



NEWMARK

# *Sacramento Industrial* Market Overview

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4Q25

# Sacramento Market Observations



## Economy

- The Sacramento unemployment rate increased slightly in 2025 landing at 5.0% in the fourth quarter. Job growth in Sacramento was minimal with the 12-month change only increasing 0.01%. Sacramento's economy appears to be cooling rather than contracting—signaling cautious hiring and spending but a resilient base, which points to steadier near-term activity and measured leasing demand rather than sharp declines.
- Manufacturing job growth eased in 2025, but job count held steady at approximately 40,000. The Trade, Transportation, and Utilities sector posted a modest uptick in year-over-year employment growth and the number of jobs also remained level. Collectively, the slower momentum suggests a more measured expansion trajectory even as core, day-to-day demand remains resilient.



## Leasing Market Fundamentals

- The industrial vacancy rate stood at 6.3% at the end of the fourth quarter, up 40 basis points over the third quarter.
- Absorption was -288,494 square feet in the fourth quarter but still ended 2025 with positive absorption at 175,412 square feet. Industrial average asking rents held steady \$0.79/SF NNN which is the same as one year ago.
- Industrial sublease supply has accelerated sharply since the third quarter of 2020, closing 2025 at 3.3 million square feet. Occupiers are recalibrating post-pandemic footprints, monetizing excess capacity via subleases. At the same time, new construction deliveries of 2021-2022 introduced a deeper pool of modern, move-in-ready product, further amplifying sublease availability.



## Major Transactions

- One of the largest lease transaction of the quarter was a 320,000 square foot lease by Mark III Construction at 2031 Optisolar Lane in the McClellan/Hwy 80 submarket.
- Lennox Industries signed a new lease for 118,147 square feet in the Northgate submarket.
- Dalfen Industrial purchased a 13-building portfolio in the West Sacramento submarket encompassing 1,318,599 square feet for \$155,250,000. This is the largest industrial sale in the Sacramento region market since 2018.



## Outlook

- The industrial vacancy rate has been slowly increasing since reaching a low of 1.9% at the end of 2021, but the fourth quarter rate of 6.3% was well below its long-term average of 8.5%. The limited movement in rents over the past two years indicates the market has largely completed its reset, with the prevailing trend pointing to stabilization rather than further decline.
- The medium- to long-term outlook for Sacramento's industrial sector is constructive, anchored by strong transportation connectivity—direct access to major freeways and proximity to the Ports of Oakland and Stockton. Sacramento also retains a meaningful cost advantage over the Bay Area, with comparatively lower labor and real estate expenses that support operational efficiency and continued tenant demand.

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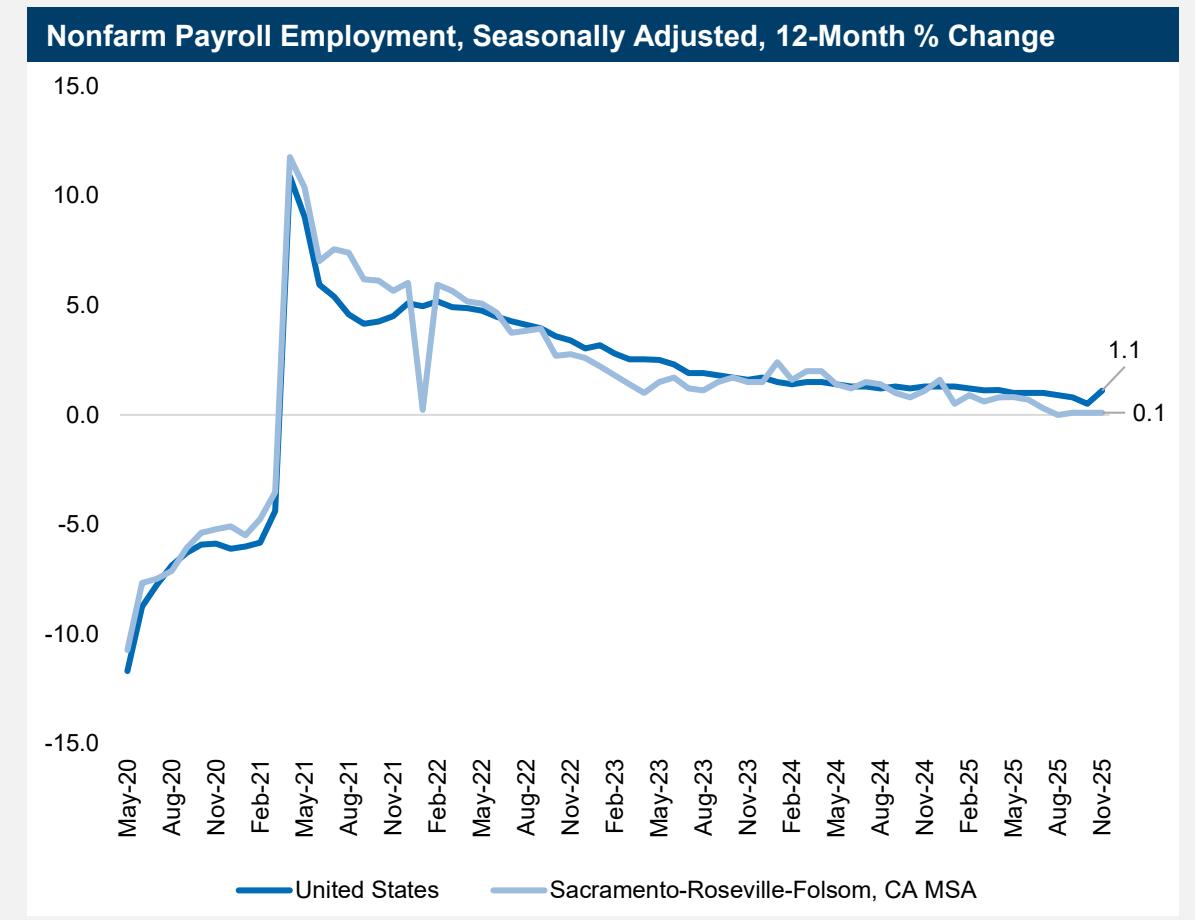
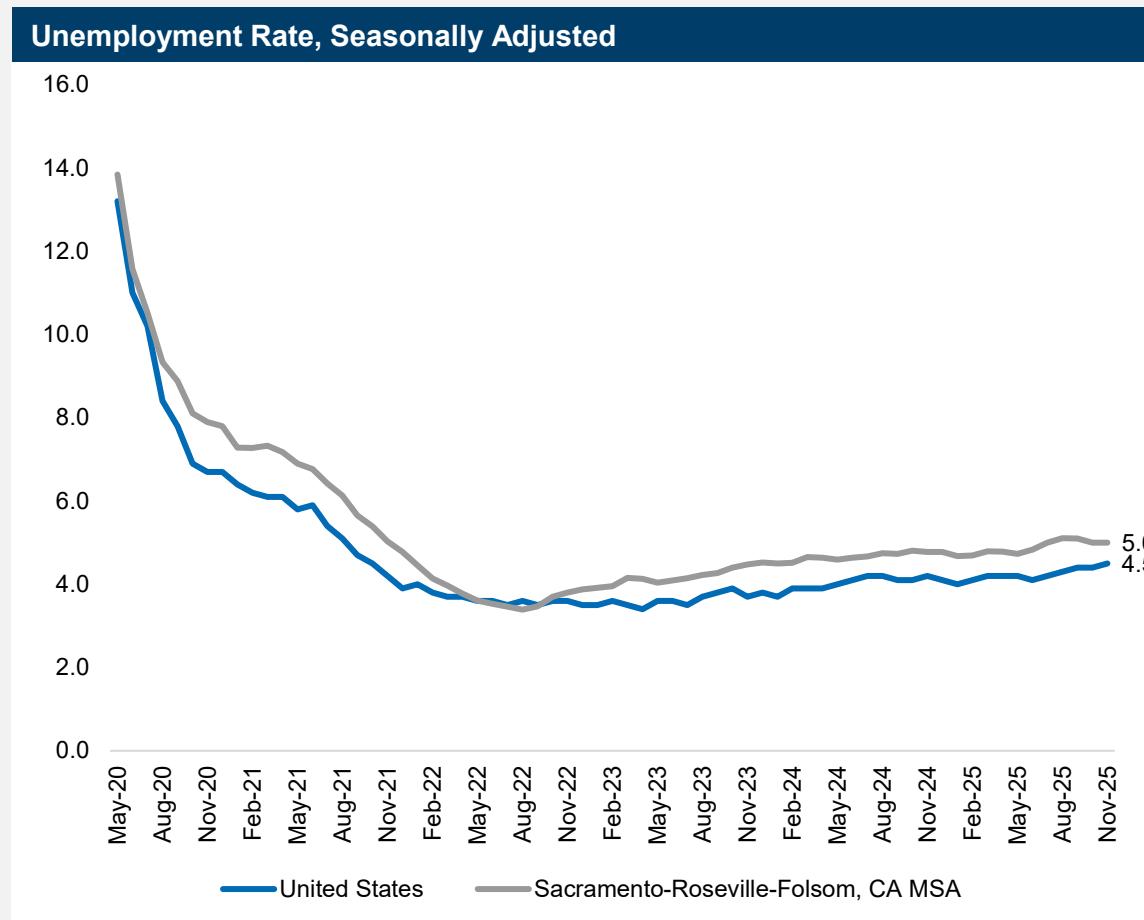
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## Economy



