

FIGURES | SACRAMENTO INDUSTRIAL | Q1 2024

Positive net absorption driven by construction deliveries

▲ 4.9%

Vacancy Rate

▲ 802K

SF Net Absorption

▼ 190K

SF Under Construction

► \$0.81

NNN / Lease Rate
Existing Properties

► 186K

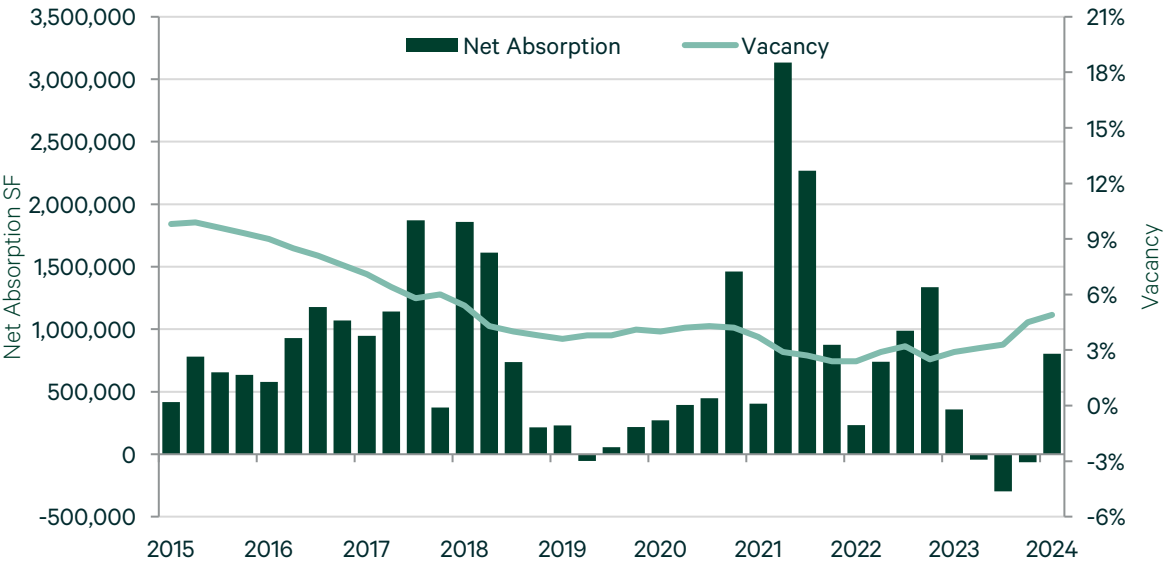
Industrial Using Employment
Greater Sacramento Region

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- The Greater Sacramento region was home to 2.4 million residents with a labor force of 1.14 million. The unemployment rate ended Q1 2024 at 4.9%, up 20 basis-points (bps) from the previous quarter. At the close of Q1 2024, the industrial sector provided 186,000 jobs, accounting for 13% of total employment in the region.
- The overall net absorption of the Sacramento industrial market closed Q1 2024 at positive 802,000 sq. ft., a substantial improvement after three consecutive quarter of negative net absorption.
- The average direct asking rate remained steady quarter-over-quarter at \$0.81 per sq. ft. on a monthly NNN basis.
- New construction starts remained slow due to the persistent high cost of construction, elevated interest rates, and moderating occupier demand.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q4 2023

INDUSTRIAL OVERVIEW

The Sacramento industrial market was comprised of approximately 194 million sq. ft. at the close of Q1 2024. In the first quarter of 2024, over 1.4 million sq. ft. of new product was added to the market. The pipeline had over 148,000 sq. ft. underway and 2.0 million sq. ft. in various planning stages. Additionally, both vacancy and availability rates increased quarter-over-quarter to 4.9% and 6.4%, respectively.

