MARKET TRENDS

SACRAMENTO *INDUSTRIAL*

3Q 2024

MARKET DRIVERS

The direct vacancy rate rose 160-basis points (bps) since 3Q23 ending the quarter at 5.5%, equaling last quarters rate. The South Sacramento Submarket had the highest direct vacancy rate at 26.8%. Conversely, the Roseville/Rocklin submarket had the lowest direct vacancy rate at 1.3%.

The total availability rate increased 130-bps since 3Q23 to 7.9%. The Natomas/Northgate and Auburn/Newcastle submarkets retained their positions as having the highest and lowest availability rates, at 14.2% and 2.2%, respectively.

The asking lease rate declined 1.8% from $0.85 in 3Q 2023 to $0.83 this quarter. Asking lease rates remained highest in the East Sacramento submarket, at $1.44, while the lowest was in the Davis/Woodland submarket, at $0.60. Additionally, Flex properties commanded the highest asking lease rates at $1.09, while Warehouse & Distribution properties recorded the lowest asking lease rates at $0.76.

Total leasing activity for 3Q 2024 totaled 955K SF, bringing the year-to-date total to just over 4.0M SF. Similarly, total sales square footage decreased 3%, dropping from 3.4 MSF year-to-date in 2023 to 3.3 M SF year-to-date in 2024.

Direct net absorption totaled 174,265 SF, bringing the year-to-date total to 28,740 SF. This was the second consecutive quarter with positive activity and a strong rebound from 1Q 2024 when the total was negative 577K SF. Since January, the Sunrise submarket led the way with 598,801 SF of positive net absorption while Davis/Woodland totaled negative 1.1 MSF after posting negative 962,440 SF in 3Q 2024.

ECONOMIC REVIEW

The unemployment rate in Sacramento County was 5.2% at the end of August, an increase of 50 bps since the end of 2Q and 70 bps at the end of 3Q 2023. For comparison, California's unemployment rate was 5.3% and increased 30 bps since last year.

Overall job growth across the region remains lukewarm with 0.4% job growth over the past 12 months and 2.6% total job growth since the beginning of 2020 across all industries.

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Market Summary

	3Q24	2Q24	3Q23	YOY Change
Direct Vacancy Rate	5.5%	5.5%	3.9%	**160 bps**
Availability Rate	7.9%	7.5%	6.4%	**150 bps**
Asking Lease Rate	$0.83	$0.84	$0.85	**-1.8%**

	2Q24	2024 YTD	2023 YTD	YOY Change
Leasing Activity (SF)	954,571	4,067,324	5,296,256	**-23.3%**
Sales Volume (SF)	936,146	3,306,475	3,411,886	**-3.1%**
Net Absorption (SF)	174,265	28,740	1,728,905	**N/A**

↓ *955K SF*
LEASING ACTIVITY

↓ *-565K SF*
NET ABSORPTION

↔ *5.5%*
DIRECT VACANCY RATE

↓ *$0.83*
ASKING RENT (AVG)

