



NEWMARK

Sacramento Industrial
Market Overview

1Q26

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Sacramento Market Observations



Economy

- Sacramento's labor market continued to stabilize in the first quarter, with the unemployment rate settling at 5.2%, a modest 20 basis point increase year-over-year. Job growth in Sacramento maintained positive momentum with the 12-month change increasing 1.0%, the strongest rate of expansion since mid-2025. These indicators paint a picture of a market that is moderating from a post-pandemic pace while retaining a fundamentally sound economic foundation.
- The Trade, Transportation and Utilities sector demonstrated positive momentum in the first quarter, posting a 1.9% year-over-year gain in jobs. Manufacturing experienced a modest softening of 30 basis points, settling at -0.3% year-over-year. These figures signal a natural moderation rather than any cause for concern in Sacramento's broader employment picture.



Leasing Market Fundamentals

- The industrial vacancy rate stood at 7.0% at the end of the first quarter, up 70 basis points over the prior quarter
- Absorption was negative 1,240,143 square feet in the first quarter, driven largely by Manna Beverage's move-out of approximately 900,000 square feet. Industrial average asking rents held firm at \$0.79/SF NNN which is a 1.3% increase year-over-year.
- While industrial sublease space declined 2.5% quarter-over-quarter, the supply has accelerated sharply over the previous 5 years. The 3.3 million square feet of sublease space available in the first quarter of 2026 is three times the ten-year average. This increase is driven by occupiers recalibrating post-pandemic footprints and strategically monetizing excess capacity through subleases rather than carry the cost of underutilized space.



Major Transactions

- One of the largest lease transactions of the first quarter was a 260,000 square foot lease by Cardinal Health at 7531 Metro Air Parkway in the Northgate submarket.
- Phillips Pet Food Supplies renewed their lease for 132,129 square feet at 3885 Seaport Boulevard in the West Sacramento submarket.
- An investor purchased an 89,658 square foot building at 11261-11277 Sunrise Park Drive in Rancho Cordova for \$13,897,000 or \$155.00 per square foot.



Outlook

- The industrial vacancy rate has been slowly increasing since the end of 2021, but the first quarter rate of 7.0% was still below its long-term average of 8.4%. The limited movement in rents over the past two years can be seen as a healthy and sustainable market rate that reflects a pricing environment that has reset and is now showing early signs of forward momentum.
- Sacramento's industrial market faces the same near-term headwinds as the broader U.S. economy — trade policy uncertainty, technology-driven disruption, and rising construction and operating costs — yet remains well-positioned for stability. Strong regional connectivity, a meaningful cost advantage over the Bay Area, and a natural supply correction collectively support a positive medium- to long-term outlook for the market.

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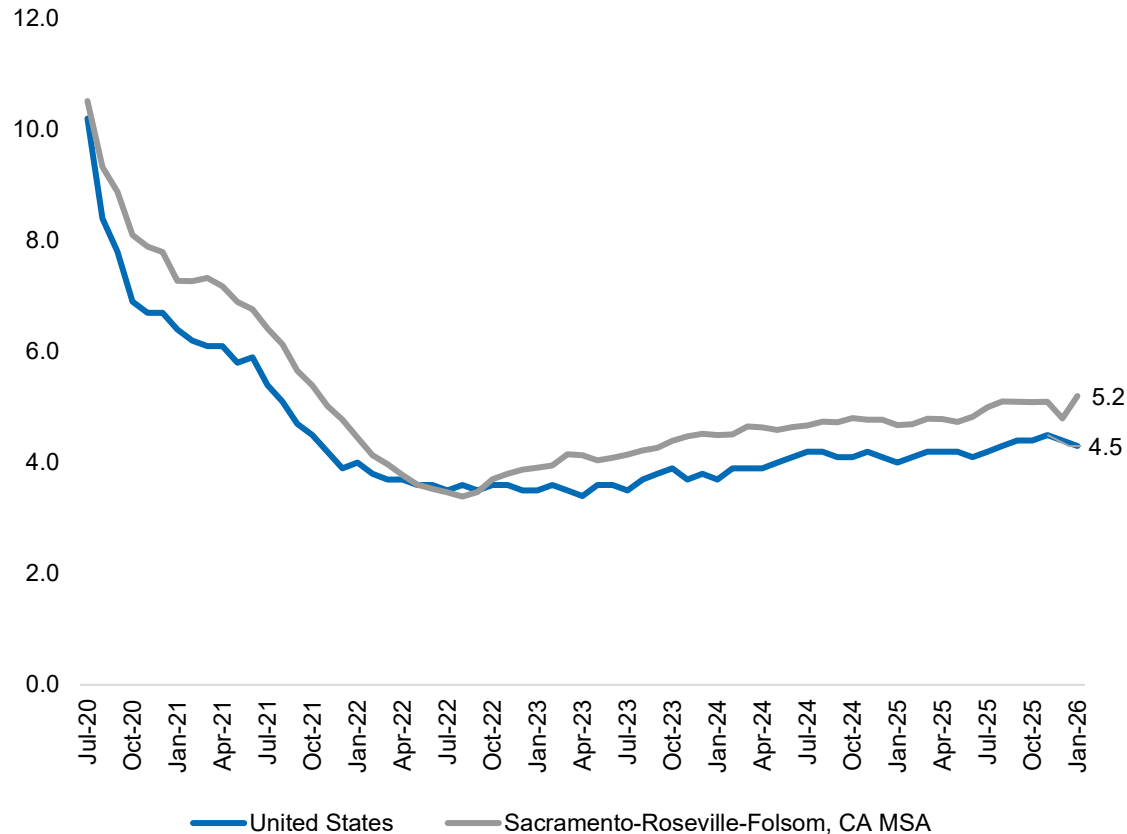
Economy



