

FIGURES | SACRAMENTO | Q4 2022

Sacramento Industrial Figures

▼ 2.5%

Vacancy Rate

▲ 1.3M

SF Net Absorption

▲ 2.6M

SF Under Construction

▼ \$0.80

NNN / Lease Rate
Existing Properties

▲ 185K

Industrial Using Employment
Greater Sacramento Region

Note: Arrows indicate change from previous quarter.

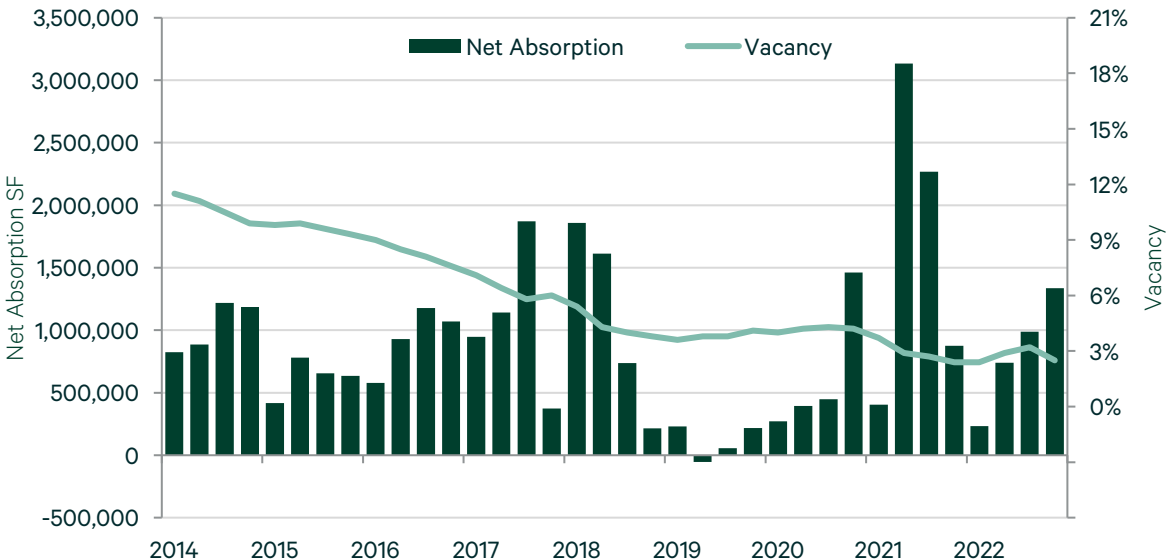
EMPLOYMENT

The Greater Sacramento region is home to over 2.4 million residents with a labor force of 1.1 million. The total resident employment is 1.09 million, up by 38,000 jobs from Q4 2021. The industrial sector is currently providing 185,300 jobs, accounting for 13% of total employment in the region. The unemployment rate ended Q4 2022 at 3.8%, down from 5.0% in Q4 2021.

INDUSTRIAL OVERVIEW

Sacramento industrial market fundamentals remained strong in Q4 2022. Net absorption totaled positive 1.3 million sq. ft., marking the 14th consecutive quarter of positive net absorption. Vacancy and availability experienced a quarter-over-quarter decrease to 2.5% and 4.5%, respectively. Average asking lease rates closed out the quarter at \$0.80 per sq. ft. monthly on a NNN basis. Additionally, one building totaling 10,500 sq. ft. delivered to the market. Construction activity remained robust with 2.6 million sq. ft. currently underway and over 3.2 million sq. ft. planned.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

INDUSTRIAL OVERVIEW (continued)

Market wide vacancy and availability rates decreased quarter-over-quarter. The availability rate fell 60 basis points (bps) to 4.5%. The vacancy rate followed suit, decreasing 80 bps to 2.5%. The Elk Grove submarket experienced the largest decline in vacancy, down 180 bps from last quarter. Market wide average asking rates finished the quarter at \$0.80 NNN. Distribution rates have steadily increased, rising over 22% year-over-year.

Leasing activity remained strong in the Sacramento industrial market posting 1.3 million sq. ft. of positive net absorption in Q4 2022, bringing the year-end total to positive 3.4 million sq. ft. The Northgate/Natomas submarket continued to attract tenants with larger warehouse needs, adding positive 496,634 sq. ft. of net absorption to close the quarter. On the transaction side, a confidential tenant signed the largest lease of the quarter at 7810 Metro Air Parkway for 339,337 sq. ft. The next largest transaction was a 323,240 sq. ft. renewal signed by Construction Innovations at 8825 Elder Creek Road. Large occupier transactions over 100,000 sq. ft. continue to be a growing staple in the market displayed by this quarter’s top deals.

Investment activity in the Sacramento Market was highlighted by the two-building sale of 7180 & 7120 Badiie Drive to BentallGreenOak. This 308,780 sq. ft. building, which sold for approximately \$59.9 M (\$194 psf), marked the largest sale of the quarter. Additionally, Invesco Ltd. was involved as the buyer of the second largest sale in Q4 2022 at 3095 Mary Place for 148,021 sq. ft. Despite rising interest rates, the Sacramento industrial market continues to attract national investors.

