

FIGURES | SACRAMENTO | Q2 2023

# Sacramento Industrial Figures

▲ 3.1%  
 Vacancy Rate

▼ (43K)  
 SF Net Absorption

▼ 1.3M  
 SF Under Construction

▶ \$0.81  
 NNN / Lease Rate  
 Existing Properties

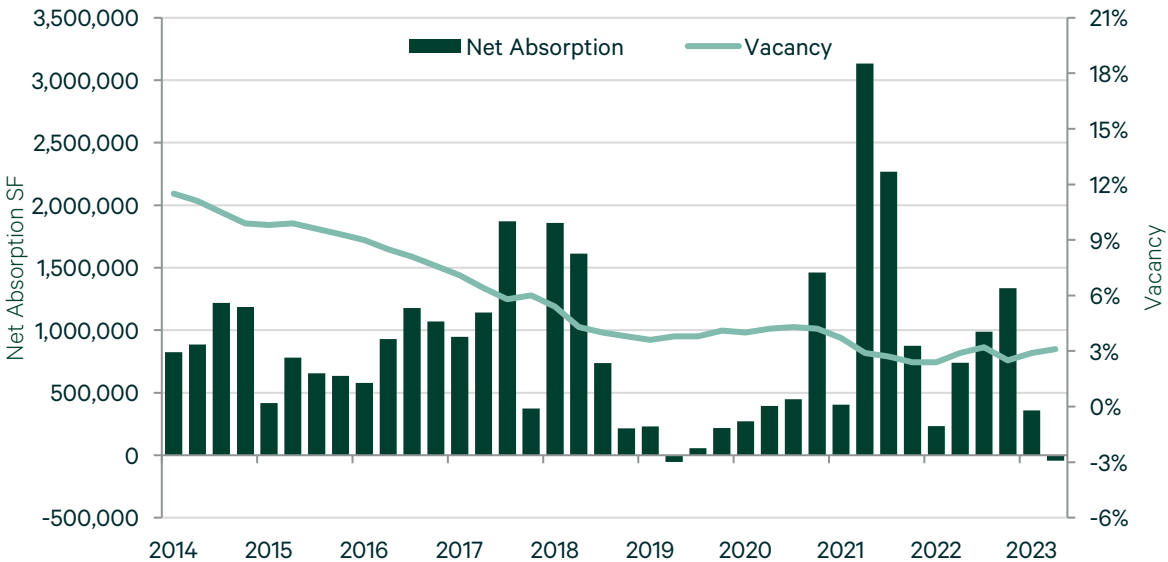
▲ 186K  
 Industrial Using Employment  
 Greater Sacramento Region

Note: Arrows indicate change from previous quarter.

## MARKET HIGHLIGHTS

- The Greater Sacramento region is home to 2.4 million residents with a labor force of 1.1 million. At the close of Q2 2023, the industrial sector provided 185,500 jobs, accounting for 17% of total employment in the region. The unemployment rate ended Q2 2023 at 3.5%, up 22 basis-points (bps) from the previous quarter.
- The overall net absorption of the Sacramento industrial market closed Q2 2023 at -43,413 sq. ft. compared to 358,533 sq. ft. in Q1 2023, bringing the year-to-date total to 315,120 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 continues to entice local and national investors.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

INDUSTRIAL OVERVIEW

The Sacramento industrial market is comprised of 190.7 million sq. ft. The market has substantially grown over the last five years, adding over 15 million sq. ft. of new inventory. The construction pipeline continued to dwindle as there were no new construction starts and 392,575 sq. ft. of new product delivered to the market in Q2 2023. The pipeline currently has over 1.2 million sq. ft. underway and 2.4 million sq. ft. in various planning stages. Additionally, both vacancy and availability rates increased quarter-over-quarter to 3.1% and 4.9%, respectively.

The overall direct average asking rate across the Sacramento region finished the quarter at \$0.81 NNN. The Elk Grove submarket experienced the highest quarter-over-quarter jump in average asking rate, increasing by \$0.10 to \$1.10 NNN.

The industrial tenant demand remained stable in Q2 2023. Smaller to medium-sized regionally based construction and building material businesses remained strong. However, larger-scale requirements exceeding 100,000 sq. ft. have declined. Despite the contraction, several transactions in those size ranges were signed in Q2 2023 as noted in the top leases and sales.

The Sacramento market posted -43,413 sq. ft. of net absorption in Q2 2023. The West Sacramento submarket experienced the highest amount of space givebacks with -237,800 sq. ft. of net absorption while the Northgate/Natomas submarket closed the quarter with growth at 174,663 sq. ft. of net absorption.

