

# Sacramento Industrial Market Overview



# Market Observations

## Economy

- The unemployment rate increased slightly in the Sacramento Metro during the fourth quarter of 2023. The unemployment rate for the Sacramento Metro recorded at 4.4%, which is slightly higher than the national average of 3.7%.
- The Construction sector saw the largest 12-month change, followed by the education and health sector. The financial activities and information sectors both recorded a decrease in growth over the past year.
- 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.

## Major Transactions

- The largest lease transaction for the fourth quarter of 2023 was a sublease at 3771 Channel Dr in the West Sacramento submarket by Encore Glass for 383,916 square feet.
- The top five lease transactions were all over 90,000 square feet which included three new deals, one sublease and one lease renewal.
- The largest sale transaction for the quarter was 3689 Industrial Blvd, a 302,400 square foot fully leased building purchased for \$33.25 million by The McLellan Company. This is the first purchase in the Sacramento Region for the Bay Area-based Company.

## Leasing Market Fundamentals

- The Sacramento Industrial vacancy rate increased slightly during the fourth quarter of 2023 to 3.8% from 3.4% in the third quarter of 2023. New construction for the quarter totaled 874,950 square feet.
- The industrial market posted a net absorption totaled just over 102,000 square feet bringing they year-to-date net absorption total to over 1.1 million square feet.
- The Sacramento region currently has 2.5 million square feet under construction which is all scheduled for completion in 2024.

## Outlook

- The Sacramento industrial market should continue on a positive trend in 2024. Although the construction pipeline has slowed, leasing activity should remain strong.
- The Sacramento industrial sale market should continue to be active with both user and investment sales.
- With economic conditions continuing into 2024, the Sacramento industrial market should be able to ride out any fluctuations.

