

Sacramento Industrial Market Overview

Market Observations

Economy

- While Sacramento’s job losses have leveled off, so has employment growth. The current unemployment rate of 4.7% fits solidly within the 4.5%-4.9% range where it has hovered for the past 18 months. Year-over-year job growth tapered down to just 0.9% as of February.
- While the manufacturing sector shed jobs after peaking mid-2022, the current number of manufacturing jobs in the region remains higher than at any point prior to 2021. Likewise, jobs dropped in the Trade/Transportation & Utilities sector jobs since peaking in spring of 2022, but total employment in that sector is higher than at any point prior to summer 2021.

Major Transactions

- The largest lease transaction of the quarter was a 231,686 square foot renewal/expansion by Redding Auto Center at 3520 Carlin Drive in West Sacramento.
- There were multiple new leases signed throughout the market in the first quarter, including an 89,500-square-foot lease signed by 21 Construction Depot at 849 N 10th Street in Downtown and a 40,749-square-foot lease signed by Valley Relocation & Storage at 3115 Ramco Street in West Sacramento,

Leasing Market Fundamentals

- The industrial vacancy rate stood at 5.4% at the end of the first quarter, up 10 basis points over the quarter and 50 basis points from one year ago. The increase in vacancy over the last three years can be mainly attributed to the delivery of new construction, and that pipeline has slowed considerably.
- Absorption was 550,764 square feet in the first quarter. Class A warehouse absorption was negative 218,758 square feet.
- The amount of sublease space on the market has increased by 37% over the past year, and it now totals just under 1.7 million square feet. Sublease space is no longer concentrated in 2-3 submarkets.
- The construction pipeline dropped off in recent years given the weakness in market fundamentals as well as the lending environment.

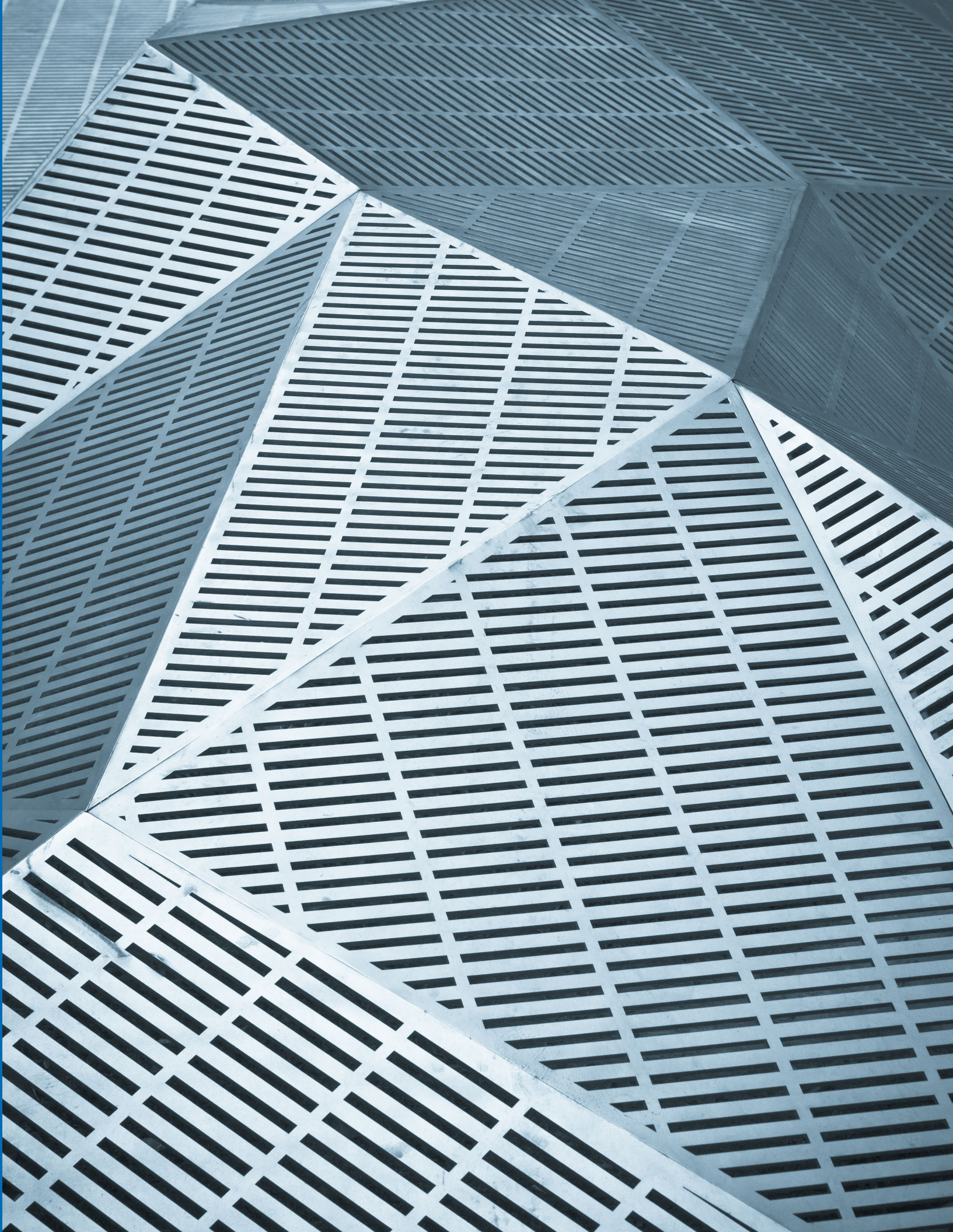
Outlook

- The industrial vacancy rate, while up to 5.4% from a recent low, is still well below its long-term average of 8.7%. If the market is not too disrupted by greater macroeconomic conditions, rents are expected to stabilize in the medium term.
- The overall outlook for Sacramento’s industrial market over the medium to longer term is positive, given the area’s strategic location to major freeways and to the ports of Oakland and Stockton. In addition, the area is more affordable than nearby Bay Area, offering businesses lower labor and real estate costs.

1. Economy
2. Leasing Market Fundamentals
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1Q25

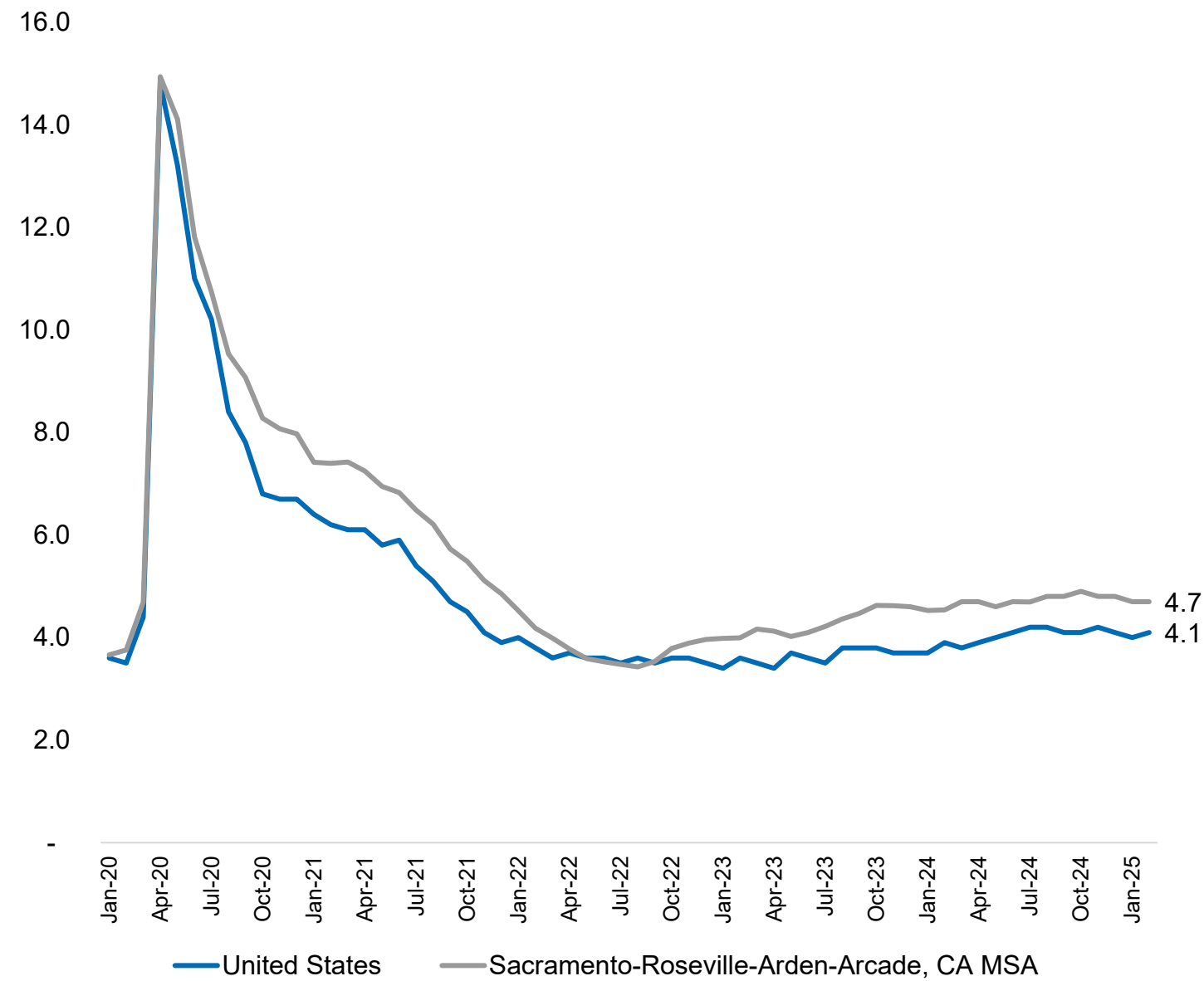
Economy



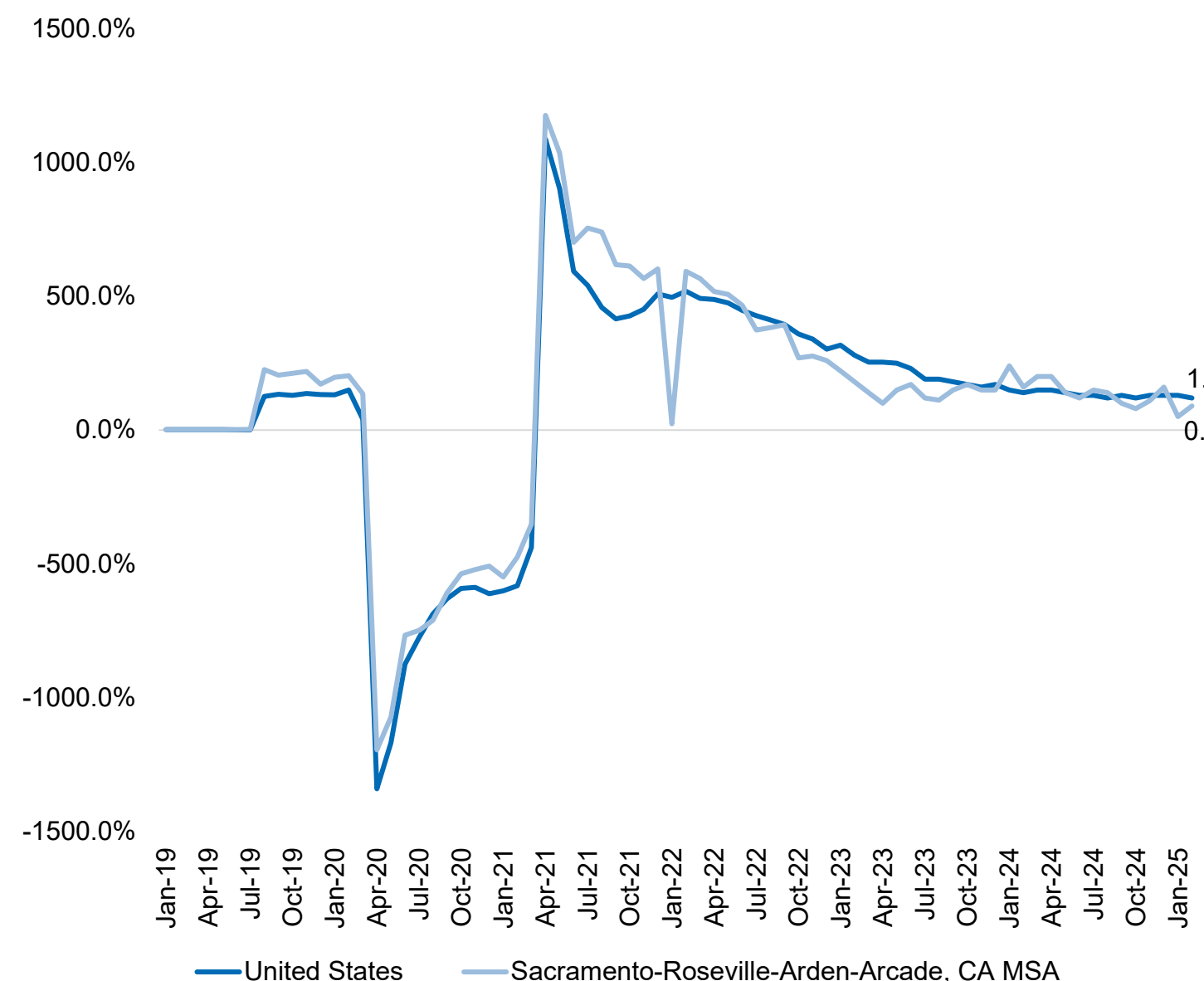
Sacramento Has Closely Tracked US Employment Trends

