

Sacramento Industrial Market Overview



Market Observations

Economy

- The unemployment rate increased slightly in the Sacramento Metro during the first quarter of 2024. The unemployment rate for the Sacramento Metro recorded at 4.8%, which is higher than the national average of 3.9%.
- The Education & Health sector saw the largest 12-month change, followed by the Information sector. The office-using sectors of 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

- American Building Supply renewed leases for 521,767 square feet in three buildings which was the largest lease transaction for the first quarter of 2024.
- The top five lease transactions included two new deals, three lease renewal.
- The largest sale transaction for the quarter was an investment sale for 8371 Rovana Circle, a 319,485 square foot building in the Power Inn submarket which sold for \$33 million.

Leasing Market Fundamentals

- The Sacramento industrial posted a vacancy rate of 5.0% up from a vacancy rate of 3.8% in the fourth quarter of 2023. As expected, the vacancy rate increased as over 1.9 million square feet completed construction in the first quarter.
- The industrial market posted a net absorption total of 256,684 square feet which is the smallest first quarter net absorption total in the last five years..
- The Sacramento region currently has over 765,000 square feet under construction, all of which is scheduled to be completed in 2024.

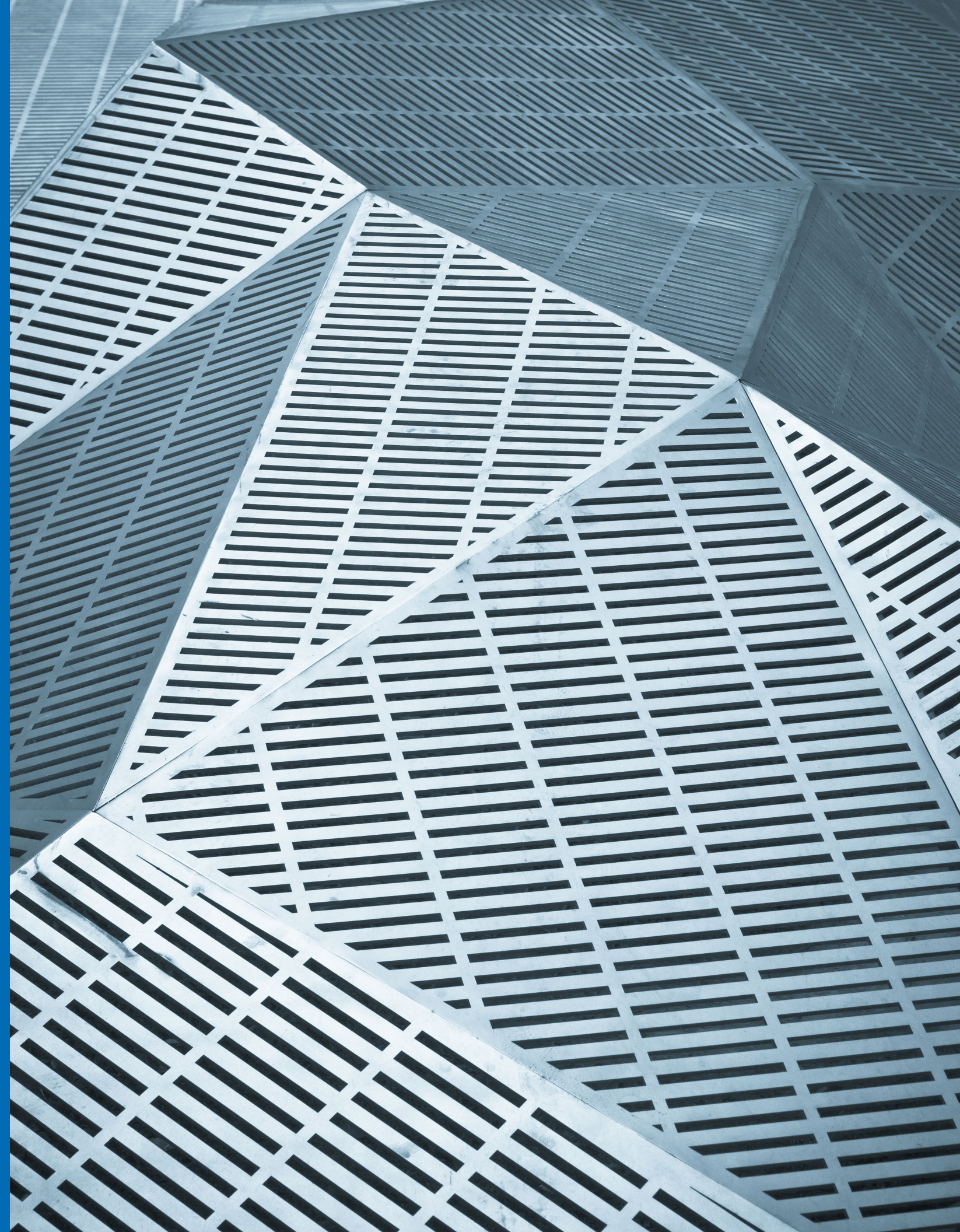
Outlook

- 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.

1. Economy
2. Leasing Market Fundamentals
3. Appendix / Tables

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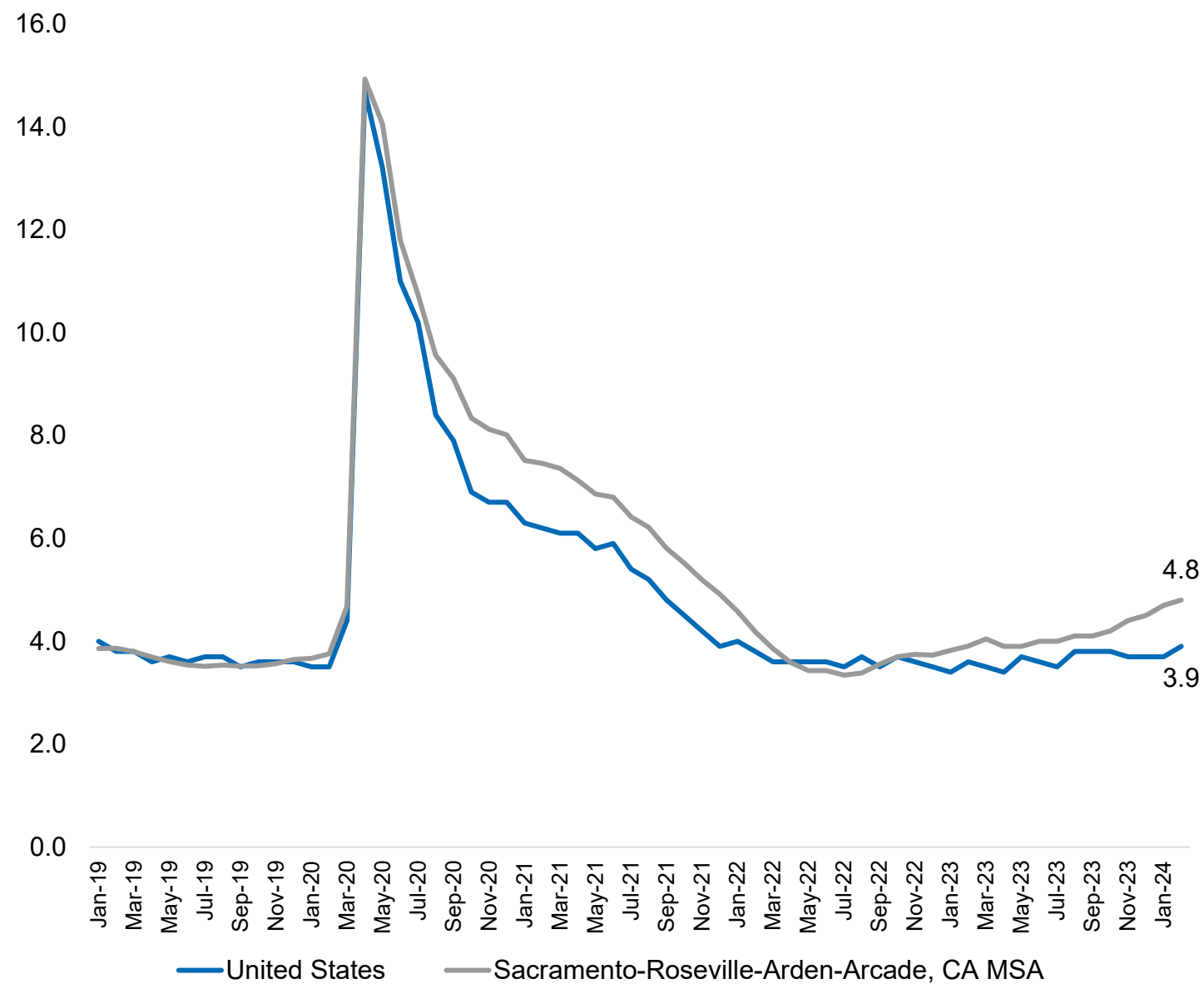
Economy



