



## Industrial Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

FLAT

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### Market Highlights

- Market Status** - Sacramento's recovery is still nascent, but the local economy still has a lot of ground to make up. Vacancy did decrease during the first quarter of 2013, but availability increased — albeit both changes were minor. Net absorption posted a positive 197,350 square feet in the first quarter, giving the market its third consecutive quarter of positive absorption. While these figures are generally acceptable during this stage of recovery, employment gains and overall economic stability in the region will need to be sustained for the Sacramento industrial market to continue to recover.
- Construction** - During the first quarter, there were no industrial buildings under construction in the Sacramento market. However, a 70,000 square foot building was delivered in the West Sacramento submarket. The slowdown or non-existence in construction will continue to force the downward pressure on vacancy and the upward pressure on lease rates going forward.
- Vacancy** - Total vacancy came in at 11.77%, a decrease of 15 basis points compared to the previous quarter. Within the major submarkets, the McClellan area remained high at 19.51%, while the West Sacramento and NE Sacramento areas came in at a solid 9.8% and 6.48%, respectively.
- Availability** - The rate of available space being marketed was 15.19% at the close of the first quarter; up 27 basis points from the previous quarter. The McClellan submarket remained high at 22.02%, while the NE Sacramento submarket had the lowest rate in the region at 9.12%.
- Lease Rates** - The average asking triple-net lease rate was \$0.35 per square foot per month at the end of the first quarter — a decrease of \$0.02 from the previous quarter. Asking rates should stabilize with possible increases in late 2013.
- Absorption** - The Sacramento industrial market recorded 197,350 square feet of positive net absorption in first quarter. Within the major submarkets, the Natomas/Northgate submarket had 107,453 square feet of positive net absorption, while the Davis/Woodland submarket posted 240,590 square feet of negative net absorption.
- Transaction Activity** - The total volume of industrial lease and sale transaction activity was about 1.7 million square feet for first quarter. The second and third quarters of 2011 withstanding, the market has posted between 2 and 3.5 million square feet per quarter over the past couple of years. This statistic does have some lag time to post final numbers, so look for the first quarter to reach over 2 million in finality. Details of the largest transactions for the first quarter of 2013 can be found on the back page of this report.
- Employment** - The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 9.6% in Feb. 2013, down from 10.3% in Jan. 2013. This compares with an unadjusted unemployment rate of 9.7% for California and 8.1% for the nation during the same period. According to the State of California Employment Development Department, the Sacramento-Arden Arcade-Roseville MSA saw a net increase of 6,300 payroll jobs from Jan. 2013 to Feb. 2013. The largest gains were 2,400 jobs in leisure and hospitality with 2,000 jobs in accommodation and food services. The government also picked up 1,700 jobs over the past month with 1,400 of those within the local government.
- Overall** - Owners can begin to breathe easier, as rent losses should be over. Demand for warehouse space in Sacramento is improving and will continue to turn around as homebuilding picks up again and as local incomes start to rise. Buying for occupancy or purchasing fully leased, single-tenant assets seems to be the popular investment choice currently, as fully leased, performing assets are just the kind of safe-haven investment that buyers are looking for in secondary markets such as Sacramento. Despite the fact that Sacramento is not a major manufacturing center — which limits demand potential — the metro is a local distribution center and its population growth bodes very well for the future. While the downturn was painful, the tide is turning and the outlook for the foreseeable future is favorable.

Prepared by:

