

## MARKET TRENDS

# SACRAMENTO INDUSTRIAL

### MARKET DRIVERS

The direct vacancy rate was 4.4% in 1Q23, higher than 4% and 3.5% from 4Q22 and 1Q22, respectively. The highest direct vacancy rate was in the South Sacramento submarket at 22.4% and the lowest direct vacancy rate was in Auburn/Newcastle at 0.7%.

The total availability rate increased 19.6% YOY from 5.3% in 1Q22 to 6.3% in 1Q23 with the highest rate at 13.8% in the Natomas/Northgate submarket and the lowest rate at 1% in the Auburn/Newcastle submarket.

The asking lease rate increased from \$0.77 in 4Q22 to \$0.80 in 1Q23. This was a \$0.08 increase from 1Q22. The asking lease rate was highest in the East Sacramento submarket at \$1.55 and lowest in the Marysville/Yuba City submarket at \$0.58.

Total leasing activity saw a YOY 22.7% decrease from 1.2M SF to 962k SF in 1Q23, and there was a 31.9% decrease YOY in total sales volume from 1.1M to 723k SF in 1Q23.

Direct net absorption decreased 76.8% from 1.4M SF in 1Q22 to 316K SF in 1Q23. The largest negative total was in the Davis/Woodland submarket at negative 130K SF and the largest positive total was in the West Sacramento submarket at 309k SF.

### ECONOMIC REVIEW

Sacramento County unemployment rates increased from 4% in 4Q22 to 4.3% in 1Q23. This is down from the 4.8% unemployment rate from 1Q22.

Industrial sector regional employment has been between stagnant and poor in an otherwise strong jobs report. Trade, transportation, and utilities lost 100 jobs, manufacturing added 700 jobs, and construction most significantly lost 4,200 jobs of their 75,800 reported jobs since February 2022. To put this into context, the other sectors added a combined 31,900 jobs, and construction was by far the biggest loser.

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### MARKET SUMMARY

	1Q23	4Q22	1Q22	Annual Change
Direct Vacancy Rate	4.37%	4.00%	3.50%	<b>24.97%</b>
Availability Rate	6.34%	6.20%	5.30%	<b>19.63%</b>
Asking Lease Rate	\$0.80	\$0.77	\$0.72	<b>11.11%</b>
Leasing Activity (SF)	962,246	2,389,108	1,244,971	<b>-22.71%</b>
Sale Volume (SF)	723,218	1,169,744	1,061,415	<b>-31.86%</b>
Net Absorption (SF)	315,761	594,811	1,361,582	<b>-76.81%</b>

↓ **962K SF**  
LEASING ACTIVITY

↓ **316K SF**  
NET ABSORPTION

↑ **4.37%**  
VACANCY RATE

↑ **\$0.80**  
ASKING RENT (AVG)

↔ **1.1M SF**  
NEW DELIVERIES

Year-Over-Year Trend

### MARKET HIGHLIGHTS

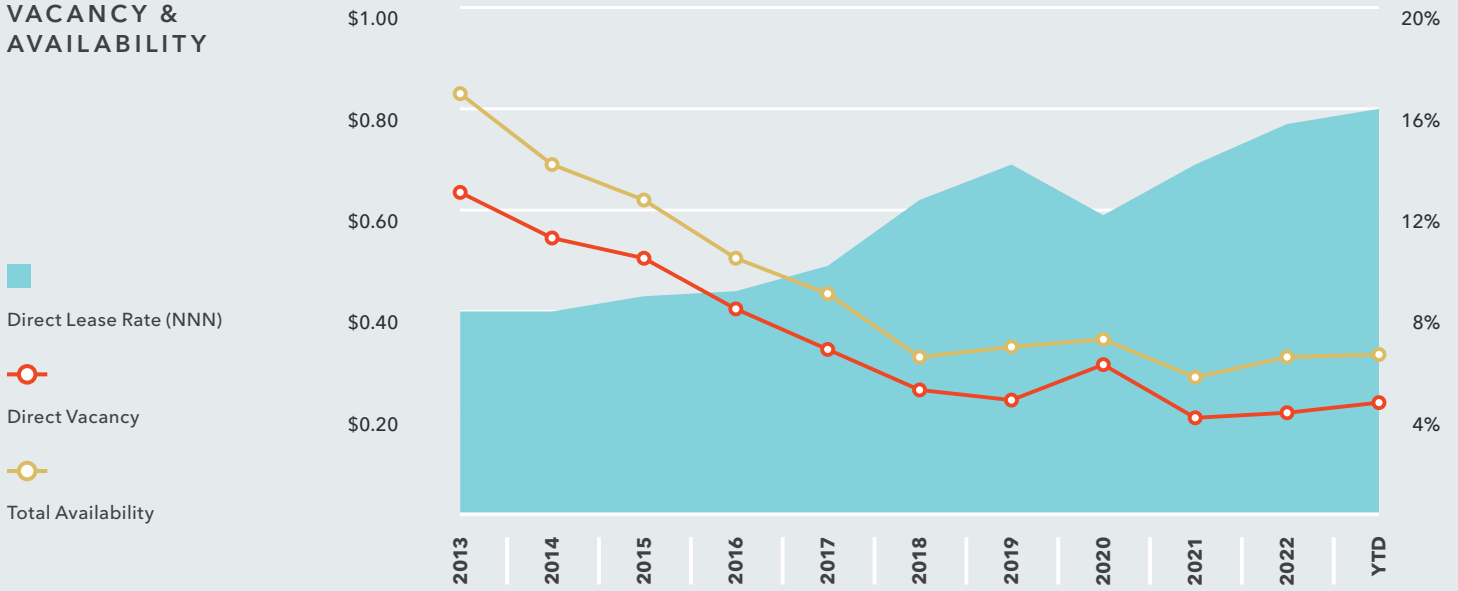
**AVERAGE** asking lease rates are \$0.80/SF.