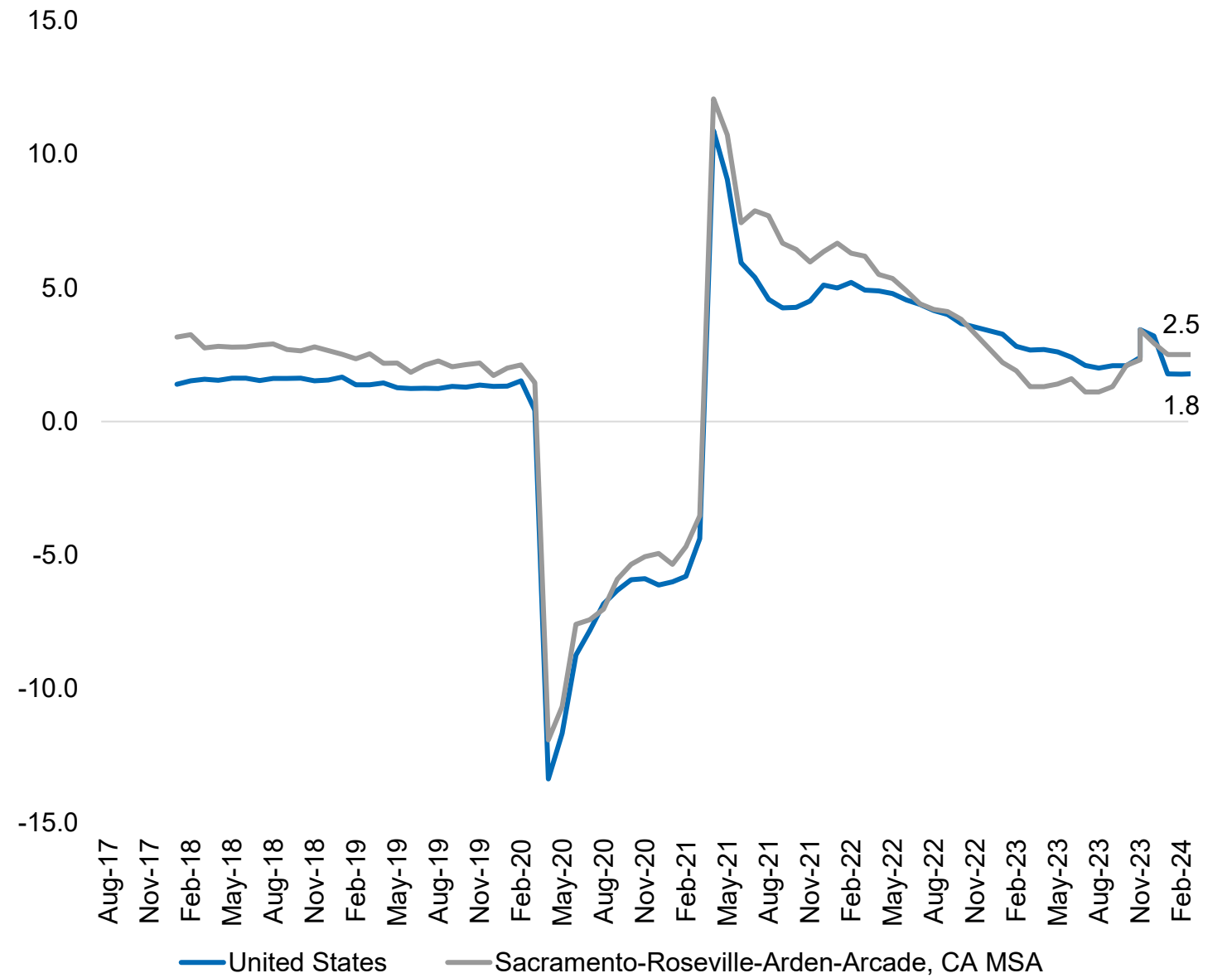
Metro Employment Increases

The unemployment rate increased slightly in the Sacramento Metro during the first quarter of 2024. The unemployment rate for the Sacramento Metro recorded at 4.8%, which is higher than the national average of 3.9%.

