

3Q23

Sacramento Industrial Market Overview



NEWMARK

Market Observations



- The unemployment rate increased slightly in the Sacramento Metro during the second quarter of 2023. The unemployment rate for the Sacramento Metro is 4.0%, which is slightly higher than the national average of 3.4%.
- The other services sector saw the largest 12-month change, followed by the education and health sector. The construction, financial activities and information sectors all recorded a decrease in growth over the past year.
- The Trade/transportation/utilities and manufacturing firms are reacting to the economic climate and a shift in consumer demand by adjusting labor needs; however, competition for labor is still a challenge for many occupiers in the market.



- The largest lease transaction for the third quarter of 2023 was a sublease at 3765 Channel Dr in the West Sacramento submarket by eShipping for 154,580 square feet.
- The top five lease transactions were all over 99,000 square feet which included three new deals, one sublease and one lease renewal.
- The largest sale transaction for the quarter was 7501 Foothills Blvd (712,000 square feet on 42.0 acres) which was purchased by Robert Bosch Semiconductor LLC from TSI Semiconductor Corp for \$42.4 million.



Leasing Market Fundamentals

- The Sacramento Industrial vacancy rate increased slightly during the third quarter of 2023 to 3.4% from 3.3% in the second quarter of 2023. New construction for the quarter totaled 407,208 square feet.
- The industrial market posted a net absorption totaled just over 179,000 square feet bringing they year-to-date net absorption total to over 987,000 square feet.
- The Sacramento region currently has 3.4 million square feet under construction, of which just over 2.2 million square feet is scheduled for completion at the end of 2023. Most construction activity is in the Northgate submarket specifically the Metro Air Park development and the 50 Corridor East submarket.



Outlook

- The Sacramento industrial market should continue on a positive trend through year's end. No big fluctuations are expected, so the industrial market will remain strong.
- The Sacramento industrial sale market should continue to be active with both user and investment sales.
- With economic conditions continuing through 2023, the Sacramento industrial market should be able to ride out any fluctuations.

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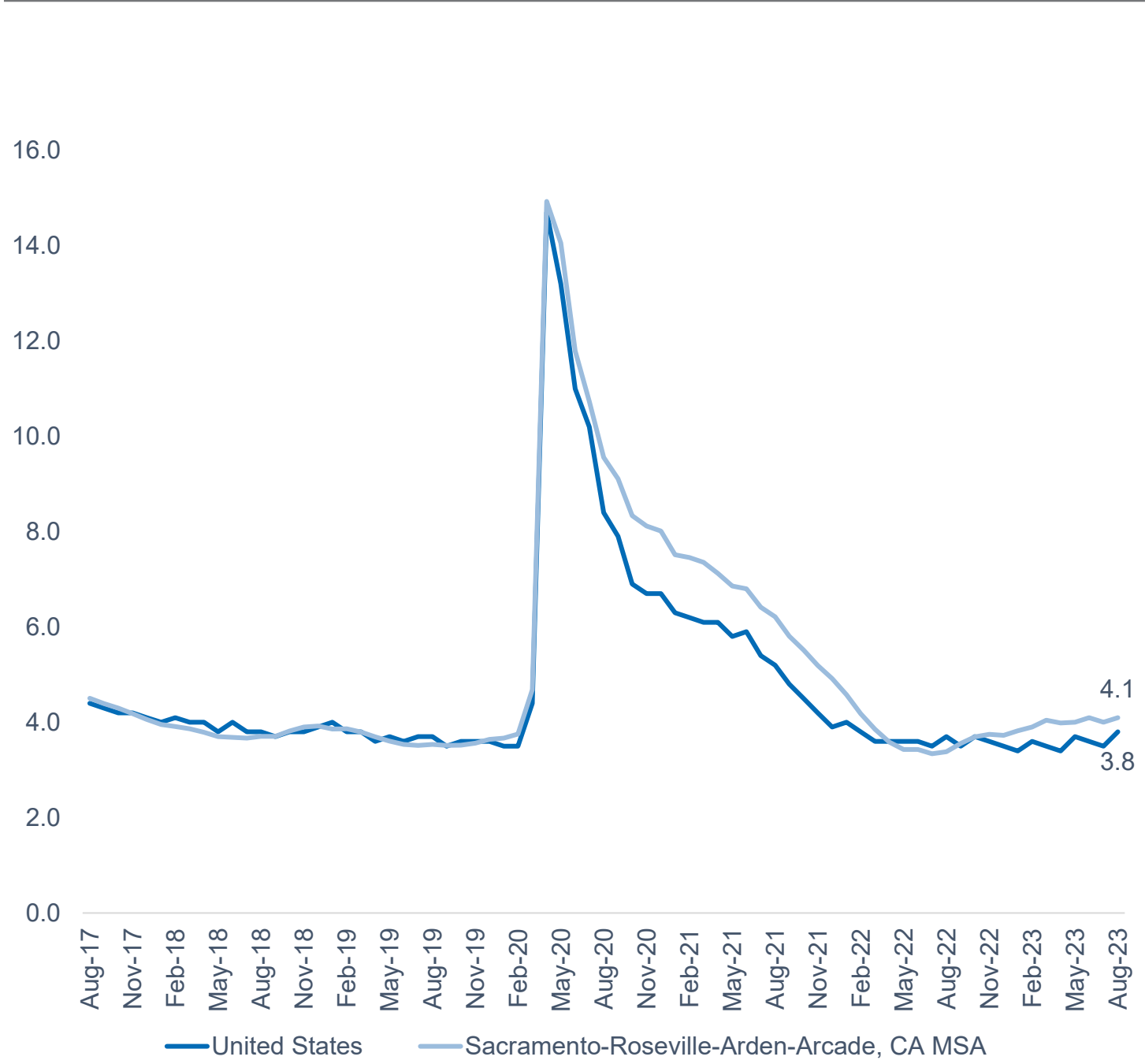
Economy