Sacramento’s economy appears to be stabilizing as job losses have leveled off. Sacramento’s unemployment rate has hovered in the 4.5-4.9% range for the past 18 months. Employment growth in Sacramento had been following a similar path of the U.S. with growth flattening out after a period of deceleration.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

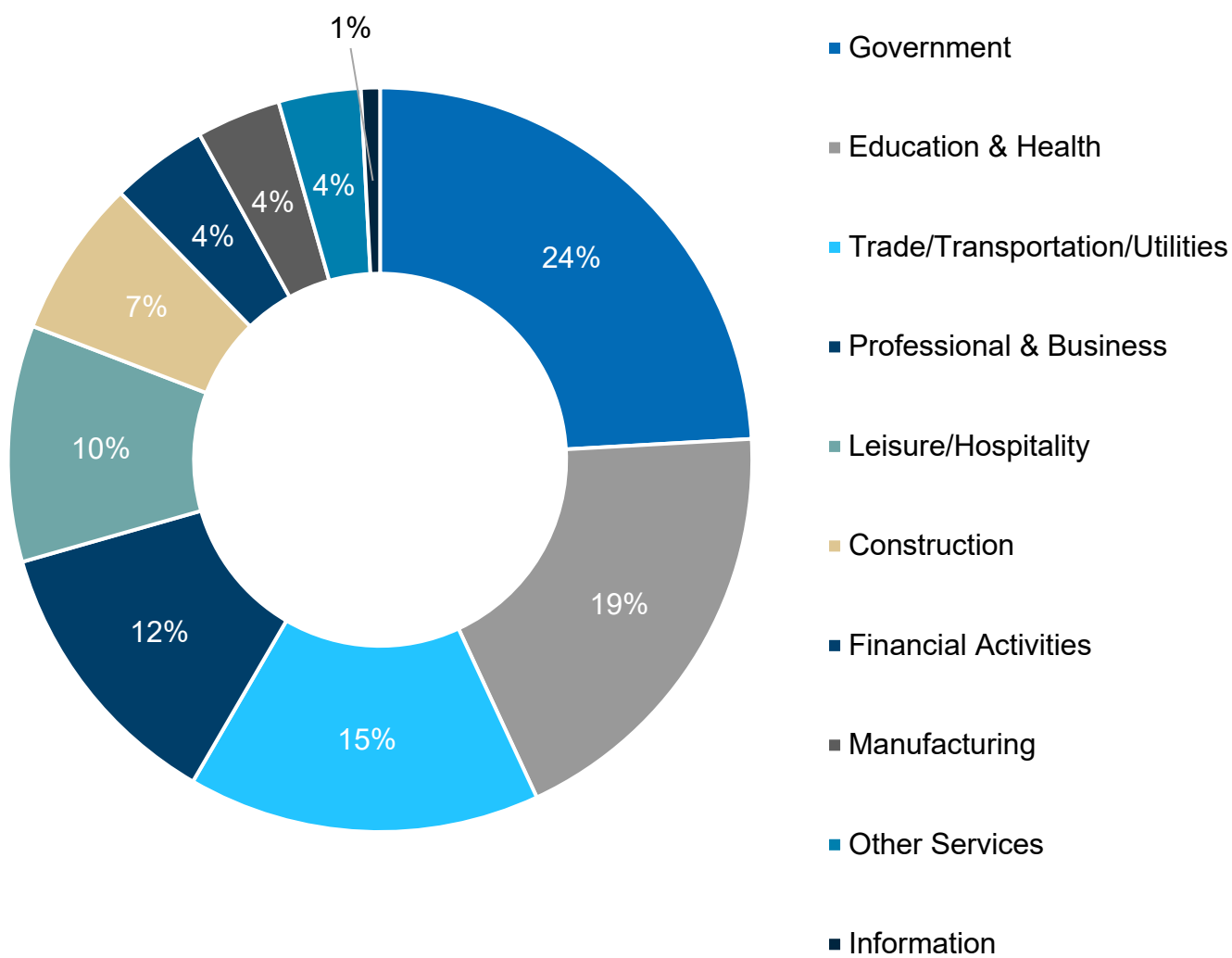


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

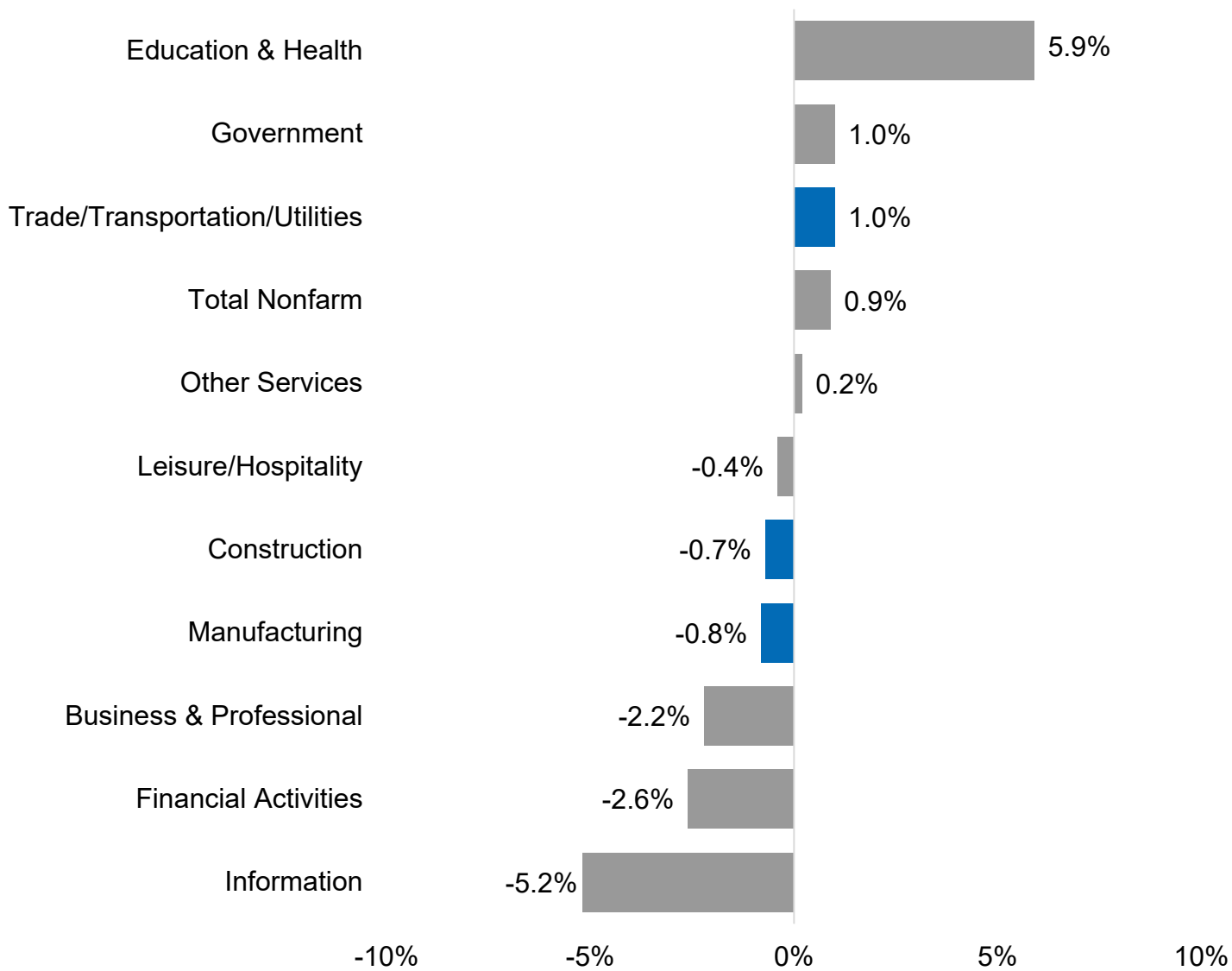
Job Gains in Larger Sectors Outpaced Losses in Smaller Sectors

The Education & Health Care Services sector recorded the largest gains year-over-year ending in February. While there was contraction in the Manufacturing and Construction sectors, the relatively small size of these sectors was offset by job gains in the larger Trade/Transportation/Utilities.

Employment by Industry, Feb 2025



Employment Growth by Industry, 12-Month % Change, Feb 2025

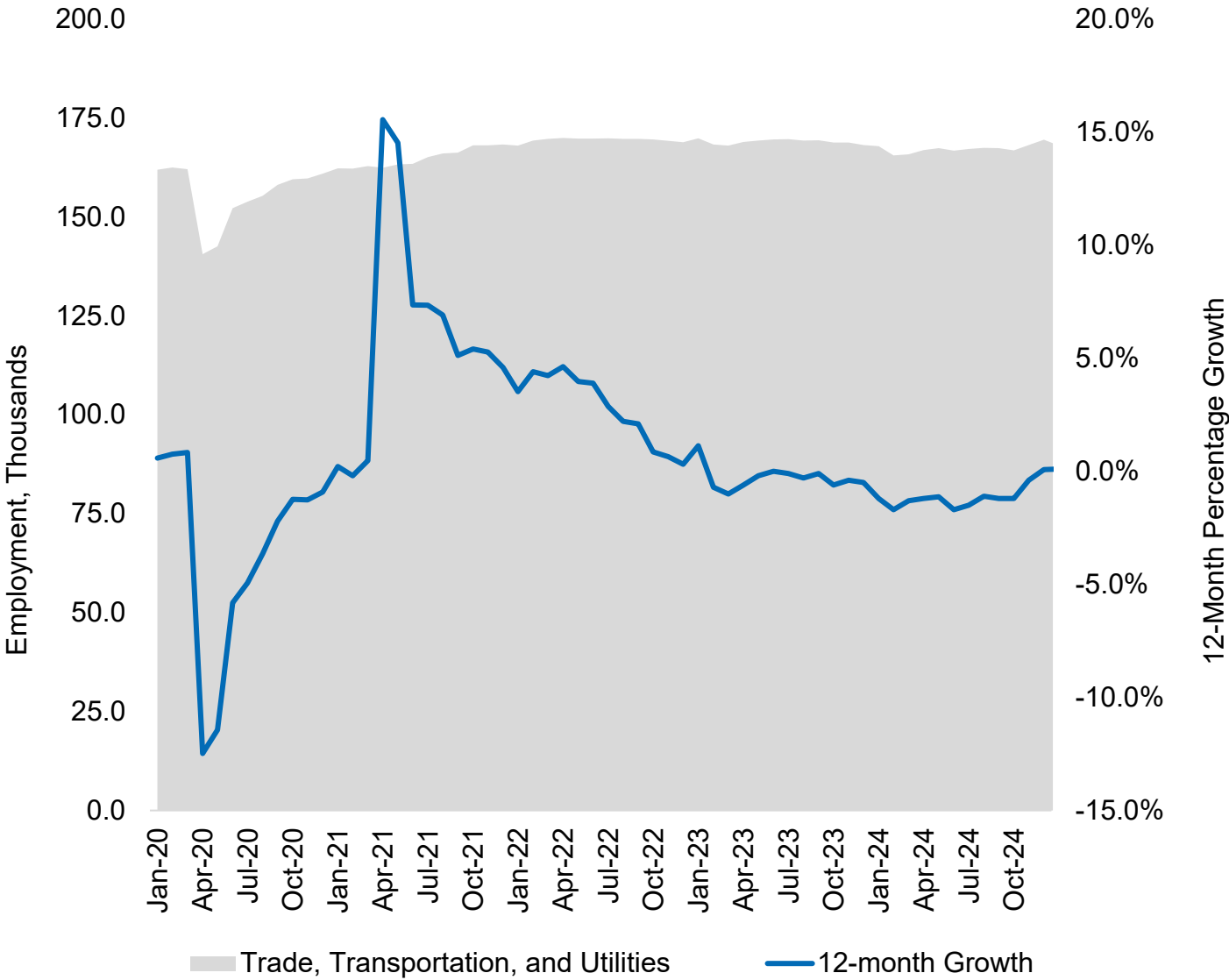


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

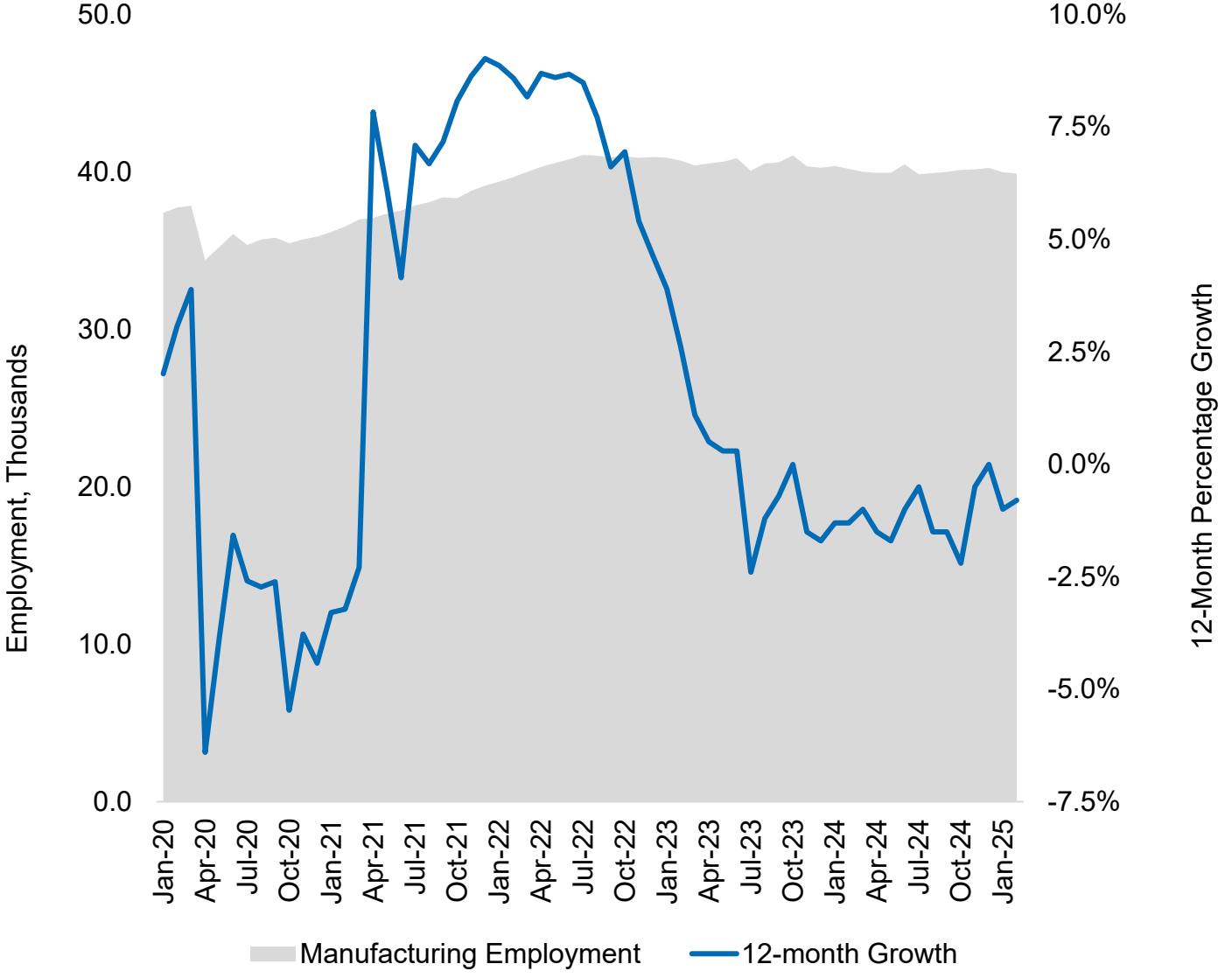
Employment in Industrial Sectors Weaker than Peak; Higher than Pre-Pandemic

While the manufacturing sector shed jobs after peaking mid-2022, the current number of manufacturing jobs in the region remains higher than at any point prior to 2021. Likewise, jobs dropped in the Trade/Transportation & Utilities sector jobs since peaking in spring of 2022, but total employment in that sector is higher than at any point prior to summer 2021.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



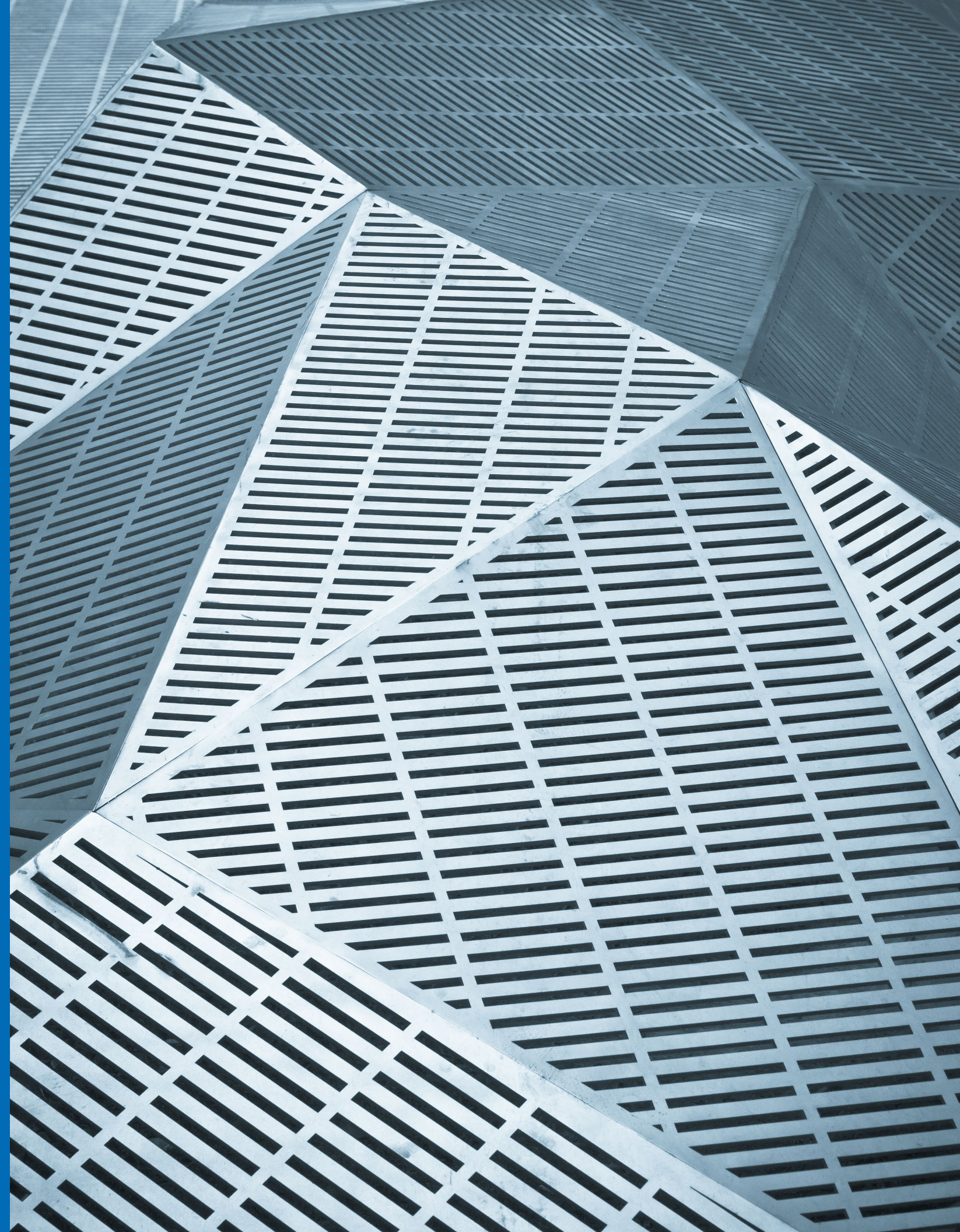
Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

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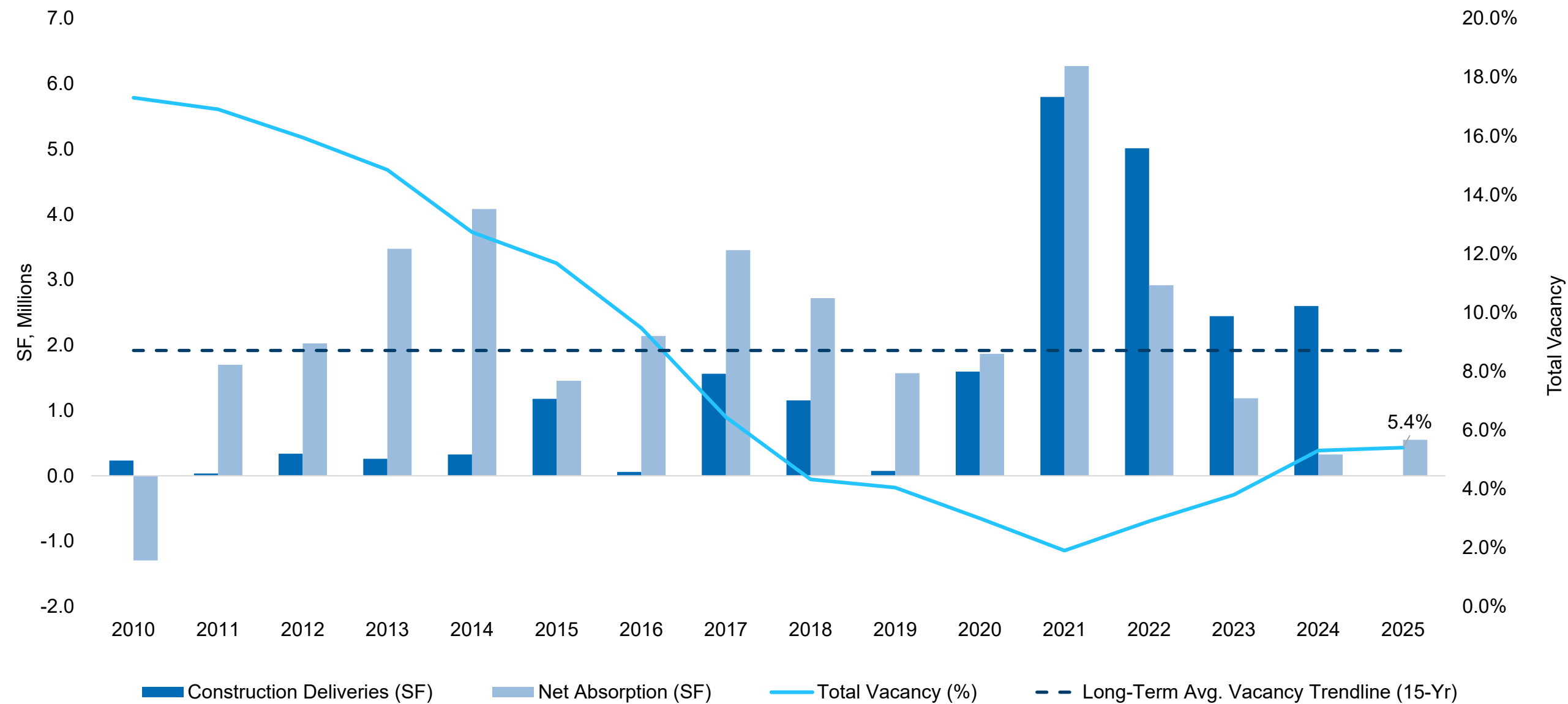
Leasing Market Fundamentals



Vacancy Remained Below Long-Term Average

Industrial vacancy increased by 10 basis points during the quarter to 5.4%, but this rate still sat below its long-term historic average of 9.2%. The increase in vacancy over the last three years can be mainly attributed to the delivery of new construction, and that pipeline has slowed considerably. Absorption was positive at 550,764 square feet for the quarter.

