

## MARKET TRENDS

# SACRAMENTO

## INDUSTRIAL

### MARKET DRIVERS

The direct vacancy rate rose to 5.9% in the first quarter, 20-basis points (bps) up YOY. The vacancy rate has slowly increased over the last several years and now sits at the highest rate in almost 10 years. The South Sacramento Submarket had the highest direct vacancy rate at 22.7%, while the Elk Grove/Laguna submarket had the lowest direct vacancy rate at 0.8%.

Total availability rate jumped 150-bps YOY to 8.9%, the highest it's been since 2017. The Natomas/Northgate and Elk Grove/Laguna submarkets retained their positions as having the highest and lowest availability rates, correspondingly, standing at 14.1% and 1.2%.

The average asking lease rate increased slightly QOQ from \$0.81/SF in Q4 2024 to \$0.82/SF in Q1. With vacancies and availabilities on the rise, rent growth has slowed in recent quarters but is still hovering around the record high rate of \$0.83/SF NNN from 2023.

Total leasing activity for the first quarter of 2025 fell short of 1M SF, reaching only 782K SF, a notable 64% drop from 2.1M SF in 1Q 2024, and a new quarterly record low since 2008. Similarly, sales activity marked a 50% decrease in volume (SF) dropping from 726K SF in 1Q 2024 to a low 362K SF in 1Q 2025. Again, this number is one of the lowest recorded in over 10 years since 2013.

Although direct net absorption posted positive 169K SF last quarter in 4Q 2024, the first quarter posted negative net absorption of 17K SF. Interest from large users have dissipated in the last year, with only a handful of deals over 100K SF, 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, recent moveouts 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 February, down 20 bps from the month prior, and below the year-ago estimate of 4.9%. This compares to California's unemployment rate of 5.5% and 4.5% for the nation during the same period.

continued on page 3

### Market Summary

	1Q25	4Q24	1Q24	YOY Change
Direct Vacancy Rate	5.9%	5.8%	5.7%	<b>20 bps</b>
Total Availability Rate	8.9%	8.2%	7.4%	<b>150 bps</b>
Asking Lease Rate (NNN Overall)	\$0.82	\$0.81	\$0.83	<b>-1.2%</b>
	1Q25	4Q24	1Q24	YOY Change
Leasing Activity (SF)	782,208	1,506,661	2,146,737	<b>-63.6%</b>
Sales Volume (SF)	362,421	1,250,986	726,254	<b>-50.1%</b>
Net Absorption (SF)	-16,984	169,229	-572,640	<b>N/A</b>

↓ **782K SF**  
LEASING ACTIVITY

↓ **-17K SF**  
NET ABSORPTION

↑ **5.9%**  
DIRECT  
VACANCY RATE

↓ **\$0.82**  
ASKING RENT (AVG)

