

MARKET TRENDS

SACRAMENTO INDUSTRIAL

MARKET DRIVERS

The direct vacancy rate fell for the first time in two years to 5.8% in the second quarter, down 10-basis points (bps) from last quarter. The vacancy rate has gradually increased over the last several years and is now at its highest level in nearly a decade. The South Sacramento Submarket had the highest direct vacancy rate at 23.6%, while the East Sacramento submarket posted the lowest direct vacancy rate of 0.6%.

Market wide availability reached its highest rate since 2017, an increase of 150-bps YOY posting 8.8% at the end of Q2. The Natomas/Northgate and Elk Grove/Laguna submarkets retained their positions as having the highest and lowest availability rates, correspondingly, standing at 13.8% and 0.9%.

The average asking lease rate fell QOQ and YOY to \$0.80/SF in Q2. Although the current rate is still near the record high rate of \$0.83/SF NNN from 2023, rent growth over the past couple years have been some of the slowest in the past decade.

After a slow first quarter of the year, total leasing activity rebounded in Q2 to 1.79M SF, a 52% increase QOQ and the highest level recorded in the past year. This provided some positive momentum for absorption, which posted positive 171K SF for Q2. Although interest from large users has been minimal in the past year, there were several large deals and expansions in Q2 over 200K SF that helped drive leasing volume.

Similarly to leasing, sales activity in Q2 recovered QOQ posting 982K SF in volume, a 50% increase from Q1. Overall demand is projected to grow, with investment sales likely to increase as interest rates are expected to stabilize or decline modestly over the next 12 to 24 months.

ECONOMIC REVIEW

The unemployment rate in the Sacramento MSA was 4.3% in May, down 20 bps from the month prior, but an increase from the year-ago estimate of 3.9%. This compares to California's unemployment rate of 5.3% and 4.2% for the nation during the same period.

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Market Summary

	2Q25	1Q25	2Q24	YOY Change
Direct Vacancy Rate	5.8%	5.9%	5.5%	30 bps
Total Availability Rate	8.8%	8.5%	7.3%	150 bps
Asking Lease Rate (NNN Overall)	\$0.80	\$0.81	\$0.83	-3.6%
	2Q25	2025 YTD	2024 YTD	YOY Change
Leasing Activity (SF)	1,798,061	2,981,781	4,789,063	-37.8%
Sales Volume (SF)	982,579	1,442,678	2,408,065	-40.1%
Net Absorption (SF)	171,248	-69,945	119,091	N/A



