



Sacramento Industrial Market

Sacramento Industrial Market Remains Robust

After the mid-point of 2021, the Sacramento region's industrial real estate market remains as robust as ever. While many other asset types struggled with the effects brought on by the pandemic, the industrial market has not only weathered the storm but has emerged stronger than many thought possible. At the close of the second quarter, all key market metrics show that the Sacramento industrial market is at its strongest period in recent memory.

The second quarter of 2021 saw a vacancy rate of 2.4% for the Greater Sacramento region. This is representative of a 0.7% drop in vacancy from the end of the first quarter and a 2.0% decrease from the same time period last year. Two key industrial submarkets, Northgate and Power Inn, have ended the quarter with even lower vacancy rates of 1.5% and 1.8%, respectively. This record low vacancy rate can be largely attributed to the 1.4 million square feet of net absorption gained in this past quarter, which is up 242.0% from this same time last year.

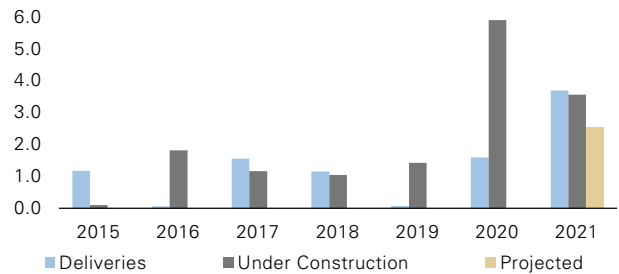
The continued trend of decreasing vacancy rates has continued to have an upward effect on lease rates in the region. The past quarter saw average lease rates hit an all-time high of \$0.66/SF.

Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	163.3M	162.7M	159.3M	↑
Vacancy Rate	2.4%	3.1%	4.0%	↓
Qtr Net Abs (SF)	1.4M	2.7M	577K	↑
Avg NNN Ask Rent/SF	\$0.73	\$0.67	\$0.70	↑
Under Const (SF)	3.6M	2.3M	3.7M	↑

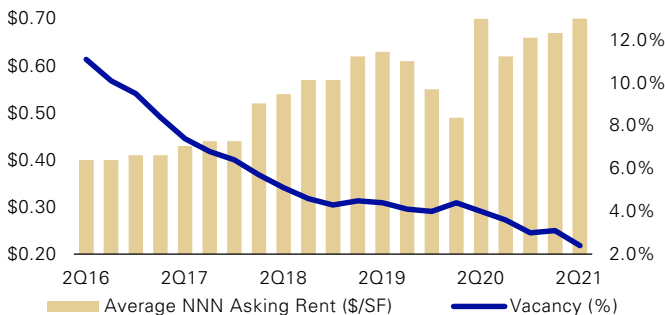
Construction and Deliveries

SQUARE FEET, MILLIONS

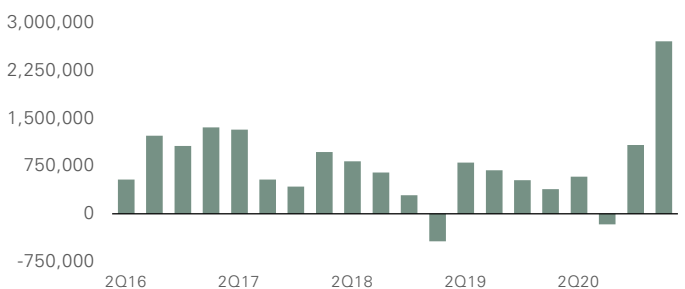


Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH 2Q 2021

Larger availabilities in older buildings can now fetch anywhere from \$0.55/SF to \$0.60/SF, while similarly sized spaces in newer builds are pushing up to and past the \$0.65/SF mark. Landlords with spaces under 10,000 square feet in particularly tight submarkets such as Rancho Cordova and Placer County are routinely seeing lease rate approach the \$1.00/SF mark.

These low vacancy rates and record high lease rates just discussed have kept the areas' contractors busy as the region currently has 3.6 million square feet of new inventory under construction. Just under half of this new construction (1.65 million square feet) can be attributed to the rapidly growing development at Metro Air Park just east of the Sacramento International Airport. Other submarkets with substantial on-going developments are Power Inn (696,356 square feet), McClellan/Highway 80 (888,107 square feet) and West Sacramento (289,500 square feet).

The second quarter saw numerous noteworthy transactions in both the leasing and sales arenas. The nation's largest industrial

tenant Amazon penned two new deals in Metro Air Park at 500,770 square feet and 150,220 square feet, respectively. Meanwhile Costco penned West Sacramento's largest deal of the quarter with the signing of a 150,795-square-foot lease at 3520 Carlin Drive. The largest sale of the quarter came in the form of a \$15.0-million sale-leaseback at 3041 Sunrise Boulevard in Rancho Cordova. West Sacramento also saw its fair share of large sales with both 2424 Del Monte Street (85,910 square feet) and 879 F Street (55,000 square feet) trading for \$125/SF and \$127/SF, respectively. It is not only large property owners benefitting from high sale figures. Small freestanding industrial buildings, particularly those with a yard component, are routinely selling for prices between \$175/SF and \$200/SF.

