

## MARKET OVERVIEW

► **Industrial Market:** The Sacramento industrial market fared well during the third quarter of 2018 as the overall vacancy rate further decreased to an all-time low of 4.20%. At the close of the third quarter, net absorption was positive at just over 420,000 square feet.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate decreased to 4.20%, which remains the lowest vacancy rate seen to-date for the Sacramento Region. The largest submarkets – Power Inn, West Sacramento and Roseville/Rocklin – had vacancy rates of 4.10%, 5.44% and 3.48%. Among the largest submarkets, some of the lowest vacancy rates were also seen in the Sunrise and Marysville/Yuba City submarkets with rates at 1.42% and 1.19%, respectively. Alternatively, the highest vacancy rates were still seen in the South Sacramento submarket with an overall rate of 23.56%.

► **Lease Rates:** At the end of the third quarter, the average asking triple net lease rate for the Sacramento industrial market was \$0.56, which is a \$0.04 increase from the previous quarter. Within the two largest submarkets – Power Inn and West Sacramento – the average asking lease rates were \$0.84 and \$0.53 per square foot. Some of the highest asking lease rates were seen in the South Sacramento submarket with an average of \$1.11 per square foot. Alternatively, the lowest lease rates were seen in the Davis/Woodland and Richards submarkets with average asking rates of \$0.36 and \$0.40 per square foot, respectively.

► **Sale & Lease Transactions:** Transaction activity at the close of the third quarter was 2.63 million square feet, which is an increase from the previous quarter's figure of 3.57 million square feet. Given that there is often a delay for final figures to be totaled, this quarter's figure will slightly increase in the next market report.

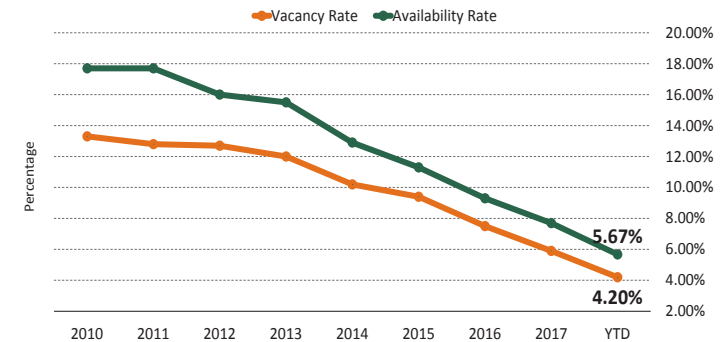
► **Absorption:** The industrial market ended the third quarter with 420,103 square feet of positive net absorption. The Roseville/Rocklin submarket had the greatest positive net absorption of 217,649 square feet, and the West Sacramento submarket had the second highest net absorption of 205,271 square feet. Alternatively, the Power Inn submarket experienced 90,134 square feet of negative net absorption.

► **Development:** Eleven industrial projects are currently under construction in the Sacramento market. The largest of those projects is a 417,637 square foot Class B industrial building in the McClellan submarket expected to be delivered May 2019. The second largest industrial project under construction is a 244,408 square foot Class A warehouse building in the West Sacramento submarket and expected to be delivered March 2019. Currently, there are 14.45 million square feet of proposed industrial space for the Sacramento market.

► **Third Quarter Review:** Overall, the Sacramento industrial market has out-paced other commercial property types with continually low vacancy rates and increasing lease rates. Among other positive trends, net absorption has remained positive for fourteen consecutive quarters. According to the most recent Sacramento employment figures, the unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 3.8% in August of 2018.

