

MARKET TRENDS

SACRAMENTO INDUSTRIAL

MARKET DRIVERS

THE DIRECT VACANCY RATE reached 4.1% in 3Q23, increasing from 3.7% in both 2Q23 and 3Q22. The South Sacramento submarket had the highest direct vacancy rate at 23.3%, while the Auburn/Newcastle submarket had the lowest rate at 0.6%.

THE TOTAL AVAILABILITY RATE surged 1,000-bps YOY, rising from 6.0% in 3Q22 to 6.6% in 3Q23. The Natomas/Northgate submarket registered the highest rate at 13.6%, whereas the Auburn/Newcastle submarket had the lowest rate at 1.3%.

THE ASKING LEASE RATE increased from \$0.83 in 2Q23 to \$0.85 in 3Q23, this was a 1,000-bps increase from 3Q22. The East Sacramento submarket had the highest asking lease rate at \$1.55, while the Davis/Woodland submarket had the lowest at \$0.64.

TOTAL LEASING ACTIVITY experienced a YOY decrease of 44.1%, falling from 2.3M SF to 1.3M SF in 3Q23. Additionally, there was a 60.1% YOY decrease in total sales volume, dropping from 1.1M SF to 420.1k SF in 3Q23.

DIRECT NET ABSORPTION saw a significant 113.3% decrease from 969.2k SF in 3Q22 to -323.0k SF in 3Q23. The Power Inn submarket recorded the largest negative total at -152.5K SF, while the West Sacramento submarket had the largest positive total at 836.0k SF.

ECONOMIC REVIEW

THE UNEMPLOYMENT RATE in Sacramento County remained steady at 4.5% from 2Q23 to 3Q23, however this is an increase from the 3.7% rate recorded in 3Q22.

THE REGIONAL EMPLOYMENT in the industrial sector has shown stability, with some noteworthy developments. The trade, transportation, and utilities sector experienced a decrease of 1.2k jobs, while manufacturing saw an increase of 1.0k jobs, and construction added 1.1k jobs.

DESPITE BEING THE STRONGEST PERFORMER compared to last quarter Construction jobs are still 2.1% lower than they were this time last year. In contrast, trade, transportation, and utilities, and manufacturing are down 0.1% and 0.4% respectively in the same period.

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Market Summary

	3Q23	2Q23	3Q22	Annual Change
Direct Vacancy Rate	4.06%	3.70%	3.70%	9.72%
Availability Rate	6.64%	6.30%	6.00%	10.74%
Asking Lease Rate	\$0.85	\$0.83	\$0.77	10.39%
Leasing Activity (SF)	1,263,411	1,209,665	2,258,722	-44.07%
Sale Volume (SF)	420,112	1,496,862	1,051,932	-60.06%
Net Absorption (SF)	-322,980	1,305,108	969,154	-133.33%

↓ **1.2M SF**
LEASING ACTIVITY

↓ **-323K SF**
NET ABSORPTION

↑ **4.06%**
VACANCY RATE

↑ **\$0.83**
ASKING RENT (AVG)

