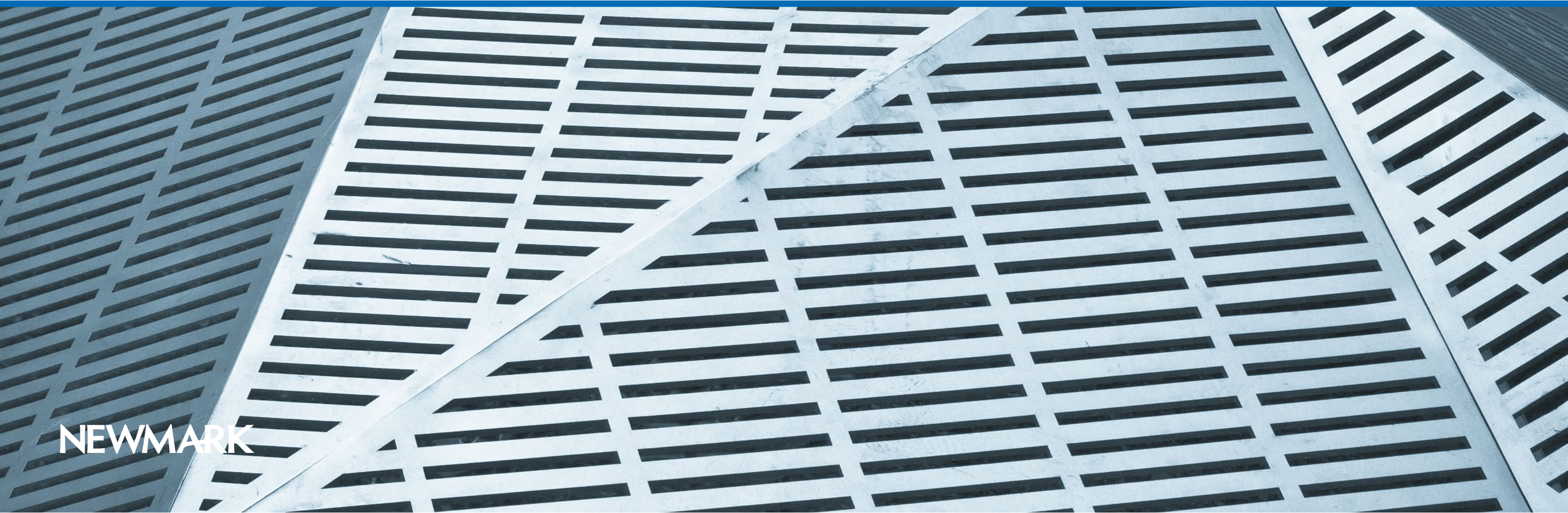


Sacramento Industrial Market Overview



Market Observations

Economy

- While Sacramento’s job losses have leveled off, so has employment growth. Sacramento’s unemployment rate has hovered in the 4.7%-4.8% range for the past six months, while year-over-year job growth tapered down to just 1.0% as of November.
- The manufacturing sector has been slowly shedding jobs after peaking mid-2022; however the current number of manufacturing jobs in the region remains higher than at any point in the ten years prior to the pandemic. The Trade/Transportation & Utilities sector jobs have remained fairly steady since early 2023, and overall are higher than any point in the 10 years prior to the start of the pandemic.

Major Transactions

- The largest transaction in the quarter was Trader Joe’s acquisition of NorthPoint Development’s Rancho Cordova Logistics Center at 12100 Atlanta Circle. The 441,515 square foot building on 25 acres was completed in early 2024 and sold for \$85.9 million, or \$160/SF for the building and \$14/SF for the land.
- The two largest leases of the quarter included renewals in West Sacramento. La Mesa RV renewed it’s 141,480 square foot space at 1060 Riverside Parkway and Le Five USA renewed 65,813 square feet at 3940 Seaport Boulevard.
- There were multiple relocation/expansions in the market in the fourth quarter, including Wosu Logistic in Power Inn for 57,100 square feet, Gee Heavy Machinery in McClellan for 42,000 square feet and Aram Logistics in Elk Grove for 38,828 square feet.

Leasing Market Fundamentals

- The industrial vacancy rate stood at 5.3% at the end of 2024, up 150 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.
- Annual absorption was 326,136 square feet for the year.
- The amount of sublease space on the market has increased by 52% over the course of 2024, and now totals over 1.5 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.

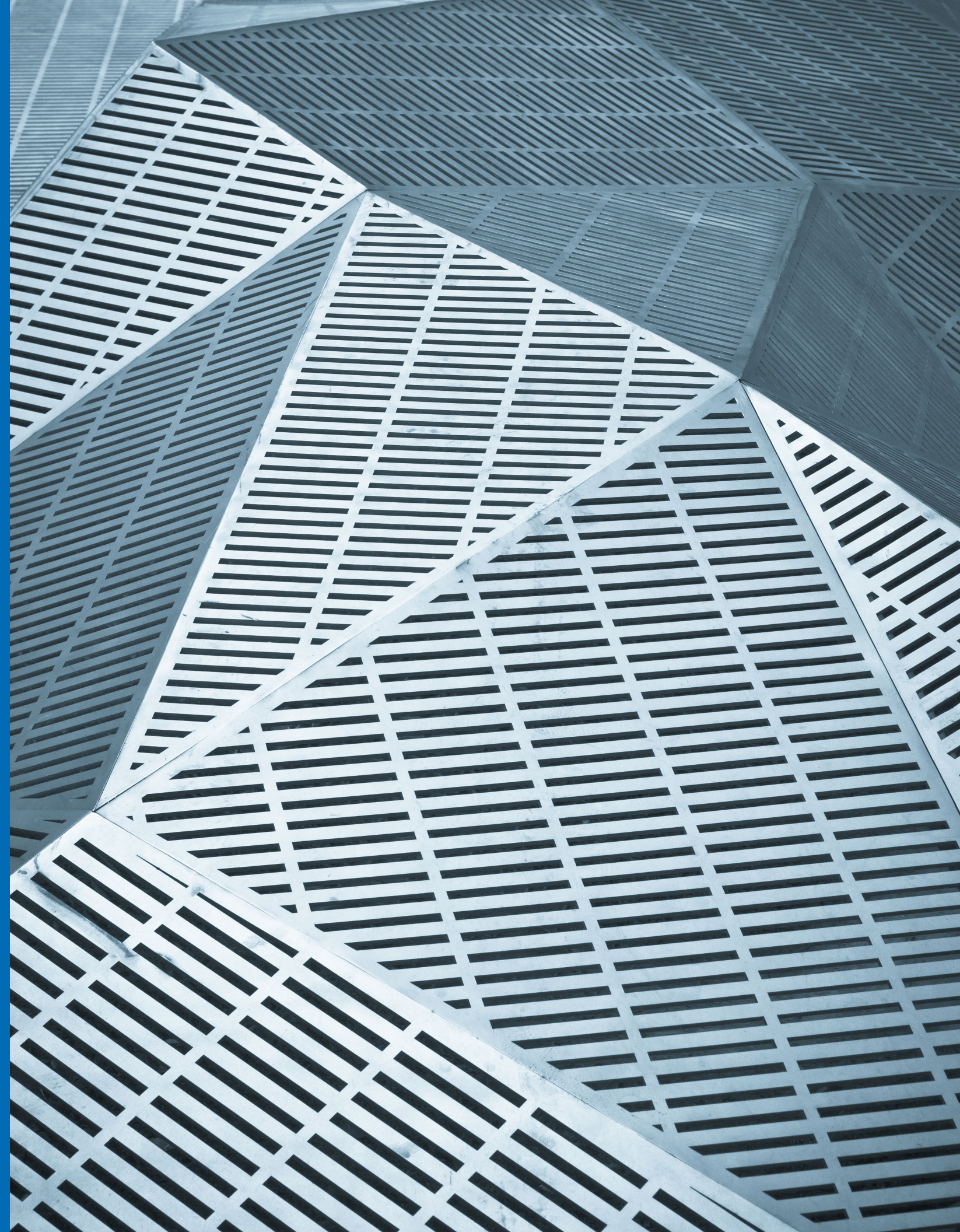
Outlook

- The industrial vacancy rate, while up to 5.3% from a recent low, is still well below its long-term average of 9.2%. As the market starts markedly improving, 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