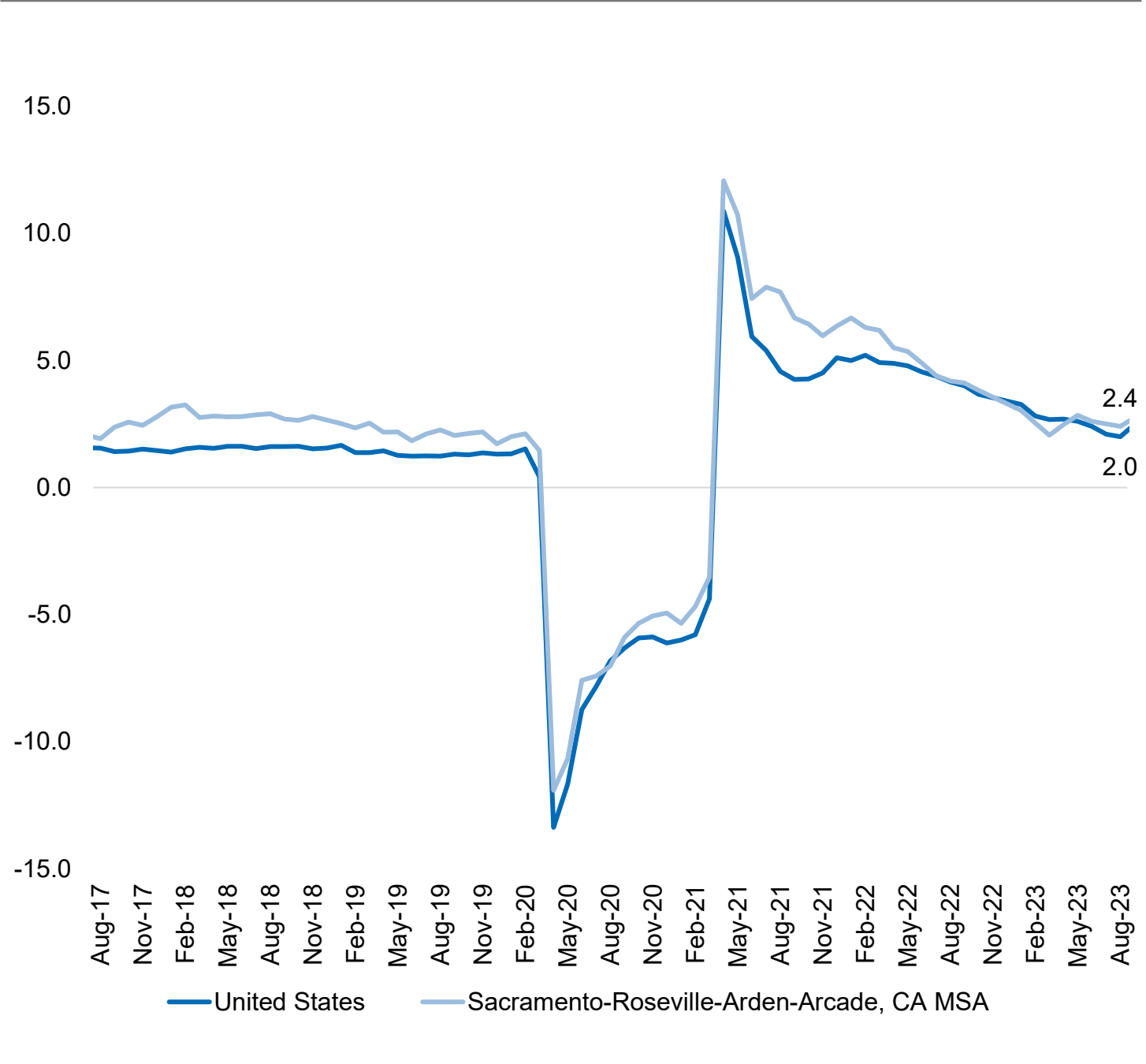
Metro Employment Increases Slightly

The unemployment rate increased slightly in the Sacramento Metro during the third quarter of 2023. The unemployment rate for the Sacramento Metro recorded at 4.1%, which is slightly higher than the national average of 3.8%.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

