TOP UNDER CONSTRUCTION

Property	Submarket	SF	Owner	Delivery
7320 Power Line Rd, Sacramento	Natomas/Northgate	567,000	Buzz Oates	February 2023
3100 Ramco St, West Sacramento	West Sacramento	414,741	AT Southport LP	August 2023
4525 Elkhorn, Sacramento	Natomas/Northgate	190,525	Pak Family Trust	September 2023
3095 Mary Pl, West Sacramento	West Sacramento	148,020	Invesco Ltd	February 2023
7070 Badiie Dr, Sacramento	Natomas/Northgate	109,300	Undisclosed	January 2023

Data Source: www.bls.gov, www.labormarketinfo.edd.ca.gov, bizjournals.com, sacbusinessreview.com



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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

DAVID NELSON
Regional President, Brokerage
Northern California & Nevada
775.301.1300
david.nelson@kidder.com
LIC N° 01716942

COMMERCIAL
BROKERAGE

\$10.9B

TRANSACTION
VOLUME ANNUALLY

49.7M

ANNUAL
SALES SF

43.7M

ANNUAL
LEASING SFASSET
SERVICES

52M

MANAGEMENT
PORTFOLIO SF

875+

ASSETS UNDER
MANAGEMENT

270+

ASSET SERVICES
CLIENTSVALUATION
ADVISORY

2,600+

ASSIGNMENTS
ANNUALLY

48

TOTAL
APPRAISERS

25

WITH MAI
DESIGNATIONS

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