



FIRST QUARTER 2015 SACRAMENTO INDUSTRIAL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to Previous Quarter:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

DOWN



Deliveries

FLAT



HIGHLIGHTS

- Market Status** - The Sacramento industrial market has continued to improve as demand has gained momentum, which has led to a further decrease in vacancy rates. During the first quarter, vacancy decreased to 9.18%, which is the lowest vacancy rate since 2000. What's more, the market posted over 900,000 square feet of positive absorption to start the year.
- Construction** - During the first quarter, there were nine industrial buildings under construction in the Sacramento market, which totaled over 1.5 million square feet. One of those buildings is a 474,792 square foot Class A warehouse in the West Sacramento submarket, which is expected to be delivered in October of 2015. There is also a 225,000 square foot building under construction in West Sacramento, a Class A distribution center that is expected to be delivered in September of 2015. At the close of the first quarter, there was over five million square feet of proposed industrial space for the Sacramento market.
- Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 9.18%, the lowest figure seen since the first quarter of 2001, and a decrease of over 16.5% since the first quarter of 2014. Within the major submarkets, Fairfield and West Sacramento had the lowest vacancy rates at 4.11% and 5.10%, while the South Sacramento area remained high at 37.04% with the large 1.6-million-square-foot vacancy of the Campbell's Soup facility.
- Availability** - Direct/sublease space being marketed came in at 11.68% for the first quarter of 2015, a 40 basis point decrease from the previous quarter and a decrease of 19.50% from 2014's rate of 14.51%. The South Sacramento submarket remained highest at 27.22%, while the Fairfield submarket had the lowest availability rate in the region at 5.00%.
- Lease Rates** - The average asking triple-net lease rate was \$0.36 per square foot per month at the end of the first quarter, a one cent increase over the previous quarter. Asking rates have remained somewhat flat, but are beginning to increase. We expect lease rates to continue to increase slowly and steadily throughout 2015.
- Absorption** - The Sacramento industrial market posted 908,809 square feet of positive net absorption in the first quarter of the year, most of which was in the Power Inn submarket that posted over 366,000 square feet, giving the market a net total of over 5.1 million square feet of positive net absorption for the last 6 quarters.
- Transaction Activity** - The total volume of industrial lease and sale transaction activity was just over 2.6 million square feet in the first quarter of 2015. Sales activity came in at just over 825,000 million square feet while leasing activity was just over two million square feet during the same time period. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher in the next report. Details of the largest transactions for the quarter can be found on the back page of this report.
- Employment** - The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 6.3% in February 2015, down from a revised 6.7% in January 2015, but still below the year-ago estimate of 8.1%. This compares with an unadjusted unemployment rate of 6.8% for California and 5.8% 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 25,900 payroll jobs from February 2014 to February 2015. While most sectors showed gains in employment, the largest gains were 6,000 jobs in education and health services, 5,000 jobs in government, and 3,700 jobs in professional and business services during that same time period.
- Overall** - The long-term outlook for the Sacramento industrial market is positive. We are continuing to see a decrease in the amount of vacant and available space on the market, even with new product being delivered. As we progress into 2015, positive absorption should continue and occupancy costs should begin to rise, and with few new deliveries in the pipeline to apply upward pressure on vacancy, the market will further improve.

FORECAST

- Construction** - At the close of the quarter, over 1.5 million square feet of industrial space was under construction, the most construction seen in this market in years, but still below historical levels. We anticipate construction remaining minimal, comprised of mostly build-to-suit projects in coming quarters.
- Employment** - We anticipate job growth of around 2.6% or 23,000 jobs, in the Sacramento area throughout 2015. Expect growth in professional & business services, educational services, health care, social assistance, leisure & hospitality, and retail trade sectors.
- Lease Rates** - Expect average asking lease rates to increase by 2% to 3% over the next four quarters.
- Vacancy** - We anticipate the vacancy rate continuing to descend in coming quarters, dropping to around 8.60%, by the end of the fourth quarter of 2015.