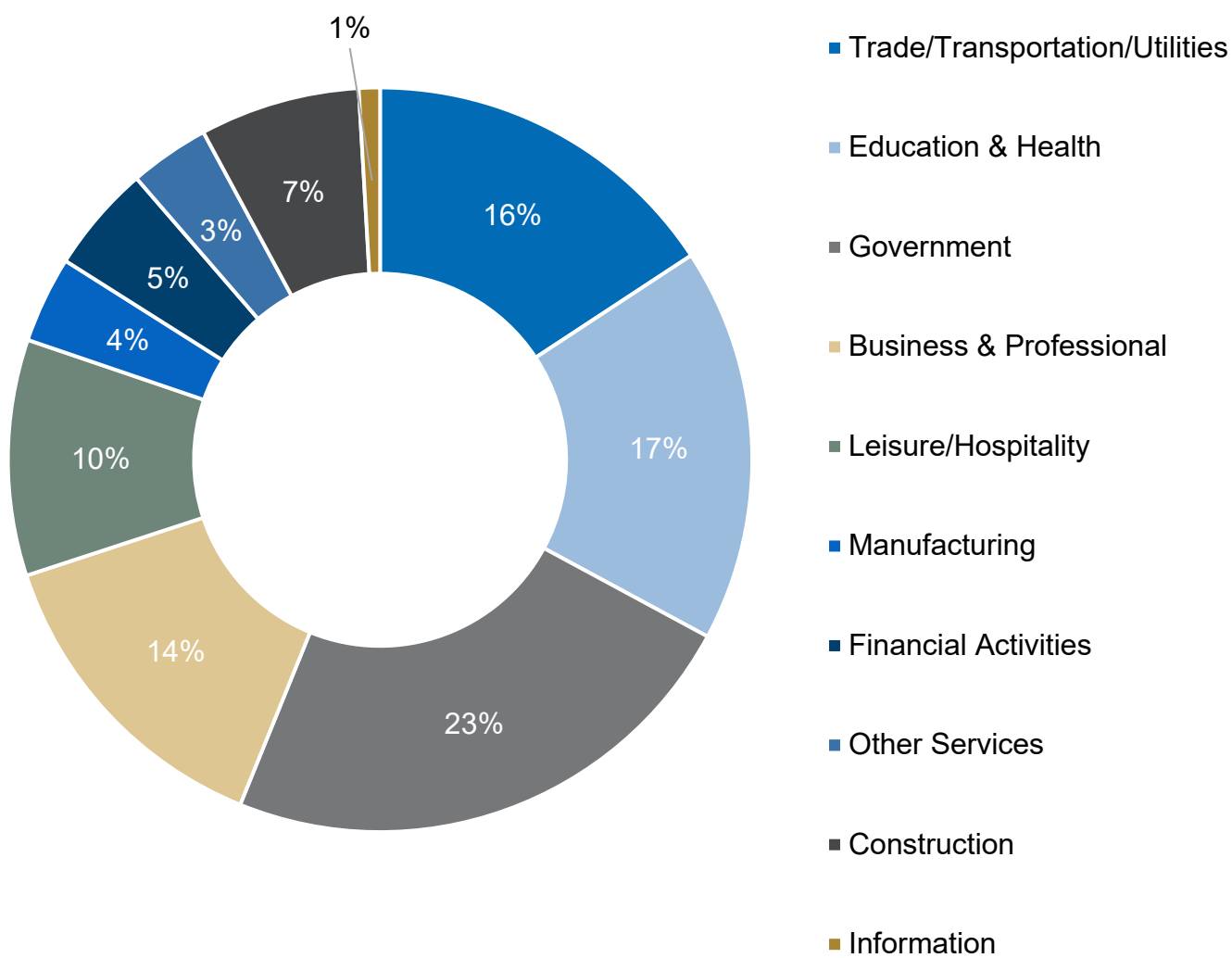


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

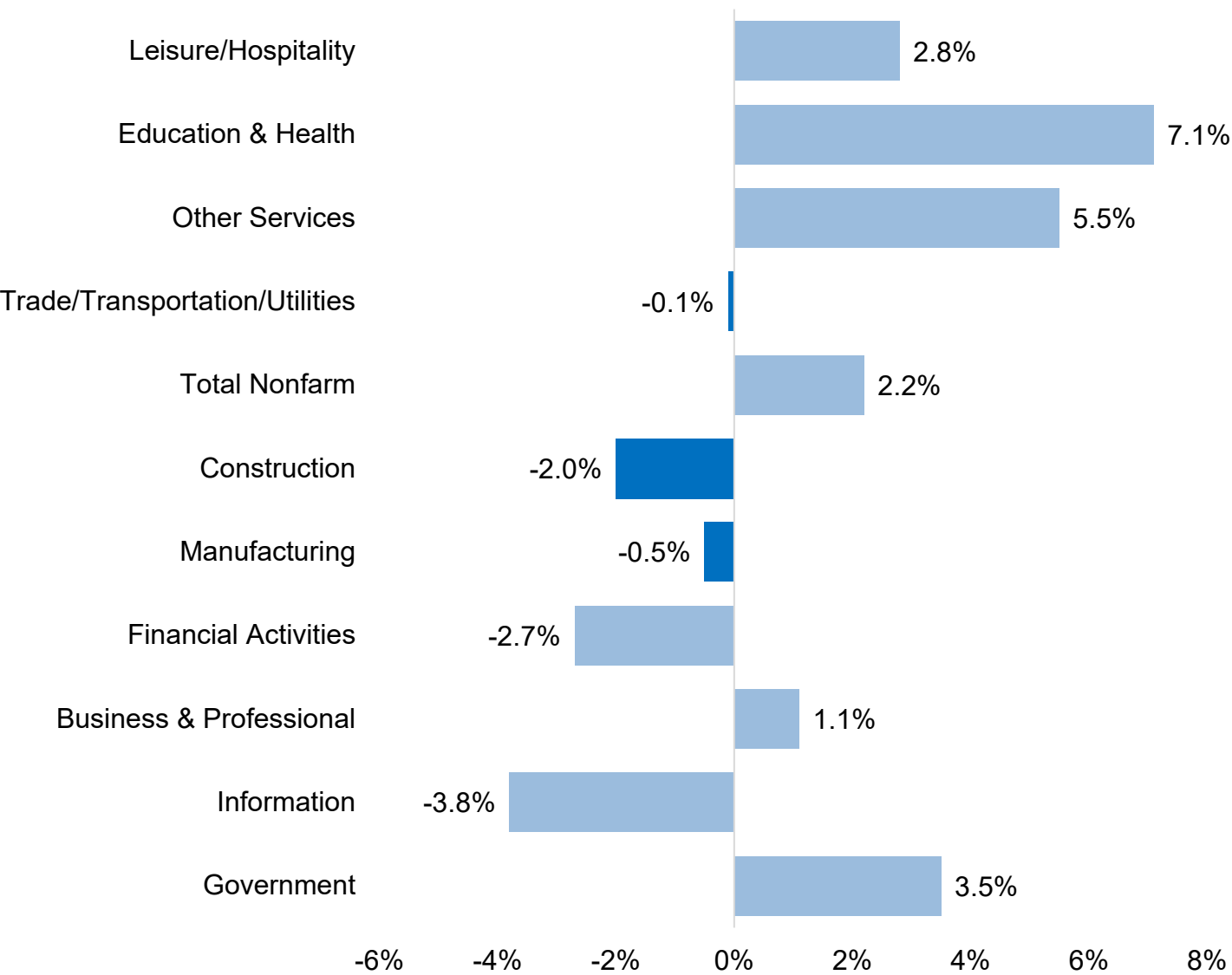
Government Sector Showed A Slight Increase In Job Growth

The other services sector saw the largest 12-month change, followed by the education and health sector. The construction, manufacturing and trad/transportation/utilities sectors all recorded a decrease in growth over the past year.