↓ **197K SF**  
NEW DELIVERIES

Year-Over-Year Trend

### Market Highlights

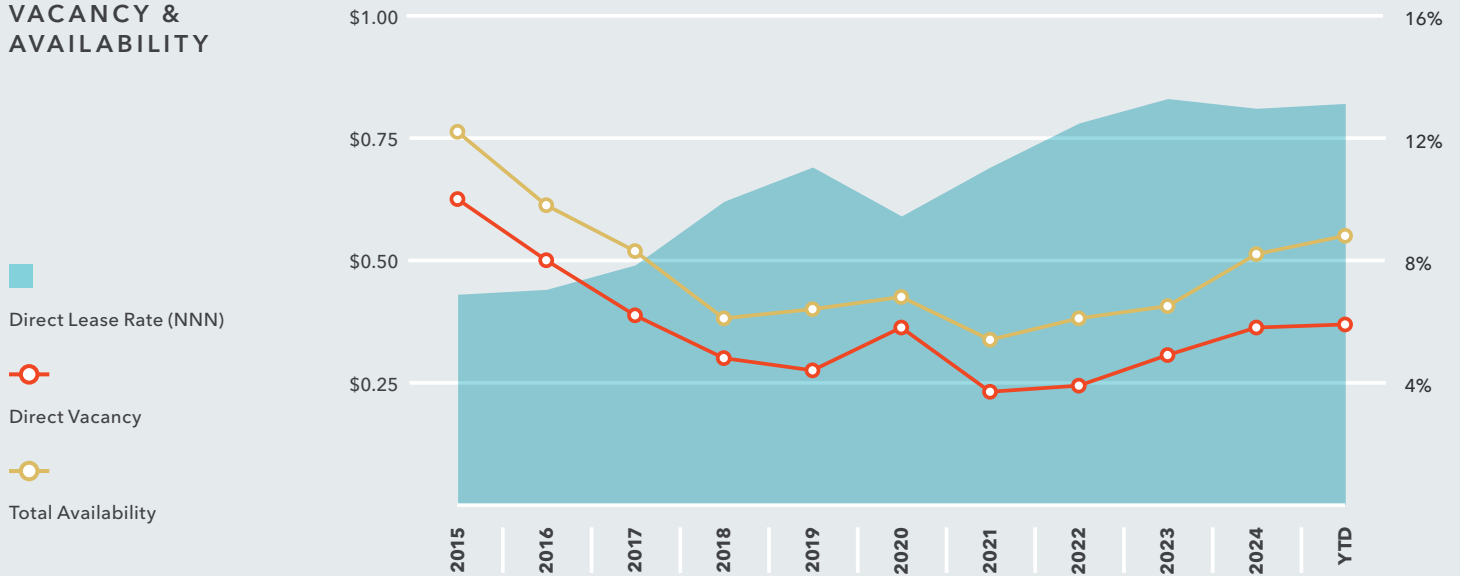
**AVERAGE ASKING LEASE RATES** increased QOQ to \$0.82 NNN.

**DIRECT VACANCY RATES** climbed from 5.7% to 5.9% YOY.

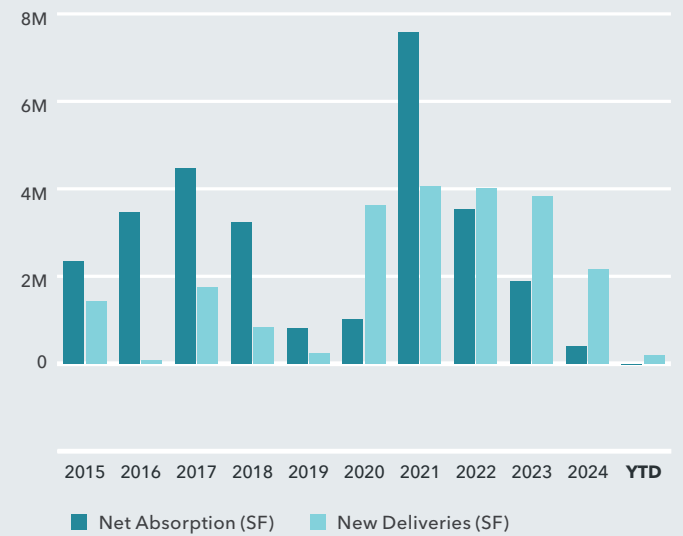
**SALES VOLUME** fell to a 5-year low, posting 362K SF.