Looking ahead, all construction projects currently underway in the Sacramento market will be delivered between the latter half of 2023 into the first half of 2024. New construction starts will be limited in 2024.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q2 Net Absorption	YTD Net Absorption	Average Asking Rate NNN (\$)
Northgate/Natomas	23,193,785	8.3	9.2	174,663	338,884	0.80
Richards	4,732,400	2.0	6.2	9,500	(7,759)	0.72
Downtown/Midtown/East Sacramento	4,955,716	1.2	2.0	14,922	10,207	1.17
West Sacramento	25,290,100	6.1	8.9	(237,800)	(152,056)	0.79
South Sacramento	5,519,427	2.0	2.2	(17,204)	(52,503)	1.04
Elk Grove/Laguna/Galt	7,736,416	0.5	0.7	(15,146)	(16,910)	1.10
Power Inn Area	28,644,024	1.3	3.8	(26,983)	(97,158)	0.89
Northeast Sacramento	6,912,915	3.3	4.6	35,399	106,571	1.01
Rancho Cordova	18,779,947	2.0	5.4	59,042	129,931	0.78
Roseville/Rocklin	16,725,820	1.2	2.7	37,654	49,338	0.93
I-80/Roseville Rd	10,895,461	0.7	1.5	25,018	81,293	0.80
Lincoln	3,756,011	2.9	3.9	9,900	9,900	0.75
Woodland/Davis	17,797,977	0.7	2.4	(91,380)	(91,380)	0.58
Folsom/El Dorado Hills	4,830,457	2.4	3.8	(1,938)	27,992	1.20
McClellan Park	7,942,479	6.3	6.6	(11,291)	(11,291)	0.68
Auburn/Newcastle	3,009,064	0.8	0.9	(7,769)	(9,939)	1.06
Market Total	190,721,999	3.1	4.9	(43,413)	315,120	0.81

Source: CBRE Research

FIGURE 3: Notable Lease Transactions Q2 2023

Tenant	Address	SF Leased	Type
McKesson Corp.	7701 Foothills Blvd, Roseville	401,300	Renewal/ Expansion
Grant & Bowman Inc.	1680 Tide Ct, Woodland	317,799	New Lease
Alom Technologies Corp.	7860 Metro Air Pkwy, Sacramento	169,924	New Lease
ILG	2921 Ramco St, West Sacramento	99,287	New Lease

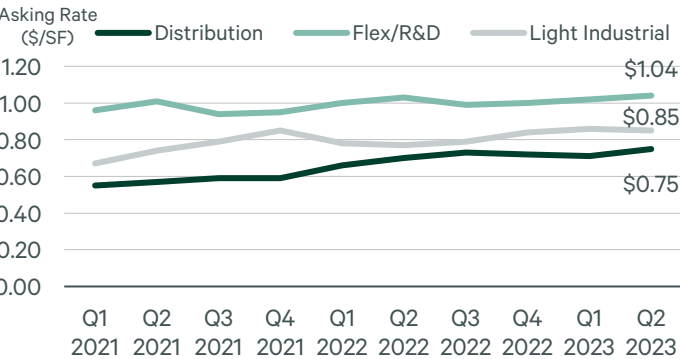
Source: CBRE Research

FIGURE 4: Notable Sale Transactions Q2 2023

Buyer	Address	Square Feet	Sale Price
Realty Income Corp.	2370 E Main St, Woodland	526,849	\$70.7M
Bunker Wilson	7021 Roseville Rd, Sacramento	250,000	\$16.9M
Realty Income Corp.	531 Quality Dr, Woodland	248,209	\$26.9M
Amerco Real Estate	1200-1210 Blumenfeld Dr, Sacramento	144,000	\$14.4M

