



## Industrial Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

FLAT

Transactions

DOWN

Deliveries

FLAT

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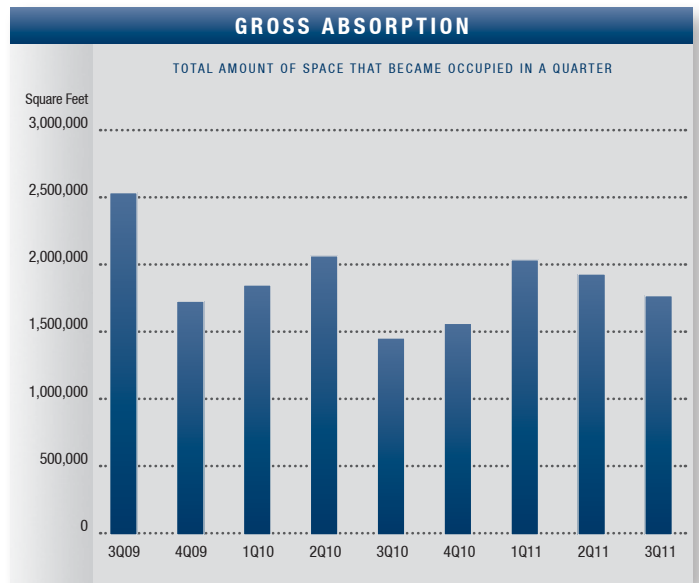
