

Sacramento Industrial Market Overview

Market Observations

Economy

- While Sacramento’s job losses have leveled off, so has employment growth. The unemployment rate of 4.7% fit 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 0.8% as of May.
- Office-using employment levels have been slowly dropping since the post-pandemic peak during the summer of 2022 and were close to the lows seen in the second quarter of 2020. The unemployment rate has followed a similar path, with sharp job cuts in the office sector aligning with a jump in unemployment. Government jobs, on the other hand, are not included in office-using employment, but the sector remained strong in Sacramento, growing at a faster pace year-over-year than the overall market.

Major Transactions

- One of the largest lease transaction of the quarter was a 517,760 square foot new lease by Pacific Coast Producers in the Davis/Woodland submarket.
- Another notable lease of 229,100 square feet was signed by Amerisun Energy Inc. with them taking over space previously leased by SPI Energy in McClellan Park. Wheel Mart Sacramento leased 148,658 square feet at 7325 Lone Tree Road in the Northgate submarket. And a sizable sublease of 85,000 square feet for Valley RV, Inc. at 3130 Venture Drive in Lincoln.

Leasing Market Fundamentals

- The industrial vacancy rate stood at 5.4% at the end of the second quarter, down 50 basis points over the first quarter and the same as one year ago. The slowing construction pipeline has allowed the Class A market to slowly drive down vacancy, though the contracted lease rates were still lower than developers anticipated.
- Absorption was 718,329 square feet in the second quarter. Class A warehouse absorption was 857,599 square feet. In the face of much market uncertainty, the second quarter leasing totals were better than expected.
- The amount of sublease space on the market has increased by 43% over the past year, and it now totals just under 2.4 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 hovering 5.4% for the last year, is still well below its long-term average of 8.5%. 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
3. Appendix / Tables