Employment by Industry, May 2023



Employment Growth by Industry, 12-Month % Change, Aug 2023

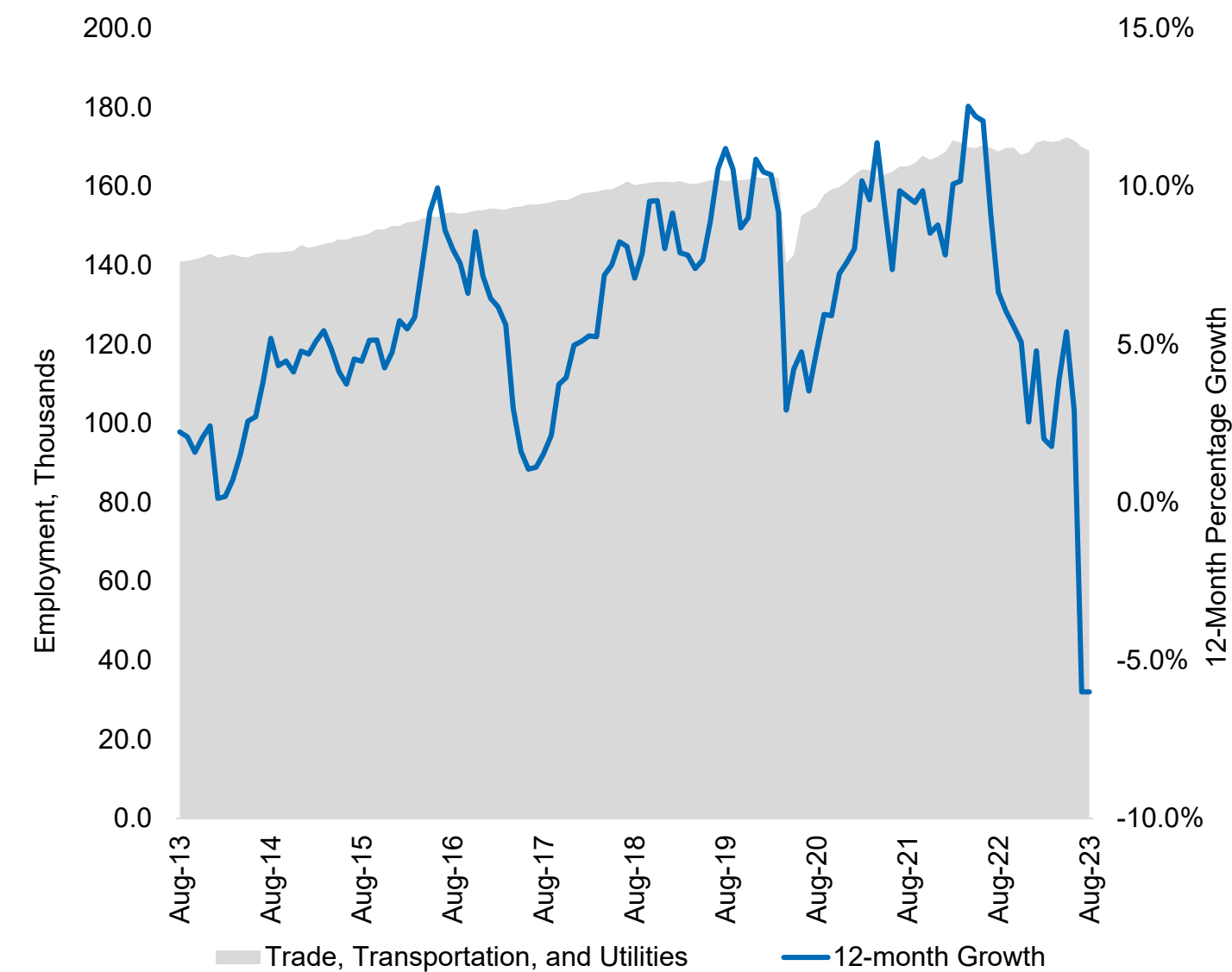


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

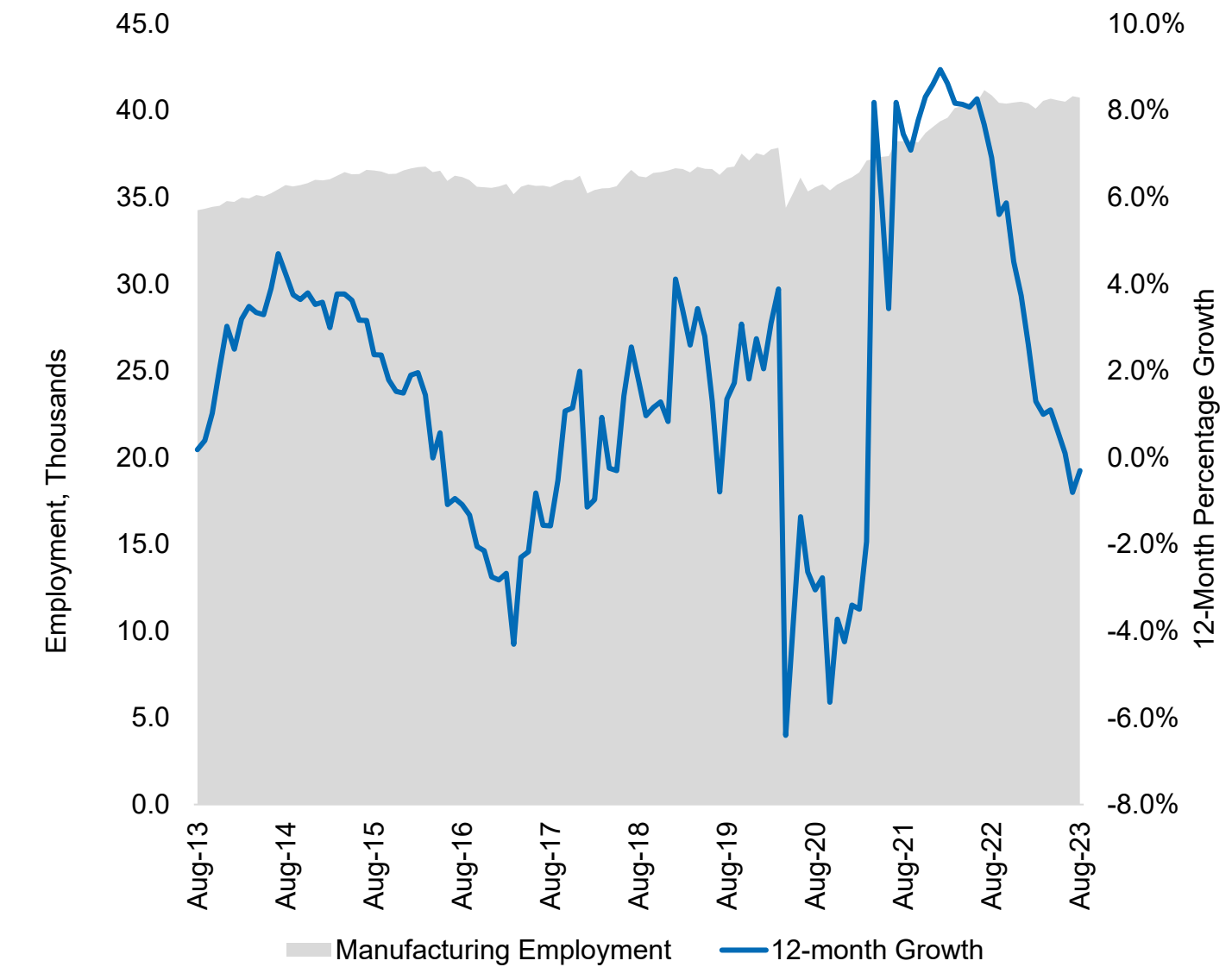
Industrial Employment Remains Strong

Trade/transportation/utilities and manufacturing firms are reacting to the economic climate and a shift in consumer demand by adjusting labor needs; however, competition for labor is still a challenge for many occupiers in the market.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

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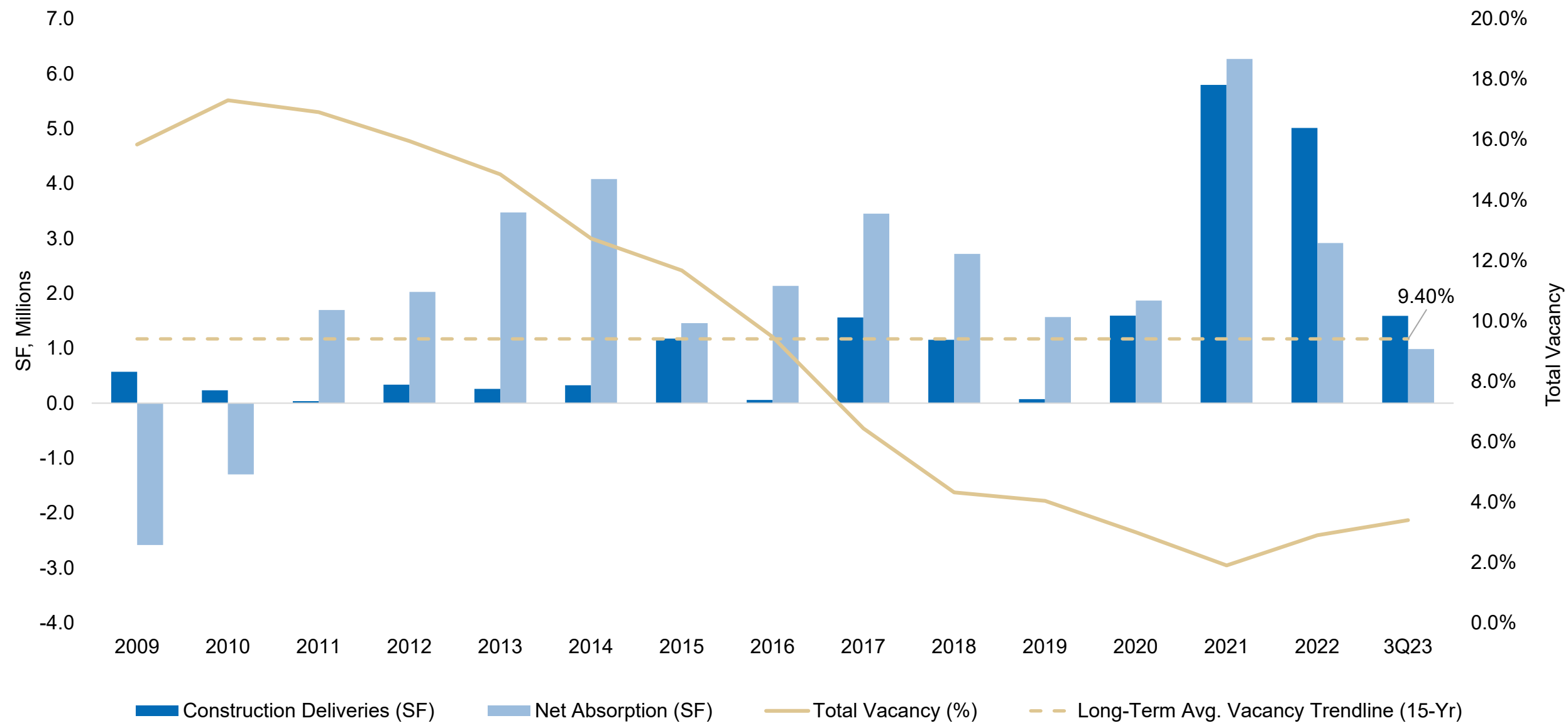
Leasing Market Fundamentals



Vacancy Increases Slightly with New Construction Deliveries

Industrial vacancy rate increased slightly during the third quarter of 2023 to 3.4% from 3.3% in the second quarter of 2023. New construction for the quarter totaled 407,208 square feet, while net absorption totaled just over 179,000 square feet. Currently there is over 2.2 million square feet slated for completion in the fourth quarter of 2023.

