



Industrial Market Report

Compared to 2012:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

UP

Deliveries

UP

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Market Highlights

- Market Status** - Sacramento's industrial market's recovery is underway with another great quarter. During the fourth quarter, vacancy decreased into the 11% range, and positive net absorption posted close to a half million square feet. While these figures are remarkable 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 fourth quarter, there were two industrial buildings under construction in the Sacramento market, including a 195,000-square-foot FedEx distribution facility in Roseville. There was one building delivered during the quarter — a 318,402 square foot build-to-suit for Encore Glass. 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 11.54%, a decrease of 8 basis points compared to the previous quarter. Within the major submarkets, the South Sacramento area remained high at 37.51%, with the large 1.6-million-square-foot vacancy of the Campbell's Soup facility. While this property sold in December 2013, it remains to be seen what the buyer intends for the use of the property. The NE Sacramento and the West Sacramento areas came in at a solid 7.17% and 7.83%, respectively.
- Availability** - The rate of available space being marketed was 15.01% at the close of the fourth quarter, a decrease of 68 basis points from the previous quarter. The South Sacramento submarket remained high at 37.41%, while the West Sacramento submarket had the lowest rate in the region at 10.29%.
- Lease Rates** - The average asking triple-net lease rate was \$0.35 per square foot per month at the end of the fourth quarter — a one-cent decrease from the previous quarter and down two cents from 2012's fourth quarter. Asking rates are stabilizing, and we expect increases coming in 2014.
- Absorption** - The Sacramento industrial market recorded 432,400 square feet of positive net absorption in fourth quarter and 2.3 million square feet of positive net absorption for all of 2013. Within the major submarkets, the Roseville/Rocklin submarket had 173,907 square

feet of positive net absorption, while the Davis/Woodland submarket posted 260,831 square feet of negative net absorption.

- Transaction Activity** - The total volume of industrial lease and sale transaction activity was about 4.5 million square feet for fourth quarter, producing a total of 14.1 million square feet for 2013 compared to 11.7 million square feet seen in 2012. The market has averaged about 3.2 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 fourth quarter to reach over 4.75 million square feet in finality. Details of the largest transactions for all of 2013 can be found on the back page of this report.
- Employment** - The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 8.0 percent in November 2013, down from a revised 8.1 percent in October 2013, and below the year-ago estimate of 9.6 percent. This compares with an unadjusted unemployment rate of 8.3 percent for California and 6.6 percent for the nation during the same period. The unemployment rate was 7.6 percent in El Dorado County, 7.1 percent in Placer County, 8.1 percent in Sacramento County, and 9.4 percent in Yolo County. According to the State of California Employment Development Department, the Sacramento-Arden Arcade-Roseville MSA saw a net increase of 3,100 payroll jobs from October 2013 to November 2013. The largest gains were 4,500 jobs in trade, transportation, and utilities. The government also picked up 1,100 jobs.
- Overall** - Owners can begin to breathe easier, as rent losses should be over and increases will begin soon. 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 still, 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:

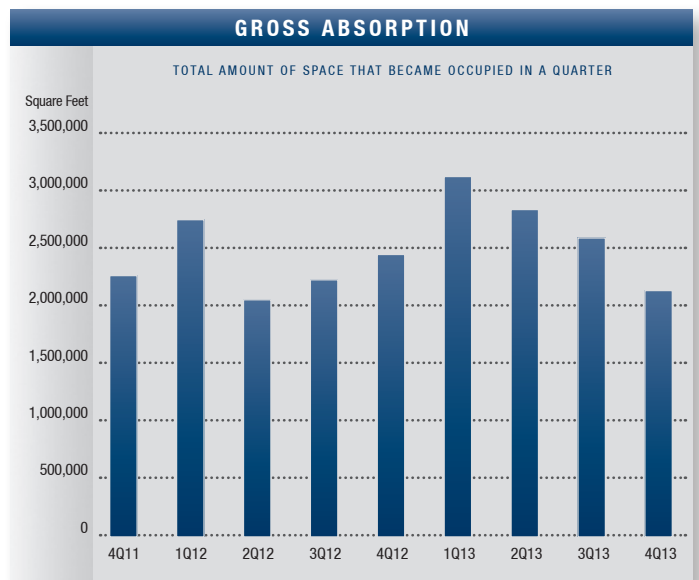
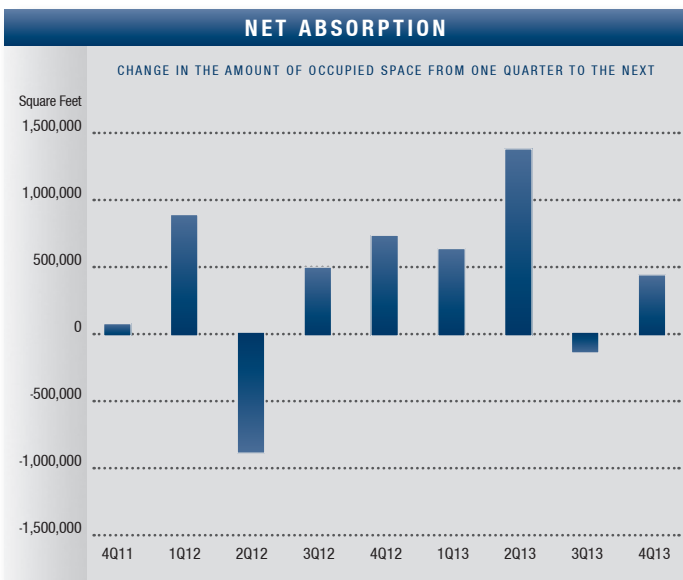
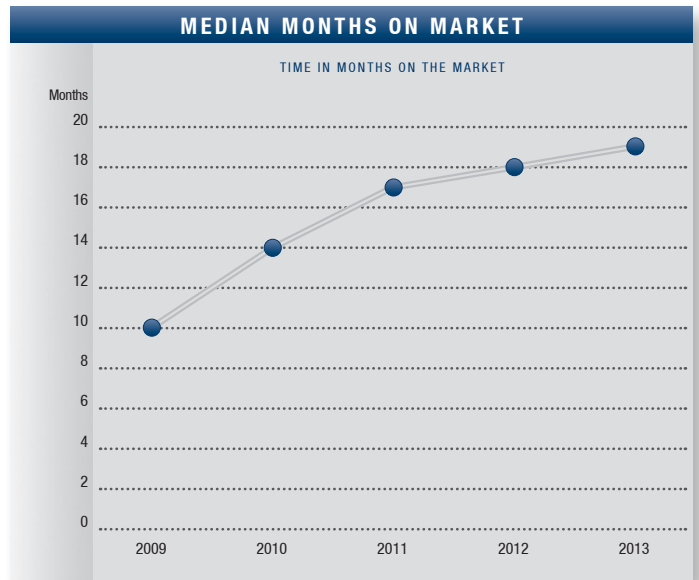
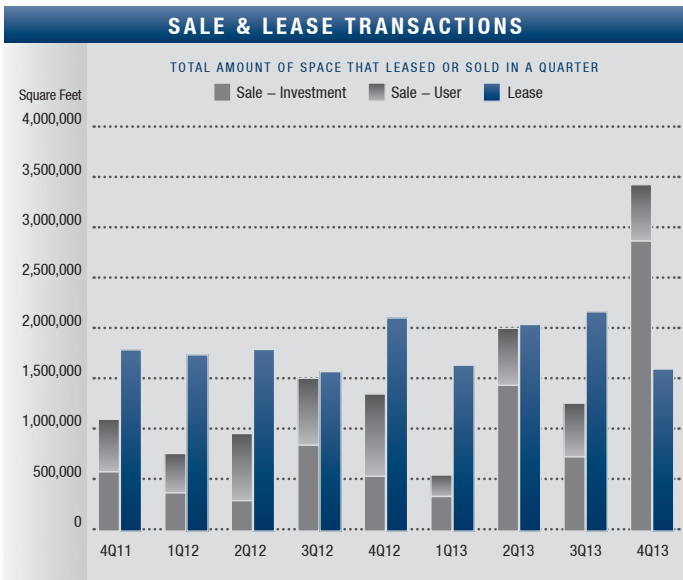