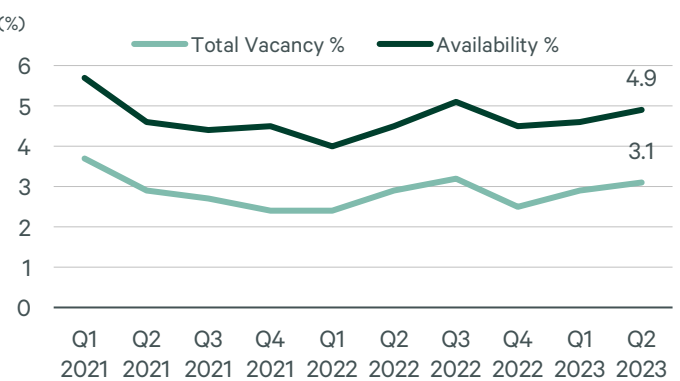
Source: CBRE Research

FIGURE 5: Average Asking Rates NNN



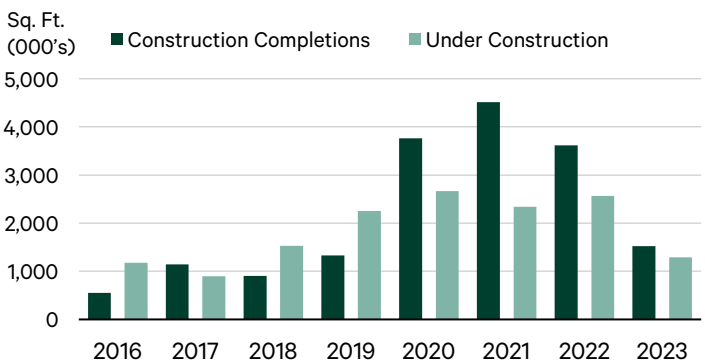
Source: CBRE Research

FIGURE 6: Vacancy & Availability



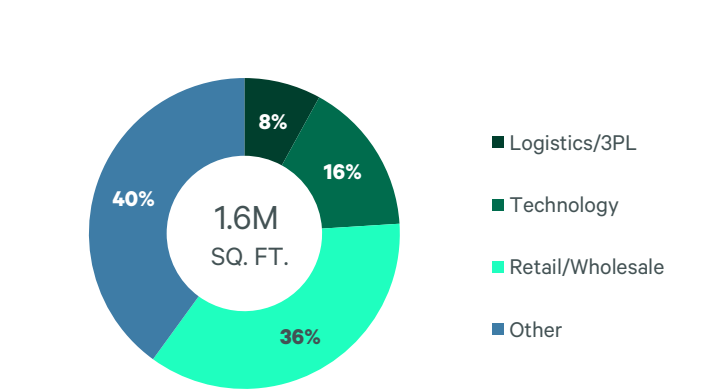
Source: CBRE Research

FIGURE 7: Construction Completions



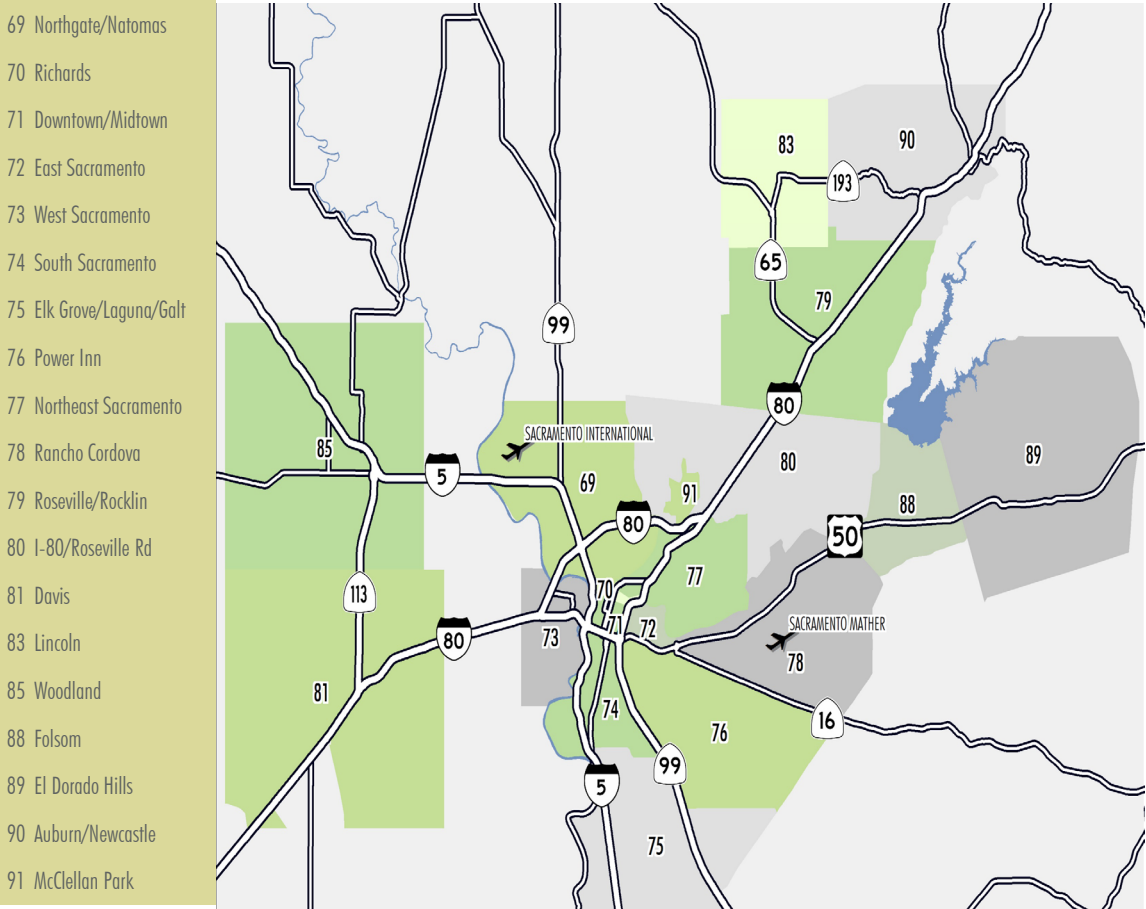
Source: CBRE Research

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research

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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