OVERVIEW

	1Q15	4Q14	1Q14	% of Change vs. 1Q14
Total Vacancy Rate	9.18%	9.68%	11.00%	(16.55%)
Availability Rate	11.68%	12.08%	14.51%	(19.50%)
Average Asking Lease Rate	\$0.36	\$0.35	\$0.35	2.86%
Sale & Lease Transactions	2,623,971	3,602,573	3,032,704	(13.48%)
Gross Absorption	1,897,366	2,404,931	2,520,739	(24.73%)
Net Absorption	908,809	939,965	727,991	N/A

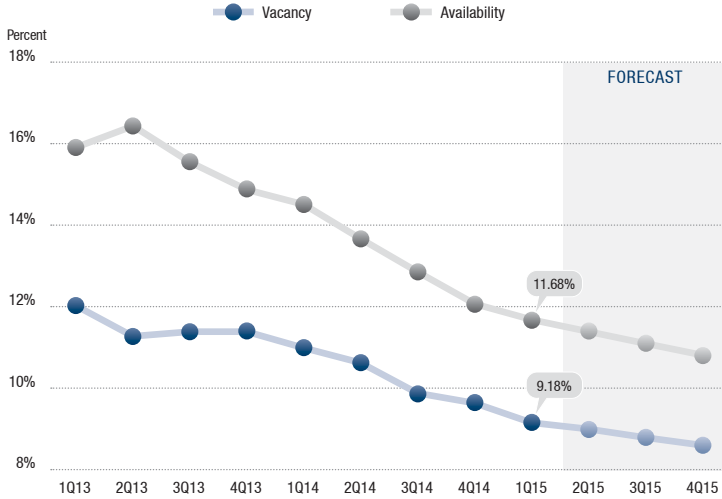
To view available properties or electronic versions of current or past market reports, please visit:

www.voitco.com

Prepared by:
Jerry J. Holdner, Jr.
Vice President of Market Research
e-mail: jholdner@voitco.com
VOIT Real Estate Services

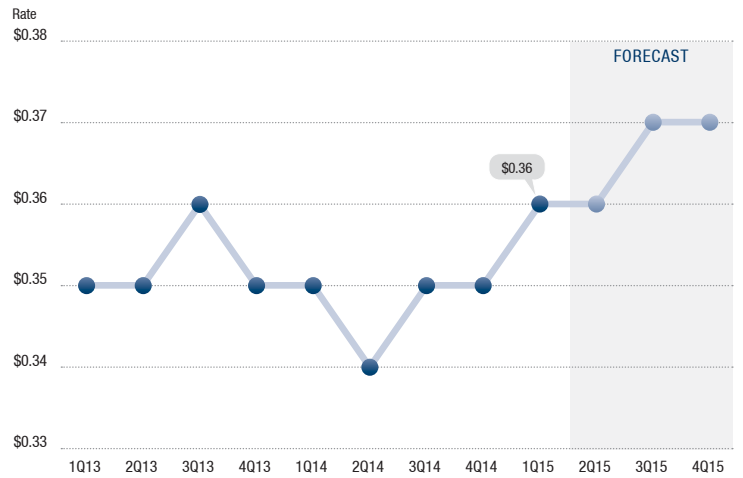
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



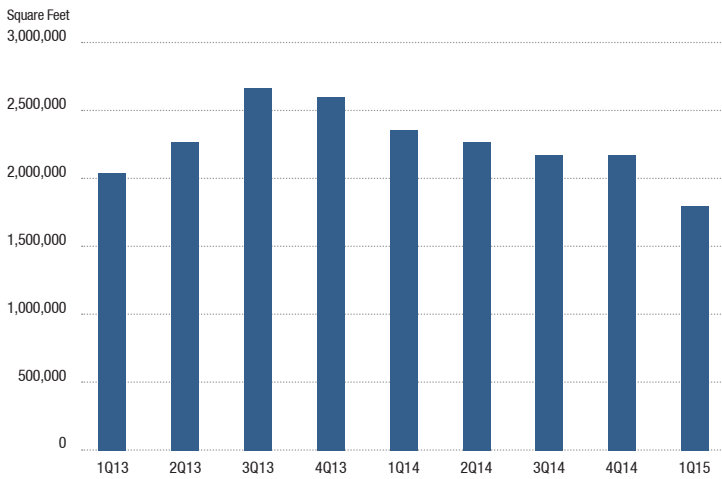
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



