

MARKET TRENDS

SACRAMENTO INDUSTRIAL

MARKET DRIVERS

Marketwide vacancy has continued to trend upward, with the direct vacancy rate reaching 6.7% in Q1, now at a 10-year high. Rising vacancy reflects a combination of softening demand and recently delivered space coming online, though levels remain within a normalized range relative to longer-term historical cycles.

Similarly, availability across the region reached a decade-high rate in 1Q, an increase of 190-bps YOY ending at 10.3%. While elevated availability reflects increased leasing options across the market, it also points to a more competitive environment for landlords as tenants evaluate space needs more cautiously.

Asking lease rates have remained largely stable at \$0.82/SF, holding near recent highs. However, rent growth has slowed considerably, reflecting broader economic conditions, though improvement is expected as the economy strengthens.

Leasing activity totaled 1.6M SF in Q1, declining from the previous quarter and slightly below prior-year levels. While overall demand has softened, interest from large users remains present, with several big-box requirements continuing to shape leasing activity. As these tenants take occupancy, absorption trends may improve in the coming quarters.

Sales activity remains active on a year-over-year basis, though transaction volume moderated from Q4 2025 levels. Investors continue to target well-located industrial assets, supported by Sacramento's long-term logistics fundamentals, even as capital markets conditions remain selective.

ECONOMIC REVIEW

The unemployment rate in the Sacramento-Roseville-Folsom MSA was 5.2% in January 2026, up from a revised 4.8% in December 2025 and above the year-ago estimate of 5.0%. This compares to 5.5% for CA and 4.7% nationally during the same period.

Employment trends remain mixed, with gains in trade, transportation, and utilities helping to offset softness in other sectors. Industrial demand continues to be closely tied to distribution activity and regional population growth.

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Market Summary

	1Q26	4Q25	1Q25	YOY Change
Direct Vacancy Rate	6.7%	6.5%	5.7%	100 bps
Total Availability Rate	10.3%	10.2%	8.4%	190 bps
Asking Lease Rate/SF/Mo NNN	\$0.82	\$0.83	\$0.81	1.2%
	1Q26	4Q25	1Q25	YOY Change
Leasing Activity (SF)	1,613,352	2,044,899	1,631,382	-1.2%
Sales Volume (SF)	714,299	708,809	440,099	62.3%
Net Absorption (SF)	-406,123	-312,339	10,815	N/A

↓ **1.6M SF**
LEASING ACTIVITY

↓ **-406K SF**
NET ABSORPTION

↑ **6.7%**
DIRECT VACANCY RATE

↑ **\$0.82**
ASKING RENT (AVG)

↓ **110K SF**
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

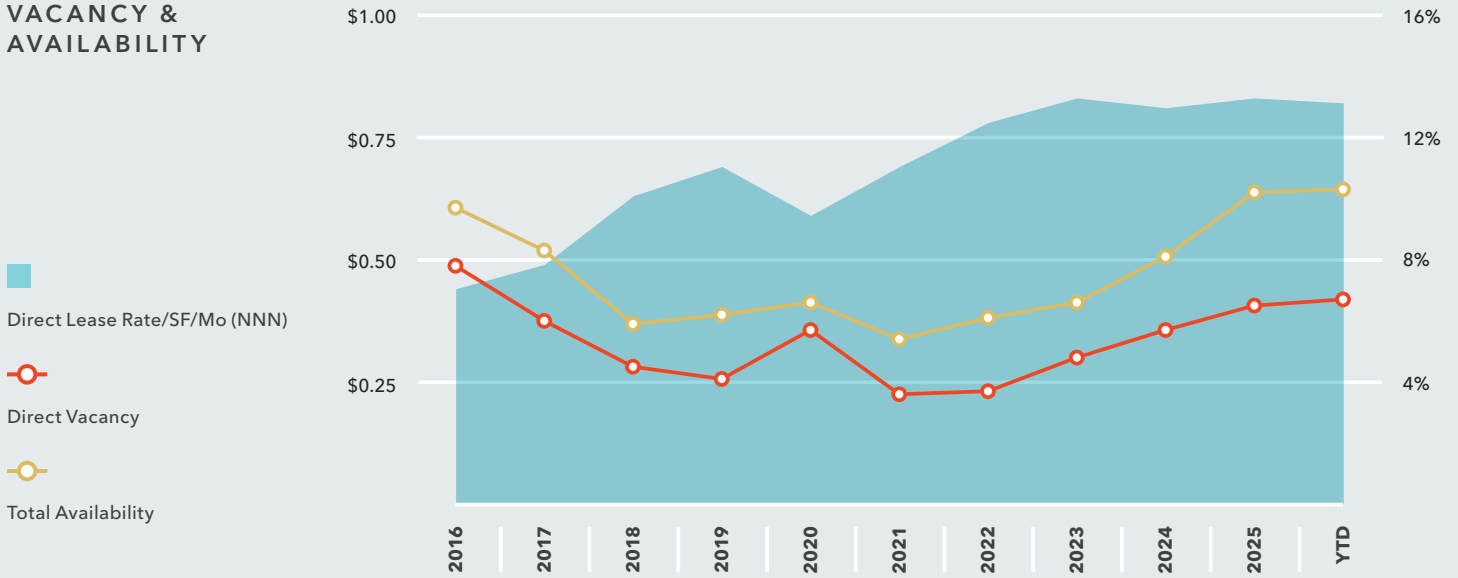
AVERAGE ASKING LEASE RATES
fell QOQ to \$0.82 NNN

