

Sacramento

Absorption and the development pipeline in lockstep as touring activity normalizes

- Despite the influx of new construction, a need for sub-50,000 s.f. Class A product exists to satisfy demand
- Touring activity comes down from post-pandemic peaks, but remains elevated compared to pre-COVID
- Capital markets activity is locked, although demand for industrial service facility is active

Although Sacramento did not surpass the peak values from 2021, strong demand especially among corporate occupiers drove 3.4 million s.f. of positive net absorption, putting the market on par with 2018 totals. With a strong appetite for Class A construction, developers across the market have brought over 11.4 million square feet of new inventory to the market within a 5-year period. Metro Air Park alone accounts for 6.0 million s.f. of new construction. Despite Metro Air Park's success as Sacramento's premier large-block submarket, a void for sub-50,000 s.f. new construction product remains. Although Schnitzer Properties (formerly Harsch Investment) acquired 56 acres within Metro Air Park in 2021 and has a track record of success in developing small-block, light industrial parks throughout Northgate and the Sacramento area, their development may be too late to capitalize the volume of activity in that size range. With no room to go, most tenants are opting for renewals.

For tenants targeting large-blocks, touring activity is healthy. Pre-pandemic Sacramento fluctuated between 3 – 4 million s.f. of active requirements at a given time. The market experienced two peaks in recent years, once at 9.3 million s.f. in January 2022 and again at 10 million s.f. in August 2022. Since then, demand has normalized for large-block occupiers around 6 million s.f.. Even though a handful of buildings delivered vacant, given the demand, these spaces are likely to be absorbed in the next few quarters.

As interest rates continue to increase, capital markets activity remains in flux. While institutional investors sit on the sidelines until market conditions normalize, the impact of the slowdown on owner-user sales is yet to be seen. Despite the headwinds for industrial buildings, demand for industrial service facilities, such as truck terminals and staging and storage yards, remains active.

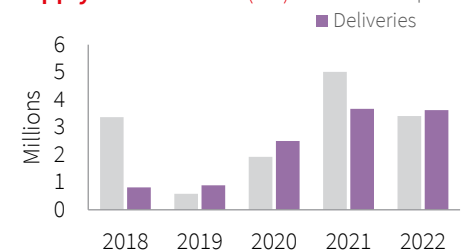
Outlook

The development pipeline is at the lowest it has been since 2019, a sign that deliveries are in lockstep with demand to mitigate any risk of oversupply. However, with the buildings under construction and many of the ones proposed being targeted toward large-block occupiers, a misalignment in the size of spaces being delivered against the size tenants are demanding could hinder new transaction activity as demand comes down from its post-pandemic peak.

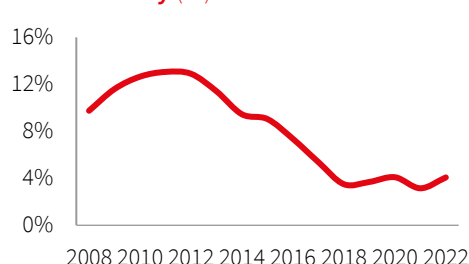
Fundamentals

	Forecast
YTD net absorption	3,407,855 s.f. ►
Under construction	2,163,463 s.f. ►
Total vacancy	4.1% ►
Sublease vacancy	561,688 s.f. ►
Direct asking rent	\$0.74 p.s.f. ▲
Sublease asking rent	\$0.59 p.s.f. ►
Concessions	Falling ►

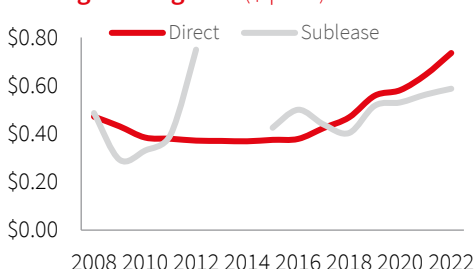
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent (\$ p.s.f.)



