

FIGURES | SACRAMENTO INDUSTRIAL | Q4 2023

Vacancy rises driven by construction deliveries

▲ 4.5%

Vacancy Rate

▲ (65K)

SF Net Absorption

▼ 434K

SF Under Construction

▶ \$0.81

NNN / Lease Rate
Existing Properties

▲ 186K

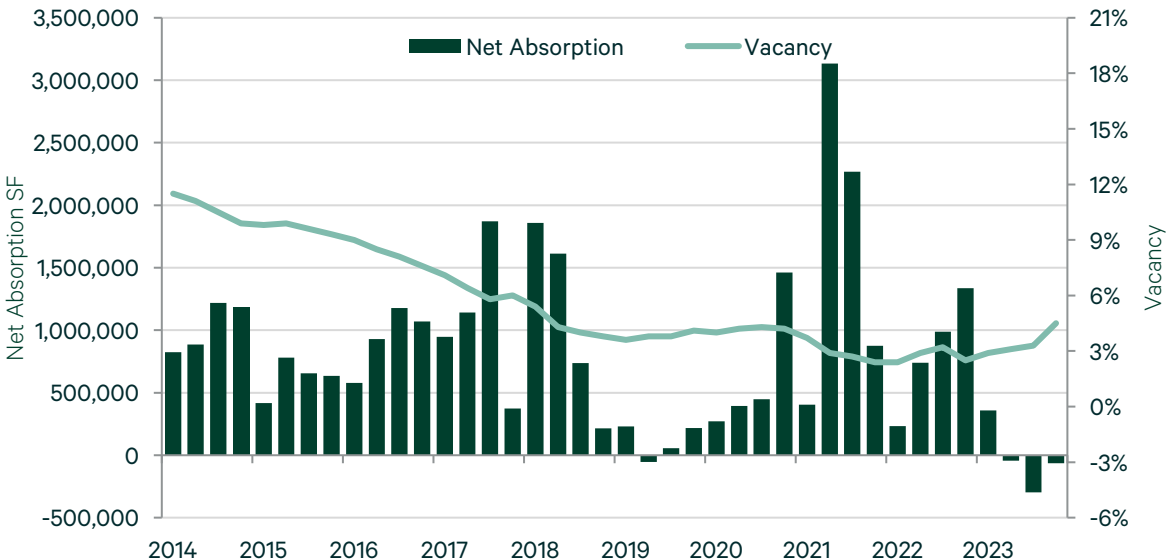
Industrial Using Employment
Greater Sacramento Region

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 Q4 2023 at 4.7%, up 60 basis-points (bps) from the previous quarter. At the close of Q4 2023, the industrial sector provided 186,000 jobs, accounting for 17% of total employment in the region.
- The overall net absorption of the Sacramento industrial market closed Q4 2023 at negative 65,000 sq. ft., bringing the year-to-date total to negative 48,000 sq. ft.
- The average direct asking rate remained steady quarter-over-quarter at \$0.81 per sq. ft. monthly on a NNN basis (NNN).
- Despite destabilizing economic conditions, the Sacramento industrial market continued to entice local and national occupiers and investors.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q4 2023

INDUSTRIAL OVERVIEW

The Sacramento industrial market was comprised of approximately 192 million sq. ft. at the close of Q4 2023. The market has substantially grown over the last five years, adding over 16 million sq. ft. of new inventory. In 2023, over 2.9 million sq. ft. of new product was added to the market, with over 1.3 million sq. ft. in Q4 2023 alone. Additionally, there were three new construction starts for a total of 207,000 sq. ft. The pipeline had over 430,000 sq. ft. underway and 2.2 million sq. ft. in various planning stages. Additionally, both vacancy and availability rates increased quarter-over-quarter to 4.5% and 5.7%, respectively.

Industrial tenant demand remained stable in Q4 2023. Multiple larger-scale leases and sales exceeding 100,000 sq. ft. signed in Q4 2023. Most notably, West Sacramento absorbed the 397,000-sublease space that went vacant in Q3 2023 within one quarter.

The overall direct average asking rate across the Sacramento region finished the quarter at \$0.81 NNN. Operating expenses (NNN) have increased considerably in recent years as a result of rising property tax basis driven by institutional entities acquiring Sacramento industrial properties. Additionally, property insurance has also risen due to the impacts from the California wildfires.

The Sacramento market posted negative 65,000 sq. ft. of net absorption in Q4 2023. The South Sacramento submarket experienced the highest amount of space givebacks this quarter and with negative 157,000 sq. ft., bringing its year-to-date total to negative 166,000.

