



## MARKET CHANGE

Compared to 2013:

**Vacancy**

**DOWN**



**Net Absorption**

**POSITIVE**



**Lease Rates**

**FLAT**



**Transactions**

**DOWN**



**Deliveries**

**UP**



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

[www.voitco.com](http://www.voitco.com)

Prepared by:

**Jerry J. Holdner, Jr.**  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

**Bianca Cruz**  
Market Research Analyst  
e-mail: [bcruz@voitco.com](mailto:bcruz@voitco.com)  
VOIT Real Estate Services

## 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 2014, vacancy decreased to 9.42%, which is the lowest vacancy rate since 2000. What's more, the market posted over 4.1 million square feet of positive absorption for the year.
- **Construction** - During the fourth quarter, there were six industrial buildings under construction in the Sacramento market, which totaled 1,313,814 square feet, respectively. 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 250,000 square foot building under construction in West Sacramento; it's a Class A distribution center that is expected to be delivered in September of 2015. At the close of the fourth quarter, there was 5.29 million square feet of proposed industrial space for the Sacramento market.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 9.42%, the lowest figure seen since the second quarter of 2000, and a decrease of over 17% since the fourth quarter of 2013. Within the major submarkets, Fairfield and West Sacramento had the lowest vacancy rates at 4.12% and 5.75%, while the South Sacramento area remained high at 36.31% with the large 1.6-million-square-foot vacancy of the Campbell's Soup facility.
- **Availability** - Direct/sublease space being marketed came in at 11.96% for the fourth quarter of 2014, a 78 basis point decrease from the previous quarter and a decrease of 19.35% from 2013's rate of 14.83%. The South Sacramento submarket remained high at 36.21%, while the Fairfield submarket had the lowest availability rate in the region at 4.78%.
- **Lease Rates** - The average asking triple-net lease rate was \$0.35 per square foot per month at the end of the fourth quarter. Asking rates have remained flat, but are stabilizing. We expect lease rates to increase slowly and steadily throughout 2015.
- **Absorption** - The Sacramento industrial market posted just under one million square feet of positive net absorption in the fourth quarter of the year, most of which was in the Fairfield submarket that posted over 451,000 square feet, giving the market a net total of almost 4.2 million square feet of positive net absorption for 2014.
- **Transaction Activity** - The total volume of industrial lease and sale transaction activity was almost 12.9 million square feet for 2014. Sales activity came in at just over 4.8 million square feet while leasing activity was just over 8 million square feet during the same time period. This statistic can have some lag time in being reported, so look for fourth quarter figures to end up somewhat higher in the next report. Details of the largest transactions for 2014 can be found on the back page of this report.
- **Employment** - The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 6.7% in November 2014, which is a slight increase from last month's figure of 6.6% in October 2014, but still below the year-ago estimate of 7.9%. This compares with an unadjusted unemployment rate of 7.1% for California and 5.5% 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 23,100 payroll jobs from November 2013 to November 2014. While most sectors showed gains in employment, the largest gains were 7,200 jobs in professional and business services, 4,500 jobs in construction, and 3,700 jobs in educational 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

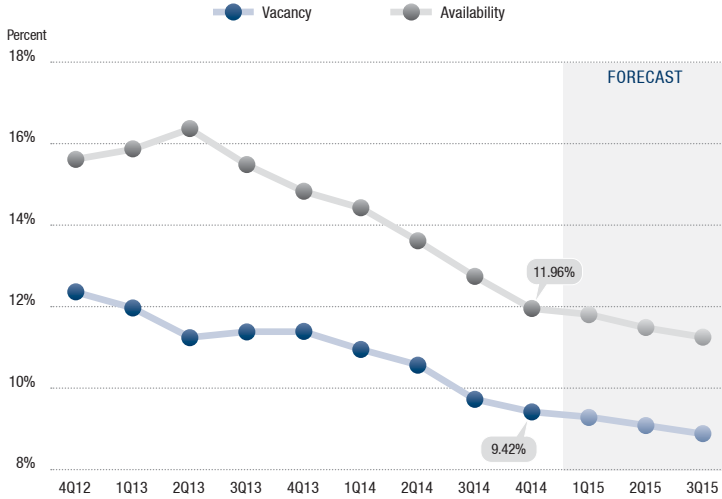
- **Construction** - At the close of the fourth quarter, over 1.3 million square feet of industrial space was under construction, the most construction seen in this market in years, but still below historical levels. We anticipate construction remaining minimal, comprised of mostly build-to-suit projects 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 8.90%, by the end of the third quarter of 2015.

