TRI COMMERCIAL 40 YEARS
REAL ESTATE SERVICES

SACRAMENTO INDUSTRIAL

Q2 2017 | OSBORNE GROUP

MARKET OVERVIEW

▶Industrial Market: The Sacramento industrial market fared well during the second quarter of 2017 as the overall vacancy rate decreased by 27 basis points to 6.73%. At the close of the second quarter, net absorption was positive at 415,108 square feet.

▶Vacancy Rates: In comparison to the previous quarter, the vacancy rate decreased 6.73%, which is the lowest rate seen since 1999! The largest submarkets – Power Inn, West Sacramento and Roseville/Rocklin – had vacancy rates of 4.20%, 6.41% and 10.19%. Among the largest submarkets, some of the lowest vacancy rates were also seen in the Sunrise and Marysville/Yuba City submarkets with rates at 2.77% and 2.04%, respectively. Alternatively, the highest vacancy rates were seen in the South Sacramento and McClellan submarkets at 25.33% and 8.99%, respectively.

▶Lease Rates: At the end of the second quarter, the average asking triple net lease rate for the Sacramento industrial market was $0.41, which is a $0.02 increase from the previous quarter. Within the two largest submarkets – Power Inn and West Sacramento – the average asking lease rates were $0.83 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 Marysville/Yuba City submarkets with average asking rates of $0.28 and $0.31 per square foot, respectively.

▶Sale & Lease Transactions: Transaction activity at the close of the second quarter was 4.08 million square feet, which is an increase from the previous quarter's figure of 2.92 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 415,108 square feet of positive net absorption. The Power Inn submarket had the greatest positive net absorption of 214,454 square feet, and the McClellan submarket had the second highest net absorption of 136,260 square feet. Alternatively, the Richards submarket experienced 66,253 square feet of negative net absorption.

▶Development: Ten industrial projects are currently under construction in the Sacramento market, which total just over 1.3 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 September 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 12.82 million square feet of proposed industrial space for the Sacramento market.

▶Second Quarter Review: Overall, the Sacramento industrial market has shown the strongest signs of a recovery with an impressively low vacancy rate and lease rates that are on an upward trend. Among other positive trends, net absorption has remained positive for eight consecutive quarters. According to the most recent Sacramento employment figures, the unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 4.1% in June of 2017. As the job market further improves, increased demand is expected for the Sacramento industrial market.

SACRAMENTO INDUSTRIAL TRENDS | SECOND QUARTER 2017

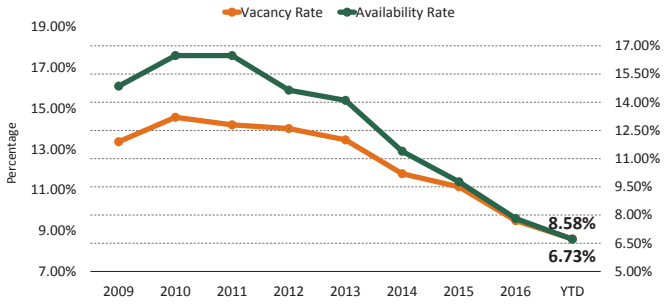
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (NNN)	Net Absorption	Transaction Activity
Q2 2017	6.73%	$0.41	415,108	4,081,607
Q1 2017	7.00%	$0.39	1,430,285	2,924,311

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

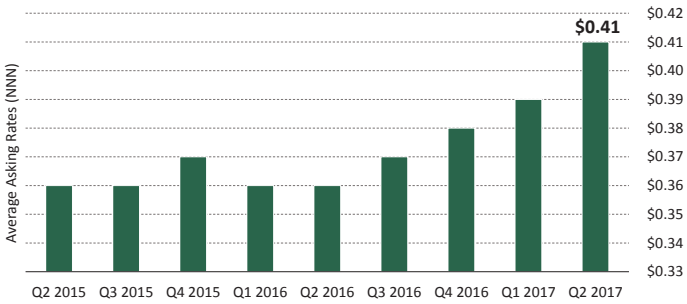
VACANCY RATE & AVAILABILITY RATE

ALL SPACE NOT CURRENTLY OCCUPIED & ALL SPACE CURRENTLY MARKETED



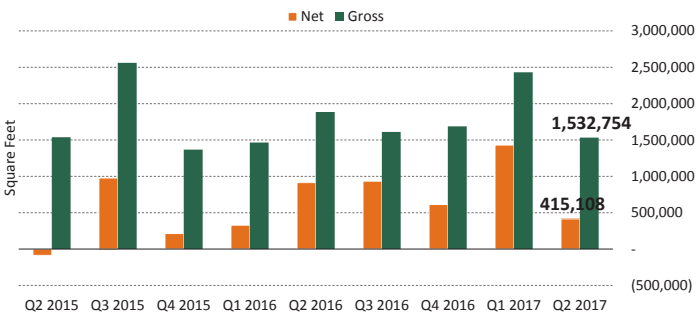
AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



