



Industrial Market Report

Compared to 2010:

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



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Market Highlights

- Market Status** - Recovery in Sacramento is continued to slowly progress in the fourth quarter of 2011, as the situation within the market has steadied over the last few years. Job losses continued to weigh on Sacramento; however, from March until the close of the fourth quarter, the metro added roughly 10,000 jobs. Buying for occupancy or purchasing fully leased, single-tenant assets may be the way of the future, as fully leased, performing assets are just the kind of safe-haven investment that buyers are looking for in tertiary markets such as Sacramento.
- Construction** - At the end of 2011, there was only 200,000 square feet under construction in the Sacramento industrial market during the fourth quarter—a single building in Davis. Only one property, a 36,000 square-foot warehouse at 4011 Sierra College Boulevard in Loomis built for Homewood Building Supply, was delivered in 2011.
- Vacancy** - Total vacancy only increased by 3 basis points from the fourth quarter of 2010 to the fourth quarter of 2011, coming in at 12.44%. Within the major submarkets, the McClellan area remained high at 18.59%, while the West Sacramento area came in at an impressive 6.80%.
- Availability** - The rate of availability for both direct and sublease space was 17.19% at the close of 2011, up 36 basis points from the close of 2010. The David/Woodland submarket remained very high at 24.15% during the fourth quarter, while the West Sacramento submarket posted a solid 12.95%.
- Lease Rates** - The average asking triple-net lease rate was \$0.35 per square foot per month at the end of 2011, down from \$0.37 in 2010. Rental rate growth is expected to begin in the second half of 2012.
- Absorption** - The Sacramento industrial market recorded modest negative net absorption of 69,040 square feet for

2011—a sign that the industrial market is beginning to stabilize. The largest submarket in all of the region, Power Inn, had 134,804 square feet of positive absorption, while the McClellan submarket had a negative 567,117 square feet of net absorption.

- Transaction Activity** - The total square footage volume of industrial lease and sale transaction activity was over 9 million for the second year in a row. Previously in 2009, it only totaled 7.8 million square feet. Notable deals include CEVA Freight leasing 321,651 square feet at 8670 Younger Creek Drive in the Power Inn submarket and California Department of Parks and Recreation leasing 265,000 square feet at 4700 Lang Avenue in the McClellan submarket. Details of the largest transactions for 2011 can be found on the back page of this report.
- Employment** - The unemployment rate in the Sacramento-Arden-Arcade-Roseville Metropolitan area (MSA) was 10.9% in November 2011, down from a revised 11.4% in October 2011, and below the year-ago estimate of 12.8%. Over 2011, the total wage and salary employment in the region advanced by 7,000 jobs or 0.86%. The largest years gains occurred in Education and Health Services (4,700 jobs), Construction (2,200 jobs), and Financial Activities (1,700 jobs).
- Overall** - Owners can finally begin to breathe easier, as rent losses are nearly 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. Although the fact that Sacramento is not a major manufacturing center 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 slowly beginning to turn, and the outlook of the foreseeable future is favorable.

INDUSTRIAL MARKET OVERVIEW

	2011	2010	2009	% of Change vs. 2010
Vacancy Rate	12.44%	12.41%	11.44%	0.24%
Availability Rate	17.19%	16.83%	16.19%	2.14%
Average Asking Lease Rate	\$0.35	\$0.37	\$0.39	(5.41%)
Sale & Lease Transactions	9,056,254	9,073,105	7,834,822	(0.19%)
Gross Absorption	7,086,711	6,908,452	6,817,448	2.58%
Net Absorption	(69,040)	(1,419,654)	(2,156,977)	N/A