2Q25

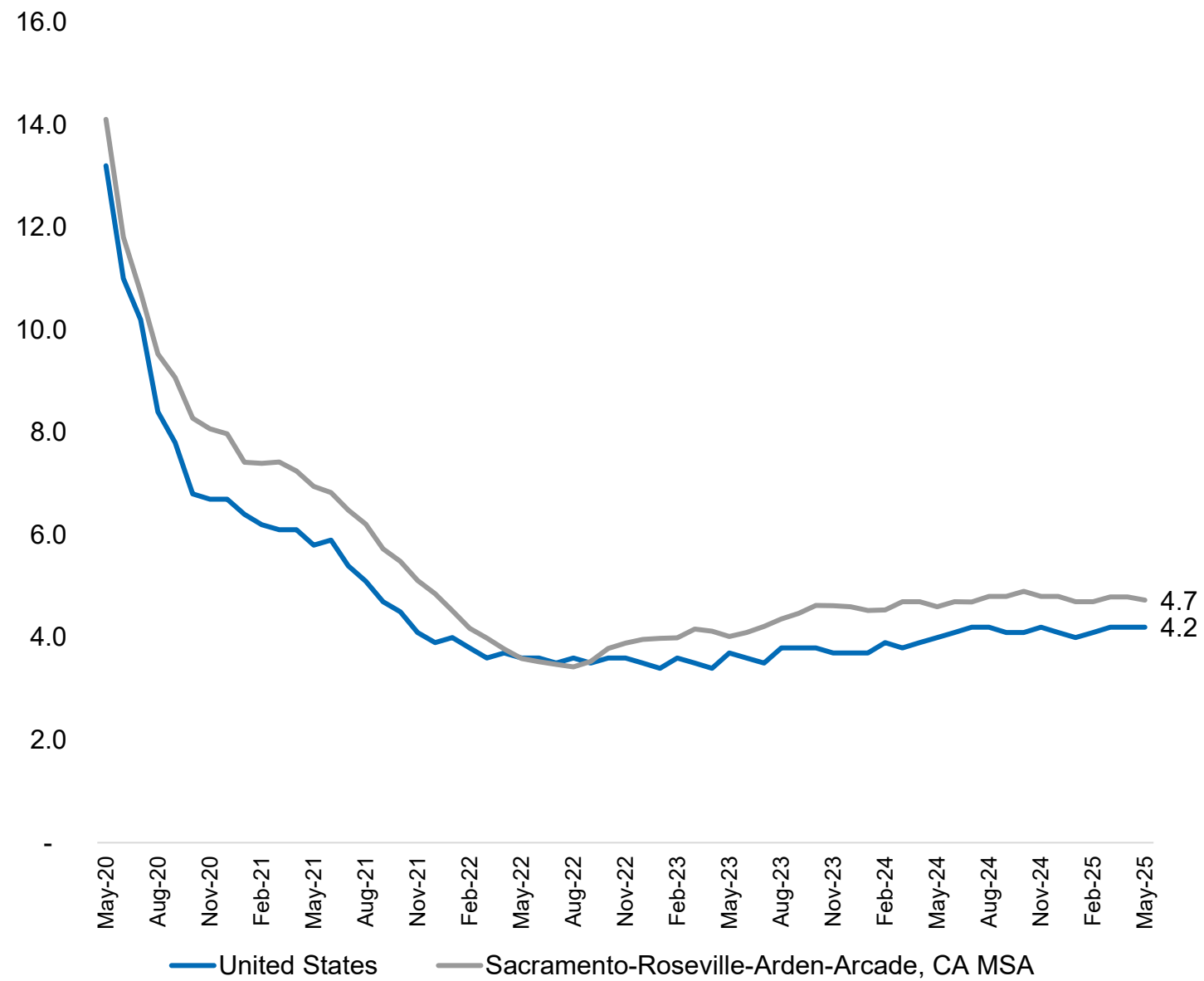
Economy



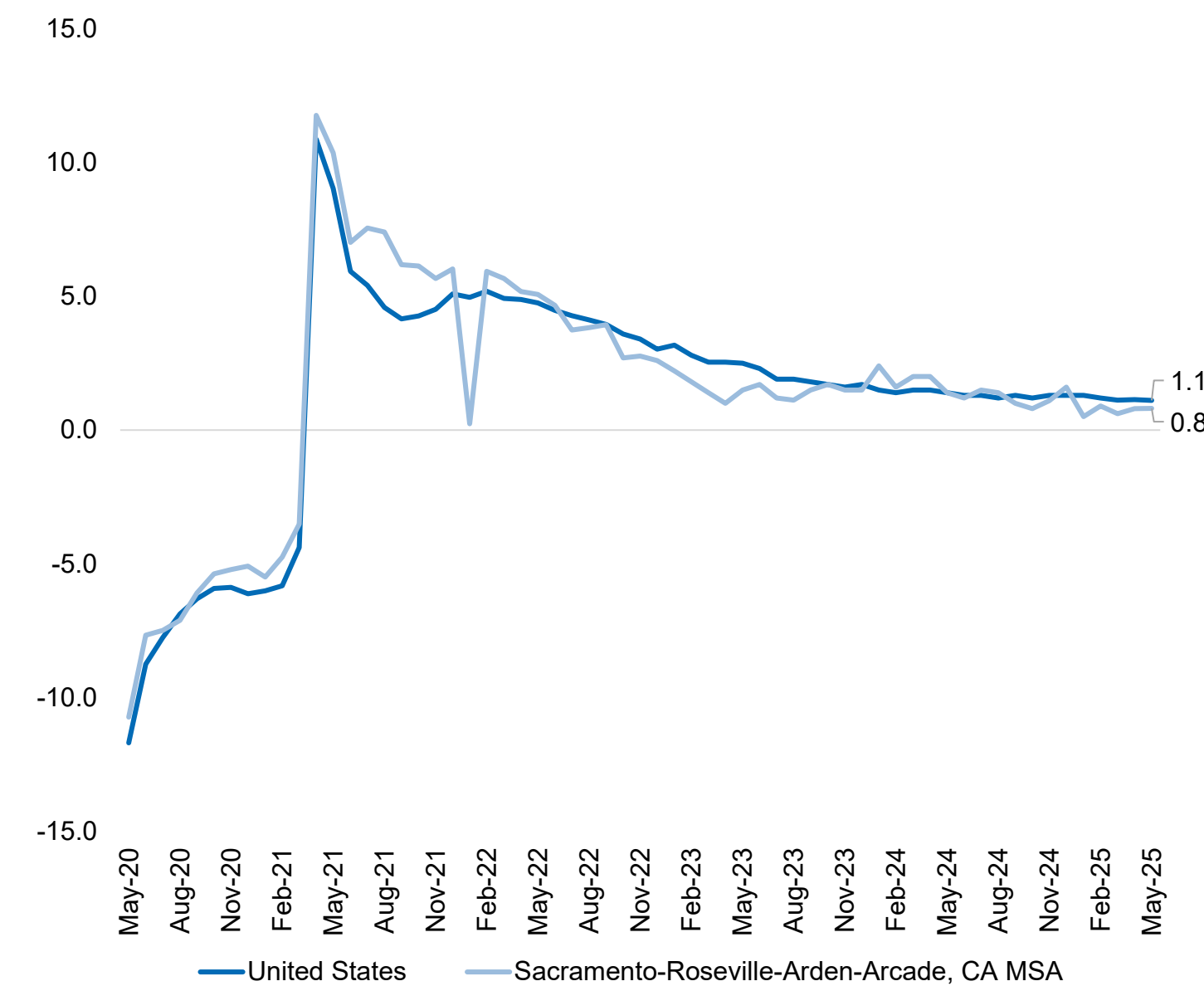
Sacramento Has Closely Tracked US Employment Trends

Employment growth in Sacramento had been following a similar path of the U.S. with growth flattening out after a period of deceleration. Sacramento's economy appeared 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 and was only one tenth of a percent higher than the same time last year.

Unemployment Rate, Seasonally Adjusted



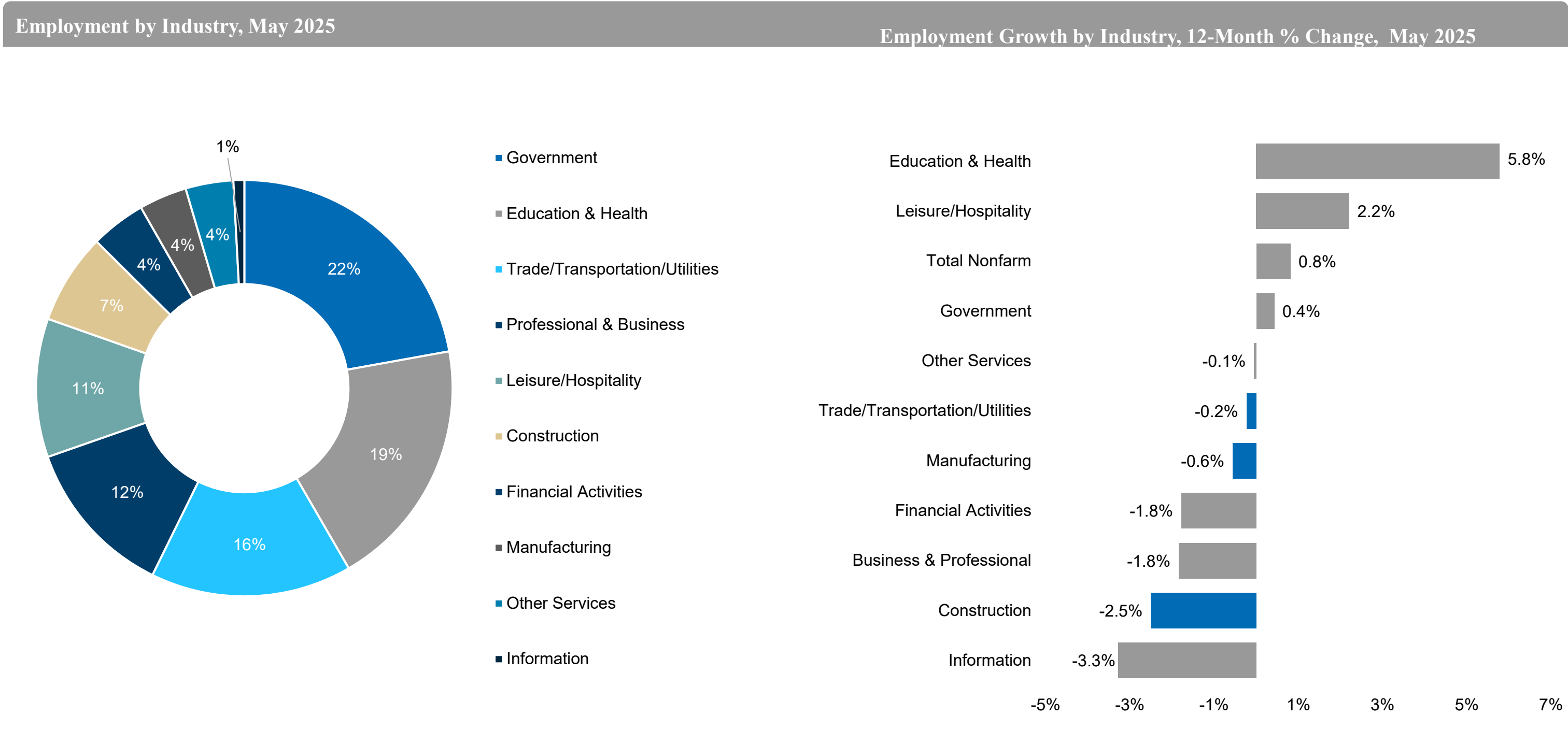
Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



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

Job Gains Stalled in Industrial Sectors

For the second quarter in a row, the Education & Health Care Services sector recorded the largest gains in year-over-year. While the Manufacturing and Trade/Transportation/Utilities sectors saw a relatively small loss in employment growth compared to 12 months ago, the contraction in the Construction sector posted a 2.5% loss.