As the second half of 2021 begins, expect to see the trends mentioned above to hold steady. The continued flow of new residents and businesses from the Bay Area, as well as the ongoing surge of ecommerce, has the Sacramento industrial real estate market poised to benefit for the foreseeable future.

Select Lease Transactions

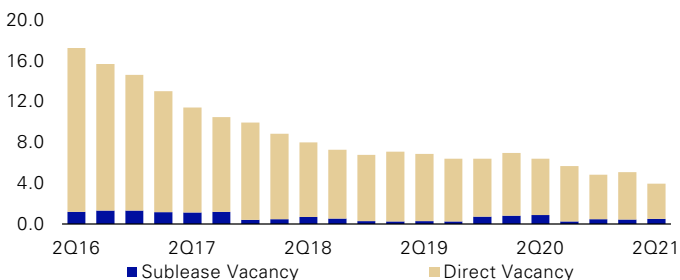
Tenant	Building(s)	Submarket	Type	Square Feet
Amazon	8040 Metro Air Pkwy	Northgate	Direct Lease	500,770
Updike	2030 Hanson Wy	Woodland	Direct Lease	396,000
Costco	3520 Carlin Dr	West Sacramento	Direct Lease	150,795
Amazon	7601 Metro Air Pkwy	Northgate	Direct Lease	150,220
CA Emergency Medical Services Authority	8670 Younger Creek Dr	Power Inn Florin	Direct Lease	147,829

Select Sale Transactions

Building(s)	Market	Sale Price	\$/SF	Square Feet
4632 Raley Blvd	McClellan Hwy 80	\$10,500,000	\$79	133,380
3041 Sunrise Blvd	50 Corridor East	\$15,000,000	\$115	130,156
5980 88 th St	Power Inn Florin	\$9,975,000	\$100	100,000
2424 Del Monte St	West Sacramento	\$10,750,000	\$125	85,910
879 F St	West Sacramento	\$6,985,000	\$127	55,000

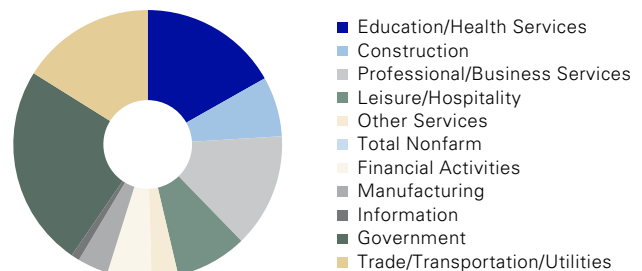
Vacancy Breakdown

SQUARE FEET, MILLIONS



Sacramento Employment by Industry

2020, SOURCE: U.S. BUREAU OF LABOR STATISTICS



Overall Submarket Statistics										
	Total Buildings	Total Inventory (SF)	Under Construction (SF)	Total Vacancy (SF)	Total Vacancy Rate	Total Availability (SF)	Total Availability Rate	Qtr Net Absorption (SF)	Ytd Net Absorption (SF)	Total NNN Asking Rent (Price/SF)
Sacramento	3,264	97,733,251	3,269,534	2,276,857	2.3%	3,314,030	3.4%	775,193	2,989,046	\$0.79
Downtown	454	11,291,458	0	440,196	3.9%	793,323	7.0%	84,677	48,620	\$1.05
Northgate	339	17,470,660	1,653,391	256,053	1.5%	370,287	2.1%	620,090	2,574,174	\$0.66
South Sacramento	205	4,393,215	0	75,083	1.7%	77,483	1.8%	0	-2559	\$0.91
Power Inn Florin	857	28,753,161	696,356	529,159	1.8%	737,180	2.6%	-260,047	-54,084	\$0.72
50 Corridor West	236	5,579,508	0	253,721	4.5%	270,220	4.8%	36,373	146,182	\$0.84
50 Corridor East	545	10,349,488	31,680	390,840	3.8%	520,800	5.0%	94,395	73,316	\$0.72
McClellan Hwy 80	564	18,986,740	888,107	321,855	1.7%	534,787	2.8%	199,705	203,397	\$0.54
Carmichael Citrus Heights	64	909,021	0	9,950	1.1%	9,950	1.1%	0	0	\$1.25
West Sacramento	465	22,333,353	289,500	729,541	3.3%	980,442	4.4%	421,544	552,863	\$0.58
Folsom	15	849,360	0	0	0.0%	10,980	1.3%	0	0	\$1.20
El Dorado Hills	97	2,325,267	0	44,850	1.9%	155,835	6.7%	24,037	34,107	\$0.94
Roseville	173	7,463,203	0	305,086	4.1%	442,364	5.9%	-2,365	-28,304	\$0.70
Rocklin	270	7,036,213	5,775	132,991	1.9%	180,124	2.6%	12,333	69,619	\$1.03
Loomis Auburn Newcastle	131	2,172,210	0	47,145	2.2%	60,495	2.8%	0	0	\$0.98
Lincoln	45	2,679,014	0	146,834	5.5%	146,834	5.5%	17,769	197,201	\$0.47
Woodland	202	14,899,062	0	207,827	1.4%	437,370	2.9%	115,864	150,614	\$0.51
Davis	30	861,385	0	20,625	2.4%	90,988	10.6%	6,600	13,200	\$1.50
Elk Grove Laguna	173	4,992,217	0	63,584	1.3%	111,272	2.2%	37,965	128,852	\$0.79
SACRAMENTO	4,865	163,344,535	3,564,809	3,975,340	2.4%	5,930,734	3.6%	1,408,940	4,107,198	\$0.73

