

MARKET TRENDS

SACRAMENTO INDUSTRIAL

MARKET DRIVERS

Marketwide vacancy has steadily increased in recent years, driven in large part by sublease inventory, which has doubled in the past year to approx. 2M SF. The direct vacancy rate increased to 6.2% in 4Q, up 20 basis points (bps) year-over-year (YOY). The South Sacramento Submarket had the highest direct vacancy rate at 23.9%, while the East Sacramento submarket posted the lowest direct vacancy rate of 0.3%.

Availability across the region mirrored vacancy trends, reaching a decade-high rate in 4Q, an increase of 190 bps YOY ending at 10.0%. The Natomas/Northgate and Elk Grove/Laguna submarkets continued to lead the market with the highest availability at 13.9%, while East Sacramento posted the lowest rate at 2.8%.

After four consecutive quarters at a steady rate, the average asking lease rate increased slightly YOY to \$0.82 PSF. While still near the 2023 peak of \$0.83 PSF NNN, growth has slowed noticeably, marking one of the slowest periods of rent gains in the past decade.

Total leasing activity in 4Q fell to 1.09M SF, down 31% QOQ and marking a five-year annual low. Overall demand has softened over the past year, but interest from large users remains strong, with multiple deals and expansions exceeding 100K SF. This activity should provide positive momentum for absorption in the coming quarters as these firms take occupancy of their new big-box spaces.

Sales activity rebounded in Q4, doubling year-over-year to roughly 2.5M SF. As construction slows and supply constraints ease, Sacramento's logistics market is poised to absorb new space and support rent growth, making the region an attractive target for investors.

ECONOMIC REVIEW

The unemployment rate in the Sacramento MSA was 5.0% in November, up 20 bps from the year-ago estimate of 4.8%. This compares to California's unemployment rate of 5.4% and 4.3% for the nation during the same period.

continued on page 3

Market Summary

	4Q25	3Q25	4Q24	YOY Change
Direct Vacancy Rate	6.2%	6.1%	5.7%	50 bps
Total Availability Rate	10.0%	9.3%	8.1%	190 bps
Asking Lease Rate/SF/Mo NNN	\$0.82	\$0.81	\$0.81	1.2%
	4Q25	2025	2024	YOY Change
Leasing Activity (SF)	1,095,890	5,840,366	7,565,817	-22.9%
Sales Volume (SF)	2,536,816	4,909,688	4,628,613	6.1%
Net Absorption (SF)	-66,419	-198,076	567,304	N/A

↓ **1.0M SF**
LEASING ACTIVITY

↓ **-66K SF**
NET ABSORPTION

↑ **6.2%**
DIRECT
VACANCY RATE

↑ **\$0.82**
ASKING RENT (AVG)

↓ **90K SF**
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

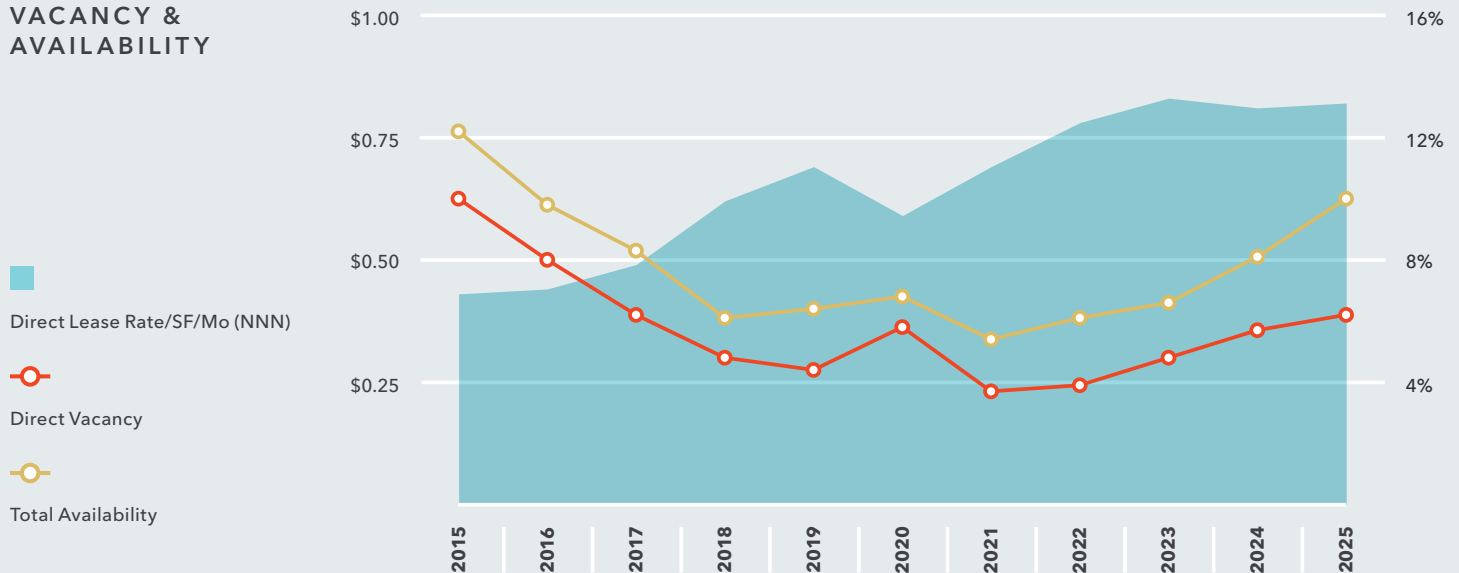
AVERAGE ASKING LEASE RATES
rose slightly to \$0.82 NNN

DIRECT VACANCY RATES
increased YOY to 6.2%.

