MARKET TRENDS

# SACRAMENTO *INDUSTRIAL*

## MARKET DRIVERS

Marketwide vacancy remained relatively stable during the second quarter at 6.5%. While vacancy remains above year-ago levels, the market continues to stabilize as recently delivered space is gradually absorbed and new construction slows.

Availability increased to 10.2%, providing tenants with more leasing options while creating a more competitive environment for landlords. As the development pipeline continues to shrink, supply-side pressure is expected to ease over the coming quarters.

Asking lease rates declined modestly to $0.79/SF NNN as landlords remained competitive to attract tenants. Despite the recent adjustment, rents continue to hold well above pre-pandemic levels.

Leasing activity totaled more than 2.2 million SF during the second quarter, driven by a handful of large requirements across the region. While tenant demand remains selective, activity in the market's primary distribution corridors supported positive net absorption.

Sales activity moderated from last year's pace as higher borrowing costs continued to temper investment activity. However, Sacramento's strategic location, relatively affordable pricing, and long-term distribution fundamentals continue to support investor interest.

## ECONOMIC REVIEW

The unemployment rate in the Sacramento-Roseville-Folsom MSA was 4.2% in May 2026, down from a revised 4.5% in April 2026 and below the year-ago estimate of 4.4%. This compares to 4.7% for CA and 4.1% nationally during the same period.

Employment conditions have stabilized, with continued strength in trade, transportation, and utilities supporting the region's logistics sector. Industrial demand continues to be driven primarily by regional distribution activity, tenant optimization strategies, and Sacramento's strategic location serving Northern California.

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## *Market Summary*

| | 2Q26 | 1Q26 | 2Q25 | YOY Change |
|---|---|---|---|---|
| Direct Vacancy Rate | 6.5% | 6.6% | 5.7% | **80 bps** |
| Total Availability Rate | 10.2% | 9.7% | 8.5% | **170 bps** |
| Asking Lease Rate/SF/Mo NNN | $0.79 | $0.82 | $0.81 | **-2.5%** |

| | 2Q26 | 2026 YTD | 2025 YTD | YOY Change |
|---|---|---|---|---|
| Leasing Activity (SF) | 2,254,077 | 3,825,249 | 3,517,394 | **8.5%** |
| Sales Volume (SF) | 1,273,350 | 1,998,686 | 2,176,488 | **-8.2%** |
| Net Absorption (SF) | 130,029 | 137,118 | 30,718 | **N/A** |

2Q 2026

↑ *2.2M SF*
LEASING ACTIVITY

↑ *137K SF*
NET ABSORPTION

↑ *6.5%*
DIRECT VACANCY RATE

↓ *$0.79*
ASKING RENT (AVG)