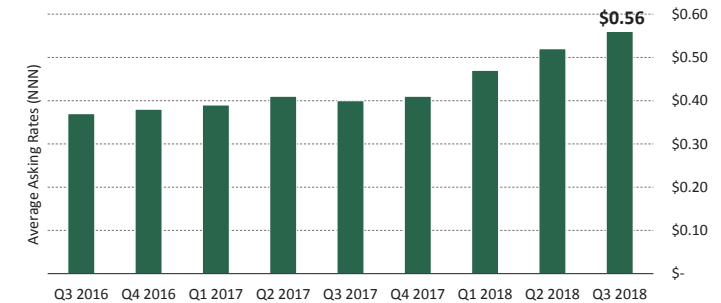
## VACANCY RATE & AVAILABILITY RATE

ALL SPACE NOT CURRENTLY OCCUPIED & ALL SPACE CURRENTLY MARKETING







## AVERAGE ASKING RATES

WEIGHTED AVERAGE RENT BASED ON TOTAL SQUARE FOOTAGE



## SACRAMENTO INDUSTRIAL TRENDS | THIRD QUARTER 2018

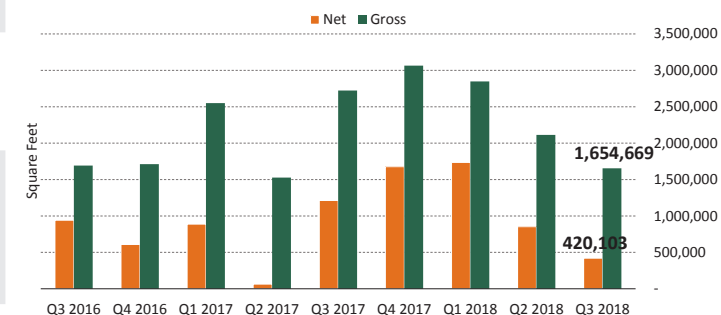
ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

| MARKET INDICATORS | Vacancy   | Lease Rates (NNN)   | Net Absorption  | Transaction Activity  |
|-------------------|---|---|---|---|
|                   |  |  |  |  |
|                   | Q <sup>3</sup> 2018<br>Q <sup>2</sup> 2018  |   |   |   |
|                   | 4.20%   | \$0.56  | 420,103   | 2,635,454   |
|                   | 4.70%   | \$0.52  | 852,655   | 3,576,608   |

THESE STATISTICS ENCOMPASS THE ENTIRE SURVEY, WHICH INCLUDES ALL INDUSTRIAL PROPERTY TYPES 10,000 SQUARE FEET AND LARGER.

## NET & GROSS ABSORPTION

NET - TOTAL SQ. FT. OCCUPIED LESS THE SQ. FT. VACATED & GROSS - TOTAL SQ. FT. OCCUPIED



# NOTEWORTHY TRANSACTIONS

## LEASE TRANSACTIONS | NOTABLE INDUSTRIAL LEASES SIGNED FOR Q3 2018

| Property Address      | Submarket         | Tenant                            | Owner                  | Date Lease Signed | Square Feet Leased |
|-----------------------|-------------------|-----------------------------------|------------------------|-------------------|--------------------|
| 3015-3071 Venture Dr. | Roseville/Rocklin | Undisclosed                       | Buzz Oates             | August 14, 2018   | 133,656            |
| 3689 Industrial Blvd. | West Sacramento   | Goodwill Industries of Sacramento | The Bendetti Company   | August 1, 2018    | 100,000            |
| 7728 Wilbur Way       | Power Inn         | Bush Industries                   | Massie Management, LLC | August 27, 2018   | 90,240             |
| 11415 Folsom Blvd.    | Sunrise           | Undisclosed                       | Donald Reinholdt       | August 4, 2018    | 72,000             |
| 2660 Industrial Blvd. | West Sacramento   | Premier Product Management, Inc.  | MacLaughlin Properties | August 14, 2018   | 65,553             |