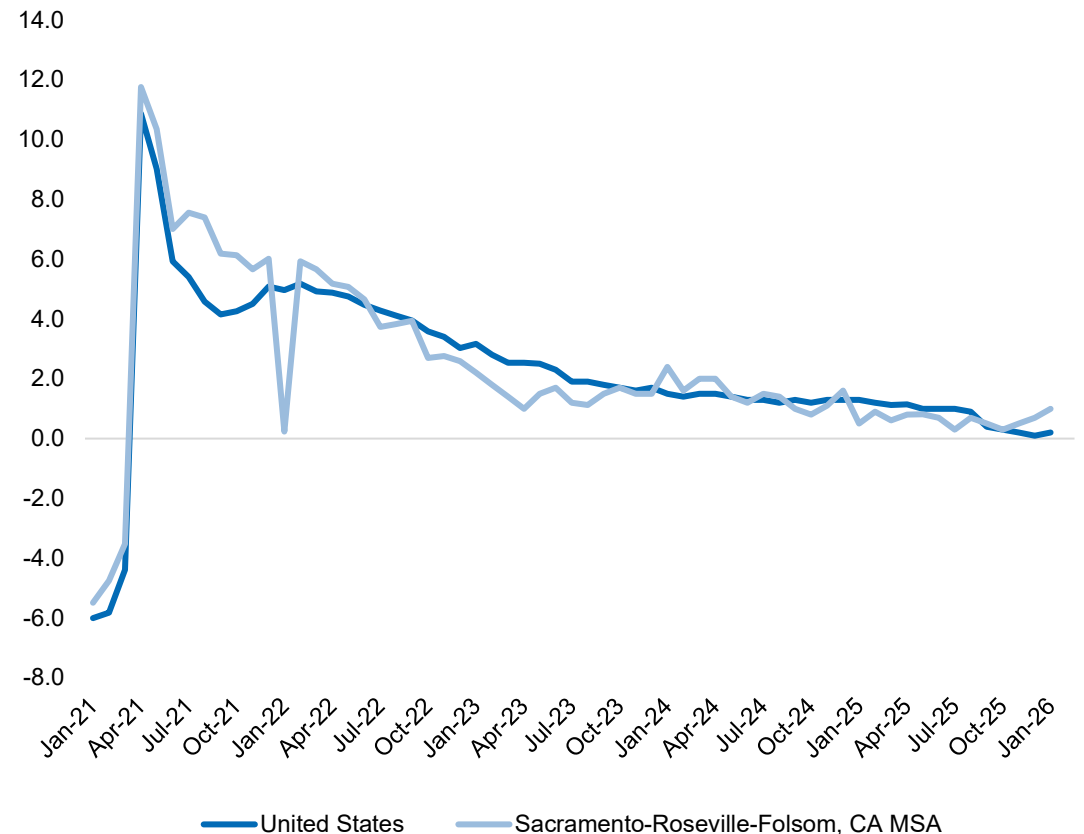
Sound Economic Outlook for Sacramento

Sacramento's labor market continued to stabilize in the first quarter of 2026, with the unemployment rate settling at 5.2%, a modest 20 basis point increase year-over-year that reflects a normalizing employment environment rather than structural weakness. Job growth in Sacramento maintained positive momentum with the 12-month change increasing 1.0%, the strongest rate of expansion since June 2025. Taken together, these indicators paint a picture of a market that is moderating from a post-pandemic pace while retaining a fundamentally sound economic foundation.

Unemployment Rate, Seasonally Adjusted



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

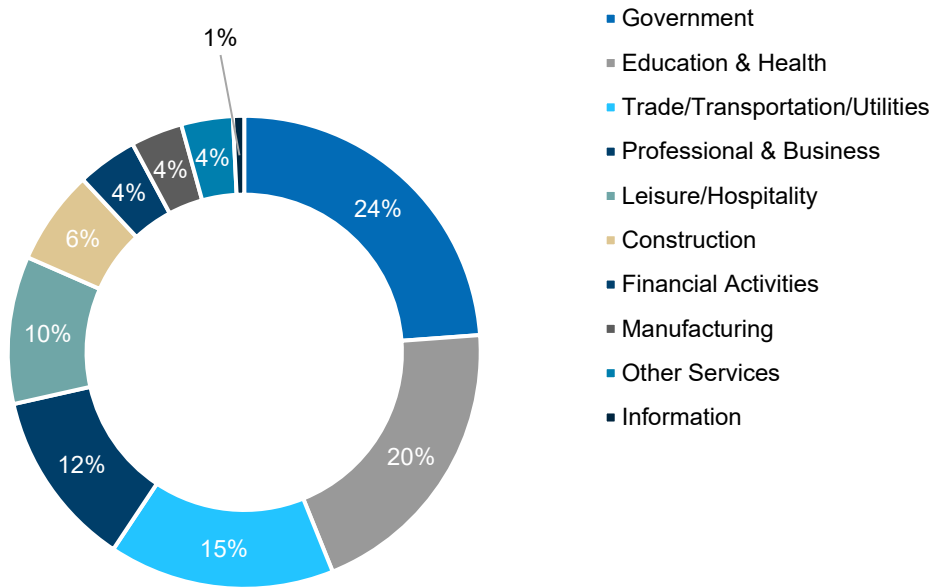


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Folsom, CA
 *October 2025 data unavailable due to lapse in appropriations- used average between previous and subsequent month. January 2026 statistics are preliminary.

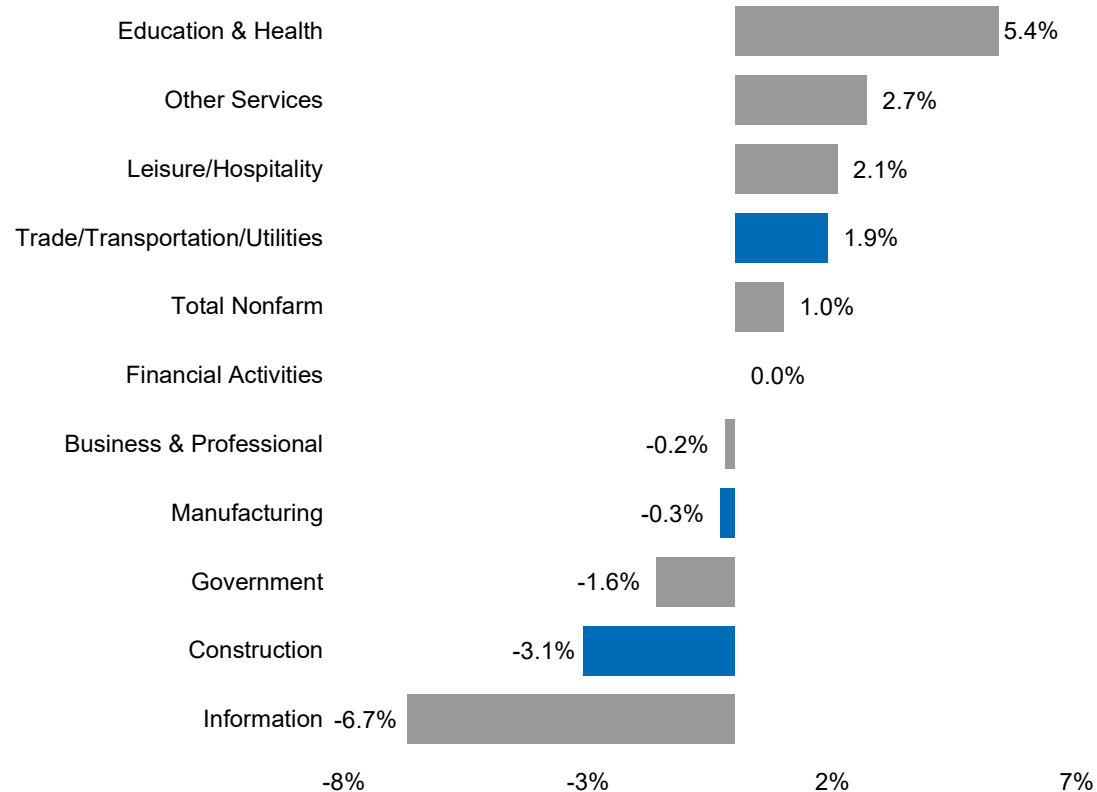
Education & Health Care Lead Sacramento Job Growth for Sixth Straight Quarter