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4Q23

# Economy

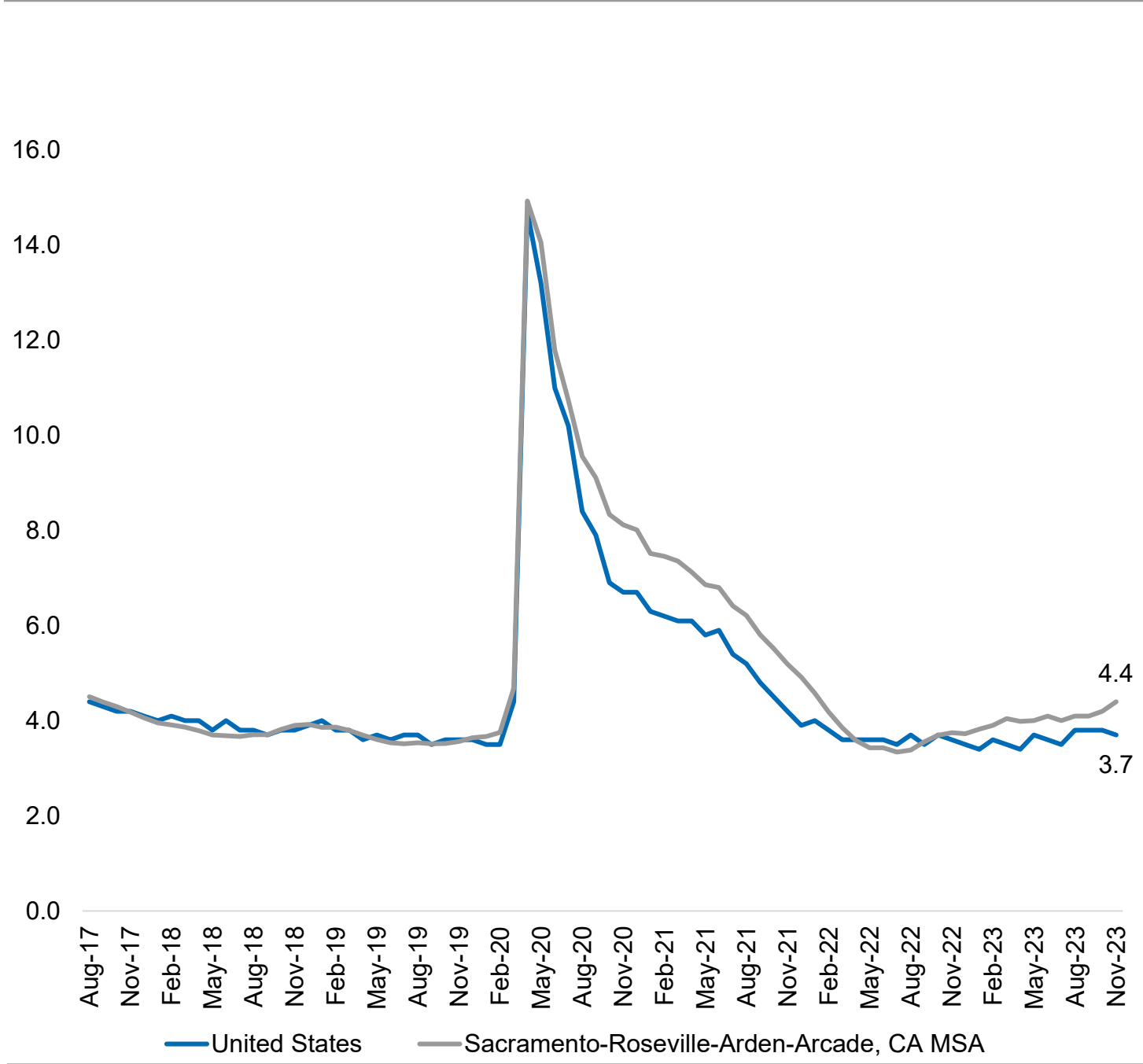




# Metro Employment Increases Slightly

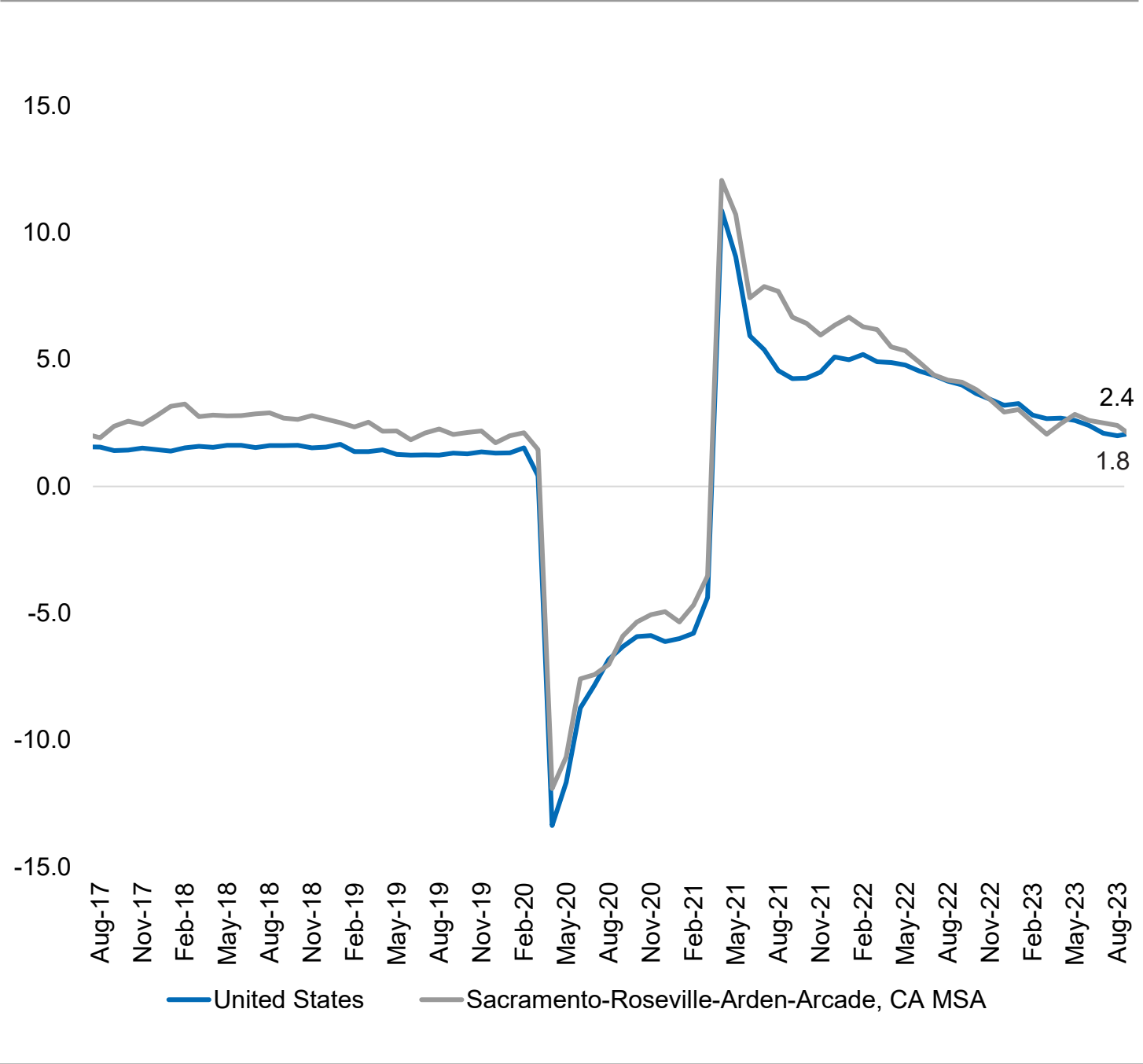
The unemployment rate increased slightly in the Sacramento Metro during the fourth quarter of 2023. The unemployment rate for the Sacramento Metro recorded at 4.4%, which is slightly higher than the national average of 3.7%.

Unemployment Rate, Seasonally Adjusted



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

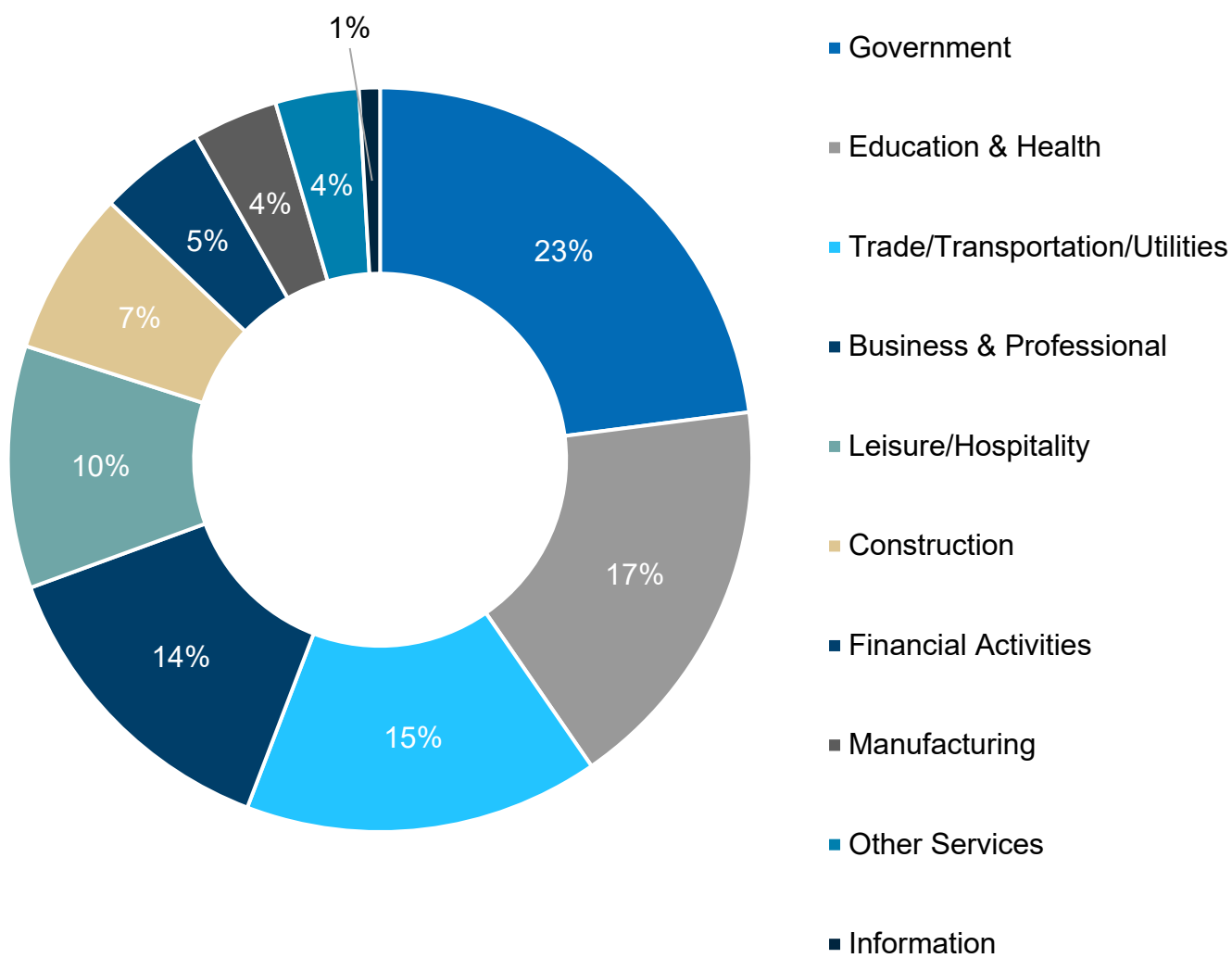
Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