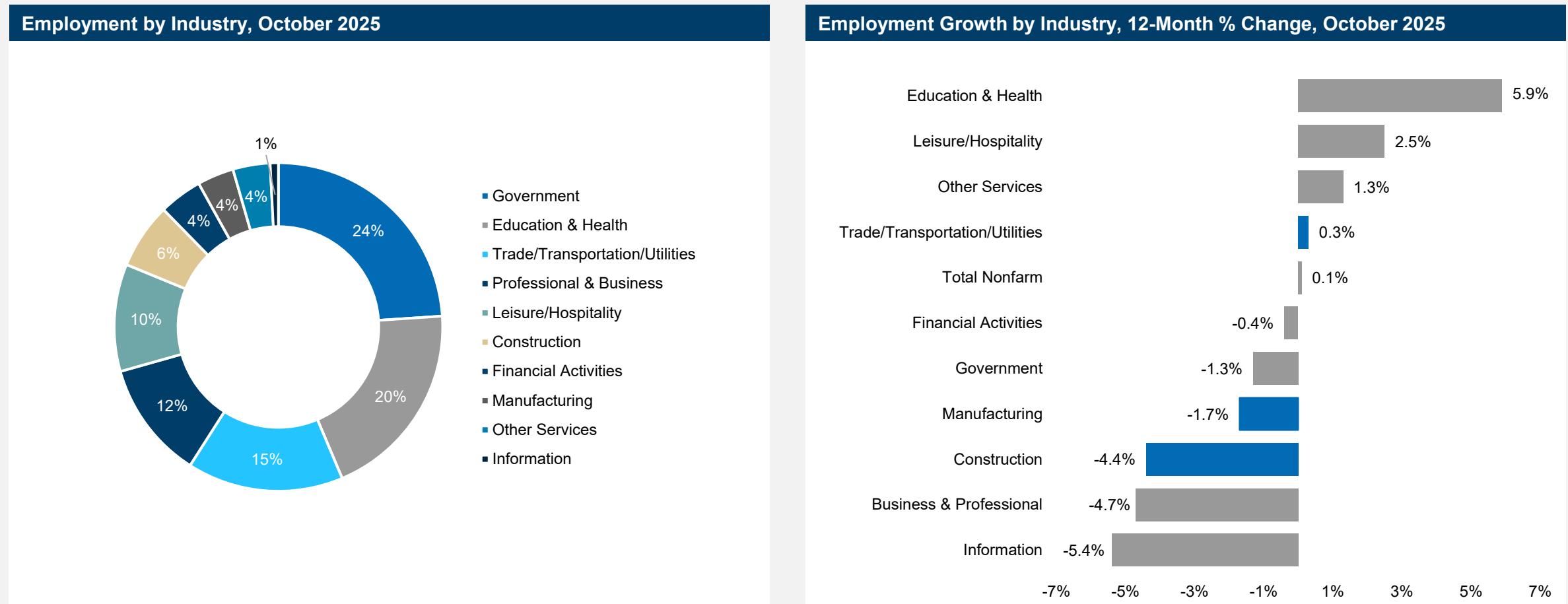
# Sacramento Economy Cools, Resilient Base Supported Stable Demand

The Sacramento unemployment rate increased slightly in 2025 landing at 5.0% in the fourth quarter which is 20 basis points higher than the same time the previous year. Job growth in Sacramento was stable with the 12-month change increasing by less than 0.1%. Sacramento's economy appears to be cooling rather than contracting—signaling cautious hiring and spending but a resilient base, which points to steadier near-term activity and measured leasing demand rather than sharp declines.