Historical Construction Deliveries, Net Absorption, and Vacancy

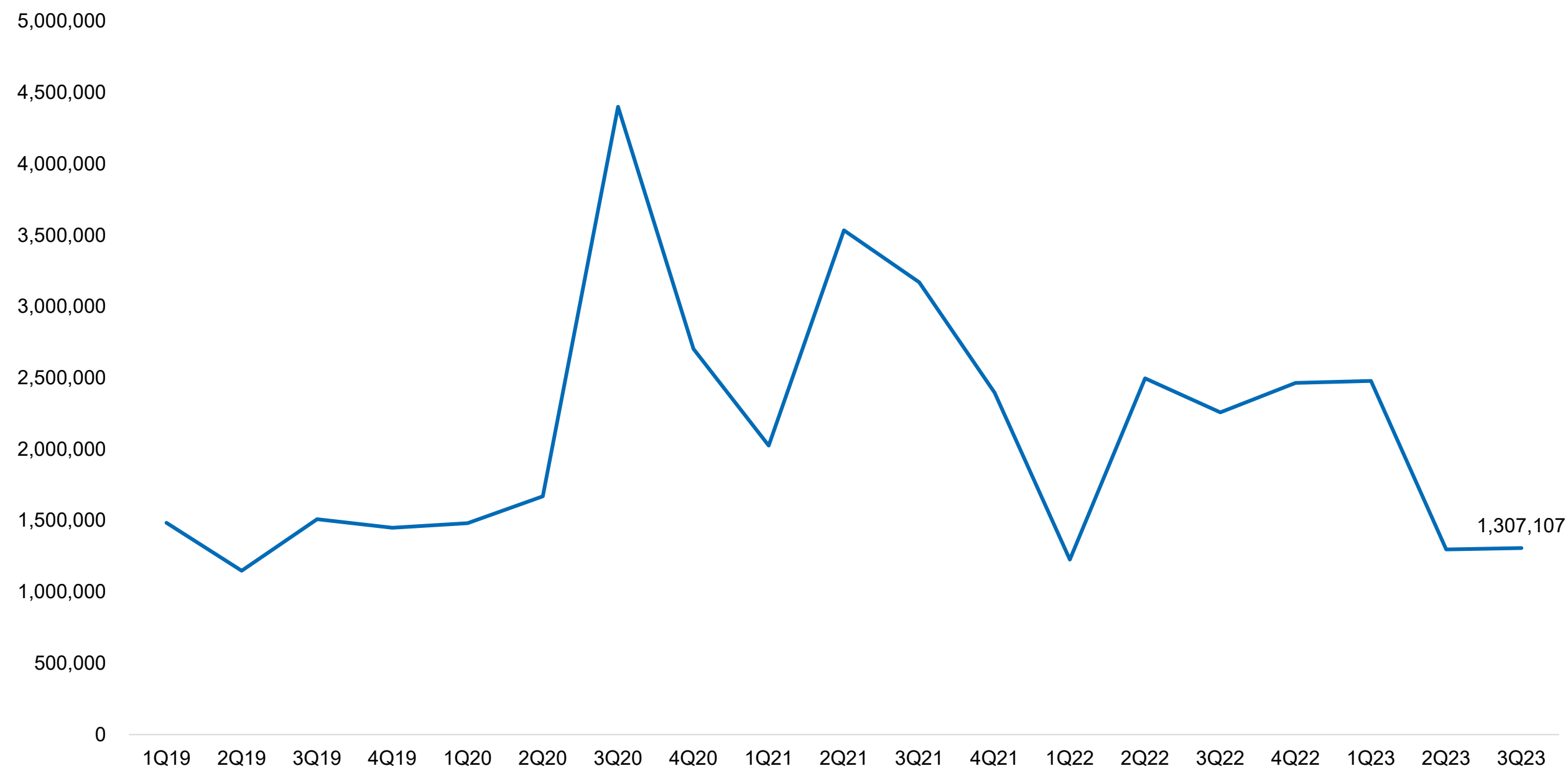


Source: Newmark Research

Industrial Leasing Activity Remains Strong

Leasing activity in the third quarter of 2023 totaling over 1.3 million square feet. It looks like leasing activity in 2023 will surpass the leasing activity of 2019 but may fall short in surpassing the last three years.

Total Leasing Activity (SF)

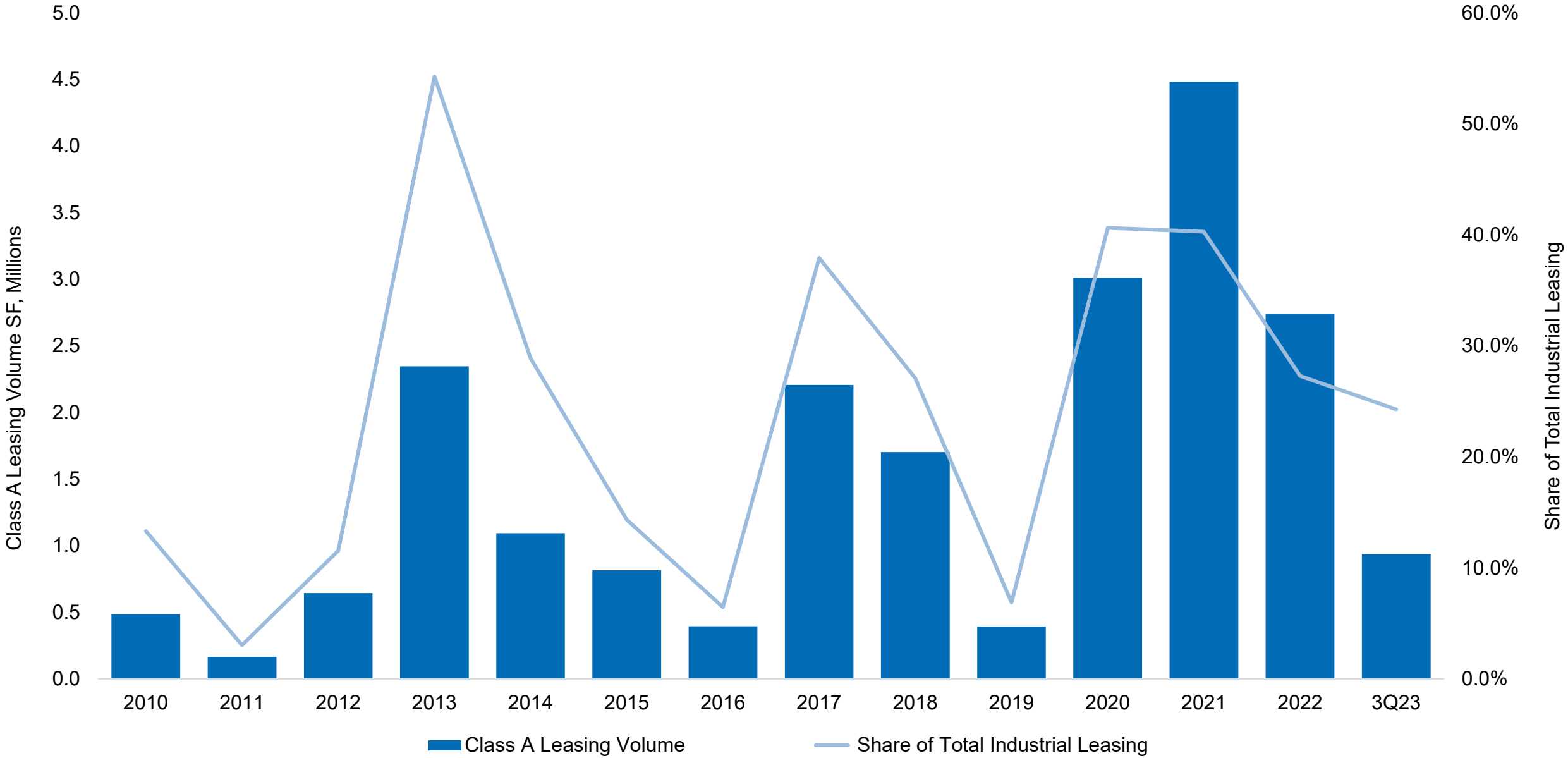


Source: CoStar

Class A Warehouse Leasing Activity Grows at a Slower Pace

Industrial Class A leasing activity is off to a slower start than the previous two years but is on track to post a decent year. Most new construction is in the Northgate submarket, specifically the Metro Air Park development, so that is where most of the leasing activity is the strongest.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