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 FOR Q2 2017

Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
2031 Optisolar Lane	McClellan	Dome Printing	LDK Ventures	June 12, 2017	243,095
2031 Optisolar Lane	McClellan	RV Storage Depot-McClellan	LDK Ventures	June 1, 2017	181,635
1060 Riverside Pkwy	West Sacramento	Undisclosed	Harsch Investment Prop, LLC	June 4, 2017	141,480
2031 Optisolar Lane	McClellan	Pine Mountain Brands	LDK Ventures	April 5, 2017	90,000
1601 Aviation Blvd	Roseville/Rocklin	Undisclosed	O K & B Ptp	April 5, 2017	77,778

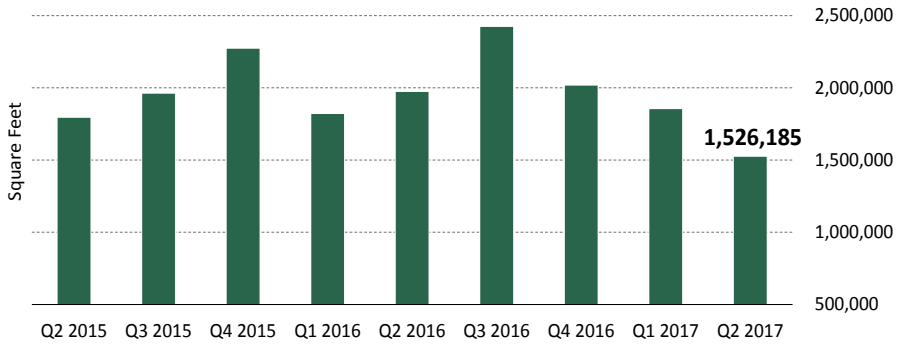
SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES FOR Q2 2017

Property Address	Submarket	Buyer	Seller	Bldg. Sq. Ft.	Sale Price
8030 Foothills Blvd.	Roseville/Rocklin	8000 Foothills, LLC	Hewlett-Packard Company	151,423	$12,140,978
1625 W National Dr.	Natomas/Northgate	Ragingwire Data Centers, Inc.	Westcore Northgate, LP	152,214	$10,655,000
1660 Tide Ct.	Davis/Woodland	Megra, LLC	USAA Real Estate Company	263,328	$8,700,000
1025 Joellis Way	NE Sacramento	Asset Preservation, Inc.	Alexaner Zhelezoglo	104,176	$6,250,000
4350 Pell Dr.	Natomas/Northgate	Pell Street Properties, LP	Dan Waldman	156,373	$6,200,000