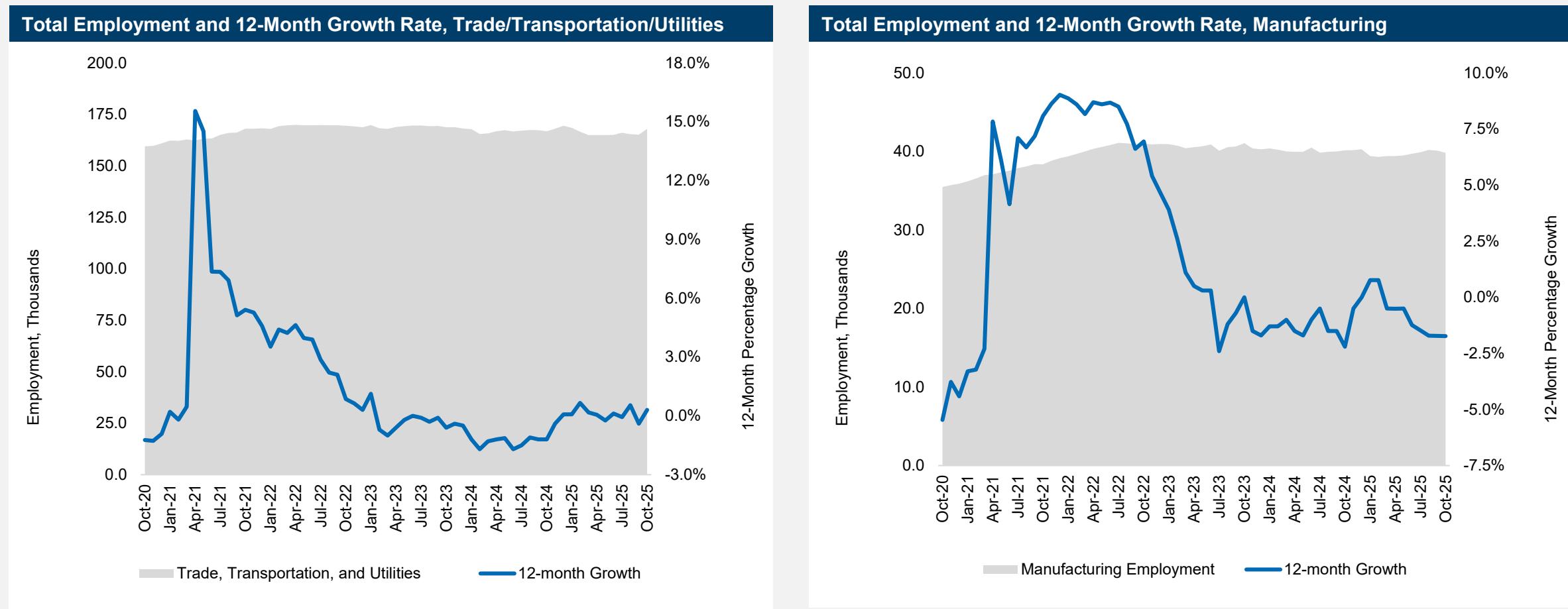
# Education & Health Care Services Maintained Momentum

Over the past five quarters, Education & Health Care Services led all sectors in year-over-year growth, closing 2025 at 5.9%. By comparison, Manufacturing and Construction posted a combined 1.3% annual decline; however, given these sectors' smaller footprint in the Sacramento market, the percentage decline overstates its absolute impact.



# Job Gains Cooled While Labor Demand Held Firm

Manufacturing job growth eased in 2025, but job count held steady at approximately 40,000. The Trade, Transportation, and Utilities sector posted a modest uptick in year-over-year employment growth and the number of jobs also remained level. Collectively, the slower momentum suggests a more measured expansion trajectory even as core, day-to-day demand remains resilient.



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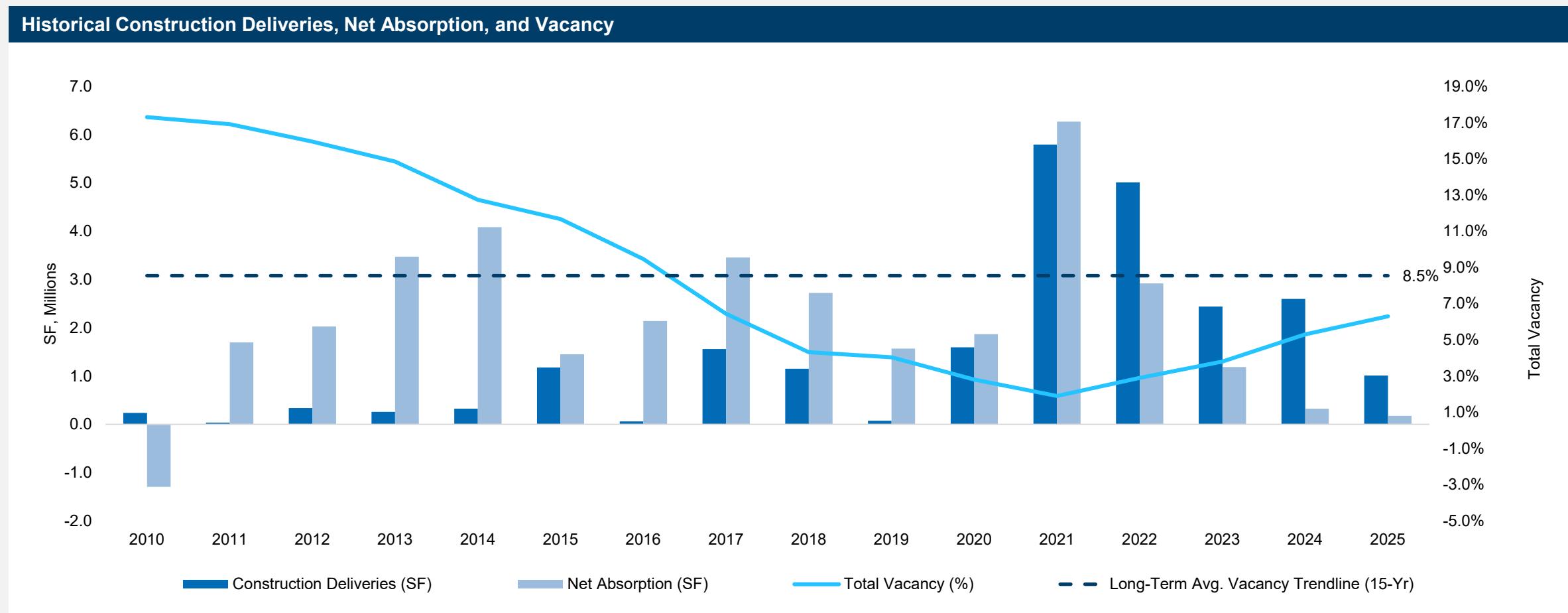
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## Leasing Market Fundamentals