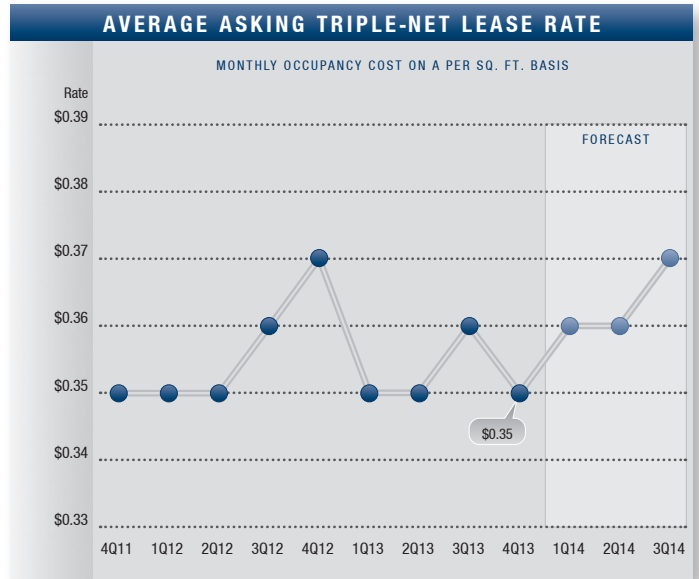
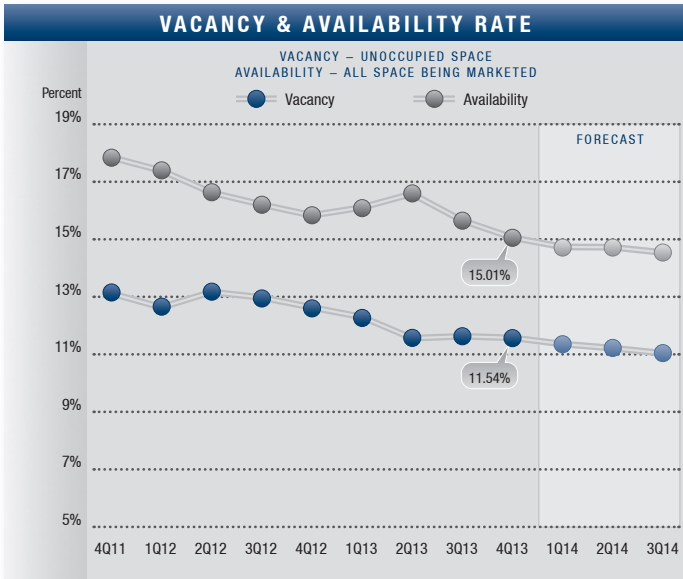
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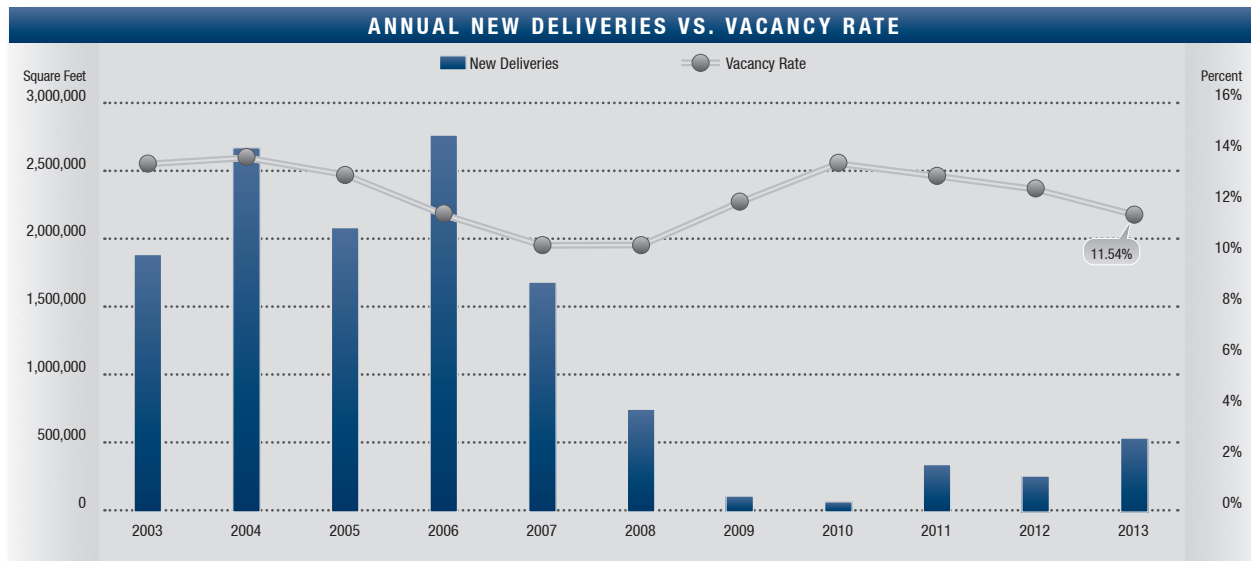
INDUSTRIAL MARKET OVERVIEW