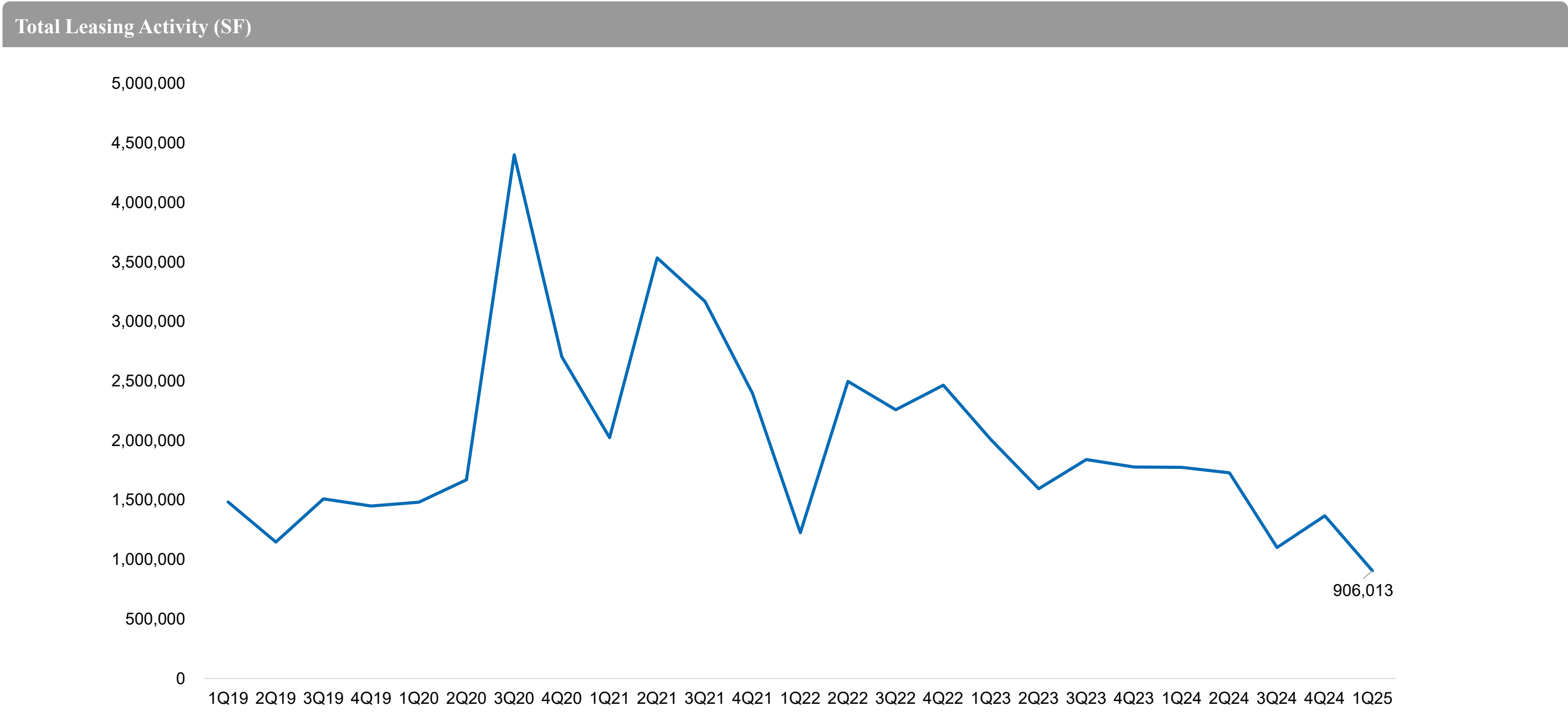
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Pace of Leasing Activity Dropped Further

Leasing activity has been slowly dropping since mid-2022, and is expected to be further impacted by uncertainty in the broader economy. The largest new leases of the quarter included an 89,500 square foot lease from flooring company 21 Construction Depot in the Downtown submarket and a 40,749 square foot lease from Valley Relocation and Storage in West Sacramento.

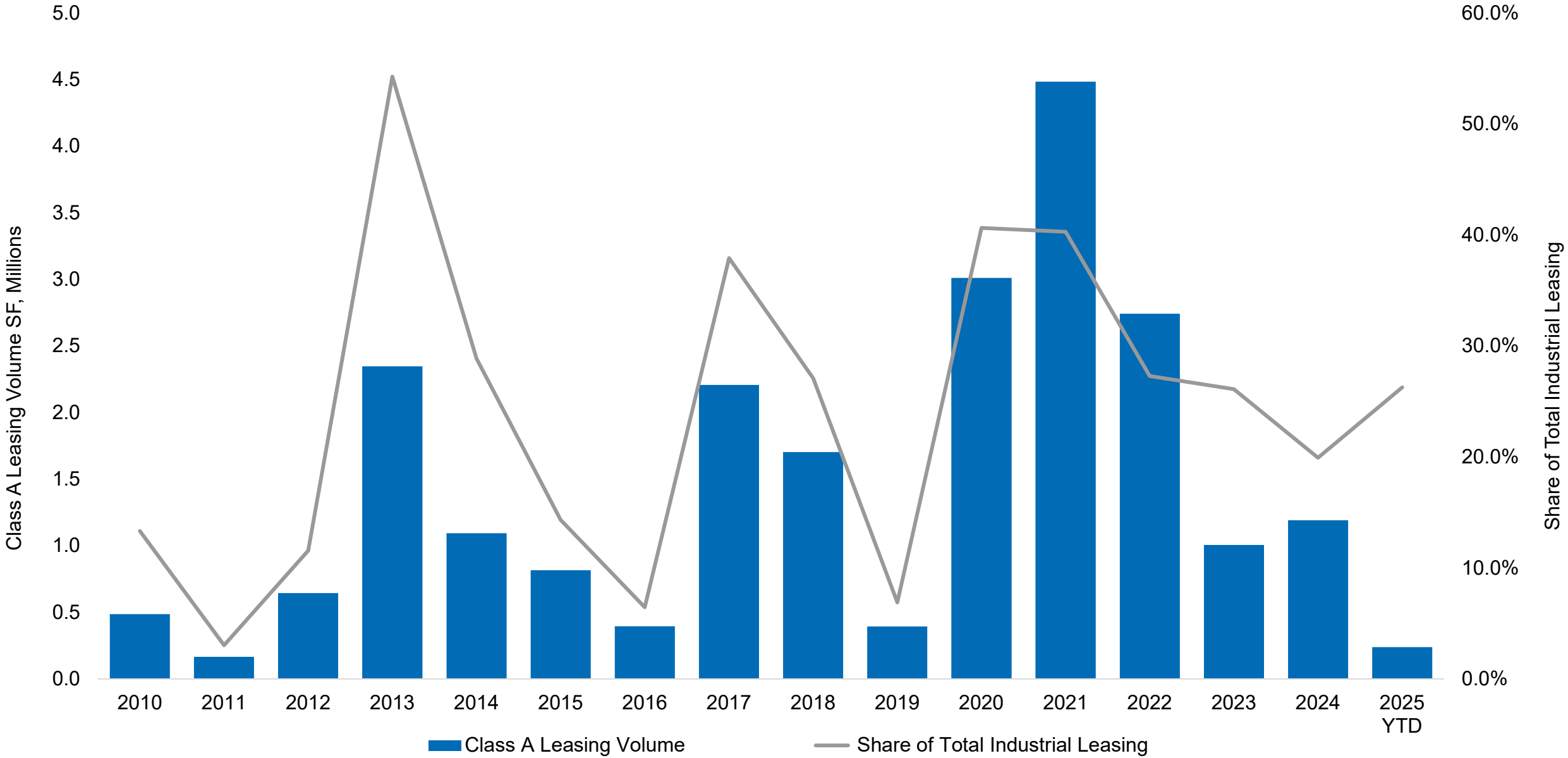


Source: Newmark Research, CoStar

Class A Warehouse Leasing Activity Down

Similar to overall leasing, Class A leasing volume was down in the first quarter. Overall leasing is expected to be suppressed nationally while international trade decisions are ironed out. Class A leasing as a percentage of total leasing had been steadily declining since 2021 but did pick up during the first quarter.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

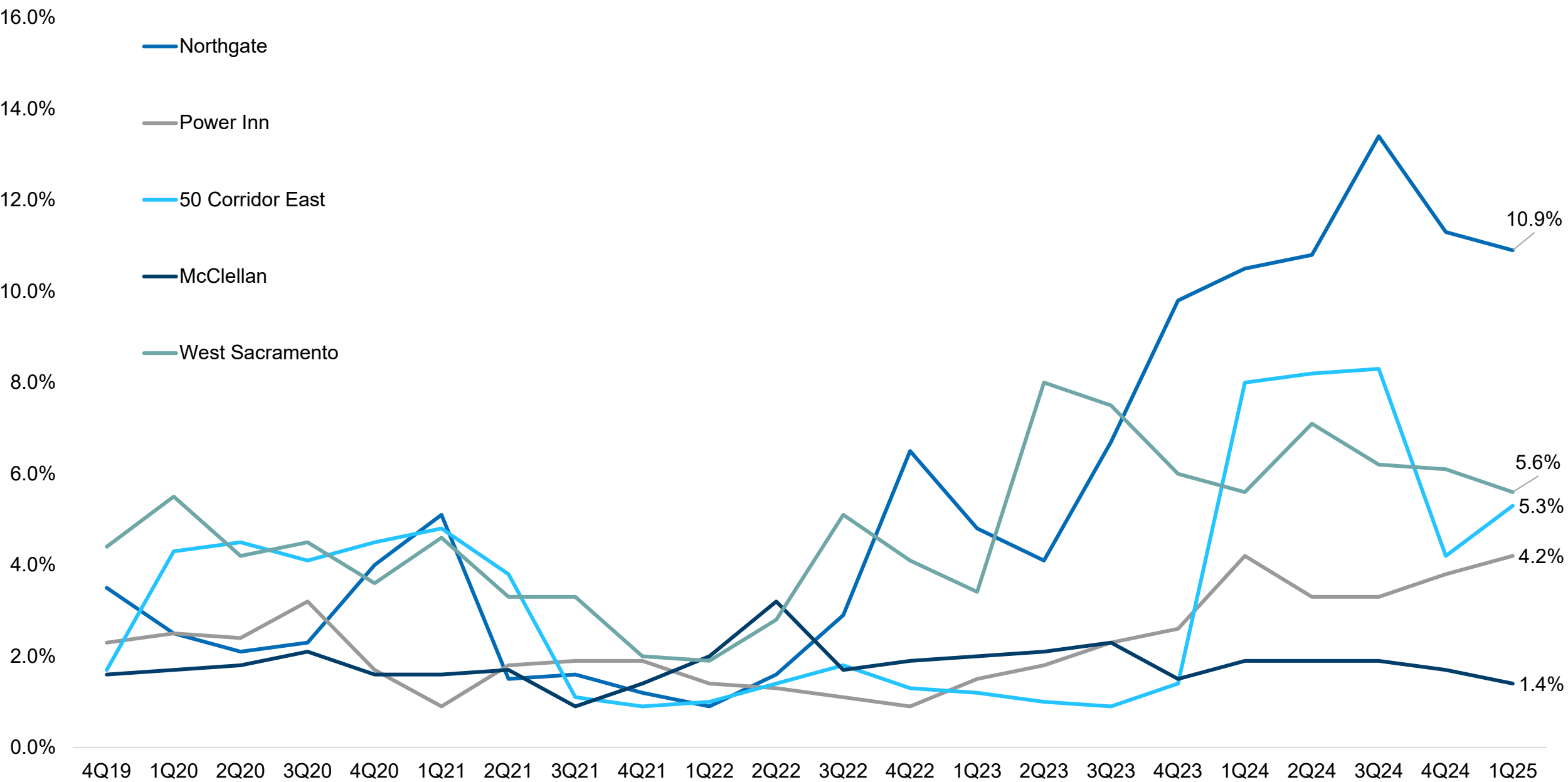


Source: Newmark Research, CoStar

McClellan Continued to Have Lowest Vacancy Relative to Other Submarkets

The Northgate and 50 Corridor East submarkets continued to post the highest vacancy rates in the first quarter. The McClellan submarket has remained tight after peaking at 3.2% vacancy mid-2022.