Market Highlights

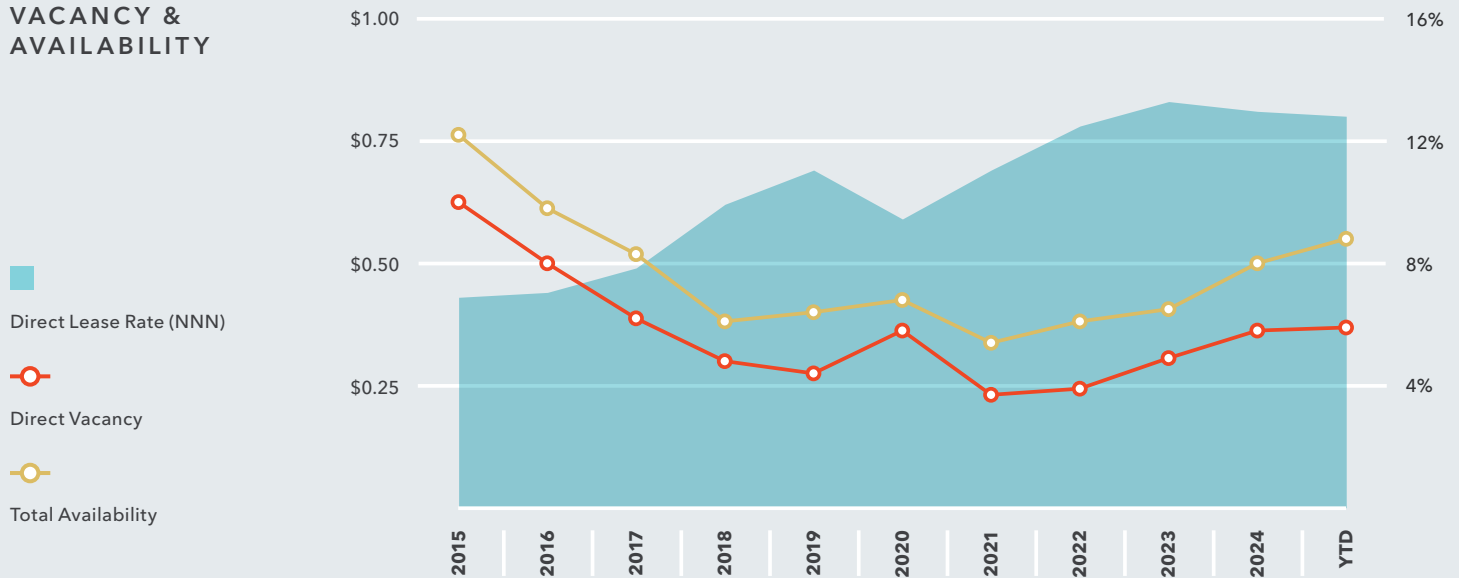
AVERAGE ASKING LEASE RATES decreased QOQ to \$0.80 NNN.

DIRECT VACANCY RATES climbed from 5.5% to 5.8% YOY.

SALES VOLUME increased YOY to 982K SF.

DIRECT NET ABSORPTION posted 171K SF.