## OVERVIEW

	2014	2013	2012	% of Change vs. 2013
Total Vacancy Rate	9.42%	11.36%	12.37%	(17.08%)
Availability Rate	11.96%	14.83%	15.62%	(19.35%)
Average Asking Lease Rate	\$0.35	\$0.35	\$0.37	0.00%
Sale & Lease Transactions	12,898,578	17,213,653	12,278,490	(25.07%)
Gross Absorption	9,409,573	10,799,424	9,375,013	(12.87%)
Net Absorption	4,181,809	2,280,528	1,111,490	N/A

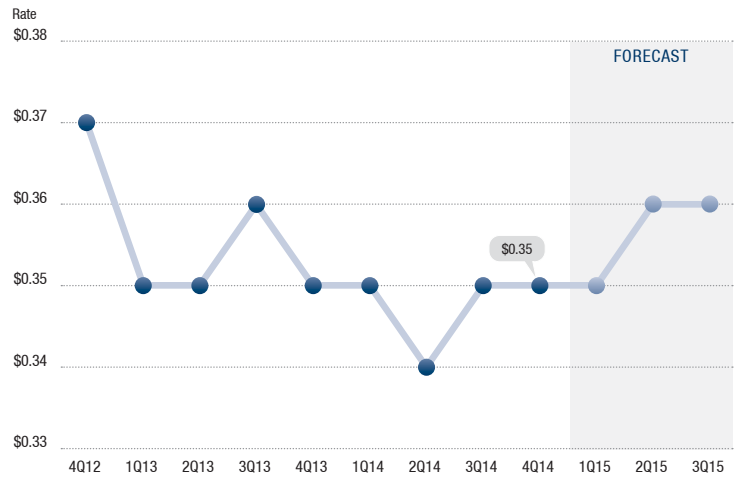
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



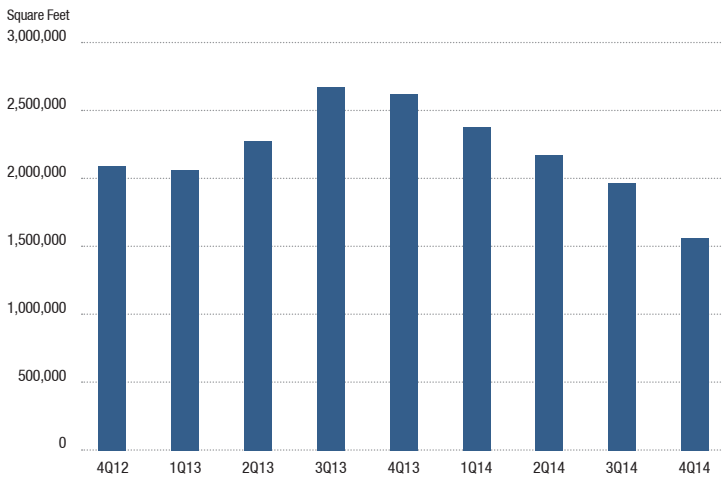
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



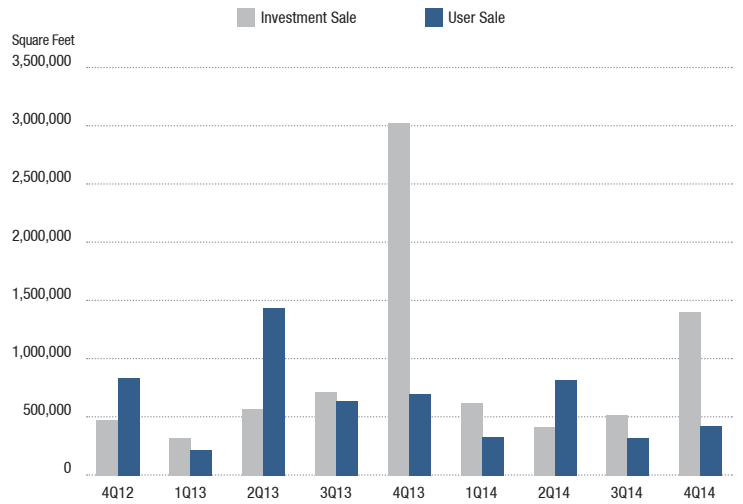
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