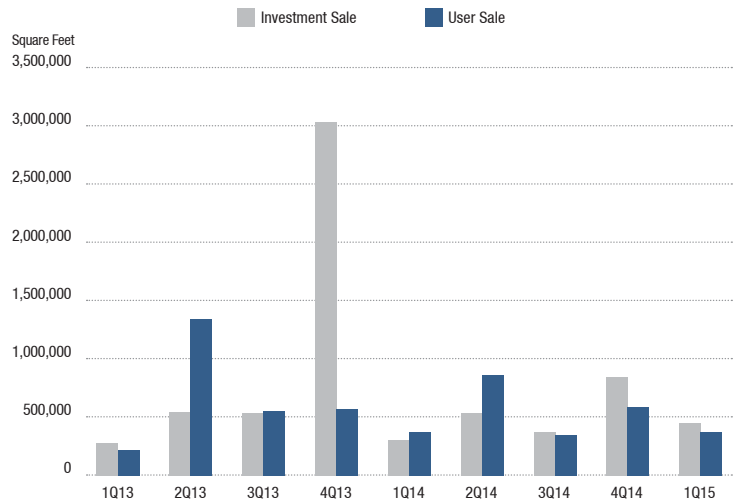
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



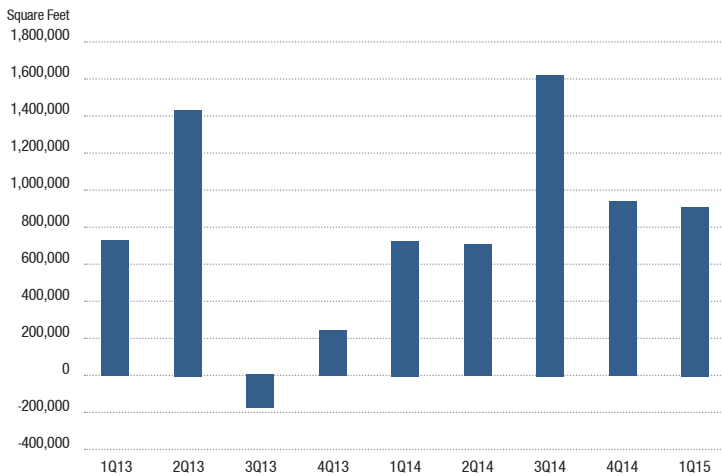
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



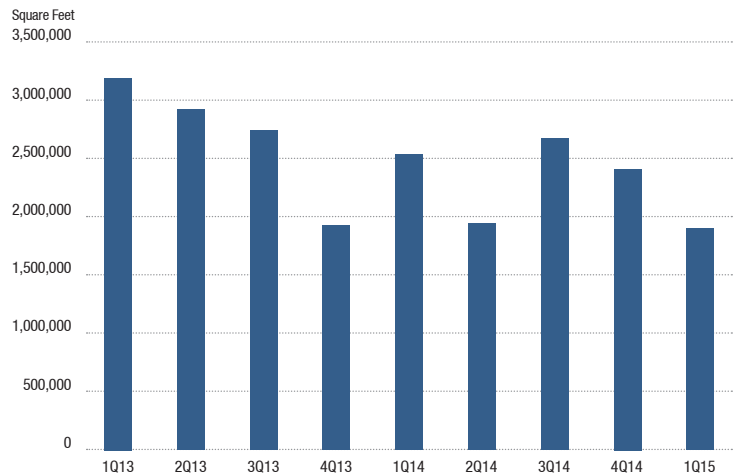
NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