JLL Research Report

Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (%) of stock	Total vacancy (%)	availability (%)	Total average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Sacramento total										
Warehouse & Distribution	117,652,918	751,695	3,219,337	2.7%	4.5%	7.2%	\$0.70	1,471,595	3,619,159	2,163,463
Manufacturing	17,924,525	120,192	144,174	0.8%	1.6%	2.2%	\$0.98	0	0	0
Special Purpose	14,134,697	-981	44,344	0.3%	3.5%	4.5%	\$0.90	0	0	0
Overall Total	149,712,140	870,906	3,407,855	2.2%	4.1%	6.3%	\$0.71	1,471,595	3,619,159	2,163,463
Placer County Ind total										
Warehouse & Distribution	14,045,637	32,274	-381,845	-2.7%	5.7%	5.8%	\$0.61	0	0	0
Manufacturing	1,881,573	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Special Purpose	1,428,317	3,550	6,956	0.5%	0.5%	1.1%	\$0.00	0	0	0
Overall Total	17,355,527	35,824	-374,889	-2.2%	4.6%	4.8%	\$0.61	0	0	0
Auburn/Lincoln										
Warehouse & Distribution	4,160,754	32,274	11,377	0.3%	5.7%	6.2%	\$0.47	0	0	0
Manufacturing	1,088,086	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Special Purpose	45,900	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	5,294,740	32,274	11,377	0.2%	4.5%	4.9%	\$0.47	0	0	0
Roseville/Rocklin										
Warehouse & Distribution	9,884,883	0	-393,222	-4.0%	5.7%	5.7%	\$0.66	0	0	0
Manufacturing	793,487	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Special Purpose	1,382,417	3,550	6,956	0.5%	0.5%	1.1%	\$0.00	0	0	0
Overall Total	12,060,787	3,550	-386,266	-3.2%	4.7%	4.8%	\$0.66	0	0	0
Sacramento County Ind total										
Warehouse & Distribution	73,226,196	281,355	3,058,598	4.1%	4.3%	7.8%	\$0.74	1,028,616	2,943,549	1,747,815
Manufacturing	11,072,614	2,602	26,584	0.2%	2.4%	3.4%	\$0.98	0	0	0
Special Purpose	10,753,133	-2,871	47,245	0.4%	4.4%	5.6%	\$0.89	0	0	0
Overall Total	95,051,943	281,086	3,132,427	3.2%	4.1%	7.1%	\$0.75	1,028,616	2,943,549	1,747,815
Downtown										
Warehouse & Distribution	1,693,439	-2,765	-7,463	-0.4%	10.0%	11.5%	\$0.94	0	0	0
Manufacturing	392,088	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Special Purpose	1,039,735	0	0	0.0%	15.8%	6.4%	\$0.00	0	0	0
Overall Total	3,125,262	-2,765	-7,463	-0.2%	10.7%	8.4%	\$0.94	0	0	0
Elk Grove/Laguna										
Warehouse & Distribution	3,918,189	-13,001	169,214	4.3%	2.5%	3.5%	\$0.69	0	0	630,000
Manufacturing	163,840	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Special Purpose	345,408	-2,262	-2,262	-0.7%	3.6%	3.6%	\$1.20	0	0	0
Overall Total	4,427,437	-15,263	166,952	3.8%	2.5%	3.4%	\$0.70	0	0	630,000
Folsom/El Dorado Ind										
Warehouse & Distribution	560,816	-1,744	-559	-0.1%	0.4%	1.4%	\$1.14	0	0	0
Manufacturing	109,000	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Special Purpose	226,160	0	0	0.0%	3.4%	3.4%	\$0.00	0	0	0
Overall Total	895,976	-1,744	-559	-0.1%	1.1%	1.8%	\$1.14	0	0	0
McClellan										
Warehouse & Distribution	8,382,207	63,710	616,856	7.4%	2.5%	3.7%	\$0.72	140,895	621,177	0
Manufacturing	740,882	0	0	0.0%	3.2%	3.2%	\$0.00	0	0	0
Special Purpose	1,533,220	-4,418	-15,369	-1.0%	1.4%	1.4%	\$0.85	0	0	0
Overall Total	10,656,309	59,292	601,487	5.6%	2.4%	3.3%	\$0.72	140,895	621,177	0
McClellan Park										
Warehouse & Distribution	391,772	0	0	0.0%	2.6%	2.6%	\$0.00	0	0	0
Manufacturing	3,714,281	0	0	0.0%	4.0%	4.2%	\$0.00	0	0	0
Special Purpose	739,143	0	85,605	11.6%	2.2%	21.9%	\$0.00	0	0	0
Overall Total	4,845,196	0	85,605	1.8%	3.6%	6.8%	\$0.00	0	0	0
NE Sacramento										
Warehouse & Distribution	4,366,189	33,275	-88,352	-2.0%	6.6%	8.6%	\$0.81	0	0	0
Manufacturing	837,687	-10,598	-1,144	-0.1%	4.5%	4.5%	\$1.25	0	0	0
Special Purpose	189,536	4,800	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	5,393,412	27,477	-89,496	-1.7%	6.0%	7.6%	\$0.90	0	0	0
Northgate										
Warehouse & Distribution	18,056,340	74,661	1,595,093	8.8%	8.2%	11.5%	\$0.74	887,721	1,845,352	676,300
Manufacturing	340,313	13,200	5,000	1.5%	3.3%	10.2%	\$0.75	0	0	0
Special Purpose	716,689	3,210	4,060	0.6%	5.8%	8.1%	\$0.83	0	0	0
Overall Total	19,113,342	91,071	1,604,153	8.4%	8.0%	11.4%	\$0.74	887,721	1,845,352	676,300
Outer El Dorado County										
Warehouse & Distribution	124,928	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0