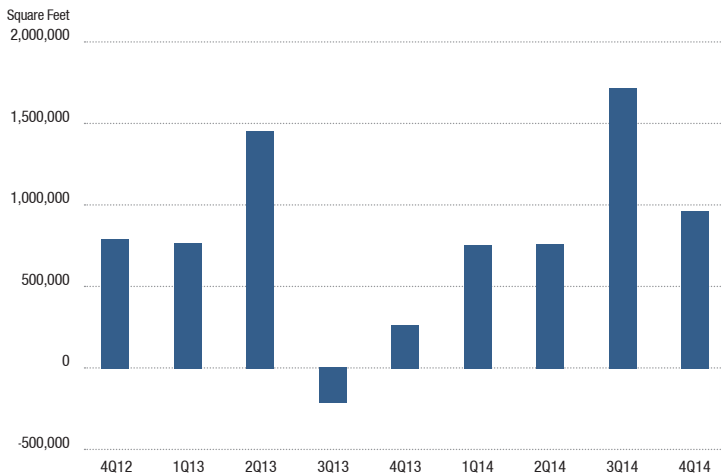
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



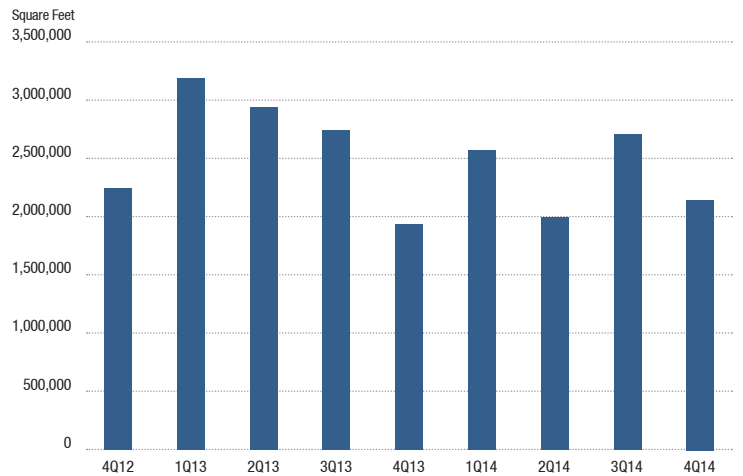
## NET ABSORPTION

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



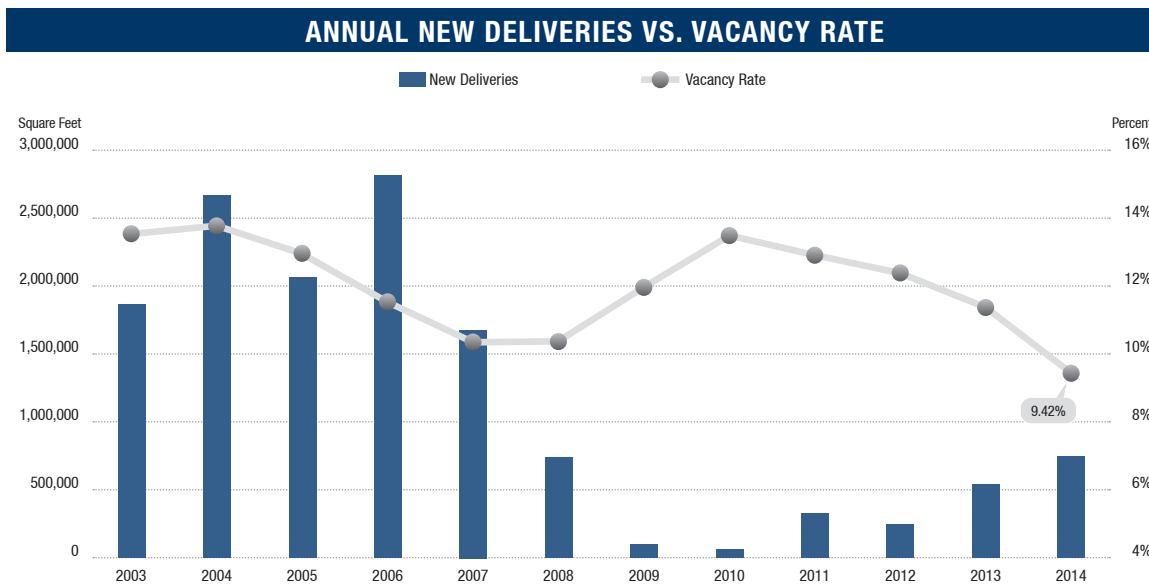
## GROSS ABSORPTION

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 4Q2014	Square Feet Available	Availability Rate 4Q2014	Average Asking Lease Rate	Net Absorption 4Q2014	Net Absorption 2014	Gross Absorption 4Q2014	Gross Absorption 2014
<b>Sacramento Market</b>													
Auburn/Newcastle	84	2,205,491	0	0	65,193	2.96%	278,943	12.65%	\$0.52	10,200	50,328	10,200	59,728
Benicia	155	8,112,543	0	0	626,161	7.72%	1,026,320	12.65%	\$0.51	(8,332)	(41,906)	55,906	527,798
Davis/Woodland	183	16,281,599	0	15,040	1,171,626	7.20%	1,234,222	7.58%	\$0.30	5,567	1,070,567	45,015	1,405,436
Downtown	88	2,701,277	0	0	103,736	3.84%	173,192	6.41%	\$0.70	21,124	(18,012)	21,124	44,757
East Sacramento	25	593,920	0	0	51,742	8.71%	44,542	7.50%	\$0.45	(7,366)	(1,366)	7,200	13,200
Elk Grove/Laguna	109	5,445,742	220,000	49,250	328,345	6.03%	658,679	12.10%	\$0.37	(8,710)	123,031	18,228	204,614
Fairfield	160	12,925,914	0	547,321	532,959	4.12%	617,493	4.78%	\$0.28	451,828	888,786	482,006	1,044,627
Folsom/El Dorado	99	2,707,743	0	0	121,702	4.49%	208,405	7.70%	\$0.74	300	(13,475)	2,300	28,188
Marysville/Yuba City	141	5,851,024	0	0	315,082	5.39%	375,878	6.42%	\$0.43	16,681	50,647	17,237	94,053
Mather	126	3,813,910	0	70,393	590,759	15.49%	780,835	20.47%	\$0.37	(25,798)	(15,412)	28,362	210,887
McClellan	286	13,417,225	116,964	32,500	2,268,022	16.90%	2,644,511	19.71%	\$0.33	62,687	304,666	128,032	561,112
Natomas/Northgate	202	11,708,333	0	629,394	1,290,880	11.03%	1,703,620	14.55%	\$0.40	(49,805)	303,777	122,726	886,801
NE Sacramento	192	5,035,082	0	0	334,269	6.64%	624,289	12.40%	\$0.33	62,520	53,373	88,042	178,564
Outer El Dorado County	9	197,707	0	10,000	0	0.00%	0	0.00%	\$0.00	3,500	5,100	3,500	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	564	24,391,157	0	1,034,281	2,275,166	9.33%	2,941,521	12.06%	\$0.33	17,350	105,868	379,506	1,150,467