Industrial tenant demand remained stable in the first quarter of 2024. While smaller to medium size users continued to drive strong demand, there was a decline in requirements exceeding 50,000 sq. ft. Despite this trend, multiple larger scale leases and sales exceeding 100,000 sq. ft. were executed in Q1 2024. In addition, renewal activity emerged as a focal point as represented by our top leases for the quarter.

The overall direct average asking rate across the Sacramento region finished the quarter at \$0.81 NNN. The demand for incubator space in the market remained robust, even as rental rates for such spaces continued to rise. Concurrently, owner user sales remained consistent, despite the upward trajectory of prices.

The Sacramento market posted 802,000 sq. ft. of net absorption in Q1 2024. Most notably, the Target and Golden Brands build-to-suits in the Northgate/Natomas submarket contributed to most of the absorption for the quarter.

Looking ahead, demand from smaller to medium sized users will persist. Incubator to medium size availabilities will be the sweet spot of the market. Investment sales should increase the latter half of 2024 as interest rates are expected to moderate or decline slightly.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q1 Net Absorption	YTD Net Absorption	Average Asking Rate NNN (\$)
Northgate/Natomas	24,797,303	10.4	12.2	947,567	947,567	0.79
Richards	4,734,986	3.6	7.7	0	0	0.64
Downtown/Midtown/East Sacramento	4,955,716	1.2	2.3	11,883	11,883	1.02
West Sacramento	25,482,192	6.3	7.6	12,164	12,164	0.81
South Sacramento	5,535,880	5.0	5.0	(20,726)	(20,726)	1.15
Elk Grove/Laguna/Galt	7,815,516	2.2	4.1	(52,982)	(52,982)	1.14
Power Inn Area	28,727,452	2.8	4.7	(262,670)	(262,670)	0.80
Northeast Sacramento	6,920,192	3.6	5.2	29,753	29,753	0.93
Rancho Cordova	19,522,263	9.1	10.1	47,546	47,546	0.80
Roseville/Rocklin	16,859,070	2.6	3.1	39,863	39,863	0.97
I-80/Roseville Rd	11,048,961	2.2	2.9	103,000	103,000	0.94
Lincoln	3,756,011	3.8	4.8	(4,000)	(4,000)	0.78
Woodland/Davis	18,030,675	1.4	4.9	(77,289)	(77,289)	0.63
Folsom/El Dorado Hills	4,830,457	2.5	3.5	(1,009)	(1,009)	1.10
McClellan Park	7,942,479	6.5	7.6	(5,069)	(5,069)	0.62
Auburn/Newcastle	3,009,064	0.6	0.7	34,304	34,304	1.13
Market Total	193,968,217	4.9	6.4	802,335	802,335	0.81

Source: CBRE Research, Q1 2024

FIGURE 3: Notable Lease Transactions Q1 2024

Tenant	Address	SF Leased	Type
Central Garden & Pet	4601 Florin Perks Rd, Sacramento	152,100	Renewal
The Home Depot	5961 Outfall Cir, Sacramento	96,658	Renewal
Premier Product Management	2650 2660 Industrial Blvd, West Sacramento	73,636	Renewal
Green Acres	8670 Fruitridge Rd, Sacramento	59,058	New Lease

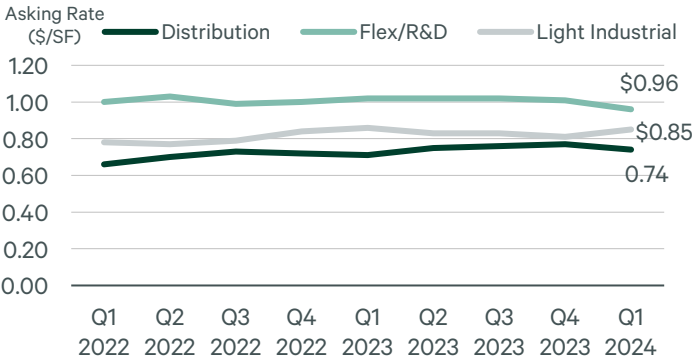
Source: CBRE Research, Q1 2024

FIGURE 4: Notable Sale Transactions Q1 2024

Buyer	Address	Square Feet	Sale Price
SPI California Management	8371 Rovana Cir, Sacramento	319,485	\$33.0M
Republic Services, Inc.	4741 Watt Ave, North Highlands	155,030	\$14.9M
Eiger Real Estate Capital Management	3950 Duckhorn Dr, Sacramento	122,474	\$24.3M