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

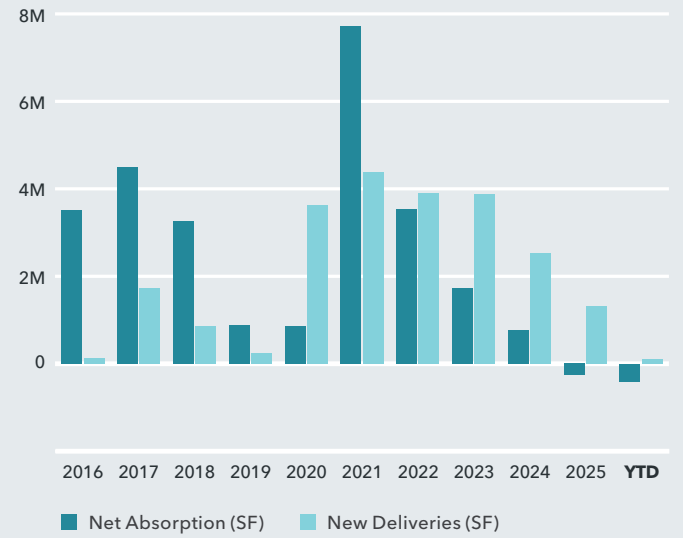


BIGGEST SALE OF THE QUARTER

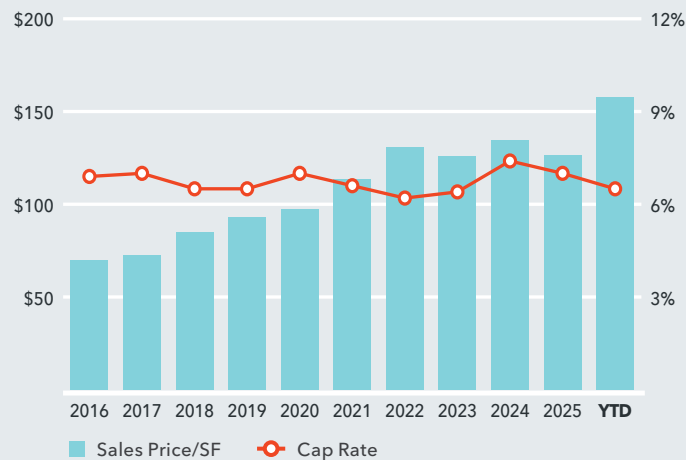
3900 Duckhorn, Sacramento, CA



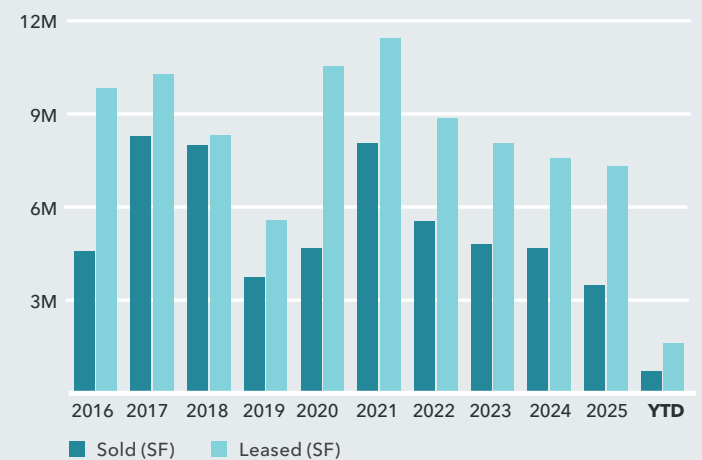
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	1Q26 Direct Net Absorption	2025 Direct Net Absorption	1Q26 Leasing Activity	2025 Leasing Activity	Average Rental Rate (NNN)
Auburn/Newcastle	2,815,751	7.6%	7.6%	9.2%	-16,796	8,494	8,955	38,080	\$0.61
Davis/Woodland	17,125,571	5.9%	6.5%	9.6%	-36,819	307,549	64,079	920,932	\$0.64
Downtown	2,326,636	4.6%	4.6%	5.1%	-13,220	-4,130	0	0	\$0.90
East Sacramento	517,688	0.3%	0.3%	2.8%	0	7,507	0	0	\$1.20
Elk Grove/Laguna	7,153,709	4.6%	4.6%	7.9%	3,759	-192,718	22,287	72,061	\$1.11
Folsom/El Dorado	5,268,230	8.1%	8.2%	8.5%	-8,062	-18,067	39,385	83,516	\$1.24
Marysville/Yuba City	7,287,949	3.5%	4.4%	9.0%	49,275	-211,281	11,455	45,710	\$0.75
Mather	5,408,953	8.6%	8.9%	12.8%	-61,978	-169,652	69,202	213,905	\$0.88
McClellan	17,494,158	5.0%	5.9%	7.0%	-132,808	-157,555	215,720	833,386	\$0.74
Natomas/Northgate	23,916,617	9.9%	12.4%	12.5%	47,358	434,945	652,293	854,863	\$0.88
NE Sacramento	6,222,860	5.3%	5.4%	7.3%	53,374	-116,550	11,933	101,082	\$0.81
Power Inn	27,173,831	5.3%	5.5%	8.7%	-155,559	-589,411	140,643	743,452	\$0.84
Richards	4,017,746	4.4%	5.0%	8.2%	41,751	-20,360	15,800	191,562	\$0.82
Roseville/Rocklin	19,648,472	4.0%	6.7%	10.6%	2,370	-30,945	40,577	410,180	\$1.02
South Sacramento	3,344,847	24.9%	26.2%	12.1%	-35,304	24,574	8,672	59,729	\$0.84
Sunrise	13,489,267	4.4%	4.7%	7.0%	47,856	297,373	99,700	473,881	\$0.94
West Sacramento	24,057,565	10.0%	12.2%	16.9%	-191,320	232,151	212,651	798,027	\$0.80
Sacramento Total	187,269,850	6.7%	7.9%	10.3%	-406,123	-198,076	1,613,352	5,840,366	\$0.82
General Industrial	28,163,322	6.2%	7.9%	8.9%	-69,022	-362,573	68,094	167,008	\$1.21
Warehouse & Distribution	138,631,315	6.6%	7.7%	10.3%	-227,919	357,932	1,334,470	4,947,012	\$0.75
Flex	19,482,579	8.7%	9.3%	11.5%	-109,182	-193,435	210,788	651,346	\$1.10

NEAR-TERM OUTLOOK