Unemployment Rate, Seasonally Adjusted



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

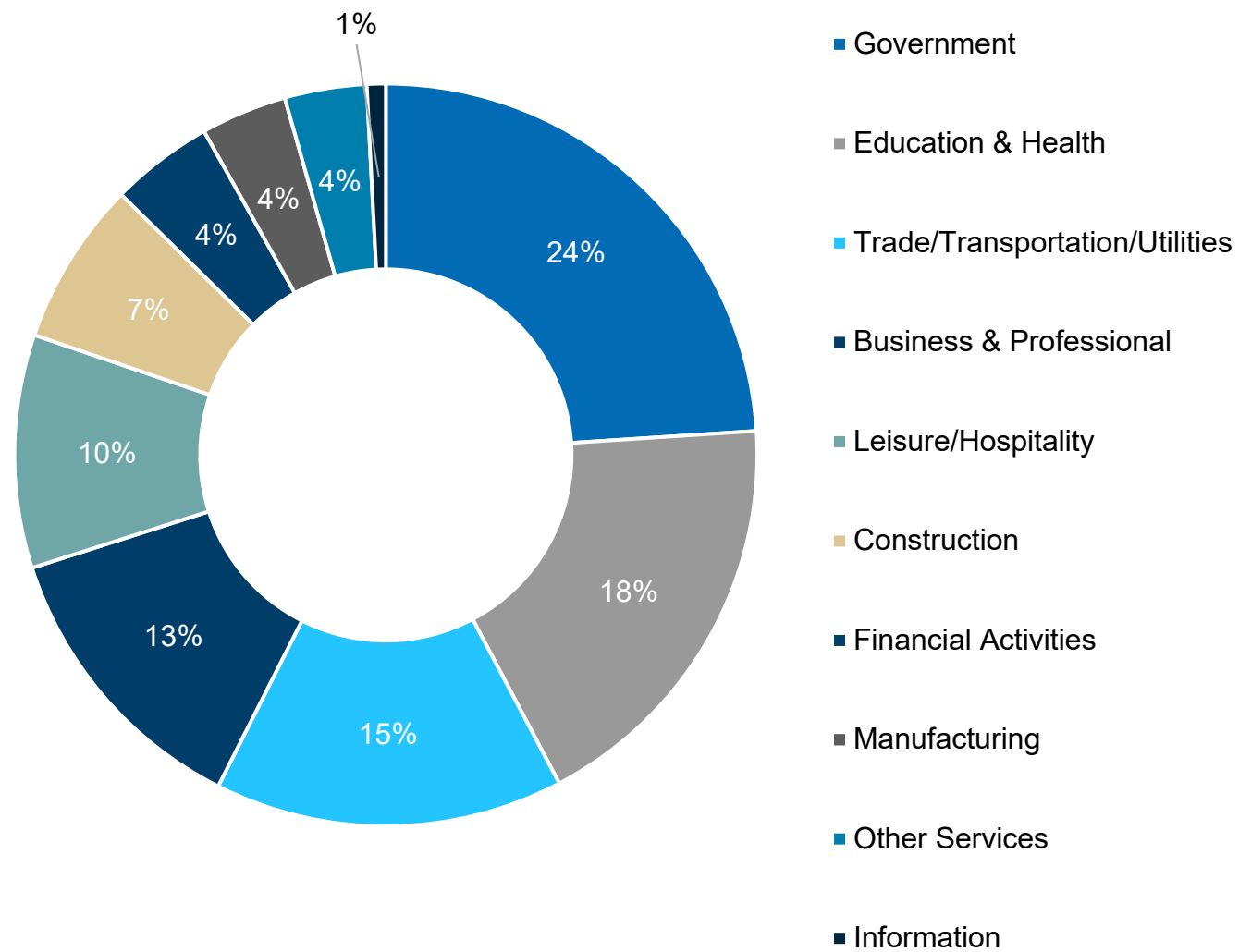


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

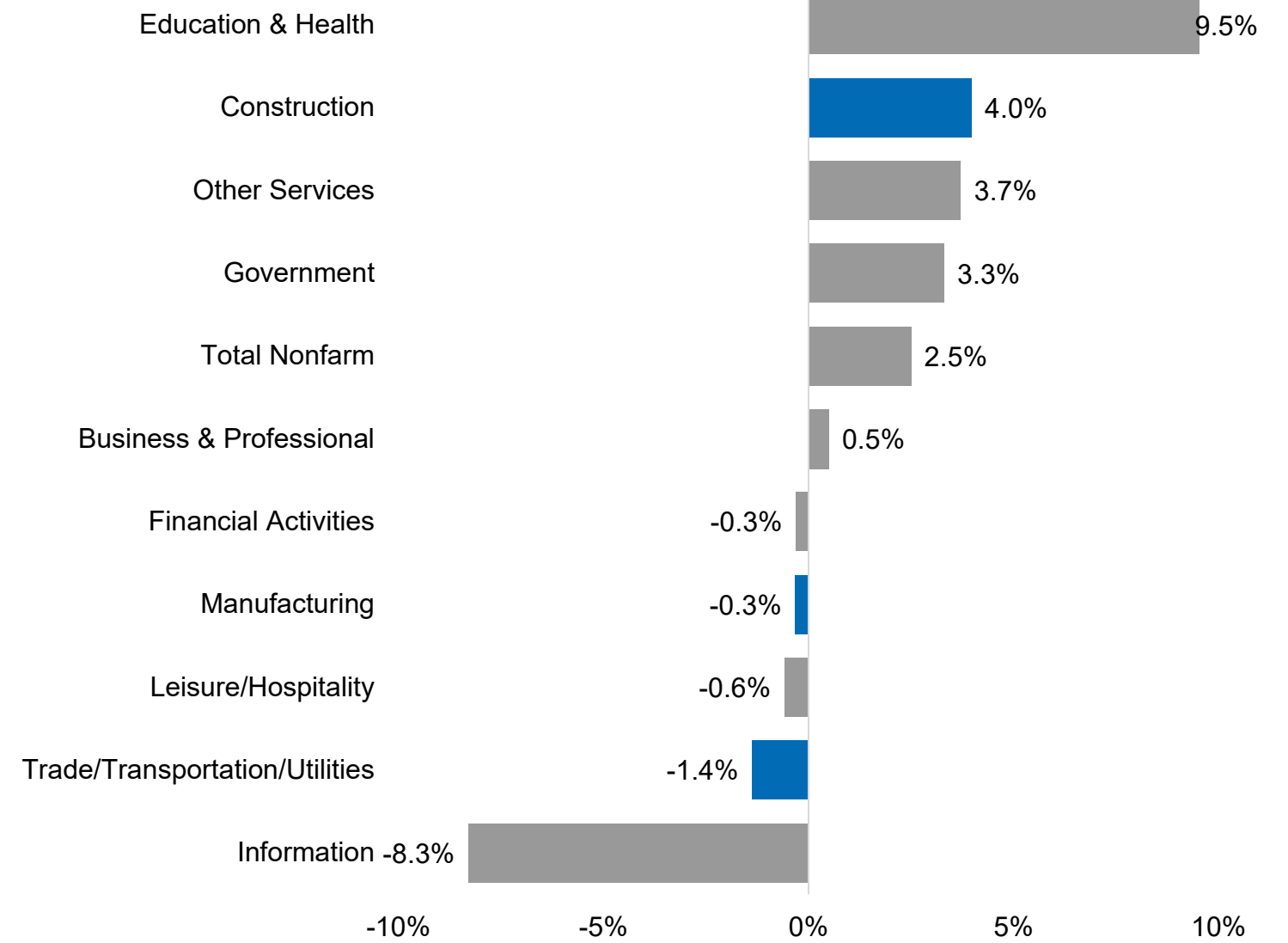
Government Sector Showed A Slight Increase In Job Growth

The Education & Health sector saw the largest 12-month increase, followed by the Construction sector.

