

MARKET TRENDS

SACRAMENTO INDUSTRIAL

MARKET DRIVERS

The vacancy rate has gradually increased over the last several years and surpassed the 5% threshold for the first time in 8 years. The direct vacancy rate increased to 6.1% in the third quarter, up 60 basis points (bps) year-over-year (YOY). The South Sacramento Submarket had the highest direct vacancy rate at 25.8%, while the East Sacramento submarket posted the lowest direct vacancy rate of 0.6%.

Similar to vacancies, market wide availability reached its highest rate since 2017, an increase of 160 bps YOY posting 9.3% at the end of Q3. The Natomas/Northgate and Elk Grove/Laguna submarkets maintained its position as having the highest availability rate at 13.8%, while East Sacramento recorded the lowest rate at 3.1%.

The average asking lease rate dropped YOY to \$0.81 PSF but unchanged from last quarter. While current rents are still near the 2023 peak of \$0.83 PSF NNN, growth has slowed noticeably, representing one of the slowest periods of rent gains in the last decade.

While the market experienced an uptick in leasing volume last quarter, total leasing activity fell to 1.35M SF, a 26% decrease QOQ. Although demand has cooled in the last year, interest from large users has been on the rise, and there were several large deals and expansions over 100K SF over the last couple quarters.

Similar to leasing, sales activity rebounded in Q2 but fell notably in Q3, recording approximately 572K SF in volume, a 67% increase QOQ. Investor sentiment remains cautiously optimistic, with most buyers holding back until financing conditions improve, vacancy levels stabilize, and stronger commitments from major occupiers emerge.

ECONOMIC REVIEW

The unemployment rate in the Sacramento MSA was 5.4% in August, down 20 bps from the month prior, and an increase from the year-ago estimate of 5.1%. This compares to California's unemployment rate of 5.5% and 4.5% for the nation during the same period.

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Market Summary

	3Q25	2Q25	3Q24	YOY Change
Direct Vacancy Rate	6.1%	5.9%	5.5%	60 bps
Total Availability Rate	9.3%	8.8%	7.7%	160 bps
Asking Lease Rate (NNN Overall)	\$0.81	\$0.81	\$0.83	-2.4%
	3Q25	2025 YTD	2024 YTD	YOY Change
Leasing Activity (SF)	1,351,513	4,393,003	6,026,211	-27.2%
Sales Volume (SF)	572,799	2,771,811	3,353,774	-17.4%
Net Absorption (SF)	74,448	-169,774	464,052	N/A

↑ **1.3M SF**
LEASING ACTIVITY

↑ **74K SF**
NET ABSORPTION

↑ **6.1%**
DIRECT VACANCY RATE

↓ **\$0.81**
ASKING RENT (AVG)