## SALE TRANSACTIONS | NOTABLE INDUSTRIAL SALES FOR Q3 2018

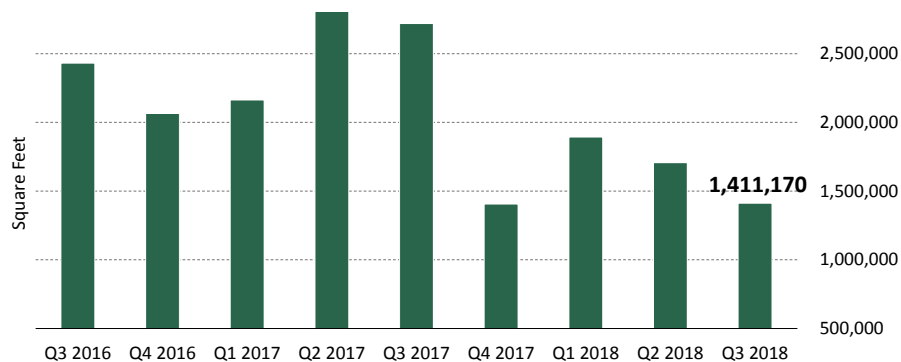
| Property Address                       | Submarket         | Buyer                     | Seller                   | Bldg. Sq. Ft. | Sale Price   |
|--|-------------------|---------------------------|--------------------------|---------------|--------------|
| 3510 Carlin Drive                      | West Sacramento   | Bixby Land Company        | Ridge Capital, Inc.      | 387,420       | \$33,400,000 |
| 4600 Northgate Blvd.<br>(5 Properties) | North Natomas     | GPR Ventures              | Avistone, LLC            | 102,976       | \$6,243,145  |
| 10200 Systems Park                     | Mather            | Colisseum Way, LLC        | Systems Two Parkway, LLC | 63,280        | \$6,225,000  |
| 1105-1107 Terminal Street              | West Sacramento   | 1105 Terminal Street, LLC | Michael Ramos            | 61,920        | \$5,848,200  |
| 1751 Aviation Blvd.                    | Roseville/Rocklin | Perkins Ventures, Inc.    | Buzz Oates               | 77,164        | \$5,650,000  |

## MARKET SNAPSHOT

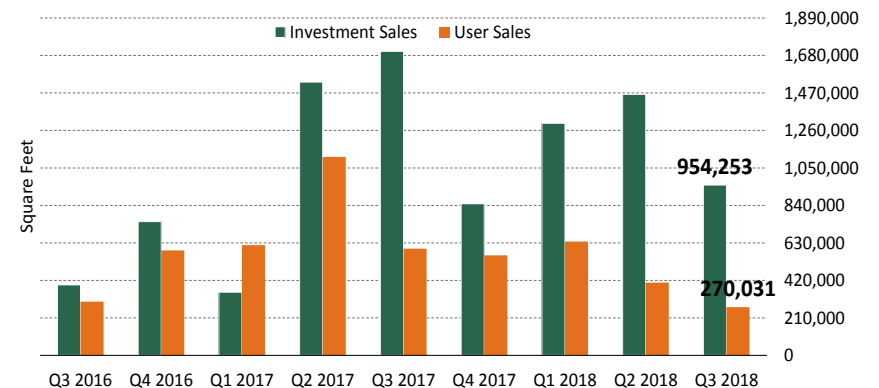
**Q<sup>3</sup> 2018**   **Q<sup>3</sup> 2017**   % Change vs. Q3 2017

|                        |           |           |         |
|------------------------|-----------|-----------|---------|
| Vacancy Rate           | 4.20%     | 6.30%     | -33.34% |
| Availability Rate      | 5.67%     | 8.00%     | -29.07% |
| Avg. Asking Lease Rate | \$0.56    | \$0.40    | 40.00%  |
| Gross Absorption       | 1,654,669 | 2,723,501 | -39.24% |
| Net Absorption         | 420,103   | 1,213,162 | (N/A)   |