4Q24

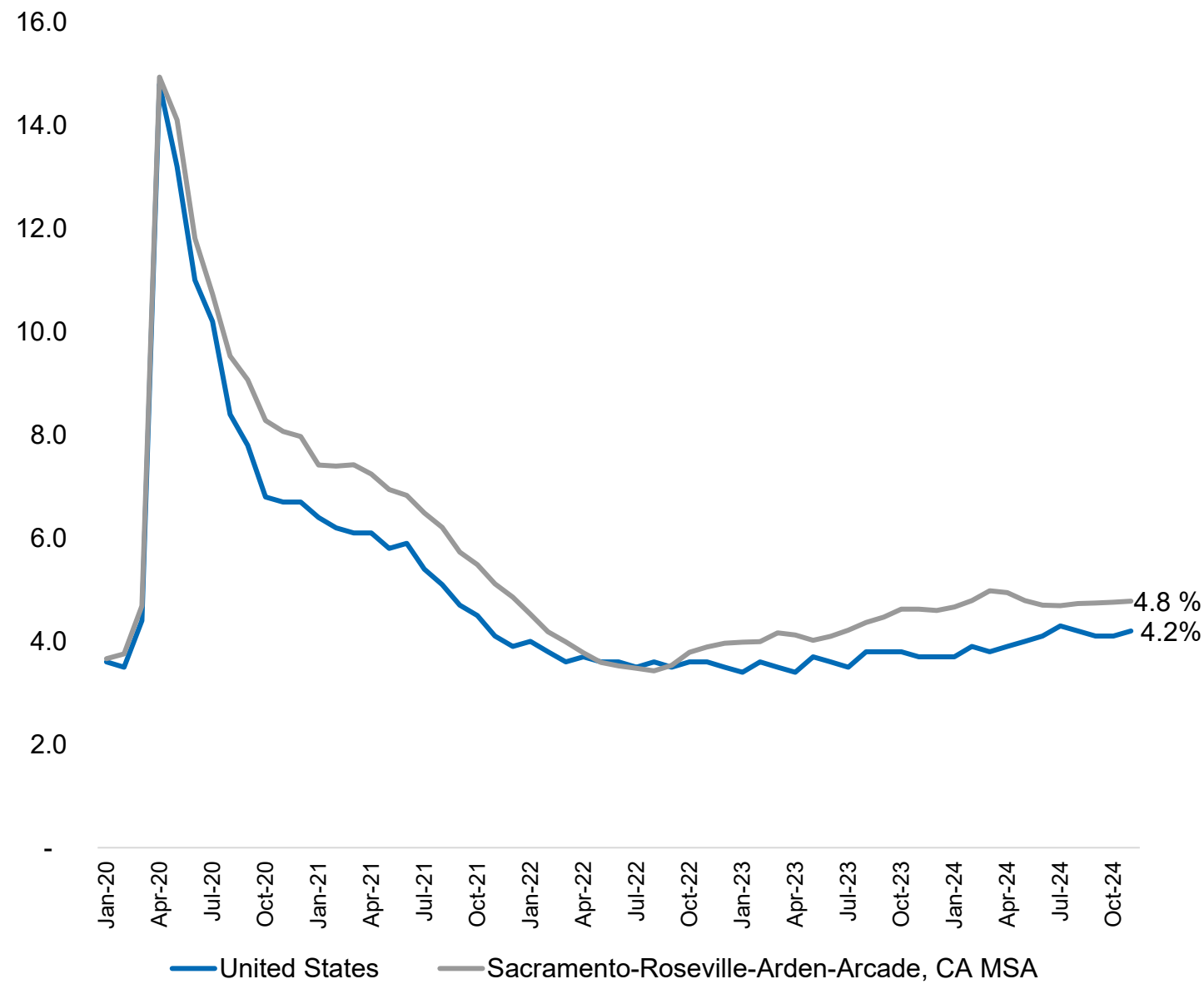
Economy



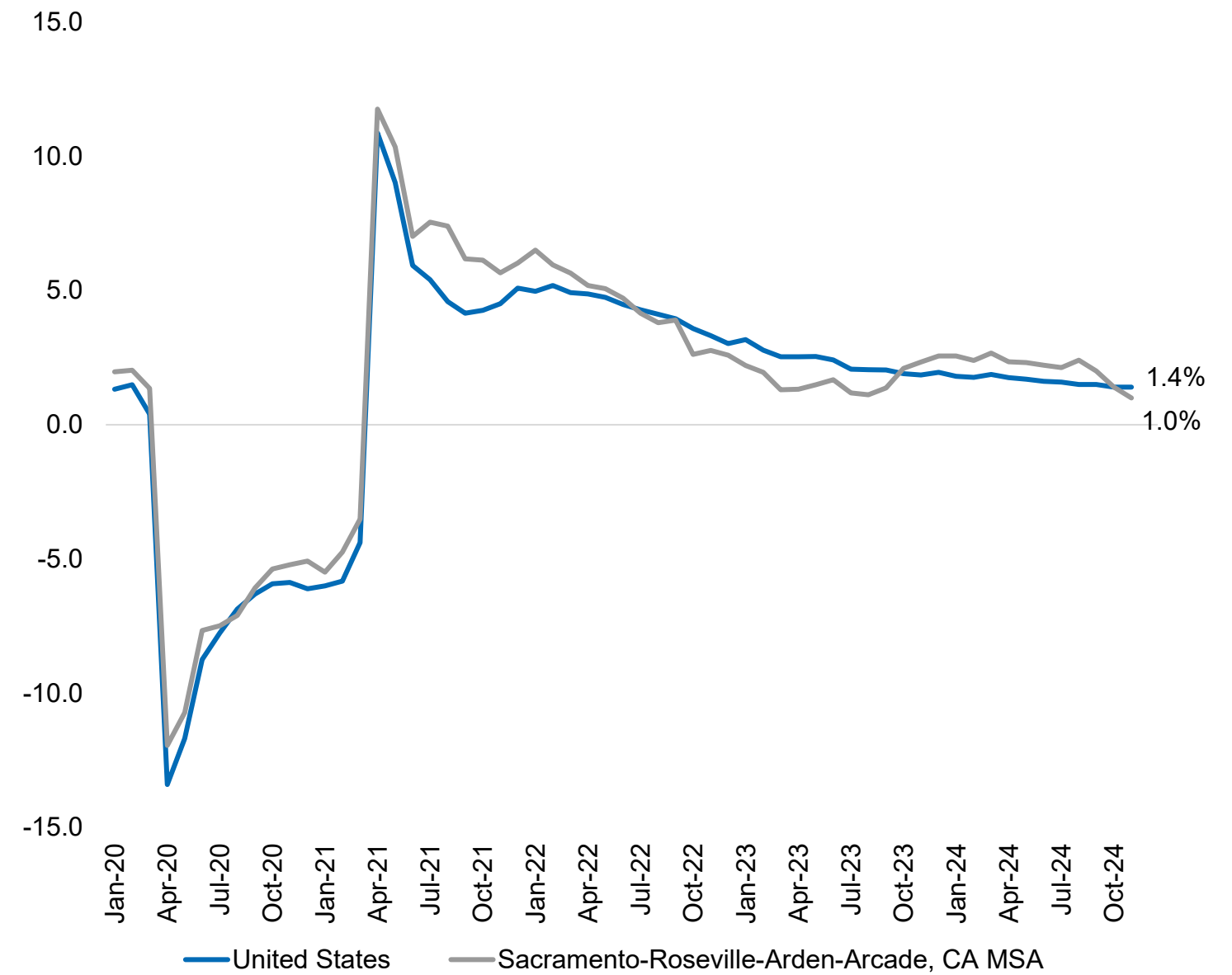
Sacramento Has Closely Tracked US Employment Trends

Sacramento's economy appears to be stabilizing as job losses leveled off. Sacramento's unemployment rate has hovered in the 4.7-4.8% range for the past six months. Employment growth in Sacramento had been following a similar path of the U.S. with growth appearing to be flattening out after a period of deceleration, although growth now appears to be slowing locally.

