

Industrial Market Trends Sacramento

Grubb & Ellis Research

Third Quarter 2008



Vacancy Rates on the Rise

Executive Summary

The Sacramento Industrial market ended the third quarter of 2008 on an unremarkable note, enduring only minor changes over the previous quarter. Vacancy rates continued to creep upwards, finishing at 11.2 percent and a 30-basis point increase from the second quarter. Negative net absorption was once again the force driving the vacancy rate up, the quarter closing with approximately 219,000 square feet of negative net absorption. Year to date net absorption remains healthy and ended the quarter with approximately 428,000 square feet.

Of the submarkets, Northgate/Natomas, West Sacramento, South Sacramento, Highway 50 and I-80/McClellan all experienced increased vacancy rates over the previous quarter. The most significant increase occurred in the Highway 50 submarket, which saw an almost two percent increase in vacancy. Power Inn/South Watt, Roseville/Rocklin/Lincoln, Folsom/EI Dorado Hills and Woodland all saw vacancy rates slightly decrease during the quarter. Downtown saw vacancy rates remain unchanged from the second quarter.

Notable transactions during the quarter included the sale of 28,000 square feet at 5720 Alder Avenue to Northwest Investment Group, LLC and a lease for Davka Custom Woodworks, Inc. for 20,000 square feet at 732 Striker Avenue.

Sacramento Industrial Market Trends

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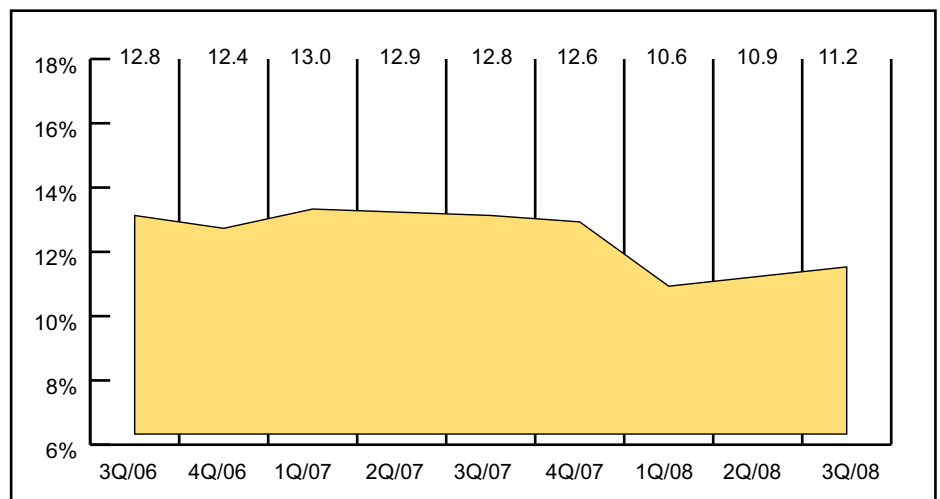
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Industrial Vacancy Rate*

* All Product Types

Industrial Market Snapshot Sacramento Third 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	897,371	8.7%	412	7,154	-	\$0.58	\$0.72
Northgate/Natomas	15,291,932	2,018,882	13.2%	29,222	(246,298)	76,779	\$0.45	\$0.74
West Sacramento	17,979,775	1,299,541	7.2%	(81,278)	(26,529)	-	\$0.41	\$0.54
South Sac./Elk Grove	7,896,599	559,464	7.1%	(44,963)	100,353	193,208	\$0.64	\$0.92
Power Inn/South Watt	24,211,679	2,803,728	11.6%	(15,560)	(193,639)	20,000	\$0.39	\$0.74
Highway 50/Sunrise	19,162,137	1,769,417	9.2%	(166,735)	(221,374)	-	\$0.67	\$0.99
Rose./Rock./Linc.	17,815,237	2,306,236	12.9%	20,767	(35,940)	145,470	\$0.36	\$1.02
Folsom/El Dorado Hills	4,790,738	292,760	6.1%	34,469	140,999	50,000	\$0.76	\$1.00
I-80/McClellan	16,918,133	2,734,361	16.2%	(17,735)	651,590	-	\$0.46	\$0.59
Woodland	13,145,879	1,840,081	14.0%	22,397	251,667	-	\$0.30	-
Total	147,543,751	16,521,851	11.2%	(219,004)	427,983	485,457	\$0.43	\$0.81

By Product Type (All Submarkets)	Asking Rent						
Warehouse/Distrib.	80,602,300	8,597,144	10.7%	198,483	126,175	338,799	\$0.43
General Industrial	52,568,227	5,895,988	11.2%	(366,124)	85,998	146,658	\$0.68
R&D/Flex	14,373,224	2,028,719	14.1%	(51,363)	215,810	-	\$0.81
Total	147,543,751	16,521,851	11.2%	(219,004)	427,983	485,457	\$0.55

(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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