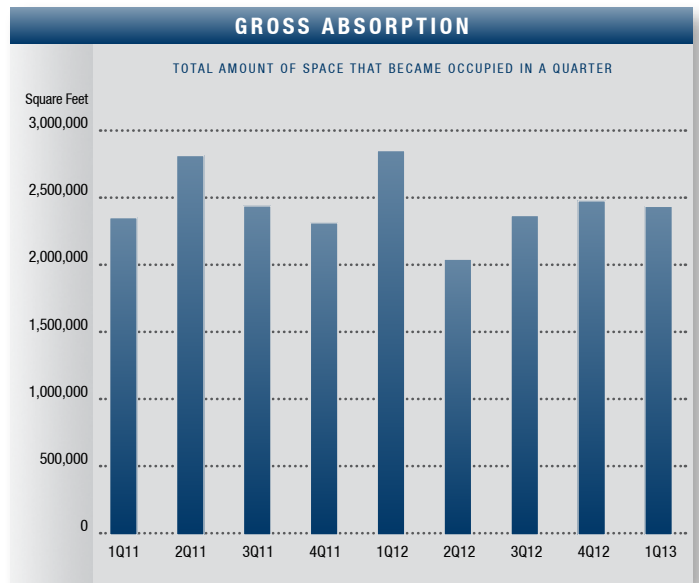
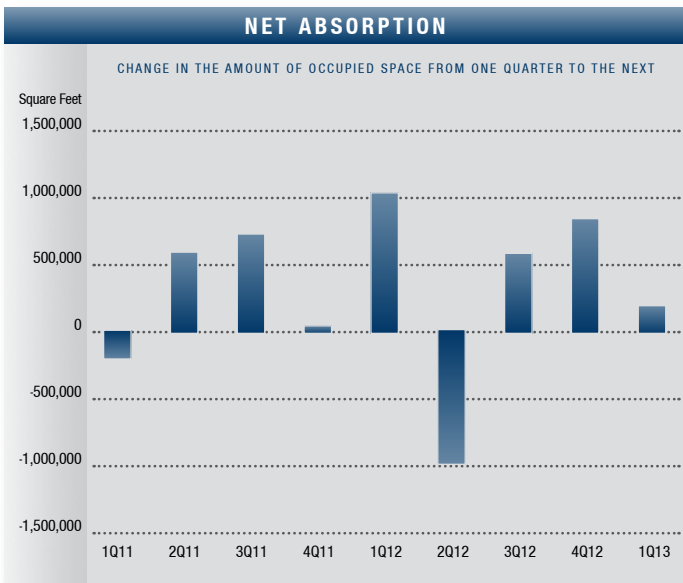
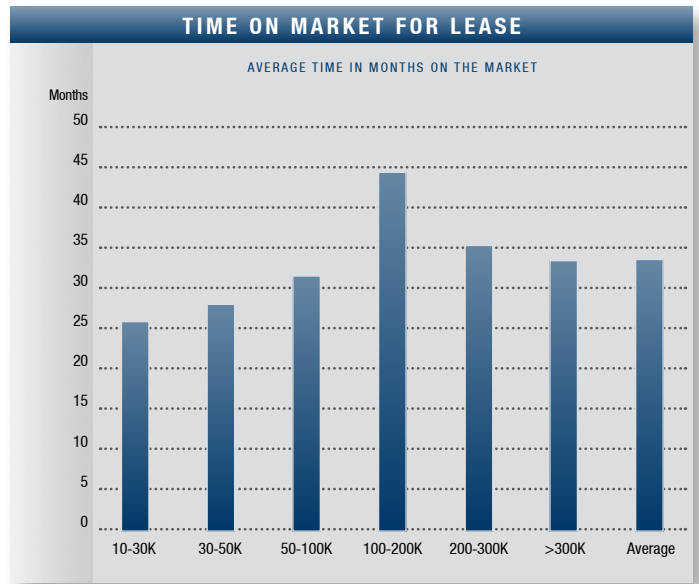
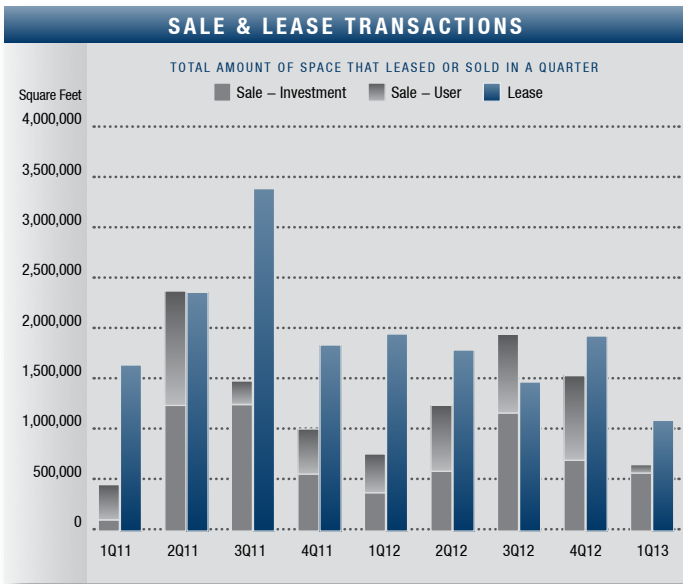
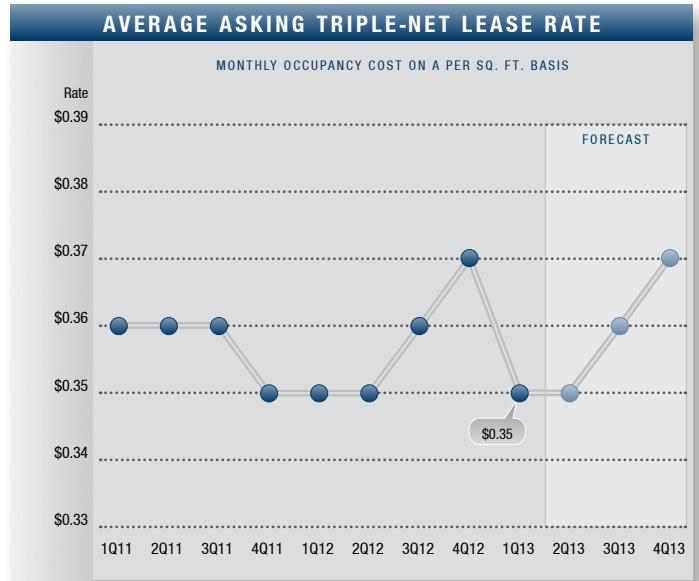