## LEASE TRANSACTIONS | AMOUNT OF SQUARE FEET LEASED PER QUARTER



## SALES TRANSACTIONS | AMOUNT OF SQUARE FEET SOLD PER QUARTER



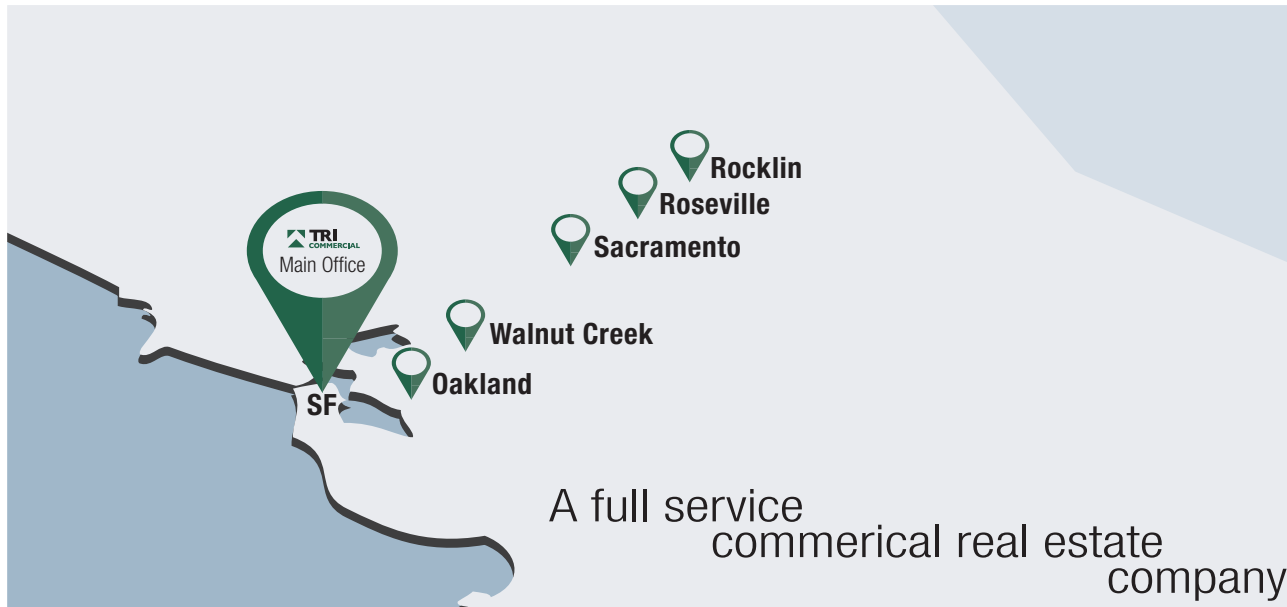
TRI COMMERCIAL | SACRAMENTO INDUSTRIAL SUBMARKET STATISTICS

| Submarket                | Total Buildings | Net Rentable Square Feet | Vacant Square Feet | Vacancy Rate Q3 2018 | Occupied Square Feet | Occupancy Rate Q3 2018 | Available Square Feet | Availability Rate Q3 2018 | Net Absorption Q3 2018 | YTD Net Absorption | Gross Absorption Q3 2018 | YTD Gross Abosorption | Under Construction Square Feet | Proposed Square Feet | Average Asking Rate (All Classes) |
|--------------------------|-----------------|--------------------------|--------------------|----------------------|----------------------|------------------------|-----------------------|---------------------------|------------------------|--------------------|--------------------------|-----------------------|--------------------------------|----------------------|-----------------------------------|
| Auburn/Newcastle         | 85              | 2,234,921                | 19,895             | 0.89%                | 2,215,026            | 99.11%                 | 84,020                | 3.76%                     | 0                      | (3,461)            | 0                        | 13,685                | 0                              | 0                    | \$0.48                            |
| Davis/Woodland           | 188             | 16,203,720               | 959,648            | 5.92%                | 15,244,072           | 94.08%                 | 921,524               | 5.69%                     | 43,297                 | 210,792            | 92,774                   | 511,091               | 0                              | 491,565              | \$0.36                            |
| Downtown                 | 85              | 2,526,602                | 36,381             | 1.44%                | 2,490,221            | 98.56%                 | 36,381                | 1.44%                     | 4,000                  | 7,731              | 4,000                    | 22,314                | 0                              | 0                    | \$0.55                            |
| East Sacramento          | 22              | 550,941                  | 0                  | 0.00%                | 550,941              | 100.00%                | 17,250                | 3.13%                     | 0                      | 0                  | 0                        | 0                     | 0                              | 0                    | -                                 |
| Elk Grove/Laguna         | 117             | 5,727,591                | 210,988            | 3.68%                | 5,513,779            | 96.27%                 | 263,150               | 4.59%                     | 20,566                 | 151,596            | 29,246                   | 201,046               | 8,000                          | 922,559              | \$0.58                            |
| Folsom/EI Dorado         | 104             | 3,187,608                | 174,416            | 5.47%                | 3,013,192            | 94.53%                 | 203,118               | 6.37%                     | (23,447)               | (33,308)           | 1,395                    | 20,452                | 0                              | 0                    | \$0.67                            |
| Marysville/Yuba City     | 148             | 6,322,128                | 74,977             | 1.19%                | 6,247,151            | 98.81%                 | 258,927               | 4.10%                     | 29,100                 | 53,148             | 31,500                   | 77,000                | 0                              | 0                    | \$0.41                            |
| Mather                   | 125             | 3,886,441                | 127,530            | 3.28%                | 3,758,911            | 96.72%                 | 156,626               | 4.03%                     | (1,385)                | 79,349             | 19,135                   | 134,407               | 51,156                         | 89,593               | \$0.49                            |