**DIRECT VACANCY** rates increased YOY from 3.5% to 4.4%.

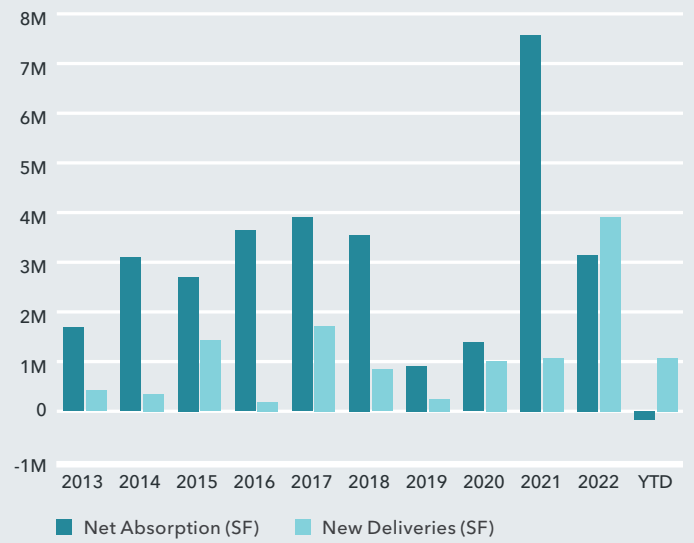
**SALES TRANSACTIONS** decreased by 22.7% YOY from 1.2M SF to 963K SF.