Total Vacancy Rate by Submarket

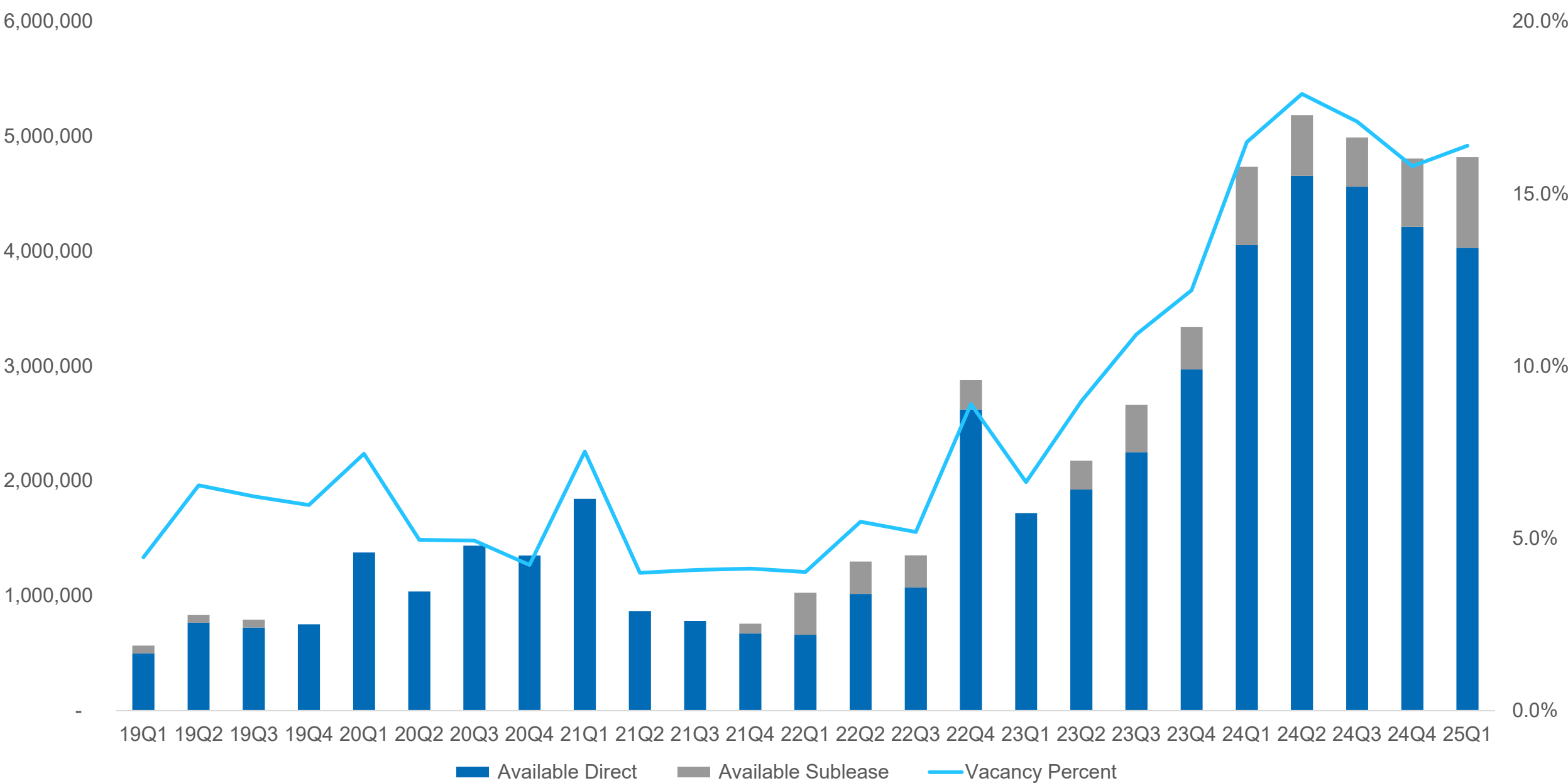


Source: Newmark Research, CoStar

Class A Warehouse Availability Decreased Slightly

The fourth quarter ended with Class A vacancy increasing by 60 basis points to 16.4% while overall availability dropped 20 basis points to 17.3%. Net absorption was negative 218,758 square feet for the quarter.

Class A Warehouse Vacancy and Availability

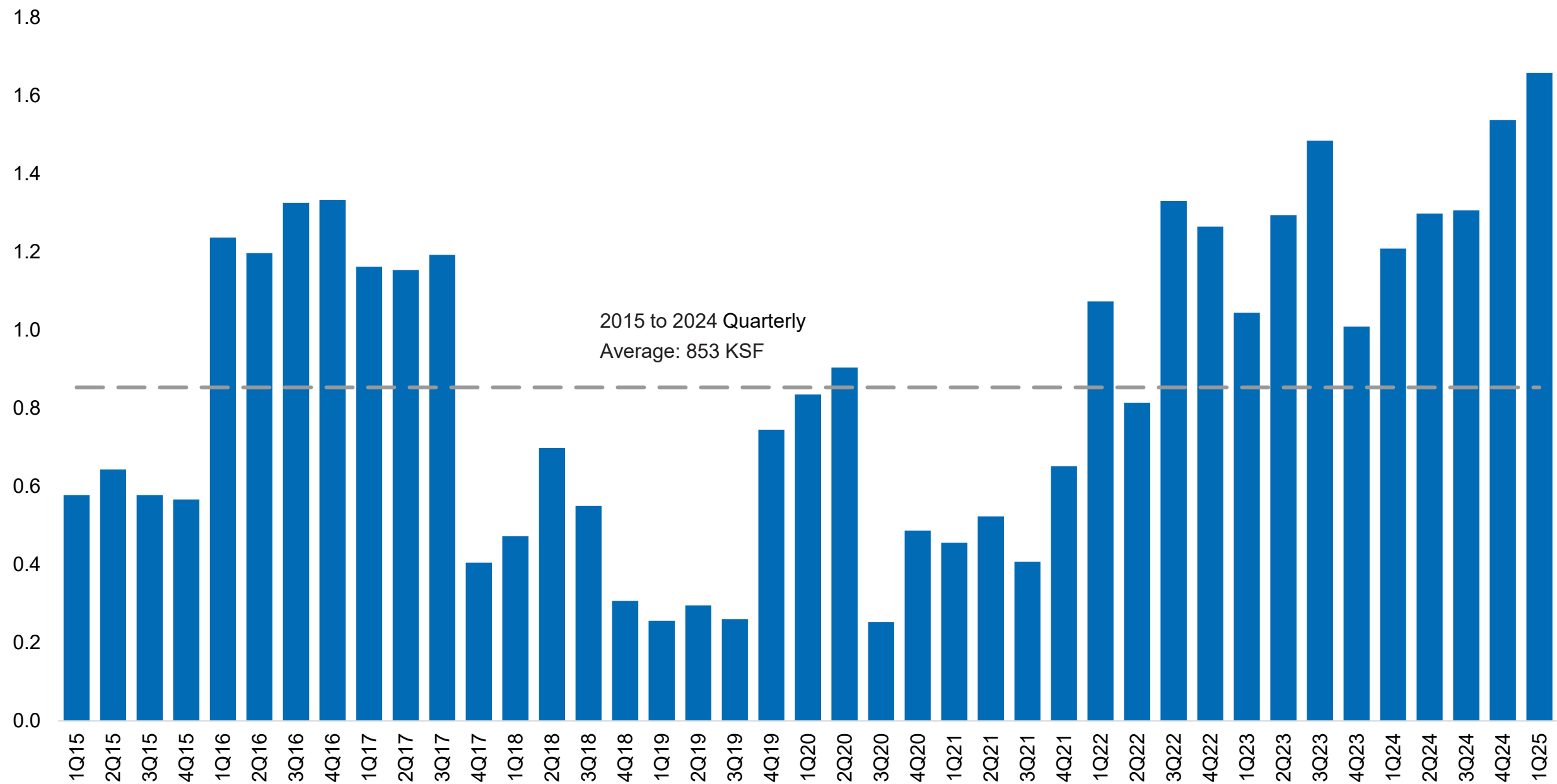


Source: Newmark Research; CoStar

Industrial Sublease Availability Increased

The amount of sublease space on the market has been increasing over the last 6 quarters and is now nearly 1.7 million square feet, double the ten-year quarterly average.

Available Industrial Sublease Volume (msf)