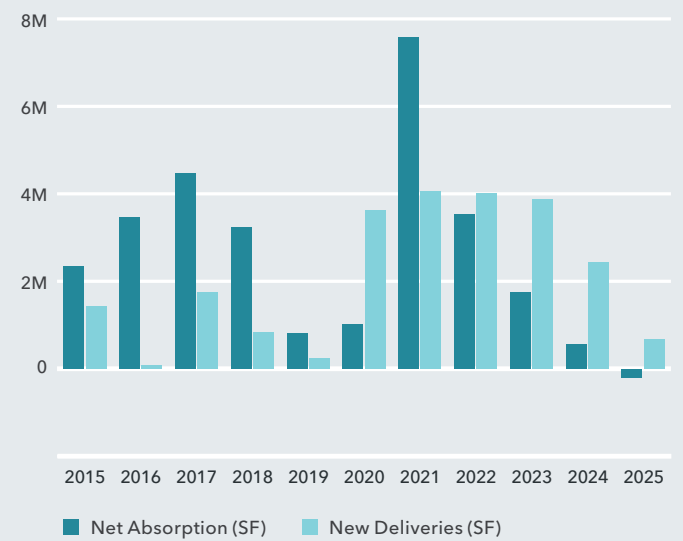
SALES VOLUME
jumped YOY to 2.5M SF

DIRECT NET ABSORPTION
posted -66K SF

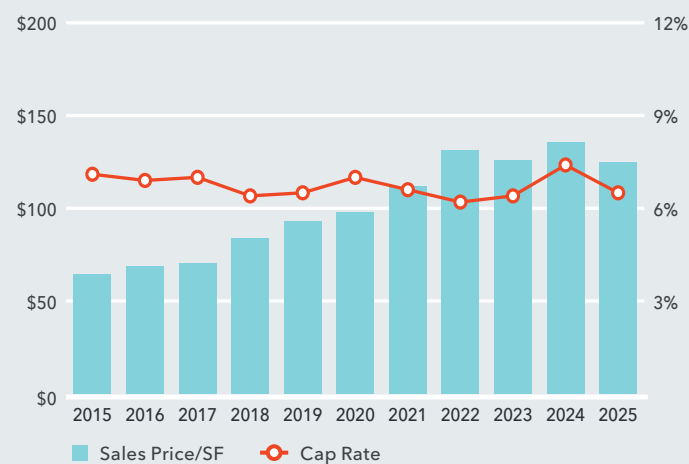
LEASE RATE, VACANCY & AVAILABILITY



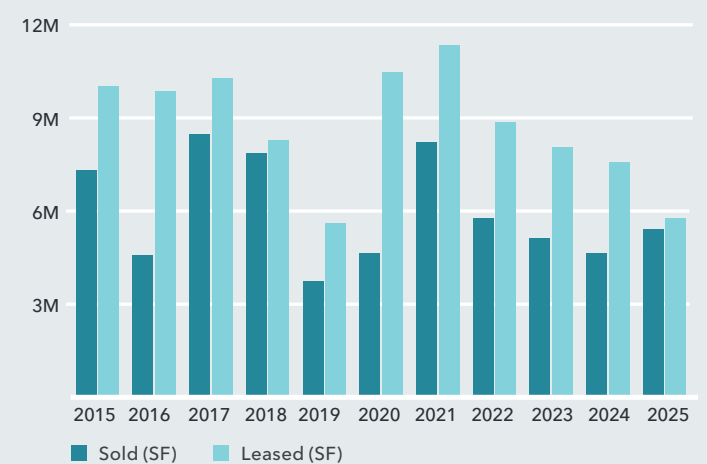
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q25 Direct Net Absorption	2025 Direct Net Absorption	4Q25 Leasing Activity	2025 Leasing Activity	Average Rental Rate (NNN)
Auburn/Newcastle	2,796,251	6.7%	6.7%	7.6%	-956	8,494	1,250	38,080	\$0.67
Davis/Woodland	17,106,371	6.3%	6.9%	10.2%	121,201	307,549	4,461	920,932	\$0.65
Downtown	2,314,376	4.1%	4.1%	4.6%	0	-4,130	0	0	\$0.70
East Sacramento	517,688	0.3%	0.3%	2.8%	1,507	7,507	0	0	\$1.35
Elk Grove/Laguna	7,143,209	4.7%	4.7%	7.5%	-30,307	-192,718	10,150	72,061	\$1.14
Folsom/El Dorado	5,256,710	7.7%	7.8%	8.7%	-37,447	-18,067	29,699	83,516	\$1.28
Marysville/Yuba City	7,299,792	4.2%	5.1%	9.9%	-73,014	-211,281	8,590	45,710	\$0.78
Mather	5,406,624	7.5%	8.0%	10.5%	-56,396	-169,652	21,923	213,905	\$0.90
McClellan	17,542,601	4.5%	7.5%	9.4%	-63,689	-157,555	367,650	833,386	\$0.83
Natomas/Northgate	23,941,608	10.1%	12.4%	13.9%	-69,156	434,945	54,298	854,863	\$0.78
NE Sacramento	6,219,111	6.1%	6.5%	7.6%	-36,138	-116,550	20,508	101,082	\$0.83
Power Inn	27,100,410	5.3%	5.5%	8.4%	63,360	-589,411	70,261	743,452	\$0.90
Richards	4,017,746	5.4%	6.0%	5.7%	-8,529	-20,360	58,838	191,562	\$0.82
Roseville/Rocklin	19,555,819	3.5%	6.2%	10.9%	20,111	-30,945	67,765	410,180	\$0.88
South Sacramento	3,333,376	23.9%	25.2%	11.1%	-4,747	24,574	0	59,729	\$0.78
Sunrise	12,897,387	4.6%	5.0%	7.6%	31,373	297,373	227,597	473,881	\$0.92
West Sacramento	24,398,123	5.6%	6.1%	11.9%	76,408	232,151	152,900	798,027	\$0.80
Sacramento Total	186,847,202	6.2%	7.3%	10.0%	-66,419	-198,076	1,095,890	5,840,366	\$0.82
General Industrial	28,207,932	6.5%	8.2%	9.4%	-27,047	-362,573	0	167,008	\$1.09
Warehouse & Distribution	138,181,057	5.8%	6.9%	9.7%	-79,663	357,932	953,196	4,947,012	\$0.75
Flex	19,465,579	8.5%	9.0%	11.8%	40,291	-193,435	142,694	651,346	\$1.10

