



Local Roots + Global Reach

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# SACRAMENTO INDUSTRIAL REPORT

## **3RD QUARTER 2019**

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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.

# VACANCY & RENTS



## Sacramento Outlook

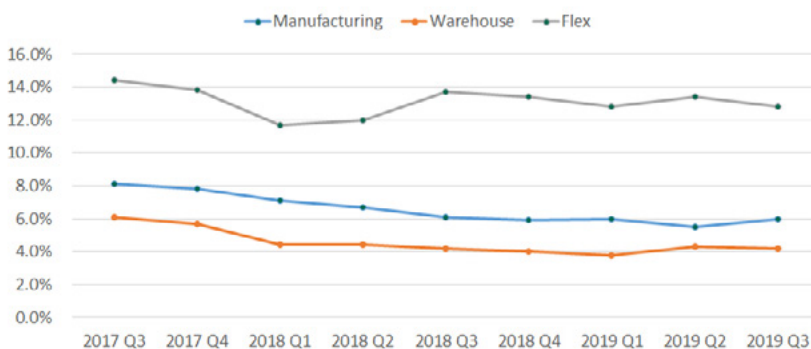
The Sacramento industrial market experienced a bit of a slow-down in Q3 2019; however, industrial leasing fundamentals are healthy with vacancy rates in line with the all-time low in Q1 2019 and a small uptick in leasing activity from the previous quarter. Net Absorption remained positive although there has been a gradual decline over the last several quarters. Despite the slowing, the Sacramento metro region remained healthy and bright spots show for further advancement.

Since the passing of Proposition 64, the demand for small to mid-size industrial buildings within the City of Sacramento have seen a significant increase in rents and sales prices due to cannabis tenants and investors who are willing to pay the higher costs. The cannabis industry, along with low vacancy rates, throughout 2019, has created a ripple effect that resulted in an increase of Sacramento rental rates by 8.2% over the past 12-month period. Cannabis deals have slowed due to the permitting process and limited amount of cannabis related conditional use permits. Investment in that industry continues with Natura Life+Science's cannabis campus, of 265,000 SF at 8280 Elder Creek Road, looking to be delivered sometime in 2020.

There has been inventory growth in recent years with about half of Sacramento's new product having been built since 2017. The supply gains are modest and targeted for large logistic type product, which typically is a small segment of the Sacramento market. For instance, in April this year, two spec buildings totaling 400,000 SF located at 3575 and 3640 Ramos Drive were delivered to market. As of October, tenant interest appears to be limited with 3575 Ramos Dr. being 40% vacant and 3640 Ramos Drive 75% vacant. As rents continue to rise while the vacancy rates remain low, we do see new smaller to mid-size spec buildings coming online somewhere between 5,000 to 25,000 SF, in the McClellan, Mather and Power Inn Submarkets. Owners and developers remain optimistic about the health of new construction over the next few years.

Large investor interest in Sacramento for 2017 and 2018 soared up to \$1 Billion in industrial sales. However, 2019 is not on pace to match due to a decline in deal flow. Currently the large majority of deals driving the sales market in the Sacramento region have been under \$2 Million to owner/users and local investors. Within Northern California, Sacramento's affordability along with local amenities remains its biggest draw and we are seeing a population growth over the next five years outpacing the national average. Sacramento Job growth has slowed in recent months to below 2%, however this market continues to grow above U.S. norms.