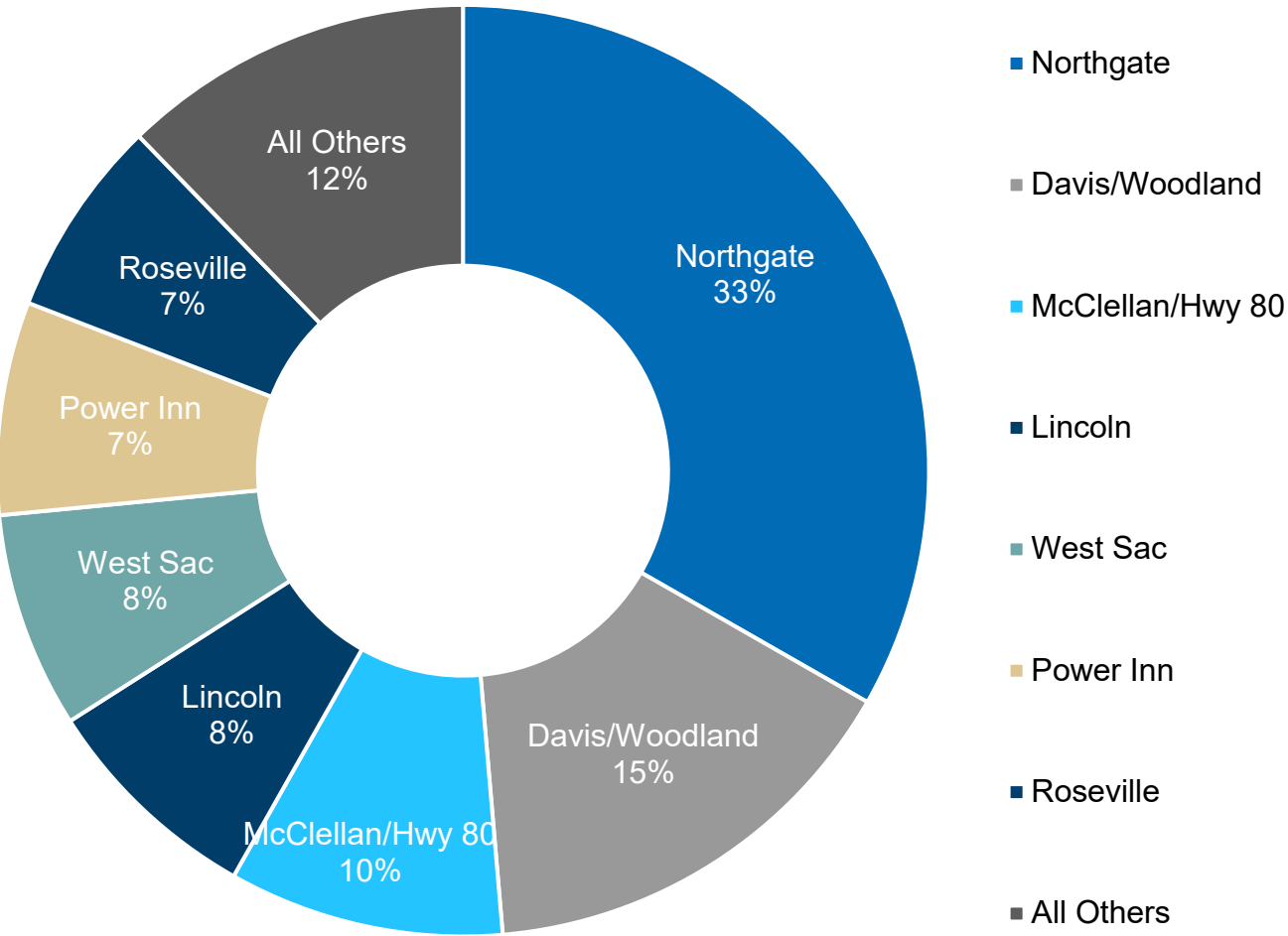


Source: Newmark Research, CoStar

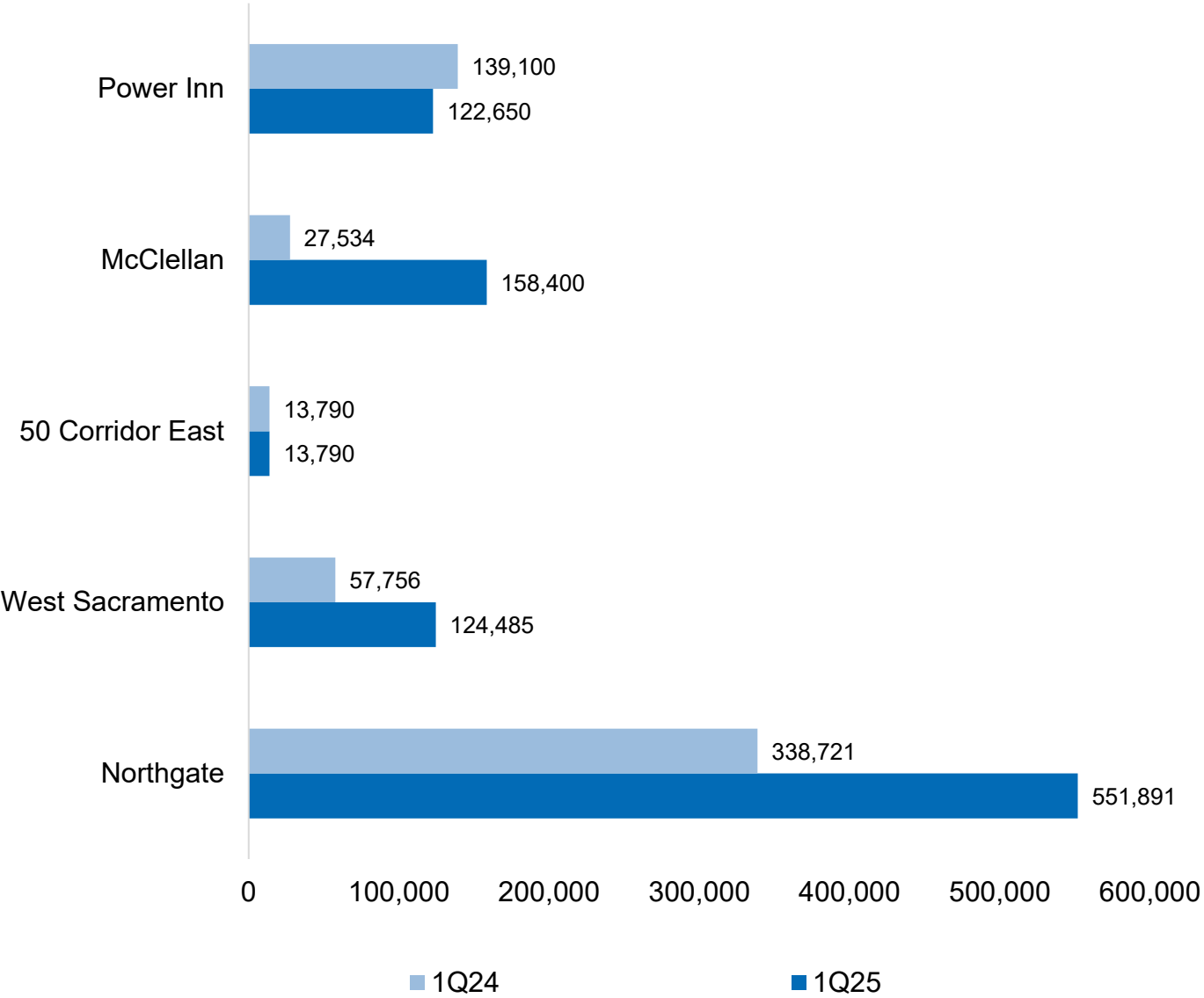
Sublease Space Dispersed Across Several Submarkets

The sublease landscape has become more varied with most submarkets carrying sublease space. Total sublease space was up 37% year-over-year and totaled nearly 1.7 million square feet at the end of the first quarter.

Available Sublease Space: Concentration by Submarket | 4Q24



Available Sublease Space for Major Submarkets: One Year Prior vs. Now (SF)

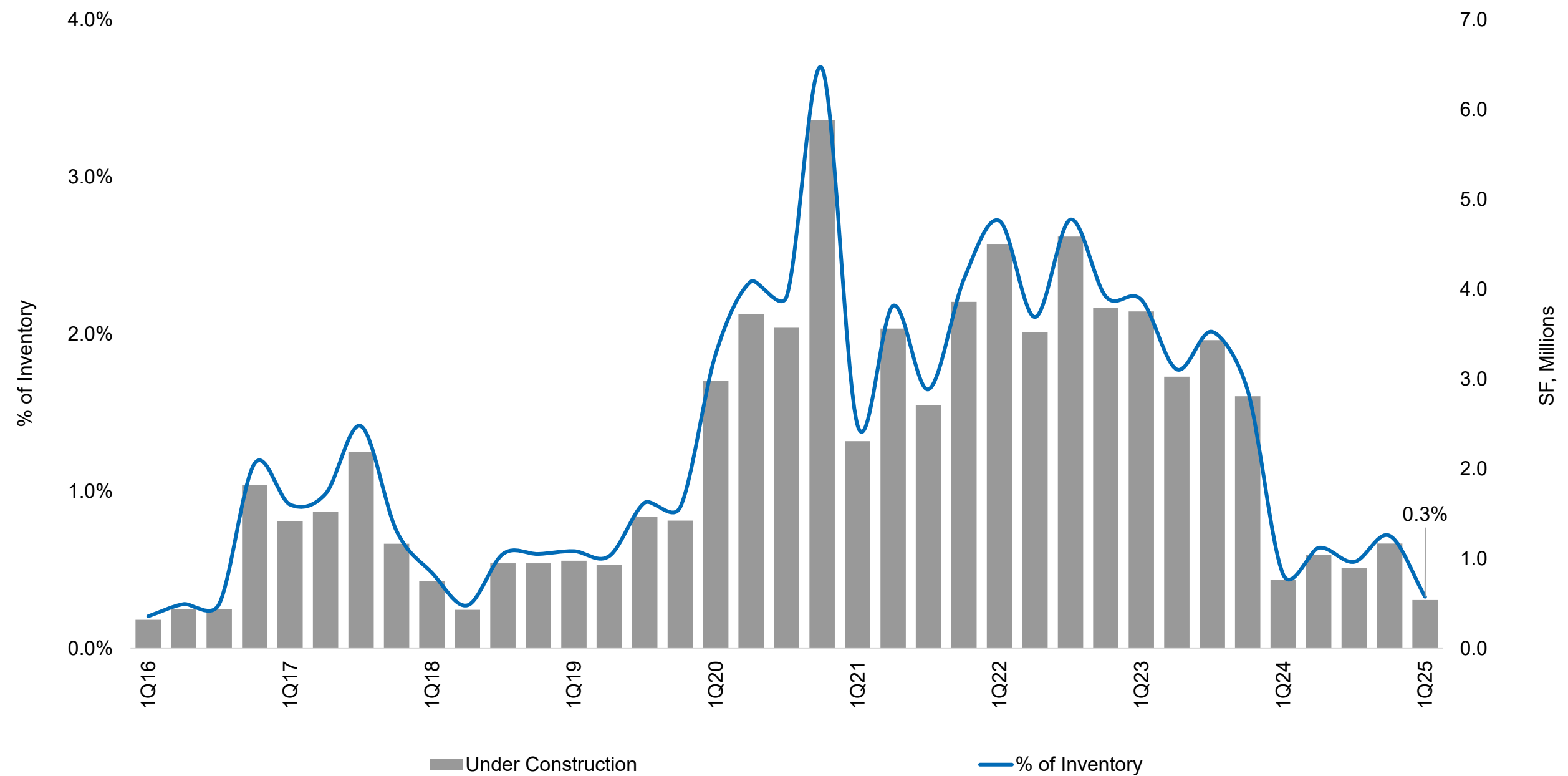


Source: Newmark Research, CoStar

Industrial Construction Pipeline Activity Slowed

The Sacramento industrial market construction pipeline dropped off in recent years given the weakness in market fundamentals as well as the lending environment. Deliveries in the first quarter included Amazon’s 630,000 square foot distribution center at 3300 Rancho Cordova Parkway.

Industrial Under Construction and % of Inventory

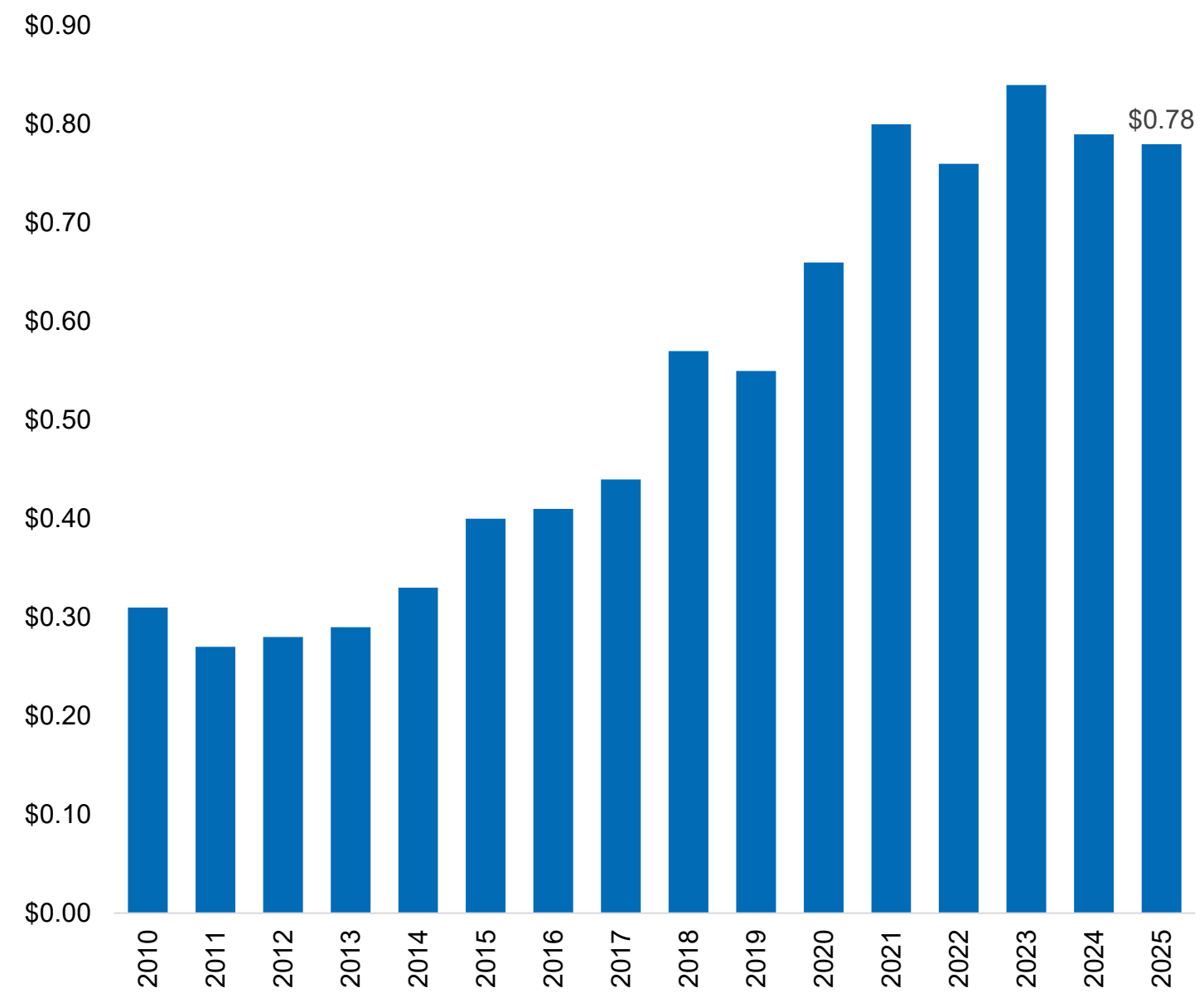


Source: Newmark Research, CoStar

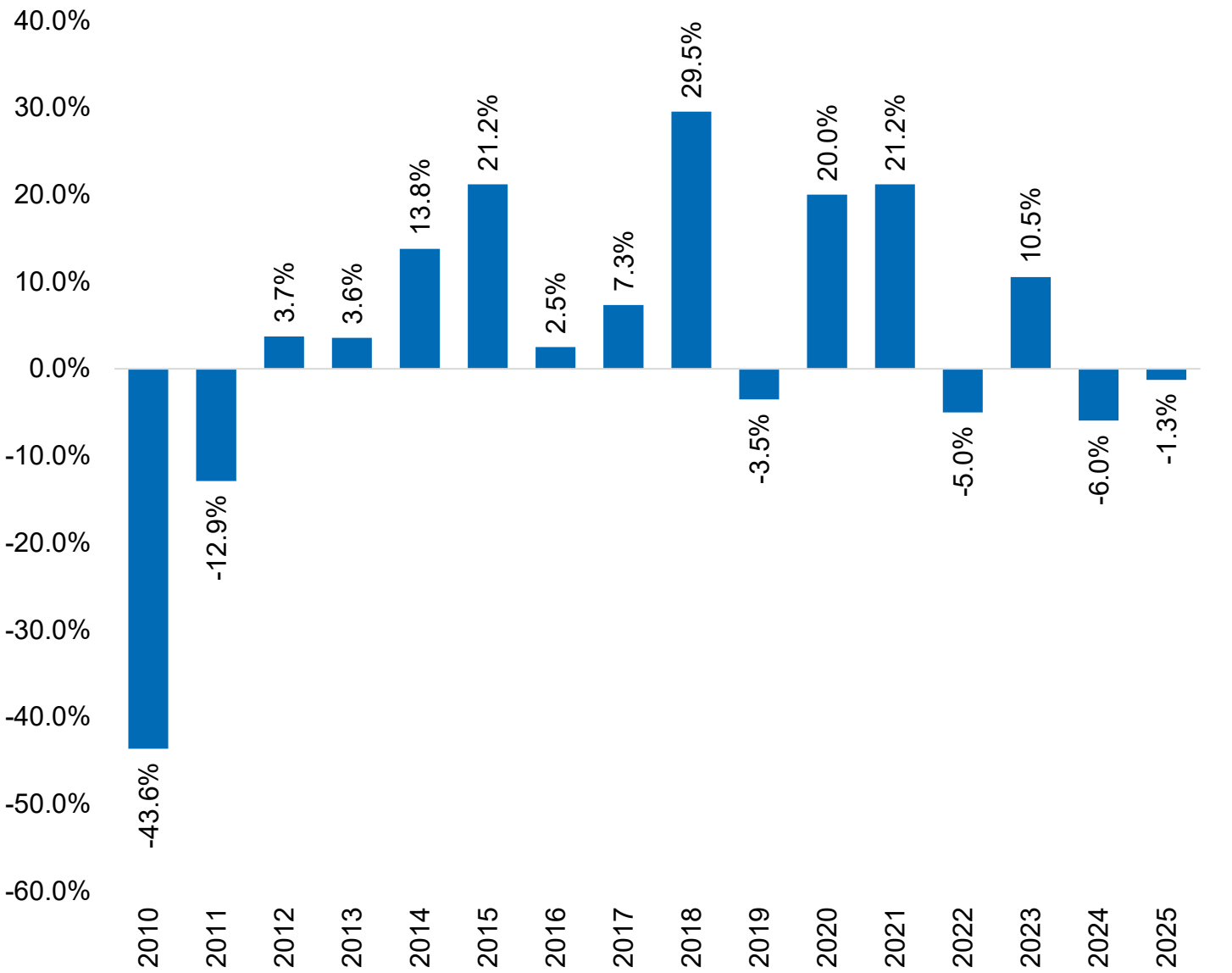
Industrial Asking Rent Further Decreased