ECONOMIC OVERVIEW CONTINUED

Although the Construction sector recorded a loss of an estimated 3,600 jobs from October to November, the Trade, Transportation, and Utilities sector reported gains of 4,400 jobs over the same period.

NEAR-TERM OUTLOOK

Rent growth has moderated below historical averages; however, leasing momentum in newer developments and improving confidence among larger corporate users are expected to provide support through 2026. The current slowdown is widely viewed as cyclical, reflecting broader economic conditions, with leasing activity expected to improve as economic expansion resumes. As larger requirements re-enter the market, demand for big-block space could strengthen, helping stabilize vacancy and gradually lift rent growth toward long-term norms.

Sacramento's industrial market continues to move through a transitional phase, consistent with conditions seen across many major industrial markets. Sales volume has moderated, and elevated interest rates have widened the gap between buyer and seller pricing expectations, limiting deal flow. Despite these near-term challenges, market softness appears largely cyclical in nature. Sacramento's strategic logistics advantages, access to Northern California population centers, and expanding distribution and manufacturing presence remain key long-term supports. As financing conditions improve and vacancy trends stabilize, investor sentiment is expected to strengthen, setting the stage for a more balanced recovery in transaction activity over the next 12 to 18 months.

SIGNIFICANT SALE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
West Sacramento Logistics Portfolio	W Sacramento	1,320,883	\$155,250,000	\$117.54	Dalfen Industrial	Blackstone Inc.
Four-Property Portfolio of Parks	Portfolio	401,998	\$51,000,000	\$126.87	Catalyst R.E./SIII Inv.	GPR Ventures
VSR Portfolio	Portfolio	159,884	\$24,635,000	\$154.08	Mark III Asset Mgmt.	Shaw Dev. Co., Inc.
10291 Iron Rock Way & 9650 Auto Ctr Dr	Elk Grove/Laguna	73,676	\$23,500,000	\$318.96	Prieto Automotive	Maita Elk Grove Automall, LLC
3920 W Capitol Ave	W Sacramento	64,200	\$9,104,500	\$141.81	Kevin Moul	Buzz Oates

SIGNIFICANT LEASE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
2031 Optisolar Ln	McClellan	320,000	November 2025	McClellan Park, LLC	Mark III Construction
2477 Mercantile Dr	Sunrise	63,500	October 2025	Cathy Aura	Undisclosed
3920 Security Park Dr	Sunrise	40,984	November 2025	Frank Seabourne	Utility Partners of America, LLC
3640 Ramos Dr	West Sacramento	40,662	December 2025	NorthPoint Development	Undisclosed
2561 Mercantile Dr	Sunrise	38,308	November 2025	Sunrise Manufacturing	Terra Enterprises, Inc.

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Owner	Delivery
10050 Waterman Rd	Elk Grove/Laguna	180,956	Buzz Oates	3Q 2026

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, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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

GARY BARAGONA
Vice President of Research
415.229.8925
gary.baragona@kidder.com

DAVID NELSON
Regional President, Brokerage
Northern California & Nevada
775.301.1300
david.nelson@kidder.com
LIC N° 01716942

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

41

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS