

## MARKET OVERVIEW

► **Industrial Market:** The Sacramento industrial market fared well during the first quarter of 2017 as the overall vacancy rate decreased by 62 basis points to 7.18%. At the close of the first quarter, net absorption was positive at 1.35 million square feet, which is the highest figure seen in the last ten years!

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased an impressive 62 basis points to 7.18%. The largest submarkets – Power Inn, West Sacramento and Roseville/Rocklin – had vacancy rates of 5.25%, 6.30% and 10.43%. Among the largest submarkets, some of the lowest vacancy rates were also seen in the Sunrise and Marysville/Yuba City submarkets with rates at 2.39% and 2.93%, respectively. Alternatively, the highest vacancy rates were seen in the South Sacramento and McClellan submarkets at 25.23% and 11.97%, respectively.

► **Lease Rates:** At the end of the first quarter, the average asking triple net lease rate for the Sacramento industrial market was \$0.39, which is a \$0.01 increase from the previous quarter. Within the two largest submarkets – Power Inn and West Sacramento – the average asking lease rates were \$0.45 and \$0.42 per square foot. Some of the highest asking lease rates were seen in the Folsom/El Dorado submarket with an average of \$0.67 per square foot. Alternatively, the lowest lease rates were seen in the Davis/Woodland and Richards submarkets with average asking rates of \$0.28 and \$0.29 per square foot, respectively.

► **Sale & Lease Transactions:** Transaction activity at the close of the first quarter was 2.22 million square feet, which is a decrease from the previous quarter's figure of 3.59 million square feet. Given that there is often a delay for final figures to be totaled, this quarter's figure will slightly increase in the next market report.

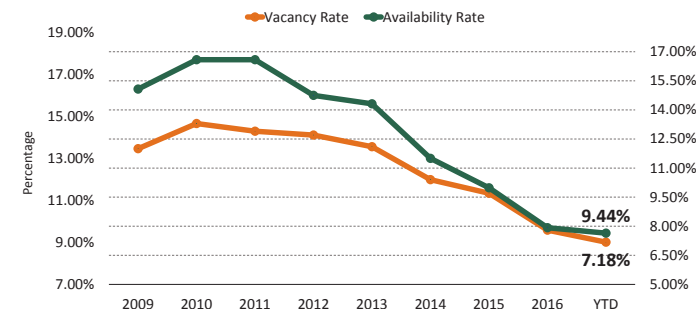
► **Absorption:** The industrial market ended the first quarter with 1,353,364 square feet of positive net absorption. The West Sacramento submarket had the greatest positive net absorption of 384,455 square feet, and the McClellan submarket had the second highest net absorption of 245,805 square feet. Alternatively, the Elk Grove/Laguna submarket experienced 78,037 square feet of negative net absorption.

► **Development:** Seven industrial projects are currently under construction in the Sacramento market, which total just over 1.2 million square feet. The largest of those projects is an 855,000 square foot Class A distribution building in the Natomas/Northgate submarket for Amazon and expected to be delivered in April 2017. The second largest industrial project under construction is a 240,255 square foot Class B warehouse building in the Power Inn submarket and expected to be delivered December 2017. Currently, there are 12.43 million square feet of proposed industrial space for the Sacramento market.

► **First Quarter Review:** Overall, the Sacramento industrial market showed strong signs of improvement as the overall vacancy rate decreased further is well below pre-recession levels. Among other positive trends, net absorption was the highest figure seen over a ten-year period. According to the most recent Sacramento employment figures, the unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 5.1% in February of 2017. As the job market further improves, increased demand is expected for the Sacramento industrial market.

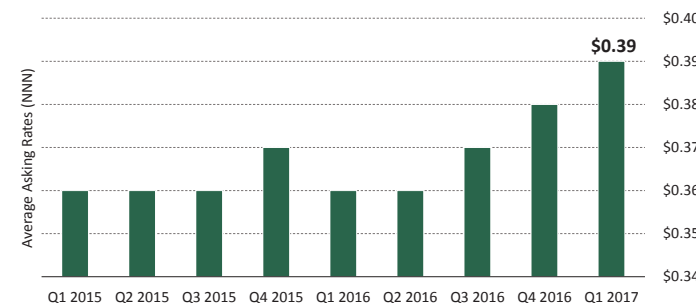
## VACANCY RATE & AVAILABILITY RATE

ALL SPACE NOT CURRENTLY OCCUPIED & ALL SPACE CURRENTLY MARKETED



## AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



## SACRAMENTO INDUSTRIAL TRENDS | FIRST QUARTER 2017

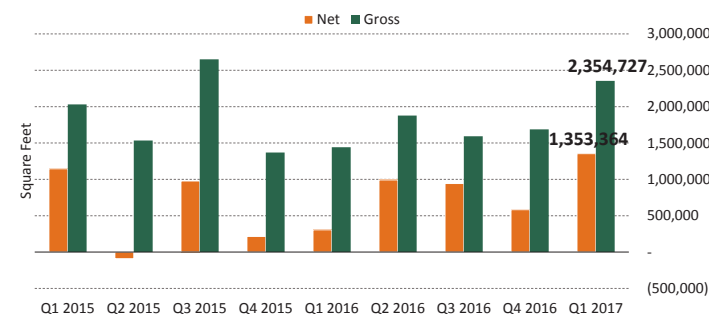
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
Q <sup>1</sup> 2017	7.18%	\$0.39	1,353,364	2,222,481
Q <sup>4</sup> 2016	7.80%	\$0.38	583,518	3,594,522

THESE STATISTICS ENCOMPASS THE ENTIRE SURVEY, WHICH INCLUDES ALL INDUSTRIAL PROPERTY TYPES 10,000 SQUARE FEET AND LARGER.

## NET & GROSS ABSORPTION

NET - TOTAL SQ. FT. OCCUPIED LESS THE SQ. FT. VACATED & GROSS - TOTAL SQ. FT. OCCUPIED



# NOTEWORTHY TRANSACTIONS

MARKET SNAPSHOT

## LEASE TRANSACTIONS | NOTABLE INDUSTRIAL LEASES SIGNED FOR Q1 2017

**Q<sup>1</sup> 2017** **Q<sup>1</sup> 2016** % Change vs. Q1 2016

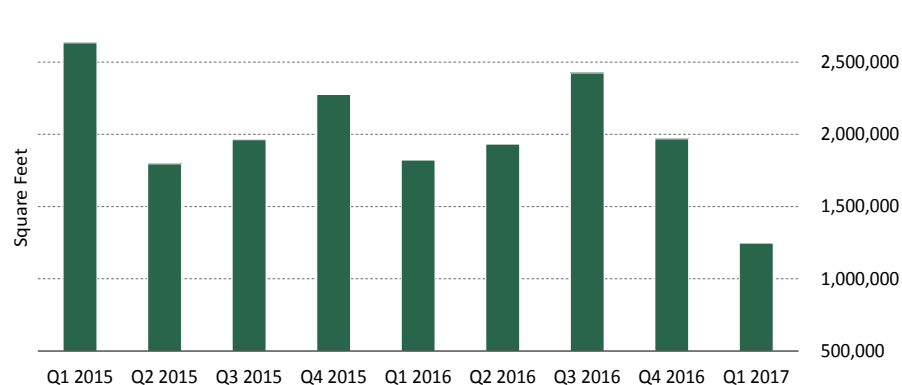
Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
8211-8215 Siena Ave.	Power Inn	Undisclosed	US National Leasing, LLC	January 1, 2017	69,702
9611-9613 Oates Dr.	Mather	Undisclosed	Sy Oates Drive, LLC	March 1, 2017	64,740
10000 Alantown Dr.	Roseville/Rocklin	Undisclosed	Amir Development Company	March 13, 2017	52,098
860 Embarcadero Dr.	West Sacramento	Interior Specialists, Inc.	Westcore Delta, LLC	January 24, 2017	47,778
530 Q Street	Downtown	Undisclosed	Alexander & Shirley Fahn	January 24, 2017	47,091