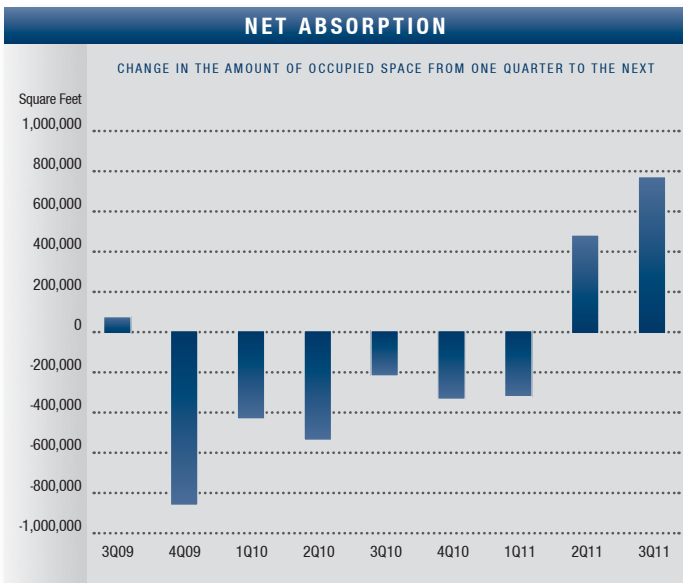
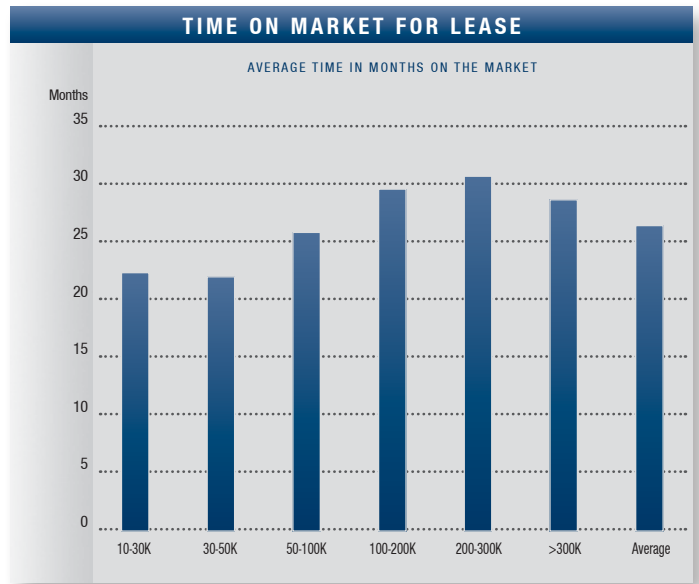
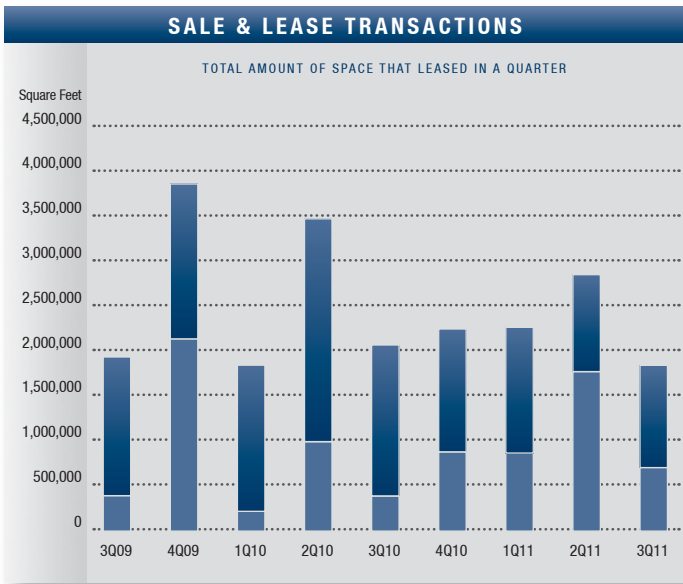
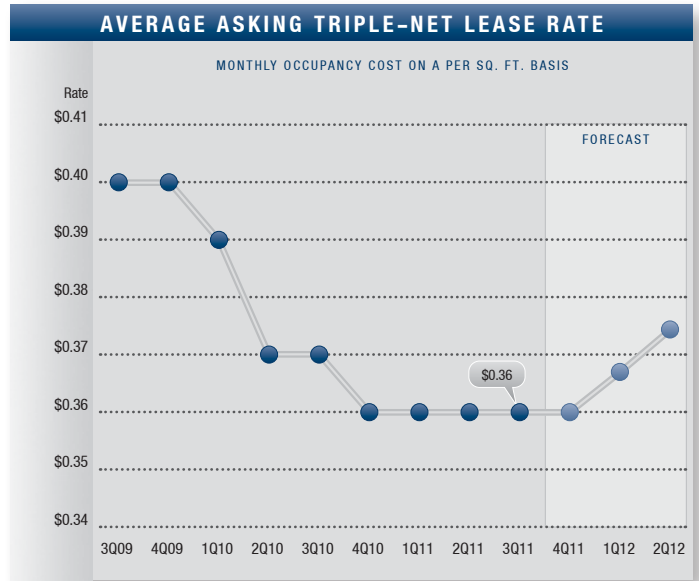
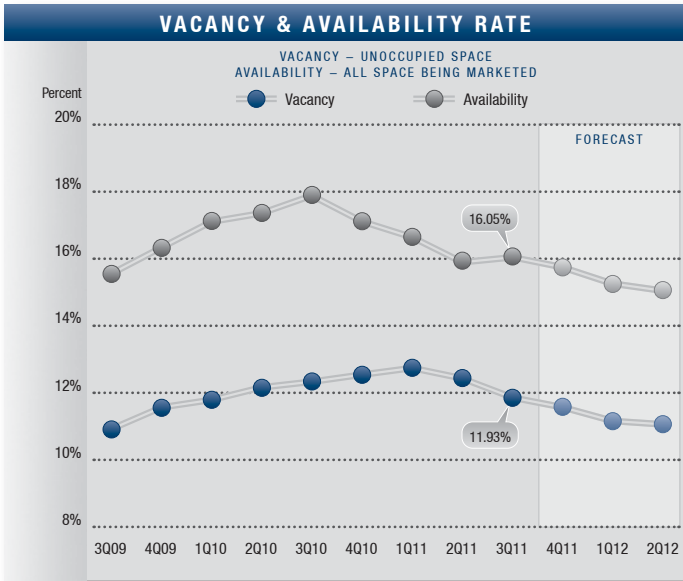