Unemployment Rate, Seasonally Adjusted



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

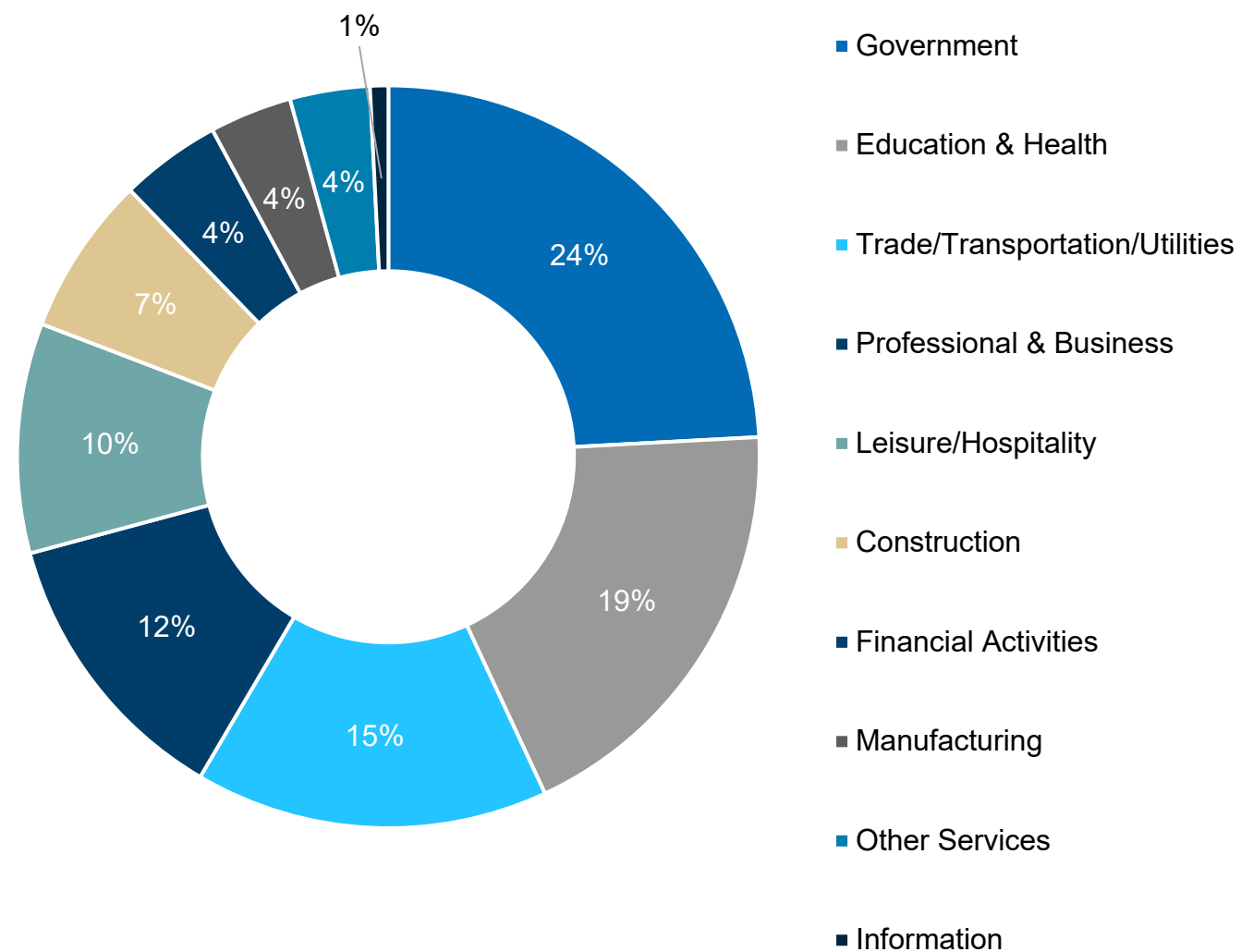


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

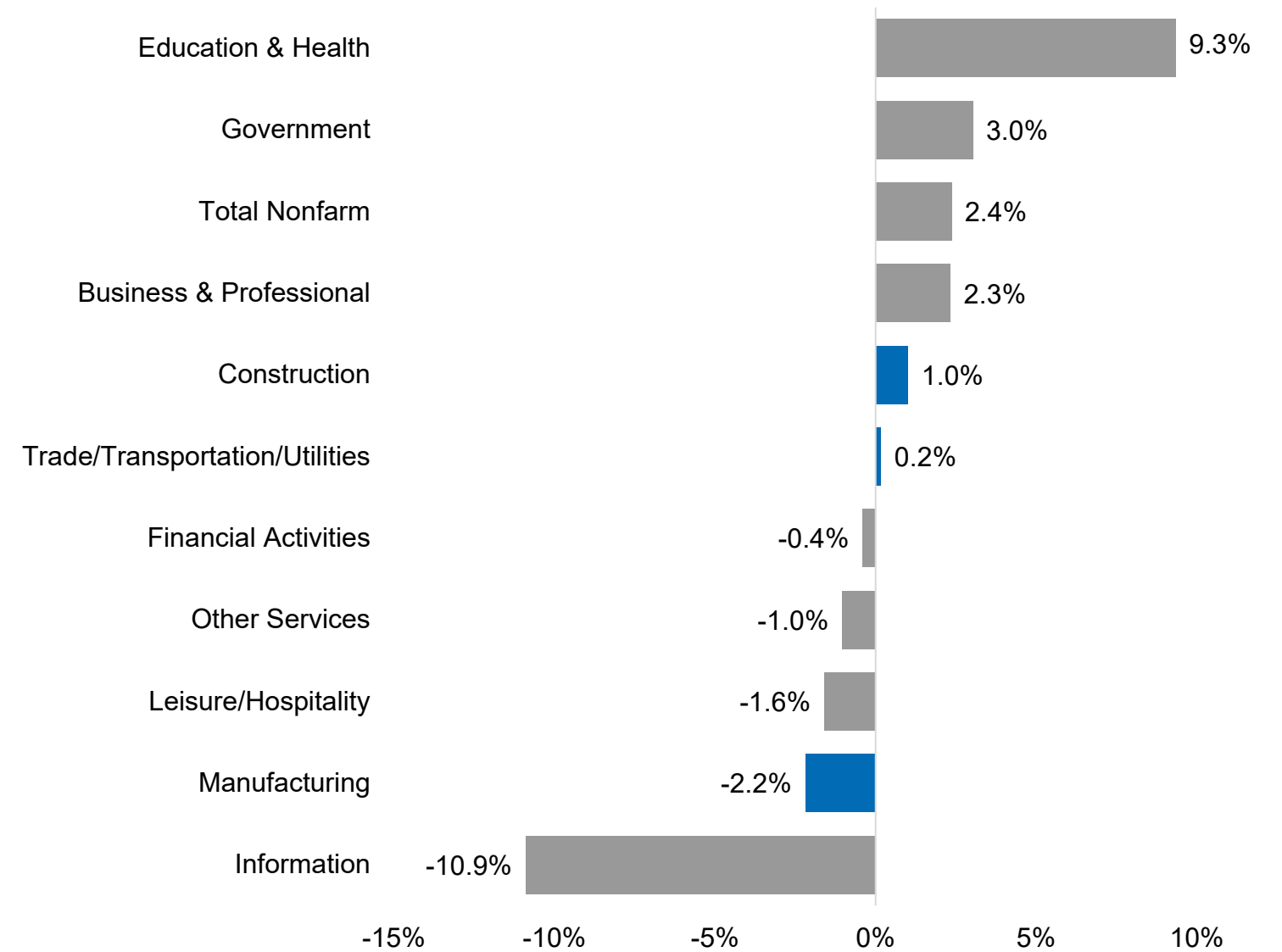
Job Gains in Larger Sectors Outpaced Losses in Smaller Sectors

The Education & Health Care Services sector recorded the largest gains followed by the Government sector. On a relative basis, the losses look more severe than they were given the size of some of these sectors. Actual year-over-year job losses in the Information sector totaled about 800 jobs while the Education & Health Care Services sector gained 13,400 jobs and Government gained 4,100 jobs.

Employment by Industry, August 2024



Employment Growth by Industry, 12-Month % Change, August 2024

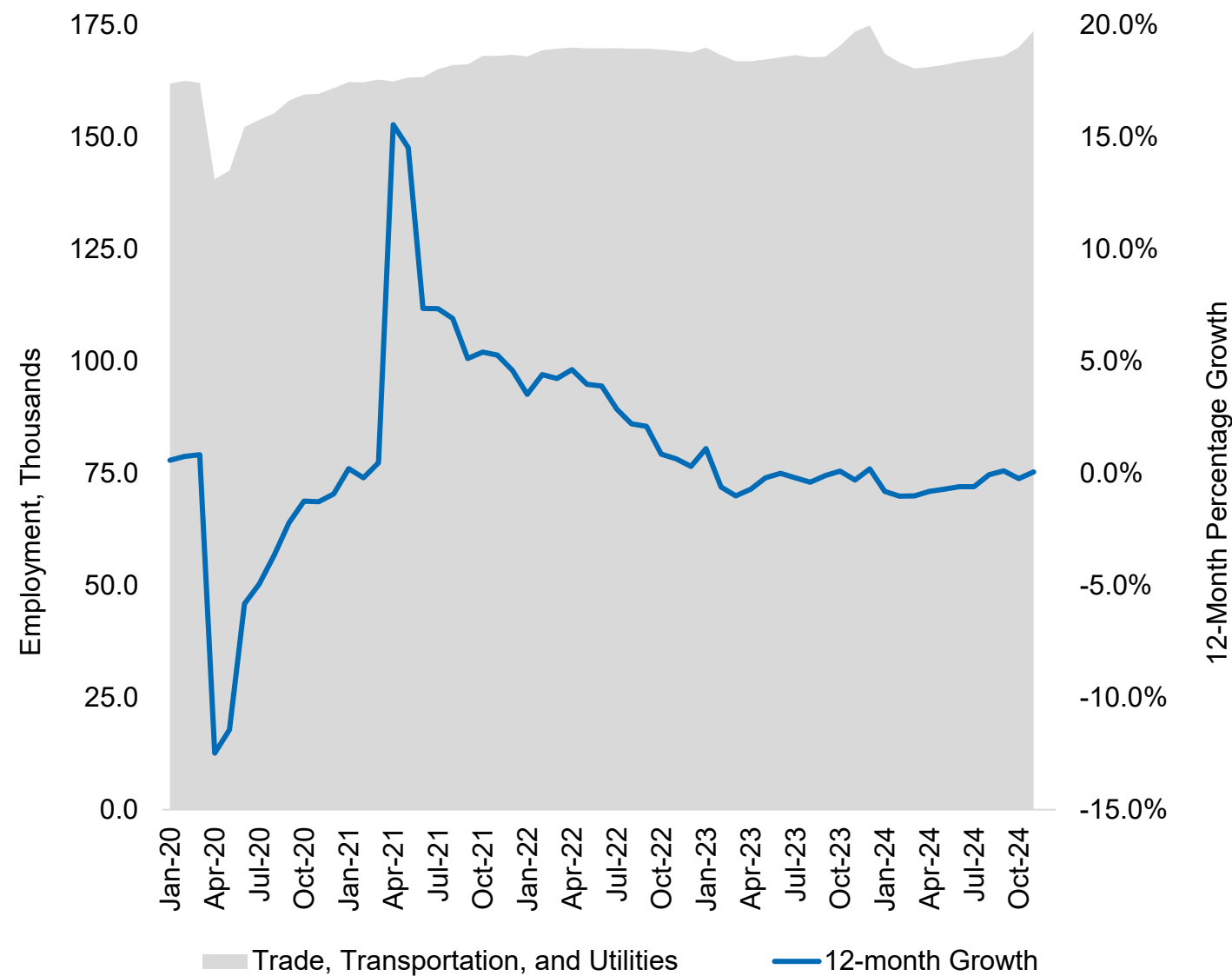


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

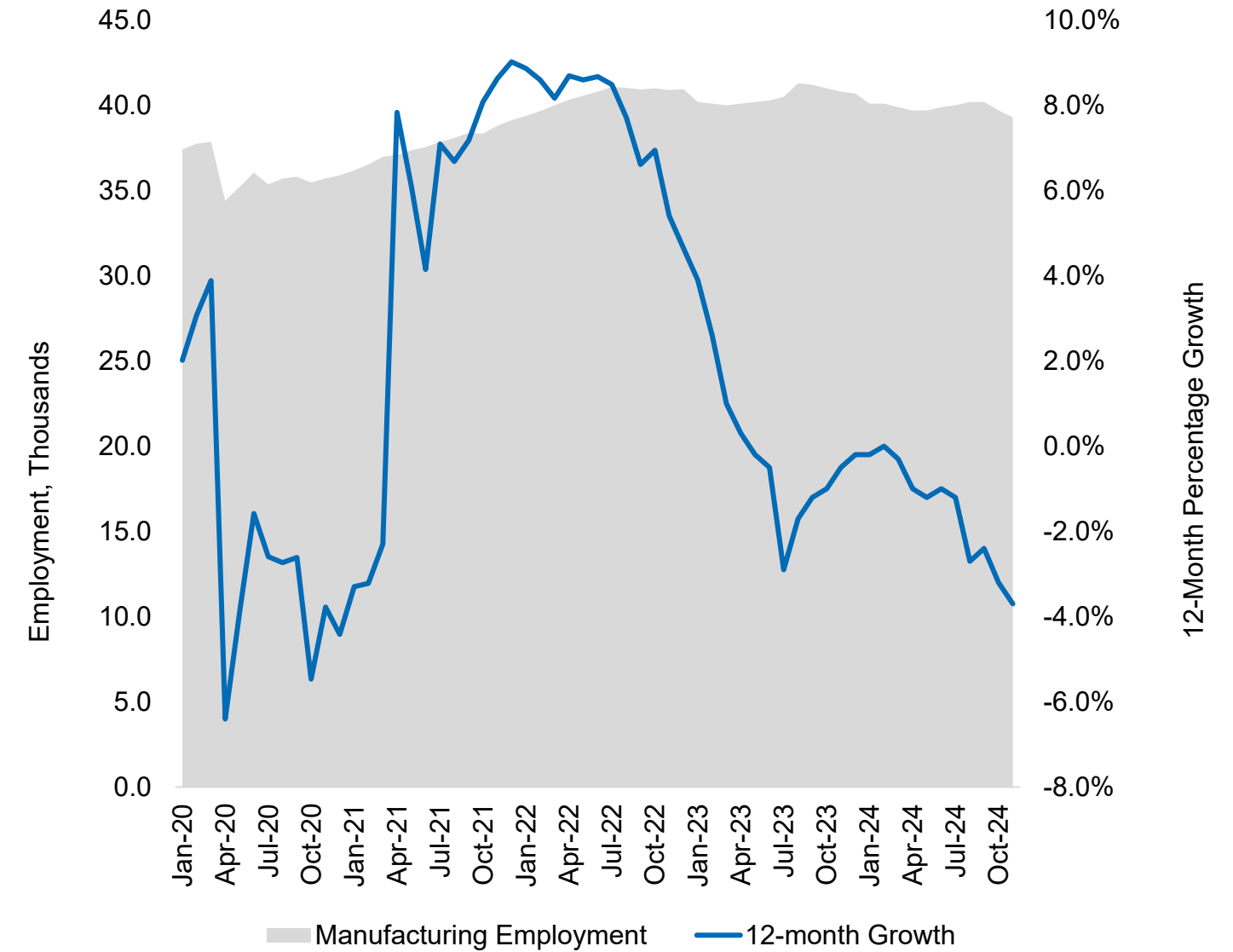
Employment in Industrial Sectors Still Weak

