

Industrial Market Trends Sacramento

Grubb & Ellis Research

First Quarter 2009



Unemployment Concerns Rule Q1

Regional and national job losses continued to mount during the quarter, leaving no sector of the economy unscathed. During the month of March, alone, over 660,000 jobs were eliminated from the nation's payrolls, roughly 40,000 of them from the four-county Sacramento-Arden Arcade-Roseville Metropolitan Statistical Area. Suffering the greatest toll: Trade, Transportation, & Utilities; Information; Professional & Business Services; and, the Leisure & Hospitality sectors. At the close of the quarter, the local unemployment rate rested at 10.5 percent, and, per a very recent survey of the region's top 100 employers, no growth is anticipated until at least the third quarter of the year. Hiring managers are in neutral.

An audit of the local industrial inventory revealed several necessary additions to the competitive base during the quarter. Due to the mostly occupied additions, the vacancy rate increased a mere 20 basis points over the close of 2008, in spite of a net loss of 700,000 square feet of occupied space. Vacancy is now 11.1 percent. Lease rates are essentially unchanged from last quarter.

Notable industrial transactions for Q1 included Tesco Controls' purchase of the former 84 Lumber facility on Florin Road in South Sacramento; a 30,000-square-foot Don Way (Carmichael) investment sale; and, a lease with Ron Sutton's Winner's Circle, Inc., a professional drivers' career development consultant in the Florin Depot Industrial Park.

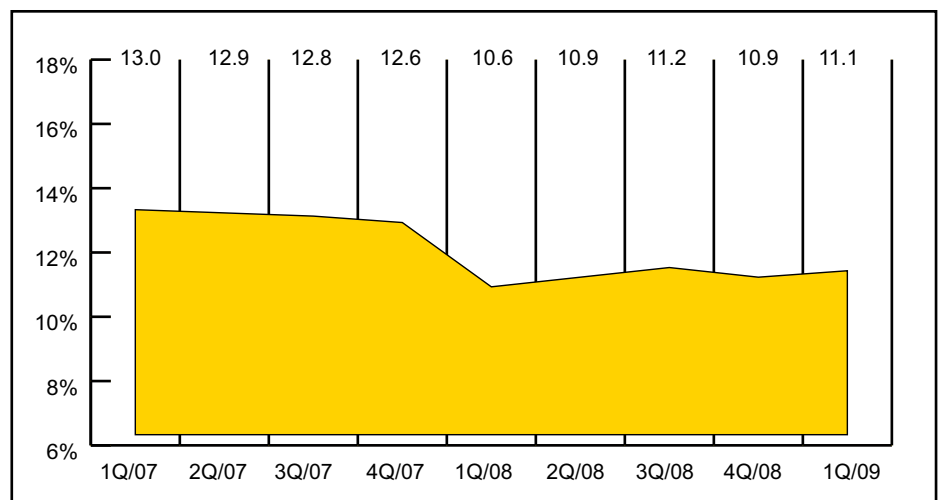
Sacramento Industrial Market Trends is a newsletter published quarterly by Grubb & Ellis Company. To obtain additional copies or other Grubb & Ellis publications, please contact:

Abby Friedman
Database Coordinator
E-mail: abby.friedman@grubb-ellis.com

Grubb & Ellis Company
1610 Arden Way, Suite 195
Sacramento, CA 95815
Phone: 916.418.6000

3031 W. March Lane, Suite 103
Stockton, CA 95219
Phone: 209.473.3000

Internet: www.grubb-ellis.com



Industrial Vacancy Rate*

* All Product Types

Industrial Market Snapshot Sacramento First Quarter 2009

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	11,662,661	1,034,675	8.9%	(21,891)	(21,891)	-	\$0.35	\$0.61
Northgate/Natomas	15,758,467	2,209,152	14.0%	(197,470)	(197,470)	-	\$0.42	\$0.85
West Sacramento	18,244,086	917,394	5.0%	192,045	192,045	-	\$0.37	\$0.65
South Sac./Elk Grove	8,325,070	656,061	7.9%	(31,869)	(31,869)	49,250	\$0.40	\$0.83
Power Inn/South Watt	24,761,351	2,512,536	10.1%	(29,930)	(29,930)	-	\$0.40	\$0.78
Highway 50/Sunrise	19,585,902	2,047,478	10.5%	(134,012)	(134,012)	-	\$0.45	\$0.80
Rose./Rock./Linc.	17,103,362	2,076,357	12.1%	(17,517)	(17,517)	188,570	\$0.45	\$1.10
Folsom/El Dorado Hills	4,913,928	287,680	5.9%	(5,715)	(5,715)	-	\$0.55	\$1.10
I-80/McClellan	16,904,523	2,912,284	17.2%	(228,465)	(228,465)	-	\$0.35	\$0.80
Woodland	13,199,715	2,038,018	15.4%	(256,592)	(256,592)	-	\$0.27	-
Total	150,459,065	16,691,635	11.1%	(731,416)	(731,416)	237,820	\$0.48	\$0.92

By Product Type (All Submarkets)	Asking Rent							
Warehouse/Distrib.	83,118,881	8,489,400	10.2%	(573,745)	(573,745)	237,820	\$0.48	
General Industrial	53,425,124	5,935,314	11.1%	(38,466)	(38,466)	-	\$0.59	
R&D/Flex	13,915,060	2,266,921	16.3%	(119,205)	(119,205)	-	\$0.92	
Total	150,459,065	16,691,635	11.1%	(731,416)	(731,416)	237,820	\$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.

For industrial leasing or purchase information, please call:

Brian Barnes
Senior Vice President
916.418.6015
brian.barnes@grubb-ellis.com

Matt Cologne
Vice President
916.418.6016
matt.cologne@grubb-ellis.com

Dave Hornbeck
Associate Advisor
916.418.6019
dave.hornbeck@grubb-ellis.com

Gavin Hursh
Associate Advisor
916.418.6031
gavin.hursh@grubb-ellis.com

John Knauer
Associate Advisor
916.418.6074
john.knauer@grubb-ellis.com

Bryce MacDonald
Senior Advisor
916.418.6017
bryce.macdonald@grubb-ellis.com

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.

© 2009 Grubb & Ellis Company



Some of the data in this report has been gathered from third party sources and has not been independently verified by Grubb & Ellis. Grubb & Ellis makes no warranties or representations as to the completeness or accuracy thereof.