Education & Health Care Services delivered the strongest year-over-year gains for the sixth consecutive quarter, underscoring the durability of this sector as a cornerstone of Sacramento’s employment base. While the non-office using job sectors of Manufacturing, Construction and Trade, Transportation and Utilities posted a slight decline of 30 basis points collectively; the Trade, Transportation and Utilities sector posted a healthy 1.9% gain in job growth year-over-year. Sacramento's employment base remains on solid footing, led by consistent gains in Education & Health Care Services, with select non-office sectors showing mixed but manageable performance.

Employment by Industry, January 2026



Employment Growth by Industry, 12-Month % Change, January 2026

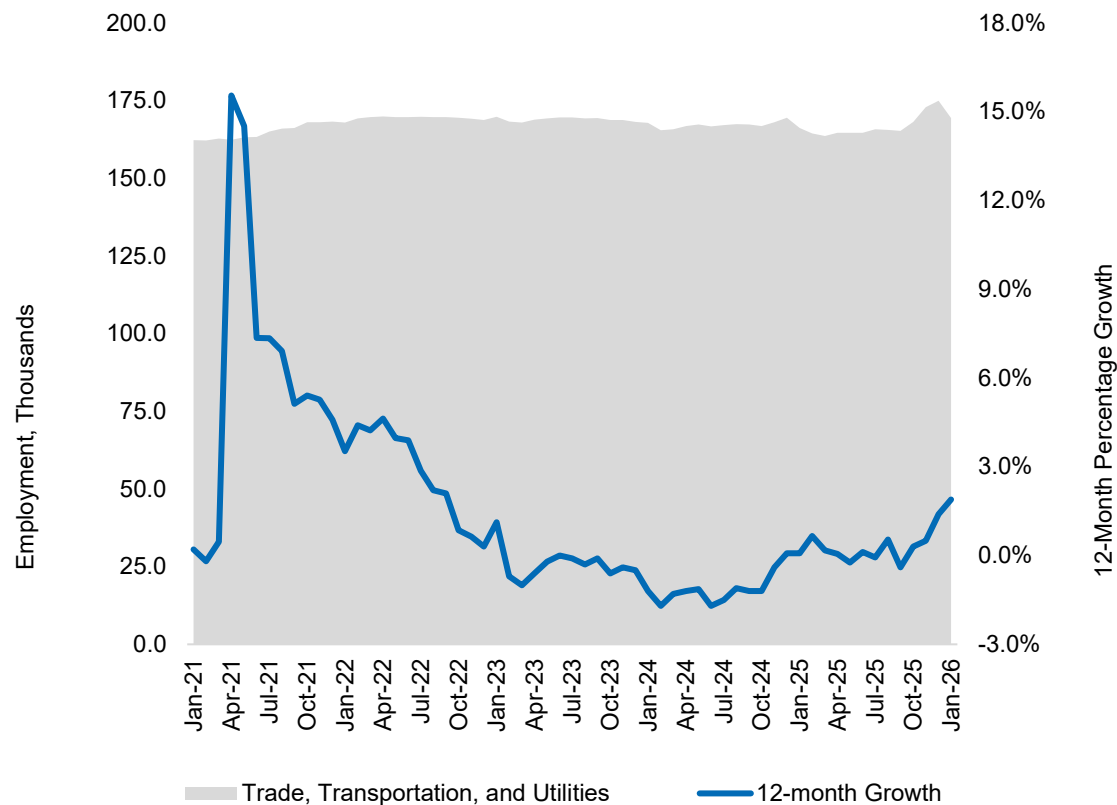


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Folsom, CA MSA
January 2026 data is preliminary

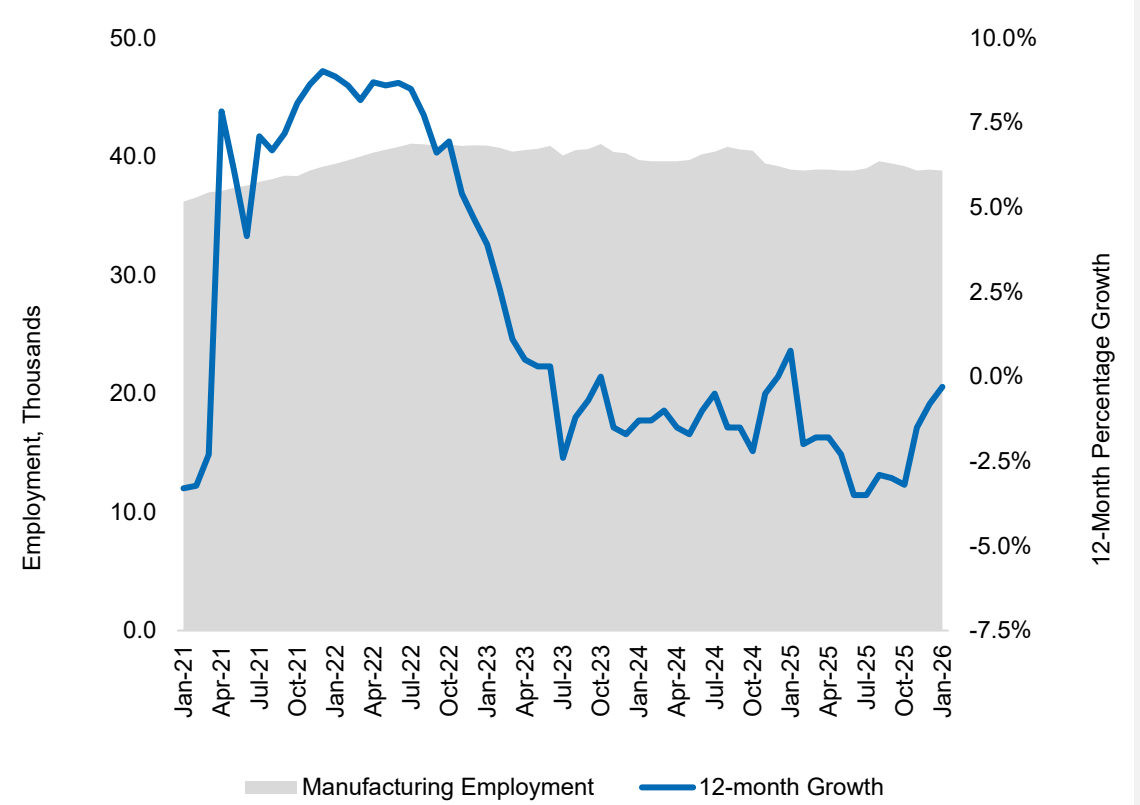
Industrial Sector Job Growth Held Steady

The Trade, Transportation, and Utilities sector demonstrated positive momentum in the first quarter, posting a 1.9% year-over-year gain in employment growth. Manufacturing experienced a modest softening of 30 basis points, settling at -0.3% year-over-year, which reflects a measured recalibration rather than a structural shift in the sector. Collectively, these figures signal a natural moderation rather than any cause for concern in Sacramento's broader employment picture.