Richards	86	4,042,487	0	0	341,007	8.44%	344,407	8.52%	\$0.34	21,300	(1,630)	30,900	96,992
Roseville/Rocklin	279	16,497,172	0	294,773	2,174,713	13.18%	2,457,765	14.90%	\$0.32	103,155	427,896	154,029	773,739
South Sacramento	125	4,028,478	0	1,077,600	1,462,717	36.31%	1,458,864	36.21%	\$0.21	24,400	47,345	28,515	85,580
Sunrise	334	9,440,520	0	0	548,809	5.81%	815,813	8.64%	\$0.43	122,192	206,679	207,233	534,137
Vacaville	149	9,908,386	0	1,211,311	575,960	5.81%	1,157,323	11.68%	\$0.34	152,209	111,216	188,720	417,635
Vallejo	109	5,202,195	0	0	961,579	18.48%	981,264	18.86%	\$0.30	0	182,524	0	187,494
West Sacramento	310	16,373,673	976,850	322,285	941,326	5.75%	1,167,494	7.13%	\$0.41	(12,649)	353,807	121,831	898,664
<b>Sacramento Market Total</b>	<b>3,831</b>	<b>181,443,654</b>	<b>1,313,814</b>	<b>5,294,148</b>	<b>17,093,753</b>	<b>9.42%</b>	<b>21,707,380</b>	<b>11.96%</b>	<b>\$0.35</b>	<b>962,353</b>	<b>4,181,809</b>	<b>2,140,612</b>	<b>9,409,573</b>
10,000-29,999	2,312	38,716,048	28,000	479,998	2,631,609	6.80%	3,540,861	9.15%	\$0.50	129,919	364,922	429,955	1,720,341
30,000-49,999	594	22,635,458	0	121,518	1,975,610	8.73%	2,558,294	11.30%	\$0.46	189,420	350,403	394,235	1,313,282
50,000-99,999	545	36,398,841	0	374,724	3,468,640	9.53%	4,448,291	12.22%	\$0.36	10,494	542,575	280,397	1,568,371
100,000-199,999	237	30,925,884	116,964	1,571,369	2,352,319	7.61%	3,722,913	12.04%	\$0.33	79,008	1,311,926	332,483	2,052,842
200,000-299,999	83	20,019,707	694,058	984,461	2,073,439	10.36%	2,173,682	10.86%	\$0.27	122,176	618,110	223,406	1,437,213
300,000 Plus	60	32,747,716	474,792	1,762,078	4,592,136	14.02%	5,263,339	16.07%	\$0.28	431,336	993,873	480,136	1,317,524
<b>Sacramento Market Total</b>	<b>3,831</b>	<b>181,443,654</b>	<b>1,313,814</b>	<b>5,294,148</b>	<b>17,093,753</b>	<b>9.42%</b>	<b>21,707,380</b>	<b>11.96%</b>	<b>\$0.35</b>	<b>962,353</b>	<b>4,181,809</b>	<b>2,140,612</b>	<b>9,409,573</b>