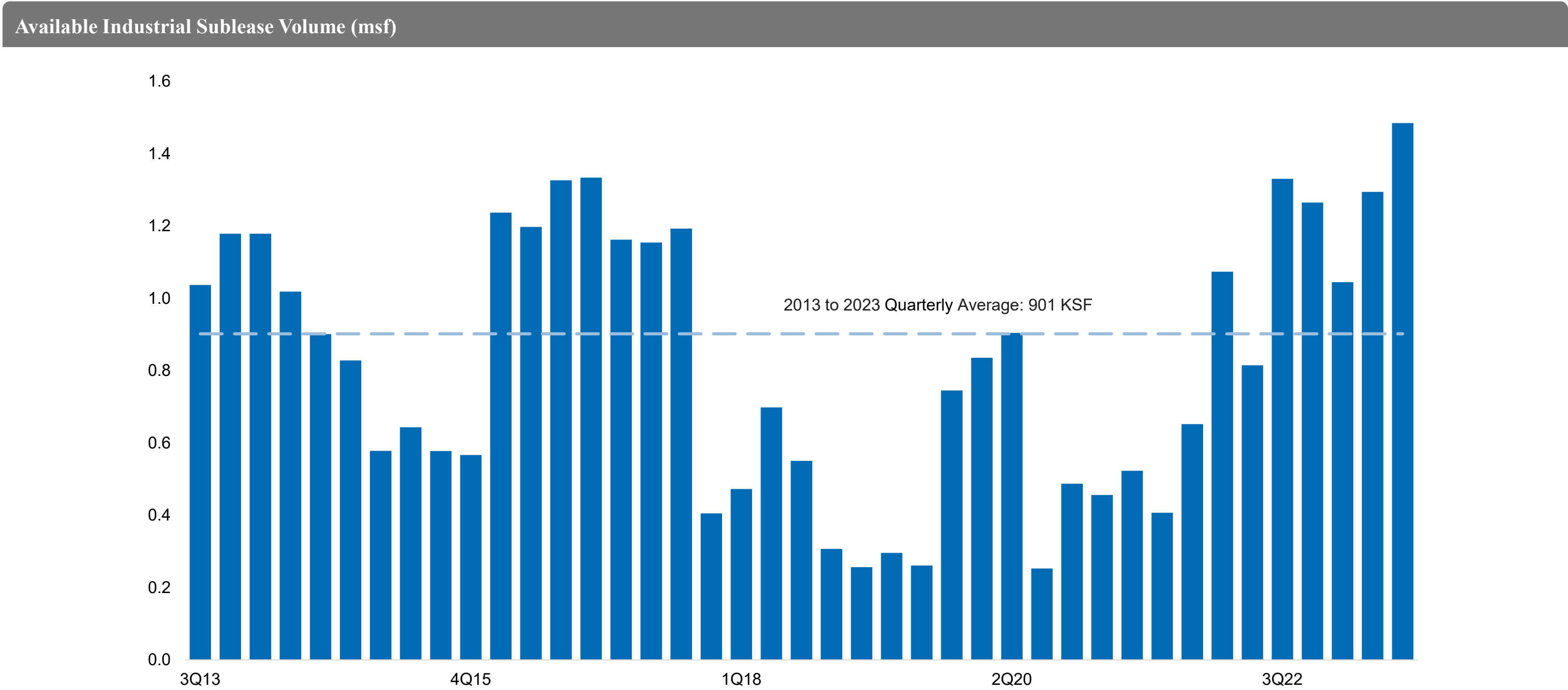
Source: CoStar

West Sacramento Has The Highest Vacancy Relative to Other Submarkets

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Industrial Sublease Availability Grew Almost Another Million Square Feet

The third quarter of 2023 posted over 1.4 million square feet of sublease space. This is the fifth straight quarter that the Sacramento industrial market had over 1.0 million square feet of sublease space.



Source: Newmark Research

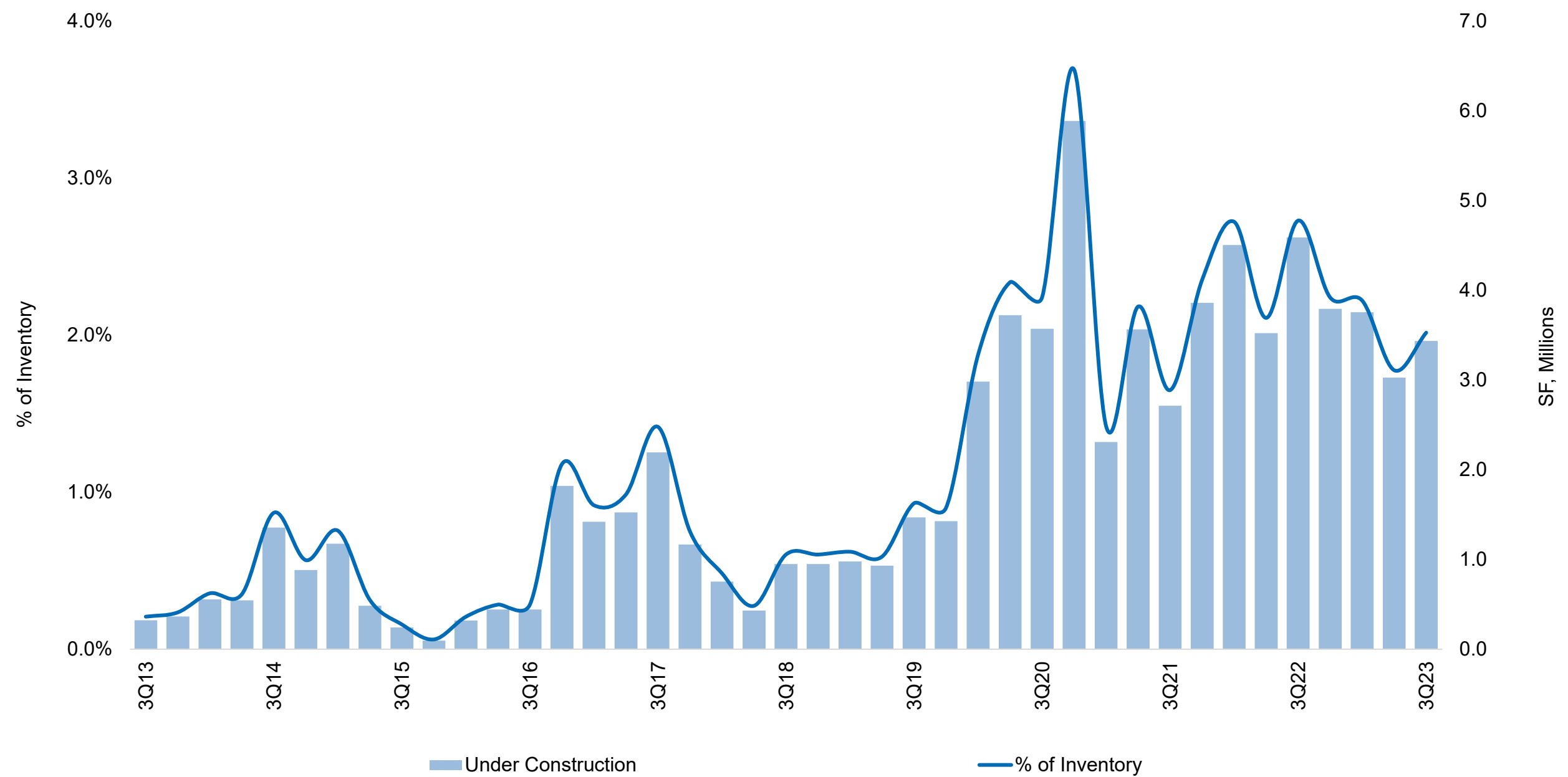
West Sacramento Leads The Submarkets in Sublet Availability