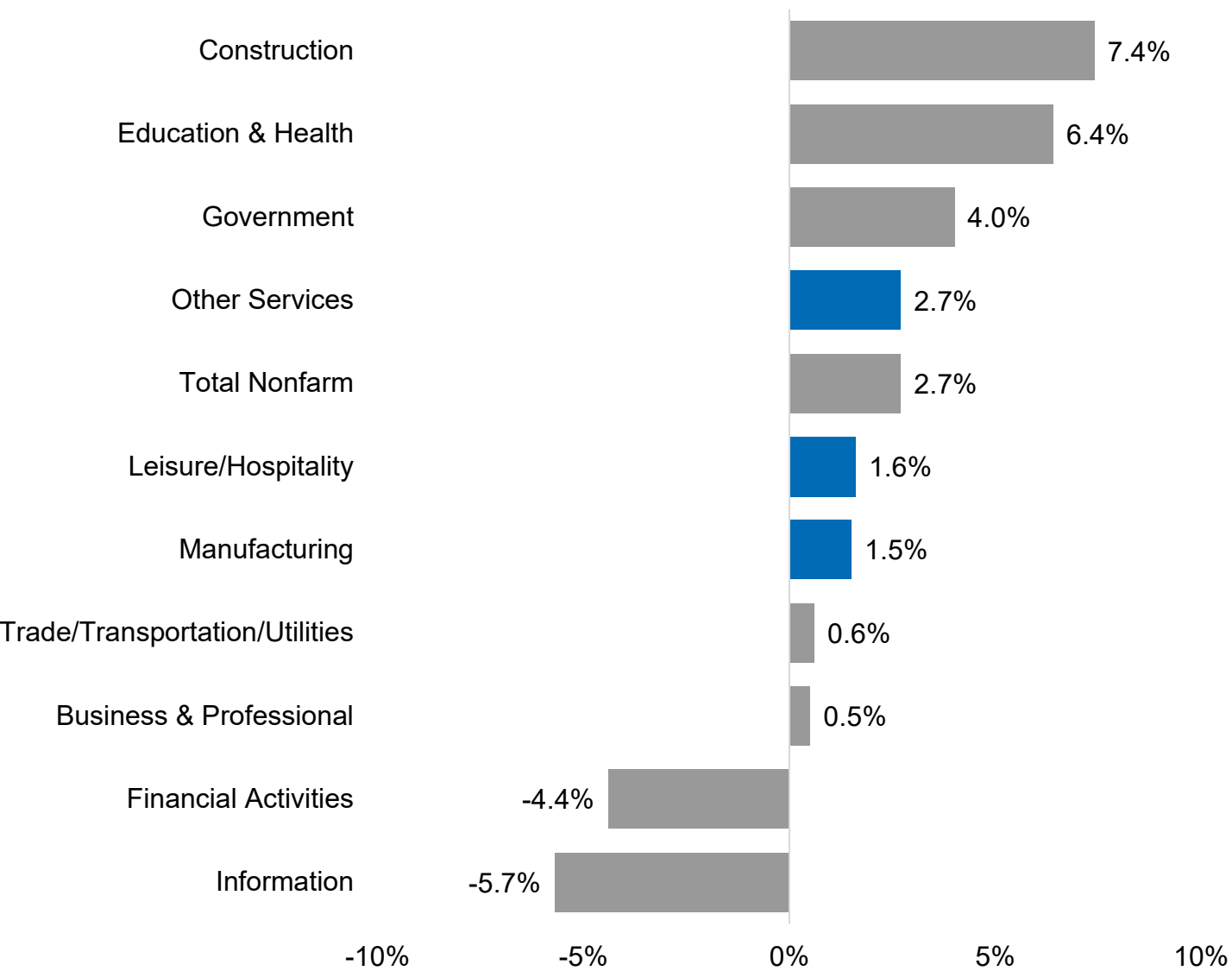
# Government Sector Showed A Slight Increase In Job Growth

The Construction sector saw the largest 12-month change, followed by the education and health sector. The financial activities and information sectors both recorded a decrease in growth over the past year.