**DIRECT NET ABSORPTION** posted -17K SF.

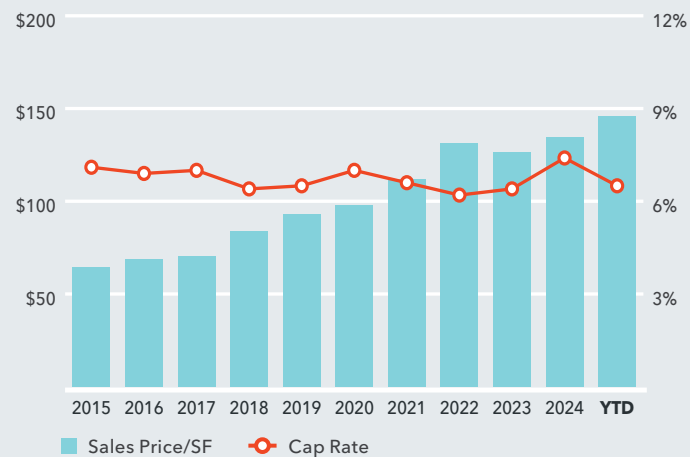
## LEASE RATE, VACANCY & AVAILABILITY



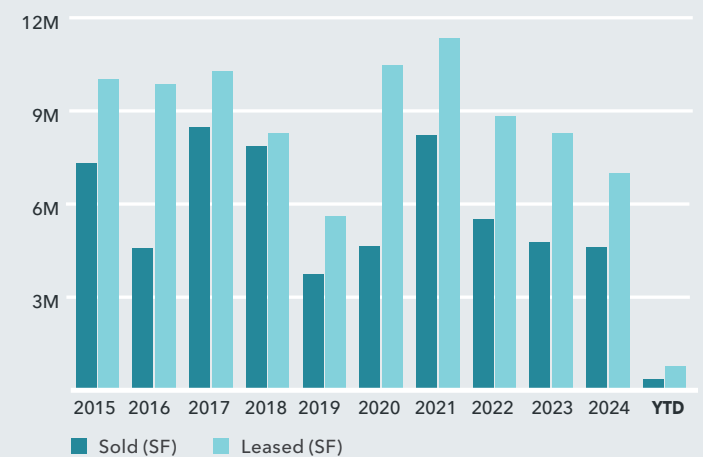
## NET ABSORPTION & NEW DELIVERIES



## AVERAGE SALES PRICE/SF & CAP RATE



## SALE VOLUME & LEASING ACTIVITY



## SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	1Q25 Direct Net Absorption	2024 Direct Net Absorption	1Q25 Leasing Activity	2024 Leasing Activity	Average Rental Rate (NNN)
Auburn/Newcastle	2,741,703	7.7%	7.7%	7.5%	-14,541	-112,508	5,934	66,675	\$0.55
Davis/Woodland	17,294,787	10.7%	11.1%	13.6%	-460,000	-1,185,004	46,870	273,273	\$0.65
Downtown	2,380,535	3.8%	3.8%	5.1%	370	31,847	0	12,407	\$0.67
East Sacramento	517,688	1.7%	1.7%	4.3%	0	1,400	0	7,200	\$1.35
Elk Grove/Laguna	7,058,383	0.8%	1.0%	1.2%	61,819	-14,726	4,914	185,985	\$1.19
Folsom/El Dorado	5,337,584	7.0%	7.0%	9.3%	15,879	-38,210	16,108	109,519	\$1.21
Marysville/Yuba City	7,330,803	1.1%	1.2%	5.9%	10,330	16,242	5,060	11,285	\$0.99
Mather	5,488,587	4.9%	5.2%	10.9%	108,310	103,602	8,000	146,924	\$0.97
McClellan	18,536,493	4.9%	5.9%	7.0%	-273,185	237,119	13,220	379,880	\$0.79
Natomas/Northgate	23,384,916	10.6%	12.2%	14.1%	29,596	599,927	185,843	1,292,038	\$0.81
NE Sacramento	6,206,586	4.4%	4.7%	7.2%	-11,448	54,923	14,960	238,398	\$0.78
Power Inn	27,252,803	4.0%	4.4%	6.5%	-232,160	-136,836	96,908	1,779,262	\$0.82
Richards	4,065,572	3.4%	4.3%	3.9%	56,900	34,907	111,328	60,718	\$0.76
Roseville/Rocklin	19,218,374	2.0%	4.2%	9.9%	-20,811	97,449	50,979	245,035	\$0.96
South Sacramento	4,114,616	22.7%	23.8%	6.8%	158,635	44,091	16,595	182,535	\$0.90
Sunrise	12,863,912	3.2%	3.5%	7.1%	468,371	521,369	107,811	829,137	\$0.90
West Sacramento	24,315,330	6.2%	7.5%	9.6%	84,951	133,352	97,678	1,187,553	\$0.76
<b>Sacramento Total</b>	<b>188,108,672</b>	<b>5.9%</b>	<b>6.8%</b>	<b>8.9%</b>	<b>-16,984</b>	<b>388,944</b>	<b>782,208</b>	<b>7,007,824</b>	<b>\$0.82</b>
General Industrial	29,821,687	5.0%	5.4%	8.7%	90,223	172,400	38,078	482,606	\$1.03
Warehouse & Distribution	138,744,043	5.8%	6.9%	8.7%	7,224	-313,073	551,201	5,880,228	\$0.76
Flex	19,520,532	7.9%	7.9%	9.8%	-114,431	529,617	192,929	649,230	\$1.05

## ECONOMIC OVERVIEW CONTINUED

Although a loss of 1,300 jobs month-over-month from January to February 2025, the Trade, Transportation, and Utilities sector gained an estimated 1,700 jobs year-over-year. Conversely, construction and manufacturing sectors both experienced a loss month-over-month and year-over-year.

