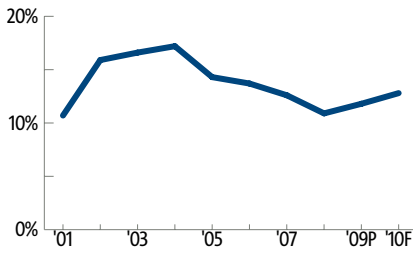


Vacancy Rate

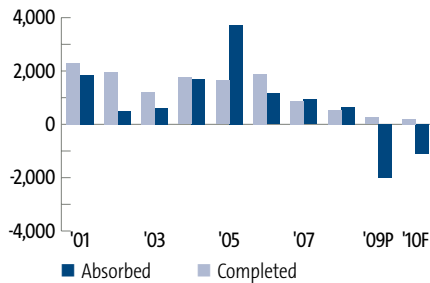
All Product Types, Year-End



Source: Grubb & Ellis

Completions vs. Absorption

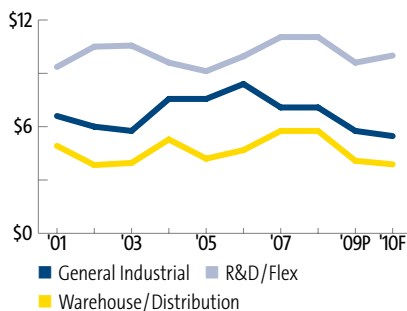
Year-End (in Thousands of SF)



Source: Grubb & Ellis

Asking Rental Rates

Year-End (\$/SF/Yr. Triple Net)



Source: Grubb & Ellis

Tenant demand and the construction pipeline are both at their lowest point in a decade. As a result, vacancy will hover at its current rate for the next 18 to 24 months.

The construction pipeline was virtually emptied in 2009, as projects planned years ago came to fruition. The steep decline in demand, coupled with challenging regional development policies, will keep construction completion figures low well into the coming year.

Industrial projects suffered a net loss of occupied space marketwide and across all property types during the year, illustrating that no submarket was immune to the decrease in demand for production, distribution or logistics facilities. In addition, no single property type remained unaffected by the economic fall-out created by job losses and the reduction in consumer spending. Negative net absorption was posted equally across virtually all submarkets and property types.

Several new tenants did set up shop in the region during the year, the most controversial being Nestlé Waters, which occupied 200,000 square feet in the Power Inn submarket during the third quarter. Nestlé Waters was ill-received by some critics who believed the plant would draw from the city's water supply without adequate remuneration. The company's management met the rumors head-on via local news sources. The facility will ultimately house 40 full-time jobs. Jarden Home Brands, a consumer products conglomerate, occupied an

additional 180,000 square feet in the Power Inn submarket. However, even in that submarket, net losses in occupancy could not be overcome.

The politics and policies surrounding regional flood plains and their future planning continue to elicit heated and passionate arguments on both sides of the issue. As a result of recently enacted legislation, developers will have to overcome significant hurdles for projects in West Sacramento and Natomas submarkets when they do decide to initiate construction, again.

Asking rents remained stable through most of 2009, though contract and effective rents on comparables trended downward most of the year. Leasing volume was down considerably. Small to mid-size buildings with yards, extremely scarce in 2008, could barely be given away in 2009, as smaller users evaporated from the tenant pool.

Submarkets offering targeted, niche amenities and landlords offering the greatest concessions and values will receive the most interest in 2010. Heated competition among landlords is expected to carry on.

Key Leasing Transactions

2009

Lessee	Lessor	Property	Submarket	Size (SF)
Nestlé Waters North America, Inc.	Buzz Oates	8670 Younger Creek Drive	Power Inn	214,000
Jarden Home Brands	STS Real Estate	8151 Fruitridge Road	Power Inn	183,000
Agilent	John E. Miller	10050 Foothills Boulevard ^R	Roseville/Rocklin	182,000
E & E Trading Co.	ING Clarion Partners	1685 E. Tide Court	Davis/Woodland	151,000
Sacramento RV Indoor Storage	Amir Development Co.	819 N. 10th Street	Downtown	113,000

(R) = Renewal

Source: Grubb & Ellis