Employment by Industry, Nov 2023



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

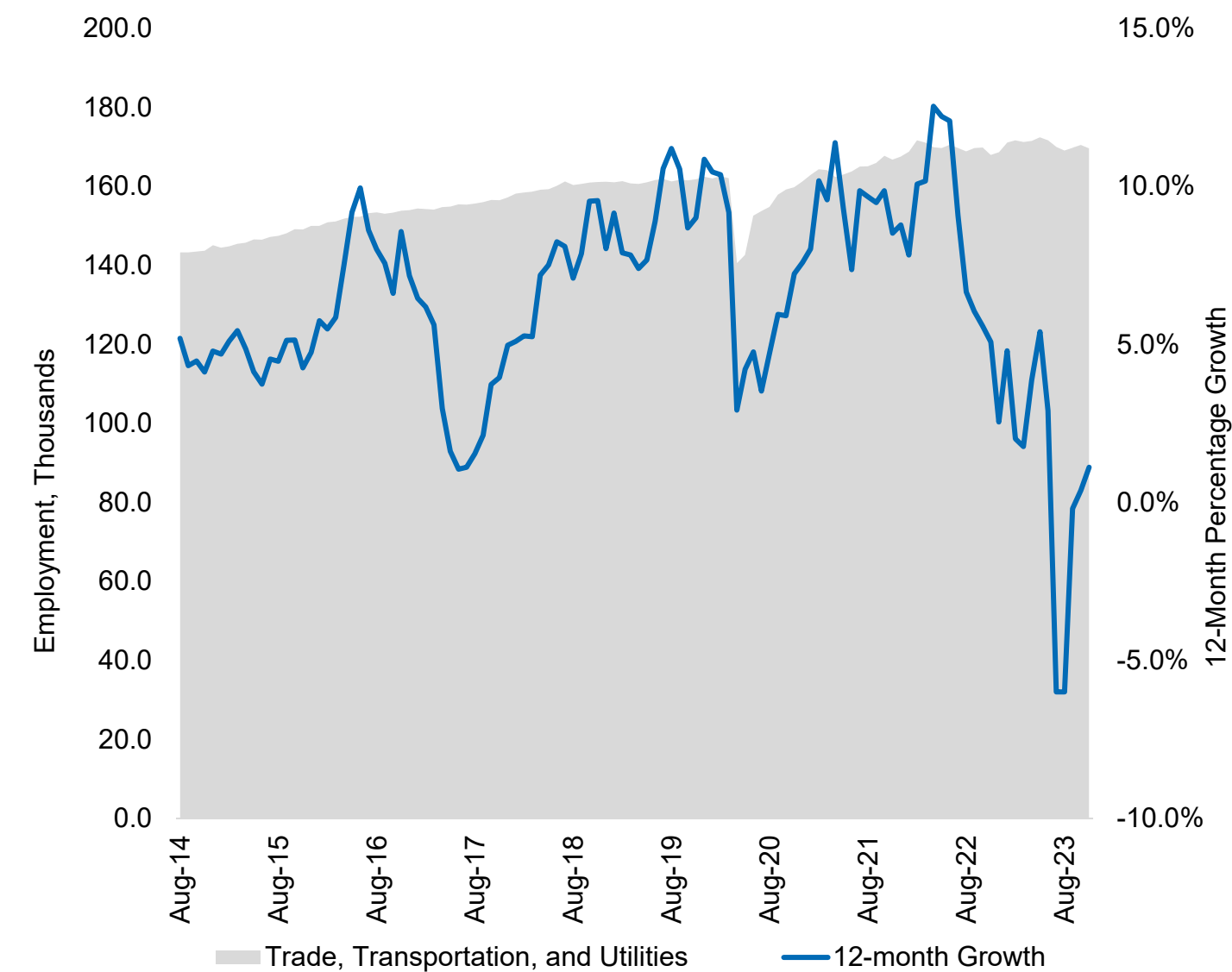


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

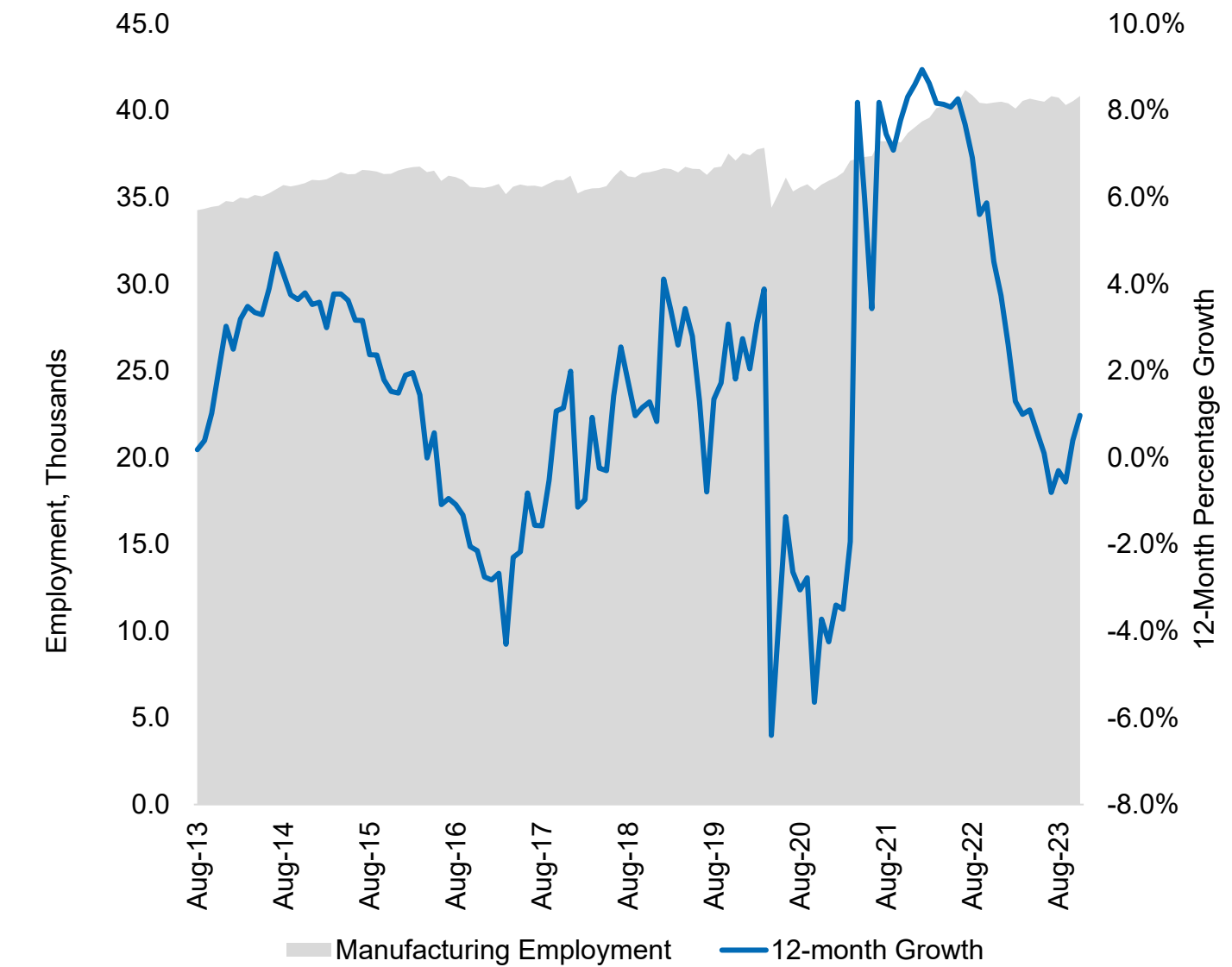
# Industrial Employment Remains Strong

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

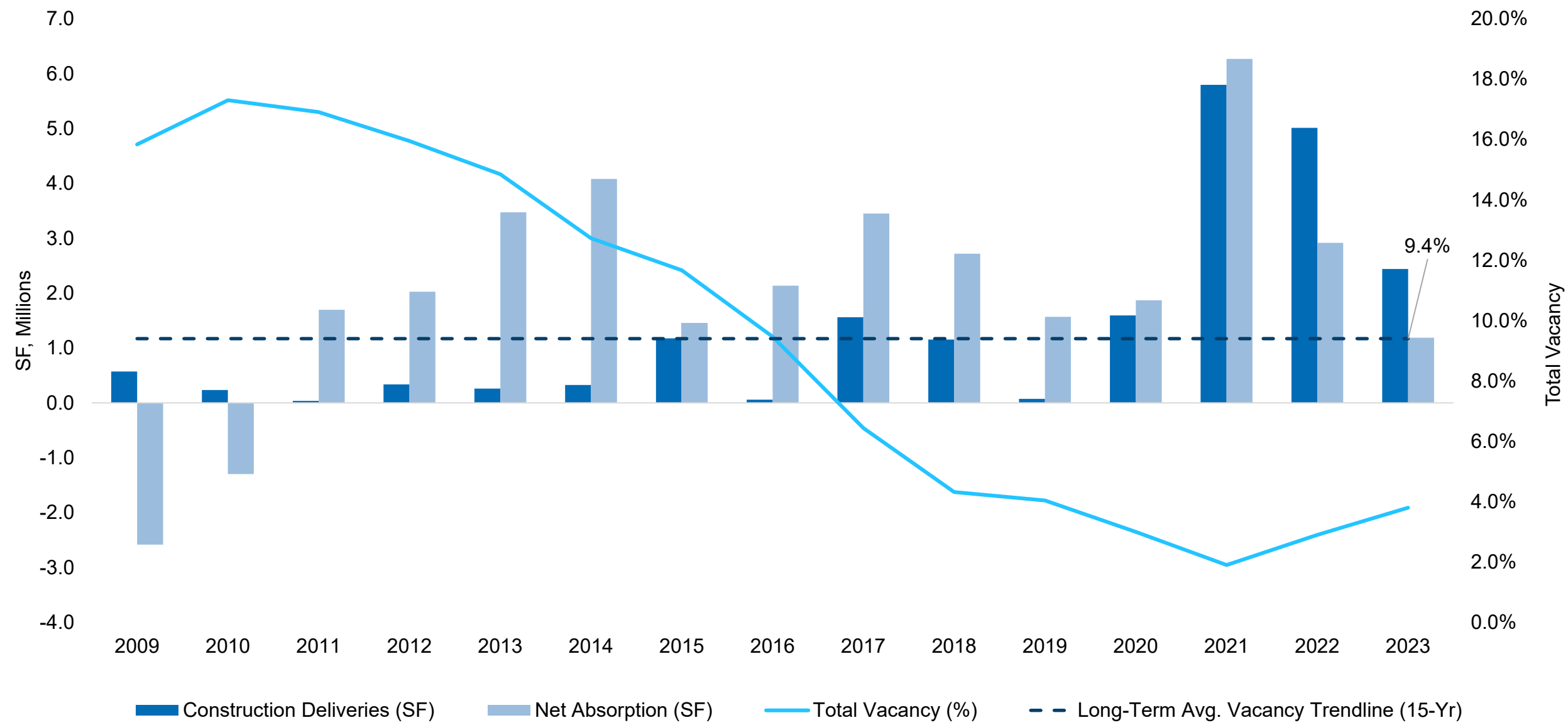




# Vacancy Increases Slightly with New Construction Deliveries

Industrial vacancy rate increased slightly during the fourth quarter to 3.8% from 3.4% in the third quarter. New construction for the quarter totaled 874,950 square feet and over 2.4 million square feet for the year. while net absorption totaled just over 102,746 square feet for the quarter and almost 1.2 million square feet for the year. Currently there is over 2.5 million square feet under construction all are slated for completion in 2024.