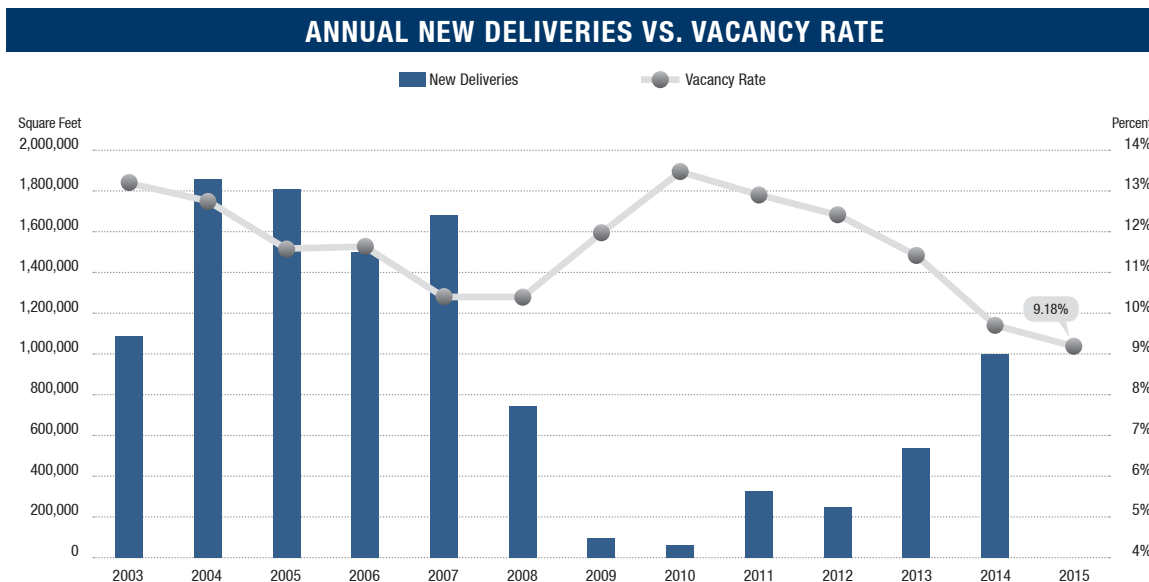
GROSS ABSORPTION

TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2015	Square Feet Available	Availability Rate 1Q2015	Average Asking Lease Rate	Net Absorption 1Q2015	Net Absorption 2014	Gross Absorption 1Q2015	Gross Absorption 2014
Sacramento Market													
Auburn/Newcastle	84	2,195,607	0	0	79,993	3.64%	154,885	7.05%	\$0.52	(9,800)	50,328	0	59,728
Benicia	155	8,110,027	0	0	563,942	6.95%	969,170	11.95%	\$0.51	282,219	(41,906)	289,528	527,798
Davis/Woodland	183	15,871,467	0	0	1,146,992	7.23%	1,659,664	10.46%	\$0.26	180,894	1,070,567	286,169	1,405,436
Downtown	87	2,454,137	0	0	116,536	4.75%	138,594	5.65%	\$0.70	(12,800)	(18,012)	0	44,757
East Sacramento	25	593,920	0	0	47,422	7.98%	47,422	7.98%	\$0.45	(2,880)	(1,366)	0	13,200
Elk Grove/Laguna	114	5,517,649	220,000	49,250	333,813	6.05%	534,673	9.69%	\$0.37	35,338	123,031	40,306	204,614
Fairfield	161	12,924,704	177,000	660,321	530,567	4.11%	646,450	5.00%	\$0.28	2,392	888,786	25,000	1,044,627
Folsom/El Dorado	101	2,707,803	0	0	130,056	4.80%	201,309	7.43%	\$0.65	(7,454)	(13,475)	2,294	28,188
Marysville/Yuba City	141	5,852,124	0	0	313,202	5.35%	417,853	7.14%	\$0.42	1,880	50,647	1,880	94,053
Mather	126	3,809,410	0	43,546	513,650	13.48%	682,251	17.91%	\$0.37	77,109	(15,412)	84,149	210,887
McClellan	286	13,376,934	116,964	32,500	2,219,326	16.59%	2,610,190	19.51%	\$0.36	40,596	304,666	77,057	561,112
Natomas/Northgate	200	11,594,097	0	629,394	1,299,567	11.21%	1,472,723	12.70%	\$0.38	(38,649)	303,777	152,571	886,801
NE Sacramento	190	4,931,674	0	0	321,837	6.53%	635,157	12.88%	\$0.33	(7,568)	53,373	2,112	178,564
Outer El Dorado County	9	197,707	0	10,000	0	0.00%	0	0.00%	\$0.00	0	5,100	0	5,100
Outer Placer County	2	20,705	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Outer Sacramento County	3	79,588	0	0	12,000	15.08%	12,000	15.08%	\$0.00	0	(12,000)	0	0