| McClellan                | 290             | 13,516,433               | 261,642            | 1.94%                | 13,267,982           | 98.16%                 | 329,338               | 2.44%                     | 102,400                | 530,962            | 163,068                  | 727,795               | 462,737                        | 52,108               | \$0.69                            |
| Natomas/Northgate        | 204             | 12,551,076               | 412,773            | 3.29%                | 12,161,953           | 96.90%                 | 1,013,592             | 8.08%                     | (60,736)               | (194,563)          | 114,599                  | 415,921               | 0                              | 8,351,202            | \$0.56                            |
| NE Sacramento            | 190             | 4,999,729                | 230,455            | 4.61%                | 4,769,274            | 95.39%                 | 333,198               | 6.66%                     | 2,252                  | 28,655             | 89,270                   | 146,604               | 0                              | 0                    | \$0.78                            |
| Power Inn                | 567             | 24,428,956               | 1,002,452          | 4.10%                | 23,439,456           | 95.95%                 | 1,646,127             | 6.74%                     | (90,134)               | 13,903             | 318,213                  | 972,115               | 0                              | 1,780,840            | \$0.84                            |
| Richards                 | 84              | 4,028,809                | 75,445             | 1.87%                | 3,953,364            | 98.13%                 | 75,445                | 1.87%                     | (21,896)               | 45,182             | 25,000                   | 117,822               | 0                              | 0                    | \$0.40                            |
| Roseville/Rocklin        | 284             | 16,314,616               | 567,028            | 3.48%                | 15,750,318           | 96.54%                 | 617,280               | 3.78%                     | 217,649                | 813,494            | 272,096                  | 1,077,805             | 0                              | 1,239,260            | \$0.41                            |
| South Sacramento         | 122             | 4,010,719                | 944,851            | 23.56%               | 3,065,868            | 76.44%                 | 949,651               | 23.68%                    | (45,101)               | (59,521)           | 4,500                    | 11,700                | 0                              | 600,000              | \$1.11                            |
| Sunrise                  | 331             | 9,667,158                | 136,914            | 1.42%                | 9,533,844            | 98.62%                 | 274,198               | 2.84%                     | 38,267                 | 150,407            | 189,460                  | 430,048               | 0                              | 0                    | \$0.67                            |
| West Sacramento          | 324             | 18,541,381               | 1,009,227          | 5.44%                | 17,561,404           | 94.71%                 | 1,258,009             | 6.78%                     | 205,271                | 1,213,852          | 300,413                  | 1,910,850             | 473,016                        | 915,500              | \$0.53                            |
| Industrial Market Totals | 3,270           | 148,698,829              | 6,244,622          | 4.20%                | 142,536,756          | 95.86%                 | 8,437,834             | 5.67%                     | 420,103                | 3,008,218          | 1,654,669                | 6,790,655             | 994,909                        | 14,442,627           | \$0.56                            |