Employment by Industry, Feb 2024



Employment Growth by Industry, 12-Month % Change, Feb 2024

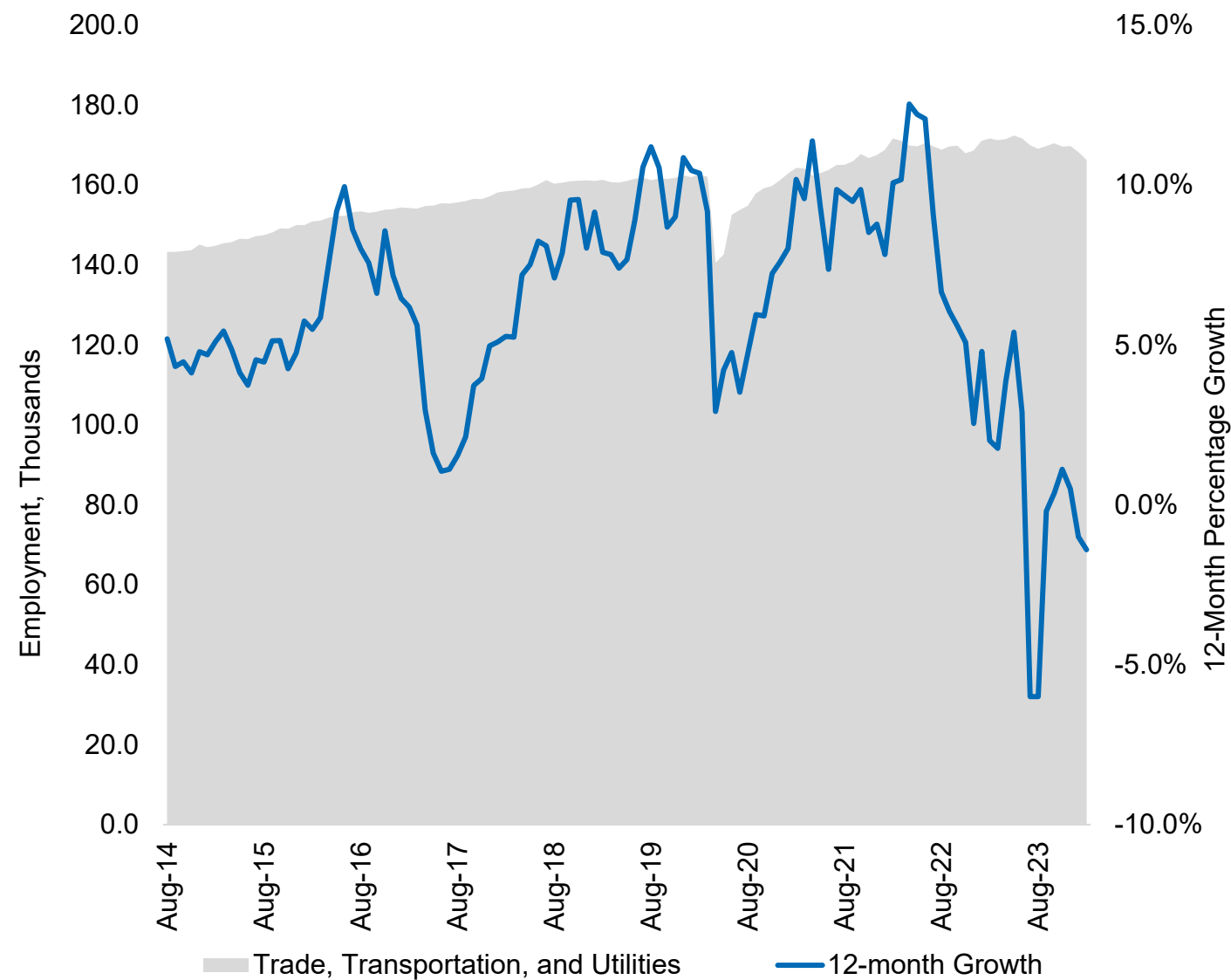


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

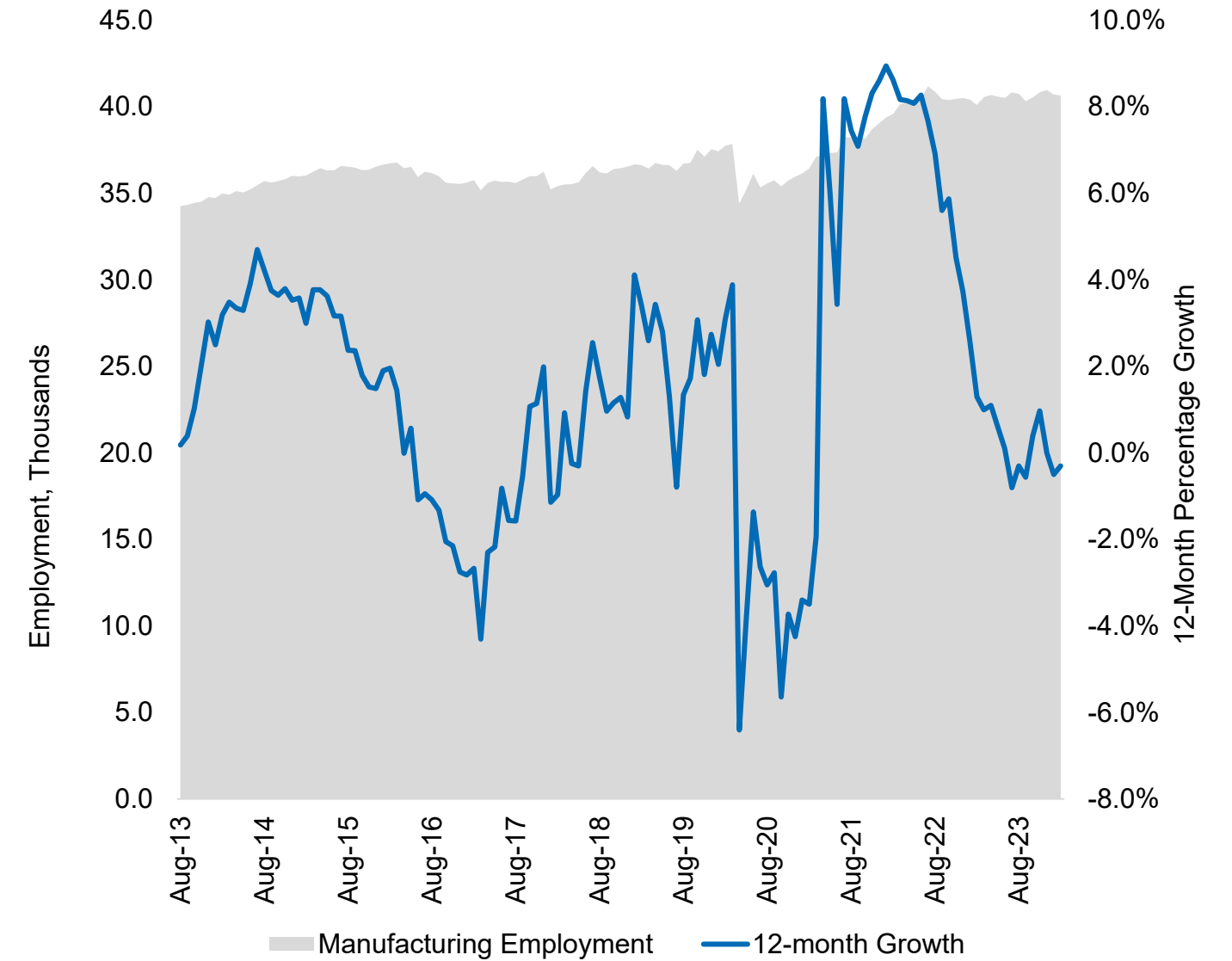
Industrial Employment Remains Strong

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



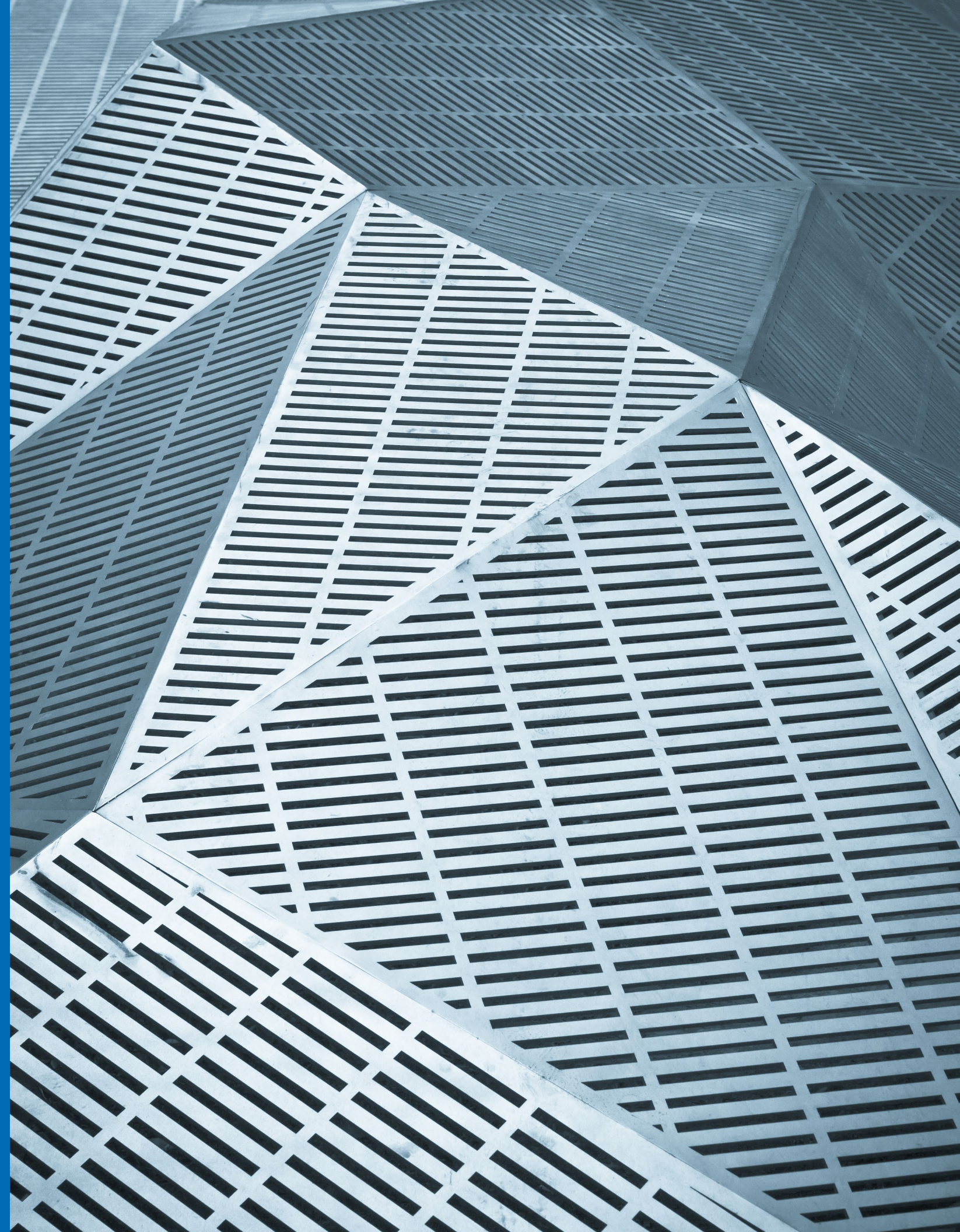
Total Employment and 12-Month Growth Rate, Manufacturing



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

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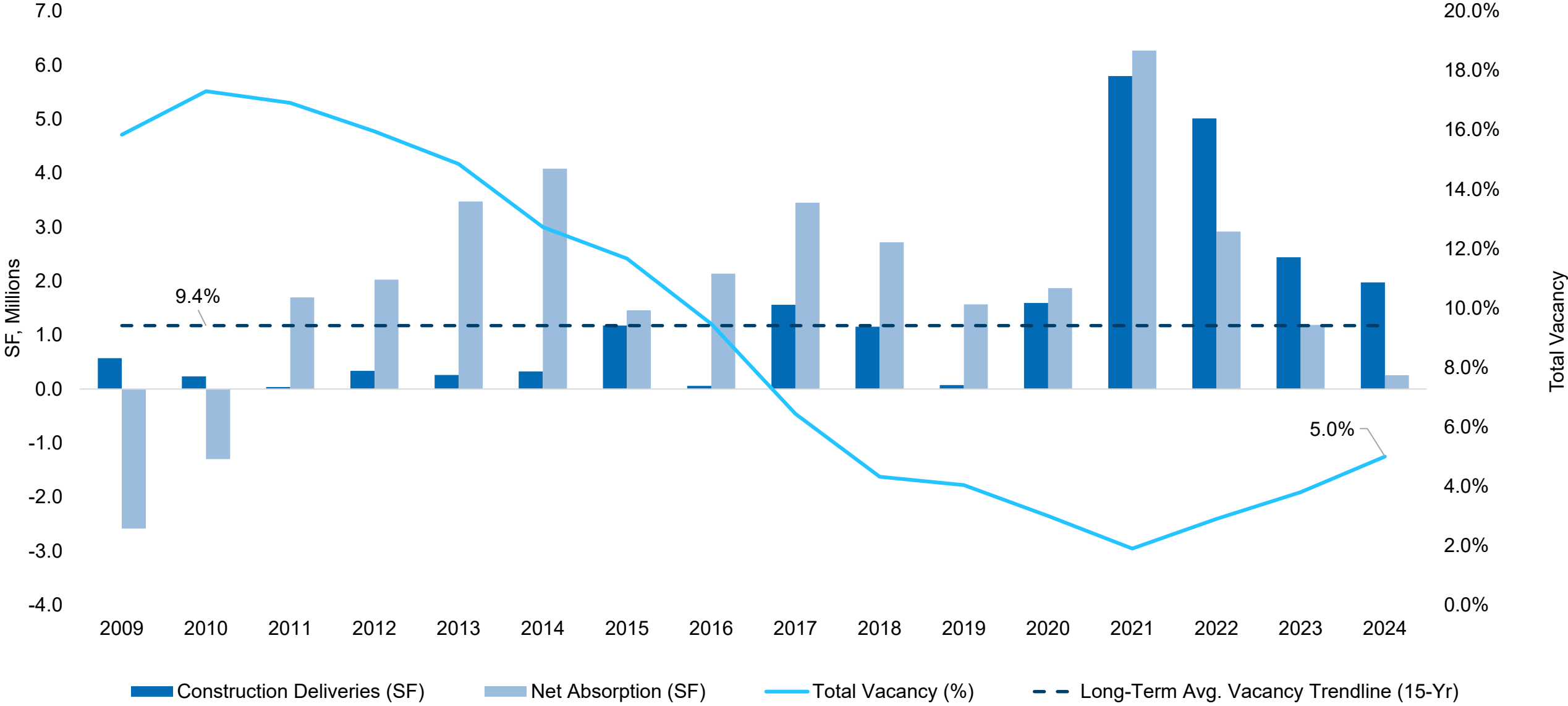
Leasing Market Fundamentals