The manufacturing sector has been slowly shedding jobs after peaking mid-2022; however the current number of manufacturing jobs in the region remains higher than at any point in the ten years prior to the pandemic. The Trade/Transportation & Utilities sector jobs have remained fairly steady since early 2023, and overall are higher than any point in the 10 years prior to the start of the pandemic.

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



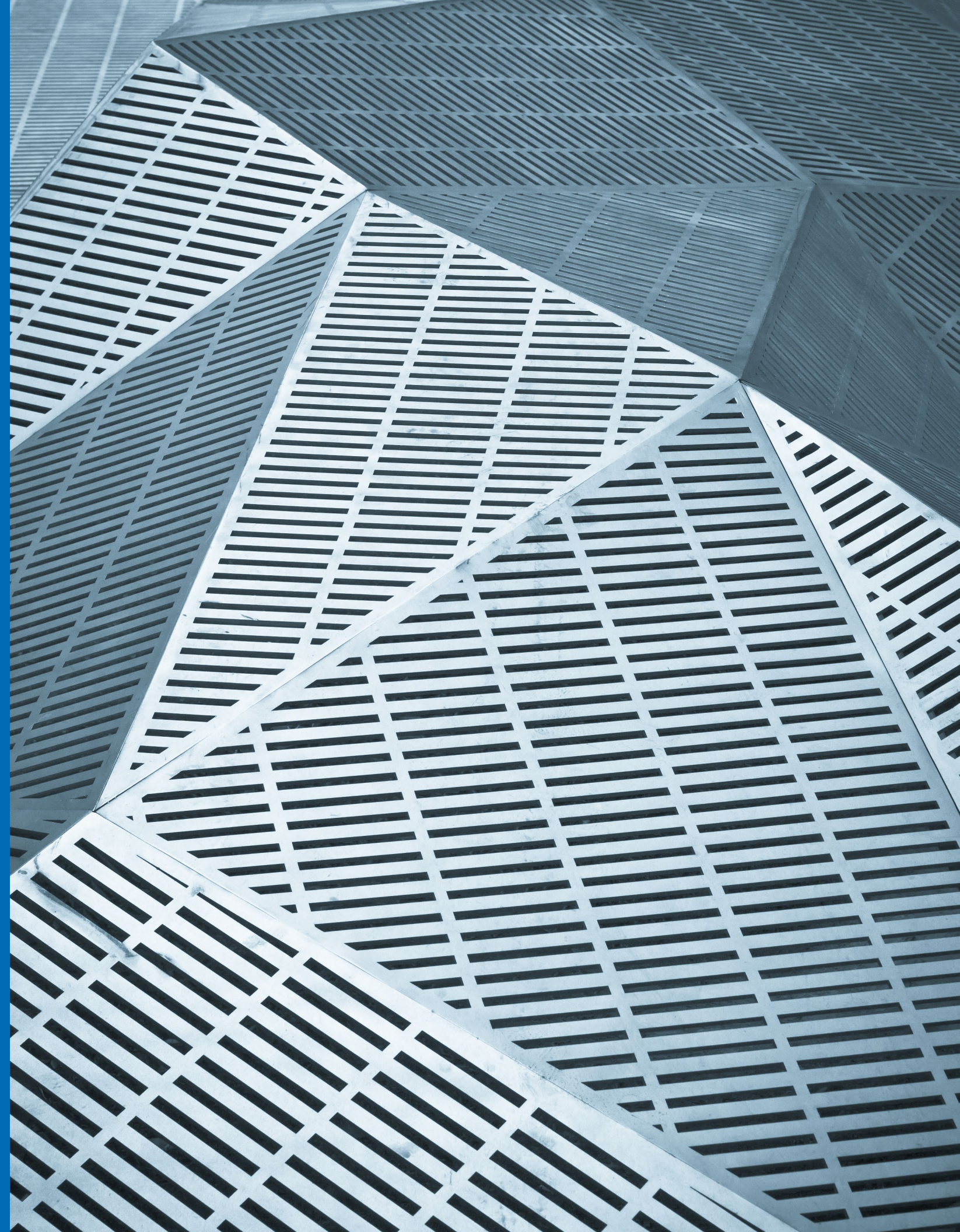
Total Employment and 12-Month Growth Rate, Manufacturing



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

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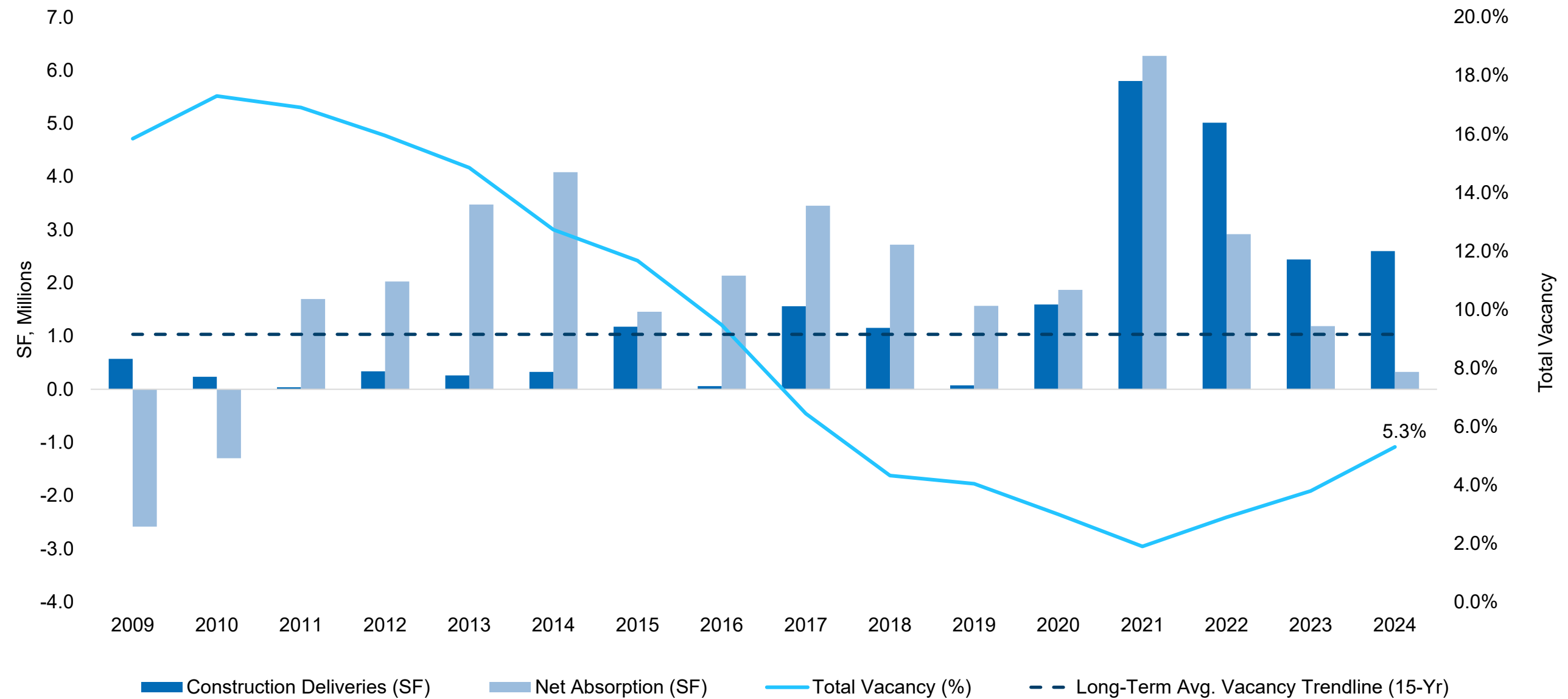
Leasing Market Fundamentals



Vacancy Remains Below Long-Term Average

While the industrial vacancy rate stood at 5.3% at the end of 2024, up 150 basis points from one year ago, the rate is still 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. Annual absorption was slightly positive, at 336,136 square feet for the year.