↓ *0K SF*
NEW DELIVERIES

Year-Over-Year Trend

### *Market Highlights*

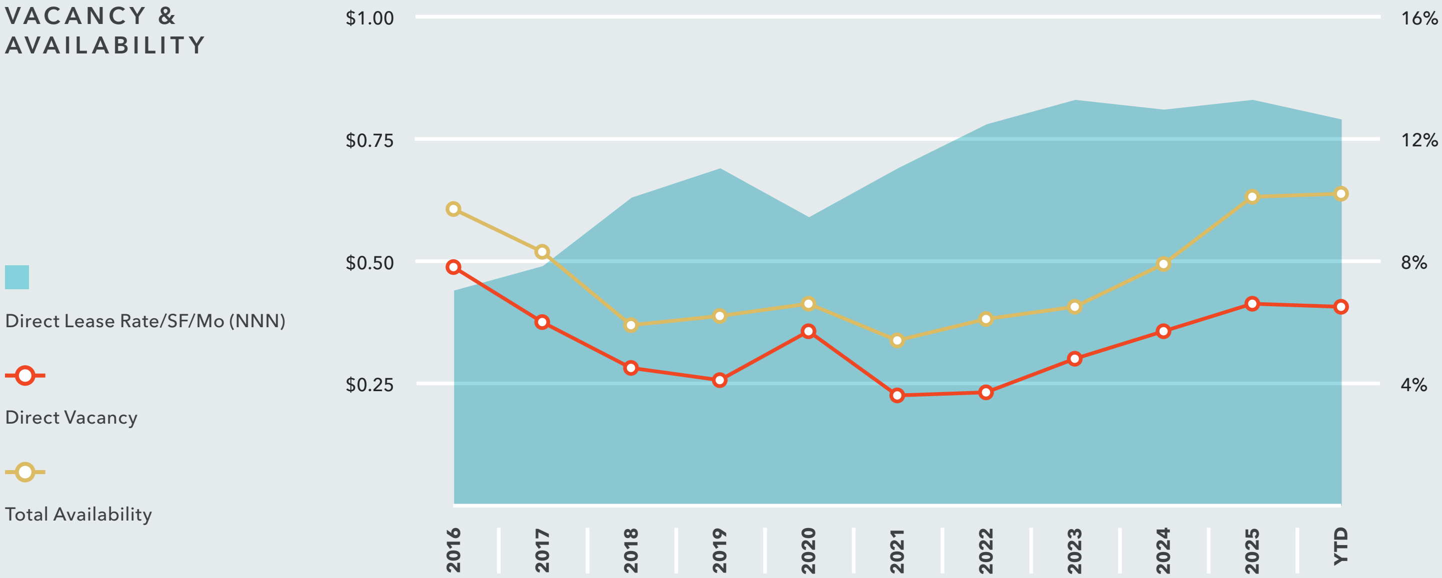
**AVERAGE ASKING LEASE RATES**
fell QOQ to $0.79 NNN

**DIRECT VACANCY RATES**
decreased QOQ to 6.5%

**SALES VOLUME**
rose QOQ to 1.3M SF

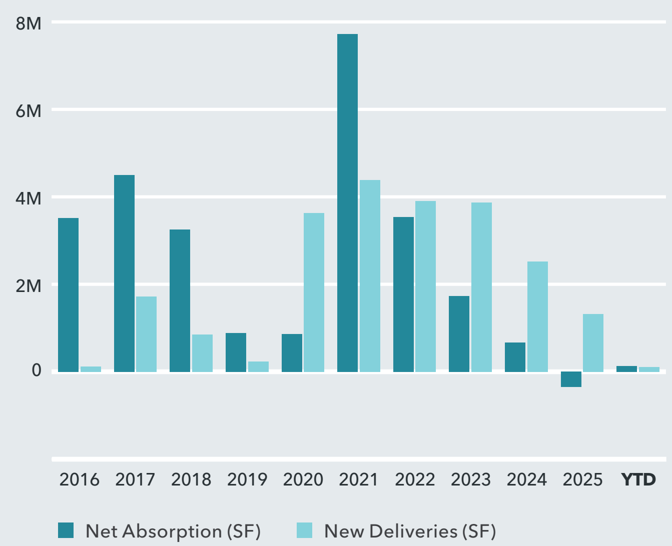
**DIRECT NET ABSORPTION**
posted positive 130K SF