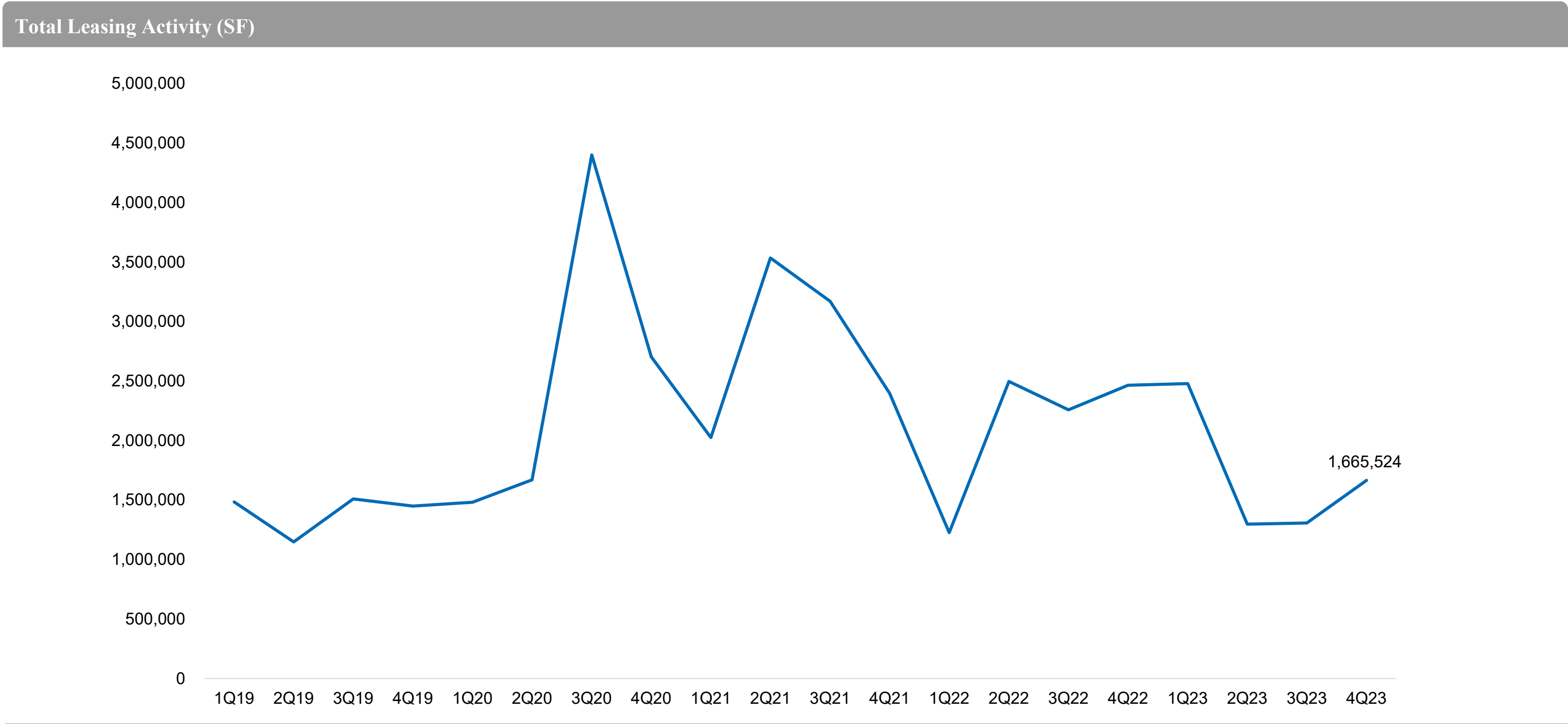
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

# Industrial Leasing Activity Remains Strong

Leasing activity in the fourth quarter of 2023 totaled over 1.6 million square feet and over 7.1 million square feet for the year. Leasing activity in 2023 surpassed the 2019 leasing total of over 5.5 million square feet but falls short in surpassing the last three years' total of over 8.5 million square feet in 2022; over 11.1 million square feet in 2021 and over 10.2 million square feet in 2020.



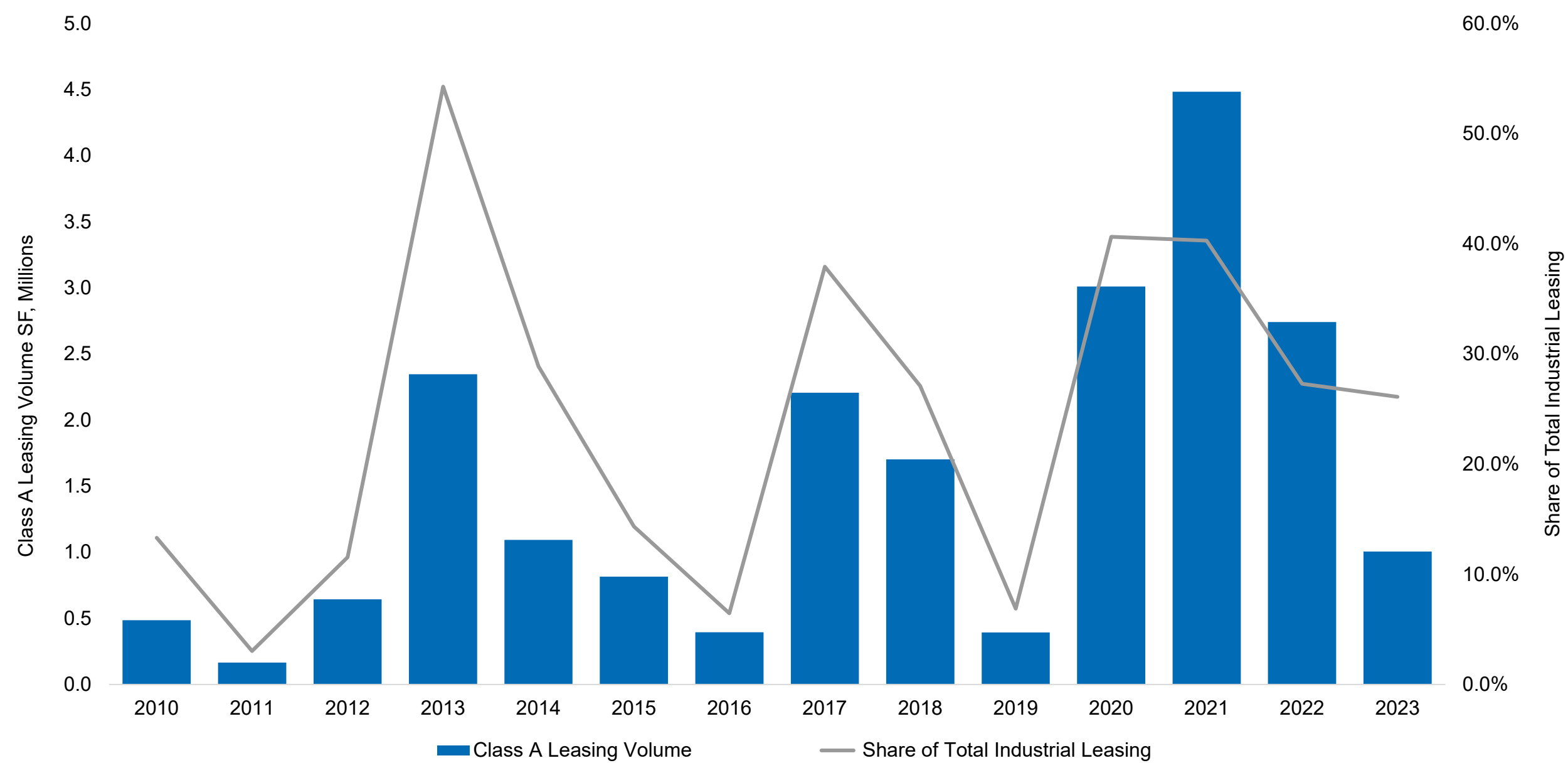
Source: CoStar



# Class A Warehouse Leasing Activity Continues To Grow at a Slower Pace

Industrial Class A leasing activity posted the second smallest total in the last five years. Leasing activity remains strong in the West Sacramento, Northgate, Power Inn and 50 Corridor East submarkets.