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Industrial Construction Pipeline Remains Robust

The Sacramento industrial market continues to see an active construction pipeline. Currently there is over 3.4 million square feet under construction, with about 2.3 million square feet scheduled for completion at the end of 2023. Most of the construction activity is occurring in the Northgate submarket, specifically in the Metro Air Park development with over 1.9 million square feet and the 50 Corridor submarket with over 902,000 square feet.

Industrial Under Construction and % of Inventory



Source: Newmark Research

New Construction Is Concentrated in the Largest Square Footage Segment

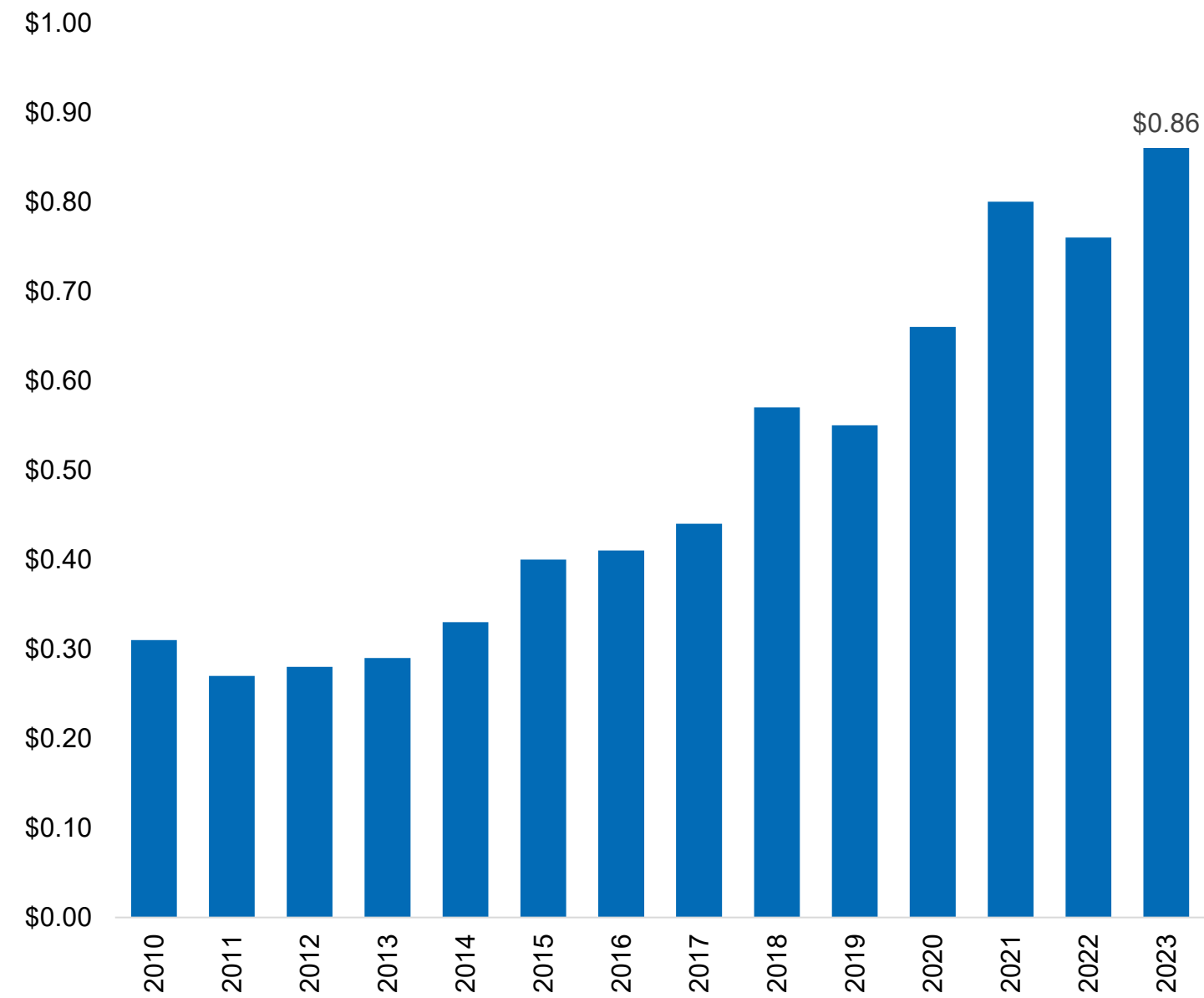


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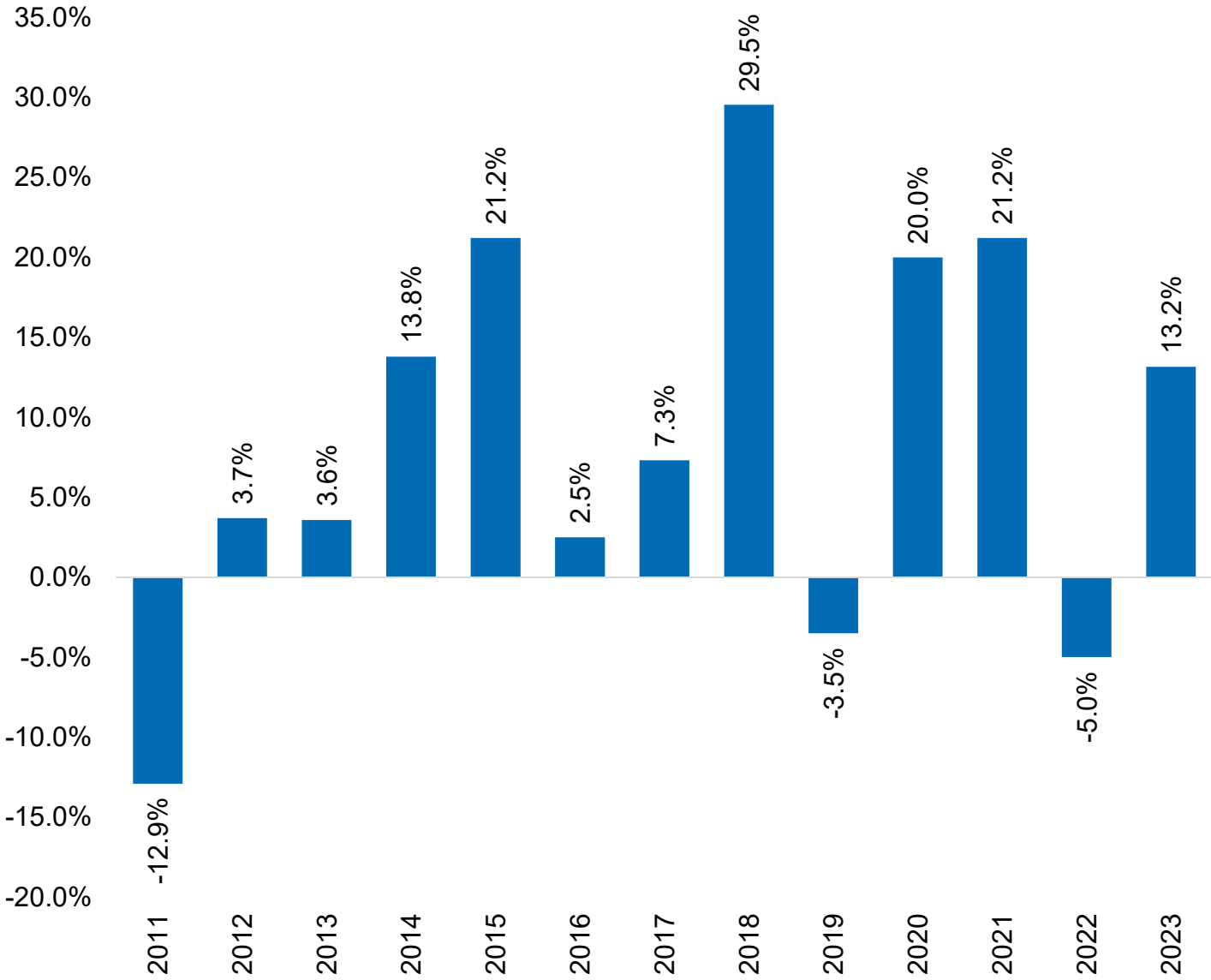
Industrial Asking Rent Growth Continues into the 3Q23