↓ *82K SF*
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

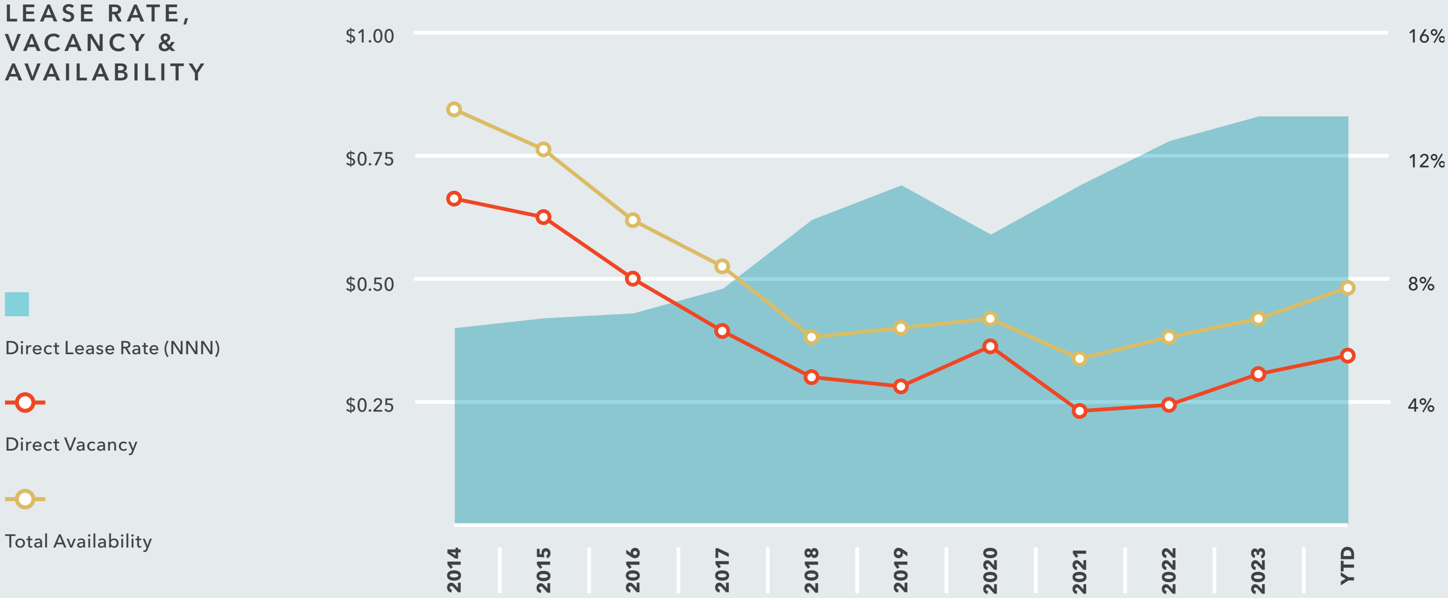
AVERAGE ASKING LEASE RATES declined from $0.84/SF in 2Q 2023 to $0.83/SF.

DIRECT VACANCY RATES remained the same compared to last quarter at 5.5%.

SALES VOLUME fell from 3.4M SF to 3.3M SF through 3Q 2024.

DIRECT NET ABSORPTION dropped from 1.3M SF in 2Q23 to -564.8K SF.