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



Source: CoStar





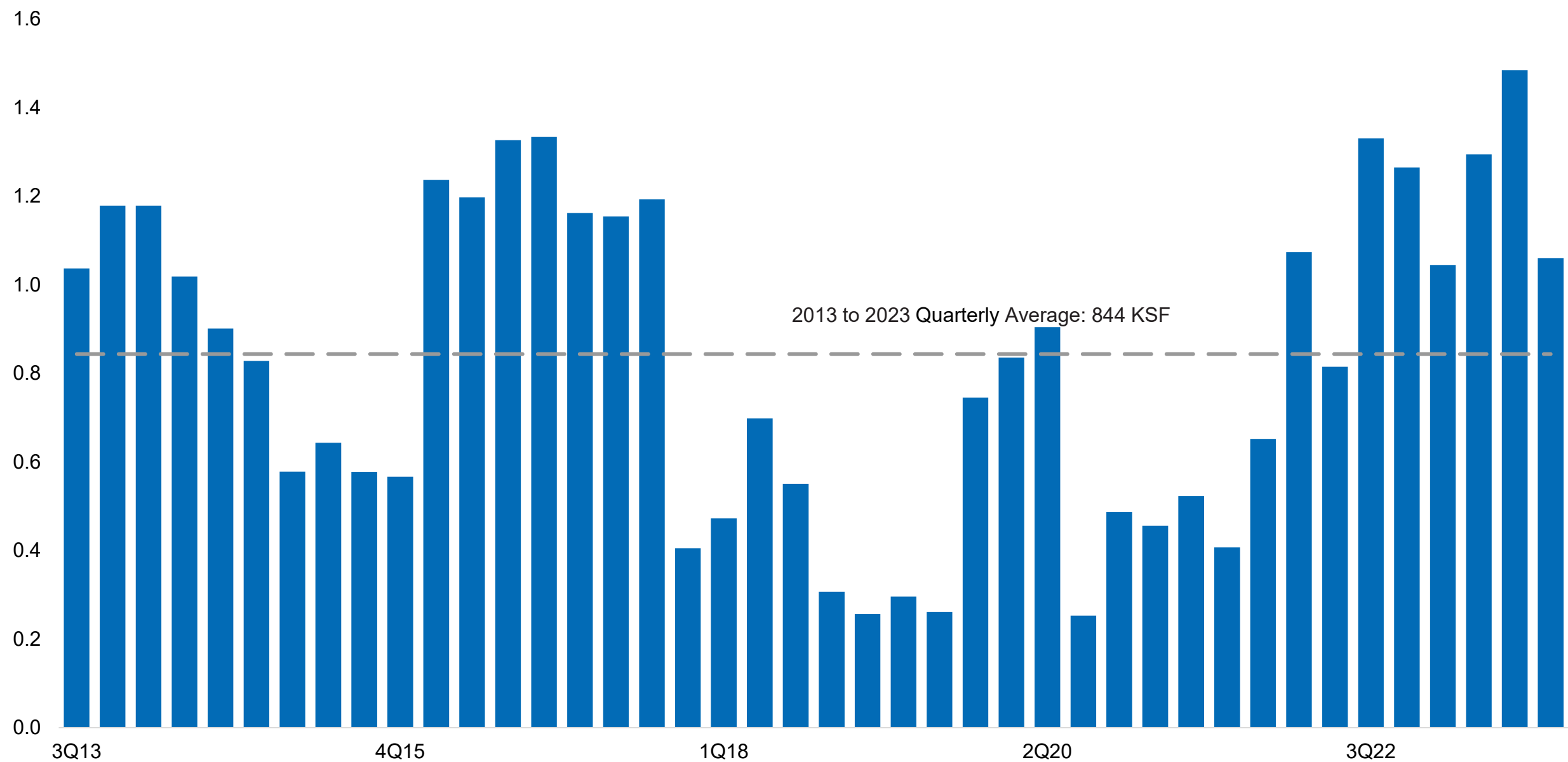
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# Industrial Sublease Availability Decreases

Sublease space decreased in the fourth quarter to almost 1.1 million square feet down from a third quarter 2023 total of over 1.4 million square feet. This is the sixth straight quarter that the Sacramento industrial market had over 1.0 million square feet of sublease space.

Available Industrial Sublease Volume (msf)