Vacancy Again Increases Slightly with New Construction Deliveries

Industrial vacancy rate increased slightly during the first quarter 2024 to 5.0% from 3.8% in the fourth quarter 2023. New construction for the quarter totaled over 1.97 million square feet. Currently there is just over 600,000 square feet under construction all are slated for completion in 2024.

Historical Construction Deliveries, Net Absorption, and Vacancy

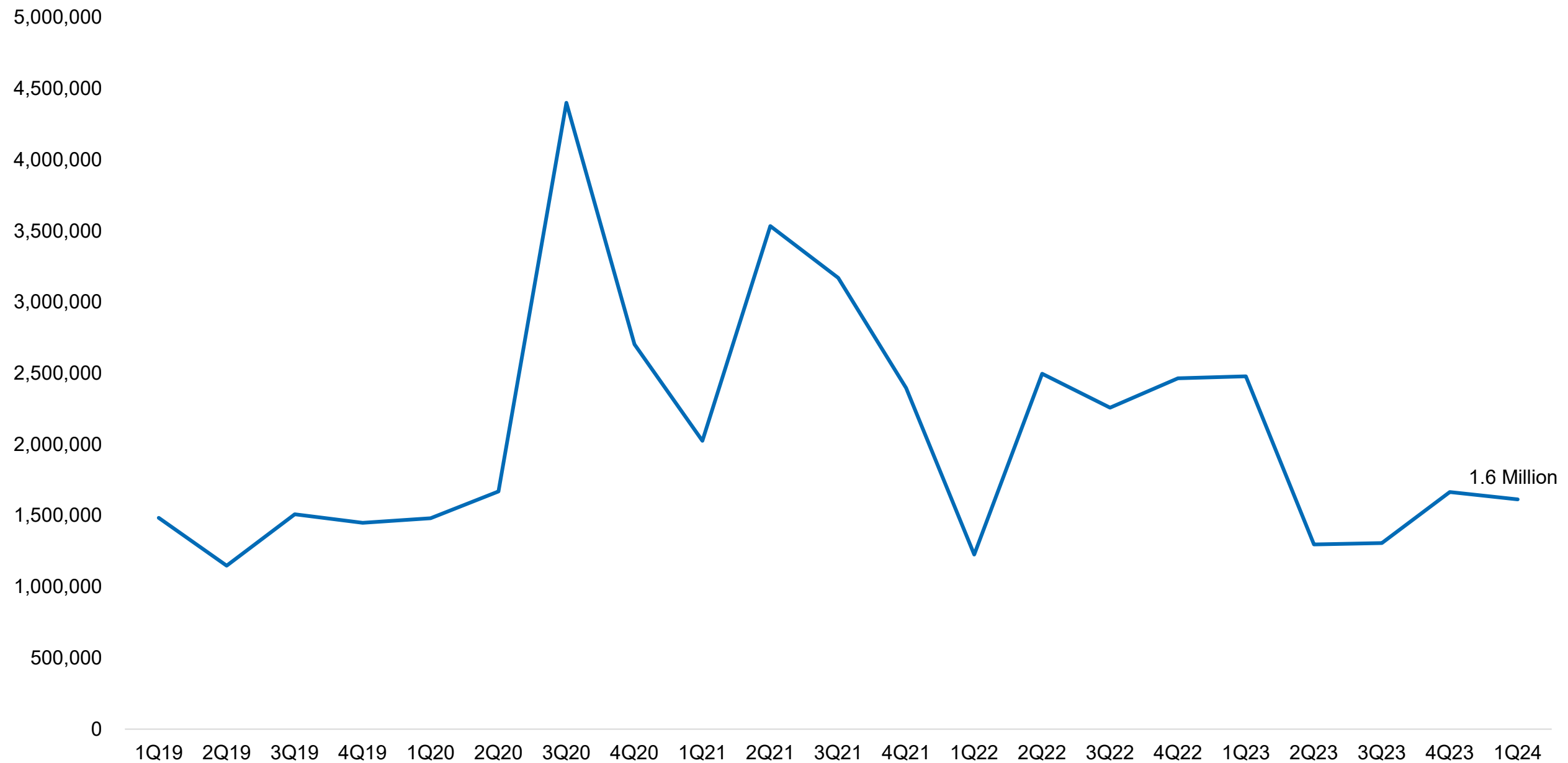


Source: Newmark Research

Industrial Leasing Activity Remains Strong

Leasing activity was only slightly lower in the first quarter 2024 with just over 1.6 million square feet and about 50,000 square feet less than the fourth quarter 2023 leasing activity of 1.66 million square feet. The leasing activity in the first quarter 2023 was over 2.4 million square feet and in the first quarter 2022, the leasing activity was over 1.2 million square feet.

Total Leasing Activity (SF)

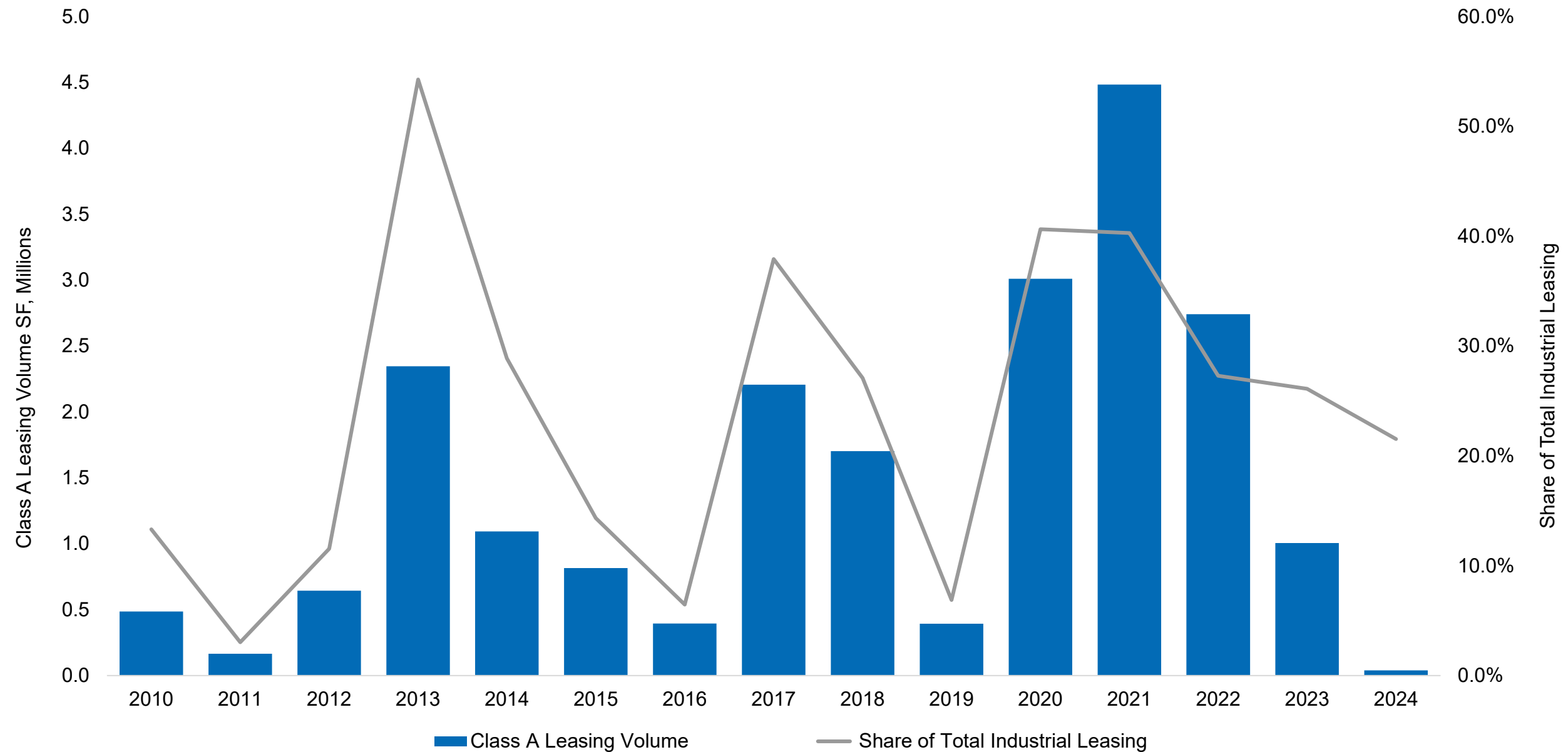


Source: CoStar

Class A Warehouse Posts Minimal Leasing Activity Total

Industrial Class A leasing activity posted the smallest quarterly total in the last fourteen years. Leasing activity remains strong in the West Sacramento and Northgate submarkets.