↓ **415K SF**
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

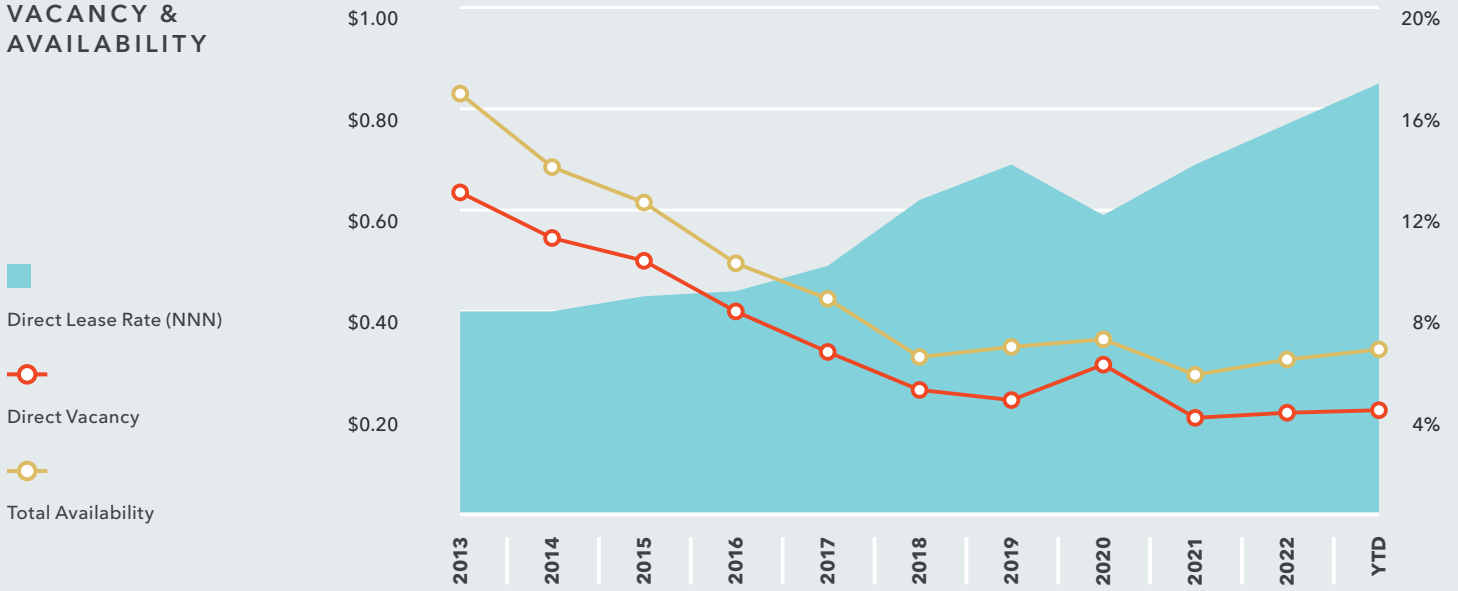
THE AVERAGE ASKING LEASE RATES climbed to \$0.85/SF, an increase from \$0.77/SF in 3Q22

DIRECT VACANCY rates rose YOY from 3.7% to 4.1%

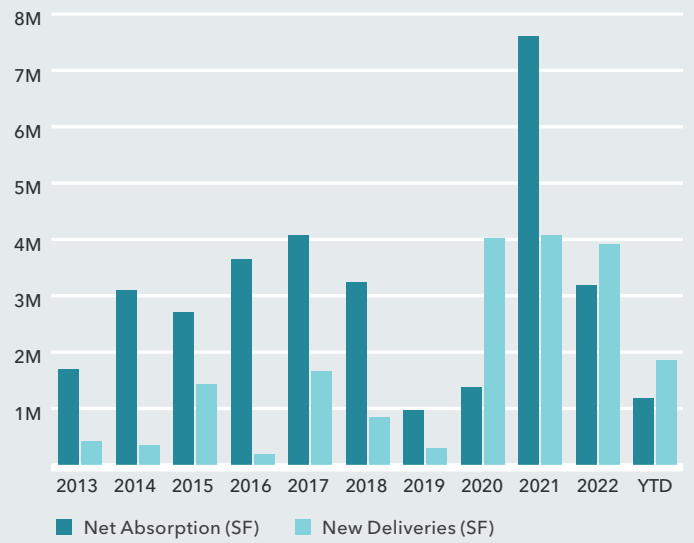
SALES VOLUME saw a 71.9% QOQ decrease, dropping from 1.5M SF to 420.1k SF