## LEASE RATE, VACANCY & AVAILABILITY

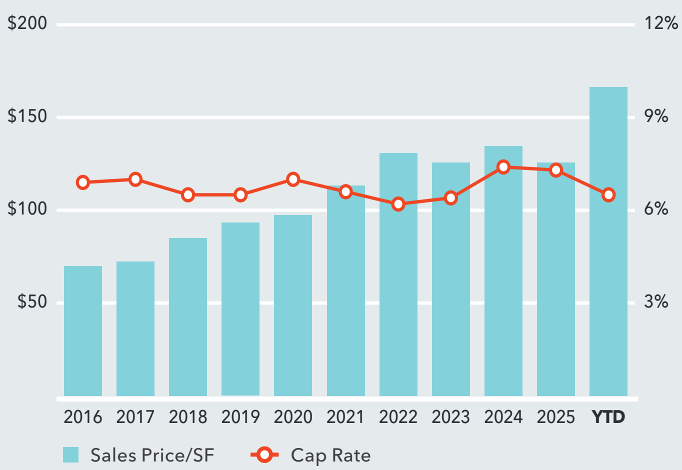




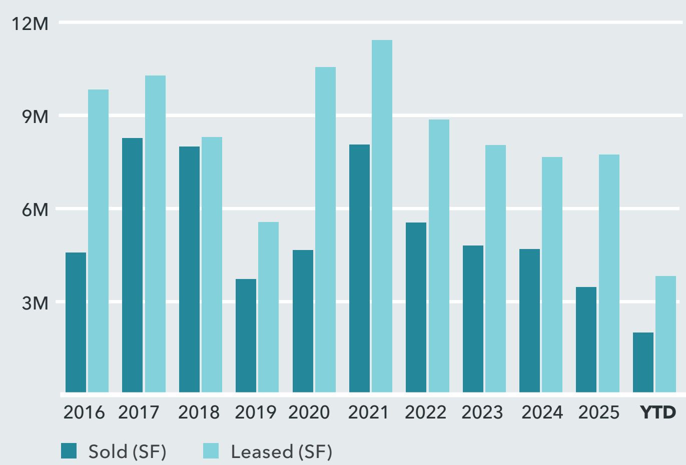
## NET ABSORPTION & NEW DELIVERIES




## AVERAGE SALES PRICE/SF & CAP RATE




## SALE VOLUME & LEASING ACTIVITY



## SUBMARKET STATISTICS

| Submarket | Total Inventory | Direct Vacancy Rate | Total Vacancy Rate | Total Available Rate | 2Q26 Direct Net Absorption | YTD Direct Net Absorption | 2Q26 Leasing Activity | YTD Leasing Activity | Average Rental Rate (NNN) |
|---|---|---|---|---|---|---|---|---|---|
| Auburn/Newcastle | 2,794,667 | 6.5% | 6.5% | 8.4% | 34,061 | 13,480 | 28,055 | 33,225 | $0.59 |
| Davis/Woodland | 17,104,984 | 4.0% | 4.8% | 10.9% | -45,017 | 269,699 | 121,188 | 257,395 | $0.61 |
| Downtown | 2,326,636 | 5.1% | 5.1% | 5.6% | -11,326 | -24,546 | 0 | 0 | $0.90 |
| East Sacramento | 517,688 | 0.0% | 0.0% | 0.0% | 1,550 | 1,550 | 0 | 0 | $1.20 |
| Elk Grove/Laguna | 7,143,933 | 5.2% | 5.2% | 8.9% | -58,861 | -38,302 | 6,868 | 26,323 | $1.03 |
| Folsom/El Dorado | 5,187,771 | 5.4% | 5.6% | 8.1% | 61,348 | 53,286 | 70,484 | 107,644 | $1.21 |
| Marysville/Yuba City | 7,297,422 | 3.8% | 4.7% | 9.7% | -21,860 | 27,415 | 26,533 | 37,988 | $0.74 |
| Mather | 5,400,736 | 10.3% | 10.3% | 13.3% | -97,087 | -159,065 | 21,723 | 80,109 | $0.82 |
| McClellan | 17,494,179 | 3.6% | 4.4% | 6.6% | 137,174 | 19,866 | 294,904 | 533,514 | $0.71 |
| Natomas/Northgate | 23,954,912 | 9.0% | 11.0% | 12.1% | 254,422 | 301,780 | 213,126 | 700,788 | $0.81 |
| NE Sacramento | 6,222,860 | 5.0% | 5.1% | 6.6% | -5,577 | 47,797 | 24,006 | 35,939 | $0.87 |
| Power Inn | 27,202,440 | 4.9% | 5.1% | 9.0% | 53,435 | -54,707 | 321,774 | 520,372 | $0.83 |
| Richards | 4,027,165 | 5.3% | 6.0% | 5.8% | -21,070 | 2,249 | 10,464 | 26,264 | $0.81 |
| Roseville/Rocklin | 19,688,820 | 5.0% | 7.9% | 10.9% | -61,004 | -56,634 | 92,737 | 146,773 | $1.06 |
| South Sacramento | 3,344,847 | 25.0% | 26.3% | 12.1% | 1,477 | -33,827 | 9,520 | 18,192 | $1.02 |
| Sunrise | 13,502,114 | 4.3% | 4.5% | 6.9% | 17,301 | 67,604 | 414,133 | 512,135 | $0.94 |
| West Sacramento | 24,037,675 | 11.0% | 11.5% | 15.6% | -108,937 | -300,527 | 598,562 | 788,588 | $0.79 |
| **Sacramento Total** | **187,248,849** | **6.5%** | **7.4%** | **10.2%** | **130,029** | **137,118** | **2,254,077** | **3,825,249** | **$0.79** |
| General Industrial | 28,508,861 | 6.8% | 8.5% | 11.0% | 140,604 | -72,505 | 577,727 | 646,856 | $0.77 |
| Warehouse & Distribution | 138,356,830 | 6.3% | 7.0% | 9.6% | 21,484 | 325,224 | 1,504,925 | 2,789,168 | $0.74 |
| Flex | 19,390,524 | 7.8% | 8.4% | 11.0% | -32,059 | -98,947 | 171,425 | 397,291 | $1.06 |

