



## MARKET CHANGE

*Compared to Previous Quarter:*

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



## 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 second quarter, vacancy decreased to 9.23%, which is one of the lowest vacancy rates since 2001. What's more, the market posted almost 1.5 million square feet of positive absorption for the first half of the year.
- **Construction** - During the second quarter, there were six industrial buildings under construction in the Sacramento market, which totaled over 1.28 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 quarter, there was over 5.2 million square feet of proposed industrial space for the Sacramento market.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 9.23%, one of the lowest figures seen since the first quarter of 2001, and a decrease of over 14.2% since the second quarter of 2014. Within the major submarkets, Fairfield and West Sacramento had the lowest vacancy rates at 3.75% and 4.79%, while the South Sacramento area remained high at 35.99% with the large 1.6-million-square-foot vacancy of the Campbell's Soup facility.
- **Availability** - Direct/sublease space being marketed came in at 11.58% for the second quarter of 2015, a 17 basis point decrease from the previous quarter and a decrease of 15.90% from 2014's rate of 13.77%. The South Sacramento submarket remained highest at 27.70%, while the Fairfield submarket had the lowest availability rate in the region at 5.08%.
- **Lease Rates** - The average asking triple-net lease rate was \$0.36 per square foot per month at the end of the second quarter, a two cent increase over the previous second quarter of 2014. 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 231,216 square feet of positive net absorption in the second quarter of the year. Most of this was in the Roseville/Rocklin submarket, 240,000 square feet, giving the market a net total of almost 5.5 million square feet of positive net absorption for the last seven quarters.
- **Transaction Activity** - The total volume of industrial lease and sale transaction activity was over 2.1 million square feet in the second quarter of 2015. Sales activity came in at just over 616,000 million square feet while leasing activity was just over 1.5 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 5.7% in May 2015, up from a revised 5.5% in April 2015, but still below the year-ago estimate of 6.8%. This compares with an unadjusted unemployment rate of 6.2% for California and 5.3% 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 22,900 payroll jobs from May 2014 to May 2015. While most sectors showed gains in employment, the largest gains were 6,200 jobs in leisure and hospitality, 4,600 jobs in trade, transportation and utilities, and 3,300 jobs in education and health 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, almost 1.3 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 first quarter of 2016.

## OVERVIEW

	2Q15	1Q15	2Q14	% of Change vs. 2Q14
Total Vacancy Rate	9.23%	9.22%	10.76%	(14.22%)
Availability Rate	11.58%	11.75%	13.77%	(15.90%)
Average Asking Lease Rate	\$0.36	\$0.36	\$0.34	5.88%
Sale & Lease Transactions	2,138,002	3,214,735	3,741,585	(42.86%)
Gross Absorption	2,064,496	2,016,093	1,947,327	6.02%
Net Absorption	231,216	1,200,857	699,077	N/A

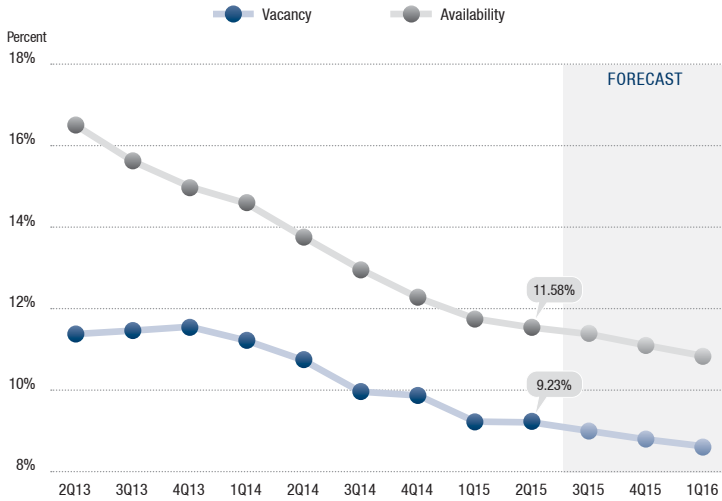
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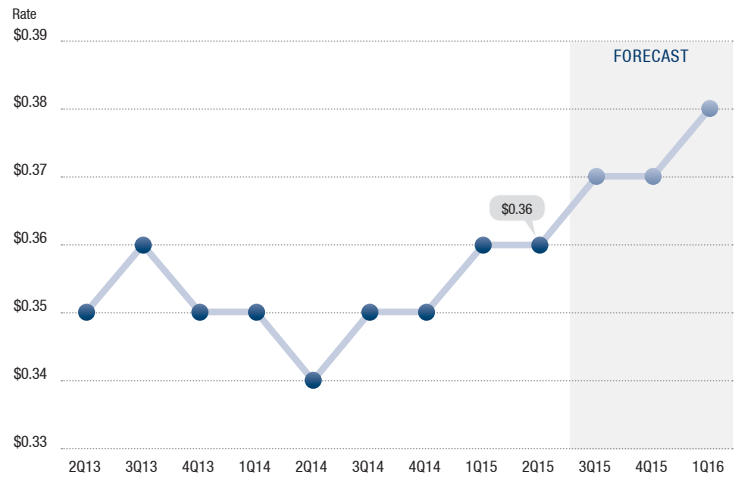
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



