

# Industrial Market Trends Sacramento

Grubb & Ellis Research

Second Quarter 2008



## Steady Market for Summer

### Executive Summary

The Sacramento Industrial Market remained steady during the second quarter 2008, with vacancy rates increasing a mere 30 basis points over the previous quarter and finishing at 10.9 percent. The slight increase in vacancy was a reflection of negative net absorption, the quarter closing with approximately 400,000 square feet of negative net absorption. Year-to-date net absorption stands at a healthy 692,000 square feet.

Only three submarkets managed to avoid vacancy increases – Roseville/Rocklin/Lincoln, Folsom/EI Dorado Hills and Woodland all experienced slight decreases in vacancy during the quarter. The main submarkets contributing to the overall increase in vacancy included Northgate/Natomas, which rose approximately two percent over the previous quarter and I-80/McCellan, which also saw an almost two percent increase in vacancy. Downtown, West Sacramento, South Sacramento/Elk Grove, Power Inn/South Watt and Highway 50 all continued the trend of minor increased vacancy rates.

Notable transactions during the quarter included the sale of 40,800 square feet at 3701 Pell Circle to Reverse Exchange and a lease for Ryan's Express Motorcoach for 21,800 square feet at 3011 Academy Way.

#### Sacramento Industrial Market Trends

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

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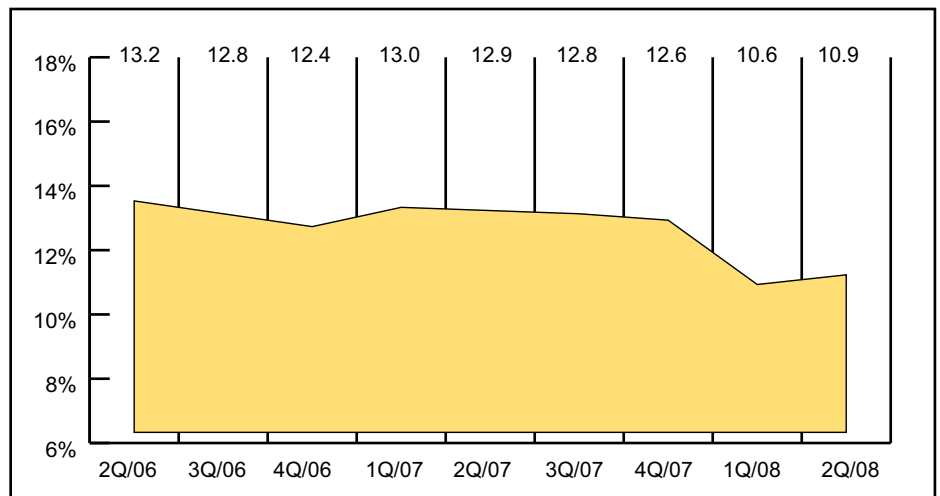
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Industrial Vacancy Rate\*

\* All Product Types

## Industrial Market Snapshot Sacramento Second 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	897,783	8.7%	16,033	6,742	-	\$0.35	\$0.61
Northgate/Natomas	15,165,211	1,921,383	12.7%	(310,729)	(275,520)	107,195	\$0.42	\$0.85
West Sacramento	17,678,104	918,263	5.2%	(8,846)	54,749	300,000	\$0.37	\$0.65
South Sac./Elk Grove	8,083,579	524,880	6.5%	(38,194)	134,937	96,550	\$0.40	\$0.83
Power Inn/South Watt	24,201,669	2,924,968	12.1%	(22,324)	(178,069)	20,000	\$0.40	\$0.78
Highway 50/Sunrise	19,154,358	1,607,282	8.4%	(93,168)	(54,639)	-	\$0.45	\$0.80
Rose./Rock./Linc.	17,815,237	2,327,003	13.1%	71,659	(56,701)	-	\$0.45	\$1.10
Folsom/El Dorado Hills	4,790,738	327,229	6.8%	160,229	106,530	50,000	\$0.55	\$1.10
I-80/McClellan	16,901,633	2,700,126	16.0%	(204,344)	780,325	-	\$0.35	\$0.80
Woodland	13,090,029	1,862,478	14.2%	40,575	173,570	-	\$0.27	-
<b>Total</b>	<b>147,212,200</b>	<b>16,011,395</b>	<b>10.9%</b>	<b>(389,109)</b>	<b>691,924</b>	<b>573,745</b>	<b>\$0.48</b>	<b>\$0.92</b>

By Product Type (All Submarkets)	Asking Rent							
Warehouse/Distrib.	80,106,308	8,493,806	10.6%	(59,143)	(128,002)	523,745	\$0.48	
General Industrial	52,545,688	5,529,854	10.5%	(425,937)	452,132	50,000	\$0.59	
R&D/Flex	14,560,204	1,987,735	13.7%	95,971	367,794	-	\$0.92	
<b>Total</b>	<b>147,212,200</b>	<b>16,011,395</b>	<b>10.9%</b>	<b>(389,109)</b>	<b>691,924</b>	<b>573,745</b>	<b>\$0.58</b>	

(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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