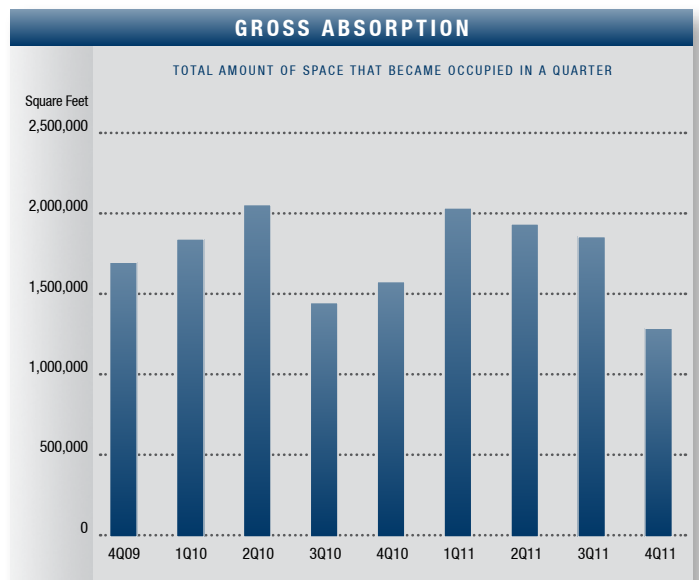
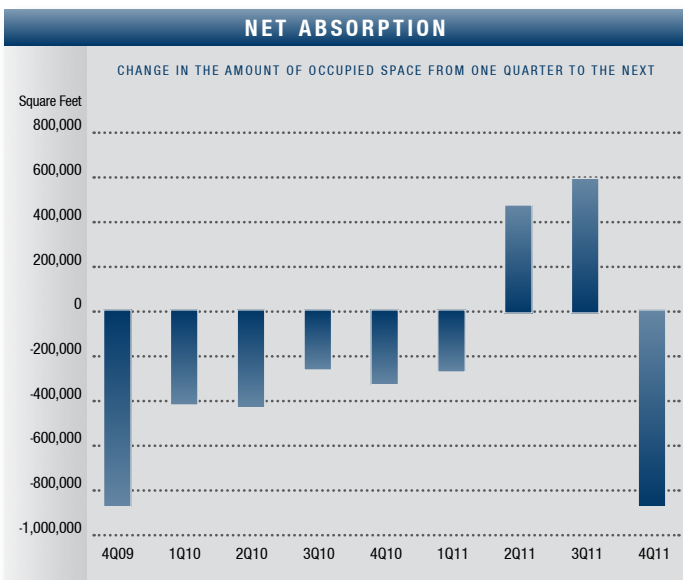
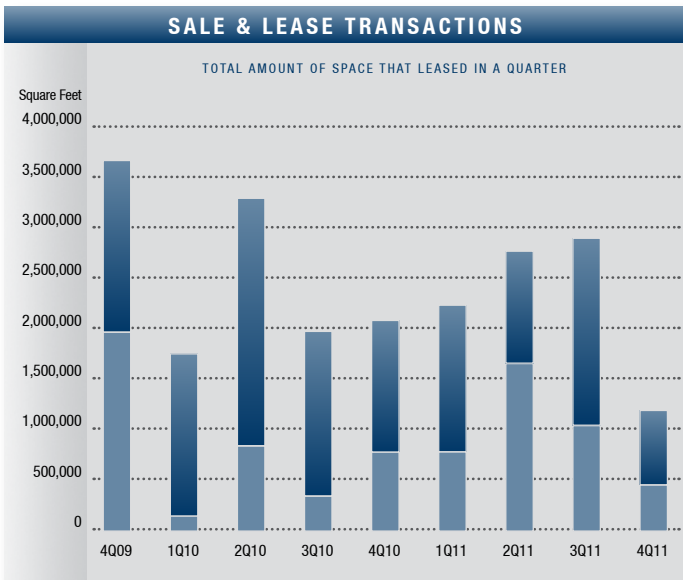
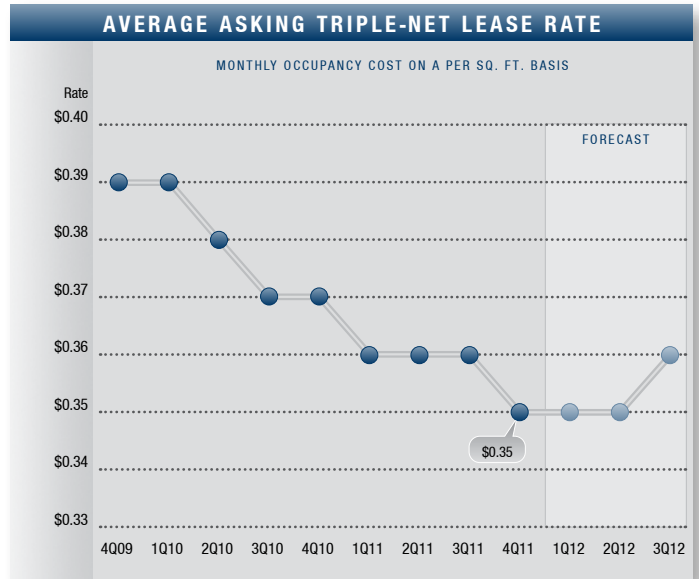
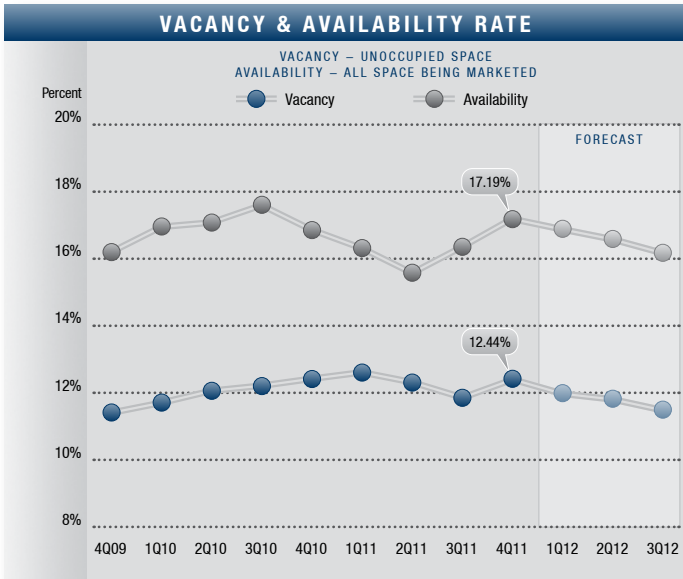
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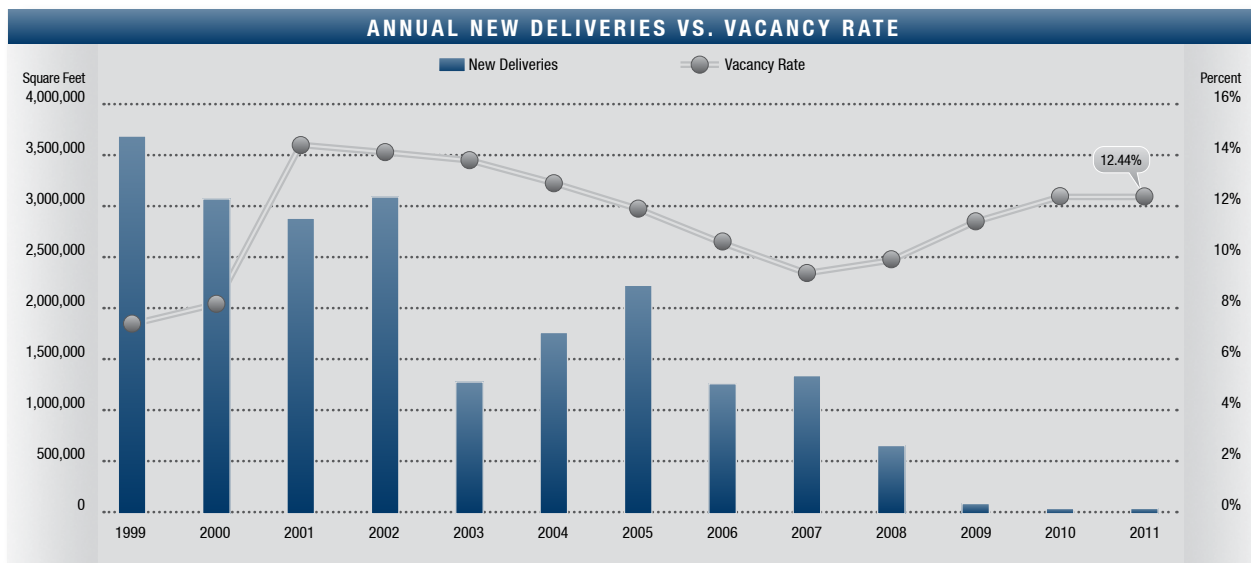
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	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2011	Square Feet Available	Availability Rate 4Q2011	Average Asking Lease Rate	Net Absorption 4Q2011	Net Absorption 2011	Gross Absorption 4Q2011	Gross Absorption 2011
Sacramento Market													
Auburn/Newcastle	94	2,648,895	0	0	196,393	7.41%	477,422	18.02%	\$0.56	(52,349)	(78,879)	15,287	29,278
Davis/Woodland	200	16,478,052	200,000	0	2,492,544	15.13%	3,979,130	24.15%	\$0.26	(4,167)	239,709	65,463	891,531