	2013	2012	2011	% of Change vs. 2012
Vacancy Rate	11.54%	12.57%	13.14%	(8.19%)
Availability Rate	15.01%	15.81%	17.82%	(5.06%)
Average Asking Lease Rate	\$0.35	\$0.37	\$0.35	(5.41%)
Sale & Lease Transactions	14,149,562	11,693,173	14,289,478	21.01%
Gross Absorption	10,637,395	9,417,914	9,657,560	12.95%
Net Absorption	2,299,394	1,227,013	1,180,076	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 4Q2013	Square Feet Available	Availability Rate 4Q2013	Average Asking Lease Rate	Net Absorption 4Q2013	Net Absorption 2013	Gross Absorption 4Q2013	Gross Absorption 2013
Sacramento Market													
Auburn/Newcastle	85	2,243,000	0	0	115,521	5.15%	270,285	12.05%	\$0.67	21,993	56,510	25,060	87,436
Benicia	155	8,046,947	0	0	659,975	8.20%	1,410,040	17.52%	\$0.54	111,103	511,512	135,903	768,387
Davis/Woodland	188	16,434,573	0	15,040	2,292,962	13.95%	2,952,553	17.97%	\$0.26	(260,831)	268,593	79,658	1,152,183
Downtown	91	2,758,312	0	0	142,809	5.18%	176,009	6.38%	\$1.02	5,846	21,424	21,795	48,995
East Sacramento	25	594,674	0	0	50,376	8.47%	50,376	8.47%	\$0.62	(6,000)	69,000	0	75,000
Elk Grove/Laguna	103	4,989,737	0	29,450	440,566	8.83%	755,860	15.15%	\$0.35	40,660	176,883	69,513	317,970
Fairfield	160	12,462,231	0	1,649,472	915,859	7.35%	1,051,153	8.43%	\$0.35	80,294	94,460	118,210	391,256
Folsom/El Dorado	97	2,705,769	0	0	116,225	4.30%	208,086	7.69%	\$0.72	24,767	116,151	28,907	209,545
Marysville/Yuba City	138	5,789,888	0	0	355,729	6.14%	528,304	9.12%	\$0.41	(28,450)	(57,306)	24,825	62,027
Mather	124	3,747,444	0	70,393	568,847	15.18%	666,226	17.78%	\$0.37	3,543	(8,195)	19,435	159,776
McClellan	289	13,656,326	0	214,826	2,666,540	19.53%	3,291,784	24.10%	\$0.35	33,090	440,616	79,866	1,607,490
Natomas/Northgate	200	11,628,543	0	629,394	1,447,097	12.44%	1,620,890	13.94%	\$0.39	43,980	585,495	134,750	895,502
NE Sacramento	196	5,018,593	0	0	359,642	7.17%	519,122	10.34%	\$0.40	71,017	21,063	91,325	280,171
Outer El Dorado County	9	197,707	0	10,000	5,100	2.58%	17,100	8.65%	\$0.00	0	(5,100)	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	77,588	0	0	0	0.00%	10,000	12.89%	\$0.00	0	0	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	556	23,999,910	0	1,034,281	2,373,684	9.89%	3,679,951	15.33%	\$0.32	29,664	104,483	293,352	1,048,630
Richards	90	4,163,628	0	0	347,377	8.34%	402,381	9.66%	\$0.43	(68,696)	(16,907)	75,244	202,847
Roseville/Rocklin	276	16,412,240	195,000	484,773	2,504,880	15.26%	2,966,522	18.08%	\$0.37	173,907	297,203	259,039	887,211
South Sacramento	124	4,031,848	0	0	1,512,462	37.51%	1,508,512	37.41%	\$0.21	(45,031)	(1,361,352)	42,054	131,585
Sunrise	329	9,370,487	0	0	797,274	8.51%	1,080,778	11.53%	\$0.41	96,894	173,852	179,431	594,867
Vacaville	149	9,911,888	0	1,211,311	652,206	6.58%	988,092	9.97%	\$0.40	50,446	333,417	106,242	441,697
Vallejo	108	5,190,739	0	0	1,168,369	22.51%	1,175,904	22.65%	\$0.32	24,307	35,163	26,084	125,338
West Sacramento	306	15,563,993	60,000	30,000	1,218,355	7.83%	1,600,991	10.29%	\$0.43	29,897	442,429	307,571	1,149,482
Sacramento Market Total	3,814	179,478,553	255,000	5,378,940	20,711,855	11.54%	26,930,919	15.01%	\$0.35	432,400	2,299,394	2,118,264	10,637,395
10,000-29,999	2,296	38,409,120	0	562,068	2,943,205	7.66%	4,074,153	10.61%	\$0.49	229,561	589,966	557,727	2,202,009
30,000-49,999	597	22,689,859	0	219,918	2,381,635	10.50%	2,966,406	13.07%	\$0.40	157,037	332,843	324,605	1,357,313
50,000-99,999	546	36,545,776	60,000	506,436	4,157,014	11.37%	4,988,135	13.65%	\$0.39	264,491	873,091	673,529	2,357,193
100,000-199,999	236	30,776,664	195,000	1,644,843	3,362,441	10.93%	4,907,533	15.95%	\$0.33	247,474	1,082,289	392,103	1,973,590
200,000-299,999	81	19,495,745	0	750,461	2,695,687	13.83%	3,678,108	18.87%	\$0.28	(80,507)	59,657	100,731	476,320
300,000 Plus	58	31,561,389	0	1,695,214	5,171,873	16.39%	6,316,584	20.01%	\$0.33	(385,656)	(638,452)	69,569	2,270,970
Sacramento Market Total	3,814	179,478,553	255,000	5,378,940	20,711,855	11.54%	26,930,919	15.01%	\$0.35	432,400	2,299,394	2,118,264	10,637,395