|                          |       |             |           |       |             |        |           |       |           |           |           |           |         |            |        |
|--------------------------|-------|-------------|-----------|-------|-------------|--------|-----------|-------|-----------|-----------|-----------|-----------|---------|------------|--------|
| 10,000-29,999            | 2,014 | 33,442,026  | 1,011,368 | 3.02% | 32,471,190  | 97.10% | 1,493,047 | 4.46% | (12,205)  | (20,664)  | 340,464   | 884,033   | 59,156  | 332,133    | \$0.90 |
| 30,000-49,999            | 519   | 19,859,328  | 680,315   | 3.43% | 19,196,589  | 96.66% | 1,093,788 | 5.51% | (189,785) | (29,963)  | 130,999   | 680,114   | 45,100  | 230,740    | \$0.83 |
| 50,000-99,999            | 443   | 29,629,155  | 782,515   | 2.64% | 28,871,081  | 97.44% | 1,603,401 | 5.41% | 196,771   | 488,544   | 478,959   | 1,386,141 | 65,300  | 930,307    | \$0.54 |
| 100,000-199,999          | 184   | 24,113,554  | 987,898   | 4.10% | 23,125,656  | 95.90% | 1,050,442 | 4.36% | 83,283    | 569,128   | 228,279   | 1,087,131 | 163,308 | 2,651,301  | \$0.48 |
| 200,000-299,999          | 60    | 14,289,762  | 359,080   | 2.51% | 13,930,682  | 97.49% | 530,725   | 3.71% | (130,680) | 388,486   | 0         | 619,585   | 244,408 | 703,130    | \$0.48 |
| 300,000 Plus             | 50    | 27,365,004  | 2,423,446 | 8.86% | 24,941,558  | 91.14% | 2,666,431 | 9.74% | 472,719   | 1,612,687 | 475,968   | 2,133,651 | 417,637 | 9,595,016  | \$0.37 |
| Industrial Market Totals | 3,270 | 148,698,829 | 6,244,622 | 4.20% | 142,536,756 | 95.86% | 8,437,834 | 5.67% | 420,103   | 3,008,218 | 1,654,669 | 6,790,655 | 994,909 | 14,442,627 | \$0.56 |

Average asking rates represented are triple net.

## NORTHERN CALIFORNIA MAP | TRI OFFICE LOCATIONS:



MAP IS NOT TO SCALE

## ABOUT TRI COMMERCIAL

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The Information in this document was obtained from sources we deem reliable; however, no warranty or representation, expressed or implied, is made as to the accuracy of the information contained herein. The market statistics represent properties that are 10,000 square feet or larger. This quarterly market report is a research document of TRI Commercial and may be found on our website at [www.tricommercial.com](http://www.tricommercial.com). CoStar was the main source of information used in this report.

## TRI CONTACT INFORMATION

### San Francisco

100 Pine St., Suite 1000  
San Francisco, CA 94111  
Tel: (415) 268-2200 | Fax: (415) 268-2289

### Oakland

1404 Franklin St., Penthouse  
Oakland, CA 94607  
Tel: (510) 622-8466 | Fax: (510) 336-8296

### Walnut Creek

1777 Oakland Blvd., Suite 100  
Walnut Creek, CA 94596  
Tel: (925) 296-3300 | Fax: (925) 296-3399

### Sacramento

1515 River Park Drive, Suite 200  
Sacramento, CA 95815  
Tel: (916) 669-4500 | Fax: (916) 669-4598

### Roseville

532 Gibson Drive, Suite 200  
Roseville, CA 95678  
Tel: (916) 677-8000 | Fax: (916) 677-8199

### Rocklin

2209 Plaza Drive, Suite 100  
Rocklin, CA 95765  
Tel: (916) 960-5700 | Fax: (916) 960-5799

Report Prepared By:

**Bianca Cruz**

[bianca.cruz@tricommercial.com](mailto:bianca.cruz@tricommercial.com)

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