

MARKET TRENDS

SACRAMENTO INDUSTRIAL

MARKET DRIVERS

The direct vacancy rate rose 160-basis points (bps) since 1Q23 and 75-bps since 4Q23 to 5.7%. The South Sacramento Submarket remained the submarket with the highest direct vacancy rate at 26.1%. Alternatively, the Auburn/Newcastle and the Davis/Woodland submarkets had the lowest direct vacancy rates at 0.5% and 1.3%, respectively.

The total availability rate climbed from 6% to 7.9% in 1Q24, 190-bps since 1Q23. The Natomas/Northgate and Auburn/Newcastle submarkets retained their positions as having the highest and lowest availability rates, correspondingly, standing at 13.3% and 1.2%.

The asking lease rate fell 1.2% from \$0.83 in 4Q23 and rose 2.5% from \$0.80 in 1Q23 to \$0.82 in 1Q24. Following the pattern from the previous quarter, asking lease rates remained highest in the East Sacramento submarket, reaching \$1.62, and lowest in the Davis/Woodland submarket, at \$0.55. Moreover, Flex properties commanded the highest asking lease rates at \$1.07, while Warehouse & Distribution properties recorded the lowest asking lease rates at \$0.74.

Total leasing activity for the first quarter of 2024 reached 950.1K SF marking a 64% decrease from 2.6M SF in the first quarter of 2023. Similarly, the total sales volume decreased by 23%, dropping from 965.8K SF in the 1Q23 to 743.5K SF in 1Q24.

Direct net absorption reduced from 563.8K SF in 1Q23 to -443.3K SF in 1Q24. In sharp contrast to the previous quarter, the West Sacramento submarket had the largest negative net absorption total at -167.6K SF and the Sunrise submarket had the largest positive net absorption total at 81K SF.

ECONOMIC REVIEW

Sacramento County unemployment rates rose to 5.2% in 1Q24, a 70-bps increase from the previous quarter and a 90-bps increase from the previous year.

The Industrial sector employment for Sacramento County decreased both from the previous quarter and the previous year. Both trade, transportation, and utilities and manufacturing employment decreased by 5.3K jobs and 700 jobs from the previous quarter.

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Market Summary

	1Q24	4Q23	1Q23	YOY Change
Direct Vacancy Rate	5.7%	4.9%	4.1%	37.8%
Availability Rate	7.9%	6.7%	6.0%	190 bps
Asking Lease Rate	\$0.82	\$0.83	\$0.80	2.5%
	1Q24	2023 Total	1Q23	YOY Change
Leasing Activity (SF)	950,054	7,745,037	2,634,320	-64.0%
Sales Volume (SF)	743,455	4,650,106	965,846	-23.0%
Net Absorption (SF)	(443,265)	1,834,037	563,820	N/A

↓ **950K SF**
LEASING ACTIVITY

↓ **-443K SF**
NET ABSORPTION

↑ **5.7%**
DIRECT VACANCY RATE

↑ **\$0.82**
ASKING RENT (AVG)