↑ **416K SF**
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

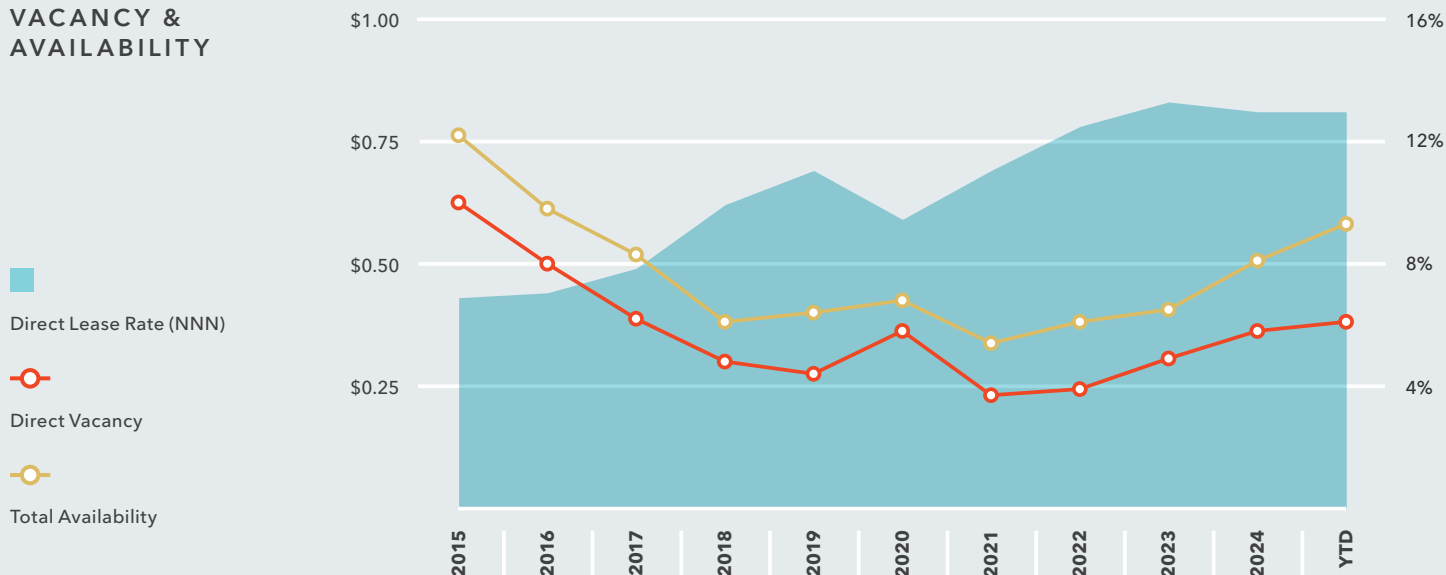
AVERAGE ASKING LEASE RATES
held steady YOY at
\$0.81 NNN