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



Total Employment and 12-Month Growth Rate, Manufacturing



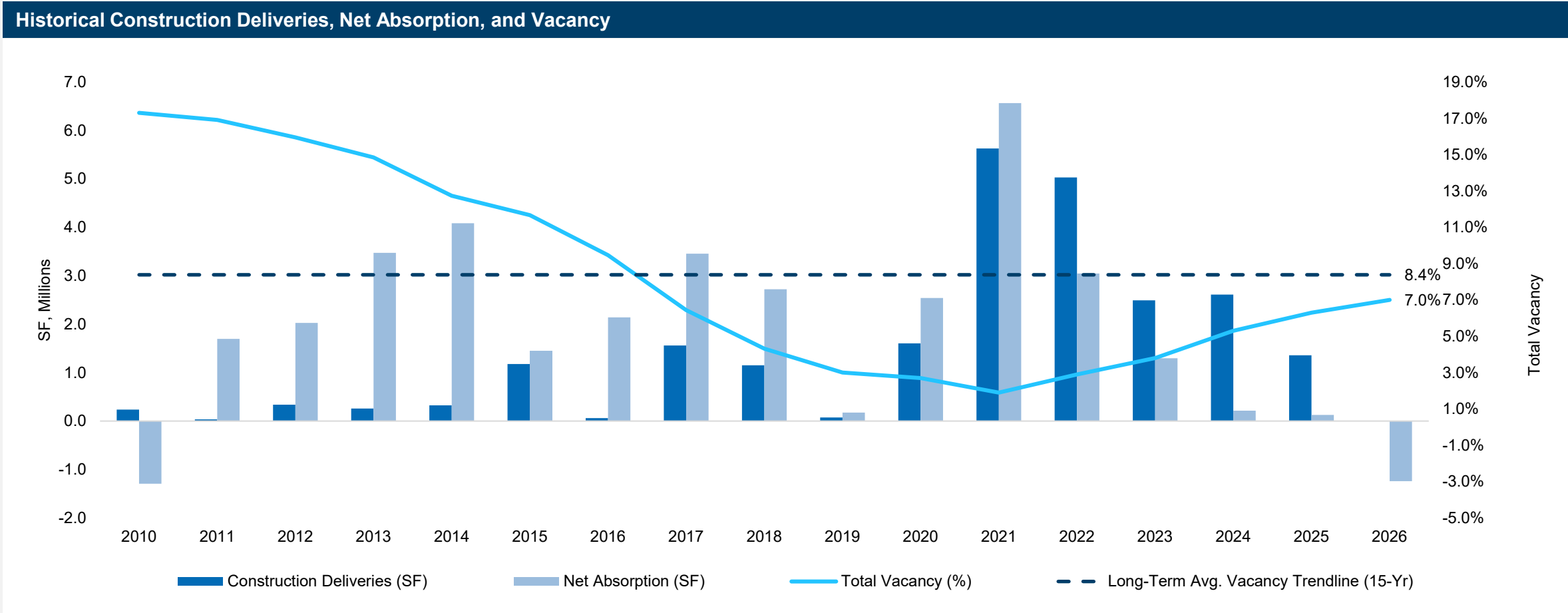
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Leasing Market Fundamentals



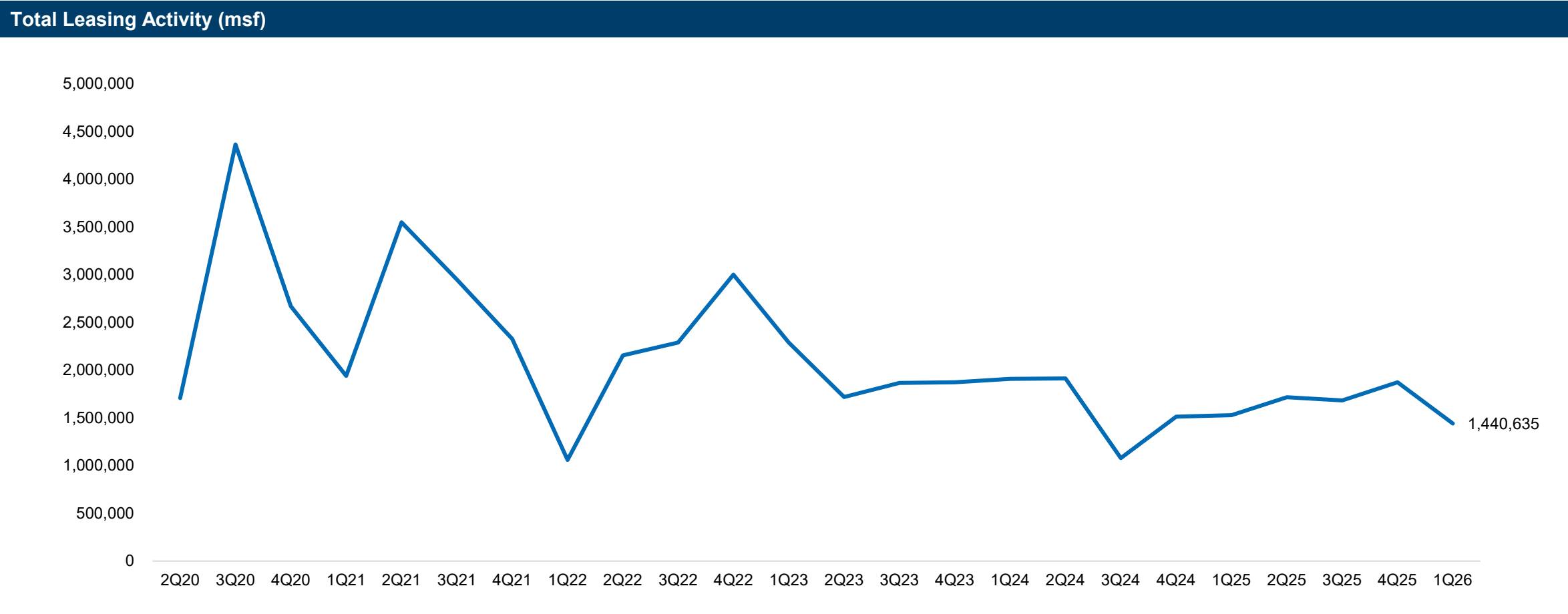
Industrial Vacancy Remained Below Historical Norms

The industrial vacancy rate closed the first quarter at 7.0%, a 70-basis-point increase quarter-over-quarter. The gradual rise in vacancy over the past five years is largely a byproduct of the construction surge seen in 2021–2022, when a wave of new supply entered the market. Despite a modest uptick in vacancy, Sacramento's industrial market remains below its historical average of 8.4% and is poised for gradual tightening as new supply slows and absorption catches up.



