

Industrial Market Trends Sacramento

Grubb & Ellis Research

First Quarter 2008



2008 Off To Good Start

Executive Summary

The Sacramento Industrial Market tightened as 2008 began, with vacancy rates dropping approximately 200 basis points from the close of 2007 and finishing the first quarter at 10.6 percent. This decrease in vacancy is attributable to both positive net absorption and an increase in occupied property being added to the statistical inventory after the close of the fourth quarter 2007. The one million square feet of positive net absorption achieved during the quarter was due to tenant activity recorded during the first three months of the year.

Vacancy rates were down across the majority of the submarkets. I-80/McClellan was the main contributor to the drop in vacancy rates, plunging seven percent to 14.7 percent. The Woodland, South Sacramento/Elk Grove and Downtown submarkets all saw vacancy rates slightly decrease over the previous quarter. Of the ten submarkets, only Northgate/Natomas, Roseville/Rocklin/Lincoln and Folsom/EI Dorado Hills posted slight increases in vacancy.

Notable transactions during the quarter included the sale of 30,000 square feet at 180 Harris Avenue to East Bay Tire; a lease for Modern Impressions Printing at Norwood Industrial Park; and, a lease for Martin Mwangi at 10089 Folsom Boulevard.

Sacramento Industrial Market Trends

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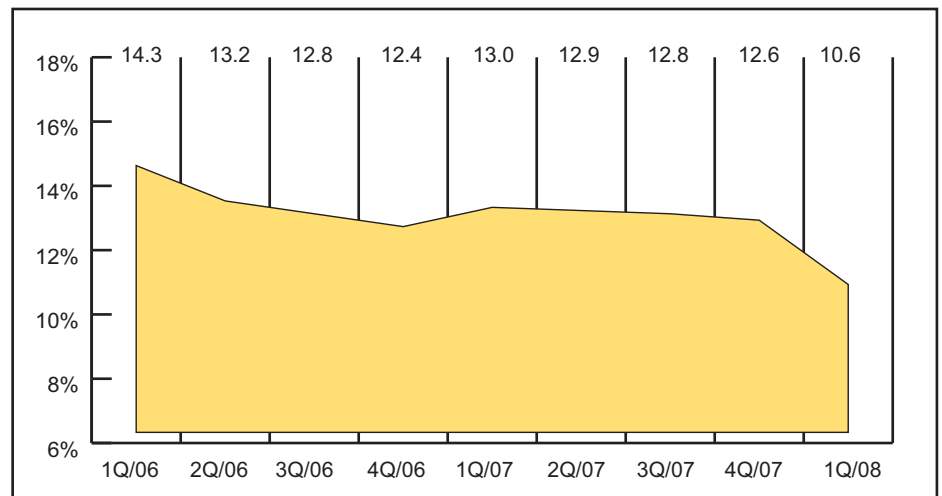
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Industrial Vacancy Rate*

* All Product Types

Industrial Market Snapshot Sacramento First Quarter 2008

By Submarket (All Product Types)	Total SF (1)	Vacant SF (2)	Vacant %	Net Absorption		Under Construction (3)	Asking Rent (4)	
				Current Qtr.	Year-to-Date		Wh./Dist.	R&D/Flex
Downtown	10,331,642	913,816	8.8%	(9,291)	(9,291)	-	\$0.35	\$0.61
Northgate/Natomas	15,165,211	1,610,664	10.6%	35,209	35,209	107,195	\$0.42	\$0.85
West Sacramento	17,678,104	909,417	5.1%	63,595	63,595	300,000	\$0.37	\$0.65
South Sac./Elk Grove	8,083,579	486,686	6.0%	173,131	173,131	96,550	\$0.40	\$0.83
Power Inn/South Watt	24,188,819	2,902,644	12.0%	(155,745)	(155,745)	20,000	\$0.40	\$0.78
Highway 50/Sunrise	19,150,632	1,539,254	8.0%	38,529	38,529	-	\$0.45	\$0.80
Rose./Rock./Linc.	17,811,105	2,398,662	13.5%	(128,360)	(128,360)	-	\$0.45	\$1.10
Folsom/El Dorado Hills	4,790,738	487,458	10.2%	(53,699)	(53,699)	50,000	\$0.55	\$1.10
I-80/McClellan	17,012,633	2,495,782	14.7%	984,669	984,669	-	\$0.35	\$0.80
Woodland	13,090,029	1,903,053	14.5%	132,995	132,995	-	\$0.27	-
Total	147,302,492	15,647,436	10.6%	1,081,033	1,081,033	573,745	\$0.48	\$0.92

By Product Type (All Submarkets)	Asking Rent							
Warehouse/Distrib.	80,102,476	8,459,813	10.6%	(68,859)	(68,859)	523,745	\$0.48	
General Industrial	52,532,538	5,103,917	9.7%	878,069	878,069	50,000	\$0.59	
R&D/Flex	14,667,478	2,083,706	14.2%	271,823	271,823	-	\$0.92	
Total	147,302,492	15,647,436	10.6%	1,081,033	1,081,033	573,745	\$0.58	

(1) Inventory includes multi-tenant and single tenant and owner occupied buildings with at least 10,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per month NNN. Rates for each building are weighted by the amount of available space in the building.

* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

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Industrial Market Terms and Definitions

Inventory: Industrial Inventory includes all multi-tenant, single tenant and owner-occupied buildings at least 10,000 square feet.

Construction Type: Speculative ("spec") construction is designed to attract tenants likely to be in the market when the project is leasing. Build-to-suit construction is designed for a specific tenant.

Industrial Product Types: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the amount of available space in the building.



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