Industrial average asking rents ended the third quarter of 2023 at \$0.86/SF, an all-time high for the Sacramento industrial market. Rents should remain steady for the rest of the year.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research

Class A Warehouse Rents Remains Stable



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Rent Performance Varies by Submarket



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Notable 3Q23 Lease Transactions

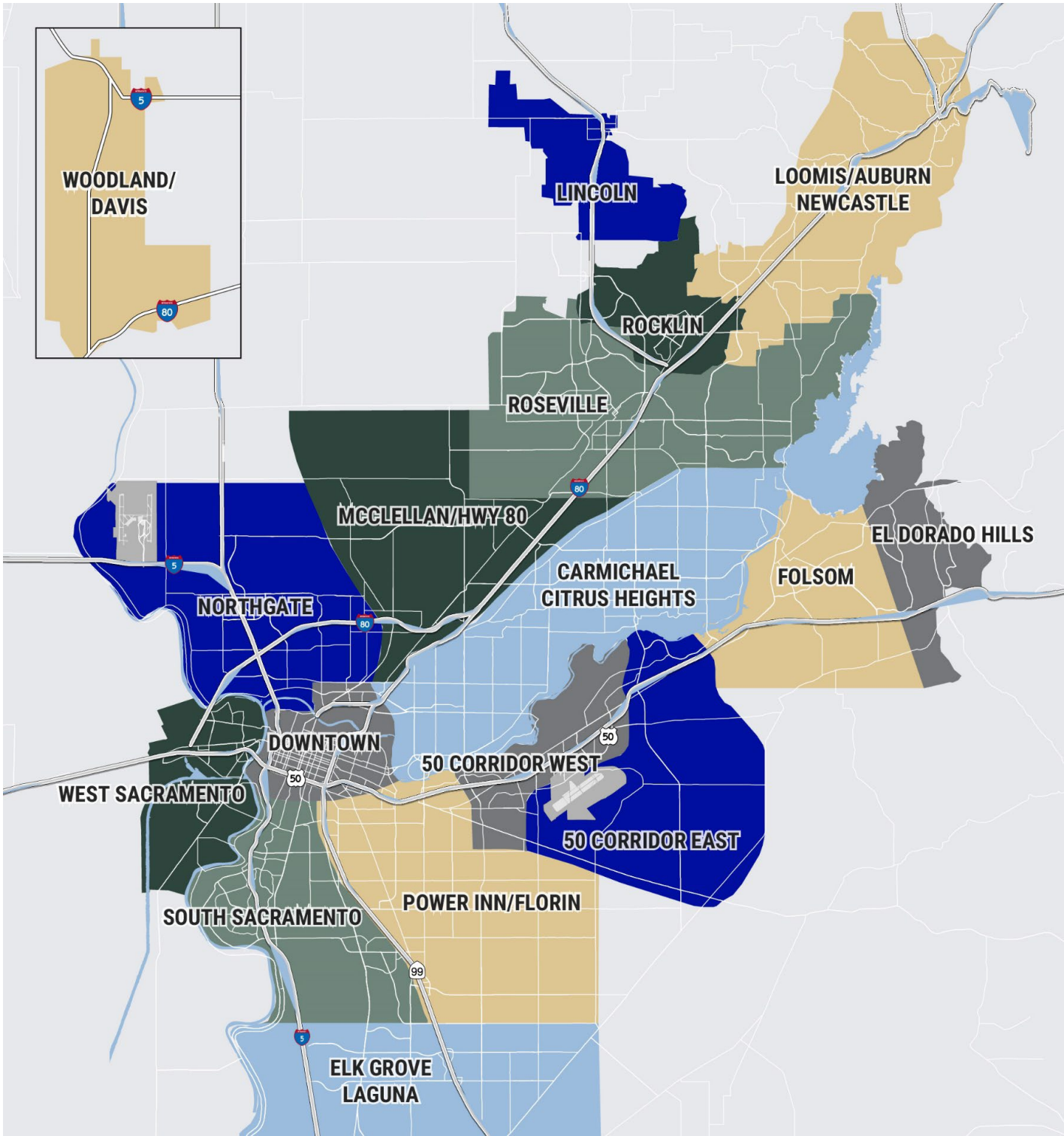
The industrial market posted 179,449 square feet of net absorption during the third quarter of 2023, bringing the year-to-date net absorption total to 987,830 square feet. The largest sale transaction for the quarter was 7501 Foothills Blvd (712,000 square feet on 42.0 acres) which was purchased by Robert Bosch Semiconductor LLC from TSI Semiconductor Corp for \$42.4 million.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
eShipping <i>This sublease was for the entire building and is the largest lease transaction of the quarter.</i>	3765 Channel Dr	West Sacramento	Sublease	154,580
Keysight Technologies <i>Keysight Technologies occupies about 80% of the building.</i>	10050 Foothills Blvd	Roseville	Lease Renewal	146,016
Denman of California <i>The space that Denman of California leased was only on the market for about one month.</i>	8250-8282 Industrial Ave	Roseville	Direct New	132,570
Perimeter Solutions <i>This building is in McClellan Park.</i>	3024 Peacekeeper Way	McClellan Hwy 80	Direct New	105,000
Tazza Brands West, Inc <i>Tazza Brands West is a manufacturer of health and wellness products. This lease will expand their presence in California.</i>	700 Santa Anita Dr	Woodland	Direct New	99,462

Appendix / Tables



Sacramento Industrial Submarket Map



Source: Newmark Research

Sacramento Industrial Submarket Overview

Please reach out to your
Newmark business contact for this information

For more information:

Kelly Dong
Research Coordinator
Sacramento Research
kelly.dong@nmrk.com

Sacramento
980 9th Street #2500
Sacramento, CA 95814
t 916-920-4400

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

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