Outer Sutter County	2	141,040	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Outer Yolo County	5	142,356	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	563	24,368,914	0	1,034,281	1,925,057	7.90%	2,820,003	11.57%	\$0.33	366,307	105,868	477,074	1,150,467
Richards	85	3,984,666	0	0	311,962	7.83%	302,812	7.60%	\$0.34	28,000	(1,630)	33,432	96,992
Roseville/Rocklin	278	16,138,020	0	294,773	2,318,522	14.37%	2,346,074	14.54%	\$0.33	(149,117)	427,896	78,811	773,739
South Sacramento	120	3,958,071	0	1,077,600	1,465,964	37.04%	1,077,454	27.22%	\$0.63	(3,247)	47,345	1,200	85,580
Sunrise	329	9,343,788	20,000	0	531,820	5.69%	792,595	8.48%	\$0.48	33,933	206,679	68,444	534,137
Vacaville	149	9,908,386	0	1,211,311	545,200	5.50%	1,315,481	13.28%	\$0.33	30,760	111,216	33,000	417,635
Vallejo	109	5,202,195	0	0	957,926	18.41%	937,611	18.02%	\$0.35	3,653	182,524	4,103	187,494
West Sacramento	308	16,398,755	1,019,135	30,000	836,323	5.10%	1,255,706	7.66%	\$0.39	57,243	353,807	240,236	898,664
Sacramento Market Total	3,819	180,002,131	1,553,099	5,072,976	16,521,677	9.18%	21,030,077	11.68%	\$0.36	908,809	4,181,809	1,897,366	9,409,573
10,000-29,999	2,310	38,672,889	48,000	438,111	2,472,639	6.39%	3,442,116	8.90%	\$0.49	156,397	364,922	323,612	1,720,341
30,000-49,999	593	22,589,405	0	121,518	2,034,470	9.01%	2,761,012	12.22%	\$0.45	(5,583)	350,403	135,550	1,313,282
50,000-99,999	542	36,214,726	0	374,724	3,196,523	8.83%	4,315,727	11.92%	\$0.36	208,950	542,575	308,852	1,568,371
100,000-199,999	232	30,355,673	586,249	1,102,084	2,188,736	7.21%	3,077,041	10.14%	\$0.33	122,906	1,311,926	403,969	2,052,842
200,000-299,999	82	19,722,729	444,058	1,274,461	1,878,174	9.52%	2,229,645	11.30%	\$0.27	585,138	618,110	676,583	1,437,213
300,000 Plus	60	32,446,709	474,792	1,762,078	4,751,135	14.64%	5,204,536	16.04%	\$0.30	(158,999)	993,873	48,800	1,317,524
Sacramento Market Total	3,819	180,002,131	1,553,099	5,072,976	16,521,677	9.18%	21,030,077	11.68%	\$0.36	908,809	4,181,809	1,897,366	9,409,573