Industrial average asking rents dropped again in the first quarter and ended up at \$0.78/SF compared to \$.80/SF one year ago. Rents are anticipated to stabilize in the coming year.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change

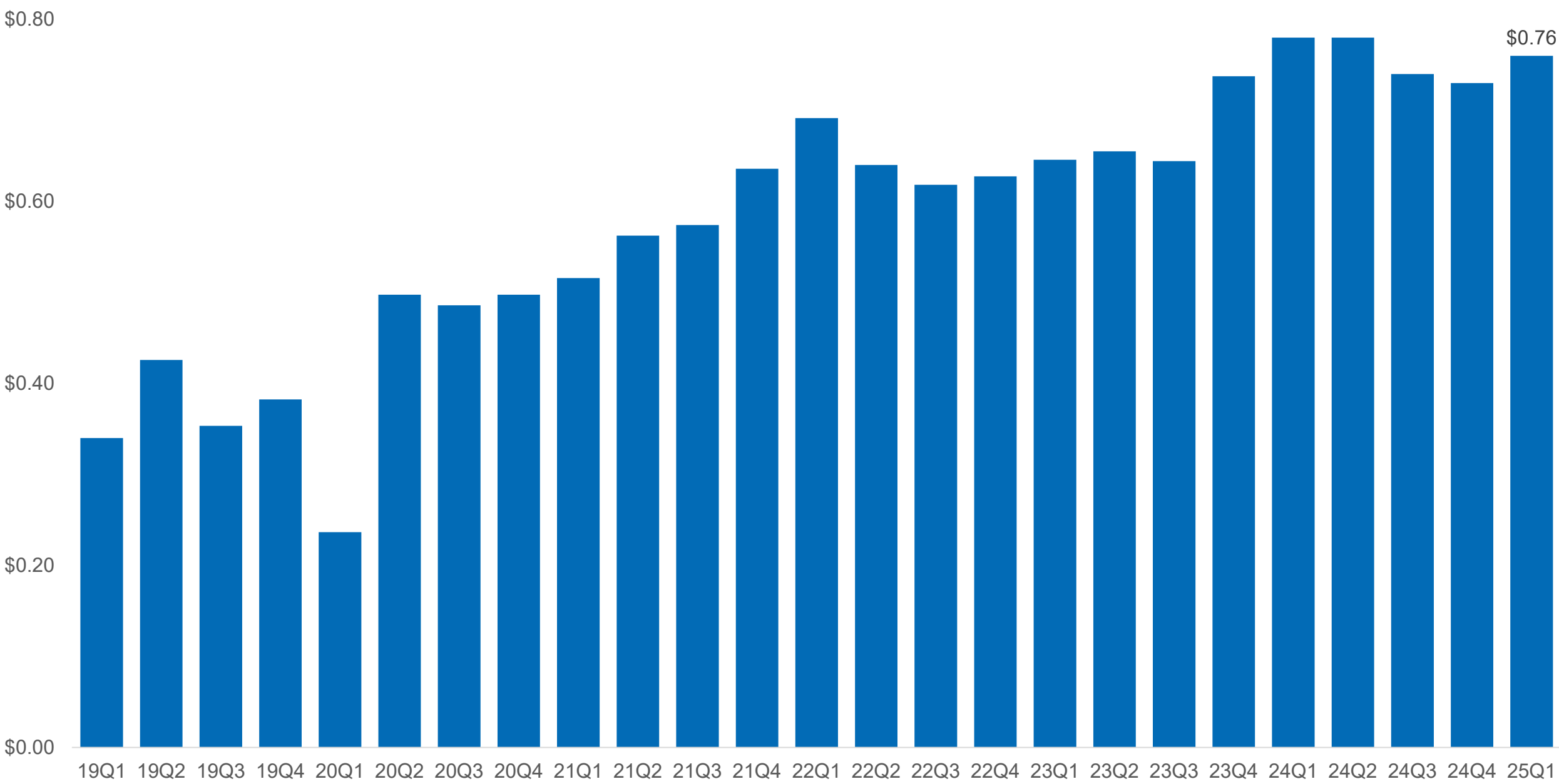


Source: Newmark Research, CoStar

Class A Warehouse Rents Recovered to 2023 Rate

Industrial Class A rents had been declining throughout the second half of 2024 but recovered a bit in the first quarter of 2025 to \$0.76 per square foot.

Class A Warehouse Space, Average Asking Rent

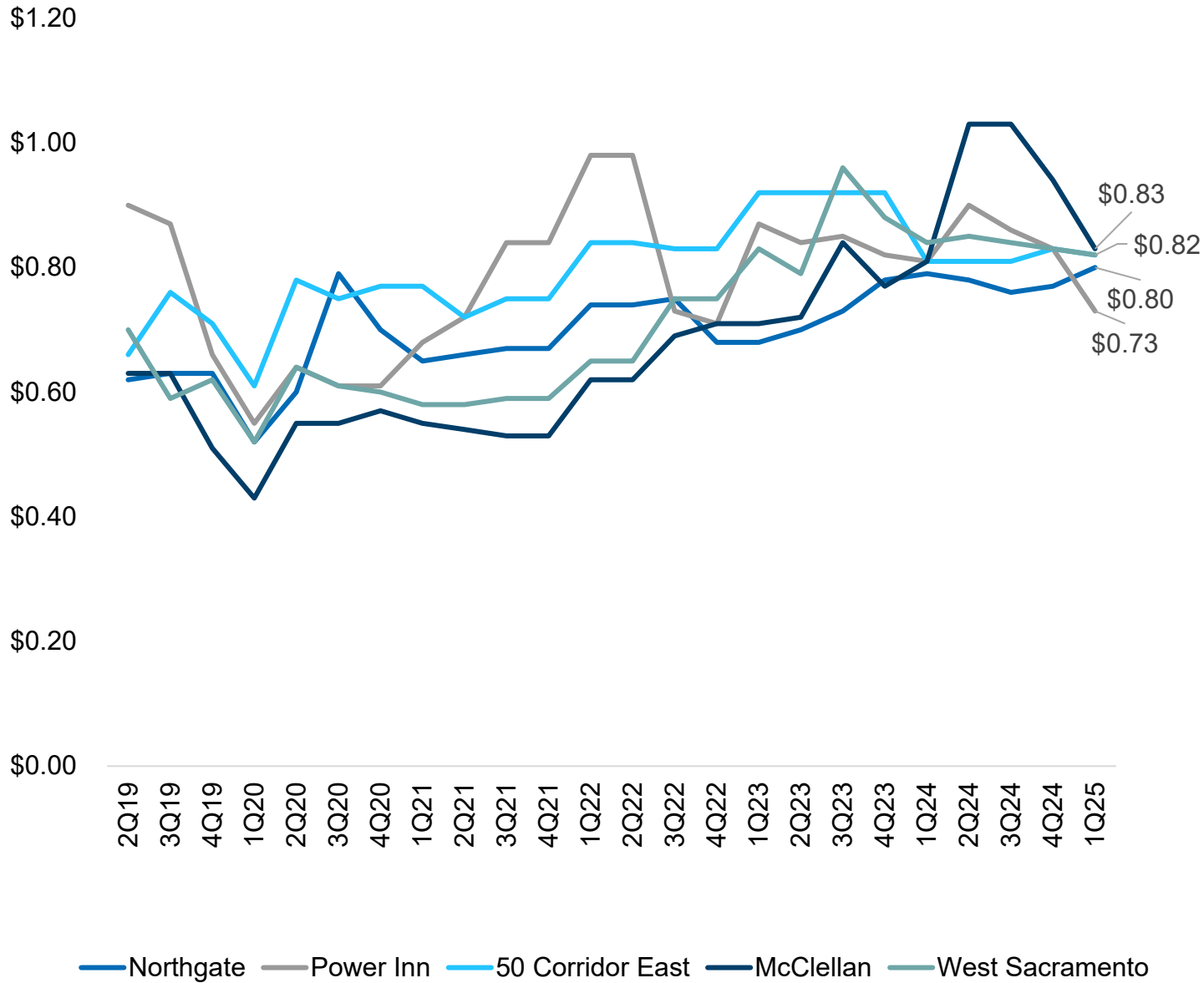


Source: Newmark Research, CoStar

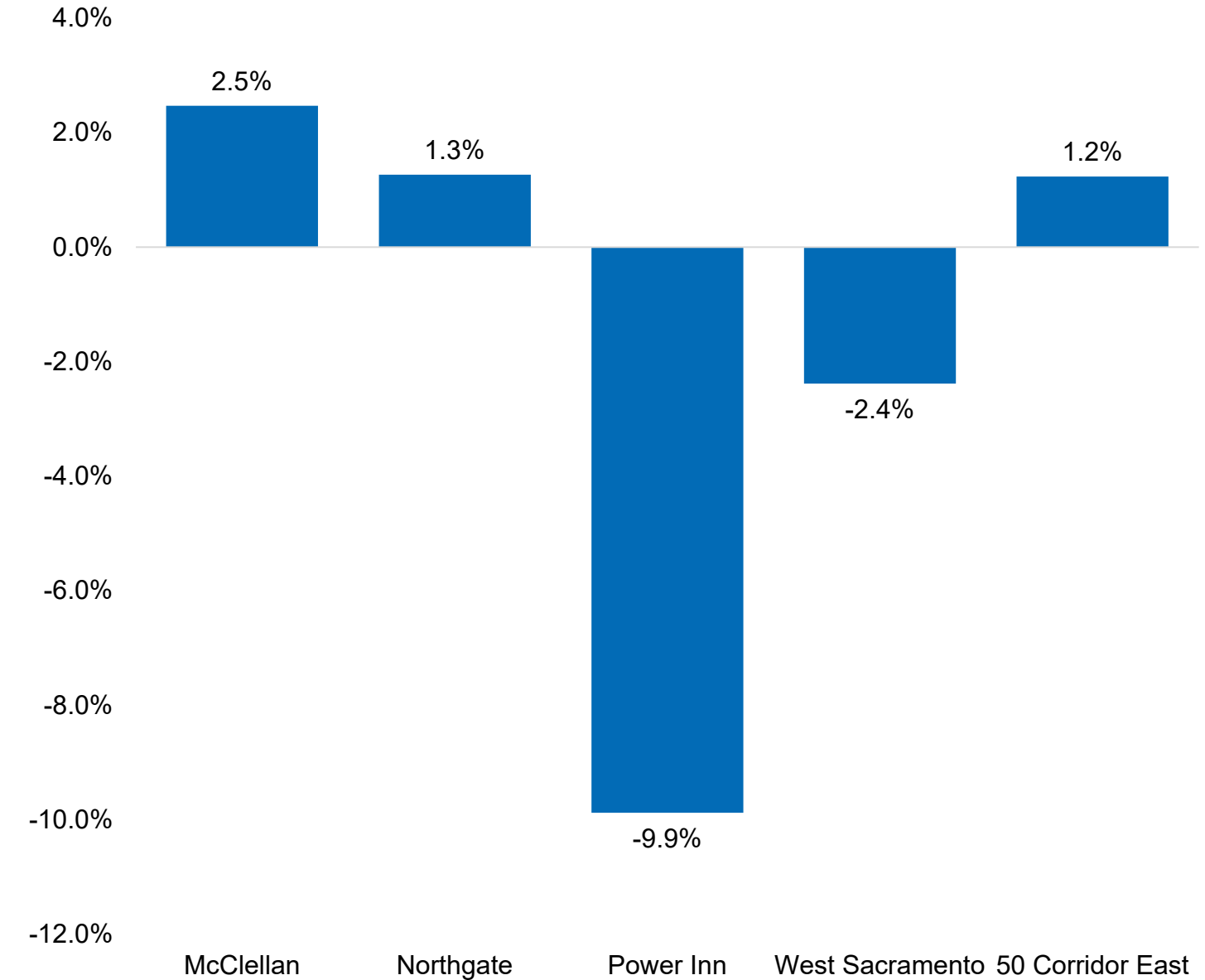
Mixed Bag for Rents Throughout the Submarkets

Overall rents have remained relatively flat year-over-year, dropping by only 2.0% to \$0.78. In individual submarkets rents were essentially flat year-over-year in two of the five largest submarkets, while the supply-constricted McClellan submarket posted the largest positive jump. The drop in overall rents can be largely attributed to a 9.9% year-over-year drop in asking rents in the Power Inn submarket and to a lesser degree to a 2.4% drop in the West Sacramento submarket.

