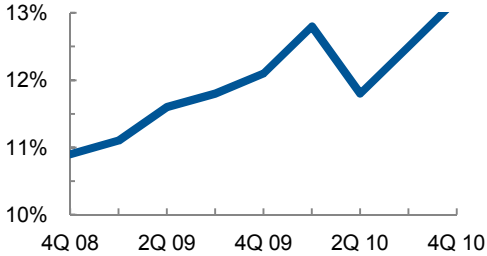
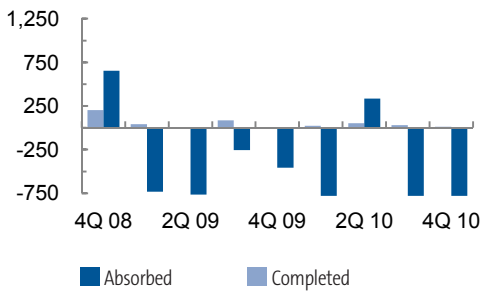


### Vacancy Rate



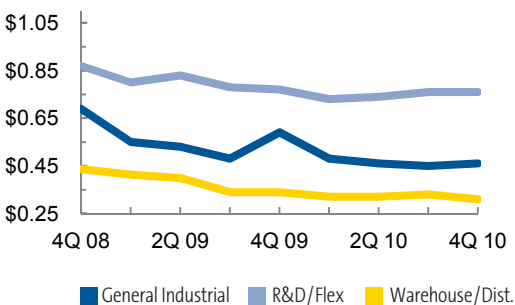
### Completions vs. Absorption

(in Thousands of SF)



### Asking Rental Rates

(\$/SF/Mo./Triple Net)



## A Not-So-Fond Farewell

Like most of the other commercial real estate markets, the Sacramento Industrial sector ended 2010 on a lackluster note and thus, most brokers and landlords are happy to leave last year behind. Vacancy continued to increase, jumping yet another 70 basis points, and coming to rest at 13.2 percent during the final quarter of 2010 – an increase of almost one whole percent over the vacancy rate at the close of 2009. The market lost approximately 884,000 square feet of occupied space during the fourth quarter, bringing the total net absorption for the year up to just over negative 2.4 million square feet.

Across the submarkets, increased vacancy and negative net absorption continued to be the theme of the year. One of the more notable increases in vacancy occurred in the McClellan submarket, with SureWest completing their move out of 155,000 square feet in McClellan Park. However, a few submarkets posted exceptions – Downtown, Laguna/Elk Grove and Northgate/Natomas all posted decreased vacancy rates and positive net absorption. Construction starts remained light, with only one new 36,000-square-foot project, 5251 Brace Road in Loomis, coming out of the ground.

The Sacramento area continued to lose jobs during the last quarter of 2010, posting a net loss of 22,300 jobs since the same time period in 2009. In the industrial sector, Construction continued to take a hit, losing 4,300 jobs during 2010 and while Manufacturing only lost 400 jobs during the year, taking in the bigger picture – manufacturing jobs in the area have dropped approximately 30 percent over the last 10 years. Regional unemployment now stands at 12.6 percent.

### FORECAST

- Speculative construction will remain at a standstill in 2011.
- Industrial sales transactions will be primarily focused on bank-owned and highly distressed properties. Lease transactions will pick up steam in the coming months.

### KEY TRANSACTIONS

Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
Shamrock Foods	JB Company	856 National Dr	150,000
Tesco Controls *	Union Pacific Railroad *	8380-8440 Florin Rd	6.5 Acres
Classic Party Rentals *	North Market Center LP	900 National Dr	26,542

■ Leasing ■ Sales      (R) = Renewal (S) = Sublease      \* Indicates Transaction Represented by Grubb & Ellis

# Industrial Trends Report—Fourth Quarter 2010

## Sacramento, CA



By Submarket	Total SF	Vacant SF	Vacancy %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current Qtr	Year To Date		WH/Dist	R&D/Flex
Auburn, Lincoln, Roseville, Rocklin	16,506,354	1,799,761	10.9%	(147,681)	(179,743)	36,000	\$0.46	\$0.93
Carmichael, Orangevale	1,438,699	75,051	5.2%	(15,550)	(16,408)	-	\$0.63	-
Downtown	10,867,319	1,037,853	9.6%	31,640	(11,900)	-	\$0.24	\$0.71
El Dorado Hills, Folsom	4,884,313	290,022	5.9%	(13,549)	44,709	-	\$0.56	\$1.10
Hwy 50 Corridor	12,474,300	1,755,010	14.1%	(16,237)	(305,953)	-	\$0.44	\$0.82
Laguna/Elk Grove	3,586,702	695,156	19.4%	6,428	(92,289)	-	\$0.39	\$1.35
Mather	5,420,560	957,785	17.7%	810	11,955	-	\$0.37	\$0.52
McClellan	16,998,346	2,871,203	16.9%	(290,485)	(226,680)	-	\$0.35	\$0.78
Northgate - Natomas	15,644,199	2,678,676	17.1%	11,310	(388,135)	-	\$0.33	\$0.65
Power Inn - South Watt	24,496,379	3,157,455	12.9%	(225,158)	(182,673)	-	\$0.31	\$0.71
South Sacramento	4,695,119	147,242	3.1%	(33,844)	6,118	-	\$0.24	\$0.64
West Sacramento	17,962,938	1,261,612	7.0%	(10,457)	(448,368)	-	\$0.31	\$0.68
Woodland	12,965,195	2,817,090	21.7%	(181,320)	(648,365)	-	\$0.18	-
<b>Totals</b>	<b>147,940,423</b>	<b>19,543,916</b>	<b>13.2%</b>	<b>(884,093)</b>	<b>(2,437,732)</b>	<b>36,000</b>	<b>\$0.31</b>	<b>\$0.76</b>

By Property Type	Total SF	Vacant SF	Vacancy %	Current Qtr	Year To Date	Under Construction SF	ASKING RENT
General Industrial	53,392,608	6,666,134	12.5%	(328,970)	(477,847)	-	\$0.46
R&D/Flex	14,549,804	2,696,458	18.5%	60,906	(141,002)	-	\$0.76
Warehouse/Distribution	79,998,011	10,181,324	12.7%	(616,029)	(1,818,883)	36,000	\$0.31
<b>Totals</b>	<b>147,940,423</b>	<b>19,543,916</b>	<b>13.2%</b>	<b>(884,093)</b>	<b>(2,437,732)</b>	<b>36,000</b>	<b>\$0.42</b>

## Grubb & Ellis — Sacramento Industrial Advisors

**Brian Barnes**  
Senior Vice President  
916.418.6015  
brian.barnes@grubb-ellis.com  
License #01167321

**Matt Cologna, SIOR**  
Senior Vice President  
916.418.6016  
matt.cologna@grubb-ellis.com  
License #01210309

**Dave Hornbeck, LEED AP**  
Associate  
916.418.6019  
dave.hornbeck@grubb-ellis.com  
License #01849016

**Gavin Hursh**  
Senior Associate  
916.418.6031  
gavin.hursh@grubb-ellis.com  
License #01311706

**Bryce MacDonald**  
Senior Associate  
916.418.6017  
bryce.macdonald@grubb-ellis.com  
License #01422174

## INDUSTRIAL TERMS AND DEFINITIONS

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

**Industrial Buildings Classifications:** 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 and includes direct and

sublease vacant. 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. The asking rent for each building in the market is weighed 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.*

*Reproduction in whole or part is permitted only with the written consent of 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.*