The only building to deliver in the Sacramento market was a 10,500 sq. ft. metal building built for MP Environmental at 1330 Paddock Place in Woodland. The property sits on 13.14 acres, which is also owned by MP Environmental. The market has over 2.5 million sq. ft. currently under construction, 53% of which is in the Northgate/ Natomas submarket. Over the course of 2022, Sacramento delivered over 3.6 million sq. ft. of industrial product.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q4 Net Absorption	YTD Net Absorption	Average Asking Rate NNN (\$)
Northgate/Natomas	22,062,818	5.5	5.9	496,634	815,592	0.82
Richards	4,732,400	3.1	5.8	31,384	41,665	0.65
Downtown/Midtown/East Sacramento	4,955,716	1.4	1.6	8,256	48,417	1.16
West Sacramento	24,868,364	3.9	6.1	384,500	687,016	0.78
South Sacramento	5,519,015	1.0	1.0	(38,609)	(42,395)	1.08
Elk Grove/Laguna/Galt	7,736,416	0.3	0.9	64,443	982,588	0.96
Power Inn Area	28,612,024	1.0	3.3	69,795	590,542	0.96
Northeast Sacramento	6,903,536	4.9	7.3	63,845	(353)	0.94
Rancho Cordova	18,767,147	2.6	6.8	87,545	268	0.75
Roseville/Rocklin	16,642,310	1.0	3.7	23,855	55,361	1.05
I-80/Roseville Rd	10,895,461	1.4	2.2	5,937	131,451	0.74
Lincoln	3,756,011	3.2	5.9	(8,000)	4,609	0.68
Woodland/Davis	17,786,077	0.2	3.4	120,208	77,545	0.61
Folsom/El Dorado Hills	4,830,457	2.9	3.2	6,646	(13,828)	1.12
McClellan Park	7,942,479	6.2	7.1	16,426	26,269	0.63
Auburn/Newcastle	3,009,064	0.5	0.6	4,385	2,666	0.91
Market Total	189,019,295	2.5	4.5	1,337,250	3,407,413	0.80

Source: CBRE Research

FIGURE 3: Notable Lease Transactions Q4 2022

Tenant	Address	SF Leased	Type
Confidential (CBRE NDA)	7810 Metro Air Pkwy, Sacramento	339,337	New Lease
Construction Innovations	8825 Elder Creek Rd, Sacramento	323,240	Renewal
Hydra Warehouse inc.	3525 Carlin Dr, West Sacramento	236,716	New Lease
River City Indoor RV & Boat Storage Inc.	8301 Belvedere Ave, Sacramento	232,800	Renewal

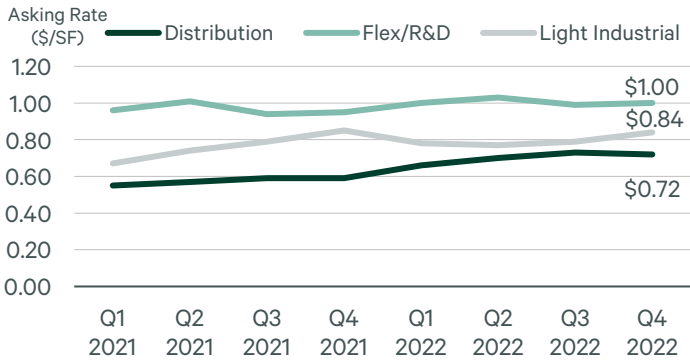
Source: CBRE Research

FIGURE 4: Notable Sale Transactions Q4 2022

Buyer	Address	Square Feet	Sale Price
BentallGreenOak	7180 Badiiee Dr, Sacramento	183,088	\$35.5M
Invesco Ltd.	3095 Mary Pl, West Sacramento	148,021	\$25.9M
BentallGreenOak	7120 Badiiee Dr, Sacramento	125,692	\$24.4M
Ferro Family Trust	161 Main Ave, Sacramento	118,136	\$14.0M

