

# Industrial Market Trends Sacramento

Grubb & Ellis Research

Fourth Quarter 2008



## Unimpressive End to 2008

### Executive Summary

Activity in Sacramento's industrial properties performed steadily through the last quarter of 2008, with 218,000 square feet of positive net absorption and a 40 basis point decline in vacancy rate. This marks the first time vacancy has declined since the close of the first quarter. At the end of the year, vacancy stood at 10.9 percent. Annual net absorption reached just over 650,000 square feet. The largest single decrease in vacancy occurred in the Roseville/Rocklin submarket, where vacancy rates decreased from 12.9 percent in the third quarter to 11.5 percent at the close of the year.

Vacancy rates were down across many of the submarkets. Downtown, Highway 50/Sunrise and Folsom/EI Dorado Hills, which posted only slight increases, were the three exceptions. Asking rental rates, rather than effective rents, were down roughly 10 percent across all submarkets since the close of 2007.

Notable transactions during the quarter included the sale of 24,000 square feet at 6201 Warehouse Way in the Power Inn/South Watt submarket; a lease for Classic Party Rentals for 26,542 square feet at 900 National Drive in the Northgate/Natomas submarket; and, a lease for Byers Gymnastics for 25,964 square feet at 3132 Dwight Road in South Sacramento.

#### Sacramento Industrial Market Trends

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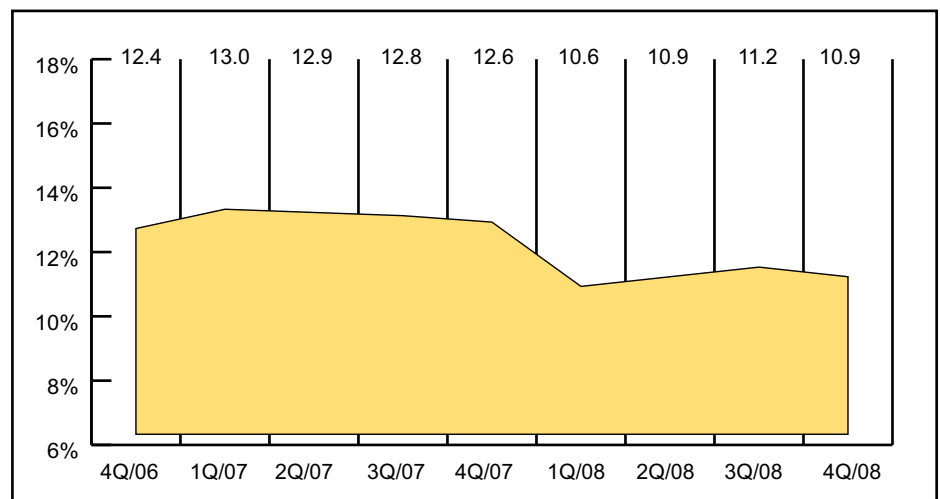
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Industrial Vacancy Rate\*

\* All Product Types

## Industrial Market Snapshot Sacramento Fourth 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	10,332,141	973,749	9.4%	(76,378)	(69,224)	-	\$0.35	\$0.61
Northgate/Natomas	15,291,932	2,005,897	13.1%	12,985	(233,313)	-	\$0.42	\$0.85
West Sacramento	17,979,775	1,199,031	6.7%	100,510	73,981	-	\$0.37	\$0.65
South Sac./Elk Grove	8,244,070	624,192	7.6%	(7,428)	92,925	49,250	\$0.40	\$0.83
Power Inn/South Watt	24,221,679	2,483,226	10.3%	320,512	126,873	-	\$0.40	\$0.78
Highway 50/Sunrise	19,165,833	1,893,691	9.9%	(124,274)	(337,323)	-	\$0.45	\$0.80
Rose./Rock./Linc.	17,815,237	2,054,072	11.5%	(89,836)	(125,776)	145,470	\$0.45	\$1.10
Folsom/El Dorado Hills	4,840,738	370,645	7.7%	(27,885)	113,114	-	\$0.55	\$1.10
I-80/McClellan	16,923,033	2,645,019	15.6%	89,342	740,932	40,000	\$0.35	\$0.80
Woodland	13,145,879	1,819,148	13.8%	20,933	272,600	-	\$0.27	-
<b>Total</b>	<b>147,960,317</b>	<b>16,068,670</b>	<b>10.9%</b>	<b>218,481</b>	<b>654,889</b>	<b>234,720</b>	<b>\$0.48</b>	<b>\$0.92</b>

By Product Type (All Submarkets)	Asking Rent							
Warehouse/Distrib.	80,680,399	8,106,631	10.0%	355,813	481,988	234,720	\$0.48	
General Industrial	52,719,212	5,834,298	11.1%	(38,310)	56,113	-	\$0.59	
R&D/Flex	14,560,706	2,127,741	14.6%	(99,022)	116,788	-	\$0.92	
<b>Total</b>	<b>147,960,317</b>	<b>16,068,670</b>	<b>10.9%</b>	<b>218,481</b>	<b>654,889</b>	<b>234,720</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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