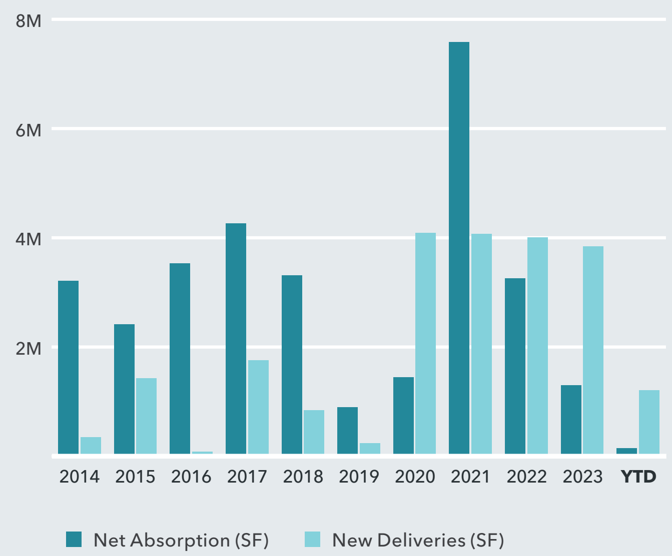
LEASE RATE, VACANCY & AVAILABILITY



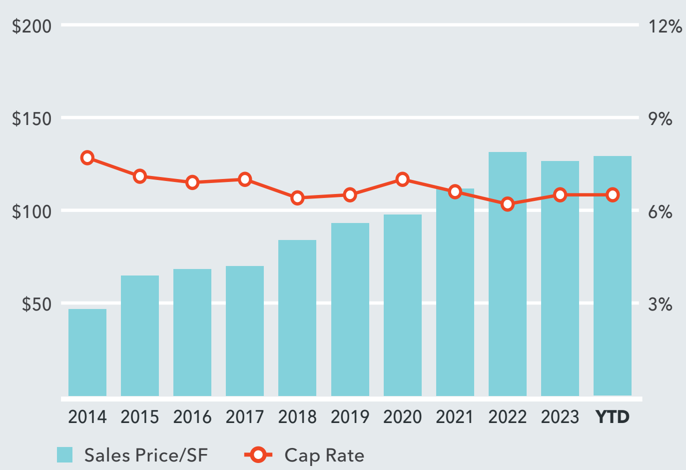
BIGGEST SALE OF THE QUARTER

3750 Zinfadel Dr, Rancho Cordova

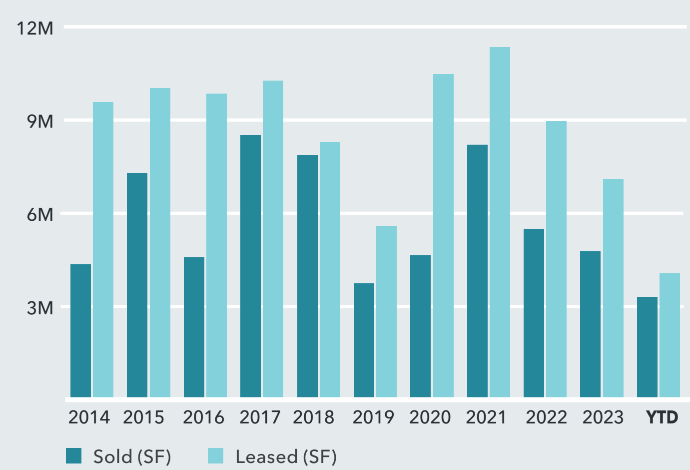
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	3Q 2024 Direct Net Absorption	YTD Direct Net Absorption	3Q 2024 Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Auburn/Newcastle	2,704,771	1.5%	1.5%	2.2%	2,923	4,251	27,847	56,066	$0.91
Davis/Woodland	17,231,594	7.6%	7.9%	10.3%	-962,440	-1,118,174	9,281	157,974	$0.60
Downtown	2,389,981	3.8%	3.8%	7.1%	10,700	31,847	0	12,407	$0.67
East Sacramento	517,688	1.7%	1.7%	4.3%	0	1,400	0	7,200	$1.44
Elk Grove/Laguna	7,007,863	2.0%	2.0%	2.5%	17,412	-75,519	22,548	155,219	$1.14
Folsom/El Dorado	5,189,659	3.7%	3.7%	8.0%	14,046	24,387	16,061	61,701	$1.21
Marysville/Yuba City	7,349,032	1.5%	1.6%	3.4%	1,042	302	0	4,380	$0.99
Mather	5,345,640	4.6%	4.9%	10.0%	-17,553	79,589	12,256	74,021	$0.96
McClellan	18,170,031	3.7%	4.4%	5.6%	73,997	93,201	41,380	236,370	$0.74
Natomas/Northgate	22,842,589	11.0%	12.5%	14.2%	121,960	80,818	173,527	676,623	$0.85
NE Sacramento	6,170,936	4.4%	4.6%	7.0%	256	50,001	2,777	153,981	$0.76
Power Inn	27,314,001	2.7%	3.2%	5.4%	38,192	-31,318	234,060	1,165,626	$0.84
Richards	4,062,294	7.0%	7.8%	9.7%	-51,134	-51,134	18,335	18,335	$0.70
Roseville/Rocklin	19,171,524	1.3%	1.4%	5.2%	429,443	220,917	39,893	153,950	$1.13
South Sacramento	4,109,448	26.8%	27.5%	6.2%	-9,828	36,077	29,160	85,720	$0.71
Sunrise	12,890,770	6.3%	6.7%	10.1%	418,902	598,801	76,857	259,927	$0.86
West Sacramento	24,308,018	5.9%	6.7%	9.1%	86,347	83,294	250,589	788,224	$0.81
Sacramento Total	**186,775,839**	**5.5%**	**6.0%**	**7.9%**	**174,265**	**28,740**	**954,571**	**4,067,724**	**$0.83**
General Industrial	29,826,206	6.1%	6.4%	6.1%	63,639	39,733	41,894	230,140	$1.09
Warehouse & Distribution	137,593,542	5.2%	5.8%	8.0%	-102,921	-618,348	760,471	3,390,369	$0.76
Flex	19,356,091	6.7%	6.9%	9.3%	213,547	607,355	152,206	447,215	$1.07

ECONOMIC OVERVIEW CONTINUED

Although the Trade, Transportation, and Utilities sector shed 100 jobs since 2023 (-0.1%) and Manufacturing lost 1,000 jobs (-2.4%) over the same period, the Construction sector gained an estimated 600 jobs (+0.8%), year-over-year

NEAR-TERM OUTLOOK

Project costs, including rising material expenses, labor shortages, and regulatory hurdles, pose significant barriers for industrial developers. These challenges have been further exacerbated by inflation and disruptions in the supply chain. Consequently, securing financing for projects has become increasingly difficult. However, developers are actively seeking solutions through government assistance and streamlined entitlement processes. Regardless of these obstacles, industrial developers remain undeterred. The sustained demand for industrial buildings, particularly those equipped with amenities to attract a youthful workforce, fuels optimism for the future of industrial projects.