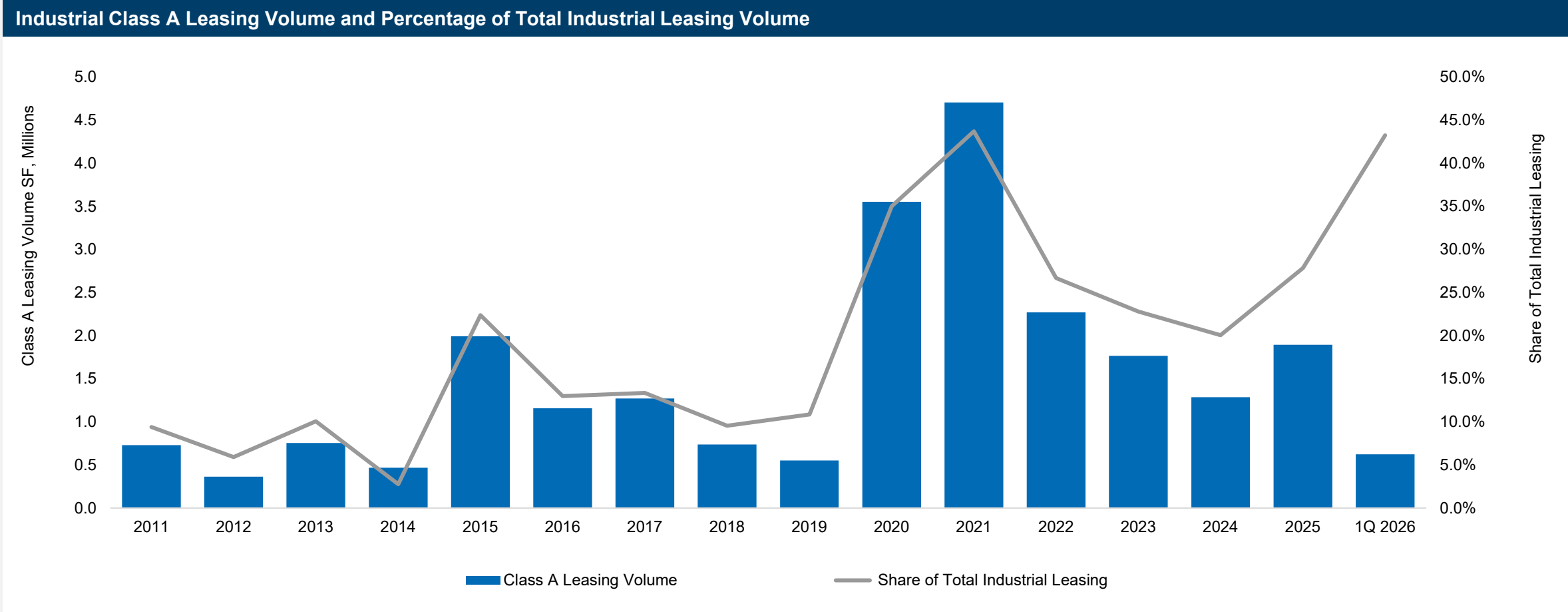
Leasing Moderates as Occupiers Exercised Caution

Leasing velocity has decelerated materially from the mid-2022 peak, with first-quarter transaction volume declining by 5.7% year-over-year. Amid ongoing macroeconomic uncertainty, many occupiers have adopted a more deliberate approach to real estate decisions, prioritizing lease renewals, right-sizing existing footprints, and extending timelines on new commitments as they seek greater clarity on cost pressures and supply chain conditions. Leasing activity has tempered from its historic highs as occupiers exercised caution, but underlying demand remains active and the market is well-positioned to regain momentum as macroeconomic uncertainty eases.



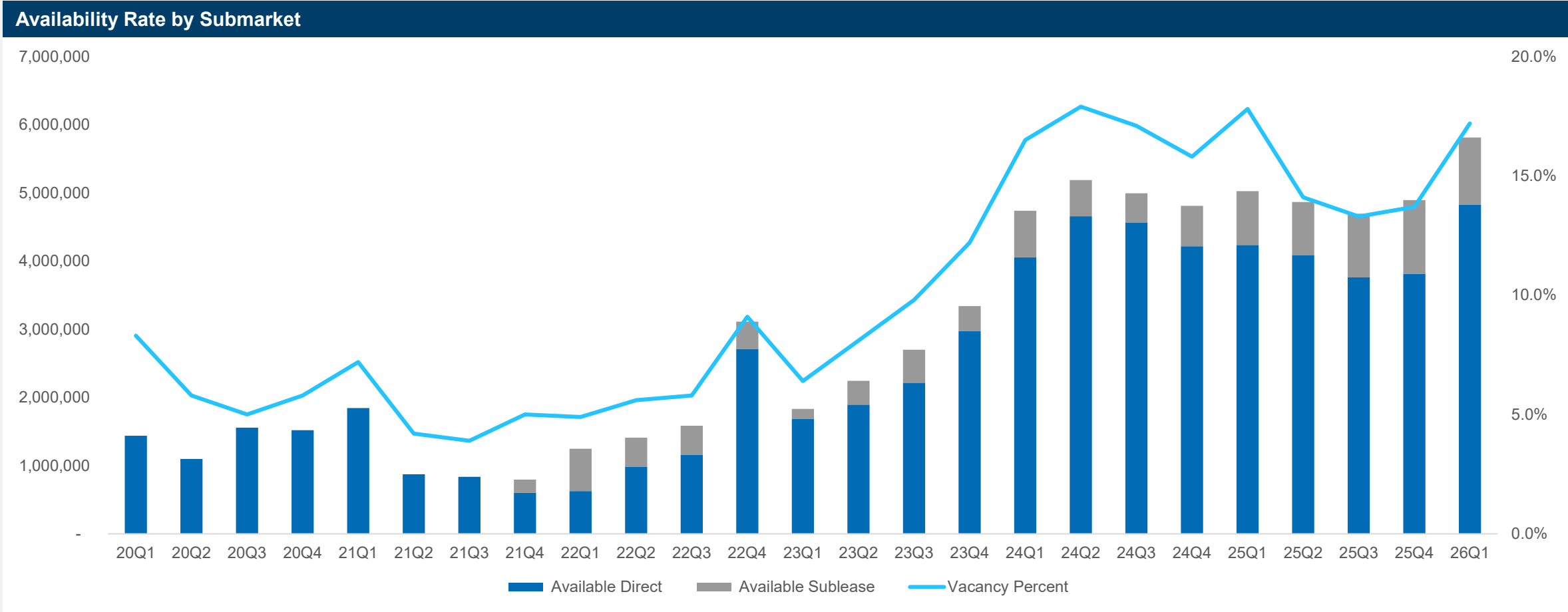
Class A Warehouse Captured Nearly Half of Industrial Leasing