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



Source: CoStar

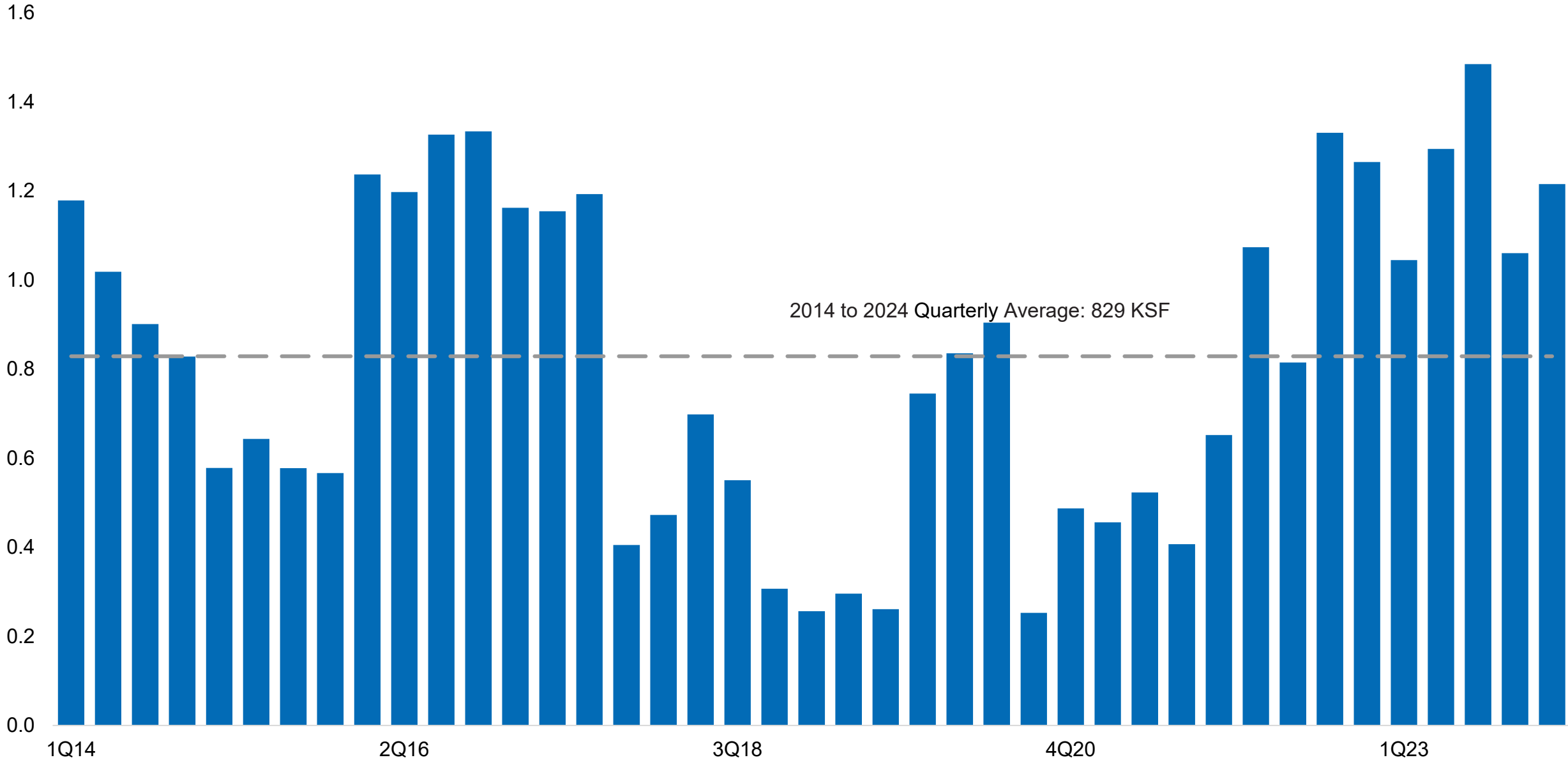


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Industrial Sublease Availability Increases

Sublease space increased in the first quarter 2024 to just over 1.2 million square feet slightly up from a fourth quarter 2023 total of over 1.1 million square feet. This is the seventh 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

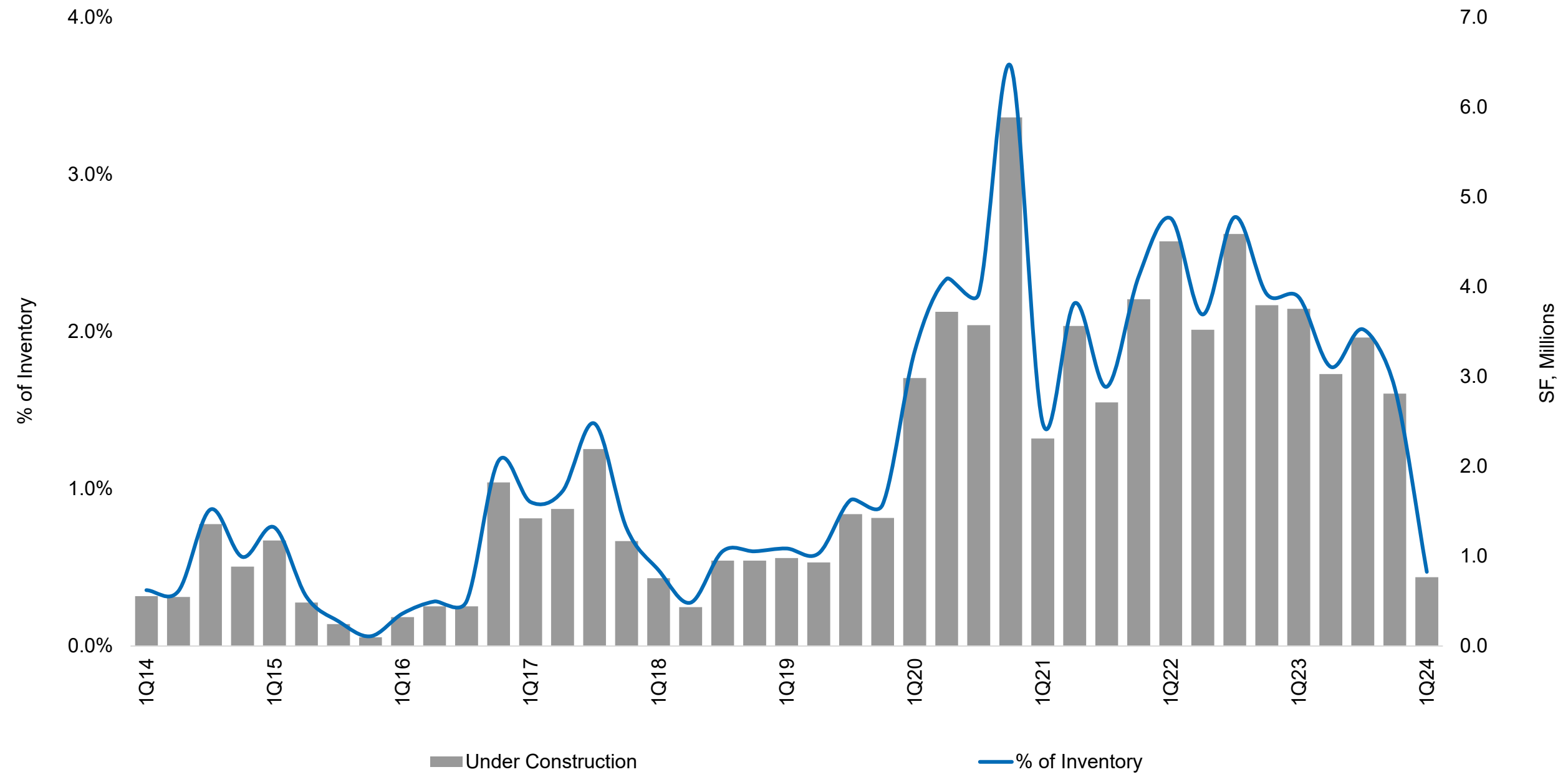


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Industrial Construction Pipeline Is Slowing Down

The Sacramento industrial market continues to see an active construction pipeline. Currently there is over 765,000 square feet under construction and every building under construction is scheduled to be completed in 2024.