↑ **913K SF**
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

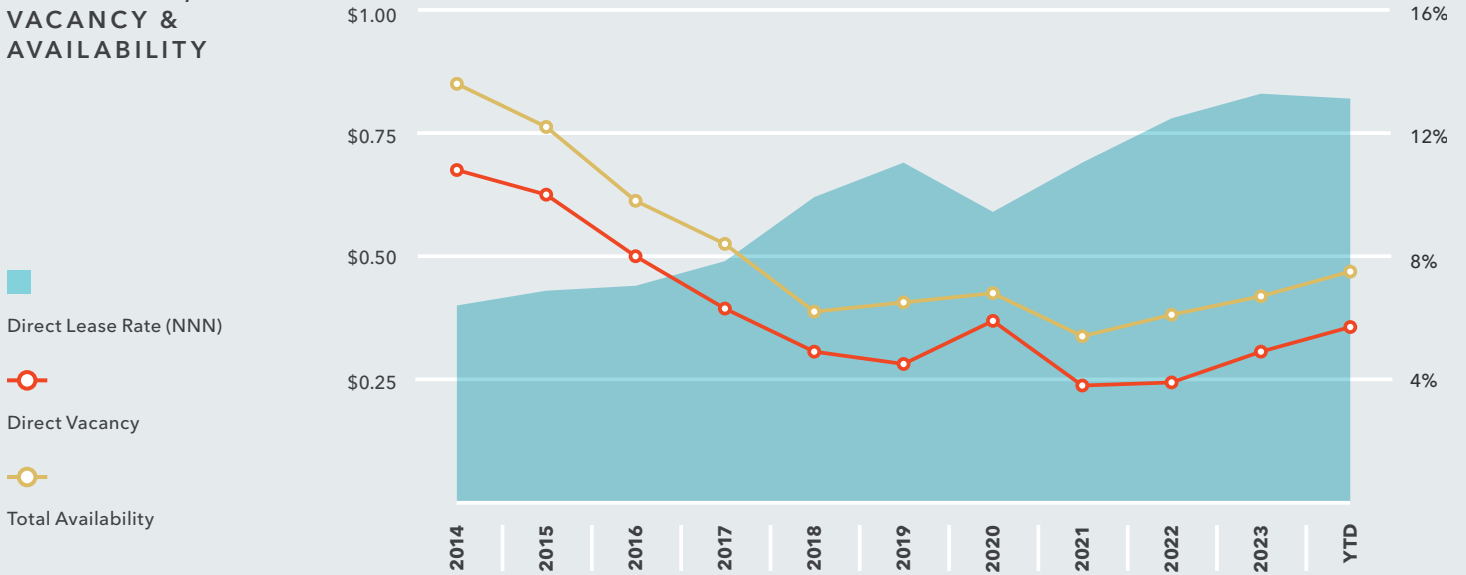
AVERAGE ASKING LEASE RATES rose from \$0.80/SF in 1Q23 to \$0.82/SF

DIRECT VACANCY RATES increased from 4.9% to 5.7% compared to the preceding quarter