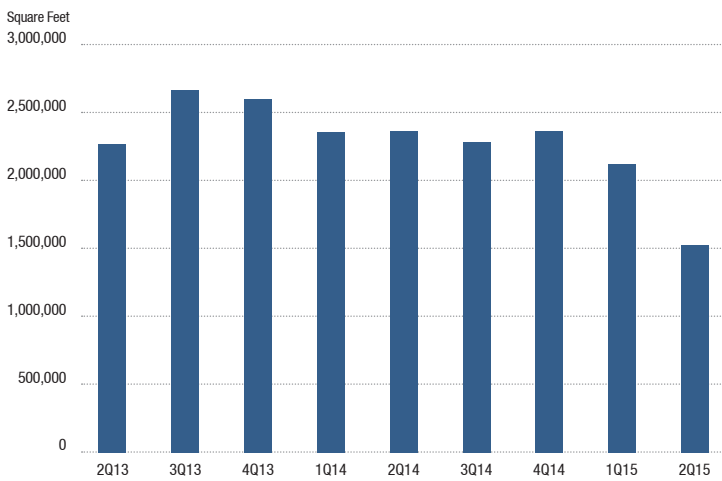
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



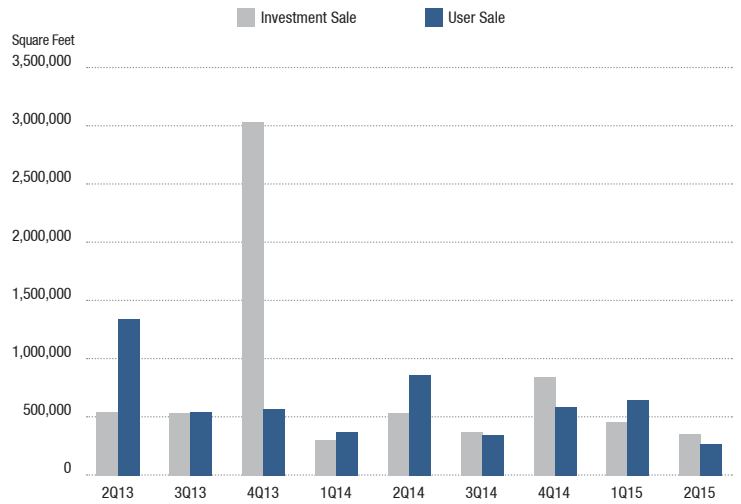
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



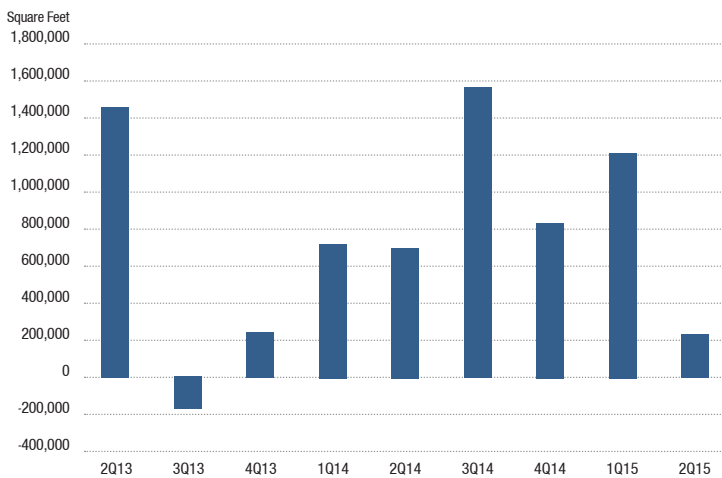
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