Even as U.S. trade policy uncertainty, interest-rate volatility, and elevated construction costs continued to weigh on the broader market, Class A warehouse leasing rose 8.2% quarter-over-quarter and captured 43.2% of the industrial lease volume in the first quarter; a compelling signal that occupier confidence in quality product remains firmly intact. This "flight to quality" dynamic reflects a broader national trend in which tenants are increasingly selective about the caliber of space they occupy.



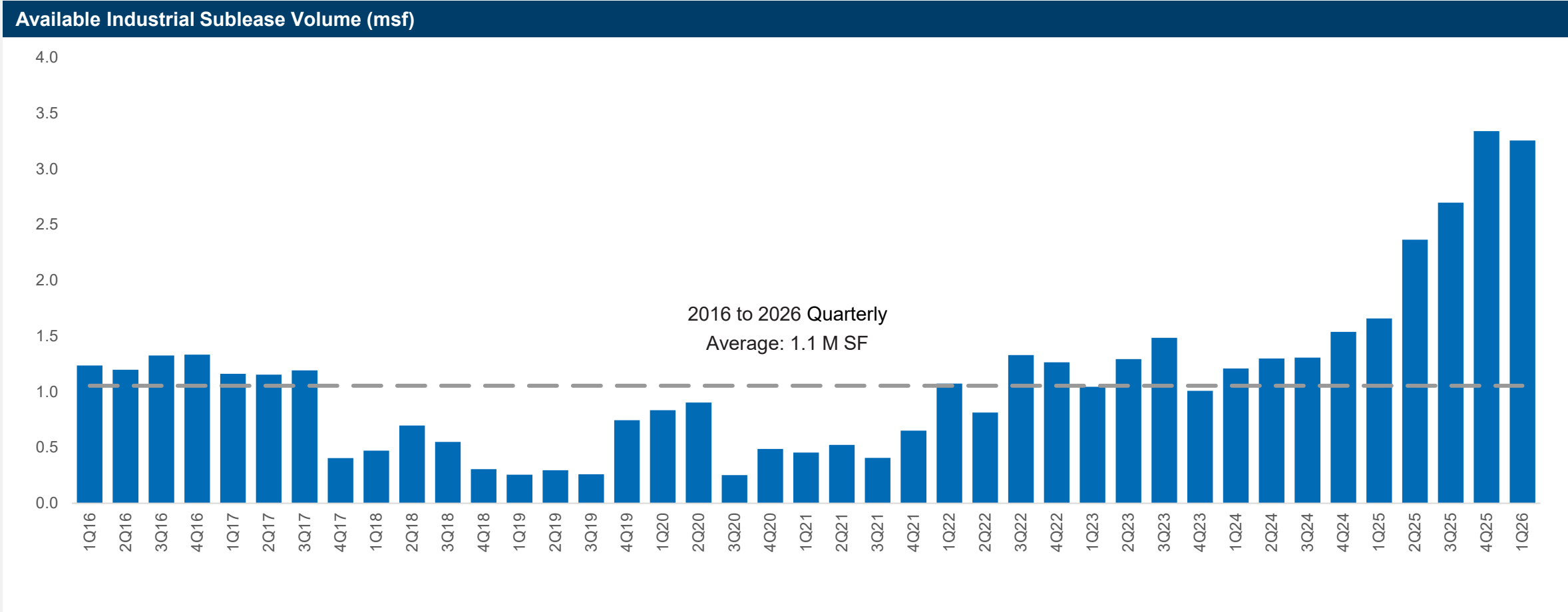
Class A Overall Availability Up, Sublease Down

Class A warehouse availability increased 18.8% quarter-over-quarter. While direct availability rose 26.6% over the prior quarter, this uptick is largely attributable to Manna Beverages vacating approximately 900,000 square feet: a one-time event rather than a reflection of widespread softening in occupier demand. Conversely, sublease availability contracted 8.7% during the same period. A one-time availability spike driven by a single departure, counterbalanced by tightening sublease conditions, underscores the durability of occupier demand in Sacramento's Class A industrial market.



Sublease Availability Posted Slight Decline

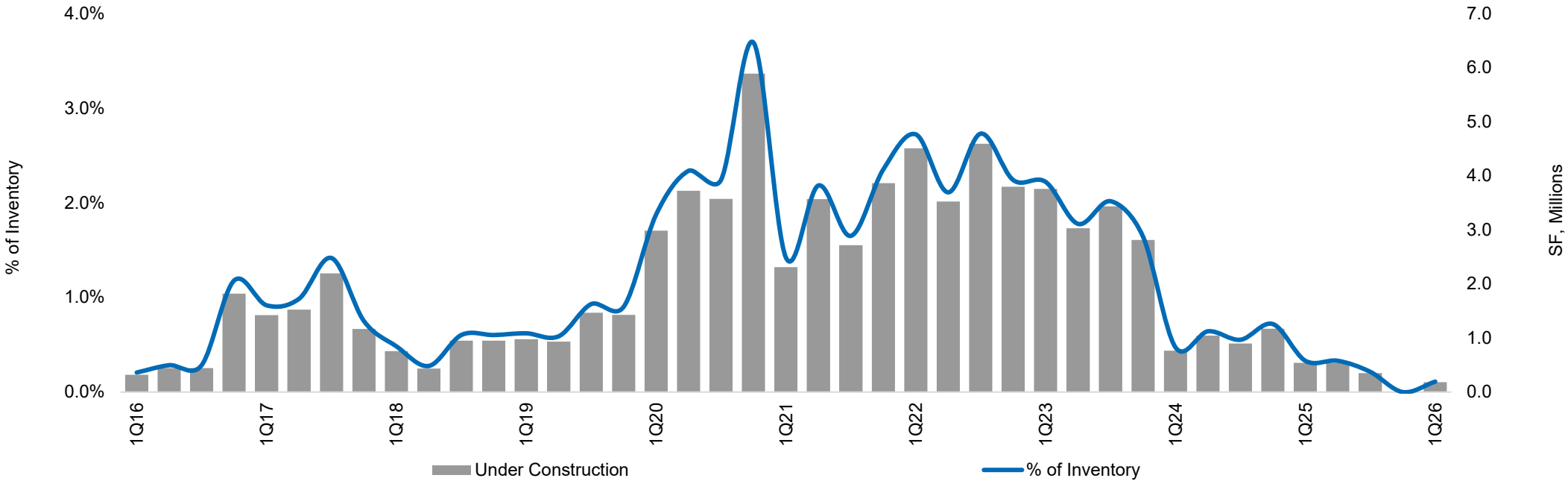
While industrial sublease space declined 2.5% quarter-over-quarter, the supply has accelerated sharply over the previous 5 years. The 3.3 million square feet of sublease space available in the first quarter of 2026 is three times the ten-year average. This increase is driven by occupiers recalibrating post-pandemic footprints and strategically monetizing excess capacity through subleases rather than carry the cost of underutilized space. In addition, new construction deliveries of 2021-2022 introduced a significant inventory of modern, move-in-ready product, further amplifying sublease availability. The decline in sublease availability is an encouraging early signal that the market may be approaching a turning point.