Industrial Under Construction and % of Inventory



Source: Newmark Research

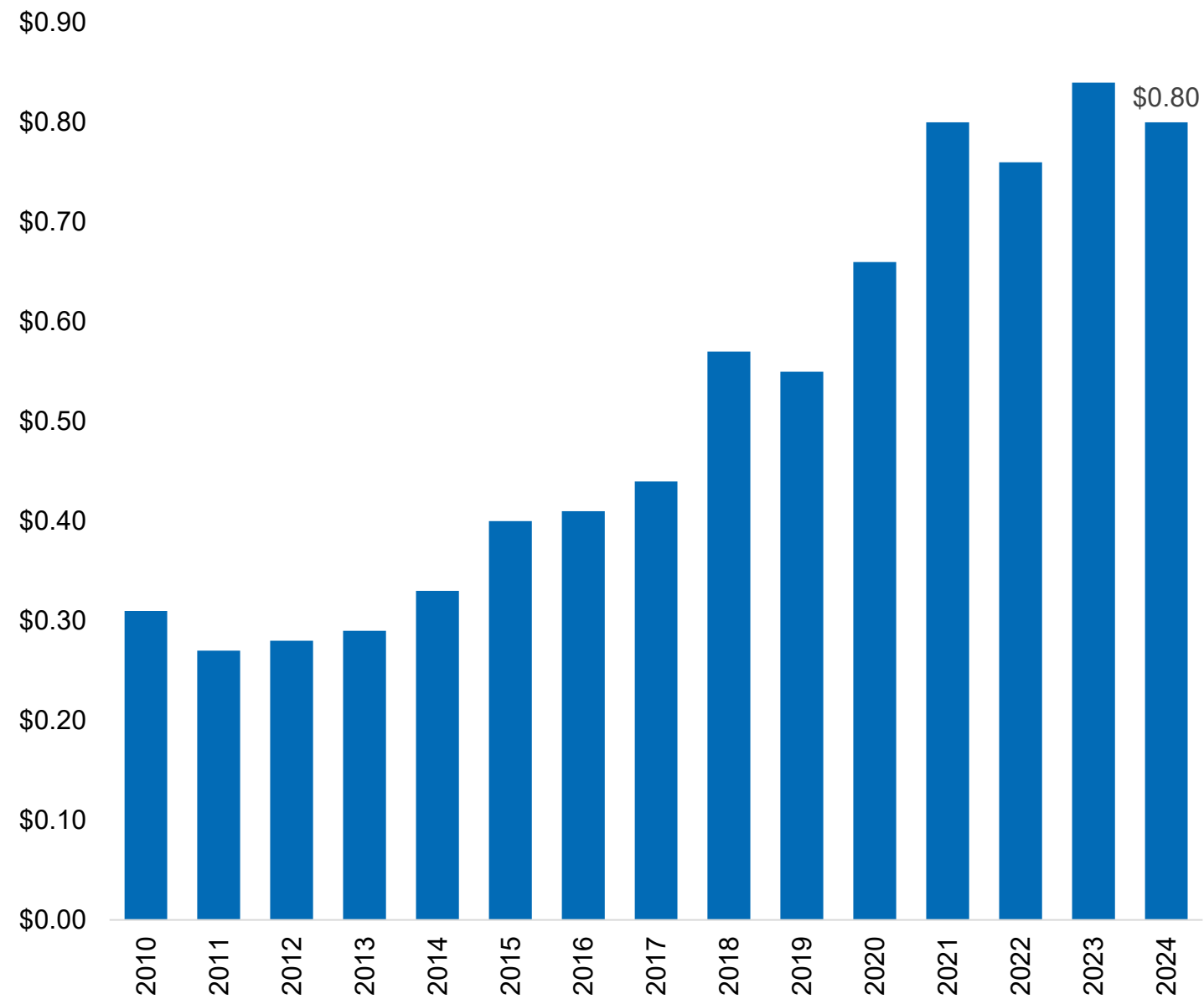


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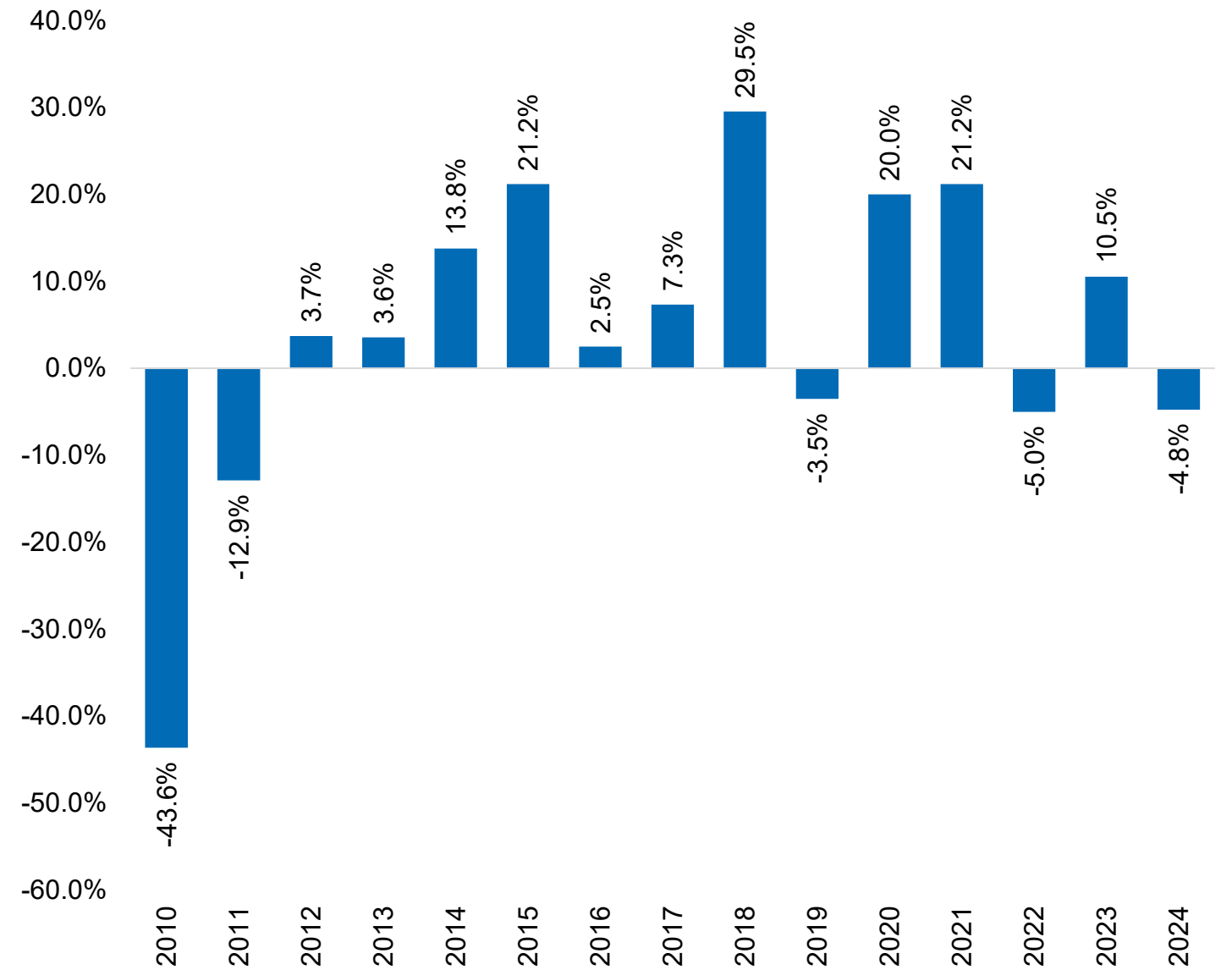
Industrial Asking Rent Decreases in 1Q24

Industrial average asking rents ended the first quarter of 2024 at \$0.80/SF compared to \$.84/SF in the fourth quarter 2023. 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 1Q24 Lease Transactions