Looking ahead, all construction projects currently underway in the Sacramento market will be delivered in 2024 while new construction starts will be limited into the new year.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q4 Net Absorption	YTD Net Absorption	Average Asking Rate NNN (\$)
Northgate/Natomas	23,870,538	11.0	12.8	(57,122)	327,999	0.81
Richards	4,732,400	3.6	7.0	(66,186)	(87,072)	0.64
Downtown/Midtown/East Sacramento	4,955,716	1.4	2.5	(7,862)	(662)	1.18
West Sacramento	25,290,100	5.6	6.3	366,507	(32,840)	0.81
South Sacramento	5,519,427	4.1	4.4	(157,507)	(166,300)	0.90
Elk Grove/Laguna/Galt	7,759,516	0.8	1.3	(5,361)	(14,571)	1.11
Power Inn Area	28,725,931	1.9	4.6	(3,070)	(174,513)	0.80
Northeast Sacramento	6,920,192	4.0	5.2	(70,104)	54,681	0.96
Rancho Cordova	19,527,293	9.4	10.2	(115,154)	5,077	0.84
Roseville/Rocklin	16,725,820	1.6	1.8	22,276	172,962	0.98
I-80/Roseville Rd	10,962,961	2.4	2.9	(62,100)	(45,222)	0.85
Lincoln	3,756,011	3.7	4.3	0	(650)	0.73
Woodland/Davis	17,923,063	0.4	2.3	(39,919)	(46,154)	0.59
Folsom/El Dorado Hills	4,830,457	2.5	3.3	9,811	21,934	1.11
McClellan Park	7,942,479	6.4	6.7	140,895	(24,125)	0.62
Auburn/Newcastle	3,009,064	1.7	1.9	(20,398)	(38,337)	1.23
Market Total	192,450,968	4.5	5.7	(65,294)	(47,793)	0.81

Source: CBRE Research, Q4 2023

FIGURE 3: Notable Lease Transactions Q4 2023

Tenant	Address	SF Leased	Type
Encore Glass	3771 Channel Dr, West Sacramento	397,077	New Sublease
CubeWork	1630 Terminal St, West Sacramento	143,480	New Lease
Confidential	3650 Dudley Blvd, McClellan Park	140,895	New Lease
Crown Equipment Corporation	1420 1430 Enterprise Blvd, West Sacramento	45,000	Renewal

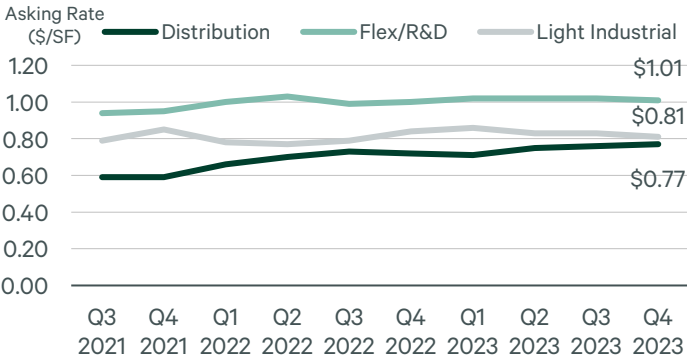
Source: CBRE Research, Q4 2023

FIGURE 4: Notable Sale Transactions Q4 2023

Buyer	Address	Square Feet	Sale Price
The McLellan Co.	3689 Industrial Blvd, West Sacramento	302,500	\$33.25M
Graceada Partners	3132 & 3200 Dwight Rd, Elk Grove	297,950	\$30.5M
At Acquisitions	1501 Aviation Blvd, Lincoln	79,200	\$9.3M
MP Exchange Holdings	879 F St, West Sacramento	55,000	\$5.9M