Historical Construction Deliveries, Net Absorption, and Vacancy

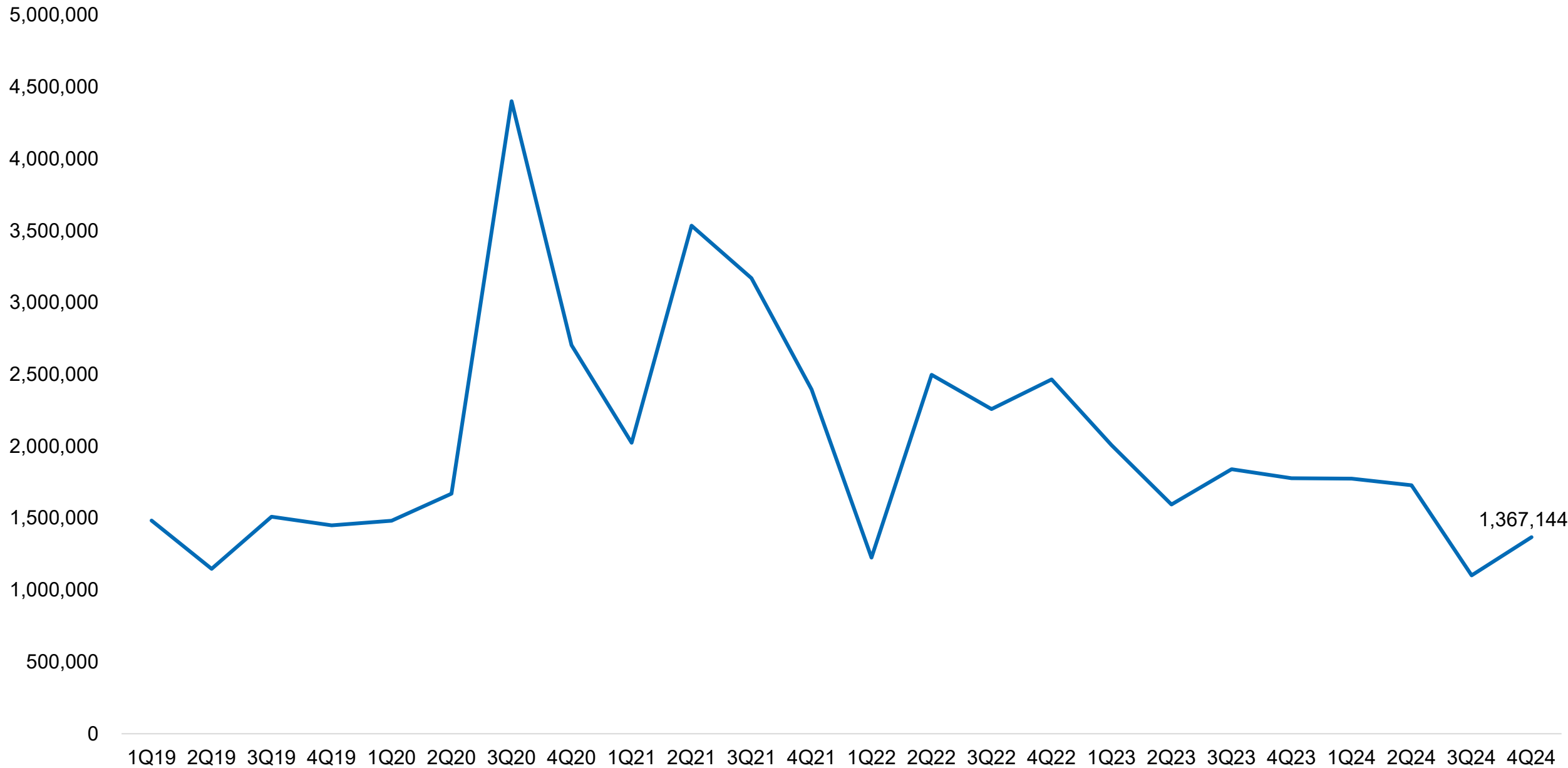


Source: Newmark Research, CoStar

The Pace of Leasing Activity Picked Up Slightly

Leasing activity has been slowly dropping over the last two years but picked up slightly in the fourth quarter. The largest new leases of the quarter included Wosu Logistic's lease at 8110 Power Ridge Road in the Power Inn submarket for 57,000 square feet.

Total Leasing Activity (SF)

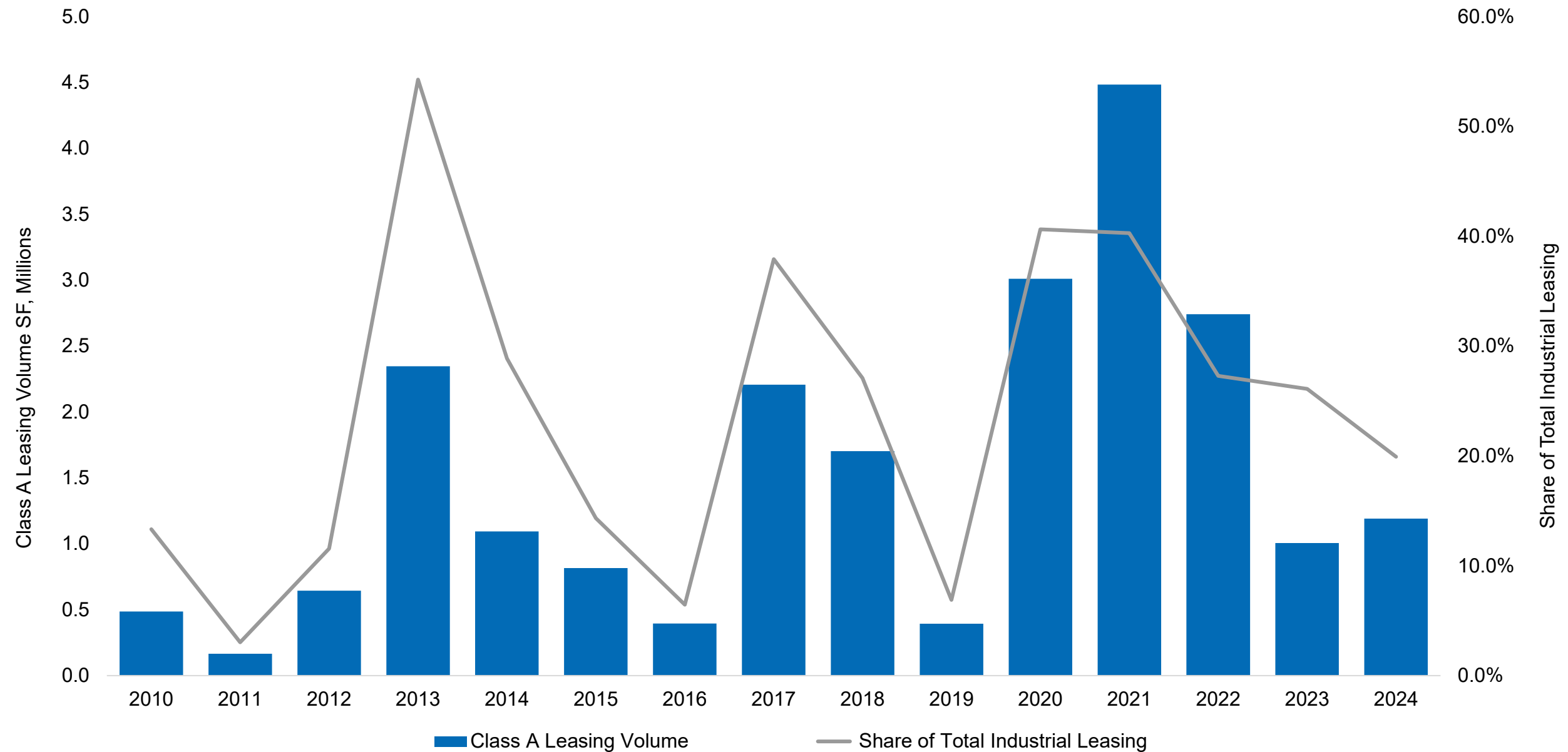


Source: Newmark Research, CoStar

Class A Warehouse Posted Modest Leasing Activity

Industrial Class A leasing activity in 2024 surpassed 2023 totals, but it still well below levels recorded from 2020 to 2022. Class A leasing as a percentage of total leasing has been steadily declining since 2021.

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



Source: Newmark Research, CoStar

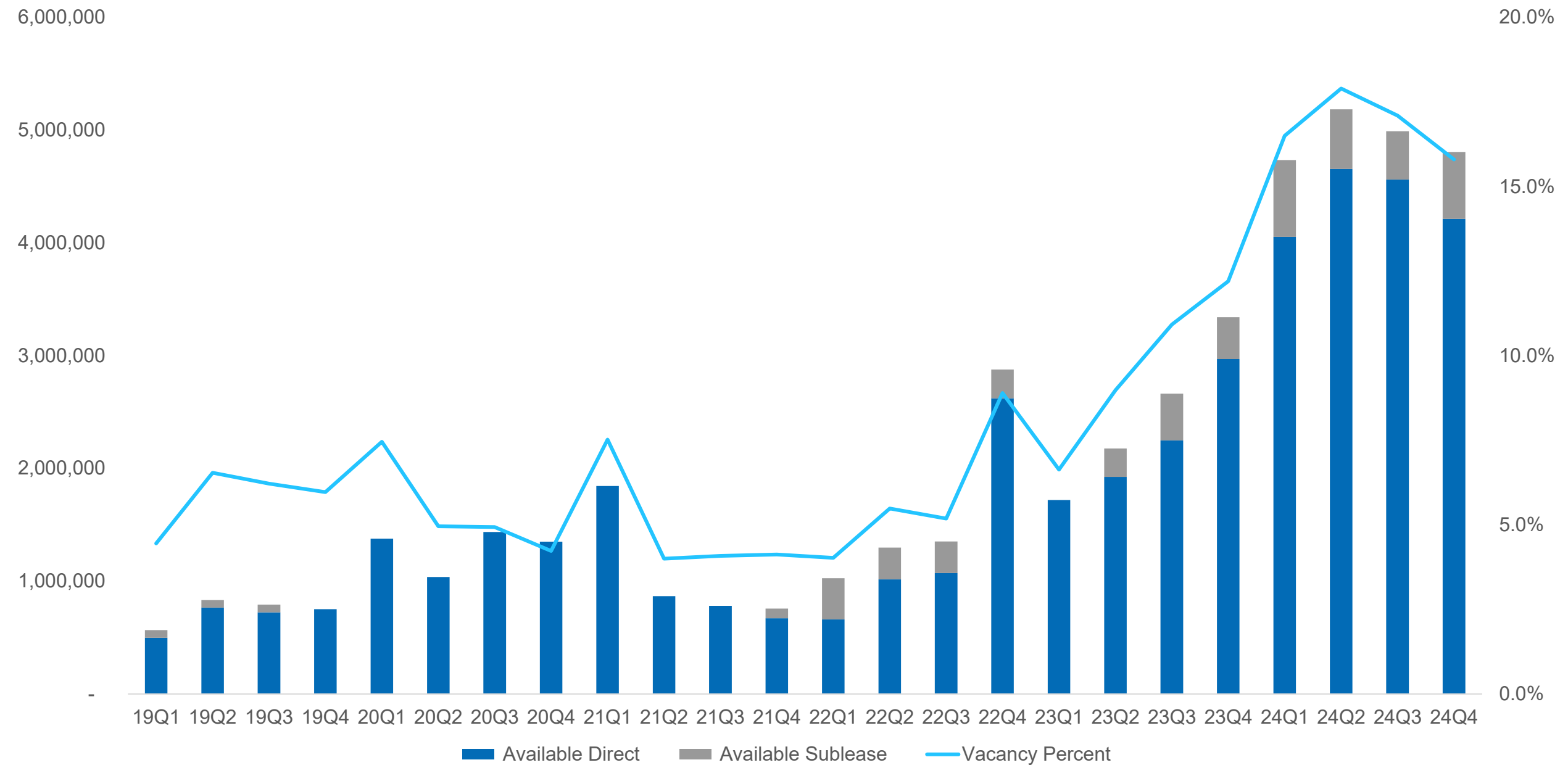


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Class A Warehouse Availability Decreased Slightly

The fourth quarter ended with Class A vacancy at 15.8% and total availability at 17.5%. Inventory increased earlier in the year due to new deliveries, but net absorption was 904,372 square feet for the year.