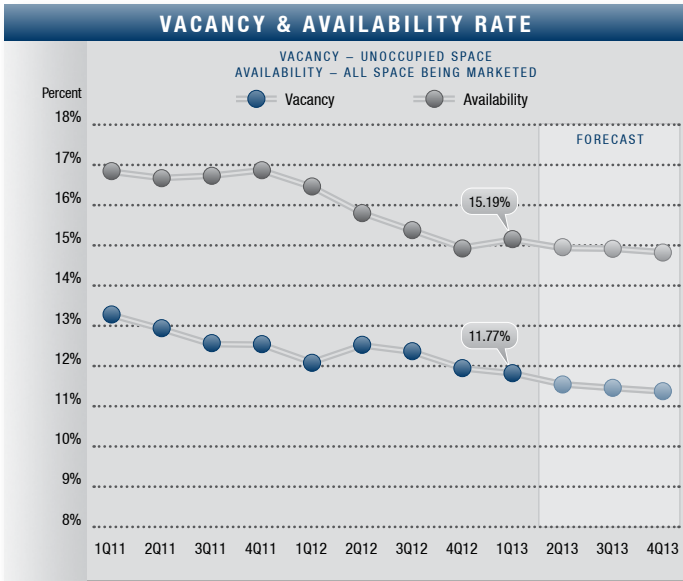
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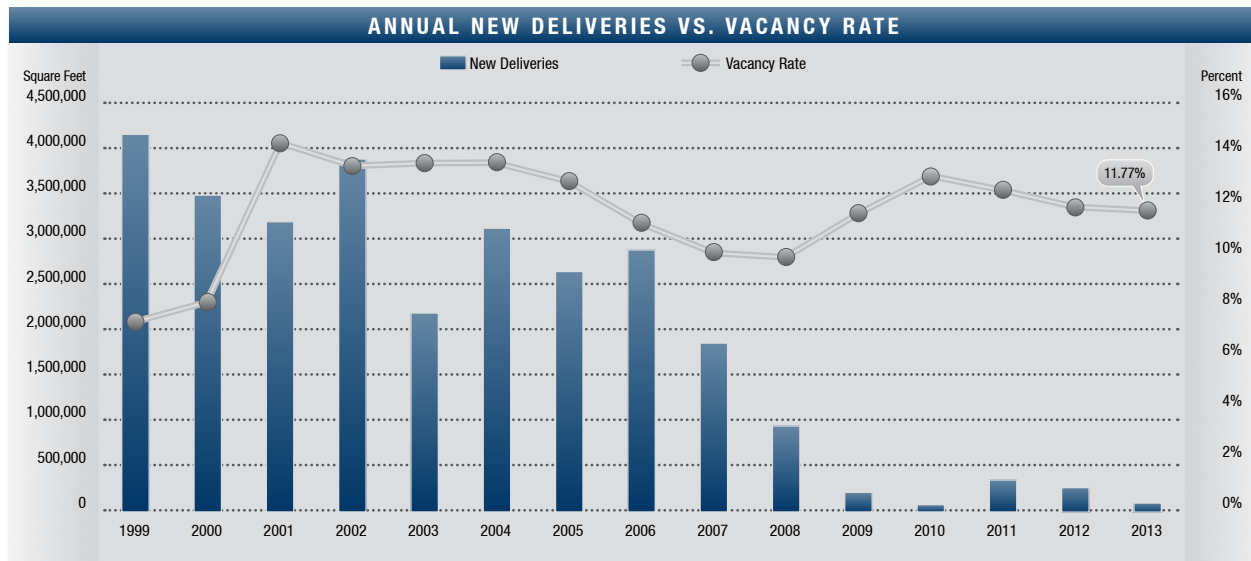
### INDUSTRIAL MARKET OVERVIEW

	1Q13	4Q12	1Q12	% of Change vs. 1Q12
Vacancy Rate	11.77%	11.92%	12.05%	(2.32%)
Availability Rate	15.19%	14.92%	16.49%	(7.88%)
Average Asking Lease Rate	\$0.35	\$0.37	\$0.35	0.00%
Sale & Lease Transactions	1,701,812	3,405,188	2,665,193	(36.15%)
Gross Absorption	2,431,877	2,477,089	2,849,479	(14.66%)
Net Absorption	197,350	841,853	1,029,290	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2013	Square Feet Available	Availability Rate 1Q2013	Average Asking Lease Rate	Net Absorption 1Q2013	Net Absorption 2012	Gross Absorption 1Q2013	Gross Absorption 2012
<b>Sacramento Market</b>													
Auburn/Newcastle	94	2,685,155	0	0	188,231	7.01%	365,720	13.62%	\$0.52	(6,800)	6,462	26,270	82,826
Benicia	158	8,199,310	0	0	1,020,851	12.45%	1,345,660	16.41%	\$0.46	148,336	143,585	178,536	403,568
Davis/Woodland	199	16,913,300	0	15,040	2,763,825	16.34%	3,476,112	20.55%	\$0.26	(240,590)	(87,510)	44,916	1,256,022
Downtown	91	2,758,667	0	0	164,233	5.95%	180,233	6.53%	\$0.61	0	10,586	10,000	49,266
East Sacramento	27	757,766	0	0	113,376	14.96%	135,376	17.87%	\$0.62	6,000	(13,200)	6,000	0
Elk Grove/Laguna	115	5,653,625	0	29,450	611,423	10.81%	774,300	13.70%	\$0.38	6,026	77,406	46,171	202,497
Fairfield	172	12,983,964	0	1,176,336	715,127	5.51%	1,252,431	9.65%	\$0.40	12,375	371,664	14,708	785,243
Folsom/El Dorado	115	3,724,543	0	0	161,563	4.34%	213,400	5.73%	\$0.73	(1,647)	(77,231)	52,996	84,308
Marysville/Yuba City	139	5,990,307	0	0	507,676	8.47%	710,153	11.86%	\$0.35	5,793	121,900	22,825	171,947
Mather	127	3,893,874	0	70,393	593,135	15.23%	689,530	17.71%	\$0.40	(75,483)	6,999	37,832	193,393
McClellan	352	17,608,530	0	192,326	3,435,821	19.51%	3,876,729	22.02%	\$0.42	48,846	(22,943)	934,201	727,310
Natomas/Northgate	208	12,196,373	0	629,394	1,917,813	15.72%	2,250,101	18.45%	\$0.38	107,453	(184,056)	188,128	738,905
NE Sacramento	203	5,380,868	0	0	348,656	6.48%	490,962	9.12%	\$0.38	31,049	110,693	63,156	244,435
Outer El Dorado County	12	250,326	0	0	2,500	1.00%	2,500	1.00%	\$0.00	0	4,600	0	7,700
Outer Placer County	4	110,205	0	0	0	0.00%	0	0.00%	\$0.00	0	600	0	600
Outer Sacramento County	2	36,000	0	0	0	0.00%	10,000	27.78%	\$0.00	0	0	0	0
Outer Sutter County	3	153,078	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Outer Yolo County	5	173,065	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Outer Yuba County	4	178,387	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Power Inn	596	26,406,694	0	972,441	2,466,660	9.34%	4,123,071	15.61%	\$0.32	(13,442)	697,660	271,485	1,631,721
Richards	95	4,686,683	0	0	518,228	11.06%	529,425	11.30%	\$0.38	14,242	17,752	16,456	78,477
Roseville/Rocklin	301	18,318,507	0	514,773	2,716,611	14.83%	3,255,754	17.77%	\$0.38	63,736	54,987	148,404	526,571
South Sacramento	132	4,255,808	0	0	165,602	3.89%	189,851	4.46%	\$0.37	(7,334)	9,623	10,736	122,473
Sunrise	333	9,905,122	0	0	905,173	9.14%	1,357,955	13.71%	\$0.42	89,717	199,205	191,893	746,484
Vacaville	163	10,435,263	0	1,211,311	968,333	9.28%	1,312,505	12.58%	\$0.44	33,900	124,703	48,455	367,171
Vallejo	122	5,900,021	0	14,000	1,170,540	19.84%	1,229,711	20.84%	\$0.34	800	4,135	1,400	7,935
West Sacramento	313	15,906,824	0	89,426	1,559,105	9.80%	1,921,229	12.08%	\$0.38	(25,627)	(241,971)	117,309	635,974
<b>Sacramento Market Total</b>	<b>4,085</b>	<b>195,462,265</b>	<b>0</b>	<b>4,914,890</b>	<b>23,014,482</b>	<b>11.77%</b>	<b>29,692,708</b>	<b>15.19%</b>	<b>\$0.35</b>	<b>197,350</b>	<b>1,335,649</b>	<b>2,431,877</b>	<b>9,064,826</b>
10,000-29,999	2,354	39,646,505	0	569,568	3,561,843	8.98%	4,678,276	11.80%	\$0.49	79,945	493,350	508,189	2,228,185
30,000-49,999	658	25,138,468	0	249,918	2,701,972	10.75%	3,584,527	14.26%	\$0.41	18,179	354,108	354,323	1,647,204
50,000-99,999	677	45,989,345	0	478,022	4,828,532	10.50%	6,294,446	13.69%	\$0.38	119,012	393,421	421,756	2,080,944
100,000-199,999	251	32,639,178	0	1,644,843	4,442,775	13.61%	5,901,172	18.08%	\$0.33	87,302	619,683	334,122	1,529,975
200,000-299,999	87	20,954,517	0	750,461	3,066,974	14.64%	4,069,111	19.42%	\$0.28	(107,630)	119,830	0	892,394
300,000 Plus	58	31,094,252	0	1,222,078	4,412,386	14.19%	5,165,176	16.61%	\$0.28	542	(644,743)	813,487	686,124
<b>Sacramento Market Total</b>	<b>4,085</b>	<b>195,462,265</b>	<b>0</b>	<b>4,914,890</b>	<b>23,014,482</b>	<b>11.77%</b>	<b>29,692,708</b>	<b>15.19%</b>	<b>\$0.35</b>	<b>197,350</b>	<b>1,335,649</b>	<b>2,431,877</b>	<b>9,064,826</b>