### Market Highlights

- Market Challenges** - The region's industrial leasing activity was positive, again, during the third quarter of 2011, with net absorption, gross absorption and vacancy all moving in directions which indicate the return of greater stability to this underappreciated asset class. The palpable return to more solid industrial fundamentals will require several consecutive quarters of positive net activity coupled with a lack of negative economic pressures. However, all current indicators suggest the region is headed in the right direction. Industrial property sales are still primarily composed of owner-user and privately funded value-added investment transactions.
- Absorption** - The Sacramento industrial market posted just over 750,000 square feet of positive net absorption during the quarter, reaching just under one million square feet to date this year. The market saw its second consecutive quarter of positive net absorption with the closing of the third quarter, a feat unseen since the first quarter of 2008. The largest net gains in occupied space were achieved in the West Sacramento and Power Inn submarkets.
- Transaction Activity** - The total square footage volume of industrial lease and sale transaction activity was 1.8 million square feet during the third quarter, a decrease in volume from the second quarter's 2.8 million square feet. This was primarily occasioned by a reduction in sales. Details of the quarter's largest transactions can be found on the back page of this report.
- Construction** - There were no new industrial starts or completions during the quarter, effectively barring any upward pressure on vacancy that would result from this variable. Only 36,000 square feet of industrial construction has been added to the competitive inventory this year.
- Vacancy** - Regional vacancy dropped nearly 50 basis points during the quarter, occasioned by 750,000 square feet of positive net absorption. At the close of the quarter, the industrial market's vacancy rate stood at 11.93%, across all property classes and submarkets.
- Employment** - The unemployment rate in the Sacramento-Arden-Arcade-Roseville metropolitan area (MSA) was 11.9% in August 2011. This compares with an unadjusted unemployment rate of 11.9% for the state and 9.1% for the nation during the same period. The largest monthly gains occurred in local government (teachers) and construction. Of note, the construction sector has added over 2,000 jobs during the past 12 months.
- Availability** - The rate of availability for both direct and sublease space was 16.05% at the close of the third quarter, up fewer than 10 basis points from the close of the second quarter. The rate of availability among the region's industrial product was down almost two percent since the close of the third quarter 2010.
- Overall** - Confidence leads to stability, which leads to greater confidence. The second consecutive quarter of positive leasing statistics are a welcome sign that the industrial market has weathered the bottom. Asking rates are competitive and where they need to be, based on submarket, size and product type. Sale and lease volume will increase as investors and users demonstrate increased confidence.
- Lease Rates** - The average asking triple-net lease rate was \$0.36 per square foot per month, the same as the previous quarter and down only one cent compared to 2010's third quarter rate. In short, rental rates appear to be holding at \$0.36/\$0.37. Look for increases in asking rates mid-to-late 2012.