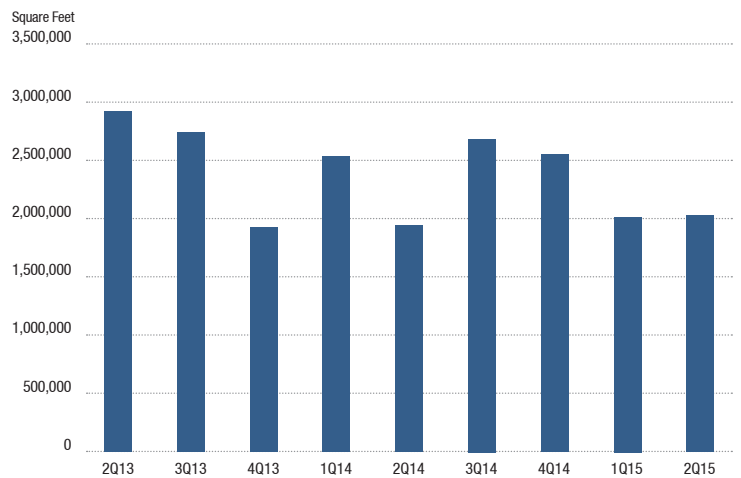
## NET ABSORPTION

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



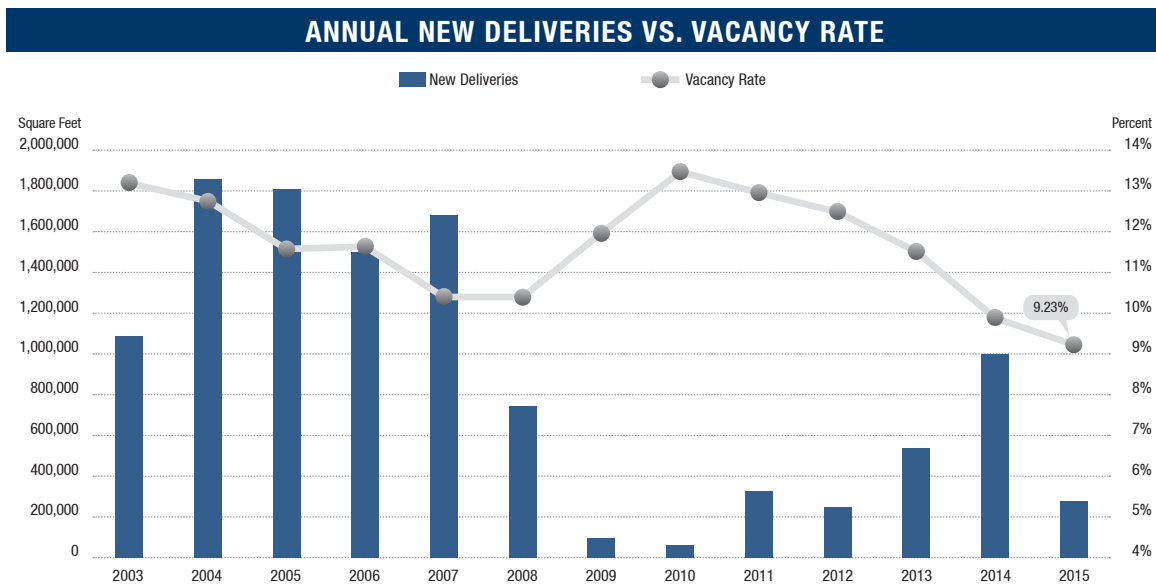
## GROSS ABSORPTION

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 2Q2015	Square Feet Available	Availability Rate 2Q2015	Average Asking Lease Rate	Net Absorption 2Q2015	Net Absorption 2015	Gross Absorption 2Q2015	Gross Absorption 2015
<b>Sacramento Market</b>													
Auburn/Newcastle	84	2,195,607	0	0	77,633	3.54%	152,525	6.95%	\$0.52	2,360	(7,440)	2,360	2,360
Benicia	155	8,138,027	0	0	530,262	6.52%	1,013,396	12.45%	\$0.51	3,284	278,628	152,387	441,915
Davis/Woodland	183	15,911,196	0	0	1,336,374	8.40%	2,008,550	12.62%	\$0.28	(303,867)	(230,417)	58,288	180,128
Downtown	87	2,454,137	0	0	103,736	4.23%	150,181	6.12%	\$0.70	12,800	0	12,800	12,800
East Sacramento	25	593,920	0	0	47,422	7.98%	47,422	7.98%	\$0.45	0	(2,880)	0	0
Elk Grove/Laguna	114	5,511,629	220,000	49,250	412,498	7.48%	468,096	8.49%	\$0.38	(93,895)	(60,141)	54,615	93,337
Fairfield	161	12,924,704	177,000	800,991	484,787	3.75%	656,072	5.08%	\$0.28	45,780	23,172	46,780	71,780
Folsom/El Dorado	101	2,708,978	0	0	119,133	4.40%	189,160	6.98%	\$0.65	10,923	3,469	17,988	20,282
Marysville/Yuba City	143	5,874,114	0	0	450,007	7.66%	581,493	9.90%	\$0.42	11,945	(9,675)	11,945	13,825
Mather	126	3,814,049	0	70,393	456,299	11.96%	573,075	15.03%	\$0.39	47,351	110,460	69,909	140,058
McClellan	286	13,369,783	116,964	52,108	2,151,555	16.09%	2,661,613	19.91%	\$0.38	45,411	103,967	90,688	178,785
Natomas/Northgate	200	11,595,227	0	629,394	1,300,901	11.22%	1,339,040	11.55%	\$0.38	(19,793)	(39,983)	206,601	359,172
NE Sacramento	191	4,931,674	0	0	430,860	8.74%	664,497	13.47%	\$0.33	(109,023)	(116,591)	12,005	14,117
Outer El Dorado County	9	197,707	0	10,000	1,800	0.91%	1,800	0.91%	\$0.00	(1,800)	(1,800)	0	0
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	564	24,320,579	0	1,034,281	1,920,872	7.90%	2,937,384	12.08%	\$0.34	(1,215)	625,092	312,569	1,049,643