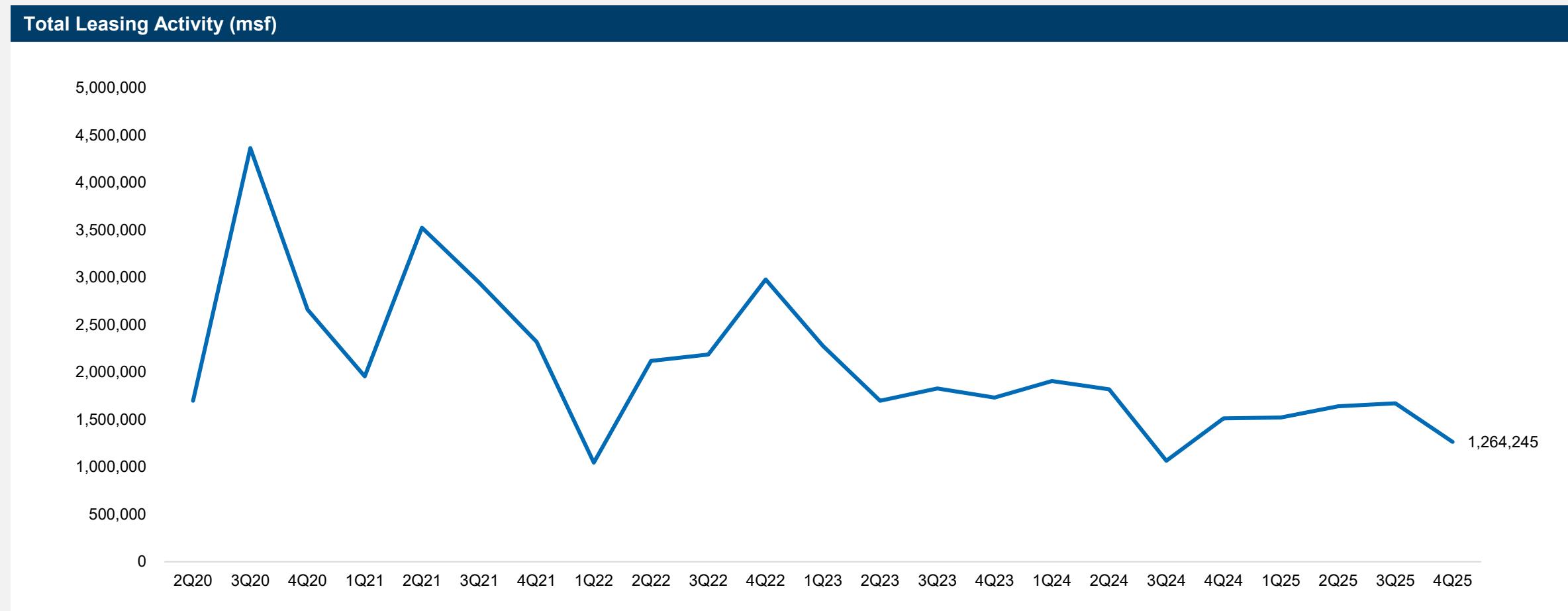
# Development Pace Eased, Creating Backfill Opportunities

Industrial vacancy closed the fourth quarter at 6.3%, a 40-basis-point increase quarter-over-quarter, yet still below the long-term historical average of 8.5%. The rise in vacancy over the past five years is primarily attributable to the surge of deliveries in 2021–2022. With the new-construction pipeline having slowed, available space is increasingly poised to be backfilled. Although the latter half of 2025 saw negative net absorption, the year concluded with a positive 175,412 square feet, indicating continued market activity.



# Leasing Momentum Cooled Amid Macro Uncertainty

Leasing velocity has decelerated materially from the mid-2022 peak, with fourth-quarter transaction volume finishing 16.4% below the prior year. Amid ongoing macroeconomic uncertainty, many occupiers appear to be extending decision timelines and deferring commitments until the new year.