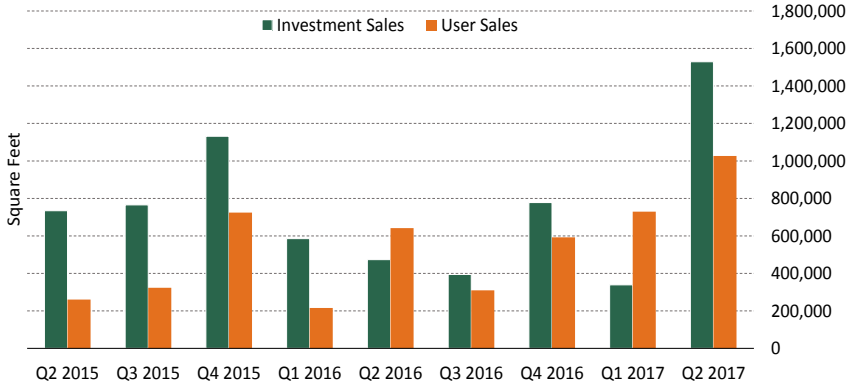
MARKET SNAPSHOT

	Q2 2017	Q2 2016	% Change vs. Q2 2016
Vacancy Rate	6.73%	8.80%	-25.21%
Availability Rate	8.58%	10.90%	-20.00%
Avg. Asking Lease Rate	$0.41	$0.36	8.33%
Gross Absorption	1,532,754	1,885,729	63.27%
Net Absorption	415,108	914,222	(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 2017	Occupied Square Feet	Occupancy Rate Q2 2017	Available Square Feet	Availability Rate Q2 2017	Net Absorption Q2 2017	YTD Net Absorption	Gross Absorption Q2 2017	YTD Gross Absorption	Under Construction Square Feet	Proposed Square Feet	Average Asking Rate (All Classes)
Auburn/Newcastle	85	2,229,009	13,983	0.63%	2,215,026	99.37%	86,659	3.89%	7,494	13,994	8,620	18,320	0	0	$0.48
Davis/Woodland	186	16,122,019	1,427,414	8.85%	14,694,605	91.15%	1,954,734	12.12%	(64,352)	208,488	62,303	335,143	12,024	15,040	$0.28
Downtown	85	2,620,118	136,656	5.22%	2,483,462	94.78%	136,656	5.22%	47,091	44,233	47,091	47,091	0	0	$0.55
East Sacramento	23	571,117	0	0.00%	571,117	100.00%	0	0.00%	37,176	37,176	37,176	37,176	0	0	-
Elk Grove/Laguna	117	5,725,960	321,962	5.62%	5,403,998	94.38%	527,753	9.22%	(19,504)	(97,541)	65,816	82,963	8,500	882,265	$0.43
Folsom/El Dorado	104	3,081,128	184,770	6.00%	2,896,358	94.00%	177,836	5.77%	(27,137)	(22,294)	17,996	28,081	75,000	0	$0.67
Marysville/Yuba City	144	5,857,797	119,425	2.04%	5,738,372	97.96%	272,175	4.65%	51,660	122,020	51,660	138,580	0	0	$0.31
Mather	125	3,816,941	317,016	8.31%	3,499,925	91.69%	239,336	6.27%	6,234	49,642	55,894	121,102	0	89,593	$0.48
McClellan	286	13,642,835	1,226,091	8.99%	12,416,744	91.01%	971,592	7.12%	136,260	421,761	187,394	629,287	0	52,108	$0.42
Natomas/Northgate	200	11,659,190	487,935	4.18%	11,171,255	95.82%	736,426	6.32%	12,397	(4,334)	107,260	180,132	855,000	8,900,160	$0.46
NE Sacramento	192	5,039,028	266,905	5.30%	4,761,748	94.50%	302,578	6.00%	2,525	11,100	23,300	27,140	0	0	$0.47
Power Inn	563	24,346,514	1,021,862	4.20%	23,324,652	95.80%	1,333,422	5.48%	214,454	454,531	452,842	913,908	240,255	1,305,394	$0.83
Richards	85	4,175,723	269,831	6.46%	3,905,892	93.54%	275,601	6.60%	(66,253)	(55,801)	1,900	33,895	0	0	$0.38
Roseville/Rocklin	289	16,498,306	1,680,401	10.19%	14,817,905	89.81%	1,444,642	8.76%	83,948	243,540	102,354	325,677	22,500	392,950	$0.36
South Sacramento	120	3,972,484	1,006,186	25.33%	2,966,298	74.67%	1,047,000	26.36%	(3,954)	4,161	10,264	25,814	0	1,157,185	-
Sunrise	333	9,716,040	269,558	2.77%	9,446,482	97.23%	457,774	4.71%	(37,521)	6,047	80,660	254,528	18,944	0	$0.51
West Sacramento	320	17,970,183	1,152,083	6.41%	16,818,100	93.59%	2,646,195	14.73%	34,590	419,045	220,224	765,565	104,800	30,000	$0.42
Industrial Market Totals	**3,257**	**147,044,392**	**9,902,078**	**6.73%**	**137,131,939**	**93.26%**	**12,610,379**	**8.58%**	**415,108**	**1,855,768**	**1,532,754**	**3,964,402**	**1,337,023**	**12,824,695**	**$0.41**
10,000-29,999	2,000	33,189,210	929,614	2.80%	32,249,221	97.17%	1,328,104	4.00%	82,191	126,707	431,952	678,849	61,968	298,133	$0.64
30,000-49,999	524	19,975,748	614,149	3.07%	19,361,599	96.93%	1,167,886	5.85%	65,288	298,477	259,663	604,672	0	169,018	$0.86
50,000-99,999	440	29,323,684	1,555,776	5.31%	27,767,908	94.69%	2,102,095	7.17%	46,210	389,801	328,786	880,216	75,000	361,451	$0.46
100,000-199,999	186	24,413,245	2,183,542	8.94%	22,229,703	91.06%	2,650,340	10.86%	5,189	127,586	243,563	586,325	104,800	1,512,737	$0.40
200,000-299,999	60	14,318,382	732,855	5.12%	13,585,527	94.88%	660,184	4.61%	98,010	704,961	119,790	817,940	240,255	274,000	$0.34
300,000 Plus	47	25,824,123	3,886,142	15.05%	21,937,981	84.95%	4,701,770	18.21%	118,220	208,236	149,000	396,400	855,000	10,209,356	$0.31
Industrial Market Totals	**3,257**	**147,044,392**	**9,902,078**	**6.73%**	**137,131,939**	**93.26%**	**12,610,379**	**8.58%**	**415,108**	**1,855,768**	**1,532,754**	**3,964,402**	**1,337,023**	**12,824,695**	**$0.41**

Average asking rates represented are triple net.

TRI 40 YEARS COMMERCIAL
REAL ESTATE SERVICES

SACRAMENTO INDUSTRIAL

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NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:

MAP IS NOT TO SCALE

ABOUT TRI COMMERCIAL

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