Richards	85	4,120,824	0	0	262,144	6.36%	282,144	6.85%	\$0.33	51,418	106,150	51,418	106,150
Roseville/Rocklin	278	15,983,353	0	294,773	2,202,914	13.78%	2,167,094	13.56%	\$0.33	239,847	235,030	330,915	413,026
South Sacramento	120	3,958,071	0	1,077,600	1,424,445	35.99%	1,096,580	27.70%	\$0.52	41,519	38,272	54,519	55,719
Sunrise	331	9,711,251	0	0	549,711	5.66%	741,822	7.64%	\$0.47	51,524	88,457	122,328	193,772
Vacaville	149	9,911,428	0	1,234,054	679,014	6.85%	1,031,046	10.40%	\$0.34	(133,814)	(103,054)	77,062	110,062
Vallejo	109	5,202,195	0	0	916,893	17.63%	666,295	12.81%	\$0.34	41,033	56,686	42,400	46,503
West Sacramento	310	16,649,902	767,077	30,000	798,042	4.79%	1,473,962	8.85%	\$0.39	289,428	346,671	336,919	577,155
<b>Sacramento Market Total</b>	<b>3,827</b>	<b>180,640,431</b>	<b>1,281,041</b>	<b>5,282,844</b>	<b>16,669,302</b>	<b>9.23%</b>	<b>20,915,247</b>	<b>11.58%</b>	<b>\$0.36</b>	<b>231,216</b>	<b>1,432,073</b>	<b>2,064,496</b>	<b>4,080,589</b>
10,000-29,999	2,315	38,801,058	0	473,766	2,227,322	5.74%	3,314,159	8.54%	\$0.50	269,445	413,167	513,108	819,020
30,000-49,999	593	22,598,167	0	121,518	2,058,263	9.11%	2,636,498	11.67%	\$0.45	29,897	17,750	272,410	406,376
50,000-99,999	544	36,357,455	0	526,194	3,219,337	8.85%	3,877,488	10.66%	\$0.36	65,978	209,078	521,599	870,691
100,000-199,999	232	30,338,631	586,249	1,102,084	2,312,836	7.62%	3,536,253	11.66%	\$0.34	14,029	78,727	194,996	532,836
200,000-299,999	82	19,734,717	220,000	975,553	2,447,065	12.40%	2,709,856	13.73%	\$0.29	(437,189)	118,294	258,314	838,797
300,000 Plus	61	32,810,403	474,792	2,083,729	4,404,479	13.42%	4,840,993	14.75%	\$0.31	289,056	595,057	304,069	612,869
<b>Sacramento Market Total</b>	<b>3,827</b>	<b>180,640,431</b>	<b>1,281,041</b>	<b>5,282,844</b>	<b>16,669,302</b>	<b>9.23%</b>	<b>20,915,247</b>	<b>11.58%</b>	<b>\$0.36</b>	<b>231,216</b>	<b>1,432,073</b>	<b>2,064,496</b>	<b>4,080,589</b>