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



## MAJOR TRANSACTIONS OF 2014

### Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
Tide Ct. Distribution Center 1680 Tide Ct.	Davis/Woodland	427,073	\$40.00	Tao Logistics, LLC	Invesco Realty Advisors, Inc.
8201-8251 Luzon Ave.	Power Inn	261,360	\$34.44	Undisclosed	Undisclosed
8301 Belvedere Ave.	Florin Depot	347,700	\$23.87	Kelley Fairmont, Inc.	8301 Belvedere, LLC
3850 Channel Dr.	West Sacramento	77,000	\$98.70	Holt of California	Redwood Gardens
8825 Washington Blvd.	Roseville/Rocklin	113,620	\$54.18	Rustic Lane, LLC	Westcore Delta, LLC

### Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
8825 Elder Creek Rd.	Power Inn	260,000	Nov-14	Rex Moore Electric	Buzz Oates Group of Companies
5001 Industrial Way	Benicia	220,000	Jul-14	Proform	5001, LLC
2190 Hanson Way	Davis/Woodland	200,000	May-14	S.P. Richards Company	Prologis
8110 Power Ridge Rd.	Power Inn	176,200	Apr-14	Jarden Corporation	Panattoni Development Company
1660 Tide Ct.	Davis/Woodland	171,883	Aug-14	SF Spice Company	USAA Real Estate Company
1500 Overland Ct.	West Sacramento	161,941	May-14	Flowmaster Mufflers, Inc.	Westcore Properties

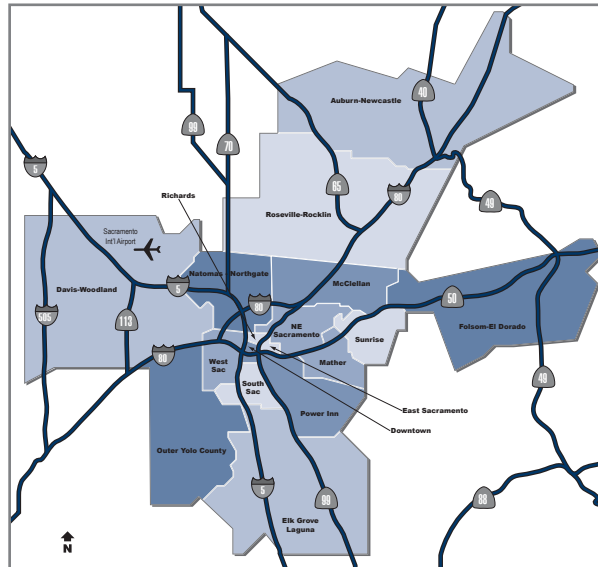
## PRODUCT TYPE

### MFG./DIST.

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

To view available properties, please visit:

[www.voitco.com](http://www.voitco.com)



### Please Contact Us for Further Information

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



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.