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



MAJOR TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
1100 Tinker Rd.	Roseville/Rocklin	200,000	\$56.08	Westcore Properties	1100 Tinker Road, LLC
10115 Iron Rock Way	Elk Grove/Laguna	150,000	\$43.00	Bronco Enterprises, LLC	Fite Development Company
3735 Bradview Dr. – Building 3	Mather	64,980	\$53.43	Central Valley Industrial Core	Erickson 2001 Trust
8111 Fruitridge Rd.	Power Inn	50,000	\$46.50	Thompson Building Materials, Inc.	Hensler Family Trust
160 Enterprise Ct. – Building B	Elk Grove/Laguna	50,400	\$42.91	Beard Land Improvement Company	Savage Family, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
Capital Commerce Center 6200 Franklin Blvd.	South Sacramento	385,077	Jan-2015	Macy's	Capital Recovery Group, LLC
Lincoln Air Center 3130 Venture Dr.	Roseville/Rocklin	156,750	Mar-2015	Undisclosed	O K & B
Seaport Industrial Park 3885 Seaport Blvd. – Renewal	West Sacramento	137,784	Mar-2015	PFX Pet Supply	Carlsen Investments, LLC
Tide Court Distribution Center 1660 Tide Ct., Building B	Davis/Woodland	91,445	Feb-2015	Euramax International, Inc.	USAA Real Estate Company
Park Natomas Business Center 4040 Vista Park Ct. – Building 1B	Natomas/Northgate	68,640	Feb-2015	Oakland Packaging	Harsch Investment Properties
Benicia Industrial Park 433-459 Industrial Way	Benicia	40,000	Feb-2015	Undisclosed	Global Logistic Properties, Inc.

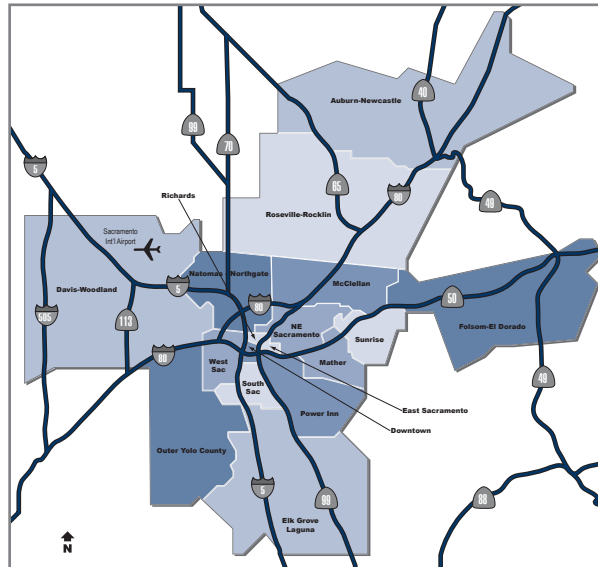
PRODUCT TYPE

MFG./DIST.

Manufacturing/Distribution/Warehouse facilities with up to 29.9% office space.

To view available properties, please visit:

www.voitco.com



Please Contact Us for Further Information

101 Shipyard Way, Newport Beach, CA 92663 949.644.8648 Lic.#01333376 www.voitco.com



REAL ESTATE SERVICES

Anaheim, CA
714.978.7880

Inland Empire, CA
909.545.8000

Irvine, CA
949.851.5100

Las Vegas, NV
702.734.4500

Los Angeles, CA
424.329.7500

Newport Beach, CA
949.644.8648

Phoenix, AZ
602.952.8648

Reno, NV
775.771.9955

Sacramento, CA
916.772.8648

San Diego, CA
858.453.0505

San Jose, CA
408.885.9110

Real People.
Real Solutions.®

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

©2015 Voit Real Estate Services, Inc. Real People. Real Solutions.® is a registered trademark of Voit Real Estate Services.