<b>Vacancy Rate</b>	7.18%	9.60%	-25.21%
<b>Availability Rate</b>	9.44%	11.80%	-20.00%
<b>Avg. Asking Lease Rate</b>	\$0.39	\$0.36	8.33%
<b>Gross Absorption</b>	2,354,727	1,442,219	63.27%
<b>Net Absorption</b>	1,353,364	305,937	(N/A)

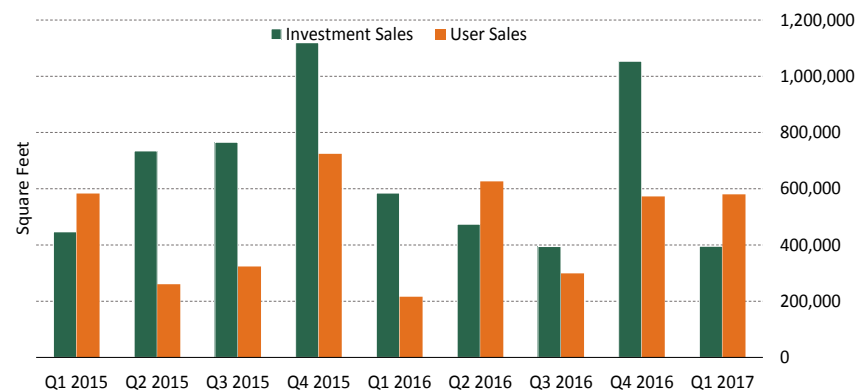
## SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES FOR Q1 2017

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
3689 Industrial Blvd.	West Sacramento	Wang Brothers, Inc.	Sudler Construction Co, Inc.	302,400	\$9,398,800
107 E 10th Street	Marysville/ Yuba City	Marysville Farming Properties, LLC	Highmark Land Company, LLC	73,850	\$3,000,000
11415 Folsom Blvd.	Sunrise	Donald Reinholdt	William J. Pendola	72,000	\$2,800,000
2040-2080 Railroad Dr.	NE Sacramento	Northstar Equities, LLC	Wiegand Nellie J Trust	52,400	\$2,563,000
4150 Florin Perkins Rd.	Power Inn	Tidal Wave Properties, LLC	Louies 1992 Family Trust	35,045	\$2,400,000

## LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



## SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER



TRI COMMERCIAL | SACRAMENTO INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate Q1 2017	Occupied Square Feet	Occupancy Rate Q1 2017	Available Square Feet	Availability Rate Q1 2017	Net Absorption Q1 2017	YTD Net Absorption	Gross Absorption Q1 2017	YTD Gross Absorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Newcastle	85	2,222,057	20,977	0.94%	2,201,080	99.06%	92,332	4.16%	6,500	6,500	9,700	9,700	0	0	\$0.48
Davis/Woodland	185	16,107,019	1,363,062	8.46%	14,743,957	91.54%	2,004,781	12.45%	272,840	272,840	272,840	272,840	0	27,064	\$0.28
Downtown	85	2,620,118	183,747	7.01%	2,436,371	92.99%	136,656	5.22%	(2,858)	(2,858)	0	0	0	0	\$0.55
East Sacramento	23	571,117	37,176	6.51%	533,941	93.49%	37,176	6.51%	0	0	0	0	0	0	-
Elk Grove/Laguna	117	5,737,039	302,458	5.27%	5,434,581	94.73%	528,834	9.22%	(78,037)	(78,037)	17,147	17,147	8,500	882,265	\$0.41
Folsom/EI Dorado	103	3,060,605	157,633	5.15%	2,902,972	94.85%	204,558	6.68%	4,843	4,843	10,085	10,085	75,000	0	\$0.67
Marysville/Yuba City	144	5,833,647	171,085	2.93%	5,662,562	97.07%	181,285	3.11%	70,360	70,360	86,920	86,920	0	0	\$0.40
Mather	124	3,805,441	334,150	8.78%	3,471,291	91.22%	279,346	7.34%	31,408	31,408	53,208	53,208	0	89,593	\$0.42
McClellan	286	13,642,835	1,632,625	11.97%	12,010,210	88.03%	1,824,485	13.37%	245,805	245,805	402,197	402,197	0	52,108	\$0.41
Natomas/Northgate	200	11,656,698	500,332	4.29%	11,156,366	95.71%	880,708	7.56%	(16,731)	(16,731)	72,872	72,872	855,000	8,104,320	\$0.44
NE Sacramento	192	5,030,611	279,805	5.56%	4,750,806	94.44%	324,561	6.45%	(1,800)	(1,800)	3,840	3,840	0	0	\$0.37
Power Inn	562	24,330,852	1,276,921	5.25%	23,053,931	94.75%	1,350,702	5.55%	214,852	214,852	435,841	435,841	123,255	1,662,019	\$0.45
Richards	85	4,172,183	203,578	4.88%	3,968,605	95.12%	259,910	6.23%	10,452	10,452	31,995	31,995	0	0	\$0.29
Roseville/Rocklin	288	16,478,306	1,718,572	10.43%	14,759,734	89.57%	1,616,152	9.81%	159,592	159,592	223,323	223,323	20,000	427,050	\$0.38
South Sacramento	120	3,972,424	1,002,232	25.23%	2,970,192	74.77%	1,052,846	26.50%	8,115	8,115	15,550	15,550	0	1,157,185	\$0.50
Sunrise	333	9,715,650	232,037	2.39%	9,483,613	97.61%	519,188	5.34%	43,568	43,568	173,868	173,868	18,944	0	\$0.51
West Sacramento	320	17,988,504	1,133,873	6.30%	16,854,631	93.70%	2,572,766	14.30%	384,455	384,455	545,341	545,341	0	30,000	\$0.42
<b>Industrial Market Totals</b>	<b>3,252</b>	<b>146,945,106</b>	<b>10,550,263</b>	<b>7.18%</b>	<b>136,394,843</b>	<b>92.82%</b>	<b>13,866,286</b>	<b>9.44%</b>	<b>1,353,364</b>	<b>1,353,364</b>	<b>2,354,727</b>	<b>2,354,727</b>	<b>1,100,699</b>	<b>12,431,604</b>	<b>\$0.39</b>
10,000-29,999	1,998	33,164,756	1,006,180	3.03%	32,158,576	96.97%	1,489,164	4.49%	22,141	22,141	234,897	234,897	47,444	344,257	\$0.59
30,000-49,999	519	19,795,897	761,868	3.85%	19,034,029	96.15%	1,278,736	6.46%	168,268	168,268	280,088	280,088	0	169,018	\$0.47
50,000-99,999	442	29,428,703	1,601,986	5.44%	27,826,717	94.56%	2,230,701	7.58%	343,591	343,591	551,430	551,430	75,000	415,451	\$0.44
100,000-199,999	186	24,413,245	2,135,931	8.75%	22,277,314	91.25%	2,648,012	10.85%	122,397	122,397	342,762	342,762	123,255	1,358,362	\$0.39
200,000-299,999	60	14,318,382	852,645	5.95%	13,465,737	94.05%	814,223	5.69%	606,951	606,951	698,150	698,150	0	0	\$0.34
300,000 Plus	47	25,824,123	4,191,653	16.23%	21,632,470	83.77%	5,405,450	20.93%	90,016	90,016	247,400	247,400	855,000	10,144,516	\$0.31
<b>Industrial Market Totals</b>	<b>3,252</b>	<b>146,945,106</b>	<b>10,550,263</b>	<b>7.18%</b>	<b>136,394,843</b>	<b>92.82%</b>	<b>13,866,286</b>	<b>9.44%</b>	<b>1,353,364</b>	<b>1,353,364</b>	<b>2,354,727</b>	<b>2,354,727</b>	<b>1,100,699</b>	<b>12,431,604</b>	<b>\$0.39</b>

Average asking rates represented are triple net.

## NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:



MAP IS NOT TO SCALE

## ABOUT TRI COMMERCIAL

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The Information in this document was obtained from sources we deem reliable; however, no warranty or representation, expressed or implied, is made as to the accuracy of the information contained herein. The market statistics represent properties that are 10,000 square feet or larger. This quarterly market report is a research document of TRI Commercial and may be found on our website at [www.tricommercial.com](http://www.tricommercial.com). CoStar was the main source of information used in this report.

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