Construction Pipeline Recalibrates

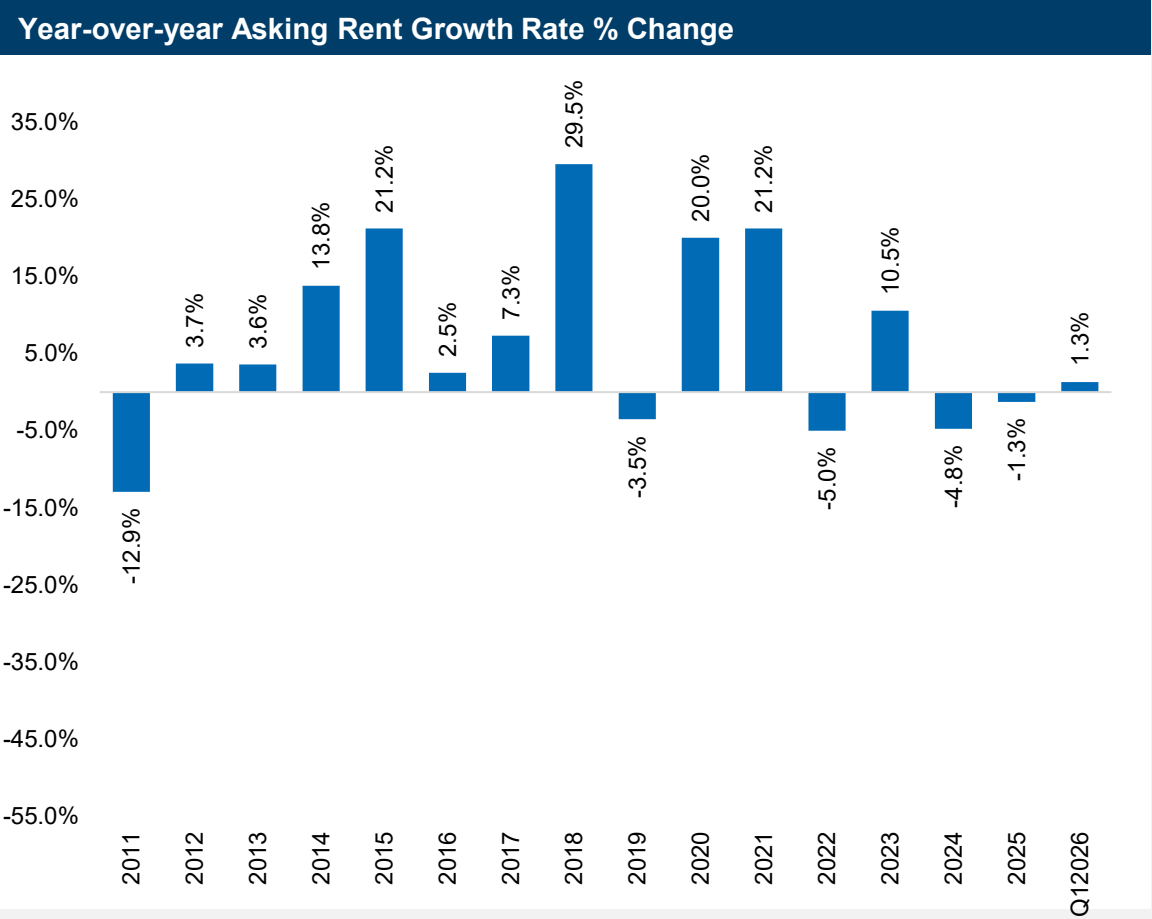
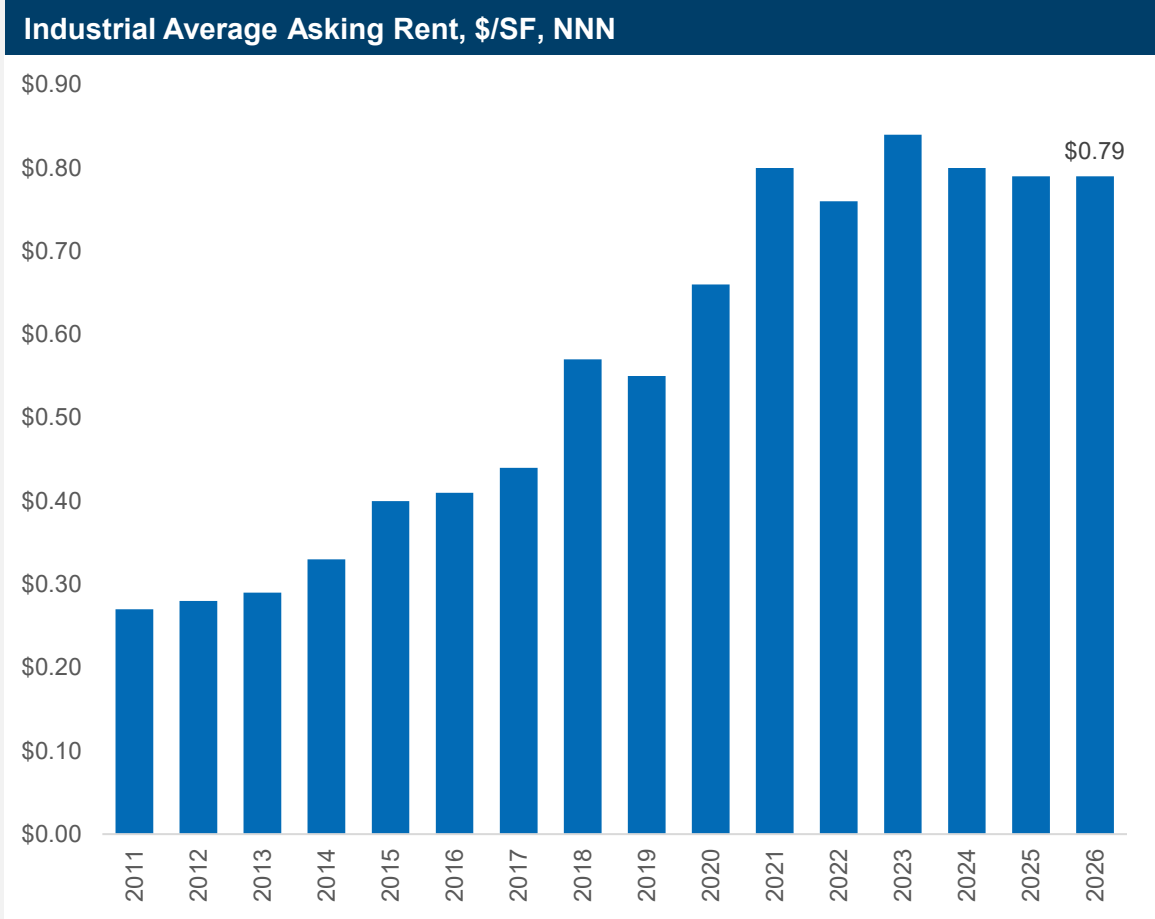
Sacramento’s industrial development pipeline has been cyclical since its late-2020 peak. A surge of building deliveries expanded inventory and temporarily shifted the supply-demand balance. As absorption works through that added space, and with construction costs elevated, ground-up activity has moderated. Encouragingly, a 180,000 square foot project in the Elk Grove submarket broke ground in the first quarter, signaling that developer confidence in Sacramento's long-term fundamentals remains intact. Several additional projects are advancing through planning stages, and a pickup in new construction is anticipated to start in the second quarter.