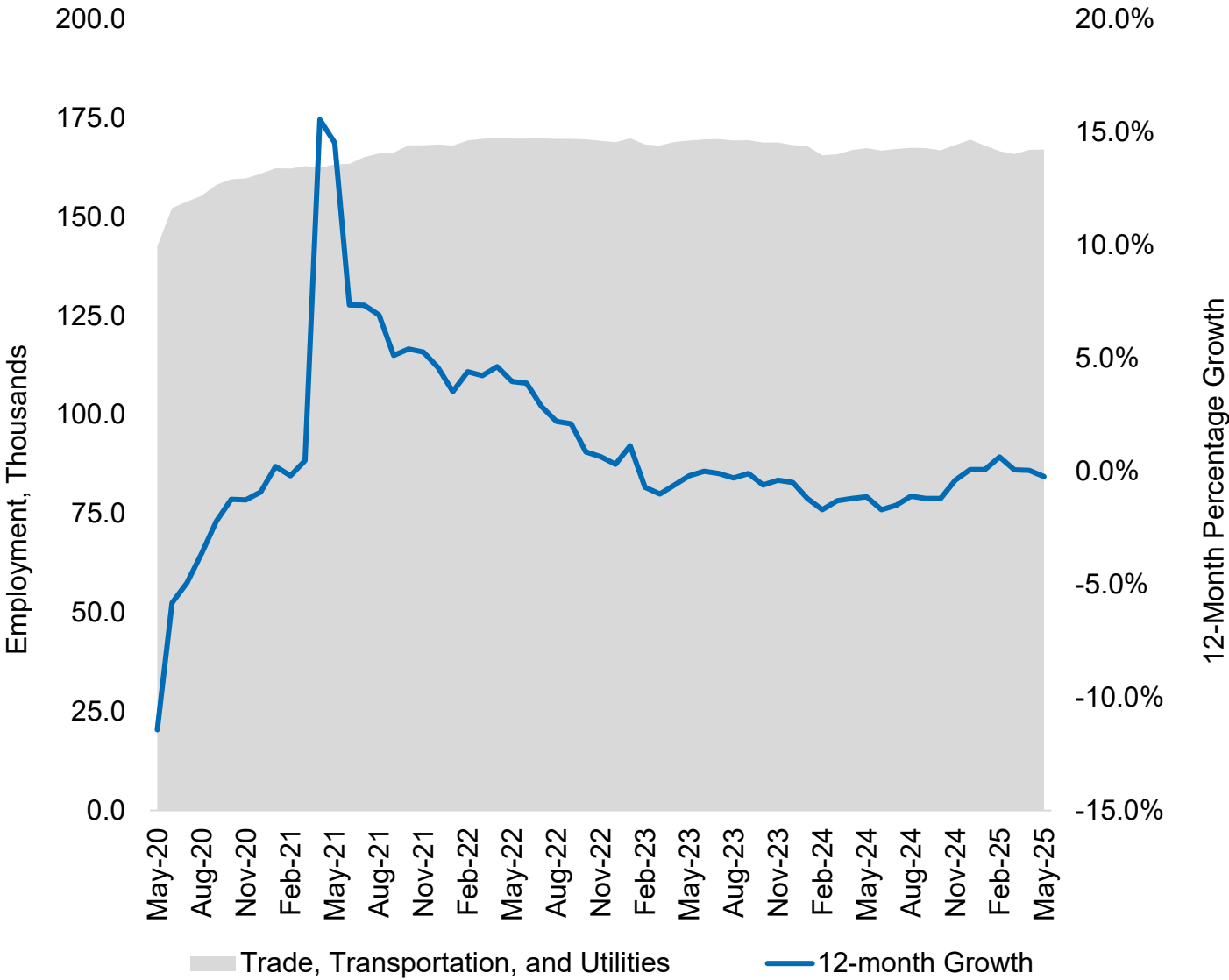


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

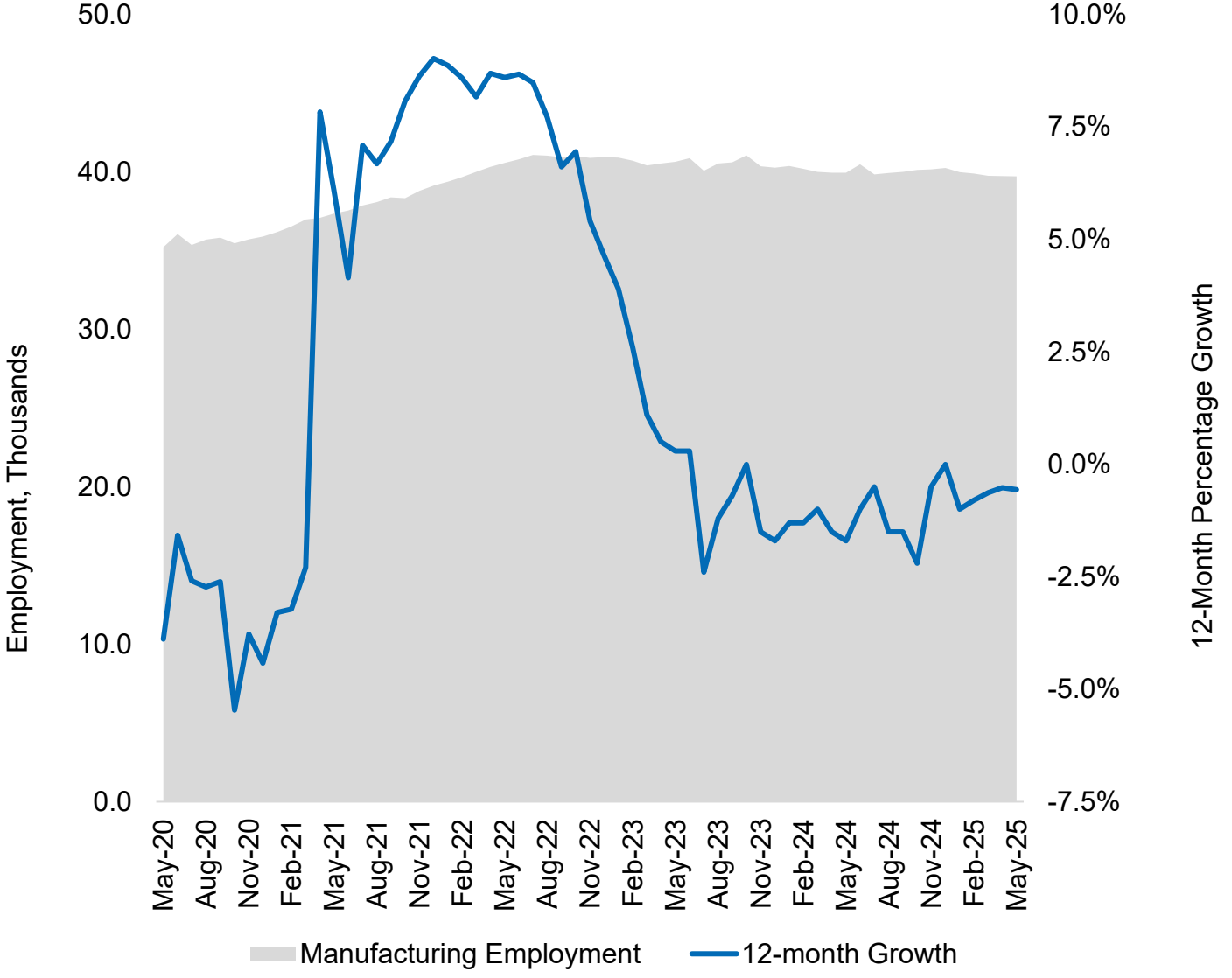
Employment in Industrial Sectors Weaker than Peak; Higher than Pre-Pandemic