### INDUSTRIAL MARKET OVERVIEW

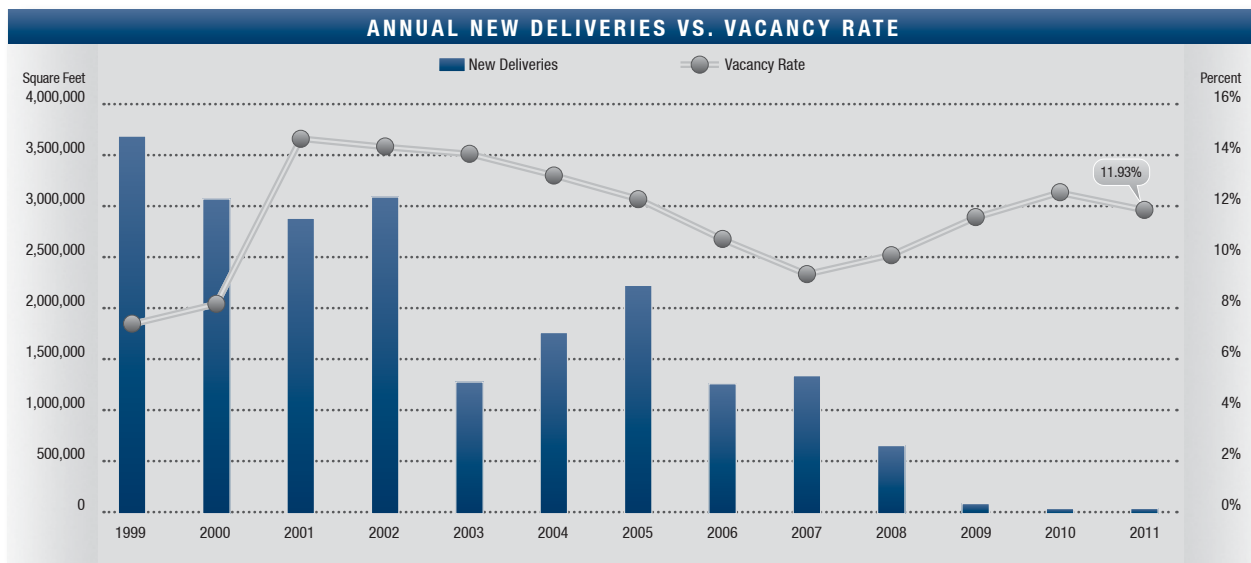
	3Q2011	2Q2011	3Q2010	% Change vs. 3Q2010
Vacancy Rate	11.93%	12.45%	12.32%	(3.17%)
Availability Rate	16.05%	15.97%	17.95%	(10.60%)
Average Asking Lease Rate	\$0.36	\$0.36	\$0.37	(2.70%)
Sale & Lease Transactions	1,814,165	2,820,241	2,043,780	(11.23%)
Gross Absorption	1,748,870	1,925,385	1,448,738	20.72%
Net Absorption	769,476	478,347	-209,759	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 3Q2011	Square Feet Available	Availability Rate 3Q2011	Average Asking Lease Rate	Net Absorption 3Q2011	Net Absorption 2011	Gross Absorption 3Q2011	Gross Absorption 2011
<b>Sacramento Market</b>													
Auburn/Newcastle	90	2,476,716	0	0	131,144	5.30%	400,902	16.19%	\$0.60	8,191	(16,030)	13,191	13,991
Davis/Woodland	201	16,733,609	200,000	0	2,556,637	15.28%	2,802,197	16.75%	\$0.27	102,675	168,516	118,467	757,268
Downtown	90	2,738,625	0	0	157,529	5.75%	173,529	6.34%	\$0.43	(29,667)	(24,583)	28,750	82,634
East Sacramento	27	756,039	0	0	93,176	12.32%	93,176	12.32%	\$0.68	0	40,782	0	90,958
Elk Grove/Laguna	117	5,783,906	0	49,250	738,848	12.77%	942,657	16.30%	\$0.38	34,119	184,064	46,549	263,478
Folsom/El Dorado	99	3,610,783	0	165,760	123,647	3.42%	190,907	5.29%	\$0.63	8,245	45,908	14,765	68,528
Mather	133	4,074,497	0	70,393	622,874	15.29%	666,728	16.36%	\$0.39	12,096	14,252	15,216	97,930
McClellan	347	17,638,136	0	55,362	2,928,975	16.61%	3,658,485	20.74%	\$0.42	131,134	(89,719)	230,020	469,016
Natomas/Northgate	208	12,264,312	0	629,394	1,775,559	14.48%	2,611,999	21.30%	\$0.34	(137,725)	(28,104)	139,616	635,315
North East Sacramento	204	5,362,006	0	0	564,978	10.54%	571,378	10.66%	\$0.40	(20,930)	(53,541)	33,090	134,320
Power Inn	578	25,744,317	0	710,888	2,542,161	9.87%	4,315,721	16.76%	\$0.34	203,287	236,491	449,162	1,141,028
Richards	96	4,738,563	0	0	585,438	12.35%	602,938	12.72%	\$0.32	16,000	(34,827)	16,000	132,101
Roseville/Rocklin	299	18,215,163	0	527,766	2,723,429	14.95%	3,204,154	17.59%	\$0.40	86,622	168,525	158,095	464,796
South Sacramento	122	3,971,267	0	0	167,369	4.21%	295,509	7.44%	\$0.41	19,785	15,792	24,185	59,408
Sunrise	328	9,491,990	0	0	1,111,616	11.71%	1,670,359	17.60%	\$0.40	110,898	183,257	191,288	712,927
West Sacramento	308	16,011,199	0	89,426	1,030,760	6.44%	1,811,493	11.31%	\$0.36	224,746	120,682	270,476	569,610
<b>Sacramento Market Total</b>	<b>3,247</b>	<b>149,611,128</b>	<b>200,000</b>	<b>2,298,239</b>	<b>17,854,140</b>	<b>11.93%</b>	<b>24,012,132</b>	<b>16.05%</b>	<b>\$0.36</b>	<b>769,476</b>	<b>931,465</b>	<b>1,748,870</b>	<b>5,693,308</b>