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
6200 Franklin Blvd.	South Sacramento	1,625,129	Undisclosed	Hackman Capital Partners	Campbell's Soup Company
Bradshaw BP & Sunrise BP	Highway 50/Sunrise	451,018	\$95.34	ScanlanKemperBard Companies	CommonWealth REIT
221 Hanson & 2222 E Beamer	Davis/Woodland	800,000	\$40.00	E & E Trading Company	LNR Property Corporation
2030 Hanson Way	Davis/Woodland	396,000	\$40.28	Lotus Pacific Investments	DCT Industrial Trust, Inc.
890 Embarcadero Dr.	West Sacramento	164,330	\$63.04	Bayer Crop Science	Ethan Conrad Properties

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
539 Stone Rd.	Benicia	122,000	Mar-13	Santa Clara Warehousing	Walton Street Capital
1741 Aviation Blvd.	Roseville/Rocklin	115,849	Feb-13	Rogers Gourmet Coffee & Tea	Buzz Oates Companies
2400 Cordelia Rd.	Fairfield	109,936	Mar-13	Airstrain	Channel Lumber Company, Inc.
5201-5337 Luce Ave. – Renewal	McClellan	85,451	Feb-13	Zeta Communities	McClellan Park, LLC
1625 W. National Dr.	Natomas/Northgate	75,090	Sep-13	RagingWire	Westcore Properties

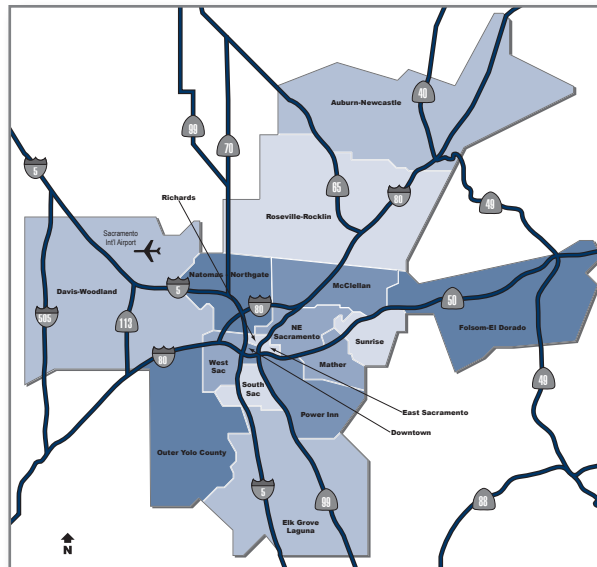
Product Type

MFG./DIST.

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