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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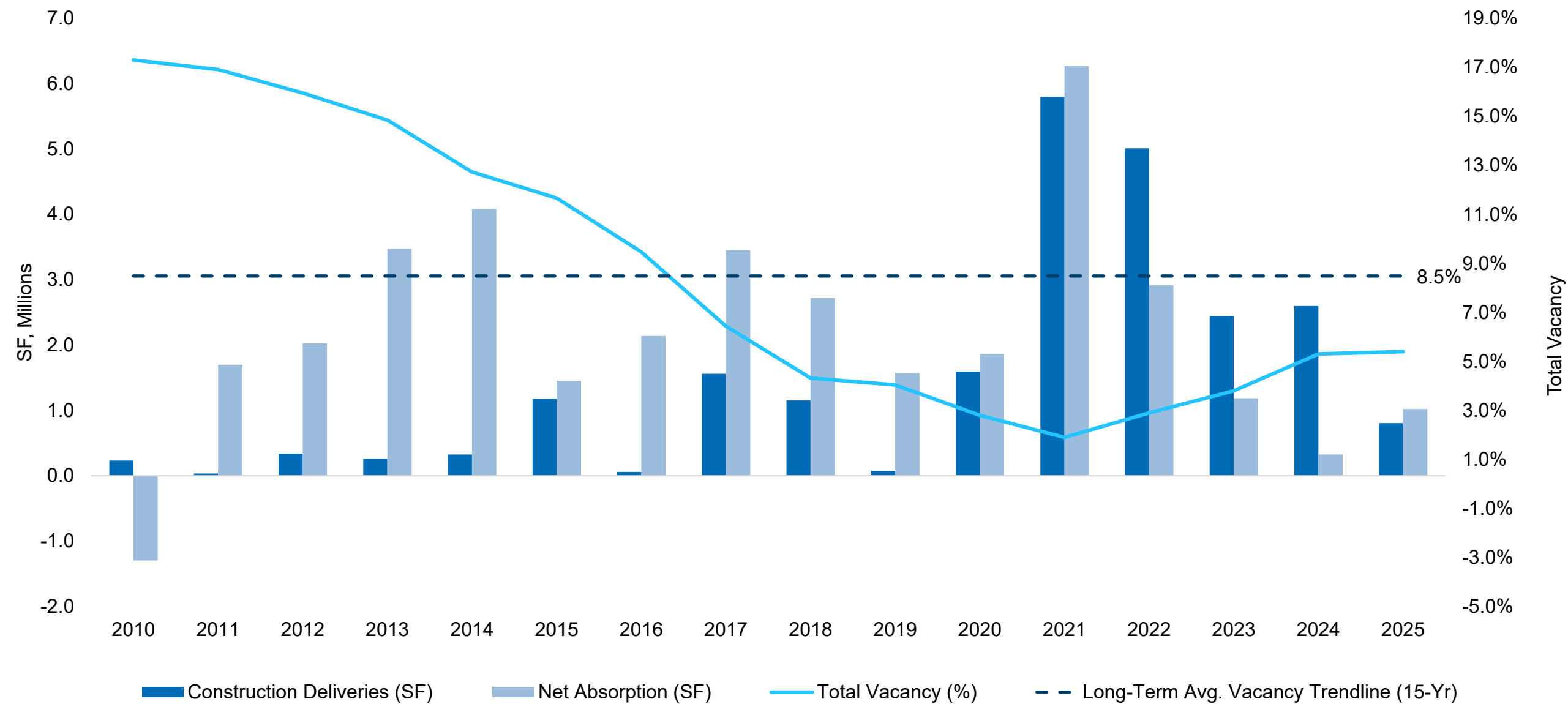
Leasing Market Fundamentals



Vacancy Remained Below Long-Term Average

Industrial vacancy remained at 5.4% for the first half of the year, but this rate still sat below its long-term historic average of 8.5%. 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. While absorption for the second quarter was negative 19,016 square feet, total absorption in the first half of 2025 was positive 572,593 square feet.