10,000–29,999	1,921	31,977,487	0	525,971	3,458,099	10.81%	4,174,399	13.05%	\$0.49	220,473	61,503	440,080	1,403,760
30,000–49,999	513	19,536,156	0	181,518	2,410,960	12.34%	3,119,667	15.97%	\$0.40	85,320	278,203	332,949	1,102,854
50,000–99,999	515	34,782,605	0	351,272	3,966,314	11.40%	5,089,825	14.63%	\$0.35	135,872	134,917	369,866	1,322,727
100,000–199,999	191	24,827,345	0	518,200	3,076,343	12.39%	4,347,346	17.51%	\$0.33	298,164	474,762	493,658	1,094,151
200,000–299,999	61	14,812,455	200,000	0	1,819,162	12.28%	2,477,386	16.73%	\$0.28	(12,353)	(53,742)	70,317	292,988
300,000 Plus	45	23,675,080	0	721,278	3,123,262	13.19%	4,803,509	20.29%	\$0.34	42,000	35,822	42,000	476,828
<b>Square Footage Total</b>	<b>3,246</b>	<b>149,611,128</b>	<b>200,000</b>	<b>2,298,239</b>	<b>17,854,140</b>	<b>11.93%</b>	<b>24,012,132</b>	<b>16.05%</b>	<b>\$0.36</b>	<b>769,476</b>	<b>931,465</b>	<b>1,748,870</b>	<b>5,693,308</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 PSF	Buyer	Seller
3727 Bradview Dr.	Mather	25,000	\$104.00	Buzz Oates Enterprises	Sacramento Outing Farms
2229 Kausen Dr.	Elk Grove/Laguna	98,950	\$57.60	Carlo Development	CJM Property Management
125 Enterprise Ct.	Elk Grove/Laguna	9,854	\$50.74	Eagle Music, Inc.	Aurora Bank
8555 Weyand Ave.	Power Inn	12,000	\$41.67	National Discount Textiles	Plumas Bank
11300 Trade Center	Sunrise Industrial	35,030	\$39.32	SFC Leasing	Custom Home Accessories

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1420-1430 Enterprise Blvd.	West Sacramento	53,982	Sep-11	Farmer's Rice Coop	JB Company
4201 Sierra Point	Natomas/Northgate	31,558	Aug-11	Stay Safe Shred	JB Company
1900-1930 Railroad Dr.	NE Sacramento	24,000	Aug-11	State of CA	Ethan Conrad
11335 Sunrise Park Dr.	Sunrise Industrial	20,000	Sep-11	Sacramento EDM, Inc.	First Related P'Ship
1636 Kathleen Ave.	NE Sacramento	15,000	Sep-11	Sac City Rollers	Cottonwood Company

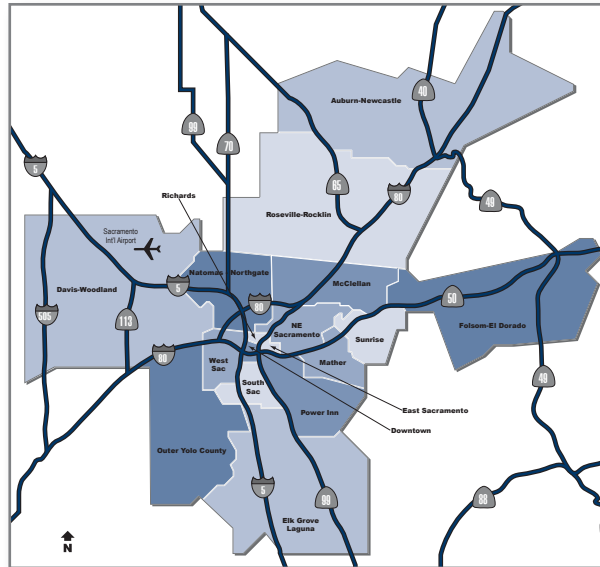
Product Type

MFG./DIST.

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

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