**DIRECT NET ABSORPTION** fell YOY from 1.4M to 316k SF in 1Q23, a 279k decrease from 4Q23.

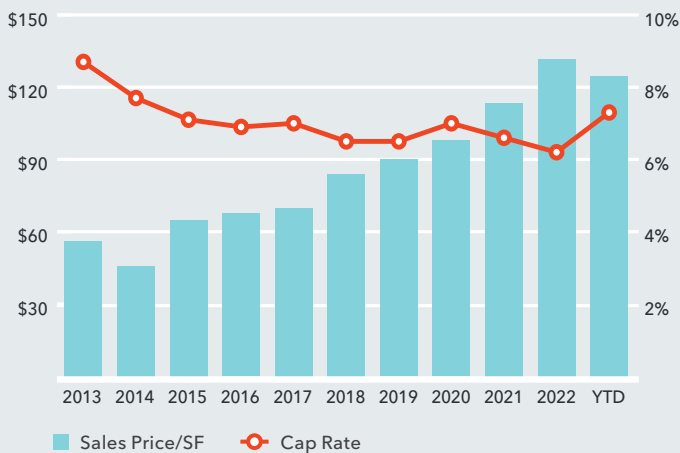
### LEASE RATE, VACANCY & AVAILABILITY



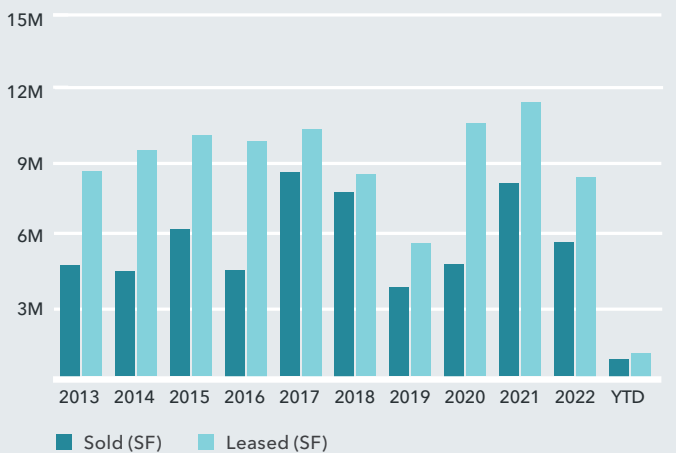
### NET ABSORPTION & NEW DELIVERIES



### AVERAGE SALES PRICE/SF & CAP RATE



### SALE VOLUME & LEASING ACTIVITY



## SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	Q1 2023 Direct Net Absorption	YTD Direct Net Absorption	Q1 2023 Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Auburn/Newcastle	2,708,477	0.7%	0.7%	1.0%	4,093	4,093	0	0	\$0.65
Davis/Woodland	16,682,977	3.0%	3.0%	4.4%	-129,803	-129,803	14,410	14,410	\$0.60
Downtown	2,463,645	6.1%	6.1%	7.7%	14,515	14,515	0	0	\$0.83
East Sacramento	539,688	6.0%	6.0%	4.4%	13,200	13,200	0	0	\$1.55
Elk Grove/Laguna	6,428,999	1.5%	1.5%	1.9%	-12,654	-12,654	9,985	9,985	\$0.92
Folsom/El Dorado	5,173,085	3.8%	3.9%	5.4%	-7,232	-7,232	30,628	30,628	\$1.01
Marysville/Yuba City	7,212,447	1.5%	1.5%	1.7%	-57,816	-57,816	25,875	25,875	\$0.58
Mather	5,249,543	5.2%	5.3%	4.1%	19,104	19,104	125,352	125,352	\$0.83
McClellan	17,348,423	4.4%	4.4%	4.8%	97,926	97,926	71,548	71,548	\$0.81
Natomas/ Northgate	20,875,176	7.1%	7.2%	13.8%	168,715	168,715	189,605	189,605	\$0.78
NE Sacramento	6,186,029	5.2%	5.2%	8.2%	-82,036	-82,036	54,620	54,620	\$0.84
Power Inn	26,729,636	1.8%	2.1%	4.0%	-52,932	-52,932	77,263	77,263	\$0.92
Richards	3,962,164	5.1%	5.3%	8.4%	27,046	27,046	18,432	18,432	\$0.64
Roseville/Rocklin	18,987,085	1.8%	3.8%	3.1%	-19,577	-19,577	188,197	188,197	\$0.70
South Sacramento	4,329,002	22.4%	23.4%	2.9%	8,417	8,417	5,200	5,200	\$0.91
Sunrise	12,046,686	4.9%	4.9%	8.4%	15,801	15,801	85,583	85,583	\$0.81
West Sacramento	23,572,515	5.8%	8.0%	10.1%	308,994	308,994	65,548	65,548	\$0.83
<b>Sacramento Total</b>	<b>180,495,577</b>	<b>4.37%</b>	<b>4.96%</b>	<b>6.34%</b>	<b>315,761</b>	<b>315,761</b>	<b>962,246</b>	<b>962,246</b>	<b>\$0.80</b>
General Industrial	27,123,827	4.7%	5.3%	2.0%	-72,598	-72,598	237,640	237,640	\$0.70
Warehouse & Distribution	133,525,553	3.9%	4.5%	6.7%	440,426	440,426	496,149	496,149	\$0.74
Flex	19,145,611	6.9%	7.0%	8.4%	-115,243	-115,243	106,055	106,055	\$1.00

## ECONOMIC REVIEW CONTINUED

On a month-to-month standpoint the story becomes more muddled; Construction added the most jobs out of any sector since January 2023 with 4,300, and trade, transportation, and utilities lost 1,400 jobs by far the most of any sector, while manufacturing stayed flat.

One explanation for these wild changes could be these industries regressing to the mean; Construction beginning to recover from a rough end of 2022, and trade, transportation, and utilities coming back to earth after a strong end to the year.