Manufacturing	40,000	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Special Purpose	396,626	-1,454	-1,454	-0.4%	2.9%	5.0%	\$0.77	0	0	0
Overall Total	561,554	-1,454	-1,454	-0.3%	2.1%	3.5%	\$0.77	0	0	0
Power Inn										
Warehouse & Distribution	21,746,127	188,846	854,744	3.9%	1.8%	6.5%	\$0.70	0	477,020	0
Manufacturing	2,577,461	0	900	0.0%	1.0%	1.0%	\$0.00	0	0	0
Special Purpose	1,138,438	1,646	14,134	1.2%	1.7%	2.0%	\$0.88	0	0	0
Overall Total	25,462,026	190,492	869,778	3.4%	1.7%	5.8%	\$0.71	0	477,020	0
Richards										
Warehouse & Distribution	2,842,951	-10,616	83,685	2.9%	1.8%	6.4%	\$0.58	0	0	0
Manufacturing	806,382	0	21,828	2.7%	0.0%	7.9%	\$0.90	0	0	0
Special Purpose	12,000	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	3,661,333	-10,616	105,513	2.9%	1.4%	6.7%	\$0.69	0	0	0
Southern Sacramento										
Warehouse & Distribution	2,226,862	0	-28,600	-1.3%	2.1%	0.8%	\$0.00	0	0	0
Manufacturing	287,174	0	0	0.0%	5.0%	5.0%	\$0.00	0	0	0
Special Purpose	403,845	-2,000	-4,150	-1.0%	1.3%	2.5%	\$0.92	0	0	0
Overall Total	2,917,881	-2,000	-32,750	-1.1%	2.3%	1.5%	\$0.92	0	0	0
Sunrise Ind										
Warehouse & Distribution	8,916,376	-51,011	-136,020	-2.1%	4.7%	10.8%	\$0.76	0	0	441,515
Manufacturing	1,063,506	0	0	0.0%	0.0%	2.1%	\$0.00	0	0	0
Special Purpose	4,012,333	-2,393	-33,319	-0.8%	4.4%	5.7%	\$0.92	0	0	0
Overall Total	13,992,215	-53,404	-169,339	-1.6%	4.3%	8.8%	\$0.78	0	0	441,515
Yolo County Ind total										
Warehouse & Distribution	30,381,085	438,066	542,584	1.8%	4.4%	6.3%	\$0.67	442,979	675,610	415,648
Manufacturing	4,970,338	117,590	117,590	2.4%	0.4%	0.4%	\$0.00	0	0	0
Special Purpose	1,953,247	-1,660	-9,857	-0.5%	0.7%	1.0%	\$1.04	0	0	0
Overall Total	37,304,670	553,996	650,317	1.7%	3.7%	5.2%	\$0.67	442,979	675,610	415,648
West Sacramento										
Warehouse & Distribution	18,120,055	750,655	748,900	4.1%	5.5%	8.3%	\$0.69	442,979	675,610	415,648
Manufacturing	2,221,563	0	0	0.0%	0.9%	0.9%	\$0.00	0	0	0
Special Purpose	1,396,208	0	-3,330	-0.2%	0.5%	0.7%	\$0.75	0	0	0
Overall Total	21,737,826	750,655	745,570	3.4%	4.7%	7.1%	\$0.69	442,979	675,610	415,648
Woodland Ind										
Warehouse & Distribution	12,261,030	-312,589	-206,316	-1.7%	2.8%	3.2%	\$0.58	0	0	0
Manufacturing	2,748,775	117,590	117,590	4.3%	0.0%	0.0%	\$0.00	0	0	0
Special Purpose	557,039	-1,660	-6,527	-1.2%	1.2%	1.6%	\$1.53	0	0	0
Overall Total	15,566,844	-196,659	-95,253	-0.6%	2.3%	2.6%	\$0.59	0	0	0