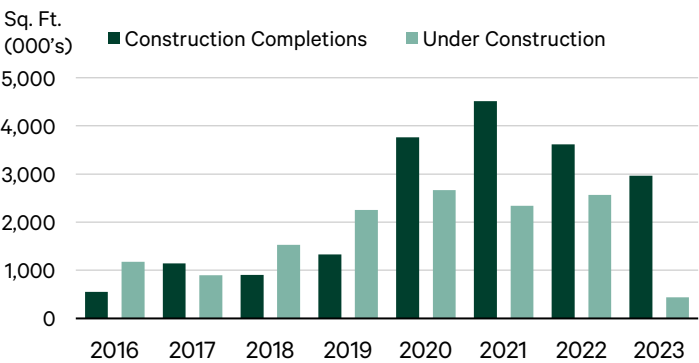
Source: CBRE Research, Q4 2023

FIGURE 5: Average Asking Rates NNN



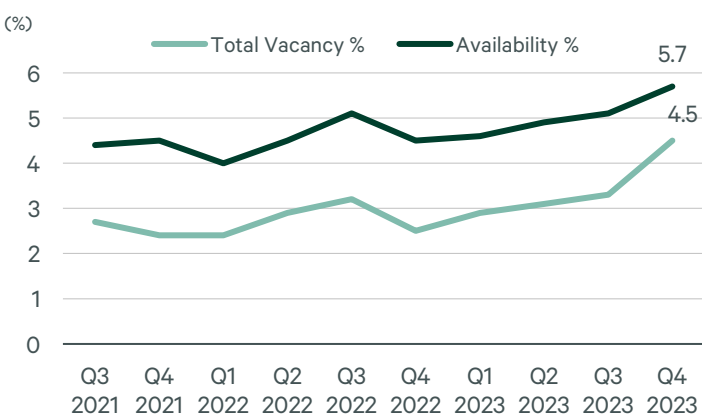
Source: CBRE Research, Q4 2023

FIGURE 7: Construction Completions



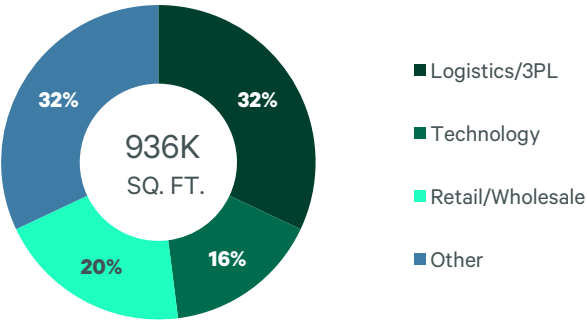
Source: CBRE Research, Q4 2023

FIGURE 6: Vacancy & Availability



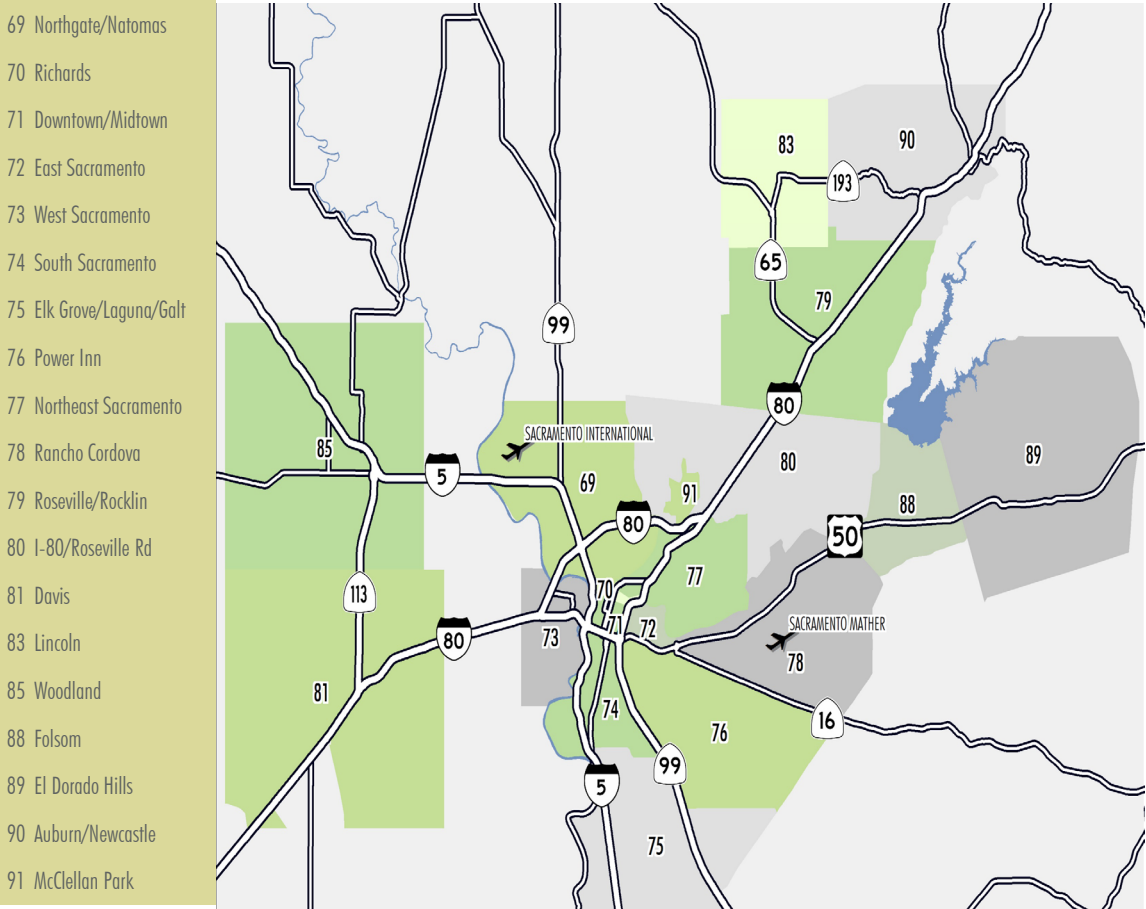
Source: CBRE Research, Q4 2023

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research, Q4 2023

Submarket Map



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.

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Source: CBRE Research, Location Intelligence

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