Downtown	90	2,738,625	0	0	163,819	5.98%	179,819	6.57%	\$0.43	0	(30,873)	10,000	92,634
East Sacramento	27	756,039	0	0	106,176	14.04%	106,176	14.04%	\$0.68	(13,000)	27,782	0	90,958
Elk Grove/Laguna	115	5,747,509	0	49,250	686,080	11.94%	965,195	16.79%	\$0.39	(6,624)	177,440	11,493	274,971
Folsom/El Dorado	106	3,768,866	0	0	136,245	3.62%	227,088	6.03%	\$0.70	(10,598)	35,810	21,752	90,880
Mather	132	4,026,828	0	70,393	688,711	17.10%	719,611	17.87%	\$0.39	(70,337)	(51,585)	23,875	126,505
McClellan	344	17,231,770	0	55,362	3,203,300	18.59%	3,193,948	18.54%	\$0.41	(305,533)	(567,117)	215,252	684,158
Natomas/Northgate	209	12,434,019	0	629,394	1,929,433	15.52%	2,545,349	20.47%	\$0.33	(77,548)	(104,453)	174,039	809,354
North East Sacramento	204	5,362,006	0	0	478,153	8.92%	536,553	10.01%	\$0.38	78,825	33,284	78,825	213,145
Power Inn	588	26,571,145	0	710,888	2,671,748	10.06%	4,694,496	17.67%	\$0.33	(80,549)	134,804	200,438	1,366,206
Richards	96	4,742,563	0	0	555,863	11.72%	704,663	14.86%	\$0.30	29,575	(5,252)	66,175	198,276
Roseville/Rocklin	297	18,050,496	0	527,766	2,883,965	15.98%	3,463,049	19.19%	\$0.38	(214,831)	(61,272)	158,875	625,278
South Sacramento	123	3,987,126	0	0	157,887	3.96%	276,571	6.94%	\$0.41	14,982	25,274	22,400	81,808
Sunrise	328	9,494,466	0	0	1,218,636	12.84%	1,649,224	17.37%	\$0.38	(107,660)	76,237	87,505	802,432
West Sacramento	311	15,906,633	0	89,426	1,082,091	6.80%	2,059,712	12.95%	\$0.41	(49,931)	80,051	137,287	709,297
Sacramento Market Total	3,264	149,945,038	200,000	2,132,479	18,651,044	12.44%	25,778,006	17.19%	\$0.35	(869,745)	(69,040)	1,288,666	7,086,711