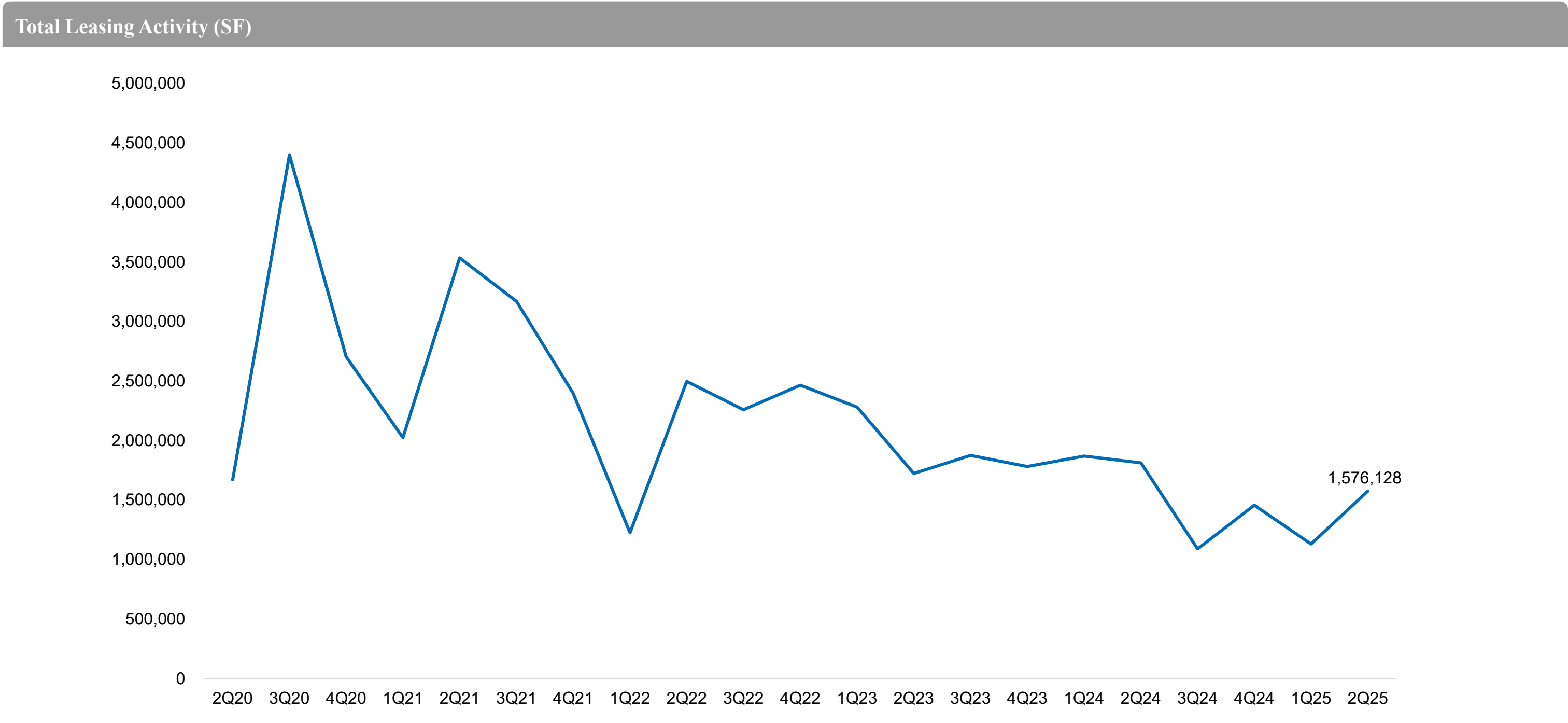
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Pace of Leasing Activity Picked Up

Although easing activity has been slowly dropping since mid-2022, it picked up slightly in the second quarter. One of the largest new leases of the quarter was Pacific Coast Producers Inc. in Woodland which leased a 517,760 square foot space in the Davis/Woodland submarket.

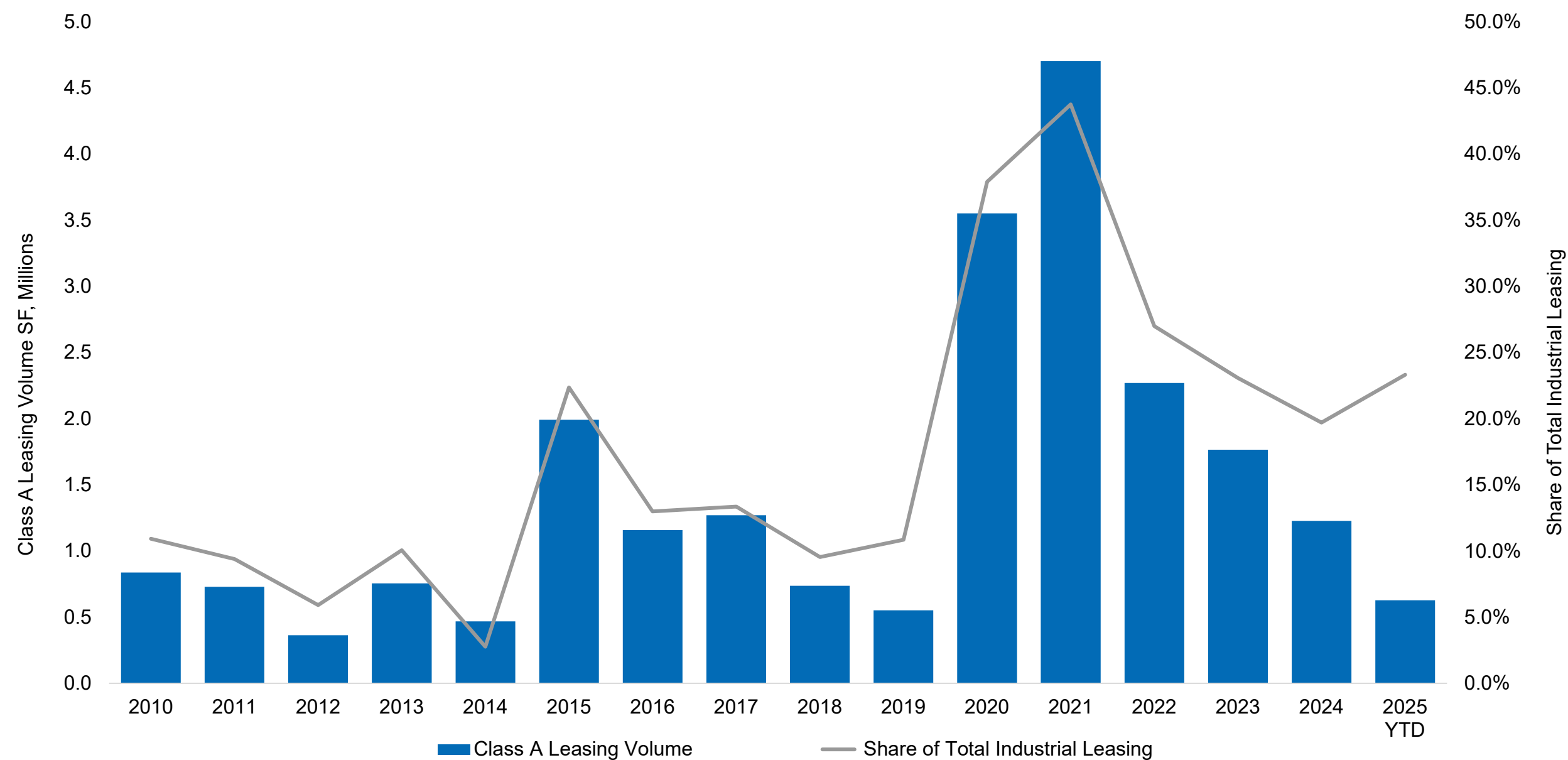


Source: Newmark Research, CoStar

Class A Warehouse Leasing Activity Down

Similar to overall leasing, Class A leasing volume was down in the first half of the year. 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.