Source: Newmark Research



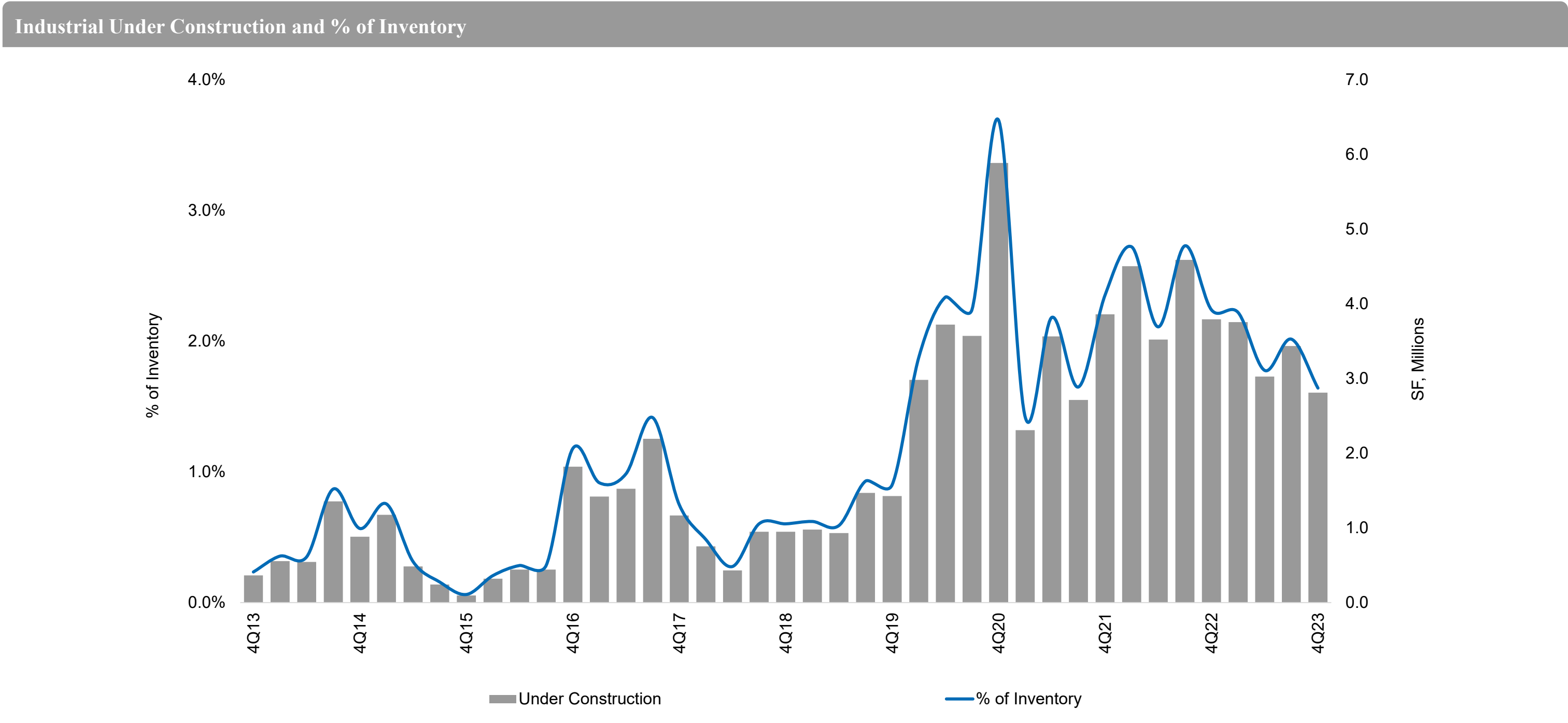


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# Industrial Construction Pipeline Remains Robust But...

The Sacramento industrial market continues to see an active construction pipeline. Currently there is over 2.5 million square feet under construction and every building currently under construction are scheduled for completion in 2024. Most of the construction activity is occurring in the Northgate submarket, specifically in the Metro Air Park development with over 1.1 million square feet and the 50 Corridor East submarket with over 902,000 square feet.



Source: Newmark Research





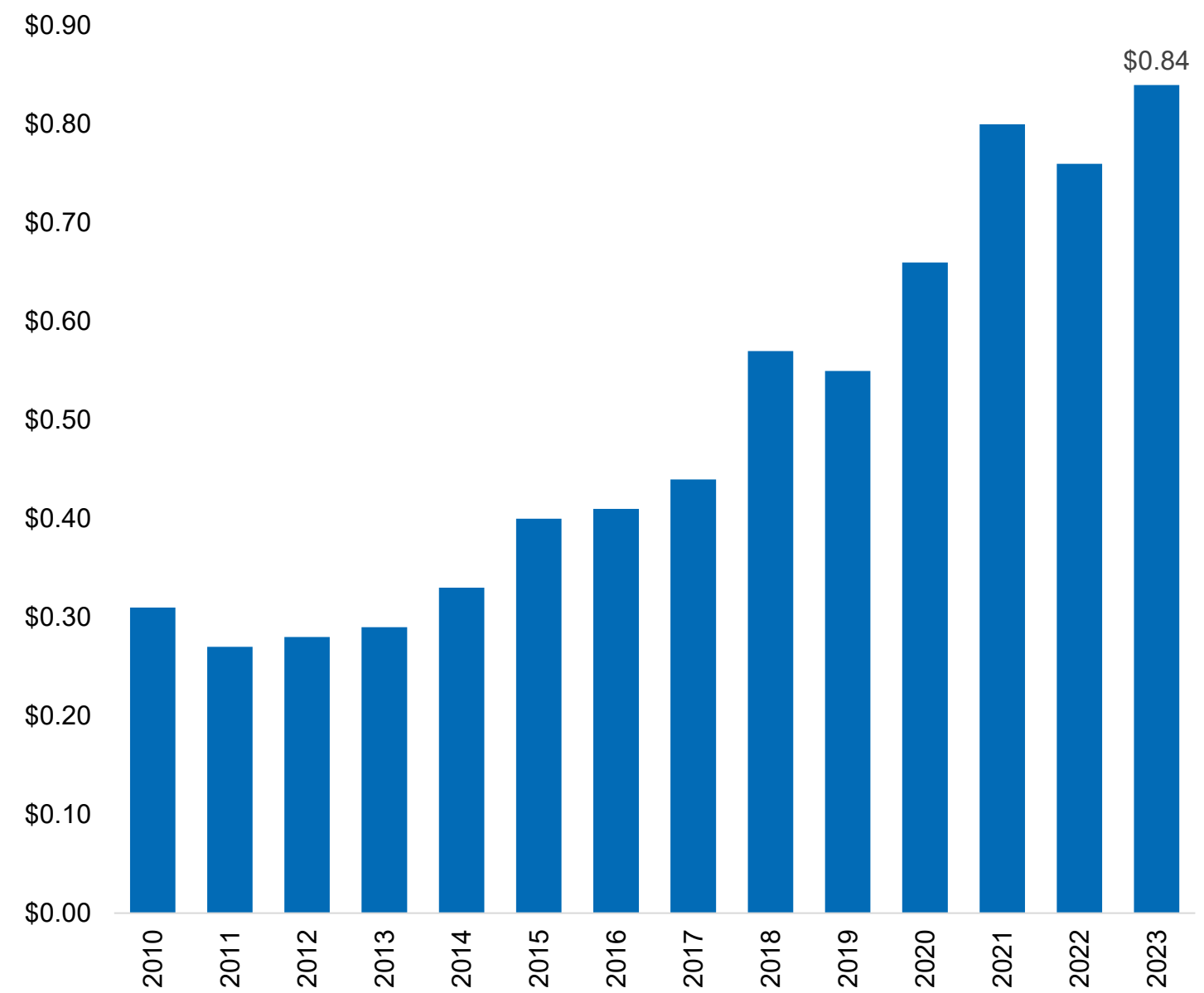
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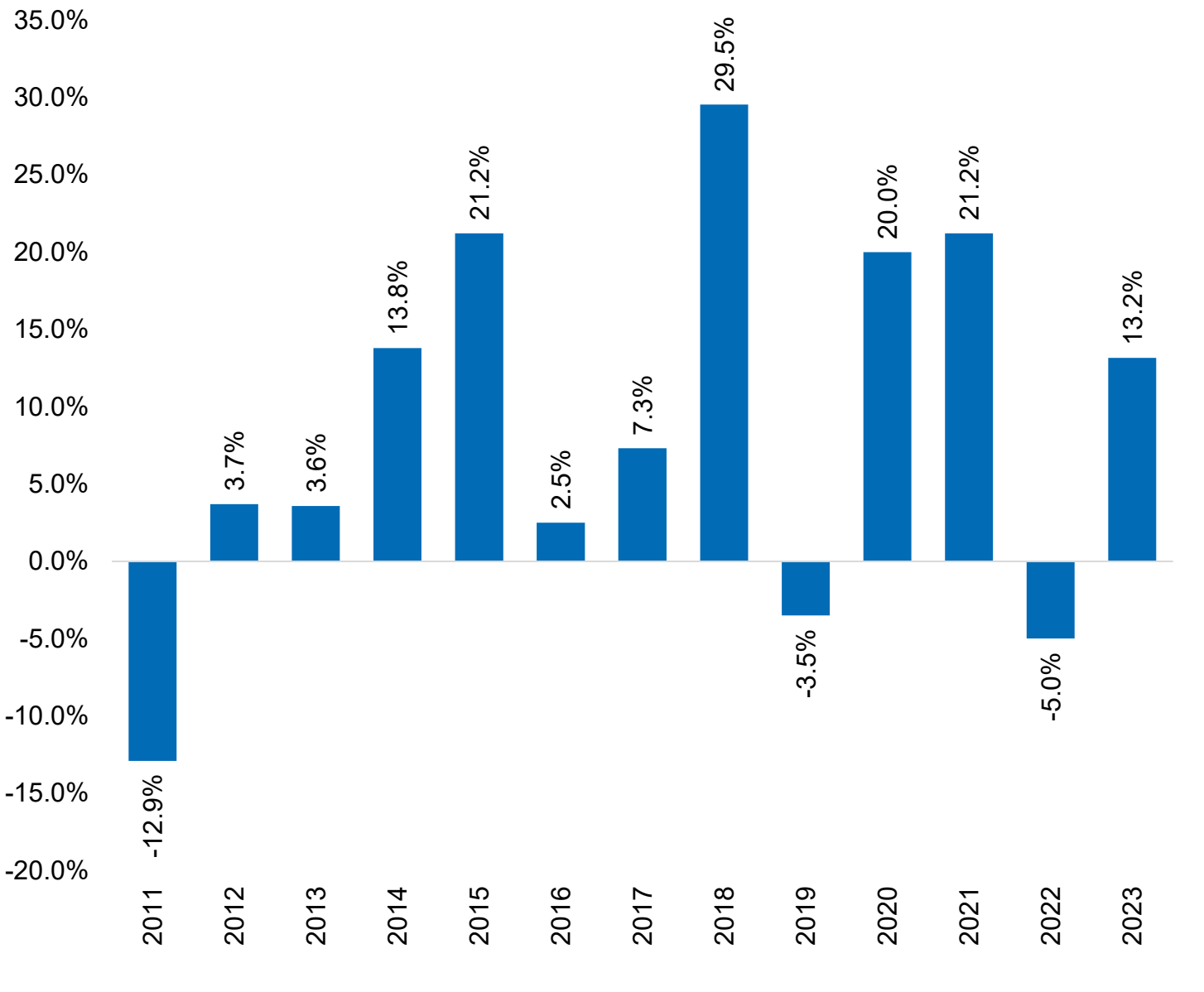
# Industrial Asking Rent Growth Continues in the 4Q23

