

## MARKET OVERVIEW

► **Industrial Market:** The Sacramento industrial market experienced notable improvements during the second quarter. The overall vacancy rate, for example, decreased to 8.98%, which is now lower than pre-recession levels. At the close of the quarter, net absorption was positive averaging 591,000 square feet per quarter since the second quarter of 2015.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased by an impressive 52 basis points to 8.98%. The largest submarkets – Power Inn and West Sacramento – had vacancy rates of 6.75% and 9.33%. Excluding the City of Lincoln from Roseville/Rocklin, the submarket had a vacancy rate of 6.96% at the close of the quarter. Among the largest submarkets, some of the lowest vacancy rates were also seen in the Sunrise, Elk Grove/Laguna, and Natomas/Northgate submarkets with rates at 3.41%, 6.14% and 7.23%. Alternatively, the highest vacancy rates were seen in the South Sacramento and McClellan submarkets at 25.69% and 15.60%, respectively.

► **Lease Rates:** At the end of the second quarter, the average asking triple net lease rate for the Sacramento industrial market was \$0.36, which is unchanged from the previous quarter. Within the two largest submarkets – Power Inn and West Sacramento – the average asking lease rates were \$0.32 and \$0.38 per square foot. Some of the highest asking lease rates were seen in the Folsom/EI Dorado submarket at \$0.67 per square foot. Alternatively, the lowest lease rates were seen in the Davis/Woodland and NE Sacramento submarkets with average asking rates of \$0.29 and \$0.30 per square foot.

► **Sale & Lease Transactions:** Transaction activity at the close of the second quarter was 1.94 million square feet, which is a decrease from the previous quarter's figure of 2.4 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.

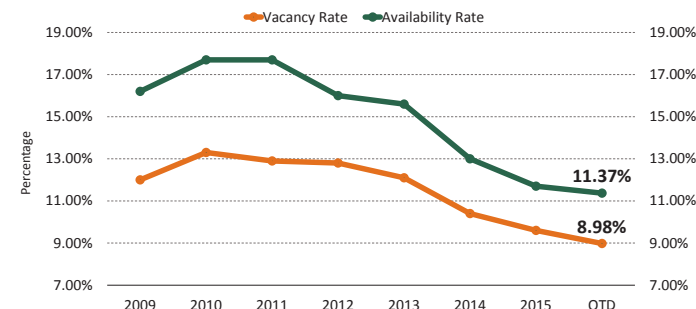
► **Absorption:** The industrial market ended the second quarter with 760,847 square feet of positive net absorption. The Marysville/Yuba City submarket had the greatest positive net absorption of 208,750 square feet, and the West Sacramento submarket had the second highest net absorption of 170,069 square feet. The Power Inn submarket, however, totaled just over 104,000 square feet of negative net absorption.

► **Development:** Only one industrial project is currently under construction in the Sacramento market, which is an 8,282 square foot warehouse in the McClellan submarket and expected to be delivered August of 2016. No new projects were delivered during the second quarter. Currently, there are 6.97 million square feet of proposed industrial space for the Sacramento market, the majority of this industrial space is proposed for the Natomas/Northgate submarket.

► **Second Quarter Review:** Overall, the Sacramento industrial market showed strong signs of improvement as the overall vacancy rate decreased significantly and net absorption has remained positive for four consecutive quarters. According to the most recent Sacramento employment figures, the unemployment rate was at 4.7% in May of 2016. As the job market further improves, increased demand is expected for the Sacramento industrial market.

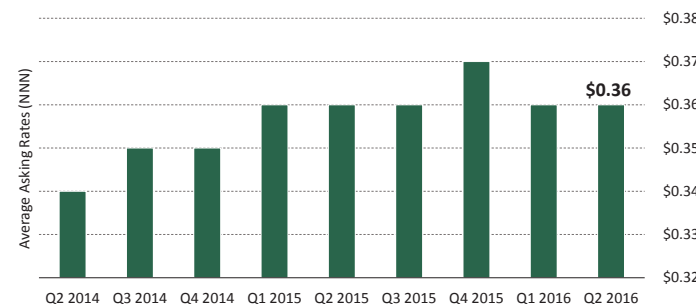
## VACANCY RATE & AVAILABILITY RATE

ALL SPACE NOT CURRENTLY OCCUPIED & ALL SPACE CURRENTLY MARKETING







## AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



## SACRAMENTO INDUSTRIAL TRENDS | SECOND QUARTER 2016

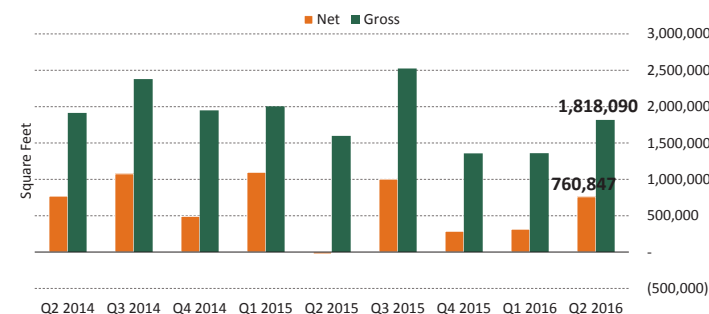
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
				
	Q <sup>2</sup> 2016	Q <sup>2</sup> 2016	Q <sup>2</sup> 2016	Q <sup>2</sup> 2016
	8.98%	\$0.36	760,847	1,949,624
	Q <sup>1</sup> 2016	Q <sup>1</sup> 2016	Q <sup>1</sup> 2016	Q <sup>1</sup> 2016
	9.50%	\$0.36	314,940	2,400,414

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

## LEASE TRANSACTIONS | NOTABLE INDUSTRIAL LEASES SIGNED

Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
1425 E Beamer Street	Davis/Woodland	Earthsavers Erosion Control	Beamwood Associates, LLC	April 25, 2016	108,000
3443 Airport Rd	Natomas/Northgate	Westower, Inc.	Elixir Industries	May 1, 2016	50,000
3885-3939 Channel Drive	West Sacramento	Undisclosed	B.M. Tonkin, Inc.	April 12, 2016	44,164
1309 Melody Rd	Marysville/Yuba City	Undisclosed	Rajinder S & Paramdeep K Chohan	June 21, 2016	37,200
4242-4244 Forcum Ave	McClellan	Flyers Energy	County of Sacramento Real Estate Division	April 4, 2016	36,986

## SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES

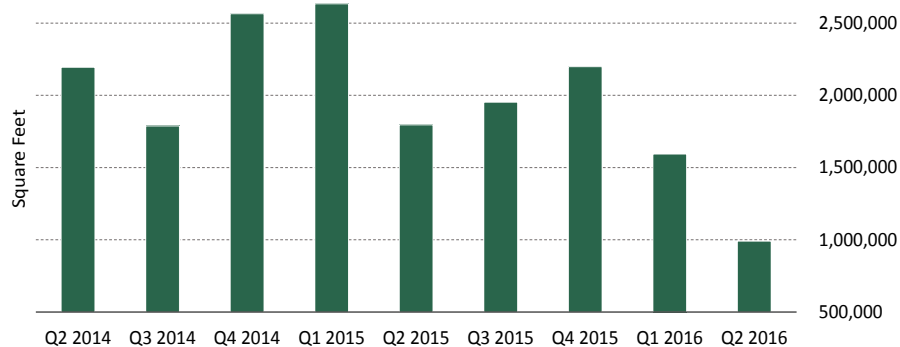
Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
2995 Oates St	West Sacramento	United Natural Foods, Inc.	Achondo Properties, LP	76,835	\$7,519,000
3970 Pell Circle	Natomas/Northgate	Sacramento-Pell SS, LLC	Sacramento Pell Circle, LLC	108,000	\$4,500,000
2660 Mercantile Dr (3 Properties)	Sunrise	Sunrise Business Center, LLC	NCWP-Sunrise Business Center, LLC	57,600	\$3,100,000
5150 Florin Perkins Rd	Power Inn	Marpe, LLC	Razzano Land Co, LLC	30,301	\$2,977,000
6601 26th St	McClellan	Undisclosed	Ayers Michael & Mary L & K Alexis Corp	30,800	\$2,254,000

## MARKET SNAPSHOT

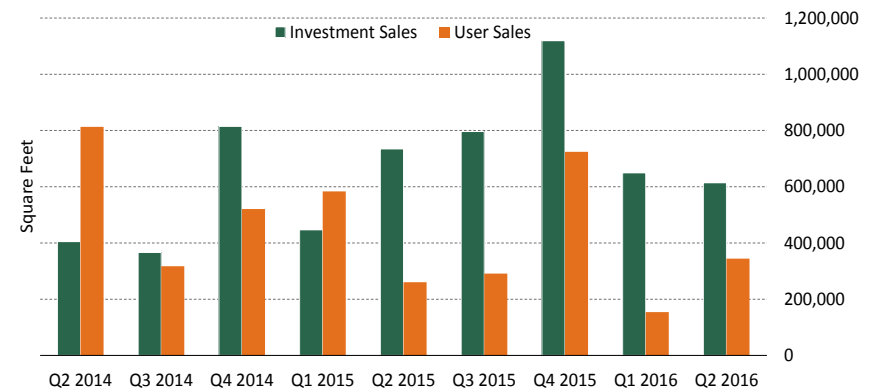
**Q<sup>2</sup> 2016** **Q<sup>2</sup> 2015** **% Change vs. Q2 2015**

<b>Vacancy Rate</b>	8.98%	9.80%	-8.37%
<b>Availability Rate</b>	11.37%	12.40%	-8.31%
<b>Avg. Asking Lease Rate</b>	\$0.36	\$0.36	0.00%
<b>Gross Absorption</b>	1,818,090	1,598,492	13.74%
<b>Net Absorption</b>	760,847	(25,836)	(N/A)

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



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

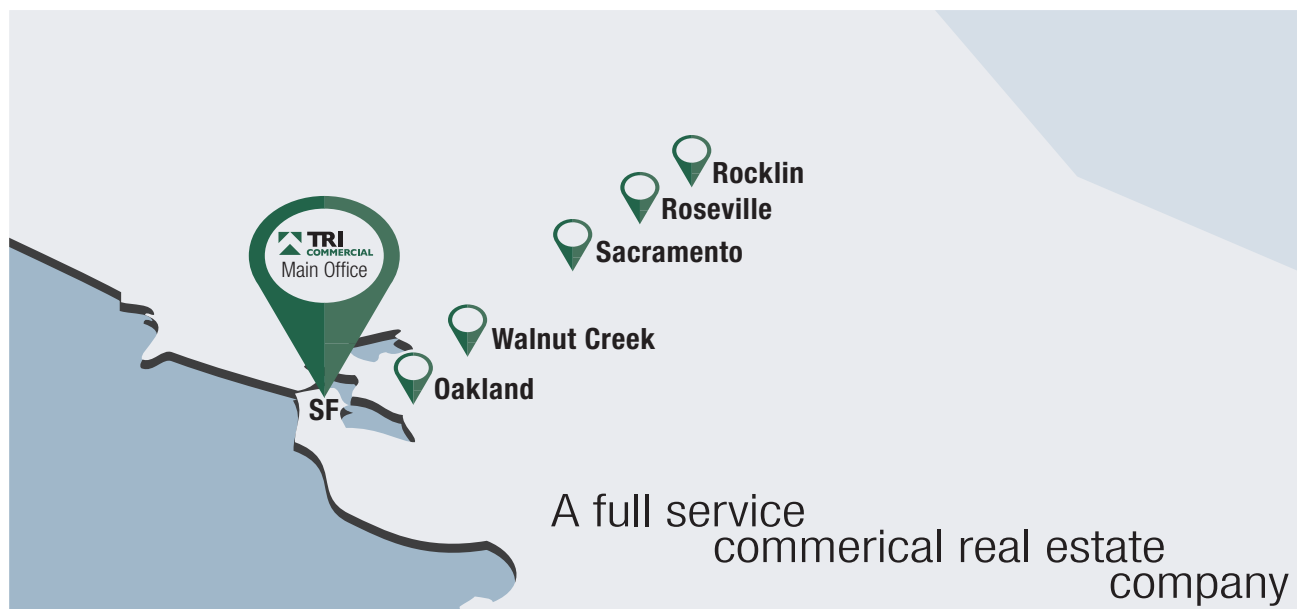


## TRI COMMERCIAL | SACRAMENTO INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Buildings	Net Rentable Square Feet	Vacant Square Feet	Vacancy Rate Q2 2016	Occupied Square Feet	Occupancy Rate Q2 2016	Available Square Feet	Availability Rate Q2 2016	Net Absorption Q2 2016	YTD Net Absorption	Gross Absorption Q2 2016	YTD Gross Absorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Newcastle	85	2,221,167	57,562	2.59%	2,163,605	97.41%	126,562	5.70%	19,126	12,297	24,526	30,946	0	0	\$0.50
Davis/Woodland	185	16,107,130	1,667,575	10.35%	14,439,555	89.65%	1,840,015	11.42%	(9,625)	(20,461)	42,517	47,796	0	15,040	\$0.29
Downtown	87	2,675,438	202,936	7.59%	2,472,502	92.41%	202,936	7.59%	0	0	13,400	13,400	0	0	\$0.55
East Sacramento	24	582,317	37,176	6.38%	545,141	93.62%	37,176	6.38%	0	0	0	0	0	0	-
Elk Grove/Laguna	116	5,716,461	350,715	6.14%	5,365,746	93.86%	449,740	7.87%	2,320	32,134	37,628	126,709	0	0	\$0.37
Folsom/EI Dorado	104	3,109,841	57,422	1.85%	3,052,419	98.15%	160,860	5.17%	33,910	57,339	41,237	74,242	0	0	\$0.67
Marysville/Yuba City	144	5,814,942	417,774	7.18%	5,448,668	93.70%	432,974	7.45%	208,750	117,950	208,750	226,250	0	0	\$0.38
Mather	125	3,801,303	358,755	9.44%	3,442,548	90.56%	413,781	10.89%	68,487	46,152	102,709	130,598	0	89,593	\$0.40
McClellan	286	13,503,862	2,107,157	15.60%	11,396,705	84.40%	2,304,489	17.07%	37,092	54,770	170,812	224,487	8,282	52,108	\$0.39
Natomas/Northgate	202	11,670,530	843,202	7.23%	10,827,328	92.77%	970,643	8.32%	71,188	188,928	175,654	335,995	0	3,436,820	\$0.38
NE Sacramento	192	5,013,075	346,490	6.91%	4,666,585	93.09%	389,194	7.76%	31,200	61,273	44,300	114,369	0	0	\$0.30
Power Inn	563	24,432,243	1,649,535	6.75%	22,782,708	93.25%	2,440,047	9.99%	(104,774)	11,426	277,689	714,828	0	1,844,536	\$0.32
Richards	86	4,178,645	104,809	2.51%	4,073,836	97.49%	130,729	3.13%	150,282	151,327	150,282	151,327	0	0	\$0.34
Roseville/Rocklin	286	16,597,670	1,984,915	11.96%	14,609,773	88.02%	2,037,986	12.28%	25,252	71,396	44,871	137,765	0	283,005	\$0.34
South Sacramento	119	3,958,610	1,016,835	25.69%	2,941,775	74.31%	1,009,707	25.51%	19,772	23,007	22,222	29,057	0	1,077,600	-
Sunrise	335	9,801,126	333,869	3.41%	9,467,257	96.59%	648,320	6.61%	37,798	63,538	139,974	261,317	0	0	\$0.51
West Sacramento	319	17,851,904	1,665,851	9.33%	16,186,053	90.67%	3,120,039	17.48%	170,069	156,193	321,519	558,938	0	171,480	\$0.38
<b>Industrial Market Totals</b>	<b>3,258</b>	<b>147,036,264</b>	<b>13,202,578</b>	<b>8.98%</b>	<b>133,882,204</b>	<b>91.05%</b>	<b>16,715,198</b>	<b>11.37%</b>	<b>760,847</b>	<b>1,027,269</b>	<b>1,818,090</b>	<b>3,178,024</b>	<b>8,282</b>	<b>6,970,182</b>	<b>\$0.36</b>
10,000-29,999	2,007	33,276,671	1,341,547	4.03%	31,935,124	95.97%	1,883,249	5.66%	218,324	488,070	429,208	1,010,514	8,282	401,388	\$0.47
30,000-49,999	514	19,578,480	1,196,503	6.11%	18,381,977	93.89%	1,497,149	7.65%	111,819	274,316	264,178	651,209	0	1,298,098	\$0.45
50,000-99,999	444	29,562,317	2,332,795	7.89%	27,229,522	92.11%	2,755,616	9.32%	190,354	292,039	543,844	785,136	0	234,000	\$0.40
100,000-199,999	186	24,471,082	2,303,784	9.41%	22,167,298	90.59%	2,817,481	11.51%	179,632	(39,139)	370,900	463,556	0	4,510,338	\$0.35
200,000-299,999	60	14,323,591	1,640,774	11.46%	12,682,817	88.54%	2,036,532	14.22%	(57,100)	(57,100)	0	57,649	0	166,518	\$0.29
300,000 Plus	47	25,824,123	4,387,175	16.99%	21,485,466	83.20%	5,725,171	22.17%	117,818	69,083	209,960	209,960	0	359,840	\$0.30
<b>Industrial Market Totals</b>	<b>3,258</b>	<b>147,036,264</b>	<b>13,202,578</b>	<b>8.98%</b>	<b>133,882,204</b>	<b>91.05%</b>	<b>16,715,198</b>	<b>11.37%</b>	<b>760,847</b>	<b>1,027,269</b>	<b>1,818,090</b>	<b>3,178,024</b>	<b>8,282</b>	<b>6,970,182</b>	<b>\$0.36</b>

Average asking rates represented are triple net.

## NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:



MAP IS NOT TO SCALE

## ABOUT TRI COMMERCIAL

Since 1977, we have consistently proven that we come to the table with real-time knowledge of the opportunities and challenges our clients face. Our value is providing the expertise to help you seize the opportunities, overcome the challenges and complete your transaction. Our agents truly value the relationship more than the transaction. We train our agents to be more than industrial brokers, we train industrial specialists. TRI handles all elements of the industrial market from incubator warehouse, or flex product, to multi-tenant, big box, distribution and manufacturing. Across this broad spectrum, we're also equipped to handle all types of transactions, from land transactions, parcelization and owner/user sales, to leasing, build-to-suits, development and investment sales. We know the process from beginning to end, in all its variations. For more than 38 years, TRI has had a dominant presence in Northern California, with an interconnected network of nearly 100 industry specialists, all at your disposal. Quite simply, our mission is to be your broker of choice.

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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