

MARKET TRENDS

SACRAMENTO INDUSTRIAL

MARKET DRIVERS

The direct vacancy rate reached 5.8% in 4Q 2024, 90-basis points (bps) up YOY. The South Sacramento Submarket had the highest direct vacancy rate at 26.6%, while the Marysville/Yuba City submarket had the lowest direct vacancy rate at 1.3%. Although vacancy is increasing throughout the market, it remains relatively tight and is below the 10-year average of 6.2%.

Total availability rate jumped 190-bps YOY to 8.6%, the highest it's been since 2017. The Natomas/Northgate submarket continues to record the highest availability rate at 16.6%. In contrast, Elk Grove/Laguna posted the lowest availability at 1.9%.

The average asking lease rate fell YOY for the first time in 5 years to \$0.81 at year-end. With vacancies and availabilities on the rise, rent growth has slowed in recent quarters but is still hovering around record high rates.

Total leasing activity for 4Q 2024 posted 1.2M SF, bringing the year-end total to approximately 7M SF, the lowest activity seen in 10 years with the exception of 2019 which posted 5.6M SF. Similarly, sales activity experienced a 20% decrease in volume (SF) dropping from 4.8M SF in 2023 to 3.8M SF in 2024. Again, this number is one of the lowest recorded in 10 years apart from 2019 when only 3.7M SF sold.

With two quarters of negative net absorption in 2024, direct net absorption for the year posted negative at 324K SF, the first time in 10 years that the market experienced an annual negative net absorption. Interest from large users have dissipated in the past year, as many occupiers are focused on maximizing the efficiency of their existing space rather than relocating or expanding. The market's strength traditionally lies in tenants between 50K SF and 150K SF, however, the moveouts this past year have been concentrated in these spaces which further complicates the market space.

ECONOMIC REVIEW

The unemployment rate in the Sacramento MSA was 4.8% in November, unchanged from the month prior, and 30 bps above the year-ago estimate of 4.5%. This compares to California's unemployment rate of 5.3% and 4.0% for the nation during the same period.

Market Summary

	4Q24	3Q24	4Q23	YOY Change
Direct Vacancy Rate	5.8%	5.5%	4.9%	90 bps
Availability Rate	8.6%	7.8%	6.7%	190 bps
Asking Lease Rate	\$0.81	\$0.83	\$0.83	-2.4%
	4Q24	2024	2023	YOY Change
Leasing Activity (SF)	1,210,132	7,007,824	7,801,535	-10.2%
Sales Volume (SF)	480,097	3,833,167	4,795,599	-20.1%
Net Absorption (SF)	(370,353)	(324,711)	1,878,757	N/A