Class A Warehouse Vacancy and Availability

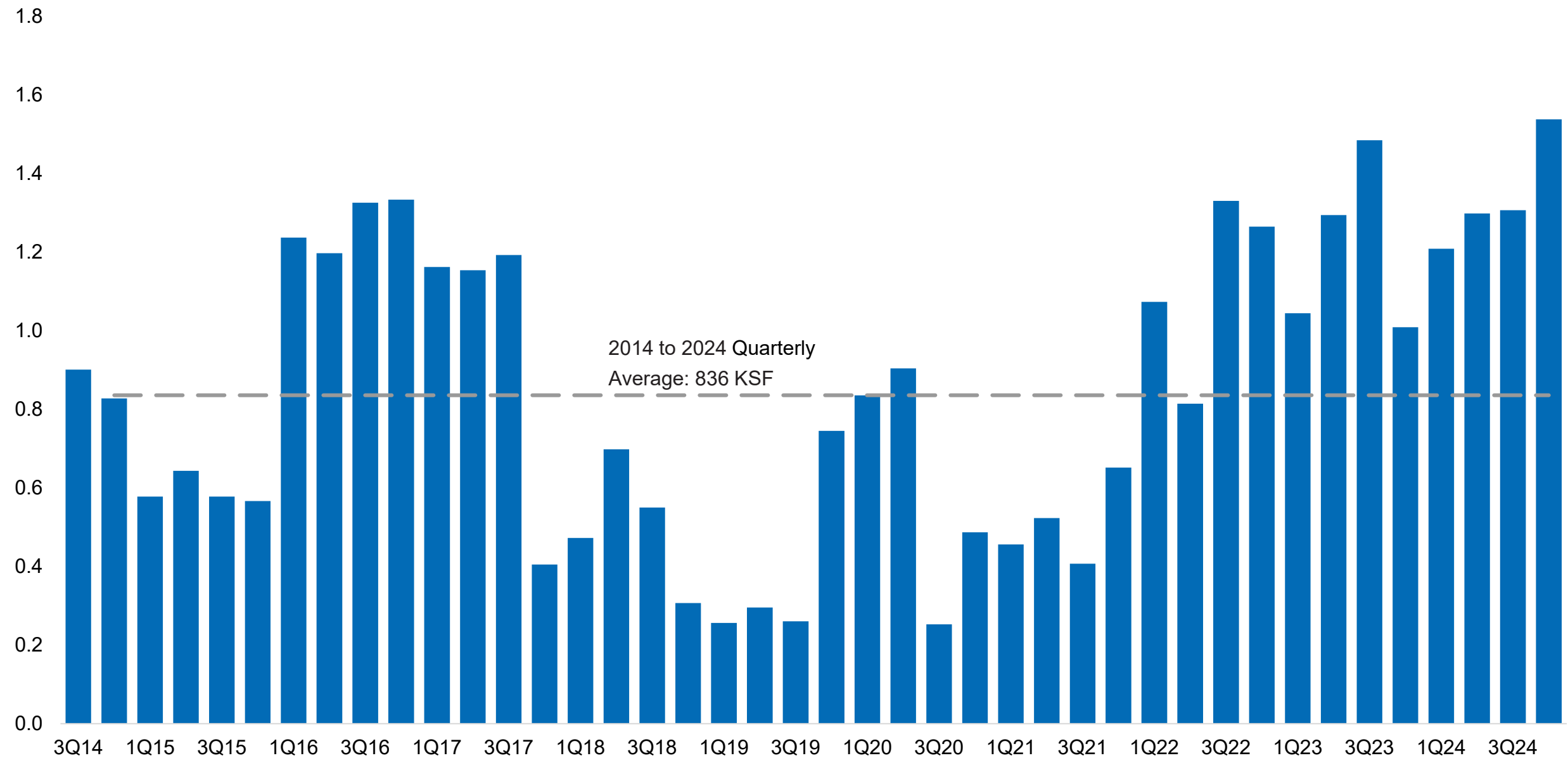


Source: Newmark Research; CoStar

Industrial Sublease Availability Increased

There was an increase in the amount of sublease space on the market during the fourth quarter and sublease space on the market now totals just over 1.5 million square feet, an increase of 52% year-over-year.

Available Industrial Sublease Volume (msf)



Source: Newmark Research, CoStar

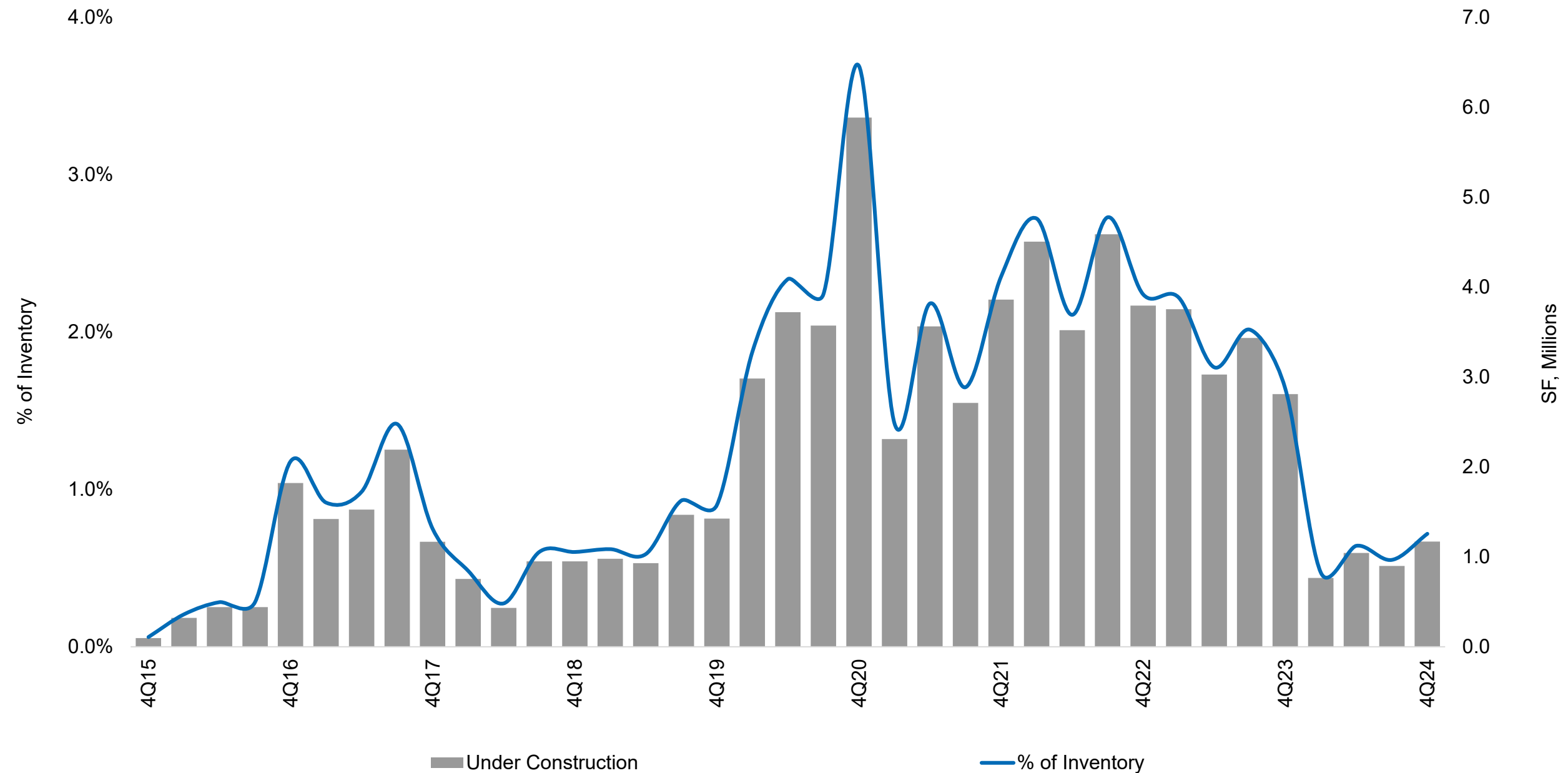


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Industrial Construction Pipeline Activity Inched Up

The Sacramento industrial market construction pipeline dropped off in recent years given the weakness in market fundamentals as well as the lending environment. At the end of the quarter there was a slight boost to construction activity as new projects broke ground at 2151 and 2251 Freedom Way in Roseville totaling 189,280 square feet, and the Skyking Logistics Center in Northgate totaling 350,804 square feet.