DIRECT NET ABSORPTION declined YOY, from 969.2k SF to -323.0k SF in 3Q23

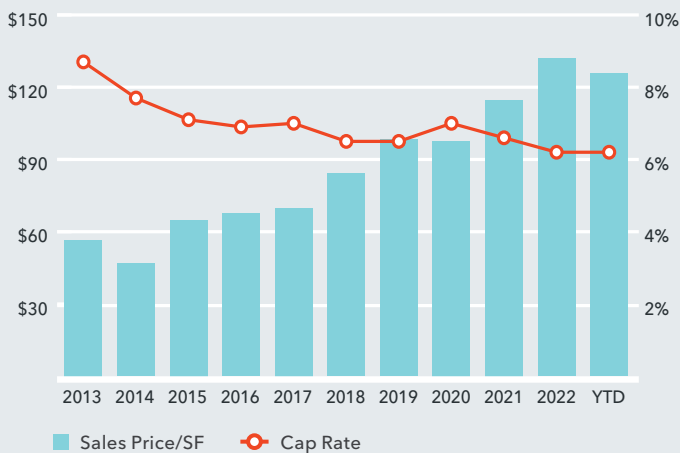
LEASE RATE, VACANCY & AVAILABILITY



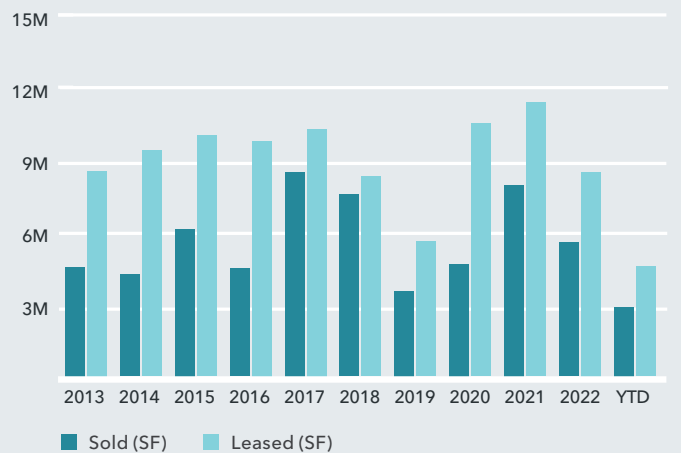
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	Q3 2023 Direct Net Absorption	YTD Direct Net Absorption	Q3 2023 Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Auburn/Newcastle	2,693,011	0.6%	0.6%	1.3%	5,473	6,888	16,129	36,452	\$0.97
Davis/Woodland	16,717,334	1.3%	1.5%	3.6%	85,978	142,270	5,525	475,696	\$0.64
Downtown	2,463,646	5.5%	5.5%	7.2%	-3,377	29,067	0	17,929	\$0.88
East Sacramento	539,688	6.0%	6.0%	4.4%	0	13,200	0	0	\$1.55
Elk Grove/Laguna	6,425,859	1.2%	1.2%	1.4%	-18,352	7,448	58,858	120,437	\$1.06
Folsom/El Dorado	5,173,942	4.8%	4.8%	5.9%	865	-59,425	15,389	103,452	\$0.94
Marysville/Yuba City	7,195,745	1.5%	1.5%	2.9%	-25,790	-60,240	7,370	39,455	\$0.79
Mather	5,342,293	5.5%	6.0%	9.2%	-25,969	-3,047	59,054	221,906	\$0.87
McClellan	17,418,322	5.2%	5.3%	5.4%	-235,076	-62,362	31,266	159,701	\$0.98
Natomas/ Northgate	21,084,272	5.5%	5.7%	13.6%	46,294	700,519	143,985	664,167	\$0.73
NE Sacramento	6,084,625	5.2%	5.2%	7.7%	-35,332	-79,613	82,902	168,986	\$0.83
Power Inn	26,725,469	2.1%	2.6%	5.0%	-139,847	-152,509	141,476	378,227	\$0.94
Richards	3,994,097	4.9%	5.1%	8.5%	-16,187	35,441	16,570	35,002	\$0.68
Roseville/Rocklin	18,967,086	1.3%	1.9%	2.7%	80,280	100,397	338,568	1,006,364	\$0.86
South Sacramento	4,288,805	23.3%	24.4%	3.2%	8,143	-18,981	62,807	76,807	\$0.92
Sunrise	12,041,479	3.5%	3.6%	9.9%	-34,550	184,195	34,199	245,191	\$0.87
West Sacramento	23,981,919	5.9%	8.1%	9.6%	-15,533	835,979	249,313	809,929	\$0.82
Sacramento Total	181,137,592	4.06%	4.59%	6.64%	-322,980	1,619,227	1,263,411	4,559,701	\$0.85
General Industrial	27,024,842	5.1%	5.1%	3.5%	-146,812	-178,902	186,336	438,346	\$1.04
Warehouse & Distribution	134,247,326	3.3%	4.0%	6.7%	76,859	1,989,044	914,741	3,495,780	\$0.79
Flex	18,912,224	8.1%	8.3%	9.3%	-218,475	-327,060	124,686	449,362	\$0.96

ECONOMIC REVIEW CONTINUED

THE CONSTRUCTION INDUSTRY is well-known for its cyclical nature, underscoring the importance of YOY figures for obtaining an accurate assessment of its trajectory. Unfortunately, the newly added jobs this quarter were not enough to reach the numbers seen this time last year, pointing to a substantial impact from higher interest rates on this sector. On a positive note, sectors such as trade, transportation, utilities, and manufacturing are showing resilience during these economic challenges.