Industrial average asking rents ended the fourth quarter of 2023 at \$0.84/SF, an all-time high for the Sacramento industrial market. Rents should remain steady in the coming year.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research





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# Notable 4Q23 Lease Transactions

The industrial market posted 102,746 square feet of net absorption during the fourth quarter of 2023, bringing the year-to-date net absorption total to over 1.1 million square feet. The largest sale transaction for the quarter was 3689 Industrial Blvd, a 302,400 square foot fully leased building purchased for \$33.25 million by The McLellan Company. This is the first purchase in the Sacramento Region for the Bay Area-based Company.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Encore Glass <i>This sublease space was previously occupied by TK Classic..</i>	3771 Channel Dr, West Sacramento	West Sacramento	Sublease	383,916
Cubeworks <i>This is Cubeworks’ second lease in the West Sacramento submarket.</i>	1630 Terminal St, West Sacramento	West Sacramento	Direct New	143,480
Electric Vehicle Manufacturer <i>This building was built in November 2022 and has never been occupied.</i>	3650 Dudley Blvd, McClellan	McClellan   Hwy 80	Direct New	140,895
Phantom Fireworks <i>The building is in Depot Park.</i>	8341 Demetre Ave, Sacramento	Power Inn   Florin	Lease Renewal	108,000
Unknown <i>This space was on the market for three months.</i>	2063 Dome Ln, McClellan	McClellan   Hwy 80	Direct New	90,000

Source: Newmark Research

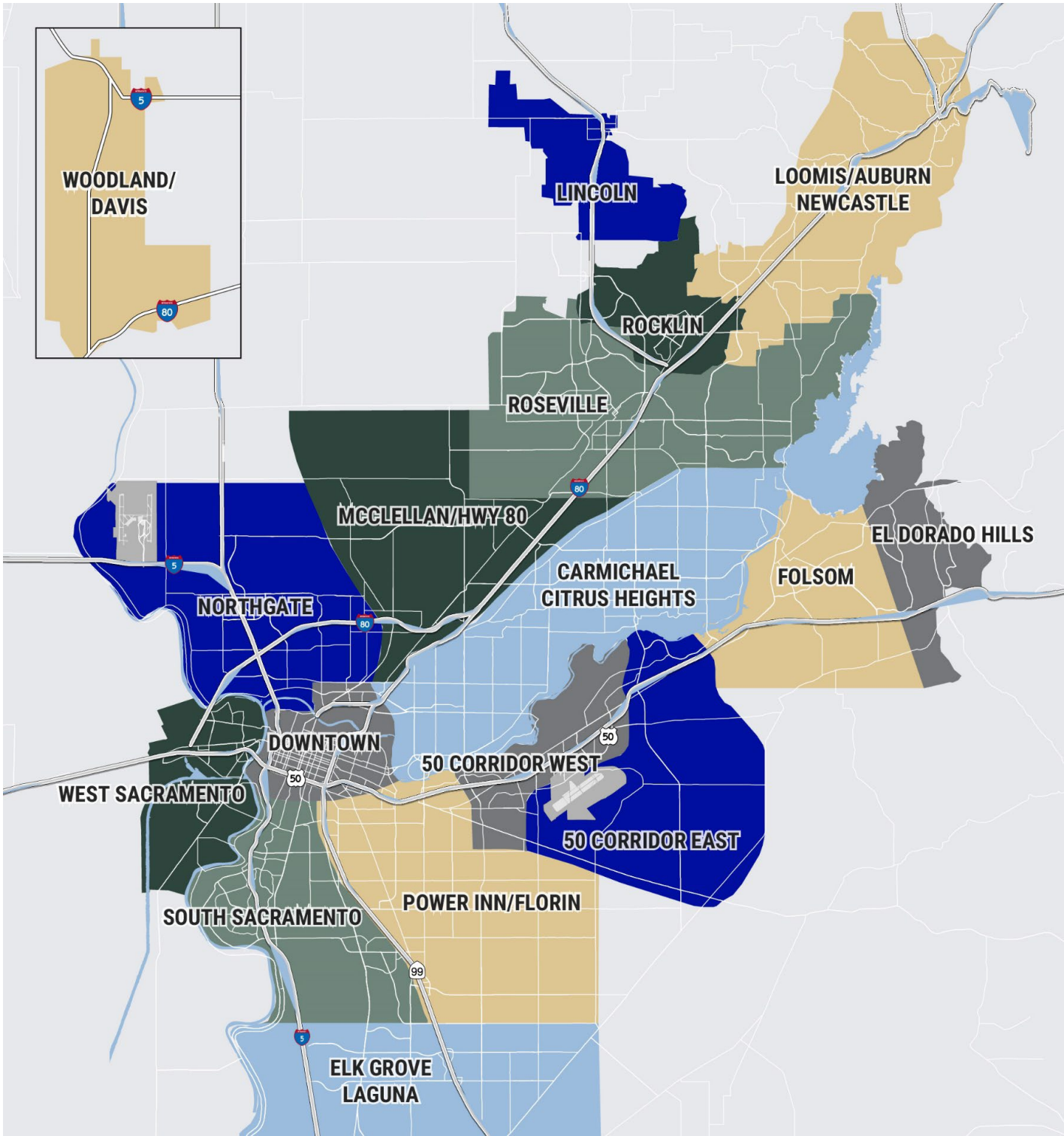


# Appendix / Tables





# Sacramento Industrial Submarket Map



Source: Newmark Research





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