Industrial Under Construction and % of Inventory

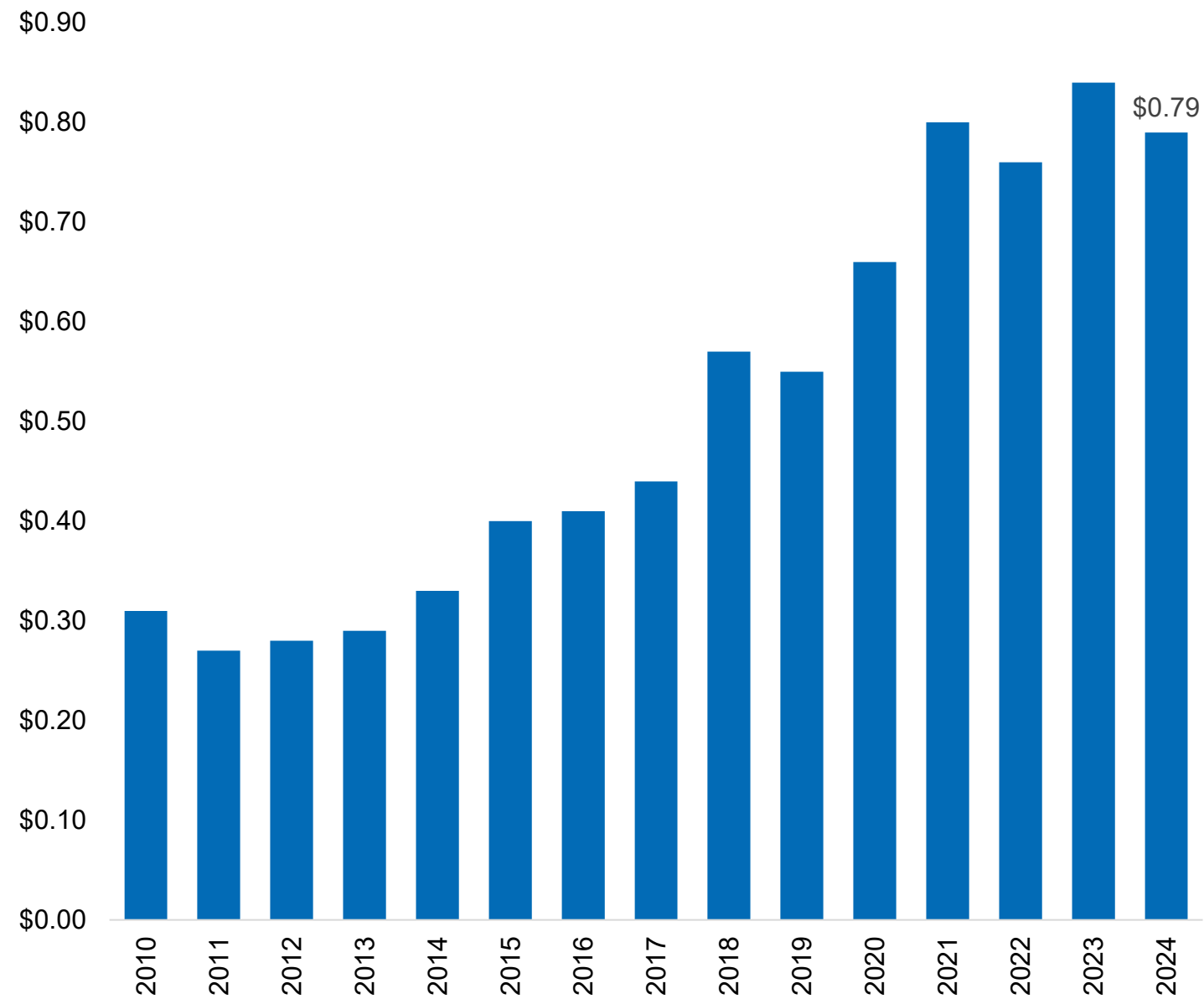


Source: Newmark Research, CoStar

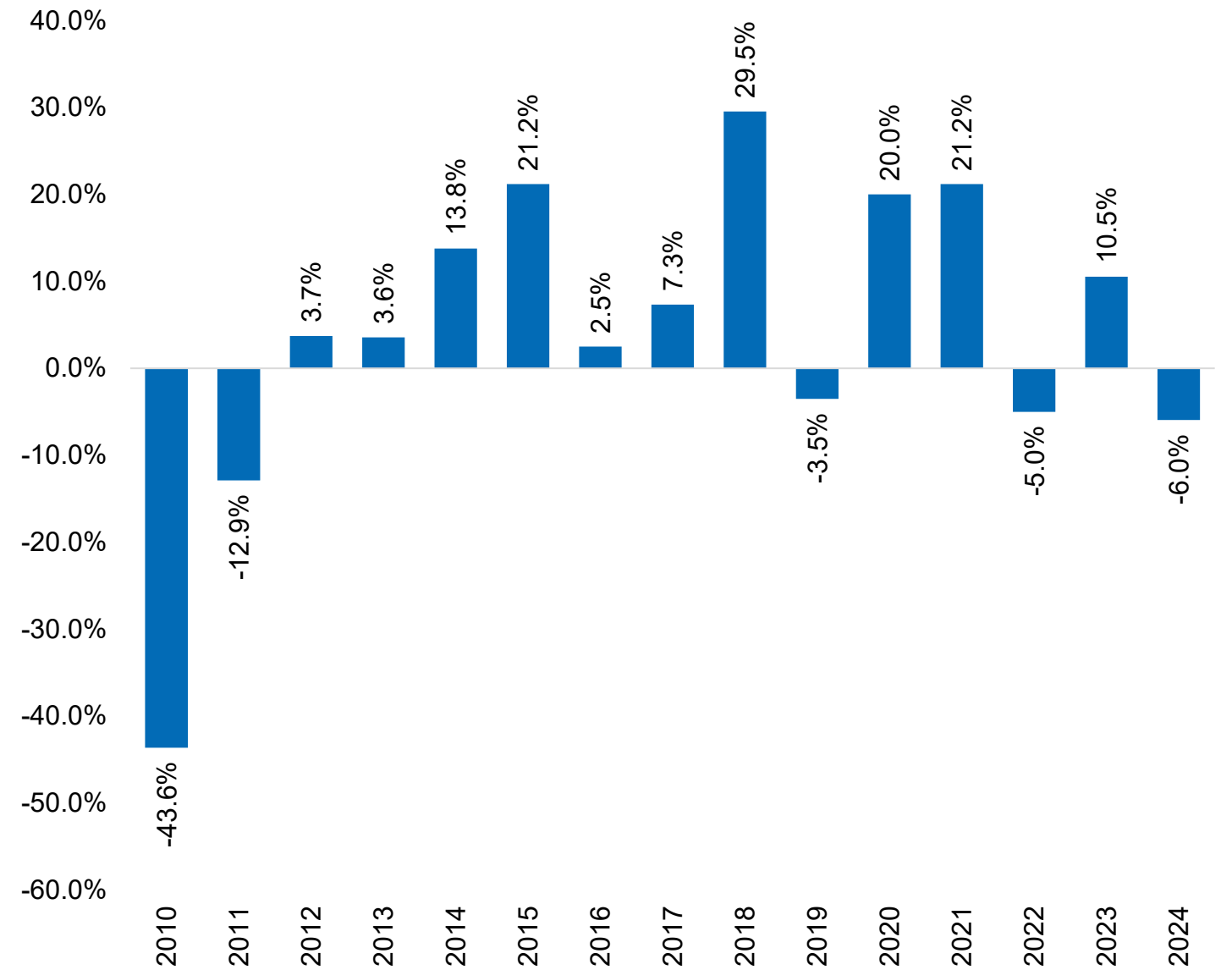
Industrial Asking Rent Decreased in 2024

Industrial average asking rents dropped in 2024 and ended up at \$0.79/SF compared to \$.84/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

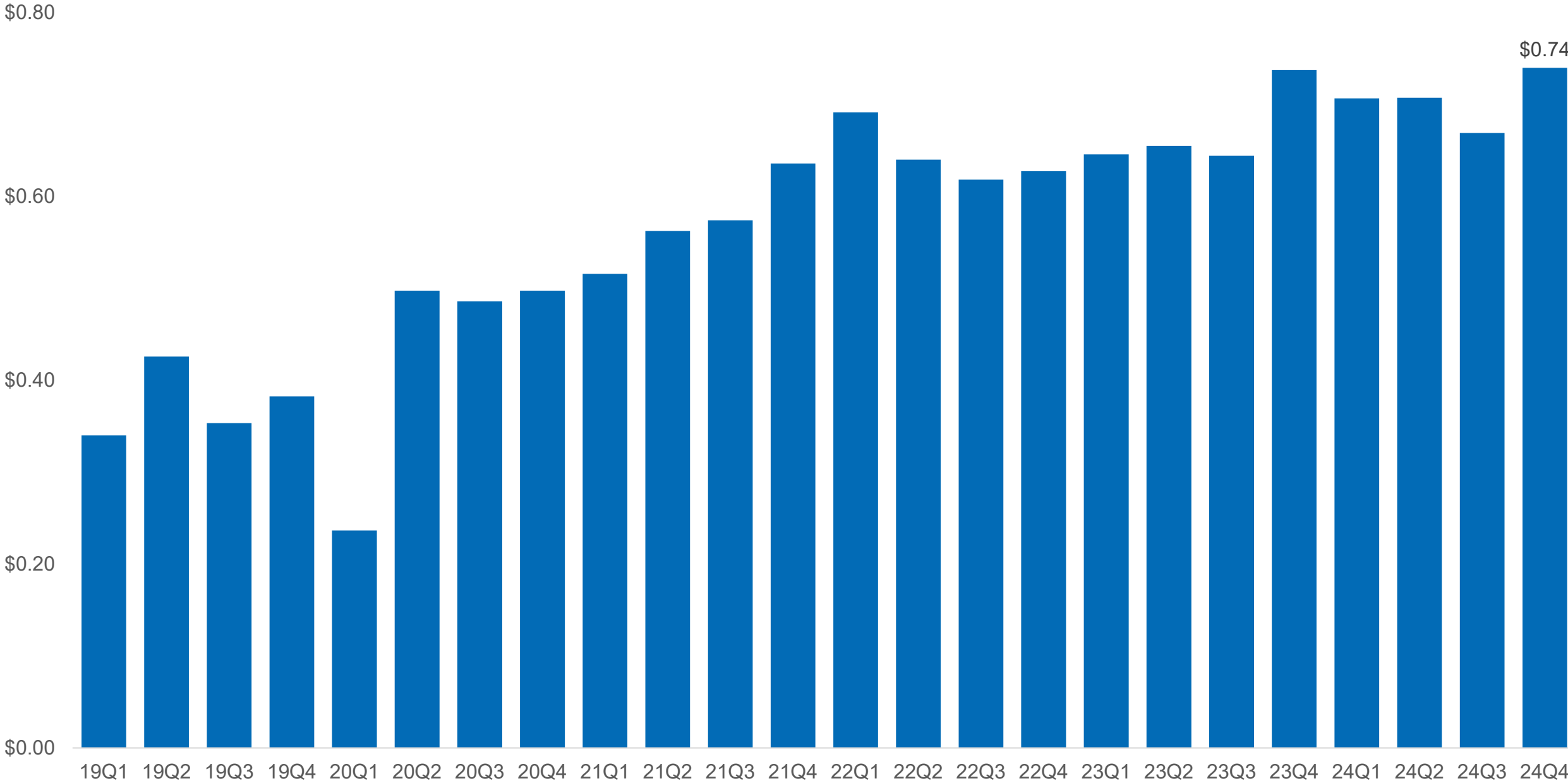


Source: Newmark Research, CoStar

Class A Warehouse Rents Recovered to 2023 Rate

Industrial Class A rents had been declining throughout the year but recovered in the fourth quarter to match the fourth quarter 2023 rate. Asking rates currently stand at \$0.74 per square foot.