## NEAR-TERM OUTLOOK

Sacramento's industrial market continues to stabilize as vacancy levels off and new construction slows. While elevated availability is expected to keep competition among landlords high and rent growth modest, steady leasing activity and positive absorption should help support market fundamentals through the remainder of the year. Sacramento's strategic location within Northern California's distribution network continues to position the market well for long-term growth.

Investor activity is expected to remain selective as financing costs continue to influence acquisition decisions. Even so, Sacramento's relatively affordable pricing, improving capital markets conditions, and established logistics base should continue to support interest from both private and institutional investors.

## SIGNIFICANT SALE TRANSACTIONS 2Q 2026

| Property | Submarket | SF | Sale Price | $/SF | Buyer | Seller |
|---|---|---|---|---|---|---|
| 3575 Business Dr | Power Inn | 81,907 | $41,000,000 | $500.57 | Boyd Watterson Global | Jackson Properties, Inc. |
| 550 N Pioneer Ave | Davis/Woodland | 319,800 | $28,500,000 | $89.12 | Cranbrook Group, Inc. | Link Logistics Real Estate |
| 500 Sequoia Pacific Blvd | Richards | 102,000 | $14,000,000 | $137.25 | Telstar Instruments | Vida Anello Living Trust |
| 4300 & 4339 Jetway Ct | McClellan | 107,908 | $10,800,000 | $100.09 | Crosspoint Tyrone Ventures | Steelet Corporation |
| Sunrise Business Center | Sunrise | 59,400 | $7,500,000 | $126.26 | SBC Investors | Oracle Properties Dev., Inc. |

## SIGNIFICANT LEASE TRANSACTIONS 2Q 2026

| Property | Submarket | SF | Transaction Date | Landlord | Tenant |
|---|---|---|---|---|---|
| 4700-4940 Lang Ave | McClellan | 240,000 | June 2026 | McClellan Park, LLC | Villara |
| 3525 Carlin Dr | West Sacramento | 236,716 | May 2026 | STAG Industrial, Inc. | Redwood Beverage Group |
| 7180 Badiee Dr | Natomas/Northgate | 182,088 | July 2026 | BGO | Peak Energy |
| 3045 Mulvaney Pl | West Sacramento | 131,587 | June 2026 | West Sac Partners | SJ Distributors, LLC |
| 8301 Belvedere Ave | Power Inn | 116,571 | April 2026 | Dalfen Industrial | L&U Granite |

## 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 |
| 2408 Ak St | McClellan | 150,000 | Prime Data Centers | 3Q 2028 |

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

Kidder Mathews

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

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|---|---|---|---|
| **COMMERCIAL BROKERAGE** | $9B<br>AVERAGE ANNUAL TRANSACTION VOLUME | 32.4M<br>ANNUAL SALES SF | 32.5M<br>ANNUAL LEASING SF |
| **ASSET SERVICES** | 54M SF<br>MANAGEMENT PORTFOLIO SIZE | 800+<br>ASSETS UNDER MANAGEMENT | 250+<br>CLIENTS SERVED |
| **VALUATION ADVISORY** | 2,700+<br>AVERAGE ANNUAL ASSIGNMENTS | 42<br>TOTAL APPRAISERS | 23<br>WITH MAI DESIGNATIONS |