SALES VOLUME fell 23% YOY from 965.8K SF in 1Q23 to 743.5K SF

DIRECT NET ABSORPTION dropped from 563.8K SF in 1Q23 to -443K SF

LEASE RATE, VACANCY & AVAILABILITY

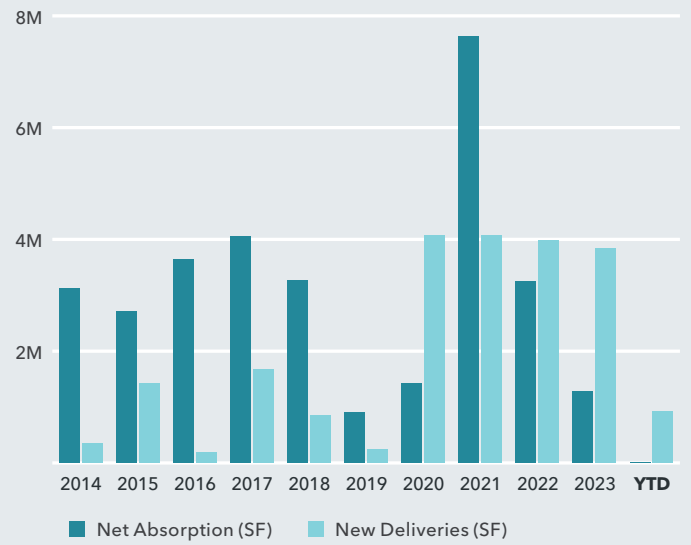


BIGGEST SALE OF THE QUARTER

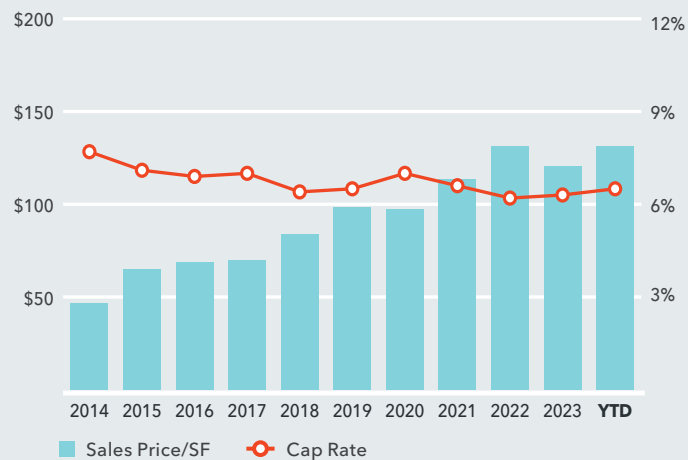
8371 Rovana Cir, Sacramento, CA



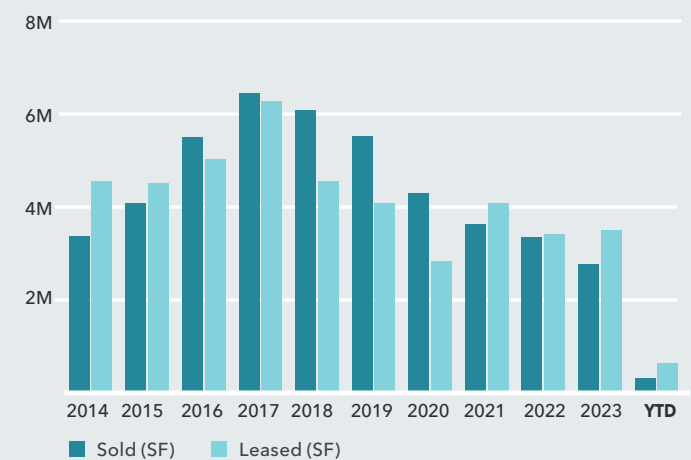
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	Q1 2024 Direct Net Absorption	YTD Direct Net Absorption	Q1 2024 Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Auburn/Newcastle	2,704,771	0.5%	0.5%	1.2%	32,471	32,471	26,630	26,630	\$1.00
Davis/Woodland	16,766,864	1.3%	1.6%	11.0%	-113,598	-113,598	92,560	92,560	\$0.55
Downtown	2,427,114	5.8%	5.8%	7.4%	0	0	0	0	\$0.88
East Sacramento	539,688	5.8%	5.8%	4.1%	1,400	1,400	7,200	7,200	\$1.62
Elk Grove/Laguna	6,980,136	2.5%	2.7%	4.1%	-128,216	-128,216	18,900	18,900	\$1.16
Folsom/El Dorado	5,174,612	3.5%	3.5%	4.6%	38,831	38,831	8,192	8,192	\$1.08
Marysville/Yuba City	7,347,344	1.8%	1.8%	4.2%	-23,020	-23,020	4,380	4,380	\$0.99
Mather	5,359,988	5.6%	5.8%	8.1%	25,965	25,965	48,282	48,282	\$0.95
McClellan	17,460,298	3.8%	4.2%	4.6%	12,969	12,969	116,818	116,818	\$1.02
Natomas/ Northgate	22,813,629	11.5%	11.9%	13.3%	-31,443	-31,443	117,036	117,036	\$0.84
NE Sacramento	6,049,186	5.9%	6.1%	7.5%	-40,332	-40,332	83,331	83,331	\$0.86
Power Inn	27,184,630	2.7%	3.0%	6.2%	-25,603	-25,603	120,068	120,068	\$0.81
Richards	4,032,814	5.7%	6.6%	10.1%	0	0	0	0	\$0.77
Roseville/Rocklin	19,033,616	2.8%	2.8%	4.4%	-114,875	-114,875	48,053	48,053	\$1.05
South Sacramento	4,303,237	26.1%	26.8%	6.7%	8,738	8,738	8,791	8,791	\$0.80
Sunrise	12,894,530	10.1%	10.3%	11.0%	81,038	81,038	84,856	84,856	\$0.88
West Sacramento	24,080,563	7.0%	7.9%	9.4%	-167,590	-167,590	164,957	164,957	\$0.87
Sacramento Total	185,153,020	5.7%	6.0%	7.9%	-443,265	-443,265	950,054	950,054	\$0.82
General Industrial	27,916,880	5.5%	5.7%	4.4%	-78,494	-78,494	49,039	49,039	\$1.03
Warehouse & Distribution	136,811,286	5.1%	5.5%	7.6%	-538,156	-538,156	726,931	726,931	\$0.74
Flex	19,119,217	8.5%	8.6%	10.3%	172,185	172,185	132,084	132,084	\$1.07

ECONOMIC OVERVIEW CONTINUED

Construction employment in the region rose by 4,200 jobs compared to the previous year but saw a decline of 3,200 jobs compared to the previous quarter. Despite being the sole industrial subsector to experience a year-over-year increase in jobs, Construction has exhibited greater vulnerability to economic change exhibited by fluctuations in employment numbers.