## VACANCY RATES BY PRODUCT | PHYSICALLY VACANT SPACE

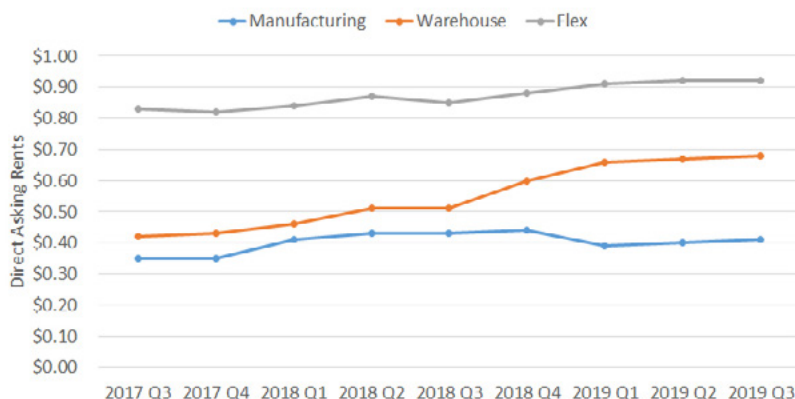


### Change in Vacancy (Year Over Year)



# -0.1%

## AVERAGE RENTAL RATES | TRIPLE NET



### Change in Rents (Year Over Year)

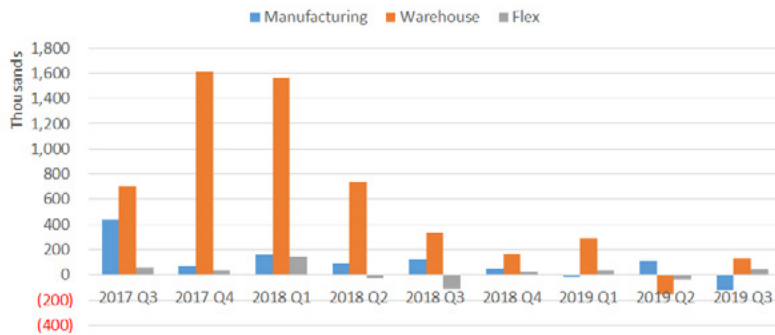


# +8.3%



# NOTEWORTHY TRANSACTIONS

## NET ABSORPTION | BY TYPE



## Transaction Activity (Quarter to Quarter)

 **+8.33%**

## LEASE TRANSACTIONS | NOTABLE INDUSTRIAL TRANSACTIONS

Property Address	Submarket	Date Signed	Square Feet Leased	Est. Lease Rate	Tenant
1281 W National Dr	Natomas/Northgate	9/29/2019	136,079	\$0.57/NNN	-
2561 Mercantile Dr	Sunrise	9/8/2019	71,608	\$0.55/NNN	Inside Weather
7651 Foothills Blvd	Roseville/Rocklin	8/27/2019	66,367	-	Restaurant Depot
8430 Rovana Cir	Power Inn	7/30/2019	54,000	\$1.40/NNN	Capitol City Healthcare
1962 Hays Ln	Davis/Woodland	7/9/2019	45,000	\$0.45/IG	-

## SALE TRANSACTIONS | NOTABLE INDUSTRIAL TRANSACTIONS

				
1455 E Kentucky Ave Woodland, CA 95776	859 F St West Sacramento, CA	6271 Florin Perkins Rd Sacramento, CA 95828	6261 Florin Perkins Rd Sacramento, CA 95828	3915 Progress Dr Rocklin, CA 95765
Davis/Woodland Submarket	West Sacramento Submarket	Power Inn Submarket	Power Inn Submarket	Roseville/Rocklin Submarket
Sold 7/2/2019	Sold 9/9/2019	Sold 7/30/2019	Sold 8/13/2019	Sold 8/29/2019
±76,934 Total Sq. Ft.	±55,000 Total Sq. Ft.	±57,000 Total Sq. Ft.	±57,000 Total Sq. Ft.	±14,731 Total Sq. Ft.
\$7,750,000.00	\$6,600,000.00	\$5,225,000.00	\$4,447,000.00	\$3,500,000.00
\$100.74/Sq.Ft.	\$120.00/Sq.Ft.	\$91.67/Sq.Ft.	\$78.02/Sq.Ft.	\$237.59/Sq.Ft.

## STATISTICS BY SUBMARKET

\* Average Asking Rate Based on NNN

Manufacturing/Warehouse  
Avg. Sales Price Per SF (Year To Date)



**\$89.51/SF**

Flex Industrial  
Avg. Sales Price/SF (Year To Date)



**\$111.41/SF**

	Total Buildings	Net Rentable SF	Vacant SF	Vacancy Rate QTR	Net Absorption QTR	Gross Absorption	Under Construction SF	Average Asking Rate* (All Types)
Auburn/Newcastle	91	2,460,765	36,927	1.50%	(5,489)	1,050	0	\$0.56
Davis/Woodland	207	16,728,595	716,639	4.28%	58,301	181,871	20,000	\$0.43
Downtown	83	2,817,023	80,054	2.84%	0	0	0	\$0.72
East Sacramento	21	542,263	22,000	4.06%	(22,000)	0	0	
Elk Grove/Laguna	125	5,907,366	290,327	4.91%	4,207	33,318	0	\$0.48
Folsom/El Dorado	141	4,394,361	226,047	5.14%	(18,644)	55,746	0	\$0.77
Mather	140	4,162,718	147,581	3.55%	36,700	72,143	28,950	\$0.70
McClellan	299	14,081,746	634,174	4.50%	(90,506)	114,752	457,637	\$0.75
Natomas/Northgate	233	13,005,746	832,426	6.40%	(171,308)	77,182	0	\$0.65
NE Sacramento	196	5,047,317	178,869	3.54%	42,787	58,867	0	\$0.79
Power Inn	574	24,284,569	848,215	3.49%	199,121	349,392	277,000	\$0.90
Richards	84	3,944,622	26,499	0.67%	219	219	0	\$0.47
Roseville/Rocklin	296	17,171,680	526,607	3.07%	(93,851)	90,889	89,000	\$0.59
South Sacramento	123	4,040,375	990,727	24.52%	(3,526)	1,064	0	\$0.66
Sunrise	345	10,293,079	318,613	3.10%	(6,746)	79,667	22,184	\$0.71
West Sacramento	336	19,245,229	1,428,061	7.42%	125,519	268,188	348,360	\$0.70
Manufacturing	339	23,357,877	1,404,519	6.01%	(116,961)	137,050	297,000	\$0.41
Warehouse	2,898	124,161,423	5,217,961	4.20%	127,527	1,131,096	946,131	\$0.68
Flex	208	7,078,881	864,260	12.21%	39,367	129,925	0	\$0.92
<b>Market Totals</b>	<b>3,445</b>	<b>154,598,181</b>	<b>7,486,740</b>	<b>4.84%</b>	<b>49,933</b>	<b>1,398,071</b>	<b>1,243,131</b>	<b>\$0.68</b>

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