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



Source: Newmark Research, CoStar



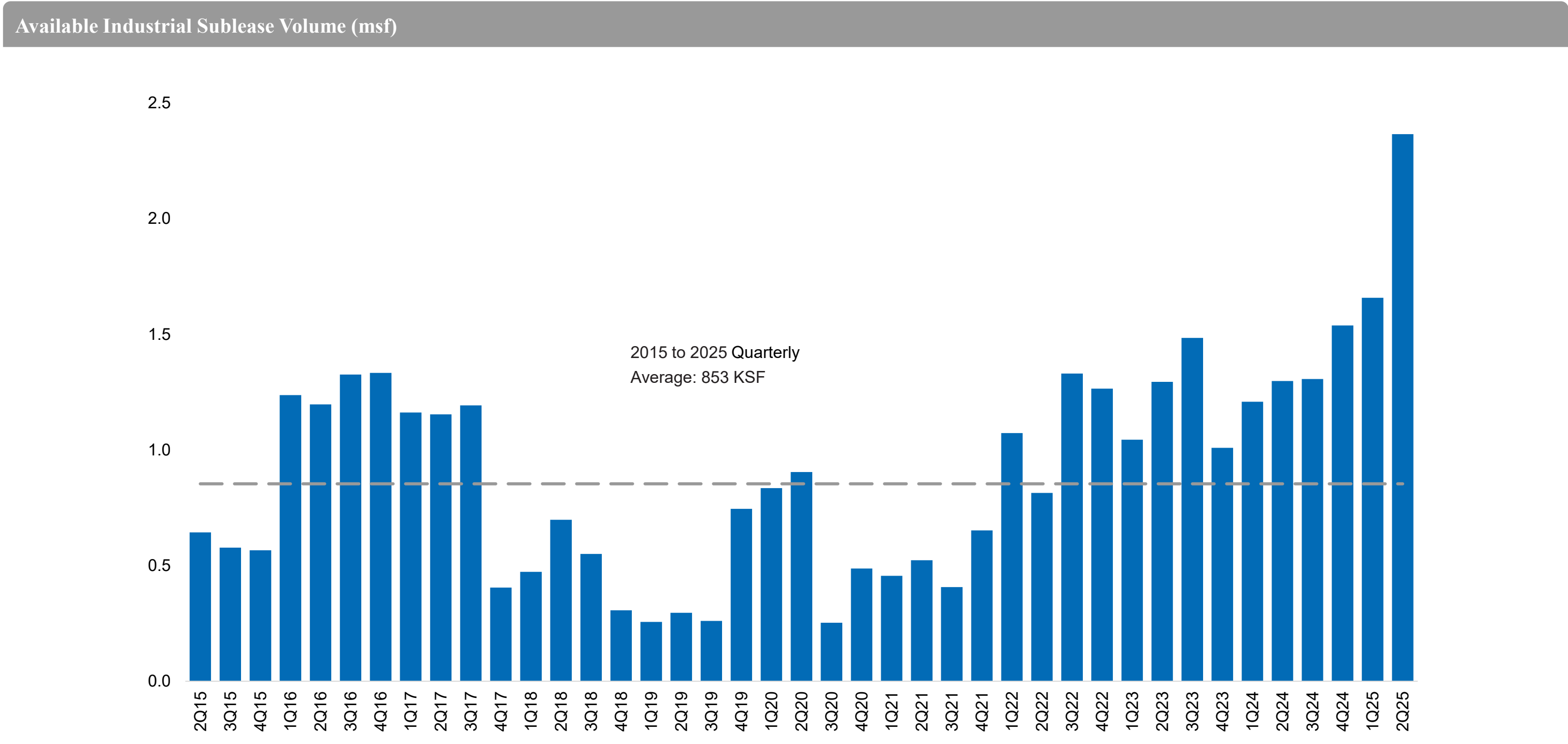
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Industrial Sublease Availability Continued to Increase

The amount of sublease space on the market has been increasing over the last 6 quarters and is now nearly 2.4 million square feet, over double the ten-year quarterly average.



Source: Newmark Research, CoStar

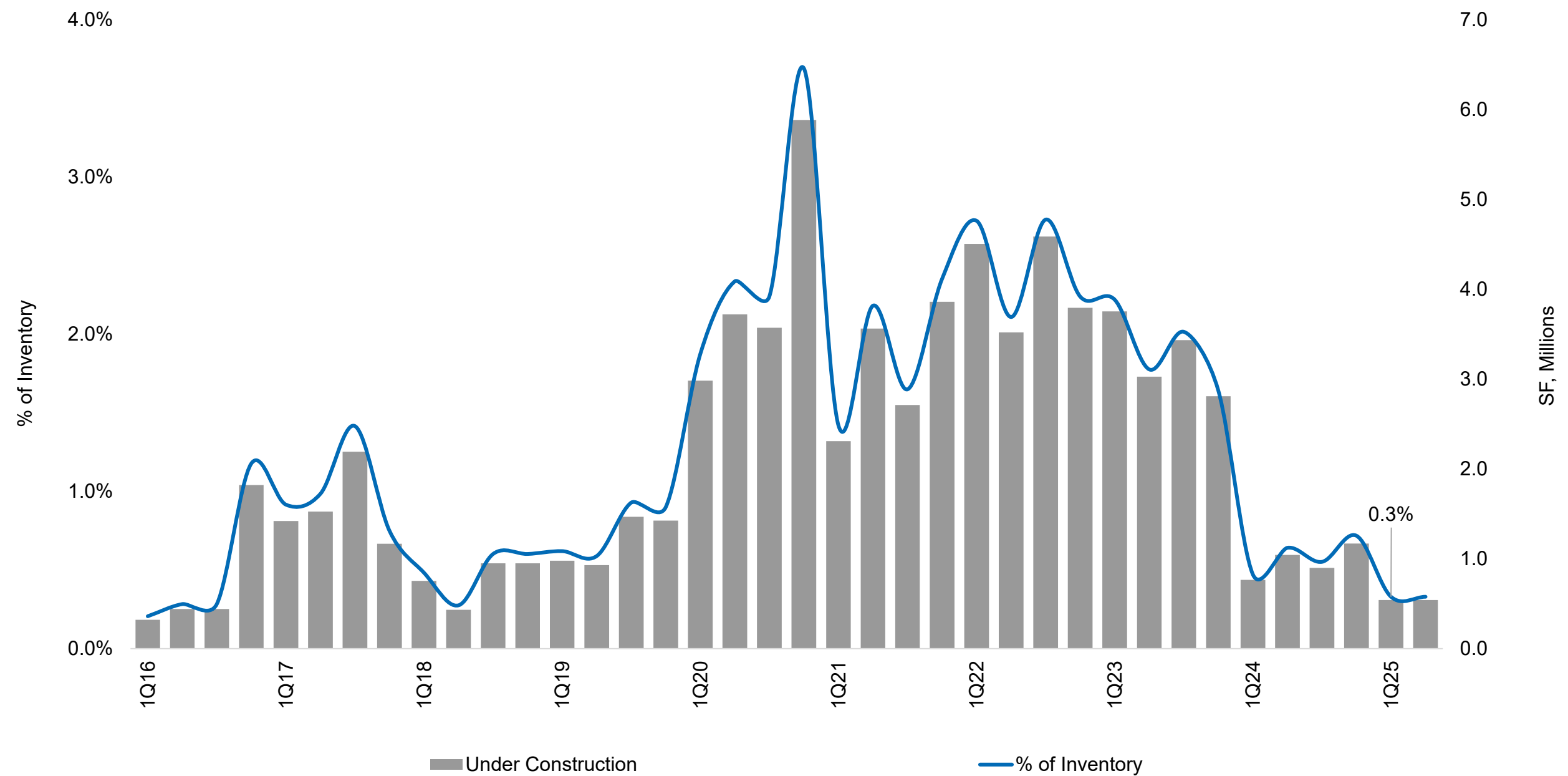


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Industrial Construction Pipeline Activity Slowed