For more information:

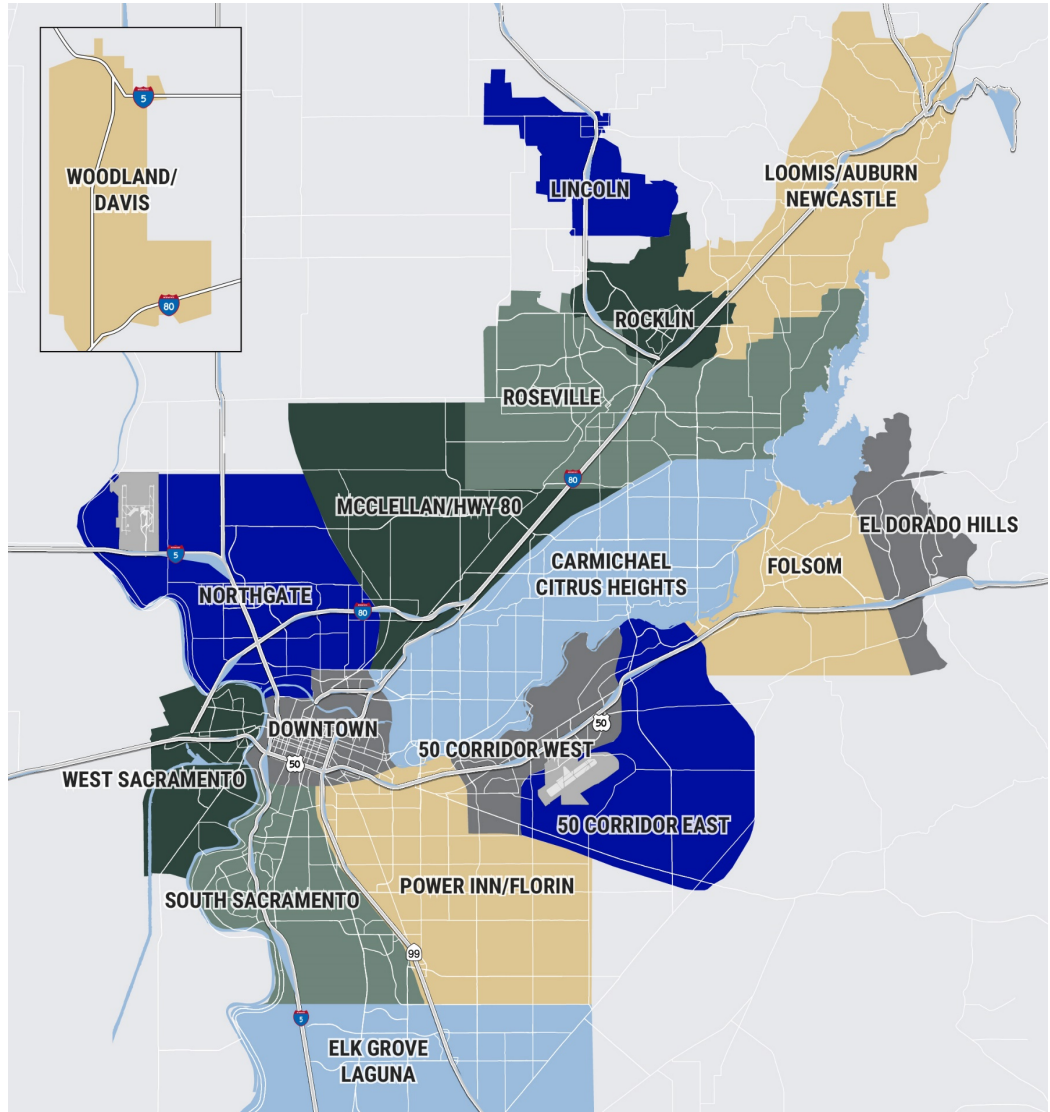
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