Deferred construction endeavors have become prevalent in recent years as developers await cost reductions and economic recovery. While the prospect of interest rate cuts may spur the initiation of new projects, the fiercely competitive labor market poses additional hurdles. Developers now face the dilemma of either offering higher wages in a competitive labor market or extending project timelines.

NEAR-TERM OUTLOOK

The industrial sector, although still the top-performing commercial asset class, has been affected by the economic slowdown. Although construction projects for large distribution are ongoing, the surge in demand driven by the pandemic-induced e-commerce boom has subsided. Nevertheless, new construction projects have decreased to their lowest levels since before the pandemic, reducing the risk of oversupply. Smaller industrial spaces remain highly sought after but

are challenging to find due to the absence of new industrial parks being developed. Rent growth in the industrial market stays strong due to low vacancy rates, resulting in tenants having less bargaining power for concessions. Yet, property owners are increasingly open to offering incentives to attract tenants compared to previous periods. Although sales transactions in the industrial market have slowed, the sector is still expected to remain resilient with continued participation from public and institutional capital. Sales volume is projected to increase slightly in the near future due to industrial property values remaining steady compared to other asset classes.

Assembly Bill 1893 seeks to refine California's builder's remedy, particularly for the industrial sector, by prohibiting housing development on industrial land for environmental reasons. Projects with completed applications before April 1, 2024, are exempt from changes. Introduced by seasoned housing policymakers, the bill progresses through the legislature and could impact real estate development next year.

Sacramento's River District is updating its 2011 master plan to convert aging industrial buildings to meet current needs. The plan will address financing, transportation, and mixed-use preferences. Community input and riverfront integration are crucial for setting a development vision, adapting industrial spaces to modern needs.

SIGNIFICANT SALE TRANSACTIONS 1Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
8371 Rovana Cir, Sacramento	Power Inn	319,485	\$33,000,000	\$103.29	SPI California Mgmt. LLC	Blackstone Inc.
3950 Duckhorn Dr, Sacramento	Natomas/Northgate	122,474	\$24,300,000	\$198.41	Eiger Capital LLC	PCCP/Panattoni
4741 Watt Ave, North Highlands	McClellan	153,000	\$14,900,000	\$97.39	Republic Services, Inc.	Recycling Industries
3780 Recycle Rd, Rancho Cordova	Sunrise	13,160	\$6,200,000	\$471.12	Equipment Share	Yanchuk Vitaliy
4475 Golden Foothill Pky, El Dorado Hills	Folsom/El Dorado	13,448	\$2,900,000	\$215.65	Seafloor Systems	Evans Family Trust

SIGNIFICANT LEASE TRANSACTIONS 1Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
4450 Raley Blvd, Sacramento	McClellan	42,000	March 2024	Buzz Oates	Undisclosed
5800 Alder Ave, Sacramento	Power Inn	36,800	January 2024	David Karacozoff	Metro Express
1957-1959 Railroad Dr, Sacramento	NE Sacramento	34,880	February 2024	Brixton Capital	Undisclosed
2097-2101 Evergreen St, Sacramento	NE Sacramento	31,080	January 2024	Commercial Lessors, Inc.	Budget Truck Rental
3621 Seaport Blvd, West Sacramento	West Sacramento	27,800	February 2024	Paul A Erskine Family Trust 01	Pro West Wall Products

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Owner	Delivery
7450 Metro Air Pky, Sacramento	Natomas/Northgate	525,000	Target Corporation	January 2025
2975 Ramco St, West Sacramento	West Sacramento	189,916	Reyes Holdings LLC	October 2024
10765 N Mather Blvd, Rancho Cordova	Mather	155,076	Dermody Properties, Inc.	April 2024
3808 Faraday Ave, Davis	Davis/Woodland	107,612	Buzz Oates	July 2024
Roseville Rd, Sacramento	McClellan	82,000	Lund Equipment	January 2025

Data Source: www.bls.gov, bizjournals.com, sacbusinessreview.com



Kidder Mathews is the largest independent commercial real estate firm on the West Coast, with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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COMMERCIAL BROKERAGE	\$10B 3-YEAR AVERAGE TRANSACTION VOLUME	31.7M ANNUAL SALES SF	42.4M ANNUAL LEASING SF
ASSET SERVICES	51M SF MANAGEMENT PORTFOLIO SIZE	750+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,600+ 3-YEAR AVERAGE ASSIGNMENTS	43 TOTAL APPRAISERS	25 WITH MAI DESIGNATIONS

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