Industrial Under Construction and % of Inventory



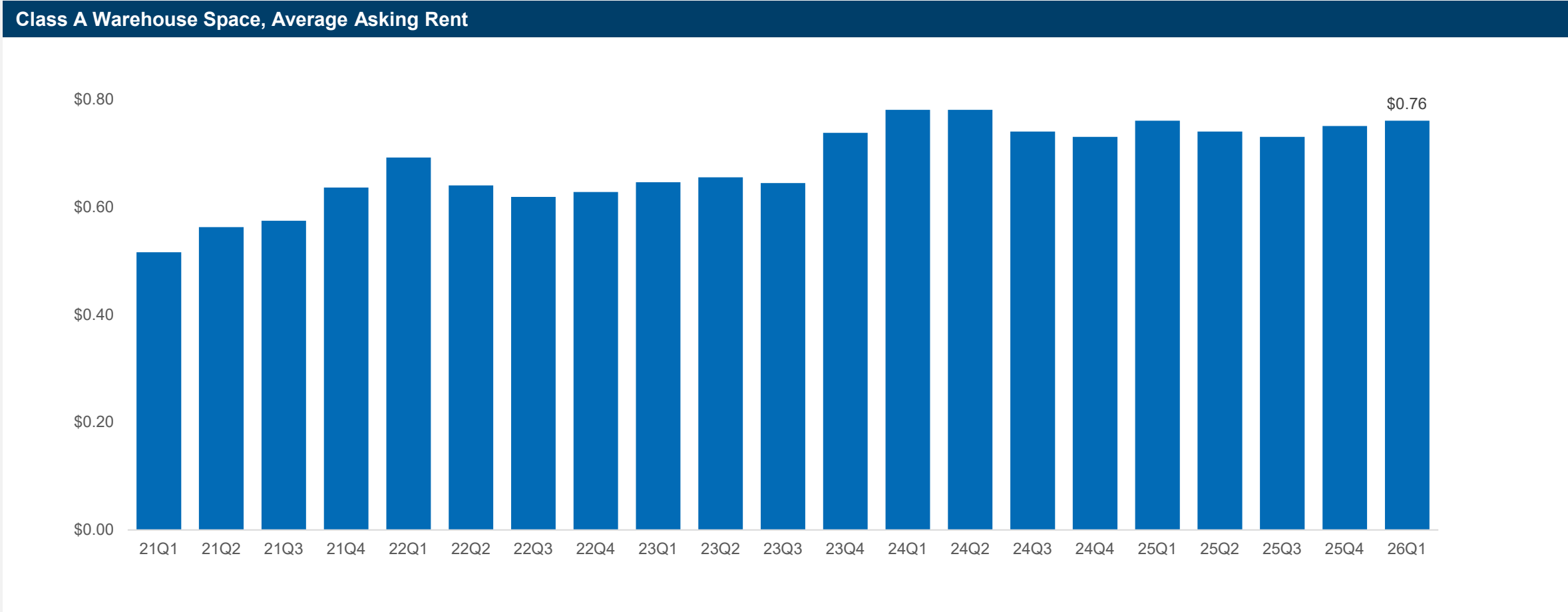
Industrial Asking Rents Held Firm

The Sacramento region asking rents demonstrated encouraging stability to close the first quarter at \$0.79/SF NNN, a modest 1.3% increase over the first quarter of 2025 and sitting 5.3% below the 10-year peak achieved in 2023. The current rent level is best understood not as a discount from peak, but as a healthy and sustainable market rate that reflects a pricing environment that has reset and is now showing early signs of forward momentum.



Class A Warehouse Rents Inched Upward

Industrial Class A rents reached a five-year peak in the first half of 2024 at \$0.78 per square foot before easing to \$0.75 per square foot by year-end 2025 and ticking back up 1.3% to \$0.76 in the first quarter of 2026. This modest 2.6% pullback from peak indicates normalization rather than deterioration. Pricing at the top end of the market has demonstrated notable resilience, and Class A space continues to command healthy rate integrity, making it well-positioned to benefit as the demand for quality space increases.



Significant Leases

Notable Leases 1Q26

Tenant	Building(s)	Submarket	Type	Square Feet
Cardinal Health	7531 Metro Air Parkway	Northgate	New Lease	260,000
Phillips Pet Food Supplies	3885 Seaport Boulevard	West Sacramento	Lease Renewal	132,129
4Wall Entertainment	2080 Enterprise Boulevard	West Sacramento	New Lease	79,343
Holman Automotive Group, Inc	2975 Ramco Street	West Sacramento	New Lease	76,708
California Sugars, LLC	1460 Tanforan Avenue	Woodland	Lease Renewal	64,000

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Appendix



Access the Extended 1Q26 Sacramento Industrial Report

The extended version of this report includes:

- **Sublease availability**
- **Availability by submarket**
- **Asking rents by submarket**
- **Overall market statistics**

To access, please reach out
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