The Sacramento industrial market construction pipeline dropped off in recent years given the weakness in market fundamentals as well as the lending environment. No new is construction slated to begin in the third quarter

Industrial Under Construction and % of Inventory

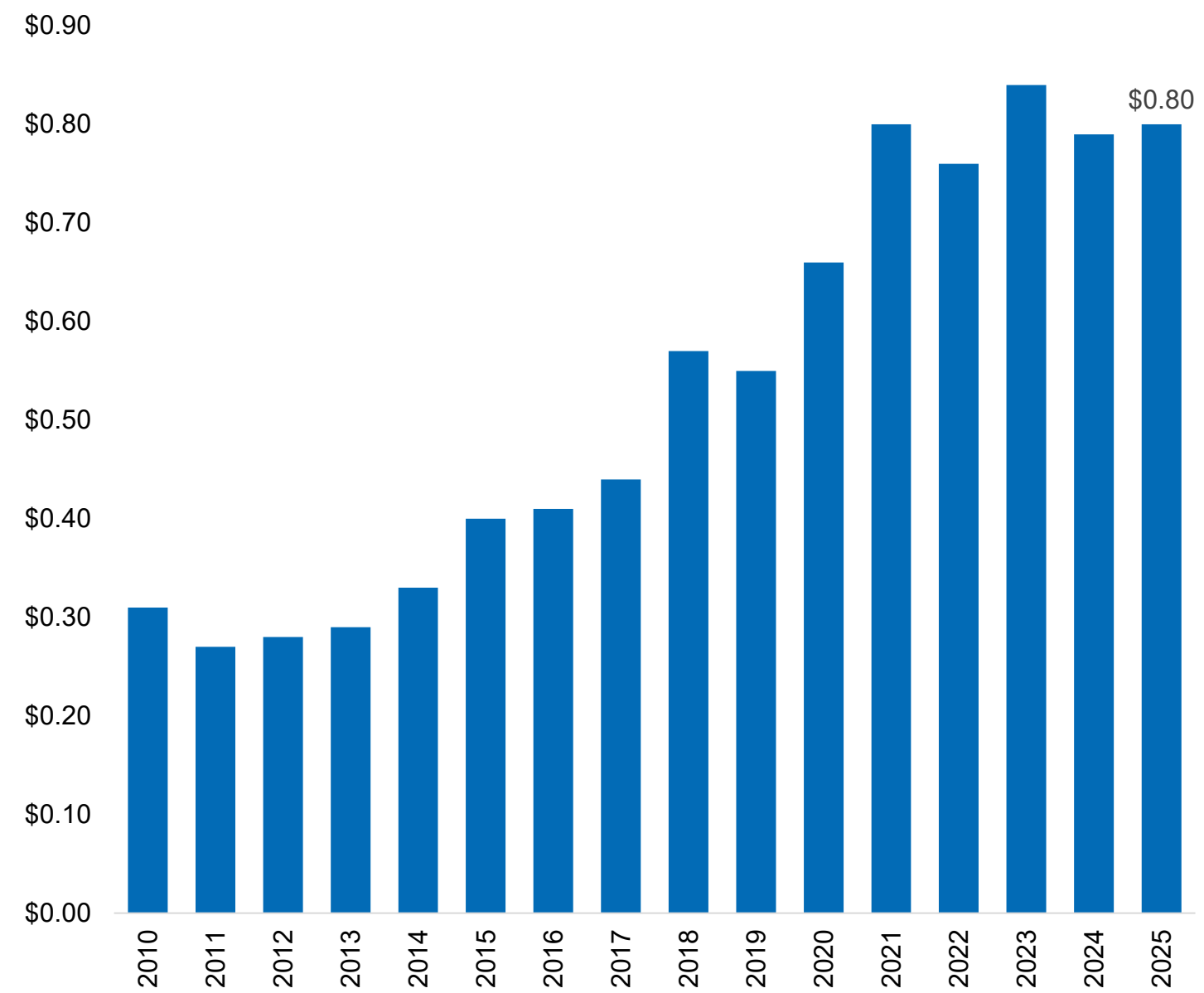


Source: Newmark Research, CoStar

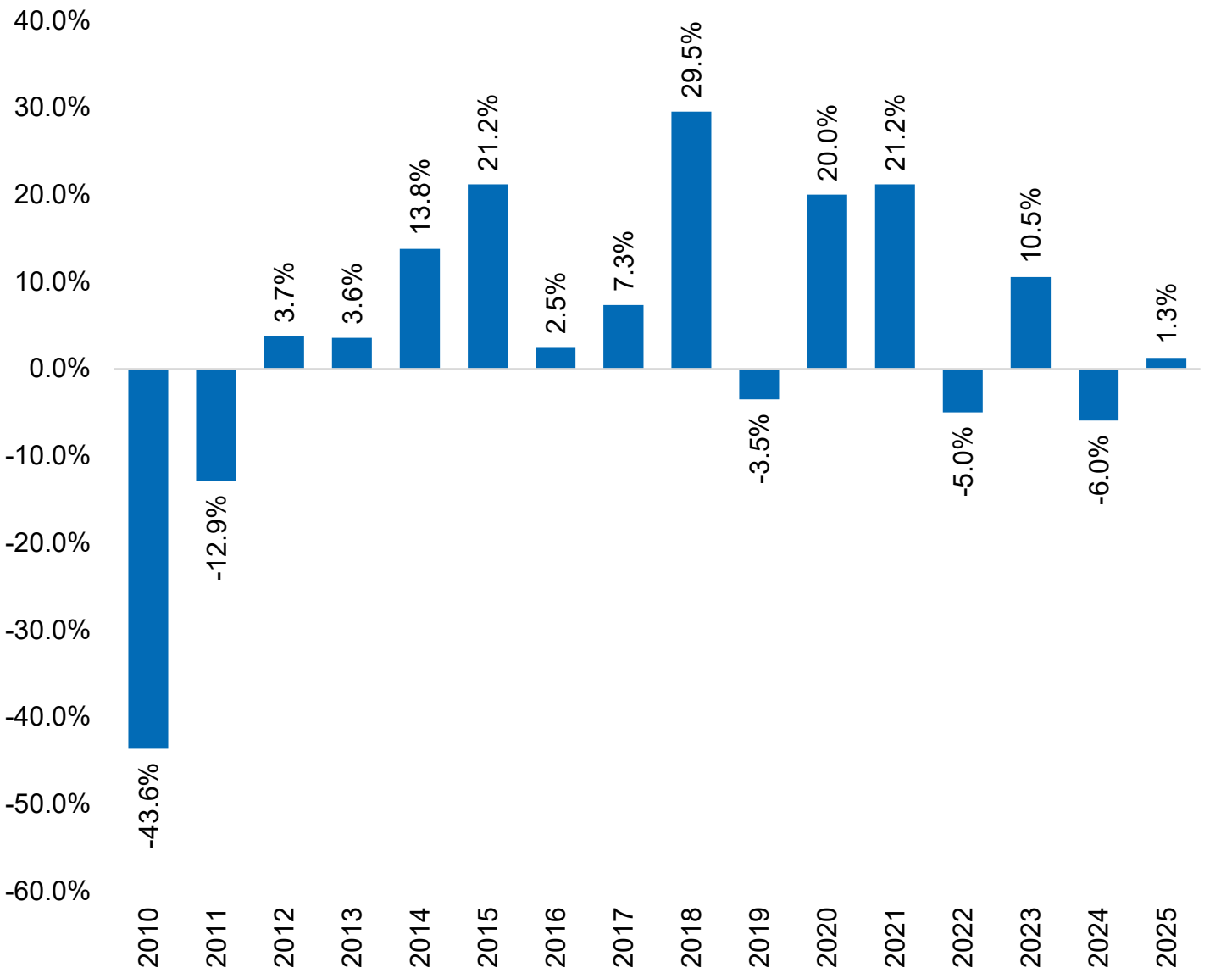
Industrial Asking Rent Increased Slightly

Industrial average asking rents went up in the second quarter and ended up at \$0.80/SF compared to \$.81/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



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Notable 2Q25 Lease Transactions