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
181 Main Ave.	Natomas/Northgate	60,000	\$48.33	Artemis Real Estate Partners	Christine M O'Gara Trust
F Street Commerce Center 879 F St.	West Sacramento	55,000	\$47.00	Ridge Capital, Inc.	International MFG Group, Inc.
3434 52nd Ave. with 3 Acres of land	South Sacramento	44,920	\$46.29	Crown Enterprises, Inc.	Tesco Controls, Inc.
2009 Opportunity Dr.	Rockville/Rocklin	12,688	\$118.22	Thomahawk, LLC	Karl Byers
1237-1251 Blumenfeld Dr.	North East Sacramento	29,389	\$49.34	Paul H Snider Trust	Norman D Kauffman Trust

### Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
3500 Cincinnati Ave.	Roseville/Rocklin	180,000	Apr-2015	24 Hour Recreational Storage	Costal Partners, LLC
4040 Vista Park Ct.	Natomas/Northgate	68,640	Jun-2015	Oakland Packaging	Harsch Investment Properties
601 Stone Rd.	Benicia	64,238	Jun-2015	Santa Clara Warehouses	Global Logistic Properties, LTD
880 Walnut Ave. – Building 237	Vallejo	63,400	Apr-2015	Undisclosed	Lennar Partners
4901-4931 Park Rd.	Benicia	62,392	Apr-2015	DC Solar Solutions	Insight Properties, LLC
Vaca Valley Industrial Park 840 Eubanks Dr.	Vacaville	57,926	May-2015	Undisclosed	Garaventa Enterprises

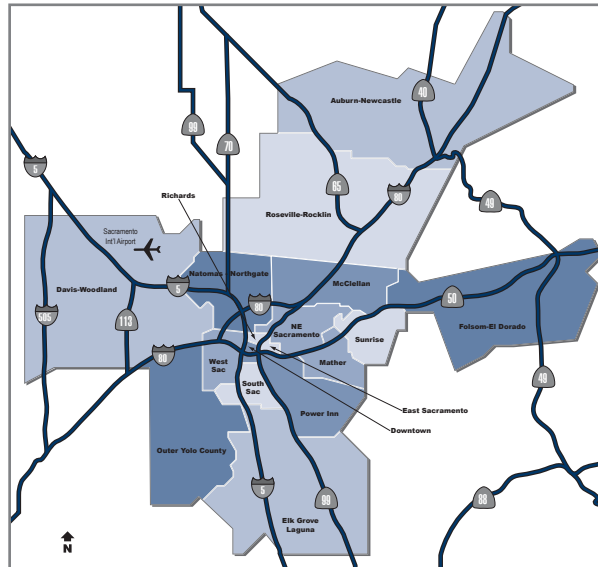
## PRODUCT TYPE

### MFG./DIST.

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

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