Despite vacancy and availability rates rising, industrial properties in the Sacramento market continue to see high demand, highlighted by continued development. Mark IV Capital's proposed Foothills Commerce Center Phase III in Roseville aims to develop 359,000 square feet across four buildings, with an emphasis on distribution and logistics. Similarly, Teichert Inc.'s recent $17.99 million purchase of a 23.55-acre site at the Port of West Sacramento highlights the increasing value of industrial land. The site's existing infrastructure, proximity to key transportation routes, heavy-industrial zoning, and excess land primed for development make it an attractive asset for further industrial development. As the Sacramento market continues to grow, so does the demand for new logistics and warehouse spaces. Although the vacancy and availability numbers grew this quarter, these recent development plans indicate that demand remains high for industrial properties in the Sacramento market.

The Federal Reserve has lowered interest rates by 50-bps, with more cuts anticipated as inflation stabilizes. This rate reduction is expected to stimulate the industrial real estate market by encouraging capital markets to invest in properties at more favorable rates. It also supports long-term investments in addressing short-term liabilities, potentially easing the distressed asset market. Although industrial property sales have kept pace with recent years, these cuts could bring activity back to the heights it reached in 2021. Although vacancy and availability increased this quarter, industrial properties remain the strong in comparison to other product types. As companies gain access to more investment capital, the leasing market is likely to grow more competitive, further highlighting the strength of this market.

SIGNIFICANT SALE TRANSACTIONS 3Q 2024

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
3750 Zinfandel Dr	Sunrise	163,639	$24,300,000	$148.50	EQT Exeter	SalonGuys.com
1721 Aviation Blvd	Roseville/Rocklin	149,760	$23,500,000	$156.92	Celebrations! Party Rentals & Tents	Buzz Oates
2870 Kilgore Rd	Sunrise	75,626	$8,500,000	$112.40	Eurofins	Smoore Labs
1109 Chestnut St	Marysville/Yuba City	73,850	$4,750,000	$64.32	Matthew Sobotka	Allen Jefferson
3961 Channel Dr	West Sacramento	51,000	$17,990,500	$352.75	Teichert, Inc.	Yara International ASA

SIGNIFICANT LEASE TRANSACTIONS 3Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
3783 Channel Dr, West Sacramento	West Sacramento	68,000	September 2024	LBA Logistics	Guardian Bikes
3900 Florin Perkins Rd, Sacramento	Power Inn	66,000	September 2024	R&L Brosamer, Inc.	Undisclosed
7525 Lone Tree Rd, Sacramento	Natomas/Northgate	54,088	August 2024	Buzz Oates	Undisclosed
3443 Airport Rd, Sacramento	Natomas/Northgate	50,000	September 2024	Elixir Industries	Taylor Metal
3100 Ramco St, West Sacramento	West Sacramento	41,600	July 2024	AT Southport, LP	Undisclosed

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Owner	Delivery
7450 Metro Air Pky, Sacramento	Natomas/Northgate	525,000	Target Corporation	January 2025
3225 Venture Dr, Lincoln	Roseville/Rocklin	176,013	PW Fund B, LP	April 2025
10765 N Mather Blvd, Rancho Cordova	Mather	155,076	Dermody Properties, Inc.	April 2025
Roseville Rd, Sacramento	McClellan	82,000	Lund Equipment	January 2025
4450 Raley Blvd, Sacramento	McClellan	42,000	Buzz Oates	November 2025

Data Source: Costar, Kidder Mathews, Bureau of Labor Statistics

Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Idaho, 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

55M SF — MANAGEMENT PORTFOLIO SIZE
800+ — ASSETS UNDER MANAGEMENT
260+ — CLIENTS SERVED

VALUATION ADVISORY

2,600+ — 3-YEAR AVERAGE ASSIGNMENTS
43 — TOTAL APPRAISERS
27 — WITH MAI DESIGNATIONS