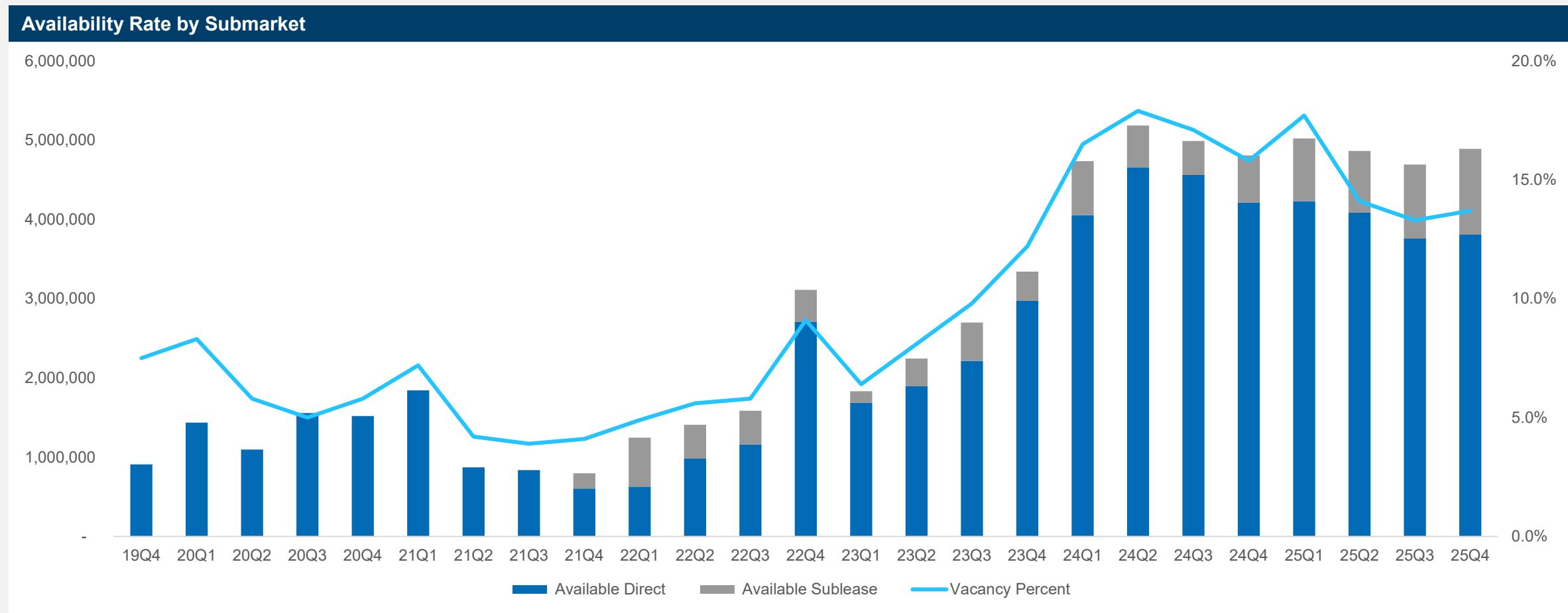
# Class A Warehouse Leasing Activity Up

Despite persistent headwinds from U.S. trade policy uncertainty, interest-rate volatility, and elevated construction costs, Class A warehouse leasing rose 10.2% year over year and accounted for 22.2% of total 2025 industrial volume—underscoring occupiers' clear preference for quality space in prime locations.



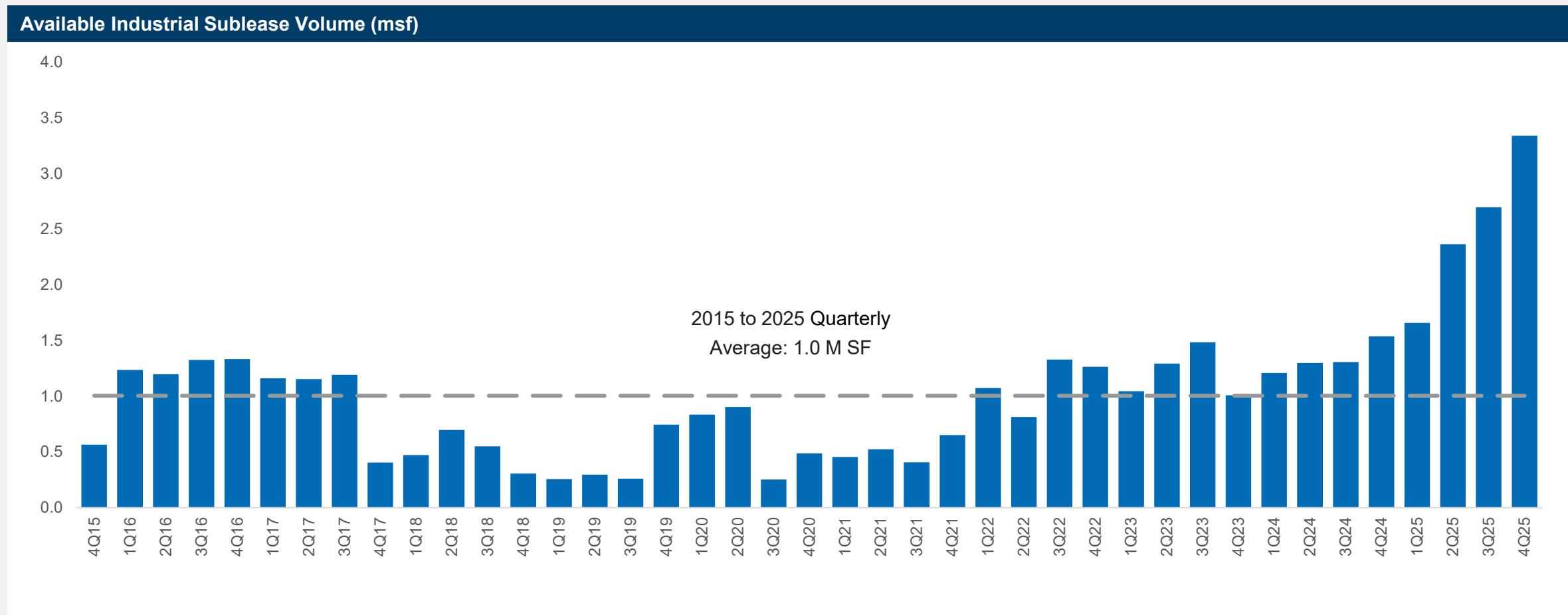
# Class A Warehouse Subleases Fueled Availability Increase as Direct Held Steady

Class A warehouse availability edged up 60 basis points in the fourth quarter to 17.4%, compared with a 40-basis-point increase across the Sacramento region to 9.4%. Direct availability was essentially unchanged; however, sublease availability expanded 15.6% quarter over quarter. The Class A vacancy rate held steady at 13.7% in the fourth quarter and posted 104,949 square feet of positive net absorption signaling demand remains intact but is normalizing as options expand, particularly through sublease options.