LEASE RATE, VACANCY & AVAILABILITY

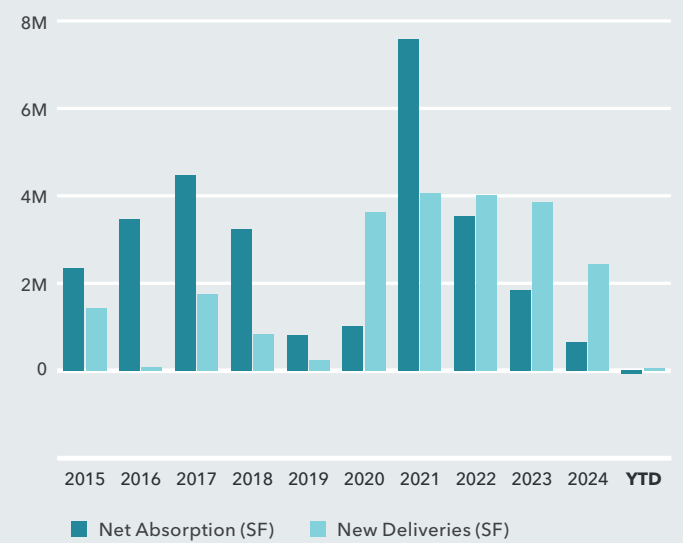


BIGGEST SALE OF THE QUARTER

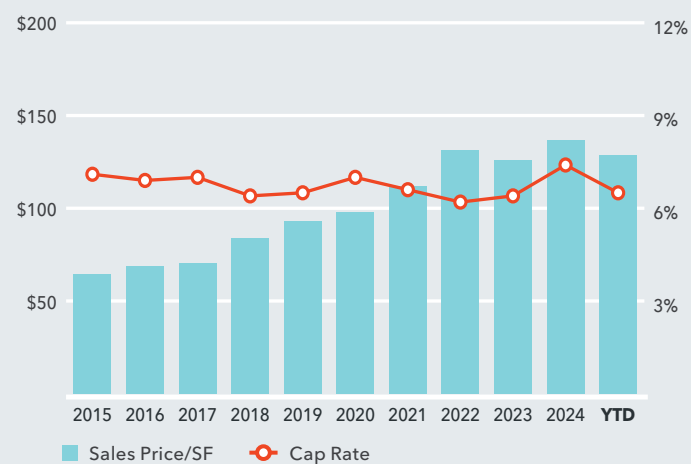
1771 Tribute Rd, Sacramento, CA



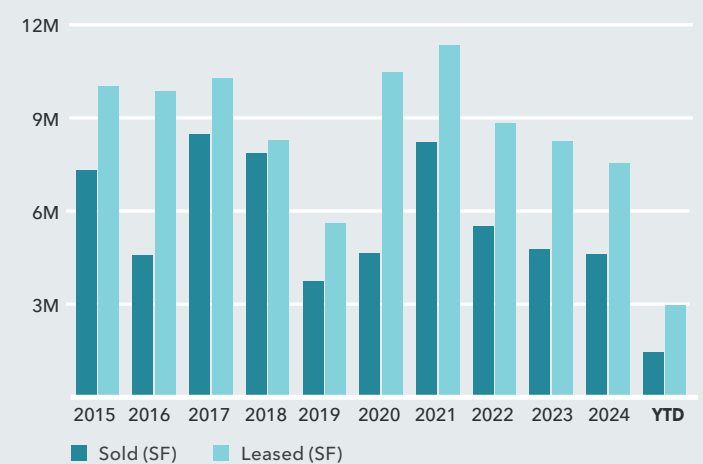
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q25 Direct Net Absorption	YTD Direct Net Absorption	2Q25 Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Auburn/Newcastle	2,744,753	9.8%	9.8%	12.2%	-60,405	-72,722	21,346	27,280	\$0.62
Davis/Woodland	17,123,811	11.3%	11.7%	11.4%	-118,453	-543,953	523,765	536,135	\$0.65
Downtown	2,334,190	3.8%	3.8%	4.5%	0	370	0	0	\$0.63
East Sacramento	517,688	0.6%	0.6%	3.1%	0	6,000	0	0	\$1.35
Elk Grove/Laguna	7,090,383	0.7%	0.8%	0.9%	23,252	85,071	23,417	28,331	\$1.16
Folsom/El Dorado	5,324,149	7.0%	7.0%	8.0%	2,195	16,574	9,967	21,475	\$1.26
Marysville/Yuba City	7,361,619	1.9%	2.9%	7.2%	-60,530	-50,200	26,760	31,820	\$0.95
Mather	5,316,618	5.5%	5.8%	8.0%	-23,508	-70,274	49,607	61,049	\$0.91
McClellan	18,538,302	5.3%	6.4%	7.7%	-103,056	-351,641	365,396	381,976	\$0.78
Natomas/Northgate	23,634,906	8.4%	9.9%	13.8%	544,766	521,817	117,464	544,209	\$0.80
NE Sacramento	6,205,942	5.0%	5.2%	7.6%	-35,265	-43,721	20,090	39,194	\$0.77
Power Inn	27,240,249	4.4%	4.5%	6.0%	-99,439	-346,510	168,106	375,822	\$0.85
Richards	4,066,132	4.6%	5.4%	6.6%	-45,563	11,337	2,208	119,836	\$0.72
Roseville/Rocklin	19,262,595	1.7%	3.9%	8.8%	88,657	57,526	194,221	284,976	\$0.83
South Sacramento	4,121,428	22.5%	23.6%	6.5%	3,653	166,168	25,156	44,076	\$0.65
Sunrise	12,889,569	3.8%	4.1%	7.0%	50,119	395,699	51,260	172,414	\$0.90
West Sacramento	24,294,064	5.8%	7.3%	11.3%	4,825	148,514	199,298	313,188	\$0.80
Sacramento Total	188,066,398	5.8%	6.7%	8.8%	171,248	-69,945	1,798,061	2,981,781	\$0.80
General Industrial	30,292,280	4.9%	6.6%	8.0%	21,283	100,386	151,847	196,675	\$1.02
Warehouse & Distribution	138,188,764	5.7%	6.6%	8.7%	188,723	-24,844	1,503,871	2,451,031	\$0.74
Flex	19,563,754	8.1%	8.1%	10.5%	-39,148	-149,765	142,733	334,465	\$1.10

ECONOMIC OVERVIEW CONTINUED

Sacramento's industrial economy is marked by strength and increasing diversification, driven by core sectors such as agribusiness, manufacturing, and an expanding tech industry. The region's strategic location, competitive lease rates, and solid infrastructure continue to make it an appealing destination for businesses of all sizes.