Class A Warehouse Space, Average Asking Rent



Source: Newmark Research, CoStar



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Notable 4Q24 Lease Transactions

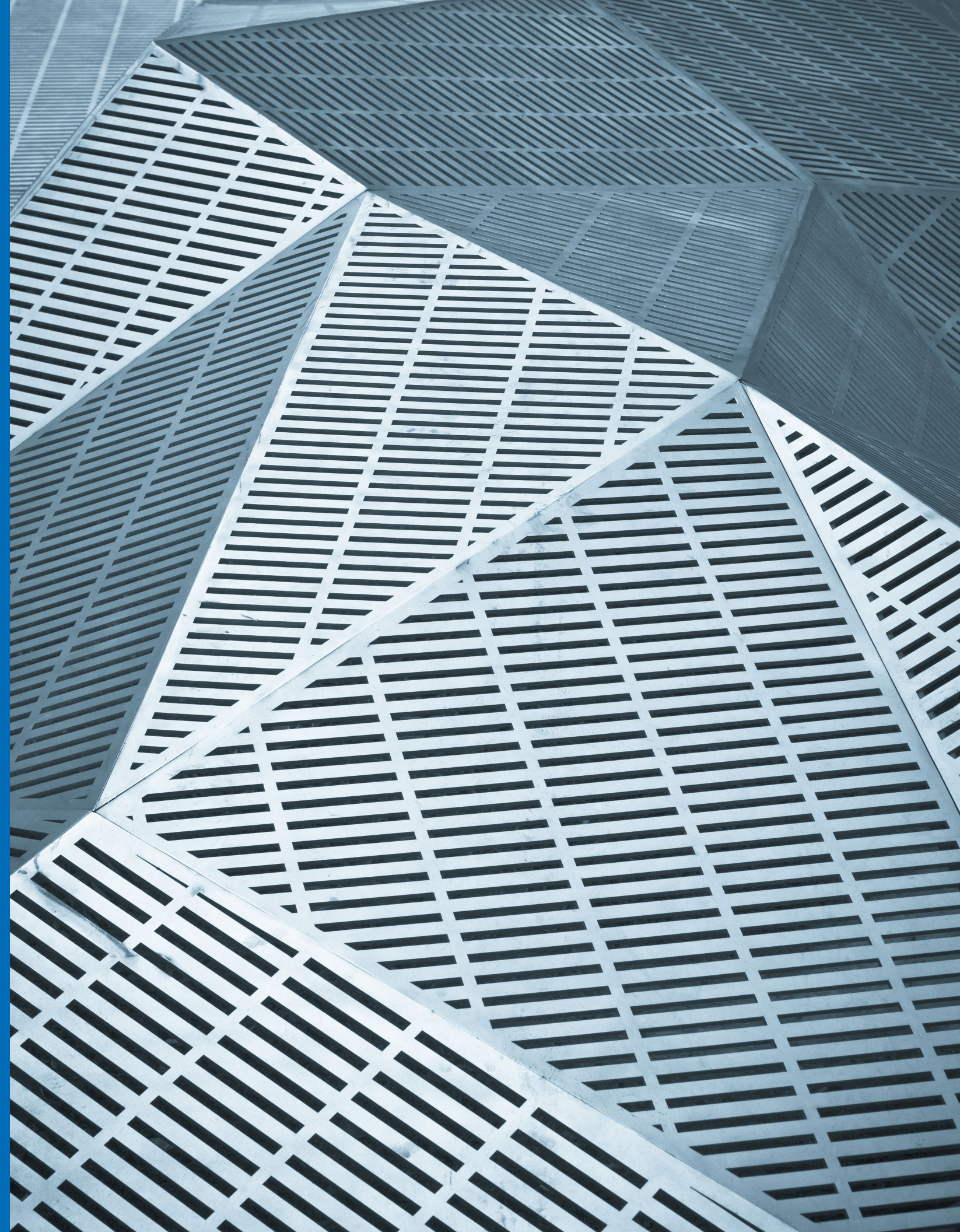
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Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
La Mesa R.V. <i>RV dealership with 11 locations in 4 states.</i>	1060 Riverside Parkway	West Sacramento	Renewal	141,480
Le Five USA <i>Indoor soccer complex with locations in West Sacramento and Rancho Cordova</i>	3940 Seaport Boulevard	West Sacramento	Renewal	65,813
Wosu Logistic <i>The importer is relocating and expanding from its Northgate location.</i>	8110 Power Ridge Road	Power Inn	New Lease	57,100
Gee Heavy Machinery <i>Relocation and expansion from West Sacramento location. The building is on 12.6 acres.</i>	5400 Raley Boulevard	McClellan	New Lease	42,000
Aram Logistics <i>New to the market; expanding from Southern and Central California.</i>	3200 Dwight Road	Elk Grove	New Lease	38,828

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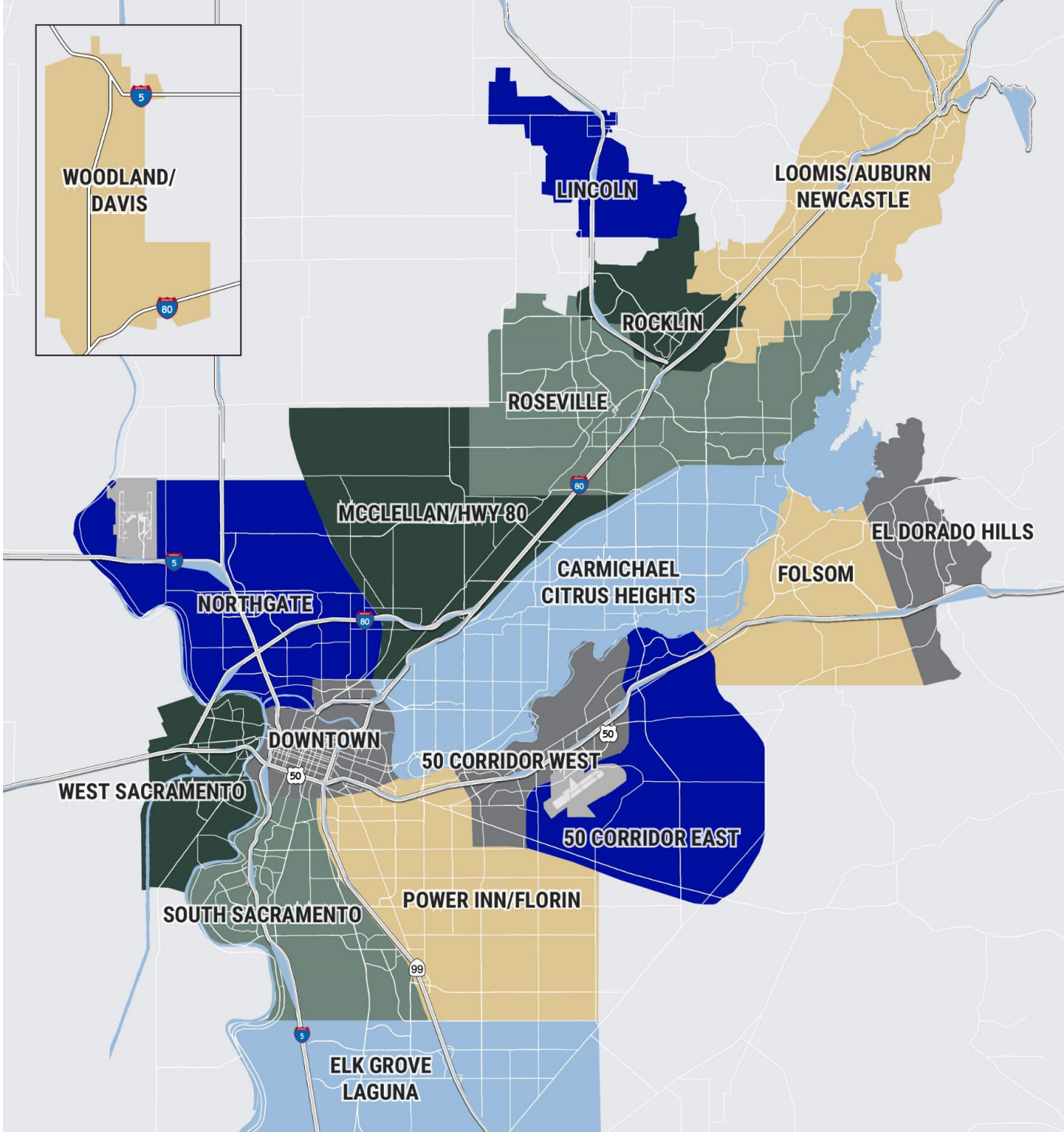
Appendix / Tables





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Sacramento Industrial Submarket Map



Source: Newmark Research

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