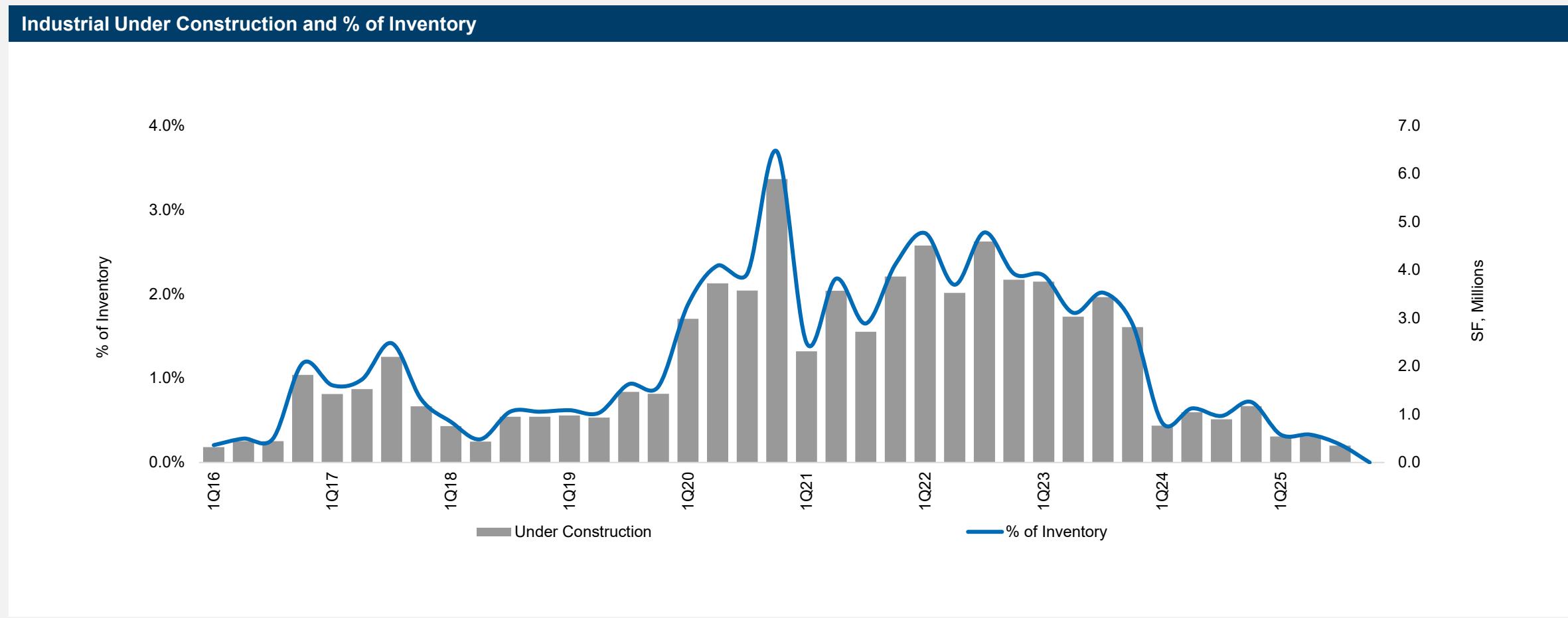
# Sublease Availability Intensified

Industrial sublease supply has accelerated sharply since the third quarter of 2020, closing 2025 at 3.3 million square feet—up 117% year-over-year and more than triple the ten-year quarterly average. This is being driven by occupiers recalibrating post-pandemic footprints, monetizing excess capacity via subleases to avoid redundant rent carry. At the same time, new construction deliveries of 2021-2022 introduced a deeper pool of modern, move-in-ready product, further amplifying sublease availability.