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4Q 2024



Market Highlights

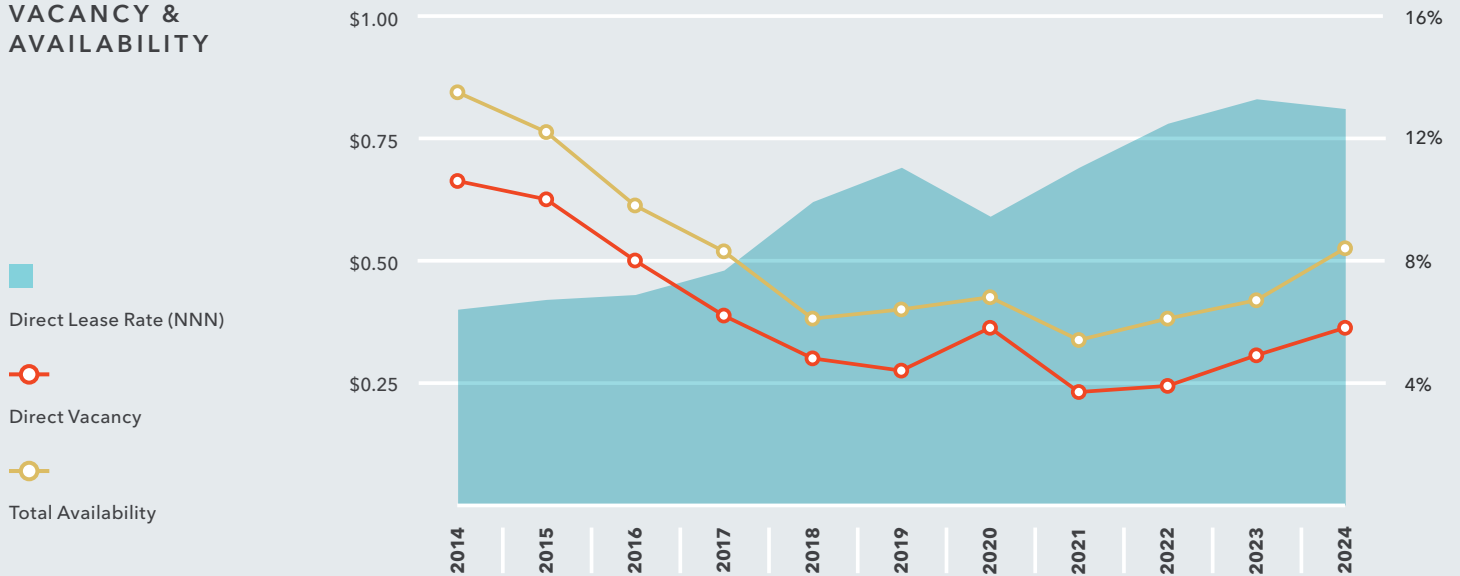
AVERAGE ASKING LEASE RATES fell QOQ and YOY to \$0.81 NNN.

DIRECT VACANCY RATES climbed from 4.9% to 5.8% YOY.

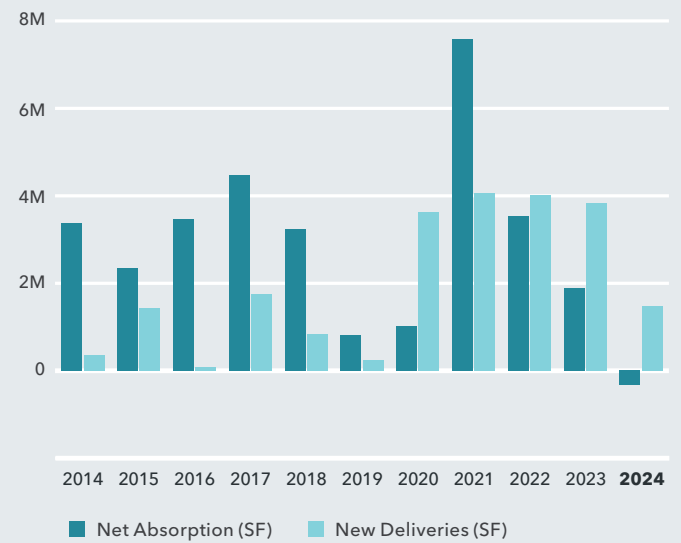
SALES VOLUME fell to a 5-year low, posting 480K SF.

DIRECT NET ABSORPTION posted negative for the second quarter this year, ending at -370K SF.