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
8303-8331 Sierra College Blvd.	Roseville/Rocklin	59,090	\$101.54	Mizrahi Shoreline Building of Mt. View, LLC	Kirkpatrick Family Trust
1108 R St.	Downtown	81,048	\$56.42	CFY Development, Inc.	Capitol Area Development Authority
780-790 Chadbourne Rd.	Fairfield	47,800	\$89.23	Lowenberg Corporation	Healdsburg Holding Company
5110 Hillsdale Cir.	Folsom/El Dorado	101,977	\$28.44	Storage Quest Santa Maria, LP	Rabobank
3740 Cincinnati Ave.	Roseville/Rocklin	21,148	\$52.01	Quality Telecom Consultants, Inc.	Briggs Family Trust

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
5201-5337 Luce Ave. – Renewal	McClellan	85,400	Feb-13	Zeta Communities	MP Holdings, LLC
767 Eubanks Dr.	Vacaville	63,910	Jan-13	N/A	Kimberly Branagh
4040 Vista Park Ct.	Natomas/Northgate	57,200	Feb-13	Penske Logistics	Harsch Investment Properties
8371 Carbide Ct.	Power Inn	51,119	Jan-13	N/A	Demas Enterprises
4105 S. Market Ct.	Natomas/Northgate	43,500	Feb-13	Visions Recycling, Inc.	M&S Investments

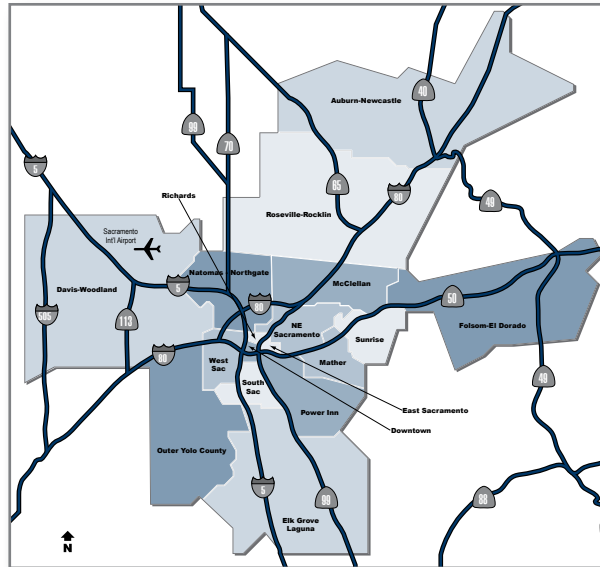
Product Type

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