DIRECT VACANCY RATES
increased YOY to 6.1%

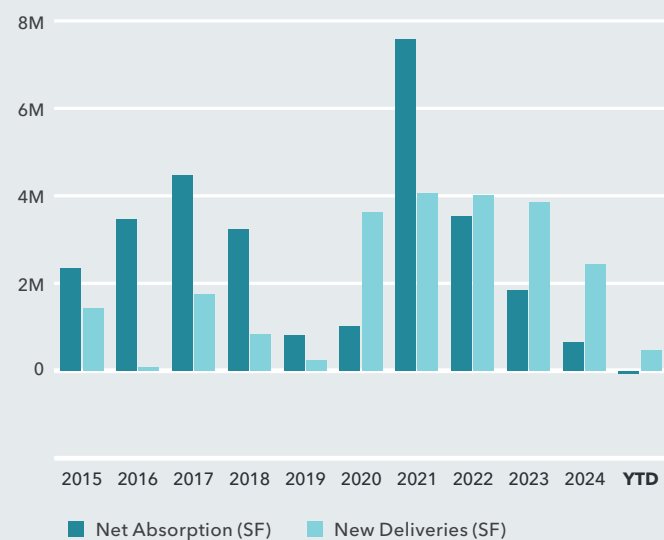
SALES VOLUME dropped YOY
to 572K SF

DIRECT NET ABSORPTION
posted 74K SF

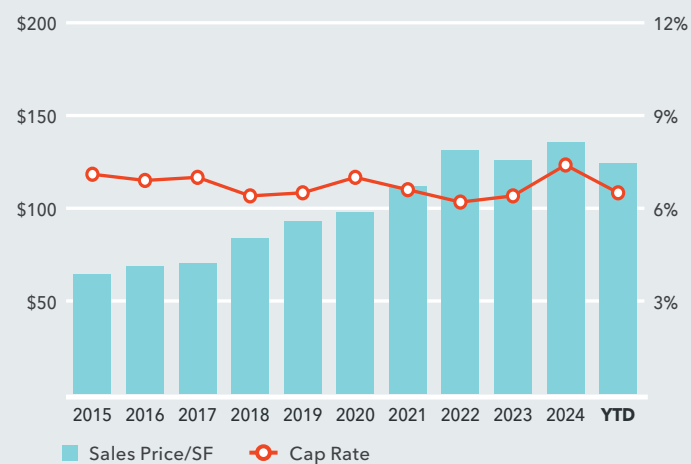
LEASE RATE, VACANCY & AVAILABILITY



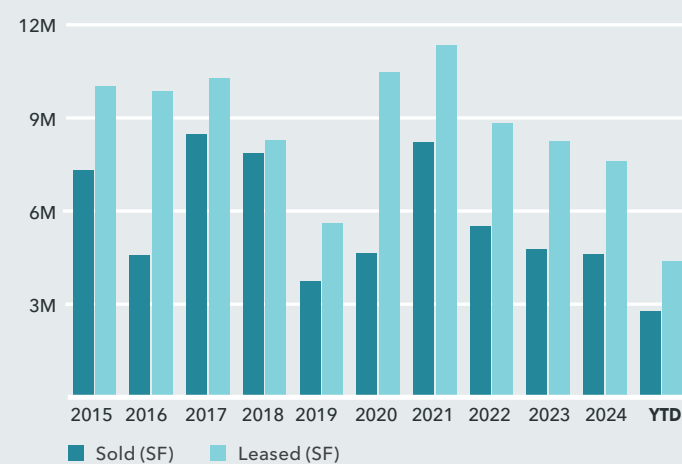
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	3Q25 Direct Net Absorption	YTD Direct Net Absorption	3Q25 Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Auburn/Newcastle	2,763,573	6.7%	6.7%	6.8%	83,422	10,700	3,600	30,880	\$0.53
Davis/Woodland	17,105,971	6.9%	7.1%	9.7%	754,255	204,087	327,135	863,270	\$0.66
Downtown	2,314,376	4.1%	4.1%	4.6%	-4,500	-4,130	0	0	\$0.70
East Sacramento	517,688	0.6%	0.6%	3.1%	0	6,000	0	0	\$1.35
Elk Grove/Laguna	7,101,324	4.0%	4.1%	4.9%	-240,057	-154,986	17,344	45,675	\$1.13
Folsom/El Dorado	5,293,327	6.8%	6.8%	7.3%	7,009	24,876	10,000	31,475	\$1.26
Marysville/Yuba City	7,287,949	3.2%	4.1%	8.6%	-74,067	-138,267	3,300	37,120	\$0.67
Mather	5,408,877	6.5%	6.9%	9.6%	-50,525	-113,253	37,423	112,582	\$0.93
McClellan	18,385,779	4.1%	5.0%	8.7%	242,831	-108,810	165,542	556,418	\$0.86
Natomas/Northgate	23,890,501	9.5%	11.7%	13.8%	75,929	594,872	69,708	613,917	\$0.77
NE Sacramento	6,209,938	5.3%	5.7%	7.4%	-2,735	-62,036	24,712	79,574	\$0.79
Power Inn	27,112,232	5.5%	5.5%	6.4%	-270,836	-647,826	233,629	634,526	\$0.89
Richards	4,056,980	5.1%	6.6%	6.8%	-23,168	-11,831	10,488	132,724	\$0.72
Roseville/Rocklin	19,358,275	3.1%	5.8%	10.2%	-77,900	-43,444	48,155	333,131	\$0.81
South Sacramento	4,121,428	25.8%	26.9%	6.2%	-152,461	29,321	14,760	64,204	\$0.61
Sunrise	12,685,282	4.8%	5.2%	8.1%	-120,289	282,160	53,270	232,684	\$0.89
West Sacramento	24,235,064	6.1%	7.1%	12.4%	-72,460	73,318	332,447	624,823	\$0.80
Sacramento Total	187,848,564	6.1%	7.1%	9.3%	74,448	-59,249	1,351,513	4,393,003	\$0.81
General Industrial	30,151,617	6.6%	8.1%	8.1%	-393,206	-281,790	28,381	232,314	\$1.20
Warehouse & Distribution	138,129,084	5.7%	6.6%	9.3%	412,240	341,484	1,182,375	3,685,464	\$0.76
Flex	19,489,258	8.4%	8.5%	10.6%	-54,676	-229,033	140,757	475,615	\$1.07