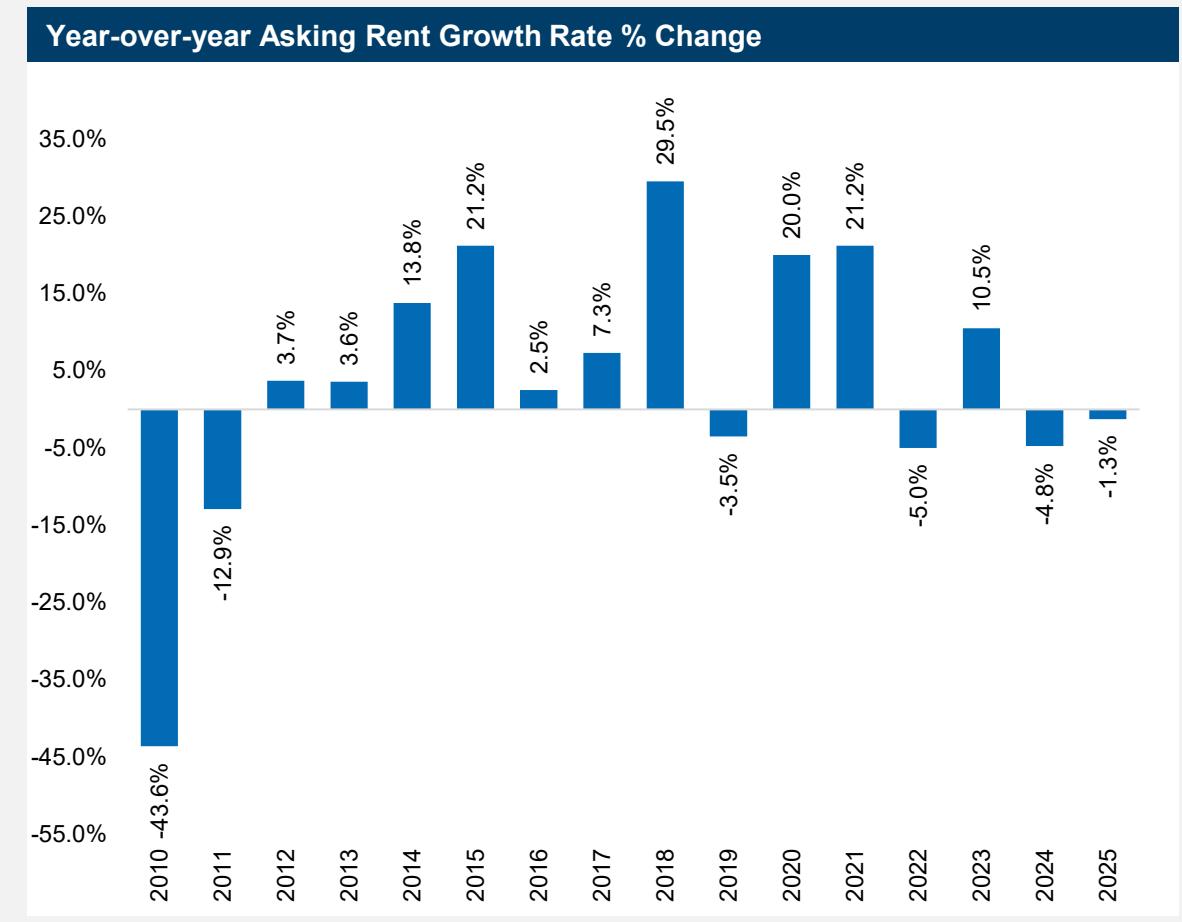
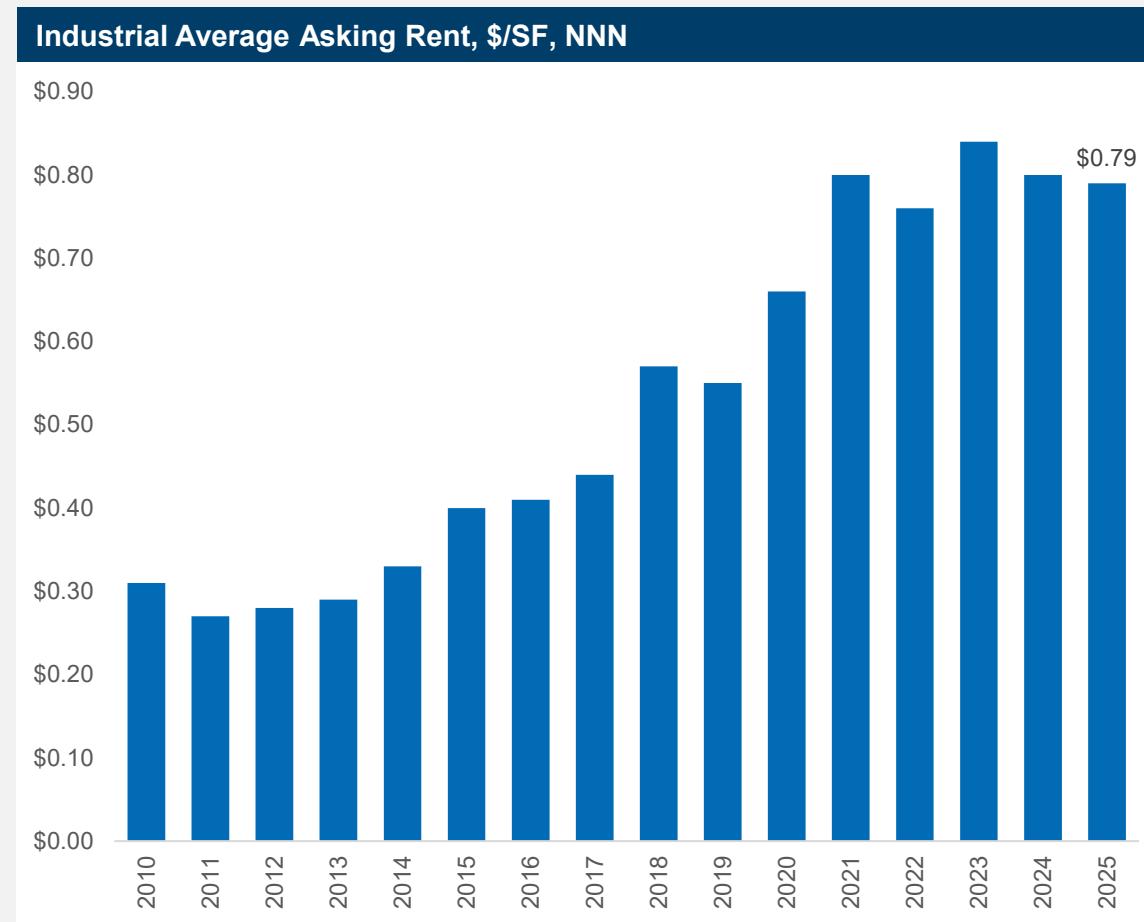
# New Development Pipeline Softened

Sacramento's industrial development pipeline has been cyclical since its late-2020 peak. An influx of building deliveries expanded inventory and temporarily tilted the market toward supply. As absorption works through that added space—and with construction costs elevated—ground-up activity has moderated. Even so, several projects are advancing through planning stages, and we expect a pickup in new construction and deliveries beginning in 2026.