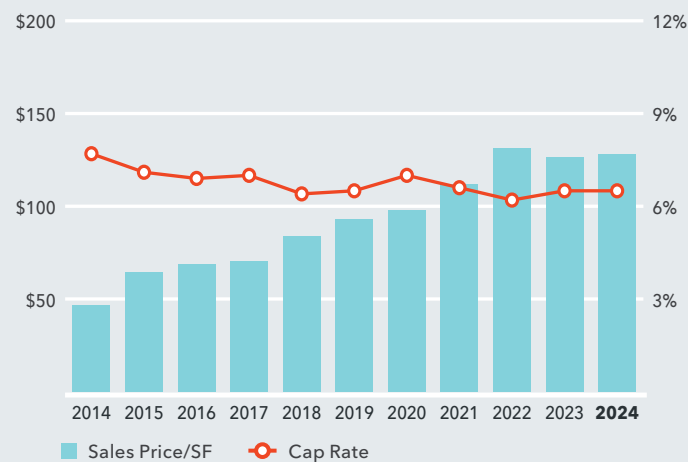
LEASE RATE, VACANCY & AVAILABILITY



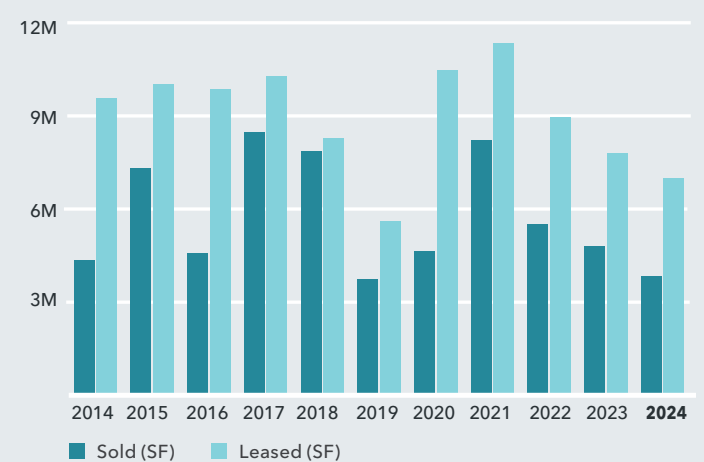
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2024 Direct Net Absorption	YTD Direct Net Absorption	2024 Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Auburn/Newcastle	2,742,211	7.1%	7.1%	7.4%	-117,201	-112,508	6,250	66,675	\$0.50
Davis/Woodland	17,426,335	8.6%	8.8%	11.2%	-174,330	-1,292,504	38,065	273,273	\$0.59
Downtown	2,390,535	3.8%	3.8%	5.8%	0	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	7,056,608	1.5%	1.5%	1.9%	71,018	-4,501	21,367	185,985	\$1.15
Folsom/El Dorado	5,323,184	7.2%	7.2%	7.4%	-55,590	-31,203	33,818	109,519	\$1.20
Marysville/Yuba City	7,259,965	1.3%	1.4%	3.5%	14,477	16,242	7,070	11,285	\$0.99
Mather	5,342,640	4.2%	4.4%	9.4%	17,713	103,602	55,418	146,924	\$0.98
McClellan	18,214,825	3.3%	4.0%	6.6%	119,518	196,719	86,480	379,880	\$0.68
Natomas/Northgate	22,858,843	11.0%	12.5%	16.6%	2,869	74,927	507,839	1,292,038	\$0.84
NE Sacramento	6,201,723	4.1%	4.3%	5.7%	17,074	67,075	43,917	238,398	\$0.77
Power Inn	27,252,233	3.1%	3.6%	6.0%	-106,598	-137,916	169,184	1,779,262	\$0.81
Richards	4,062,294	4.8%	5.7%	8.1%	86,041	34,907	3,984	60,718	\$0.69
Roseville/Rocklin	19,201,210	1.9%	2.0%	7.3%	-123,468	97,449	72,736	245,035	\$1.12
South Sacramento	4,114,616	26.6%	27.1%	6.3%	630	44,091	1,549	182,535	\$0.90
Sunrise	12,863,912	7.0%	7.5%	10.7%	-97,067	501,734	66,924	829,137	\$0.89
West Sacramento	23,872,336	6.1%	7.3%	9.0%	-25,439	83,928	95,531	1,187,553	\$0.81
Sacramento Total	186,701,158	5.8%	6.4%	8.6%	-370,353	-324,711	1,210,132	7,007,824	\$0.81
General Industrial	29,662,462	5.7%	6.0%	8.7%	18,674	58,407	25,350	482,606	\$1.09
Warehouse & Distribution	137,669,591	5.6%	6.3%	8.3%	-270,034	-874,480	1,082,515	5,880,228	\$0.74
Flex	19,347,505	7.3%	7.4%	9.5%	-108,993	501,362	102,267	649,230	\$1.06

ECONOMIC OVERVIEW CONTINUED

Year-over-year, the Construction and Manufacturing sector recorded the largest losses in the region, 4,700 jobs and 1,500 jobs respectively. On the upside, Trade, Transportation, and Utilities sector gained an estimated 3,600 jobs month-over-month from October to November.