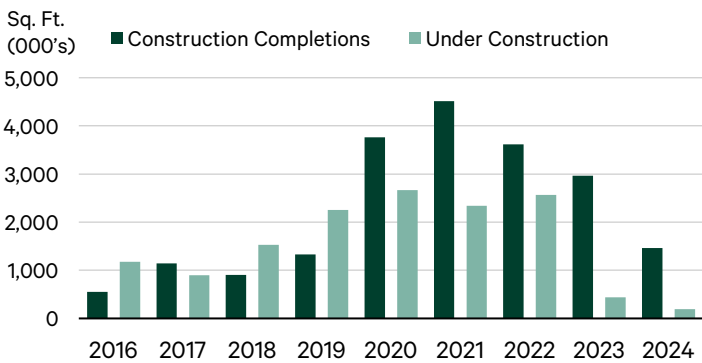
Source: CBRE Research, Q1 2024

FIGURE 5: Average Asking Rates NNN



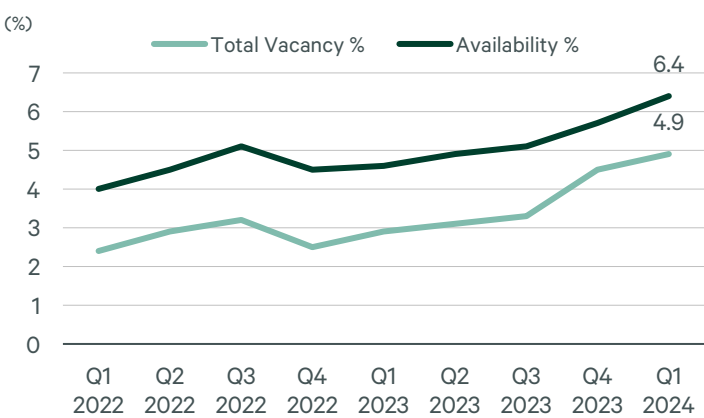
Source: CBRE Research, Q1 2024

FIGURE 7: Construction Completions



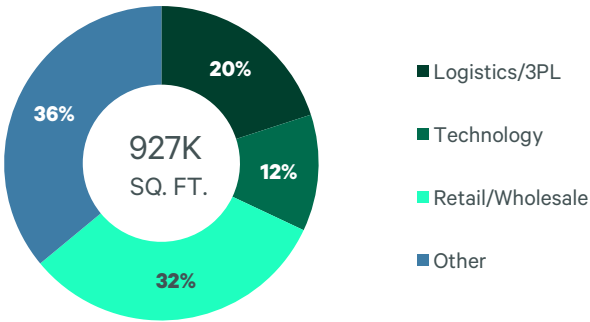
Source: CBRE Research, Q1 2024

FIGURE 6: Vacancy & Availability



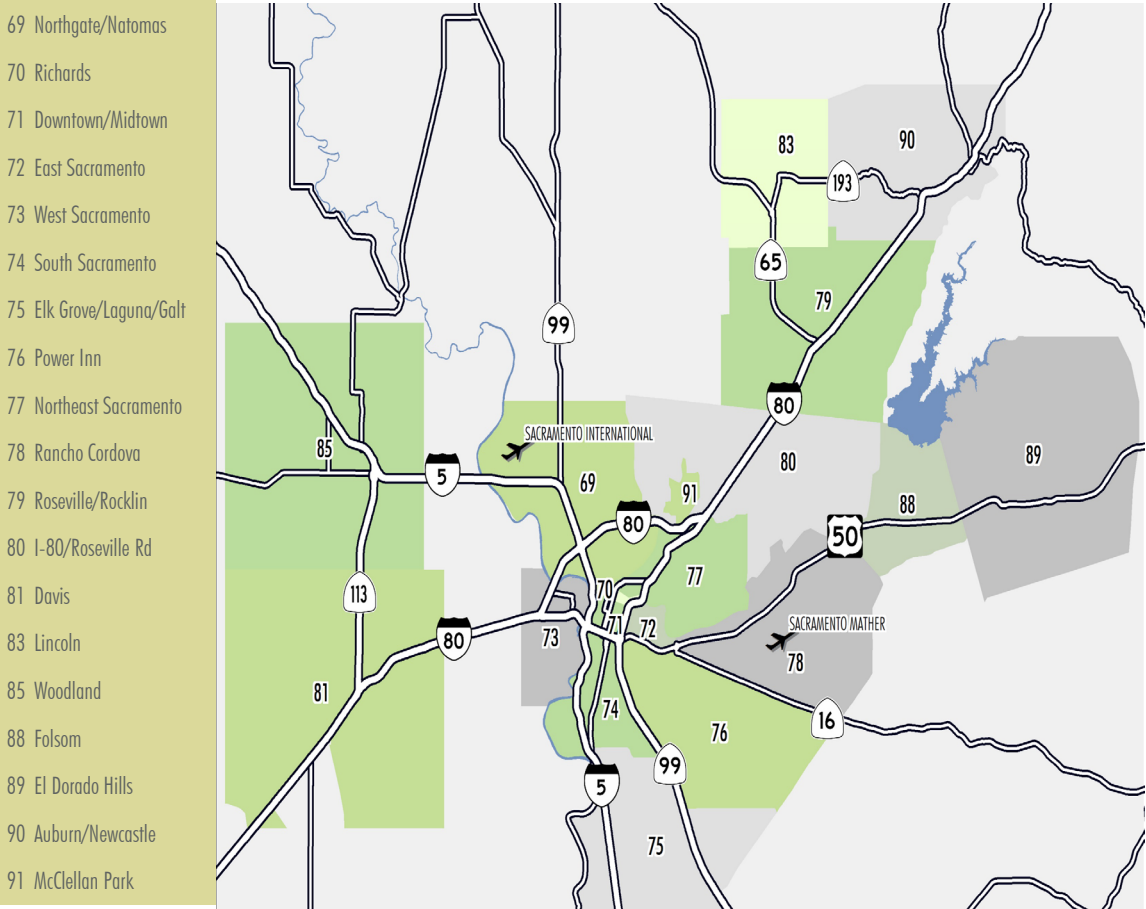
Source: CBRE Research, Q1 2024

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research, Q1 2024

Submarket Map



Source: CBRE Research, Location Intelligence

© Copyright 2024 All rights reserved. Information contained herein, including projections, has been obtained from sources believed to be reliable, but has not been verified for accuracy or completeness. CBRE, Inc. makes no guarantee, warranty or representation about it. Any reliance on such information is solely at your own risk. This information is exclusively for use by CBRE clients and professionals and may not be reproduced without the prior written permission of CBRE’s Global Chief Economist.

Definitions

Average Asking Rate Direct Monthly Lease Rates, Triple Net (NNN). Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy.

CBRE’s market report analyzes existing single- and multi-tenant industrial buildings that total 5,000+ sq. ft. within defined submarkets, including owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

Contacts

Angel Orozco
Field Research Analyst
+1 916 446 8787
Angel.Orozco@cbre.com

Konrad Knutsen
Associate Director, Northern CA
+1 916 446 8292
konrad.knutsen@cbre.com

Sacramento Office
500 Capitol Mall, 24th Floor
Sacramento, CA 95814

Nick Cunningham
Field Research Analyst
+1 916 446 8292
nick.cunningham@cbre.com