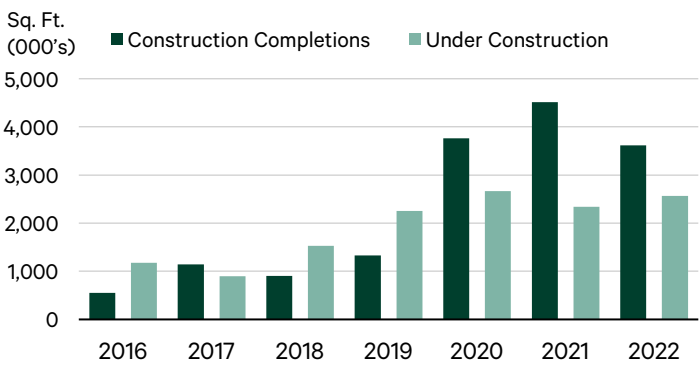
Source: CBRE Research

FIGURE 5: Lease Rates



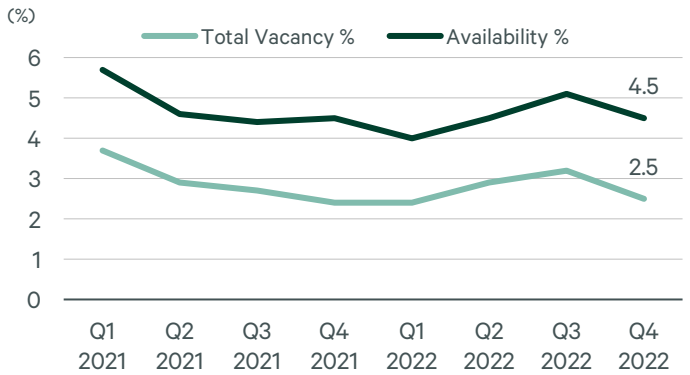
Source: CBRE Research

FIGURE 7: Construction Completions



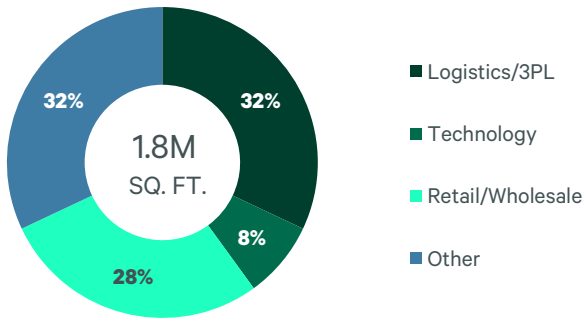
Source: CBRE Research

FIGURE 6: Vacancy & Availability



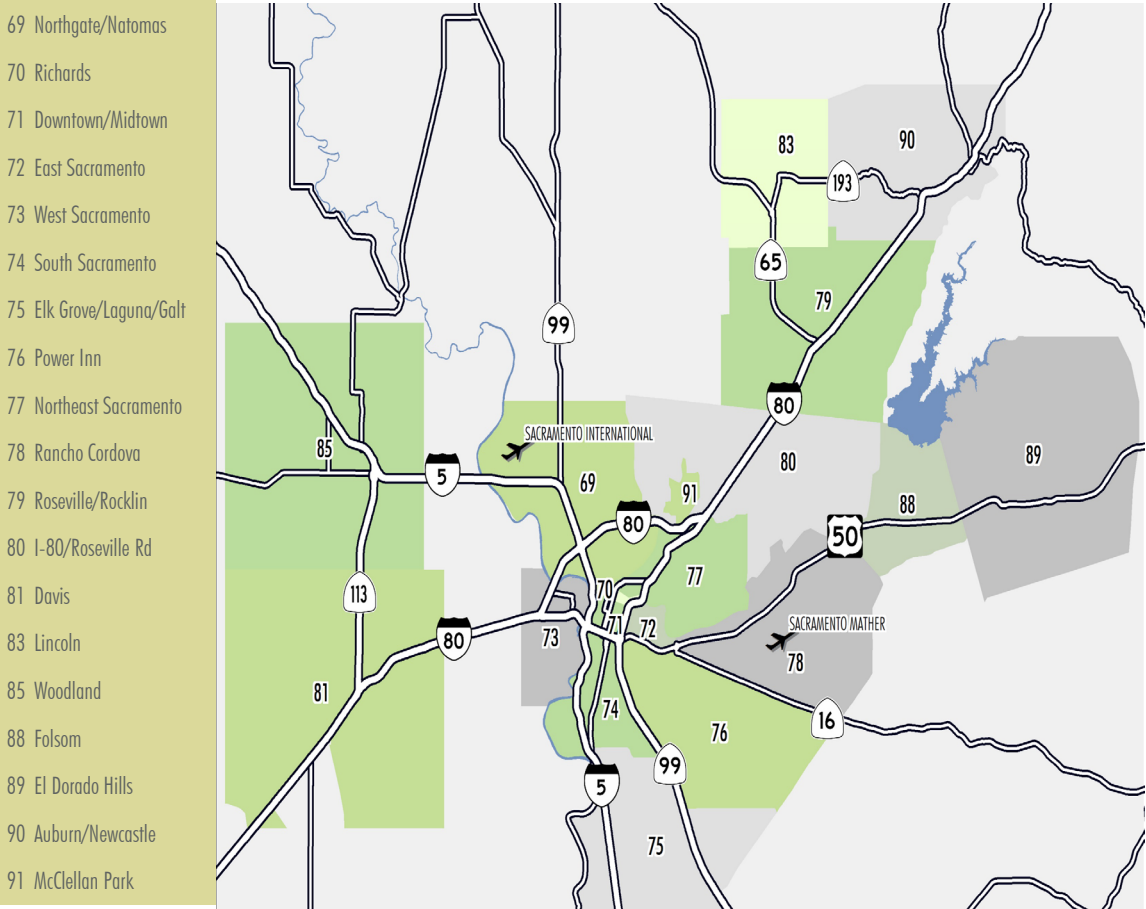
Source: CBRE Research

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research

Submarket Map



Source: CBRE Research, Location Intelligence

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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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