NEAR-TERM OUTLOOK

ACROSS THE SACRAMENTO AREA, industrial companies of different varieties have been seeing investment from the public and private sectors. Success stories include OnSight Technology, who received seed funding from private investors for autonomous robot manufacturing in El Dorado Hills. West Sacramento's Origin Materials Inc. has received a grant from a DoD institute to fund advances in the use of bio-industrial manufacturing. Additionally, Roseville's TSI Semiconductors is being acquired by Bosch, who is intending to invest more than \$1.5 billion on the semiconductor manufacturing site. These investments illustrate that the industrial sector is alive and well in the Sacramento area.

THE INDUSTRY is not without its fair share of hiccups. The vacancy increase, negative net absorption, and decrease in sales and leasing activity are a few factors that illustrate this. Although there are investments being made in the area, construction has been slowed due to shortages in the labor market and, in some cases, local pushback such as the LogistiCenter at Rancho Cordova having a second suit filed against them. Despite slowdowns in activity, average asking rates continue to rise as companies are electing to move into higher quality properties and a lack of supply due to a lack of deliveries.

CLARK PACIFIC, A WEST SACRAMENTO PREFABRICATION COMPANY, is hoping to change zoning of 76.7 acres of property from agricultural to heavy industrial so they can expand further. At this point, the proposal does not provide specific details regarding the intended use of the expanded site. The Company currently operates its concrete fabrication facility on a 144-acre site in Woodland, where it has played a pivotal role in constructing components for major projects like the Golden 1 Center in Downtown Sacramento and Levi's Stadium in Santa Clara. If this expansion proves successful and Clark Pacific opts to bolster its manufacturing capabilities, it could result in the creation of additional manufacturing jobs in the region and potentially lead to accelerated construction timelines for the many Sacramento industrial projects.

TOP SALE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
5961 Outfall Cir, Sacramento	Power Inn	96,658	\$13,650,000	\$141.22	STAG Industrial, Inc.	Haleakala Ranch Company
1275-1277 Santa Anita Ct, Woodland	Davis/Woodland	104,240	\$12,000,000	\$115.12	CalFoods Logistics	Riviana Foods, Inc.
7080 Florin Perkins Rd, Sacramento	Power Inn	19,650	\$8,500,000	\$432.57	Davinder Sanghera	Hendrickson Truck Lines Inc
300 Berry St, Roseville	Roseville/Rocklin	26,592	\$4,132,500	\$155.40	Alan G Cornwell	Cagwin & Dorward
8521 Younger Creek Dr	Power Inn	21,600	\$4,000,000	\$185.19	One Liberty Properties, Inc.	Maribel Garcia

TOP LEASE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
3765 Channel Dr, West Sacramento	West Sacramento	159,270	August 2023	LBA Logistics	Undisclosed
10050 Foothills Blvd, Roseville	Roseville/Rocklin	146,016	September 2023	Keysight Technologies, Inc.	John E Miller
8250-8292 Industrial Ave, Roseville	Roseville/Rocklin	132,570	September 2023	Denman of California	Janet Anton
141 Commerce Cir, Sacramento	NE Sacramento	52,100	August 2023	Discovery Boat & RV Storage	Terry Street
8360 Belvedere Ave, Sacramento	Power Inn	42,000	August 2023	Bouldin & English, Inc.	Undisclosed

TOP UNDER CONSTRUCTION

Property	Submarket	SF	Owner	Delivery
Metro Air Pky	Natomas/Northgate	998,000	Buzz Oates	May 2024
7320 Power Line Rd, Sacramento	Natomas/Northgate	567,000	Buzz Oates	October 2023
Nimbus Rd	Rancho Cordova	441,515	NorthPoint Development	December 2023
4905 Serna Dr	Natomas/Northgate	235,890	NorthPoint Development	January 2024
10765 N Mather Blvd, Rancho Cordova	Mather	155,076	Dermody Properties, Inc.	April 2024
7425 Lone Tree Rd, Sacramento	Natomas/Northgate	135,736	Buzz Oates	July 2023

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



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COMMERCIAL BROKERAGE	<i>\$12B</i> TRANSACTION VOLUME ANNUALLY	<i>32.1M</i> ANNUAL SALES SF	<i>41.2M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>53M</i> MANAGEMENT PORTFOLIO SF	<i>771+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> ASSET SERVICES CLIENTS
VALUATION ADVISORY	<i>2,800+</i> ASSIGNMENTS ANNUALLY	<i>41</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

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