ECONOMIC OVERVIEW CONTINUED

The Sacramento industrial market benefits from a diverse economic base spanning agribusiness, manufacturing, logistics, and emerging technology, which provides stability amid national uncertainty. The region's affordability and well-connected location along major distribution routes continue to attract users seeking cost-effective alternatives to Bay Area markets.

Although the Construction sector recorded a loss of an estimated 300 jobs from July to August, manufacturing reported gains of 300 jobs over the same period.

NEAR-TERM OUTLOOK

There is an overall sentiment that Sacramento's industrial market, like many other major industrial markets, is going through a period of transition. Transaction volume has slowed, and pricing expectations between buyers and sellers remain wide as higher interest rates continue to weigh on deal activity. However, most of this softness appears cyclical rather than structural. The region's strong logistics position, proximity to major Northern California population centers,

and growing base of distribution and manufacturing users continue to support long-term fundamentals. As financing conditions stabilize and vacancy levels begin to normalize, investor confidence is expected to gradually return, positioning the market for a more balanced recovery in sales activity over the next 12 to 18 months.

Although rent growth has fallen below the long-term average, stronger leasing activity—particularly in newly delivered projects—and renewed confidence among larger corporate occupiers are expected to support improvement through 2026. As larger requirements return to the market, demand for big-block space could strengthen, helping to stabilize vacancy and gradually lift rent growth toward historical norms.

SIGNIFICANT SALE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1962 Hays Ln	Davis/Woodland	99,156	\$11,500,000	\$115.98	Hoblitt Chevrolet Buick GMC	Frank & Judy Lucchesi
1105-1107 Terminal St	West Sacramento	61,560	\$9,050,000	\$147.01	Allied Doors	Richland Laguna Company
1686 E Beamer St	Davis/Woodland	69,500	\$6,300,000	\$90.65	Whiting-Turner	Armando Glenn Garcia
5800 Foodlink St	Power Inn	20,112	\$4,554,000	\$226.43	US National Leasing California, LLC	CA Emergency Foodlink
8581 23rd Ave	Power Inn	39,562	\$4,500,000	\$113.75	Zakhir	Empire Electric Sales, Inc.

SIGNIFICANT LEASE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
550 N Pioneer Ave	Davis/Woodland	222,126	July 2025	Link Logistics Real Estate	iCargoEx Inc.
3095 Mary Pl	West Sacramento	148,021	July 2025	Invesco Ltd.	TWM Wholesale
3021-3034 Peacekeeper Way	McClellan	107,714	July 2025	McClellan Park, LLC	Southland Industries
700 Santa Anita Dr	Davis/Woodland	66,306	July 2025	Sac Valley Cold Storage, LLC	Pure Nature Foods
3910-3920 Seaport Blvd	West Sacramento	47,000	August 2025	Schnitzer Properties Mgmt, LLC	Enclos

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Owner	Delivery
3301 Rancho Cordova Pkwy	Sunrise	629,186	Amazon	4Q 2025
2151 Freedom Way - Bldg B	Roseville/Rocklin	80,850	Schnitzer Properties	4Q 2025
3031 2nd St	Davis/Woodland	25,500	USA	1Q 2026

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



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COMMERCIAL
BROKERAGE

\$9B

AVERAGE ANNUAL
TRANSACTION VOLUME

26.2M

ANNUAL
SALES SF

36.7M

ANNUAL
LEASING SFASSET
SERVICES

53M SF

MANAGEMENT
PORTFOLIO SIZE

800+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,400+

AVERAGE ANNUAL
ASSIGNMENTS

39

TOTAL
APPRAISERS

24

WITH MAI
DESIGNATIONS