Total Goods Producing and Manufacturing jobs are up 4,300 since last month, but still 4,200 lower than this time last year.

## NEAR-TERM OUTLOOK

The recent collapse of Silicon Valley Bank is the largest bank failure since 2008. This development, coupled with the negative economic sentiment and increasing interest rates, is causing concern for Sacramento's Industrial market. This will lead to stricter underwriting criteria, limited short-term demand for office space, and hindrances to

the growth of new and existing start-up companies. It is important to note, however, that the collapse of SVB does not necessarily indicate future bank failures, especially among large national banks that are less susceptible to the same issues that led to SVB's downfall. In fact, First Citizen's Bank is poised to acquire SVB, adding to the more than twenty bank acquisitions that have taken place since the 2008 financial crisis.

Asking lease rates are increasing despite decreases in transactions and rises in vacancy and availability. This has led institutional buyers like AT Industrial and Rising Realty Partners to purchase properties such as the Croydon Business and Mercantile Industrial Parks respectively. These institutional investors feel the industrial space is a safe space for their money, and the proof is in Blackstone, who sold the Croydon Business Park to AT Industrial for twice the value they bought it for in 2017.

The high demand stems from a lack of supply, which is not being helped with the interest rate hikes followed by the SVB closure. Despite hiccups like this and the recent LogistiCenter project being denied City Council approval, there are new plans being proposed such as the Metro Air Park which is looking to build over 300,000 SF of warehouse space over the next two years.

## TOP SALE TRANSACTIONS 1Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2501, 2529, 2539, & 2640 Mercantile Dr	Sunrise	150,044	\$21,500,000	\$143.29	DRA Advisors	GPR Ventures
10173, 10151, & 10161 Croydon Way	Mather	184,000	\$20,250,000	\$110.05	AT Industrial	Blackstone Inc.
1300 U St, Sacramento	Downtown	46,941	\$6,800,000	\$144.86	Hill Island CHP SPV LLC	Clippinger Investments
4290 Roseville Rd	McClellan	86,011	\$5,255,000	\$61.10	PCBP Properties Inc	WHAL Properties LP
10491 Old Placerville Rd	Mather	31,550	\$5,120,000	\$162.28	Health and Life Organization, Inc.	Tower Investments, Inc

## TOP LEASE TRANSACTIONS 1Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
10000 Alantown Dr	Roseville/Rocklin	171,000	March 2023	Amir Development Company	Undisclosed
9611 Oates Dr	Mather	64,470	January 2023	Syufy Enterprises LP	Undisclosed
3950 Duckhorn	Natomas/Northgate	34,308	January 2023	Panattoni Development Company, Inc.	Jillamy
3950 Duckhorn	Natomas/Northgate	30,334	March 2023	Panattoni Development Company, Inc.	Undisclosed
3950 Duckhorn	Natomas/Northgate	28,880	January 2023	Panattoni Development Company, Inc.	Undisclosed

## TOP UNDER CONSTRUCTION

Property	Submarket	SF	Owner	Delivery
7320 Power Line Rd	Natomas/Northgate	567,000	Buzz Oates	July 2023
3100 Ramco St	West Sacramento	414,741	AT Southport LP	August 2023
4525 W Elkhorn Blvd	Natomas/Northgate	190,525	Pak Family Trust	September 2023
7325 Lone Tree Rd	West Sacramento	149,235	Buzz Oates	July 2023
7425 Lone Tree Rd	Natomas/Northgate	135,736	Buzz Oates	July 2023
3783 Channel Dr	West Sacramento	135,680	LBA Logistics	April 2023
7070 Badiee Dr	Natomas/Northgate	109,300	Map Logistics Center Lot 33 LLC	May 2023

Data Source: [www.bls.gov](http://www.bls.gov), [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov), [bizjournals.com](http://bizjournals.com), [sacbusinessreview.com](http://sacbusinessreview.com)



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<b>COMMERCIAL BROKERAGE</b>	<b>\$12B</b> TRANSACTION VOLUME ANNUALLY	<b>32.1M</b> ANNUAL SALES SF	<b>41.2M</b> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<b>53M</b> MANAGEMENT PORTFOLIO SF	<b>771+</b> ASSETS UNDER MANAGEMENT	<b>250+</b> ASSET SERVICES CLIENTS
<b>VALUATION ADVISORY</b>	<b>2,600+</b> ASSIGNMENTS ANNUALLY	<b>46</b> TOTAL APPRAISERS	<b>23</b> WITH MAI DESIGNATIONS

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