Asking Rent by Submarket



Year-over-year Percent Change in Asking Rate



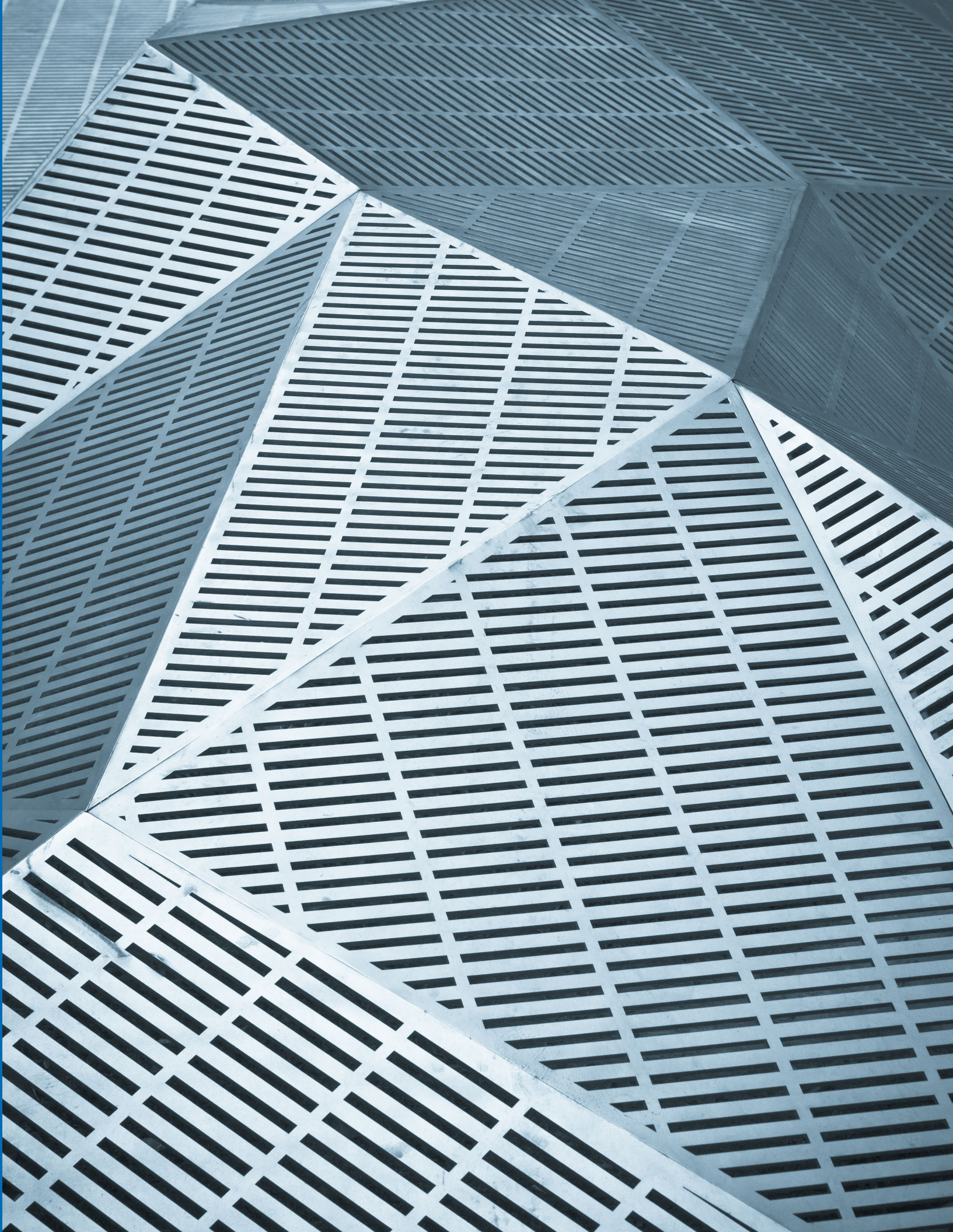
Source: Newmark Research, CoStar

Notable 1Q25 Lease Transactions

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Redding Auto Center, Inc <i>Largest provider of alternative vehicle collision replacement products in North America</i>	3520 Carlin Drive	West Sacramento	Renewal/Expansion	231,686
21 Construction Depot <i>High-quality flooring company with 5 locations in Northern California.</i>	849 N 10 th Street	Downtown	New Lease	89,500
Valley Relocation & Storage <i>Full-service moving company serving industries, households and businesses nationwide</i>	3115 Ramco Street	West Sacramento	New Lease	40,749
Swinerton Builders <i>Construction company with 23 regional office across the United States.</i>	8211 Siena Avenue	Power Inn	New Lease	33,260
LP Display, Inc <i>Global LED display products developer and manufacturer.</i>	7525 Lone Tree Road	Northgate	New Lease	27,043

Source: Newmark Research

Appendix / Tables



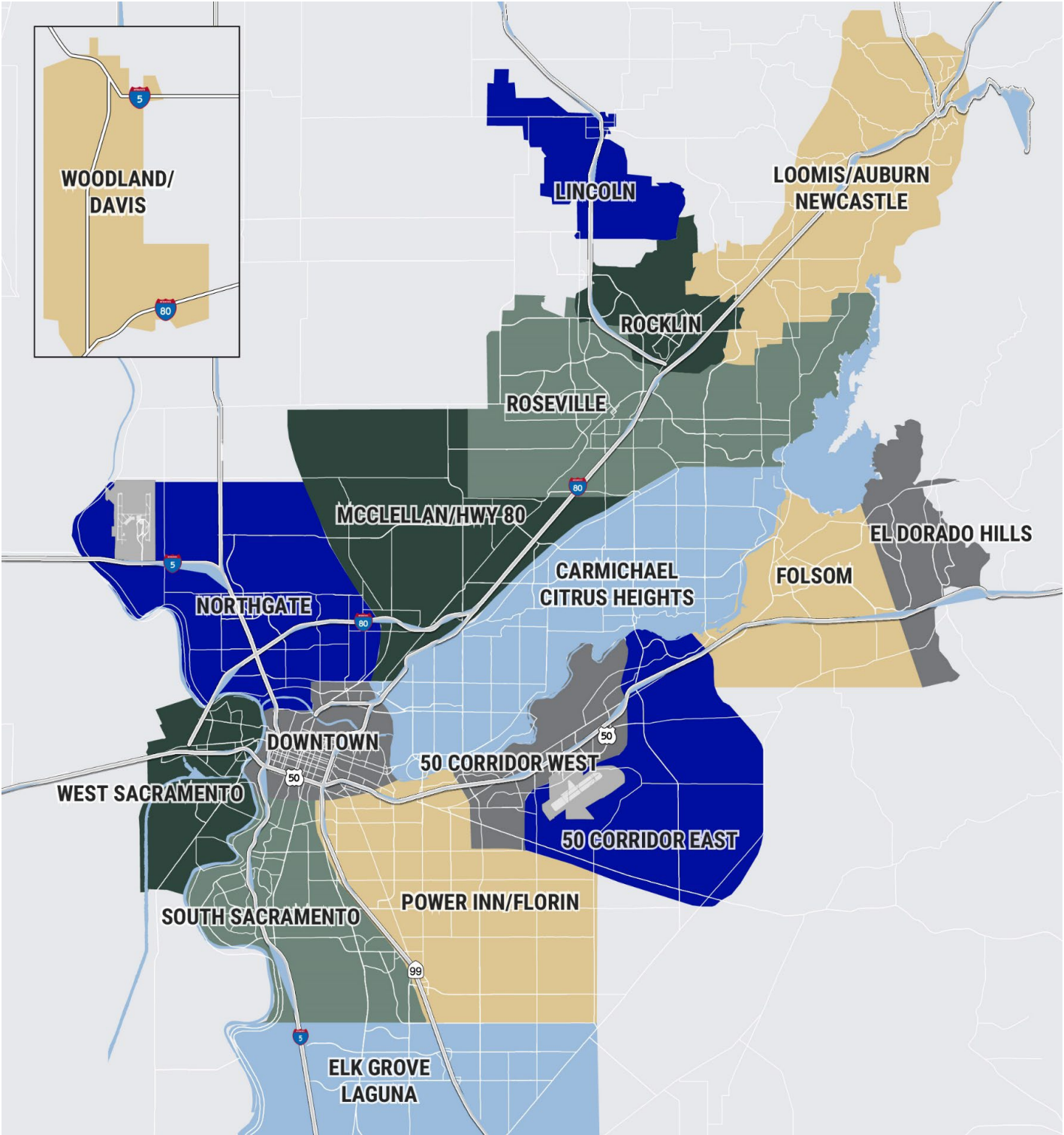
Sacramento Industrial Submarket Overview

1Q25 Submarket Statistics

	# of Bldgs	Total Inventory (SF)*	Under Construction (SF)	Total Vacancy (SF)	Total Vacancy Rate	Total Available (SF)	Total Availability Rate	Qtr Net Absorption (SF)	2025 Net Absorption (SF)	Total NNN Asking Rent (Price/SF)
Sacramento	2,425	97,087,970	350,804	5,223,700	5.4%	6,571,875	6.8%	696,735	696,734	\$0.83
Downtown	266	9,023,867	-	274,487	3.0%	503,349	5.6%	83,962	83,962	\$0.90
Northgate	291	23,353,890	350,804	2,552,606	10.9%	2,591,353	11.1%	94,685	94,685	\$0.80
South Sacramento	105	2,770,513	-	285,286	10.3%	285,286	10.3%	-4,276	-4,276	\$1.22
Power Inn / Florin	573	24,887,784	-	1,034,689	4.2%	1,516,871	6.1%	-85,171	-85,171	\$0.73
50 Corridor West	237	5,607,056	-	298,946	5.3%	390,323	7.0%	-28,716	-28,716	\$0.95
50 Corridor East	556	11,859,469	-	495,614	4.2%	684,232	5.8%	591,699	591,699	\$0.82
McClellan Hwy 80	367	18,892,993	-	270,828	1.4%	590,300	3.1%	45,258	45,258	\$0.83
Carmichael Citrus Heights	30	692,398	-	11,244	1.6%	10,161	1.5%	-706	-706	\$1.04
West Sacramento	367	23,630,552	-	1,330,374	5.6%	1,932,560	8.2%	162,737	162,737	\$0.82
Folsom	13	831,777	-	-	0.0%	-	0.0%	-	-	-
El Dorado Hills	82	2,252,569	-	232,565	10.3%	238,711	10.6%	-61	-61	\$1.12
Roseville	123	7,139,852	190,820	162,782	2.3%	467,486	6.5%	159,010	159,010	\$1.05
Rocklin	271	7,241,127	-	157,435	2.2%	239,746	3.3%	27,914	27,914	\$1.03
Loomis Auburn Newcastle	131	2,172,970	-	162,342	7.5%	163,992	7.5%	-127,938	-127,938	\$0.41
Lincoln	38	2,778,326	-	461,990	16.6%	500,808	18.0%	-103,642	-103,642	\$0.63
Davis	25	961,511	-	140,435	14.6%	166,300	17.3%	57,049	57,049	\$1.59
Woodland	147	14,607,698	-	971,095	6.6%	1,908,445	13.1%	-362,080	-362,080	\$0.48
Elk Grove Laguna	106	5,315,949	-	47,143	0.9%	61,999	1.2%	41,040	41,040	\$1.11
SACRAMENTO REGION	3,724	164,020,301	541,624	8,889,861	5.4%	12,251,922	7.5%	550,764	541,624	\$0.78

Source: Newmark Research, CoStar. *Note: We changed our methodology in 2024 so some markets may be smaller than reported in previous years.

Sacramento Industrial Submarket Map



Source: Newmark Research

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