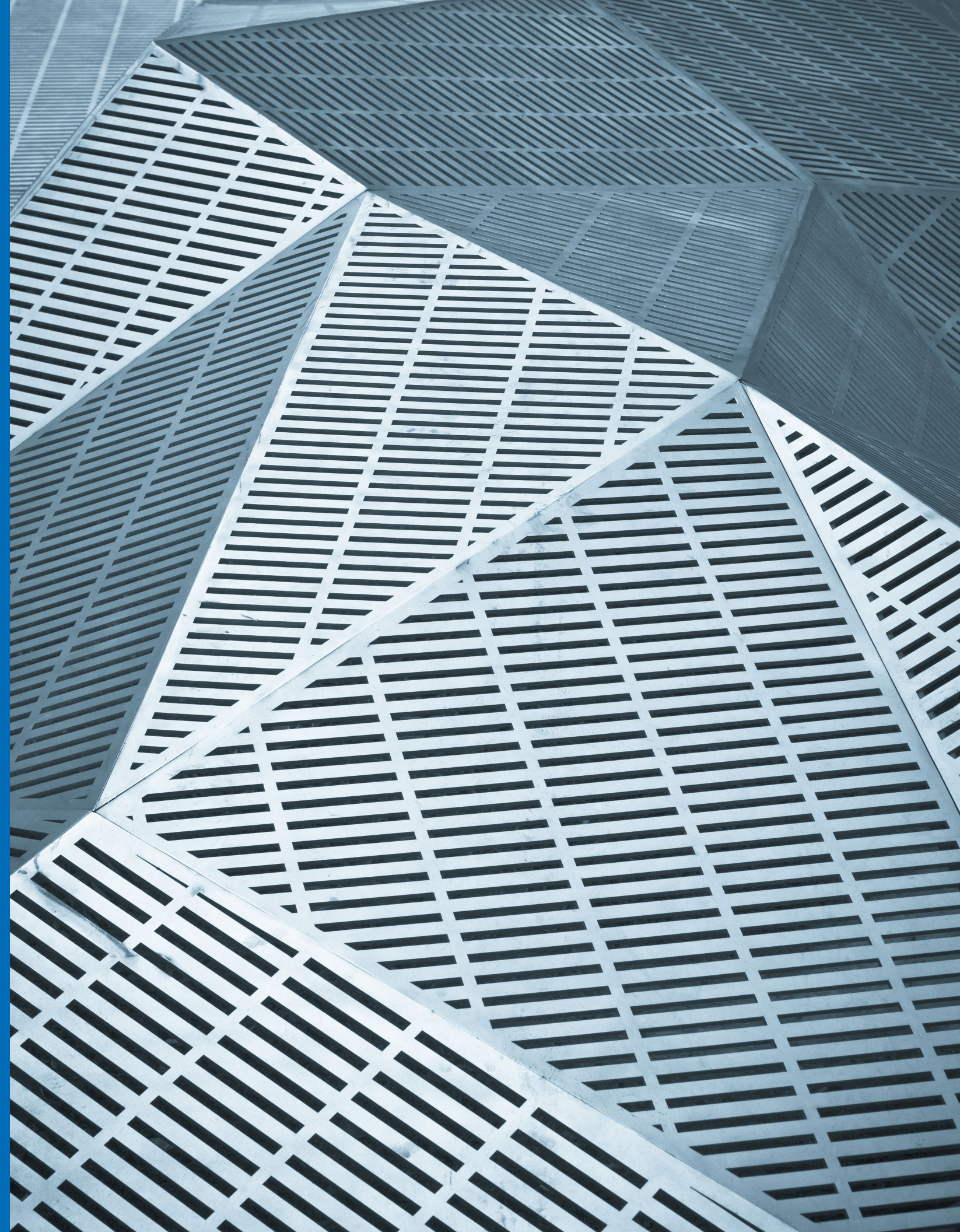
The industrial market posted 256,684 square feet of net absorption during the first quarter of 2024. The largest lease transaction was a three-building renewal for over 521,000 square feet. The largest sale transaction for the quarter was an investment sale for 8371 Rovana Circle, a 319,485 square foot building in the Power Inn submarket which sold for \$33 million.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
American Building Supply <i>This was a lease renewal in three industrial buildings.</i>	8360 Elder Creek Rd 6300 S Watt Ave 8920 43 rd Ave, Sacramento	Power Inn Florin	Lease Renewal	521,767
HD Supply <i>This tenant has occupied this building since 2011.</i>	5961 Outfall Cir, Sacramento	Power Inn Florin	Lease Renewal	96,658
Beckman Coulter <i>This was the second renewal by this tenant.</i>	2040 Enterprise Blvd, West Sacramento	West Sacramento	Lease Renewal	87,000
Redstone Print & Mail <i>This tenant has occupied buildings in the West Sacramento submarket since 2016.</i>	820 Riverside Pkwy, West Sacramento	West Sacramento	Direct Lease	59,900
Lion Electric <i>This tenant designs and manufactures all-electric school buses and urban trucks.</i>	4450 Raley Blvd, Sacramento	McClellan Hwy 80	Direct Lease	42,000

1Q24

Appendix / Tables



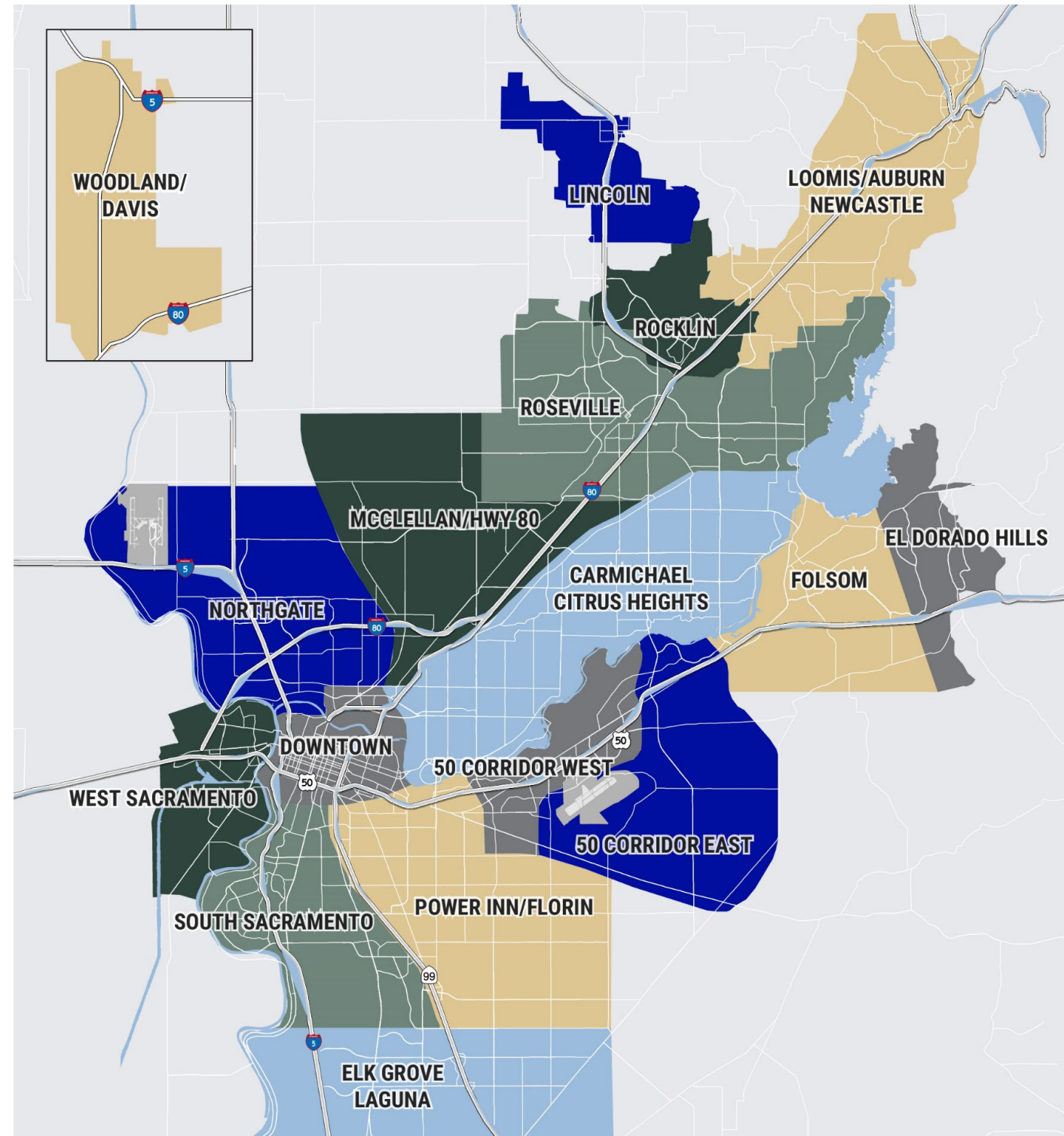


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Sacramento Industrial Submarket Map



Source: Newmark Research

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