10,000-29,999	1,935	32,240,682	0	360,211	3,619,912	11.23%	4,445,696	13.79%	\$0.48	(132,609)	(61,610)	364,159	1,804,959
30,000-49,999	514	19,540,141	0	181,518	2,375,986	12.16%	3,170,872	16.23%	\$0.39	58,702	289,327	341,181	1,434,656
50,000-99,999	517	34,953,607	0	351,272	4,159,043	11.90%	5,282,620	15.11%	\$0.34	(185,102)	(121,563)	258,204	1,590,007
100,000-199,999	193	25,134,081	0	518,200	3,080,052	12.25%	4,726,775	18.81%	\$0.35	30,891	580,335	316,722	1,532,855
200,000-299,999	60	14,447,502	200,000	0	1,911,282	13.23%	2,996,453	20.74%	\$0.27	(260,120)	(367,844)	8,400	247,406
300,000 Plus	45	23,629,025	0	721,278	3,504,769	14.83%	5,155,590	21.82%	\$0.30	(381,507)	(387,685)	0	476,828
Sacramento Market Total	3,264	149,945,038	200,000	2,132,479	18,651,044	12.44%	25,778,006	17.19%	\$0.35	(869,745)	(69,040)	1,288,666	7,086,711

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



LARGEST TRANSACTIONS OF 2011

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
3701 Trade Way	Folsom/EI Dorado	12,518	\$97.86	Doug Veerkamp General Engineering	Dale & Linda Gillihan
1230 Glenhaven Ct.	Folsom/EI Dorado	13,050	\$88.12	Steve Wallen Swim School	BTV Crown Equities, Inc.
3301 South St.	East Sacramento	74,558	\$87.18	Potter-Taylor & Company	The Watkins Company
4400 Yankee Hill Rd.	Roseville/Rocklin	12,004	\$76.22	Michael & Denise Megown	Luppi Family Trust

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
8670 Younger Creek Dr.	Power Inn	321,651	11-Dec	CEVA Freight, LLC	Cable & Kilpatrick, Inc.
1400 Churchill Downs Ave.	Davis/Woodland	298,028	11-Mar	Olam Tomato Processors, Inc.	Amir Development Company
4700-4940 Lang Ave.	McClellan	265,000	11-Jul	CA Dept. of Parks & Recreation	County of Sacramento RE Division
1425 E. Beamer St.	Davis/Woodland	153,000	11-Aug	Continental Warehouse of Sac.	Amir Development Company
109 N. Pioneer Ave.	Davis/Woodland	117,590	11-Jan	Four Wheel Campers	New England Mutual Life Insurance

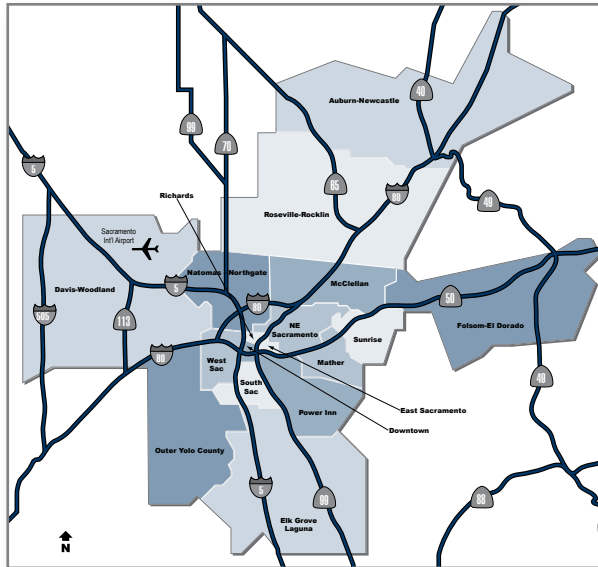
Product Type

MFG./DIST.

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

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