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Pacific Coast Producers, Inc.	1755 E Beamer Street	Davis/Woodland	New Lease	517,760
Amerisun Energy Inc.	4803 Urbani Avenue	McClellan	New Lease	229,100
Wheel Mart Sacramento	7325 Lone Tree Road	Northgate	New Lease	148,658
Valley RV, Inc.	3130 Venture Drive	Lincoln	Sublease	85,000
Venture Solutions, Inc.	3885 Seaport Boulevard	West Sacramento	Lease Extension	51,760

Source: Newmark Research

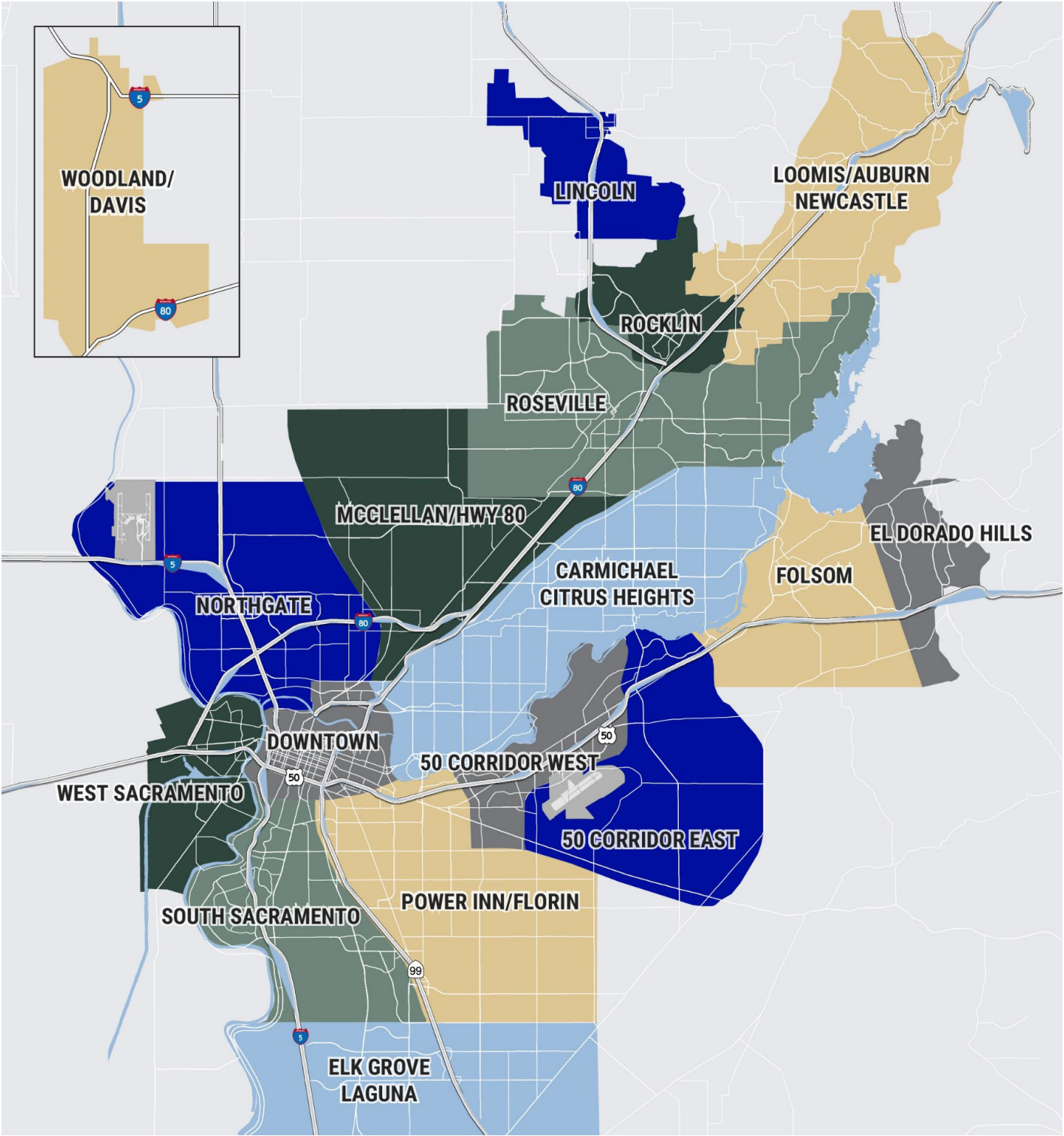
Appendix / Tables





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Sacramento Industrial Submarket Map



Source: Newmark Research

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