NEAR-TERM OUTLOOK

The market outlook remains broadly positive, supported by its affordability, strategic location, skilled labor force, and strong infrastructure—all key drivers of future job growth and industrial demand. With a slowdown in speculative development, newer facilities should have time to be absorbed, helping vacancy rates stay stable and below the long-term average of 9.4%.

Vacancy rates have gradually increased over the past few years, but the current rate is still on trend with the 10-year average. An influx of new construction coupled with leaner demand over the last few years has driven much of the rise in vacancy rates in the Sacramento market. However, as the pace of new construction slows and as larger space requirements begin to return, big-block leasing activity could gain momentum, contributing to vacancy stabilization and supporting rent growth.

The wave of new supply over the last few years has significantly slowed in the past year and construction starts have been almost nonexistent in the past year. Most of the delivered space in 2025 is Amazon's 630K SF distribution center in Sunrise. Furthermore, developments currently under construction are all projected to complete by year end. Developers have responded cautiously to the surplus of available new space and slower large-box demand, which is evident in the recent decline in construction starts. It is expected that construction starts remain minimal in the coming year which will help in reducing the risk of oversupply.

SIGNIFICANT SALE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Expo Centre Business Park	NE Sacramento	121,816	\$17,550,000	\$144.07	MAG Capital Partners	BKM Capital Partners
8451 Rovana Cir	Power Inn	109,200	\$12,031,500	\$110.18	Balanced Body Inc.	Buzz Oates
6001 Outfall Cir	Power Inn	93,225	\$11,900,000	\$127.65	Grossergroup, LLC	Rex Moore Group, Inc.
2643-2647 Mercantile Dr	Sunrise	79,273	\$10,050,000	\$126.78	Todd Berryhill	Browne Cattle Company of CA
11327 Folsom Blvd	Sunrise	94,060	\$9,500,000	\$101.00	Sutter Capital Group	Geoffrey Hardcastle

SIGNIFICANT LEASE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1755 E Beamer St	Davis/Woodland	516,760	June 2025	Westcore	Pacific Coast Producers
2031 Optisolar Ln	McClellan	139,100	June 2025	McClellan Park, LLC	Amerisun
2063 Dome Ln	McClellan	90,000	June 2025	McClellan Park, LLC	Amerisun
5201-5231 Luce Ave	McClellan	85,785	May 2025	McClellan Park, LLC	Cristo Rey
2975-3071 Venture Dr	Roseville/Rocklin	81,600	June 2025	Buzz Oates	Undisclosed

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Owner	Delivery
Skyking Advanced Industries Center - Bldgs 14-16	Natomas/Northgate	350,804	Pac West Equities	September 2025
3225 Venture Dr, Lincoln	Roseville/Rocklin	176,013	Buzz Oates	July 2025
2151 Freedom Way - Bldg B	Roseville/Rocklin	80,850	Schnitzer Properties	August 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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COMMERCIAL
BROKERAGE

\$9B

AVERAGE ANNUAL
TRANSACTION VOLUME

26.2M

ANNUAL
SALES SF

36.7M

ANNUAL
LEASING SFASSET
SERVICES

58M SF

MANAGEMENT
PORTFOLIO SIZE

850+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,400+

AVERAGE ANNUAL
ASSIGNMENTS

39

TOTAL
APPRAISERS

24

WITH MAI
DESIGNATIONS

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