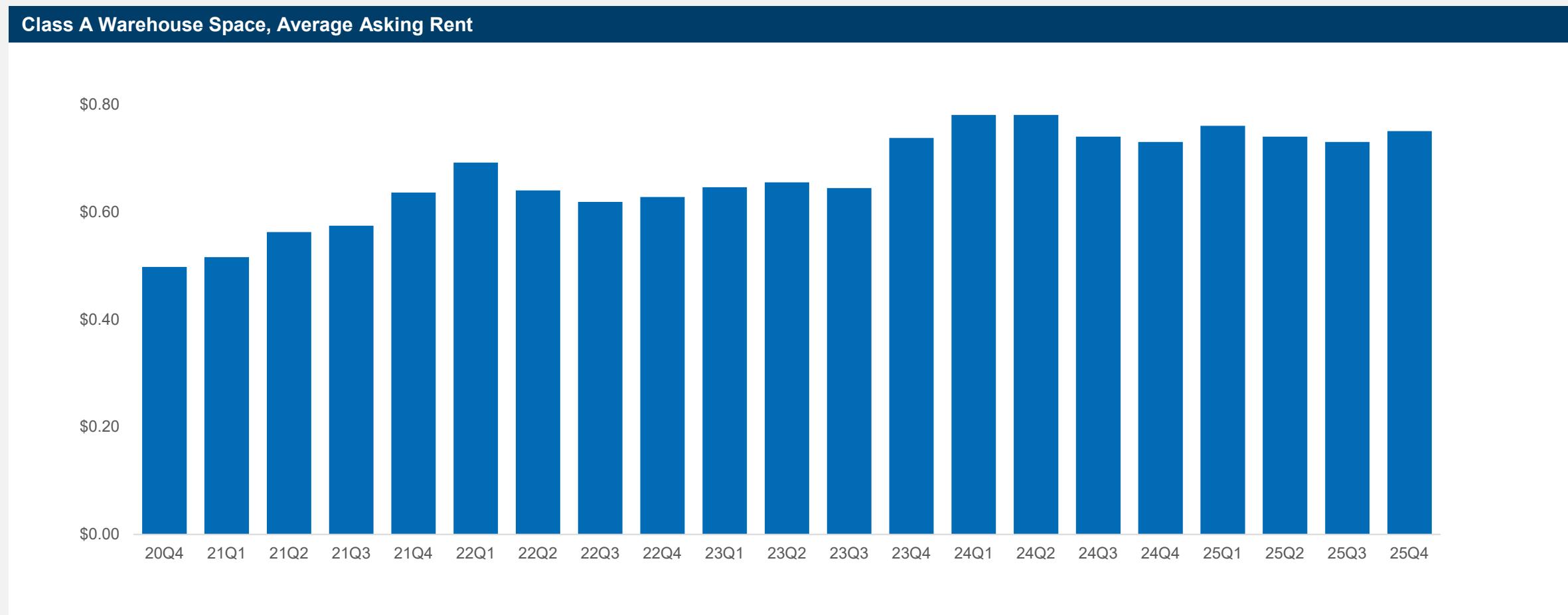
# Industrial Asking Rent Held Flat

The Sacramento region closed the year with asking rents effectively flat at \$0.79/SF NNN—down a modest 1.3% from 2024 and 6.3% below the 10-year peak achieved in 2023. The limited movement in rents over the past two years indicates the market has largely completed its reset, with the prevailing trend pointing to stabilization rather than further decline.



# Class A Warehouse Rents Hovered Near Peak

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. This modest 3.8% pullback indicates normalization rather than deterioration. Pricing at the top end of the market remains resilient, and Class A spaces continue to command healthy rate integrity, consistent with a sector that is stabilizing rather than softening.



# Significant Leases

## Notable Leases 4Q25

Tenant	Building(s)	Submarket	Type	Square Feet
Mark III Construction	2031 Optisolar Lane	McClellan / Hwy 80	New	320,000
Lennox Industries Inc.	4905 Serna Drive	Northgate	New	118,147
KP Corporation	3700 Seaport Boulevard	West Sacramento	Renewal	100,008
Rexel	4040 Vista Park Court	Northgate	New	68,640
Staples	3640 Ramos Drive	West Sacramento	New	40,662

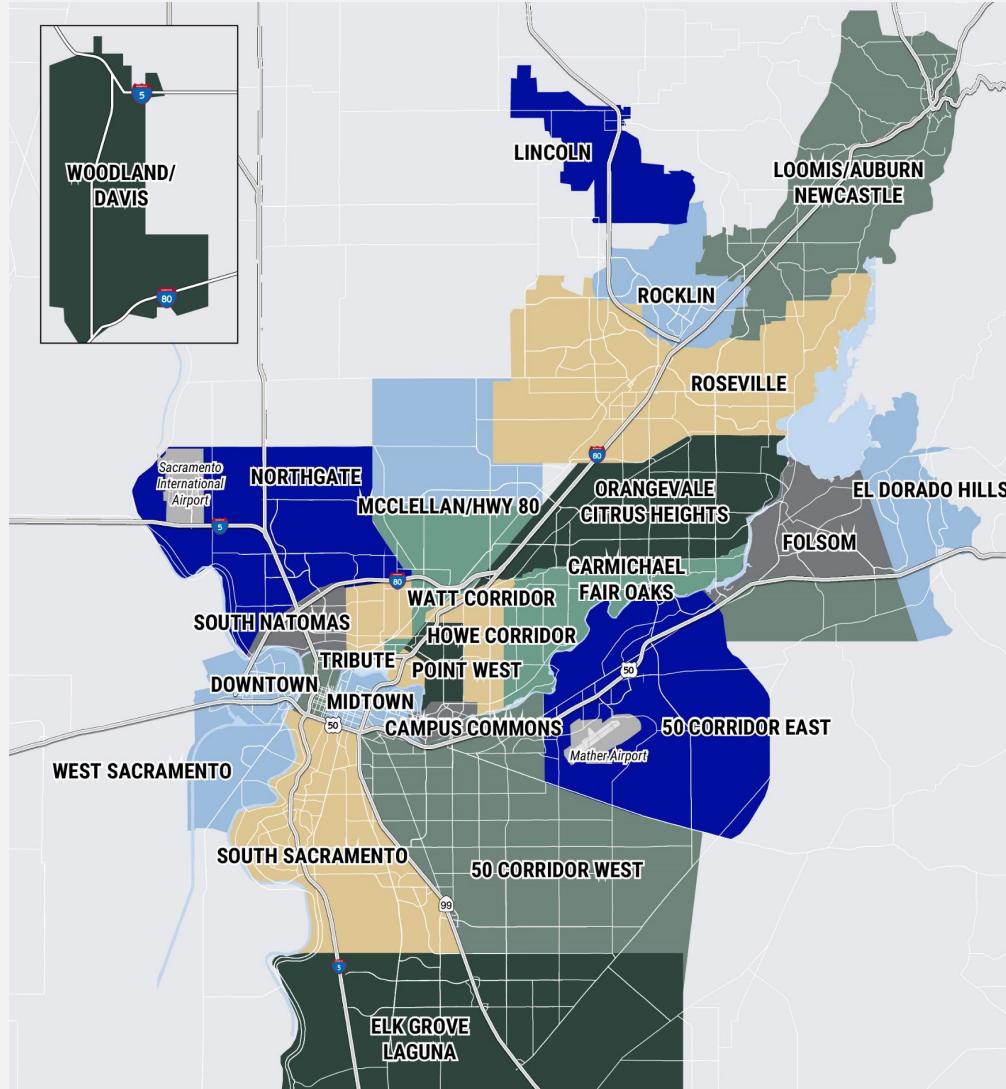
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## Appendix



# Sacramento Submarket Map



# Access the Extended 4Q25 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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