Conditions for Sacramento's industrial market remain in transition following a period of elevated supply and softening demand. Vacancy and availability have increased, but leasing activity—particularly among larger users—should help support absorption as new spaces are occupied. Rent growth is expected to remain moderate in the near term, with landlords continuing to offer concessions to maintain occupancy. However, limited new construction starts and Sacramento's strategic position within Northern California's logistics network should help support longer-term fundamentals.

While capital markets remain cautious, investor interest in industrial assets persists given the sector's strong underlying demand drivers. Sacramento has mostly been viewed as a relatively stable industrial market compared to other California regions, which may help support increased investor interest in the near term as conditions move toward a more balanced environment.

SIGNIFICANT SALE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
3900 Duckhorn	Natomas/Northgate	63,638	\$28,000,000	\$439.99	Olympus Partners	Panattoni
151 Blue Ravine Rd	Folsom/El Dorado	78,794	\$8,037,000	\$102.00	Air Systems	VSP Ceres Inc.
4800 Florin Perkins Rd	Power Inn	41,200	\$5,410,000	\$131.31	Genesis Resource Enterprises	Amy Luong
5753 Auburn Blvd	McClellan	32,255	\$4,800,000	\$148.81	Berkeley Cement, Inc.	SIII Investments
8165 Signal Ct	Power Inn	44,604	\$4,800,000	\$107.61	Alco Iron & Metal	Anton & Ilham Saca

SIGNIFICANT LEASE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant
2030 Hanson Way	Davis/Woodland	399,535	March 2026	Generation Industrial II, LLC	Pacific Coast Producers
7531 Metro Air Pkwy	Natomas/Northgate	260,000	March 2026	NorthPoint Development	Undisclosed
4905 Serna Dr	Natomas/Northgate	118,000	January 2026	NorthPoint Development	Lennox
1835 Diesel Dr	McClellan	108,000	January 2026	Libitzky Property Companies	Amerimax Building Products
2080 Enterprise Blvd	West Sacramento	79,343	January 2026	Seagate Properties	4Wall Entertainment

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Owner	Delivery
Metro Air Pkwy - Costco Warehouse	Natomas/Northgate	663,390	Buzz Oates	4Q 2027
10050 Waterman Rd	Elk Grove/Laguna	180,956	Buzz Oates	3Q 2026
3031 2nd St	Davis/Woodland	55,000	US Dept. of Agriculture	3Q 2026

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	32.4M ANNUAL SALES SF	32.5M ANNUAL LEASING SF
ASSET SERVICES	55M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,700+ AVERAGE ANNUAL ASSIGNMENTS	42 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS