



Sacramento Industrial Market

Sacramento Industrial Market Off to a Strong Start

One thing is for certain: the white-hot industrial market we've experienced for the last few years shows no signs of slowing down. Despite the record level of industrial space delivered in 2021, vacancy rates at the end of the first quarter of 2022 continue to hover near all-time lows, while lease rates have climbed to new all-time highs. The market continues to see tenants competing fiercely for what little available space there is, while landlords are taking advantage of the competition by offering very few concessions to even the highest quality tenants. This landlord-favored market continues to stir up demand from local mom-and-pop investors and the largest national players alike.

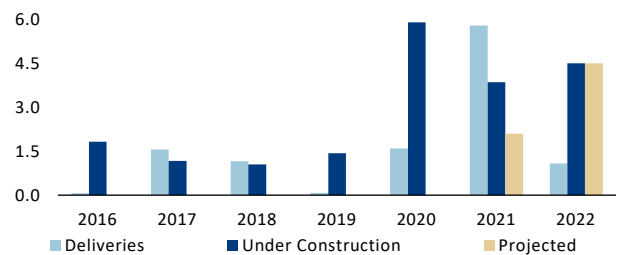
The first quarter of 2022 saw the slightest of upticks in vacancy rate as the quarter ended at 2.0%, only 0.1% above the record low seen just a quarter ago. At this time last year, the Sacramento market sat at a 3.1% vacancy rate, which is indicative of a 35.0% decrease in vacancy in just a year's time. While most submarkets are experiencing vacancy rates right around the 2.0% average, there are some key outliers. The Northgate and Highway 50 East submarkets are both extraordinarily tight on space, with those submarkets rounding out the quarter at a 0.9% and 1.0% vacancy rate, respectively. On the other side of the spectrum, the Highway 50 West submarket finished the quarter with the region's highest vacancy rate of 5.0%. The higher vacancy rate in this submarket

Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	165.5M	164.2M	162.7M	↑
Vacancy Rate	2.0%	1.9%	3.1%	↔
Qtr Net Absorption (SF)	819K	487K	2.7M	↔
Avg NNN Asking Rent/SF	\$0.85	\$0.80	\$0.67	↑
Under Construction (SF)	4.5M	3.8M	2.3M	↑

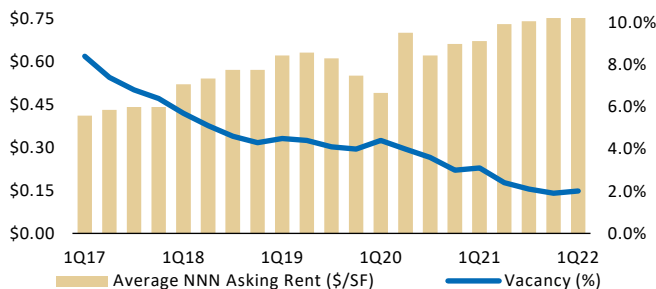
Construction and Deliveries

SQUARE FEET, MILLIONS

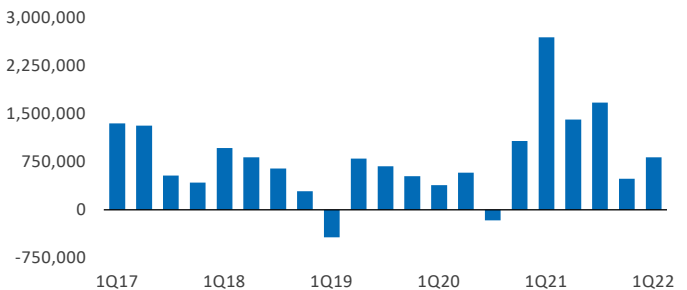


Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH Q1 2022

can likely be attributed to the high level of flex space found in the Highway 50 West market.

The continued compression of vacancy rates has put significant upward pressure on our market's lease rates. Just 12 months ago, the average lease rate for the region sat at \$0.67/SF; today, that figure is \$0.85/SF. That equates to a 26.0% increase in the average lease rate in a year. The Power Inn submarket in particular has seen the benefit of rising rates over the last year, with the average asking rate in that submarket increasing 44.0%. In addition to seeing record rate growth, landlords are also benefitting from low vacancy rates by being able to offer fewer concessions. A year ago many tenants with decent credit could expect to receive a few months of free rent on a five-year term lease; today, those same tenants may have to fight to receive a single month of free rent. Notable leases from the first quarter include: RL Liquidators' lease of 132,000 square feet at 3689 Industrial Blvd. in West Sacramento; and the PODS lease of the new Buzz Oates development at 24 Wayne Court in the Power Inn submarket.

It's not just lease rates that have shot up dramatically; sale prices continue to reach record highs, causing significant compression in cap rates. This past quarter saw three investment deals trade below a 5.0% cap rate. The deals include: LBA Realty's purchase of the 144,000-square-foot distribution facility at 8372 Tiogawoods Drive; Rising Realty's acquisition of the six-building, 147,687-square-foot small bay portfolio known as Alpine Industrial Park; and TA Realty's purchase of 1 and 3 Wayne Court. Despite concerns about rising interest rates, the owner-user sales market continues to break pricing records. Notable owner-user sales include: 4 Wayne Court (6,600 square feet), which sold for \$204.55/SF; and 3840-3860 Cincinnati Avenue (15,239 square feet), which sold for \$196.86/SF.

Looking ahead to the rest of 2022, don't expect much to change across the local industrial market. Despite numerous ongoing large developments, the insatiable tenant demand should keep vacancy rates down, which in turn will continue to force lease rates upward. Demand from owner-users and investors alike will keep sale prices at all-time highs, despite the slight increases expected in interest rates. All in all, it is a fantastic time to be involved in the Sacramento industrial market.

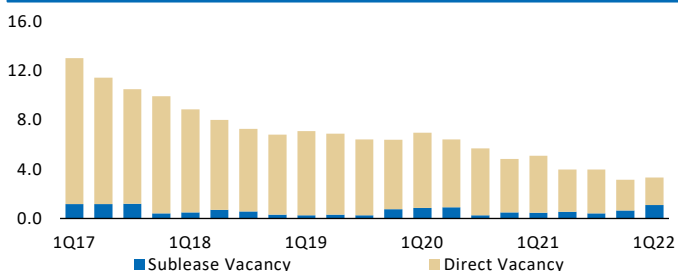
Select Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
RL Liquidators	3689 Industrial Blvd	West Sacramento	Direct Lease	132,100
ACS OPCO	10549 E Stockton Blvd	Elk Grove	Direct Lease	112,050
Mailing Systems, Inc	1464 Enterprise Blvd	West Sacramento	Direct Lease	110,000
PODS Enterprises, Inc	24 Wayne Court	Power Inn Florin	Direct Lease	109,668
State of California	5411 Luce Avenue	McClellan Hwy 80	Direct Lease	87,688

Select Investment Sale Transactions

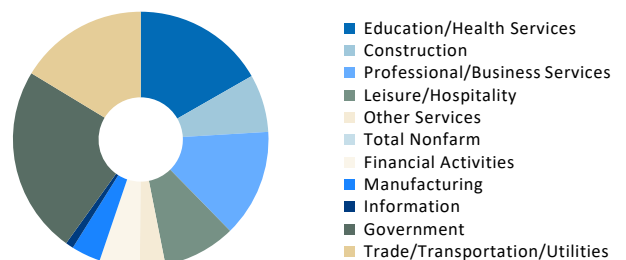
Building(s)	Submarket	Sale Price	\$/SF	Square Feet
Alpine Industrial Park	Power Inn Florin	\$21,900,000	\$154	142,190
8372 Tiogawoods Dr	Power Inn Florin	\$16,000,000	\$111	144,000
4350 Pell Dr	Northgate	\$14,000,000	\$110	126,712
121 Main Ave	Northgate	\$7,632,500	\$135	56,537
1 & 3 Wayne Court	Power Inn Florin	\$6,100,000	\$116	52,800

Vacancy Breakdown



Sacramento Employment by Industry

2021, SOURCE: U.S. BUREAU OF LABOR STATISTICS



Overall Submarket Statistics									
	Total Bldgs	Total Inventory (SF)	Under Construction (SF)	Total Vacancy (SF)	Total Vacancy Rate	Total Available (SF)	Total Available Rate	Quarter Absorption (SF)	Total NNN Asking Rent (Price/SF)
Sacramento	3,275	99,860,300	3,093,218	1,859,127	1.9%	2,929,500	2.9%	987,839	\$0.89
Downtown	451	11,133,219	27,000	499,862	4.5%	927,725	8.3%	(109,690)	\$1.14
Northgate	343	19,871,222	2,178,111	172,160	0.9%	312,587	1.6%	663,280	\$0.74
South Sacramento	206	3,393,430	0	13,800	0.4%	48,800	1.4%	6,634	\$0.73
Power Inn Florin	864	29,567,634	0	404,243	1.4%	501,964	1.7%	592,626	\$0.98
50 Corridor West	235	5,549,043	0	277,114	5.0%	399,028	7.2%	(35,743)	\$0.76
50 Corridor East	546	10,143,841	0	97,446	1.0%	178,024	1.8%	(18,164)	\$0.84
McClellan Hwy 80	566	19,292,890	888,107	393,622	2.0%	554,092	2.9%	(121,054)	\$0.62
Carmichael Citrus Heights	64	909,021	0	880	0.1%	7,280	0.8%	9,950	\$0.95
West Sacramento	467	22,400,913	1,215,329	431,362	1.9%	605,456	2.7%	21,958	\$0.65
Folsom	15	849,360	0	0	0.0%	0	0.0%	0	\$0.00
El Dorado Hills	96	2,235,657	0	103,300	4.6%	118,800	5.3%	7,970	\$1.26
Roseville	174	7,466,698	0	365,084	4.9%	563,360	7.5%	(180,604)	\$0.69
Rocklin	270	7,036,213	197,775	97,031	1.4%	168,702	2.4%	(19,738)	\$1.07
Loomis Auburn Newcastle	131	2,172,210	0	11,193	0.5%	11,193	0.5%	(8,000)	\$0.96
Lincoln	45	2,679,013	0	226,335	8.4%	245,535	9.2%	(32,910)	\$1.00
Woodland	202	14,909,263	0	167,020	1.1%	284,610	1.9%	89,220	\$0.46
Davis	30	861,385	0	5,817	0.7%	78,434	9.1%	(1,783)	\$1.52
Elk Grove Laguna	173	5,067,902	0	55,785	1.1%	91,846	1.8%	(44,466)	\$0.72
SACRAMENTO REGION	4,878	165,538,914	4,506,322	3,322,054	2.0%	5,097,436	3.1%	819,486	\$0.85

For more information:

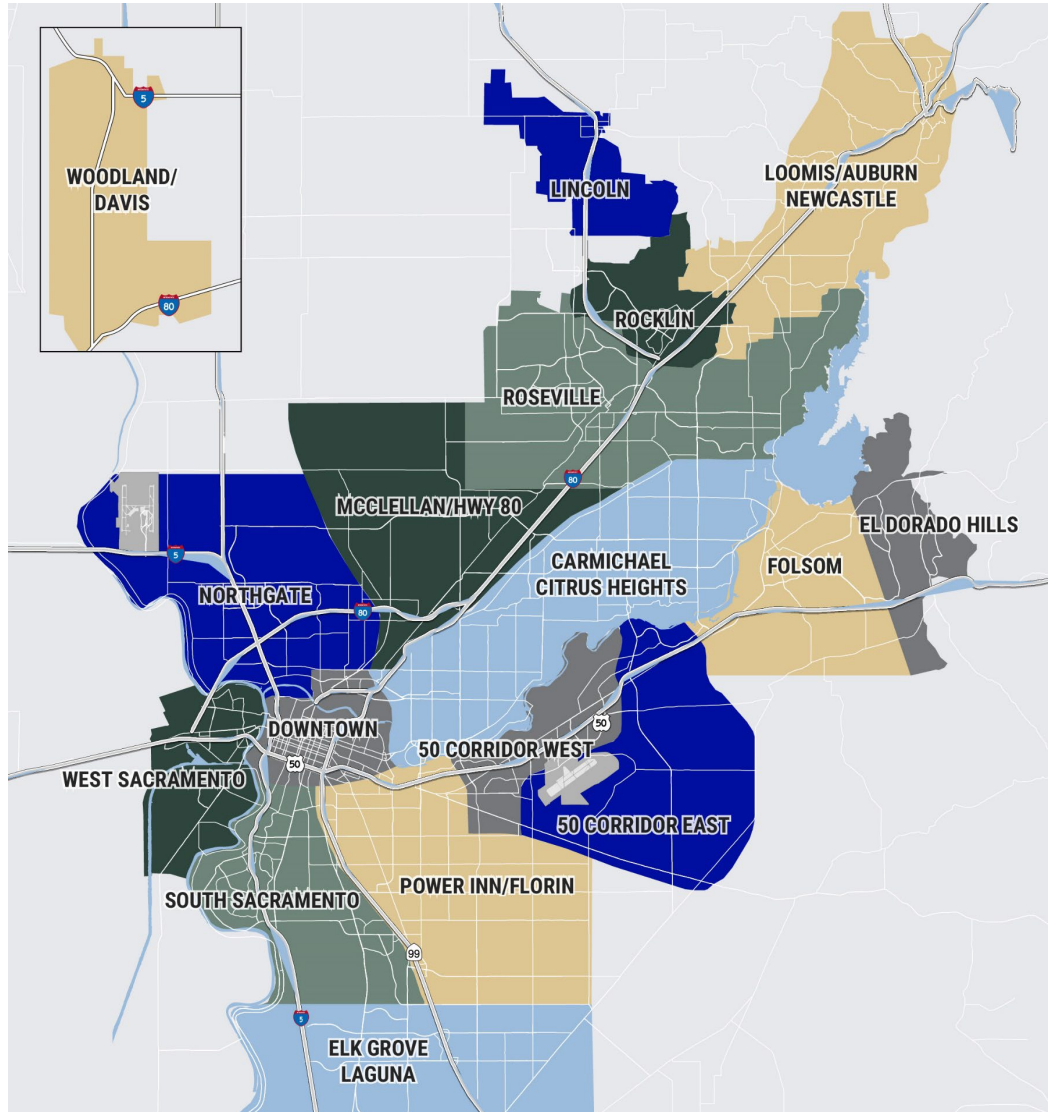
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nrmk.com/research.

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