## NEAR-TERM OUTLOOK

Although vacancy rates have steadily increased over the past few years, it is still in line with the 10-year average of 5.8%. A wave of new construction coupled with leaner demand over the last few years have driven much of the rise in vacancy rates in the Sacramento market. With only 920K 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 also help push rent growth back up in the longer term.

After a surge in new development over the past few years driven largely by the e-commerce boom during the pandemic, the influx of new supply and deliveries have significantly slowed in the past year. Most of the projects underway are still unaccounted for as the bulk of the spaces are available for lease. Construction starts are near zero and the majority of projects currently under construction are all projected to complete by year end. Interest rates and weak demand

in the recent quarters has led to a drop in construction starts, as developers are cautious to the pullback in large tenant requirements, and it is expected that construction starts remain minimal in the coming year which will help in reducing the risk of oversupply.

Inflation and other economic uncertainties over the past year have forced tenants to carefully evaluate expansions and, in some cases, reduce space as their requirements change. Additionally, there have been several proposed policies such as tariffs, reduced corporate taxes, and deregulation. These policies have yet to be implemented, making it difficult to predict the future direction of the market. Once decisions are made about which policies will be enacted, there will be greater clarity regarding their impact on the market, enabling decision makers to respond accordingly.

## SIGNIFICANT SALE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
7070 Badiie Dr - MAP Logistics Center III	Natomas/Northgate	109,332	\$14,500,000	\$132.62	McClellan Park, LLC	Badiie Development, Inc.
107 Woodmere Rd	Folsom/El Dorado	57,946	\$13,500,000	\$232.98	Kader Investments, Inc.	Salvatore Rubino
630 Sequoia Pacific Blvd	Richards	38,827	\$7,575,000	\$195.10	Alexander Frid	Patricia Henderson
8290 Alpine Ave	Power Inn	40,202	\$5,500,000	\$136.81	Sean MacNeil	Leslie Strunk
580 Menlo Dr - Stanford Business Park Bldg C	Roseville/Rocklin	16,171	\$2,070,000	\$128.01	Michael Cunningham	ECO: Logic Engineering

## SIGNIFICANT LEASE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
7325 Lone Tree Rd	Natomas/Northgate	148,658	March 2025	Buzz Oates	Wheel Mart
819-849 N 10th St	Richards	89,500	January 2025	Amir Development Company	21 Construction Depot
521 Display Way	Natomas/Northgate	42,662	February 2025	Continental Display, Inc.	JSJ Commercial, LLC
3520 Carlin Dr	West Sacramento	37,561	February 2025	Dermody/AXA Investment Managers US Inc.	LKQ Corporation
7525 Lone Tree Rd	Natomas/Northgate	27,043	February 2025	Buzz Oates	Agiliti Health, Inc.

## SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Owner	Delivery
Skyking Advanced Industries Center - Bldgs 14-16	Natomas/Northgate	350,804	Pac West Equities	June 2025
2151 & 2251 Freedom Way - Bldg A & B	Roseville/Rocklin	190,820	Schnitzer Properties	August 2025
3225 Venture Dr	Roseville/Rocklin	176,013	Buzz Oates	April 2025

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



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The information in this report was composed by the Kidder Mathews Research Group.

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<b>COMMERCIAL BROKERAGE</b>	<b>\$9B</b> AVERAGE ANNUAL TRANSACTION VOLUME	<b>26.2M</b> ANNUAL SALES SF	<b>36.7M</b> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<b>58M SF</b> MANAGEMENT PORTFOLIO SIZE	<b>850+</b> ASSETS UNDER MANAGEMENT	<b>250+</b> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<b>2,400+</b> AVERAGE ASSIGNMENTS	<b>39</b> TOTAL APPRAISERS	<b>24</b> WITH MAI DESIGNATIONS

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