NEAR-TERM OUTLOOK

Over the past 12 months, Sacramento's industrial market recorded just less than 100 transactions, totaling \$440M, a notable decline compared to the five-year average of \$620M. With rising vacancy rates and lack of rent growth, sales activity has slowed since the second half of 2022 and has yet to rebound. High interest rates continue to put pressure on property owners who are looking to sell at a top dollar price but with limited economic incentive to sell, sales activity has stalled and is not projected to recover until well into the new year.

Although vacancy rates have increased over the past couple years, it is still below the 10-year average of 6.2% and the market remains relatively tight. Additionally, the bulk of the supply wave is over as 2024 only saw 1.5M SF delivered, roughly half of the new inventory compared to 2023. With only 2.1M SF currently underway, the lowest total since 2018, it's expected to decrease the upward pressure on vacancy rates. The slower pace of development in the past year will help push rent growth back up but is expected in the longer term.

The Federal Reserve lowered interest rates in 2024 and has signaled additional interest rate cuts throughout the new year in 2025. This rate reduction may stimulate the industrial real estate market by encouraging capital markets to invest in properties at more favorable rates. Concurrently, commercial mortgage-backed security, or CMBS, data shows an increasing number of Sacramento's industrial properties with active loans coming due in 2025. With the recent decreases in interest rates, property owners with maturing debt in the coming year may have more options to refinance or sell their properties. Near term outlook is positive, and many are optimistic that activity will increase in the new year, as lower debt costs could signal improved property values.

SIGNIFICANT SALE TRANSACTIONS 4Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
600-610 Sequoia Pacific Blvd	Richards	58,160	\$5,820,000	\$100.07	Michael J Connolly	Henderson Enterprises
4509 Skyway Dr	Marysville/Yuba City	15,236	\$4,550,000	\$298.63	PG&E	Richard Chowdry
4638-4680 Skyway Dr	Marysville/Yuba City	34,500	\$4,000,000	\$115.94	Antelope Iron	Beeler Tractor, Co.
9930 Kent St	Elk Grove/Laguna	20,000	\$3,700,000	\$185.00	Gurmeet Ra	Closet Factory
9325 Viking Pl	Roseville/Rocklin	12,128	\$3,513,500	\$289.70	Heather Taylor	Dustin Richard Taylor

SIGNIFICANT LEASE TRANSACTIONS 4Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
7320 Power Line Rd, Sacramento	Natomas/Northgate	479,978	December 2024	Buzz Oates	Undisclosed
6040 Foodlink St, Sacramento	Power Inn	98,010	October 2024	BRE Depot Park, LLC	Juan Navarro-Espino
8110 Power Ridge Rd, Sacramento	Power Inn	57,000	October 2024	Kaiwei Wang	Undisclosed
8201-8251 Demetre Ave, Sacramento	Power Inn	43,560	November 2024	Blackstone Inc.	IGT
3100 Ramco St, West Sacramento	West Sacramento	42,032	November 2024	AT Southport, LP	Undisclosed

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Owner	Delivery
Skyking Advanced Industries Ctr - Bldgs 12-16, Sacramento	Natomas/Northgate	809,293	Pac West Equities	June 2025
7450 Metro Air Pky, Sacramento	Natomas/Northgate	525,000	Target Corporation	January 2025
2975 Ramco St, West Sacramento	West Sacramento	189,916	Reyes Holdings	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

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	<i>\$10B</i> 3-YEAR AVERAGE TRANSACTION VOLUME	<i>31.7M</i> ANNUAL SALES SF	<i>42.4M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>57M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>850+</i> ASSETS UNDER MANAGEMENT	<i>260+</i> CLIENTS SERVED
VALUATION ADVISORY	<i>2,600+</i> 3-YEAR AVERAGE ASSIGNMENTS	<i>43</i> TOTAL APPRAISERS	<i>27</i> WITH MAI DESIGNATIONS

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